Risk Factors Comparison 2024-03-13 to 2023-03-10 Form: 10-K

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In addition to risks disclosed elsewhere in this Report, the following discussion sets forth the material risk factors that could affect the Company' s consolidated financial condition and results of operations. Readers should not consider any descriptions of these factors to be a complete set of all potential risks that could affect the Company. Any risk factor discussed below could by itself, or combined with other factors, materially and adversely affect the Company' s business, results of operations, financial condition, capital position, liquidity, competitive position or reputation, including by materially increasing expenses or decreasing revenues, which could result in material losses or a decrease in earnings ~~. Risks Related to COVID- 19 Pandemic The economic impact of the COVID- 19 pandemic could adversely affect our financial condition and results of operations. The COVID- 19 pandemic has caused significant economic dislocation in the United States. Although the domestic and global economies have begun to recover from the COVID- 19 pandemic as many health and safety restrictions have been lifted and vaccine distribution has increased, certain adverse consequences of the pandemic continue to impact the macroeconomic environment and may persist for some time, including labor shortages and disruptions of global supply chains. The growth in economic activity and in the demand for goods and services, coupled with labor shortages and supply chain disruptions, has also contributed to rising inflationary pressures. As a result of the COVID- 19 pandemic and the related adverse economic consequences, we could be subject to the following risks, among others, any of which individually or in combination with others could have a material, adverse effect on our business, financial condition, liquidity, and results of operations: • demand for our products and services may decline, making it difficult to grow assets and income; • if high levels of unemployment continue for an extended period of time, loan delinquencies, problem assets, and foreclosures may increase, resulting in increased charges and reduced income; • collateral for loans, especially real estate, may decline in value, which could cause loan losses to increase; • limitations may be placed on our ability to foreclose on properties we hold as collateral; • our allowance for loan losses may have to be increased if borrowers experience financial difficulties, which will adversely affect our net income; • the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us; • our cybersecurity risks are increased as the result of an increase in the number of employees working remotely; • we rely on third- party vendors for certain services and the unavailability of a critical service due to the COVID- 19 pandemic could have an adverse effect on us; and • Federal Deposit Insurance Corporation premiums may increase if the agency experiences additional resolution costs~~ . Risks Related to Our Lending Activities A large percentage of the Company' s loans are collateralized by real estate, and further disruptions in the real estate market may result in losses and reduce the Company' s earnings. A substantial portion of the Company' s loan portfolio consists of loans collateralized by real estate. Improving economic conditions have shifted to an increase in demand for real estate, which has resulted in stabilization of some real estate values in the Company' s markets. Further disruptions in the real estate market could significantly impair the value of the Company' s collateral and its ability to sell the collateral upon foreclosure. The real estate collateral in each case provides an alternate source of repayment in the event of default by the borrower and may deteriorate in value during the time the credit is extended. If real estate values decline further, it is likely that the Company would be required to increase its allowance for loan losses. If, during a period of lower real estate values, the Company is required to liquidate the collateral securing a loan to satisfy debts or to increase its allowance for loan losses, it could materially reduce its profitability and adversely affect its financial condition. Because the Company emphasizes commercial real estate and commercial loan originations, its credit risk may increase, and continued downturns in the local real estate market or economy could adversely affect its earnings. Commercial real estate and commercial loans generally have more inherent risk than the residential real estate loans. Because the repayment of commercial real estate and commercial loans depends on the successful management and operation of the borrower' s properties or related businesses, repayment of such loans can be affected by adverse conditions in the local real estate market or economy. Commercial real estate and commercial loans also may involve relatively large loan balances to individual borrowers or groups of related borrowers. A downturn in the real estate market or the local economy could adversely affect the value of properties securing the loan or the revenues from the borrower' s business, thereby increasing the risk of nonperforming loans. As the Company' s commercial real estate and commercial loan portfolios increase, the corresponding risks and potential for losses from these loans may also increase. Furthermore, it may be difficult