Risk Factors Comparison 2025-03-07 to 2024-03-07 Form: 10-K

Legend: **New Text** ~~Removed Text~~ Unchanged Text Moved Text Section

The Company' s business, financial condition, results of operations and the trading price of its securities can be materially and adversely affected by many events and conditions including the following: ~~Pandemic or other health related events may have a material adverse effect on operations and financial condition. The outbreak of disease or other health related events on a regional, national or global level, such as the spread of the COVID- 19 coronavirus, may have a material adverse effect on commerce, which may, in turn impact the Company' s lines of business. The Company' s operations are significantly affected by the general economic conditions of New Jersey, Eastern Pennsylvania and the specific local markets in which the Company operates. To the extent these markets are negatively impacted by health related matters, such as pandemics like COVID- 19, our results of operations may be materially affected.~~ The Company has been and may continue to be ~~adversely~~ affected by national financial markets and economic conditions, as well as local conditions. The Company' s business and results of operations are affected by the financial markets and general economic conditions in the United States, including factors such as the level and volatility of interest rates, inflation, home prices, unemployment and under- employment levels, bankruptcies, household income, consumer spending, investor confidence and the strength of the U. S. economy. The deterioration of any of these conditions can adversely affect the Company' s securities and loan portfolios, level of charge- offs and provision for credit losses, capital levels, liquidity and results of operations. In addition, the Company is affected by the economic conditions within its New Jersey and Pennsylvania primary trade areas. Unlike larger banks that are more geographically diversified, the Company provides banking and financial services primarily to customers in the New Jersey market and one county in Pennsylvania in which it has branches, so any decline in the economy of New Jersey or eastern Pennsylvania could have an adverse impact. Additionally, certain aspects of these primary trade areas may be adversely impacted by the economic wellbeing of the New York City metro region. The Company' s loans, the ability of borrowers to repay these loans and the value of collateral securing these loans are impacted by economic conditions. The Company' s financial results, the credit quality of its existing loan portfolio and the ability to generate new loans with acceptable yield and credit characteristics may be adversely affected by changes in prevailing economic conditions, including declines in real estate values, changes in interest rates, adverse employment conditions and the monetary and fiscal policies of the federal government. The Company cannot assure that **any** positive trends or developments discussed in this annual report will continue or that negative trends or developments will not **arise** ~~have a significant adverse effect on itself~~. A significant portion of the Company' s loan portfolio is secured by real estate and events that negatively impact the real estate market **in the Company' s trade area** could hurt its business. A significant portion of the Company' s loan portfolio is secured by real estate. As of December 31, ~~2023~~ **2024**, approximately 96 percent of its loans had real estate as a primary or secondary component of collateral. The real estate collateral in each case provides an alternate source of repayment in the event of default by the borrower and may deteriorate in value during the time the credit is extended. Weakness in the real estate market in the Company' s primary market areas could result in an increase in the number of borrowers who default on their loans and a reduction in the value of the collateral securing their loans, which in turn could have an adverse effect on the Company' s profitability and asset quality. Any future declines in ~~home prices~~ **real estate values** in the New Jersey, New York and Pennsylvania markets **that** the Company serves also may result in increases in delinquencies and losses in its loan portfolios. Stress in the real estate market, combined with any weakness in economic conditions could drive losses beyond that which is provided for in the Company' s allowance for credit losses. In that event, the Company' s earnings could be adversely affected. ~~There~~ **A significant portion of the Company' s loan portfolio** is **secured by commercial real estate and events that negatively impact the commercial real estate market could adversely affect our asset quality and profitability for those loans secured by real property and increase the number of defaults and the level of losses within our loan portfolio. A significant portion of the Company' s loan portfolio is secured by commercial real estate. As of December 31, 2024, total commercial real estate loans, including construction loans, represented 53. 8 percent of our loan portfolio. Included in this portfolio are loans to industries including hotel / motel, retail, educational facilities, office space, warehouses, food / beverage services and religious facilities. Additionally, mixed- use loans, in their hybrid nature, may include these industries, as well as others not denoted above. These types of loans generally expose** a **lender to a higher degree of credit** risk **of non- payment and loss than residential mortgage loans do for several factors, including dependence on the successful operation of a business or a project for repayment. Further, the Company facilitates construction- to- permanent financing, which may come with heightened credit risks. In addition, commercial real estate loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one- to- four family residential mortgage loans. The value of the real estate collateral** that **provides an alternate source of repayment in the event of default by the borrower could deteriorate during the time the credit is extended. Underwriting and portfolio management activities cannot completely eliminate all risks related to** ~~the~~ **these** ~~SBA will not honor~~ **loans. Any significant failure to pay on time by our clients or a significant default by our clients would materially and adversely affect us. Concentrations in commercial real estate are closely monitored by regulatory agencies and subject to especially heightened scrutiny both on a public and confidential basis. Any formal or informal action by our supervisors may require us to increase our reserves on these loans and adversely impact our earnings. A downturn in the real estate market in our primary market areas could result in an increase in the number of