Risk Factors Comparison 2024-02-28 to 2023-02-24 Form: 10-K

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This Item outlines specific risks that could affect the ability of our various businesses to compete, change our risk profile or materially affect our financial condition or results of operations. Our operating environment continues to evolve and new risks continue to emerge. To address that challenge we have a risk management governance structure that oversees processes for monitoring evolving risks and oversees various initiatives designed to manage and control our potential exposure. This Item highlights risks that could affect us in material ways by causing future results to differ materially from past results, by causing future results to differ materially from current expectations, or by causing material changes in our financial condition. Some of these risks are interrelated and the occurrence of one or more of them may exacerbate the effect of others. Traditional Competition Risks We are subject to intense competition for clients and the nature of that competition is rapidly evolving. Our primary areas of competition include: consumer and commercial deposits, commercial- related loans, residential real estate loans, and other consumer loans, trust, brokerage and other investment management services, and other consumer and commercial financial products and services. Our competitors in these areas include national, state and non- U. S. banks, credit unions, savings and loan associations, consumer finance companies, trust companies, mortgage banking firms, securities brokerage firms, investment counseling firms, insurance companies and agencies, money market funds and other mutual funds, hedge funds and other financial services companies that serve in our markets. The emergence of non- traditional, disruptive service providers (see Industry Disruption section below) has intensified this competitive environment. In addition, as customer preferences and expectations continue to evolve, technology has lowered barriers to entry and made it possible for nonbanks to offer products and services traditionally provided by banks, such as check- cashing, automatic transfer and automatic payment systems and " peer- to- peer " lending in which investors provide debt financing and / or capital directly to borrowers. While traditional banks are subject to the same regulatory framework as we are, nonbanks experience a significantly different or reduced degree of regulation as well as lower cost structures. We may face a competitive disadvantage as a result of our smaller size, more limited geographic diversification and inability to spread costs across broader markets. Although we compete by concentrating marketing efforts in our primary markets with local advertisements, personal contacts and greater flexibility and responsiveness in working with local customers, customer loyalty can be easily influenced by a competitor' s new products and our strategy may or may not continue to be successful. Failure to perform in any of these areas could significantly weaken our competitive position, which could adversely affect our growth and profitability which, in turn, could have a material adverse effect on our business, financial condition and results of operations. We may also be affected by the marketplace loosening of credit underwriting standards and structures. Strategic and Macro Risks We may be unable to successfully implement our strategy to grow our commercial and consumer banking businesses. Although our current strategy is expected to evolve as business conditions change, in ~~2023~~ **2024** our strategy is to continue to invest resources in our banking businesses and operations as we **continue the** ~~integrate~~ **integration of** the businesses and operations of our recent acquisitions ~~, including Charter~~ , and seek to exploit opportunities for cost and revenue synergies. In the future, we expect to continue to nurture profitable organic growth as well as pursue acquisitions or strategic transactions if appropriate opportunities, within or outside of our current markets, present themselves. Our failure or inability to successfully implement those strategies could have a material and adverse effect on our results of operation and financial condition. Failure to achieve one or more key elements needed for successful business acquisitions could adversely affect our business and earnings. Expanding in our current markets and selecting attractive new growth markets by opening additional branches and service locations or through acquisitions of all or part of other financial institutions involve risks, any one of which could result in a material and adverse effect upon our results of operation or financial condition. These risks include, without limitation, the following: • our inability to identify and expand into suitable markets; • our inability to identify and acquire suitable sites for new branches and service locations; • our inability to identify and execute potential acquisition targets; • our inability to develop accurate estimates and judgments to evaluate asset values and credit, operations, management and market risks with respect to an acquired branch or institution, a new branch office or a new market; • our inability to realize certain assumptions and estimates to preserve the expected financial benefits of the transaction; • our inability to avoid the diversion of our management' s attention from existing operations during the negotiation of a transaction; • our inability to manage successful entry into new markets where we have limited or no direct prior experience; • our inability to obtain regulatory and other approvals, or obtain such approvals without restrictive conditions; • our inability to integrate the acquired business' operations, clients, and properties quickly and cost- effectively; • our inability to manage cultural assimilation risks associated with growth through acquisitions, which can be an often- overlooked and often- critical failure point in mergers; • our inability to combine the franchise values of businesses that we acquire with those of ours without significant loss from re- branding and other similar changes; or • our inability to retain core clients and key associates. Failure to achieve one or more key elements needed for successful organic growth could adversely affect our business and earnings. There are a number of risks to the successful execution of our organic growth strategy that could result in a material and adverse effect upon our results of operation and financial condition. These risks include, without limitation, the following: • our inability to attract and retain clients in our banking market areas, particularly as we integrate our recent acquisitions ~~, including Charter~~ ; • our inability to achieve and maintain growth in our earnings while pursuing new business opportunities; • our inability to maintain a high level of client service while optimizing our physical branch count due to changing client demand, all while expanding our remote banking services and expanding or enhancing our information processing, technology, compliance, and other operational infrastructures effectively and efficiently; • our inability to maintain loan quality in the

context of significant loan growth; • our inability to attract sufficient deposits and capital to fund anticipated loan growth; • our inability to maintain adequate common equity and regulatory capital while managing the liquidity and capital requirements associated with growth, especially organic growth and cash- funded acquisitions; • our inability to hire or retain adequate management personnel and systems to oversee and support such growth; • our inability to implement additional policies, procedures and operating systems required to support our growth; • our inability to manage effectively and efficiently the changes and adaptations necessitated by a complex, burdensome, and evolving regulatory environment Although we have in place strategies designed to achieve those elements that are significant to us at present, our challenge is to execute those strategies and adjust them, or adopt new strategies, as conditions change. Failure to keep pace with technological changes could adversely affect our business. The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology- driven products and services. The effective use of technology increases efficiency and enables financial institutions to better serve customers and to reduce costs. Our future success depends, 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, as well as to create additional efficiencies in our operations. Many of our competitors have substantially greater resources to invest in technological improvements. We may not be able to effectively implement new technology- driven products and services or be successful in marketing these products and services to our customers. Failure to successfully keep pace with technological change affecting the financial services industry could have a material adverse effect on our business, financial condition and results of operations. Through technological innovations and changes in client habits, the manner in which clients use financial services continues to change at a rapid pace. We provide a large number of services remotely (online and mobile), and physical branch utilization has been in long- term decline throughout the industry for many years. Technology has helped us reduce costs and improve service, but also has weakened traditional geographic and relationship ties, and has allowed disruptors to enter traditional banking areas. Through digital marketing and service platforms, many banks are making client inroads unrelated to physical presence. This competitive risk is especially pronounced from the largest U. S. banks, and from online- only banks, due in part to the investments they are able to sustain in their digital platforms. Companies as disparate as PayPal and Starbucks provide payment and exchange services which compete directly with banks in ways not possible traditionally. Recently, some government leaders have discussed having the U. S. Post Office offer banking services. The nature of technology- driven disruption to our industry is changing, in some cases seeking to displace traditional financial service providers rather than merely enhance traditional services or their delivery. A number of recent technologies have worked with the existing financial system and traditional banks, such as the evolution of ATM cards into debit / credit cards and the evolution of debit / credit cards into smart phones. These sorts