Risk Factors Comparison 2024-03-11 to 2023-03-08 Form: 10-K

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

An investment in the Corporation involves risk, some of which, including market, liquidity, credit, operational, legal, compliance, reputational, and strategic risks, could be substantial and is inherent in our business. This risk also includes the possibility that the value of the investment could decrease considerably, you could lose all or part of your investment, and dividends or other distributions concerning the investment could be reduced or eliminated. Discussed below are the most significant risks and uncertainties that management believes could adversely affect our financial results and condition, as well as the value of, and return on, an investment in the Corporation. Before making an investment decision, you should carefully consider the risks and uncertainties described below together with all of the other information included or incorporated by reference in this report. Risks Related to **the Acquisition of SimplyBank Our proposed transaction with SimplyBank may create incremental business, regulatory and reputational risks. As previously disclosed on November 13, 2023, we entered into a merger agreement (the " Merger Agreement ") with SimplyBank., a Tennessee- chartered commercial bank (" SimplyBank ") which sets forth the terms of our proposed transaction (the " Merger "). The Merger with SimplyBank comes with important risks, including, but not limited to: the expected timing and likelihood of completion of the Merger, including the timing, receipt, and terms and conditions of any required governmental, regulatory, or stockholder approvals or clearance of the Merger; the occurrence of any event, change, or other circumstances that could give rise to the termination of the Merger Agreement; the initiation or outcome of any legal proceedings that may in the future be initiated against the parties and others following the announcement of the Merger; the risks of expanding the Corporation' s business into new territories; the inability to consummate the Merger due to the failure to satisfy other conditions to complete the Merger; the risks that the Merger disrupts our current plans and operations; the potential effect of the announcement and or consummation of the Merger on relationships, including with associates, competitors, employees, and customers; the risk that management' s attention is diverted from other matters of the business to focus on the Merger; the risk that the transaction and / or integration costs are greater than expected; the risks that personnel, business, operational, regulatory, or other issues arise during the integration of the SimplyBank; the occurrence of any event, change, or other circumstances that could give rise to the termination of the Merger Agreement; and other risks described in our filings with the SEC. We may be unable to retain personnel successfully as a result of the acquisition. The success of the Merger will depend in part on the Corporation' s ability to retain the talents and dedication of key employees from SimplyBank. It is possible that these employees may decide not to remain with the Corporation. If the Corporation is unable to retain key employees, including management, who are critical to the successful integration and future operations of the combined company, the Corporation could face disruptions in its operations, loss of existing customers, loss of key information, expertise or know- how and incur unanticipated recruitment costs. If key employees terminate their employment, the Corporation' s business activities may be adversely affected and the Corporation will incur costs to locate or retain suitable replacements, or may be unable to locate or retain suitable replacements at all. We may be unable to retain customers as a result of the acquisition. The success of the Merger will depend in part on the Corporation' s ability to retain some of its and SimplyBank' s customers. It is possible that current customers of SimplyBank or the Corporation may decide to move their banking activities as a result of the Merger. If the Corporation is unable to retain its or SimplyBank' s key customers, loses a large number of customers, or otherwise does not realize all of the anticipated benefits of the Merger, it could have a material adverse effect on the Corporation' s business, financial condition, and result of operations. Risks Related to** Economic and Market Conditions Economic conditions have affected and could adversely affect our revenue and profits. The Corporation' s financial performance generally, and in particular the ability of borrowers to pay interest on and repay principal of outstanding loans and the value of collateral securing those loans, as well as demand for loans and other products and services that the Corporation offers, is highly dependent upon the business environment in the markets where the Corporation operates and in the U. S. as a whole. An economic downturn or sustained, high unemployment levels, inflation, supply chain disruptions that impact borrowers, recession, currency devaluation, changes in the monetary supply, **changes in fiscal and monetary policy,** decreased investor or business confidence, trade wars and the imposition of tariffs on goods purchased or sold by our customers, the effect of a pandemic, epidemic, or outbreak of an infectious disease on our customers, stock market volatility, and other factors beyond our control may have a negative effect on the ability of our borrowers to make timely repayments of their loans (thereby, increasing the risk of loan defaults and losses), the value of collateral securing those loans, demand for loans and other products and services we offer, and our deposit levels and composition. ~~Given~~ **Worsening conditions in** the current economic ~~environment,~~ **market could make** an economic recession or **a** downturn **more likely** ~~is a greater risk than in previous years. An economic recession or a downturn~~ in various **industries or** markets **and** could have the following adverse effects on our business: • A decrease in net interest income derived from our lending and deposit gathering activities; • A decrease in the demand of our loans and other products we offer; • A decrease in our deposit balances due to overall reductions in the number or value in client accounts; • A decrease in the value of collateral securing our loans • An increase in the level of nonperforming and classified loans; • An increase in provisions for credit losses and loan charge- offs; and • An increase in our operating expenses associated with attending to the effects of certain circumstances listed above. As a result of these potential economic conditions, our operating results could be negatively impacted. **Unrelated bank failures, other issues of unrelated banks, and decreased depositor confidence in depository institutions could negatively impact our stock price and we may experience**