borrowers who default on** their **loans and** ~~guarantee. The Company has historically been~~ a ~~participant~~ **reduction** in ~~various~~ **the value of the collateral securing their loans, which in turn could have an adverse effect on our profitability and asset quality. If we** are required to liquidate the collateral securing a loan to satisfy the debt during a period of reduced real estate values, our earnings and shareholders’ equity could be adversely affected. Any weakening of the commercial real estate market may increase the likelihood of default on these loans, which could negatively impact our loan portfolio’ s performance and asset quality. For example, any declines in commercial real estate prices in the New Jersey, New York and Pennsylvania markets we primarily serve, along with the unpredictable long- term path of the economy, may result in increases in delinquencies and losses in our loan portfolios. Unexpected decreases in commercial real estate prices coupled with slow economic growth and elevated levels of unemployment could drive losses beyond those which are provided for in our allowance for credit losses. We also may incur losses on commercial real estate loans due to declines in occupancy rates and rental rates, which may decrease property values and may decrease the likelihood that a borrower may find permanent financing alternatives. Any of these events could increase our costs, require Management' s time and attention, and materially and adversely affect us. 12Small Business Administration lending is an important part of our business. Our SBA lending ~~programs -~~ program is dependent upon the U. S. federal government, and we face specific risks associated with originating SBA loans. Our SBA lending program is dependent upon the U. S. federal government. The SBA periodically reviews the lending operations of participating lenders to assess, among other things, whether the lender exhibits prudent risk management. When weaknesses are identified, the SBA may request corrective actions or impose enforcement actions. Any changes to the SBA program, including but not limited to changes to the level of guarantee provided by the federal government on SBA loans, changes to program specific rules impacting volume eligibility under the guaranty program, as well as changes to the program amounts authorized by Congress or funding for the SBA program may also have a material adverse effect on our business. In addition, any default by the U. S. government on its obligations or any prolonged government shutdown could, among other things, impede our ability to originate SBA loans or sell such loans in the secondary market, which ~~guarantee~~ could materially and adversely affect our business, results of operations and financial condition. The SBA’ s 7 (a) Loan Program is the SBA’ s primary program for helping start- up ~~to 90 %~~ and existing small businesses, with financing guaranteed for a variety of general business purposes. Typically, we sell the guaranteed portion of our SBA 7 (a) loans in the secondary market. These sales result in premium income for us at the time of sale and create a stream of future servicing income, as we retain the servicing rights to these loans. For the reasons described above, we may not be able to continue originating these loans or selling ~~the~~ them ~~principal~~ in the secondary market. Furthermore, even if we are able to continue to originate and sell SBA 7 (a) loans in the secondary market, we might not continue to realize premiums upon the sale of the guaranteed portion of these loans or the premiums may decline due to economic and competitive factors. When we originate SBA loans, we incur credit risk on the non- ~~underlying loan. There is a risk that the SBA will not honor its guarantee~~ guaranteed portion of the loans, and if a customer defaults on a loan, we share any loss and recovery related to the loan pro- rata with the SBA. If the SBA establishes that a loss on an SBA guaranteed loan is attributable to significant technical deficiencies in the manner in which the loan was originated, funded or serviced by us, the SBA may seek recovery of the principal loss related to the deficiency from us. Generally, we do not ~~underwritten~~ maintain reserves or loss allowances for such potential claims and ~~administered~~ any such claims could materially and adversely affect our business, financial condition or results of operations. The laws, regulations and standard operating procedures that are applicable to SBA ~~guidelines~~ loan products may change in the future . ~~The Company follows~~ We cannot predict the effects of ~~the~~ these ~~underwriting guidelines of~~ changes on our business and profitability. Because government regulation greatly affects the business and financial results of all commercial banks and bank holding companies and especially our organization, changes in the laws, regulations and procedures applicable to SBA loans ~~; however, its ability to manage this will depend on the Company’ s ability to continue to attract, hire and retain skilled employees who have knowledge of the SBA program. If the SBA program does not honor the guarantee, this~~ could adversely ~~impact~~ affect our ability to operate profitably. The non- guaranteed portion of SBA loans that we retain on our balance sheet as well as the guaranteed portion of SBA loans that we sell could expose us to various credit and default risks. We have historically originated a significant number of SBA loans, and sold a significant portion of the guaranteed portions of ~~the~~ these ~~Company’ s~~ loans on the secondary market. We generally retain the non- guaranteed portions of the SBA loans that we originate. Consequently, as of December 31, 2024, we held $ 36. 9 million of SBA loans on our balance sheet, $ 36. 1 million of which primarily consisted of the non- guaranteed portion of SBA loans. The non- guaranteed portion of SBA loans have a higher degree of credit risk and risk of loss as compared to the guaranteed portion of such loans. We generally retain the non- guaranteed portions of the SBA loans that we originate and sell, and to the extent the borrowers of such loans experience financial ~~performance~~ difficulties, our financial condition and results of operations would be adversely impacted . When we sell the guaranteed portion of SBA loans in the ordinary course of business, we are required to make certain representations and warranties to the purchaser about the SBA loans and the manner in which they were originated. Under these agreements, we may be required to repurchase the guaranteed portion of the SBA loan if we have breached any of these representations or warranties, in which case we may record a loss. In addition, if repurchase and indemnity demands increase on loans that we sell from our portfolio, our liquidity, results of operations and financial condition could be adversely affected. 13Imposition of limits by bank regulators on commercial real estate lending activities could curtail our growth and adversely affect our earnings. In 2006, the OCC, the FDIC, and the FRB, or collectively, the Agencies, issued joint guidance entitled “ Concentrations in Commercial Real Estate Lending, Sound Risk Management Practices, ” or the “ CRE Guidance. ” Although the CRE Guidance did not establish specific lending limits, it provides that a bank’ s commercial real estate lending exposure will receive increased supervisory scrutiny where total nonowner occupied commercial real estate loans, including loans secured by apartment buildings, investor commercial real estate, and construction and land loans, represent 300 % or more of an institution’ s total risk- based capital, and the outstanding

