

## Risk Factors Comparison 2025-03-13 to 2024-03-28 Form: 10-K

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

The cyber- attack could have adverse impacts on our business. As previously disclosed, we sustained a cyber- attack in April 2023 that resulted in a temporary disruption to the computer systems of The Middlefield Banking Company. A cybersecurity firm investigated the nature and scope of the incident, evaluated our systems, and confirmed that nonpublic information relating to current and former employees, customers and others was obtained from our systems. While the information varies by individual, some of the types of information that may have been obtained include name, Social Security number, driver's license information, date of birth, financial account information, medical information, passport number, payment card information, and username and password. We are presently defending a class action lawsuit related to the misappropriated data. Whether or not such data was misused, the perception that the nonpublic information could be used in a harmful manner or that not enough was done to protect the information from cyber- attacks could cause harm to our reputation and result in the loss of business from current or future customers, which could have an adverse effect on our business, results of operations, and financial condition. While the incident ~~is did not expected to~~ have a material impact on the Company's business, the cyber- attack the Bank experienced in April 2023 increases the risk associated with any future cybersecurity incidents, particularly the risk of damage to the Company's reputation. ~~We~~ **19** We have implemented enhanced security measures to safeguard our systems and data, and we intend to continue implementing additional measures in the future. However, our measures may not be sufficient to maintain the confidentiality, security, or availability of the data we collect, store, and use to operate our business. Security measures implemented by our service providers or their service providers also may not be sufficient. Efforts to hack or circumvent security measures, efforts to gain unauthorized access to, exploit or disrupt the operation or integrity of our data or systems, failures of systems or software to operate as designed or intended, viruses, "ransomware" or other malware, "supply chain" attacks, "phishing" or other types of business communications compromises, operator error, or inadvertent releases of data may in the future impact our information systems and records or those of our service providers. Security measures, no matter how well designed or implemented, may only mitigate and not fully eliminate risks, and security events, when detected by security tools or third parties, may not always be immediately understood or acted upon. Any additional significant theft of, unauthorized access to, compromise or loss of, loss of access to, or fraudulent use of our systems or data could result in legal, regulatory and other consequences, including remedial and other expenses, fines, or litigation. These risks could have a material adverse effect on our business, results of operations, or financial condition as well as harm to our reputation. The Company remains subject to risks and uncertainties due to the incident, including litigation, changes in customer behavior, and additional regulatory scrutiny. Although we maintain cybersecurity insurance coverage insuring against costs resulting from cyber- attacks (including the April 2023 attack), potential disputes with insurers about the availability of insurance coverage could occur. Further, should we experience future cyber incidents, or should industry trends drive rate increases resulting from growth in volume and significance of cyber incidents broadly, we may incur higher costs for cybersecurity insurance coverage. The risks relating to future breaches in our, or our vendors', data security infrastructure, including in connection with cyber incidents, could have a material adverse effect on our business, results of operations or financial condition or may result in operational impairments and financial losses, as well as significant harm to our reputation. ~~20A~~ **A** material disruption in the operation of our business functions, facilities, and systems or third -party service providers' facilities and systems could have a significant negative impact on our operations. Our necessary dependence upon automated systems to record and process transaction volumes poses the risk that technical system flaws or employee errors, tampering or manipulation of those systems will result in losses and may be difficult to detect. We may also be subject to disruptions of the operating systems arising from events that are beyond our control (for example, computer viruses, cyber- attacks, or electrical or telecommunications outages). We are further exposed to the risk that third party service providers may be unable to fulfill their contractual obligations (or will be subject to the same risk of fraud, operational errors, or external events). A disruption in our operations occurred in April 2023 as a result of a cyber- attack. Please refer to the immediately preceding risk factor for information on this incident. These disruptions may interfere with our ability to service our customers and could result in a financial loss or liability as well as negatively impact our reputation. The increasing complexity of the Company's operations presents varied risks that could affect its earnings and financial condition. The Company processes a large volume of transactions on a daily basis and is exposed to numerous types of risks related to internal processes, people and systems. These risks include, but are not limited to, the risk of fraud by persons inside or outside the Company, the execution of unauthorized transactions by employees, errors relating to transaction processing and systems, breaches of data security and our internal control system and compliance with a complex array of consumer and safety and soundness regulations. We could also experience additional loss as a result of potential legal actions that could arise as a result of operational deficiencies or as a result of noncompliance with applicable laws and regulations.