to assess the future performance of newly originated commercial loans, as such loans may have delinquency or charge- off levels above the Company' s historical experience, which could adversely affect the Company' s future performance. If our nonperforming assets increase, our earnings will suffer. Our nonperforming assets adversely affect our net income in various ways. We do not record interest income on ~~non- accrual~~ **nonaccrual** loans or real estate owned. We must reserve for probable losses, which results in additional provisions for loan losses. As circumstances warrant, we must write down the value of properties in our other real estate owned portfolio to reflect changing market values. Additionally, we have legal fees associated with the resolution of problem assets as well as additional costs, such as taxes, insurance and maintenance related to our other real estate owned. The resolution of nonperforming assets also requires the active involvement of management, which can adversely affect the amount of time we devote to the income- producing activities of the Bank. If our estimate of the allowance for loan losses is inadequate, we will have to increase the allowance accordingly. If the Company' s allowance for ~~loan~~ **credit** losses is not sufficient to cover actual ~~loan~~ **credit** losses, the Company' s results of operations would be negatively affected. **We maintain an** ~~In determining the adequacy of the~~ allowance for **credit losses which represents management' s best estimate of credit losses within the existing portfolio of loans. The allowance, in the judgement of management, is appropriate to reserve for estimated credit losses and risks inherent in the** loan **portfolio.**

The level of the allowance for credit losses **reflects management' s continuing evaluation of industry concentrations** , ~~the Company analyzes its~~ **specific credit risks, loan** loss ~~and delinquency~~ experience ~~by~~ **, current** loan **portfolio quality, present** ~~categories and considers the effect of existing~~ economic conditions ~~. In addition, the Company makes various assumptions~~ and ~~judgments about~~ **unidentified losses in** the **current** ~~collectability of the~~ loan portfolio **. The determination** ~~, including the creditworthiness~~ of ~~its borrowers and the value of the real estate and other~~ -- **the appropriate level** ~~assets serving as collateral for the repayment~~ of ~~many of the loans. If the results of these analyses are incorrect,~~ the allowance for ~~loan~~ **credit** losses **inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks using existing qualitative and quantitative information, all of which** may ~~not be sufficient to cover~~ **undergo material changes. Changes in economic conditions or forecasts, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require an increase in the allowance for credit** losses ~~inherent in the portfolio, which would require additions to the allowance and would reduce net income~~ . In addition, bank regulators periodically review the Company' s allowance for ~~loan~~ **credit** losses and may require it to increase the allowance for ~~loan~~ **credit** losses or recognize further loan charge- offs. Any increase in the allowance for ~~loan~~ **credit** losses or loan charge- offs as required by these regulatory authorities may have a material adverse effect on the Company' s financial condition and results of operations ~~. The Financial Accounting Standard Board (" FASB") has issued an accounting standard update that will result in a significant change in how we recognize credit losses and may have a material impact on our financial condition or results of operations. In 2016, the FASB issued Accounting Standards Update (" ASU") 2016- 13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments. For assets held at amortized cost basis, ASU 2016- 13 eliminates the probable initial recognition threshold in current accounting principles generally accepted in the United States of America (" GAAP") and instead requires an entity to reflect its estimate of all current expected credit losses (" CECL"). Under the CECL model, we will be required to present certain financial assets carried at amortized cost, such as loans held for investment and debt securities, at the net amount expected to be collected. The measurement of expected credit losses is to be based on information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. This measurement will take place at the time the financial asset is first added to the Statements of Financial Condition and periodically thereafter. This differs significantly from the incurred loss model required under current GAAP, which delays recognition until it is probable a loss has been incurred. Accordingly, we expect that the adoption of the CECL model will materially affect how we determine our allowance for loan losses. Moreover, the CECL model may create more volatility in the level of our allowance for loan losses. If we are required to materially increase our level of allowance for loan losses for any reason, such increase could adversely affect our business, financial condition and results of operations. In November 2019, the FASB approved a delay of the required implementation date of ASU 2016- 13 for smaller reporting companies resulting in a required implementation date for the Company as of January 1, 2023. Upon adoption, the Company expects to record a cumulative effect adjustment to retained earnings that will increase stockholders' equity by $ 2. 