Risk Factors Comparison 2024-03-08 to 2023-03-10 Form: 10-K

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

Set forth below is a description of risk factors related to the Company' s business, provided to enable investors to assess, and be appropriately apprised of, certain risks and uncertainties the Company faces in conducting its business. An investor should carefully consider the risks described below and elsewhere in this Report, which could materially and adversely affect the Company' s business, results of operations or financial condition. The risks and uncertainties discussed below are also applicable to forward- looking statements contained in this Report and in other reports filed by the Company with the Securities and Exchange Commission. Given these risks and uncertainties, investors are cautioned not to place undue reliance on forward-looking statements. Economic and Market Condition Risks Changes in general business, economic and political conditions may adversely affect the Company' s business. Our earnings and financial condition are affected by general business, economic and political conditions. For example, a depressed economic environment increases the likelihood of lower employment levels and recession, which could adversely affect our earnings and financial condition. General business and economic conditions that could affect us include short- term and long- term interest rates, inflation, fluctuations in both debt and equity capital markets and the strength of the national and local economies in which we operate. Political conditions can also affect our earnings through the introduction of new regulatory policies, changes in tax laws and changes in trade policies. Our financial performance generally, and in particular the ability of customers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, as well as demand for loans and other products and services we offer, is highly dependent upon the business environment not only in the markets where we operate but also in the state of Iowa generally and in the United States as a whole. A favorable business environment is generally characterized by, among other factors: economic growth; efficient capital markets; low inflation; low unemployment; high business and investor confidence; and strong business earnings. Unfavorable or uncertain economic and market conditions can be caused by declines in economic growth, business activity, or investor or business confidence; limitations on the availability or increases in the cost of credit and capital; increases in inflation or interest rates; high unemployment; natural disasters; or a combination of these or other factors. In particular, the national economy is ~~now~~ facing challenges due to ~~the significant~~ inflationary pressures that began building during late 2021 and throughout the course of 2022 **and 2023** , resulting in significant upward pressure on consumer and wholesale prices. In response, the FOMC has initiated a series of increases in the short- term federal funds interest rate in an effort to dampen economic activity and bring the rate of inflation back to the FOMC' s target range of two to three percent. These rate increases ~~, which are expected to continue into and during 2023,~~ have the potential to overly reduce economic activity and tip the domestic economy into a recessionary period of slower or negative growth. As noted above, a period of depressed economic activity could adversely affect our business, financial condition and results of operation by, among other things, increasing the likelihood of borrower defaults on loan obligations, reducing collateral values and weakening demand for the Banks' loan and deposit services. Higher inflation may affect the Company' s interest rates, **credit** ~~provision for loan losses~~ -- **loss expenses** and general operating expenses. Consumer inflation, as measured by the Consumer Price Index for All Urban Consumers (" CPI ") has increased **3. 4 % and** 6. 5 % for the ~~year~~ **years** ended December 31, **2023 and** 2022 **, respectively** . This increase in inflation creates upward pressure on the cost of hiring, training, and retaining employees, other general operating expense and interest rates. The challenge for the Company will be keeping wages competitive and maintaining general operating expenses at their current levels, while balancing a potential decrease in net interest income due to the Company' s greater sensitivity to the repricing of its interest- bearing liabilities than its interest- earning assets in the short- term. The Company' s **credit** ~~provision for loan losses~~ -- **loss expenses** may be impacted by the borrower' s ability to service their debt if inflation is prolonged. Credit Risks The Company' s business depends on our ability to successfully manage credit risk. The operation of our business requires us to manage credit risk. As a lender, we are exposed to the risk that our borrowers will be unable to repay their loans according to their terms, and that the collateral securing repayment of their loans, if any, may not be sufficient to ensure repayment. In addition, there are risks inherent in making any loan, including risks with respect to the period of time over which the loan may be repaid, risks relating to proper loan underwriting, risks resulting from changes in economic and industry conditions and risks inherent in dealing with individual borrowers. In order to successfully manage credit risk, we must, among other things, maintain disciplined and prudent underwriting standards, implement and observe appropriate procedures for monitoring our outstanding loans and ensure that our bankers follow those standards and procedures. The weakening of these standards or