Risk Factors Comparison 2024-02-08 to 2023-02-13 Form: 10-K

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

An investment in our common stock is subject to risks inherent to our business. The material risks and uncertainties that management believes affect us are described below. Before making an investment decision, you should carefully consider the risks and uncertainties described below, together with all of the other information included or incorporated by reference herein. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that management is not aware of or focused on or that management currently deems immaterial may also impair our business operations. This report is qualified in its entirety by these risk factors. See also, Special Note Regarding Forward- Looking Statements and Risk Factors Summary. If any of the events described in the risk factors should actually occur, our financial condition and results of operations could be materially and adversely affected. If this were to happen, the value of our securities could decline significantly, and you could lose all or part of your investment. Credit Risks Changes and instability in economic conditions, geopolitical matters and financial markets, including a contraction of economic activity, could adversely impact our business, results of operations and financial condition. Our success depends, to a certain extent, upon global, domestic and local economic and political conditions, as well as governmental monetary policies. Conditions such as changes in interest rates, money supply, levels of employment and other factors beyond our control may have a negative impact on economic activity. Any contraction of economic activity, including an economic recession, may adversely affect our asset quality, deposit levels and loan demand and, therefore, our earnings. In particular, interest rates are highly sensitive to many factors that are beyond our control, including global, domestic and local economic conditions and the policies of various governmental and regulatory agencies and, specifically, the Federal Reserve. Throughout 2022 **and 2023,** the FOMC raised the target range for the federal funds rate on ~~seven~~ **eleven** separate occasions **,** ~~and —~~ citing factors including the hardships caused by the ongoing Russia- Ukraine conflict, continued global supply chain disruptions and imbalances, and increased inflationary pressure ~~— the FOMC has indicated that ongoing increases may be appropriate~~ . The tightening of the Federal Reserve' s monetary policies, including repeated and aggressive increases in target range for the federal funds rate as well as the conclusion of the Federal Reserve' s tapering of asset purchases, together with ongoing economic and geopolitical instability, increases the risk of an economic recession. Although forecasts have varied, many economists are projecting that **, while indicators of** U. S. economic **performance, such as income** growth ~~will slow~~ **, may be strong** and **levels of** inflation **may continue to decrease** ~~will remain elevated in the coming quarters~~ , **the** ~~potentially resulting in a contraction of~~ U. S. **economy may be flat or experience a modest decrease in** gross domestic output in ~~2023~~ **2024 while inflation is expected to remain elevated relative to historic levels in the coming quarters** . Any such downturn **in economic output** , especially domestically and in the regions in which we operate, may adversely affect our asset quality, deposit levels, loan demand and results of operations. As a result of the economic and geopolitical factors discussed above, financial institutions also face heightened credit risk, among other forms of risk. Of note, because we have a significant amount of real estate loans, decreases in real estate values could adversely affect the value of property used as collateral, which, in turn, can adversely affect the value of our loan and investment portfolios. Adverse economic developments, specifically including inflation- related impacts, may have a negative effect on the ability of our borrowers to make timely repayments of their loans or to finance future home purchases. ~~Moreover~~ **According to the Federal Reserve' s October 2023 Financial Stability Report** , ~~while~~ CRE values ~~have stabilized~~ **remained elevated relative to fundamentals, even** as **prices continued** ~~demand has returned~~ to ~~pre- pandemic levels in several~~ **decline. While CRE values continue to fluctuate, some** markets **are showing signs of stabilizing prices. However** , the outlook for CRE remains dependent on the broader economic environment and, specifically, how major subsectors respond to a rising interest rate environment and higher prices for commodities, goods and services. In ~~each~~ **any** case, credit performance over the medium- and long- term is susceptible to economic and market forces and therefore forecasts remain uncertain **; however, some degree of instability in the CRE markets is expected in the coming quarters as loans are refinanced in markets with higher vacancy rates under current economic conditions** . Instability and uncertainty in the commercial and residential real estate markets, as well as in the broader commercial and retail credit markets, could have a material adverse effect on our financial condition and results of operations. Changes in U. S. trade policies, including the imposition of tariffs and retaliatory tariffs, may adversely impact our business, financial condition, and results of operations. There continues to be discussion and dialogue regarding potential changes to U. S. trade policies, legislation, treaties and tariffs with countries such as China and those within the European Union. The prior Presidential Administration imposed certain tariffs and retaliatory tariffs, as well as other trade restrictions on products and materials that our customers import or export. These restrictions may cause the prices of our customers' products to increase, which could reduce demand for such products, or reduce our customers' margins, and adversely impact their revenues, financial results, and ability to service debt. This in turn could adversely affect our financial condition and results of operations. In addition, to the extent changes in the political environment have a negative impact on us or on the markets in which we operate our business, our results of operations and financial condition could be materially and adversely impacted in the future. Although the current Presidential Administration has expressed interest in improving relations with key transatlantic partners, including by relaxing certain tariffs imposed by the prior Presidential Administration, the trade policies of the current Presidential Administration remain somewhat unsettled. The current Presidential Administration is also conducting a statutorily- required quadrennial review of some of these tariffs, but it remains unclear what may result from the review. Accordingly, it remains unclear what the U. S. government or foreign governments will or will not do with respect to tariffs already imposed, additional tariffs that may be imposed, or international trade agreements and policies. Our allowance for credit losses may be insufficient. All borrowers have the potential to default, and our remedies in the event of such default (such as seizure and / or sale of collateral, legal actions, and guarantees) may not fully satisfy the debt owed to us. We maintain an allowance for credit losses, which is a reserve established through a provision for credit losses charged to expense, that represents management' s best estimate of probable credit losses over the life of the loan within the existing portfolio of loans. The allowance for credit losses, in the judgment of management, is necessary to reserve for estimated credit losses and risks inherent in the loan portfolio. The level of the allowance for credit losses reflects management' s continuing evaluation of industry concentrations; specific credit risks; loan loss experience; current loan portfolio quality; present economic, political, and regulatory conditions; and unidentified losses inherent in the current loan portfolio. The determination of the appropriate level of the allowance for credit losses inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks using existing qualitative and quantitative information, all of which may undergo material changes. Changes in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans, and other factors, both within and outside of our control, may require an increase in the allowance for credit losses. In addition, bank regulatory agencies periodically review our allowance for credit losses and may require an increase in the provision for credit losses or the recognition of additional loan charge offs, based on judgments different than those of management. An increase in the allowance for credit losses would result in a decrease in net income, and possibly risk- based capital, and could have a material adverse effect on our financial condition and results of operations. We are subject to lending concentration risks. As of December 31, ~~2022~~ **2023** , approximately 62 % of our loan portfolio consisted of commercial and industrial, real estate construction, **and** CRE ~~loans, and ABL & equipment finance~~ loans (collectively," commercial loans"). Commercial loans are generally viewed as having more inherent risk of default than residential mortgage loans or other consumer loans. Further, the commercial loan balance per borrower is typically larger than that for residential mortgage loans and other consumer loans, implying higher potential losses on an individual loan basis. Because our loan portfolio contains a number of commercial loans with balances over $ 25 million, the deterioration of one or a few of these loans could cause a significant increase in nonaccrual loans, which could have a material adverse effect on our financial condition and results of operations. CRE lending may expose us to increased lending risks. Our policy generally has been to originate CRE loans primarily in the states in which the Bank operates. At December 31, ~~2022~~ **2023** , CRE loans, including owner occupied, investor, and real estate construction loans, totaled $ 8. ~~2~~ **5** billion, or 29 %, of our total loan portfolio. As a result of our growth in this portfolio over the past several years and planned future growth, these loans require more ongoing evaluation and monitoring and we are implementing enhanced risk management policies, procedures and controls. CRE loans generally involve a greater degree of credit risk than residential mortgage loans because they typically have larger balances and are more affected by adverse conditions in the economy. Because payments on loans secured by CRE often depend upon the successful operation and management of the properties and the businesses which operate from within them, repayment of such loans may be affected by factors outside the borrower' s control, such as adverse conditions in the real estate market or the economy or changes in government regulation. In recent years, CRE markets have been experiencing substantial growth, and increased competitive pressures have contributed significantly to historically low capitalization rates and rising property values. **However,** ~~Despite a decrease in~~ CRE ~~prices in the second quarter of~~ **markets have been facing downward pressure since** 2022 **due in** ~~, according to many U. S. CRE indices, CRE prices currently are~~ **large** ~~similar~~ **part** to **increasing interest rates and declining property values** ~~the 2007 peak levels that contributed to the financial crisis~~ . Accordingly, the federal **banking** ~~bank regulatory~~ agencies have expressed concerns about weaknesses in the current CRE market and have applied increased regulatory scrutiny to institutions with CRE loan portfolios that are fast growing or large relative to the institutions' total capital. To address supervisory expectations with respect to financial institutions' handling of CRE borrowers who are experiencing financial difficulty, in ~~August~~ **June** of ~~2022~~ **2023** , **the federal banking agencies, including** the OCC **,** ~~and FDIC~~ issued **an** ~~a request for comment on a proposed~~ interagency policy statement addressing prudent CRE loan accommodations and workouts. Our failure to adequately implement enhanced risk management policies, procedures and controls could adversely affect our ability to increase this portfolio going forward and could result in an increased rate of delinquencies in, and increased losses from, this portfolio. At December 31, ~~2022~~ **2023** , nonaccrual CRE loans totaled $ ~~29~~ **1** million, or less than 1 % of our total portfolio of CRE loans. We depend on the accuracy and completeness of information furnished by and on behalf of our customers and counterparties. In deciding whether to extend credit or enter into other transactions, we may rely on information furnished by or on behalf of customers and counterparties, including financial statements, credit reports, and other financial information. We may also rely on representations of those customers, counterparties, or other third parties, such as independent auditors, as to the accuracy and completeness of that information. Reliance on inaccurate or misleading financial statements, credit reports, or other financial information could cause us to enter into unfavorable transactions, which could have a material adverse effect on our financial condition and results of operations. Lack of system integrity or credit quality related to funds settlement could result in a financial loss. We settle funds on behalf of financial institutions, other businesses and consumers and receive funds from clients, card issuers, payment networks and consumers on a daily basis for a variety of transaction types. Transactions we facilitate include wire transfers, debit card, credit card and electronic bill payment transactions, supporting consumers, financial institutions and other businesses. These payment activities rely upon the technology infrastructure that facilitates the verification of activity with counterparties and the facilitation of the payment. If the continuity of operations or integrity of processing were compromised, this could result in a financial loss to us due to a failure in payment facilitation. In addition, we may issue credit to consumers, financial institutions or other businesses as part of the funds settlement. A default on this credit by a counterparty could result in a financial loss to us. We are subject to environmental liability risk associated with lending activities. A significant portion of our loan portfolio is secured by real property. During the ordinary course of business, we may foreclose on and take title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, we may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require us to incur substantial expenses which may materially reduce the affected property' s value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. Although we have policies and procedures to perform an environmental review before lending against or initiating any foreclosure action on real property, these reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on our financial condition and results of operations. Liquidity and Interest Rate Risks Impairment of our access to liquidity could affect our ability to meet our obligations. The Corporation requires liquidity to meet its deposit and debt obligations as they come due. Access to liquidity could be impaired by an inability to access the capital markets or unforeseen outflows of deposits. Risk factors that could impair our ability to access capital markets include a downturn in our Midwest markets, difficult credit markets, credit rating downgrades, or regulatory actions against the Corporation. The Corporation' s access to deposits can be impacted by the liquidity needs of our customers as a substantial portion of the Corporation' s liabilities are demand while a substantial portion of the Corporation' s assets are loans that cannot be sold in the same timeframe. Historically, the Corporation has been able to meet its cash flow needs as necessary. If a sufficiently large number of depositors sought to withdraw their deposits for whatever reason, the Corporation may be unable to obtain the necessary funding at favorable terms. **The proportion of our deposit account balances that exceed FDIC insurance limits may expose the Bank to enhanced liquidity risk in times of financial distress. In its assessment of the failures of SVB and SBNY in the first quarter of 2023, the FDIC concluded that a significant contributing factor to the failures of the institutions was the proportion of the deposits held by each institution that exceeded FDIC insurance limits. Noting that uninsured deposits accounted for nearly 47 percent of domestic deposits in 2021, the FDIC stated that large concentrations of uninsured deposits increase the potential for bank runs and can threaten financial stability. The FDIC similarly concluded that an overreliance on uninsured deposits contributed to the subsequent failure of First Republic Bank in the second quarter of 2023. In response to the failures of SVB, SBNY, and First Republic Bank, many large depositors across the industry have withdrawn deposits in excess of applicable deposit insurance limits and deposited these funds in other financial institutions and, in many instances, moved these funds into money market mutual funds or other similar securities accounts in an effort to diversify the risk of further bank failure (s). Uninsured deposits historically have been viewed by the FDIC as less stable than insured deposits. According to statements made by the FDIC staff and the leadership of the federal banking agencies, customers with larger uninsured deposit account balances often are small- and mid- sized businesses that rely upon deposit funds for payment of operational expenses and, as a result, are more likely to closely monitor the financial condition and performance of their depository institutions. As a result, in the event of financial distress, uninsured depositors historically have