1 million, net of tax. See Note 1 of the consolidated financial statements for additional detail~~ . Risk Related to Changes in Market Interest Rates Changes in interest rates may reduce the Company' s profits and impair asset values. The Company' s earnings and cash flows depend primarily on its net interest income. Interest rates are highly sensitive to many factors that are beyond the Company' s control, including general economic conditions and the policies of various governmental and regulatory agencies, particularly the Federal Reserve. Changes in market interest rates could have an adverse effect on the Company' s financial condition and results of operations. If rates increase rapidly, the Company may have to increase the rates paid on deposits, particularly higher cost time deposits and borrowed funds, more quickly than any changes in interest rates earned on loans and investments, resulting in a negative effect on interest rate spreads and net interest income. Increases in interest rates may also make it more difficult for borrowers to repay adjustable rate loans. Conversely, should market interest rates fall below current levels, the Company' s net interest margin also could be negatively affected if competitive pressures keep it from further reducing rates on deposits, while the yields on the Company' s interest- earning assets decrease more rapidly through loan prepayments and interest rate adjustments. Decreases in interest rates often result in increased prepayments of loans and mortgage- related securities, as borrowers refinance their loans to reduce borrowings costs. Under these circumstances, the Company is subject to reinvestment risk to the extent it is unable to reinvest the cash received from such prepayments in loans or other investments that have interest rates that are comparable to the interest rates on existing loans and securities. Changes in interest rates also affect the value of the Company' s interest- earning assets, and in particular its securities portfolio. Generally, the value of fixed- rate securities fluctuates inversely with changes in interest rates. Unrealized gains and losses on securities available for sale determined to be temporary in nature are reported as a separate component of equity. Decreases in the fair value of securities available for sale resulting from increases in interest rates therefore could have an adverse effect on the Company' s stockholders' equity. Risks Related to Our Acquisition Activity Impairment in the carrying value of goodwill could negatively affect our results of operations. We have recorded goodwill in connection with our recently completed mergers. At December 31, ~~2022~~ **2023** , we had $ 9. 7 million of goodwill on our Consolidated Statements of Financial Condition after incurring goodwill impairment of $ 18. 7 million in 2020. Any further impairment to goodwill could have a material adverse impact on the Company' s consolidated financial conditions and results of operations. 100 % of the goodwill is assigned to the Community Banking reporting unit. Under GAAP, goodwill must be evaluated for impairment annually or on an interim basis when a triggering event occurs. If the carrying value of our reporting unit exceeds its current fair value as determined based on the value of the business, the goodwill is considered impaired and is reduced to fair value by a non- cash, non- tax- deductible charge to earnings. The impairment testing required by GAAP involves estimates and significant judgments by management. Although we believe our assumptions and estimates are reasonable and appropriate, any changes in key assumptions or other unanticipated events and circumstances may affect the accuracy or validity of such estimates. Events and conditions that could result in impairment in the value of our goodwill include worsening business conditions and economic factors, particularly those that may result from the impact of a downturn in the economy as a result of COVID- 19, changes in the industries in which we operate, adverse changes in the regulatory environment, or other factors leading to reduction in expected long- term profitability and cash flows. Risk Related to Our Liquidity Position If we are unable to borrow funds, we may not be able to meet the cash flow requirements of our depositors, creditors, and borrowers, or the operating cash needed to fund corporate expansion and other corporate activities. Liquidity is the ability to meet cash flow needs on a timely basis at a reasonable cost. Our liquidity is used to make loans and to repay deposit liabilities as they become due or are demanded by customers. Liquidity policies and procedures are established by the board, with operating limits set based upon the ratio of loans to deposits and percentage of assets funded with non- core or wholesale funding. We regularly monitor our overall liquidity position to ensure various alternative strategies exist to cover unanticipated events that could affect liquidity. We also establish policies and monitor guidelines to diversify our wholesale funding sources to avoid concentrations in any one market source. Wholesale funding sources include federal funds purchased, securities sold under repurchase agreements, non- core deposits, and debt. The Bank is a member of the FHLB of Pittsburgh, which provides funding through advances to members that are collateralized with mortgage- related assets. We maintain a portfolio of