

Risk Factors Comparison 2024-06-14 to 2023-06-14 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. Before making an investment decision, you should carefully consider the risks and uncertainties described below together with all of the other information included in this report. In addition to the risks and uncertainties described below, other risks and uncertainties not currently known to us or that we currently deem to be immaterial ~~also~~ may materially and adversely affect our business, financial condition and results of operations. The value or market price of our common stock could decline due to any of these identified or other risks, and you could lose all or part of your investment. The risks below also include forward- looking statements. This report is qualified in its entirety by these risk factors.

Risks Related to Macroeconomic Conditions Our business may be adversely affected by downturns in the national and the regional economies on which we depend. Substantially all of our loans are to businesses and individuals in the states of Washington and Oregon. A decline in the economies of the seven counties in which we operate, including the Portland, Oregon metropolitan area, which we consider to be our primary market area, could have a materially adverse effect on our business, financial condition, results of operations and prospects. Weakness in the global economy and global supply chain issues have adversely affected many businesses operating in our markets that are dependent upon international trade. Changes in agreements or relationships between the U. S. and other countries may also affect these businesses **and, by extension, our operations**. A ~~deterioration~~ **downturn** in economic conditions in the market areas we serve ~~could result in~~ **be it due to inflation, recessive trends, geopolitical conflicts, adverse weather, or the other factors** following consequences, any of which could have a materially ~~material~~ **adverse** impact on our business, financial condition, liquidity and results of operations, **including but not limited to**: • **Elevated instances of** loan delinquencies, ~~problem~~ **problematic** assets, and foreclosures ~~may~~ • **An increase** ~~in our ACL for loans~~ • **Reduced** we may increase our allowance for loan losses; • **demand for our products and services may**, **potentially leading to a** decline possibly resulting in a decrease in our total **overall** loans or assets ~~;~~ • **Depreciation in** collateral ~~for values linked to our~~ loans, especially real estate, may decline in value, thereby **diminishing** reducing customers' future borrowing **capacities** power, and reducing the value of assets ~~asset values tied to and collateral associated with existing loans~~ ~~;~~ • **the Reduced** net worth and liquidity of loan guarantors may decline, **possibly** impairing their ability to **honor** ~~meet~~ commitments to us; and • **Reductions in** the amount of our low- cost or ~~non-interest~~ **interest-bearing deposits may decrease**. Many of the loans in our portfolio are secured by real estate. A decline in local economic conditions may have a greater effect on our earnings and capital than on the earnings and capital of larger financial institutions whose real estate loan portfolios are geographically diverse. **Many of the loans in our portfolio are secured by real estate. Any** ~~Deterioration~~ **deterioration** in the real estate markets **associated with** where collateral for a mortgage loan is located could negatively affect the borrower's ability to repay the loan and the value of the collateral securing the ~~mortgage loan~~ **loans could significantly impact borrowers' repayment capabilities and the value of collateral**. Real estate values are affected by various ~~other~~ factors, including changes in ~~general or regional~~ economic conditions, **regulatory changes, governmental rules or policies** and natural disasters such as earthquakes, **flooding** and tornadoes. If we are required to liquidate a significant amount of collateral during a period of reduced real estate values, our financial condition and profitability could be adversely affected. **External economic factors, such as changes in monetary policy and** ~~Inflationary~~ **inflation** pressures and rising prices ~~deflation~~, may **have an adverse affect effect on** our business, results of operations and financial condition **and results of operations. Our financial condition and results of operations are affected by credit policies of monetary authorities, particularly the Federal Reserve. Actions by monetary and fiscal authorities, including the Federal Reserve, could lead to inflation, deflation, or other economic phenomena that could adversely affect our financial performance**. Inflation has risen sharply since the end of 2021 ~~to and throughout 2022~~ at levels not seen **for over** in more than 40 years. **Inflationary pressures, while easing recently, still remain elevated**. Small to medium- sized businesses may be impacted more during periods of high inflation as they are not able to leverage ~~economics~~ **economics** of scale to mitigate cost pressures compared to larger businesses. Consequently, the ability of our business ~~customers~~ **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 the Company to increase, which could adversely affect our results of operations and financial condition. **Virtually all our assets and liabilities are monetary in nature. As a result, interest rates tend to have a more significant impact on our performance than general levels of inflation or deflation. Interest rates do not necessarily move in the same direction or by the same magnitude as the prices of goods and services.**

Risks Related to our Lending Activities ~~Activities~~ Our real estate construction loans are based upon estimates of costs and the value of the completed project, and as with land loans may be more difficult to liquidate, if necessary. We make construction and land loans primarily to builders to finance the construction of single and multifamily homes, subdivisions, as well as commercial properties. ~~We~~, a portion of which are originated ~~originate these loans regardless of~~ whether or not the **property used as** collateral **in** property underlying the loan is under a sales contract for sale. At March 31, ~~2023~~ **2024**, real estate construction and land loans totaled \$ ~~54~~ **42**. 2 million, or ~~5~~ **4**. ~~37~~ **13** % of our total loan portfolio, and ~~was~~ **were** comprised of \$ ~~18~~ **16**. 2 million of speculative and presold construction loans, \$ ~~6~~ **5**. ~~47~~ million of land loans and \$ ~~29~~ **20**. ~~64~~ million of commercial / multi- family construction loans. In general, construction and land lending involve additional risks when compared with other lending because of the inherent difficulty in estimating a property's value both before and at completion of the project, as well as the estimated cost of the project and the time needed to sell the property at completion. Construction costs may exceed original estimates as a result of increased materials, labor or other costs. Because

