Risk Factors Comparison 2024-02-26 to 2023-02-23 Form: 10-K

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Before making any investment decision with respect to our common stock, you should carefully consider the risks described below, in addition to the other information contained in this report and in our other filings with the SEC. The risks and uncertainties described below and in our other filings are not the only ones facing us. Additional risks and uncertainties not presently known to us or that we currently deem immaterial may also affect our business. If any of these known or unknown risks or uncertainties actually occurs, our business, financial condition and results of operations could be impaired. In that event, the market price for our common stock could decline and you may lose your investment. This report is qualified in its entirety by these risk factors. **- 17-** RISKS RELATED TO OUR BUSINESS AND INDUSTRY The possibility of the economy entering a recession and / or experiencing further turmoil or volatility in the financial markets would likely have an adverse effect on our business, financial position, and results of operations. The economy in the United States and globally has experienced volatility in recent years and may continue to experience such volatility for the foreseeable future. There can be no assurance that economic conditions will not worsen. Unfavorable or uncertain economic conditions can be caused by declines in economic growth, business activity, or investor or business confidence, limitations on the availability of or increases in the cost of credit and capital, increases in inflation or interest rates, the timing and impact of changing governmental policies, natural disasters, climate change, epidemics, ~~the COVID- 19 pandemic and future~~ pandemics, terrorist attacks, acts of war, or a combination of these or other factors. A worsening of business and economic conditions could have adverse effects on our business, including the following: • investors may have less confidence in the equity markets in general and in financial services industry stocks in particular, which could place downward pressure on our stock price and resulting market valuation ; ~~- 18-~~ • economic and market developments may further affect consumer and business confidence levels and may cause declines in credit usage and adverse changes in payment patterns, causing increases in delinquencies and default rates ; • our ability to assess the creditworthiness of our customers may be impaired if the models and approaches we use to select, manage, and underwrite loans become less predictive of future behaviors ; • we could suffer decreases in demand for loans or other financial products and services or decreased deposits or other investments in accounts with us ; • our Wealth Management Services customers may liquidate investments, which together with lower asset values, may reduce the level of assets under management and administration, and thereby decrease our wealth management revenues ; • competition in the financial services industry could intensify as a result of the increasing consolidation of financial services companies in connection with current market conditions or otherwise ; and • the value of loans and other assets or collateral securing loans may decrease. Changes in the business and economic conditions in southern New England could adversely affect our financial condition and results of operations. We primarily serve individuals and businesses located in southern New England, and a substantial portion of our loans are secured by properties in southern New England. The real estate collateral securing the Bank' s loans provides an alternate source of repayment in the event of default by the borrower. However, unlike other larger institutions, we are not able to spread the risks of unfavorable local economic conditions across a large number of diversified economies. An economic downturn could, therefore, result in losses that materially and adversely affect our business. An economic downturn or a prolonged economic recession in southern New England could result in the following consequences: • loan delinquencies may increase; • problem assets and foreclosures may increase; • demand for our products and services may decline; • collateral for our loans may decline in value, in turn reducing a customer' s borrowing power and reducing the value of collateral securing a loan; • the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us; and • our ability to continue to originate real estate loans may be impaired. Inflationary pressures and rising prices may affect our results of operations and financial condition. Inflation **continued** ~~rose sharply~~ at ~~the end of~~ **elevated levels in** ~~2021~~ **2023** ~~and throughout 2022~~. Inflationary pressures ~~are currently expected to~~ **, including the impact of recent increases in inflation, may** remain elevated ~~throughout~~ **in** ~~2023~~ **2024** . Small to medium- sized businesses may be impacted more during periods of high inflation as they are not able to leverage economies of scale to mitigate cost pressures compared to larger businesses. Consequently, the ability of our business customers to repay their loans may deteriorate, and in some cases this deterioration may occur quickly, which would adversely impact our results of operations and financial condition. Furthermore, a prolonged period of inflation could cause wages and other costs to increase, which could adversely affect our results of operations and financial condition. **- 18-** Fluctuations in interest rates may impair the Bank' s business. The Bank' s earnings and financial condition are largely dependent on net interest income, which is the difference between interest income from interest- earning assets, such as loans and investment securities, and interest expense on interest- bearing liabilities, such as deposits and borrowings. However, certain assets and liabilities may react differently to changes in market interest rates. Further, interest rates on some types of assets and liabilities may fluctuate prior to changes in broader market interest rates, while rates on other types of assets and liabilities may lag behind. These rates are highly sensitive to many factors beyond our control, including general economic conditions, both domestic and foreign, and the monetary and fiscal policies of various governmental and regulatory authorities. When interest rates increase, ~~as they have over the past year,~~ loan prepayments generally decline and depositors may shift funds from accounts that have a comparatively lower cost, such as regular savings accounts, to accounts with a higher cost, such as certificates of deposit. In addition, wholesale funds may reprice more quickly and by a greater amount than the repricing of in- market deposits. When interest rates decrease, loan prepayments and the receipt of payments on mortgage- backed securities generally increase, and may result in the proceeds having to be reinvested at a lower rate than the loan or mortgage- backed security being prepaid. Changes in interest rates can also affect the value of loans and investment ~~- 19-~~ securities. Fixed- rate investment securities, mortgage- backed securities and mortgage