balance of the commercial real estate loan portfolio has increased by 50 % or more during the preceding 36 months. Using regulatory guidance definitions, the Bank' s commercial real estate loan balance decreased 1. 55 % for the year ended December 31, 2024 and commercial real estate loans represented 235. 05 % of the Bank' s risk- based capital at December 31, 2024, a decrease from 269. 98 % at December 31, 2023. In December 2015, the Agencies released a new statement on prudent risk management for commercial real estate lending, or the " 2015 Statement. " In the 2015 Statement, the Agencies, among other things, indicated the intent to continue " to pay special attention " to commercial real estate lending activities and concentrations going forward. If the FDIC, our primary federal regulator, were to impose restrictions on the amount of such loans we can hold in our portfolio or require us to implement additional compliance measures, for reasons noted above or otherwise, our earnings could be adversely affected as would our earnings per share. ~~13There~~ -- **There** is a risk that the Company may not be repaid in a timely manner, or at all, for loans it makes or securities it purchases. The risk of nonpayment (or deferred or delayed payment) of loans is inherent in banking. Such nonpayment, or delayed or deferred payment, of loans to the Company may have a material adverse effect on its earnings and overall financial condition **, such as increased provision for credit losses, asset recovery costs and lower interest income** . Additionally, in compliance with applicable banking laws and regulations and U. S. Generally Accepted Accounting Principles (" U. S. GAAP "), the Company maintains an allowance for credit losses created through charges against earnings. As of December 31, ~~2023~~ **2024** , the Company' s allowance for credit losses was $ ~~25~~ **26** . ~~9~~ **8** million, or 1. ~~19~~ **18** percent of its total loan portfolio and ~~134~~ **204** . ~~75~~ **77** percent of its ~~nonperforming assets~~ **nonaccrual loans** . The Company' s marketing focus on small to medium size businesses may result in the assumption by the Company of certain lending risks that are different from or greater than those which would apply to loans made to larger companies. The Company seeks to minimize its credit risk exposure through credit controls, which include evaluation of potential borrowers' available collateral, liquidity and cash flow. However, there can be no assurance that such procedures will actually reduce credit losses. The risk of nonpayment (or deferred or delayed payment) on securities is also inherent in banking. Such nonpayment, or delayed or deferred payment on securities held by the Company, if they occur may have a material adverse effect on the Company' s earnings and overall financial condition. As of December 31, ~~2023~~ **2024** , the Company maintained a valuation reserve on a single available for sale security ~~for~~ **of** $ ~~1~~ **2** . ~~3~~ **8** million. The Company seeks to minimize its credit risk exposure on securities through ongoing monitoring and credit controls, which evaluate the financial condition of the issuer of the securities. However, there can be no assurance that such procedures will actually reduce credit losses. The Company' s allowance for credit losses may not be adequate to cover actual losses. Like all financial institutions, the Company maintains an allowance for credit losses to provide for loan defaults and nonperformance. Its allowance for credit losses may not be adequate to cover actual losses and future provisions for credit losses could materially and adversely affect the results of operations. Risks within the loan portfolio are analyzed on a continuous basis by ~~management~~ **Management** and, periodically, by an independent loan review function and by the Audit Committee. A risk system, consisting of multiple- grading categories, is utilized as an analytical tool to assess risk and the appropriate level of loss reserves. Along with the risk system, ~~management~~ **Management** further evaluates risk characteristics of the loan portfolio under current economic conditions and considers such factors as the financial condition of the borrowers, past and expected credit loss experience, historical trends and other factors **that** ~~management~~ **Management** feels deserve recognition in establishing an adequate reserve. This risk assessment process is performed at least quarterly and, as adjustments become necessary, they ~~are~~ **14are** realized in the periods in which they become known. The amount of future losses is susceptible to changes in economic, operating and other conditions, including changes in interest rates that may be beyond the Company' s control, and these losses may exceed current estimates. State and federal regulatory agencies, as an integral part of their examination process, review the Company' s loans and allowance for credit losses and may require an increase in its allowance for credit losses. Although the Company believes that its allowance for credit losses is adequate to cover probable and reasonably estimated losses, there can be no assurance that the Company will not further increase the allowance for credit losses or that its regulators will not require an increase to this allowance. Either of these occurrences could adversely affect the Company' s earnings. ~~14The~~ -- **The** Company is subject to interest rate risk and variations in interest rates may negatively affect its financial performance. Net interest income, the difference between interest earned on interest- earning assets and interest paid on interest- bearing liabilities, represents a significant portion of the Company' s earnings. Both increases and decreases in the interest rate environment may reduce the Company' s profits. Interest rates are subject to factors which are beyond the Company' s control, including general economic conditions, competition and policies of various governmental