of the uncertainties inherent in estimating construction costs, as well as the market value of the completed project and the effects of governmental regulation on real property, it is relatively difficult to evaluate accurately the total funds required to complete a project and the related loan-to-value ratio. Changes in the demand, such as for new housing and higher than anticipated building costs may cause actual results to vary significantly from those estimated. For these reasons, this type of lending also typically involves higher loan principal amounts and is often concentrated with a small number of builders. A downturn in housing, or the real estate market, could increase loan delinquencies, defaults and foreclosures, and significantly impair the value of our collateral and our ability to sell the collateral upon foreclosure. Some of our builders have more than one loan outstanding with us and also have residential mortgage loans for rental properties with us. Consequently, an adverse development with respect to one loan or one credit relationship can expose us to a significantly greater risk of loss. Construction loans often involve the disbursement of funds with repayment substantially dependent on the success of the ultimate project and the ability of the borrower to sell or lease the property or obtain permanent take-out financing, rather than the ability of the borrower or guarantor to repay principal and interest. Moreover, during the term of most of our construction loans, no payment from the borrower is required since the accumulated interest is added to the principal of the loan through an interest reserve. If our appraisal of the value of a completed project proves to be overstated, we may have inadequate security for the repayment of the loan upon completion of construction of the project and may incur a loss. Because construction loans require active monitoring of the building process, including cost comparisons and on-site inspections, these loans are more difficult and costly to monitor. Increases in market rates of interest also may have a more pronounced effect on construction loans by rapidly increasing the end-purchasers' borrowing costs, thereby reducing the overall demand for the project. Properties under construction are often difficult to sell and typically must be completed in order to be successfully sold which also complicates the process of working out problem construction loans. This may require us to advance additional funds and / or contract with another builder to complete construction. Furthermore, in the case of speculative construction loans, there is the added risk associated with identifying an end-purchaser for the finished project. Loans on land under development or raw land held for future construction, including lot loans made to individuals for the future construction of a residence also pose additional risk because of the lack of income being produced by the property and the potential illiquid nature of the collateral. These risks can be significantly impacted by supply and demand conditions. As a result, this type of lending often involves the disbursement of substantial funds with repayment dependent on the success of the ultimate project and the ability of the borrower to develop, sell or lease the property, rather than the ability of the borrower or guarantor to independently repay principal and interest. There were no non-performing real estate construction and land loans at March 31, 2023-2024. A material increase in non-performing real estate construction and land loans could have a material adverse effect on our financial condition and results of operation. Commercial and multi-family real estate lending involves higher risks than real estate one-to-four family and other consumer lending, which exposes us to increased lending risks. **While Our current business strategy includes an emphasis on commercial and multi-family real estate lending is typically. This type of lending activity, while potentially more profitable than real estate one-to-four family lending, it is generally more sensitive to regional and local economic conditions, making loss levels more difficult to predict. Collateral evaluation and financial statement analysis in these types 31types of loans requires a more detailed analysis at the time of loan underwriting and on an ongoing basis. At March 31, 2023-2024, we had \$ 620-654.3 million of commercial and multi-family real estate loans, representing 61-63.49-9 % of our total loan portfolio. Commercial and multi-family real estate loans typically involve higher principal amounts than other types of loans, and some of our commercial borrowers maintain multiple have more than one loan loans outstanding with us. Consequently, an adverse development in any single with respect to one loan or one credit relationship can expose us to a significantly greater risk of heighten our exposure to potential loss-losses compared to an adverse, far more than the impact of a similar development in with respect to a one-to-four family residential mortgage loan. The Repayment-repayment on of these loans relies on is dependent upon income generated from, or expected to be generated, by the property securing the loan in amounts. This income must sufficient sufficiently to cover operating operational expenses and debt service. Economic fluctuations, which may be 33adversely affected by changes in the economy or shifts in local market conditions may adversely affect. For example, if the property cash flow from the borrower's income project is reduced as a result of leases not being obtained or renewed, posing potential repayment challenges the borrower's ability to repay the loan may be impaired. Moreover Commercial and multi-family mortgage loans also expose a lender to greater credit risk than loans secured by one-to-four family residential real estate because the collateral securing these loans typically cannot be sold as easily as residential real estate. In addition, many a substantial portion of our commercial and multi-family real estate loans are do not fully amortizing amortize and contain large include substantial balloon payments upon maturity. Such These balloon payments may require the borrower to either sell or refinance the underlying property in order to make the payment, potentially heightening which may increase the risk of default or on non-payment. In A secondary market for most types of commercial real estate and multi-family loans is not readily liquid, so we have less opportunity to mitigate credit risk by selling part or all of our interest in these-- the event loans. As a result of a these characteristics, if we foreclose foreclosure on a commercial or multi-family real estate loan, our holding period for the collateral typically is longer than for tends to be more extended compared to one-to-four family residential mortgage loans because there are fewer. This elongated holding period results from a limited pool of potential purchasers of for the collateral. Accordingly, charge-offs on In recent years financial institutions have witnessed substantial growth in commercial and multi-family real estate markets, compounded by intensified competitive pressures loans may be larger on a per loan basis than that have led to historically low capitalization rates and surging property valuations. The economic disruption spurred by those-- the incurred COVID-19 pandemic has particularly affected commercial real estate markets. Additionally, the pandemic has accelerated the adoption of remote work options, potentially influencing the long-term performance of certain office properties within our commercial real estate portfolio. Moreover, the federal banking regulatory agencies have raised concerns about vulnerabilities within the**

current commercial real estate market, recognizing the risks associated with our residential these assets. Failures in or our consumer loan risk management policies, procedures, and controls could impede our ability to effectively manage this portfolios portfolio, potentially leading to increased delinquencies and higher losses, thereby materially impacting our business, financial condition, and operational performance. Our business may be adversely affected by credit risk associated with residential property and declining property values. At March 31, 2023-2024, \$ 99-96 . 74 million, or 9. 88-41 % of our total loan portfolio, consisted of real estate one- to- four family loans and home equity loans. Our We primarily base our lending decisions on the borrower's repayment capacity and the collateral securing these loans, particularly with first- lien real estate one- to- four family loans are primarily made based on the repayment ability of the borrower and the collateral securing these loans. However, Home equity lines of credit generally entail greater risk than do real estate one- to- four family loans where we are in the first- lien position. For those home equity lines of credit pose greater risks, especially those secured by a second mortgage, as the likelihood it is less likely that we will be successful in recovering all of our full loan proceeds recovery in the event of default diminishes. Our ability to foreclose on such loans depends upon the property's value which must cover both the primary mortgage and foreclosure on these loans requires that the value of the property be sufficient to cover the repayment of the first mortgage loan, as well as the costs associated with foreclosure. This type of lending is generally highly sensitive to regional and local economic conditions that significantly impact the ability of borrowers to meet their loan payment obligations, making it challenging loss levels difficult to predict potential losses. A Economic downturn downturns in the economy or fluctuations in the housing market could diminish property in our market areas or a rapid increase in interest rates may reduce the value values, of the real estate collateral securing these types of loans and increase increasing the risk of that we would incur losses if borrowers default on their loans Loans. Residential loans with high combined loan- to value value ratios are particularly vulnerable generally will be more sensitive to declining property values, leading than those with lower combined loan- to -value ratios and therefore may experience a higher incidence of default rates and increased severity of losses. Moreover In addition, if the borrowers sell their homes, the they borrowers may struggle be unable to repay their loans in full from the sale proceeds. As a result, these loans may experience higher elevated rates of delinquencies, defaults and losses negatively impacting, which will in turn adversely affect our financial condition and results of operations. Repayment of our commercial business loans is often dependent on the cash flows of the borrower, which may be unpredictable, and the collateral securing these loans may fluctuate in value. At March 31, 2023-2024, commercial business loans totaled \$ 232-229 . 94 million, or 23-22 . 08-4 % of total loans. These Our commercial business loans are primarily made extended based on the borrower's cash flow, with of the borrower and secondarily on the underlying collateral provided by the borrower, serving as a secondary consideration. The However, the predictability of the borrowers- borrower's cash flow can vary may be unpredictable, and the value of collateral securing these loans may fluctuate in value. This collateral Collateral may consist of for commercial business loans typically includes equipment, inventory, accounts receivable, or other business assets. For In the case of loans secured by accounts receivable, the availability of funds for the repayment relies heavily of these loans may be substantially dependent on the borrower's ability of the borrower to collect amounts due from its customers. Additionally, the value of Other other collateral securing loans, such as equipment, may depreciate over time, may and could be difficult challenging to appraise or liquidate, varying may be illiquid and may fluctuate in value based on the nature specific type of the business and equipment. Consequently As a result, the availability of funds for the loan repayment is significantly contingent on the success of commercial the borrower's business, which is often influenced by broader economic conditions and, to a lesser extent, the value of provided collateral. 32 Our ACL for loans may be substantially dependent on the success of the business itself which, in turn, is often dependent in part upon general economic conditions and secondarily on the underlying collateral provided by the borrower. Our allowance for loan losses may prove to be insufficient to absorb losses in our loan portfolio. Future additions to our ACL allowance for loan losses, as well as charge- offs in excess of reserves, will reduce our earnings. Lending money is a substantial part of our business and each loan carries a certain risk risks, including that it will not be repaid in accordance with its terms or that any underlying collateral will not be sufficient to assure repayment. This risk is affected by, among other things: • the The cash flow of the borrower and/or the project being financed ; • For in the case of a collateralized loan, the changes and uncertainties as to the future value of the collateral ; • the The duration of the loan ; 34 • the The credit history of the a particular borrower ; and • changes Changes in economic and industry conditions. We To address these risks, we maintain an allowance ACL for loan loans losses, which is a reserve established through a provision for loan credit losses on loans charged to expense, which we believe is appropriate to provide for probable lifetime expected credit losses in our loan portfolio. The amount appropriate level of this allowance the ACL for loans is determined by management through periodic reviews and consideration of several factors, including, but not limited to: • our general Our collective loss reserve, for loans evaluated on a pool basis with similar risk characteristics based on our life of loan historical default and loss experience and, certain macroeconomic factors based on, reasonable and supportable forecasts, regulatory requirements, management's expectations of future events and certain qualitative factors ; and • our specific Our individual loss reserve, based on our evaluation of impaired individual loans that do not share similar risk characteristics and their-- the present value of the expected future cash flows or the fair value of the underlying collateral or discounted cash flow; and • an unallocated reserve to provide for other credit losses inherent in our loan portfolio that may not have been contemplated in the other loss factors. The determination of the appropriate level of the ACL allowance for loan losses inherently involves a high degree of subjectivity and requires us to make significant estimates of current credit risks and future trends, all of which may undergo material changes. If our estimates are incorrect, the allowance ACL for loan loans losses may not be sufficient to cover losses inherent in our loan portfolio, resulting in the need for increases in our ACL allowance for loan losses through the provision for credit losses on loans which is charged against income. Management Deterioration in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within

