BerryDunn

Sample CECL Disclosures – Discounted Cash Flow Methodology

SEPTEMBER 2023

This document is meant to provide sample CECL disclosures to assist in your financial statement disclosure efforts in the year of CECL adoption as well as ongoing disclosures. We have compiled these sample CECL disclosures based on our review of ASC 326 and other publicly available resources.[1] These sample CECL disclosures have been prepared assuming the institution is using the discounted cash flow methodology but, portions of these disclosures may still be useful for those not using the discounted cash flow methodology.

These sample disclosures are only meant to provide examples of the general disclosure requirements related to ASC 326. There is likely other information that needs be included in the financial statements that is not included in these sample disclosures, such as related party loans, other – real estate owned, etc. Furthermore, the model elections, assumptions, and general language disclosed throughout this sample are only examples and will need to be adjusted to reflect your institution's specific elections, assumptions, and circumstances. As a result, there may be some sample language that is inappropriate for your institution. Also, certain comparative information under the incurred loss methodology will still need to be disclosed in the year of adoption.

These materials have been prepared by the certified public accountants of BerryDunn as general guidance in the area of CECL disclosures. Accordingly, it does not constitute specific legal, accounting, or tax advice. Rather, the materials are offered to alert our clients to important developments and potential issues that may affect their business operations. BerryDunn is not responsible for any party's use of these materials. We encourage those faced with actual or potential business issues relating to CECL disclosures to seek specific accounting services by contacting a member of the BerryDunn financial services team.

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[1] Such as Crowe's Example CECL Disclosures and various Form 10-K filings.

BALANCE SHEET (OR STATEMENT OF FINANCIAL CONDITION):
The following line items should be included on the balance sheet, as applicable:

Assets
Available-for-sale securities, at fair value
(amortized cost $X, net of allowance for credit losses of $X)

Held-to-maturity securities, net of allowance for credit losses of $X
(fair value $X)

Loans, net of allowance for credit losses of $X

Liabilities
Allowance for credit losses on off-balance sheet credit exposures[2]

INCOME STATEMENT (OR STATEMENT OF OPERATIONS):
The following line items should be included on the income statement, as applicable:

Credit loss expense – loans[3]	-
Credit loss expense – held-to-maturity debt securities	-
Credit loss expense – off-balance sheet credit exposures	-
Credit loss expense	-

NOTE: *In accordance with ASC 326-30-45-2, amounts related to available-for-sale debt securities for which an allowance for credit losses has been recorded should be separately presented in the financial statement in which components of accumulated other comprehensive income are reported.*

[2] If not disclosed as a separate line item, disclosure of where this amount is included in the financial statements should be included in the financial statement footnotes.

[3] Disclosure of the individual credit loss expense components is not required on the face of the income statement, but if aggregated, we recommend a separate disclosure of the components be included for the user.

User Key:
To be updated/considered.
Only include if applicable.[4]
Only applicable for public business entities.
Only applicable for SEC issuers.

FN #. Summary of Significant Accounting Policies

Adoption of New Accounting Standards: On ADOPTION DATE, the Company adopted ASU No. 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, ASC 326 made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Company adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost, [net investments in leases], and off-balance-sheet credit exposures. Results for reporting periods beginning after ADOPTION DATE are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable Generally Accepted Accounting Principles. The Company recorded a net [increase/decrease] to retained earnings of $X as of ADOPTION DATE for the cumulative effect of adopting ASC 326. The transition adjustment includes a $X impact due to [add narrative description of the drivers of the retained earnings adjustment].

IF APPLICABLE The Company adopted ASC 326 using the prospective transition approach for debt securities for which other-than-temporary impairment had been recognized prior to ADOPTION DATE. As a result, the amortized cost basis remains the same before and after the effective date of ASC 326. The effective interest rate on these debt securities was not changed. Amounts previously recognized in accumulated other comprehensive income as of ADOPTION DATE relating to improvements in cash flows expected to be collected will be accreted into income over the remaining life of the asset. Recoveries of amounts previously written off relating to improvements in cash flows after ADOPTION DATE will be recorded in earnings when received.

IF APPLICABLE[5] The Company adopted ASC 326 using the prospective transition approach for financial assets purchased with credit deterioration (PCD) that were previously classified as purchased credit

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[4] There may be other sections that have not been identified as such that can be deleted based on applicability.

[5] The FASB currently has an exposure draft outstanding that would impact acquired financial assets. If adopted, this proposed ASU would eliminate the need to determine if an acquired financial asset is PCD or non-PCD.

impaired (PCI) and accounted for under ASC 310-30. In accordance with the standard, management did not reassess whether PCI assets met the criteria of PCD assets as of the date of adoption. On ADOPTION DATE, the amortized cost basis of the PCD assets were adjusted to reflect the addition of $X of the allowance for credit losses (ACL). The remaining noncredit discount (based on the adjusted amortized cost basis) will be accreted into interest income at the effective interest rate as of ADOPTION DATE.

IF APPLICABLE As allowed by ASC 326, the Company elected to maintain pools of loans accounted for under ASC 310-30. [The Company should disclose any additional qualitative or quantitative information necessary for a financial statement user to understand the size and nature of former ASC 310-30 pools].

The following table illustrates the impact of ASC 326. [Tailor this chart to include only those line items impacted by ASC 326.]

	As Reported Under ASC 326	Pre-ASC 326 Adoption	Impact of ASC 326 Adoption
Assets:			
Allowance for credit losses on debt securities held-to-maturity			
Mortgage-backed: residential	$ -	$ -	$ -
Other	-	-	-
Loans			
Commercial	-	-	-
Commercial real estate	-	-	-
Residential real estate	-	-	-
Consumer	-	-	-
Auto	-	-	-
Allowance for credit losses on loans	-	-	-
Liabilities:			
Allowance for credit losses on off-balance sheet credit exposures	-	-	-

Debt Securities: Debt securities are classified as held-to-maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available-for-sale when they might be sold before maturity. [OR: Debt securities not classified as held-to-maturity or trading are classified as available-for-sale.] Securities available-for-sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income, net of tax.

