Risk Factors Comparison 2024-02-28 to 2023-02-22 Form: 10-K

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

An investment in our common stock is subject to risks inherent to our business. Before making an investment decision, you should carefully read and consider the following risks and uncertainties. We may encounter risks in addition to those described below, including risks and uncertainties not currently known to us or those we currently deem to be immaterial. The risks described below, as well as such additional risks and uncertainties, may impair or materially and adversely affect our business, results of operations, and financial condition. The risks are organized in the following categories: • Credit Risk • Liquidity and Interest Rate Risk • Operational Risk • Strategic and External Risk • Regulatory, Compliance, Legal, and Reputational Risk • Risks Related to Investing in Our Common Stock • General Risk Factors Credit Risks If we do not effectively manage our credit risk, we may experience increased levels of delinquencies, non- performing loans, and charge- offs, which would require increases in our provision for **credit** ~~loan and lease~~ losses. There are risks inherent in making any loan or lease, including risks inherent in dealing with individual borrowers, risks of nonpayment, risks resulting from uncertainties as to the future value of collateral and cash flows available to service debt, and risks resulting from changes in economic and market conditions. **Our** ~~We cannot assure you that our~~ credit risk approval and monitoring procedures **may not** have identified or will identify all of these credit risks, and they cannot be expected to completely eliminate our credit risks. If the overall economic climate in the U. S., generally, or in our markets, specifically, deteriorates, or if the financial condition of our borrowers otherwise declines, then our borrowers may experience difficulties in repaying their loans and leases, and the level of non- performing loans and leases, charge- offs, and delinquencies could rise. This would, in turn, require increases in the provision for **credit** ~~loan and lease~~ losses, which may adversely affect our business, results of operations, and financial condition. Our allowance for **credit** ~~loan and lease~~ losses may not be adequate to cover actual losses. We establish our allowance for **credit** ~~loan and lease~~ losses **(" ACL ")** and maintain it at a level considered appropriate by management based on an analysis of our portfolio and market environment. The **ACL** ~~allowance for loan and lease losses~~ represents our estimate of probable losses inherent in the portfolio at each balance sheet date and is based upon relevant information available to us. The allowance contains provisions for probable losses that have been identified relating to specific relationships, as well as probable losses inherent in our loan and lease portfolio that are not specifically identified. Additions to the **ACL** ~~allowance for loan and lease losses~~, which are charged to earnings through the provision for **credit** ~~loan and lease~~ losses, are determined based on a variety of factors, including an analysis of our loan and lease portfolio by segment, historical loss experience, subjective factors, and an evaluation of current economic conditions in our markets. The actual amount of **credit** ~~loan and lease~~ losses is affected by changes in economic, operating, and other conditions within our markets, which may be beyond our control, and such losses may exceed current estimates. At December 31, ~~2022~~ **2023**, our **ACL** ~~allowance for loan and lease losses~~ as a percentage of total loans and leases was ~~0~~ **1**. ~~99~~ **16** % and as a percentage of total non- performing loans and leases was ~~662~~ **160**. ~~20~~ **21** %. Although management believes the **ACL** ~~allowance for loan and lease losses~~ is appropriate, we may be required to take additional provisions for losses in the future to further supplement the allowance, either due to management' s **assessment of** ~~decision, based on~~ credit conditions, or requirements by our banking regulators. In addition, bank regulatory agencies will periodically review our **ACL** ~~allowance for loan and lease losses~~ and the value attributed to non- performing loans and leases. Such regulatory agencies may require us to adjust our determination of the value for these items. Any significant increases to the **ACL** ~~allowance for loan and lease losses~~ may materially decrease our net income, which may adversely affect our business, results of operations, and financial condition. A significant portion of our loan and lease portfolio is comprised of commercial real estate loans, which involve risks specific to real estate values and the real estate markets in general. At December 31, ~~2022~~ **2023** we had $ 1. ~~542~~ **700** billion of commercial real estate loans, which represented ~~63~~ **59**. ~~1~~ **6** % of our total loan and lease portfolio. ~~Because payments~~ **Payments** on such loans are often dependent on the successful operation or development of the property or business involved **; therefore**, repayment of such loans is sensitive to conditions in the real estate market or the general economy, which are outside the borrower' s control. In the event that the cash flow from the property is reduced, the borrower' s ability to repay the loan could be negatively impacted. The deterioration of one or a few of these loans could cause a material increase in our level of non- performing loans, which would result in a loss of revenue from these loans and could result in an increase in the provision for **credit** ~~loan and lease~~ losses and an increase in charge- offs, all of which could have a material adverse impact on our net income. ~~Additionally, many~~ **Many** of these loans have real estate as a primary or secondary component of collateral. The market value of real estate can fluctuate significantly in a short period of time as a result of economic conditions. Adverse developments affecting real estate values in one or more of our markets could impact the collateral coverage associated with the commercial real estate segment of our portfolio, possibly leading to increased specific reserves or charge- offs, which may adversely affect our business, results of operations, and financial condition **. Commercial real estate markets have been facing downward pressure since 2022 due in large part to increasing interest rates and declining property values. Accordingly, the federal banking agencies have expressed concerns about weaknesses in the current commercial real estate market and have applied increased regulatory scrutiny to institutions with commercial real estate loan portfolios that are fast growing or large relative to the institutions' total capital. To address supervisory expectations with respect to financial institutions' handling of commercial real estate borrowers who are experiencing financial difficulty, in June of 2023, the federal banking agencies, including the FDIC, issued an interagency policy statement addressing prudent commercial real estate loan accommodations and workouts. Our failure to adequately implement enhanced risk management policies, procedures and controls could adversely affect our ability to increase this portfolio going forward**

and could result in an increased rate of delinquencies in, and increased losses from, this portfolio . Because of the risks associated with commercial real estate loans, we closely monitor the concentration of such loans in our portfolio. If we or our regulators determine that this concentration is approaching or exceeds appropriate limits, we may need to reduce or cease the origination of additional commercial real estate loans, which could adversely affect our growth plans and profitability. **We** ~~In addition, we~~ may be required to sell existing loans in our portfolio, but there can be no assurances that we would be able to do so at prices that are acceptable to us. Real estate construction and land development loans are based upon estimates of costs and values associated with the completed project. These estimates may be inaccurate and we may be exposed to significant losses on loans for these projects. Real estate construction ~~and land development~~ loans, **a** ~~subsets~~ - **subset** of commercial real estate loans, comprised approximately $ ~~167~~ **193** . ~~9~~ **1** million, or 6. ~~9 %, and $ 50.~~ 8 ~~million, or 2. 