been more likely to withdraw their deposits. To that end, the federal banking agencies, including the FDIC and OCC, issued an interagency policy statement in July 2023 to underscore the importance of robust liquidity risk management and contingency funding planning. In the policy statement, the regulators noted that banks should maintain actionable contingency funding plans that take into account a range of possible stress scenarios, assess the stability of their funding and maintain a broad range of funding sources, ensure that collateral is available for borrowing, and review and revise contingency funding plans periodically and more frequently as market conditions and strategic initiatives change. If a significant portion of our deposits were to be withdrawn within a short period of time such that additional sources of funding would be required to meet withdrawal demands, the Corporation may be unable to obtain funding at favorable terms, which may have an adverse effect on our net interest margin. Moreover, obtaining adequate funding to meet our deposit obligations may be more challenging during periods of elevated prevailing interest rates, such as the present period. Our ability to attract depositors during a time of actual or perceived distress or instability in the marketplace may be limited. Further, interest rates paid for borrowings generally exceed the interest rates paid on deposits. This spread may be exacerbated by higher prevailing interest rates. In addition, because our AFS investment securities lose value when interest rates rise, after- tax proceeds resulting from the sale of such assets may be diminished during periods when interest rates are elevated. Under such circumstances, we may be required to access funding from sources such as the Federal Reserve' s discount window or its recently established BTFP in order to manage our liquidity risk. For additional information regarding uninsured deposits and liquidity, see sections Deposits and Customer Funding and Liquidity of Part II, Item 7, Management' s Discussion and Analysis of Financial Condition and Results of Operations. Adverse changes to our credit ratings could limit our access to funding and increase our borrowing costs. Credit ratings are subject to ongoing review by rating agencies, which consider a number of factors, including our financial strength, performance, prospects and operations as well as factors not under our control. Other factors that influence our credit ratings include changes to the rating agencies' methodologies for our industry or certain security types; the rating agencies' assessment of the general operating environment for financial services companies; our relative positions in the markets in which we compete; our various risk exposures and risk management policies and activities; pending litigation and other contingencies; our reputation; our liquidity position, diversity of funding sources and funding costs; the current and expected level and volatility of our earnings; our capital position and capital management practices; our corporate governance; current or future regulatory and legislative initiatives; and the agencies' views on whether the U. S. government would provide meaningful support to the Corporation or its subsidiaries in a crisis. Rating agencies could make adjustments to our credit ratings at any time, and there can be no assurance that they will maintain our ratings at current levels or that downgrades will not occur. In August 2023, Moody' s and S & P Global Ratings each downgraded our long- term issuer credit ratings. Any additional downgrade in our credit ratings could potentially adversely affect the cost and other terms upon which we are able to borrow or obtain funding, increase our cost of capital and / or limit our access to capital markets. Credit rating downgrades or negative**

watch warnings could also negatively impact our reputation and the perception of the Corporation by lenders, investors and other third parties, which could also impair our ability to compete in certain markets or engage in certain transactions. In particular, holders of deposits which exceed FDIC insurance limits may perceive such a downgrade or warning negatively and withdraw all or a portion of such deposits. While certain aspects of a credit rating downgrade are quantifiable, the impact that such a downgrade would have on our liquidity, business and results of operations in future periods is inherently uncertain and would depend on a number of interrelated factors, including, among other things, the magnitude of the downgrade, the rating relative to peers, the rating assigned by the relevant agency pre-downgrade, individual client behavior and future mitigating actions we might take. We are subject to interest rate risk. Our earnings and cash flows are largely dependent upon our net interest income. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies and, in particular, the Federal Reserve. Changes in monetary policy, including changes in interest rates, could influence not only the interest we receive on loans and investments and the amount of interest we pay on deposits and borrowings, but such changes could also affect (i) our ability to originate loans and obtain deposits; (ii) the fair value of our financial assets and liabilities; and (iii) the average duration of our mortgage portfolio and other interest- earning assets. In ~~response~~ **January 2022, due** to ~~the economic conditions resulting from the COVID- 19 pandemic~~ **elevated levels of inflation and corresponding pressure to raise interest rates** , the Federal Reserve ~~' s target~~ **announced after several periods of historically low** federal funds ~~rate~~ **rates** ~~was reduced nearly to 0 %~~ and ~~the~~ yields on Treasury notes ~~declined to historic lows. However, due to elevated levels of inflation and corresponding pressure to raise interest rates, the Federal Reserve announced in January of 2022~~ that it would be slowing the pace of its bond purchasing and increasing the target range for the federal funds rate over time. The FOMC since has increased the target range ~~seven~~ **eleven** times throughout 2022 **and 2023** . As of December 31, ~~2022~~ **2023** , the target range for the federal funds rate had been increased to ~~4~~ **5** . 25 % to ~~4~~ **5** . 50 % ~~and~~ **. It remains uncertain whether** the FOMC **will further** ~~signaled that future increases~~ - **increase** ~~may be appropriate in order~~ **the target range for the federal funds rate** to attain a monetary policy sufficiently restrictive to return inflation to more normalized levels **, begin to reduce the federal funds rate or leave the rate at its current elevated level for a lengthy period of time** . Our interest rate spread, net interest margin and net interest income increased during this period of rising interest rates as our interest earning assets generally reprice more quickly than our interest earning liabilities. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, our net interest income, and therefore earnings, could be adversely affected. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings. The Corporation' s interest rate risk profile is such that, generally, a higher yield curve adds to income while a lower yield curve has a negative impact on earnings. Our most significant interest rate risk may result from **timing differences in the maturity and re- pricing characteristics** ~~a prolonged low rate environment, as this would generally lead to compression~~ of **assets and liabilities, changes in the shape of the yield curve, and the potential exercise of explicit** ~~our~~ - **or embedded options** ~~net interest margin, reduced net interest income, and devaluation of our deposit base~~ . Although management believes it has implemented effective asset and liability management strategies, including the potential use of derivatives as hedging instruments, to reduce the potential effects of changes in interest rates on our results of operations, any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our financial condition and results of operations, and any related economic downturn, especially domestically and in the regions in which we operate, may adversely affect our asset quality, deposit levels, loan demand and results of operations. Also, our interest rate risk modeling techniques and assumptions likely may not fully predict or capture the impact of actual interest rate changes on our balance sheet. The impact of interest rates on our mortgage banking business can have a significant impact on revenues. Changes in interest rates can impact our mortgage- related revenues and net revenues associated with our mortgage activities. A decline in mortgage rates generally increases the demand for mortgage loans as borrowers refinance, but also generally leads to accelerated payoffs. Conversely, in a constant or increasing rate environment, we would expect fewer loans to be refinanced and a decline in payoffs. Although we use models to assess the impact of interest rates on mortgage- related revenues, the estimates of revenues produced by these models are dependent on estimates and assumptions of future loan demand, prepayment speeds and other factors which may differ from actual subsequent experience. Changes in interest rates could reduce the value of our investment securities holdings which would increase our accumulated other comprehensive loss and thereby negatively impact stockholders' equity. The Corporation maintains an investment portfolio consisting of various high quality liquid fixed- income securities. The total ~~book~~ **carrying** value of the securities portfolio, which includes FHLB and Federal Reserve Bank stocks, ~~as of December 31, 2022,~~ was $ 7. ~~0~~ **7** billion **as of December 31, 2023,** and the estimated duration of the aggregate portfolio was approximately ~~6~~ **5** . ~~1~~ **7** years. The nature of fixed- income securities is such that changes in market interest rates impact the value of these assets. ~~Based on the duration of the Corporation' s investment securities portfolio, a one percent decrease in market rates is projected to increase the market value of the investment securities portfolio by approximately $ 388 million, while a one percent increase in market rates is projected to decrease the market value of the investment securities portfolio by approximately $ 364 million. As a result of the rising interest rate environment in 2022, the value of our AFS securities declined as reflected in an increase of approximately $ 228 million in our accumulated other comprehensive loss at December 31, 2022 compared to December 31, 2021. Further increases in market interest rates are expected to further increase our accumulated other comprehensive loss.~~ Changes in interest rates could also reduce the value of our residential mortgage- related securities and MSRs, which could negatively affect our earnings. The Corporation earns revenue from the fees it receives for originating mortgage loans and for servicing mortgage loans. When rates rise, the demand for mortgage loans tends to fall, reducing the revenue the Corporation receives from loan originations. At the same time, revenue from MSRs can increase through increases in fair value. When rates fall, mortgage originations tend to increase and the value of MSRs tends to decline, also with some offsetting revenue effect. Even though the origination of mortgage loans can act as a ~~"~~“natural hedge, ~~"~~” the hedge is not perfect, either in amount or timing. For example, the negative effect on revenue from a decrease in the fair value of residential MSRs is immediate, but any offsetting revenue benefit from more originations and the MSRs relating to the new loans would accrue over time. It is also possible that even if interest rates were to fall, mortgage originations may also fall or any increase in mortgage originations may not be enough to offset the decrease in the MSRs value caused by the lower rates. The Corporation typically uses derivatives and other instruments to hedge its mortgage banking interest rate risk. The Corporation generally does not hedge all of its risks and the fact that hedges are used does not mean they will be successful. Hedging is a complex process, requiring sophisticated models and constant monitoring. The Corporation could incur significant losses from its hedging activities. There may be periods where the Corporation elects not to use derivatives and other instruments to hedge mortgage banking interest rate risk. ~~The replacement of the LIBOR as a financial benchmark presents risks to the financial instruments originated or held by the Corporation. The LIBOR historically has been the reference rate used for many of our transactions, including our lending and borrowing and our purchase and sale of securities, as well as the derivatives that we use to manage risk related to such transactions. However, a reduced volume of interbank unsecured term borrowing coupled with recent legal and regulatory proceedings related to rate manipulation by certain financial institutions led to international reconsideration of LIBOR as a financial benchmark. The FCA, which regulates the process for establishing LIBOR, has announced that LIBOR will cease after June 30, 2023. The federal banking agencies, including the OCC, have determined that banks must cease entering into any new contract that uses LIBOR as a reference rate by no later than December 31, 2021. In addition, banks were encouraged to identify LIBOR- referencing contracts that extend beyond June 30, 2023 and implement plans to identify and address insufficient contingency provisions in those contracts. Further, on March 15, 2022, Congress passed the Adjustable Interest Rate Act to address references to LIBOR in contracts that (i) are governed by U. S. law, (ii) will not mature before June 30, 2023, and (iii) lack fallback provisions providing for a clearly defined and practicable replacement for LIBOR. On December 16, 2022, the Federal Reserve adopted a final rule implementing this legislation that replaces references to LIBOR in financial contracts addressed by the legislation with certain Federal Reserve- selected benchmark rates based on SOFR. The Corporation has multiple alternative reference rates available to customers, and there can be no assurances on which benchmark rate (s) may become the primary replacement to LIBOR for purposes of financial instruments that are currently referencing LIBOR. Following the discontinuance of LIBOR, there may be uncertainty or differences in the calculation of the applicable interest rate or payment amount depending on the terms of the governing instruments, and such discontinuation may increase operational and other risks to the Corporation and the industry. Benchmark rates based on SOFR have emerged as viable replacements for LIBOR. The ARRC, which is a group of large banks, has recommended the use of benchmark rates based on SOFR, including a forward- looking term SOFR rate, as alternatives to LIBOR for various categories of contracts. SOFR has been published by the FRBNY since May 2018, and it is intended to be a broad measure of the cost of borrowing cash overnight collateralized by U. S. Treasury securities. The FRBNY currently publishes SOFR daily on its website at https: / / apps. newyorkfed. org / markets / autorates / sofr. The FRBNY states on its publication page for SOFR that use of SOFR is subject to important disclaimers, limitations and indemnification obligations, including that the FRBNY may alter the methods of calculation, publication schedule, rate revision practices or availability of SOFR at any time without notice. In addition, certain benchmark rates based on SOFR, such as the forward- looking term SOFR rate, are calculated and published by third parties. Because SOFR, and such other benchmark rates based on SOFR, are published by the FRBNY or such other third parties, the Bank has no control over their determination, calculation or publication. There can be no assurance that SOFR, or benchmark rates based on SOFR, will not be discontinued or fundamentally altered in a manner that is materially adverse to the parties that utilize such rates as the reference rate for transactions. There is no assurance that SOFR (or benchmark rates based on SOFR) will be widely adopted as the replacement reference rate for LIBOR (or that the Corporation will ultimately decide to adopt SOFR, or a benchmark rate based on SOFR, as the reference rate for its lending or borrowing transactions). Notwithstanding the above, a consensus has not yet been reached on what rate or rates may be viewed as accepted alternatives to LIBOR. The OCC has opined that national banks may use any reference rate for its loans that a bank determines to be appropriate for its funding model and customer needs. For example, the AFX has created the Ameribor as another potential replacement for LIBOR. Ameribor is calculated daily as the volume- weighted average interest rate of the overnight unsecured loans on AFX. Because of the difference in how it is constructed, Ameribor may diverge significantly from LIBOR or SOFR (or benchmark rates based on SOFR) in a range of situations and market conditions. The market transition away from LIBOR to an alternative reference rate, including SOFR (or benchmark rates based on SOFR) or Ameribor, is complex and could have a range of adverse effects on the Corporation' s business, financial condition, and results of operations. In particular, any such transition could: • adversely affect the interest rates paid or received on, and the revenue and expenses associated with, the Corporation' s floating rate obligations, loans, deposits, derivatives and other financial instruments tied to LIBOR rates, or other securities or financial arrangements given LIBOR' s role in determining market interest rates globally; • adversely affect the value of the Corporation' s floating rate obligations, loans, deposits, derivatives and other financial instruments tied to LIBOR rates, or other securities or financial arrangements given LIBOR' s role in determining market interest rates globally; • prompt inquiries or other actions from regulators in respect of the Corporation' s preparation and readiness for the replacement of LIBOR with an alternative reference rate; • result in disputes, litigation or other actions with counterparties regarding the interpretation and enforceability of certain fallback language in LIBOR- based securities; and • require the transition to or development of appropriate systems and analytics to effectively transition our risk management processes from LIBOR- based products to those based on the applicable alternative pricing benchmark. In addition, the implementation of LIBOR reform proposals may result in increased compliance costs and operational costs, including costs related to continued participation in LIBOR and the transition to a replacement reference rate or rates. We cannot reasonably estimate the expected cost.