Risk Factors Comparison 2024-02-23 to 2023-02-24 Form: 10-K

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

The following is a discussion of what we believe are the most significant risks and uncertainties that may affect our business, financial condition and future results of operations. These risks are not the only ones that we face. Other risks and uncertainties not currently known to us or currently believed to be material may harm our future business, financial condition, results of operations and prospects. Economy and Our Markets Economic conditions in the market areas the Bank serves may adversely impact its earnings and could increase the credit risk associated with its loan portfolio and the value of its investment portfolio. Substantially all of the Bank' s loans are to businesses and individuals in Montana, Idaho, Utah, Washington, Wyoming, Colorado, Arizona and Nevada, and adverse economic conditions in these market areas could have a material adverse effect on our business, financial condition, results of operations and prospects. Deterioration in the national economy ~~as a result of continued inflation, the rising rate environment, and recurring supply chain issues~~ may also have an adverse effect in these markets. Any future deterioration in economic conditions in the markets the Company serves could result in the following consequences, any of which could have an adverse impact, which could be material, on our business, financial condition, results of operations and prospects: • ~~loan~~ **Loan** delinquencies may increase; • ~~problem~~ **Problem** assets and foreclosures may increase; • ~~collateral~~ **Collateral** for loans made may decline in value, in turn reducing customers' borrowing power and the Bank' s security; • ~~certain~~ **Certain** securities within the investment portfolio could become other- than- temporarily impaired, requiring a write- down through earnings to fair value, thereby reducing equity; • ~~low~~ **Low** cost or non- interest bearing deposits may decrease; and • ~~demand~~ **Demand** for loan and other products and services may decrease. Competition in the Bank' s market areas may limit future success. Commercial banking is a highly competitive business and a consolidating industry. The Bank competes with other commercial banks, credit unions, finance, insurance and other non- depository companies operating in its market areas. The Bank is subject to substantial competition for loans and deposits from other financial institutions. Some of its competitors are not subject to the same degree of regulation and restriction as the Bank while others have greater financial resources than the Bank. If the Bank is unable to effectively compete in its market areas, the Bank' s business, ~~our~~ **financial condition,** results of operations **,** and prospects could be adversely affected. We may not be able to continue to grow organically or through acquisitions. Historically, we have expanded through a combination of organic growth and acquisitions. If market and regulatory conditions change, we may be unable to grow organically or successfully compete for, complete, and integrate potential future acquisitions at the same pace as we have achieved in recent years, or at all. We have historically used our strong stock currency and capital resources to complete acquisitions. Downturns in the stock market and the market price of our stock, changes in our capital position **, heightened regulatory scrutiny** , and changes in our regulatory standing could each have a negative impact on our ability to complete future acquisitions. Growth through future acquisitions could, in some circumstances, adversely affect profitability or other performance measures. In the past, we have been active in acquiring banks and bank holding companies, and we may in the future engage in selected acquisitions of additional financial institutions. There are risks associated with any such acquisitions that could adversely affect profitability and other performance measures. These risks include, among other things, incorrectly assessing the asset quality of a financial institution being acquired, discovering compliance or regulatory issues after the acquisition, encountering greater than anticipated cost and use of management time associated with integrating acquired businesses into our operations, and being unable to profitably deploy funds acquired in an acquisition. We may not be able to continue to grow through acquisitions, and if we do, there is a risk of negative impacts of such acquisitions on our operating results and financial condition, which could be material. Acquisitions may also cause business disruptions that cause the Bank to lose customers or cause customers to remove their accounts from the Bank and move to competing financial institutions. Further, acquisitions may also disrupt the Bank' s ongoing businesses or create inconsistencies in standards, controls, procedures, and policies that adversely affect relationships with employees, clients, customers, and depositors. The loss of key employees during acquisitions may also adversely affect our business. We anticipate that we might issue capital stock in connection with future acquisitions. Acquisitions and related issuances of stock may have a dilutive effect on earnings per share, book value per share, and the percentage ownership of current ~~stockholders~~ **shareholders** . In acquisitions involving the use of cash as consideration, there will be an impact on our capital position. If goodwill recorded in connection with