and regulatory agencies, such as the FRB. Changes in monetary policy, including changes in interest rates, could influence not only the interest the Company receives on loans and investment securities and the amount of interest it pays on deposits and borrowings, but such changes could also affect (i) the ability to originate loans and obtain deposits, (ii) the fair value of financial assets and liabilities, including the held to maturity and available for sale securities portfolios and (iii) the average duration of interest- earning assets. This also includes the risk that interest- earning assets may be more responsive to changes in interest rates than interest- bearing liabilities, or vice versa (repricing risk), the risk that the individual interest rates or rate indexes underlying various interest-earning assets and interest- bearing liabilities may not change in the same degree over a given time period (basis risk) and the risk of changing interest rate relationships across the spectrum of interest- earning asset and interest- bearing liability maturities (yield curve risk). The Company monitors interest rate risk through its asset liability management process; however, there are no assurances that this process will reduce interest rate risk exposures. The banking business is subject to significant government regulations. The Company is subject to extensive governmental supervision, regulation and control. These laws and regulations are subject to change and may require substantial modifications to the Company' s operations or may cause it to incur substantial additional compliance costs. These laws and regulations are designed to protect depositors and the public, but not the Company' s shareholders. In addition, future legislation and government policy could adversely affect the commercial banking industry and the Company' s operations. Such governing laws can be anticipated to continue to be the subject of future modification. The Company' s ~~management~~ **Management** cannot predict what effect any such future modifications will have on the Company' s operations. In addition, the primary focus of federal and state banking regulation is the protection of depositors and not the shareholders of the regulated institutions. For example, the Dodd- Frank Act has resulted in substantial compliance costs and may restrict certain sources of revenue. The Dodd- Frank Act was signed into law on July 21, 2011. Generally, the Act is effective the day after it is signed into law, but different effective dates apply to specific sections of this law, many of which will not become effective until various Federal regulatory agencies have promulgated rules implementing the statutory provisions. **In addition, subsequent legislation and regulatory action has, and future legislation and regulatory action may, amend or revise various provisions of the Dodd- Frank Act.** Uncertainty remains as to the ultimate impact of the Dodd- Frank Act and the implementing regulations thereunder, which could have a material adverse impact either on the financial services industry as a whole, or on the Company' s business, results of operations and financial condition. ~~For a more detailed discussion~~ **It is difficult to predict at this time what specific impact certain provisions and yet- to- be- finalized rules and regulations will have on the Company, including any regulations promulgated by the CFPB. Financial reform legislation and rules could have adverse implications on the financial industry, the competitive environment and the Company' s ability to conduct business. Management will have to apply resources to ensure compliance with all applicable provisions** of **regulatory reforms, including** the Dodd- Frank Act ~~, see " Item 1- Business – Supervision~~ and ~~Regulation~~ **any implementing rules, which may increase the Company' s costs of operations and adversely impact its earnings** . ~~" The~~ **15The** provisions of the Dodd- Frank Act, as well as any other aspects of current or proposed regulatory or legislative changes to laws or regulations applicable to the financial industry, may impact the profitability of business activities and may change certain business practices, including the ability to offer new products, obtain financing, attract deposits, make loans and achieve satisfactory interest spreads, and could expose the Company to additional costs, including increased compliance costs. These changes also may require the Company to invest significant management attention and resources to make any necessary changes to operations in order to comply, and could therefore also materially and adversely affect business, financial condition and results of operations. ~~As the Company continues to grow its total assets, the Company will be subject to heighted regulatory and reporting requirements.~~ The ~~Company faces the risk of failing to meet these requirements, which may negatively impact the results of operations and financial conduction. 15The~~ Company is subject to changes in accounting policies or accounting standards. Understanding the Company' s accounting policies is fundamental to understanding its financial results. Some of these policies require the use of estimates and assumptions that may affect the value of assets or liabilities and financial results. The Company has identified its accounting policies regarding the allowance for credit losses ~~and security valuations and security credit events~~ to be critical because they require ~~management~~ **Management** to make difficult, subjective and complex judgments about matters that are inherently uncertain. Under these policies, it is possible that materially different amounts would be reported under different conditions, using different assumptions, or as new information becomes available. From time to time, the Financial Accounting Standards Board (" FASB ") and the **U. S. Securities and Exchange Commission ("** SEC **")** change their guidance governing the form and content of the Company' s external financial statements. In addition, accounting standard setters and those who interpret U. S. GAAP, such as the FASB, SEC, banking regulators and the Company' s outside auditors, may change or even reverse their previous interpretations or positions on how these standards should be applied. Such changes are expected to continue. Changes in U. S. GAAP and changes in current interpretations are beyond the Company' s control, can be hard to predict and could materially impact how it reports financial results and condition. In certain cases, the Company could be required to apply a new or revised guidance retroactively or apply existing guidance differently, which may result in restating prior period financial statements for material amounts. Additionally, significant changes to U. S. GAAP may require costly technology changes, additional training and personnel and other expenses that would negatively impact results of operations. ~~Declines~~ **We are dependent on the use of data and modeling** in ~~value may adversely~~ **our management' s decision- making, and faulty data or modeling approaches could negatively** impact **our decision- making ability or possibly subject us to regulatory scrutiny in the future. The use of statistical and quantitative models, and** ~~the~~ **other quantitative** ~~investment portfolio. As of December 31, 2023, the Company had approximately $ 91. 