loans typically decline in value as interest rates rise. The Bank has adopted asset and liability management policies to mitigate the potential adverse effects of changes in interest rates on net interest income, primarily by altering the mix and maturity of loans, investments, funding sources, and derivatives. However, even with these policies in place, a change in interest rates can impact our results of operations or financial condition. We are subject to liquidity risk, which could negatively affect our funding levels. We must maintain sufficient funds to respond to the needs of depositors and borrowers. To manage liquidity, we draw upon a number of funding sources in addition to in- market deposit growth and repayments and maturities of loans and investments. Market conditions or other events could negatively affect our access to or cost of funding, affecting our ongoing ability to accommodate liability maturities and deposit withdrawals, meet contractual obligations, or fund asset growth and new business initiatives at a reasonable cost, in a timely manner and without adverse consequences. Although we maintain a liquid asset portfolio and have implemented strategies to maintain sufficient and diverse sources of funding to accommodate planned, as well as unanticipated, changes in assets, liabilities, and off- balance sheet commitments under various economic conditions, a substantial, unexpected, or prolonged change in the level or cost of liquidity could have a material adverse effect on us. If the cost effectiveness or the availability of supply in these credit markets is reduced for a prolonged period of time, our funding needs may require us to access funding and manage liquidity by other means. These alternatives may include generating client deposits, extending the maturity of wholesale borrowings, borrowing under certain secured borrowing arrangements, using relationships developed with a variety of fixed income investors, selling or securitizing loans, and further managing loan growth and investment opportunities. These alternative means of funding may result in an increase to the overall cost of funds and may not be available under stressed conditions, which would cause us to liquidate a portion of our liquid asset portfolio to meet any funding needs. Our cost of funds for banking operations may increase as a result of general economic conditions, interest rates and competitive pressures. Deposits are a low cost and stable source of funding. We compete with banks and other financial institutions for deposits. If, as a result of general economic conditions, market interest rates, competitive pressures, or otherwise, the amount of deposits at the Bank decreases relative to its overall banking operations, the Bank may have to rely more heavily on higher cost borrowings as a source of funds, such as the FHLB, or otherwise reduce its loan growth or pursue loan sales. Higher funding costs reduce our NIM, net interest income and net income. A significant component of our liquidity needs is met through our access to funding pursuant to our membership in the FHLB. The FHLB is a cooperative that provides services to its member banking institutions. The primary reason for joining the FHLB is to obtain funding. The purchase of stock in the FHLB is a requirement for a member to gain access to funding. Any deterioration in the FHLB' s performance or financial condition may affect our ability to access funding and / or require us to deem the required investment in FHLB stock to be impaired. If we are not able to access funding through the FHLB, we may not be able to meet our liquidity needs, which could have an adverse effect on our results of operations or financial condition. Similarly, if we deem all or part of our investment in FHLB stock impaired, such action could have an adverse effect on our financial condition or results of operations. **- 19-** Our loan portfolio includes commercial loans, which are generally riskier than other types of loans. At December 31, ~~2022~~ **2023** , commercial loans represented ~~49~~ **48** % of our loan portfolio. Commercial loans generally carry larger loan balances and involve a higher risk of nonpayment or late payment than residential mortgage loans. These loans may lack standardized terms and may include a balloon payment feature. The ability of a borrower to make or refinance a balloon payment may be affected by a number of factors, including the financial condition of the borrower, prevailing economic conditions **(including conditions in the real estate market)** , interest rates, and collateral values. Repayment of these loans is generally more dependent on the economy and the successful operation of a business **. Additionally, the COVID- 19 pandemic has had a potentially long- term negative impact on certain commercial real estate properties due to the risk that tenants may reduce the office space they lease as some portion of the workforce continues to work remotely on a hybrid or full- time basis** . Because of the risks associated with commercial loans, we may experience higher rates of default than if our portfolio were more heavily weighted toward residential mortgage loans. Higher rates of default could have an adverse effect on our financial condition and results of operations. We may experience losses and expenses if security interests granted for loans are not enforceable. When we make loans, we sometimes obtain liens, such as real estate mortgages or other asset pledges, to provide us with a security interest in collateral. If there is a loan default, we may seek to foreclose upon collateral and enforce the security ~~- 20-~~ interests to obtain repayment and eliminate or mitigate our loss. Drafting errors, recording errors, other defects or imperfections in the security interests granted to us and / or changes in law may render liens granted to the us unenforceable. We may incur losses or expenses if security interests granted to us are not enforceable. Environmental liability associated with our lending activities could result in losses. In the course of business, we may acquire, through foreclosure, properties securing loans we have originated that are in default. While we believe that our credit granting process incorporates appropriate procedures for the assessment of environmental contamination risk, there is a risk that material environmental violations could be discovered on these properties, particularly with respect to commercial loans secured by real estate. In this event, we might be required to remedy these violations at the affected properties at our sole cost and expense. The cost of this remedial action could substantially exceed the value of affected properties. We may not have adequate remedies against the prior owner or other responsible parties and could find it difficult or impossible to sell the affected properties. These events could have an adverse effect on our financial condition and results of operations. We may be required to repurchase mortgage loans or indemnify buyers against losses in some circumstances, which could adversely affect our results of operations and financial condition. When mortgage loans are sold, we are required to make customary representations and warranties to purchasers, guarantors and insurers, including