acquisitions becomes impaired, it could have an adverse impact on earnings and capital. Accounting standards require us to account for acquisitions using the acquisition method of accounting. Under acquisition accounting, if the purchase price of an acquired company exceeds the fair value of its net assets, the excess is carried on the acquirer' s balance sheet as goodwill. In accordance with accounting principles generally accepted in the United States of America (" GAAP "), goodwill is not amortized but rather is evaluated for impairment on an annual basis or more frequently if events or circumstances indicate that a potential impairment exists. Our goodwill was not considered impaired as of December 31, **2023 and** 2022 ~~and 2021~~ ; however, there can be no assurance that future evaluations of goodwill will not result in findings of impairment and write- downs, which could be material. Since we have $ 985 million in goodwill, representing ~~35~~ **33** percent of our ~~stockholders~~ **shareholders** ' equity, impairment of goodwill could have a material adverse effect on our business, financial condition and results of operations. Furthermore, even though it is a non- cash item, significant impairment of goodwill could subject us to regulatory limitations, including the ability to pay dividends on our common stock. There can be no assurance we will be able to continue paying dividends on our common stock at recent levels. We may not be able to continue paying quarterly dividends commensurate with recent levels given that our ability to pay dividends on our common stock depends on a variety of factors. The payment of dividends is subject to government regulation in that regulatory authorities may prohibit banks and bank holding companies from paying dividends that would constitute an unsafe or unsound banking practice. ~~This~~ **Our ability to pay dividends** is heavily based on our earnings and capital levels which currently are strong. Current guidance from the Federal Reserve provides, among other things, that dividends per share should not exceed earnings per share measured over the previous four fiscal quarters. In certain circumstances, Montana law also places limits or restrictions on a bank' s ability to declare and pay dividends. As a result, our future dividends will generally depend on the level of earnings at the Bank. Credit and Asset Quality The allowance for credit losses may not be adequate to cover actual loan losses, which could adversely affect earnings. The Bank maintains an allowance for credit losses (" ACL " or " allowance ") in an amount that it believes is adequate to provide for losses in the loan portfolio. While the Bank strives to carefully manage and monitor credit quality and to identify loans that may become non- performing, at any time there are loans included in the portfolio that will result in losses, but that have not been identified as non- performing or potential problem loans. With respect to real estate loans and property taken in satisfaction of such loans (" other real estate owned " or " OREO "), the Bank can be required to recognize significant declines in the value of the underlying real estate collateral quite suddenly as values are updated through appraisals and evaluations (new or updated) performed in the normal course of monitoring the credit quality of the loans. There are many factors that can cause the value of real estate to decline, including declines in the general real estate market, changes in methodology applied by appraisers, and / or using a different appraiser than was used for the prior appraisal or evaluation. The Bank' s ability to recover on real estate loans by selling or disposing of the underlying real estate collateral is adversely impacted by declining values, which increases the likelihood the Bank will suffer losses on defaulted loans beyond the amounts provided for in the ACL. This, in turn, could require material increases in the Bank' s provision for credit losses and ACL. By closely monitoring credit quality, the Bank attempts to identify deteriorating loans before they become non- performing assets and adjust the ACL accordingly. However, because future events are uncertain, and if difficult economic conditions occur, there may be loans that deteriorate to a non- performing status in an accelerated time frame. As a result, future additions to the ACL may be necessary beyond the levels commensurate with any loan growth. Because the loan portfolio contains a number of loans with relatively large balances, the deterioration of one or a few of these loans may cause a significant increase in non- performing loans, requiring an increase to the ACL. Additionally, future significant additions to the ACL may be required based on changes in the mix of loans comprising the portfolio, **and** changes in the financial condition of borrowers, which may result from changes in economic conditions, or changes in the assumptions used in determining the ACL. Additionally, federal and state banking regulators, as an integral part of their supervisory function, periodically review the Bank' s loan portfolio and the adequacy of the ACL. These regulatory authorities may require the Bank to recognize further provision for credit losses or charge- offs based upon their judgments, which may be different from the Bank' s judgments. Any increase in the ACL could have an adverse effect, which could be material, on our **business,** financial condition **,** and results of operations. The Bank' s loan portfolio mix increases the exposure to credit risks tied to