of technologies often have expanded the market for banking services overall while siphoning a portion of the revenues from those services away from banks and disrupting prior methods of delivering those services. Additionally, some recent innovations may tend to replace traditional banks as financial service providers rather than merely augmenting those services. For example, companies which claim to offer applications and services based on artificial intelligence are beginning to compete much more directly with traditional financial services companies in areas involving personal advice, including high- margin services such as financial planning and wealth management. The low- cost, high- speed nature of these " robo- advisor " services can be especially attractive to younger, less- affluent clients and potential clients, as well as persons interested in " self- service " investment management. Other industry changes, such as zero- commission trading offered by certain large firms able to use trading as a loss- leader, may amplify this trend. Similarly, inventions based on blockchain technology eventually may be the foundation for greatly enhancing transactional security throughout the banking industry, but also eventually may reduce the need for banks as secure deposit- keepers and intermediaries. Operational Risks Fraud is a major, and increasing, operational risk for us and all banks. Two traditional areas, deposit fraud (check kiting, wire fraud, etc.) and loan fraud, continue to be major sources of fraud attempts and loss. The sophistication and methods used to perpetrate fraud continue to evolve as technology changes. In addition to cybersecurity risk (discussed below), new technologies have made it easier for bad actors to obtain and use client personal information, mimic signatures and otherwise create false documents that look genuine. The industry fraud threat continues to evolve, including but not limited to card fraud, check fraud, social engineering and phishing attacks for identity theft and account takeover. **Additionally, the use of artificial intelligence could exacerbate many of these risks.** Our anti- fraud measures are both preventive and, when necessary, responsive; however, some level of fraud loss is unavoidable, and the risk of a major loss cannot be eliminated. Our ability to conduct and grow our businesses is dependent in part upon our ability to create, maintain, expand, and evolve an appropriate operational and organizational infrastructure, manage expenses, and recruit and retain personnel with the ability to manage a complex business. Operational risk can arise in many ways, including: errors related to failed or inadequate physical, operational, information technology, or other processes; faulty or disabled computer or other technology systems; fraud, theft, physical security breaches, electronic data and related security breaches, or other criminal conduct by associates or third parties; and exposure to other external events. Inadequacies may present themselves in myriad ways. Actions taken to manage one risk may be ineffective against others. For example, information technology systems may be sufficiently redundant to withstand a fire, incursion, malware, or other major casualty, but they may be insufficiently adaptable to new business conditions or opportunities. Efforts to make systems more robust may make them less adaptable, and vice- versa. Also, our efforts to control expenses, which is a significant priority for us, increases our operational challenges as we strive to maintain client service and compliance at high quality and low cost. A serious information technology security (cybersecurity) breach can cause significant damage and at the same time be difficult to detect even after it occurs. Our operations rely on the secure processing, storage and transmission of confidential and other information in our computer systems and networks as well as through the internet through digital and mobile technologies. Although we take protective measures and endeavor to modify these systems as circumstances warrant, the advances in technology increase the risk of information security breaches. We provide our customers the ability to bank remotely, including over the internet or through their mobile device. The secure transmission of confidential information is a

critical element of remote and mobile banking. Any failure, interruption or breach in security of these systems could result in disruptions to our accounting, deposit, loan and other systems, and adversely affect our customer relationships. There have been increasing efforts on the part of third parties, including through cyber- attacks, to breach data security at financial institutions or with respect to financial transactions. There have been several recent instances involving financial services, credit bureaus and consumer- based companies reporting the unauthorized disclosure of client or customer information or the destruction or theft of corporate data, by both private individuals and foreign governments. In addition, because the techniques used to cause such security breaches change frequently, often are not recognized until launched against a target and may originate from less regulated and remote areas around the world, we may be unable to proactively address these techniques or to implement adequate preventative measures. Our network, and the systems of parties with whom we contract, could be vulnerable to unauthorized access, computer viruses, phishing schemes, spam attacks, human error, natural disasters, power loss and other security breaches. Cyber threats are rapidly evolving and we may not be able to anticipate or prevent all such attacks. Among other things, damage can occur due to outright theft or extortion of our funds, fraud or identity theft perpetrated on clients, or adverse publicity associated with a breach and its potential effects. Perpetrators potentially can be associates, clients, and certain vendors, all of whom legitimately have access to some portion of our systems, as well as outsiders with no legitimate access. These risks are heightened through the increasing use of digital and mobile solutions which allow for rapid money movement and increase the difficulty to detect and prevent fraudulent transactions. **Additionally, the use of artificial intelligence could exacerbate many of these 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. To the extent that our activities or the activities of our customers involve the storage and transmission of confidential information, security breaches (including breaches of security of customer systems and networks) and viruses could expose us to claims, litigation and other possible liabilities. Any inability to prevent security breaches or computer viruses could also cause existing customers to lose confidence in our systems and could adversely affect our reputation, results of operations and ability to attract and maintain customers and businesses. In addition, a security breach could also subject us to additional regulatory scrutiny, expose us to civil litigation and possible financial liability and cause reputational damage. We rely on information technology and telecommunications systems and certain third- party service providers, the operational functions of which may experience disruptions that could adversely affect us and over which we may have limited or no control. Our business is highly dependent on the successful and uninterrupted functioning of our information technology and telecommunications systems, third- party accounting systems and mobile and online banking platforms. We outsource many of our major systems, such as data processing, loan servicing and deposit processing systems and online banking platforms. While we have selected these vendors carefully, we do not control their actions. The failure of these systems, or the termination of a third- party software license or service agreement on which any of these systems is based, could interrupt our operations. Financial or operational difficulties of a vendor could also damage our operations if those difficulties interfere with the vendor' s ability to serve us. Furthermore, our vendors could also be sources of operational and information security risk to us, including from breakdowns or failures of their own systems or capacity constraints. Replacing these third- party vendors could also create significant delay and expense. Because our information technology and telecommunications systems interface with and depend on third- party systems, we could experience service denials if demand for such services exceeds capacity or such third- party systems fail or experience interruptions. If sustained or repeated, a system failure or service denial could result in a deterioration of our ability to process new and renewed loans, gather deposits and provide customer service, compromise our ability to operate effectively, damage our reputation, result in a loss of customer business and / or subject us to additional regulatory scrutiny and possible financial liability, any of which could have a material adverse effect on our financial condition and results of operations. Our ability to recoup our losses may be limited legally or practically in many situations. Our risk management framework may not be effective in mitigating risks and / or losses. We have implemented a risk management framework to mitigate our risk and loss exposure. This framework is comprised of various processes, systems and strategies, and is designed to identify, measure, monitor, report and manage the types of risk to which we are subject, including, among others, credit risk, interest rate risk, liquidity risk, legal and regulatory risk, **cybersecurity risk,** compliance risk, strategic risk, reputational risk and operational risk related to its employees, systems and vendors, among others. Any system of control and any system to reduce risk exposure, however well designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met and will be effective under all circumstances or that it will adequately identify, manage or mitigate any risk or loss to us. Additionally, instruments, systems and strategies used to hedge or otherwise manage exposure to various types of interest rate, price, legal and regulatory compliance, credit, liquidity, operational and business risks and enterprise- wide risk could be less effective than anticipated. As a result, we may not be able to effectively mitigate our risk exposures in particular market environments or against particular types of risk. If our risk management framework is not effective, we could suffer unexpected losses and become subject to litigation, negative regulatory consequences, or reputational damage among other adverse consequences, any of which could result in our business, financial condition, results of operations or prospects being materially adversely affected. Competition for talent is substantial and increasing. Moreover, revenue growth in some business lines increasingly depends upon top talent. In recent years the cost to us of hiring and retaining top revenue- producing talent has increased, and that trend is likely to continue. We have assembled a management team which has substantial background and experience in banking and financial services in our markets. Moreover, much of our organic loan growth in recent years was the result of our ability to attract experienced financial services professionals who have been able to attract customers from other financial institutions. We anticipate deploying a similar hiring strategy in the future **. It is also not uncommon for other financial institutions to deploy this strategy as well and there is a risk that teams of our employees may be recruited by other financial institutions** . Additionally, operating our technology systems requires employees with specialized skills that are not readily available in the general employee candidate pool. Inability to retain these key personnel