available- for- sale securities that can be used as a secondary source of liquidity. There are other sources of liquidity available to us should they be needed. These sources include the sale of loans, the ability to acquire national market, non- core deposits, issuance of additional collateralized borrowings such as FHLB advances and federal funds purchased, and the issuance of preferred or common securities. Risks Related to Our Ability to Pay Dividends The Company' s ability to pay dividends is subject to the ability of Community Bank to make capital distributions to the Company, and also may be limited by Federal Reserve policy. The Company' s long- term ability to pay dividends to its stockholders depends primarily on the ability of the Bank to make capital distributions to the Company and on the availability of cash at the holding company level if the Bank' s earnings are not sufficient to pay dividends. In addition, the Federal Reserve has issued a policy statement regarding the payment of dividends by bank holding companies. In general, the policy provides that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the holding company appears consistent with the organization' s capital needs, asset quality and overall financial condition. Regulatory guidance provides for prior regulatory consultation with respect to capital distributions in certain circumstances, such as where the holding company' s net income for the past four quarters, net of dividends paid over that period, is insufficient to fully fund the dividend or the holding company' s overall rate or earnings retention is inconsistent with its capital needs and overall financial condition. These regulatory policies may adversely affect the Company' s ability to pay dividends or otherwise engage in capital distributions. Risks Related to Our Operations Because the nature of the financial services business involves a high volume of transactions, the Company faces significant operational risks. The Company operates in diverse markets and relies on the ability of its employees and systems to process a significant number of transactions. Operational risk is the risk of loss resulting from operations, including the risk of fraud by employees or persons outside a company, the execution of unauthorized transactions by employees, errors relating to transaction processing and technology, breaches of the internal control system and compliance requirements, and business continuation and disaster recovery. Insurance coverage may not be available for such losses, or where available, such losses may exceed insurance limits. This risk of loss also includes the potential legal actions that could arise as a result of an operational deficiency or as a result of noncompliance with applicable regulatory standards, adverse business decisions or their implementation, and customer attrition due to potential negative publicity. If a breakdown occurs in the internal controls system, improper operation of systems or improper employee actions, the Company could incur financial loss, face regulatory action and suffer damage to its reputation. Risks associated with system failures, interruptions, breaches of security or cyber security could negatively affect the Company' s earnings. Information technology systems are critical to the Company' s business. The Company uses various technology systems to manage customer relationships, general ledger, securities, deposits and loans. The Company has established policies and procedures to prevent or limit the effect of system failures, interruptions and security breaches, but such events may still occur or may not be adequately addressed if they do occur. In addition, any compromise of the Company' s systems could deter customers from using its products and services. Security systems may not protect systems from security breaches. In addition, the Company outsources some of its data processing to certain third- party providers. If these third- party providers encounter difficulties, or if the Company has difficulty communicating with them, the Company' s ability to adequately process and account for transactions could be affected, and business operations could be adversely affected. Threats to information security also exist in the processing of customer information through various other vendors and their personnel. The occurrence of any system failures, interruption or breach of security could damage the Company' s reputation and result in a loss of customers and business thereby, subjecting it to additional regulatory scrutiny, or could expose it to litigation and possible financial liability. Although the Company has not experienced any system failures, interruption or breach of security to date, any of these events could have a material adverse effect on its financial condition and results of operations. The Company is constantly relying upon the availability of technology, the Internet and telecommunication systems to enable financial transactions by clients, to record and monitor transactions and transmit and receive data to and from clients and third parties. Information security risks have increased significantly due to the use of online, telephone and mobile banking channels by clients and the increased sophistication and activities of organized crime, hackers, terrorists and other external parties. Our technologies, systems, networks and our clients' devices have been subject to, and are likely to continue to be the target of, cyberattacks, computer