Risk Factors Comparison 2024-02-27 to 2023-03-01 Form: 10-K

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The following describes some of the principal risks and uncertainties to which our industry in general, and our securities, assets and businesses specifically, are subject; other risks are briefly identified in our cautionary statement that is included under the heading " Forward- Looking Statements and Associated Risks " in Part I, Item 1, " Business. " Although we seek ways to manage these risks and uncertainties and to develop programs to control those that we can, we ultimately cannot predict the future. Future results may differ materially from past results, and from our expectations and plans. Risks Related to Our Business and Financial Strategies Economic weakness in our geographic markets could negatively affect us. We conduct business from offices that are located in 20 contiguous southern Indiana counties and 14 counties in Kentucky, from which substantially all of our customer base is drawn. Because of the geographic concentration of our operations and customer base, our results depend largely upon economic conditions in this area. A favorable business environment is generally characterized by, among other factors, economic growth, low inflation, low unemployment, high business and investor confidence, strong business earnings, and efficient capital markets. Unfavorable or uncertain economic and market conditions can be caused by a decline in economic growth in the markets where we operate and in the United States as a whole; declines in business activity or investor or business confidence; limitations on the availability of or increases in the cost of credit and capital; increases in inflation or interest rates; high unemployment; commodity price volatility; natural disasters; or a combination of these or other factors. Current economic conditions are being heavily impacted by elevated levels of inflation and rising interest rates. A prolonged period of inflation may impact our profitability by negatively impacting our fixed costs and expenses. Economic and inflationary pressure on consumers and uncertainty regarding economic improvement could have direct or indirect material adverse impacts on us, on our customers or on the financial institutions with whom we deal as counterparties to financial transactions. Such pressures could negatively impact customers' ability to obtain new loans or to repay existing loans, diminish the values of any collateral securing such loans and could cause increases in the number of the Company' s customers experiencing financial distress and in the levels of the Company' s delinquencies, non- performing loans and other problem assets, charge- offs and provision for credit losses, all of which could materially adversely affect our financial condition and results of operations. The underwriting and credit monitoring policies and procedures that we have adopted cannot eliminate the risk that we might incur losses on account of factors relating to the economy like those identified above, and those losses could have a material adverse effect on our business, financial condition, results of operations and cash flows. If our actual loan losses exceed our estimates, our earnings and financial condition will be impacted. A significant source of risk for any bank or other enterprise that lends money arises from the possibility that losses will be sustained because borrowers, guarantors and related parties may fail (because of financial difficulties or other reasons) to perform in accordance with the terms of their loan agreements. In our case, we originate many loans that are secured, but some loans are unsecured depending on the nature of the loan. With respect to secured loans, the collateral securing the repayment of these loans includes a wide variety of real and personal property that may be insufficient to cover the obligations owed under such loans, due to adverse changes in collateral values caused by changes in prevailing economic, environmental and other conditions, including declines in the value of real estate and other external events. ~~We may experience increases to, and volatility in, the balance of our allowance for credit losses and related provision expense due to the adoption of the current expected credit loss (" CECL ") methodology. Effective January 1, 2020, the Company adopted the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016- 13, " Financial Instruments- Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, " which replaced the incurred loss model with an expected loss model, which is referred to as the current expected credit loss (" CECL ") model. The CECL model is applicable to the measurement of credit losses on financial assets measured at amortized cost, including loan receivables, held- to- maturity debt securities, and reinsurance receivables. It also applies to off- balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor. The measurement of expected credit losses is based on information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount, and requires significant use of management judgments. This differs significantly from the incurred loss model, which delayed recognition until it was probable a loss had been incurred. Any failure of these judgments or forecasts to be correct could create more volatility in the level of our allowance for credit losses, and negatively affect our results of operations and financial condition.~~ Our allowance for credit losses may not be adequate to cover actual losses. We maintain an allowance for credit losses for the expected credit losses over the contractual life of the loan portfolio as well as unfunded loan commitments. The Company estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for changes in underwriting standards, portfolio mix, delinquency levels, changes in environmental conditions, unemployment rates, risk classifications and collateral values. We have also included assumptions about the continued effects of the advancing stress on the economy as a result of inflationary pressures, rising interest rates and financial market volatility, and economic conditions in general, all of which are highly uncertain and for which we have limited recent historical experience to draw upon. If our assumptions and judgments used to determine the allowance for credit losses prove to be incorrect, the allowance may not be adequate. We could sustain actual loan losses that are significantly higher than the amount of our allowance for credit losses. We could be adversely affected by changes in interest rates. Our earnings and cash

