Risk Factors Comparison 2024-02-27 to 2023-02-28 Form: 10-K

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

Risks Relating to Our Banking Operations Changes in general business and economic conditions could materially and adversely affect us. Our business and operations are sensitive to general business and economic conditions in the United States and in our core markets of Colorado, the greater Kansas City region, Utah, Wyoming, Texas, New Mexico, and Idaho. If the economies in our core markets, or the U. S. economy more generally, experience worsening economic conditions, including industry- specific conditions, we could be materially and adversely affected. Weak economic conditions may be characterized by inflation, fluctuations in debt and equity capital markets, including a lack of liquidity and / or depressed prices in the secondary market for mortgage loans, increased delinquencies on loans, residential and commercial real estate price declines, lower home sales and commercial activity, further or prolonged pressure on energy prices, high unemployment, and the economic effects of natural disasters, severe weather conditions, health emergencies or pandemics ~~(such as COVID- 19)~~ , cyberattacks, outbreaks of hostilities, terrorism or other geopolitical instabilities. All of these factors would be detrimental to our business. Our business is significantly affected by monetary and related policies of the U. S. federal government, its agencies and government- sponsored entities. Changes in any of these policies are influenced by macroeconomic conditions and other factors that are beyond our control and could have a material adverse effect on us. Changes in the assumptions underlying our acquisition method of accounting, or other significant accounting estimates could affect our financial information and have a material adverse effect on us. A material portion of our financial results is based on, and subject to, significant assumptions and subjective judgments. As a result of our acquisitions, our financial information is influenced by the application of the acquisition method of accounting, which requires us to make complex assumptions, and these assumptions materially affect our financial results. As such, any financial information generated through the use of the acquisition method of accounting is subject to modification or change. If our assumptions are incorrect and we change or modify our assumptions, it could have a material adverse effect on us or our previously reported results. Additionally, a change in our accounting estimates, such as our ability to realize deferred tax assets, the need for a valuation allowance or the recoverability of the goodwill recorded at the time of our acquisitions, could have a material adverse effect on our financial results. Our business is highly susceptible to credit risk and fluctuations in the value of real estate and other collateral securing such credit. ~~As~~ **We are focused on growing our loan portfolio while adhering to our established underwriting standards and self- imposed concentration limits. However, as** a lender, we are exposed to the risk that our clients will be unable to repay their loans according to their terms and that the collateral securing the payment of their loans (if any) may not be sufficient to assure repayment. The risks inherent in making any loan include risks with respect to the ability of borrowers to repay their loans and, if applicable, the period of time over which the loan is repaid, risks relating to proper loan underwriting and guidelines, risks resulting from changes in economic and industry conditions, risks inherent in dealing with individual borrowers and risks resulting from uncertainties as to the future value of collateral. Similarly, we have credit risk embedded in our securities portfolio. Our credit standards, procedures and policies may not prevent us from incurring substantial credit losses. A **significant portion of our loan portfolio is secured by real estate and any deterioration in real estate values or credit quality or elevated levels of non- performing assets would ultimately have a negative impact on the quality of our loan portfolio. For instance, a** decline in residential real estate market prices and reduced levels of home sales, could adversely affect the value of collateral securing mortgage loans resulting in greater charge- offs in future periods, as well as adversely impact mortgage loan originations and gains on sale of mortgage loans. ~~A~~ **In addition, a** decline in commercial real estate values would likewise adversely affect the value of collateral securing certain commercial loans and result in greater charge- offs in future periods. Declines in real estate values and home sales volumes, and financial stress on borrowers as a result of job losses or other factors, could have further adverse effects on borrowers that result in higher delinquencies and greater charge- offs in future periods, which could materially and adversely affect us. **In addition, with heightened interest rates and inflationary pressures, our clients could be impacted by the rising costs of goods and services in their households and businesses, which may have a negative impact on their ability to repay their loans with us.** We depend on our executive officers and key personnel to implement our strategy and could be harmed by the loss of their services. The execution of our strategy depends in large part on the skills of our executive management team and our ability to motivate and retain these and other key personnel, including key personnel added through mergers and acquisitions. Accordingly, the loss of service of one or more of our executive officers or key personnel could reduce our ability to successfully implement our growth strategy and materially and adversely affect us. Our success also depends on the experience of our banking center managers and relationship managers and on their relationships with the clients and communities they serve. The loss of these key personnel could negatively impact our banking operations. Surges in illnesses, **or outbreaks** ~~including but not limited to COVID- 19 cases~~ , may increase the risk of maintaining adequate staffing in our banking centers and other key areas. Our allowance for credit losses and fair value adjustments may prove to be insufficient to absorb losses inherent in our loan or other real estate owned (" OREO ") portfolio. **The** ~~On January 1, 2020, the~~ Company ~~adopted~~ **measures its allowance for credit losses using** ASU 2016-13, Measurement of Credit Losses on Financial Instruments ~~, the new accounting standard promulgated by the Financial Accounting Standards Board (" FASB "), regarding the recognition of credit losses. This standard made significant changes to the accounting and disclosures for credit losses on financial instruments recorded on an amortized cost basis, including our loans held for investment~~ . The current expected credit loss (" CECL ") impairment model requires an estimate of expected credit losses for financial assets measured over the contractual life of an instrument based on historical experience, current conditions and reasonable and supportable forecasts. The standard provides significant flexibility and requires a high degree of judgment in

order to develop an estimate of expected lifetime losses. Providing for lifetime losses for our loan portfolio is a change to the previous method of providing allowances for loan losses that are probable and incurred. It may also result in even small changes to future forecasts having a significant impact on the allowance, which could make the allowance more volatile, and regulators may impose additional capital buffers to absorb this volatility. The determination of the appropriate level of the allowance for credit losses inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks and future trends, all of which may undergo material changes. Changes in economic conditions affecting borrowers, new information regarding our loans, identification of additional problem loans by us and other factors, both within and outside of our control, may require an increase in the allowance for credit losses. If the real estate markets deteriorate, we expect that we will experience increased delinquencies and credit losses, particularly with respect to construction, land development and land loans. In addition, our regulators periodically review our allowance for credit losses and may require an increase in the allowance for credit losses or the recognition of further loan charge- offs, based on judgments different than those of management. In addition, if charge- offs in future periods exceed the allowance for credit losses, we will need additional provisions to increase the allowance for credit losses. Any increases in the allowance for credit losses will result in a decrease in net income and capital and may have a material adverse effect on us. We hold an amount of OREO from time to time, which may lead to volatility in operating expenses and vulnerability to declines in real property values. When necessary, we foreclose on and take title to the real estate serving as collateral for our loans as part of our business. Real estate that we own but do not use in the ordinary course of our operations is referred to as OREO property. While our OREO portfolio is smaller than it has been in recent years, future acquisitions could result in a higher OREO balance, which could negatively affect our earning as a result of various expenses associated with OREO, including personnel costs, insurance and taxes, completion and repair costs, valuation adjustments and other expenses associated with property ownership, as well as by the funding costs associated with OREO assets. We evaluate OREO properties periodically and write down the carrying value of the properties if the results of our evaluation require it. Environmental issues, including external events such as severe weather, natural disasters, and climate change, as well as environmental liability risks associated with our lending activities, could significantly impact our business. Severe weather, natural disasters, climate change and other adverse external events could have a significant impact on our ability to conduct business. 