Risk Factors Comparison 2024-03-15 to 2023-03-31 Form: 10-K

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

An investment in our common stock is subject to risks inherent in our business. Before making an investment decision, you should carefully consider the risks and uncertainties described below together with all of the other information included in this Form 10- K. The risks described below are not the only ones we face. Additional risks and uncertainties not currently known to us or that are currently deemed to be immaterial may also materially and adversely affect our business, financial condition, capital levels, cash flows, liquidity, results of operations and prospects. The market price of our common stock could decline significantly due to any identified or other risks, and some or all of your investment value could diminish. The risks discussed below include forward- looking statements, and our actual results may differ substantially from those discussed in these forward- looking statements. This Form 10- K is qualified in its entirety by these risk factors. Risks Related to Macroeconomic Conditions Our business may be adversely affected by downturns in the national economy and the regional economies in which we operate. We provide banking and financial services primarily to businesses and individuals in the states of California, Colorado, **Nevada,** New Mexico **,** and Washington. All ~~of~~ our branches and most of our deposit clients are located in these ~~four~~ **five** states. A return of recessionary conditions or adverse economic conditions in the markets we serve may reduce our rate of growth, affect our customers' ability to repay loans and adversely impact our business, financial condition, and results of operations. Further, **because** ~~as a result of~~ a high concentration of our client base **is** in the San Francisco Bay area, the deterioration of businesses in this market, or one or more businesses with a large employee base in this market, could have a material adverse effect on our business, financial condition and results of operations. General economic conditions, including inflation, unemployment and money supply fluctuations, also may adversely affect our profitability. Weakness in the global economy and global supply chain issues have adversely affected many businesses operating in our markets that are dependent upon international trade ~~and it is not known how changes in tariffs being imposed on international trade may also affect these businesses~~ . Changes in agreements or relationships between the United States and other countries may ~~also~~ **further** affect these businesses. In addition, adverse weather conditions as well as decreases in market prices for agricultural products grown in our markets can adversely affect agricultural businesses in our markets. A ~~deterioration~~ **downturn** in economic conditions in the market areas we serve, in particular the San Francisco Bay Area, Southern California ~~Area~~ , Denver, Colorado, Seattle, Washington, Central New Mexico and the agricultural region of the California Central Valley, ~~could result in~~ **whether due to inflation, recessionary trends, geopolitical conflicts, adverse weather, or** ~~the~~ **other factors** ~~following consequences~~ , ~~any of which~~ could have a material adverse effect on our business, financial condition **,** and results of operations **, including but not limited to** : ● **Reduced** demand for our products and services ~~may~~ **, potentially leading to a** decline ~~;~~ **in our overall loans or assets.** ● **Elevated levels of** loan delinquencies, ~~problem~~ **problematic** assets **,** and foreclosures ~~may~~ **. ● An** increase ~~;~~ **in our allowance for credit losses on loans.** ● **Depreciation in** collateral ~~for loans, especially real estate, may decline in value~~ **values linked to our loans** , **thereby diminishing** ~~in turn reducing clients'~~ borrowing **capacities and** ~~power, reducing the value of assets~~ - **asset values tied to** ~~and collateral associated with~~ existing loans ~~;~~ **.** ● ~~the~~ **Reduced** net worth and liquidity of loan guarantors ~~may decline~~ , **possibly** impairing their ability to ~~honor~~ **meet** commitments to us **.** ~~; and~~ ● **Reduction in** ~~the amount of~~ our low- cost or noninterest **-** bearing deposits ~~may decrease~~ . **A** ~~Moreover, a~~ decline in local or regional economic conditions may have a greater effect on our earnings and capital than on the earnings and capital of larger financial institutions whose real estate loan portfolios are geographically diverse. Many of the loans in our portfolio are secured by real estate or fixtures attached to real estate. **Any** ~~Deterioration~~ **deterioration** in the real estate markets **associated with** ~~where collateral for a mortgage loan is located could negatively affect the borrower' s ability to repay the loan and the value of~~ the collateral securing ~~the~~ **mortgage** ~~loan~~ **loans could significantly impact borrowers' repayment capabilities and the value of collateral** . Real estate values are affected by various other factors, including ~~changes in local or regional~~ economic conditions, **regulatory changes** ~~governmental rules or policies~~ , and natural disasters such as earthquakes, floods, fires and mudslides. If we are required to liquidate a significant amount of collateral during a period of reduced real estate values, our financial condition and profitability could be adversely affected. **External economic factors, such as changes in monetary policy and** ~~Inflation~~ **inflation** ~~can~~ **and deflation, may** have an adverse ~~impact~~ **effect** on our business **, financial condition** and ~~on our customers~~ **results of operations** . **Our financial condition and results of operations are affected by credit policies of monetary authorities, particularly the Federal Reserve. Actions by monetary and fiscal authorities, including the Federal Reserve, could lead to** ~~Inflation~~ **inflation** ~~risk is~~ **, deflation, or** ~~the~~ **other** ~~risk~~ **economic phenomena** that **could adversely affect** ~~the value of assets or~~ **our financial performance** ~~income from investments will be worth less in the future as inflation decreases the value of money~~ . Inflation has risen sharply since the end of 2021 ~~to~~ **and throughout 2022 at** levels not seen **for over** ~~in more than~~ 40 years **. Inflationary pressures, while easing recently, remained elevated throughout the first half of 2023** . Small to medium- sized businesses may be impacted more during periods of high inflation ~~,~~ as they are not able to leverage ~~economics~~ **economies** of scale to mitigate cost pressures compared to larger businesses. Consequently, the ability of our business ~~customers~~ **clients** to repay their loans may deteriorate ~~, and in some cases this deterioration may occur~~ quickly, which would adversely impact our results of operations and financial condition. Furthermore, a prolonged period of inflation could cause wages and other costs to the Company to increase, which could adversely affect our results of operations and financial condition. ~~The economic~~ **Virtually all of our assets and liabilities are monetary in nature. As a result, interest rates tend to have a more significant** impact **on our performance than general levels** of **inflation or deflation. Interest rates do not necessarily move in** the ~~COVID- 19 pandemic could continue~~ **same direction or by the same magnitude as the prices of goods and services. Risks**

Related to **Our Lending ActivitiesNonperforming assets take significant time to resolve and adversely** affect our **results of operations and** financial condition and **could** ~~results~~ - **result** ~~of operations. The COVID- 19 pandemic caused significant economic dislocation~~ in **further losses in** the ~~United States and internationally~~ **future. Nonperforming assets adversely affect our earnings in various ways. We do not record interest income on nonaccrual loans or foreclosed assets** , **and nonaccrual loans and foreclosed assets increase our loan administration costs. Upon foreclosure or similar proceedings, we record the repossessed asset at the estimated fair value, less costs to sell, which may** ~~resulting~~ --- **result** in a ~~slow~~ **write** - down **or loss. A significant increase** in ~~economic activity,~~ **the level of nonperforming assets from current levels would also increase our risk profile and may impact the capital levels our regulators believe are appropriate in light of the** increased **risk profile** ~~unemployment levels, and disruptions in global supply chains and financial markets~~ . **While** ~~The pandemic and related government actions to curb its spread also resulted in closures of many organizations and the institution of social distancing requirements in many states and communities. Certain industries have been particularly hard- hit, including the travel and hospitality industry, the restaurant industry and the retail industry. In response to the pandemic, various state governments and federal agencies required lenders to provide forbearance and other relief to borrowers (e. g., waiving late payment and other fees). Federal banking agencies encouraged financial institutions to prudently work with affected borrowers and legislation provided relief from reporting loan classifications due to modifications related to the COVID- 19 outbreak. The spread of the coronavirus also caused us to modify our business practices, including employee travel, employee work locations, and cancellation of physical participation in meetings, events and conferences. Given the ongoing dynamic nature of variants of COVID- 19, it is difficult to predict the full impact of the COVID- 19 pandemic outbreak on our business. As the result of the COVID- 19 pandemic and the related adverse local and national economic consequences,~~ we **attempt** ~~could be subject~~ to ~~a number of risks~~ **reduce problem assets through collection efforts** , **asset sales and workouts and restructurings** ~~any of which could have a material~~ , ~~adverse effect on~~ **decreases in the value of the underlying collateral,** ~~our~~ - **or** ~~business,~~ **in the borrower' s performance or** financial condition, ~~liquidity~~ **could adversely affect our business** , results of operations ~~, ability to execute our growth strategy,~~ and **financial condition** ~~ability to pay dividends~~ . **In addition** ~~These risks include~~ , ~~but are not limited to~~ **the resolution of nonperforming assets can require significant commitments of time from management** , **diverting their attention from** ~~changes in demand for our products and services; increased loan losses or~~ other ~~impairments in our loan portfolios and increases in our allowance for loan losses; a decline in collateral for our loans, especially real estate; unanticipated unavailability of employees; increased cyber security risks as employees work remotely; a prolonged weakness in economic conditions resulting in a reduction of future projected earnings could necessitate a valuation allowance against our current outstanding deferred tax assets~~ **aspects of** ~~; a triggering event leading to impairment testing on our goodwill or~~ **our operations** ~~core deposit and customer relationships intangibles, which could result in an 31impairment charge; and increased costs as the Company and our regulators, customers and vendors adapt to evolving pandemic conditions~~ . **Many** ~~Risks Related to Our Lending ActivitiesMany~~ of our loans are to commercial borrowers, which have a higher degree of risk than other types of loans. At December 31, ~~2022~~ **2023** , we had $ 1. ~~9~~ **8** billion of commercial loans, consisting of $ 1. 