

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

FORM S-1

**REGISTRATION STATEMENT
UNDER
THE SECURITIES ACT OF 1933
NSTS BANCORP, INC.**

(Exact Name of Registrant as Specified in Its Charter)

Delaware
(State or Other Jurisdiction of
Incorporation or Organization)

6035
(Primary Standard Industrial
Classification Code Number)

87-2522769
(I.R.S. Employer
Identification Number)

**700 S. Lewis Avenue
Waukegan, Illinois 60085
(847) 336-4430**
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Registrant's Principal Executive Offices)

**Stephen G. Lear
President and Chief Executive Officer
NSTS Bancorp, Inc.
700 S. Lewis Avenue
Waukegan, Illinois 60085
(847) 336-4430**
(Address, Including Zip Code, and Telephone Number, Including Area Code, of Agent for Service)

Copies to:

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8180 Greensboro Drive
Suite 785
McLean, Virginia 22102
(703) 883-1100**

Approximate date of commencement of proposed sale to the public: As soon as practicable after this registration statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act of 1933, check the following box:

If this Form is filed to register additional shares for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering:

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input checked="" type="checkbox"/>
		Emerging growth company	<input checked="" type="checkbox"/>

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 7(a)(2)(B) of the Securities Act.

CALCULATION OF REGISTRATION FEE

Title of each Class of Securities to be Registered	Amount to be Registered⁽¹⁾	Proposed Maximum Offering Price Per Share	Proposed Maximum Aggregate Offering Price	Amount of Registration Fee
Common Stock, \$0.01 par value per share	5,397,959.00	\$10.00	\$53,979,590.00	\$5,889.17

(1) Estimated solely for the purpose of calculating the registration fee.

The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933 or until the registration statement shall become effective on such date as the Securities and Exchange Commission, acting pursuant to said Section 8(a), may determine.

PROSPECTUS

NSTS BANCORP, INC.

(PROPOSED HOLDING COMPANY FOR NORTH SHORE TRUST AND SAVINGS)

**UP TO 4,600,000 SHARES OF COMMON STOCK
(SUBJECT TO INCREASE TO UP TO 5,290,000 SHARES)**

NSTS Bancorp, Inc. is offering shares of common stock for sale in connection with the conversion of North Shore MHC from the mutual holding company to stock form of organization. Currently, there are no shares of our common stock held by public stockholders. We have applied to list our common stock on the Nasdaq Capital Market under the symbol "NSTS". We are an "emerging growth company" as defined in the Jumpstart Our Business Startups Act ("JOBS Act") of 2012.

The shares of common stock are first being offered in a subscription offering to eligible depositors, and certain borrowers as of specified eligibility dates, of North Shore Trust and Savings and to North Shore Trust and Savings' tax-qualified employee stock ownership plan. Shares not purchased in the subscription offering may be offered for sale to the general public in a community offering, with a preference given to residents of Lake County, Illinois. Any shares of common stock not purchased in the subscription and community offerings may be offered for sale to the public in a syndicated community offering through a syndicate of broker-dealers. The syndicated community offering may commence before the subscription and community offerings (including any extensions) have expired. No shares purchased in the subscription and community offerings will be issued until the completion of any syndicated community offering. The subscription, community and syndicated community offerings are collectively referred to as the "offerings."

Our shares of common stock are being offered in a range from 3,400,000 shares to 4,600,000 shares. We may sell up to 5,290,000 shares of common stock as a result of demand for the shares of common stock or changes in market conditions, without resoliciting subscribers. We must sell a minimum of 3,400,000 shares in order to complete the offering. We intend to contribute to our charitable foundation 2% of the total amount of shares of common stock offered in the conversion and \$150,000 in cash.

The minimum order is 25 shares of common stock. Generally, no individual may purchase more than \$300,000 (30,000 shares) of common stock, and no individual or other person, along with their associates and those with whom they are acting in concert, may purchase more than \$400,000 (40,000 shares) of common stock. The subscription and community offerings are expected to expire at 1:00 p.m., Central Time, on _____, 2021. We may extend this expiration time and date, without notice to you, until _____, 2022. Once submitted, stock orders are irrevocable unless the subscription and community offerings are terminated or extended, with regulatory approval, beyond _____, 2022, or the number of shares of common stock offered for sale is increased to more than 5,290,000 shares or decreased to less than 3,400,000 shares. If the subscription and community offerings are extended beyond _____, 2022, we will notify all subscribers and give them an opportunity to confirm, change or cancel their orders. If you do not respond to this notice, we will promptly return your funds with interest or cancel your deposit account withdrawal authorization. If the number of shares to be sold in the offering is increased to more than 5,290,000 shares or decreased to less than 3,400,000 shares, we will resolicit subscribers, and all funds delivered to us to purchase shares of common stock in the subscription and community offerings will be returned promptly with interest. Funds received in the subscription and the community offerings will be held in a segregated account at North Shore Trust and Savings and will earn interest at 0.15% per annum until completion or termination of the offering.

We expect our directors and executive officers, together with their associates, to subscribe for an aggregate 270,000 shares of common stock. They will pay the same \$10.00 per share offering price as paid by all other persons who purchase shares in the offering.

Keefe, Bruyette & Woods, Inc. is assisting us in selling the shares on a best efforts basis in the subscription and community offerings, and will serve as sole manager for any syndicated community offering. Keefe, Bruyette & Woods, Inc. is not required to purchase any shares of common stock that are sold in the subscription offering, community offering or syndicated community offering.

OFFERING SUMMARY**Price: \$10.00 Per Share**

	<u>Minimum</u>	<u>Midpoint</u>	<u>Maximum</u>	<u>Adjusted Maximum</u>
Number of shares	3,400,000	4,000,000	4,600,000	5,290,000
Gross offering proceeds	\$ 34,000,000	\$ 40,000,000	\$ 46,000,000	\$ 52,900,000
Estimated offering expenses, excluding selling agent fees	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000	\$ 1,400,000
Selling agent fees ⁽¹⁾⁽²⁾	\$ 340,000	\$ 400,000	\$ 460,000	\$ 529,000
Estimated net proceeds	\$ 32,260,000	\$ 38,200,000	\$ 44,140,000	\$ 50,971,000
Estimated net proceeds per share	\$ 9.49	\$ 9.55	\$ 9.60	\$ 9.64

- (1) See “Pro Forma Data”, “The Conversion and Offering” and “Plan of Distribution; Selling Agent and Underwriting Compensation” for information regarding compensation to be received by Keefe, Bruyette & Woods, Inc. in the subscription and community offerings and the compensation to be received by Keefe, Bruyette & Woods, Inc. and other participating broker-dealers in the syndicated community offering.
- (2) Excludes records agent fees and expenses payable to Keefe, Bruyette & Woods, Inc., which are included in estimated offering expenses. See “The Conversion and Offering” and “Records Management.” If all shares of common stock were sold in the syndicated community offering, the selling agent fees and expenses would be approximately \$2.0 million, \$2.4 million, \$2.8 million and \$3.2 million at the minimum, midpoint, maximum and adjusted maximum levels of the offering, respectively.

This investment involves a degree of risk, including the possible loss of principal. See “Risk Factors” beginning on page 16.

Shares of our common stock are not deposits or accounts and are not insured or guaranteed by the Federal Deposit Insurance Corporation or by any other government agency. Neither the Securities and Exchange Commission, the Office of the Comptroller of the Currency, the Federal Reserve Board, the Federal Deposit Insurance Corporation, nor any state securities regulator has approved or disapproved of these securities or determined if this prospectus is accurate or complete. Any representation to the contrary is a criminal offense.

Keefe, Bruyette & Woods
A Stifel Company

For assistance, please contact the Stock Information Center at _____.

The date of this prospectus is _____, 2021.

MAP OF OUR OFFICE LOCATIONS



OFFICE LOCATIONS

- ★ Main Office
700 South Lewis Avenue
Waukegan
- Green Bay Office
1233 North Green Bay Road
Waukegan
- Lindenhurst Office
3060 Sand Lake Road
Lindenhurst

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SUMMARY

The following summary explains material information in this prospectus, but it may not contain all of the information that is important to you. Before making an investment decision, you should read carefully this entire document, including the consolidated financial statements and the notes thereto and the section entitled "Risk Factors." The terms "we," "our" and "us" refer to NSTS Bancorp, Inc. and North Shore Trust and Savings, unless the context indicates another meaning.

NSTS Bancorp, Inc.

NSTS Bancorp, Inc. is a Delaware corporation which was incorporated in September 2021. The offering of common stock by means of this prospectus is being made by NSTS Bancorp, Inc. in connection with the conversion of North Shore MHC from the mutual holding company structure to stock holding company structure. Upon completion of the conversion, NSTS Bancorp, Inc. will become the savings and loan holding company for North Shore Trust and Savings by owning all of the outstanding shares of capital stock of North Shore Trust and Savings. As a savings and loan holding company, NSTS Bancorp, Inc. will be regulated by the Board of Governors of the Federal Reserve System ("Federal Reserve Board"). To date, NSTS Bancorp, Inc. has engaged in organizational activities only. Following the conversion, NSTS Bancorp, Inc.'s primary business activity will relate to owning all of the outstanding shares of capital stock of North Shore Trust and Savings.

North Shore Trust and Savings

North Shore Trust and Savings, a federally-chartered stock savings institution, was established in 1921 as North Shore Building and Loan, an Illinois-chartered institution. Since its inception, our organization has operated as a traditional savings institution focused primarily on serving the banking needs of customers in our market area of Lake County, Illinois and adjacent communities. We operate from our headquarters and main banking office in Waukegan, Illinois, as well as two additional full-service branch offices located in Waukegan and Lindenhurst, Illinois, respectively. We have a loan production office in Chicago, Illinois. Our primary business activity is attracting deposits from the general public and using those funds to originate one- to four-family residential mortgage loans and purchase investments. We are subject to comprehensive regulation and examination by the Office of the Comptroller of the Currency (the "OCC").

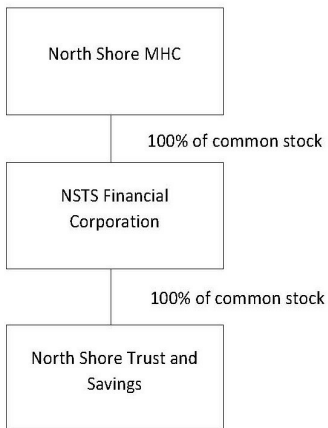
In 2005, North Shore Trust and Savings converted to a federally-chartered savings institution and reorganized into the mutual holding company form of organization. Currently, North Shore Trust and Savings is a wholly-owned subsidiary of NSTS Financial Corporation, a federally-chartered corporation which is a wholly-owned subsidiary of North Shore MHC, a federally-chartered mutual holding company. The mutual holding company has not issued any shares of capital stock to the public.

At June 30, 2021, we had total assets of \$239.9 million, total deposits of \$184.4 million and equity of \$45.9 million. Our lending focus has been on making long-term loans to individuals secured by first mortgages on the borrower's residence. We also offer multi-family and commercial real estate loans and to a lesser extent, construction, home equity, and consumer loans. As of June 30, 2021, \$87.9 million, or 89.72% of our total loan portfolio, consisted of one- to four-family residential mortgage loans. Our headquarters and main banking office is located at 700 S. Lewis Avenue Waukegan, Illinois, and our telephone number is (847) 336-4430. Our website address is www.northshoretrust.com. Information on our website is not and should not be considered a part of this prospectus.

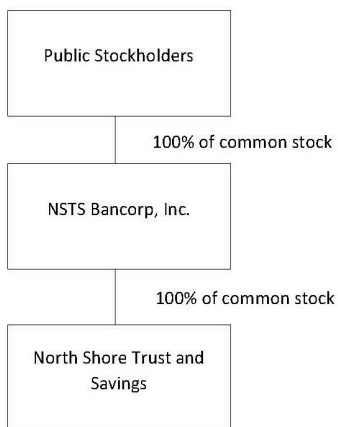
Conversion of North Shore MHC

Pursuant to the terms of North Shore MHC's plan of conversion, North Shore MHC will convert from the mutual holding company to the stock holding company corporate structure. Upon the completion of the conversion, North Shore MHC and NSTS Financial Corporation will cease to exist, and North Shore Trust and Savings will be a wholly owned subsidiary of NSTS Bancorp, Inc. At present, all depositors and certain borrowers as of specified eligibility dates have voting rights in North Shore MHC as to all matters requiring member approval. Upon completion of the conversion, depositors and those certain borrowers as of specified eligibility dates of North Shore Trust and Savings will cease to have any voting rights in North Shore MHC and all voting rights in North Shore MHC will be vested in NSTS Bancorp, Inc. as the sole shareholder of North Shore Trust and Savings. The stockholders of NSTS Bancorp, Inc. will possess exclusive voting rights and rights to NSTS Bancorp, Inc. stock.

The following diagram shows our current organizational structure.



After the conversion and offering are completed, we will be organized as a public stock holding company and the stock of NSTS Bancorp, Inc. held as follows:



Our Business and Franchise

For 100 years, we have served Lake County, Illinois and the surrounding communities. We have established deep ties to the community and developed customer relationships which have spanned generations. We pride ourselves in matching our products and services to the needs of the community.

North Shore Trust and Savings' principal business consists of originating loans for one- to four-family residential properties, multi-family and non-owner occupied commercial real estate loans, and to a lesser extent home equity loans and lines of credit, construction loans, and other consumer loans in the market areas surrounding our branch footprint. We also established a loan production office in the Roscoe Village neighborhood of Chicago, Illinois in 2016 to originate loans outside of our branch network in a more densely populated metropolitan area, which we believe benefits us geographically. We attract retail deposits from the general public in the areas surrounding our main office and branches, offering a wide variety of deposit products. We also invest in investment securities. Our revenues are derived primarily from interest on loans, noninterest income from the sale of one- to four-family residential mortgage loans in the secondary market and interest on investments. Our primary sources of funds are deposits, and principal and interest payments on loans and securities.

Our Competitive Strengths

Well-positioned in our market. Our three full-service banking facilities are located in Lake County, Illinois, which is situated along the shore of Lake Michigan in the northeast corner of the state. Lake County is surrounded by Cook County and the City of Chicago to the south, McHenry County to the west, and Kenosha County, Wisconsin to the north. Lake County is home to several large national and multinational employers.

Our 100-year history operating in this market has provided us with a familiarity of our local communities and customer base. We give back to our community through contributions to various local organizations and events and through investments in financial literacy at our local schools. We have a diverse staff, many of whom are bilingual, trained to focus on customer service. They utilize our upgraded technology infrastructure to provide our customers with the financial products best suited to their needs. In recent years, the market has seen a significant amount of consolidation among its banking institutions, resulting in opportunities to pursue customer relationships that may have been disrupted as a result of this consolidation.

We have a seasoned management team supported by a committed workforce The Chief Executive Officer of North Shore Trust and Savings, Stephen G. Lear, has 42 years of experience with our organization, and Nathan E. Walker, who was promoted to President of North Shore Trust and Savings in 2020, has been with the organization for 25 years. Mr. Walker's promotion to President was part of our long-term succession plan, ensuring key members of the management team are in place to execute the strategic plan. Other senior management includes Carissa H. Schoolcraft, who was promoted to Chief Financial Officer of North Shore Trust and Savings in 2021, and Amy L. Avakian, our Chief Lending Officer, who has 33 years of experience. Each of our executive officers ensure that our mission and vision are clearly communicated to a dedicated team of frontline staff.

We have an established corporate culture based on personal accountability, high ethical standards and a commitment to training and career development. We will continue to opportunistically hire talented bankers and employees with an emphasis on recruiting highly motivated, diverse managers and employees who are capable of establishing and maintaining long-term customer relationships that are key to our business, brand and culture.

We have invested in technological innovation. Over the last several years, we have expanded our consumer digital platform to include web-based and mobile application based online banking. Both include electronic bill payment, while the mobile app allows consumers to make deposits using their smart devices. Customers may apply for a mortgage online and our loan origination system was enhanced to streamline and automate North Shore Trust and Savings' workflow. We believe the technological investments that we have made allow us to effectively retain existing customers and attract new customers.

During the COVID-19 global pandemic, customers were able to continue conducting business safely, utilizing these enhanced technology delivery channels. Deposits and withdrawals could be made at each of our ATMs, deposits could be made through our mobile app, and online banking customers could transfer money and make online bill payments. In addition, during the early stages of the COVID-19 pandemic, we were able to quickly transition a portion of our workforce to work remotely. Employees could connect via multifactor authentication to their cloud-based virtual desktop and continue to securely perform their job duties from a safe location. Video conference and productivity software aided in the efficient communication needed to operate across multiple locations. This flexibility allows the organization to be more efficient with its employees and to meet changes in customer demands.

Optimization of our branch network We have taken action to optimize our branch network as the market has grown and banking habits have changed. Our Lindenhurst office was opened to service an increasing population in the western part of Lake County. The drive-up terminals at each location have been upgraded and enhanced to satisfy the customers' demand for ease of access. Our ATMs accept check and cash deposits for 24/7 access. We also utilize technology to virtually enhance our footprint. North Shore Trust and Savings offers an online banking suite, along with mobile applications, which allow us to meet the customers' needs wherever they are, and at a time that is most convenient to them.

Business Strategy

Our goal is to position NSTS Bancorp, Inc. to prosper in an evolving financial services landscape and enhance our position as one of the leading community banking institutions in our local market. We intend to continue to provide a broad array of banking services while growing our presence in our market and expanding our franchise. In recent years, we have focused on, and invested in, our technology and infrastructure to improve our delivery channels and create competitive products and services, a strong workforce, and an enhanced awareness of our banking brand in our market area. As a result, we believe we are well positioned to capitalize on the opportunities available in our market by focusing on the following core strategies:

Moderately grow our loan portfolio while continuing the sale of one- to four-family residential mortgages in the secondary market Our primary lending focus has been the origination of one- to four-family residential mortgage loans. At June 30, 2021, \$87.9 million, or 89.72% of our loan portfolio, was secured by one- to four-family residential mortgage loans. We believe prudently increasing our one- to four-family, multi-family and commercial real estate lending offers an opportunity to enhance our profitability and our growth prospects. We will continue our practice of selling a portion of our loan production into the secondary market as a means to generate noninterest income, as well as manage interest rate and credit risk as long as market conditions are favorable to do so.

Leverage technology to enhance customer experience and drive operating efficiencies We continually make upgrades to our online and mobile banking suites. Management has been streamlining internal processes and will look to increase operating efficiencies through automation whenever possible. We will continue to invest in convenience technologies and employee training to enhance our customer experience and keep pace with consumer demands.

Continued emphasis on prudent credit risk management We are pursuing moderate portfolio growth and diversification because we believe strong asset quality is a key to long-term financial success. Our strategy for credit risk management focuses on an experienced team of credit professionals, well-defined credit policies and procedures, appropriate loan underwriting criteria and active credit monitoring. As of June 30, 2021, our non-performing assets, which includes non-accrual loans, other real estate owned, and loans that are greater than 90 days past due but still accruing, to total assets ratio was 0.24%. Because substantially all of our loans are secured by real estate, and the level of our non-performing loans has been low in recent years, we believe that our allowance for loan losses is adequate to account for the probable losses inherent in our loan portfolios.

Increase loan production through formation of loan production offices Loans are originated through our three full-service branch locations in Waukegan and Lindenhurst, Illinois and one loan production office in Chicago, Illinois. We are currently reviewing sites to add up to three additional loan production offices in our surrounding communities over the next few years.

Grow our franchise organically. We expect to embark on a strategy of prudent growth following the conversion and offering. We seek to expand our market share in existing and contiguous markets by leveraging our long-standing ties to the community and delivering high-quality solutions.

We believe we have an opportunity to grow organically by promoting our enhanced products and services. Building our customer relationships around low and no cost products is part of our relationship expansion strategy. We offer checking and savings accounts designed to be simple to understand, easy to open, and convenient to use. These accounts can be established with a modest initial deposit, impose minimal fees, and are a prudent alternative for the consumer to non-bank money service businesses.

Recruiting and retaining top talent Recruiting and retaining talented individuals to implement our business strategy will be critical to our success. While we believe we have assembled a strong management team, we will continue to assess our personnel needs and expect to add new lenders and management staff in order to facilitate our planned growth and to complement the existing management team. Critical to our efforts to attract and retain talent is our mutual-to-stock conversion and the adoption and implementation of employee stock benefit plans, consistent with federal banking regulations and subject to stockholder approval, after the conversion.

Impact of COVID-19 Outbreak

During the first quarter of 2020, global financial markets experienced significant volatility resulting from the spread of a novel coronavirus known as COVID-19. In March 2020, the World Health Organization declared COVID-19 a global pandemic and the United States declared a National Public Health Emergency. In response to the pandemic, the State of Illinois imposed restrictions on travel and business operations, advising or requiring individuals to limit or forego time outside of their homes, and ordering the temporary closures of many businesses. These measures increased unemployment in our market area and negatively impacted many businesses, thereby threatening the repayment ability of some of our borrowers.

To address the economic impact in the United States, the Coronavirus Aid, Relief and Economic Security Act of 2020 (the "CARES Act") was signed into law on March 27, 2020. The CARES Act included a number of provisions that affected us, including accounting relief for troubled debt restructurings ("TDRs"). The CARES Act also established the Paycheck Protection Program ("PPP") through the Small Business Administration (the "SBA"). In addition, the Federal Reserve Board took steps to bolster the economy by, among other things, reducing the federal funds rate and the discount-window borrowing rate to near zero.

In response to the pandemic, we implemented protocols and processes to help protect our employees, customers and communities. These measures included:

- Operating our branches under a drive-through model with appointment-only lobby service, leveraging our enhanced network technology to quickly implement business continuity plans that included critical operations teams being divided and dispersed to separate locations and, when possible, having employees work remotely.
- Offering assistance to our customers affected by the COVID-19 pandemic, including payment deferrals, waiving certain fees, suspending property foreclosures, and participating in lending programs for businesses under the CARES Act, including the PPP.

We implemented various consumer and commercial real estate loan modification programs to provide our borrowers relief from the economic impacts of COVID-19. Based on guidance in the CARES Act, as extended by the Consolidated Appropriations Act ("CAA", 2021), COVID-19 related modifications to loans that were current as of December 31, 2019 are not required to be designated as TDRs under accounting principles generally accepted in the United States ("U.S. GAAP") through January 1, 2022. In addition, the bank regulatory agencies issued interagency guidance stating that banks may presume borrowers are not experiencing financial difficulty for COVID-19 related short-term modifications (i.e., six months or less) granted to loans that were current as of the loan modification program implementation date, therefore supporting these modifications are not required to be classified as TDRs under U.S. GAAP. Since January 1, 2020, we granted short-term payment deferrals on 50 loans, totaling approximately \$9.7 million, that were otherwise performing. As of June 30, 2021, two loans totaling \$179,000 remain in deferral.

We obtained approval from the SBA to offer PPP loans to our customers in need. We originated 24 loans totaling \$865,000 from the first round of PPP funding. All of these loans received full forgiveness. We originated 16 loans for \$413,000 from the second round of PPP funding. As of June 30, 2021, 15 loans totaling \$263,000 remain outstanding and awaiting forgiveness.

Reasons for the Conversion and Stock Offering

Our primary reasons for the conversion and the stock offering are to:

- **Enhance our capital base to support growth.** We intend to moderately grow our loan portfolio while continuing the sale of one- to four-family residential mortgages in the secondary market. While we currently exceed all regulatory capital requirements, the offering proceeds will strengthen our capital position and support our planned growth. We believe this increased capacity will improve our competitive position relative to the many banks and credit unions operating in our market area.
- **Offer our employees and directors an equity ownership interest in NSTS Bancorp, Inc.** We believe that the conversion and offering will enable us to attract and retain directors, management and employees through various stock-based benefit plans, including an employee stock ownership plan and one or more equity incentive plans.
- **Facilitate future mergers and acquisitions, if available, on a prudent basis.** Although we do not currently have any understandings or agreements regarding any specific transactions, the additional capital raised in the offering may be used to finance mergers with, and acquisitions of, other financial institutions, asset portfolios and offices when and if attractive opportunities arise.
- **Offer our members an equity ownership interest.** The offering will allow us to offer our members the ability to acquire our common stock, and thus have an equity interest in our future.

Terms of the Offering

We are offering between 3,400,000 and 4,600,000 shares of NSTS Bancorp, Inc.'s common stock in a subscription offering to eligible depositors, and certain borrowers as of specified eligibility dates, of North Shore Trust and Savings and to our tax-qualified employee benefit plans, and, to the extent shares remain available, to the general public in a community offering. If necessary, we will also offer shares to the general public in a syndicated community offering. The number of shares of common stock to be sold may be increased to up to 5,290,000 shares as a result of demand for the shares of common stock in the offering or changes in market conditions. Unless the number of shares of common stock to be offered is increased to more than 5,290,000 shares or decreased to fewer than 3,400,000 shares, or the subscription and community offerings are extended beyond _____, 2022, subscribers will not have the opportunity to change or cancel their stock orders once submitted. If the subscription and community offerings are extended past _____, 2022, all subscribers will be notified and given an opportunity to confirm, change or cancel their orders. If you do not respond to this notice, your order will be canceled and we will promptly return your funds with interest at 0.15% per annum or cancel your deposit account withdrawal authorization. If the number of shares to be sold is increased to more than 5,290,000 shares or decreased to less than 3,400,000 shares, all subscribers' stock orders will be canceled, all withdrawal authorizations will be canceled and funds delivered to us to purchase shares of common stock in the subscription and community offerings will be returned promptly with interest at the same rate. We will then resolicit subscribers, giving them an opportunity to place new orders for a period of time. No shares purchased in the subscription offering and community offering will be issued until the completion of any syndicated community offering.

The purchase price of each share of common stock offered for sale in the offering is \$10.00. All investors will pay the same purchase price per share, regardless of whether the shares are purchased in the subscription offering, the community offering or the syndicated community offering. Investors will not be charged a commission to purchase shares of common stock in the offering. Keefe, Bruyette & Woods, Inc., our marketing agent in the subscription and community offerings, will use its best efforts to assist us in selling shares of our common stock in the subscription and community offerings but is not obligated to purchase any shares of common stock in the subscription and community offerings.

How We Determined the Offering Range and the \$10.00 Per Share Offering Price

The amount of common stock we are offering for sale is based on an independent appraisal of the estimated market value of NSTS Bancorp, Inc., assuming the offering has been completed and the charitable foundation has been established and the contributions of shares of common stock and cash to it have been made. Feldman Financial Advisors, Inc. ("Feldman Financial"), our independent appraiser, has estimated that, at August 31, 2021 and assuming we had undertaken the offering, this market value was \$40.0 million (inclusive of the shares to be issued to the charitable foundation). Based on applicable regulations, this market value forms the midpoint of a valuation range with a minimum of \$34.0 million and a maximum of \$46.0 million. Based on this valuation range and the offering price of \$10.00 per share, NSTS Bancorp, Inc. is offering for sale a range of shares of common stock from 3,400,000 shares to 4,600,000 shares. The \$10.00 per share price was selected primarily because it is the price most commonly used in mutual-to-stock conversion transactions undertaken by financial institutions. If demand for shares or market conditions warrant, the appraisal can be increased by up to 15%, which would result in an appraised value of \$52.9 million, and we may sell up to 5,290,000 shares of common stock.

Feldman Financial advised our board of directors that the appraisal was prepared in conformance with the regulatory appraisal methodology, which requires a valuation based on an analysis of the trading prices of comparable public companies whose stock have traded for at least one year prior to the valuation date. Feldman Financial selected a group of 10 comparable public companies for this analysis.

Feldman Financial considered adjustments to the pro forma market value based on a comparison of NSTS Bancorp, Inc. with the peer group. The independent valuation is also based on an analysis of a peer group of publicly traded savings institutions or their holding companies that Feldman Financial considered comparable to NSTS Bancorp, Inc. under regulatory guidelines applicable to the independent valuation. Under these guidelines, a minimum of 10 peer group companies are selected from the universe of all publicly traded financial institutions with relatively comparable resources, strategies and financial and other operating characteristics. Such companies must also be traded on an exchange (such as Nasdaq Capital Market or the New York Stock Exchange). The peer group companies selected for NSTS Bancorp, Inc. also consisted of fully converted stock institutions that were not subject to an actual or rumored acquisition and that had been in fully converted form for at least one year. In addition, Feldman Financial limited the peer group companies to the following selection criteria: savings institutions or their holding companies with assets less than \$1.0 billion, ratio of tangible common equity to tangible assets of greater than 7.0%, and return on average assets of less than 1.75%.

The peer group consists of 10 publicly traded savings institutions or their holding companies that were deemed by Feldman Financial, based on regulatory guidelines, to be reasonably comparable to NSTS Bancorp, Inc. In selecting the peer group, Feldman Financial considered certain key criteria such as asset size, market capitalization, capital, profitability and other financial characteristics, operating strategy, pricing characteristics and market area. To the extent there are differences between NSTS Bancorp, Inc. and the institutions comprising the peer group, Feldman Financial made certain valuation adjustments. Feldman Financial made downward adjustments for: (i) earnings prospects and (ii) marketing of the common stock. Feldman Financial made no adjustments for: (i) financial condition; (ii) market area; (iii) management; (iv) dividend payments; (v) liquidity of the shares; and (vi) the effect of banking regulations and regulatory reform. The downward adjustment applied for earning prospects took into consideration our recent trend of operating losses and the lower pro forma returns of NSTS Bancorp, Inc. as a percent of assets and equity relative to the comparable peer group measures. The downward adjustment for marketing of the common stock took into consideration the volatile stock market conditions in both the overall market and the market for bank and thrift stocks and the heightened uncertainty associated with the initial public offering market in the prevailing stock market environment, including the initial public offering market for the common stock of NSTS Bancorp, Inc.

The appraisal is based in part on North Shore MHC's financial condition and results of operations, the pro forma effect of the additional capital raised by the sale of shares of common stock in the offering, and an analysis of a peer group of 10 publicly traded savings institutions or their holding companies that Feldman Financial considers comparable to NSTS Bancorp, Inc. The appraisal peer group consists of the following companies, all of which are traded on the Nasdaq Stock Market.

Company Name	Ticker Symbol	Headquarters	Total Assets at June 30, 2021 (Dollars in millions)
CBM Bancorp, Inc.	CBMB	Baltimore, MD	\$250
Cincinnati Bancorp, Inc.	CNNB	Cincinnati, OH	\$250
Elmira Savings Bank	ESBK	Elmira, NY	\$649
FFBW, Inc.	FFBW	Brookfield, WI	\$353
HMN Financial, Inc.	HMNF	Rochester, MN	\$981
Home Federal Bancorp, Inc. of Louisiana	HFBL	Shreveport, LA	\$566
HV Bancorp, Inc.	HVBC	Doylestown, PA	\$549
IF Bancorp, Inc.	IROQ	Watska, IL	\$745
Mid-Southern Bancorp, Inc.	MSVB	Salem, IN	\$249
WVS Financial Corp.	WVFC	Pittsburgh, PA	\$346

Source: S&P Capital IQ Pro.

The following table presents a summary of selected pricing ratios for NSTS Bancorp, Inc. (on a pro forma basis) at and for the 12 months ended June 30, 2021, and for the peer group companies based on earnings and other information at and for the 12 months ended June 30, 2021, with stock prices at August 31, 2021 as reflected in the appraisal report. Compared to the average pricing of the peer group, our pro forma pricing ratios at the midpoint of the offering range indicated a discount of 46.5% on a price-to-book value basis and a discount of 47.7% on a price-to-tangible book value basis.

	Price-to-earnings multiple ⁽¹⁾	Price-to-book value ratio	Price-to-tangible book value ratio
NSTS Bancorp, Inc. (pro forma assuming completion of offering)			
Adjusted Maximum	*	59.67%	59.67%
Maximum	*	55.59%	55.59%
Midpoint	*	51.52%	51.52%
Minimum	*	46.88%	46.88%
Valuation of peer group companies (historical)			
Averages	16.97x	96.30%	98.47%
Medians	11.47x	99.35%	101.40%

* Not material. The price-to-earnings multiple values are not material as the result of NSTS Bancorp, Inc.'s pro forma loss per share at each point in the valuation range (see "Pro Forma Data" beginning on page 40) and resulting negative price-to-earnings multiples. A negative price-to-earnings multiple is not meaningful for comparative valuation purposes, as it calculates to a negative pro forma market capitalization.

(1) Pro forma pricing ratios for NSTS Bancorp, Inc. are based on pro forma data for the 12 months ended June 30, 2021, and are different than the pro forma pricing ratios presented in "Pro Forma Data."

The pro forma calculations for NSTS Bancorp, Inc. are based on the following assumptions:

- A number of shares equal to 8% of the shares sold in the offering are purchased by the employee stock ownership plan, with the expense to be amortized over 25 years;
- A number of shares equal to 4% of the shares sold in the offering are purchased by a stock-based benefit plan, with the expense to be amortized over five years; and
- A number of options equal to 10% of the shares sold in the offering are granted under a stock-based benefit plan, with option expense of \$3.56 per option amortized over five years.

The independent appraisal does not indicate trading market value. Do not assume or expect that our valuation as indicated in the appraisal means that after the offering the shares of our common stock will trade at or above the \$10.00 per share price. Furthermore, Feldman Financial used the pricing ratios presented in the appraisal to estimate our pro forma appraised value for regulatory purposes and not to compare the relative value of shares of our common stock with the value of the capital stock of the peer group. The value of the capital stock of a particular company may be affected by a number of factors such as financial performance, asset size and market location.

For a more complete discussion of the amount of common stock we are offering for sale and the independent appraisal, see “The Conversion and Offering—Stock Pricing and Number of Shares to Be Issued.”

How We Intend to Use the Proceeds from the Offering

We intend to invest at least 50% of the net proceeds from the offering in North Shore Trust and Savings, fund the loan to our employee stock ownership plan to finance its purchase of shares of common stock in the offering, and retain the remainder of the net proceeds at NSTS Bancorp, Inc.

Assuming we sell 4,000,000 shares of common stock in the offering at the midpoint of the offering range, resulting in estimated net proceeds of \$38.2 million, we intend to invest \$19.1 million in North Shore Trust and Savings, lend \$3.3 million to our employee stock ownership plan to fund its purchase of shares of common stock (which may include, subject to market conditions, open market purchases after the completion of the conversion and offering if the employee stock ownership plan is unable to purchase its shares in the subscription offering due to an oversubscription by our Eligible Account Holders), and retain the remaining \$15.7 million of the net proceeds at NSTS Bancorp, Inc. Assuming we sell 5,290,000 shares of common stock in the offering at the adjusted maximum of the offering range, resulting in estimated net proceeds of \$51.0 million, we intend to invest \$25.5 million in North Shore Trust and Savings, lend \$4.3 million to our employee stock ownership plan to fund its purchase of shares of common stock, and retain the remaining \$21.0 million of the net proceeds at NSTS Bancorp, Inc.

NSTS Bancorp, Inc. may use the funds it retains for investment, for capital management strategies, including the repurchase of shares of common stock, to acquire other financial institutions or financial services companies, to pay cash dividends and for other general corporate purposes. North Shore Trust and Savings may use the proceeds it receives to support increased lending and investment or to acquire other financial institutions or financial services companies. We do not currently have any agreement or understanding regarding any acquisition transaction.

See “How We Intend to Use the Proceeds from the Offering” for more information on the proposed use of the proceeds from the offering.

Persons Who May Subscribe to Purchase Shares of Common Stock in the Offering

We are offering the shares of common stock in a subscription offering in the following descending order of priority:

- PRIORITY 1: ELIGIBLE ACCOUNT HOLDERS (North Shore Trust and Savings depositors with aggregate account balances of at least \$50.00 at the close of business on June 30, 2020);
- PRIORITY 2: OUR TAX QUALIFIED EMPLOYEE BENEFIT PLANS (Including our employee stock ownership plan and 401(k) Plan. We expect our employee stock ownership plan to purchase 8% of the common stock in the offering including shares contributed to the charitable foundation.);
- PRIORITY 3: SUPPLEMENTAL ELIGIBLE ACCOUNT HOLDERS (North Shore Trust and Savings depositors with aggregate account balances of at least \$50.00 at the close of business on , 2021); and
- PRIORITY 4: OTHER MEMBERS (North Shore Trust and Savings depositors at the close of business on , 2021, and certain borrowers as of specified eligibility dates.)

Shares of common stock not purchased in the subscription offering may be offered for sale to the general public in a community offering, with a preference given first to natural persons (including trusts of natural persons) residing in Lake County, Illinois. The community offering may begin concurrently with, during or promptly after the subscription offering. We also may offer for sale shares of common stock not purchased in the subscription offering and the community offering through a syndicated community offering. Keefe, Bruyette & Woods, Inc. will act as sole manager for the syndicated community offering. We have the right to accept or reject, in our sole discretion and reasonably consistent with achieving a reasonably wide distribution of the common stock, orders received in the community offering or syndicated community offering, and our interpretation of the terms and conditions of the plan of conversion will be final. Any determination to accept or reject stock orders in the community offering or syndicated community offering will be based on the facts and circumstances then available to us.

If we receive orders for more shares than we are offering, we may not be able to fully or partially fill your order. See “The Conversion and Offering” for a detailed description of the subscription offering, the community offering and the syndicated community offering, as well as a discussion regarding allocation procedures.

Limits on How Much Common Stock You May Purchase

The minimum number of shares of common stock that may be purchased is 25 shares.

Generally, no individual or individuals acting through a single qualifying account held jointly may purchase more than 30,000 shares (\$300,000) of common stock. If any of the following persons purchase shares of common stock, their purchases, in all categories of the offering, when combined with your purchases, cannot exceed 40,000 shares (\$400,000) of common stock:

- most companies, trusts or other entities in which you are a senior officer, partner, trustee or have a substantial beneficial interest; or
- your spouse or any relative of you or your spouse living in your house or who is a director, trustee or officer of NSTS Bancorp, Inc. or North Shore Trust and Savings; or
- other persons who may be your associates or persons acting in concert with you.

Unless we determine otherwise, persons having the same address and persons exercising subscription rights through qualifying accounts registered to the same address will be subject to the overall purchase limitation of 40,000 shares (\$400,000).

Subject to regulatory approval, we may increase or decrease the purchase limitations at any time. See “The Conversion and Offering—Additional Limitations on Common Stock Purchases.”

How You May Purchase Shares of Common Stock in the Subscription Offering and the Community Offering

In the subscription offering and community offering, you may pay for your shares by:

- (i) personal check, bank check or money order made payable to NSTS Bancorp, Inc.; or
- (ii) authorizing us to withdraw available funds from the types of deposit account(s) at North Shore Trust and Savings listed on the stock order form.

North Shore Trust and Savings is prohibited from lending funds to anyone to purchase shares of common stock in the offering. Additionally, you may not use a line of credit check from North Shore Trust and Savings or any type of third-party check (such as a check payable to you and endorsed over to NSTS Bancorp, Inc.) to pay for shares of common stock. No wire transfer will be accepted without our prior approval. On the stock order form, you may not designate withdrawal from North Shore Trust and Savings accounts with check-writing privileges; instead please submit a check. If you request that we directly withdraw the funds from an account with check-writing privileges, we reserve the right to interpret that as your authorization to treat those funds as if we had received a check for the designated amount, and we will immediately withdraw the amount from the designated account. You may not authorize direct withdrawal from an individual retirement account (“IRA”) at North Shore Trust and Savings. See “—Using IRA Funds to Purchase Shares of Common Stock.”

You may subscribe for shares of common stock in the subscription and community offerings by delivering a signed and completed original stock order form, together with full payment payable to NSTS Bancorp, Inc. or authorization to withdraw funds from one or more of your deposit account(s) at North Shore Trust and Savings, provided that *we receive* your stock order form before 1:00 p.m., Central Time, on _____, 2021, which is the end of the subscription offering period. You may submit your stock order form and payment by mail using the stock order reply envelope provided or by paying for overnight delivery to our Stock Information Center. You may also hand-deliver stock order forms to the North Shore Trust and Savings office located at _____, which is open between 9:00 a.m. and 5:00 p.m. Central Time, Monday through Friday and between 9:00 a.m. and 12:00 p.m. Central Time on Saturday. We will accept hand-delivered stock order forms only at this location. We will not accept stock order forms at any other office. **Do not mail stock order forms to any of North Shore Trust and Savings' offices.**

See “The Conversion and Offering—Procedure for Purchasing Shares in Subscription and Community Offerings—Payment for Shares” for a complete description of how to purchase shares in the subscription and community offerings.

Using IRA Funds to Purchase Shares of Common Stock

You may be able to subscribe for shares of common stock using funds in your IRA. If you wish to use some or all of the funds in an IRA at North Shore Trust and Savings, the applicable funds must be transferred to a self-directed account maintained by an independent custodian or trustee, such as a brokerage firm, and the purchase must be made through that account. If you do not have such an account, you will need to establish one before placing your stock order. A one-time and/or annual administrative fee may be payable to the independent custodian or trustee. Because individual circumstances differ and the processing of retirement fund orders takes additional time, we recommend that you contact our Stock Information Center promptly, preferably at least two weeks before the _____, 2021 offering deadline, for assistance with purchases using your IRA or other retirement account you may have at North Shore Trust and Savings or elsewhere. Whether you may use such funds to purchase shares in the offering may depend on timing constraints and, possibly, limitations imposed by the institution where the funds are held.

See “The Conversion and Offering—Procedure for Purchasing Shares in Subscription and Community Offerings—Payment for Shares” and “—Using Individual Retirement Account Funds.”

Market for Common Stock

We have applied to list our common stock on the Nasdaq Capital Market under the symbol “NSTS.” Keefe, Bruyette & Woods, Inc. has advised us that it intends to make a market in our common stock following the offering, but is not obligated to do so.

Our Dividend Policy

No decision has been made with respect to the amount, if any, and timing of any dividend payments on our common stock following the completion of the conversion and stock offering. The amount of dividends to be paid, if any, will be subject to our financial condition and results of operations, tax considerations, capital requirements and available alternative uses for capital, statutory and regulatory limitations, and general economic conditions. We cannot assure you that we will pay dividends in the future, or, if we pay dividends, that any such dividends will not be reduced or eliminated in the future. For information regarding our proposed dividend policy, see “Our Dividend Policy.”

Stock Purchases by Directors and Executive Officers

We expect our directors and executive officers, together with their associates, to subscribe for 270,000 shares of common stock in the offering, representing 7.9% of shares to be outstanding at the minimum of the offering range. They will pay the same \$10.00 per share price that will be paid by all other persons who purchase shares of common stock in the offering. See “Proposed Management Purchases.”

Deadline for Orders of Shares of Common Stock in the Subscription and Community Offerings

The deadline for ordering shares of common stock in the subscription and community offerings is 1:00 p.m., Central Time, on _____, 2021, unless we extend this deadline. If you wish to order shares of common stock, a properly completed and signed original stock order form, together with full payment, must be received (not postmarked) by this time.

Although we will make reasonable attempts to provide this prospectus and offering materials to holders of subscription rights, the subscription offering and all subscription rights will expire at 1:00 p.m., Central Time, on _____, 2021, whether or not we have been able to locate each person entitled to subscription rights.

See “The Conversion and Offering—Procedure for Purchasing Shares in Subscription and Community Offerings—Expiration Date” for a complete description of the deadline for ordering shares in the offering.

You May Not Sell or Transfer Your Subscription Rights

Applicable regulations prohibit you from transferring your subscription rights. If you order shares of common stock in the subscription offering, you must sign a written certification that you are purchasing the common stock for yourself and that you have no agreement or understanding to sell or transfer your subscription rights or the shares that you are purchasing. We intend to take legal action, including reporting persons to federal or state agencies, against anyone who we believe has sold or transferred his or her subscription rights. We will not accept your order if we have reason to believe that you have sold or transferred your subscription rights. On the stock order form, you cannot add the names of other individuals for joint stock registration unless they also have subscription rights and qualify in the same subscription offering priority as you. Doing so may jeopardize your subscription rights. In addition, the stock order form requires that you list all accounts, giving all names on each account and the account number at the applicable eligibility date. Failure to provide this information, or providing incomplete or incorrect information, may result in a loss of part or all of your share allocation if there is an oversubscription.

Delivery of Shares of Common Stock

All shares of common stock sold will be issued in book entry form. Stock certificates will not be issued. A statement reflecting ownership of shares of common stock issued in the subscription and community offerings will be mailed by our transfer agent to the persons entitled thereto at the registration address noted by them on their stock order forms as soon as practicable following consummation of the offering. We expect trading in the stock to begin on the day of completion of the conversion and offering or the next business day. The conversion and offering is expected to be completed as soon as practicable following satisfaction of the conditions described below in “—Conditions to Completion of the Conversion.” **Until a statement reflecting ownership of shares of common stock is available and delivered to purchasers, purchasers might not be able to sell the shares of common stock that they purchased, even though the common stock will have begun trading.** Your ability to sell your shares of common stock before receiving your statement will depend on arrangements you may make with a brokerage firm.

Conditions to Completion of the Conversion

We cannot complete the conversion and offering unless:

- The plan of conversion is approved by the required votes of the members of North Shore MHC at a special meeting of members to be held on _____, 2021;
- We receive orders for at least the minimum number of shares of common stock offered in the offering; and
- We receive final regulatory approval from the Federal Reserve Board to complete the conversion and offering and the acquisition of North Shore Trust and Savings by NSTS Bancorp, Inc.

Steps We May Take If We Do Not Receive Orders for the Minimum Number of Shares

If we do not receive orders for at least 3,400,000 shares of common stock, we may take several steps in order to sell the minimum number of shares of common stock in the offering range. Specifically, we may:

- (i) increase the purchase limitations; and/or
- (ii) seek regulatory approval to extend the offering beyond _____, 2022, so long as we resolicit subscribers who previously submitted subscriptions in the offering.

If we extend the offering past _____, 2022, all subscribers will be notified and given an opportunity to confirm, change or cancel their orders. If you do not respond to this notice, we will cancel your stock order and promptly return your funds with interest at 0.15% per annum for funds received in the subscription and community offerings or cancel your deposit account withdrawal authorization. If one or more purchase limitations are increased, subscribers in the subscription offering who ordered the maximum amount and checked the box on the stock order form will be given the opportunity to increase their subscriptions up to the then-applicable limit.

Possible Change in the Offering Range

Feldman Financial will update its appraisal before we complete the offering. If, as a result of demand for the shares or changes in market conditions, Feldman Financial determines that our pro forma market value has increased, we may sell up to 5,290,000 shares in the offering without further notice to you. If, however, the updated appraisal indicates our pro forma market value is either below \$34.0 million or above \$52.9 million, then, after consulting with the Federal Reserve Board, we may:

- terminate the offering and promptly return all funds (with interest paid on funds received in the subscription and community offerings);
- set a new offering range; or
- take such other actions as may be permitted by the Federal Reserve Board and the Securities and Exchange Commission.

If we set a new offering range, we will promptly return funds, with interest at 0.15% per annum for funds received for purchases in the subscription and community offerings, and cancel any authorization to withdraw funds from deposit accounts for the purchase of shares of common stock. We will then resolicit subscribers, allowing them to place a new stock order for a period of time.

Possible Termination of the Offering

We may terminate the offering at any time with regulatory approval. If we terminate the offering, we will promptly return your funds with interest at 0.15% per annum, and we will cancel deposit account withdrawal authorizations.

Benefits to Management and Potential Dilution to Stockholders Resulting from the Offering

We expect our employee stock ownership plan, which is a tax-qualified retirement plan for the benefit of all employees of North Shore Trust and Savings, to purchase up to 8% of the shares of common stock we sell in the offering. If market conditions warrant, in the judgment of its trustees, the employee stock ownership plan's subscription order may not be filled in the subscription offering and the employee stock ownership plan may elect to purchase shares in the open market following the completion of the offering, subject to the approval of the Federal Reserve Board.

We intend to implement one or more new stock-based benefit plans no earlier than six months after completion of the offering. Shareholder approval of these plans would be required. We have not determined whether we will adopt the plans within 12 months following the completion of the offering or more than 12 months following the completion of the offering. If we implement stock-based benefit plans within 12 months following the completion of the offering, the stock-based benefit plans would reserve a number of shares (i) up to 4% of the shares of common stock sold in the offering, for awards of restricted stock to key employees and directors, at no cost to the recipients, and (ii) up to 10% of the shares of common stock sold in the offering for issuance pursuant to the exercise of stock options by key employees and directors. These percentage limitations are required by the Federal Reserve Board regulations. If the stock-based benefit plans are adopted more than 12 months after the completion of the offering, they would not be subject to the percentage limitations set forth above.

The following table summarizes the number of shares of common stock and the aggregate dollar value of grants that are available under one or more stock-based benefit plans if such plans reserve for restricted stock awards and stock options, respectively, a number of shares of common stock equal to 4% and 10% of the shares sold in the offering. The table shows the dilution to stockholders if all such shares are issued from authorized but unissued shares, instead of shares purchased in the open market. The table also sets forth the number of shares of common stock to be acquired by the employee stock ownership plan for allocation to all qualifying employees.

	Number of Shares to Be Granted or Purchased				Value of Grants (Dollars in thousands) ⁽¹⁾		
	At Minimum of Offering Range	At Adjusted Maximum of Offering Range	As a Percentage of Common Stock to Be Sold in the Offering and Issued to the Charitable Foundation	As a Percentage of Common Stock to be Outstanding	Dilution Resulting from Issuance of Shares for Stock-Based Benefit Plans	At Minimum of Offering Range	At Adjusted Maximum of Offering Range
Employee stock ownership plan	277,551	431,837	8.00%	8.00%	0.00%	\$ 2,776	\$ 4,318
Restricted stock awards	138,776	215,918	4.00%	4.00%	3.85%	1,388	2,159
Stock options	346,939	539,796	10.00%	10.00%	9.09%	1,235	1,922
Total	763,266	1,187,551	22.00%	22.00%	12.28%	\$ 5,399	\$ 8,399

(1) The actual value of restricted stock awards will be determined based on their fair value at the date of grant. For purposes of this table, the fair value for awards is assumed to be the same as the offering price of \$10.00 per share. The fair value of stock options has been estimated at \$3.56 per option using the Black-Scholes option pricing model with the following assumptions: a grant-date share price and option exercise price of \$10.00; an expected option term of 10 years; no dividend yield; a risk-free rate of return of 1.45%; and expected volatility of 24.79%. The actual value of option grants will be determined by the grant-date fair value of the options, which will depend on a number of factors, including the valuation assumptions used and the option pricing model ultimately adopted.

Tax Consequences

NSTS Bancorp, Inc. and North Shore Trust and Savings have received an opinion of counsel, Vedder Price P.C., regarding the material federal and Illinois income tax consequences of the conversion and offering. As a general matter, the conversion and offering will not be a taxable transaction for purposes of federal or state income taxes to NSTS Bancorp, Inc., North Shore Trust and Savings or persons eligible to subscribe for shares of stock in the subscription offering.

Emerging Growth Company Status

We qualify as an “emerging growth company” under the JOBS Act of 2012. For as long as we so qualify we exempt ourselves from various reporting requirements applicable to other public companies but not to emerging growth companies. See “Risk Factors—Risks Related to the Offering—We are an emerging growth company, and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors” and “Supervision and Regulation—Emerging Growth Company Status.”

We intend to use the extended transition period to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. Accordingly, our financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

Risk Factors

An investment in NSTS Bancorp, Inc.'s common stock is subject to risk, including risks related to our business and this offering.

Specific risks related to our business include, but are not limited to, those related to the ongoing COVID-19 pandemic; our emphasis on residential mortgage lending; our allowance for loan losses; our prospects for profitability in the near-term; economic conditions in our local market areas; our business strategy to grow our business and operations; our dependence on our management team; our loan production office expansion strategy and possible growth through mergers and acquisitions; our liquidity management; competition within our market area; reputation risk; our dependence on information technology and telecommunications systems and third-party service providers; cybersecurity risks; our ability to keep pace with technological changes; acts of terrorism or other external events; changes in and compliance with laws and regulations; changes in accounting rules and best practices; changes in interest rates; changes in credit markets; noncompliance with anti-money laundering requirements; costs associated with public company reporting requirements; changes in management's material estimates and assumptions; and environmental liability risk associated with the properties we own.

Specific risks related to this offering include, but are not limited to, those related to the future trading price of the common stock of NSTS Bancorp, Inc.; the trading market for the common stock of NSTS Bancorp, Inc.; the broad discretion we have over the use of the net offering proceeds; the intended new stock-based benefit plans; the return on equity after the completion of the offering; anti-takeover factors; the potential lack of dividends on our common stock; the potential for delay in an investor's ability to sell shares of common stock immediately following the offering; the irrevocability of your investment decision; and, our status as an emerging growth company.

Before making an investment decision, you should read this entire document carefully, including the section entitled "Risk Factors" that follows and that discusses the above risks in further detail.

How You Can Obtain Additional Information—Stock Information Center

Our banking personnel may not, by law, assist with investment-related questions about the offering. If you have any questions regarding the conversion and offering, call our Stock Information Center at . The Stock Information Center is open Monday through Friday between 9:00 a.m. and 3:00 p.m., Central Time. The Stock Information Center will be closed on bank holidays.

RISK FACTORS

You should consider carefully the following risk factors, in addition to all other information in this prospectus, in evaluating an investment in our common stock.

Risk Related to Our Business

Risks Related to the COVID-19 Pandemic

The COVID-19 pandemic has had and may continue to have an adverse impact on our business, results of operations and prospects

The COVID-19 pandemic is having an adverse impact on us, our customers and the communities we serve. Given its ongoing and dynamic nature, it is difficult to predict the full impact of the COVID-19 outbreak on our business, customers, employees and third-party service providers. The extent of such impact will depend on future developments, which are highly uncertain, including when the coronavirus can be controlled and abated and when and how the economy may be reopened in an efficient manner. Additionally, the responses of various governmental and non-governmental authorities to curtail business and consumer activities in an effort to mitigate the pandemic may have material long-term effects on us and our customers that are difficult to quantify in the near-term or long-term.

As a result of the COVID-19 pandemic and the related adverse local and national economic consequences, we are subject to the following risks, any of which could have a material adverse effect on our business, financial condition, liquidity, and results of operations:

- unanticipated loss or unavailability of key employees, including operational management personnel and those charged with preparing, monitoring and evaluating the companies' financial reporting and internal controls;
- declines in demand for loans and other banking services and products, as well as a decline in the credit quality of our loan portfolio, owing to the effects of COVID-19 in the markets we serve;
- collateral for loans, especially real estate, may decline in value, which could cause loan losses to increase;
- allowance for loan losses may increase if borrowers experience financial difficulties, which will adversely affect net income;
- the net worth and liquidity of loan guarantors may decline, impairing their ability to honor commitments;
- as the result of the decline in the Federal Reserve Board's target federal funds rate to near 0%, the yield on assets may decline to a greater extent than the decline in cost of interest-bearing liabilities, reducing net interest margin and spread and reducing net income;
- cybersecurity risks are increased as the result of an increase in the number of employees working remotely;
- continued volatility in the capital markets that may impact the performance of our investment securities portfolio;
- litigation, regulatory enforcement and reputation risk regarding our participation in the PPP;
- the unavailability of a critical service offered by a third-party vendor; and
- volatility in the price of our common stock that we issue in the stock offering.

Risks Related to Our Lending Activities

Our emphasis on one- to four-family residential mortgage loans exposes us to lending risks

As of June 30, 2021, \$87.9 million, or 89.72% of our total loan portfolio, consisted of one- to four-family residential mortgage loans. We intend to continue to make loans of this type after the offering. One- to four-family residential mortgage lending is generally sensitive to regional and local economic conditions that significantly impact the ability of borrowers to meet their loan payment obligations, making loss levels difficult to predict. Also, declines in real estate values could cause some of our residential mortgages to be inadequately collateralized, which would expose us to a greater risk of loss if we seek to recover on defaulted loans by selling the real estate collateral.

Our multi-family and commercial real estate lending could expose us to increased lending risks and related loan losses

As of June 30, 2021, we had an aggregate of \$9.8 million in multi-family and commercial real estate loans which represented 9.97% of our total loan portfolio at that date. Our current business strategy is to moderately increase our originations of multi-family and commercial real estate loans along with purchases of participations in commercial real estate loans in our market area in accordance with our underwriting guidelines. Commercial real estate loans generally expose a lender to greater risk of non-payment and loss than one- to four-family residential mortgage loans because repayment of the loans often depends on the successful operation of the properties and the income stream of the borrowers. Such loans typically involve larger loan balances to single borrowers or groups of related borrowers compared to one- to four-family residential mortgage loans. Loans that are collateralized by commercial real estate may become troubled and the value of the real estate may be significantly impaired, in which case we may not be able to recover the full contractual amount of principal and interest that we anticipated at the time we originated the loan, which could cause us to increase our provision for loan losses and adversely affect our operating results and financial condition.

If our allowance for loan losses is not sufficient to cover actual loan losses, our results of operations would be negatively affected

In determining the amount of the allowance for loan losses, we analyze, among other things, our loss and delinquency experience by portfolio segments and we consider the effect of existing economic conditions. In addition, we make various assumptions and judgments about the collectability of our loan portfolio, including the creditworthiness of our borrowers and the value of the real estate and other assets serving as collateral for the repayment of many of our loans. If the actual results are different from our estimates, or our analyses are inaccurate, our allowance for loan losses may not be sufficient to cover losses inherent in our loan portfolio, which would require additions to our allowance and would decrease our net income. Our emphasis on loan growth and on increasing our portfolio, as well as any future credit deterioration, will require us to increase our allowance further in the future.

In addition, federal banking regulators periodically review our allowance for loan losses and could require us to increase our provision for loan losses. Any increase in our allowance for loan losses or loan charge-offs resulting from these regulatory reviews may have a material adverse effect on our results of operations and financial condition.

The geographic concentration of our loan portfolio and lending activities makes us vulnerable to a downturn in our local market area

While there is not a single employer or industry in our market area on which a significant number of our customers are dependent, a substantial portion of our loan portfolio is comprised of loans secured by property located in the counties of Lake and Cook and contiguous counties in Illinois and Wisconsin. This makes us vulnerable to a downturn in the local economy and real estate markets. Adverse conditions in the local economy such as unemployment, recession, a catastrophic event or other factors beyond our control could impact the ability of our borrowers to repay their loans, which could impact our net interest income. Decreases in local real estate values caused by economic conditions, recent changes in tax laws or other events could adversely affect the value of the property used as collateral for our loans, which could cause us to realize a loss in the event of a foreclosure. Further, deterioration in local economic conditions could drive the level of loan losses beyond the level we have provided for in our allowance for loan losses, which in turn could necessitate an increase in our provision for loan losses and a resulting reduction to our earnings and capital.

A deterioration in economic conditions in our markets could result in increases in our level of non-performing loans and/or reduce demand for our products and services, which could have an adverse effect on our results of operations.

Prolonged deteriorating economic conditions could significantly affect the markets in which we do business, the value of our loans and investment securities, and our ongoing operations, costs and profitability. Further, declines in real estate values and sales volumes and elevated unemployment levels may result in higher loan delinquencies, increases in our non-performing and classified assets and a decline in demand for our products and services. These events may cause us to incur losses and may adversely affect our financial condition and results of operations. Reduction in problem assets can be slow, and the process can be exacerbated by the condition of the properties securing non-performing loans and the foreclosure process in Illinois, where the majority of our borrowers reside. To the extent that we must work through the resolution of assets, economic problems may cause us to incur losses and adversely affect our capital, liquidity, and financial condition.

Risks Related to Our Business Strategy

We incurred a loss for the six months ended June 30, 2021 and for the year ended December 31, 2020, and we may not achieve significant profitability from our business strategies and growth plan in the near term.

For the six-month period ended June 30, 2021, we had a net loss of \$14,300 and had a net loss of \$112,000 for the year ended December 31, 2020 compared to net income of \$414,000 for the year ended December 31, 2019. Our loss of \$14,300 for the six-month period ended June 30, 2021 was primarily the result of continued margin compression of loan interest rates. Our loss for the year ended December 31, 2020 was primarily the result of recording a higher provision due to organic loan growth during the period and the uncertainty surrounding the economic impact of the COVID-19 pandemic and an increase in data processing expense driven by an increase in network management costs as a result of technological upgrades to promote new products, services and technology. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations”.

Our ability to achieve profitability depends upon a number of factors, including, we believe, most importantly our ability to increase our revenues and grow our asset size. In order to grow, we need to successfully implement our business strategy, including increasing our loan originations, while managing expenses. Our ability to achieve profitability will also be affected by competition with other financial institutions, changes to the interest rate environment that may reduce our profit margins or impair our business strategy, adverse changes in the securities markets, changes in laws or government regulations, changes in consumer spending, borrowing, or saving, and changes in accounting policies, as well as other risks and uncertainties described in this “Risk Factors” section.

We believe growth of our business operations is essential to our future profitability. We expect to incur expenses related to the implementation of our growth plan, including establishing up to three additional loan production offices in our market area and related hiring initiatives. In addition, the conversion and offering will have a short-term adverse impact on our operating results, due to additional costs related to becoming a public company, increased compensation expenses associated with our employee stock ownership plan, the establishment of our charitable foundation and the possible implementation of a stock-based benefit plan after the completion of the conversion and offering.

Our business strategy includes loan growth, and our financial condition and results of operations could be negatively affected if we fail to grow or fail to manage our growth effectively. Growing our operations could also cause our expenses to increase faster than our revenues.

Our business strategy primarily focuses on loan growth, funded by deposits. Achieving such growth may require us to attract customers that currently bank at other financial institutions in our market area. Our ability to successfully grow will depend on a variety of factors, including our ability to attract and retain experienced bankers, the continued availability of desirable business opportunities, the level of competition from other financial institutions in our market area and our ability to manage our growth. Growth opportunities may not be available or we may not be able to manage our growth successfully. If we do not manage our growth effectively, our financial condition and operating results could be negatively affected. Furthermore, there can be considerable costs involved in expanding lending capacity, and generally a period of time is required to generate the necessary revenues to offset these costs, especially in areas in which we do not have an established presence. Accordingly, any such business expansion can be expected to negatively impact our earnings until certain economies of scale are reached. Our expenses could be further increased if we encounter delays in executing our business strategy.

We depend on our management team and other key personnel to implement our business strategy and execute successful operations and we could be harmed by the loss of their services or the inability to hire additional personnel.

We depend on the services of the members of our senior management team who direct our strategy and operations. Our executive officers and lending personnel possess substantial expertise, extensive knowledge of our markets and key business relationships, and will be integral in implementing our business strategy. Any one of them could be difficult to replace. Our loss of these persons, or our inability to hire additional qualified personnel, could impact our ability to implement our business strategy and could have a material adverse effect on our results of operations and our ability to compete in our markets. See “Management.”

We are subject to certain risks if we are able to grow through opportunistic mergers and acquisitions

It is possible that we may have the opportunity to evaluate acquisitions of banking institutions and other financial services companies within and surrounding our market area. Acquisitions typically involve the payment of a premium over book and trading values and, therefore, may result in the dilution of our tangible book value per share. Our ability to engage in future mergers and acquisitions depends on various factors, including: (1) our ability to identify suitable merger partners and acquisition opportunities; (2) our ability to finance and complete transactions on acceptable terms and at acceptable prices; and (3) our ability to receive the necessary regulatory and, when required, stockholder approvals. Our inability to engage in an acquisition or merger for any of these reasons could have an adverse impact on the implementation of our business strategies. Furthermore, mergers and acquisitions involve a number of risks and challenges, including (1) our ability to achieve planned synergies and to integrate the branches and operations we acquire, and the internal controls and regulatory functions of the acquired entity into our current operations and (2) the diversion of management’s attention from existing operations, which may adversely affect our ability to successfully conduct our business and negatively impact our financial results.

The building of market share through our loan production office strategy, and our ability to achieve profitability from new offices, may increase our expenses and negatively affect our earnings.

We plan to open up to three additional loan production offices over the next few years within our market area and adjacent markets after the conversion as part of our efforts to grow. There are costs involved in opening loan production offices, especially in light of the capabilities needed to compete in today’s environment. Accordingly, new loan production offices could negatively impact our earnings and may do so for some period of time. Our investments in products and services, and the related personnel required to implement new policies and procedures, take time to earn returns and can be expected to negatively impact our earnings for the foreseeable future. The profitability of our expansion strategy will depend on whether the income that we generate from the new offices will offset the increased expenses resulting from operating these offices.

Risks Related to Our Business and Industry Generally

We are dependent on our information technology and telecommunications systems and third-party service providers; systems failures, interruptions and cybersecurity breaches could have a material adverse effect on us.

Our business is dependent on the successful and uninterrupted functioning of our information technology and telecommunications systems and third-party service providers. The failure of these systems, or the termination of a third-party software license or service agreement on which any of these systems is based, could interrupt our operations. Because our information technology and telecommunications systems interface with and depend on third-party systems, we could experience service denials if demand for such services exceeds capacity or such third-party systems fail or experience interruptions. If significant, sustained or repeated, a system failure or service denial could compromise our ability to operate effectively, damage our reputation, result in a loss of customer business, and/or subject us to additional regulatory scrutiny and possible financial liability, any of which could have a material adverse effect on us.

Our third-party service providers may be vulnerable to unauthorized access, computer viruses, phishing schemes and other security breaches. We likely will expend additional resources to protect against the threat of such security breaches and computer viruses, or to alleviate problems caused by such security breaches or viruses. To the extent that the activities of our third-party service providers or the activities of our customers involve the storage and transmission of confidential information, security breaches and viruses could expose us to claims, regulatory scrutiny, litigation costs and other possible liabilities.

Ineffective liquidity management could adversely affect our financial results and condition

Effective liquidity management is essential for the operation of our business. We require sufficient liquidity to meet customer loan requests, customer deposit maturities/withdrawals, payments on our debt obligations as they come due and other cash commitments under both normal operating conditions and other unpredictable circumstances causing industry or general financial market stress. Our access to funding sources in amounts adequate to finance our activities on terms that are acceptable to us could be impaired by factors that affect us specifically or the financial services industry or economy generally. Factors that could detrimentally impact our access to liquidity sources include a downturn in the geographic markets in which our loans and operations are concentrated or difficult credit markets. Our access to deposits may also be affected by the liquidity needs of our depositors. In particular, a significant part of our liabilities is checking accounts and other liquid deposits, which are payable on demand or upon several days' notice, while by comparison, a majority of our assets are loans, which cannot be called or sold in the same time frame. Although we have historically been able to replace maturing deposits and advances as necessary, we might not be able to replace such funds in the future, especially if a large number of our depositors seek to withdraw their accounts, regardless of the reason. A failure to maintain adequate liquidity could materially and adversely affect our business, results of operations or financial condition.

Strong competition within our market area could hurt our profits and slow growth.

Our profitability depends upon our continued ability to compete successfully in our market area. We face intense competition both in making loans and attracting deposits. We continue to face stiff competition for one- to four-family residential loans from other financial service providers, including credit unions, national residential lenders and local community banks. Other competitors for one- to four-family residential loans include mortgage bankers, which keep overhead costs and mortgage rates down by selling loans and not holding or servicing them. Our competitors for commercial real estate and multi-family loans include other community banks and commercial lenders, some of which are larger than us and have greater resources and lending limits than we have and offer services that we do not provide. Price competition for loans and deposits might result in us earning less on our loans and paying more on our deposits, which reduces net interest income. We expect competition to remain strong in the future.

We are a community savings institution and our ability to maintain our reputation is critical to the success of our business. The failure to do so may adversely affect our performance.

We are a community savings institution and our reputation is one of the most valuable assets of our business. A key component of our business strategy is to rely on our reputation for customer service and knowledge of local markets to expand our presence by capturing new business opportunities from existing and prospective customers in our market area and contiguous areas. As such, we strive to conduct our business in a manner that enhances our reputation. This is done, in part, by recruiting, hiring and retaining employees who share our core values of being an integral part of the communities we serve, delivering superior service to our customers and caring about our customers. If our reputation is negatively affected by the actions of our employees, by our inability to conduct our operations in a manner that is appealing to current or prospective customers or otherwise, our business and operating results may be materially adversely affected.

Security breaches and cybersecurity threats could compromise our information and expose us to liability, which would cause our business and reputation to suffer

In the ordinary course of our business, we collect and store sensitive data, including our proprietary business information and that of our customers, suppliers and business partners, as well as personally identifiable information about our customers and employees. The secure processing, maintenance and transmission of this information is critical to our operations and business strategy. We, our customers, and other financial institutions with which we interact are subject to ongoing, continuous attempts to penetrate key systems by individual hackers, organized criminals, and in some cases, state-sponsored organizations. While we have established policies and procedures to prevent or limit the impact of cyber-attacks, there can be no assurance that such events will not occur or will be adequately addressed if they do. In addition, we also outsource certain cybersecurity functions, such as penetration testing, to third-party service providers, and the failure of these service providers to adequately perform such functions could increase our exposure to security breaches and cybersecurity threats. Despite our security measures, our information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance or other malicious code and cyber-attacks that could have an impact on information security. Any such breach or attacks could compromise our networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such unauthorized access, disclosure or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, and regulatory penalties; disrupt our operations and the services we provide to customers; damage our reputation; and cause a loss of confidence in our products and services, all of which could adversely affect our financial condition and results of operations.

We must keep pace with technological change to remain competitive

Financial products and services have become increasingly technology-driven. Our ability to meet the needs of our customers competitively, and in a cost-efficient manner, is dependent on the ability to keep pace with technological advances and to invest in new technology as it becomes available, as well as related essential personnel. In addition, technology has lowered barriers to entry into the financial services market and made it possible for financial technology companies and other non-bank entities to offer financial products and services traditionally provided by banks. The ability to keep pace with technological change is important, and the failure to do so, due to cost, proficiency or otherwise, could have a material adverse impact on our business and therefore on our financial condition and results of operations.

Because the nature of the financial services business involves a high volume of transactions, we face significant operational risks

Operational risk is the risk of loss resulting from our operations, including, but not limited to, the risk of fraud by employees or outside persons, the execution of unauthorized transactions by employees, errors relating to transaction processing and technology, breaches of our internal control system and compliance requirements, and business continuity and disaster recovery. Insurance coverage may not be available for such losses, or where available, such losses may exceed insurance limits. This risk of loss also includes the potential legal actions that could arise as a result of an operational deficiency or as a result of noncompliance with applicable regulations, adverse business decisions or their implementation, and customer attrition due to potential negative publicity. Although our control testing has not identified any significant deficiencies in our internal control system, a breakdown in our internal control system, improper operation of our systems or improper employee actions could result in material financial loss to us, the imposition of regulatory action, and damage to our reputation.

Acts of terrorism and other external events could impact our business

Financial institutions have been, and continue to be, targets of terrorist threats aimed at compromising operating and communication systems. Such events could cause significant damage, impact the stability of our facilities and result in additional expenses, impair the ability of our borrowers to repay their loans, reduce the value of collateral securing repayment of our loans, and result in the loss of revenue. The occurrence of any such event could have a material adverse effect on our business, operations and financial condition.

Regulation of the financial services industry is intense, and we may be adversely affected by changes in laws and regulations

North Shore Trust and Savings is subject to extensive government regulation, supervision and examination by the OCC. In addition, NSTS Bancorp, Inc. will be subject to extensive regulation, supervision and examination by the Federal Reserve Board. Such regulation, supervision and examination govern the activities in which we may engage and are intended primarily for the protection of the deposit insurance fund and North Shore Trust and Savings' depositors and not for the protection of stockholders. Federal and state regulatory agencies have the ability to take strong supervisory actions against financial institutions that have experienced increased loan production and losses and other underwriting weaknesses or have compliance weaknesses. These actions include the entering into of formal or informal written agreements and cease and desist orders that place certain limitations on their operations. If we were to become subject to a regulatory action, such action could negatively impact our ability to execute our business plan, and result in operational restrictions, as well as our ability to grow, pay dividends, repurchase stock or engage in mergers and acquisitions. See "Supervision and Regulation — Federal Banking Regulation — Capital Requirements" for a discussion of regulatory capital requirements.

A tightening of credit markets and liquidity risk could impair our ability to fund operations and jeopardize our financial condition

Liquidity is essential to our business. A tightening of the credit markets and the inability to obtain adequate funding to replace deposits and fund continued loan growth may negatively affect asset growth, our earnings capability and capital levels. We rely on a number of different sources in order to meet our potential liquidity demands. Our primary sources of liquidity are increases in deposit accounts, as well as cash flows from loan payments and our securities portfolio. Borrowings, especially from the Federal Home Loan Bank of Chicago ("FHLB of Chicago"), also provide us with a source of funds to meet liquidity demands. An inability to raise funds through deposits, borrowings, the sale of loans and other sources could have a substantial negative effect on our liquidity. Our access to funding sources in amounts adequate to finance our activities or on terms that are acceptable to us could be impaired by factors that affect us specifically, or the financial services industry or the economy in general. Factors that could detrimentally impact our access to liquidity sources include adverse regulatory action against us or a decrease in the level of our business activity as a result of a downturn in the markets in which our loans are concentrated. Our ability to borrow also could be impaired by factors that are not specific to us, such as a disruption in the financial markets, negative views and expectations about the prospects for the financial services industry or deterioration in credit markets.

Continued low interest rates could reduce our profits and affect the value of our assets and liabilities

Net income is the amount by which net interest income and noninterest income exceed noninterest expense, the provision for loan losses and taxes. Net interest income makes up a majority of our net income and is based on the difference between:

- the interest income we earn on interest-earning assets, such as loans and securities; and
- the interest expense we pay on interest-bearing liabilities, such as deposits and borrowings.

The rates we earn on our assets and the rates we pay on our liabilities are generally fixed for a contractual period of time. Like many financial institutions, our liabilities generally have shorter contractual maturities than our assets. This imbalance can create significant earnings volatility because market interest rates change over time. In addition, changes in interest rates can affect the average life of loans and mortgage-backed and related securities. In a period of rising interest rates, the interest income we earn on our assets may not increase as rapidly as the interest we pay on our liabilities. A decline in interest rates results in increased prepayments of loans and mortgage-backed and related securities as borrowers refinance their debt to reduce their borrowing costs. This creates reinvestment risk, which is the risk that we may not be able to reinvest prepayments at rates that are comparable to the rates we earned on the prepaid loans or securities. Furthermore, an inverted interest rate yield curve, where short-term interest rates (which are usually the rates at which financial institutions borrow funds) are higher than long-term interest rates (which are usually the rates at which financial institutions lend funds for fixed-rate loans) can reduce a financial institution's net interest margin and create financial risk for financial institutions that originate longer-term, fixed-rate mortgage loans. As of June 30, 2021, 76.07% of our loans with maturities after June 30, 2022 consisted of fixed-rate loans.

Any substantial, unexpected, prolonged change in market interest rates could have a material adverse effect on our financial condition, liquidity and results of operations. Changes in the level of interest rates also may negatively affect the value of our assets and liabilities and ultimately affect our earnings.

We monitor interest rate risk through the use of simulation models, including estimates of net portfolio value (“NPV”), which is the estimated market value of assets minus the market value of liabilities adjusted for off-balance sheet items, would change in the event of a range of assumed changes in market interest rates. As of June 30, 2021, in the event of an immediate and sustained 300 basis point increase in interest rates, we estimate that we would experience a \$18.0 million or 38.22% decrease in NPV. For further discussion of how changes in interest rates could impact us, see “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Exposure to Changes in Interest Rates.”

Changes in laws and regulations and the cost of regulatory compliance with new laws and regulations may adversely affect our operations and/or increase our costs of operations.

North Shore Trust and Savings is subject to extensive regulation, supervision and examination by the OCC, and NSTS Bancorp, Inc. will be subject to extensive regulation, supervision and examination by the Federal Reserve Board. Such regulation and supervision govern the activities in which an institution and its holding company may engage and are intended primarily for the protection of the federal deposit insurance fund and the depositors of North Shore Trust and Savings, rather than for our stockholders. Regulatory authorities have extensive discretion in their supervisory and enforcement activities, including the imposition of restrictions on our operations, the classification of our assets and determination of the level of our allowance for loan losses. These regulations, along with existing tax, accounting, securities, insurance and monetary laws, rules, standards, policies, and interpretations, control the methods by which financial institutions conduct business, implement strategic initiatives and tax compliance, and govern financial reporting and disclosures. Any change in such regulation and oversight, whether in the form of regulatory policy, regulations, legislation or supervisory action, may have a material impact on our operations. Further, changes in accounting standards can be both difficult to predict and involve judgment and discretion in their interpretation by us and our independent accounting firm. These changes could materially impact, potentially even retroactively, how we report our financial condition and results of operations. See “—We are subject to an extensive body of accounting rules and best practices. Periodic changes to such rules may change the treatment and recognition of critical financial line items and affect our profitability.”

We are subject to an extensive body of accounting rules and best practices. Periodic changes to such rules may change the treatment and recognition of critical financial line items and affect our profitability.

The nature of our business makes us sensitive to the large body of accounting rules in the United States. From time to time, the governing bodies that oversee changes to accounting rules and reporting requirements may release new guidance for the preparation of our financial statements. These changes can materially impact how we record and report our financial condition and results of operations. In some instances, we could be required to apply a new or revised standard retroactively, resulting in the restatement of prior period financial statements. Changes which have been approved for future implementation, or which are currently proposed or expected to be proposed or adopted include requirements that we calculate the allowance for loan losses on the basis of the current expected credit losses over the lifetime of our loans, referred to as the CECL model, which is expected to be applicable to us, as an emerging growth company, beginning in 2023. CECL adoption will have a broad impact on our financial statements, which will affect key profitability and solvency measures, including, but not limited to, higher loan loss reserve levels and related deferred tax assets. Increased reserve levels also may lead to a reduction in capital levels. Any such changes could have a material adverse effect on our business, financial condition and results of operations.

Under the CECL model, banks will be required to present certain financial assets carried at amortized cost, such as loans held for investment and held-to-maturity debt securities, at the net amount expected to be collected. The measurement of expected credit losses is to be based on information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. This measurement will take place at the time the financial asset is first added to the balance sheet and periodically thereafter. This differs significantly from the “incurred loss” model required under current GAAP, which delays recognition until it is probable a loss has been incurred. The forward-looking modeling required by CECL relies on a number of macroeconomic variables. Unexpected changes to such indicators between periods could potentially result in greater earnings volatility from period to period. Our reserves may need to be adjusted in response to not only our actual experience, but also to external factors. If we are required to materially increase the level of the allowance for loan losses for any reason, such increase could adversely affect our business, financial condition and results of operations

An additional impact of CECL will be the asymmetry in accounting between loan related income, which will continue to be recognized on a periodic basis based on the effective interest method, and the related credit losses, which will be recognized up front at origination. This will make periods of loan expansion seem less profitable due to the immediate recognition of expected credit losses. Periods of stable or declining loan levels will look comparatively more profitable as the income trickles in for loans, where losses had been previously recognized.

Non-compliance with the USA PATRIOT Act, Bank Secrecy Act, or other laws and regulations could result in fines or sanctions and impact our ability to complete transactions that require regulatory approval.

The USA PATRIOT and Bank Secrecy Acts require financial institutions to develop programs to prevent financial institutions from being used for money laundering and terrorist activities. If such activities are suspected, financial institutions are obligated to file suspicious activity reports with the U.S. Treasury's Office of Financial Crimes Enforcement Network. These rules require financial institutions to establish procedures for identifying and verifying the identity of customers seeking to open new financial accounts. Failure to comply with these regulations could result in fines or sanctions, including restrictions on pursuing acquisitions or establishing new branches. The policies and procedures we have adopted that are designed to assist in compliance with these laws and regulations may not be effective in preventing violations of these laws and regulations. Furthermore, these rules and regulations continue to evolve and expand. Although to date we have not been subject to any fines or other sanctions related to these rules and regulations, there can be no assurance that we will not suffer any penalties or other consequences in the future. See "Supervision and Regulation—Federal Banking Regulation—USA Patriot Act".

The cost of additional finance and accounting systems, procedures, compliance and controls in order to satisfy our new public company reporting requirements will increase our expenses.

As a result of the completion of this offering, we will become a public reporting company. We expect that the obligations of being a public company, including the substantial public reporting obligations, will require significant expenditures and place additional demands on our management team. We have made, and will continue to make, changes to our internal controls and procedures for financial reporting and accounting systems to meet our reporting obligations as a public company. However, the measures we take may not be sufficient to satisfy our obligations as a public company. Any failure to achieve and maintain an effective internal control environment could have a material adverse effect on our business and stock price. In addition, we may need to hire additional compliance, accounting and financial staff with appropriate public company experience and technical knowledge, and we may not be able to do so in a timely fashion. As a result, we may need to rely on outside consultants to provide these services for us until qualified personnel are hired. These obligations will increase our operating expenses and could divert our management's attention from our operations.

Changes in management's estimates and assumptions may have a material impact on our financial statements and our financial condition or operating results

In preparing this prospectus as well as periodic reports we will be required to file under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), including our financial statements, our management is and will be required under applicable rules and regulations to make estimates and assumptions as of a specified date. These estimates and assumptions are based on management's best estimates and experience as of that date and are subject to substantial risk and uncertainty. Materially different results may occur as circumstances change and additional information becomes known. Areas requiring significant estimates and assumptions by management include our evaluation of the adequacy of our allowance for loan losses and our determinations with respect to amounts owed for income taxes.

We are subject to environmental liability risk associated with lending activities or properties we own

A significant portion of our loan portfolio is secured by real estate, and we could become subject to environmental liabilities with respect to one or more of these properties, or with respect to properties that we own in operating our business. During the ordinary course of business, we may foreclose on and take title to properties securing defaulted loans. In doing so, there is a risk that hazardous or toxic substances could be found on these properties. If hazardous conditions or toxic substances are found on these properties, we may be liable for remediation costs, as well as for personal injury and property damage, civil fines and criminal penalties regardless of when the hazardous conditions or toxic substances first affected any particular property. Environmental laws may require us to incur substantial expenses to address unknown liabilities and may materially reduce the affected property's value or limit our ability to use or sell the affected property. In addition, future laws or more stringent interpretations or enforcement policies with respect to existing laws may increase our exposure to environmental liability. Our policies may not be sufficient to detect all potential environmental hazards. The remediation costs and any other financial liabilities associated with an environmental hazard could have a material adverse effect on us.

Risks Related to the Offering

The future price of our common stock may be less than the \$10.00 per share purchase price in the offering

If you purchase shares of common stock in the offering, you may not be able to sell them later at or above the \$10.00 per share purchase price in the offering. In some cases, shares of common stock issued by newly converted financial institutions or mutual holding companies have traded below the initial offering price. The aggregate purchase price of the shares of common stock sold in the offering will be based on an independent appraisal. The independent appraisal is not intended, and should not be construed, as a recommendation of any kind as to the advisability of purchasing shares of common stock. The independent appraisal is based on certain estimates, assumptions and projections, all of which are subject to change from time to time. After the shares begin trading, the trading price of our common stock will be determined by the marketplace, and may be influenced by many factors, including prevailing interest rates, the overall performance of the economy, changes in federal tax laws, new regulations, investor perceptions of NSTS Bancorp, Inc. and the outlook for the financial services industry in general. Price fluctuations in our common stock may be unrelated to our operating performance.

The capital we raise in the offering may negatively impact our return on equity until we can fully implement our business plan. This could negatively affect the trading price of our shares of common stock.

Net income divided by average equity, known as "return on equity," is a ratio many investors use to compare the performance of a financial institution to its peers. Although we anticipate increasing net interest income using proceeds of the offering, our return on equity will be reduced by the capital raised in the offering, higher expenses from the costs of being a public company, and added expenses associated with our employee stock ownership plan and the stock-based benefit plans we intend to adopt. Until we can implement our business plan and increase our net interest income through investment of the proceeds of the offering, we expect our return on equity to remain relatively low compared to our peer group, which may reduce the value of our shares.

We have broad discretion in using the proceeds of the offering. Our failure to effectively deploy the net proceeds of the offering may have an adverse effect on our financial performance and the value of our common stock.

We intend to invest between \$19.1 million and \$22.1 million, or \$25.5 million if the offering is increased by 15% of the net proceeds of the offering in North Shore Trust and Savings. We also expect to use a portion of the net proceeds we retain to fund a loan to the employee stock ownership plan for the purchase of shares of common stock in the offering by the employee stock ownership plan. We may use the remaining net proceeds to invest in short-term investments and for general corporate purposes, including, subject to regulatory limitations, the repurchase of shares of common stock and the payment of dividends. North Shore Trust and Savings generally intends to use the net proceeds it receives to fund new loans, expand its retail banking franchise by establishing or acquiring new loan production offices or branches or for other general corporate purposes. With the exception of the loan to the employee stock ownership plan, we have not allocated specific amounts of the net proceeds for any purposes, and we will have significant flexibility in determining the amount of the net proceeds we apply to different uses and the timing of such applications. Also, certain of these uses, such as any potential acquisition,

paying dividends and repurchasing common stock, may require prior regulatory approval. We have not established a timetable for reinvesting the net proceeds, and we cannot predict how long it will take to reinvest the net proceeds. Our failure to utilize these funds effectively and timely would reduce our profitability and may adversely affect the value of our common stock.

As of June 30, 2021, North Shore MHC had consolidated equity of \$45.9 million. Upon completion of the conversion, NSTS Bancorp, Inc., on a consolidated basis, will have stockholders' equity of between \$74.0 million and \$90.5 million at the minimum and adjusted maximum of the offering range, respectively. For additional information see "How We Intend to Use the Proceeds from the Offering."

There may be a limited trading market in our common stock, which would hinder your ability to sell our common stock and may lower the market price of the stock.

NSTS Bancorp, Inc. is a newly formed company and has not previously issued shares of its capital stock, other than a limited number of shares in connection with its incorporation, and there is no established market for the shares of its common stock. We expect that our common stock will be quoted on the Nasdaq Capital Market under the symbol "NSTS" upon conclusion of the offering, subject to completion of the offering and compliance with certain conditions, including having 300 "round lot" stockholders (stockholders owning more than 100 shares) and at least three companies making a market for our common stock. Keefe, Bruyette & Woods, Inc. has advised us that it intends to make a market in shares of our common stock following the offering, but it is not obligated to do so or to continue to do so once it begins. While we will attempt before completion of the offering to obtain commitments from at least two other broker-dealers to make a market in shares of our common stock, we may not be able to obtain such commitments. This would result in our common stock not being listed for trading on the Nasdaq Capital Market, which could reduce the liquidity of our common stock.

The development of an active trading market depends on the existence of willing buyers and sellers, the presence of which is not within our control, or that of any market maker. The number of active buyers and sellers of the shares of common stock at any particular time may be limited. Under such circumstances, you could have difficulty selling your shares of common stock on short notice, and, therefore, you should not view the shares of common stock as a short-term investment.

Our stock-based and other benefit plans will increase our costs, which will reduce our net income

We intend to adopt new stock-based benefit plans after the conversion and offering, subject to stockholder approval, which will increase our annual compensation and benefit expenses related to the stock options and stock awards granted to participants under the new stock-based benefit plans. The actual amount of these new stock-related compensation and benefit expenses will depend on the number of options and stock awards actually granted under the plans, the fair market value of our stock or options on the date of grant, the vesting period, and other factors that we cannot predict at this time. If we adopt stock-based benefit plans within 12 months following the conversion, the total shares of common stock reserved for issuance pursuant to awards of restricted stock and grants of options under such plans would be limited to 4% and 10%, respectively, of the total shares of our common stock sold in the offering. If we award restricted shares of common stock or grant options in excess of these amounts under stock-based benefit plans adopted more than 12 months after the completion of the offering, our costs will increase further.

