Risk Factors Comparison 2024-02-29 to 2023-02-24 Form: 10-K

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

Like other financial institutions and bank holding companies, the success of our business is subject to a number of risks and uncertainties, many of which are outside **of** our control. The material risks and uncertainties of which we are currently aware are set forth below under headings that are provided for convenience and intended to organize the risks and uncertainties into related categories to improve readability for investors; no inference should be drawn, however, that the placement of a risk factor under a particular category means it is not applicable to another category of risks or that it may be more or less material than another risk factor. Regardless, if any of the events or circumstances described below actually occur, our business, financial condition, results of operations, and prospects could be harmed. These risks are not the only ones we may face. Other risks of which we are not aware, including those which relate to the banking and financial services industry in general and us in particular, or those which we do not currently believe are material, may harm our future business, financial condition, results of operations, and prospects. You should consider carefully the following important factors in evaluating us and our business before you make an investment decision about our securities. Regulatory and Compliance Risks New governmental regulations and / or changes in existing governmental regulations could have a material adverse effect on the Company. The Company is extensively regulated under federal and state banking laws and regulations that are intended primarily for the protection of ~~depositors~~ **clients** , the DIF, and the banking system ~~as a whole~~ . Both the scope of the laws and regulations and the intensity of the supervision to which our business is subject have increased in recent years in response, we believe, to **various** ~~a number of~~ factors including the 2008 financial crisis as well as technological and market changes. Regulatory enforcement and fines have also increased across the banking and financial services sector. Many of these changes have occurred as a result of the Dodd-Frank Act and its implementing regulations. The Company expects its business will remain subject to extensive regulation and supervision. Regulations, along with the currently existing tax, accounting, securities, insurance, employment, monetary, and other laws and regulations, rules, standards, policies, and interpretations control the methods by which we conduct business, implement strategic initiatives and tax compliance, and govern financial reporting and disclosures. In addition, the Company is subject to changes in federal and state laws as well as changes in banking and credit regulations and governmental economic and monetary policies. Congress may enact legislation from time- to- time that affects the regulation of the financial services industry, and state legislatures may enact legislation from time- to- time affecting the regulation of financial institutions chartered by or operating in those states. Federal and state regulatory agencies also periodically propose and adopt changes to their regulations or change the **application of** ~~manner in which~~ existing regulations ~~are applied~~ . In recent years, the CFPB has increased its scrutiny of fee- based business models and various fees on consumer financial products and services, including depositor, overdraft and late fee charges. For example, in February 2023, the CFPB proposed changes that would limit the amount of late fees that could be charged for late credit card payments. Certain **elements** ~~members of the executive branch~~ of the federal government have also expressed an interest in increased regulation of these types of fees. Any of these changes or new legislation could increase our future compliance and other operating expenses and could have a material adverse effect on our business, financial condition, and results of operation. **Negative developments in the banking industry could result in increased regulatory scrutiny. High profile bank failures in 2023 have led to disruption and volatility, including deposit outflows and an increased need for liquidity at some banks. Events involving adverse developments that affect financial institutions, transactional counterparties or other companies in the banking industry, or concerns or rumors about these or similar events, have in the past and may in the future lead to erosion of confidence in the banking system, deposit volatility, liquidity issues, stock price volatility, and other adverse developments. The recent negative developments in the banking industry are expected to result in modifications to or additional laws and regulations governing banks and bank holding companies. These may include, an increase in capital requirements, modifications to regulatory requirements with respect to liquidity risk management, increased supervision over deposit concentrations, enhanced capital adequacy requirements, more stress testing and contingency planning requirements, implementation of other safe and sound banking practices, or other enhanced supervisory or enforcement activities. Other legislative initiatives could detrimentally impact our operations in the future. Regulatory bodies may enact new laws or promulgate new regulations or view matters or interpret laws and regulations differently than they have in the past, or commence investigations or inquiries into our business practices. Increased regulatory scrutiny, whether by virtue of new regulations (if any) or during routine examinations, could increase our cost of doing business and reduce our profitability. Among other things, there may be increased focus by both regulators and investors on deposit composition, the level of uninsured deposits, collateralized deposits, brokered deposits, unrealized losses in securities portfolios, liquidity, commercial real estate composition and concentration, and capital and general oversight and control of the foregoing.** Tax legislative initiatives or assessments could adversely affect our results of operations and financial condition. We are subject to income and other taxes in the United States and in the various state and local jurisdictions **where** ~~in which~~ we operate. The laws and regulations related to tax matters are extremely complex and subject to varying interpretations. Although management believes our positions are reasonable, we are subject to audit by the Internal Revenue Service in the United States and by state and local tax authorities in all the jurisdictions in which we conduct business operations. While we believe we comply with all applicable tax laws, rules, and regulations in the relevant jurisdictions, the tax authorities may determine that we owe additional taxes or apply existing laws and regulations **differently** ~~more broadly~~ , which could result in a significant increase in liabilities for taxes and interest in excess of accrued liabilities and harm our business and financial condition. New tax legislative initiatives, including increases in the corporate tax rate, may be enacted, **negatively** impacting ~~negatively~~ our effective tax rate at the federal and state level **,** and potentially adversely affecting our tax positions or tax liabilities. For example, the U. S. has implemented a 15 % minimum tax on corporations and a 1 % excise tax on certain share buybacks. We have adopted and completed material share repurchase programs over the past several years as a means by which to return value to shareholders, and the new excise tax may **have a** ~~materially~~ -- **material and** ~~negatively~~ -- **negative** impact **on** our willingness to engage in such programs in the future **or** may materially increase ~~or~~ our costs associated with engaging in any such programs to the extent we determine to engage in them in the future. In addition, unilateral or multi- jurisdictional actions by various tax authorities, including an increase in tax audit activity, could have an adverse impact on our tax liabilities. In any event, significant uncertainties exist with respect to the amount of our tax liabilities, including those arising from potential and already implemented changes in tax laws. These and other tax related items could increase our future tax expense, could change our future intentions regarding the use of our earnings, and could have a material adverse effect on our business, financial condition and results of operations. We may be subject to more stringent capital requirements in the future, the impact of which could have a material risk ~~on~~ **to** our operations. Federal and state banking regulators ~~also~~ possess broad powers to take supervisory actions as they deem appropriate. These supervisory actions may result in higher capital requirements, higher deposit insurance premiums, and limitations on the Company' s activities that could have a material adverse effect on its business and profitability. For example, the FDIC and the federal banking agencies approved a new rule that substantially amended the regulatory risk- based capital rules applicable to us by adopting " Basel III " regulatory capital reforms and other changes required by the Dodd- Frank Act. The Basel III- based U. S. capital rules, among other things, impose a capital measure called Common Equity Tier 1 Capital, or CET1 capital, to which most deductions / adjustments to regulatory capital measures must be made. In addition, the Basel III- based U. S. capital rules specify that Tier 1 capital consists of CET1 and " Additional Tier 1 capital " instruments meeting certain specified requirements. Under the U. S. Basel III- based capital rules, the minimum capital ratios are: • 4. 5 % CET1 capital to risk- weighted assets; • 6. 0 % tier 1 capital (that is, CET1 capital plus additional tier 1 capital) to risk- weighted assets; • 8. 0 % total capital (that is, tier 1 capital plus tier 2 capital) to risk- weighted assets; and • 4. 0 % tier 1 capital to total average consolidated assets as defined under U. S. Basel III Standardized approach (known as the " leverage ratio "). The minimum risk- based capital and leverage ratios, which became effective for us on January 1, 2015, refined the definition of what constitutes " capital " for calculating these ratios. The rule required unrealized gains and losses on certain " available- for- sale " securities holdings to be included for calculating regulatory capital requirements unless a one- time opt- out is exercised. In addition, the final rule established a " capital conservation buffer " that, once fully phased in and combined with established minimum common equity, risk- based assets capital, and total capital ratios, will exceed the prompt corrective action " well- capitalized " thresholds ~~.~~ (According to the FDIC Improvement Act of 1991, a depository institution is " well- capitalized " if it has a total risk- based capital ratio of 10 % or greater; a Tier 1 risk- based capital ratio of 8. 0 % or greater; a Tier 1 leverage ratio of 5. 0 % or greater; a common equity Tier 1 capital ratio of 6. 5 % or greater; and is not subject to a regulatory order, agreement, or directive to meet and maintain a specific capital level for any capital measure.) **.