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Example CECL Disclosures

Financial Institutions
Disclosures for the December 31, 2023

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This document includes example disclosures as required by ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASC 326) for institutions adopting ASC 326 on January 1, 2023. The examples are drafted for purposes of disclosures for December 31, 2023 year-end financial statements. Included in the examples below are comparative period disclosures to highlight the change in the current period of adoption and the required prior periods disclosure that need to be included in the current period.

The example disclosures include illustrations of how an institution may comply with the disclosure requirements of ASC 326. However, the examples do not include all possible situations. Management is responsible for drafting and tailoring disclosures for its institution.

Financial Statements

Balance Sheet

- If there is an allowance for credit losses on available-for-sale (AFS) or held-to-maturity (HTM) securities, then disclose the AFS and/or HTM securities are net of allowance of credit losses of $X
    - *Example of line item: Held-to-maturity securities (net of allowance for credit losses of $X)*
- Allowance for loan losses will now be referred to as allowance for credit losses
- Reserve for unfunded commitments will be included as a liability on the balance sheet (it may be included within an existing liability line item)

Income Statement

- Provision for loan losses will now be referred to as provision for credit losses.
- The provision for credit losses line item will include the provision for credit losses related to the following items:
    1. Loans
    2. Unfunded commitments
    3. Held-to-maturity debt securities
    4. Available-for-sale securities
- All the items above may be included as one line item ("Provision for credit losses") or broken out as separate lines on the income statement.

Statement of Changes in Shareholders' Equity

- Include a line item for "Adoption of new accounting standard" to show the impact to retained earnings as of January 1, 2023. This line is usually presented as the first line item within the current period.

Statement of Cash Flows

- Provision for loan losses will now be referred to as provision for credit losses.

ASC 326-20-50-3
When disclosing information, an entity shall determine, in light of the facts and circumstances, how much detail it must provide to satisfy the disclosure requirements in this Section. An entity must strike a balance between not obscuring important information as a result of too much aggregation and not overburdening financial statements with excessive detail that may not assist a financial statement user in understanding the entity's financial assets and allowance for credit losses.

Note X – Accounting Policies

Accounting Standards Adopted in 2023

On January 1, 2023, the Company adopted ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments* (ASC 326). This standard replaced the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss ("CECL") methodology. CECL requires an estimate of credit losses for the remaining estimated life of the financial asset using historical experience, current conditions, and reasonable and supportable forecasts and generally applies to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities, and some off-balance sheet credit exposures such as unfunded commitments to extend credit. Financial assets measured at amortized cost will be presented at the net amount expected to be collected by using an allowance for credit losses. [Purchased credit deteriorated ("PCD") loans will receive an initial allowance at the acquisition date that represents an adjustment to the amortized cost basis of the loan, with no impact to earnings.][1]

In addition, CECL made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities if management does not intend to sell and does not believe that it is more likely than not they will be required to sell.

The Company adopted ASC 326 and all related subsequent amendments thereto effective January 1, 2023, using the modified retrospective approach for all financial assets measured at amortized cost and off-balance sheet credit exposures. The transition adjustment of the adoption of CECL included a(n) <increase/decrease> in the allowance for credit losses on loans of $X.X million, which is presented as a reduction to net loans outstanding, and a(n) <increase/decrease> in the allowance for credit losses on unfunded loan commitments of $X.X million, which is recorded within Other Liabilities. [The Company recorded an allowance for credit losses for held-to-maturity securities of $X.X million, which is presented as a reduction to held-to-maturity securities outstanding][2]. The Company recorded a net decrease to retained earnings of $X.X million as of January 1, 2023, for the cumulative effect of adopting CECL, which reflects the transition adjustments noted above, net of the applicable deferred tax assets recorded. Results for reporting periods beginning after January 1, 2023, are presented under CECL while prior period amounts continue to be reported in accordance with previously applicable accounting standards ("Incurred Loss").

The Company adopted ASC 326 using the prospective transition approach for PCD assets that were previously classified as purchased credit impaired ("PCI") under ASC 310-30. In accordance with the standard, management did not reassess whether PCI assets met the criteria of PCD assets as of the date of adoption. On January 1, 2023, the amortized cost basis of PCD assets were adjusted to reflect the addition of $X.X million to establish the allowance for credit losses. The remaining interest-related discount of approximately $X.X million will be accredited into interest income at the effective interest rate as of January 1, 2023.

Regarding PCD assets, the Company elected to disaggregate the former PCI pools and no longer considers these pools to be the unit of account; contractually delinquent PCD loans will be reported as nonaccrual loans using the same criteria as other loans.

The Company adopted ASC 326 using the prospective transition approach for debt securities for which other-than-temporary impairment had been recognized prior to January 1, 2023. As of December 31, 2022, the Company did not have any other-than-temporarily impaired investment securities. Therefore, upon adoption of ASC 326, the Company determined that an allowance for credit losses on available-for-sale securities was not deemed material.

OR

[If applicable] The Company adopted ASC 326 using the prospective transition approach for debt securities for which other-than-temporary impairment had been recognized prior to January 1, 2023. As a result, the amortized cost basis remains the same before and after the effective date of ASC 326. The effective interest rate on these debt securities was not changed. Amounts previously recognized in accumulated other comprehensive income as of January 1, 2023, relating to improvements in cash flows expected to be collected will be accreted into income over the remaining life of the asset. Recoveries of amounts previously written off relating to improvements in cash flows after January 1, 2023, will be recorded in earnings when received.

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1 Delete sentence if the institution does not have PCD loans

[2] If the Company does not have any HTM securities, then you could delete this sentence. If the impact for HTM was not significant, you could disclosure the following:

The adoption of CECL had an insignificant impact on the Company's held-to-maturity and available-for-sale securities portfolios.