We also will recognize expense for our employee stock ownership plan when shares are committed to be released to participants' accounts, and we will recognize expense for restricted stock awards and stock options over the vesting period of awards made to recipients. The expense in the first year following the offering for shares purchased by the employee stock ownership plan in the offering and for our new stock-based benefit plans has been estimated to be approximately \$989,000 (\$841,000 after tax) at the adjusted maximum of the offering range as set forth in the pro forma financial information under "Pro Forma Data," assuming the \$10.00 per share offering price as fair market value. Actual expense may be higher if the price of our common stock at the time the shares are allocated or awarded is greater than \$10.00 per share.

For further discussion of our proposed stock-based plans, see "Management—New Benefit Plans — Employee Stock Ownership Plan" and "—Stock Option and Recognition and Stock-Based Benefit Plans".

The implementation of our stock-based benefit plans may dilute your ownership interest

We intend to adopt stock-based benefit plans following the conversion and offering, subject to the approval of our stockholders. The stock-based benefit plan will be funded through either open market purchases, if permitted, or from the issuance of authorized but unissued shares. Our ability to repurchase shares of common stock to fund these plans will be subject to many factors, including applicable regulatory restrictions on common stock repurchases, the availability of stock in the market, the trading price of the stock, our capital levels, alternative uses for our capital and our financial performance. While our intention is to fund the new stock-based benefit plans through open market purchases, stockholders would experience a reduction in ownership interest totaling 12.3% in the event newly issued shares are used to fund stock options and restricted stock awards in an amount equal to 10.0% and 4.0%, respectively, of the total shares issued in the offering.

Various factors may make takeover attempts more difficult to achieve

Certain provisions of our certificate of incorporation and bylaws and state and federal banking laws, including regulatory approval requirements, could make it more difficult for a third party to acquire control of NSTS Bancorp, Inc. without our board of directors' prior approval.

Under Federal Reserve Board regulations no person may directly or indirectly acquire or offer to acquire beneficial ownership of more than 10% of our common stock without prior approval of the Federal Reserve Board. Under federal law, subject to certain exemptions, a person, entity or group must notify the Federal Reserve Board before acquiring control of a savings and loan holding company. Acquisition of 10% or more of any class of voting stock of a savings and loan holding company creates a rebuttable presumption that the acquirer "controls" the holding company. Also, a savings and loan holding company must obtain the prior approval of the Federal Reserve Board before, among other things, acquiring direct or indirect ownership or control of more than 5% of any class of voting shares of any bank, including North Shore Trust and Savings.

There also are provisions in our certificate of incorporation that may be used to delay or block a takeover attempt, including a provision that prohibits any person from voting more than 10% of the shares of common stock outstanding. Furthermore, shares of restricted stock and stock options that we may grant to employees and directors, stock ownership by our management and directors and other factors may make it more difficult for companies or persons to acquire control of NSTS Bancorp, Inc. without the consent of our board of directors. Taken as a whole, these statutory provisions and provisions in our certificate of incorporation and equity awards to, and equity ownership of, our management and directors could result in our being less attractive to a potential acquirer and thus could adversely affect the market price of our common stock.

See "Restrictions on Acquisition of NSTS Bancorp, Inc." for a discussion of applicable Federal Reserve Board regulations regarding acquisitions and provisions in our certificate of incorporation and bylaws that could impact acquisitions of control of NSTS Bancorp, Inc.

You may not receive dividends on our common stock

Holders of our common stock are only entitled to receive such dividends as our board of directors may declare out of funds legally available for such payments. The declaration and payment of future cash dividends will be subject to, among other things, regulatory restrictions, our then-current and projected consolidated operating results, financial condition, tax considerations, future growth plans, general economic conditions, and other factors our board of directors deems relevant. NSTS Bancorp, Inc. will depend primarily upon the proceeds it retains from the offering as well as earnings of North Shore Trust and Savings to provide funds to pay dividends on our common stock. The payment of dividends by NSTS Bancorp, Inc. also is subject to certain regulatory restrictions. Federal law generally prohibits a depository institution from making any capital distributions (including payment of a dividend) to its parent holding company if the depository institution would thereafter be or continue to be undercapitalized, and dividends by a depository institution are subject to additional limitations. As a result, any payment of dividends in the future by NSTS Bancorp, Inc. will depend, in large part, on North Shore Trust and Savings' ability to satisfy these regulatory restrictions and its earnings, capital requirements, financial condition and other factors. See "Our Dividend Policy" for a discussion concerning our dividend policy and certain restrictions that exist on our ability to pay dividends.

You may not be able to sell your shares of common stock until you have received a statement reflecting ownership of shares, which will affect your ability to take advantage of changes in the stock price immediately following the offering.

A statement reflecting ownership of shares of common stock purchased in the offering may not be delivered for several days after the completion of the offering and the commencement of trading in the common stock. Your ability to sell the shares of common stock before receiving your ownership statement will depend on arrangements you may make with a brokerage firm, and you may not be able to sell your shares of common stock until you have received your ownership statement. As a result, you may not be able to take advantage of fluctuations in the price of the common stock immediately following the offering.

You may not revoke your decision to purchase NSTS Bancorp, Inc. common stock in the subscription and community offerings after you send us your order

Funds submitted or automatic withdrawals authorized in connection with the purchase of shares of common stock in the subscription and community offerings will be held by us until the completion or termination of the conversion and offering, including any extension of the expiration date and consummation of a syndicated community offering. Because completion of the conversion and offering will be subject to regulatory approvals and an update of the independent appraisal prepared by Feldman Financial, among other factors, there may be one or more delays in completing the conversion and offering. Orders submitted in the subscription and community offerings are irrevocable, and purchasers will have no access to their funds unless the offering is terminated, or extended beyond _____, or the number of shares to be sold in the offering is increased to more than 5,290,000 shares or decreased to fewer than 3,400,000 shares.

We are an emerging growth company, and any decision on our part to comply only with certain reduced reporting and disclosure requirements applicable to emerging growth companies could make our common stock less attractive to investors.

We are an emerging growth company, and, for as long as we continue to be an emerging growth company, we may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to “emerging growth companies,” including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a nonbinding advisory vote on executive compensation or on any golden parachute payments not previously approved. As an emerging growth company, we also will not be subject to Section 404(b) of the Sarbanes-Oxley Act of 2002, which would require that our independent auditors review and attest as to the effectiveness of our internal control over financial reporting. We intend to use the extended transition period to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. Accordingly, our financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

We could remain an “emerging growth company” for up to five years, or until the earliest of (a) the last day of the first fiscal year in which our annual gross revenues exceed \$1.07 billion, (b) the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter, or (c) the date on which we have issued more than \$1.0 billion in non-convertible debt during the preceding three-year period.

As a result, our stockholders may not have access to certain information they may deem important, and investors may find our common stock less attractive if we choose to rely on these exemptions. This could result in a less active trading market for our common stock and the price of our common stock may be more volatile.

The distribution of subscription rights could have adverse income tax consequences

If the subscription rights granted to certain current or former depositors and certain borrowers of North Shore Trust and Savings are deemed to have an ascertainable value, receipt of such rights may be taxable in an amount equal to such value. Whether subscription rights are considered to have ascertainable value is an inherently factual determination. We have received an opinion of counsel that it is more likely than not that such rights have no value; however, such opinion is not binding on the Internal Revenue Service.

Risks Related to the Charitable Foundation

The contribution to the charitable foundation will dilute your ownership interest and adversely affect net income in 2022

We intend to establish and fund a new charitable foundation in connection with the stock offering. We intend to contribute two percent of our outstanding shares of common stock sold in the offering (including shares contributed to the charitable foundation) and \$150,000 in cash. The contribution will have an adverse effect on our net income for the quarter and year in which we complete the stock offering and contribution to the charitable foundation. The after-tax expense of the contribution is expected to reduce net income for the year ended December 31, 2022 by approximately \$971,000, assuming the offering closes at the adjusted maximum of the offering range. In addition, persons purchasing shares in the stock offering will have their ownership and voting interests in NSTS Bancorp, Inc. diluted by up to 2.0% due to the contribution of shares of common stock to the charitable foundation.

Our contribution to the charitable foundation may not be deductible for federal income tax purposes

We may not have sufficient profits to be able to fully use the tax deduction from our contribution to the charitable foundation. Under the Internal Revenue Code of 1986, as amended (the "Code"), a corporation is permitted to deduct up to 10% of its taxable income (generally income before federal income tax, charitable contributions expense and certain other items) in any one year for charitable contributions. Any contribution in excess of the 10% limit may be deducted for federal income tax purposes over the five years following the year in which the charitable contribution is made, subject to limitations in each of those years. Accordingly, a charitable contribution could, if necessary, be deducted over a six-year period and expire thereafter.

SELECTED CONSOLIDATED FINANCIAL AND OTHER DATA

Set forth below is selected consolidated financial and other data of North Shore MHC and its subsidiaries at and for the dates indicated. The following is only a condensed summary and should be read in conjunction with the business and financial information regarding North Shore MHC included elsewhere in this prospectus, including the consolidated financial statements beginning on page F-1 of this prospectus. The results of operations for the six months ended June 30, 2021 are not necessarily indicative of the results that may be expected for the entire year. The information at and for the years ended December 31, 2020 and 2019 is derived in part from the audited consolidated financial statements that appear elsewhere in this prospectus. The information at and for the six months ended June 30, 2021 and for the six months ended June 30, 2020 has been derived from our unaudited consolidated interim financial statements included elsewhere in this prospectus and which have not been audited but, in the opinion of our management, contain all adjustments (consisting of only normal or recurring adjustments) necessary to present fairly in all material respects our financial position and results of operations for such periods in accordance with GAAP.

	<u>At June 30,</u>		<u>At December 31,</u>	
	<u>2021</u>		<u>2020</u>	<u>2019</u>
	(Dollars in thousands)			
Selected Consolidated Financial Condition Data:				
Total assets	\$ 239,858		\$ 242,219	\$ 235,549
Cash and cash equivalents	20,350		31,868	32,379
Securities available for sale	98,284		81,620	68,569
FHLB of Chicago stock ⁽¹⁾	550		512	512
Loans receivable, net	97,861		98,455	97,677
Total deposits	184,406		186,404	184,371
FHLB of Chicago advances	5,000		4,000	—
Total equity	\$ 45,875		\$ 46,725	\$ 45,764
	(Dollars in thousands)			
	<u>For the Six Months Ended June 30,</u>		<u>For the Year Ended December 31,</u>	
	<u>2021</u>	<u>2020</u>	<u>2020</u>	<u>2019</u>
Selected Operating Data:				
Total interest income ⁽¹⁾	\$ 2,572	\$ 3,278	\$ 6,023	\$ 7,023
Total interest expense	491	840	1,488	1,726
Net interest income	2,081	2,438	4,535	5,297
Provision for loan losses	17	220	464	97
Net interest income after provision for loan losses	2,064	2,218	4,071	5,200
Total noninterest income	598	504	1,591	856
Total noninterest expense	2,913	3,028	6,277	5,728
Income (loss) before income taxes	(251)	(306)	(615)	328
Income tax benefits	(237)	(82)	(503)	(86)
Net income (loss)	\$ (14)	\$ (224)	\$ (112)	\$ 414
Selected Performance Ratios:⁽²⁾				
Average yield on interest-earning assets	2.30%	2.94%	2.69%	3.30%
Average rate on interest-bearing liabilities	0.55%	0.94%	0.83%	1.01%
Average interest rate spread ⁽³⁾	1.75%	2.00%	1.86%	2.29%
Net interest margin ⁽³⁾	1.86%	2.18%	2.02%	2.49%
Average interest-earning assets to average interest-bearing liabilities	125.93%	124.45%	125.12%	124.01%
Net interest income after provision for loan losses to noninterest expense	70.85%	73.25%	64.86%	90.78%
Total noninterest expense to average assets	2.42%	2.53%	2.62%	2.50%
Efficiency ratio ⁽⁴⁾	108.73%	102.92%	102.46%	93.09%
Return on average assets (ratio of net income to average total assets)	(0.01)%	(0.19)%	(0.05)%	0.18%

	For the Six Months Ended June 30,		For the Year Ended December 31,	
	2021	2020	2020	2019
Return on average equity (ratio of net income to average total equity)	(0.06)%	(0.98)%	(0.24)%	0.92%
Asset Quality Ratios: ⁽⁵⁾				
Non-accrual loans as a percent of total loans outstanding	0.37%	0.16%	0.28%	0.07%
Non-performing assets as a percent of total assets ⁽⁶⁾	0.24%	0.07%	0.15%	0.03%
Non-performing assets and troubled debt restructurings as a percent of total assets ⁽⁶⁾	0.95%	0.83%	0.90%	0.84%
Allowance for loan losses as a percent of total loans outstanding	0.81%	0.61%	0.88%	0.40%
Allowance for loan losses as a percent of non-performing loans ⁽⁷⁾	215.22%	371.08%	245.40%	598.46%
Net charge-offs (recoveries) to average loans receivable	0.10%	(0.01)%	(0.02)%	(0.03)%
Capital Ratios: ⁽⁵⁾⁽⁸⁾				
Common equity Tier 1 capital (to risk-weighted assets)	N/A	N/A	N/A	57.91%
Tier 1 leverage (core) capital (to adjusted tangible assets)	18.45%	18.55%	18.41%	19.35%
Tier 1 risk-based capital (to risk-weighted assets)	N/A	N/A	N/A	57.91%
Total risk-based capital (to risk-weighted assets)	N/A	N/A	N/A	58.40%
Average equity to average assets	19.20%	19.04%	19.18%	19.60%
Other Data:				
Full service banking offices	3	3	3	3
Full-time equivalent employees	35	39	36	36

(1) Includes dividend income from the FHLB of Chicago stock which is included in "Other Income" in the December 31, 2020 and 2019 consolidated financial statements.

(2) With the exception of end of period ratios, all ratios are based on average daily balances during the indicated periods.

(3) Average interest rate spread represents the difference between the average yield on interest-earning assets and the average rate paid on interest-bearing liabilities, and net interest margin represents net interest income as a percentage of average interest-earning assets.

(4) The efficiency ratio represents the ratio of noninterest expense divided by the sum of net interest income and noninterest income.

(5) Asset quality ratios and capital ratios are end of period ratios, except for net charge-offs to average loans receivable.

(6) Non-performing assets consist of non-performing loans and real estate owned. Non-performing loans consist of all loans 90 days or more past due. Real estate owned consists of real estate acquired through foreclosure, real estate acquired by acceptance of a deed-in-lieu of foreclosure.

(7) Non-performing loans consist of non-accrual loans and loans that are 90 or more days past due and still accruing.

(8) As of December 31, 2019, we elected to follow the Community Bank Leverage Ratio (the "CBLR") capital adequacy guidelines. The CBLR is equivalent to Tier 1 leverage (core) capital (to adjusted tangible assets) ratio above. See "Management's Discussion and Analysis of Financial Condition and Results of Operations—Liquidity and Capital Resources" and "Supervision and Regulation—Federal Banking Regulation—Capital Requirements."

FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements, which can be identified by the use of words such as “estimate,” “project,” “believe,” “intend,” “anticipate,” “plan,” “seek,” “expect” and words of similar meaning. These forward-looking statements include, but are not limited to:

- statements of our goals, intentions and expectations;
- statements regarding our business plans, prospects, growth and operating strategies;
- statements regarding the quality of our loan and investment portfolios; and
- estimates of our risks and future costs and benefits.

These forward-looking statements are based on current beliefs and expectations of our management and are inherently subject to significant business, economic and competitive uncertainties and contingencies, many of which are beyond our control. In addition, these forward-looking statements are subject to assumptions with respect to future business strategies and decisions that are subject to change.

The following factors, among others, could cause actual results to differ materially from the anticipated results or other expectations expressed in the forward-looking statements:

- general economic conditions, either nationally or in our market areas, that are different than expected;
- conditions relating to the COVID-19 pandemic, or other infectious disease outbreaks, including the severity and duration of the associated economic slowdown, either nationally or in our market areas, that are worse than expected;
- changes in the level and direction of loan delinquencies and charge-offs and changes in estimates of the adequacy of the allowance for loan losses;
- our ability to access cost-effective funding;
- major catastrophes such as tornadoes, floods or other natural disasters, the related disruption to local, regional and global economic activity and financial markets, and the impact that any of the foregoing may have on us and our customers and other constituencies;
- further data processing and other technological changes that may be more difficult or expensive than expected;
- success or consummation of new business initiatives may be more difficult or expensive than expected;
- the inability of third-party service providers to perform;
- fluctuations in real estate values and both residential and commercial real estate market conditions;
- demand for loans and deposits in our market area;
- our ability to continue to implement our business strategies;
- competition among depository and other financial institutions;
- inflation and changes in the interest rate environment that reduce our margins and yields, reduce the fair value of financial instruments or reduce the origination levels in our lending business, or increase the level of defaults, losses and prepayments on loans;

- adverse changes in the securities markets;
- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements;
- our ability to manage market risk, credit risk and operational risk in the current economic conditions;
- our ability to enter new markets successfully and capitalize on growth opportunities;
- our ability to successfully integrate any assets, liabilities, customers, systems and management personnel we may acquire into our operations and our ability to realize related revenue synergies and cost savings within expected time frames and any goodwill charges related thereto;
- changes in consumer spending, borrowing and savings habits;
- changes in accounting policies and practices, as may be adopted by the bank regulatory agencies, the Financial Accounting Standards Board, the Securities and Exchange Commission or the Public Company Accounting Oversight Board;
- our ability to hire and retain key employees; and
- our compensation expense associated with equity allocated or awarded to our employees.

Because of these and other uncertainties, our actual future results may be materially different from the results indicated by these forward-looking statements. See “Risk Factors” beginning on page 16.

HOW WE INTEND TO USE THE PROCEEDS FROM THE OFFERING

Although we cannot determine what the actual net offering proceeds will be until the offering is completed, we estimate that the net proceeds will be between \$32.3 million and \$44.1 million, or \$51.0 million if the offering range is increased by 15.0%.

We intend to distribute the net proceeds as follows:

	Based upon the Sale at \$10.00 Per Share of							
	3,400,000 Shares		4,000,000 Shares		4,600,000 Shares		5,290,000 Shares ⁽¹⁾	
	Amount	Percent of Net Proceeds	Amount	Percent of Net Proceeds	Amount	Percent of Net Proceeds	Amount	Percent of Net Proceeds
	(Dollars in thousands)							
Gross offering proceeds	\$ 34,000		\$ 40,000		\$ 46,000		\$ 52,900	
Less: offering expenses	1,740		1,800		1,860		1,929	
Net offering proceeds	\$ 32,260	100.0%	\$ 38,200	100.0%	\$ 44,140	100.0%	\$ 50,971	100.0%
Distribution of net proceeds:								
Proceeds contributed to North Shore Trust and Savings	\$ 16,130	50.0%	\$ 19,100	50.0%	\$ 22,070	50.0%	\$ 25,486	50.0%
Loan to employee stock ownership plan	\$ 2,776	8.6%	\$ 3,265	8.5%	\$ 3,755	8.5%	\$ 4,318	8.5%
Cash contribution to the charitable foundation	\$ 150	0.5%	\$ 150	0.4%	\$ 150	0.3%	\$ 150	0.3%
Proceeds retained by NSTS Bancorp, Inc.	\$ 13,204	40.9%	\$ 15,685	41.1%	\$ 18,165	41.2%	\$ 21,017	41.2%

(1) As adjusted to give effect to an increase in the number of shares, which increase could occur due to a 15% increase in the offering range to reflect demand for the shares or changes in market conditions following the commencement of the offering.

Payments for shares of common stock made through withdrawals from existing deposit accounts will not result in the receipt of new funds for investment but will reduce North Shore Trust and Savings' deposits. The net proceeds may vary because total expenses relating to the offering may be more or less than our estimates. For example, our expenses would increase if fewer shares were sold in the subscription and community offerings and more in the syndicated community offering than we have assumed.

NSTS Bancorp, Inc. may use the proceeds it retains from the offering:

- to invest in securities;
- for capital management strategies, including repurchases to fund stock-based benefit plans and additional stock repurchases, subject to regulatory limitations;
- although we do not currently have any understandings or agreements regarding any specific transactions, to facilitate the potential acquisition of financial institutions, asset portfolios and branch offices, if available, on a prudent basis; and
- for other general corporate purposes.

See "Our Dividend Policy" for a discussion of our expected dividend policy following the completion of the offering. Under current federal regulations, we may not repurchase shares of our common stock during the first year following the completion of the conversion, except when extraordinary circumstances exist and with prior regulatory approval, or except to fund the granting of restricted stock awards or tax-qualified employee stock benefit plans.

North Shore Trust and Savings may use the net proceeds it receives from the offering:

- to fund new loans;

- to invest in securities;
- to expand its retail banking franchise by establishing or acquiring new loan production offices and branches or by acquiring other financial institutions or other financial services companies as opportunities arise, although we do not currently have any understandings or agreements to acquire a financial institution or other entity; and
- for other general corporate purposes.

Initially, a substantial portion of the net proceeds will be invested in short-term investment securities of the type currently held by North Shore Trust and Savings. We have not determined specific amounts of the net proceeds that would be used for the purposes described above. The use of the proceeds outlined above may change based on many factors, including, but not limited to, changes in interest rates, equity markets, laws and regulations affecting the financial services industry, the attractiveness and availability of potential acquisitions to expand our operations, and overall market conditions.

We expect our return on equity to be low until we are able to effectively deploy the additional capital raised in the offering. See “Risk Factors—Risks Related to the Offering—We have broad discretion in using the proceeds of the offering. Our failure to effectively deploy the net proceeds may have an adverse effect on our financial performance and the value of our common stock” and “—Risks Related to the Offering—The capital we raise in the offering may negatively impact our return on equity until we can fully implement our business plan. This could negatively affect the trading price of our shares of common stock.”

OUR DIVIDEND POLICY

Following completion of the stock offering, our board of directors will have the authority to declare dividends on our shares of common stock. The board's determination of whether to declare a dividend and the amount of any such dividend is subject to our financial condition and results of operations, tax considerations, capital requirements and available alternative uses for capital, statutory and regulatory limitations, and general economic conditions. No decision has been made with respect to the amount, if any, and timing of any dividend payments. We cannot assure you that we will pay dividends in the future, or, if dividends are paid, that any such dividends will not be reduced or eliminated in the future.

The source of dividends will depend on the net proceeds retained by NSTS Bancorp, Inc. from the offering and earnings thereon, and dividends paid by North Shore Trust and Savings to NSTS Bancorp, Inc. In addition, NSTS Bancorp, Inc. will be subject to state law limitations and federal bank regulatory policy on the payment of dividends. Delaware law generally limits dividends to be paid out of its capital surplus or, if there is no surplus, out of net profits from the fiscal year in which the dividend is declared, and the preceding fiscal year, subject to certain limitations.

After the completion of the conversion, North Shore Trust and Savings will not be permitted to pay dividends to NSTS Bancorp, Inc., its sole stockholder, if North Shore Trust and Savings' stockholder's equity would be reduced below the amount of the liquidation account established in connection with the conversion. In addition, North Shore Trust and Savings will not be permitted to make a capital distribution if, after making such distribution, it would be undercapitalized. North Shore Trust and Savings must provide notice to the Federal Reserve Board and file an application with the OCC for approval of a capital distribution if the total capital distributions for the applicable calendar year exceed the sum of its net income for that year to date plus its retained net income for the preceding two years, or it would not be at least adequately capitalized following the distribution.

Any payment of dividends by North Shore Trust and Savings to NSTS Bancorp, Inc. that would be deemed to be drawn from North Shore Trust and Savings' bad debt reserves established before 1988, if any, would require a payment of taxes at the then-current tax rate by North Shore Trust and Savings on the amount of earnings deemed to be removed from the pre-1988 bad debt reserves for such distribution. North Shore Trust and Savings does not intend to make any distribution that would create such a federal tax liability.

We intend to file a consolidated federal tax return with North Shore Trust and Savings. Accordingly, it is anticipated that any cash distributions made by NSTS Bancorp, Inc. to our stockholders would be treated as cash dividends and not as a non-taxable return of capital for federal tax purposes. Additionally, pursuant to regulations of the Federal Reserve Board, during the three-year period following the conversion and stock offering, NSTS Bancorp, Inc. will not take any action to declare an extraordinary dividend to stockholders that would be treated by recipients as a tax-free return of capital for federal income tax purposes.

MARKET FOR THE COMMON STOCK

NSTS Bancorp, Inc. is a newly formed company and has not previously issued shares of its capital stock, other than a limited number of shares in connection with its incorporation, and there is no established market for the shares of its common stock. We have applied to list our shares of common stock on the Nasdaq Capital Market under the symbol “NSTS”, subject to completion of the conversion and compliance with certain listing conditions, including the presence of at least three registered and active market makers. Keefe, Bruyette & Woods, Inc. has advised us that it intends to make a market in shares of our common stock following the offering, but it is not obligated to do so or to continue to do so once it begins. While we will attempt before completion of the offering to obtain commitments from at least two other broker-dealers to make a market in shares of our common stock, there can be no assurance that we will be successful in obtaining such commitments.

The development and maintenance of a public market, having the desirable characteristics of depth, liquidity and orderliness, depends on the existence of willing buyers and sellers, the presence of which is not within our control or that of any market maker. The number of active buyers and sellers of shares of our common stock at any particular time may be limited, which may have an adverse effect on the price at which shares of our common stock can be sold. There can be no assurance that persons purchasing shares of common stock in the offering will be able to sell their shares at or above the \$10.00 offering purchase price per share.

HISTORICAL AND PRO FORMA REGULATORY CAPITAL COMPLIANCE

At June 30, 2021, North Shore Trust and Savings exceeded all of the applicable regulatory capital requirements and was considered “well-capitalized.” The table below sets forth the historical equity capital and regulatory capital of North Shore Trust and Savings at June 30, 2021, and the pro forma equity capital and regulatory capital of North Shore Trust and Savings after giving effect to the sale of shares of common stock at \$10.00 per share in the offering. North Shore Trust and Savings elected the CBLR as of June 30, 2021, but the table below shows North Shore Trust and Savings’ capital ratios for illustrative purposes as if it had not made such election. The CBLR is equivalent to the Tier 1 leverage ratio in the table below. To be considered well-capitalized using the CBLR at June 30, 2021 required a ratio that exceeds 8.5%. The table assumes that North Shore Trust and Savings receives 50% of the net offering proceeds. See “How We Intend to Use the Proceeds from the Offering.”

	North Shore Trust and Savings Historical at June 30, 2021		North Shore Trust and Savings Pro Forma as of June 30, 2021 Based upon the Sale in the Offering of:							
			3,400,000 Shares at \$10.00 per share		4,000,000 Shares at \$10.00 per share		4,600,000 Shares at \$10.00 per share		5,290,000 Shares at \$10.00 per share ⁽¹⁾	
	Amount	Percent of Assets	Amount	Percent of Assets	Amount	Percent of Assets	Amount	Percent of Assets	Amount	Percent of Assets
(Dollars in thousands)										
Equity	\$44,826	18.69%	\$56,792	22.31%	\$59,028	22.94%	\$61,263	23.56%	\$63,835	24.25%
Tier 1 leverage capital ⁽²⁾⁽³⁾	\$44,257	18.45%	\$56,223	22.08%	\$58,459	22.72%	\$60,694	23.34%	\$63,266	24.04%
Tier 1 leverage requirement	11,993	5.00%	\$12,730	5.00%	12,866	5.00%	13,003	5.00%	\$13,159	5.00%
Excess	\$32,264	13.45%	\$43,493	17.08%	\$45,593	17.72%	\$47,691	18.34%	\$50,107	19.04%
Tier 1 risk-based capital ⁽²⁾⁽³⁾	\$44,257	51.60%	\$56,223	63.37%	\$58,459	65.49%	\$60,694	67.58%	\$63,266	69.96%
Tier 1 risk-based requirement	6,861	8.00%	7,097	8.00%	7,141	8.00%	7,184	8.00%	7,235	8.00%
Excess	\$37,396	43.60%	\$49,126	55.37%	\$51,318	57.49%	\$53,510	59.58%	\$56,031	61.96%
Common equity tier 1 risk-based capital ⁽²⁾ (3)	\$44,257	51.60%	\$56,223	63.37%	\$58,459	65.49%	\$60,694	67.58%	\$63,266	69.96%
Common equity tier 1 risk-based requirement	5,575	6.50%	5,767	6.50%	5,802	6.50%	5,837	6.50%	5,878	6.50%
Excess	\$38,682	45.10%	\$50,456	56.87%	\$52,657	58.99%	\$54,857	61.08%	\$57,388	63.46%
Total risk-based capital ⁽²⁾⁽³⁾	\$45,035	52.51%	\$57,001	64.25%	\$59,237	66.36%	\$61,472	68.45%	\$64,044	70.82%
Total risk-based requirement	8,577	10.00%	8,872	10.00%	8,926	10.00%	8,981	10.00%	9,043	10.00%
Excess	\$36,458	42.51%	\$48,129	54.25%	\$50,311	56.36%	\$52,491	58.45%	\$55,001	60.82%
Reconciliation of capital infused into North Shore Trust and Savings:										
Net proceeds			\$16,130		\$19,100		\$22,070		\$25,486	
Less: Common stock acquired by employee stock ownership plan			(2,776)		(3,265)		(3,755)		(4,318)	
Less: Common stock acquired by stock- based benefit plans			(1,388)		(1,633)		(1,878)		(2,159)	
Pro forma increase			\$11,966		\$14,202		\$16,437		\$19,009	

(1) As adjusted to give effect to an increase in the number of shares, which could occur due to a 15% increase in the offering range to reflect demand for the shares or changes in market conditions following the commencement of the offering.

(2) Tier 1 leverage capital levels are shown as a percentage of total average assets. Risk-based capital levels are shown as a percentage of risk-weighted assets.

(3) Pro forma amounts and percentages assume net proceeds are invested in assets that carry a 20% risk weighting.

CAPITALIZATION

The following table presents, as of June 30, 2021, the historical consolidated capitalization of North Shore MHC and the pro forma consolidated capitalization of NSTS Bancorp, Inc. after giving effect to the conversion and offering based upon the assumptions set forth under “Pro Forma Data.”

	North Shore MHC Historical as of June 30, 2021	NSTS Bancorp, Inc. Pro Forma as of June 30, 2021 Based upon the Sale in the Offering at \$10.00 per Share of:			
		3,400,000 Shares	4,000,000 Shares	4,600,000 Shares	5,290,000 Shares ⁽¹⁾
		(Dollars in thousands)			
Deposits ⁽²⁾	\$ 184,406	\$ 184,406	\$ 184,406	\$ 184,406	\$ 184,406
Borrowings	5,000	5,000	5,000	5,000	5,000
Total deposits and borrowed funds	<u>\$ 189,406</u>	<u>\$ 189,406</u>	<u>\$ 189,406</u>	<u>\$ 189,406</u>	<u>\$ 189,406</u>
Stockholders' equity:					
Preferred stock, \$0.01 par value, 1,000,000 shares authorized	—	—	—	—	—
Common stock, \$0.01 par value, 10,000,000 shares authorized; shares to be issued as reflected ⁽³⁾	—	35	41	47	54
Additional paid-in capital	—	32,225	38,159	44,093	50,917
Retained earnings ⁽⁴⁾	45,305	45,305	45,305	45,305	45,305
Accumulated other comprehensive income	570	570	570	570	570
Expense of contribution to the charitable foundation	—	694	816	939	1,080
Tax benefit of contribution to the charitable foundation	—	(667)	(763)	(860)	(971)
Less:					
Common stock to be acquired by employee stock ownership plan ⁽⁵⁾	—	(2,776)	(3,265)	(3,755)	(4,318)
Common stock to be acquired by stock-based benefit plans ⁽⁶⁾	—	(1,388)	(1,633)	(1,878)	(2,159)
Total stockholders' equity	<u>\$ 45,875</u>	<u>\$ 73,998</u>	<u>\$ 79,230</u>	<u>\$ 84,461</u>	<u>\$ 90,478</u>
Pro Forma Shares Outstanding	—	3,469,388	4,081,633	4,693,878	5,397,959
Total stockholders' equity as a percentage of total assets	19.13%	27.61%	29.00%	30.33%	31.81%

- (1) As adjusted to give effect to an increase in the number of shares, which increase could occur due to a 15% increase in the offering range to reflect demand for the shares or changes in market conditions following the commencement of the offering.
- (2) Does not reflect withdrawals from deposit accounts at North Shore Trust and Savings for the purchase of shares of common stock. These withdrawals would reduce pro forma deposits and assets by the amount of the withdrawals.
- (3) No effect has been given to the issuance of additional shares of common stock pursuant to the exercise of options under one or more stock-based benefit plans. The implementation of such plans will require stockholder approval. If the plans are implemented within the first year after the closing of the offering, an amount up to 10% of the shares of common stock sold in the offering will be reserved for issuance upon the exercise of options under the plans. See “Management.”
- (4) The retained earnings of North Shore Trust and Savings will be substantially restricted after the offering. See “Supervision and Regulation—Federal Banking Regulations—Capital Distributions.”
- (5) Assumes that 8% of the shares sold in the offering (including shares contributed to the charitable foundation) will be acquired by the employee stock ownership plan financed by a loan from NSTS Bancorp, Inc. The loan will be repaid principally from North Shore Trust and Savings' contributions to the employee stock ownership plan. Since NSTS Bancorp, Inc. will finance the employee stock ownership plan debt, this debt will be eliminated through consolidation and no liability will be reflected on NSTS Bancorp, Inc.'s consolidated balance sheet. Accordingly, the dollar amount of shares of common stock acquired by the employee stock ownership plan is shown in this table as a reduction of total stockholders' equity. See “Management—New Stock Benefit Plans—Employee Stock Ownership Plan.”
- (6) Assumes a number of shares of common stock equal to 4% of the shares of common stock to be sold in the offering will be purchased for grant by a stock-based benefit plan. The funds to be used by such plan to purchase the shares will be provided by NSTS Bancorp, Inc. The dollar amount of common stock to be purchased is based on the \$10.00 per share offering price and represents unearned compensation. This amount does not reflect possible increases or decreases in the value of common stock relative to the offering price. NSTS Bancorp, Inc. will accrue compensation expense to reflect the vesting of shares pursuant to such stock-based benefit plan and will credit capital in an amount equal to the charge to operations. Implementation of such plan will require stockholder approval. See “Management—New Stock Benefit Plans—Stock Option and Stock-Based Benefit Plans.”

PRO FORMA DATA

The following table illustrates the pro forma impact of the conversion and offering on our net income and stockholders' equity based on the sale of common stock at the minimum, the midpoint and the maximum of the offering range. The actual net proceeds from the sale of the common stock cannot be determined until the offering is completed. Net proceeds indicated in the following table is based upon the following assumptions, although actual expenses may vary from these estimates:

- all of the shares of common stock will be sold in the subscription offering and no shares will be sold in the syndicated community offering;
- our employee stock ownership plan will purchase a number of shares equal to 8% of the shares sold in the offering (including shares of common stock contributed to the charitable foundation) with a loan from NSTS Bancorp, Inc. that will be repaid in equal installments over 25 years;
- our directors, executive officers and their associates will purchase an aggregate of 270,000 shares of common stock in the offering;
- we will pay Keefe, Bruyette & Woods, Inc. a fee equal to 1.00% of the aggregate amount of common stock sold in the subscription offering;
- total expenses of the offering, excluding selling agent fees and commissions, will be approximately \$1.4 million; and
- NSTS Bancorp, Inc. will contribute to the charitable foundation \$150,000 in cash and two percent of the shares of common stock issued in the offering (including shares of common stock issued to the charitable foundation).

We calculated pro forma consolidated net income for each year, as if the estimated net investable proceeds had been invested at an assumed interest rate of 0.87% (0.69% on an after-tax basis using an assumed tax rate of 21.0%). This represents the yield on the five-year United States Treasury Note as of June 30, 2021, which, in light of current market interest rates, we consider to more accurately reflect the pro forma reinvestment rate than the arithmetic average of the weighted average yield earned on our interest-earning assets and the weighted average rate paid on our deposits, which is the reinvestment rate generally required by federal banking regulators.

We calculated historical and pro forma per share amounts by dividing historical and pro forma consolidated net income and stockholders' equity by the indicated number of shares of common stock. We computed per share amounts as if the shares of common stock were outstanding at the beginning of the period, but we did not adjust per share historical or pro forma stockholders' equity to reflect the earnings on the estimated net proceeds.

The pro forma table gives effect to the implementation of a new stock-based benefit plan. We have assumed that the stock-based benefit plan will acquire for restricted stock awards a number of shares of common stock equal to 4% of the shares of common stock sold in the stock offering (including shares of common stock contributed to the charitable foundation) at the same \$10.00 per share price for which they were sold in the stock offering. We have assumed that awards of common stock granted under such plan will vest over a five-year period.

We also have assumed that options will be granted under a new stock option plan to acquire shares of common stock equal to 10% of the shares of common stock sold in the stock offering (including shares of common stock contributed to the charitable foundation). In preparing the table below, we assumed that stockholder approval was obtained, that the exercise price of the stock options and the market price of the stock at the date of grant were \$10.00 per share and that the stock options had a term of 10 years and vested over five years. We applied the Black-Scholes option pricing model to estimate a grant-date fair value of \$3.56 for each option.

We may grant options and award shares of common stock under one or more stock-based benefit plans in excess of 10% and 4%, respectively, of the shares of common stock sold in the stock offering (including shares of common stock contributed to the charitable foundation) and that vest more rapidly than over a five-year period if the stock-based benefit plans are adopted more than one year following the completion of the conversion and offering.

As discussed under “How We Intend to Use the Proceeds from the Offering,” we intend to contribute 50% of the net offering proceeds to North Shore Trust and Savings, and NSTS Bancorp, Inc. will retain the remainder of the net proceeds from the stock offering. NSTS Bancorp, Inc. will use a portion of the proceeds we retain to fund a loan to the employee stock ownership plan and retain the rest of the proceeds for future use.

The pro forma table does not give effect to:

- withdrawals from deposit accounts to purchase shares of common stock in the offering;
- increased fees that we would pay Keefe, Bruyette & Woods, Inc. and other broker-dealers in the event that we have to conduct a syndicated community offering;
- our results of operations after the offering; or
- changes in the market price of the shares of common stock after the offering.

The following pro forma information may not be representative of the financial effects of the offering at the dates on which the offering actually occurs, and should not be taken as indicative of future results of operations. Pro forma consolidated stockholders’ equity represents the difference between the stated amounts of our assets and liabilities. The pro forma stockholders’ equity is not intended to represent the fair market value of the shares of common stock and may be different than the amounts that would be available for distribution to stockholders if we liquidated. Moreover, pro forma stockholders’ equity per share does not give effect to the liquidation accounts to be established in the conversion or, in the unlikely event of a liquidation of North Shore Trust and Savings, to the tax effect of the recapture of the bad debt reserve. See “The Conversion and Offering — Liquidation Rights.”

	At or for the Six Months Ended June 30, 2021			
	Based upon the Sale at \$10.00 Per Share of			
	3,400,000	4,000,000	4,600,000	5,290,000
	Shares	Shares	Shares	Shares
	(Dollars in thousands, except per share amounts)			
Gross proceeds of offering:	\$ 34,000	\$ 40,000	\$ 46,000	\$ 52,900
Expenses	(1,740)	(1,800)	(1,860)	(1,929)
Estimated net proceeds	32,260	38,200	44,140	50,971
Cash contribution to charitable foundation	(150)	(150)	(150)	(150)
Common stock purchased by ESOP ⁽¹⁾	(2,776)	(3,265)	(3,755)	(4,318)
Common stock purchased by stock-based benefit plan ⁽²⁾	(1,388)	(1,633)	(1,878)	(2,159)
Estimated net proceeds, as adjusted	<u>\$ 27,946</u>	<u>\$ 33,152</u>	<u>\$ 38,357</u>	<u>\$ 44,344</u>
For the Six Months Ended June 30, 2021				
Consolidated net income (loss):				
Historical	\$ (14)	\$ (14)	\$ (14)	\$ (14)
Income on net proceeds	96	114	132	152
Employee stock ownership plan ⁽¹⁾	(44)	(52)	(59)	(68)
Stock-based benefit plan awards ⁽²⁾	(110)	(129)	(148)	(171)
Stock options ⁽³⁾	(117)	(138)	(158)	(182)
Pro forma net income (loss)	<u>\$ (189)</u>	<u>\$ (219)</u>	<u>\$ (247)</u>	<u>\$ (283)</u>
Net income (loss) per share ⁽⁴⁾ :				
Historical	\$ (\$0.01)	\$ (\$0.01)	\$ (\$0.01)	\$ (\$0.01)
Income on net proceeds	0.03	0.03	0.03	0.03
Employee stock ownership plan ⁽¹⁾	(0.01)	(0.01)	(0.01)	(0.01)
Stock-based benefit plan awards ⁽²⁾	(0.03)	(0.03)	(0.03)	(0.03)
Stock options ⁽³⁾	(0.04)	(0.04)	(0.04)	(0.04)
Pro forma net income (loss) per share ⁽⁴⁾	<u>\$ (0.06)</u>	<u>\$ (0.06)</u>	<u>\$ (0.06)</u>	<u>\$ (0.06)</u>
Offering price to pro forma net earnings per share	*	*	*	*
Number of shares used in earnings per share calculations	3,197,388	3,761,633	4,325,878	4,974,759
As of June 30, 2021				
Stockholders’ equity:				
Historical	\$ 45,875	\$ 45,875	\$ 45,875	\$ 45,875
Estimated net proceeds	32,260	38,200	44,140	50,971
Market value of shares issued to charitable foundation	694	816	939	1,080
Expense of contribution to the charitable foundation	(667)	(763)	(860)	(971)
Common stock purchased by ESOP ⁽¹⁾	(2,776)	(3,265)	(3,755)	(4,318)
Common stock purchased by stock-based benefit plan ⁽²⁾	(1,388)	(1,633)	(1,878)	(2,159)
Pro forma stockholders’ equity	<u>\$ 73,998</u>	<u>\$ 79,230</u>	<u>\$ 84,461</u>	<u>\$ 90,478</u>
Stockholders’ equity per share:				
Historical	\$ 13.22	\$ 11.24	\$ 9.77	\$ 8.50
Estimated net proceeds	9.30	9.36	9.40	9.44

	At or for the Six Months Ended June 30, 2021			
	Based upon the Sale at \$10.00 Per Share of			
	4,000,000 Shares	4,000,000 Shares	4,000,000 Shares	4,000,000 Shares
	(Dollars in thousands, except per share amounts)			
Market value of shares issued to charitable foundation	0.20	0.20	0.20	0.20
Expense of contribution to the charitable foundation	(0.19)	(0.19)	(0.18)	(0.18)
Common stock acquired by ESOP ⁽¹⁾	(0.80)	(0.80)	(0.80)	(0.80)
Common stock acquired by stock-based benefit plan ⁽²⁾	(0.40)	(0.40)	(0.40)	(0.40)
Pro forma stockholders' equity per share ⁽⁵⁾	<u>\$ 21.33</u>	<u>\$ 19.41</u>	<u>\$ 17.99</u>	<u>\$ 16.76</u>
Less: Intangibles	—	—	—	—
Pro forma tangible stockholders' equity per share ⁽⁵⁾	\$ 21.33	\$ 19.41	\$ 17.99	\$ 16.76
Pro forma price to book value	46.88%	51.52%	55.59%	59.67%
Pro forma price to tangible book value	46.88%	51.52%	55.59%	59.67%
Number of shares outstanding for pro forma book value per share calculations	3,469,388	4,081,633	4,693,878	5,397,959

* Not material.

- (1) Assumes that 8% of the shares of common stock sold in the offering including shares contributed to the charitable foundation will be purchased by the employee stock ownership plan. For purposes of this table, the funds used to acquire these shares are assumed to have been borrowed by the employee stock ownership plan from NSTS Bancorp, Inc. North Shore Trust and Savings intends to make annual contributions to the employee stock ownership plan in an amount at least equal to the required principal and interest payments on the debt. North Shore Trust and Savings' total annual payments on the employee stock ownership plan debt are based upon 25 equal annual installments of principal and interest. Financial Accounting Standards Board Accounting Standards Codification ("ASC") 718-40, "Compensation—Stock Compensation—Employee Stock Ownership Plans" ("ASC 718-40") requires that an employer record compensation expense in an amount equal to the fair value of the shares committed to be released to employees. The pro forma adjustments assume that the employee stock ownership plan shares are allocated in equal annual installments based on the number of loan repayment installments assumed to be paid by North Shore Trust and Savings, the fair value of the common stock remains equal to the subscription price and the employee stock ownership plan expense reflects an effective combined federal and state tax rate of 21.0%. The unallocated employee stock ownership plan shares are reflected as a reduction of stockholders' equity. No reinvestment is assumed on proceeds contributed to fund the employee stock ownership plan. The pro forma net income further assumes that shares were committed to be released over 25 equal annual installments during the year at the minimum, midpoint, maximum and adjusted maximum of the offering range, respectively, and in accordance with ASC 718-40, only the employee stock ownership plan shares committed to be released during the period were considered outstanding for net income per share calculations.
- (2) Assumes that a new stock-based benefit plan purchases an aggregate number of shares of common stock equal to 4% of the shares to be sold in the offering including shares contributed to the charitable foundation. Shareholder approval of the plan and purchases by the plan may not occur earlier than six months after the completion of the conversion. The shares may be acquired directly from NSTS Bancorp, Inc. or through open market purchases. Shares in the stock-based benefit plan are assumed to vest over a period of five years. The funds to be used to purchase the shares will be provided by NSTS Bancorp, Inc. The table assumes that (i) the stock-based benefit plan acquires the shares through open market purchases at \$10.00 per share, (ii) 20% of the amount contributed to the plan is amortized as an expense during the six months ended June 30, 2021 and the year ended December 31, 2021, and (iii) the plan expense reflects an effective tax rate of 21.0%. Assuming stockholder approval of the stock-based benefit plan and that shares of common stock (equal to 4% of the shares sold in the offering) are awarded through the use of authorized but unissued shares of common stock, stockholders would have their ownership and voting interests diluted by approximately 3.8%. See "Management—New Stock Benefit Plans—Stock Option and Stock-Based Benefit Plans."
- (3) Assumes that options are granted under a new stock option plan to acquire an aggregate number of shares of common stock equal to 10% of the shares to be sold in the offering. Shareholder approval of the plan may not occur earlier than six months after the completion of the conversion. In calculating the pro forma effect of the stock option plan, it is assumed that the exercise price of the stock options and the trading price of the common stock at the date of grant were \$10.00 per share, the estimated grant-date fair value determined using the Black-Scholes option pricing model was \$3.56 for each option, the aggregate grant-date fair value of the stock options was amortized to expense on a straight-line basis over a five-year vesting period of the options, and that 25.0% of the amortization expense (or the assumed portion relating to options granted to directors) resulted in a tax benefit using an assumed tax rate of 21.0%. The actual expense will be determined by the grant-date fair value of the options, which will depend on a number of factors, including the valuation assumptions used and the option pricing model ultimately adopted. Under the above assumptions, the adoption of the stock option plan will result in no additional shares under the treasury stock method for calculating earnings per share. There can be no assurance that the actual exercise price of the stock options will be equal to the \$10.00 price per share. If a portion of the shares used to satisfy the exercise of options comes from authorized but unissued shares, our net income per share and stockholders' equity per share would decrease. The issuance of authorized but unissued shares of common stock pursuant to the exercise of options under such plan would dilute stockholders' ownership and voting interests by approximately 9.1%. See "Management—New Stock Benefit Plans—Stock Option and Stock-Based Benefit Plans."
- (4) Net income per share computations are determined by taking the number of shares assumed to be sold in the offering and contributed to the charitable foundation, in accordance with ASC 718-40, subtracting the employee stock ownership plan shares that have not been committed for release during the year. See note (1) above. The number of shares of common stock actually sold may be more or less than the assumed amounts.
- (5) Stockholders' equity per share calculations are based upon the number of shares assumed to be sold in the offering at the minimum, midpoint, maximum and adjusted maximum of the offering range, respectively. The number of shares actually sold may be more or less than the assumed amounts.

**COMPARISON OF VALUATION AND PRO FORMA INFORMATION
WITH AND WITHOUT THE CHARITABLE FOUNDATION**

As reflected in the table below, if the charitable foundation is not established and funded in connection with the conversion and stock offering, Feldman Financial estimates that our pro forma valuation would be greater and, as a result, a greater number of shares of common stock would be issued in the stock offering. At the minimum, midpoint, maximum and adjusted maximum of the valuation range, our pro forma valuation is \$34.7 million, \$40.8 million, \$46.9 million and \$54.0 million, respectively, with the charitable foundation, as compared to \$35.3 million, \$41.5 million, \$47.7 million and \$54.9 million, respectively, without the charitable foundation. There is no assurance that if the charitable foundation were not formed, the appraisal prepared at that time would conclude that our pro forma market value would be the same as that estimated in the table below. Any appraisal prepared at that time would be based on the facts and circumstances existing at that time, including, among other things, market and economic conditions.

For comparative purposes only, set forth below are certain pricing ratios, financial data and ratios at and for the six months ended June 30, 2021 at the minimum, midpoint, maximum and adjusted maximum of the offering range, assuming the stock offering was completed at the beginning of the period, without the charitable foundation.

	Minimum of Offering Range		Midpoint of Offering Range		Maximum of Offering Range		Adjusted Maximum of Offering Range	
	With Charitable Foundation	Without Charitable Foundation	With Charitable Foundation	Without Charitable Foundation	With Charitable Foundation	Without Charitable Foundation	With Charitable Foundation	Without Charitable Foundation
	(Dollars in thousands, except per share amounts)							
Estimated offering amount	\$ 34,000	\$ 35,275	\$ 40,000	\$ 41,500	\$ 46,000	\$ 47,725	\$ 52,900	\$ 54,884
Pro forma market capitalization	34,694	35,275	40,816	41,500	46,939	47,725	53,980	54,884
Total assets	267,981	269,028	273,213	274,444	278,444	279,860	284,461	286,088
Total liabilities	193,983	193,983	193,983	193,983	193,983	193,983	193,983	193,983
Pro forma stockholders' equity	73,998	75,045	79,230	80,461	84,461	85,877	90,478	92,105
Pro forma net income (loss) ⁽¹⁾	(189)	(189)	(219)	(218)	(247)	(249)	(283)	(282)
Pro forma stockholders' equity per share	\$ 21.33	\$ 21.27	\$ 19.41	\$ 19.39	\$ 17.99	\$ 17.99	\$ 16.76	\$ 16.78
Pro forma net income (loss) per share	\$ (0.06)	\$ (0.06)	\$ (0.06)	\$ (0.06)	\$ (0.06)	\$ (0.06)	\$ (0.06)	\$ (0.06)
Pro forma pricing ratios:								
Offering price as a percentage of pro forma stockholders' equity per share	46.88%	47.01%	51.52%	51.57%	55.59%	55.59%	59.67%	59.59%
Offering price to pro forma net income (loss) per share	*	*	*	*	*	*	*	*
Pro forma financial ratios:								
Return on assets	(0.14)%	(0.14)%	(0.16)%	(0.16)%	(0.18)%	(0.18)%	(0.20)%	(0.20)%
Return on equity	(0.51)%	(0.50)%	(0.55)%	(0.54)%	(0.58)%	(0.58)%	(0.63)%	(0.61)%
Equity to assets	27.61%	27.89%	29.00%	29.32%	30.33%	30.69%	31.81%	32.19%
Total shares issued	3,469,388	3,527,500	4,081,633	4,150,000	4,693,878	4,772,500	5,397,959	5,488,375

* Not material.

- (1) The following table shows the estimated after-tax expenses associated with the contribution to the charitable foundation, as well as pro forma net income, pro forma net income per share, pro forma return on assets and pro forma return on stockholders' equity assuming the contribution to the charitable foundation was expensed during the six months ended June 30, 2021.

	Minimum of Offering Range	Midpoint of Offering Range	Maximum of Offering Range	Adjusted Maximum of Offering Range
	(Dollars in thousands, except per share amounts)			
Before-tax expense of stock and cash contribution to charitable foundation	\$ 844	\$ 966	\$ 1,089	\$ 1,230
After-tax expense of stock and cash contribution to charitable foundation	\$ 667	\$ 763	\$ 860	\$ 971
Pro forma net loss	\$ (856)	\$ (982)	\$ (1,107)	\$ (1,254)
Pro forma net loss per share	\$ (0.27)	\$ (0.26)	\$ (0.26)	\$ (0.25)
Pro forma tax benefit	\$ 177	\$ 203	\$ 229	\$ 259
Offering price to pro forma net income (loss) per share	*	*	*	*
Pro forma loss on assets (annualized)	(0.64)%	(0.72)%	(0.80)%	(0.88)%
Pro forma loss on equity(annualized)	(2.31)%	(2.48)%	(2.62)%	(2.77)%

* Not material.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion and analysis reflects the consolidated financial statements and other relevant statistical data, and is intended to enhance your understanding of the financial condition and results of operations of North Shore MHC, NSTS Financial Corporation and North Shore Trust and Savings. The information in this section at December 31, 2020 and December 31, 2019 and for the years then ended is derived in part from the audited consolidated financial statements which appear beginning on page F-1 of this prospectus. The information as of June 30, 2021 and June 30, 2020 is unaudited. You should read the information in this section in conjunction with the business and financial information regarding the North Shore MHC provided in this prospectus.

Overview

North Shore Trust and Savings is a community-oriented savings institution headquartered in Waukegan, Illinois. We operate as a traditional thrift relying on the origination of long-term one- to four-family residential mortgage loans secured by property in Lake County, Illinois and surrounding communities. We also originate multi-family and commercial real estate loans and, to a lesser extent, construction, home equity, and consumer loans. We currently operate three full-service banking offices in Lake County, Illinois and one loan production office in Chicago. Our plan is to open three additional loan production offices in the next several years in surrounding communities and possibly Southeast Wisconsin. Our primary sources of funds consists of attracting deposits from the general public and using those funds along with funds from the FHLB of Chicago and other sources to originate loans to our customers and invest in securities. As of June 30, 2021, we had total assets of \$239.9 million, including \$97.9 million in net loans and \$98.3 million of securities available for sale, total deposits of \$184.4 million and total equity of \$45.9 million. For the six months ended June 30, 2021, we had a net loss of \$14,300 compared to a net loss of \$224,000 for the six months ended June 30, 2020.

Our results of operations depend, to a large extent, on net interest income, which is the difference between the income earned on our loan and investment portfolios and interest expense on deposits and borrowings. Our net interest income is largely determined by our net interest spread, which is the difference between the average yield earned on interest-earning assets and the average rate paid on interest-bearing liabilities, and the relative amounts of interest-earning assets and interest-bearing liabilities. Results of operations are also affected by our provisions for loan losses, fee income and other noninterest income and noninterest expense. Noninterest expense principally consists of compensation, office occupancy and equipment expense, data processing, advertising and business promotion and other expenses. After the conversion, we expect that our noninterest expenses will increase as we grow and expand our operations. In addition, our compensation expense will increase due to the new stock benefit plans we intend to implement. See "Pro Forma Data". Our results of operations and financial condition are also significantly affected by general economic and competitive conditions, particularly changes in interest rates, the impact of the COVID-19 pandemic, changes in accounting guidance, government policies and actions of regulatory authorities.

Business Strategy

Our goal is to position NSTS Bancorp, Inc. to prosper in an evolving financial services landscape and enhance our position as one of the leading community banking institutions in our local market. We intend to continue to provide a broad array of banking services while growing our presence in our market and expanding our franchise. In recent years, we have focused on, and invested in, our technology and infrastructure to improve our delivery channels and create competitive products and services, a strong workforce, and an enhanced awareness of our banking brand in our market area. As a result, we believe we are well positioned to capitalize on the opportunities available in our market by focusing on the following core strategies:

Moderately grow our loan portfolio while continuing the sale of one- to four-family residential mortgages in the secondary market Our primary lending focus has been the origination of one- to four-family residential mortgage loans. At June 30, 2021, \$87.9 million, or 89.72% of our loan portfolio, was secured by one- to four-family residential mortgage loans. We believe prudently increasing our one- to four-family, multi-family and commercial real estate lending offers an opportunity to enhance our profitability and our growth prospects. We will continue our practice of selling a portion of our loan production into the secondary market as a means to generate noninterest income, as well as manage interest rate and credit risk as long as market conditions are favorable to do so.

Leverage technology to enhance customer experience and drive operating efficiencies We continually make upgrades to our online and mobile banking suites. Management has been streamlining internal processes and will look to increase operating efficiencies through automation whenever possible. We will continue to invest in convenience technologies and employee training to enhance our customer experience and keep pace with consumer demands.

Continued emphasis on prudent credit risk management We are pursuing moderate portfolio growth and diversification because we believe strong asset quality is a key to long-term financial success. Our strategy for credit risk management focuses on an experienced team of credit professionals, well-defined credit policies and procedures, appropriate loan underwriting criteria and active credit monitoring. As of June 30, 2021, our non-performing assets, which includes non-accrual loans, other real estate owned, and loans that are greater than 90 days past due but still accruing, to total assets ratio was 0.24%. Because substantially all of our loans are secured by real estate, and the level of our non-performing loans has been low in recent years, we believe that our allowance for loan losses is adequate to account for the probable losses inherent in our loan portfolios.

Increase loan production through formation of loan production offices Loans are originated through our three full-service branch locations in Waukegan and Lindenhurst, Illinois and one loan production office in Chicago, Illinois. We are currently reviewing sites to add up to three additional loan production offices in our surrounding communities over the next few years.

Grow our franchise organically. We expect to embark on a strategy of prudent growth following the conversion and offering. We seek to expand our market share in existing and contiguous markets by leveraging our long-standing ties to the community and delivering high-quality solutions.

We believe we have an opportunity to grow organically by promoting our enhanced products and services. Building our customer relationships around low and no cost products is part of our relationship expansion strategy. We offer checking and savings accounts designed to be simple to understand, easy to open, and convenient to use. These accounts can be established with a modest initial deposit, impose minimal fees, and are a prudent alternative for the consumer to non-bank money service businesses.

Recruiting and retaining top talent. Recruiting and retaining talented individuals to implement our business strategy will be critical to our success. While we believe we have assembled a strong management team, we will continue to assess our personnel needs and expect to add new lenders and management staff in order to facilitate our planned growth and to complement the existing management team. Critical to our efforts to attract and retain talent is our mutual-to-stock conversion and the adoption and implementation of employee stock benefit plans, consistent with federal banking regulations and subject to stockholder approval, after the conversion.

Critical Accounting Policies

In reviewing and understanding financial information for North Shore MHC, you are encouraged to read and understand the significant accounting policies used in preparing our financial statements. These policies are described in Note 1 of the notes to our consolidated financial statements beginning on page F-1 of this prospectus. Our accounting and financial reporting policies conform to accounting principles generally accepted in the United States of America and to general practices within the banking industry. Accordingly, the financial statements require certain estimates, judgments, and assumptions, which are believed to be reasonable based upon the information available. These estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the periods presented. The JOBS Act of 2012 contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. As an “emerging growth company” we may delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We intend to take advantage of the benefits of this extended transition period. Accordingly, our financial statements may not be comparable to companies that comply with such new or revised accounting standards.

The following accounting policies comprise those that management believes are the most critical to aid in fully understanding and evaluating our reported financial results. These policies require numerous estimates or economic assumptions that may prove inaccurate or may be subject to variations which may significantly affect our reported results and financial condition for the period or in future periods.

Allowance for Loan Losses. We have identified the evaluation of the allowance for loan losses as a critical accounting policy where amounts are sensitive to material variation. The allowance for loan losses represents management's estimate for probable losses that are inherent in our loan portfolio but which have not yet been realized as of the date of our balance sheet. It is established through a provision for loan losses charged to earnings. Loans are charged against the allowance for loan losses when management believes that the collectability of the principal is unlikely. Subsequent recoveries are added to the allowance. The allowance is an amount that management believes will cover known and inherent losses in the loan portfolio based on evaluations of the collectability of loans. The evaluations take into consideration such factors as changes in the types and amount of loans in the loan portfolio, historical loss experience, adverse situations that may affect the borrower's ability to repay, estimated value of any underlying collateral, estimated losses relating to specifically identified loans, and current economic conditions. This evaluation is inherently subjective as it requires material estimates including, among others, exposure at default, the amount and timing of expected future cash flows on impacted loans, value of collateral, estimated losses on our commercial and residential loan portfolios, and general amounts for historical loss experience. All of these estimates may be susceptible to significant changes as more information becomes available.

While management uses the best information available to make loan loss allowance evaluations, adjustments to the allowance may be necessary based on changes in economic and other conditions or changes in accounting guidance. Historically, our estimates of the allowance for loan loss have not required significant adjustments from management's initial estimates. In addition, the OCC as an integral part of their examination processes periodically reviews our allowance for loan losses. The OCC may require the recognition of adjustments to the allowance for loan losses based on its judgment of information available to them at the time of their examinations. To the extent that actual outcomes differ from management's estimates, additional provisions to the allowance for loan losses may be required that would adversely impact earnings in future periods.

COVID-19

In light of the recent events surrounding the COVID-19 pandemic, we are continually assessing the effects of the pandemic on our employees, customers and communities. In March 2020, the CARES Act was enacted. The CARES Act contains many provisions related to banking, lending, mortgage forbearance and taxation. We have been working diligently to help support our customers through the PPP, loan modifications and loan deferrals. As of June 30, 2021, we had funded 40 SBA PPP loans totaling \$1.3 million with an average loan balance of \$32,000 to existing customers and key prospects located primarily in our markets. As of June 30, 2021, 15 PPP loans remain on the balance sheet with a balance of \$263,000. These loans are considered to be fully guaranteed by the SBA and were all part of the second round of PPP funding. In addition, during the year ended December 31, 2020 and the six months ended June 30, 2021, we granted loan modifications under the CARES Act generally in the form of three-month deferrals of principal payments and a three-month extension of the maturity date. We handle loan modification requests on a case-by-case basis considering the effects of the COVID-19 pandemic and the related economic slowdown on our customers and their current and projected cash flows through the terms of their respective loans. We believe the customer interaction during this time provides us with an opportunity to broaden and deepen our customer relationships while benefiting the local communities we serve. Through June 30, 2021, we modified 50 loans with principal balances totaling \$9.7 million. As of June 30, 2021, our COVID-19 loan modifications consisted of two loans with an aggregate outstanding principal balance of \$179,000 at such date.

We are also working with customers affected by COVID-19 through modifications of their loans pursuant to the CARES Act. In accordance with guidance from the FDIC, borrowers who were current on their loan payments prior to becoming affected by COVID-19, that received loan modifications as a result of the pandemic, generally are not reported as past due as long as the borrower is in compliance with the modified terms. Effects of COVID-19 may negatively impact management assumptions and estimates, such as the allowance for loan losses. We are evaluating all loan modifications to our customers to identify and quantify any impact they may have on us. However, it is difficult to assess or predict how and to what extent COVID-19 will affect us in the future.

Comparison of Financial Condition as of June 30, 2021 and December 31, 2020

Total Assets. Total assets decreased \$2.3 million, or 0.95%, to \$239.9 million at June 30, 2021 compared to \$242.2 million at December 31, 2020. The decrease resulted primarily from a decrease in cash and cash equivalents of \$11.5 million, time deposits with other financial institutions of \$6.2 million, loans held for sale of \$1.6 million and loans, net of \$593,000. These decreases were partially offset by a \$16.7 million increase in securities available for sale and other assets of \$852,000.

Cash and Cash Equivalents. Cash and cash equivalents decreased \$11.5 million, or 36.05%, to \$20.4 million at June 30, 2021 compared to \$31.9 million at December 31, 2020. The decrease in cash and cash equivalents reflects outgoing cash flows to purchase \$28.5 million in securities available for sale to manage interest rate risk and increase yields. The decrease was offset by positive cashflows from the maturities of time deposits with other financial institutions that were reinvested in securities available for sale of \$6.2 million, principal repayments on securities available for sale of \$8.3 million and calls of securities available for sale of \$1.8 million, and an increase in FHLB of Chicago advances of \$1.0 million. Cash and cash equivalents primarily consisted of funds held at the Federal Reserve Bank of Chicago.

Time deposits with other financial institutions. Our time deposits with other financial institutions decreased \$6.2 million, or 50.00%, to \$6.2 million at June 30, 2021 compared to \$12.4 million at December 31, 2020 primarily to purchase securities available for sale with greater yields.

Securities Available for Sale. Securities available for sale increased \$16.7 million, or 20.47% to \$98.3 million at June 30, 2021 compared to \$81.6 million at December 31, 2020. The increase was due to available cash that was invested in securities to achieve a higher yield. All of our investment securities are classified as securities available for sale as of June 30, 2021. Our investment securities portfolio consisted primarily of debt obligations issued by the U.S. government and government agencies and government sponsored mortgage-backed securities.

Loans held for sale. Our loans held for sale balance decreased \$1.6 million, or 80.00%, to \$379,000 at June 30, 2021 compared to \$2.0 million at December 31, 2020. During the six months ended June 30, 2021, management increased the portion of originated loans to be held in for the portfolio as opposed to originated for sale. We consider our balance sheet as well as market conditions on an ongoing basis in making decisions as to whether to hold loans we originate for investment or to sell such loans choosing the strategy that is most advantageous to us from a profitability and risk management standpoint at that time.

Loans, net. Our loans, net, decreased by \$593,000, or 0.60%, to \$97.9 million at June 30, 2021 compared to \$98.5 million at December 31, 2020. During the six months ended June 30, 2021, our total loan originations of loans held for investment of \$11.7 million was offset by loan principal repayments of \$12.2 million. During the six-months ended June 30, 2021, our total first mortgage loans decreased \$633,000, primarily due to a decrease in commercial and multi-family real estate of \$1.3 million, partially offset by an increase in one- to four-family residential first mortgage loans of \$676,000. At June 30, 2021, the allowance for loan losses was \$792,000, a decrease of \$78,000 compared to December 31, 2020. Non-performing loans totaled \$501,000 at June 30, 2021 compared to \$355,000 at December 31, 2020. The increase of \$146,000 was the result of one one-to-four family loan moving to non-accrual of \$154,000, one one-to-four family loan previously in non-accrual moving to other real estate owned of \$68,000, and an increase in loans past due 90 or more days of \$58,000. Our non-performing loans to total loans increased to 0.38% at June 30, 2021 compared to 0.28% at December 31, 2020.

Other Assets. Total other assets increased \$852,000, or 146.90%, to \$1.4 million at June 30, 2021 compared to \$580,000 at December 31, 2020. The change in other assets is primarily due to a change in deferred tax assets. The deferred tax assets increased \$566,000, or 528.97%, to \$673,000 at June 30, 2021 compared to \$107,000 at December 31, 2020. The increase in deferred tax assets was primarily driven by a reduction in the unrealized gain on securities available for sale, offset by an increase in the net operating loss carryforwards.

Bank-owned life insurance. Bank-owned life insurance ("BOLI") increased by \$100,000, or 1.12%, to \$9.0 million at June 30, 2021 compared to \$8.9 million at December 31, 2020. BOLI provides us with a funding offset for our employee benefit plans and obligations. BOLI also provides a source of noninterest income that generally is non-taxable.

Deposits. Our total deposits were \$184.4 million at June 30, 2021, a decrease of \$2.0 million, or 1.07% from \$186.4 million at December 31, 2020. Our core deposits, which we consider to be all deposits except time deposit accounts, were \$120.6 million on June 30, 2021, an increase of \$2.1 million, or 1.77% from \$118.5 million as of December 31, 2020. Total time deposit accounts decreased \$4.1 million, or 6.04%, to \$63.8 million at June 30, 2021 from \$67.9 million at December 31, 2020.

Other borrowings. Our borrowings, which consist of noninterest bearing FHLB of Chicago advances, increased \$1.0 million, or 25.00%, to \$5.0 million at June 30, 2021 compared to \$4.0 million at December 31, 2020 to take advantage of a 0% interest rate offered by the FHLB of Chicago and to gain a better interest rate spread on invested cash.

Total Equity. Total equity decreased \$851,000, or 1.82%, to \$45.9 million at June 30, 2021 compared to \$46.7 million at December 31, 2020. The decrease is primarily the result of a decrease in the tax effected net unrealized gain on securities available for sale of \$836,000 to \$570,000 at June 30, 2021 from \$1.4 million at December 31, 2020, and a net loss for the six months ended June 30, 2021 of \$14,300. At June 30, 2021, our ratio of total equity to total assets was 19.13%.

Comparison of Financial Condition at December 31, 2020 and December 31, 2019

Total Assets. Total assets increased \$6.7 million, or 2.85%, to \$242.2 million at December 31, 2020 compared to \$235.5 million at December 31, 2019. The increase resulted primarily from an increase in securities available for sale of \$13.0 million, to \$81.6 million at December 31, 2020, from \$68.6 million at December 31, 2019, an increase in loans held for sale of \$1.3 million to \$2.0 million at December 31, 2020, compared to \$722,000 at December 31, 2019, an increase in loans, net of \$778,000, or 0.80%, to \$98.5 million at December 31, 2020 compared to \$97.7 million at December 31, 2019, and an increase in BOLI of \$182,000, or 2.09%, to \$8.9 million at December 31, 2020 compared to \$8.7 million at December 31, 2019. This increase was partially offset by a decrease in time deposits with other financial institutions of \$7.8 million to \$12.4 million at December 31, 2020 from \$20.2 million at December 31, 2019.

Time deposits with other financial institutions. Our time deposits with other financial institutions decreased \$7.8 million, or 38.61%, to \$12.4 million at December 31, 2020 compared to \$20.2 million at December 31, 2019 primarily to purchase securities available for sale with greater yields.

Securities Available for Sale. Securities available for sale increased \$13.0 million, or 18.95%, to \$81.6 million at December 31, 2020 compared to \$68.6 million at December 31, 2019. The increase was due to available cash that was invested in securities to achieve a higher yield. All of our securities are classified as available for sale as of December 31, 2020. Our investment securities portfolio primarily consisted of debt obligations issued by the U.S. government and government agencies and government sponsored mortgage-backed securities.

Loans held for sale. Our loans held for sale increased \$1.3 million, or 180.06%, to \$2.0 million at December 31, 2020 compared to \$722,000 at December 31, 2019. During the year ended December 31, 2020, management increased the portion of loans originated for sale as opposed to the loans originated for the portfolio. We consider our balance sheet as well as market conditions on an ongoing basis in making decisions as to whether to hold loans we originate for investment or to sell such loans choosing the strategy that is most advantageous to us from a profitability and risk management standpoint at that time.

Loans, net. Our loans, net, increased by \$778,000, or 0.80%, to \$98.5 million at December 31, 2020 compared to \$97.7 million at December 31, 2019. During the year ended December 31, 2020, our total loan originations of loans held for investment of \$18.8 million was offset by loan principal repayments of \$17.5 million. The primary increase in loans, net was an increase of commercial loans of \$2.6 million, or 96.30%, to \$5.3 million at December 31, 2020 compared to \$2.7 million at December 31, 2019. We originated \$1 million of PPP loans as of December 31, 2020. The increase was partially offset by a decrease in one- to four- family first residential mortgage loans of \$800,000, or 0.91%, to \$87.2 million at December 31, 2020 compared to \$88.0 million at December 31, 2019. At December 31, 2020, the allowance for loan losses was \$870,000, an increase of \$481,000 compared to December 31, 2019, primarily due to an increase in non-performing assets and uncertainties regarding the economic impact of the COVID-19 pandemic. Non-performing loans were \$355,000 at December 31, 2020 compared to \$65,000 at December 31, 2019. The increase of \$290,000 was the result of three one-to-four family loan moving to non-accrual

totaling \$232,000 and an increase in loans past due 90 or more days of \$75,000, partially offset by payments made to non-accrual loans of \$18,000. Our non-performing loans to total loans increased to 0.28% at December 31, 2020 compared to 0.07% at December 31, 2019.

Bank-owned life insurance. Total BOLI increased by \$182,000, or 2.09%, to \$8.9 million at December 31, 2020 compared to \$8.7 million at December 31, 2019. BOLI provides us with a funding offset for our employee benefit plans and obligations. BOLI also provides a source of noninterest income that generally is non-taxable.

Deposits. Our total deposits were \$186.4 million at December 31, 2020, an increase of \$2.0 million, or 1.08%, from \$184.4 million at December 31, 2019. Our core deposits, which we consider to be all deposits except time deposit accounts, amounted to \$118.5 million on December 31, 2020, an increase of \$5.9 million, or 5.24% from \$112.6 million as of December 31, 2019. Total time deposit accounts decreased \$3.9 million, or 5.43%, to \$67.9 million at December 31, 2020 from \$71.8 million at December 31, 2019. The increase in total deposits at December 31, 2020 compared to December 31, 2019 reflects our customers increasing their liquidity and reducing spending during the COVID-19 pandemic.

Other Borrowings. Our borrowings, which consist of FHLB of Chicago advances, amounted to \$4.0 million at December 31, 2020, compared to no borrowings at December 31, 2019. The FHLB of Chicago offered member banks an interest free one-year advance of \$4.0 million due to COVID-19 that we used to fund loans and securities available for sale and generate a better interest rate spread.

Total Equity. Total equity increased \$961,000, or 2.10%, to \$46.7 million at December 31, 2020, from \$45.8 million at December 31, 2019. The increase is primarily the result of an increase in tax effected net unrealized gain on securities available for sale of \$1.1 million, or 330.33%, to \$1.4 million at December 31, 2020, from \$333,000 at December 31, 2019, and offset by a net loss for the year ended December 31, 2020 of \$112,000. At December 31, 2020, our ratio of total equity to total assets was 19.29%.

Average Balances, Net Interest Income, and Yields Earned and Rates Paid The following table shows for the periods indicated the total dollar amount of interest from average interest-earning assets and the resulting yields, as well as the interest expense on average interest-bearing liabilities, expressed both in dollars and rates, and the net interest margin. All average balances are based on daily balances. The table also reflects the yields on North Shore Trust and Savings' interest-earning assets and costs of interest-bearing liabilities for the periods shown.

	For the Six Months Ended June 30,					
	2021			2020		
	Average Outstanding Balance	Interest	Average Yield/Rate	Average Outstanding Balance	Interest	Average Yield/Rate
	(Dollars in thousands)					
Interest-earning assets:						
Loans, net	\$ 98,201	\$ 1,809	3.68%	\$ 99,759	\$ 2,124	4.26%
Federal funds sold and interest-bearing deposits in other banks	25,487	10	0.08%	35,705	114	0.64%
Time deposits with other financial institutions	8,894	48	1.08%	20,519	245	2.39%
Securities available for sale	91,023	699	1.54%	66,806	789	2.36%
FHLB of Chicago stock ⁽¹⁾	530	6	2.26%	512	6	2.34%
Total interest-earning assets	<u>224,135</u>	<u>2,572</u>	<u>2.30%</u>	<u>223,301</u>	<u>3,278</u>	<u>2.94%</u>
Noninterest-earning assets	16,604			15,922		
Total assets	<u>\$ 240,739</u>			<u>\$ 239,223</u>		
Interest-bearing liabilities:						
Interest-bearing demand	16,863	3	0.04%	13,596	7	0.10%
Money market	47,419	48	0.20%	53,627	172	0.64%
Savings	44,016	33	0.15%	40,065	50	0.25%
Time deposits	65,453	407	1.24%	71,264	611	1.71%
Total interest-bearing deposits	\$ 173,751	\$ 491	0.57%	\$ 178,552	\$ 840	0.94%
Other borrowings ⁽²⁾	4,227	-	0.00%	879	-	0.00%
Total interest-bearing liabilities	177,978	491	0.55%	179,431	840	0.94%
Noninterest-bearing liabilities	16,533			14,248		
Total liabilities	<u>\$ 194,511</u>			<u>\$ 193,679</u>		
Equity	46,228			45,544		
Total liabilities and equity	<u>\$ 240,739</u>			<u>\$ 239,223</u>		
Net interest income ⁽¹⁾		2,081			2,438	
Interest rate spread ⁽³⁾			1.75%			2.00%
Net interest-earning assets ⁽⁴⁾	46,157			43,870		
Net interest margin ⁽⁵⁾			1.86%			2.18%
Average interest-earning assets to average-interest bearing liabilities	125.93%			124.45%		

	For the Year Ended December 31,					
	2020			2019		
	Average Outstanding Balance	Interest	Average Yield/ Rate	Average Outstanding Balance	Interest	Average Yield/ Rate
	(Dollars in thousands)					
Interest-earning assets:						
Loans	\$ 100,907	\$ 4,086	4.05%	\$ 99,128	\$ 4,385	4.42%
Federal funds sold and interest-bearing deposits in other banks	34,929	128	0.37%	23,514	484	2.06%
Time deposits with other financial institutions	17,941	379	2.11%	20,334	540	2.66%
Securities available for sale	69,687	1,417	2.03%	69,119	1,603	2.32%
FHLB of Chicago stock ⁽¹⁾	512	13	2.54%	516	11	2.13%
Total interest-earning assets	223,976	6,023	2.69%	212,611	7,023	3.30%
Noninterest-earning assets	16,004			16,492		
Total assets	<u>\$ 239,980</u>			<u>\$ 229,103</u>		
Interest-bearing liabilities:						
Interest-bearing demand	14,461	12	0.08%	13,560	12	0.09%
Money market	51,278	242	0.47%	45,072	475	1.05%
Savings	40,638	97	0.24%	39,293	96	0.24%
Time deposits	70,188	1,137	1.62%	73,526	1,143	1.55%
Total interest-bearing deposits	176,565	1,488	0.84%	171,451	1,726	1.01%
Other borrowings ⁽²⁾	2,448	-	0.00%	-	-	0.00%
Total interest-bearing liabilities	179,013	1,488	0.83%	171,451	1,726	1.01%
Noninterest-bearing liabilities	14,927			12,759		
Total liabilities	<u>193,940</u>			<u>184,210</u>		
Equity	46,040			44,893		
Total liabilities and equity	<u>\$ 239,980</u>			<u>\$ 229,103</u>		
Net interest income ⁽¹⁾		4,535			5,297	
Interest rate spread ⁽³⁾			1.86%			2.29%
Net interest-earning assets ⁽⁴⁾	44,963			41,160		
Net interest margin ⁽⁵⁾			2.02%			2.49%
Average interest-earning assets to average-interest-bearing liabilities	125.12%			124.01%		

(1) Includes dividend income from the FHLB of Chicago stock which is included in "Other Income" in the December 31, 2020 and 2019 financial statements.

(2) Other borrowing consists of 0% interest rate FHLB of Chicago advances.

(3) Equals the difference between the yield on average earning-assets and the cost of average interest-bearing liabilities.

(4) Equals total interest-earning assets less total interest-bearing liabilities.

(5) Equals net interest income divided by average interest-earning assets.

Rate/Volume Analysis. The following table shows the extent to which changes in interest rates and changes in volume of interest-earning assets and interest-bearing liabilities affected our interest income and expense during the periods indicated. For each category of interest-earning assets and interest-bearing liabilities, information is provided on changes attributable to (1) changes in rate, which is the change in rate multiplied by prior year volume, and (2) changes in volume, which is the change in volume multiplied by prior year rate. The combined effect of changes in both rate and volume has been allocated proportionately to the change due to rate and the change due to volume.

	Six Months Ended June 30, 2021 vs. 2020			Years Ended December 31, 2020 vs. 2019		
	Increase (Decrease) Due to		Total Increase (Decrease)	Increase (Decrease) Due to		Total Increase (Decrease)
	Volume	Rate		Volume	Rate	
(Dollars in thousands)						
Interest-earning assets:						
Loans	\$ (33)	\$ (282)	\$ (315)	\$ 80	\$ (379)	\$ (299)
Federal funds sold and interest-bearing deposits in other banks	(26)	(78)	(104)	516	(872)	(356)
Time deposits in other banks	(100)	(97)	(197)	(59)	(102)	(161)
Investment securities	(2,658)	2,568	(90)	13	(199)	(186)
FHLB of Chicago stock ⁽¹⁾	-	-	-	-	2	2
Total interest-earning assets	\$ (2,817)	\$ 2,111	\$ (706)	\$ 550	\$ (1,550)	\$ (1,000)
Interest-bearing liabilities:						
Interest-bearing demand	2	(6)	(4)	—	—	—
Money market	(18)	(106)	(124)	77	(310)	(233)
Savings	6	(23)	(17)	3	(2)	1
Time deposit	(47)	(157)	(204)	(89)	83	(6)
Total interest-bearing liabilities	\$ (57)	\$ (292)	\$ (349)	\$ (9)	\$ (229)	\$ (238)
Change in net interest income	\$ (2,760)	\$ 2,403	\$ (357)	\$ 559	\$ (1,321)	\$ (762)

(1) Includes dividend income from the FHLB of Chicago stock which is included in "Other Income" in the December 31, 2020 and 2019 financial statements.

Comparison of Operating Results for Six Months Ended June 30, 2021 and June 30, 2020

General. For the six months ended June 30, 2021, we had a net loss of \$14,300, compared to a net loss of \$224,000 for the six months ended June 30, 2020. The primary reasons for the decrease in the net loss for the six-months ended June 30, 2021 were interest expense decreased \$349,000, or 41.55%, to \$491,000 for the six months ended June 30, 2021 compared to \$840,000 for the six months ended June 30, 2020, a decrease in the provision for loan losses of \$203,000, or 92.27%, to \$17,000 for the six months ended June 30, 2021 compared to \$220,000 for the six months ended June 30, 2020, noninterest income increased \$94,000, or 18.65%, to \$598,000 for the six months ended June 30, 2021 from \$504,000 for the same period in 2020, and noninterest expenses decreased \$115,000, or 3.80%, to \$2.9 million for the six months ended June 30, 2021 from \$3.0 million for the same period in 2020. This decrease was partially offset by a decrease in interest income of \$706,000, or 21.54%, to \$2.6 million for the six months ended June 30, 2021 compared to \$3.3 million for the six months ended June 30, 2020. Additionally, the income tax benefit increased \$155,000, or 189.02%, to \$237,000 for the six months ended June 30, 2021 compared to \$82,000 for the six months ended June 30, 2020.

Interest Income. Interest income decreased \$706,000, or 21.54%, to \$2.6 million for the six months ended June 30, 2021 compared to \$3.3 million for the same period in 2020. The decrease in interest income was primarily due to a reduction in average yields on loans, federal funds sold and interest-bearing deposits in other banks, and securities available for sale during the year.

Interest income on loans decreased \$315,000, or 15.00%, to \$1.8 million for the six months ended June 30, 2021 from \$2.1 million for the same period in 2020. The decrease was primarily due to a decrease in average yield on loans, which decreased 58 basis points to 3.68% for the six months ended June 30, 2021, from 4.26% for the six months ended June 30, 2020, as higher-yielding loans have repaid or refinanced and replaced with lower-yielding loans, reflecting the then existing interest rate environment. Additionally, the balance of average loans decreased \$1.6 million, or 1.60%, to \$98.2 million for the six months ended June 30, 2021 compared to \$99.8 million for the same period 2020, as a result of loan repayments.

Interest income on federal funds sold and interest-bearing deposits in other banks decreased \$104,000, or 91.22%, to \$10,000 for the six months ended June 30, 2021 compared to \$114,000 for the same period in 2020. The decrease was driven by a decrease in the average balance of \$10.3 million, or 28.85%, to \$25.4 million at June 30, 2021 compared to \$35.7 million at June 30, 2020 as a result of the decision to decrease federal funds sold and interest-bearing deposits in other banks and invest in loans and securities to achieve a higher yield. Interest-bearing deposits in other banks primarily consisted of deposits held at the Federal Reserve Bank of Chicago. Additionally, the average yield on federal funds sold and interest-bearing deposits in other banks decreased 56 basis points to 0.08% for the six months ended June 30, 2021 compared to 0.64% for the six months ended June 30, 2020, reflecting the then existing interest rate environment at that time.

Interest income on time deposits with other financial institutions decreased \$197,000, or 80.41%, to \$48,000 for the six months ended June 30, 2021 compared to \$245,000 for the same period in 2020. The decrease is a result of a reduction in the average balance of \$11.6 million, or 56.59%, to \$8.9 million at June 30, 2021 compared to \$20.5 million at June 30, 2020 as a result of the decision to decrease the purchase of time deposits with other financial institutions and invest in higher yielding securities. Further, the average yield on time deposits with other financial institutions decreased 131 basis points, to 1.08% for the six months ended June 30, 2021 compared to 2.39% for the six months ended June 30, 2020, as a result of the then existing interest rate environment.

Interest income on securities available for sale decreased \$90,000, or 11.41%, to \$699,000 for the six months ended June 30, 2021 compared to \$789,000 for the six months ended June 30, 2020. The decrease was driven by a reduction in the average yield of 82 basis points to 1.54% for the six months ended June 30, 2021 compared to 2.36% for the same period in 2020. This reduction in average yield was the result of prepayments on mortgage backed securities on higher yielding bonds which were reinvested in bonds at the then existing interest rate environment. The decrease in average yield was partially offset by an increase in the average balance of securities available for sale. The average balance of securities available for sale increased \$24.2 million, or 36.23%, to \$91.0 million at June 30, 2021 compared to \$66.8 million at June 30, 2020, as a result of the decision to invest in securities available for sale to achieve a higher yield.

Interest Expense. Total interest expense decreased \$349,000, or 41.55%, to \$491,000 for the six months ended June 30, 2021 compared to \$840,000 for the six months ended June 30, 2020. The decrease in interest expense was due primarily to a 39 basis point reduction in the average rate paid on total deposits to 0.55% for the six months ended June 30, 2021 compared to 0.94% for the six months ended June 30, 2020. Additionally, the average deposit balance for the six months ended June 30, 2021 decreased \$4.8 million, or 2.69%, to \$173.8 million for the six months ended June 30, 2021 compared to \$178.6 million for the six months ended June 30, 2020. The reduction in average rate paid on total deposits is reflective of the interest rate environment at that time and the emphasis of opening and growth of low to no cost deposits while time deposits with higher yields matured.

Net Interest Income. Net interest income amounted to \$2.1 million for the six months ended June 30, 2021, a decrease of \$357,000, or 14.88% compared to \$2.4 million for the six months ended June 30, 2020. Our interest rate spread decreased to 1.75% for the six months ended June 30, 2021 from 2.00% for the six months ended June 30, 2020, and our net interest margin decreased to 1.86% for the six months ended June 30, 2021 from 2.18% for the six months ended June 30, 2020. The decrease in interest rate spread and net interest margin was primarily the result of a continuing low interest rate environment which reduced the average yields earned on our interest-earning assets in an amount which offset the reduction in the average cost of our interest-bearing liabilities.

Provision for Loan Losses. The allowance for loan losses is established through a provision for loan losses charged to earnings as losses are estimated to have occurred in our loan portfolio. Loan losses are charged against the allowance when management believes the collectability of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectability of the loans in light of historical experience, the nature and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of the underlying collateral, and prevailing economic conditions. The evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

A loan is considered impaired when, based on current information or events, it is probable that we will be unable to collect the scheduled payments of principal and interest when due according to the contractual terms of the loan agreement. When a loan is impaired, the measurement of such impairment is based upon the fair value of the collateral of the loan. If the fair value of the collateral is less than the recorded investment in the loan, we will recognize the impairment by creating a valuation allowance with a corresponding charge against earnings.