7 billion of commercial real estate and construction and land loans, representing ~~84~~ **87. 1 % of total loans, and $ 162. 9 million of commercial and industrial loans, representing 8** . 4 % of total loans, **where** ~~and $ 188. 5 million of commercial and industrial loans, representing 9. 3 % of total loans and for which~~ real estate is not the primary source of collateral. The $ 1. 7 billion of commercial real estate loans includes $ ~~237~~ **249** . ~~7~~ **5** million of multifamily loans and $ ~~13~~ **9** . ~~2~~ **6** million of commercial construction and land ~~loans. The $ 188. 5 million of commercial and industrial loans include $ 11. 1 million of PPP~~ loans. Commercial loans typically involve higher principal amounts than other types of loans, ~~and~~ **with** some of our commercial borrowers have more than one loan outstanding with us. Consequently, an adverse development with respect to one loan or one credit relationship can expose us to a significantly greater risk of loss compared to an adverse development with respect to a one- to- four family residential mortgage loan. Because payments on such loans are often dependent on the cash flow of the commercial venture and the successful operation or development of the property ~~or~~ **/** business involved, repayment of such loans is often more sensitive than other types of loans to adverse conditions in the real estate market or the general business climate and economy ~~in one of our markets or in occupancy rates where a property is located~~ . Repayments of loans secured by non- owner occupied properties ~~depend primarily~~ **rely heavily** on ~~the~~ tenant ~~' s continuing ability to pay~~ rent **payments** ~~to the property owner~~ , **and any** ~~who is our borrower, or, if the property owner is unable to find a tenant, the property owner' s ability to repay the loan without the benefit of a rental income stream. Accordingly, a~~ downturn in the real estate market or ~~a challenging business and~~ economic **conditions heightens** ~~environment may increase~~ our risk ~~related to commercial loans~~ . In addition, many of our commercial real estate loans are not fully amortizing and require large balloon payments upon maturity. Such balloon payments may require the borrower to either sell or refinance the underlying property in order to make the payment, which may increase the risk of default or nonpayment. ~~Our~~ **Meanwhile, our** commercial **business** ~~and industrial~~ loans are primarily made based on the ~~identified~~ cash flow of the borrower and secondarily on the **underlying** collateral ~~underlying~~ **provided by** the ~~loans. The borrowers~~ - **borrower. A borrower** ' **s** cash flow may prove to be unpredictable, and collateral securing these loans may fluctuate in value. Most often, this collateral **includes** ~~consists of~~ accounts receivable, inventory ~~and~~ **,** equipment ~~. Significant adverse changes in our~~ - **or real estate** ~~borrowers' industries and businesses could cause rapid declines in values and collectability of those business assets, which could result in inadequate collateral coverage for our commercial and industrial loans and expose us to future losses~~ . In the case ~~of~~ **32of** loans secured by accounts receivable, the availability of funds for the repayment of these loans may be substantially dependent on the ability of the borrower to collect amounts due from its clients. ~~Inventory and equipment~~ **Other collateral securing commercial business loans** may depreciate over time, **may** be difficult to appraise, **may** be illiquid and **may** fluctuate in value based on the success of the business ~~. If the cash flow from business operations is reduced, the borrower' s ability to repay the loan may be impaired~~ . An increase in specific reserves and charge offs related to our commercial and industrial loan portfolio could have a material adverse effect on our business, financial

condition, results of operations and future prospects. In recent years, commercial real estate markets have been experiencing substantial growth, and increased competitive pressures have contributed significantly to historically low capitalization rates and rising property values. Further, commercial real estate markets have been particularly impacted by the economic disruption resulting from the COVID- 19 pandemic. The COVID- 19 pandemic has also been a catalyst for the evolution of various remote work options which could impact the long- term performance of some types of properties within our commercial real estate portfolio. Accordingly, the federal banking regulatory agencies have expressed concerns about weaknesses in the current commercial real estate market. Failures in our risk management policies, procedures and controls could adversely affect our ability to manage this portfolio going forward and could result in an increased rate of delinquencies in, and increased losses from, this portfolio, which ~~, accordingly,~~ could have a material adverse effect on our business, financial condition and results of operations. ~~32Construction~~ -- **Construction** loans are based upon estimates of costs and values associated with the complete project. These estimates may be inaccurate, and we may be exposed to significant losses on loans for these projects. Construction and land development loans totaled $ ~~13~~ **9** . ~~2~~ **6** million, or 0. ~~7~~ **5** % of total loans as of December 31, ~~2022~~ **2023** , of which $ ~~8.~~ 1 **. 6** million were commercial real estate construction loans and $ ~~5~~ **8** . ~~1~~ **0** million were residential real estate construction loans. These loans involve additional risks because funds are advanced **based on** ~~upon the security of~~ the project **' s** ~~, which is of~~ uncertain value prior to its completion, and costs may exceed realizable values in declining real estate markets. Because of the uncertainties inherent in estimating construction costs and the realizable market value of the completed project and the effects of governmental regulation of real property, it is relatively difficult to accurately evaluate the total funds required to complete a project and the related loan- to- value ratio. Higher than anticipated building costs may cause actual results to vary significantly from those estimated. **Further** ~~For these reasons~~ , this type of lending **often** ~~also typically~~ involves ~~higher~~ **larger** loan principal amounts and ~~may~~ **might** be concentrated ~~with~~ **among** a ~~small~~ **limited** number of builders. A downturn in the commercial real estate market could increase delinquencies, defaults ~~and~~ **,** foreclosures, and significantly impair the value of our collateral ~~and~~ **, hindering** our ability to sell the collateral upon foreclosure. **Dealing with** ~~Some of the~~ builders **who** ~~we deal with~~ have **multiple** ~~more than one loan~~ **loans** ~~outstanding~~ with us ~~. Consequently, an~~ **exposes us to heightened risks where** adverse ~~development~~ **developments in** ~~with respect to one loan or~~ one credit relationship **could substantially increase our** ~~can expose us to a significantly greater~~ risk **exposure** ~~of loss~~ . ~~In addition, during~~ **During** the term of some of our construction loans, ~~no payment from the borrower~~ **borrowers** ~~is~~ **are not** required ~~since the~~ **to make payments as** accumulated interest is added to the principal ~~of the loan~~ through an interest reserve. **Therefore** ~~As a result~~ , ~~construction loans often involve the disbursement of substantial funds with~~ repayment ~~dependent~~ **is contingent** , in part, on the **project' s** success ~~of the ultimate project~~ and the **borrower' s** ability ~~of the borrower~~ to sell or lease the property, rather than **solely on** ~~the ability of~~ the borrower **' s repayment capacity** ~~or guarantor to repay principal and interest~~ . **Overstating** ~~If our appraisal of the value of~~ the completed project **' s value** ~~proves to be overstated~~ , ~~or~~ **a decline in** market values **,** or rental ~~rates~~ - **rate** ~~decline, we may have inadequate~~ **drops might leave us with insufficient** security for ~~the~~ **loan** repayment **post-** ~~of the loan upon completion of~~ construction ~~of the project~~ . **Monitoring** ~~In addition, construction loans involve additional cost as a result of the need to actively monitor~~ the building process **involves additional costs** , including ~~cost comparisons and~~ on- site inspections **and cost comparisons** . Properties under construction are often difficult to sell and typically must be completed in order to be successfully sold, ~~which complicates~~ **complicating** the ~~process~~ **handling** of ~~working with our~~ problem construction loans. If we ~~are forced to~~ foreclose on a **defaulted construction loan prior to or at** project ~~prior to or at~~ completion ~~due to a default~~ , we ~~may~~ **might** not ~~be able to~~ recover ~~all of~~ the **entire** unpaid balance ~~of~~ , ~~and~~ accrued interest ~~on~~ , **and** ~~the loan as well as related~~ foreclosure and holding costs. ~~In~~ **Further,** ~~addition~~ **additional** ~~,~~ **funding may be needed to complete the project and** we ~~may be required to fund additional amounts to complete the project and~~ may have to hold the property for an unspecified period of time while we attempt to dispose of it. ~~Further, in~~ **Our construction loans include** ~~the~~ **those** ~~case of~~ **with a sales contract or permanent loan in place for the finished homes and those for which purchasers for the finished homes may not be identified either during or following the construction period, known as** speculative construction loans ~~, there is the added~~ **. Speculative construction loans pose additional** ~~risk~~ **risks , especially regarding finding end** ~~associated with the borrower obtaining a take~~ - **purchasers** ~~out commitment~~ for ~~a permanent~~ **finished projects. We also offer** ~~loan~~ **loans** ~~. Loans~~ on land under development or held for future construction ~~also pose~~ **. These loans carry** additional ~~risk~~ **risks** ~~because of the lack of income production by the property~~ **due to longer development periods, vulnerability to real estate value declines, economic fluctuations delaying projects, political changes affecting** ~~and~~ **land use, and** the ~~potential~~ **collateral' s** illiquid nature ~~of~~ **. During this extended financing- to- completion period,** the collateral **often generates no cash flow** . ~~Our~~ **33Our** business may be adversely affected by credit risk associated with residential property. At December 31, ~~2022~~ **2023** , $ ~~110~~ **86** . ~~6~~ **0** million, or ~~5~~ **4** . 