The following table illustrates the impact on the allowance for credit losses from the adoption of ASC 326:[3]

(dollars in thousands)	January 1, 2023 As Reported Under ASC 326	December 31, 2022 Pre-ASC 326 Adoption December	Impact of ASC 326 Adoption
Assets:			
Held to maturity securities, at amortized cost	$		
Allowance for credit losses on held to maturity securities:			
Mortgage-backed securities	$		
State and local governments			
Loans, at amortized cost			
Allowance for credit losses on loans:			
Commercial and industrial	$		
Construction, land development & other land loans			
Residential (1-4 family) first mortgages			
Home equity loans / lines of credit			
Commercial real estate			
Consumer loans			
Allowance for credit losses on loans	$		
Liabilities:			
Allowance for credit losses for unfunded commitments	$		

[The Company elected not to measure an allowance for credit losses for accrued interest receivable and instead elected to reverse interest income on loans or securities that are placed on nonaccrual status, which is generally when the instrument is 90 days past due, or earlier if the Company believes the collection of interest is doubtful. The Company has concluded that this policy results in the timely reversal of uncollectible interest.][4]

Allowance for Credit Losses – Held-to-Maturity Securities

Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type [or describe other risk characteristics used to segment the portfolio]. Accrued interest receivable on held-to-maturity debt securities totaled $X.X million at December 31, 2023 and was excluded from the estimate of credit losses.

[The estimate of expected credit losses is primarily based on the ratings assigned to the securities by debt rating agencies and the average of the annual historical loss rates associated with those ratings. The Company then multiplies those loss rates, as adjusted for any modifications to reflect current conditions and reasonable and supportable forecasts as considered necessary, by the remaining lives of each individual security to arrive at a lifetime expected loss amount. Management classifies the held-to-maturity portfolio into the following major security types: mortgage-backed securities or state and local governments.][5]

[All the mortgage-backed securities held by the Company are issued by government-sponsored enterprises and agencies. These securities are either explicitly or implicitly guaranteed by the U.S. government, are highly rated by major rating agencies

[3] This table is not required but may be helpful for the users of the financial statements

[4] This paragraph will need to be updated if the institution did not elect to exclude accrued interest receivable from the allowance for credit losses calculation.

[5] This paragraph will need to be updated based on the institution's methodology.

and have a long history of no credit losses. The state and local governments securities held by the Company are highly rated by major rating agencies. As a result, no allowance for credit losses was recorded on held-to-maturity at December 31, 2023.][6]

Allowance for Credit Losses – Available-for-Sale Securities

For available-for-sale securities, management evaluates all investments in an unrealized loss position on a quarterly basis, and more frequently when economic or market conditions warrant such evaluation. If the Company has the intent to sell the security, or it is more likely than not that the Company will be required to sell the security, the security is written down to fair value, and the entire loss is recorded in earnings.

If either of the above criteria is not met, the Company evaluates whether the decline in fair value is the result of credit losses or other factors. In making the assessment, the Company may consider various factors including the extent to which fair value is less than amortized cost, performance on any underlying collateral, downgrades in the ratings of the security by a rating agency, the failure of the issuer to make scheduled interest or principal payments and adverse conditions specifically related to the security. If the assessment indicates that a credit loss exists, the present value of cash flows expected to be collected is compared to the amortized cost basis of the security and any excess is recorded as an allowance for credit loss, limited to the amount that the fair value is less than the amortized cost basis. Any amount of unrealized loss that has not been recorded through an allowance for credit loss is recognized in other comprehensive income.

Changes in the allowance for credit loss are recorded as provision for (or reversal of) credit loss expense. Losses are charged against the allowance for credit loss when management believes an available-for-sale security is confirmed to be uncollectible or when either of the criteria regarding intent or requirement to sell is met. At December 31, 2023, there was no allowance for credit loss related to the available-for-sale portfolio.

Accrued interest receivable on available-for-sale debt securities totaled $X.X million at December 31, 2023 and was excluded from the estimate of credit losses.[7]

Loans[8]

Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost. Amortized cost is the principal balance outstanding, net of purchase premiums and discounts and deferred fees and costs. Accrued interest receivable related to loans totaled $X.X million at December 31, 2023 and was reported in accrued interest receivable on the consolidated balance sheets. Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using methods that approximate a level yield without anticipating prepayments.

The accrual of interest is generally discontinued when a loan becomes 90 days past due and is not well collateralized and in the process of collection, or when management believes, after considering economic and business conditions and collection efforts, that the principal or interest will not be collectible in the normal course of business. Past due status is based on contractual terms of the loan. A loan is considered to be past due when a scheduled payment has not been received 30 days after the contractual due date.

All accrued interest is reversed against interest income when a loan is placed on nonaccrual status. Interest received on such loans is accounted for using the cost-recovery method, until qualifying for return to accrual. Under the cost-recovery method, interest income is not recognized until the loan balance is reduced to zero. Loans are returned to accrual status when all the principal and interest amounts contractually due are brought current, there is a sustained period of repayment performance, and future payments are reasonably assured.

[6] This paragraph is an example to provide guidance on how to discuss risk characteristics relevant to each security type as required in ASC 326-20-50-11. The institution will need to update to include risk characteristics specific to each type of security.

[7] This sentence will need to be updated if the institution did not elect to exclude accrued interest receivable from the allowance for credit losses calculation.

[8] Loan accounting policy disclosures may need to be modified for the impact of ASU 2022-02 as TDRs should no longer be referenced.

Purchased Credit Deteriorated Loans

Upon adoption of ASC 326, loans that were designated as PCI loans under the previous accounting guidance were classified as PCD loans without reassessment.