deteriorating conditions. The loan portfolio contains a high percentage of commercial, commercial real estate, real estate acquisition and development loans in relation to the total loans and total assets. These types of loans have historically been viewed as having more risk of default than residential real estate loans or certain other types of loans or investments. In fact, the FDIC has issued pronouncements alerting banks of its concern about banks with a heavy concentration of commercial real estate loans. Moreover, federal bank regulators ~~recently~~ **have** highlighted the increased risk associated with commercial real estate loans ~~as a result of the stress COVID- 19 created for some industries~~ , ~~and~~ **including with respect to** the higher vulnerability of these credits to pressure **as** ~~from the current rising~~ interest ~~rate~~ **rates** ~~environment~~ **remain elevated** and **market conditions** ~~overall inflationary pressure~~ in ~~the economy~~ **many large metropolitan areas continue to show signs of stress** . These types of loans also typically are larger than residential real estate loans and other commercial loans. Because the Bank' s loan portfolio contains a significant number of commercial and commercial real estate loans with relatively large balances, the deterioration of one or more of these loans may cause a significant increase in non- performing loans. An increase in non- performing loans could result in a loss of earnings from these loans, an increase in the provision for credit losses, or an increase in charge- offs, which could have a material adverse impact on our **business,** results of operations **,** and financial condition. The Bank has a high concentration of loans secured by real estate, so any future deterioration in the real estate markets could require material increases in the ACL and adversely affect our **business,** financial condition **,** and results of operations. The Bank has a high degree of concentration in loans secured by real estate. Any future deterioration in the real estate markets could adversely impact borrowers' ability to repay loans secured by real estate and the value of real estate collateral, thereby increasing the credit risk associated with the loan portfolio. The Bank' s ability to recover on these loans by selling or disposing of the underlying real estate collateral would be adversely impacted by any decline in real estate values, which increases the likelihood that the Bank will suffer losses on defaulted loans secured by real estate beyond the amounts provided for in the ACL. This, in turn, could require material increases in the ACL which would adversely affect our **business,** financial condition **,** and results of operations. Non- performing assets could increase, which could adversely affect our **business,** ~~results of operations and~~ financial condition **, and results of operations** . The Bank may experience increases in non- performing assets in the future. Non- performing assets (which includes OREO) adversely affect our **business,** financial condition **,** and results of operations in various ways. The Bank does not record interest income on non- accrual loans or OREO, thereby adversely affecting its earnings. When the Bank takes collateral in foreclosures and similar proceedings, it is required to mark the related asset to the then fair value of the collateral, less estimated cost to sell, which may result in a charge- off of the value of the asset and lead the Bank to increase the provision for credit losses. An increase in the level of non- performing assets also increases the Bank' s risk profile and may impact the capital levels its regulators believe are appropriate in light of such risks. Further decreases in the value of these assets, or the underlying collateral, or in these borrowers' performance or financial condition, whether or not due to economic and market conditions beyond the Bank' s control, could adversely affect our business, results of operations and financial condition, perhaps materially. In addition to the carrying costs to maintain OREO, the resolution of non- performing assets increases the Bank' s loan administration costs generally, and requires significant commitments of time from management and our directors, which reduces the time they have to focus on profitably growing our business. A decline in the fair value of the Bank' s investment portfolio could adversely affect earnings and capital. The fair value of the Bank' s debt securities could decline as a result of factors including changes in market interest rates, tax reform, credit quality and credit ratings, lack of market liquidity and other economic conditions. For debt securities in an unrealized loss position, the Company may be required to record an allowance for credit losses or write down the security depending on the type of security and the circumstances. Any such impairment charge would have an adverse effect, which could be material, on our **business,** results of operations and financial condition, including capital and ~~stockholders~~ **shareholders** ' equity. While we believe that the terms of our debt securities have been kept relatively short, we are subject to elevated interest rate risk exposure in the current ~~rising~~ **elevated** rate environment **as compared to recent years** . Further, debt securities present a different type of asset quality risk than the loan portfolio. While we believe a relatively conservative management approach has been applied to the investment portfolio, there is always