1~~ %, of our gross loan and lease portfolio, respectively, as of December 31, ~~2022~~ **2023** . Such lending involves additional risks as these loans are underwritten using the as- completed value of the project, which is uncertain 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, it can be relatively difficult to evaluate accurately the total funds required to complete a project and the related loan- to- value ratio. As a result, construction loans often involve the disbursement of substantial funds with repayment dependent, in part, on the success of the ultimate project and the ability of the borrower to sell or lease the property, rather than the ability of the borrower or guarantor to repay principal and interest. If the appraisal of the completed project' s value proves to be overstated or market values decline, we may have inadequate security for the repayment of the loan upon completion of construction of the project. If we are forced to foreclose on a project prior to or at completion due to a default, we may not be able to recover all of the unpaid balance of, and accrued interest on, the loan and may incur related foreclosure and holding costs. In addition, 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. A large portion of our loan and lease portfolio is comprised of commercial loans secured by various business assets, the deterioration in value of which could increase our exposure to future probable losses. At December 31, ~~2022~~ **2023** , approximately $ ~~841~~ **1** . ~~2~~ **106** ~~million~~ **billion** , or ~~34~~ **38** . ~~4~~ **8** %, of our loan ~~and lease~~ portfolio was comprised of commercial loans to businesses collateralized by general business assets, including accounts receivable, inventory, and equipment. Our commercial loans are typically larger in amount than loans to individual consumers and therefore, have the potential for larger losses on an individual loan basis. Additionally, some of our niche commercial lending clients are highly leveraged and / or have inconsistent historical earnings. Significant adverse changes in various industries could cause rapid declines in values and collectability associated with those business assets resulting in inadequate collateral coverage that may expose us to future losses. An increase in specific reserves and charge- offs may adversely affect our business, results of operations, and financial condition. 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, our ability to effectively compete and originate new SBA loans, and our ability to comply with applicable SBA lending requirements. SBA loans **, excluding SBA loans made under the Paycheck Protection Program** (~~excluding~~ **“** PPP ~~loans~~ **Loans ”**), consisting of both commercial real estate and commercial loans, comprised approximately $ ~~48~~ **53. 4 million, or 1** . 9 ~~million, or 2. 0~~ %, of our gross loan and lease portfolio as of December 31, ~~2022~~ **2023** . 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 lose our ability to compete effectively with other SBA Preferred Lenders, and as a result we could experience a material adverse effect to 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. We often choose to sell the guaranteed portions of our SBA 7 (a) loans in the secondary market. These sales result in earning premium income and create a stream of future servicing income. There can be no assurance that we will be able to continue originating these loans, that a secondary market will exist, or that we will continue to realize premiums upon the sale of the guaranteed portions of these loans. Whether or not we sell the guaranteed portion of an SBA loan, we retain credit risk on the non- guaranteed portion of the loan. We also have credit risk on the guaranteed portion if a determination is made by the SBA that there is a deficiency in the manner in which the loan was originated, funded, or serviced by the Bank. The total outstanding balance of sold SBA loans as of December 31, ~~2022~~ **2023** was $ ~~88~~ **84** . ~~5~~ **2** million. In order for a borrower to be eligible to receive an SBA loan, it must be established 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 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 the Bank, the SBA may require the Bank 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 the Bank. Management has estimated losses in the outstanding guaranteed portions of SBA loans and recorded an **ACL** ~~allowance for loan and lease losses~~ and a SBA recourse reserve at a level determined to be appropriate. Significant increases to the **ACL** ~~allowance for loan and leases losses~~ and the recourse reserve may materially decrease our net income, which may adversely affect our business, results of operations, and financial condition. Non- performing assets take ~~significant~~ time to resolve, adversely affect our results of operations and financial condition, and could result in losses. At December 31, ~~2022~~ **2023** , our non- performing loans ~~and leases~~ totaled $ ~~3~~ **20** . ~~7~~ **6** million, or 0. ~~15~~ **72** % of our gross loan and lease portfolio, and our non- performing assets (which include non- performing loans and repossessed assets) totaled $ ~~3~~ **20** . 8 million, or 0. ~~13~~ **59** % of total assets. Our non- performing assets adversely affect our net income in various ways. We do not record interest income on non- accrual loans, thereby adversely affecting our net income and returns on assets and equity, increasing our loan administration costs, and adversely affecting our efficiency ratio. When we take collateral in repossession and similar proceedings, we are required to mark the collateral to its then net realizable value, less estimated selling costs, which may result in a loss. These non- performing loans and repossessed assets also increase our risk profile and the capital our regulators believe is appropriate in light of such risks. The resolution of non- performing assets requires significant time commitments from management and can be detrimental to the performance of their other responsibilities. If we experience increases in non- performing loans and non- performing assets, our net interest income may be negatively impacted and our loan administration costs could increase, each of which may adversely affect our business, results of operations, and financial condition. ~~The FASB issued an accounting standard that may require us to increase our allowance for loan losses and may have a material adverse effect on our financial condition and results of operations. The FASB has issued a new accounting standard that will be effective for us beginning on January 1, 2023. This standard, referred to as CECL, requires financial institutions to determine periodic estimates of lifetime expected credit losses on loans and leases and recognize the expected credit losses as allowances for loan and lease losses. This will change the current method of providing allowances for loan and lease losses that are probable, which may require us to increase our allowance for loan and lease losses, and to greatly increase the types of data we will need to collect and review to determine the appropriate level of the allowance for loan and lease losses. Any increase in our allowance for loan and lease losses or expenses incurred to determine the appropriate level of the allowance for loan and lease losses may have a material adverse effect on our financial condition and results of operations. See Note 1 – Nature of Operations and Summary of Significant Accounting Policies in the Consolidated Financial Statements for additional information.~~ Liquidity and Interest Rate Risks Liquidity risks could affect operations and jeopardize our business, financial condition, and results of operations. Our ability to implement our business strategy will depend on our liquidity and ability to obtain funding for loan originations, working capital, and other general purposes. 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 preferred source of ~~funds~~ **funding** consists of client deposits, which we supplement with other sources, such as wholesale deposits made up of brokered deposits and deposits gathered through internet listing services. Such account and deposit balances can decrease when clients perceive alternative investments as providing a better risk / return profile. If clients move money out of bank deposits and into other investments, we may increase our utilization of wholesale deposits, FHLB advances, and other wholesale funding sources necessary to fund desired growth levels. ~~Because these funds generally are more sensitive to interest rate changes than our targeted in- market deposits, they are more likely to move to the highest rate available.