a material adverse effect on our financial condition and results of operations. A collection of bank failures that began in March 2023 materially impacted depositor and investor confidence in community and regional depository institutions. On March 8, 2023, Silvergate Bank announced its decision to voluntarily liquidate its assets and wind down its operations. On March 10, 2023, the California Department of Financial Protection and Innovation (the " DFPI ") took possession of Silicon Valley Bank, citing inadequate liquidity and solvency. On March 12, 2023, Signature Bank was closed by the New York State Department of Financial Services. On May 1, 2023, the DFPI took possession of First Republic Bank citing that it was conducting its business in an unsafe or unsound manner and being in a condition that is unsafe or unsound to transact banking business. In each instance the FDIC was appointed as a receiver for the failed institution. There were a number of reasons for the failure of these institutions including, but not limited to, elevated levels of uninsured deposits, liquidity concerns, and losses in the financial institution' s long- term securities holdings. These events impacted the confidence of investors and customers in financial institutions as a whole. It led regulators, investors, and institutions to focus on the on- balance sheet liquidity, customer deposit base, including level of deposits uninsured by the FDIC, the amount of accumulated other comprehensive loss, capital levels, interest rate risk management, and securities holdings of financial institutions. If any additional financial institutions fail in a similar manner as those financial institutions that failed in 2022, our stock price and deposit base could be negatively impacted. As a result of these failures, enhanced scrutiny from regulators and potential new legislation may impact our ability to operate. Depending upon any adopted change in legislation or directives from regulators, we may need to adjust our strategy and operations to comply with such changing laws or regulatory directives and it could materially impact our operating results. Continued elevated levels of inflation could adversely impact our business and results of operations. **While** ~~The United States has recently experienced elevated levels of inflation, with the consumer price index reaching approximately 6. 5 % in December 2022. In connection with elevated levels of inflation,~~ the Federal Reserve **has taken steps** ~~Board raised the Effective Federal Funds Rate seven times in 2022, ultimately targeting an Effective Federal Funds Rate between 4. 25 % and 4. 50 % in December, 2022. Interest rates may continue~~ to **combat the** ~~rise or otherwise stagnate at~~ heightened levels **of inflation that began** in ~~2023~~ **2021 ,** ~~in an effort to account for~~ continued levels of inflation ~~. Continued levels of~~ **and monetary policy adopted by the Federal Reserve to combat such** inflation **,** could have complex effects on our business and results of operations, some of which could be materially adverse. While we generally expect any inflation- related increases in our interest expense to be offset by increases in our interest revenue, inflation- driven increases in our levels of non- interest expense could negatively impact our results of operations. Additionally, if interest rates **stay at their current level or** continue to rise, we could see consumer sentiment shift and demand for loans may decrease which would impact our results of operations. **The** ~~Continued~~ **continued effects from** elevated levels of inflation **recently experienced** could also increase volatility and uncertainty in the business environment, which ~~could~~ **17could** adversely affect loan demand and our clients' ability to repay indebtedness. It is also possible that governmental policy responses to the current inflation environment could further affect our business, such as changes to monetary and fiscal policy. The duration and severity of the current inflationary period, and the governmental responses thereto, are unknown and cannot be estimated with precision. Changes in interest rates could adversely affect the Corporation' s results of operations and financial condition. The Corporation' s earnings and cash flows are largely dependent upon the Corporation' s net interest income. Net interest income is the difference between interest income earned on interest earning assets, such as loans and securities, and interest expense paid on interest bearing liabilities, such as deposits and borrowed funds. Interest rates are highly sensitive to many factors that are beyond the Corporation' s control, including general economic conditions, domestic and international events, changes in U. S. and other financial markets, and policies of various governmental and regulatory agencies. Changes in monetary policy, including changes in interest rates, could influence not only the interest that is received on loans and securities and the interest that is paid on deposits and borrowings, but such changes could also affect the Corporation' s ability to originate loans and obtain deposits and the fair value of the Corporation' s financial assets and liabilities. If **the interest received on loans and other interest- earning assets decreases at a faster rate than the interest rates paid on deposits and other interest- bearing liabilities, our net interest income, and, therefore, our earnings could be adversely affected. Such an interest rate environment may also result in a decrease in our deposit base, potentially leading to an impact on our liquidity. While the lower payment amounts we would pay on deposits and other interest- bearing liabilities in a declining rate environment may increase our interest income, some depositors may use cash in other manners in an attempt earn greater returns than those interest rates paid on deposits, which could lead to a decline in our liquidity. Declining rates also may reduce the demand for new deposits and other interest- bearing liabilities. Accordingly, changes in interest rates could adversely affect our results of operations and financial condition. Conversely, if** the interest rates paid on deposits and other interest- bearing liabilities increase at a faster rate than the interest rates received on loans and other interest- earning assets, our net interest income, and, therefore, our earnings, could be adversely affected. Such an interest rate environment may also result in us incurring a higher cost to retain our deposits. While the higher payment amounts we would receive on adjustable- rate or variable- rate loans in a rising interest rate environment may increase our interest income, some borrowers may be unable to afford the higher payment amounts, and this could result in a higher rate of default. Rising interest rates also may reduce the demand for loans and the value of fixed- rate investment securities. Accordingly, changes in interest rates could adversely affect our results of operations and financial condition. Labor shortages and the loss of one or more of those key personnel may materially and adversely affect our business. Our success depends, in large part, on our ability to attract and retain key personnel. Key personnel that have regular direct contact with customers and clients often build strong relationships that are important to our business. In addition, we rely on key personnel to manage and operate our business, including major revenue producing functions, such as loan and deposit generation. Competition for qualified personnel in the financial services industry can be intense and we may not be able to hire or retain the key personnel that we depend upon for success. **In addition, we face additional risks of loss of key personnel from our**

acquisition of SimplyBank, as discussed in the Risk Factor titled " We may be unable to retain personnel successfully as a result of the acquisition. " Frequently, we compete in the market for talent with entities that are not subject to comprehensive regulation. The unexpected loss of services of one or more of our key personnel could have a material adverse impact on our business because of their skills, knowledge of the markets in which we operate, years of industry experience, and the difficulty of promptly finding qualified replacement personnel. Also, the loss of key personnel could jeopardize our relationships with customers and clients and could lead to the loss of accounts. Losses of accounts managed by key personnel could have a material adverse impact on our business. Terrorist attacks, threats **,** or actual war, natural disasters, global climate change, pandemics, other catastrophic events, trade policies, civil unrest, protests, and other global and domestic conflicts may impact all aspects of our operations, revenues, costs, and stock price in unpredictable ways. Terrorist attacks in the U. S. and abroad, as well as future events occurring in response to or in connection with them, including, without limitation, future terrorist attacks against U. S. targets, rumors or threats of war, actual conflicts involving the U. S. or its allies, or military or trade disruptions, may impact our operations **as well as the operations of some of our customers** . In addition, natural ~~disasters~~ **18disasters** , global climate change, pandemics, other catastrophic events, trade policies, domestic civil unrest, protest, and other global or domestic conflicts may impact our operations **or the operations of some of our customers** as well. Any of these occurrences could have an adverse impact on our operating results, revenues, and costs and may result in the volatility of the market price for our common stock and on the future price of our common stock. ~~Our participation in the SBA Paycheck Protection Program (" PPP ") exposes us to credit risk and regulatory enforcement risk, which could have a material adverse impact on our business, financial condition, and results of operations. The Corporation was a participating lender in the PPP, a loan program administered through the SBA, which was created to help eligible businesses, organizations and self- employed persons fund their operational costs during the COVID- 19 pandemic. Under this program, the SBA guaranteed 100 % of the amounts loaned under the PPP The Corporation made total loans under the PPP program in the amount of $ 275. 