Risk Factors Comparison 2023-09-13 to 2022-09-13 Form: 10-K

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

An investment in our securities is subject to inherent risks. 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 securities could decline due to any of these identified or other risks, and you could lose all or part of your investment. Risks Relating to the Company and the Bank Risks Relating to Marco Economic Conditions **Recent events in** ~~The COVID- 19 pandemic has adversely impacted our ability to conduct business and is expected to adversely impact our financial results and those~~ -- **the** ~~of our customers. The ultimate impact will depend on future developments, which are highly uncertain and cannot be predicted, including the scope and duration of the pandemic and actions taken by governmental authorities in response to the pandemic. The COVID- 19 pandemic has significantly adversely affected our operations and the way we provide banking services to businesses and individuals, some of whom are currently, and many of whom have recently been under government issued stay- at- home orders. As an essential business, we have continued to provide banking and~~ financial services ~~to our customers, at times with only drive- thru service available our facilities. After re- opening our lobbies, we have again moved to only drive- thru service in some communities due to unavailability of team members complying with quarantine orders from local health authorities. In addition, we have continued to provide access to banking and financial services through online and mobile banking, ATMs and by telephone. If the COVID- 19 pandemic worsens, it could limit or disrupt our ability to provide banking and financial services to our customers. There is a pervasive uncertainty surrounding the future economic conditions that will emerge in the months and years following the onset of the pandemic. As a result, management is confronted with a significant and unfamiliar degree of uncertainty in estimating the impact of the pandemic on credit quality, revenues and asset values. To date, throughout the~~ industry ~~, the COVID- 19 pandemic has resulted in declines in loan demand and loan originations (other than through government sponsored programs, such as the Payroll Protection Program) and market interest rates, and it has negatively impacted some of our business and consumer borrowers' ability or willingness to make their loan payments timely. Because the length of the pandemic and the efficacy of the extraordinary measures being put in place to address its economic consequences are unknown, including recent reductions in the targeted federal funds rate, until the pandemic subsides, we expect our net interest income and net interest margin~~ may ~~be adversely affected in the near term, if not longer. Some of our borrowers have become unemployed or may face unemployment, and certain businesses may be at risk of insolvency due to declines in revenue, especially in businesses related to travel, hospitality, leisure and physical personal services. The impact of the pandemic may continue to adversely affect us during our 2023 fiscal year and possibly longer as loan demand, market interest rates, and the ability of some customers to make timely loan payments has been significantly affected. Although the Company makes estimates of credit losses related to the pandemic as part of its evaluation of the allowance for credit losses, such estimates involve significant judgment and are made in the context of continued uncertainty as to the impact the pandemic will have on the credit quality of our loan portfolio. It is possible that increased loan delinquencies, adversely classified loans and loan charge- offs could result in the future due to the pandemic. Consistent with guidance provided by banking regulators, we have modified loans by providing various loan payment deferral options to our borrowers affected by the COVID- 19 pandemic. Notwithstanding these modifications, these borrowers may not be able to resume making full payments on their loans as the COVID- 19 pandemic subsides. Any increases in the allowance for credit losses will result in a decrease in net income, and, most likely, capital, and may have a material negative effect on our financial condition and results of operations. The PPP loans made by the Bank are guaranteed by the SBA and, if used by the borrower for authorized purposes, may be fully forgiven. However, in the event of a loss resulting from a default on a PPP loan and a determination by the SBA that there was a deficiency in the manner in which the PPP loan was originated, funded or serviced by the Bank, the SBA may deny its liability under the guaranty, reduce the amount of the guaranty, or, if it has already made payment under the guaranty, seek recovery of any loss related to the deficiency from the Bank. In addition, several larger banks were subject to litigation regarding their processing of PPP loan applications. The Bank could be exposed to the risk of similar litigation, from both customers and non- customers that approached the Bank seeking PPP loans. PPP lenders, including the Bank, may also be subject to the risk of litigation in connection with other aspects of the PPP, including but not limited to borrowers seeking forgiveness of their loans. If any such litigation is filed against the Bank, it may result in significant financial or reputational harm to us. In accordance with U. S. GAAP, we record assets acquired and liabilities assumed at their fair value with the excess of the purchase consideration over the net assets acquired resulting in the recognition of goodwill. If adverse economic conditions or the recent decrease in our stock price and market capitalization as a result of the pandemic were to be deemed sustained rather than temporary, it may significantly affect the fair value of our goodwill and may trigger impairment charges. Any impairment charge could~~ have a material adverse effect on ~~our results of operations and~~ **us. Recent events in the** financial ~~condition~~ **services industry, including the failures of two large U** . ~~Goodwill~~ **S. banks in the span of three days in March 2023 and another failure in early May 2023, created industry- wide concerns related to liquidity, deposit outflows, uninsured deposit concentrations and eroding consumer confidence in the banking system. These events occurred against the backdrop of a rapidly rising interest rate environment which, among other things,** has ~~been evaluated during fiscal year 2022, as well as~~ **resulted in unrealized losses in longer duration securities and loans held by banks and more competition** for ~~triggering~~ **bank deposits. These** events **have had** ~~at June 30~~ , ~~2022~~ **and may continue to have** , ~~and~~ - **an** ~~it~~

~~was determined~~ **adverse impact on the market price of our common stock. While the U. S. Department of the Treasury, the Federal Reserve and the FDIC acted to fully protect the insured and uninsured depositors of two of the recently failed banks, and the FDIC secured an agreement with a large financial institution for** that ~~goodwill was~~ **institution to assume all the deposits of the third recently failed bank,** ~~not~~ - **no** ~~impaired. Even after~~ **assurance can be given that** ~~the~~ **these or similar actions** ~~COVID- 19 pandemic subsides, the U. S. economy~~ will **restore confidence in** ~~likely require some time to recover from its effects,~~ the **banking system** ~~length of which is unknown~~ , and ~~during which~~ we may ~~experience a recession. As a result~~ **be further impacted by concerns regarding the soundness of other financial institutions** , ~~we anticipate our~~ - **or** ~~business~~ **other future bank failures or disruptions. Any loss of customer deposits could increase our cost of funding or negatively affect our overall liquidity or capital. The cost of resolving the recent bank failures** may **prompt** ~~be materially and adversely affected during this recovery. To~~ the ~~extent the COVID- 19 pandemic adversely impacts~~ **FDIC to charge higher deposit insurance premiums and /** ~~our~~ - **or** ~~business, financial