(including key personnel of the businesses we have acquired) or to continue to attract experienced lenders with established books of business could negatively affect our growth because of the loss of these individuals' skills and customer relationships and / or the potential difficulty of promptly replacing them. Moreover, the higher costs we must pay to hire and retain these experienced individuals could cause our noninterest expense levels to rise and negatively impact our results of operations. Risks From Changes in Economic Conditions Inflationary pressures present a potential threat to our results of operation and financial condition. The United States generally and the regions in which we operate specifically have recently experienced, for the first time in decades, significant inflationary pressures, evidenced by higher gas prices, higher food prices and other consumer items. Inflation represents a loss in purchasing power because the value of investments does not keep up with inflation and erodes the purchasing power of money and the potential value of investments over time. Accordingly, inflation can result in material adverse effects upon our customers, their businesses and, as a result, our financial position and results of operation. Inflation also can and does generally lead to higher interest rates, which have their own separate risks. See Risks Associated With Monetary Events and Interest Rate and Yield Curve Risks in this Item 1A of this report. Generally, in periods of economic downturns, including periods of rising interest rates and recessions, our realized credit losses increase, demand for our products and services declines, and the credit quality of our loan portfolio declines. Our success depends significantly upon local, national and global economic and political conditions, as well as governmental monetary policies and trade relations. Our financial performance generally, and in particular the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, as well as demand for loans and other products and services we offer, is highly dependent upon the business environment in the markets where we operate and in the United States as a whole. Unlike banks that are more geographically diversified, we are a regional bank that provides services to customers primarily in Wisconsin, Michigan and Minnesota. The market conditions in these markets may be different from, and could be worse than, the economic conditions in the United States as a whole. As discussed elsewhere in this Item 1A, inflationary pressures have caused the Federal Reserve to recently increase interest rates and indicate its intention to continue to do so **if inflationary pressures continue or return** . Increases in interest rates in the past have led to recessions of various lengths and intensities and might lead to such a recession in the near future. Such a recession or any other adverse changes in business and economic conditions generally or specifically in the markets in which we operate could affect our business, including causing one or more of the following negative developments: • a decrease in the demand for loans and other products and services offered by us; • a decrease in the value of the collateral securing our residential or commercial real estate loans; • a permanent impairment of our assets; or • an increase in the number of customers or other counterparties who default on their loans or other obligations to us, which could result in a higher level of NPAs, net charge- offs and provision for ~~loan~~ **credit** losses. Risks Associated with Monetary Events The Federal Reserve has implemented significant economic strategies that have affected interest rates, inflation, asset values, and the shape of the yield curve. These strategies have had, and will continue to have, a significant impact on our business and on many of our clients. In response to the recession in 2008 and the following uneven recovery, the Federal Reserve implemented a series of domestic monetary initiatives designed to lower interest rates and make credit easier to obtain. The Federal Reserve changed course in 2015, raising interest rates several times through 2018. Following a substantial and broad stock market decline in 2019, **and the onset of the COVID- 19 pandemic,** the Federal Reserve ~~began to lower~~ **lowered** interest rates, which, until 2022, remained at historically low levels. In 2022, however, in response to inflationary pressures, the Federal Reserve increased interest rates substantially. In 2023, the Federal Reserve ~~has~~ continued to increase interest rates ~~and~~ **, but in December 2023,** indicated its ~~intent~~ **intention** to ~~further~~ **begin to** ~~increase~~ **decrease** ~~rates. These increases in~~ interest rates **in 2024 in response to moderating rates of inflation. Fluctuations in interest rates have had and** can **continue to** have significant and **sometimes** adverse effects upon our business as well as the business of many of our customers. Federal Reserve strategies can, and often are intended to, affect the domestic money supply, inflation, interest rates, and the shape of the yield curve. Effects on the yield curve often are most pronounced at the short end of the curve, which is of particular importance to us and other banks. Among other things, easing strategies are intended to lower interest rates, expand the money supply, and stimulate economic activity, while tightening strategies are intended to increase interest rates, tighten the money supply, and restrain economic activity. Many external factors may interfere with the effects of these plans or cause them to be changed, sometimes quickly. Such factors include significant economic trends or events as well as significant international monetary policies and events. Such strategies also can affect the U. S. and world- wide financial systems in ways that may be difficult to predict. Risks associated with interest rates and the yield curve are discussed in this Item 1A under the caption Interest Rate and Yield Curve Risks. Reputation Risks Our ability to conduct and grow our businesses, and to obtain and retain clients, is highly dependent upon external perceptions of our business practices and financial stability. Our reputation is a key asset for us. Reputation risk, or the risk to our earnings, liquidity and capital from negative public opinion, is inherent in our business. Our reputation is affected principally by our business practices and how those practices are perceived and understood by others. Negative public opinion could adversely affect our ability to keep and attract customers and expose us to adverse legal and regulatory consequences. Negative public opinion could result from our actual or alleged conduct in any number of activities, including lending practices (including lending to certain customers that transact business in unpopular industries), corporate governance, regulatory compliance, securities compliance, mergers and acquisitions, from sharing or inadequate protection of customer information and from actions taken by government regulators and community organizations in response to that conduct. Negative public opinion could also result from adverse news or publicity that impairs the reputation of the financial services industry generally or that relates to parties with whom we have important relationships. Because we conduct most of our business under the " Nicolet " brand, negative public opinion about one business could affect our other businesses. Credit and Counterparty Risks We face the risk that our clients may not repay their loans or other obligations and that the realizable value of collateral may be insufficient to avoid a charge- off. We also face risks that other counterparties, in a wide range of situations, may fail to honor their obligations to pay us. In our business some level of credit charge- offs is unavoidable and