1 million, of which all has been forgiven by the SBA. The Corporation may be exposed to credit risk on a PPP loan (even if such loan has been forgiven) if a determination is made by the SBA that there is a deficiency in the manner in which these loans were originated, funded, or serviced. If a deficiency is identified, the SBA may deny its liability under the guaranty, reduce the amount of the guaranty or, if it has already paid under the guaranty, seek recovery of any loss related to the deficiency from the Corporation. 17Geographic~~ -- **Geographic** concentration of the Corporation' s markets makes our business highly susceptible to local economic conditions and a downturn in local economic conditions may adversely affect our business. Unlike larger banking organizations that are more geographically diversified, the Corporation' s operations are currently concentrated in west central Indiana, east central Illinois, western Kentucky, and middle and western Tennessee, and most of our customers are located in these markets. **Additionally, we will expand further into eastern Tennessee and northern Georgia provided we successfully consummate the Merger.** The economic conditions in these local markets may be different from, and in some instances be worse than, the economic conditions in the U. S. as a whole. As a result of this geographic concentration, the Corporation' s financial results depend largely upon economic conditions in these market areas. Deterioration in economic conditions in the Corporation' s markets could result in one or more of the following, which may adversely affect our business: • an increase in loan delinquencies; • an increase in problem assets and foreclosures; • an increase in our allowance for credit losses; • a decrease in the demand for our products and services; • a decrease in the value of collateral for loans, especially real estate, in turn reducing customers' borrowing power, the value of assets associated with problem loans and collateral coverage; • a decrease in net worth and liquidity of loan guarantors, which may impair their ability to honor guarantees made to us; and • a decrease in deposits balances. ~~Changes~~ **Risks Related** to **Our BusinessA lack of liquidity could affect our operations and jeopardize our financial condition. The Corporation requires liquidity to meet our deposit and other obligations as** ~~the~~ **they come due. The Corporation' s access to funding sources in amounts adequate to finance its activities or** ~~London Inter- Bank Offered Rate (" LIBOR ") may adversely impact the value of, and the return~~ on **terms** ~~, our financial instruments~~ that are ~~indexed~~ **acceptable** to ~~LIBOR~~ **it could be impaired by factors that affect it specifically or the financial services industry or the general economy. Factors that could reduce our access to liquidity sources include a downturn in the markets in which our loans are concentrated or adverse regulatory actions against the Corporation** . The Corporation **' s access to deposits may also be affected by the liquidity needs of depositors. The Corporation may not be able to replace maturing deposits and advances as necessary in the future, especially if a large number of depositors sought to withdraw their deposits, regardless of the reason. If the Corporation** is ~~continuing~~ **unable** to **sufficiently maintain** ~~evaluate the impacts of the phase out of LIBOR. Management has determined to initially replace LIBOR as an index for~~ - **or grow its deposits to meet liquidity objectives** ~~any new adjustable- rate loans with the Secured Overnight Finance Rate (" SOFR "). However~~ , ~~the transition from LIBOR could create considerable~~ **it may be subject to paying higher funding** costs ~~and additional risk for us. Since SOFR is calculated differently, payments under contracts indexed~~ to **achieve** ~~new rates will differ from~~ those **liquidity objectives** ~~indexed to LIBOR~~ . **A** ~~The transition will change our market risk profiles, requiring changes to risk and pricing models, valuation tools, product design, and hedging strategies. Further, our~~ failure to **maintain** ~~adequately~~ -- **adequate liquidity** ~~manage this transition process with our customers could impact our reputation and may subject us to disputes or litigation with our customers over the appropriateness or comparability to LIBOR of the substitute indices. Although we are currently unable to assess what the ultimate impact of the transition from LIBOR will be, any market- wide transition away from LIBOR~~ could have ~~an~~ **a material** adverse effect on ~~our~~ **the Corporation' s** business, financial condition **, and result of operations. The bank failures in 2023 as discussed in the Risk Factor titled " Unrelated bank failures, other issues of unrelated banks, and decreased depositor confidence in depository institutions could negatively impact our stock price and we may experience a material adverse effect on our financial condition** and results of operations. ~~Risks Related~~ **" exemplifies the potential serious results of the unexpected inability of insured depository institutions** to ~~Our BusinessWhen~~ **obtain needed liquidity to satisfy withdrawal requests, including how quickly such requests can accelerate once uninsured depositors**

lose confidence in an institution' s ability to satisfy its obligations to depositors. When we loan money, commit to loan money, or enter into a letter of credit or other contract with a counterparty, we incur credit risk, or the risk of loss if our borrowers do not repay their loans or our counterparties fail to perform according to the terms of their contracts. As lending is one of our primary business activities, the credit quality of our portfolio can have a significant impact on our earnings. We estimate and establish reserves for credit risks and probable incurred credit losses that are inherent in our loan portfolio. This process, which is critical to our financial results and condition, requires difficult, subjective, and complex judgments, including ~~reviews~~ **19reviews** of economic conditions and how these economic conditions might impair the ability of our borrowers to repay their loans. There is the chance that we will fail to identify the proper factors or that we will fail to accurately estimate the impacts of factors that we identify. In addition, large loans, letters of credit, and contracts with individual counterparties in our portfolio magnify the credit risk that we face, as the impact of large borrowers and counterparties not repaying their loans or performing according to the terms of their contracts ~~has~~ **would have** a disproportionately significant impact on our credit losses and reserves. ~~18The~~ -- **and results of operations** . ~~5~~ **The Corporation has significant exposure to risks associated with commercial and commercial real estate loans.As of December 31,2022,approximately 58.8** % of the Corporation' s loan portfolio consisted of commercial and commercial real estate loans.These loans are generally viewed as having more inherent risk of default than residential mortgage or consumer loans.The repayment of these loans often depends on the successful operation of a business and could be impacted by a recession or economic downturn.These loans are more likely to be adversely affected by weak conditions in the economy. ~~Weak conditions in the local market,the regional economy,the general economy,or industry specific factors may also adversely affect the value of the underlying collateral securing the loan.