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

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

The ongoing ~~Inflation~~ **inflationary** ~~could~~ **environment in the United States and our market areas has** ~~result~~ **resulted** in higher interest rates and increased interest rate risk **as our interest earning asset yields are generally longer in duration and therefore reprice less quickly than our interest- bearing liabilities (only 13 % of deposits are certificates of deposit)** . The risks to our business from inflation ~~depends~~ - **depend** on the durability of the current inflationary pressures in our markets. ~~Transitory increases in inflation are unlikely to have a material impact on our business or earnings. However, more persistent~~ **Persistent** inflation could lead to tighter- than- expected monetary policy and higher interest rates, which could ~~increase the borrowings costs of our customers, making it more difficult for them to repay their loans or other obligations. High interest rates could~~ slow loan growth and increase cost of funds for the Company, reduce net interest margin and profitability, lower asset prices and weaken economic activity. ~~A~~ **Conversely a prolonged period of deflation may also lead to a** deterioration in economic conditions in the United States and our markets **causing stress on commercial customers and unemployment, which** could result in an increase in loan delinquencies and non- performing assets, decreases in loan collateral values and a decrease in demand for our products and services, all of which, in turn, would adversely affect our business, financial condition and results of operations. Refer to Item 7A." Quantitative and Qualitative Disclosures About Market Risk," below in this Form 10- K, for more information on the projected impact of interest rates on the Company' s balance sheet at December 31, ~~2022~~ **2023 . The Company' s Investment Portfolio Could Incur Losses or Fair Value Could Deteriorate There are inherent risks associated with the Company' s investment activities. These risks include the impact from changes in interest rates, credit risk related to weakness in real estate values, municipalities, government sponsored enterprises, or other industries, the impact of changes in income tax rates on the value of tax- exempt securities, adverse changes in regional or national economic conditions, and general turbulence in domestic and foreign financial markets, among other things. These conditions could adversely impact the ultimate collectability of the Company' s investments. If an investment' s value is in an unrealized loss position, the Company is required to assess the security to determine if a valuation allowance for the credit exposure of the debt security is necessary, which, if necessary, is recorded as a charge to earnings. Higher market interest rates have resulted in unrealized losses on the Company' s fixed income bond portfolio. If market interest rates continue to rise, the fair value of the fixed income bond portfolio will decrease, resulting in additional unrealized losses, and depending on the extent of the rise in interest rates, the increase in unrealized losses could be significant. The non- credit portion of unrealized losses are recorded to AOCI, a component of Shareholders' Equity. A significant increase in market rates may have a negative impact on the Company' s book value per common share. The Company' s bond portfolio is expected to mature at par and therefore the unrealized losses in the portfolio that result from higher market interest rates will decrease as the bonds become closer to maturity. However, if the Company were required to sell investment securities with an unrealized loss for any reason, including liquidity needs, the unrealized loss would become realized and reduce both net income for the reported period and regulatory capital, which as currently reported, excludes unrealized losses on investment securities. The Potential for Bank Failures and any Related Negative Impact on Customer Confidence in the Safety and Soundness of the Banking Industry may Adversely Affect our Business. If other financial institutions experience severe financial difficulties, it could result in an adverse impact on the regional banking industry, generally, and the business environment in which the Company operates. Regional bank failures or failure of confidence in the financial industry generally, could result in significant market volatility among publicly traded bank holding companies which may cause uncertainty in the investor community, generally. This uncertainty may negatively impact customer confidence in the safety and soundness of the banking system and, as a result, the Company' s customers may choose to withdraw some or all of their deposited funds, which could have a materially adverse impact on our liquidity, cost of funding, loan growth, net interest margin, capital and results of operations. In addition, advances in technology have increased the speed at which deposits can be moved, as well as the speed and reach of media attention, including social media, and its ability to disseminate concerns or rumors, in each case potentially exacerbating liquidity concerns** . LIQUIDITY Deposit Outflows May Increase Reliance on Borrowings and Brokered Deposits as Sources of Funds The Company has historically funded its asset growth through customer deposits and to a lesser extent through wholesale