**Failure to** ~~The Company has established and maintains~~ **maintain effective** a system of internal controls **over financial reporting could impair our ability to accurately and timely report our financial results and could increase the risk of fraud. Effective internal controls over financial reporting are necessary to provide reliable financial reports and prevent fraud. Management believes** ~~that provides our internal controls over financial reporting are currently effective. While~~ **management with information will continue to assess our controls and procedures and take immediate action to remediate any future perceived issues, there can be no guarantee of the effectiveness of these controls and procedures on an ongoing basis. Any failure to maintain an effective internal control environment could impact our ability to report our financial results on an accurate and** ~~timely basis and allows for the monitoring~~, **which could result in regulatory actions,**

**loss of investor confidence, and compliance with operational standards.** These systems have been designed to manage operational risks at an **adverse impact on our** appropriate, cost-effective level. Procedures exist that are designed to ensure that policies relating to conduct, ethics, and business practices are followed. **Losses from operational operations and stock price risks may still occur, however, including losses from the effects of operational errors.** A lack of liquidity could impair our ability to fund operations and adversely impact our business, financial condition and results of operations. Liquidity is essential to our business. We rely on our ability to generate deposits and effectively manage the repayment and maturity schedules of our loans and investment securities, respectively, to ensure that we have adequate liquidity to fund our operations. An inability to raise funds through deposits, borrowings, sales of our investment securities, sales of loans or other sources could have a substantial negative effect on our liquidity and our ability to continue our growth strategy. Our most important source of funds is deposits. As of December 31, ~~2023~~ **2024**, approximately \$ ~~690-820.91~~ **690.91** million, or ~~48-56.47~~ **47**%, of our total deposits were negotiable order of withdrawal, or NOW, savings, and money market accounts. Historically our savings, money market deposit and NOW accounts have been stable sources of funds. However, these deposits are subject to potentially dramatic fluctuations in availability or price due to certain factors that may be outside of our control, such as a loss of confidence by customers in us or the banking sector generally, customer perceptions of our financial health and general reputation, increasing competitive pressures from other financial services firms for consumer or corporate customer deposits, changes in interest rates, and returns on other investment classes, any of which could result in significant outflows of deposits within short periods of time or significant changes in pricing necessary to maintain current customer deposits or attract additional deposits, increasing our funding costs and reducing our net interest income and net income. Additional liquidity is provided by our ability to borrow from the FHLB of Cincinnati and the Federal Reserve Bank of Cleveland. We also may borrow funds from third-party lenders, such as other financial institutions. Our access to funding sources in amounts adequate to finance or capitalize our activities, or on terms that are acceptable to us, could be impaired by factors that affect us directly or the financial services industry or economy in general, such as disruptions in the financial markets or negative views and expectations about the prospects for the financial services industry. Our access to funding sources could also be affected by one or more adverse regulatory actions against us. We rely extensively on models in managing many aspects of our business, and these models may be inaccurate or misinterpreted. We rely extensively on models in managing many aspects of our business, including liquidity and capital planning, credit and other risk management, pricing, and reserving. The models may prove in practice to be less predictive than we expect. The errors or inaccuracies in our models may be material, and could lead us to make wrong or sub-optimal decisions in managing our business, **which and this** could have a material adverse effect on our business, financial condition, or results of operations. We are dependent on our management team and key employees, and if we are not able to attract and retain them, our business operations could be materially adversely affected. Our success depends, in large part, on our management team and key employees. ~~During 2023, we experienced a transition in the chief financial officer position. We have a new chief executive officer since January 1, 2024.