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Example CECL Disclosures

Financial Institutions – SEC Filers

November 2020

This publication provides an example of the disclosure requirements in Accounting Standards Update (ASU) 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* as amended. However, the appropriate level of disclosure needed to satisfy the disclosure objective of ASU 2016-13, as amended, will vary by institution and the surrounding facts and circumstances.

The examples here are meant to address both the transition and ongoing disclosure requirements of ASU 2016-13, as amended. These disclosures are illustrative to comply with requirements for public business entities that meet the definition of a U.S. Securities and Exchange Commission (SEC) filer.

ASU 2016-13, as amended, is effective as follows:

- For public business entities that meet the definition of an SEC filer, excluding entities eligible to be smaller reporting companies as defined by the SEC, for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years.
- All other entities for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years.

The example disclosures present just one illustration of how an institution may address the disclosure requirements of ASC 326, and of course, this one illustration does not address all possible scenarios. The form and content of the financial statements remain the responsibility of management.

These disclosures are the result of a team effort, and I thank the following contributors:

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Matthew Schell
Mandi Simpson
Steve Wagner

We welcome your feedback.

Nicole Spiker

CONSOLIDATED BALANCE SHEETS
December 31, 2020
(Dollar amounts in thousands except per share data)

ASSETS	
Cash and due from financial institutions	$
Federal funds sold	
Cash and cash equivalents	
Interest-bearing deposits in other financial institutions	
Securities purchased under agreements to resell	
Trading assets	
Debt securities available-for-sale, at fair value(amortized cost $<>, allowance for credit losses of $<>)[1]	
Debt securities held-to-maturity, net of allowance for credit losses of $<> (fair value $<>)[2]	
Equity securities	
Loans held for sale	
<Loans held for sale, at fair value>	
Loans, net of allowance for credit losses of $<>[3]	
Other restricted stock, at cost	
Loan servicing rights	
Real estate owned, net	
Premises and equipment, net	
Goodwill	
Other intangible assets, net	
Entity-owned life insurance	
Accrued interest receivable and other assets[4]	
	$
LIABILITIES AND SHAREHOLDERS' EQUITY	
Deposits	
Non-interest bearing	$
Interest bearing	
Total deposits	
Federal funds purchased and repurchase agreements	
Federal Home Loan Bank advances	
Long-term debt	
$<> face amount, noninterest bearing, due December 31, 20XX (less unamortized discount based on imputed interest rate of <>% – 20XX, $<>)	
Subordinated debentures	
$<> face amount (less unamortized discount and debt issuance costs of $<>)	
Allowance for credit losses on off-balance sheet credit exposures[5]	
Accrued interest payable and other liabilities	
Total liabilities	
Commitments and contingent liabilities	
Shareholders' equity	
Preferred stock, $__ par value; aggregate liquidation preference <>% cumulative<> shares authorized; <> shares issued	
Common stock, $__ par value; <> shares authorized; <> shares issued	
Additional paid-in capital	
Retained earnings	
Accumulated other comprehensive income (loss)	
Unearned Employee Stock Ownership Plan (ESOP) shares	
Treasury stock, at cost (<> shares)	
Total shareholders' equity	
	$

See accompanying notes.

Illustrates a stand-alone Statement of Income, followed by a separate Statement of Comprehensive Income

CONSOLIDATED STATEMENTS OF INCOME
Years ended December 31, 2020
(Dollar amounts in thousands except per share data)

Interest and dividend income	
Loans, including fees	$
Taxable securities	
Tax-exempt securities	
Dividend income on securities	
Federal funds sold and other	
Total interest income	
Interest expense	
Deposits	
Federal funds purchased and repurchase agreements	
Federal Home Loan Bank advances	
Subordinated debentures and other	
Total interest expense	
Net interest income	
Credit loss expense - loans	
Credit loss expense[6] – debt securities held to maturity	
Credit loss expense – off-balance sheet credit exposures	
Net interest income after credit loss expense	
Non-interest income	
Service charges on deposits	
Other service charges	
Trust fees	
Net gains on sales of loans	
Loan servicing fees	
Net gains (losses) on sales of securities (includes $<> accumulated other comprehensive income reclassifications for unrealized net gains on available-for-sale securities)	
<Change in fair value of loans held for sale>	
Other (includes $<> accumulated other comprehensive income reclassification for net gains on cash flow hedges)	
Total non-interest income	
Non-interest expense	
Salaries and employee benefits	
Occupancy and equipment	
Data processing	
Federal deposit insurance	
Foreclosed assets, net	
Advertising	
Supplies	
Amortization of intangibles	
Goodwill impairment	

See accompanying notes.

CONSOLIDATED STATEMENTS OF INCOME (Continued)
Years ended December 31, 2020
(Dollar amounts in thousands except per share data)

Other (includes $<> accumulated other comprehensive income reclassifications for net losses on cash flow hedges)	$
Total non-interest expense	
Income before income taxes	
Income tax expense (includes $<> income tax expense from reclassification items)	
Net income	
Preferred stock dividends <and discount accretion>	
Net income available to common stockholders	$
Earnings per share:	
Basic	$
Diluted	$

See accompanying notes.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31, 2020
(Dollar amounts in thousands except per share data)

Net income	$
Other comprehensive income:	
Unrealized gains/losses on debt securities available-for-sale:	
Unrealized holding gain/(loss) arising during the period	
Provision for credit loss expense[7]	
Reclassification adjustment for losses (gains) included in net income	
Tax effect	
Net of tax	
Defined benefit pension plans:	
Net (loss) gain arising during the period	
Reclassification adjustment for amortization of prior service cost and net gain/loss included in net periodic pension cost	
Tax effect	
Net of tax	
Unrealized gain/loss on cash flow hedge	
Unrealized holding gain/(loss)	
Reclassification adjustment for losses (gains) included in net income	
Tax effect	
Net of tax	
Total other comprehensive income	
Comprehensive income	$

See accompanying notes.