viruses, malware, phishing attacks or information security breaches that could result in the unauthorized release, gathering, monitoring, misuse, loss or destruction of our or our clients' confidential, proprietary and other information, the theft of client assets through fraudulent transactions or disruption of our or our clients' or other third parties' business operations. Any of the foregoing could have a material adverse effect on the Company' s business, financial condition and results of operations. The Company' s risk management framework may not be effective in mitigating risk and reducing the potential for significant losses. The Company' s risk management framework is designed to minimize risk and loss to the company. The Company seeks to identify, measure, monitor, report and control exposure to risk, including strategic, market, liquidity, compliance and operational risks. While the Company uses a broad and diversified set of risk monitoring and mitigation techniques, these techniques are inherently limited because they cannot anticipate the existence or future development of currently unanticipated or unknown risks. Economic conditions and heightened legislative and regulatory scrutiny of the financial services industry, among other developments, have increased the Company' s level of risk. Accordingly, the Company could suffer losses if it fails to properly anticipate and manage these risks. ~~Reforms to and uncertainty regarding LIBOR may adversely affect our business. In 2017, the Chief Executive of the United Kingdom Financial Conduct Authority (" FCA"), which regulates the London Inter- bank Offered Rate (" LIBOR "), announced in July 2017 that the sustainability of LIBOR cannot be guaranteed. The administrator for LIBOR announced on March 5, 2021 that it will permanently cease to publish most LIBOR settings beginning on January 1, 2022 and cease to publish the overnight, one- month, three- month, six- month and 12- month USD LIBOR settings on July 1, 2023. Accordingly, the FCA has stated that is does not intend to persuade or compel banks to submit to LIBOR after such respective dates. Until such time, however, FCA panel banks have agreed to continue to support LIBOR. It is impossible to predict whether and to what extent banks will continue to provide LIBOR submissions to the administrator of LIBOR or whether any additional reforms to LIBOR may be enacted in the United Kingdom or elsewhere. A committee of private- market derivative participants and their regulators convened by the Federal Reserve, the Alternative Reference Rates Committee (" ARRC "), was created to identify an alternative reference interest rate to replace LIBOR. The ARRC announced Secured Overnight Financing Rate (" SOFR "), a broad measure of the cost of borrowing cash overnight collateralized by Treasury securities, as its preferred alternative to LIBOR. Subsequently, the Federal Reserve announced final plans for the production of SOFR, which resulted in the commencement of its published rates by the FRB of New York on April 2, 2018. Whether or not SOFR attains market traction as a LIBOR replacement tool remains in question and the future of LIBOR at this time is uncertain. The uncertainty as to the nature and effect of such reforms and actions and the political discontinuance of LIBOR may adversely affect the value of and return on our financial assets and liabilities that are based on or are linked to LIBOR, our results of operations or financial condition. In addition, these reforms may also require extensive changes to the contracts that govern these LIBOR based products, as well as our systems and processes. The implementation of a substitute index or indices for the calculation of interest rates under our loan agreements with our borrowers 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 customers over the appropriateness or comparability to LIBOR of the substitute index or indices, which could have an adverse effect on our results of operations. Currently, the manner and impact of this transition and related developments, as well as the effect of these developments on our funding costs, securities portfolio and business, is uncertain.~~ Risks Related to Accounting Matters Changes in the Company' s accounting policies or in accounting standards could materially affect how the Company reports its financial condition and results of operations. The Company' s accounting policies are essential to understanding its financial condition and results of operations. Some of these policies require the use of estimates and assumptions that may affect the value of the Company' s assets, liabilities, and financial results. Some of the Company' s accounting policies are critical because they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain, and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. If such estimates or assumptions underlying the Company' s financial statements are incorrect, it may experience material losses. From time to time, the FASB and the Securities and Exchange Commission change the financial accounting and reporting standards or the interpretation of those standards that govern the preparation of the Company' s financial statements. These changes are beyond the Company' s control, can be difficult to predict, and could materially affect how the Company reports its financial condition and results of operations. The Company could also be required to apply a new or revised standard retroactively, resulting in restating