government- sponsored entities, about the mortgage loans and the manner in which they were originated. Whole loan sale agreements require us to repurchase or substitute mortgage loans, or indemnify buyers against losses, in the event we breach these representations or warranties. In addition, we may be required to repurchase mortgage loans as a result of early payment default of the borrower on a mortgage loan. If repurchase and indemnity demands increase and such demands are valid claims and are in excess of our provision for potential losses, our results of operations and financial condition may be adversely affected. Our ACL on loans may not be adequate to cover actual loan losses, and an increase in the ACL on loans will adversely affect our earnings. We maintain an ACL on loans that is based on relevant internal and external information related to past events, current economic conditions and reasonable supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. We make various assumptions and judgments about the quality and collectability of the loan portfolio, the creditworthiness of borrowers, the value of the underlying collateral, the enforceability of the loan documents, current economic conditions and reasonable and supportable forecasts. If the assumptions underlying the determination of the ACL prove to be incorrect, the ACL may not be sufficient to cover actual loan losses and an increase to the ACL may be necessary to allow for different assumptions or adverse developments. In addition, a problem with one or more loans could require a significant increase to the ACL. Federal and state regulators, in reviewing our loan portfolio as part of a regulatory examination, may request that we increase our ACL. Any increases in our ACL will result in a decrease in our net income and, possibly, our capital, and could have an adverse effect on our financial condition and results of operations. **- 20-** We are a holding company and depend on the Bank for dividends, distributions and other payments. The Bancorp is a legal entity separate and distinct from the Bank. Revenues of the Bancorp are derived primarily from dividends paid to it by the Bank. The right of the Bancorp, and consequently the right of shareholders of the Bancorp, to participate in any distribution of the assets or earnings of the Bank, through the payment of such dividends or otherwise, is necessarily subject to the prior claims of creditors of the Bank (including depositors), except to the extent that certain claims of the Bancorp in a creditor capacity may be recognized. Holders of our common stock are entitled to receive dividends only when, as and if declared by our Board of Directors. Although we have historically declared cash dividends on our common stock, we are not required to do so and our Board of Directors may reduce or eliminate our common stock dividend in the future. The Federal Reserve has authority to prohibit bank holding companies from paying dividends if such payment is deemed to be an unsafe or unsound practice. Additionally, the FDIC has the authority to use its enforcement powers to prohibit the Bank from paying dividends if, in its opinion, the payment of dividends would constitute an unsafe or unsound practice. Further, our ability to pay dividends would be restricted if we do not maintain a capital conservation buffer. A reduction or elimination of dividends could adversely affect the market price of our common stock. See Item, " Business- Supervision and Regulation- Dividend Restrictions " and " Business- Supervision and Regulation- Capital Adequacy and Safety and Soundness- Regulatory Capital Requirements. " ~~- 21-~~ We have credit and market risk inherent in our investment securities portfolio. We maintain a securities portfolio, which may include obligations of U. S. government- sponsored enterprises and agencies, including mortgage- backed securities; obligations of states and political subdivisions; individual name issuer trust preferred debt securities; and corporate bonds. We seek to limit credit losses in our securities portfolios by generally purchasing only highly- rated securities. The valuation and liquidity of our securities could be adversely impacted by reduced market liquidity, increased normal bid- asked spreads and increased uncertainty of market participants, which could reduce the market value of our securities, even those with no apparent credit exposure. **Inflation and rapid increases in interest rates led to a decline in the trading value of previously issued government securities with interest rates below current market interest rates.** The valuation of our securities requires judgment and as market conditions change security values may also change. Significant negative changes to valuations could result in impairments in the value of our securities portfolio, which could have an adverse effect on our financial condition or results of operations. Potential downgrades of U. S. government agency and government- sponsored enterprise securities by one or more of the credit ratings agencies could have a material adverse effect on our operations, earnings and financial condition. A possible future downgrade of the sovereign credit ratings of the U. S. government and a decline in the perceived creditworthiness of U. S. government- related obligations could impact our ability to obtain funding that is collateralized by affected instruments, as well as affect the pricing of that funding when it is available. A downgrade may also adversely affect the market value of such instruments. We cannot predict if, when or how any changes to the credit ratings or perceived creditworthiness of these organizations will affect economic conditions. Such ratings actions could result in a significant adverse impact on us. Among other things, a downgrade of the sovereign credit ratings of the U. S. government could adversely impact the value of our investment securities portfolio and may trigger requirements to post additional collateral for trades relative to these securities. A downgrade of the sovereign credit ratings of the U. S. government or the credit ratings of related institutions, agencies or instruments ~~would~~ **could** significantly exacerbate the other risks to which we are subject and any related adverse effects on the business, financial condition and results of operations. The soundness of other financial institutions could adversely affect us. Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty and other relationships. We have exposure to a number of different counterparties, and we routinely execute transactions with counterparties in the financial industry, including brokers and dealers, other commercial banks, investment banks, and other financial institutions. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, could lead to market- wide liquidity problems and losses or defaults by us or by other institutions and organizations. Many of these transactions expose us to credit risk in the event of default of our counterparty or customer. In addition, our credit risk may be exacerbated when the collateral held by us cannot be liquidated or is liquidated at prices not sufficient to recover the full amount of the financial instrument exposure due to us. There is no assurance that any such losses would not materially and adversely affect our results of operations. ~~Changes to and replacement of LIBOR may adversely affect our business, financial condition, and results of operations. LIBOR is used extensively in the United States as a benchmark for various commercial and financial contracts, including loans, securities, funding sources, interest rate swaps and other derivatives. The ICE Benchmark Administration, the authorized and regulated administrator of LIBOR, intends to end publication of remaining LIBOR tenors in June 2023. Financial services regulators and industry groups have collaborated to develop alternate reference rate indices or reference rates, such as SOFR. SOFR is a backward-~~ **21** ~~looking secured rate as opposed to a forward- looking unsecured rate. We have identified all LIBOR- related~~