** In January 2019, the phase- in of the ~~new~~ capital conservation buffer requirement was completed. An institution will be subject to limitations on paying dividends, engaging in share repurchases, and paying discretionary bonuses if its capital level falls below the buffer amount. These limitations will establish a maximum percentage of eligible retained income that can be utilized for such actions. In December 2017, the Basel Committee published standards that it described as the finalization of the Basel III post- crisis regulatory reforms (the standards are commonly referred to as " Basel IV "). Changes include, among other things: • Changes to risk- weights under the standardized approach • Restrictions on the use of models under the advanced approaches • Revisions to the credit valuation adjustment risk framework • An overhaul of the operational risk framework, including a more explicit operational risk capital charge under the standardized approach • Refinements to the leverage ratio framework • Creation of an output floor on the regulatory capital benefits that a banking organization using the advanced approaches can derive relative to the standardized approach ~~On~~ **In** September ~~9,~~ 2022, the federal banking regulators announced their intent to revise U. S. regulatory capital requirements to align with Basel IV requirements **, more recently referred to as the Basel III " Endgame, " and in July 2023 issued a notice of proposed rulemaking for comment that would substantially revise the regulatory capital framework for banking organizations with total assets of $ 100 billion or more and their depository institutions subsidiaries and banking organizations with significant trading activity. The proposal would not amend the capital requirements applicable to smaller, less complex banking organizations** . It is unclear, however, when further guidance will become available and when any changes will go into effect. The impact of Basel IV will depend upon the **way** ~~manner in which~~ it is implemented in the U. S. with respect to institutions like First Interstate and FIB. Changes in accounting standards could materially negatively impact our financial statements. From time- to- time, the Financial Accounting Standards Board (" FASB ") and the SEC change the financial accounting and reporting standards that govern the preparation of our financial statements. These changes can materially impact how we record and report our financial condition and results of operations. For example, the FASB issued amendments to its guidance on the credit impairment of financial instruments. The amendments were effective for fiscal year 2020, which introduced a new impairment model based on current expected credit losses (" CECL ") rather than incurred losses. As a result of the amendments, we increased our allowance for credit losses, which had a significant impact on our results of operations. Any failure to comply with laws and regulations, including the Community Reinvestment Act (CRA) and fair lending laws, could lead to material penalties. We must comply with the CRA, the Equal Credit Opportunity Act, the Fair Housing Act, and other fair lending laws and regulations that impose non- discriminatory lending and other requirements on financial institutions. A failure to comply with these laws could result in a wide variety of sanctions, including the required payment of damages and civil money penalties, injunctive relief, imposition of restrictions on mergers and acquisitions activity, and restrictions on expansion. In addition to actions by the U. S. Department of Justice and other federal agencies, including the Federal Reserve and CFPB, who are responsible for enforcing these laws, our compliance with fair lending laws could be challenged in private class action litigation. The costs of defending any such challenge and any adverse outcome arising from such a challenge could damage our reputation or could have a material adverse effect on our business, financial condition, or results of operations. We are subject to the USA PATRIOT Act, OFAC guidelines and requirements, the Bank Secrecy Act (" BSA "), and related Financial Crimes Enforcement Network (" FinCEN ") and Federal Financial Institutions Examination Council (" FFIEC ") Guidelines and regulations and any failure to comply with them could result in material implications that could harm our business. We are routinely examined by our regulators for compliance with the USA PATRIOT Act, OFAC guidelines and requirements, the BSA, and related FinCEN and FFIEC Guidelines. Failure to maintain and implement adequate programs and fully comply with ~~all of the~~ relevant laws or regulations could have serious legal, financial, and reputational consequences for us, including causing applicable bank regulatory authorities not to approve merger or acquisition transactions when regulatory approval is required, or to prohibit such transactions even if approval is not required. Regulatory authorities have imposed cease and desist orders and significant civil money penalties against institutions found to be violating these regulations. If any of the foregoing were to come to pass, our business, financial condition, or results of operations could be materially and adversely affected. **Federal deposit insurance premiums could increase further in the future. The FDIC insures deposits at FDIC-insured financial institutions, including the Bank. The FDIC charges insured financial institutions premiums to maintain the DIF at a specific level. Historically, unfavorable economic conditions increased bank failures and these additional bank failures decreased the DIF. Extraordinary growth in insured deposits during the COVID- 19 pandemic caused the ratio of the DIF to total insured deposits to fall below the current statutory minimum of 1. 35 %. To restore the DIF to its statutorily mandated minimums, the FDIC significantly increased deposit insurance premium rates, including the Bank' s premium rates, resulting in increased expenses. In addition to the FDIC' s restoration plan, the FDIC implemented a special assessment to cover the losses incurred by the DIF in response to the 2023 bank failures. Under this additional special assessment, the Bank was assessed 13. 4 basis points annually on an assessment base equal to its estimated uninsured deposits, after excluding the first $ 5 billion of uninsured deposits. The special assessment will be collected on a quarterly basis for eight quarters beginning with the first quarter of 2024, although the FDIC retained the flexibility to extend the special assessment period and / or impose a one- time shortfall assessment to collect any necessary amounts to fully recover the losses to the DIF. The FDIC may further increase the assessment rates or impose additional special assessments in the future to restore and then steadily increase the DIF to these statutory target levels. Any increase in the Bank' s FDIC premiums could have an adverse effect on its business, financial condition and results of operations. FDIC insurance premiums could increase in the future in response to similar declining economic conditions.** Credit Risks We may be subject to lending risks and risks associated with loan sector concentrations ~~to which other companies may not be exposed~~ , which could adversely affect the Company. We take on credit risk by virtue of making loans and extending loan commitments and letters of credit. Our credit standards, procedures, and policies may not prevent us from incurring substantial credit losses, particularly **considering** ~~in light of~~ recent market developments including the recent increases by the Federal Reserve to its benchmark interest rate. Our loans held for investment portfolio are concentrated in commercial real estate and commercial business loans. As of December 31, ~~2022~~ **2023** , we had $ 11. ~~4~~ **8** billion of commercial loans, including $ 8. ~~5~~ **9** billion of commercial real estate loans, representing approximately ~~63~~ **64** . ~~0~~ **5** % of our loans held for investment portfolio. Commercial loans may involve greater risks than our other types of lending. Because payments on such loans are often dependent on the successful operation or development of the property or business involved, repayment of such loans can be more sensitive to adverse conditions in the real estate market or the general economy. Commercial loans typically are made based on borrowers' ability to make repayment from the cash flow of their commercial venture. If the cash flow from business operations is reduced **because** ~~as a result~~ of adverse conditions, the borrower' s ability to repay the loan may be impaired. Commercial loans are, on average, larger loans as compared to other loans with less readily ~~–~~marketable collateral. Given these factors, losses incurred on commercial real estate and commercial loans could have a material adverse impact on our business, financial condition, and results of operations. In addition, many of our borrowers operate in industries that are directly or indirectly impacted by changes in commodity prices, such as agriculture and livestock businesses, as well as businesses indirectly impacted by commodities prices, such as businesses that transport commodities or manufacture equipment used in production of commodities. Changes in commodity products prices depend on local, regional, and global events or conditions that affect supply and demand for the relevant commodity. Deterioration in economic conditions or in the real estate market could result in increased delinquencies and foreclosures and could have an adverse effect on the collateral value for many of these loans and on the repayment ability of many of our borrowers. Deterioration in economic conditions or in the real estate market could also reduce the number of loans we make to businesses in the construction and real estate industry, which could negatively impact our interest income and results of operations. Similarly, the occurrence of a natural or man- made disaster in our market areas could impair the value of the collateral we hold for real estate secured loans. Any factor or combination of factors identified above could negatively impact our business, financial condition, results of operations, and prospects. A decline in economic conditions could reduce demand for our products and services and negatively impact the credit quality of loans, which could have an adverse effect on our results of operations. Our clients are located predominantly in Arizona, Colorado, Idaho, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, North Dakota, Oregon, South Dakota, Washington, and Wyoming. Unlike larger banks that are more geographically diversified, our profitability largely depends on the general economic conditions in these areas. Deterioration in economic conditions could result in the following consequences, any of which could have a material ~~,~~ adverse effect on our business, financial condition, liquidity, and results of operations: • demand for our products and services may decline; • loan delinquencies, problem assets, and foreclosures may increase; • increases in the provisions for credit losses and loans and lease charge- offs; • decrease in net interest income derived from lending activities; • collateral for loans, especially real estate, may decline in value; • future borrowing power of our clients may be reduced; • the value of our securities portfolio may decline; • the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us; and • increases in our operating expenses associated with attending to the effects of the above noted consequences. Volatility and uncertainty related to inflation and the effects of inflation, which may lead to increased costs for businesses and consumers and potentially contribute to poor business and economic conditions generally, may enhance or contribute to some of the risks discussed herein. For example, higher inflation, or volatility and uncertainty related to inflation, could reduce demand for our products, adversely affect the creditworthiness of the Company' s borrowers **,** or result in lower values for our investment securities and other interest- earning assets. ~~In response to sustained inflationary pressures, the Federal Reserve increased interest rates by 25 basis points on March 16, 2022, by 50 basis points on May 4, 2022, by 75 basis points on June 15, 2022, by 75 basis points on July 27, 2022, by 75 basis points on September 21, 2022, by 75 basis points on November 2, 2022, by 50 basis points on December 14, 2022, and an additional 25 basis points on February 1, 2023.~~ The Federal Reserve **stated its current objective is to return the rate of inflation to 2 % and it** has ~~also signaled~~ **been aggressively acting to achieve this goal. Throughout 2022 and 2023, the Federal Reserve has raised the federal funds rate to** its ~~intention~~ **current targeted rate between 5. 25 % and 5. 