Risk Factors Comparison 2024-03-29 to 2023-03-22 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** ~~extent to which the COVID- 19 pandemic will~~ **well** ~~ultimately~~ **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 the Company' s Stock ● General Risk Factors We may not be able to measure and limit our credit risk adequately, which could adversely affect our profitability. Our business depends on our ability to successfully measure and manage credit risk. As a lender, we are exposed to the risk that the principal of, or interest on, a loan will not be paid timely or at all or that the value of any collateral supporting a loan will be insufficient to cover our outstanding exposure. In addition, we are exposed to risks with respect to the period of time over which the loan may be repaid, risks relating to proper loan underwriting, risks resulting from changes in economic and industry conditions, and risks inherent in dealing with individual loans and borrowers. The creditworthiness of a borrower is affected by many factors, including local market conditions and general economic conditions. Many of our loans are made to small to medium-sized businesses that are less able to withstand competitive, economic and financial pressures than larger borrowers. If the overall economic climate in the United States, generally, or in our market specifically, experiences material disruption, our borrowers may experience difficulties in repaying their loans, the collateral we hold may decrease in value or become illiquid, and the level of nonperforming loans, charge- offs and delinquencies could rise and require significant additional provisions for credit losses. Additional factors related to the credit quality of multifamily residential, real estate construction and other commercial real estate loans include the quality of management of the business and tenant vacancy rates. Our risk management practices, such as monitoring the concentration of our loans within specific markets and our credit approval, review and administrative practices, may not adequately reduce credit risk, and our credit administration personnel, policies and procedures may not adequately adapt to changes in economic or any other conditions affecting customers and the quality of the loan portfolio. A failure to effectively measure and limit the credit risk associated with our loan portfolio may result in loan defaults, foreclosures and additional charge-offs, and may necessitate that we significantly increase our ACL on loans, each of which could adversely affect our net income. As a result, our inability to successfully manage credit risk could have an adverse effect on our business, financial condition** and results of operations **. Higher loan losses could require the Company to increase its ACL on loans and unfunded commitments through a charge to earnings. When we loan, or commit to loan, money we incur the risk that our borrowers do not repay their loans. We reserve for credit losses by establishing an allowance through a charge to earnings. The amount of this allowance** is ~~unknown~~ **incur the risk that our borrowers do not repay their loans.We reserve for loan losses by establishing an allowance through a charge to earnings.The amount of this allowance is** based on our assessment of ~~credit~~ **loan** losses inherent in our loan portfolio.The process for determining the amount of the allowance is critical to our financial results and condition.It requires subjective and complex judgments about the future,including forecasts of economic or market conditions that might impair the ability of our borrowers to repay their loans.We might underestimate the ~~credit~~ **loan** losses inherent in our loan portfolio and have ~~credit~~ **loan** losses exceeding the amount reserved.We might ~~increase the allowance because of changing economic conditions.For example,in a rising interest rate environment,borrowers with adjustable- rate loans could see their payments increase.There may and~~ - **an** ~~will depend~~ **insufficient source of repayment because accounts receivable may be uncollectible and inventories and equipment may be obsolete or of limited use** , among other things **. See " Item 1. Business – Lending Activities – Commercial Business Loans. " Commercial real estate lending may expose the Company to increased lending risks. At December 31** , **2023, the Bank' s commercial real estate loan portfolio amounted to $ 168. 8 million, or 27. 2 % of total loans. Commercial real estate lending is inherently riskier than residential mortgage lending. Because payments** on **loans secured** ~~the duration of the pandemic, the actions undertaken~~ by ~~national~~ **commercial properties often depend upon the successful operation and management of the properties** , **repayment of such loans may be affected by adverse conditions in the real** ~~state~~ **estate market** ~~and local governments and health officials to contain the virus or mitigate its effects, the safety and effectiveness of the vaccines that have been developed and the ability of pharmaceutical companies and governments to continue to manufacture and distribute those vaccines, and changes to interest rates. Any one or a combination of these factors could negatively impact our~~ - **or the economy, among other things. See " Item 1.** ~~business~~ **Business – Lending Activities – Commercial Real Estate Loans. " 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, 2023, our non- performing assets, consisting entirely of non- performing loans, totaled $ 1. 