~~ In addition, the use of brokered deposits without regulatory approval is limited to banks that are " well capitalized " according to regulation. If the Bank is unable to maintain its capital levels at " well capitalized " minimums, we could lose a significant source of funding, which would force us to utilize different wholesale funding or potentially sell assets at a time when pricing may be unfavorable, increasing our funding costs and reducing our net interest income and net income. Our access to funding sources ~~in amounts adequate to finance or capitalize our activities or on terms that are acceptable to us~~ could be impaired by factors that affect us directly or the financial services industry or economy in general, such as disruptions in the financial markets **, credit quality, capital adequacy,** or negative views and expectations about the prospects for the financial services industry. Regional and community banks generally have less access to the capital markets than do national and super- regional banks because of their smaller size and limited analyst coverage. During periods of economic turmoil or decline, the financial services industry and the credit markets generally may be materially and adversely affected by declines in asset values and by diminished liquidity. Under such circumstances, the liquidity issues are often particularly acute for regional and community banks, as larger financial institutions may curtail their lending to regional and community banks to reduce their exposure to the risks of other banks. Correspondent lenders may also reduce or even eliminate federal funds lines for their correspondent clients in difficult economic times. As a result, we rely on our ability to generate deposits and effectively manage the repayment and maturity schedules of our loans and investment securities to ensure that we have adequate liquidity to fund our operations. Any decline in available funding could adversely impact our ability to originate loans, invest in securities, meet our expenses, pay dividends to our shareholders, or fulfill obligations such as repaying our borrowings or meeting deposit withdrawal demands, any of which could have a material adverse effect on our business, results of operations, and financial condition. The Corporation is a bank holding company and its sources of funds necessary to meet its obligations are limited. The Corporation is a bank holding company and its operations are primarily conducted by the Bank, which is subject to significant federal and state regulation. Cash available to pay dividends to our shareholders, pay our obligations, and meet our debt service requirements is derived primarily from our existing cash flow sources, our third party line of credit, dividends received from the Bank, or a combination thereof. Future dividend payments by the Bank ~~to us~~ will require the generation of future earnings by the Bank and are subject to certain regulatory guidelines. If the Bank is unable to pay dividends ~~to us~~ , we may not have the resources or cash flow to pay or meet all of our obligations. Interest rate shifts may reduce net interest income and otherwise negatively impact our financial condition and results of operations. Shifts in short- term interest rates may reduce net interest income, which is the principal component of our earnings. Net interest income is the difference between the amounts **we** ~~received~~ - **receive** ~~by us~~ on our interest- ~~earning~~ - **bearing** assets and the **amounts we pay** ~~interest paid by us~~ on our interest- bearing liabilities. In certain scenarios, when interest rates rise, the rate of interest we pay on our liabilities may rise more quickly than the rate of interest that we receive on our interest- bearing assets, which could cause our profits to decrease. Similarly, when interest rates fall, the rate of interest we pay on our liabilities may not decrease as quickly as the rate of interest we receive on our interest- bearing assets, which could cause our profits to decrease. **The** ~~However, the~~ structure of our balance sheet and resultant sensitivity to interest rates in various scenarios may change in the future. Interest rate increases on variable rate loans often result in larger payment requirements for our borrowers, which increases the potential for default. At the same time, the marketability of underlying collateral may be adversely affected by any reduced demand resulting from higher interest rates. In a declining interest rate environment, there may be an increase in prepayments on certain loans as borrowers refinance at lower rates. Changes in interest rates also can affect the value of loans. An increase in interest rates that adversely affects the ability of borrowers to pay the principal or interest on loans may lead to an increase in **non-** ~~nonperforming~~ --- **performing** assets and a reduction of income recognized, which could have an adverse effect on our results of operations and cash flows. Further, when we place a loan on non- accrual status, we reverse any accrued but unpaid interest receivable, which decreases interest income. Subsequently, we continue to have a cost to fund the loan, which is reflected as interest expense, without any interest income to offset the associated funding expense. Thus, an increase in the amount of non- performing assets would have an adverse impact on net interest income. Rising interest rates may also result in a decline in value of our fixed- rate debt securities. The unrealized losses resulting from holding these securities would be recognized in other comprehensive income and reduce total stockholders' equity. If debt securities in an unrealized loss position are sold, such losses become realized and will reduce our regulatory capital ratios. The ~~transition~~ **proportion of the Corporation' s deposit account balances that exceed FDIC insurance limits may expose the Bank** to **enhanced liquidity risk. There is growing consensus that the proportion of the deposits that exceeded FDIC insurance limits at Silicon Valley Bank, Signature Bank, and First Republic Bank was a significant factor in the failure of these institutions in the first half of 2023. In response, many large depositors across the industry withdrew deposits in excess of applicable deposit insurance limits and deposited these funds in other financial institutions and low- risk securities accounts in** an ~~alternative reference rate could cause instability and~~ **effort to mitigate the risk of potential further bank failures. While the Bank has not experienced significant withdrawal activity in connection with the recent bank failures, if a significant portion of the Bank' s deposits were to be withdrawn within a short period of time in connection with a similar future crisis, additional sources of funding may be required to meet withdrawal demands. The Corporation may be unable to obtain sufficient funding on favorable terms, which may** have ~~a negative~~ **an adverse** effect on **the Corporation' s net interest margin. In addition, funding deposit obligations may be more difficult in a high interest rate environment. Because the Corporation' s available- for- sale investment securities may lose value when interest rates rise, proceeds from the sale of such assets may be diminished during periods of elevated interest rates. Under such circumstances, the Corporation may be required to access funding from sources such as the Federal Reserve Discount Window or other alternative liquidity sources in order to manage our liquidity risk. Uninsured deposits historically have been viewed by the regulators as less stable than insured deposits. According to statements made by the regulators, clients with larger uninsured deposit account balances often are small- and mid- sized businesses that rely upon deposit funds for payment of operational expenses and, as a result, are more likely to closely monitor the** financial **condition and performance of their depository institutions. As a result, in the event of financial distress, uninsured depositors historically have been more likely to withdraw their deposits. To that end, the federal banking agencies issued an interagency policy statement in July 2023 to underscore the importance of robust liquidity risk management and contingency funding planning. In the policy statement, the regulators noted that banks should maintain actionable contingency funding plans that take into account a range of possible stress scenarios, assess the stability of their funding and maintain a broad range of funding sources, ensure that collateral is available for borrowing, and review and revise contingency funding plans periodically and more frequently as** market conditions ~~. The London Interbank Offered Rate (" LIBOR ") represents the interest rate at which banks offer to lend funds to one another in the international interbank market for short- term loans. Beginning in 2008, concerns were expressed that some of the member banks surveyed by the British Bankers' Association (the " BBA ") in connection with the calculation of LIBOR rates may have been under- reporting or otherwise manipulating the interbank lending rates applicable to them. Regulators~~ and **strategic initiatives** ~~law enforcement agencies from a number of governments have conducted investigations relating to the calculation of LIBOR across a range of maturities and currencies. If manipulation of LIBOR or another interbank lending rate occurred, it may have resulted in that rate being artificially lower (or higher) than it otherwise would have been. Responsibility for the calculation of LIBOR was transferred to Intercontinental Exchange~~ -- **change** ~~Benchmark Administration Limited, as independent LIBOR administrator, effective February 1, 2014. On July 27, 2017, the United Kingdom Financial Conduct Authority announced that it will no longer persuade or compel banks to submit rates for the calculation of LIBOR rates after 2021 (the " July 27th Announcement "). The July 27th Announcement indicates that the continuation of LIBOR on the current basis cannot and will not be guaranteed after 2021. The dissolution of the LIBOR impacts all borrowers and banks that use LIBOR as a base rate. LIBOR will continue to be published until June 30, 2023, however, banks are no longer allowed to issue new LIBOR- based products after December 31, 2021. FBB selected the Secured Overnight Financing Rate (" SOFR ") as a replacement rate. Beginning on July 1, 2023, FBB will no longer be able to rely on LIBOR as a benchmark in any contract, and as a result, the Bank and its customers will need to replace all references to LIBOR in