5 % in an effort** to ~~continue to raise~~ **curb inflation. With the general inflationary pressures easing, the Federal Reserve slowed it' s pace of raising** interest rates ~~as necessary~~ in **the second half of** 2023 ~~and~~ **. As market interest rates rise, we experience competitive pressures to increase the rates we pay on deposits, which may decrease our net interest income. In addition, inflationary pressures** will **increase our operating costs** ~~continue to taper its purchases of agency mortgage- backed securities~~ and ~~treasury securities~~ **could have a significant negative effect on our borrowers and the values of collateral securing loans, which could negatively affect our financial performance** . To the extent these **monetary** policies do not mitigate the volatility and uncertainty related to inflation and the effects of inflation, or to the extent conditions otherwise worsen, we could experience adverse effects on our business, financial condition, and results of operations. Deflationary pressures, while possibly lowering our operating costs, could also have a significant negative effect on our borrowers, especially our business borrowers, and the values of underlying collateral securing loans, which could negatively affect our business, financial condition, and results of operations. Additionally, a significant decline in general economic conditions caused by the economic slowdown in Europe and the United States, the impact of trade negotiations, escalating tensions with China, economic conditions in China, including the global economic impacts of the Chinese economy, China' s regulation of commerce, escalating military tensions in Europe as a result of Russia' s ~~invasion of~~ **military action in** Ukraine ~~or elsewhere~~ **, and the conflict in Israel and the surrounding regions** , the outbreak of other international or domestic hostilities or other unrest, a default by the United States or other governments in repaying financial obligations, a shutdown of all or part of the United States government or other governments, the effects of ~~the pandemic~~ **pandemics** or other health crises, acts of terrorism, climate- related events such as prolonged drought, unemployment, or other economic and geopolitical factors beyond our control, could further impact these local economic conditions and negatively affect our business and results of operations. If we experience loan credit losses in excess of estimated amounts, our earnings could be adversely affected. The risk of credit losses on loans varies with, among other things, general economic conditions, the composition of our loan portfolio, the creditworthiness of the borrower over the term of the loan, and, in the case of a collateralized loan, the value and marketability of the collateral for the loan. We maintain an allowance for credit losses based upon, among other things, historical experience, delinquency trends, economic conditions, and regular reviews of loan portfolio quality. Based upon such factors, management makes various assumptions and judgments about the ultimate collectability of our loan portfolio and provides an allowance for credit losses. These assumptions and judgments are complex and difficult to determine given the significant uncertainty surrounding future conditions in the general economy and banking industry. If management' s assumptions and judgments prove to be incorrect and the allowance for credit losses is inadequate, or if banking authorities or regulations require us to increase the allowance for credit losses, our net income may be adversely affected. As a result, an increase in credit losses could have a material adverse effect on our earnings, financial condition, results of operations, and prospects. The soundness of other financial institutions could...... financial obligations or extensions of credit. We invest in Collateralized Loan Obligations (CLO) securities, which may expose us to losses in connection with such investments. We invest in certain AAA senior tranches of the capital structure in CLO securities. The senior tranche takes priority with respect to the interest and principal cash flows of the CLO security, while retaining the last priority in a loss scenario. The senior tranches are relatively more liquid than the subordinated notes due to the accompanying credit enhancement. The value of any investment in this asset class could decrease depending on the performance of the underlying collateral in the CLO. As of December 31, ~~2022~~ **2023** , we had available- for- sale CLO securities with an estimated fair value of $ 1, ~~111~~ **119** . ~~6~~ **7** million, or ~~16~~ **19** . ~~0~~ **2** % of our available- for- sale investment portfolio. **United States trade policies and other factors beyond the Company' s control,including the imposition of tariffs and retaliatory tariffs,may adversely impact our business,financial condition,and results of operations.Uncertainties continue regarding the potential for a renegotiation of international trade agreements by the Biden administration after changes in United States trade policies,legislation,treaties,and tariffs were enacted by the Trump administration.These changes,including trade policies and tariffs affecting other countries,including China,countries comprising the European Union or Middle East,Canada,and Mexico,and retaliatory tariffs by such countries,could materially harm our business.Tariffs and retaliatory tariffs have been imposed,and additional tariffs and retaliatory tariffs are periodically discussed.A trade war or other governmental action related to tariffs or international trade agreements or policies,as well as COVID- 19 or other potential epidemics or pandemics,have the potential to negatively impact our and / or our clients' costs,demand for our clients' products,and / or the U.S.economy or certain sectors thereof and,thus,adversely affect our business,financial condition,and results of operations.** The soundness of other financial institutions could adversely affect the Company.Financial services companies are interrelated as a result of trading,clearing,counterparty,or other relationships.We have exposure to many different industries and counterparties.For example,we execute transactions with counterparties in the financial services industry,including brokers and dealers,commercial banks,investment banks,and other institutional clients.As a result,defaults by,or even rumors or questions about,one or more financial services companies or the financial services industry ~~generally~~ **at times** have led to market- wide liquidity problems and could lead to losses or defaults by us or by other institutions.Many of these transactions expose us to increased credit risk in the event of default of a counterparty or client.Liquidity Risks We are subject to liquidity risks which could impair our cash flows and adversely affect the Company.Liquidity is the ability to meet current and future cash flow needs on a timely basis at a reasonable cost.Our liquidity is used to make loans and repay deposit liabilities as they become due or are demanded by clients.We rely on our ability to generate deposits and effectively manage the repayment and maturity schedules of our loans and investment securities,respectively,to provide adequate liquidity to fund our operations.While scheduled loan repayments are a relatively stable source of funds,they are subject to the ability of borrowers to repay the loans.The ability of borrowers to repay loans can be adversely affected by a number of factors,including changes in economic conditions,adverse trends or events affecting business industry groups,reductions in real estate values or markets,business closings or lay- offs,inclement weather,natural disasters,which could be exacerbated by potential climate change,and international instability.Additionally,deposit levels may be affected by **several** ~~a number of~~ factors,including rates paid by competitors,general interest rate levels,regulatory capital requirements,returns available to clients on alternative investments and general economic conditions.We may experience potential stresses on liquidity management.We may see deposit levels decrease as clients adjust to distressed economic conditions by using the funds that would otherwise be savings.Accordingly,we may be required from time to time to rely on secondary sources of liquidity to meet withdrawal demands or otherwise fund operations.We maintain a portfolio of investment securities that may be used as a secondary source of liquidity to the extent the securities are not pledged ~~for~~ **as** collateral.Other potential sources of liquidity include the sale of loans,the utilization of available government and regulatory assistance programs,the ability to acquire brokered deposits,the issuance of additional collateralized borrowings such as Federal Home Loan Bank advances,the issuance of debt or equity securities,the sale of available- for- sale securities which may require the sale of securities in a loss position,securities sold under repurchase agreements,federal funds purchased,and borrowings through the Federal Reserve' s discount window.Without sufficient liquidity from these potential sources,we may not be able to meet the cash flow requirements of our depositors and borrowers.Additionally,our access to funding sources in amounts adequate to finance our activities or on terms that are acceptable to us could be impaired by factors specific to us,the financial services industry,or the economy in general.Factors that could reduce our access to liquidity sources include a downturn in our local or national economies,unfavorable market conditions,difficult or illiquid credit markets, **impairments on the value of the collateral we use to secure certain of our borrowings,** or adverse regulatory actions against us.A failure to maintain adequate liquidity could have a material,adverse effect on our regulatory standing,business,financial condition,and results of operations.Loss of deposits or a change in deposit mix could increase the Company' s funding costs and negatively affect the Company' s operations.Deposits are a low cost and stable source of funding.We depend on checking and savings,negotiable order of withdrawal,money market deposit account balances,and other forms of client deposits as our primary source of funding.Deposit levels may be affected by **several** ~~a number of~~ factors,including interest rates paid by competitors,general interest rate levels,returns available to customers on alternative investments and general economic conditions that affect savings levels and the amount of liquidity in the economy,including government stimulus efforts in response to economic crises.The availability of internet banking products has increased the mobility of client deposits.We compete with banks and other financial institutions for deposits.Funding costs may increase because the Company may lose deposits and replace them with more expensive sources of funding.Clients may shift their deposits into higher- cost products,or the Company may need to raise its interest rates to remain competitive in the marketplace.Higher funding costs reduce the Company' s net interest income and net income. **We experienced modest changes in our total outstanding deposit balances following the bank closures in March and May 2023 and related events.We also experienced changes in deposit balances resulting from typical seasonal fluctuations due to the nature of our business and the business of our customers.We cannot be assured that unusual deposit withdrawal activity will not affect banks generally in the future or the Bank specifically.Our Liquidity could be impacted by an inability to access funding,by an unforeseen outflow of cash,or by the inability to monetize liquid assets.Factors outside of the Company' s control,such as a general market disruption or an operational problem that affects third parties,could impair the Company' s ability to access short- term funding or create an unforeseen outflow of cash due to,among other factors,draws on unfunded commitments or deposit attrition.Large- scale withdrawals of deposits could require us to access short- term funding sources to meet immediate cash needs or pay significantly higher interest rates to obtain or maintain our deposits,which would have an adverse impact on our net interest income and net income.In addition,changes to the underwriting guidelines or lending policies may limit or restrict our ability to borrow,and therefore could have a significant adverse impact on our liquidity.In the event of future turmoil in the banking industry or other events,there is no guarantee that the U.S.government will invoke the systemic risk exception,create additional liquidity programs,or take any other action to stabilize the banking industry or provide liquidity.The Company' s inability to monetize liquid assets or to access short- term funding or capital markets could limit the Company' s ability to make new loans or meet existing lending commitments and could impact the Company' s liquidity and capitalization.** Market Risks Changes in interest rates may have an adverse effect on demand for our products and services and on our profitability.Our earnings and cash flows are largely dependent on net interest income,which is the difference between interest income earned on interest- earning assets,such as loans and investment securities,and interest expense paid on interest- bearing liabilities,such as deposits and borrowed funds.The level of net interest income is primarily a function of the average balance of interest- earning assets,the average balance of interest- bearing liabilities,and the spread between the yield on such assets and the cost of such liabilities.The narrowing of interest rate spreads could adversely affect our earnings and financial condition.The Federal Reserve increased the federal funds target range by ~~425~~ **525** basis points ~~during~~ **between March 16,** 2022 **and July 26,2023** in an effort to dampen increasing inflation rates. **With the general inflationary**