8 million, or 0. 28 % of our gross loans and 0. 15 % of our total assets. Our non- performing loans 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 ~~prospects~~ **financial condition** . ~~Risks Related to Our Business~~ Above average interest rate risk associated with fixed- rate loans may have an adverse effect on our financial position or results of operations. The Bank' s loan portfolio includes a significant amount of loans with fixed rates of interest. At December 31, ~~2022~~ **2023** , $ ~~266~~ **302** . ~~3~~ **0** million, or ~~43~~ **48** . ~~8~~ **6** % of the Bank' s total loans receivable, had fixed interest rates all of which were held for investment. The Bank offers ARM loans and fixed- rate loans. Unlike ARM loans, fixed- rate loans carry the risk that, because they do not reprice to market interest rates, their yield may be insufficient to offset increases in the Bank' s cost of funds during a rising interest rate environment. Accordingly, a material and prolonged increase in market interest rates could be expected to have a greater adverse effect on the Bank' s net interest income compared to other institutions that hold a materially larger portion of their assets in ARM loans or fixed- rate loans that are originated for committed sale in the secondary market. For a discussion of the Bank' s loan portfolio, see " Item 1. Business – Lending Activities. " ~~Higher loan losses~~ **28 Liquidity risks** could ~~require the Company~~ **affect operations and jeopardize our business, financial condition, and results of operations. Our ability** to ~~increase its allowance~~ **implement our business strategy will depend on our liquidity and ability to obtain funding** for loan ~~losses~~ **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 ~~charge to earnings~~ **substantial negative effect on our liquidity** . ~~When~~ **Our preferred source of funds consists of consumer and commercial deposits, which** we ~~loan~~ **supplement with other sources, such as wholesale deposits made up of brokered deposits. Such account and deposit balances can decrease when customers perceive alternative investments as providing a better risk / return profile. If clients move** money **out of bank deposits and into other investments,** we **may** incur the risk that our borrowers do...... exceeding the amount reserved. We might increase **our utilization of wholesale deposits, FHLB advances, FRB borrowing facilities and** ~~the~~ **other** ~~allowance~~ **wholesale funding sources necessary to fund desired growth levels.** ~~because~~ **Because these funds generally are more sensitive to** ~~of changing economic conditions. For example, in a rising~~ interest rate ~~environment, borrowers with adjustable~~ **changes than our targeted in** - **market deposits, they are more likely to move to the highest** rate **available** ~~loans could see their payments increase. There may be a significant increase in the number of borrowers who are unable or unwilling to repay their loans, resulting in our charging off more loans and increasing our allowance~~ . In addition, ~~pandemic related assistance programs resulted in increased~~ **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** ~~of deposits for our business and consumer borrowers. As these deposits decline~~ , **we could** ~~businesses and consumers may experience reduced ability to repay their loans resulting in additional losses~~ -- **lose** ~~. Finally~~ **a significant source of funding** , **which would force us to utilize different wholesale funding or potentially sell assets at a time** when ~~real estate values decline~~ **pricing may be unfavorable** , ~~the potential severity of loss~~ **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** ~~a real estate- secured loan can increase significantly, especially in the case of loans with high combined loan-~~ to **us could** ~~- value ratios. Our allowance for loan losses at any particular date may not~~ be **impaired by factors** ~~sufficient to cover future loan losses. We may be required to increase our allowance for loan losses, thus reducing earnings. The FASB has adopted a new accounting standard~~ that **affect us directly** ~~is referred to as Current Expected Credit Loss, or CECL. The implementation of CECL has been delayed for~~ - **or** ~~smaller reporting companies~~ **the financial services industry or economy in general** , such as **disruptions in the financial markets or negative views and expectations about the prospects for the financial services industry. Community banks generally have less access to the capital markets than do national, regional, and super- regional banks because of** ~~the~~ **their** ~~Company, until January 2023~~ **smaller size and limited analyst coverage** . ~~CECL will require~~ **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 community banks, as larger** financial institutions **may curtail their lending** to ~~determine periodic estimates~~ **regional and community banks to reduce their exposure to the risks** of ~~lifetime expected credit losses~~ **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 ~~recognize the expected credit losses~~ **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 ~~allowances~~ **repaying our borrowings** ~~for~~ - **or meeting deposit withdrawal demands** ~~credit losses. This will change the current method of providing allowances for loan losses that are probable~~ , **any of** which **could** ~~may require us to increase our allowance for loan 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 losses. Any increase in our allowance for loan losses or expenses incurred to determine the appropriate level of the allowance for loan losses may~~ have a material adverse effect on our **business, results of operations, and** financial condition **. The Company is a bank holding company** and ~~results~~ **its sources** of **funds necessary to meet its obligations are limited. The Company is a bank holding company and its** operations **are primarily conducted by** ~~. 