An allowance is also established for uncollectible interest on loans classified as substandard. The allowance is established by a charge to interest income equal to all interest previously accrued, and income is subsequently recognized only to the extent that cash payments are received. When, in management's judgment, the borrower's ability to make interest and principal payments is back to normal, the loan is returned to accrual status.

Provision for loan losses decreased by \$203,000, or 92.27%, to \$17,000 during the six months ended June 30, 2021 compared to \$220,000 for the six-months ended June 30, 2020. We recorded net charge-offs of \$95,000 for the six months ended June 30, 2021, compared to a net recovery of \$7,000 for the six months ended June 30, 2020. We recorded a higher provision during the six months ended June 30, 2020 due to organic loan growth during the period of \$2.1 million to \$99.8 million at June 30, 2020 compared to \$97.7 million at December 31, 2019, and the uncertainty surrounding the economic impact of the COVID-19 pandemic. During our evaluation of the allowance for loan losses for the six months ended June 30, 2021, particular consideration was given to the continuing economic impact of the COVID-19 pandemic. To account for these uncertainties we continued to include general reserves of \$140,000 within the allowance for loan losses as of June 30, 2021.

The establishment of the allowance for loan losses is significantly affected by uncertainties and management judgment and there is a likelihood that different amounts would be reported under different conditions or assumptions. Various regulatory agencies, as an integral part of their examination process, periodically review our allowance for loan losses. Such agencies may require us to make additional provisions for estimated loan losses based upon judgments different from those of management.

Noninterest Income. Noninterest income increased \$94,000, or 18.65%, to \$598,000 for the six months ended June 30, 2021 compared to \$504,000 for the six months ended June 30, 2020. The increase was primarily due to an increase in the gain on sale of mortgage loans of \$99,000, or 67.81%, to \$245,000 for the six months ended June 30, 2021 compared to \$146,000 for the six months ended June 30, 2020. During the six months ended June 30, 2021, we sold approximately \$13.7 million in loans, compared to \$8.8 million in sales during the six months ended June 30, 2020. The increase was partially offset by a decrease in gain on sale of securities of \$59,000 recorded during the six months ended June 30, 2020. There were no sales of securities during the six months ended June 30, 2021. Other noninterest income increased \$42,000, or 62.69%, to \$109,000 for the six months ended June 30, 2021 compared to \$67,000 for the six months ended June 30, 2020 due to the fee income recognized upon the forgiveness of the PPP loans.

Noninterest Expense. Noninterest expense decreased \$115,000, or 3.83%, to \$2.9 million for the six months ended June 30, 2021 compared to \$3.0 million for the six months ended June 30, 2020. The primary decrease in noninterest expense was a decrease in salaries and employee benefits of \$108,000, or 6.00%, to \$1.7 million for the six months ended June 30, 2021 from \$1.8 million for the six months ended June 30, 2020. The number of full-time equivalent employees decreased to 35 at June 30, 2021 compared to 39 at June 30, 2020. This decrease was partially offset by an increase in data processing of \$81,000, or 32.79%, to \$328,000 for the six months ended June 30, 2021 compared to \$247,000 for the six months ended June 30, 2020. The increase in data processing was driven by an increase in network management costs as a result of technological upgrades to promote new products, services and technology.

Upon consummation of the conversion and stock offering, we expect noninterest expense to increase because of costs associated with operating as a public company, including the increased compensation expenses associated with the purchase of shares of common stock by our employee stock ownership plan and the possible implementation of stock-based benefit plans, if approved by our stockholders. In addition, we will incur increased noninterest expense related to the implementation of our business strategy related to planned additions to our employee base and potential new loan production office openings.

Provision for Income Tax Benefit. Income tax benefit increased \$155,000, or 189.02%, to \$237,000 for the six months ended June 30, 2021 compared to \$82,000 for the six months ended June 30, 2020 primarily due to a reconciliation of the estimated tax provision to the actual tax provision.

Comparison of Operating Results for the Years Ended December 31, 2020 and 2019

General. For the year ended December 31, 2020, we had a net loss of \$112,000, compared to net income of \$414,000 for the year ended December 31, 2019. The primary reasons for the net loss in 2020 compared to net income in 2019 were interest income decreased \$1.0 million, or 14.29%, to \$6.0 million for the year ended December 31, 2020 compared to \$7.0 million for the year ended December 31, 2019, the provision for loan losses increased \$367,000, or 378.35%, to \$464,000 for the year ended December 31, 2020, compared to \$97,000 for the year ended December 31, 2019, and noninterest expense increased \$549,000, or 9.63%, to \$6.3 million for the year ended December 31, 2020 compared to \$5.7 million for the year ended December 31, 2019. These reductions in net income were offset by a decrease in interest expense of \$238,000, or 14.00%, to \$1.5 million for the year ended December 31, 2020 compared to \$1.7 million for the year ended December 31, 2019, an increase in noninterest income of \$735,000, or 85.86%, to \$1.6 million for the year ended December 31, 2020 compared to \$856,000 for the year ended December 31, 2019, and an increase in income tax benefit of \$417,000, or 484.88%, to \$503,000 for the year ended December 31, 2020 compared to \$86,000 for the year ended December 31, 2019.

Interest Income. Total interest income decreased \$1.0 million, or 14.29%, to \$6.0 million for the year ended December 31, 2020 compared to \$7.0 million for the year ended December 31, 2019. The decrease in interest income is primarily driven by a reduction in the average yield earned on loans, federal funds sold and interest-bearing deposits in other banks, time deposits in other banks and securities available for sale.

Interest income on loans decreased \$299,000, or 6.80%, to \$4.1 million for the year ended December 31, 2020 compared to \$4.4 million for the year ended December 31, 2019. The average balance of our loan portfolio increased by \$1.8 million, or 1.82%, to \$100.9 million at December 31, 2020 compared to \$99.1 million at December 31, 2019, which was partially offset by a 37 basis point decrease in the average yield earned on loans of 4.05% for the year ended December 31, 2020 compared to 4.42% for the year ended December 31, 2019. The decrease in average yield is the result of the interest rate environment at that time as higher-yielding loans repaid or refinanced and replaced with lower-yielding loans.

Interest income on federal funds sold and interest-bearing deposits with other banks decreased \$356,000, or 73.55%, to \$128,000 for the year ended December 31, 2020 compared to \$484,000 for the year ended December 31, 2019. The decrease is primarily driven by a reduction in the average yield of 169 basis points to 0.37% for the year ended December 31, 2020 compared to 2.06% for the year ended December 31, 2019. This reduction in yield is a result of the Federal Reserve Board reducing the interest rate on funds held in March 2020. The decrease in interest income is partially offset by an increase in the average outstanding balance of \$11.4 million, or 48.51%, to \$34.9 million at December 31, 2020 compared to \$23.5 million at December 31, 2019. The increase in the average outstanding balance was due to increased deposits of our customers.

Interest income on time deposits with other financial institutions decreased \$161,000, or 29.81%, to \$379,000 for the year ended December 31, 2020 compared to \$540,000 for the year ended December 31, 2019. The decrease is primarily the result of a reduction in the average outstanding balance of time deposits with other financial institutions of \$2.4 million, or 11.82%, to \$17.9 million at December 31, 2020 compared to \$20.3 million at December 31, 2019. During the year ended December 31, 2020, management invested maturing time deposits with other financial institutions in securities available for sale and achieved a higher yield. Additionally, the average yield on time deposits with other financial institutions decreased 55 basis points to 2.11% for the year ended December 31, 2020 compared to 2.66% for the year ended December 31, 2019. This is the result of higher yielding time deposits with other financial institutions maturing and partially being reinvested in lower yielding time deposits with other financial institutions.

Interest income on securities available for sale decreased \$186,000, or 11.63%, to \$1.4 million for the year ended December 31, 2020 compared to \$1.6 million for the year ended December 31, 2019. The average balance of our investment portfolio increased \$568,000, or 0.82%, to an average balance of \$69.7 million for the year ended December 31, 2020 compared to \$69.1 million for the year ended December 31, 2019. The increase in the average balance was based on a decision to invest excess cash and liquidity in securities available for sale to achieve a higher yield. The increase in average balance was more than offset with a 29 basis point reduction in the average yield earned on investments of 2.03% for the year ended December 31, 2020 compared to 2.32% for the year ended December 31, 2019. The reduction in the average yield earned was the result of the higher yielding mortgage-backed securities with high rates of prepayments that were reinvested in lower yielding bonds.

Interest Expense. Total interest expense decreased \$238,000, or 14.00%, to \$1.5 million for the year ended December 31, 2020 compared to \$1.7 million for the year ended December 31, 2019. The decrease in interest expense was due primarily to a 17 basis point reduction in the average rate paid on total deposits to 0.84% for the year ended December 31, 2020 compared to 1.01% for the year ended December 31, 2019. The decrease in average yield paid was the result of higher yielding time deposits maturing during the year ended December 31, 2020 and an increase in lower yielding deposits such as savings and money market accounts. Partially offsetting the decrease was an increase to the average deposit balance of \$5.2 million, or 3.03%, to \$176.6 million for the year ended December 31, 2020 compared to \$171.4 million for the year ended December 31, 2019.

Net Interest Income. Net interest income decreased \$762,000, or 14.38%, to \$4.5 million for the year ended December 31, 2020 compared to \$5.3 million for the year ended December 31, 2019. Our interest rate spread decreased to 1.86% for the year ended December 31, 2020 from 2.29% for the year ended December 31, 2019, and our net interest margin decreased to 2.02% for the year ended December 31, 2020 from 2.49% for the year ended December 31, 2019. The decrease in interest rate spread and net interest margin was primarily the result of a continuing low interest rate environment which reduced the average yields earned on our interest-earning assets in an amount which more than offset the reduction in the average cost of our interest-bearing liabilities.

Provision for Loan Losses. Provision for loan losses increased by \$367,000, or 378.35%, to \$464,000 during the year ended December 31, 2020 compared to \$97,000 for the year ended December 31, 2019. Our recorded net recoveries were \$18,000 for the year ended December 31, 2020 compared to \$31,000 for the year ended December 31, 2019. We recorded a higher provision during the year ended December 31, 2020 due to organic loan growth during the period and the uncertainty surrounding the economic impact of the COVID-19 pandemic. During our evaluation of the allowance for loan losses for 2020, particular consideration was given to the continuing economic impact of the COVID-19 pandemic resulting in a provision of \$173,000 as of December 31, 2020.

Noninterest Income. Noninterest income increased \$735,000, or 85.86%, to \$1.6 million for the year ended December 31, 2020 compared to \$856,000 for the year ended December 31, 2019. The increase was primarily due to an increase in the gain on sale of mortgage loans of \$502,000, or 176.14%, to \$787,000 for the year ended December 31, 2020 compared to \$285,000 for the year ended December 31, 2019. During the year ended December 31, 2020, we sold approximately \$37.3 million in loans, compared to \$15.3 million in sales during the year ended December 31, 2019. Additionally, during the year ended December 31, 2020, we recorded a gain on sale of securities of \$59,000, compared to no gain during the year ended December 31, 2019 as there were no sales during this time. This increase was partially offset by a decrease to the gain on sale of OREO of \$38,000. During the year ended December 31, 2020 there were no sales of OREO. Other noninterest income increased \$204,000, or 279.45%, to \$277,000 for the year ended December 31, 2020 compared to \$73,000 for the year ended December 31, 2019. The increase is driven by an increase in the recognition of mortgage servicing rights of \$90,000 due to an increase in loans sold with servicing rights retained during the year ended December 31, 2020, and a gain of \$63,000 recorded on insurance proceeds as the result of the disposal of one ATM due to property damage.

Noninterest Expense. Noninterest expense increased \$549,000, or 9.63%, to \$6.3 million for the year ended December 31, 2020 compared to \$5.7 million for the year ended December 31, 2019. The primary increase in noninterest expense was salaries and employee benefits, which increased \$177,000, or 5.06%, to \$3.7 million for the year ended December 31, 2020 from \$3.5 million for the year ended December 31, 2019. The increase was primarily driven by an increase in wages of approximately 3%, an increase in payroll taxes and an increase in director fees of \$38,000 or 22.10%. Additionally, there was an increase in data processing expense of \$102,000, or 22.03%, to \$565,000 for the year ended December 31, 2020 compared to \$463,000 for the year ended December 31, 2019. The increase in data processing was driven by an increase in network management costs as management continued to invest in technology updates. Other noninterest expense, which consists of expenses related to professional services increased \$342,000, or 52.37%, to \$995,000 for the year ended December 31, 2020 compared to \$653,000 for the year ended December 31, 2019.

Upon consummation of the conversion and stock offering, we expect noninterest expense to increase because of costs associated with operating as a public company, including the increased compensation expenses associated with the purchase of shares of common stock by our employee stock ownership plan and the possible implementation of stock-based benefit plans, if approved by our stockholders. In addition, we will incur increased noninterest expense related to the implementation of our business strategy related to planned additions to our employee base and potential new loan production office openings.

Provision for Income Tax Benefit. Income tax benefit increased \$417,000, or 484.88%, to \$503,000 for the year ended December 31, 2020 compared to \$86,000 for the year ended December 31, 2019. The CARES Act provides that companies are able to carry back current year losses up to five years, resulting in an increase in the income tax benefit of \$112,000 at December 31, 2020. Further, the net deferred tax asset decreased \$183,000, or 63.10%, to \$107,000 at December 31, 2020 compared to \$290,000 at December 31, 2019 due to a reconciliation of the estimated tax provision to the actual tax provision.

Exposure to Changes in Interest Rates

Our ability to maintain net interest income depends upon our ability to earn a higher yield on interest-earning assets than the rates we pay on deposits and borrowings. Our interest-earning assets consist primarily of securities available-for-sale and long-term residential and commercial mortgage loans, which have fixed rates of interest. Consequently, our ability to maintain a positive spread between the interest earned on assets and the interest paid on deposits and borrowings can be adversely affected when market rates of interest rise.

Net Portfolio Value Analysis. Our interest rate sensitivity is monitored by management through the use of models which generate estimates of the change in its NPV over a range of interest rate scenarios. NPV represents the market value of portfolio equity, which is different from book value, and is equal to the market value of assets minus the market value of liabilities (that is, the difference between incoming and outgoing discounted cash flows of assets and liabilities) with adjustments made for off-balance sheet items. The NPV ratio, under any interest rate scenario, is defined as the NPV in that scenario divided by the market value of assets in the same scenario. The OCC provides a quarterly report on the potential impact of interest rate changes upon the market value of portfolio equity. Management reviews the quarterly reports from the OCC, which show the impact of changing interest rates on net portfolio value. The following table sets forth our NPV as of June 30, 2021 and reflects the changes to NPV as a result of immediate and sustained changes in interest rates as indicated.

Change in Interest Rates In Basis Points (Rate Shock)	Net Portfolio Value			NPV as % of Portfolio Value of Assets		
	Amount	\$ Change	% Change	NPV Ratio	Change	
		(Dollars in thousands)				
300bp	\$29,102	\$ (18,007)	(38.22)%	13.56%	(5.99)%	
200	35,244	(11,865)	(25.19)%	15.79%	(3.76)%	
100	41,654	(5,455)	(11.58)%	17.92%	(1.63)%	
Static	47,109	—	—	19.55%	—	
(100)	51,440	4,331	9.19%	20.85%	1.30%	
(200)	52,744	5,635	11.96%	21.26%	1.71%	

Net Interest Income Analysis. In addition to modeling changes in NPV, we also analyze potential changes to net interest income (“NII”) for a 12-month period under rising and falling interest rate scenarios. The following table shows our NII model as of June 30, 2021.

Change in Interest Rates in Basis Points (Rate Shock)	Net Interest Income	\$ Change	% Change
	(Dollars in thousands)		
300bp	\$4,069	\$(321)	(7.32)%
200	4,307	(84)	(1.90)%
100	4,420	30	0.69%
Static	4,390	—	—
(100)	4,202	(188)	(4.29)%
(200)	4,124	(266)	(6.06)%

The table above indicates that as of June 30, 2021, in the event of an immediate and sustained 300 basis point increase in interest rates, our net interest income for the twelve months ending June 30, 2022 would be expected to decrease by \$321,000, or 7.32% to \$4.1 million.

Liquidity and Capital Resources

North Shore Trust and Savings maintains levels of liquid assets deemed adequate by management. We adjust our liquidity levels to fund deposit outflows, repay our borrowings, and to fund loan commitments. We also adjust liquidity, as appropriate, to meet asset and liability management objectives.

Liquidity describes our ability to meet the financial obligations that arise in the ordinary course of business. Liquidity is primarily needed to meet the borrowing and deposit withdrawal requirements of our customers and to fund current and planned expenditures. Our primary sources of funds are deposits, principal and interest payments on loans and securities, and proceeds from maturities of securities. We also have the ability to borrow from the FHLB of Chicago. At June 30, 2021, we had \$5.0 million outstanding in advances from the FHLB of Chicago, and had the capacity to borrow approximately an additional \$55.0 million from the FHLB of Chicago.

While maturities and scheduled amortization of loans and securities are predictable sources of funds, deposit flows and loan prepayments are greatly influenced by general interest rates, economic conditions, and competition. Our most liquid assets are cash and short-term investments. The levels of these assets are dependent on our operating, financing, lending, and investing activities during any given period.

Our cash flows are comprised of three primary classifications: cash flows from operating activities, investing activities, and financing activities. Net cash provided by (used in) operating activities was \$1.3 million and \$(34,000) for the six months ended June 30, 2021 and 2020, respectively. Net cash used in investing activities, which consists primarily of purchases of securities available for sale, was \$11.8 million and \$1.7 million for the six months ended June 30, 2021 and 2020, respectively. Net cash (used in) provided by financing activities, which primarily consists of change in deposits and repayments of and proceeds from FHLB of Chicago advances, was \$(1.0) million and \$9.7 million for the six months ended June 30, 2021 and 2020, respectively.

Net cash (used in) provided by operating activities was \$(560,000) and \$1.7 million for the year ended December 31, 2020 and 2019, respectively. Net cash (used in) provided by investing activities, which consists primarily of net change in loans receivable and net change in investment securities, was \$(6.0) million and \$3.8 million for the years ended December 31, 2020 and 2019, respectively. Net cash provided by financing activities, consisting primarily of the activity in deposit accounts and FHLB of Chicago advances, was \$6.0 million and \$8.2 million for the years ended December 31, 2020 and 2019, respectively, resulting from our ability to generate liquidity through our deposit base at lower interest rates to fund loan originations.

We are committed to maintaining a strong liquidity position. We monitor our liquidity position on a daily basis. We anticipate that we will have sufficient funds to meet our current funding commitments. Based on our deposit retention experience and current pricing strategy, we anticipate that a significant portion of maturing time deposits will be retained.

As of June 30, 2021, North Shore Trust and Savings was well capitalized under the regulatory framework for prompt corrective action. During the year ended December 31, 2020, North Shore Trust and Savings elected to begin using the CBLR. Under CBLR, if a qualifying depository institution or depository institution holding company elects to use such measure, such institution or holding company will be considered well capitalized if its ratio of Tier 1 capital to average total consolidated assets (i.e., leverage ratio) exceeds 9% subject to a limited two quarter grace period, during which the leverage ratio cannot go 100 basis points below the then applicable threshold, and will not be required to calculate and report risk-based capital ratios. North Shore Trust and Savings' Tier 1 capital to Average Assets was 18.45% and 18.41% at June 30, 2021 and December 31, 2020, respectively. Additionally, at December 31, 2019, we exceeded all of our regulatory capital requirements with a Tier 1 leverage capital level of \$45.1 million, or 19.35%.

Off-Balance Sheet Arrangements. At June 30, 2021, we had \$1.3 million of outstanding commitments to originate loans. Our total letters and lines of credit and unused lines of credit totaled \$4.3 million at June 30, 2021. Time deposit that are scheduled to mature in less than one year from June 30, 2021, totaled \$28.6 million. Management expects that a substantial portion of the maturing time deposit will be renewed. However, if a substantial portion of these deposits is not retained, we may utilize FHLB of Chicago advances or raise interest rates on deposits to attract new accounts, which may result in higher levels of interest expense.

Commitments. The following table summarizes our outstanding commitments to originate loans and to advance additional amounts pursuant to outstanding letters of credit, lines of credit and undisbursed construction loans at June 30, 2021.

	Total Amounts Committed at June 30, 2021	Amount of Commitment Expiration – Per Period			
		To 1 Year	1-3 Years	4-5 Years	After 5 Years
		(Dollars in thousands)			
Unused line of credit	4,341	647,	1,672	1,215	807
Commitments to originate loans	1,324	1,324	—	—	—
Total commitments	\$ 5,665	\$ 1,971	\$ 1,672	\$ 1,215	\$ 807

Contractual Cash Obligations. The following table summarizes our contractual cash obligations at June 30, 2021.

	Total at June 30, 2021	Payments Due By Period			
		To 1 Year	1-3 Years	4-5 Years	After 5 Years
		(Dollars in thousands)			
Time deposits	\$ 63,788	\$ 28,597	\$ 24,626	\$ 7,164	\$ 3,401
Other borrowings	5,000	5,000	—	—	—
Total contractual obligations	\$ 68,788	\$ 33,597	\$ 24,626	\$ 7,164	\$ 3,401

Impact of Inflation and Changing Prices

The financial statements and related financial data presented herein regarding North Shore Trust and Savings have been prepared in accordance with accounting principles generally accepted in the United States of America, which generally require the measurement of financial position and operating results in terms of historical dollars, without considering changes in relative purchasing power over time due to inflation. Unlike most industrial companies, virtually all of our assets and liabilities are monetary in nature. As a result, interest rates generally have a more significant impact on North Shore Trust and Savings' performance than does the effect of inflation. Interest rates do not necessarily move in the same direction or in the same magnitude as the prices of goods and services, since such prices are affected by inflation to a larger extent than interest rates.

Recent Accounting Pronouncements

For a discussion of the impact of recent accounting pronouncements, see Note 1 of the notes to our financial statements beginning on page F-1 of this prospectus.

BUSINESS OF NSTS BANCORP, INC.

NSTS Bancorp, Inc. was incorporated in the State of Delaware in September 2021, and has not engaged in any business to date. Upon completion of the conversion, NSTS Bancorp, Inc. will own all of the issued and outstanding stock of North Shore Trust and Savings. We intend to contribute at least 50% of the net proceeds from the stock offering to North Shore Trust and Savings. NSTS Bancorp, Inc. will retain the remainder of the net proceeds from the stock offering and use a portion of the retained net proceeds to make a loan to the employee stock ownership plan. We may use the funds we retain for investment, for capital management strategies, including the repurchase of shares of our common stock, to pay cash dividends and for general corporate purposes. We intend to invest our initial capital as discussed in "How We Intend to Use the Proceeds from the Offering."

After the conversion and the offering are complete, NSTS Bancorp, Inc., as the holding company of North Shore Trust and Savings, will be authorized to pursue other business activities permitted by applicable laws and regulations. See "Supervision and Regulation—Holding Company Regulation" for a discussion of the activities that are permitted for savings and loan holding companies.

Following the offering, our cash flow will depend on earnings from the investment of the net proceeds from the offering that we retain, and any dividends we receive from North Shore Trust and Savings. North Shore Trust and Savings is subject to regulatory limitations on the amount of dividends that it may pay. See "Supervision and Regulation—Federal Banking Regulation—Capital Distributions." Initially, NSTS Bancorp, Inc. will neither own nor lease any property, but will instead utilize the premises, equipment and furniture of North Shore Trust and Savings. At the present time, we intend to employ only persons who are officers of North Shore Trust and Savings to serve as officers of NSTS Bancorp, Inc. We will, however, use the support staff of North Shore Trust and Savings from time to time. NSTS Bancorp, Inc. may hire additional employees, as appropriate, to the extent it expands its business in the future.

BUSINESS OF NORTH SHORE MHC AND NSTS FINANCIAL CORPORATION

Currently, North Shore Trust and Savings is a wholly-owned subsidiary of NSTS Financial Corporation, which is in turn a wholly-owned subsidiary of North Shore MHC. North Shore MHC's primary asset is its investment in NSTS Financial Corporation and NSTS Financial Corporation's primary asset is its investment in North Shore Trust and Savings. North Shore MHC and NSTS Financial Corporation are not otherwise engaged in any material operating activities.

BUSINESS OF NORTH SHORE TRUST AND SAVINGS

General. North Shore Trust and Savings is a federally-chartered community-oriented savings institution which was originally organized in 1921 and is headquartered in Waukegan, Illinois. North Shore Trust and Savings currently conducts its business from its main office as well as two additional full-service branch offices and one loan production office. Our branch offices are located in Waukegan and Lindenhurst, Illinois, respectively, and our loan production office is located in Chicago, Illinois. We currently are evaluating sites for up to three additional loan production offices in surrounding communities.

We are primarily engaged in attracting deposits from the general public and using those funds to invest in loans and securities. Our principal sources of funds are customer deposits, repayments of loans, maturities of investments and funds borrowed from outside sources such as the FHLB of Chicago. These funds are primarily used for the origination of loans, including one- to four-family residential first mortgage loans, commercial real estate mortgage loans, multi-family residential mortgage loans and consumer loans. North Shore Trust and Savings derives its income principally from interest earned on loans and investment securities and, to a lesser extent, from fees received in connection with the origination of loans, service charges on deposit accounts and for other services. We invest in bank owned life insurance ("BOLI") to provide us with a funding source for our benefit plan obligations. BOLI also generally provides us noninterest income that is non-taxable. North Shore Trust and Savings' primary expenses are interest expense on deposits and borrowings and general operating expenses.

We are an active originator of residential home mortgage loans in our market area. North Shore Trust and Savings is a traditional thrift institution with an emphasis on long-term one- to four-family residential first mortgage loans secured by residences located in our traditional market area centered in Waukegan, Illinois. As of June 30, 2021, \$87.9 million, or 89.72% of our total loan portfolio, consisted of one- to four-family residential mortgage loans. As previously indicated, our business strategy is to enhance our products and services and to increase our holdings of commercial real estate and multi-family residential real estate loans. Commercial real estate loans are deemed attractive due to their generally higher yields and shorter anticipated lives compared to one- to four-family residential mortgage loans.

Our headquarters office is located at 700 S. Lewis Avenue, Waukegan, Illinois, and our telephone number is (847) 336-4430. We maintain a website at www.northshoretrust.com, and we provide our customers with on-line banking services. Information on our website should not be considered a part of this prospectus.

Market Area and Competition

We are headquartered in Waukegan, Illinois. In addition to our main office, we have two additional full service offices in Waukegan and Lindenhurst, Illinois, respectively, and one loan production office in Chicago, Illinois. We currently are evaluating sites for up to three additional loan production branch offices in surrounding communities to be established over the next few years.

Our market area consists of Lake County and Cook County which are located in Illinois, and Kenosha County which is located in Wisconsin. The largest employers in Lake County are pharmaceutical and health care companies, including Abbott Laboratories, AbbVie, and Baxter International. The largest employers in Cook County are government entities, including the U.S. Government, Chicago Public Schools, and the City of Chicago. Kenosha County's largest employers include Amazon, Uline, and Snap-on. Overall, Lake, Cook, and Kenosha counties have a diversified employment base which helps to maintain a relatively stable economy. Lake County's 2021 median household income of \$92,588 was above the national median household income of \$67,761. As of May 2021, the unemployment rate for Lake County was 4.7%, versus a comparable unemployment rate of 5.5% for the U.S. Housing prices continue to increase in Lake County, with a 1-year change of 9.90% as of March 2021 compared to 12.63% for the U.S. for the same period.

We face significant competition in originating loans and attracting deposits. This competition stems primarily from credit unions, commercial banks, other savings banks and savings associations, and mortgage-banking companies. Many of the financial service providers operating in our market area are significantly larger and have greater financial resources than we do. We face additional competition for deposits from short-term money market funds and other corporate and government securities funds, mutual funds and from other non-depository financial institutions such as brokerage firms and insurance companies.

Lending Activities

General. As of June 30, 2021, our net loan portfolio totaled \$97.9 million or 40.80% of total assets. Our principal lending activity has been the origination of loans collateralized by one- to four-family residential real estate loans located in our market area. We also originate commercial real estate, multi-family residential mortgage loans and consumer loans, consisting of loans secured by deposits at North Shore Trust and Savings and other collateral and unsecured personal loans.

Loan Portfolio Composition. The following table shows the composition of our loan portfolio by type of loan at the dates indicated.

	At June 30,		December 31,			
	2021		2020		2019	
	Amount	%	Amount	%	Amount	%
(Dollars in thousands)						
First mortgage loans:						
One- to four-family residential	\$ 87,874	89.72%	\$ 87,198	88.38%	\$ 88,030	90.41%
Multi-family	5,202	5.31%	5,736	5.82%	6,438	6.61%
Commercial real estate	4,565	4.66%	5,340	5.41%	2,682	2.76%
Total first mortgage loans	97,641	—	98,274	—	97,150	—
Consumer loans	303	0.31%	385	0.39%	217	0.22%
Total loans	97,944	100.00%	98,659	100.00%	97,367	100.00%
Net deferred loan costs	709	—	666	—	699	—
Allowance for loan losses	(792)	—	(870)	—	(389)	—
Total loans, net	\$ 97,861		\$ 98,455		\$ 97,677	

Contractual Terms to Final Maturities. The following table shows the scheduled contractual maturities of our loans as of June 30, 2021, before giving effect to net deferred loan costs and the allowance for loan losses. Demand loans, loans having no stated schedule of repayments and no stated maturity, and overdrafts are reported as due in one year or less. The amounts shown below do not take into account loan prepayments.

	One- to Four- Family Residential	Multi-Family Residential	Commercial Real Estate	Consumer	Total
(Dollars in thousands)					
Amounts due after June 30, 2021 in:					
One year or less	\$1,717	—	—	6	\$ 1,723
After one year through two years	274	—	—	11	285
After two years through three years	104	—	336	23	463
After three years through five years	972	—	263	261	1,496
After five years through ten years	4,657	—	226	—	4,883
After ten years through 15 years	18,778	1,736	3,376	—	23,890
After 15 years	61,372	3,466	364	2	65,204
Total	\$87,874	5,202	4,565	303	\$97,944

The following table shows the dollar amount of our loans as of June 30, 2021, due after June 30, 2022, as shown in the preceding table, which have fixed interest rates or which have floating or adjustable interest rates.

	Fixed-Rate	Floating or Adjustable-Rate	Total at June 30, 2021
	(Dollars in thousands)		
One- to four-family residential	\$72,751	\$13,406	\$86,157
Multi-family residential	—	5,202	5,202
Commercial real estate	409	4,156	4,565
Consumer	39	258	297
Total	<u>\$73,199</u>	<u>\$23,022</u>	<u>\$96,221</u>

The following table shows the dollar amount of our loans as of December 31, 2020, due after December 31, 2021 which have fixed interest rates or which have floating or adjustable interest rates.

	Fixed-Rate	Floating or Adjustable-Rate	Total at December 31, 2020
	(Dollars in thousands)		
One- to four-family residential	\$70,962	\$14,641	\$85,603
Multi-family residential	0	5,737	5,737
Commercial real estate	1,056	4,284	5,340
Consumer	49	230	279
Total	<u>\$72,067</u>	<u>\$24,892</u>	<u>\$96,959</u>

The following table shows the dollar amount of our loans as of December 31, 2019, due after December 31, 2020 which have fixed interest rates or which have floating or adjustable interest rates.

	Fixed-Rate	Floating or Adjustable-Rate	Total at December 31, 2019
	(Dollars in thousands)		
One- to four-family residential	\$70,290	\$15,790	\$86,080
Multi-family residential	111	6,327	6,438
Commercial real estate	255	2,342	2,597
Consumer	83	9	92
Total	<u>\$70,739</u>	<u>\$24,468</u>	<u>\$95,207</u>

Loan Originations, Participations and Sales. Our lending activities are subject to underwriting standards and loan origination procedures established by our board of directors and management. Loan originations are obtained through a variety of sources, primarily existing customers as well as new customers obtained from referrals and local advertising and promotional efforts. One- to four-family residential mortgage loan applications and consumer loan applications are taken at any of North Shore Trust and Savings' branch offices or customers may submit an application on-line. Applications for other loans typically are taken personally by one of our loan officers, although they may be received by a branch office initially and then referred to a loan officer. All loan applications are processed and underwritten centrally at our branch office located in Lindenhurst, Illinois.

Our one- to four-family residential first mortgage loans are written on standardized documents used by the Federal Home Loan Mortgage Corporation ("Freddie Mac") and Federal National Mortgage Association ("Fannie Mae"). Our underwriting standards generally require that new one- to four-family residential mortgage loans conform to secondary market standards but a portion of our one- to four-family residential mortgage loans are considered "non-conforming" due to factors such as the borrower's job status or income, the condition or age of the residence or other factors. For loans which are secured by real estate, property valuations are undertaken by an independent third-party appraiser approved by our board of directors.

Consistent with our interest rate risk strategy, we have sold, on a servicing released basis a significant portion of our fixed rate one- to four-family residential mortgage loans. We consider our balance sheet as well as market conditions on an ongoing basis in making decisions as to whether to hold loans we originate for investment or to sell such loans choosing the strategy that is most advantageous to us from a profitability and risk management standpoint.

In addition to originating loans, although we have not previously purchased participation interests in commercial real estate mortgage loans, we will consider purchasing such participation interests in modest amounts from other financial institutions in our market area. Such participations will be reviewed for compliance with our underwriting criteria before they are purchased. We will actively monitor the performance of such loans made in the future through the receipt of regular reports from the lead lender regarding the loan's performance, physically inspecting the loan security property on a periodic basis, discussing the loan with the lead lender on a regular basis and receiving copies of updated financial statements from the borrower.

Loan Originations and Sales

The following table shows our total loans originated, sold and repaid during the periods indicated.

	Six Months Ended June 30,		Year Ended December 31,	
	2021	2020	2020	2019
	(Dollars in thousands)			
Loan originations:				
One- to four-family residential	\$22,737	\$17,419	\$52,674	\$34,706
Commercial real estate	1,012	1,255	3,527	—
Multi-family residential	—	—	—	854
Consumer	12	14	334	161
Total loan originations	\$23,761	\$18,688	\$56,535	\$35,721
Loans sold	13,661	8,771	36,476	16,912
Loan principal repayments	12,244	6,977	17,534	21,214
Total loans sold and principal repayments	\$25,905	\$15,748	\$54,010	\$38,126
Increase or (decrease) due to other items, net ⁽¹⁾	(42)	(199)	(487)	(29)
Net increase (decrease) in loans, net and loans held for sale	\$(2,186)	\$2,741	\$2,028	\$(2,434)

(1) Other items consist of deferred fees, the change in allowance for loan losses and the transfer of loans to real estate owned.

One- to Four-Family Residential Mortgage Lending One of our primary lending activities continues to be the origination of loans secured by first mortgages on one- to four-family residences in our market area. As of June 30, 2021, \$87.9 million, or 89.72% of our total loan portfolio, consisted of one- to four-family residential mortgage loans. At June 30, 2021, the average one- to four-family residential mortgage loan size was approximately \$147,000.

Applications for one- to four-family residential mortgage loans are accepted at any of our banking offices for processing, which consists primarily of obtaining all documents required to complete the underwriting, which includes making a determination whether the loan meets our underwriting standards. While our one- to four-family residential first mortgage loans are written on standardized documents used by Freddie Mac and Fannie Mae, our underwriting standards do not require that new one- to four-family residential mortgage loans conform to secondary market standards. A small portion of our one- to four-family residential mortgage loans are considered “non-conforming”, due to factors such as the borrower's job status or income, the condition or age of the residence or other factors and are not readily saleable into the secondary mortgage market. We currently originate fixed-rate, fully amortizing mortgage loans with maturities up to 30 years. We also offer adjustable rate mortgage (“ARM”) loans where the interest rate either adjusts on an annual basis or is fixed for the initial three or five years and then adjusts annually. As of June 30, 2021, approximately 15.56% of our one- to four-family residential mortgage loans maturing after June 30, 2022 were ARM loans. Our ARM loans have a cap on any increase or decrease in the interest rate of up to 2% at any adjustment date and a 5% cap above or below the initial interest rate over the life of the loan. The interest rate on our ARM loans is based on the one-year Treasury or LIBOR.

Although adjustable-rate one- to four-family residential real estate loans may reduce our vulnerability to changes in market interest rates because they periodically reprice, as interest rates increase, the required payments due from the borrower also increase (subject to rate caps), increasing the potential for default by the borrower. At the same time, the ability of the borrower to repay the loan and the marketability of the underlying collateral may be adversely affected by higher interest rates. Upward adjustments of the contractual interest rate are also limited by the maximum periodic and lifetime rate adjustments permitted by our loan documents. As a result, the effectiveness of adjustable-rate one- to four-family residential real estate loans in compensating for changes in market interest rates may be limited during periods of rapidly rising interest rates.

We underwrite one- to four-family residential mortgage loans with loan-to-value ratios which generally do not exceed 97% in the case of ARM loans and 95% in the case of fixed-rate loans, provided that the borrower obtains private mortgage insurance on loans that exceed 80% of the appraised value of the secured property. We also require that title insurance, hazard insurance and, if appropriate, flood insurance be maintained on all properties securing real estate loans. We require that a licensed appraiser from our list of approved appraisers perform and submit to us an appraisal on all properties securing one- to four-family first mortgage loans. Our mortgage loans generally include due-on-sale clauses which provide us with the contractual right to deem the loan immediately due and payable in the event the borrower transfers ownership of the property. Due-on-sale clauses are an important means of adjusting the yields of fixed-rate mortgage loans in portfolio and we generally exercise our rights under these clauses.

Multi-Family Residential and Commercial Real Estate Loans. As of June 30, 2021, our commercial real estate and multi-family residential loans amounted to an aggregate of \$9.8 million, or 9.97% of our total loan portfolio at such date. We plan to moderately increase our emphasis on commercial real estate loans and multi-family residential real estate loans as they generally have shorter terms to maturity, improving North Shore Trust and Savings' interest rate risk profile, and provide higher yields than one- to four-family residential mortgage loans.

At June 30, 2021, our multi-family residential mortgage loans amounted to \$5.2 million, or 5.31% of the total loan portfolio. Our multi-family residential mortgage loans, which are underwritten and approved in a manner consistent with our commercial real estate loans, are secured by residential properties with more than four units or secured by multiple one- to four-family residential properties located in our market area. At June 30, 2021, our largest multi-family residential mortgage loan was a \$940,000 loan secured by various one- to four-family investment homes and one multi-family apartment building located in Waukegan and North Chicago, Illinois, and was performing in accordance with its terms. At June 30, 2021, we had a total of 15 multi-family residential mortgage loans and the average size of our multi-family residential mortgage loans was approximately \$347,000.

Our commercial real estate loan portfolio amounted to \$4.6 million, or 4.66% of the total loan portfolio, at June 30, 2021. These commercial real estate loans included 14 loans secured primarily by investor properties, which include multiple one- to four-family residences. Additionally, North Shore Trust and Savings has two commercial real estate loans secured by retail frontage. At such date, the average commercial real estate loan size was \$169,000. The five largest commercial real estate loans outstanding were \$2.0 million, \$1.4 million, \$253,000, \$200,000 and \$136,000, and all of such loans were paying in accordance with all their contractual terms.

Although terms for commercial real estate and multi-family residential loans vary, our underwriting standards generally allow for terms not exceeding 30 years and loan-to-value ratios of not more than 75%. Interest rates are typically adjustable, based upon designated market indices such as *The Wall Street Journal* prime rate, or fixed-rate, and fees are charged to the borrower at the origination of the loan. The actual lives of such loans generally are less than their contractual terms to maturity due to prepayments and re-financings. Generally, we obtain personal guarantees of the principals as additional collateral for commercial real estate and multi-family residential loans.

Commercial real estate and multi-family residential lending involve a greater degree of risk than one- to four-family residential lending. These risks include larger loans to individual borrowers and loan payments that are dependent upon the successful operation of the project or the borrower's business. These risks can be affected by supply and demand conditions of rental housing units, office and retail space and other commercial space in the project's market area. We attempt to minimize these risks for loans we originate by soliciting loans from businesses with existing operating performance. We also use conservative debt coverage ratios in our underwriting, and periodically monitor the operation of the business or project and the physical condition of the property. At June 30, 2021, none of our commercial real estate or multi-family loans were delinquent more than 30 days, nor were any on non-accrual. We have had no charge-offs of commercial real estate and multi-family residential loans for the years ended December 31, 2020 and December 31, 2019.

Various aspects of commercial real estate and multi-family residential transactions are evaluated in an effort to mitigate the additional risk in these types of loans. In our underwriting procedures, consideration is given to the stability of the property's cash flow history, future operating projections, current and projected occupancy levels, location and physical condition. Generally, we impose a debt service ratio (the ratio of net cash flows from operations before the payment of debt service to debt service) of not less than 1.25x in the case of commercial real estate and multi-family residential loans. We also evaluate the credit and financial condition of the borrower, and if applicable, the guarantor. Appraisal reports prepared by independent appraisers are obtained on each loan to substantiate the property's market value and are reviewed by us prior to the closing of the loan.

Consumer Lending Activities. In our efforts to provide a full range of financial services to our customers, we offer various types of consumer loans. Our consumer loans amounted to \$303,000, or 0.31%, of our total loan portfolio at June 30, 2021. At June 30, 2021, our consumer loans were comprised of loans secured by deposits, auto loans and unsecured personal loans.

Consumer loans generally have higher interest rates and shorter terms than residential loans; however, they have additional credit risk due to the type of collateral securing the loan or in some cases the absence of collateral. For the six months ended June 30, 2021, we charged off a \$99,000 unsecured consumer loan because it was six months past due but our collection efforts are continuing. There were no consumer charge-offs during the years ended December 31, 2020 and 2019.

Loan Approval Procedures and Authority. Our board of directors establishes North Shore Trust and Savings' lending policies and procedures. Our loan policy is reviewed on at least an annual basis by our management team in order to propose modifications as a result of market conditions, regulatory changes and other factors. All modifications must be approved by our Board of Directors.

Various officers or combinations of officers of North Shore Trust and Savings have the authority within specifically identified limits to approve new loans. The maximum loan amount that may be approved by an individual officer is \$553,100, which is consistent with secondary market limits for conforming loans. Loans up to \$750,000 are reviewed by our management loan committee, with a minimum of two members' approval. Our board level loan committee has authority to approve loans up to \$2.0 million. All other loans must be approved by the board of directors of North Shore Trust and Savings.

Asset Quality

General. One of our key objectives has been, and continues to be, maintaining a high level of asset quality. In addition to maintaining credit standards for new originations which we believe are sound, we are proactive in our loan monitoring, collection and workout processes in dealing with delinquent or problem loans.

When a borrower fails to make a scheduled payment, we attempt to cure the deficiency by making personal contact with the borrower. Initial contacts are generally made within 30 days after the date the payment is due. In most cases, deficiencies are promptly resolved. If the delinquency continues, late charges are assessed, and additional efforts are made to collect the deficiency. All loans which are designated as "special mention," classified or delinquent 90 days or more are reported to the board of directors of North Shore Trust and Savings on a monthly basis.

We stop accruing interest on loans ("non-accrual" loans) at the time the loan is 90 days past due unless the credit is adequately collateralized and in process of collection. Interest income is not accrued on these loans until the borrower's financial condition and payment record demonstrate an ability to service the debt.

Property acquired through foreclosure is initially recorded at the lower of cost, which is the carrying value of the loan, or fair value at the date of acquisition, which is fair value of the related assets at the date of foreclosure, less estimated costs to sell. Thereafter, if there is a further deterioration in value, we charge earnings for the diminution in value. Our policy is to obtain an appraisal on real estate subject to foreclosure proceedings prior to the time of foreclosure. We obtain re-appraisals on a periodic basis, generally on at least an annual basis, on foreclosed properties. We also conduct inspections on foreclosed properties.

We account for our impaired loans in accordance with generally accepted accounting principles. An impaired loan generally is one for which it is more likely than not, based on current information, that the lender will not collect all the amounts due under the contractual terms of the loan. Large groups of smaller balance, homogeneous loans are collectively evaluated for impairment because they have similar characteristics and performance experience. Loans collectively evaluated for impairment include smaller balance commercial real estate loans, residential real estate loans and consumer loans. Larger commercial real estate, construction and land development and commercial business loans are individually evaluated for impairment on at least a quarterly basis by management. As of June 30, 2021 and December 31, 2020, loans identified as impaired and individually evaluated for impairment, amounted to \$2.4 million and \$2.5 million, respectively.

Federal regulations and our policies require that we utilize an internal asset classification system as a means of reporting problem and potential problem assets. We have incorporated an internal asset classification system, consistent with federal banking regulations, as a part of our credit monitoring system. We currently classify problem and potential problem assets as “special mention,” “substandard,” “doubtful” or “loss” assets. An asset is considered “substandard” if it is inadequately protected by the current net worth and paying capacity of the obligor or of the collateral pledged, if any. “Substandard” assets include those characterized by the “distinct possibility” that the insured institution will sustain “some loss” if the deficiencies are not corrected. Assets classified as “doubtful” have all of the weaknesses inherent in those classified “substandard” with the added characteristic that the weaknesses present make “collection or liquidation in full,” on the basis of currently existing facts, conditions, and values, “highly questionable and improbable.” Assets classified as “loss” are those considered “uncollectible” and of such little value that their continuance as assets without the establishment of a specific loss reserve is not warranted. Assets which do not currently expose the insured institution to sufficient risk to warrant classification in one of the aforementioned categories but possess weaknesses are required to be designated “special mention.”

When an insured institution classifies one or more assets, or portions thereof, as “substandard” or “doubtful,” it is required that a general valuation allowance for loan losses be established for loan losses in accordance with established methodology. General valuation allowances represent loss allowances which have been established to recognize the inherent losses associated with lending activities, but which, unlike specific allocations, have not been allocated to specific problem assets. When an insured institution classifies one or more assets, or portions thereof, as “loss,” it is required to charge off such amount.

Our allowance for loan losses includes a portion which is allocated by type of loan, based primarily upon our periodic reviews of the risk elements within the various categories of loans. The specific components relate to certain impaired loans. The general components cover non-classified loans and are based on historical loss experience adjusted for qualitative factors in response to changes in risk and market conditions. Our management believes that, based on information currently available, the allowance for loan losses is maintained at a level which covers all known and inherent losses that are both probable and reasonably estimable at each reporting date. However, actual losses are dependent upon future events and, as such, further additions to the level of the allowance for loan losses may become necessary.

We review and classify loans on no less frequently than a quarterly basis and our board of directors is provided with reports on our classified and criticized assets. We classify assets in accordance with the management guidelines described above. At June 30, 2021, we had no loans classified as “doubtful” or “loss,” \$368,000 of loans classified as “substandard” and \$411,000 of loans designated as “special mention.”

A savings institution’s determination as to the classification of its assets and the amount of its valuation allowances is subject to review by federal bank regulators which can order the establishment of additional general or specific loss allowances. The federal banking agencies have adopted an interagency policy statement on the allowance for loan losses. The policy statement provides guidance for financial institutions on both the responsibilities of management for the assessment and establishment of allowances and guidance for banking agency examiners to use in determining the adequacy of general valuation guidelines. Generally, the policy statement recommends that institutions have effective systems and controls to identify, monitor and address asset quality problems; that management analyze all significant factors that affect the collectability of the portfolio in a reasonable manner; and that management establish acceptable allowance evaluation processes that meet the objectives set forth in the policy statement. Our management believes that, based on information currently available, its allowance for loan losses is maintained at a level which covers all known and inherent losses that are both probable and reasonably estimable at each reporting date. However, actual losses are dependent upon future events and, as such, further additions to the level of allowances for loan losses may become necessary.

Troubled Debt Restructurings. We occasionally modify loans to extend the term or make other concessions to help a borrower stay current on his or her loan and to avoid foreclosure. We consider modifications only after analyzing the borrower's current repayment capacity, evaluating the strength of any guarantors based on documented current financial information, and assessing the current value of any collateral pledged. We generally do not forgive principal or interest on loans but may do so if it is in our best interest and increases the likelihood that we can collect the remaining principal balance. We may modify the terms of loans to lower interest rates (which may be at below market rates), to provide for fixed interest rates on loans where fixed rates are otherwise not available, to provide for longer amortization schedules, or to provide for interest-only terms. These modifications are made only when a workout plan has been agreed to by the borrower that we believe is reasonable and attainable and in our best interests. As of June 30, 2021, our loans which were classified as TDRs and were on accrual status and not more than 90 days past due amounted to \$1.7 million. All of such TDRs were performing in accordance with their restructured terms at December 31, 2020 and June 30, 2021. Certain COVID-19 related loans which have been modified are not deemed to be TDRs pursuant to provisions of the CARES Act. See "—CARES Act."

Delinquent Loans. The following table shows the delinquencies in our loan portfolio as of the dates indicated.

	31-89 Days Past Due and Accruing	90 Days or Greater Past Due and Accruing	Non-Accrual	Total Past Due and Non-Accrual	Current	Total Loan Balance
(Dollars in thousands)						
June 30, 2021						
One- to four-family residential	\$—	132	368	500	87,374	\$87,874
Multi-family	—	—	—	—	5,202	5,202
Commercial real estate	—	—	—	—	4,565	4,565
Consumer	—	—	—	—	303	303
Total	\$—	132	368	500	97,444	\$97,944
December 31, 2020						
One- to four-family residential	\$—	75	280	355	86,842	\$87,197
Multi-family	—	—	—	—	5,737	5,737
Commercial real estate	—	—	—	—	5,340	5,340
Consumer	99	—	—	99	286	385
Total	\$99	75	280	454	98,205	\$98,659
December 31, 2019						
One- to four-family residential	\$139	-	65	204	87,826	\$88,030
Multi-family	—	—	—	—	6,438	6,438
Commercial real estate	—	—	—	—	2,682	2,682
Consumer	—	—	—	—	217	217
Total	\$139	—	65	204	97,163	\$97,367

The following table sets forth the amounts of our classified loans at the dates indicated. There was no related specific valuation allowance in the allowance for loan losses on our classified loans at June 30, 2021, December 31, 2020 or 2019.

	At June 30, 2021	At December 31, 2020	2019
(Dollars in thousands)			
Substandard loans	\$368	\$280	\$65
Doubtful loans	—	—	—
Loss loans	—	—	—
Total classified loans	\$368	\$280	\$65

In addition to classified loans, our other real estate owned, ("OREO") was classified as substandard. As of June 30, 2021, OREO consisted of a single one- to four-family property valued at \$68,000. There were no OREO properties as of December 31, 2020 or 2019.

Non-performing Assets. The following table shows the amounts of our non-performing assets, which include non-accruing loans, accruing loans 90 days or more past due and real estate owned at the dates indicated, and our performing TDRs.

	At June 30,	At December 31,	
	2021	2020	2019
Non-accruing loans:		(Dollars in thousands)	
One-to four-family residential	\$ 368	\$ 280	\$ 65
Multi-family residential	—	—	—
Commercial real estate	—	—	—
Consumer	—	—	—
Total non-accruing loans	368	280	65
Accruing loans 90 days or more past due:			
One-to four-family residential	132	75	—
Multi-family residential	—	—	—
Commercial real estate	—	—	—
Consumer	—	—	—
Total accruing loans 90 days or more past due	132	75	—
Total non-performing loans	500	355	65
Real estate owned	68	—	—
Total non-performing assets	568	355	65
Performing troubled debt restructurings	1,696	1,824	1,902
Total non-performing assets and performing TDRs	2,264	2,179	1,967
Total loans outstanding	\$ 97,944	\$ 98,659	\$ 97,366
Total assets outstanding	\$ 239,858	\$ 242,219	\$ 235,549
Total non-accruing loans as a percentage of total loans outstanding	0.38%	0.28%	0.07%
Total non-performing loans as a percentage of total loans outstanding	0.51%	0.36%	0.07%
Total non-performing loans as a percentage of total assets	0.21%	0.15%	0.03%
Total non-performing assets as a percentage of total assets	0.24%	0.15%	0.03%

Allowance for Loan Losses. The following table shows changes in our allowance for loan losses during the periods presented.

	At or for the Six Months Ended June 30	At or for the Year Ended December 31,	
	2021	2020	2019
		(Dollars in thousands)	
Total loans outstanding at end of period	97,944	98,659	97,366
Total non-accrual loans at end of period	\$ 368	\$ 280	\$ 65
Total non-performing loans at end of period	500	355	65
Total average loans outstanding	99,071	101,491	99,402
Allowance for loan losses, beginning of period	870	389	261
Provision for loan losses	17	464	97
Charge-offs:			
One-to four-family residential	—	—	—
Multi-family residential	—	—	—
Commercial real estate	—	—	—
Consumer	99	—	—
Total charge-offs	99	—	—
Recoveries on loans previously charged-off:			
One-to four-family residential	4	17	31
Multi-family residential	—	—	—
Commercial real estate	—	—	—
Consumer	—	—	—
Total recoveries	\$ 4	\$ 17	\$ 31
Net charge-offs (recoveries)	95	(17)	(31)
Allowance for loan losses, end of period	\$ 792	\$ 870	\$ 389
Allowance for loan losses as a percent of non-performing loans	158.40%	245.07%	598.46%
Allowance for loan losses as a percent of total loans outstanding	0.81%	0.88%	0.40%
Allowance for loan losses as a percent of total non-accrual loans	215.22%	310.71%	598.46%
Ratio of net charge-offs during the period to average loans outstanding during the period	0.10%	-0.02%	-0.03%

CARES Act. Under the CARES Act, loans less than 30 days past due as of December 31, 2019 will be considered current for COVID-19 modifications. Similarly, the Financial Accounting Standards Board has confirmed that short-term modifications made on a good-faith basis in response to COVID-19 to loan customers who were current prior to any relief will not be considered troubled debt restructurings. We administer loan payment modification requests on a case-by-case basis. Since the beginning of the program, through June 30, 2021, we modified 50 loans with principal balances totaling \$9.7 million.

At June 30, 2021, our COVID-19 modifications consisted of two loans with an aggregate outstanding balance of \$179,000 at such date. A majority of deferrals were three-month deferrals of principal payments and a three-month extension of the maturity date.

Allowance for Loan Losses. The allowance for loan losses is established through a provision for loan losses. We maintain the allowance at a level believed, to the best of management's knowledge, to cover all known and inherent losses in the portfolio that are both probable and reasonable to estimate at each reporting date. Management reviews the allowance for loan losses on no less than a quarterly basis in order to identify those inherent losses and to assess the overall collection probability for the loan portfolio. Our evaluation process includes, among other things, an analysis of delinquency trends, non-performing loan trends, the level of charge-offs and recoveries, prior loss experience, total loans outstanding, the volume of loan originations, the type, size and geographic concentration of our loans, the value of collateral securing the loan, the borrower's ability to repay and repayment performance, the number of loans requiring heightened management oversight, national and local economic conditions and industry experience. Such risk ratings are periodically reviewed by management and revised as deemed appropriate. At June 30, 2021 and December 31, 2020, our allowance for loan losses amounted to \$792,000 and \$870,000 respectively. In our evaluation of the allowance for loan losses in 2020, particular consideration was given to the continuing economic impact of the COVID-19 pandemic. The establishment of the allowance for loan losses is significantly affected by uncertainties and management judgment and there is a likelihood that different amounts would be reported under different conditions or assumptions. Various regulatory agencies, as an integral part of their examination process, periodically review our allowance for loan losses. Such agencies may require North Shore Trust and Savings to make additional provisions for estimated loan losses based upon judgments different from those of management.

The following table shows how our allowance for loan losses is allocated by type of loan at each of the dates indicated.

	At June 30,			At December 31,			
	2021			2020		2019	
	Amount of Allowance	Percent of Allowance to Total Allowance	Percent of Loans in Category to Total Loans	Amount of Allowance	Percent of Allowance to Total Allowance	Amount of Allowance	Percent of Loans in Category to Total Loans
	(Dollars in thousands)						
One-to four-family residential	\$695	87.76%	89.72%	\$798	91.78%	\$362	93.01%
Multi-family residential	52	6.56%	5.31%	29	3.36%	10	2.58%
Commercial real estate	25	3.21%	4.66%	38	4.33%	9	2.35%
Consumer	10	1.24%	0.31%	5	0.53%	8	2.06%
Unallocated	10	1.23%		—	0.00%	—	0.00%
Total	\$792	100.00%	100.00%	\$870	100.00%	\$389	100.00%

Securities Available for Sale

We have authority to invest in various types of securities, including mortgage-backed securities, U.S. Treasury obligations, securities of various federal agencies and of state and municipal governments, time deposits at federally insured banks and savings institutions, and federal funds. Our investment strategy is established by the board of directors.

	At June 30,		At December 31,			
	2021		2020		2019	
	Amortized Cost	Market Value	Amortized Cost	Market Value	Amortized Cost	Market Value
Securities available-for-sale:			(Dollars in thousands)			
Mortgage-backed securities	\$49,585	\$49,721	\$42,232	\$43,094	\$30,077	\$30,032
U.S. Government and agency obligations	8,314	8,448	7,011	7,147	6,980	6,976
Municipal obligations	10,685	11,105	10,480	10,980	18,709	19,112
Collateralized mortgage obligations	28,903	29,010	19,931	20,399	12,337	12,449
Total securities available-for-sale	\$97,487	\$98,284	\$79,654	\$81,620	\$68,103	\$68,569

The investment policy is designed primarily to manage the interest rate sensitivity of the assets and liabilities, to generate a favorable return without incurring undue interest rate and credit risk, to complement the lending activities and to provide and maintain liquidity. The current investment policy generally permits investments in debt securities issued by the U.S. government and U.S. agencies, municipal bonds, and corporate debt obligations, as well as investments in preferred and common stock of government agencies and government sponsored enterprises such as Fannie Mae, Freddie Mac and the FHLB of Chicago. The policy also permits investments in mortgage-backed securities, including pass-through securities issued and guaranteed by Fannie Mae, Freddie Mac and the Government National Mortgage Association (“Ginnie Mae”).

As of June 30, 2021, our securities available-for-sale portfolio totaled \$98.3 million, or 40.98% of total assets at such date. The largest component of our investment securities portfolio at June 30, 2021 was investment in pass-through mortgage-backed securities issued by Fannie Mae, Ginnie Mae and Freddie Mac, which amounted to \$49.7 million, followed by collateralized mortgage obligations issued by Fannie Mae, Ginnie Mae and Freddie Mac, which amounted to \$29.0 million. Our investment in U.S. government and federal agency obligations as of June 30, 2021, were \$8.4 million and our investment in municipal obligations as of June 30, 2021, were \$11.1 million.

Ginnie Mae is a government agency within the Department of Housing and Urban Development which is intended to help finance government-assisted housing programs. Ginnie Mae securities are backed by loans insured by the Federal Housing Administration or guaranteed by the Department of Veterans Affairs. The timely payment of principal and interest on Ginnie Mae securities is guaranteed by Ginnie Mae and backed by the full faith and credit of the U.S. Government. Freddie Mac is a private corporation chartered by the U.S. Government. Freddie Mac issues participation certificates backed principally by conventional mortgage loans. Freddie Mac guarantees the timely payment of interest and the ultimate return of principal on participation certificates. Fannie Mae is a private corporation chartered by the U.S. Congress with a mandate to establish a secondary market for mortgage loans. Fannie Mae guarantees the timely payment of principal and interest on Fannie Mae securities. Freddie Mac and Fannie Mae securities are not backed by the full faith and credit of the U.S. Government.

Investments in mortgage-backed securities involve the risk that actual prepayments will be greater than estimated prepayments over the life of the security, which may require adjustments to the amortization of any premium or accretion of any discount relating to such instruments thereby changing the net yield on such securities. There is also reinvestment risk associated with the cash flows from such securities or in the event such securities are redeemed by the issuer. In addition, the market value of such securities may be adversely affected by changes in interest rates.

Investment securities are classified at the time of acquisition as securities available for sale, held to maturity or trading. Securities classified as held to maturity must be purchased with the intent and ability to hold that security until its final maturity and can be sold prior to maturity only under rare circumstances. Held-to-maturity securities are accounted for based upon the amortized cost of the security. Available-for-sale securities can be sold at any time based upon needs or market conditions. Available-for-sale securities are accounted for at fair value, with unrealized gains and losses on these securities, net of income tax provisions, reflected as accumulated other comprehensive income. At June 30, 2021, all securities were classified as securities available for sale. At June 30, 2021, we had no investments in a single issuer other than securities issued by U.S. Government agencies or U.S. Government sponsored enterprises, which had an aggregate book value in excess of 10% of our stockholders’ equity.

The following table sets forth the amount of investment securities which mature during each of the periods indicated and the weighted average yields for each range of maturities as of June 30, 2021. Maturities may differ from contractual maturities in mortgage-backed securities because the mortgages underlying the securities may be called or repaid without any penalties. Therefore, these securities have been included in 1 to 5 years based on average remaining life.

	Amounts at June 30, 2021, Which Mature In				Total
	One Year or Less	After One through Five Years	After Five through 10 Years	Over 10 Years	
Securities available for sale:					
Mortgage-backed securities	\$660	\$35,526	\$13,534	\$—	\$49,721
U.S. Government and agency obligations	—	4,298	4,150	—	8,448
Municipal obligations	1,456	3,546	3,174	2,930	11,105
Collateralized mortgage obligations	1,214	14,691	11,501	1,603	29,010
Total	\$3,330	\$58,062	\$32,359	\$4,533	\$98,284
Weighted average yield:					
Mortgage-backed securities	1.52	1.33	1.38	N/A	1.35
U.S. Government and agency obligations	N/A	2.47	1.36	N/A	1.92
Municipal obligations	2.76	2.83	2.98	2.91	2.88
Collateralized mortgage obligations	2.19	1.53	1.57	2.24	1.61
Total weighted average yield	2.31	1.55	1.60	2.66	1.64

The following table sets forth the composition of our investment securities portfolio at each of the dates indicated.

	At June 30,	At December 31,	
	2021	2020	2019
Fixed-rate:	\$94,709	\$78,281	\$61,077
Adjustable-rate:	3,575	3,339	7,492
Total securities available for sale	\$98,284	\$81,620	\$68,569

Investment Activities

Investments in mortgage-backed securities involve a risk that actual prepayments will be greater than estimated prepayments over the life of the security, which may require adjustments to the amortization of any premium or accretion of any discount relating to such instruments thereby changing the net yield on such securities. There is also reinvestment risk associated with the cash flows from such securities or in the event such securities are redeemed by the issuer. In addition, the market value of such securities may be adversely affected by changes in interest rates.

Additionally, we hold interest-bearing deposits at financial institutions throughout the United States. Some of these accounts have balances above the FDIC's per account insurance limit of \$250,000. We monitor that credit risk on a quarterly basis. We also hold funds in the Federal Reserve Bank of Chicago and the FHLB of Chicago.

Sources of Funds

General. Deposits, loan repayments and prepayments, proceeds from investment sales, calls, maturities and pay-downs, cash flows generated from operations and FHLB of Chicago advances are the primary sources of our funds for use in lending, investing and for other general purposes.

Deposits. We offer a variety of deposit accounts with a range of interest rates and terms. Our deposits consist of checking, both interest-bearing and noninterest-bearing, money market, savings and time deposit accounts. As of June 30, 2021, 65.41% of the funds deposited with North Shore Trust and Savings were in core deposits, which are deposits other than time deposits.

The flow of deposits is influenced significantly by general economic conditions, changes in money market rates, prevailing interest rates and competition. Our deposits are obtained predominantly from the areas where our branch offices are located. We have historically relied primarily on customer service and long-standing relationships with customers to attract and retain these deposits; however, market interest rates and rates offered by competing financial institutions significantly affect our ability to attract and retain deposits.

We use traditional means of advertising deposit products, including broadcast and print media and we generally do not solicit deposits from outside our market area. In recent years, we have emphasized the origination of core deposits.

The following table shows the distribution of, and certain other information relating to, our deposits by type of deposit, as of the dates indicated.

	At June 30,		At December 31,			
	2021		2020		2019	
	Amount	%	Amount	%	Amount	%
Certificate accounts:			(Dollars in thousands)			
0.00% - 0.99%	\$ 32,420	17.58%	\$ 27,025	14.50%	\$ 4,432	2.40%
1.00% - 1.99%	9,863	5.35%	17,326	9.29%	38,674	20.98%
2.00% - 2.99%	19,995	10.84%	22,073	11.84%	27,276	14.79%
3.00% or more	1,510	0.82%	1,488	0.80%	1,444	0.78%
Total certificate accounts	\$ 63,788	34.59%	\$ 67,912	36.43%	\$ 71,826	38.95%
Transaction accounts:						
Savings	45,229	24.53%	42,250	22.67%	39,567	21.46%
Checking:						
Interest-bearing	17,975	9.75%	16,365	8.78%	12,750	6.92%
Noninterest-bearing	11,836	6.41%	9,734	5.22%	7,301	3.96%
Money market	45,578	24.72%	50,143	26.90%	52,927	28.71%
Total transaction accounts	\$ 120,618	65.41%	\$ 118,492	63.57%	\$ 112,545	61.05%
Total deposits	\$ 184,406	100.00%	\$ 186,404	100.00%	\$ 184,371	100.00%

The following tables show the average balance of each type of deposit and the average rate paid on each type of deposit for the periods indicated.

	Six Months Ended June 30,					
	2021		2020		2019	
	Average Balance	Interest Expense	Average Rate Paid	Average Balance	Interest Expense	Average Rate Paid
	(Dollars in thousands)					
Savings accounts	\$ 44,016	\$ 33	0.15%	\$ 40,065	\$ 50	0.25%
Checking-interest bearing	16,863	3	0.04%	13,596	7	0.10%
Money market	47,419	48	0.20%	53,627	172	0.64%
Time deposit	65,453	407	1.24%	71,264	611	1.71%
Total interest-bearing deposits	\$ 173,751	\$ 491	0.57%	\$ 178,552	\$ 840	0.94%
Total deposits	\$ 194,511	\$ 491	0.50%	\$ 193,679	\$ 840	0.87%

	Year Ended December 31,					
	2020		2019		2018	
	Average Balance	Interest Expense	Average Rate Paid	Average Balance	Interest Expense	Average Rate Paid
	(Dollars in thousands)					
Savings accounts	\$ 40,638	\$ 97	0.24%	\$ 39,293	\$ 96	0.24%
Checking-interest bearing	14,461	12	0.08%	13,560	12	0.09%
Money market	51,278	242	0.47%	45,072	475	1.05%
Time deposit	70,188	1,137	1.62%	73,526	1,143	1.55%
Total interest-bearing deposits	\$ 176,565	\$ 1,488	0.84%	\$ 171,451	\$ 1,726	1.01%
Total deposits	\$ 193,940	\$ 1,488	0.77%	\$ 184,210	\$ 1,726	0.94%

The following table shows, by various interest rate categories and maturities, the amount of time deposit as of June 30, 2021.

Time deposit	Balance at June 30, 2021					
	Maturing in the 12 Months Ending December 31,					
	2021	2022	2023	2024	Thereafter	Total
	(Dollars in thousands)					
0.00% - 0.99%	\$ 13,724	\$ 11,992	\$ 2,656	\$ 216	\$ 3,832	\$ 32,420
1.00% - 1.99%	2,980	2,668	2,813	71	1,331	9,863
2.00% - 2.99%	1,620	1,170	6,710	8,811	1,684	19,995
3.00% - or more	820	690	—	—	—	1,510
Total certificate accounts	\$ 19,144	\$ 16,520	\$ 12,179	\$ 9,098	\$ 6,847	\$ 63,788

The following table shows the maturities of our time deposits with balances of \$100,000 or more as of June 30, 2021 by time remaining to maturity.

Quarter Ending:	Amount	Weighted Average Rate
	(Dollars in thousands)	
September 30, 2021	\$ 3,690	0.97%
December 31, 2021	3,387	1.27%
March 31, 2022	1,596	1.58%
June 30, 2022	1,447	0.66%
After June 30, 2022	17,216	1.54%
Total time deposit with balances of \$100,000 or more	<u>\$ 27,336</u>	<u>1.38%</u>

The following table shows the maturities of our time deposit in excess of the FDIC insurance limit (generally, \$250,000) as of June 30, 2021 by time remaining to maturity.

Quarter Ending:	Amount	Weighted Average Rate
	(Dollars in thousands)	
September 30, 2021	\$ 1,752	1.15%
December 31, 2021	904	1.26%
March 31, 2022	263	1.85%
June 30, 2022	—	—
After June 30, 2022	6,032	1.74%
Total time deposit with balances of \$250,000 or more	<u>\$ 8,951</u>	<u>1.58%</u>

The amount of our total uninsured deposits (that is deposits in excess of the FDIC's insurance limit) was \$41.8 million, \$45.8 million and \$46.3 million, respectively, at June 30, 2021, December 31, 2020 and December 31, 2019.

Borrowings. Historically, we have not utilized advances from the FHLB of Chicago. During 2020, the FHLB of Chicago offered a \$4.0 million advance at a 0% interest rate. The advance matured in May 2021 and was replaced with a \$5.0 million noninterest-bearing advance. The advance is collateralized by loans pledged to the FHLB of Chicago and matures on May 23, 2022.

The following table shows certain information regarding our borrowings at or for the dates indicated:

	At or for the Six Months Ended June 30	At or For the Year Ended December 31,	
	2021	2020	2019
	(Dollars in thousands)		
FHLB of Chicago advances and other borrowings:			
Average balance outstanding	\$ 4,227	\$ 879	\$ —
Maximum amount outstanding at any month-end during the period	5,000	4,000	—
Balance outstanding at end of period	5,000	4,000	—
Average interest rate during the period	0.0%	0.0%	0.0%
Weighted average interest rate at end of period	0.0%	0.0%	0.0%

(1) Reflects the weighted average contractual rate of FHLB of Chicago advances at December 31, 2020.

As of June 30, 2021, all of our borrowings were short term (maturities of one year or less).

Properties

We currently conduct business from our main office, two full-service branch offices and one loan production office. The following table sets forth the net book value of the land, building and leasehold improvements and certain other information with respect to our offices at June 30, 2021.

Description/Address	Net Book Value of Property	Amount of Deposits
	(Dollars in thousands)	
Main Office:		
700 S. Lewis Avenue, Waukegan, Illinois 60085	\$ 723	\$ 119,727
Branch Offices:		
1233 N. Green Bay Road, Waukegan, Illinois 60085	955	43,895
3060 W. Sand Lake Road, Lindenhurst, Illinois 60046	<u>3,261</u>	<u>20,784</u>
Total	<u>\$ 4,929</u>	<u>\$ 184,406</u>
Loan Production Offices:		
2149 W. Roscoe Street, Chicago, Illinois 60618 ⁽¹⁾	N/A	N/A

(1) The loan production office located at 2149 W. Roscoe Street, Chicago, Illinois 60618 is leased by North Shore Trust and Savings and does not accept deposits. The lease expires on December 31, 2021 and North Shore Trust and Savings retains the right to renew the lease annually. North Shore Trust and Savings currently intends to renew the lease for 2022.

Subsidiaries

Currently, NSTS Bancorp, Inc. and North Shore Trust and Savings have no subsidiaries. Following completion of the conversion, North Shore Trust and Savings will be the sole direct subsidiary of NSTS Bancorp, Inc.

Employees and Human Capital Resources

At June 30, 2021, we had 35 full-time equivalent employees. None of such employees are represented by a collective bargaining group, and we believe that our relationship with our employees is excellent. The success of our business is highly dependent on our employees, who provide value to our customers and communities. Our workplace culture provides a set of core values: a concern for others, trust, respect, hard work and a dedication to our customers. We seek to hire well-qualified employees who are also a good fit for our value system.

We believe that our ability to attract and retain top quality employees will be a key to our future success. We recently elevated Nathan E. Walker to President of North Shore Trust and Savings in December 2020 and promoted Carissa H. Schoolcraft to Chief Financial Officer from Controller in April 2021. We expect to continue to assess our management and staffing needs and are likely to add personnel in the future in order to fully implement our business strategy.

The safety, health and wellness of our employees is a top priority. The COVID-19 pandemic presents a unique challenge with regard to maintaining employee safety while continuing successful operations. Through teamwork and the adaptability of our management and staff, we were and remain able to provide a safely distanced working environment for employees performing customer-facing activities, at branches and operations centers. All employees are asked not to come to work when they experience signs or symptoms of a possible COVID-19 illness and have been provided additional paid time off to cover compensation during such absences. On an ongoing basis, we further promote the health and wellness of our employees by strongly encouraging work-life balance, offering flexible work schedules, and keeping the employee portion of health care premiums to a low amount.

Employee retention helps us operate efficiently and achieve one of our business objectives, which is being a low-cost provider. We believe our commitment to living out our core values, actively prioritizing concern for our employees' well-being, supporting our employees' career goals, offering competitive wages and providing valuable fringe benefits aids in retention of our top-performing employees. As of June 30, 2021, 50% of our current staff had been with us for seven years or more.

Legal Proceedings

We are not presently involved in any legal proceedings of a material nature. From time to time, we are a party to legal proceedings incidental to our business to enforce our security interest in collateral pledged to secure loans made by North Shore Trust and Savings.

SUPERVISION AND REGULATION

General

As a federal savings association, North Shore Trust and Savings is subject to examination and regulation by the OCC, and is also subject to examination by the FDIC as deposit insurer. The federal system of regulation and supervision establishes a comprehensive framework of activities in which North Shore Trust and Savings may engage and is intended primarily for the protection of depositors and the FDIC's Deposit Insurance Fund, and not for the protection of stockholders. North Shore Trust and Savings, also, is a member of and owns stock in the FHLB of Chicago, which is one of the 11 regional banks in the Federal Home Loan Bank System.

Under this system of regulation, the regulatory authorities have extensive discretion in connection with their supervisory, enforcement, rulemaking and examination activities and policies, including rules or policies that: establish minimum capital levels; restrict the timing and amount of dividend payments; govern the classification of assets; provide oversight for the adequacy of loan loss reserves for regulatory purposes; and establish the timing and amounts of assessments and fees. Moreover, as part of their examination authority, the banking regulators assign numerical ratings to banks and savings institutions relating to capital, asset quality, management, liquidity, earnings and other factors. These ratings are inherently subjective and the receipt of a less-than-satisfactory rating in one or more categories may result in enforcement action by the banking regulators against a financial institution. A less than satisfactory rating may also prevent a financial institution, such as North Shore Trust and Savings or its holding company, NSTS Bancorp, Inc., from obtaining necessary regulatory approvals to access the capital markets, pay dividends, acquire other financial institutions or establish new branches.

In addition, we must comply with significant anti-money laundering and anti-terrorism laws and regulations, Community Reinvestment Act laws and regulations, and fair lending laws and regulations. Government agencies have the authority to impose monetary penalties and other sanctions on institutions that fail to comply with these laws and regulations, which could significantly affect our business activities, including our ability to acquire other financial institutions or expand our branch network.

As a savings and loan holding company following the conversion, NSTS Bancorp, Inc. will be required to comply with the rules and regulations of the Federal Reserve Board. It will be required to file certain reports with the Federal Reserve Board and will be subject to examination by and the enforcement authority of the Federal Reserve Board. NSTS Bancorp, Inc. will also be subject to the rules and regulations of the Securities and Exchange Commission under the federal securities laws.

Any change in applicable laws or regulations, whether by the OCC, the FDIC, the Federal Reserve Board, the Securities and Exchange Commission or Congress, could have a material adverse impact on the operations and financial performance of NSTS Bancorp, Inc. and North Shore Trust and Savings.

Set forth below is a brief description of material regulatory requirements that are or will be applicable to North Shore Trust and Savings and NSTS Bancorp, Inc. The description is limited to certain material aspects of the statutes and regulations addressed in this prospectus, and is not intended to be a complete description of such statutes and regulations and their effects on North Shore Trust and Savings and NSTS Bancorp, Inc.

Federal Banking Regulation

Business Activities. A federal savings association derives its lending and investment powers from the Home Owners' Loan Act, as amended, and applicable federal regulations. Under these laws and regulations, a federal savings association may generally invest in mortgage loans secured by residential real estate without an aggregate limit, and commercial business, commercial real estate and consumer loans, certain types of debt securities and certain other assets, subject to overall percentage of assets or capital limits. Federal savings associations are also subject to a "Qualified Thrift Lender Test," or "QTL Test," which generally requires that a specified percentage of overall assets be residential mortgages and related investments.

Effective July 1, 2019, the OCC issued a final rule, pursuant to a provision of the Economic Growth Regulatory Relief and Consumer Protection Act ("EGRRCPA"), that permits a federal savings association to elect to exercise national bank powers without converting to a national bank charter. The election is available to federal savings associations that had total consolidated assets of \$20 billion or less as of December 31, 2017. North Shore Trust and Savings has not exercised the covered savings association election.

A federal savings association that has exercised the “covered savings association” election generally has the same rights and privileges as a national bank that has its main office in the same location as the home office of the covered savings association. The covered savings association is also subject to the same duties, restrictions, liabilities and limitations applicable to a national bank. A covered savings association retains its federal savings association charter and continues to be subject to the corporate governance laws and regulations applicable to such associations, including as to its bylaws, board of directors and stockholders, capital distributions and mergers.

A covered savings association may make loans to its customers without regard to the lending restrictions applicable to federal savings associations, such as the percentage of capital or assets limits on various types of loans and the QTL Test. However, federal savings associations that have made such an election are subject to the narrower authority of national banks in certain areas such as branching and subsidiary activities in certain respects. A covered savings association may generally not retain any assets, subsidiaries or activities not permitted for national banks.

Applicable regulations authorize a federal association that has exercised the covered savings association election to terminate the election and thereby again operate as a federal savings association that has not made a covered savings association election. We have no current plans to elect to be treated as a covered savings association.

Capital Requirements. Federal regulations require federally insured depository institutions to meet several minimum capital standards: a common equity Tier 1 capital to risk-based assets ratio of 4.5%, a Tier 1 capital to risk-based assets ratio of 6.0%, a total capital to risk-based assets ratio of 8.0%, and a 4.0% Tier 1 capital to total assets leverage ratio.

As of June 30, 2021, North Shore Trust and Savings’ capital exceeded all applicable requirements.

In determining the amount of risk-weighted assets for calculating risk-based capital ratios, all assets, including certain off-balance sheet assets (e.g. recourse obligations, direct credit substitutes, residual interests) are multiplied by a risk-weight factor assigned by the regulations based on the risks believed inherent in the type of asset. Higher levels of capital are required for asset categories believed to present greater risk. Common equity Tier 1 capital is generally defined as common stockholders’ equity and retained earnings. Tier 1 capital is generally defined as common equity Tier 1 and additional Tier 1 capital. Additional Tier 1 capital includes certain non-cumulative perpetual preferred stock and related surplus and minority interests in equity accounts of consolidated subsidiaries. Total capital includes Tier 1 capital (common equity Tier 1 capital plus additional Tier 1 capital) and Tier 2 capital. Tier 2 capital is comprised of capital instruments and related surplus, meeting specified requirements, and may include cumulative preferred stock and long-term perpetual preferred stock, mandatory convertible securities, intermediate preferred stock and subordinated debt. Also included in Tier 2 capital is the allowance for loan losses limited to a maximum of 1.25% of risk-weighted assets. Calculation of all types of regulatory capital is subject to deductions and adjustments specified in the regulations. In assessing an institution’s capital adequacy, the OCC takes into consideration not only these numeric factors, but qualitative factors as well, and has the authority to establish higher capital requirements for individual institutions where deemed necessary.

In addition to establishing the minimum regulatory capital requirements, the regulations limit capital distributions and certain discretionary bonus payments to management if the institution does not hold a “capital conservation buffer” consisting of 2.5% of common equity Tier 1 capital to risk-weighted assets above the amount necessary to meet its minimum risk-based capital requirements.

EGRRCPA required the federal banking agencies, including the OCC, to establish a “community bank leverage ratio,” referred to in this prospectus as the CBLR, of between 8% and 10% for institutions with assets of less than \$10 billion. The community bank leverage is the ratio of a bank’s tangible Tier 1 equity capital to average total consolidated assets and was established by the regulators at 9%. Institutions with capital complying with the ratio and otherwise meeting the specified requirements and electing the alternative framework are considered to comply with the applicable regulatory capital requirements, including the risk-based requirements. A qualifying institution may opt in and out of the CBLR framework on its quarterly call report. The CBLR option was effective January 1, 2020 and is available to institutions with assets of less than \$10 billion that meet other specified criteria. The federal banking agencies issued a rule implementing the lower ratio, effective April 23, 2020. The rule also established a two-quarter grace period for a qualifying institution whose leverage ratio falls below the 8% requirement so long as the bank maintains a leverage ratio of 7% or greater. Another rule was issued to transition to the 9% CBLR by increasing the ratio to 8.5% for calendar year 2021 and 9% thereafter. A qualifying community bank that exercises the election and has capital equal to or exceeding the applicable percentage is considered compliant with all applicable regulatory capital requirements. Qualifying institutions may elect to utilize the CBLR in lieu of the generally applicable risk-based capital requirements. North Shore Trust and Savings has elected to utilize the CBLR framework.

CARES Act and CAA, 2021. In response to the COVID-19 pandemic, Congress, through the enactment of the CARES Act, and the federal banking agencies, through rulemaking, interpretive guidance and modifications to agency policies and procedures, have taken a series of actions to provide national emergency economic relief measures including, among others, the following:

- The CARES Act allows banks to elect to suspend requirements under GAAP for loan modifications related to the COVID-19 pandemic (for loans that were not more than 30 days past due as of December 31, 2019) that would otherwise be categorized as a TDR until the earlier of 60 days after the termination date of the national emergency or December 31, 2020. The suspension of certain GAAP requirements is applicable for the entire term of the modification. In addition, the bank regulatory agencies issued interagency guidance stating that banks may presume borrowers are not experiencing financial difficulty for COVID-19 related short-term modifications (i.e., six months or less) granted to loans that were current as of the loan modification program implementation date, therefore supporting these modifications are not required to be classified as TDRs under U.S. GAAP. North Shore Trust and Savings is applying this guidance to qualifying COVID-19 modifications.
- The CARES Act amended the SBA's loan program to create a guaranteed, unsecured loan program, the PPP, to fund payroll and operational costs of eligible businesses, organizations and self-employed persons during the COVID-19 pandemic. The loans are provided through participating financial institutions that process loan applications and service the loans and are eligible for SBA repayment and loan forgiveness if the borrower meets the PPP conditions. The application period for an SBA PPP loan closed on August 8, 2020. The SBA began approving PPP forgiveness applications and remitting forgiveness payments to PPP lenders on October 2, 2020. The CAA, which was signed into law on December 27, 2020, renewed and extended the PPP until June 30, 2021. North Shore Trust and Savings originated loans under the PPP and as of June 30, 2021 had 15 PPP loans outstanding totaling \$263,000.

As the ongoing COVID-19 pandemic evolves, federal regulatory authorities continue to issue additional guidance with respect to the implementation, lifecycle, and eligibility requirements for the various CARES Act programs as well as industry-specific recovery procedures for COVID-19. We continue to assess the impact of the CARES Act and other statutes, regulations and supervisory guidance related to the COVID-19 pandemic. For additional information regarding actions taken by regulatory agencies to provide relief to consumers who have been adversely impacted by the COVID-19 pandemic, see the discussion below under "Risk Factors—Risks Related to our Business—Risks Related to the COVID-19 Pandemic and the Associated Economic Slowdown."

Loans-to-One Borrower. Generally, a federal savings association, including a covered savings association, may not make a loan or extend credit to a single or related group of borrowers in excess of 15% of unimpaired capital and surplus. An additional amount may be loaned, equal to 10% of unimpaired capital and surplus, if the excess is secured by readily marketable collateral, which generally does not include real estate. As of June 30, 2021, North Shore Trust and Savings was in compliance with the loans-to-one borrower limitations.

Capital Distributions. Federal regulations govern capital distributions by a federal savings association, which include cash dividends, stock repurchases and other transactions charged to the savings association's capital account. A federal savings association must file an application with the OCC for approval of a capital distribution if:

- the total capital distributions for the applicable calendar year exceed the sum of the savings association's net income for that year to date plus the savings association's retained net income for the preceding two years;
- the savings association would not be at least adequately capitalized following the distribution;
- the distribution would violate any applicable statute, regulation, agreement or regulatory condition; or
- the savings association is not eligible for expedited treatment of its filings, generally due to an unsatisfactory CAMELS rating or being subject to a cease and desist order or formal written agreement that requires action to improve the institution's financial condition.

Even if an application is not otherwise required, every savings association that is a subsidiary of a savings and loan holding company, such as North Shore Trust and Savings, must still file a notice with the Federal Reserve Board at least 30 days before the board of directors declares a dividend or approves a capital distribution.

A notice or application related to a capital distribution may be disapproved if:

- the federal savings association would be undercapitalized following the distribution;
- the proposed capital distribution raises safety and soundness concerns; or
- the capital distribution would violate a prohibition contained in any statute, regulation or agreement.

In addition, the Federal Deposit Insurance Act generally provides that an insured depository institution may not make any capital distribution if, after making such distribution, the institution would fail to meet any applicable regulatory capital requirement. A federal savings association also may not make a capital distribution that would reduce its regulatory capital below the amount required for the liquidation account established in connection with its conversion to stock form.

Community Reinvestment Act and Fair Lending Laws. All insured depository institutions have a responsibility under the Community Reinvestment Act and related regulations to help meet the credit needs of their communities, including low- and moderate-income borrowers. The OCC is required to assess the federal savings association's record of compliance with the Community Reinvestment Act. A savings association's failure to comply with the provisions of the Community Reinvestment Act could, at a minimum, result in denial of certain corporate applications such as branches or mergers, or in restrictions on its activities. In addition, the Equal Credit Opportunity Act and the Fair Housing Act prohibit lenders from discriminating in their lending practices. The failure to comply with the Equal Credit Opportunity Act and the Fair Housing Act could result in enforcement actions by the OCC, as well as other federal regulatory agencies and the Department of Justice.

On May 20, 2020, the OCC issued a final rule to comprehensively amend and modernize how banks receive credit under the Community Reinvestment Act in serving low- and moderate-income individuals and communities. On July 20, 2021, the OCC issued a statement that it was rescinding the final rule. Simultaneously with that announcement, the Federal Reserve Board, the OCC and the FDIC announced that the agencies would be working together to jointly strengthen and modernize regulations implementing the Community Reinvestment Act in the future. At this time, no rules have been proposed or finalized, and we are unable to determine what impact, if any, any finalized rule may have on the operations of North Shore Trust and Savings.

The Community Reinvestment Act requires all institutions insured by the FDIC to publicly disclose their rating. North Shore Trust and Savings received an "Outstanding" Community Reinvestment Act rating in its most recent federal examination.

Transactions with Related Parties. An insured depository institution's authority to engage in transactions with its affiliates is limited by Sections 23A and 23B of the Federal Reserve Act and federal regulation. An affiliate is generally a company that controls, or is under common control with, an insured depository institution such as North Shore Trust and Savings. NSTS Bancorp, Inc. will be an affiliate of North Shore Trust and Savings because of its control of North Shore Trust and Savings. In general, transactions between an insured depository institution and its affiliates are subject to certain quantitative limits and collateral requirements. In addition, federal regulations prohibit a savings association from lending to any of its affiliates that are engaged in activities that are not permissible for bank holding companies and from purchasing the securities of any affiliate, other than a subsidiary. Finally, transactions with affiliates must be consistent with safe and sound banking practices, not involve the purchase of low-quality assets and be on terms that are as favorable to the institution as comparable transactions with non-affiliates.