pressures easing,the Federal Reserve slowed its pace of raising ~~Interest~~ **interest** ~~rate~~ **rates** ~~increases have continued into~~ **in the second half of** 2023 **.The Federal Reserve also indicated in December** ~~with a 25 basis point increase on February 1,~~ 2023 ~~.We anticipate~~ that there may be ~~further~~ **interest rate** ~~increases~~ **decreases** ~~throughout~~ **during** ~~2023~~ **2024** ,although we cannot control or predict with certainty changes in interest rates.Regional and local economic conditions,competitive pressures,and the policies of regulatory authorities,including monetary policies of the Federal Reserve **and the speed of their implementation** ,affect interest income and interest expense.As of December 31, ~~2022~~ **2023** , ~~42~~ **40** . ~~0~~ **2** % of our loans were advanced to our clients on a variable or adjustable- rate basis.The **prolonged** higher borrowing costs resulting from the increases by the Federal Reserve may cause financial hardship on our borrowers,reducing the ability of borrowers to repay their current loan obligations.As a result,these increases in interest rates could result in increased loan defaults,foreclosures,and charge- offs and could necessitate further increases to the allowance for credit losses,any of which could have a material adverse effect on our business,financial condition,or results of operations.In addition,a decrease in interest rates could negatively impact our margins and profitability and uncertainty about the timing and magnitude of future interest rate ~~increases~~ **changes** could reduce borrowing demand and,thus,the need for our lending services.Changes in monetary policy,including changes in interest rates,could influence not only the interest we receive on loans and securities and the amount of interest we pay on deposits and borrowings,but could also adversely affect (1) our ability to originate loans and obtain deposits,(2) the fair value of our financial assets and liabilities,including mortgage servicing rights,(3) our ability to realize gains on the sale of assets,and (4) the average duration of our mortgage- backed securities and collateralized mortgage obligations portfolios.For example,rising interest rates could adversely affect our mortgage banking business because higher interest rates could cause clients to apply for fewer mortgages.Similarly,rising interest rates would increase the required periodic payment for variable rate loans and may result in an increase in non- performing loans.Additionally,rising interest rates may increase the cost of our deposits,which are a primary source of funding.Any substantial,unexpected,or prolonged change in market interest rates could have a material,adverse effect on our cash flows,financial condition,and results of operations.Changes in interest rates can also affect the slope of the yield curve.The impact from a decline in the current yield curve or a flatter or inverted yield curve could cause our net interest income and net interest margin to contract,which could have a material adverse effect on our net income and cash flows,as well as the value of our assets.An inverted yield curve or downward shift in interest rates may also adversely affect the yield on investment securities by increasing the prepayment risk on certain securities.A flattening or inversion of the yield curve or a negative interest rate environment in the United States could create downward pressure on our net interest margin. ~~United States trade policies~~ **Changes in interest rates may have** ~~and~~ - **an adverse effect on the value of our investment securities.Inflation and rapid increases in interest rates have led to a decline in the trading value of previously issued government securities with interest rates below current market interest rates.Any sale of investment securities that are held in an unrealized loss position by us for liquidity or** other **purposes will cause actual losses to be realized** ~~factors beyond the Company' s control,including the imposition of tariffs and retaliatory tariffs,may adversely impact our business,financial condition,and results of operations~~ . ~~Uncertainties continue regarding the potential for a renegotiation of international trade agreements by the Biden administration after changes in United States trade policies,legislation,treaties,and tariffs were enacted by the Trump administration.These~~ **There can be no assurance that** ~~changes,including trade policies and tariffs affecting other~~ - **there will not be additional bank failures** ~~countries,including China,countries comprising the European Union~~ or **issues** ~~Middle East,Canada,and Mexico,and retaliatory tariffs by~~ such **as liquidity** ~~countries,could materially harm our business.Tariffs and retaliatory tariffs have been imposed,and additional tariffs and retaliatory tariffs are periodically discussed.In addition,COVID-19 and~~ concerns **in** ~~regarding the extent to which it may continue to spread,including the currently discovered and potential future variants of COVID- 19,have affected,and may increasingly affect,international trade (including supply chains and export levels),travel,employee productivity and other~~ -- **the broader** ~~economic activities.A trade war or other governmental action related to tariffs or international trade agreements or policies,as well as COVID- 19 or other potential epidemics or pandemics,have the potential to negatively impact our and / or our clients' costs,demand for our clients' products,and / or the U.S.economy or certain sectors thereof and,thus,adversely affect our business,financial condition,and results of operations.The Company may experience significant competition from new or existing competitors,which may reduce its client base or cause it to adjust prices for its products and services in order to maintain market share.There is intense competition among banks in the Company' s market area.In addition,the Company competes with other providers of~~ financial services ~~,such as savings~~ **industry or in the U.S.financial system.Adverse financial market** and ~~loan associations~~ **economic conditions can exert downward pressure on stock prices** , **security prices,and** credit **availability for** ~~unions,consumer finance~~ **financial** ~~companies,~~ **institutions without regard to their underlying financial strength.The volatility and economic disruption resulting from the bank closures in the first two quarters of 2023 particularly impacted the price of** securities **issued by** ~~firms,insurance companies,commercial finance and leasing companies,factoring companies,the mutual funds industry,~~ financial **institutions** ~~technology (" fintech ") companies~~ , **including** ~~full- service brokerage firms,and discount brokerage firms,some of which are subject to less extensive regulations than~~ us ~~with respect to the products and services they provide~~ . ~~Our success depends,in part,on our ability to adapt our products and services to evolving industry standards and client expectations.There is increasing pressure to provide products and services at lower prices.Lower prices can reduce our net interest margin and revenues from our fee- based products and services.In addition,the adoption of new technologies by competitors,including internet banking services,mobile applications,and advanced ATM functionality,could require us to make substantial expenditures to modify or adapt our existing products and services.Also,these and other capital investments in our business may not produce expected growth in earnings anticipated at the time of the expenditure.The Company may not be successful in introducing new products and services,achieving market acceptance of its products and services,anticipating or reacting to consumers' changing technological preferences,or developing and maintaining loyal clients.In addition,we could lose market share to the shadow banking system or other non- traditional banking organizations.Some of our larger competitors may have greater capital and~~

~~resources than the Company,higher lending limits,and products and services not offered by us.Any potential adverse reactions to our financial condition or status in the marketplace,as compared to its competitors,could limit our ability to attract and retain clients and to compete for new business opportunities.The inability to attract and retain clients or to effectively compete for new business may have a material and adverse effect on our financial condition and results of operations.The Company also experiences competition from non- bank companies inside and outside of its market area and,in some cases,from companies other than those traditionally considered financial sector participants.In particular,technology companies have begun to focus on the financial sector and offer software and products primarily over the internet,with an increasing focus on mobile device delivery.These companies generally are not subject to~~ Operational Risks Our Company faces ~~cyber- security~~ **cybersecurity** risks, including " denial- of- service attacks, " " hacking, " and " identity theft " that could result in the disclosure of confidential information, adversely affect our business or reputation, and create significant legal and financial exposure. Our computer systems and network infrastructure are subject to security risks and could be susceptible to cyber- attacks, such as denial- of- service attacks, hacking, malware, terrorist activities, or identity theft. Financial services institutions and companies engaged in data processing have reported breaches in the security of their websites or other systems, some of which have involved sophisticated and targeted attacks intended to obtain unauthorized access to confidential information, destroy data, disable or degrade service, or sabotage systems, often through the introduction of computer viruses, malware, ransomware, cyber- attacks, and other means. Denial- of- service attacks have been launched against **several** ~~a number of~~ large financial services institutions, primarily resulting in inconvenience. Future ransomware and cyber- attacks could be more disruptive and damaging. Hacking and identity theft risks, in particular, could cause serious reputational harm to the Company and the Bank. The hardware and software we purchase from suppliers to facilitate financial services and perform company operations are also at risk of having embedded malware, viruses, and other methods intended to develop unauthorized access to confidential information. These types of attacks, known as " supply- chain attacks, " have become more prevalent and are creating additional risks through the solutions and tools upon which we rely. While we have a third- party risk management program to oversee our vendors and procurement, our ability to successfully mitigate these risks that occur in the hardware and software of these vendors is limited. To the extent we experience supply- chain attacks, our business and reputation could be materially adversely affected. In addition, we provide our clients with the ability to bank remotely, including online, through their mobile device, and over the telephone. The secure transmission of confidential information over the internet and other remote channels is a critical element of remote banking. Our network could be vulnerable to unauthorized access, computer viruses, malware, phishing schemes, and other internal and external security breaches. We may be required to