

**STRATEGIC AND BUSINESS PLAN
SOUTHEAST BANCSHARES, INC.
and
BANK OF COMMERCE**

Bank of Commerce (BOC) is a wholly owned subsidiary of its parent corporation, Southeast Bancshares, Inc. (SBI). For this reason, a Strategic and Business Plan needs to be uniform and inclusive of both entities.

EXECUTIVE SUMMARY

SBI was created by and is owned and controlled by the family of Virgil A. Lair (now deceased) and consists of Gregory D. Lair, Mark T. Lair, Casey A. Lair and Jill A. Aylward. These four equal owners make up the Board of Directors of SBI and serve on various boards and committees of the bank. Mark, Casey, and Jill hold management positions. SBI is in the banking business for the purpose of building and retaining lasting relationships by providing the highest quality financial solutions through a commitment to meet the needs of the clients, communities, employees, and shareholders it serves. References in this Strategic and Business Plan to SBI are inclusive of BOC.

We will achieve our objectives by focusing on our strengths of operating a stable, well capitalized financial institution together with its' branch locations in Southeast Kansas, with a "hands on" client relationship environment in an effort to better serve our clients' respective banking needs by providing resources and services that allow flexibility and certainty which creates customer loyalty and customer satisfaction.

We invest in our people, who represent one of our most important assets. We invest in proper training procedures and development to allow for the empowerment of our employees to make decisions based on their respective knowledge and experience while helping meet the needs of our customers and provide a sense of need and contribution for each employee to the bank's success. We attempt to create a work environment that is conducive to the mental and physical health of all personnel and a setting that promotes individual thought and autonomy to meet the needs of the bank's clients in an efficient manner. It is our philosophy that having the right people in the right places with the right resources with support and management will create and maintain an environment for progressive growth and earnings.

We believe that the banking industry is a "service" industry and the level at which service is provided will develop an image and strengthen our reputation to contribute to the success of the bank's objectives. We believe our business philosophy is best summed up in our mission, values, and vision statements.

MISSION STATEMENT

Our mission is to build lasting relationships and maintain current ones by providing the highest quality financial solutions through a commitment to service excellence to meet the needs of the clients, communities, employees, and shareholders we serve.

VALUES STATEMENT

At SBI, we believe in the five core values of: customer focus, community involvement, integrity, teamwork, and responsiveness to promote the highest standards of service, respect, and appreciation to all we serve.

VISION STATEMENT

SBI aspires to continue the reputation it has built of being the best “service oriented” financial institutions in the communities we serve. Additionally, SBI has brought together experienced, educated, and trained personnel that serve critical roles in facilitating the success and continued growth of its banking business. SBI will continue to provide the resources and environment for its personnel to grow and develop while adding to this team new blood when necessary.

BUSINESS ENVIRONMENT

The banking industry provides an opportunity while at the same time is highly competitive. Economies of scale have increased through bank mergers and consolidations, more competition from less traditional financial service providers and continued technological advances, promoting more automation and less traditional delivery.

We focus on a customer friendly “high touch” environment with the skills and sophistication of any larger bank. This balance along with our asset size gives us a market niche. This niche includes a variety of products, services, and a wider range of communication for clients of our bank.

SBI has become established in our core communities, surrounding areas, and other geographic areas where customer relationships may exist. We cater to the small business, agriculture, consumer, and residential real estate markets. SBI has positioned itself as providing the highest level of service and banking technology to meet the changing needs of its market. In addition, we provide products to meet the demographic needs of the communities which we serve. We believe that this combination of service, product, and technology will satisfy customer needs and provide for a safe, sound, and successful banking organization.

COMPETITION

The banking industry is a highly competitive and regulated industry. Banking has historically provided similar products with varying levels of service. Larger banks have the reputation of attempting to provide all things to all people while smaller community banks have focused more on the needs of its customers and immediate community and provide more specialized products to meet those needs.

In general, our competition is any institution offering similar products. However, our immediate competition will be those institutions already existing in our communities because of their focus on our already established customer base. With changes in smaller communities, opportunities arise for banks to attempt to gain market share.