borrowings (e. g., brokered deposits and borrowed funds). As a general matter, customer deposits are typically a lower cost source of funds than external wholesale funding. If the balance of the Company' s customer deposits decrease or are less than the Company' s asset growth, the Company may have to rely more heavily on higher- costing wholesale funding or other sources of external funding or may have to significantly increase deposit rates to maintain deposit levels in the future, all of which may lower the Company' s net interest income, net interest margin and its profitability. Sources of External Funding Could Become Restricted and Impact the Company' s Liquidity **Liquidity risk is the potential that we will be unable to meet our obligations as they come due because of an inability to liquidate assets or obtain adequate funding. The Bank' s access to funding sources in amounts adequate to finance our activities or on acceptable terms could be impaired by factors that affect our organization, the financial services industry, or the economy in general. Factors that could detrimentally impact access to liquidity sources include a downturn in the markets in which our loans are concentrated or adverse regulatory actions against the Bank. Market conditions or other events could also negatively affect the level or cost of funding, affecting the Bank' s ongoing ability to meet liability maturities and deposit withdrawals, meet contractual obligations and fund asset growth and new business transactions**

at a reasonable cost, in a timely manner and without adverse consequences. If, as a result of general economic conditions or other events, sources of external funding become restricted or are eliminated, the Company may not be able to raise adequate funds, may incur substantially higher funding costs, be required to sell assets, restrict operations, or restrict the payment of dividends **. Furthermore, if the Company is unable to raise adequate funds through external sources, the Company may need to sell assets with unrealized losses in order to generate additional liquidity, which could decrease the capital of the Company and have an adverse effect on our business, financial condition and results of operations. LENDING There are inherent risks associated with the Company' s lending activities. These risks include, among other things, the impact of changes in the economic conditions in the market areas in which the Company operates and changes in interest rates. In addition, the Company may be impacted by the following risks associated with its lending activities: Commercial Lending Generally Involves a Higher Degree of Risk than Retail Residential Mortgage Lending The Company' s loan portfolio consists primarily of commercial real estate, commercial and industrial, and commercial construction loans. These types of loans are generally viewed as having more risk of default than owner- occupied residential real estate loans and typically have larger balances. The underlying commercial real estate values, lower demand for office and retail space, increase costs to complete construction projects. Customer cash flows can be more easily influenced by adverse conditions in the related industries, the real estate market or in the economy. Commercial real estate values may be elevated and the outlook for commercial real estate remains dependent on the broader economic environment and, specifically, how major subsectors respond to higher interest rate environment and prices for commodities, goods and services. Credit performance across the industry over the medium- and long- term is susceptible to economic and market forces and our non- performing loans and charge offs may increase. Some degree of general instability in the broad commercial real estate market may occur in the coming quarters as loans are refinanced at higher interest rates and in markets with higher vacancy rates under current economic conditions. Our commercial borrowers may experience greater difficulties meeting their obligations if debt service coverage declines as adjustable- rate loans reprice to higher interest rates and customer cash flows are impacted by inflationary pressures. Conversely, in periods of decreasing interest rates, likely resulting from economic slowdown or recession, borrowers may experience difficulties meeting their obligations and seek to refinance their loans for lower rates, which may adversely affect income from these lending activities. Instability and uncertainty in the commercial real estate markets and elevated level of interest rates could have a material adverse effect on our financial condition and results of operations. The Company May Need to Increase its Allowance for Credit Losses The determination of the appropriate level of the allowance for credit losses inherently involves a high degree of subjectivity and requires the Company to make significant estimates of current credit risks, non- performing trends, and economic forecasts, all of which may undergo material changes. In addition, bank regulatory agencies periodically review the Company' s allowance for credit losses and may require an increase in the provision for credit losses or the recognition of loan charge- offs, based on judgments that may differ from those of the Company' s management. Increases in the Company' s Non- performing Assets Could Adversely Affect the Company' s Results of Operations and Financial Condition in the Future Non- performing assets