~~ We rely on dividends from our subsidiaries for most of our ~~revenue~~ **cash flow** . The Parent Company is a separate and distinct legal entity from its banking and other subsidiaries. A substantial portion of the Parent Company' s ~~revenue~~ **cash flow** comes from dividends from its subsidiaries. These dividends are the principal source of funds to pay dividends on the Parent Company' s common and preferred stock, and to pay interest and principal on the Parent Company' s debt. Various federal and / or applicable state laws and regulations limit the amount of dividends that the Bank and certain of our nonbanking subsidiaries may pay to us. Also, our right to participate in a distribution of assets upon a subsidiary' s liquidation or reorganization is subject to the prior claims of the subsidiary' s creditors. In the event the Bank subsidiary is unable to pay dividends to us, we may not be able to service debt, pay obligations, or pay dividends on our common and preferred stock. The inability to receive dividends from the Bank could have a material adverse effect on our business, financial condition, and results of operations. Operational Risks We face significant operational risks due to the high volume and the high dollar value nature of transactions we process. We operate in many different businesses in diverse markets and rely on the ability of our employees and systems to process transactions. Operational risk is the risk of loss resulting from our operations, including but not limited to, the risk of fraud by employees or persons outside the Corporation, the execution of unauthorized transactions, errors relating to transaction processing and technology, breaches of our internal control systems or failures of those of our suppliers or counterparties, compliance failures, cyber- attacks, technology failures, or unforeseen problems encountered while implementing new computer systems or upgrades to existing systems, business continuation and disaster recovery issues, and other external events. Insurance coverage may not be available for such losses, or where available, such losses may exceed insurance limits. This risk of loss also includes the potential legal actions that could arise as a result of an operational deficiency or as a result of noncompliance with applicable regulatory standards, adverse business decisions or their implementation, and customer attrition due to potential negative publicity. The occurrence of any of these events could cause us to suffer financial loss, face regulatory action and suffer damage to our reputation. Unauthorized disclosure of sensitive or confidential client or customer information, whether through a cyber- attack, other breach of our computer systems or otherwise, could severely harm our business. In the normal course of our business, we collect, process, and retain sensitive and confidential client and customer information on our behalf and on behalf of other third parties. Despite the security measures we have in place, our facilities and systems may be vulnerable to cyber- attacks, security breaches, acts of vandalism, computer viruses, malware, misplaced or lost data, programming and / or human errors, or other similar events. Information security risks for financial institutions like us continue to increase in part because of new technologies, the increased use of the internet and telecommunications technologies (including mobile devices and cloud computing) to conduct financial and other business transactions, political activism, and the increased sophistication and activities of organized crime, perpetrators of fraud, hackers, terrorists and others. **We rely on computer systems, hardware, software, technology infrastructure and online sites and networks for both internal and external operations that are critical to our business. Operational risk related to cyber- attacks is increasing as cyber- attacks evolve and have a greater and more pervasive economic impact.** In addition to cyber- attacks or other security breaches involving the theft of sensitive and confidential information, hackers have engaged in attacks against large financial institutions, designed to disrupt key business services, such as customer- facing web sites. Critical infrastructure sectors, including financial services, increasingly have been the targets of cyber- attacks, including attacks emanating from foreign countries. Cyber- attacks involving large financial institutions, including **distributed** denial of service attacks designed to disrupt external customer- facing services, nation state cyberattacks and ransomware attacks designed to deny organizations access to key internal resources or systems **or other critical data** , as well as targeted social engineering and **phishing** email **and text message** attacks designed to allow unauthorized persons to obtain access to an institution ~~'~~ **'** s information systems and data or that of its customers, are becoming more common and increasingly sophisticated **. In particular, there has been an observed increase in the number of distributed denial of service attacks against the financial sector, for which the increase is believed to be partially attributable to politically motivated attacks as well as financial demands coupled with extortion** . Further, threat actors are increasingly seeking to target vulnerabilities in software systems **(including bugs, vulnerabilities in third- party systems or software and technical misconfigurations in hardware and software) and weak authentication controls** used by large numbers of banking organizations in order to conduct malicious cyber activities. These types of attacks have resulted in increased supply chain and third- party risk. In addition, on March 21, 2022, the ~~Biden~~ **current Presidential** Administration issued a warning regarding the potential for Russia to engage in malicious cyber activities, specifically including attacks on critical infrastructure such as the financial sector, in response to the international economic sanctions that have been imposed against the Russian government and organizations and individuals within Russia relating to its invasion of and ongoing conflict with Ukraine ~~. Institutions that provide critical services, including all members of the financial sector such as the Corporation and the Bank, have been encouraged by the Biden Administration and their supervisors to enhance cyber- defense systems and take steps to further secure their data in anticipation of potential malicious cyber activity by the Russian government or other Russian actors~~ . Because the methods of cyber- attacks change frequently or, in some cases, are not recognized until launch, we are not able to anticipate or implement effective preventive measures against all possible security breaches and the probability of a successful attack cannot be predicted. Although we employ detection and response mechanisms designed to contain and mitigate security incidents, early detection may be thwarted by persistent sophisticated attacks and malware designed to avoid detection. We also face risks related to cyber- attacks and other security breaches in connection with card transactions that typically involve the transmission of sensitive information regarding our customers through various third parties. Some of these parties have in the past been the target of security breaches and cyber- attacks, and because the transactions involve third parties and environments that we do not control or secure, future security breaches or cyber- attacks affecting any of these third parties could impact us ~~through no fault of our own~~ , and in some cases we may have exposure and suffer losses for breaches or attacks relating to them. We also rely on numerous other third **-** party service providers to conduct other aspects of our business operations and face similar risks relating to them. **We** ~~While we conduct security assessments on our higher risk third party service providers, we~~ cannot be sure that **such** ~~their~~ - **third - party** information security protocols are sufficient to withstand a cyber- attack or other security breach. ~~Cyber security~~ **Cybersecurity** risks for financial institutions also have evolved as a result of the increased interconnectedness of operating environments and the use of new technologies, devices and delivery channels to transmit data and conduct financial transactions. The adoption of new products, services and delivery channels contribute to a more complex operating environment, which enhances operational risk and presents the potential for additional structural vulnerabilities **. As such, a single cyber- attack is now able to compromise hundreds of organizations and affect a significant number of consumers** . In addition, the adoption of hybrid and remote work environments following the COVID- 19 pandemic presents institutions with additional cybersecurity vulnerabilities and risks. The Corporation regularly evaluates its systems and controls and implements upgrades as necessary. The additional cost to the Corporation of our cyber security monitoring and protection systems and controls includes the cost of hardware and software, third party technology providers, consulting and forensic testing firms, insurance premium costs and legal fees, in addition to the incremental cost of our personnel who focus a substantial portion of their responsibilities on cyber security. Any successful cyber- attack or other security breach involving the misappropriation, loss **, leak** or other unauthorized disclosure of **sensitive or** confidential customer information **, confidential and proprietary information relating to** ~~or~~ **our bank and operations, unauthorized access to our information systems or that of our third- party service providers, or unauthorized access to other data** that compromises our ability to function could severely damage our reputation, erode confidence in the security of our systems, products and services, expose us to the risk of litigation and liability, disrupt our operations and have a material adverse effect on our business. Any successful cyber- attack may also subject the Corporation to regulatory investigations, litigation **(including class action litigation)** or enforcement, or require the payment of regulatory fines or penalties or undertaking costly remediation efforts with respect to third parties affected by a cyber security incident, all or any of which could adversely affect the Corporation' s business, financial condition or results of operations and damage its reputation **. Finally, we cannot guarantee that any costs and liabilities incurred in relation to an attack or incident will be covered by our existing insurance policies or that applicable insurance will be available to us in the future on economically reasonable terms or at all** . From time to time, the Corporation engages in acquisitions, including acquisitions of depository institutions. The integration of core systems and processes for such transactions often occurs after the closing, which may create elevated risk of cyber incidents. The Corporation may be subject to the data risks and cyber security vulnerabilities of the acquired company until the Corporation has sufficient time to fully integrate the acquiree' s customers and operations. Although the Corporation conducts comprehensive due diligence of cyber- security policies, procedures and controls of our acquisition counterparties, and the Corporation maintains adequate policies, procedures, controls and information security protocols to facilitate a successful integration, there can be no assurance that such measures, controls and protocols are sufficient to withstand a cyber- attack or other security breach with respect to the companies we acquire, particularly during the period of time between closing and final integration. ~~Our~~ **We rely heavily on communications and information systems to conduct our business. We have experienced cybersecurity attacks in the past and our communications and** information systems may experience an interruption or breach in security **from future attacks** . We ~~rely heavily on~~ **have experienced cybersecurity attacks in the past. Any failure, interruption, or breach in security or operational integrity of our or our third- party vendors'** communications and information systems ~~to conduct our business. Any failure~~ , **including** ~~interruption, or breach in security or operational integrity of these~~ **those** ~~systems~~ **caused by a cybersecurity attack,** could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan, and other systems. While we have policies and procedures designed to prevent or limit the effect of the failure, interruption, or security breach of our **communications and** information systems, we cannot completely ensure that any such failures, interruptions, or security breaches will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures, interruptions, or security breaches of our **or our third- party vendors' communications and** information systems **, including those caused by a cybersecurity attack,** could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations **. We are subject to certain industry standards regarding our credit card- related services. Failure to meet those standards may significantly impact our ability to offer these services. We are subject to the PCI- DSS, issued by the Payment Card Industry Security Standards Council. PCI- DSS contains compliance guidelines with regard to our security surrounding the physical and electronic storage, processing and transmission of cardholder data. Compliance with PCI- DSS and implementing related procedures, technology and information security measures requires significant resources and ongoing attention. Costs and potential problems and interruptions associated with the implementation of new or upgraded systems and technology, such as those necessary to achieve compliance with PCI- DSS or with maintenance or adequate support of existing systems could also disrupt or reduce the efficiency of our operations. Any material interruptions or failures in our payment- related systems or third parties that we rely upon could have a material adverse effect on our business, results of operations and financial condition. If there are amendments to PCI- DSS, the cost of compliance could increase, and we may suffer loss of critical data and interruptions or delays in our operations as a result. If we or our service providers are unable to comply with the standards imposed by PCI- DSS, we may be subject to fines and restrictions on our ability to offer certain services, which could materially and adversely affect our business. Compliance with ever- evolving federal and state laws relating to the handling of information about individuals involves significant expenditure and resources, and any failure by us or our vendors to comply may result in significant liability, negative publicity, and / or an erosion of trust, which could materially adversely affect our business, results of operations, and financial condition. We are subject to a number of U. S. federal, state, local and foreign laws and regulations relating to consumer privacy and data protection. Under privacy protection provisions of the GLBA and its implementing regulations and guidance, we are limited in our ability to disclose certain non- public information about consumers to nonaffiliated third parties. The GLBA regulates, among other things, the use of certain information about**