Interest income includes amortization of purchase premiums or discounts. Premiums and discounts on securities are generally amortized on the level-yield method without anticipating prepayments, except for mortgage-backed securities where prepayments are anticipated. Premiums on callable debt securities are amortized to their earliest call date. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Instead, the gross-up approach (currently used for acquired financial assets with PCD) would be applied to all financial assets that are part of a business acquired in a business combination.

Debt securities that are past due 30 days or more are considered delinquent. A debt security is placed on nonaccrual status at the time any principal or interest payments become 90 days delinquent. Interest accrued but not received for a security placed on nonaccrual is reversed against interest income. IF APPLICABLE The amount of accrued interest reversed against interest income totaled $X for the year ended December 31, 2023.[6]

Allowance for Credit Losses – Available-For-Sale Debt Securities: For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis. If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For available-for-sale debt securities that do not meet the aforementioned criteria, the Company evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an ACL is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an ACL is recognized in other comprehensive income.

Changes in the ACL are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available-for-sale debt securities totaled $X on December 31, 2023, was reported in accrued interest receivable and other assets on the consolidated balance sheets, and is excluded from the estimate of credit losses.[7]

IF APPLICABLE The Company measures the ACL on purchased beneficial interests classified as available-for-sale not deemed to be PCD by comparing the present value of expected cash flows to the amortized cost basis. If the present value of expected cash flows is less than the amortized cost basis, an ACL is recorded, limited by the amount that the fair value is less than amortized cost.

Allowance for Credit Losses – Held-to-Maturity Debt Securities: Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security types that share similar risk characteristics, which may include, but is not limited to, credit ratings, financial asset type, collateral type, size, effective interest rate, term, geographical location, industry, and vintage. Accrued interest receivable on held-to-maturity debt securities totaled $X on December 31, 2023, was reported in accrued

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[6] Disclosure is required to be by portfolio segment or major security type.

[7] If when identifying and measuring an impairment of an available-for-sale security, the applicable accrued interest receivable is excluded from both the fair value and amortized cost basis of the available-for-sale security, an entity may, as a practical expedient, exclude the applicable accrued interest that is included in the amortized cost basis for purposes of disclosure requirements. If an entity elects the practical expedient, a disclosure shall be included with the total amount of accrued interest, net of the allowance for credit losses (if any), excluded from the disclosed amortized cost basis.

interest receivable and other assets on the consolidated balance sheets, and is excluded from the estimate of credit losses.[8]

Management classifies the held-to-maturity portfolio into the following major security types: U.S. government-sponsored enterprises and agencies, municipal bonds, and corporate bonds.

The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts. The Company has evaluated and determined zero risk of nonpayment on all securities guaranteed by U.S. government-sponsored enterprises and agencies. Given the rarity of municipal and corporate bond defaults and losses, the Company utilizes external third-party loss forecast models as the sole source of municipal and corporate bond default and loss rates. Cash flows are modeled over a reasonable and supportable forecast period and then revert to the long-term average economic conditions on a straight-line basis. Management may exercise discretion to make adjustments based on various qualitative factors.

Changes in the ACL are recorded as credit loss expense (or reversal). A held-to-maturity debt security is written off in the period in which a determination is made that all or a portion of the financial asset is uncollectible. The previously recorded allowance, if any, is reversed and then the amortized cost basis is written down to the amount deemed to be collectible, if any.

Loans: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost, net of the ACL. Amortized cost is the principal balance outstanding, net of [purchase premiums and discounts, fair value hedge accounting adjustments,] deferred loan fees and costs. Accrued interest receivable on loans totaled $X on December 31, 2023, was reported in accrued interest receivable and other assets on the consolidated balance sheets, and is excluded from the estimate of credit losses.[9] Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Loans past due 30 days or more are considered delinquent. The accrual of interest on loans is discontinued at the time the loan is 90 days delinquent unless the credit is well secured and in process of collection. Residential real estate loans are generally written down to the collectible amount when the loan is delinquent for 180 consecutive days. Commercial and commercial real estate loans are charged-off in part or in full if they are considered uncollectible. Consumer and home equity loans are typically charged-off no later than 180 days past due. Past-due status is based on the contractual terms of the

[8] If when identifying and measuring an impairment of a held-to-maturity security, the applicable accrued interest receivable is excluded from both the fair value and amortized cost basis of the held-to-maturity security, an entity may, as a practical expedient, exclude the applicable accrued interest that is included in the amortized cost basis for purposes of disclosure requirements. If an entity elects the practical expedient, a disclosure shall be included with the total amount of accrued interest, net of the allowance for credit losses (if any), excluded from the disclosed amortized cost basis.

[9] This sentence is required if the institution elects to present the accrued interest receivable balance within another statement of financial position line item or if the institution elects to exclude accrued interest receivable in the amortized cost basis for the purposes of the disclosure requirements in paragraphs 326-20-50-4 through 50-22. Also, if the institution elects to not measure an allowance for credit losses for accrued interest receivables, this accounting policy election should be disclosed.

loan. In all cases, loans are placed on nonaccrual or charged-off at an earlier date if collection of principal or interest is considered doubtful.

All interest accrued but not received for loans placed on nonaccrual is reversed against interest income. Interest received on such loans is accounted for on the cash-basis or cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Under the cash-basis method, interest income is recorded when the payment is received in cash. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Purchased Credit Deteriorated (PCD) Loans: The Company has purchased loans, some of which have experienced more than insignificant credit deterioration since origination. [Disclose policy for determining what meets the threshold of more than insignificant credit deterioration]. PCD loans are recorded at the amount paid. An ACL is determined using the same methodology as other loans held for investment. The initial ACL determined on a collective basis is allocated to individual loans. The sum of the loan's purchase price and ACL becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan. Subsequent changes to the ACL are recorded through credit loss expense.