In future acquisitions, the Company may purchase loans, some of which have experienced more than insignificant credit deterioration since origination. In those cases, the Company will consider internal loan grades, delinquency status and other relevant factors in assessing whether purchased loans are PCD. PCD loans are recorded at the amount paid. An initial allowance for credit loss is determined using the same methodology as other loans held for investment, but with no impact to earnings. The initial allowance for credit loss determined on a collective basis is allocated to individual loans. The sum of the loan's purchase price and allowance for credit loss becomes its initial amortized cost basis. The difference between the initial amortized cost basis and the par value of the loan is a noncredit discount or premium, which is amortized into interest income over the life of the loan. Subsequent to initial recognition, PCD loans are subject to the same interest income recognition and impairment model as non-PCD loans, with changes to the allowance for credit loss recorded through provision expense.

Allowance for Credit Losses - Loans

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 uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off. [Accrued interest receivable is excluded from the estimate of credit losses.][9]

The allowance for credit losses represents management's estimate of lifetime credit losses inherent in loans as of the balance sheet date. The allowance for credit losses is estimated by management using relevant available information, from both internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts.

The Company measures expected credit losses for loans on a pooled basis when similar risk characteristics exist. The Company has identified the following portfolio segments and calculates the allowance for credit losses for each using a [name of methodology] methodology:

- [Include name and description of loan segments]

[Include description of each methodology including the items required in ASC 326-20-50-11 shown below]

ASC 326-20-50-11

To meet the objectives in ASC 326-20-50-10, an entity shall disclose all of the following by portfolio segment and major security type:

- *a. A description of how expected loss estimates are developed*
- *b. A description of the entity's accounting policies and methodology to estimate the allowance for credit losses, as well as a discussion of the factors that influenced management's current estimate of expected credit losses, including:*
    - *1. Past events*
    - *2. Current conditions*
    - *3. Reasonable and supportable forecasts about the future.*
- *c. A discussion of risk characteristics relevant to each portfolio segment*
- *d. A discussion of the changes in the factors that influenced management's current estimate of expected credit losses and the reasons for those changes (for example, changes in portfolio composition, underwriting practices, and significant events or conditions that affect the current estimate but were not contemplated or relevant during a previous period)*
- *e. Identification of changes to the entity's accounting policies, changes to the methodology from the prior period, its rationale for those changes, and the quantitative effect of those changes*
- *f. Reasons for significant changes in the amount of write-offs, if applicable*
- *g. A discussion of the reversion method applied for periods beyond the reasonable and supportable forecast period*
- *h. The amount of any significant purchases of financial assets during each reporting period*
- *i. The amount of any significant sales of financial assets or reclassifications of loans held for sale during each reporting period.*

[9] Only applicable if the institution elected the practical expedient related to accrued interest.

Additionally, the allowance for credit losses calculation includes subjective adjustments for qualitative risk factors that are likely to cause estimated credit losses to differ from historical experience. These qualitative adjustments may increase or reduce reserve levels and include adjustments for [lending management experience and risk tolerance, loan review and audit results, asset quality and portfolio trends, loan portfolio growth, industry concentrations, trends in underlying collateral, external factors and economic conditions not already captured].

Loans that do not share risk characteristics are evaluated on an individual basis. When the borrower is experiencing financial difficulty and repayment is expected to be provided through operation or sale of the collateral, the expected credit losses are based on the fair value of collateral at the reporting date, adjusted for selling costs as appropriate.

Allowance for Credit Losses – Unfunded Commitments

Financial instruments include off-balance sheet credit instruments, such as commitments to make loans and commercial letters of credit issued to meet customer financing needs. The Company's exposure to credit loss in the event of nonperformance by the other party to the financial instrument for off-balance sheet loan commitments is represented by the contractual amount of those instruments. Such financial instruments are recorded when they are funded.

The Company records an allowance for credit losses on off-balance sheet credit exposures, unless the commitments to extend credit are unconditionally cancelable, through a charge to provision for unfunded commitments in the Company's income statements. The allowance for credit losses on off-balance sheet credit exposures is estimated by loan segment at each balance sheet date under the current expected credit loss model using the same methodologies as portfolio loans, taking into consideration the likelihood that funding will occur as well as any third-party guarantees. The allowance for unfunded commitments is included in other liabilities on the Company's consolidated balance sheets.

Note X – Investment Securities

The following disclosures remain unchanged under ASC 326:

- The amortized cost and fair value of debt securities available-for-sale and held-to-maturity at each period end, by contractual maturity for each period the balance sheet is presented
- Gross realized gains and gross realized losses (and proceeds) on sales of available-for-sale securities for each period the income statement is presented
- Pledged securities
- The gross unrealized losses and estimated fair value of securities aggregated by category and length of time (< 12 months and > 12 months) that securities have been in a continuous unrealized loss position for available-for-sale securities for each period the balance sheet is presented. (This disclosure is no longer required for held-to-maturity securities. However, management should consider if this disclosure is useful for users of the financial statements.)

Investment Securities by Type Disclosures

The amortized cost and estimated fair value of securities available-for-sale along with gross unrealized gains and losses and allowance for credit losses are summarized as follows:

	December 31, 2023				
($ in thousands)	Amortized Cost	Unrealized Gains	Unrealized (Losses)	Allowance for Credit Losses	Fair Value
Government-sponsored enterprise securities	$				
Mortgage-backed securities					
State and local governments					
Corporate bonds					
Total available for sale	$				

($ in thousands)	December 31, 2022 Amortized Cost	Unrealized Gains	Unrealized (Losses)	Fair Value
Government-sponsored enterprise securities	$			
Mortgage-backed securities				
State and local governments				
Corporate bonds				
Total available for sale	$			

The amortized cost and estimated fair value of securities held-to-maturity along with gross unrealized gains and losses and allowance for credit losses are summarized as follows:

If there is no allowance for credit losses recorded for available-for-sale securities above, then you may elect to delete the allowance for credit losses column and disclose in sentence format there is no allowance for credit losses on available-for-sale securities.