individuals (“ non- public personal information ”) in the context of the provision of financial services, including by banks and other financial institutions. The GLBA includes both a “ Privacy Rule, ” which imposes obligations on financial institutions relating to the use or disclosure of non- public personal information, and a “ Safeguards Rule, ” which imposes obligations on financial institutions and, indirectly, their service providers to implement and maintain physical, administrative and technological measures to protect the security of non- public personal financial information. Any failure to comply with the GLBA could result in substantial financial penalties and significant reputational harm. While GLBA- regulated nonpublic, personal information generally is exempt under the CCPA, the CCPA applies to the personal information of representatives of any business contacts that the Bank engages with who are California residents, California employees, and California consumers whose personal information we may collect outside the scope of the GLBA (e. g., certain personal information collected from visitors to our websites). The CCPA went into effect in 2020 and imposes obligations on businesses that process personal information of California residents. Among other things, the CCPA: requires disclosures to such residents about the data collection, use and disclosure practices of covered businesses; provides such individuals expanded rights to access, delete, and correct their personal information, and opt- out of certain sales or transfers of personal information; and provides such individuals with a private right of action and statutory damages for certain data breaches. The CCPA and CPRA mark the beginning of a trend toward more stringent privacy legislation in the United States, and multiple states have enacted, or are expected to enact, similar laws, including the Oregon Consumer Privacy Law which takes effect on July 1, 2024, not all of which exempt financial institutions categorically. Many other states are currently reviewing or proposing the need for greater regulation of the collection, sharing, use and other processing of information related to individuals for marketing purposes or otherwise, and there remains increased interest at the federal level as well. Further, in order to comply with the varying state laws around data breaches, we must maintain adequate security measures, which require significant investments in resources and ongoing attention. Additionally, laws, regulations, and standards covering marketing, advertising, and other activities conducted by telephone, email, mobile devices, and the internet are or may become applicable to our business, such as the TCPA, the CAN- SPAM Act, and similar state consumer protection and communication privacy laws, such as California’ s Invasion of Privacy Act. We occasionally make telephone calls and / or send SMS text messages to customers. The actual or perceived improper calling of customer phones and / or sending of text messages may subject us to potential risks, including liabilities or claims relating to consumer protection laws such as the TCPA. Numerous class- action suits under federal and state laws have been filed in recent years against companies who conduct telemarketing and / or SMS texting programs, with many resulting in multi- million- dollar settlements to the plaintiffs. Any future such litigation against us could be costly and time- consuming to defend. In particular, the TCPA imposes significant restrictions on the ability to make telephone calls or send text messages to mobile telephone numbers without the prior consent of the person being contacted. Federal or state regulatory authorities or private litigants may claim that the notices and disclosures we provide, form of consents we obtain or our outreach practices are not adequate or violate applicable law. This may in the future result in civil claims against us. Claims that we have violated the TCPA could be costly to litigate, whether or not they have merit, and could expose us to substantial statutory damages or costly settlements. We also send marketing messages via email and are subject to the CAN- SPAM Act. The CAN- SPAM Act imposes certain obligations regarding the content of emails and providing opt- outs (with the corresponding requirement to honor such opt- outs promptly). While we strive to ensure that all of our marketing communications comply with the requirements set forth in the CAN- SPAM Act, any violations could result in the FTC seeking civil penalties against us. Moreover, we are considered a “ user ” of consumer reports provided by consumer reporting agencies under the Fair Credit Reporting Act, as amended by the Fair and Accurate Credit Transactions Act (collectively, “ FCRA ”). FCRA regulates and protects consumer information collected by consumer reporting agencies and imposes specific obligations on “ users ” of consumer reports. Such obligations may include restricting the sharing of information contained in a consumer report, notifying consumers when such reports are used to make an adverse decision, and, in the context of completing employee background checks, providing a notice containing certain disclosures to the consumer and obtaining their consent. Any actual or perceived failure to comply with evolving regulatory frameworks around the development and use of artificial intelligence could adversely affect our business, results of operations, and financial condition. Our business increasingly relies on AI, machine learning and automated decision making to improve our services and our customer’ s experience. The regulatory framework around the development and use of these emerging technologies is rapidly evolving, and many federal, state and foreign government bodies and agencies have introduced and / or are currently considering additional laws and regulations. As a result, implementation standards and enforcement practices are likely to remain uncertain for the foreseeable future, and we cannot yet determine the impact future laws, regulations, standards, or perception of their requirements may have on our business. Any of the foregoing, together with developing guidance and / or decisions in this area, may affect our use of AI and our ability to provide and improve our services, require additional compliance measures and changes to our operations and processes, and result in increased compliance costs and potential increases in civil claims against us. Any actual or perceived failure to comply with evolving regulatory frameworks around the development and use of AI, machine learning and automated decision making could adversely affect our business, results of operations, and financial condition . We are dependent upon third parties for certain information system, data management and processing services, and to provide key components of our business infrastructure. We outsource certain information system and data management and processing functions to third - party providers, including, among others, Fiserv, Inc. and its affiliates to compete in a rapidly evolving financial marketplace. These third - party service providers are sources of operational and informational security risk to us, including risks associated with operational errors, information system interruptions or breaches, and unauthorized disclosures of sensitive or confidential client or customer information. Concentration among larger third **-** party providers servicing large segments of the banking industry can also potentially affect wide segments of the financial industry. If third **-** party service providers encounter any of these issues, or if we have difficulty communicating with them, we could be exposed to disruption of operations, loss of service or connectivity to customers, reputational damage, and litigation risk that could have a material adverse effect on our results of operations or our business. 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 in accordance with supervisory requirements, we do not control their actions. **The actions of** ~~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 and otherwise to conduct our business. Replacing these third **-** party vendors could also entail significant delay and expense. The potential for business interruption exists throughout our organization. Integral to our performance is the continued efficacy of our technical systems, operational infrastructure, relationships with third parties and the vast array of associates and key executives in our day- to- day and ongoing operations. Failure by any or all of these resources subjects us to risks that may vary in size, scale and scope. This includes, but is not limited to, operational or technical failures, ineffectiveness or exposure due to interruption in third party support, problems arising from systems conversions, as well as the loss of key individuals or failure on the part of key individuals to perform properly. Although management has established policies and procedures to address such failures, the occurrence of any such event 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. Changes in the federal, state, or local tax laws may negatively impact our financial performance. We are subject to changes in tax law that could increase our effective tax rates. These law changes may be retroactive to previous periods and as a result could negatively affect our current and future financial performance. For example, legislation enacted in 2017 resulted in a reduction in our federal corporate tax rate from 35 % in 2017 to 21 % in 2018, which had a favorable impact on our earnings and capital generation abilities. However, this legislation also enacted limitations on certain deductions, such as the deduction of FDIC deposit insurance premiums, which partially offset the anticipated increase in net earnings from the lower tax rate. Any increase in the corporate tax rate or surcharges that may be adopted by Congress would adversely affect our results of operations in future periods. In addition, the Bank' s customers experienced and likely will continue to experience varying effects from both the individual and business tax provisions of the Tax Act and other future changes in tax law and such effects, whether positive or negative, may have a corresponding impact on our business and the economy as a whole. Further, on August 16, 2022, the Inflation Reduction Act of 2022 was enacted into law. The legislation imposed a non- deductible 1 % excise tax on repurchases of stock by " covered corporations, " including the Corporation ~~, occurring after December 31, 2022~~ . As a result, our results of operations in future periods may be impacted adversely to the extent of any significant stock repurchases by the Corporation. Impairment of investment securities, goodwill, other intangible assets, or DTAs could require charges to earnings, which could result in a negative impact on our results of operations. In assessing whether the impairment of investment securities is related to a deterioration in credit factors, management considers the length of time and extent to which the fair value has been less than cost, the financial condition and near- term prospects of the issuer, and the intent and ability to retain our investment in the security for a period of time sufficient to allow for any anticipated recovery in fair value in the near term. Under current accounting standards, goodwill is not amortized but, instead, is subject to impairment tests on at least an annual basis or more frequently if an event occurs or circumstances change that reduce the fair value of a reporting unit below its carrying amount. A decline in our stock price or occurrence of a triggering event following any of our quarterly earnings releases and prior to the filing of the periodic report for that period could, under certain circumstances, cause us to perform a goodwill impairment test and result in an impairment charge being recorded for that period which was not reflected in such earnings release. During ~~2022~~ **2023** , the annual impairment test conducted in May, using a qualitative assessment, indicated that the estimated fair value of all of the Corporation' s reporting units exceeded the carrying value. In the event that we conclude in a future assessment that all or a portion of our goodwill may be impaired, a non- cash charge for the amount of such impairment would be recorded to earnings. Such a charge would have no impact on tangible capital. At December 31, ~~2022~~ **2023** , we had goodwill of $ 1. 1 billion, which represents approximately ~~28~~ **26** % of stockholders' equity. In assessing the realizability of DTAs, management considers whether it is more likely than not that some portion or all of the DTAs will not be realized. Assessing the need for, or the sufficiency of, a valuation allowance requires management to evaluate all available evidence, both negative and positive, including the recent trend of quarterly earnings. Positive evidence necessary to overcome the negative evidence includes whether future taxable income in sufficient amounts and character within the carryback and carryforward periods is available under the tax law, including the use of tax planning strategies. When negative evidence (e. g., cumulative losses in recent years, history of operating loss or tax credit carryforwards expiring unused) exists, more positive evidence than negative evidence will be necessary. The impact of each of these impairment matters could have a material adverse effect on our business, results of operations, and financial condition. Revenues from our investment management and asset servicing businesses are significant to our earnings. Generating returns that satisfy clients in a variety of asset classes is important to maintaining existing business and attracting new business. Administering or managing assets in accordance with the terms of governing documents and applicable laws is also important to client satisfaction. Failure in either of the foregoing areas can expose us to liability, and result in a decrease in our revenues and earnings. 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 or have otherwise acted to attempt to reduce global temperatures, in part by limiting **GHG** ~~greenhouse gas~~ emissions. The Federal Reserve Board became a member of the Network of Central Banks and Supervisors for Greening the Financial System and, in its Financial

Stability Report of November 2020, specifically addressed the implications of climate change for markets, financial exposures, financial institutions, and financial stability. 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, including mandatory substantive and / or disclosure requirements regarding** climate change. Such initiatives have been pursued with rigor under the current Presidential Administration. The Financial Stability Oversight Council, of which the OCC is a member, published a report in October 2021 identifying climate- related financial risk as an ~~"~~ **“** emerging threat ~~"~~ **”** to financial stability. The leadership of the federal banking agencies, including the Comptroller of the Currency, have emphasized that climate- related risks are faced by banking organizations of all types and sizes, specifically including physical and transition risks, and are in the process of enhancing supervisory expectations regarding banks' risk management practices. To that end, ~~in December~~ **on October 24,** ~~2021~~ **2023** , **the federal banking agencies, including** the OCC ~~published proposed~~ **, issued interagency guidance on** principles for climate **- related financial** risk management by ~~larger~~ - **large financial institutions. The guidance reiterates the agencies’ view that financial institutions are likely to be affected by both the physical risks and transition risks associated with climate change, which can manifest as traditional risks such as credit, market, liquidity, operation, and legal risks. To address these risks, the guidance covers six areas: governance; policies, procedures, and limits; strategic planning; risk management; data, risk management, and reporting; and scenario analysis. The guidance applies only to** banking organizations ~~. The OCC also has created an Office of Climate Risk and appointed a Climate Change Risk Officer to oversee that office, and has established an internal climate risk implementation committee in order to assist~~ with **total consolidated assets of greater than $ 100 billion and therefore does not apply to** ~~these~~ -- **the Bank directly** ~~initiatives and to support the agency' s efforts to enhance its supervision of climate change risk management~~ . ~~The~~ **In addition, the** OCC stressed in its ~~2022~~ **2024** ~~Annual Report~~ **Bank Supervision Operating Plan** that climate- related financial ~~risks~~ - **risk is one of its supervision priorities and objectives** ~~pose novel challenges that national banks, together with the OCC, are expected to meet~~ ; however, the OCC ~~acknowledged~~ **noted** that its focus ~~in this area has purposefully been directed at institutions with more than $ 100 billion in total assets as risks are more complex and material at such institutions. Relatedly, on March 30, 2022 and December 2, 2022, respectively, the FDIC and the Federal Reserve issued their own proposed principles for climate risk management, which also are applicable to larger banking organizations. In light of the foregoing, the largest banks are being encouraged by their regulators to address the climate- related risks that they face by accounting for the effects of climate change in stress testing scenarios and systematic risk assessments, revising expectations for credit portfolio concentrations based~~ on climate- related **financial risks will be limited** ~~factors, evaluating the impact of climate change on the bank' s borrowers and consider possible changes~~ to ~~underwriting criteria to account for~~ **financial institutions with total assets of over $ 100 billion. Additionally, in March 2022, the SEC proposed new** climate- related ~~risks~~ **disclosure rules, which if finalized, would require new climate- related disclosures in SEC filings and audited financial statements, including certain climate- related metrics and direct and indirect GHG emissions data, information about climate- related targets and goals, transition plans, if any, and attestation requirements. In October 2023, California Governor Gavin Newsom signed** ~~to~~ **two** ~~mortgaged properties~~ **climate- related disclosure bills into law. The Climate Corporate Data Accountability Act (referred to as SB 253) requires both public and private U. S. businesses with revenues greater than $ 1 billion doing business in California to report their GHG emissions including scopes 1** , ~~incorporating~~ **2, and 3, beginning in 2026 (for 2025 data) and also requires reporting companies to get third- party assurance of their reports. Other states have proposed legislation similar to SB 253. The Climate- Related Financial Risk Act (referred to as SB 261) mandates U. S. businesses with annual revenues over $ 500 million doing business in California to bi- annually disclose** climate- related financial ~~risk~~ **risks** ~~into~~ **and** ~~the~~ **their** ~~bank' s internal reporting~~ **mitigation strategies beginning January 1** , ~~monitoring and escalation process~~ **2026. Disclosure requirements imposed by different regulators may not always be uniform** , ~~planning~~ **which may result in increased complexity, and cost,** for ~~transition~~ **compliance. Additionally, many of our suppliers and business partners may be subject to similar requirements, which may augment or create additional** ~~risk~~ **risks** ~~posed by the adjustments to a low- carbon economy~~ , **including risks** ~~and investing in climate- related initiatives and lending to communities disproportionately impacted by the effects of climate change. Further, the Federal Reserve has signaled~~ that **may not** ~~it is in the process of developing scenario analysis to model the possible financial risks associated with climate change. When developed, the resilience of large banking organizations, as well as the broader financial system, will~~ be **known to us** ~~evaluated against these climate change- related scenarios as part of the