North Shore Trust and Savings' authority to extend credit to its directors, executive officers and 10% shareholders, as well as to entities controlled by such persons, is currently governed by the requirements of Sections 22(g) and 22(h) of the Federal Reserve Act and Regulation O of the Federal Reserve Board. Among other things, these provisions generally require that extensions of credit to insiders:

- be made on terms that are substantially the same as, and follow credit underwriting procedures that are not less stringent than, those prevailing for comparable transactions with unaffiliated persons and that do not involve more than the normal risk of repayment or present other unfavorable features; and
- not exceed certain limitations on the amount of credit extended to such persons, individually and in the aggregate, which limits are based, in part, on the amount of North Shore Trust and Savings' capital.

In addition, extensions of credit in excess of certain limits must be approved by North Shore Trust and Savings' board of directors. Extensions of credit to executive officers are subject to additional limits based on the type of extension involved.

Enforcement. The OCC has primary enforcement responsibility over federal savings associations and has authority to bring enforcement action against all "institution-affiliated parties," including directors, officers, shareholders, attorneys, appraisers and accountants who knowingly or recklessly participate in wrongful action likely to have an adverse effect on a federal savings association. Formal enforcement action by the OCC may range from the issuance of a capital directive or cease and desist order to removal of officers and/or directors of the institution and the appointment of a receiver or conservator. Civil penalties cover a wide range of violations and actions, and range up to \$25,000 per day, unless a finding of reckless disregard is made, in which case penalties may be as high as \$1 million per day. The FDIC also has the authority to terminate deposit insurance or recommend to the OCC that enforcement action be taken with respect to a particular federal savings association. If such action is not taken, the FDIC has authority to take the action under specified circumstances.

Standards for Safety and Soundness. Federal law requires each federal banking agency to prescribe certain standards for all insured depository institutions. These standards relate to, among other things, internal controls, information systems and audit systems, loan documentation, credit underwriting, interest rate risk exposure, asset growth, compensation and other operational and managerial standards as the agency deems appropriate. Interagency guidelines set forth the safety and soundness standards that the federal banking agencies use to identify and address problems at insured depository institutions before capital becomes impaired. If the appropriate federal banking agency determines that an institution fails to meet any standard prescribed by the guidelines, the agency may require the institution to submit to the agency an acceptable plan to achieve compliance with the standard. If an institution fails to meet these standards, the appropriate federal banking agency may require the institution to implement an acceptable compliance plan. Failure to implement such a plan can result in further enforcement action, including the issuance of a cease and desist order or the imposition of civil money penalties.

Branching. A federal savings association that has elected covered savings association status is subject to the laws and regulations governing the establishment of branches by national banks. Generally, intrastate and interstate branching is authorized to the extent that the law of the state involved authorizes branching for banks that it charters. Such authority is subject to OCC approval for new branches.

Prompt Corrective Action. Federal law requires, among other things, that federal bank regulators take "prompt corrective action" with respect to institutions that do not meet minimum capital requirements. For this purpose, the law establishes five capital categories: well-capitalized, adequately capitalized, undercapitalized, significantly undercapitalized and critically undercapitalized. Under applicable regulations, an institution is deemed to be "well-capitalized" if it has a total risk-based capital ratio of 10.0% or greater, a Tier 1 risk-based capital ratio of 8.0% or greater, a leverage ratio of 5.0% or

greater and a common equity Tier 1 ratio of 6.5% or greater. An institution is “adequately capitalized” if it has a total risk-based capital ratio of 8.0% or greater, a Tier 1 risk-based capital ratio of 6.0% or greater, a leverage ratio of 4.0% or greater and a common equity Tier 1 ratio of 4.5% or greater. An institution is “undercapitalized” if it has a total risk-based capital ratio of less than 8.0%, a Tier 1 risk-based capital ratio of less than 6.0%, a leverage ratio of less than 4.0% or a common equity Tier 1 ratio of less than 4.5%. An institution is deemed to be “significantly undercapitalized” if it has a total risk-based capital ratio of less than 6.0%, a Tier 1 risk-based capital ratio of less than 4.0%, a leverage ratio of less than 3.0% or a common equity Tier 1 ratio of less than 3.0%. An institution is considered to be “critically undercapitalized” if it has a ratio of tangible equity (as defined in the regulations) to total assets that is equal to or less than 2.0%.

At each successive lower capital category, an insured depository institution is subject to more restrictions and prohibitions, including restrictions on growth, restrictions on interest rates paid on deposits, restrictions or prohibitions on the payment of dividends, and restrictions on the acceptance of brokered deposits. Furthermore, if an insured depository institution is classified in one of the undercapitalized categories, it is required to submit a capital restoration plan to the appropriate federal banking agency, and the holding company must guarantee the performance of that plan. Based upon its capital levels, a bank that is classified as well-capitalized, adequately capitalized, or undercapitalized may be treated as though it were in the next lower capital category if the appropriate federal banking agency, after notice and opportunity for hearing, determines that an unsafe or unsound condition, or an unsafe or unsound practice, warrants such treatment. An undercapitalized bank’s compliance with a capital restoration plan is required to be guaranteed by any company that controls the undercapitalized institution in an amount equal to the lesser of 5.0% of the institution’s total assets when deemed undercapitalized or the amount necessary to achieve the status of adequately capitalized. If an “undercapitalized” bank fails to submit an acceptable plan, it is treated as if it is “significantly undercapitalized.” “Significantly undercapitalized” banks must comply with one or more of a number of additional restrictions, including a regulatory order to sell sufficient voting stock to become adequately capitalized, requirements to reduce total assets, ceasing receipt of deposits from correspondent banks, dismissal of directors or officers and restrictions on interest rates paid on deposits, compensation of executive officers and capital distributions by the parent holding company. “Critically undercapitalized” institutions are subject to additional measures including, subject to a narrow exception, the appointment of a receiver or conservator within 270 days after it obtains such status.

The previously referenced final rule establishing an elective “community bank leverage ratio” regulatory capital framework provides that a qualifying institution whose capital exceeds the community bank leverage ratio and opts to use that framework will be considered “well-capitalized” for purposes of prompt corrective action.

As of June 30, 2021, North Shore Trust and Savings met the criteria for being considered “well-capitalized.”

Insurance of Deposit Accounts. The Deposit Insurance Fund of the FDIC insures deposits at FDIC-insured financial institutions such as North Shore Trust and Savings, generally up to a maximum of \$250,000 per separately insured depositor. The FDIC charges insured depository institutions premiums to maintain the Deposit Insurance Fund.

Under the FDIC’s risk-based assessment system, institutions deemed less risky of failure pay lower assessments. Assessments for institutions of less than \$10 billion of assets are based on financial measures and supervisory ratings derived from statistical modeling estimating the probability of an institution’s failure within three years.

The FDIC has authority to increase insurance assessments. Any significant increases would have an adverse effect on the operating expenses and results of operations of North Shore Trust and Savings. We cannot predict what assessment rates will be in the future.

Insurance of deposits may be terminated by the FDIC upon a finding that an institution has engaged in unsafe or unsound practices, is in an unsafe or unsound condition to continue operations or has violated any applicable law, regulation, rule, order or condition imposed by the FDIC. We do not know of any practice, condition or violation that may lead to termination of our deposit insurance.

Privacy and Cybersecurity. The Gramm-Leach-Bliley Act, or GLBA, and its implementing regulations issued by federal regulatory agencies require financial institutions (including banks) to adopt policies and procedures regarding the disclosure of nonpublic personal information about their customers to non-affiliated third parties. In general, financial institutions are required to explain to customers their policies and procedures regarding the disclosure of such nonpublic personal information and, unless otherwise required or permitted by law, financial institutions are prohibited from disclosing such information except as provided in their policies and procedures. Specifically, the GLBA established certain information security guidelines that require each financial institution, under the supervision and ongoing oversight of its board of directors or an appropriate committee thereof, to develop, implement and maintain a comprehensive written information security program designed to ensure the security and confidentiality of customer information, to protect against anticipated threats or hazards to the security or integrity of such information and to protect against unauthorized access to or use of such information that could result in substantial harm or inconvenience to any customer. North Shore Trust and Savings currently has a privacy protection policy and security program in place and believes that such policy and program are in compliance with applicable regulations.

Recent cyber-attacks against banks and other financial institutions that resulted in unauthorized access to confidential customer information have prompted the federal banking regulators to issue extensive guidance on cybersecurity. Among other things, financial institutions are expected to design multiple layers of security controls to establish lines of defense and ensure that their risk management processes address the risks posed by compromised customer credentials, including security measures to authenticate customers accessing Internet-based services. A financial institution also should have a robust business continuity program to recover from a cyberattack and procedures for monitoring the security of third-party service providers that may have access to nonpublic data at the institution.

On December 18, 2020, the Federal Reserve Board, the OCC and the FDIC issued a proposed rule that would impose new notification requirements for significant cybersecurity incidents. If adopted without substantial change, the proposed rule would require banking organizations to notify their primary federal regulator promptly, and not later than 36 hours after, the discovery of such incidents termed “computer-security incidents” that are “notification incidents.” This proposed rule would be in addition to existing statutory and regulatory obligations North Shore Trust and Savings has for notification of security incidents, including those prescribed under the Interagency Guidelines Establishing Information Security Standards, federal and state laws and regulations. At this time, the proposed rule has yet to be finalized and we are unable to determine what impact, if any, any finalized rule may have on the operations of North Shore Trust and Savings.

USA PATRIOT Act. North Shore Trust and Savings is subject to the Bank Secrecy Act and USA PATRIOT Act. These statutes and related rules and regulations impose requirements and limitations on specified financial transactions and accounts and other relationships intended to guard against money laundering and terrorism financing. The principal requirements for an insured depository institution include (i) establishment of an anti-money laundering program that includes training and audit components, (ii) establishment of a “know your customer” program involving due diligence to confirm the identities of persons seeking to open accounts and to deny accounts to those persons unable to demonstrate their identities, (iii) the filing of currency transaction reports for deposits and withdrawals of large amounts of cash, (iv) additional precautions for accounts sought and managed for non-U.S. persons and (v) verification and certification of money-laundering risk with respect to private banking and foreign correspondent banking relationships. For many of these tasks a bank must keep records to be made available to its primary federal regulator. Anti-money laundering rules and policies are developed by a bureau within the Treasury Department, the Financial Crimes Enforcement Network, but compliance by individual institutions is overseen by its primary federal regulator.

North Shore Trust and Savings has established appropriate anti-money laundering and customer identification programs. North Shore Trust and Savings also maintains records of cash purchases of negotiable instruments, files reports of certain cash transactions exceeding \$10,000 (daily aggregate amount) and reports suspicious activity that might signify money laundering, tax evasion or other criminal activities pursuant to the Bank Secrecy Act. North Shore Trust and Savings otherwise has implemented policies and procedures to comply with the foregoing requirements.

The Treasury Department’s Office of Foreign Assets Control, or OFAC, is responsible for helping to ensure that U.S. entities do not engage in transactions with certain prohibited parties, as defined by various Executive Orders and Acts of Congress. OFAC publishes lists of persons, organizations and countries suspected of aiding, harboring or engaging in terrorist acts, known as Specially Designated Nationals and Blocked Persons. If North Shore Trust and Savings finds a name on any transaction, account or wire transfer that is on an OFAC list, North Shore Trust and Savings must freeze or block such account or transaction, file a suspicious activity report and notify the appropriate authorities.

Recently, on January 1, 2021, Congress passed the National Defense Authorization Act, which enacted the most significant overhaul of the anti-money laundering laws since the USA PATRIOT Act. Notable amendments include (i) significant changes to the collection of beneficial ownership information and the establishment of a beneficial ownership registry, which requires corporate entities (generally, any corporation, limited liability company or other similar entity with 20 or fewer employees and annual gross income of \$5 million or less) to report beneficial ownership information to the Financial Crimes Enforcement Network (which will be maintained by the Financial Crimes Enforcement Network and made available upon request to financial institutions); (ii) enhanced whistleblower provisions, which provide that one or more whistleblowers who voluntarily provide original information leading to the successful prosecution of violations of the anti-money laundering laws in any judicial or administrative action brought by the Secretary of the Treasury or the U.S. Attorney General resulting in monetary sanctions exceeding \$1 million (including disgorgement and interest but excluding forfeiture, restitution or compensation to victims) will receive not more than 30% of the monetary sanctions collected and will receive increased protections; (iii) increased penalties for violations of anti-money laundering laws and regulations; (iv) improvements to existing information sharing provisions that permit financial institutions to share information relating to suspicious activity reports with foreign branches, subsidiaries, and affiliates (except those located in China, Russia or certain other jurisdictions) for the purpose of combating illicit finance risks; and (v) expanded duties and enforcement powers for the Financial Crimes Enforcement Network. Many of the amendments, including those with respect to beneficial ownership, require the U.S. Department of Treasury and the Financial Crimes Enforcement Network to promulgate rules. At this time, the rulemaking process has yet to occur and we are unable to determine what impact, if any, the finalized rules may have on our operations or the operations of North Shore Trust and Savings.

Prohibitions against Tying Arrangements Federal savings associations are prohibited, subject to some exceptions, from extending credit to or offering any other service, or fixing or varying the consideration for such extension of credit or service, on the condition that the customer obtain some additional service from the institution or its affiliates or not obtain services of a competitor of the institution.

Other Regulations

Interest and other charges collected or contracted by North Shore Trust and Savings are subject to state usury laws and federal laws concerning interest rates. Loan operations are also subject to state and federal laws applicable to credit transactions, such as the:

- Home Mortgage Disclosure Act, requiring financial institutions to provide information to enable the public and public officials to determine whether a financial institution is fulfilling its obligation to help meet the housing needs of the community it serves;
- Equal Credit Opportunity Act, prohibiting discrimination on the basis of race, creed or other prohibited factors in extending credit;
- Fair Credit Reporting Act, governing the use and provision of information to credit reporting agencies; and
- Rules and regulations of the various federal agencies charged with the responsibility of implementing such federal laws.

The deposit operations of North Shore Trust and Savings also are subject to, among others, the:

- Right to Financial Privacy Act, which imposes a duty to maintain confidentiality of consumer financial records and prescribes procedures for complying with administrative subpoenas of financial records;

- Check Clearing for the 21st Century Act (also known as “Check 21”), which gives “substitute checks,” such as digital check images and copies made from that image, the same legal standing as the original paper check; and
- Electronic Funds Transfer Act and Regulation E promulgated thereunder, which govern automatic deposits to and withdrawals from deposit accounts and customers’ rights and liabilities arising from the use of automated teller machines and other electronic banking services.

Federal Home Loan Bank System

North Shore Trust and Savings is a member of the Federal Home Loan Bank System, which consists of 11 regional Federal Home Loan Banks. Each Federal Home Loan Bank provides a central credit facility primarily for member institutions, and such member institutions are required to acquire and hold shares of capital stock in the Federal Home Loan Bank. North Shore Trust and Savings was in compliance with this requirement as of June 30, 2021 based on its ownership of \$550,000 in capital stock of the FHLB of Chicago. The stock has no quoted market value and is carried at cost. North Shore Trust and Savings reviews for impairment, based on the ultimate recoverability, the cost basis of the FHLB of Chicago’s stock. As of June 30, 2021, no impairment had been recognized.

Holding Company Regulation

NSTS Bancorp, Inc. will be a unitary savings and loan holding company subject to regulation and supervision by the Federal Reserve Board. The Federal Reserve Board will have enforcement authority over NSTS Bancorp, Inc. and its non-savings institution subsidiaries. Among other things, this authority permits the Federal Reserve Board to restrict or prohibit activities that are determined to be a risk to North Shore Trust and Savings.

As a savings and loan holding company, NSTS Bancorp, Inc.’s activities will be limited to those activities permissible by law for financial holding companies (if NSTS Bancorp, Inc. makes an election to be treated as a financial holding company and meets the other requirements to be a financial holding company) or multiple savings and loan holding companies. NSTS Bancorp, Inc. has no present intention to make an election to be treated as a financial holding company. A financial holding company may engage in activities that are financial in nature, incidental to financial activities or complementary to a financial activity. Such activities include lending and other activities permitted for bank holding companies under Section 4(c)(8) of the Bank Holding Company Act, insurance and underwriting equity securities. Multiple savings and loan holding companies are authorized to engage in activities specified by federal regulation, including activities permitted for bank holding companies under Section 4(c)(8) of the Bank Holding Company Act.

Federal law prohibits a savings and loan holding company, directly or indirectly, or through one or more subsidiaries, from acquiring more than 5% of another savings institution or savings and loan holding company without prior written approval of the Federal Reserve Board, and from acquiring or retaining control of any depository institution not insured by the FDIC. In evaluating applications by holding companies to acquire savings institutions, the Federal Reserve Board must consider such factors as the financial and managerial resources and future prospects of the company and institution involved, the effect of the acquisition on and the risk to the federal deposit insurance fund, the convenience and needs of the community and competitive factors. A savings and loan holding company may not acquire a savings institution in another state and hold the target institution as a separate subsidiary unless it is a supervisory acquisition or the law of the state in which the target is located authorizes such acquisitions by out-of-state companies.

Upon consummation of the conversion and offering, NSTS Bancorp, Inc. will be a savings and loan holding company with less than \$3.0 billion in consolidated assets and, accordingly, will be exempt from consolidated regulatory capital requirements, unless the Federal Reserve Board determines otherwise.

The Federal Reserve Board has promulgated regulations implementing the “source of strength” doctrine that require holding companies, including savings and loan holding companies, to act as a source of strength to their subsidiary depository institutions by providing capital, liquidity and other support in times of financial stress.

The Federal Reserve Board has issued supervisory policies regarding the payment of dividends and the repurchase of shares of common stock by bank holding companies and savings and loan holding companies. In general, the policy provides that dividends should be paid only out of current earnings and only if the prospective rate of earnings retention by the holding company appears consistent with the organization's capital needs, asset quality and overall financial condition. Regulatory guidance provides for prior regulatory consultation with respect to capital distributions in certain circumstances such as where the company's net income for the past four quarters, net of capital distributions previously paid over that period, is insufficient to fully fund the dividend or the company's overall rate of earnings retention is inconsistent with the company's capital needs and overall financial condition. The ability of a holding company to pay dividends may be restricted if a subsidiary bank becomes undercapitalized. The policy statement also states that a holding company should inform the Federal Reserve Board supervisory staff before redeeming or repurchasing common stock or perpetual preferred stock if the holding company is experiencing financial weaknesses or if the repurchase or redemption would result in a net reduction, at the end of a quarter, in the amount of such equity instruments outstanding compared with the beginning of the quarter in which the redemption or repurchase occurred. These regulatory policies may affect the ability of NSTS Bancorp, Inc. to pay dividends, repurchase shares of common stock or otherwise engage in capital distributions.

Change in Control Regulations

Under the Change in Bank Control Act, no person may acquire "control" of a savings and loan holding company, such as NSTS Bancorp, Inc., unless the Federal Reserve Board has been given 60 days' prior written notice and has not issued a notice disapproving the proposed acquisition, taking into consideration certain factors, including the financial and managerial resources of the acquirer and the competitive effects of the acquisition. Control, as defined under federal law, means ownership, control of or holding irrevocable proxies representing more than 25% of any class of voting stock, control in any manner of the election of a majority of the institution's directors or a determination by the regulator that the acquirer has the power, directly or indirectly, to exercise a controlling influence over the management or policies of the institution. There is a presumption of control upon the acquisition of 10% or more of a class of voting stock if the holding company involved has its shares registered under the Exchange Act, or, if the holding company involved does not have its shares registered under the Exchange Act, if no other persons will own, control or hold the power to vote a greater percentage of that class of voting security after the acquisition.

The Federal Reserve Board has adopted a final rule, effective September 30, 2020, that revises its framework for determining whether a company, under the Bank Holding Company Act, has a "controlling influence" over a bank or savings and loan holding company.

Federal Securities Laws

NSTS Bancorp, Inc. common stock will be registered with the Securities and Exchange Commission after the conversion and stock offering. NSTS Bancorp, Inc. will be subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Exchange Act.

The registration under the Securities Act of 1933, as amended (the "Securities Act") of shares of common stock issued in NSTS Bancorp, Inc.'s public offering does not cover the resale of those shares. Shares of common stock purchased by persons who are not affiliates of NSTS Bancorp, Inc. may be resold without registration. Shares purchased by an affiliate of NSTS Bancorp, Inc. will be subject to the resale restrictions of Rule 144 under the Securities Act. If NSTS Bancorp, Inc. meets the current public information requirements of Rule 144 under the Securities Act, each affiliate of NSTS Bancorp, Inc. that complies with the other conditions of Rule 144, including those that require the affiliate's sale to be aggregated with those of other persons, would be able to sell in the public market, without registration, a number of shares not to exceed, in any three-month period, the greater of 1% of the outstanding shares of NSTS Bancorp, Inc., or the average weekly volume of trading in the shares during the preceding four calendar weeks.

Sarbanes-Oxley Act of 2002

The Sarbanes-Oxley Act of 2002 is intended to improve corporate responsibility, to provide for enhanced penalties for accounting and auditing improprieties at publicly traded companies and to protect investors by improving the accuracy and reliability of corporate disclosures pursuant to the securities laws.

Emerging Growth Company Status

NSTS Bancorp, Inc. will also be an emerging growth company. For as long as NSTS Bancorp, Inc. continues to be an emerging growth company, it may choose to take advantage of exemptions from various reporting requirements applicable to other public companies but not to “emerging growth companies,” including, but not limited to, reduced disclosure obligations regarding executive compensation in our periodic reports and proxy statements, and exemptions from the requirements of holding a non-binding advisory vote on executive compensation and stockholder approval of any golden parachute payments not previously approved. As an emerging growth company, NSTS Bancorp, Inc. also will not be subject to Section 404(b) of the Sarbanes-Oxley Act of 2002, which would require that our independent auditors review and attest as to the effectiveness of our internal control over financial reporting. We plan to elect to use the extended transition period to delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. Such an election is irrevocable during the period a company is an emerging growth company. Accordingly, our financial statements may not be comparable to the financial statements of public companies that comply with such new or revised accounting standards.

NSTS Bancorp, Inc. could remain an “emerging growth company” for up to five years, or until the earliest of (a) the last day of the first fiscal year in which our annual gross revenues exceed \$1.07 billion, (b) the date that we become a “large accelerated filer” as defined in Rule 12b-2 under the Exchange Act, which would occur if the market value of our common stock that is held by non-affiliates exceeds \$700 million as of the last business day of our most recently completed second fiscal quarter, or (c) the date on which we have issued more than \$1.0 billion in non-convertible debt during the preceding three-year period.

TAXATION

Federal Income Taxation

General. NSTS Bancorp, Inc. and North Shore Trust and Savings are subject to federal income taxation in the same general manner as other corporations, with some exceptions discussed below. The following discussion of federal and state income taxation is only intended to summarize certain pertinent income tax matters and is not a comprehensive description of the applicable tax rules. North Shore Trust and Savings’ income tax returns have not been audited by a taxing authority during the past five years.

Following completion of the conversion, NSTS Bancorp, Inc. will file a consolidated federal income tax return with North Shore Trust and Savings. Accordingly, it is anticipated that any cash distributions made by NSTS Bancorp, Inc. to its shareholders would be treated as cash dividends and not as returns of capital to shareholders for federal and state income tax purposes.

Method of Accounting. For federal income tax purposes, we report income and expenses on the accrual method of accounting and use a December 31 tax year for filing our federal income tax returns.

Bad Debt Reserves. The Small Business Job Protection Act of 1996 eliminated the use of the reserve method of accounting for bad debt reserves by savings institutions, effective for taxable years beginning after 1995. Prior to that time, North Shore Trust and Savings was permitted to establish a reserve for bad debts.

Taxable Distributions and Recapture. If North Shore Trust and Savings makes certain non-dividend distributions or ceases to maintain a bank charter, then its pre-1988 reserves remain subject to recapture into taxable income. As of June 30, 2021, the total federal pre-1988 reserve was approximately \$0. The reserve reflects the cumulative effects of federal income tax deductions by North Shore Trust and Savings for which no federal income tax provisions have been made.

Corporate Dividends-Received Deduction. NSTS Bancorp, Inc., as a member of the same affiliated group of corporations as North Shore Trust and Savings, will be able to exclude from its income for federal income tax purposes 100% of the dividends received from North Shore Trust and Savings.

State Taxation

NSTS Bancorp, Inc. will be subject to Illinois corporate income tax and replacement tax based on its Illinois taxable income and Wisconsin corporate income tax on its Wisconsin taxable income.

MANAGEMENT

Management of NSTS Bancorp, Inc. and North Shore Trust and Savings

NSTS Bancorp, Inc.'s board of directors is divided into three classes, each of which contains approximately one-third of the board. Our directors will be elected by stockholders for staggered three-year terms, or until their successors are elected and qualified. One class of directors, consisting of Messrs. Kevin M. Dolan and Thomas M. Ivantic, will have a term of office expiring at the first annual meeting of stockholders after the conversion, a second class, consisting of Messrs. Apolonio Arenas, Thomas J. Kneesel and Rodney J. True, will have a term of office expiring at the second annual meeting of stockholders, and a third class, consisting of Messrs. Thaddeus M. Bond, Jr. and Stephen G. Lear, will have a term of office expiring at the third annual meeting of stockholders following the conversion.

The following table sets forth certain information regarding our directors all of whom also serve as directors of North Shore Trust and Savings. Ages are reflected as of June 30, 2021.

NSTS Bancorp, Inc.

Name	Position(s) Held with North Shore MHC, NSTS Financial Corporation and North Shore Trust and Savings	Director Since	Year Term Expires
Stephen G. Lear	Chairman of the Boards of Directors and Chief Executive Officer of North Shore MHC, NSTS Financial Corporation and North Shore Trust and Savings	2003	2024
Apolonio Arenas	Director	2006	2023
Thaddeus M. Bond, Jr.	Director	2015	2024
Kevin M. Dolan	Director	2021	2022
Thomas M. Ivantic	Director	1998	2022
Thomas J. Kneesel	Director	2020	2023
Rodney J. True	Director	2003	2023

The business experience for at least the past five years of each of our directors is set forth below. The biographies also contain information regarding the person's experience, qualifications, attributes or skills that caused the board of directors to determine that the person should serve as a director. Unless otherwise indicated, each individual has held his or her position for the past five years.

Directors

Stephen G. Lear, age 65, has served as the Chairman of the Board of Directors of North Shore MHC and North Shore Trust and Savings since 2012 and as a director since 2003. Mr. Lear has also served as the Chief Executive Officer of North Shore Trust and Savings since 1998. Mr. Lear has served in varying capacities with North Shore Trust and Savings since 1979. Mr. Lear received a degree in Finance/Business Administration from the University of Illinois at Urbana-Champaign and his MBA from The Lake Forest Graduate School of Management in Lake Forest, Illinois. He previously served on the Board of Directors and as Chairman of The Illinois League of Financial Institutions.

Apolonio Arenas, age 50, has served as a director since 2006. Mr. Arenas also serves as the President of Dieck, Arenas and Associates PC. A certified public accountant since 1996, Mr. Arenas has held various accounting roles in his 29 years of service with Dieck, Arenas and Associates PC. Mr. Arenas attended Saint Xavier University and received a Bachelor's in Accountancy in 1992. Mr. Arenas serves on the board of directors of All Are Welcome Social Services, Inc. Mr. Arenas previously served on the school board of the Most Blessed Trinity Academy.

Thaddeus M. Bond, Jr., age 55, has served as a director since 2015. Mr. Bond is the founder of the Law Offices of Thaddeus M. Bond, Jr. & Associates, P.C. and Bond Title Services, Inc. A licensed attorney since 1991, Mr. Bond concentrates his practice in the areas of real estate law, civil litigation, real estate-based litigation, estate planning and probate law. Mr. Bond is a lifelong Lake County, Illinois resident. Mr. Bond attended Augustana College in Rock Island, Illinois and the John Marshall Law School (now the University of Illinois-Chicago Law School), graduating with honors. Mr. Bond has served on the board of directors at his alma mater, Carmel Catholic High School, including two years as board chair. Mr. Bond also serves on the board of directors of the Special Recreation Association of Central Lake County Foundation, a fundraising arm for an organization which provides recreational activities for special needs children and adults.

Kevin M. Dolan, age 63, has served as a director since March 2021. Mr. Dolan retired from Abbott Laboratories in 2012 after 33 years of having served in a number of finance and accounting roles including Vice President and Controller for Tap Pharmaceuticals, a joint venture between Abbott and Takeda Chemicals of Japan, and Vice President and Controller of the U.S. Pharmaceutical Division. He received his BBA in finance from the University of Notre Dame in 1979 and a Masters in Management degree from Northwestern University in 1985. Mr. Dolan has served as an elected Commissioner for the Mundelein Park and Recreation District from 1997 to the present. He also served as a Trustee on the Illinois Association of Park Districts' Board of Trustees from 2013 until 2021, serving as Chairman in 2019.

Thomas M. Ivantic, age 69, has served as a director since 1998. Mr. Ivantic is currently retired. Mr. Ivantic previously served for over 29 years as a commercial airline pilot for United Airlines. Mr. Ivantic is a 1973 graduate of St. Mary's University, Winona, Minnesota, in both Economics and Business Administration. Mr. Ivantic volunteers in many local groups, including Boy Scouts of America, PADS, and Appalachia Service Project.

Thomas J. Kneesel, age 66, has served as a director since March 2020. Mr. Kneesel is the current President/Owner of Kneesel and Associates, a residential appraisal firm. Mr. Kneesel previously served as the Vice-President Residential Appraisal Compliance Officer of Associated Bank, N.A., Green Bay, WI from 2011-2020. Mr. Kneesel is currently the Chairman of the Wisconsin Real Estate Appraisal Advisory Board and of the Wisconsin Real Estate Appraiser Board. Mr. Kneesel currently holds the SRA and AI-RRS designations granted by the Appraisal Institute. Mr. Kneesel holds a degree in business from St. Mary's University, Winona, Minnesota in 1977.

Rodney J. True, age 68, has served as director since March 2003. Mr. True is currently retired. Mr. True previously served as Chief Operating Officer of Spend Radar, a software development company located in Chicago, Illinois, for seven years from 2008 to 2015, and prior to that, as Chief Executive Officer of TrueSource, a spend analysis software company. Mr. True also held various management positions with Ernst & Young, Abbott Laboratories, and Republic Steel. Mr. True received a Master's Degree in Business Administration with the valedictorian distinction from the Lake Forest Graduate School of Management in 1983, and received a Bachelor's of Arts in Economics from Ripon College, Ripon, Wisconsin, in 1974.

Directors Emeritus

Two former directors of North Shore Trust and Savings, William C. Ivantic and Walter A. Kroll, have each been designated a Director Emeritus because of their long-standing commitment to, and knowledge of, our institution, industry and local community. Messrs. Ivantic and Kroll meet at the request of the board of directors for advice and consultation. Messrs. Ivantic and Kroll are not members of the board of directors and as a result have no board voting rights. Director Emeritus are appointed annually by the board of directors and receive an annual retainer of \$1,500.

Director Independence

Our board of directors has reviewed the independence of each director under the applicable rules of the Securities and Exchange Commission and the Nasdaq Stock Market. Stephen G. Lear is not considered independent because he serves as the Chief Executive Officer of NSTS Bancorp, Inc, North Shore MHC, NSTS Financial Corporation and North Shore Trust and Savings. Thomas M. Ivantic is not considered independent because he is the brother of Amy L. Avakian our Chief Lending Officer and Thomas J. Kneesel is not considered independent because he is the brother-in-law of Ms. Avakian.

Based upon information provided by each director concerning their backgrounds, employment and affiliations, our board of directors has determined that Messrs. Arenas, Bond, Dolan and True do not have relationships that would interfere with the exercise of independent judgement in carrying out the responsibilities of a director and that each of these directors is independent under applicable Nasdaq listing standards. In making these determinations, our board of directors considered the current and prior relationships that each non-employee director has with us and all other facts and circumstances our board of directors deemed relevant in determining independence and found that none had a relationship that would preclude a finding of independence under applicable Nasdaq listing standards.

Executive Officers Who Are Not Directors of NSTS Bancorp, Inc.

The following sets forth information regarding our executive officers who are not directors, including each executive officer's business experience for at least the past five years. Age information is as of June 30, 2021. The executive officers of North Shore MHC and North Shore Trust and Savings are elected annually.

Nathan E. Walker, age 43, has served as the President and Chief Operating Officer of North Shore Trust and Savings since November 2020. Mr. Walker joined North Shore Trust and Savings in 1996 and has previously held roles as Chief Operating Officer and Senior Vice President of Retail Banking between 2010 and 2020. Mr. Walker holds a Bachelor's of Science degree in Finance from the University of Wisconsin-Parkside, a Master's degree in Business Administration from Cardinal Stritch University and an advanced degree from the Graduate School of Banking at the University of Wisconsin Madison. Mr. Walker serves on the board of directors of Siena Catholic Schools of Racine, Wisconsin.

Carissa H. Schoolcraft, age 29, has served as the Chief Financial Officer of North Shore Trust and Savings since April 2021. Ms. Schoolcraft previously served as the Controller of North Shore Trust and Savings from April 2020 to April 2021. Prior to joining North Shore Trust and Savings, Ms. Schoolcraft served as a Staff Auditor (Manager) at KPMG, LLP from 2013 to 2020. Ms. Schoolcraft received a Bachelor's and Master's Degree in Accounting from Truman State University in Kirksville, Missouri.

Amy L. Avakian, age 60, has served as the Vice President and Chief Lending Officer of North Shore Trust and Savings from 2019 to present. Ms. Avakian began her career at North Shore Trust and Savings in 1983 and has served in various roles within the lending function and is a member of the loan committee. Ms. Avakian received her Bachelor's in Communication from St. Norbert College in De Pere, Wisconsin. Ms. Avakian is a member of the Lake County Property Investor's Association.

Meetings and Committees of the Board of Directors of NSTS Bancorp, Inc.

The board of directors of NSTS Bancorp, Inc. has met once since the incorporation of NSTS Bancorp, Inc. to address certain organizational matters. The board of directors will establish the following standing committees: the audit committee, the nominating and corporate governance committee and the compensation committee. Each of these committees will operate under a written charter, which governs its composition, responsibilities and operations. Each member of each committee will satisfy the applicable independence requirements of Nasdaq and the Securities and Exchange Commission. The table below sets forth the expected directors of each of the listed standing committees.

Audit Committee	Nominating and Corporate Governance Committee	Compensation Committee
Apolonio Arenas (Chair)	Rodney J. True (Chair)	Kevin M. Dolan (Chair)
Kevin M. Dolan	Apolonio Arenas	Thaddeus M. Bond, Jr.
Rodney J. True	Thaddeus M. Bond, Jr.	Apolonio Areas

Corporate Governance Policies and Procedures

In addition to establishing committees of our board of directors, we expect to adopt several policies to govern the activities of both NSTS Bancorp, Inc. and North Shore Trust and Savings, including corporate governance policies and a code of business conduct and ethics. The corporate governance policies are expected to involve such matters as the following:

- the composition, responsibilities and operation of our board of directors;
- the establishment and operation of board committees, including audit, nominating/corporate governance and compensation committees;
- convening executive sessions of independent directors; and
- our board of directors' interaction with management and third parties.

The code of business conduct and ethics, which is expected to apply to all employees and directors, will address conflicts of interest, the treatment of confidential information, general employee conduct and compliance with applicable laws, rules and regulations. In addition, the code of business conduct and ethics will be designed to deter wrongdoing and to promote honest and ethical conduct, the avoidance of conflicts of interest, full and accurate disclosure and compliance with all applicable laws, rules and regulations.

Director Compensation

Each director of North Shore Trust and Savings currently receives an annual retainer of \$18,000 and a per meeting fee of \$1,000. Each of the current directors of North Shore Trust and Savings also serves as a director of North Shore MHC and NSTS Financial Corporation. Each director received an additional annual retainer of \$1,000 (paid in quarterly installments) for their service on each of the boards of directors of North Shore MHC and NSTS Financial Corporation. Upon completion of the conversion, we do not expect changes to director fees for service on the board of directors of North Shore Trust and Savings and anticipate that directors fees for service on the board of directors of NSTS Bancorp, Inc. will equal the same aggregate amount of director fees payable for service on the boards of directors of NSTS Financial Corporation and North Shore MHC, although no such determination has been made at this time.

The following table sets forth total compensation paid to directors of North Shore Trust and Savings, NSTS Financial Corporation and NSTS Bancorp, Inc. during the year ended December 31, 2020.

Name	Board/Committee Fees Earned or Paid in Cash ⁽¹⁾	All Other Compensation	Total
Apolonio Arenas	\$ 32,000	—	\$ 32,000
Marcella A. Bosnak ⁽²⁾	32,000	—	32,000
Thaddeus M. Bond Jr.	32,000	—	32,000
Kevin M. Dolan ⁽³⁾	—	—	—
Thomas M. Ivantic	32,000	—	32,000
Thomas J. Kneese ⁽⁴⁾	21,334	—	21,334
James L. Merlock ⁽⁵⁾	10,667	—	10,667
Rodney J. True	32,000	—	32,000

- (1) Messrs. Bond, Ivantic, Lear and True deferred all or a portion of their fees into a deferred compensation account pursuant to the Director Deferred Compensation Plan described below.
- (2) Marcella A. Bosnak retired from each of the board of directors of North Shore MHC, NSTS Financial Corporation and North Shore Trust and Savings in March 2021.
- (3) Kevin M. Dolan joined each of the board of directors of North Shore MHC, NSTS Financial Corporation and North Shore Trust and Savings in March 2021.
- (4) Thomas J. Kneesel joined each of the board of directors of North Shore MHC, NSTS Financial Corporation and North Shore Trust and Savings in April 2020.
- (5) James L. Merlock retired from each of the board of directors of North Shore MHC, NSTS Financial Corporation and North Shore Trust and Savings in April 2020.

Director Deferred Compensation Plan

We maintain a non-qualified unsecured director deferred compensation plan that allows directors of each North Shore MHC, NSTS Financial Corporation and North Shore Trust and Savings to elect to defer up to 100% of the retainer and monthly board fees. We establish a deferred compensation account for each participating director and credits the account with the fees deferred by the director plus interest equal to the prime rate plus two percent. Interest is credited to each such account quarterly.

Executive Compensation

The following table shows the compensation paid by North Shore Trust and Savings to its Chief Executive Officer, President, Chief Financial Officer and our only other executive officer whose compensation exceeded \$100,000.00 for the year ended December 31, 2020.

Name and Principal Position	Year	Salary	Bonus	All Other Compensation ⁽¹⁾	Total
Stephen G. Lear, Chief Executive Officer	2020	\$207,199	\$ 19,075	\$ 55,846 ⁽²⁾	\$282,120
Nathan E. Walker, President and Chief Operating Officer ⁽³⁾	2020	137,957	13,192	9,187	160,336
Carissa H. Schoolcraft, Chief Financial Officer ⁽⁴⁾	2020	81,827	2,212	-	84,039
Amy L. Avakian, Chief Lending Officer	2020	131,460	13,000	8,807	153,267
Susan J. Suski, Chief Financial Officer ⁽⁵⁾	2020	136,240	15,192	9,210	160,642

- (1) All other compensation does not include amounts attributable to other miscellaneous benefits. Except as provided herein, the costs to North Shore Trust and Savings of providing such benefits during the year ended December 31, 2020 did not exceed \$10,000 for any individual officer. Includes \$14,055, \$9,187, \$8,807 and \$9,210 for Mr. Lear, Mr. Walker, Ms. Avakian and Ms. Suski, respectively, for matching contributions under North Shore Trust and Savings' 401(k) Plan.

- (2) Includes \$32,000 of compensation for Mr. Lear for his service on the boards of directors of North Shore Trust and Savings, NSTS Financial Corporation and North Shore MHC. Mr. Lear deferred \$16,000 of his fees into a deferred compensation account pursuant to the Director Deferred Compensation Plan described below.
- (3) Appointed President of North Shore Trust and Savings in December 2020. Reflects Mr. Walker's salary as Chief Operating Officer of North Shore Trust and Savings from January 1, 2019 to November 30, 2020 and Mr. Walker's compensation as President of North Shore Trust and Savings from December 1, 2020 to December 31, 2020. For the year 2021, Mr. Walker's salary is \$170,000.
- (4) Appointed Chief Financial Officer of North Shore Trust and Savings in April 2021. Reflects Ms. Schoolcraft's compensation as Controller of North Shore Trust and Savings from April 1, 2020 to December 31, 2020. For the year 2021, Ms. Schoolcraft's salary as Chief Financial Officer of North Shore Trust and Savings is \$125,000 as of April 1, 2021.
- (5) Susan J. Suski retired as the Chief Financial Officer of North Shore Trust and Savings in April 2021.

Employment Agreement

Prior to the closing of the offering, NSTS Bancorp, Inc. and North Shore Trust and Savings will enter into an employment agreement with Mr. Lear. Pursuant to the agreement, Mr. Lear will continue to serve in his current capacity as the Chairman, President and Chief Executive Officer of NSTS Bancorp, Inc. and as Chairman and Chief Executive Officer of North Shore Trust and Savings. The employment agreement has an initial term of three years. The initial term of the employment agreement will extend automatically for one additional year on each anniversary of the effective date of the agreement, so that the remaining term is again three years, unless one party gives the other party written notice of nonrenewal at least 90 days prior to the applicable anniversary date. The employment agreement provides that his base salary may be increased, but not decreased, at the discretion of the boards of directors. In addition to the base salary, the agreement provides that Mr. Lear will be eligible to receive an annual bonus as may be determined by the board of directors. Mr. Lear is also eligible to participate in any other short-term incentive compensation plan or long-term or equity incentive plans that may be adopted by the board of directors. Mr. Lear is also entitled to participate in all employee benefit plans arrangements and perquisites offered to our employees and officers, and the reimbursement of reasonable business expenses incurred in the performance of his duties. We will also provide Mr. Lear with reimbursement for monthly membership dues at a country club or similar club, and may provide other perquisites such as an automobile allowance and/or cell phone expense reimbursement as determined by the board of directors.

The employment agreement is terminable with or without cause by us. Mr. Lear has no right to compensation or other benefits pursuant to the employment agreement for any period after termination for cause, as defined in the agreement. In the event we terminate Mr. Lear's employment without cause or Mr. Lear voluntarily resigns for "good reason" (i.e., a "qualifying termination event"), we will pay Mr. Lear a severance payment equal to the base salary that Mr. Lear would have received had he continued employment for the remainder of the then-current term. The severance payment will be paid as salary continuation in substantially equal installments in accordance with our regular payroll practice over the remainder of the then-current term. Mr. Lear must sign a general release of claims to receive the severance payment. A "good reason" condition for purposes of the employment agreement includes a material reduction in base salary, a material adverse change in responsibilities, titles, powers or duties, a failure to appoint Mr. Lear as a director of North Shore Trust and Savings or a failure to nominate Mr. Lear to stand for election to NSTS Bancorp, Inc.'s board of directors, relocation of Mr. Lear's principal place of employment to a location more than 25 miles from his current principal place of employment, or material breach of the employment agreement by us.

If a qualifying termination event occurs within 24 months following a change in control of NSTS Bancorp, Inc. or North Shore Trust and Savings, Mr. Lear would be entitled to (in lieu of the payments and benefits described in the previous paragraph) a severance payment equal to two and one-half times the sum of (i) Mr. Lear's base salary, plus (ii) the average annual bonus earned by Mr. Lear for the three (3) years immediately preceding the year in which the change in control occurs. This change in control severance will be paid in a lump sum payment. Mr. Lear must sign a general release of claims to receive the change in control severance payment.

The employment agreement terminates upon Mr. Lear's death, and in such event, his estate or beneficiary will be paid his accrued benefits through such date. Also, upon termination of employment, Mr. Lear will be required to adhere to a one-year non-solicitation restriction set forth in his employment agreement.

Change in Control Agreements

We also intend to enter into a change in control agreement with each of Mr. Walker and Ms. Avakian and Schoolcraft. The change in control agreements will have an initial term of three years. The initial term of the change in control agreements will extend automatically for one additional year on each anniversary of the effective date of the agreement, so that the remaining term is again three years, provided that if North Shore Trust and Savings terminates the executive's employment, the change in control agreement will terminate upon such termination of employment, and North Shore Trust and Savings may otherwise terminate a change in control agreement upon 12 months' notice to the applicable executive of such termination. Notwithstanding the foregoing, in the event a change in control event occurs during the term of a change in control agreement, the term of the agreement will automatically extend for the greater of 12 months from the change of control event or until all benefits then due and owing are paid to the executive.

Upon termination of the executive's employment by North Shore Trust and Savings without "cause" or by the executive with "good reason" on or after the effective date of a change in control of North Shore Trust and Savings or NSTS Bancorp, Inc., Mr. Walker would be entitled to a severance payment equal to two times the sum of (i) his base salary; and (ii) his average annual bonus earned for the three (3) years immediately preceding the year in which the change in control occurs. Ms. Avakian and Schoolcraft each would be entitled to a severance payment equal to 1.5 times the sum of (i) her base salary; and (ii) her average annual bonus earned for the three (3) years immediately preceding the year in which the change in control occurs. This change in control severance will be paid in substantially equal installments over a 12 month period. In addition, the executive would receive continuation of medical, dental or other health coverage, at the same premium cost to executive, for twelve months following termination of employment. The executive must sign a general release of claims to receive the change in control severance payment.

A "good reason" condition for purposes of the change in control agreements includes a material reduction in base salary, a material adverse change in the responsibilities, powers or duties of executive, or a relocation of the executive's principal place of employment to a location more than 25 miles from his/her current principal place of employment.

401(k) Plan

North Shore Trust and Savings sponsors the North Shore Trust and Savings 401(k) Plan ("401(k) Plan"), which is a qualified, tax-exempt defined contribution plan with a salary deferral feature under Section 401(k) of the Internal Revenue Code. An employee of North Shore Trust and Savings is eligible to become a participant in the plan after reaching age 18 and completing three months of employment. Eligible employees are entitled to enter the 401(k) Plan on a monthly basis.

Under the 401(k) Plan, during 2020 participants were permitted to make salary deferral contributions (in whole percentages or specific dollar amounts) in any amount up to 100% of their plan salary up to the maximum percentage of compensation allowed by law (\$19,500 for 2020). Participants who are age 50 or older are permitted to make "catch up" contributions to the plan up to \$6,500 (for 2020, as indexed annually). North Shore Trust and Savings currently contributes a matching contribution amount equal to 100% of the participant's elective deferral up to 6%. North Shore Trust and Savings may also make a discretionary, fully vested profit-sharing contribution to the 401(k) Plan. Upon termination of employment, including following retirement or disability, a participant may withdraw his or her vested account balance. North Shore Trust and Savings intends to allow participants in the 401(k) Plan to use up to 50% of their account balances in the 401(k) Plan to subscribe for shares of common stock in the offering.

Directors' Retirement Plan

North Shore Trust and Savings maintained a Directors' Retirement Plan which provided for post-retirement benefits to directors who have served North Shore Trust and Savings for a minimum of six years. Benefits under the plan were accrued during the period of service. Expense under this plan was approximately \$19,000 for 2019. The Directors' Retirement Plan was terminated in December 2019 and contributions received in 2019 were the final contributions for the plan. The Directors' Retirement Plan began distributions in 2020 and completed distributions in 2021. All required amounts were fully accrued at December 31, 2019.

The following table reflects one half of the amount paid to each individual director during the year ended December 31, 2020 in connection with the termination of the Directors' Retirement Plan. The second half was paid during the six months ended June 30, 2021.

<u>Name</u>	<u>Total</u>
Apolonio Arenas	\$12,831
Thaddeus M. Bond, Jr.	4,583
Marcella A. Bosnak ⁽¹⁾	14,664
Kevin M. Dolan	—
Thomas M. Ivantic	20,163
Thomas J. Kneesel	—
Stephen G. Lear	15,581
James L. Merlock ⁽²⁾	18,330
Rodney J. True	15,581

(1) Marcella A. Bosnak retired from each of the board of directors of North Shore MHC, NSTS Financial Corporation and North Shore Trust and Savings in March 2021.

(2) James L. Merlock retired from each of the board of directors of North Shore MHC, NSTS Financial Corporation and North Shore Trust and Savings in April 2020.

Equity Value Plan

North Shore Trust and Savings' Equity Value Plan was established in 2005 and covered key officers and directors. Under the terms of the plan, participants were granted units that entitled the holder to receive the appreciation in the value of the unit from the grant date through termination of employment. Benefits vested over five years. The value of the unit was based on the change in the value of the North Shore MHC's equity. Expense recognized for the appreciation in the value of the units was \$57,000 for the year ended December 31, 2019. At December 31, 2020 and 2019, the liabilities for the equity value plan were \$321,588 and \$643,175, respectively. All units are considered a liability and are included in accrued expenses and other liabilities on the balance sheets. The Equity Value Plan was terminated in December 2019 and contributions received in 2019 were the final contributions for the Equity Value Plan. The Equity Value Plan began distributions in 2020 and completed such distributions in January 2021. All required amounts were fully accrued at December 31, 2019.

The following table reflects one half of the amount paid to each covered officer and director in 2020 in connection with the termination of the Equity Value Plan. The second half was paid in 2021.

<u>Name</u>	<u>Total</u>
Apolonio Arenas	\$17,750
Amy L. Avakian	18,550
Thaddeus M. Bond, Jr.	7,875
Marcella A. Bosnak ⁽¹⁾	20,500
Kevin M. Dolan	—
Thomas M. Ivantic	20,500
Thomas J. Kneesel	—
Stephen G. Lear	61,500
James L. Merlock ⁽²⁾	20,500
Rodney J. True	20,500
Nathan E. Walker	15,525
Susan J. Suski ⁽³⁾	9,950

(1) Marcella A. Bosnak retired from each of the board of directors of North Shore MHC, NSTS Financial Corporation and North Shore Trust and Savings in March 2021.

(2) James L. Merlock retired from each of the board of directors of North Shore MHC, NSTS Financial Corporation and North Shore Trust and Savings in April 2020.

(3) Susan J. Suski retired as the Chief Financial Officer of North Shore Trust and Savings in April 2021.

Noncontributory Profit-Sharing Plan

North Shore Trust and Savings sponsors a noncontributory profit-sharing plan covering all employees who have worked more than 1,000 hours during the plan year and remain employed as of the year-end. Funds are fully vested after two years of employment. Profit sharing expense for the years ended 2020 and 2019 was approximately \$0 and \$47,500, respectively.

New Stock Benefit Plans

Employee Stock Ownership Plan. North Shore Trust and Savings has established an employee stock ownership plan for our employees to become effective upon completion of the conversion. Employees who have been credited with at least 1,000 hours of service during a 12-month period and who have attained age 18 are eligible to participate in our employee stock ownership plan.

As part of the conversion, in order to fund the purchase of up to 8.0% of the common stock issued in the conversion (including shares contributed to the charitable foundation), or 277,551 shares and 375,510 shares based on the minimum and maximum of the offering range, respectively, we anticipate that the employee stock ownership plan will borrow funds from NSTS Bancorp, Inc. We anticipate that such loan will equal 100% of the aggregate purchase price of the common stock acquired by our employee stock ownership plan. We have agreed to loan the employee stock ownership plan the funds necessary to purchase shares. If the employee stock ownership plan's order is not completely filled in the offering, we expect that the employee stock ownership plan will purchase shares in the open market after the conversion is completed at a price which may be more or less than \$10.00 per share. The loan to the employee stock ownership plan, which will have a term of 25 years, will be repaid principally from North Shore Trust and Savings contributions to the employee stock ownership plan, and the collateral for the loan will be the common stock purchased by the employee stock ownership plan. The interest rate for the employee stock ownership plan loan will be fixed and is expected to be at the prime rate on the date the employee stock ownership plan enters into the loan. We may, in any plan year, make additional discretionary contributions for the benefit of plan participants in either cash or shares of common stock, which may be acquired through the purchase of outstanding shares in the market or from individual stockholders, upon the original issuance of additional shares by NSTS Bancorp, Inc. or upon the sale of treasury shares by NSTS Bancorp, Inc. Such purchases, if made, would be funded through additional borrowings by the employee stock ownership plan or additional contributions from North Shore Trust and Savings. The timing, amount and manner of future contributions to the employee stock ownership plan will be affected by various factors, including prevailing regulatory policies, the requirements of applicable laws and regulations and market conditions.

Shares purchased by our employee stock ownership plan with the loan proceeds will be held in a suspense account and released for allocation to participants on a pro rata basis as debt service payments are made. Shares released from the employee stock ownership plan will be allocated to each eligible participant's employee stock ownership plan account based on the ratio of each such participant's compensation, consisting of salary and bonus, to the total of such compensation of all eligible employee stock ownership plan participants. Forfeitures may be used for several purposes such as the payment of expenses or be reallocated among remaining participating employees. Account balances of participants in the employee stock ownership plan will be 100% vested after five years of service. Credit is given for years of service with North Shore Trust and Savings prior to adoption of the employee stock ownership plan. In the case of a "change in control," as defined in the employee stock ownership plan, however, participants will become immediately fully vested in their account balances. Participants will also become fully vested in their account balances upon death, disability or retirement. Benefits may be payable upon retirement or separation from service.

U.S. GAAP require that any third-party borrowing by our employee stock ownership plan be reflected as a liability on our statement of financial condition. Since the employee stock ownership plan is borrowing from us, the loan will not be treated as a liability but instead will be excluded from stockholders' equity. If the employee stock ownership plan purchases newly issued shares from NSTS Bancorp, Inc., total stockholders' equity would neither increase nor decrease, but per share stockholders' equity and per share net earnings would decrease as the newly issued shares are allocated to the employee stock ownership plan participants.

Our employee stock ownership plan will be subject to the requirements of the Employee Retirement Income Security Act of 1974, as amended, and the applicable regulations of the IRS and the Department of Labor.

Stock Option and Stock-Based Benefit Plans Following completion of the conversion, we intend to adopt stock-based benefit plans that will provide for grants of stock options and awards of shares of restricted common stock. In accordance with applicable regulations, we anticipate that the plans will authorize a number of stock options and a number of shares of restricted common stock, not to exceed 10.0% and 4.0%, respectively, of the shares issued in the offering. These limitations may not apply if the plans are implemented more than one year after the completion of the conversion, subject to any applicable regulatory approvals.

The stock-based benefit plans will not be established sooner than six months after the completion of the conversion and, if adopted within one year after the completion of the conversion, the plans must be approved by a majority of the votes eligible to be cast by our stockholders. If a stock-based benefit plan is established more than one year after completion of the conversion, it must be approved only by a majority of votes cast by our stockholders.

Certain additional restrictions would apply to our stock-based benefit plans if adopted within one year after completion of the conversion, including:

- non-employee directors in the aggregate may not receive more than 30% of the stock options and of the shares of restricted common stock authorized under the plan;
- any non-employee director may not receive more than 5% of the stock options and of the restricted stock awards authorized under the plan;
- any officer or employee may not receive more than 25% of the stock options and of the restricted stock awards authorized under the plan;
- the stock options and the shares of restricted common stock may not vest more rapidly than 20% per year, beginning on the first anniversary of the date of grant; and
- accelerated vesting is not permitted except for death, disability or upon a change in control of NSTS Bancorp, Inc. or North Shore Trust and Savings.

We have not yet determined whether we will present our stock-based benefit plans for stockholder approval within one year following the completion of the conversion or whether we will present them for stockholder approval more than one year after the completion of the conversion. In the event of changes in applicable regulations or policies regarding stock-based benefit plans, including any regulations or policies restricting the size of awards and vesting of benefits as described above, the restrictions described above may not be applicable.

We may obtain the shares needed for our stock-based benefit plans by issuing additional shares of common stock from authorized but unissued shares or through stock repurchases.

Transactions with Related Persons

North Shore Trust and Savings offers extensions of credit to its directors, officers and employees as well as members of their immediate families for the financing of their primary residences and other purposes. These loans are made in the ordinary course of business, on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable loans with persons not related to North Shore Trust and Savings, and none of such loans involve more than the normal risk of collectability or present other unfavorable features.

Section 22(h) of the Federal Reserve Act generally provides that any credit extended by a savings institution, such as North Shore Trust and Savings, to its executive officers, directors and, to the extent otherwise permitted, principal stockholder(s), or any related interest of the foregoing, must be on substantially the same terms, including interest rates and collateral, as those prevailing at the time for comparable transactions by the savings institution with non-affiliated parties; unless the loans are made pursuant to a benefit or compensation program that (i) is widely available to employees of the institution and (ii) does not give preference to any director, executive officer or principal stockholder, or certain affiliated interests of either, over other employees of the savings institution, and must not involve more than the normal risk of repayment or present other unfavorable features.

Amy L. Avakian was hired in 1983 and currently serves as the Vice President and Chief Lending Officer of North Shore Trust and Savings. Ms. Avakian is the sister of director Thomas M. Ivantic and sister-in-law of director Thomas J. Kneesel. As a result of Ms. Avakian's employment with North Shore Trust and Savings, Ms. Avakian received compensation of \$153,000 and \$123,000 in 2020 and 2019, respectively.

Director Apolonio Arenas is President of Dieck, Arenas and Associates PC which leases space in the main office of North Shore Trust and Savings with an annual lease payment of \$21,000.

PROPOSED MANAGEMENT PURCHASES

The following table sets forth, for each of our directors and executive officers (and their associates) and for all of our directors and executive officers as a group, the proposed purchases of common stock, assuming the offering is closed at the minimum and the maximum of the offering range and assuming sufficient shares are available to satisfy their subscriptions. However, there can be no assurance that any such person or group will purchase any specific number of shares of our common stock. In the event the individual maximum purchase limitation is increased, persons subscribing for the maximum amount may increase their purchase order. Directors and officers will purchase shares of common stock at the same \$10.00 purchase price per share and on the same terms as other purchasers in the offering. This table excludes shares of common stock to be purchased by the employee stock ownership plan, as well as any stock awards or stock option grants that may be made no earlier than six months after the completion of the offering. The directors and officers have indicated their intention to subscribe in the offering for an aggregate of 270,000 shares of common stock, equal to 7.9% of the number of shares of common stock to be sold in the offering at the minimum of the offering range. Purchases by directors, officers and their associates will be included in determining whether the required minimum number of shares has been subscribed for in the offering. The shares being acquired by the directors, executive officers and their associates are being acquired for investment purposes, and not with a view towards resale. Our directors and executive officers will be subject to the same minimum purchase requirements and purchase limitations as other participants in the offering set forth under "The Conversion and Offering—Additional Limitations on Common Stock Purchases."

Name	Number of Shares	Amount(\$)	Percent at the Minimum of the Offering Range	Percent at the Maximum of the Offering Range
Directors and their associates: ⁽¹⁾				
Stephen G. Lear	30,000	\$300,000	*	*
Apolonio Arenas	25,000	250,000	*	*
Thaddeus M. Bond	30,000	300,000	*	*
Kevin M. Dolan	30,000	300,000	*	*
Thomas M. Ivantic	25,000	250,000	*	*
Thomas J. Kneesel	20,000	200,000	*	*
Rodney J. True	40,000	400,000	1.1%	*
Other executive officers and their associates: ⁽¹⁾				
Nathan E. Walker	30,000	300,000	*	*
Amy L. Avakian	30,000	300,000	*	*
Carissa H. Schoolcraft	10,000	100,000	*	*
Total	270,000	\$2,700,000	7.9%	5.8%

* Less than 1.0%.

(1) The amounts shown reflect proposed stock purchase amounts by individual directors or executive officers plus purchases by his or her associates, such as his or her spouse or other relative living in his or her home, an affiliated corporation or other organization or a trust or estate in which he or she has a substantial beneficial interest or serves as a fiduciary.

THE CONVERSION AND OFFERING

General

The boards of directors of North Shore MHC, NSTS Financial Corporation and North Shore Trust and Savings unanimously adopted the plan of conversion on July 19, 2021. Pursuant to the plan of conversion, North Shore MHC will convert from the mutual form of organization to the stock form of organization through the following series of steps: North Shore MHC currently owns 100% of the common stock of NSTS Financial Corporation which in turn owns 100% of the common stock of North Shore Trust and Savings. North Shore MHC will first merge with and into NSTS Financial Corporation which will in turn immediately merge with and into NSTS Bancorp, Inc., which in turn will sell shares of common stock in the offering. When the conversion and offering are completed, all of the outstanding capital stock of North Shore Trust and Savings will be owned by NSTS Bancorp, Inc., and all of the common stock of NSTS Bancorp, Inc. will be owned by stockholders.

The plan of conversion must also be approved by North Shore MHC members. A special meeting of members has been called for this purpose. We have filed an application for conversion with respect to the conversion and stock offering with the Federal Reserve Board. The final approval of the Federal Reserve Board is required before we can consummate the conversion and stock offering. Any approval by the Federal Reserve Board does not constitute a recommendation or endorsement of the plan of conversion.

Pursuant to the plan of conversion, we will offer shares of common stock for sale in the subscription offering to our Eligible Account Holders, our tax-qualified employee benefit plans, Supplemental Eligible Account Holders and Other Members. To the extent shares remain available for sale, we may offer common stock for sale in a community offering to members of the general public, with a preference given to natural persons residing in Lake County, Illinois.

We have the right to accept or reject, in whole or in part, any orders to purchase shares of the common stock received in the community offering. The community offering may begin concurrently with, during or promptly after the subscription offering and must be completed within 45 days after the completion of the subscription offering unless otherwise extended by the Federal Reserve Board. See “—Community Offering.”

We also may offer for sale shares of common stock not purchased in the subscription and community offerings through a syndicated community offering in which Keefe, Bruyette & Woods, Inc. will be sole manager. See “—Syndicated Community Offering.”

NSTS Bancorp, Inc. intends to retain between \$13.2 million and \$18.2 million of the net proceeds of the offering (or \$21.0 million at the adjusted maximum of the offering range) and to invest between \$16.1 million and \$22.1 million of the net proceeds in North Shore Trust and Savings (or \$25.5 million at the adjusted maximum of the offering range). The offering will be consummated only upon the issuance of at least the minimum number of shares of our common stock offered pursuant to the plan of conversion.

We determined the number of shares of common stock to be offered in the offering based upon an independent valuation of the estimated pro forma market value of NSTS Bancorp, Inc. All shares of common stock to be sold in the offering will be sold at \$10.00 per share. Investors will not be charged a commission to purchase shares of common stock. The independent valuation will be updated and the final number of the shares of common stock to be issued in the offering will be determined at the completion of the offering. See “—Stock Pricing and Number of Shares to Be Issued” for more information as to the determination of the estimated pro forma market value of the common stock.

The following is a brief summary of the plan of conversion and is qualified in its entirety by reference to the provisions of the plan of conversion. The plan of conversion should be consulted for further information about the conversion and offering. A copy of the plan of conversion is available for inspection at each office of North Shore Trust and Savings.

The plan of conversion is also filed as an exhibit to North Shore MHC's application for conversion, of which this prospectus is a part, copies of which may be obtained from the Federal Reserve Board. The plan of conversion is also filed as an exhibit to the registration statement we have filed with the Securities and Exchange Commission, of which this prospectus is a part, copies of which may be obtained from the Securities and Exchange Commission or online at the Securities and Exchange Commission's website, www.sec.gov. See "Where You Can Find Additional Information."

Reasons for the Conversion

Our primary reasons for converting and raising additional capital through the offering are to:

- **Enhance our capital base to support growth on a prudent basis.** We intend to moderately grow our loan portfolio while continuing the sale of one- to four-family residential mortgages in the secondary market. While we currently exceed all regulatory capital requirements, the offering proceeds will strengthen our capital position and support our planned growth. We believe this increased capacity will improve our competitive position relative to the many larger banks operating in our market area.
- **Offer our employees and directors an equity ownership interest in NSTS Bancorp, Inc.** We believe that the conversion and offering will enable us to attract and retain directors, management and employees through various stock-based benefit plans, including an employee stock ownership plan and one or more equity incentive plans.
- **Facilitate future mergers and acquisitions, if available, on a prudent basis.** Although we do not currently have any understandings or agreements regarding any specific transactions, the additional capital raised in the offering may be used to finance mergers with, and acquisitions of, other financial institutions, asset portfolios and offices when and if attractive opportunities arise.
- **Offer our depositors an equity ownership interest.** The offering will allow us to offer our depositors the ability to acquire our common stock, and, thus, have an equity interest in our future.

Approvals Required

The affirmative vote of a majority of the total outstanding votes eligible to be cast by the voting members of North Shore MHC, represented in person or by proxy, is required to approve the plan of conversion. A special meeting of members to consider and vote upon the plan of conversion has been called for _____, 2021. We have filed an application for conversion with respect to the conversion and stock offering with the Federal Reserve Board. Such application, which includes the plan of conversion, must be approved by the Federal Reserve Board. The Federal Reserve Board's approval of our holding company application also must be obtained. We cannot consummate the conversion and offering without receiving these approvals and non-objections and satisfying the conditions contained in them.

Effects of Conversion on Depositors and Borrowers

Continuity. While the conversion is being accomplished, our normal business of accepting deposits and making loans will continue without interruption. After the conversion, we will continue to offer existing services to depositors, borrowers and other customers. The directors serving North Shore Trust and Savings at the time of the conversion will be the directors of North Shore Trust and Savings and of NSTS Bancorp, Inc. after the conversion. The officers of North Shore Trust and Savings at the time of the conversion will retain their positions after the conversion.

Effect on Deposit Accounts. Pursuant to the plan of conversion, each depositor of North Shore Trust and Savings at the time of the conversion will automatically continue as a depositor after the conversion, and the deposit balance, interest rate and other terms of such deposit accounts will not change as a result of the conversion. Each such account will be insured by the FDIC, without interruption, to the same extent as before the conversion. Depositors will continue to hold their existing certificates, passbooks and other evidences of their accounts.

Effect on Loans. No loan outstanding from North Shore Trust and Savings will be affected by the conversion, and the amount, interest rate, maturity and security for each loan will remain as it was contractually fixed before the conversion.

Effect on Voting Rights of Members. All of our depositors and certain borrowers as of specified eligibility dates are members of and have voting rights in North Shore MHC as to all matters requiring membership action. Upon completion of the conversion, North Shore MHC will cease to have members and former members will no longer have voting rights. Upon completion of the conversion, all voting rights in North Shore Trust and Savings will be vested in NSTS Bancorp, Inc. as the sole shareholder of North Shore Trust and Savings. The stockholders of NSTS Bancorp, Inc. will possess exclusive voting rights with respect to NSTS Bancorp, Inc. common stock.

Tax Effects. We have received opinions of counsel and certain tax advisors with regard to the federal and state income tax consequences of the conversion to the effect that the conversion will not be taxable for federal or state income tax purposes to North Shore Trust and Savings or its depositors. See “—Material Income Tax Consequences.”

Effect on Liquidation Rights. Each depositor in North Shore Trust and Savings has both a deposit account in North Shore Trust and Savings and a pro rata ownership interest in the net worth of North Shore MHC based upon the deposit balance in his or her account. This ownership interest is tied to the depositor’s account and has no tangible market value separate from the deposit account. This ownership interest may only be realized in the event of a complete liquidation of North Shore MHC and North Shore Trust and Savings; however, there has never been a liquidation of a solvent mutual holding company. Any depositor who opens a deposit account obtains a pro rata ownership interest in North Shore MHC without any additional payment beyond the amount of the deposit. A depositor who reduces or closes his or her account receives a portion or all of the balance in the deposit account but nothing for his or her ownership interest in the net worth of North Shore MHC, which is lost to the extent that the balance in the account is reduced or closed.

Consequently, depositors in a stock depository institution that is a subsidiary of a mutual holding company normally have no way of realizing the value of their ownership interest, which would be realizable only in the unlikely event that North Shore MHC and North Shore Trust and Savings are liquidated. If this occurs, the depositors of record at that time, as owners, would share pro rata in any residual surplus and reserves of North Shore MHC after other claims, including claims of depositors to the amounts of their deposits, are paid.

Under the plan of conversion, Eligible Account Holders and Supplemental Eligible Account Holders will receive an interest in a liquidation account maintained by NSTS Bancorp, Inc. in an aggregate amount equal to (i) North Shore MHC’s ownership interest in NSTS Financial Corporation’s total stockholders’ equity as of the date of the latest statement of financial condition included in this prospectus, plus (ii) the value of the net assets of North Shore MHC as of the date of the latest statement of financial condition of North Shore MHC prior to the consummation of the conversion (excluding its ownership of NSTS Financial Corporation). NSTS Bancorp, Inc. will hold the liquidation account for the benefit of Eligible Account Holders and Supplemental Eligible Account Holders who continue to maintain deposits in North Shore Trust and Savings after the conversion. The liquidation accounts are designed to provide payments to depositors of their liquidation interests, if any, in the end of a liquidation of (a) NSTS Bancorp, Inc. and North Shore Trust and Savings or (b) North Shore Trust and Savings. See “—Liquidation Rights.”

Stock Pricing and Number of Shares to Be Issued

The plan of conversion and applicable regulations require that the aggregate purchase price of the common stock sold in the offering must be based on the appraised pro forma market value of the common stock, as determined by an independent valuation. We have retained Feldman Financial to prepare an independent valuation. For its services in preparing the initial valuation and the final updated valuation, Feldman Financial will receive a fee of \$50,000, as well as payment for reimbursable expenses and an additional \$7,500 for each updated valuation prepared other than the final updated valuation. We have paid Feldman Financial no other fees during the previous three years. We have agreed to indemnify Feldman Financial and its employees and affiliates against specified losses, including any losses in connection with claims under the federal securities laws, arising out of its services as independent appraiser, except where such liability results from Feldman Financial’s bad faith or negligence.

The independent valuation was prepared by Feldman Financial in reliance upon the information contained in this prospectus, including the financial statements of North Shore MHC. Feldman Financial also considered the following factors, among others:

- the present results and financial condition of North Shore Trust and Savings and the projected consolidated results and financial condition of NSTS Bancorp, Inc.;
- the economic and demographic conditions in North Shore Trust and Savings' existing market area;
- certain historical, financial and other information relating to North Shore Trust and Savings;
- a comparative evaluation of the operating and financial characteristics of North Shore Trust and Savings with those of other publicly traded savings institutions;
- the effect of the offering on our stockholders' equity and earnings potential;
- the proposed dividend policy of NSTS Bancorp, Inc.; and
- the trading market for securities of comparable institutions and general conditions in the market for such securities.

The independent valuation is also based on an analysis of a peer group of publicly traded bank holding companies and savings and loan holding companies that Feldman Financial considered comparable to NSTS Bancorp, Inc. under regulatory guidelines applicable to the independent valuation. Under these guidelines, a minimum of 10 peer group companies are selected from the universe of all publicly traded financial institutions with relatively comparable resources, strategies and financial and other operating characteristics. Such companies must also be traded on an exchange (such as Nasdaq or the New York Stock Exchange). The peer group companies selected for NSTS Bancorp, Inc. also consisted of fully converted stock institutions that were not subject to an actual or rumored acquisition and that had been in fully converted form for at least one year. In addition, Feldman Financial limited the peer group companies to the following selection criteria: savings institutions or their holding companies with assets less than \$1.0 billion, ratio of tangible common equity to tangible assets of greater than 7.0%, and return on average assets of less than 1.75%.

The independent valuation considered the pro forma effect of the offering. Consistent with regulatory appraisal guidelines, the appraisal applied three primary methodologies: (i) the pro forma price-to-book value approach applied to both reported book value and tangible book value; (ii) the pro forma price-to-earnings approach applied to reported and core earnings; and (iii) the pro forma price-to-assets approach. The market value ratios applied in the three methodologies were based on the current market valuations of the peer group companies. Feldman Financial placed the greatest emphasis on the price-to-book approach in estimating pro forma market value. The price-to-earnings approach was considered less relevant due to our recent history of net operating losses. Feldman Financial did not consider a pro forma price-to-assets approach to be as meaningful in preparing the appraisal, as this approach is more meaningful when a company has low equity. The price-to-assets approach is less meaningful for a company like us, as we have equity in excess of regulatory capital requirements.

The peer group consists of 10 publicly traded savings institutions or their holding companies that were deemed by Feldman Financial, based on regulatory guidelines, to be reasonably comparable to NSTS Bancorp, Inc. In selecting the peer group, Feldman Financial considered certain key criteria such as asset size, market capitalization, capital, profitability and other financial characteristics, operating strategy, pricing characteristics and market area. To the extent there are differences between NSTS Bancorp, Inc. and the institutions comprising the peer group, Feldman Financial made certain valuation adjustments. Feldman Financial made downward adjustments for: (i) earnings prospects and (ii) marketing of the common stock. Feldman Financial made no adjustments for: (i) financial condition; (ii) market area; (iii) management; (iv) dividend payments; (v) liquidity of the shares; and (vi) the effect of banking regulations and regulatory reform. The downward adjustment applied for earning prospects took into consideration our recent trend of operating losses and the lower pro forma returns of NSTS Bancorp, Inc. as a percent of assets and equity relative to the comparable peer group measures. The downward adjustment for marketing of the common stock took into consideration the volatile stock market conditions in both the overall market and the market for bank and thrift stocks and the heightened uncertainty associated with the initial public offering market in the prevailing stock market environment, including the initial public offering market for the common stock of NSTS Bancorp, Inc.

Included in Feldman Financial's independent valuation were certain assumptions, as to the pro forma earnings of NSTS Bancorp, Inc. after the offering, used in determining the appraised value. These assumptions included estimated expenses, an assumed after-tax rate of return of 0.69% as of June 30, 2021 on the net offering proceeds and purchases in the open market of common stock by the stock-based benefit plan at the \$10.00 per share purchase price. See "Pro Forma Data" for additional information concerning assumptions included in the independent valuation and used in preparing pro forma data. The use of different assumptions may yield different results.

The independent valuation states that at August 31, 2021, the estimated pro forma market value of NSTS Bancorp, Inc. was \$40.0 million (inclusive of the shares of common stock and cash to be contributed to the charitable foundation). Based on applicable regulations, this market value forms the midpoint of a range with a minimum of \$34.0 million and a maximum of \$46.0 million. The aggregate offering price of the shares will be equal to the valuation range multiplied by offering price of \$10.00 per share, excluding the shares of common stock to be contributed to the charitable foundation. The number of shares offered will be equal to the aggregate offering price of the shares divided by the \$10.00 price per share. Based on the valuation range and the \$10.00 offering price per share, the minimum of the offering range is 3,400,000 shares, the midpoint of the offering range is 4,000,000 shares and the maximum of the offering range is 4,600,000 shares.

Following commencement of the subscription offering, the maximum of the valuation range may be increased by up to 15%, or up to \$52.9 million, without resoliciting subscribers, which will result in a corresponding increase of up to 15% in the maximum of the offering range, to up to 5,290,000 shares, to reflect changes in the market and financial conditions or demand for the shares. We will not decrease the minimum of the valuation range and the minimum of the offering range without a reconciliation of subscribers. The offering price of \$10.00 per share will remain fixed. See "—Additional Limitations on Common Stock Purchases" as to the method of distribution of additional shares to be issued upon an increase in the offering range to up to 5,290,000 shares.

The board of directors of North Shore Trust and Savings reviewed the independent valuation and, in particular, considered the following:

- North Shore Trust and Savings' financial condition and results of operations;
- a comparison of financial performance ratios of North Shore Trust and Savings to those of other financial institutions of similar size; and
- market conditions generally and in particular for financial institutions.

All of these factors are set forth in the independent valuation. The board of directors also reviewed the methodology and the assumptions used by Feldman Financial to prepare the independent valuation and believes that such assumptions were reasonable. The offering range may be amended with the approval of the Federal Reserve Board as a result of subsequent developments in the financial condition of North Shore Trust and Savings or market conditions generally. If the independent valuation is updated to amend the pro forma market value of NSTS Bancorp, Inc. to less than \$34.0 million or to more than \$52.9 million, the appraisal will be filed with the Securities and Exchange Commission by a post-effective amendment to NSTS Bancorp, Inc.'s registration statement.

The following table presents a summary of selected pricing ratios for NSTS Bancorp, Inc. (on a pro forma basis) at and for the 12 months ended June 30, 2021, and for the peer group companies based on earnings and other information at and for the 12 months ended June 30, 2021, with stock prices at August 31, 2021, as reflected in the appraisal report. Compared to the average pricing of the peer group, our pro forma pricing ratios at the midpoint of the offering range indicated a discount of 46.5% on a price-to-book value basis and a discount of 47.7% on a price-to-tangible book value basis. Our board of directors, in reviewing and approving the appraisal, considered the range of price-to-earnings multiples and the range of price-to-book value and price-to-tangible book value ratios at the different amounts of shares to be sold in the offering. The estimated appraised value and the resulting premium/discount took into consideration the potential financial effect of the offering.

	Price-to-earnings multiple ⁽¹⁾	Price-to-book value ratio	Price-to-tangible book value ratio
NSTS Bancorp, Inc. (on a pro forma basis, assuming completion of the offering)			
Adjusted Maximum	*	59.67%	59.67%
Maximum	*	55.59%	55.59%
Midpoint	*	51.52%	51.52%
Minimum	*	46.88%	46.88%
Valuation of peer group companies, all of which are fully converted (on a historical basis)			
Averages	16.97x	96.30%	98.47%
Medians	11.47x	99.35%	101.40%

* Not material. The price-to-earnings multiple values are not material as the result of NSTS Bancorp, Inc.'s pro forma loss per share at each point in the valuation range (see "Pro Forma Data" beginning on page 40) and resulting negative price-to-earnings multiples. A negative price-to-earnings multiple is not meaningful for comparative valuation purposes, as it calculates to a negative pro forma market capitalization.

(1) Price-to-earnings multiples calculated by Feldman Financial are based on pro forma data for the 12 months ended June 30, 2021. These ratios are different than those presented in "Pro Forma Data."

The independent valuation is not intended, and must not be construed, as a recommendation of any kind as to the advisability of purchasing our shares of common stock. Feldman Financial did not independently verify our financial statements and other information that we provided to them, nor did Feldman Financial independently value our assets or liabilities. The independent valuation considers North Shore Trust and Savings as a going concern and should not be considered as an indication of the liquidation value of North Shore Trust and Savings. Moreover, because the valuation is necessarily based upon estimates and projections of a number of matters, all of which may change from time to time, no assurance can be given that persons purchasing our common stock in the offering will thereafter be able to sell their shares at prices at or above the \$10.00 price per share.

If the update to the independent valuation at the conclusion of the offering results in an increase in the maximum of the valuation range to more than \$52.9 million and a corresponding increase in the offering range to more than 5,290,000 shares, or a decrease in the minimum of the valuation range to less than \$34.0 million and a corresponding decrease in the offering range to less than 3,400,000 shares, then we will promptly return with interest at 0.15% per annum all funds previously delivered to us to purchase shares of common stock in the subscription and community offerings and cancel deposit account withdrawal authorizations and, after consulting with the Federal Reserve Board, we may terminate the plan of conversion. Alternatively, we may establish a new offering range, extend the offering period and commence a resolicitation of purchasers or take other actions as permitted by the Federal Reserve Board in order to complete the offering. If we extend the offering and conduct a resolicitation due to a change in the independent valuation, we will notify subscribers of the extension of time and of the rights of subscribers to place a new stock order for a specified period of time. Any single offering extension will not exceed 90 days and aggregate extensions may not conclude beyond _____, which is two years after the date on which the Federal Reserve Board approved the plan of conversion.

An increase in the number of shares to be issued in the offering would decrease both a subscriber's ownership interest and NSTS Bancorp, Inc.'s pro forma earnings and stockholders' equity on a per share basis while increasing stockholders' equity on an aggregate basis. A decrease in the number of shares to be issued in the offering would increase both a subscriber's ownership interest and NSTS Bancorp, Inc.'s pro forma earnings and stockholders' equity on a per share basis, while decreasing stockholders' equity on an aggregate basis.

A copy of the independent valuation report of Feldman Financial, together with the detailed memorandum setting forth the method and assumptions used in the appraisal report, is filed as an exhibit to each of the documents specified under "Where You Can Find Additional Information."

Subscription Offering and Subscription Rights

According to the plan of conversion, rights to subscribe for shares of common stock in the subscription offering have been granted in the following descending order of priority. The filling of all subscriptions that we receive will depend on the availability of common stock after satisfaction of all subscriptions of all persons having prior rights in the subscription offering and on the purchase and ownership limitations set forth in the plan of conversion and as described below under “—Additional Limitations on Common Stock Purchases.”

Priority 1: Eligible Account Holders. Each depositor of North Shore Trust and Savings with aggregate deposit account balances of \$50.00 or more (a “Qualifying Deposit”) at the close of business on June 30, 2020 (an “Eligible Account Holder”) will receive, without payment, nontransferable subscription rights to purchase, subject to the overall purchase limitations, up to the greater of \$300,000 (30,000 shares) of our common stock, 0.10% of the total number of shares of common stock issued in the offering, or 15 times the product of the number of subscription shares offered multiplied by a fraction of which the numerator is the aggregate Qualifying Deposit account balances of the Eligible Account Holder and the denominator is the aggregate Qualifying Deposit account balances of all Eligible Account Holders, subject to the overall purchase limitations. See “—Additional Limitations on Common Stock Purchases.” If there are not sufficient shares available to satisfy all subscriptions, shares will first be allocated so as to permit each Eligible Account Holder to purchase a number of shares sufficient to make his or her total allocation equal to the lesser of 100 shares or the number of shares for which he or she subscribed. Thereafter, any remaining unallocated shares will be allocated to each remaining Eligible Account Holder whose subscription remains unfilled in same the proportion that the amount of his or her Qualifying Deposit bears to the total amount of Qualifying Deposits of all subscribing Eligible Account Holders whose subscriptions remain unfilled. If an amount so allocated exceeds the amount subscribed for by any one or more Eligible Account Holders, the excess shall be reallocated among those Eligible Account Holders whose subscriptions are not fully satisfied until all available shares have been allocated.

To ensure proper allocation of our shares of common stock, each Eligible Account Holder must list on his or her stock order form all deposit accounts in which he or she has an ownership interest on June 30, 2020. If there is an oversubscription, failure to list an account could result in fewer shares being allocated than if all accounts had been disclosed. If there is an oversubscription, the subscription rights of Eligible Account Holders who are also directors or certain officers of North Shore Trust and Savings or who are associates of such persons will be subordinated to the subscription rights of other Eligible Account Holders to the extent attributable to their increased deposits in the 12 months preceding June 30, 2020.

Priority 2: Tax-Qualified Employee Benefit Plans. Our tax-qualified employee benefit plans, including our employee stock ownership plan and 401(k) Plan, will receive, without payment, nontransferable subscription rights to purchase in the aggregate up to 10.0% of the shares of common stock sold in the offering. Our employee stock ownership plan intends to purchase 8% of the shares of common stock issued in the offering, including shares contributed to the charitable foundation. If market conditions warrant, in the judgment of its trustees, the employee stock ownership plan may instead elect to purchase shares in the open market following the completion of the offering, subject to the approval of the Federal Reserve Board.

Priority 3: Supplemental Eligible Account Holders. To the extent that there are sufficient shares of common stock remaining after satisfaction of subscriptions by Eligible Account Holders and by our employee stock ownership plan, each depositor of North Shore Trust and Savings (other than directors and certain officers of North Shore Trust and Savings, and their associates) with a Qualifying Deposit at the close of business on _____, 2021, who is not an Eligible Account Holder (a “Supplemental Eligible Account Holder”) will receive, without payment, nontransferable subscription rights to purchase, subject to the overall purchase limitations, up to the greater of \$300,000 (30,000 shares) of our common stock, 0.10% of the total number of shares of common stock issued in the offering, or 15 times the product of the number of subscription shares offered multiplied by a fraction of which the numerator is the aggregate Qualifying Deposit account balances of the Supplemental Eligible Account Holder and the denominator is the aggregate Qualifying Deposit account balances of all Supplemental Eligible Account Holders, subject to the overall purchase limitations. See “—Additional Limitations on Common Stock Purchases.” If there are not sufficient shares available to satisfy all subscriptions, shares will first be allocated so as to permit each Supplemental Eligible Account Holder to purchase a number of shares sufficient to make his or her total allocation equal to the lesser of 100 shares or the number of shares for which he or she subscribed. Thereafter, any remaining unallocated shares will be allocated to each remaining Supplemental Eligible Account Holder whose subscription remains unfilled in same the proportion that the amount of his or her Qualifying Deposit bears to the total amount of Qualifying Deposits of all subscribing Supplemental Eligible Account Holders whose subscriptions remain unfilled. If an amount so allocated exceeds the amount subscribed for by any one or more Supplemental Eligible Account Holders, the excess shall be reallocated among those Supplemental Eligible Account Holders whose subscriptions are not fully satisfied until all available shares have been allocated.

To ensure proper allocation of our shares of common stock, each Supplemental Eligible Account Holder must list on his or her stock order form all deposit accounts in which he or she has an ownership interest on _____, 2021. If there is an oversubscription, failure to list an account could result in fewer shares being allocated than if all accounts had been disclosed.

Priority 4: Other Members. To the extent that there are shares of common stock remaining after satisfaction of subscriptions by Eligible Account Holders, our tax-qualified employee benefit plan, and Supplemental Eligible Account Holders, each depositor on the voting record date of _____, 2021 who is not an Eligible Account Holder or Supplemental Eligible Account Holder (“Other Members”) and each borrower as of specified eligibility dates whose borrowings in each case, remained outstanding as of _____, 2021, will receive, without payment, nontransferable subscription rights to purchase up to the greater of 30,000 shares (\$300,000) of common stock or 0.10% of the total number of shares of common stock issued in the offering, subject to the overall purchase limitations. See “—Additional Limitations on Common Stock Purchases.” If there are not sufficient shares available to satisfy all subscriptions, available shares will be allocated so as to permit each Other Member to purchase a number of shares sufficient to make his or her total allocation equal to the lesser of 100 shares of common stock or the number of shares for which he or she subscribed. Thereafter, unallocated shares will be allocated to each Other Member on an equal number of shares basis per order until all orders have been filled or the remaining shares have been allocated, provided that no fractional shares shall be issued.

To ensure proper allocation of common stock, each Other Member must list on the stock order form all accounts in which he or she had an ownership interest at _____, 2021 and/or a qualified borrower. In the event of oversubscription, failure to list an account, or including incomplete or incorrect information, could result in fewer shares being allocated than if all accounts had been disclosed.

Expiration Date. The subscription offering will expire at 1:00 p.m., Central Time, on _____, 2021, unless extended by us for up to 45 days or such additional periods with the approval of the Federal Reserve Board. Subscription rights will expire whether or not each eligible depositor can be located. We may decide to extend the expiration date of the subscription offering for any reason, whether or not subscriptions have been received for shares at the minimum, midpoint, maximum or adjusted maximum of the offering range. Subscription rights which have not been exercised before the expiration date will become void.

We will not execute orders until at least the minimum number of shares of common stock has been sold in the offering. If at least 3,400,000 shares have not been sold in the offering by _____, 2022 and the Federal Reserve Board has not consented to an extension, all funds delivered to us to purchase shares of common stock in the offering will be returned promptly, with interest at 0.15% per annum for funds received in the subscription and community offerings, and all deposit account withdrawal authorizations will be canceled. If an extension beyond _____, 2022 is necessary and granted by the Federal Reserve Board, we will resolicit purchasers in the offering as described under “—Procedure for Purchasing Shares in Subscription and Community Offerings—Expiration Date.”