8 million, $ 36. 1 million~~ and **qualitative analyses, is necessary** ~~$ 7. 8 million in debt securities available~~ for ~~sale~~ **bank decision- making** , ~~debt securities held to maturity~~ and **the employment of such analyses is becoming increasingly widespread** ~~equity investment securities, respectively. The Company may be required to record credit charges~~ in ~~earnings related to~~ **our operations. Liquidity stress testing, interest rate sensitivity analysis, the identification of possible violations of anti- money laundering regulations and the estimation of** credit losses **are all examples of areas in which we are dependent** on **models and** ~~its investment securities if they~~ - **the data that underlies** ~~suffer a decline in value related to credit. Additionally, (i) if the~~ **them . The use of statistical and quantitative models** ~~Company intends to sell a security or (ii) it~~ is **also becoming** more ~~likely than~~ **prevalent in regulatory compliance. While we are** not **currently subject to annual Dodd- Frank stress testing and the Comprehensive Capital Analysis and Review submissions, we anticipate** that **model- derived testing may become more extensively implemented** ~~it will be required to sell the security prior to recovery of its amortized cost basis, the Company will be required to recognize a charge in the statement of income equal to the full amount of the decline in fair value below amortized cost. Factors, including lack of liquidity, absence of reliable pricing information, adverse actions~~ by regulators ~~or~~ **in the future. We** ~~unanticipated~~ --- **anticipate** ~~changes~~ **data- based modeling will penetrate further into bank decision- making, particularly risk management efforts, as the capacities developed to meet rigorous stress testing requirements are able to be employed more widely and** in **differing applications. While we believe these quantitative techniques and approaches improve our decision- making,** ~~the~~ **they** ~~competitive environment,~~ **also create the possibility that faulty data or flawed quantitative approaches** could ~~have a negative~~ **negatively** ~~effect on~~ **impact our decision- making ability or, if we become subject to regulatory stress- testing in the future, adverse regulatory scrutiny. Secondarily, because of the complexity inherent in** ~~the~~ **these** ~~investment portfolio and may~~ **approaches, misunderstanding or misuse of their outputs**

could similarly result in **suboptimal decision- making** ~~impairment on investment securities in future periods~~ . ~~Liquidity~~ **16Liquidity** risk. Liquidity risk is the potential that the Company will be unable to meet its obligations as they come due because of an inability to liquidate assets or obtain adequate funding on a timely basis, at a reasonable cost and within acceptable risk tolerances. Liquidity is required to fund various obligations, including credit commitments to borrowers, mortgage and other loan originations, withdrawals by depositors, repayment of borrowings, dividends to shareholders, operating expenses and capital expenditures. Liquidity is derived primarily from deposit growth and retention; principal and interest payments on loans; principal and interest payments on investment securities; sale, maturity and prepayment of investment securities; net cash provided from operations and access to other funding sources. Customer account balances can decrease when customers perceive alternative investments, such as fixed income securities or money market funds, as providing a better risk / return trade off or if customers are concerned about the safety of their deposits ~~, as happened in the first quarter of 2023~~ . If customers move money out of bank deposits and into other investments, or if customers perceive a risk in leaving their deposits with the Bank and transfer the deposits to larger institutions seen as less risky, the Company could lose a low- cost source of funds, increasing its funding costs and reducing the Company' s net interest income and net income. **As of December 31, 2024, $ 815. 1 million, or 38. 8 %, of the Company' s deposits were time deposits with $ 768. 6 million, or 94. 3 % of those time deposits, maturing within one year.** ~~16The~~ -- **The Company' s liquidity position could be impacted by these deposits if its customers decide to withdraw funds at maturity and invest in non- deposit products, including but not limited to U. S. Treasuries. Additionally, the Company' s earnings could be impacted if interest rates increase and the Company needs to increase the rates offered on time deposits to retain these funds. The Company' s management monitors the deposit composition of its Consolidated Balance Sheet through various Board and Management reporting on a regular basis. The** Company maintains elevated wholesale funding balances, including brokered **deposits** ~~CDs, brokered money market accounts~~ , FHLB advances and other borrowing and deposit sources. These **types of** wholesale funding ~~balances~~ typically result in higher funding costs compared to other sources and reduce the Company' s net interest income and net income. Additionally, these sources typically are only available to the Company if the Bank maintains certain capital levels. The Company' s management team monitors wholesale funding as a composition of its **Consolidated** ~~balance~~ **Balance** ~~sheet~~ **Sheet** via the risk management process; however, wholesale deposits may be more prone to liquidity risk. The Company' s access to funding sources in amounts adequate to finance its activities could be impaired by factors that affect the Company specifically or the financial services industry in general. Factors that could detrimentally impact access to liquidity sources include a decrease in the level of business activity due to persistent weakness, or downturn, in the economy or adverse regulatory action against the Company. The Company' s ability to borrow could also be impaired by factors that are not necessarily specific to it, such as a severe disruption of the financial markets or negative views and expectations about the prospects for the financial services industry as a whole. There are current proposals from the Federal Housing Finance Agency (" FHFA "), the