Illustrates one continuous Statement of Income and Comprehensive Income in condensed format for illustration purposes only

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
Years ended December 31, 2020
(Dollar amounts in thousands except per share data)

Interest and dividend income	
Loans, including fees	$
Taxable securities	
Tax-exempt securities	
Federal funds sold and other	
Interest expense	
Deposits	
Subordinated debentures and other	
Net interest income	
Provision for credit loss expense	
Net interest income after provision for credit loss expense	
Non-interest income (condensed for presentation purposes)	
Non-interest expense (condensed for presentation purposes)	
Income before income taxes	
Income tax expense	
Net income	
Preferred stock dividends <and discount accretion>	
Net income available to common stockholders	$
Earnings per share:	
Basic	$
Diluted	$
Net income	$
Other comprehensive income, net of tax:	
Change in unrealized gains/losses on securities, net of reclassifications and taxes	$
Net gain/loss on defined benefit pension plans	
Unrealized gain/loss on cash flow hedge, net	
Total other comprehensive income	
Comprehensive income	$

See accompanying notes.

Assumes comprehensive income is included in income statement or in separate statement

CONSOLIDATED STATEMENTS OF CHANGES IN SHAREHOLDERS' EQUITY
Years ended December 31, 2020
(Dollar amounts in thousands)

	Shares	Common Stock	Additional Paid-in Capital	Retained Earnings	Accumulated Other Comprehensive Income	Unearned ESOP Shares	Treasury Stock	Total
Balance at January 1, 2020		$	$	$	$	$	$	$
Cumulative change in accounting principle (Note X)								
Balance at January 1, 2020 (as adjusted for change in accounting principle)								
Net income								
Other comprehensive income								
Cash dividends declared ($X.XX per share)								
Stock based compensation expense								
Exercise of stock options								
Issuance of ____ common shares								
Balance at December 31, 2020		$	$	$	$	$	$	$

See accompanying notes.

Crowe Observation

In accordance with ASC 326-20-50-3, each institution must determine, in light of the facts and circumstances, how much detail to provide to satisfy the disclosure requirements in ASC 326. There must be a balance between not obscuring important information with too much aggregation and not overburdening financial statements with excessive detail that may not assist a financial statement user in understanding the institution's financial assets and allowance for credit losses. For example, important information should not be obscured by including it with a large amount of insignificant detail. Similarly, information should not be disclosed in a way that is so aggregated that it obscures important differences between the different types of financial assets and associated risks.

NOTE <> - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (INCLUDES ONLY THOSE AFFECTED BY ASC 326)

Adoption of New Accounting Standards: On January 1, 2020, the Entity adopted ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments,* as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, ASC 326 made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Entity adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost [, net investments in leases] and off-balance-sheet (OBS) credit exposures. Results for reporting periods beginning after January 1, 2020 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. [The Entity recorded a net <increase/decrease> to retained earnings of $<> as of January 1, 2020 for the cumulative effect of adopting ASC 326. The transition adjustment includes a $<> impact due to [add narrative description of the drivers of the retained earnings adjustment].]

[If applicable] The Entity adopted ASC 326 using the prospective transition approach for debt securities for which other-than-temporary impairment had been recognized prior to January 1, 2020. 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, 2020 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, 2020 will be recorded in earnings when received.

[If applicable] The Entity adopted ASC 326 using the prospective transition approach for financial assets purchased with credit deterioration (PCD) that were previously classified as purchased credit impaired (PCI) and accounted for under ASC 310-30. In accordance with the standard, management did not reassess whether PCI assets met the criteria of PCD assets as of the date of adoption. On January 1, 2020, the amortized cost basis of the PCD assets were adjusted to reflect the addition of $<> of the allowance for credit losses. The remaining noncredit discount (based on the adjusted amortized cost basis) will be accreted into interest income at the effective interest rate as of January 1, 2020.

(Continued)

(Dollar amounts in thousands except per share data)

NOTE <> - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (INCLUDES ONLY THOSE AFFECTED BY ASC 326) (Continued)

[If applicable] As allowed by ASC 326, the Entity elected to maintain pools of loans accounted for under ASC 310-30. [The Entity should disclose any additional qualitative or quantitative information necessary for a financial statement user to understand the size and nature of former ASC 310-30 pools]. In accordance with the standard, management did not reassess whether modifications to individual acquired financial assets accounted for in pools were troubled debt restructurings as of the date of adoption.

[If applicable] The effective interest rate used to discount expected cash flows considers the timing of expected cash flows resulting from expected prepayments for troubled debt restructurings that existed at January 1, 2020. The prepayment-adjusted effective interest rate uses the original contractual rate and prepayment assumptions at January 1, 2020.

[If applicable] The Entity has elected the fair value option for [describe the instruments for which the fair value option (FVO) has been elected].

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

	January 1, 2020		
	As Reported Under ASC 326	Pre-ASC 326 Adoption	Impact of ASC 326 Adoption
Assets:			
Allowance for credit losses on debt securities held-to-maturity			
Mortgage-backed: residential	$ -	$ -	$ -
Other	-	-	-
Loans			
Commercial	-	-	-
Commercial real estate	-	-	-
Residential real estate	-	-	-
Consumer	-	-	-
Auto	-	-	-
Allowance for credit losses on loans	-	-	-
Liabilities:			
Allowance for credit losses on OBS credit exposures	-	-	-

[If applicable, the same transition disclosures for PCD assets should be made for beneficial interests that previously applied ASC 310-30 or for which there is a significant difference between contractual cash flows and expected cash flows at the date of recognition.]

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

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

(Continued)

NOTE <> - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (INCLUDES ONLY THOSE AFFECTED BY ASC 326) (Continued)

A debt security is placed on nonaccrual status at the time any principal or interest payments become <90 days> delinquent. Interest accrued but not received for a security placed on non-accrual is reversed against interest income. [If applicable], the amount of accrued interest reversed against interest income totaled $<> for the year ended December 31, 2020[8].

<u>Allowance for Credit Losses – Held-to-Maturity Securities</u>: Management measures expected credit losses on held-to-maturity debt securities on a collective basis by major security type [and any other risk characteristics used to segment the portfolio]. Accrued interest receivable on held-to-maturity debt securities totaled $<> at December 31, 2020 and is excluded from the estimate of credit losses.

Excerpt from ASC 326-20-50

- *Allowance for Credit Losses*

50-10 *An entity shall provide information that enables a financial statement user to do the following:*

a.) *Understand management's method for developing its allowance for credit losses*
b.) *Understand the information that management used in developing its current estimate of expected credit losses*
c.) *Understand the circumstances that caused changes to the allowance for credit losses, thereby affecting the related credit loss expense (or reversal) reported for the period*

The estimate of expected credit losses considers historical credit loss information that is adjusted for current conditions and reasonable and supportable forecasts.[9]

Crowe Observation

The following paragraphs are intended as a starting point for the requirement in ASC 326-20-50-11d to discuss risk characteristics relevant to each portfolio segment and major security type. These disclosures should be customized for each institution's portfolio.