stress testing process~~ . Although these ~~requirements would~~ **new guidelines do** not apply to a banking organization of our size, as the Corporation continues to grow and expand the scope of our operations, our regulators generally will expect us to enhance our internal control programs and processes, including with respect to **risk management and** stress testing under a variety of adverse scenarios and related capital planning. **In** ~~To the extent that these~~ -- **the event** ~~initiatives lead to~~ the **federal banking agencies were to expand the scope of coverage of the new climate risk guidelines to institutions of our size or** ~~promulgation~~ **promulgate** ~~of~~ new regulations or supervisory guidance applicable to the Corporation, we would expect to experience increased compliance costs and other compliance- related risks. The above measures may also 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 the Corporation to expend significant capital and incur compliance, operating, maintenance and remediation costs. Given the lack of empirical data on the credit and other financial risks posed by climate change, it is impossible to predict how climate change may impact our financial condition and operations; however, as a banking organization, the physical effects of climate change may present certain unique risks to the Corporation. For example, weather disasters, shifts in local climates and other disruptions related to climate change may adversely affect the value of real properties securing our loans, which could diminish the value of our loan portfolio. Such events may also cause reductions in regional and local economic activity that may have an adverse effect on our customers, which could limit our ability to raise and invest capital in these areas and communities, each of which could have a material adverse effect on our financial condition and results of operations. In recognition of the risks posed by climate change, as discussed above, the Corporation has taken a variety of actions to manage its carbon footprint and has sought to engage in sustainable lending and investment activities, specifically including supporting renewable energy projects. However, we cannot guarantee the success of these actions, nor can we make any assurances that our regulators, investors in our securities or other third parties, such as environmental advocacy organizations, will find our efforts to support climate- related initiatives to be sufficient. ~~Additionally, in March 2022, the SEC proposed new climate- related disclosure rules, which if adopted, would require new climate- related disclosures in SEC filings and audited financial statements, including certain climate- related metrics and greenhouse gas emissions data, information about climate- related targets and goals, transition plans, if any, and attestation requirements. If adopted, these rules would impose increased costs, which could materially and adversely affect our financial performance.~~ Severe weather, natural disasters, public health issues, civil unrest, acts of war or terrorism, and other external events could significantly impact our ability to conduct business. Such events could affect the stability of our deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, adversely impact our employee base, cause significant property damage, result in loss of revenue, and / or cause us to incur additional expenses. Although management has established disaster recovery policies and procedures, the occurrence of any such event 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. Increasing, complex and evolving regulatory ~~and~~ **,** stakeholder **, and other third party** expectations on ESG matters could adversely affect our reputation, our access to capital and the market price of our securities. The Corporation is subject to a variety of risks arising from ESG matters as governmental and regulatory bodies, investors, customers, employees and other stakeholders **and third parties** have been increasingly focused on ESG matters. ESG matters include, among other things, climate risk, hiring practices, the diversity of our work force, and racial and social justice issues involving our personnel, customers and third parties with whom we otherwise do business. Risks arising from ESG matters may adversely affect, among other things, our reputation and the market price of our securities. Further, we may be exposed to negative publicity based on the identity and activities of those to whom we lend and with which we otherwise do business and the public' s view of the approach and performance of our customers and business partners with respect to ESG matters. Any such negative publicity could arise from adverse news coverage in traditional media and could also spread through the use of social media platforms. The Corporation' s relationships and reputation with its existing and prospective customers and third parties with which we do business could be damaged if we were to become the subject of any such negative publicity. This, in turn, could have an adverse effect on our ability to attract and retain customers and employees and could have a negative impact on the market price for securities. Investors have begun to consider the steps taken and resources allocated by financial institutions and other commercial organizations to address ESG matters when making investment and operational decisions. Certain investors are beginning to incorporate the business risks of climate change and the adequacy of companies' responses to the risks posed by climate change and other ESG matters into their investment theses. Additionally, organizations that provide information to investors on corporate governance and related matters have developed ratings processes for evaluating companies on their approach to ESG matters. Unfavorable ratings of the Corporation may adversely affect investor sentiment towards the Corporation or the market price of our securities. Further, as we continue to focus on developing ESG practices, and as investor and other stakeholder expectations, voluntary and regulatory ESG disclosure standards and policies continue to evolve, we have expanded and expect to further expand our public disclosures in these areas. Such disclosures may reflect aspirational goals, targets, and other expectations and assumptions, which are necessarily uncertain and may not be realized. Failure to realize (or timely achieve progress on) such aspirational goals and targets could adversely affect our third party ESG ratings, our reputation or otherwise adversely affect us. Increased attention to ESG matters also has caused public officials, including certain state attorneys general, treasurers, and legislators, to take various actions to impact the extent to which ESG principles are considered by private investors. For instance, certain states have enacted laws or issued directives designed to penalize financial institutions that the state believes are boycotting certain industries such as the fossil fuel and firearms industries. ~~In addition, a group of state attorneys general has launched a joint investigation into a firm that generates ESG ratings for investment purposes based upon concerns of potential consumer fraud or unfair trade practices.~~ These developments illustrate that ESG- based investing has become a divisive political issue. Shifts in investing priorities based on ESG principles may result in adverse effects on the market price of our securities to the extent that investors that give significant weight to such principles determine that the Corporation has not made sufficient progress on ESG matters. Conversely, the market price of our securities may be adversely ~~effected~~ **affected** if a government official or agency seeks to limit the Corporation' s business with a certain government entity or initiates an investigation or enforcement action because of what is perceived to be the Corporation' s unwarranted focus on ESG matters. Strategic and External Risks Our earnings are significantly affected by the fiscal and monetary policies of the federal government and its agencies. The policies of the Federal Reserve impact us significantly. The Federal Reserve regulates the supply of money and credit in the United States. Its policies directly and indirectly influence the rate of interest earned on loans and paid on borrowings and interest- bearing deposits and can also affect the value of financial instruments we hold. Those policies determine to a significant extent our cost of funds for lending and investing. Changes in those policies are beyond our control and are difficult to predict. Federal Reserve policies can also affect our borrowers, potentially increasing the risk that they may fail to repay their loans. For example, a tightening of the money supply by the Federal Reserve could reduce the demand for a borrower' s products and services. This could adversely affect the borrower' s earnings and ability to repay its loan, which could have a material adverse effect on our financial condition and results of operations. Our financial condition and results of operations could be negatively affected if we fail to grow or fail to manage our growth effectively. Our business strategy includes significant growth plans. We intend to continue pursuing a profitable growth strategy. Our prospects must be considered in light of the risks, expenses and difficulties frequently encountered by companies in significant growth stages of development. Sustainable growth requires that we manage our risks by balancing loan and deposit growth at acceptable levels of risk, maintaining adequate liquidity and capital, hiring and retaining qualified employees, successfully managing the costs and implementation risks with respect to strategic projects and initiatives, and integrating acquisition targets and managing the costs. We **may not** ~~cannot assure you that we will~~ be able to expand our market presence in our existing markets or successfully enter new markets ~~or that~~ **, and** any such expansion **may** ~~will not~~ adversely affect our results of operations. Failure to manage our growth effectively could have a material adverse effect on our business, future prospects, financial condition or results of operations and could adversely affect our ability to successfully implement our business strategy. Also, if we grow more slowly than anticipated, our operating results could be materially adversely affected. We operate in a highly competitive industry and market area. We face substantial competition in all areas of our operations from a variety of different competitors, both within and beyond our principal markets, many of which are larger and may have more financial resources. Such competitors primarily include national, regional, and internet banks within the various markets in which we operate. We also face competition from many other types of financial institutions, including, without limitation, savings and loans, credit unions, finance companies, brokerage firms, insurance companies, and other financial intermediaries. The financial services industry could become even more competitive as a result of legislative and regulatory changes and continued consolidation. In recent years, the OCC has begun to accept applications from financial technology companies to become special purpose national banks. These and similar developments at the state level are likely to result in even greater competition within all areas of our operations. In addition, as customer preferences and expectations continue to evolve, technology has lowered barriers to entry and made it possible for nonbanks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. In addition, some of the largest technology firms are engaging in joint ventures with the largest banks to provide and / or expand financial service offerings with a technological sophistication and breadth of marketing that smaller institutions do not have. Many of our competitors have fewer regulatory constraints and may have lower cost structures. Additionally, due to their size, many competitors may be able to achieve economies of scale and, as a result, may offer a broader range of products and services as well as better pricing for those products and services than we can. Our ability to compete successfully depends on a number of factors, including, among other things: • the ability to develop, maintain, and build upon long- term customer relationships based on top quality service, high ethical standards, and safe, sound assets; • the ability to expand our market position; • the scope, relevance, and pricing of products and services offered to meet customer needs and demands; • the rate at which we introduce new products and services relative to our competitors; • customer satisfaction with our level of service; and • industry and general economic trends. Failure to perform in any of these areas could significantly weaken our competitive position, which could adversely affect our growth and profitability, which, in turn, could have a material adverse effect on our financial condition and results of operations. Fiscal challenges facing the U. S. government could negatively impact financial markets which in turn could have an adverse effect on our financial position or results of operations. Federal budget deficit concerns and the potential for political conflict over legislation to fund U. S. government operations and raise the U. S. government ~~'~~ **’** s debt limit may increase the possibility of a default by the U. S. government on its debt obligations, related credit- rating downgrades, or an economic recession in the United States. Many of our investment securities are issued by the U. S. government and government agencies and sponsored entities. As a result of uncertain domestic political conditions, including potential future federal government shutdowns, the possibility of the federal government defaulting on its obligations for a period of time due to debt ceiling limitations or other unresolved political issues, investments in financial instruments issued or guaranteed by the federal government pose liquidity risks. In connection with prior political disputes over U. S. fiscal and budgetary issues leading to the U. S. government shutdown in 2011, S & P lowered its long term sovereign credit rating on the U. S. from AAA to AA **. In 2023, Congress narrowly averted two separate government shutdowns by passing continuing resolutions. In part due to repeated debt- limit political standoffs and last- minute resolutions, in 2023 a rating agency downgraded the U. S. long- term foreign- currency issuer default rating to AA from AAA** . A further downgrade, or a downgrade by other rating agencies, as well as sovereign debt issues facing the governments of other countries, could have a material adverse impact on financial markets and economic conditions in the U. S. and worldwide. Consumers may decide not to use banks to complete their financial transactions. Technology and other changes are allowing parties to complete financial transactions through alternative methods that historically have involved banks. For example, consumers can now maintain funds that would have historically been held as bank deposits in brokerage accounts, mutual funds or general- purpose reloadable prepaid cards. Consumers can also complete transactions, such as paying bills and / or transferring funds directly without the assistance of banks. Although the digital asset marketplace has in recent months experienced substantial instability, transactions utilizing digital assets, including cryptocurrencies, stablecoins and other similar assets, have increased substantially over the course of the last several years. Certain characteristics of digital asset transactions, such as the speed with which such transactions can be conducted, the ability to transact without the involvement of regulated intermediaries, the ability to engage in transactions across multiple jurisdictions, and the anonymous nature of the transactions, are appealing to certain consumers notwithstanding the various risks posed by such transactions as illustrated by the current and ongoing market volatility. Accordingly, digital asset service providers ~~-~~ **,** which ~~,~~ at present are not subject to the extensive regulation ~~as~~ **of** banking organizations and other financial institutions ~~-~~ **,** have become active competitors for our customers ~~'~~ **’** banking business. The process of eliminating banks as intermediaries, known as ~~"~~ **“** disintermediation, ~~"~~ **”** could result in the loss of fee income, as well as the loss of customer deposits and the related income generated from those deposits **. Further, an initiative by the CFPB, as prompted by the current Presidential Administration, to promote “ open and decentralized banking ” through the proposal of a Personal Financial Data Rights rule designed to facilitate the transfer of customer information at the direction of the customer to other financial institutions could lead to greater competition for products and services among banks and nonbanks alike if a final rule is adopted. The timing of and prospects for any such action are uncertain at this time** . The loss of these revenue streams and the lower cost of deposits as a source of funds could have a material adverse effect on our financial condition and results of operations. Our profitability depends significantly on economic conditions in the states within which we do business. Our success depends on the general economic conditions of the specific local markets in which we operate, particularly Wisconsin, Illinois and Minnesota. Local economic conditions have a significant impact on the demand for our products and services, as well as the ability of our customers to repay loans, on the value of the collateral securing loans, and the stability of our deposit funding sources. A significant decline in general local economic conditions caused by inflation, recession, unemployment, changes in securities markets, changes in housing market prices, or other factors could have a material adverse effect on our financial condition and results of operations. The earnings of financial services companies are significantly affected by general business and economic