adversely affect our net income in various ways. No interest income is recorded on non- accrual loans or other real estate owned, thereby adversely affecting income and returns on assets and equity. In addition, loan administration and workout costs increase, including significant time commitments from management and staff, resulting in additional reductions of earnings. When taking collateral in foreclosures and similar proceedings, the Company is required to carry the property or loan at its then- estimated fair value less estimated cost to sell, which, when compared to the carrying value of the loan, may result in a loss. In addition, any errors in documentation or previously unknown defects in deeds may impact the Company' s ability to perfect title of the collateral in foreclosure. These non- performing loans and other real estate owned assets also increase the Company' s risk profile and the capital that regulators believe is appropriate in light of such risks and have an impact on the Company' s FDIC risk- based deposit insurance premium rate. The Company' s Use of Appraisals in Deciding Whether to Make a Loan Does Not Ensure the Value of the Collateral In considering whether to make a loan secured by real property or other business assets, the sale of which may provide ultimate recovery of the outstanding balance of the loan, the Company generally requires an internal evaluation or independent appraisal of the collateral supporting the loan. However, these assessment methods are only an estimate of the value of the collateral at the time the assessment is made and involve estimates and assumptions. An error in fact, estimate or judgment could adversely affect the reliability of the valuation. Furthermore, changes in those estimates due to the economic environment and events occurring after the initial assessment, may cause the value of the collateral to differ significantly from the initial valuations. As a result, the value of collateral securing a loan may be less than estimated at the time of assessment, and if a default occurs the Company may not recover the outstanding balance of the loan. The Company is Subject to Environmental Risks Associated with Real Estate Held as Collateral or Occupied While the Company’ s lending, foreclosure and facilities policies and guidelines are intended to exclude properties with an unreasonable risk of contamination, hazardous substances could exist on some of the properties that the Company may own, acquire, manage, or occupy. Environmental laws could force the Company to clean up the properties at the Company’ s expense. It may cost much more to clean a property than the property is worth, and it may be difficult or impossible to sell contaminated properties. The Company could also be liable for pollution generated by a borrower’ s operations if the Company takes a role in managing those operations after a default. Concentrations in Commercial Real Estate Loans are Subject to Heightened Risk Management and Regulatory Review If a concentration in commercial real estate lending is present, as measured under government banking regulations, management must employ heightened risk management lending practices that address the following key elements: board and management oversight and strategic planning, portfolio management, development of underwriting standards, portfolio risk assessment and**

monitoring through market analysis and stress testing, and maintenance of increased capital levels as needed to support the level of commercial real estate lending. Management believes that it is in compliance with the enhanced risk management practices. When a concentration is determined to exist, the Company may incur additional operating expenses in order to comply with additional risk management practices and increased capital requirements . INFORMATION & TECHNOLOGY RESOURCES The use of technology related products, services, delivery channels, access points and processes expose the Company to various risks, particularly operational, privacy, cybersecurity, strategic, reputation and compliance risk. The ongoing move towards more cloud- based and third- party hosted technology solutions may subject the Bank to certain heightened cyber risks **. The potential use of generative artificial intelligence to launch sophisticated cyber- attacks, and the threat that foreign state- sponsored agencies' cyber threat operations may pose heightened risk of disruptions to U. S. critical infrastructure and thereby the Bank' s operations** . Banks are required by regulatory agencies to prudently manage cyber, third- party, cloud- based and technology- related risks as part of their comprehensive risk management policies by identifying, measuring, monitoring, and controlling these risks. Failure to Keep Pace with Technological Change Could Affect the Company' s Profitability The banking industry is continually undergoing rapid technological change with frequent introductions of new technology- driven products, services, **extended service and settlement frequencies,** data management and delivery channels. Failure to successfully plan or keep pace with technological changes affecting the banking industry, or failure to adequately **plan,** train and educate staff and customers on the use and risks of new technologies **and extended service cycles** , failure to capture or manage data, or failure to comply adequately with regulatory guidance regarding information and cybersecurity could have a material