



ILLUSTRATIVE BANCORP, INC. and SUBSIDIARY

BAKER
NEWMAN
NOYES

Consolidated Financial Statements

For the Years Ended December 31, 2024 and 2023

bnncpa.com

© 2024 Baker Newman Noyes

Illustrative Bancorp, Inc. and Subsidiary

Consolidated Financial Statements

For the Years Ended December 31, 2024 and 2023

About this financial reporting tool:

Baker Newman & Noyes LLC is pleased to issue our annual Illustrative Financial Statements for bank holding companies and other financial institutions, which have been updated for the year ending December 31, 2024 and reflect accounting pronouncements issued through September 30, 2024. The content can be tailored to suit mutual holding companies, credit unions, consumer finance companies, and other depository and lending institutions.

This publication is intended for general information and reference purposes only and contains examples of common disclosures applicable to a bank holding company as required under accounting principles generally accepted in the United States of America (U.S. GAAP) as well as the form and content requirements of Article 9 of Regulation S-X of the *Securities Act of 1933*. It has been provided as a reference tool to assist financial statement preparers in preparing the institution's annual financial statements, in combination with an evaluation of the facts and circumstances specific to the institution, reviews of the relevant authoritative guidance, and professional advice. It should not be used as a replacement for professional accounting, legal, or tax advice and may not address all possible scenarios. The form and content of financial statements, including the determination of whether the institution meets the criteria for classification as a public business entity (PBE), are the responsibility of management.

Recent Authoritative Guidance:

When presenting or disclosing recent accounting pronouncements, we use the term “public” company to include: public business entities (PBEs) and Securities and Exchange Commission (SEC) filers. All other reporting entities are referred to as “non-public.” Certain pronouncements, however, reflect effective dates which differ between large SEC filers and filers that qualify as Smaller Reporting Companies (SRCs). In these instances, the adoption date will be denoted by “SRC.” For a listing of recent authoritative pronouncements relevant to financial institutions that became effective in 2024, as well as updates that have been issued but are not yet effective, refer to Appendix A.

Key:

Regulation S-X requires comparative financial statements which include a two-year balance sheet presentation and a three-year income statement presentation. For all other entities, including SEC filers that qualify as an SRC, only a two-year income statement presentation is required. Immaterial items may be omitted. **Green shaded text** illustrates SEC requirements, **blue shaded text** indicates requirements specific to PBEs, and **yellow shaded text** denotes presentation and disclosure requirements applicable to both.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024 and 2023

TABLE OF CONTENTS

Report of Independent Registered Public Accounting Firm

Consolidated Financial Statements:

Consolidated Balance Sheets

Consolidated Statements of Income

Consolidated Statements of Comprehensive Income

Consolidated Statements of Changes in Stockholders' Equity

Consolidated Statements of Cash Flows

Notes to Consolidated Financial Statements

Appendix A – Recent Accounting Pronouncements

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS

December 31, 2024 and 2023

2024 2023
(Dollars in thousands except
per share amounts)

ASSETS

Cash and cash equivalents:

Cash and due from banks

Federal funds sold

\$ \$

Total cash and cash equivalents

Interest-bearing time deposits with other banks

Securities available for sale, at fair value, less allowance for credit
losses of [\$ _____ and \$ _____] at 2024 and 2023, respectively

Securities held to maturity, at amortized cost (fair value [\$ _____ and
\$ _____] at December 31, 2024 and 2023, respectively), less allowance
for credit losses of [\$ _____ and \$ _____] at 2024 and 2023, respectively

Marketable equity securities, at fair value

Federal Home Loan Bank stock, at cost

Federal Reserve Bank stock, at cost

Loans held for sale

Loans, net of allowance for credit losses of [\$ _____ and
\$ _____] at December 31, 2024 and 2023, respectively

Other real estate owned, net

Premises and equipment, net

Operating lease right-of-use assets

Accrued interest receivable

Goodwill and intangible assets, net

Deferred tax asset, net

Other assets

\$ _____ \$ _____

Total assets

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED BALANCE SHEETS (CONTINUED)

December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
	(Dollars in thousands except per share amounts)	
	<u>LIABILITIES AND STOCKHOLDERS' EQUITY</u>	
Liabilities:		
Deposits:		
Noninterest bearing	\$	\$
Interest-bearing	_____	_____
Total deposits		
Securities sold under agreements to repurchase		
Short-term borrowings		
Federal Home Loan Bank advances		
Other borrowings		
Subordinated debentures, net		
Operating lease liabilities		
Accrued expenses and other liabilities	_____	_____
Total liabilities	_____	_____
Commitments and contingencies (Note X)		
Stockholders' equity:		
Preferred stock, [\$ _____] par value; [_____] shares authorized; none issued		
Common stock, [\$ _____] par value; [_____] shares authorized; [_____] and [_____] shares issued at December 31, 2024 and 2023, respectively		
Additional paid-in capital		
Retained earnings		
Unearned compensation – Employee Stock Ownership Plan (ESOP)		
Unearned compensation – Restricted stock		
Accumulated other comprehensive income (loss)		
Treasury stock, at cost ([_____] shares at December 31, 2024 and [_____] shares at December 31, 2023)	(_____)	(_____)
Total stockholders' equity	_____	_____
Total liabilities and stockholders' equity	\$ _____	\$ _____

See accompanying notes to consolidated financial statements.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME

Years Ended December 31, 2024, 2023 and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	(Dollars in thousands except per share amounts)		
Interest and dividend income:			
Interest and fees on loans	\$	\$	\$
Interest on debt securities:			
Taxable			
Tax-exempt			
Other interest			
Dividends			
Total interest and dividend income			
Interest expense:			
Interest on deposits			
Interest on Federal Home Loan Bank advances			
Interest on short-term debt and other borrowings			
Interest on subordinated debentures			
Total interest expense			
Net interest and dividend income			
Provision for credit losses			
Net interest and dividend income after provision for credit losses			
Noninterest income:			
Customer service fees			
Trust and wealth management fees			
Income from bank-owned life insurance			
Mortgage banking activities, net			
Gain on sale of available-for-sale debt securities, net			
Gain (loss) on marketable equity securities, net			
Gain on sale of premises and equipment			
Gain on sale of other real estate owned, net			
Other income			
Total noninterest income			

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF INCOME (CONTINUED)

Years Ended December 31, 2024, 2023 and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	(Dollars in thousands except per share amounts)		
Noninterest expense:			
Salaries and employee benefits	\$	\$	\$
Occupancy and equipment, net			
Data processing			
Deposit insurance			
Professional fees			
Marketing and advertising			
Other real estate owned			
Other	_____	_____	_____
Total noninterest expenses	_____	_____	_____
Income before income taxes			
Income tax expense	_____	_____	_____
Net income	\$ <u> </u>	\$ <u> </u>	\$ <u> </u>
Earnings per share:			
Basic	\$	\$	\$
Diluted	\$	\$	\$

See accompanying notes to consolidated financial statements.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

Years Ended December 31, 2024, 2023 and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	(Dollars in thousands)		
Net income	\$	\$	\$
Other comprehensive income (loss), net of tax:			
Unrealized holding gain (loss) on securities available for sale			
Change in unrecognized defined benefit pension plan costs			
Change in net unrecognized gain (loss) on derivatives	_____	_____	
Other comprehensive income (loss)	_____	_____	
Comprehensive income (loss)	\$ _____	\$ _____	\$ _____

See accompanying notes to consolidated financial statements.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY

Years Ended December 31, 2024, 2023 and 2022

(In thousands, except share and per share data)

	<u>Common Stock</u> <u>Shares</u> <u>Amount</u>	<u>Additional</u> <u>Paid-In</u> <u>Capital</u>	<u>Retained</u> <u>Earnings</u>	<u>Unearned</u> <u>ESOP</u> <u>Shares</u>	<u>Unearned</u> <u>Compensation -</u> <u>Restricted Stock</u>	<u>Accumulated Other</u> <u>Comprehensive</u> <u>Income (Loss)</u>	<u>Treasury</u> <u>Stock</u>	<u>Total</u> <u>Stockholders'</u> <u>Equity</u>
Balance at December 31, 2021		\$	\$	\$	\$	\$	\$	\$
Net income								
Release of ESOP stock								
Stock-based compensation – restricted stock								
Stock-based compensation – options								
Other comprehensive income (loss), net of tax effect								
Shares purchased or retired								
Exercise of stock options, including tax benefit								
Cash dividends declared per share [(\$)]								
Balance at December 31, 2022								

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)

Years Ended December 31, 2024, 2023 and 2022

(In thousands, except share and per share data)

	<u>Common Stock</u>		<u>Additional</u>	<u>Retained</u>	<u>Unearned</u>	<u>Unearned</u>	<u>Accumulated Other</u>	<u>Treasury</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In</u>	<u>Earnings</u>	<u>ESOP</u>	<u>Compensation -</u>	<u>Comprehensive</u>	<u>Stock</u>	<u>Stockholders'</u>
			<u>Capital</u>		<u>Shares</u>	<u>Restricted Stock</u>	<u>Income (Loss)</u>		<u>Equity</u>
Balance at December 31, 2022		\$	\$	\$	\$	\$	\$	\$	\$
Cumulative effect of change in accounting principle [(notes #s)] ¹									
Net income									
Release of ESOP stock									
Stock-based compensation – restricted stock									
Stock-based compensation – options									
Other comprehensive income (loss), net of tax effect									
Shares purchased or retired									
Exercise of stock options, including tax benefit									
Cash dividends declared per share [(\$ ____)]	_____	_____	_____	_____	_____	_____	_____	_____	_____
Balance at December 31, 2023									

¹ Upon adoption of ASU 2016-13, if applicable

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CHANGES IN STOCKHOLDERS' EQUITY (CONTINUED)

Years Ended December 31, 2024, 2023 and 2022

(In thousands, except share and per share data)

	<u>Common Stock</u>		<u>Additional</u>	<u>Retained</u>	<u>Unearned</u>	<u>Unearned</u>	<u>Accumulated Other</u>	<u>Treasury</u>	<u>Total</u>
	<u>Shares</u>	<u>Amount</u>	<u>Paid-In</u>	<u>Earnings</u>	<u>ESOP</u>	<u>Compensation -</u>	<u>Comprehensive</u>	<u>Stock</u>	<u>Stockholders'</u>
			<u>Capital</u>		<u>Shares</u>	<u>Restricted Stock</u>	<u>Income (Loss)</u>		<u>Equity</u>
Balance at December 31, 2023		\$	\$	\$	\$	\$	\$	\$	\$
Net income									
Release of ESOP stock									
Stock-based compensation – restricted stock									
Stock-based compensation – options									
Other comprehensive income (loss), net of tax effect									
Shares purchased or retired									
Exercise of stock options									
Cash dividends declared per share [(\$_____)]	_____	_____	_____	_____	_____	_____	_____	_____	_____
Balance at December 31, 2024	_____	\$_____	\$_____	\$_____	\$_____	\$_____	\$_____	\$_____	\$_____

See accompanying notes to consolidated financial statements.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years Ended December 31, 2024, 2023 and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	(In Thousands)		
Cash flows from operating activities:			
Net income	\$	\$	\$
Adjustments to reconcile net income to net cash provided by operating activities:			
Gain on sale of debt securities, net			
Amortization of securities, net			
Gain on marketable equity securities, net			
Change in net deferred loan origination fees			
Provision for credit losses			
Gain on sale of other real estate owned			
Increase in bank-owned life insurance			
Gain on sale of loans			
Loans originated for sale			
Proceeds from loans sold			
Amortization of intangible assets			
ESOP expense			
Stock-based compensation expense			
Depreciation and amortization			
Gain on sale of premises and equipment			
Deferred income tax benefit			
Repayment of operating lease liabilities			
Net change in:			
Accrued interest receivable			
Other assets and current income taxes receivable			
Accrued expenses and other liabilities			
Net cash provided by operating activities			
Cash flows from investing activities:			
Activity in interest-bearing time deposits with other banks:			
Purchases			
Maturities			
Activity in equity securities:			
Proceeds from sales			
Purchases			
Activity in available-for-sale securities:			
Sales			
Maturities, calls and principal paydowns			
Purchases			

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years Ended December 31, 2024, 2023 and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	(In Thousands)		
Activity in held-to-maturity securities:			
Purchases	\$	\$	\$
Maturities, calls and principal paydowns			
Redemption of Federal Home Loan Bank stock			
Purchases of Federal Home Loan Bank stock			
Loan originations and principal collections, net			
Purchases of loans			
Purchases of premises and equipment, net			
Proceeds from sale of premises and equipment			
Purchase of bank-owned life insurance			
Proceeds from sale of other real estate owned	_____	_____	_____
Net cash used by investing activities			_____
Cash flows from financing activities:			
Net increase in deposits			
Advances from Federal Home Loan Bank			
Repayment of advances from Federal Home Loan Bank			
Change in short-term borrowings			
Proceeds from other borrowings			
Proceeds from issuance of subordinated debt			
Repayment of finance lease liabilities			
Proceeds from exercise of stock options, net			
Purchase of treasury stock			
Cash dividends paid	_____	_____	_____
Net cash provided by financing activities	_____	_____	_____
Net change in cash, cash equivalents and restricted cash			_____
Cash, cash equivalents and restricted cash at beginning of year	_____	_____	_____
Cash, cash equivalents and restricted cash at end of year	\$ _____	\$ _____	\$ _____
Supplemental cash flow information:			
Interest paid	\$	\$	\$
Income taxes paid			
Non-cash investing and financing activities:			
Loans originated from the sale of other real estate owned			
Loans transferred to other real estate owned			
Portfolio loans reclassified to held-for-sale			
Non-cash operating activities:			
Initial recognition of operating lease right-of-use assets			
Initial recognition of operating lease liabilities			

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)

Years Ended December 31, 2024, 2023 and 2022

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	(In Thousands)		
Non-cash changes related to available-for-sale securities:			
Available-for-sale securities unrealized (loss) gain	\$	\$	\$
Deferred income tax			
Net unrealized gain (loss) on available-for-sale securities			
Non-cash changes related to defined benefit pension liability:			
Defined benefit pension liability			
Deferred income tax			
Net unrecognized benefit (cost) related to defined benefit plan			
Non-cash changes related to derivatives:			
Derivatives			
Deferred income tax			
Net unrealized gain (loss) related to derivatives	_____	_____	_____
Net gain (loss) reflected in accumulated other comprehensive income (loss)	\$ _____	\$ _____	\$ _____

See accompanying notes to consolidated financial statements.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

1. Summary of Significant Accounting Policies

Basis of Presentation

The consolidated financial statements include the accounts of Illustrative Bancorp, Inc. (the Company) and its wholly owned subsidiary, Illustrative Bank (the Bank), a federally chartered savings bank, and the Bank's wholly owned subsidiary, Illustrative Securities Corp, which was formed to hold title to the Bank's investment securities. All significant intercompany balances and transactions have been eliminated in consolidation. The accounting and reporting policies of the Company and its subsidiary conform to accounting principles generally accepted in the United States of America (U.S. GAAP) and predominant practices within the industry and were prepared using the accrual basis of accounting. The significant accounting policies of the Company are summarized below to assist the reader in better understanding the consolidated financial statements.

Nature of Operations

The Company, through its ownership of the Bank, provides a variety of financial services to individuals and small businesses. Its primary deposit products are checking, savings and term certificate accounts and its primary lending products are residential and commercial mortgage loans. The Company also engages in mortgage banking, including the origination, sale and servicing of mortgage loans. ABCD Capital Trust I and ABCD Capital Trust II, affiliates of the Company, were formed to sell capital securities through a third-party trust pool and are not consolidated with the Company. At December 31, 2024, the Company operated seven (7) full service branches and five (5) remote automated teller machines (ATMs).

Use of Estimates

In preparing consolidated financial statements in conformity with U.S. GAAP, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated balance sheet and reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for credit losses.

Revenue Recognition

The Company recognizes revenue in accordance with Accounting Standards Codification (ASC) *Topic 606: Revenue from Contracts with Customers*. The Company's principal revenue streams come from interest and dividend income, mortgage banking activities, and gains/losses on securities and derivative transactions – all of which are specifically excluded from the scope of Topic 606 and account for [___ %] of total revenues. Revenue streams within the scope of Topic 606 [list institution-specific sources of applicable revenues] such as wealth management fees, customer service and account maintenance fees, deposit charges, ATM interchange and other transaction fees, and income relating to foreclosed assets, which collectively account for approximately [___ %] of total revenues, are recognized when the Company's performance obligations have been satisfied, either on an individual transaction basis such as ATM fees, or ratably over a period of time such as wealth management fees.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Risks and Uncertainties

Most of the Company's business activity is with customers located within New England. [There are no concentrations of credit to borrowers that have similar economic characteristics.] [The Company has a concentration of credit in the restaurant/hospitality/tourism industry representing [__%] of its loan portfolio.] [A significant amount of the Company's commercial real estate portfolio is collateralized by non-owner occupied multi-family properties.] [The majority of the Company's loan portfolio is comprised of loans collateralized by real estate located in [greater Boston][New England.]]

[Other examples of risks may include business risks related to changes in interest rates and changes in banking regulations.]

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, amounts due from banks and federal funds sold with original maturities of less than ninety days.

The Company is required to maintain certain reserve balances in the form of cash or deposits for the Federal Reserve Bank. At December 31, 2024 and 2023, the required reserve balances were approximately [\$_____ and \$_____], respectively.

Restricted Cash

The Company maintains cash collateral balances which have been pledged to derivative counterparties and are legally restricted as to use.

Interest-Bearing Time Deposits With Other Banks

Interest-bearing time deposits with other banks mature within five years and are carried at cost.

Securities

Investments in debt securities are adjusted for amortization of premiums and accretion of discounts computed so as to approximate the interest method. Gains or losses on sales of investment securities are recorded on the trade date and are computed on a specific identification basis.

The Company classifies debt securities into one of three categories: held-to-maturity, available-for-sale or trading. These security classifications may be modified after acquisition only under certain specified conditions. In general, securities may be classified as held-to-maturity only if the Company has the positive intent and ability to hold them to maturity. Trading securities are defined as those bought and held principally for the purpose of selling them in the near term. All other securities must be classified as available-for-sale.

- Held-to-maturity debt securities are measured at amortized cost. Unrealized gains and losses are not included in earnings or in a separate component of stockholders' equity; they are merely disclosed in the notes to the consolidated financial statements.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

- Available-for-sale debt securities are carried at fair value. Unrealized holding gains and losses are not included in earnings but are reported as a net amount (less expected taxes) in a separate component of stockholders' equity until realized.
- Trading securities are carried at fair value. Unrealized holding gains and losses on trading securities are included in earnings.

Management classifies the investment portfolio into the following major security types: U.S. Government and agency securities, Residential mortgage-backed, Municipal bonds and Other.

Nearly all of the mortgage-backed securities held by the Company are issued by the U.S. government and its entities and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies and have a history of no credit losses. The remainder of the residential mortgage-backed securities are non-agency collateralized mortgage obligations which currently carry investment-grade bond ratings. At December 31, 2024, municipal bonds are highly rated and are issued by state and local governments with minimal credit risk. Other securities are comprised of corporate bonds and notes and are highly rated by rating agencies.

For held-to-maturity debt securities, the Company measures expected credit losses on an [individual security] [collective basis by major security type] [and incorporates other risk characteristics used to segment the portfolio]. Accrued interest receivable on held-to-maturity debt securities totaled [\$_____] at December 31, 2024 and is not included in the estimate of credit losses.

For available-for-sale debt securities with a fair value less than amortized cost basis, management will determine whether it has the intent to sell the debt security or whether it is more likely than not it will be required to sell the debt security before the recovery of its amortized cost basis. If either condition is met, management will recognize a write-down to fair value through a charge to earnings. For all other debt securities, management 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 is 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 allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Losses related to non-credit-related factors will be recorded in other comprehensive income.

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

Debt securities are 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 non-accrual is reversed against interest income.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Federal Reserve Bank (FRB) Stock

The Bank is a member of its regional FRB. FRB stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Federal Home Loan Bank (FHLB) Stock

The Bank, as a member of the FHLB, is required to maintain an investment in capital stock of the FHLB. Based on redemption provisions of the FHLB, the stock has no quoted market value and is carried at cost. The Bank reviews its investment in capital stock of the FHLB for impairment based on the ultimate recoverability of the cost basis in the FHLB stock.

Mortgage Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at the lower of aggregate cost or fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings.

Mortgage loans held for sale are generally sold with servicing rights retained. The carrying value of mortgage loans sold is reduced by the amount allocated to the servicing right. Gains and losses on sales of mortgage loans are based on the difference between the selling price and the carrying value of the related loan sold.

<Loans held for sale, for which the fair value option has been elected, are recorded at fair value as of each balance sheet date. The fair value includes the servicing value of the loans as well as any accrued interest.> *This assumes the fair value option has been elected.

Loans and Allowance for Credit Losses

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at their outstanding unpaid principal balances adjusted for charge-offs, the allowance for credit losses, and net deferred loan origination costs and fees. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized as an adjustment of the related loan yield using the interest method over the terms of the loans.

The accrual of interest on loans is discontinued at the time a loan is 90 days past due. Past due status is based on the contractual terms of the loan. Loans are placed on non-accrual at an earlier date if collection of principal or interest is considered doubtful. Interest income previously accrued on such loans is reversed against interest income. The interest paid on these loans is accounted for on the cash basis, if the remaining net carrying amount of the loan is deemed fully collectible, or cost-recovery method, to the extent necessary to eliminate doubt as to the collectibility of the net carrying amount of the loan, until qualifying for return to accrual. Loans are returned to accrual status when all principal and interest amounts contractually due are brought current and future payments are reasonably assured.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

When recognition of interest income on a non-accrual loan on a cash basis is appropriate, the amount of income that is recognized is limited to that which would have been accrued on the net carrying amount of the loan at the contractual interest rate. Any cash interest payments received in excess of the limit and not applied to reduce the net carrying amount of the loan are recorded as recoveries of charge-offs until the charge-offs are fully recovered.

The allowance for credit losses 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 collectibility of a loan balance is uncertain. Expected recoveries do not exceed the aggregate of amounts previously charged off and expected to be charged off.

Effective January 1, 2023, the Company adopted ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit losses (CECL) methodology. The CECL approach requires an estimate of the credit losses expected over the life of an exposure (or pool of exposures).