flows are largely dependent upon our net interest income. Net interest income is the difference between interest income earned on interest- earning assets such as loans and securities and interest expense paid on interest- bearing liabilities such as deposits and borrowed funds. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions, inflationary trends, demand for loans, securities and deposits, and policies of various governmental and regulatory agencies and, in particular, the monetary policies of the FRB. 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 such changes could also affect (i) our ability to originate loans and obtain deposits, (ii) the fair value of our financial assets and liabilities, and (iii) the average duration of our securities portfolio. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, our net interest income, and therefore earnings, could be adversely affected. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings. We maintain an investment portfolio consisting of various high quality liquid fixed- income securities. The nature of fixed- income securities is such that increases in prevailing market interest rates negatively impact the value of these securities, while decreases in prevailing market interest rates positively impact the value of these securities. Any substantial, unexpected, or prolonged change in market interest rates could have a material adverse effect on our financial condition, results of operations, and cash flows. The ~~replacement of the LIBOR benchmark interest rate may have an impact on our business, financial condition or results of operations. Certain loans made by us and financing extended to us are made at variable rates that, historically, have used LIBOR as a benchmark for establishing the interest rate. In addition, we also have interest rate derivatives that reference LIBOR. After first announcing its intention to do so in July 2017, the United Kingdom' s Financial Conduct Authority, the authority regulating LIBOR, announced in March 2021 that, among other things: (i) a majority of the current LIBOR rate settings would cease to exist immediately after December 31, 2021 (including the 1- week and 2- month U. S. dollar LIBOR settings); and (ii) the 1- month, 3- month, 6- month and 12- month U. S. dollar LIBOR settings would cease to exist after June 30, 2023. To identify a successor rate for U. S. dollar LIBOR, the Alternative Reference Rates Committee (the " ARRC "), a U. S.- based group convened by the Federal Reserve Board and the Federal Reserve Bank of New York, was formed. The ARRC has identified the Secured Overnight Financing Rate (" SOFR ") as its preferred alternative rate for LIBOR. SOFR is a measure of the cost of borrowing cash overnight, collateralized by U. S. Treasury securities, and is based on directly observable U. S. Treasury- backed repurchase transactions. As such, it is different from LIBOR in that it is a backward looking secured rate rather than a forward looking unsecured rate. On March 15, 2022, the Adjustable Interest Rate (LIBOR) Act (the " LIBOR Act ") was signed into law. The LIBOR Act establishes a uniform national approach for replacing LIBOR in legacy contracts that do not provide for the use of a clearly defined replacement benchmark rate. As directed by the LIBOR Act, on December 16, 2022, the Federal Reserve issued a final rule setting forth regulations to implement the LIBOR Act, including establishing benchmark replacements for contracts governed by U. S. law that reference certain tenors of U. S. dollar LIBOR (the overnight and one-, three-, six-, and 12- month tenors) and that do not have terms that provide for the use of a clearly defined and practicable replacement benchmark rate (" fallback provisions ") following the first London banking day after June 30, 2023. The LIBOR Act also contains " safe harbor " provisions protecting lenders (as well as " determining " and " calculating " persons) for (i) the selection or use of a Board- selected SOFR- based benchmark replacement, (ii) the implementation of benchmark replacement conforming changes, or (iii) the determination of benchmark replacement conforming changes for contracts other than consumer loans. As federal banking regulators required banks to stop originating new products using LIBOR by December 31, 2021, the Bank began primarily using SOFR in originating its indexed- based loans, that were formerly indexed to LIBOR, and other products following such date. The Bank is also continuing the transition of its existing LIBOR- based exposures to an appropriate alternative reference rate on or before June 30, 2023. Existing contracts without fallback provisions are expected to either be amended prior to June 30, 2023 to include such provisions or to transition to an alternative reference rate pursuant to the terms of the LIBOR Act and the related regulations. While the regulatory framework for the continued transition away from LIBOR to an alternative reference rate has been established, that transition could have a range of adverse effects on our business, financial condition and results of operations, which effects are unknown at this time. The~~ Company' s business, results of operations and financial condition may be adversely affected by epidemics ~~and~~ **,** pandemics ~~, such as the COVID- 19 outbreak,~~ or other infectious disease outbreaks. The Company may face risks related to epidemics, pandemics or other infectious disease outbreaks, which could result in a widespread health crisis that adversely affects general commercial activity, the global economy (including the states and local economies in which we operate) and financial markets. **Epidemics** ~~For example~~ , ~~the spread of COVID- 19, which has been identified as a pandemic~~ **pandemics** ~~by the World Health Organization and declared a national emergency in the United States, created a