

Risk Factors Comparison 2025-03-31 to 2024-03-14 Form: 10-K

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

An investment in our common stock is subject to risks inherent in our business. The material risks and uncertainties that management believes affect us are described below. This report is qualified in its entirety by these risk factors. Before making an investment decision, you should carefully consider the risks and uncertainties described below together with all of the other information included or incorporated by reference in this report and our other filings with the SEC. The risks and uncertainties described below are not the only ones facing us. Additional risks and uncertainties that management is not aware of or focused on or that management currently deems immaterial may also impair our business operations. If any of the following risks actually materialize, our business, financial condition and results of operations could be materially and adversely affected. If this were to happen, the market price of our common stock could decline significantly, and you could lose all or part of your investment. Risks Related to Credit **Difficult and volatile economic and market conditions in the U. S. and globally as well as changes in fiscal, monetary, trade and regulatory policies can adversely affect the financial services industry and may materially and adversely affect us. Our operations are sensitive to general business and economic conditions in the U. S. The economy in the U. S. and globally has experienced volatility in recent years and may continue to experience such volatility for the foreseeable future. Unfavorable or uncertain economic conditions can be caused by declines in economic growth, business activity, or investor or business confidence; limitations on the availability of or increases in the cost of credit and capital; increases in inflation or interest rates; uncertainties regarding fiscal and monetary policies; the timing and impact of changing governmental policies, including changes in guidance and interpretation by regulatory authorities; changes in trade policies by the U. S. or other countries, such as tariffs or retaliatory tariffs such as those proposed or imposed by the U. S. Administration; supply chain disruptions; consumer spending; employment levels; labor shortages; challenging labor market conditions; wage stagnation; federal government shutdowns; energy prices; home prices; commercial property values; bankruptcies and a default by a significant market participant or class of counterparties; natural disasters; climate change; epidemics; future pandemics; terrorist attacks; acts of war; or a combination of these or other factors. Volatile business and economic conditions could have adverse effects on our business, including the following:**

- investors may have less confidence in the equity markets in general and in financial services industry stocks in particular, which could place downward pressure on our stock price and resulting market valuation;
- economic and market developments may further affect consumer and business confidence levels and may cause declines in credit usage and adverse changes in payment patterns, causing increases in delinquencies and default rates;
- our ability to assess the creditworthiness of our customers may be impaired if the models and approaches we use to select, manage, and underwrite loans become less predictive of future behaviors;
- we could suffer decreases in demand for loans or other financial products and services or decreased deposits or other investments in accounts with us; and
- the value of loans and other assets or collateral securing loans may decrease.

If our allowance for credit losses is not sufficient to cover actual losses, our earnings would decrease. The ACL is recorded as a reduction to loans and leases on the consolidated balance sheet, and the reserve for unfunded lending commitments is included in other liabilities on the consolidated balance sheet ~~sheets~~. While we believe that our ACL as of December 31, ~~2023~~ **2024** was sufficient to cover losses in the loan and lease portfolio on that date, we may need to increase our provision for credit losses in future periods due to changes in the risk characteristics of the loan and lease portfolio, thereby negatively impacting our results of operations. ~~On January 1, 2023, the Company adopted ASU 2016-13, the current expected credit losses accounting standard commonly referred to as "CECL," which replaced the incurred loss model with the lifetime expected loss model. The CECL methodology requires an organization to measure all expected credit losses over the contractual term for financial assets measured at amortized cost, including loans, based on historical experience, current conditions, and reasonable and supportable forecasts. The adoption of the new CECL standard resulted in a cumulative-effect adjustment that increased the ACL for loans by \$ 2.4 million and increased the off-balance sheet credit exposures reserve by \$ 100 thousand. Retained earnings, net of deferred taxes, decreased by \$ 2.0 million, and deferred tax assets increased by \$ 559 thousand. As a result of the adoption of CECL standard, companies must recognize credit losses on these assets equal to management's estimate of credit losses over the assets' remaining expected lives. It is possible that our ongoing reported earnings and lending activity will be impacted negatively as a result of the application of CECL.~~ The ACL is determined based on various factors impacting the quality of the loan and lease portfolio as indicated by our borrowers' financial condition, payment performance, the value of the underlying collateral, and the support from a guarantor, in addition to the impact from economic conditions, government macroeconomic policies, interest rates and the regulatory environment. The experience and expertise of our loan officers, credit analysts and special assets group are essential to performing credit quality reviews, in addition to analyzing trends in delinquencies, levels of non-accruing and criticized loans and leases and modifications to loan terms. The ACL may also be influenced by other factors, including concentrations by the type of loan, collateral, borrower or location of the collateral or borrower. Such concentrations could increase the possibility that similarly situated borrowers and their collateral may collectively be affected by certain economic conditions. Determining the ACL inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks and trends, all of which may undergo material changes. We cannot be sure that we will be able to identify deteriorating credits before they become nonperforming assets or that we will be able to limit losses on those loans and leases that are identified. We have in the past been, and in the future may be, required to increase our ACL for any of several reasons. State and federal regulators, in reviewing our loan and lease portfolio as part of a regulatory examination, may request