~~contracts and determined which ones will require language to incorporate an alternative reference rate. In the fourth quarter of 2021, we began processing modifications on loans that reference LIBOR to transition them to a new reference rate, primarily SOFR. Additionally, contracts executed after December 31, 2021 are no longer being written with LIBOR terms. For derivative contracts, the International Swap Dealers Association (commonly known as" ISDA") has developed fallback language for swap agreements and established a protocol to allow counterparties to modify legacy trades to include the new fallback language. We have executed agreements with the majority of our customers to adopt the fallback language protocol. We have remaining approximately 200 financial instruments that reference LIBOR (predominantly commercial loans) with on- balance sheet amounts of $ 1. 0 billion and approximately 250 derivative instruments (loan related derivatives and cash flow hedging instruments) that reference LIBOR with total notional amounts of $ 2. 0 billion as of December 31, 2022.- 22- We continue to incorporate LIBOR replacement language in contracts. In addition to changes in contracts, the transition from LIBOR involves changes to risk and pricing models, valuation tools, systems, product design and hedging strategies. Our failure to adequately manage the transition process with our customers could also impact our reputation. Given the complexity of the transition, as well as the different risk characteristics between LIBOR and the replacement reference rate, we are unable to assess the ultimate impact of the transition from LIBOR, which may, ultimately, adversely affect our business, financial condition, or results of operations.~~ Market changes or economic downturns may adversely affect demand for our fee- based services and level of wealth management AUA. Economic downturns could affect the volume of income earned from, and demand for, fee- based services. Revenues from mortgage banking activities are largely dependent on mortgage origination volume and sales volume. Changes in interest rates and the condition of housing markets could adversely impact the volume of residential mortgage originations, sales and related mortgage banking activities. Revenues from wealth management services depend in large part on the level of AUA, which are primarily marketable securities. Market volatility that results in clients liquidating investments, as well as lower asset values, can reduce the level of assets under management and administration and decrease our wealth management revenues, which could materially adversely affect our results of operations. We face continuing and growing security risks to our information base, including the information we maintain relating to our customers. In the ordinary course of business, we rely on electronic communications and information systems to conduct our business and to store sensitive data, including financial information regarding customers. Our electronic communications and information systems infrastructure could be susceptible to cyberattacks, hacking, identity theft or terrorist activity. We have implemented and regularly review and update extensive systems of internal controls and procedures as well as corporate governance policies and procedures intended to protect our business operations, including the security and privacy of all confidential customer information. In addition, we rely on the services of a variety of third- party service providers to meet our data processing and communication needs. No matter how well designed or implemented our controls are, we cannot provide an absolute guarantee to protect our business operations from every type of problem in every situation. A failure or circumvention of these controls could have a material adverse effect on our business operations and financial condition. We regularly assess and test our security systems and disaster preparedness, including back- up systems, but the risks are escalating. We also review and assess the ~~cyber- security~~ **cybersecurity** risk of our third- party service providers. As a result, cybersecurity and the continued enhancement of our controls and processes to protect our systems, data and networks from attacks, unauthorized access or significant damage remain a priority. Accordingly, we may be required to expend additional resources to enhance our protective measures or to investigate and remediate any information security vulnerabilities or exposures. Any breach of our system security could result in disruption of our operations, unauthorized access to confidential customer information, significant regulatory costs, litigation exposure and other liability. A breach could negatively impact customer confidence, damaging our reputation and undermining our ability to attract and keep customers. We rely on other companies to provide key components of our business infrastructure. Third- party vendors provide key components of our business infrastructure such as internet connections, network access and core application processing. While we have selected these third- party vendors carefully, we do not control them or their actions. Any problems caused by these third parties, including as a result of their not providing us their services for any reason or their performing their services poorly, could adversely affect our ability to deliver products and services to our customers or otherwise conduct our business efficiently and effectively. Replacing these third- party vendors could also entail significant delay and expense. We may not be able to successfully implement future information technology system enhancements, which could adversely affect our business operations and profitability. We invest significant resources in information technology system enhancements in order to provide functionality and security at an appropriate level. We may not be able to successfully implement and integrate future system enhancements, which could adversely impact the ability to provide timely and accurate financial information in compliance with legal and regulatory requirements, which could result in sanctions from regulatory authorities. Such sanctions could include fines and suspension of trading in our stock, among others. In addition, future system enhancements could have higher than expected ~~- 23-~~ costs and / or result in operating inefficiencies, which could increase the costs associated