30 Commercial business lending may expose the Company to increased lending risks. At December 31, 2022,~~ the Bank ~~' s commercial business loan portfolio amounted to $ 60. 8 million~~ , **which is** ~~or 10. 0 % of total loans. Subject~~ **subject** to ~~market conditions~~ **significant federal** and ~~other factors~~ **state regulation. Cash available to pay dividends to our shareholders** , **pay our obligations, and**

meet our debt service requirements is derived primarily from dividends received from the Bank ~~intends~~ **. Future dividend payments by the Bank** to ~~expand its commercial business lending activities within its primary market~~ **us will require the generation of future earnings by the Bank and** ~~area~~ - **are subject to certain regulatory guidelines** . ~~Commercial business lending~~ **If the Bank** is **unable to pay dividends to** ~~inherently riskier than residential mortgage lending. Although commercial business loans are often collateralized by equipment, inventory, accounts receivable or other business assets, the liquidation value of these assets in the event of a borrower default is often an insufficient source of repayment because accounts receivable may be uncollectible and inventories and equipment may be obsolete or of limited use~~ - **us** , ~~among~~ **we may not have** ~~other~~ -- **the resources or cash flow** ~~things. See " Item 1. Business – Lending Activities – Commercial Business Loans. " Commercial real estate lending may expose the Company~~ to **pay or meet all of** ~~increased lending risks. At December 31, 2022, the Bank' s commercial real estate loan portfolio amounted to $ 161. 4 million, or~~ **our** ~~26~~ **obligations** . ~~6 % of total loans. Commercial real estate lending is inherently riskier than residential mortgage lending. Because payments on loans secured by commercial properties often depend upon the successful operation and management of the properties, repayment of such loans may be affected by adverse conditions in the real estate market or the economy, among other things. See " Item 1. Business – Lending Activities – Commercial Real Estate Loans. "~~ Our information systems may experience an interruption or breach in security. The Bank relies heavily on internal and outsourced digital technologies, communications, and information systems to conduct its business. As our reliance on technology systems increases, the potential risks of technology- related operation interruptions in our customer relationship management, general ledger, deposit, loan, or other systems or the occurrence of cyber incidents also increases. Cyber incidents can result from deliberate attacks or unintentional events including (i) gaining unauthorized access to digital systems for purposes of misappropriating assets or sensitive information, corrupting data, or causing operational disruptions; (ii) causing denial- of- service attacks on websites; or (iii) intelligence gathering and social engineering aimed at obtaining information. The occurrence of operational interruption, cyber incident, or a deficiency in the cyber security of our technology systems (internal or outsourced) could negatively impact our financial condition or results of operations. **29** Information security risks have generally increased in recent years because of the proliferation of new technologies, the use of the Internet and telecommunications technologies to conduct financial and other transactions and the increased sophistication and activities of perpetrators of cyber- attacks and mobile phishing directed at our customers and our personnel. Mobile phishing, a means for identity thieves to obtain sensitive personal information through fraudulent e- mail, text or voice mail, is an emerging threat targeting the customers of financial entities. A failure in or breach of our operational or information security systems, or those of our third- party service providers, as a result of cyber- attacks or information security breaches or due to employee error, malfeasance or other disruptions could adversely affect our business, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase our costs and / or cause losses. We have policies and procedures expressly designed to prevent or limit the effect of a failure, interruption, or security breach of our systems and maintain cyber security insurance. However, such policies, procedures, or insurance may prove insufficient to prevent, repel, or mitigate a cyber incident. Significant interruptions to our business from technology issues could result in expensive remediation efforts and distraction of management. Although we have not experienced any material losses related to a technology- related operational interruption or cyber- attack, there can be no assurance that such failures, interruptions, or security breaches will not occur in the future or, if they do occur, that the impact will not be substantial. The occurrence of any failures, interruptions, or security breaches