that we increase the ACL. Changes in economic conditions or individual business or personal circumstances affecting borrowers, new information regarding existing loans and leases, identification of additional problem loans and leases and other factors, both within and outside of our control, may require an increase in the ACL. If our assessment of and expectations concerning the above- mentioned factors differ from actual developments, we may be required to increase our ACL, which could have an adverse effect on our financial condition, results of operations and our regulatory capital. Commercial real estate lending may expose us to a greater risk of loss and impact our earnings and profitability. Our business strategy includes making loans secured by commercial real estate. These types of loans generally have higher risk- adjusted returns and shorter maturities than other loans. Loans secured by commercial real estate properties are generally for larger amounts and may involve a greater degree of risk than other loans. Payments on loans secured by these properties are often dependent on the income produced by the underlying properties which, in turn, depends on the successful operation and management of the properties and the businesses that operate within them. Accordingly, repayment of these loans is subject to conditions in the real estate market or the local economy. Additionally, the COVID- 19 pandemic has had a potentially long- term negative impact on certain commercial real estate assets due to the risk that tenants may reduce the office space they lease as some portion of the workforce continues to work remotely on a hybrid or full- time basis. In challenging economic conditions and as a result of changing demand for office space, these loans represent higher risk and could result in internal risk rating downgrades and an increase in our total net charge- offs, requiring us to increase our ACL, which could have a material adverse effect on our financial condition or results of operations. While we seek to minimize these risks in a variety of ways, there can be no assurance that these measures will protect against credit- related losses. Our loan portfolio has a significant concentration in commercial real estate loans. Our loan portfolio includes a large amount of commercial real estate loans. The federal banking agencies have promulgated guidance governing banks with concentrations in commercial real estate lending. The guidance provides that a bank has a concentration in commercial real estate lending if (i) total reported loans for construction, land development and other land represent 100 % or more of total risk- based capital or (ii) total commercial real estate loans represent 300 % or more of total risk- based capital and that bank' s commercial real estate loan portfolio has increased 50 % or more during the prior thirty- six months. Owner- occupied commercial real estate loans are excluded from this second category. If a bank is deemed to have a concentration in commercial real estate loans, it will be required to employ heightened risk management practices that address board and management oversight and strategic planning, portfolio management, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing and maintenance of increased capital levels as needed to support the level of commercial real estate lending. At December 31, ~~2023~~ **2024**, the Bank' s construction, land development and other land balances were ~~44~~ **54** % of total risk- based capital, commercial real estate loans were ~~307~~ **320** % of total risk- based capital and the Bank' s commercial real estate loan portfolio had increased by ~~69~~ **129** % during the prior thirty- six months, **which was partially impacted by the acquired loans from the Merger**. In addition, the Bank' s office space portfolio was ~~71~~ **54** % of total risk- based capital at December 31, ~~2023~~ **2024**. ~~At this date, the Bank' s office space portfolio included only limited exposure to properties in major metropolitan markets and amounted to approximately 2 % of the total commercial real estate loan portfolio balance.~~ The Bank believes it has taken the appropriate steps to implement appropriate risk management practices, which are subject to regulatory examination, including enhanced market analysis, stress testing and sensitivity analysis. If our regulators conclude that we have not implemented appropriate risk management practices, it could adversely affect our business, and could result in the requirement to maintain increased capital levels or restrict our ability to originate new loans secured by commercial real estate. We can provide no assurance that capital would be available, or available on terms favorable to us, at that time. The credit risk related to commercial and industrial loans is greater than the risk related to residential loans. Commercial and industrial loans generally carry larger loan balances and involve a greater degree of risk of nonpayment or late payment than home equity loans or residential mortgage loans. Commercial and industrial loans include advances to local and regional businesses for general commercial purposes and include permanent and short- term working capital, machinery and equipment financing, and may be either in the form of lines of credit or term loans. Although commercial and industrial loans may be unsecured to our highest rated borrowers, the majority of these loans are secured by the borrower' s accounts receivable, inventory and machinery and equipment. In a significant number of these loans, the collateral also includes the business real estate or the business owner' s personal real estate or assets. Commercial and industrial loans are more susceptible to risk of loss during a downturn in the economy, as borrowers may have greater difficulty in meeting their debt service requirements and the value of the collateral may decline. We attempt to mitigate this risk through our underwriting standards, including evaluating the creditworthiness of the borrower, regular monitoring, and, to the extent available, credit ratings on the business. However, these procedures cannot entirely eliminate the risk of loss associated with commercial and industrial lending. Environmental liability associated with our lending activities could result in losses. In the course of business, we may acquire, through foreclosure, properties securing loans originated or purchased that are in default. Particularly in commercial real estate lending, there is a risk that material environmental violations could be discovered on these properties. In this event, we might be required to remedy these violations at the affected properties at our sole cost and expense. The cost of remedial action could substantially exceed the value of affected properties. We may not have adequate remedies against the prior owner or other responsible parties and could find it difficult or impossible to sell the affected properties. These events could have an adverse effect on our financial condition and results of operations. Risks Related to Interest Rates and Investments Changes in interest rates could adversely impact our financial condition and results of operations. Our operations are subject to risks and uncertainties surrounding our exposure to changes in the interest rate environment. Earnings and liquidity depend to a great extent on our interest rates. Interest rates are highly sensitive to many factors beyond our control, including competition, general economic conditions, geopolitical tensions and monetary and fiscal policies of various governmental and regulatory authorities, including the FRB. Conditions such as inflation, deflation, recession, unemployment and other factors beyond our control may also affect interest rates. The nature and timing of any changes in interest rates or

general economic conditions and their effect on us cannot be controlled and are difficult to predict. If the rate of interest we pay on our interest-bearing liabilities increases more than the rate of interest we receive on our interest-earning assets, our net interest income, and therefore our earnings, could contract and be materially adversely affected. Our earnings could also be materially adversely affected if the rates on interest-earning assets fall more quickly than those on our interest-bearing liabilities. Changes in interest rates could also create competitive pressures, which could impact our liquidity position. Changes in interest rates also can affect our ability to originate loans, our ability to obtain and retain deposits, and the value of interest-earning assets, and the ability to realize gains from the sale of such assets, which could all negatively impact shareholder's equity and regulatory capital. ~~Since March 2022, the Federal Reserve Open Markets Committee ("FOMC") has raised the Fed Funds rate by 525 basis points.~~ Additional increases in interest rates could ~~also~~ have a negative impact on our results of operations by reducing the ability of borrowers to repay their current loan obligations, which could not only result in increased loan defaults, foreclosures and charge-offs, but could also necessitate further increases to our ACL and reduce net income. In addition, ~~based on our interest rate sensitivity analyses,~~ an increase in the general level of interest rates may negatively affect the market value of the investment portfolio depending on the duration of certain securities included in the investment portfolio.

Conversely In December of 2023, the FOMC signaled its intention to reduce interest rates in 2024, contingent upon inflation settling at its 2.0% target. A decrease **decreases** in interest rates may trigger loan prepayments, which may serve to reduce net interest income if we are unable to lend these funds to other borrowers or invest the funds at the same or higher interest rates. Our subordinated notes, issued in December 2018, had a 6.0% fixed interest rate through December 30, 2023, after which the interest rate converted to a variable rate ~~90 of three~~ **day average fallback month CME term SOFR rate, plus a spread adjustment of 0.26161% and a margin of 3.16%** through maturity ~~in on~~ **December 30, 2028**. At December 31, 2023 ~~2024~~, the interest rate on our subordinated debt was ~~8.7803%~~ **8.7803%**. **In connection with the completion of the Codorus Valley Merger, on July 1, 2024, we assumed Codorus Valley's obligations with respect to its outstanding subordinated notes and trust preferred debt, consisting of 4.50% fixed to floating rate notes due December 9, 2030 with an aggregate principal amount not in excess of \$31.0 million, floating rate junior subordinated deferrable interest debentures (CVB Statutory Trust No. I) due December 15, 2034 in an aggregate principal amount not in excess of \$3.1 million and junior subordinated debt securities (CVB Statutory Trust No. II) due July 7, 2036 in an aggregate principal amount not in excess of \$7.2 million. The assumption of subordinated notes from the Merger have a fixed rate of interest equal to 4.50% until December 30, 2025. After that term, the variable rate of interest is equal to the three-month CME term SOFR rate plus 4.04%. The trust preferred debt issued through CVB Statutory Trust No. I has variable rate of three-month CME term SOFR rate, plus a spread adjustment of 0.26161% and a margin of 2.02% through maturity and the trust preferred debt issued through CVB Statutory Trust No. II has a variable rate of three-month CME term SOFR rate, plus a spread adjustment 0.26161% and a margin of 1.54% through maturity. At December 31, 2024, the interest rates on our trust preferred debt were 6.64% for CVB Statutory Trust No. I and 6.46% for CVB Statutory Trust No. II.**