adverse effect on the Company' s business and, in turn, the Company' s financial condition and results of operations. In addition, there may be significant time and expenses associated with upgrading and implementing new technology, technology compliance, information security and cybersecurity processes. Information Systems Could Experience an Interruption, Failure, Breach in Security, or Cyber- Attack The Company relies heavily on public utilities ~~infrastructures~~ **infrastructure** , internal information and operating systems, and cloud- based solutions and storage to conduct its business **effectively** , and these systems could fail in a variety of ways. In addition, the use of network, cloud- based, or third- party hosted systems expose the Company to the increased sophistication and activity of cyber- criminals, both domestic and international **. Current geopolitical tensions could result in serious and catastrophic attempts at cyber- attacks on the U. S. web- based infrastructure** . A cyber incident is considered to be any adverse event that threatens the confidentiality, integrity, or availability of the information resources of the Company. These incidents may be an intentional attack or an unintentional event and could involve blocking the Company from accessing its own systems or remote servers in exchange for a ransom payment, gaining unauthorized access directly to our information systems, or indirectly through our vendors and customers systems or servers, for purposes of misappropriating assets, stealing confidential corporate information or customers' Personally Identifiable Information, corrupting data, denying access or causing operational disruption. The Company' s independent third- party service providers or their subcontractors may also ~~have access to customers' personal information and therefore also~~ expose the Company to cybersecurity risk. Additionally, vendors' and customers' home, business or mobile information systems and the servers they rely on, are at risk of fraudulent corporate account takeovers which the Company may not be able to detect **, and may impact the Company' s ability to service its customers** . There is no guarantee the Company' s counteractions will be successful or that the Company will have the resources or technical expertise to anticipate, detect or prevent rapidly evolving types of cyber- attacks. The occurrence of any failures or disruptions **as noted above** ~~of infrastructure, or breakdown, breach, failures or interruptions of the Company' s information systems, access points, or those hosted by third- party service providers and customers, or in the cloud~~ , or the Company' s inability to detect, respond, disclose and correct such occurrence or compromise in a timely manner, could ~~result in an interruption in our ability to conduct transactions for an indeterminable length of time, could expose customers' personal and confidential information to unauthorized parties, increase the risk of fraud or theft,~~ subject the Company to increased operational costs to detect and rectify the situation, damage the Company' s reputation and deter customers from using the Company' s services, increase the Company insurance cost or the ability to obtain adequate cyber insurance coverage, subject the Company to additional regulatory scrutiny, and expose the Company to civil litigation and possible financial liability. OPERATIONS The Company Operates in a Competitive Industry and Market Area The Company faces substantial competition in all areas of its operations from a variety of different competitors within its market area **and beyond** . Some of these competitors are larger and have more financial resources than the Company; some are not subject to the same degree of government regulation as the Company and thus may have a competitive advantage ~~over the Company~~ . If ~~due to the inability to compete successfully within the Company' s target banking markets,~~ the Company encounters difficulties attracting and retaining customers ~~or employees~~ it would have a material adverse effect on the Company' s growth and profitability. The Company May Experience a Prolonged Interruption in its Ability to Conduct Business The Company relies heavily on its personnel and facilities to conduct its business. A material loss of people or physical damage, destruction, or denial of access to our core operating facilities, for any number of reasons including localized natural disasters, global pandemics **and government' s reaction thereto** , demonstrations / pickets at **or near** facilities, or the local impact of geopolitical tensions, could result in prolonged business interruptions impacting customer services and our ability to conduct transactions. The Company Relies on External Service Providers The Company relies on independent third- party firms, including indirect vendors utilized by such third parties, to provide critical services necessary to conducting its business. These services include but are not limited to electronic funds delivery networks, check clearing houses, electronic banking services, wealth advisory, management and custodial services, correspondent banking services, information security assessments and technology support services, and loan underwriting and review services, among others. The occurrence of any failures or interruptions of the independent firms' systems or in their delivery of services, or failure to perform in accordance with contracted service level agreements, for any number of reasons could in turn impact the Company' s ability to conduct business and process transactions. The Company Relies on Financial Counterparty Relationships The Company