spend significant capital and other resources to protect against threats, or to alleviate problems caused by security breaches or malicious software. To the extent that our activities or the activities of our clients involve the storage and transmission of confidential information, security breaches, and viruses could expose us to claims, regulatory scrutiny, litigation, and other possible liabilities **. Other possible points of intrusion or disruption not within the Company' s control include internet service providers, electronic mail portal providers, social media portals, distant- server (cloud) service providers, electronic data security providers, telecommunications companies, and smart phone manufacturers** . Despite efforts to ensure the integrity of our systems, cyber threats are rapidly evolving and we may not be able to anticipate or prevent all such attacks, nor may we be able to implement guaranteed preventive measures against such security breaches. The techniques used by cyber criminals change frequently, may not be recognized until launched or later, and can originate from a wide variety of sources, including outside groups such as external service providers. These risks may increase in the future as we continue to increase our mobile payment and other internet- based product offerings and expand our internal usage of web- based products and applications. Further, targeted social engineering attacks may be sophisticated and difficult to prevent and our employees, clients, or other users of our systems may be fraudulently induced to disclose sensitive information, allowing cyber criminals to gain access to our systems or data of our clients **. In addition, some of our employees work remotely, including while traveling for business, which increases our cybersecurity risk, creates data accessibility concerns, and makes us more susceptible to security breaches or business disruptions** . A successful penetration or circumvention of system security could cause us serious negative consequences, including significant disruption of operations, misappropriation of confidential information, or damage to our computers or systems or to those of our clients and counterparties. A successful security breach could result in violations of applicable privacy and other laws, financial loss to us or to our clients, loss of confidence in our security measures, significant litigation exposure, and harm to our reputation, all of which could have a material adverse effect on our business, financial condition, results of operations, and prospects. Privacy, information security, and data protection laws, rules, and regulations could affect or limit how we collect and use personal information, increase our costs, and adversely affect our business opportunities. We are subject to various privacy, information security, and data protection laws, including: (i) certain limitations on our ability to share non- public personal information about our clients with non- affiliated third parties; (ii) requirements for certain disclosures to clients about our information collection, sharing, and security practices and that afford clients the right to " opt out " of any information sharing by us with non- affiliated third parties (with certain exceptions); and (iii) requirements that we develop, implement, and maintain a written information security program containing appropriate safeguards based on our size and complexity, the nature and scope of our activities, and the sensitivity of client information we process, as well as plans for responding to data security breaches. Compliance with current or future privacy, data protection, and information security laws (including those regarding security breach notification) affecting client or employee data could result in higher compliance and technology costs and could restrict our ability to provide certain products and services, which could have a material adverse effect on our business, financial conditions, or results of operations. Our failure to comply with privacy, data protection, and information security laws could result in potentially significant regulatory or governmental investigations or actions, litigation, fines, sanctions, and damage to our reputation, which could have a material adverse effect on our business, financial condition, or results of operations. **Moreover, many U. S. and foreign laws and regulations, including those promulgated by the SEC,**

require companies to provide notice of cybersecurity incidents involving certain types of personal data or unauthorized access to, or interference with, our information systems to the public, certain individuals, the media, government authorities, or other third parties. Certain of these laws and regulations include notice or disclosure obligations contingent upon the result of complex analyses, including in some cases a determination of materiality. The nature of cybersecurity incidents can make it difficult to assess an incident' s overall impact quickly and comprehensively to our business, and we may make errors in our assessments. If we are unable to appropriately assess a cybersecurity incident in the context of required analyses then we could face compliance issues under these laws and regulations, and we could be subject to lawsuits, regulatory fines or investigations, or other liabilities, any of which could adversely affect our business and operating results. Furthermore, cybersecurity incidents experienced by us, or by our customers or vendors, that lead to public disclosures may also lead to widespread negative publicity and increased government or regulatory scrutiny. Any security compromise in our industry, whether actual or perceived, could harm our reputation; erode customer confidence in our security measures; negatively affect our ability to attract new customers; or subject us to third- party lawsuits, regulatory fines or investigations, or other liability, any of which could adversely affect our business and operating results. Even the perception of inadequate security may damage our reputation and negatively impact our ability to win new customers and retain existing customers. Additionally, we could be required to expend significant capital and other resources to investigate and address any actual or suspected cybersecurity incident or to prevent further or additional incidents. To maintain business relationships, we may find it necessary or desirable to incur costs to provide remediation and incentives to customers or other business partners following an actual or suspected security incident. We also cannot be sure that our existing cybersecurity insurance will continue to be available on acceptable terms, in sufficient amounts to cover any claims we submit, or at all. Further, we cannot be sure that insurers will not deny coverage as to any claim, and some security incidents may be outside the scope of our coverage, including in instances where they are considered force majeure events. Security incidents may result in increased costs for cybersecurity insurance. One or more large, successful claims against us in excess of our available insurance coverage, or changes in our insurance policies, including premium increases or large deductible or co-insurance requirements, could have an adverse effect on our business, operating results, and financial condition. Our goodwill and other intangible assets may become impaired, which may adversely impact our results of operations and financial condition. The excess purchase price over the fair value of net assets from acquisitions, or goodwill, is evaluated for impairment at least annually and on an interim basis if an event or circumstance indicates it is likely an impairment has occurred. In testing for impairment, the Company performs a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is in excess of its carrying value. If it is not more likely than not that the fair value of the reporting unit is in excess of the carrying value, the fair value of net assets is estimated based on analyses of our market value, discounted cash flows, and peer values. Consequently, the determination of the fair value of goodwill is sensitive to market- based economics and other key assumptions. Variability in market conditions or in key assumptions could result in impairment of goodwill, which is recorded as a non- cash adjustment to income. An impairment of goodwill could have a material adverse effect on our business, financial condition, and results of operations. As of December 31, ~~2022~~ **2023** , we had goodwill of $ 1, 100. 9 million, or ~~35~~ **34** . ~~8~~ **1** % of our total stockholders' equity. Identifiable intangible assets other than goodwill consist of core deposit intangibles and other intangible assets (primarily customer relationships). Adverse events or circumstances could impact the recoverability of these intangible assets including loss of core deposits, significant losses of customer accounts and / or balances, increased competition or adverse changes in the economy. To the extent these intangible assets are deemed unrecoverable, a non- cash impairment charge would be recorded which could have a material adverse effect on our results of operations. The Company relies on other companies to provide certain key components of its business infrastructure. We are reliant upon certain external vendors to provide products and services necessary to maintain our day- to- day operations and we outsource many of our major systems, such as certain data processing, loan servicing, and deposit processing systems. Through our contractual relationships, external vendors are subject to some of the same rules and regulations that are applicable to the Company and their compliance with regulatory requirements is our responsibility. While the Company has selected these external vendors and systems carefully and continues to manage and oversee these vendors, it does not control their operations. Failure of certain external vendors or systems to perform or provide services in accordance with contractual arrangements could be disruptive to our operations and limit our ability to provide certain products and services demanded by our clients. Because our information technology and telecommunications systems interface with and depend on third- party systems, we could experience disruptions if demand for such services exceeds capacity or such third- party systems fail or experience interruptions. If significant, sustained, or repeated, a system failure or disruption could compromise our ability to operate effectively, damage our reputation, result in a loss of client business, and / or subject us to additional regulatory scrutiny and possible financial liability. Any of the failures or disruptions mentioned above could negatively impact our financial condition, results of operations, cash flows, and prospects. Replacing these third- party vendors could also entail significant delay and expense. Our reputation is very important to our ability to maintain, attract and retain client relationships and if our reputation were impaired **,** it ~~,~~ could have an adverse effect on the Company. Our clients expect us to deliver personalized financial services with the highest standards of performance, professionalism, compliance, and ethics. Damage to our reputation could undermine retention of our current clients and our ability to attract potential clients while also impairing the confidence of our counterparties and vendors, the result of which affects our ability to effect transactions. Maintaining our reputation depends, in part, on our ability to identify and address issues that may arise such as potential conflicts of interest, anti- money laundering, fair lending issues, client personal information and privacy issues, ~~cyber- security~~ **cybersecurity** , employee, client and other third- party fraud, record-keeping, regulatory investigations, and any litigation that may arise from the failure or perceived failure of us to comply with legal and regulatory requirements. To maintain our reputation, we also must prevent third parties from infringing on the " First