An increase in the interest rate on our subordinated **debt and trust preferred** debt could have a material adverse effect on our results of operations. Our securities portfolio performance in difficult market conditions could have adverse effects on our results of operations. Unrealized losses on investment securities result from changes in ~~market interest rates,~~ credit spreads and liquidity **issues** in the marketplace, along with changes in the credit profile of individual securities issuers. **Under GAAP** ~~Prior to implementation of CECL, unrealized losses on AFS debt we are required to review our investment portfolio periodically for the presence of impairment of our~~ securities caused by a credit event would require the direct write-down of the AFS security through the OTTI approach; however, the new standard under ASC 326-30 **taking into consideration current and future market conditions**, ~~Financial Instruments—Credit Losses~~ **the extent and nature of changes in fair value**, requires credit losses ~~issuer rating changes and trends, volatility of earnings, current analysts' evaluations, our ability and intent to be presented hold investments until a recovery of fair value, as well as an ACL. We are still required to conduct an impairment evaluation on AFS securities to determine whether the Company has~~ **as the other intent factors. Adverse developments with respect to one** sell the security or it is more **of likely than not** that it will be required to sell the security before recovery. If these ~~the foregoing factors may~~ situations apply, the guidance continues to require us to reduce the ~~deem particular security securities's~~ amortized cost basis down to its fair ~~be impaired, with the credit-related portion of the reduction in the~~ value **recognized as a charge to our earnings** through earnings. We also evaluate the unrealized losses on AFS securities to determine if a security's decline in fair value below its amortized cost basis is due to credit factors. The evaluation is based upon factors such as the creditworthiness of the underlying borrowers, performance of the underlying collateral, if applicable, and the level of credit support in the security structure. Management also evaluates other factors and circumstances that may be indicative of a decline in the fair value of the security due to a credit factor. This includes, but is not limited to, an **allowance** evaluation of the type of security, length of time and extent to which the fair value has been less than cost and near-term prospects of the issuer. If this assessment indicates that a credit loss exists, the present value of the expected cash flows of the security is compared to the amortized cost basis of the security. Under the CECL standard, if the present value of the cash flows expected to be collected is less than the amortized cost, an ACL is recorded for the credit loss. Subsequent valuations, in light of factors prevailing at that time, may result in significant changes in the values of these securities in future periods. Any of these factors could require us to recognize **further impairments** an ACL charge and any additional amount of loss due to non-credit factors could impact AOCI. A reduction in the value of our securities portfolio could, **which may** have an adverse effect on our ~~regulatory capital, financial condition or~~ results of operations in future periods. ~~In addition, deterioration or defaults made by issuers of the underlying collateral of our investment securities may cause additional credit-related charges to our consolidated financial statements. During 2023, the net unrealized losses of our AFS investment securities decreased \$14.0 million as a result of a decline in market interest rates, which increased total shareholders' equity. However, increases in interest rates and credit spread changes could result in additional unrealized losses on AFS investment securities.~~

We consider the unrealized losses on the AFS securities to be related to fluctuations in market conditions, primarily interest rates, and not reflective of deterioration in credit. In addition, we maintain that we have the intent and ability to hold our AFS securities until the amortized cost is recovered. We did not record a cumulative-effect adjustment related to our AFS securities upon adoption of CECL on January 1, 2023. Potential downgrades of U. S. government securities by one or more of the credit ratings agencies could have a material adverse effect on our operations, earnings and financial condition. A possible future downgrade of the sovereign credit ratings of the U. S. government and a decline in the perceived creditworthiness of U. S. government-related obligations could impact our ability to obtain funding that is collateralized by affected instruments, as well as affect the pricing of that funding when it is available. A downgrade may also adversely affect the market value of such instruments. We cannot predict if, when or how any changes to the credit ratings or perceived creditworthiness of these organizations will affect economic conditions. Among other things, a downgrade in the U. S. government's credit rating could adversely impact the value of our securities portfolio and may trigger requirements that we post additional collateral for trades relative to these securities. A downgrade of the sovereign credit ratings of the U. S. government or the credit ratings of related institutions, agencies or instruments could significantly exacerbate the other risks to which we are subject and could have related adverse effects on our business, financial condition and results of operations. Risks Related to Competition and to Our Business Strategy

~~Difficult economic and market conditions can adversely affect the financial services industry and may materially and adversely affect us. Our operations are sensitive to general business and economic conditions in the U. S. If the growth of the U. S. economy slows, or if the economy worsens or enters a recession, our growth and profitability could be constrained. In addition, economic conditions in foreign countries can affect the stability of global financial markets, which could impact the U. S. economy and financial markets. Weak economic conditions, which could directly impact our operations, are 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 loan delinquencies, real estate price declines and lower home sales and commercial activity, and increased problem assets and foreclosures. All of these factors could be detrimental to our business. In addition, 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 could have a material adverse effect on our business, financial position, results of operations and cash flows. Adverse developments affecting the financial services industry, such as actual events or concerns involving liquidity, defaults, or non-performance by financial institutions or transactional counterparties, could adversely affect our financial condition and results of operations. Actual events involving limited liquidity, defaults, non-performance or other adverse developments that affect financial institutions, transactional counterparties or other companies in the financial services industry or the financial services industry generally, or concerns or rumors about any events of these kinds or other similar risks, have in the past and may in the future lead to market-wide liquidity problems. For example, on May 1, 2023, First Republic Bank went into receivership and its deposits and substantially all of its assets were acquired by JPMorgan Chase Bank, National Association. Similarly, on March 10, 2023, Silicon Valley Bank went into receivership, and on March 12, 2023, Signature Bank went into receivership. Inflation and rapid increases in interest rates led to a decline in the trading value of previously issued government securities with interest rates below current market interest rates. The FRB announced a program to provide loans, secured by certain government securities, to FDIC-insured depository institutions and certain U. S. branches and agencies of foreign banks, to mitigate the risk of potential losses on the sale of such instruments. Currently, new advances with terms up to one year under the program can only be made through March 11, 2024. There is no guarantee that the Treasury, the FDIC and/or the FRB, as applicable, would take such actions in the future in the event of the closure of other banks or financial institutions, that they would do so in a timely fashion, or that such actions, if taken, would have their intended effect. Because our business is concentrated in south central Pennsylvania, the greater Baltimore region, and Washington County, Maryland, our financial performance could be materially adversely affected by economic conditions and real estate values in these market areas. Our operations and the properties securing our loans are primarily located in south central Pennsylvania, the greater Baltimore region, and Washington County, Maryland. Our operating results depend largely on economic conditions and real estate valuations in these and surrounding areas. A deterioration in economic conditions, increased unemployment, inflation, and a decline in real estate values in these market areas or other factors beyond our control could materially adversely affect our operations.~~

~~Inflationary pressures and rising prices may affect our results of operations and financial condition. Inflationary pressures continued throughout 2023, and may remain in 2024. Small to medium-sized businesses may be impacted more during periods of high inflation as they are not able to leverage economies of scale to mitigate cost pressures compared to larger businesses. Consequently, the ability of our clients to repay their loans may deteriorate, and in some cases this deterioration may occur quickly, which would adversely impact our results of operations and financial condition. Furthermore, a prolonged period of inflation could cause wages and other costs to increase, which could adversely affect our results of operations and financial condition.~~

We face significant competition in the financial services industry. We face significant competition in originating loans, attracting deposits and providing other financial services from financial and non-financial services firms, including traditional banks and credit unions, online banks, mortgage banking companies, wealth management companies, financial technology companies and others. Some of our competitors enjoy advantages, including greater financial resources and higher lending limits, more expansive marketing campaigns, better brand recognition, a wider geographic presence, more accessible branch office locations, the ability to offer a wider array of services or more favorable pricing alternatives, as well as lower origination and operating costs. Emerging technologies have the potential to intensify competition and accelerate disruption in the financial services industry. In recent years, non-financial services firms, such as financial technology companies, have been offering services traditionally provided by financial institutions. These firms use technology and mobile platforms to enhance the ability of companies and individuals to borrow, save and invest money. Our ability to compete successfully depends on a number of factors, including our ability to develop and execute strategic plans and initiatives; to develop competitive products and technologies; and to attract, retain and develop a highly skilled employee workforce. If we are not able to compete