5 % of total loans, was secured by first liens on one- to- four family residential ~~loans~~ **real estate** . In addition, at December 31, ~~2022~~ **2023** , our home equity loans and lines of credit totaled $ ~~7~~ **5** . ~~6~~ **9** million. A portion of our one- to- four family residential real estate loan portfolio consists of jumbo loans that do not conform to secondary market mortgage requirements, and therefore are not immediately sellable to Fannie Mae or Freddie Mac because such loans exceed the maximum balance allowable for sale. Jumbo one- to- four family residential loans may expose us to increased risk because of their larger balances and because they cannot be immediately sold to government sponsored enterprises. In addition, one- to- four family residential loans are generally sensitive to regional and local economic conditions that significantly impact the ability of borrowers to meet their loan payment obligations, making loss levels difficult to predict. A decline in residential real estate values resulting from a downturn in the housing market in our market areas may reduce the value of the real estate collateral securing these types of loans and increase our risk of loss if borrowers ~~'~~ default on their loans. Recessionary conditions or declines in the volume of real estate sales and / or the sales prices coupled with elevated unemployment rates may result in higher ~~-~~ than ~~-~~ expected loan delinquencies or problem assets, and a decline in demand for our products and services. These potential negative events may cause us to incur losses and adversely affect our business, financial condition and results of operations. ~~33Agricultural~~ -- **Agricultural** lending

and volatility in government regulations may adversely affect our financial condition and results of operations. At December 31, ~~2022~~ **2023** , agricultural loans, including agricultural real estate and operating loans, were $ ~~17~~ **15** . ~~2~~ **3** million, or 0. ~~9~~ **8** % of total loans. Agricultural lending involves a greater degree of risk and typically involves higher principal amounts than other types of loans. Repayment is dependent upon the successful operation of the business, which is greatly dependent on many things outside the control of either us or the borrowers. These factors include adverse weather conditions that prevent the planting of a crops or limit crop yields (such as hail, drought and floods), loss of livestock due to disease or other factors, declines in market prices for agricultural products (both domestically and internationally) and the impact of government regulations (including changes in price supports, subsidies, tariffs and environmental regulations). In addition, many farms are dependent on a limited number of key individuals whose injury or death may significantly affect the successful operation of the farm. If the cash flow from a farming operation is diminished, the borrower' s ability to repay the loan may be impaired **and the Bank may be unable to collect all principal and interest contractually due** . Consequently, agricultural loans may involve a greater degree of risk than other types of loans, particularly in the case of loans that are unsecured or secured by rapidly depreciating assets such as farm equipment (some of which is highly specialized with a limited or no market for resale), or assets such as livestock or crops. In such cases, any repossessed collateral for a defaulted agricultural operating loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation or because the assessed value of the collateral exceeds the eventual realization value. The success of our SBA lending program is dependent upon the continued availability of SBA loan programs, our status as a preferred lender under the SBA loan programs and our ability to comply with applicable SBA lending requirements. As an SBA Preferred Lender, we enable our clients to obtain SBA loans without being subject to the potentially lengthy SBA approval process necessary for lenders that are not SBA Preferred Lenders. The SBA periodically reviews the lending operations of participating lenders to assess, among other things, whether the lender exhibits prudent risk management. When weaknesses are identified, the SBA may request corrective actions or impose other restrictions, including revocation of the lender' s Preferred Lender status. If we lose our status as a Preferred Lender, we may **be unable** ~~lose our ability~~ to compete effectively with other SBA Preferred Lenders, **which** ~~and as a result we would~~ **could** ~~experience~~ **have** a material adverse effect ~~to~~ **on** our financial results. Any changes to the SBA program, including changes to the level of guaranty provided by the federal government on SBA loans or changes to the level of funds appropriated by the federal government to the various SBA programs, may also have an adverse effect on our business, results of operations and financial condition. ~~Historically~~ **34Historically** , we have sold the guaranteed portion of our SBA 7 (a) loans in the secondary market. These sales have resulted in gains or premiums on the sale of the loans and have created a stream of future servicing income. For the year ended December 31, ~~2022~~ **2023** , we sold a total of $ ~~34~~ **7** . ~~0~~ **2** million in SBA loans (guaranteed portion) for a net gain of $ **508, 000** ~~2. 7 million~~ . There can be no assurance that we will be able to continue originating these loans, that a secondary market will **continue to** exist or that we will continue to realize premiums upon the sale of the guaranteed portion of these loans. When we sell the guaranteed portion of our SBA 7 (a) loans, we incur credit risk on the retained, non- guaranteed portion of the loans. In order for a borrower to be eligible to receive an SBA loan, the lender must establish that the borrower would not be able to secure a bank loan without the credit enhancements provided by a guaranty under the SBA program. Accordingly, the SBA loans in our portfolio generally have weaker credit characteristics than the rest of our portfolio, and may be at greater risk of default in the event of deterioration in economic conditions or the borrower' s financial condition. In the event of a loss resulting from default and a determination by the SBA that there is a deficiency in the manner in which the loan was originated, funded or serviced by us, the SBA may require us to repurchase the previously sold portion of the loan, deny its liability under the guaranty, reduce the amount of the guaranty, or, if it has already paid under the guaranty, seek recovery of the principal loss related to the deficiency from us. Management has estimated losses inherent in the outstanding guaranteed portion of SBA loans and recorded a recourse reserve at a level determined to be appropriate. Significant increases to the recourse reserve may materially decrease our net income, which may adversely affect our business, results of operations and financial condition. ~~34To~~ **To** meet our growth objectives, we may originate or purchase loans outside of our market area which could affect the level of our net interest margin and nonperforming loans. **To** ~~In order to~~ achieve our desired loan portfolio growth, we ~~anticipate that we~~ **have sought and** may ~~, from time~~ **continue seeking opportunities** to ~~time, opportunistically~~ originate or purchase loans outside of our market area **,** ~~either~~ **whether** individually, through participations, or in bulk or " pools. " ~~In the past~~ **Prior to purchase** , we ~~have also originated loans outside of our market areas as an accommodation to current clients and acquired loans outside of our market areas through our acquisitions of other financial institutions. We will~~ perform certain due diligence procedures and may re- underwrite these loans to our underwriting standards **. Although we** ~~prior to purchase, and~~ anticipate acquiring loans **with** ~~subject to~~ customary limited indemnities ~~; however~~ , **this approach** ~~we may be exposed~~ **exposes us** to **heightened** ~~a greater risk~~ **risks , particularly when** ~~of loss as we acquire~~ **acquiring** loans ~~of a type or~~ in **unfamiliar** geographic areas **or of a type** where **our** management **lacks** ~~may not have~~ substantial prior experience ~~and which~~ **. Monitoring such loans also** may ~~be more difficult~~ **pose greater challenges** for us ~~to monitor~~ . Further, when determining the purchase price **for these** ~~, we are willing to pay to acquire~~ loans, management will make certain assumptions about, among other things, ~~how~~ **whether and when** borrowers will prepay their loans, ~~the~~ real estate market **conditions,** and our ability to ~~collect loans~~ successfully **manage loan collections** and, if necessary, ~~to~~ dispose of ~~any~~ **acquired** real estate ~~that may be acquired~~ through foreclosure. To the extent that our underlying assumptions prove ~~to be~~ inaccurate or **undergo unexpected** ~~the basis for those assumptions change~~ **changes** ~~(~~ **,** such as an unanticipated decline in the real estate market ~~)~~ , the purchase price paid ~~may prove to have been excessive~~ **these loans could exceed the actual value** , resulting in a lower yield or a loss of some or all of the loan principal. For ~~example~~ **instance** , ~~if we purchase~~ **purchasing** ~~"~~ **loan"** pools **"** ~~" of loans~~ at a premium and ~~some of the~~ **experiencing earlier- than- expected** ~~loans~~ **loan prepayments would yield lower** ~~are prepaid before we anticipate, we will earn less~~ interest income ~~on the acquired loans~~ than ~~expected~~ **initially projected** . Our success in ~~increasing~~ **growing** our loan portfolio through loan purchases ~~will depend~~