~~ Also,the commercial loan balance per borrower is typically larger than that of residential mortgage loans and consumer loans,indicating higher potential losses on an individual loan basis.The deterioration of one or a few of these loans could cause a significant increase in nonperforming loans and a reduction in interest income.An increase in nonperforming loans could result in an increase in the provision for loan ~~losses~~ **19losses** and an increase in loan charge- offs,both of which could have a material adverse effect on the Corporation' s business, **financial condition,** information that we use in managing our credit risk may be inaccurate or incomplete, which may result in an increased risk of default and otherwise have an adverse effect on our business, results of operations, and financial condition. In deciding whether to extend credit or enter into other transactions with clients and counterparties, we may rely on information furnished by or on behalf of clients and counterparties, including financial statements and other financial information. We also may rely on representations of clients and counterparties as to the accuracy and completeness of that information and, with respect to financial statements, on reports of independent auditors. Default risk may arise from events or circumstances that are difficult to detect, such as fraud. Moreover, such circumstances, including fraud, may become more likely to occur or be detected in periods of general economic uncertainty. We may also fail to receive full information with respect to the risks of a counterparty. In addition, in cases where we have extended credit against collateral, we may find that we are under- secured, for example, as a result of sudden declines in market values that reduce the value of collateral or due to fraud with respect to such collateral. If these events or circumstances were to occur, it could result in a potential loss of revenue and have an adverse effect on our business, results of operations, and financial condition. The Corporation operates in a highly competitive industry and market, and our business will suffer if we are unable to compete effectively. The Corporation faces substantial competition in all areas of its operations from a variety of different competitors, many of which are larger and may have more financial resources. Our competitors include banks, savings and loan associations, credit unions, finance companies, brokerage firms, insurance companies, factoring companies, financial technology companies, and other financial intermediaries. The financial services industry could become even more competitive as a result of legislative, regulatory, and technological changes and continued consolidation. Banks, securities firms, and insurance companies can merge under the umbrella of a financial holding company, which can offer virtually any type of financial service, including banking, securities underwriting, insurance (both agency and underwriting), and merchant banking. Also, technology has lowered barriers to entry and made it possible for non- banks to offer products and services traditionally provided by banks, such as automatic transfer and automatic payment systems. Many of the Corporation' s competitors have fewer regulatory constraints and may have lower cost structures. Additionally, due to their size, many competitors may be able to achieve economies of scale and, as a result, may offer a broader range of products and services as well as better pricing for those products and services than the Corporation can. The Corporation' s ability to compete successfully depends on a number of factors, including, among other things: • the ability to develop, maintain and build upon long- term customer relationships based on top quality service, and safe, sound assets; • the ability to expand the Corporation' s market position; • the scope, relevance and pricing of products and services offered to meet customer needs and demands; **20** • the rate at which the Corporation introduces new products and services relative to its competitors; • customer satisfaction with the Corporation' s level of service; and • industry and general economic trends. Failure to perform in any of these areas could significantly weaken the Corporation' s competitive position, which could adversely affect the Corporation' s growth and profitability, which, in turn, could have a material adverse effect on the Corporation' s financial condition and results of operations. The Corporation......' s business, financial condition, and results of operations. The Corporation' s accounting estimates and risk management processes rely on analytical and forecasting models, which, if inadequate, may result in a material adverse effect on our business, financial condition, or results of operation. The processes the Corporation uses to estimate its allowance for credit losses and to measure the fair value of financial instruments, as well as the processes used to estimate the effects of changing interest rates and other market measures on the Corporation' s financial condition and results of operations, depend upon the use of analytical and forecasting models. These models reflect assumptions that may not be accurate, particularly in times of market stress or other unforeseen circumstances. Even if these assumptions are adequate, the models may prove to be inadequate or inaccurate because of other flaws in their design or their implementation. If the models the Corporation uses for interest rate risk and asset- liability management are inadequate, the Corporation may incur increased or unexpected losses upon changes in market interest rates or other market

measures. If the models the Corporation uses for determining its probable credit losses are inadequate, the allowance for credit losses may not be sufficient to support future charge- offs. If the models the Corporation uses to measure the fair value of our financial instruments are inadequate, the fair value of our financial instruments may fluctuate unexpectedly or may not accurately reflect what the Corporation could realize upon sale or settlement of our financial instruments. Any failure in the Corporation' s analytical or forecasting models could have a material adverse effect on the Corporation' s business, financial condition, and results of operations. **The Financial Accounts Standards Board adopted a new accounting standard, effective January 1, 2020, that represents a comprehensive change in estimating the allowance for credit losses from the previous " incurred loss " model of losses inherent in the loan portfolio to a current " expected loss " model (" CECL "), which encompasses losses expected to be incurred over the life of the portfolio. CECL will require financial institutions to determine periodic estimates of lifetime expected credit losses on loans, and recognize the expected credit losses as allowances for loan losses. The Corporation implemented the CECL for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. This change in methodology may require us to increase our allowance for loan losses. Any increase in our allowance for loan losses or expenses incurred to determine the appropriate level of the allowance for loan losses may have a material adverse effect on our business, financial condition, and results of operations.