successfully, we could be placed at a competitive disadvantage, which could result in the loss of clients and market share, and our business, results of operations and financial condition could suffer. Our business may be adversely affected if we fail to adapt our products and services to technological advances, evolving industry standards and consumer preferences. The banking industry undergoes constant technological change with frequent introductions of new technology- driven products and services. The widespread adoption of new technologies, including internet services and payment systems, could require substantial expenditures to modify or adapt our existing products and services as we grow and develop our internet banking and mobile banking channel strategies in addition to remote connectivity solutions. We might not be successful in developing or introducing new products and services, integrating new products or services into our existing offerings, responding or adapting to changes in consumer behavior, preferences, spending, investing and / or saving habits, achieving market acceptance of our products and services, reducing costs in response to pressures to deliver products and services at lower prices or sufficiently developing and maintaining loyal clients. Our future success may depend, in part, on our ability to address the needs of our current and prospective clients by using technology to provide products and services that will satisfy demands for convenience, as well as to create additional efficiencies in operations. Development of new products, services and technologies may impose additional costs on us and may expose us to increased operational risk. The introduction of new products and services can involve significant time and resources, including to obtain regulatory approvals. Substantial risks and uncertainties are associated with the introduction of new products and services, including technical and control requirements that may need to be developed and implemented, rapid technological change in the industry, our ability to access technical and other information from our clients, the significant and ongoing investments required to bring new products and services to market in a timely manner at competitive prices and the preparation of marketing, sales and other materials that fully and accurately describe the product or service and its underlying risks. Our failure to manage these risks and uncertainties would also expose us to enhanced risk of operational lapses which may result in the recognition of financial statement liabilities. Regulatory and internal control requirements, capital requirements, competitive alternatives, vendor relationships and shifting market preferences may also determine if such initiatives can be brought to market in a manner that is timely and attractive to our clients. Products and services relying on internet and mobile technologies may expose us to fraud and cybersecurity risks. Implementation of certain new technologies, such as those related to artificial intelligence, automation and algorithms, may have unintended consequences due to their limitations, potential manipulation, or our failure to use them effectively. Failure to successfully manage these risks in the development and implementation of new products or services could have a material adverse effect on our business and reputation, as well as on our consolidated results of operations and financial condition. We may incur significant losses as a result of ineffective risk management processes and strategies. We seek to monitor and control our risk exposure through a risk and control framework encompassing a variety of separate but complementary financial, credit, operational, compliance, and legal reporting systems; internal controls; management review processes; and other mechanisms. While we employ a broad and diversified set of risk monitoring and risk mitigation techniques, those techniques and the judgments that accompany their application may not be effective and may not anticipate every economic and financial outcome in all market environments or the specifics and timing of such outcomes. We face continuing and growing security risks to our information base, including the information we maintain relating to our clients. In the ordinary course of business, we rely on electronic communications and information systems to conduct our business and to store sensitive data, including financial information regarding clients. Our electronic communications and information systems infrastructure, as well as the systems infrastructures of the vendors we use to meet our data processing and communication needs, could be susceptible to cyber- attacks, such as denial of service attacks, hacking, terrorist activities or identity theft. Financial services institutions and companies engaged in data processing have reported breaches in the security of their websites or other systems, some of which have involved sophisticated and targeted attacks intended to obtain unauthorized access to confidential information, destroy data, disable or degrade service or sabotage systems, often through the introduction of computer viruses or malware, cyber- attacks and other means. Denial of service attacks have been launched against a number of large financial services institutions. Hacking and identity theft risks, in particular, could cause serious reputational harm. Cyber threats are rapidly evolving and we may not be able to anticipate or prevent all such attacks. Although, to date we have not experienced any material losses relating to cyber- attacks or other information security breaches, there can be no assurance that we will not suffer such losses in the future. No matter how well designed or implemented our controls are, we will not be able to anticipate all security breaches of these types, and we may not be able to implement effective preventive measures against such security breaches in a timely manner. A failure or circumvention of our security systems could have a material adverse effect on our business operations and financial condition. We regularly assess and test our security systems and disaster preparedness, including back- up systems, but the risks are substantially escalating. As a result, cybersecurity and the continued enhancement of our controls and processes to protect our systems, data and networks from attacks, unauthorized access or significant damage remain a priority. Accordingly, we may be required to expend additional resources to enhance our protective measures or to investigate and remediate any information security vulnerabilities or exposures. Any breach of our system security could result in disruption of our operations, unauthorized access to confidential client information, significant regulatory costs, litigation exposure and other possible damages, loss or liability. Such costs or losses could exceed the amount of available insurance coverage, if any, and would adversely affect our earnings. Also, any failure to prevent a security breach, or to quickly and effectively deal with such a breach, could negatively impact client confidence, damaging our reputation and undermining our ability to attract and keep clients. We may not be able to successfully implement future information technology system enhancements, which could adversely affect our business operations and profitability. We invest significant resources in information technology system enhancements in order to provide functionality and security at an appropriate level. We may not be able to successfully implement and integrate future system enhancements, which could adversely impact the ability to provide timely and accurate financial information in compliance with legal and regulatory requirements, which could negatively impact our growth and

profitability and could result in regulatory scrutiny. In addition, future system enhancements could have higher than expected costs and / or result in operating inefficiencies, which could increase the costs associated with the implementation as well as ongoing operations. Failure to properly utilize system enhancements that are implemented in the future could result in significant costs to remediate or replace the defective components, which would adversely impact our financial condition and results of operations. In addition, we may incur significant training, licensing, maintenance, consulting and amortization expenses during and after systems implementations, and any such costs may continue for an extended period of time. We may become subject to claims and litigation pertaining to fiduciary responsibility. We provide fiduciary services through OFA. From time to time, clients may make claims and take legal action with regard to the performance of our fiduciary responsibilities. Whether such claims and legal actions are founded or unfounded, if such claims or legal actions are not resolved in a manner favorable to us, the claims or related actions may result in significant financial expense and liability to us and / or adversely affect our reputation in the marketplace, as well as adversely impact client demand for our products and services. Any financial liability or reputation damage could have a material adverse effect on our business, which, in turn, could have a material adverse effect on our financial condition and results of operations. Climate change may adversely affect our business and results of operations. Current and anticipated effects of climate change could negatively impact us and our clients. Weather- related events, such as severe storms, hurricanes, flooding and droughts, can present risks to us and our clients, including property damage, change in the value of properties securing our loans, changes in client behavior and preferences, and disruption of business operations, all which can increase credit risk and result in loss of revenue and additional expenses. These concerns over the impacts of climate change have gained political and social attention resulting in many legislative and regulatory initiatives to lessen the effects of climate change, which also may result in heightened supervisory expectations on banks' risk management practices. **Ongoing** **Despite recent changes in the U. S. Administration, Congressional leadership and regulatory agency leadership, state legislatures and federal and state regulatory agencies may continue to propose and advance numerous legislative and regulatory uncertainties and expanded requirements for initiatives seeking to mitigate the effects of climate change which risk management practices** may result in increases to compliance and operating costs, which could have a negative impact on our financial condition and results of operations. **Risks Related to Mergers and Acquisitions** Our business may be negatively impacted by risk associated with acquisitions. We intend to pursue a growth plan consistent with our business strategy, including growth by acquisition, as well as leveraging our existing branch network. On **December 12 July 1, 2023 2024**, we **completed the Codorus Valley** signed a definitive agreement for a "merger **Merger** of equals transaction" with **CVLY**. We may wish to seek to acquire other companies in the future. Our business may be negatively impacted by certain risks inherent with the acquisition of **CVLY Codorus Valley** or other future acquisitions. Some of these risks include the following: • we may incur substantial expenses in pursuing acquisitions; • management may divert its attention from other aspects of our business; • we may assume potential and unknown liabilities of the acquired company; • the acquired business may not perform in accordance with management' s expectations, including potentially losing key clients of the acquired business; • difficulties may arise in connection with the integration of the operations of the acquired business with our businesses; and • we may lose key employees of the combined business. Our ability to manage growth successfully will depend on our ability to attract qualified personnel and maintain cost controls and asset quality while attracting additional loans and deposits on favorable terms, as well as on factors beyond our control, such as economic conditions and competition. If we grow too quickly and are not able to attract qualified personnel, control costs and maintain asset quality, this continued rapid growth could materially adversely affect our financial performance. Goodwill generated in acquisitions may negatively affect our financial condition. To the extent that merger consideration, consisting of cash and shares of our common stock, exceeds the fair value of the net assets acquired, including identifiable intangibles, that amount will be reported as goodwill by us. In accordance with current accounting guidance, goodwill will not be amortized, but will be evaluated for impairment annually or more frequently as warranted by specific events or circumstances. A failure to realize the expected benefits of a merger could adversely impact the carrying value of the goodwill recognized in **the such** merger and, in turn, negatively affect our financial results. The market price of our common stock after acquisitions may be affected by factors different from those affecting our shares currently. The businesses of us and acquired entities may differ and, accordingly, the results of operations of the combined company and the market price of the shares of common stock of the combined company may be affected by factors different from those currently affecting the independent results of operations and market prices of common stock of each separate entity. The market value of our common stock fluctuates based upon various factors, including changes in our business, operations or prospects, market assessments of **the a Merger merger**, regulatory considerations, market and economic considerations, and other factors. Further, the market price of our common stock after an acquisition may be affected by factors different from those currently affecting our common stock. Additionally, future business acquisitions may result in the issuance and payment of additional shares of stock, which would dilute current shareholders' ownership interests, and may involve the payment of a premium over book and market values. Therefore, dilution of our tangible book value and net income per common share could occur in connection with any future transaction. **Risks Related to Proposed Merger with CVLY** We may continue to incur substantial costs related to the **Codorus Valley** Merger and **the** integration of **CVLY Codorus Valley**, and these costs may be greater than anticipated due to unexpected events. We have incurred and expect to incur a number of non- recurring costs associated with the **Codorus Valley** Merger. These costs include legal, financial advisory, accounting, consulting and other advisory fees, severance / employee benefit- related costs, public company filing fees and other regulatory fees, financial printing and other printing costs and other related costs. Some of these costs are payable regardless of whether the Merger is completed. In addition, we expect to incur integration costs following the completion of the Merger, including facilities and systems consolidation costs and employment- related costs. We may also incur additional costs to maintain employee morale and to retain key employees. There are a large number of processes, policies, procedures, operations, technologies and systems that will need to be integrated, including purchasing, accounting and finance, payroll, compliance, treasury management, branch