IF APPLICABLE Upon adoption of ASC 326, the Company elected to maintain pools of loans that were previously accounted for under ASC 310-30 and will continue to account for these pools as a unit of account. Loans are only removed from the existing pools if they are written off, paid off, or sold. Upon adoption of ASC 326, the ACL was determined for each pool and added to the pool's carrying amount to establish a new amortized cost basis. The difference between the unpaid principal balance of the pool and the new amortized cost basis is the noncredit premium or discount, which will be amortized into interest income over the remaining life of the pool. Changes to the ACL after adoption are recorded through credit loss expense.

Allowance for Credit Losses - Loans: The ACL is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged-off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. Management evaluates the appropriateness of the ACL on loans quarterly. This evaluation is inherently subjective as it requires material estimates that may be susceptible to significant change from period to period.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. A reversion methodology is applied beyond the reasonable and supportable forecasts. Qualitative adjustments are then considered for differences in current loan-specific risk characteristics, such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors, that may include, but are not limited to, results of internal loan reviews, examinations by bank regulatory agencies, or other such events such as a natural disaster.

The ACL on loans represents the Company's estimated risk of loss within its loan portfolio as of the reporting date. To appropriately measure expected credit losses, management disaggregates the loan portfolio into pools of similar risk characteristics. The Company's loan portfolio is segmented as follows based on the various risk profiles of the Company's loans:

- The commercial loan portfolio is segmented into two categories: (i) commercial, which is typically utilized for general business purposes and (ii) commercial real estate, which is collateralized by real estate.

- Retail loans are a homogenous group, generally consisting of standardized products that are smaller in amount and distributed over a larger number of individual borrowers. Retail loans are segmented into three categories: (i) residential real estate, (ii) home equity, and (iii) consumer.

The Company utilizes a discounted cash flow approach to calculate the expected loss for each portfolio segment. Within the discounted cash flow model, a probability of default (PD) and loss given default (LGD) assumption is applied to calculate the expected loss for each segment. PD is the probability the asset will default within a given time frame and LGD is the percentage of assets not expected to be collected due to default. The Company's PD and LGD assumptions may be derived from internal historical default and loss experience or from external data where there are not statistically meaningful loss events for a loan segment, or it does not have default and loss data that covers a full economic cycle.

As of December 31, 2023, the primary macroeconomic drivers used within the discounted cash flow model included forecasts of STATE unemployment, changes in STATE and national gross domestic product (GDP), and changes in the STATE house price index. Management monitors and assesses its macroeconomic drivers at least annually (generally in the fourth quarter) to determine if or that they continue to be the most predictive indicator of losses within the Company's loan portfolio, and these macroeconomic drivers may change from time to time.

To determine its reasonable and supportable forecast, management may leverage macroeconomic forecasts obtained from various reputable sources, which may include, but is not limited to, the Federal Open Market Committee forecast and other publicly available forecasts from well recognized, leading economists or firms. The Company's reasonable and supportable forecast period generally ranges from one to three years, depending on the facts and circumstances of the current state of the economy, portfolio segment, and management's judgement of what can be reasonably supported. The model reversion period generally ranges from one to six years, and it also depends on the current state of the economy and management's judgements of such. Management monitors and assesses the forecast and reversion period at least annually. The Company used a one-year forecast and reversion period to calculate the ACL on loans as of December 31, 2023.

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. In general, loans individually evaluated for estimated credit losses include those (i) greater than $500,000 that are classified as substandard or doubtful and are on nonaccrual or (ii) have other unique characteristics differing from the portfolio segment. Specific reserves are established when appropriate for such loans based on the present value of expected future cash flows of the loan. However, when management determines that foreclosure is probable [Include the following if the collateral-dependent practical expedient has been elected, or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral] expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for [undiscounted] selling costs as appropriate.

IF APPLICABLE When the discounted cash flow method is used to determine the ACL, management [adjusts/does not adjust] the effective interest rate used to discount expected cash flows to incorporate expected prepayments.

Expected credit losses are estimated over the contractual term of the loans. For term loans, the contractual life is calculated based on the maturity date. For commercial revolving loans with no stated maturity date, the contractual life is calculated based on the internal review date. For all other revolving loans, the contractual life is based on either the estimated maturity date or a default date. The contractual term excludes expected extensions, renewals, and modifications.

In calculating the ACL on loans, the contractual life of a loan must be adjusted for prepayments to arrive at expected cash flows. The Company models term loans using an annualized prepayment. When the Company has a specific expectation of differing payment behavior for a given loan, the loan may be evaluated individually. For revolving loans that do not have a principal payment schedule, a curtailment rate is factored into the cash flow.

IF APPLICABLE Credit card receivables do not have stated maturities. In determining the estimated life of a credit card receivable, management first estimates the future cash flows expected to be received and then applies those expected future cash flows to the credit card balance. [Expected credit losses for credit cards are determined by estimating the amount and timing of principal payments expected to be received as payment for the balance outstanding as of the reporting period and applying those principal payments against the balance outstanding as of the reporting period until the expected payments have been fully allocated. The allowance for credit loss is recorded for the excess of the balance outstanding as of the reporting period over the expected principal payments.] OR [Expected credit losses for credit cards are determined by estimating the amount and timing of all principal payments expected to be received after the reporting period and allocating those principal payments between the balance outstanding as of the reporting period and the balance of future credit card receivables expected to be originated through subsequent usage of the unconditionally cancellable loan commitment associated with the credit card account until the expected payments have been fully allocated. The allowance for credit loss is recorded for the excess of the balance outstanding as of the reporting period over the expected principal payments allocated to that balance.]

Management may also adjust its assumptions to account for differences between expected and actual losses from period to period. The variability of management's assumptions could alter the ACL on loans materially and impact future results of operations and financial condition. The loss estimation models and methods used to determine the ACL are continually refined and enhanced.