~~ Our management team has significant industry experience. Our future success also depends on our continuing ability to attract, develop, motivate and retain key employees. Qualified individuals are in high demand, and we may incur significant costs to attract and retain them. Because the market for qualified individuals is highly competitive, we may not be able to attract and retain qualified officers or candidates. The loss of any of our management team or our key employees could materially adversely affect our ability to execute our business strategy, and we may not be able to find adequate replacements on a timely basis, or at all. We cannot ensure that we will be able to retain the services of any members of our management team or other key employees. Failure to attract and retain a qualified management team and qualified key employees could have a material adverse effect on our business, financial condition, and results of operations. The Company has non-competition agreements with senior officers and key personnel. ~~Our 20~~ **Our** operations could be interrupted if our third-party service providers experience difficulty, terminate their services, or fail to comply with banking regulations. We depend to a significant extent on a number of relationships with third-party service providers. Specifically, we receive core systems processing, essential web hosting and other internet systems, deposit processing and other processing services from third-party service providers. If these third-party service providers experience difficulties or terminate their services and we are unable to transition to other service providers in an orderly manner, our operations could be interrupted. If an interruption were to continue for a significant period of time, our business, financial condition, and results of operations could be adversely affected, perhaps materially. Even if we are able to replace them, it may be at a higher cost to us, which could adversely affect our business, financial condition, and results of operations. We have a continuing need for technological change, and we may not have the resources to effectively implement new technology or we may experience operational challenges when implementing new technology. The financial services industry is undergoing rapid technological changes with frequent introductions of new technology-driven products and services. In addition to better serving customers, the effective use of technology increases efficiency and enables financial institutions to reduce costs. Our future success will depend in part 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 to create additional efficiencies in our operations as we continue to grow and expand our market area. We may experience operational challenges as we implement these new technology enhancements, or seek to implement them across all of our offices and business units, which could result in us not fully realizing the anticipated benefits from such new technology or require us to incur significant costs to remedy any such challenges in a timely manner. ~~21~~ **We** ~~Our~~ **business is subject to fraud attempts. As a financial institution, we are susceptible to fraudulent activity rendered against us or our customers that may result in financial loss, increased costs, privacy breaches, misappropriation of assets, litigation, or damage to our reputation. These acts may take many forms including check fraud, wire fraud, phishing, social engineering, and other dishonest proceedings. There have been instances where banks have been victims of fraudulent activity in which criminals pose as customers to initiate wire and automated clearinghouse transactions out of customer accounts. Although we have policies and procedures in place to verify the authenticity of our customers, we**

**cannot assure that such policies and procedures will prevent all fraudulent transfers. We** may need to raise additional capital in the future, and such capital may not be available when needed or at all. We may need to raise additional capital in the future to provide us with sufficient capital resources and liquidity to meet our commitments and business needs, particularly if our asset quality or earnings were to deteriorate significantly. Our ability to raise additional capital, if needed, will depend on, among other things, conditions in the capital markets at that time, which are outside of our control, and our financial condition. Economic conditions and the loss of confidence in financial institutions may increase our cost of funding and limit access to certain customary sources of capital, including inter- bank borrowings, repurchase agreements, and borrowings from the discount window of the Federal Reserve. We cannot give assurance that such capital will be available on acceptable terms or at all. Any occurrence that may limit our access to the capital markets, such as a decline in the confidence of debt purchasers, depositors of counterparties participating in the capital markets, or a downgrade of the Company' s debt ratings, may adversely affect our capital costs and our ability to raise capital and, in turn, our liquidity. Moreover, if we need to raise capital in the future, we may have to do so when many other financial institutions are also seeking to raise capital and would have to compete with those institutions for investors. An inability to raise additional capital on acceptable terms when needed could have a materially adverse effect on our business, financial condition, and results of operations. The value of our goodwill and core deposit intangible assets may decline in the future. As of December 31, ~~2023~~ **2024**, we had \$ ~~43~~ **42**.0 million of goodwill and core deposit intangible assets. A significant decline in our expected future cash flows, a significant adverse change in the business climate, slower growth rates, or a significant and sustained decline in the price of the Company' s common stock may necessitate taking charges in the future related to the impairment of our goodwill and core deposit intangible assets. If we were to conclude that a future write- down of goodwill and core deposit intangible assets is necessary, we would record the appropriate charge, which could have a material adverse effect on our business, financial condition, and results of operations.