operations, vendor management, risk management, lines of business, pricing and benefits. ~~While we have assumed that certain level of costs will be incurred, there~~ **There** are many factors beyond our control that could affect the total amount or the timing of the integration costs. Moreover, many of the **additional** costs that will be incurred are, by their nature, difficult to estimate accurately. These integration costs may result in the combined company taking **additional** charges against earnings ~~following the completion of the Merger~~, and the amount and timing of such charges are uncertain at present. There can be no assurances that the expected benefits and efficiencies related to the **Codorus Valley** Merger will be realized to offset these transaction and integration costs over time. ~~We~~ **Failure to complete the Merger could negatively impact our business and results of operations.** If the Merger is not completed for any reason, there may ~~fail~~ be various adverse consequences and we may experience negative reactions from the financial markets and from their respective customers and employees. For example, our business may have been impacted adversely by the failure to pursue other beneficial opportunities due to the focus of management on the Merger, without realizing **realize** any of the anticipated benefits of completing the **Codorus Valley** Merger. Additionally, if the merger agreement is terminated, the market price of our common stock could decline to the extent that current market prices reflect a market assumption that the Merger will be beneficial and will be completed. We also could be subject to litigation related to any failure to complete the Merger or to proceedings commenced against us to perform their respective obligations under the merger agreement. If the merger agreement is terminated under certain circumstances, we may be required to pay a termination fee of \$ 8.3 million to the other party. We are subject to business uncertainties and contractual restrictions while the Merger is pending. Uncertainty about the effect of the Merger on employees and customers may have an adverse effect on our business. These uncertainties may impair our ability to attract, retain and motivate key personnel until the Merger is completed, and could cause customers and others who deal with us to seek to change existing business relationships. In addition, the merger agreement requires that we conduct our business in the ordinary course of business consistent with past practice and restricts us from taking certain actions prior to the effective time or termination of the merger agreement without CVLY's consent in writing. These restrictions may prevent us from pursuing attractive business opportunities that may arise prior to the completion of the Merger. Combining with CVLY may be more difficult, costly or time-consuming than expected, and we may fail to realize the anticipated benefits of the Merger. The proposed Merger is a transaction combining two financial institutions of relatively similar asset size. The success of the **Codorus Valley** Merger will depend on, among other things, the ability to realize the anticipated cost savings. To realize the anticipated benefits and cost savings from the **Codorus Valley** Merger, we and CVLY must successfully integrate and combine our businesses in a manner that permits those cost savings to be realized without adversely affecting current revenues and future growth. If we and CVLY are not able to successfully achieve these objectives, the anticipated benefits of the **Codorus Valley** Merger may not be realized fully or at all or may take longer to realize than expected. In addition, the actual cost savings of the **Codorus Valley** Merger could be less than anticipated, and integration may result in additional and unforeseen expenses. An inability to realize the full extent of the anticipated benefits of the **Codorus Valley** Merger and the other transactions contemplated by the merger agreement, as well as any delays encountered in the integration process, could have an adverse effect upon the revenues, levels of expenses and operating results of the combined company following the completion of the **Codorus Valley** Merger, which may adversely affect the value of the common stock of the combined company following the completion of the **Codorus Valley** Merger. Our future results following ~~the our~~ **recently completed Codorus Valley** Merger may suffer if the combined company does not effectively manage its expanded operations. ~~Following~~ **The size of our business increased significantly as a result of** the **Codorus Valley** Merger, ~~the size of our business following the completion of the Merger will increase beyond the current size of either our or CVLY's businesses.~~ Our future success will depend, in part, upon our ability to manage this expanded business, which may pose challenges for management, including challenges related to the management and monitoring of new operations and associated increased costs and complexity. We may also face increased scrutiny from governmental authorities as a result of the increased size of our business. There can be no assurances that we will be successful or that we will realize the expected operating efficiencies, revenue enhancement or other benefits currently anticipated from the **Codorus Valley** Merger. Risks Related to Regulatory Compliance and Legal Matters We operate in a highly regulated industry, and laws and regulations, or changes in them, could limit or restrict our activities and could have a material adverse effect on our operations. We and our subsidiaries are subject to extensive state and federal regulation and supervision. Federal and state laws and regulations govern numerous matters affecting us, including changes in the ownership or control of banks and bank holding companies, maintenance of adequate capital and the financial condition of a financial institution, permissible types, amounts and terms of extensions of credit and investments, permissible non-banking activities, the level of reserves against deposits and restrictions on dividend payments. The FRB and the state banking regulators have the power to issue cease and desist orders to prevent or remedy unsafe or unsound practices or violations of law by banks subject to their regulation, and the FRB possesses similar powers with respect to bank holding companies. These and other restrictions limit the manner in which we and our subsidiaries may conduct business and obtain financing. The laws, rules, regulations, and supervisory guidance and policies applicable to us are subject to regular modification and change. ~~Such~~ **We expect to become subject to future laws, rules and regulations beyond those currently proposed, adopted or contemplated in the U. S., as well as evolving interpretations of existing and future laws, rules and regulations. These** changes could, among other things, subject us to additional costs, including costs of compliance; limit the types of financial services and products we may offer; and / or increase the ability of non-banks to offer competing financial services and products. Failure to comply with laws, regulations, policies, or supervisory guidance could result in enforcement and other legal actions by federal or state authorities, including criminal and civil penalties, the loss of FDIC insurance, revocation of a banking charter, other sanctions by regulatory agencies, civil money penalties, and / or reputational damage, which could have a material adverse effect on our business, financial condition, and results of operations. See the "Supervision and Regulation" section of Item 1, "Business." Altering our overdraft fee practices could materially adversely affect our fee income and results of operations. Overdraft fee practices of banks have recently come under increased regulatory scrutiny and

been the subject of litigation. This increased scrutiny and litigation have prompted many larger banks to reform their overdraft fee practices or cease charging overdraft fees altogether. Reforming, reducing or eliminating overdraft fees could materially adversely affect our fee income and results of operations. Pending or future legal proceeding, regarding our overdraft fee practices, may result in judgments, settlements, fines, penalties, defense costs, or other results adverse to us, which could materially adversely affect our business, financial condition or results of operations, or cause serious reputational harm to us.