potential loss exposure under changing economic conditions. The Bank is subject to environmental liability risk associated with our lending activities. A significant portion of our loan portfolio is secured by real estate, and we could become subject to environmental liabilities with respect to one or more of these properties. During the ordinary course of business, we may foreclose on and take title to properties securing defaulted loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous conditions or toxic substances are found on these properties, we may be liable for remediation costs, as well as for personal injury and property damage, civil fines and criminal penalties regardless of when the hazardous conditions or toxic substances first affected any particular property. Environmental laws may require us to incur substantial expenses to address unknown liabilities 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. Although we have policies and procedures to perform an environmental review before initiating any foreclosure on nonresidential real property, these reviews may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on us. We face competition from technologies used to support and enable banking and financial services. Emerging technologies and advances and the growth of e- commerce have lowered geographic and monetary barriers of other financial institutions, made it easier for non- depository institutions to offer products and services that traditionally were banking products and allowed non- traditional financial service providers and technology companies to compete with traditional financial service companies in providing electronic and internet- based financial solutions and services, including electronic securities trading, marketplace lending, financial data aggregation and payment processing, including real- time payment platforms. Further, clients may choose to conduct business with other market participants who engage in business or offer products in areas we deem speculative or risky, such as cryptocurrencies **, non- fungible tokens, and other digital assets** . Increased competition may negatively affect our earnings by creating pressure to lower prices or credit standards on our products and services requiring additional investment to improve the quality and delivery of our technology and / or reducing our market share, or affecting the willingness of our clients to do business with us. Interest Rates, Operations and Risk Management Fluctuating interest rates can adversely affect profitability and ~~stockholders~~ **shareholders** ' equity. The Bank' s profitability is dependent to a large extent upon net interest income, which is the difference (or " spread ") between the interest earned on loans, investment securities and other interest earning assets and interest paid on deposits, borrowings, and other interest- bearing liabilities. Because of the differences in maturities and repricing characteristics of interest earning assets and interest- bearing liabilities, changes in interest rates do not produce equivalent changes in interest income earned on interest earning assets and interest paid on interest bearing liabilities. Accordingly, fluctuations in interest rates could adversely affect the Bank' s interest rate spread, and, in turn, profitability. The Bank seeks to manage its interest rate risk within well- established policies and guidelines. Generally, the Bank seeks an asset and liability structure that insulates net interest income from large deviations attributable to changes in market rates. However, the Bank' s structures and practices to manage interest rate risk may not be effective in a highly volatile rate environment. ~~While~~ **The Federal Reserve slowed its increases to** the federal funds target rate ~~remained at or near historical lows as part of the fiscal response to the pandemic, the Federal Reserve increasee the federal funds target rate seven times~~ in ~~2022~~ **2023** ~~for a total annual~~ **, with the most recent** increase ~~of 425 basis points~~ **occurring in July 2023** . **The** ~~Furthermore, the~~ Federal Reserve has communicated that **the economic outlook continues to be uncertain, and while** it **has stated that rates may decrease later** ~~anticipates ongoing increases until inflationary pressures subside. Continued increases~~ in **2024, there can be no assurance of the timing or amount of any future rate adjustments. Further, there can be no assurance regarding any forecasts or predictions about the effect that any future rate adjustments may have on our results of operations. Elevated** interest rates could negatively impact deposit growth, the value of our investments, ~~stockholders~~ **shareholders** ' equity, and the Bank' s profitability. We may be impacted by the retirement of London Interbank Offered Rate (" LIBOR ") as a reference rate. In July 2017, the United Kingdom Financial Conduct Authority announced that LIBOR may no longer be published after 2021. LIBOR is used extensively in the U. S and globally as a " benchmark " or " reference rate " for various commercial and financial contracts. In March 2022, the Adjustable Interest Rate (LIBOR) Act (the " LIBOR Act ") was enacted providing that LIBOR- based contracts that lack fallback language specifying practicable replacement " benchmarks " will automatically transition to the applicable reference rates recommended by the Federal Reserve. Subsequently in December 2022, the Federal Reserve issued a Final Rule establishing " benchmark " replacements based on **the Secured Overnight Financing Rate ("** SOFR **")** . **The** ~~However, the~~ ICE Benchmark Administration (" IBA "), the authorized and regulated administrator of LIBOR, ~~expects~~ **is being compelled by the Financial Conduct Authority (the " FCA ")** to continue publishing some LIBOR tenors ~~until June 2023 and may be compelled~~ **under a synthetic methodology. The FCA intends** to ~~continue publishing~~ **no longer require** ~~other~~ -- **the publication of these synthetic** tenors **by September** ~~under a different methodology after the Financial Conduct Authority (" FCA ") completes a consultation and makes a final determination on the matter (expected in 2023~~ **2024** ~~)~~ **, but may**