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 loss of revenue and / or cause us to incur additional expenses. Although management has established disaster recovery policies and ~~procedures~~ **23procedures** , there can be no guarantee of the effectiveness of such policies and procedures, and the occurrence of any such event could have a material adverse effect on our business, financial condition and results of operations. Additionally, ~~22concerns --~~ **concerns** over the long term impacts of climate change have led and will continue to lead to governmental efforts to mitigate those impacts. We and our clients may face cost increases, asset value reductions, and operating process changes as a result. A significant portion of our loan portfolio is secured by real property, 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. There is a risk that hazardous or toxic substances could be found on these properties, and 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 action 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. The expanding body of federal, state and local regulation of loan servicing, collections or other aspects of our business may increase the cost of compliance and the risks of noncompliance. We service the loans held on our balance sheet, and loan servicing is subject to extensive regulation by federal, state and local governmental authorities as well as to various laws and judicial and administrative decisions imposing requirements and restrictions on those activities. The volume of new or modified laws and regulations has increased in recent years and, in addition, some individual municipalities have begun to enact laws that restrict loan servicing activities including delaying or temporarily preventing foreclosures or forcing the modification of certain mortgages. If regulators impose new or more restrictive requirements, we may incur significant additional costs to comply with such requirements which may further adversely affect us. The CARES Act and related legislation imposed additional restrictions with respect to foreclosures and the handling of delinquent payments. Our failure to comply with these laws and regulations could possibly lead to: civil and criminal liability; damage to our reputation in the industry; fines and penalties and litigation, including class action lawsuits; and administrative enforcement actions. Any of these outcomes could materially and adversely affect us. There is also uncertainty regarding what legislative or regulatory changes may occur as a result of changes in leadership resulting from elections, or, if changes occur, the ultimate effect they would have upon our financial condition or results of operations. Small Business Administration lending is an important and growing part of our business. Our SBA lending program is dependent upon the U. S. federal government, and we face specific risks associated with originating SBA loans. As an approved participant in the SBA Preferred Lender' s Program (an " SBA Preferred Lender "), we enable our clients to obtain SBA loans without being subject to the potentially lengthy SBA approval process necessary for lenders that are not SBA Preferred Lenders. The SBA periodically reviews the lending operations of participating lenders to assess, among other things, whether the lender exhibits prudent risk management. When weaknesses are identified, the SBA may request corrective actions or impose enforcement actions, including revocation of the lender' s SBA Preferred Lender status. If we were to lose our status as an SBA Preferred Lender, we may lose new opportunities, and a limited number of existing SBA loans, to lenders who are SBA Preferred Lenders. In

addition, any changes to the SBA program, including changes to the level of guarantee provided by the federal government on SBA loans, changes to program- specific rules impacting volume eligibility under the guaranty program, as well as changes to the program amounts authorized by Congress, may have a material adverse effect on our SBA lending program. In addition, any default by the U. S. government on its obligations or any prolonged government shutdown could, among other things, impede our ability to originate SBA loans or collect on guarantees in the event a borrower defaults on its obligations, and could materially adversely affect our SBA lending business. ~~If~~ **24If** we violate U. S. Department of Housing and Urban Development (" HUD ") lending requirements or if the federal government shuts down or otherwise fails to fully fund the federal budget, our commercial FHA origination business could be adversely affected. ~~23We~~ **We** originate, sell and service loans under FHA insurance programs, and make certifications regarding compliance with applicable requirements and guidelines. If we were to violate these requirements and guidelines, or other applicable laws, or if the FHA loans we originate show a high frequency of loan defaults, we could be subject to monetary penalties and indemnification claims, and could be declared ineligible for FHA programs. Any inability to engage in our commercial FHA origination and servicing business would lead to a decrease in our net income. In addition, disagreement over the federal budget has caused the U. S. federal government to shut down for periods of time in recent years. Federal governmental entities, such as HUD, that rely on funding from the federal budget, could be adversely affected in the event of a government shutdown, which could have a material adverse effect on our commercial FHA origination business and our results of operations. The fair value of our investment securities can fluctuate due to market conditions outside of our control. We have historically taken a conservative investment strategy with our securities portfolio, with concentrations of securities that are primarily backed by government sponsored enterprises (" GSE "). A portion of our non-marketable securities portfolio is comprised of non- liquid fund investments and direct investments in our fintech partners. We may seek to increase yields through different strategies, which may include a greater percentage of corporate securities and structured credit products. Factors beyond our control can significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of these securities. These factors include, but are not limited to, rating agency actions in respect of the securities, defaults by the issuer or with respect to the underlying securities, and changes in market interest rates and instability in the capital markets or an inability of our partners to successfully execute on their strategies. These factors, among others, could cause other- than- temporary impairments and realized and / or unrealized losses in future periods and declines in other comprehensive income, which could have a material adverse effect on us. The process for determining whether impairment of a security is other- than- temporary usually requires complex, subjective judgments about the future financial performance and liquidity of the issuer and any collateral underlying the security in order to assess the probability of receiving all contractual principal and interest payments on the security. We face significant competition from other financial institutions and financial services providers, which may materially and adversely affect us. Consumer and commercial banking is highly competitive. Our markets contain a large number of community and regional banks as well as a significant presence of the country' s largest commercial banks. We compete with other state and national financial institutions, including savings and loan associations, savings banks and credit unions, for deposits and loans. In addition, we compete with financial intermediaries, such as consumer finance companies, mortgage banking companies, insurance companies, securities firms, mutual funds and several government agencies, as well as major retailers, in providing various types of loans and other financial