Management classifies the held-to-maturity portfolio into the following major security types: Mortgage-backed: residential and Other.

Crowe Observation

The following paragraphs are intended as a starting point for the requirement in ASC 326-20-50-11 to discuss risk characteristics relevant to each portfolio segment and major security type. These disclosures should be customized for each institution's portfolio.

Nearly all of the mortgage-backed: residential securities held by the entity are issued by U.S. government 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 long history of no credit losses. The remainder of the mortgage-backed: residential securities are non-agency collateralized mortgage obligations which currently carry ratings no lower than <>. These investments are secured by pools of residential mortgage loans with an average originated LTV of <>% and FICO scores of <>.

Other securities are comprised primarily of investments in pooled trust preferred securities. At December 31, 2020, these securities are rated B+/B- (defined as highly speculative) and C (defined as default, with some recovery). The issuers in these securities are primarily banks, but some of the pools include a limited number of insurance companies.

(Continued)

NOTE <> - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (INCLUDES ONLY THOSE AFFECTED BY ASC 326) (Continued)

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

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

Accrued interest receivable on available-for-sale debt securities totaled $<> at December 31, 2020 and is excluded from the estimate of credit losses.

Crowe Observation

The accounting for beneficial interests is dependent on whether it is available-for-sale or held-to-maturity and if the asset is PCD or non-PCD. The paragraph below illustrates an accounting policy for a non-PCD available-for-sale beneficial interest. If other forms of beneficial interests and PCD is applicable, additional disclosures are likely applicable. Refer to ASC 325-40.

[If applicable] The Entity measures the allowance for credit losses on purchased beneficial interests classified as available-for-sale not deemed to be purchased with credit deterioration by comparing the present value of expected cash flows to the amortized cost basis. If the present value of expected cash flows is less than the amortized cost basis, an allowance for credit losses is recorded, limited by the amount that the fair value is less than amortized cost.

NOTE <> - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (INCLUDES ONLY THOSE AFFECTED BY ASC 326) (Continued)

Excerpt from ASC 326-20-50

50-3A *An entity that makes an accounting policy election to present the accrued interest receivable balance within another statement of financial position line item as described in paragraph 326-20-45-5 shall disclose the amount of accrued interest, net of the allowance for credit losses (if any), and shall disclose in which line item on the statement of financial position that amount is presented.*

50-3B *As a practical expedient, an entity may exclude the accrued interest receivable balance that is included in the amortized cost basis of financing receivables and held-to-maturity securities for the purposes of the disclosure requirements in paragraphs 326-20-50-4 through 50-22. If an entity applies this practical expedient, it shall disclose the total amount of accrued interest excluded from the disclosed amortized cost basis.*

50-3C *An entity that makes the accounting policy election in paragraph 326-20-30-5A shall disclose its accounting policy not to measure an allowance for credit losses for accrued interest receivables. The accounting policy shall include information about what time period or periods, at the class of financing receivable or major security-type level, are considered timely.*

Crowe Observation

The following paragraph illustrates one way to fulfill the disclosure requirements outlined above by an institution that has made the following decisions:

- *Has elected to present the accrued interest receivable balance separate from amortized cost basis,*
- *Is applying the practical expedient to exclude accrued interest receivable balances from the tabular disclosures, and*
- *Has elected not to estimate an allowance for credit losses on accrued interest receivable*
- *Has elected to write off accrued interest receivable by reversing interest income.*

<u>Loans</u>: Loans that management has the intent and ability to hold for the foreseeable future or until maturity or payoff are reported at amortized cost [net of the allowance for credit losses]. Amortized cost is the principal balance outstanding, net of [purchase premiums and discounts, fair value hedge accounting adjustments,] deferred loan fees and costs. Accrued interest receivable totaled $<> at December 31, 2020 and was reported in <Accrued interest receivable and other assets> on the consolidated balance sheets and is excluded from the estimate of credit losses Interest income is accrued on the unpaid principal balance. Loan origination fees, net of certain direct origination costs, are deferred and recognized in interest income using the level-yield method without anticipating prepayments.

Interest income on mortgage and commercial loans is discontinued and placed on nonaccrual status at the time the loan is 90 days delinquent unless the loan is well secured and in process of collection. Mortgage loans are charged off at 180 days past due, and commercial loans are charged off to the extent principal or interest is deemed uncollectible. Consumer and credit card loans continue to accrue interest until they are charged off no later than 120 days past due unless the loan is in the process of collection. Past-due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if collection of principal or interest is considered doubtful.

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

(Continued)

NOTE <> - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (INCLUDES ONLY THOSE AFFECTED BY ASC 326) (Continued)

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

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

Allowance for Credit Losses - Loans:[10] The allowance for credit losses is a valuation account that is deducted from <, or added to,> the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors [include specific adjustments].

The allowance for credit losses is measured on a collective (pool) basis when similar risk characteristics exist. The Entity has identified the following portfolio segments and measures the allowance for credit losses using the following methods: [disclose portfolio segments and related methods]. [Include a discussion of the risks characteristics identified by portfolio segment as required by ASC 326-20-50-11 (full text excerpted below).]

NOTE <> - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (INCLUDES ONLY THOSE AFFECTED BY ASC 326) (Continued)

Excerpt from ASC 326-20-50

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.*

Loans that do not share risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. When management determines that foreclosure is probable [Include if the collateral-dependent practical expedient has been elected: or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral.] expected credit losses are based on the fair value of the collateral at the reporting date, adjusted for <undiscounted> selling costs as appropriate.

[If applicable] When the discounted cash flow method is used to determine the allowance for credit losses, management <adjusts/does not adjust> the effective interest rate used to discount expected cash flows to incorporate expected prepayments.

(Continued)

NOTE <> - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (INCLUDES ONLY THOSE AFFECTED BY ASC 326) (Continued)

Determining the Contractual Term: 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: management has a reasonable expectation at the reporting date that a troubled debt restructuring 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 Entity.

Crowe Observation

How to determine the estimated life of a credit card has been discussed by the FASB and the TRG. Refer to TRG Agenda Ref. No. 6B of the June 12, 2017 TRG meeting and to the October 4, 2017 FASB meeting for additional information on this topic.