extend the timeline if needed . Despite the progress made through the LIBOR Act and the Federal Reserve' s Final Rule, it is impossible to predict the effect of any alternatives rates on the value of LIBOR- based securities and variable rate loans, subordinated debentures or other securities or financial arrangements. The replacement of LIBOR with one or more alternative rates may impact the availability and cost of hedging instruments and borrowings, including the rates we pay on our subordinated debentures and derivative financial instruments. When LIBOR rates are no longer available, and we are required to implement substitute indices for the calculation of interest rates under contracts or financial instruments to which we are a party, we may incur significant expenses in effecting the transition. The transition to a new reference rate requires changes to contracts, risk and pricing models, valuation tools, systems, product design and hedging strategies. Our business is subject to the risks of earthquakes, floods, fires, and other natural catastrophes. With Bank branches located in Montana, Idaho, Utah, Washington, Wyoming, Colorado, Arizona and Nevada, our business could be affected by a major natural catastrophe, such as a drought, fire, flood, earthquake, or other natural disaster. The occurrence of any of these events may result in a prolonged interruption of our business, which could have a material adverse effect on our **business,** financial condition **,** and operations. Our future performance will depend on our ability to respond timely to technological change. The financial services industry is experiencing rapid technological changes with frequent introductions of new technology- driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success will depend upon our ability to address the needs of our customers by using technology to provide products and services that will satisfy customer demands for convenience, as well as create additional efficiencies in our operations. We may not be able to effectively implement new technology- driven products or services, or be successful in marketing these products and services. Additionally, the implementation of technological changes and upgrades to maintain current systems and integrate new ones may cause services interruptions, transaction processing errors and system conversion delays and may cause us to fail to comply with applicable laws. There can be no assurance that we will be able to successfully manage the risks associated with increased dependency on technology. A failure in or breach of the Bank' s operational or security systems, or those of the Bank' s third **-** party service providers, including as a result of cyber attacks, could disrupt business, result in the disclosure or misuse of confidential or proprietary information, damage our reputation, increase costs and cause losses. In the normal course of its business, the Bank collects, processes and retains sensitive and confidential customer and consumer information. Despite the security measures we have in place, our facilities may be vulnerable to cyber- attacks, security breaches, acts of vandalism, computer viruses, misplaced or lost data, programming or human errors, and other similar events. Information security risks for financial institutions such as the Bank 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 have engaged in attacks against financial institutions designed to disrupt key business services such as customer- facing web sites. National and international economic and geopolitical conditions may also have a negative impact in the number of cyber security threats the Bank may face. ~~Most recently, increasing inflation, unemployment, and military action in Ukraine have affected the volume of cyber threats.~~ We are not able to anticipate or implement effective preventative measures against all security breaches of these types. Although the Bank employs 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, which continue to evolve. Additionally, the Bank faces the risk of operational disruption, failure, termination or capacity constraints of any of the third parties that facilitate its business activities, including **third- party service providers,** exchanges, clearing agents, clearing houses or other financial intermediaries. Such parties could also be the source of an attack on, or breach of, the Bank' s operational systems. Any failures, interruptions or security breaches in **our** ~~the Company' s~~ information systems could damage ~~its~~ **our** reputation, result in a loss of customer business, result in a violation of privacy or other laws, or expose us to civil litigation, regulatory fines or losses not covered by insurance **. See " Item 1C. Cybersecurity " for additional information regarding our efforts to detect, identify, assess, manage, and respond to material