services. Some of these competitors have a long history of successful operations in our markets, greater ties to local businesses and more expansive banking relationships, as well as better established depositor bases. Some of our competitors also have greater resources and access to capital and possess an advantage by being capable of maintaining numerous banking locations in more convenient sites, operating more ATMs and conducting extensive promotional and advertising campaigns or operating a more developed online banking platform. Competitors may also exhibit a greater tolerance for risk and behave more aggressively with respect to pricing in order to increase their market share. In addition, the effects of disintermediation can also impact the banking business because of the fast growing body of fintech companies that use software to deliver mortgage lending, payment services and other financial services. Our ability to compete successfully depends on a number of factors, including, among others: ● the ability to develop, maintain and build upon long- term client relationships based on quality service, effective and efficient products and services, high ethical standards and safe and sound assets; ● the scope, relevance and pricing of products and services offered to meet client needs and demands; **25** ● the rate at which we introduce new products and services, including internet- based or other digital services, relative to our competitors; ● the ability to attract and retain highly qualified associates to operate our business; ● the ability to expand our market position; ● client satisfaction with our level of service; ~~24~~ ● the ability to invest in new technologies, including relative to our digital banking platform; ● the ability to operate our business effectively and efficiently; and ● industry and general economic trends. Failure to perform in any of these areas could significantly weaken our competitive position, which could materially and adversely affect us. We may not be able to meet the cash flow requirements of deposit withdrawals and other business needs unless we maintain sufficient liquidity. We require liquidity to make loans and to repay deposit and other liabilities as they become due or are demanded by clients. We principally depend on checking, savings and money market deposit account balances and other forms of client deposits as our primary source of funding for our lending activities. As a result of a decline in overall depositor confidence, an increase in interest rates paid by competitors, general interest rate levels, higher returns being available to clients on alternative investments and general economic conditions, a substantial number of our clients could withdraw their bank deposits with us from time to time, resulting in our deposit levels decreasing substantially, and our cash on hand may not be able to cover such withdrawals and our other business needs, including amounts necessary to operate and grow our business. This would require us to seek third party funding or other sources of liquidity, such as asset sales. Our access to third party funding sources, including our ability to raise funds through the issuance of additional shares of our common stock or other equity or equity- related securities, incurrence of debt, or federal funds purchased, may be impacted by our financial strength, performance and prospects and may also be impaired by factors that are not specific to us, such as a disruption in the financial markets or negative views

and expectations about the prospects for the financial services industry, all of which may make potential funding sources more difficult to access, less reliable and more expensive. We may not have access to third party funding in sufficient amounts on favorable terms, or the ability to undertake asset sales or access other sources of liquidity, when needed, or at all, which could materially and adversely affect us. Like other financial services institutions, our asset and liability structures are monetary in nature. Such structures are affected by a variety of factors, including changes in interest rates, which can impact the value of financial instruments held by us. Like other financial services institutions, we have asset and liability structures that are essentially monetary in nature and are directly affected by many factors, including domestic and international economic and political conditions, broad trends in business and finance, legislation and regulation affecting the national and international business and financial communities, monetary and fiscal policies, inflation, currency values, market conditions, the availability and terms (including cost) of short- term or long- term funding and capital, the credit capacity or perceived creditworthiness of clients and counterparties and the level and volatility of trading markets. Such factors can impact clients and counterparties of a financial services institution and may impact the value of financial instruments held by a financial services institution. Our earnings and cash flows largely depend upon the level of our net interest income, which is the difference between the interest income we earn on loans, investments and other interest earning assets, and the interest we pay on interest bearing liabilities, such as deposits and borrowings. Because different types of assets and liabilities may react differently and at different times to market interest rate changes, changes in interest rates can increase or decrease our net interest income. When interest- bearing liabilities increase at a pace exceeding interest earning assets, an increase in interest rates would reduce net interest income. Also, when interest- bearing liabilities mature or reprice more quickly than interest earning assets in a period, an increase in interest rates would reduce net interest income. Similarly, when interest earning assets mature or reprice more quickly, and because the magnitude of repricing of interest earning assets is often greater than interest bearing liabilities, falling interest rates would reduce net interest income. ~~Accordingly~~ **26Accordingly** , changes in the level of market interest rates affect our net yield on interest earning assets and liabilities, loan and investment securities portfolios and our overall results. Changes in interest rates may also have a significant impact on any future loan origination revenues. Historically, there has been an inverse correlation between the demand for loans and interest rates. Loan origination volume and revenues usually decline during periods of rising or high interest rates and increase during periods of declining or low interest rates. Changes in interest rates also have a significant impact on the carrying value of a significant percentage of the assets, both loans and investment securities, on our balance sheet. We may ~~25incur~~ -- **incur** debt in the future and that debt may also be sensitive to interest rates and any increase in interest rates could materially and adversely affect us. Interest rates are highly sensitive to many factors beyond our control, including general economic conditions and policies of various governmental and regulatory agencies, particularly the Federal Reserve ~~. Reforms to and uncertainty regarding LIBOR and certain other indices may adversely affect our business. The London Interbank Offered Rate (" LIBOR ") is a short- term interest rate used as a pricing reference for certain loans, derivatives and other financial instruments. On June 30, 2023, LIBOR will cease to be published. Our internal working group began indexing new retail adjustable rate mortgages to Secured Overnight Financing Rate (" SOFR ") in the third quarter of 2020 and are addressing LIBOR- based commercial loans, including adhering to the ISDA IBOR Fallbacks Protocol as needed. We stopped originating LIBOR- based products in the fourth quarter of 2021 and are using substitute interest rates such as Prime and SOFR. While many of our client relationships still involve products based on LIBOR, we are working to correctly transition these products to substitute interest rates with as little impact to our clients as possible. While we believe we have prepared as much as possible for the transition from LIBOR, there can be no assurances that we and other market participants will be adequately prepared for an actual discontinuation of benchmarks, including LIBOR, that may have an unpredictable impact on contractual mechanics (including, but not limited to, interest rates to be paid to or by us), which may also result in adversely affecting our financial condition or results of operations. In addition, such transition may result in litigation with counterparties impacted by the transition as well as increased regulatory scrutiny and other adverse consequences~~ . We are highly dependent on the internet, cloud technologies and third- party providers. Systems failures or interruptions could have a material adverse effect on us. Our business is highly dependent on the increasing use of the internet, mobile devices and cloud technologies. Further, we have and will continue to be subject to