condition, liquidity, or results of operations, it~~ **impose special assessments on insured depository institutions. These events and any future similar events** may also **result in changes to laws or regulations governing bank holding companies and banks, including higher capital requirements, or the imposition of restrictions through supervisory or enforcement activities, any of which could** have ~~the~~ **a material adverse** effect **on us** ~~of heightening many of the other risks described in this section~~ . Changes in economic conditions, particularly an economic slowdown in southern Missouri or northern Arkansas, could hurt our business. Our business is directly affected by market conditions, trends in industry and finance, legislative and regulatory changes, and changes in governmental monetary and fiscal policies and inflation, all of which are beyond our control. Future deterioration in economic conditions, particularly within our primary market area in southern Missouri and northern Arkansas, could result in the following consequences, among others, any of which could hurt our business materially: ● loan delinquencies may increase; ● problem assets and foreclosures may increase; ● demand for our products and services may decline; ● loan collateral may decline in value, in turn reducing a customer' s borrowing power and reducing the value of collateral securing our loans; and ● the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments to us. ~~41Downturns~~ -- **Downturns** in the real estate markets in our primary market area could hurt our business. Our business activities and credit exposure are primarily concentrated in southern Missouri and northern Arkansas. While we did not and do not have a sub- prime lending program, our residential real estate, construction and land loan portfolios, our commercial and multi- family loan portfolios and certain of our other loans could be affected by the downturn in the real estate market. We anticipate that significant declines in the real estate markets in our primary market area would hurt our business and would mean that collateral for our loans would hold less value. As a result, our ability to recover on defaulted loans by selling the underlying real estate would be diminished, and we would be more likely to suffer losses on defaulted loans. The events and conditions described in this risk factor could therefore have a material adverse effect on our business, results of operations and financial condition. **Inflationary pressures and rising prices may adversely affect our results of operations and financial condition. Inflation has risen sharply since the end of 2021 to levels not seen in more than 40 years. Small and medium- sized businesses may be impacted more during periods of high inflation, as they are not able to leverage economies of scale to mitigate cost pressures compared to larger businesses. Consequently, the ability of our business customers 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. The economic impact of the COVID- 19 pandemic could continue to adversely affect us. The COVID- 19 pandemic has adversely impacted the global and national economy and certain industries and geographies in which our customers reside and operate. Because of its ongoing and dynamic nature, it is difficult to predict the full impact of the COVID- 19 pandemic on the Company and its customers, employees and third- party service providers. The extent of this impact will depend on future developments, which are highly uncertain. Additionally, the responses of various governmental and nongovernmental authorities and consumers to the pandemic may have material long- term effects on the Company and its customers, which are difficult to quantify in the near- term or long- term. We could be subject to a number of risks as the result of the COVID- 19 pandemic, any of which could have a material adverse effect on our business, financial condition, liquidity and results of operations. These risks include, but are not limited to, changes in demand for our products and services; increased loan losses or other impairments in our loan portfolios and increases in our allowance for loan losses; a decline in collateral for our loans, especially real estate; unanticipated unavailability of employees; increased cyber security risks to the extent employees work remotely; a prolonged weakness in economic conditions; and increased costs as we and our regulators, customers and third- party service providers adapt to evolving pandemic conditions. Severe weather and other natural disasters, acts of war or terrorism, new public health issues or other adverse external events could harm our business. Severe weather and other natural disasters, acts of war or terrorism, new public health issues or other adverse external events could have a significant impact on our ability to conduct business. Such events could harm our operations through interference with communications, including the interruption or loss of our computer systems, which could prevent or impede us from gathering deposits, originating loans and processing and controlling the flow of business, as well as through the destruction of our facilities and our operational, financial and management information systems. There is no assurance that our business continuity and disaster recovery program can adequately mitigate these risks. Such events could also affect the stability of our deposit base, cause significant property damage, adversely affect our employees, adversely impact the values of collateral securing our loans and / or interfere with our borrowers' abilities to repay their debt obligations to us.** ~~Risks~~ **43Risks** Relating to Credit and Lending ActivitiesOur allowance for credit losses may be insufficient to absorb losses in our loan portfolio. Lending money is a substantial part of our business. Every loan carries a certain risk that it will not be repaid in accordance with its terms or that any underlying collateral will not be sufficient to ensure repayment. This risk is affected by, among other things: ● cash flow of the borrower and / or the project being financed; ● in the case of a collateralized loan, the changes and uncertainties as to the future value of the collateral; ● the credit history of a particular borrower; ● changes in economic and industry conditions; and ● the duration of the loan. We maintain an allowance for credit losses which we believe is appropriate to provide for expected losses over the life of loans in our portfolio. The amount of this allowance is determined by our management through a periodic review and consideration of several factors, including, but not limited to: ● historical default and loss experience; ● historical recovery experience; ● economic conditions; ● evaluation of non- performing loans; ● the amount and quality of collateral, including guarantees, securing the loans. ● risk characteristics of the various classifications of loans; and ● the rate of growth, quality, size and diversity of the loan portfolio; If actual credit losses exceed the projections modeled in arriving at our estimate of the allowance for credit losses, our business, financial condition and profitability may suffer. The Financial Accounting Standards Board (FASB), adopted Accounting Standards Update (ASU), 2016- 13 " Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, " on June 16, 2016, which changed previous allowance for loan losses methodology to consider current expected credit losses (CECL). This accounting pronouncement was applicable to us effective for our fiscal year beginning July 1, 2020. The federal banking regulators, including the Federal Reserve have adopted rules that gives a banking organization the option ~~42to~~ **to** phase in over a three- year or five- year period the day- one adverse effects of CECL on its regulatory capital. We elected the five- year period for our Company. CECL has substantially changed how we calculate our allowance for credit losses. We have adopted CECL and prepared our consolidated financial statements based on the required methodology; however we cannot predict how it will affect our results of operations and financial condition over time, including our regulatory capital. In general, expectations are that the CECL methodology will lead to increased volatility in banking organizations' required level of allowances at different points in the economic cycle, and in their results of operations. ~~If~~ **44If** our nonperforming assets increase, our earnings will be adversely affected. At June 30, ~~2022~~ **2023** and June 30, ~~2021~~ **2022** , our nonperforming assets were $ ~~6~~ **11** . 