regulatory of the Federal Home Loan Bank (" FHLB ") system, to refocus on the FHLB' s housing mission. This proposal would require many banks to hold at least 10 % of their assets in residential mortgages in order to maintain access to FHLB funding. If these proposals change or progress, this could impact the Company' s ability to borrow from the FHLB and require it to find other sources of credit, including borrowing directly from the FRB. The Company is in competition with many other banks, including larger commercial banks which have greater resources, as well as " fintech " companies for loan and deposit customers. The banking industry within the State of New Jersey is highly competitive. The Company' s principal market area is also served by branch offices of large commercial banks and thrift institutions. In addition, the Modernization Act permits other financial entities, such as insurance companies and securities firms, to acquire or form financial institutions, thereby further increasing competition. In addition, financial technology companies, either directly or in partnership with other insured depository institutions, compete for loan and deposit customers. Similarly, larger legacy non- financial companies, such as ~~Apple~~ **17Apple** , Alphabet and Amazon, are further increasing competition to compete for loans, deposits and payments. A number of the Company' s competitors have substantially greater resources than it does to expend upon advertising and marketing, and their substantially greater capitalization enables them to make much larger loans **. Additionally, many of these competitors have less regulation than the Company as they are not financial institutions** . The Company' s success depends a great deal upon its judgment that large and mid- size financial institutions do not adequately serve small businesses in its principal market area and upon the Company' s ability to compete favorably for such customers. In addition to competition from larger institutions, the Company also faces competition for individuals and small businesses from small community banks seeking to compete as " hometown " institutions. Most of these smaller institutions have focused their marketing efforts on the smaller end of the small business market the Company serves. In January 2022, the Federal Reserve issued " Money Payments: The U. S. Dollar in the Age of Digital Transformation " which discusses a U. S. central bank digital currency (" CBDC "). While this is in the earliest of stages, if this CBDC is implemented by the Federal Reserve, it could change banking on a larger scale as Americans would be able to transact directly with the Federal Reserve **and may not need Banks to serve as intermediaries** . The Company has also been active in competing for New Jersey governmental and municipal deposits. At December 31, ~~2023~~ **2024** , the Company held approximately $ ~~346~~ **400** . ~~3~~ **5** million in governmental and municipal deposits. The governor of New Jersey has proposed that the state form and own a bank in which governmental and municipal entities would deposit their excess funds, with the state owned bank then financing small businesses and municipal projects in New Jersey. While **no** legislation has been introduced in the state legislature, the New Jersey Public Bank Implementation Board has provided its final recommendations to the governor, including that the public bank entity should not be a depository institution but should seek funding from a diverse range of investors and non- depository investment vehicles. However, should this proposal be adopted and a state owned bank formed, it could impede the Company' s ability to attract and retain governmental and municipal deposits, thereby impairing the Company' s liquidity. ~~17The~~ -- **The** nature and growth rate of our loan portfolio may expose us to increased lending risks. Given the significant growth in our loan portfolio, many of our loans are unseasoned, meaning that they were originated relatively recently. Approximately ~~58~~ **53** . ~~7~~ **0** % of our loan portfolio has been originated in the past three years. As a result, it may be difficult to predict the future performance of our loan portfolio. These loans may have delinquency or charge- off levels above our expectations, which could negatively affect our performance. **Additionally, although the majority of residential mortgages historically originated by the Bank would be considered Qualified Mortgages, the Bank has and may continue to make residential mortgage loans that would not qualify. As a result, the Bank might experience increased compliance costs, loan losses, litigation related expenses and delays in taking title to real estate collateral, if these loans do not perform and borrowers challenge whether the Bank satisfied the ability- to- repay rule upon originating the loan.** Future offerings of common stock may adversely affect the market price of the Company' s stock. In the future, if the Company' s or the Bank' s capital ratios fall below the prevailing regulatory required minimums **, or should the Company seek to expand through acquisitions** , the Company or the Bank could be forced to raise additional capital by making additional offerings of common stock or preferred stock. Additional equity offerings may dilute the holdings of existing shareholders or reduce the market price of common stock, or both. The Company cannot predict how changes in technology will impact its business. The financial services market, including banking services, is increasingly affected by advances in technology, including developments in: ● telecommunications; ● data processing; ● artificial intelligence, (" AI "); ● automation; **18** ● Internet- based banking; ● Tele- banking; ● debit cards / smart cardsThe Company' s ability to compete successfully in the future will depend on whether it can anticipate and respond to technological changes. Due to the rise of AI, technological advances are occurring in the industry at an unprecedented pace. To develop these and other new technologies and protect against cyber security threats, the Company will likely have to make additional capital investments. Although the Company continually invests in new technology, it cannot assure that it will have sufficient resources or access to the necessary proprietary technology to remain competitive in the future. The Company' s information systems may experience an interruption or breach in security. The Company relies heavily on communications and information systems to conduct its business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in the Company' s customer- relationship management, general ledger, deposit, loan and other systems. The Company is further exposed to the risk that its external vendors may be unable to fulfill their contractual obligations (or will