The following paragraph illustrates two alternatives an entity may use to disclose its approach estimating the life of a credit card receivable to use as the period over which to estimate expected credit losses. Other alternatives may also be appropriate.

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

Troubled Debt Restructurings (TDRs): A loan for which the terms have been modified resulting in a concession, and for which the borrower is experiencing financial difficulties, is considered to be a TDR. <*If an institution uses a method other than DCF to estimate the allowance for credit losses:* The allowance for credit loss on a TDR is measured using the same method as all other loans held for investment, except when the value of a concession cannot be measured using a method other than the discounted cash flow method. When the value of a concession is measured using the discounted cash flow method, the allowance for credit loss is determined by discounting the expected future cash flows at the original interest rate of the loan.> OR <*If an institution uses the DCF method to estimate the allowance for credit losses on all loans:* The allowance for credit losses on a TDR is measured using the same method as all other loans held for investment, except that the original interest rate is used to discount the expected cash flows, not the rate specified within the restructuring.>

NOTE <> - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (INCLUDES ONLY THOSE AFFECTED BY ASC 326) (Continued)

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures: The Entity estimates expected credit losses over the contractual period in which the Entity is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Entity. The allowance for credit losses on 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 and an estimate of expected credit losses on commitments expected to be funded over its estimated life. [Include a description that influenced the estimate such as historical losses, economic conditions and reasonable and supportable forecasts].

The following categories of off-balance sheet credit exposures have been identified: [Include a discussion of the risks characteristics identified by portfolio segment as required by *ASC 326-20-50-21 and 22*.]

NOTE <> – SECURITIES

The following table summarizes the amortized cost, fair value, and allowance for credit losses of securities available-for-sale and securities held-to-maturity at December 31, 2020 and the corresponding amounts of gross unrealized gains and losses recognized in accumulated other comprehensive income (loss) and gross unrecognized gains and losses:

	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Allowance for Credit Losses	Fair Value
2020					
Available-for-sale					
U.S. Treasury and federal agency	$	$	$	$	$
U.S. government-sponsored entities and agencies					
State and political subdivision					
Mortgage-backed securities: residential					
Mortgage-backed securities: commercial					
Collateralized mortgage obligations					
Collateralized debt obligations					
Other					
Total available-for-sale	$	$	$	$	$

	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value	Allowance for Credit Losses
Held-to-maturity					
Mortgage-backed: residential	$	$	$	$	$
Other					
Total held-to-maturity	$	$	$	$	$

(Continued)

NOTE <> – SECURITIES (Continued)

The Entity reassessed classification of certain investments and effective <date> the Entity transferred $<> of <type> from available-for-sale to held-to-maturity securities. <At the time of transfer, the Entity reversed the allowance for credit loss associated with the available-for-sale securities through provision for credit loss.> The securities were transferred at their amortized cost basis, net of any remaining unrealized gain or loss reported in accumulated other comprehensive income. The related unrealized gain (or loss) of $<> included in other comprehensive income remained in other comprehensive income, to be amortized out of other comprehensive income with an offsetting entry to interest income as a yield adjustment through earnings over the remaining term of the securities. Subsequent to transfer, the allowance for credit losses on these securities was evaluated under the accounting policy for HTM debt securities.

The proceeds from sales and calls of securities and the associated gains and losses are listed below:

	2020
Proceeds	$
Gross gains	
Gross losses	

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

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

	December 31, 2020	
	Amortized Cost	Fair Value
Available-for-sale		
Within one year	$	$
One to five years		
Five to ten years		
Beyond ten years		
Mortgage-backed securities: residential		
Mortgage-backed securities: commercial		
Collateralized mortgage obligations		
Collateralized debt obligations		
Total	$	$
Held-to-maturity		
One to five years	$	$
Mortgage-backed: residential		
Total	$	$

Securities pledged at year-end 2020 had a carrying amount of $<> and were pledged to secure public deposits and repurchase agreements.

At year-end 2020, there were no holdings of securities of any one issuer, other than the U.S. government and its agencies, in an amount greater than 10% of shareholders' equity. [OR there were holdings of $<> in securities issued by ….]

(Continued)

(Dollar amounts in thousands except per share data)

NOTE <> – SECURITIES (Continued)

The following table summarizes debt securities available-for-sale in an unrealized loss position for which an allowance for credit losses has not been recorded at December 31, 2020, aggregated by major security type and length of time in a continuous unrealized loss position:

	Less Than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2020						
Available-for-sale						
U.S. Treasury and federal agency	$	$	$	$	$	$
U.S. government-sponsored entities and agencies						
States and political subdivisions						
Mortgage-backed securities: residential						
Mortgage-backed securities: commercial						
Collateralized mortgage obligations						
Collateralized debt obligations						
Other securities						
Total available-for-sale	$	$	$	$	$	$

Crowe Observation

Per ASC 326-30-50-4, the following disclosure should be made by major security type and significant inputs used to measure the amount related to credit losses. Examples of significant inputs include: performance indicators of the underlying assets in the security (including default rates, delinquency rates, and percentage of nonperforming assets); debt-to-collateral-value ratios; guarantees; current levels of subordination; vintage; geographic concentration; industry analyst reports and forecasts; credit ratings; and other market data that are relevant to the collectability of the security.

<Example when an allowance for credit losses on an available-for-sale security is not recognized (modify as appropriate): 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) continues to make timely principal and interest payments on the bonds. The fair value is expected to recover as the bond(s) approach maturity.>

Note: Entities 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 ASC 326-30-35-6 and ASC 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 considered to conclude is a credit loss exists.>

(Continued)

NOTE <> – SECURITIES (Continued)

Crowe Observation

Per ASC 326-30-50-7, the following disclosure should be made by major security type and significant inputs used to measure the amount related to credit losses. Examples of significant inputs include: performance indicators of the underlying assets in the security (including default rates, delinquency rates, and percentage of nonperforming assets); debt-to-collateral-value ratios; guarantees; current levels of subordination; vintage; geographic concentration; industry analyst reports and forecasts; credit ratings; and other market data that are relevant to the collectability of the security.

The following paragraphs are intended as a starting point for the requirement in ASC 326-20-50-7; these disclosures should be customized for each institution's portfolio.