conditions. Our operations and profitability are impacted by general business and economic conditions in the United States and abroad. These conditions include short- term and long- term interest rates, inflation, money supply, political issues, ramifications of conflicts including the Russia- Ukraine conflict, legislative and regulatory changes, fluctuations in both debt and equity capital markets, broad trends in industry and finance, the strength of the United States economy, and uncertainty in financial markets globally, all of which are beyond our control. A deterioration in economic conditions, including those arising from government shutdowns, defaults, anticipated defaults or rating agency downgrades of sovereign debt (including debt of the U. S.), or increases in unemployment, could result in an increase in loan delinquencies and NPAs, decreases in loan collateral values, and a decrease in demand for our products and services, among other things, any of which could have a material adverse impact on our financial condition and results of operations. New lines of business or new products and services may subject us to additional risk. From time to time, we may implement new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and / or new products and services, we may invest significant time and resources. Initial timetables for the introduction and development of new lines of business and / or new products or services may not be achieved and price and profitability targets may not prove feasible. External factors, such as competitive alternatives and shifting market preferences, may also impact the successful implementation of a new line of business and / or a new product or service. Furthermore, strategic planning remains important as we adopt innovative products, services, and processes in response to the evolving demands for financial services and the entrance of new competitors, such as out- of- market banks and financial technology firms. Any new line of business and / or new product or service could have a significant impact on the effectiveness of our system of internal controls, so we must responsibly innovate in a manner that is consistent with sound risk management and is aligned with the Bank' s overall business strategies. Failure to successfully manage these risks in the development and implementation of new lines of business and / or new products or services could have a material adverse effect on our business, results of operations and financial condition. Failure to keep pace with technological change could adversely affect our business. The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology- driven products and services, including the potential utilization of blockchain technology to provide alternative high speed payment systems. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success depends, in part, upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology- driven products and services or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse impact on our business and, in turn, our financial condition and results of operations. We may be adversely affected by risks associated with potential and completed acquisitions. As part of our growth strategy, we regularly evaluate merger and acquisition opportunities and conduct due diligence activities related to possible transactions with other financial institutions and financial services companies. As a result, negotiations may take place and future mergers or acquisitions involving cash, debt, or equity securities may occur at any time. We seek merger or acquisition partners that are culturally similar, have experienced management, and possess either significant market presence or have potential for improved profitability through financial management, economies of scale, or expanded services. Acquiring other banks, businesses, or branches involves potential adverse impact to our financial results and various other risks commonly associated with acquisitions, including, among other things: • incurring time and expense associated with identifying and evaluating potential acquisitions and negotiating potential transactions, and with integrating acquired businesses, resulting in the diversion of resources from the operation of our existing businesses; • difficulty in estimating the value of target companies or assets and in evaluating credit, operations, management, and market risks associated with those companies or assets; • payment of a premium over book and market values that may dilute our tangible book value and earnings per share in the short and long term; • potential exposure to unknown or contingent liabilities of the target company, including, without limitation, liabilities for regulatory and compliance issues; • exposure to potential asset quality issues of the target company; • there may be volatility in reported income as goodwill impairment losses could occur irregularly and in varying amounts; • difficulties, inefficiencies or cost overruns associated with the integration of the operations, personnel, technologies, services, and products of acquired companies with ours; • inability to realize the expected revenue increases, cost savings, increases in geographic or product presence, and / or other projected benefits; • potential disruption to our business; • the possible loss of key employees and customers of the target company; and • potential changes in banking or tax laws or regulations that may affect the target company. Acquisitions also involve operational risks and uncertainties, and acquired companies may have unknown or contingent liabilities, exposure to unexpected asset quality problems that require write- downs or write- offs (as well as restructuring and impairment or other charges), difficulty retaining key employees and customers and other issues that could negatively affect our business. We may not be able to realize any projected cost savings, synergies or other benefits associated with any such acquisition we complete. Acquisitions typically involve the payment of a premium over book and market values and, therefore, some dilution of our tangible book value and net income per common share may occur in connection with any future transaction. Failure to successfully integrate the entities we acquire into our existing operations could increase our operating costs significantly and have a material adverse effect on our business, financial condition, and results of operations. In addition, we face significant competition from other financial services institutions, some of which may have greater financial resources than we do, when considering acquisition opportunities. Accordingly, attractive opportunities may not be available to us and there can be no assurance that we will be successful in identifying or completing future acquisitions. Acquisitions may be delayed, impeded, or prohibited due to regulatory issues. Acquisitions by the Corporation, particularly those of financial institutions, are subject to approval by a variety of federal and state regulatory agencies (collectively, ~~"~~ **“** regulatory approvals ~~"~~ **”**). The process for obtaining these required regulatory approvals has become substantially more difficult in recent years. Regulatory approvals could be delayed, impeded, restrictively conditioned or denied due to existing or new regulatory issues the Corporation has, or may have, with regulatory agencies, including, without limitation, issues related to BSA compliance, CRA issues, fair lending laws, fair housing laws, consumer protection laws, unfair, deceptive, or abusive acts or practices regulations, and other similar laws and regulations. We may fail to pursue, evaluate or complete strategic and competitively significant acquisition opportunities as a result of our inability, or perceived or anticipated inability, to obtain regulatory approvals in a timely manner, under reasonable conditions or at all. The regulatory approvals may contain conditions on the completion of the merger that adversely affect our business following the closing, or which are not anticipated or cannot be met. Difficulties associated with potential acquisitions that may result from these factors could have a material adverse impact on our business, and, in turn, our financial condition and results of operations. Moreover, in July 2021, President Biden issued an Executive Order on Promoting Competition in the American Economy which encouraged the federal banking agencies to review their current merger oversight practices. In response, the FDIC issued a request for public comment on the effectiveness of the existing framework for evaluating bank mergers and acquisitions under the FDI Act **. In addition** , ~~while~~ **the acting Comptroller of the Currency publicly stressed the need to update the framework used for analyzing bank mergers and noted that, without enhancements,** ~~the~~ **there** ~~OCC~~ is **an increased risk of approving** ~~considering enhancing the agency' s merger~~ **mergers** ~~review processes~~ **that diminish competition, hurt communities, or present systemic risks** . The FTC and DOJ ~~also are more~~ closely ~~evaluating~~ **evaluate** proposed mergers and acquisitions, including within the financial services sector, that have the potential to limit competition **. To that end, the FTC and DOJ jointly released final Merger Guidelines, which includes a more expansive, context- specific method of analysis to evaluate competitive effects** . Further, the Director of the CFPB has publicly sought a greater role for the CFPB in the evaluation of proposed bank mergers **. The prospects and timing for the adoption by the federal banking agencies of revised bank merger guidelines are not certain at this time** . Any enhanced regulatory scrutiny of bank mergers and acquisitions and revision of the framework for merger application review may adversely affect the marketplace for such transactions, could result in our acquisitions in future periods being delayed, impeded or restricted in certain respects and result in new rules that possibly limit the size of financial institutions we may be able to acquire in the future and alter the terms for such transactions. Legal, Regulatory, Compliance and Reputational Risks We are subject to extensive government regulation and supervision. We are subject to extensive federal and applicable state regulation and supervision, primarily through Associated Bank and certain nonbank subsidiaries. Banking regulations are primarily intended to protect depositors' funds, federal deposit insurance funds, and the banking system as a whole, not shareholders. These regulations affect our lending practices, capital structure, investment practices, dividend policy, and growth, among other things. Congress and federal regulatory agencies continually review banking laws, regulations, and policies for possible changes, and proposed changes can continue to be expected under the current Presidential Administration. Changes to statutes, regulations, or regulatory policies, including changes in interpretation or implementation of statutes, regulations, or policies, could affect us in substantial and unpredictable ways. Such changes could subject us to additional costs, limit the types of financial services and products we may offer, and / or increase the ability of nonbanks to offer competing financial services and products, among other things. Failure to comply with laws, regulations, or policies could result in sanctions by regulatory agencies, civil money penalties, and / or reputation damage, which could have a material adverse effect on our business, financial condition, and results of operations. While we have policies and procedures designed to prevent these types of violations, there can be no assurance that such violations will not occur. Significantly, the enactment of the Economic Growth Act, and the promulgation of its implementing regulations, repealed or modified several important provisions of the Dodd- Frank Act. Among other things, the Economic Growth Act and its implementing regulations raised the total asset thresholds to $ 250 billion for Dodd- Frank Act annual company- run stress testing, leverage limits, liquidity requirements, and resolution planning requirements for bank holding companies, subject to the ability of the Federal Reserve to apply such requirements to institutions with assets of $ 100 billion or more to address financial stability risks or safety and soundness concerns. ~~Accordingly~~ **However** , **in response to several large bank failures in** the ~~effect~~ **spring** of **2023** ~~banking legislation and regulations remains uncertain. The implementation~~ , **the** ~~amendment, or repeal of~~ federal banking ~~laws~~ **agencies have engaged in rulemaking that likely will significantly increase compliance costs should we grow in excess of $ 50 billion in assets. On August 29, 2023, the federal banking agencies, including the OCC, issued proposals and guidance regarding resolution planning. Banks with $ 50 billion to $ 100 billion have not been required to submit resolution plans since 2018 because of a moratorium adopted by the FDIC. Under the proposed rule, however, the moratorium would be lifted and the FDIC would require banks with at least $ 50 billion in assets to submit an informational filing, which would not require a resolution strategy and demonstration of valuation capabilities, but would require substantially all of the informational elements otherwise required** ~~or~~ **for inclusion in a resolution plan that banks with $ 100 billion or more in assets currently are required to submit. The proposed rule, if adopted as proposed, would not apply to the Bank directly based on the Bank' s current asset size. Further, on July 27, 2023, the federal banking agencies, including the OCC, issued a proposed rule to implement the final components of the Basel III standards. Among other things, the proposed rule would substantially change the existing calculation of risk- weighted assets and require banking organizations to use**

revised models for such calculations. The proposed rule, if adopted as proposed, would be applicable to banking organizations with $ 100 billion or more in total consolidated assets, and therefore would not apply to the Bank directly based upon its current asset size. However, many of the principles included in this proposed rulemaking could result in increased supervisory expectations and closer ~~regulations~~ - **regulatory scrutiny for institutions that experience substantial growth. For example, the proposed rulemaking would add back the impact of accumulated other comprehensive income (loss) to the calculation of regulatory capital for institutions above $ 100 billion in assets. The federal banking agencies have discretion during the examination process to require institutions to have higher capital cushions to address a variety of supervisory concerns, which** may ~~affect the banking industry as a whole, including~~ **include a high level** ~~our business and results~~ of **accumulated other comprehensive loss** ~~operations, in ways that are difficult to predict~~. In addition, the federal banking agencies, including the OCC, and the CFPB have in recent years adopted a more aggressive enforcement posture — specifically with respect to fair lending and loan servicing, bank and financial institution sales practices, management of consumer accounts and the charging of various fees. ~~For instance, in September 2016, the CFPB and OCC entered into a consent order with a large national bank alleging widespread improper sales practices, which prompted the federal bank regulatory agencies to conduct a horizontal review of sales practices throughout the banking industry. The elevated attention resulted in additional regulatory scrutiny and regulation of incentive arrangements. In January of 2022, the CFPB launched a supervision and enforcement initiative to scrutinize administrative fees characterized by the agency as " junk fees. " As part of that initiative, the CFPB has issued guidance and advisory opinions aimed at curbing the assessment of such fees, and has taken action against supervised financial institutions for alleged unlawful fee practices and mismanagement of consumer accounts. Ongoing regulatory scrutiny in these areas could adversely impact the delivery of services and increase compliance costs.