<u>Off-Balance Sheet Credit Exposures</u>: In the ordinary course of business, the Company enters into commitments to extend credit, including commercial letters of credit and standby letters of credit. Such financial instruments are recorded as loans when they are funded.

<u>Allowance for Credit Losses on Off-Balance Sheet Credit Exposures</u>: The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The ACL on off-balance sheet credit exposures is adjusted through credit loss expense. To appropriately measure expected credit losses, management disaggregates the loan portfolio into similar risk characteristics, identical to those determined for the loan portfolio. An estimated funding rate is then applied to the qualifying unfunded loan commitments and letters of credit using the Company's own historical experience to estimate the expected funded amount for each loan segment as of the reporting

date. Once the expected funded amount for each loan segment is determined, the loss rate, which is the calculated expected loan loss as a percent of the amortized cost basis for each loan segment, is applied to calculate the ACL on off-balance sheet credit exposures as of the reporting date. The ACL on off-balance sheet credit exposures is presented within accrued interest and other liabilities on the consolidated balance sheets.[10]

FN #. Securities

The following table summarizes the amortized cost, fair value, and ACL of available-for-sale and held-to-maturity debt securities on December 31, 2023, and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) and gross unrecognized gains and losses:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
Available-for-Sale Securities					
U.S. government-sponsored enterprises and agencies	$ -	$ -	$ -	$ -	$ -
Mortgage-backed securities issued or guaranteed by U.S. government-sponsored enterprises or agencies	-	-	-	-	-
Collateralized mortgage obligations issued or guaranteed by U.S. government-sponsored enterprises or agencies	-	-	-	-	-
Total available-for-sale securities	$ -	$ -	$ -	$ -	$ -

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
Held-to-Maturity Securities					
U.S. government-sponsored enterprises and agencies	$ -	$ -	$ -	$ -	$ -
Municipal	-	-	-	-	-
Corporate	-	-	-	-	-
Total held-to-maturity securities	$ -	$ -	$ -	$ -	$ -

IF APPLICABLE The Company reassessed classification of certain investments and effective DATE the Company transferred $X of TYPE from available-for-sale to held-to-maturity securities. [At the time of transfer, the Company reversed the allowance for credit loss associated with the available-for-sale

[10] Include this sentence if the allowance for credit losses on off-balance sheet credit exposures is not presented as its own line on the balance sheet.

securities through credit loss expense.] The securities were transferred at their amortized cost basis, net of any remaining unrealized gain or loss reported in accumulated other comprehensive income. The related unrealized gain (or loss) of $X included in other comprehensive income remained in other comprehensive income, to be amortized out of other comprehensive income with an offsetting entry to interest income as a yield adjustment through earnings over the remaining term of the securities. Subsequent to transfer, the ACL on these securities was evaluated under the accounting policy for held-to-maturity debt securities.

The proceeds from sales and calls of securities and the associated gains and losses are listed below for the year ended December 31, 2023:

Proceeds from sales of available-for-sale securities	$	-
Gross realized gains		-
Gross realized losses		-

The tax benefit (provision) related to these net realized gains and losses was $X.

The amortized cost and fair value of debt securities are shown by contractual maturity. Expected maturities may differ from contractual maturities if borrowers have the right to call or prepay obligations with or without call or prepayment penalties. Securities not due at a single maturity date are shown separately.

	Amortized Cost	Fair Value
Available-for-Sale Securities		
Within 1 year	$ -	$ -
Over 1 year through 5 years	-	-
Over 5 years through 10 years	-	-
Over 10 years	-	-
Mortgage-backed securities and collateralized mortgage obligations	-	-
Total	$ -	$ -

	Amortized Cost	Fair Value
Held-to-Maturity Securities		
Within 1 year	$ -	$ -
Over 1 year through 5 years	-	-
Over 5 years through 10 years	-	-
Over 10 years	-	-
Total	$ -	$ -

Securities pledged at year-end 2023 had a carrying amount of $X and were pledged to secure public deposits and repurchase agreements.

The following table summarizes available-for-sale debt securities in an unrealized loss position for which an ACL has not been recorded on December 31, 2023, aggregated by major security type and length of time in a continuous unrealized loss position:

	Less than 12 months		12 months or greater		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
U.S. government-sponsored enterprises and agencies	$ -	$ -	$ -	$ -	$ -	$ -
Mortgage-backed securities issued or guaranteed by U.S. government-sponsored enterprises or agencies	-	-	-	-	-	-
Collateralized mortgage obligations issued or guaranteed by U.S. government-sponsored enterprises or agencies	-	-	-	-	-	-
	$ -	$ -	$ -	$ -	$ -	$ -

[Example when an ACL on an available-for-sale security is not recognized (modify as appropriate):] The unrealized losses on the Company's available-for-sale debt securities have not been recognized into income because management does not intend to sell and it is not more-likely-than-not it will be required to sell any of the available-for-sale debt securities before recovery of its amortized cost basis. Furthermore, the unrealized losses were due to changes in interest rates and other market conditions, were not reflective of credit events and the issuers continue to make timely principal and interest payments on the bonds. Agency-backed and government-sponsored enterprise securities have a long history with no credit losses, including during times of severe stress. The principal and interest payments on agency-guaranteed debt is backed by the U.S. government. Government-sponsored enterprises similarly guarantee principal and interest payments and carry an implicit guarantee from the U.S. Department of the Treasury. Additionally, government-sponsored enterprise securities are exceptionally liquid, readily marketable, and provide a substantial amount of price transparency and price parity, indicating a perception of zero credit losses.

