

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

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

The following sets forth several risk factors that may affect the Corporation's financial condition or results of operations. Changes in interest rates could reduce our income, cash flows and asset values. Our income and cash flows and the value of our assets depend to a great extent on the difference between the interest rates we earn on interest-earning assets, such as loans and investment securities, and the interest rates we pay on interest-bearing liabilities such as deposits and borrowings. These rates are highly sensitive to many factors which are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies and, in particular, the Board of Governors of the Federal Reserve System. Changes in monetary policy, including changes in interest rates, will influence not only the interest we receive on our loans and investment securities and the amount of interest we pay on deposits and borrowings but will also affect our ability to originate loans and obtain deposits and the value of our investment portfolio. If the rate of interest we pay on our deposits and other borrowings increases more than the rate of interest we earn on our loans and other investments, our net interest income, and therefore our earnings, could be adversely affected. Our earnings also could be adversely affected if the rates on our loans and other investments fall more quickly than those on our deposits and other borrowings. Economic conditions either nationally or locally in areas in which our operations are concentrated may adversely affect our business. Deterioration in local, regional, national, or global economic conditions could cause us to experience a reduction in deposits and new loans, an increase in the number of borrowers who default on their loans, and a reduction in the value of the collateral securing their loans, all of which could adversely affect our performance and financial condition. Unlike larger banks that are more geographically diversified, we provide banking and financial services locally. Therefore, we are particularly vulnerable to adverse local economic conditions. Many of our loans are secured, in whole or in part, with real estate collateral which is subject to declines in value. In addition to considering the financial strength and cash flow characteristics of a borrower, we often secure our loans with real estate collateral. Real estate values and the real estate market are generally affected by, among other things, changes in local, regional or national economic conditions, fluctuations in interest rates and the availability of loans to potential purchasers, changes in tax laws and other governmental statutes, regulations and policies, and acts of nature. The real estate collateral provides an alternate source of repayment in the event of default by the borrower. If real estate prices in our markets decline, the value of the real estate collateral securing our loans could be reduced. If we are required to liquidate real estate collateral securing loans during a period of reduced real estate values to satisfy the debt, our earnings and capital could be adversely affected. Our information systems may experience an interruption or breach in security. We rely heavily on communications and information systems to conduct our business. Any failure, interruption or breach in security of these systems could result in failures or disruptions in our customer-relationship management, general ledger, deposit, loan and other systems. While we have policies and procedures designed to prevent or limit the effect of the failure, interruption or security breach of our information systems, there can be no assurance that any such failures, interruptions or security breaches will not occur; or, if they do occur, that they will be adequately addressed. The occurrence of any failures, interruptions or security breaches of our information systems could damage our reputation, result in a loss of customer business, subject us to additional regulatory scrutiny or expose us to civil litigation and possible financial liability; any of which could have a material adverse effect on our financial condition and results of operations. We face the risk of cyber-attack to our computer systems. Our computer systems, software and networks have been and will continue to be vulnerable to unauthorized access, loss or destruction of data (including confidential client information), account takeovers, unavailability of service, computer viruses or other malicious code, cyber-attacks and other events. These threats may derive from human error, fraud or malice on the part of employees or third parties, or may result from accidental technological failure. If one or more of these events occurs, it could result in the disclosure of confidential client information, damage to our reputation with our clients and the market, additional costs to us (such as repairing systems or adding new personnel or protection technologies), regulatory penalties and financial losses, to both us and our clients and customers. Such events could also cause interruptions or malfunctions in our operations (such as the lack of availability of our online banking system), as well as the operations of our clients, customers or other third parties. Although we maintain safeguards to protect against these risks, there can be no assurance that we will not suffer losses in the future that may be material in amount. Competition may decrease our growth or profits. We face substantial competition in all phases of our operations from a variety of different