3 million and $ ~~8~~ **6** . ~~1~~ **3** million, respectively, or 0. **26 % and 0.** 20 ~~% and 0. 30~~ % of total assets, respectively. Our nonperforming assets adversely affect our net income in various ways: ● We do not accrue interest income on nonaccrual loans, nonperforming investment securities, or other real estate owned. ● We must provide for expected credit losses through a current period charge to the provision for credit losses. ● Non- interest expense increases when we must write down the value of properties in our other real estate owned portfolio to reflect changing market values. ● There are legal fees associated with the resolution of problem assets, as well as carrying costs, such as taxes, insurance, and maintenance fees related to our other real estate owned. ● The resolution of nonperforming assets requires the active involvement of management, which can divert management' s attention from more profitable activities. If additional borrowers become delinquent and do not pay their loans and we are unable to successfully manage our nonperforming assets, our losses and troubled assets could increase significantly, which could have a material adverse effect on our financial condition and results of operations. See also " Regulation – Regulatory Capital Requirements. " Our construction lending exposes us to significant risk. Our construction loan portfolio, which totaled $ ~~258~~ **550** . ~~0~~ **1** million, or ~~9~~ **15** . ~~61~~ **4** % of loans, net, at June 30, ~~2022~~ **2023** , includes residential and non- residential construction and development loans. Construction and development lending, especially non- residential construction and development lending, is generally considered to have more complex credit risks than traditional ~~single~~ **one- to- four** - family residential lending because the principal is concentrated in a limited number of loans with repayment dependent on the successful completion and sale, leasing, or operation of the related real estate project. Consequently, these loans are often more sensitive to adverse conditions in the real estate market or the general economy than other real estate loans. These loans are generally less predictable and more difficult to evaluate and monitor and collateral may be difficult to dispose of in a market decline. Additionally, we may experience significant construction loan losses because independent appraisers or project engineers inaccurately estimate the cost or value of construction loan projects. Deterioration in our construction portfolio could result in increases in the provision for credit losses and an increase in charge- offs, all of which could have a material adverse effect on our financial condition and results of operations. ~~43Our~~ -- **Our** loan portfolio possesses increased risk due to our percentage of commercial real estate and commercial business loans. At June 30, ~~2022~~ **2023** , ~~59~~ **60** . ~~1~~ **5** % of our loans, net, consisted of commercial real estate and commercial business loans to small and mid- sized businesses, generally located in our primary market area, which are the types of businesses that have a heightened vulnerability to local economic conditions. Over the last ten years, we have increased this type of lending from 57. ~~9~~ **7** % of our portfolio at June 30, ~~2012~~ **2013** , to ~~59~~ **60** . ~~1~~ **5** % of our portfolio at June 30, ~~2022~~ **2023** , in order to improve the yield on our assets. At June 30, ~~2022~~ **2023** , our loan portfolio included $ 1. ~~1~~ **6** billion of commercial real estate loans and $ ~~441~~ **599** . ~~6~~ **0** million of commercial business loans compared to $ ~~889~~ **1** . ~~8~~ **1** ~~million~~ **billion** and $ ~~414~~ **441** . ~~1~~ **6** million, respectively, at June 30, ~~2021~~ **2022** . The credit risk related to these types of loans is considered to be greater than the risk related to one- to four- family residential loans because the repayment of commercial real estate loans and commercial business loans typically is dependent on ~~the~~ **45the** successful operation and income stream of the borrower' s business or the real estate securing the loans as collateral, which can be significantly affected by economic conditions. Additionally, commercial loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to residential real estate loans **. If loans that are collateralized by real estate become troubled and the value of the real estate has been significantly impaired, then we may not be able to recover the full contractual amount of principal and interest that we anticipated at the time we originated the loan, which could require us to increase our provision for credit losses and adversely affect our operating results and financial condition** . Commercial loans not collateralized by real estate are often secured by collateral that may depreciate over time, be difficult to appraise and fluctuate in value (such as accounts receivable, inventory and equipment). ~~If loans that are collateralized by real estate become troubled and the value of the real estate has been significantly impaired, then we may not be able to recover the full contractual amount of principal and interest that we anticipated at the time we originated the loan, which could require us to increase our provision for credit losses and adversely affect our operating results and financial condition.~~ Several of our commercial borrowers have more than one commercial real estate or business loan outstanding with us. Consequently, an adverse development with respect to a single loan or credit relationship can expose us to significantly greater risk of loss compared to an adverse development with respect to a single one- to four- family residential mortgage loan. Finally, if we foreclose on a commercial real estate loan, our holding period for the collateral, if any, typically is longer than for one- to four- family residential property because there are fewer potential purchasers of the collateral. Since we plan to continue to increase our originations of these loans, it may be necessary to increase the level of our allowance for credit losses due to the increased risk characteristics associated with these types of loans. Any increase to our provision credit loan losses would adversely affect our operating results and financial condition. Any delinquent payments or the failure to repay these loans would hurt our operating results and financial condition. Our loan portfolio possesses risk due to our agricultural lending. Included in the commercial real estate loans described above are agricultural real estate loans totaling $ ~~213~~ **238** . 1 million, or **6.** 7 ~~. 9~~ % of our loan portfolio, net, at June 30, ~~2022~~ **2023** . Agricultural real estate lending involves a greater degree of risk and typically involves larger loans to single borrowers than lending on ~~single~~ **one- to- four** - family residences. Payments on agricultural real estate loans are dependent on the profitable operation or management of the farm property securing the loan. The success of the farm may be affected by many factors outside the control of the farm borrower, including adverse weather conditions that prevent the planting of a crop or limit crop yields (such as hail, drought and floods), loss of livestock due to disease or other factors, declines in market prices for agricultural products (both domestically and internationally) and the impact of government regulations (including changes in price supports, subsidies, and environmental regulations). In addition, many farms are dependent on a limited number of key individuals whose injury or death may significantly affect the successful operation of the farm. If the cash flow from a farming operation is diminished, the borrower' s ability to repay the loan may be impaired. The primary agricultural activity in our market areas is livestock, dairy, poultry, rice, timber, soybeans, wheat, melons, corn, and cotton. Accordingly, adverse circumstances affecting these activities could have an adverse effect on our agricultural real estate loan portfolio. Our agricultural real estate lending has grown significantly since June 30, ~~2012~~ **2013** when these loans totaled $ ~~48~~ **53** . ~~6~~ **0** million, or 8. ~~3~~ **2** % of our loan portfolio, and we intend to continue to grow this portion of our loan portfolio. Included in the commercial business loans described above are agricultural production and equipment loans. At June 30, ~~2022~~ **2023** , these loans totaled $ ~~110~~ **138** . 