of our technology systems could damage our reputation, result in a loss of customer business, result in the unauthorized release, gathering, monitoring, misuse, loss, or destruction of proprietary information, 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 financial condition, results of operations, or stock price. As cyber threats continue to evolve, we may also be required to spend significant additional resources to continue to modify or enhance our protective measures or to investigate and remediate any information security vulnerabilities. ~~31~~ We are subject to certain operational risks, including, but not limited to, customer or employee fraud and data processing system failures and errors. Employee errors and employee and / or customer misconduct could subject us to financial losses or regulatory sanctions and seriously harm our reputation or financial performance. Misconduct by our employees could include, but is not limited to, hiding unauthorized activities from us, improper or unauthorized activities on behalf of our customers or improper use of confidential information. It is not always possible to prevent employee errors and misconduct, and the precautions we take to prevent and detect this activity may not be effective in all cases. Employee errors could also subject us to financial claims for negligence. We maintain a system of internal controls and insurance coverage to mitigate against operational risks, including data processing system failures and errors and customer or employee fraud. If our internal controls fail to prevent or detect an occurrence, or if any resulting loss is not insured or exceeds applicable insurance limits, it could have a material adverse effect on our business, financial condition and results of operations. We depend on outside third parties for processing and handling of our records and data. The Bank relies on software developed by third party vendors to process various transactions. In some cases, we have contracted with third parties to run their proprietary software on our behalf. These systems include, but are not limited to, general ledger, payroll, employee benefits, and loan and deposit processing, and securities portfolio management. While we perform a review of controls instituted by the vendors over these programs in accordance with industry standards and perform our own testing of user controls, we must rely on the continued maintenance of these controls by the outside party, including safeguards over the security of customer data. In addition, we maintain backups of key processing output daily in the event of a failure on the part of any of these systems. Nonetheless, we may incur a temporary disruption in our ability to conduct our business or process our transactions or incur damage to our reputation if the third party vendor fails to adequately maintain internal controls or institute necessary changes to systems. Such disruption or breach of security may have a material adverse effect on our financial condition and results of operations. **30 Our framework** ~~Recessionary conditions could result in increases in our level of nonperforming loans and / or reduce demand~~ for ~~our products~~ **managing risks may not be effective in mitigating risk** and

~~services, which would lead to lower revenue, higher loan losses~~ -- **loss to us** ~~and lower earnings~~ . ~~Recessionary conditions~~ **Our risk management framework seeks to mitigate risk** and ~~/ or continued negative developments in the domestic~~ **loss to us. We have established processes** and ~~international credit markets may significantly affect~~ **procedures intended to identify, measure, monitor, control, and analyze** the ~~markets in~~ **types of risk to** which we ~~do business~~ **are subject** , **including liquidity risk** ~~the value of our loans and investments~~ , ~~and our ongoing~~ **credit risk, market risk, interest rate risk,** ~~operations~~ **operational risk** , ~~costs~~ **information** and **cyber security risk** ~~profitability. Declines in real estate values and sales volumes and increased unemployment levels may result in higher than expected loan delinquencies~~ , ~~increases in~~ **compensation risk, legal and compliance risk, and reputational risk, among others. However, as with any risk management framework, there are inherent limitations to our risk management strategies as there may exist,** ~~our~~ - **or develop** ~~levels of nonperforming and classified assets and a decline~~ in ~~demand~~ **the future, risks that we have not appropriately anticipated** ~~for~~ - **or identified** ~~our products and services~~ . ~~These negative events may cause~~ **Our ability to successfully identify and manage risks facing** us ~~to incur~~ **is an important factor that can significantly impact our results. If our risk management framework proves ineffective, we could suffer unexpected** losses ~~and may~~ **which could** adversely affect our ~~capital~~ **business** , ~~liquidity~~ **results of operations** , and financial condition. ~~Risks Related~~ **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** ~~the~~ **they** ~~Banking Industry~~ **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 business may be adversely affected by conditions in the financial markets and economic conditions generally. Our financial performance depends to a large extent on the business environment in our geographically concentrated five-county market area, the nearby suburban metropolitan Louisville market, the states of Indiana