procedures for any reason, such as an attempt to attract higher yielding loans, a lack of discipline or diligence by our employees in underwriting and monitoring loans, our inability to adequately adapt policies and procedures to changes in economic or any other conditions affecting borrowers may negatively impact the quality of our loan portfolio, result in loan defaults, foreclosures and additional charge- offs and necessitate that we significantly increase our allowance for ~~loan~~ **credit** losses, therefore reducing our earnings. As a result, our inability to successfully manage credit risk could have a material adverse effect on our business, financial condition or results of operations. The commercial real estate loan portfolio is a significant part of the Company' s business and subject to the risk of fluctuating collateral values. Commercial real estate loans were a significant portion of our total loan portfolio as of December 31, ~~2022~~ **2023** . The market value of real estate securing these loans can fluctuate significantly in a short period of time as a result of market conditions in the geographic area in which the real estate is located. Adverse developments affecting real estate values in one or more of our markets could increase the credit risk associated with our loan portfolio. Additionally, real estate lending typically involves higher loan principal amounts, and the repayment of the loans generally is dependent, in large part, on sufficient income from the properties securing the loans to cover operating expenses and debt service. Economic events or governmental regulations outside of the control of the borrower or lender could negatively impact the future cash flow and market values of the affected properties. If the loans that are collateralized by real estate become troubled and the value of the real estate has been significantly impaired, then we may not be able to recover the full contractual amount of principal and interest that was anticipated at the time of originating the loan, which could cause an increase in charge- offs, resulting in the need to increase our **credit** ~~provision for loan losses~~ -- **loss expense** and adversely affecting our operating results and financial condition. If the Company' s actual ~~loan~~ **credit** losses exceed the allowance for ~~loan~~ **credit** losses or increase significantly, the Company' s net income will decrease. **The** ~~We maintain an~~ allowance for ~~loan~~ **credit** losses **for loans represents management' s** ~~at a level believed to be adequate to absorb estimated~~ - **estimate of all expected credit** losses **over** ~~inherent in~~ the **expected contractual life of our** existing loan portfolio. The level of the allowance reflects management' s continuing evaluation of industry concentrations; specific credit risks; credit loss experience; current loan portfolio quality; present economic, political and regulatory conditions; and unidentified losses inherent in the current loan portfolio. ~~Determination~~ --- **Determining the appropriateness** of the allowance is **complex and requires judgment by management about the effect of matters that are** inherently **uncertain** ~~subjective as it requires significant estimates and management' s judgment of credit risks and future trends, all of which may undergo material changes~~ . Continuing deterioration 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 ~~loan~~ **credit** losses to be funded through ~~provision~~ **credit loss** expense. In addition, bank regulatory agencies periodically review our allowance and may require an increase in the ~~provision~~ **allowance** for ~~loan~~ **credit** losses or the recognition of additional loan charge- offs, based on judgments different from those of management. Also, if charge- offs in future periods exceed the allowance for ~~loan~~ **credit** losses or increase significantly; we will need additional ~~provisions~~ **credit loss expenses** to increase the allowance. Any increase in ~~provision~~ **credit loss** expense will result in a decrease in net income and capital and may have a material adverse effect on our financial condition and results of operations. Loans to agricultural- related borrowers are subject to factors beyond the Company' s control, including fluctuations in commodity and livestock prices, government trade policies and other risks, which could negatively impact the Company' s loan portfolio. A significant portion of our loan portfolio consists of loans to borrowers who are directly or indirectly affected by the health of the Iowa agricultural economy. An extended period of low commodity and / or livestock prices, together with other risks to which our agricultural borrowers are subject, including poor weather conditions, higher input costs, changes in governmental support programs and uncertainty regarding governmental mandates affecting ethanol production, could result in reduced cash flows and profit margins, negatively affecting these borrowers and making it more difficult for them to repay their loan obligations to us. Moreover, uncertainty as to the status of tariffs on products that our agricultural borrowers export to foreign markets could result in further volatility and deterioration of the price of agricultural products, providing further challenges and risk to our portfolio of agricultural loans. A general decline in the agricultural economy could also negatively affect us by reducing the value of agricultural real estate which secures some of our agricultural loans, creating the potential for greater losses if these borrowers are unable to repay their loans and we are forced to rely on this collateral. Moreover, a general decline in the agricultural economy could also negatively impact some of our commercial borrowers whose businesses are directly or indirectly dependent on the health of the agricultural economy. All of these risks, which are beyond our control, could produce losses in our loan portfolio and adversely affect our financial condition or results of operations. Liquidity and Interest Rate Risks Fair values of investments in the Company' s securities portfolio may adversely change. As of December 31, ~~2022~~ **2023** , the fair value of our securities portfolio was approximately $ ~~786~~ **736** . 