3 million, or ~~4~~ **3** . ~~1~~ **9** %, of our loan portfolio, net. As with agricultural real estate loans, the repayment of operating loans is dependent on the successful operation or management of the farm property. ~~44The~~ -- **The** same risk applies to agricultural operating loans which are unsecured or secured by rapidly depreciating assets such as farm equipment or assets such as livestock or crops. Any repossessed collateral for a defaulted loan may not provide an adequate source of repayment of the outstanding loan balance as a result of the greater likelihood of damage, loss or depreciation to the collateral. Our agricultural operating loans have also grown significantly since June 30, ~~2012~~ **2013** , when such loans totaled $ ~~50~~ **47** . ~~8~~ **4** million, or ~~8.~~ 7 **. 3** % of our loan portfolio. At times, various agricultural commodity prices have been negatively impacted by recent actions taken, or which are feared could be taken, by governments in markets where U. S. agricultural products are exported. Declines in the pricing available to U. S. farmers negatively impacts cash flows for these borrowers to service their debts, and negatively affects the value of real estate and equipment which may be pledged as collateral to secure borrowings. In addition to the various risks to farm operations and management noted above, agricultural loans often are structured for ~~annual~~ **46annual** payments, to coincide with borrower cash flows. As compared to other loan types which generally require monthly payments, an annual payment schedule may increase risk that the Company would not timely identify a borrower experiencing financial difficulties, hindering its ability to work to mitigate losses. Continued growth of our commercial real estate and commercial business loan portfolios may increase the risk of credit defaults in the future. Due to our emphasis on commercial real estate and commercial business lending, a substantial amount of the loans in our commercial real estate and commercial business portfolios and our lending relationships are of relatively recent origin. In general, loans do not begin to show signs of credit deterioration or default until they have been outstanding for some period of time, a process referred to as " seasoning. " A portfolio of older loans will usually behave more predictably than a newer portfolio. Commercial real estate and commercial business loans naturally create portfolio " churn " as loans are originated and repaid. As a result, our portfolio consists of a mix of seasoned and unseasoned loans. We believe that our underwriting practices are sound and based on industry standards and best practices. However, a significant portion of our loan portfolio is relatively new ~~,~~ **.** ~~therefore~~ **Therefore** , the current level of delinquencies and defaults may not be representative of the level that will prevail as the portfolio becomes more seasoned, which may be higher than current levels. If delinquencies and defaults increase, we may be required to increase our provision for loan losses, which would adversely affect our results of operations and financial condition. ~~As we approach~~ **We currently exceed** thresholds defined in interagency guidance on commercial real estate concentrations **, and as such** , we may incur additional expense or slow the growth of certain categories of commercial real estate lending. The federal banking agencies have issued guidance on sound risk management practices for concentrations in commercial real estate lending (see " REGULATION – Guidance on Commercial Real Estate Concentrations "). For the purposes of this guidance, " commercial real estate " includes, among other types, multi- family residential loans and non- owner occupied nonresidential loans, two categories which have been a source of loan growth for the Company. A bank that has experienced rapid growth in commercial real estate lending, has notable exposure to a specific type of commercial real estate loan, or is approaching or exceeding the following supervisory criteria may be identified for further supervisory analysis with respect to real estate concentration risk: total loans for construction land development and other land representing 100 % or more of the bank' s tier 1 regulatory capital plus the allowance for loan losses includable in total regulatory capital; or total commercial real estate loans (as defined in the guidance) that exceed 300 % of the bank' s tier 1 regulatory capital plus the allowance for loan losses includable in total regulatory capital and the bank' s commercial real estate portfolio has increased by 50 % or more during the prior 36 months. During fiscal 2017, the Bank exceeded the 300 % threshold for non- owner occupied commercial real estate loans (as defined in the guidance) for the first time as a percentage of tier 1 regulatory capital plus the allowance for credit losses includable in total regulatory capital, peaking at 305 % at December 31, 2016. **At times** ~~Since~~ **since** June 30, 2017, the Bank has been below the 300 % threshold, and reached a low of 260 % of tier 1 regulatory capital plus the allowance for credit losses includable in total regulatory capital at September 30, 2019. ~~45In recent years, the Company' s non- owner occupied commercial real estate loans (as defined in the guidance) as a percent of tier 1 regulatory capital plus the allowance for loan losses includable in total regulatory capital has remained below the 300 % threshold.~~ However, ~~during fiscal year 2022, the~~ non- owner occupied commercial real estate portfolio growth (inclusive of acquisitions) **during fiscal years 2022 and 2023** has resulted in the Company reporting ~~313~~ **330** % of tier 1 regulatory capital plus the allowance for loan losses includable in total regulatory capital at June 30, ~~2022~~ **2023** , as compared to ~~271~~ **313** % at June 30, ~~2021~~ **2022** . The Bank and Company may see its non- owner occupied commercial real estate lending grow as a percentage of total regulatory capital, or it may slow the growth of this type of lending activity. Should we continue to grow this category of our loan portfolio, we may incur additional expense to meet **increasing** ~~the heightened~~ supervisory expectations related to this lending activity. If we slow the growth of commercial real estate loans generally, or particular concentrations of borrowers or categories of properties within that definition, we may be negatively impacted in terms of our asset growth, net interest margin and earnings, leverage, or other targets. ~~Credit~~ **47Credit** losses on investment securities could require charges to earnings, which could negatively impact our results of operations. In assessing the potential credit losses of investment securities, we are required to evaluate instances in which the fair value of particular securities are less than their amortized cost basis. The evaluation considers factors including; past events, current conditions, and reasonable & supportable forecasts, and the Company' s ability and intent to hold the security until maturity. A qualitative determination is acceptable. We currently hold additional collateralized debt obligations (CDOs) for which credit losses are not currently expected, based on our best judgment using information currently available. Risks Relating to Market Interest RatesChanges in interest rates may