overall levels of credit charge- offs can vary substantially over time. Lending activities are inherently risky. When we lend money or commit to lend, we incur credit risk or the risk of loss if borrowers do not repay their loans or other credit obligations. Credit risk includes, among other things, the quality of our underwriting, the impact of increases in interest rates and changes in the economic conditions in the markets where we operate as well as across the United States. These conditions could adversely affect the ability of borrowers to repay outstanding loans or the value of the collateral securing these loans. If loan customers with significant loan balances fail to repay their loans, our results of operations, financial condition and capital levels will suffer. We are exposed to higher credit and concentration risk from our commercial- related lending. Our credit risk and credit losses can increase if our loans become concentrated to borrowers engaged in the same or similar activities or to borrowers who as a group may be uniquely or disproportionately affected by economic or market conditions. As of December 31, ~~2022~~ **2023** , approximately ~~78~~ **76** % of our loan portfolio consisted of commercial- related loans, including commercial and industrial loans, owner- occupied CRE, AG production and AG real estate, CRE investment, and construction and land- development loans. Our borrowers under these loans tend to be small to medium- sized businesses. These types of loans are typically larger than residential real estate loans or consumer loans. During periods of lower economic growth or challenging economic periods, small to medium- sized businesses may be impacted more severely and more quickly than larger businesses. Consequently, the ability of such businesses to repay their loans may deteriorate, and in some cases this deterioration may occur quickly, which would adversely affect our results of operations and financial condition. An increase in nonperforming loans could result in a net loss of earnings from these loans, an increase in the provision for ~~loan~~ **credit** losses and an increase in loan charge- offs, all of which could have a material adverse effect on our business, financial condition and results of operations. Deterioration in economic conditions, housing conditions and commodity and real estate values and an increase in unemployment in certain states or locations could result in materially higher credit losses if loans are concentrated in those locations. Our loans are heavily concentrated in our primary markets of Wisconsin, Michigan and Minnesota. These markets may have different or weaker performance than other areas of the country and our portfolio may be more negatively impacted than a financial services company with wider geographic diversity. The core industries in our market area are manufacturing, wholesaling, paper, packaging, food production and processing, agriculture, forest products, hospitality, retail, service, and businesses supporting the general building industry. The area has a broad range of diversified equipment manufacturing services related to these core industries and others. The residential and commercial real estate markets throughout these areas depend primarily on the strength of these core industries. A material decline in any of these sectors will affect the communities we serve and could negatively impact our financial results and have a negative impact on profitability. If the communities in which we operate do not grow or if the prevailing economic conditions locally or nationally are less favorable than we have assumed, this may result in deterioration in the credit quality of our borrowers and the demand for our products and services, an increase in the number of loan delinquencies, defaults and charge- offs, foreclosures, additional provision for credit losses, adverse asset values of the collateral securing our loans, and an overall material adverse effect on the quality of our loan portfolio. These negative effects may cause us to incur losses and may adversely affect our capital, liquidity and financial condition. See the section captioned " BALANCE SHEET ANALYSIS- Loans " under Part II, Item 7, " Management' s Discussion and Analysis of Financial Condition and Results of Operation, " and Note 1, " Nature of Business and Significant Accounting Policies, " in the Notes to Consolidated Financial Statements, under Part II, Item 8, for further discussion on commercial- related loans. If our allowance for credit losses was required to be increased because it is not large enough to cover actual losses in our loan portfolio, our results of operations and financial condition could be materially and adversely affected. We maintain an ACL, which is a reserve established through a provision for credit losses charged to expense. **The** ~~After adopting ASC 326, the~~ ACL reflects our assessment of the current expected losses over the life of the loan using historical experience, current conditions and reasonable and supportable forecasts. CECL has created more volatility in the level of our ACL because it relies on macroeconomic forecasts. It is possible that CECL may increase the cost of lending in the industry and result in slower loan growth and lower levels of net income. The level of the allowance reflects our continuing evaluation of factors including current economic forecasts, historical loss experience, the volume and types of loans, and specific credit risks. The determination of the appropriate level of the ACL inherently involves subjectivity in our modeling and requires us to make estimates of current credit risks and future trends, all of which may undergo material changes or vary from our historical experience. Deterioration in economic conditions affecting borrowers, changing economic forecasts, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may require an increase in the ACL. If we are required to materially increase our level of ACL for any reason, such increase could adversely affect our business, financial condition and results of operations. In addition, bank regulatory agencies periodically review our ACL and may require an increase in the provision for credit losses or the recognition of further loan charge- offs, based on judgments different than those of management. Furthermore, if charge- offs in future periods exceed the ACL, we will need additional provisions to increase the ACL. Any increases in the ACL will result in a decrease in net income and, possibly, capital, and may have a material adverse effect on our business, financial condition and results of operations. See the section captioned " BALANCE SHEET ANALYSIS- Allowance for Credit Losses- Loans " under Part II, Item 7, " Management' s Discussion and Analysis of Financial Condition and Results of Operation, " for further discussion related to our process for determining the appropriate level of the ACL. Risks Related to Public Health Issues, Including COVID- 19 Outbreaks of communicable diseases, ~~including~~ **such as** COVID- 19 and its variants, have led to periods of significant volatility in financial, commodities (including oil and gas) and other markets, adversely affected our ability to conduct normal business, adversely affected our clients, and are likely to harm our businesses, financial condition and results of operations. ~~The ongoing~~ **Pandemics and widespread outbreaks of communicable diseases (such as** COVID- 19 ~~pandemic has~~ **) have** caused and may continue to cause significant disruption in the international and United States economies and financial markets and ~~has~~ **have** had an adverse effect on our business and results of operations. This has recently been accompanied by a surge in flu and other respiratory illnesses of varying seriousness

and magnitude. The spread of these diseases, including COVID variants, has caused illness and death resulting in quarantines, cancellation of events and travel, business and school shutdowns, reduction in business activity and financial transactions, supply chain interruptions, and overall economic and financial market instability. In response to the COVID- 19 pandemic, the governments of the states in which we have branches, and most other states, periodically have taken preventative or protective actions, such as imposing restrictions on travel and business operations, advising or requiring individuals to limit or forego their time outside of their homes, and ordering temporary closures of businesses that have been deemed to be non- essential. These restrictions and other consequences of public health issues have resulted in significant adverse effects for many different types of businesses, including, among others, those in the hospitality (including hotels and lodging) and restaurant industries, and resulted in a significant number of layoffs and furloughs of employees nationwide and in the regions in which we operate. Although we **take** ~~are taking~~ precautions to protect the safety and well- being of our employees and customers, the unpredictability of the pandemic and public health issues could result in any of the following: • employees contracting these diseases ~~, including COVID- 19 or its variants~~ ; • reductions in operating effectiveness as employees work from home; • a work stoppage, forced quarantine, or other interruption of our business, including sustained closures of our business locations; • unavailability of key personnel necessary to conduct our business activities; • effects on key employees, including operational management personnel and those charged with preparing, monitoring, and evaluating our financial reporting and internal controls; • increased cybersecurity risks as a result of employees working remotely; • declines in demand for loans and other banking services and products; • reduced consumer spending due to job losses, inflation and other effects directly or indirectly attributable to the pandemic; • continued volatility in United States financial markets; • continued volatile performance of our investment securities portfolio; • decline in the credit quality of our loan portfolio ~~resulting from the effects of the COVID- 19 pandemic in our markets~~ , leading to a need to increase the ACL, as applicable; • declines in value of collateral for loans, including real estate collateral; • declines in the net worth and liquidity of borrowers and loan guarantors, impairing their ability to honor commitments to us, which may affect, among other things, the levels of NPAs, charge- offs, and provision expense; and • declines in demand resulting from businesses deemed to be " non- essential " by governments in the markets that we serve, and from both " non- essential " and " essential " businesses suffering adverse effects from reduced levels of economic activity. Regulatory, Legislative and Legal Risks We are subject to a challenging regulatory environment that restricts our activities. We operate in heavily regulated industries. Our regulatory burdens, including both operating restrictions and ongoing compliance costs, are substantial. We are subject to many banking, deposit, insurance, securities brokerage and underwriting, and consumer lending regulations in addition to the rules applicable to all companies whose securities are publicly traded in the U. S. securities markets. Failure to comply with applicable regulations could result in financial, structural, and operational penalties. In addition, efforts to comply with applicable regulations may increase our costs and / or limit our ability to pursue certain business opportunities. See Supervision and Regulation in Item 1 of this report, for additional information concerning financial industry regulations. Federal and state regulations significantly limit the types of activities in which we, as a financial institution, may engage. In addition, we are subject to a wide array of other regulations that govern other aspects of how we conduct our business, such as in the areas of employment and intellectual property. Federal