be subject to the same risk of fraud or operational errors by their respective employees) and to the risk that the Company' s (or its vendors') business continuity and data security systems prove to be inadequate. The Company maintains a system of comprehensive policies and a control framework designed to monitor vendor risks including, among other things, (i) changes in the vendor' s organizational structure or internal controls ~~,~~ **;** (ii) changes in the vendor' s financial condition ~~,~~ **;** (iii) changes in the vendor' s support for existing products and services and (iv) changes in the vendor' s strategic focus. In addition, the Company maintains cyber liability insurance to mitigate against certain losses it may incur. ~~18While~~ -- **While** the Company has policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of its information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur; or, if they do occur, that they will be adequately addressed. Further cyber risk exposure will likely remain elevated in the future as a result of the Company' s expansion of internet and mobile banking tools and new product roll out. The occurrence of any failures, interruptions or security breaches of the Company' s information systems could damage the Company' s reputation, result in a loss of customer business, subject the Company to additional regulatory scrutiny or expose the Company to civil litigation and possible financial liability; any of which could have a material adverse effect on the Company' s financial condition and results of operations. For further information, please refer to Item 1C in this document. The Company' s business strategy could be adversely affected if it is not able to attract and retain skilled employees and manage expenses. The Company expects to continue to experience growth in the scope of its operations and, correspondingly, in the number of its employees and customers. The Company may not be able to successfully manage its business as a result of the strain on ~~management~~ **Management** and operations that may result from this growth. The Company' s ability to manage this growth will depend upon its ability to continue to attract, hire and retain skilled employees. The Company' s success will also depend on the ability of its officers and key employees to continue to implement and improve operational and other systems, to manage multiple, concurrent customer relationships and to hire, train and manage employees. Further, given the rise of " remote " and " hybrid " working models, the Company is in competition with more companies and industries for employee retention. The Company' s potential inability to retain key employees could have a material adverse effect on its financial condition and results of operations. As a community banking organization, the Company is highly reliant on key employees, including its Chief Executive Officer, Chief Financial Officer, heads of key operational areas, area managers, business development officers and loan officers. The loss of these employees could have an adverse impact on the Company' s operating capacities and the ability to implement growth strategies and adversely impact the financial performance. **19Pandemic or other health related events may have a material adverse effect on operations and financial condition. The outbreak of disease or other health related events on a regional, national or global level and the government' s reaction to such events, may have a material adverse effect on commerce, which may, in turn impact the Company' s lines of business as well as the businesses of its customers. Climate change,** ~~Hurricanes~~ **hurricanes** , flooding **, earthquakes, terrorism** or other adverse ~~weather~~ events could negatively affect local economies or disrupt operations, which would have an adverse effect on the Company' s business or results of operations. **There is** ~~Hurricanes, flooding and~~ - **an increasing concern over** ~~other~~ -- **the risks of climate change and related environmental sustainability matters. Climate change presents (i) physical risks from the direct impacts of changing climate patterns and acute** weather events **and (ii) transition risks from changes in regulations, disruptive technologies, and shifting market dynamics towards a lower carbon economy. The physical risks of climate change include discrete events such as hurricanes, flooding, earthquakes that** can disrupt the Company' s operations, result in damage to its properties and negatively affect the local economies in which it operates. **Ongoing legislative or regulatory uncertainties and changes regarding climate risk management and practices may result in higher regulatory, compliance, credit and reputational risks and costs. Climate change could also present incremental risks to the execution**

of the Company' s long- term strategy. Additionally, transitioning to a low- carbon economy may entail extensive policy, legal, technology and market initiatives. In addition **, our reputation and client relationships may be damaged as a result of our practices related to climate change, including our involvement, or our clients' involvement, in certain industries or projects, in the absence of mitigation and / or transition measures, associated with causing or exacerbating climate change, as well as any decisions we make to continue to conduct or change our activities in response to considerations relating to climate change. As climate risk is interconnected with all key risk types, the Company continues to embed climate risk considerations into risk management strategies. Furthermore** , these weather events may result in a decline in value or destruction of properties securing loans and an increase in delinquencies, foreclosures and ~~loan~~ **credit** losses. The Company does maintain property insurance policies to cover certain costs associated with these events; however, it is possible that the expenses may exceed coverage, may not be covered at all or may ultimately increase costs associated with future insurance premiums. **Additionally, New York City and New Jersey remain central targets for potential acts of terrorism against the United States. Such events could affect the stability of the Company' s deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in loss of revenue and / or cause the Company to incur additional expenses. The occurrence of any such event in the future could have material adverse effect on the business, which in turn, could have a materially adverse impact on the financial condition and results of operations of the Company.