an increasing risk of operational disruption and information security incidents as a result. These events can arise from a variety of sources, many of which are not under our control because of our reliance on third party technology systems and outsourcing services for key processes including data processing, loan servicing and deposit processing; and for key services including internet, and mobile technology. Potential causes for incidents may include human error, electrical or telecommunication outages, hardware failures, and malicious activity. Any of these events could cause interruption to the Company' s operations, as well as the operations of our clients. If significant, sustained or repeated, these events could compromise our ability to operate effectively, damage our reputation, result in a loss of client business, and / or subject us to additional regulatory scrutiny and possible financial liability, any of which could have a material adverse effect on us. A failure in or breach of our security systems or infrastructure, or those of our third- party providers, could result in financial losses to us or in the disclosure or misuse of confidential or proprietary information, including client information, or could trigger further regulatory and financial penalty if determined to be non- compliant with evolving privacy and data protection laws. These events could have a material adverse effect on the Company. ~~As a financial institution, we may be the target of fraudulent activity that may result in financial losses to us or our clients, privacy breaches against our clients or damage to our reputation and regulatory relationships. Such fraudulent activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, unauthorized intrusion into or use of our systems, ATM skimming or jackpotting, and other dishonest acts.~~ We provide our clients with the ability to bank remotely, including via online, mobile and phone. The secure transmission of confidential information over the internet and other remote channels is a critical element of remote banking. Our systems and network are subject to ongoing cyber incidents such as unauthorized access, loss or destruction of data, account takeovers, unavailability of service, computer viruses or other malicious code, phishing schemes, ransomware and

other similar events. Third parties with whom we do business may also be sources of cybersecurity risks. We may be required to spend significant capital and other resources to protect against the threat of security breaches and computer viruses, or to alleviate problems caused by security breaches or viruses. Given the increasingly high volume of our transactions, certain errors may be repeated or compounded before they can be discovered and rectified. ~~26To~~ **To** the extent that our activities or the activities of our clients involve the storage and transmission of confidential information, security breaches and viruses could cause serious negative consequences, including reputational damage, litigation exposure and, regulatory scrutiny, and could result in a violation of applicable privacy and data protection laws **or other breach reporting obligations** . Any inability to prevent security breaches or computer viruses could also cause existing clients to lose confidence in our systems and could materially and adversely affect us. Our risk and exposure to these matters remains heightened because of the evolving nature and complexity of the threats from organized cybercriminals and hackers, and our plans to continue to provide digital banking products and services to our clients. 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 **cyberattacks** ~~cyber- attacks~~ or other security breaches involving the theft of sensitive and confidential information, hackers have engaged in attacks against large financial institutions, particularly denial of service or ransomware attacks are designed to disrupt key business services, such as client- facing web sites. We are not able to anticipate or implement preventive measures against all security breaches of these types, especially because the techniques used change frequently ~~and~~ **27and** can originate from a wide variety of sources. We employ detection and response mechanisms designed to contain and mitigate security incidents, but early detection may be thwarted by sophisticated attacks and malware designed to avoid detection. We also face risks related to **cyberattacks** ~~cyber- attacks~~ and other security breaches in connection with credit or debit card, including ATM- related, transactions that typically involve the transmission of sensitive information regarding our clients through various third parties, including merchant acquiring banks, payment processors, payment card networks (e. g., Visa, MasterCard) and our third- party processors. Some of these parties have in the past been the target of security breaches and **cyberattacks** ~~cyber- attacks~~ , and because the transactions involve third parties and environments such as the point of sale that we do not control or secure, future security breaches or **cyberattacks** ~~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 significantly on numerous other third party service providers to conduct other aspects of our business operations and face similar risks relating to them. While many of our agreements with third parties contain indemnification provisions, we may not be able to recover sufficiently, or at all, under the provisions to offset any losses we may incur from third- party cyber incidents. **Our Business may be adversely affected by an increasing prevalence of fraud and other financial crimes. As a financial institution, we may be the target of fraudulent activity that may result in financial losses to us or our clients, privacy breaches against our clients or damage to our reputation and regulatory relationships. Such fraudulent activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, unauthorized intrusion into or use of our systems, ATM skimming or jackpotting, and other dishonest acts. Nationally, reported incidents of fraud and other financial crimes have increased. In addition, the widespread use of artificial intelligence also has increased potential for fraud and misuse. While we have also experienced losses due to apparent fraud or other crimes, thus far such losses have been relatively insignificant. Although we have implemented and maintained several robust policies, procedures, and trainings to prevent such losses, there can be no assurance that such losses will not occur.** The value of our mortgage and Small Business Administration servicing rights can decline during periods of falling interest rates, and we may be required to take a charge against earnings for the decreased value. A mortgage servicing right (" MSR ") is the right to service a mortgage loan for a fee. A Small Business Administration servicing right is the right to service loans sold for a fee. We capitalize servicing rights when we originate mortgage or SBA loans and retain the servicing rights after we sell the loans. We carry servicing rights at the lower of amortized cost or estimated fair value. Fair value is the present value of estimated future net servicing income, calculated based on a number of variables, including assumptions about the likelihood of prepayment by borrowers. Changes in interest rates can affect prepayment assumptions. When interest rates fall, borrowers are more likely to prepay their mortgage loans by refinancing them at a lower rate. As the likelihood of prepayment increases, the fair value of our servicing rights can decrease. Each quarter we evaluate our servicing rights for impairment based on the difference between the carrying amount and fair value, and, if a temporary impairment exists, we establish a valuation allowance through a charge that negatively affects our earnings. We may be required to repurchase mortgage loans or reimburse investors and others as a result of breaches in contractual representations and warranties. We sell residential mortgage loans to various parties, including GSEs and other financial institutions that purchase mortgage loans for investment or private label securitization. The agreements under which we sell mortgage loans and the insurance or guaranty agreements with the FHA and VA contain various representations and warranties regarding the origination and characteristics of the mortgage loans, including ownership of the loan, compliance with loan criteria set forth in the applicable agreement, validity of the lien securing the loan, absence of delinquent taxes or liens against the property securing the loan, fraudulent documentation and compliance with applicable origination laws. If any of these items prove defective or insufficient, we may be required to repurchase mortgage loans, indemnify the investor or insurer, or reimburse the investor or ~~27insurer~~ -- **insurer** for credit losses incurred on loans in the event of a breach of contractual representations or warranties that is not remedied within a period (usually 90 days or less) after we receive notice of the breach. Contracts for mortgage loan sales to the GSEs include various types of specific remedies and penalties that could be applied to inadequate responses to repurchase requests. Similarly, the agreements under which we sell mortgage loans require us to deliver various documents to the ~~investor~~ **28investor** , and we may be obligated to repurchase any mortgage loan as to which the required documents are not delivered or are defective **. We may see increased rates of repurchase or indemnification demands or indemnification as a result of self- reporting of**