and Kentucky, and the U. S. as a whole. In particular, the local economic environment impacts the ability of borrowers to pay interest on and repay principal of outstanding loans as well as the value of collateral securing those loans. A favorable business environment is generally characterized by economic growth, low unemployment, efficient capital markets, low inflation, high business and investor confidence, strong business earnings, and other factors. Unfavorable or uncertain economic and market conditions can be caused by declines in economic growth, business activity, or investor or business confidence; limitations on the availability or increases in the cost of credit and capital; increases in inflation or interest rates; high unemployment; natural disasters; or a combination of these or other factors. ~~32~~ Our financial results may also be negatively impacted by periods of increased inflation. Increased inflation can lead to decreases in the value of assets or reduced income from investments in the future as inflation decreases the value of money. Recently, there have been market indicators of a pronounced rise in inflation and the FRB has raised certain benchmark interest rates in an effort to combat inflation. As inflation increases and market interest rates rise, the value of our investment securities, particularly those with longer maturities, would decrease, although this effect can be less pronounced for floating rate instruments. In addition, inflation generally increases the cost of goods and services we use in our business operations, such as electricity and other utilities, which increases our noninterest expenses. Furthermore, our customers are also affected by inflation and the rising costs of goods and services used in their households and businesses, which could have a negative impact on their ability to repay their loans with us. Future economic conditions in our market will depend on factors outside of our control such as political and market conditions, broad trends in industry and finance, legislative and regulatory changes, changes in government, military and fiscal policies. **31** Turmoil in the financial markets could result...... increased regulatory burden and compliance costs. Acquisitions and the addition of branch facilities may not produce revenue enhancements or cost savings at levels or within timeframes originally anticipated and may result in unforeseen integration difficulties and dilution to existing shareholder value. We regularly explore opportunities to establish branch facilities and acquire other banks or financial institutions. New or acquired branch facilities and other facilities may not be profitable. We may not be able to correctly identify profitable locations for new branches. The costs to start up new branch facilities or to acquire existing branches, and the additional costs to operate these facilities, may increase our noninterest expense and decrease earnings in the short term. It may be difficult to adequately and profitably manage growth through the establishment of these branches. In addition, we can provide no assurance that these branch sites will successfully attract enough deposits to offset the expenses of operating these branch sites. Any new or acquired branches will be subject to regulatory approval, and there can be no assurance that we will succeed in securing such approvals. ~~Risks Related~~ Turmoil in the financial markets could result in lower fair values for our investment securities.Major disruptions in the capital markets and significant increases in market interest rates experienced in recent years have adversely affected investor demand for all classes of securities,excluding U.S.Treasury securities,and resulted in volatility in the fair values of our investment securities.Significant prolonged reduced investor demand could manifest itself in lower fair values for these securities and may result in recognition of **a credit loss through a valuation allowance** ~~an other- than- temporary impairment (" OTTI ")~~ ,which could have a material adverse effect on our financial condition and results of operations.Municipal securities can also be impacted by the business environment of their geographic location.Although this type of security historically experienced extremely low default rates **,municipal securities are subject** to **systemic risk since cash flows generally depend on (i) the ability of the issuing authority to levy** and collect taxes or (ii) the ability of the issuer to charge for and collect payment for essential services rendered. If the issuer defaults on its payments, it may result in the recognition of a partial credit loss through a valuation allowance or total loss, which could have a material adverse effect on our financial condition and results of operations. Strong competition within the Bank' s market area could hurt the Company' s ~~financial condition.~~ General Risk Factors We continually encounter technological change.The banking and financial services industry continually undergoes technological changes,with frequent introductions of new technology- driven products and services.In addition to better meeting customer needs,the effective use of technology increases efficiency and enables financial institutions to reduce costs.Our future success will depend,in part,on our ability to address the needs of our customers by using technology to provide products and services that enhance customer convenience and that create additional efficiencies in our operations.Many of our competitors have greater resources to invest in technological improvements,and we may not effectively implement new technology- driven products and services or do so as quickly as our competitors,which could reduce our ability to effectively compete.Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse effect on our business,financial condition,and results of operations. ~~32~~ 35 ~~Stock~~ stock . We are subject to extensive regulation, supervision and examination by the Federal Reserve Board, IDFI and FDIC, our primary regulators. Such regulation and supervision govern the activities in which an institution and its holding company may engage, and are intended primarily for the protection of the insurance fund and the depositors and borrowers of the Bank rather than for holders of the Company' s common stock. Our regulators may subject us to supervisory and enforcement actions, such as the imposition of certain restrictions on our operations, requirements that we take remedial action, the classification of our assets and the determination of the level of our ACL on loans, that are aimed at protecting the insurance fund and the depositors and borrowers of the Bank but that are detrimental to holders of the Company' s common stock. Any change in our regulation or oversight, whether in the form of regulatory policy, regulations, legislation or supervisory action, may have a material impact on our operations. The Bank' s operations are also subject to extensive regulation by other federal, state and local governmental authorities, and are subject to various laws and judicial and administrative decisions that impose requirements and restrictions on operations. These laws, rules and regulations are frequently changed by legislative and regulatory authorities. There can be no assurance that changes to existing laws, rules and regulations, or any other new laws, rules or regulations, will not be adopted in the future, which could make compliance more difficult or expensive or otherwise adversely affect our business, financial condition or prospects. Financial regulatory reform may have a material impact on the Company' s operations. The Dodd- Frank Act contains various provisions designed to enhance the regulation of depository institutions and prevent the recurrence of a financial crisis such as occurred in 2008 and 2009. These include provisions strengthening holding company capital requirements, requiring retention of a portion of the risk of securitized loans and regulating debit card interchange fees. The Dodd-Frank Act also created the Consumer Financial Protection Bureau to administer consumer protection and fair lending laws, a function that was formerly performed by the depository institution regulators. The full impact of the Dodd-Frank Act on our business and operations will not be known for years until regulations implementing the statute are written and adopted. However, it is likely that the provisions of the Dodd- Frank Act will have an adverse impact on our operations, particularly through increased regulatory burden and compliance costs. We face a risk of noncompliance and enforcement action with the BSA and other anti- money laundering statutes and regulations. The BSA, the USA PATRIOT Act, and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti- money laundering program and to file reports such as suspicious activity reports and currency transaction reports. We are required to comply with these and other anti- money laundering requirements. Our federal and state banking regulators, the Financial Crimes Enforcement Network, and other government agencies are authorized to impose significant civil money penalties for violations of anti- money laundering requirements. We are also subject to increased scrutiny of compliance with the regulations issued and enforced by OFAC, which is responsible for helping to ensure that U. S. entities do not engage in transactions with certain prohibited parties, as defined by various Executive Orders and Acts of Congress. If our program is deemed deficient, we could be subject to liability, including fines, civil money penalties and other regulatory actions, which may include restrictions on our business operations and our ability to pay dividends, restrictions on mergers and acquisitions activity, restrictions on expansion, and restrictions on entering new business lines. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have significant reputational consequences for us. Any of these circumstances could have an adverse effect on our business, financial condition and results of operations. 33 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. An investment in the Company' s Common Stock is not an insured deposit. The Company' s common stock is not a bank deposit and, therefore, is not insured against loss by the FDIC, any other deposit insurance fund, or by any other public or private entity. Investment in the Company' s common stock is inherently risky for the reasons described in this " Risk Factors " section and elsewhere in this report and is subject to the same market forces that affect the price of common stock in any public company. As a result, if you acquire the Company' s common stock, you could lose some or all of your investment. The price of the Company' s common stock may be volatile, which may result in losses for investors. General market price declines or market volatility in the future could adversely affect the price of the Company' s common stock. In addition, the following factors may