and outside of our control, may also require an increase in the allowance for loan losses. Additionally, pursuant to our growth strategy, management recognizes that significant new growth in loan portfolios, new loan products and the refinancing of existing loans can result in portfolios comprised of unseasoned loans that may not perform in a historical or projected manner and will increase the risk that our allowance may be insufficient to absorb losses without significant additional provisions. Further **Deterioration in economic conditions affecting borrowers, new information regarding existing loans, identification of additional problem loans and other factors, both within and outside of our control, may also require an increase in the ACL.** Bank regulatory agencies also periodically review our ACL allowance for loan losses and may require an increase in the provision for possible loan credit losses or the recognition of further loan charge-offs based on their judgment about information available to them at the time of their examination. **In If charge-offs in future periods exceed the ACL, we may need additional provisions,** the FASB has adopted an accounting standard referred to as Current Expected Credit Loss, or CECL, which requires financial institutions to determine periodic estimates of lifetime expected credit losses on loans and recognize the expected credit losses as allowances for credit losses. This will change the current method of providing allowances for credit losses only when they have been incurred and are probable, which is expected to require us to adjust our allowance for loan losses and greatly increase the ACL types of data we need to collect and review to determine the appropriate level of the allowance for credit losses. This accounting pronouncement is applicable to us effective April 1, 2023. As of the adoption and day one measurement date of April 1, 2023, the Company expects to record a one-time cumulative-effect adjustment to retained earnings, net of income taxes, on the consolidated balance sheet. Also, as required by CECL, the Company reviewed the held-to-maturity debt securities portfolio and determined the expected losses were immaterial. The magnitude of the change in the Company's allowance for credit losses at the adoption date will depend upon the nature and characteristics of the portfolio at the adoption date, as well as macroeconomic conditions and forecasts at that time, other management judgements, and continued refinement and validation of the model and methodologies. See also, Note 1 of the Notes to Consolidated Financial Statements - Recently Issued Accounting Pronouncements contained in Item 8 of this report. The federal banking regulators, including the Federal Reserve and the FDIC, have adopted a rule that gives a banking organization the option to phase in over a three-year period the day-one adverse effects of CECL on its regulatory capital. Any increases in the ACL provision for loan losses will result in a decrease in net income and may have a material adverse effect on our financial condition, results of operations, liquidity and capital. Risks Related to Market and Interest Rate Changes Changes in interest rates may reduce our net interest income and may result in higher defaults in a rising rate environment. Our earnings and cash flows are largely dependent upon our net interest income, which is the difference, or spread, between the interest earned on loans, securities and other interest-earning assets and the interest paid on deposits, borrowings, and other interest-bearing liabilities. Interest rates are highly sensitive to many factors that are beyond our control, including general economic conditions and policies of various governmental and regulatory agencies, in particular, the Federal Reserve. Since March 2022, in response to inflation, the Federal Open Market Committee ("FOMC") of the Federal Reserve has increased the target range for the federal funds rate by 475-525 basis points, including 50 basis points during fiscal the first quarter of 2023-2024, to a range of 4.75-5.25% to 5.00-5.50% as of March 31, 2023-2024. In May 2023, As inflation eases, the FOMC has indicated rate decreases may be expected during 2024. However, if the FOMC further increased-increases the target-targeted range for the federal funds rate another 25-basis-35points to a range of 5.00% to 5.25%. If the FOMC further increases the targeted federal funds rates, overall interest rates will likely continue to rise, which will positively-negatively impact our net interest income but-and may negatively impact both the housing market by reducing refinancing activity, and new home purchases, and the U. S. economy. In addition, as previously discussed, inflationary pressures will increase our operational costs and could have a significant negative effect on our borrowers, especially our business borrowers, and the values of collateral securing loans which could negatively affect our financial performance. We principally manage interest rate risk by managing our volume and mix of our earning assets and funding liabilities. If the interest rates paid on deposits and other borrowings increase at a faster rate than the interest rates received on loans and other investments, our net interest income, and therefore earnings, could be adversely affected. Earnings could also be adversely affected if the interest rates received on loans and other investments fall more quickly than the interest rates paid on deposits and other borrowings. In a changing interest rate environment, we may not be able to manage this risk effectively. If we are unable to manage interest rate risk effectively, our business, financial condition and results of operations could be materially affected. Changes-33Changes 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 or by reducing our margins and profitability. Our net interest margin is the difference between the yield we earn on our assets and the interest rate we pay for deposits and our other sources of funding. Changes in interest rates — up or down — could adversely affect our net interest margin and, as a result, our net interest income. Although the yields we earn on our assets and our funding costs tend to move in the same direction in response to changes in interest rates, one can rise or fall faster than the other, causing our net interest margin to expand or contract. Our liabilities tend to be shorter in duration than our assets, so they may adjust faster in response to changes in interest rates. As a result, when interest rates rise, our funding costs may rise faster than the yield we earn on our assets, causing our net interest margin to contract until the yield catches up. Changes in the slope of the "yield curve" — or the spread between short-term and long-term interest rates — could also reduce our net interest margin. Normally, the yield curve is upward sloping, meaning short-term rates are lower than long-term rates. Because our liabilities tend to be shorter in duration than our assets, when the yield curve flattens or even inverts, we could experience pressure on our net interest margin as our cost of funds increases relative to the yield we can earn on our assets. Also, interest rate decreases can lead to increased prepayments of loans and mortgage-backed securities as borrowers refinance their loans to reduce borrowing costs. Under these circumstances, we are subject to reinvestment risk as we may have to redeploy such repayment proceeds into lower yielding investments, which would likely hurt our income. A sustained increase in market interest rates could adversely affect our earnings. A significant portion of our loans have fixed interest rates and longer terms than our deposits and borrowings. As is