** We are a community bank and our ability to maintain our reputation is critical to the success of our business. The Corporation' s banking subsidiaries are community banks and their reputation is one of the most valuable components of our business. A key component of our business strategy is to rely on our reputation for customer service and knowledge of local markets to expand our presence by capturing new business opportunities from existing and prospective customers in our current market and contiguous areas. As such, we strive to conduct our business in a manner that enhances our reputation. This is done, in part, by recruiting, hiring, and retaining employees who share our core values of being an integral part of the communities we serve, delivering superior service to our customers, and caring about our customers and associates. If our reputation is negatively affected by the actions of our employees, by our inability to conduct our operations in a manner that is appealing to current or prospective customers, or otherwise, our business and, therefore, our operating results, may be materially adversely affected. Our operational systems and networks are subject to an increasing risk of continually evolving cybersecurity or other technological risks, which could result in a loss of customer business, financial liability, regulatory penalties, damage to our reputation, or the disclosure of confidential information. Information technology systems are critical to our business. We use various technology systems to manage our customer relationships, general ledger, securities, deposits, and loans. Additionally, as part of our business, we collect, process, and retain personal, proprietary, and confidential information regarding our customers. The financial services industry has experienced an increase in both the number and severity of reported cyber- attacks aimed at gaining unauthorized access to bank systems as a way to misappropriate assets and sensitive information, corrupt and destroy data, or cause operational or business services disruptions. Any security breach ~~could~~ **21could** result in the misappropriation, loss, or unauthorized disclosure of sensitive customer information, severely damage our reputation, expose us to the risk of litigation and liability, disrupt our operations, and have a material adverse effect on our business. We also rely on the integrity and security of a variety of third- party processors and payment, clearing, and settlement systems, as well as the various participants involved in these systems, many of which have no direct relationship with us. Failure by these participants or their systems to protect our customers' transaction data may put us at risk for possible losses due to fraud or operational disruption. In addition, a number of our third- party service providers are large national entities with dominant market presence in their respective fields. Their services could prove difficult to replace in a timely manner if a failure or other service interruption were to occur. Failures of certain vendors to provide contracted services could adversely affect our ability to deliver products and services to our customers and cause us to incur significant expense. Our customers are also the target of cyber- attacks and identity theft. Large scale identity theft could result in customers' accounts being compromised and fraudulent activities being performed in their name, which could negatively affect our reputation or result in litigation and, consequently, negatively affect our results of operation. ~~20The~~ -- **The** occurrence of cybersecurity incidents across a range of industries has resulted in increased legislative and regulatory scrutiny over cybersecurity and calls for additional data privacy laws and regulations. These laws and regulations could result in increased operating expenses or increase our exposure to the risk of litigation. The occurrence of a cybersecurity incident involving us, third party service providers, or our customers, regardless of its origin, could damage our reputation and result in a loss of customers and business and subject us to additional regulatory scrutiny, and could expose us to litigation and possible financial liability. Furthermore, we may be required to expend significant additional resources to modify our protective measures or to investigate and remediate vulnerabilities or other exposures arising from operational and security risks. Any of these events could have a material adverse effect on our financial condition and results of operations. We rely on external vendors, which could expose the Corporation to additional operational risks. The Corporation relies on external vendors to provide products and services necessary to maintain day- to- day operations of the Corporation. Accordingly, the Corporation' s 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, strategic focus, or for any other reason, could be disruptive to the Corporation' s operations, which could have a material adverse impact on the Corporation' s business and, in turn, the Corporation' s financial condition and results of operations. New lines of business or new products and services may subject the Corporation to additional risks. From time to time, the Corporation may implement new lines of business or offer new products and services within existing lines of business. There are substantial risks and uncertainties associated with these efforts, particularly in instances where the markets are not fully developed. In developing and marketing new lines of business and / or new products and services, the Corporation may invest significant time and resources. Initial timetables for the introduction and development of new lines of business and / or new products or services may not be achieved and price and

profitability targets may not prove feasible. External factors, such as compliance with regulations, competitive alternatives, and shifting market preferences, may also impact the successful implementation of a new line of business or a new product or service. Furthermore, any new line of business and / or new product or service could have a significant impact on the effectiveness of the Corporation’ s system of internal controls. Failure to successfully manage these risks in the development and implementation of new lines of business or new products or services could have a material adverse effect on the Corporation’ s business, financial condition, and results of operations. The financial services industry is characterized by rapid technological change, and if we fail to keep pace, our business may suffer. The financial services industry is continually undergoing rapid technological change with frequent introductions of new technology- driven products and services. The effective use of technology **can** ~~increases~~ **increase** efficiency and ~~enables~~ **enable** financial institutions to better serve customers and to reduce costs. The Corporation’ s future success depends, in part, upon its ability to address customer needs by using ~~technology~~ **22technology** to provide products and services that will satisfy customer demands, as well as to create additional efficiencies in the Corporation’ s operations. The Corporation may not be able to effectively implement new technology- driven products and services ~~or~~ **,** be successful in marketing these products and services to its customers **, or incur significant costs in implementing new technology- driven products and services** . Further, many of our competitors have substantially greater resources to invest in technological improvements. Failure to successfully keep pace with technological change affecting the financial services industry could negatively affect the Corporation’ s growth, revenue, and profit ~~. A lack of liquidity could affect our operations and jeopardize our financial condition. The Corporation requires liquidity to meet our deposit and other obligations as they come due. The Corporation’ s access to funding sources in amounts adequate to finance its activities or on terms that are acceptable to it could be impaired by factors that affect it specifically or the financial services industry or the general economy. Factors that could reduce its access to liquidity sources include a downturn in the markets in which our loans are concentrated or adverse regulatory actions against the Corporation. The Corporation’ s access to deposits may also be affected by the liquidity needs of depositors. The Corporation may not be able to replace maturing deposits and advances as necessary in the future, especially if a large number of depositors sought to withdraw their