~~ The Bank faces risks related to the adoption of future legislation and potential changes in federal regulatory agency leadership, policies, and priorities. **Last Congress,** Democrats ~~retained control~~ **controlled** ~~of the U. S. Senate in the 2022 midterm elections, increasing their majority by one seat, while Republicans assumed control of the U. S. House of Representatives. With control of~~ the White House and both ~~chambers~~ **Chambers** of Congress **. As a result** ~~over the past two years~~ , Democrats were able to set the policy agenda both legislatively and in the regulatory agencies that have rulemaking and supervisory authority over the financial services industry generally and the Bank specifically. These dynamics ~~will shift~~ **shifted** ~~in certain respects~~ **after the 2022 midterm elections. While Democrats retained control of the U. S. Senate, the party has a slim majority of 51 seats. Republicans assumed control of the U. S. House of Representatives,** with ~~Republicans assuming control~~ **a slim majority** of **222 seats** ~~one chamber of Congress~~ . In consideration of the divided control of Congress, the narrow majorities in each chamber, and the current political environment, the legislative process is expected to be more challenging in the current legislative session **. In addition, two vacant seats previously held by Republicans will need to be filled in early 2024, which could impact the margin by which Republicans control the House of Representatives** . Although agendas are expected to vary substantially in each chamber, congressional committees with jurisdiction over the banking sector have pursued, and likely will continue to pursue, oversight in a variety of areas, including addressing climate- related risks, promoting diversity and equality within the banking industry and addressing other ESG matters, improving competition in the banking sector and enhancing oversight of bank mergers and acquisitions, and establishing a regulatory framework for digital assets and markets. The prospects for the enactment of major banking reform legislation under the new Congress are unclear at this time. Moreover, the turnover of the Presidential Administration in 2021 resulted in certain changes in the leadership and senior staffs of the federal banking agencies ~~, the CFPB, CFTC, SEC,~~ and the Treasury Department, with certain significant leadership positions yet to be filled, including the Comptroller of the Currency. These changes have impacted the rulemaking, supervision, examination and enforcement priorities and policies of the agencies and likely will continue to do so over the next several years. The potential impact of any changes in agency personnel, policies and priorities on the financial services sector, including the Bank, cannot be predicted at this time **. Recent volatility in the banking sector, triggered by the failures of Silicon Valley Bank, Signature Bank and First Republic Bank, may result in legislative initiatives, agency rulemaking activities, or changes in agency policies and priorities that could subject the Corporation and the Bank to enhanced government regulation and supervision. On March 10, 2023, SVB was closed by the DFPI. Two days later, on March 12, 2023, SBNY also failed. Nearly two months later, on May 1, 2023, First Republic Bank was closed by the DFPI. In each case, the FDIC was appointed as receiver. With respect to the failures of SVB and SBNY, the FDIC, together with the Federal Reserve and the U. S. Treasury Secretary, took action under applicable emergency systemic risk authority to fully protect the depositors of each bank as the institutions were wound down. SVB and SBNY each had substantial business relationships with, and exposure to, entities within the innovation sector, including financial technology and digital asset companies, and had received an influx of deposits over the course of several years which coincided with the rapid growth of that sector. In recent periods, however, SVB and SBNY each had begun to experience significant deposit losses. These losses increased rapidly in early March, ultimately causing each institution to fail. While First Republic Bank' s business model was different in certain respects, it too experienced rapid growth as peer banks stalled and had significant asset and funding concentrations, each of which contributed to the failure of the institution. Investor and customer confidence in the banking sector, particularly with regard to mid- size and larger regional banking organizations, waned in response to the failures of SVB, SBNY and First Republic Bank. Notably, the Corporation' s share price decreased by 22 % during the month of March, consistent with other regional banking organizations. According to data published by the Federal Reserve, deposits at domestic commercial banks decreased by approximately $ 280 billion between the end of February 2023 and the week ended March 29, 2023. The Bank' s deposits decreased by $ 248 million during this period, which was a decrease of less than 1 %. According to the data published by the Federal Reserve, deposits at domestic commercial banks have been stable throughout the last three quarters of 2023, with no further notable decrease. Congress and the federal banking agencies have and continue to evaluate the events leading to the failures of SVB,**

SBNY and First Republic Bank to ascertain possible explanations for these developments. Legislators and the leadership of the federal banking agencies noted that inadequate prudential regulation of regional banking organizations (generally, institutions with less than $ 250 billion in total assets), insufficient supervision of such organizations, poor management and inadequate risk management practices, specifically including interest rate and liquidity risks in consideration of each institution’ s business model, and substantial uninsured deposit liabilities were causes of the failures. Further evaluation of recent developments in the banking sector may lead to governmental initiatives intended to prevent future bank failures and stem significant deposit outflows from the banking sector, including (i) legislation aimed at preventing similar future bank runs and failures and stabilizing confidence in the banking sector over the long term, (ii) agency rulemaking to modify and enhance relevant regulatory requirements, specifically with respect to liquidity risk management, deposit concentrations, capital adequacy, stress testing and contingency planning, and safe and sound banking practices, and (iii) enhancement of the agencies’ supervision and examination policies and priorities. In fact, in July 2023, the federal banking agencies issued a notice of proposed rulemaking that would substantially revise the regulatory capital framework for banking organizations with total assets of $ 100 billion or more and banking organizations with significant trading activity. Among other things, the proposed rule would require all banking organizations with over $ 100 billion in assets to include unrecognized gains and losses on AFS debt securities via the inclusion of accumulated other comprehensive income in capital. In addition, banking organizations with over $ 100 billion in assets would be subject to the supplementary leverage ratio and countercyclical capital buffer. The proposed rule, if adopted as proposed, would not apply to the Bank directly based on the Bank' s current asset size. The federal banking agencies may also re- evaluate applicable liquidity risk management standards, such as by reconsidering the mix of assets that are deemed to be" high- quality liquid assets" and / or how HQLA holdings and cash inflows and outflows are tabulated and weighted for liquidity management purposes. Although we cannot predict with certainty which initiatives may be pursued by lawmakers and agency leadership, nor can we predict the terms and scope of any such initiatives, any of the potential changes referenced above could, among other things, subject us to additional costs, limit the types of financial services and products we may offer, and limit our future growth, any of which could materially and adversely affect our business, results of operations or financial condition. We will experience increases in FDIC insurance assessments due to the bank failures that occurred in 2023. On November 16, 2023, the FDIC issued a final rule on special assessment to recover the loss to the DIF associated with the resolution of SVB and SBNY, which was estimated to be approximately $ 16. 3 billion as of the date of the issuance of the final rule. Under the final rule, the assessment base for an IDI will be equal to the institution’ s estimated uninsured deposits as of December 31, 2022, adjusted to exclude the first $ 5 billion in estimated uninsured deposits. Under the final rule, the FDIC will collect the special assessment at an annual rate of 13. 4 bp beginning with the first quarterly assessment period of 2024 and will continue to collect special assessments for an anticipated total of eight quarterly assessment periods. The Bank had uninsured deposits of $ 16. 4 billion as of December 31, 2022, and the Bank expects that it will pay a special assessment based on the assessment base of $ 11. 4 billion, which excludes the first $ 5 billion from the $ 16. 4 billion uninsured deposits the Bank had as of December 31, 2022. Such an increase in our assessment fees may have a materially adverse effect on our results of operations and financial condition . Changes in requirements relating to the standard of conduct for broker- dealers under applicable federal and state law may adversely affect our business. The SEC ~~'~~**’** s Regulation Best Interest which was implemented in 2019 established a new standard of conduct for a broker- dealer to act in the best interest of a retail customer when making a recommendation of any securities transaction or investment strategy involving securities to such customer. The regulation required us to review and modify our compliance activities, including our policies, procedures, and controls, which caused us to incur additional costs. In addition, state laws that impose a fiduciary duty also may require monitoring, as well as require that we undertake additional compliance measures. In addition, the Bank' s insurance agency subsidiary is also subject to regulation and supervision in the various states in which it operates. The implementation and administration by the SEC of Regulation Best Interest, as well as any new state laws that impose a fiduciary duty, may negatively impact our results of operation, as well as increase costs associated with legal, compliance, operations, and information technology. The CFPB has reshaped the consumer financial laws through rulemaking and enforcement of the prohibitions against unfair, deceptive and abusive business practices. Compliance with any such change may impact the business operations of depository institutions offering consumer financial products or services, including the Bank. The CFPB has broad rulemaking authority to administer and carry out the provisions of the Dodd- Frank Act with respect to financial institutions that offer covered financial products and services to consumers. As an independent bureau within the Federal Reserve System, the CFPB may impose requirements more severe than the previous bank regulatory agencies. The CFPB has also been directed to write rules identifying practices or acts that are unfair, deceptive or abusive in connection with any transaction with a consumer for a consumer financial product or service, or the offering of a consumer financial product or service. The CFPB has initiated enforcement actions against a variety of bank and non- bank market participants with respect to a number of consumer financial products and services that ~~has~~ **have** resulted in those participants expending significant time, money and resources to adjust to the initiatives being pursued by the CFPB. The CFPB has pursued a more aggressive enforcement policy with respect to a range of regulatory compliance matters under the current Presidential Administration, specifically including fair lending, loan servicing, financial institution sales and marketing practices, and financial institution consumer fee and account management practices. CFPB enforcement actions may serve as precedent for how the CFPB interprets and enforces consumer protection laws, including practices or acts that are deemed to be unfair, deceptive or abusive, with respect to all supervised institutions, which may result in the imposition of higher standards of compliance with such laws. Moreover, the Bank is subject to supervision and examination by the CFPB for compliance with the CFPB’ s regulations and policies. The costs and limitations related to this additional regulatory reporting regimen have yet to be fully determined, although they may be material, and the limitations and restrictions that will be placed upon the Bank with respect to its consumer product offerings and services may produce significant, material effects on the Bank' s (and the Corporation' s) profitability. The Bank is periodically examined for mortgage- related issues, including mortgage loan and default services, fair lending, and mortgage banking. Federal and state banking ~~regulators~~ **agencies** closely examine the mortgage and mortgage servicing activities of depository financial institutions. Should any of these regulators have serious concerns with respect to our mortgage or mortgage servicing activities in this regard, the regulators ~~'~~ **'** response to such concerns could result in material adverse effects on our growth strategy and profitability. Further, staff changes to key positions within the CFPB under the current Presidential Administration have resulted in the CFPB pursuing more strict enforcement policies, specifically in the area of fair lending, loan servicing, collections and other consumer related areas. We may experience unanticipated losses as a result of residential mortgage loan repurchase or reimbursement obligations under agreements with secondary market purchasers. We may be required to repurchase residential mortgage loans, or to reimburse the purchaser for losses with respect to residential mortgage loans, which have been sold to secondary market purchasers in the event there are breaches of certain representations and warranties contained within the sales agreements, such as representations and warranties related to credit information, loan documentation, collateral and insurability. Consequently, we are exposed to credit risk, and potentially funding risk, associated with sold loans. As a result we have established reserves in our consolidated financial statements for potential losses related to the residential mortgage loans we have sold. The adequacy of the reserves and the ultimate amount of losses incurred will depend on, among other things, the actual future mortgage loan performance, the actual level of future repurchase and reimbursement requests, the actual success rate of claimants, actual recoveries on the collateral and macroeconomic conditions. Due to uncertainties relating to these factors, there can be no assurance that the reserves we establish will be adequate or that the total amount of losses incurred will not have a material adverse effect on our financial condition or results of operations. Fee revenues from overdraft protection programs constitute a significant portion of our noninterest income and may be subject to increased supervisory scrutiny. Revenues derived from transaction fees associated with overdraft protection programs offered to our customers represent a significant portion of our noninterest income. In ~~2022~~ **2023** , the Corporation collected approximately $ ~~23~~ **14** million in overdraft transaction fees. Members of Congress and the leadership of the OCC and CFPB have expressed a heightened interest in bank overdraft protection programs. In December 2021, the CFPB published a report providing data on banks' overdraft and non- sufficient funds fee revenues as well as observations regarding consumer protection issues relating to participation in such programs. Since then, the CFPB has used the supervision process to obtain additional information about financial institutions' overdraft practices **. In 2023** , **the CFPB brought** ~~and has indicated that it intends to pursue~~ enforcement actions against **a number of** financial institutions **for** ~~, and their executives, that oversee~~ overdraft practices that ~~are deemed~~ **the CFPB alleged** to be unlawful **and ordered each of these institutions to pay a substantial civil money penalty in addition to customer restitution. The CFPB found that these institutions engaged in unlawful overdraft practices by, among other things, systematically and repeatedly charging fees to customers with insufficient funds in their accounts, imposing overdraft fees without adequate disclosures, charging overdraft fees without proper consent, and misleading customers about the terms and costs of overdraft coverage** . The CFPB also has published guidance containing instructions for financial institutions to avoid the imposition of unlawful overdraft fees. **The CFPB is expected to commence rulemaking in this area in the coming months.** These actions are a component of the CFPB' s broader supervision and enforcement initiative targeting so- called consumer " junk fees. " In addition, the ~~Comptroller of~~ **OCC issued a bulletin to banks in April 2023 to address** the ~~Currency has identified potential options~~ **risks associated with overdraft protection programs and overdraft fees. Specifically, the OCC noted in the bulletin that APSN transaction and representment fee practices may present a heightened risk of violations of Section 5 of the Federal Trade Commission Act of 2010, which prohibits unfair, deceptive, or abusive acts or practices. An APSN transaction refers to the practice of assessing overdraft fees on debit card transactions that authorize when a customer' s available balance is positive but later post to the account when the available balance is negative. Representment fees refer to assessing an additional fee each time a third party submits the same transaction** for ~~reform of national~~ **payment after a** bank **returns the transaction for non- sufficient funds. The OCC further noted that banks should establish and maintain sound risk management of overdraft protection programs by establishing effective board and management oversight and appropriate procedures and practices for managing risks associated with overdraft protection programs. In response to this increased congressional and regulatory scrutiny, and in response to enhanced supervision and enforcement of** overdraft protection practices ~~, including providing a grace period before the imposition of a fee, refraining from charging multiple fees in a single day and eliminating fees altogether. In response to this increased congressional and regulatory scrutiny, and in anticipation of enhanced supervision and enforcement of overdraft protection practices in the future~~ , certain banking organizations have modified their overdraft protection programs, including by discontinuing the imposition of overdraft transaction fees. **In** ~~These competitive pressures from our peers, as well as any adoption by our regulators of new rules or supervisory guidance or more aggressive examination and enforcement policies in respect of banks' overdraft protection practices, could cause us to modify our program and practices in ways that may have a negative impact on our revenue and earnings, which, in turn, could have an adverse effect on our financial condition and results of operations. On July 20,~~ 2022, the Corporation eliminated non- sufficient funds fees, overdraft protection transfer fees, and continuous overdraft fees and reduced the daily limit of overdraft fee occurrences from four to two **. We may further modify our overdraft program and practices in response to competitive pressures, supervisory guidance and observable trends from public enforcement actions. Despite our ongoing compliance efforts, we may become subject to