As of December 31, 2020, the Entity's security portfolio consisted of <> securities, <> of which were in an unrealized loss position. [The severity of the impairment should also be considered for disclosure.] The majority of unrealized losses are related to the Entity's mortgage-backed and other securities, as discussed below:

Mortgage-backed Securities

At December 31, 2020, approximately <>% of the mortgage-backed securities held by the Entity were issued by U.S. government-sponsored entities and agencies. Because the decline in fair value is attributable to changes in interest rates and illiquidity, and not credit quality, and because the Entity does not have the intent to sell these mortgage-backed securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Entity does not consider these securities to be other-than-temporarily impaired at December 31, 2020.

The Entity's mortgage-backed securities portfolio includes non-agency collateralized mortgage obligations with a fair value of $<> million which had unrealized losses of approximately $<> million at December 31, 2020. These non-agency mortgage-backed securities were rated AAA at purchase. The Entity does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery. The issuer(s) continues to make timely principal and interest payments on the bonds. The Entity evaluates if a credit loss exists by, monitoring to ensure it has adequate credit support and as of December 31, 2020>, the Entity believes there is [discuss allowance for credit loss expected considering the guidance in ASC 326-30-35-2; ASC 326-30-35-6; and ASC 326-30-55-1 through 55-4].

Other Securities

The Entity's unrealized losses on other securities relate primarily to its investment in pooled trust preferred securities. Due to the illiquidity in the market, it is unlikely that the Entity would be able to recover its investment in these securities if the Entity sold the securities at this time.

(Dollar amounts in thousands except per share data)

NOTE <> – SECURITIES (Continued)

Our analysis of <> of these investments includes $<> million book value of pooled trust preferred securities (CDOs). At December 31, 2020, S&P rated these securities as B+/B-, which are defined as highly speculative, and C, which is defined as default, with some recovery. The issuers in these securities are primarily banks, but some of the pools do include a limited number of insurance companies. The Entity compared the present value of expected cash flows to the previous estimate to ensure there are no adverse changes in cash flows during the quarter. The allowance for credit losses methodology considers the structure and term of the CDO and the financial condition of the underlying issuers. Specifically, the model details interest rates, principal balances of note classes and underlying issuers, the timing and amount of interest and principal payments of the underlying issuers, and the allocation of the payments to the note classes. The current estimate of expected cash flows is based on the most recent trustee reports and any other relevant market information including announcements of interest payment deferrals or defaults of underlying trust preferred securities. Assumptions used in the model include expected future default rates and prepayments. We assume no recoveries on defaults and treat all interest payment deferrals as defaults. Upon completion of the December 31, 2020, analysis, our model indicated impairment on <> of these securities, all of which experienced additional defaults or deferrals during the period. These <> securities had an allowance for credit losses of $<> million, of which $<> million was recorded as provision for credit loss expense and $<> million was recorded in accumulated other comprehensive income. These <> securities remained classified as available-for-sale at December 31, 2020, and together, the <> securities accounted for $<> million of the unrealized loss in the other securities category at December 31, 2020.

The table below presents a rollforward by major security type for the year ended December 31, 2020 of the allowance for credit losses on debt securities available-for-sale held at period end:

Crowe Observation

The following illustration should be made by major security type, as applicable. Mortgage-backed Residential and Other were used for purposes of the illustration only and other types should be added as applicable.

	Mortgage-backed Residential	Other
Beginning balance, January 1, 2020	$	$
Impact of adopting ASC 326		
Additions for securities for which no previous expected credit losses were recognized		
Additions for purchases of financial assets with credit deterioration		
Reductions for securities sold		
Reductions for securities intended to be sold and/or it is more likely than not will be required to sell before recovery		
Additional increase/decrease on securities that previously had an allowance		
Write offs charged against the allowance		
Recoveries of amounts previously written off		
Ending balance, December 31, 2020	$	$

(Continued)

(Dollar amounts in thousands except per share data)

NOTE <> – SECURITIES (Continued)

The following table presents the activity in the allowance for credit losses for debt securities held-to-maturity by major security type for the year ended December 31, 2020:

	Mortgage-backed Residential	Other
December 31, 2020		
Allowance for credit losses:		
Beginning balance	$	$
Impact of adopting ASC 326		
Provision for credit loss expense		
Allowance on purchased financial assets with credit deterioration		
Securities charged-off		
Recoveries		
Total ending allowance balance	$	$

Crowe Observation

Per ASC 326-20-50-11, in order to enable a financial statement user to understand management's allowance for credit loss methodology, understand the information management used to develop its estimate of credit losses, and understand circumstances that caused changes to the estimate of credit losses, the disclosures should include a discussion of the following items [Note the following do not include all of the requirements of ASC 326-20-50-11 as a portion of those requirements were covered by the illustrative accounting policy disclosures portrayed in the previous note]:

- *The factors that influenced management's current estimate of expected credit losses including past events, current conditions, and reasonable and supportable forecasts about the future.*
- *Changes in the factors that influenced the current estimate of expected credit losses and the reasons for those changes (changes in composition, significant events or conditions that affect the current estimate that would not contemplated or relevant during a previous period, etc. should be disclosed).*
- *Changes to the entity's accounting policies or methodology from the prior period, management's rationale for any changes, and quantitative effect of those changes.*
- *Reasons for significant changes in the amount of write-offs, if applicable.*
- *The reversion method applied for periods beyond the reasonable and supportable forecast should be disclosed.*

(Continued)

(Dollar amounts in thousands except per share data)

NOTE <> – SECURITIES (Continued)

[If applicable] The Entity recorded the change in the allowance for credit losses due to the passage of time in interest income of $<> during the year ended December 31, 2020[11] for debt securities held-to-maturity.

Credit Quality Indicators[12] [13]:

The Entity monitors the credit quality of debt securities held-to-maturity through the use of credit rating. The Entity 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]. [In accordance with ASC 326-20-50-5 and 50-8, an Entity shall disclose information about credit quality for each major security type. The example shown here is for those bonds that have a credit rating. Credit quality indicators should also be shown for major security types such that credit rating is not the key credit quality indicator.] The following table summarizes the amortized cost of debt securities held-to-maturity at December 31, 2020, aggregated by credit quality indicator[14]:

	Held-to-Maturity	
	Mortgage-backed: Residential	Other
December 31, 2020		
AAA/AA/A	$	$
BBB/BB/B		
Total	$	$

The following tables present the amortized cost of debt securities held-to-maturity on nonaccrual and past due over 89 days still on accrual by major security type as of December 31, 2020:

	Nonaccrual		Past Due Over 89 Days Still Accruing
	Jan 1, 2020	Dec 31, 2020	Dec 31, 2020
Mortgage-backed residential	$	$	$
Other			
Total	$	$	$

The Entity recognized $<> of interest income on nonaccrual debt securities held-to-maturity during the year ended December 31, 2020.