4 million. Factors beyond our control can significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of those securities. These factors include, but are not limited to, changes in interest rates, an unfavorable change in the liquidity of an investment, rating agency downgrades of the securities, reinvestment risk, liquidity risk, defaults by the issuer or individual mortgagors with respect to the underlying securities, and instability in the credit markets. Any of the foregoing factors could result in realized losses that negatively impact earnings. The success of any investment activity is affected by general economic conditions. Unexpected volatility or illiquidity in the markets in which we hold securities could further reduce our liquidity and stockholders' equity. **The** ~~In 2022, the~~ fair value of the securities portfolio has ~~significantly declined due to rising~~ **an unrealized loss of $ 62. 3 million as of December 31, 2023, resulting primarily from the negative impact of increased** interest rates **on the fair value of the portfolio** . To mitigate ~~these~~ -- **the** ~~risks~~ - **risk of selling securities in an unrealized loss position to fund cash flow needs** , we have access to lines of credit that provide additional liquidity, if needed. Our investment securities are analyzed quarterly to determine whether, in the opinion of management, any of the securities have **credit losses** ~~other- than- temporary impairment (OTTI)~~ . To the extent that any portion of the unrealized losses in our portfolio of investment securities is determined to have ~~OTTI and is~~ credit loss ~~related~~ , we will recognize a charge to our earnings in the quarter during which such determination is made, and our earnings and capital ratios will be adversely impacted. Generally, a fixed income security is determined to have ~~OTTI~~ **credit losses** when it appears unlikely that we will receive all of the principal and interest due in accordance with the original terms of the investment. In addition to credit losses, losses are recognized for a security having an unrealized loss if we have the intent to sell the security or if it is more likely than not that we will be required to sell the security before collection of the principal amount. Changes in interest rates could adversely affect the Company' s results of operations and financial condition. **Our earnings depend substantially on our** ~~The FOMC increased its target for the short- term federal funds~~ interest rate **spread, which is the difference between (i) the** ~~by 4. 25 % in 2022 after remaining stable during 2021. Intermediate and longer- term rates increased in 2022 after remaining low in 2021. With~~ interest rates **we earn on loans, securities, and** ~~significantly increasing during 2022 in response to inflationary pressure in the~~ **other** ~~economy, the Company' s challenge will be managing its~~ interest ~~expense~~ **- earning assets** , ~~as~~ **and (ii) the interest rates we pay on deposits,** ~~the~~ **other borrowings, and other** interest- bearing liabilities ~~(deposits and other borrowings) reprice more quickly than~~ **. We are exposed to interest rate risk because our interest-**

earning assets ~~(loans~~ **and interest- bearing liabilities do not react uniformly or concurrently to changes in interest rates since the two have different time periods for adjustment and can be tied to different measures of rates. Market interest rates are highly sensitive to many factors beyond our control, including general economic conditions and the policies of various governmental and regulatory authorities, including the Federal Reserve. Throughout 2022 and 2023, the FOMC has raised the federal funds rate to its current targeted rate between 5. 25 % and 5. 5 % in** ~~and~~ - **an** ~~investment securities)~~ **effort to curb inflation. As market interest rates rise** , ~~placing downward~~ **we experience competitive** ~~pressure~~ **pressures to increase the rates we pay** on ~~the~~ **deposits, which may decrease our** net interest ~~margin~~ **income** . ~~A reduction in~~ **In addition, inflationary pressures will increase our operating costs and could have a significant negative effect on our borrowers and** the ~~net interest margin~~ **values of collateral securing loans, which** could negatively affect our **financial performance** ~~results of operations, including earnings~~ . In **addition** ~~response to this challenge~~ , **certain of our noninterest** ~~we model quarterly the changes in~~ income ~~that would result from various changes~~ **and noninterest expenses are subject to adverse effect** in **a rising** interest ~~rates~~ - **rate environment** . ~~Management believes~~ **We monitor** our ~~earning assets have the appropriate maturity and repricing characteristics to optimize earnings and~~ interest rate risk ~~positions~~ **exposure; however, we can provide no assurance that our efforts will appropriately protect us in the future from interest rate risk exposure** . The inability to deploy liquidity may adversely affect the Company’ s business. Maintaining adequate liquidity is essential to the banking business ~~. Excess liquidity or the