the case with many financial institutions, our emphasis on **we attempt to increasing increase** the development **our proportion** of core deposits, ~~those deposits that are non- interest~~ bearing ~~no or pay~~ a relatively low rate of interest. **However, attracting such deposits has been challenging**, with ~~no stated maturity date~~, has resulted in ~~having a significant amount of these~~ **the current interest rate environment** deposits which have a shorter duration than our assets. At March 31, ~~2023~~ **2024**, we had \$ ~~404-349~~ **9-1** million in non- interest bearing demand deposits and \$ ~~84-179~~ **6-2** million in certificates of deposit that mature within one year. We would incur a higher cost of funds to retain these deposits in a rising interest rate environment. Our net interest income could be adversely affected if the rates we pay on deposits and borrowings increase more rapidly than the rates we earn on loans **and other investments**. In addition, a substantial amount of our home equity lines of credit have adjustable interest rates. As a result, these loans may experience a higher rate of default in a rising interest rate environment. Changes in interest rates also affect the value of our securities portfolio. Generally, the fair value of fixed- rate securities fluctuates inversely with changes in interest rates. Unrealized gains and losses on securities available for sale are reported as a separate component of stockholders' equity, net of tax. Decreases in the fair value of securities available for sale resulting from increases in interest rates could have an adverse effect on stockholders' equity. At March 31, ~~2023~~ **2024**, we recorded an \$ ~~18-16~~ **3-1** million accumulated other comprehensive loss, which is reflected as a reduction to stockholders' equity. Although management believes it has implemented effective asset and liability management strategies to reduce the potential effects of changes in interest rates on our results of operations, any substantial, unexpected or prolonged change in market interest rates could have a material adverse effect on our financial condition and results of operations. Also, our interest rate risk modeling techniques and assumptions likely may not fully predict or capture the impact of actual interest rate changes on our consolidated balance sheet or projected operating results. See Item 7A., " Quantitative and Qualitative Disclosures About Market Risk, " of this Form 10- K. We may incur losses on our securities portfolio as a result of changes in interest rates. **The Factors beyond our control can significantly influence the fair value of our investment securities in- is susceptible to significant shifts due to factors beyond our control, portfolio and can cause potential- potentially leading to** adverse changes **to in the their valuation fair value of these securities**. These factors include, but are not limited to, rating agency actions in respect ~~to of the 36 securities~~ **securities**, defaults by ~~or other~~ **the issuer or** adverse events **related** affecting, ~~the issuer or with respect to~~ the underlying securities, **capital market instability**, and ~~changes~~, **as previously mentioned, fluctuations** in market interest rates ~~and continued instability in the capital markets~~. Any of these factors, among others, could cause ~~other~~ **the fair value of these securities to be lower than the amortized cost basis resulting in a credit** ~~temporary impairments and realized and /or unrealized losses~~ **loss** in future periods and declines in other comprehensive income, which could have a material effect on our business, financial condition and results of operations. ~~The process for determining whether impairment of~~ **We are required to maintain sufficient liquidity to ensure a safe and sound operation, potentially requiring us to sell security securities is at a loss if our liquidity position falls below desirable level and all alternative sources of liquidity are exhausted. In an environment where** ~~other~~ **market participants are also liquidating securities, our loss could be materially higher than expected** ~~temporary usually requires complex~~, **significantly adversely impacting** subjective judgments about the future financial performance and liquidity of the issuer and any collateral underlying the security to assess the probability of receiving all contractual principal and interest payments on the security. There can be no assurance that the declines in market value will not result in ~~other than~~ temporary impairments of these assets, and would lead to accounting charges that could have a material adverse effect on our net income and capital levels. For the fiscal year ended March 31, 2023, we did not incur any ~~other than~~ temporary impairments on our securities portfolio. Revenue ~~34~~ **Revenue** from broker loan fees is sensitive to changes in economic conditions, decreased economic activity, a slowdown in the housing market, higher interest rates or new legislation which may adversely impact our financial condition and results of operations. Our mortgage brokerage operations **provide contribute** additional non- interest income. The Company employs commissioned brokers who originate mortgage loans (including construction loans) for various mortgage companies. ~~The These~~ **These** loans ~~brokered to mortgage companies are closed in the name of, and funded by, the purchasing mortgage company and are not~~ **considered** originated as an asset ~~assets~~ of the Company. **Instead** In return, the Company receives a fee **typically** ranging from 1. 5 % to 2. 0 % of the loan amount ~~that it, which is~~ **shares shared** with the commissioned broker. The prevailing interest rate environment **significantly** has a strong ~~influence influences~~ **influences** on ~~both~~ the loan volume and amount of **loans and the** fees generated ~~from through~~ our mortgage brokerage activity. **In general Generally**, during periods of rising interest rates, the volume of loans and the amount of brokered loan fees included in non- interest income ~~generally~~ decrease as a result of slower mortgage loan demand. Conversely, during periods of falling interest rates, the volume of loans and the amount of brokered loan fees generally increase as a result of the increased mortgage loan demand. A general decline in economic conditions may adversely affect the fees generated by our asset management company. **Should** ~~To the extent~~ our asset management clients and their assets ~~become be~~ **adversely affected impacted** by ~~weak unfavorable~~ economic and stock market conditions, they may choose to withdraw ~~the their amount managed assets, or the value of these~~ assets managed by us ~~and the value of their assets may decline. Our Since our~~ asset management revenues are ~~based on directly linked to~~ the value of the assets we manage **, any** ~~If our clients withdraw withdrawal of~~ assets or ~~reduction in the their~~ value **would adversely affect** ~~of their assets decline~~, the revenues generated by the Trust Company ~~will be adversely affected~~. Risks Related to Regulatory, Legal and Compliance Matters The continued focus on increasing our commercial real estate loan portfolio may subject us to additional regulatory scrutiny. The FDIC, the Federal Reserve and the OCC have promulgated joint guidance on sound risk management practices for financial institutions with concentrations in commercial real estate lending. Under this guidance, a financial institution that, like us, is actively involved in commercial real estate lending should perform a risk assessment to identify concentrations. A financial institution may have a concentration in commercial real estate lending if, among other factors (i) total reported loans for construction, land development, and other land represent 100 % or more of total capital, or (ii) total reported loans secured by multi- family and non- farm residential properties, loans for construction, land development and other land, and loans otherwise sensitive to the