($ in thousands)	December 31, 2023 Amortized Cost	Unrealized Gains	Unrealized (Losses)	Fair Value	Allowance for Credit Losses
Mortgage-backed securities	$				
State and local governments					
Total held to maturity	$				

($ in thousands)	December 31, 2022 Amortized Cost	Unrealized Gains	Unrealized (Losses)	Fair Value
Mortgage-backed securities	$			
State and local governments				
Total held to maturity	$			

For the held-to-maturity table above, the allowance for credit loss column is included on the far right. If there is no allowance for credit losses recorded for held-to-maturity securities, then you may elect to delete the allowance for credit losses column and disclose there is no allowance for credit losses on held-to-maturity securities.

Unrealized Loss Disclosures

The disclosures below are only required for available-for-sale securities for which an allowance for credit losses has not been recorded. This disclosure is no longer required for held-to-maturity securities. In the period of adoption, you will include the prior period table for held-to-maturity for comparative purposes.

The following table shows the gross unrealized losses and estimated fair value of available sale securities for which an allowance for credit losses has not been recorded aggregated by category and length of time that securities have been in a continuous unrealized loss position at December 31, 2023:

	Less Than 12 Months		**12 Months of More**		**Total**	
(dollars in thousands)	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Government-sponsored enterprise securities	$					
Mortgage-backed securities						
State and local governments						
Corporate bonds						
Total available for sale	$					

[Unrealized losses on corporate bonds have not been recognized into income because the issuer(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 to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bond(s) approach maturity.][10]

> Included above is an example disclosure for an available-for-sale security when there is no allowance for credit losses. This type of disclosure is required for each major type of security. The required disclosures may be aggregated by category of investment; however, individually significant unrealized losses are generally not permitted to be aggregated. This disclosure could include all of the following: (1) the nature of the investment(s), (2) the cause of the impairment(s), (3) the number of investment positions in an unrealized loss position, (4) the severity of the impairment(s), and (5) other evidence considered in reaching the conclusion that an allowance for credit losses is not needed.

The following table shows the gross unrealized losses and estimated fair value of available sale securities and held-to-maturity securities aggregated by category and length of time that securities have been in a continuous unrealized loss position at December 31, 2022:

	Less Than 12 Months		**12 Months of More**		**Total**	
(dollars in thousands)	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Securities available for sale:						
Government-sponsored enterprise securities	$					
Mortgage-backed securities						
State and local governments						
Corporate bonds						
Total available for sale	$					

	Less Than 12 Months		**12 Months of More**		**Total**	
(dollars in thousands)	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses	Estimated Fair Value	Unrealized Losses
Securities held to maturity:						
Mortgage-backed securities	$					
State and local governments						
Total held to maturity	$					

[10] This paragraph will need to be updated based on the institution's securities. Also consider any disclosures related to recent economic events and impact on held-to-maturity securities.

Allowance for Credit Losses – Available-for-Sale Securities Disclosures

The disclosures below are required when there is an allowance for credit losses on available-for-sale securities. If management concluded there is no allowance for credit losses on available-for-sale securities, the table is not needed.

The following table shows a rollforward of the allowance for credit losses on available-for-sale securities for the year ended December 31, 2023:

(dollars in thousands)	Government-sponsored enterprise securities	Mortgage-backed securities	State and local governments	Corporate bonds
Balance, December 31, 2022	$			
Adjustment for adoption of ASU 2016-13				
Additions for securities for which no previous expected credit losses were recognized				
Additions for purchases of financial assets with credit deterioration				
Reductions for securities sold				
Reductions for securities intended to be sold and/or it is more likely than not will be required to sell before recovery				
Additional increase/decrease on securities that previously had an allowance				
Write-offs charged against the allowance				
Recoveries of amounts previously written-off				
Balance, December 31, 2023	$			

If there is an allowance for credit losses recorded on available-for-sale securities, there will need to be qualitative disclosures included related to how the allowance for credit losses was determined. See excerpt from ASC 326-30-50-7 below:

For interim and annual periods in which an allowance for credit losses of an available-for-sale debt security is recorded, an entity shall disclose by major security type, the methodology and significant inputs used to measure the amount related to credit loss, including its accounting policy for recognizing write-offs of uncollectible available-for-sale debt securities. Examples of significant inputs include, but are not limited to, all of the following:

- *a. Performance indicators of the underlying assets in the security, including all of the following:*
  - *1. Default rates*
  - *2. Delinquency rates*
  - *3. Percentage of nonperforming assets*
- *b. Debt-to-collateral-value ratios*
- *c. Third-party guarantees*
- *d. Current levels of subordination*
- *e. Vintage*
- *f. Geographic concentration*
- *g. Industry analyst reports and forecasts*
- *h. Credit ratings*
- *i. Other market data that are relevant to the collectability of the security.*

Allowance for Credit Losses – Held-to-Maturity Securities Disclosures

The disclosures below are required when there is an allowance for credit losses on held-to-maturity securities. In addition to the table, qualitative disclosure related to management's allowance for credit losses methodology including information management used to develop its estimate of credit losses and circumstances that caused changes to the estimate of credit losses. If management concluded there is no allowance for credit losses on held-to-maturity securities, the table is not needed. However, qualitative disclosures related to how management determined there was no allowance for credit losses needed is required.

The following table shows a rollforward of the allowance for credit losses on held-to-maturity securities for the year ended December 31, 2023:

(dollars in thousands)	Government-sponsored enterprise securities	Mortgage-backed securities	State and local governments	Corporate bonds
Balance, December 31, 2022	$			
Adjustment for adoption of ASU 2016-13				
Provision for credit losses				
Allowance on purchased financial assets with credit deterioration				
Charge-offs of securities				
Recoveries				
Balance, December 31, 2023	$			

The Company monitors the credit quality of the debt securities held-to-maturity through the use of credit ratings. The Company monitors the credit ratings on a quarterly basis. The following table summarizes the amortized cost of debt securities held-to-maturity at December 31, 2023, aggregated by credit quality indicators.