with the implementation as well as ongoing operations. Failure to properly utilize system enhancements that are implemented in the future could result in impairment charges that adversely impact our financial condition and results of operations and could result in significant costs to remediate or replace the defective components. In addition, we may incur significant training, licensing, maintenance, consulting and amortization expenses during and after systems implementations, and any such costs may continue for an extended period of time. **- 22-** Our business may be adversely affected if we fail to adapt our products and services to evolving industry standards and consumer preferences. The financial services industry is undergoing rapid technological changes with frequent introductions of new technology- driven products and services. The widespread adoption of new technologies, including cryptocurrencies and payment systems, could require substantial expenditures to modify or adapt our existing products and services. The introduction of new or modified products or services can entail significant time and resources. We might not be successful in developing or introducing new or modified products and services, integrating new products or services into our existing offerings, responding or adapting to changes in consumer behavior, preferences, spending, investing and / or saving habits, achieving market acceptance of our products and services, reducing costs in response to pressures to deliver products and services at lower prices or sufficiently developing and maintaining loyal customers. Products and services relying on internet and mobile technologies may expose us to fraud and cybersecurity risks. **Implementation of certain new technologies, such as those related to artificial intelligence, automation and algorithms, may have unintended consequences due to their limitations, potential manipulation, or our failure to use them effectively.** Failure to successfully manage these risks in the development and implementation of new or modified products or services could have an adverse effect on our business and reputation. We may incur significant losses as a result of ineffective risk management processes and strategies. We seek to monitor and control our risk exposure through a risk and control framework encompassing a variety of separate but complementary financial, credit, operational, compliance, and legal reporting systems; internal controls; management review processes; and other mechanisms. In some cases, management of our risks depends upon the use of analytical and / or forecasting models, which, in turn, rely on assumptions and estimates. If the models used to mitigate these risks are inadequate, or the assumption or estimates are inaccurate or otherwise flawed, we may fail to adequately protect against risks and may incur losses. In addition, there may be risks that exist, or that develop in the future, that we have not appropriately anticipated, identified or mitigated, which could lead to unexpected losses and our results of operations or financial condition could be materially adversely affected. Damage to our reputation could significantly harm our business, including our competitive position and business prospects. We are dependent on our reputation within our market area, as a trusted and responsible financial services company, for all aspects of our business with customers, employees, vendors, third- party service providers, and others, with whom we conduct business or potential future businesses. Negative public opinion about the financial services industry generally (including the types of banking and wealth management services that we provide) or us specifically could adversely affect our reputation and our ability to keep and attract customers and employees. Our actual or perceived failure to address various issues could give rise to negative public opinion and reputational risk that could cause harm to us and our business prospects. These issues include, but are not limited to, legal and regulatory requirements; properly maintaining customer and employee personal information; record keeping; money- laundering; sales and trading practices; ethical issues; appropriately addressing potential conflicts of interest; and the proper identification of the legal, reputational, credit, liquidity and market risks inherent in our products. Failure to appropriately address any of these issues could also give rise to additional regulatory restrictions and legal risks, which could, among other consequences, increase the size and number of litigation claims and damages asserted or subject us to enforcement actions, fines and penalties and cause us to incur related costs and expenses. The proliferation of social media websites utilized by us and other third parties, as well as the personal use of social media by our employees and others, including personal blogs and social network profiles, also may increase the risk that negative, inappropriate or unauthorized information may be posted or released publicly that could harm our reputation or have other negative consequences, including as a result of our employees interacting with our customers in an unauthorized manner in various social media outlets. Any damage to our reputation could affect our ability to retain and develop the business relationships necessary to conduct business, which in turn could negatively impact our financial condition, results of operations, and the market price of our common stock. ~~- 24-~~ We may not be able to compete effectively in our increasingly competitive industry. We compete with financial and non- financial services firms, including traditional banks, online banks, financial technology companies, and investment management and wealth advisory firms, including commercial banks and trust companies, investment advisory firms, mutual fund companies, stock brokerage firms. These companies compete on the basis of, among other factors, size, location, quality and type of products and services offered, price, technology, brand recognition and reputation. Emerging technologies have the potential to further intensify competition and accelerate disruption in the financial services industry. In recent years, non- financial services firms, such as financial technology companies, have begun **- 23-** to offer services traditionally provided by financial institutions. These firms attempt to use technology and mobile platforms to enhance the ability of companies and individuals to borrow, save and invest money. Many of these non- financial services competitors have fewer regulatory constraints and may have lower cost structures than we do. Our long- term success depends on our ability to develop and execute strategic plans and initiatives; to develop competitive products and technologies; and to attract, retain and develop a highly skilled employee workforce. Our ability to successfully attract and retain wealth management clients is dependent upon our ability to compete with competitors' investment products, level of investment performance, client services and marketing and distribution capabilities. If we are not successful, our results of operations and financial condition may be negatively impacted. We may be unable to attract and