A summary of the financial statement impact upon adoption of Topic 326 is as follows:

	<u>Financial Statement Impact of Adoption</u>		
	<u>Balance</u>	<u>Transition</u>	<u>Balance</u>
	<u>12/31/2022</u>	<u>Adjustment</u>	<u>1/1/2023</u>
	(In Thousands)		
Assets:			
Allowance for credit losses on debt securities			
held-to-maturity:			
Mortgage-backed securities	\$	\$	\$
Other			
Allowance for credit losses on loans:			
Residential real estate			
Commercial real estate			
Commercial and industrial			
Consumer			
Liabilities:			
Allowance for credit losses on off-balance sheet			
credit exposures			
Retained earnings:			
Total pre-tax impact			
Tax impact (deferred)			
Increase (decrease) to retained earnings			

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

The estimate of expected credit losses is based on relevant information about past events, current conditions, and reasonable and supportable forecasts that affect the collectibility of the reported amounts. Historical loss experience is generally the starting point for estimating expected credit losses. The Company then considers whether the historical loss experience should be adjusted for asset-specific risk characteristics or current conditions at the reporting date that did not exist over the historical period used. The Company also considers future economic conditions and portfolio performance as part of a reasonable and supportable forecast period.

Portfolio segment is defined as the level at which an entity develops and documents a systematic methodology to determine its allowance for credit losses. The Company has designated two portfolio segments of loans and leases: commercial and consumer. These portfolio segments are further disaggregated into classes, which represent loans and leases of similar type, risk characteristics, and methods for monitoring and assessing credit risk. The commercial portfolio segment is disaggregated into three classes: commercial and industrial, commercial mortgage, and construction. The consumer portfolio segment is also disaggregated into three classes: residential mortgage, home equity, and consumer (comprised of other revolving credit, installment, and auto). Each commercial and consumer portfolio class is also segmented based on shared risk characteristics.

Commercial – 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.

Small Business Administration (SBA)/United States Department of Agriculture (USDA) – These loans were purchased on the secondary market and are unconditionally guaranteed by the SBA and USDA as to principal and interest. The loans in this segment are not allocated a general reserve because the Company has not experienced losses on such loans and management expects the guarantees, if necessary, will be effective. The loans purchased by the Company are primarily small business and agricultural.

Commercial real estate – Loans in this segment are primarily income-producing properties [throughout New England]. The underlying cash flows generated by the properties are adversely impacted by a downturn in the economy as evidenced by increasing vacancy rates, which in turn, will have an effect on the credit quality in this segment. Management obtains rent rolls annually and continually monitors the cash flows of these loans.

Construction – Loans in this segment include both owner-occupied and speculative real estate development loans for which payment is derived from sale of the property. Credit risk is affected by cost overruns, time to sell at an adequate price, and market conditions.

Residential real estate – The Company generally does not originate loans with a loan-to-value ratio greater than 80 percent and does not grant loans that would be classified as subprime upon origination. 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 in this segment.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Home equity lines of credit – Loans in this segment are generally collateralized by residential real estate and repayment is dependent on the credit quality of the individual borrower. The Company generally does not originate loans with combined loan-to-value ratios greater than 70%. The Company generally has first or second liens on the properties securing these loans.

Consumer loans – Loans in this segment include chattel loans secured by modular homes and personal loans, which are secured by personal property or savings or are unsecured. Repayment is dependent on the credit quality of the individual borrower.

Commercial Portfolio Segment

The historical loss experience for the commercial portfolio segment is primarily determined using a cohort method. This method pools loans into groups (cohorts) sharing similar risk characteristics and tracks each cohort's historical net charge-offs to calculate a historical loss rate. The historical loss rates for each cohort are then averaged to calculate an overall historical loss rate which is applied to current loan balances to arrive at the quantitative baseline portion of the allowance for credit losses for most of the commercial portfolio segment.

The Company also considers qualitative adjustments to the quantitative baseline. For example, the Company considers the impact of current environmental factors at the reporting date that did not exist over the period from which historical experience was used. Relevant factors include, but are not limited to, concentrations of credit risk (geographic, large borrower, and industry), economic trends and conditions, changes in underwriting standards, experience and depth of lending staff, trends in delinquencies, and the level of criticized loans.

The Company also incorporates a reasonable and supportable (R&S) loss forecast period, which is currently one year, to account for the effect of forecasted economic conditions and other factors on the performance of the commercial portfolio, which could differ from historical loss experience. The Company performs a quarterly asset quality review which includes a review of forecasted gross charge-offs and recoveries, nonperforming assets, criticized loans and leases, and risk rating migration. The asset quality review is reviewed by management and the results are used to consider qualitative adjustments to the quantitative baseline. After the one-year R&S loss forecast period, this adjustment assumes an immediate reversion to historical loss rates for the remaining expected life of the loan.

The Company establishes a specific reserve for individually evaluated loans which do not share similar risk characteristics with the loans evaluated using a collective or pooled basis. These individually evaluated loans are removed from the pooling approach discussed above for the quantitative baseline, and include non-accrual loans and other loans as deemed appropriate by management. For collateral dependent loans, where the Company has determined that foreclosure of the collateral is probable, expected credit losses are based on the fair value of the collateral. The allowance for credit losses may be zero if the fair value of the collateral, adjusted for selling costs as appropriate, at the measurement date exceeds the amortized cost basis of the financial asset. For other individually evaluated loans, the Company uses the discounted cash flow method to determine the allowance for credit losses.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Consumer Portfolio Segment

The historical loss experience for the consumer portfolio segment is primarily determined using a vintage method. This method measures historical loss behavior in the form of a historical loss rate for homogenous loan pools that originate in the same period, known as a vintage. The historical loss rates are then applied to origination loan balances by vintage to determine the quantitative baseline portion of the allowance for credit losses for most of the consumer portfolio segment. The homogenous loan pools are segmented according to similar risk characteristics (e.g., residential mortgage, home equity) and may be sub-segmented further (e.g., geography, lien position) depending on the product.

The Company also considers qualitative adjustments to the quantitative baseline. For example, the Company considers the impact of current environmental factors at the reporting date that did not exist over the period from which historical experience was used. The environmental factors considered for the consumer portfolio are similar to the aforementioned factors considered for the commercial portfolio.

The Company also incorporates a one-year R&S loss forecast period to account for forecasted economic conditions and other factors on the performance of the consumer portfolio which could differ from historical loss experience. The Company performs a quarterly asset quality review designed to estimate gross charge-offs and recoveries for the forecast period. Management evaluates additional factors that may not be reflected in the net charge-off forecast to determine whether a qualitative adjustment is warranted.

The Company has chosen an immediate reversion back to average historical loss rates following the one-year R&S loss forecast period. The reversion method does not reflect uncertainties beyond the R&S loss forecast period, for which the Company has addressed through other qualitative adjustments.

The Company establishes a specific reserve for individually evaluated loans that do not share similar risk characteristics with the loans evaluated using a collective or pooled basis.

See Note 4, *Loans and Allowance for Credit Losses*, for more information.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: the Company has a reasonable expectation at the reporting date that a modification will be executed with an individual borrower, or the extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Company.

During the year ended December 31, 2023, the Company adopted Accounting Standards Update (ASU) 2022-02, *Financial Instruments—Credit Losses (Topic 326): Troubled Debt Restructurings and Vintage Disclosures*, which eliminated the accounting guidance for troubled debt restructurings (TDRs) by creditors while enhancing disclosure requirements for certain loan refinancings and restructurings by creditors when a borrower is experiencing financial difficulty.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Modifications to borrowers experiencing financial difficulty may include interest rate reductions, principal or interest forgiveness, forbearances, term extensions, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of collateral. The following illustrates the most common loan modifications by loan classes offered by the Company that are required to be disclosed pursuant to the requirements of ASU 2022-02:

Loan Classes Modification Types

Commercial: Term extension, interest rate reductions, payment delay, or combination thereof. These modifications extend the term of the loan, lower the payment amount, or otherwise delay payments during a defined period for the purpose of providing borrowers additional time to return to compliance with the original loan terms.

Residential Mortgage/Home Equity: Forbearance period greater than six months. These modifications require reduced or no payments during the forbearance period for the purpose of providing borrowers additional time to return to compliance with the original loan terms.

Residential Mortgage/Home Equity: Term extension and rate adjustment. These modifications extend the term of the loan and provide for an adjustment to the interest rate, which reduces the monthly payment requirement.

Automobile/Direct Installment: Term extension greater than three months. These modifications extend the term of the loan, which reduces the monthly payment requirement.

Prior to January 1, 2023, when a loan was modified and a concession was made to a borrower experiencing financial difficulty, the modification was considered a troubled debt restructuring (TDR). An allowance for credit losses for loans that have been modified in a TDR is measured based on the present value of the expected future cash flows discounted at the loan's effective interest rate, the loan's observable market price, or the estimated fair value of the collateral, less any selling costs, if the loan is collateral dependent. Management exercised significant judgment in developing these estimates.

The allowance for credit losses on off-balance-sheet commitments represents the expected credit losses on off-balance-sheet commitments such as unfunded commitments to extend credit and standby letters of credit. However, a liability is not recognized for commitments unconditionally cancellable by the Company. The allowance for credit losses on off-balance-sheet commitments is recognized as a liability (other liabilities in the consolidated balance sheet), with adjustments to the allowance recognized in the provision for credit losses in the consolidated statements of income. The allowance for credit losses on off-balance-sheet commitments is determined by estimating future draws and applying the expected loss rates on those draws. Future draws are based on historical averages of utilization rates (i.e., the likelihood of draws taken). To estimate future draws on unfunded balances, current utilization rates are compared to historical utilization rates. If current utilization rates are below historical utilization rates, the rate difference is applied to the committed balance to estimate the future draw. Loss rates are estimated by utilizing the same loss rates calculated for the allowance for credit losses general reserves. For the commercial portfolio, the historical loss rates were calculated utilizing the cohort methodology, while the consumer portfolio utilized the vintage methodology.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Loan Servicing

The Company services mortgage loans for others. Mortgage servicing assets are recognized at fair value when rights are acquired through sale of financial assets. Fair value is based on a valuation model that calculates the present value of estimated future net servicing income, considering prepayment speeds. Capitalized servicing rights are reported in other assets and are amortized into loan servicing fee income in proportion to, and over the period of, the estimated future net servicing income of the underlying financial assets. Servicing assets are evaluated for impairment based upon the fair value of the rights as compared to amortized cost. Impairment is determined by stratifying rights by predominant risk characteristics, such as interest rates and terms. Fair value is determined based upon discounted cash flows using market-based assumptions. Impairment is recognized through a valuation allowance to the extent that fair value is less than the carrying value. Changes in the valuation allowance are reported in income from mortgage banking activities.

Derivative Financial Instruments

The Company designates its derivative contracts into one of three categories based on the Company's intentions and belief as to likely effectiveness as a hedge. These three derivative categories are:

- Fair Value Hedge - a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment;
- Cash Flow Hedge - a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability; or
- Stand Alone Derivative - an instrument with no hedging designation.

For a fair value hedge, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized in current earnings as fair values change. For a cash flow hedge, the gain or loss on the derivative is reported in other comprehensive income and is reclassified into earnings in the same periods during which the hedged transaction affects earnings. Changes in the fair value of derivatives that do not qualify for hedge accounting are reported currently in earnings as non-interest income.

Net cash settlements on derivatives that qualify for hedge accounting are recorded in interest income or interest expense, based on the item being hedged. Net cash settlements on derivatives that do not qualify for hedge accounting are reported in non-interest income. Cash flows on hedges are classified in the statements of cash flows the same way as the cash flows of the items being hedged.

The Company formally assesses the effectiveness of each hedging transaction at inception, and on an ongoing basis. When it is determined that the contract is no longer highly effective, the Company discontinues hedge accounting prospectively. This documentation includes linking fair value or cash flow hedges to specific assets and liabilities on the balance sheet or to specific firm commitments or forecasted transactions.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

When hedge accounting is discontinued, subsequent changes in fair value of the derivative are recorded as non-interest income. When a fair value hedge is discontinued, the hedged asset or liability is no longer adjusted for changes in fair value and the existing basis adjustment is amortized or accreted over the remaining life of the asset or liability. When a cash flow hedge is discontinued but the hedged cash flows or forecasted transactions are still expected to occur, gains or losses that were accumulated in other comprehensive income are amortized into earnings over the same periods in which the hedged transactions will affect earnings.

The Company is exposed to losses if a counterparty fails to make its payments under a contract in which the Company is in the net receiving position. The Company anticipates that the counterparties will be able to fully satisfy their obligations under the agreements. All the contracts to which the Company is a party settle monthly or quarterly. In addition, the Company obtains collateral above certain thresholds of the fair value of its hedges for each counterparty based upon their credit standing and the Company has netting agreements with the dealers with which it does business.

Mortgage Banking Derivatives

Commitments to fund mortgage loans (interest rate locks) to be sold into the secondary market and forward commitments for the future delivery of these mortgage loans are accounted for as free standing derivatives. The fair value of the interest rate lock is recorded at the time the commitment to fund the mortgage loan is executed and is adjusted for the expected exercise of the commitment before the loan is funded. In order to hedge the change in interest rates resulting from its commitments to fund the loans, the Company enters into forward commitments for the future delivery of mortgage loans when interest rate locks are entered into. Fair values of these mortgage derivatives are estimated based on changes in mortgage interest rates from the date the interest on the loan is locked. Changes in the fair values of these derivatives are included in net gains on sales of loans.

Transfers of Financial Assets

Transfers of an entire financial asset, a group of entire financial assets, or a participating interest in an entire financial asset are accounted for as sales when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) the assets have been isolated from the Company, (2) the transferee obtains the right to pledge or exchange the transferred assets, and (3) the Company does not maintain effective control over the transferred assets.

During the normal course of business, the Company may transfer a portion of a financial asset, for example, a participation loan or the government-guaranteed portion of a loan. In order to be eligible for sales treatment, the transfer of the portion of the loan must meet the criteria of a participating interest. If it does not meet the criteria of a participating interest, the transfer must be accounted for as a secured borrowing. In order to meet the criteria for a participating interest, all cash flows from the loan must be divided proportionately, the rights of each loan holder must have the same priority, the loan holders must have no recourse to the transferor other than standard representations and warranties and no loan holder has the right to pledge or exchange the entire loan.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Premises and Equipment

Land is carried at cost. Buildings and equipment are stated at cost, less accumulated depreciation, computed on the straight-line method over the estimated useful lives of the assets. It is general practice to charge the cost of maintenance and repairs to earnings when incurred; major expenditures for betterments are capitalized and depreciated over the shorter of the lease term for leasehold improvements or their estimated useful lives. The cost and related accumulated depreciation of assets sold, or otherwise disposed of, are removed from the related accounts and any gain or loss is included in earnings.

Other Real Estate Owned

Other real estate owned (OREO) consists of properties acquired through, or in lieu of, foreclosure, as well as former banking premises for which banking use is no longer contemplated. Assets are held for sale and are initially recorded at fair value, less estimated costs to sell at the date of foreclosure or when control is established, establishing a new cost basis. Any initial valuation adjustment is recorded against the allowance for credit losses with subsequent adjustments recognized as OREO expense. Valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less cost to sell.

The Company classifies commercial loans as in-substance repossessed or foreclosed if the Company receives physical possession of the debtor's assets regardless of whether formal foreclosure proceedings take place. The Company classifies residential real estate loans as in-substance repossessed or foreclosed upon either obtaining legal title to the property upon completion of a foreclosure or when the borrower conveys all interest in the property to the Company to satisfy the loan through a completion of a deed in lieu of foreclosure or through a similar legal agreement.

Goodwill and Other Intangible Assets

Goodwill and identified intangible assets, principally related to core deposits, resulted from the acquisitions of other financial institutions accounted for under acquisition accounting. Goodwill is subject to an annual review by management, or more frequently if necessary, and other intangible assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable.

The Company performs its annual evaluation of goodwill impairment in the fourth quarter of each year and on an interim basis if events or changes in circumstances indicate that there may be impairment. The Company performs a qualitative assessment to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. The qualitative factors considered include, but are not limited to, macroeconomic and regional economic conditions, industry and market conditions and trends, the Company's financial performance, market capitalization, stock price, and any Company-specific events relevant to the assessment. If the assessment of qualitative factors indicates that it is not more likely than not that an impairment exists, no further testing is performed; otherwise, an impairment test is performed. Subsequent reversals of goodwill impairment are prohibited. For the year ended December 31, 2024, the Company's goodwill impairment evaluation, based on its qualitative assessment, indicated there was no impairment.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

The fair value of the core deposit intangibles acquired in a business combination is amortized on an accelerated method over the estimated life of 10 years.

Employee Stock Ownership Plan

Compensation expense for the Employee Stock Ownership Plan (ESOP) is recorded at an amount equal to the shares allocated by the ESOP multiplied by the average fair value of the shares during the period. The Company recognizes compensation expense ratably over the year based upon the Company's estimate of the number of shares expected to be allocated by the ESOP. Unearned compensation applicable to the ESOP is reflected as a reduction of stockholders' equity in the consolidated balance sheets. The difference between the average fair value and the cost of the shares allocated by the ESOP is recorded as an adjustment to additional paid-in capital.

Stock-Based Compensation

The Company recognizes stock-based compensation based on the grant-date fair value of the award adjusted for expected forfeitures. The Company values share-based stock option awards granted using the Black-Scholes option-pricing model. The Company recognizes compensation expense for its awards on a straight-line basis over the requisite service period for the entire award (straight-line attribution method), ensuring that the amount of compensation cost recognized at any date at least equals the portion of the grant-date fair value of the award that is vested at that time.

Treasury Stock

Common stock shares repurchased are recorded as treasury stock at cost. At the date of subsequent reissue, treasury stock is reduced by the cost of such stock based on an average cost method with any excess proceeds credited to additional paid-in capital. [Please note that some states do not allow the use of treasury stock or may use different terminology such as "Cost of Stock Reacquired."]

Earnings per Share (EPS)

Basic earnings per share is calculated using the two-class method. The two-class method is an earnings allocation formula under which earnings per share is calculated from common stock and participating securities considering both dividends declared (or accumulated) and participation rights in undistributed earnings as if all such earnings had been distributed during the period. Under this method, all earnings distributed and undistributed are allocated to participating securities and common shares based on their respective rights to receive dividends. Unvested share-based payment awards that contain nonforfeitable rights to dividends are considered participating securities (i.e., unvested restricted stock), not subject to performance based measures. Basic earnings per share is calculated by dividing net income available to common shareholders by the weighted-average number of common shares outstanding. Diluted earnings per share have been calculated in a manner similar to that of basic earnings per share except that the weighted-average number of common shares outstanding is increased to include the number of additional common shares that would have been outstanding if all potentially dilutive common shares (such as those resulting from the exercise of stock options or the attainment of performance measures) were issued during the period, computed using the treasury stock method.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Fair Value of Financial Instruments

Fair values of financial instruments are estimated using relevant market information and other assumptions, as more fully disclosed in a separate note. Fair value estimates involve uncertainties and matters of significant judgment regarding interest rates, credit risk, prepayments and other factors, especially in the absence of broad markets for particular items. Changes in assumptions or in market conditions could significantly affect these estimates.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities are reported as a separate component of the stockholders' equity section of the consolidated balance sheets, such items, along with net income, are components of comprehensive income.

Pension Plan

The Company sponsors a non-contributory defined benefit pension plan covering substantially all employees hired prior to December 31, [] meeting certain requirements as to age and length of service. The compensation cost of an employee's pension benefit is recognized using the projected unit credit method over the employee's approximate service period. The aggregate method is utilized for funding purposes.

Split-Dollar Life Plan

The Company recognizes costs of postretirement benefits using the accrual method, which recognizes costs over the employee's period of active employment.

Employee 401(k) Plan

The Company sponsors a 401(k) plan covering substantially all employees meeting certain eligibility requirements. Under the provisions of the plan, employees are able to contribute up to an annual limit of the lesser of 75% of eligible compensation or the maximum allowed by the Internal Revenue Service. The related expense is the amount of the Company's matching contributions.

Illustrative Bank Supplemental Executive Retirement Plan

The compensation cost of an employee's retirement benefit is recognized on the projected unit credit method over the employee's approximate service period. The aggregate cost method is utilized for funding purposes.

The Company accounts for its supplemental executive retirement plan using an actuarial model that allocates benefit costs over the service period of employees in the plan. The Company accounts for the over-funded or under-funded status of the plan as an asset or liability in its consolidated balance sheets and recognizes changes in the funded status in the year in which the changes occur through other comprehensive income or loss.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

Income Taxes

Deferred income tax assets and liabilities are determined using the liability (or balance sheet) method. Under this method, the net deferred tax asset or liability is determined based on the tax effects of the temporary differences between the book and tax bases of the various balance sheet assets and liabilities and gives current recognition to changes in tax rates and laws. A valuation allowance is established against deferred tax assets when, based upon the available evidence including historical and projected taxable income, it is more likely than not that some or all of the deferred tax assets will not be realized.

The Company does not have any uncertain tax positions at December 31, 2024 or 2023 which require accrual or disclosure.

The Company accounts for interest and penalties related to uncertain tax positions as part of its provision for income taxes. No interest or penalties were recorded for the years ended December 31, 2024, 2023 and 2022.

Loss Contingencies

Loss contingencies, including claims and legal actions arising in the ordinary course of business, are recorded as liabilities when the likelihood of loss is probable and an amount or range of loss can be reasonably estimated. Management does not believe there currently are such matters that will have a material effect on the consolidated financial statements.

Advertising Costs

Advertising costs are expensed as incurred and were approximately [\$_____, \$_____ and \$_____] in 2024, 2023 and 2022, respectively.

Operating Segments

The Company has two reportable segments: banking and trust services. The banking segment generates revenue from loans, investments and deposit products, and trust fees provide the revenue in trust services.

For both segments, the chief operating decision maker uses both segment gross profit and segment profit or loss from operations before income taxes to allocate resources (including employees, property, and financial or capital resources) for each segment predominantly in the annual budget and forecasting process. The chief operating decision maker considers budget-to-actual variances on a monthly basis for both profit measures when making decisions about allocating capital and personnel to the segments. The chief operating decision maker also uses segment gross profit for evaluating product pricing and segment profit or loss from operations before income taxes to assess the performance for each segment by comparing the results and return on assets of each segment with one another and in the compensation of certain employees.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

[The following paragraph may be inserted if the chief operating decision maker evaluates performance on a Company-wide basis.]

While the chief operating decision maker monitors profitability of several segments and services, operations are managed and financial performance is evaluated on a Company-wide basis. [Insert one of the following three sentences or something similar to appropriately explain why disaggregated information, such as branch or subsidiary bank, is not presented: Operating results are not reviewed by the chief operating decision maker to make resource allocation or performance decisions. OR Discrete financial information is not available other than on a Company-wide basis. OR Operating segments are aggregated into one as operating results for all segments are similar.] Accordingly, all of the financial service operations are considered by management to be aggregated in one reportable operating segment.