competitors, including commercial banks, savings and loan associations, mutual savings banks, credit unions, consumer finance companies, factoring companies, leasing companies, insurance companies, and money market mutual funds. There is very strong competition among financial services providers in our principal service area. Our competitors may have greater resources, higher lending limits, or larger branch systems than we do. Accordingly, they may be able to offer a broader range of products and services as well as better pricing for those products and services than we can. In addition, some of the financial services organizations with which we compete are not subject to the same degree of regulation as is imposed on federally insured financial institutions. As a result, those non-bank competitors may be able to access funding and provide various services more easily or at less cost than we can, adversely affecting our ability to compete effectively. The value of certain investment securities is volatile and future declines or other-than-temporary impairments could materially adversely affect our future earnings and regulatory capital. Continued volatility in the market value for certain of our investment securities, whether caused by changes in market perceptions of credit risk, as reflected in the expected market yield of the security, or actual defaults in the portfolio could result in significant fluctuations in the value of the securities. This could have a material adverse impact on our accumulated other comprehensive income / loss and shareholders' equity depending on the

direction of the fluctuations. Furthermore, future downgrades or defaults in these securities could result in future classifications of investment securities as other than temporarily impaired. This could have a material impact on our future earnings. We may be adversely affected by government regulation. The banking industry is heavily regulated. Banking regulations are primarily intended to protect the federal deposit insurance funds and depositors, not shareholders. Changes in the laws, regulations, and regulatory practices affecting the banking industry may increase our costs of doing business or otherwise adversely affect us and create competitive advantages for others. Regulations affecting banks and financial services companies undergo continuous change, and we cannot predict the ultimate effect of these changes, which could have a material adverse effect on our profitability or financial condition. The potential exists for additional federal or state laws and regulations, or changes in policy, affecting many aspects of our operations, including capital levels, lending and funding practices, and liquidity standards. New laws and regulations may increase our costs of regulatory compliance and of doing business and otherwise affect our operations, and may significantly affect the markets in which we do business, the markets for and value of our loans and investments, the fees we can charge and our ongoing operations, costs and profitability. We rely on our management and other key personnel, and the loss of any of them may adversely affect our operations. We are and will continue to be dependent upon the services of our executive management team. In addition, we will continue to depend on our ability to retain and recruit key commercial loan officers. The unexpected loss of services of any key management personnel or commercial loan officers could have an adverse effect on our business and financial condition because of their skills, knowledge of our market, years of industry experience, and the difficulty of promptly finding qualified replacement personnel. Environmental liability associated with lending activities could result in losses. In the course of our business, we may foreclose on and take title to properties securing our loans. If hazardous substances were discovered on any of these properties, we could be liable to governmental entities or third parties for the costs of remediation of the hazard, as well as for personal injury and property damage. Many environmental laws can impose liability regardless of whether we knew of, or were responsible for, the contamination. In addition, if we arrange for the disposal of hazardous or toxic substances at another site, we may be liable for the costs of cleaning up and removing those substances from the site even if we neither own nor operate the disposal site. Environmental laws may require us to incur substantial expenses and may materially limit use of properties we acquire through foreclosure, reduce their value or limit our ability to sell them in the event of a default on the loans they secure. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. Failure to implement new technologies in our operations may adversely affect our growth or profits. The market for financial services, including banking services and consumer finance services, is increasingly affected by advances in technology, including developments in telecommunications, data processing, computers, automation, Internet-based banking, and telebanking. Our ability to compete successfully in our markets may depend on the extent to which we are able to exploit such technological changes. However, we can provide no assurance that we will be able to properly or timely anticipate or implement such technologies or properly train our staff to use such technologies. Any failure to adapt to new technologies could adversely affect our business, financial condition, or operating results. External events, including natural disasters, national or global health emergencies, and events of armed conflict