retain key personnel. Our success depends, in large part, on our ability to attract and retain key personnel. Certain key personnel that have regular direct contact with customers and clients often build strong relationships that are important to our business. In addition, we rely on key personnel to manage and operate its business, including major revenue producing functions, such as loan and deposit generation and wealth management services. Competition for qualified personnel in the financial services industry can be intense and we may not be able to hire or retain the key personnel that we depend upon for success. Frequently, we compete in the market for talent with entities that are not subject to comprehensive regulation, including with respect to the structure of incentive compensation. The unexpected loss of services of one or more of our key personnel could have a material adverse impact on our business because of their skills, knowledge of the markets in which we operate, years of industry experience and the difficulty of promptly finding qualified replacement personnel. Also, the loss of key personnel could jeopardize our relationships with customers and clients and could lead to the loss of accounts. ~~At the end of the third quarter of 2022, four client- facing wealth management advisors at WTA, our registered investment adviser subsidiary, resigned. We could experience additional client asset withdrawals in upcoming months associated with the departure of the former advisors.~~ Losses of such accounts could have a material adverse impact on our business. Natural disasters, acts of terrorism, pandemics and other external events could harm our business. Natural disasters can disrupt our operations, result in damage to our properties, reduce or destroy the value of the collateral for our loans and negatively affect the economies in which we operate, which could have a material adverse effect on our results of operations and financial condition. A significant natural disaster, such as a hurricane, blizzard, flood, fire or earthquake, could have a material adverse impact on our ability to conduct business, and our insurance coverage may be insufficient to compensate for losses that may occur. Acts of terrorism, war, civil unrest, or pandemics could cause disruptions to our business or the economy as a whole. While we have established and regularly test disaster recovery procedures, the occurrence of any such event could have a material adverse effect on our business, operations and financial condition. Climate change and related legislative and regulatory initiatives may result in operational changes and expenditures that could significantly impact our business. The current and anticipated effects of climate change are creating an increasing level of concern for the state of the global environment. As a result, political and social attention to the issue of climate change has increased. In recent years, governments across the world have entered into international agreements to attempt to reduce global temperatures, in part by limiting greenhouse gas emissions. The U. S. Congress, state legislatures and federal and state regulatory agencies have continued to propose and advance numerous legislative and regulatory initiatives seeking to mitigate the effects of climate change. These agreements and measures may result in the imposition of taxes and fees, the required purchase of emission credits, and the implementation of significant operational changes, each of which may require us to expend significant capital and incur compliance, operating, maintenance, and remediation costs. Consumers and businesses may also change their behavior on their own as a result of these concerns. The impact on our customers will likely vary depending on their specific attributes, including reliance on, or role in, carbon intensive activities. Our efforts to take these risks into account in making lending and other decisions, including by increasing our business with climate- friendly companies, may not be effective in protecting us from the negative impact of new laws and regulations or changes in consumer or business behavior. ~~- 25-~~ If we are required to write- down goodwill or other intangible assets recorded in connection with our acquisitions, our profitability would be negatively impacted. Under GAAP, if the purchase price of an acquired company exceeds the fair value of the company' s net assets, the excess is carried on the acquirer' s balance sheet as goodwill or other identifiable intangible assets. Goodwill must be evaluated for impairment at least annually. Long- lived intangible assets are amortized and are tested for recoverability whenever events or changes in circumstances indicate the carrying amount of the asset or asset group may not be recoverable. A significant and sustained decline in our stock price and market capitalization, a significant decline in our expected future cash flows, a significant adverse change in the business climate, slower growth rates or other factors could result in impairment of goodwill. Write- downs of the amount of any impairment, if necessary, would be charged to the results of operations in the **- 24-** period in which the impairment occurs. There can be no assurance that future evaluations of goodwill or intangible assets will not result in findings of impairment and related write- downs, which would have an adverse effect on our financial condition and results of operations. Changes in accounting standards can materially impact our financial statements. Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. From time to time, the Financial Accounting Standards Board or regulatory authorities change the financial accounting and reporting standards that govern the preparation of our financial statements. Such changes are expected to continue and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, resulting in our restating prior period financial statements. Additionally, significant changes to accounting standards may require costly technology changes, additional training and personnel, and other expense that will negatively impact our results of operations. Changes in tax laws and regulations ~~and~~ **,** differences in interpretation of tax laws and regulations **, and reductions in the value of our deferred tax assets** may adversely impact our financial statements. We are subject to tax law changes that could impact our effective income tax rate and our net deferred tax assets. Our net deferred tax assets are measured using enacted tax rates expected to apply to taxable income in the year in which the temporary differences are expected to be recovered or settled. We assess the deferred tax assets periodically to determine the likelihood of our ability to realize the benefits. **A valuation allowance is established when it is more- likely- than- not that all or some portion of our deferred tax assets will not be realized.