Recent Accounting Pronouncements

In October 2021, the Financial Accounting Standards Board (FASB) issued ASU No. 2021-08, *Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers*. This ASU requires entities to apply Topic 606 to recognize and measure contract assets and contract liabilities in a business combination. The amendments improve comparability after the business combination by providing consistent recognition and measurement guidance for revenue contracts with customers acquired in a business combination and revenue contracts with customers not acquired in a business combination. The amendments are effective for non-public business entities for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2023. Entities should apply the amendments prospectively to business combinations that occur after the effective date. Early adoption is permitted. [The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.]

In March 2022, the FASB issued ASU No. 2022-01, *Derivatives and Hedging (Topic 815): Fair Value Hedging – Portfolio Layer Method*. The ASU expands the current single-layer method to allow multiple hedged layers of a single closed portfolio under the method. To reflect that expansion, the last-of-layer method is renamed the portfolio layer method. ASU No. 2022-01 is effective for non-public business entities for fiscal years beginning after December 15, 2023, and interim periods within those fiscal years. Early adoption is permitted on any date on or after the issuance of ASU No. 2022-01 for any entity that has adopted the amendments in ASU No. 2017-12 for the corresponding period. If an entity adopts the amendments in an interim period, the effect of adopting the amendments related to basis adjustments should be reflected as of the beginning of the fiscal year of adoption (i.e., the initial application date). [The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.]

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

In June 2022, the FASB issued ASU No. 2022-03, *Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions*. This ASU clarifies that a contractual restriction on the sale of an equity security is not considered part of the unit of account of the equity security and, therefore, is not considered in measuring fair value. ASU No. 2022-03 is effective for public business entities for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2023. Early adoption is permitted. For all other entities, it is effective for fiscal years, including interim periods within those fiscal years, beginning after December 15, 2024. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance. [The adoption of this ASU [did not] [is not expected to] have a material impact on the Company's consolidated financial statements.]

In March 2023, the FASB issued ASU 2023-01, *Leases (Topic 842): Common Control Arrangements*, which addresses the accounting by private companies and certain not-for-profit entities (NFPs) for common control leases and leasehold improvements associated with such leases. The amendments in ASU 2023-01 apply to related party arrangements between entities under "common control." Similar to previous projects, the FASB decided not to define common control. These amendments provide private companies and not-for-profit organizations that are not conduit bond obligors with a practical expedient to use the written terms and conditions of a common control arrangement to determine whether a lease exists and, if so, the classification of and accounting for that lease. In addition, the ASU requires all entities (i.e., including public companies) to amortize leasehold improvements associated with common control leases over the useful life to the common control group. The amendments in ASU 2023-01 are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been made available for issuance. If an entity adopts the amendments in an interim period, it must adopt them as of the beginning of the fiscal year that includes that interim period. [The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.]

In March 2023, the FASB issued ASU 2023-02, *Investments—Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method*. ASU 2023-02 allows reporting entities to elect to account for qualifying tax equity investments using the proportional amortization method, regardless of the program giving rise to the related income tax credits. Reporting entities were previously permitted to apply the proportional amortization method only to qualifying tax equity investments in low-income housing tax credit (LIHTC) structures. For public business entities, the amendments in ASU 2023-02 are effective for fiscal years beginning after December 15, 2023, including interim periods within those fiscal years. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted for all entities in any interim period. If an entity adopts the amendments in an interim period, it should adopt them as of the beginning of the fiscal year that includes that interim period. [The adoption of this ASU [did not] [is not expected to] have a material impact on the Company's consolidated financial statements.]

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

In August 2023, the FASB issued ASU 2023-05, *Business Combinations – Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement*. ASU 2023-05 addresses the accounting for contributions made to a joint venture, upon formation, in a joint venture's separate financial statements. Contributions within the scope of the ASU include all contributions made to a joint venture upon formation, regardless of whether they are monetary or nonmonetary. The amendments in ASU 2023-05 do not amend the definition of a joint venture (or a corporate joint venture), the accounting by an equity method investor for its investment in a joint venture, or the accounting by a joint venture for contributions received after its formation. ASU 2023-05 applies to the formation of entities that meet the definition of a joint venture (or a corporate joint venture) as defined in the FASB ASC master glossary. The amendments in ASU 2023-05 are effective prospectively for all joint venture formations with a formation date on or after January 1, 2025. Additionally, a joint venture that was formed before January 1, 2025 may elect to apply the amendments retrospectively if it has sufficient information. Early adoption is permitted in any interim or annual period in which financial statements have not yet been issued (or made available for issuance), either prospectively or retrospectively. [The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.]

In August 2018, the Securities and Exchange Commission (SEC) issued Release No. 33-10532, *Disclosure Update and Simplification*, which contained certain of its disclosure requirements that overlap with, but require incremental information to, U.S. GAAP. Due to this overlap, these disclosure requirements were referred to the FASB for potential incorporation into the FASB ASC. As a result, in October 2023, the FASB issued ASU 2023-06, *Disclosure Improvement*, which incorporates 14 of the 27 disclosures that were referred by the SEC. ASU 2023-06 modifies the disclosure or presentation requirements on a variety of topics in the FASB ASC. As a result of the variety of topics that were amended by this ASU, a broad range of entities, including private companies, may be affected by one or more of those amendments. The amendments in this ASU represent changes to clarify or improve disclosure and presentation requirements of a variety of topics. Many of the amendments allow users to more easily compare entities subject to the SEC's existing disclosures with those entities that were not previously subject to the SEC's requirements. Also, the amendments align the requirements in the FASB ASC with the SEC's regulations. For entities subject to the SEC's existing disclosure requirements and for entities required to file or furnish financial statements with or to the SEC in preparation for the sale or for purposes of issuing securities that are not subject to contractual restrictions on transfer, the effective date for each amendment in the ASU will be the date on which the SEC's removal of that related disclosure from Regulation S-X or Regulation S-K becomes effective, with early adoption prohibited. For all other entities, the amendments will be effective two years later.

In November 2023, the FASB issued ASU 2023-07, *Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures*. ASU 2023-07 expands segment disclosure requirements for "public entities" that are required to report segment information in accordance with FASB ASC 280, *Segment Reporting*. The amendments in ASU 2023-07 are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024. Early adoption is permitted. [The adoption of this ASU did not have a material impact on the Company's consolidated financial statements.]

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

In December 2023, the FASB issued ASU 2023-08, *Intangibles – Goodwill and Other – Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets*. The amendments in ASU 2023-08 require that an entity measure crypto assets at fair value in the statement of financial position each reporting period and recognize changes from remeasurement in net income. The amendments also require that an entity provide enhanced disclosures for both annual and interim reporting periods to provide financial statement users with relevant information to analyze and assess the exposure and risk of significant individual crypto asset holdings. In addition, fair value measurement aligns the accounting required for holders of crypto assets with the accounting for entities that are subject to certain industry-specific guidance (such as investment companies) and eliminates the requirement to test those assets for impairment. The amendments in ASU 2023-08 are effective for all entities for fiscal years beginning after December 15, 2024, including interim periods within those fiscal years. Early adoption is permitted for both interim and annual financial statements that have not yet been issued (or made available for issuance). If an entity adopts the amendments in an interim period, it must adopt them as of the beginning of the fiscal year that includes that interim period. The amendments in ASU 2023-08 require a cumulative-effect adjustment to the opening balance of retained earnings (or other appropriate components of equity or net assets) as of the beginning of the annual reporting period in which an entity adopts the amendments. The adjustment to the opening balance should be calculated as the difference between the carrying amount of crypto assets as of the end of the prior annual reporting period and the fair value of those crypto assets as of the beginning of the annual reporting period in which the entity first applies the guidance in FASB ASC 350-60. [The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.]

In December 2023, the FASB issued ASU 2023-09, *Income Taxes (Topic 740): Improvements to Income Tax Disclosures*. The amendments in ASU 2023-09 require that public business entities on an annual basis (1) disclose specific categories in the rate reconciliation and (2) provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pretax income [or loss] by the applicable statutory income tax rate). For entities other than public business entities, the amendments in this update require qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a significant difference between the statutory tax rate and the effective tax rate. The amendments in ASU 2023-09 require that all entities disclose on an annual basis the following information about income taxes paid:

1. The amount of income taxes paid (net of refunds received) disaggregated by federal (national), state, and foreign taxes; and
2. The amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than 5 percent of total income taxes paid (net of refunds received).

In addition, for all entities, the amendments require:

- Disclosure of income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign; and
- Disclosure of income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

The amendments in the ASU also eliminate:

- The requirement for all entities to (1) disclose the nature and estimate of the range of the reasonably possible change in the unrecognized tax benefits balance in the next 12 months or (2) make a statement that an estimate of the range cannot be made; and
- The requirement to disclose the cumulative amount of each type of temporary difference when a deferred tax liability is not recognized because of the exceptions to comprehensive recognition of deferred taxes related to subsidiaries and corporate joint ventures.

Those existing disclosure requirements are no longer considered cost beneficial or relevant.

For public business entities, the amendments in ASU 2023-09 are effective for annual periods beginning after December 15, 2024. For entities other than public business entities, the amendments are effective for annual periods beginning after December 15, 2025. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. [The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.]

In March 2024, the FASB issued ASU 2024-01, *Compensation – Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards*, which provides illustrative guidance to help entities determine whether profits interest and similar awards should be accounted for as share-based payment arrangements within the scope of FASB ASC 718, *Compensation – Stock Compensation*. Specifically, the amendments in ASU 2024-01 add an illustrative example that includes four fact patterns (Cases A-D) to demonstrate how an entity should apply the scope guidance in FASB ASC 718-10-15-3 to determine whether a profits interest award should be accounted for in accordance with FASB ASC 718. The illustrative example is intended to highlight common fact patterns and emphasize relevant facts to be evaluated when determining whether a profits interest award meets the scope guidance in FASB ASC 718-10-15-3. The illustrative example does not address how to apply other guidance in FASB ASC 718, including whether a profits interest award should be classified as a liability or as equity. For public business entities (PBEs), the amendments in ASU 2024-01 are effective for annual periods beginning after December 15, 2024, and interim periods within those annual periods. For all other entities, the amendments are effective for annual periods beginning after December 15, 2025, and interim periods within those annual periods. Early adoption is permitted for both interim and annual financial statements that have not yet been issued or made available for issuance. If an entity adopts the amendments in an interim period, it should adopt them as of the beginning of the annual period that includes that interim period. [The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.]

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

1. Summary of Significant Accounting Policies (Continued)

In March 2024, the FASB issued ASU 2024-02, *Codification Improvements—Amendments to Remove References to the Concepts Statements*. This Update contains amendments to the Codification that remove references to various FASB Concepts Statements. The Board has a standing project on its agenda to address suggestions received from stakeholders on the ASC and other incremental improvements to U.S. GAAP. This effort facilitates Codification updates for technical corrections such as conforming amendments, clarifications to guidance, simplifications to wording or the structure of guidance, and other minor improvements. The resulting amendments are referred to as Codification improvements. Generally, the amendments in this Update are not intended to result in significant accounting change for most entities. However, the Board recognizes that changes to that guidance may result in accounting change for some entities. Therefore, the Board is providing transition guidance for all the amendments in this Update. The amendments in this Update are effective for public business entities for fiscal years beginning after December 15, 2024. For all other entities, the amendments are effective for fiscal years beginning after December 15, 2025. Early application of the amendments in this Update is permitted for all entities, for any fiscal year or interim period for which financial statements have not yet been issued (or made available for issuance). If an entity adopts the amendments in an interim period, it must adopt them as of the beginning of the fiscal year that includes that interim period. [The adoption of this ASU is not expected to have a material impact on the Company's consolidated financial statements.]

2. Interest-Bearing Time Deposits With Other Banks

At December 31, 2024, the Company's interest-bearing time deposits in other banks mature as follows:

	(In Thousands)
Due in one year or less	\$
Due after one year through three years	
Due after three years through five years	_____
	\$_____

Balances in interest-bearing time deposits with other banks are fully insured at December 31, 2024 and 2023.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

3. Investment in Securities

The amortized cost and fair value of debt securities, with gross unrealized gains and losses, at December 31 is as follows:

	Amortized Cost Basis	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value	Allowance for Credit Losses
	(In Thousands)				
<i>Available-for-sale securities:</i>					
<u>2024</u>					
Debt securities:					
U.S. Government and agency securities	\$	\$	\$	\$	\$
Residential mortgage-backed securities					
Municipal bonds					
Other	_____	_____	_____	_____	_____
Total available-for-sale securities	\$_____	\$_____	\$_____	\$_____	\$_____
<u>2023</u>					
Debt securities:					
U.S. Government and agency securities	\$	\$	\$	\$	\$
Residential mortgage-backed securities					
Municipal bonds					
Other	_____	_____	_____	_____	_____
Total available-for-sale securities	\$_____	\$_____	\$_____	\$_____	\$_____
<i>Held-to-maturity securities:</i>					
<u>2024</u>					
Debt securities:					
U.S. Government and agency securities	\$	\$	\$	\$	\$
Residential mortgage-backed securities					
Municipal bonds					
Other	_____	_____	_____	_____	_____
Total held-to-maturity securities	\$_____	\$_____	\$_____	\$_____	\$_____
<u>2023</u>					
Debt securities:					
U.S. Government and agency securities	\$	\$	\$	\$	\$
Residential mortgage-backed securities					
Municipal bonds					
Other	_____	_____	_____	_____	_____
Total held-to-maturity securities	\$_____	\$_____	\$_____	\$_____	\$_____

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

3. Investment in Securities (Continued)

The amortized cost and fair value of debt securities by contractual maturity at December 31, 2024 follows:

	<u>Available- for-Sale</u>	<u>Held-to-Maturity</u>	
	<u>Fair Value</u>	<u>Amortized Cost Basis</u>	<u>Fair Value</u>
	(In Thousands)		
Within 1 year	\$	\$	\$
After 1 year through 5 years			
After 5 years through 10 years			
Over 10 years	_____	_____	_____
Residential mortgage-backed securities	_____	_____	_____
	\$_____	\$_____	\$_____

Expected maturities may differ from contractual maturities because the issuer, in certain instances, has the right to call or prepay obligations with or without call or prepayment penalties.

For the years ended December 31, 2024, 2023 and 2022, proceeds from sales of debt securities available for sale amounted to [\$_____, \$_____ and \$_____], respectively. Gross realized gains from sales of securities available for sale amounted to [\$_____, _____ and \$_____], respectively; gross realized losses amounted to [\$_____, _____ and \$_____], respectively. The tax provision (benefit) applicable to these net realized gains and losses amounted to [\$_____, \$_____ and \$_____], respectively.

At December 31, 2024 and 2023, certain debt securities with a carrying value of [\$_____ and \$_____], respectively, were pledged to secure public deposits, trust deposits, repurchase agreements and for other purposes required or permitted by law.

At December 31, 2024 and 2023, there were no holdings of securities of any issuer, other than U.S. Government and agency securities, in an amount greater than 10% of stockholders' equity [or there were holdings of [\$_____ and \$_____], respectively, in securities issued by [_____]].

Marketable Equity Securities

The Company had marketable equity securities with a carrying value amounting to [\$_____] and [\$_____] as of December 31, 2024 and 2023, respectively. These securities consist of mutual funds held in a participant-directed rabbi trust in connection with certain of the Company's deferred compensation arrangements with executives, as well as investments in preferred and common stock of high-quality, blue-chip companies listed on a national exchange.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

3. Investment in Securities (Continued)

The portion of net gains and losses related to marketable equity securities still held at the reporting date for the years ended December 31 follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	(In Thousands)		
Net gains and losses recognized during the period on equity securities	\$	\$	\$
Less:			
Net gains and losses recognized on equity securities sold during the period	()	()	()
Net unrealized gains and losses recognized during the reporting period on equity securities still held at the reporting date	\$	\$	\$

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

3. Investment in Securities (Continued)

Information pertaining to debt securities with gross unrealized losses for which an allowance for credit losses has not been recorded at December 31, aggregated by investment category and length of time that individual securities have been in a continuous loss position, follows:

	<u>Less Than Twelve Months</u>			<u>Twelve Months or Longer</u>			<u>Total</u>		
	<u>Number of Securities</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Number of Securities</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>	<u>Number of Securities</u>	<u>Gross Unrealized Losses</u>	<u>Fair Value</u>
	(Dollars in Thousands)								
<i>Available-for-sale securities:</i>									
<u>2024</u>									
Debt securities:									
U.S. Government and agency securities		\$	\$		\$	\$		\$	\$
Residential mortgage-backed securities									
Municipal bonds									
Other	_____	_____	_____	_____	_____	_____	_____	_____	_____
Total available-for-sale securities	=====	\$=====	\$=====	=====	\$=====	\$=====	=====	\$=====	\$=====
<i>Held-to-maturity securities:</i>									
<u>2024</u>									
Debt securities:									
U.S. Government and agency securities		\$	\$		\$	\$		\$	\$
Residential mortgage-backed securities									
Municipal bonds									
Other	_____	_____	_____	_____	_____	_____	_____	_____	_____
Total held-to-maturity securities	=====	\$=====	\$=====	=====	\$=====	\$=====	=====	\$=====	\$=====

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

3. Investment in Securities (Continued)

	<u>Less Than Twelve Months</u>			<u>Twelve Months or Longer</u>			<u>Total</u>		
	<u>Number</u>	<u>Gross</u>	<u>Fair</u>	<u>Number</u>	<u>Gross</u>	<u>Fair</u>	<u>Number</u>	<u>Gross</u>	<u>Fair</u>
	<u>of</u>	<u>Unrealized</u>	<u>Value</u>	<u>of</u>	<u>Unrealized</u>	<u>Value</u>	<u>of</u>	<u>Unrealized</u>	<u>Value</u>
	<u>Securities</u>	<u>Losses</u>		<u>Securities</u>	<u>Losses</u>		<u>Securities</u>	<u>Losses</u>	<u>Value</u>
	(Dollars in Thousands)								
<i>Available-for-sale securities:</i>									
<u>2023</u>									
Debt securities:									
Residential mortgage-backed securities		\$	\$		\$	\$		\$	\$
Municipal bonds									
Other	_____	_____	_____	_____	_____	_____	_____	_____	_____
Total available-for-sale securities	=====	\$=====	\$=====	=====	\$=====	\$=====	=====	\$=====	\$=====
<i>Held-to-maturity securities:</i>									
<u>2023</u>									
Debt securities:									
U.S. Government and agency securities		\$	\$		\$	\$		\$	\$
Residential mortgage-backed securities									
Municipal bonds									
Other	_____	_____	_____	_____	_____	_____	_____	_____	_____
Total held-to-maturity securities	=====	\$=====	\$=====	=====	\$=====	\$=====	=====	\$=====	\$=====

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

3. Investment in Securities (Continued)

As of December 31, 2024, the Company's security portfolio consisted of [] securities, [] of which were in an unrealized loss position. The majority of unrealized losses are related to the Company's mortgage-backed and other securities, as discussed below:

Unrealized losses on U.S. Treasury and federal agency obligations amounted to [\$] and consisted of [] securities, [] of which had unrealized losses that were each individually less than 2% of amortized cost basis, and [] of which had unrealized losses between 2% and 5% of amortized cost basis. Unrealized losses on U.S. Government-sponsored entities and agencies amounted to [\$] and consisted of [] securities, [] of which had unrealized losses that were 1% or less of amortized cost basis, and [] of which had unrealized losses that were each individually between 1% and 4%. Unrealized losses on municipal bonds amounted to [\$] and consisted of [] securities, [] of which had unrealized losses that were each individually less than 3% of amortized cost basis, and [] had an unrealized loss of 6% of amortized cost basis. Unrealized losses on mortgage-backed securities amounted to [\$] and consisted of [] securities, all with unrealized losses from 2% to 7% of amortized cost basis. Unrealized losses on other securities amounted to [\$] and consisted of [] securities, [] of which had unrealized losses that were individually less than 1% of amortized cost basis, and [] had an unrealized loss of 8% of amortized cost basis.

The unrealized losses on these debt securities were primarily due to changes in interest rates. In regard to municipal bonds and other securities, the Company also considers the issuer's current financial condition and its ability to make future scheduled interest and principal payments on a timely basis in assessing any potential credit loss.

Unrealized losses on municipal bonds and other securities have not been recognized into income because the issuer's (s') bonds are of high credit quality (rated AA or higher), management does not intend to sell and it is likely that management will not be required to sell the securities prior to their anticipated recovery, and the decline in fair value is largely due to changes in interest rates and other market conditions. The issuer(s) continue(s) to make timely principal and interest payments on the bonds and notes. The fair value is expected to recover as the bond(s) and note(s) approach(es) maturity.

Note: [The Company must evaluate if a decline in the fair value below amortized cost resulted from credit loss or other factors. The analysis should consider the guidance in Topic 326-30-35-6 and Topic 326-30-55-1 through 55-4 when determining whether a credit loss exists. The reference to the credit rating is an example of one factor that should be considered and the guidance requires that other factors should also be considered to conclude if a credit loss exists.]

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

3. Investment in Securities (Continued)

The table below presents a roll forward by major security type for the years ended December 31 of the allowance for credit losses on debt securities held to maturity (HTM) and debt securities available for sale (AFS) held at period end:

	HTM		AFS	
	<u>Municipal Bonds</u>	<u>Other</u>	<u>Municipal Bonds</u>	<u>Other</u>
	(In Thousands)			
Beginning balance, January 1, 2023	\$	\$	\$	\$
Impact of adopting Topic 326				
Additions for securities for which no previous expected credit losses were recognized				
Provision for credit loss expense				
Securities charged off				
Recoveries				
Total ending allowance balance, December 31, 2023				
Provision for credit loss expense				
Securities charged off				
Recoveries				
Total ending allowance balance, December 31, 2024	\$	\$	\$	\$

Accrued interest receivable on available-for-sale and held-to-maturity securities, included in the “accrued interest receivable” line on the Company’s consolidated balance sheets, totaled approximately [\$] and [\$] at December 31, 2024 and 2023, respectively, and is excluded from the estimate of credit losses.

Credit Quality Indicators

The Company monitors the credit quality of debt securities held to maturity 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 debt securities held to maturity at December 31, 2024, aggregated by credit quality indicator:

	Held-to-Maturity		
	<u>Mortgage- Backed</u>	<u>Municipal Bond</u>	<u>Other</u>
	(In Thousands)		
AAA/AA/A	\$	\$	\$
BBB/BB/B			
Total	\$	\$	\$

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

3. Investment in Securities (Continued)

The following tables present the amortized cost of debt securities held to maturity on nonaccrual by major security type as of January 1, 2024 and 2023, and December 31, 2024 and 2023, and past due 90 days and over and still accruing by major security type as of December 31, 2024 and 2023:

	<u>Nonaccrual</u>		<u>Past Due</u>
	<u>January 1</u>	<u>December 31</u>	<u>90 Days and</u>
		(In Thousands)	<u>Over and</u>
			<u>Still Accruing</u>
			<u>December 31</u>
<u>2024</u>			
Mortgage-backed	\$ _____	\$ _____	\$ _____
Total	\$ _____	\$ _____	\$ _____
<u>2023</u>			
Mortgage-backed	\$ _____	\$ _____	\$ _____
Total	\$ _____	\$ _____	\$ _____

The Company recognized [\$ _____ and \$ _____] of interest income on nonaccrual debt securities held to maturity during the year ended December 31, 2024 and 2023, respectively.