Community Offering

To the extent that shares of common stock remain available for purchase after satisfaction of all subscriptions by Eligible Account Holders, our tax-qualified employee stock ownership plan, Supplemental Eligible Account Holders and Other Members, we will offer shares pursuant to the plan of conversion to members of the general public in a community offering. Shares will be offered in the community offering with the following preferences:

- Natural persons and trusts of natural persons residing in Lake County, Illinois; and
- Other members of the general public.

Subscribers in the community offering may purchase up to \$300,000 (30,000 shares) of common stock, subject to the overall purchase limitations. See “—Additional Limitations on Common Stock Purchases.” **The opportunity to purchase shares of common stock in the community offering category is subject to our right, in our sole discretion and reasonably consistent with achieving a reasonably wide distribution of the common stock, to accept or reject any such orders in whole or in part either at the time of receipt of an order or as soon as practicable following the expiration date of the offering.**

If we do not have sufficient shares of common stock available to fill the orders of natural persons (including trusts of natural persons) residing in Lake County, Illinois (“Local Community”), we will allocate the available shares among those persons in a manner that permits each of them, to the extent possible, to purchase the lesser of 100 shares or the number of shares subscribed for by such person. Thereafter, unallocated shares will be allocated among the Local Community whose orders remain unsatisfied in the same proportion that the unfilled subscription of each bears to the total unfilled subscriptions of all Local Community whose subscription remains unsatisfied. If there are any shares remaining, shares will be allocated to other members of the general public who subscribe in the community offering applying the same allocation described above for Local Community.

The term “residing” or “resident” as used in this prospectus with respect to Lake County, Illinois means any person who occupies a dwelling within the local community, has a present intent to remain within the local community for a period of time, and manifests the genuineness of that intent by establishing an ongoing physical presence within the local community together with an indication that such presence within the local community is something other than merely transitory in nature. We may utilize deposit or loan records or other evidence provided to us to determine whether a person is a resident. In all cases, however, the determination shall be in our sole discretion.

Expiration Date. The community offering may begin concurrently with, during or promptly after the subscription offering, and is currently expected to terminate at the same time as the subscription offering, and must terminate no more than 45 days following the subscription offering, unless extended with the approval of the Federal Reserve Board. We may decide to extend the community offering for any reason and are not required to give purchasers notice of any such extension unless such period extends beyond _____, 2022, in which event we will resolicit purchasers.

Syndicated Community Offering

If feasible, our board of directors may decide to offer for sale shares of common stock not subscribed for or purchased in the subscription and community offerings in a syndicated community offering, subject to such terms, conditions and procedures as we may determine, subject to any approvals required from the Federal Reserve Board in a manner that will achieve a wide distribution of our shares of common stock.

If a syndicated community offering is held, Keefe, Bruyette & Woods, Inc. will serve as sole manager. In such capacity, Keefe, Bruyette & Woods, Inc. may form a syndicate of other brokers-dealers who are member firms of the Financial Industry Regulatory Authority, Inc. (“FINRA”). Neither Keefe, Bruyette & Woods, Inc. nor any registered broker-dealer will have any obligation to take or purchase any shares of the common stock in the syndicated community offering; however, Keefe, Bruyette & Woods, Inc. has agreed to use its best efforts in the sale of shares in any syndicated community offering. We have not selected any particular broker-dealers to participate in a syndicated community offering and will not do so until before the commencement of the syndicated community offering. The shares of common stock will be sold at the same price per share (\$10.00 per share) that the shares are sold in the subscription offering and the community offering.

If there is a syndicated community offering, it is currently expected that investors would follow the same general procedures applicable to purchasing shares in the subscription and community offerings (the use of order forms and the submission of funds directly to NSTS Bancorp, Inc. for the payment of the purchase price of the shares ordered) except that payment must be in immediately available funds (bank checks, money orders, deposit account withdrawals from accounts at North Shore Trust and Savings or wire transfers). See “—Procedure for Purchasing Shares in Subscription and Community Offerings.” “Sweep” arrangements and delivery versus payment settlement will only be used in a syndicated community offering to the extent consistent with Rules 10b-9 and 15c2-4 under the Exchange Act and then-existing guidance and interpretations thereof of the Securities and Exchange Commission regarding the conduct of “min/max” offerings.

If for any reason we cannot undertake a syndicated community offering of shares of common stock not purchased in the subscription and community offerings, or if there are an insignificant number of shares remaining unsold after such offerings, we will try to make other arrangements for the sale of unsubscribed shares. The Federal Reserve Board and the Financial Industry Regulatory Authority must approve any such arrangements.

Additional Limitations on Common Stock Purchases

The plan of conversion includes the following additional limitations on the number of shares of common stock that may be purchased in the offering:

- no individual, or group of individuals exercising subscription rights through a single qualifying deposit account held jointly, may purchase more than \$300,000 (30,000 shares) in the offering;
- except for the employee stock ownership plan, no person or entity, together with associates or persons acting in concert with such person or entity, may purchase more than \$400,000 (40,000 shares) of common stock in all categories of the offering combined;
- tax-qualified employee benefit plans, including our employee stock ownership plan and 401(k) Plan, may purchase in the aggregate up to 10% of the shares of common stock sold in the offering, including shares issued upon an increase in the offering range of up to 15% and shares contributed to the charitable foundation;
- no person may purchase fewer than 25 shares of common stock, to the extent those shares are available for purchase; and
- the aggregate number of shares of common stock that may be purchased in all categories of the offering by officers and directors of NSTS Bancorp, Inc. and North Shore Trust and Savings and their associates may not exceed 31% of the total shares sold in the offering.

Depending upon market or financial conditions, our board of directors, with regulatory approval and without further approval of the members of North Shore MHC, may decrease or increase the purchase limitations. If a purchase limitation is increased, subscribers in the subscription offering who ordered the maximum amount and checked the box on the stock order form will be given the opportunity to increase their orders up to the then-applicable limit. The effect of this type of resolicitation will be an increase in the number of shares of common stock owned by persons who choose to increase their orders.

If there is an increase in the offering range up to 5,290,000 shares of common stock, shares will be allocated in the following order of priority according to the plan of conversion:

- (i) if there is an oversubscription at the Eligible Account Holder level, to fill unfilled subscriptions of these subscribers according to their respective priorities;
- (ii) to fill the subscriptions of our tax-qualified employee benefit plans, specifically our employee stock ownership plan and 401(k) Plan, for up to 10% of the total number of shares of common stock sold in the offering and contributed to the charitable foundation;
- (iii) if there is an oversubscription at the Supplemental Eligible Account Holder level, to fill unfilled subscriptions of these subscribers according to their respective priorities;
- (iv) if there is an oversubscription at the Other Members level, to fill unfilled subscriptions of these subscribers according to their respective priorities; and
- (v) to fill unfilled subscriptions in the community offering, with preference given first to natural persons and trusts of natural persons residing in Lake County, Illinois, and then to members of the general public.

The term “associate” of a person means:

- any corporation or organization (other than North Shore Trust and Savings, NSTS Bancorp, Inc. or a majority-owned subsidiary of any of those entities) of which the person is a senior officer, partner or, directly or indirectly, 10% beneficial stockholder;
- any trust or other estate in which the person has a substantial beneficial interest or serves as a trustee or in a similar fiduciary capacity; and
- any relative or spouse of such person, or any relative of such spouse, who either has the same home as the person or who is a director, trustee or officer of North Shore Trust and Savings or NSTS Bancorp, Inc.

The term “acting in concert” means persons seeking to combine or pool their voting or other interests in the securities of an issuer for a common purpose, pursuant to any contract, understanding, relationship, agreement or other arrangement, whether written or otherwise. When persons act together for such purpose, their group is deemed to have acquired their stock. The determination of whether a group is acting in concert shall be made solely by us and may be based on any evidence upon which we choose to rely, including, without limitation, joint account relationships or the fact that such persons have filed joint Schedules 13D with the Securities and Exchange Commission with respect to other companies. Persons with the same address, whether or not related, and persons exercising subscription rights through qualifying accounts registered to the same address will be deemed to be acting in concert unless we determine otherwise. Directors of NSTS Bancorp, Inc. and North Shore Trust and Savings are not treated as associates of each other solely because of their membership on the boards of directors.

Common stock purchased in the offering will be freely transferable except for shares purchased by directors and certain officers of NSTS Bancorp, Inc. or North Shore Trust and Savings and except as described below. Any purchases made by any associate of NSTS Bancorp, Inc. or North Shore Trust and Savings for the explicit purpose of meeting the minimum number of shares of common stock required to be sold in order to complete the offering shall be made for investment purposes only and not with a view toward redistribution. In addition, under Financial Industry Regulatory Authority guidelines, members of the Financial Industry Regulatory Authority and their associates are subject to certain restrictions on transfer of securities purchased according to subscription rights and to certain reporting requirements upon purchase of these securities. For a further discussion of limitations on purchases of our shares of common stock at the time of offering and thereafter, see “—Certain Restrictions on Purchase or Transfer of Our Shares after the Offering” and “Restrictions on Acquisition of NSTS Bancorp, Inc.”

Plan of Distribution; Selling Agent and Underwriting Compensation

Subscription and Community Offerings. To assist in the marketing of our shares of common stock in the subscription and community offerings, we have retained Keefe, Bruyette & Woods, Inc., which is a broker-dealer registered with the Financial Industry Regulatory Authority. Keefe, Bruyette & Woods, Inc. will assist us on a best efforts basis in the subscription and community offerings by:

- consulting as to the marketing implications of the plan of conversion;
- reviewing with the boards the financial impact of the offering on us, based upon the independent appraiser’s appraisal of the common stock;
- reviewing all offering documents, including the prospectus, stock order forms and related marketing materials;
- assisting us in the design and implementation of a marketing strategy for the offering;
- assisting our management in scheduling and preparing for meetings with potential investors and/or other broker-dealers in connection with the offering; and
- providing such other general advice and assistance as may be requested to promote the successful completion of the offering.

For these services, Keefe, Bruyette & Woods, Inc. will receive a fee of 1% of the aggregate dollar amount of all shares of common stock sold in the subscription offering and will receive a fee of 1.5% of all shares sold in the community offering.

Syndicated Community Offering. If shares of common stock are sold in a syndicated community offering, we will pay fees of 6% of the aggregate dollar amount of common stock sold in the syndicated community offering to Keefe, Bruyette & Woods, Inc. and any other broker-dealers included in the syndicated community offering.

Expenses. Keefe, Bruyette & Woods, Inc. also will be reimbursed for reasonable out-of-pocket accountable expenses, including legal fees, in an amount not to exceed \$130,000. We have separately agreed to pay Keefe, Bruyette & Woods, Inc. up to \$37,000 in fees and expenses for serving as records agent, as described below.

Records Management

We have also engaged Keefe, Bruyette & Woods, Inc. as records agent in connection with the subscription and community offerings. In its role as records agent, Keefe, Bruyette & Woods, Inc., will assist us in the offering by:

- consolidating accounts and vote calculation;
- coordinating vote solicitation and special meeting services;
- assisting in designing and preparing stock order forms and member proxy forms;
- organizing and supervising our Stock Information Center;
- coordinating proxy solicitation and vote tabulation; and
- providing subscription services to distribute collect and tabulate stock order forms in the offering.

Keefe, Bruyette & Woods, Inc. will receive fees of \$30,000 for these services, \$10,000 of which has been paid. Keefe, Bruyette & Woods, Inc. also will be reimbursed for reasonable out-of-pocket accountable expenses in an amount not to exceed \$7,000. Keefe, Bruyette & Woods, Inc. will reimburse any amounts paid or advanced by us in excess of their actual reasonable out-of-pocket accountable expenses.

Indemnity

We will indemnify Keefe, Bruyette & Woods, Inc. against liabilities and expenses, including legal fees, incurred in connection with certain claims or litigation arising out of or based upon untrue statements or omissions contained in the offering materials for the common stock, including liabilities under the Securities Act, as well as certain other claims and litigation arising out of Keefe, Bruyette & Woods, Inc.'s engagement with respect to the offering.

Solicitation of Offers by Officers and Directors

Some of our directors and executive officers may participate in the solicitation of offers to purchase common stock in the subscription and community offerings. These persons will be reimbursed for their reasonable out-of-pocket expenses incurred in connection with the solicitation, which out-of-pocket expenses, if any, are expected to be insignificant. Other regular employees of North Shore Trust and Savings may assist in the offering, but only in ministerial capacities, and may provide clerical work in effecting a sales transaction. No offers or sales may be made by tellers or at the teller counters. Investment-related questions of prospective purchasers will be directed to executive officers or registered representatives of Keefe, Bruyette & Woods, Inc. Our other employees have been instructed not to solicit offers to purchase shares of common stock or provide advice regarding the purchase of common stock. We will rely on Rule 3a4-1 under the Exchange Act, and sales of common stock will be conducted within the requirements of Rule 3a4-1, so as to permit officers, directors and employees to participate in the sale of common stock. None of our officers, directors or employees will be compensated in connection with their participation in the offering.

Procedure for Purchasing Shares in Subscription and Community Offerings

Expiration Date. The subscription and community offerings will expire at 1:00 p.m., Central Time, on _____, 2021, unless we extend one or both for up to 45 days, with the approval of the Federal Reserve Board. This extension may be approved by us, in our sole discretion, without notice to purchasers in the offering. Any extension of the subscription and/or community offering beyond _____, 2022 would require the Federal Reserve Board's approval. If the offering is so extended, all subscribers will be notified and given an opportunity to confirm, change or cancel their orders. If you do not respond to this notice, we will promptly return your funds with interest at 0.15% per annum or cancel your deposit account withdrawal authorization. If the offering range is decreased below the minimum of the offering range or is increased above the adjusted maximum of the offering range, all subscribers' stock orders will be cancelled, their deposit account withdrawal authorizations will be cancelled, and funds submitted to us will be returned promptly, with interest at 0.15% per annum for funds processed in the subscription and community offerings. We will then resolicit the subscribers, giving them an opportunity to place a new stock order for a period of time.

We reserve the right in our sole discretion to terminate the offering at any time and for any reason (subject to any required regulatory approvals), in which case we will cancel any deposit account withdrawal authorizations and promptly return all funds submitted, with interest at 0.15% per annum from the date of the funds were processed as described above.

Use of Order Forms in the Subscription and Community Offerings In order to purchase shares of common stock in the subscription and community offerings, you must properly complete an original stock order form and remit full payment. We are not required to accept orders submitted on photocopied or facsimiled order forms. All order forms must be received (not postmarked) before 1:00 p.m., Central Time, on _____, 2021. We are not required to accept order forms that are not received by that time, are not signed or are otherwise executed defectively or are received without full payment or without appropriate deposit account withdrawal instructions. We are not required to notify subscribers of incomplete or improperly executed order forms, and we have the right to waive or permit the correction of incomplete or improperly executed order forms. We do not represent, however, that we will do so and we have no affirmative duty to notify any prospective subscriber of any such defects. You may submit your order form and payment by mail using the stock order return envelope provided, or by paying for overnight delivery to our Stock Information Center. You may also hand-deliver stock order forms to the North Shore Trust and Savings office located at _____, which is open between 9:00 a.m. and 5:00 p.m. Central Time and between 9:00 a.m. and 12:00 p.m. Central Time on Saturday. Hand-delivered stock order forms will only be accepted at this location. We will not accept stock order forms at any other office. Please do not mail stock order forms to North Shore Trust and Savings.

Once tendered, an order form cannot be modified or revoked without our consent. We reserve the absolute right, in our sole discretion and reasonably consistent with achieving a reasonably wide distribution of the common stock, to reject orders received in the community offering, in whole or in part, at the time of receipt or at any time before completion of the offering. If you are ordering shares in the subscription offering, you must represent that you are purchasing shares for your own account and that you have no agreement or understanding with any person for the sale or transfer of the shares. We have the right to reject any order submitted in the offering by a person who we believe is making false representations or who we otherwise believe, either alone or acting in concert with others, is violating, evading, circumventing, or intends to violate, evade or circumvent the terms and conditions of the plan of conversion. Our interpretation of the terms and conditions of the plan of conversion and of the acceptability of the order forms will be final.

By signing the order form, you will be acknowledging that the common stock is not a deposit or savings account and is not federally insured or otherwise guaranteed by North Shore Trust and Savings, the Federal Deposit Insurance Corporation or any other government agency, and that you received a copy of this prospectus. However, signing the order form will not result in you waiving your rights under the Securities Act or the Exchange Act.

Payment for Shares. Payment for all shares of common stock must accompany all completed original order forms for the purchase to be valid. Payment for shares in the subscription and community offerings may be made by:

- (i) personal check, bank check or money order, made payable to NSTS Bancorp, Inc.; or
- (ii) authorization of withdrawal of available funds from the types of North Shore Trust and Savings deposit accounts listed on the stock order form.

Appropriate means for designating withdrawals from deposit accounts at North Shore Trust and Savings are provided on the order form. The funds designated must be available in the account(s) at the time the order form is received. A hold will be placed on these funds, making them unavailable to the depositor. Funds authorized for withdrawal will continue to earn interest within the account at the contractual rate until the offering is completed, at which time the designated withdrawal will be made. Interest penalties for early withdrawal applicable to certificate accounts will not apply to withdrawals authorized for the purchase of shares of common stock; however, if a withdrawal results in a certificate of deposit account with a balance less than the applicable minimum balance requirement, the certificate will be canceled at the time of withdrawal without penalty and the remaining balance will earn interest at the current passbook rate after the withdrawal. On the stock order form, you may not designate withdrawal from North Shore Trust and Savings accounts with check-writing privileges; instead, please submit a check. If you request that we directly withdraw the funds from an account with check-writing privileges, we reserve the right to interpret that as your authorization to treat those funds as if we had received a check for designated amount, and we will immediately withdraw the amount from the designated account. In the case of payments made by personal check, these funds must be available in the account(s). Checks and money orders received in the subscription and community offerings will be immediately cashed and placed in a segregated account at North Shore Trust and Savings and will earn interest at .15% per annum from the date payment is processed until the offering is completed or terminated.

You may not remit North Shore Trust and Savings line of credit checks or any type of third-party checks (including those payable to you and endorsed over to NSTS Bancorp, Inc.). You may not designate on your stock order form direct withdrawal from a retirement account held at North Shore Trust and Savings. See “—Using Individual Retirement Account Funds.” If permitted by the Federal Reserve Board, if we resolicit large purchasers, as described above in “—Additional Limitations on Common Stock Purchases,” such purchasers who wish to increase their purchases will not be able to use personal checks to pay for the additional shares, but instead must pay for the additional shares using immediately available funds. We may accept wire transfers at our sole discretion.

Once we receive your executed stock order form, it may not be modified, amended or rescinded without our consent, unless the offering is not completed by _____, 2022. If the subscription and community offerings are extended past _____, 2022, all subscribers will be notified and given an opportunity to confirm, change or cancel their orders. If you do not respond to this notice, we will promptly return your funds with interest at 0.15% per annum or cancel your deposit account withdrawal authorization. We may resolicit purchasers for a specified period of time.

Federal Reserve Board regulations prohibit North Shore Trust and Savings from lending funds or extending credit to any persons to purchase shares of common stock in the offering.

We shall have the right, in our sole discretion, to permit institutional investors to submit irrevocable orders together with the legally binding commitment for payment and to thereafter pay for the shares of common stock for which they subscribe in the community offering at any time before 48 hours before the completion of the offering. This payment may be made by wire transfer.

If our employee stock ownership plan purchases shares in the offering, it will not be required to pay for such shares until completion of the offering, provided that there is a loan commitment from an unrelated financial institution or NSTS Bancorp, Inc. to lend to the employee stock ownership plan the necessary amount to fund the purchase. In addition, if our 401(k) Plan purchases shares in the offering it will not be required to pay for such shares until completion of the offering.

Using Individual Retirement Account Funds. If you are interested in using funds in your individual retirement account or other retirement account to purchase shares of common stock, you must do so through a self-directed retirement account. By regulation, North Shore Trust and Savings’ retirement accounts are not self-directed, so they cannot be invested in our shares of common stock. Therefore, if you wish to use funds that are currently in a retirement account held at North Shore Trust and Savings, you may not designate on the order form that you wish funds to be withdrawn from the account for the purchase of common stock. The funds you wish to use for the purchase of common stock will instead have to be transferred to an independent trustee or custodian, such as a brokerage firm, offering self-directed retirement accounts.

The purchase must be made through that account. If you do not have such an account, you will need to establish one before placing a stock order. A one-time and/or annual administrative fee may be payable to the independent trustee or custodian. There will be no early withdrawal or Internal Revenue Service interest penalties for these transfers. Individuals interested in using funds in an individual retirement account or any other retirement account, whether held at North Shore Trust and Savings or elsewhere, to purchase shares of common stock should contact our Stock Information Center for guidance as soon as possible, preferably at least two weeks before the 2021 offering deadline. Processing such transactions takes additional time, and whether such funds can be used may depend on limitations imposed by the institutions where such funds are currently held. We cannot guarantee that you will be able to use such funds.

Delivery of Shares of Common Stock. All shares of common stock sold will be issued in book entry form. Stock certificates will not be issued. A statement reflecting ownership of shares of common stock issued in the subscription and community offerings will be mailed by our transfer agent to the persons entitled thereto at the registration address noted by them on their stock order forms as soon as practicable following consummation of the offering. We expect trading in the stock to begin on the day of completion of the offering or the next business day. **Until a statement reflecting ownership of shares of common stock is available and delivered to purchasers, purchasers might not be able to sell the shares of common stock that they ordered, even though the shares of common stock will have begun trading.** Your ability to sell the shares of common stock before receiving your statement will depend on arrangements you may make with a brokerage firm.

Other Restrictions. Notwithstanding any other provision of the plan of conversion, no person is entitled to purchase any shares of common stock to the extent the purchase would be illegal under any federal or state law or regulation, including state "blue sky" regulations, or would violate regulations or policies of the Financial Industry Regulatory Authority, particularly those regarding free riding and withholding. We may ask for an acceptable legal opinion from any purchaser as to the legality of his or her purchase and we may refuse to honor any purchase order if an opinion is not timely furnished. In addition, we are not required to offer shares of common stock to any person who resides in a foreign country, or in a state of the United States with respect to which any of the following apply:

- (i) a small number of persons otherwise eligible to subscribe for shares under the plan of conversion reside in such state;
- (ii) the offer or sale of shares of common stock to such persons would require us or our employees to register, under the securities laws of such state, as a broker or dealer or to register or otherwise qualify our securities for sale in such state; or
- (iii) such registration or qualification would be impracticable for reasons of cost or otherwise.

Restrictions on Transfer of Subscription Rights and Shares

Applicable banking regulations prohibit any person with subscription rights, including Eligible Account Holders, Supplemental Eligible Account Holders and Other Members, from transferring or entering into any agreement or understanding to transfer the legal or beneficial ownership of the subscription rights issued under the plan of conversion or the shares of common stock to be issued upon their exercise. These rights may be exercised only by the person to whom they are granted and only for his or her account. When registering your stock purchase on the order form, you cannot add the name(s) of others for joint stock registration unless they also have subscription rights and who qualify in the same subscription offering priority as you. Doing so may jeopardize your subscription rights. Each person exercising subscription rights will be required to certify that he or she is purchasing shares solely for his or her own account and that he or she has no agreement or understanding regarding the sale or transfer of such shares. The regulations also prohibit any person from offering or making an announcement of an offer or intent to make an offer to purchase subscription rights or shares of common stock to be issued upon their exercise before completion of the offering.

We will pursue any and all legal and equitable remedies if we become aware of the transfer of subscription rights, and we will not honor orders that we believe involve the transfer of subscription rights.

Stock Information Center

Our banking office personnel may not, by law, assist with investment-related questions about the offering. If you have any questions regarding the offering, please call our Stock Information Center. The telephone number is . The Stock Information Center is open Monday through Friday between 9:00 a.m. and 3:00 p.m., Central Time. The Stock Information Center will be closed on bank holidays.

Liquidation Rights

Liquidation prior to the conversion. In the unlikely event that North Shore MHC is liquidated prior to the conversion, all claims of creditors of North Shore MHC would be paid first. Thereafter, if there were any assets of North Shore MHC remaining, these assets would first be distributed to certain depositors of North Shore Trust and Savings based on such depositors' liquidation rights. The amount received by such depositors would be equal to their pro rata interest in the remaining value of North Shore MHC after claims of creditors, based on the relative size of their deposit accounts.

Liquidation following the conversion. The plan of conversion provides for the establishment, upon the completion of the conversion, of a liquidation account by NSTS Bancorp, Inc. for the benefit of Eligible Account Holders and Supplemental Eligible Account Holders in an amount equal to (i) North Shore MHC's ownership interest in NSTS Financial Corporation's total stockholders' equity as of the date of the latest statement of financial condition contained in this prospectus plus (ii) the value of the net assets of North Shore MHC as of the date of the latest statement of financial condition of North Shore MHC prior to the consummation of the conversion (excluding its ownership of NSTS Financial Corporation). The plan of conversion also provides for the establishment of a parallel liquidation account in North Shore Trust and Savings to support the NSTS Bancorp, Inc. liquidation account in the event NSTS Bancorp, Inc. does not have sufficient assets to fund its obligations under the NSTS Bancorp, Inc. liquidation account.

In the unlikely event that North Shore Trust and Savings were to liquidate after the conversion, all claims of creditors, including those of depositors, would be paid first. However, except with respect to the liquidation account to be established in NSTS Bancorp, Inc., a depositor's claim would be solely for the principal amount of his or her deposit accounts plus accrued interest. Depositors generally would not have an interest in the value of the assets of North Shore Trust and Savings or NSTS Bancorp, Inc. above that amount.

The liquidation account established by NSTS Bancorp, Inc. is designed to provide qualifying depositors a liquidation interest (exchanged for the liquidation interests such persons had in North Shore MHC) after the conversion in the event of a complete liquidation of NSTS Bancorp, Inc. and North Shore Trust and Savings or a liquidation solely of North Shore Trust and Savings. Specifically, in the unlikely event that either (i) North Shore Trust and Savings or (ii) NSTS Bancorp, Inc. and North Shore Trust and Savings were to liquidate after the conversion, all claims of creditors, including those of depositors, would be paid first, followed by a distribution to depositors as of June 30, 2020 and of their interests in the liquidation account maintained by NSTS Bancorp, Inc. Also, in a complete liquidation of both entities, or of North Shore Trust and Savings only, when NSTS Bancorp, Inc. has insufficient assets (other than the stock of North Shore Trust and Savings) to fund the liquidation account distribution owed to Eligible Account Holders, and North Shore Trust and Savings has positive net worth, then North Shore Trust and Savings shall immediately make a distribution to fund NSTS Bancorp, Inc.'s remaining obligations under the liquidation account. In no event will any Eligible Account Holder be entitled to a distribution that exceeds such holder's interest in the liquidation account maintained by NSTS Bancorp, Inc. as adjusted from time to time pursuant to the plan of conversion and federal regulations. If NSTS Bancorp, Inc. is completely liquidated or sold apart from a sale or liquidation of North Shore Trust and Savings, then the NSTS Bancorp, Inc. liquidation account will cease to exist and Eligible Account Holders will receive an equivalent interest in the North Shore Trust and Savings liquidation account, subject to the same rights and terms as the NSTS Bancorp, Inc. liquidation account.

Pursuant to the plan of conversion, after two years from the date of conversion and upon the written request of the Federal Reserve Board, NSTS Bancorp, Inc. will transfer, or upon the prior written approval of the Federal Reserve Board, NSTS Bancorp, Inc. may transfer, the liquidation account and the depositors' interests in such account to North Shore Trust and Savings and the liquidation account shall thereupon be subsumed into the liquidation account of North Shore Trust and Savings.

Under the rules and regulations of the Federal Reserve Board, a post-conversion merger, consolidation, or similar combination or transaction with another depository institution or depository institution holding company in which NSTS Bancorp, Inc. or North Shore Trust and Savings is not the surviving institution, would not be considered a liquidation. In such a transaction, the liquidation account would be assumed by the surviving institution or company.

Each Eligible Account Holder and Supplemental Eligible Account Holder would have an initial pro-rata interest in the liquidation account for each deposit account, including savings accounts, transaction accounts such as negotiable order of withdrawal accounts, money market deposit accounts, and certificates of deposit, with a balance of \$50.00 or more held in North Shore Trust and Savings on June 30, 2020 or _____, respectively, equal to the proportion that the balance of such account holder's deposit account on June 30, 2020 or _____, respectively, bears to the balance of all deposit accounts of all Eligible Account Holders and Supplemental Eligible Account Holders in North Shore Trust and Savings on such dates.

If, however, on any December 31 annual closing date commencing after the effective date of the conversion, the amount in any such deposit account is less than the amount in the deposit account on June 30, 2020 or _____, or any other annual closing date, then the liquidation account as well as the interest in the liquidation account relating to such deposit account would be reduced by the proportion of any such reduction, and such interest will cease to exist if such deposit account is closed. In addition, no interest in the liquidation account would ever be increased despite any subsequent increase in the related deposit account. Payment pursuant to liquidation rights of Eligible Account Holders and Supplemental Eligible Account Holders would be separate and apart from the payment of any insured deposit accounts to such depositors. Any assets remaining after the above liquidation rights of Eligible Account Holders and Supplemental Eligible Account Holders are satisfied would be available for distribution to stockholders.

Material Income Tax Consequences

Consummation of the conversion is subject to the prior receipt of an opinion of counsel or other tax advisor that the conversion will not be a taxable transaction to NSTS Bancorp, Inc., North Shore MHC, NSTS Financial Corporation, Eligible Account Holders, Supplemental Eligible Account Holders or Other Members for federal and Illinois income tax purposes, except to the extent, if any, that the interests in the liquidation account of North Shore Trust and Savings and/or the subscription rights are deemed to have fair market value on the date such interests and rights are issued. Such opinion will be based on certain factual representations and certain customary assumptions and exclusions. Unlike private letter rulings, opinions of counsel or tax advisors are not binding on the Internal Revenue Service or any state taxing authority, and such authorities may disagree with such opinions. In the event of such disagreement, there can be no assurance that NSTS Bancorp, Inc., North Shore MHC, NSTS Financial Corporation, Eligible Account Holders, or Supplemental Eligible Account Holders would prevail in a judicial proceeding. While the Internal Revenue Service has issued favorable rulings for transactions similar to the proposed conversion and offering, such rulings may not be relied upon or cited as precedent by any taxpayer other than the taxpayer to whom the ruling is addressed. We do not plan to apply for a letter ruling concerning the transactions described herein.

NSTS Bancorp, Inc., North Shore MHC, and NSTS Financial Corporation have received an opinion of counsel, Vedder Price P.C., to the effect that, on the basis of the existing provisions of the Internal Revenue Code of 1986, as amended (the "Code"), current administrative rules and court decisions, for federal income tax purposes:

1. The merger of North Shore MHC with and into NSTS Financial Corporation pursuant to applicable federal laws will constitute a reorganization within the meaning of Section 368(a)(1)(A) of the Code.
2. The constructive exchange of Eligible Account Holders' and Supplemental Eligible Account Holders' liquidation interests in North Shore MHC for liquidation interests in NSTS Financial Corporation will satisfy the continuity of interest requirement of Section 1.368-1(b) of the Federal Income Tax Regulations.
3. North Shore MHC will not recognize any gain or loss on the transfer of its assets to NSTS Financial Corporation and the assumption by NSTS Financial Corporation of North Shore MHC's liabilities, if any, in constructive exchange for liquidation interests in NSTS Financial Corporation or on the constructive distribution of such liquidation interests to Eligible Account Holders and Supplemental Eligible Account Holders.

4. No gain or loss will be recognized by NSTS Financial Corporation upon receipt of the assets of North Shore MHC in exchange for the constructive transfer of liquidation interests in NSTS Financial Corporation to Eligible Account Holders and Supplemental Eligible Account Holders.
5. Eligible Account Holders and Supplemental Eligible Account Holders will recognize no gain or loss upon the constructive receipt of liquidation interests in NSTS Financial Corporation in exchange for their liquidation interests in North Shore MHC.
6. The basis of the assets of North Shore MHC to be received by NSTS Financial Corporation will be the same as the basis of such assets in the hands of North Shore MHC immediately before the exchange.
7. The holding period of the assets of North Shore MHC to be received by NSTS Financial Corporation will include the period during which such assets were held by North Shore MHC.
8. The merger of NSTS Financial Corporation with and into NSTS Bancorp, Inc. pursuant to applicable federal and state laws will constitute a mere change in identify, form, or place of organization within the meaning of Section 368(a)(1)(F) of the Code and will qualify as a reorganization within the meaning of Section 368(a)(1)(F) of the Code.
9. NSTS Financial Corporation will not recognize any gain or loss on the transfer of its assets to NSTS Bancorp, Inc. and the assumption by NSTS Bancorp, Inc. of NSTS Financial Corporation's liabilities, if any, in constructive exchange for interests in the liquidation account of NSTS Bancorp, Inc. or on the constructive distribution of such interests in the liquidation account of NSTS Bancorp, Inc. to Eligible Account Holders and Supplemental Eligible Account Holders.
10. No gain or loss will be recognized by NSTS Bancorp, Inc. upon the receipt of the assets of NSTS Financial Corporation in exchange for the constructive transfer of liquidation interests in Holding Company to Eligible Account Holders and Supplemental Eligible Account Holders.
11. The basis of the assets of NSTS Financial Corporation to be received by NSTS Bancorp, Inc. will be the same as the basis of such assets in the hands of NSTS Financial Corporation immediately before the exchange.
12. The holding period of the assets of NSTS Financial Corporation to be received by NSTS Bancorp, Inc. will include the period during which such assets were held by NSTS Financial Corporation.
13. Eligible Account Holders and Supplemental Eligible Account Holders will not recognize any gain or loss upon the constructive exchange of their liquidation interests in NSTS Financial Corporation for interests in the liquidation account of NSTS Bancorp, Inc.
14. It is more likely than not that no income will be recognized by Eligible Account Holders, Supplemental Eligible Account Holders and Other Members upon distribution to them of nontransferable subscription rights to purchase shares of NSTS Bancorp, Inc. common stock. Eligible Account Holders, Supplemental Eligible Account Holders and Other Members will not realize any taxable income as the result of the exercise by them of the nontransferable subscriptions rights.
15. It is more likely than not that no income will be recognized by Eligible Account Holders and Supplemental Eligible Account Holders upon the constructive distribution to them of rights in the North Shore Trust and Savings liquidation account.
16. It is more likely than not that the basis of the shares of NSTS Bancorp, Inc. common stock purchased by Eligible Account Holders, Supplemental Eligible Account Holders and Other Members in the stock offering by the exercise of nontransferable subscription rights will be the purchase price paid therefor.

17. The holding period of the NSTS Bancorp, Inc. common stock purchased by Eligible Account Holders, Supplemental Eligible Account Holders and Other Members in the stock offering pursuant to the exercise of nontransferable subscription rights will commence on the date the right to acquire such stock was exercised.
18. No gain or loss will be recognized by NSTS Bancorp, Inc. on the receipt of money in exchange for NSTS Bancorp, Inc. common stock sold in the stock offering.

We believe that the tax opinions summarized above address the material federal income tax consequences that are generally applicable to North Shore MHC, NSTS Financial Corporation, NSTS Bancorp, Inc. and persons receiving subscription rights. With respect to items 14 and 16 above, Vedder Price P.C. noted that the subscription rights will be granted at no cost to the recipients, are legally non-transferable and of short duration, and will provide the recipient with the right only to purchase shares of common stock at the same price to be paid by members of the general public in any community offering. Vedder Price P.C. also noted that Feldman Financial has issued a letter that the subscription rights have no ascertainable fair market value. Vedder Price P.C. also noted that the Internal Revenue Service has not in the past concluded that subscription rights have value. Based on the foregoing, Vedder Price P.C. believes that it is more likely than not that no income will be recognized by Eligible Account Holders, Supplemental Eligible Account Holders and Other Members upon distribution to them of the nontransferable subscription rights to purchase shares of common stock. However, the issue of whether or not the nontransferable subscription rights have value is based on all the facts and circumstances. If the subscription rights granted to Eligible Account Holders, Supplemental Eligible Account Holders and Other Members are deemed to have an ascertainable value, receipt of these rights could result in taxable income to those Eligible Account Holders, Supplemental Eligible Account Holders and Other Members who receive the subscription rights in an amount equal to the ascertainable value, and we could recognize income on the distribution of such rights. Eligible Account Holders, Supplemental Eligible Account Holders and Other Members are encouraged to consult with their own tax advisors as to the tax consequences in the event that subscription rights are deemed to have an ascertainable value.

The opinion as to item 15 above is based on the position that (i) there is no history of any holder of an interest in a liquidation account receiving any payment attributable to a liquidation of a solvent bank and/or holding company (other than as set forth below); (ii) the interests in the liquidation accounts are not transferable; (iii) the amounts due under the liquidation account with respect to each Eligible Account Holder and Supplemental Eligible Account Holder will be reduced as their deposits in North Shore Trust and Savings are reduced; (iv) holders of an interest in a liquidation account have received payments of their interests in very few instances (out of hundreds of transactions involving mergers, acquisitions and the purchase of assets and assumption of liabilities of holding companies and subsidiary banks) and these instances involved the purchase and assumption of a bank's assets and liabilities by a credit union; and (v) the North Shore Trust and Savings liquidation account payment obligation arises only if NSTS Bancorp, Inc. lacks sufficient assets to fund the liquidation account or if North Shore Trust and Savings (or North Shore Trust and Savings and NSTS Bancorp, Inc.) enters into a transaction to transfer North Shore Trust and Savings' assets and liabilities to a credit union.

In addition, we have received a letter from Feldman Financial stating its belief that the benefit provided by the North Shore Trust and Savings liquidation account supporting the payment of the liquidation account if (i) NSTS Bancorp, Inc. lacks sufficient net assets or (ii) North Shore Trust and Savings (or North Shore Trust and Savings and NSTS Bancorp, Inc.) enters into a transaction to transfer North Shore Trust and Savings' assets and liabilities to a credit union does not have any economic value at the time of the conversion. Based on the foregoing, Vedder Price P.C. believes it is more likely than not that no income will be recognized by Eligible Account Holders and Supplemental Eligible Account Holders upon the constructive distribution to them of rights in the North Shore Trust and Savings liquidation account. If such rights are subsequently found to have an economic value as of the effective time of the conversion, income may be recognized by each Eligible Account Holder or Supplemental Eligible Account Holder in the amount of such fair market value as of the date of the conversion.

The opinion of Vedder Price P.C., unlike a letter ruling issued by the Internal Revenue Service, is not binding on the Internal Revenue Service and the conclusions expressed therein may be challenged at a future date. The Internal Revenue Service has issued favorable rulings for transactions similar to the proposed conversion and stock offering, but any such ruling may not be relied upon or cited as precedent by any taxpayer other than the taxpayer to whom the ruling is addressed. We do not plan to apply for a letter ruling concerning the transactions described herein.

An opinion stating that the Illinois income tax consequences are consistent with the federal income tax consequences has been issued by Vedder Price P.C. The federal and state tax opinion has been filed with the Securities and Exchange Commission as an exhibit to NSTS Bancorp, Inc.'s registration statement.

Certain Restrictions on Purchase or Transfer of Our Shares after the Offering

All shares of common stock purchased in the offering by a director, and certain officers of NSTS Bancorp, Inc. or North Shore Trust and Savings, as well as their associates, generally may not be sold for a period of one year following the closing of the offering, except upon death or judicial declaration of incompetency of the individual. Each statement of ownership for restricted shares will bear a legend giving notice of this restriction on transfer, and instructions will be issued to NSTS Bancorp, Inc.'s transfer agent to the effect that any transfer within this time period of any record ownership of the shares other than as provided above is a violation of the restriction. Any shares of common stock issued at a later date as a stock dividend, stock split, or otherwise, with respect to the restricted stock will be similarly restricted. The directors and executive officers of NSTS Bancorp, Inc. also will be restricted by the insider trading rules under the Exchange Act.

Purchases of shares of our common stock by any of our directors, certain officers and their associates, during the three-year period following the closing of the offering may be made only through a broker or dealer registered with the Securities and Exchange Commission, except with the prior written approval of the Federal Reserve Board. This restriction does not apply, however, to purchases of our common stock by our stock option plan or any of our tax-qualified employee stock benefit plans or non-tax-qualified employee stock benefit plans, including any restricted stock plans.

Federal conversion regulations prohibit NSTS Bancorp, Inc. from repurchasing its shares of common stock during the first year following the conversion unless compelling business reasons exist for such repurchases, or to fund management recognition plans that have been ratified by stockholders (with Federal Reserve Board approval) or tax-qualified employee stock benefit plans.

OUR CHARITABLE FOUNDATION

General

In furtherance of our commitment to our local community, we intend to establish a new charitable foundation, NSTS Charitable Foundation, Inc., in connection with the conversion. The charitable foundation will be established as a non-stock, nonprofit corporation and will be funded with shares of our common stock and cash, as further described below.

By furthering our visibility and reputation in our local communities, we believe that our charitable foundation will enhance the long-term value of North Shore Trust and Savings' community banking franchise. The stock offering presents us with a unique opportunity to provide a substantial and continuing benefit to our communities through the charitable foundation.

Purpose of Our Charitable Foundation

In connection with the closing of the stock offering, we intend to contribute to our charitable foundation 2% of the total amount of shares of common stock offered in the conversion and \$150,000. The purpose of our charitable foundation is to provide financial support to charitable organizations in the communities in which we operate and will operate in the future and to enable our communities to share in our long-term growth. Our charitable foundation will be dedicated to community activities and the promotion of charitable causes, and may be able to support such activities in ways that are not presently available to us. Our charitable foundation will also support our ongoing obligations to the community under the Community Reinvestment Act.

Funding our charitable foundation with shares of our common stock in addition to cash is also intended to allow our communities to share in our potential growth and success after the stock offering is completed because our charitable foundation will benefit directly from any increases in the value of our shares of common stock. In addition, our charitable foundation will maintain close ties with North Shore Trust and Savings, thereby forming a partnership within the communities in which North Shore Trust and Savings operates.

Structure of Our Charitable Foundation

Our charitable foundation will be incorporated under Delaware law as a non-stock, nonprofit corporation. The articles of organization of our charitable foundation will provide that the corporation is organized exclusively for charitable purposes as set forth in Section 501(c)(3) of the Code. The articles of organization will further provide that no part of the net earnings of our charitable foundation will inure to the benefit of, or be distributable to, its depositors, directors or officers or to private individuals.

Our charitable foundation will be governed by a board of directors, initially consisting of at least two individuals that are directors of NSTS Bancorp, Inc. and North Shore Trust and Savings. We will also select one additional person to serve on our charitable foundation's board of directors who will not be one of our officers or directors and who will have experience with local charitable organizations and grant making. For five years after the stock offering, one seat on our charitable foundation's board of directors will be reserved for a person from our local community who has experience with local community charitable organizations and grant making and who is not one of our officers, directors or employees, and at least one seat on our charitable foundation's board of directors will be reserved for one of North Shore Trust and Savings' directors. Except as described below in "—Regulatory Requirements Imposed on our Charitable Foundation," on an annual basis, directors of our charitable foundation will elect the board to serve for one-year terms.

The board of directors of our charitable foundation will be responsible for establishing its grant and donation policies, consistent with the purposes for which it was established. As directors of a nonprofit corporation, directors of our charitable foundation will at all times be bound by their fiduciary duty to advance our charitable foundation's charitable goals, to protect its assets and to act in a manner consistent with the charitable purposes for which our charitable foundation is established. The directors of our charitable foundation also will be responsible for directing the activities of our charitable foundation, including the management and voting of the shares of our common stock held by our charitable foundation. However, as required by applicable regulations, all shares of our common stock held by our charitable foundation must be voted in the same ratio as all other shares of our common stock on all proposals considered by our stockholders.

Our charitable foundation's initial place of business will be located at our administrative headquarters. The board of directors of our charitable foundation will appoint such officers and employees as may be necessary to manage its operations. To the extent applicable, we will comply with the affiliate restrictions set forth in Sections 23A and 23B of the Federal Reserve Act and the regulations of the Federal Reserve Board governing transactions between North Shore Trust and Savings and our charitable foundation.

Capital for our charitable foundation will come from:

- (1) any dividend that may be paid on our shares of common stock in the future;
- (2) within the limits of applicable federal and state laws, loans collateralized by the shares of common stock; or
- (3) the proceeds of the sale of any of the shares of common stock in the open market from time to time.

As a private charitable foundation under Section 501(c)(3) of the Code, our charitable foundation will be required to distribute annually in grants or donations a minimum of 5% of the average fair market value of its net investment assets.

Tax Considerations

We believe that an organization created for the above purposes should qualify as a Section 501(c)(3) exempt organization under the Code and should be classified as a private charitable foundation. Our charitable foundation will submit a timely request to the Internal Revenue Service to be recognized as an exempt organization. As long as our charitable foundation files its application for tax-exempt status within 27 months of the last day of the month in which it was organized, and provided the Internal Revenue Service approves the application, the effective date as a Section 501(c)(3) organization will be the date of its organization.

NSTS Bancorp, Inc. and North Shore Trust and Savings are authorized by federal law to make charitable contributions. We believe that the stock offering presents a unique opportunity to establish and fund a charitable foundation given the substantial amount of additional capital being raised. In making such determination, we considered the dilutive impact to our stockholders of the contribution of shares of common stock to our charitable foundation.

We believe that we should be entitled to a federal tax deduction in the amount of the fair market value of the stock at the time of the contribution. We are permitted to deduct for charitable purposes only an amount equal to 10% of our annual taxable income in any one year. We are permitted under the Code to carry the excess contribution over the five-year period following the contribution to our charitable foundation. We estimate that at all levels of the offering range, the contribution should be deductible for federal tax purposes over the six-year period (i.e., the year in which the contribution is made and the succeeding five-year period). However, we do not have any assurance that the Internal Revenue Service will grant tax-exempt status to our charitable foundation. In such event, our contribution to our charitable foundation would be expensed without a tax benefit, resulting in a reduction in earnings in the year in which the Internal Revenue Service makes such a determination. Furthermore, even if the contribution is deductible, we may not have sufficient earnings to be able to use the deduction in full. Any such decision to continue to make additional contributions to our charitable foundation in the future would be based on an assessment of, among other factors, our financial condition at that time, the interests of our stockholders and depositors, and the financial condition and operations of the charitable foundation.

As a private charitable foundation, earnings and gains, if any, from the sale of common stock or other assets are exempt from federal and state income taxation. However, investment income, such as interest, dividends and capital gains, is generally taxed at a rate of 1.39%. Our charitable foundation will be required to file an annual return with the Internal Revenue Service within four and one-half months after the close of its fiscal year. Our charitable foundation will be required to make its annual return available for public inspection. The annual return for a private charitable foundation includes, among other things, an itemized list of all grants made or approved, showing the amount of each grant, the recipient, any relationship between a grant recipient and the charitable foundation's managers and a concise statement of the purpose of each grant.

Regulatory Requirements Imposed on Our Charitable Foundation

Applicable regulations impose the following requirements on the establishment of our charitable foundation:

- the Federal Reserve Board may examine our charitable foundation at the charitable foundation's expense;
- our charitable foundation must comply with all supervisory directives imposed by the Federal Reserve Board;
- our charitable foundation must provide annually to the Federal Reserve Board a copy of the annual report that the charitable foundation submits to the Internal Revenue Service;
- our charitable foundation must operate according to written policies adopted by its board of directors, including a conflict of interest policy;
- our charitable foundation may not engage in self-dealing and must comply with all laws necessary to maintain its tax-exempt status under the Code; and
- our charitable foundation must vote its shares of our common stock in the same ratio as all of the other shares voted on each proposal considered by our stockholders.

Within six months of completing the stock offering, our charitable foundation must submit to the Federal Reserve Board a three-year operating plan, conflicts of interest policy, gift instrument, bylaws and certificate of organization.

RESTRICTIONS ON ACQUISITION OF NSTS BANCORP, INC.

Although the board of directors of NSTS Bancorp, Inc. is not aware of any effort that might be made to obtain control of NSTS after the conversion, the board of directors believes that it is appropriate to include certain provisions as part of NSTS Bancorp, Inc.'s certificate of incorporation to protect the interests of NSTS Bancorp, Inc. and its stockholders from takeovers which the board of directors might conclude are not in the best interests of North Shore Trust and Savings, NSTS Bancorp, Inc. or NSTS Bancorp, Inc.'s stockholders.

The following discussion is a general summary of the material provisions of Delaware law, NSTS Bancorp, Inc.'s certificate of incorporation and bylaws and certain other regulatory provisions that may be deemed to have an "anti-takeover" effect. The following description is necessarily general and is not intended to be a complete description of the document or regulatory provision in question. NSTS Bancorp, Inc.'s certificate of incorporation and bylaws are included as part of North Shore MHC's application for conversion filed with the Federal Reserve Board and NSTS Bancorp, Inc.'s registration statement filed with the Securities and Exchange Commission. See "Where You Can Find Additional Information."

Delaware Law and Certificate of Incorporation and Bylaws of NSTS Bancorp, Inc.

Delaware law, as well as NSTS Bancorp, Inc.'s certificate of incorporation and bylaws, contain a number of provisions relating to corporate governance and rights of stockholders that may discourage future takeover attempts. As a result, stockholders who might desire to participate in such transactions may not have an opportunity to do so. In addition, these provisions will also render the removal of the board of directors or management of NSTS Bancorp, Inc. more difficult.

Directors. The board of directors will be divided into three classes. The members of each class will be elected for a term of three years and only one class of directors will be elected annually. Thus, it would take at least two annual elections to replace a majority of the board of directors. The bylaws impose notice and information requirements in connection with the nomination by stockholders of candidate for election to the board of directors or the proposal by stockholders of business to be acted upon at an annual meeting of stockholders. Such notice and information requirements are applicable to all stockholder business proposals and nominations, and are in addition to any requirements under the federal securities laws.

Restrictions on Call of Special Meetings. The certificate of incorporation and bylaws provide that special meetings of stockholders can be called by a majority of the whole board of directors.

Restriction on Action by Written Consent. The certificate of incorporation provides that stockholders may not take action by written consent.

Prohibition of Cumulative Voting. The certificate of incorporation prohibits cumulative voting for the election of directors.

Limitation of Voting Rights. The certificate of incorporation provides that in no event will any person who beneficially owns more than 10% of the then-outstanding shares of common stock be entitled or permitted to vote any of the shares of common stock held in excess of the 10% limit.

Restrictions of Removing Directors from Office. The certificate of incorporation provides that directors may be removed only for cause, and only by the affirmative vote of the holders of at least 75% of the voting power of all of NSTS Bancorp, Inc.'s then-outstanding stock entitled to vote (after giving effect to the limitation on voting rights discussed above in "—Limitations of Voting Rights") for the election of directors.

Authorized but Unissued Shares. After the conversion, NSTS Bancorp, Inc. will have authorized but unissued shares of common and preferred stock. See “Description of Capital Stock of NSTS Bancorp, Inc. Following the Conversion.” The certificate of incorporation authorizes 1,000,000 shares of serial preferred stock. NSTS Bancorp, Inc. is authorized to issue preferred stock from time to time in one or more series subject to applicable provisions of law, and the board of directors is authorized to fix the designations, and relative preferences, limitations, voting rights, if any, including, without limitation, offering rights of such shares (which could be multiple or as a separate class). In the event of a proposed merger, tender offer or other attempt to gain control of NSTS Bancorp, Inc. that the board of directors does not approve, it may be possible for the board of directors to authorize the issuance of a series of preferred stock with rights and preferences that would impede the completion of the transaction. An effect of the possible issuance of preferred stock therefore may be to deter a future attempt to gain control of NSTS Bancorp, Inc. The board of directors has no present plan or understanding to issue any preferred stock.

Amendments to Certificate of Incorporation and Bylaws. Amendments to the certificate of incorporation must be approved by the board of directors and by the affirmative vote of a majority of the outstanding shares of stock, entitled to vote on the amendment; provided, however, that approval by at least 75% of the outstanding voting stock is generally required to amend certain provisions.

The certificate of incorporation also provides that the bylaws may be amended by the affirmative vote of a majority of NSTS Bancorp, Inc.’s directors or by the stockholders by the affirmative vote of at least 75% of the total votes eligible to be cast at a duly constituted meeting of stockholders. Any amendment of this super-majority requirement for amendment of the bylaws would also require the approval of 75% of the total votes eligible to be cast.

Business Combinations with Interested Stockholders. Under Delaware law, “business combinations” between NSTS Bancorp, Inc. and an interested stockholder or an affiliate of an interested stockholder are prohibited for three years after the most recent date on which the interested stockholder becomes an interested stockholder (i) prior to such time the board of directors approved either the business combination or the transaction which resulted in the stockholder becoming an interested stockholder; (ii) upon consummation of the transaction which resulted in the stockholder becoming an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the time the transaction commenced, excluding shares held by directors, officers and certain employee stock plans; or (iii) at or subsequent to such time the business combination is approved by the board of directors and authorized at an annual or special meeting of stockholders, and not by written consent, by the affirmative vote of at least 66.67% of the outstanding voting stock which is not owned by the interested stockholder. These business combinations include a merger, consolidation, certain stock issuances and transfers, and similar transactions involving interested stockholders and their affiliates. Delaware law defines an interested stockholder as: (i) any person who beneficially owns 15.0% or more of the voting power of NSTS Bancorp, Inc.’s voting stock entitled to vote generally in the election of directors; or (ii) an affiliate or associate of NSTS Bancorp, Inc. who, within the three-year period prior to the date in question, was the beneficial owner of 15.0% or more of the voting power of the then-outstanding voting stock of NSTS Bancorp, Inc. entitled to vote generally in the election of directors.

Evaluation of Offers. The certificate of incorporation of NSTS Bancorp, Inc. provides that its board of directors, when evaluating a transaction that would or may involve a change in control of NSTS Bancorp, Inc. (whether by purchases of its securities, merger, consolidation, or sale of all or substantially all of its assets), may, in connection with the exercise of its business judgment in determining what is in the best interests of NSTS Bancorp, Inc. and its stockholders and in making any recommendation to the stockholders, give due consideration to all relevant factors, including, but not limited to, certain enumerated factors.

Purpose and Anti-Takeover Effects of NSTS Bancorp, Inc.’s Certificate of Incorporation and Bylaws Our board of directors believes that the provisions described above are prudent and will reduce our vulnerability to takeover attempts and certain other transactions that have not been negotiated with and approved by our board of directors. These provisions also will assist us in the orderly deployment of the offering proceeds into productive assets during the initial period after the conversion. We believe these provisions are in the best interests of NSTS Bancorp, Inc. and its stockholders. Our board of directors believes that it will be in the best position to determine the true value of NSTS Bancorp, Inc. and to negotiate more effectively for what may be in the best interests of all our stockholders. Accordingly, our board of directors believes that it is in the best interests of NSTS Bancorp, Inc. and all of our stockholders to encourage potential acquirers to negotiate directly with the board of directors and that these provisions will encourage such negotiations and discourage hostile takeover attempts. It is also the view of our board of directors that these provisions should not discourage persons from proposing a merger or other transaction at a price reflective of the true value of NSTS Bancorp, Inc. and that is in the best interest of all our stockholders.

Takeover attempts that have not been negotiated with and approved by our board of directors present the risk of a takeover on terms that may be less favorable than might otherwise be available. A transaction that is negotiated and approved by our board of directors, on the other hand, can be carefully planned and undertaken at an opportune time in order to obtain maximum value for our stockholders, with due consideration given to matters such as the management and business of the acquiring corporation.

Despite our belief as to the benefits to stockholders of these provisions of NSTS Bancorp, Inc.'s certificate of incorporation and bylaws, these provisions also may have the effect of discouraging a future takeover attempt that would not be approved by our board of directors, but pursuant to which stockholders may receive a substantial premium for their shares over then-current market prices. As a result, stockholders who might desire to participate in such a transaction may not have any opportunity to do so. Such provisions will also make it more difficult to remove our board of directors and management. Our board of directors, however, has concluded that the potential benefits outweigh the possible disadvantages.

Forum Selection for Certain Stockholder Lawsuits. The Certificate of Incorporation of NSTS Bancorp, Inc. provides that, unless NSTS Bancorp, Inc. consents in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of NSTS Bancorp, Inc., (ii) any action asserting a claim of breach of fiduciary duty owed by any director, officer or other employee of NSTS Bancorp, Inc. to NSTS Bancorp, Inc. or its stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law or (iv) any action asserting a claim governed by the internal affairs doctrine shall be a state or federal court located within the State of Delaware, in all cases subject to the court's having personal jurisdiction over the indispensable parties named as defendants. Because this provision permits claims to be brought in federal courts located in the State of Delaware, this provision would apply to a claim made under the U.S. federal securities laws where there is exclusive federal jurisdiction for such a claim, although there is uncertainty as to where a court would enforce such provision and a shareholder of NSTS Bancorp, Inc. cannot waive compliance with the federal securities laws and the rules and regulations thereunder.

Under the certificate of incorporation, any person or entity purchasing or otherwise acquiring any interest in share of capital stock of NSTS Bancorp, Inc. shall be deemed to have notice of and consented to the exclusive forum provisions of the certificate of incorporation. The choice of forum provision may limit a stockholder's ability to bring a claim in a judicial forum that it finds favorable for dispute with us or our directors and officers or other employees, which may discourage such lawsuits against us and our directors, officers and other employees.

Regulatory Restrictions

Under the Change in Bank Control Act, no person may acquire control of a savings and loan holding company unless the Federal Reserve Board has been given 60 days' prior written notice and has not issued a notice disapproving the proposed acquisition.

Control, as defined under federal law, means ownership, control, or holding with power to vote, of 25% or more of any class of voting stock. Federal regulations establish a rebuttable presumption of control upon ownership, control, or holding with power to vote of 10% or more of a class of voting stock where (i) the company has registered securities under Section 12 of the Securities Exchange Act of 1934 or (ii) no other person will own, control or hold the power to vote a greater percentage of that class of voting securities.

The Federal Reserve Board may deny an acquisition of control if it finds, among other things, that:

- the acquisition would result in a monopoly or substantially lessen competition;
- the financial condition of the acquiring person might jeopardize the financial stability of the institution;

- the competence, experience or integrity of the acquiring person indicates that it would not be in the interest of the depositors or the public to permit the acquisition of control by such person; or
- the acquisition would have an adverse effect on the Deposit Insurance Fund.

Federal Reserve Board regulations generally prohibit any person from acquiring or making an offer to acquire beneficial ownership 10% or more of a class of voting stock of NSTS Bancorp, Inc. or North Shore Trust and Savings without the Federal Reserve Board's prior approval.

During the conversion and for three years following the conversion, the conversion regulations prohibit any person from acquiring, either directly or indirectly, or making an offer to acquire more than 10% of the stock of any converted savings institution, such as North Shore Trust and Savings, without the prior written approval of the Federal Reserve Board, except for:

- any offer with a view toward public resale made exclusively to the institution or to underwriters or a selling group acting on its behalf;
- offers that if consummated would not result in the acquisition by such person during the preceding 12-month period of more than 1% of such stock;
- offers in the aggregate for up to 24.9% by the employee stock ownership plan or other tax-qualified plans; and
- an offer to acquire or acquisition of beneficial ownership of more than 10% of the common stock of the savings institution by a corporation whose ownership is or will be substantially the same as the ownership of the savings institution, provided that the offer or acquisition is made more than one year following the date of completion of the conversion.

Such prohibition also is applicable to the acquisition of NSTS Bancorp, Inc. common stock. In the event that any person, directly or indirectly, violates this regulation, the securities beneficially owned by such person in excess of 10% shall not be counted as shares entitled to vote and shall not be voted by any person or counted as voting shares in connection with any matters submitted to a vote of stockholders. The definition of beneficial ownership for this regulation extends to persons holding revocable or irrevocable proxies for an institution's stock under circumstances that give rise to a conclusive or rebuttable determination of control under federal banking regulations.

DESCRIPTION OF CAPITAL STOCK OF NSTS BANCORP, INC. FOLLOWING THE CONVERSION

General

NSTS Bancorp, Inc. is authorized to issue 10,000,000 shares of common stock, par value of \$0.01 per share, and 1,000,000 shares of preferred stock, par value \$0.01 per share. NSTS Bancorp, Inc. currently expects to issue in the stock offering up to 5,395,800 shares of common stock, at the adjusted maximum of the offering range (which number includes 105,800 shares expected to be contributed to the charitable foundation). NSTS Bancorp, Inc. will not issue shares of preferred stock in the conversion. Each share of common stock will have the same relative rights as, and will be identical in all respects to, each other share of common stock. Upon payment of the subscription price for the common stock, in accordance with the plan of conversion, all of the shares of common stock will be duly authorized, fully paid and nonassessable.

The shares of common stock will represent non-withdrawable capital, will not be an account of an insurable type, and will not be insured by the Federal Deposit Insurance Corporation or any other government agency.

Common Stock

Dividends. NSTS Bancorp, Inc. may pay dividends on its common stock if, after giving effect to such dividends, it would be able to pay its debts in the usual course of business and its total assets would exceed the sum of its total liabilities plus the amount needed to satisfy the preferential rights upon dissolution of stockholders whose preferential rights on dissolution are superior to those receiving the dividends. However, even if NSTS Bancorp, Inc.'s assets are less than the amount necessary to satisfy the requirement set forth above, NSTS Bancorp, Inc. may pay dividends from: its net earnings for the fiscal year in which the distribution is made; and its net earnings for the preceding fiscal year. The payment of dividends by NSTS Bancorp, Inc. is also subject to limitations that are imposed by applicable regulation, including restrictions on payments of dividends that would reduce NSTS Bancorp, Inc.'s net assets below the then-adjusted balance of its liquidation account. The holders of common stock of NSTS Bancorp, Inc. will be entitled to receive and share equally in dividends as may be declared by our board of directors out of funds legally available therefor. If NSTS Bancorp, Inc. issues shares of preferred stock, the holders thereof may have priority over the holders of the common stock with respect to dividends.

Voting Rights. Upon completion of the stock offering, the holders of common stock of NSTS Bancorp, Inc. will have exclusive voting rights in NSTS Bancorp, Inc. They will elect NSTS Bancorp, Inc.'s board of directors and act on other matters as are required to be presented to them under Delaware law or as are otherwise presented to them by the board of directors. Each holder of common stock will be entitled to one vote per share and will not have any right to cumulate votes in the election of directors. Any person who beneficially owns more than 10% of the then-outstanding shares of NSTS Bancorp, Inc.'s common stock, however, will not be entitled or permitted to vote any shares of common stock held in excess of the 10% limit. If NSTS Bancorp, Inc. issues shares of preferred stock, holders of the preferred stock may also possess voting rights. Certain matters require the approval of 75% of our outstanding voting stock as described in our certificate of incorporation. See “—Delaware Law and Certificate of Incorporation and Bylaws of NSTS Bancorp, Inc.”).

As a federally-chartered stock savings association, corporate powers and control of North Shore Trust and Savings are vested in its board of directors, who elect the officers of North Shore Trust and Savings and who fill any vacancies on the board of directors. Voting rights of North Shore Trust and Savings are vested exclusively in the owners of the shares of capital stock of North Shore Trust and Savings, which will be NSTS Bancorp, Inc., and voted at the direction of NSTS Bancorp, Inc.'s board of directors. Consequently, the holders of the common stock of NSTS Bancorp, Inc. will not have direct control of North Shore Trust and Savings.

Liquidation. In the event of any liquidation, dissolution or winding up of North Shore Trust and Savings, NSTS Bancorp, Inc., as the holder of 100% of North Shore Trust and Savings' capital stock, would be entitled to receive all assets of North Shore Trust and Savings available for distribution, after payment or provision for payment of all debts and liabilities of North Shore Trust and Savings, including all deposit accounts and accrued interest thereon, and after distribution of the balance in the liquidation account to Eligible Account Holders and Supplemental Eligible Account Holders. In the event of liquidation, dissolution or winding up of NSTS Bancorp, Inc., the holders of its common stock would be entitled to receive, after payment or provision for payment of all its debts and liabilities (including payments with respect to its liquidation account to all Eligible Account Holders and Supplemental Eligible Account Holders), all of the assets of NSTS Bancorp, Inc. available for distribution. If preferred stock is issued, the holders thereof may have a priority over the holders of the common stock in the event of a liquidation or dissolution.

Preemptive Rights. Holders of the common stock of NSTS Bancorp, Inc. will not be entitled to preemptive rights with respect to any shares that may be issued. The common stock is not subject to redemption.

Preferred Stock

None of the shares of NSTS Bancorp, Inc.'s authorized preferred stock will be issued as part of the stock offering or the conversion. Preferred stock may be issued with preferences and designations as our board of directors may from time to time determine. Our board of directors may, without stockholder approval, issue shares of preferred stock with voting, dividend, liquidation and conversion rights that could dilute the voting strength of the holders of common stock and may assist management in impeding an unfriendly takeover or attempted change in control.

TRANSFER AGENT

The transfer agent and registrar for our common stock will be Pacific Stock Transfer.

EXPERTS

The consolidated financial statements of North Shore MHC and Subsidiaries at December 31, 2020 and 2019 and for the years then ended have been included in this prospectus and in the registration statement of which this prospectus is a part, in reliance on the report of Plante & Moran, PLLC, independent registered public accounting firm, which is included herein, upon the authority of said firm as experts in accounting and auditing.

Feldman Financial has consented to the publication herein of the summary of its report setting forth its opinion as to the estimated pro forma market value of the shares of common stock upon completion of the conversion and offering and its letter with respect to subscription rights.

LEGAL MATTERS

Vedder Price P.C., Chicago, Illinois, counsel to NSTS Bancorp, Inc., North Shore MHC, NSTS Financial Corporation and North Shore Trust and Savings, has issued to NSTS Bancorp, Inc. its opinion regarding the legality of the common stock and the federal and Illinois income tax consequences of the conversion and offering. Certain legal matters will be passed upon for Keefe, Bruyette & Woods, Inc. by Breyer & Associates PC, Washington, D.C.

WHERE YOU CAN FIND ADDITIONAL INFORMATION

NSTS Bancorp, Inc. has filed with the Securities and Exchange Commission a registration statement under the Securities Act with respect to the shares of common stock offered hereby. As permitted by the rules and regulations of the Securities and Exchange Commission, this prospectus does not contain all the information set forth in the registration statement. Our filings with the SEC, including the registration statement, are available to you free of charge on the SEC's website. The statements contained in this prospectus as to the contents of any contract or other document filed as an exhibit to the registration statement are, of necessity, brief descriptions of the material terms of, and should be read in conjunction with, such contract or document. The Securities and Exchange Commission maintains a website (<http://www.sec.gov>) that contains reports, proxy and information statements and other information regarding registrants that file electronically with the Securities and Exchange Commission, including NSTS Bancorp, Inc.

North Shore MHC has filed an application with respect to the conversion with the Federal Reserve Board. NSTS Bancorp, Inc. has filed an application with respect to the formation of a savings and loan holding company with the Federal Reserve Board. This prospectus omits certain information contained in such application. The applications may be inspected, without charge, at the offices of the Federal Reserve Board located at 230 South LaSalle Street, Chicago, Illinois 60604. The plan of conversion is available, upon request, at each of North Shore Trust and Savings' main and branch offices.

In connection with the offering, NSTS Bancorp, Inc. will register its common stock under Section 12(b) of the Securities Exchange Act of 1934 and, upon such registration, NSTS Bancorp, Inc. and the holders of its common stock will become subject to the proxy solicitation rules, reporting requirements and restrictions on common stock purchases and sales by directors, officers and greater than 10% stockholders, the annual and periodic reporting and certain other requirements of the Securities Exchange Act of 1934. Under the plan of conversion, NSTS Bancorp, Inc. has undertaken that it will not terminate such registration for a period of at least three years following the conversion and offering.

NSTS Bancorp, Inc. also maintains a website at www.northshoretrust.com. On its website NSTS Bancorp, Inc. will make available its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act as soon as reasonably practicable after we electronically file such materials with, or furnish them to, the SEC. The information on, or accessible through, our website or any other website cited in this prospectus is not part of, or incorporated by reference into, this prospectus.

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NORTH SHORE MHC**

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This prospectus does not include separate financial statements for NSTS Bancorp, Inc. because it has not engaged in any significant activities, has no significant assets, and has no contingent liabilities, revenues or expenses.

All financial statement schedules are omitted because the required information either is inapplicable or is included in the consolidated financial statements or related notes.

NORTH SHORE MHC AND SUBSIDIARIES
Consolidated Balance Sheets

	June 30, 2021 (unaudited)	December 31, 2020
Assets:		
Cash and due from banks	\$ 1,086,178	\$ 884,226
Interest-bearing bank deposits	19,263,604	30,984,003
Cash and cash equivalents	20,349,782	31,868,229
Time deposits with other financial institutions	6,199,000	12,436,000
Securities available for sale	98,283,516	81,620,345
Federal Home Loan Bank stock	549,700	512,400
Loans held for sale	378,750	1,971,500
Loans, net of unearned income	98,653,637	99,325,077
Allowance for loan losses	(792,346)	(870,338)
Loans, net	97,861,291	98,454,739
Premises and equipment, net	5,146,180	5,213,306
Accrued interest receivable	679,737	672,051
Bank-owned life insurance (BOLI)	8,977,640	8,889,693
Other assets	1,432,041	580,491
Total assets	\$ 239,857,637	\$ 242,218,754
Liabilities:		
Deposits:		
Noninterest bearing	\$ 11,835,173	\$ 9,734,112
Interest-bearing		
Demand and NOW checking	17,974,950	16,364,499
Money market	45,578,472	50,143,146
Savings	45,229,073	42,249,880
Time deposits over \$250,000	8,950,376	10,705,340
Other time deposits	54,837,981	57,207,094
Total deposits	184,406,025	186,404,071
Escrow deposits	1,468,088	1,518,519
Other borrowings	5,000,000	4,000,000
Accrued expenses and other liabilities	3,108,946	3,570,892
Total liabilities	193,983,059	195,493,482
Members' equity:		
Retained earnings	45,305,060	45,319,344
Accumulated other comprehensive income, net	569,518	1,405,928
Total members' equity	45,874,578	46,725,272
Total liabilities and members' equity	\$ 239,857,637	\$ 242,218,754

See accompanying notes to consolidated financial statements

NORTH SHORE MHC AND SUBSIDIARIES
Consolidated Statements of Operations (unaudited)

	For the six months ended June 30,	
	2021	2020
Interest income:		
Loans, including fees	\$ 1,809,052	\$ 2,124,348
Securities		
Taxable	578,051	637,586
Tax-exempt	120,582	151,478
Federal funds sold and other	9,317	113,913
Time deposits with other financial institutions	48,223	245,190
FHLB Stock	6,298	5,772
Total interest income	2,571,523	3,278,287
Interest expense:		
Deposits	490,512	840,165
Net interest income	2,081,011	2,438,122
Provision for loan losses	16,632	220,000
Net interest income after provision for loan losses	2,064,379	2,218,122
Noninterest income:		
Gain on sale of mortgage loans	244,678	145,977
Gain on sale of securities	-	59,425
Rental income on office building	21,000	21,000
Service charges on deposits	141,289	127,198
Increase in cash surrender value of BOLI	87,947	89,855
Other	102,843	60,917
Total noninterest income	597,757	504,372
Noninterest expense:		
Salaries and employee benefits	1,691,035	1,798,849
Equipment and occupancy	340,763	352,116
Data processing	327,935	246,512
Advertising	37,984	39,254
Supervisory fees and assessments	63,419	53,282
Loan expenses	71,999	58,778
Foreclosure and other real estate owned expenses	8,408	2,653
Other	371,737	476,494
Total noninterest expense	2,913,280	3,027,938
Income (losses) before income taxes	(251,144)	(305,444)
Income tax benefit	(236,860)	(81,898)
Net income (losses)	\$ (14,284)	\$ (223,546)

See accompanying notes to consolidated financial statements

NORTH SHORE MHC AND SUBSIDIARIES

Consolidated Statements of Comprehensive Income (Losses) (unaudited)

	For the six months ended June 30,	
	2021	2020
Net income (losses)	\$ (14,284)	\$ (223,546)
Unrealized net holding gain (loss) on securities		
Unrealized net holding gain (loss) on securities arising during period, net of realized gains on sales of \$0 and \$59,425, in the six months ended June 30, 2021 and 2020, respectively	(1,169,887)	1,177,586
Tax effect	333,477	(335,671)
Other comprehensive (loss) income, net of taxes	(836,410)	841,915
Comprehensive (loss) income	\$ (850,694)	\$ 618,369

See accompanying notes to consolidated financial statements

NORTH SHORE MHC AND SUBSIDIARIES

Consolidated Statements of Members' Equity

	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance at December 31, 2019	\$ 45,431,056	\$ 333,188	\$ 45,764,244
Net losses	(223,546)		(223,546)
Change in net unrealized gain (loss) on securities available for sale, net		841,915	841,915
Balance at June 30, 2020	\$ 45,207,510	\$ 1,175,103	\$ 46,382,613
Net income	111,834		111,834
Change in net unrealized gain (loss) on securities available for sale, net		230,825	230,825
Balance at December 31, 2020	\$ 45,319,344	\$ 1,405,928	\$ 46,725,272
Net losses	(14,284)		(14,284)
Change in net unrealized gain (loss) on securities available for sale, net		(836,410)	(836,410)
Balance at June 30, 2021	\$ 45,305,060	\$ 569,518	\$ 45,874,578

See accompanying notes to consolidated financial statements

NORTH SHORE MHC AND SUBSIDIARIES
Consolidated Statements of Cash Flows (unaudited)

	For the six months ended June 30	
	2021	2020
Cash flows from operating activities:		
Net losses	\$ (14,284)	\$ (223,546)
Adjustments to reconcile net losses to net cash provided by operating activities:		
Depreciation	135,951	146,202
Securities amortization and accretion, net	615,314	341,138
Loans originated for sale	(12,068,303)	(9,359,578)
Proceeds from sales of loans held for sale	13,905,731	8,916,831
Gain on sale of mortgage loans	(244,678)	(145,977)
Gain on sale of investments	-	(59,425)
Provision for loan losses	16,632	220,000
Earnings on bank owned life insurance	(87,947)	(89,855)
Decrease (increase) in accrued interest receivable and other assets	(457,510)	(106,343)
Net increase (decrease) in accrued expenses and other liabilities	(461,946)	326,838
Net cash provided by (used in) operating activities	1,338,960	(33,715)
Cash flows from investing activities:		
Net decrease (increase) in portfolio loans	508,566	(2,372,549)
Principal repayments on mortgage-backed securities	8,306,128	6,127,931
Purchases of securities available for sale	(28,519,499)	(19,454,684)
Maturities and calls of securities available for sale	1,765,000	1,465,000
Sale of securities available for sale	-	12,112,090
Purchase of Federal Home Loan Bank stock	(37,300)	-
Decrease in time deposits with other financial institutions, net	6,237,000	495,000
Purchases of premises and equipment, net	(68,825)	(38,380)
Net cash used in investing activities	(11,808,930)	(1,665,592)
Cash flows from financing activities:		
Net change in deposits	(1,998,046)	5,540,517
Net change in escrow deposits	(50,431)	116,487
Repayment of FHLB Advance	(4,000,000)	-
Proceeds from FHLB Advance	5,000,000	4,000,000
Net cash (used in) provided by financing activities	(1,048,477)	9,657,004
Net change in cash and cash equivalents	(11,518,447)	7,957,697
Cash and cash equivalents at beginning of period	31,868,229	32,379,443
Cash and cash equivalents at end of period	\$ 20,349,782	\$ 40,337,140
Supplemental disclosures of cash flow information:		
Cash paid during the period for interest	\$ 504,419	\$ 859,956
Noncash activity:		
Loans transferred to OREO	68,250	-

See accompanying notes to consolidated financial statements

North Shore MHC and Subsidiaries
Notes to Consolidated Financial Statements
As of June 30, 2021

Note 1: Summary of Significant Accounting Policies

The accompanying consolidated financial statements (“the financial statements”) have been prepared in conformity with accounting principles generally accepted in the United States of America and conform to practices within the banking industry. The accounting policies followed in the preparation of the interim consolidated financial statements are consistent with those used in the preparation of the annual financial information. The interim consolidated financial statements reflect all normal and recurring adjustments that are necessary, in the opinion of management, for fair statement of results for the interim period presented. Results for the period ended June 30, 2021, are not necessarily indicative of the results that may be expected for the year ending December 31, 2021.

Nature of Operations

These financial statements include the accounts of North Shore MHC, a federal mutual holding company; its wholly owned subsidiary NSTS Financial Corporation, a stock holding company; and North Shore Trust and Savings (the “Bank”), a federal stock savings bank.

The Bank operates primarily in the northern suburbs of Chicago, Illinois. The Bank offers a variety of financial services to customers in the surrounding community. Financial services consist primarily of 1-4 family mortgage loans, savings accounts, and certificate of deposit accounts. There are no significant concentrations of loans to any one industry or customer. The Bank’s exposure to credit risk is significantly affected by changes in the economy in the Bank’s market area.

All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may vary from those estimates.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

The Bank’s loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors’ ability to honor their contracts is dependent on local economic conditions.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Bank to recognize additional losses based on their judgments of information available to them at the time of their examination. Due to these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Additional material estimates that are particularly susceptible to significant change in the near term include the determination of the valuation allowance on deferred tax assets and the valuation of investment securities.

North Shore MHC and Subsidiaries
Notes to Consolidated Financial Statements
As of June 30, 2021

Comprehensive Income (Losses)

Comprehensive income includes net income (losses) and other changes in net worth which bypass the statement of operations. For all periods presented, other comprehensive income includes only one additional component, the change in unrealized gains on available-for-sale investment securities.

Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents includes cash on hand and amounts due from banks, including cash items in process of clearing.

Time Deposits with Other Financial Institutions

Time deposits with other financial institutions are carried at cost and generally mature within the next two years.

Investment Securities

Securities are classified as available-for-sale and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss). Discounts are accreted into interest income over the estimated life of the related security and premiums are amortized into income over the earlier of the call date or weighted average life of the related security using the level yield method. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Securities available-for-sale are securities that are intended to be held for indefinite periods of time, but which may not be held to maturity. These securities may be used as a part of the Bank's asset/liability management strategy and may be sold in response to changes in interest rates, deterioration of issuer's creditworthiness, or due to a desire to increase capital or liquidity.

The Bank conducts a periodic review of available-for-sale securities with declines in fair value below their cost to evaluate if the impairment is other than temporary. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than amortized cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Credit-related impairments of debt securities are recorded through earnings, and any impairment as a result of other factors is included in accumulated other comprehensive income.

Federal Home Loan Bank Stock

The Bank, as a member of the Federal Home Loan Bank (FHLB) system, is required to maintain an investment in capital stock of the FHLB. Based on redemption provisions of the FHLB, the stock has no quoted market price and is carried at cost of \$549,700 and \$512,400 at June 30, 2021 and December 31, 2020, respectively, and is evaluated for impairment at each reporting date.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings. Mortgage loans held for sale are generally sold with servicing rights released. Gains or losses are recognized through earnings.

North Shore MHC and Subsidiaries
Notes to Consolidated Financial Statements
As of June 30, 2021

Loans

The Bank's loan portfolio includes segments for mortgage loans and consumer loans. Mortgage loans include classes for 1-4 family, multi-family, and commercial.

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

The accrual of interest on all loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual if collection of principal or interest is considered doubtful. All interest accrued but not collected for loans that are placed on nonaccrual is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until the loans qualify for return to accrual. Loans are returned to accrual status when payment of all the principal and interest amounts contractually due is reasonably assured.

Allowance for Loan Losses

The allowance for loan losses (the "allowance") is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. The allowance consists of general and allocated components, as further described below.

General Component

The general component of the allowance for loan losses is based on historical loss experience adjusted for qualitative factors stratified by the following loan segments: first mortgage loans and consumer and other loans. Management uses an average of historical losses based on a time frame appropriate to capture relevant loss data for each loan segment. This historical loss factor is adjusted for the following qualitative factors: levels/trends in delinquencies; trends in volume and terms of loans; effects of changes in risk selection and underwriting standards, and other changes in lending policies, procedures and practices; experience/ability/depth of lending management and staff; and national and local economic trends and conditions.

The qualitative factors are determined based on the various risk characteristics of each loan segment. Risk characteristics relevant to each portfolio segment are as follows:

Mortgage Loans

Loans in this segment are made to individuals and commercial borrowers. The loans are secured by real estate with the Bank typically in a first lien position. The Bank generally does not originate loans with a loan-to-value ratio greater than 80% unless mortgage insurance is obtained and generally does not grant loans that would be classified as subprime upon origination. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this segment.

Consumer Loans

Loans in this segment are generally to individuals and are supported by non-real estate collateral, such as deposit accounts and personal property. Unsecured loans are also included in this segment. Repayment is dependent on the credit quality of the individual borrower or borrowers.

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Allocated Component

The allocated component relates to loans that are classified as impaired. Based on internal ratings, loans are evaluated for impairment on a loan-by-loan basis. Impairment is measured by either the present value of expected future cash flows discounted at the loan's effective interest rate or the fair value of the collateral if the loan is collateral dependent. An allowance is established when the discounted cash flows (or collateral value) of the impaired loan is lower than the carrying value of that loan.

A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all circumstances surrounding the loan and borrower, including the length of the delay, reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the amount of principal and interest owed.

The Bank periodically may agree to modify the contractual terms of loans. When a loan is modified and a concession is made to a borrower experiencing financial difficulty, the modification is considered a troubled debt restructuring (TDR). All TDRs are classified as impaired and management performs an impairment analysis at the time of restructuring.

Premises and Equipment

Land is stated at cost. Property, improvements, and equipment are stated at cost less accumulated depreciation. Depreciation is determined under the straight-line method over the following estimated useful lives of assets:

Land improvements	3 - 10 years
Office building and improvements	10 - 40 years
Furniture and equipment	3 - 10 years

Income Taxes

We record our tax provision or benefit on an interim basis using the estimated annual effective tax rate. This rate is applied to the current period ordinary income or loss to determine the income tax provision or benefit allocated to the interim period. The estimated annual effective tax rate may be significantly affected by nondeductible expenses and certain tax preference items. Adjustments to the estimated annual effective income tax rate are recognized in the period during which such estimates are revised.

Deferred taxes are recognized using the asset/liability method. Deferred tax assets are recognized for deductible temporary differences, operating loss and tax credit carryforwards; deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the financial statement amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

North Shore MHC and Subsidiaries
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When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceed the amount measured as described above, if any, is reflected as a liability for unrecognized tax benefits in the accompanying balance sheet, along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Interest and penalties associated with unrecognized tax benefits, if any, are classified as additional income taxes in the statement of operations. Bank management believes that the Bank maintains no uncertain tax positions for tax reporting purposes and accordingly, no liability is required to be recorded.

The Bank is subject to U.S. federal income tax as well as income tax of the States of Illinois and Wisconsin.

Other Real Estate Owned

Property acquired in satisfaction of debt or through foreclosure is carried at the lower of cost or market value less estimated costs to sell. At foreclosure, if the fair value of the property acquired is less than the recorded investment in the related loan, a reduction in the carrying amount of the loan is recognized with a charge to the allowance for loan losses. The cost of carrying the assets subsequent to foreclosure and any decrease in the market value occurring after that date are charged to operating expenses as incurred.

Bank-owned Life Insurance

The Bank purchased life insurance policies on certain key executives. Bank-owned life insurance is recorded at the amount estimated to be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or amounts due which are probable at settlement.

Service Charges on Deposits

Service charges on deposits represent general service fees for monthly account maintenance and activity or transaction-based fees and consist of transaction-based revenue, time-based revenue (service period), item-based revenue, or some other individual attribute-based revenue. Revenue is recognized when the Bank's performance obligation is completed, which is generally monthly for account maintenance services or when a transaction has been completed (such as a wire transfer). Payment for such performance obligations are generally received at the time performance obligations are satisfied.

Note 2: Securities

The amortized cost and estimated fair value of debt securities at June 30, 2021 and December 31, 2020, by contractual maturity, are shown below. Maturities may differ from contractual maturities in mortgage-backed securities because the mortgages underlying the securities may be called or repaid without any penalties, therefore, these securities have been included in 1 to 5 years based on average remaining life.

North Shore MHC and Subsidiaries
Notes to Consolidated Financial Statements
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June 30, 2021	U.S. government agency obligations	Municipal obligations	Mortgage-backed residential obligations	Collateralized mortgage obligations	Total available-for- sale
1 year or less	\$ -	1,455,689	659,888	1,213,670	\$ 3,329,247
1 to 5 years	4,297,967	3,545,786	35,526,222	14,691,597	58,061,572
5 to 10 years	4,150,114	3,173,858	13,534,468	11,501,966	32,360,406
After 10 years	-	2,929,582	-	1,602,709	4,532,291
Fair value	8,448,081	11,104,915	49,720,578	29,009,942	98,283,516
Gross unrealized gains	150,857	444,733	613,504	459,169	1,668,263
Gross unrealized losses	17,808	24,748	477,432	351,997	871,985
Amortized cost	\$ 8,315,032	\$ 10,684,930	\$ 49,584,506	\$ 28,902,770	\$ 97,487,238

December 31, 2020	U.S. government agency obligations	Municipal obligations	Mortgage-backed residential obligations	Collateralized mortgage obligations	Total available-for- sale
1 year or less	\$ 1,000,078	768,403	1,442,661	382,656	\$ 3,593,798
1 to 5 years	4,862,393	3,726,359	34,485,520	14,451,700	57,525,972
5 to 10 years	1,284,286	4,353,171	7,166,177	5,564,936	18,368,570
After 10 years	-	2,132,005	-	-	2,132,005
Fair value	7,146,757	10,979,938	43,094,358	20,399,292	81,620,345
Gross unrealized gains	153,399	517,513	883,937	534,000	2,088,849
Gross unrealized losses	16,756	18,022	21,910	65,691	122,379
Amortized cost	\$ 7,010,114	10,480,447	42,232,331	19,930,983	\$ 79,653,875

As of June 30, 2021, and December 31, 2020, no securities were pledged to secure public deposits or for other purposes as required or permitted by law.

Information pertaining to securities with gross unrealized losses at June 30, 2021 and December 31, 2020, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows:

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
June 30, 2021						
U.S. government agency obligations	\$ 816,057	897	1,235,396	16,911	2,051,453	\$ 17,808
Municipal obligations	982,090	11,314	241,275	13,434	1,223,365	24,748
Mortgage-backed residential obligations	23,613,276	472,391	470,242	5,041	24,083,518	477,432
Collateralized mortgage obligations	17,073,009	351,997	-	-	17,073,009	351,997
Total	\$ 42,484,432	836,599	1,946,913	35,386	44,431,345	\$ 871,985
December 31, 2020						
U.S. government agency obligations	\$ 1,284,286	16,756	-	-	1,284,286	\$ 16,756
Municipal obligations	-	-	238,073	18,022	238,073	18,022
Mortgage-backed residential obligations	5,264,706	16,751	1,169,854	5,159	6,434,560	21,910
Collateralized mortgage obligations	8,694,359	65,569	240,910	122	8,935,269	65,691
Total	\$ 15,243,351	99,076	1,648,837	23,303	16,892,188	\$ 122,379

At June 30, 2021 and December 31, 2020, certain investment securities were in unrealized loss positions. Some investment securities have declined in value but do not presently represent realized losses. Unrealized losses on investment securities have not been recognized into income because the issuers' bonds are of high credit quality, the Bank has the intent and ability to hold the securities for the foreseeable future, and the declines in fair value are primarily due to market volatility. The fair values are expected to recover as the bonds approach their maturity dates.