** Management judgment is required in determining the appropriate recognition and valuation of deferred tax assets and liabilities, including projections of future taxable income, as well as the character of that income. A change in statutory tax rates **and / or a change in realizability** may result in a decrease or increase to our deferred tax assets. A decrease in our deferred tax assets could have a material adverse effect on our results of operations or financial condition. Local, state or federal tax authorities may interpret tax laws and regulations differently than we do and challenge tax positions that we have taken on tax returns. This may result in differences in the treatment of revenues, deductions, credits and / or differences in the timing of these items. The differences in treatment may result in payment of additional taxes, interest, penalties, or litigation costs that could have a material adverse effect on our results. The market price and trading volume of our stock can be volatile. The price of our common stock can fluctuate widely in response to a variety of factors. In addition, the trading volume in our common stock may fluctuate and cause significant price variations to occur. We cannot assure you that the market price of our common stock will not fluctuate or decline significantly. Some of the factors that could cause fluctuations or declines in the price of our common stock include, but are not limited to, actual or anticipated variations in reported operating results, recommendations by securities analysts, the level of trading activity in our common stock, our past and future dividend and share repurchase practices, new services or delivery systems offered by competitors, business combinations involving our competitors, operating and stock price performance of companies that investors deem to be comparable to us, news reports relating to trends or developments in the financial, credit, mortgage and housing markets, as well as the financial services industry, and changes in government regulations. We may need to raise additional capital in the future and such capital may not be available when needed. We are required by regulatory authorities to maintain adequate levels of capital to support our operations. We may need to raise additional capital in the future to provide us with sufficient capital resources and liquidity to meet our commitments and business needs. Our ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time, which are outside of our control, and our financial performance. We cannot assure you that such capital will be available to us on acceptable terms or at all. Our inability to raise sufficient additional capital on acceptable terms when needed could subject us to certain activity restrictions or to a variety of enforcement remedies available to the ~~- 26-~~ regulatory authorities, including limitations on our ability to pay dividends or pursue acquisitions, the issuance by regulatory authorities of a capital directive to increase capital and the termination of deposit insurance by the FDIC. Certain provisions of our articles of incorporation may have an anti- takeover effect. Provisions of Rhode Island law, our articles of incorporation and by- laws, and federal banking laws, including regulatory approval requirements, could make it more difficult for a third party to acquire us, even if doing so would be perceived to be beneficial to our shareholders. The combination of these provisions may inhibit a non- negotiated merger or other business combination, which, in turn, could adversely affect the market price of our common stock **.- 25- Adverse developments affecting the financial services industry, such as actual events or concerns involving liquidity, defaults, or non- performance by financial institutions or transactional counterparties, could adversely affect our financial condition and results of operations. Actual events involving limited liquidity, defaults, non- performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market- wide liquidity problems. For example, on May 1, 2023, First Republic Bank went into receivership and its deposits and substantially all of its assets were acquired by JPMorgan Chase Bank, National Association. Similarly, on March 10, 2023, Silicon Valley Bank went into receivership, and on March 12, 2023, Signature Bank went into receivership. Inflation and rapid increases in interest rates led to a decline in the trading value of previously issued government securities with interest rates below current market interest rates. The Federal Reserve announced a program to provide loans to FDIC- insured depository institutions and certain U. S. branches and agencies of foreign banks secured by certain of such government securities to mitigate the risk of potential losses on the sale of such instruments. Currently new advances (with terms up to one year) under the program can only be made through March 11, 2024. There is no guarantee that the Treasury, FDIC and / or Federal Reserve, as applicable, take such actions in the future in the event of the closure of other banks or financial institutions, that they would do so in a timely fashion or that such actions, if taken, would have their intended effect** . RISKS RELATED TO OUR REGULATORY ENVIRONMENT We operate in a highly regulated industry, and laws and regulations, or changes in them, could limit or restrict our activities and could have a material adverse effect on our operations. We are subject to extensive federal and state regulation and supervision. Federal and state laws and regulations govern numerous matters affecting us, including changes in the ownership or control of banks and bank holding companies; maintenance of adequate capital and the financial condition of a financial institution; permissible types, amounts and terms of extensions of credit and investments; the manner in which we conduct mortgage banking activities; permissible non- banking activities; the level of reserves against deposits; and restrictions on dividend payments. The FDIC and the banking divisions or departments of states in which we are licensed to do business have the power to issue consent orders to prevent or remedy unsafe or unsound practices or violations of law by banks subject to their regulation, and the Federal Reserve possesses similar powers with respect to bank holding companies. In addition, WTA, a registered investment advisor subsidiary, is subject to regulation under federal and state securities laws and fiduciary laws. These and other restrictions limit the manner in which we may conduct business and obtain financing. Federal regulations establish minimum capital requirements for insured depository institutions, including minimum risk- based capital and leverage ratios, and define " capital " for calculating these ratios. The minimum capital requirements are: (i) a common equity Tier 1 capital ratio of 4. 5 % ; (ii) a Tier 1 to risk- based assets capital ratio of 6 % ; (iii) a total capital ratio of 8 % ; and (iv) a Tier 1 leverage ratio of 4 %. The regulations also establish a " capital conservation buffer " of 2. 