depends on our ability to price the loans properly and **relies** on ~~general~~ **the** economic conditions in the geographic areas where the underlying properties or collateral for the ~~loans~~ acquired **loans** are located. Inaccurate estimates or declines in economic conditions or real estate values in the markets where we purchase loans could significantly adversely affect the level of our nonperforming loans and our results of operations. Our allowance for ~~loan~~ **credit** losses may prove to be insufficient to absorb ~~potential~~ losses in our loan portfolio. As with most financial institutions, we maintain an allowance for ~~loan~~ **credit** losses **on loans** to ~~reflect~~ **reserve for estimated** potential **losses on loans from** defaults ~~and nonperformance~~ , which represents management' s best estimate of ~~probable loans~~ **expected credit** losses inherent in the loan portfolio. **Determining the appropriate level of the allowance for credit losses on loans involves estimating future losses at the time a loan is originated or acquired, incorporating a broad range of information and potential future economic scenarios.** The determination of the appropriate level of the allowance for ~~loan~~ **credit** losses **on loans** inherently involves a high degree of subjectivity and requires us to make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. In determining the amount of the allowance for ~~loan~~ **credit** losses **on loans** , we review loans and our historical loss and delinquency experience and evaluate economic conditions. Management also recognizes that significant new growth in loan portfolios, new loan products, and the refinancing of existing loans can result in ~~portfolios~~ **35portfolios** comprised of unseasoned loans that may not perform ~~in~~ **consistent with** a historical or projected manner and will increase the risk that our allowance **for credit losses on loans** may be insufficient to absorb **credit** losses without significant additional provisions. If our assumptions are incorrect, our allowance for ~~loan~~ **credit** losses **on loans** may not be sufficient to cover actual losses, **requiring** ~~resulting in~~ additional provisions for ~~loan~~ **credit** losses **on loans** to replenish the allowance for ~~loan~~ **credit** losses **on loans** . Deterioration in economic conditions, new information regarding existing loans, identification of additional problem loans or relationships, and other factors, both within and outside of our control, may increase our loan charge- offs and / or otherwise require an increase in our provision for ~~loan losses. The acquisition method of accounting requires that acquired loans are initially recorded at fair value at the time of acquisition, and therefore no corresponding allowance for loan losses is recorded for these loans at acquisition because credit quality, among other elements, was considered in the determination of fair value. To the extent that our estimates of fair value are too high, we will incur impairment losses associated with the acquired loans. In addition, the FASB has adopted an accounting standard referred to as Current Expected Credit Loss, or CECL, which will require financial institutions to determine periodic estimates of lifetime expected~~ credit losses on loans ~~and recognize the expected credit losses as allowances for credit losses. This will change the current method of providing allowances for credit losses only when they have been incurred and are probable, which is expected to require us to increase our allowance for loan losses and greatly increase the types of data we need to collect and review to determine the appropriate level of the allowance for credit losses. This accounting pronouncement is applicable to us effective January 1, 2023. As of the implementation date, following sensitivity analyses and considering changes in economic conditions, credit quality of the loan portfolio and changes in interest rates, management estimates that our adoption of the CECL model will result in a $ 1 million to $ 3 million increase to our allowance for credit losses for loans. Once finalized, the impact as a result of the adoption of this guidance will be recorded as a cumulative- effect, net of tax, adjustment to retained 35earnings effective January 1, 2023. The magnitude of the change in the Company' s allowance for credit losses at the adoption date will depend upon the nature and characteristics of the portfolio at the adoption date, as well as macroeconomic conditions and forecasts at that time, other management judgements, and continued refinement and validation of the model and methodologies. See also, " Note 1 — Organization and Summary of Significant Accounting Policies – Recent Accounting Guidance Not Yet Effective " in the Notes to the Consolidated Financial Statements contained in " Item 8. Financial Statements and Supplementary Data " of this Form 10- K. The federal banking regulators, including the Federal Reserve and the FDIC, have adopted a rule that gives a banking organization the option to phase in over a three- year period the day- one adverse effects of CECL on its regulatory capital~~ . In addition, bank regulatory agencies periodically review our allowance for ~~loan~~ **credit** losses **on loans. Based on their assessment, they** and may require ~~an increase~~ **increased** ~~in the provision~~ **provisions** ~~for~~ - **or** ~~possible loan losses or the recognition of further~~ loan charge- offs ~~based on their judgment about information available to them at the time of their examination~~ . Any ~~increases~~ - **increase** in the provision for ~~loan~~ **credit** losses **on loans negatively affects** ~~will result in a decrease in~~ net income and **could** ~~may have a material~~ **materially impact** ~~adverse effect on~~ our financial condition, results of operations, and capital. Risks Related to Market and Interest Rate ChangesOur profitability is vulnerable to interest rate fluctuations. 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~~ **and** ~~particular~~ **particularly** ~~,~~ the Federal Reserve ~~Board~~ . **During** ~~Since March 2022~~ **2023** , in response to **continued** inflationary pressures, the Federal Open Market Committee (" FOMC ") of the Federal Reserve Board ~~has~~ increased the target range for the federal funds rate ~~425~~ **100** basis points ~~, including 125 basis points during the fourth calendar quarter of 2022,~~ to a range of ~~4~~ **5** . 25 % to ~~4~~ **5** . 50 % ~~as of December 31, 2022~~ . **A sustained and substantial change in market** ~~As it seeks to control inflation without creating a recession, the FOMC has indicated further increases are expected during 2023. If the FOMC increases the targeted federal funds rates, overall~~ interest rates **could significantly** ~~will likely rise, which will positively~~ impact our ~~net~~ **financial condition, liquidity, and results of operations. Furthermore, fluctuations in** interest **rates could adversely affect** ~~income, but may negatively impact both~~ the **valuation of our assets** ~~housing market, by reducing refinancing activity~~ and **liabilities, ultimately affecting our earnings** ~~new home purchases and the U. S. economy~~ . We principally manage interest rate risk by managing **the** volume and mix of our earning assets and funding liabilities. 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 could also affect (i) our ability to originate and / or sell loans and obtain deposits, (ii) the fair value of our financial assets and liabilities, which could negatively impact shareholders' equity, and our ability to realize gains from the sale

of such assets, (iii) our ability to obtain and retain deposits in competition with other available investment alternatives, (iv) the ability of our borrowers to repay adjustable or variable rate loans, and (v) the average duration of our investment securities portfolio and other interest- earning assets. In a changing interest rate environment, we may not be able to manage this risk effectively. If we are unable to manage interest rate risk effectively, our business, financial condition and results of operations could be materially affected. A sustained increase in market interest rates could adversely affect our earnings. A significant portion of our loans have fixed interest rates and longer terms than our deposits and borrowings. As is the case with many banks ~~our emphasis on~~ **, we attempt to** ~~increasing~~ **increase** ~~core~~ **our proportion of** deposits **comprising either** ~~has resulted in an increasing percentage of our deposits being comprised of certificates of deposit and other deposits yielding~~ no or ~~a~~ relatively low **-** interest ~~rate~~ **- bearing accounts** , ~~having a shorter duration than our assets~~ **which has been challenging over the last couple of years** . At December 31, ~~2022~~ **2023** , ~~we had~~ **our deposit composition included** $ ~~221~~ **372** . 4 million in certificates of deposit **maturing** ~~that mature~~ within one year and $ 1. ~~8~~ **7** billion in ~~demand deposits~~ **noninterest- bearing** , NOW ~~accounts and~~ **checking,** savings, and money market accounts. We would incur a higher cost of funds to retain these deposits in a rising interest rate environment. Our net interest income could be adversely affected if the rates we pay on deposits and borrowings increase more rapidly than the rates we earn on loans and other investments. Although management believes it has implemented effective asset and liability management strategies to reduce the potential effects of changes in interest rates on our results of operations, any substantial, unexpected or prolonged change in market interest rates could have a material adverse effect on our financial condition and results of operations. Also, our interest rate risk modeling techniques and assumptions likely ~~may~~ **will** not fully predict or capture the impact of actual interest rate changes on our balance sheet or projected operating results. ~~36For~~ -- **For** further discussion of how changes in interest rates could impact us, see " Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations — Interest Rate Sensitivity and Market Risk, " of this Form 10- K for a discussion of interest rate risk modeling and the inherent risks in modeling assumptions. ~~We~~ **36We** may incur losses on our securities portfolio as a result of ~~changes~~ **increases** in interest rates. 