As of December 31, 2024 and 2023, there were no held-to-maturity securities with a related allowance for credit losses.

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

	<u>Held-to-Maturity</u>		
	<u>Mortgage-</u>	<u>Municipal</u>	
	<u>Backed</u>	<u>Bond</u>	<u>Other</u>
		(In Thousands)	
<u>2024</u>			
30 to 59 days past due	\$ _____	\$ _____	\$ _____
60 to 89 days past due	_____	_____	_____
90 days or more past due	_____	_____	_____
Total past due	\$ _____	\$ _____	\$ _____

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

3. Investment in Securities (Continued)

	Held-to-Maturity		
	Mortgage- Backed	Municipal Bond	Other
	(In Thousands)		
<u>2023</u>			
30 to 59 days past due	\$	\$	\$
60 to 89 days past due			
90 days or more past due			
Total past due	\$	\$	\$

For the year ended December 31, 2022, debt securities with other-than-temporary impairment losses related to credit quality that were recognized in earnings consisted of [] non-agency mortgage-backed securities. The Company estimated the credit component portion of loss for the non-agency mortgage-backed securities using a discounted cash flow model. Significant inputs for the non-agency mortgage-backed securities included estimated cash flows of the underlying collateral based on key assumptions such as default rate, loss severity and prepayment rate. The present value of the expected cash flows was compared to the Company's holdings to determine the credit-related impairment loss. Based on the expected cash flows derived from the model, the Company expects to recover the remaining unrealized losses on non-agency mortgage-backed securities.

The following table presents a roll-forward of the amount of credit losses recognized in earnings on debt securities held at period end for which a portion of an other-than-temporary impairment was recognized in other comprehensive income (in thousands):

Beginning balance, January 1, 2022	\$
Credit losses for which other-than-temporary impairment was not previously recorded	
Reductions for securities sold during the period	
Additional credit losses for which an other-than-temporary impairment charge was previously recognized	
Reductions for securities intended to be sold or for which it is more likely than not the security will be required to be sold, for which the amount was previously recognized in other comprehensive income (loss)	
Reductions for increase in cash flows expected to be collected that are recognized over the remaining life of the security	
Ending balance, December 31, 2022	\$

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

4. Loans and Allowance for Credit Losses

A summary of the balances of loans at December 31 follows:

	<u>2024</u>	<u>2023</u>
	(In Thousands)	
Real estate loans:		
Residential	\$	\$
Commercial		
Home equity lines of credit (HELOC)		
Construction	_____	_____
Non-real estate loans:		
Commercial and industrial (C&I)		
Consumer	_____	_____
Total gross loans		
Allowance for credit losses	_____	_____
Loans, net	\$_____	\$_____

The Company elected to exclude accrued interest receivable from the amortized cost basis of loans disclosed throughout this footnote. As of December 31, 2024 and 2023, accrued interest receivable for loans totaled [\$____] and [\$____], respectively, and is included in the “accrued interest receivable” line item on the Company’s consolidated balance sheets.

The following table presents the activity in the allowance for credit losses by portfolio segment for the years ended December 31: [should be based on your specific loan segments]

	<u>Real Estate Loans</u>				<u>C&I</u>	<u>Consumer</u>	<u>Total</u>
	<u>Commercial</u>	<u>Residential</u>	<u>HELOC</u>	<u>Construction</u>			
	<u>Real Estate</u>	<u>Real Estate</u>					
	(In Thousands)						
<u>Allowance for credit losses activity</u>							
<u>2024</u>							
Beginning balance, December 31, 2023	\$	\$	\$	\$	\$	\$	\$
Provision for credit losses							
Loans charged off							
Recoveries collected	_____	_____	_____	_____	_____	_____	_____
Total ending allowance balance	\$_____	\$_____	\$_____	\$_____	\$_____	\$_____	\$_____
<u>2023</u>							
Beginning balance, December 31, 2022, prior to adoption of Topic 326	\$	\$	\$	\$	\$	\$	\$
Impact of adopting Topic 326							
Provision for credit losses							
Loans charged off							
Recoveries collected	_____	_____	_____	_____	_____	_____	_____
Total ending allowance balance	\$_____	\$_____	\$_____	\$_____	\$_____	\$_____	\$_____

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

4. Loans and Allowance for Credit Losses (Continued)

	Real Estate Loans				Non-Real Estate Loans		Unallo- cated	Total
	Commercial	Residential	HELOC	Construction	C&I	Consumer		
	Real Estate	Real Estate		(In Thousands)				
Allowance for credit losses activity								
2022								
Beginning balance, December 31, 2021	\$	\$	\$	\$	\$	\$	\$	\$
Provision for credit losses								
Loans charged off								
Recoveries collected								
Total ending allowance balance	\$	\$	\$	\$	\$	\$	\$	\$

Despite the above allocations, the allowance for credit losses is general in nature and therefore available to absorb losses from any loan type.

The following tables present a summary of past-due loans as of December 31 by class of loans:

	30-59 Days Past Due	60-89 Days Past Due	Past Due 90 Days or More (In Thousands)	Total Past Due	Total Current	Total Loans
2024						
Real estate loans:						
Residential	\$	\$	\$	\$	\$	\$
Commercial						
Home equity lines of credit (HELOC)						
Construction						
Non-real estate loans:						
Commercial and industrial						
Consumer						
Total	\$	\$	\$	\$	\$	\$
2023						
Real estate loans:						
Residential	\$	\$	\$	\$	\$	\$
Commercial						
Home equity lines of credit (HELOC)						
Construction						
Non-real estate loans:						
Commercial and industrial						
Consumer						
Total	\$	\$	\$	\$	\$	\$

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

4. Loans and Allowance for Credit Losses (Continued)

The following tables present the amortized cost basis of loans on nonaccrual status and loans past due over 90 days still accruing as of December 31:

	Nonaccrual With a Related Allowance for Credit Losses	Nonaccrual With No Related Allowance for Credit Losses	Loans Past Due 90 Days and Over Still Accruing
	(In Thousands)		
<u>2024</u>			
Real estate loans:			
Residential	\$	\$	\$
Commercial			
Home equity lines of credit (HELOC)			
Construction			
Non-real estate loans:			
Commercial and industrial			
Consumer			
Total	\$	\$	\$
<u>2023</u>			
Real estate loans:			
Residential	\$	\$	\$
Commercial			
Home equity lines of credit (HELOC)			
Construction			
Non-real estate loans:			
Commercial and industrial			
Consumer			
Total	\$	\$	\$

The Company recognized [\$] and [\$] of interest income on nonaccrual loans during the year ended December 31, 2024 and 2023, respectively.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

4. Loans and Allowance for Credit Losses (Continued)

The following tables present the amortized cost basis of collateral-dependent loans and related allowance by class of loans as of December 31:

	Collateral Dependent Amortized Cost	Collateral Dependent Amortized Cost With No Related Allowance for Credit Loss	Collateral Dependent Amortized Cost With Related Allowance for Credit Loss	Related Specific Reserve
	(In Thousands)			
<u>2024</u>				
Real estate loans:				
Residential	\$	\$	\$	\$
Commercial				
Home equity lines of credit (HELOC)				
Construction				
Non-real estate loans:				
Commercial and industrial				
Consumer	_____	_____	_____	_____
Total	\$_____	\$_____	\$_____	\$_____
<u>2023</u>				
Real estate loans:				
Residential	\$	\$	\$	\$
Commercial				
Home equity lines of credit (HELOC)				
Construction				
Non-real estate loans:				
Commercial and industrial				
Consumer	_____	_____	_____	_____
Total	\$_____	\$_____	\$_____	\$_____

Collateral for the commercial real estate loan class generally consists of commercial real estate or, for certain construction loans, residential real estate. Collateral for commercial and industrial loans generally consists of equipment, accounts receivable, inventory and other business assets and, for owner-occupied commercial real estate loans, may also include commercial real estate. Residential and HELOC loans are collateralized by residential real estate. Consumer loans are collateralized by automobiles and other chattel. There were no significant changes to the extent to which collateral secured collateral dependent loans during the years ended December 31, 2024 and 2023.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

4. Loans and Allowance for Credit Losses (Continued)

Note: Topic 326-20-50-20 requires a qualitative description, by class of financing receivable, of the extent to which collateral secures its collateral-dependent loans, and significant changes in the extent to which collateral secures its collateral dependent loans, whether because of a general deterioration or some other reason.

Loan Modifications Made to Borrowers Experiencing Financial Difficulty

Modifications to borrowers experiencing financial difficulty may include interest rate reductions, principal or interest forgiveness, forbearances, term extensions, and other actions intended to minimize economic loss and to avoid foreclosure or repossession of collateral.

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon origination or acquisition. The starting point for the estimate of the allowance for credit losses is historical loss information, which includes losses from modifications of receivables to borrowers experiencing financial difficulty. The Company uses a probability of default/loss given default model to determine the allowance for credit losses. An assessment of whether a borrower is experiencing financial difficulty is made on the date of a modification.

Because the effect of most modifications made to borrowers experiencing financial difficulty is already included in the allowance for credit losses as a result of the measurement methodologies used to estimate the allowance, a change in the allowance for credit losses is generally not recorded upon modification. Occasionally, the Company modifies loans by providing principal forgiveness on certain of its real estate loans. When principal forgiveness is provided, the amortized cost basis of the asset is written off against the allowance for credit losses. The amount of the principal forgiveness is deemed to be uncollectible; therefore, that portion of the loan is written off, resulting in a reduction of the amortized cost basis and a corresponding adjustment to the allowance for credit losses.

In certain instances, the Company will modify a loan by providing multiple types of concessions. 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 an interest rate reduction, may be granted. For the real estate 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: a term extension, principal forgiveness, and interest rate reduction.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

4. Loans and Allowance for Credit Losses (Continued)

The following table shows the amortized cost basis as of December 31 of the loans modified to borrowers experiencing financial difficulty, disaggregated by class of financing receivable and type of concession granted (dollar amounts in thousands):

		Interest Rate Reduction					
		2024			2023		
	<u>Amortized Cost Basis</u>	<u>% of Total Class of Financing Receivables</u>	<u>Financial Effect</u>		<u>Amortized Cost Basis</u>	<u>% of Total Class of Financing Receivables</u>	<u>Financial Effect</u>
Commercial & industrial	\$	%	Reduced weighted-average contractual interest rate from [__%] to [__%].	\$	%	Reduced weighted-average contractual interest rate from [__%] to [__%].	
Commercial real estate			Reduced weighted-average contractual interest rate from [__%] to [__%].			Reduced weighted-average contractual interest rate from [__%] to [__%].	
Residential real estate			Reduced weighted-average contractual interest rate from [__%] to [__%].			Reduced weighted-average contractual interest rate from [__%] to [__%].	
Consumer			Reduced weighted-average contractual interest rate from [__%] to [__%].			Reduced weighted-average contractual interest rate from [__%] to [__%].	
	<u> </u>		[__%] to [__%].		<u> </u>		[__%] to [__%].
Total	\$ <u> </u>			\$ <u> </u>			

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

4. Loans and Allowance for Credit Losses (Continued)

		Term Extension					
		2024			2023		
	<u>Amortized Cost Basis</u>	<u>% of Total Class of Financing Receivables</u>	<u>Financial Effect</u>		<u>Amortized Cost Basis</u>	<u>% of Total Class of Financing Receivables</u>	<u>Financial Effect</u>
Commercial & industrial	\$	%	Added a weighted-average [___ years] to the life of the loans, which reduced monthly payment amounts for the borrowers.	\$	%	Added a weighted-average [___ years] to the life of the loans, which reduced monthly payment amounts for the borrowers.	
Commercial real estate			Added a weighted-average [___ years] to the life of the loans, which reduced monthly payment amounts for the borrowers.			Added a weighted-average [___ years] to the life of the loans, which reduced monthly payment amounts for the borrowers.	
Residential real estate			Added a weighted-average [___ years] to the life of the loans, which reduced monthly payment amounts for the borrowers.			Added a weighted-average [___ years] to the life of the loans, which reduced monthly payment amounts for the borrowers.	
Consumer			Added a weighted-average [___ years] to the life of the loans, which reduced monthly payment amounts for the borrowers.			Added a weighted-average [___ years] to the life of the loans, which reduced monthly payment amounts for the borrowers.	
	<u> </u>				<u> </u>		
Total	\$ <u> </u>			\$ <u> </u>			

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

4. Loans and Allowance for Credit Losses (Continued)

Combination Interest Rate Reduction and Term Extension							
2024			2023				
	<u>Amortized Cost Basis</u>	<u>% of Total Class of Financing Receivables</u>	<u>Financial Effect</u>		<u>Amortized Cost Basis</u>	<u>% of Total Class of Financing Receivables</u>	<u>Financial Effect</u>
Commercial & industrial	\$	%	Reduced weighted-average contractual interest rate from [__%] to [__%] and added a weighted-average [__ years] to the life of the loans, which reduced monthly payment amounts for the borrowers.		\$	%	Reduced weighted-average contractual interest rate from [__%] to [__%] and added a weighted-average [__ years] to the life of the loans, which reduced monthly payment amounts for the borrowers.
Commercial real estate			Reduced weighted-average contractual interest rate from [__%] to [__%] and added a weighted-average [__ years] to the life of the loans, which reduced monthly payment amounts for the borrowers.				Reduced weighted-average contractual interest rate from [__%] to [__%] and added a weighted-average [__ years] to the life of the loans, which reduced monthly payment amounts for the borrowers.
Residential real estate			Reduced weighted-average contractual interest rate from [__%] to [__%] and added a weighted-average [__ years] to the life of the loans, which reduced monthly payment amounts for the borrowers.				Reduced weighted-average contractual interest rate from [__%] to [__%] and added a weighted-average [__ years] to the life of the loans, which reduced monthly payment amounts for the borrowers.
Consumer			Reduced weighted-average contractual interest rate from [__%] to [__%] and added a weighted-average [__ years] to the life of the loans, which reduced monthly payment amounts for the borrowers.				Reduced weighted-average contractual interest rate from [__%] to [__%] and added a weighted-average [__ years] to the life of the loans, which reduced monthly payment amounts for the borrowers.
Total	\$				\$		

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

4. Loans and Allowance for Credit Losses (Continued)

The Company closely monitors the performance of the loans that are modified for borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table presents the performance of loans that have been modified in the last twelve months:

	<u>Current</u>	<u>30 – 89 Days Past Due</u>	<u>90+ Days Past Due</u>
	(In Thousands)		
<u>December 31, 2024:</u>			
Commercial & industrial	\$	\$	\$
Commercial real estate			
Residential real estate			
Consumer	_____	_____	_____
Total	\$_____	\$_____	\$_____
<u>December 31, 2023:</u>			
Commercial & industrial	\$	\$	\$
Commercial real estate			
Residential real estate			
Consumer	_____	_____	_____
Total	\$_____	\$_____	\$_____

Upon the Company's determination that a modified loan or a portion of a modified loan has subsequently been deemed uncollectible, the loan or a portion of the loan is charged off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is reduced by the same amount. The following table provides the amortized cost basis of financing receivables that had a payment default during the period and were modified in the twelve months before default to borrowers experiencing financial difficulty:

	<u>Amortized Cost Basis of Modified Loans That Subsequently Defaulted</u>		
	<u>Interest Rate Reduction</u>	<u>Term Extension</u>	<u>Combination – Interest Rate Reduction and Term Extension</u>
	(In Thousands)		
<u>December 31, 2024:</u>			
Commercial & industrial	\$	\$	\$
Commercial real estate			
Residential real estate			
Consumer	_____	_____	_____
Total	\$_____	\$_____	\$_____

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

4. Loans and Allowance for Credit Losses (Continued)

	Amortized Cost Basis of Modified Loans That Subsequently Defaulted		
	<u>Interest Rate Reduction</u>	<u>Term Extension</u> (In Thousands)	<u>Combination – Interest Rate Reduction and Term Extension</u>
<u>December 31, 2023:</u>			
Commercial & industrial	\$	\$	\$
Commercial real estate			
Residential real estate			
Consumer			
Total	\$	\$	\$

The following table presents the December 31, 2022 number of accounts, pre-modification outstanding recorded investment, and post-modification outstanding recorded investment that were modified as TDRs during the year ended December 31, 2022 (dollar amounts in thousands):

	<u>Number of Contracts</u>	<u>Pre- Modification Outstanding Recorded Investment</u>	<u>Post- Modification Outstanding Recorded Investment</u>	<u>Change in Allowance at Modification</u>
Troubled debt restructurings:				
C&I		\$	\$	\$
Commercial real estate				
Residential				
		\$	\$	\$

The following table provides information on how loans were modified as TDRs during the year ended December 31, 2022:

	<u>Extended Maturity</u>	<u>Reduced Interest Rate</u> (In Thousands)	<u>Rate Reduction and Forgiveness of Debt</u>
C&I	\$	\$	\$
Commercial real estate			
Residential			
	\$	\$	\$

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

4. Loans and Allowance for Credit Losses (Continued)

During the year ended December 31, 2022, one commercial real estate loan and one residential loan that were modified as TDRs in 2022 subsequently defaulted. The total combined balance of the loans was approximately [\$], and the defaults did not have a material impact on the allowance for loan losses.

None of the loans modified in 2022 were on nonaccrual as of December 31, 2022. TDRs were individually evaluated for impairment. The Company has allocated [\$] of specific allowance for those loans at December 31, 2022 and has committed to lend additional amounts totaling up to [\$].

Consumer residential real estate loans in process of foreclosure totaled [\$] and \$ [] at December 31, 2024 and 2023, respectively, and are reported in loans.

Credit Quality Indicators

The Company uses risk rating definitions for its commercial, commercial real estate and construction real estate loan portfolios which are generally consistent with regulatory and banking industry norms. Loans are assigned a credit quality grade (risk rating) which is based upon management's ongoing assessment of risk based upon an evaluation of the quantitative and qualitative aspects of each credit. This assessment is a dynamic process and risk ratings are adjusted as each borrower's financial situation changes. This process is designed to provide timely recognition of a borrower's financial condition and appropriately focus management resources. Risk ratings on loans within the consumer, residential real estate and HELOC loan portfolios are based upon payment performance or other knowledge of information or events that call into question the borrower's repayment ability.

Pass-rated loans exhibit acceptable risk to the Company in terms of financial capacity to repay their loans as well as possessing acceptable fallback repayment sources, typically collateral and personal guarantees. These loans are subject to a formal annual review process according to the scope and parameters established by management. Additionally, management reviews the risk rating when there are signs of deterioration in the interim.

Loans rated special mention possess potential weakness that may expose the Company to some risk of loss in the future. These loans have a history of generally paying as agreed but require more frequent monitoring and formal reporting to management. These loans do not demonstrate sufficient risk to warrant adverse classification.

Substandard loans reflect well-defined weaknesses in the current repayment capacity, collateral or net worth of the borrower with the possibility of some loss to the Company if these weaknesses are not corrected. Action plans are required for these loans to address the inherent weakness in the credit and are formally reviewed.

Doubtful loans have all the weaknesses inherent in classified substandard loans with the added characteristics that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

4. Loans and Allowance for Credit Losses (Continued)

Loans not meeting the criteria above that are evaluated individually as part of the above described process are considered to be pass-rated loans.

Note: In accordance with Topic 326-20-50-5, a Company shall disclose credit quality indicators for each class of financing receivable. The example shown here is for those classes that are risk rated. Credit quality indicators should also be shown on the class of loans that is not rated, such as delinquency and or FICO score.

Note: In the year of initial application of Topic 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.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

4. Loans and Allowance for Credit Losses (Continued)

Based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

December 31, 2024	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2024	2023	2022	2021	2020	Prior			
Commercial real estate:	(In Thousands)								
Risk rating:									
Pass	\$	\$	\$	\$	\$	\$	\$	\$	\$
Special mention									
Substandard									
Doubtful									
Total commercial real estate	\$	\$	\$	\$	\$	\$	\$	\$	\$
Construction:									
Risk rating:									
Pass	\$	\$	\$	\$	\$	\$	\$	\$	\$
Special mention									
Substandard									
Doubtful									
Total construction	\$	\$	\$	\$	\$	\$	\$	\$	\$
Commercial and industrial:									
Risk rating:									
Pass	\$	\$	\$	\$	\$	\$	\$	\$	\$
Special mention									
Substandard									
Doubtful									
Total commercial and industrial	\$	\$	\$	\$	\$	\$	\$	\$	\$

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

4. Loans and Allowance for Credit Losses (Continued)

Based on the most recent analysis performed, the risk category of loans by class of loans is as follows:

December 31, 2023	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
	2023	2022	2021	2020	2019	Prior			
Commercial real estate:	(In Thousands)								
Risk rating:									
Pass	\$	\$	\$	\$	\$	\$	\$	\$	\$
Special mention									
Substandard									
Doubtful									
Total commercial real estate	\$	\$	\$	\$	\$	\$	\$	\$	\$
Construction:									
Risk rating:									
Pass	\$	\$	\$	\$	\$	\$	\$	\$	\$
Special mention									
Substandard									
Doubtful									
Total construction	\$	\$	\$	\$	\$	\$	\$	\$	\$
Commercial and industrial:									
Risk rating:									
Pass	\$	\$	\$	\$	\$	\$	\$	\$	\$
Special mention									
Substandard									
Doubtful									
Total commercial and industrial	\$	\$	\$	\$	\$	\$	\$	\$	\$

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

4. Loans and Allowance for Credit Losses (Continued)

The Company considers the performance of the loan portfolio and its impact on the allowance for credit losses. For residential and consumer loan classes, the Company also evaluates credit quality based on the aging status of the loan, which was previously presented, and by payment activity. The following table presents the amortized cost in residential and consumer loans based on payment activity:

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	
December 31, 2024	2024	2023	2022	2021	2020	Prior			Total
Consumer:	(In Thousands)								
Payment performance:									
Performing	\$	\$	\$	\$	\$	\$	\$	\$	\$
Nonperforming									
Total consumer	\$	\$	\$	\$	\$	\$	\$	\$	\$
Home Equity Lines of Credit:									
Payment performance:									
Performing	\$	\$	\$	\$	\$	\$	\$	\$	\$
Nonperforming									
Total Home Equity Lines of Credit	\$	\$	\$	\$	\$	\$	\$	\$	\$
Residential real estate:									
Payment performance:									
Performing	\$	\$	\$	\$	\$	\$	\$	\$	\$
Nonperforming									
Total residential real estate	\$	\$	\$	\$	\$	\$	\$	\$	\$
Gross write-offs	\$	\$	\$	\$	\$	\$	\$	\$	\$

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

4. Loans and Allowance for Credit Losses (Continued)

	Term Loans Amortized Cost Basis by Origination Year						Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
December 31, 2023	2023	2022	2021	2020	2019	Prior			
Consumer:	(In Thousands)								
Payment performance:									
Performing	\$	\$	\$	\$	\$	\$	\$	\$	\$
Nonperforming									
Total consumer	\$	\$	\$	\$	\$	\$	\$	\$	\$
Home Equity Lines of Credit:									
Payment performance:									
Performing	\$	\$	\$	\$	\$	\$	\$	\$	\$
Nonperforming									
Total Home Equity Lines of Credit	\$	\$	\$	\$	\$	\$	\$	\$	\$
Residential real estate:									
Payment performance:									
Performing	\$	\$	\$	\$	\$	\$	\$	\$	\$
Nonperforming									
Total residential real estate	\$	\$	\$	\$	\$	\$	\$	\$	\$
Gross write-offs	\$	\$	\$	\$	\$	\$	\$	\$	\$

Disclosure of current-period gross write-offs by year of origination for financing receivables and net investments in leases as required by ASU 2022-02 is noted above. However, upon adoption of the ASU, an entity would not provide the previous five annual periods of gross write-offs. The FASB decided that disclosure of gross write-offs would instead be applied on a prospective transition basis so that preparers can “build” the five-annual-period disclosure over time.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

4. Loans and Allowance for Credit Losses (Continued)

[The tables below, summarizing loan portfolios by risk rating, are applicable only to entities that are not public business entities.]