regulatory enforcement actions with respect to our programs and practices with respect to overdraft and non- sufficient funds fees** . In addition, as supervisory expectations and industry practices regarding overdraft protection programs change, our continued offering of overdraft protection may result in negative public opinion and increased reputation risk. We are subject to examinations and challenges by tax authorities. We are subject to federal and applicable state income tax regulations. Income tax regulations are often complex and require interpretation. Changes in income tax regulations could negatively impact our results of operations. In the normal course of business, we are routinely subject to examinations and challenges from federal and applicable state tax authorities regarding the amount of taxes due in connection with investments we have made and the businesses in which we have engaged. Recently, federal and state taxing authorities have become increasingly aggressive in challenging tax positions taken by financial institutions. These tax positions may relate to tax compliance, sales and use, franchise, gross receipts, payroll, property and income tax issues, including tax base, apportionment and tax credit planning. The challenges made by tax authorities may result in adjustments to the timing or amount of taxable income or deductions or the allocation of income among tax jurisdictions. If any such challenges are made and are not resolved in our favor, they could have a material adverse effect on our financial condition and results of operations. We are subject to claims and litigation pertaining to fiduciary responsibility. From time to time, customers make claims and take legal action pertaining to the performance of our fiduciary responsibilities. Whether customer claims and legal action related to the performance of our fiduciary 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 financial liability and / or adversely affect the market perception of us and our products and services, as well as impact customer demand for those products and services. Any financial liability or reputation 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. We are a defendant in a variety of litigation and other actions, which may have a material adverse effect on our financial condition and results of operation. We may be involved from time to time in a variety of litigation arising out of our business. Our insurance may not cover all claims that may be asserted against us, and any claims asserted against us, regardless of merit or eventual outcome, may harm our reputation. Should the ultimate judgments or settlements in any litigation exceed our insurance coverage, they could have a material adverse effect on our financial condition and results of operation for any period. In addition, we may not be able to obtain appropriate types or levels of insurance in the future, nor may we be able to obtain adequate replacement policies with acceptable terms, if at all. Negative publicity could damage our reputation. Reputation risk, or the risk to our earnings and capital from negative public opinion, is inherent in our business. Negative public opinion could adversely affect our ability to keep and attract customers and expose us to adverse legal and regulatory consequences. Negative public opinion could result from our actual or alleged conduct in any number of activities, including lending or foreclosure practices, corporate governance, regulatory compliance, mergers and acquisitions, and disclosure, sharing or inadequate protection of customer information, and from actions taken by government regulators and community organizations in response to that conduct. Because we conduct most of our business under the" Associated Bank" brand, negative public opinion about one business could affect our other businesses. Ethics or conflict of interest issues could damage our reputation. We have established a Code of Business Conduct and Ethics and Related Party Transaction Policies and Procedures to address the ethical conduct of business and to avoid potential conflicts of interest. Any system of controls, however well designed and operated, is based, in part, on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of our related controls and procedures or failure to comply with the established Code of Business Conduct and Ethics and Related Party Transaction Policies and Procedures could have a material adverse effect on our reputation, business, results of operations, and / or financial condition. Risks Related to an Investment in Our Securities The price of our securities can be volatile. Price volatility may make it more difficult for you to sell your securities when you want and at prices you find attractive. Our securities prices can fluctuate widely in response to a variety of factors including, among other things: • actual or anticipated variations in quarterly results of operations or financial condition; • operating results and stock price performance of other companies that investors deem comparable to us; • news reports relating to trends, concerns, and other issues in the financial services industry; • perceptions in the marketplace regarding us and / or our competitors; • new technology used or services offered by competitors; • significant acquisitions or business combinations, strategic partnerships, joint ventures, or capital commitments by or involving us or our competitors; • failure to integrate acquisitions or realize anticipated benefits from acquisitions; • changes in government regulations; • changes in international trade policy and any resulting disputes or reprisals; • geopolitical conditions, such as acts or threats of terrorism or military conflicts; and • recommendations by securities analysts. General market fluctuations, industry factors, and general economic and political conditions and events, such as economic slowdowns or recessions, interest rate changes, or credit loss trends, could also cause our securities prices to decrease regardless of our operating results. There may be future sales or other dilution of our equity, which may adversely affect the market price of our securities. We are not restricted from issuing additional securities, including preferred stock, common stock and securities that are convertible into or exchangeable for, or that represent the right to receive, common stock. The issuance of additional shares of common stock or the issuance of convertible securities would dilute the ownership interest of our existing common shareholders. The market price of our common stock could decline as a result of an equity offering, as well as other sales of a large block of shares of our common stock or similar securities in the market after an equity offering, or the perception that such sales could occur. Both we and our regulators perform a variety of analyses of our assets, including the preparation of stress case scenarios, and as a result of those assessments we could determine, or our regulators could require us, to raise additional capital. We may reduce or eliminate dividends on our common stock. Although we have historically paid a quarterly cash dividend to the holders of our common stock, holders of our common stock are not entitled to receive dividends. Downturns in the domestic and global economies could cause our board of directors to consider, among other things, the elimination of dividends paid on our common stock. This could adversely affect the market price of our common stock. Furthermore, as a bank holding company, our ability to pay dividends is subject to the guidelines of the Federal Reserve regarding capital adequacy and dividends. Dividends also may be limited as a result of safety and soundness considerations. Common stock is equity and is subordinate to our existing and future indebtedness and preferred stock and effectively subordinated to all the indebtedness and other non- common equity claims against our subsidiaries. Shares of the common stock are equity interests in us and do not constitute indebtedness. As such, shares of the common stock will rank junior to all of our indebtedness and to other non- equity claims against us and our assets available to satisfy claims against us, including our liquidation. Additionally, holders of our common stock are subject to prior dividend and liquidation rights of holders of our outstanding preferred stock. Our board of directors is authorized to issue additional classes or series of preferred stock without any action on the part of the holders of our common stock, and we are permitted to incur additional debt. Upon liquidation, lenders and holders of our debt securities and preferred stock would receive distributions of our available assets prior to holders of our common stock. Furthermore, our right to participate in a distribution of assets upon any of our subsidiaries' liquidation or reorganization is subject to the prior claims of that subsidiary' s creditors, including holders of any preferred stock of that subsidiary. Our articles of incorporation, bylaws, and certain banking laws may have an anti- takeover effect. Provisions of our articles of incorporation and bylaws, 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 prohibit a non- negotiated merger or other business combination, which, in turn, could adversely affect the market price of our common stock. An investment in our common stock is not an insured deposit. Our common stock is not a bank deposit and, therefore, is not insured against loss by the FDIC, any other DIF, or by any other public or private entity. An investment in our common stock is inherently risky for the reasons described in this" Risk Factors" section and elsewhere in this report and is subject to the same market forces that affect the price of common stock in any company. As a result, if you acquire our common stock, you may lose some or all of your investment. An entity holding as little as a 5 % interest in our outstanding common stock could, under certain circumstances, be subject to regulation as a" bank holding company." An entity (including a" group" composed of natural persons) owning or controlling with the power to vote 25 % or more of our outstanding common stock, or 5 % or more if such holder otherwise exercises a" controlling influence" over us, may be subject to regulation as a" bank holding company" in accordance with the BHC Act. In addition, (1) any bank holding company or foreign bank with a U. S. presence may be required to obtain the approval of the Federal Reserve under the BHC Act to acquire or retain 5 % or more of our outstanding common stock, and (2) any person not otherwise defined as a company by the BHC Act and its implementing regulations may be required to obtain the approval of the Federal Reserve under the Change in Bank Control Act to acquire or retain 10 % or more of our outstanding common stock. Becoming a bank holding company imposes certain statutory and regulatory restrictions and obligations, such as providing managerial and financial strength for its bank subsidiaries. Regulation as a bank holding company could require the holder to divest all or a portion of the holder' s investment in our common stock or such nonbanking investments that may be deemed impermissible or incompatible with bank holding company status, such as a material investment in a company unrelated to banking. Further, in 2020, the Federal Reserve implemented a final rule that simplifies and increases the transparency of its rules for determining when one company controls another company for purposes of the BHC Act. The rule, which has been further interpreted by the Federal Reserve staff since its implementation, has and will likely continue to have a meaningful impact on control determinations related to investments in banks and bank holding companies and investments by bank holding companies in nonbank companies. Our ability to originate residential mortgage loans for portfolio has been adversely affected by the increased competition resulting from the unprecedented involvement of the U. S. government and GSEs in the residential mortgage market. Over the past several years, we have faced increased competition for residential mortgage loans due to the unprecedented involvement of the GSEs in the mortgage market as a result of the economic crisis, which has caused the interest rate for 30 year fixed- rate mortgage loans that conform to GSE guidelines to remain artificially low. In addition, the U. S. Congress has expanded the conforming loan limits in many of our operating markets, allowing larger balance loans to continue to be acquired by the GSEs. Although reform of the GSE system has been viewed as a priority by many within Congress and the executive branch for several years, it is unknown at this time what reforms, if any, will be made, the extent of the future involvement in the residential mortgage market and the impact of any reforms on that market and the United States economy as a whole ~~. Risks Related to the COVID- 19 Pandemic The coronavirus (COVID- 19) pandemic has disrupted economic conditions, the financial and labor markets and workplace operating environments. The COVID- 19 pandemic created extensive disruptions to the global economy, to businesses, and to the lives of individuals throughout the world. Federal and state governments have taken unprecedented actions to respond to such disruptions, including by enacting fiscal stimulus measures and legislation designed to deliver monetary aid and other relief. The widespread availability of multiple COVID- 19 vaccines and boosters has helped to curtail rates of infection in many parts of the United States and, in turn, mitigate many of the adverse social and economic effects of the pandemic. However, vaccination rates in many geographies have been lower than anticipated and the emergence of novel variants of COVID- 19, as well as other viruses that largely were not present in many geographies for an extended period of time due to COVID- 19- related activity restrictions, have complicated the efforts of the medical community and federal, state and local governments to manage social and economic disruptions caused by the pandemic. To help address the impact of the COVID- 19 pandemic on the economy and financial markets, the FOMC reduced the benchmark federal funds rate to a target range of 0 % to 0. 25 %, the lowest since the 2008 economic crisis, and as a result the yields on 10- and 30- year Treasury notes declined to historic lows. Throughout 2021, the FOMC continued to follow this approach as pandemic- related risks to the economy were viewed as likely to persist for the foreseeable future. However, in January of 2022, the FOMC announced that it would begin to slow the pace of its bond purchases in response to pandemic- related economic disruptions and raise the target range for the federal funds rate principally to address rising levels of inflation. For information on risks related to changes in interest rates, see " Risk Factors — Liquidity and Interest Rate Risks — We are subject to interest rate risk. " The effects of the COVID- 19 pandemic have varied significantly by region, and the extent of the effects of the pandemic on the U. S. and global economies, labor markets and financial markets are likely to continue to change. Future developments will be highly uncertain and cannot be predicted, including the effectiveness of post- pandemic remote working arrangements, third party providers' ability to continue to support our operations, and any further actions taken by governmental authorities and other third parties. Accordingly, the pandemic and related dynamics could continue to materially and adversely~~

~~affect our business, operations, operating results, financial condition, liquidity or capital levels~~ . General Risk Factors Changes in our accounting policies or in accounting standards could materially affect how we report our financial results. Our accounting policies are fundamental to understanding our financial results and condition. Some of these policies require the use of estimates and assumptions that may affect the value of our assets or liabilities and financial results. Some of our accounting policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. If such estimates or assumptions underlying our financial statements are incorrect, we may experience material losses. From time to time, the FASB and the SEC change the financial accounting and reporting standards or the interpretation of those standards that govern the preparation of our external financial statements. These changes are beyond our control, can be hard to predict and could materially impact how we report our results of operations and financial condition. We could be required to apply a new or revised standard retroactively, resulting in our restating prior period financial statements in material amounts. Our internal controls may be ineffective. Management regularly reviews and updates our internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the controls are met. Any failure or circumvention of our controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on our business, results of operations, and financial condition. We may not be able to attract and retain skilled people. Our success depends, in large part, on our ability to attract and retain skilled people. Competition for the best people in most activities engaged in by us can be intense, and we may not be able to hire sufficiently skilled people or to retain them. 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 our markets, years of industry experience, and the difficulty of promptly finding qualified replacement personnel. Loss of key employees may disrupt relationships with certain customers. Our business is primarily relationship- driven in that many of our key employees have extensive customer relationships. Loss of a key employee with such customer relationships may lead to the loss of business if the customers were to follow that employee to a competitor or otherwise choose to transition to another financial services provider. While we believe our relationship with our key personnel is good, we cannot guarantee that all of our key personnel will remain with our organization. Loss of such key personnel could result in the loss of some of our customers.