routinely executes transactions with counterparties in the financial services industry, in order to maintain correspondent bank relationships, liquidity, manage certain loan participations, mortgage sales activities, interest- rate swaps, engage in securities transactions, and engage in other financial activities with counterparties that are customary to our industry. Many of these transactions expose the Company to counterparty credit, liquidity and / or reputation risk in the event of default by the counterparty, or negative publicity or public complaints, whether real or perceived, about one or more of the Company' s financial counterparties, or the financial services industry in general. Although the Company seeks to manage these risks through internal controls and procedures, the Company may experience loss or interruption of business as a result of unforeseen events with these counterparties. Wealth Management and Wealth Services Expose the Company to Financial, Operational and Legal Risk The Company' s Wealth Management and Wealth Services channels derive their revenues primarily from investment management fees based on the market value of assets under management. The Company' s ability to maintain or increase investment assets under management is subject to a number of factors, including changes in client investment preferences, investment decisions by us or our third- party service provider partners, and various economic conditions, among other factors. ~~Wealth management services clients~~ **Clients** can terminate their relationships with us, reduce their aggregate assets under management, or shift their funds to other types of accounts with different rate structures for any number of reasons. Investment performance is one of the most important factors in retaining existing clients and competing for new wealth management clients. Financial markets are affected by many factors, any of which could adversely impact the fair value of customer portfolios. Even when market conditions are generally favorable, our investment performance may be adversely affected by the investment style of our wealth management and investment advisors and the investment decisions that they make. Poor investment performance, whether real or perceived, in either relative or absolute terms, could impair our ability to attract and retain investment assets under management from existing and new clients. The Company' s Insurance Coverage May Not be Adequate to Prevent Additional Liabilities or Expenses The Company works with an independent third- party insurance advisor to obtain insurance policies that provide coverage for a variety of business and cyber risks at coverage levels that compare favorably to bench- marked coverage for loss exposures that are faced by similarly sized financial institutions. However, there are no guarantees that the Company will be able to obtain or maintain comparable or adequate coverage levels in the future. In addition, there is no guarantee that the circumstances of an incident will meet the criteria for insurance coverage under a specific policy, and despite the insurance policies in place the Company may experience a material loss incident or event. Lack of or Slower than Expected Growth Could Adversely Affect the Company' s Profitability and its Ability to Pay Dividends The Company operates with a long- term focus on organic growth, which requires a significant investment of both financial and personnel resources. The Company relies on its deposit and lending activities to generate the cash flow to conduct operations, expand service and product offerings, expand the branch network, and pay dividends to shareholders. Contraction or slower than expected loan and / or deposit growth and / or lower than expected fee or other income generated from these and other products and services could lower our profitability and net cash flow available for funding our growth strategies and paying dividends to shareholders. The Company May Not be Able to Attract, Retain or Develop Key Personnel The Company' s success and growth strategy depends, in large part, on its ability to attract, retain and develop top performing banking professionals within our markets, and its ability to successfully identify and develop personnel for succession to key executive management positions and to the board of directors. The inability to do so could have a material adverse impact on the Company’ s business because of the loss of their skills, knowledge of the Company' s market, years of industry or business experience and the difficulty of promptly hiring qualified replacements **.