general commercial real estate market, including loans to commercial real estate related entities, represent 300 % or more of total capital. Based on these criteria, the Bank ~~has determined that it did not have~~ a concentration in commercial real estate lending as total loans for multifamily, non- farm / non- residential, construction, land development and other land represented ~~285-314~~ % of total risk- based capital at March 31, ~~2023-2024~~. The particular focus of the guidance is on exposure to commercial real estate loans that are dependent on the cash flow from the real estate held as collateral and that are likely to be at greater risk to conditions in the commercial real estate market (as opposed to real estate collateral held as a secondary source of repayment or as an abundance of caution). The purpose of the guidance is to guide banks in developing risk management practices and capital levels commensurate with the level and nature of real estate concentrations. The guidance states that management should employ heightened risk management practices including board and management oversight and strategic planning, development of underwriting standards, risk assessment and monitoring through market analysis and stress testing. While we believe we have implemented policies and procedures with respect to our commercial real estate loan portfolio consistent with this guidance, bank regulators could require us to implement additional policies and procedures consistent with their interpretation of the guidance that may result in additional costs to us. ~~37~~ ~~We~~ ~~We~~ operate in a highly regulated environment and may be adversely affected by changes in federal and state laws and regulations. The financial services industry is extensively regulated. Federal and state banking regulations are designed primarily to protect the deposit insurance funds and consumers, not to benefit a company' s shareholders. These regulations may sometimes impose significant limitations on operations. Regulatory authorities have extensive discretion in connection with their supervisory and enforcement activities, including the imposition of restrictions on the operation of an institution, the classification of assets by the institution and the adequacy of an institution' s ~~ACL allowance for loan losses~~. These bank regulators also have the ability to impose conditions in the approval of merger and acquisition transactions. ~~The significant federal and state banking regulations that affect us are described under the heading "Item 1. Business- Regulation" in Item I of this Form 10- K. These~~ ~~35~~ ~~These~~ regulations, along with the currently existing tax, accounting, securities, insurance, and monetary laws, regulations, rules, standards, policies, and interpretations control the methods by which financial institutions conduct business, implement strategic initiatives and tax compliance, and govern financial reporting and disclosures. These laws, regulations, rules, standards, policies, and interpretations are constantly evolving and may change significantly over time. Any new regulations or legislation, change in existing regulations or oversight, whether a change in regulatory policy or a change in a regulator' s interpretation of a law or regulation, may require us to invest significant management attention and resources to make any necessary changes to operations to comply and could have an adverse effect on our business, financial condition and results of operations. Additionally, actions by regulatory agencies or significant litigation against us may lead to penalties that materially affect us. Further, changes in accounting standards can be both difficult to predict and involve judgment and discretion in their interpretation by us and our independent registered public accounting firm. These accounting changes could materially impact, potentially even retroactively, how we report our financial condition and results of our operations as could our interpretation of those changes. Non- compliance with the USA PATRIOT Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions and limit our ability to get regulatory approval of acquisitions. The USA PATRIOT Act and Bank Secrecy Acts require financial institutions to develop programs to prevent financial institutions from being used for money laundering and terrorist activities. Failure to comply with these regulations could result in fines or sanctions and limit our ability to get regulatory approval of acquisitions - ~~Recently, several banking institutions have received large fines for non- compliance with these laws and regulations~~. While we have developed policies and procedures designed to assist in compliance with these laws and regulations, no assurance can be given that these policies and procedures will be effective in preventing violations of these laws and regulations. Failure to maintain and implement adequate programs to combat money laundering and terrorist financing could also have serious reputational consequences for us. Any of these results could have a materially adverse effect on our business, financial condition, results of operations and growth prospects. If our enterprise risk management framework is not effective at mitigating risk and loss to us, we could suffer unexpected losses and our results of operations could be materially adversely affected. Our enterprise risk management framework seeks to achieve an appropriate balance between risk and return, which is critical to optimizing shareholder value. We have established processes and procedures intended to identify, measure, monitor, report, analyze and control the types of risk to which we are subject. These risks include, among others, liquidity, credit, market, interest rate, operational, legal and compliance, and reputational risk. Our framework also includes financial or other modeling methodologies that involve management assumptions and judgment. We also maintain a compliance program to identify, measure, assess, and report on our adherence to applicable laws, policies and procedures. While we assess and improve these programs on an ongoing basis, there can be no assurance that our risk management or compliance programs, along with other related controls, will effectively mitigate risk under all circumstances, or that it will adequately mitigate any risk or loss to us. However, as with any risk management framework, there are inherent limitations to our risk management strategies as they may exist, or develop in the future, including risks that we have not appropriately anticipated or identified. If our risk management framework proves ineffective, we could suffer unexpected losses and our business, financial condition, results of operations or growth prospects could be materially adversely affected. We may also be subject to potentially adverse regulatory consequences. Climate change and related legislative and regulatory initiatives may materially affect the Company' s business and results of operations. ~~The effects of climate~~ ~~Climate~~ change ~~continue~~ ~~continues~~ to ~~be a pressing~~ create an alarming level of concern for the state of the ~~,~~ ~~prompting heightened awareness and action on a~~ global environment ~~scale~~. ~~Efforts include international agreements such~~ As a result, the global business community has ~~as~~ increased its political and social awareness surrounding the issue ~~Paris Agreement~~ and with the United States ~~rejoining~~, has entered into international agreements in an ~~and ongoing~~ attempt to reduce global temperatures, such as reentering the Paris Agreement. Further, ~~38~~ the U. S. Congress, state legislatures and federal and state regulatory agencies continue to propose numerous initiatives ~~at various governmental levels~~ to ~~address~~ supplement the global effort to combat climate change - ~~related issues~~. Similar and even more expansive initiatives are