The following table summarizes loan portfolios by risk rating as of December 31 (amounts in thousands):

	<u>Real Estate Loans</u>				<u>Non-Real Estate Loans</u>		
	<u>Residential</u>	<u>Com- mercial</u>	<u>HELOC</u>	<u>Con- struction</u>	<u>C&I</u>	<u>Consumer</u>	<u>Total</u>
<u>2024</u>							
Pass	\$	\$	\$	\$	\$	\$	\$
Special mention							
Substandard							
Doubtful							
	\$	\$	\$	\$	\$	\$	\$
<u>2023</u>							
Pass	\$	\$	\$	\$	\$	\$	\$
Special mention							
Substandard							
Doubtful							
	\$	\$	\$	\$	\$	\$	\$

Average recorded investment and interest income recognized on loans that met the definition of an impaired loan in ASC 310-10-35 is as follows:

	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
	(In Thousands)	
<u>2022</u>		
With no allowance recorded:		
Real estate loans:		
Residential	\$	\$
Commercial		
HELOC		
Construction		
Non-real estate loans:		
C&I		
Consumer		
Total		

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

4. Loans and Allowance for Credit Losses (Continued)

	<u>Average Recorded Investment</u>	<u>Interest Income Recognized</u>
With related allowance recorded:		
Real estate loans:		
Residential	\$	\$
Commercial		
HELOC		
Construction		
Non-real estate loans:		
C&I		
Consumer		
Total		
Total impaired loans:		
Real estate loans:		
Residential		
Commercial		
HELOC		
Construction		
Non-real estate loans:		
C&I		
Consumer		
Total impaired loans	\$	\$

The following tables present loans purchased and/or sold during the years ended December 31 by portfolio segment:

	<u>Commercial Real Estate</u>	<u>Residential Real Estate</u>	<u>Consumer</u>	<u>Total</u>
	(In Thousands)			
<u>2024</u>				
Purchases	\$	\$	\$	\$
Sales				
<u>2023</u>				
Purchases	\$	\$	\$	\$
Sales				

5. Loan Servicing [use below when amortization method is used]

Loans serviced for others are not included in the accompanying consolidated financial statements and are comprised of residential mortgage loans sold in the secondary market with servicing rights retained, as well as the sold portion of commercial loans participated out to other financial institutions. At December 31, 2024 and 2023, the unpaid principal balance on loans serviced for others amounted to [\$_____ and \$_____], respectively.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

5. Loan Servicing (Continued)

Mortgage servicing rights are accounted for using the amortization method under which the servicing rights are accounted for at the lower of amortized cost or fair value. The risks inherent in mortgage servicing rights, included in other assets, relate primarily to changes in prepayments that result from shifts in mortgage interest rates. The following summarizes the activity pertaining to capitalized mortgage servicing rights and the related valuation allowance for the years ended December 31:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	(In Thousands)		
Mortgage servicing rights:			
Balance at beginning of year	\$	\$	\$
Additions			
Disposals			
Amortization	_____	_____	_____
Balance at end of year			
Valuation allowances:			
Balance at beginning of year			
Additions			
Recoveries			
Write-downs	_____	_____	_____
Balance at end of year	_____	_____	_____
Mortgage servicing rights, net	\$_____	\$_____	\$_____

The fair value of mortgage servicing rights was [\$_____ and \$_____] at December 31, 2024 and 2023, respectively. At December 31, 2024 and 2023, the fair value of mortgage servicing rights was determined using a discount rate of [_____% and _____%], respectively, and a prepayment speed of [_____% and _____%], respectively.

For the years ended December 31, 2024, 2023 and 2022, contractually specified mortgage servicing fee income amounted to [\$_____, \$_____ and \$_____], respectively, and is classified within mortgage banking activities, net, in the accompanying consolidated statements of income.

5A. Loan Servicing [use below when fair value method is used]

Loans serviced for others are not included in the accompanying consolidated financial statements and are comprised of residential mortgage loans sold in the secondary market with servicing rights retained, as well as the sold portion of commercial loans participated out to other financial institutions. At December 31, 2024 and 2023, the unpaid principal balance on loans serviced for others amounted to [\$_____ and \$_____], respectively. Escrow balances maintained in connection with serviced loans were [\$_____ and \$_____] at December 31, 2024 and 2023, respectively.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

5A. Loan Servicing (Continued)

Mortgage servicing rights are accounted for using the fair value measurement method under which servicing assets or servicing liabilities are carried at fair value at each reporting date. Changes in fair value of servicing assets and servicing liabilities are recorded in earnings in the period in which the changes occur. The risks inherent in mortgage servicing rights, included in other assets, relate primarily to changes in prepayments that result from shifts in mortgage interest rates. The following summarizes the activity pertaining to mortgage servicing rights for the years ended December 31:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	(In Thousands)		
Mortgage servicing rights:			
Balance, beginning of year	\$	\$	\$
Additions			
Disposals			
Change in fair value due to changes in assumptions			
Other changes in fair value			
Balance, end of year	\$	\$	\$

Fair value at December 31, 2024 was determined using discount rates ranging from []% to []%, prepayment speeds ranging from []% to []%, and a weighted-average default rate of []%. Fair value at December 31, 2023 was determined using discount rates ranging from []% to []%, prepayment speeds ranging from []% to []%, and a weighted-average default rate of []%.

6. Premises and Equipment

A summary of premises and equipment follows at December 31:

	<u>2024</u>	<u>2023</u>
	(In Thousands)	
Premises:		
Land	\$	\$
Building and improvements		
Finance leases		
Equipment		
Construction in progress		
Less accumulated depreciation and amortization		
	\$	\$

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

6. Premises and Equipment (Continued)

Depreciation and amortization expense for the years ended December 31, 2024, 2023 and 2022 amounted to [\$_____, \$_____ and \$_____], respectively.

7. Leases

A lease is defined as a contract, or part of a contract, that conveys the right to control the use of identified property, plant or equipment for a period of time in exchange for consideration.

Lessee Accounting

Substantially all of the leases in which the Company is the lessee are comprised of real estate property for branches, ATM locations, and office space with terms extending through 2052. Portions of certain properties are subleased for terms extending through 2033. Substantially all of the Company's leases are classified as operating leases. The Company has one existing finance lease (previously referred to as a capital lease) for a portion of the Company's headquarters' building with a lease term through [_____].

The following table represents the balance sheet classification of the Company's right-of-use (ROU) assets and lease liabilities at December 31. The Company elected not to include short-term leases (i.e., leases with initial terms of twelve months or less), or equipment leases (deemed immaterial) on the consolidated balance sheets at December 31.

		<u>2024</u>	<u>2023</u>
		(In Thousands)	
	<u>Classification</u>		
<u>Lease right-of-use assets</u>			
Operating lease right-of-use assets	Operating lease right-of-use assets	\$ _____	\$ _____
Finance lease right-of-use assets	Premises and equipment, net	_____	_____
Total lease right-of-use assets		\$=====	\$=====
<u>Lease liabilities</u>			
Operating lease liabilities	Operating lease liabilities	\$ _____	\$ _____
Finance lease liabilities	Accrued expenses and other liabilities	_____	_____
Total lease liabilities		\$=====	\$=====

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

7. Leases (Continued)

The calculated amounts of the ROU assets and lease liabilities in the table above are impacted by the length of the lease term and the discount rate used to present value the minimum lease payments. The Company's lease agreements often include one or more options to renew at the Company's discretion. If, at lease inception, the Company considers the exercising of a renewal option to be reasonably certain, the Company will include the extended term in the calculation of the ROU asset and lease liability. Regarding the discount rate, Topic 842 requires the use of the rate implicit in the lease whenever this rate is readily determinable. As this rate is rarely determinable, the Company utilizes its incremental borrowing rate at lease inception, on a collateralized basis, over a similar term. For operating leases existing prior to January 1, 20[], the rate for the remaining lease term as of January 1, 20[] was used. For the Company's only finance lease, the Company utilized its incremental borrowing rate at lease inception.

The weighted-average remaining lease terms and the weighted-average discount rates at December 31 follows:

	<u>2024</u>	<u>2023</u>
Weighted-average remaining lease terms:		
Operating leases	_____	_____ years
Finance leases	_____	_____
Weighted-average discount rates:		
Operating leases	_____	_____ %
Finance leases	_____	_____

[FASB ASU No. 2021-09, *Leases (Topic 842) – Discount Rate for Lessees That Are Not Public Business Entities*, allows a lessee that is not a public business entity to elect an accounting policy to use a risk-free rate as its discount rate by class of underlying asset rather than at an entity-wide level, as is currently required by Topic 842, *Leases*. The amendments in this Update also require that when the rate implicit in the lease is readily determinable for any individual lease, the lessee would use that rate (rather than a risk-free rate or an incremental borrowing rate), regardless of whether it has made the risk-free rate election.]

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

7. Leases (Continued)

The following table represents lease costs and other lease information at December 31. As the Company elected, for all classes of underlying assets, to not separate lease and non-lease components and instead account for them as a single lease component, the variable lease cost primarily represents variable payments such as common area maintenance and utilities. Variable lease cost also includes payments for ATM location leases in which payments are based on a percentage of ATM transactions (i.e., ATM surcharge fees) rather than a fixed amount at December 31:

	<u>2024</u>	<u>2023</u>
	(In Thousands)	
Lease costs:		
Operating lease cost	\$	\$
Variable lease cost		
Short-term lease cost		
Finance lease cost:		
Interest on lease liabilities ⁽¹⁾		
Amortization of right-of-use assets	_____	_____
Sublease income	_____	_____
Net lease cost	\$ _____	\$ _____
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$	\$
Operating cash flows from finance leases		
Financing cash flows from finance leases		
Right-of-use assets obtained in exchange for new operating lease liabilities		
Right-of-use assets obtained in exchange for new finance lease liabilities		

⁽¹⁾ Included in interest on finance lease obligation in the Company's consolidated statements of income. All other lease costs in the table are included in occupancy expense, net.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

7. Leases (Continued)

Future minimum payments for finance leases and operating leases with initial terms of one year or more as of December 31, 2024 were as follows:

	<u>Finance Leases</u>	<u>Operating Leases</u>
2025	\$	\$
2026		
2027		
2028		
2029		
Thereafter	_____	_____
Total future minimum lease payments		
Amounts representing interest	_____	_____
Present value of net future minimum lease payments	\$_____	\$_____

8. Other Real Estate Owned (OREO)

OREO is presented net of an allowance for losses. An analysis of the allowance for losses on OREO is as follows for the years ended December 31:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
		(In Thousands)	
Balance at beginning of year	\$	\$	\$
Provision for losses			
Charge-offs			
Recoveries	_____	_____	
Balance at end of year	\$_____	\$_____	\$_____

OREO (income) and expense are comprised of the following for the years ended December 31:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
		(In Thousands)	
Write-downs	\$	\$	\$
Rental income			
Gain on sales			
Loss on sales			
Other real estate owned holding expenses	_____	_____	
	\$_____	\$_____	\$_____

[The disclosures in note 8 above are optional, however, should be considered where material.]

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

9. Goodwill and Intangible Assets

The following table sets forth the carrying value of goodwill and other intangible assets, net of accumulated amortization, at December 31:

	<u>2024</u>	<u>2023</u>
	(In Thousands)	
Balances not subject to amortization:		
Goodwill	\$	\$
Balances subject to amortization:		
Core deposit intangibles		
Less: accumulated amortization	()	()
Total goodwill and other intangible assets	\$	\$

The changes in the carrying value of goodwill for the periods indicated were as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	(In Thousands)		
Balance at beginning of year	\$	\$	\$
Acquisitions			
Impairment			
Balance at end of year	\$	\$	\$

[NOTE – refer to segment reporting guidance related to reporting goodwill for each segment including significant changes in goodwill.]

[NOTE – consider the addition of impairment paragraphs discussing qualitative and quantitative approaches to assessing whether impairment of goodwill and other intangible assets exist at the balance sheet date.]

[NOTE – The following example disclosure is for a private company that elected to apply the accounting alternative for amortizing goodwill in accordance with the accounting alternative subsections of ASC 350-20].

[Goodwill was as follows at December 31:

	<u>2024</u>		<u>2023</u>	
	Gross		Gross	
	Carrying	Accumulated	Carrying	Accumulated
	<u>Amount</u>	<u>Amortization</u>	<u>Amount</u>	<u>Amortization</u>
	(In Thousands)			
Goodwill	\$	\$	\$	\$

Amortization expense for the years ending December 31, 2024 and 2023 was [\$] and [\$], respectively.]

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023, and 2022

9. Goodwill and Intangible Assets (Continued)

For the years ended December 31, 2024, 2023, and 2022, amortization expense relating to core deposit intangibles amounted to [\$___], [\$___], and [\$___], respectively.

At December 31, 2024, future amortization of core deposit intangibles is as follows:

<u>Year</u>	<u>Amount</u>
(In Thousands)	
2025	\$
2026	
2027	
2028	
2029	
Thereafter	

10. Deposits

Time deposits that meet or exceed the Federal Deposit Insurance Corporation (FDIC) insurance limit of \$250,000 at December 31, 2024 and 2023 were [\$_____] and [\$_____], respectively.

The aggregate amount of brokered time deposits as of December 31, 2024 and 2023 was [\$_____] and [\$_____], respectively.

For time deposits as of December 31, 2024, the scheduled maturities for each of the following five years ended December 31, and thereafter, are as follows:

	(In Thousands)
2025	\$
2026	
2027	
2028	
2029	
Thereafter	_____
	\$_____

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

11. Short-Term Borrowings

Federal Reserve Bank Discount Window

The Bank has pledged commercial real estate, commercial and home equity loans to the Federal Reserve Bank for access to the discount window advances. The available borrowing capacity at December 31, 2024 and 2023 amounted to [\$_____ and \$_____], respectively, based on pledged loans in the amount of [\$_____ and \$_____], respectively. At December 31, 2024 and 2023, no advances were outstanding.

Securities Sold Under Agreements to Repurchase

The securities sold under agreements to repurchase as of December 31, 2024 and 2023 are securities sold on a short-term basis by the Company that have been accounted for not as sales but as borrowings. The securities consisted of mortgage-backed securities issued by U.S. Government-sponsored entities. The securities were held in the Company's safekeeping account at the Federal Home Loan Bank under the control of the Company. The securities are pledged to the purchasers of the securities. The purchasers have agreed to sell to the Company identical securities at the maturity of the agreements. The balance of securities sold under agreements to repurchase as of December 31, 2024 and 2023 was [\$_____ million and \$_____ million], respectively.

Other Borrowed Funds

The Company has short-term borrowing arrangements with correspondent banks. Under the arrangements, the Company has unsecured discretionary federal funds lines of credit in the combined amount of [\$_____] at interest rates that adjust daily. Advances made under these lines of credit are payable on demand or, in the absence of demand, the day following the date of the advances. At December 31, 2024 and 2023, no advances were outstanding.

12. Federal Home Loan Bank Advances

A summary of FHLB advances at December 31, by maturity, is as follows:

	<u>Amount</u>		<u>Weighted-Average Rate</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	(Dollars in Thousands)			
Fixed-rate advances maturing during the year ending December 31:				
2024	\$	\$	%	%
2025				
2026				
2027				
2028				
2029				
Thereafter				

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

12. Federal Home Loan Bank Advances (Continued)

	<u>Amount</u>		<u>Weighted-Average Rate</u>	
	<u>2024</u>	<u>2023</u>	<u>2024</u>	<u>2023</u>
	(Dollars in Thousands)			
Amortizing advances maturing during the year ending December 31:				
2024	\$	\$	%	%
2025				
2026				
2027				
2028				
2029				
Thereafter	_____	_____	_____	_____
Total FHLB advances	\$_____	\$_____	_____%	_____%

At December 31, 2024, the Company had [\$_____] in callable advances from the FHLB. These advances are callable at the discretion of the FHLB on the call date. These advances are callable continuously on a quarterly basis after the initial call date.

The Company also has a [\$_____] available line of credit with the FHLB at an interest rate that adjusts daily. No amounts have been drawn on the line of credit.

At December 31, 2024 and 2023, the interest rates on FHLB advances ranged from [____% to ____%] and [____% to ____%], respectively.

All borrowings from the FHLB are secured by a blanket lien on qualified collateral consisting primarily of loans with first mortgages secured by one to four family properties.

13. Subordinated Debentures

Subordinated debentures consist of the following at December 31:

<u>Debentures</u>	<u>2024</u>	<u>2023</u>	<u>Rate</u>
	(In Thousands)		
Debenture I	\$	\$	%
Debenture II	_____	_____	%
	\$_____	\$_____	

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

13. Subordinated Debentures (Continued)

In [____], an affiliate of the Company sold capital securities to the public. The capital securities sold consisted of [____] capital securities with a [\$____] liquidation amount for each capital security, for a total of [\$____]. The capital securities are fully guaranteed by the Company. Each capital security pays a cumulative quarterly distribution at a rate per annum equal to the secured overnight financing rate (SOFR) plus [____]%. As of December 31, 2024, the SOFR was [____]%. These debentures mature on [____]. The subordinated debentures have the same financial terms as the capital securities. The Company makes interest payments and other payments under the subordinated debentures to an affiliate of the Company. The Company's obligations under the subordinated debentures are unsecured and rank junior to all of the Company's other borrowings, except borrowings that by their terms rank equal or junior to the subordinated debentures.

14. Income Taxes

Allocation of federal and state income taxes between current and deferred portions for the years ended December 31 is as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	(In Thousands)		
Current tax provision:			
Federal	\$ _____	\$ _____	\$ _____
State	_____	_____	_____
Deferred tax benefit:			
Federal	_____	_____	_____
State	_____	_____	_____
	\$ _____	\$ _____	\$ _____

The reasons for the differences between the statutory federal income tax rate and the effective tax rates are summarized as follows for the years ended December 31:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Statutory federal tax rate	%	%	%
Increase (decrease) resulting from:			
State taxes, net of federal benefit			
Bank-owned life insurance			
Municipal income			
Other, net	—	—	
Effective tax rate	<u>%</u>	<u>%</u>	<u>%</u>

[Note, it is also permissible to disclose the table above in dollars]

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

14. Income Taxes (Continued)

The Company had gross deferred tax assets and gross deferred tax liabilities as follows:

	<u>2024</u>	<u>2023</u>
	(In Thousands)	
Deferred tax assets:		
Allowance for credit losses	\$	\$
Securities capital loss carryforwards		
Write-down of securities		
Interest on nonaccrual loans		
Net unrealized holding loss on available-for-sale securities		
Charitable contribution carryover		
Stock compensation		
ESOP expense		
Pension and retirement incentive expense		
Deferred compensation		
Other	_____	_____
Gross deferred tax assets		
Valuation allowance	_____	_____
Gross deferred tax assets after valuation allowance		
Deferred tax liabilities:		
Net unrealized holding gains on equity securities		
Book basis in excess of tax basis of premises and equipment	_____	_____
Gross deferred tax liabilities	_____	_____
	\$_____	\$_____

As of December 31, 2024 and 2023, the Company had no operating loss or tax credit carryovers for tax purposes. As of December 31, 2024, the Company had capital loss carryovers of [\$_____], which are due to expire in [_____]. The capital losses can only be utilized against realized capital gains; therefore, as of December 31, 2024, a valuation allowance in the amount of [\$_____] exists against the deferred tax benefit to the extent management deems it probable the deferred tax benefits will not be fully realized.

The Company's income tax returns are subject to review and examination by federal and state taxing authorities. The Company is currently open to audit under the applicable statutes of limitations by the Internal Revenue Service for the years ended December 31, 2021 through 2024. The years open to examination by state taxing authorities vary by jurisdiction; no years prior to 2021 are open.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

14. Income Taxes (Continued)

[Thrift bad debt reserve deduction (if applicable):

Federal income tax laws provided additional bad debt deductions through 1987, totaling [\$_____]. Accounting standards do not require a deferred tax liability to be recorded on this amount, which otherwise would total [\$_____] at December 31, 20[___]. If the Bank were liquidated or otherwise ceased to be a bank or if tax laws were to change, this amount would be expensed.]

The valuation reserve has been established for the income tax effects attributable to the deferred tax assets to limit the federal tax benefit related to impairment losses on securities to the amount of capital gains available to offset the losses.

15. Minimum Regulatory Capital Requirements

Note: This disclosure assumes the Company and the Bank have not elected the Community Bank Leverage Ratio (CBLR) framework. Refer to Note 15A for the illustrative disclosure assuming adoption of the CBLR framework.

The Company and the Bank are subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory and/or discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's and the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company and the Bank must meet specific capital guidelines that involve quantitative measures of their assets, liabilities and certain off-balance-sheet items as calculated under regulatory accounting practices. Their capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. Prompt corrective action provisions are not applicable to bank holding companies.