Nonaccrual debt securities held-to-maturity of $<> do not have a related allowance for credit losses at December 31, 2020.

(Continued)

(Dollar amounts in thousands except per share data)

NOTE <> – SECURITIES (Continued)

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, 2020 by major security type:

	Mortgage-backed Residential	Other
December 31, 2020		
30 – 59 days past due	$	$
60 – 89 days past due		
Greater than 89 days past due		
Total past due		

Crowe Observation

ASC 326-20-50-20 requires a qualitative description, by major security type, of the extent to which collateral secures its collateral-dependent financial assets, and significant changes in the extent to which collateral secures its collateral dependent financial assets, whether because of a general deterioration or some other reason.

The following disclosure is only required for held-to-maturity debt securities that are collateral dependent.

[If applicable] The following table presents the amortized cost basis of collateral-dependent debt securities held-to-maturity as of December 31, 2020 by collateral type:

	<Collateral Type>	<Collateral Type>	Total
December 31, 2020			
Mortgage-backed residential	$	$	$
Other			
	$	$	$

Available-for-sale debt securities purchased with credit deterioration during the year ended December 31, 2020 are as follows:

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

Held-to-maturity debt securities purchased with credit deterioration during the year ended December 31, 2020 are as follows:

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

(Continued)

NOTE <> – LOANS

Loans at year-end were as follows:

	2020
Commercial	$
Commercial real estate:	
Construction	
Other	
Residential real estate:	
Nontraditional	
Other	
Consumer:	
Credit card	
Auto:	
Auto – direct	
Auto – indirect	
Other	
Subtotal	
Less: Net deferred loan fees and costs	
Allowance for credit losses	
Loans, net	$

(Continued)

NOTE <> – LOANS (Continued)

The following table presents the activity in the allowance for credit losses by portfolio segment for the year ended December 31, 2020:

December 31, 2020	Commercial	Commercial Real Estate	Residential Real Estate	Consumer Auto	Credit Card	Consumer Other	Total
Allowance for credit losses:							
Beginning balance, prior to adoption of ASC 326	$	$	$	$	$	$	$
Impact of adopting ASC 326							
Provision for credit loss expense							
Initial allowance on loans purchased with credit deterioration							
Loans charged-off							
Recoveries collected							
Total ending allowance balance	$	$	$	$	$	$	$

[If applicable] The Entity recorded the change in the allowance for credit losses due to the passage of time of $<> in interest income during the year ended December 31, 2020[15]>

(Dollar amounts in thousands except per share data)

NOTE <> – LOANS (Continued)

Crowe Observations

Per ASC 326-20-50-11, disclosure should include a discussion of the following items:

- *The factors that influenced management's current estimate of expected credit losses including past events, current conditions, and reasonable and supportable forecasts about the future.*
- *Changes in the factors that influenced the current estimate of expected credit losses and the reasons for those changes (changes in composition, significant events or conditions that affect the current estimate that would not contemplated or relevant during a previous period, etc. should be disclosed).*
- *The reversion method applied for periods beyond the reasonable and supportable forecast should be disclosed.*

Example disclosures include the following:

The cumulative loss rate used as the basis for the estimate of credit losses is comprised of the Entity's historical loss experience from <period 1> to <period 2><adjustments will be needed if external information or a combination of internal and external information is used>. As of December 31, 2020, the Entity expects that the markets in which it operates will experience a decline in economic conditions and an increase in the unemployment rate and level and trend of delinquencies, over the next two years. Management adjusted the historical loss experience for these expectations. No reversion adjustments were necessary, as the starting point for the Entity's estimate was a cumulative loss rate covering the expected contractual term of the portfolio.

<A description of how expected loss estimates are developed is required for each portfolio segment including a discussion of the factors that influenced the current estimate of expected credit losses including past events, current conditions, and reasonable and supporting forecasts about the future>.

The following tables present the amortized cost basis of loans on nonaccrual status and loans past due over 89 days still accruing as of December 31, 2020:

	Nonaccrual With No Allowance for Credit Loss	Nonaccrual	Loans Past Due Over 89 Days Still Accruing
Commercial	$	$	$
Commercial real estate:			
Construction			
Other			
Consumer:			
Credit card			
Other			
Auto:			
Auto – direct			
Auto – indirect			
Residential real estate:			
Nontraditional			
Other			
Total	$	$	$

The Entity recognized $<> of interest income on nonaccrual loans during the year ended December31, 2020.[16]

(Continued)

(Dollar amounts in thousands except per share data)

NOTE <> – LOANS (Continued)

The following tables present the amortized cost basis of collateral-dependent loans by class of loans as of December 31, 2020:

	<Collateral Type>	< Collateral Type >
Commercial	$	$
Commercial real estate:		
Construction		
Other		
Consumer:		
Credit card		
Other		
Auto:		
Auto – direct		
Auto – indirect		
Residential real estate:		
Nontraditional		
Other		
Total	$	$

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

The following table presents the aging of the amortized cost basis in past-due loans as of December 31, 2020 by class of loans:

	30 – 59 Days Past Due	60 – 89 Days Past Due	Greater Than 89 Days Past Due	Total Past Due	Loans Not Past Due	Total
December 31, 2020						
Commercial	$	$	$	$	$	$
Commercial real estate:						
Construction						
Other						
Consumer:						
Credit card						
Other						
Auto:						
Auto – direct						
Auto – indirect						
Residential:						
Nontraditional						
Other						
Total	$	$	$	$	$	$

(Continued)

(Dollar amounts in thousands except per share data)

NOTE <> – LOANS (Continued)

Troubled Debt Restructurings

As of December 31, 2020, the Entity has troubled debt restructurings totaling $<>. The Entity has allocated $<> of allowance for those loans at December 31, 2020 and has committed to lend additional amounts totaling up to $<>.