5 %. An institution will be subject to limitations on paying dividends, engaging in share repurchases and paying discretionary bonuses if its capital level falls below the capital conservation buffer amount. The application of these capital requirements could, among other things, require us to maintain higher capital resulting in lower returns on equity, and we may be required to obtain additional capital to comply or result in regulatory actions if we are unable to comply with such requirements. The laws, rules, regulations, and supervisory guidance and policies applicable to us are subject to regular modification and change. These changes could adversely and materially impact us. Such changes could, among other things, subject us to additional costs, including costs of compliance; limit the types of financial services and products we may offer; and / or increase the ability of non- banks to offer competing financial services and products. Failure to comply with laws, regulations, policies, or supervisory guidance could result in enforcement and other legal actions by federal and state authorities, including criminal and civil penalties, the loss of FDIC insurance, revocation of a banking charter or registration as an investment adviser, other sanctions by regulatory agencies, civil money penalties, and / or reputational damage, which could have a material adverse effect on our business, financial condition, and results of operations. See " Business- Supervision and Regulation. " **- 26-** Our wealth management business is highly regulated, and the regulators have the ability to limit or restrict our activities and impose fines or suspensions on the conduct of our business. We offer wealth management services through the Bank and WTA. WTA is a registered investment adviser under the Advisers Act. The Advisers Act imposes numerous obligations on registered investment advisers, including fiduciary, record keeping, operational and disclosure obligations. We are also subject to the provisions and regulations of ERISA to the extent that we act as a " fiduciary " under ERISA with respect to certain of our clients. ERISA and the applicable provisions of the federal tax laws impose a number of duties on persons who are fiduciaries under ERISA and prohibit certain transactions involving the assets of each ERISA plan which is a client, as well as certain transactions by the fiduciaries (and certain other related parties) to such plans. Investment contracts with institutional and other clients are typically terminable by the client, also without penalty, upon 30 to 60 days' notice. Changes in these laws or regulations could have a material adverse impact on our profitability and mode of operations. ~~- 27-~~ We are subject to numerous laws designed to protect consumers, including the CRA and fair lending laws, and failure to comply with these laws could lead to a wide variety of sanctions. The CRA, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose community investment and nondiscriminatory lending requirements on financial institutions. The CFPB, the Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. A successful regulatory challenge to an institution' s performance under the CRA, the Equal Credit Opportunity Act, the Fair Housing Act or other fair lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions, restrictions on expansion and restrictions on entering new business lines. Private parties may also have the ability to challenge an institution' s performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on our business, financial condition and results of operations. We may become subject to enforcement actions even though noncompliance was inadvertent or unintentional. The financial services industry is subject to intense scrutiny from bank supervisors in the examination process and aggressive enforcement of federal and state regulations, particularly with respect to mortgage- related practices and other consumer compliance matters, and compliance with anti-money laundering, BSA and OFAC regulations, and economic sanctions against certain foreign countries and nationals. Enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. We maintain systems and procedures designed to ensure that we comply with applicable laws and regulations; however, some legal / regulatory frameworks provide for the imposition of fines or penalties for noncompliance even though the noncompliance was inadvertent or unintentional and even though there were systems and procedures designed to ensure compliance in place at the time. **On September 27, 2023, the Bank entered into a settlement with the DOJ through an agreement to resolve allegations that it violated fair lending laws in the state of Rhode Island from 2016 to 2021. Under the settlement, the Bank will provide $ 7. 0 million in loan subsidies over a five- year period with the goal of increasing home mortgage loans, home improvement loans, and home refinance loans in specific census tracts in Rhode Island. Loan subsidies may include originating a loan for a home purchase, refinancing or home improvement at an interest rate below the otherwise prevailing market interest rate offered by Washington Trust and payment of the initial mortgage insurance premium on loans subject to such mortgage insurance. The cost of such subsidies will generally be recognized over the life of the respective loans. Loan subsidies may also include down payment assistance and closing cost assistance. The Bank also will commit $ 2. 0 million for focused community outreach and marketing efforts over a five- year period. The expenses associated with community outreach and marketing efforts will be recorded in the period in which the activities occur and are consistent with historical spending levels. In addition, the Bank will commit to opening two full- service branches in specific census tracts in Rhode Island, including the previously announced new branch in Olneyville, Rhode Island. The settlement included no civil penalties levied against the Bank. The United States District Court for the District of Rhode Island approved the settlement on October 31, 2023. The settlement resolved all claims made by the DOJ against the Bank related to its lending practices in the state of Rhode Island from 2016 to 2021.** Failure to comply with these and other regulations **or any applicable enforcement actions or settlement agreements** , and supervisory expectations related thereto, may result in fines, penalties, lawsuits, regulatory sanctions, reputation damage, or restrictions on our business. **- 27-** We face significant legal risks, both from regulatory investigations and proceedings, and from private actions brought against us. As a participant in the financial services industry, many aspects of our business involve substantial risk of legal liability. From time to time, customers and others make claims and take legal action pertaining to the performance of our responsibilities. Whether customer claims and legal action related to the performance of our responsibilities are founded or unfounded, if such claims and legal actions are not resolved in a manner favorable to us, they may result in significant expenses, attention from management and financial liability. Any financial liability or reputational damage could have a material adverse effect on our business, which, in turn, could have a material adverse effect on our financial condition and results of operations. There is no assurance that litigation with private parties will not increase in the future. Actions currently pending against us may result in judgments, settlements, fines, penalties or other results adverse to us, which could materially adversely affect our business, financial condition or results of operations, or cause serious reputational harm to us.