existing contracts that go past that date. The Corporation has developed a LIBOR transition team to complete the transition away from LIBOR to an alternative reference rate such as SOFR or Prime. In addition to SOFR or Prime, FBB may also offer other benchmark rates as substitutions for LIBOR, including BSBY and Ameribor. The transition team has added language to new loan agreements regarding the use of alternative reference rates and the Corporation has evaluated existing loan agreements linked to LIBOR and will work with those parties to modify the agreements. The Corporation does not expect the manner and impact of the transition from LIBOR to an alternative reference rate, as well as the effect of these developments on our compliance costs, funding costs, loan and security portfolios, derivatives, asset- liability management, and business, to have a material impact on the Consolidated Financial Statements~~ . Operational Risks Information security risks for financial institutions like us continue to increase in part because of new technologies, the increased use of the internet and telecommunications technologies (including mobile devices and cloud computing) to conduct financial and other business transactions, political activism, and the increased sophistication and activities of organized crime, terrorist, hackers, and perpetrators of fraud. A successful cyber- attack or other breach of our information systems could adversely affect the

Corporation' s business, financial condition or results of operations and damage its reputation. The methods of cyber- attacks change frequently or, in some cases, are not recognized until launch, we are not able to anticipate or implement effective preventive measures against all possible security breaches and the probability of a successful attack cannot be predicted. Although we employ detection and response mechanisms designed to detect and mitigate security incidents, early detection may be thwarted by persistent sophisticated attacks and malware designed to avoid detection. We ~~also~~ train employees and our business and consumer clients on fraud risks **and mitigation strategies** . We ~~also~~ face risks related to cyber- attacks and other security breaches that typically involve the transmission of sensitive information regarding our clients and monetary transactions through various third parties. Some of these parties have in the past been the target of security breaches and cyber- attacks **.** ~~, and because~~ **Because** the transactions involve third parties and environments that we do not control or secure, future security breaches or cyber- attacks affecting any of these third parties could impact us through no fault of our own, and in some cases **,** we may ~~have exposure and~~ suffer losses for breaches or attacks relating to them. We also rely on numerous other third- party service providers to conduct other aspects of our business operations and face similar risks relating to them. While we conduct security assessments on our ~~higher~~ -- **high** risk third party service providers, we cannot be sure that their information security protocols are sufficient to withstand a cyber- attack or other security breach. The Corporation regularly evaluates its systems and controls and implements upgrades as necessary. The additional cost to the Corporation of our cyber security monitoring and protection systems and controls includes the cost of hardware and software, third party technology providers, consulting and forensic testing firms, and insurance premium costs, in addition to the incremental cost of our personnel who focus a substantial portion of their responsibilities on **fraud and** cyber security. Any successful cyber- attack or other security breach involving the misappropriation, loss or other unauthorized disclosure of confidential ~~customer~~ **client** information or funds or that compromises our ability to function could erode confidence in the security of our systems, products and services, result in monetary losses, potentially subject us to regulatory investigation with fines and penalties, expose us to litigation and liability, disrupt our operations and have a material adverse effect on our business, financial condition or results of operations and damage our reputation. We are dependent upon third parties for certain information systems, data management and processing services, and key components of our business infrastructure, which are subject to operational, security, and other risks. As with many other companies, we outsource certain information systems, data management, and processing functions to third- party providers, including key components of our business infrastructure like internet and network access, and core application processing. While we have selected these third- party vendors carefully, we do not control their actions, nor is any vendor due diligence perfect. These third- party service providers are sources of operational and informational security risk to us, including risks associated with operational errors, information system interruptions or outages, unauthorized access or disclosure of sensitive or confidential information. If our third- party service providers encounter any of these issues, or if we have difficulty exchanging information with or receiving services from them, we could be exposed to disruption of operations, an inability to provide products and services to our clients, a loss of service or connectivity, reputational damage, and litigation risk that could have a material adverse effect on our business, results of operations, and financial condition. Our business continuity plans could prove to be inadequate, resulting in a material interruption in or disruption to our business and a negative impact on our results of operations. We rely heavily on communications and information systems to conduct our business and our operations are dependent on our ability to protect our systems against damage from fire, power loss, telecommunication failure, or other emergencies. The computer systems and network infrastructure we use could be vulnerable to unforeseen problems. These problems may arise in both our internally developed systems and the systems of our third- party service providers. Any failure or interruption of these systems could result in failures or disruptions in general ledger, core bank processing systems, client relationship management, and other systems. While we have a business continuity plan and other policies and procedures designed to prevent or limit the ~~effect~~ **impact** of a failure, interruption or security breach of our information systems, there can be no assurance that any of those events will not occur or, if they do occur, that they will be adequately remediated. The occurrence of any failure, interruption, or security breach of our information systems could damage our reputation, result in a loss of clients, subject us to additional regulatory scrutiny, or expose us to civil litigation and possible financial liability, any of which could have a material adverse effect on our business, results of operations, and financial condition. New lines of business, products, and services are essential to our ability to compete but may subject us to additional risks. Periodically, we implement new lines of business and / or offer new products and services within existing lines of business. There can be substantial risks and uncertainties associated with these efforts, particularly in instances where the markets for such services are still developing or due diligence is not fully vetted. In developing and marketing new lines of business and / or new products or services, we invest significant time and resources. Initial timetables for the introduction and development of new lines of business and / or new products or services may not be achieved, and price and profitability targets may not prove feasible. New technologies needed to support the new line of business or product may result in incremental operating costs and system defects. Compliance with regulations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. In instances of new lines of businesses offering credit services, weaknesses relating to underwriting and operations may impact credit and capital. Delinquency may negatively affect non- performing assets and increase the provision for **credit** ~~loan and lease~~ losses. Any new line of business and / or new product or service could also have a significant impact on the effectiveness of our system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on our business, results of operations, and financial condition. Our framework for managing risks may not be effective in mitigating risk and loss to us. Our risk management framework seeks to mitigate risk and loss to us. We have established processes and procedures intended to identify, measure, monitor, control, and analyze the types of risk to which we are subject, including liquidity risk, credit risk, market risk, interest rate risk, operational risk, information and cyber security risk, compensation risk, legal and compliance risk, and reputational risk, among others. **As** ~~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. Our ability to successfully identify and manage risks facing us is an important factor that can significantly