~~Increases in FDIC insurance premiums may have a material adverse effect on our results of operations. We are generally unable to control the amount of premiums that are required to be paid for FDIC insurance. Beginning with the first quarterly assessment period of 2023, the FDIC increased the initial base deposit insurance assessment rate by two basis points, which is intended to increase the Deposit Insurance Fund ("DIF") reserve ratio to 1.35%. In November 2023, the FDIC approved a final rule to implement a special assessment to recover the loss to the DIF associated with protecting uninsured deposits from bank events earlier in 2023. The FDIC will collect the special assessment beginning with the first quarterly assessment of 2024 and will continue to collect the special assessment for an estimated total of eight quarterly assessment periods. Banking institutions with total assets under \$ 5.0 billion will be exempt from this special assessment, which is based on data from the December 31, 2022 reporting period. Although the FDIC has currently limited the special assessment in effect in the first quarter of 2024 to banking institutions with total assets greater than \$ 5.0 billion, the Bank may be required to pay significantly higher premiums than the levels currently imposed, as well as additional special assessments or taxes, which could adversely affect earnings, as a result of bank or financial institution failures or other events. Any future increases or required prepayments in FDIC insurance premiums may materially adversely affect our results of operations.~~

Legislative, regulatory and legal developments involving income and other taxes could materially adversely affect our results of operations and cash flows. We are subject to U. S. federal and U. S. state income, payroll, property, sales and use, and other types of taxes, including the Pennsylvania Bank Shares Tax. Significant judgment is required in determining our provisions for income taxes. Changes in tax rates, enactments of new tax laws, revisions of tax regulations, and claims or litigation with taxing authorities could result in substantially higher taxes, and therefore, could have a significant adverse effect on our results of operations, financial condition and liquidity. Increases in the assessment rate for the Pennsylvania Bank Shares Tax, which is calculated on the outstanding equity of the Bank, may also materially adversely affect our results of operations. We are required to use judgment in applying accounting policies and different estimates and assumptions in the application of these policies could result in a decrease in capital and / or other material changes to the reports of financial condition and results of operations. Material estimates that are particularly susceptible to significant change relate to the determination of the ACL, the fair value of certain financial instruments, particularly securities, and goodwill and purchase accounting. While we have identified those accounting policies that we consider critical and have procedures in place to facilitate the associated judgments, different assumptions in the application of these policies could have a material adverse effect on our financial condition and results of operations. Changes in our accounting policies or in accounting standards could materially affect how we report our financial results and condition. From time to time, the FASB, SEC and other regulatory bodies change the financial accounting and reporting standards that govern the preparation of our consolidated financial statements. These changes can be operationally complex to implement and can materially impact how we report our financial condition and results of operations. We are subject to stringent capital requirements which may adversely impact return on equity, require additional capital raises, or limit the ability to pay dividends or repurchase shares. Federal regulations establish minimum capital requirements for insured depository institutions, including minimum risk-based capital and leverage ratios, and define "capital" for calculating these ratios. The minimum capital requirements are: (i) a common equity Tier 1 capital ratio of 4.5%; (ii) a Tier 1 to risk-based assets capital ratio of 6%; (iii) a total capital ratio of 8%; and (iv) a Tier 1 leverage ratio of 4%. The regulations also establish a "capital conservation buffer" of 2.5%, which if complied with will result in the following minimum ratios: (i) a common equity Tier 1 capital ratio of 7.0%; (ii) a Tier 1 to risk-based assets capital ratio of 8.5%; and (iii) a total capital ratio of 10.5%. The application of these capital requirements could, among other things, require us to maintain higher capital, resulting in lower returns on equity, and we may be required to obtain additional capital or be subject to adverse regulatory actions, including limitations on our ability to pay dividends or repurchase shares, if we are unable to comply with such requirements. The FRB may require us to commit capital resources to support the Bank. Federal law requires that a holding company act as a source of financial and managerial strength to its subsidiary bank and to commit resources to support such subsidiary bank. Under the "source of strength" doctrine, the FRB may require a holding company to make capital injections into a troubled subsidiary bank and may charge the holding company with engaging in unsafe and unsound practices for failure to commit resources to a subsidiary bank. A capital injection may be required at times when the holding company may not have the resources to provide it and therefore may require the holding company to borrow the funds or raise capital on terms considered unfavorable to shareholders. Any loans by a holding company to its subsidiary bank are subordinate in right of payment to deposits and to certain other indebtedness of such subsidiary bank. In the event of a 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 institution's general unsecured creditors, including the holders of its note obligations. Thus, any borrowing that must be done by us to make a required capital injection becomes more difficult and expensive and could have an adverse effect on our business, financial condition and results of operations. We are subject to numerous laws designed to protect consumers, including the Community Reinvestment Act and fair lending laws, and failure to comply with these laws could lead to a wide variety of sanctions. The Community Reinvestment Act, the Equal Credit Opportunity Act, the Fair Housing Act, and other fair lending laws and regulations impose community investment and nondiscriminatory lending requirements on financial institutions. The CFPB, the FRB, the Department of Justice and other federal agencies are responsible for enforcing these laws and regulations. A successful regulatory challenge to an institution's performance under the Community Reinvestment Act, the Equal Credit Opportunity Act, the Fair Housing Act or other fair

lending laws and regulations could result in a wide variety of sanctions, including damages and civil money penalties, injunctive relief, restrictions on mergers and acquisitions, restrictions on expansion and restrictions on entering new business lines. Private parties may also have the ability to challenge an institution's performance under fair lending laws in private class action litigation. Such actions could have a material adverse effect on our business, financial condition and results of operations. We may become subject to enforcement actions even though noncompliance was inadvertent or unintentional. The financial services industry is subject to intense scrutiny from bank supervisors in the examination process and aggressive enforcement of federal and state regulations, particularly with respect to mortgage-related practices and other consumer compliance matters, and compliance with anti-money laundering, Bank Secrecy Act and Office of Foreign Assets Control regulations, and economic sanctions against certain foreign countries and nationals. Enforcement actions may be initiated for violations of laws and regulations and unsafe or unsound practices. We maintain systems and procedures designed to ensure that we comply with applicable laws and regulations; however, some legal / regulatory frameworks provide for the imposition of fines or penalties for noncompliance even though the noncompliance was inadvertent or unintentional and even though systems and procedures designed to ensure compliance were in place at the time. Failure to comply with these and other regulations, and supervisory expectations related thereto, may result in fines, penalties, lawsuits, regulatory sanctions, reputation damage, or restrictions on our business. We face significant legal risks, both from regulatory investigations and proceedings and from private actions brought against us. As a participant in the financial services industry, many aspects of our business involve substantial risk of legal liability. From time to time we are named as a defendant or are otherwise involved in various legal proceedings, including regulatory enforcement actions, class actions and other litigation or disputes with third parties. Litigation pending against us, **if any**, is described in Note 23, Contingencies, to the Consolidated Financial Statements under Part II, Item 8, "Financial Statement and Supplementary Data," of this Annual Report on Form 10-K. There is no assurance that regulatory enforcement actions or litigation with private parties will not increase in the future. Pending or future legal proceedings against us may result in judgments, settlements, fines, penalties, indemnification costs, defense costs, or other results adverse to us, which could materially adversely affect our business, financial condition or results of operations, or cause serious reputational harm to us.