expected under **Under** the current administration, including **additional measures are anticipated**, potentially **impacting** increasing supervisory expectations with respect to banks' risk management practices, accounting for the effects of climate change in stress testing scenarios and systemic risk assessments, revising expectations for credit portfolio concentrations, based on climate-related factors and encouraging investment by banks in climate-related initiatives and lending **strategies**. **The lack of empirical data makes it challenging** to communities disproportionately **predict the precise financial** impacted -- **impact** by the effects of climate change, **though** --. The lack of empirical data surrounding the credit and other financial risks posed by climate change render it **its** difficult, or even impossible, to predict how specifically climate change may impact our financial condition and results of operations; however, the physical effects **such as** of climate change may also directly impact us. Specifically, unpredictable and more frequent weather disasters may adversely impact the **real property, estate collateral** and /or the value of the real property, securing the loans- **loan** in our portfolios. **Inadequate** Additionally, if insurance obtained by our borrowers is insufficient to cover any losses sustained to the collateral, or if insurance coverage **for** is otherwise unavailable to our borrowers, the collateral securing our loans may be negatively impacted by **compound these risks, impacting our financial condition**. Furthermore, climate change, natural disasters' s broader economic effects could adversely affect our customers and the communities we serve, potentially impacting our financial performance. On March 6, 2024, the SEC implemented new climate-related disclosure rules for U events, which could impact our financial condition and results of operations. S. public companies and foreign private issuers. These rules introduce extensive disclosure requirements, increasing reporting costs, risks, and complexity. Challenges include short compliance timelines, interpretive issues, legal liabilities, and global regulatory overlaps. Lawsuits contesting these 36 rules add further further uncertainty. However, on March 15, 2024, the effects U. S. Court of Appeals for the Fifth Circuit granted an administrative stay, temporarily halting the implementation of the SEC' s climate rules change may negatively impact regional and local economic activity, which could lead to an adverse effect on our customers and impact the communities in which we operate. Overall, climate change, its effects and the resulting, unknown impact could have a material adverse effect on our financial condition and results of operations. Risks Related to Cybersecurity, Data and Fraud We are subject to certain risks in connection with our use of technology. Our security measures may not be sufficient to mitigate the risk of a cyber- attack. Communications and information systems are essential to the conduct of our business, as we use such systems to manage our customer relationships, our general ledger and virtually all other aspects of our business. Our operations rely on the secure processing, storage, and transmission of confidential and other information in our computer systems and networks. Although we take protective measures and endeavor to modify them as circumstances warrant, the security of our computer systems, software, and networks may be vulnerable to breaches, fraudulent or unauthorized access, denial or degradation of service attacks, misuse, computer viruses, malware or other malicious code and cyber- attacks that could have a security impact. If one or more of these events occur, this could jeopardize our or our customers' confidential and other information processed and stored in, and transmitted through, our computer systems and networks, or otherwise cause interruptions or malfunctions in our operations or the operations of our customers or counterparties. We may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures, and we may be subject to litigation and financial losses that are either not insured against or not fully covered through any insurance maintained by us. We could also suffer significant reputational damage. Further **Additionally**, as our cardholders use their debit and credit cards **for transactions with** to make purchases from third parties or through third- party processing services -- As such, we **face additional** are subject to risk **risks** from data breaches **in** of such third- party' s information systems or their **system or** payment processors. Such a data security breach **breaches** could compromise **expose** our account information --. The payment methods that we offer also subject us to potential fraud and theft by criminals, **leading** who are becoming increasingly more sophisticated, seeking to **liabilities** obtain unauthorized access to or exploit weaknesses that may exist in the payment systems. If we fail to comply with applicable rules or requirements for the payment methods we accept, or if payment- related data is compromised due to a breach or misuse of data, we may be liable for losses associated with reimbursing our clients for such fraudulent transactions on clients' card accounts, as well as costs incurred by payment card issuing banks and other third parties or may be subject to fines, and higher transaction fees, or our ability to accept or facilitate certain types of payments may be impaired. We **Breaches** may also **erode** incur other costs related to data security breaches, such as replacing cards associated with compromised card accounts. In addition, our customers- **customer** could lose confidence **trust, prompting shifts** in certain payment **methods and** types, which may result in a shift to other payment types or potential changes to our payment systems that may result in, **which could incur** higher costs. **Despite ongoing efforts to enhance** Breaches of information security also may occur through intentional or **our** unintentional acts by those having access to our systems or our clients' or counterparties' confidential information, including employees. The Company is continuously working to install new and upgrade its existing information technology systems and provide employee awareness training around phishing, malware, and other cyber **threats remain pervasive** risks to further protect the Company against cyber risks and security breaches. There continues to be a rise in electronic fraudulent activity, **particularly in** security breaches and cyber- attacks within the financial services industry, especially in the commercial banking sector due to cyber criminals targeting commercial bank accounts. We are regularly the target of attempted cyber and other security threats and must continuously monitor and develop **fortify** our information technology networks and infrastructure to prevent, detect, **and** address and mitigate the risk of unauthorized access, misuse **misuses**, computer viruses, and other events that could have a security impact **risks**. **While** Insider or employee cyber and security threats are increasingly a concern for 39 companies, including ours. We are not aware that we have **not** experienced **significant** any material misappropriation, loss or other unauthorized disclosure of confidential or personally identifiable information as a result of a cyber- security breach **breaches** or other act, however, some of our clients may have been affected by third- party breaches, **potentially** which could increase **increasing** their risks of identity theft **and**, credit card fraud and other fraudulent activity that could involve **involving** their accounts with us. Security

breaches in our internet banking activities could further expose us to possible liability and damage our reputation. Increases in criminal activity levels and sophistication, advances in computer capabilities, new discoveries, vulnerabilities in third- party technologies (including browsers and operating systems) or other developments could result in a compromise or breach of the technology, processes and controls that we use to prevent fraudulent transactions and to protect data about us, our clients and underlying transactions. Any compromise of our security could deter customers from using our internet banking services that involve the transmission of confidential information ~~.-We rely on standard internet security systems to provide the security and authentication necessary to effect secure transmission of data-~~. Although we have developed and continue to invest in systems and processes that are designed to detect and prevent security breaches and cyber- attacks and periodically test our security, these precautions may not protect our systems from compromises or breaches of our security measures, and could result in losses to us or our clients, our loss of business and / or clients, damage to our reputation, the incurrence of additional expenses, disruption to our business, our inability to grow our online services or other businesses, additional regulatory scrutiny or penalties, or our exposure to civil litigation and possible financial liability, any of which could have a material adverse effect on our business, financial condition and results of operations. Our security measures may not protect us from system failures or interruptions. While we have established policies and procedures to prevent or limit the impact of systems failures and interruptions, there can be no assurance that such events will not occur or that they will be adequately addressed if they do. In addition, we outsource certain aspects of our data processing and other operational functions to certain third- party providers. While the Company selects third- party vendors carefully, it does not control their actions. If our third- party providers encounter difficulties, including those resulting from breakdowns or other disruptions in communication services provided by a vendor, failure of a vendor to handle current or higher transaction volumes, cyber- attacks and security breaches or if we otherwise have difficulty in communicating with them, our ability to adequately process and account for transactions could be affected, and our ability to deliver products and services to our customers and otherwise conduct our business operations could be adversely impacted. Replacing these third- party vendors could also entail significant delay and expense. Threats to information security also exist in the processing of customer information through various other vendors and their personnel. ~~We~~ **37We** cannot assure **you** that such breaches, failures or interruptions will not occur or, if they do occur, that they will be adequately addressed by us or the third parties on which we rely. We may not be insured against all types of losses as a result of third- party failures and insurance coverage may be inadequate to cover all losses resulting from breaches, system failures or other disruptions. If any of our third- party service providers experience financial, operational or technological difficulties, or if there is any other disruption in our relationships with them, we may be required to identify alternative sources of such services, and we cannot assure that we could negotiate terms that are as favorable to us, or could obtain services with similar functionality as found in our existing systems without the need to expend substantial resources, if at all. Further, the occurrence of any systems failure or interruption could damage our reputation and result in a loss of customers and business, could subject us to additional regulatory scrutiny, or could expose us to legal liability. Any of these occurrences could have a materially adverse effect on our financial condition and results of operations. The board of directors oversees the risk management process, including the risk of cybersecurity, and engages with management on cybersecurity issues. Our business may be adversely affected by an increasing prevalence of fraud and other financial crimes. ~~The As a bank Bank is , we are~~ susceptible to fraudulent activity that may be committed against us or our clients, which may result in financial losses or increased costs to us or our clients, disclosure or misuse of our information or our client information, misappropriation of assets, privacy breaches against our clients, litigation or damage to our reputation. Such fraudulent activity may take many forms, including check fraud, electronic fraud, wire fraud, phishing, social engineering and other dishonest acts. Nationally, reported incidents of fraud and other financial crimes have increased. We have also experienced losses due to apparent fraud and other financial crimes. While we have policies and procedures designed to prevent such losses, there can be no assurance that such losses will not occur.