The table below presents a rollforward by major security type for the year ended December 31, 2023, of the ACL on available-for-sale debt securities held at year-end:[11]

	Mortgage-backed Securities	Collateralized Mortgage Obligations	Total
Beginning balance, January 1, 2023	$ -	$ -	$ -
Impact of adopting ASC 326	-	-	-
Additions for securities for which no previous expected credit losses were recognized	-	-	-
Additions for purchases of financial assets with credit deterioration	-	-	-
Reductions for securities sold	-	-	-
Reductions for securities intended to be sold and/or it is more likely than not will be required to sell before recovery	-	-	-
Additional increase/decrease on securities that previously had an allowance	-	-	-
Write-offs charged against the allowance	-	-	-
Recoveries of amounts previously written off	-	-	-
Ending balance, December 31, 2023	$ -	$ -	$ -

There was no ACL on U.S. government-sponsored enterprise and agency securities as of December 31, 2023.

IF APPLICABLE The Company recorded the change in the ACL due to the passage of time in interest income of $X during the year ended December 31, 2023, for available-for-sale debt securities.

[11] This table can be omitted if there is no ACL on available-for-sale debt securities. However, the fact there is no ACL should be disclosed.

The following table presents the activity in the ACL for held-to-maturity debt securities by major security type for the year ended December 31, 2023:[12]

	Municipal	Corporate	Total
Allowance for credit losses:			
Beginning balance	$ -	$ -	$ -
Impact of adopting ASC 326	-	-	-
Credit loss expense	-	-	-
Allowance on purchased financial assets with credit deterioration	-	-	-
Securities charged-off	-	-	-
Recoveries	-	-	-
Total ending allowance balance	$ -	$ -	$ -

There was no ACL on U.S. government-sponsored enterprise and agency securities as of December 31, 2023.

IF APPLICABLE The Company recorded the change in the ACL due to the passage of time in interest income of $X during the year ended December 31, 2023, for held-to-maturity debt securities.

Credit Quality Indicators[13]

[In accordance with ASC 326-20-50-5 and 50-8, an Entity shall disclose information about credit quality for each major security type. The example shown here is for those bonds that have a credit rating. Credit quality indicators should also be shown for major security types such that credit rating is not the key credit quality indicator.]

The Company monitors the credit quality of held-to-maturity debt securities through the use of credit ratings. The Company monitors the credit rating on a [disclose frequency in which the credit quality indicator is updated and when the last time the credit quality indicators were updated]. The following table summarizes the amortized cost of held-to-maturity debt securities at December 31, 2023, aggregated by credit quality indicator:

	U.S. Government	Municipal	Corporate	Total
AAA/AA/A	$ -	$ -	$ -	$ -
BBB/BB/B	-	-	-	-
Total	$ -	$ -	$ -	$ -

[12] This table can be omitted if there is no ACL on held-to-maturity debt securities. However, the fact there is no ACL should be disclosed.

[13] If an entity discloses internal risk ratings, the qualitative information on how those internal risk ratings relate to the likelihood of loss is required to be disclosed (ASC 326-20-50-8).

[Another example is:]

Agency-backed and government-sponsored enterprise securities have a long history with no credit losses, including during times of severe stress. The principal and interest payments on agency-guaranteed debt is backed by the U.S. government. Government-sponsored enterprises similarly guarantee principal and interest payments and carry an implicit guarantee from the U.S. Department of the Treasury. Additionally, government-sponsored enterprise securities are exceptionally liquid, readily marketable, and provide a substantial amount of price transparency and price parity, indicating a perception of zero credit losses. Held-to-maturity municipal debt holdings are comprised solely of high credit quality (rated A- or higher) state and municipal obligations. High credit quality state and municipal obligations have a history of zero to near-zero credit loss. Corporate bonds are primarily comprised of investment grade notes. Accordingly, the Company determined that the expected credit loss on its held-to-maturity portfolio was immaterial, and therefore, an allowance was not carried on its held-to-maturity debt securities on December 31, 2023.

The following tables present the amortized cost of held-to-maturity debt securities on nonaccrual and past due over 89 days still on accrual by major security type as of December 31, 2023:[14]

	Nonaccrual with No Allowance for Credit Loss	Total Nonaccrual		Past Due Over 89 Days Still Accruing
	Dec 31, 2023	**Jan 1, 2023**	**Dec 31, 2023**	**Dec 31, 2023**
U.S. government-sponsored enterprises and agencies	$ -	$ -	$ -	$ -
Municipal	-	-	-	-
Corporate	-	-	-	-
Total	$ -	$ -	$ -	$ -

The Company recognized $X of interest income on nonaccrual held-to-maturity debt securities during the year ended December 31, 2023.

[14] This table can be excluded if there are no held-to-maturity debt securities on nonaccrual or past due and still accruing. However, the fact there are no held-to-maturity debt securities on nonaccrual or past due and still accruing should be disclosed.

A security is considered to be past due once it is 30 days contractually past due under the terms of the agreement. The following table presents the aging of the amortized cost basis in past-due held-to-maturity debt securities as of December 31, 2023, by major security type:[15]

	30 – 59 Days Past Due	60 – 89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due
U.S. government-sponsored enterprises and agencies	$ -	$ -	$ -	$ -
Municipal	-	-	-	-
Corporate	-	-	-	-
Total	$ -	$ -	$ -	$ -

IF APPLICABLE The following table presents the amortized cost basis of collateral-dependent held-to-maturity debt securities as of December 31, 2023, by collateral type:[16]

	Collateral Type	Collateral Type	Total
U.S. government-sponsored enterprises and agencies	$ -	$ -	$ -
Municipal	-	-	-
Corporate	-	-	-
Total	$ -	$ -	$ -

Collateral-dependent securities are securities for which the repayment is expected to be provided substantially by the underlying collateral and there are no other available and reliable sources of repayment.

[15] This table can be excluded if there are no held-to-maturity debt securities past due. However, the fact there are no held-to-maturity debt securities past due should be disclosed.

[16] ASC 326-20-50-20 requires a qualitative description, by major security type, of the extent to which collateral secures its collateral-dependent financial assets, and significant changes in the extent to which collateral secures its collateral-dependent financial assets, whether because of a general deterioration or some other reason. This disclosure is only required for held-to-maturity debt securities that are collateral-dependent.