negatively affect our earnings and the value of our assets. Our earnings and cash flows depend substantially upon our net interest income. Net interest income is the difference between interest income earned on interest- earning assets, such as loans and investment securities, and interest expense paid on interest- bearing liabilities, such as deposits and borrowed funds. Interest rates are sensitive to many factors that are beyond our control, including general economic conditions, competition and policies of various governmental and regulatory agencies and, in particular, the policies of the Federal Reserve Board. Changes in monetary policy, including changes in interest rates, could influence not only the interest we receive on loans and investment securities and the amount of interest we pay on deposits and borrowings, but these changes could also affect: (i) our ability to originate loans and obtain deposits; (ii) the fair value of our financial assets and liabilities, including our securities portfolio; and (iii) the average duration of our interest- earning assets. This also includes the risk that interest- earning assets may be more responsive to changes in interest rates than interest- bearing liabilities, or vice versa (repricing risk), the risk that the individual interest rates or rate indices underlying various interest- earning assets and interest- bearing liabilities may not change in the same degree over a given time period (basis risk), and the risk of changing interest rate relationships across the spectrum of interest- earning asset and interest- bearing liability maturities (yield curve risk), including a prolonged flat or inverted yield curve environment. Any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our financial condition and results of operations. See also, Part II, Item 7 (a) " Interest Rate Sensitivity Analysis ". **We may incur losses on our securities portfolio due to factors beyond our control, including changes in interest rates. Factors beyond our control can significantly influence the fair value of securities in our portfolio and can cause potential adverse changes to the fair value of these securities. These factors include, but are not limited to, rating agency actions in respect of the securities, defaults by, or other adverse events affecting the issuer or the underlying securities, and changes in market interest rates and continued instability in the capital markets. Any of these factors, among others, could cause other- than- temporary impairments and realized and / or unrealized losses in future periods and declines in other comprehensive income, which could have a material effect on our business, financial condition, and results of operations.** The **process for determining whether impairment of a security is other- than- temporary usually requires complex, subjective judgments about the future financial performance and liquidity of the issuer and any collateral underlying the security to assess the probability of receiving all contractual principal and interest payments on the security. Furthermore, there can be no assurance that the declines in market value will not result in other- than- temporary impairments of these assets and lead to accounting charges that could have a material adverse effect on our net income and capital levels. For the year ended June 30, 2023, we did not incur any other- than- temporary impairments on our securities portfolio. 48The** replacement of the **London Interbank Offered Rate ("** LIBOR **") as a** benchmark interest rate may adversely ~~affect~~ **impact** us. **We have** ~~On July 27, 2017, the U. K. Financial Conduct Authority, which regulates LIBOR, announced that it will no longer persuade or compel banks to submit rates for the calculation of LIBOR to the LIBOR administrator after 2021. The announcement also indicates that the continuation of LIBOR on a current basis cannot and will not be guaranteed after 2021. Consequently, at this time, it is not possible to predict whether and to what extent banks will continue to provide LIBOR submissions to the LIBOR administrator or whether any additional reforms to LIBOR may be enacted in 46the United Kingdom or elsewhere. Similarly, it is not possible to predict whether LIBOR will continue to be viewed as an acceptable benchmark for~~ certain loans ~~and liabilities~~ , ~~what~~ **investment securities and borrowings indexed to USD LIBOR to calculate the interest** rate ~~or rates may become accepted alternatives to LIBOR or the effect of any such changes in views or alternatives on the values of the loans and liabilities, whose interest rates are tied to LIBOR~~ . ICE Benchmark Administration ~~(" IBA ")~~ , the authorized and regulated administrator of LIBOR **,** ~~recently announced it would consult on its plans for the discontinuation of LIBOR. IBA intends to end~~ **ended** publication of ~~some~~ **the one- week and two- month USD** LIBOR tenors on December 31, 2021 **,** and **ended publication of** the remaining **USD** LIBOR tenors ~~in~~ **on** June **30,** 2023. ~~Financial services regulators and industry groups have collaborated~~ **The Adjustable Interest Rate (LIBOR) Act (the " LIBOR Act ") was enacted in March 2022** to ~~develop alternate reference~~ **permit financing agreements that contain a LIBOR- based benchmark without adequate " fallback provisions " to be automatically replaced by a benchmark**

recommended by the Federal Reserve. In January 2023, the Federal Reserve adopted a final rule implementing the LIBOR Act that, among other things, identifies the applicable SOFR- based benchmark replacements under the LIBOR Act. SOFR is considered to be a risk- free rate **and USD LIBOR was a risk weighted rate. Thus, SOFR tends to be a lower rate than USD LIBOR because SOFR does not contain a risk component. This difference may negatively impact our net interest margin. The implementation of a substitute index or** indices ~~or~~ **for** ~~reference~~ **the calculation of interest** rates ~~. The~~ **under our loan agreements with our borrowers or under our existing borrowings may result in our incurring significant expenses in effecting the** transition ~~to a new reference rate requires changes to contracts~~ , **may result in reduced loan balances if borrowers do not accept** ~~risk and pricing models, valuation tools, systems, product design and hedging strategies. Uncertainty as to~~ the **substitute index or indices** ~~nature of such potential changes~~ , ~~alternative reference rates, the~~ **and may result in disputes or** ~~elimination~~ - **litigation with customers and creditors over the appropriateness** or ~~replacement of~~ **comparability to** LIBOR **of** ~~, or other~~ -- **the** ~~reforms may~~ **substitute index or indices, which could** adversely affect ~~the value of, and the return on~~ our ~~loans,~~ **results of operations** and ~~our investment~~ **financial condition. We began to use SOFR as a substitute for USD LIBOR for new originations in calendar year 2021. As of June 30, 2023, AFS** securities **in our portfolio with a face amount of $ 97. 