~~40Risks--~~ **Risks** Related to Accounting MattersThe Company’ s reported financial results depend on management’ s selection of accounting methods and certain assumptions and estimates, which, if incorrect, could cause unexpected losses in the future. The Company’ s accounting policies and methods are fundamental to how the Company records and reports its financial condition and results of operations. The Company’ s management must exercise judgment in selecting and applying many of these accounting policies and methods so they comply with GAAP and reflect management’ s judgment regarding the most appropriate manner to report the Company’ s financial condition and results of operations. In some cases, management must select the accounting policy or method to apply from two or more alternatives, any of which might be reasonable under the circumstances, yet might result in the Company’ s reporting materially different results than would have been reported under a different alternative. Certain accounting policies **, most notably the ACL,** are critical to presenting the Company’ s financial condition and results of operations. They require management to make difficult, subjective or complex judgments about matters that are uncertain. Materially different amounts could be reported under different conditions or using different assumptions or estimates. ~~These critical accounting estimates include, but are not limited to the allowance for loan losses, the valuation of investment securities, goodwill valuation and the calculation of income taxes, including tax provisions and realization of deferred tax assets, and the fair value of assets and liabilities. Because of the uncertainty of estimates involved in these matters, the Company may be required, among other things, to significantly increase the allowance for loan losses, sustain credit losses that are significantly higher than the reserve provided, and / or record a write- off of goodwill as a result of impairment.~~ For more information, refer to “ Management’ s Discussion and Analysis of Financial Condition and Results of Operations- Critical Accounting Estimates ” contained in this Form 10- K. We may experience future goodwill impairment, which could reduce our earnings. **In accordance with GAAP, we record assets acquired and liabilities assumed in a business combination at their fair value with the excess of the purchase consideration over the net assets acquired resulting in the recognition of goodwill. As a result, acquisitions typically result in recording goodwill.** ~~We performed--~~ **perform** ~~our a goodwill~~ **evaluation at least** ~~annual~~ **annually to test for** goodwill impairment ~~test as of October 31, 2022, and the test concluded that~~

recorded goodwill was not impaired. Our assessment of the fair value of goodwill is based on an evaluation of current purchase transactions, discounted cash flows from forecasted earnings, our current market capitalization, and a valuation of our assets. Our evaluation of the fair value of goodwill involves a substantial amount of judgment. If our judgment was incorrect, or if events or circumstances change, and an impairment of goodwill was deemed to exist, we would be required to write down our goodwill resulting in a charge to earnings, which would adversely affect our results of operations, perhaps materially; however, it would have no impact on our liquidity, operations or regulatory capital. We performed a qualitative assessment of goodwill at March 31, 2023 and concluded that recorded goodwill was not impaired. Our test of goodwill for potential impairment is based on a qualitative assessment by management that takes into consideration macroeconomic conditions, industry and market conditions, cost or margin factors, financial performance and share price.

Our evaluation of the fair value of goodwill involves a substantial amount of judgement. If our judgement was incorrect, or if events or circumstances change, and an impairment of goodwill was deemed to exist, we would be required to record a non-cash charge to earnings in our financial statements during the period in which such impairment is determined to exist. Any such charge could have a material adverse effect on our results of operations.

Risks 38**Risks** Related to our Business and Industry General We rely on other companies to provide key components of our business infrastructure. We rely on numerous external vendors to provide us with products and services necessary to maintain our day-to-day operations. Accordingly, our operations are exposed to risk that these vendors will not perform in accordance with the contracted arrangements under service level agreements. The failure of an external vendor to perform in accordance with the contracted arrangements under service level agreements because of changes in the vendor's organizational structure, financial condition, support for existing products and services or strategic focus or for any other reason, could be disruptive to our operations, which in turn could have a material negative impact on our financial condition and results of operations. We also could be adversely affected to the extent such an agreement is not renewed by the third-party vendor or is renewed on terms less favorable to us. Additionally, the bank regulatory agencies expect financial institutions to be responsible for all aspects of our a vendors- vendor's performance, including aspects which they a vendor delegate-delegates to third parties. Disruptions or failures in the physical infrastructure or operating systems that support our business and clients, or cyber-attacks or security breaches of the networks, systems or devices that our clients use to access our products and services could result in client attrition, regulatory fines, penalties or intervention, reputational damage, reimbursement or other compensation costs, and / or additional compliance costs, any of which could materially adversely affect our results of operations or financial condition.

41**We will be required to transition from the use of LIBOR in the future. We have junior subordinated debentures indexed to LIBOR to calculate the interest rate. ICE Benchmark Administration, the authorized and regulated administrator of LIBOR, ended publication of the one-week and two-month U. S. Dollar ("USD") LIBOR tenors on December 31, 2021 and the remaining USD LIBOR tenors will end publication in June 2023. Financial services regulators and industry groups have collaborated to develop alternate reference rate indices or reference rates. The transition to a new reference rate requires changes to contracts, risk and pricing models, valuation tools, systems, product design and hedging strategies. At this time, no consensus exists as to what rate or rates may become acceptable alternatives to LIBOR (with the exception of overnight repurchase agreements, which are expected to be based on the Secured Overnight Financing Rate, or SOFR). The language in our LIBOR-based contracts and financial instruments has developed over time and may have various events that trigger when a successor rate to the designated rate would be selected. If a trigger is satisfied, contracts and financial instruments may give the calculation agent discretion over the substitute index or indices for the calculation of interest rates to be selected. The implementation of a substitute index or indices for the calculation of interest rates under our agreements may result in incurring significant expenses in effecting the transition, may result in reduced loan balances if the substitute index or indices is not accepted and may result in disputes or litigation with customers and creditors over the appropriateness or comparability to LIBOR of the substitute index or indices, which could have an adverse effect on our results of operations.**

Ineffective liquidity management could adversely affect our financial results and condition. Liquidity is essential to our business. We rely on a number of different sources in order to meet our potential liquidity demands. Our primary sources of liquidity are increases in deposit accounts, cash flows from loan payments and our securities portfolio. Borrowings also provide us with a source of funds to meet liquidity demands. An inability to raise funds through deposits, borrowings, the sale of loans or investment securities, or other sources could have a substantial negative effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities or on terms which are acceptable to us could be impaired by factors that affect us specifically, or the financial services industry or economy in general. Factors that could detrimentally impact our access to liquidity sources include a decrease in the level of our business activity as a result of a downturn in the Washington or Oregon markets in which our loans are concentrated, negative operating results, or adverse regulatory action against us. Our ability to borrow could also be impaired by factors that are not specific to us, such as a disruption in the financial markets or negative views and expectations about the prospects for the financial services industry or deterioration in credit markets. Any decline in available funding in amounts adequate to finance our activities or on acceptable terms which are acceptable could adversely impact our ability to originate loans, invest in securities, meet our expenses or fulfill obligations such as repaying our borrowings or meeting deposit withdraw demands, any of which could, in turn, have a material adverse effect on our business, financial condition and results of operations. See "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations- Liquidity" of this Form 10-K. Additionally, collateralized public funds are bank deposits of state and local municipalities. These deposits are required to be secured by certain investment grade securities to ensure repayment, which on the one hand tends to reduce our contingent liquidity risk by making these funds somewhat less credit sensitive, but on the other hand reduces standby liquidity by restricting the potential liquidity of the pledged collateral. Although these funds historically have been a relatively stable source of funds for us, availability depends on the individual municipality's fiscal policies and cash flow needs. Our branching strategy may cause our expenses to increase faster than revenues. Since June 2020, we opened three new branches in Clark County, Washington and may open additional branches in our market area in the future.