and state legislative and regulatory authorities often change these regulations or adopt new ones. Actions could be taken that would further limit the amount of interest or fees we can charge, further restrict our ability to collect on loans or ~~related~~ **realize on** collateral, affect the terms or profitability of the products and services we offer, or materially and adversely affect us in other ways. The following paragraphs highlight certain specific important risk areas related to regulatory matters currently. These paragraphs do not describe these risks exhaustively, and they do not describe all such risks that we face currently. Moreover, the importance of specific risks may grow or diminish as circumstances change. Failure to maintain certain regulatory capital levels and ratios could result in regulatory actions that would be materially adverse to our shareholders. U. S. capital standards are discussed under the captions Capital Adequacy and Prompt Corrective Action in Part I, Item 1, and the caption " Capital " in Part II, Item 7, of this Report. Pressures to maintain appropriate capital levels and address business needs in a changing economy could result in certain mandatory and possible additional discretionary actions by regulators that, if undertaken, could be dilutive or otherwise have an adverse effect on our shareholders. Such actions could include: reduction or elimination of dividends; the issuance of common or preferred stock, or securities convertible into stock; or the issuance of any class of stock having rights that are adverse to those of the holders of our existing classes of common or preferred stock. In addition, these requirements could have a negative impact on our ability to lend, grow deposit balances, make acquisitions or make share repurchases or redemptions. Higher capital levels could also lower our return on equity. Additional information concerning these risks and our management of them, all of which is incorporated into this Item 1A by this reference, appears: under the captions Capital Adequacy and Prompt Corrective Action in Part I, Item 1 of this Report; under the caption " Capital " of Part II, Item 7; and Note 17, " Regulatory Capital Requirements, " under Part II, Item 8. Political dysfunction and volatility within the federal government, both at the regulatory and Congressional level, creates significant potential for major and abrupt shifts in federal policy regarding bank regulation, taxes, and the economy, any of which could have significant and adverse impacts on our business and financial performance. Certain of our operations and customers are dependent on the regular operation of the federal or state government or programs they administer For example, our SBA lending program depends on interaction with the SBA, an independent agency of the federal government. During a lapse in funding, such as has occurred during previous federal government " shutdowns ", the SBA may not be able to engage in such interaction. Similarly, loans we make through USDA lending programs may be delayed or adversely affected by lapses in funding for the USDA. In addition, customers who depend directly or indirectly on providing goods and services to federal or state governments or their agencies may reduce their business with us or delay repayment of loans due to lost or delayed revenue from those relationships. If funding for these lending programs or federal spending generally is reduced as part of the appropriations process or by administrative decision, demand for our services may be reduced. Any of these developments could have a material adverse effect on our financial condition, results of

operations or liquidity. Legal disputes are an unavoidable part of business, and the outcome of pending or threatened litigation cannot be predicted with any certainty. We face the risk of litigation from clients, associates, vendors, contractual parties, and other persons, either singly or in class actions, and from federal or state regulators. We manage those risks through internal controls, personnel training, insurance, litigation management, our compliance and ethics processes, and other means. However, the commencement, outcome, and magnitude of litigation cannot be predicted or controlled with any certainty. Substantial legal liability or significant regulatory action against us could have material adverse financial effects or cause significant reputational harm to us, which in turn could seriously harm our business prospects. Data privacy is becoming a major political concern. The laws governing it are new, and are likely to evolve and expand. Many non- regulated, non- banking companies have gathered large amounts of personal details about millions of people, and have the ability to analyze that data and act on that analysis very quickly. This situation has prompted governmental responses. Two prominent responses are the European Union General Data Protection Regulation and the California Consumer Privacy Act. Neither is a banking industry regulation, but both apply to banks in relation to certain clients. Further general regulation to protect data privacy appears likely, and banking industry regulations might be enlarged as well. Liquidity and Funding Risk Liquidity is essential to our business model and a lack of liquidity, or an increase in the cost of liquidity could materially impair our ability to fund our operations and jeopardize our results of operation, financial condition and cash flows. Liquidity represents an institution' s ability to provide funds to satisfy demands from depositors, borrowers and other creditors by either converting assets into cash or accessing new or existing sources of incremental funds. Liquidity risk arises from the possibility that we may be unable to satisfy current or future funding requirements and needs. **Our access to funding sources in amounts adequate to finance our activities or on terms that are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy generally. Factors that could reduce our access to liquidity sources include a downturn in our local or national economy, difficult credit markets or adverse regulatory actions against us. Our access to deposits may also be affected by the liquidity needs of our depositors. A substantial majority of our liabilities are demand, savings, interest checking and money market deposits, which are payable on demand or upon several days' notice, while by comparison, a substantial portion of our assets are loans, which cannot be called or sold in the same time frame. We may not be able to replace maturing deposits and advances as necessary in the future, especially if a large number of our depositors sought to withdraw their accounts, regardless of the reason. Our access to deposits may be negatively impacted by, among other factors, periods of low interest rates or higher interest rates which could promote increased competition for deposits, including from new financial technology competitors, or provide customers with alternative investment options. Additionally, negative news about us or the banking industry in general could negatively impact market and / or customer perceptions of our Company, which could lead to a loss of depositor confidence and an increase in deposit withdrawals, particularly among those with uninsured deposits. Furthermore, as the industry experienced in 2023, the failure of other financial institutions may cause deposit outflows as customers spread deposits among several different banks so as to maximize their amount of FDIC insurance, move deposits to banks deemed " too big to fail " or remove deposits from the banking system entirely. As of December 31, 2023, approximately 29 % of our deposits were uninsured and we rely on these deposits for liquidity. A failure to maintain adequate liquidity could have a material adverse effect on our business, financial condition and results of operations.** Deposit levels may be affected by several factors, including rates paid by competitors, general interest rate levels, returns available to customers on alternative investments, general economic and market conditions and other factors. Loan repayments are a relatively stable source of funds but are subject to the borrowers' ability to repay loans, which can be adversely affected by a number of factors including changes in general economic conditions, adverse trends or events affecting business industry groups or specific businesses, declines in real estate values or markets, business closings or lay- offs, inclement weather, natural disasters and other factors. Furthermore, loans generally are not readily convertible to cash. From time to time, if deposits and loan payments are not sufficient to meet our needs, we may be required to rely on secondary sources of liquidity to meet growth in loans, deposit withdrawal demands or otherwise fund operations. Such secondary sources include FHLB advances, brokered deposits, secured and unsecured federal funds lines of credit from correspondent banks, Federal Reserve borrowings and / or accessing the equity or debt capital markets. The availability of these secondary funding sources is subject to broad economic conditions, to regulation and to investor assessment of our financial strength and, as such, the cost of funds may fluctuate significantly and / or the availability of such funds may be restricted, thus impacting our net interest income, our immediate liquidity and / or our access to additional liquidity. Additionally, if we fail to remain " well- capitalized " our ability to utilize brokered deposits may be restricted. We have somewhat similar risks to the extent high balance core deposits exceed the amount of deposit insurance coverage available. We anticipate we will continue to rely primarily on deposits, loan repayments, and cash flows from our investment securities to provide liquidity. Additionally, when necessary, the secondary sources of borrowed funds described above will be used to augment our primary funding sources. An inability to maintain or raise funds (including the inability to access secondary funding sources) in amounts necessary to meet our liquidity needs would have a substantial negative effect, individually or collectively, on our liquidity. Our access to funding sources in amounts adequate to finance our activities, or on terms attractive to us, could be impaired by factors that affect us specifically or the financial services industry in general. For example, factors that could detrimentally impact our access to liquidity sources include our financial results, a decrease in the level of our business activity due to a market downturn or adverse regulatory action against us, a reduction in our credit rating, any damage to our reputation, counterparty availability, changes in the activities of our business partners, changes affecting our loan portfolio or other assets, or any other event that could cause a decrease in depositor or investor confidence in our creditworthiness and business. Our access to liquidity could also be impaired by factors that are not specific to us, such as general business conditions, interest rate fluctuations, severe volatility or disruption of the financial markets or negative views and expectations about the prospects for the financial services industry as a whole, or legal, regulatory, accounting, and tax