9 million were tied to USD LIBOR** . Risks Relating to LiquidityLiquidity risk could impair our ability to fund operations and jeopardize our financial condition. Liquidity is essential to our business. An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a substantial negative effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities or the terms of 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 markets in which our loans are concentrated or an 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 generally. Risks Relating to Acquisition ActivitiesWe may fail to realize all of the anticipated benefits of our acquisition activities. The success of our acquisition activities depends on, among other things, our ability to realize anticipated cost savings and to combine the businesses of the companies in a manner that does not materially disrupt the existing customer relationships of the companies or result in decreased revenues from customers. If we are unable to achieve these objectives, the anticipated benefits of the acquisitions may not be realized fully, if at all, or may take longer to realize than expected. We have pursued a strategy of supplementing internal growth by acquiring other financial companies or their assets and liabilities that we believe will help fulfill our strategic objectives and enhance our earnings. There are risks associated with this strategy, including the following: ● We may be exposed to potential asset quality issues or unknown or contingent liabilities of the banks, businesses, assets and liabilities we acquire. If these issues or liabilities exceed our estimates, our results of operations and financial condition may be adversely affected; **49** ● Prices at which acquisitions can be made fluctuate with market conditions. We have experienced times during which acquisitions could not be made in specific markets at prices we considered acceptable and expect that we will experience this condition in the future; ● The acquisition of other entities generally requires integration of systems, procedures and personnel of the acquired entity into us to make the transaction economically successful. This integration process is complicated and time consuming and can also be disruptive to the customers of the acquired business. If the integration process is not conducted successfully and with minimal effect on the acquired business and its customers, we may not realize the anticipated economic benefits of particular acquisitions within the ~~47expected~~ -- **expected** time frame, or at all, and we may lose customers or employees of the acquired business. We may also experience greater than anticipated customer losses even if the integration process is successful. ● To the extent our costs of an acquisition exceed the fair value of the net assets acquired, the acquisition will generate goodwill. We are required to assess our goodwill for impairment at least annually, and any goodwill impairment charge could have a material adverse effect on our results of operations and financial condition; ● To finance an acquisition, we may borrow funds, thereby increasing our leverage and diminishing our liquidity, or raise additional capital, which could dilute the interests of our existing shareholders; and ● We have completed ~~five~~ **six** acquisitions since June 2017 which enhanced our rate of growth. We do not necessarily expect to be able to maintain our past rate of growth, and may not be able to grow at all in the future. Risks Relating to Future GrowthOur 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 high. We are required by federal and state regulatory authorities to maintain adequate levels of capital to support our operations. While we anticipate that our capital resources will satisfy our capital requirements for the foreseeable future, we may at some point need to raise additional capital to support our operations or continued growth, both internally and through acquisitions. Any capital we obtain may result in the dilution of the interests of existing holders of our common stock, or otherwise adversely affect your investment. 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 of our ability to raise additional capital if needed, or if the terms will be acceptable to us. If we cannot raise additional capital when needed, our ability to further expand our operations through internal growth and acquisitions could be materially impaired and our financial condition and liquidity could be materially and adversely affected. ~~48Risks~~ **50Risks** Relating to RegulationLegislative or regulatory changes or actions, or significant litigation, could adversely impact us or the businesses in which we are engaged. The financial services industry is extensively regulated. We are subject to extensive state and federal regulation, supervision and legislation that govern almost all aspects of our operations. Laws and regulations may change from time to time and are primarily intended for the protection of consumers, depositors and the deposit insurance funds, and not to benefit our shareholders. The impact of any changes to laws and regulations or other actions by regulatory agencies may negatively impact us or our ability to increase the value of our business. 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 allowance for loan losses. Additionally, actions by regulatory agencies or significant litigation against us could require us to devote significant time and resources to defending our business and may lead to penalties that materially affect us and our shareholders. Non- compliance with USA Patriot Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions. The USA Patriot and Bank Secrecy Acts require financial institutions to develop programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are detected, financial institutions are obligated to file suspicious activity reports with the U. S. Treasury' s Office of Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts. Failure to comply with these regulations could result in fines or sanctions. Several banking institutions have received large fines for non- compliance with these laws and regulations. Although 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. We operate in a highly regulated environment and may be adversely affected by changes in federal and state laws and regulations, some of which is expected to increase our costs of operations. We are currently subject to extensive examination, supervision and comprehensive regulation by the FDIC, the Missouri Division of Finance, and the Federal Reserve. The FDIC, the Missouri Division of Finance, and the Federal Reserve govern the activities in which we may engage, primarily for the protection of depositors and the Deposit Insurance Fund. These regulatory authorities have extensive discretion, including the ability to restrict an institution' s operations, require the institution to reclassify assets, determine the adequacy of the institution' s allowance for loan losses and determine the level of deposit insurance premiums assessed. Any change in such regulation and oversight, whether in the form of regulatory policy, new regulations or legislation or additional deposit insurance premiums could have a material adverse impact on our operations. Because our business is highly regulated, the laws and applicable regulations are subject to frequent change. See " Government Supervision and Regulation. " The Federal Reserve and the Missouri Division of Finance regulate the activities in which the Bank may engage primarily for the protection of depositors and not for the protection or benefit of stockholders. In addition, new laws and regulations may increase our costs of regulatory compliance and of doing business and otherwise affect our operations. New laws and regulations 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. Regulatory changes regarding card interchange fee income do not currently apply to us but could change in the future. Further, legislative proposals limiting our rights as a creditor could result in credit losses or increased expense in pursuing our remedies as a creditor. ~~49Risks~~ **51Risks** Relating to Technology and Cyber Security and Other Operational MattersWe are subject to security and operational risks relating to our use of technology that could damage our reputation and business. Security breaches in our mobile and **consumer and commercial** internet banking activities **and wealth management or mobile access** could expose us to possible liability and damage our reputation. Any compromise of our security also could deter customers from using our internet banking services that involve the transmission of confidential information. We rely on internet security systems to provide the security and authentication necessary to effect secure transmission of data. These precautions may not protect our systems from compromises or breaches of our security measures, which could damage our reputation and business. We face significant operational risks because the financial services business involves a high volume of transactions and increased reliance on technology, including risk of loss related to cyber- security breaches. We operate in diverse markets and rely on the ability of our employees and systems to process a high number of transactions and to collect, process, transmit