North Shore MHC and Subsidiaries
Notes to Consolidated Financial Statements
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There were no sales of securities available for sale during the six months ended June 30, 2021. During the six months ended June 30, 2020, the Bank sold securities for a net gain on sale of \$59,425.

Note 3: Loans

A summary of loans by major category as of June 30, 2021 and December 31, 2020 is as follows:

	June 30, 2021	December 31, 2020
First mortgage loans		
1-4 family residential	\$ 87,873,423	\$ 87,197,098
Multi-family	5,202,397	5,736,637
Commercial	4,565,347	5,340,229
Total first mortgage loans	97,641,167	98,273,964
Consumer loans	303,107	384,966
Total loans	97,944,274	98,658,930
Net deferred loan costs	709,363	666,147
Allowance for loan losses	(792,346)	(870,338)
Total loans, net	\$ 97,861,291	\$ 98,454,739

First mortgage loans serviced for others are not included in the accompanying balance sheets. The unpaid principal balance of these loans totaled \$17,102,941 and \$15,956,115 at June 30, 2021 and December 31, 2020, respectively. Custodial escrow balances maintained in connection with the foregoing loan servicing were \$284,556 and \$268,396 at June 30, 2021 and December 31, 2020, respectively.

In the normal course of business, loans are made to directors and officers of the Bank (related parties). The terms of these loans, including interest rate and collateral, are similar to those prevailing for comparable transactions with other customers and do not involve more than a normal risk of collectability. At June 30, 2021 and December 31, 2020, such borrowers were indebted to the Bank in the aggregate amount of \$631,795 and \$928,386, respectively.

Note 4: Allowance for Loan Losses

Changes in the allowance for loan losses and the related loan balance information as of and for the six months ended June 30, 2021 and 2020 were as follows:

	June 30, 2021						
	1-4 family residential	Multi-family	Commercial	Consumer	Unallocated		Total
Six months ended:							
Beginning balance	\$ 798,810	29,217	37,690	4,621	-	\$	870,338
Charge-offs	-	-	-	(99,000)	-	-	(99,000)
Recoveries	4,376	-	-	-	-	-	4,376
Net recoveries (charge-offs)	4,376	-	-	(99,000)	-	-	(94,624)
Provision for loan losses	(107,855)	22,770	(12,260)	104,193	9,784	-	16,632
Ending balance	\$ 695,331	51,987	25,430	9,814	9,784	\$	792,346

North Shore MHC and Subsidiaries
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June 30, 2020

	1-4 family residential	Multi-family	Commercial	Consumer	Unallocated	Total
Six months ended:						
Beginning balance	\$ 361,362	10,011	9,140	8,000	-	\$ 388,513
Charge-offs	-	-	-	-	-	-
Recoveries	7,175	-	-	-	-	7,175
Net recoveries (charge-offs)	7,175	-	-	-	-	7,175
Provision for loan losses	169,720	13,791	4,140	(7,196)	39,545	220,000
Ending balance	\$ 538,257	23,802	13,280	804	39,545	\$ 615,688

	Collectively evaluated		Individually evaluated		Total	
	Allowance for loan losses	Recorded investment in loans	Allowance for loan losses	Recorded investment in loans	Allowance for loan losses	Recorded investment in loans
June 30, 2021						
1-4 family residential	\$552,554	85,752,861	142,777	2,400,147	695,331	\$88,153,008
Multi-family	51,987	5,202,397	-	-	51,987	5,202,397
Commercial	25,430	4,285,762	-	-	25,430	4,285,762
Consumer	9,814	303,107	-	-	9,814	303,107
Unallocated	9,784				9,784	
Total	\$649,569	95,544,127	142,777	2,400,147	792,346	\$97,944,274
December 31, 2020						
1-4 family residential	\$648,666	84,773,686	150,144	2,423,412	798,810	\$87,197,098
Multi-family	29,217	5,736,637	-	-	29,217	5,736,637
Commercial	37,690	5,340,229	-	-	37,690	5,340,229
Consumer	4,621	285,966	-	99,000	4,621	384,966
Total	\$720,194	96,136,518	150,144	2,522,412	870,338	\$98,658,930

The Bank evaluates collectability based on payment activity and other factors. The Bank uses a graded loan rating system as a means of identifying potential problem loans, as follows:

Pass

Loans in these categories are performing as expected with low to average risk.

Special Mention

Loans in this category are internally designated by management as “watch loans.” These loans are starting to show signs of potential weakness and are closely monitored by management.

Substandard

Loans in this category are internally designated by management as “substandard.” Generally, a loan is considered substandard if it is inadequately protected by the paying capacity of the obligors or the current net worth of the collateral pledged. Substandard loans present a distinct possibility that the Bank will sustain losses if such weaknesses are not corrected.

Doubtful

Loans classified as doubtful have all the weaknesses inherent in those designated as “substandard” with the added characteristic that the weaknesses may make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable.

On an annual basis, or more often if needed, the Bank formally reviews the ratings on commercial loans. In addition, the Bank engages an independent third party to review a significant portion of the commercial loan portfolio. Management uses the results of the independent review as part of its annual review process.

North Shore MHC and Subsidiaries
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The following table presents loan balances based on risk rating as of June 30, 2021 and December 31, 2020:

	Pass	Special Mention	Substandard	Doubtful	Total loans
June 30, 2021					
1-4 family residential	\$ 87,094,271	410,934	368,218	-	\$ 87,873,423
Multi-family	5,202,397	-	-	-	5,202,397
Commercial	4,565,347	-	-	-	4,565,347
Consumer	303,107	-	-	-	303,107
Total	\$ 97,165,122	410,934	368,218	-	\$ 97,944,274
December 31, 2020					
1-4 family residential	\$ 86,500,375	416,832	279,891	-	\$ 87,197,098
Multi-family	5,736,637	-	-	-	5,736,637
Commercial	5,340,229	-	-	-	5,340,229
Consumer	285,966	99,000	-	-	384,966
Total	\$ 97,863,207	515,832	279,891	-	\$ 98,658,930

The aging of the Bank's loan portfolio as of June 30, 2021 and December 31, 2020, is as follows:

	31-89 Days Past Due and Accruing	Greater than 90 Days Past Due and Accruing	Non-Accrual	Total Past Due and Non-Accrual	Current	Total Loan Balance
June 30, 2021						
1-4 family residential	\$ -	132,421	368,218	500,639	87,372,785	\$87,873,423
Multi-family	-	-	-	-	5,202,397	5,202,397
Commercial	-	-	-	-	4,565,347	4,565,347
Consumer	-	-	-	-	303,107	303,107
Total	\$ -	\$132,421	\$368,218	\$500,639	\$97,443,636	\$97,944,274
December 31, 2020						
1-4 family residential	\$ -	74,774	279,891	354,665	86,842,433	\$87,197,098
Multi-family	-	-	-	-	5,736,637	5,736,637
Commercial	-	-	-	-	5,340,229	5,340,229
Consumer	99,000	-	-	99,000	285,966	384,966
Total	\$ 99,000	74,774	279,891	453,665	98,205,265	\$98,658,930

North Shore MHC and Subsidiaries
Notes to Consolidated Financial Statements
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Loans individually evaluated for impairment as of June 30, 2021 and December 31, 2020, were as follows:

	Recorded investment	Unpaid principal balance	Related allowance
June 30, 2021			
With no related allowance recorded			
1-4 family residential	\$ 1,420,671	1,653,994	\$ -
Multi-family	-	-	-
Commercial	-	-	-
Consumer	-	-	-
Total	\$ 1,420,671	1,653,994	\$ -
With a related allowance recorded			
1-4 family residential	\$ 979,476	988,910	\$ 142,777
Multi-family	-	-	-
Commercial	-	-	-
Consumer	-	-	-
Total	\$ 979,476	988,910	\$ 142,777
Balance at June 30, 2021	\$ 2,400,147	2,642,903	\$ 142,777
December 31, 2020			
With no related allowance recorded			
1-4 family residential	\$ 1,348,309	1,675,877	\$ -
Multi-family	-	-	-
Commercial	-	-	-
Consumer	99,000	99,000	-
Total	\$ 1,447,309	1,774,877	\$ -
With a related allowance recorded			
1-4 family residential	\$ 1,075,103	1,119,972	\$ 150,144
Multi-family	-	-	-
Commercial	-	-	-
Consumer	-	-	-
Total	\$ 1,075,103	1,119,972	\$ 150,144
Balance at December 31, 2020	\$ 2,522,412	2,894,849	\$ 150,144

North Shore MHC and Subsidiaries
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The average recorded investment and interest income recognized for the loans individually evaluated for impaired for six months ended June 30, 2021 and 2020, were as follows:

	Average recorded investment	Interest income recognized
June 30, 2021		
With no related allowance recorded		
1-4 family residential	\$ 1,424,201	\$ 37,574
Multi-family	-	-
Commercial	-	-
Consumer	-	-
Total	\$ 1,424,201	\$ 37,574
With a related allowance recorded		
1-4 family residential	\$ 989,577	\$ 21,646
Multi-family	-	-
Commercial	-	-
Consumer	-	-
Total	\$ 989,577	\$ 21,646
Balance for the six months ended June 30, 2021	\$ 2,413,778	\$ 59,220
June 30, 2020		
With no related allowance recorded		
1-4 family residential	\$ 932,132	\$ 24,711
Multi-family	-	-
Commercial	-	-
Consumer	-	-
Total	\$ 932,132	\$ 24,711
With a related allowance recorded		
1-4 family residential	\$ 1,104,686	\$ 24,723
Multi-family	-	-
Commercial	-	-
Consumer	-	-
Total	\$ 1,104,686	\$ 24,723
Balance for the six months ended June 30, 2020	\$ 2,036,818	\$ 49,434

Troubled debt restructurings provide for modifications to repayment terms; more specifically, modifications to loan interest rates. Management performs an impairment analysis at the time of restructuring and periodically thereafter. Any reserve required is recorded through a provision to the allowance for loan losses.

There were no new troubled debt restructurings during the six months ended June 30, 2021 or the year ended December 31, 2020. In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed into law. Among other things, the CARES Act suspends the requirements related to accounting for TDRs for certain loan modifications related to the COVID-19 pandemic.

The Company has minimal direct exposure to consumer, commercial, and other small businesses that may be negatively impacted by COVID-19, but management has analyzed and increased the qualitative factors in these and other loan categories for incurred, but not yet identified loan losses attributable to COVID-19. As of June 30, 2021, management did not see significant disruption with existing customers related to COVID-19. However, Management did grant customer requests to defer payments on 50 loans with unpaid balances of \$9,700,508. As of June 30, 2021, 2 loans remain in deferral with unpaid balances of \$179,277. Management has also assisted small businesses that could benefit from the CARES Act, particularly in the SBA's Paycheck Protection Program ("PPP"). As of June 30, 2021, the Company had approximately \$262,520 of outstanding loans to small businesses under this program. The loans are guaranteed by the SBA and loan proceeds to borrowers are forgivable by the SBA if certain criteria are met.

North Shore MHC and Subsidiaries
Notes to Consolidated Financial Statements
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Note 5: Premises and Equipment

The components of premises and equipment as of June 30, 2021 and December 31, 2020, are as follows:

	June 30, 2021		December 31, 2020
Land and improvements	\$ 2,702,799	\$	2,702,799
Building and improvements	6,504,044		6,486,340
Furniture and equipment	1,668,551		1,617,430
Total gross equipment	10,875,394		10,806,569
Less accumulated depreciation	5,729,214		5,593,263
Premises and equipment, net	\$ 5,146,180	\$	5,213,306

Note 6: Other Real Estate Owned

At June 30, 2021 and December 31, 2020, the balance of other real estate owned was \$68,250 and \$0, respectively.

The recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process is \$168,599 and \$110,510, as of June 30, 2021 and December 31, 2020, respectively.

Note 7: Deposits

As of June 30, 2021, for years below ended December 31, the scheduled maturities of time deposits are as follows:

Years Ended	Amount
2021	\$ 28,597,161
2022	14,315,459
2023	10,311,213
2024	7,163,733
2025 and beyond	3,400,792
Total	\$ 63,788,357

In the normal course of business, deposit accounts are held by directors and executive officers of the Bank (related parties). The terms for these accounts, including interest rates, fees, and other attributes, are similar to those prevailing for comparable transactions with other customers and do not involve more than the normal level of risk associated with deposit accounts. At June 30, 2021 and December 31, 2020, total deposits held by directors and officers of the Bank was \$3,365,327 and \$4,308,906, respectively.

Note 8: Other Borrowings

On May 21, 2021, the Bank obtained a non-interest bearing FHLB advance totaling \$5,000,000. This advance is collateralized by loans pledged to the FHLB Chicago and matures on May 21, 2022. Additionally, on May 21, 2021, the Bank repaid the non-interest bearing FHLB advance totaling \$4,000,000 that was due on May 24, 2021.

North Shore MHC and Subsidiaries
Notes to Consolidated Financial Statements
As of June 30, 2021

Note 9: Capital Ratios

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items as calculated under accounting principles generally accepted in the United States of America, regulatory reporting requirements and regulatory capital standards. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulatory reporting standards to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital to risk-weighted assets, common equity Tier 1 capital to total risk-weighted assets and of Tier I capital to average assets, as such individual components and calculations are defined by related standards.

As of June 30, 2021, the most recent notification from the regulators categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification which management believes have changed the Bank's category. On November 13, 2019, the federal regulators finalized and adopted a regulatory capital rule establishing a new community bank leverage ratio ("CBLR"), which became effective on January 1, 2020. The intent of CBLR is to provide a simple alternative measure of capital adequacy for electing qualifying depository institutions and depository institution holding companies, as directed under the Economic Growth, Relief, and Consumer Protection Act. Under CBLR, if a qualifying depository institution or depository institution holding company elects to use such measure, such institution or holding company will be considered well capitalized if its ratio of Tier 1 capital to average total consolidated assets (i.e., leverage ratio) exceeds 9% subject to a limited two quarter grace period, during which the leverage ratio cannot go 100 basis points below the then applicable threshold, and will not be required to calculate and report risk-based capital ratios. In April 2020, under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the 9% leverage ratio threshold was temporarily reduced to 8% in response to the COVID -19 pandemic. The threshold will increase to 8.5% in 2021 and return to 9% in 2022. The Bank elected to begin using CBLR for the first quarter of 2020. Management believes, as of June 30, 2021, that the Bank met all capital adequacy requirements to which it was subject.

The Bank's actual capital amounts and ratios as of June 30, 2021 and December 31, 2020, are presented below:

	Actual		Minimum Required to be Well-Capitalized (1)	
	Amount	Ratio	Amount	Ratio
As of June 30, 2021				
Tier 1 capital (to Average Assets)	\$ 44,255,920	18.45%	20,388,906	>8.5%
As of December 31, 2020				
Tier 1 capital (to Average Assets)	\$ 44,255,713	18.41%	21,635,694	>8%

(1) As defined by regulatory agencies. Failure to exceed the leverage ratio thresholds required under CBLR in the future, subject to any applicable grace period, would require the Company to return to the risk-based capital ratio thresholds previously utilized under the fully phased-in Basel III Capital Rules to determine capital adequacy.

North Shore MHC and Subsidiaries
Notes to Consolidated Financial Statements
As of June 30, 2021

Note 10: Benefit Plans

The Bank maintained a Directors' Retirement Fund which provides post-retirement benefits to directors who have served the Bank for a minimum of six years. Benefits under the plan are accrued during the period of service.

The Bank's Equity Value Plan was established in 2005 and covers key officers and directors of the Bank. Under the terms of the plan, participants are granted units that entitle the holder to receive the appreciation in the value of the unit from the grant date through termination of employment. Benefits vest over five years. The value of the unit is based on the change in the value of the Bank's members' equity.

At December 31, 2020, the liability for the equity value plan was \$321,588. All units are considered a liability and are included in accrued expenses and other liabilities on the balance sheets. Both plans began distributions in 2020 and completed distributions in 2021. All required amounts were fully accrued at December 31, 2020.

Management implemented a 401(k)-benefit plan during 2007. Employee contributions are matched up to the first 6% of compensation contributed by the employee. Employer match contributions totaled \$64,682 and \$65,961 for the first six months of 2021 and 2020, respectively.

Note 11: Commitments and Contingencies

In the ordinary course of business, the Bank has various commitments and contingent liabilities that are not reflected in the accompanying financial statements. In the opinion of management, the ultimate disposition of these matters is not expected to have a material adverse effect on the financial position of the Bank.

Financial Instruments

The Bank does not engage in the use of interest rate swaps or futures, forwards or option contracts.

At June 30, 2021 and December 31, 2020, outstanding commitments to originate loans were as follows:

	<u>June 30, 2021</u>		<u>December 31, 2020</u>
Total commitments	\$ 5,665,080	\$	5,155,740

Concentrations of Credit Risk

The Bank generally originates single-family residential loans within its primary lending area which is Waukegan, Illinois and the surrounding area. The Bank's underwriting policies require such loans to be made at approximately 80% loan-to-value, based upon appraised values, unless private mortgage insurance is obtained, or the loan is guaranteed by the government. These loans are secured by the underlying properties.

The Bank maintains its cash in deposit accounts at the Federal Reserve Bank or other institutions, the balances of which may exceed federally insured limits. The Bank has not experienced any losses in such accounts. The Bank believes it is not exposed to any significant credit risk on cash and cash equivalents.

Interest Rate Risk

The Bank assumes interest rate risk (the risk that general interest rate levels will change) as a result of its normal operations. As a result, fair values of its financial instruments will change when interest rate levels change, and that change may be either favorable or unfavorable to the Bank. Management attempts to match maturities of assets and liabilities to the extent believed necessary to minimize interest rate risk. However, borrowers with fixed rate obligations are less likely to prepay in a rising rate environment and more likely to prepay in a falling rate environment. Conversely, depositors who are receiving fixed rates are more likely to withdraw funds before maturity in a rising rate environment and less likely to do so in a falling rate environment. Management monitors rates and maturities of assets and liabilities and attempts to minimize interest rate risk by adjusting terms of new loans and deposits and by investing in securities with terms that mitigate the overall interest rate risk.

North Shore MHC and Subsidiaries
Notes to Consolidated Financial Statements
As of June 30, 2021

Litigation

Due to the nature of its business activities, the Bank is at times subject to legal action which arises in the normal course of business. In the opinion of management, the ultimate resolution of these matters is not expected to have a material effect on the financial position or results of operations of the Bank.

Note 12: Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- | | |
|----------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Level 1 | Quoted prices in active markets for identical assets or liabilities |
| Level 2 | Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities |
| Level 3 | Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities |

An asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at June 30, 2021 or December 31, 2020.

Available-for-Sale Securities (Recurring)

Where quoted market prices are available in an active market, securities such as U.S. Treasuries, would be classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities would be classified within Level 3 of the hierarchy.

Other Real Estate Owned (Nonrecurring)

The Bank records other real estate owned at fair value less costs to sell. Fair value is commonly based on recent real estate appraisals which are typically updated no less frequently than annually. These appraisals usually utilize a single valuation approach or may use a combination of approaches including comparable sales and the income approach. Adjustments may be made in the appraisal process by the independent appraisers to adjust for differences between comparable sales and income data available. Other real estate owned properties are evaluated on an annual basis for additional impairment and adjusted accordingly.

North Shore MHC and Subsidiaries
Notes to Consolidated Financial Statements
As of June 30, 2021

Impaired Loans (Nonrecurring)

Impaired loans are recorded at fair value on a nonrecurring basis. The fair value of loans is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification. Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly. Impaired loans that are valued based on the present value of future cash flows are not considered in the fair value hierarchy.

The following table presents the Bank's assets that are measured at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of June 30, 2021 and December 31, 2020:

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
June 30, 2021				
Securities Available-for-sale				
U.S. government agency obligations	\$ 8,448,081	-	8,448,081	\$ -
Municipal obligations	11,104,915	-	11,104,915	-
Mortgage-backed residential obligations	49,720,578	-	49,720,578	-
Collateralized mortgage obligations	29,009,942	-	29,009,942	-
Loans held for sale	378,750	-	378,750	-
Total	\$ 98,662,266	-	98,662,266	\$ -
December 31, 2020				
Securities Available-for-sale				
U.S. government agency obligations	\$ 7,146,757	-	7,146,757	\$ -
Municipal obligations	10,979,938	-	10,979,938	-
Mortgage-backed residential obligations	43,094,358	-	43,094,358	-
Collateralized mortgage obligations	20,399,292	-	20,399,292	-
Loans held for sale	1,971,500	-	1,971,500	-
Total	\$ 83,591,845	-	83,591,845	\$ -

The Bank may be required, from time to time, to measure certain assets and liabilities at fair value on a nonrecurring basis in accordance with accounting principles generally accepted in the United States of America. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. Assets measured at fair value on a nonrecurring basis and the valuation techniques used to measure nonrecurring Level 3 fair value measurements as of June 30, 2021 and December 31, 2020, were as follows:

North Shore MHC and Subsidiaries
Notes to Consolidated Financial Statements
As of June 30, 2021

	Fair Value Measurements Using				Gain/(Loss)
	Fair Value	Level 1	Level 2	Level 3	
June 30, 2021					
Impaired loans	\$ 826,430	-	-	826,430	\$ -
OREO	\$ 68,250	-	-	68,350	\$ -
December 31, 2020					
Impaired loans	\$ 924,959	-	-	924,959	\$ -

The numerical range of unobservable inputs for the valuation assumptions used in calculating the amounts disclosed above is not meaningful to this presentation.

Note 13: Fair Value of Financial Instruments

Financial instruments are classified within the fair value hierarchy using the methodologies described in Note 13 – Fair Value Measurements. The following disclosures include financial instruments that are not carried at fair value on the Consolidated Balance Sheets.

The carrying value of short-term financial instruments approximates the fair value of these instruments. These financial instruments generally expose the Company to limited credit risk and have no stated maturities or have short-term maturities and carry interest rates that approximate market. Under the fair value hierarchy, cash and cash equivalents as well as non-interest-bearing deposit accounts are classified as Level 1. Time deposits with other financial institutions, FHLB stock, escrow deposits, interest-bearing deposits, and accrued interest receivable and payable are classified as Level 2.

The carrying amounts and estimated fair values by fair value hierarchy of certain financial instruments are as follows:

	Carrying Amount	Level 1	Level 2	Level 3	Estimated Fair Value
June 30, 2021					
Financial assets:					
Loans, net	\$ 97,861,291	\$ -	\$ 99,574,000	\$ -	\$ 99,574,000
Financial liabilities:					
Interest-bearing deposits	\$ 172,570,852	\$ -	\$ 173,021,000	\$ -	\$ 173,021,000
December 31, 2020					
Financial assets:					
Loans, net	\$ 98,454,739	\$ -	\$ 102,034,000	\$ -	\$ 102,034,000
Financial liabilities:					
Interest-bearing deposits	\$ 176,669,959	\$ -	\$ 177,280,000	\$ -	\$ 177,280,000

Note 14: Changes in Accounting Principles

Accounting for Internal-Use Software

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-15, “Intangibles – Goodwill and Other – Internal-Use Software (Subtopic 350-49): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract (a consensus of the FASB Emerging Issues Task Force)” (ASU 2018-15). ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The Bank adopted the standard on January 1, 2020. Upon adoption of ASU 2018-15, there was no significant impact to the balance sheet or income statement.

North Shore MHC and Subsidiaries
Notes to Consolidated Financial Statements
As of June 30, 2021

Accounting for Leases

The FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards.

The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and non-lease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Bank has reviewed the amendment and determined it will not have a material impact on the Bank's financial statements.

Accounting for Financial Instruments – Credit Losses

The FASB issued ASU No. 2016-13, *Financial Instruments— Credit Losses (Topic 326)*. The ASU introduces a new credit loss model, the current expected credit loss model (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk.

The CECL model utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses for loans, held-to-maturity securities, and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. For available-for-sale securities where fair value is less than cost, credit-related impairment, if any, will be recognized in an allowance for credit losses and adjusted each period for changes in expected credit risk. This model replaces the multiple existing impairment models, which generally require that a loss be incurred before it is recognized.

The CECL model represents a significant change from existing practice and may result in material changes to the Bank's accounting for financial instruments. The Bank is evaluating the effect ASU 2016-13 will have on its consolidated financial statements and related disclosures. The impact of the ASU will depend upon the final standard (as amended), the state of the economy, and the nature of the Bank's portfolios at the date of adoption. For non-public business entities, the new standard is effective January 2023.

Note 15: Subsequent Events

Management evaluated subsequent events through September 13, 2021, the date the financial statements were available to be issued. Management does not believe there were any material subsequent events during this period that would have required further recognition or disclosure in the consolidated financial statements included in this report.



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R eport of Independent Registered Public Accounting Firm

To Members and Board of Directors
North Shore, MHC and Subsidiaries

Opinion on the Consolidated Financial Statements

We have audited the accompanying consolidated balance sheets of North Shore, MHC and Subsidiaries (the "Company") as of December 31, 2020 and 2019; the related consolidated statements of operations, comprehensive income (loss), equity, and cash flows for each of the years in the two-year period ended December 31, 2020; and the related notes (collectively referred to as the "financial statements"). In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019; and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America.

Basis for Opinion

The Company's management is responsible for these financial statements. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. As part of our audits, we are required to obtain an understanding of internal control over financial reporting but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion.



To Members and Board of Directors
North Shore, MHC and Subsidiaries

Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

/s/ Plante & Moran, PLLC

We have served as the Company's auditors since 2019.

Chicago, Illinois
March 16, 2021

NORTH SHORE, MHC AND SUBSIDIARIES
Consolidated Balance Sheets

	Year ended December 31,	
	2020	2019
Assets:		
Cash and due from banks	\$ 884,226	\$ 1,007,641
Interest-bearing bank deposits	30,984,003	31,371,802
Cash and cash equivalents	31,868,229	32,379,443
Time deposits with other financial institutions	12,436,000	20,171,000
Securities available for sale	81,620,345	68,568,916
Federal Home Loan Bank stock	512,400	512,400
Loans held for sale	1,971,500	721,862
Loans, net of unearned income	99,325,077	98,065,387
Allowance for loan losses	(870,338)	(388,513)
Loans, net	98,454,739	97,676,874
Premises and equipment, net	5,213,306	5,400,169
Accrued interest receivable	672,051	636,319
Bank-owned life insurance (BOLI)	8,889,693	8,707,224
Other assets	580,491	774,693
Total assets	\$ 242,218,754	\$ 235,548,900
Liabilities:		
Deposits:		
Noninterest bearing	\$ 9,734,112	\$ 7,301,491
Interest-bearing		
Demand and NOW checking	16,364,499	12,750,303
Money market	50,143,146	52,927,558
Savings	42,249,880	39,566,561
Time deposits over \$250,000	10,705,340	10,803,886
Other time deposits	57,207,094	61,021,658
Total deposits	186,404,071	184,371,457
Escrow deposits	1,518,519	1,509,243
Other borrowings	4,000,000	-
Accrued expenses and other liabilities	3,570,892	3,903,956
Total liabilities	195,493,482	189,784,656
Members' equity:		
Retained earnings	45,319,344	45,431,056
Accumulated other comprehensive income, net	1,405,928	333,188
Total members' equity	46,725,272	45,764,244
Total liabilities and members' equity	\$ 242,218,754	\$ 235,548,900

See accompanying notes to consolidated financial statements

NORTH SHORE, MHC AND SUBSIDIARIES
Consolidated Statements of Operations

	Year ended December 31,	
	2020	2019
Interest income:		
Loans, including fees	\$ 4,085,531	\$ 4,384,930
Securities		
Taxable	1,146,226	1,203,408
Tax-exempt	271,185	399,109
Federal funds sold and other	128,231	484,334
Time deposits with other financial institutions	379,283	539,785
Total interest income	6,010,456	7,011,566
Interest expense:		
Deposits	1,487,739	1,725,854
Net interest income	4,522,717	5,285,712
Provision for loan losses	463,873	96,948
Net interest income after provision for loan losses	4,058,844	5,188,764
Noninterest income:		
Gain on sale of mortgage loans	787,468	284,691
Gain on sale of securities	59,425	-
Gain on sale of other real estate owned	-	38,400
Rental income on office building	42,000	41,925
Service charges on deposits	255,159	241,334
Increase in cash surrender value of BOLI	182,469	188,165
Other	276,746	72,692
Total noninterest income	1,603,267	867,207
Noninterest expense:		
Salaries and employee benefits	3,690,892	3,513,737
Equipment and occupancy	689,390	770,042
Data processing	565,129	462,850
Advertising	67,702	100,711
Supervisory fees and assessments	116,764	88,627
Loan expenses	141,075	101,115
Foreclosure and other real estate owned expenses	11,540	37,794
Other	994,672	653,023
Total noninterest expense	6,277,164	5,727,899
Income (losses) before income taxes	(615,053)	328,072
Income tax benefit	(503,341)	(85,739)
Net income (losses)	\$ (111,712)	\$ 413,811

See accompanying notes to consolidated financial statements

NORTH SHORE, MHC AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

	Year ended December 31,	
	2020	2019
Net income (losses)	\$ (111,712)	\$ 413,811
Unrealized net holding gain (loss) on securities		
Unrealized net holding gain (loss) on securities arising during period, net of realized gains on sales of \$59,425 and \$0, in the years ended December 31, 2020 and 2019, respectively	1,500,440	2,553,747
Tax effect	(427,700)	(727,946)
Other comprehensive income, net of taxes	1,072,740	1,825,801
Comprehensive income	\$ 961,028	\$ 2,239,612

See accompanying notes to consolidated financial statements

NORTH SHORE, MHC AND SUBSIDIARIES

Consolidated Statements of Members' Equity

	Retained earnings	Accumulated other comprehensive income (loss)	Total
Balance at January 1, 2019	\$ 45,017,245	\$ (1,492,613)	\$ 43,524,632
Net income	413,811	-	413,811
Change in net unrealized gain (loss) on securities available for sale, net	-	1,825,801	1,825,801
Balance at December 31, 2019	45,431,056	333,188	45,764,244
Net losses	(111,712)	-	(111,712)
Change in net unrealized gain on securities available for sale, net	-	1,072,740	1,072,740
Balance at December 31, 2020	\$ 45,319,344	\$ 1,405,928	\$ 46,725,272

See accompanying notes to consolidated financial statements

NORTH SHORE, MHC AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	Year ended December 31,	
	2020	2019
Cash flows from operating activities:		
Net (losses) income	\$ (111,712)	\$ 413,811
Adjustments to reconcile net (losses) income to net cash (used in) provided by operating activities:		
Depreciation	290,438	284,359
Securities amortization and accretion, net	834,699	744,714
Loans originated for sale	(37,725,452)	(16,940,750)
Proceeds from sales of loans held for sale	37,263,281	17,196,902
Gain on sale of mortgage loans	(787,468)	(284,691)
Gain on sale of other real estate owned	-	(38,400)
Provision for loan losses	463,873	96,948
Earnings on bank owned life insurance	(182,469)	(188,165)
Increase in accrued interest receivable and other assets	(272,182)	(122,062)
(Decrease) increase in accrued expenses and other liabilities	(333,064)	580,456
Net cash (used in) provided by operating activities	(560,055)	1,743,122
Cash flows from investing activities:		
Net (increase) decrease in portfolio loans	(1,241,738)	2,365,835
Principal repayments on mortgage-backed securities	12,730,175	9,291,316
Purchases of securities available for sale	(38,630,576)	(6,757,682)
Sales of securities available for sale	12,112,090	-
Gain on sale of securities	(59,425)	-
Maturities and calls of securities available for sale	1,465,000	1,500,000
Redemption of Federal Home Loan Bank stock	-	12,800
Proceeds from sale of other real estate owned	-	227,000
Decrease (increase) in time deposits with other financial institutions, net	7,735,000	(2,754,000)
Purchases of premises and equipment, net	(103,575)	(114,132)
Net cash (used in) provided by investing activities	(5,993,049)	3,771,137
Cash flows from financing activities:		
Net change in deposits	2,032,614	8,216,823
Net change in escrow deposits	9,276	(25,880)
Proceeds from other borrowings	4,000,000	-
Net cash provided by financing activities	6,041,890	8,190,943
Net change in cash and cash equivalents	(511,214)	13,705,202
Cash and cash equivalents at beginning of period	32,379,443	18,674,241
Cash and cash equivalents at end of period	\$ 31,868,229	\$ 32,379,443
Supplemental disclosures of cash flow information:		
Cash paid during the period for: Interest	\$ 1,542,775	\$ 1,696,786
Income taxes	37,008	-

See accompanying notes to consolidated financial statements

North Shore, MHC and Subsidiaries
Notes to Consolidated Financial Statements
As of December 31, 2020 and 2019

Note 1: Summary of Significant Accounting Policies

The accompanying consolidated financial statements (“the financial statements”) have been prepared in conformity with accounting principles generally accepted in the United States of America and conform to practices within the banking industry.

Nature of Operations

These financial statements include the accounts of North Shore, MHC, a federal mutual holding company; its wholly owned subsidiary NSTS Financial Corporation, a stock holding company; and North Shore Trust and Savings (the “Bank”), a federal stock savings bank.

The Bank operates primarily in the northern suburbs of Chicago, Illinois. The Bank offers a variety of financial services to customers in the surrounding community. Financial services consist primarily of 1-4 family mortgage loans, savings accounts, and certificate of deposit accounts. There are no significant concentrations of loans to any one industry or customer. The Bank’s exposure to credit risk is significantly affected by changes in the economy in the Bank’s market area.

All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Actual results may vary from those estimates.

The determination of the adequacy of the allowance for loan losses is based on estimates that are particularly susceptible to significant changes in the economic environment and market conditions. In connection with the determination of the estimated losses on loans, management obtains independent appraisals for significant collateral.

The Bank’s loans are generally secured by specific items of collateral including real property, consumer assets, and business assets. Although the Bank has a diversified loan portfolio, a substantial portion of its debtors’ ability to honor their contracts is dependent on local economic conditions.

While management uses available information to recognize losses on loans, further reductions in the carrying amounts of loans may be necessary based on changes in local economic conditions. In addition, regulatory agencies, as an integral part of their examination process, periodically review the estimated losses on loans. Such agencies may require the Bank to recognize additional losses based on their judgments of information available to them at the time of their examination. Due to these factors, it is reasonably possible that the estimated losses on loans may change materially in the near term. However, the amount of the change that is reasonably possible cannot be estimated.

Additional material estimates that are particularly susceptible to significant change in the near term include the determination of the valuation allowance on deferred tax assets and the valuation of investment securities.

Comprehensive Income

Comprehensive income includes net income (losses) and other changes in net worth which bypass the statement of operations. For all periods presented, other comprehensive income includes only one additional component, the change in unrealized gains on available-for-sale investment securities.

North Shore, MHC and Subsidiaries
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Cash and Cash Equivalents

For purposes of reporting cash flows, cash and cash equivalents includes cash on hand and amounts due from banks, including cash items in process of clearing.

Time Deposits with Other Financial Institutions

Time deposits with other financial institutions are carried at cost and generally mature within the next two years.

Investment Securities

Securities are classified as available-for-sale and recorded at fair value, with unrealized gains and losses excluded from earnings and reported in other comprehensive income (loss). Discounts are accreted into interest income over the estimated life of the related security and premiums are amortized into income over the earlier of the call date or weighted average life of the related security using the level yield method. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific identification method.

Securities available-for-sale are securities that are intended to be held for indefinite periods of time, but which may not be held to maturity. These securities may be used as a part of the Bank's asset/liability management strategy and may be sold in response to changes in interest rates, deterioration of issuer's creditworthiness, or due to a desire to increase capital or liquidity.

The Bank conducts a periodic review of available-for-sale securities with declines in fair value below their cost to evaluate if the impairment is other than temporary. In estimating other-than-temporary impairment losses, management considers (1) the length of time and the extent to which the fair value has been less than amortized cost, (2) the financial condition and near-term prospects of the issuer, and (3) the intent and ability of the Bank to retain its investment in the issuer for a period of time sufficient to allow for any anticipated recovery in fair value. Credit-related impairments of debt securities are recorded through earnings, and any impairment as a result of other factors is included in accumulated other comprehensive income.

Federal Home Loan Bank Stock

The Bank, as a member of the Federal Home Loan Bank (FHLB) system, is required to maintain an investment in capital stock of the FHLB. Based on redemption provisions of the FHLB, the stock has no quoted market price and is carried at cost of \$512,400 at December 31, 2020 and 2019, and is evaluated for impairment at each reporting date.

Loans Held for Sale

Mortgage loans originated and intended for sale in the secondary market are carried at fair value, as determined by outstanding commitments from investors. Net unrealized losses, if any, are recorded as a valuation allowance and charged to earnings. Mortgage loans held for sale are generally sold with servicing rights released. Gains or losses are recognized through earnings.

Loans

The Bank's loan portfolio includes segments for mortgage loans and consumer loans. Mortgage loans include classes for 1-4 family, multi-family, and commercial.

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

The accrual of interest on all loans is discontinued at the time the loan is 90 days past due unless the credit is well-secured and in process of collection. Past due status is based on contractual terms of the loan. In all cases, loans are placed on nonaccrual if collection of principal or interest is considered doubtful. All interest accrued but not collected for loans that are placed on nonaccrual is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method, until the loans qualify for return to accrual. Loans are returned to accrual status when payment of all the principal and interest amounts contractually due is reasonably assured.

Allowance for Loan Losses

The allowance for loan losses (the “allowance”) is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is confirmed. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management. This evaluation is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available. The allowance consists of general and allocated components, as further described below.

General Component

The general component of the allowance for loan losses is based on historical loss experience adjusted for qualitative factors stratified by the following loan segments: first mortgage loans and consumer and other loans. Management uses an average of historical losses based on a time frame appropriate to capture relevant loss data for each loan segment. This historical loss factor is adjusted for the following qualitative factors: levels/trends in delinquencies; trends in volume and terms of loans; effects of changes in risk selection and underwriting standards, and other changes in lending policies, procedures and practices; experience/ability/depth of lending management and staff; and national and local economic trends and conditions.

The qualitative factors are determined based on the various risk characteristics of each loan segment. Risk characteristics relevant to each portfolio segment are as follows:

Mortgage Loans

Loans in this segment are made to individuals and commercial borrowers. The loans are secured by real estate with the Bank typically in a first lien position. The Bank generally does not originate loans with a loan-to-value ratio greater than 80% unless mortgage insurance is obtained and generally does not grant loans that would be classified as subprime upon origination. The overall health of the economy, including unemployment rates and housing prices, will have an effect on the credit quality in this segment.

Consumer Loans

Loans in this segment are generally to individuals and are supported by non-real estate collateral, such as deposit accounts and personal property. Unsecured loans are also included in this segment. Repayment is dependent on the credit quality of the individual borrower or borrowers.

Allocated Component

The allocated component relates to loans that are classified as impaired. Based on internal ratings, loans are evaluated for impairment on a loan-by-loan basis. Impairment is measured by either the present value of expected future cash flows discounted at the loan’s effective interest rate or the fair value of the collateral if the loan is collateral dependent. An allowance is established when the discounted cash flows (or collateral value) of the impaired loan is lower than the carrying value of that loan.

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A loan is considered impaired when, based on current information and events, it is probable that the Bank will be unable to collect the scheduled payments of principal or interest when due according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all circumstances surrounding the loan and borrower, including the length of the delay, reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the amount of principal and interest owed.

The Bank periodically may agree to modify the contractual terms of loans. When a loan is modified and a concession is made to a borrower experiencing financial difficulty, the modification is considered a troubled debt restructuring (TDR). All TDRs are classified as impaired and management performs an impairment analysis at the time of restructuring.

Premises and Equipment

Land is stated at cost. Property, improvements, and equipment are stated at cost less accumulated depreciation. Depreciation is determined under the straight-line method over the following estimated useful lives of assets:

Land improvements	3 - 10 years
Office building and improvements	10 - 40 years
Furniture and equipment	3 - 10 years

Income Taxes

Deferred taxes are recognized using the asset/liability method. Deferred tax assets are recognized for deductible temporary differences, operating loss and tax credit carryforwards; deferred tax liabilities are recognized for taxable temporary differences. Temporary differences are the differences between the financial statement amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets are reduced by a valuation allowance when, in the opinion of management, it is more likely than not that some portion or all of the deferred tax assets will not be realized. Deferred tax assets and liabilities are adjusted for the effects of changes in tax laws and rates on the date of enactment.

When tax returns are filed, it is highly certain that some positions taken would be sustained upon examination by the taxing authorities, while others are subject to uncertainty about the merits of the position taken or the amount of the position that would be ultimately sustained. The benefit of a tax position is recognized in the financial statements in the period during which, based on all available evidence, management believes it is more likely than not that the position will be sustained upon examination, including the resolution of appeals or litigation processes, if any. Tax positions taken are not offset or aggregated with other positions. Tax positions that meet the more-likely-than-not recognition threshold are measured as the largest amount of tax benefit that is more than 50% likely of being realized upon settlement with the applicable taxing authority. The portion of the benefits associated with tax positions taken that exceed the amount measured as described above, if any, is reflected as a liability for unrecognized tax benefits in the accompanying balance sheet, along with any associated interest and penalties that would be payable to the taxing authorities upon examination.

Interest and penalties associated with unrecognized tax benefits, if any, are classified as additional income taxes in the statement of operations. Bank management believes that the Bank maintains no uncertain tax positions for tax reporting purposes and accordingly, no liability is required to be recorded.

The Bank is subject to U.S. federal income tax as well as income tax of the States of Illinois and Wisconsin.

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Other Real Estate Owned

Property acquired in satisfaction of debt or through foreclosure is carried at the lower of cost or market value less estimated costs to sell. At foreclosure, if the fair value of the property acquired is less than the recorded investment in the related loan, a reduction in the carrying amount of the loan is recognized with a charge to the allowance for loan losses. The cost of carrying the assets subsequent to foreclosure and any decrease in the market value occurring after that date are charged to operating expenses as incurred.

Bank-owned Life Insurance

The Bank purchased life insurance policies on certain key executives. Bank-owned life insurance is recorded at the amount estimated to be realized under the insurance contract at the balance sheet date, which is the cash surrender value adjusted for other charges or amounts due which are probable at settlement.

Service Charges on Deposits

Service charges on deposits represent general service fees for monthly account maintenance and activity or transaction-based fees and consist of transaction-based revenue, time-based revenue (service period), item-based revenue, or some other individual attribute-based revenue. Revenue is recognized when the Bank's performance obligation is completed, which is generally monthly for account maintenance services or when a transaction has been completed (such as a wire transfer). Payment for such performance obligations are generally received at the time performance obligations are satisfied.

Note 2: Securities

The amortized cost and estimated fair value of debt securities at December 31, 2020 and 2019, by contractual maturity, are shown below. Maturities may differ from contractual maturities in mortgage-backed securities because the mortgages underlying the securities may be called or repaid without any penalties, therefore, these securities have been included in 1 to 5 years based on average remaining life.

December 31, 2020	U.S. government agency obligations	Municipal obligations	Mortgage-backed residential obligations	Collateralized mortgage obligations	Total available-for- sale
1 year or less	\$ 1,000,078	768,403	1,442,661	382,656	\$ 3,593,798
1 to 5 years	4,862,393	3,726,359	34,485,520	14,451,700	57,525,972
5 to 10 years	1,284,286	4,353,171	7,166,177	5,564,936	18,368,570
After 10 years	-	2,132,005	-	-	2,132,005
Fair value	7,146,757	10,979,938	43,094,358	20,399,292	81,620,345
Gross unrealized gains	153,399	517,513	883,937	534,000	2,088,849
Gross unrealized losses	16,756	18,022	21,910	65,691	122,379
Amortized cost	\$ 7,010,114	10,480,447	42,232,331	19,930,983	\$ 79,653,875

December 31, 2019	U.S. government agency obligations	Municipal obligations	Mortgage-backed residential obligations	Collateralized mortgage obligations	Total available-for- sale
1 year or less	\$ -	465,273	-	1,429,685	\$ 1,894,958
1 to 5 years	5,164,065	6,349,335	23,187,496	5,667,810	40,368,706
5 to 10 years	1,812,794	10,233,919	6,844,345	5,351,092	24,242,150
After 10 years	-	2,063,102	-	-	2,063,102
Fair value	\$ 6,976,859	19,111,629	30,031,841	12,448,587	68,568,916
Gross unrealized gains	29,570	413,882	122,997	151,104	717,553
Gross unrealized losses	31,996	11,616	168,478	39,433	251,523
Amortized cost	\$ 6,979,285	18,709,363	30,077,322	12,336,916	\$ 68,102,886

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As of December 31, 2020 and 2019, no securities were pledged to secure public deposits or for other purposes as required or permitted by law.

Information pertaining to securities with gross unrealized losses at December 31, 2020 and 2019, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows:

	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
December 31, 2020						
U.S. government agency obligations	\$ 1,284,286	16,756	-	-	1,284,286	\$ 16,756
Municipal obligations	-	-	238,073	18,022	238,073	18,022
Mortgage-backed residential obligations	5,264,706	16,751	1,169,854	5,159	6,434,560	21,910
Collateralized mortgage obligations	8,694,359	65,569	240,910	122	8,935,269	65,691
Total	\$ 15,243,351	99,076	1,648,837	23,303	16,892,188	\$ 122,379
December 31, 2019						
U.S. government agency obligations	\$ 3,515,312	17,979	1,693,518	14,017	5,208,830	\$ 31,996
Municipal obligations	912,973	8,338	1,011,195	3,278	1,924,168	11,616
Mortgage-backed residential obligations	4,660,574	30,475	10,395,524	138,003	15,056,098	168,478
Collateralized mortgage obligations	2,892,779	15,376	2,469,253	24,057	5,362,032	39,433
Total	\$ 11,981,638	72,168	15,569,490	179,355	27,551,128	\$ 251,523

At December 31, 2020 and 2019, certain investment securities were in unrealized loss positions. Some investment securities have declined in value but do not presently represent realized losses. Unrealized losses on investment securities have not been recognized into income because the issuers' bonds are of high credit quality, the Bank has the intent and ability to hold the securities for the foreseeable future, and the declines in fair value are primarily due to market volatility. The fair values are expected to recover as the bonds approach their maturity dates.

Note 3: Loans

A summary of loans by major category as of December 31, 2020 and 2019 is as follows:

	2020	2019
First mortgage loans		
1-4 family residential	\$ 87,197,098	\$ 88,030,029
Multi-family	5,736,637	6,437,816
Commercial	5,340,229	2,681,763
Total first mortgage loans	98,273,964	97,149,608
Consumer loans	384,966	216,780
Total loans	98,658,930	97,366,388
Deferred loan fees and costs	666,147	698,999
Allowance for loan losses	(870,338)	(388,513)
Total loans, net	\$ 98,454,739	\$ 97,676,874

First mortgage loans serviced for others are not included in the accompanying balance sheets. The unpaid principal balance of these loans totaled \$15,956,115 and \$5,356,467 at December 31, 2020 and 2019, respectively. Custodial escrow balances maintained in connection with the foregoing loan servicing were \$268,396 and \$97,445 at December 31, 2020 and 2019, respectively.

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In the normal course of business, loans are made to directors and officers of the Bank (related parties). The terms of these loans, including interest rate and collateral, are similar to those prevailing for comparable transactions with other customers and do not involve more than a normal risk of collectability. At December 31, 2020 and 2019, such borrowers were indebted to the Bank in the aggregate amount of \$928,386 and \$896,701, respectively.

Note 4: Allowance for Loan Losses

Changes in the allowance for loan losses and the related loan balance information as of and for the years ended December 31, 2020 and 2019 were as follows:

	December 31, 2020				
	1-4 family residential	Multi-family	Commercial	Consumer	Total
Year ended:					
Beginning balance	\$ 361,362	10,011	9,140	8,000	\$ 388,513
Charge-offs	-	-	-	-	-
Recoveries	17,952	-	-	-	17,952
Net recoveries (charge-offs)	17,952	-	-	-	17,952
Provision for loan losses	419,496	19,206	28,550	(3,379)	463,873
Ending balance	\$ 798,810	29,217	37,690	4,621	\$ 870,338

	December 31, 2019				
	1-4 family residential	Multi-family	Commercial	Consumer	Total
Year ended:					
Beginning balance	\$ 245,464	1,687	5,673	7,720	\$ 260,544
Charge-offs	-	-	-	-	-
Recoveries	31,021	-	-	-	31,021
Net recoveries (charge-offs)	31,021	-	-	-	31,021
Provision for loan losses	84,877	8,324	3,467	280	96,948
Ending balance	\$ 361,362	10,011	9,140	8,000	\$ 388,513

	Collectively evaluated		Individually evaluated		Total	
	Allowance for loan losses	Recorded investment in loans	Allowance for loan losses	Recorded investment in loans	Allowance for loan losses	Recorded investment in loans
December 31, 2020						
1-4 family residential	\$ 648,666	84,773,686	150,144	2,423,412	798,810	\$ 87,197,098
Multi-family	29,217	5,736,637	-	-	29,217	5,736,637
Commercial	37,690	5,340,229	-	-	37,690	5,340,229
Consumer	4,621	285,966	-	99,000	4,621	384,966
Total	\$ 720,194	96,136,518	150,144	2,522,412	870,338	\$ 98,658,930
December 31, 2019						
1-4 family residential	\$ 206,070	85,992,720	155,292	2,037,309	361,362	\$ 88,030,029
Multi-family	10,011	6,437,816	-	-	10,011	6,437,816
Commercial	9,140	2,681,763	-	-	9,140	2,681,763
Consumer	8,000	216,780	-	-	8,000	216,780
Total	\$ 233,221	95,329,079	155,292	2,037,309	388,513	\$ 97,366,388

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The Bank evaluates collectability based on payment activity and other factors. The Bank uses a graded loan rating system as a means of identifying potential problem loans, as follows:

Pass

Loans in these categories are performing as expected with low to average risk.

Special Mention

Loans in this category are internally designated by management as “watch loans.” These loans are starting to show signs of potential weakness and are closely monitored by management.

Substandard

Loans in this category are internally designated by management as “substandard.” Generally, a loan is considered substandard if it is inadequately protected by the paying capacity of the obligors or the current net worth of the collateral pledged. Substandard loans present a distinct possibility that the Bank will sustain losses if such weaknesses are not corrected.

Doubtful

Loans classified as doubtful have all the weaknesses inherent in those designated as “substandard” with the added characteristic that the weaknesses may make collection or liquidation in full, on the basis of currently existing facts, highly questionable and improbable.

On an annual basis, or more often if needed, the Bank formally reviews the ratings on commercial loans. In addition, the Bank engages an independent third party to review a significant portion of the commercial loan portfolio. Management uses the results of the independent review as part of its annual review process.

The following table presents loan balances based on risk rating as of December 31, 2020 and 2019:

	Pass	Special Mention	Substandard	Doubtful	Total loans
December 31, 2020					
1-4 family residential	\$ 86,500,375	416,832	279,891		\$ 87,197,098
Multi-family	5,736,637	-	-	-	5,736,637
Commercial	5,340,229	-	-	-	5,340,229
Consumer	285,966	99,000	-	-	384,966
Total	\$ 97,863,207	515,832	279,891	-	\$ 98,658,930
December 31, 2019					
	\$ 87,709,307	255,676	65,046		\$ 88,030,029
Multi-family	6,437,816	-	-	-	6,437,816
Commercial	2,681,763	-	-	-	2,681,763
Consumer	216,780	-	-	-	216,780
Total	\$ 97,045,666	255,676	65,046	-	\$ 97,366,388

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The aging of the Bank's loan portfolio as of December 31, 2020 and 2019, is as follows:

	31-89 Days Past Due and Accruing	Greater than 90 Days Past Due and Accruing	Non-Accrual	Total Past Due and Non-Accrual	Current	Total Loan Balance
December 31, 2020						
1-4 family residential	\$ -	74,774	279,891	354,665	86,842,433	\$ 87,197,098
Multi-family	-	-	-	-	5,736,637	5,736,637
Commercial	-	-	-	-	5,340,229	5,340,229
Consumer	99,000	-	-	99,000	285,966	384,966
Total	\$ 99,000	74,774	279,891	453,665	98,205,265	\$ 98,658,930
December 31, 2019						
1-4 family residential	\$ 139,152	-	65,046	204,198	87,825,831	\$ 88,030,029
Multi-family	-	-	-	-	6,437,816	6,437,816
Commercial	-	-	-	-	2,681,763	2,681,763
Consumer	-	-	-	-	216,780	216,780
Total	\$ 139,152	-	65,046	204,198	97,162,190	\$ 97,366,388

Loans individually evaluated for impairment as of December 31, 2020 and 2019, were as follows:

	Recorded investment	Unpaid principal balance	Related allowance	Average recorded investment	Interest income recognized
December 31, 2020					
With no related allowance recorded					
1-4 family residential	\$ 1,348,309	1,675,877	-	1,381,661	\$ 72,780
Multi-family	-	-	-	-	-
Commercial	-	-	-	-	-
Consumer	99,000	99,000	-	89,500	6,217
Total	\$ 1,447,309	1,774,877	-	1,471,161	\$ 78,997
With a related allowance recorded					
1-4 family residential	\$ 1,075,103	1,119,972	150,144	1,103,885	\$ 50,621
Multi-family	-	-	-	-	-
Commercial	-	-	-	-	-
Consumer	-	-	-	-	-
Total	\$ 1,075,103	1,119,972	150,144	1,103,885	\$ 50,621
Balance at December 31, 2020		2,522,412	2,894,849	2,575,046	129,618
December 31, 2019					
With no related allowance recorded					
1-4 family residential	\$ 924,346	1,224,153	-	932,193	\$ 53,305
Multi-family	-	-	-	-	-
Commercial	-	-	-	-	-
Consumer	-	-	-	-	-
Total	\$ 924,346	1,224,153	-	932,193	\$ 53,305
With a related allowance recorded					
1-4 family residential	\$ 1,112,963	1,160,164	155,292	1,166,040	\$ 57,928
Multi-family	-	-	-	-	-
Commercial	-	-	-	-	-
Consumer	-	-	-	-	-
Total	\$ 1,112,963	1,160,164	155,292	1,166,040	\$ 57,928
Balance at December 31, 2019		2,037,309	2,384,317	2,098,233	111,233

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Troubled debt restructurings provide for modifications to repayment terms; more specifically, modifications to loan interest rates. Management performs an impairment analysis at the time of restructuring and periodically thereafter. Any reserve required is recorded through a provision to the allowance for loan losses.

There were no new troubled debt restructurings during the years ended December 31, 2020 and 2019. In March 2020, the Coronavirus Aid, Relief, and Economic Security (CARES) Act was passed into law. Among other things, the CARES Act suspends the requirements related to accounting for TDRs for certain loan modifications related to the COVID-19 pandemic.

The Company has minimal direct exposure to consumer, commercial, and other small businesses that may be negatively impacted by COVID-19, but management has analyzed and increased the qualitative factors in these and other loan categories for incurred, but not yet identified loan losses attributable to COVID-19. As of December 31, 2020, management did not see significant disruption with existing customers related to COVID-19. However, Management did grant customer requests to defer payments on 48 loans with unpaid balances of \$9,571,452. As of December 31, 2020, 12 loans remain in deferral with unpaid balances of \$538,622. Management has also assisted small businesses that could benefit from the CARES Act, particularly in the SBA's Paycheck Protection Program ("PPP"). As of December 31, 2020, the Company has funded approximately \$1 million in loans to small businesses under this program since it launched on April 3, 2020. The loans are guaranteed by the SBA and loan proceeds to borrowers are forgivable by the SBA if certain criteria are met.

Note 5: Premises and Equipment

The components of premises and equipment as of December 31, 2020 and 2019, are as follows:

	2020	2019
Land and improvements	\$ 2,702,799	\$ 2,699,649
Building and improvements	6,486,340	6,471,581
Furniture and equipment	1,617,430	1,593,164
Total gross equipment	10,806,569	10,764,394
Less accumulated depreciation	5,593,263	5,364,225
Premises and equipment, net	\$ 5,213,306	\$ 5,400,169

Note 6: Other Real Estate Owned

There was no other real estate owned as of December 31, 2020 and 2019.

The recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process is \$110,510 and \$11,058, as of December 31, 2020 and 2019, respectively.

Note 7: Deposits

As of December 31, 2020, for years below ended December 31, the scheduled maturities of time deposits are as follows:

Years Ended	Amount
2021	\$ 31,046,797
2022	10,614,838
2023	11,060,429
2024	9,188,358
2025 and beyond	6,002,012
Total	\$ 67,912,434

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In the normal course of business, deposit accounts are held by directors and officers of the Bank (related parties). The terms for these accounts, including interest rates, fees, and other attributes, are similar to those prevailing for comparable transactions with other customers and do not involve more than the normal level of risk associated with deposit accounts. At December 31, 2020 and 2019, total deposits held by directors and officers of the Bank was \$4,308,906 and \$3,990,060, respectively.

Note 8: Other Borrowings

On May 22, 2020, the Bank obtained a non-interest bearing FHLB advance totaling \$4,000,000. This advance is collateralized by loans pledged to the FHLB Chicago and matures on May 24, 2021.

Note 9: Income Taxes

Income tax expense for the years ended December 31, 2020 and 2019, is summarized as follows:

	2020	2019
Current (benefit) expense		
Federal	\$ (262,040)	\$ (43,704)
State	2,889	1,509
Total current benefit	(259,151)	(42,195)
Deferred benefit	(233,507)	(21,838)
Change in valuation allowance	(10,683)	(21,706)
Total deferred benefit	(244,190)	(43,544)
Total income tax benefit	\$ (503,341)	\$ (85,739)

The difference between the income tax expense shown on the statements of income and the amounts computed by applying the statutory federal income tax rate to income before income taxes is primarily due to tax-exempt income, the change in valuation allowance, and the adjustment of deferred taxes for enacted changes in tax laws.

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The tax effects of existing temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities at December 31, 2020 and 2019, are as follows:

	2020	2019
Deferred tax assets		
Allowance for loan losses	\$ 248,090	\$ 110,746
Deferred compensation	421,372	368,007
Retirement plans	147,152	263,972
Premises held for sale impairment	100,720	100,720
Other	39,211	45,751
State net operating loss carryforwards	203,211	213,894
Gross deferred tax assets	1,159,756	1,103,090
Valuation allowance	(203,211)	(213,894)
Net deferred tax assets	956,545	889,196
Deferred tax liabilities		
FHLB stock dividends	(101,056)	(101,056)
Accumulated depreciation	(46,228)	(123,044)
Unrealized gain on securities available-for-sale	(560,542)	(132,842)
Other	(142,200)	(242,225)
Deferred tax liabilities	(850,026)	(599,167)
Net deferred tax asset	\$ 106,519	\$ 290,029

The Bank does not expect the total amount of unrecognized tax benefits to change significantly in the next twelve months. There are no federal net operating losses at December 31, 2020 and 2019. Net operating loss (NOL) carryforwards for state income tax purposes were approximately \$2,139,065 and \$2,251,513 at December 31, 2020 and 2019, and will begin expiring in 2021. Due to the uncertainty that the Bank will be able to generate future state taxable income sufficient to utilize the net operating loss carryforwards, a full valuation allowance was recorded on the related deferred tax asset.

Note 10: Capital Ratios

The Bank is subject to various regulatory capital requirements administered by the federal banking agencies. Failure to meet minimum capital requirements can initiate certain mandatory actions by regulators that, if undertaken, could have a direct material effect on the Bank's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Bank must meet specific capital guidelines that involve quantitative measures of the Bank's assets, liabilities and certain off-balance-sheet items as calculated under accounting principles generally accepted in the United States of America, regulatory reporting requirements and regulatory capital standards. The Bank's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

Quantitative measures established by regulatory reporting standards to ensure capital adequacy require the Bank to maintain minimum amounts and ratios (set forth in the table below) of total and Tier I capital to risk-weighted assets, common equity Tier 1 capital to total risk-weighted assets and of Tier I capital to average assets, as such individual components and calculations are defined by related standards.

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As of December 31, 2020, the most recent notification from the regulators categorized the Bank as well capitalized under the regulatory framework for prompt corrective action. There are no conditions or events since that notification which management believes have changed the Bank's category. On November 13, 2019, the federal regulators finalized and adopted a regulatory capital rule establishing a new community bank leverage ratio ("CBLR"), which became effective on January 1, 2020. The intent of CBLR is to provide a simple alternative measure of capital adequacy for electing qualifying depository institutions and depository institution holding companies, as directed under the Economic Growth, Relief, and Consumer Protection Act. Under CBLR, if a qualifying depository institution or depository institution holding company elects to use such measure, such institution or holding company will be considered well capitalized if its ratio of Tier 1 capital to average total consolidated assets (i.e., leverage ratio) exceeds 9% subject to a limited two quarter grace period, during which the leverage ratio cannot go 100 basis points below the then applicable threshold, and will not be required to calculate and report risk-based capital ratios. In April 2020, under the Coronavirus Aid, Relief, and Economic Security Act (CARES Act), the 9% leverage ratio threshold was temporarily reduced to 8% in response to the COVID-19 pandemic. The threshold will increase to 8.5% in 2021 and return to 9% in 2022. The Bank elected to begin using CBLR for the first quarter of 2020. Management believes, as of December 31, 2020, that the Bank met all capital adequacy requirements to which it was subject.

The Bank's actual capital amounts and ratios as of December 31, 2020 and 2019, are presented below:

	Actual		Minimum Required to be Well-Capitalized (1)			
	Amount	Ratio	Amount	Ratio		
As of December 31, 2020						
Tier 1 capital (to Average Assets)	\$ 44,255,713	18.41%	21,635,694	>8%		
	Actual		Minimum Required to be Adequately Capitalized		Minimum Required to be Well- Capitalized (1)	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
As of December 31, 2019						
Total Capital (to Risk-Weighted Assets)	\$ 45,524,000	58.40%	\$ 6,236,000	8.00%	\$ 7,795,000	10.00%
Tier 1 Capital (to Risk-Weighted Assets)	45,140,000	57.91%	4,677,000	6.00%	6,236,000	8.00%
Common Equity Tier 1 Capital (to Risk- Weighted Assets)	45,140,000	57.91%	3,508,000	4.50%	5,067,000	6.50%
Tier 1 Capital (to Average Assets)	45,140,000	19.35%	9,330,000	4.00%	11,663,000	5.00%

(1) As defined by regulatory agencies. Failure to exceed the leverage ratio thresholds required under CBLR in the future, subject to any applicable grace period, would require the Company to return to the risk-based capital ratio thresholds previously utilized under the fully phased-in Basel III Capital Rules to determine capital adequacy.

The above table does not include the 2.5% capital conservation buffer requirement. A Bank with a capital conservation buffer greater than 2.5% of risk-weighted assets would not be restricted by payout limitations. However, if the 2.5% threshold is not met, the Bank would be subject to increasing limitations on capital distributions and discretionary bonus payments to executive officers as the capital conservation buffer approaches zero.

Note 11: Benefit Plans

The Bank maintains a Directors' Retirement Fund which provides post-retirement benefits to directors who have served the Bank for a minimum of six years. Benefits under the plan are accrued during the period of service. Expense under this plan was approximately \$19,279 for 2019.

The Bank's Equity Value Plan was established in 2005 and covers key officers and directors of the Bank. Under the terms of the plan, participants are granted units that entitle the holder to receive the appreciation in the value of the unit from the grant date through termination of employment. Benefits vest over five years. The value of the unit is based on the change in the value of the Bank's members' equity. Expense recognized for the appreciation in the value of the units was \$57,000 for the year ended December 31, 2019. At December 31, 2020 and 2019, the liability for the equity value plan was \$321,588 and \$643,175, respectively. All units are considered a liability and are included in accrued expenses and other liabilities on the balance sheets.

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Contributions received in 2019 were the final contributions for both the Directors' Retirement Fund and the Equity Value Plan. Both plans began distributions in 2020 and will complete distributions in 2021. All required amounts were fully accrued at December 31, 2019.

The Bank sponsors a noncontributory Profit-Sharing Plan covering all employees who have worked more than 1,000 hours during the plan year. Profit sharing expense for the years ended 2020 and 2019 was approximately \$0 and \$47,500, respectively.

Management implemented a 401(k)-benefit plan during 2007. Employee contributions are matched up to the first 6% of compensation contributed by the employee. Employer match contributions totaled \$163,008 for 2020 and \$145,636 for 2019.

Note 12: Commitments and Contingencies

In the ordinary course of business, the Bank has various commitments and contingent liabilities that are not reflected in the accompanying financial statements. In the opinion of management, the ultimate disposition of these matters is not expected to have a material adverse effect on the financial position of the Bank.

Financial Instruments

The Bank does not engage in the use of interest rate swaps or futures, forwards or option contracts.

At December 31, 2020 and 2019, outstanding commitments to originate loans were as follows:

	<u>2020</u>		<u>2019</u>
Unfunded lines of credit	\$ 5,155,740	\$	5,881,300

Concentrations of Credit Risk

The Bank generally originates single-family residential loans within its primary lending area which is Waukegan, Illinois and the surrounding area. The Bank's underwriting policies require such loans to be made at approximately 80% loan-to-value, based upon appraised values, unless private mortgage insurance is obtained, or the loan is guaranteed by the government. These loans are secured by the underlying properties.

The Bank maintains its cash in deposit accounts at the Federal Reserve Bank or other institutions, the balances of which may exceed federally insured limits. The Bank has not experienced any losses in such accounts. The Bank believes it is not exposed to any significant credit risk on cash and cash equivalents.

Interest Rate Risk

The Bank assumes interest rate risk (the risk that general interest rate levels will change) as a result of its normal operations. As a result, fair values of its financial instruments will change when interest rate levels change, and that change may be either favorable or unfavorable to the Bank. Management attempts to match maturities of assets and liabilities to the extent believed necessary to minimize interest rate risk. However, borrowers with fixed rate obligations are less likely to prepay in a rising rate environment and more likely to prepay in a falling rate environment. Conversely, depositors who are receiving fixed rates are more likely to withdraw funds before maturity in a rising rate environment and less likely to do so in a falling rate environment. Management monitors rates and maturities of assets and liabilities and attempts to minimize interest rate risk by adjusting terms of new loans and deposits and by investing in securities with terms that mitigate the overall interest rate risk.

North Shore, MHC and Subsidiaries
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Litigation

Due to the nature of its business activities, the Bank is at times subject to legal action which arises in the normal course of business. In the opinion of management, the ultimate resolution of these matters is not expected to have a material effect on the financial position or results of operations of the Bank.

Note 13: Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

An asset's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2020 and 2019.

Available-for-Sale Securities (Recurring)

Where quoted market prices are available in an active market, securities such as U.S. Treasuries, would be classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities would be classified within Level 3 of the hierarchy.

Impaired Loans (Nonrecurring)

Impaired loans are recorded at fair value on a nonrecurring basis. The fair value of loans is generally based on recent real estate appraisals. These appraisals may utilize a single valuation approach or a combination of approaches including comparable sales and the income approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales and income data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Non-real estate collateral may be valued using an appraisal, net book value per the borrower's financial statements, or aging reports, adjusted or discounted based on management's historical knowledge, changes in market conditions from the time of the valuation and management's expertise and knowledge of the client and client's business, resulting in a Level 3 fair value classification.

North Shore, MHC and Subsidiaries
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Impaired loans are evaluated on a quarterly basis for additional impairment and adjusted accordingly. Impaired loans that are valued based on the present value of future cash flows are not considered in the fair value hierarchy.

The following table presents the Bank's assets that are measured at fair value on a recurring basis classified under the appropriate level of the fair value hierarchy as of December 31, 2020 and 2019:

	Fair Value	Fair Value Measurements Using		
		Level 1	Level 2	Level 3
December 31, 2020				
Securities Available-for-sale				
U.S. government agency obligations	\$ 7,146,757	–	7,146,757	\$ –
Municipal obligations	10,979,938	–	10,979,938	–
Mortgage-backed residential obligations	43,094,358	–	43,094,358	–
Collateralized mortgage obligations	20,399,292	–	20,399,292	–
Loans held for sale	1,971,500	–	1,971,500	–
Total	\$ 83,591,845	–	83,591,845	\$ –
December 31, 2019				
Securities Available-for-sale				
U.S. government agency obligations	\$ 6,976,858	–	6,976,858	\$ –
Municipal obligations	19,111,629	–	19,111,629	–
Mortgage-backed residential obligations	30,031,841	–	30,031,841	–
Collateralized mortgage obligations	12,448,588	–	12,448,588	–
Loans held for sale	721,862	–	721,862	–
Total	\$ 69,290,778	–	69,290,778	\$ –

The Bank may be required, from time to time, to measure certain assets and liabilities at fair value on a nonrecurring basis in accordance with accounting principles generally accepted in the United States of America. These include assets that are measured at the lower of cost or market that were recognized at fair value below cost at the end of the period. Assets measured at fair value on a nonrecurring basis and the valuation techniques used to measure nonrecurring Level 3 fair value measurements as of December 31, 2020 and 2019, were as follows:

	Fair Value	Fair Value Measurements Using			Gain/(Loss)
		Level 1	Level 2	Level 3	
December 31, 2020					
Impaired loans	\$ 924,959	-	-	924,959	\$ -
December 31, 2019					
Impaired loans	\$ 957,671	-	-	957,671	\$ -

The numerical range of unobservable inputs for the valuation assumptions used in calculating the amounts disclosed above is not meaningful to this presentation.

North Shore, MHC and Subsidiaries
Notes to Consolidated Financial Statements
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Note 14: Fair Value of Financial Instruments

Financial instruments are classified within the fair value hierarchy using the methodologies described in Note 13 – Fair Value Measurements. The following disclosures include financial instruments that are not carried at fair value on the Consolidated Balance Sheets.

The carrying value of short-term financial instruments approximates the fair value of these instruments. These financial instruments generally expose the Company to limited credit risk and have no stated maturities or have short-term maturities and carry interest rates that approximate market. Under the fair value hierarchy, cash and cash equivalents as well as non-interest-bearing deposit accounts are classified as Level 1. Time deposits with other financial institutions, FHLB stock, escrow deposits, interest-bearing deposits, and accrued interest receivable and payable are classified as Level 2.

The carrying amounts and estimated fair values by fair value hierarchy of certain financial instruments are as follows:

	Carrying Amount	Level 1	Level 2	Level 3	Estimated Fair Value
December 31, 2020					
Financial assets:					
Loans, net	\$ 98,454,739	\$ –	\$ 102,034,000	\$ –	\$ 102,034,000
Financial liabilities:					
Interest-bearing deposits	\$ 176,669,959	\$ –	\$ 177,280,000	\$ –	\$ 177,280,000
December 31, 2019					
Financial assets:					
Loans, net	\$ 97,676,874	\$ –	\$ 98,984,000	\$ –	\$ 98,984,000
Financial liabilities:					
Interest-bearing deposits	\$ 177,069,966	\$ –	\$ 174,287,000	\$ –	\$ 174,287,000

Note 15: Changes in Accounting Principles

Accounting for Internal-Use Software

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2018-15, “Intangibles– Goodwill and Other – Internal-Use Software (Subtopic 350-49): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That is a Service Contract (a consensus of the FASB Emerging Issues Task Force)” (ASU 2018-15). ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal use software license). The Bank adopted the standard on January 1, 2020. Upon adoption of ASU 2018-15, there was no significant impact to the balance sheet or income statement.

Accounting for Leases

The FASB amended its standard related to the accounting for leases. Under the new standard, lessees will now be required to recognize substantially all leases on the balance sheet as both a right-of-use asset and a liability. The standard has two types of leases for income statement recognition purposes: operating leases and finance leases. Operating leases will result in the recognition of a single lease expense on a straight-line basis over the lease term similar to the treatment for operating leases under existing standards. Finance leases will result in an accelerated expense similar to the accounting for capital leases under existing standards. The determination of lease classification as operating or finance will be done in a manner similar to existing standards.

The new standard also contains amended guidance regarding the identification of embedded leases in service contracts and the identification of lease and non-lease components in an arrangement. The new standard is effective for annual periods beginning after December 15, 2021, and any interim periods within annual reporting periods that begin after December 15, 2022. The Bank has reviewed the amendment and determined it will not have a material impact on the Bank’s financial statements.

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Accounting for Financial Instruments – Credit Losses

The FASB issued ASU No. 2016-13, *Financial Instruments— Credit Losses (Topic 326)*. The ASU introduces a new credit loss model, the current expected credit loss model (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk.

The CECL model utilizes a lifetime “expected credit loss” measurement objective for the recognition of credit losses for loans, held-to-maturity securities, and other receivables at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses. For available for-sale securities where fair value is less than cost, credit-related impairment, if any, will be recognized in an allowance for credit losses and adjusted each period for changes in expected credit risk. This model replaces the multiple existing impairment models, which generally require that a loss be incurred before it is recognized.

The CECL model represents a significant change from existing practice and may result in material changes to the Bank’s accounting for financial instruments. The Bank is evaluating the effect ASU 2016-13 will have on its consolidated financial statements and related disclosures. The impact of the ASU will depend upon the final standard (as amended), the state of the economy, and the nature of the Bank’s portfolios at the date of adoption. For non-public business entities, the new standard is effective January 2023.

Note 16: Subsequent Events

Management evaluated subsequent events through March 16, 2021, the date the financial statements were available to be issued. Management does not believe there were any material subsequent events during this period that would have required further recognition or disclosure in the consolidated financial statements included in this report.

No person has been authorized to give any information or to make any representation other than as contained in this prospectus and, if given or made, such other information or representation must not be relied upon as having been authorized by NSTS Bancorp, Inc. or North Shore MHC. This prospectus does not constitute an offer to sell or a solicitation of an offer to buy any of the securities offered hereby to any person in any jurisdiction in which such offer or solicitation is not authorized or in which the person making such offer or solicitation is not qualified to do so, or to any person to whom it is unlawful to make such offer or solicitation in such jurisdiction. Neither the delivery of this prospectus nor any sale hereunder shall under any circumstances imply that there has been no change in the affairs of NSTS Bancorp, Inc. or North Shore MHC since any of the dates as of which information is furnished herein or since the date hereof.

NSTS Bancorp, Inc.

(Proposed Holding Company for North Shore Trust and Savings)

Up to 4,600,000 Shares

(Subject to increase to up to 5,290,000 Shares)

COMMON STOCK

PROSPECTUS

Keefe, Bruyette & Woods
A Stifel Company

, 2021

These securities are not deposits or accounts and are not insured or guaranteed.

Until , 2021, all dealers that effect transactions in these securities, whether or not participating in this offering, may be required to deliver a prospectus. This delivery requirement is in addition to the dealers' obligation to deliver a prospectus when acting as underwriters and with respect to their unsold allotments or subscriptions.

PART II
INFORMATION NOT REQUIRED IN PROSPECTUS

Item 13. — Other Expenses of Issuance and Distribution

	<u>Estimated Amount</u>
Registrant's Legal Fees and Expenses	\$575,000
Registrant's Accounting/Tax Fees and Expenses	225,000
Marketing Agent Fees ⁽¹⁾	529,000
Marketing Agent Expenses (including legal fees and expenses)	130,000
Records Management Fees and Expenses	37,000
Appraisal Fees and Expenses	55,000
Printing, Postage, Mailing and EDGAR Fees	120,000
Filing Fees (NASDAQ, FINRA, SEC)	80,000
Transfer Agent Fees and Expenses	25,000
Stock Certificate Fees and Expenses	15,000
Business Plan Fees and Expenses	60,000
Other	78,000
Total	<u><u>\$1,929,000</u></u>

(1) NSTS Bancorp, Inc. has retained Keefe, Bruyette & Woods, Inc. to assist in the sale of common stock on a best efforts basis in the offerings. Estimated at the adjusted maximum of the offering range, assuming 100% of the shares are sold in the subscription offering.

Item 14. — Indemnification of Directors and Officers

Articles Ninth and Tenth of the Certificate of Incorporation of NSTS Bancorp, Inc. (the "Corporation") sets forth circumstances under which directors, officers, employees and agents of the Corporation may be insured or indemnified against liability which they incur in their capacities as such:

8. Indemnification, Etc. of Officers, Directors, Employees and Agents

NINTH:

A. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a Director or an Officer of the Corporation or is or was serving at the request of the Corporation as a Director, Officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a Director, Officer, employee or agent or in any other capacity while serving as a Director, Officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith; provided, however, that the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

B. The right to indemnification conferred in Section A of this Article NINTH shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the Delaware General Corporation Law requires an advancement of expenses incurred by an indemnitee in his or her capacity as a Director or Officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan),

indemnification shall be made only upon delivery to the Corporation of an undertaking (hereinafter an “undertaking”), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a “final adjudication”) that such indemnitee is not entitled to be indemnified for such expenses under this Section or otherwise. The rights to indemnification and to the advancement of expenses conferred in Sections A and B of this Article NINTH shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a Director, Officer, employee or agent and shall inure to the benefit of the indemnitee’s heirs, executors and administrators.

C. The rights to indemnification and to the advancement of expenses conferred in this Article NINTH shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Corporation’s Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested Directors, or otherwise.

D. The Corporation may maintain insurance, at its expense, to protect itself and any Director, Officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

E. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this Article NINTH with respect to the indemnification and advancement of expenses of Directors and Officers of the Corporation.

TENTH: A Director of this Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director, except for liability (i) for any breach of the Director’s duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the Director derived an improper personal benefit. If the Delaware General Corporation Law is amended to authorize corporate action further eliminating or limiting the personal liability of Directors, then the liability of a Director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a Director of the Corporation existing at the time of such repeal or modification.

Item 15. — Recent Sales of Unregistered Securities

Not Applicable.

Item 16. — Exhibits and Financial Statement Schedules

The exhibits and financial statement schedules filed as part of this registration statement are:

(a) List of Exhibits

No.

1.1 [Engagement Letter between Keefe, Bruyette & Woods, Inc. and North Shore MHC](#)

1.2 Form of Agency Agreement*

2.1 [Plan of Conversion of North Shore MHC, as amended](#)

3.1 [Certificate of Incorporation of NSTS Bancorp, Inc.](#)

No.

- [3.2](#) [Bylaws of NSTS Bancorp, Inc.](#)
- [4.1](#) [Form of Common Stock Certificate of NSTS Bancorp, Inc.](#)
- [5.1](#) [Opinion of Vedder Price P.C. regarding legality of securities being registered](#)
- [8.1](#) [Form of Federal and State Tax Opinion of Vedder Price P.C.](#)
- [10.1](#) [Form of Employment Agreement by and between NSTS Bancorp, Inc., North Shore Trust and Savings and Stephen G. Lear](#)
- [10.2](#) [Form of Change in Control Agreement](#)
- [21.1](#) [Subsidiaries of NSTS Bancorp, Inc.](#)
- [23.1](#) [Consent of Vedder Price P.C. \(contained in opinion included as Exhibit 5.1\)](#)
- [23.2](#) [Consent of Feldman Financial](#)
- [23.3](#) [Consent of Plante & Moran, PLLC](#)
- [24.1](#) [Power of Attorney \(set forth on signature page\)](#)
- [99.1](#) [Engagement Letter with Feldman Financial to serve as appraiser](#)
- [99.2](#) [Letter of Feldman Financial with respect to value of Subscription Rights](#)
- [99.3](#) [Letter of Feldman Financial with respect to Liquidation Rights](#)
- [99.4](#) [Appraisal Report of Feldman Financial](#)
- 99.5 Marketing Materials*
- 99.6 Stock Order and Certification Form*

* To be filed by amendment.

(b) Financial Statement Schedules

No financial statement schedules are filed because the required information is inapplicable or is included in the consolidated financial statements and related notes.

Item 17. — Undertakings

The undersigned Registrant hereby undertakes:

- (1) To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement:
 - (i) To include any prospectus required by Section 10(a)(3) of the Securities Act of 1933 (the “Act”);
 - (ii) To reflect in the prospectus any facts or events arising after the effective date of the registration statement (or the most recent post-effective amendment thereof) which, individually or in the aggregate, represent a fundamental change in the information set forth in the registration statement. Notwithstanding the foregoing, any increase or decrease in volume of securities offered (if the total dollar

value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospectus filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in volume and price represent no more than a 20 % change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement;

(iii) To include any material information with respect to the plan of distribution not previously disclosed in the registration statement or any material change to such information in the registration statement.

(2) That, for the purpose of determining any liability under the Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(3) To remove from registration by means of a post-effective amendment any of the securities being registered which remain unsold at the termination of the offering.

(4) That, for the purpose of determining liability of the registrant under the Act, to any purchaser in the initial distribution of the securities:

The undersigned registrant undertakes that in a primary offering of securities of the undersigned registrant pursuant to this registration statement, regardless of the underwriting method used to sell the securities to the purchaser, if the securities are offered or sold to such purchaser by means of any of the following communications, the undersigned registrant will be a seller to the purchaser and will be considered to offer or sell such securities to such purchaser:

(i) Any preliminary prospectus or prospectus of the undersigned registrant relating to the offering required to be filed pursuant to Rule 424 (§ 230.424 of this chapter);

(ii) Any free writing prospectus relating to the offering prepared by or on behalf of the undersigned registrant or used or referred to by the undersigned registrant;

(iii) The portion of any other free writing prospectus relating to the offering containing material information about the undersigned registrant or its securities provided by or on behalf of the undersigned registrant; and

(iv) Any other communication that is an offer in the offering made by the undersigned registrant to the purchaser.

(5) That, for purposes of determining any liability under the Act, the information omitted from the form of prospectus filed as part of this registration statement in reliance upon Rule 430A and contained in a form of prospectus filed by the registrant pursuant to Rule 424(b)(1) or (4) or 497(h) under the Act shall be deemed to be part of this registration statement as of the time it was declared effective.

(6) That, for the purpose of determining any liability under the Act, each post-effective amendment that contains a form of prospectus shall be deemed to be a new registration statement relating to the securities offered therein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

(7) The undersigned registrant hereby undertakes to provide to the underwriter at the closing specified in the underwriting agreement, certificates in such denominations and registered in such names as required by the underwriter to permit prompt delivery to each purchaser.

(8) Insofar as indemnification for liabilities arising under the Act may be permitted to directors, officers and controlling persons of the registrant pursuant to the foregoing provisions, or otherwise, the registrant has been advised that in the opinion of the Securities and Exchange Commission such indemnification is against public policy as expressed in the Act, and is, therefore, unenforceable. In the event that a claim for indemnification against such liabilities (other than the payment by the registrant of expenses incurred or paid by a director, officer or controlling person of the registrant in the successful defense of any action, suit or proceeding) is asserted by such director, officer or controlling person in connection with the securities being registered, the registrant will, unless in the opinion of its counsel the matter has been settled by controlling precedent, submit to a court of appropriate jurisdiction the question of whether such indemnification by it is against public policy as expressed in the Act and will be governed by the final adjudication of such issue.

SIGNATURES

Pursuant to the requirements of the Securities Act of 1933, the registrant has duly caused this registration statement to be signed on its behalf by the undersigned, thereunto duly authorized in the City of Waukegan, State of Illinois, on September 13, 2021.

NSTS BANCORP, INC.
a Delaware corporation

By: /s/ Stephen G. Lear
Stephen G. Lear
President and Chief Executive Officer
(Duly Authorized Representative)

POWER OF ATTORNEY

We, the undersigned directors and officers of NSTS Bancorp, Inc., a Delaware corporation (the "Corporation"), hereby severally constitute and appoint Stephen G. Lear as our true and lawful attorney-in-fact and agent, to do any and all things in our names in the capacities indicated below which said individual may deem necessary or advisable to enable the Corporation to comply with the Securities Act of 1933, as amended, and any rules, regulations and requirements of the Securities and Exchange Commission, in connection with the registration statement on Form S-1 relating to the offering of the Corporation's common stock, including specifically, but not limited to, power and authority to sign for us in our names in the capacities indicated below, the registration statement and any and all amendments (including post-effective amendments) thereto; and we hereby approve, ratify and confirm all that said individual shall do or cause to be done by virtue thereof.

Pursuant to the requirements of the Securities Act of 1933, this registration statement has been signed by the following persons in the capacities and on the dates indicated.

<u>Signatures</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Stephen G. Lear</u> Stephen G. Lear	Chairman of the Board, President and Chief Executive Officer (Principal Executive Officer)	September 13, 2021
<u>/s/ Carissa H. Schoolcraft</u> Carissa H. Schoolcraft	Chief Financial Officer (Principal Financial and Accounting Officer)	September 13, 2021
<u>/s/ Apolonio Arenas</u> Apolonio Arenas	Director	September 13, 2021
<u>/s/ Thaddeus M. Bond, Jr.</u> Thaddeus M. Bond, Jr.	Director	September 13, 2021
<u>/s/ Kevin M. Dolan</u> Kevin M. Dolan	Director	September 13, 2021
<u>/s/ Thomas M. Ivantic</u> Thomas M. Ivantic	Director	September 13, 2021
<u>/s/ Thomas J. Kneesel</u> Thomas J. Kneesel	Director	September 13, 2021
<u>/s/ Rodney J. True</u> Rodney J. True	Director	September 13, 2021



KEEFE, BRUYETTE & WOODS
A Stifel Company

September 16, 2019

North Shore Trust and Savings
700 South Lewis Avenue
Waukegan, IL 60085

Attention: Mr. Stephen G. Lear
Chairman of the Board, President & Chief Executive Officer

Ladies and Gentlemen:

This letter agreement (the “**Agreement**”) confirms the engagement of Keefe, Bruyette & Woods, Inc. (“**KBW**”) to act as the exclusive financial advisor to North Shore Trust and Savings, NSTS Financial Corporation and North Shore, MHC (collectively, the “**Bank**”) in connection with the proposed conversion of the Bank from the mutual holding company form of organization to the stock form of organization pursuant to the Bank’s proposed Plan of Conversion (the “**Conversion**”), including the offer and sale of certain shares of the common stock (the “**Common Stock**”) of a new holding company (the “**Holding Company**”) to be formed by the Bank to eligible customers in a subscription offering (the “**Subscription Offering**”), with any remaining shares offered to the general public in a community offering (the “**Community Offering**”) (a Subscription Offering, a Community Offering and any Syndicated Community Offering (as defined herein) are collectively referred to herein as the “**Offerings**”). In addition, KBW will act as Conversion Agent and Data Processing Records Management Agent in connection with the Offerings pursuant to the terms of a separate agreement between the Bank and KBW. The Bank and the Holding Company are collectively referred to herein as the “**Company**.” This letter sets forth the terms and conditions of our engagement.

1. Advisory/Offering Services

As the Company’s exclusive financial advisor, KBW will provide financial and logistical advice to the Company and will assist the Company’s management, legal counsel, accountants and other advisors in connection with the Conversion and the Offerings, and related issues. We anticipate our services will include the following, each as may be necessary and as the Company may reasonably request:

1. Providing advice on the financial and securities market implications of the Conversion and any related corporate documents, including the Plan of Conversion;
2. Assisting in structuring the Offerings, including developing and assisting in implementing a marketing strategy for the Offerings;
3. Serving as sole bookrunning manager in connection with the Offerings;

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4. Reviewing all offering documents related to the Offerings, including the prospectus (the “**Prospectus**”) and any related offering materials, stock order forms, letters, brochures and other related offering materials (it being understood that preparation and filing of such documents will be the responsibility of the Company and its counsel);
 5. Assisting the Company in preparing for and scheduling meetings with potential investors and broker-dealers, as necessary;
 6. Assisting the Company in analyzing proposals from outside vendors retained in connection with the Offerings, including printers, transfer agents and appraisal firms;
 7. Assisting the Company in the drafting and distribution of press releases as required or appropriate in connection with the Offerings;
 8. Meeting with the board of directors of the Company (the “**Board of Directors**”) and/or management of the Company to discuss any of the above services; and
 9. Performing such other financial advisory and investment banking services in connection with the Conversion and the Offerings as may be agreed upon by KBW and the Company.
2. Due Diligence Review

The Company acknowledges and agrees that KBW’s obligation to perform the services contemplated by this Agreement shall be subject to the satisfactory completion of such investigations and inquiries relating to the Company, and its directors, officers, agents and employees, as KBW and their counsel in their sole discretion may deem appropriate under the circumstances (the “**Due Diligence Review**”).