environments governing our funding transactions. In addition, our ability to raise funds is strongly affected by the general state of the U. S. and world economies and financial markets as well as the policies and capabilities of the U. S. government and its agencies, and may remain or become increasingly difficult due to economic and other factors beyond our control. Any such event or failure to manage our liquidity effectively could affect our competitive position, increase our borrowing costs and the interest rates we pay on deposits, limit our access to the capital markets and have a material adverse effect on our results of operations or financial condition. Changes associated with ~~LIBOR~~ **interest rate benchmarks** also may impact our funding ability; see Interest Rate and Yield Curve Risks below **. Unrealized Losses in Our Securities Portfolio Could Affect Liquidity. As market interest rates have increased, we have experienced significant unrealized losses on our available for sale securities portfolio. Unrealized losses related to available for sale securities are reflected in accumulated other comprehensive income in our consolidated balance sheets and reduce the level of our book capital and tangible common equity. However, such unrealized losses do not affect our regulatory capital ratios. We actively monitor our available for sale securities portfolio and we do not currently anticipate the need to realize material losses from the sale of securities for liquidity purposes. Furthermore, we believe it is unlikely that we would be required to sell any such securities before recovery of their amortized cost base, which may be at maturity. Nonetheless, our access to liquidity sources could be affected by unrealized losses if securities must be sold at a loss ; tangible capital ratios continue to decline from an increase in unrealized losses or realized credit losses ; the FHLB or other funding sources reduce capacity ; or bank regulators impose restrictions on us that impact the level of interest rates we may pay on deposits or our ability to access brokered deposits. Additionally, significant unrealized losses could negatively impact market and / or customer perceptions of our Company, which could lead to a loss of depositor confidence and an increase in deposit withdrawals, particularly among those with uninsured deposits. Maintaining Liquidity Could Increase Our Interest Expense. Increased industry competition to maintain liquidity, along with periods of higher interest rates, may require us to offer higher interest rates to maintain deposits. Our interest expense will increase and our net interest margin will decrease if we need to increase the interest rate paid on our deposits to attract additional customers or maintain current customers, which could have a material adverse effect on our business, financial condition and results of operations** . We are subject to interest rate risk because a significant portion of our business involves borrowing and lending money, and investing in financial instruments. A considerable amount of our profitability is dependent on net interest income, which is the difference between interest income earned on loans and investment securities and interest expense paid on deposits and other borrowings. The absolute level of interest rates as well as changes in interest rates, including changes to the shape of the yield curve, may affect our level of interest income, the primary component of our gross revenue, as well as the level of our interest expense. In a period of changing interest rates, interest expense may increase at different rates than the interest earned on assets, impacting our net interest income. Interest rate fluctuations are caused by many factors which, for the most part, are not under our control. For example, national monetary policy implemented by the Federal Reserve plays a significant role in the determination of interest rates. Additionally, competitor pricing and the resulting negotiations that occur with our customers also impact the rates we collect on loans and pay on deposits. If short- term interest rates rise, our results of operations may be negatively impacted if we are unable to increase the rates we charge on loans or earn on our investment securities in excess of the increases we must pay on deposits and our other funding sources. As interest rates change, we expect that we will periodically experience " gaps " in the interest rate sensitivities of our assets and liabilities, meaning that either our interest- bearing liabilities (usually deposits and borrowings) will be more sensitive to changes in market interest rates than our interest- earning assets (usually loans and investment securities), or vice versa. In either event, if market interest rates should move contrary to our position, this " gap " may work against us, and our results of operations and financial condition may be negatively affected **. Additionally, because many of our obligations and portfolio loans have variable rate pricing, following the transition from LIBOR, they now are based upon other benchmark rates, such as SOFR, and any uncertainties associated with these benchmark rates may affect our ability to effectively manage interest rate risk** . A flat or inverted yield curve may reduce our net interest margin and adversely affect our loan and investment portfolios. The yield curve is a reflection of interest rates applicable to short and long- term debt. The yield curve is steep when short- term rates are much lower than long- term rates; it is flat when short- term rates and long- term rates are nearly the same; and it is inverted when short- term rates exceed long- term rates. Historically, the yield curve is usually upward sloping (higher rates for longer terms). However, the yield curve can be relatively flat or inverted (downward sloping), which has happened several times in the past few years. A flat or inverted yield curve, which tends to decrease net interest margin, would adversely impact our lending businesses and investment portfolio. The Federal Reserve, consistent with long- term goals, has been raising rates in response to inflation. We cannot predict how long those conditions will exist. See Risks Associated with Monetary Events within this section of the Report for additional information. ~~Discontinuance of, and transition away from, LIBOR (and any other reference rates) may adversely affect our reputation, business, financial condition and results of operations. ICE Benchmark Administration, the administrator of LIBOR, ceased publication of one- week and two- month USD LIBOR on a representative basis on December 31, 2021. The remaining USD LIBOR settings (i. e., overnight, one month, three month, six month and 12 month) will cease or become non- representative immediately after June 30, 2023. We no longer originate loans that reference LIBOR. New floating rate loans reference alternative reference rates, such as SOFR or Prime. LIBOR and other benchmarks which rely upon LIBOR (or LIBOR transactions) for their calculation, however, remain the reference rate in a substantial number of our outstanding debt securities, derivatives, corporate and commercial loans, consumer loans, residential mortgages loans, credit cards, structured products, and other assets and liabilities. Discontinuance of, and transition away from, such reference rates present various uncertainties and operational, legal, reputational, compliance, financial and other risks and challenges. For example, LIBOR- based products and contracts, may contain language requiring us to undertake certain actions to determine a successor rate to the existing benchmark or to exercise discretion in selection of such rate. We may face a risk of litigation, disputes or other actions from~~

~~clients, counterparties, customers, investors or others based on various claims, for example that we incorrectly interpreted or enforced such contract provisions or failed to appropriately communicate or effectuate such transition. Other LIBOR- based products and contracts may have no fallback provisions, and we are assessing and planning to utilize relevant contractual and statutory solutions, including the Adjustable Interest Rate (LIBOR) Act, enacted in March 2022 and the implementing rules by the Federal Reserve (collectively, the " LIBOR Act "), to transition such products and contracts. It is possible that the characteristics of alternative reference rates may not be sufficiently similar to, or produce the economic equivalent of, the benchmark rates that they are intended to replace. For example, SOFR is a riskless rate. Historically, in periods of economic or financial industry stress, riskless rates that are analogous to SOFR have been relatively stable. In contrast, LIBOR, which is designed to reflect the credit risk of banks, has widened relative to riskless rates, reflecting increased uncertainty regarding the creditworthiness of banks. SOFR, because it is riskless, tends to be a lower rate than LIBOR. To address these differences between LIBOR and SOFR, industry- recommended LIBOR fallback provisions and the LIBOR ACT include a concept of an adjustment spread that is applied when a LIBOR- based contract falls back to SOFR and that is calculated based on a five- year median look- back of the historical spot difference between the applicable LIBOR tenor and the applicable SOFR tenor. However, because any such adjustment spread is and will be based on a historical median, such adjustment spreads have not, and are likely in the future to not, reflect the spot difference between LIBOR and SOFR at certain points in time and there may be a value transfer between the contracting parties over the life of the instrument because the all- in rate applied to a contract, even taking into account the spread adjustment, might have behaved differently over the life of the instrument in the absence of LIBOR cessation. Impacts from a change in reference rate