Risks Related to Liquidity **If we are unable to access the capital markets, have prolonged net deposit outflows, or our borrowing costs increase, our liquidity and competitive position will be negatively affected. Liquidity is essential to our business. We are subject to the need to maintain sufficient funds to respond to the needs of depositors and borrowers. To manage liquidity, we draw upon a number of funding sources in addition to in-market deposit growth and repayments and maturities of loans and investments. Any inability to access the capital markets, illiquidity or volatility in the capital markets, the decrease in value of eligible collateral or increased collateral requirements (including as a result of credit concerns for short-term borrowing), changes to our relationships with our funding providers based on real or perceived changes in our risk profile, which prolonged federal government shutdowns, or changes in regulations or regulatory guidance, or other events** could negatively affect our funding levels. ~~Market conditions or other events could negatively affect our access to or the cost of funding, affecting our ongoing ability to accommodate liability maturities and deposit withdrawals, meet contractual obligations, or fund asset growth and new business initiatives at a reasonable cost, in a timely manner and without adverse consequences.~~ **Additionally, our liquidity or cost of funds may be negatively impacted by the unwillingness or inability of the FRB to act as lender of last resort, unexpected simultaneous draws on lines of credit or deposits, the withdrawal of or failure to attract customer deposits, or increased regulatory liquidity, capital and margin requirements.** Although we maintain a liquid asset portfolio and have implemented strategies to maintain sufficient and diverse sources of funding to accommodate planned, as well as unanticipated, changes in assets, liabilities, and off-balance sheet commitments under various economic conditions, a substantial, unexpected, or prolonged change in the level or cost of liquidity could have a material adverse effect on us. If the cost effectiveness or the availability of supply in these credit markets is reduced for a prolonged period of time, our funding needs may require us to access funding and manage liquidity by other means. These alternatives may include generating client deposits, ~~securitizing or selling loans,~~ extending the maturity of wholesale borrowings, borrowing under certain secured borrowing arrangements, using relationships developed with a variety of fixed income investors, **securitizing or selling loans,** and further managing loan growth and investment opportunities. These alternative means of funding may result in an increase to the overall cost of funds and may not be available under stressed conditions, which ~~could~~ **would** cause us to liquidate a portion of our liquid asset portfolio to meet any funding needs. In the event **of** additional liquidity is needed, we have access to liquidity from the FHLB, the FRB discount window and other sources. At December 31, ~~2023~~ **2024**, we have combined borrowing capacity from the FHLB and FRB of approximately \$ 1. ~~0.7~~ billion. Accessing these sources of liquidity ~~would~~ **may** impose additional borrowing costs on us. Loss of deposits or a change in deposit mix could increase our cost of funding. Deposits are a stable source of funding for which costs are typically lower than other financing options. We compete with banks and other financial institutions for deposits, as well as institutions offering uninsured investment alternatives, including money market funds and Treasury Bill alternatives. Our competitors may offer higher interest rates than we do, which could decrease the deposits that we attract or require us to increase our rates to retain existing deposits or obtain new deposits. Bank failures could negatively impact depositor confidence in us or the banking industry and cause our deposits to decline. Funding costs may increase if we lose deposits and are forced to replace them with more expensive sources of funding, if clients shift their deposits into higher cost products or if we need to raise interest rates to avoid losing deposits. Higher funding costs reduce our net interest margin and net income. Increased deposit competition could materially adversely affect our ability to fund lending operations. As a result, we may need to seek other sources of funds that could increase our cost of funds. Wholesale funding sources may prove insufficient to replace deposits at maturity and support our operations and future growth. We must maintain sufficient funds to respond to the needs of depositors and borrowers. To manage liquidity, we draw upon a number of funding sources in addition to core deposit growth and repayments and maturities of loans and investments. These sources may include Federal Home Loan Bank advances, proceeds from the sale of investments and loans, and liquidity

resources at the holding company. Our ability to manage liquidity will be severely constrained if we are unable to maintain access to funding or if adequate financing is not available to accommodate future growth at acceptable costs. In addition, if we are required to rely more heavily on more expensive funding sources to support future growth, our revenues may not increase proportionately to cover our costs. In this case, operating margins and profitability would be adversely affected. Turbulence in the capital and credit markets may adversely affect our liquidity and financial condition and the willingness of certain counterparties and clients to do business with us. Our ability to borrow from other financial institutions or to access the debt or equity capital markets on favorable terms or at all could be adversely affected by disruptions in the capital markets or other events, including actions by rating agencies and deteriorating investor expectations. The Parent Company is a holding company dependent on liquidity through payments, including dividends, from its bank subsidiary, which is subject to restrictions. The Parent Company is a holding company, separate from the Bank, and must provide for its own liquidity. The Parent Company depends on dividends, distributions and other payments from the Bank to fund dividend payments and stock repurchases, if permitted, and to fund all payments on obligations. The FRB requires a BHC to act as a source of financial and managerial strength for its subsidiary banks. The FRB could require us to commit resources to the Bank when doing so is not otherwise in the interests of our shareholders or creditors. The Bank is subject to laws that restrict dividend payments or authorize regulatory bodies to prohibit or reduce the flow of funds from it to us. If the Bank is unable to pay dividends to us, we may not be able to service our debt, pay dividends on our common stock or engage in stock repurchases. A reduction or elimination of dividends could adversely affect the market price of our common stock and would adversely affect our business, financial condition, results of operations and prospects. In addition, our right to participate in a distribution of assets upon the Bank's liquidation or reorganization is subject to the prior claims of the Bank's creditors, including its depositors. Restrictions on the Bank's ability to dividend funds to the Company are included in Note 17, Shareholders' Equity and Regulatory Capital, to the Consolidated Financial Statements under Part II, Item 8," Financial Statements and Supplementary Data." Concerns about the soundness of other financial institutions could adversely affect us. Our ability to engage in routine funding and other transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have historically led to market-wide liquidity problems, losses of depositor, creditor and counterparty confidence and could lead to losses or defaults by us or by other institutions. ~~While we did not have any direct exposure to the bank failures that occurred in 2023, the failures of those institutions led to extreme volatility in the prices of securities issued by financial institutions.~~ Bank failures could negatively impact client and investor confidence in us, which could negatively impact our earnings, stock price or liquidity. We could experience increases in deposits and assets as a result of other banks' difficulties or failure, which would increase the capital we are required to maintain to support such growth. Risks Related to Owning Our Stock If we want, or are compelled, to raise additional capital in the future, that capital may not be available when it is needed or on terms favorable to current shareholders. Federal banking regulators require us to maintain adequate levels of capital to support our operations. These capital levels are determined and dictated by law, regulation and banking regulatory agencies. In addition, capital levels are also determined by our management and board of directors based on capital levels that they believe are necessary to support our business operations. Changes in our financial condition or results of operations, applicable accounting standards, laws and regulations and other factors could make it necessary or advisable for us to raise additional capital. Under such circumstances, our ability to raise additional capital will depend on conditions in the capital markets at that time, which are outside of our control, and on our financial performance. Accordingly, we cannot provide assurance of our ability to raise additional capital on terms and time frames acceptable to us or to raise additional capital at all. Additionally, the inability to raise capital in sufficient amounts may adversely affect our operations, financial condition and results of operations. Our ability to borrow could also be impaired by factors that are nonspecific to us, such as severe disruption of the financial markets or negative news and expectations about the prospects for the financial services industry as a whole. If we raise capital through the issuance of additional shares of our common stock or other securities, we would likely dilute the ownership interests of current investors by diluting earnings per share of our common stock and potentially diluting book value per share, depending on the issuance price. The price at which we issue additional shares of stock could be less than the current market price of our common stock. Furthermore, a capital raise through the issuance of additional shares may have an adverse impact on our stock price. In addition, a capital raise involving the issuance of debt securities could negatively impact our earnings and liquidity. The market price of our common stock is subject to volatility. The market price of our common stock has been subject to fluctuations in response to numerous factors, many of which are beyond our control. These factors include actual or anticipated variations in our operational results and cash flows, changes in financial estimates by securities analysts, trading volume, large purchases or sales of our common stock, market conditions within the banking industry, the general state of the securities markets and the market for stocks of financial institutions, as well as general economic conditions. The impact of the large bank failures on the price of securities issued by financial institutions, generally, is one example of a situation in which factors outside of our control can negatively impact the market price of our securities. In addition, if our common stock ceases to be included in the Russell 2000 index, which is reconstituted in June of each year, this could result in decreased liquidity in, and demand for, our common stock, which could cause the market price of our common stock to decline. A reduction in our credit rating could adversely affect our access to capital and could increase our cost of funds. A credit rating agency regularly evaluates the Parent Company and the Bank, and credit ratings are based on a number of factors, including our financial strength and ability to generate earnings, as well as factors not entirely within our control, including conditions affecting the financial services industry, the economy, and changes in rating methodologies. There can be no assurance that we will maintain our current credit ratings. A downgrade of the credit ratings of the Parent Company or the Bank could adversely affect our access to liquidity and capital, and could significantly increase our cost of funds, trigger additional collateral or funding requirements, and decrease the number