identified errors in our mortgage loan portfolio. For instance, as part of our normal review process, we discovered irregularities in mortgage loan applications in one of our offices that prompted an internal investigation. While certain loan files may still be under review by outside investors, we do not expect the matter to materially or adversely affect our business or financial condition or results . We establish a mortgage repurchase liability related to the various representations and warranties that reflect management' s estimate of losses for loans which we have a repurchase obligation. Our mortgage repurchase liability represents management' s best estimate of the probable loss that we may expect to incur for the representations and warranties in the contractual provisions of our sales of mortgage loans. Because the level of mortgage loan repurchase losses depends upon economic factors, investor demand strategies and other external conditions that may change over the life of the underlying loans, the level of the liability for mortgage loan repurchase losses is difficult to estimate and requires considerable management judgment. If economic conditions and the housing market deteriorate or future investor repurchase demand and our success at appealing repurchase requests differ from past experience, we could experience increased repurchase obligations and increased loss severity on repurchases, requiring additions to the repurchase liability. The required accounting treatment of loans we acquire through acquisitions could result in higher net interest margins and interest income in current periods and lower net interest margins and interest income in future periods. Under U. S. GAAP, we are required to record loans acquired through acquisitions at fair value. Estimating the fair value of such loans requires management to make estimates based on available information, facts, and circumstances on the acquisition date. Any discount on acquired loans is accreted into interest income over the weighted average remaining contractual life of the loans. Therefore, our net interest margins may initially increase due to the discount accretion. We expect the yields on the total loan portfolio will decline as our acquired loan portfolios pay down or mature and the corresponding accretion of the discount decreases. We expect downward pressure on our interest income to the extent that the runoff of our acquired loan portfolios is not replaced with comparable high-yielding loans. This could result in higher net interest margins and interest income in current periods and lower net interest margins and interest income in future periods. We have recorded goodwill as a result of acquisitions that can significantly affect our earnings if it becomes impaired. Under current accounting standards, goodwill is not amortized but, instead, is subject to impairment tests on at least an annual basis or more frequently if an event occurs or circumstances change that reduce the fair value of a reporting unit below its carrying value. We face risks due to our mortgage banking activities that could negatively impact net income and profitability. We sell a majority of the mortgage loans that we originate. The sale of these loans generates non- interest income and can be a source of liquidity for the Banks. Disruption in the secondary market for residential mortgage loans as well as declines in real estate values could result in one or more of the following: ● our inability to sell mortgage loans on the secondary market, which could negatively impact our liquidity position; ● declines in real estate values could decrease the potential of mortgage originations, which could negatively impact our earnings; ● if it is determined that loans were made in breach of our representations and warranties to the secondary market, we could incur losses associated with the loans; ● increased compliance requirements, including with respect to the CARES Act, could result in higher compliance costs, higher foreclosure proceedings or lower loan origination volume, all which could negatively impact future earnings; andIncreases in prevailing interest rates have caused and may continue to cause declines in mortgage originations including declines in mortgage refinance activity, which have impacted and may continue to negatively impact our earnings. Mortgage interest rates are influenced by many elements including inflation, monetary policy set by the Federal Reserve and macro- economic factors. A prolonged period of rising interest rates may result in changes in consumer spending, borrowing and ~~savings~~ **29savings** habits. Such conditions could have adverse effects on our ability to originate mortgage loans due to reduced ~~28consumer~~ -- **consumer** demand, increased pressure from competing lenders and increased costs, which could impact earnings in the form of reduced interest from fewer mortgages, reduced fees from loan sales and tighter net interest margins. **Our investments in financial technology companies and initiatives subject us to material financial, reputational and strategic risks. Our investments in various financial technology companies, included within non- marketable securities on our balance sheet, may have a significant impact on our results of operations. Investments where we have the ability to exercise significant influence but not control over the operating and financial policies of the investee are accounted for using the equity method of accounting. For investments accounted for under the equity method, we increase or decrease our investment by our proportionate share of the investee’ s net income or loss. Non- marketable securities also include direct investments in convertible preferred stock. As the convertible preferred stock does not have a readily determinable fair value, it is carried at cost. We periodically evaluate our non- marketable securities investments for impairment. The results of testing our investments for potential impairment may be adversely affected by a variety of factors, including market conditions, general economic conditions and unfavorable changes in the businesses underlying the investments, which may lead to a partial or full impairment of our fintech investments. Impairments or write- downs of these assets may result in charges that adversely affect our results of operations. The financial technology companies in which we invest often have the need for substantial additional capital to support expansion or to achieve or maintain a competitive position. Less established companies tend to have lower capitalization and fewer resources and, therefore, are often more vulnerable to financial failure. These companies may be dependent upon the success of one product or service, a unique distribution channel, or the effectiveness of a manager or management team. The failure of this one product, service or distribution channel, or the loss or ineffectiveness of a key executive or executives within the management team may have a materially adverse impact on such companies. The possibility that the companies in which we invest will not be able to commercialize their technology or product concept presents a risk that our investment may become impaired. These companies tend to lack management depth, to have limited or no history of operations and to not have attained profitability. Additionally, although some of these companies may already have a commercially successful product or product line at the time of investment, technology products and services often have a more limited market or life span than products in other industries. Thus, the ultimate success of these companies may depend on their ability to**