($ in thousands)	December 31, 2023
Aaa	$
Aa1/Aa2/Aa3	
A1/A2	
BBB	
Not rated	
Total	$

If there are held-to-maturity securities past due and/or on nonaccrual, the following disclosures are required.

A security is considered past due once it is XX days contractually past due under the terms of the agreement. The following table presents the amortized costs of held-to-maturity securities on past due and on nonaccrual as of December 31, 2023:

($ in thousands)	30-59 Days Past Due	60-89 Days Past Due	Past Due and Still Accruing	Nonaccrual Loans
Mortgage-backed securities	$			
State and local governments				
Total held to maturity	$			

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

Nonaccrual held-to-maturity securities of $XX do not have a related allowance of credit losses at December 31, 2023.

If there are no held-to-maturity securities that are past due or on nonaccrual, then the disclosures above are not required. However, include a disclosure similar to below:

At December 31, 2023, the Company had no securities held-to-maturity that were past due 30 days or more as to principal or interest payments. The Company had no securities held-to-maturity classified as nonaccrual for the year ended December 31, 2023.

The following table presents the amortized cost basis of collateral-dependent held-to-maturity debt securities of the Company as of December 31, 2023 by collateral type.

($ in thousands)	[Collateral type]	[Collateral type]	Total
Mortgage-backed securities	$		
State and local governments			
Total	$		

Purchased Credit Deteriorated Disclosures

The disclosures below are required when there are purchased credit deteriorated available-for-sale and/or held-to-maturity securities purchased during the current reporting period.

The following table shows a reconciliation of the difference between the purchase price and the par value of available-for-sale securities purchased with credit deterioration during the year ended December 31, 2023:

(dollars in thousands)	
Purchase price	$
Allowance for credit losses at the date of acquisition based on the assessment of the acquirer	
Discount or premium related to other factors	
Par value	$

The following table shows a reconciliation of the difference between the purchase price and the par value of held-to-maturity securities purchased with credit deterioration during the year ended December 31, 2023:

(dollars in thousands)	
Purchase price	$
Allowance for credit losses at the date of acquisition based on the assessment of the acquirer	
Discount or premium related to other factors	
Par value	$

Note X - Loans and Allowance for Credit Losses

Loans by Major Categories Disclosures

For the disclosures presented below, there are no changes in the current or prior periods.

The following is a summary of the major categories of total loans outstanding:[11]

($ in thousands)	December 31, 2023 Amount	December 31, 2022 Amount
Commercial and industrial	$	
Construction, land development & other land loans		
Residential (1-4 family) first mortgages		
Home equity loans / lines of credit		
Commercial real estate		
Consumer loans		
Total loans		
Unamortized net deferred loan costs (fees)		
Less allowance for credit losses		
Total loans, net	$	

Delinquency Disclosures

For the disclosures presented below, the only change is CURRENT period does not breakout PCI loans separately. The table for December 31, 2022 should match prior year financial statement disclosures that include PCI loans.

The following table presents an analysis of past-due loans as of December 31, 2023:

($ in thousands)	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 Days or More Past Due and Still Accruing	Nonaccrual Loans	Current Loans	Total Loans
Commercial and industrial	$					
Construction, land development & other land loans						
Residential (1-4 family) first mortgages						
Home equity loans / lines of credit						
Commercial real estate						
Consumer loans						
Total loans	$					

The following table presents an analysis of past-due loans as of December 31, 2022:

($ in thousands)	Loans 30-59 Days Past Due	Loans 60-89 Days Past Due	Loans 90 Days or More Past Due and Still Accruing	Nonaccrual Loans	Current Loans	Total Loans
Commercial and industrial	$					
Construction, land development & other land loans						
Residential (1-4 family) first mortgages						
Home equity loans / lines of credit						
Commercial real estate						
Consumer loans						
Purchased credit impaired						
Total loans	$					

[11] All loan footnotes should be adjusted to match the loan segments specific to the institution.

Vintage Disclosures

> The disclosure below only applies for the CURRENT period (new CECL disclosure) and only for public business entities (PBEs). In the year of initial application of ASC 326, a PBE that is not an SEC filer may phase-in the below table 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.
>
> *ASC 326-20-50-5 also requires a description of the credit quality indicators it uses for each major loan type. Examples of credit quality indicators include ratings from credit agencies, collateral, consumer credit scores, internal risk ratings, debt-to-value ratios, and collection experience. Ultimately, an entity must use its judgment to select the proper credit quality indicator for each class of financing receivable and major security type.*

The following table presents the Company's recorded investment in loans by credit quality indicators by year of origination as of December 31, 2023:[12]

	Term Loans by Year of Origination							
($ in thousands)	2023	2022	2021	2020	2019	Prior	Revolving	Total
Commercial and industrial								
Pass	$							
Special Mention								
Classified								
Total commercial and industrial loans								
Current period gross write-offs								
Construction, land development & other land loans								
Pass								
Special Mention								
Classified								
Total construction, land development & other land								
Current period gross write-offs								
Residential (1-4 family) first mortgages								
Pass								
Special Mention								
Classified								
Total residential (1-4 family) first mortgages								
Current period gross write-offs								
Home equity loans / lines of credit								
Pass								
Special Mention								
Classified								
Total home equity loans / lines of credit								
Current period gross write-offs								
Commercial real estate								
Pass								
Special Mention								
Classified								
Total commercial real estate								
Current period gross write-offs								
Consumer loans								
Pass								
Special Mention								
Classified								
Total consumer loans								
Current period gross write-offs								

[12] The vintage disclosure will need to be updated to include credit quality indicators (i.e. the grading system information) specific to the institution.