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 these securities. These factors include, but are not limited to, rating agency actions in respect of the securities, defaults by, or other adverse events affecting, the issuer or with respect to the underlying securities, and changes in market interest rates and continued instability in the capital markets. Any of these factors, among others, could cause other- than- temporary impairments and realized and / or unrealized losses in future periods and declines in other comprehensive income, which could have a material effect on our business, financial condition and results of operations. The process for determining whether impairment of a security is other- than- temporary usually requires complex, subjective judgments about the future financial performance and liquidity of the issuer and any collateral underlying the security to assess the probability of receiving all contractual principal and interest payments on the security. There can be no assurance that the declines in market value will not result in other- than- temporary impairments of these assets and lead to accounting charges that could have a material adverse effect on our business, financial condition and results of operations. For the year ended December 31, ~~2022~~ **2023** , we did not incur any other- than- temporary impairments on our securities portfolio. Risks Related to our Merger and Acquisition StrategyOur strategy of pursuing acquisitions exposes us to financial, execution, compliance and operational risks that could have a material adverse effect on our business, financial condition, results of operations and growth prospects. A substantial part of our historical growth has been a result of acquisitions of other financial institutions ~~. We intend~~ **, a strategy we plan** to continue **by** ~~our strategy of~~ evaluating and selectively acquiring **entities** ~~other financial institutions~~ that ~~serve~~ **align with our** ~~clients~~ - **client** ~~or~~ **base and desired** markets **. However, the acquisition market is fiercely competitive, and** we ~~find desirable. The market for acquisitions remains highly competitive and we~~ may ~~be unable to find satisfactory~~ **encounter challenges in identifying suitable candidates that meet our** acquisition **standards and** ~~candidates in the future that fit our acquisition~~ strategy ~~and standards~~ . Our ability to compete **relies** ~~will depend~~ on our ~~available~~ financial resources ~~to fund acquisitions~~ , including ~~the amount of~~ cash **reserves,** ~~and cash equivalents and the~~ liquidity **,** and **the** market price of our common stock. ~~In addition, increased~~ **Increased** competition may also drive up ~~the price that we will be required to pay for acquisitions~~ - **acquisition costs, which** ~~. Acquisition prices may~~ fluctuate with market conditions. ~~We~~ **There** have ~~experienced times during which~~ **been instances in the past where we were unable to secure** acquisitions ~~could not be made in specific markets~~ at acceptable prices **,** and ~~expect that~~ we **anticipate similar challenges** ~~will experience this condition~~ in the future. **Furthermore,** ~~If we are able to identify~~ **identifying** attractive acquisition opportunities **often involves meeting various** ~~, we must generally satisfy a number of~~ conditions **,** ~~prior to completing any~~ such **as obtaining** ~~transaction, including certain bank~~ regulatory approvals, ~~which~~ **a process that** can be burdensome, time- consuming and unpredictable. **Sustaining** ~~An important component of~~ our **historical** growth ~~strategy~~ **rate** may ~~not~~ be ~~realized~~ **difficult** if we are unable to ~~find~~ **identify and acquire** suitable acquisition targets **. We have completed ten full bank acquisitions since 2010, which has enhanced our growth rate over the years** . Our pursuit of acquisitions may disrupt our business, and any equity that we issue as merger consideration may have the effect of diluting the value of your investment. ~~Additionally, any future acquisition may not produce the revenue, earnings or synergies that we anticipated.~~ Our acquisition activities strategy involves a number of significant risks, including ~~the following~~ : • ~~incurring time~~ **Diverting management attention** and **resources toward** ~~expense associated with~~ identifying, evaluating **,** and negotiating potential acquisitions **, potentially detracting from our existing business operations. • Reliance on estimates and judgments,** which could **be** ~~divert management' s attention from the operation of our existing business; • using~~ inaccurate **, in** ~~estimates and judgments to evaluate~~ **evaluating** credit, ~~operations~~ **operational** , management, and market risks **of** ~~with respect to~~ the target company or the assets and liabilities ~~that~~ we ~~seek~~ **aim** to acquire ~~;~~ **.** • ~~exposure~~ **Exposure** to potential asset quality and credit ~~quality;~~ **risks.** • ~~higher~~ **Higher** than expected deposit attrition; ~~37~~ • ~~potential~~ **Potential** exposure to unknown or contingent liabilities ~~of~~ **from acquired** banks and businesses ~~we acquire~~ , including ~~, without limitation, liabilities for~~ regulatory and compliance issues ~~;~~ **.** • ~~inability to~~ **The risk of not** ~~realize~~ **realizing** ~~the~~ expected revenue increases, cost savings, ~~increases in~~ geographic or product ~~presence~~

expansions , ~~and~~ **or** other projected **acquisition** benefits ~~of~~ **. • Costs and time required to integrate operations and personnel from** the ~~acquisition~~ **combined businesses. • Inconsistencies in standards, procedures, and policies that may adversely affect client and employee relationships** ; • **Potential increase** ~~incurring time and expense required to integrate the operations and personnel of the combined businesses; • inconsistencies~~ in ~~standards, procedures, and policies that would adversely affect our ability to maintain relationships with clients and employees; • experiencing higher~~ operating expenses relative to operating income from the new operations ~~;~~ **.** • ~~creating an adverse short~~ **Short** - term **adverse** ~~effect~~ **effects** on our **financial** results ~~of operations;~~ **, such as increases in general and administrative expenses initially, which potentially adversely affects our efficiency ratio.** • **Challenges related** ~~significant problems relating~~ to the conversion **and integration** of ~~the~~ financial and client data **. 37** ~~of the entity;~~ • ~~integration of acquired clients into our financial and client product systems; • borrowing~~ **Borrowing** funds ~~to finance acquisitions~~ or **alternative** ~~pursuing other forms of~~ financing **methods** , such as issuing ~~voting and / or non- voting~~ common ~~stock~~ or convertible preferred stock, ~~which~~ **that** may ~~have high dividend rights~~ **increase leverage, diminish liquidity, and result in dilution** ~~or~~ **for** ~~may be highly dilutive to our~~ existing shareholders **.** ~~, may increase our leverage and diminish our liquidity; and~~ • ~~risks~~ **Risks** of impairment to goodwill **,** which would require a charge to earnings. Any of the foregoing could have ~~an~~ **a material** adverse effect on our business, financial condition, and results of ~~operation~~ **operations** . Any expansion into new markets or new lines of business might not be successful. As part of our ~~ongoing~~ strategic plan, we may consider expansion into new geographic markets. Such expansion might take the form ~~of the establishment~~ of de novo branches or the acquisition of existing banks or branches. There are substantial risks associated with such efforts, including risks that (i) revenues from such activities might not be sufficient to offset the development, compliance, and other implementation costs, (ii) competing products and services and shifting market preferences might affect the profitability of such activities, and (iii) our internal controls might be inadequate to manage the risks associated with new activities. Furthermore, ~~it is possible that~~ our unfamiliarity with new markets or lines of business might adversely affect the success of such actions. External factors, such as compliance with regulations, competitive alternatives and shifting market preferences, may also affect the ultimate implementation of a new line of business or offerings of new products, product enhancements or services. If any such expansions into new geographic or product markets are not successful, there could be an adverse effect on our financial condition and results of operations. Risks Related to Accounting Matters We may experience future goodwill impairment, which could reduce our earnings. We performed our test for goodwill impairment at December 31, ~~2022~~ **2023** and the test concluded that recorded goodwill was not impaired. Our test of goodwill for potential impairment is based on a qualitative assessment by management that takes into consideration macroeconomic conditions, industry and market conditions, cost or margin factors, financial performance and share price. Our evaluation of the fair value of goodwill involves a substantial amount of judgment. If our judgment ~~was~~ **were** incorrect, or if events or circumstances change, and an impairment of goodwill was deemed to exist, we would be required to write down our goodwill **,** resulting in a charge against operations, which may materially adversely affect our results of operations ~~. 38Nonperforming assets take significant time to resolve and adversely affect our results of operations and financial condition and could result in further losses in the future. Nonperforming assets adversely affect our earnings in various ways. We do not record interest income on nonaccrual loans or foreclosed assets, thereby adversely affecting our income and increasing our loan administration costs. Upon foreclosure or similar proceedings, we record the repossessed asset at the estimated fair value, less costs to sell, which may result in a write down or loss. If we experience increases in nonperforming loans and nonperforming assets, our losses and troubled assets could increase significantly, which could have a material adverse effect on our financial condition and results of operations, as our loan administration costs could increase, each of which could have an adverse effect on our net income and related ratios, such as return on assets and equity. A significant increase in the level of nonperforming assets from current levels would also increase our risk profile and may impact the capital levels our regulators believe are appropriate in light of the increased risk profile. While we reduce problem assets through collection efforts, asset sales, workouts and restructurings, decreases in the value of the underlying collateral, or in these borrowers' performance or financial condition, whether or not due to economic and market conditions beyond our control, could adversely affect our business, results of operations and financial condition. In addition, the resolution of nonperforming assets requires significant commitments of time from management and our directors, which can be detrimental to the performance of their other responsibilities~~ . The Company' s reported financial results depend on management' s selection of accounting methods and certain assumptions and estimates, which, if incorrect, could cause unexpected losses in the future. The Company' s accounting policies and methods are fundamental to how the Company records and reports its financial condition and results of operations. The Company' s management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with generally accepted accounting principles and reflect management' s judgment regarding the most appropriate manner to report the Company' s 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, yet might result in the Company' s reporting materially different results than would have been reported under a different alternative. Certain accounting policies **, most notably the allowance for credit losses,** are critical to presenting the Company' s financial condition and results of operations. They require management to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. ~~These critical accounting policies include the allowance for loan losses, estimations of fair value and income taxes. Because of the uncertainty of estimates involved in these matters, the Company may be required to do one or more of the following: significantly increase the allowance for loan losses and / or sustain credit losses that are significantly higher than the reserve provided, recognize significant losses on the remeasurement of certain asset and liability balances, or significantly increase its accrued taxes liability.~~ For more information, refer to " Critical Accounting Estimates " included in Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations of this Form 10- K. **We are subject to an extensive body of accounting rules and best**