Risks Relating to Economic and Market Conditions Our business may be adversely affected by conditions in the financial markets and economic conditions generally. **As Economic conditions in the United States and our Ohio markets are affected by complex factors that are difficult to predict and beyond our control, including uncertainties regarding the persistence of inflation, U. S. trade policy, including the potential impact of tariffs, geopolitical developments, such as ongoing conflicts in the Middle East and Ukraine, disruptions in the global energy market, labor market conditions, supply chain issues both domestically and internationally, and the potential effects of the new presidential administration and its actions with respect to the foregoing. In addition, uncertainty in the business community regarding these potential developments can itself harm** economic conditions relating to **in our markets. Collectively, these issues could** COVID-19 pandemic have improved, the Federal Reserve has shifted its focus to limiting inflationary and other potentially adverse **adversely** effects of the extensive pandemic- related government stimulus, which signals the potential for a continued period of economic uncertainty even though the pandemic has subsided. In addition, there are continuing concerns related to, among other things, the level of U. S. government debt and fiscal actions that may be taken to address that debt, a potential resurgence of economic and political tensions with China and the Russian invasion of Ukraine, all of which may have a destabilizing effect **affect on our business,** financial markets **condition, results of operations** and economic activity **growth prospects**. Economic pressure on consumers and overall economic uncertainty may result in changes in consumer and business spending, borrowing and savings habits. These economic conditions or other negative developments in the domestic or international credit markets or economies may significantly affect the markets in which we do business, the value of our loans and investments, and our ongoing operations, costs and profitability. As the result of the related adverse local and national economic consequences, we could be subject to any of the following risks, any of which could have a material, adverse effect on our business, financial condition, liquidity, and results of operations: • declines in demand for loans and other banking services and products, as well as a decline in the credit quality of our loan portfolio; • decreases in office occupancy following the COVID- 19 pandemic could negatively impact the future cash flows and market values of the affected properties that leads to an increased provision for credit losses and adversely affect our operating results and financial condition; • collateral for loans, especially real estate, may decline in value, which could cause loan losses to increase; • the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us; • a material decrease in net income or a net loss over several quarters could result in a decrease in the rate of our quarterly cash dividend; • cyber security risks are increased as the result of an increase in the number of employees working remotely; and • **FDIC** ~~Federal Deposit Insurance Corporation~~ premiums may increase if the agency experiences **additional significant** resolution costs for bank failures. Any one or a combination of the factors identified above could negatively impact our business, financial condition and results of operations and prospects. ~~22~~ **The 21** ~~The~~ Company operates in a highly competitive industry and market area. The Company faces significant competition both in making loans and in attracting deposits. Competition is based on interest rates and other credit and service charges, the quality of services rendered, the convenience of banking facilities, the range and type of products offered and, in the case of loans to larger commercial borrowers, lending limits, among other factors. Competition for loans comes principally from commercial banks, savings banks, savings and loan associations, credit unions, mortgage banking companies, insurance companies, and other financial service companies. The Company' s most direct competition for deposits has historically come from commercial banks, savings banks, and savings and loan associations. Technology has also lowered barriers to entry and made it possible for non- banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. The wide acceptance of Internet- based commerce has resulted in a number of alternative payment processing systems and lending platforms in which banks play only minor roles. Customers can now maintain funds in prepaid debit cards or digital currencies and pay bills and transfer funds directly without the direct assistance of banks. Our profitability depends upon our continued ability to successfully compete in our market areas. Larger competitors may be able to achieve economies of scale and, as a result, offer a broader range of products and services. The Company' s ability to compete successfully depends on a number of factors, including, among other things: • the ability to develop,