inability to maintain liquidity through deposits, borrowing, sale of securities or other sources could have a substantial negative impact on our liquidity~~ . We maintain liquidity primarily through customer deposits and through access to other short- term funding sources, including advances from the Federal Home Loan Bank (FHLB), Federal Reserve Bank (FRB) overnight borrowings and purchased federal funds. If governmental programs or economic conditions change and generate excess liquidity due to increases in deposit balances, we might experience excess liquidity issues **. Conversely, our liquidity could be negatively impacted if we are unable to maintain appropriate levels of liquidity through deposits, borrowing, sale of securities or other sources** . Our efforts to monitor and manage liquidity risk may not be successful or sufficient to deal with dramatic or unanticipated increase or reductions in our liquidity. In such events, our cost of funds may decrease, but our investments options may become limited, thereby reducing our net interest income. This situation could have a material adverse impact on our results of operations and financial condition. The Company relies on dividends and other payments from its Banks for substantially all of its revenue. We are a separate and distinct legal entity from our Banks, and we receive substantially all of our operating cash flows from dividends and other payments from our Banks. These dividends and payments are the principal source of funds to pay dividends on our common stock **and pay our operating expenses** . Various federal and state laws and regulations limit the amounts of dividends that our Banks may pay to us. In addition, 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 our Banks are unable to pay dividends to us, we may not be able to pay our obligations or pay dividends on our common stock. The inability to receive dividends from our Banks could have a material adverse effect on our business, financial condition or results of operations. Operational Risks The Company may not be able to attract and retain key personnel and other skilled employees. Our success depends, in large part, on the skills of our management team and our ability to **recruit,** retain ~~, recruit~~ and motivate key officers and employees. Our senior management team has significant industry experience, and their knowledge and relationships would be difficult to replace. None of our executive officers have employment agreements in keeping with the past practice of the Company and the Banks. Leadership changes will occur from time to time, and we cannot predict whether significant resignations or retirements will occur or whether we will be able to recruit additional qualified personnel. Competition for senior executives and skilled personnel in the financial services and banking industry is considerable, which means the cost of hiring, incentivizing and retaining skilled personnel may continue to increase. We need to continue to attract and retain key personnel and to recruit qualified individuals to succeed existing key personnel to ensure the continued growth and successful operation of our business. In addition, as a provider of commercial and agricultural banking services, we must attract and retain qualified banking personnel to continue to grow our business, and competition for such personnel can be intense. Our ability to effectively compete for senior executives and other qualified personnel by offering competitive compensation and benefit arrangements may be restricted by applicable banking laws and regulations. The loss of the services of any senior executive or other key personnel, or the inability to recruit and retain qualified personnel in the future, could have a material adverse effect on our business, financial condition or results of operations. In addition, to attract and retain personnel with appropriate skills and knowledge to support our business, we may offer a variety of benefits, which could reduce our earnings or have a material adverse effect on our business, financial condition or results of operations. The Company is subject to certain operational risks, including, but not limited to, data processing system failures, errors, data security breaches and customer or employee fraud. There have been a number of publicized cases involving errors, fraud or other misconduct by employees of financial services firms in recent years. Misconduct by our employees could include hiding unauthorized activities from us, improper or unauthorized activities on behalf of our customers or improper use of confidential information. Employee fraud, errors and employee and customer misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation. It is not always possible to prevent employee errors and misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Employee errors or misconduct could also subject us to civil claims for negligence **or regulatory enforcement actions** . Although we maintain a system of internal controls and procedures designed to reduce the risk of loss from employee or customer fraud or misconduct and employee errors **;** as well as insurance coverage to mitigate against some operational risks, including data processing system failures and errors and customer or employee fraud; these internal controls may fail to prevent or detect such an occurrence, or such an occurrence may not be insured or exceed applicable insurance limits. In addition, there have also been a number of cases where financial institutions have been the victim of fraud related to unauthorized wire and automated clearinghouse transactions. The facts and circumstances of each case vary but generally involve criminals posing as customers (i. e., stealing bank