The Company agrees it will make available to KBW all information, whether or not publicly available, which KBW reasonably requests (the “**Information**”), and will permit KBW to discuss with the Board of Directors and management the operations and prospects of the Company. KBW will treat all Confidential Information (as defined herein) as confidential in accordance with the provisions of Section 9 hereof. The Company recognizes and confirms that KBW (a) will use and rely on and assume the accuracy and completeness of the Information in performing the services contemplated by this Agreement without having independently verified or analyzed the accuracy or completeness of same, and (b) does not assume responsibility or liability for the accuracy or completeness of the Information or to conduct any independent verification or any appraisal or physical inspection of properties or assets. The Company acknowledges and agrees that KBW will rely upon Company management as to the reasonableness and achievability of any financial and operating forecasts and projections provided to KBW or which KBW is directed to use, and that KBW will assume, at the Company’s direction, that all financial forecasts and projections have been reasonably prepared by Company management on a basis reflecting the best then currently available estimates and judgments of management as to the expected future financial performance of the Company, and that such forecasts and projections will be realized in the amounts and in the time periods currently estimated.

3. Regulatory Filings

The Company will cause the registration statement (the "**Registration Statement**") and the Prospectus to be filed with the Securities and Exchange Commission (the "**SEC**") and will cause all other offering documents in respect of the Conversion and the Offerings to be filed, as necessary or appropriate, with applicable regulatory agencies including the SEC, the Financial Industry Regulatory Authority ("**FINRA**"), and the appropriate federal and/or state bank regulatory agencies. In addition, the Company and KBW agree that the Company's counsel shall serve as counsel with respect to blue sky matters in connection with the Offerings, and that the Company shall cause such counsel to prepare a Blue Sky Memorandum related to the Offerings including KBW's participation therein and shall furnish KBW a copy thereof addressed to KBW or upon which counsel shall state KBW may rely.

4. Fees

For the services hereunder, the Company shall pay the following non-refundable cash fees to KBW, in the amounts and at the times set forth below:

- (a) Management Fee: A non-refundable cash fee in an amount of \$25,000 (the "**Management Fee**") shall be payable by the Company to KBW, as follows: (i) \$12,500 shall be paid immediately upon the execution of this Agreement and (ii) the remaining \$12,500 shall be paid immediately upon the initial filing of the Registration Statement (whether or not such filing is publicly available). Each payment in respect of the Management Fee shall be deemed to have been earned in full when due. Should the Offerings or this Agreement be terminated for any reason, KBW shall be deemed to have earned in full, and be entitled to be paid in full, all fees then due and payable as of such date of termination.
- (b) Success Fee: A Success Fee shall be paid based on 1.00% of the aggregate purchase price of Common Stock sold in the Subscription Offering and 1.50% of the aggregate purchase price of Common Stock sold in the Community Offering and shall be paid upon the completion of the Offerings. The Management Fee described in 4(a), to the extent then already paid, will be credited against the Success Fee. The obligation to pay to KBW the full Success Fee upon completion of the Subscription Offering and any Community Offering shall survive any termination of this Agreement, including any termination occurring prior to the completion of such Offerings.
- (c) Fees for Syndicated Community Offering: If any shares of the Common Stock remain unsold after the completion of the Subscription Offering and any Community Offering, at the request of the Company, KBW will seek to form a syndicate registered broker-dealers (a "**Syndicated Community**

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Offering”), to assist on a best efforts basis, subject to the terms and conditions set forth in a selected dealers agreement to be entered into by and between the Company and KBW. KBW will endeavor to distribute the Common Stock among broker-dealers in a fashion which best meets the distribution objectives of the Company and the Conversion. In the event of a Syndicated Community Offering, KBW will be paid a transaction fee not to exceed 6.00% of the aggregate purchase price of the shares of Common Stock sold in the Syndicated Community Offering. The Success Fee described in Section 4(b) will be credited against the transaction fee payable pursuant to this Section 4(c). From this fee, KBW will pass onto selected broker-dealers (if any), who assist in the Syndicated Community Offering, an amount competitive with gross underwriting discounts charged at such time for comparable amounts of stock sold at a comparable price per share in a similar market environment. Fees with respect to purchases effected with the assistance of a broker/dealer other than KBW shall be transmitted by KBW to such broker/dealer.

- (d) In connection with the Subscription Offering, if, as a result of any resolicitation of subscribers undertaken by the Company, KBW reasonably determines that it is required or requested to provide significant services, KBW will be entitled to additional compensation for such services as mutually agreed to by the Company and KBW, which additional compensation will not exceed \$25,000.

The terms of any Agency Agreement (as defined herein) to be entered into between the Company and KBW in connection with the Offerings shall contain fee provisions no less favorable to KBW than those set forth above. To the extent required under applicable FINRA rules and regulations, the payment of compensation by the Company to KBW pursuant to this Section 4 is subject to FINRA’s review thereof.

5. Additional Services

KBW further agrees to provide general financial advisory assistance to the Company that is not in the context of any contemplated transaction, for a period of three years following completion of the Offerings, including general strategic planning, the creation of a capital management strategy designed to enhance the value of the Company, including the formation of a dividend policy and share repurchase program, assistance with shareholder relations matters, general advice on mergers and acquisitions, and other related financial matters, without the payment by the Company of any fees in addition to those set forth in Section 4 hereof. Nothing in this Agreement shall require the Company to obtain such services from KBW. If KBW acts as a financial advisor to the Company in connection with any specific transactions, the terms of such engagement will be set forth in a separate agreement between the Company and KBW.

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6. Expenses

The Company will bear all expenses of the proposed Offerings customarily borne by issuers, including, without limitation, regulatory filing fees, SEC, "Blue Sky," and FINRA filing and registration fees; the fees of the Company's accountants, attorneys, appraiser, business plan consultant, transfer agent and registrar, printing, mailing and marketing and syndicate expenses associated with the Offerings; the fees set forth in Section 4; and fees for "Blue Sky" legal work. If KBW incurs any expenses on behalf of Company in connection with the matters contemplated by this Agreement, the Company will reimburse KBW for such expenses.

KBW will also be reimbursed for its reasonable out-of-pocket expenses, not to exceed \$30,000 (subject to the provisions of this paragraph), related to the Offerings, including, but not limited to, costs of travel, meals and lodging, clerical assistance, photocopying, telephone, facsimile, and couriers. KBW will also be reimbursed for fees and expenses of its counsel not to exceed \$100,000 (subject to the provisions of this paragraph). These expense caps assume no unusual circumstances or delays, and no resolicitation in connection with the Offerings. The Company acknowledges and agrees that, in the event unusual circumstances arise or a delay or resolicitation occurs (including but not limited to a delay in the Offerings which would require an update of the financial information in tabular form to reflect a period later than that set forth in the original filing of the offering documents), such expense caps may be increased by additional amounts, not to exceed an additional \$10,000 in the case of additional out-of-pocket expenses of KBW and an additional \$15,000 in the case of additional fees and expenses of KBW's legal counsel. In no event shall out-of-pocket expenses, including fees and expenses of counsel, exceed \$155,000. The provisions of this paragraph shall not apply to or in any way impair or limit the indemnification or contribution provisions contained herein.

7. Limitations

The Company acknowledges that all opinions and advice (written or oral) given by KBW to the Company in connection with KBW's engagement are intended solely for the benefit and use of the Company for the purposes of its evaluation of the proposed Offerings. Unless otherwise expressly stated in an opinion letter issued by KBW or otherwise expressly agreed, no one other than the Company is authorized to rely upon this engagement of KBW or any statements or conduct by KBW. The Company agrees that any such opinion or advice, as well as this Agreement (including any of the terms hereof) shall not be used, reproduced, disseminated, quoted or referred to at any time, in any manner, or for any purpose, nor shall any public references to KBW be made by the Company or any of its representatives, without the prior written consent of KBW.

It is expressly understood and agreed that KBW is not undertaking to provide any advice relating to legal, regulatory, accounting or tax matters. In furtherance thereof, the Company acknowledges and agrees that (a) it and its affiliates have relied and will continue to rely on the advice of its own legal, tax and accounting advisors for all matters relating to the Conversion and the Offerings, and all other matters and (b) neither it, or any of its affiliates, has received, or has relied upon, the advice of KBW or any of its affiliates regarding matters of law, regulation, taxation or accounting.

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The Company acknowledges and agrees that KBW has been retained to act solely as financial advisor to the Company and not as an advisor to or agent of any other person, and the Company's engagement of KBW is not intended to confer rights upon any person not a party to this Agreement (including shareholders, employees or creditors of the Company) as against KBW or its affiliates, or their respective directors, officers, employees or agents. In such capacity, KBW shall act as an independent contractor, and any duties arising out of its engagement shall be owed solely to the Company. It is understood that KBW's responsibility to the Company is solely contractual in nature and KBW does not owe the Company, or any other party, any fiduciary duty as a result of this Agreement.

The Company acknowledges that KBW is a securities firm engaged in securities trading and brokerage activities and providing investment banking and financial advisory services. In the ordinary course of business, KBW and its affiliates may at any time hold long or short positions, and may trade or otherwise effect transactions, for its own account or the accounts of customers, in the Company's debt or equity securities, or the debt or equity securities of the Company's affiliates or other entities that may be involved in the transactions contemplated by this Agreement. In addition, KBW and its affiliates may from time to time perform various investment banking and financial advisory services for other clients and customers who may have conflicting interests with respect to the Company. The Company acknowledges that KBW and its affiliates have no obligation to use in connection with this engagement or to furnish the Company confidential information obtained from other companies.

8. Benefit

This Agreement shall inure to the benefit of the parties hereto and their respective successors, and the obligations and liabilities assumed hereunder by the parties hereto shall be binding upon their respective successors; provided, however, that this Agreement shall not be assignable without the mutual consent of KBW and the Bank.

9. Confidentiality

KBW acknowledges that a portion of the Information provided to it in connection with its engagement hereunder may contain confidential and proprietary business information concerning the Company (such Information, the "**Confidential Information**"). KBW agrees that, except as contemplated in connection with the performance of its services under this Agreement, as authorized by the Company or as required by law, regulation or legal process, it will treat as confidential all Confidential Information; provided, however, that KBW may disclose such Confidential Information to its agents and advisors who are assisting or advising KBW in performing its services hereunder and who have been informed of, and shall abide by, the term and conditions of this paragraph. KBW hereby agrees and acknowledges that it shall be liable for any breach of this provision by its agents or advisors. As used herein, the term "Confidential Information" shall not include information which (a) is or becomes available to the public other than as a result of a disclosure by KBW or its representatives in violation of this Agreement, (b) was available to KBW on a non-confidential basis prior to its disclosure to KBW or its representatives by the Company, or (c) becomes available to KBW on a non-confidential basis from a person other than the Company who is not known to KBW to be bound not to disclose such information pursuant to a contractual obligation of confidentiality to the Company. In addition, in the event that KBW, or its representative(s), becomes legally compelled to disclose any of the Confidential Information, KBW will provide the Company, to the extent legally permissible, prompt notice before such Confidential Information is disclosed so that the Company may seek a protective order or other appropriate remedy, and KBW will exercise commercially reasonable efforts to assist the Company in obtaining a protective order or other appropriate remedy. In the event that such protective order or other remedy is not obtained, KBW will furnish only that portion of the Confidential Information which KBW is advised by its counsel is legally required to be disclosed, and KBW shall not be liable to the Company if such legal process is subsequently modified or vacated or otherwise determined to have been without legal force or effect.

The Company hereby acknowledges and agrees that all presentation materials and financial models used by KBW in performing its services hereunder have been developed by and are proprietary to KBW. The Company agrees that it will not reproduce or distribute all or any portion of such models or presentations without the prior written consent of KBW.

10. Advertisements

The Company agrees that, following the closing of the Offerings, KBW has the right to place advertisements in financial and other newspapers and journals at its own expense, describing its services to the Company and a general description of such offering, provided, that, KBW shall submit an initial copy of any announcement or advertisement to the Company for its approval prior to any publication thereof (such approval not to be unreasonably withheld, conditioned or delayed); provided further that KBW shall not be required to submit any announcement or advertisement which is substantially similar to an announcement or advertisement previously approved by the Company. In addition, the Company agrees to include in any press release or public announcement announcing any such offering a reference to KBW's role as financial advisor and sole bookrunning manager with respect to such offering, provided that the Company will submit a copy of any such press release or public announcement to KBW for its prior approval, which approval shall not be unreasonably withheld or delayed.

11. Indemnification

.As KBW will be acting on behalf of the Company in connection with the Conversion and the Offerings, the Company agrees to indemnify and hold harmless KBW and its affiliates, the respective partners, directors, officers, employees and agents of KBW and its affiliates and each other person, if any, controlling KBW or any of its affiliates and each of their successors and assigns (KBW and each such person being an "**Indemnified Party**") to the fullest extent permitted by law, from and against any and all losses, claims, damages and liabilities, joint or several, to which such Indemnified Party may become subject under applicable federal or state law, or otherwise related to or arising out of the Conversion or the Offerings or the engagement of KBW pursuant to, or the performance by KBW of the services contemplated by, this Agreement, and will reimburse any Indemnified Party for all expenses (including reasonable attorney's fees and expenses) as they are incurred, including expenses incurred in connection with the investigation, preparing for or defending any such action or claim whether or not in connection with pending or threatened litigation, or any action or proceeding arising therefrom, whether or not KBW is a party; provided, however, that the Company will not be liable in any such case to the extent that any such loss, claim, damage, liability or expense (a) arises out of or is based upon any untrue statement of a material fact or the omission of a material fact required to be stated therein or necessary to make not misleading any statements contained in any final prospectus, or any amendment or supplement thereto, made in reliance on and in conformity with written information furnished to the Company by KBW expressly for use therein or (b) to the extent that any loss, claim, damage, liability or expense is found in a final judgment by a court of competent jurisdiction to have resulted primarily from KBW's gross negligence or bad faith of KBW.

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If the indemnification provided for in the foregoing paragraph is judicially determined to be unavailable (other than in accordance with the terms hereof) to any person otherwise entitled to indemnity in respect of any losses, claims, damages or liabilities referred to herein, then, in lieu of indemnifying such person hereunder, the Company shall contribute to the amount paid or payable by such person as a result of such losses, claims, damages or liabilities (and expenses relating thereto) (i) in such proportion as is appropriate to reflect the relative benefits to the Company, on the one hand, and KBW, on the other hand, of the engagement provided for in this Agreement or (ii) if the allocation provided for in clause (i) above is not available, in such proportion as is appropriate to reflect not only the relative benefits referred to in such clause (i) but also the relative fault of each of the Company and KBW, as well as any other relevant equitable considerations; provided, however in no event shall KBW's aggregate contribution to the amount paid or payable exceed the aggregate amount of fees actually received, or to be received, by KBW under this Agreement. For the purposes of this Agreement, the relative benefits to the Company and to KBW of the engagement under this Agreement shall be deemed to be in the same proportion as (a) the total value paid or contemplated to be paid to, or received or contemplated to be received by, the Company in the Conversion and the Offerings that are the subject of the engagement hereunder, whether or not consummated, bears to (b) the fees paid or to be paid to KBW under this Agreement.

The Company also agrees that neither KBW, nor any of its affiliates nor any officer, director, employee or agent of KBW or any of its affiliates, nor any person controlling KBW or any of its affiliates, shall have any liability to the Company for or in connection with such engagement except for any such liability for losses, claims, damages, liabilities or expenses incurred by the Company which we finally judicially determined to have resulted primarily from KBW's bad faith or gross negligence. The foregoing agreement shall be in addition to any rights that KBW, the Company or any Indemnified Party may have at common law or otherwise, including, but not limited to, any right to contribution. For the sole purpose of enforcing and otherwise giving effect to the indemnification and contribution provisions of this Agreement, the Company hereby consents to personal jurisdiction and service and venue in any court in which any claim which is subject to this Agreement is brought against KBW or any other indemnified party.

The Company agrees that it will not, without the prior written consent of KBW, settle or compromise or consent to the entry of any judgment with respect to any pending or threatened claim, action, suit or proceeding in respect of which indemnification or contribution may be sought hereunder (whether or not KBW is an actual or potential party to such claim, action, suit, or proceeding) unless such settlement, compromise or consent includes an unconditional release of KBW from all liability arising out of such claim, action, suit or proceeding.

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12. Definitive Agreement

This Agreement reflects KBW's present intention of proceeding to work with the Company on the proposed Offerings. No legal and binding obligation is created on the part of the Company or KBW with respect to the subject matter hereof, except as to (i) the agreement to maintain the confidentiality of Confidential Information set forth in Section 9, (ii) the payment of certain fees as set forth in Section 4, (iii) the payment of expenses as set forth in Section 6, (iv) the limitations set forth in Section 7, (v) the limitations of liability, the indemnification and contribution obligations and the other provisions set forth in Section 11 and (iv) those terms as may be set forth in a mutually agreed upon agency agreement between KBW and the Company to be executed prior to commencement of the Offerings (the "**Agency Agreement**"), all of which, notwithstanding anything to the contrary that may be contained herein, shall constitute the binding obligations of the parties hereto and which shall survive any termination of this Agreement or the completion of the services furnished hereunder and shall remain operative and in full force and effect.

The Company acknowledges and agrees that KBW's provision of services in connection with the Conversion and the Offerings, as contemplated herein, is expressly subject to (a) satisfactory completion of Due Diligence Review by KBW, (b) the preparation of a Registration Statement and Prospectus and other offering materials that are reasonably satisfactory to KBW in form and substance, (c) compliance with all applicable legal and regulatory requirements to the reasonable satisfaction of KBW and its counsel, (d) market conditions (including at the time of any of the proposed Offerings), (e) approval of KBW's internal committee and (f) any other conditions that KBW reasonably deems appropriate for the transactions contemplated hereby.

This Agreement constitutes the entire agreement between the parties with respect to the subject matter hereof and can be altered only by written consent signed by the parties. This Agreement shall be construed and enforced in accordance with the laws of the State of New York, without regard to the conflicts of laws principles thereof. **Any right to trial by jury with respect to any claim or action arising out of this Agreement or conduct in connection with the engagement is hereby waived by the parties hereto.**

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If the foregoing correctly sets forth our mutual understanding, please so indicate by signing and returning an original copy of this Agreement to the undersigned.

Very truly yours,

KEEFE, BRUYETTE & WOODS, INC.

By: /s/ James T. Crotty
James T. Crotty
Director

Date: 9/16/19

NORTH SHORE TRUST AND SAVINGS

NSTS FINANCIAL CORPORATION

Date: 10.23.19

NORTH SHORE, MHC

By: /s/ Stephen G. Lear
Stephen G. Lear
Chairman of the Board, President &
Chief Executive Officer

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**PLAN OF CONVERSION
OF
NORTH SHORE MHC**

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**PLAN OF CONVERSION OF
NORTH SHORE MHC**

1. INTRODUCTION. This Plan of Conversion (this “Plan”) provides for the conversion of North Shore MHC, a federally-chartered mutual holding company (the “Mutual Holding Company”), from the mutual to the capital stock form of organization. The Mutual Holding Company currently owns 100% of the common stock of NSTS Financial Corporation, a federally-chartered corporation (the “Mid-Tier Holding Company”), which owns 100% of the common stock of North Shore Trust and Savings (the “Bank”), a federally-chartered capital stock savings association.

As part of the Conversion, the Mutual Holding Company will merge with and into the Mid-Tier Holding Company with the Mid-Tier Holding Company as the surviving entity (the “MHC Merger”), to be followed immediately by a merger of the Mid-Tier Holding Company into a new Delaware stock holding company, NSTS Bancorp, Inc. (the “Holding Company”), with the Holding Company as the surviving entity (the “Mid-Tier Merger”). Upon consummation of the Conversion, the MHC Merger and the Mid-Tier Merger, the Mutual Holding Company and the Mid-Tier Holding Company will cease to exist and the Holding Company will succeed to all the rights and obligations of the Mutual Holding Company and the Mid-Tier Holding Company. A Liquidation Account will be established in the Holding Company for the benefit of Depositors as of specified dates in exchange for their interests in the Mutual Holding Company and the Mid-Tier Holding Company. After consummation of the Mid-Tier Merger, the Holding Company will offer shares of Conversion Stock on a priority basis in the Offering as provided herein. The Subscription Rights granted to Participants in the Subscription Offering are set forth in Sections 8 through 11 hereof. All sales of Common Stock in the Community Offering, the Syndicated Community Offering or in the Underwritten Public Offering, or in any other manner permitted by the Bank Regulators, will be at the sole discretion of the Boards of Directors. The Conversion will have no impact on Depositors, borrowers or other customers of the Bank. After the Conversion, the Bank’s insured deposits will continue to be insured by the FDIC to the extent provided by applicable law. At the discretion of the Boards of Directors, the Conversion may be effected in any other manner approved by the Bank Regulators that is consistent with the purposes of this Plan and applicable laws and regulations.

The purpose of the Conversion is to convert the Mutual Holding Company to the capital stock form of organization which will provide the Bank and the Holding Company with additional capital to grow and to respond to changing regulatory and market conditions. The capital raised in the Conversion will provide the Bank and the Holding Company with additional resources to support increased lending, the opening or acquisition of additional offices, and the acquisition of other financial institutions or businesses related to banking, and for other general corporate purposes. The Conversion will also provide the Bank and the Holding Company greater corporate flexibility to effect mergers, acquisitions and other business combinations. The Conversion will also facilitate the payment of dividends to stockholders of the Holding Company although there are no current plans to do so.

In furtherance of the Bank’s commitment to its community, this Plan contemplates that a contribution of stock and/or cash, subject to regulatory limitations, will be made to the Foundation. The further funding of the Foundation is intended to enhance the Bank’s existing community reinvestment activities in a manner that will allow the Bank’s local communities to share in the growth and profitability of the Holding Company and the Bank over the long term.

This Plan has been unanimously adopted by the Boards of Directors of the Mutual Holding Company, the Mid-Tier Holding Company and the Bank. This Plan must also be approved by at least a majority of the total number of votes eligible to be cast in person or by valid proxy by Voting Members. In addition, the contribution of Common Stock to the Foundation in connection with the Offering must be approved by at least a majority of the total number of votes eligible to be cast by Voting Members. Each Voting Member, who is a Depositor, will be entitled to cast one vote for each \$100, or fraction thereof, of deposits in the Bank on the Voting Record Date. Each Voting Member who was a borrower of the Bank as of July 18, 2005 shall be entitled to one vote for the period of time such borrowing is in existence. No Voting Member may cast more than 1,000 votes at the Special Meeting of Members. The Federal Reserve must approve this Plan and the transactions contemplated hereby before it is presented to Voting Members for their approval. The Boards of Directors determined that this Plan equitably provides for the interests of the Depositors through the granting of Subscription Rights and the establishment of the Liquidation Account and the Bank Liquidation Account. Approval of this Plan by the Voting Members shall constitute their approval of each of the transactions necessary to implement this Plan, including the MHC Merger and the Mid-Tier Merger. The Federal Reserve must approve this Plan before it is presented to the Voting Members for their approval.

2. DEFINITIONS. For the purposes of this Plan, the following terms have the following meanings:

Acting in Concert – The term Acting in Concert means (i) knowing participation in a joint activity or interdependent conscious parallel action towards a common goal whether or not pursuant to an express agreement; or (ii) a combination or pooling of voting or other interests in the securities of an issuer for a common purpose pursuant to any contract, understanding, relationship, agreement or other arrangement, whether written or otherwise. Persons living at the same address as indicated on the records of the Bank, whether or not related, will be deemed to be Acting in Concert, unless otherwise determined by the Boards of Directors. A person or company which acts in concert with another person or company (“other party”) shall also be deemed to be acting in concert with any person or company who is also acting in concert with that other party, except that any Tax-Qualified Employee Stock Benefit Plan will not be deemed to be acting in concert with its trustee or a person who serves in a similar capacity solely for the purpose of determining whether stock held by the trustee and stock held by the plan will be aggregated. The determination of whether a group is Acting in Concert shall be made solely by the Boards of Directors or Officers delegated such authority by the Boards, and may be based on any evidence upon which the Boards or such delegates choose to rely including, without limitation, the fact that such Persons have joint accounts at the Bank or that such Persons have filed joint Schedules 13D or Schedules 13G with the SEC with respect to other companies. Directors, Officers and Employees of the Holding Company, the Bank, the Mid-Tier Holding Company and the Mutual Holding Company shall not be deemed to be Acting in Concert solely as a result of their capacities as such.

Affiliate – Any Person that directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with another Person.

Application for Conversion – The application for the Conversion, including this Plan and all other requisite materials, which shall be submitted to the Federal Reserve for approval in accordance with Section 3 hereof.

Appraised Value Range – The range of the estimated consolidated pro forma market value of the Holding Company giving effect to the Conversion, which shall also be equal to the estimated pro forma market value of the total number of shares of Conversion Stock to be issued in the Conversion, as determined by the Independent Appraiser prior to the Subscription Offering and as it may be amended from time to time thereafter. The maximum and minimum of the Appraised Value Range may vary as much as 15% above and 15% below, respectively, the midpoint of the Appraised Value Range. The maximum of the Appraised Value Range may be adjusted by up to 15% subsequent to the commencement of the Subscription Offering to reflect changes in market or financial conditions or demand for the Common Stock.

Associate – The term Associate when used to indicate a relationship with any Person, means (i) any person who is related by blood or marriage to such person and who (A) lives in the same house as such Person, or (B) is a Director or Officer of the Bank, the Holding Company, the Mid-Tier Holding Company or a subsidiary of the Bank, the Holding Company or the Mid-Tier Holding Company, (ii) any corporation or organization (other than the Mutual Holding Company, the Mid-Tier Holding Company, the Holding Company, the Bank or a majority-owned subsidiary of any of such entities) if the person is an officer, director or owner, directly or indirectly, of more than 10% of any class of voting stock of the corporation or organization, (iii) any trust or other estate, if the person has a substantial beneficial interest in the trust or estate or is a trustee or fiduciary of the trust or estate except that for the purposes of this Plan relating to subscriptions in the Offering and the sale of Subscription Shares following the Conversion, a person who has a substantial beneficial interest in any Non-Tax-Qualified Employee Stock Benefit Plan or any Tax-Qualified Employee Stock Benefit Plan, or who is a trustee or fiduciary of such plan, is not an Associate of such plan, and except that, for purposes of aggregating total shares that may be held by Officers and Directors the term “Associate” does not include any Tax-Qualified Employee Stock Benefit Plan and (iv) any partnership in which the person is a general or limited partner.

Bank – North Shore Trust and Savings, Waukegan, Illinois.

Bank Liquidation Account – The account established by the Bank representing the liquidation interests received by Eligible Account Holders and Supplemental Eligible Account Holders in connection with the Conversion.

Bank Regulators – The Federal Reserve, the OCC and other bank regulatory agencies, if any, responsible for reviewing and approving the Conversion, including the ownership of the Bank by the Holding Company and the mergers required to effect the Conversion.

Boards of Directors – The boards of directors of the Bank, the Mid-Tier Holding Company, the Mutual Holding Company and/or the Holding Company as appropriate in the context.

Certificate of Incorporation – The Delaware Certificate of Incorporation of the Holding Company as in effect on the date of the Special Meeting of Members.

Certificate of Merger – The certificate of merger or any similar documents filed with the Secretary of State of Delaware, and any similar certificates or documents filed with the Bank Regulators or public authorities in connection with the consummation of the MHC Merger, the Mid-Tier Merger or the Conversion.

Code – The Internal Revenue Code of 1986, as amended.

Common Stock – The common stock, par value \$0.01 per share, of the Holding Company.

Community – Lake County, Illinois.

Community Offering – The offering of Subscription Shares not subscribed for in the Subscription Offering for sale to certain members of the general public directly by the Holding Company. The Community Offering, if any, may occur concurrently with the Subscription Offering or any Syndicated Community Offering or Underwritten Public Offering, or upon conclusion of the Subscription Offering.

Control – (Including the terms “controlling,” “controlled by,” and “under common control with”) means the direct or indirect power to direct or exercise a controlling influence over the management or policies of a Person, whether through the ownership of voting securities, by contract or otherwise as described in 12 C.F.R. Section 238.31.

Conversion – The conversion of the Mutual Holding Company to stock form pursuant to this Plan, and all steps incident or necessary thereto, including the Offering.

Conversion Stock – The Subscription Shares and the Foundation Shares.

Deposit Account – Any withdrawable account, including, without limitation, savings, time, demand, NOW accounts, money market and certificate accounts.

Depositor – Any Person holding a Deposit Account in the Bank.

Director – A member of the Board of Directors of the Bank, the Holding Company, the Mid-Tier Holding Company or the Mutual Holding Company, as appropriate in the context.

Eligible Account Holder – Any Person holding a Qualifying Deposit on the Eligibility Record Date for purposes of determining subscription rights and establishing subaccount balances in the Liquidation Account and the Bank Liquidation Account.

Eligibility Record Date – The date for determining Eligible Account Holders of the Bank, which is June 30, 2020.

Employee Plans – Any one or more Tax-Qualified Employee Stock Benefit Plans of the Bank or the Holding Company, including any ESOP and 401(k) Plan.

Employees – All Persons who are employed by the Bank, the Mid-Tier Holding Company, the Holding Company or the Mutual Holding Company.

ESOP – The Bank’s Employee Stock Ownership Plan and related trust.

FDIC – The Federal Deposit Insurance Corporation.

Federal Reserve – The Board of Governors of the Federal Reserve System.

Foundation – NSTS Charitable Foundation, (or any new charitable foundation intended to qualify as an exempt organization under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended), that will receive Common Stock and/or cash in connection with the Offering.

Foundation Shares – Shares of Common Stock issued to the Foundation in connection with the Conversion.

Holding Company – NSTS Bancorp, Inc., the Delaware corporation formed for the purpose of acquiring all of the shares of capital stock of the Bank in connection with the Conversion, which shall be the successor to the Mid-Tier Holding Company.

Independent Appraiser – The appraiser retained by the Mutual Holding Company, the Mid-Tier Holding Company and the Bank to prepare an appraisal of the pro forma market value of the Holding Company and the Conversion Stock.

Liquidation Account – The account established by the Holding Company as described in Section 19 representing the liquidation interests in the Holding Company that will be issued to Eligible Account Holders and Supplemental Eligible Account Holders in connection with the Mid-Tier Merger in exchange for their interests in the Mid-Tier Holding Company as part of the Conversion.

Member – Any Person who qualifies as a member of the Mutual Holding Company pursuant to its charter.

MHC Merger – The merger of the Mutual Holding Company with and into the Mid-Tier Holding Company, with the Mid-Tier Holding Company as the surviving entity, which merger shall occur immediately prior to the Mid-Tier Merger, as set forth in this Plan.

Mid-Tier Holding Company – NSTS Financial Corporation, an existing federally- chartered corporation and the sole stockholder of the Bank as of the date of the adoption of this Plan.

Mid-Tier Merger – The merger of the Mid-Tier Holding Company into the Holding Company, with the Holding Company as the resulting entity, which merger shall occur immediately following the MHC Merger, as set forth in this Plan.

Mutual Holding Company – North Shore MHC, a federally-chartered mutual holding company and the sole stockholder of the Mid-Tier Holding Company.

OCC – The Office of the Comptroller of the Currency.

Offering – The offering and issuance, pursuant to this Plan, of Common Stock in a Subscription Offering, Community Offering and/or Syndicated Community Offering or Underwritten Public Offering, as the case may be.

Offering Range – The range of the number of shares of Common Stock offered for sale in the Offering multiplied by the Purchase Price, which shall be based upon the Appraised Value Range. The maximum and minimum of the Offering Range may vary as much as 15% above and 15% below, respectively, the midpoint of the Offering Range.

Officer – The president, any vice-president (but not an assistant vice-president, second vice-president, or other vice-president having authority similar to an assistant or second vice-president), the secretary, the treasurer, the comptroller, or any other person performing similar functions with respect to any organization whether incorporated or unincorporated. The term Officer also includes the chairman of the Boards of Directors if the chairman is authorized by the charter or bylaws of the organization to participate in its operating management or if the chairman in fact participates in such management.

Order Form – Any form (together with any cover letter and acknowledgments) sent to any Participant or Person containing, among other things, a description of the alternatives available to such Person under this Plan and by which any such Person may make elections regarding subscriptions for Subscription Shares.

Other Member – Any Person holding a Deposit Account on the Voting Record Date who is not an Eligible Account Holder or Supplemental Eligible Account Holder, and any borrower from the Bank who qualifies as a Voting Member.

Participant – Any Eligible Account Holder, Employee Plan, Supplemental Eligible Account Holder or Other Member.

Parties – The Mutual Holding Company, the Mid-Tier Holding Company, the Holding Company and the Bank.

Person – An individual, a corporation, a partnership, an association, a joint-stock company, a limited liability company, a trust, an unincorporated organization, or a government or political subdivision of a government.

Plan – This Plan of Conversion of the Mutual Holding Company, the Mid-Tier Holding Company and the Bank as it exists on the date hereof and as it may hereafter be amended in accordance with its terms.

Prospectus – The one or more documents used in offering the Conversion Stock.

Purchase Price – The price per share at which the Conversion Stock will be sold to Participants and others in the Offering. The Purchase Price will be \$10.00 unless otherwise determined by the Board of Directors of the Holding Company, and will be fixed prior to the commencement of the Subscription Offering.

Qualifying Deposit – The aggregate balance of all Deposit Accounts in the Bank of (i) an Eligible Account Holder at the close of business on the Eligibility Record Date, provided such aggregate balance is not less than \$50 or (ii) a Supplemental Eligible Account Holder at the close of business on the Supplemental Eligibility Record Date, provided such aggregate balance is not less than \$50.

Qualifying Depositor – Any Person holding a Qualifying Deposit in the Bank.

Resident – Any Person who occupies a dwelling within the Community, has a present intent to remain within the Community for a period of time, and manifests the genuineness of that intent by establishing an ongoing physical presence within the Community together with an indication that such presence within the Community is something other than merely transitory in nature. To the extent the Person is a corporation or other business entity, to be a Resident the principal place of business or headquarters of the corporation or business entity must be in the Community. To the extent a Person is a personal benefit plan, the circumstances of the beneficiary shall apply with respect to this definition. In the case of all other benefit plans, circumstances of the trustee shall be examined for purposes of this definition. The Mutual Holding Company, the Holding Company and the Bank may utilize deposit or loan records or such other evidence provided to it to make a determination as to whether a Person is a resident. In all cases, however, such a determination shall be in the sole discretion of the Mutual Holding Company, the Holding Company and the Bank. A Person must be a “Resident” for purposes of determining whether such person “resides” in the Community as such term is used in this Plan.

SEC – The United States Securities and Exchange Commission.

Special Meeting of Members – The special meeting of Voting Members held to consider and vote upon this Plan, including any adjournments thereof.

Subscription Offering – The offering of Subscription Shares to Participants.

Subscription Rights – The nontransferable rights to subscribe for Conversion Stock granted to Participants pursuant to the terms of this Plan.

Subscription Shares – Shares of Common Stock offered for sale in the Offering.

Supplemental Eligible Account Holder – Any Person, other than Directors and Officers of the Mutual Holding Company, the Bank, the Mid-Tier Holding Company and the Holding Company and their Associates, holding a Qualifying Deposit on the Supplemental Eligibility Record Date, who is not an Eligible Account Holder.

Supplemental Eligibility Record Date – The date for determining Supplemental Eligible Account Holders, which shall be the last day of the calendar quarter preceding Federal Reserve approval of the Application for Conversion. The Supplemental Eligibility Record Date will only occur if the Federal Reserve has not approved the Conversion within 15 months after the Eligibility Record Date.

Syndicated Community Offering – The offering, at the sole discretion of the Holding Company, of Conversion Stock not subscribed for in the Subscription Offering and the Community Offering, to members of the general public through a syndicate of broker-dealers. The Syndicated Community Offering may occur following or concurrently with the Subscription Offering or any Community Offering or Underwritten Public Offering.

Tax-Qualified Employee Stock Benefit Plan – Any defined benefit plan or defined contribution plan, such as an employee stock ownership plan, stock bonus plan, profit-sharing plan or other plan, which, with its related trust, meets the requirements to be “qualified” under Section 401 of the Code. A “Non-Tax-Qualified Employee Stock Benefit Plan” is any defined benefit plan or defined contribution plan which is not so qualified.

Underwriter – Any investment banking firm or firms purchasing and distributing the Common Stock in the Underwritten Public Offering.

Underwritten Public Offering – The offering, at the sole discretion of the Holding Company, of Conversion Stock not subscribed for in the Subscription Offering or any Community Offering or Syndicated Community Offering, to members of the general public through one or more Underwriters on a firm commitment basis. An Underwritten Public Offering may occur following or concurrently with the Subscription Offering or any Community Offering or Syndicated Community Offering.

Voting Member – Any Person who at the close of business on the Voting Record Date is entitled to vote at the Special Meeting of Members.

Voting Record Date – The date fixed by the Directors for determining eligibility to vote at the Special Meeting of Members.

3. PROCEDURES FOR CONVERSION.

A. After approval of this Plan by the Boards of Directors, this Plan together with all other requisite materials shall be submitted to the Bank Regulators for approval. Notice of the adoption of this Plan by the Boards of Directors will be published in a newspaper having general circulation in each community in which an office of the Bank is located, and copies of this Plan will be made available at each office of the Bank for inspection by Depositors. The Mutual Holding Company will publish a notice of the filing with the Bank Regulators of an Application for Conversion in accordance with the provisions of this Plan as well as notices required in connection with any holding company, merger or other applications required to complete the Conversion.

B. Promptly following approval by the Bank Regulators, this Plan will be submitted to a vote of the Voting Members at the Special Meeting of Members. The Mutual Holding Company will mail to all Voting Members, at their last known address appearing on the records of the Bank as of the Voting Record Date, a proxy statement describing this Plan. The Holding Company also will mail to all Participants a Prospectus and Order Form for the purchase of Subscription Shares. In addition, all Participants will receive, or will be given the opportunity to request by either telephone or by letter addressed to the Bank's Secretary, a copy of the Plan as well as a copy of the Certificate of Incorporation and bylaws of the Holding Company. The Plan must be approved by at least a majority of the total votes eligible to be cast by Voting Members at the Special Meeting of Members. Upon such approval of the Plan, the Mutual Holding Company, the Mid-Tier Holding Company, the Holding Company and the Bank will take all other necessary steps pursuant to applicable laws and regulations to consummate the Conversion. The Conversion must be completed within 24 months of the approval of this Plan by Voting Members, unless a longer time period is permitted by governing laws and regulations.

C. The period for the Subscription Offering will be not less than 20 days nor more than 45 days from the date Participants are first mailed a Prospectus and Order Form, unless extended. Any shares of Common Stock for which subscriptions have not been received in the Subscription Offering may be offered for sale in a Community Offering, a Syndicated Community Offering or an Underwritten Public Offering, or in any other manner permitted by the Bank Regulators. All sales of shares of Common Stock must be completed within 45 days after the last day of the Subscription Offering, unless the offering period is extended by the Holding Company with the approval of the Bank Regulators.

D. Approval of this Plan by Voting Members also shall constitute approval of each of the actions, transactions and documents necessary to implement this Plan, including the MHC Merger, the Mid-Tier Merger and the Certificate of Incorporation of the Holding Company.

E. The Conversion will be effected as follows, or in any other manner that is consistent with the purposes of this Plan and applicable laws and regulations. The choice of which method to use to effect the Conversion will be made by the Boards of Directors prior to the closing of the Conversion. Each of the steps set forth below shall occur in the order set forth below pursuant to this Plan, the intent of the Boards of Directors, and applicable federal and state regulations and policy.

- (1) The Holding Company will be organized as a first-tier stock subsidiary of the Mid-Tier Holding Company.
- (2) The Mutual Holding Company will merge with the Mid-Tier Holding Company, with the Mid-Tier Holding Company as the surviving entity pursuant to the Agreement of Merger attached hereto as Exhibit A, whereby the shares of Mid-Tier Holding Company common stock held by the Mutual Holding Company will be canceled and Qualifying Depositors will constructively receive liquidation interests in the Mid-Tier Holding Company in exchange for their ownership interests in the Mutual Holding Company.

- (3) Immediately after the MHC Merger, the Mid-Tier Holding Company will merge with the Holding Company, with the Holding Company as the surviving entity pursuant to the Agreement of Merger attached hereto as Exhibit B, whereby the Bank will become the wholly-owned subsidiary of the Holding Company. As part of the Mid-Tier Merger, the liquidation interests in the Mid-Tier Holding Company constructively received by Qualifying Depositors as part of the MHC Merger will automatically, without further action on the part of the holders thereof, be exchanged for interests in the Liquidation Account.
- (4) Immediately after the Mid-Tier Merger, the Holding Company will offer for sale the Holding Company Common Stock in the Offering.
- (5) The Holding Company will contribute at least 50% of the net proceeds of the Offering to the Bank in constructive exchange for additional shares of common stock of the Bank and in exchange for the Bank Liquidation Account.

F. The effective date of the Conversion (although, for the avoidance of doubt, the steps set forth in Section 3.E.(1) through (3) above shall occur and be effective in the order set for in Section 3.E.(1) through (3) and the effective times of such steps as set forth in all applicable filings with applicable government authorities shall reflect such order) shall be the date upon which the last of the following actions occurs: (i) the filing of Certificates of Merger with the Secretary of State of Delaware and Federal Reserve, as required, with respect to the MHC Merger and the Mid-Tier Merger, or (ii) the closing of the issuance of shares of Conversion Stock in the Offering. The filing of Certificates of Merger relating to the MHC Merger and the Mid-Tier Merger and the closing of the issuance of shares of Conversion Stock in the Offering shall not occur until all requisite approvals of Bank Regulators and Voting Members have been obtained, all applicable waiting periods have expired and sufficient subscriptions and orders for the Conversion Stock have been received. It is intended that the closing of the MHC Merger, the Mid-Tier Merger and the sale of Conversion Stock in the Offering shall occur consecutively and substantially simultaneously.

G. The Holding Company shall register the Conversion Stock with the SEC and any appropriate state securities authorities. In addition, the Holding Company shall prepare a preliminary prospectus as well as other applications and information for filing with the SEC in connection with the offering and sale of the Conversion Stock.

H. All assets, rights, interests, privileges, powers, franchises and property (real, personal and mixed) of the Mid-Tier Holding Company and Mutual Holding Company shall be automatically transferred to and vested in the Holding Company by virtue of the Conversion without any deed or other document of transfer. The Holding Company, without any order or action on the part of any court or otherwise and without any documents of assumption or assignment, shall hold and enjoy all of the properties, franchises and interests, including appointments, powers, designations, nominations and all other rights and interests as the agent or other fiduciary in the same manner and to the same extent as other fiduciary in the same manner and to the same extent as such rights, franchises, interests and powers were held or enjoyed by the Mutual Holding Company and the Mid-Tier Holding Company. The Holding Company shall be responsible for all of the liabilities, restrictions and duties of every kind and description of the Mid-Tier Holding Company and the Mutual Holding Company immediately prior to the Conversion, including liabilities for all debts, obligations and contracts of the Mutual Holding Company, matured or unmatured, whether accrued, absolute, contingent or otherwise and whether or not reflected or reserved against on balance sheets, books of accounts or records of the Mid-Tier Holding Company or the Mutual Holding Company.

I. The home office and branch offices of the Bank shall be unaffected by the Conversion. The executive offices of the Holding Company shall be located at the current executive offices of the Mid-Tier Holding Company or as otherwise determined by the Board of Directors.

4 . REGULATORY APPLICATIONS AND APPROVALS . The Boards of Directors will take all necessary steps to effectuate the Conversion. The Mutual Holding Company, the Mid-Tier Holding Company, the Holding Company and the Bank shall make timely applications to the Bank Regulators and filings with the SEC for any requisite regulatory approvals to complete the Conversion.

5 . SALE OF COMMON STOCK. The Holding Company shall file a registration statement with the SEC under the Securities Act of 1933, as amended, to register the Conversion Stock and shall register such Conversion Stock under any applicable state securities laws subject to Section 18 hereof. Upon registration and after the receipt of all required regulatory approvals, Common Stock shall be first offered for sale simultaneously in the Subscription Offering to Participants in the respective priorities set forth in this Plan. The Subscription Offering may begin as early as the mailing of the proxy statement for the Special Meeting of Members. The offer and sale of Common Stock prior to the Special Meeting of Members, however, is subject to the approval of this Plan by the requisite vote of the Voting Members. The Common Stock will not be insured by the FDIC. The Bank will not extend credit to any Person to purchase shares of Common Stock.

Any shares of Common Stock for which subscriptions have not been received in the Subscription Offering may be offered for sale in the Community Offering, subject to the terms and conditions of this Plan. The Community Offering, if any, will involve an offering of unsubscribed shares directly to the general public with a first preference given to those natural persons and trusts of natural persons residing in the Community. The Community Offering, if any, may begin simultaneously with, at any time during, or after the Subscription Offering.

If feasible, any shares of Common Stock remaining unsold after the Subscription Offering and any Community Offering may be offered for sale in a Syndicated Community Offering or an Underwritten Public Offering, or in any manner that will achieve a widespread distribution of the Common Stock. The issuance of Common Stock in the Subscription Offering and any Community Offering will be consummated simultaneously on the date the sale of Common Stock is consummated in any Syndicated Community Offering or Underwritten Public Offering, and only if the required minimum number of shares of Common Stock has been issued.

6. PURCHASE PRICE AND NUMBER OF SUBSCRIPTION SHARES The Purchase Price for the Conversion Stock shall be a uniform price, except that the price to be paid by or through the Underwriters in connection with an Underwritten Public Offering may be less a negotiated Underwriters' commission or discount.

The total number of shares of Conversion Stock to be offered in the Conversion will be determined by the Boards of Directors immediately prior to the commencement of the Subscription Offering, and will be based on the Appraised Value Range, as determined by the Independent Appraiser, and the Purchase Price. The Offering Range will be equal to the Appraised Value Range. The estimated pro forma consolidated market value of the Holding Company will be subject to adjustment within the Appraised Value Range if necessitated by market or financial conditions, with the receipt of any required approvals of the Bank Regulators, and the maximum of the Appraised Value Range may be increased by up to 15% subsequent to the commencement of the Subscription Offering to reflect changes in market and financial conditions or demand for the shares.

In the event that the Purchase Price multiplied by the number of shares of Conversion Stock to be issued in the Conversion is below the minimum of the Appraised Value Range, or materially above the maximum of the Appraised Value Range, a resolicitation of purchasers may be required, *provided* that up to a 15% increase above the maximum of the Appraised Value Range will not be deemed material so as to require a resolicitation. Any such resolicitation shall be effected in such manner and within such time as the Mutual Holding Company and the Holding Company shall establish, subject to any required regulatory approvals.

Notwithstanding the foregoing, shares of Conversion Stock will not be issued unless, prior to the consummation of the Conversion, the Independent Appraiser confirms to the Bank, the Mutual Holding Company, the Mid-Tier Holding Company, the Holding Company, and the Bank Regulators, that, to the best knowledge of the Independent Appraiser, nothing of a material nature has occurred which, taking into account all relevant factors, would cause the Independent Appraiser to conclude that the number of shares of Common Stock sold in the Conversion multiplied by the Purchase Price is incompatible with its estimate of the aggregate consolidated pro forma market value of the Holding Company. If such confirmation is not received, the Holding Company may cancel the Offering, extend the Offering and establish a new Purchase Price and/or Appraised Value Range, hold a new Offering after canceling the Offering, or take such other action as the Bank Regulators may permit.

The Common Stock to be issued in the Conversion shall be fully paid and nonassessable.

7. RETENTION OF CONVERSION PROCEEDS BY THE HOLDING COMPANY. The Holding Company may retain up to 50% of the net proceeds of the Offering. The Holding Company believes that the Offering proceeds will provide economic strength to the Holding Company and the Bank for the future in a highly competitive and regulated financial services environment, and will support the growth of the Holding Company and the Bank through increased lending, acquisitions of financial service organizations, continued diversification into other related businesses and for other business and investment purposes, including the future payment of dividends and future repurchases of Common Stock as permitted by applicable federal and state regulations and policy.

8. SUBSCRIPTION RIGHTS OF ELIGIBLE ACCOUNT HOLDERS (FIRST PRIORITY).

A. Each Eligible Account Holder shall have a nontransferable subscription right to subscribe in the Subscription Offering for up to the greater of \$300,000.00 of Common Stock, 0.10% of the total number of shares of Common Stock issued in the Offering, or 15 times the product (rounded down to the next whole number) obtained by multiplying the number of Subscription Shares offered in the Offering by a fraction of which the numerator is the amount of the Eligible Account Holder's Qualifying Deposit and the denominator is the total amount of Qualifying Deposits of all Eligible Account Holders, in each case on the Eligibility Record Date, subject to the purchase limitations specified in Section 14.

B. In the event that Eligible Account Holders exercise subscription rights for a number of Subscription Shares in excess of the total number of such shares eligible for subscription, the Subscription Shares shall be allocated among the subscribing Eligible Account Holders so as to permit each subscribing Eligible Account Holder to purchase a number of shares sufficient to make his or her total allocation of Subscription Shares equal to the lesser of 100 shares or the number of shares for which such Eligible Account Holder has subscribed. Any remaining shares will be allocated among the subscribing Eligible Account Holders whose subscriptions remain unsatisfied in the proportion that the amount of the Qualifying Deposit of each Eligible Account Holder whose subscription remains unsatisfied bears to the total amount of the Qualifying Deposits of all Eligible Account Holders whose subscriptions remain unsatisfied. If the amount so allocated exceeds the amount subscribed for by any one or more Eligible Account Holders, the excess shall be reallocated (one or more times as necessary) among those Eligible Account Holders whose subscriptions are still not fully satisfied on the same principle until all available shares have been allocated. To ensure proper allocation of stock, each Eligible Account Holder must list on his or her subscription Order Form all accounts in which he or she had an ownership interest as of the Eligibility Record Date.

C. Officers and directors of the Bank, and their Associates, may qualify as Eligible Account Holders. However, subscription rights as Eligible Account Holders received by Directors and Officers and their Associates that are based on increases in deposits made by such persons during the 12 months preceding the Eligibility Record Date shall be subordinated to the subscription rights of all other Eligible Account Holders, except as permitted by the Bank Regulators.

9 . SUBSCRIPTION RIGHTS OF EMPLOYEE PLANS (SECOND PRIORITY) The Employee Plans of the Holding Company and the Bank shall have subscription rights to purchase in the aggregate up to 10% of the Subscription Shares issued in the Offering and contributed to the Foundation, including any Subscription Shares to be issued as a result of an increase in the maximum of the Offering Range after commencement of the Subscription Offering and prior to completion of the Conversion. Consistent with applicable laws, regulations, practices and policies, the Employee Plans may use funds contributed by the Holding Company or the Bank and/or borrowed from an independent financial institution to exercise such subscription rights, and the Holding Company and the Bank may make scheduled discretionary contributions thereto, provided that such contributions do not cause the Holding Company or the Bank to fail to meet any applicable regulatory capital requirements. The Employee Plans shall not be deemed to be Associates or Affiliates of or Persons Acting in Concert with any Director or Officer of the Mutual Holding Company, the Mid-Tier Holding Company, the Holding Company or the Bank. Alternatively, if permitted by the Bank Regulators, the Employee Plans may purchase all or a portion of such shares in the open market after the completion of the Conversion.

10. SUBSCRIPTION RIGHTS OF SUPPLEMENTAL ELIGIBLE ACCOUNT HOLDERS (THIRD PRIORITY)

A. Each Supplemental Eligible Account Holder shall have a nontransferable subscription right to subscribe in the Subscription Offering for up to the greater of \$300,000.00 of Common Stock, 0.10% of the total number of shares of Common Stock issued in the Offering, or 15 times the product (rounded down to the next whole number) obtained by multiplying the number of Subscription Shares offered in the Offering by a fraction of which the numerator is the amount of the Supplemental Eligible Account Holder's Qualifying Deposit and the denominator is the total amount of Qualifying Deposits of all Supplemental Eligible Account Holders, in each case on the Supplemental Eligibility Record Date, subject to the availability of sufficient shares after filling in full all subscription orders of Eligible Account Holders and Employee Plans and subject to the purchase limitations specified in Section 14.

B. In the event that Supplemental Eligible Account Holders exercise subscription rights for a number of Subscription Shares in excess of the total number of such shares eligible for subscription following subscriptions by Eligible Account Holders and Employee Plans, the Subscription Shares shall be allocated among the subscribing Supplemental Eligible Account Holders so as to permit each subscribing Supplemental Eligible Account Holder, to the extent possible, to purchase a number of shares sufficient to make his or her total allocation of Subscription Shares equal to the lesser of 100 shares or the number of shares for which such Supplemental Eligible Account Holder has subscribed. Any remaining shares will be allocated among the subscribing Supplemental Eligible Account Holders whose subscriptions remain unsatisfied in the proportion that the amount of the Qualifying Deposit of such Supplemental Eligible Account Holder whose subscription remains unsatisfied bears to the total amount of the Qualifying Deposits of all Supplemental Eligible Account Holders whose subscriptions remain unsatisfied. If the amount so allocated exceeds the amount subscribed for by any one or more Supplemental Eligible Account Holders, the excess shall be reallocated (one or more times as necessary) among those Supplemental Eligible Account Holders whose subscriptions are still not fully satisfied on the same principle until all available shares have been allocated.

11. SUBSCRIPTION RIGHTS OF OTHER MEMBERS (FOURTH PRIORITY)

A. Each Other Member shall have a nontransferable subscription right to subscribe in the Subscription Offering for up to the greater of \$300,000.00 of Common Stock or 0.10% of the total number of shares of Common Stock issued in the Offering, subject to the availability of sufficient shares after filling in full all subscription orders of Eligible Account Holders, Employee Plans and Supplemental Eligible Account Holders, and subject to the purchase limitations specified in Section 14.

B. In the event that such Other Members subscribe for a number of Subscription Shares which, when added to the Subscription Shares subscribed for by the Eligible Account Holders, Employee Plans and Supplemental Eligible Account Holders, is in excess of the total number of Subscription Shares to be issued, the available shares will be allocated among Other Members so as to permit each such subscribing Other Member, to the extent possible, to purchase a number of shares sufficient to make his or her total allocation of Subscription Shares equal to the lesser of 100 shares or the number of shares for which each such Other Member has subscribed. Any remaining shares will be allocated among the subscribing Other Members whose subscriptions remain unsatisfied in the proportion that the amount of the subscription of each such Other Member bears to the total amount of the subscriptions of all Other Members whose subscriptions remain unsatisfied.

12. COMMUNITY OFFERING. If subscriptions are not received for all Subscription Shares offered for sale in the Subscription Offering, shares for which subscriptions have not been received may be sold in a Community Offering, and the Holding Company may utilize a direct community marketing program which may use a broker, dealer, consultant or investment banking firm experienced and expert in the sale of savings institutions securities. Such entities may be compensated on a fixed fee basis or on a commission basis, or a combination thereof. In the event orders for Common Stock in the Community Offering exceed the number of shares available for sale, shares may be allocated (to the extent shares remain available) first to cover orders of natural persons (including trusts of natural persons) residing in the Community, and thereafter to cover orders of other members of the general public. In the event orders for Common Stock exceed the number of shares available for sale in a category pursuant to the purchase priorities described in the preceding sentence, shares will be allocated within the category so that each member of that category will receive the lesser of 100 shares or the amount ordered, and thereafter remaining shares will be allocated on an equal number of shares basis per order. In connection with the allocation, orders received for Subscription Shares in the Community Offering will first be filled up to a maximum of two percent (2%) of the shares sold in the Offering, and thereafter any remaining shares will be allocated on an equal number of shares basis per order. The Holding Company shall use its best efforts consistent with this Plan to distribute Common Stock sold in the Community Offering in such a manner as to promote the widest distribution practicable of such stock. The Holding Company reserves the right to reject any or all orders, in whole or in part, that are received in the Community Offering. In the Community Offering, any Person may purchase up to \$300,000.00 of Common Stock in the Community Offering, subject to the purchase limitations specified in Section 14.

13. SYNDICATED COMMUNITY OFFERING OR UNDERWRITTEN OFFERING. The Boards of Directors may determine to offer Subscription Shares not sold in the Subscription Offering or the Community Offering, if any, for sale in a Syndicated Community Offering, subject to such terms, conditions and procedures that will achieve the widest distribution of Common Stock, and subject to the right of the Holding Company to accept or reject in whole or in part any orders in the Syndicated Community Offering. In the Syndicated Community Offering, any Person may purchase up to \$300,000.00 of Common Stock, subject to the purchase limitations specified in Section 14. In addition, unless otherwise approved or permitted by the Federal Reserve, orders received for Subscription Shares in the Syndicated Community Offering will first be filled up to a maximum of two percent (2%) of the shares sold in the Offering, and thereafter any remaining shares will be allocated on an equal number of shares basis per order. Provided that the Subscription Offering has begun, the Holding Company may begin the Syndicated Community Offering at any time. The Holding Company reserves the right to reject any or all orders, in whole or in part, that are received in the Syndicated Community Offering.

Alternatively, the Boards of Directors may determine to offer Subscription Shares not sold in the Subscription Offering or any Community Offering for sale to or through Underwriters in an Underwritten Public Offering, subject to such terms, conditions and procedures that will achieve the widest distribution of Common Stock, and subject to the right of the Holding Company to accept or reject in whole or in part any orders in the Underwritten Public Offering. In addition, unless otherwise approved or permitted by the Federal Reserve, orders received for Subscription Shares in the Underwritten Public Offering will first be filled up to a maximum of two percent (2%) of the shares sold in the Offering, and thereafter any remaining shares will be allocated on an equal number of shares basis per order. Provided the Subscription Offering has begun, the Holding Company may begin the Underwritten Public Offering at any time. The limitations on purchases of Conversion Stock set forth in Section 14 of this Plan shall not be applicable to sales to Underwriters in the Underwritten Public Offering. Any such Underwriter shall agree to purchase such shares from the Holding Company with a view to reoffering them to the general public at the Purchase Price, subject to the following terms and conditions:

(i) Any underwriting agreement shall provide that the Underwriters shall agree to purchase all shares of Conversion Stock not sold in the Subscription Offering, any Community Offering or any Syndicated Community Offering; and

(ii) The aggregate price paid to the Holding Company by or through one or more Underwriters for the Conversion Stock shall be the number of shares sold multiplied by the Purchase Price, less the amount of an underwriting discount as negotiated between the Bank, the Holding Company and the Underwriters and approved by the Financial Industry Regulatory Authority.

If for any reason a Syndicated Community Offering or Underwritten Public Offering of shares of Common Stock not sold in the Subscription Offering or any Community Offering cannot be effected, or in the event that any insignificant residue of shares of Common Stock is not sold in the Subscription Offering, Community Offering, or any Syndicated Community Offering or Underwritten Public Offering, the Holding Company will use its best efforts to make other arrangements for the disposition of unsubscribed shares aggregating at least the minimum of the Offering Range. Such other purchase arrangements will be subject to receipt of any required approval of the Bank Regulators.

14. LIMITATIONS ON PURCHASES. The following limitations shall apply to all purchases and issuances of shares of Conversion Stock:

A. The maximum purchase of Common Stock in the subscription offering by a person or group of persons through a single deposit account is \$300,000.00. The maximum number of shares of Common Stock that may be subscribed for or purchased in all categories in the Offering by any Person or Participant, together with any Associate or group of Persons Acting in Concert, shall not exceed \$400,000.00 of Common Stock, except that the Employee Plans may subscribe for up to 10% of the Common Stock issued in the Offering and contributed to the Foundation.

B. The maximum number of shares of Common Stock that may be issued to or purchased in all categories of the Offering by Officers and Directors and their Associates in the aggregate shall not exceed 31% of the shares of Common Stock issued in the Offering and contributed to the Foundation.

C. A minimum of 25 shares of Common Stock must be purchased by each Person or Participant purchasing shares in the Offering to the extent those shares are available; *provided, however*, that in the event the minimum number of shares of Common Stock purchased times the Purchase Price exceeds \$500, then such minimum purchase requirement shall be reduced to such number of shares which when multiplied by the price per share shall not exceed \$500, as determined by the Board.

D. If the number of shares of Common Stock otherwise allocable pursuant to Sections 8 through 13, inclusive, to any Person or that Person's Associates would be in excess of the maximum number of shares permitted as set forth above, the number of shares of Common Stock allocated to each such person shall be reduced to the lowest limitation applicable to that Person, and then the number of shares allocated to each group consisting of a Person and that Person's Associates shall be reduced so that the aggregate allocation to that Person and his or her Associates complies with the above limits.

Depending upon market or financial conditions, the Boards of Directors, with the receipt of any required approvals of the Bank Regulators and without further approval of Voting Members, may decrease or increase the purchase limitations in this Plan, *provided* that the maximum purchase limitations may not be increased to a percentage in excess of 5% of the shares issued in the Offering except as provided below. If the Holding Company increases the maximum purchase limitations, the Holding Company is only required to resolicit Participants who subscribed for the maximum purchase amount in the Subscription Offering and may, in the sole discretion of the Holding Company, resolicit certain other large purchasers. In the event of such a resolicitation, the Holding Company shall have the right, in its sole discretion, to require such persons to supply immediately available funds for the purchase of additional shares of Common Stock. In the event that the maximum purchase limitation is increased to 5% of the shares issued in the Offering, such limitation may be further increased to 9.99%, subject to Federal Reserve approval, and *provided* that orders for Common Stock exceeding 5% of the shares of Common Stock issued in the Offering shall not exceed in the aggregate 10% of the total shares of Common Stock issued in the Offering. Decisions on whether to fulfill requests to purchase additional shares of the Common Stock in the event that the purchase limitation is so increased will be made by the Board of Directors of the Holding Company in its sole discretion.

In the event of an increase in the total number of shares offered in the Offering due to an increase in the maximum of the Offering Range of up to 15% (the "Adjusted Maximum"), the additional shares may be used to fill orders of the Employee Plans before all other orders, and then will be allocated in accordance with the priorities set forth in this Plan.

For purposes of this Section 14, (i) Directors, Officers and Employees of the Bank, the Mutual Holding Company, the Mid-Tier Holding Company and the Holding Company or any of their subsidiaries shall not be deemed to be Associates or a group affiliated with each other or otherwise Acting in Concert solely as a result of their capacities as such, (ii) shares purchased by Tax-Qualified Employee Stock Benefit Plans shall not be attributable to the individual trustees or beneficiaries of any such plans for purposes of determining compliance with the limitations set forth in paragraphs A and B of this Section 14, and (iii) shares purchased by a Tax-Qualified Employee Stock Benefit Plan pursuant to instructions of an individual in an account in such plan in which the individual has the right to direct the investment, including any plan of the Bank qualified under Section 401(k) of the Code, shall be aggregated and included in that individual's purchases and not attributed to the Tax-Qualified Employee Stock Benefit Plan.

Each Person purchasing Common Stock in the Offering shall be deemed to confirm that such purchase does not conflict with the above purchase limitations contained in this Plan.

15. PAYMENT FOR SUBSCRIPTION SHARES. All payments for Common Stock subscribed for in the Subscription Offering and Community Offering must be delivered in full to the Bank or Holding Company, together with a properly completed and executed Order Form, on or prior to the expiration date of the Offering; *provided, however,* that if the Employee Plans subscribe for shares in the Subscription Offering, such plans will not be required to pay for the shares at the time they subscribe but rather may pay for shares of Common Stock subscribed for by such plans at the Purchase Price upon consummation of the Conversion. Subscription funds will be held in a segregated account at the Bank.

Except as set forth in Section 14 above, payment for Common Stock subscribed for shall be made by personal check, money order or bank draft. Alternatively, subscribers in the Subscription and Community Offerings may pay for the shares for which they have subscribed by authorizing the Bank on the Order Form to make a withdrawal from the designated types of Deposit Accounts at the Bank in an amount equal to the aggregate Purchase Price of such shares. Such authorized withdrawal shall be without penalty as to premature withdrawal. If the authorized withdrawal is from a certificate account, and the remaining balance does not meet the applicable minimum balance requirement, the certificate shall be canceled at the time of withdrawal, without penalty, and the remaining balance will earn interest at the Bank's savings rate. Funds for which a withdrawal is authorized will remain in the subscriber's Deposit Account but may not be used by the subscriber during the Subscription and Community Offerings. Thereafter, the withdrawal will be given effect only to the extent necessary to satisfy the subscription (to the extent it can be filled) at the Purchase Price per share. Interest will continue to be earned on any amounts authorized for withdrawal until such withdrawal is given effect. Interest on funds received by check, draft or money order will be paid by the Bank at not less than the Bank's savings rate. Such interest will be paid from the date payment is processed by the Bank until consummation or termination of the Offering. If for any reason the Offering is not consummated, all payments made by subscribers in the Subscription and Community Offerings will be refunded to them, with interest. In the case of amounts authorized for withdrawal from Deposit Accounts, refunds will be made by canceling the authorization for withdrawal. The Bank is prohibited by regulation from knowingly making any loans or granting any lines of credit for the purchase of stock in the Offering, and therefore, will not do so.

16. MANNER OF EXERCISING SUBSCRIPTION RIGHTS THROUGH ORDER FORMS As soon as practicable after the registration statement prepared by the Holding Company has been declared effective by the SEC and the Application for Conversion has been approved by the Bank Regulators, Order Forms will be distributed to the Eligible Account Holders, Employee Plans, Supplemental Eligible Account Holders and Other Members at their last known addresses appearing on the records of the Bank for the purpose of subscribing for shares of Common Stock in the Subscription Offering and will be made available for use by those Persons to whom a Prospectus is delivered. Each Order Form will be preceded or accompanied by a Prospectus describing the Mutual Holding Company, the Mid-Tier Holding Company, the Holding Company, the Bank, the Common Stock and the Offering. Each Order Form will contain, among other things, the following:

A. A specified date by which all Order Forms must be received by the Holding Company or its agent, which date shall be not less than 20 days, nor more than 45 days, following the date on which the Order Forms are first mailed to Participants by the Holding Company, and which date will constitute the expiration of the Subscription Offering unless extended;

B. The Purchase Price for shares of Common Stock to be sold in the Offering;

C. A description of the minimum and maximum number of Subscription Shares which may be subscribed for pursuant to the exercise of subscription rights, or otherwise purchased in the Subscription and Community Offering;

D. Instructions as to how the recipient of the Order Form is to indicate thereon the number of Subscription Shares for which such Person elects to subscribe and the available alternative methods of payment therefor;

E. An acknowledgment that the recipient of the Order Form has received a final copy of the Prospectus prior to execution of the Order Form;

F. A statement to the effect that all subscription rights are nontransferable, will be void at the end of the Subscription Offering, and can only be exercised by delivering to the Holding Company or its agent within the subscription period such properly completed and executed Order Form, together with payment in the full amount of the aggregate Purchase Price as specified in the Order Form for the shares of Common Stock for which the recipient elects to subscribe in the Subscription Offering (or by authorizing on the Order Form that the Bank withdraw said amount from the subscriber's Deposit Account(s) at the Bank); and

G. A statement to the effect that the executed Order Form, once received by the Holding Company, may not be modified or amended by the subscriber without the consent of the Holding Company.

Notwithstanding the above, the Holding Company reserves the right in its sole discretion to accept or reject orders received on photocopied or facsimiled order forms.

17. UNDELIVERED, DEFECTIVE OR LATE ORDER FORM; INSUFFICIENT PAYMENT. In the event Order Forms (i) are not delivered or are not timely delivered by the United States Postal Service, (ii) are not received by the Holding Company or are received by the Holding Company or its agent after the expiration date specified thereon, (iii) are completed or executed defectively, (iv) are not accompanied by the full required payment for the shares of Common Stock subscribed for (including cases in which deposit accounts from which withdrawals are authorized are insufficient to cover the amount of the required payment), or (v) are not mailed pursuant to a “no mail” order placed in effect by the account holder, the subscription rights of the Participant to whom such rights have been granted will lapse as though such Participant failed to return the completed Order Form within the time period specified thereon; *provided, however*, that the Holding Company may, but will not be required to, waive any immaterial irregularity on any Order Form or require the submission of corrected Order Forms or the remittance of full payment for subscribed shares by such date as the Holding Company may specify. The interpretation by the Holding Company of terms and conditions of this Plan and of the Order Forms will be final, subject to the authority of the Bank Regulators.

18. RESIDENTS OF FOREIGN COUNTRIES AND CERTAIN STATES. The Holding Company will make reasonable efforts to comply with the securities laws of all states in the United States in which Persons entitled to subscribe for shares of Common Stock pursuant to this Plan reside. However, no such Person will be issued subscription rights or be permitted to purchase shares of Common Stock in the Subscription Offering if such Person resides (i) in a foreign country or (ii) in a state or other jurisdiction of the United States with respect to which any of the following apply: (a) a small number of Persons otherwise eligible to subscribe for shares under this Plan reside; (b) the issuance of subscription rights or the offer or sale of shares of Common Stock to such Persons would require the Holding Company, under the securities laws of such state, to register as a broker, dealer, salesman or agent or to register or otherwise qualify its securities for sale in such state; and (c) such registration or qualification would be impracticable for reasons of cost or otherwise.

19. ESTABLISHMENT OF LIQUIDATION ACCOUNTS. A Liquidation Account shall be established by the Holding Company at the time of the Mid-Tier Merger in an amount equal to the Mid-Tier Holding Company's total stockholders' equity as reflected in the latest statement of financial condition contained in the final Prospectus used in the Conversion, *plus* the net assets of the Mutual Holding Company as reflected in the latest statement of financial condition of the Mutual Holding Company prior to the effective date of the Conversion (excluding its ownership of Mid-Tier Holding Company Common Stock). Following the closing of the Mid-Tier Merger, the Liquidation Account will be maintained for the benefit of the Eligible Account Holders and Supplemental Eligible Account Holders who continue to maintain their Deposit Accounts at the Bank. Each Eligible Account Holder and Supplemental Eligible Account Holder shall, with respect to his or her Deposit Account, hold a related inchoate interest in a portion of the Liquidation Account balance in relation to his or her Deposit Account balance on the Eligibility Record Date or Supplemental Eligibility Record Date, respectively, or to such balance as it may be subsequently reduced, as hereinafter provided. The Holding Company also shall cause the Bank to establish and maintain the Bank Liquidation Account for the benefit of Eligible Account Holders and Supplemental Eligible Account Holders who continue to maintain their Deposit Accounts at the Bank.

In the unlikely event of a complete liquidation of either (i) the Bank or (ii) the Bank and the Holding Company (and only in such event) following all liquidation payments to creditors (including those to Depositors to the extent of their Deposit Accounts), each Eligible Account Holder and Supplemental Eligible Account Holder shall be entitled to receive a liquidating distribution from the Liquidation Account in the amount of the then adjusted subaccount balance for such Eligible Account Holder's or Supplemental Eligible Account Holder's Deposit Account, before any liquidation distribution may be made to any holders of the Holding Company's capital stock. A merger, consolidation or similar combination with another depository institution or holding company thereof, in which the Holding Company and/or the Bank is not the surviving entity, shall not be deemed to be a complete liquidation for this purpose. In such transactions, the Liquidation Account shall be assumed by the surviving holding company or institution.

In the unlikely event of a complete liquidation of either (i) the Bank or (ii) the Bank and the Holding Company (and only in such event) following all liquidation payments to creditors of the Bank (including those to Depositors to the extent of their Deposit Accounts), at a time when the Bank has a positive net worth and the Holding Company does not have sufficient assets (other than the stock of the Bank) at the time of liquidation to fund its obligations under the Liquidation Account, the Bank, with respect to the Bank Liquidation Account, shall immediately pay directly to each Eligible Account Holder and Supplemental Eligible Account Holder an amount necessary to fund the Holding Company's remaining obligations under the Liquidation Account before any liquidating distribution may be made to any holders of the Bank's capital stock and without making such amount subject to the Holding Company's creditors. Each Eligible Account Holder and Supplemental Eligible Account Holder shall be entitled to receive a distribution from the Bank Liquidation Account, in the amount of the then adjusted subaccount balance for his or her Deposit Account then held before any distribution may be made to any holders of the Holding Company's or Bank's capital stock.

In the event of a complete liquidation of the Holding Company where the Bank is not also completely liquidating, or in the event of a sale or other disposition of the Holding Company apart from the Bank, each Eligible Account Holder and Supplemental Eligible Account Holder shall be treated as surrendering such Person's rights to the Liquidation Account and receiving an equivalent interest in the Bank Liquidation Account. Each such holder's interest in the Bank Liquidation Account shall be subject to the same rights and terms as if the Bank Liquidation Account were the Liquidation Account (except that the Holding Company shall cease to exist).

The initial subaccount balance for a Deposit Account held by an Eligible Account Holder and Supplemental Eligible Account Holder shall be determined by multiplying the opening balance in the Liquidation Account by a fraction, the numerator of which is the amount of the Qualifying Deposits of such Eligible Account Holder or Supplemental Eligible Account Holder and the denominator of which is the total amount of all Qualifying Deposits of all Eligible Account Holders and Supplemental Eligible Account Holders. For Deposit Accounts in existence at both the Eligibility Record Date and the Supplemental Eligibility Record Date, separate initial subaccount balances shall be determined on the basis of the Qualifying Deposits in such Deposit Account on each such record date. Such initial subaccount balance shall not be increased, but shall be subject to downward adjustment as described below.

If, at the close of business on any fiscal year end closing date, commencing on or after the effective date of the Conversion, the deposit balance in the Deposit Account of an Eligible Account Holder or Supplemental Eligible Account Holder is less than the lesser of (i) the balance in the Deposit Account at the close of business on any other annual closing date subsequent to the Eligibility Record Date or Supplemental Eligibility Record Date, or (ii) the amount of the Qualifying Deposit in such Deposit Account as of the Eligibility Record Date or Supplemental Eligibility Record Date, the subaccount balance for such Deposit Account shall be reduced in an amount proportionate to the reduction in such deposit balance. In the event of such downward adjustment, the subaccount balance shall not be subsequently increased, notwithstanding any subsequent increase in the deposit balance of the related Deposit Account. If any such Deposit Account is closed, the related subaccount shall be reduced to zero. A time account shall be deemed closed upon its maturity date regardless of any renewal thereof.

The creation and maintenance of the Liquidation Account and the Bank Liquidation Account shall not operate to restrict the use or application of any capital of the Holding Company or the Bank, except that neither the Holding Company or the Bank shall declare or pay a cash dividend on, or repurchase any of, its capital stock if the effect thereof would cause its equity to be reduced below: (i) the amount required for the Liquidation Account or the Bank Liquidation Account, as applicable; or (ii) any regulatory capital requirements of the Holding Company (to the extent applicable) or the Bank. Neither the Holding Company nor the Bank shall be required to set aside funds in connection with its obligations hereunder relating to the Liquidation Account or the Bank Liquidation Account, respectively. Eligible Account Holders and Supplemental Eligible Account Holders do not retain any voting rights in either the Holding Company or the Bank based on their interests in the Liquidation Account or the Bank Liquidation Account.

The amount of the Bank Liquidation Account shall equal at all times the amount of the Liquidation Account, and the Bank Liquidation Account shall be reduced by the same amount and upon the same terms as any reduction in the Liquidation Account. In no event will any Eligible Account Holder or Supplemental Eligible Account Holder be entitled to a distribution that exceeds such holder's subaccount balance in the Liquidation Account.

For the three-year period following the completion of the Conversion, the Holding Company will not without prior Federal Reserve approval (i) sell or liquidate the Holding Company, or (ii) cause the Bank to be sold or liquidated. Upon the written request of the Federal Reserve the Holding Company shall, or upon the prior written approval of the Federal Reserve the Holding Company may, at any time after two years from the completion of the Conversion, transfer the Liquidation Account to the Bank, at which time the Liquidation Account shall be assumed by the Bank and the interests of Eligible Account Holders and Supplemental Eligible Account Holders will be solely and exclusively established in the Bank Liquidation Account. In the event such transfer occurs, the Holding Company shall be deemed to have transferred the Liquidation Account to the Bank and such Liquidation Account shall be subsumed into the Bank Liquidation Account and shall not be subject in any manner or amount to the claims of the Holding Company's creditors. Approval of this Plan by the Voting Members and Stockholders shall constitute approval of the transactions described herein.

20. CONTRIBUTION TO THE FOUNDATION. As part of the Offering, the Holding Company and the Bank intend to donate shares of Common Stock and cash to the Foundation, in such amounts, subject to regulatory limits, as shall be approved by the Board of Directors. This contribution to the Foundation is intended to enhance the Bank's existing community reinvestment activities and to share with the communities in which the Bank conducts its business a part of the Bank's financial success as a community minded, financial services institution. The contribution of Common Stock to the Foundation accomplishes this goal as it enables the community to share in the growth and profitability of the Holding Company and the Bank over the long term.

The Foundation is dedicated to the promotion of charitable purposes including community development, grants or donations to support housing assistance, not-for-profit community groups and other types of organizations or civic-minded projects. The Foundation will annually distribute total grants to assist charitable organizations or to fund projects within its local Community of not less than 5% of the average fair market value of Foundation assets each year, less certain expenses. In order to serve the purposes for which it was formed and maintain its Section 501(c)(3) qualification, the Foundation may sell, on an annual basis, a limited portion of the Foundation Shares.

For a period of five years following the Conversion, except for temporary periods resulting from death, resignation, removal or disqualification, (i) at least one director of the Foundation will be an independent director who is unaffiliated with the Holding Company and the Bank who is from the Bank's local Community and who has experience with local Community charitable organizations and grant making, and (ii) at least one director shall be a person who is also a member of the Board of Directors of the Bank. The board of directors of the Foundation will be responsible for establishing the policies of the Foundation with respect to grants or donations, consistent with the stated purposes of the Foundation.

The contribution to the Foundation as part of the Conversion must be approved by a majority of the total number of votes eligible to be cast by Voting Members. The decision to proceed with the formation and/or grant of Common Stock and/or cash to the Foundation will be at the sole discretion of the Boards of Directors. If the contribution to Foundation is not approved by Voting Members, the Common Stock that would have been contributed to the Foundation as part of the Conversion will be retained by the Holding Company.

21. VOTING RIGHTS OF STOCKHOLDERS. Following consummation of the Conversion, the holders of the voting capital stock of the Holding Company shall have the exclusive voting rights with respect to the Holding Company.

22. RESTRICTIONS ON RESALE OR SUBSEQUENT DISPOSITION

A. All Subscription Shares purchased by Directors or Officers of the Mutual Holding Company, the Mid-Tier Holding Company, the Holding Company or the Bank in the Offering shall be subject to the restriction that, except as provided in this Section or as may be approved by the Bank Regulators, no interest in such shares may be sold or otherwise disposed of for value for a period of one year following the date of purchase in the Offering.

B. The restriction on disposition of Subscription Shares set forth in paragraph A of this Section shall not apply to the following:

- (1) Any exchange of such shares in connection with a merger or acquisition involving the Bank or the Holding Company, as the case may be, which has been approved by the appropriate state and federal regulatory agencies; and
- (2) Any disposition of such shares following the death of the person to whom such shares were initially sold under the terms of this Plan.

C. With respect to all Subscription Shares subject to restrictions on resale or subsequent disposition, each of the following provisions shall apply:

- (1) Each certificate representing shares restricted by this section shall bear a legend giving notice of the restriction;
- (2) Instructions shall be issued to the stock transfer agent for the Holding Company not to recognize or effect any transfer of any certificate or record of ownership of any such shares in violation of the restriction on transfer; and
- (3) Any shares of capital stock of the Holding Company issued with respect to a stock dividend, stock split, or otherwise with respect to ownership of outstanding Subscription Shares subject to the restriction on transfer hereunder shall be subject to the same restriction as is applicable to such Subscription Shares.

23. REQUIREMENTS FOR STOCK PURCHASES BY DIRECTORS AND OFFICERS FOLLOWING THE CONVERSION. For a period of three years following the Conversion, no Officer, Director or their Associates shall purchase, without the prior written approval of the Bank Regulators, any outstanding shares of Common Stock except from a broker-dealer registered with the SEC. This provision shall not apply to negotiated transactions involving more than 1% of the outstanding shares of Common Stock, the exercise of any options pursuant to a stock option plan or purchases of Common Stock made by or held by any Tax-Qualified Employee Stock Benefit Plan or Non-Tax-Qualified Employee Stock Benefit Plan of the Bank or the Holding Company (including the Employee Plans) which may be attributable to any Officer or Director. As used herein, the term “negotiated transaction” means a transaction in which the securities are offered and the terms and arrangements relating to any sale are arrived at through direct communications between the seller or any person acting on its behalf and the purchaser or his or her investment representative. The term “investment representative” shall mean a professional investment advisor acting as agent for the purchaser and independent of the seller and not acting on behalf of the seller in connection with the transaction.

24. TRANSFER OF DEPOSIT ACCOUNTS. Each person holding a Deposit Account at the Bank at the time of Conversion shall retain an identical Deposit Account at the Bank following Conversion in the same amount and subject to the same terms and conditions (except as to voting and liquidation rights) applicable to such Deposit Account in the Bank immediately prior to completion of the Conversion.

25. REGISTRATION AND MARKETING. The Holding Company will register the Common Stock issued in the Conversion pursuant to the Securities Exchange Act of 1934 and will not deregister such securities for a period of at least three years thereafter, except that the requirement to maintain the registration of such securities for three years may be fulfilled by any successor to the Holding Company. In addition, the Holding Company will use its best efforts to encourage and assist a market-maker to establish and maintain a market for its Common Stock and to list those securities on a national or regional securities exchange.

26. TAX RULINGS OR OPINIONS. Consummation of the Conversion is expressly conditioned upon prior receipt by the Mutual Holding Company, the Mid-Tier Holding Company, the Holding Company and the Bank of either a ruling, an opinion of counsel or a letter of advice from their tax advisor regarding the federal and state income tax consequences of the Conversion to the Mutual Holding Company, the Mid-Tier Holding Company, the Holding Company, the Bank and the Account Holders and Voting Members receiving subscription rights in the Conversion.

27. STOCK BENEFIT PLANS AND EMPLOYMENT AGREEMENTS.

A. The Holding Company and the Bank are authorized to adopt additional Tax-Qualified Employee Stock Benefit Plans in connection with the Conversion, including, without limitation, an ESOP. Existing as well as any newly created Tax-Qualified Employee Stock Benefit Plans may purchase shares of Common Stock in the Offering, to the extent permitted by the terms of such benefit plans and this Plan.

B. The Holding Company and the Bank are authorized to adopt stock option plans, restricted stock award plans and other Non-Tax-Qualified Employee Stock Benefit Plans, *provided* that such plans conform to applicable regulations. The Holding Company and the Bank intend to implement a stock option plan and a restricted stock award plan no earlier than six months after completion of the Conversion. Stockholder approval of these plans will be required. If adopted within 12 months following the completion of the Conversion, the stock option plan will reserve a number of shares equal to up to 10% of the shares sold in the Offering and the stock award plan will reserve a number of shares equal to up to 4% of the shares sold in the Offering for awards to Employees and Directors at no cost to the recipients (unless the Bank's tangible capital is less than 10% upon completion of the Offering in which case the stock award plan will reserve a number of shares equal to up to 3% of the shares sold in the Offering). Non-Tax-Qualified Employee Stock Benefit Plans implemented more than one year following the completion of the Conversion are not subject to the restrictions set forth in the preceding sentence. Shares for such plans may be issued from authorized but unissued shares, treasury shares or repurchased shares.

28. RESTRICTIONS ON ACQUISITION OF BANK AND HOLDING COMPANY.

- A. (1) The charter of the Bank may contain a provision stipulating that no person, except the Holding Company, for a period of five years following the closing date of the Conversion, may directly or indirectly acquire or offer to acquire the beneficial ownership of more than 10% of any class of equity security of the Bank, without the prior written approval of the Federal Reserve. In addition, such charter may provide that for a period of five years following the closing date of the Conversion, shares beneficially owned in violation of the above-described charter provision shall not be entitled to vote and shall not be voted by any person or counted as voting stock in connection with any matter submitted to stockholders for a vote.
- (2) For a period of three years from the date of consummation of the Conversion, no person, other than the Holding Company, shall directly or indirectly offer to acquire or acquire the beneficial ownership of more than 10% of any class of equity security of the Bank or the Holding Company without the prior written approval of the Federal Reserve. Nothing in this Plan shall prohibit the Holding Company from taking actions permitted under 12 C.F.R. 239.63(f).

B. The Certificate of Incorporation of the Holding Company contains a provision stipulating that in no event shall any record owner of any outstanding shares of Common Stock who beneficially owns in excess of 10% of such outstanding shares be entitled or permitted to any vote with respect to any shares held in excess of 10%.

29. PAYMENT OF DIVIDENDS AND REPURCHASE OF STOCK

A. The Holding Company shall comply with applicable regulations in the repurchase of any shares of its capital stock following consummation of the Conversion. The Holding Company shall not declare or pay a cash dividend on, or repurchase any of, its capital stock, if such dividend or repurchase would reduce its capital below the amount then required for the Liquidation Account.

B. The Bank shall not declare or pay a cash dividend on, or repurchase any of, its capital stock if the effect thereof would cause its regulatory capital to be reduced below its applicable regulatory capital requirements or the Bank Liquidation Account.

30 . CERTIFICATE OF INCORPORATION AND BYLAWS. By voting to approve this Plan, Voting Members will be voting to adopt the Certificate of Incorporation and bylaws of the Holding Company.

31. CONSUMMATION OF CONVERSION AND EFFECTIVE DATE. The effective date of the Conversion shall be the date upon which the Certificates of Merger with respect to the MHC Merger and the Mid-Tier Merger are filed with the Secretary of State of Delaware and the Federal Reserve, as required. The Certificates of Merger shall be filed after all requisite regulatory, depositor and stockholder approvals have been obtained, all applicable waiting periods have expired, and sufficient subscriptions and orders for Subscription Shares have been received. The closing of the issuance and sale of all shares of Conversion Stock in the Offering shall occur simultaneously on the effective date of the Conversion.

32. EXPENSES OF CONVERSION. The Parties may retain and pay for the services of legal, financial and other advisors, including one or more Underwriters or securities brokers and an independent appraisal firm, to assist in connection with any or all aspects of the Conversion, the Offering and the contribution to the Foundation, and such parties shall use their best efforts to assure that such expenses are reasonable.

33. AMENDMENT OR TERMINATION OF PLAN. If deemed necessary or desirable, this Plan may be substantively amended by the Boards of Directors as a result of comments from the Bank Regulators or otherwise at any time by the Boards of Directors prior to the Special Meeting of Members to vote on this Plan, and at any time thereafter by the Boards of Directors with the concurrence of the Bank Regulators. Any amendment to this Plan made after approval by Voting Members with the approval of the Bank Regulators shall not require further approval by Voting Members unless otherwise required by the Bank Regulators. The Boards of Directors may terminate this Plan at any time prior to the Special Meeting of Members, and at any time thereafter with the concurrence or approval of the Bank Regulators. This Plan will terminate if the Conversion and Stock Offering are not completed within 24 months from the date upon which the Plan is approved by Voting Members.