maintain, and build long- term customer relationships based on top quality service, high ethical standards, and safe, sound assets; ● the ability to expand the Company’ s market position; ● the scope, relevance, and pricing of products and services offered to meet customer needs and demands; ● the rate at which the Company introduces new products and services relative to its competitors; ● customer satisfaction with the Company’ s level of service; and ● industry and general economic trends Failure to perform in any of these areas could significantly weaken the Company’ s competitive position, which could adversely affect growth and profitability. Changing interest rates have a direct and immediate impact on financial institutions. **The interest rate risk that exists (or other amendments to the Internal Revenue Code of 1986, as amended (the “ Internal Revenue Code ”) or to state tax laws) is a concern for most or all businesses, consumers and investors in the United States. In addition, economic conditions in foreign countries, including uncertainty in areas experiencing geopolitical tension, could affect the stability of global financial institutions** arises out of interest rates that increase more than anticipated or that increase more quickly than expected. If interest rates change more abruptly than we have simulated or if the increase is greater than we have simulated, this could have an adverse effect on our net interest income and equity value. The risk of nonpayment of loans — or credit risk — is not the only lending risk. Lenders are subject also to interest rate risk. Fluctuating rates of interest prevailing in the market **markets** affect a bank’ s net interest income, which **could hinder U. S. economic growth** is the difference between interest earned from loans and investments, on one hand, and interest paid on deposits and borrowings, on the other. Changes in the general level of interest rates can affect our net interest income by affecting the difference between the weighted- average yield earned on our interest- earning assets and the weighted- average rate paid on our interest- bearing liabilities, or interest rate spread, and the average life of our interest- earning assets and interest- bearing liabilities. Changes in interest rates also can affect (i) our ability to originate loans, (ii) the value of our interest- earning assets, and our ability to realize gains from the sale of such assets, (iii) our ability to obtain and retain deposits in competition with other available investment alternatives, and (iv) the ability of our borrowers to repay adjustable or variable rate loans. Interest rates are highly sensitive to many factors, including governmental monetary policies, domestic and international economic and political conditions, and other factors beyond our control. Although the Company believes that the estimated maturities of our interest- earning assets currently are well balanced in relation to the estimated maturities of our interest- bearing liabilities (which involves various estimates as to how changes in the general level of interest rates will impact these assets and liabilities), there can be no assurance that our profitability would not be adversely affected during any period of changes in interest rates. A prolonged economic downturn in our market area would adversely affect our loan portfolio and our growth prospects. Our lending market area is concentrated in northeastern, central, and western Ohio, particularly Ashtabula, Cuyahoga, Delaware, Franklin, Geauga, Hardin, Logan, Madison, Portage, Summit, Trumbull, and Union Counties. A significant percentage of our loan portfolio is secured by real estate collateral, primarily residential mortgage loans. Commercial and industrial loans to small and medium- sized businesses also represent a significant percentage of our loan portfolio. The asset quality of our loan portfolio is largely dependent upon the area’ s economy and real estate markets. A prolonged economic downturn would likely lead to deterioration of the credit quality of our loan portfolio and reduce our level of customer deposits, which in turn would hurt our business. Borrowers may be less likely to repay their loans as scheduled or at all. Moreover, the value of real estate or other collateral that may secure our loans could be adversely affected. Unlike many larger institutions, we are not able to spread the risks of unfavorable local economic conditions across a large number of diversified economies and geographic locations. A prolonged economic downturn could, therefore, result in losses that could materially and adversely affect our business. Inflation could negatively impact our business and profitability. Volatility and uncertainty related to inflation and the effects of inflation, which may lead to increased costs for businesses and consumers and potentially contribute to poor business and economic conditions generally, may also enhance or contribute to some of the risks discussed herein. For example, higher inflation, or volatility and uncertainty related to inflation, could reduce demand for the Company’ s products, adversely affect the creditworthiness of the Company’ s borrowers or result in lower values for the Company’ s investment securities and other interest- earning assets. **The current economic environment is characterized by an elevated interest rate environment. Elevated levels of inflation, or the aggregate effects of previous periods of elevated inflation, can have complex effects on our business and results of operations, some of which could be materially adverse. Governmental responses to elevated levels of inflation, or the aggregate effects of previous inflationary periods, such as severe monetary and fiscal policy, can result in increased market interest rates or volatility in interest rate levels. The duration and severity of a prolonged inflationary period and the resulting impact on us cannot be predicted with precision. Although inflation the Federal Reserve began enacting incremental rate cuts in 2023 was reduced compared to 2022, inflationary pressures remain elevated. Future inflation metrics are uncertain for 2024, there is a meaningful risk that the Federal Reserve may maintain high interest rates or elect to make fewer and smaller interest rate cuts than anticipated, thereby limiting economic growth and potentially causing and an onward economic recession or other political instability. This could decrease loan demand, harm the credit characteristics of our existing loan portfolio, impact our net interest income, impact the value of our investment securities portfolio, and decrease the value of collateral securing loans.