in other countries, and terrorist threats could impact our ability to do business or otherwise adversely affect our business, operations or financial condition. Financial institutions, like other businesses, are susceptible to the effects of external events that can compromise operating and communications systems and otherwise have adverse effects. Such events, should they occur, can cause significant damage, impact the stability of our operations or facilities, result in additional expense, or impair the ability of our borrowers to repay their loans. Although we have established and regularly test disaster recovery procedures, the occurrence of any such event could have a material adverse effect on our business, operations, and financial condition. In addition, other external events, including natural disasters, health emergencies and epidemics or pandemics, such as the COVID-19 pandemic, and events of armed conflict in other parts of the world, such as the present armed conflict involving Ukraine and Russia, could adversely affect the global or regional economies resulting in unfavorable economic conditions in the United States. Any such development could have an adverse effect on our business, operations or financial condition. An investment in our common stock is not an insured deposit. Our common stock is not a bank deposit and, therefore, is not insured against loss by the FDIC, any other deposit insurance fund, or by any other public or private entity. Investment in our common stock is subject to the same market forces that affect the price of common stock in any company. **Risks Related to the Merger with Northwest Because the market price of Northwest common stock may fluctuate, holders of the Corporation's common stock cannot be certain of the market value of the Merger consideration they will receive. Under the terms of the Merger Agreement with Northwest, holders of the Corporation's common stock will receive 2.385 shares of Northwest common stock for each share of the Corporation's common stock they hold immediately prior to the effective time. Any change in the market price of Northwest common stock prior to the completion of the Merger will affect the market value of the consideration that the Corporation's shareholders will receive following completion of the Merger. Stock price changes may result from a variety of factors that are beyond the control of Northwest and the Corporation, including but not limited to general market and economic conditions, changes in their respective businesses, operations and prospects, and regulatory considerations. Northwest could experience difficulties in managing its growth and effectively integrating the operations of the Corporation and its subsidiary banks. The earnings, financial condition and prospects of Northwest after the Merger will depend in part on Northwest's ability to integrate successfully the operations of the Corporation, JSSB, and Luzerne and to continue to implement its own business plan. Northwest may not be able to fully achieve the strategic objectives and projected operating efficiencies anticipated in the Merger. The costs or difficulties relating to the integration of the Corporation, JSSB, and Luzerne with the Northwest organization may be greater than expected or the cost savings from any anticipated economies of scale of the combined organization may be lower or take longer to realize than expected. Inherent uncertainties exist in integrating the operations of any acquired entity, and Northwest may encounter difficulties, including matters such as loss of key employees and**

customers, and the disruption of its ongoing business or possible inconsistencies in standards, controls, procedures and policies, among others. These factors could contribute to Northwest not fully achieving the expected benefits from the Merger. The Merger Agreement limits the Corporation's ability to pursue alternatives to the Merger, may discourage other acquirers from offering a higher valued transaction to the Corporation and may, therefore, result in less value for the Corporation's shareholders. The Merger Agreement with Northwest contains a provision that, subject to certain limited exceptions, prohibits the Corporation from soliciting, negotiating, or providing confidential information to any third party relating to any competing proposal to acquire the Corporation or its subsidiary banks. In addition, if the Merger Agreement is terminated by the Corporation under certain circumstances involving alternative acquisition proposals, the Corporation may be required to pay a \$ 10.0 million termination fee to Northwest. The requirement that the Corporation make such a payment could discourage another company from making a competing proposal. Completion of the Merger is subject to many conditions and if these conditions are not satisfied or waived, the Merger will not be completed. The respective obligations of Northwest and the Corporation to complete the Merger are subject to the fulfillment or written waiver of many conditions, including approval by the requisite vote of the Corporation's shareholders, receipt of requisite regulatory approvals, absence of orders prohibiting completion of the Merger, continued effectiveness of the registration statement of which this document is a part, approval of the Northwest common stock to be issued to the Corporation's shareholders for listing on the Nasdaq Global Select Market®, the continued accuracy of the representations and warranties by both parties, and the performance by both parties of their covenants and agreements. These conditions to the consummation of the Merger may not be