** REGULATION The Company is Subject to Extensive Government Regulation and Supervision The Company and the Bank are subject to a variety of federal and state laws and regulations that are primarily intended to protect consumers in the financial marketplace, provide fair and equal availability of products and services, preserve depositors' funds and the FDIC insurance fund, and to safeguard the banking system as a whole, and not necessarily the interests of shareholders. These regulations affect the Company' s lending practices, capital structure, investment practices, dividend policy, growth, and net income, among other things. Federal and state laws and regulations may not always align in principle or statue, and preemptive federal laws may be more or less restrictive than those of a state. Future legislation could increase or decrease the cost of doing business, negatively impact consumers' faith in the banking system leading them to seek out non- banking alternatives, limit or expand permissible activities or affect the competitive balance among banks, savings associations, credit unions, and other financial institutions. Climate Change and Related Legislative and Regulatory Initiatives May Materially Affect the Company’ s Business Climate change **, which is having a dramatic effect on weather patterns and causing more frequent and severe weather events,** may negatively impact the regional and local economy, increasing credit and other financial risks for the Company and our customers. The physical effects of climate change may adversely impact the value of real property securing the loans in our portfolios **and our customers' ability to continue to conduct operations at their business locations** . 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. Further, the U. S. Congress, state legislatures and federal and state regulatory agencies continue to propose numerous initiatives to supplement the global effort to combat climate change. The Company cannot predict what legislation will be enacted, and, if enacted, the effect that it, or any implementing regulations, would have on the Company' s business. ESTIMATES AND ASSUMPTIONS The Company' s Financial Condition and Results of Operation Rely in Part on Management Estimates and Assumptions In preparing the financial statements in conformity with GAAP, management is required to exercise judgment in determining many of the methodologies, estimates and assumptions to be utilized. These estimates and assumptions affect the reported values of assets and liabilities at the balance sheet date and income and expenses for the years then ended. Changes in those estimates resulting from continuing change in the economic environment and other factors will be reflected in the financial statements and results of operations in future periods. As future events and their effects cannot be determined with precision, actual results could differ significantly from these estimates and be adversely affected

should the assumptions and estimates used ~~to~~ be incorrect or change over time ~~due to changes in circumstances~~ . The ~~three~~ most significant areas in which management applies critical assumptions and estimates are **:** the estimates of the allowance for credit losses **for loans** , **and available- for- sale securities, the reserve for unfunded commitments and the** impairment review of ~~investment securities and the impairment review of~~ goodwill. The Net ~~Deferred Tax Assets ("~~ DTAs ~~")~~ May be Determined to be Unrealizable in Future Periods In making its assessment on the future realizability of net DTAs, management considers all available **relevant information** ~~positive and negative evidence~~ , including recent financial operations, projected future taxable income, and recoverable past income tax paid. If in the future, management believes based upon historical and expected future earnings that it is more likely than not that the Company will not generate sufficient taxable income to utilize the DTA balance, then a valuation allowance would be booked against the DTA, with the write down offset to current earnings. Factors beyond management' s control can affect future levels of taxable income and there can be no assurances that sufficient taxable income will be generated to fully realize the DTAs in the future. REPUTATION & LEGAL Damage to the Company' s Reputation Could Affect the Company' s Profitability and Shareholders' Value The Company is dependent on its reputation within its market area as a trusted and responsible financial company for all aspects of its business with customers, employees, vendors, third- party service providers, and others with whom the Company conducts business or potential future business. Any negative publicity or public complaints, whether real or perceived, disseminated by word of mouth, by the general media, by electronic or social networking means, or by other methods, could harm the Company' s reputation. Environmental, Social and Governance Oversight May Influence Stock Price and Increase Compliance Costs Investors have begun to consider how corporations are addressing environmental, social and governance matters, commonly known as" ESG matters" when making investment decisions. Investor advocacy groups, investment funds and influential investors are also increasingly focused on these practices, especially as they relate to the environment, health and safety, diversity, executive compensation, labor conditions and human rights. These shifts in investing priorities may result in adverse effects on the trading price of the Company' s common stock if investors determine, whether real or perceived, that the Company' s ESG actions are not satisfactory. In addition, new government regulations could also result in new or more stringent forms of ESG oversight and expanding mandatory and voluntary reporting, diligence, and disclosure. Increased ESG related compliance costs could result in increases to our overall operational costs. The Company is Exposed to Legal Claims and Litigation The Company is subject to legal challenges under a variety of circumstances