continually innovate in increasingly competitive markets. Most of the companies in which we invest will require substantial additional equity financing to satisfy their continuing growth and working capital requirements. Each round of venture financing is typically intended to provide a company with enough capital to reach the next stage of development. The circumstances or market conditions under which such companies will seek additional capital is unpredictable. It is possible that one or more of such companies will not be able to raise additional financing or may be able to do so only at a price or on terms which are unfavorable. Risks Relating to our Growth StrategyWe may not be able to effectively manage our growth or other expansionary activity. Our expansionary activity, whether through de novo branching, acquisitions **(including Cambr)** , organic growth or the implementation of our digital banking strategy has placed, and ~~it~~ may continue to place, significant demands on our operations and management. The success of our expansionary activity is dependent upon our ability to: ● continue to implement and improve our operational, credit, financial, legal, management and other internal risk controls and processes and our reporting systems and procedures in order to manage a growing number of client relationships; ● implement and scale our ~~2UniFiSM~~ -- **2UniFi platform, Cambr deposit gathering** platform and other new technologies; ● integrate our acquisitions and develop consistent policies throughout the various lines of businesses; ● attract and retain the client base; and ● attract and retain management talent. ~~We~~ **30We** may not successfully implement improvements to, or integrate, our management information and control systems, procedures and processes in an efficient or timely manner and may discover deficiencies in existing systems and controls. In particular, our controls and procedures must be able to accommodate an increase in loan volume in various markets and the infrastructure that comes with new banking centers, banks and growth of our client base through our digital banking strategy and our trust and wealth management business. Thus, our growth strategy may divert management from our existing franchises and may require us to incur additional expenditures to expand our administrative and operational infrastructure and, if we are unable to effectively manage and grow our financial services franchise, we could be materially and adversely affected. In addition, if we are unable to manage future expansion in our operations, we may experience compliance and operational problems, have to slow the pace of growth, or have to incur additional expenditures beyond current projections to support such growth, any one of which could materially and adversely affect us. We face increased risk of claims and litigation relating to our fiduciary responsibilities in connection with our trust and wealth management business. Services we provide in connection with our trust and wealth management business may require us to act as fiduciaries for our clients and others. Third parties or government agencies may assert claims and take legal action against us pertaining to the performance of our fiduciary responsibilities. If these claims and legal actions are not resolved in a manner favorable to us, we may be exposed to significant financial liability or our reputation could be damaged. Either of these results may adversely impact demand for our products and services or otherwise have an adverse effect on our business, financial condition, results of operations and growth prospects. Our digital growth strategy may subject us to additional operational, strategic, reputational and regulatory risks. The financial services industry is undergoing rapid technological changes, with frequent introductions of new technology- driven products and services. Our future success will depend, in part, upon our ability to continue to address the needs of our clients by using innovative technologies to provide products and services that will satisfy client demands for convenience and security, as well as to create additional efficiencies in our operations. The implementation of such new technologies may expose us to additional operational, financial, operational, strategic, reputational and regulatory risks. New technology- driven products and services are rapidly being introduced throughout the financial services industry, often through fintech companies. We have made and will continue to make investments in and also partner with third party fintech companies in connection with our digital growth strategy and the digital solution, ~~2UniFiSM~~ -- **2UniFi** . Our investments may include companies that may be unseasoned, unprofitable or have no established operating histories or earnings and may lack technical, marketing, financial and other resources and are therefore more vulnerable to financial failure. The innovations these companies develop for utilization by ~~2UniFiSM~~ -- **2UniFi** , may prove more difficult to successfully integrate into our existing ~~29operations~~ -- **operations** . We may be required to employ and maintain qualified personnel and as our business expands into new and expanding markets, and we may be required to install additional operational and control systems to manage fraud, operational, legal and compliance risks. Any failure to successfully manage this integration may adversely affect our timeline for our digital strategy, future financial condition and results of operations. Additionally, any adverse regulatory treatment of the companies and technologies we have invested in, may impact our digital growth and our ability to satisfy our clients' demands for digital offerings in the ~~2UniFiSM~~ -- **2UniFi** ecosystem. Our acquisitions generally will require regulatory approvals, and failure to obtain them would restrict our growth. We intend to complement and expand our business by pursuing strategic acquisitions of financial services franchises. Generally, any acquisition of target financial institutions, banking centers or other banking assets by us will require approval by, and cooperation from, a number of governmental regulatory agencies, including the Federal Reserve, the Colorado ~~Division~~ **31Division** of Banking and the Wyoming Division of Banking. In acting on applications, our banking regulators consider, among other factors: ● the effect of the acquisition on competition; ● the financial condition, liquidity, results of operations, capital levels and future prospects of the applicant and the bank (s) involved; ● the quantity and complexity of previously consummated acquisitions; ● the managerial resources of the applicant and the bank (s) involved; ● the convenience and needs of the community, including the record of performance under the Community Reinvestment Act; and ● the effectiveness of the applicant in combating money laundering activities. Such regulators could deny our application based on the above criteria or other considerations, which would restrict our growth, or the regulatory approvals may not be granted on terms that are acceptable to us. For example, we could be required to sell banking centers as a condition to receiving regulatory approvals, and such a condition may not be acceptable to us or may reduce the benefit of any acquisition. In addition, prior to the submission of an application our regulators could discourage us from pursuing strategic acquisitions or indicate that regulatory approvals may not be granted on terms that would be acceptable to us, which could have the same effect of restricting our growth or reducing the benefit of any acquisitions. To the extent that we are unable to identify and consummate attractive acquisitions, or continue

to increase loans through organic loan growth, we may be unable to successfully implement our growth strategy, which could materially and adversely affect us. We intend to continue to grow our business through organic loan growth and strategic acquisitions of financial services franchises. Previous availability of attractive acquisition targets may not be indicative of future acquisition opportunities, and we may be unable to identify any acquisition targets that meet our investment objectives. As our acquired loan portfolio, which generally produces higher yields than our originated loans due to loan discounts and accretable yield, is paid down, we expect downward pressure on our income to the extent that the runoff is not replaced with other high-yielding loans. As a result of the foregoing, if we are unable to replace loans in our existing portfolio with comparable high-yielding loans, we could be materially and adversely affected. We could also be materially and adversely affected if we choose to pursue riskier higher- yielding loans that fail to perform. Projected operating results for businesses acquired by us may be inaccurate and may vary significantly from actual results. To the extent that we make acquisitions that involve distressed assets, we may not be able to realize the value we predict from these assets or make sufficient provision for future losses in the value of, or accurately estimate the future write- downs to be taken in respect of, these assets. We will generally establish the pricing of transactions and the capital structure of financial services franchises to be acquired by us on the basis of financial projections for such financial services franchises. In general, projected operating results will be based on the judgment of our management team. In all cases, projections are only estimates of future results that are based upon assumptions made at the time that the projections are developed and the projected results may vary significantly from ~~30actual~~ -- **actual** results. General economic, political and market conditions can have a material adverse impact on the reliability of such projections. In the event that the projections made in connection with our acquisitions, or future projections with respect to new acquisitions, are not accurate, such inaccuracies could