practices. Periodic changes to such rules may change the treatment and recognition of critical financial line items and affect our profitability. Our business operations are significantly influenced by the extensive body of accounting regulations in the United States. Regulatory bodies periodically issue new guidance, altering accounting rules and reporting requirements, which 38can substantially affect the preparation and reporting of our financial statements. These changes might necessitate retrospective application, potentially leading to restatements of prior period financial statements. One such significant change from 2022 was the implementation of the CECL model, which we adopted on January 1, 2023. Under the CECL model, financial assets carried at amortized cost, such as loans and held- to- maturity debt securities, are presented at the net amount expected to be collected. This forward- looking approach in estimating expected credit losses contrasts starkly with the former GAAP' s" incurred loss" model, delaying recognition until a loss is probable. CECL mandates considering historical experience, current conditions, and reasonable forecasts affecting collectability, leading to periodic adjustments of financial asset values. However, this forward- looking methodology, reliant on macroeconomic variables, introduces the potential for increased earnings volatility due to unexpected changes in these indicators between periods. An additional consequence of CECL is an accounting asymmetry between loan-related income, recognized periodically based on the effective interest method, and credit losses, recognized upfront at origination. This asymmetry might create the perception of reduced profitability during loan expansion periods due to the immediate recognition of expected credit losses. Conversely, periods with stable or declining loan levels might seem relatively more profitable as income accrues gradually for loans where losses had been previously recognized. As a result of the change in methodology from the incurred loss method to the CECL model, on January 1, 2023, the Company recognized an increase in the allowance for credit loss on loans totaling $ 1. 5 million and an increase to the allowance for credit losses on unfunded commitments of $ 45, 000, as a cumulative effect adjustment from change in accounting policies, with a corresponding after- tax decrease to opening retained earnings of $ 491, 000. ~~39Risks~~ -- **Risks** Related to Cybersecurity, Third Parties and TechnologyWe are subject to certain risks in connection with our use of technology. Our security measures may not be sufficient to mitigate the risk of a cyber- attack. Communications and information systems are essential to the conduct of our business, as we use such systems to manage our client relationships, our general ledger, and virtually all other aspects of our business. Our operations rely on the secure processing, storage, and transmission of confidential and other information in our computer systems and networks. Although we take protective measures and endeavor to modify them as circumstances warrant, the security of our computer systems, software, and networks may be vulnerable to breaches, fraudulent or unauthorized access, denial or degradation of service, attacks, misuse, computer viruses, malware, or other malicious code and cyber- attacks that could have a security impact. If one or more of these events occur, this could jeopardize our or our clients' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations or the operations of our clients or counterparties. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us. Security breaches in our internet banking activities could further expose us to possible liability and damage our reputation. Increases in criminal activity levels and sophistication, advances in computer capabilities, new discoveries, vulnerabilities in third party technologies (including browsers and operating systems), or other developments could result in a compromise or breach of the technology, processes and controls that we use to prevent fraudulent transactions, and to protect data about us, our clients, and underlying transactions. Any compromise of our security could deter clients from using our internet banking services that involve the transmission of confidential information. ~~We rely on standard internet security systems to provide the security and authentication necessary to effect secure transmission of data.~~ Although we have developed and continue to invest in systems and processes that are designed to detect and prevent security breaches and cyber- attacks and periodically test our security, these precautions may not protect our systems from compromises or breaches of our security measures, and could result in losses to us or our clients, our loss of business and / or clients, damage to our reputation, the incurrence of additional expenses, disruption to our business, our inability to grow our online services, or other businesses, additional regulatory scrutiny or penalties, or our exposure to civil litigation and possible financial liability, any of which could have a material adverse effect on our business, financial condition and results of operations. Our security measures may not protect us from system failures or interruptions. We have established policies and procedures to prevent or limit the impact of system breaches, failures and interruptions. In addition, we outsource certain aspects of our data processing and other operational functions to certain third- party providers. While we select third-party ~~vendors~~ **39vendors** carefully, we do not control their actions. If our third- party providers encounter difficulties including those resulting from breakdowns or other disruptions in communication services provided by a vendor, failure of a vendor to handle current or higher transaction volumes, cyber- attacks ~~and~~ **or** security breaches or if we otherwise have difficulty in communicating with them, our ability to adequately process and account for transactions could be affected, and our ability to deliver products and services to our clients and otherwise conduct business operations could be adversely impacted. Replacing these third- party vendors could also entail significant delay and expense. Threats to information security also exist in the processing of client information through various other vendors and their personnel. We cannot assure you that such breaches, failures or interruptions will not occur or, if they do occur, that they will be adequately addressed by us or the third parties on which we rely. Further, while we believe we maintain adequate insurance to cover these risks, our insurance coverage may not cover all losses resulting from breaches, system failures or other disruptions. The occurrence of any systems failure or interruption could damage our reputation and result in a loss of clients and business, could subject us to additional regulatory scrutiny, or could expose us to legal liability. Any of these occurrences could have a material adverse effect on our financial condition and results of operations. **We** ~~The Board of Directors oversees the risk management process, including the risk of cybersecurity breaches, and engages with management on cybersecurity issues. 40We~~ are subject to certain risks in connection

with our data management or aggregation. We are reliant on our ability to manage data and our ability to aggregate data in an accurate and timely manner to ensure effective risk reporting and management. Our ability to manage data and aggregate data may be limited by the effectiveness of our policies, programs, processes and practices that govern how data is acquired, validated, stored, protected and processed. While we continuously update our policies, programs, processes and practices, many of our data management and aggregation processes are manual and subject to human error or system failure. Failure to manage data effectively and to aggregate data in an accurate and timely manner may limit our ability to manage current and emerging risks, as well as to manage changing business needs. Our business may be adversely affected by an increasing prevalence of fraud and other financial crimes. As a bank, we are susceptible to fraudulent activity, information security breaches and cybersecurity related incidents that may be committed against us or our clients, which may result in financial losses or increased costs to us or our clients, disclosure or misuse of our information or our client information, misappropriation of assets, privacy breaches against our clients, litigation or damage to our reputation. Such fraudulent activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, social engineering and other dishonest acts. Nationally, reported incidents of fraud and other financial crimes have increased. We are not aware that we have experienced any material misappropriation, loss or other unauthorized disclosure of confidential or personally identifiable information as a result of a cyber- security breach or other act, however, some of our clients may have been affected by these breaches, which could increase their risks of identity theft, credit card fraud and other fraudulent activity that could involve their accounts with us. While we have policies and procedures designed to prevent such losses, there can be no assurance that such losses will not occur. **The financial services market is undergoing rapid technological changes, and if we are unable to stay current with those changes, we will not be able to effectively compete. The financial services market, including banking services, is undergoing rapid changes with frequent introductions of new technology- driven products and services. Our future success will depend, in part, on our ability to keep pace with technological changes and to use technology to satisfy and grow customer demand for our products and services and to create additional efficiencies in our operations. We expect that we will need to make substantial investments in our technology and information systems to compete effectively and to stay current with technological changes. Some of our competitors have substantially greater resources to invest in technological improvements and will be able to invest more heavily in developing and adopting new technologies, which may put us at a competitive disadvantage. 