The Company became subject to capital regulations adopted by the Board of Governors of the Federal Reserve System (FRB) and the FDIC, which implemented the Basel III regulatory capital reforms and the changes required by the *Dodd-Frank Act*. The required minimum regulatory capital ratios to which the Company and the Bank are subject, and the minimum ratios required for the Bank to be categorized as "well capitalized" under the prompt corrective action framework, are noted in the table below. In addition, the regulations established a capital conservation buffer of 2.5% effective January 1, 2019. Failure to maintain the capital conservation buffer will limit the ability of the Company and the Bank to pay discretionary bonuses and dividends. At December 31, 2024, the Company and the Bank exceeded the minimum requirement for the capital conservation buffer.

As of December 31, 2024 and 2023, the most recent notifications from the FDIC categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification that management believes have changed the Bank's category.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

15. Minimum Regulatory Capital Requirements (Continued)

The Company's and the Bank's actual capital amounts and ratios are presented in the following table:

	<u>Actual</u>		<u>For Capital Adequacy Purposes</u>		<u>To Be Well Capitalized Under Prompt Corrective Action Provisions</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
	(Dollars in Thousands)					
<u>December 31, 2024</u>						
Total capital to risk-weighted assets:						
Company	\$	%	\$	%	\$	N/A
Bank						N/A%
Common equity tier 1 capital to risk weighted assets:						
Company					N/A	N/A
Bank						
Tier 1 capital to risk weighted assets:						
Company					N/A	N/A
Bank						
Tier 1 capital to average assets:						
Company					N/A	N/A
Bank						
<u>December 31, 2023</u>						
Total capital to risk-weighted assets:						
Company	\$	%	\$	%	\$	N/A
Bank						N/A%
Common equity tier 1 capital to risk weighted assets:						
Company					N/A	N/A
Bank						
Tier 1 capital to risk weighted assets:						
Company					N/A	N/A
Bank						
Tier 1 capital to average assets:						
Company					N/A	N/A
Bank						

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

15A. Minimum Regulatory Capital Requirements

Note: This disclosure assumes the Company and the Bank have opted in to the CBLR framework.

Both the Company and the Bank are subject to various regulatory capital requirements administered by the FRB and the FDIC respectively, including a risk-based capital measure. The risk-based capital guidelines include both a definition of capital and a framework for calculating risk-weighted assets by assigning balance sheet assets and off-balance-sheet items to broad risk categories. Their capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors. At December 31, 2024, both the Company and the Bank exceeded all of their respective regulatory capital requirements. The Bank is considered “well capitalized” under regulatory guidelines. Prompt corrective action provisions are not applicable to bank holding companies.

As a result of the *Economic Growth, Regulatory Relief, and Consumer Protection Act*, the federal banking agencies developed a “Community Bank Leverage Ratio” (CBLR) (the ratio of a bank’s tangible equity capital to average total consolidated assets) for financial institutions with assets of less than \$10 billion. A “qualifying community bank” that exceeds this ratio is deemed to be in compliance with all other capital and leverage requirements, including the capital requirements to be considered “well capitalized” under Prompt Corrective Action statutes. The federal banking agencies may consider a financial institution’s risk profile when evaluating whether it qualifies as a community bank for purposes of the capital ratio requirement. The federal banking agencies have set 9% as the minimum capital for the CBLR, effective March 31, 2020. The Company and the Bank elected to be subject to the CBLR.

	<u>As Reported</u>		<u>To Be Well Capitalized Under Prompt Corrective Action Guidelines (CBLR Framework)</u>	
	<u>Amount</u>	<u>Ratio</u>	<u>Amount</u>	<u>Ratio</u>
	(Dollars in Thousands)			
<u>December 31, 2024</u>				
Tier 1 capital to average total assets:				
Company	\$	%	\$	%
Bank				
<u>December 31, 2023</u>				
Tier 1 capital to average total assets:				
Company	\$	%	\$	%
Bank				

The Company may, at times, repurchase its own shares in the open market. Such transactions are subject to the Federal Reserve Board’s notice provisions for stock repurchases. There were no such share repurchases during the years ended December 31, 2024, 2023 and 2022.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

15A. Minimum Regulatory Capital Requirements (Continued)

During the years ended December 31, 2024, 2023 and 2022, the Company's Board of Directors declared and paid cash dividends of [\$ ____], [\$ ____] and [\$ ____], or [\$ ____], [\$ ____] and [\$ ____] per common share, respectively.

16. Employee Benefits

Defined Benefit Pension Plan

The Company has a funded noncontributory defined benefit pension plan that covers substantially all of its employees. The plan provides defined benefits based on years of service and final average salary. The Company uses December 31 as the measurement date for its pension plan.

The following tables set forth information about the plan as of December 31 and for the years then ended:

	2024	2023	2022
	(In Thousands)		
Change in benefit obligation:			
Benefit obligation at beginning of year	\$	\$	\$
Service cost			
Interest cost			
Actuarial (gain) loss			
Benefits paid			
Settlement payments			
Benefit obligation at end of year			
Change in plan assets:			
Fair value of plan assets at beginning of year			
Actual (loss) return on plan assets			
Benefits and settlements paid			
Fair value of plan assets at end of year			
Funded status	\$	\$	\$
Accumulated benefit obligation at end of year	\$	\$	\$

[Note that reduced disclosure of the information above is available to nonpublic entities (refer to ASC 715-20-50-5, Expenses-Disclosure-General)]

[Note: Provide explanation for material gains/losses related to changes in the benefit obligations for each period disclosed.]

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

16. Employee Benefits (Continued)

Amounts recognized in accumulated other comprehensive income as of December 31, before tax effect, consist of:

	<u>2024</u>	<u>2023</u>
	(In Thousands)	
Unrecognized transition obligation	\$	\$
Unrecognized net actuarial loss	_____	_____
	\$_____	\$_____

At December 31, the assumptions used to determine the benefit obligation are as follows:

	<u>2024</u>	<u>2023</u>
	%	%
Discount rate		
Rate of compensation increase		

Net periodic pension cost (benefit) and other comprehensive (income) loss consist of the following for the years ended December 31:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	(In Thousands)		
Service cost	\$	\$	\$
Interest cost			
Expected return on assets			
Amortization of transition obligation			
Amortization of loss (gain)	_____	_____	_____
Settlement loss	_____	_____	_____
Net periodic pension cost (benefit)			
Amortization of loss (gain)			
Amortization of transition obligation			
Actuarial (gain) loss during the year	_____	_____	_____
Other comprehensive (income) loss	_____	_____	_____
Net periodic pension cost (benefit) and other comprehensive (income) loss	\$_____	\$_____	\$_____

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

16. Employee Benefits (Continued)

[Note that reduced disclosure of the information above is available to nonpublic entities (refer to ASC 715-20-50-5, Expenses-Disclosure-General)]

The components of net periodic pension cost, other than the service cost component, are included in the line item “other expense” in the consolidated statements of income.

For the years ended December 31, the assumptions used to determine net periodic pension cost are as follows:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Discount rate	%	%	%
Expected long-term rate of return on plan assets			
Rate of compensation increase			

The Company groups its pension plan assets in three levels, based on the markets in which the assets are traded and the reliability of the assumptions used to determine fair value:

Level 1 – The plan assets measured at fair value in Level 1 are based on quoted market prices in an active exchange market.

Level 2 – Plan assets measured at fair value in Level 2 are based on pricing models that consider standard input factors, such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, credit spreads and new issue data.

Level 3 – Plan assets measured at fair value in Level 3 are based on unobservable inputs, which include assumptions and estimates.

The asset’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Below is a description of the valuation methodologies used for assets measured at fair value.

Investments

Collective funds, equity securities, mutual funds and short-term investments: These securities, measured at fair value in Level 1, are based on quoted market prices in an exchange market. Securities measured at fair value in Level 2 are based on independent unadjusted market-based prices received from a third-party pricing service that utilizes pricing models that consider standard input factors, such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, credit spreads and new issue data.

Hedge funds: These securities, measured at fair value in Level 3, are valued based on management estimates, as observable market data is not readily available. The funds are valued at net asset value, as calculated by the Funds’ manager based upon the terms and conditions of the organizational documents of the underlying funds, with further consideration to portfolio risks.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

16. Employee Benefits (Continued)

The fair values of the Company's pension plan assets are as follows:

<u>Fair Value Measurements at Reporting Date Using:</u>					
<u>Asset Category</u>	<u>Allocation</u>	<u>Total</u>	Quoted Prices in Active Markets for Identical <u>Assets Level 1</u>	Significant Other Observable Inputs <u>Level 2</u>	Significant Unobservable Inputs <u>Level 3</u>
(Dollars in Thousands)					
December 31, 2024:					
Collective funds	%	\$	\$	\$	\$
Equity securities					
Mutual funds					
Hedge funds					
Short-term investments	_____	_____	_____	_____	_____
	==%	\$=====	\$=====	\$=====	\$=====
December 31, 2023:					
Collective funds	%	\$	\$	\$	\$
Equity securities					
Mutual funds					
Hedge funds					
Short-term investments	_____	_____	_____	_____	_____
	==%	\$=====	\$=====	\$=====	\$=====

The following is a reconciliation of Level 3 investments for which significant unobservable inputs were used to determine fair value (amounts in thousands) for the years ended December 31:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	(In Thousands)		
Beginning balance	\$	\$	\$
Purchases			
Investment income			
Redemptions	_____	_____	_____
Ending balance	\$=====	\$=====	\$=====

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

16. Employee Benefits (Continued)

[For nonpublic entities with Level 3 plan assets in the fair value hierarchy measured on a recurring basis, a reconciliation of the opening balances to the closing balances is not required. (However, those entities would still need to disclose transfers of plan assets into and out of Level 3 and any purchases of Level 3 assets by the plan.)]

Asset class:	Target Allocation	Percentage of Plan Assets at December 31		Weighted-Average Expected Long-Term Rate of Return
		2024	2023	
Collective trusts	%	%	%	%
Equity securities				
Mutual funds				
Hedge funds				
Short-term investments				
Total	%	%	%	%

The estimated weighted-average, long-term rate of return is based on current trends in plan assets as well as projected future rates of return on those assets. Future performance is based on a methodology which begins with historical returns and then factors in certain adjustments and assumptions as to anticipated future returns. These assumptions are impacted by yields on high-quality fixed-income investments as well as a current premium on equity securities and hedge funds [disclose institution-specific nature of the adjustments].

The defined benefit plan offers a common and collective trust as the underlying investment structure for the pension plan. The target allocation mix for the common and collective trust portfolio calls for an equity-based investment deployment range of [____% to ____%] of total portfolio assets. The remainder of the portfolio is allocated to fixed-income securities with a target range of [____% to ____%] and other investments, including global asset allocation and hedge funds, from [____% to ____%]. The overall investment objective is to diversify investments across a spectrum of investment types to limit risks from large market swings.

The plan is prohibited from making investments in related party entities and from holding an investment in the Company's securities.

The Company expects to contribute [\$_____] to its pension plan in 2025.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

16. Employee Benefits (Continued)

Estimated future benefit payments to employees are as follows:

<u>Year Ended</u> <u>December 31</u>	<u>Amount</u> (In Thousands)
2025	\$
2026	
2027	
2028	
2029	
2030 through 2034	

Employee Stock Ownership Plan

The Company maintains an Employee Stock Ownership Plan (ESOP) to provide eligible employees the opportunity to own Company stock. This plan is a tax-qualified retirement plan for the benefit of all Company employees. Contributions are allocated to eligible participants on the basis of compensation, subject to federal tax law limits.

The Company contributed funds to a subsidiary to enable it to grant a loan to the ESOP for the purchase of [] shares of the Company's common stock at a price of [\$] per share. The loan obtained by the ESOP from the Company's subsidiary to purchase Company common stock is payable annually over [] years at a rate per annum equal to the Prime Rate ([]% at December 31, 2024). Loan payments are principally funded by cash contributions from the Company. The loan is secured by the shares purchased, which are held in a suspense account for allocation among participants as the loan is repaid. Cash dividends paid on allocated shares are distributed to participants and cash dividends paid on unallocated shares are used to repay the outstanding debt of the ESOP. Shares used as collateral to secure the loan are released and available for allocation to eligible employees as the principal and interest on the loan are paid.

At December 31, 2024, the remaining principal balance on the ESOP debt is payable as follows:

<u>Year Ended</u> <u>December 31</u>	<u>Amount</u> (In Thousands)
2025	\$
2026	
2027	
2028	
2029	
Thereafter	

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

16. **Employee Benefits (Continued)**

Shares held by the ESOP include the following:

	<u>2024</u>	<u>2023</u>
Unallocated		
Committed to be allocated		
Allocated		

The fair value of unallocated shares was approximately [\$_____] million at December 31, 2024 and [\$_____] million at December 31, 2023. Total compensation expense recognized in connection with the ESOP for the years ended December 31, 2024, 2023 and 2022 was [\$_____, \$_____ and \$_____], respectively.

Split-Dollar Life Plan

In [____], the Company adopted ASC 715, *Compensation – Retirement Benefits*, and recognized a liability for the Company's future postretirement benefit obligations under its endorsement split-dollar life insurance arrangements. The total liability for the arrangements included in other liabilities was [\$_____ and \$_____] at December 31, 2024 and 2023, respectively. Expense for the years ended December 31, 2024, 2023 and 2022 was [\$_____, \$_____ and \$_____], respectively.

401(k) Plan

The Company maintains a savings and retirement plan which qualifies under Section 401(k) of the Internal Revenue Code. The plan provides for voluntary contributions by participating employees ranging from 1% to 12% of their compensation, subject to certain limitations. The Company will match the employee's voluntary contribution up to 5% of their compensation. Expense attributable to the 401(k) plan for the years ended December 31, 2024, 2023 and 2022 amounted to [\$_____, \$_____ and \$_____], respectively.

Performance Incentive Plan

The Company has a performance incentive plan in which employees are eligible to participate. The plan provides for awards based upon a combination of Company and individual performance measured against predetermined annual goals. The plan is administered by the Company's President under the direction of the Board of Directors. Incentive compensation expense for the years ended December 31, 2024, 2023 and 2022 amounted to [\$_____, \$_____ and \$_____], respectively.

Director and Officer Retirement Arrangements

The Company has deferred compensation arrangements with certain directors and officers. Under the arrangements, the participants defer agreed-upon amounts of compensation. The participants earn a market rate of return on these deferrals. The related liabilities as of December 31, 2024 and 2023 were approximately [\$_____ and \$_____], respectively. In addition, the 2024, 2023 and 2022 expenses related to these plans were approximately [\$_____, \$_____ and \$_____], respectively.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

16. Employee Benefits (Continued)

Illustrative Bank Supplemental Executive Retirement Plan

Effective [____], the Company established the Illustrative Bank Supplemental Executive Retirement Plan (the Plan). The purpose of the Plan is to help the Company remain competitive with its peers in its compensation arrangements and to help the Company retain certain executive officers. At December 31, 2024 and 2023, there were [____] participants in the Plan. Participants are fully vested after completion of between five and ten years of service. The Plan is unfunded. Information pertaining to the activity in the Plan is as follows during the years ended December 31:

[Note that reduced disclosure of the information below is available to nonpublic entities (refer to ASC 715-20-50-5, Expenses-Disclosure-General)]

	<u>2024</u>	<u>2023</u>	<u>2022</u>
		(In Thousands)	
Change in benefit obligation:			
Benefit obligation at beginning of year	\$	\$	\$
Service cost			
Interest cost			
Actuarial (gain) loss			
Benefit obligation at end of year			
Funded status at end of year	\$	\$	\$
Accrued pension benefit	\$	\$	\$
Accumulated benefit obligation	\$	\$	\$

[Note: Disclose reasons for material gains and losses related to changes in the benefit obligation for the period.]

The assumptions used to determine the benefit obligation are as follows at December 31:

	<u>2024</u>	<u>2023</u>
Discount rate	%	%
Rate of compensation increase		

The components of net periodic pension cost are as follows for the years ended December 31:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
		(In Thousands)	
Service cost	\$	\$	\$
Interest cost			
Amortization of prior service cost			
Net periodic cost	\$	\$	\$

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

16. Employee Benefits (Continued)

The components of net periodic pension cost, other than the service cost component, are included in the line item “other expense” in the consolidated statements of income.

Other changes in benefit obligation recognized in other comprehensive income are as follows for the years ended December 31:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	(In Thousands)		
Amortization of prior service cost	\$ _____	\$ _____	\$ _____
Total recognized in other comprehensive income	\$ _____	\$ _____	\$ _____

The assumptions used to determine net periodic pension cost are as follows for the years ended December 31:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
Discount rate	%	%	%
Rate of compensation increase			

Amounts recognized in accumulated other comprehensive income, before tax effects, consist of the following at December 31:

	<u>2024</u>	<u>2023</u>
	(In Thousands)	
Unrecognized prior service cost	\$ _____	\$ _____
	\$ _____	\$ _____

The Company expects to contribute [\$ _____] to the Plan in 2025.

Estimated future benefit payments, which reflect expected future service, as appropriate, are as follows:

<u>Year Ending</u> <u>December 31</u>	<u>Amount</u> (In Thousands)
2025	\$ _____
2026	
2027	
2028	
2029	
Years 2030 – 2034	

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

17. Stock-Based Compensation

On [____], the stockholders of the Company approved the Illustrative Bancorp, Inc. [____] Equity Incentive Plan (EIP).

The following table presents the amount of cumulatively granted stock options and restricted stock awards, net of forfeitures, through December 31, 2024 under the EIP:

Authorized Stock Option Awards	Authorized Restricted Stock Awards	Authorized Total	Cumulative Granted Net of Forfeitures		
			Stock Option Awards	Restricted Stock Awards	Outstanding Total

The following table presents the pre-tax expense associated with stock options and restricted stock awards and the related tax benefits recognized for the years ended December 31:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	(In Thousands)		
Stock-based compensation expense:			
Stock options	\$ _____	\$ _____	\$ _____
Restricted stock awards	_____	_____	_____
Total stock-based award expense	\$ _____	\$ _____	\$ _____
Related tax benefits recognized in earnings	\$ _____	\$ _____	\$ _____

The following table presents relevant information relating to the Company's stock options for the periods indicated for the years ended December 31:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	(In Thousands)		
Weighted-average grant date fair value of options granted	\$ _____	\$ _____	\$ _____
Intrinsic value of stock options exercised			_____
Cash paid to settle equity instruments granted under stock-based compensation arrangements			_____

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

17. Stock-Based Compensation (Continued)

Total compensation cost related to non-vested awards not yet recognized and the weighted-average period (in years) over which it is expected to be recognized are as follows as of December 31, 2024:

	<u>Amount</u> (In Thousands)	<u>Weighted- Average Period</u>
Stock options	\$	
Restricted stock	_____	
	\$_____	

The Company granted the awards presented in the table below. The fair value of the stock options granted was estimated on the date of the grant using the Black-Scholes option pricing model with the following assumptions used:

- Expected volatility is based on the standard deviation of the historical volatility of the daily adjusted closing price of the Company's shares.
- Expected term represents the period of time that the option is expected to be outstanding. The Company determined the expected life using the "Simplified Method."
- Expected dividend yield is determined based on management's expectations regarding issuing dividends in the foreseeable future.
- The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant for a period equivalent to the expected life of the option.
- The stock-based compensation expense recognized in earnings is based on the amount of awards ultimately expected to vest; therefore, a forfeiture assumption is estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates. Stock-based compensation expense recognized in 2024, 2023 and 2022 has been reduced for annualized estimated forfeitures of [_____%], [_____%] and [_____%], respectively, for grants to employees, based on historical experience.

Date of grant	____ / ____ / ____
Options granted	
Exercise price	\$
Vesting period (1)	_____ years
Expiration date	____ / ____ / ____
Expected volatility	_____ %
Expected term	_____ years
Expected dividend yield	_____ %
Risk-free interest rate	_____ %
Fair value	\$

(1) – Vesting is ratably and the period begins on the date of grant.

The option exercise price is derived from trading value on the measurement date.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

17. Stock-Based Compensation (Continued)

A summary of the status of the Company's stock option and nonvested restricted stock awards for the year ended December 31, 2024 is presented in the tables below:

	<u>Stock Option Awards</u>	<u>Weighted- Average Exercise Price</u>	<u>Weighted- Average Contractual Term (In Years)</u>	<u>Aggregate Intrinsic Value</u> (In Thousands)
Balance at January 1, 2024		\$		\$
Granted				
Exercised				
Forfeited				
Balance at December 31, 2024		\$		\$
Exercisable		\$		\$

	<u>Nonvested Restricted Stock Awards</u>	<u>Weighted- Average Grant Price</u>
Balance at January 1, 2024		\$
Granted		
Vested		
Balance at December 31, 2024		\$

For the years ended December 31, 2024, 2023 and 2022, the fair value of shares vested during the year amounted to [\$_____, \$_____ and \$_____], respectively.

18. Commitments and Contingencies

Credit-Related Financial Instruments

The Company is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its customers. These financial instruments include commitments to extend credit. Those instruments involve, to varying degrees, elements of credit and interest rate risk in excess of the amount recognized in the accompanying consolidated balance sheets.

The Company's exposure to credit loss is represented by the contractual amount of these commitments. The Company uses the same credit policies in making commitments as it does for on-balance-sheet instruments.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

18. Commitments and Contingencies (Continued)

At December 31, the following financial instruments were outstanding whose contract amounts represent credit risk:

	<u>2024</u>	<u>2023</u>
	(In Thousands)	(In Thousands)
Commitments to grant loans	\$	\$
Unadvanced construction funds		
Unadvanced home equity lines of credit		
Unadvanced cash reserve lines of credit		
Unadvanced commercial lines of credit		
Standby letters of credit		

Commitments to grant loans and unadvanced construction funds are agreements to lend to a customer as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. The commitments for lines of credit may expire without being drawn upon; therefore, the total commitment amounts do not necessarily represent future cash requirements. The Company evaluates each customer's credit worthiness on a case-by-case basis. Mortgage loans, construction loans, and home equity lines of credit are collateralized by real estate. Commercial lines of credit are generally secured by real estate or business assets or may be unsecured, and cash reserve lines of credit are unsecured.

Standby letters of credit are conditional commitments issued by the Company to guarantee the performance by a customer to a third party. The credit risk involved in issuing letters of credit is essentially the same as that involved in extending loan facilities to customers. As of December 31, 2024 and 2023, the maximum potential amount of the Company's obligation was [\$_____ and \$_____], respectively, for financial and performance and standby letters of credit. The Company's outstanding letters of credit generally have a term of less than one year. If a letter of credit is drawn upon, the Company may seek recourse through the customer's underlying line of credit. If the customer's line of credit is also in default, the Company may take possession of the collateral, if any, securing the line of credit.