materially and adversely affect us. Delinquencies and losses in the loan portfolios and other assets we acquire may exceed our initial forecasts developed during our due diligence investigation prior to acquisition and, thus, produce lower returns than we believed our purchase price supported. Furthermore, our due diligence investigation may not reveal all material issues. If, during the diligence process, we fail to identify all relevant issues related to an acquisition, we may be forced to later write- down or write off assets, restructure our operations, or incur impairment or other charges that could result in significant losses. Any of these events could materially and adversely affect us. Economic conditions may create an uncertain environment with respect to asset valuations and there is no certainty that we will be able to sell assets or institutions after we acquire them if we determine it would be in our best interests to do so. In addition, there may be limited liquidity for certain asset classes we hold, including ~~commercial~~ **32commercial** real estate and construction and development loans. Any of the foregoing matters could materially and adversely affect us. Our use of appraisals in deciding whether to make loans secured by real property does not ensure that the value of the real property collateral will be sufficient to repay our loans. In considering whether to make a loan secured by real property, we require an appraisal of the property. However, an appraisal is only an estimate of the value of the property at the time the appraisal is made and requires the exercise of a considerable degree of judgment. If the appraisal does not accurately reflect the amount that may be obtained upon sale or foreclosure of the property, whether due to a decline in property value after the date of the original appraisal or defective preparation of the appraisal, we may not realize an amount equal to the indebtedness secured by the property and as a result, we may suffer losses. Risks Relating to the Regulation of Our IndustryWe operate in a highly regulated environment and the laws and regulations that govern our operations, corporate governance, executive compensation and accounting principles, or changes in them, or our failure to comply with them, could materially and adversely affect us. We are subject to extensive regulation, supervision, and legislation by federal and state regulators and bodies that govern almost all aspects of our operations. Intended to protect clients, depositors and the DIF, these laws and regulations, among other matters, prescribe minimum capital requirements, impose limitations on the business activities in which we can engage (including foreclosure and collection practices), limit the dividends or distributions that we can pay, restrict the ability of institutions to guarantee our debt, and impose certain specific accounting requirements on us that may be more restrictive and may result in greater or earlier charges to earnings or reductions in our capital than GAAP. Compliance with laws and regulations, including the effects of the Dodd Frank Act Wall Street Reform and Consumer Protection Act of 2010, can be difficult and costly, and changes to laws and regulations often impose additional compliance costs. **We may face various risks related to the extensive government regulation and supervision of our business, including by our current federal and state regulators, as well as other government entities that may become our regulators in the future. These risks include pending and future laws and regulations that may adversely impact our business, as well as supervisory and other actions that may be taken against us by our regulators.** Our failure to comply with these laws and regulations, even if the failure follows good faith effort or reflects a difference in interpretation, could subject us to restrictions on our business activities, fines and other penalties, any of which could materially and adversely affect us. ~~Further,~~ **We also anticipate increased regulatory scrutiny – in the course of routine examinations and otherwise – and** any new **regulations directed towards banks of similar size to the Banks, designed to address the recent negative developments in the banking industry, all of which may increase our costs of doing business and reduce our profitability. Among other things, there may be an increased focus by both regulators and investors on deposit composition and classification, the level of uninsured deposits, losses embedded in the held- to- maturity portion of our securities portfolio (if any), contingent liquidity, CRE composition and concentration, capital position and our general oversight and internal control structures regarding the foregoing. As a result, the Banks could face increased scrutiny or be viewed as higher risk by regulators and the investor community. We will be subject to increased regulation once our total consolidated assets exceed $ 10 billion. Federal law imposes heightened requirements on bank holding companies and depository institutions that exceed $ 10 billion in total consolidated assets. An insured depository institution with $ 10 billion or more in total assets is subject to supervision, examination, and enforcement with respect to consumer protection** laws **by the CFPB. Additionally** , ~~rules~~ **other regulatory requirements apply to insured depository institution holding companies** and **insured depository institutions with $ 10 billion or more in total consolidated assets, please refer**

to Item 1: Supervision and Regulation. Further, deposit insurance assessment rates are calculated differently, and may be higher, for insured depository institutions with $ 10 billion or more in total consolidated assets. 33Debit card interchange fee restrictions set forth in section 1075 of the Dodd- Frank Act, known as the Durbin Amendment, as implemented by regulations **of the Federal Reserve, cap the maximum debit interchange fee that an issuer may receive per transaction. Debit card issuers with less than $ 10 billion in total consolidated assets are exempt from these interchange fee restrictions. The exemption for small issuers ceases to apply as of July 1 of the year following the calendar year in which the issuer' s total consolidated assets exceed $ 10 billion. As of December 31, 2023, we had total assets of $ 9. 9 billion. In 2024, our assets may exceed $ 10 billion at which time we will be subject to the heightened regulatory and financial impacts. We have incurred and will continue to incur additional costs to implement processes, procedures, and monitoring of compliance with these increased regulatory requirements. While the effect of any presently contemplated or future changes in the laws or regulations or their interpretations may have is unpredictable, these changes** could **be** ~~make compliance more difficult or expensive and also~~ materially ~~and adversely~~ -- **adverse** ~~affect us~~ **to the Company' s investors** . The FDIC' s restoration plan for the DIF and any related increased assessment rates could materially and adversely affect us. The FDIC insures deposits at FDIC- insured depository institutions, such as our subsidiary bank, up to applicable limits. The amount of a particular institution' s deposit insurance assessment is based on that institution' s risk classification under an FDIC risk- based assessment system. An institution' s risk classification is assigned based on its capital levels and the level of supervisory concern the institution poses to its regulators. If current assessments imposed by the FDIC are insufficient for the DIF to meet its funding requirements, there may need to be further special assessments or increases in deposit insurance premiums. We are generally unable to control the amount of premiums that we are required to pay for FDIC insurance. Any future additional assessments, increases or required prepayments in FDIC insurance premiums may materially and adversely affect us, including by reducing our profitability or limiting our ability to pursue certain business opportunities. **The significant losses incurred by the Deposit Insurance Fund managed by the FDIC, in connection with recent developments are required by law to be recovered through one or more special assessments on depository institutions and, potentially, their holding companies. On November 29, 2023, the FDIC published the final rule for a special assessment to recoup the losses suffered by the Deposit Insurance Fund. Under the rule, the FDIC imposed a special assessment on financial institutions with more than $ 5 billion in total uninsured deposits as of December 31, 2022, to be paid in eight quarterly assessments over the period of two years, beginning on April 1, 2024. While we are not subject to this assessment, in the event the FDIC does not completely recover the losses suffered by the Deposit Insurance Fund, the FDIC may impose additional special assessments in the future that may increase our costs.