Interstate Bank " brand and associated trademarks and our other intellectual property. Our reputation or prospects could be significantly damaged by adverse publicity or negative information regarding our Company, whether or not true, that may be posted on social media, reported in the news, or posted in other parts of the internet. Defending our reputation, trademarks, and other intellectual property, including through litigation, could result in costs that could have a material adverse effect on our business, financial condition, or results of operations. **The results** ~~We are dependent upon the services~~ of **mainstream media** ~~our management team~~ and ~~directors~~ **social media contagion** and **speculation could impact** ~~if the services of any of them~~ **the banking system and** ~~were to become unavailable, it could~~ have an adverse effect on **us. Dissemination of information by mainstream media and social media platforms is extensive and can occur at a rapid pace. Adverse conditions at financial institutions of significant size can negatively impact other financial institutions, despite the quality of leadership and decision making of the other financial institutions or their ability to effectively identify, measure, manage and control risk. Misinformed or inaccurate reporting regarding an incident or incidents at any financial institution can impact the broader banking industry, particularly given the speed and breadth of such reporting. Any adverse condition could be reported in a way to negatively affect the price of financial institution securities and could impact credit availability for certain issuers without regard to their underlying financial strength. This contagion risk can also occur when a perceived lack of trust in the banking system spreads throughout the industry based upon the results of a few poorly managed larger financial institutions. We are dependent upon the services of our management team and directors and if the services of any of them were to become unavailable, it could have an adverse effect on** the Company. Our future success and profitability ~~is~~ **are** substantially dependent upon the management skills of senior management and directors. The unanticipated loss or unavailability of key employees could harm our ability to operate our business or execute our business strategy. The Company faces significant competition in the recruitment of highly motivated individuals who can deliver our Company' s purpose, mission, and values, which has recently intensified as a result of changes in the labor market ~~and COVID-19~~. The FRB, FDIC, SEC, and other federal regulatory agencies have jointly proposed rules, which would affect incentive compensation. If finalized, these rules may result in additional costs and restrictions on the form of the Company' s incentive compensation. We may not be successful in retaining key employees or finding and integrating suitable successors in the event of key employee loss or unavailability. We may not be able to attract and retain qualified employees to operate our business effectively, which could have an adverse effect on our business. There is substantial competition to attract and retain talented and diverse employees in our markets. It may be difficult for us to attract and retain qualified employees at all management and staffing levels. Failure to attract and retain employees and maintain adequate staffing of qualified personnel could adversely impact our operations and our ability to execute our business strategy. Furthermore, relatively low unemployment rates may lead to significant increases in labor costs such as salaries, wages, and employee benefits expenses as we compete for qualified and skilled employees, which could negatively impact our results of operations and prospects **. In addition, in order to continue to hire and retain highly qualified personnel, we will need to continue to manage remote working policies, which may add to the complexity and costs of our business operations. From time to time, we have experienced, and we expect to continue to experience, difficulty in hiring and retaining employees with appropriate qualifications. Many of the companies with which we compete for experienced personnel have greater acceptance of remote or hybrid work environments, which may increase the competition for talent** . Costs associated with repossessed properties, including environmental remediation, may adversely impact our results of operations, cash flows, and financial condition. A significant portion of our loan portfolio is secured by real property. During the ordinary course of business, we may foreclose on and take title to properties serving as collateral for certain loans. There are significant costs associated with our ownership of these properties including, but not limited to, personnel costs, taxes and insurance, completion and repair costs, and valuation adjustments. Additionally, we may experience unfavorable pricing in connection with our disposition of foreclosed properties. These costs, along with unfavorable pricing upon disposition, may adversely affect our cash flows, financial condition, and results of operations. If hazardous or toxic substances are found on these properties, we may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require us to incur substantial expenses and may materially reduce the affected property' s value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material, adverse effect on our cash flows, financial condition, and results of operations. If our systems of internal operating and accounting controls were to become ineffective, our financial information could be negatively impacted. We establish and maintain systems of internal operational and accounting controls that provide us with critical information used to manage our business. These systems are subject to various inherent limitations, including cost, judgments used in decision- making, assumptions about the likelihood of future events, the soundness of our systems, the possibility of human error, and the risk of fraud. Moreover, controls may become inadequate because of changes in conditions or processes and the risk that the degree of compliance with policies or procedures may deteriorate over time. Because of these limitations, any system of internal operating controls may not be successful in preventing all errors or fraud or in making all material information known in a timely manner to the appropriate levels of management. From time- to- time, control deficiencies and losses from operational malfunctions or fraud have occurred and may occur in the future. Any future deficiencies, weaknesses, or losses related to internal operating control systems could have an adverse effect on our business, financial condition, results of operations, and prospects. We may not effectively implement technology- facilitated products and services or be successful in marketing these products and services to our clients, which could negatively impact our business. The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology- facilitated products and services. The effective use of technology enables financial institutions to better serve clients and perform more efficiently. Our future success depends, in part, upon our ability to use technology to provide products and services that will satisfy clients' demands for convenience, as well as create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology- facilitated products and services or be successful in marketing these products and services to our clients. Failure to successfully keep pace with technological change affecting the financial services industry could have a material, adverse impact on our business and, in turn, on our financial condition, results of operations, and prospects. Strategic Risks **We may encounter** ~~Difficulties~~ **difficulties** in combining the operations of **future** acquired entities or assets with our own operations or assessing the effectiveness of businesses in which we make strategic investments or with which we enter into strategic contractual relationships may prevent us from achieving the expected benefits from these acquisitions, investments, or relationships. Acquisitions of other companies or of financial assets and related deposits and other liabilities present risks and uncertainties to us based in part on the nature of the business or assets and liabilities acquired. For example, if an acquisition includes loan portfolios, the extent of credit losses following completion of the acquisition could adversely affect our combined results of operations. Similarly, if an acquisition includes deposits, the extent of deposit attrition after closing could adversely affect our combined results of operations. Acquisitions of banking companies typically include both loans and deposits, and the extent of any post- closing credit losses and deposit attrition could be affected by a number of factors, including the state of the economy following the acquisition and the geographic area or markets in which the target operates. If the markets were to react negatively to the announcement of the acquisition, or if the economy were to suffer or enter into a recession following an acquisition, we may not timely, or at all, achieve the expected benefits of an acquisition and our business and the value of our ~~Class A~~ common stock could be harmed. Acquisitions of other companies or of financial assets and related deposits and other liabilities also present risks and uncertainties to us in addition to those presented by the nature of the business acquired. These risks include unanticipated costs incurred in connection with the integration of the acquired business. For example, the total cost and time required to complete the integration successfully could be greater than estimated and result in higher acquisition costs than expected or a loss of market opportunity due to any such delay. Furthermore, the results of litigation or governmental investigations that may have been pending at the time of an acquisition, or may be filed or commenced thereafter, as a result of an acquisition or otherwise, may be materially underestimated and harm our operating results more than originally anticipated. On the other hand, some or all of the anticipated benefits of a particular acquisition, such as cost savings from synergies or strategic gains from being able to offer product sets to a broader potential client base, may not be realized. It can take longer or require greater resources than originally expected to achieve any of such benefits. It also may prove impossible to achieve them at all or in their entirety as a result of unexpected factors or events. As a result, any acquisition could ultimately prove dilutive to our equity and shareholders' earnings per share, thereby adversely affecting our financial condition and results of operations. Acquisitions may also result in business disruptions that could cause clients to remove their accounts from us and move their business to competing financial institutions. It is possible that the integration process related to acquisitions could also result in the disruption of our ongoing businesses or inconsistencies in standards, controls, procedures, and policies that could adversely affect our ability to maintain relationships with clients and employees. The loss of key employees in connection with an acquisition could also adversely affect our ability to successfully conduct our business. Acquisition and integration efforts could divert management attention and resources, which could have an adverse effect on our financial condition and results of operations. Additionally, the operation of the acquired branches may adversely affect our existing profitability, and we may not be able to achieve results in the future similar to those achieved by the existing banking business or manage growth resulting from the acquisition effectively, any of which could harm our business and reputation. In addition to post- acquisition integration related risks, inherent uncertainties exist when assessing or integrating the operations of another business into which we may make an investment or with which we may enter ~~into~~ a commercial relationship. We may not be able to fully achieve the strategic objectives and planned operating efficiencies relevant to an investment or strategic relationship. In addition, the markets and industries in which we and the potential investment targets operate are highly competitive. Investment targets and commercial contract counterparties may lose clients or otherwise perform poorly or unprofitably, or in the case of a strategic relationship, cause us to lose clients or perform poorly or unprofitably. Future investment activities and efforts to monitor or reap the benefits of a new strategic relationship may require us to devote substantial time and resources and may cause these investments and relationships to be unprofitable or cause us to be unable to pursue other business opportunities, any of which could harm our business. ~~.economy or certain sectors thereof and,thus,adversely affect our business,financial condition,and results of operations.