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. As a result, our ability to effectively compete to retain or acquire new business may be impaired, and our business, financial condition or results of operations may be adversely affected.** ~~Risk~~ **Risks** Related to Regulatory and Compliance Matters ~~The~~ **40The** level of our commercial real estate loan portfolio may subject us to additional regulatory scrutiny. The FDIC, the Federal Reserve and the Office of the Comptroller of the Currency have promulgated joint guidance on sound risk management practices for financial institutions with concentrations in commercial real estate lending. Under this guidance, a financial institution that, like us, is actively involved in commercial real estate lending, should perform a risk assessment to identify concentrations. A financial institution may have a concentration in commercial real estate lending if, among other factors (i) total reported loans for construction, land development and other land represent 100. 0 % or more of total capital, or (ii) total reported commercial real estate loans (as defined in the guidance) represent 300. 0 % or more of total capital. The particular focus of the guidance is on exposure to commercial real estate loans that are dependent on the cash flow from the real estate held as collateral and that are likely to be at greater risk to conditions in the commercial real estate market (as opposed to real estate collateral held as a secondary source of repayment or as an abundance of caution). The purpose of the guidance is to guide banks in developing risk management practices and capital levels commensurate with the level and nature of real estate concentrations. The guidance states that management should employ heightened risk management practices including board and management oversight and strategic planning, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing. We have concluded that we have a concentration in commercial real estate lending under the foregoing standards because our balance in commercial real estate loans at December 31, ~~2022~~ **2023** represents more than 300 % of total capital. Owner-occupied commercial real estate totaled ~~151~~ **110** . ~~8~~ **2** % of total capital, while non- owner occupied commercial real estate totals an additional ~~330~~ **253** . ~~4~~ **3** % of total capital. While we believe we have implemented policies and procedures with respect to our commercial real estate loan portfolio consistent with this guidance, bank regulators could require us to implement additional policies and procedures consistent with their interpretation of the guidance that may result in additional costs to us. We operate in a highly regulated environment and may be adversely affected by changes in federal and state laws and regulations that could increase our costs of operations. The banking industry is extensively regulated. Federal banking regulations are designed primarily to protect the deposit insurance funds and customers, not to benefit a company' s shareholders. These regulations may sometimes impose significant limitations on our operations. The significant federal and state banking regulations that affect us are described ~~41in~~ **in** this Form 10- K under the heading " Item 1. Business — Supervision and Regulation. " These regulations, along with the currently existing tax, accounting, securities, insurance, privacy and monetary laws, regulations, rules, standards, policies, and interpretations control the methods by which financial institutions conduct business, implement strategic initiatives and tax compliance, and govern financial reporting and disclosures. These laws, regulations, rules, standards, policies, and interpretations are constantly evolving and may change significantly over time. Any new regulation or legislation, or change in existing regulation or oversight, whether a change in regulatory policy or a change in a regulator' s interpretation of a law or regulation, could have a material impact on our operations, increase our costs of regulatory compliance and of doing business and adversely affect our profitability. For example, changes in consumer privacy laws, such as the recently enacted CCPA and CPRA in California, or any non- compliance with such laws, could adversely affect our business, financial condition and results of operations. See " Item 1. Business — Supervision and Regulation — Privacy Standards " for additional information on the CCPA and the CPRA. Compliance with the CCPA, the CPRA and other state statutes or regulations designed to protect

consumer personal data could potentially require us to implement substantive technology infrastructure and process changes. Non- compliance with the CCPA, the CPRA or similar laws and regulations could lead to substantial regulatory imposed fines and penalties, damages from private causes of action and / or reputational harm. ~~Non~~ **41Non** - compliance with the USA PATRIOT Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions and limit our ability to get regulatory approval of acquisitions. The USA PATRIOT and Bank Secrecy Acts require financial institutions to develop programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with the U. S. Treasury' s Office of Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of clients seeking to open new financial accounts. Failure to comply with these regulations could result in fines or sanctions and limit our ability to get regulatory approval of acquisitions ~~. Recently several banking institutions have received large fines for non- compliance with these laws and regulations~~ . While we have developed policies and procedures designed to assist in compliance with these laws and regulations, no assurance can be given that these policies and procedures will be effective in preventing violations of these laws and regulations. If our policies, procedures and systems are deemed deficient, we would be subject to liability, including fines and regulatory actions, which may include the denial of regulatory approvals to proceed with certain aspects of our business plan, including our acquisition plans. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us. Any of these results could have a material adverse effect on our business, financial condition, results of operations and growth prospects. If our enterprise risk management framework is not effective at mitigating risk and loss to us, we could suffer unexpected losses. Our enterprise risk management framework seeks to achieve an appropriate balance between risk and return, which is critical to optimizing stockholder value. We have established processes and procedures intended to identify, measure, monitor, report, analyze and control the types of risk to which we are subject. These risks include liquidity risk, credit risk, market risk, interest rate risk, operational risk, legal and compliance risk, and reputational risk, among others. We also maintain a compliance program designed to identify, measure, assess, and report on our adherence to applicable laws, policies and procedures. While we assess and improve these programs on an ongoing basis, there can be no assurance that our risk management or compliance programs, along with other related controls, will effectively mitigate all risk and limit losses in our business. However, as with any risk management framework, there are inherent limitations to our risk management strategies as there may exist, or develop in the future, risks that we have not appropriately anticipated or identified. Climate change and related legislative and regulatory initiatives may materially affect the Company' s business and results of operations. The effects of climate change continue to create an alarming level of concern for the state of the global environment. As a result, the global business community has increased its political and social awareness surrounding the issue, and the United States has entered into international agreements in an attempt to reduce global temperatures, such as reentering the Paris Agreement. Further, the U. S. Congress, state legislatures and federal and state regulatory agencies continue to ~~42propose~~ -- **propose** numerous initiatives to supplement the global effort to combat climate change. Similar and even more expansive initiatives are expected under the current administration, including potentially increasing supervisory expectations with respect to banks' risk management practices, accounting for the effects of climate change in stress testing scenarios and systemic risk assessments, revising expectations for credit portfolio concentrations based on climate- related factors and encouraging investment by banks in climate- related initiatives and lending to communities disproportionately impacted by the effects of climate change. The lack of empirical data surrounding the credit and other financial risks posed by climate change render it difficult, or even impossible, to predict how specifically climate change may impact our financial condition and results of operations; however, the physical effects of climate change may also directly impact us. Specifically, unpredictable and more frequent weather disasters may adversely impact the real property, and / or the value of the real property, securing the loans in our portfolios. Additionally, if insurance obtained by our borrowers is insufficient to cover any losses sustained to the collateral, or if insurance coverage is otherwise unavailable to our borrowers, the collateral securing our loans may be negatively impacted by climate change, natural disasters and related events, which could impact our financial condition and results of operations. Further, the effects of climate change may negatively impact regional and local economic activity, which could lead to an adverse effect on our customers and impact the communities in which we operate. Overall, climate change, its effects and the resulting, unknown impact could have a material adverse effect on our financial condition and results of operations. ~~Risks~~ **42Risks** Related to Our Business and Industry GenerallyWe rely on other companies to provide key components of our business infrastructure. We rely on numerous external vendors to provide us with products and services necessary to maintain our day- to- day operations. Accordingly, our operations are exposed to risk that these vendors will not perform in accordance with the contracted arrangements under service level agreements. The failure of an external vendor to perform in accordance with the contracted arrangements under service level agreements because of changes in the vendor' s organizational structure, financial condition, support for existing products and services or strategic focus or for any other reason, could be disruptive to our operations, which in turn could have a material negative impact on our financial condition and results of operations. We also could be adversely affected to the extent such an agreement is not renewed by the third- party vendor or is renewed on terms less favorable to us. Additionally, the bank regulatory agencies expect financial institutions to be responsible for all aspects of our vendors' performance, including aspects which they delegate to third parties. Disruptions or failures in the physical infrastructure or operating systems that support our business and clients, or cyber- attacks or security breaches of the networks, systems or devices that our clients use to access our products and services could result in client attrition, regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensation costs, and / or additional compliance costs, any of which could materially adversely affect our results of operations or financial condition ~~. We will be required to transition from the use of the London Interbank Offered Rate (" LIBOR") in the future. We have certain loans and investment securities, indexed to LIBOR to calculate the interest rate. ICE Benchmark Administration, the authorized and regulated administrator of LIBOR, ended publication of the one- week and~~