impact our results. If our risk management framework proves ineffective, we could suffer unexpected losses which could adversely affect our business, results of operations, and financial condition. We are subject to changes in accounting principles, policies, or guidelines. Our financial performance is impacted by accounting principles, policies, and guidelines. Some of these policies require the use of estimates and assumptions that may affect the value of our assets or liabilities and financial results. Some of our accounting policies are critical because they require management to make difficult, subjective, and complex judgments about matters that are inherently uncertain and because it is likely that materially different amounts would be reported under different conditions or using different assumptions. If such estimates or assumptions underlying our financial statements are incorrect, we may experience material losses. From time to time, the FASB and SEC change the financial accounting and reporting standards or the interpretation of those standards that govern the preparation of our financial statements. These changes are beyond our control, can be difficult to predict, and could materially impact how we report our financial condition and results of operations. Changes in these standards are continuously occurring and more ~~drastic~~ changes may occur in the future. The implementation of such changes **could have a material adverse effect on our business, results of operations, and financial condition. Our internal controls may be ineffective. Management regularly reviews and updates its internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the controls are met. In addition, as we continue to grow the Corporation, our controls need to be updated to keep up with such growth. Any failure or circumvention of our controls and procedures or failure to comply with regulations related to controls and procedures could cause us to report a material weakness in internal control over financial reporting and conclude that our controls and procedures are not effective, which** could have a material adverse effect on our business, results of operations, and financial condition. Strategic and External Risks The Corporation' s business and financial results could be materially and adversely affected by widespread public health events. The COVID- 19 pandemic ~~has~~ negatively impacted the global economy, ~~disrupting~~ **disrupted** global supply chains and equity markets and ~~creating~~ **created** significant volatility and disruption in financial and labor markets. In addition, the pandemic resulted in temporary closures of many businesses and the institution of social distancing and stay- at- home requirements in many states and communities, including Wisconsin, Kansas, and Missouri ~~,~~ **.** The COVID- 19 pandemic, including, in part, supply chain disruption and the effects of the extensive pandemic- related government stimulus, ~~has caused~~ **played a significant role in recent** inflationary pressure in the U. S. economy. ~~We expect to be impacted by elevated levels of inflation and the corresponding upward pressure on interest rates. The COVID- 19 pandemic, widespread recurrences of COVID- 19 or similar pandemics, or other future~~ **Future** widespread public health epidemics could result in the continued and increased recognition of credit losses in the Corporation' s loan portfolio and increases in the Corporation' s **ACL** ~~allowance for credit losses~~ , particularly to the extent that there is a significant negative impact on the global economy. Because of changing economic and market conditions affecting issuers, the Corporation may be required to recognize impairments on the securities it holds. Furthermore, the demand for the Corporation' s products and services may be impacted, which could materially adversely affect the Corporation' s revenue. We cannot predict how further outbreaks, new variants, the efficacy of vaccines or future widespread public health epidemics, should they occur, might impact our financial condition and results of operation. The extent to which ~~the COVID- 19 pandemic, or~~ any future pandemic ~~,~~ impacts the Corporation' s business, results of operations, and financial condition, as well as the Corporation' s regulatory capital, liquidity ratios, and stock price, will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and any responsive actions taken by governmental authorities and other third parties. Our business may be adversely affected by conditions in the financial markets and economic conditions generally. Our operations and profitability are impacted by general business and economic conditions in the U. S. and, to some extent, abroad. These conditions include short- term and long- term interest rates, inflation, money supply, political issues, legislative and regulatory changes, fluctuations in both debt and equity markets, broad trends in industry and finance, the strength of the U. S. economy and uncertainty in financial markets globally, all of which are beyond our control. A deterioration in economic conditions 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, among other things, any of which could have a material adverse effect on our business, results of operations, and financial condition. Our business is concentrated in and largely dependent upon the continued growth and welfare of the general geographical markets in which we operate. Our operations are heavily concentrated in southern Wisconsin and, to a lesser extent, the Northeast regions of Wisconsin and the greater Kansas City Metro and, as a result, our financial condition, results of operations, and cash flows are significantly impacted by changes in the economic conditions in those areas. Our success depends to a significant extent upon the business activity, population, income levels, deposits, and real estate activity in these markets. Although our clients' business and financial interests may extend well beyond these markets, adverse economic conditions that affect these markets, including, without limitation, ~~adverse conditions resulting from the COVID- 19 pandemic,~~ could reduce our growth rate, affect the ability of our clients to repay their loans to us, affect the value of collateral underlying loans, and generally affect our financial condition and results of operations. Because of our geographic concentration, we are less able than other regional or national financial institutions to diversify our credit risks across multiple markets. Our financial condition and results of operations could be negatively affected if we fail to effectively execute our strategic plan or manage the growth called for in our strategic plan ~~. Our strategic plan calls for above average performance by focusing on four key strategies – talent, efficiency, deposits, and optimizing business line performance~~ . While we believe we have the management resources and internal systems in place to successfully execute our strategic plan, we cannot guarantee that opportunities will be available and that the strategic plan will be successful or effectively executed. Although we do not have any current definitive plans to do so, ~~in implementing~~

~~our strategic plan~~ we may expand into additional communities or attempt to strengthen our position in our current markets through opportunistic acquisitions of similar or complementary financial services organizations. To the extent that we do so, we may experience higher operating expenses relative to operating income from the new operations or certain one- time expenses associated with the closure of offices, all of which may have an adverse effect on our business, results of operations, and financial condition. Other effects of engaging in such strategies may include potential diversion of our management' s time and attention and general disruption to our business. To the extent that we grow through new locations, we cannot ensure that we will be able to adequately and profitably manage this growth. Acquiring other banks and businesses ~~will~~ **would** involve similar risks to those commonly associated with branching, but may also involve additional risks, including potential exposure to unknown or contingent liabilities of banks and businesses we acquire and exposure to potential asset quality issues of the acquired bank or related business. We could recognize impairment losses on securities held in our securities portfolio, goodwill, or other long- lived assets. As of December 31, ~~2022~~ **2023** , the fair value of our securities portfolio was approximately $ ~~224~~ **305** . 