customers’ identities) to transfer funds out of the institution quickly in an effort to place the funds beyond recovery prior to detection. Although we have policies and procedures in place to verify the authenticity of our customers and prevent identity theft, we can provide no assurances that these policies and procedures will prevent all fraudulent transfers. In addition, although we have safeguards in place, it is possible that our computer systems could be infiltrated by hackers or other intruders resulting in loss, destruction or misuse of our data or confidential information about our customers. We can provide no assurances that these safeguards will prevent all unauthorized infiltrations or breaches. Identity theft, successful unauthorized intrusions and similar unauthorized conduct could result in reputational damage and financial losses to the Company. **Security breaches involving us, the Banks or any third parties with which we do business could expose us to liability and litigation, adversely affecting our reputation and operating revenues. In connection with our business, we collect and retain significant volumes of sensitive business and personally identifiable information, including social security numbers of our customers and other personally identifiable information of our customers and employees, on our data systems. We and the third parties with which we conduct business are subject to the risk of security breaches, which may be due to the failure of our data encryption technologies or otherwise, involving the receipt, transmission, and storage of confidential customer and other personally identifiable information, including account takeovers, unavailability of service, computer viruses, or other malicious code, cyberattacks, or other events, any of which may arise from human error, fraud or malice on the part of employees or third parties or from accidental technological failure. If one or more of these events occurs, it could result in the disclosure of confidential customer information, impairment of our ability to provide products and services to our customers, damage to our reputation with our customers and the market, additional costs (such as costs for repairing systems or adding new personnel or protection technologies), regulatory penalties, and financial losses for us, our customers and other third parties. Such events could also cause interruptions or malfunctions in the operations of our customers, or other third parties with which we engage in business. Such events could also damage our reputation with customers and third parties with whom we do business, which could lead to loss of customers and business opportunities and have a material adverse effect on our financial condition and results of operation. Risks and exposures related to cybersecurity attacks have increased as a result of greater reliance on remote working, and are expected to remain high for the foreseeable future due to the rapidly evolving nature and sophistication of these threats, the proliferation of malicious actors internationally, and the expanding use of technology- based products and services by us and our customers. Cybersecurity risk and other security matters are also a major focus of regulatory authorities. We can provide no assurances that the safeguards we have in place or may implement in the future will prevent all unauthorized infiltrations or breaches and that we will not suffer losses related to a security breach in the future, which losses may be material. In addition, we may be required to expend additional resources to enhance our protective measures or to investigate and remediate any information security vulnerabilities or exposures.** An impairment charge of goodwill or other intangibles could have a material adverse impact on the Company' s results of operations and financial condition. Because **we have** ~~the Company has~~ grown in part through acquisitions, goodwill and intangible assets are included in the consolidated assets reflected in our financial statements. Goodwill and intangible assets were $ ~~14~~ **13** . ~~4~~ **9** million as of December 31, ~~2022~~ **2023** . Under generally accepted accounting principles (" GAAP "), we are required to test the carrying value of goodwill and intangible assets at least annually or sooner if events occur that indicate impairment could exist. These events or circumstances could include a significant change in the business climate, including a sustained decline in a reporting unit' s fair value, legal and regulatory factors, operating performance indicators, competition and other factors. GAAP requires us to assign and then test goodwill at the reporting unit level. If over a sustained period of time we experience a decrease in our stock price and market capitalization, which may serve as an estimate of the fair value of our reporting unit, this may be an indication of impairment. If the fair value of our reporting unit is less than its net book value, we may be required to record goodwill impairment charges in the future. In addition, if the revenue and cash flows generated from any of our other intangible assets ~~is~~ **are** not sufficient to support its net book value, we may be required to record an impairment charge. The amount of any impairment charge could be significant and could have a material adverse impact on our financial condition and results of operations for the period in which the charge is taken. Changes in accounting policies or accounting standards, or changes in how accounting standards are interpreted or applied, could materially affect how the Company reports its results of operations and financial condition. Our accounting policies are fundamental to determining and understanding our results