and store significant amounts of confidential information regarding our customers, employees and others and concerning our own business, operations, plans and strategies. Operational risk is the risk of loss resulting from our operations, including but not limited to, the risk of fraud by employees or persons outside our company, the execution of unauthorized transactions by employees, errors relating to transaction processing and technology, systems failures or interruptions, breaches of our internal control systems and compliance requirements, and business continuation and disaster recovery. Insurance coverage may not be available for such losses, or where available, such losses may exceed insurance limits. This risk of loss also includes the potential legal actions that could arise as a result of operational deficiencies or as a result of non- compliance with applicable regulatory standards or customer attrition due to potential negative publicity. In addition, we outsource some of our data processing to certain third- party providers. If these third- party providers encounter difficulties, including as a result of cyber- attacks or information security breaches, or if we have difficulty communicating with them, our ability to adequately process and account for transactions could be affected, and our business operations could be adversely affected. The financial services industry has noted recent increases in electronic fraudulent activity, attempted security breaches, and cyber- attacks, including attempts to initiate fraudulent activity through consumer, commercial, and public unit accounts. We are regularly the target of attempted cyber and other security threats and must continuously monitor and develop our information technology networks and infrastructure to prevent, detect, address and mitigate the risk of unauthorized access, misuse, computer viruses and other events that could have a security impact. Insider or employee cyber and security threats are increasingly a concern for companies, including ours. We are not aware that we have experienced any material misappropriation, loss or other unauthorized disclosure of confidential or personally identifiable information as a result of a cybersecurity breach or other act, however, some of our clients may have been affected by these breaches, which could increase their risks of identity theft, credit card fraud and other fraudulent activity that could involve their accounts with us. In the event of a breakdown in our internal control systems, improper operation of systems or improper employee actions, or a breach of our security systems, including if confidential or proprietary information were to be mishandled, misused or lost, we could suffer financial loss, face regulatory action, civil litigation and / or suffer damage to our reputation. Our information technology systems may be subject to failure, interruption, or security breaches. Information technology systems are critical to our business. We use various technology systems to manage our customer relationships, general ledger, securities investments, deposits, and loans. We have established policies and procedures to prevent or limit the impact of system failures, interruptions, and security breaches, including privacy breaches and cyber- attacks, but such events may still occur or may not be adequately addressed if they do occur. ~~50There~~ **52There** have been increasing efforts by third parties to breach data security at financial institutions. There have been a number of instances involving financial services and consumer- based companies reporting the unauthorized disclosure of client or customer information or the destruction or theft of corporate data. Although we take protective measures, the security of our computer systems, software, and networks may be vulnerable to breaches, unauthorized access, misuse, computer viruses, or other malicious code and cyber- attacks that could have an impact on information security. Because the techniques used to cause security breaches change frequently, we may be unable to proactively address these techniques or to implement adequate preventative measures. Information security risks continue to increase due to new technologies, the increasing use of the Internet and telecommunication technologies (including mobile devices) to conduct financial and other business transactions, and the increasing sophistication and activities of organized crime, perpetrators of fraud, hackers, and others. The Company makes significant investments in various technology to identify and prevent intrusions into its information system. The Company also has policies and procedures designed to prevent or limit the effect of failure, interruption or security breach of its information systems and performs regular audits using both internal and outside resources. However, there can be no assurances that any such failures, interruptions or security breaches will not occur, or if they do occur, that they will be adequately addressed. In addition to unauthorized access, denial- of- service attacks, or other operational disruptions could overwhelm Company websites and prevent the Company from adequately serving customers. Should any of the Company' s systems become compromised or customer information be obtained by unauthorized parties, the reputation of the Company could be damaged, relationships with existing customers may be impaired, and the Company could be subject to lawsuits, all of which could result in a material adverse effect on the Company' s business, financial condition and results of operations. The Company continually encounters technological change. The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology- driven products and services, including the entrance of financial technology companies offering new financial service products. The Company regularly upgrades or replaces core technological systems. The effective use of technology increases efficiency and enables financial institutions to better serve customers and reduce costs. The Company' s future success depends, in part, upon its ability to address the needs of its customers by using technology to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in the Company' s operations. Many of the Company' s competitors have substantially greater resources to invest in technological improvements. The Company may encounter significant problems or may not be able to effectively implement new technology- driven products, including the core deposit system, and services, or be successful in marketing the new products and services to its customers. These problems might include significant time delays, cost overruns, loss of key people, and technological system failures. Failure to successfully keep pace with technological change affecting the financial services industry or failure to successfully complete the replacement of the core deposit system, or another core technological system, could have a material adverse effect on the Company' s business, financial condition and results of operations. The Company' s operations rely on certain external vendors. The Company relies on third- party vendors to provide products and services necessary to maintain day- to- day operations. For example, the Company outsources a portion of its information systems, communication, data management, and transaction processing to third parties. Accordingly, the Company is exposed to the risk that these vendors might not perform in accordance with the contracted arrangements or service level agreements for a number of reasons, including, but not limited to, changes in the vendor' s organizational structure, financial condition, support for existing products and services, or strategic focus. Such failure to perform could be disruptive to the Company' s operations, which could have a materially adverse impact on its business, results of operations and financial condition. These third parties are also sources of risk associated with operational errors, system interruptions or breaches and unauthorized disclosure of confidential information. If the vendors encounter any of these issues, the Company could be exposed to disruption of service, damage to reputation and