global public- health crisis that resulted in significant economic uncertainty, and has impacted household, business, economic, and market conditions, including in the states and local economies in which we conduct nearly all of our~~ - **or** ~~business. The continuation of the~~ **other** ~~COVID- 19 pandemic, or a new epidemic, pandemic or~~ infectious disease ~~outbreak~~ **outbreaks** ~~,~~ may result in the Company closing certain offices and may require us to limit how customers conduct business through our branch network. If our employees are required to work remotely, the Company will be exposed to increased cybersecurity risks such as phishing, malware, and other cybersecurity attacks, all of which could expose us to liability and could seriously disrupt our business operations. Furthermore, the Company' s business operations may be disrupted due to vendors and third- party service providers being unable to work or provide services effectively during such a health crisis, including because of illness, quarantines or other government actions. In addition, ~~an epidemic~~ **epidemics** , ~~a pandemic~~ **pandemics** or ~~another~~ -- **other** infectious disease ~~outbreak~~ **outbreaks** ~~, or the continuation of the COVID- 19 pandemic,~~ could ~~again~~ significantly impact households and businesses, or cause limitations on commercial activity, increased unemployment and general economic and financial instability. An economic slow- down, or the reversal of ~~the~~ **an** economic recovery, in the regions in which we conduct our business could result in declines in loan demand and collateral values.

Furthermore, negative impacts on our customers caused by such a health crisis ~~, including the continuation of COVID- 19,~~ could result in increased risk of delinquencies, defaults, foreclosures and losses on our loans. Moreover, governmental and regulatory actions taken in response to ~~an epidemic~~ **epidemics** , ~~a pandemic~~ **pandemics** or ~~another~~ -- **other** infectious disease ~~outbreak~~ **outbreaks** may include decreased interest rates, which could adversely impact the Company' s interest margins and may lead to decreases in the Company' s net interest income. The extent to which a widespread health crisis ~~, including the continuation of COVID- 19,~~ may impact the Company' s business, results of operations and financial condition, as well as its regulatory capital and liquidity ratios, will depend on future developments, which are highly uncertain and are difficult to predict, including, but not limited to, the duration and severity of the crisis, the potential for seasonal or other resurgences, actions taken by governmental authorities and other third parties to contain and treat such ~~an epidemic~~ **epidemics** , ~~a pandemic~~ **pandemics** or ~~another~~ -- **other** infectious disease ~~outbreak~~ **outbreaks** , and how quickly and to what extent normal economic and operating conditions can resume. Moreover, the effects of a widespread health crisis ~~, including the continuation of the COVID- 19 pandemic,~~ may heighten many of the other risks described in this " Risk Factors " section. As a result, the negative effects on the Company' s business, results of operations and financial condition from ~~an epidemic~~ **epidemics** , a ~~pandemic~~ **pandemics** or ~~another~~ -- **other** infectious disease ~~outbreak~~ **outbreaks** ~~, including the continuation or resurgence of the COVID- 19 pandemic,~~ could be material ~~. As a participating lender in the SBA Paycheck Protection Program (" PPP "), the Company and the Bank are subject to additional risks of litigation from the Bank' s clients or other parties in connection with the Bank' s processing, funding, and servicing of loans for the PPP. On March 27, 2020, the CARES Act established the PPP, which is administered by the SBA, to fund payroll and operational costs of eligible businesses, organizations and self- employed persons during the pandemic. The Bank actively participated in assisting its customers with PPP funding during all phases of the program. Because of the short timeframe between the passing of the CARES Act and the April 3, 2020 opening of the PPP, there was some ambiguity in the laws, rules and guidance regarding the operation of the program, which exposes the Company to risks relating to noncompliance with the PPP. Following commencement of the PPP, several larger banks have been subject to litigation relating to the policies and procedures that they used in processing applications for the program. The Company and the Bank may be exposed to the risk of similar litigation. If any such litigation is filed against the Company or the Bank and is not resolved in a manner favorable to the Company or the Bank, it may result in significant financial liability or adversely affect the Company' s reputation. In addition, litigation can be costly, regardless of outcome. Any financial liability, litigation costs or reputational damage caused by PPP- related litigation could have a material adverse impact on our business, financial condition and results of operations. The Bank may also be exposed to the risk that the SBA or U. S. Department of Justice determines there was a deficiency in the manner in which a PPP loan was originated, funded, or serviced by the Bank, such as an issue with the eligibility of a borrower to receive a PPP loan, which may or may not be related to the ambiguity in the laws, rules and guidance regarding the operation of the PPP. In the event of such determination, the SBA or U. S. Department of Justice may seek recovery from the Bank of any loss related to the deficiency~~ . The banking and financial services business in our markets is highly competitive. We compete with much larger regional, national, and international competitors, including competitors that have no (or only a limited number of) offices physically located within our markets, many of which compete with us via Internet and other electronic product and service offerings. In addition, banking and other financial services competitors (including newly organized companies) that are not currently represented by physical locations within our geographic markets could establish office facilities within our markets, including