~~ The Company may experience significant competition from new or existing competitors,which may reduce its client base or cause it to adjust prices for its products and services in order to maintain market share.There is intense competition among banks in the Company' s market ~~area~~ **areas** .In addition,the Company competes with other providers of financial services,such as savings and loan associations,credit unions,consumer finance companies,securities firms,insurance companies,commercial finance and leasing companies,factoring companies,the mutual funds industry,financial technology (" fintech ") companies,full- service brokerage firms,and discount brokerage firms,some of which are subject to less extensive regulations than us with respect to the products and services they provide.Our success depends,in part,on our ability to adapt our products and services to evolving industry standards and client expectations.There is increasing pressure to provide products and services at lower prices.Lower prices can reduce our net interest margin and revenues from our fee- based products and services.In addition,the adoption of new technologies by competitors,including internet banking services,mobile applications,and advanced ATM functionality,could require us to make substantial expenditures to modify or adapt our existing products and services.Also,these and other capital investments in our business may not produce expected growth in earnings anticipated at the time of the expenditure.The Company may not be successful in introducing new products and services,achieving market acceptance of its products and services,anticipating or reacting to consumers' changing technological preferences,or developing and maintaining loyal clients.In addition,we could lose market share to the shadow banking system or other non- traditional banking organizations.Some of our larger competitors may have greater capital and resources than the Company,higher lending limits,and products and services not offered by us.Any potential adverse reactions to our financial condition or status in the marketplace,as compared to its competitors,could limit our ability to attract and retain clients and to compete for new business opportunities.The inability to attract and retain clients or to effectively compete for new business may have a material and adverse effect on our financial condition and results of operations.The Company also experiences competition from non- bank companies inside and outside of its market area and,in some cases,from companies other than those traditionally considered financial sector participants.In particular,technology companies have begun to focus on the financial sector and offer software and products primarily over the internet,with an increasing focus on mobile device delivery.These companies generally are not subject to regulatory requirements comparable to those to which financial institutions are subject and may accordingly realize certain cost savings and offer products and services at more favorable rates and with greater convenience to the client.For example,a number of companies offer bill pay and funds transfer services that allow clients to avoid using a bank.Technology companies are generally positioned and structured to quickly adapt to technological advances and directly focus resources on implementing those advances.This competition could result in the loss of fee income and client deposits and related income.In addition,changes in consumer spending and saving habits could adversely affect our operations,and the Company may be unable to develop competitive and timely new products and services in response.As ~~the pace of~~ technology ~~and change~~ **continues to** advance,continuous innovation is expected to exert long- term pressure on the financial services industry. ~~Many of~~ **Investing in technology,and the inability** ~~our~~ - **or** ~~loans held~~ **failure to integrate technologies into the Company' s operations may affect our business and earnings negatively.Our success in the competitive environment in which we operate requires consistent investment of capital and human resources in innovation and technology,particularly in light of the current " FinTech " environment,in which financial institutions are investing significantly in new technologies,such as artificial intelligence (AI),machine learning,blockchain and other distributed ledger technologies,and developing potentially industry- changing new products,services and industry standards in order to attract clients.Our investment is directed at meeting the needs of our clients,adapting existing products and services to consider the evolving demands of the marketplace,and maintaining the security of our systems and building a platform** for **future innovation,technology,and a competitive advantage that is scalable.Our** investment **focuses** ~~and our obligations for borrowed money are priced based~~ on **enhancing** ~~variable interest rates tied to~~ the **delivery of** ~~London Inter- Bank Offered Rate,or~~ **our** ~~LIBOR~~ **products and services** , **such** ~~which became unavailable for new originations~~ as **our recent implementation** of ~~December 31~~ **Encompass Mortgage Loan Origination System** , ~~2021,~~ **Mortgage Online Banking** and ~~uncertainties caused by any transition away from LIBOR may have material adverse effect on~~ **Mobile Application,Commercial Center Online Banking,Healthcare Receivables Manager,Contactless Credit and Debit Cards and Zelle.Falling significantly behind our competition in technology,** ~~our~~ - **or if the Company is not able to properly or timely anticipate or implement such technologies,or effectively train its staff to use such technologies,its** business,financial condition,or **operating** results ~~of operations~~ **could be adversely affected** . ~~LIBOR~~ **In addition,the recent emerging technology trends,such** ~~has~~ - **as** ~~been used extensively in~~ **AI,including large language models,require us to keep pace with evolving regulations and industry standards.In** the United States **,there are** ~~as a reference rate for~~ various **current** ~~financial contracts,including adjustable- rate loans,asset- backed securities,~~ and ~~interest rate swaps.On March 5,2021,the United Kingdom' s Financial Conduct Authority (the " FCA "),which regulates LIBOR,announced that (i) 24 LIBOR settings would cease to exist immediately after December 31,2021 (all seven euro LIBOR settings;all seven Swiss franc LIBOR settings;the Spot Next,1- week,2- month,and 12- month Japanese yen LIBOR settings;the overnight,1- week,2- month,and 12- month sterling LIBOR settings;and the 1- week and 2- month US dollar LIBOR settings); (ii) the 1- month,3- month,6- month and 12- month US LIBOR settings would cease to exist after June 30,2023;and (iii) the FCA would consult on whether the remaining nine LIBOR settings should continue to be published on a synthetic basis for a certain period using the FCA' s~~ proposed ~~new~~ **regulatory frameworks relating to the use of AI in products and services.** We expect **that the legal and regulatory environment relating** to **emerging technologies such as AI will continue to develop and could increase the cost of doing business, and create compliance risks and potential liability, all which may have a material adverse effect on our financial condition and results of operations. Governments are also considering the new issues in intellectual property law that AI creates, which could result in different intellectual property rights in technology we create with AI and development processes and procedures and could have a material adverse effect on our business. We may** incur significant costs related to **future** acquisitions by merger and subsequent integration activities. We have incurred and expect to incur certain non- recurring costs associated with mergers. These costs include financial advisory, legal, accounting, consulting and other advisory fees, severance / employee benefit- related costs, public company filing fees and other regulatory fees, printing costs, and other related costs. We **may** ~~are also expected to~~ incur substantial costs in connection with the integration of acquired companies. There are **many** ~~a large number of~~ processes, policies, procedures, operations, technologies, and systems that may need to be integrated, including purchasing, accounting and finance, payroll, compliance, treasury management, branch operations, vendor management, risk management, lines of business, pricing, and benefits. While we have assumed that a certain level of costs will be incurred, there are many factors beyond our control that could affect the total amount or the timing of the integration costs. Moreover, many of the costs that will be incurred are, by their nature, difficult to estimate accurately. These integration costs may result in us taking charges against earnings, the amount and timing of which are uncertain at present. Common Stock Risks Volatility in the price and volume of our common stock may be unfavorable. The market price of our common stock is volatile and could be subject to wide fluctuations in price in response to various factors, some of which are beyond our control. These factors include: • general economic conditions; • prevailing market conditions; • our historical performance and capital structure; • estimates of our business potential and earnings prospects; • an overall assessment of our management; • our performance relative to our peers; • market demand for our shares; • **impact of potential large sales by investors with significant holdings, including members of the Scott Family shareholder group; •** perceptions of the banking industry in general; • political influences on investor sentiment; • consumer confidence; •

consummation of a strategic acquisition or other implementation of our expansion plans; • international or domestic hostilities, or other international or domestic calamities, including wars or international conflicts with respect to which the United States may or may not be directly involved; and • global conditions, earthquakes, tsunamis, tornados, floods, fires, pandemics, and other natural catastrophic events. At times, the stock markets, including the NASDAQ Stock Market on which our common stock is listed, may experience significant price and volume fluctuations. As a result, the market price of our common stock is likely to be similarly volatile and investors in our common stock may experience a decrease in the value of their shares, including decreases unrelated to our operating performance or prospects. In addition, following periods of volatility in the overall market and the market price of a company' s securities, securities class action litigation has often been instituted against companies. This litigation, if instituted against us, could result in substantial costs and a diversion of our management' s attention and resources. " Anti- takeover " provisions and the regulations to which we are subject may also make it more difficult for a third party to acquire control of us, even if the change in control could be deemed beneficial to stockholders. We are a financial and bank holding company incorporated in the State of ~~Montana~~ **Delaware** . Anti- takeover provisions in ~~Montana~~ **Delaware** law and our ~~articles~~ **certificate** of incorporation and bylaws, as well as regulatory approvals that would be required under federal law, could make it more difficult for a third party to acquire control of us and may prevent stockholders from receiving a premium for their shares of our common stock. These provisions could adversely affect the market price of our common stock and could reduce the amount stockholders might receive if we are sold. Our ~~articles~~ **certificate** of incorporation ~~provide~~ **provides** that our Board may issue up to 100, 000 shares of preferred stock, in one or more series, without stockholder approval and with such terms, conditions, rights, privileges, and preferences as the Board may deem appropriate. In addition, our ~~articles~~ **certificate** of incorporation ~~provide~~ **provides** for staggered terms for our Board and limitations on persons authorized to call a special meeting of stockholders **and advance notice requirements for stockholder proposals at stockholder meetings** . In addition, ~~certain~~ **while we have opted out of Section 203 of the General Corporation Law of the State of Delaware, in order to effect a change of control transaction as such term is used in our certificate of incorporation, our certificate of incorporation requires approval of stockholders holding the greater of (A) a majority of the voting power of the issued and outstanding shares of our capital stock then entitled to vote thereon, voting together as a single class, and (B) sixty- six and two- thirds percent (66. 