The disclosures presented below only apply to prior period. The table for December 31, 2022 should match prior year financial statement disclosures.

The following table presents the Company's recorded investment in loans by credit quality indicators as of December 31, 2022:

($ in thousands)	Pass	Special Mention	Classified	Total
Commercial and industrial	$			
Construction, land development & other land loans				
Residential (1-4 family) first mortgages				
Home equity loans / lines of credit				
Commercial real estate				
Consumer loans				
Purchased credit impaired				
Total loans	$			

Nonaccrual Disclosures

The disclosures below combine the CURRENT period (new CECL disclosure) and the PRIOR period disclosure.

The following table is a summary of the Company's nonaccrual loans by major categories for the periods indicated.

	CECL			Incurred Loss
	December 31, 2023			December 31, 2022
($ in thousands)	Nonaccrual Loans with No Allowance	Nonaccrual Loans with an Allowance	Total Nonaccrual Loans	Nonaccrual Loans
Commercial and industrial	$			
Construction, land development & other land loans				
Residential (1-4 family) first mortgages				
Home equity loans / lines of credit				
Commercial real estate				
Consumer loans				
Total loans	$			

The Company recognized $<> of interest income on nonaccrual loans during the year ended December 31, 2023.

The disclosures presented below are only required for CURRENT period (new CECL disclosure).

The following table represents the accrued interest receivables written off by reversing interest income during the year ended December 31, 2023:

($ in thousands)	For the Year Ended December 31, 2023
Commercial and industrial	$
Construction, land development & other land loans	
Residential (1-4 family) first mortgages	
Home equity loans / lines of credit	
Commercial real estate	
Consumer loans	
Total loans	$

Collateral Dependent Disclosures

The disclosures presented below are only required for CURRENT period (new CECL disclosure). Included below are two options for presentation.

OPTION #1

The Company designates individually evaluated loans on nonaccrual status as collateral-dependent loans, as well as other loans that management of the Company designates as having higher risk. Collateral-dependent loans are loans for which the repayment is expected to be provided substantially through the operation or sale of the collateral and the borrower is experiencing financial difficulty. These loans do not share common risk characteristics and are not included within the collectively evaluated loans for determining the allowance for credit losses. Under CECL, for collateral-dependent loans, the Company has adopted the practical expedient to measure the allowance for credit losses based on the fair value of collateral. The allowance for credit losses is calculated on an individual loan basis based on the shortfall between the fair value of the loan's collateral, which is adjusted for liquidation costs/discounts, and amortized cost. If the fair value of the collateral exceeds the amortized cost, no allowance is required.

The following table presents an analysis of collateral-dependent loans of the Company as of December 31, 2023:

($ in thousands)	Residential Properties	Business Assets	Land	Commercial Property	Other	Total Loans
Commercial and industrial	$					
Construction, land development & other land loans						
Residential (1-4 family) first mortgages						
Home equity loans / lines of credit						
Commercial real estate						
Consumer loans						
Total loans	$					

OPTION #2

The Company has certain loans for which repayment is dependent upon the operation or sale of collateral, as the borrower is experiencing financial difficulty. The underlying collateral can vary based upon the type of loan. The following provides more detail about the types of collateral that secure collateral-dependent loans:

- Commercial real estate loans can be secured by either owner-occupied commercial real estate or non-owner-occupied investment commercial real estate. Typically, owner-occupied commercial real estate loans are secured by office buildings, warehouses, manufacturing facilities and other commercial and industrial properties occupied by operating companies. Non-owner-occupied commercial real estate loans are generally secured by office buildings and complexes, retail facilities, multifamily complexes, land under development, industrial properties, as well as other commercial or industrial real estate.
- Residential real estate loans are typically secured by first mortgages, and in some cases could be secured by a second mortgage.
- Home equity lines of credit are generally secured by second mortgages on residential real estate property.
- Consumer loans are generally secured by automobiles, motorcycles, recreational vehicles and other personal property. Some consumer loans are unsecured and have no underlying collateral.

The following table details the amortized cost of collateral dependent loans:

($ in thousands)	December 31, 2023
Commercial and industrial	$
Construction, land development & other land loans	
Residential (1-4 family) first mortgages	
Home equity loans / lines of credit	
Commercial real estate	
Consumer loans	
Total loans	$

> *ASC 326-20-50-20 also requires disclosure of significant changes in the extent to which collateral provides security for the entity's financial assets (such as major changes due to a general market downturn or other reason).*

Allowance for Credit Losses Disclosures

> The disclosures presented below has been modified below has been modified for the CURRENT period to be compliant with ASC 326.

The following table summarizes the activity related to the allowance for credit losses for the year ended December 31, 2023 under the CECL methodology.

($ in thousands)	Commercial and industrial	Construction, land development & other land loans	Residential (1-4 family) first mortgages	Home equity loans / lines of credit	Commercial real estate	Consumer loans	Unallocated	Total loans
Balance, December 31, 2022	$							
Adjustment to allowance for adoption of ASU 2016-13								
Initial allowance on loans purchased with credit deterioration acquired during the period								
Charge-offs								
Recoveries								
Provision for credit losses								
Balance, December 31, 2023	$							

> The disclosures presented below only apply to prior periods. The table for December 31, 2022 should match prior year financial statement disclosures.

Prior to the adoption of ASC 326 on January 1, 2023, the Company calculated the allowance for loan losses under the incurred loss methodology. The following tables are disclosures related to the allowance for loan losses in prior periods.