through their acquisition of existing competitors. Financial technology, or " FinTech, " companies continue to emerge in key areas of banking. Our competitors may have substantially greater resources and lending limits than we have and may offer services that we do not or cannot provide. Many of our nonfinancial institution competitors have fewer regulatory constraints, broader geographic service areas, and, in some cases, lower cost structures. Increased competition in our market may also result in a decrease in the amounts of our loans and deposits, reduced spreads between loan rates and deposit rates or loan terms that are more favorable to the borrower. Any of these results could have a material adverse effect on our business, financial condition, results of operations or liquidity. See also " Business- Competition " and " Business- Regulation and Supervision " under Item 1 of Part I of this Report. The manner in which we report our financial condition and results of operations may be affected by accounting changes. Our financial condition and results of operations that are presented in our consolidated financial statements, accompanying notes to the consolidated financial statements, and selected financial data appearing in this Report, are, to a large degree, dependent upon our accounting policies. The selection of and application of these policies involve estimates, judgments and uncertainties that are subject to change, and the effect of any change in estimates or judgments that might be caused by future developments or resolution of uncertainties could be materially adverse to our reported financial condition and results of operations. In addition, authorities that prescribe accounting principles and standards for public companies from time to time change those principles or standards or adopt formal or informal interpretations of existing principles or standards. Such changes or interpretations (to the extent applicable to us) could result in changes that would be materially adverse to our reported financial condition and results of operations. We may be adversely affected by changes in tax laws. Any change in federal or state tax laws or regulations, including any increase in the federal corporate income tax rate from the current level of 21 %, could negatively affect our business, financial condition and results of operations. Liquidity risk could impair our ability to fund operations and jeopardize our financial condition. Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of securities or loans and other sources could have a substantial negative effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities or the terms of which are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy in general. Although we have historically been able to replace maturing deposits and borrowings as necessary, we might not be able to replace such funds in the future if, among other things, our results of operations or financial condition or the results of operations or financial condition of our lenders or market conditions were to change. **Additionally, negative news about us or the banking industry in general could negatively impact market and / or**

customer perceptions of the Bank, which could lead to a loss of depositor confidence and an increase in deposit withdrawals, particularly among those with uninsured deposits. Furthermore, as we and other banks experienced in 2023, the failure of other financial institutions may cause deposit outflows as customers (i) spread deposits among several different banks so as to maximize their amount of FDIC insurance, (ii) move deposits to larger banks (who may be considered " too big to fail "), or (iii) remove deposits from the banking system entirely. As of December 31, 2023, approximately 21 % of our deposits were uninsured and uncollateralized. A failure to maintain adequate liquidity could have a material adverse effect on our business, financial condition and results of operations. The value of securities in our investment securities portfolio may be negatively affected by **market interest rates or** disruptions in securities markets **, and could affect our liquidity** . **As market interest rates have increased, we have experienced significant unrealized losses on our available- for- sale securities portfolio. Unrealized losses related to available- for- sale securities are reflected in accumulated other comprehensive income in our consolidated balance sheets and reduce the level of our book capital and tangible common equity. However, such unrealized losses do not affect our regulatory capital ratios. We actively monitor our available- for- securities portfolio and we do not currently anticipate the need to realize material losses from the sale of securities for liquidity purposes. Furthermore, we believe it is unlikely that we would be required to sell any such securities before recovery of their amortized cost bases, which may be at maturity. Nonetheless, significant unrealized losses could negatively impact market and / or customer perceptions of the Bank, which could lead to a loss of depositor confidence and an increase in deposit withdrawals, particularly among those with uninsured deposits. In addition,** ~~Prices~~ **prices** and volumes of transactions in the nation' s securities markets can be affected suddenly by economic crises, or by other national or international crises, such as national disasters, acts of war or terrorism, changes in commodities markets, or instability in foreign governments. Disruptions in securities markets may detrimentally affect the value of securities that we hold in our investment portfolio, such as through reduced valuations due to the perception of heightened credit and liquidity risks. There can be no assurance that declines in market value associated with these disruptions will not result in other than temporary impairments of these assets, which would lead to accounting charges that could have a material adverse effect on our net income and capital levels. The soundness of other financial institutions could adversely affect us. Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services companies are interrelated as a result of trading, clearing, counterparty, or other relationships. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial services industry, including brokers and dealers, commercial banks, investment banks, mutual and hedge funds, 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, 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 credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral held by us cannot be realized or is liquidated at prices not sufficient to recover the full amount due us. **The bank failures that occurred in 2023 highlighted the potential results of an insured depository institution unexpectedly having to obtain needed liquidity to satisfy deposit withdrawal requests, including how quickly such requests can accelerate once uninsured depositors lose confidence in an institution' s ability to satisfy its obligations to depositors. Uncertainty related to the stability and liquidity of banks has impacted the competitive landscape for deposits in the banking industry and may continue to impact competition for deposits in the future in an unpredictable manner. These possible impacts could adversely affect our future operating results, including net income, and negatively impact capital.** We are dependent on key personnel and the loss of one or more of those key personnel could harm our business. Competition for qualified employees and personnel in the financial services industry (including banking personnel, trust and investments personnel, and insurance personnel) is intense and there are a limited number of qualified persons with knowledge of and experience in our local markets. Our success depends to a significant degree upon our ability to attract and retain qualified loan origination executives, sales executives for our trust and investment products and services, and sales executives for our insurance products and services. We also depend upon the continued contributions of our management personnel, and in particular upon the abilities of our senior executive management, and the loss of the services of one or more of them could harm our business. Our controls and procedures may fail or be circumvented. Management regularly reviews and updates our internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of our controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on our business, results of operations, cash flows and financial condition. Our methods of reducing risk exposure may not be effective. The Company maintains a comprehensive risk management program designed to identify, quantify, manage, mitigate, monitor, aggregate, and report risks. However, instruments, systems and strategies used to hedge or otherwise manage exposure to various types of credit, market, liquidity, operational, compliance, financial reporting and strategic risks could be less effective than anticipated. As a result, the Company may not be able to effectively mitigate its risk exposures in particular market environments or against particular types of risk, which could have a material adverse effect on our business, results of operations, cash flows and financial condition. For more information regarding risk management, please see " RISK MANAGEMENT " under Item 7 of this Report (" Management' s Discussion and Analysis of Financial Condition and Results of Operations "). We are exposed to risk of environmental liabilities with respect to properties to which we take title. In the course of our business, we may own or foreclose and take title to real estate, and could be subject to environmental liabilities with respect to these properties (including liabilities for property damage, personal injury, investigation and clean- up costs incurred by these parties in connection with environmental contamination), or may be required to investigate or clean up hazardous or toxic substances, or chemical releases at a property. Climate change and related legislative and regulatory

initiatives may materially affect the Company' s business and results of operations. The global business community has increased its political and social awareness surrounding the state of the global environment and the issue climate change. Further, the U. S. Congress, state legislatures and federal and state regulatory agencies continue to propose numerous initiatives related to climate change. Similar and even more expansive initiatives are expected under the current administration, including potentially increasing supervisory expectations with respect to banks' risk management practices, accounting for the effects of climate change in stress testing scenarios and systemic risk assessments, revising expectations for credit portfolio concentrations based on climate- related factors and encouraging investment by banks in climate- related initiatives and lending to communities disproportionately impacted by the effects of climate change. The lack of empirical data surrounding the credit and other financial risks posed by climate change make it impossible to predict how specifically climate change may impact our financial condition and results of operations. To the extent our customers experience unpredictable and more frequent weather disasters attributable to climate change, the value of real property securing the loans in our portfolios may be negatively impacted. Additionally, if insurance obtained by our borrowers is insufficient to cover any disaster- related losses sustained to the collateral, or if insurance coverage is otherwise unavailable to our borrowers, the collateral securing our loans may be negatively impacted, which could impact our financial condition and results of operations. Further, the effects of weather disasters attributed to climate change may negatively impact regional and local economic activity, which could lead to an adverse effect on our customers and impact the communities in which we operate. Overall, climate change, its effects and the resulting, unknown impact could have a material adverse effect on our financial condition and results of operations. Increasing scrutiny and evolving expectations from customers, regulators, investors, and other stakeholders with respect to the Company' s environmental, social and governance practices may impose additional costs on the Company or expose it to new or additional risks. Companies are facing increasing scrutiny