The modification of the terms of such commercial loans performed during the year ended December 31, 2020 included a permanent reduction of the recorded investment in the loans. The modification of the construction commercial real estate performed during the year ended December 31, 2020 included an extension of the maturity date at a stated rate of interest lower than the current market rate. The extensions were for periods ranging from <> months to <> years.

The following table presents loans by class modified as troubled debt restructurings that occurred during the year ended December 31, 2020:

	Number of Loans	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
December 31, 2020			
Troubled debt restructurings:			
Commercial:			
Permanent reduction of recorded investment		$	$
Residential real estate			
Nontraditional:			
Permanent reduction of recorded investment			
Total		$	$

The troubled debt restructurings described above increased the allowance for credit losses by $<> and resulted in charge-offs of $<> during the year ended December 31, 2020.

The following table presents loans by class modified as troubled debt restructurings for which there was a payment default within twelve months following the modification during the year ended December 31, 2020:

Troubled Debt Restructurings That Subsequently Defaulted:	Number of Loans	Recorded Investment
December 31, 2020		
Commercial		$
Commercial real estate:		
Construction		
Other		
Consumer:		
Credit Card		
Other		
Auto:		
Auto – direct		
Auto – indirect		
Residential real estate:		
Nontraditional		
Other		
Total		$

(Continued)

NOTE <> – LOANS (Continued)

The troubled debt restructurings that subsequently defaulted described above increased the allowance for credit losses by $<> and resulted in charge-offs of $<> during the year ended December 31, 2020.

A loan is considered to be in payment default once it is <> days contractually past due under the modified terms.

The terms of certain other loans were modified during the year ended December 31, 2020 that did not meet the definition of a troubled debt restructuring. These loans have a total recorded investment as of December 31, 2020 of $<>. The modification of these loans involved either a modification of the terms of a loan to borrowers who were not experiencing financial difficulties or a delay in a payment that was considered to be insignificant, which included delays in payment ranging from <> days to <> months.

In order to determine whether a borrower is experiencing financial difficulty, an evaluation is performed of the probability that the borrower will be in payment default on any of its debt in the foreseeable future without the modification. This evaluation is performed under the Entity’s internal underwriting policy.

Credit Quality Indicators

The Entity categorizes loans into risk categories based on relevant information about the ability of borrowers to service their debt such as: current financial information, historical payment experience, credit documentation, public information, and current economic trends, among other factors. The Entity analyzes loans individually to classify the loans as to credit risk. This analysis includes loans with an outstanding balance greater than $<> and non-homogeneous loans, such as commercial and commercial real estate loans. This analysis is performed on a <how often> basis. The Entity uses the following definitions for risk ratings:

> **Special Mention.** Loans classified as special mention have a potential weakness that deserves management's close attention. If left uncorrected, these potential weaknesses may result in deterioration of the repayment prospects for the loan or of the institution's credit position at some future date.
>
> **Substandard.** Loans classified as substandard are inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. Loans so classified have a well-defined weakness or weaknesses that jeopardize the liquidation of the debt. They are characterized by the distinct possibility that the institution will sustain some loss if the deficiencies are not corrected.
>
> **Doubtful.** Loans classified as doubtful have all the weaknesses inherent in those classified as substandard, with the added characteristic that the weaknesses make collection or liquidation in full, on the basis of currently existing facts, conditions, and values, highly questionable and improbable.

Loans not meeting the criteria above that are analyzed individually as part of the above described process are considered to be pass-rated loans. [In accordance with ASC 326-20-50-5, an Entity 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 performance).]

(Dollar amounts in thousands except per share data)

NOTE <> – LOANS (Continued)

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

Crowe Observation

The following example illustrates the presentation of credit quality disclosures for a financial institution with a narrow range of loan products offered to local customers—both consumer and commercial. Depending on the size and complexity of an institution's portfolio of financing receivables, disclosures that are more or less detailed than the following example may be appropriate. An institution may choose other methods of determining the class of financing receivable and may determine different credit quality indicators that reflect how credit risk is monitored. Some institutions may have more than one credit quality indicator for certain classes of financing receivables.

Note: During the April 3, 2019, FASB Board meeting, the Board decided that the intent of what is required as it relates to credit quality disclosures in paragraphs 326-20-50-4 through 50-9 and what is illustrated in Example 15 of paragraph 326-20-55-79 is unclear. Therefore, the Board decided that an Entity should apply the guidance in paragraphs 326-20-50-4 through 50-9 when preparing credit quality disclosures and that an Entity is not required to disclose gross write-offs and gross recoveries by vintage, as illustrated in Example 15. The Board plans to monitor disclosures and determine if any action is needed.

	Term Loans Amortized Cost Basis by Origination Year								
	2020	2019	2018	2017	2016	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of December 31, 2020									
Commercial:									
Risk rating									
Pass	$	$	$	$	$	$	$	$	$
Special mention									
Substandard									
Doubtful									
Total commercial loans	$	$	$	$	$	$	$	$	$

(Continued)

NOTE <> – LOANS (Continued)

	Term Loans Amortized Cost Basis by Origination Year								
	2020	2019	2018	2017	2016	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of December 31, 2020 (cont.)									
Commercial real estate - construction:									
Risk rating									
Pass	$	$	$	$	$	$	$	$	$
Special mention									
Substandard									
Doubtful									
Total commercial real estate – construction loans	$	$	$	$	$	$	$	$	$
Commercial real estate - other:									
Risk rating									
Pass	$	$	$	$	$	$	$	$	$
Special mention									
Substandard									
Doubtful									
Total commercial real estate – other loans	$	$	$	$	$	$	$	$	$

(Continued)

NOTE <> – LOANS (Continued)

The Entity considers the performance of the loan portfolio and its impact on the allowance for credit losses. For residential and consumer loan classes, the Entity 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								
	2020	2019	2018	2017	2016	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of December 31, 2020									
Consumer – other:									
Payment performance									
Performing	$	$	$	$	$	$	$	$	$
Nonperforming									
Total consumer - other loans	$	$	$	$	$	$	$	$	$

(Continued)

NOTE <> – LOANS (Continued)

	Term Loans Amortized Cost Basis by Origination Year								
	2020	2019	2018	2017	2016	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of December 31, 2020									
Auto - direct:									
Payment performance									
Performing	$	$	$	$	$	$	$	$	$
Nonperforming									
Total auto – direct loans	$	$	$	$	$	$	$	$	$
Auto - indirect:									
Payment performance									
Performing	$	$	$	$	$	$	$	$	$
Nonperforming									
Total auto – indirect loans	$	$	$	$	$	$	$	$	$