prior period financial statements in material amounts. The need to account for certain assets at estimated fair value, such as securities, may adversely affect the Company' s financial condition and results of operations. The Company reports certain assets, such as securities, at estimated fair value. Generally, for assets that are reported at fair value, the Company uses quoted market prices or valuation models that utilize observable market inputs to estimate fair value. Because the Company carries these assets on its books at their estimated fair value, it may incur losses even if the asset in question presents minimal credit risk. Risks Related to Competitive Matters Strong competition within the Company' s market area could adversely affect the Company' s earnings and slow growth. The Company faces intense competition both in making loans and attracting deposits. Price competition for loans and deposits might result in the Company earning less on its loans and paying more on its deposits, which reduces net interest income. Some of the Company' s competitors have substantially greater resources than the Company has and may offer services that it does not provide. The Company expects competition to increase in the future as a result of legislative, regulatory and technological changes and the continuing consolidation in the financial services industry. The Company' s profitability will depend upon its continued ability to compete successfully in its market areas. General Risk Factors A worsening of economic conditions could adversely affect the Company' s financial condition and results of operations. A worsening of economic conditions could significantly affect the markets in which the Company operates, the value of loans and investments, ongoing operations, costs and profitability. Further declines in real estate values and sales volumes and continued elevated unemployment levels may result in higher than expected loan delinquencies, increases in nonperforming and criticized classified assets, and a decline in demand for the Company' s products and services. In addition, the volatility in natural gas prices, or if prices decline, may depress natural gas exploration and drilling activities in the Marcellus Shale Formation. Furthermore, exploration and drilling of natural gas reserves in our market area may be affected by federal, state and local laws and regulations affecting production, permitting, environmental protection and other matters. Any of these events may negatively affect our customers, and may cause the Company to incur losses, and may adversely affect its financial condition and results of operations. Inflation can have an adverse impact on our business and on our customers.

Inflation risk is the risk that the value of assets or income from investments will be worth less in the future as inflation decreases the value of money. Recently, there have been market indicators of a pronounced rise in inflation and the FRB has raised certain benchmark interest rates in an effort to combat inflation. As inflation increases, the value of our investment securities, particularly those with longer maturities, would decrease, although this effect can be less pronounced for floating rate instruments. In addition, inflation increases the cost of goods and services we use in our business operations, such as electricity and other utilities, which increases our noninterest expenses. Furthermore, our customers are also affected by inflation and the rising costs of goods and services used in their households and businesses, which could have a negative impact on their ability to repay their loans with us. Climate change and related legislative and regulatory initiatives may materially affect the Company' s financial condition and results of operations. The effects of climate change continue to create a rising level of concern for the state of the global environment. As a result, businesses have increased their political and social awareness surrounding the issue, and the U. S. has entered into international agreements in an attempt to reduce global temperatures. In addition, the U. S. government, state legislatures and federal and state regulatory agencies continue to propose numerous initiatives to combat climate change. Other expansive initiatives are expected, 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 to predict how 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 value of 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, 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, the effects and resulting, unknown impact of climate change could have a material adverse effect on our financial condition and results of operations. We could be adversely affected by failure in our internal controls. A failure in our internal controls could have a significant negative impact not only on our earnings, but also on the perception that customers, regulators and investors may have of us. We devote a significant amount of effort, time and resources to continually strengthening our controls and ensuring compliance with complex accounting standards and banking regulations. Compliance with increased or new standards and regulations applicable to our Company may entail management spending increased time addressing such standards and regulations. Further, the Company may be required to expend additional capital resources on professional advisors, which could increase operational expenses and therefore negatively impact our net income.