of operation and financial condition. Some of these policies require use of estimates and assumptions that may affect the value of our assets or liabilities and financial results. Any changes in our accounting policies could materially affect our financial statements. From time to time, the Financial Accounting Standards Board (the " FASB ") and the SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. In addition, accounting standard setters and those who interpret the accounting standards (such as the FASB, the SEC, banking regulators and our outside auditors) may change positions on how these standards should be applied. Changes in financial accounting and reporting standards and changes in current interpretations may be beyond our control, can be difficult to predict and could materially affect how we report our results of operations and financial condition. We may be required to apply a new or revised standard retroactively or apply an existing standard differently and retroactively, which may result in the **need** ~~Company being required~~ to restate prior period financial statements in material amounts. Changes in these standards are continuously occurring, and given the current economic and regulatory environment, more significant changes may occur **in the future** . The implementation of such changes could have a material adverse effect on our financial condition and results of operations ~~. In June 2016, the FASB issued ASU 2016-13," Financial Instruments- Credit Losses (Topic 326), Measurement of Credit Losses on Financial Instruments," which replaces the current" incurred loss" model for recognizing credit losses with an" expected loss" model referred to as the Current Expected Credit Loss model, or CECL. Under the CECL model, which we must adopt as of January 1, 2023, we will be required to present certain financial assets carried at amortized cost, such as loans held for investment, at the net amount expected to be~~

~~collected. The measurement of expected credit losses is to be based on information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. This measurement will take place at the time the financial asset is first added to the balance sheet and periodically thereafter. The CECL model differs significantly from the" incurred loss" model required under current GAAP, which delays recognition until it is probable a loss has been incurred. Accordingly, we expect that the adoption of the CECL model will materially affect how we determine our allowance for loan losses and could require us to significantly increase our allowance. Moreover, the CECL model may create more volatility in the level of our allowance for loan losses. The Company is currently finalizing the CECL model and upon adoption of ASU 2016- 13 (CECL) in the first quarter of 2023 anticipates an increase to the allowance for credit losses for loans and unfunded commitments liability of approximately $ 600 thousand to $ 1. 0 million. See Note 1 to our consolidated financial statements included in Item 8 of this Report for further discussion~~ . The Company' s accounting policies and methods require management to make estimates about matters that are inherently uncertain. Our accounting policies and methods are fundamental to how we record and report our financial condition and results of operations. Our management must exercise judgment in selecting and applying many of these accounting policies and methods in order to ensure they comply with GAAP and reflect management' s judgment as to the most appropriate manner in which to record and report our financial condition and results of operations. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which might be reasonable under the circumstances. The application of that chosen accounting policy or method might result in us reporting different amounts than would have been reported under a different alternative. If management' s estimates or assumptions ~~are~~ **prove to be** incorrect, we may experience a material loss. We have identified three accounting policies as being" critical" to the presentation of our financial condition and results of operations because they require management to make particularly subjective and complex judgments about matters that are inherently uncertain and because of the likelihood that materially different amounts would be reported under different conditions or using different assumptions. These critical accounting policies relate to (1) the **allowance for credit** ~~fair value and possible impairment~~ losses ~~on investment securities available for sale~~ , (2) the ~~allowance~~ **fair value of securities available-** for ~~loan losses~~ **- sale** , and (3) impairment of goodwill. Because of the inherent uncertainty of the estimates required to apply these policies, no assurance can be given that application of alternative policies or methods might not result in the reporting of different amounts of the **allowance for credit losses, the** fair value of securities available **-** for **-** sale ~~, the allowance for loan losses~~ , goodwill valuation and, accordingly, net income. The Company' s operations are concentrated in Iowa. Our operations are concentrated primarily in central, north- central and south- central Iowa. As a result of this geographic concentration, our results of operations may correlate to the economic conditions in this area. Any deterioration in economic conditions in central, north- central or south- central Iowa, particularly in the industries on which the area depends (including agriculture which, in turn, is dependent upon commodity prices, weather conditions, trade policies and government support programs), may adversely affect the quality of our loan portfolio and the demand for our products