from customers, regulators, investors, and other stakeholders related to their ~~environmental, social and governance ("~~ESG ~~")~~ practices and disclosure. Investor advocacy groups, investment funds and influential investors are also increasingly focused on these practices, especially as they relate to the environment, health and safety, diversity, labor conditions and human rights. Increased ESG- related compliance costs for the Company as well as among our suppliers, vendors and various other parties within our supply chain could result in increases to our overall operational costs. Failure to adapt to or comply with regulatory requirements or investor or stakeholder expectations and standards could negatively impact our reputation, ability to do business with certain partners, access to capital, and our stock price. New government regulations could also result in new or more stringent forms of ESG oversight and expanding mandatory and voluntary reporting, diligence, and disclosure. Risks Related to the Financial Services Industry We operate in a highly regulated environment and changes in laws and regulations to which we are subject may adversely affect our results of operations. The banking industry in which we operate is subject to extensive **federal and state** regulation and supervision **,** ~~under federal and state laws and regulations. The restrictions imposed by such laws and regulations limit the manner in~~ which **vests a significant amount of discretion in the various regulatory authorities** ~~we conduct our business, undertake new investments and activities and obtain financing~~ . ~~These~~ **Banking** regulations are ~~designed~~ primarily ~~for the~~ **intended to** ~~protection~~ -- **protect** ~~of~~ the **funds of depositors, federal** deposit insurance funds and ~~consumers and~~ **the banking system as a whole,** not ~~to benefit our~~ shareholders. **These** ~~Since its passage in 2010, the Dodd- Frank Act (discussed in " Business- Regulation~~ **regulations** and ~~Supervision " of Item 1 above) has resulted in sweeping~~ **supervisory guidance affect our lending practices, capital structure, investment practices, dividend policy and growth, among other things. The U. S. Congress and federal regulatory agencies continually review banking laws, regulations and policies for possible** changes ~~in the~~ **. Changes to statutes,** ~~regulation~~ **regulations or** ~~of financial institutions. The Dodd- Frank Act contains numerous provisions that affect all banks and bank holding companies. While many of these provisions have been implemented, others are still being drafted. As a result, the impact of the future~~ regulatory **policies** ~~requirements continues to be uncertain. However, we expect the way we conduct business to continue to be affected by these regulatory requirements, including through limitations on our~~ - **or supervisory guidance** ~~ability to pursue certain lines of business~~ , ~~enhanced reporting obligations, increased costs (which adversely affect our profitability) and increased risk that we might not comply in all respects with the new requirements. In addition, significant new laws or changes in, or repeals of, existing laws (~~including changes in **interpretation or implementation of statutes, regulations, policies or supervisory guidance, could affect us in substantial and unpredictable ways. Such changes could subject us to additional costs, limit the types of financial services and products we may offer, limit our ability to return capital to shareholders or conduct certain activities, and / or increase the ability of non- banks to offer competing financial services and products, among other things. Failure to comply with laws, regulations, policies or supervisory guidance could result in enforcement and other legal actions by** federal or state ~~laws affecting corporate taxpayers generally~~ **authorities, including criminal and civil penalties, the loss of FDIC insurance, the revocation of a banking charter, enforcement actions** or **sanctions by regulatory agencies, significant fines and civil money penalties and / or reputational damage. In this regard, government authorities, including the bank regulatory agencies, are pursuing aggressive enforcement actions with respect to compliance and other legal matters involving** financial ~~institutions specifically)~~ **activities, which heightens the risks associated with actual and perceived compliance failures. Directives issued to enforce such actions may be confidential and thus, in some instances, we are not permitted to publicly disclose these actions. Any of the foregoing** could have a material adverse effect on our business, financial condition ~~,~~ **and** results of operations **. In addition, we anticipate increased regulatory scrutiny, in the course of routine examinations and otherwise, and new regulations in response to negative developments in the banking industry over the course of 2023, which may increase** ~~or~~ **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, brokered deposits, unrealized losses in securities portfolios,** liquidity ~~. Further~~ , ~~federal monetary policy~~ **commercial real estate loan composition and concentrations** , ~~particularly~~ **and capital** as **well as general oversight** ~~implemented through the Federal Reserve System,~~