would likely include changes to the yield on, and value of, loans or securities held by us, and amounts paid on debt we have issued. Any theoretical benefit to us could result in counterparty dissatisfaction, which, in turn could lead to litigation, potentially as class actions, or other adverse consequences, including dissatisfied customers or impaired relationships with financial institution counterparties resulting in loss of business. In sum, the transition away from LIBOR to an alternative reference rate is complex and the failure to adequately manage the transition could have a range of material adverse effects, including the potential to: • adversely affect the interest rates paid or received on, and the revenue and expenses associated with, our floating rate obligations, loans, deposits, borrowings, derivatives and other financial instruments tied to LIBOR rates, or other securities or financial arrangements given LIBOR' s role in determining market interest rates globally; • adversely affect the value of our floating rate obligations, loans, deposits, borrowings, derivatives and other financial instruments tied to LIBOR rates, or other securities or financial arrangements given LIBOR' s role in determining market interest rates globally; • prompt inquiries or other actions from regulators in respect of our preparation and readiness for the replacement of LIBOR with an alternative reference rate; • result in disputes, litigation or other actions with counterparties regarding the interpretation and enforceability of certain fallback language in LIBOR- based securities; and • require the transition to or development of appropriate systems and analytics to effectively transition our risk management processes from LIBOR- based products to those based on the applicable alternative pricing benchmark.~~ Accounting and Tax Risks The preparation of our consolidated financial statements in conformity with U. S. generally accepted accounting principles requires management to make significant assumptions, estimates and judgments that affect the financial statements. Management must make significant assumptions and estimates and exercise significant judgment in selecting and applying accounting and reporting policies. In some cases, management must select a policy from two or more alternatives, any of which may be reasonable under the circumstances, which may result in reporting materially different results than would have been reported under a different alternative. The estimate that is consistently one of our most critical is the level of the allowance for credit losses. However, other estimates can be highly significant at discrete times or during periods of varying length, for example the valuation (or impairment) of our deferred tax assets. Estimates are made at specific points in time. As actual events unfold, estimates are adjusted accordingly. Due to the inherent nature of these estimates, it is possible that, at some time in the future, we may significantly increase the allowance for credit losses and / or sustain credit losses that are significantly higher than the provided allowance, or we may recognize a significant provision for impairment of assets, or we may make some other adjustment that will differ materially from the estimates that we make today. Moreover, in some cases, especially concerning litigation and other contingency matters where critical information is inadequate, often we are unable to make estimates until fairly late in a lengthy process. In addition, changes in accounting standards or interpretations could negatively impact our reported earnings and financial condition. The accounting standard setters, including the Financial Accounting Standards Board (" FASB "), the SEC and other regulatory agencies, periodically change the financial accounting and reporting standards that govern the preparation of our consolidated financial statements. For additional information, refer to Note 1, " Nature of Business and Significant Accounting Policies, " under Part II, Item 8 of this Report. These changes can be difficult to predict and can materially impact how we record and report our financial condition and results of operations. In some cases, we could be required to apply a new or revised standard retroactively, which would result in the recasting of our prior period financial statements. We could be subject to changes in tax laws, regulations and interpretations or challenges to our income tax provision. We compute our income tax provision based on enacted tax rates in the jurisdictions in which we operate. Any change in enacted tax laws, rules or regulatory or judicial interpretations, any adverse outcome in connection with tax audits in any jurisdiction or any change in the pronouncements relating to accounting for income taxes could adversely affect our effective tax rate, tax payments and results of operations. Our internal controls and procedures may fail or be circumvented. Maintaining and adapting our internal controls over financial reporting, disclosure controls and procedures and effective corporate governance policies and procedures (" controls and procedures ") is expensive and requires significant management attention. Moreover, as we continue to grow, our controls and procedures may become more complex and require additional resources to ensure they remain effective amid dynamic regulatory and other guidance. Failure to implement effective controls and procedures or circumvention of our controls and procedures could harm our business, results of operations and financial condition or cause us to fail to meet our public reporting obligations. Geographic and Climate Risks We are subject to risks of operating in various

jurisdictions. Our success is also influenced heavily by population growth, income levels, loans and deposits and on stability in real estate values in our markets. To a significant degree our banking business is exposed to economic, regulatory, natural disaster, and other risks that primarily impact the mid- western U. S. states where we do most of our traditional banking business. If those regions of the U. S. did not grow or were to experience adversity not shared by other parts of the country, we are likely to experience adversity to a degree not shared by those competitors which have a broader or different regional footprint. If market and economic conditions deteriorate, this may lead to valuation adjustments on our loan portfolio and losses on defaulted loans and on the sale of other real estate owned. Additionally, such adverse economic conditions in our market areas, specifically decreases in real estate property values due to the nature of our loan portfolio, the majority of which is secured by real estate, could reduce our growth rate, affect the ability of our customers to repay their loans and generally affect our financial condition and results of operations. As of December 31, ~~2022~~ **2023**, approximately ~~39~~ **38** % of our loans were secured by commercial- based real estate, 11 % of loans were secured by agriculture- based real estate, and ~~21~~ **23** % of our loans were secured by residential real estate. We are less able than larger institutions to spread the risks of unfavorable local economic conditions across a larger number of more diverse economies. Natural disasters and weather- related events exacerbated by climate change could have a negative impact on our results of operations and financial condition. We operate in markets in which natural disasters, including tornadoes, severe storms, fires, floods, hurricanes and earthquakes have occurred. Such natural disasters could significantly affect the local population and economies, the activities of many of our customers and clients, and our business, and could pose physical risks to our properties. Although our banking offices are geographically dispersed throughout portions of the midwestern United States and we maintain insurance coverage for such events, a significant natural disaster in or near one or more of our markets could have a material adverse effect on our financial condition, results of operations or liquidity. The markets in which we operate also are exposed to the adverse impacts of climate change, as well as uncertainties related to the transition to a low- carbon economy. Climate change presents both immediate and long- term risks to us and our customers and clients, with the risks expected to increase over time. Climate risks can arise from both physical risks (those risks related to the physical effects of climate change) and transition risks (risks related to regulatory, compliance, technological, stakeholder and legal changes from a transition to a low- carbon economy). The physical and transition risks can manifest themselves differently across our risk categories in the short, medium and long terms. The physical risk from climate change could result from increased frequency and / or severity of adverse weather events. For example, adverse weather events could damage or destroy our properties or our counterparties' properties and other assets and disrupt operations, making it more difficult for counterparties to repay their obligations, whether due to reduced profitability, asset devaluations or otherwise. These events could also increase the volatility in financial markets and increase our counterparty exposures and other financial risks, which may result in lower revenues and higher cost of credit. Transition risks may arise from changes in regulations or market preferences toward a low- carbon economy, which in turn could have negative impacts on asset values, results of operations or our reputation or that of our customers and clients. For example, our corporate credit exposures include industries that may experience reduced demand for carbon- intensive products due to the transition to a low- carbon economy. Moreover, banking regulators and others are increasingly focusing on the issue of climate risk at financial institutions, both directly and with respect to their clients. ~~As an example, although not currently applicable to us, on December 16, 2021, the OCC requested feedback on draft principles designed to support the identification and management of climate- related financial risks at institutions with more than $ 100 billion in total consolidated assets.