The success of our branch expansion strategy is contingent upon numerous factors, including such as our ability to secure managerial resources, hire recruit and retain qualified personnel, and implement execute effective marketing strategies. The However, the opening of new branches may not lead to an immediate or substantial increase in the volume of our loans- loan and deposits- deposit volumes as quickly anticipated, and it will inevitably raise or our to operating expenses. Typically, de novo branches take the three degree that we hope to four years to become profitable, and the projected timeline and costs for opening new branches may significantly will increase our operating expenses. On average, de novo branches do not become profitable until three to four years after opening. Further, the projected timeline and the estimated dollar amounts involved in opening de novo branches could differ significantly from actual results. We may not successfully manage encounter challenges in managing the costs and implementation risks associated with our branching strategy. Accordingly As a result, any new branch branches may negatively impact initially weigh on our earnings for some period of time until they achieve branch reaches certain economies of scale. Finally Moreover, there is a risk that our new branches will may not yield be successful even after they- the desired success have been established. 42Our 39Our growth or future losses may require us to raise additional capital in the future, but that capital may not be available when it is needed or the cost of that capital may be very exceedingly high. We are required by federal regulatory authorities to maintain adequate levels of capital to support our operations. Our ability to raise additional capital, if needed, will depend on conditions in the capital markets at that time, which are outside our control, and on our financial condition and performance. Accordingly, we cannot make assurances that we will be able to raise additional capital if needed on terms that are acceptable to us, or at all. If we cannot raise additional capital when needed, our ability to further expand our operations could be materially impaired and our financial condition and liquidity could be materially and adversely affected. In addition, any additional capital we obtain may dilute result in the dilution of the interests of existing holders of our common stock. Further, if we are unable to raise additional capital when required by our bank regulators, we may be subject to adverse regulatory action. Increasing scrutiny and evolving If we fail to meet the expectations of our from customers, regulators, investors, and other stakeholders with respect to our environmental, social and governance (" ESG ") practices, including those relating to sustainability, it may impose additional costs have an adverse effect on us our- or expose us to new reputation and results of operation. Our reputation may also be negatively impacted by our- or diversity, equity and inclusion (" DEI ") efforts if they fall short of expectations. In addition additional risks. , various private third- party organizations have developed ratings processes for evaluating companies Companies are facing increasing scrutiny from customers, regulators, on their approach to ESG and DEI matters. These ratings may be used by some investors, to assist with their investment and voting decisions. Any unfavorable ratings may lead to reputational damage and negative sentiment among our investors and other stakeholders related to their . Furthermore, increased ESG practices disclosure. Investor advocacy groups, investment funds and influential investors are also increasingly focused on these practices, especially as they relate to the environment, health and safety, diversity, labor conditions and human rights. Increased ESG- related compliance costs could result in increases- increase to our overall operational costs. Failure to adapt to or comply with regulatory requirements or investor or stakeholder expectations and standards could negatively impact our reputation, ability to do business with certain partners, and our stock price. New government regulations could also result in new or more stringent forms of ESG oversight and expanding mandatory and voluntary reporting, diligence, and disclosure. Competition with other financial institutions could adversely affect our profitability. Although we consider ourselves competitive in our market areas, we face intense competition in both making loans and attracting deposits. Price competition for loans and deposits might result in our earning less on our loans and paying more on our deposits, which reduces net interest income. Some of the institutions with which we compete have substantially greater resources than we have and may offer services that we do not provide. We expect competition to increase in the future as a result of legislative, regulatory and technological changes and the continuing trend of consolidation in the financial services industry. Our profitability will depend upon our continued ability to compete successfully in our market areas. Our ability to retain and recruit key management personnel and bankers is critical to the success of our business strategy and any failure to do so could impair our customer relationships and adversely affect our business and results of operations. Competition for qualified employees and personnel in the banking industry is intense and there are a limited number of qualified persons with knowledge of, and experience in, the community banking industry where the Bank conducts its business. The process of recruiting personnel with the combination of skills and attributes required to carry out our strategies is often lengthy. Our success depends to a significant degree upon our ability to attract and retain qualified management, loan origination, finance, administrative, marketing and technical personnel and upon the continued contributions of our management and personnel. In particular, our success has been and continues to be highly dependent upon the abilities of key executives, including our President and Chief Executive Officer, and certain other employees. Our ability to retain and grow our loans, deposits, and fee income depends upon the business generation capabilities, reputation, and relationship management skills of our lenders. If we were to lose the services of any of our bankers, including successful bankers employed by banks that we may acquire, to a new or existing competitor, or otherwise, we may not be able to retain valuable relationships and some of our customers could choose to use the services of a competitor instead of our services. In addition, our success has been and continues to be highly dependent upon the services of our directors, many of whom are at or nearing retirement age, and we may not be able to identify and attract suitable candidates to replace such directors. 43Managing reputational risk is important to attracting and maintaining customers, investors and employees. Threats to our reputation can come from many sources, including adverse sentiment about financial institutions generally, unethical practices, employee misconduct, failure to deliver minimum standards of service or quality or operational failures due to integration or conversion challenges as a result of acquisitions we undertake, compliance deficiencies, and questionable or fraudulent activities of our customers. We have policies and procedures in place to protect our reputation and promote ethical conduct, but these policies and procedures may not be fully effective. Negative publicity regarding our business, employees, or customers, with or without merit, may result in the loss of customers, investors and employees, costly litigation, a decline in

~~revenues and increased governmental regulation.~~ We rely on dividends from the Bank for substantially all of our revenue at the holding company level. Riverview is a separate legal entity from its subsidiaries and does not have significant operations of its own. The long-term ability of Riverview to pay dividends to its stockholders and debt payments is based primarily upon the ability of the Bank to make capital distributions to Riverview, and also on the availability of cash at the holding company level. The availability of dividends from the Bank is limited by the Bank's earnings and capital, as well as various statutes and regulations. In the event the Bank is unable to pay dividends to us, we may not be able to pay dividends on our common stock or make payments on our outstanding ~~debt~~ **debt**. Consequently, the inability to receive dividends from the Bank could adversely affect our financial condition, results of operations, and future prospects. Also, our right to participate in a distribution of assets upon a subsidiary's liquidation or reorganization is subject to the prior claims of the subsidiary's creditors. ~~44~~ **41**