litigation. Because the Company is an issuer of debit cards, it is periodically exposed to losses related to security breaches which occur at retailers that are unaffiliated with the ~~51Company~~ **53Company** (e. g., customer card data being compromised at retail stores). These losses include, but are not limited to, costs and expenses for card reissuance as well as losses resulting from fraudulent card transactions. The occurrence of any system failures, interruption, or breach of security could damage our reputation and result in a loss of customers and business, subject us to additional regulatory scrutiny, or could expose us to litigation and possible financial liability. Any of these events could have a material adverse effect on our financial condition and results of operations. The soundness of other financial institutions could adversely affect us. Our ability to engage in routine funding transactions could be adversely affected by the actions and commercial soundness of other financial institutions. Financial services institutions are interrelated as a result of trading, clearing, counterparty or other relationships. We have exposure to many different industries and counterparties, and we routinely execute transactions with counterparties in the financial industry. As a result, defaults by, or even rumors or questions about, one or more financial services institutions, or the financial services industry generally, have led to market- wide liquidity problems and could lead to losses or defaults by us or by other institutions. Many of these transactions expose us to credit risk in the event of default of our counterparty or client. In addition, our credit risk may be exacerbated when the collateral we hold cannot be realized upon or is liquidated at prices insufficient to recover the full amount of the loan. We cannot assure you that any such losses would not materially and adversely affect our business, financial condition or results of operations. Significant legal actions could subject us to substantial liabilities. We are from time to time subject to claims related to our operations. These claims and legal actions, including supervisory actions by our regulators, could involve large monetary claims and significant defense costs. As a result, we may be exposed to substantial liabilities, which could adversely affect our results of operations and financial condition. See also, Item 3. " Legal Proceedings ". Risks Relating to Earnings and Capital from Potential Impairment of Intangible or Deferred Tax AssetsImpairment of intangible assets or deferred tax assets could require charges to earnings, which could negatively impact our results of operations. Deferred tax assets are only recognized to the extent it is more likely than not they will be realized.

Should our management determine it is not more likely than not that the deferred tax assets will be realized, a valuation allowance with a charge to earnings would be reflected in the period. At June 30, ~~2022~~ **2023** , our net deferred tax asset was $ ~~10~~ **12** . ~~7~~ **9** million, none of which was disallowed for regulatory capital purposes. Based on the levels of taxable income in prior years and our expectation of profitability in the current year and future years, management has determined that no valuation allowance was required at June 30, ~~2022~~ **2023** . If we are required in the future to take a valuation allowance with respect to our deferred tax asset, our financial condition, results of operations and regulatory capital levels would be negatively affected. Risks Relating to Our Common StockThe price of our common stock may fluctuate significantly, and this may make it difficult for you to resell our common stock when you want or at prices you find attractive. We cannot predict how our common stock will trade in the future. The market value of our common stock will likely continue to fluctuate in response to a number of factors including the following, most of which are beyond our control, as well as the other factors described in this " Risk Factors " section: ● actual or anticipated quarterly fluctuations in our operating and financial results; ~~52~~ **54** ● developments related to investigations, proceedings or litigation; ● changes in financial estimates and recommendations by financial analysts; ● dispositions, acquisitions and financings; ● actions of our current shareholders, including sales of common stock by existing shareholders and our directors and executive officers; ● fluctuations in the stock prices and operating results of our competitors; ● regulatory developments; and ● other developments in the financial services industry. The market value of our common stock may also be affected by conditions affecting the financial markets in general, including price and trading fluctuations. These conditions may result in (i) volatility in the level of, and fluctuations in, the market prices of stocks generally and, in turn, our common stock and (ii) sales of substantial amounts of our common stock in the market, in each case that could be unrelated or disproportionate to changes in our operating performance. These broad market fluctuations may adversely affect the market value of our common stock. Currently, market prices of stocks issued by financial institutions have been negatively impacted by interest rates which are at historic lows and anticipated to remain there, and market expectations regarding elevated future credit losses resulting from the economic effects of the pandemic. Regulatory and contractual restrictions may limit or prevent us from paying dividends on and repurchasing our common stock. Southern Missouri Bancorp, Inc., is an entity separate and distinct from its subsidiary bank and derives substantially all of its revenue in the form of dividends from the Bank. Accordingly, the Company is and will be dependent upon dividends from its subsidiary bank to pay the principal of and interest on its indebtedness, to satisfy its other cash needs and to pay dividends on its common and preferred stock. The Bank' s ability to pay dividends is subject to its ability to earn net income and to meet certain regulatory requirements. In the event the subsidiary bank is unable to pay dividends to the Company, the Company may not be able to pay dividends on its common or preferred stock. Also, the Company' s right to participate in a distribution of assets upon the subsidiary' s liquidation or reorganization is subject to the prior claims of the subsidiary' s creditors. In addition, holders of our common stock are entitled to receive dividends only when, as and if declared by our board of directors. Although we have historically paid cash dividends on our common stock, we are not required to do so and our board of directors could reduce, suspend or eliminate our common stock cash dividend in the future. If we defer interest payments on our outstanding junior subordinated debt securities or if certain defaults relating to those debt securities occur, we will be prohibited from declaring or paying dividends or distributions on, and from making liquidation payments with respect to, our common stock. As of June 30, ~~2022~~ **2023** , we had outstanding $ 24. 3 million aggregate principal amount of junior subordinated debt securities issued in connection with the sale of trust preferred securities by subsidiaries of ours that are statutory business trusts. As of that date, those debt securities were carried at a book value of $ 23. 1 million. We guarantee the trust preferred securities described above. The indentures under which the junior subordinated debt securities were issued, together with the guarantee, prohibit us, subject to limited exceptions, from declaring or paying any dividends or distributions on, or redeeming, repurchasing, acquiring or making any liquidation payments with respect to, any of our capital stock at any time when (i) there shall have occurred and be continuing an event of default under the indenture; (ii) we are in default with respect to payment of any obligations under the guarantee; or (iii) we have elected to defer payment of interest on the junior subordinated debt securities. In that regard, we are ~~53~~ **55**