COMPETITIVE ADVANTAGE

The ability to satisfy a client's immediate needs in an efficient and effective manner is critical to our anticipated growth and success. SBI will capitalize on our asset size and experienced staff to help clients by listening, identifying needs, and providing the products and services to meet those needs. This style of banking is conducive to control and flexibility, in addition to managing the quality and standards of product and service delivery. This style of banking allows our experienced staff to resolve issues quickly and focus on building relationships through needs identification and service excellence.

We recognize that our products and service quality is a function of having dedicated employees who share the vision of satisfying customers' needs through service. We have the advantage of staffing the bank with these types of professionals and creating a culture to promote personal excellence, building a foundation for future expansion.

STRENGTHS & WEAKNESSES

SBI's recognized strengths:

- Staff experience and expertise
- Size of Bank capacity
- Strong local community presence
- Strong customer relationships
- Complete range of products
- Efficient operations
- Credit quality and loan culture
- Ownership structure
- In house data center/technology

SBI's recognized weaknesses:

- Concentrations of customers tied to regional economic sources such as agriculture
- Centralized approach makes it difficult to tailor products
- Under-performing branches
- Core Processor does not allow flexibility
- Stock Liquidity
- Aging Senior Management and need to recruit and train their replacements

GROWTH STRATEGY

SBI is focused on being a successful institution with two approaches in mind. One approach is to focus on asset growth and the other focus on earnings. In the banking industry, with one approach there is normally associated an opportunity cost for the other. An example of this is rapid growth normally comes at the expense of net interest margin, and net interest margin is normally at the expense of rapid growth. SBI is an organization focused on profitability, maintaining margins, controlling overhead, and contributing to capital. This is done through location, community involvement, market and product niche, and an environment promoting customer confidence. Organic growth in assets and deposits will be based on overall relationships and profitability; pricing will be competitive with market leaders. Our value of service will lead to relationships and loyalty with our clients.

FUTURE EXPANSION

In the near term we will pursue organic growth by better executing the current business model in established footprint. We plan for 2 to 3% annual organic growth from model enhancements and effective execution. Focusing efforts on organic growth will not place increased demands on capital.

The core communities in which our bank and branches are located have stable or declining populations so opportunities for organic growth are going to be limited, past the near term. The board of directors and management should be alert for prospects for deployment of excess capital by expanding into other markets. These opportunities, whether by acquisition of an existing bank or branch or by de novo branching, will be evaluated carefully prior to a final decision. Consistent with expansion that has already occurred, expansion opportunities identified by SBI are West to Wichita, North to Kansas City and East to the State line. We have developed a small niche in both these cities with existing customers and their families that have migrated to these areas and with contacts in these cities who are seeking a more personalized banking experience. The bank also attempts to utilize technology to retain customer relationships when a customer moves to a different community or geographic location. Any expansion should be supported by existing or identified resources, specifically including capital adequacy and personnel to manage such acquisition so our current operations will not be jeopardized.

MARKET PRESENCE

The bank and its' branches are generally located in appealing facilities and have meaningful market share in their respective counties. Some branch facilities are overbuilt given current banking needs that allows remote access to banking by our customers. The ability to downsize these facilities or demand for tenants in the small towns where they are located is difficult.

ORGANIZATIONAL STRUCTURE

One of the major challenges a bank our size faces is the ability to assemble a strong management team, experienced staff, and knowledgeable directors to guide the bank. The management team must possess both the knowledge and experience to establish and maintain procedures in their areas of expertise to provide a solid foundation to preserve confidence of the regulatory authorities

as well as effective and efficient means to achieve bank growth and profitability goals. We have been fortunate to attract well-educated highly trained and experienced people to fill our management roles and will continue with this process in the future. Additional characteristics include being self-motivated, possess excellent customer service and people skills, demonstrating sound credit skills and regulatory knowledge, understanding of technical operations, and most importantly are committed to the success of our bank. Directors are well known in their respective communities and recognized as business and civic leaders as well as having an understanding of the banking industry, the bank's role in the community, and a strong commitment to its success. BOC has had good success attracting outside directors and will continue to maintain a strong representation of outside directors on its Board of Directors.