** **23Risks-22Risks** Associated with the Company’ s Common Stock **The market price of our common stock may be subject to substantial fluctuations, which may make it difficult for you to sell your shares at the volume, prices and times desired. The market price of our common stock may be highly volatile, which may make it difficult for a shareholder to resell shares at the volume, prices and times desired. The stock market and the market for financial institution stocks have experienced substantial fluctuations in recent years, which in many cases have been**

**unrelated to the operating performance and prospects of particular companies.** The Company may issue additional shares of its common stock in the future, which could dilute a shareholder's ownership of common stock. The Company's articles of incorporation authorize its Board of Directors, without shareholder approval, to, among other things, issue additional shares of common stock. The issuance of any additional shares of common stock could be dilutive to a shareholder's ownership of Company common stock. To the extent that the Company issues options or warrants to purchase common stock in the future and the options or warrants are exercised, the Company's shareholders may experience further dilution. Holders of shares of Company common stock have no preemptive rights that entitle holders to purchase their pro rata share of any offering of shares and, therefore, shareholders may not be permitted to invest in future issuances of Company common stock. ~~If an entity holds as little as a 5% interest in our outstanding securities, that entity could, under certain circumstances, be subject to regulation as a "bank holding company." Any entity, including a "group" composed of natural persons, owning or controlling with the power to vote 25% or more of our outstanding securities, or 5% or more if the holder otherwise exercises a "controlling influence" over us, may be subject to regulation as a "bank holding company" in accordance with the Bank Holding Company Act of 1956. In addition, any bank holding company or foreign bank with a U. S. presence may be required to obtain the approval of the Federal Reserve Board under the Bank Holding Company Act to acquire or retain 5% or more of our outstanding securities. Becoming a bank holding company imposes statutory and regulatory restrictions and obligations, such as providing managerial and financial strength for its bank subsidiaries. Regulation as a bank holding company could require the holder to divest all or a portion of the holder's investment in our securities or those nonbanking investments that may be deemed impermissible or incompatible with bank holding company status, such as a material investment in a company unrelated to banking. Anti-takeover provisions could delay or prevent an acquisition or change in control by a third party. Provisions of the Ohio General Corporation Law, our Amended and Restated Articles of Incorporation, and our Code of Regulations, including a staggered board and supermajority voting requirements, could make it more difficult for a third party to acquire control of us or could have the effect of discouraging a third party from attempting to acquire control of us. Risks Related to the Legal and Regulatory Environment The banking industry is heavily regulated; the compliance burden to the industry is considerable; the principal beneficiary of federal and state regulation is the public at large and depositors, not stockholders. The Company and its subsidiaries are and will remain subject to extensive state and federal government supervision and regulation. Supervision and regulation affect many aspects of the banking business, including permissible activities, lending, investments, payment of dividends, the geographic locations in which our services can be offered, and numerous other matters. State and federal supervision and regulation are intended principally to protect depositors, the public, and the deposit insurance fund administered by the FDIC. Protection of stockholders is not a goal of banking regulation. The burdens of federal and state banking regulation place banks in general at a competitive disadvantage compared to less regulated competitors. Applicable statutes, regulations, agency and court interpretations, and agency enforcement policies have undergone significant changes, and could change significantly again. Compliance with regulations can be difficult and costly, and changes to regulations often impose additional compliance costs. Federal and state banking agencies also require banks and bank holding companies to maintain adequate capital. Failure to maintain adequate capital or to comply with applicable laws, regulations, and supervisory agreements could subject a bank or bank holding company to federal or state enforcement actions, including termination of deposit insurance, imposition of fines and civil penalties, and, in the most severe cases, appointment of a conservator or receiver for a depository institution. Changes in applicable laws and regulatory policies could adversely affect the banking industry generally or the Company in particular. The Company gives you no assurance that we