~~two- month LIBOR (for U. S. dollars) tenors on December 31, 2021 and the remaining LIBOR (for U. S. dollars) tenors will end publication in June 2023. Financial services regulators and industry groups have collaborated to develop alternate reference rate indices or reference rates. The transition to a new reference rate requires changes to contracts, risk and pricing models, valuation tools, systems, product design and hedging strategies. At this time, no consensus exists as to what rate or rates may become acceptable alternatives to LIBOR (with the exception of overnight repurchase agreements, which are expected to be based on the Secured Overnight Financing Rate, or SOFR). Uncertainty as to the nature of alternative reference rates and as to potential changes or other reforms to LIBOR may adversely affect LIBOR rates and the value of LIBOR- based loans, and to a lesser extent securities in our portfolio, and may impact the availability and cost of hedging instruments and borrowings. The language in our LIBOR- based contracts and financial instruments has developed over time and may have various events that trigger when a successor rate to the designated rate would be selected. If a trigger is satisfied, contracts and financial instruments may give the calculation agent discretion over the substitute index or indices for the calculation of interest rates to be selected. The implementation of a substitute index or indices for the calculation of interest 43rates under our loan agreements with our borrowers or our existing borrowings may result in our incurring significant expenses in effecting the transition, may result in reduced loan balances if borrowers do not accept the substitute index or indices, and may result in disputes or litigation with clients and creditors over the appropriateness or comparability to LIBOR of the substitute index or indices, which could have an adverse effect on our results of operations~~ . Ineffective liquidity management could adversely affect our financial results and condition. Liquidity is essential to our business. We rely on a number of different sources in order to meet our potential liquidity demands. Our primary sources of liquidity are increases in deposit accounts, cash flows from loan payments and our securities portfolio. Borrowings also provide us with a source of funds to meet liquidity demands. An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a substantial negative effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities or on terms which are acceptable to us could be impaired by factors that affect us specifically, or the financial services industry or economy in general. Factors that could detrimentally impact our access to liquidity sources include a decrease in the level of our business activity as a result of a downturn in the markets in which our loans and deposits are concentrated, negative operating results, or adverse regulatory action against us. Our ability to borrow could also be impaired by factors that are not specific to us, such as a disruption in the financial markets or negative views and expectations about the prospects for the financial services industry or deterioration in credit markets. Any decline in available funding in amounts adequate to finance our activities or on terms which are acceptable could adversely impact our ability to originate loans, invest in securities, meet our expenses, or fulfill obligations such as repaying our borrowings or meeting deposit withdrawal demands, any of which could, in turn, have a material adverse effect on our business, financial condition and results of operations. See " Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations — Liquidity " of this Form 10- K. Several of our large depositors have relationships with each other, which creates a higher risk that one client' s withdrawal of its deposit could lead to a loss of other deposits from clients within the relationship, which, in turn, could force us to fund our business through more expensive and less stable sources. As of December 31, ~~2022~~ **2023** , our ten largest depositors, none of which include brokered deposits, accounted for $ ~~215~~ **246** . ~~1~~ **0** million in deposits, or approximately 11. ~~0~~ **5** % of total deposits. Several of our large depositors are ~~affiliated~~ locals of labor unions or have business, family, or other relationships with each other, which creates a risk that any one client' s withdrawal of its ~~deposit~~ **deposits** could lead to a loss of other deposits from clients within the relationship. At December 31, ~~2022~~ **2023** , $ ~~666~~ **658** . ~~8~~ **3** million, or ~~32~~ **30** . ~~0~~ **9** %, of our total deposits were comprised of deposits from labor unions, representing ~~704~~ **714** different local unions with an average deposit balance per local union of approximately $ ~~842~~ **814** , 000. At December 31, ~~2022~~ **2023** , ~~nine~~ **22** labor unions had aggregate deposits of $ 10. 0 million or more, totaling $ ~~132~~ **399** . ~~5~~ **7** million, or ~~6~~ **18** . ~~8~~ **7** % of our total deposits. Given our use of these high average balance deposits as a source of funds, the inability to retain these funds could have an adverse effect on our liquidity. In addition, these deposits are primarily demand deposit accounts or short- term deposits and therefore may be more sensitive to changes in interest rates. If we are forced to pay higher rates on these ~~deposits~~ **43deposits** to retain the funds, or if we are unable to retain the funds and are forced to turn to ~~borrowing~~ **borrowings** and other funding sources for our lending and investment activities, the interest expense associated with such borrowings **or other funding sources** may be higher than the rates we are paying on these deposits, which could adversely affect our net margin and net income. We may also be forced, as a result of any material withdrawal of deposits, to rely more heavily on other ~~,~~ **;** potentially more expensive and less stable funding sources. Consequently, the occurrence of any of these events could have a material adverse effect on our business, financial condition and results of operations. Our growth or future losses may require us to raise additional capital in the future, but that capital may not be available when it is needed, or the cost of that capital may be very high. We are required by federal regulatory authorities to maintain adequate levels of capital to support our operations. At some point, we may need to raise additional capital or issue additional debt to support our growth or replenish future losses. Our ability to raise additional capital or issue additional debt depends on conditions in the capital markets, economic conditions and a number of other factors, including investor perceptions regarding the banking industry, market conditions and governmental activities, and on our financial condition and performance. Such borrowings or additional capital, if sought, may not be available to us or, if available, may not be on favorable terms. **Accordingly, we cannot make assurances that we will be able to raise additional capital or issue additional debt if needed on terms that are acceptable to us, or at all. If we cannot raise additional capital or issue additional debt when needed, our ability to further expand our operations could be materially impaired and our financial condition and liquidity could be materially and adversely affected. In addition, any additional capital we obtain may dilute the interests of existing holders of our common stock. Further, if we are unable to raise additional capital when required by our bank regulators, we may be subject to adverse regulatory action. Our liquidity is dependent on dividends from the Bank. The Company is a legal entity separate and distinct from the Bank. A substantial portion of our cash flow, including cash flow to pay principal and interest on any debt we may incur,**

including the Notes, comes from dividends the Company receives from the Bank. Various federal and state laws and regulations limit the amount of dividends that the Bank may pay to the Company. Because our ability to receive dividends or loans from the Bank is restricted, our ability to pay dividends to our shareholders may also be restricted. Also, the Company’ s 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 is unable to pay dividends to us, we may not be able to service any debt we may incur, which could have a material adverse effect on our business, financial condition, results of operations and growth prospects. We rely heavily on our management team and could be adversely affected by the unexpected loss of key officers and relationship managers. We are led by a management team with substantial experience in the markets we serve and the financial products that we offer. Our operating strategy focuses on providing products and services through long- term relationship managers. Accordingly, our success depends in large part on the performance of our key personnel, as well as on our ability to attract, motivate and retain highly qualified senior and middle management. Competition for employees is intense, and the process of locating key personnel with the combination of skills and attributes required to execute our business plan may be lengthy. We may not be successful in retaining our key employees and the unexpected loss of services of one or more of our key personnel could have a material adverse effect on our business because of their skills, knowledge of our market and financial products, years of industry experience, long- term client relationships and the difficulty of promptly finding qualified replacement personnel. If the services of any of our key personnel should become unavailable for any reason, we may not be able to identify and hire qualified persons on terms acceptable to us, which could have an adverse effect on our business, financial condition and results of operations. Increasing scrutiny and evolving expectations from customers, regulators, investors, and other stakeholders with respect to our environmental, social and governance practices may impose additional costs on us or expose us to new or additional risks.