in the course of its normal business practices. Regardless of the scope or the merits of any claims by potential or actual litigants, the Company may have to engage in litigation that could be expensive, time- consuming, disruptive to the Company' s operations, and distracting to management. Whether claims or legal action are founded or unfounded, if such claims and legal actions are not resolved in a manner favorable to the Company, they may result in significant financial liability, damage the Company' s reputation, subject the Company to additional regulatory scrutiny and restrictions, and / or adversely affect the market perception of our products and services, as well as impact customer demand for those products and services. COMMON STOCK, SHAREHOLDER' S EQUITY, CAPITAL The Trading Volume in the Company' s Common Stock is Less Than That of Larger Companies Although the Company' s common stock is listed for trading on the NASDAQ Global Market, the trading volume in the Company' s common stock is substantially less than that of larger companies. Given the lower trading volume of the Company' s common stock, significant purchases or sales of the Company' s common stock, or the expectation of such purchases or sales, could cause significant movement in the Company' s stock price. The Company' s Capital Levels Could Fall Below Regulatory Minimums If the Company' s regulatory capital levels decline, or if regulatory requirements increase, and the Company is unable to raise additional capital to offset that decline or meet the increased requirements, then its regulatory capital ratios may fall below regulatory minimum capital adequacy levels. The Company' s failure to remain" well- capitalized" for bank regulatory purposes could affect customer confidence, restrict the Company' s ability to grow (both assets and branching activity), increase the Company' s costs of funds and FDIC insurance expense, prohibit the Company' s ability to pay dividends on common shares, and restrict its ability to make acquisitions, among other impacts. Under FDIC rules, if the Bank ceases to be a" well- capitalized" institution, its ability to accept brokered deposits and the interest rates that it pays may be restricted. The Basel III Rules establish, among other rules, a" capital conservation buffer" of 2. 5 % above the regulatory minimum risk- based capital requirements. An institution will be subject to limitations on certain activities, including payment of dividends, share repurchases and discretionary bonuses to executive officers, if its capital level is below the buffered ratio. The Company' s Articles of Organization, By- Laws and Shareholders Rights Plan as Well as Certain Banking and Corporate Laws Could Have an Anti- Takeover Effect Although management believes that certain anti- takeover strategies are in the best interest of the Company and its shareholders, provisions of the Company' s articles of organization, by- laws, and shareholders rights plan and certain federal and state banking laws and state corporate laws, including regulatory approval requirements for any acquisition of control of the Company, could make it more difficult for a third- party to acquire the Company, even if doing so would be perceived to be beneficial to the Company' s shareholders. The combination of these provisions is intended to prohibit a non- negotiated merger, or other business combination involving an acquisition of the Company, which, in turn, could adversely affect the market price of the Company' s common stock. Directors and Executive Officers Own a Significant Portion of Common Stock The Company' s directors and executive officers, as a group, beneficially own approximately ~~15~~ **23** % of the Company' s outstanding common stock as of December 31, ~~2022~~ **2023** . Management views this ownership commitment by insiders as an integral component of maintaining the Company' s ownership. However, as a result of this combined ownership interest, the directors and executive officers have the ability, if they vote their shares in a like manner, to significantly influence the outcome of all matters submitted to shareholders for approval, including the election of directors. The Company Relies on Dividends from the Bank for Substantially All of its Revenue Holders of the Company' s common stock are entitled to receive dividends only when, and if declared by our Board. Although the Company has historically declared cash dividends on our common stock, we are not required to do so, and our Board may reduce or eliminate our common stock dividend in the future. The Company is a separate and distinct legal entity from the Bank. It receives substantially all its

revenue from dividends paid by the Bank. These dividends are the principal source of funds used to pay dividends on the Company’ s common stock and interest and principal on the Company’ s subordinated debt. Various federal and state laws and regulations limit the amount of dividends that the Bank may pay to the Company, and certain regulators may prohibit the Bank or the Company from paying future dividends if deemed an unsafe or unsound practice. If the Bank, due to its capital position, inadequate net income levels, or otherwise, is unable to pay dividends to the Company, then the Company will be unable to service its debt, pay obligations or pay dividends on the Company’ s common stock, which could have a material adverse effect on the market price of the Company’ s common stock.