Available-for-sale debt securities PCD during the year ended December 31, 2023, are as follows:

Purchase price of securities at acquisition	$ -
Allowance for credit losses at acquisition	-
Noncredit discount/(premium) at acquisition	-
Par value of acquired securities at acquisition	$ -

Held-to-maturity debt securities PCD during the year ended December 31, 2023, are as follows:

Purchase price of securities at acquisition	$ -
Allowance for credit losses at acquisition	-
Discount/premium at acquisition	-
Par value of acquired securities at acquisition	$ -

FN #. <u>Loans and Allowance for Credit Losses</u>

A summary of loans as of December 31, 2023, is as follows:

Commercial	$ -
Commercial real estate	-
Residential real estate	-
Home equity	-
Consumer	-
Net deferred loan fees and costs	-
Allowance for credit losses	-
Loans, net	$ -

The Company manages its loan portfolio proactively to effectively identify problem credits and assess trends early, implement effective work-out strategies, and take charge-offs as promptly as practical. In addition, the Company continuously reassesses its underwriting standards in response to credit risk posed by changes in economic conditions. The Company monitors and manages credit risk through the following governance structure: Describe governance structure here.

For purposes of determining the ACL on loans, the Company disaggregates its loans into portfolio segments. Each portfolio segment possesses unique risk characteristics that are considered when determining the appropriate level of allowance. As of December 31, 2023, the Company's loan portfolio segments, as determined based on the unique risk characteristics of each, included the following:

<u>Commercial:</u> Loans in this segment are made to businesses and are generally secured by assets of the business. Repayment is expected from the cash flows of the business. A weakened economy, and resultant decreased consumer spending, will have an effect on the credit quality in this segment.

<u>Commercial real estate:</u> Loans in this segment are primarily income-producing properties or properties occupied by businesses. The underlying cash flows generated by the properties are adversely impacted

by a downturn in the economy as evidenced by increased vacancy rates or a general slowdown in business which, in turn, will have an effect on the credit quality of this segment. Management obtains rent rolls and business financial statements on an annual basis at least and continually monitors the cash flows of these loans.

Residential real estate: All loans in this segment are collateralized by owner-occupied residential real estate and repayment is dependent on the credit quality of the individual borrower. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality of this segment.

Home equity: Home equity loans and lines of credit are made to qualified individuals and are secured by senior or junior mortgage liens on owner-occupied one-to-four family homes, condominiums, or vacation homes. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality of this segment.

Consumer: Consumer loan products include personal lines of credit and amortizing loans made to qualified individuals for various purposes such as education, auto loans, debt consolidation, personal expenses, or overdraft protection. Repayment of loans in this segment is generally dependent on the credit quality of the individual borrower.

The following table presents the activity in the ACL by portfolio segment for the year ended December 31, 2023:

	Commercial	Commercial Real Estate	Residential Real Estate	Home Equity	Consumer	Total
Allowance for credit losses:						
Beginning balance, prior to adoption of ASC 326	$ -	$ -	$ -	$ -	$ -	$ -
Impact of adopting ASC 326	-	-	-	-	-	-
Credit loss expense	-	-	-	-	-	-
Initial allowance on loans purchased with credit deterioration	-	-	-	-	-	-
Loans charged-off	-	-	-	-	-	-
Recoveries	-	-	-	-	-	-
Total ending allowance balance	$ -	$ -	$ -	$ -	$ -	$ -

IF APPLICABLE The Company recorded the change in the ACL due to the passage of time of $X in interest income during the year ended December 31, 2023.

NOT APPLICABLE IN THE YEAR OF ADOPTION In the fourth quarter of YEAR, the Company completed its annual reassessment of significant model inputs and assumptions within its discounted cash flow analysis used for estimating its ACL on loans as of December 31, YEAR. The Company has engaged with a third party to help provide economic forecasts that align with management's expectations to help drive the model and allows the Company to use qualitative factors to use multiple economic scenarios. This update enhanced the quantitative model and allowed the Company to eliminate certain other qualitative factors.

NOT APPLICABLE IN THE YEAR OF ADOPTION The ACL on loans on December 31, YEAR, was $X million, an increase/decrease of $X million, or X%, since December 31, YEAR.

As of December 31, 2023, the significant model inputs and assumptions used within the discounted cash flow model for purposes of estimating the ACL on loans were:

Macroeconomic (loss) drivers: The following loss drivers for each loan segment were used to calculate the expected PD over the forecast and reversion period:

- Commercial used STATE unemployment and change in national GDP
- Commercial real estate used STATE unemployment and change in STATE GDP
- Residential real estate used STATE unemployment and change in STATE house price index
- Home equity used STATE unemployment and change in STATE house price index
- Consumer used STATE unemployment and change in national GDP

Reasonable and supportable forecast period: The ACL on loans estimate used a reasonable and supportable forecast period of one year.

Reversion period: The ACL on loans estimate used a reversion period of one year.

Prepayment speeds: The estimate of prepayment speed for each loan segment was derived using internally sourced prepayment data.

Qualitative factors: The ACL on loans estimate incorporated various qualitative factors into the calculation.

NOT APPLICABLE IN THE YEAR OF ADOPTION The ACL on loans on December 31, YEAR, was $X million, compared to $X million at December 31, YEAR. The overall increase/decrease in ACL was driven by the increase/decrease in the volume of loans, coupled with the volatility of the global markets and the high degree of uncertainty. Given the strong loan growth and the future economic uncertainty, the reserve increased/decreased $X million during YEAR. This increase/decrease was partially offset by the release of certain qualitative factors due to strong asset quality and the continued maturity of the overall model. The increase/decrease in the reserve represents the elevated risk of credit loss within the Company's portfolio.