and services, and accordingly, our financial condition and results of operations. Damage to the Company' s reputation could adversely affect our business. Our business depends upon earning and maintaining the trust and confidence of our customers, investors, and employees. Damage to our reputation could cause significant harm to our business. Harm to our reputation could arise from numerous sources, including employee misconduct, compliance failures, litigation, breach of information security or other cybersecurity events, or governmental investigations, among other things. In addition, a failure to deliver appropriate standards of service, or a failure or perceived failure to treat customers and clients fairly could result in customer dissatisfaction, litigation, breach of information security, and heightened regulatory scrutiny, all of which could lead to lost revenue, higher operating costs and harm to our reputation. Adverse publicity about us, whether or not true, may also result in harm to our business. Should any events or circumstances that could undermine our reputation occur, there can be no assurance that the additional costs and expenses that we may incur in addressing such issues would not adversely affect our financial condition and results of operations. Changes in technology could be costly or difficult to implement. The financial services industry is continually undergoing technological changes with frequent introductions of new technology- driven products and services. In addition to improving customer services, the effective use of technology increases efficiency and enables financial institutions to reduce costs. Our future success will depend, in part, on our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands for convenience, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements and there is a risk we could become less competitive if we are unable to take advantage of these improvements due to the cost limitations, difficulties in implementation or otherwise. A breach of information security, compliance breach, or error by one of the Company' s agents or vendors could negatively affect the Company' s reputation and business. We depend on data processing, communication and information exchange on a variety of computing platforms and networks over the Internet. A cyber- attack on our systems could result in the theft, loss or destruction of our information or the theft or improper use of confidential information about our customers, any of which could harm our reputation and expose us to financial losses. We cannot be certain all of our systems are entirely free from vulnerability to attack, despite safeguards which have been installed. We also outsource certain key aspects of our data processing and communication to certain third- party providers. While we have selected these third- party providers carefully, we cannot control their actions or their degree of compliance with their own systems of internal control. If information security is breached, or one of our service providers or vendors breaches compliance procedures, our or our customers' information could be lost or misappropriated, resulting in financial loss or costs to us or damage to our customers or others. If information security is breached either on our systems or those of our vendors, our financial condition, results of operations, reputation and future prospects could be adversely affected. Strategic and External Risks The Company may have difficulty continuing to grow, and even if we do grow, our growth may strain our resources and limit our ability to expand operations successfully. Our future profitability will depend in part on our continued ability to grow both loans and deposits; however, we may not be able to sustain our historical growth rate or be able to grow at all. In addition, our future success will depend on competitive factors and on the ability of our senior management to continue to maintain an appropriate system of internal controls and procedures and manage a growing number of customer relationships. We may not be able to implement changes or improvements to these internal controls and procedures in an efficient or timely manner and may discover deficiencies in existing systems and controls. Consequently, continued growth, if achieved, may place a strain on our operational infrastructure, which could have a material adverse effect on our financial condition and results of operations. The Company faces competition from other financial institutions. The banking and financial services business in our market area continues to be a highly competitive field and is becoming more competitive as a result of: ● changes in regulations; ● changes in technology and product delivery systems; ● the accelerating pace of consolidation among financial services providers; and ● financial technology, or fintech, companies emerging in key areas of banking. It may be difficult for us to compete effectively in the market, and our results of operations could be adversely affected by the nature or pace of change in competition. We compete for loans, deposits and customers with various bank and non- bank financial services providers, many of which are much larger in total assets and capitalization, have greater access to capital markets, offer a broader array of financial services or, in the case of credit unions, do not pay federal income taxes. Our strategic planning efforts continue to focus on capitalizing on our strengths in local markets while working to identify opportunities for improvement to gain competitive advantages. Federal Government spending and increase in monetary supply could adversely affect our business. The banking and financial services business is negatively affected by