fulfilled and, accordingly, the Merger may not be completed. In addition, if the Merger is not completed by December 31, 2025, either Northwest or Corporation may have the opportunity to choose not to proceed with the Merger, and the parties can mutually decide to terminate the Merger Agreement at any time, before or after approval by the requisite vote of the Corporation's shareholders. In addition, Northwest or the Corporation may elect to terminate the Merger Agreement in certain other circumstances. Regulatory approvals may not be received, may take longer than expected or may impose conditions that are not presently anticipated or that could have an adverse effect on the combined company following the Merger. Before the Merger and the subsidiary bank mergers may be completed, various approvals, consents and non-objections must be obtained from the Federal Reserve, FDIC, the Department, and other regulatory authorities. In determining whether to grant these approvals, these regulatory authorities consider a variety of factors, including the regulatory standing of each party. These approvals could be delayed or not obtained at all, due to a number of factors including any or all of the following: an adverse development in either party's regulatory standing, or any other factors considered by regulatory authorities in granting such approvals; governmental, political or community group inquiries, investigations or opposition; changes in legislation or the political environment, including as a result of changes of the U. S. executive administration or congressional leadership and regulatory agency leadership. The approvals that are granted may impose terms and conditions, limitations, obligations or costs, or place restrictions on the conduct of the combined company's business or require changes to the terms of the transactions contemplated by the Merger Agreement. There can be no assurance that the regulatory authorities will not impose any such conditions, limitations, obligations, or restrictions or that such conditions, limitations, obligations, or restrictions will not have the effect of delaying the completion of any of the transactions contemplated by the Merger Agreement, imposing additional material costs on or materially limiting the revenues of the combined company following the Merger or will otherwise reduce the anticipated benefits of the Merger. In addition, there can be no assurance that any such conditions, limitations, obligations or restrictions will not result in the delay or abandonment of the Merger. Additionally, the completion of the Merger is conditioned on the absence of certain orders, injunctions or decrees by any governmental entity of competent jurisdiction that would prohibit or make illegal the completion of any of the transactions contemplated by the Merger Agreement. Despite the parties' commitments to use their reasonable best efforts to respond to any request for information and resolve any objection that may be asserted by any governmental entity with respect to the Merger Agreement, none of Northwest, the Corporation, or their respective subsidiaries is required under the terms of the Merger Agreement to take any action, or commit to take any action, or agree to any condition or restriction in connection with obtaining these approvals, that would reasonably be likely to have a material adverse effect on the combined company and its subsidiaries, taken as a whole, after giving effect to the Merger. Failure to complete the Merger could negatively impact the value of the Corporation's stock and its future businesses and financial results. If the Merger is not completed, the Corporation's ongoing businesses may be adversely affected and it will be subject to several risks, including the following: • payment of certain costs relating to the Merger, whether or not the Merger is completed, such as legal, accounting, financial advisor, and printing fees; • under the Merger Agreement, the Corporation is subject to certain restrictions regarding the conduct of its business before completion of the Merger, which may adversely affect its ability to execute certain of its business strategies; and • matters relating to the Merger may require substantial commitments of time and resources by management, which could otherwise have been devoted to other opportunities that may have been beneficial to the Corporation as independent companies. In addition, if the Merger is not completed, the Corporation may experience negative reactions from customers and employees. Employees could resign and obtain other employment as a result of the potential Merger. The Corporation also could be subject to litigation related to any failure to complete the Merger. The combined company is expected to incur substantial costs in connection with integration. There are a large number of processes, policies, procedures, operations, technologies and systems that may need to be integrated, including data processing, purchasing, accounting and finance, payroll, compliance, treasury management, branch operations, vendor management, risk management, lines of business, pricing and benefits. Although the Corporation and Northwest have assumed that a certain level of costs will be incurred, there are many factors beyond their control that

could affect the total amount or the timing of the integration costs. Moreover, many of the costs that will be incurred are, by their nature, difficult to estimate accurately. These integration costs may result in the combined company taking charges against earnings in connection with the Merger, and the amount and timing of such charges are uncertain at present.