deposits, 21regardless of the reason. A failure to maintain adequate liquidity could have a material adverse effect on the Corporation’ s business, financial condition, and result of operations~~ . The Corporation’ s controls and procedures may fail or be circumvented, and the Corporation’ s methods of reducing risk exposure may not be effective. The Corporation’ s internal operations are subject to risks, including, but not limited to, data processing system failures and errors, customer or employee fraud, and catastrophic failures resulting from terrorist acts or natural disasters. We regularly review and update our internal controls, disclosure controls and procedures, and corporate governance policies and procedures. Any system of controls and any system to reduce risk exposure, however well designed and operated, is based in part on assumptions and can provide only reasonable, not absolute, assurances that the objectives of the system are met. Additionally, instruments, systems, and strategies used to hedge or otherwise manage exposure to various types of market compliance, credit, liquidity, operational, and business risks and enterprise- wide risk could be less effective than anticipated. As a result, the Corporation may not be able to effectively mitigate its risk exposures in particular market environments or against particular types of risk. The Corporation may be adversely affected by the soundness of other financial institutions. Financial institutions are interrelated as a result of trading, clearing, counterparty, or other relationships. The Corporation has exposure to many different industries and counterparties, and routinely executes transactions with counterparties in the financial services industry, including commercial banks, brokers and dealers, investment banks, and other institutional clients. Many of these transactions expose the Corporation to credit risk in the event of a default by a counterparty or client. In addition, the Corporation’ s credit risk may be exacerbated when the collateral held by the Corporation cannot be realized upon or is liquidated at prices not sufficient to recover the full amount of the credit or derivative exposure due to the Corporation. These losses could have a material adverse effect on the Corporation’ s business, financial condition, and results of operations. The Corporation may foreclose on collateral property and would be subject to the increased costs associated with ownership of real property, resulting in reduced revenues and earnings. The Corporation forecloses on collateral property from time to time to protect its interests and thereafter owns and operates foreclosed property, in which case it is exposed to the risks inherent in the ownership of real estate. The amount that the Corporation, as a mortgagee, may realize after a default is dependent upon factors outside of its control, including, but not limited to: (i) general or local economic conditions; (ii) neighborhood values; (iii) interest rates; (iv) real estate tax rates; (v) operating expenses of the mortgaged properties; (vi) environmental remediation liabilities; (vii) ability to obtain and maintain adequate occupancy of the properties; (viii) zoning laws; (ix) governmental rules, regulations, and fiscal policies; and (x) natural disasters. Certain expenditures associated with the ownership of real estate, principally real estate taxes, insurance, and maintenance costs, may adversely affect the income from the real estate. Therefore, the cost of operating real property may exceed the income earned from the real property, and the Corporation may have to advance funds in order to protect its interests, or it may be required to dispose of the real property at a loss. These expenditures and costs could adversely affect the Corporation’ s ability to generate revenues, resulting in reduced levels of profitability. The Corporation’ s earnings may be adversely impacted due to environmental liabilities associated with lending activities. A significant portion of the Corporation’ s loan portfolio is secured by real property. During the ordinary course of business, the Corporation may foreclose on and take title to properties securing loans which have defaulted. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous or toxic substances are found, the Corporation may be liable for remediation costs, as well as for personal injury and property damage. Environmental laws may require the Corporation to incur substantial expenses and may materially reduce the affected property’ s value or limit the Corporation’ s ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase the Corporation’ s exposure to environmental liability. Environmental reviews of real property before initiating foreclosure actions may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities ~~associated~~ **23associated** with

an environmental hazard could have a material adverse effect on the Corporation' s business, financial condition, and results of operations. ~~22The~~ -- **The** Corporation may become subject to claims and litigation pertaining to intellectual property. Banking and other financial services companies, such as the Corporation, rely on technology companies to provide information technology products and services necessary to support the Corporation' s day- to- day operations. Technology companies frequently enter into litigation based on allegations of patent infringement or other violations of intellectual property rights. In addition, patent holding companies seek to monetize patents they have purchased or otherwise obtained. Competitors of the Corporation' s vendors, or other individuals or companies, may claim to hold intellectual property **rights in technology products or services** sold or licensed to the Corporation by its vendors. Intellectual property claims may increase in the future as the financial services sector becomes more reliant on information technology vendors. The plaintiffs in these actions frequently seek injunctions and substantial damages. Regardless of the scope or validity of alleged patents or other intellectual property rights, or the merits of any claims by potential or actual litigants, the Corporation may have to engage in protracted litigation, which may be expensive, time- consuming, **and** disruptive to the Corporation' s operations, and distracting to management. If the Corporation is found to infringe upon one or more patents or other intellectual property rights, it may be required to pay substantial damages or royalties to a third- party **and / or incur costs to replace or find an alternative for such technology products or services** . The Corporation may also consider entering into licensing agreements for disputed intellectual property, however, these license agreements may also significantly increase the Corporation' s operating expenses. If legal matters related to intellectual property claims were resolved against the Corporation or settled, the Corporation could be required to make payments **and / or incur costs** in amounts that could have a material adverse effect on its business, financial condition, and results of operations. Changes in consumer use of banks and changes in consumer spending and savings habits could adversely affect the Corporation' s financial results. Technology and other changes now allow many customers to complete financial transactions without using banks. For example, consumers can pay bills and transfer funds directly without going through a bank. This process of eliminating banks as intermediaries could result in the loss of fee income, as well as the loss of customer deposits and income generated from those deposits. In addition, changes in consumer spending and savings habits could adversely affect the Corporation' s operations, and the Corporation may be unable to timely develop competitive new products and services in response to these changes. Potential acquisitions may disrupt the Corporation' s business and dilute shareholder value. The Corporation generally seeks merger or acquisition partners that are culturally similar and have experienced management and possess either significant market presence or have potential for improved profitability