will be able to adapt successfully to industry changes caused by governmental actions. Recent negative developments affecting the banking industry, and resulting media coverage, have eroded customer confidence in the banking system. The closures of Silicon Valley Bank and Signature Bank in March 2023 and First Republic Bank in May 2023, and concerns about similar future events, have generated significant market volatility among publicly traded bank holding companies. These market developments have negatively impacted customer confidence in the safety and soundness of banks. While the Department of the Treasury, the Federal Reserve, and the FDIC took action to ensure that depositors of these failed banks had access to their deposits, including uninsured deposit accounts, there is no guarantee that bank runs similar to the ones that occurred in 2023 will not occur in the future and, if they were to occur, they may have a material and adverse impact on customer and investor confidence in banks negatively impacting the Company's liquidity, capital, results of operations and stock price. Regulatory examination scrutiny or new regulatory requirements arising from the recent events in the banking industry could increase the Company's expenses and affect the Company's operations. The Company anticipates increased regulatory scrutiny—in the course of routine examinations and otherwise designed to address the recent negative developments in the banking industry, all of which may increase the Company's costs of doing business and reduce its profitability. Among other things, there may be an increased focus by both regulators and investors on the on-balance sheet liquidity of and funding sources for financial institutions, the composition of their deposits and the level of uninsured deposits, the amount of accumulated other comprehensive loss, capital levels, and interest rate risk management. Environmental liability associated with commercial lending could have a material adverse effect on our business, financial condition or results of operations. A significant portion of our loan portfolio is secured by real property. During the ordinary course of business, we may foreclose on and take title to properties securing certain loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, we may be liable for remediation costs, as well as for personal injury and property damage. In addition, we own and operate certain properties that may be subject to similar environmental liability risks. Environmental laws may require us to incur substantial expenses and may materially reduce the affected property's value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. Although we have policies and procedures requiring the performance of an environmental site assessment before initiating any foreclosure action on real property, these assessments 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 our business, financial condition, or results of operations. ~~24~~ ~~The Current Expected Credit Loss accounting standard could add volatility to our allowance for credit losses and may have a material adverse effect on our financial condition and results of operations. Effective January 1, 2023, we adopted the Financial Accounting Standard Board (the "FASB") Account Standards Update 2016-13, Financial Instruments—Credit Losses (Topic 325); Measurement of Credit Losses on Financial Instruments, commonly referred to as "CECL". CECL changed the allowance for credit losses methodology from an incurred loss impairment methodology to an expected loss methodology, which is more dependent on future economic forecasts, assumptions and models than previous accounting standards and could result in increases in, and add volatility to, our allowance for credit losses and future provisions for credit losses. These forecasts, assumptions and models are inherently uncertain and are based upon management's reasonable judgment in light of information currently available.~~ Regulatory requirements affecting our loans secured by commercial real estate could limit our ability to leverage our capital and adversely affect our growth and profitability. Rising commercial real estate lending concentrations may expose institutions like the **Bank Company** to unanticipated earnings and capital volatility in the event of adverse changes in the commercial real estate market. In addition, institutions that are exposed to significant commercial real estate concentration risk may be subject to increased regulatory scrutiny. The federal banking agencies have issued guidance for institutions that are deemed to have concentrations in commercial real estate lending. Pursuant to the supervisory criteria contained in the guidance for identifying institutions with a potential commercial real estate concentration risk, institutions that have (i) total reported loans for construction, land development, and other land which represent 100 % or more of an institution's total risk-based capital; or (ii) total commercial real estate loans representing 300 % or more of the institution's total risk-based capital and the outstanding balance of the institution's commercial real estate loan portfolio has increased 50 % or more during the prior 36 months are encouraged to identify and monitor credit concentrations and enhance risk management systems. At December 31, ~~2023~~ **2024**, ~~non-owner occupied~~ commercial real estate loans (including construction, land, and land development loans) represent ~~294~~ **285** . ~~5~~ **9** % of total risk-based capital, ~~and growth in that segment over the past 36 months was 18.2 %~~. Construction, land, and land development loans represent ~~63~~ **48** . ~~4~~ **9** % of