~~ Even as regulators, such as the SEC, begin to propose or mandate additional disclosure of climate- related information by companies across sectors, there may continue to be a lack of information for more robust climate- related risk analyses. Third party exposures to climate- related risks and other data generally are limited in availability and variable in quality. Modeling capabilities to analyze climate- related risks and interconnections are improving but remain incomplete. Legislative or regulatory uncertainties and changes regarding climate- related risk management and disclosures are likely to result in higher regulatory, compliance, credit, reputational and other risks and costs (for additional information, see the ongoing regulatory and legislative uncertainties and changes risk factor above). In addition, we could face increased regulatory, reputational and legal scrutiny as a result of its climate risk. Stock Holding and Governance Risks We have ~~historically not paid~~ **only recently begun to pay** dividends; moreover, the inability of our subsidiaries to declare and pay dividends or other distributions to the Holding Company could adversely affect its liquidity and ability to declare and pay dividends. The holders of our common stock receive dividends only if and when declared by the Nicolet board of directors out of legally available funds. **Prior to 2023,** Nicolet' s board of directors ~~has~~ **had** not declared a dividend on the common stock since our inception in 2000. Any ~~future~~ determination relating to **the continuation or any change in** dividend policy will be made at the discretion of Nicolet' s board of directors and will depend on a number of factors, including the company' s future earnings, capital requirements, financial condition, future prospects, regulatory restrictions and other factors that the board of directors may deem relevant. Our principal source of funds ~~that would be~~ used to pay cash dividends on our common and preferred stock is dividends that we receive from the Bank. As a national bank, the Bank is subject to limitations on the amount of dividends that it is permitted to pay, as described under **" Regulation of Nicolet – Payment of Dividends " and** " Regulation of the Bank – Payment of Dividends " in Part I, Item 1 of this Report. The federal banking agencies have also issued policy statements which provide that bank holding companies and insured banks should generally only pay dividends out of current earnings. The Federal Reserve may also prevent the payment of a dividend by the Bank if it determines that the payment would be an unsafe and unsound banking practice. The Holding Company and the Bank must also maintain the CET1 capital conservation buffer of 2. 5 % to avoid becoming subject to restrictions on capital distributions, including dividends. If the Bank is not permitted to pay cash dividends to the Holding Company, it is unlikely that we would be able to continue to pay **dividends on our common stock or to pay** interest on our indebtedness. Holders of our indebtedness have rights that are senior to those of our common shareholders. We have supported our continued growth by issuing ~~trust preferred securities and accompanying junior~~ subordinated ~~debentures~~ **notes** and by assuming the **subordinated**

notes and trust preferred securities and accompanying junior subordinated debentures issued by companies we have acquired. As of December 31, ~~2022~~ **2023** , we had **outstanding subordinated notes of approximately $ 121. 4 million and** outstanding trust preferred securities and associated junior subordinated debentures with an aggregate par principal amount of approximately $ ~~49~~ **1** . 8 million and $ 48. 0 million, respectively. **The subordinated notes are senior to our common stock.** We have **also** unconditionally guaranteed the payment of principal and interest on our trust preferred securities ~~. Also~~ , **and** the junior subordinated debentures issued to the special purpose trusts that relate to those trust preferred securities are senior to our common stock. As a result, we must make payments on **the subordinated notes and** the junior subordinated debentures before we can pay any dividends on our common stock, and in the event of our bankruptcy, dissolution or liquidation, holders of our **subordinated notes and** junior subordinated debentures must be satisfied before any distributions can be made on our common stock. We do have the right to defer distributions on our junior subordinated debentures (and related trust preferred securities) for up to five years, but during that time would not be able to pay dividends on our common stock. We may from time to time issue additional senior or subordinated indebtedness or preferred stock that would have to be repaid before our shareholders would be entitled to receive any of our assets. ~~Nicolet' s directors and executive officers own a significant portion of our common stock and can influence shareholder decisions. Our directors and executive officers, as a group, beneficially owned approximately 18 % of our fully diluted issued and outstanding common stock as of December 31, 2022. As a result of their ownership, our directors and executive officers have the ability, if they voted their shares in concert, to influence the outcome of matters submitted to our shareholders for approval, including the election of directors.~~ Our stock price can be volatile. Stock price volatility may make it more difficult for you to resell your common stock when you want and at prices you find attractive. Our stock price can fluctuate significantly in response to a variety of factors, some of which are unrelated to our financial performance, including, among other things: • actual or anticipated variations in quarterly results of operations; • recommendations by securities analysts; • operating and stock price performance of other companies that investors deem comparable to us; • news reports relating to trends, concerns and other issues in the financial services industry; • perceptions in the marketplace regarding us and / or our competitors; • new technology used, or services offered, by competitors; • significant acquisitions or business combinations, strategic partnerships, joint ventures or capital commitments by or involving us or our competitors; • failure to integrate acquisitions or realize anticipated benefits from acquisitions; • changes in government regulations; or • geopolitical conditions such as acts or threats of **war,** terrorism, military conflicts, the effects (or perceived effects) of pandemics and trade relations. General market fluctuations, including real or anticipated changes in the strength of the local economy; industry factors and general economic and political conditions and events, such as economic slowdowns or recessions; interest rate changes, oil price volatility or credit loss trends could also cause our stock price to decrease regardless of our operating results. Nicolet' s corporate organizational documents and the provisions of Wisconsin law to which we are subject contain certain provisions that could have an anti- takeover effect and may delay, make more difficult or prevent an attempted acquisition of Nicolet that you may favor. Nicolet' s amended and restated articles of incorporation, as amended (our " articles "), and bylaws, as amended (our " bylaws "), contain various provisions that could have an anti- takeover effect and may delay, discourage or prevent an attempted acquisition or change of control of Nicolet. These provisions include: • a provision allowing the Board to consider the interests of our employees, customers, suppliers and creditors when considering an acquisition proposal; • a provision that all amendments to the articles and bylaws must be approved by a majority of the outstanding shares of our capital stock entitled to vote; • a provision requiring that any merger or share exchange involving Nicolet be approved by either: (i) two- thirds of the Nicolet directors then in office and a majority of Nicolet' s outstanding shares of common stock; or (ii) a majority of the Nicolet directors then in officer and two- thirds of Nicolet' s outstanding shares of common stock; • a provision restricting removal of directors except for cause and upon the approval of a majority of the outstanding shares of our capital stock entitled to vote; • a provision that any special meeting of shareholders may be called only by the chief executive officer pursuant to a resolution adopted by a majority of the board of directors or the holders of 10 % of the outstanding shares of Nicolet' s capital stock entitled to vote; and • a provision establishing certain advance notice procedures for matters to be considered at an annual meeting of shareholders. Additionally, Nicolet' s articles authorize the Board to issue shares of preferred stock without shareholder approval and upon such terms as the Board may determine. The issuance of our preferred stock, while providing desirable flexibility in connection with possible acquisitions, financings and other corporate purposes, could have the effect of making it more difficult for a third party to acquire, or of discouraging a third party from acquiring, a controlling interest in us. In addition, certain provisions of Wisconsin law, including a provision which restricts certain business combinations between a Wisconsin corporation and certain affiliated shareholders, may delay, discourage or prevent an attempted acquisition or change in control of Nicolet. Our stockholders may suffer dilution if we raise capital through public or private equity financings to fund our operations, to increase our capital, or to expand. If we raise funds by issuing equity securities or instruments that are convertible into equity securities, the percentage ownership of our current common stockholders will be reduced, the new equity securities may have rights and preferences superior to those of our common or outstanding preferred stock, and additional issuances could be at a sales price which is dilutive to current stockholders. We may issue or be required to issue additional shares of common stock, or securities convertible into, exchangeable for or representing rights to acquire shares of common stock in order to maintain capital at desired or regulatory-required levels. We could also issue additional equity securities directly as consideration in acquisitions of other financial institutions or other investments that we may make that would be dilutive to stockholders in terms of voting power and share-of- ownership, and could be dilutive financially or economically. Nicolet' s securities are not FDIC insured. Our securities are not savings or deposit accounts or other obligations of the Bank, and are not insured by the Deposit Insurance Fund, or any other agency or private entity and are subject to investment risk, including the possible loss of some or all of the value of your investment.