cause the market price for shares of the Company' s common stock to fluctuate: ~~34~~ ● announcements of developments related to the Company' s business; ● fluctuations in the Company' s results of operations; ● changes in accounting standards, policies, guidance, interpretations or principles; ● sales or purchases of substantial amounts of the Company' s securities in the marketplace; ● general conditions in the Company' s banking niche or the worldwide economy; ● a shortfall or excess in revenues or earnings compared to securities analysts' expectations; ● changes in analysts' recommendations or projections; and ● the Company' s announcement of new acquisitions or other projects. The trading volume in the Company' s common stock is less than that of other larger financial services institutions. Although the Company' s common stock is listed for trading on The NASDAQ Capital Market, the trading volume in its common stock may be less than that of other, larger financial services companies. A public trading market having the desired characteristics of depth, liquidity, and orderliness depends on the presence in the marketplace of willing buyers and sellers of the Company' s common stock at any given time. This presence depends on the individual decisions of investors and general economic and market conditions over which the Company has no control. During any period of lower trading volume of the Company' s common stock, significant sales of shares of the Company' s common stock, or the expectation of these sales could cause the Company' s common stock price to fall. **34** The Company' s Articles of Incorporation, Indiana law, and certain banking laws may have an anti- takeover effect. Provisions of the Company' s Articles of Incorporation, the Indiana Business Corporation Law and federal banking laws, including regulatory approval requirements, could make it more difficult for a third party to acquire the Company, even if doing so would be perceived to be beneficial by the Company' s shareholders. The combination of these provisions could have the effect of inhibiting a non- negotiated merger or other business combination, which, in turn, could adversely affect the market price of the Company' s common stock. The Company may issue additional securities, which could dilute the ownership percentage of holders of the Company' s common stock. The Company may issue additional securities to, among other reasons, raise additional capital or finance acquisitions, and, if it does, the ownership percentage of holders of the Company' s common stock could be diluted potentially materially. We may not be able to pay dividends in the future in accordance with past practice. The Company has traditionally paid a quarterly dividend to common shareholders. We have no obligations to continue paying dividends. The payment of dividends is subject to legal and regulatory restrictions. Any payment of dividends in the future will depend, in large part, on our earnings, capital requirements, financial condition and other factors considered relevant by the Company' s Board of Directors. The Board may, at its discretion, further reduce or eliminate dividends or change its dividend policy in the future. General Risk Factors We continually encounter technological......, and results of operations. 35 We may not be able to attract and retain skilled people. The Bank' s success depends on its ability to attract and retain skilled people. Competition for the best people in most activities in which we engage can be intense, and we may not be able to hire people or retain them. Factors that affect our ability to attract and retain talented and diverse employees include compensation and benefits programs, profitability, opportunities for advancement, flexible working conditions, availability of qualified persons and our reputation. The unexpected loss of services of certain of our skilled personnel could have a material adverse impact on our business because of their skills, knowledge of our market, years of industry experience, customer relationships, and the difficulty of promptly finding qualified replacement personnel. Loss of key employees may disrupt relationships with certain customers. Our customer relationships are critical to the success of our business, and loss of key employees with significant customer relationships may lead to the loss of business if the customers were to follow that employee to a competitor. While we believe our relationships with key personnel are strong, we cannot guarantee that all of our key personnel will remain with the organization, which could result in the loss of some of our customers and could have a negative impact on our business, financial condition, and results of operations. We rely heavily on our executive management team and other key personnel for our successful operation, and we could be adversely affected by the unexpected loss of their services. Our success depends in large part on the performance of our key personnel at the Bank that have substantial experience and tenure with the Bank and in the markets that we serve. Our continued success and growth depend in large part on the efforts of these key personnel, the support of the Company' s Board of Directors, and ability to attract, motivate and retain highly qualified senior and middle management and other skilled employees to complement and succeed to our core senior management team. **35 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. 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.**