** ~~31Federal~~ -- **Federal** and state banking agencies periodically conduct examinations of our business, including compliance with laws and regulations, and our failure to comply with any supervisory actions to which we become subject as a result of such examinations could materially and adversely affect us. Federal and state banking agencies periodically conduct examinations of our business, including compliance with laws and regulations. If, as a result of an examination, a federal or state banking agency were to determine that the financial condition, capital resources, asset quality, earnings prospects, management, liquidity or other aspects of any of our operations had become unsatisfactory, or that we or our management was in violation of any law or regulation, it may take a number of different remedial actions as it deems appropriate. These actions include the power to enjoin " unsafe or unsound " practices, to require affirmative actions to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in our capital, to restrict our growth, to assess civil monetary penalties against our officers or directors, to remove officers and directors and, if it is concluded that such conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate our deposit insurance. If we become subject to such regulatory actions, we could be materially and adversely affected. We are subject to the Community Reinvestment Act and fair lending laws, and failure to comply with these laws could lead to a wide variety of sanctions. The CRA, the Equal Credit Opportunity Act, the Fair Housing Act and other fair lending laws and regulations impose nondiscriminatory lending requirements on financial institutions. The Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. A successful challenge to an institution' s performance under the CRA or fair lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, ~~injunctive~~ **34injunctive** relief, restrictions on mergers and acquisitions activity, and restrictions on expansion activity. Private parties may also have the ability to challenge an institution' s performance under fair lending laws in private class action litigation. The Federal Reserve may require us to commit capital resources to support our subsidiary banks. As a matter of policy, the Federal Reserve, which examines us and our subsidiaries, expects a bank holding company to act as a source of financial and managerial strength to a subsidiary bank and to commit resources to support such subsidiary bank. Under the " source of strength " doctrine, the Federal Reserve may require a bank holding company to make capital injections into a troubled subsidiary bank and may charge the bank holding company with engaging in unsafe and unsound practices for failure to commit resources to such a subsidiary bank. In addition, the Dodd- Frank Act directs the federal bank regulators to require that all companies that directly or indirectly control an insured depository institution serve as a source of strength for the institution. Under this requirement, we could be required to provide financial assistance to our subsidiary bank should our subsidiary bank experience financial distress. A capital injection may be required at times when we do not have the resources to provide it and therefore we may be required to borrow the funds or raise additional equity capital from third parties. Any loans by a holding company to its subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of the subsidiary bank. In the event of a bank holding company' s bankruptcy, the bankruptcy trustee will assume any commitment by the holding company to a federal bank regulatory agency to maintain the capital of a subsidiary bank. Moreover, bankruptcy law provides that claims based on any such commitment will be entitled to a priority of payment over the claims of the holding company' s general unsecured creditors, including the holders of its indebtedness. Any financing that must be done by the holding company in order to make

the required capital injection may be difficult and expensive and may not be available on attractive terms, or at all, which likely would have a material adverse effect on us. We face a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti- money laundering statutes and regulations. The federal Bank Secrecy Act, the USA PATRIOT Act and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti- money laundering program and file suspicious activity and currency transaction reports as appropriate. The Federal Financial Crimes Enforcement Network, established by the U. S. Treasury Department to administer the Bank Secrecy Act, is authorized to impose significant civil money penalties for violations of ~~32those~~ -- **those** requirements, and engages in coordinated enforcement efforts with the individual federal banking regulators, as well as the Department of Justice, Drug Enforcement Administration, and Internal Revenue Service. There is also increased scrutiny of compliance with the rules enforced by the Office of Foreign Assets Control. If our policies, procedures and systems are deemed deficient or the policies, procedures and systems of the financial institutions that we may acquire in the future are deficient, we would be subject to liability, including fines and regulatory actions (such as restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan, including our acquisition plans), which could materially and adversely affect us. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us. Federal, state and local consumer lending laws may restrict our ability to originate certain mortgage loans or increase our risk of liability with respect to such loans and could increase our cost of doing business. Federal, state and local laws have been adopted that are intended to eliminate certain lending practices considered " predatory. " These laws prohibit practices such as steering borrowers away from more affordable products, selling unnecessary insurance to borrowers, repeatedly refinancing loans and making loans without a reasonable expectation that the borrowers will be able to repay the loans irrespective of the value of the underlying property. It is our policy not to make predatory loans, but these laws create the potential for liability with respect to our lending and loan investment activities. They increase our cost of doing business and, ultimately, may prevent us from making certain loans or cause us to reduce the average percentage rate or the points and fees on loans that we do make. Our ability to pay dividends is subject to regulatory limitations and our bank subsidiary' s ability to pay dividends to us is also subject to regulatory limitations. ~~Our~~ **35Our** ability to declare and pay dividends depends both on the ability of our bank subsidiary to pay dividends to us and on certain federal regulatory considerations, including the guidelines of the Federal Reserve regarding capital adequacy and dividends. Because we are a separate legal entity from our bank subsidiary and we do not have significant operations of our own, any dividends paid by us to our shareholders would have to be paid from funds at the holding company level that are legally available therefor. However, as a bank holding company, we are subject to general regulatory restrictions on the payment of cash dividends. Federal bank regulatory agencies have the authority to prohibit bank holding companies from engaging in unsafe or unsound practices in conducting their business, which depending on the financial condition and liquidity of the holding company at the time, could include the payment of dividends. Additionally, various federal and state statutory provisions limit the amount of dividends that our bank subsidiary can pay to us as its holding company without regulatory approval. Finally, holders of our common stock are only entitled to receive such dividends as our board of directors may declare in its unilateral discretion. Dividends are paid out of funds legally available for such purpose based on a variety of considerations, including, without limitation, our historical and projected financial condition, liquidity and results of operations, capital levels, tax considerations, statutory and regulatory prohibitions and other limitations, general economic conditions and other factors deemed relevant by our board of directors. Accordingly, we may not pay the amount of dividends referenced in our current intention above, or any dividends at all, to our shareholders in the future. Tax legislation initiatives or challenges to our tax positions could adversely affect our results of operations and financial condition. We operate in multiple jurisdictions, and we are subject to tax laws and regulations of the U. S. federal, state and local governments. From time to time, legislative initiatives may be adopted, which may impact our effective tax rate and could adversely affect our deferred tax assets, tax positions and / or our tax liabilities. In addition, U. S. federal, state and local tax laws and regulations are extremely complex and subject to varying interpretations. There can be no assurance that our historical tax positions will not be challenged by relevant tax authorities or that we would be successful in defending our positions in connection with any such challenge. ~~33~~ **36**