Ownership is held by Gregory D. Lair – 25%, Mark T. Lair - 25%, Casey A. Lair – 25% and Jill A. Aylward – 25%. All four shareholders have entered into a Stockholders Agreement as of January 25, 2022 to provide an orderly process should an event occur affecting a shareholders' shares, a shareholder wishes to sell their shares, or the death of a shareholder occurs.

CORE SERVICE AREA

The core service area for SBI includes the counties our bank and branches are located in, plus the contiguous counties in our Southeast Kansas geographical area. The service area represents an excellent mixture of commercial, industrial, retail, residential, commercial real estate, and agriculture economies. This mixture allows our bank the opportunity to attract both deposits and loans, which enhances the potential strength, stability, and success of a superior financial institution.

Growth within our service area is dependent on several factors. One factor is the need to solidify our locations as the bank of choice in each of their respective communities. We wish to retain all current customers and continue to attract new ones within these local communities.

MARKETING PLAN

The objective of SBI is to provide and market traditional and non-traditional products and services to a broad base of both retail and commercial customers. The market area includes the immediate and contiguous counties where we are located in the Southeast Kansas geographical area but will not be limited to that area. Mobility and technology have made it possible to manage and serve both deposit and loan customers well beyond the limits of a few years ago.

The primary business philosophy of SBI is to establish multiple banking relationships with both retail and commercial customers. These banking relationships are solidified with efficient delivery of traditional and non-traditional products in addition to great customer service.

SBI continues to offer the traditional services such as interest bearing and non-interest-bearing deposit accounts, consumer, real estate, and commercial loans, trust services, ATM locations, direct deposit, and safety deposit boxes. The more modern, but certainly becoming traditional as well, services we offer include debit cards, bill-pay, online banking, mobile banking, and other technology driven non-contact banking products. As digital banking becomes more common, we

will offer these services to our customers, yet use caution to protect the customer from associated risks.

POLICIES AND PLANS

The bank has adopted numerous policies and plans to which the reader of this plan may request for review:

- a. Funds Management and Liquidity Contingency Funding Plan
- b. Loan Policy
- c. Capital Plan Policy
- d. Management Succession Plan
- e. Strategic and Business Plan
- f. Bank Secrecy Act Plan and Policy
- g. Bank Secrecy Act Risk Assessment
- h. Compliance Policy
- i. Compliance Audit Program
- j. Bank Secrecy Audit Program
- k. ACH Audit Program
- l. Director's Audit Program
- m. Independent Review Program for Interest Rate Risk Management
- n. Security Policy
- o. Safe Act Policy
- p. Fair Credit Reporting Act Policy and Procedures
- q. ACH Management Policy
- r. BOC Electronic Image Policy
- s. Employee Overdraft Policy
- t. Wire Transfer Policy
- u. Service Members Civil Relief Act (SCRA) Policy
- v. Bank Bribery Policy
- w. Reg F Policy
- x. Paid Time Off (PTO) Policy
- y. Community Reinvestment Act Notice
- z. Consumer Complaint Policy
- aa. Electronic Signature Policy & Consent Form
- bb. Branch Closing Policy
- cc. Paid Time Off (PTO) Policy
- dd. Harassment Policy
- ee. Privacy Policy for Individuals
- ff. Reg GG (Unlawful Internet Gambling Enforcement Act Policy)
- gg. Bank of Commerce Policy Regarding Use of Bank Facilities by Legal Department
- hh. No Smoking Policy

BEYOND THE NEAR TERM

The business of banking continues to evolve, and the pace of this evolution will likely accelerate. The management of SBI is aware that the economies of scale will create factors that result in the

minimum size of efficiency increasing for a banking group to a point that SBI will need to continue growth to remain efficient. We are fortunate to have a well-capitalized bank and a debt-free holding company that will make acquisitions or expansion financially possible. We are also in a good position with our technology in that the increase in assets should not cause the bank to incur substantial expense to process such growth. SBI continues to look for the right institution, in the right geographic area at the right price to acquire.

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