67 %) of the voting power of the shares of our capital stock present in person or represented by proxy at the stockholder meeting called to consider such transaction and entitled to vote thereon. These and other** provisions ~~of Montana law~~ may have the effect of inhibiting a third party from making a proposal to acquire us or of impeding a change of control under circumstances that otherwise could provide the holders of our common stock with the opportunity to realize a premium over the then- prevailing market price of such common stock. Further, the acquisition of specified amounts of our common stock (in some cases, the acquisition or control of more than 5 % of our voting stock) may require certain regulatory approvals, including the approval of the Federal Reserve and one or more of our state banking regulatory agencies. The filing of applications with these agencies and the accompanying review process can take several months. This and the other factors described above may hinder or even prevent a change in control of us, even if a change in control would be beneficial to our stockholders. Our dividend policy, or our ability to pay dividends, may change. We are a legal entity separate and distinct from our subsidiary Bank. Since we are a holding company with no significant assets other than the capital stock of our subsidiaries, we depend upon dividends from our Bank for a substantial part of our revenue. Accordingly, our ability to pay dividends, cover operating expenses, and acquire other institutions depends primarily upon the receipt of dividends or other capital distributions from the Bank. The ability of our Bank to pay dividends to us is subject to, among other things, its earnings, financial condition, and need for funds, as well as federal and state governmental policies and regulations applicable to us and the Bank, which limit the amount that may be paid as dividends without prior approval. Although we have historically paid dividends to our stockholders, we have no obligation to continue doing so and may change our dividend policy at any time without notice to our stockholders. Holders of our common stock are only entitled to receive such cash dividends as our board of directors may declare out of funds legally available for such payments. The amount of any dividend declaration is subject to our evaluation of our strategic plans, growth initiatives, capital availability, projected liquidity needs, and other factors. An investment in our common stock is not an insured deposit. Our common stock is not a bank savings account or deposit and, therefore, is not insured against loss by the FDIC, any other deposit insurance fund, or any other public or private entity. As a result, holders of our common stock could lose some or all of their investment. Future equity issuances could result in dilution, which could cause our common stock price to decline. We may issue additional shares of common stock in the future pursuant to current or future employee equity compensation plans or in connection with future acquisitions or financings. Should we choose to raise capital by selling shares of common stock for any reason, the issuance would have a dilutive effect on the holders of our common stock and could have a material negative effect on the market price of our common stock. The common stock is equity and is subordinate to our existing and future indebtedness. Shares of our ~~Class A~~ common stock are equity interests and do not constitute indebtedness. As such, shares of our ~~Class A~~ common stock rank junior to all our indebtedness, including any subordinated term loans, subordinated debentures held by trusts that have issued trust- preferred securities, and other non- equity claims on us with respect to assets available to satisfy claims on us. In the future, we may make additional offerings of debt or equity securities, or we may issue additional debt or equity securities as consideration for future mergers and acquisitions. General Risk Factors ~~The COVID~~ **We recently identified combined deficiencies resulting in a material weakness in our internal control over financial reporting, which, if we are unable to remediate appropriately or timely, could result in a loss of investor confidence and adversely impact our stock price, and could impair our ability to accurately and timely report our financial results and harm our business. As an SEC reporting company, we are required to, among other things, maintain a system of effective internal control over financial reporting. As disclosed in Part II** - ~~19 pandemic~~ **Item 9A. Controls** and **Procedures, management** ~~government response to the pandemic~~ has ~~caused~~ **identified deficiencies in our internal control over financial reporting, which, when considered together in their entirety,**

have resulted in a material weakness. As a result, management concluded that our internal control over financial reporting was not effective as of December 31, 2023. Remediation efforts place a significant ~~global disruption which has~~ **burden on management and add increased pressure to our financial resources and processes. As a result, we may not be successful in making the improvements necessary to remediate the material weakness identified by management, or do so in a timely manner, or identify and remediate additional control deficiencies, including material weaknesses, in the future. If we are unable to remediate these combined deficiencies resulting in a material weakness, or are otherwise unable to maintain effective internal control over financial reporting: our ability to record, process and report financial information accurately, and to prepare financial statements within required time periods, could be** adversely affected **; our liquidity** , **our access to capital markets, the perceptions of our creditworthiness,** and **our ability to complete acquisitions** may **be** ~~continue to~~ adversely ~~affect~~ **affected ; and we may be unable to maintain compliance with applicable securities laws and the Nasdaq Stock Market LLC listing requirements** , **which could subject us to litigation** ~~our~~ - **or** ~~business,~~ **investigations requiring management resources and payment of legal and other expenses which may negatively impact** results of operations ~~, liquidity,~~ and financial condition ~~. Since the onset of the pandemic in the spring of 2020~~ , **could negatively affect investor confidence** ~~Federal, state, and local governments have responded to the disease caused by the novel coronavirus (also known as, and referred to herein, as " COVID- 19 ") pandemic~~ in ~~a variety of ways including, without limitation, by declaring states of emergency and implementing various measures to slow the spread of COVID- 19. The initial restrictions and other~~ -- **the** ~~developments~~ **accuracy and completeness** of **our financial statements, and could** ~~the COVID- 19 pandemic resulted in significant adverse~~ **adversely** ~~effects for many different types of businesses, including, among others, our clients, whether in the retail sales, travel, hospitality, entertainment, or food and beverage industries. These other developments include, among others, supply chain disruptions, decreased demand for our products and services or those of our borrowers, which could increase our credit risk, rising inflation, our ability to maintain sufficient qualified personnel due to labor shortages, talent attrition, employee illness, quarantine, willingness to return to work, face- coverings and other safety requirements, or travel and other restrictions, and the actions taken by governments, businesses and individuals to contain the~~ impact ~~of COVID- 19, as well as further actions taken by governmental authorities to limit the resulting economic impact. The initial restrictions have been largely lifted nationally and within the Company' s operating footprint. An increase in virus spread or~~ **our stock price** ~~infection rates, or the emergence of new variants of the virus could result in restrictions being re- implemented with negative impacts on economic activity. The extent to which the continuation of the COVID- 19 pandemic and its aftermath economic results in sectors disproportionately affected by the pandemic or recession in the U. S. economy or the world economy in general and the Federal, state, and local government responses to it, fiscal stimulus, interest rate policies, and other government intervention, and the recovery in the United States economy impacts our business, results of operations, and financial condition, as well as our regulatory capital and liquidity ratios, will depend on future developments that remain uncertain and cannot be predicted~~ . Our business is subject to the risks of certain global conditions, earthquakes, volcanoes, tsunamis, tornados, floods, fires, drought, and other natural catastrophic events. A major catastrophe, such as a pandemic, disease outbreak, or other natural disaster including extreme weather or other events, such as an earthquake, tornados, tsunami, flood, fire, drought, winter storms, or other type of natural disaster, could adversely affect our financial condition or results in a prolonged interruption of our business. We have operations and clients in the West and Midwest, a geographical region that has been or may be affected by disease, earthquake, volcano, tsunami, tornados, fires, drought, and flooding activity, which could be adversely impacted by these natural disasters or other severe weather in the region. Unpredictable natural and other disasters could have an adverse effect on the Company in that such events could materially disrupt our operations or the ability or willingness of our clients to access the financial services offered by the Company. These events could reduce our earnings and cause volatility in its financial results for any fiscal quarter or year and have a material, adverse effect on our financial condition and / or results of operations and prospects. Climate change manifesting as physical or transition risks could adversely affect our operations, businesses and customers. There is an increasing concern over the risks of climate change and related environmental sustainability matters. The physical risks of climate change include discrete events, such as flooding and wildfires, and longer-term shifts in climate patterns, such as extreme heat, sea level rise, and more frequent and prolonged drought. Such events could disrupt our operations or those of our clients or third parties on which we rely, including through direct damage to assets and indirect impacts from supply chain disruption and market volatility. Additionally, transitioning to a low carbon economy may entail extensive policy, legal, technology, and market initiatives. Transition risks, including changes in consumer preferences and additional regulatory requirements or taxes, could increase our expenses and undermine our strategies. In addition, our reputation and client relationships may be damaged as a result of our practices related to climate change, including our involvement, or our clients' involvement, in certain industries or projects associated with causing or exacerbating climate change, as well as any decisions we make to continue to conduct or change our activities in response to considerations relating to climate change. As climate risk is interconnected with all key risk types, we have developed and continue to enhance processes to embed climate risk considerations into our risk management strategies such as market, credit and operational risks; however, because the timing and severity of climate change may not be predictable, our risk management strategies may not be effective in mitigating climate risk exposure.