NOTE <> – LOANS (Continued)

	Term Loans Amortized Cost Basis by Origination Year								
	2020	2019	2018	2017	2016	Prior	Revolving Loans Amortized Cost Basis	Revolving Loans Converted to Term	Total
As of December 31, 2020									
Residential real estate - nontraditional:									
Payment performance									
Performing	$	$	$	$	$	$	$	$	$
Nonperforming									
Total residential real estate – nontraditional loans	$	$	$	$	$	$	$	$	$
Residential real estate - other:									
Payment performance									
Performing	$	$	$	$	$	$	$	$	$
Nonperforming									
Total residential real estate - other loans	$	$	$	$	$	$	$	$	$

(Continued)

NOTE <> – LOANS (Continued)

The Entity considers the performance of the loan portfolio and its impact on the allowance for credit loan losses. For certain consumer loan classes, the Entity 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 recorded investment in residential and consumer loans based on payment activity:

	Consumer
December 31, 2020	
Credit card[18]	$
Performing	
Nonperforming	
Total	$

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

	Commercial	Commercial Real Estate	Residential Real Estate	Consumer	Total
December 31, 2020					
Purchases	$	$	$	$	$
Sales					

Purchased Credit Deteriorated Loans

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

	2020
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	$

Endnotes

[1] Per ASC 326-30-45-1, if an Entity excludes applicable accrued interest from both the fair value and the amortized cost basis of the available-for-sale debt security, an Entity may separately present on the statement of financial position or within another statement of financial position line item the accrued interest receivable balance, net of the allowance for credit losses (if any). An Entity that presents the accrued interest receivable balance, net of the allowance for credit losses (if any), within another statement of financial position line item shall apply the disclosure requirements in ASC 326-30-50-3A.

Per ASC 326-30-50-3A, an Entity that makes an accounting policy election to separately present the accrued interest receivable balance within another statement of financial position line item as described in ASC 326-30-45-1 shall disclose the amount of accrued interest, net of the allowance for credit losses (if any), and shall disclose in which line item on the statement of financial position that amount is presented.

[2] Another presentation approach for debt securities held-to-maturity and loans could be to disclose the gross amortized cost, allowance for credit loss, and the net amount as three separate line items, as illustrated below:

ASSETS	
Cash and due from financial institutions	$
Federal funds sold	
Cash and cash equivalents	
Interest-bearing deposits in other financial institutions	
Securities purchased under agreements to resell	
Trading assets	
Debt securities available-for-sale, net of allowance for credit loss of $<> (amortized cost $<>)	
Debt securities held-to-maturity (fair value $<>)	
Allowance for credit loss	
Net, debt securities held-to-maturity	
Equity securities	
Loans held for sale	
<Loans held for sale, at fair value>	
Loans,	
Allowance for credit losses	
Net, loans	
Other restricted stock, at cost	
Loan servicing rights	
Real estate owned, net	
Premises and equipment, net	
Goodwill	
Other intangible assets, net	
Entity owned life insurance	
Accrued interest receivable and other assets	
	$

[3] The allowance for credit losses that is deducted from the asset's amortized cost basis should be separately presented on the balance sheet per ASC 326-20-45-1. This is applicable to all financial assets measured at amortized cost. This illustrative balance sheet illustrates this requirement for loans and debt securities held-to-maturity only.

[4] Per ASC 326-20-45-5, an Entity may make an accounting policy election at the financing receivable or major security-type level to separately present on the statement of financial position or within another statement of financial position line item the accrued interest receivable balance, net of the allowance for credit losses (if any). An Entity that presents the accrued interest receivable balance, net of the allowance for credit losses (if any), within another statement of financial position line item shall apply the disclosure requirements in ASC 326-20-50-3A.

Per ASC 326-20-50-3A, an Entity that makes an accounting policy election to present the accrued interest receivable balance within another statement of financial position line item as described in ASC 326-20-45-5 shall disclose the amount of accrued interest, net of the allowance for credit losses (if any), and shall disclose in which line item on the statement of financial position that amount is presented.

Per ASC 326-20-50-3C, an Entity that makes the accounting policy election in paragraph 326-20-30-5A shall disclose its accounting policy not to measure an allowance for credit losses for accrued interest receivables. The accounting policy shall include information about what time period or periods, at the class of financing receivable or major security-type level, are considered timely.

[5] The estimate of expected credit losses on off-balance-sheet credit exposures should be reported separate from the allowance for credit losses related to a recognized financial instrument and presented on the balance sheet as a liability for off-balance-sheet credit exposures.

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

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

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

[9] Per ASC 326-20-50-11, changes in the estimate of expected credit losses that have taken place during the period should be disclosed.

[10] Per ASC 326-20-50-11, changes in the estimate of expected credit losses that have taken place during the period should be disclosed.

[11] ASC 326-30-45-3 explains that an Entity that measures credit losses based on the present value of expected future cash flows is permitted to report the entire change in present value as credit loss expense (or reversal of credit loss expense), but may also report the change in present value attributable to the passage of time as interest income.

[12] Quantitative and qualitative information about the credit quality of financial assets should be disclosed by major security type per ASC 326-20-50-5 and 50-8.

The following should be disclosed:

1. A description of the credit quality indicator.
2. The amortized cost basis by credit quality indicator.
3. For each credit quality indicator, the date or range of dates in which the information was last updated for that credit quality indicator.
4. If an Entity discloses internal risk ratings, the qualitative information on how those internal risk ratings relate to the likelihood of loss.

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

[14] Per ASC 326-20-50-5 and 50-8, if any Entity discloses internal risk ratings, the qualitative information on how those internal risk ratings relate to the likelihood of loss should be disclosed.

[15] ASC 326-30-45-3 explains that an Entity that measures credit losses based on the present value of expected future cash flows is permitted to report the entire change in present value as credit loss expense (or reversal of credit loss expense), but may also report the change in present value attributable to the passage of time as interest income.

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

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

[18] ASC 326-20-50-6 indicates the following have an exclusion from presentation of credit quality indicator by vintage: reinsurance recoverables and funded or unfunded amounts of line-of-credit arrangements, such as credit cards.