risks from cybersecurity threats** . We have various anti- takeover measures that could impede a takeover. Our articles of incorporation include certain provisions that could make it more difficult to acquire us by means of a tender offer, a proxy contest, merger or otherwise. These provisions include a requirement that any " Business Combination " (as defined in the articles of incorporation) be approved by at least 80 percent of the voting power of the then outstanding shares, unless it is either approved by our Board or certain price and procedural requirements are satisfied. In addition, the authorization of preferred stock, which is intended primarily as a financing tool and not as a defensive measure against takeovers, may potentially be used by management to make more difficult uninvited attempts to acquire control of us. These provisions may have the effect of lengthening the time required to acquire control of us through a tender offer, proxy contest or otherwise, and may deter any potentially unfriendly offers or other efforts to obtain control of us. This could deprive our ~~stockholders~~ **shareholders** of opportunities to realize a premium for their common stock in the Company, even in circumstances where such action is favored by a majority of our ~~stockholders~~ **shareholders** . Regulatory Matters We operate in a highly regulated environment and changes or increases in, or supervisory enforcement of, banking or other laws and regulations or governmental fiscal or monetary policies could adversely affect us. We are subject to extensive regulation, supervision and examination by federal and state banking regulators. In addition, as a publicly- traded company, we are subject to regulation by the SEC. Any change in applicable regulations or federal, state or local legislation or in policies or interpretations or regulatory approaches to compliance and enforcement, income tax laws and accounting principles could have a substantial impact on us and our operations. Changes in laws and regulations may also increase expenses by imposing additional fees or taxes or restrictions on operations. Additional legislation and regulations that could significantly affect powers, authority and operations may be enacted or adopted in the future, which could have a material adverse effect on our **business,** financial condition **,** and results of operations. Failure to appropriately comply with any such laws, regulations or principles could result in sanctions by regulatory agencies or damage to our reputation, all of which could adversely affect our business, financial condition or results of operations. Regulators have significant discretion and authority to prevent or remedy unsafe or unsound practices or violations of laws or regulations by financial institutions and bank holding companies in the performance of their supervisory and enforcement duties. Existing and proposed federal and state laws and regulations restrict, limit **,** and govern all aspects of our activities and may affect our ability to expand our business over time, may result in an increase in our compliance costs, and may affect our ability to attract and retain qualified executive officers and employees. The exercise of regulatory authority may have a negative impact on our **business,** financial condition and results of operations, including limiting the types of financial services and products we may offer or increasing the ability of non- banks to offer competing financial services and products **at lower cost** . Additionally, our business is affected significantly by the fiscal and monetary policies of the federal government and its agencies, including the Federal Reserve. We cannot accurately predict the full effects of recent legislation or the various other governmental, regulatory, monetary and fiscal initiatives which have been and may be enacted ~~on the financial markets and on us~~ . The terms and costs of these activities, or the failure of these actions to help stabilize the financial markets, asset prices, market liquidity and a continuation or worsening of current financial market and economic conditions could materially and adversely affect our business, financial condition, results of operations, and the trading price of our common stock. General Risk Factors National and international economic and geopolitical conditions could adversely affect our future results of operations or market price of our stock. Our business is impacted by factors such as economic, political and market conditions, broad trends in industry and finance, changes in government monetary and fiscal policies, inflation, and financial market volatility, all of which are beyond our control. National and global economies are constantly in flux, as evidenced by recent market volatility resulting from, among other things, ~~disruptions in~~ the ~~global supply chain~~ **bank failures involving Silicon Valley Bank and Signature Bank** , the effects of inflation, and the ever- changing landscape of the energy and medical industries. Future economic conditions cannot be predicted, and any renewed deterioration in the economies of the nation as a whole or in our markets could have an adverse effect, which could be material, on our business, financial condition, results of operations and prospects, and could cause the market price of our stock to decline. Our business is heavily dependent on the services of members of the senior management team. We believe our success to date has been substantially dependent on our executive management team. In addition, our