increased federal government spending and increases in monetary supply. The increase in the balances of customers deposit accounts due to government stimulus programs and increase in the monetary supply puts a strain on the Company' s capital ratios. The increase in the money supply also contributes to inflation. Our business, financial condition and results of operations may be adversely affected by these changes if continued over a period of time. The Company may be adversely affected by risks associated with completed and potential acquisitions. We have in the past, and may in the future, acquire other financial institutions or bank offices when we believe such acquisitions support our business strategy. Acquisitions involve many risks including: (i) incurring time and expense associated with identifying, evaluating and negotiating potential acquisitions, resulting in management' s attention being diverted from operation of our existing business, (ii) the risk that the acquired business will not perform to our expectations, including a failure to realize anticipated synergies or costs savings, (iii) entering markets in which we have limited or no direct prior experience, (iv) difficulties or increased expenses associated with integrating the operations of the acquired business, (v) the potential for claims or unexpected liabilities arising out of the acquired business, and (vi) the potential loss of key employees or customers of the acquired business. There can be no assurance that we will be successful in overcoming these risks or any other problems encountered in connection with acquisitions we may undertake. Current and future government regulations may increase the Company' s costs of doing business. Current and future legislation and the policies established by federal and state regulatory authorities will affect our operations. We are subject to extensive supervision of, and examination by, federal and state regulatory authorities which may limit our growth and the return to our shareholders by restricting certain activities, such as: ● the payment of dividends to our shareholders; ● the payment of dividends to the Company by the Banks; ● possible mergers with or acquisitions of or by other institutions; ● investment policies; ● loans and interest rates on loans; ● interest rates paid on deposits; ● expansion of branch offices; and / or ● the ability to provide or expand securities or trust services. The Dodd- Frank Act represented a comprehensive overhaul of the financial services industry within the United States and, among many other things, established the federal CFPB and required the CFPB and other federal agencies to implement many significant rules and regulations with which we must comply. Compliance with the law and regulations has resulted in additional costs, and not all the rules and regulations have been finalized. We cannot predict what changes, if any, will be made to existing federal and state legislation and regulations or the effect that any changes may have on future business and earnings prospects, although the pace of the new and proposed regulations has slowed. The cost of compliance with future regulatory requirements may adversely affect our net income. Severe weather, natural disasters, pandemics, acts of war or terrorism or other adverse external events could significantly impact our business. Severe weather, natural disasters, widespread disease or pandemics, acts of war or terrorism or other adverse external events could have a significant impact on our ability to conduct business. In addition, 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, cause significant property damage, result in loss of revenue or cause us to incur additional expenses. The occurrence of any of the events in the future could have a material adverse effect on our business, financial condition, results of operations and growth prospects. Risks related to the Company' s Stock The Company may not pay dividends on its common stock in the future. Holders of our common stock are entitled to receive only such dividends as our Board of Directors may declare out of funds legally available for such payments. However, our Board of Directors may, in its sole discretion, change the amount or frequency of dividends or discontinue the payment of dividends entirely. In addition, we are a bank holding company, and our ability to declare and pay dividends is dependent on certain federal regulatory considerations, including the guidelines of the Federal Reserve regarding capital adequacy and dividends. In addition, our ability to pay dividends depends primarily on our receipt of dividends from our Banks, the payment of which is subject to numerous limitations under federal and state banking laws, regulations and policies. See" Item 1. Business — Supervision and Regulation — Dividends." As a consequence of these various limitations and restrictions, we may not be able to make, or may have to reduce or eliminate, the payment of dividends on our common stock. Any change in the level of our dividends or the suspension of the payment thereof could have a material adverse effect on the market price of our common stock. Risk related to volatility of the Company' s stock. The trading volume in our common stock on the NASDAQ Capital Market is relatively limited compared to those of companies with larger capitalization listed on the NASDAQ Capital Market, the NASDAQ Global Markets, the New York Stock Exchange or other consolidated reporting systems or stock exchanges. ~~A~~ **Consequently, a** change in the supply or demand for our common stock, or other events affecting our business, may have a more significant impact on the price of our stock than would be the case for more actively traded companies.