total risk-based capital as of December 31, ~~2023~~ **2024**. Management has extensive experience in commercial real estate lending. Management has implemented and continues to maintain heightened risk management procedures and strong underwriting criteria with respect to its commercial real estate portfolio. Loan monitoring practices include but are not limited to periodic stress testing analysis to evaluate changes to cash flows, interest rate increases, and declines in net operating income. Nevertheless, we may be required to maintain higher levels of capital as a result of our commercial real estate concentrations, which could require us to obtain additional capital, and may adversely affect shareholder returns. The Company has an extensive capital planning policy, which includes pro forma projections including stress testing within which the Board of Directors has established internal minimum targets for regulatory capital ratios that are in excess of well-capitalized ratios. ~~We~~ **23** ~~We~~ face a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti-money laundering statutes and regulations. The Bank Secrecy Act of 1970, the Uniting and Strengthening America by Providing Appropriate Tools to Intercept and Obstruct Terrorism Act of 2001, or the USA Patriot Act or Patriot Act, and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti-money laundering program and to file reports such as suspicious activity reports and currency transaction reports. We are required to comply with these and other anti-money laundering requirements. Our federal and state banking regulators, the Financial Crimes Enforcement Network, ~~or ("~~ **FinCEN** ~~)~~, and other government agencies are authorized to impose significant civil money penalties for violations of anti-money laundering requirements. We are also subject to increased scrutiny of compliance with the regulations issued and enforced by the Office of Foreign Assets Control, ~~or ("~~ **OFAC** ~~)~~. If our program is deemed deficient, we could be subject to liability, including fines, civil money penalties and other regulatory actions, which may include restrictions on our business operations and our ability to pay dividends, restrictions on mergers and acquisitions activity, restrictions on expansion, and restrictions on entering new business lines. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have significant reputational consequences for us. Any of these circumstances could have a material adverse effect on our business, financial condition or results of operations. Government regulation could restrict our ability to pay cash dividends. Dividends from the Bank are the only significant source of cash for the Company. Statutory and regulatory limits could prevent the Bank from paying dividends or transferring funds to the Company. The Company cannot assure ~~you~~ that subsidiary Bank profitability will continue to allow dividends to the Company, and the Company therefore cannot assure ~~you~~ that the Company will be able to continue paying regular, quarterly cash dividends. General Risk Factors ~~Climate change~~ **Weather events**, natural disasters, acts of war or terrorism, the impact of pandemics or epidemics, and other external events could significantly impact our business. ~~Natural disasters, including severe~~ **Severe** weather events ~~of increasing strength and frequency due to climate change~~, acts of war or terrorism, and other adverse external events could have a significant impact on our ability to conduct business or upon third parties who perform operational services for us or our customers. Such events could affect the stability of our deposit base, impair the ability of borrowers to repay outstanding loans, impair the value of collateral securing loans, cause significant property damage, result in lost revenue or cause us to incur additional expenses. Aggressive actions by hostile governments or groups, including armed conflict or intensified cyber-attacks, could expand in unpredictable ways by drawing in other countries or escalating into full-scale war with potentially catastrophic consequences, particularly if one or more of the combatants possess nuclear weapons. Depending on the scope of the conflict, the hostilities could result in: • worldwide economic disruption • heightened volatility in financial markets • severe declines in asset values, accompanied by widespread selloffs of investments • diminished consumer, business and investor confidence • events arising from local or larger-scale civil or political unrest, any outbreak or escalation of hostilities, or terrorist acts. The Company could also experience more numerous and aggressive cyber-attacks launched by or under the sponsorship of one or more of the adversaries in such a conflict. Litigation could adversely affect our results of

operations, profitability and cash flows. From time to time, we have been and may be involved in various legal proceedings and claims arising in our ordinary course of business. Other than a lawsuit filed ~~on~~ **in** January 8, 2024 relating to the disclosure of customers' personally identifiable information as a result of the April 2023 cyber- attack, we are not a party to any material legal proceeding. Litigation may result in a diversion of management' s attention and resources, significant costs, including monetary damages and legal fees, and injunctive relief, and may contribute to current and future stock price volatility. No assurance can be made that future litigation will not result in material financial exposure or reputational harm, which could have a material adverse effect upon our results of operations, profitability or cash flows. ~~25~~