Loans Sold With Recourse Obligations

The Company sells certain loans on both a servicing-released and servicing-retained basis to the FHLB pursuant to contracts which include limited recourse provisions in the event a loss is incurred on the loan. At December 31, 2024 and 2023, the maximum contingent liability associated with loans sold with recourse and derecognized from the financial statements under the FHLB MPF program is [\$_____ and \$_____], respectively.

The Company also sells certain loans on both a servicing-released and servicing-retained basis to other investors pursuant to contracts which include limited recourse provisions whereby the Company would be required to repurchase loans and/or refund premiums in the event a borrower defaults on any of the first four payments due. At December 31, 2024 and 2023, the principal balance of loans sold subject to such recourse provisions was [\$_____ and \$_____], respectively, and premiums received on loans sold that were subject to refund provisions amounted to [\$_____ and \$_____], respectively. The contracts also include repurchase obligation provisions for the life of the loan for fraud or misrepresentation.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

18. Commitments and Contingencies (Continued)

The Company accrues credit losses related to off-balance-sheet loan commitments and recourse obligations. Potential losses are estimated using similar risk factors used to determine the allowance for credit losses. The Company has recorded a liability of [\$_____ and \$_____] at December 31, 2024 and 2023, respectively, related to these loan commitments and recourse obligations. The Company recorded a provision for credit losses for off-balance-sheet loan commitments and recourse obligations in the amount of [\$_____, \$_____ and \$_____] for the years ended December 31, 2024, 2023 and 2022, respectively.

At December 31, 2024, there are no significant delinquencies related to loans sold with recourse.

19. On-Balance-Sheet Derivative Instruments and Hedging Activities

Derivatives Designated as Hedging Instruments

The Company generally applies hedge accounting to its derivatives used for interest rate risk management purposes. Hedge accounting is permitted only if specific criteria are met, including a requirement that a highly effective relationship exists between the derivative instrument and the hedged item, both at inception of the hedge and on an ongoing basis. The hedge accounting method depends upon whether the derivative instrument is classified as a fair value hedge (i.e., hedging an exposure related to a recognized asset or liability) or a cash flow hedge (i.e., hedging an exposure related to the variability of future cash flows associated with a recognized asset or liability, or a forecasted transaction). For a fair value hedge, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized in current earnings as fair values change. For a cash flow hedge, the gain or loss on the derivative is reported in other comprehensive income and is reclassified into earnings in the same periods during which the hedged transaction affects earnings.

Fair Value Hedges

The Company is exposed to certain risks relating to its ongoing business operations. The primary risk managed by using derivative instruments is interest rate risk. [Describe derivatives] are entered into to manage interest rate risk associated with fixed-rate loans issued by the Company.

The Company entered into [describe derivative] with notional amounts of [\$__] and [\$__] at December 31, 2024 and 2023, respectively, to [describe the purpose for entering into this fair value hedge] and which have been designated as fair value hedges and determined to be effective during the contractual term of the instrument. The Company expects the hedges to remain effective during the remaining terms of the instrument.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

19. On-Balance-Sheet Derivative Instruments and Hedging Activities (Continued)

The following table presents the amounts recorded on the consolidated balance sheet related to cumulative basis adjustments for fair value hedges at December 31 (in thousands):

Balance Sheet Caption in Which the Hedged Item Is Classified	Carrying Amount of Hedged Assets (Liabilities)		Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of Hedged Assets/(Liabilities)	
	2024	2023	2024	2023
[list hedged asset or liability] ^(a)	\$	\$	\$	^(b) \$

^(a) These amounts include the amortized cost basis of closed portfolios of loans receivable used to designate hedging relationships in which the hedged item is the stated amount of assets in the closed portfolios anticipated to be outstanding for the designated hedge period. At December 31, 2024 and 2023, the amortized cost basis of the closed portfolios used in these hedging relationships was [\$ and \$], respectively, the cumulative basis adjustments associated with these hedging relationships was [\$ and \$], respectively, and the amounts of the designated hedged items were [\$ and \$], respectively.

^(b) The balance includes [\$] of hedging adjustment on a discontinued hedging relationship.

As of December 31, 2024 and 2023, the total notional amount of the Company's pay-fixed/receive-variable interest rate swaps was [\$ and \$], respectively.

Cash Flow Hedges

The Company has entered into interest rate swap agreements which are designated as cash flow hedges. These derivative contracts protect the Company from the risk of variability in cash flows on its floating rate junior subordinated debt through the remaining contractual term of the debt by effectively converting the variable rate to a fixed rate. The Company also has entered into pay-fixed/receive variable swaps which effectively convert a portion of its variable rate FHLB borrowings to a fixed rate. The Company expects the hedges to remain effective during the remaining terms of the swap agreements.

Information about the interest rate swap agreements used to hedge variable rate junior subordinated debentures at December 31 follows:

	2024	2023
	(Dollars in Thousands)	
Notional amount	\$	\$
Weighted-average pay rate	%	%
Weighted-average receive rate		
Weighted-average maturity in years		
Estimated fair value of (liability) asset	\$	\$

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

19. On-Balance-Sheet Derivative Instruments and Hedging Activities (Continued)

Information about the interest rate swap agreements used to hedge short-term FHLB borrowings at December 31 follows:

	<u>2024</u>	<u>2023</u>
	(Dollars in Thousands)	
Notional amount	\$	\$
Weighted-average pay rate	%	%
Weighted-average receive rate		
Weighted-average maturity in years		
Estimated fair value of (liability) asset	\$	\$

The effects of cash flow hedge accounting on accumulated other comprehensive income (AOCI) for the years ended December 31 are as follows (in thousands):

	<u>2024</u>		
	Amount of Gain (Loss) Recognized in OCI on Derivative	Location of Gain (Loss) Reclassified From OCI Into Income	Amount of Gain (Loss) Reclassified From OCI Into Income
Interest rate contracts	\$	\$	\$

	<u>2023</u>		
	Amount of Gain (Loss) Recognized in OCI on Derivative	Location of Gain (Loss) Reclassified From OCI Into Income	Amount of Gain (Loss) Reclassified From OCI Into Income
Interest rate contracts	\$	\$	\$

	<u>2022</u>		
	Amount of Gain (Loss) Recognized in OCI on Derivative	Location of Gain (Loss) Reclassified From OCI Into Income	Amount of Gain (Loss) Reclassified From OCI Into Income
Interest rate contracts	\$	\$	\$

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

19. On-Balance-Sheet Derivative Instruments and Hedging Activities (Continued)

The effect of fair value and cash flow hedge accounting on the consolidated statements of income for the years ended December 31 are as follows (in thousands):

	Location and Amount of Gain or Loss Recognized in Income on Fair Value and Cash Flow Hedging Relationships					
	2024		2023		2022	
	Interest Income (Expense)	Other Income (Expense)	Interest Income (Expense)	Other Income (Expense)	Interest Income (Expense)	Other Income (Expense)
The effects of fair value and cash flow hedging:						
Gain (loss) on fair value hedging relationships:						
Hedged items	\$	\$	\$	\$	\$	\$
Interest rate contracts designated as hedging instruments						
Gain (loss) on cash flow hedging relationships:						
Amount reclassified from accumulated OCI into income						

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

19. On-Balance-Sheet Derivative Instruments and Hedging Activities (Continued)

Derivatives Not Designated as Hedging Instruments

Interest Rate Swaps Related to Commercial Lending Transactions

The Company is also a party to interest rate swap transactions that are not designated as hedging instruments. These transactions relate to interest rate swaps that the Company has entered into with commercial lending customers to effectively convert their loans from a variable rate to a fixed rate. The Company pays interest to the customer at a floating rate on the notional amount and receives interest from the customer at a fixed rate on the same notional amount. Concurrently, the Company enters into an identical offsetting interest rate swap with a third-party financial institution. In the offsetting swap, the Company pays the other financial institution at the same fixed rate on the same notional amount as the swap entered into with the commercial lending customer and receives interest from the financial institution for the same floating rate on the same notional amount. Hedge accounting has not been applied for these derivatives. Accordingly, changes in the fair value of the interest rate swaps, which offset each other, are recognized in current earnings. Derivative assets and liabilities are recorded within other assets and other liabilities in the consolidated financial statements.

Information about interest rate swaps related to commercial lending transactions is as follows as of December 31:

	Notional <u>Amount</u> (In Thousands)	Weighted- Average <u>Maturity</u> (In Years)	Weighted-Average Rate <u>Received</u>	<u>Paid</u>	Estimated Fair Value Net <u>Asset (Liability)</u> (In Thousands)
<u>2024</u>					
Interest rate swaps – borrowers	\$		%	%	\$
Interest rate swaps – counterparties					
<u>2023</u>					
Interest rate swaps – borrowers	\$		%	%	\$
Interest rate swaps – counterparties					

As of December 31, 2024 and 2023, the Company has pledged [received] cash collateral to [from] derivative counterparties totaling [\$ _____ and \$ _____], respectively. The Company may need to post additional collateral or may receive collateral in return in the future in proportion to potential changes in the overall unrealized gain/loss position. Cash collateral pledged is not legally restricted as to use.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

19. On-Balance-Sheet Derivative Instruments and Hedging Activities (Continued)

Derivative Loan Commitments

The Company enters into commitments to fund residential mortgage loans at specified times in the future, with the intention that these loans will subsequently be sold in the secondary market. A mortgage loan commitment binds the Company to lend funds to a potential borrower within a specified period of time, generally up to 60 days after inception of the commitment.

Outstanding derivative loan commitments expose the Company to the risk that the price of the loan arising from exercise of the loan commitment might decline from inception of the rate lock to funding of the loan due to increases in mortgage interest rates. If interest rates increase, the value of these loan commitments decreases. Conversely, if interest rates decrease, the value of these loan commitments increases. The notional amount of undesignated mortgage loan commitments was [\$_____ and \$_____] and the fair value of such commitments was an asset of [\$_____ and \$_____] at December 31, 2024 and 2023, respectively.

Forward Loan Sale Commitments

With a “mandatory delivery” contract, the Company commits to deliver a certain principal amount of mortgage loans to an investor at a specified price on or before a specified date. If the Company fails to deliver the amount of mortgages necessary to fulfill the commitment by the specified date, it is obligated to pay a “pair-off” fee, based on then-current market prices, to the investor to compensate the investor for the shortfall.

The Company expects that forward loan sale commitments will experience changes in fair value opposite to the interest component of the change in fair value of derivative loan commitments. The notional amount of undesignated forward loan sale commitments was [\$_____ and \$_____] and fair value of such commitments was a liability of [\$_____] and an asset of [\$_____] at December 31, 2024 and 2023, respectively.

The following table presents the balance sheet location and fair value of derivative contracts not designated as hedging instruments at December 31:

	Assets	
	Balance Sheet	Fair Value
	<u>Location</u>	<u>Value</u>
		(In Thousands)
<u>2024</u>		
Derivative loan commitments	Other assets	\$
Forward loan sale commitments	Other assets	
Interest rate swaps – loan level	Other assets	
Interest rate swaps – loan level	Other liabilities	_____
Total derivatives		\$_____

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

19. On-Balance-Sheet Derivative Instruments and Hedging Activities (Continued)

	<u>Assets</u>	
	<u>Balance Sheet Location</u>	<u>Fair Value</u> (In Thousands)
<u>2023</u>		
Derivative loan commitments	Other assets	\$
Forward loan sale commitments	Other assets	
Interest rate swaps – loan level	Other assets	
Interest rate swaps – loan level	Other liabilities	_____
Total derivatives		\$ _____

The impact of netting the fair values of derivative financial instruments is not material to the consolidated balance sheets at December 31, 2024 and 2023.

20. Other Comprehensive Income (Loss)

Accounting principles generally require that recognized revenue, expenses, gains and losses be included in net income. Although certain changes in assets and liabilities are reported as a separate component of the stockholders' equity section of the consolidated balance sheets, such items, along with net income, are components of comprehensive income.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

20. Other Comprehensive Income (Loss) (Continued)

The following table presents the components of other comprehensive income (loss) for the years ended December 31:

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	(In Thousands)		
Unrealized investment gains (losses) arising during the period	\$	\$	\$
Reclassification adjustment for realized gains in net income ⁽¹⁾	_____	_____	_____
Income tax (expense) benefit	_____	_____	_____
	_____	_____	_____
Unrealized actuarial losses and prior service costs on defined benefit pension plan			_____
Reclassification adjustment for amortization of prior service costs ⁽¹⁾			_____
Reclassification adjustment for amortization of net actuarial loss ⁽¹⁾	_____	_____	_____
Income tax (expense) benefit	_____	_____	_____
	_____	_____	_____
Net unrealized holding gains (losses) on derivatives			_____
Reclassification – interest rate contracts in interest expense ⁽¹⁾	_____	_____	_____
Income tax (expense) benefit	_____	_____	_____
	_____	_____	_____
Other comprehensive income (loss), net of tax	\$_____	\$_____	\$_____

⁽¹⁾ Reclassification adjustments are comprised of realized securities gains and losses, the amortization of unrecognized defined benefit pension plan costs, and interest rate contracts recognized in interest expense.

The realized securities gains and losses on debt securities have been reclassified out of accumulated other comprehensive income and have affected certain lines in the consolidated statements of income as follows: the pre-tax amount is included in net gain on sales and calls of securities; the tax expense in the amounts of [\$_____, \$_____ and \$_____] for the years ended December 31, 2024, 2023 and 2022, respectively, is included in income tax expense; and the after-tax amount is included in net income.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

20. Other Comprehensive Income (Loss) (Continued)

The amortization of unrecognized defined benefit pension plan costs has been reclassified out of accumulated other comprehensive income and has affected certain lines in the consolidated statements of income as follows: the pre-tax amount is included in other expense [or separate line item]; the tax benefit in the amounts of [\$_____, \$_____ and \$_____] for the years ended December 31, 2024, 2023 and 2022, respectively, is included in income tax expense; and the after-tax amount is included in net income.

Interest has been reclassified out of accumulated other comprehensive income in the same periods during which the hedged transaction affects earnings and has affected certain lines in the consolidated statements of income as follows: the pre-tax amount is included in interest expense; the tax expense (benefit) in the amounts of [\$_____, \$_____ and \$_____] for the years ended December 31, 2024, 2023 and 2022, respectively, is included in income tax expense; and the after-tax amount is included in net income.

Accumulated other comprehensive income consists of the following as of December 31:

	<u>2024</u>	<u>2023</u>
	(In Thousands)	
Net unrealized holding gains on securities available for sale, net of tax	\$	\$
Unrecognized defined benefit pension plan costs, net of tax		
Net unrealized gain on derivatives, net of tax	_____	_____
Accumulated other comprehensive income (loss)	\$=====	\$=====

21. Fair Value Measurements

The Company utilizes a framework for measuring fair value under generally accepted accounting principles for all financial instruments that are being measured and reported on a fair value basis.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In determining fair value, the Company uses various methods including market, income and cost approaches. Based on these approaches, the Company often utilizes certain assumptions that market participants would use in pricing the asset or liability, including assumptions about risk and the risks inherent in the inputs to the valuation technique. These inputs can be readily observable, market corroborated, or generally unobservable inputs. The Company utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs. Based on the observability of the inputs used in the valuation techniques, the Company is required to provide the following information according to the fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. Assets and liabilities carried at fair value will be classified and disclosed in one of the following three categories:

Level 1 – Valuations for assets and liabilities traded in active exchange markets, such as the New York Stock Exchange. Valuations are obtained from readily available pricing sources for market transactions involving identical assets or liabilities.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

21. Fair Value Measurements (Continued)

Level 2 – Valuations for assets and liabilities traded in less active dealer or broker markets. Valuations are obtained from third-party pricing services for identical or similar assets or liabilities.

Level 3 – Valuations for assets and liabilities that are derived from other valuation methodologies, including option pricing models, discounted cash flow models and similar techniques, and not based on market exchange, dealer, or broker traded transactions. Level 3 valuations incorporate certain assumptions and projections in determining the fair value assigned to such assets or liabilities.

In determining the appropriate levels, the Company performs a detailed analysis of the assets and liabilities that are subject to fair value measurements. At each reporting period, all assets and liabilities for which the fair value measurement is based on significant unobservable inputs are classified as Level 3.

For the years ended December 31, 2024 and 2023, the application of valuation techniques applied to similar assets and liabilities has been consistent. The following is a description of the valuation methodologies used for instruments measured at fair value:

Securities – Fair value measurements for Level 1 and Level 2 securities are obtained from a third-party pricing service and are not adjusted by management. The securities measured at fair value in Level 1 are based on quoted market prices in an active exchange market. Securities measured at fair value in Level 2 are based on pricing models that consider standard input factors such as observable market data, benchmark yields, interest rate volatilities, broker/dealer quotes, credit spreads and new issue data.

Loans held for sale – Fair values of loans held for sale are based on commitments on hand from investors or prevailing market prices. [This presentation is only for those loans held for sale for which the fair value option has been elected.]

Derivative financial instruments – Fair values for derivative financial instruments are based on prices currently charged to enter into similar agreements, taking into account the probability that the commitment will be exercised.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

21. Fair Value Measurements (Continued)

Fair Value on a Recurring Basis

Assets measured at fair value on a recurring basis at December 31 are summarized below.

	Quoted Price in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>	Total Fair Value
	(In Thousands)			
<u>2024</u>				
Debt securities:				
U.S. Government agencies	\$	\$	\$	\$
Residential mortgage-backed securities				
Municipal bonds				
Equity securities:				
Common stock:				
Automobile				
Telecommunications				
Computers/software and office equipment				
Consumer and household products				
Consumer discretionary				
Food and beverage				
Chemicals and fertilizer				
Broadcasting and communications				
Financial institutions				
Healthcare and pharmaceutical				
Industrial				
Insurance				
Integrated utilities				
Oil and gas				
Specialty finance				
Technology				
Transportation				
Mutual funds:				
Short-term bonds				
Loans held for sale				
Derivative loan commitments, net	_____	_____	_____	_____
Total	\$_____	\$_____	\$_____	\$_____

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

21. Fair Value Measurements (Continued)

	Quoted Price in Active Markets for Identical Assets <u>(Level 1)</u>	Significant Other Observable Inputs <u>(Level 2)</u>	Significant Unobservable Inputs <u>(Level 3)</u>	Total Fair Value
	(In Thousands)			
<u>2023</u>				
Debt securities:				
U.S. Government agencies	\$	\$	\$	\$
Residential mortgage-backed securities				
Municipal bonds				
Equity securities:				
Common stock:				
Automobile				
Telecommunications				
Computers/software and office equipment				
Consumer and household products				
Consumer discretionary				
Food and beverage				
Chemicals and fertilizer				
Broadcasting and communications				
Financial institutions				
Healthcare and pharmaceutical				
Industrial				
Insurance				
Integrated utilities				
Oil and gas				
Specialty finance				
Technology				
Transportation				
Mutual funds:				
Short-term bonds				
Loans held for sale				
Derivative loan commitments, net	_____	_____	_____	_____
Total	\$_____	\$_____	\$_____	\$_____

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

21. Fair Value Measurements (Continued)

The table below presents a reconciliation of all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the years ended December 31:

	<u>Mortgage-Backed Securities</u>		
	<u>2024</u>	<u>2023</u>	<u>2022</u>
	(In Thousands)		
Balance of recurring Level 3 assets at January 1	\$	\$	\$
Total gains or losses for the period:			
Included in earnings (provide FS line item)			
Included in other comprehensive income			
Purchases			
Sales			
Issuances			
Settlements			
Transfers into Level 3			
Transfers out of Level 3			
	_____	_____	_____
Balance of recurring Level 3 assets at December 31	\$_____	\$_____	\$_____

For the years ended December 31, 2024, 2023 and 2022, unrealized gains relating to interest rate swap derivatives classified as cash flow hedges which are included in other comprehensive income amounted to \$[____], \$[____] and \$[____], respectively.

In estimating the fair value of the Company's Level 3 interest rate swap derivatives, the Company includes an estimated risk premium ranging from [____] to [____] basis points to reflect counterparty non-performance risk as well as liquidity premium ranging from [____] to [____] basis points which assumes the transaction occurs in the most advantageous market.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

21. Fair Value Measurements (Continued)

Fair Value on a Non-Recurring Basis

The Company may also be required, from time to time, to measure certain other financial assets on a non-recurring basis in accordance with generally accepted accounting principles. These adjustments to fair value usually result from application of lower-of-cost-or-market accounting or write-downs of individual assets. The following table summarizes the fair value hierarchy used to determine each adjustment and the carrying value of the related individual assets at December 31, 2024 and 2023. Losses represent the amount of write-down or provision for loss recorded during 2024 and 2023 on the assets held as of December 31, 2024 and 2023, respectively.

	Quoted Price in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2) (In Thousands)	Significant Unobservable Inputs (Level 3)	Total Gains/ (Losses)
<u>2024</u>				
Individually evaluated loans	\$ _____	\$ _____	\$ _____	\$ _____
Mortgage servicing rights	_____	_____	_____	_____
	\$=====	\$=====	\$=====	\$=====
<u>2023</u>				
Individually evaluated loans	\$ _____	\$ _____	\$ _____	\$ _____
Mortgage servicing rights	_____	_____	_____	_____
	\$=====	\$=====	\$=====	\$=====

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

21. Fair Value Measurements (Continued)

Individually Evaluated Loans

Loans are generally not recorded at fair value on a recurring basis. Periodically, the Company records non-recurring adjustments to the carrying value of loans based on fair value measurements for partial charge-offs of the uncollectible portions of those loans. Non-recurring adjustments can also include certain impairment amounts for collateral-dependent loans calculated when establishing the allowance for credit losses. Such amounts are generally based on the fair value of the underlying collateral supporting the loan and, as a result, the carrying value of the loan less the calculated valuation amount does not necessarily represent the fair value of the loan. Real estate collateral is typically valued using appraisals or other indications of value based on recent comparable sales of similar properties or assumptions generally observable in the marketplace. However, the choice of observable data is subject to significant judgment, and there are often adjustments based on judgment in order to make observable data comparable and to consider the impact of time, the condition of properties, interest rates, and other market factors on current values. Additionally, commercial real estate appraisals frequently involve discounting of projected cash flows, which relies inherently on unobservable data. Therefore, non-recurring fair value measurement adjustments relating to real estate collateral have generally been classified as Level 3. Estimates of fair value for other collateral supporting commercial loans are generally based on assumptions not observable in the marketplace and, therefore, such valuations have been classified as Level 3.

Mortgage Servicing Rights

Losses applicable to mortgage servicing rights are based on fair values as determined using a present value cash flow model and assumptions about loan prepayment speeds. Losses on mortgage servicing rights are charged to operations. The weighted-average prepayment speed assumptions range from []% to []% and the weighted-average discount rates used in the cash flow model range from []% to []%.