3 million. Factors beyond our control can significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of these securities. For example, fixed- rate securities acquired by us are generally subject to decreases in market value when interest rates rise. Additional factors include, but are not limited to, rating agency downgrades of the securities, defaults by the issuer or individual mortgagors with respect to the underlying securities, and instability in the credit markets. Any of the foregoing factors could cause **credit losses** ~~other- than- temporary impairment in future periods~~ and result in ~~realized~~ **a provision for credit** losses. The process for determining whether impairment is other- than- temporary usually requires difficult, subjective judgments about the future financial performance of the issuer and any collateral underlying the security in order to assess the probability of receiving all contractual principal and interest payments on the security. Because of changing economic and market conditions affecting interest rates, the financial condition of issuers of the securities and the performance of the underlying collateral, we may recognize realized and / or unrealized losses in future periods, which could have an adverse effect on our business, results of operations, and financial condition. As of December 31, ~~2022~~ **2023** , the Corporation had goodwill of $ 10. 7 million. Goodwill is not amortized but, instead, is subject to impairment tests on at least an annual basis, and more frequently if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying amount. A decline in our stock price, decline in the performance of our acquired operations, or the occurrence of another triggering event could, under certain circumstances, result in an impairment charge being recorded. During ~~2021~~ **2023** , our annual impairment test conducted ~~August~~ **July** 1, ~~2021~~ **2023** indicated that the estimated fair value of the reporting unit exceeded the carrying value (including goodwill). Depending on market conditions, economic forecasts, results of operations, additional adverse circumstances or other factors, the goodwill impairment analysis may require additional review of assumptions and outcomes prior to our next annual impairment testing date of ~~August~~ **July** 1, ~~2022~~ **2024** . In the event that we conclude that all or a portion of our goodwill may be impaired, a non- cash charge for the amount of such impairment would be recorded to earnings. Such a charge would have no impact on tangible capital or regulatory capital. We could be required to establish a deferred tax asset valuation allowance and a corresponding charge against earnings if we experience a decrease in earnings. Deferred tax assets are reported as assets on our balance sheet and represent the decrease in taxes expected to be paid in the future in connection with our **ACL** ~~allowance for loan and lease losses~~ and other matters. If it becomes more likely than not that some portion or the entire deferred tax asset will not be realized, a valuation allowance must be recognized. **As a result of a Wisconsin state tax law change in 2023, the Corporation has recorded a valuation allowance of $ 2. 8 million against related state deferred tax assets.** The Corporation believes it will fully realize its **Federal and non- Wisconsin** deferred tax ~~asset~~ **assets** ~~, and therefore, no valuation allowance was necessary as of December 31, 2022~~ . ~~This~~ **These** ~~determination~~ **determinations** ~~was~~ **were** based on the evaluation of several factors, including **relevant tax law changes,** our recent earnings history, expected future **taxable** earnings, and appropriate tax planning strategies. A decrease in **taxable** earnings could adversely impact our ability to fully utilize our **remaining** deferred tax assets. If we determine that it is more likely than not that some portion or all of the **remaining** deferred tax assets will not be realized, a valuation allowance will need to be recognized and this would result in a corresponding charge against our earnings. Competition from other financial services providers could adversely affect our profitability. We encounter heavy competition in attracting commercial loan, specialty finance, deposit, and private wealth management clients. We believe the principal factors that are used to attract quality clients and distinguish one financial institution from another include value- added relationships, interest rates and rates of return, types of accounts and product offerings, service fees, and quality of service. Our competition includes banks, savings institutions, mortgage banking companies, credit unions, finance companies, equipment finance companies, mutual funds, insurance companies, brokerage firms, investment banking firms, and financial technology (" FinTech ") companies. We ~~also~~ compete with regional and national financial institutions that have a substantial presence in our market areas, many of which have greater liquidity, higher lending limits, greater access to capital, more established market recognition, and more resources and collective experience than we do. ~~In addition, some~~ **Some** larger financial institutions that have not historically competed with us directly have substantial excess liquidity and have sought, and may continue to seek, smaller lending relationships in our primary markets. Furthermore, tax- exempt credit unions operate in our market areas and aggressively price their products and services to a large portion of the market. Finally, technology has also lowered the barriers to entry and made it possible for non- bank financial service providers to offer products and services we have traditionally offered, such as automatic funds transfer and automatic payment systems. Our profitability depends, in part, upon our ability to successfully maintain and increase market share. Consumers and businesses are increasingly using non- banks to complete their financial transactions, which could adversely affect our business and results of operations. Technology and other changes are allowing consumers and businesses to complete financial transactions that historically have involved financial institutions through alternative methods. The wide acceptance of Internet- based and person- to- person commerce has resulted in a number of alternative payment processing systems and lending platforms in which banks play only minor roles. Businesses and consumers can now maintain funds in social payment applications, prepaid debit cards or digital currencies, and pay bills and transfer funds directly without the direct assistance of financial institutions. The diminishing role of financial institutions as financial intermediaries has resulted, and could continue to result, in the loss of fee income, as well as the loss of client deposits and the related income generated from those deposits. The loss of these revenue streams and the potential loss of lower cost deposits as a source of funds could have a material adverse effect on our business, financial condition, and results of operations. If we are unable to keep pace with technological advances in our industry, our ability to attract and retain clients could be adversely affected. The banking industry is constantly subject to technological changes with frequent introductions of new technology- driven products and services. In addition to better serving clients, the effective use of technology increases our efficiency and enables us to reduce costs. Our future success will depend in part on our ability to address the needs of our clients by using technology to provide products and services that will satisfy client demands for convenience as well as create additional efficiencies in our operations. A number of our competitors have substantially greater resources to invest in technological improvements, as well as significant economies of scale. There can be no assurance that we will be able to implement and offer new technology- driven products and services to our clients. If we fail to do so, our ability to attract and retain clients may be adversely affected. Our private wealth management results of operations may be negatively impacted by changes in economic and market conditions. Our private wealth management results of operations may be negatively impacted by changes in general economic conditions and the conditions in the financial and securities markets, including the values of assets held under management, which are beyond our control. Our management contracts generally provide for fees payable for services based on the market value of ~~trust~~ assets under management; therefore, declines in securities prices will generally have an adverse effect on our results of operations from this business. Market declines and reductions in the value of our clients' private wealth management services accounts could result in us losing private wealth management services clients, including those who are also banking clients, and negatively affect our earnings. Potential acquisitions may disrupt our business and dilute shareholder value. While we remain committed to organic growth, we also may consider additional acquisition opportunities involving complementary financial service organizations if the right situation were to arise. Various risks commonly associated with acquisitions include, among other things: • Potential exposure to unknown or contingent liabilities of the target company. • Exposure to potential asset quality issues of the target company. • Potential diversion of our management' s time and attention. • Possible loss of key employees and clients of the target company. • Difficulty in estimating the value of the target company. • Potential changes in banking or tax laws or regulations that may affect the target company. • Difficulty in integrating operations, personnel, technologies, services, and products of acquired companies. Acquisitions may involve the payment of a