~~significantly affects credit conditions,~~ and **control of** ~~any unfavorable change in these~~ -- **the** ~~conditions~~ **foregoing. We could face increased scrutiny or be viewed as higher risk by regulators and / or the investor community, which** could have a material adverse effect on our business, financial condition ~~,~~ **and** results of operations **. See " Business- Regulation and Supervision " of Item 1 above** ~~or~~ **for** ~~liquidity~~ **additional information** . We are required to maintain certain minimum amounts and types of capital and may be subject to more stringent capital requirements in the future. A failure to meet applicable capital requirements could have an adverse effect on us. We are subject to regulatory requirements specifying minimum amounts and types of capital that we must maintain. From time to time, banking regulators change these capital adequacy guidelines. For example, as a result of the Basel III Rules required by the Dodd- Frank Act, we are now required to satisfy additional, more stringent, capital adequacy standards than we had in the past. See " Business- Regulation and Supervision, Capital Requirements " of Item 1 above for additional information. We currently satisfy the well- capitalized and capital conservation standards set forth in Basel III, and based on our current capital composition and levels, we anticipate that our capital ratios, on a Basel III basis, will continue to exceed the well- capitalized minimum capital requirements and capital conservation buffer standards. However, a failure to meet minimum capital requirements could result in certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could have a negative impact on our ability to lend, grow deposit balances, make acquisitions or make capital distributions in the form of dividends. Higher capital levels could also lower our return on equity. Our FDIC insurance premiums may increase, and special assessments could be made, which might negatively impact our results of operations. High levels of insured institution failures, as a result of the recent recession, significantly increased losses to the Deposit Insurance Fund of the FDIC. Further, the Dodd- Frank Act mandated the FDIC to increase the level of its reserves for future losses in its Deposit Insurance Fund. Since the Deposit Insurance Fund is funded by premiums and assessments paid by insured banks, our FDIC insurance premium could increase in future years depending upon the FDIC' s actual loss experience, changes in our Bank' s financial condition or capital strength, and future conditions in the banking industry. Risks Related to Our Operations We face significant operational risks due to the high volume and the high dollar value nature of transactions we process. We operate in many different businesses in diverse markets and rely on the ability of our employees and systems to process transactions. Operational risk is the risk of loss resulting from our operations, including but not limited to, the risk of fraud by employees or persons outside our company, the execution of unauthorized transactions, errors relating to transaction processing and technology, breaches of our internal control systems or failures of those of our suppliers or counterparties, compliance failures, cyber- attacks or unforeseen problems encountered while implementing new computer systems or upgrades to existing systems, business continuation and disaster recovery issues, and other external events. Insurance coverage may not be available for such losses, or where available, such losses may exceed insurance limits. This risk of loss also includes the potential legal actions that could arise as a result of an operational deficiency or as a result of noncompliance with applicable regulatory standards, adverse business decisions or their implementation, and customer attrition due to potential negative publicity. The occurrence of any of these events could cause us to suffer financial loss, face regulatory action and suffer damage to our reputation. Unauthorized disclosure of sensitive or confidential client or customer information, whether through a cyber- attack, other breach of our computer systems or otherwise, could harm our business. In the normal course of our business, we collect, process and retain sensitive and confidential client and customer information on our behalf and on behalf of other third parties. Despite the security measures we have in place, our facilities and systems may be vulnerable to cyber- attacks, security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming and / or human errors, or other similar events. Information security risks for financial institutions like us have increased recently in part because of new technologies, the use of the Internet and telecommunications technologies (including mobile devices) to conduct financial and other business transactions and the increased sophistication and activities of organized crime, perpetrators of fraud, hackers, terrorists and others. In addition to cyber- attacks or other security breaches involving the theft of sensitive and confidential information, hackers recently have engaged in attacks against large financial institutions, particularly denial of service attacks, designed to disrupt key business services such as customer- facing web sites. We may not be able to anticipate or implement effective preventive measures against all security breaches of these types. Although we employ detection and response mechanisms designed to contain and mitigate security incidents, early detection may be thwarted by sophisticated attacks and malware designed to avoid detection. We also face risks related to cyber- attacks and other security breaches in connection with credit card transactions that typically involve the transmission of sensitive information regarding our customers through various third parties. Some of these parties have in the past been the target of security breaches and cyber- attacks, and because the transactions involve third parties and environments that we do not control or secure, future security breaches or cyber- attacks affecting any of these third parties could impact us through no fault of our own, and in some cases we may have exposure and suffer losses for breaches or attacks relating to them. We also rely on numerous other third party service providers to conduct other aspects of our business operations and face similar risks relating to them. We cannot be sure that their information security protocols are sufficient to withstand a cyber- attack or other security breach. Any cyber- attack or other security breach involving the misappropriation, loss or other unauthorized disclosure of confidential customer information could severely damage our reputation, erode confidence in the security of our systems, products and services, expose us to the risk of litigation and liability, disrupt our operations and have a material adverse effect on our business. Our information systems may experience an interruption or breach in security. We rely heavily on communications and information systems to conduct our business. Any failure, interruption, or breach in security or operational integrity of these systems could result in failures or disruptions in our customer relationship management, general ledger, deposit, loan, and other systems. While we have policies and procedures designed to prevent or limit the effect of the failure, interruption, or security breach of our information systems, we cannot completely ensure that any such failures, interruptions, or security breaches will not occur or, if they do occur, that they will be adequately addressed. The occurrence of any failures, interruptions, or security breaches of our information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny, or expose us to civil