There are no liabilities measured at fair value on a recurring or non-recurring basis at December 31, 2024 or 2023.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

21. Fair Value Measurements (Continued)

For Level 3 assets and liabilities measured at fair value on a recurring or nonrecurring basis as of December 31, the significant unobservable inputs used in the fair value measurements were as follows:

	Valuation Technique	Description	2024				2023			
			Range		Weighted- Average ¹	Fair Value	Range		Weighted- Average ¹	Fair Value
			(Dollars in Thousands)							
Mortgage servicing rights	Discounted cash flow	Constant prepayment rate discount rate	% –	%	%	\$	% –	%	%	\$
Net derivative assets and liabilities:										
Interest rate lock commitments	Pricing model	Closing ratio								
Interest rate swap agreements	Discounted cash flow	Credit factor								

¹ Unobservable inputs for mortgage servicing rights and interest rate lock commitments were weighted by loan amount. Unobservable inputs for interest rate swap agreements were weighted by fair value.

Significant increases (decreases) in any of these inputs in isolation could result in a significantly lower (higher) fair value measurement. Although the constant prepayment rate and the discount rate are not directly interrelated, they generally move in opposite directions of each other.

ASC Topic 825, *Financial Instruments*, requires disclosure of the fair value of financial assets and financial liabilities, including those financial assets and financial liabilities that are not measured and reported at fair value on a recurring or non-recurring basis. The methodologies for estimating the fair value of financial assets and financial liabilities that are measured at fair value on a recurring or non-recurring basis are discussed above. ASU 2016-01 requires public business entities to use the exit price notion when measuring the fair value of financial instruments for disclosure purposes. The exit price notion is a market-based measurement of fair value that is represented by the price to sell an asset or transfer a liability in the principal market (or most advantageous market in the absence of a principal market) on the measurement date. At December 31, 2024 and 2023, fair values of loans are estimated on an exit price basis incorporating discounts for credit, liquidity and marketability factors.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

21. Fair Value Measurements (Continued)

The table below presents the carrying amounts and estimated fair values of financial instruments not carried at fair value at December 31:

	Carrying Amount	Fair Value			Total
		Level 1	Level 2	Level 3	
		(In Thousands)			
2024					
Financial assets:					
Cash and cash equivalents	\$	\$	\$	\$	\$
Interest-bearing time deposits with other banks					
Held-to-maturity securities					
Federal Home Loan Bank stock					
Federal Reserve Bank stock					
Loans held for sale					
Loans					
Bank-owned life insurance					
Accrued interest receivable					
Mortgage servicing rights					
Financial liabilities:					
Deposits	\$	\$	\$	\$	\$
Short-term borrowings					
Federal Home Loan Bank advances					
Subordinated debt					
Capital lease obligation					
Accrued interest payable					
2023					
Financial assets:					
Cash and cash equivalents	\$	\$	\$	\$	\$
Interest-bearing time deposits with other banks					
Held-to-maturity securities					
Federal Home Loan Bank stock					
Federal Reserve Bank stock					
Loans held for sale					
Loans					
Bank-owned life insurance					
Accrued interest receivable					
Mortgage servicing rights					

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

21. Fair Value Measurements (Continued)

	Carrying Amount	Fair Value			
		Level 1	Level 2	Level 3	Total
		(In Thousands)			
Financial liabilities:					
Deposits					
Short-term borrowings					
Federal Home Loan Bank advances					
Subordinated debt					
Operating lease liabilities					
Financing lease liability					
Accrued interest payable					

22. Earnings per Share

Earnings per share consisted of the following components for the years ended December 31: (using treasury stock method)

	2024	2023	2022
	(In thousands except share and per share data)		
Basic:			
Net income [available to common stockholders]	\$_____	\$_____	\$_____
Weighted-average common shares outstanding	_____	_____	_____
Average unallocated ESOP shares	_____	_____	_____
Average shares	_____	_____	_____
Basic earnings per common share	\$_____	\$_____	\$_____
Diluted:			
Net income [available to common stockholders]	\$_____	\$_____	\$_____
Weighted-average common shares outstanding for basic earnings per common share	\$_____	\$_____	\$_____
Dilutive effects of assumed exercises of stock	_____	_____	_____
Average shares and dilutive potential common shares	_____	_____	_____
Diluted earnings per common share	\$_____	\$_____	\$_____

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

22. Earnings per Share (Continued)

Stock options for [_____, _____, and _____] shares of common stock were not considered in computing diluted earnings per common share for 2024, 2023 and 2022, respectively, because they were antidilutive.

Earnings per share (EPS) consisted of the following components for the years ended December 31: (using two-class method)

	<u>2024</u>	<u>2023</u>	<u>2022</u>
	(In thousands, except share and per share data)		
Net income	\$ _____	\$ _____	\$ _____
Undistributed earnings attributable to participating securities	_____	_____	_____
Net income available to common stockholders	\$=====	\$=====	\$=====
Weighted-average shares outstanding, basic	_____	_____	_____
Effect of dilutive shares	_____	_____	_____
Weighted-average shares outstanding, assuming dilution	=====	=====	=====
Basic EPS	\$ _____	\$ _____	\$ _____
Effect of dilutive shares	_____	_____	_____
Diluted EPS	\$=====	\$=====	\$=====

For 2024, 2023 and 2022, average options to purchase [_____, _____ and _____] shares of common stock were outstanding, respectively, but not included in the computation of EPS because they were antidilutive under the treasury stock method.

23. Related Party Transactions

In the ordinary course of business, the Company has granted loans to principal officers and directors and their affiliates amounting to [\$_____] at December 31, 2024 and [\$_____] at December 31, 2023. During the year ended December 31, 2024, total principal additions were [\$_____] and total principal payments were [\$_____].

[Additional disclosures should be made for any unusual activity such as charge-offs or payment via nonmonetary exchanges. SEC registrants should also consider Rule 4-08(k) of Regulation S-X.]

Deposits from related parties held by the Bank at December 31, 2024 and 2023 amounted to [\$_____ and \$_____], respectively.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

24. **Restrictions on Dividends, Loans and Advances**

Banking regulations require maintaining certain capital levels and may limit the dividends paid by the Bank to the holding company or by the holding company to stockholders.

[OR]

Federal and state banking regulations place certain restrictions on dividends paid and loans or advances made by the Bank to the Company. The total amount for dividends which may be paid in any calendar year cannot exceed the Bank's net income for the current year, plus the Bank's net income retained for the two previous years, without regulatory approval. Loans or advances are limited to 10 percent of the Bank's capital stock and surplus on a secured basis.

In addition, dividends paid by the Bank to the Company would be prohibited if the effect thereof would cause the Bank's capital to be reduced below applicable minimum capital requirements.

25. **Condensed Financial Statements of Parent Company**

The following condensed financial statements (in thousands) are for the Parent Company only and should be read in conjunction with the consolidated financial statements of the Company:

Condensed Balance Sheets

	<u>December 31</u>	
	<u>2024</u>	<u>2023</u>
<u>Assets</u>		
Cash and cash equivalents held at Illustrative Bank	\$	\$
Investment in banking subsidiaries		
Deferred tax asset		
Other assets		
Total assets	\$	\$
<u>Liabilities and Stockholders' Equity</u>		
Accrued expenses	\$	\$
Other liabilities		
Total liabilities		
Stockholders' equity		
Total liabilities and stockholders' equity	\$	\$

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

25. Condensed Financial Statements of Parent Company (Continued)

Condensed Statements of Income

	Years Ended December 31		
	2024	2023	2022
Interest and dividend income:			
Interest on cash equivalents	\$	\$	\$
Dividends from subsidiaries			
Total interest and dividend income			
Interest expense:			
Net interest and dividend income			
Non-interest income			
Non interest expense			
Loss before income taxes and equity in undistributed earnings of subsidiaries			
Income tax benefit			
Loss before equity in income of subsidiaries			
Equity in undistributed earnings of subsidiaries			
Net income	\$	\$	\$

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

25. Condensed Financial Statements of Parent Company (Continued)

Condensed Statements of Cash Flows

	Years Ended December 31		
	2024	2023	2022
Cash flows from operating activities:			
Net income	\$	\$	\$
Adjustments to reconcile net income to net cash (used in) provided by operating activities:			
Equity in undistributed earnings of subsidiaries			
Deferred income tax expense			
Change in deferred tax expense			
Other, net			
Net cash (used in) provided by operating activities			
Cash flows from investing activities:			
Return of capital from subsidiaries			
Investment in subsidiaries			
Net cash used in investing activities			
Cash flows from financing activities:			
Repurchase of common stock			
Proceeds from exercise of stock options, net of cash paid			
Dividends paid			
Restricted stock awards issued, net of awards surrendered			
Net cash provided by financing activities			
Net increase (decrease) in cash and cash equivalents			
Cash and cash equivalents at beginning of year			
Cash and cash equivalents at end of year	\$	\$	\$

26. Subsequent Events

Management has evaluated subsequent events through [_____], 2024, which is the date the consolidated financial statements were available to be issued. There were no subsequent events that require adjustment to or disclosure in the consolidated financial statements.

Management has evaluated subsequent events and determined that no events or transactions occurred that require adjustment to or disclosure in the consolidated financial statements.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
December 31, 2024, 2023 and 2022

27. Reclassifications

Certain amounts in the prior year statements have been reclassified to be consistent with the current year's presentation. These reclassifications had no impact on the reported net income.

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

28. Quarterly Data (Unaudited)

[Quarterly Financial Data Required Only if There Are Retrospective Material Changes. Companies are required to disclose quarterly financial data only when there are one or more retrospective changes that pertain to the statements of comprehensive income for any of the quarters within the two most recent fiscal years and any subsequent interim period and that, individually or in the aggregate, are material.]

Quarterly results of operations are as follows:

	Years Ended December 31							
	2024				2023			
	Fourth	Third	Second	First	Fourth	Third	Second	First
	(In thousands, except per share data)							
Interest and dividend income	\$	\$	\$	\$	\$	\$	\$	\$
Interest expense								
Net interest income								
Provision for credit losses								
Net interest income, after provision for credit losses								
Non-interest income								
Non-interest expense								
Income before taxes								
Income tax expense								
Net income	\$	\$	\$	\$	\$	\$	\$	\$
Earnings per common share:								
Basic	\$	\$	\$	\$	\$	\$	\$	\$
Diluted								

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

28. Quarterly Data (Unaudited) (Continued)

[As noted above, as amended, Item 302(a), Disclosure of Material Quarterly Changes, will only require disclosure of selected quarterly financial data of specified operating results for each full quarter within the two most recent fiscal years when there are one or more retrospective changes to a registrant's statements of comprehensive income in any quarter within the past two fiscal years or any subsequent interim period that are, individually or in the aggregate, material. In those instances, registrants will be required to explain the reasons for such material changes and provide summarized financial information reflecting such changes. Examples of a retrospective change that may trigger disclosure under amended Item 302(a) include correction of an error, reorganization of entities under common control, certain changes in an accounting principle and the disposition of a business that is accounted for as discontinued operations.]

If a registrant decides to voluntarily provide fourth quarter disclosure or disclosure of selected quarterly financial information, that information will be subject to PCAOB AS 2710 requirements for auditors to read and consider such information for material inconsistencies with the audited financial statements.]

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

29. Segment Information

The Company has two reportable segments: banking and trust services. The banking segment generates revenue from loans, investments and deposit products, and trust fees provide the revenue in trust services.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies except that pension expense for each segment is recognized and measured on the basis of cash payments to the pension plan. The Company evaluates performance for all of its reportable segments based on both segment gross profit and profit or loss from operations before income taxes. Income taxes are allocated and indirect expenses are allocated based on revenue. Transactions among segments are made at fair value.

The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies.

The Company's chief operating decision maker is the chief executive officer.

Information reported internally for performance assessment follows:

	Banking	Trust Services	Other	Total Segments
	(In Thousands)			
2024				
Interest income	\$	\$	\$	\$
Interest expense	_____	_____	_____	_____
Net interest income				
Revenues from external customers				
Intersegment revenue				
Other revenue				
Noncash items:				
Depreciation				
Provision for credit loss				
Income tax expense				
Segment profit				
Segment assets				

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

29. **Segment Information (Continued)**

2023

Interest income	\$	\$	\$	\$
Interest expense				
Net interest income				
Revenues from external customers				
Intersegment revenue				
Other revenue				
Noncash items:				
Depreciation				
Provision for credit loss				
Income tax expense				
Segment profit				
Segment assets				

2022

Interest income	\$	\$	\$	\$
Interest expense				
Net interest income				
Revenues from external customers				
Intersegment revenue				
Other revenue				
Noncash items:				
Depreciation				
Provision for credit loss				
Income tax expense				
Segment profit				
Segment assets				

[Reconciliations of reportable segment revenues, profit or loss, and assets, to the consolidated totals are required by ASC 280-10-50-30(a) through (c). Reconciliations also are required to be shown for every other significant item of information disclosed, see ASC 280-10-50-30(d). Examples are shown in ASC 280-10-55-49.]

[Refer to ASC 280-10-55-51 for an illustration of geographic information required by paragraph ASC 280-10-50-41.]

Revenues from one customer of the Company's banking segment represents approximately \$ [] of the Company's consolidated revenues. *[Required disclosure by ASC 280-10-50-42.]*

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

29. Segment Information (Continued)

Reconciliations of reportable segment revenues, profit or loss, and assets to the Company's consolidated totals follows: [see ASC 280-10-50-30(a) through (c)] Reconciliations are also shown below for every other significant item of information disclosed. [see ASC 280-10-50-30(d)]

	Reportable Segments	Other	Consolidated Totals
	(In Thousands)		

2024

Revenues

Total revenues	\$	\$	\$
Elimination of intersegment revenues			
Total consolidated revenues	\$	\$	\$

Profit or Loss

Total profit or loss	\$	\$	\$
Elimination of intersegment profits			
Unallocated amounts:			
Litigation settlement received			
Other company expenses			
Adjustment to pension expense in consolidation			
Income before income taxes	\$	\$	\$

Assets

Total assets	\$	\$	\$
Elimination of receivables from company headquarters			
Goodwill not allocated to segments			
Other unallocated amounts			
Consolidated total	\$	\$	\$

Other Significant Items

	Segment Totals	Adjustments	Consolidated Totals
Interest income	\$	\$	\$
Interest expense			
Net interest income (banking segment only)			
Expenditures for assets			
Depreciation and amortization			

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

29. Segment Information (Continued)

	Reportable Segments	Other (In Thousands)	Consolidated Totals
2023			
Revenues			
Total revenues	\$	\$	\$
Elimination of intersegment revenues			
Total consolidated revenues	\$	\$	\$
Profit or Loss			
Total profit or loss	\$	\$	\$
Elimination of intersegment profits			
Unallocated amounts:			
Litigation settlement received			
Other company expenses			
Adjustment to pension expense in consolidation			
Income before income taxes	\$	\$	\$
Assets			
Total assets	\$	\$	\$
Elimination of receivables from company headquarters			
Goodwill not allocated to segments			
Other unallocated amounts			
Consolidated total	\$	\$	\$
Other Significant Items			
	Segment Totals	Adjustments	Consolidated Totals
Interest income	\$	\$	\$
Interest expense			
Net interest income (banking segment only)			
Expenditures for assets			
Depreciation and amortization			

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

29. Segment Information (Continued)

	Reportable Segments	Other (In Thousands)	Consolidated Totals
2022			
Revenues			
Total revenues	\$	\$	\$
Elimination of intersegment revenues	_____	_____	_____
Total consolidated revenues	\$ _____	\$ _____	\$ _____
Profit or Loss			
Total profit or loss	\$	\$	\$
Elimination of intersegment profits			
Unallocated amounts:			
Litigation settlement received			
Other company expenses			
Adjustment to pension expense in consolidation	_____	_____	_____
Income before income taxes	\$ _____	\$ _____	\$ _____
Assets			
Total assets	\$	\$	\$
Elimination of receivables from company headquarters			
Goodwill not allocated to segments			
Other unallocated amounts	_____	_____	_____
Consolidated total	\$ _____	\$ _____	\$ _____

Other Significant Items

	Segment Totals	Adjustments	Consolidated Totals
Interest income	\$	\$	\$
Interest expense			
Net interest income (banking segment only)			
Expenditures for assets			
Depreciation and amortization			

[Accounting Standards Update No. 2023-07—Segment Reporting (Topic 280)—Improvements to Reportable Segment Disclosures:

- Require that a public entity disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker (CODM) and included within each reported measure of segment profit or loss (collectively referred to as the “significant expense principle”).*

ILLUSTRATIVE BANCORP, INC. AND SUBSIDIARY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2024, 2023 and 2022

29. Segment Information (Continued)

- *Require that a public entity disclose, on an annual and interim basis, an amount for other segment items by reportable segment and a description of its composition. The other segment items category is the difference between segment revenue less the segment expenses disclosed under the significant expense principle and each reported measure of segment profit or loss.*
- *Require that a public entity provide all annual disclosures about a reportable segment's profit or loss and assets currently required by Topic 280 in interim periods.*
- *Clarify that if the CODM uses more than one measure of a segment's profit or loss in assessing segment performance and deciding how to allocate resources, a public entity may report one or more of those additional measures of segment profit. However, at least one of the reported segment profit or loss measures (or the single reported measure, if only one is disclosed) should be the measure that is most consistent with the measurement principles used in measuring the corresponding amounts in the public entity's consolidated financial statements. In other words, in addition to the measure that is most consistent with the measurement principles under generally accepted accounting principles (GAAP), a public entity is not precluded from reporting additional measures of a segment's profit or loss that are used by the CODM in assessing segment performance and deciding how to allocate resources.*
- *Require that a public entity disclose the title and position of the CODM and an explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources.*
- *Require that a public entity that has a single reportable segment provide all the disclosures required by the amendments in this Update and all existing segment disclosures in Topic 280.]*

APPENDIX A – RECENT ACCOUNTING PRONOUNCEMENTS

Listing of Recent Authoritative U.S. GAAP Pronouncements Applicable to Bank Holding Companies

The FASB's recently released standards are grouped below by effective date - those that are effective in 2024 for calendar year-end public companies, and those that are effective in subsequent fiscal years. As used here, the term "public company" includes public business entities (PBEs) and Securities and Exchange Commission (SEC) filers. All other entities are considered "non-public." In some instances, new guidance reflects effective dates for SEC filers that qualify as Smaller Reporting Companies (SRCs) which differ from larger SEC filers. These dates have been denoted with "SRC." Since the issuance of ASU 2013-12, *Definition of a Public Business Entity — An Addition to the Master Glossary*, the term public business entity (PBE) has been used to establish effective dates and to scale disclosure requirements for new ASUs. Therefore, all companies need to consider whether or not they meet the definition of a PBE when adopting new standards.

Number	Issue Date	Title	Fiscal Years Beginning After
Public Companies - Effective in 2024			
ASU 2022-03	06/30/22	<i>Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions</i>	12/15/23
ASU 2023-01	03/27/23	<i>Leases (Topic 842): Common Control Arrangements</i>	12/15/23
ASU 2023-02	03/29/23	<i>Investments — Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method</i>	12/15/23
ASU 2023-06	10/09/23	<i>Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative</i>	The date on which the SEC's removal of the related disclosure from Regulation S-X or S-K becomes effective
ASU 2023-07	11/27/23	<i>Segment Reporting (Topic 280): Improvements to Reportable Segment Disclosures</i>	12/15/23
Public Companies - Issued Not Yet Effective			
Note to SEC registrants: In accordance with Staff Accounting Bulletin (SAB) 74, issuers are required to disclose the expected financial statement impact that recently issued, but not yet effective, standards will have on the reporting entity upon adoption.			
ASU 2023-05	08/23/23	<i>Business Combinations — Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement</i>	Joint venture formation on or after 1/1/2025
ASU 2023-08	12/13/23	<i>Intangibles — Goodwill and Other—Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets</i>	12/15/24
ASU 2023-09	12/14/23	<i>Income Taxes (Topic 740): Improvements to Income Tax Disclosures</i>	12/15/24
ASU 2024-01	03/21/24	<i>Compensation — Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards</i>	12/15/24
ASU 2024-02	03/29/24	<i>Codification Improvements — Amendments to Remove References to the Concepts Statements</i>	12/15/24

The FASB's recently released standards are grouped below by effective date - those that became effective in 2024 for calendar year-end non-public companies, and those that are effective in subsequent fiscal years. Since the issuance of ASU 2013-12, *Definition of a Public Business Entity — An Addition to the Master Glossary*, the term public business entity (PBE) has been used to establish effective dates and to scale disclosure requirements for new ASUs. Therefore, non-public companies need to consider whether or not they meet the criteria for classification as a PBE when adopting new standards.

Number	Issue Date	Title	Fiscal Years Beginning After
Non-Public Companies - Effective in 2024			
ASU 2021-08	10/28/21	<i>Business Combinations (Topic 805): Accounting for Contract Assets and Contract Liabilities from Contracts with Customers</i>	12/15/23
ASU 2022-01	03/28/22	<i>Derivatives and Hedging (Topic 815): Fair Value Hedging — Portfolio Layer Method</i>	12/15/23
ASU 2023-01	03/27/23	<i>Leases (Topic 842): Common Control Arrangements</i>	12/15/23
Non-Public Companies - Issued Not Yet Effective			
ASU 2022-03	06/30/22	<i>Fair Value Measurement (Topic 820): Fair Value Measurement of Equity Securities Subject to Contractual Sale Restrictions</i>	12/15/24
ASU 2023-02	03/29/23	<i>Investments — Equity Method and Joint Ventures (Topic 323): Accounting for Investments in Tax Credit Structures Using the Proportional Amortization Method</i>	12/15/24
ASU 2023-05	08/23/23	<i>Business Combinations — Joint Venture Formations (Subtopic 805-60): Recognition and Initial Measurement</i>	Joint venture formation on or after 1/1/2025
ASU 2023-06	10/09/23	<i>Disclosure Improvements: Codification Amendments in Response to the SEC's Disclosure Update and Simplification Initiative</i>	Two years after the date on which the SEC's removal of the related disclosure from Regulation S-X or S-K becomes effective
ASU 2023-08	12/13/23	<i>Intangibles — Goodwill and Other — Crypto Assets (Subtopic 350-60): Accounting for and Disclosure of Crypto Assets</i>	12/15/24
ASU 2023-09	12/14/23	<i>Income Taxes (Topic 740): Improvements to Income Tax Disclosures</i>	12/15/25
ASU 2024-01	03/21/24	<i>Compensation — Stock Compensation (Topic 718): Scope Application of Profits Interest and Similar Awards</i>	12/15/25
ASU 2024-02	03/29/24	<i>Codification Improvements — Amendments to Remove References to the Concepts Statements</i>	12/15/25

BAKER
NEWMAN
NOYES

www.bnn CPA.com