through financial management, economies of scale, or expanded services. Acquiring other banks, businesses, or branches involves various risks commonly associated with acquisitions, including, among other things: • the time and costs associated with identifying and evaluating potential new markets, hiring experienced local management, and opening new offices, and the time lags between these activities and the generation of sufficient assets and deposits to support the costs of the expansion; • the time and costs associated with identifying potential acquisition and merger targets; • the accuracy of the estimates and judgments used to evaluate credit, operations, management, and market risks with respect to a target company; • the diversion of our management' s attention to the negotiation of a transaction, and the integration of the operations and personnel of the combined businesses; • our ability to finance an acquisition and possible dilution to our existing shareholders; • closing delays and expenses related to the resolution of lawsuits filed by shareholders of targets; • entry into new markets where we lack experience; • introduction of new products and services into our business; • potential exposure to unknown or contingent liabilities of the target company; • exposure to potential asset quality issues of the target company; • the risk of loss of key employees and customers; ~~and~~ **and24** • incurrence and possible impairment of goodwill associated with an acquisition and possible adverse short- term effects on our results of operations. ~~23Acquisitions~~ -- **Acquisitions** typically involve the payment of a premium over book and market values and, therefore, some dilution of the Corporation' s tangible book value and net income per common share may occur in connection with any future transaction. Furthermore, failure to realize the expected revenue increases, cost savings, increases in geographic or product presence, and / or other projected benefits from an acquisition could have a material adverse effect on the Corporation' s business, financial condition, and results of operations. Future growth or operating results may require the Corporation to raise additional capital, but that capital may not be available or it may be dilutive. The Corporation is required by federal and state regulatory authorities to maintain adequate levels of capital to support its operations. To the extent the Corporation' s future operating results erode capital or the Corporation elects to expand through loan growth or acquisition it may be required to raise capital. The Corporation' s ability to raise capital will depend on conditions in the capital markets, which are outside of its control, and on the Corporation' s financial performance. Accordingly, the Corporation may not be able to raise capital when needed or on favorable terms. If the Corporation cannot raise additional capital when needed, it will be subject to increased regulatory supervision and the imposition of restrictions on its growth and business. These restrictions could negatively impact the Corporation' s ability to operate or further expand its operations through acquisitions or the establishment of additional branches and may result in increases in operating expenses and reductions in revenues that could have a material adverse effect on its financial condition and results of operations. The value of the Corporation' s goodwill and other intangible assets may decline in the future. As of December 31, ~~2022~~ **2023** , the Corporation had $ ~~93~~ **92** . ~~7~~ **6** million of goodwill and other intangible assets. A significant decline in the Corporation' s expected future cash flows, a significant adverse change in the business climate, slower growth rates, or a significant and sustained decline in the price of the Corporation' s common stock may necessitate taking charges in the future related to the impairment of the Corporation' s goodwill and other intangible assets. If the Corporation were to conclude that a future write-down of goodwill and other intangible assets is necessary, the Corporation would record the appropriate charge, which could have a material adverse effect on the Corporation' s business, financial condition, and results of operations. The Corporation relies on dividends from its subsidiaries for most of its revenue. The Corporation is a separate and distinct legal entity from its subsidiaries. It receives substantially all of its revenue from dividends from its subsidiaries. These dividends are the principal

source of funds to pay dividends on the Corporation' s common stock and interest and principal on the Corporation' s debt. Various federal and state laws and regulations limit the amount of dividends that the Bank may pay to the Corporation. Also, the Corporation' s 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. In the event the Bank is unable to pay dividends to the Corporation, the Corporation may not be able to service debt, pay obligations, or pay dividends on the Corporation' s common stock. The inability to receive dividends from the Bank could have a material adverse effect on the Corporation' s business, financial condition, and results of operations. Risks Related to the Legal and Regulatory EnvironmentWe operate in a highly regulated environment and the regulatory framework to which we are subject may adversely affect our results of operations. The Corporation ~~,~~ and the Bank operate in a highly regulated environment and we are subject to extensive regulation, supervision, and examination by the Federal Reserve, the OCC, and the FDIC and DFI, respectively. Banking regulations are primarily intended to protect depositors' funds, federal deposit insurance funds, and the banking system as a whole, not our shareholders. Further, as a bank holding company, we are required to act as a source of financial and managerial strength to the Bank and to commit resources to support our subsidiary banks if needed. This regulatory framework affects our lending practices, capital structure, investment practices, and growth, among other things. ~~If~~ **25If** , as a result of an examination, a banking ~~regulatory~~ - **regulator** were to determine that our financial condition, capital resources, asset quality, earnings prospects, management, liquidity, or other aspects of any of our operations had become unsatisfactory, or that we were in violation of any law or regulation, they may take a number of different remedial actions as they deem appropriate. These actions ~~24include~~ -- **include** the power to enjoin " unsafe or unsound " practices, to require affirmative action to correct any conditions resulting from any violation or practice, to issue an administrative order that can be judicially enforced, to direct an increase in our capital, to restrict our growth, to assess civil money penalties, to fine or remove officers and directors, and, if it is concluded that these conditions cannot be corrected or there is an imminent risk of loss to depositors, to terminate our deposit insurance and place us into receivership or conservatorship. Any regulatory action against us or failure to comply with applicable laws and regulations could have an adverse effect on our reputation, business, financial condition, and results of operations. Legislative and regulatory actions taken now or in the future may increase our costs and impact our business, regulatory structure, financial condition, and / or results of operations. Since the 2007- 2008 financial crisis, federal and state banking laws and regulations, as well as interpretations and implementations of these laws and regulations, have undergone substantial review and change. In particular, the Dodd- Frank Act drastically revised the laws and regulations under which we operate. Financial institutions generally have also been subjected to increased scrutiny from regulatory authorities **which has been further exacerbated by the depository institution failures that occurred in 2023** . These changes and increased scrutiny may result in increased costs of doing business, decreased revenues and net income, may reduce our ability to effectively compete to attract and retain