($ in thousands)	Commercial and industrial	Construction, land development & other land loans	Residential (1-4 family) first mortgages	Home equity loans / lines of credit	Commercial real estate	Consumer loans	Unallocated	Total loans
For the year ended December 31, 2022: Allowance for loan losses								
Balance, December 31, 2021	$							
Charge-offs								
Recoveries								
Provision for loan losses								
Balance, December 31, 2022	$							
Allowance for loan losses allocation as of December 31, 2022								
Individually evaluated for impairment	$							
Collectively evaluated for impairment								
Purchased credit impaired								
Ending balance	$							
Loan balances as of December 31, 2022:								
Individually evaluated for impairment	$							
Collectively evaluated for impairment								
Purchased credit impaired								
Total Loans	$							

Impaired Loan Disclosures (Prior Periods)

> The disclosures presented below only apply to prior periods. The disclosures for December 31, 2022 should match prior year financial statement disclosures.

Prior to the adoption of ASU 2016-13, loans were considered impaired when, based on current information and events, it was probable the Company would be unable to collect all amounts due in accordance with the original contractual terms of the loan agreements. Impaired loans include loans on nonaccrual status and accruing troubled debt restructurings. When determining if the Company would be unable to collect all principal and interest payments due in accordance with the contractual terms of the loan agreement, the Company considered the borrower's capacity to pay, which included such factors as the borrower's current financial statements, an analysis of global cash flow sufficient to pay all debt obligations and an evaluation of secondary sources of repayment, such as guarantor support and collateral value. The Company individually assessed for impairment all nonaccrual loans greater than $< > and all troubled debt restructurings greater than $< > (including all troubled debt restructurings, whether or not currently classified as such). The tables below include all loans deemed impaired, whether or not individually assessed for impairment. If a loan was deemed impaired, a specific valuation allowance was allocated, if necessary, so that the loan was reported net, at the present value of estimated future cash flows using the loan's existing rate or at the fair value of collateral if repayment was expected solely from the collateral. Interest payments on impaired loans were typically applied to principal unless collectability of the principal amount was reasonably assured, in which case interest was recognized on a cash basis.

The following table presents loans individually evaluated for impairment by class of loans, excluding PCI loans, as of December 31, 2022:

($ in thousands)	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
Impaired loans with no related allowance recorded:				
Commercial and industrial	$			
Construction, land development & other land loans				
Residential (1-4 family) first mortgages				
Home equity loans / lines of credit				
Commercial real estate				
Consumer loans				
Total impaired loans with no allowance	$			
Impaired loans with an allowance recorded:				
Commercial and industrial	$			
Construction, land development & other land loans				
Residential (1-4 family) first mortgages				
Home equity loans / lines of credit				
Commercial real estate				
Consumer loans				
Total impaired loans with allowance	$			

Purchased Credit Deteriorated

> The disclosures presented below only apply for the current period if there were PCD loans purchased in 2023 (post CECL implementation).

The following table shows a reconciliation of the difference between the purchase price and the par value loans purchased with credit deterioration during the year ended December 31, 2023:

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

The disclosure presented below only applies to prior period. The disclosure for December 31, 2022 should match prior financial statement disclosures.

The following table presents changes in the accretable yield for PCI loans for the year ended December 31, 2022:

(dollars in thousands)	December 31, 2022
Balance at beginning of period	$
Additions due to acquisitions	
Accretion	
Reclassification from (to) nonaccretable difference	
Other	
Balance at end of period	$

Modifications Made to Borrowers Experiencing Financial Difficulty

The disclosures presented in this section are only required for CURRENT period (new CECL disclosure). Prior period disclosures related to TDRs will be included for comparative disclosure requirement purpose.

The allowance for credit losses incorporates an estimate of lifetime expected credit losses and is recorded on each asset upon asset 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 because of the measurement methodologies used to estimate the allowance, a change to 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 some cases, the Company will modify a certain 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 principal forgiveness, 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.

The following table shows the amortized cost basis as of December 31, 2023 of the loans modified to borrowers experiencing financial difficulty, disaggregated by class of loans and type of concession granted and describes the financial effect of the modifications made to borrowers experiencing financial difficulty:

	Interest Rate Reduction		
($ in thousands)	Amortized Cost Basis	% of Total Loan Type	Financial Effect
Commercial and industrial	$	%	Reduced weighted-average contractual interest rate from X% to X%
Construction, land development & other land loans			
Residential (1-4 family) first mortgages			
Home equity loans / lines of credit			
Commercial real estate			
Consumer loans			
Total	$		

($ in thousands)	Term Extension		
	Amortized Cost Basis	% of Total Loan Type	Financial Effect
Commercial and industrial	$	%	Added a weighted-average X years to the life of loans, which reduced monthly payment amounts for the borrowers.
Construction, land development & other land loans			Provided X-month payment deferrals to borrowers through our standard deferral program. The X monthly payments were added to the end of the original loan terms of these
Residential (1-4 family) first mortgages			
Home equity loans / lines of credit			
Commercial real estate			
Consumer loans			
Total	$		

($ in thousands)	Principal Forgiveness		
	Amortized Cost Basis	% of Total Loan Type	Financial Effect
Commercial and industrial	$	%	Reduced the amortized cost basis of the loans by $X million.
Construction, land development & other land loans			
Residential (1-4 family) first mortgages			
Home equity loans / lines of credit			
Commercial real estate			
Consumer loans			
Total	$		

($ in thousands)	Combination - Term Extension and Principal Forgiveness		
	Amortized Cost Basis	% of Total Loan Type	Financial Effect
Commercial and industrial	$	%	Added a weighted-average Xyears to the life of loans, which reduced monthly payment amounts for the borrowers and reduced the amortized cost basis of the loans by $X million.
Construction, land development & other land loans			
Residential (1-4 family) first mortgages			
Home equity loans / lines of credit			
Commercial real estate			
Consumer loans			
Total	$		

($ in thousands)	Combination - Term Extension and Interest Rate Reduction		
	Amortized Cost Basis	% of Total Loan Type	Financial Effect
Commercial and industrial	$	%	Provided six-month payment deferrals to borrowers through our standard deferral program. The six monthly payments were added to the end of the original loan terms of these borrowers. Reduced weighted-average contractual interest rate from X% to X%
Construction, land development & other land loans			
Residential (1-4 family) first mortgages			
Home equity loans / lines of credit			
Commercial real estate			
Consumer loans			
Total	$		

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

Upon the Company's determination that a modified loan (or portion of a loan) has subsequently been deemed uncollectible, the loan (or a portion of the loan) is written off. Therefore, the amortized cost basis of the loan is reduced by the uncollectible amount and the allowance for credit losses is adjusted by the same amount.