unique model relies upon the Presidents of our separate Bank divisions, particularly in light of our decentralized management structure in which such Bank divisions have significant local decision- making authority. The unexpected loss of any of these persons could have an adverse effect on our business **, financial condition, results of operations,** and future growth prospects. We could suffer operational, reputational and financial harm if we fail to properly anticipate and manage risk. We use models and strategies to forecast losses, project revenue, **and** measure and assess capital requirements for **various** credit, market, operational and strategic risks ~~, and assess and control our operations and financial condition~~ . These models require oversight, ongoing monitoring, and periodic reassessment. Models are subject to inherent limitations due to the use of historical trends and simplifying assumptions, uncertainty regarding economic and financial outcomes, and emerging risks from the use of applications that may rely on artificial intelligence. Our models and strategies may not be adequate due to limited historical data and shocks caused by extreme or unanticipated market changes, especially during severe market downturns or stress events. Regardless of the steps we take to ensure effective controls, governance, monitoring and testing, and implement new risk management tools, we could suffer operational, reputational and financial harm if our models and strategies and other risk management tools fail to properly anticipate and manage **the** current and evolving risks **we face** . Changes in accounting standards could materially impact our financial statements. Periodically, 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 information regarding the impact of recently issued accounting standards, see " Item 7. Management' s Discussion and Analysis of Financial Condition and Results of Operations. " ~~The continued economic effects of the COVID- 19 pandemic could adversely impact our results of operations and / or the market price of our stock. The COVID- 19 pandemic and related government actions caused significant economic turmoil in the U. S. and around the world, resulting in a slow- down in economic activity, increased unemployment levels, and disruptions in global supply chains and financial markets. Both the direct effects of the pandemic and the resulting U. S. and state level governmental responses were and are of an unprecedented scope. The long- term impact of the government actions in mitigating the health and economic effects of the pandemic cannot be accurately predicted, whether on our business or on the economy as a whole. Despite improvement in the U. S. and global economies after the initial impact of the pandemic, some adverse consequences, including labor shortages, disruptions of the global supply chains, and increased inflation, continue to negatively impact the international, national, and local economic environment. In addition, the Federal government' s financial support of the economy and the governments effort' s to control the virus and its effects has for the most part ended, and the effects on the national and local economy of ending that support are yet to be determined. The Company believes it continues to be well positioned to mitigate the potential financial impact of the COVID- 19 pandemic with a strong liquidity and capital position, and the various measures we have implemented to manage through the pandemic, including efforts to proactively react to, and work with customers to assess customer needs and provide funding, flexible repayment options or modifications as necessary, and increased monitoring of credit quality and portfolio risk for industries determined to have elevated risk characteristics. Nonetheless, any future deterioration in economic conditions in the markets the Bank serves as a consequence of the pandemic, or a failure of the economy to recover from pandemic- related disruptions as quickly as anticipated, could have a material adverse effect on our business, financial condition, results of operations and prospects.~~ Climate change may materially adversely affect the Company' s business **, financial condition,** and results of operations. Concerns over the long- term effects of climate change have led **to** governmental efforts around the world to mitigate those impacts. Consumers and businesses also may voluntarily change their behavior as a result of these concerns.

~~The Company~~ **Both the Bank** and its customers will need to respond to new laws and regulations as well as consumer and business preferences resulting from climate change concerns. The ~~Company~~ **Bank** and its customers may face cost increases, asset value reductions and operating process changes. The impact on our customers will likely vary depending on their specific attributes, including reliance on or role in carbon- intensive activities. Among the impacts to the ~~Company~~ **Bank** could be a drop in demand for our products and services, particularly in certain sectors. In addition, we could face reductions in creditworthiness on the part of some customers or in the value of assets securing loans. The **Bank attemps** ~~Company' s efforts~~ to take these risks into account in making lending and other decisions, including by increasing our business with climate- friendly companies, **but the bank' s efforts** may not be effective in protecting the ~~Company~~ **Bank** from the negative impact of new laws and regulations or changes in consumer or business behavior.