litigation and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations. We are dependent upon third parties for certain information system, data management and processing services and to provide key components of our business infrastructure. We outsource certain information system and data management and processing functions to third party providers. These third party service providers are sources of operational and informational security risk to us, including risks associated with operational errors, information system interruptions or breaches, and unauthorized disclosures of sensitive or confidential client or customer information. If third party service providers encounter any of these issues, or if we have difficulty communicating with them, we could be exposed to disruption of operations, loss of service or connectivity to customers, reputational damage, and litigation risk that could have a material adverse effect on our results of operations or our business. Third party vendors provide key components of our business infrastructure such as internet connections, network access and core application processing. While we have selected these third party vendors carefully, we do not control their actions. Any problems caused by these third parties, including as a result of their not providing us their services for any reason or their performing their services poorly, could adversely affect our ability to deliver products and services to our customers and otherwise to conduct our business. Replacing these third party vendors could also entail significant delay and expense. Risks Relating to Expansion of Our Businesses by Acquisition Any acquisitions of banks, bank branches, or loans or other financial service assets pose risks to us. We may acquire other banks, bank branches and other financial- service- related businesses and assets in the future. Acquiring other banks, businesses, or branches involves various risks commonly associated with acquisitions, including, among other things: • potential exposure to unknown or contingent liabilities of the acquired assets, operations or company; • exposure to potential asset quality issues of the acquired assets, operations or company; • environmental liability with acquired real estate collateral or other real estate; • difficulty and expense of integrating the operations, systems and personnel of the acquired assets, operations or company; • potential disruption to our ongoing business, including diversion of our management' s time and attention; • the possible loss of key employees and customers of the acquired operations or company; • difficulty in estimating the value of the acquired assets, operations or company; and • potential changes in banking or tax laws or regulations that may affect the acquired assets, operations or company. We may not be successful in overcoming these risks or any other problems encountered in connection with mergers or acquisitions. Acquisitions typically involve the payment of a premium over book and market values, and, therefore, some dilution of the Company' s tangible book value per common share or net income per common share (or both) may occur in connection with any future transaction. We may incur substantial costs to expand by acquisition, and such acquisitions may not result in the levels of profits we seek. Integration efforts for any future acquisitions may not be successful and following any future acquisition, after giving it effect, we may not achieve financial results comparable to or better than our historical experience. Risks Related to Our Common Stock Our common stock price may fluctuate significantly, and this may make it difficult for you to resell our common stock at times or at prices acceptable to you. Our common stock price constantly changes in response to a variety of factors (some of which are beyond our control), and we expect that our stock price will continue to fluctuate in the future. Factors impacting the price of our common stock include, among others: • actual or anticipated variations in our quarterly results of operations; • recommendations or research reports about us or the financial services industry in general published by securities analysts; • the failure of securities analysts to cover, or continue to cover, us; • operating and stock price performance of other companies that investors believe are comparable to us; • news reports relating to trends, concerns and other issues in the financial services industry; • perceptions in the marketplace regarding us, or our reputation, competitors or other financial institutions; • actual or anticipated sales of our equity or equity- related securities; • our past and future dividend practice; • departure of our management team or other key personnel; • new technology used, or services offered, by competitors; • significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors; • failure to integrate acquisitions or realize anticipated benefits from acquisitions; • existing or increased regulatory and compliance requirements, changes or proposed changes in laws or regulations, or differing interpretations thereof affecting our business, or enforcement of these laws and regulations; and • litigation and governmental investigations. General market fluctuations, industry factors and general economic and political conditions and events (including ~~any continuing effects of the COVID- 19 pandemic,~~ elevated inflation, interest rate changes, credit loss trends, or economic slowdowns or recessions) could also cause our stock price to decrease regardless of operating results.