Disclosures about modifications in periods prior to adoption do not need to be provided. That is, in disclosures that require information about modifications made in the previous 12 months (as required by ASC 310-10-50-38 through 50-44) modifications made before the date of the adoption do not need to be included for interim periods in the year of adoption.

The following table provides the amortized cost basis of loans that had a payment default during the period and were modified in the 12 months before default to borrowers experiencing financial difficulty:

	Amortized Costs Basis of Modified Loans That Subsequently Defaulted				
($ in thousands)	Interest Rate Reduction	Term Extension	Principal Forgiveness	Combination - Term Extension and Principal Forgiveness	Combination - Term Extension and Principal Forgiveness
Commercial and industrial	$				
Construction, land development & other land loans					
Residential (1-4 family) first mortgages					
Home equity loans / lines of credit					
Commercial real estate					
Consumer loans					
Total	$				

The Company closely monitors the performance of the loans that are modified to borrowers experiencing financial difficulty to understand the effectiveness of its modification efforts. The following table depicts the performance of loans that have been modified in the last 12 months:

	Payment Status (Amortized Cost Basis)		
($ in thousands)	Current	30-89 Days Past Due	90+ Days Past Due
Commercial and industrial	$		
Construction, land development & other land loans			
Residential (1-4 family) first mortgages			
Home equity loans / lines of credit			
Commercial real estate			
Consumer loans			
Total	$		

Unfunded Commitments

The disclosures presented below are required under ASC 326. If there was no reserve for unfunded commitments recorded prior to ASC 326 adoption, then the disclosure will NOT be comparative. If the entity previously recorded a reserve for unfunded commitments, then the disclosure will be comparative. Included below are two options for presentation.

OPTION #1

The Company maintains an allowance for off-balance sheet credit exposures such as unfunded balances for existing lines of credit, commitments to extend future credit, as well as both standby and commercial letters of credit when there is a contractual obligation to extend credit and when this extension of credit is not unconditionally cancellable (i.e., the commitment cannot be canceled at any time). The allowance for off-balance sheet credit exposures is adjusted as a provision for credit loss expense. The estimate includes consideration of the likelihood that funding will occur, which is based on a historical funding study derived from internal information, and an estimate of expected credit losses on commitments expected to be funded over its estimated life, which are the same loss rates that are used in computing the allowance for credit losses on loans, and are discussed in Note X. The allowance for credit losses for unfunded loan commitments of $X.X million and $X.X million at December 31, 2023 and December 31, 2022, respectively, is separately classified on the balance sheet within Other Liabilities.

The following table presents the balance and activity in the allowance for credit losses for unfunded loan commitments for the year ended December 31, 2023.

($ in thousands)	Total Allowance for Credit Losses - Unfunded Commitments
Balance, December 31, 2022	$
Adjustment to allowance for unfunded commitments for adoption of ASU 2016-13	
Provision for unfunded commitments	
Balance, December 31, 2023	$

OPTION #2

The Company maintains a separate reserve for credit losses on off-balance-sheet credit exposures, including unfunded loan commitments, which is included in other liabilities on the consolidated balance sheet. The reserve for credit losses on off-balance-sheet credit exposures is adjusted as a provision for credit losses in the income statement. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life, utilizing the same models and approaches for the Company's other loan portfolio segments described above, as these unfunded commitments share similar risk characteristics as its loan portfolio segments. The Company has identified the unfunded portion of certain lines of credit as unconditionally cancellable credit exposures, meaning the Company can cancel the unfunded commitment at any time. No credit loss estimate is reported for off-balance-sheet credit exposures that are unconditionally cancellable by the Company or for undrawn amounts under such arrangements that may be drawn prior to the cancellation of the arrangement.

On January 1, 2023, the Company recorded an adjustment for unfunded commitments of $X.X million for the adoption of ASC Topic 326. For the year ended December 31, 2023, the Company recorded a provision for credit losses for unfunded commitments of $X.X million. At December 31, 2023, the liability for credit losses on off-balance-sheet credit exposures included in other liabilities was $X.X million.

General Notes

Included below are some general guidance for updated and drafting disclosures throughout the financial statements.

- For SEC filers, management’s discussion and analysis and risk factors sections will also need to be updated to reflect adoption of ASC 326.
- For all December 31, 2023 disclosures, update language throughout the financial statements to reference “allowance for credit losses” and “provision for credit losses”. If a disclosure ONLY references a pre-CECL period, then you can refer to “allowance for loan losses” or “provision for loan losses”.
- Troubled debt restructurings (TDRs) should no longer be referenced in the current period (December 31, 2023) disclosures and accounting policies should be modified to reflect ASU 2022-02 (TDRs are no longer a concept/term within ASC 326).
- Impaired loans are not a term used within ASC 326. For comparative purposes, you will have the impaired loans disclosures (for December 31, 2022) but you will not need to reference impaired loans within accounting policies or any current year (December 31, 2023) disclosures.