premium over book and market values, and, therefore, some dilution of our tangible book value and net income per common share may occur in connection with any future transaction. Furthermore, failure to realize the expected revenue increases, cost savings, increases in geographic or product presence, and / or other projected benefits from an acquisition could have a material adverse effect on our business, financial condition, and results of operations. The investments we make in certain tax- advantaged projects may not generate returns as anticipated and may have an adverse impact on the Corporation' s financial results. We invest in certain tax- advantaged projects promoting community development. Investments in these projects are designed to generate a return primarily through the realization of federal and state income tax credits, and other tax benefits, over specified time periods. The Corporation is subject to the risk that previously recorded tax credits, which remain subject to recapture by taxing authorities based on compliance features required to be met at the project level, will fail to meet certain government compliance requirements and will not be able to be realized. The possible inability to realize these tax credit and other tax benefits could have a negative impact on the Corporation' s financial results. The risk of not being able to realize the tax credits and other tax benefits depends on many factors outside of the Corporation' s control, including changes in the applicable tax code and the ability of the projects to be completed. A prolonged U. S. government shutdown or default by the U. S. on government obligations would harm our results of operations. Our results of operations, including revenue, non- interest income, expenses and net interest income, would be adversely affected in the event of widespread financial and business disruption due to a default by the United States on U. S. government obligations or a prolonged failure to maintain significant U. S. government operations. Of particular impact to the Corporation are the operations regulated by the SBA ~~or the FDIC~~. Any failure to maintain such U. S. government operations, and the after- effects of such shutdown, could impede our ability to originate SBA loans and sell such loans in the secondary market, and would materially adversely affect our business, results of operations, and financial condition. In addition, many of our investment securities are issued by, and some of our loans are made to, the U. S. government and government agencies and sponsored entities. Uncertain domestic political conditions, including prior federal government shutdowns and potential future federal government shutdowns or other unresolved political issues, may pose credit default and liquidity risks with respect to investments in financial instruments issued or guaranteed by the federal government and loans to the federal government. Any **further** downgrade in the sovereign credit rating of the United States, as well as sovereign debt issues facing the governments of other countries, could have a material adverse impact on financial markets and economic conditions in the United States and worldwide. Any such adverse impact could have a material adverse effect on our liquidity, financial condition, and results of operations. Regulatory, Compliance, Legal and Reputational Risks We operate in multiple states and in a highly regulated industry and the federal and state laws and regulations that govern our operations, corporate governance, executive compensation, and accounting principles **.** ~~, or changes~~ **Changes** in them ~~,~~ or our failure to comply with them, may adversely affect us. We are subject to extensive regulation and supervision that govern almost all aspects of our operations. These laws and regulations, among other matters, prescribe minimum capital requirements, expose us to legal penalties, financial forfeiture and material loss if we fail to act in accordance with bank laws and regulations, impose limitations on our business activities and compensation practices, limit the dividends or distributions that we can pay, restrict the ability to guarantee our debt, and impose certain specific accounting requirements that may be more restrictive and may result in greater or earlier charges to earnings or reductions in our capital than generally accepted accounting principles. These regulations affect our lending practices, employment practices, ~~privacy policies~~ **compliance management system** , operational controls, tax structure, and growth, among other things. Changes to federal and state laws, income and property tax regulations, or regulatory guidance, could affect us in substantial and unpredictable ways. Such changes could subject us to additional costs, tax filing requirements, employment practices, and limit the types of financial services and products we may offer, among other things. Compliance with laws and regulations can be difficult and costly, and changes to laws and regulations often impose additional ~~compliance~~ costs. Further, our failure to comply with these laws and regulations, even if the failure was inadvertent or reflects a difference in interpretation, could subject us to restrictions on our business activities, fines, and other penalties, any of which could adversely affect our business, results of operations, and financial condition. The financial services industry, as well as the broader economy, may be subject to new legislation, regulation, and government policy. From time to time, federal and state governments and bank regulatory agencies modify the laws and regulations that govern financial institutions and the financial system generally **. These modifications often, but not always, occur in response to crises or significant events, such as the several bank failures in early 2023, the COVID- 19 pandemic, or political transitions** . Such laws and regulations can affect our operating environment in substantial and unpredictable ways. Among other effects, such laws and regulations can increase or decrease the cost of doing business, limit or expand the scope of permissible activities, or affect the competitive balance among banks and other financial institutions. In addition, any changes in monetary policy, fiscal policy, tax laws, and other policies can affect the broader economic environment, interest rates, and patterns of trade. Any of these changes could affect our company and the banking industry as a whole in ways that are difficult to predict, and could adversely impact our business, financial condition, or results of operations. We face a risk of noncompliance and enforcement action with the Bank Secrecy Act (" BSA ") and other anti- money laundering (" AML ") statutes and regulations. AML laws and regulations require financial institutions, among other duties, to institute and maintain effective anti- money laundering programs and file suspicious activity and currency transaction reports as appropriate. The Financial Crimes Enforcement Network (" FinCEN "), established by Treasury to administer the BSA, is authorized to impose significant civil money penalties for violations of those requirements and has recently engaged in coordinated enforcement efforts with the individual federal banking regulators, as well as the U. S. Department of Justice, Drug Enforcement Administration and IRS. There is also increased scrutiny of compliance with the rules enforced by the FinCEN, Federal, and State regulators. Federal and state bank regulators also focus on compliance with AML laws. If our policies, procedures, and systems are deemed deficient or the policies, procedures, and systems of the financial institutions that we may acquire in the future are deficient, we would be subject to liability, including fines and regulatory actions, such as restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan which would adversely affect our business, results of operations, and financial condition. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us. We are periodically subject to examination and scrutiny by a number of banking agencies and, depending upon the findings and determinations of these agencies, we may be required to make adjustments to our business that could adversely affect us. Federal and state banking agencies periodically conduct examinations of our business, including compliance with applicable laws and regulations. If, as a result of an examination, a federal banking agency was to determine that the financial condition, capital resources, asset quality, asset concentration, earnings prospects, management, liquidity, sensitivity to market risk, or other aspects of any of our operations has become unsatisfactory, or that we or our management is in violation of any law or regulation, it could take a number of different remedial actions as it deems appropriate. These actions include the power to enjoin " unsafe or unsound " practices, to require affirmative actions to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in our capital, to restrict our growth, to change the asset composition of our portfolio or balance sheet, to assess civil monetary penalties against our officers or directors, to remove officers and directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate our deposit insurance. If we become subject to such regulatory actions, our business, results of operations, and financial condition may be adversely affected. We are subject to claims and litigation pertaining to our fiduciary responsibilities. Some of the services we provide, such as private wealth management services, require us to act as fiduciaries for our clients and others. From time to time, third parties could make claims and take legal action against us pertaining to the performance of our fiduciary responsibilities. If fiduciary investment decisions are not appropriately documented to justify action taken or trades are placed incorrectly, among other possible claims, and if these claims and legal actions are not resolved in a manner favorable to us, we may be exposed to significant financial liability and / or our reputation could be damaged. These results may adversely impact demand for our products and services or otherwise have an adverse effect on our business, results of operations, and financial condition. Our stock is thinly traded and our stock price can fluctuate. Although our common stock is listed for trading on the Nasdaq Global Select Market, low volume of trading activity and volatility in the price of our common stock may make it difficult for our shareholders to sell common stock when desired and at prices they find attractive. Our stock price can fluctuate significantly in response to a variety of factors including, among other things: • actual or anticipated variations in our quarterly results of operations; • recommendations by securities analysts; • operating and stock price performance of other companies that investors deem comparable to us; • news reports relating to trends, concerns, and other issues in the financial services industry; • perceptions in the marketplace regarding us or our competitors and other financial services companies; • new technology used, or services offered, by competitors; and • changes in government regulations. General market fluctuations, industry factors, and general economic and political conditions and events, such as economic slowdowns or recessions, interest rate changes, or credit loss trends, could also cause our stock price to decrease regardless of our operating results. To maintain adequate capital levels, we may be required to raise additional capital in the future, but that capital may not be available when it is needed and / or could be dilutive to our existing shareholders. We are required by regulatory authorities to maintain adequate levels of capital to support our operations. In order to ensure our ability to support the operations of the Bank, we may need to limit or terminate cash dividends that can be paid to our shareholders. In addition, we may need to raise capital in the future. Our ability to raise capital, if needed, will depend in part on our financial performance and conditions in the capital markets at that time, and accordingly, we cannot guarantee our ability to raise capital on terms acceptable to us. If we decide to raise equity capital in the future, the interests of our shareholders could be diluted. Any issuance of common stock would dilute the ownership percentage of our current shareholders and any issuance of common stock at prices below tangible book value would dilute the tangible book value of each existing share of our common stock held by our current shareholders. The market price of our common stock could also decrease as a result of the sale of a large number of shares or similar securities, or the perception that such sales could occur. If we cannot raise capital when needed, our ability to serve as a source of strength to the Bank, pay dividends, maintain adequate capital levels and liquidity, or further expand our operations could be materially impaired. If equity research analysts publish research or reports about our business with unfavorable commentary or downgrade our common stock, the price and trading volume of our common stock could decline. The trading market for our common stock could be affected by whether equity research analysts publish research or reports about us and our business and what is included in such research or reports. If equity analysts publish research reports about us containing unfavorable commentary, downgrade our stock, or cease publishing reports about our business, the price of our stock could decline. If any analyst electing to cover us downgrades our stock, our stock price could decline rapidly. If any analyst electing to cover us ceases coverage of us, we could lose visibility in the market, which in turn could cause our common stock price or trading volume to decline and our common stock to be less liquid. **Volatility or events impacting a subset of the banking industry, such as larger banks or institutions that serve to specific markets, can impact the entire sector, including the Corporation, which could affect the confidence of our clients and investors and result in a material adverse effect on our performance and a decline in our stock price for reasons outside of our control. The industry in which we compete is diverse, with participants ranging from community- based banks to global financial institutions with assets in the trillions of dollars. In addition, some financial institutions have exposure of an extremely broad range of risks, or outsized exposure to specific industries such as startup and early- stage, pharmaceutical, or oil & gas companies. When volatility, market events or similar issues affect a subset of financial institutions, or when there are news reports or high- profile incidents relating to trends, concerns, and other issues in the banking industry, the ramifications can affect the sector as a whole, regardless of the effect, or lack thereof, on any specific institution. For example, the recent failures of Silicon Valley Bank, Signature Bank and First Republic Bank, which were caused by specific risk management and industry issues, negatively impacted customer, investor and media perception of the entire sector, resulting in declines in depositor confidence and stock prices throughout the industry. Future events of this nature could result in a material adverse effect on our performance and a decline in our stock priced for reasons that would not otherwise affect the Bank or which are outside of our control.** Our ability to attract and retain talented employees is critical to our success. Our success depends on our ability to continue to recruit and retain talented employees. Competition for such employees is intense, which has led to an increase in compensation throughout the labor market, and accordingly, an increase in payroll costs for employers. Prospective employees are also placing an emphasis on flexible, including remote, work arrangements and other considerations, and such arrangements can provide employees with more employment options and mobility, making them more difficult to retain. If we are unable to meet the expectations of employees and prospective employees, and thus, retain or attract employees, it could have a substantial adverse effect on our business. We rely on our management and the loss of one or more of those managers may harm our business. Our success has been and will be greatly influenced by our continuing ability to retain the services of our existing senior management and to attract and retain additional qualified senior and middle management. The unexpected loss of key management personnel or the inability to recruit and retain qualified personnel in the future could have an adverse effect on our business and financial results. In addition, our failure to develop and / or maintain an effective succession plan will impede our ability to quickly and effectively react to unexpected loss of key management, and in turn, may have an adverse effect on our business, results of operations, and financial condition. Negative publicity could damage our reputation and adversely impact our business and financial results. Reputation risk, or the risk to our earnings and capital due to negative publicity, is inherent in our business. Negative publicity can result from our actual or alleged conduct in a number of activities, including lending practices, fraud, information security, management actions, corporate governance, and actions taken by government regulators and community organizations in response to those activities. Negative publicity can adversely affect our ability to keep and attract clients, employees, and shareholders and can expose us to litigation and regulatory action, all of which could have a material adverse effect on our business, financial condition, and results of operations. ~~Our internal controls may be ineffective. Management regularly reviews and updates its internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the controls are met. In addition, as we continue to grow the Corporation, our controls need to be updated to keep up with such growth. Any failure or circumvention of our controls and procedures or failure to comply with regulations related to controls and procedures could cause us to report a material weakness in internal control over financial reporting and conclude that our controls and procedures are not effective, which could have a material adverse effect on our business, results of operations, and financial condition.~~