of investors and counterparties willing to lend to us or purchase our securities. This could affect our growth, profitability, and financial condition, including liquidity. General Risk Factors We may not be able to attract and retain skilled people.

Competition for the best people in most activities engaged in by us can be intense, and we may not be able to attract and hire sufficiently skilled people to fill open and newly created positions or to retain current or future employees. This competition for talented, skilled and diverse employees has been intensified by the increase in remote and flexible work arrangements, wage pressures and opportunities in the labor market. An inability to attract and retain individuals with the necessary skills to fill open positions, or the unexpected loss of services of one or more of our key personnel, could have a material adverse impact on our business due to the loss of their skills, knowledge of our markets, years of industry experience or the difficulty of promptly finding qualified replacement personnel. We believe that our continued growth and future success will depend in large part on the skills of our management team and our ability to motivate and retain these individuals and other key personnel. The loss of service of one or more of our executive officers or key personnel could delay or reduce our ability to successfully implement our long-term business strategy, our business could suffer, and the value of our stock could be materially adversely affected.

Leadership changes will occur from time to time, and we cannot predict whether significant resignations will occur or whether we will be able to recruit additional qualified personnel. We believe our management team possesses valuable knowledge about the banking industry and that their knowledge and relationships could be very difficult to replicate. Our success also depends on the experience of our branch managers and lending officers and on their relationships with the clients and communities they serve. The loss of these key personnel could negatively impact our banking operations. The loss of key personnel, or the inability to recruit and retain qualified personnel in the future, could have an adverse effect on our business, financial condition, or operating results. We could be adversely affected by a failure in our internal controls. We rely on our employees to design, manage, and operate our systems and controls to assure that we properly enter into, record and manage processes, transactions and other relationships with clients, suppliers and other parties with whom we do business. In some cases, we rely on employees of third parties to perform these tasks. We also depend on employees and the systems and controls for which they are responsible to assure that we identify and mitigate the risks that are inherent in our relationships and activities. When we change processes or procedures, introduce new products or services, or implement new technologies, we may fail to adequately identify or manage operational risks resulting from such changes. As a result of our reliance on employees, whether ours or those of third parties, we are subject to human vulnerabilities. These range from innocent human error to misconduct or malfeasance, potentially leading to operational breakdowns or other failures. Our controls may not be adequate to prevent problems resulting from human involvement in our business, including risks associated with the design, operation and monitoring of automated systems. Errors by our employees or others responsible for systems and controls on which we depend and any resulting failures of those systems and controls could result in significant harm to us. This could include client remediation costs, regulatory fines or penalties, litigation or enforcement actions, or limitations on our business activities. We could also suffer damage to our reputation, impacting our ability to attract and retain clients and employees. Management regularly reviews and updates our internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls, however well-designed and operated, is based in part on certain assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Any failure or circumvention of the controls and procedures or failure to comply with regulations related to controls and procedures could have a material adverse effect on our business, results of operations and financial condition. Negative public opinion could damage our reputation and adversely affect our earnings. Reputational risk, or the risk to our earnings and capital from negative public opinion, is inherent in our business. Negative public opinion can result from the actual or perceived manner in which we conduct our business activities, including banking operations and trust and investment operations, our management of actual or potential conflicts of interest and ethical issues, and our protection of confidential client information. Negative public opinion can also result from events occurring in the banking industry, such as bank failures, which are outside of our control. Negative public opinion can adversely affect our ability to keep and attract clients and can expose us to litigation and regulatory action. Although we take steps to minimize reputation risk in the way we conduct our business activities and deal with our clients, communities and vendors, these steps may not be effective. The proliferation of social media websites utilized by us and other third parties, as well as the personal use of social media by our employees and others, including personal blogs and social network profiles, also may increase the risk that negative, inappropriate or unauthorized information may be posted or released publicly that could harm our reputation or have other negative consequences, including as a result of our employees interacting with our clients in an unauthorized manner in various social media outlets. Any damage to our reputation could affect our ability to retain and develop the business relationships necessary to conduct business, which in turn could negatively impact our financial condition, results of operations, and the market price of our common stock. Acts of terrorism, natural disasters, global climate change, **future** pandemics, wars and global conflicts may have a negative impact on our business and operations. Acts of terrorism, natural disasters, global climate change, **future** pandemics, wars, global conflicts or other similar events could disrupt our operations, result in damage to our properties, reduce or destroy the value of the collateral for our loans and otherwise have a negative impact on our business and operations. While we have in place business continuity plans, such events could still damage our facilities, disrupt or delay the normal operations of our business (including communications and technology), result in harm to, or cause travel limitations on, our employees, and have a similar impact on our clients, suppliers, third-party vendors and counterparties. These events also could impact us negatively to the extent that they result in reduced capital markets activity, lower asset price levels, or disruptions in general economic activity in the U. S. or abroad, or in financial market settlement functions. In addition, these or similar events may impact economic growth negatively, which could have an adverse effect on our business and operations, and may have other adverse effects on us in ways that we are unable to predict. Anti-takeover provisions could negatively impact our shareholders. Provisions of Pennsylvania law and provisions of our articles of incorporation and bylaws could make it more difficult for a third party to acquire control of us or have the effect of discouraging a third party from attempting to acquire

control of us, even if a merger might be in the best interest of our shareholders. Our articles of incorporation authorize our Board of Directors to issue preferred stock without shareholder approval and such preferred stock could be issued as a defensive measure in response to a takeover proposal. These and other provisions could make it more difficult for a third party to acquire us.