customers, or make it less attractive for us to continue providing certain products and services. Any future changes in federal and state law and regulations, as well as the interpretations and implementations of federal and state laws and regulations, could affect us in substantial and unpredictable ways, including those listed above, impact the regulatory structure under which we operate, significantly increase our costs, impede the efficiency of our internal business processes, require us to increase our regulatory capital and modify our business strategy, limit our ability to pursue business opportunities in an efficient manner, or other ways that could have a material adverse effect on our business, financial condition, or results of operations. These changes also 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. The Basel III capital rules may require us to retain higher capital levels, impacting our ability to pay dividends, repurchase our stock, or pay discretionary bonuses. The Federal Reserve, the FDIC, and the OCC adopted final rules for the Basel III capital framework which became effective on January 1, 2015. These rules substantially amended the regulatory risk- based capital rules formerly applicable to the Corporation and its banking subsidiaries. The rules have been phased in over time beginning in 2015 and became fully phased- in in 2019. The rules provide for minimum capital ratios of (i) common equity Tier 1 risk- weighted capital ratio of 4. 5 %, (ii) Tier 1 risk- based capital ratio of 6 %, and (iii) total risk- based capital ratio of 8 %. As fully phased in, the rules also require a capital conservation buffer of 2. 5 % on top of the foregoing minimum capital ratios, resulting in an effective requirement for minimum capital ratios of (a) common equity Tier 1 risk- weighted capital ratio of 7 %, (b) Tier 1 risk- based capital ratio of 8. 5 %, and (c) total risk- based capital ratio of 10. 5 %. Failure to satisfy any of these three capital requirements will result in limits on paying dividends, engaging in share repurchases, and paying discretionary bonuses. These limitations establish a maximum percentage of eligible retained income that could be utilized for these actions. We face a risk of noncompliance and enforcement action with the Bank Secrecy Act and other anti- money laundering statutes and regulations. The Bank Secrecy Act, the USA Patriot Act, and other laws and regulations require financial institutions, among other duties, to institute and maintain an effective anti- money laundering program and file suspicious activity and currency transaction reports as appropriate. The Federal Financial Crimes Enforcement Network is authorized to impose significant civil money penalties for violations of those requirements and has engaged in coordinated enforcement efforts with the other federal agencies, including federal banking regulators. We are also subject to increased scrutiny of compliance with the rules enforced by the U. S. Department of the Treasury' s Office of Foreign Assets Control. If our policies, procedures **,** and systems are deemed deficient, we could be subject to liability, including fines and regulatory actions, which may include restrictions on our ability to pay dividends and the necessity to obtain regulatory approvals to proceed with certain aspects of our business plan, including any acquisitions we desire to make. We could also incur increased costs and expenses to improve our anti- money laundering procedures and systems to comply with any regulatory requirements or actions. Failure to maintain and implement adequate programs to combat money laundering and terrorist ~~financing~~ **26financing** could also have serious reputational consequences for us. Any of these results could have a material adverse effect on our business, financial condition, results of operations, and future prospects. ~~25Higher~~ -- **Higher** FDIC deposit insurance premiums and assessments could adversely affect our financial condition. FDIC insurance premiums we

pay may change and be significantly higher in the future. Market developments may significantly deplete the insurance fund of the FDIC and further reduce the ratio of reserves to insured deposits, thereby making it requisite upon the FDIC to charge higher premiums prospectively. We have risk related to legal proceedings. We are involved in judicial, regulatory, and arbitration proceedings concerning matters arising from our business activities and fiduciary responsibilities. We establish reserves for legal claims when payments associated with the claims become probable and the costs can be reasonably estimated. We may still incur legal costs for a matter even if we have not established a reserve. In addition, the actual cost of resolving a legal claim may be substantially higher than any amounts reserved for that matter. The ultimate resolution of a pending or future legal proceeding, depending on the remedy sought and granted, could materially adversely affect our results of operations and financial condition. Risks Related to the Corporation' s Common StockThe Corporation may not be able to pay dividends in the future in accordance with past practice. The Corporation has historically paid a semi- annual dividend to common shareholders. The payment of dividends is subject to legal and regulatory restrictions. Any payment of dividends in the future will depend, in large part, on the Corporation' s earnings, capital requirements, financial condition **,** and other factors considered relevant by the Corporation' s Board of Directors. The price of the Corporation' s common stock may be volatile, which may result in losses for investors. General market price declines or market volatility in the future could adversely affect the price of the Corporation' s common stock and may make it more difficult for shareholders to resell their common stock when they want and at prices they find attractive. The Corporation' s common stock price can fluctuate significantly in response to a variety of factors, including: • announcements and news reports relating to the Corporation' s business and trends, concerns, and other issues in the financial services industry generally; • fluctuations in the Corporation' s results of operations; • sales or purchases of substantial amounts of the Corporation' s securities in the marketplace; • a shortfall or excess in revenues or earnings compared to securities analysts' expectations; • changes in analysts' recommendations or projections; • actual or expected economic conditions that are perceived to affect the Corporation, such as changes in real estate values or interest rates; • perceptions in the marketplace regarding the Corporation and / or our competitors; • new technology used, or services offered, by competitors; • changes in applicable government regulation; • macroeconomic and geopolitical factors discussed in this Risk Factors section; and • the Corporation' s announcement of new acquisitions or other projects. As such, the market price of the Corporation' s common stock may not accurately reflect the underlying value of the stock, and investors should consider this before relying on the market prices of the Corporation' s common stock when making an investment decision. Future capital needs could result in dilution of shareholder investment. ~~Our~~ **The Corporation' s** ~~board~~ **Board** of ~~directors~~ **Directors** may determine from time to time there is a need to or, if our or the Bank' s regulatory capital ratios fall below the required minimums, we could be forced to raise additional capital through the issuance of additional shares of **27** ~~stock or other securities, including debt securities and senior or subordinated notes. We are currently authorized to issue up to 40 million shares of common stock, of which 12, 051, 964 shares were outstanding as of December 31, 2022, and up to 10 million shares of preferred stock, of which no shares are outstanding. Subject to certain limitations, our board of directors generally has authority, without action or vote of our shareholders, to issue all or part of the remaining authorized but unissued shares and to establish the rights, preferences, and 26~~