Credit Quality Indicators

To further identify loans with similar risk profiles, the Company categorizes each portfolio segment into classes by credit risk characteristic and applies a credit quality indicator to each portfolio segment. The indicators for commercial, commercial real estate, and residential real estate portfolio segments are represented by Grades 1 through 7 as outlined below. In general, risk ratings are adjusted periodically throughout the year as updated analysis and review warrants. This process may include, but is not limited to, annual credit and loan reviews, periodic reviews of loan performance metrics, such as delinquency rates, and quarterly reviews of adversely risk rated loans. The Company uses the following definitions when assessing grades for the purpose of evaluating the risk and adequacy of the ACL on loans:

Loans rated 1 – Loans in this category are secured by cash or cash equivalent securities held by the Company. In the event of default, the instrument would be liquidated to satisfy any unpaid balance.

Loans rated 2 – Loans in this category include borrowers of unquestioned credit standing and a consistently strong financial condition as evidenced by earnings, liquidity, leverage, and cash flow. Also included in this category are loans to borrowers that have most of the characteristics of a loan rated 1, but the financial condition, management, or industry is not quite as strong.

Loans rated 3 – These loans are considered “watch list.” While these loans are creditworthy, they exhibit some characteristics which require special attention by the loan officer. Principal areas of concern may be management problems, industry stress, financial deterioration, operating losses, inadequate cash flow, highly cyclical industries, or any other area that would negatively affect the borrower's ability to repay the obligation in full on a timely basis.

Loans rated 4 – Loans in this category are considered “special mention.” These loans are considered protected but may have potential weaknesses, which may weaken the asset or inadequately protect the Company's credit position at some future date.

Loans rated 5 – Loans in this category are considered “substandard.” These loans might be inadequately protected by the current net worth and paying capacity of the borrower or of the collateral pledged, if any. Assets so classified often have well-defined weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the Company will sustain some loss if the deficiencies are not corrected.

Loans rated 6 – Loans in this category are considered “doubtful.” Loans classified as doubtful have all the weaknesses inherent in a loan classified as substandard with the added characteristic that the weaknesses may make collection in full improbable on the basis of currently existing facts, conditions and values. The possibility of loss is extremely high, but because of certain important and reasonably specific pending factors that may strengthen the asset, its rating as 7 is deferred until its more exact status may be determined. Pending factors include proposed merger, acquisition, or liquidation procedures, capital injection, perfecting liens on additional collateral and refinancing plans.

Loans rated 7 – Loans in this category are considered “loss” or uncollectible. For these loans, it is not practical or desirable to defer writing off the loan even though partial recovery may be affected in the future.

The Company periodically reassesses asset quality indicators to appropriately reflect the risk composition of the Company’s loan portfolio. Home equity and consumer loans are not individually risk rated, but rather analyzed as groups taking into account delinquency rates and other economic conditions that may affect the ability of borrowers to meet debt service requirements, including interest rates and energy costs. Performing loans include loans that are current and loans that are past due less than 90 days. Loans that are past due over 90 days and nonaccrual loans are considered nonperforming.

Based on the most recent analysis performed, the risk category of loans by class of loans is as follows as of December 31, 2023:[17][18][19]

	Term Loans Amortized Cost Basis by Origination Year								
	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
Commercial:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Risk rating	-	-	-	-	-	-	-	-	-
Pass (Graded 1-3)	-	-	-	-	-	-	-	-	-
Special mention (4)	-	-	-	-	-	-	-	-	-
Substandard (5)	-	-	-	-	-	-	-	-	-
Doubtful (6)	-	-	-	-	-	-	-	-	-
Total commercial	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial:									
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

[17] The disclosure of loans by year of origination and current period gross write-offs is not required for non-public business entities. However, as indicated in ASC 326-20-50-5b, non-public business entities are still required to disclose the amortized cost basis by credit quality indicator. This disclosure may look similar to credit quality disclosures prior to ASC 326 adoption.

[18] The following examples illustrate the presentation of credit quality disclosures. Depending on the size and complexity of an institution's portfolio of financing receivables, disclosures that are more or less detailed than the following examples may be appropriate. An institution may choose other methods of determining the class of financing receivable and may determine different credit quality indicators that reflect how credit risk is monitored. Some institutions may have more than one credit quality indicator for certain classes of financing receivables.

[19] In the year of initial application of ASC 326, a public business entity that is not an SEC filer may phase-in the disclosure of credit quality indicators by year of origination by only presenting the three most recent origination years (including the first year of adoption). In each subsequent fiscal year, the then-current origination year will be added in the periods after adoption until a total of five origination years are presented. Origination years before those that are presented separately should be disclosed in the aggregate.

	Term Loans Amortized Cost Basis by Origination Year								
	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
Commercial real estate:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Risk rating	-	-	-	-	-	-	-	-	-
Pass (Graded 1-3)	-	-	-	-	-	-	-	-	-
Special mention (4)	-	-	-	-	-	-	-	-	-
Substandard (5)	-	-	-	-	-	-	-	-	-
Doubtful (6)	-	-	-	-	-	-	-	-	-
Total commercial real estate	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Commercial real estate: Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	Term Loans Amortized Cost Basis by Origination Year								
	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
Residential real estate:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Risk rating	-	-	-	-	-	-	-	-	-
Pass (Graded 1-3)	-	-	-	-	-	-	-	-	-
Special mention (4)	-	-	-	-	-	-	-	-	-
Substandard (5)	-	-	-	-	-	-	-	-	-
Doubtful (6)	-	-	-	-	-	-	-	-	-
Total residential real estate	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Residential real estate: Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	Term Loans Amortized Cost Basis by Origination Year								
	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
Home equity:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Payment performance	-	-	-	-	-	-	-	-	-
Performing	-	-	-	-	-	-	-	-	-
Nonperforming	-	-	-	-	-	-	-	-	-
Total home equity	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Home equity:									
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

	Term Loans Amortized Cost Basis by Origination Year								
	2023	2022	2021	2020	2019	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
Consumer:	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Payment performance	-	-	-	-	-	-	-	-	-
Performing	-	-	-	-	-	-	-	-	-
Nonperforming	-	-	-	-	-	-	-	-	-
Total consumer	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Consumer:									
Current period gross write-offs	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -

The following table presents the amortized cost basis of loans on nonaccrual status and loans past due over 89 days still accruing as of December 31, 2023:

	Nonaccrual with No Allowance for Credit Loss	Total Nonaccrual		Past Due Over 89 Days Still Accruing
	Dec 31, 2023	**Jan 1, 2023**	**Dec 31, 2023**	**Dec 31, 2023**
Commercial	$ -	$ -	$ -	$ -
Commercial real estate	-	-	-	-
Residential real estate	-	-	-	-
Home equity	-	-	-	-
Consumer	-	-	-	-
Total	$ -	$ -	$ -	$ -

The Company recognized $X of interest income on nonaccrual loans during the year ended December 31, 2023.[20]

[20] ASC 326-20-50-16 requires this disclosure to be disaggregated by class of financing receivable.