** The Company may be adversely affected by changes in U. S. federal tax laws and state and local tax laws. The Company' s business may be adversely affected by changes in tax laws if there are any increases in its federal income tax rates. Further, the Company' s business may be adversely affected by changes in tax laws if there are any increases in its state and local tax rates in markets where it has locations **. The Company' s financial results and condition may be adversely impacted by banking failures or future similar events. Certain events impacting the banking industry, including the bank failures in March and April 2023, resulted in significant disruption and volatility in the capital markets, reduced valuation of bank securities, and decreased confidence in banks among certain depositors and counterparties. While the U. S. Department of Treasury, the Federal Reserve, and the FDIC took steps to ensure the depositors of the failed banks in early 2023 would have access to their insured and uninsured deposits, there is no assurance that these or similar actions will restore customer confidence in the baking system, and the Company may be further impacted by concerns regarding the soundness, real or perceived, of 20other financial institutions or other future bank failures or disruptions. Any loss in client deposits or changes in the Company' s perception could increase the cost of funding, limit access to capital markets or negatively impact the Company' s overall liquidity or capitalization. Further, the cost of resolving the bank failures also prompted the FDIC to issue a special assessment to recover costs to the DIF. The special assessment did not impact the Company; however, the FDIC maintains the ability to impose additional shortfall special assessments, which may adversely impact the Company, in the future** . Claims and litigation could result in significant expenses, losses and damage to the Company' s reputation. From time to time, as a part of the Company' s normal course of business, customers, bankruptcy trustees, former customers, contractual counterparties, third parties and current and former employees may make claims and take legal action against the Company based on the actions or inactions of the Company. If such claims and legal actions are undertaken and are not resolved in a manner favorable to the Company, they may result in financial liability and / or adversely affect the market perception of the Company. Any financial liability could have a material impact on the Company' s financial condition and results of operations. Any reputational damages could have a material adverse effect on the Company' s business. ~~19Failure~~ -- **Failure** to successfully implement the Company' s growth strategies could cause it to incur substantial costs, which may not be recouped and adversely affect its future profitability. From time to time, the Company may implement new lines of business, open new branches or offer new products and services. There are substantial risks and uncertainties associated with these efforts. The Company may invest significant time and resources, which may not be fully recouped if profitability targets are not proven feasible. External factors such as compliance with regulations, competitive alternatives and shifting customer preferences may also impact successful implementation. Failure to successfully manage these risks may have a material adverse impact on the Company' s business, results of operations and financial condition. Further, in order to continue growth, the Company may need to seek additional capital. The Company will be required to maintain its regulatory capital levels at levels higher than the minimum set by its regulators. If the Company were required to raise capital to implement growth strategies, the Company can offer no assurances that it will be able to raise capital in the future or that the terms of the capital will be beneficial to its existing shareholders. In the event that the Company is unable to raise capital in the future, the Company may not be able to continue its growth strategy. A component of the Company' s growth strategies may include merger & acquisition opportunities. Attractive merger and acquisition opportunities may not be available to the Company in the future as other banking and financial service companies, many of which have greater resources, will compete with the Company in acquiring potential target companies. This competition could increase prices of potential acquisitions that may be attractive. Additionally mergers and acquisitions are subject to various regulatory approvals. If regulatory approvals are not obtained, the Company would not be able to consummate a merger or acquisition that may be in the Company' s best interests. Lastly, the Company has limited merger and acquisition experience, which may minimize the deals available or the ability to appropriately analyze and operationally execute a merger or acquisition. This may adversely impact the operating results. ~~Net gains on sales of mortgage and / or SBA loans are a significant component of the Company' s noninterest income and could fluctuate in future periods. Net gains on sales of mortgage and SBA loans represented a notable portion of the Company' s noninterest income for the years ended December 31, 2023 and 2022, respectively. The Company' s ability to sell a portion of its mortgage or SBA loan production in the secondary market is dependent upon, amongst other factors, the levels of market interest rates, consumer demand for marketable loans, the Company' s sales and pricing strategies and the economy. A change in one or more of these, or other factors, could significantly impact the Company' s ability to sell mortgage loans and SBA loans in the future and adversely impact the level of our~~

~~noninterest income.~~ The Company may not be able to detect money laundering and other illegal or improper activities fully, or on a timely basis, which could expose the company to additional liability and could have a material adverse effect. The Company is required to comply with anti- money laundering, anti- terrorism and other laws and regulations in the United States. These laws and regulations require the Company to adopt and enforce " know- your- customer " policies and procedures and to report suspicious and larger transactions to applicable regulatory authorities. These laws and regulations have become increasingly complex and detailed, require improved systems, sophisticated monitoring and compliance personnel and have become the subject of enhanced government supervision. Although the Company has policies and procedures aimed at detecting and preventing the use of its banking network for money laundering and related activities, those policies and procedures may not eliminate instances in which the Company may be used by customers to engage in illegal or improper activities. To the extent that the Company fails to fully comply **21** ~~with the applicable laws and regulations, banking agencies may have the authority to impose fines, other penalties and sanctions on the Company. 20~~