A loan is considered to be past due once it is 30 days contractually past due under the terms of the agreement. The following table presents the aging of the amortized cost basis in past-due loans as of December 31, 2023, by class of loans:

	30 – 59 Days Past Due	60 – 89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due	Current	Total Loans
Commercial	$ -	$ -	$ -	$ -	$ -	$ -
Commercial real estate	-	-	-	-	-	-
Residential real estate	-	-	-	-	-	-
Home equity	-	-	-	-	-	-
Consumer	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ -

IF APPLICABLE The following table presents the amortized cost basis of collateral-dependent loans as of December 31, 2023, by collateral type:[21]

	Collateral Type	Collateral Type	Total
Commercial	$ -	$ -	$ -
Commercial real estate	-	-	-
Residential real estate	-	-	-
Home equity	-	-	-
Consumer	-	-	-
Total	$ -	$ -	$ -

Collateral-dependent loans are loans for which the repayment is expected to be provided substantially by the underlying collateral and there are no other available and reliable sources of repayment.

Occasionally, the Company modifies loans to borrowers in financial distress by providing [disclose type of modification that is applicable—principal forgiveness, term extension, an other-than-insignificant payment delay, or interest rate reduction]. When principal forgiveness is provided, the amount of forgiveness is charged-off against the ACL.

In some cases, the Company provides multiple types of concessions on one loan. Typically, one type of concession, such as a term extension, is granted initially. If the borrower continues to experience financial difficulty, another concession, such as principal forgiveness, may be granted. For the loans included in the "combination" columns below, multiple types of modifications have been made on the same loan within the current reporting period. The combination is at least two of the following: [adjust list as applicable—a term extension, principal forgiveness, an other-than-insignificant payment delay, and/or an interest rate reduction].

[21] ASC 326-20-50-20 requires a qualitative description, by class of financing receivable, of the extent to which collateral secures its collateral-dependent financial assets, and significant changes in the extent to which collateral secures its collateral-dependent financial assets, whether because of a general deterioration or some other reason. This disclosure is only required for loans that are collateral-dependent.

The following table presents the amortized cost basis of loans on December 31, 2023 that were both experiencing financial difficulty and modified during the year ended December 31, 2023, by class and by type of modification. The percentage of the amortized cost basis of loans that were modified to borrowers in financial distress as compared to the amortized cost basis of each class of financing receivable is also presented below.

	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Combination Term Extension and Principal Forgiveness	Combination Term Extension and Interest Rate Reduction	Total Class of Financing Receivable
Commercial	$ -	$ -	$ -	$ -	$ -	$ -	- %
Commercial real estate	-	-	-	-	-	-	-
Residential real estate	-	-	-	-	-	-	-
Home equity	-	-	-	-	-	-	-
Consumer	-	-	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -	$ -	- %

The Company has committed to lend additional amounts totaling $X to the borrowers included in the previous table.

The Company closely monitors the performance of loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table presents the performance of such loans that have been modified in the last 12 months as of December 31, 2023:

	30 – 59 Days Past Due	60 – 89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due
Commercial	$ -	$ -	$ -	$ -
Commercial real estate	-	-	-	-
Residential real estate	-	-	-	-
Home equity	-	-	-	-
Consumer	-	-	-	-
Total	$ -	$ -	$ -	$ -

The following table presents the financial effect of the loan modifications presented above to borrowers experiencing financial difficulty for the year ended December 31, 2023:

	Principal Forgiveness	Weighted-Average Interest Rate Reduction	Weighted-Average Term Extension
Commercial	$ -	- %	[months/years]
Commercial real estate	-	-	-
Residential real estate	-	-	-
Home equity	-	-	-
Consumer	-	-	-

The following table presents the amortized cost basis of loans that had a payment default during the year ended December 31, 2023, and were modified in the 12 months prior to that default to borrowers experiencing financial difficulty.

	Principal Forgiveness	Payment Delay	Term Extension	Interest Rate Reduction	Total
Commercial	$ -	$ -	$ -	$ -	$ -
Commercial real estate	-	-	-	-	-
Residential real estate	-	-	-	-	-
Home equity	-	-	-	-	-
Consumer	-	-	-	-	-
Total	$ -	$ -	$ -	$ -	$ -

Upon the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the ACL is adjusted by the same amount. [ASC 310-10-50-44 indicates qualitative information should be disclosed, by portfolio segment, regarding how the defaults are factored into determining the ACL].

The following table presents loans purchased and/or sold during 2023 by portfolio segment:

	Commercial	Commercial real estate	Residential real estate	Home equity	Consumer	Total
Purchases	$ -	$ -	$ -	$ -	$ -	$ -
Sales	-	-	-	-	-	-

Purchased Credit Deteriorated Loans

The Company has purchased loans, for which there was, at acquisition, evidence of more than insignificant deterioration of credit quality since origination. The carrying amount of those loans is as follows as of December 31, 2023:

Purchase price of loans at acquisition	$	-
Allowance for credit losses at acquisition		-
Noncredit discount/(premium) at acquisition		-
Par value of acquired loans at acquisition	$	-