By adoption of this Plan, Voting Members authorize the Boards of Directors to amend or terminate this Plan under the circumstances set forth in this Section.

34. CONDITIONS TO CONVERSION. Consummation of the Conversion pursuant to this Plan is expressly conditioned upon the following:

A. Prior receipt by the Mutual Holding Company, the Mid-Tier Holding Company, the Holding Company and the Bank of rulings of the United States Internal Revenue Service and the state taxing authorities, or opinions of counsel or tax advisers as described in Section 26 hereof;

B. The issuance of the Subscription Shares offered in the Conversion; and

C. The completion of the Conversion within the time period specified in Section 3 of this Plan.

35. INTERPRETATION. All interpretations of this Plan and application of its provisions to particular circumstances by a majority of the Boards of Directors shall be final, subject to the authority of the Bank Regulators.

EXHIBIT A
FORM OF AGREEMENT OF MERGER BETWEEN
NORTH SHORE MHC AND
NSTS FINANCIAL CORPORATION

**AGREEMENT OF MERGER BETWEEN
NORTH SHORE MHC AND
NSTS FINANCIAL CORPORATION**

THIS AGREEMENT OF MERGER (the "MHC Merger Agreement") dated as of _____, is made by and between North Shore MHC, a federally-chartered mutual holding company (the "Mutual Holding Company"), and NSTS Financial Corporation, a federally-chartered corporation (the "Mid-Tier Holding Company"). Capitalized terms have the respective meanings given them in the Plan of Conversion (the "Plan"), unless otherwise defined herein.

This Agreement is intended to be, and is adopted as, a plan of reorganization within the meaning of section 368(a)(1) of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder.

RECITALS:

- A. The Mutual Holding Company is a federally-chartered mutual holding company that owns 100% of the common stock of the Mid-Tier Holding Company.
- B. The Mid-Tier Holding Company is a federally-chartered corporation that owns 100% of the common stock of the Bank.
- C. At least two-thirds of the members of the boards of directors of the Mutual Holding Company and the Mid-Tier Holding Company have approved this MHC Merger Agreement whereby the Mutual Holding Company shall merge with and into the Mid-Tier Holding Company with the Mid-Tier Holding Company as the surviving or resulting corporation (the "MHC Merger"), and have authorized the execution and delivery thereof.

NOW, THEREFORE, in consideration of the premises and mutual agreements contained herein, the parties hereto have agreed as follows:

1. **Merger.** At and on the Effective Date of the MHC Merger, the Mutual Holding Company will merge with and into the Mid-Tier Holding Company with the Mid-Tier Holding Company as the resulting entity ("Resulting Corporation") whereby the shares of Mid-Tier Holding Company common stock held by the Mutual Holding Company will be canceled without any consideration being paid therefor and Qualifying Depositors of the Bank will constructively receive liquidation interests in the Mid-Tier Holding Company in exchange for their liquidation interests in the Mutual Holding Company. Such liquidation interests in the Mid-Tier Holding Company shall represent interests in a liquidation account established by the Mid-Tier Holding Company at the time of the MHC Merger in an amount equal to the net assets of the Mutual Holding Company as reflected in the latest statement of financial condition of the Mutual Holding Company prior to the effective date of the Conversion (excluding its ownership of Mid-Tier Holding Company Common Stock). Such liquidation account shall be established and maintained consistent with the description of the Liquidation Account set forth in Section 19 of the Plan, *mutatis mutandis*.

2. **Effective Date.** The MHC Merger shall not be effective until and unless the Plan is approved by the Federal Reserve and by at least a majority of the votes eligible to be cast by Voting Members. The MHC Merger will be effective upon the filing of Certificates of Merger with applicable authorities with respect to the MHC Merger or upon such later date and time as specified in such Certificates of Merger (the "Effective Date"). Approval of the Plan by the Voting Members shall constitute approval of the MHC Merger Agreement by the Voting Members.

3. **Name.** The name of the Resulting Corporation shall be NSTS Financial Corporation.

4. **Offices.** The main office of the Resulting Corporation shall be 700 South Lewis Avenue, Waukegan Illinois.

5. **Directors and Officers** The directors and officers of the Mid-Tier Holding Company immediately prior to the Effective Date shall be the directors and officers of the Resulting Corporation after the Effective Date.

6. **Rights and Duties of the Resulting Corporation** At the Effective Date, the Mutual Holding Company shall be merged with and into the Mid-Tier Holding Company with the Mid-Tier Holding Company as the Resulting Corporation. The business of the Resulting Corporation shall be that of a federally-chartered corporation as provided in its charter. All assets, rights, interests, privileges, powers, franchises and property (real, personal and mixed) of the Mutual Holding Company shall be transferred automatically to and vested in the Resulting Corporation by virtue of the MHC Merger without any deed or other document of transfer. The Resulting Corporation, without any order or action on the part of any court or otherwise and without any documents of assumption or assignment, shall hold and enjoy all of the properties, franchises and interests, including appointments, powers, designations, nominations and all other rights and interests as the agent or other fiduciary in the same manner and to the same extent as such rights, franchises, interests and powers were held or enjoyed by the Mutual Holding Company. The Resulting Corporation shall be responsible for all of the liabilities, restrictions and duties of every kind and description of the Mutual Holding Company and the Mid-Tier Holding Company immediately prior to the MHC Merger, including liabilities for all debts, obligations and contracts of the Mutual Holding Company and the Mid-Tier Holding Company, matured or unmatured, whether accrued, absolute, contingent or otherwise and whether or not reflected or reserved against on balance sheets, books of accounts or records of the Mutual Holding Company and the Mid-Tier Holding Company. All rights of creditors and other obligees and all liens on property of the Mutual Holding Company and the Mid-Tier Holding Company shall be preserved and shall not be released or impaired.

7. **Rights of Stockholders.** At the Effective Date, the shares of Mid-Tier Holding Company common stock held by the Mutual Holding Company will be canceled without any consideration being paid therefor and Qualifying Depositors of the Bank will constructively receive liquidation interests in the Mid-Tier Holding Company in exchange for their liquidation interests in the Mutual Holding Company.

8. **Other Terms.** The Plan is incorporated herein by this reference and made a part hereof to the extent necessary or appropriate to effect and consummate the terms of this MHC Merger Agreement and the Conversion.

IN WITNESS WHEREOF, the Mutual Holding Company and the Mid-Tier Holding Company have caused this MHC Merger Agreement to be executed as of the date first above written.

ATTEST:

Secretary

North Shore MHC

By: _____
Stephen G. Lear
President and Chief Executive Officer

ATTEST:

Secretary

NSTS Financial Corporation

By: _____
Stephen G. Lear
President and Chief Executive Officer

EXHIBIT B
FORM OF AGREEMENT OF MERGER BETWEEN
NSTS FINANCIAL CORPORATION AND
NSTS BANCORP, INC.

B-1

**AGREEMENT OF MERGER BETWEEN
NSTS FINANCIAL CORPORATION AND
NSTS BANCORP, INC.**

THIS AGREEMENT OF MERGER (the “Mid-Tier Merger Agreement”), dated as of _____, is made by and between NSTS Financial Corporation, a federally-chartered corporation (the “Mid-Tier Holding Company”), and NSTS Bancorp, Inc., a Delaware corporation (the “Holding Company”). Capitalized terms have the respective meanings given them in the Plan of Conversion of North Shore MHC (the “Plan”) unless otherwise defined herein.

This Agreement is intended to be, and is adopted as, a plan of reorganization within the meaning of section 368(a)(1) of the Internal Revenue Code of 1986, as amended, and the Treasury Regulations promulgated thereunder.

RECITALS:

A. The Mid-Tier Holding Company is a federally-chartered corporation that owns 100% of the common stock of the Bank.

B. The Holding Company is a newly-formed Delaware corporation and that has been organized to facilitate the transactions contemplated by this Mid-Tier Merger Agreement. Prior to the Closing, Holding Company will issue one share of common stock (the “Initial Share”) to the Mid-Tier Holding Company (the “Sole Shareholder”) in exchange for \$1.00 for the sole purpose of allowing the Sole Shareholder to approve certain matters to facilitate the organization of the Holding Company. Prior to the Closing, Initial Share will be redeemed and canceled by the Holding Company in exchange for \$1.00.

C. At least two-thirds of the members of the boards of directors of the Mid-Tier Holding Company and the Holding Company have approved this Mid-Tier Merger Agreement whereby the Mid-Tier Holding Company will be merged with the Holding Company with the Holding Company as the resulting corporation (the “Mid-Tier Merger”), and have authorized the execution and delivery thereof.

NOW, THEREFORE, in consideration of the premises and mutual agreements contained herein, the parties hereto have agreed as follows:

1. **Merger.** At and on the Effective Date, as defined below, of the Mid-Tier Merger, the Mid-Tier Holding Company will merge with and into the Holding Company with the Holding Company as the resulting corporation (the “Resulting Corporation”), whereby the Bank will become the wholly-owned subsidiary of the Holding Company. As part of the Mid-Tier Merger, the Qualifying Depositors of the Bank who constructively received liquidation interests in the Mid-Tier Holding Company will exchange the liquidation interests in the Mid-Tier Holding Company that they constructively received in the MHC Merger for an interest in the Liquidation Account.

2 . **Effective Date.** The Mid-Tier Merger shall not be effective until and unless the Plan is approved by the Federal Reserve after approval by a majority of the votes eligible to be cast by Voting Members. The Mid-Tier Merger will be effective upon the filing of Certificates of Merger with the Secretary of State of Delaware and the Federal Reserve, with respect to the Mid-Tier Merger or upon such later date and time as specified in such Certificates of Merger (the "Effective Date"). In no event shall the Mid-Tier Merger be effective until after the effective time of the merger of North Shore MHC, a federally-chartered mutual holding company with and into the Mid-Tier Holding Company. Approval of the Plan by the Voting Members shall constitute approval of the Mid-Tier Merger Agreement by the Voting Members in their capacity as stakeholders of North Shore MHC.

3. **Name.** The name of the Resulting Corporation shall be NSTS Bancorp, Inc.

4. **Offices.** The main office of the Resulting Corporation shall be 700 South Lewis Avenue, Waukegan, Illinois.

5 . **Directors and Officers.** The directors and officers of the Mid-Tier Holding Company immediately prior to the Effective Date shall be the directors and officers of the Resulting Corporation after the Effective Date.

6 . **Rights and Duties of the Resulting Corporation** At the Effective Date, the Mid-Tier Holding Company shall merge with the Holding Company, with the Holding Company as the Resulting Corporation. The business of the Resulting Corporation shall be that of a Delaware corporation as provided in its Certificate of Incorporation. All assets, rights, interests, privileges, powers, franchises and property (real, personal and mixed) of the Mid-Tier Holding Company shall be transferred automatically to and vested in the Resulting Corporation by virtue of the Mid-Tier Merger without any deed or other document of transfer. The Resulting Corporation, without any order or action on the part of any court or otherwise and without any documents of assumption or assignment, shall hold and enjoy all of the properties, franchises and interests, including appointments, powers, designations, nominations and all other rights and interests as the agent or other fiduciary in the same manner and to the same extent as such rights, franchises, interests and powers were held or enjoyed by the Mid-Tier Holding Company and the Holding Company immediately prior to the Mid-Tier Merger. The Resulting Corporation shall be responsible for all of the liabilities, restrictions and duties of every kind and description of the Mid-Tier Holding Company and the Holding Company immediately prior to the Mid-Tier Merger, including liabilities for all debts, obligations and contracts of the Mid-Tier Holding Company and the Holding Company, matured or unmatured, whether accrued, absolute, contingent or otherwise and whether or not reflected or reserved against on balance sheets, books of accounts or records of the Mid-Tier Holding Company or the Holding Company. The stockholders of the Holding Company shall possess all voting rights with respect to the shares of stock of the Resulting Corporation. All rights of creditors and other obligees and all liens on property of the Mid-Tier Holding Company and the Holding Company shall be preserved and shall not be released or impaired.

7 . **Rights of Stockholders.** At the Effective Date, the Qualifying Depositors immediately prior to the Conversion will exchange the liquidation rights in the Mid-Tier Holding Company that they constructively received in the MHC Merger for interests in the Liquidation Account.

8. **Bank Liquidation Account and Subscription Rights.** Immediately after completion of the Mid-Tier Merger, the Holding Company will issue to Qualifying Depositors of the Bank interests in the Bank Liquidation Account and the issuance of the Subscription Rights to Participants will be effectuated as set forth in Sections 8 through 11 of the Plan. Such liquidation account shall be established and maintained consistent with the description of the Liquidation Account set forth in Section 19 of the Plan, mutatis mutandis.

9. **Other Terms.** The Plan is incorporated herein by this reference and made a part hereof to the extent necessary or appropriate to effect and consummate the terms of this Mid-Tier Merger Agreement and the Conversion.

IN WITNESS WHEREOF, the Mid-Tier Holding Company and the Holding Company have caused this Mid-Tier Merger Agreement to be executed as of the date first above written.

ATTEST:

Secretary

NSTS Financial Corporation

By: _____
Stephen G. Lear
President and Chief Executive Officer

ATTEST:

Secretary

NSTS Bancorp, Inc.
(a Delaware corporation)

By: _____
Stephen G. Lear
President and Chief Executive Officer

NSTS BANCORP, INC.

CERTIFICATE OF INCORPORATION

FIRST: The name of the Corporation is NSTS Bancorp, Inc. (hereinafter referred to as the "Corporation").

SECOND: The address of the registered office of the Corporation in the State of Delaware is 850 New Burton Road, Suite 201, Dover, Delaware 19904, Kent County. The name of the registered agent at that address is Cogency Global Inc.

THIRD: The purpose of the Corporation is to engage in any lawful act or activity for which a corporation may be organized under the General Corporation Law of Delaware.

FOURTH:

- A. The total number of shares of all classes of stock which the Corporation shall have authority to issue is Eleven Million (11,000,000) consisting of:
1. Ten million (10,000,000) shares of Common Stock, par value one cent (\$0.01) per share (the "Common Stock"); and
 2. One million (1,000,000) shares of Preferred Stock, par value one cent (\$0.01) per share (the "Preferred Stock").

B. The Board of Directors is authorized, subject to any limitations prescribed by law, to provide for the issuance of the shares of Preferred Stock in series, and by filing a certificate pursuant to the applicable law of the State of Delaware (such certificate being hereinafter referred to as a "Preferred Stock Designation"), to establish from time to time the number of shares to be included in each such series, and to fix the designation, powers, preferences, and rights of the shares of each such series and any qualifications, limitations or restrictions thereof. The number of authorized shares of Preferred Stock may be increased or decreased (but not below the number of shares thereof then outstanding) by the affirmative vote of the holders of a majority of the Common Stock, without a vote of the holders of the Preferred Stock, or of any series thereof, unless a vote of any such holders is required pursuant to the terms of any Preferred Stock Designation.

C. 1. Notwithstanding any other provision of this Certificate of Incorporation, in no event shall any record owner of any outstanding Common Stock which is beneficially owned, directly or indirectly, by a person who, as of any record date for the determination of stockholders entitled to vote on any matter, beneficially owns in excess of 10% of the then-outstanding shares of Common Stock (the "Limit"), be entitled to vote, or permitted to cast any vote in respect of, the shares held in excess of the Limit, except that such restriction and all restrictions set forth in this Section C shall not apply to any tax qualified employee stock benefit plan established by the Corporation, which shall be able to vote in respect to shares held in excess of the Limit. The number of votes which may be cast by any record owner by virtue of the provisions hereof in respect of Common Stock beneficially owned by such person owning shares in excess of the Limit shall be a number equal to the total number of votes which a single record owner of all Common Stock owned by such person would be entitled to cast, after giving effect to the provisions hereof, multiplied by a fraction, the numerator of which is the number of shares of such class or series which are both beneficially owned by such person and owned of record by such record owner and the denominator of which is the total number of shares of Common Stock beneficially owned by such person owning shares in excess of the Limit.

2. The following definitions shall apply to this Section C of this Article FOURTH:

(a) "Affiliate" shall have the meaning ascribed to it in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as in effect on the date of filing of this Certificate of Incorporation.

(b) "Beneficial ownership" shall be determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Securities Exchange Act of 1934 (or any successor rule or statutory provision), or, if said Rule 13d-3 shall be rescinded and there shall be no successor rule or statutory provision thereto, pursuant to said Rule 13d-3 as in effect on the date of filing of this Certificate of Incorporation; provided, however, that a person shall, in any event, also be deemed the "beneficial owner" of any Common Stock:

(1) which such person or any of its affiliates beneficially owns, directly or indirectly; or

(2) which such person or any of its affiliates has (i) the right to acquire (whether such right is exercisable immediately or only after the passage of time), pursuant to any agreement, arrangement or understanding (but shall not be deemed to be the beneficial owner of any voting shares solely by reason of an agreement, contract, or other arrangement with this Corporation to effect any transaction which is described in any one or more of clauses of Article EIGHTH) or upon the exercise of conversion rights, exchange rights, warrants, options or otherwise, or (ii) sole or shared voting or investment power with respect thereto pursuant to any agreement, arrangement, understanding, relationship or otherwise (but shall not be deemed to be the beneficial owner of any voting shares solely by reason of a revocable proxy granted for a particular meeting of stockholders, pursuant to a public solicitation of proxies for such meeting, with respect to shares of which neither such person nor any such affiliate is otherwise deemed the beneficial owner); or

(3) which are beneficially owned, directly or indirectly, by any other person with which such first mentioned person or any of its affiliates acts as a partnership, limited partnership, syndicate or other group pursuant to any agreement, arrangement or understanding for the purpose of acquiring, holding, voting or disposing of any shares of capital stock of this Corporation; and provided further, however, that (1) no Director or Officer of this Corporation (or any affiliate of any such Director or Officer) shall, solely by reason of any or all of such Directors or Officers acting in their capacities as such, be deemed, for any purposes hereof, to beneficially own any Common Stock beneficially owned by another such Director or Officer (or any affiliate thereof), and (2) neither any employee stock ownership plan or similar plan of this Corporation or any subsidiary of this Corporation, nor any trustee with respect thereto or any affiliate of such trustee (solely by reason of such capacity as trustee), shall be deemed, for any purposes hereof, to beneficially own any Common Stock held under any such plan. For purposes of computing the percentage beneficial ownership of Common Stock of a person, the outstanding Common Stock shall include shares deemed owned by such person through application of this subsection but shall not include any other Common Stock which may be issuable by this Corporation pursuant to any agreement, or upon exercise of conversion rights, warrants, options, or otherwise. For all other purposes, the outstanding Common Stock shall include only Common Stock then outstanding and shall not include any Common Stock which may be issuable by this Corporation pursuant to any agreement, or upon the exercise of conversion rights, warrants, options, or otherwise.

(c) A "person" shall include an individual, firm, a group acting in concert, a corporation, a partnership, an association, a joint venture, a pool, a joint stock company, a trust, an unincorporated organization or similar company, a syndicate or any other group formed for the purpose of acquiring, holding or disposing of securities, or any other entity.

3. The Board of Directors shall have the power to construe and apply the provisions of this section and to make all determinations necessary or desirable to implement such provisions, including but not limited to matters with respect to (i) the number of shares of Common Stock beneficially owned by any person, (ii) whether a person is an affiliate of another, (iii) whether a person has an agreement, arrangement, or understanding with another as to the matters referred to in the definition of beneficial ownership, (iv) the application of any other definition or operative provision of the section to the given facts, or (v) any other matter relating to the applicability or effect of this section.

4. The Board of Directors shall have the right to demand that any person who is reasonably believed to beneficially own Common Stock in excess of the Limit (or holds of record Common Stock beneficially owned by any person in excess of the Limit) supply the Corporation with complete information as to (i) the record owner(s) of all shares beneficially owned by such person who is reasonably believed to own shares in excess of the Limit, and (ii) any other factual matter relating to the applicability or effect of this section as may reasonably be requested of such person.

5. Any constructions, applications, or determinations made by the Board of Directors pursuant to this section in good faith and on the basis of such information and assistance as was then reasonably available for such purpose shall be conclusive and binding upon the Corporation and its stockholders.

6. In the event any provision (or portion thereof) of this section shall be found to be invalid, prohibited or unenforceable for any reason, the remaining provisions (or portions thereof) of this section shall remain in full force and effect, and shall be construed as if such invalid, prohibited or unenforceable provision had been stricken herefrom or otherwise rendered inapplicable, it being the intent of this Corporation and its stockholders that such remaining provision (or portion thereof) of this section remain, to the fullest extent permitted by law, applicable and enforceable as to all stockholders, including stockholders owning an amount of stock in excess of the Limit, notwithstanding any such finding.

D. Except as otherwise provided by law or expressly provided in this section, the presence, in person or by proxy, of the holders of record of shares of capital stock of the Corporation entitling the holders thereof to cast a majority of the votes (after giving effect, if required, to the provisions of this section) entitled to be cast by the holders of shares of capital stock of the Corporation entitled to vote shall constitute a quorum at all meetings of the stockholders, and every reference in this Certificate of Incorporation to a proportion of capital stock (or the holders thereof) for purposes of determining any quorum requirement or any requirement for stockholder consent or approval shall be deemed to refer to such proportion of the votes (or the holders thereof) then entitled to be cast in respect of such capital stock, after giving effect to the provisions of this section.

E. Subject to the provisions of law and the rights of the holders of the Preferred Stock and any other class or series of stock having a preference as to dividends over the Common Stock then outstanding, dividends may be paid on the Common Stock at such times and in such amounts as the Board of Directors may determine. Upon the dissolution, liquidation or winding up of the Corporation, the holders of the Common Stock shall be entitled to receive all the remaining assets of the Corporation available for distribution to its stockholders ratably in proportion to the number of shares held by them, respectively, after: (i) payment or provision for payment of the Corporation's debts and liabilities; (ii) distributions or provision for distributions in settlement of the Liquidation Account established by the Corporation, as described in F below; and (iii) distributions or provisions for distributions to holders of any class or series of stock having a preference over the Common Stock in the liquidation, dissolution or winding up of the Corporation.

F. The Corporation shall establish and maintain a liquidation account (the "Liquidation Account") for the benefit of certain Eligible Account Holders and Supplemental Eligible Account Holders as defined in the Plan of Conversion of North Shore MHC (as may be amended from time to time, the "Plan of Conversion"). In the event of a complete liquidation involving (i) the Corporation or (ii) North Shore Trust and Savings, a federally chartered savings bank that will be a wholly-owned subsidiary of the Corporation, the Corporation must comply with the regulations of the Board of Governors of the Federal Reserve System and the provisions of the Plan of Conversion with respect to the amount and priorities of each Eligible Account Holder's and Supplemental Eligible Account Holder's interests in the Liquidation Account. The interest of an Eligible Account Holder or Supplemental Eligible Account Holder in the Liquidation Account does not entitle such account holders to voting rights.

FIFTH: The following provisions are inserted for the management of the business and the conduct of the affairs of the Corporation, and for further definition, limitation and regulation of the powers of the Corporation and of its Directors and stockholders:

A. The business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to the powers and authority expressly conferred upon them by statute or by this Certificate of Incorporation or the Bylaws of the Corporation, the Directors are hereby empowered to exercise all such powers and do all such acts and things as may be exercised or done by the Corporation.

B. The Directors of the Corporation need not be elected by written ballot unless the Bylaws so provide. Stockholders may not cumulate their votes for election of directors.

C. Subject to the rights of any class or series of Preferred Stock of the Corporation, any action required or permitted to be taken by the stockholders of the Corporation must be effected at a duly called annual or special meeting of stockholders of the Corporation and may not be effected by a consent in writing by such stockholders.

D. Special meetings of stockholders of the Corporation may be called only by the Board of Directors pursuant to a resolution adopted by a majority of the total number of authorized directorships (whether or not there exist any vacancies in previously authorized directorships at the time any such resolution is presented to the Board for adoption) (the "Whole Board").

SIXTH:

A. The number of Directors shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the Whole Board. The Directors shall be divided into three classes, with the term of office of the first class to expire at the first annual meeting of stockholders, the term of office of the second class to expire at the annual meeting of stockholders one year thereafter and the term of office of the third class to expire at the annual meeting of stockholders two years thereafter. At each annual meeting of stockholders following such initial classification and election, Directors elected to succeed those Directors whose terms expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election. Directors shall be elected by a plurality of the shares voted of the shares present in person or represented by proxy and entitled to vote in the elections of directors (unless otherwise required by law, regulation or by the listing standards of any stock exchange on which the Common Stock is then traded).

B. Subject to the rights of the holders of any series of Preferred Stock then outstanding, newly created directorships resulting from any increase in the authorized number of Directors or any vacancies in the Board of Directors resulting from death, resignation, retirement, disqualification, removal from office or other cause may be filled only by a majority vote of the Directors then in office, though less than a quorum, and Directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been chosen expires. No decrease in the number of Directors constituting the Board of Directors shall shorten the term of any incumbent Director.

C. Advance notice of stockholder nominations for the election of Directors and of business to be brought by stockholders before any meeting of the stockholders of the Corporation shall be given in the manner provided in the Bylaws of the Corporation.

D. Subject to the rights of the holders of any series of Preferred Stock then outstanding, any Director, or the entire Board of Directors, may be removed from office at any time, but only for cause and only by the affirmative vote of the holders of at least 75% of the voting power of all of the then-outstanding shares of capital stock of the Corporation entitled to vote generally in the election of Directors (after giving effect to the provisions of Article FOURTH of this Certificate of Incorporation ("Article FOURTH")), voting together as a single class.

SEVENTH: The Board of Directors is expressly empowered to adopt, amend or repeal the Bylaws of the Corporation. Any adoption, amendment or repeal of the Bylaws of the Corporation by the Board of Directors shall require the approval of a majority of the Whole Board. The stockholders shall also have power to adopt, amend or repeal the Bylaws of the Corporation; provided, however, that, in addition to any vote of the holders of any class or series of stock of the Corporation required by law or by this Certificate of Incorporation, the affirmative vote of the holders of at least 75% of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of Directors (after giving effect to the provisions of Article FOURTH), voting together as a single class, shall be required to adopt, amend or repeal any provisions of the Bylaws of the Corporation.

EIGHTH: The Board of Directors of the Corporation, when evaluating any offer of another Person (as defined in Article FOURTH hereof) to (A) make a tender or exchange offer for any equity security of the Corporation, (B) merge or consolidate the Corporation with another corporation or entity or (C) purchase or otherwise acquire all or substantially all of the properties and assets of the Corporation, may, in connection with the exercise of its judgment in determining what is in the best interest of the Corporation and its stockholders, give due consideration to all relevant factors, including, without limitation, the social and economic effect of acceptance of such offer on: the Corporation's present and future customers and employees and those of its subsidiaries; the communities in which the Corporation and its Subsidiaries operate or are located; the ability of the Corporation to fulfill its corporate objectives as a savings and loan holding company; and the ability of its subsidiary bank to fulfill the objectives under applicable statutes and regulations.

NINTH:

A. Each person who was or is made a party or is threatened to be made a party to or is otherwise involved in any action, suit or proceeding, whether civil, criminal, administrative or investigative (hereinafter a "proceeding"), by reason of the fact that he or she is or was a Director or an Officer of the Corporation or is or was serving at the request of the Corporation as a Director, Officer, employee or agent of another corporation or of a partnership, joint venture, trust or other enterprise, including service with respect to an employee benefit plan (hereinafter an "indemnitee"), whether the basis of such proceeding is alleged action in an official capacity as a Director, Officer, employee or agent or in any other capacity while serving as a Director, Officer, employee or agent, shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Delaware General Corporation Law, as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than such law permitted the Corporation to provide prior to such amendment), against all expense, liability and loss (including attorneys' fees, judgments, fines, ERISA excise taxes or penalties and amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith; provided, however, that the Corporation shall indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee only if such proceeding (or part thereof) was authorized by the Board of Directors of the Corporation.

B. The right to indemnification conferred in Section A of this Article NINTH shall include the right to be paid by the Corporation the expenses incurred in defending any such proceeding in advance of its final disposition (hereinafter an "advancement of expenses"); provided, however, that, if the Delaware General Corporation Law requires an advancement of expenses incurred by an indemnitee in his or her capacity as a Director or Officer (and not in any other capacity in which service was or is rendered by such indemnitee, including, without limitation, service to an employee benefit plan), indemnification shall be made only upon delivery to the Corporation of an undertaking (hereinafter an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (hereinafter a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Section or otherwise. The rights to indemnification and to the advancement of expenses conferred in Sections A and B of this Article NINTH shall be contract rights and such rights shall continue as to an indemnitee who has ceased to be a Director, Officer, employee or agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators.

C. The rights to indemnification and to the advancement of expenses conferred in this Article NINTH shall not be exclusive of any other right which any person may have or hereafter acquire under any statute, the Corporation's Certificate of Incorporation, Bylaws, agreement, vote of stockholders or disinterested Directors, or otherwise.

D. The Corporation may maintain insurance, at its expense, to protect itself and any Director, Officer, employee or agent of the Corporation or another corporation, partnership, joint venture, trust or other enterprise against any expense, liability or loss, whether or not the Corporation would have the power to indemnify such person against such expense, liability or loss under the Delaware General Corporation Law.

E. The Corporation may, to the extent authorized from time to time by the Board of Directors, grant rights to indemnification and to the advancement of expenses to any employee or agent of the Corporation to the fullest extent of the provisions of this Article NINTH with respect to the indemnification and advancement of expenses of Directors and Officers of the Corporation.

TENTH: A Director of this Corporation shall not be personally liable to the Corporation or its stockholders for monetary damages for breach of fiduciary duty as a Director, except for liability (i) for any breach of the Director's duty of loyalty to the Corporation or its stockholders, (ii) for acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law, (iii) under Section 174 of the Delaware General Corporation Law, or (iv) for any transaction from which the Director derived an improper personal benefit. If the Delaware General Corporation Law is amended to authorize corporate action further eliminating or limiting the personal liability of Directors, then the liability of a Director of the Corporation shall be eliminated or limited to the fullest extent permitted by the Delaware General Corporation Law, as so amended.

Any repeal or modification of the foregoing paragraph by the stockholders of the Corporation shall not adversely affect any right or protection of a Director of the Corporation existing at the time of such repeal or modification.

ELEVENTH:

A. Unless the Corporation consents in writing to the selection of an alternative forum, the sole and exclusive forum for (i) any derivative action or proceeding brought on behalf of the Corporation, (ii) any action asserting a claim of breach of a fiduciary duty owed by any director, officer or other employee of the Corporation to the Corporation or the Corporation's stockholders, (iii) any action asserting a claim arising pursuant to any provision of the Delaware General Corporation Law, or (iv) any action asserting a claim governed by the internal affairs doctrine, shall be a state or federal court located within the state of Delaware, in all cases subject to the court having personal jurisdiction over the indispensable parties named as defendants. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article ELEVENTH.

B. Unless the Corporation consents in writing to the selection of an alternative forum, the federal district courts of the United States of America shall be the exclusive forum for the resolution of any complaint asserting a cause of action arising under the Securities Act of 1933. Any person or entity purchasing or otherwise acquiring any interest in shares of capital stock of the Corporation shall be deemed to have notice of and consented to the provisions of this Article ELEVENTH.

TWELFTH: The Corporation reserves the right to amend or repeal any provision contained in this Certificate of Incorporation in the manner prescribed by the laws of the State of Delaware and all rights conferred upon stockholders are granted subject to this reservation; provided, however, that, notwithstanding any other provision of this Certificate of Incorporation or any provision of law which might otherwise permit a lesser vote or no vote, but in addition to any vote of the holders of any class or series of the stock of the Corporation required by law or by this Certificate of Incorporation, the affirmative vote of the holders of at least 75% of the voting power of all of the then-outstanding shares of the capital stock of the Corporation entitled to vote generally in the election of Directors (after giving effect to the provisions of Article FOURTH), voting together as a single class, shall be required to amend or repeal this Article TWELFTH, Section C of Article FOURTH, Sections B, C or D of Article FIFTH, Article SIXTH, Article SEVENTH or Article ELEVENTH.

THIRTEENTH: The name and mailing address of the sole incorporator is as follows:

Name

James W. Morrissey

Mailing Address

Vedder Price P.C.
222 North LaSalle Street
Suite 2600
Chicago, Illinois 60601

I, THE UNDERSIGNED, being the incorporator, for the purpose of forming a corporation under the laws of the State of Delaware, do make, file and record this Certificate of Incorporation, do certify that the facts herein stated are true, and accordingly, have hereto set my hand this 1st day of September, 2021

/s/James W. Morrissey

James W. Morrissey
Incorporator

NSTS BANCORP, INC.

BYLAWS

ARTICLE I. HOME OFFICE

The Home Office of NSTS Bancorp, Inc. (the “Corporation”) shall be 700 S. Lewis Avenue, Waukegan, Illinois 60085.

ARTICLE II. STOCKHOLDERS

Section 1. An annual meeting of the stockholders for the election of Directors to succeed those whose terms expire and for the transaction of such other business as may properly come before the meeting, shall be held at such place, on such date, and at such time as the Board of Directors shall each year fix.

Section 2. An annual meeting of the stockholders may be called by or upon the direction of the Chairman of the Board, Chief Executive Officer, President or a majority of the authorized directorship of the Board of the Corporation and special meetings of stockholders may be called by or upon the direction of a majority of the authorized directorship of the Board of the Corporation. Only such business shall be conducted at a special meeting of stockholders as shall have been brought before the meeting pursuant to the Corporation’s notice of meeting.

Section 3.

A. Written notice stating the place, day and hour of the meeting and, in the event of a special meeting, the purpose or purposes for which the special meeting is called, shall be delivered not less than ten (10) nor more than sixty (60) days before the date of the meeting, either personally, by mail or by electronic transmission, by or at the direction of the Chairman of the Board, the Chief Executive Officer, the President, the Secretary or the Directors calling the meeting, to each stockholder of record entitled to vote at such meeting, except as otherwise provided herein or required by law (meaning, here and hereafter, as required from time to time by the Delaware General Corporation Law, as amended (“DGCL”) or the Certificate of Incorporation of the Corporation). Such notice shall also specify the relevant record date for determining stockholders entitled to notice of such meeting and such notice shall also indicate the means of remote communication, if any, by which stockholders may attend and vote at such meeting. If mailed, such notice shall be deemed to be delivered when deposited in the United States Mail, addressed to the stockholder at his/her address as it appears on the stock transfer books or records of the Corporation as of the record date prescribed in Section 4 of this Article II, with postage thereon prepaid. When any stockholders’ meeting, either annual or special, is adjourned for thirty (30) days or more, notice of the adjourned meeting shall be given as in the case of an original meeting. It shall not be necessary to give any notice of the time and place of any meeting adjourned for less than thirty (30) days or of the business to be transacted thereat, other than an announcement at the meeting at which such adjournment is taken. Notice may be waived by the unanimous action of the stockholders. Written notice may be given by means of electronic transmission or other means as permitted by the DGCL.

B. At any time upon the request of any person or persons entitled to call a special meeting, the Secretary of the Corporation shall notify stockholders of the call of the special meeting, to be held at such time and place as the notice shall specify, but in no event shall such notice specify a time more than sixty (60) days after the receipt of the request.

Section 4. For the purpose of determining stockholders entitled to notice of or to vote at any meeting of stockholders or any adjournment thereof, the Board shall fix in advance a date as the record date for any such determination of stockholders. Such date in any case shall be not more than sixty (60) days and, not less than ten (10) days prior to the date on which the particular action, requiring such determination of stockholders, is to be taken; provided, however, that if no record date is fixed by the Board, the record date for determining stockholders entitled to notice of or to vote at a meeting of stockholders shall be at the close of business on the day next preceding the day on which notice is given or, if notice is waived, at the close of business on the day next preceding the day on which the meeting is held. A determination of stockholders of record entitled to notice of or to vote at a meeting of stockholders shall apply to any adjournment of the meeting; provided, however, that the Board may fix a new record date for the adjourned meeting.

Section 5. The Officer or agent having charge of the stock transfer books for shares of the Corporation shall make, at least ten (10) days before each meeting of the stockholders, a complete list of the stockholders entitled to vote at such meeting, or any adjournment thereof, arranged in alphabetical order, with the address of and the number of shares held by each, which list shall be kept on file at the corporate headquarters of the Corporation and shall be subject to inspection by any stockholder for any purpose germane to a stockholders' meeting at any time during usual business hours, for a period of ten (10) days prior to such meeting. Such list shall also be produced and kept open at the time and place of the meeting and shall be subject to the inspection of any stockholder during the whole time of the meeting. The original stock transfer book shall be prima facie evidence as to who are the stockholders entitled to examine such list or transfer books or to vote at any meeting of stockholders.

Section 6. A majority of the outstanding shares of the Corporation entitled to vote, subject to the limitations contained in the Certificate of Incorporation, represented in person or by proxy, shall constitute a quorum at a meeting of stockholders. If less than a majority of the outstanding shares are represented at a meeting, the chairman of the meeting or the holders of a majority of the shares so represented may adjourn the meeting from time to time without further notice, except as otherwise provided in these Bylaws. At such adjourned meeting at which a quorum is present or represented, any business may be transacted which might have been transacted at the meeting as originally notified. The stockholders present at a duly organized meeting may continue to transact business until adjournment, notwithstanding the withdrawal of enough stockholders to leave less than a quorum. If a notice of any adjourned special meeting of stockholders is sent to all stockholders entitled to vote thereat, stating that it will be held with those present in person or by proxy constituting a quorum, then except as otherwise required by law, those present in person or by proxy at such adjourned meeting shall constitute a quorum, and all matters shall be determined by a majority of the votes cast at such meeting.

Section 7. At any meeting of the stockholders, every stockholder entitled to vote may vote in person or by proxy authorized by an instrument in writing filed with the Corporation and in accordance with any procedures established for the meeting. Any facsimile telecommunication, e-mail delivery of a “.PDF” format data file, or other reliable reproduction of the writing or transmission created pursuant to this paragraph, may be substituted or used in lieu of the original writing or transmission for any and all purposes for which the original writing or transmission could be used, provided that such copy, facsimile telecommunication, e-mail or other reproduction shall be a complete reproduction of the entire original writing or transmission. No proxy shall be valid after eleven (11) months from the date of its execution except for a proxy coupled with an interest.

Section 8. When ownership stands in the name of two or more persons, in the absence of written directions to the Corporation to the contrary, at any meeting of the stockholders any one or more of such stockholders may cast, in person or by proxy, all votes to which such ownership is entitled. In the event an attempt is made to cast conflicting votes, in person or by proxy, by the several persons in whose names shares of stock stand, the vote or votes to which those persons are entitled shall be cast as directed by a majority of those holding such stock and present in person or by proxy at such meeting, but no votes shall be cast for such stock if a majority cannot agree.

Section 9. Shares standing in the name of another corporation may be voted by an officer, agent or proxy as the bylaws of such corporation may prescribe, or, in the absence of such provision, as the board of directors of such corporation may determine. Shares held by an administrator, executor, guardian or conservator may be voted by him/her, either in person or by proxy, without a transfer of such shares into his/her name. Shares standing in the name of a person holding a power under a trust instrument may be voted by him/her, either in person or by proxy, but no such person shall be entitled to vote shares held by him/her without a transfer of such shares into his/her name. Shares standing in the name of a receiver may be voted by such receiver, and shares held by or under the control of a receiver may be voted by such receiver without the transfer thereof into his/her name if authority to do so is contained in an appropriate order of the court or other public authority by which such receiver was appointed.

A stockholder whose shares are pledged shall be entitled to vote such shares until the shares have been transferred into the name of the pledgee and thereafter the pledgee shall be entitled to vote the shares so transferred.

Neither treasury shares of its own stock held by the Corporation, nor shares held by another corporation, where a majority of shares entitled to vote on the election of directors of such other corporation are held by the Corporation, shall be voted at any meeting or counted in determining the total number of outstanding shares at any given time for purposes of any meeting.

Section 10. In advance of any meeting of stockholders, the Board shall appoint any persons other than nominees for office as inspectors of election to act at such meeting or any adjournment thereof. The number of inspectors shall be either one or three. If the Board so appoints either one or three such inspectors, that appointment shall not be altered at the meeting. In case any person appointed as inspector fails to appear or refuses to act, the vacancy may be filled by appointment by the Board in advance of the meeting or at the meeting by the Chairman of the Board or the President.

Unless otherwise prescribed by applicable law or regulation, the duties of such inspectors shall include: determining the number of shares of stock and the voting power of each share, the shares of stock represented at the meeting, the existence of a quorum, the authenticity, validity and effect of proxies; receiving votes, ballots or consents; hearing and determining all challenges and questions in any way arising in connection with the right to vote; counting and tabulating all votes or consents; determining the result; and such acts as may be proper to conduct the election or vote with fairness to all stockholders.

All elections of Directors shall be determined by a plurality of the votes cast, and except as otherwise required by law, all other matters shall be determined by a majority of the votes cast affirmatively or negatively, at a meeting at which a quorum is present.

Section 11.

A. The chairman of any meeting of stockholders shall determine the order of business and the procedure at the meeting, including such regulation of the manner of voting and the conduct of discussion as seem to him or her in order. The date and time of the opening and closing of the polls for each matter upon which the stockholders will vote at the meeting shall be announced at the meeting.

B. Nominations of persons for election to the Board of Directors and the proposal of business to be transacted by the stockholders at an annual meeting of stockholders may be made (a) pursuant to the Corporation's notice with respect to such meeting, (b) by or at the direction of the Board of Directors or (c) by any stockholder of record of the Corporation who was a stockholder of record at the time of the giving of the notice provided for in the following paragraph, who is entitled to vote at the meeting and who has complied with the notice procedures set forth in this section.

C. For nominations or other business to be properly brought before an annual meeting by a stockholder pursuant to clause (c) of the foregoing paragraph, (1) the stockholder must have given timely notice thereof in writing to the Secretary of the Corporation in the form of a Shareholder Notice as described below, and (2) such business must be a proper matter for stockholder action under the DGCL and applicable law. To be timely, a Stockholder Notice shall be delivered to the Secretary at the principal executive offices of the Corporation not less than 120 days prior to the one year anniversary of the date of the Corporation's proxy materials for the preceding year's annual meeting of stockholders ("**Proxy Statement Date**"); provided, however, that if the date of the annual meeting is advanced more than 30 days prior to or delayed by more than 60 days after the anniversary of the preceding year's annual meeting, notice by the stockholder to be timely must be so delivered not later than the close of business on the 10th day following the day on which public announcement of the date of such meeting is first made. In no event shall any adjournment or postponement of an annual meeting or the announcement thereof commence a new time period for the giving of a stockholder's notice as described above. Such stockholder's notice shall set forth (a) as to each person whom the stockholder proposes to nominate for election or reelection as a director all information relating to such person as would be required to be disclosed in solicitations of proxies for the elections of such nominees as directors pursuant to Regulation 14A under the Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), and such person's written consent to serve as a director if elected; (b) as to any other business that the stockholder proposes to bring before

the meeting, a brief description of such business, the reasons for conducting such business at the meeting and any material interest in such business of such stockholder and the beneficial owner, if any, on whose behalf the proposal is made; (c) as to the stockholder giving the notice and the beneficial owner, if any, on whose behalf the nomination or proposal is made (i) the name and address of such stockholder, as they appear on the Corporation's books, and of such beneficial owner, (ii) the class and number of shares of the Corporation that are owned beneficially and of record by such stockholder and such beneficial owner and (iii) whether either such stockholder or beneficial owner intends to deliver a proxy statement and form of proxy to holders of, in the case of a proposal, at least the percentage of the Corporation's voting shares required under applicable law to carry the proposal or, in the case of a nomination or nominations, a sufficient number of holders of the Corporation's voting shares to elect such nominee or nominees (an affirmative statement of such intent, a "**Shareholder Notice**"). The Corporation may require any proposed nominee to furnish such other information as may reasonably be required by the Corporation to determine the eligibility of such proposed nominee to serve as an independent director of the Corporation or that could be material to a reasonable stockholder's understanding of the independence, or lack thereof, of such nominee.

D. Notwithstanding anything in Section (C) above to the contrary, in the event that the number of directors to be elected to the Board of Directors is increased and there is no public announcement by the Corporation naming all of the nominees for director or specifying the size of the increased Board of Directors at least 85 days prior to the Proxy Statement Date, a stockholder's notice required by this Bylaw shall also be considered timely, but only with respect to nominees for any new positions created by such increase, if it shall be delivered to the Secretary at the principal executive offices of the Corporation not later than the close of business on the 10th day following the day on which such public announcement is first made by the Corporation.

E. Only persons nominated in accordance with the procedures set forth in this Section 11 shall be eligible to serve as directors and only such business shall be conducted at an annual meeting of stockholders as shall have been brought before the meeting in accordance with the procedures set forth in this section. The chairman of the meeting shall have the power and the duty to determine whether a nomination or any business proposed to be brought before the meeting has been made in accordance with the procedures set forth in these Bylaws and, if any proposed nomination or business is not in compliance with these Bylaws, to declare that such defectively proposed business or nomination shall not be presented for stockholder action at the meeting and shall be disregarded.

F. For purposes of these Bylaws, "**public announcement**" shall mean disclosure in a press release reported by a national news service or in a document publicly filed by the Corporation with the Securities and Exchange Commission ("**SEC**") pursuant to Section 13, 14 or 15(d) of the Exchange Act, or other means deemed compliant with SEC Regulation FD.

G. Notwithstanding the foregoing provisions of this Section 11, a stockholder shall also comply with all applicable requirements of the Exchange Act and the rules and regulations thereunder with respect to matters set forth in this Section 11. Nothing in this Section 11 shall be deemed to affect any rights of stockholders to request inclusion of proposals in the Corporation's proxy statement pursuant to Rule 14a-8 under the Exchange Act.

Section 12. Meetings of stockholders may be held by means of remote communications as provided by the DGCL.

ARTICLE III. BOARD OF DIRECTORS

Section 1. The business and affairs of the Corporation shall be under the direction of its Board. The number of Directors shall be fixed from time to time exclusively by the Board of Directors pursuant to a resolution adopted by a majority of the authorized directorship of the Board. The Board shall annually elect a Chairman of the Board from among its members who shall, when present, preside at its meetings. The Board may also elect one of its members as a Vice Chairman of the Board and may elect a Lead Director, which Lead Director shall have such responsibilities as determined by the Board.

The Directors, other than those who may be elected by the holders of any class or series of preferred stock, shall be divided, with respect to the time for which they severally hold office, into three classes, with the term of office of the first class to expire at the first annual meeting of stockholders, the term of office of the second class to expire at the annual meeting of stockholders one year thereafter and the term of office of the third class to expire at the annual meeting of stockholders two years thereafter, with each Director to hold office until his or her successor shall have been duly elected and qualified. At each annual meeting of stockholders, commencing with the first annual meeting, Directors elected to succeed those Directors whose terms then expire shall be elected for a term of office to expire at the third succeeding annual meeting of stockholders after their election, with each Director to hold office until his or her successor shall have been duly elected and qualified.

Section 2. Subject to the rights of the holders of any class or series of preferred stock, and unless the Board otherwise determines, newly created Directorships resulting from any increase in the authorized number of Directors or any vacancies in the Board resulting from death, resignation, retirement, disqualification, removal from office or other cause may be filled only by a majority vote of the Directors then in office, though less than a quorum, and Directors so chosen shall hold office for a term expiring at the annual meeting of stockholders at which the term of office of the class to which they have been elected expires and until such Director's successor shall have been duly elected and qualified. No decrease in the number of authorized Directors constituting the Board shall shorten the term of any incumbent Director.

Section 3. Regular meetings of the Board of Directors shall be held at such place or places, on such date or dates, and at such time or times as shall have been established by the Board and publicized among all Directors. A notice of each regular meeting shall not be required.

Section 4. Special meetings of the Board of Directors may be called at any time by the Chairman, the Vice Chairman (if elected), and the President, and shall be called by the Secretary upon the written request of not less than a majority of the authorized directorship of the Board. Any such written request shall cite the purpose of such special meeting.

Section 5. Notice of the place, date, and time of each such special meeting shall be given each Director by whom it is not waived by mailing written notice not less than five (5) days before the meeting, or by facsimile transmission, overnight courier, personal service, or other electronic transmission (including by email) of the same not less than twenty-four (24) hours before the meeting. Unless otherwise indicated in the notice thereof, any and all business may be transacted at a special meeting.

Section 6. A majority of the members of the Board shall constitute a quorum for the transaction of business at any meeting. Any director may resign at any time by sending a written notice of such resignation to the Chairman of the Board or the President. Unless otherwise specified, such resignation shall take effect upon receipt by the Chairman of the Board or the President.

Section 7. At any meeting of the Board of Directors, business shall be transacted in such order and manner as the Board may from time to time determine, and all matters shall be determined by the vote of a majority of the Directors present, except as otherwise provided herein or required by law. Any action required or permitted to be taken pursuant to authorization voted at a meeting of the Board or any committee thereof, may be taken without a meeting if, prior or subsequent to that action, all members of the Board or of the committee, as the case may be, consent thereto in writing and those written consents are filed with the minutes of the proceedings of the Board or committee. The consent shall have the same effect as a unanimous vote of the Board or committee for all purposes, and may be stated as a unanimous vote of the Board or committee in any certificate or other document filed with the Commissioner.

Section 8. Any or all Directors may participate in a meeting of the Board or a committee of the Board by means of a conference telephone or any means of communication by which all persons participating in the meeting are able to hear each other, unless otherwise provided in the Certificate of Incorporation or the Bylaws. Any Director so participating in such a meeting shall be deemed to be present at such meeting.

Section 9. A Director of the Corporation who is present at a meeting of the Board at which action on any Corporation matter is taken shall be presumed to have assented to the action taken unless his dissent is clearly stated at the meeting, or sent by facsimile transmission, overnight courier, personal service, other electronic means or by registered mail to the Secretary of the Corporation within five days after the date he receives a copy of the Minutes of the meeting. Such right to dissent shall not apply to a Director who voted in favor of such action.

Section 10. The Board of Directors may, except as otherwise required by law, exercise all such powers and do all such acts and things as may be exercised or done by the Corporation, including, without limiting the generality of the foregoing, the unqualified power:

- (1) To declare dividends from time to time in accordance with law;
- (2) To purchase or otherwise acquire any property, rights or privileges on such terms as it shall determine;

(3) To authorize the creation, making and issuance, in such form as it may determine, of written obligations of every kind, negotiable or non-negotiable, secured or unsecured, and to do all things necessary in connection therewith;

(4) To remove any Officer of the Corporation with or without cause, and from time to time to devolve the powers and duties of any Officer upon any other person for the time being;

(5) To confer upon any Officer of the Corporation the power to appoint, remove and suspend subordinate Officers, employees and agents;

(6) To adopt from time to time such stock, option, stock purchase, bonus or other compensation plans for Directors, Officers, employees and agents of the Corporation and its subsidiaries as it may determine;

(7) To adopt from time to time such insurance, retirement, and other benefit plans for Directors, Officers, employees and agents of the Corporation and its subsidiaries as it may determine; and

(8) To adopt from time to time regulations, not inconsistent with these Bylaws, for the management of the Corporation's business and affairs.

Section 11. Directors, as such, may receive, pursuant to resolution of the Board, compensation in such manner and such amount as determined appropriate by the Board, for their services as Directors, including, without limitation, their services as members of committees of the Board.

Section 12. No person 75 years of age or older will be eligible for election, re-election, appointment, or reappointment to the Board of Directors. Notwithstanding the foregoing, the Board of Directors, upon recommendation of the Nominating/Corporate Governance Committee and by a resolution approved by a majority of the disinterested members of the Board of Directors, may exclude an incumbent director from such age limitation for a specified period of time and for a specified valid reason.

Section 13. The Board of Directors may designate, from time to time, Directors Emeriti for such terms as the Board shall designate and who may be invited to attend meetings of the Corporation and to be compensated as the Board of Directors shall decide. A Director Emeritus shall have previously served as a director of the Corporation. No Director Emeritus shall have the right of notice of meeting or right to vote and the duties of any Director Emeritus shall be as the Board of Directors shall designate from time to time. The term of any Director Emeriti may be terminated by the Board at any time with or without cause.

ARTICLE IV. COMMITTEES

Section 1. The Board of Directors, by a vote of a majority of the Board of Directors, may from time to time designate committees of the Board, with such lawfully delegable powers and duties as it thereby confers (and as set forth in the resolution and/or committee charter approved by the Board), to serve at the pleasure of the Board and shall, for these committees and any others provided for herein, elect a Director or Directors to serve as the member or members, designating, if it desires, other Directors as alternate members who may replace any absent or disqualified member at any meeting of the committee. The Board may designate a member of a committee as the Chairman of the Committee, who shall preside at committee meetings. In the absence of a designation by the Board, the committee may elect a Chairman among its members.

Section 2. Each committee (or the Chairman of the committee) may determine the procedural rules for meeting and conducting its business and the committee shall act in accordance therewith, except as otherwise provided herein or required by law. Regular meetings of a committee shall be held at such place or places, on such date or dates, and at such time or times as shall have been established by the committee and publicized among all committee members. If so publicized, a notice of a regular meeting of a committee shall not be required (otherwise, notice shall be provided as would be required for a special meeting). Special meetings of a committee may be called by the Chairman of the committee (or by any two or more members thereof) upon not less than twenty-four hours written notice (which may be by email, facsimile or other electronic means) stating the place, date and hour of the meeting. Any member of a committee may waive notice of any meeting (prior to, at or after any meeting) and no notice of any meeting need be given to any member thereof who attends in person. The notice of a meeting need not state the business proposed to be transacted at the meeting.

Section 3. A majority of the members shall constitute a quorum unless the committee shall consist of one (1) or two (2) members, in which event one (1) member shall constitute a quorum. All matters shall be determined by a majority vote of the members present. Action may be taken by any committee without a meeting if all members thereof consent thereto in writing or by electronic transmission, and the writing or writings or electronic transmission or transmissions are filed with the minutes of the proceedings of such committee. Such filing shall be in paper form if the minutes are maintained in paper form and shall be in electronic form if the minutes are maintained in electronic form.

Section 4. Unless otherwise determined by the Board, the following committees shall be established: Nominating and Corporate Governance Committee; Audit Committee; and Compensation Committee. The Board shall approve a charter for each of these committees. The Nominating and Corporate Governance Committee shall have authority (a) to review any nominations for election to the Board made by a stockholder of the Corporation pursuant to Section 11C(ii) of Article II of these Bylaws in order to determine compliance with such Bylaw provision and (b) to recommend to the Board nominees for election to the Board to replace those Directors whose terms expire at the annual meeting of stockholders next ensuing.

ARTICLE V. OFFICERS

Section 1. At each Annual Meeting of the Board, the Board shall elect one of its members as Chairman of the Board, who shall preside at its meetings. It shall elect a President, who shall be the Chief Executive Officer unless determined otherwise, one or more Vice Presidents, and a Secretary. The Board may appoint such other Officers as it deems necessary for the proper conduct of the business of the Corporation. Unless prohibited by law, more than one office may be held by the same person. The term of office of all Officers shall be until the next annual election of Officers and until their respective successors are chosen, but any Officer may be removed from office at any time by the affirmative vote of a majority of the authorized number of Directors then constituting the Board of Directors (without prejudice to contract rights under any employment agreement that may have been entered into). All Officers chosen by the Board of Directors shall have such powers and duties as generally pertain to their respective offices, subject to the specific provisions of this ARTICLE V. Such Officers shall also have such powers and duties as from time to time may be conferred by the Board of Directors or by any committee thereof.

Section 2. The Chairman of the Board shall preside at meetings of the Board. He/she shall be entitled to attend all Board committee meetings, and he/she shall perform such duties as usually appertain to the office of the Chairman, as the Board shall direct or as provided by law. Either the Chairman of the Board or the President, as determined by the Board, shall preside at stockholder meetings. In the absence of the Chairman of the Board, the Vice Chairman of the Board (if elected), or the Lead Director (if one is designated), or if there is no Vice Chairman of the Board or Lead Director, the President, shall preside at Board meetings.

Section 3. The President shall be the Chief Executive Officer of the Corporation, unless otherwise determined by the Board, and he/she shall be entitled to attend all Board committee meetings. Either the President, or the Chairman, or the Vice Chairman (if elected), as determined by the Board, shall preside at all meetings of the stockholders. In the absence of the Chairman of the Board, or if elected, a Vice Chairman of the Board, or if designated, a Lead Director, the President shall preside at meetings of the Board. He/she shall be directly responsible for engaging or dismissing any and all employees of the Corporation, except such as are engaged by action of the Board. He/she shall have full authority to direct the operation and conduct of the Corporation under the direction of the Board. He/she shall perform such other duties as usually appertain to the office of President, or as the Board shall order and as provided by law. Subject to the direction of the Board of Directors, the President shall have power to sign all stock certificates, contracts and other instruments of the Corporation which are authorized and shall have general supervision of all of the other Officers (other than the Chairman of the Board), employees and agents of the Corporation.

Section 4. The Vice Presidents shall perform the duties and exercise the powers usually incident to their respective offices and/or such other duties and powers as may be properly assigned to them by the Board of Directors, or the President and Chief Executive Officer. A Vice President or Vice Presidents may be designated as Executive Vice President or Senior Vice President.

Section 5. The Secretary shall be the custodian of the seal of the Corporation. He/she shall give notice of all meetings of the Corporation and of the Board to the Directors as herein and by law provided. He/she shall keep a record of the proceedings of the meetings of the Corporation and of the Board. He/she shall perform such duties as may, from time to time, be assigned to him/her by the Board, the Chairman or the President. In the absence of the Secretary, his/her duties may be performed by any Assistant Secretary appointed by the Board. Subject to the direction of the Board of Directors, the Secretary shall have the power to sign all stock certificates.

Section 6. All other Officers shall have such authority and perform such duties as may be assigned to them by the Board, or the President.

Section 7. In the absence or disability of the President and Chief Executive Officer, the duties and responsibilities of his/her office shall be performed by those persons, and in the order, set forth in the last annual Board determination of executive succession.

Section 8. Unless otherwise directed by the Board of Directors, the President or any Officer of the Corporation authorized by the President shall have power to vote and otherwise act on behalf of the Corporation, in person or by proxy, at any meeting of stockholders of or with respect to, any action of stockholders of any other corporation in which this Corporation may hold securities and otherwise to exercise any and all rights and powers which this Corporation may possess by reason of its ownership of securities in such other corporation.

ARTICLE VI. POWERS

This Corporation shall have all powers now or hereafter conferred by the laws of the State of Delaware, both express and implied, and such other powers as are incidental thereto, and incidental or necessary to the operation of its business and the attainment of its purpose.

ARTICLE VII. EMERGENCY POWERS

Section 1. In the event that there shall occur and be declared by appropriate governmental authority a state of disaster which shall be of such severity as to prevent the conduct and management of the affairs and business of the Corporation by its Directors and Officers as otherwise provided in these Bylaws, the Officers and employees of this Corporation shall continue the affairs of the Corporation under such guidance from the Board as may be available except as to matters which shall at that time require specific approval of the Board and subject to confirmation with any applicable supervisory directives during this emergency.

Section 2. In the event that such emergency as set forth in Section 1 above is of sufficient severity as to prevent the conduct and management of the affairs of this Corporation by the full Board, then such members of the Board as are available shall constitute the governing authority of the Corporation until such time as normal conditions are restored.

Section 3. In the event of such emergency as set forth in Section 1 above and if the President of the Corporation is not available to perform his duties as President of the Corporation, then the authority and duties of the President shall, without further action of the Board, be automatically assumed by those persons, and in the order, set forth in the last annual Board determination of executive succession.

Section 4. Any one of the above persons who, in accordance with the foregoing, assumes the authority and duties of the President, shall continue to serve until normal conditions are restored, or until the available members of the Board shall determine otherwise.

Section 5. Any person, firm or corporation dealing with the Corporation may accept a certification by any two Officers and/or Directors that a specified individual is acting as President or such other Officer in accordance with this Article. Any person, firm or corporation accepting such certification may continue to consider it in full force and effect until notified to the contrary by instrument in writing signed by any two Officers and/or Directors of the Corporation.

ARTICLE VIII. INDEMNIFICATION

As set forth in the Certificate of Incorporation and subject to the conditions contained therein, the Directors, Officers, employees and agents of this Corporation, present or former, shall be entitled to indemnification with respect to expenses and liabilities incurred in connection with any proceedings involving such Director, Officer, employee or agent by reason of his/her activities in connection with the Corporation.

ARTICLE IX. IMMUNITY

As set forth in the Certificate of Incorporation and subject to the conditions contained therein, no Director of this Corporation shall be personally liable to this Corporation for breach of any duty owed to the Corporation or the depositors of its savings bank subsidiary.

ARTICLE X. STOCK

Section 1. Subject to the next sentence, each stockholder shall be entitled to a certificate signed by, or in the name of the Corporation by, the Chairman of the Board or the President, and by the Secretary or any Assistant Secretary, or the Chief Financial Officer, certifying the number of shares owned by him or her. Any or all of the signatures on the certificate may be by facsimile or other electronic means. In lieu of share certificates, the Board of Directors may provide by resolution or resolutions that some or all of any or all classes or series of its stock shall be uncertificated, in which case the Corporation shall provide each stockholder regular confirmation of the uncertificated book entry shares. Any such resolution shall not apply to shares represented by a certificate until such certificate is surrendered to the Corporation.

Section 2. Transfers of stock shall be made only upon the transfer books of the Corporation kept at an office of the Corporation or by transfer agents designated to transfer ownership of shares of the Corporation (whether certificated or uncertificated). Except where a certificate is issued in accordance with Section 4 of this Article X of these Bylaws, an outstanding certificate for the number of shares involved shall be surrendered for cancellation before a new certificate is issued therefor.

Section 3. In order that the Corporation may determine the stockholders entitled to receive payment of any dividend or other distribution or allotment of any rights or to exercise any rights in respect of any change, conversion or exchange of stock or for the purpose of any other lawful action, the Board may fix a record date, which record date shall not precede the date on which the resolution fixing the record date is adopted and which record date shall not be more than sixty (60) nor less than ten (10) days prior to the time for such other action as hereinbefore described; provided, however, that if no record date is fixed by the Board, the record date for determining stockholders entitled to receive payment of any dividend or other distribution or allotment of rights or to exercise any rights of change, conversion or exchange of stock or for any other purpose, the record date shall be at the close of business on the day on which the Board adopts a resolution relating thereto.

Section 4. In the event of the loss, theft or destruction of any certificate of stock, another may be issued in its place pursuant to such regulations as the Board may establish concerning proof of such loss, theft or destruction and concerning the giving of a satisfactory bond or bonds of indemnity.

Section 5. The issue, transfer, conversion and registration of share ownership shall be governed by such other regulations as the Board may establish.

ARTICLE XI. MISCELLANEOUS

Section 1. In addition to the provisions for use of facsimile and other electronic signatures elsewhere specifically authorized in these Bylaws, facsimile and electronic signatures of any Officer(s) of the Corporation may be used whenever and as authorized by the Board.

Section 2. The Board shall have the power to adopt or alter the Seal of the Corporation.

Section 3. Each Director, each member of any committee designated by the Board, and each Officer of the Corporation shall, in the performance of his or her duties, be fully protected in relying in good faith upon the books of account or other records of the Corporation and upon such information, opinions, reports or statements presented to the Corporation by any of its Officers or employees, or committees of the Board so designated, or by any other person as to matters which such Director or committee member reasonably believes are within such other person's professional or expert competence and who has been selected with reasonable care by or on behalf of the Corporation.

Section 4. In applying any provision of these Bylaws which requires that an act be done or not be done a specified number of days prior to an event or that an act be done during a period of a specified number of days prior to an event, calendar days shall be used, the day of the doing of the act shall be excluded, and the day of the event shall be included.

ARTICLE XII. AMENDMENT

The Board of Directors may amend, alter or repeal these Bylaws at any meeting of the Board. The stockholders shall also have power to amend, alter or repeal these Bylaws with such vote and in the manner set forth in the Certificate of Incorporation.

INCORPORATED UNDER THE LAWS OF THE STATE OF DELAWARE
NSTS Bancorp, Inc.

No.

Shares

FULLY PAID AND NON-ASSESSABLE
PAR VALUE \$0.01 PER SHARE

CUSIP: _____
THE SHARES REPRESENTED BY THIS
CERTIFICATE ARE SUBJECT TO
RESTRICTIONS, SEE REVERSE SIDE

THIS CERTIFIES that

is the owner of

SHARES OF COMMON STOCK, \$0.01 PAR VALUE PER SHARE,
of
NSTS Bancorp, Inc.
a Delaware corporation

The shares evidenced by this certificate are transferable only on the books of NSTS Bancorp, Inc. by the holder hereof, in person or by attorney, upon surrender of this certificate properly endorsed. The capital stock evidenced hereby is not an account of an insurable type and is not insured by the Federal Deposit Insurance Corporation or any other federal or state governmental agency.

IN WITNESS WHEREOF, NSTS Bancorp, Inc. has caused this certificate to be executed by the facsimile signatures of its duly authorized officers and has caused a facsimile of its seal to be hereunto affixed.

By _____
CRISTINE E. STICKLER
CORPORATE SECRETARY

[SEAL] By _____
STEPHEN G. LEAR
CHIEF EXECUTIVE OFFICER





Chicago
New York
Washington, DC
London
San Francisco
Los Angeles
Singapore
Dallas
vedderprice.com

September 13, 2021

The Board of Directors
NSTS Bancorp, Inc.
700 S. Lewis Avenue
Waukegan, Illinois 60085

Re: NSTS Bancorp, Inc.
Common Stock, Par Value \$0.01 Per Share

Ladies and Gentlemen:

You have requested the opinion of this firm as to certain matters in connection with the offer and sale of the shares of common stock, par value \$0.01 per share ("Common Stock"), of NSTS Bancorp, Inc. (the "Company"). We have reviewed originals, or copies, certified or otherwise identified to our satisfaction, of the Company's Certificate of Incorporation, Bylaws and Registration Statement on Form S-1 (the "Form S-1"), the Plan of Conversion of North Shore MHC, as amended (the "Plan"), and resolutions of the Board of Directors of the Company, as well as applicable statutes and regulations governing the Company, the Plan and the offer and sale of the Common Stock, and such other corporate records, resolutions, and documents, and matters of law, as we deemed necessary or appropriate to examine for the purposes of this opinion. We have assumed the authenticity, accuracy and completeness of all documents submitted to us as originals, the conformity to authentic original documents of all documents submitted to us as certified, conformed or photostatic copies and the genuineness of all signatures.

Based on the foregoing, we are of the opinion that upon the declaration of effectiveness of the Form S-1, the Common Stock, when issued and sold, and in the case of NSTS Charitable Foundation, Inc., when contributed, in accordance with the terms of the Plan, will be duly authorized, validly issued, fully paid and non-assessable.

The opinion expressed herein is based on the facts in existence and the laws in effect on the date hereof and is limited to federal laws and regulations of the United States and the General Corporation Law of the State of Delaware currently in effect. The opinion expressed herein is a matter of professional judgment and is not a guarantee of result.

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Vedder Price P.C. is affiliated with Vedder Price LLP, which operates in England and Wales, Vedder Price (CA), LLP, which operates in California, and Vedder Price Pte. Ltd., which operates in Singapore.

The Board of Directors
September 13, 2021
Page 2

We hereby consent to the filing of this opinion as an exhibit to the Form S-1 and to references to our firm therein. In giving our consent, we do not thereby admit that we are in the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, and the rules and regulations of the Securities and Exchange Commission promulgated thereunder. This opinion speaks only as of its date, and we undertake no (and hereby disclaim any) obligation to update this opinion.

Very truly yours,

/s/ Vedder Price P.C.

_____, 2021

North Shore MHC
NSTS Financial Corporation
NSTS Bancorp, Inc.
700 S. Lewis Avenue
Waukegan, Illinois 60085

Ladies and Gentlemen:

You have requested our opinion regarding the material U.S. federal and Illinois income tax consequences resulting from the proposed conversion of North Shore MHC, a federally-chartered mutual holding company (the "Mutual Holding Company"), from the mutual to capital stock form of organization (the "Conversion") pursuant to the Plan of Conversion of North Shore MHC approved by the Board of Directors of Mutual Holding Company on July 19, 2021 and as amended on September 8, 2021 (the "Plan"). Capitalized terms used but not defined herein shall have the meaning given to such terms in the Plan.

Description of the Transaction

The Plan contemplates that the Conversion will be affected as follows, in the order set forth below:

1. Mutual Holding Company will merge pursuant to applicable federal law with and into NSTS Financial Corporation, a federally-chartered corporation and wholly-owned subsidiary of Mutual Holding Company ("Mid-Tier Holding Company") with Mid-Tier Holding Company being the surviving entity (the "MHC Merger"). In the MHC Merger, the shares of Mid-Tier Holding Company common stock held by Mutual Holding Company will be canceled without any consideration being paid thereof and Qualifying Depositors (i.e., Eligible Account Holders and Supplemental Eligible Account Holders) of North Shore Trust and Savings, a federally-chartered capital stock savings association and wholly-owned subsidiary of Mid-Tier Holding Company, will constructively receive liquidation interests in Mid-Tier Holding Company in exchange for their liquidation interests in Mutual Holding Company (collectively, the "MHC Merger"). The MHC Merger will be accomplished pursuant to the Agreement of Merger between North Shore MHC and NSTS Financial Corporation dated as of _____, 2021 (the "MHC Merger Agreement").
2. Immediately following the completion of the MHC Merger, Mid-Tier Holding Company will merge pursuant to applicable federal and state law with and into NSTS Bancorp, Inc., a newly-formed Delaware corporation ("Holding Company"), with Holding Company being the surviving company (the "Mid-Tier Merger") and the Bank becoming a wholly-owned subsidiary of the Holding Company. As part of the Mid-Tier Merger, the liquidation interests in Mid-Tier Holding Company constructively received by Qualifying Depositors of the Bank as part of the MHC Merger will automatically, without any action on the part of the holders thereof, be exchanged for interests in the Liquidation Account of Holding Company. The Mid-Tier Merger will be accomplished pursuant to the Agreement of Merger between NSTS Financial Corporation and NSTS Bancorp, Inc. dated as of ____ 2021 (the "Mid-Tier Merger Agreement").

3. Immediately after completion of the Mid-Tier Merger, Holding Company will offer for sale a number of shares of common stock, par value \$0.01 per share, of Holding Company ("Holding Company Common Stock") in the Offering that will represent ownership by the purchasers thereof of all the outstanding shares of Holding Company immediately after the Offering.

In the Mid-Tier Merger, a Liquidation Account will be established by Holding Company in an amount equal to Mid-Tier Holding Company's total stockholders' equity as reflected in the latest statement of financial condition contained in the final Prospectus used in the Offering, plus the net assets of Mutual Holding Company as reflected in the latest statement of financial condition of Mutual Holding Company prior to the effective date of the Conversion (excluding its ownership of Mid-Tier Holding Company Common Stock). Following the closing of the Mid-Tier Merger, the Liquidation Account will be maintained for the benefit of Eligible Account Holders and Supplemental Eligible Account Holders who continue to maintain their Deposit Accounts at the Bank. Each Eligible Account Holder and Supplemental Eligible Account Holder will, with respect to his, her or its Deposit Account, hold a related inchoate interest in a portion of the Liquidation Account balance in relation to his, her or its Deposit Account balance on the Eligibility Record Date or Supplemental Eligibility Record Date, respectively, or to such balance as it may be subsequently reduced, as provided in the Plan. In addition, Holding Company will cause the Bank to establish and maintain the Bank Liquidation Account for the benefit of Eligible Account Holders and Supplemental Eligible Account Holders who continue to maintain their Deposit Accounts at the Bank and liquidation interests in the Bank Liquidation Account will be distributed by Holding Company immediately after completion of the Mid-Tier Merger to Qualifying Depositors.

In the MHC Merger, a liquidation account will be established by the Mid-Tier Holding Company in an amount equal to the net assets of the Mutual Holding Company as reflected in the latest statement of financial condition of the Mutual Holding Company prior to the effective date of the Conversion (excluding its ownership of Mid-Tier Holding Company Common Stock). Such liquidation account shall be established and maintained on terms generally consistent with the description of the Liquidation Account established in connection with the Mid-Tier Merger and liquidation interest in such account will be constructively issued in the MHC Merger to Qualifying Depositors in exchange for their liquidation interests in Mutual Holding Company.

At all times prior to the effective time of the Mid-Tier Merger, Holding Company has had, and will have had, no capital stock outstanding (other than an initial share that will be issued to Mid-Tier Holding Company to approve certain organizational actions of Holding Company, which initial share will be redeemed prior to the Mid-Tier Merger) and has not conducted, and will not conduct, any business other than as necessary to consummate the transactions set forth in the Mid-Tier Merger Agreement. Immediately after the Mid-Tier Merger, only the liquidation interests in the Liquidation Account will be outstanding and all such liquidation interests will be issued to Qualifying Depositors in exchange for the liquidation interests in Mid-Tier Holding Company they constructively received as part of the MHC Merger. As part of the Conversion, nontransferable rights to subscribe for Holding Company Common Stock in the Offering will be granted, in order of priority, to Eligible Account Holders, the Bank's and Holding Company's tax-qualified employee stock benefit plans, Supplemental Eligible Account Holders and certain Other Members of Mutual Holding Company (the "Subscription Offering"). Immediately after completion of the Mid-Tier Merger, such subscription rights will be effectuated. Holding Company will also offer shares of Holding Company Common Stock not subscribed for in the Subscription Offering, if any, for sale in a Community Offering or Syndicated Community Offering to certain members of the general public.

As a result of the foregoing transactions, Holding Company will be a publicly-held corporation whose shares of common stock are registered under the Securities Act of 1933, as amended. The Bank will be a wholly-owned subsidiary of Holding Company and will continue to carry on its business and activities as conducted immediately prior to the Conversion.

Opinion

In rendering this opinion, we have examined the Plan, MHC Merger Agreement and Mid-Tier Merger Agreement and have reviewed and relied upon (i) representations made to us by duly authorized officers of Mutual Holding Company, Mid-Tier Holding Company, Holding Company and the Bank in a letter dated _____, 2021 (the "Representation Letter") and (ii) a letter from Feldman Financial to ___ dated ___, 2021 stating its belief as to certain valuation matters discussed below (the "Appraisal Letter"). We have also examined such other agreements, documents, corporate records and other materials as we have deemed necessary in order for us to render the opinions referred to in this letter. In such review and examination, we have assumed the genuineness of all signatures, the legal capacity and authority of the parties who executed such documents, the authenticity of all documents submitted to us as originals, the conformity to originals of all documents submitted to us as copies and the authenticity of the originals of such latter documents.

Our opinion is based, in part, on the assumptions that (i) the Conversion described herein will occur in accordance with the terms of the Plan, MHC Merger Agreement and Mid-Tier Merger Agreement (without the waiver or modification of any terms or conditions thereof and without taking into account any amendment thereof that we have not approved) and the facts and representations set forth or referred to in this opinion letter, and that such facts and representations, as well as the facts set forth in the Plan, MHC Merger Agreement and Mid-Tier Merger Agreement are true, correct and complete as of the date hereof and will be true, correct and complete as of the date and time of each of the MHC Merger, Mid-Tier Merger and Offering and (ii) any representation set forth in the Representation Letters qualified by knowledge, intention, belief, disclaimer of responsibility or any similar qualification is, and will be as of the date and time of each of the MHC Merger, Mid-Tier Merger and Offering, true, correct and complete without such qualification. You have not requested that we undertake, and we have not undertaken, any independent investigation of the accuracy of the facts, representations and assumptions set forth or referred to herein.

U.S. Federal Income Tax Consequences

For the purposes indicated above, and based upon the facts, assumptions and representations set forth or referred to herein, it is our opinion that for U.S. federal income tax purposes:

1. The merger of Mutual Holding Company with and into Mid-Tier Holding Company pursuant to applicable federal laws will constitute a reorganization within the meaning of section 368(a)(1)(A) of the Code.
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2. The constructive exchange of Eligible Account Holders' and Supplemental Eligible Account Holders' liquidation interests in Mutual Holding Company for liquidation interests in Mid-Tier Holding Company in the MHC Merger will satisfy the continuity of interest requirement of section 1.368-1(b) of the U.S. Federal Income Tax Regulations.
 3. Mutual Holding Company will not recognize any gain or loss on the transfer of its assets to Mid-Tier Holding Company and the assumption by Mid-Tier Holding Company of Mutual Holding Company's liabilities, if any, in constructive exchange for liquidation interests in Mid-Tier Holding Company or on the constructive distribution of such liquidation interests to Eligible Account Holders and Supplemental Eligible Account Holders.
 4. No gain or loss will be recognized by Mid-Tier Holding Company upon receipt of the assets of Mutual Holding Company in exchange for the constructive transfer of liquidation interests in Mid-Tier Holding Company to Eligible Account Holders and Supplemental Eligible Account Holders.
 5. Eligible Account Holders and Supplemental Eligible Account Holders will recognize no gain or loss upon the constructive receipt of liquidation interests in Mid-Tier Holding Company in exchange for their liquidation interests in Mutual Holding Company.
 6. The basis of the assets of Mutual Holding Company to be received by Mid-Tier Holding Company will be the same as the basis of such assets in the hands of Mutual Holding Company immediately before the exchange.
 7. The holding period of the assets of Mutual Holding Company to be received by Mid-Tier Holding Company will include the period during which such assets were held by Mutual Holding Company.
 8. The merger of Mid-Tier Holding Company with and into Holding Company pursuant to applicable federal and state laws will constitute a mere change in identify, form, or place of organization within the meaning of section 368(a)(1)(F) of the Code and will qualify as a reorganization within the meaning of section 368(a)(1)(F) of the Code.
 9. Mid-Tier Holding Company will not recognize any gain or loss on the transfer of its assets to Holding Company and the assumption by Holding Company of Mid-Tier Holding Company's liabilities, if any, in constructive exchange for interests in the liquidation account of Holding Company or on the constructive distribution of such interests in the liquidation account of Holding Company to Eligible Account Holders and Supplemental Eligible Account Holders.
 10. No gain or loss will be recognized by Holding Company upon the receipt of the assets of Mid-Tier Holding Company in exchange for the constructive transfer of liquidation interests in Holding Company to Eligible Account Holders and Supplemental Eligible Account Holders.
 11. The basis of the assets of Mid-Tier Holding Company to be received by Holding Company will be the same as the basis of such assets in the hands of Mid-Tier Holding Company immediately before the exchange.
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12. The holding period of the assets of Mid-Tier Holding Company to be received by Holding Company will include the period during which such assets were held by Mid-Tier Holding Company.
13. Eligible Account Holders and Supplemental Eligible Account Holders will not recognize any gain or loss upon the constructive exchange of their liquidation interests in Mid-Tier Holding Company for interests in the liquidation account of Holding Company.
14. It is more likely than not that no income will be recognized by Eligible Account Holders, Supplemental Eligible Account Holders and Other Members upon distribution to them of nontransferable subscription rights to purchase shares of Holding Company Common Stock. Eligible Account Holders, Supplemental Eligible Account Holders and Other Members will not realize any taxable income as the result of the exercise by them of the nontransferable subscriptions rights.
15. It is more likely than not that no income will be recognized by Eligible Account Holders and Supplemental Eligible Account Holders upon the constructive distribution to them of rights in the Bank Liquidation Account.
16. It is more likely than not that the basis of the shares of Holding Company Common Stock purchased by Eligible Account Holders, Supplemental Eligible Account Holders and Other Members in the Subscription Offering by the exercise of the nontransferable subscription rights will be the purchase price paid therefor.
17. The holding period of the shares of Holding Company Common Stock purchased by Eligible Account Holders, Supplemental Eligible Account Holders and Other Members in the Subscription Offering pursuant to the exercise of the nontransferable subscription rights will commence on the date the right to acquire such stock was exercised.
18. No gain or loss will be recognized by Holding Company on the receipt of money in exchange for shares of Holding Company Common Stock in the Offering.

Our opinions under paragraphs 14 and 16 are based on the position that the subscription rights to purchase shares of Holding Company Common Stock received by Eligible Account Holders, Supplemental Eligible Account Holders and Other Members have a fair market value of zero at the time such subscription rights are distributed to Eligible Account Holders, Supplemental Eligible Account Holders and Other Members. We understand that the subscription rights will be granted at no cost to the recipients, will be legally nontransferable and of short duration, and will provide the recipient with the right only to purchase shares of Holding Company Common Stock at the same price to be paid by members of the general public in any Community Offering or Syndicated Community Offering. It is also our understanding that no person will receive any payment, whether in money or property, in lieu of the issuance of subscription rights. We also note that the Internal Revenue Service has not in the past concluded that subscription rights have value. In addition, we are relying on the Appraisal Letter from Feldman Financial stating that the subscription rights do not have any economic value at the time of the distribution or at the time the rights are exercised in the Subscription Offering.

If the subscription rights are subsequently found to have a fair market value greater than zero, income may be recognized by various recipients of the subscription rights (in certain cases, whether or not the rights are exercised) and Holding Company and/or the Bank may be subject to U.S. federal income tax on the distribution of the subscription rights.

Our opinion under paragraph 15 above is based on the premise that the benefit provided by the Bank Liquidation Account supporting the payment of the Liquidation Account in the event Holding Company lacks sufficient net assets has a fair market value of zero immediately after the effective time of the Mid-Tier Merger. We understand that (i) there is no history of any holder of a liquidation account receiving any payment attributable to a liquidation account of a solvent bank and/or holding company (except as set forth below) and assume for purposes of our opinion that this is correct; (ii) the interests in the Liquidation Account and Bank Liquidation Account are not transferable; (iii) the amounts due under the Liquidation Account with respect to each Eligible Account Holder and Supplemental Eligible Account Holder (and corresponding amounts due under the Bank Liquidation Account) will be reduced as their deposits in the Bank are reduced as described in the Plan; (iv) holders of an interest in a liquidation account have received payments of their interests in very few instances and these instances involve the purchase and assumption of a bank's assets and liabilities by a credit union, and we assume for purposes of our opinion that this is correct; and (v) the Bank Liquidation Account payment obligation arises only if the Holding Company lacks sufficient net assets to fund the Liquidation Account or if the Bank (or the Bank and Holding Company) enters into a transaction to transfer the Bank's assets and liabilities to a credit union. In addition, we are relying on the Appraisal Letter from Feldman Financial stating its belief that the benefit provided by the Bank Liquidation Account supporting the payment of the Liquidation Account in the event the Holding Company lacks sufficient net assets does not have any economic value immediately after the effective time of the Mid-Tier Merger.

If such rights in the Bank Liquidation Account are subsequently found to have a fair market value greater than zero, income may be recognized by each Eligible Account Holder and Supplemental Eligible Account Holder in the amount of such fair market value upon the constructive distribution to them of such rights in the Bank Liquidation Account.

Illinois Income Tax Consequences

Section 201(a) of the Illinois Income Tax Act, as amended (35 ILCS 5) (the "Illinois Income Tax Act"), imposes a tax measured by net income on every individual, corporation, trust and estate on the privilege of earning or receiving income in or as a resident of the State of Illinois. Additionally, Section 201(c) of the Illinois Income Tax Act imposes a Personal Property Tax Replacement Income Tax on every corporation, partnership, and trust, which is measured by net income and is for the privilege of earning or receiving income in or as a resident of the State of Illinois. Section 202 of the Illinois Income Tax Act defines "net income" as base income allocable to Illinois, less the standard exemption and certain deductions. In the case of a corporation, "base income" is defined as the taxpayer's taxable income reported for U.S. federal income tax purposes subject to certain modifications.¹ Similarly, "base income" in the case of an individual is defined as the taxpayer's adjusted gross income as reported for U.S. federal income tax purposes subject to the modifications in Section 203(a)(2) of the Illinois Income Tax Act.² The Illinois Income Tax Act does not require a modification to add back gain or loss related to a tax-free reorganization for U.S. federal income tax purposes. Except as otherwise expressly provided, Illinois conforms to the Code.

¹ Section 203(b)(1) and (e) of the Illinois Income Tax Act.

² Section 203(a)(1) and (e) of the Illinois Income Tax Act.

For the purposes indicated above, and based upon the facts, assumptions and representations set forth or referred to herein, it is our opinion that for Illinois income tax purposes:

1. The above described U.S. federal income tax consequences of the Plan will be respected in the computation of the Illinois net income of Mutual Holding Company, Mid-Tier Holding Company and Holding Company for purposes of the Illinois Corporate Income Tax and Illinois Personal Property Tax Replacement Income Tax.
2. The above described U.S. federal income tax consequences of the Plan will be respected in the computation of the net income of an individual required to file an Illinois income tax return.

Conclusion

The opinions expressed in this letter are based on the Code, the Income Tax Regulations promulgated by the Treasury Department thereunder, the Illinois Income Tax Act, the regulations promulgated by the Illinois Department of Revenue thereunder and judicial authority reported as of the date hereof. We have also considered the positions of the Internal Revenue Service and the Illinois Department of Revenue (collectively, "Tax Authorities") reflected in published and private rulings. Although we are not aware of any pending changes to these authorities that would alter our opinions, there can be no assurances that future legislative or administrative changes, court decisions or interpretations by the Tax Authorities will not significantly modify the statements or opinions expressed herein. We do not undertake to make any continuing analysis of the facts or relevant law following the date of this letter or to notify you of any changes to such facts or law.

Our opinion is limited to those U.S. federal and Illinois income tax issues specifically considered herein. We do not express any opinion as to any other federal or Illinois tax issues, and do not express any opinion as to tax issues under the laws of any state (other than Illinois) or any local or foreign tax law issues, arising from or related to the transactions contemplated by the Plan. Although the discussion herein is based upon our best interpretation of existing sources of law and expresses what we believe a court would properly conclude if presented with these issues, no assurance can be given that such interpretations would be followed if they were to become the subject of judicial or administrative proceedings.

This opinion is furnished to Mutual Holding Company, Mid-Tier Holding Company and Holding Company for their benefit in connection with the Conversion and is not to be relied upon, for any other purpose, in whole or in part, without our express prior written consent. This letter is not to be relied upon for the benefit of any other person.

We hereby consent to the filing of this opinion as an exhibit to the Registration Statement on Form S-1 (File No. _____) relating to the Conversion filed by Holding Company with the Securities and Exchange Commission (the "Registration Statement"); to the discussion of this opinion in the Prospectus dated _____, 2021 relating to the Registration Statement; and to the use of our name and to any reference to our firm in the Registration Statement. In giving such consent, we do not thereby admit that we are within the category of persons whose consent is required under Section 7 of the Securities Act of 1933, as amended, or the rules and regulations of the Securities and Exchange Commission thereunder.

Very truly yours,

Vedder Price P.C.

EMPLOYMENT AGREEMENT

This Employment Agreement (“**Agreement**”) is made and entered into as of the ____ day of _____, 2021, by and among NSTS Bancorp, Inc., a Delaware corporation and sole shareholder of the Bank (“**NSTS**”), North Shore Trust and Savings, a federally chartered stock savings association (“**Bank**”) (NSTS and the Bank are sometimes referred to collectively as the “**Employer**”), and Stephen G. Lear (“**Executive**”), and shall become effective and binding as of the date set forth above.

WITNESSETH THAT:

WHEREAS, Executive is currently employed as the Chairman, Chief Executive Officer and President of NSTS and as Chairman and Chief Executive Officer of the Bank; and

WHEREAS, each of NSTS and the Bank desires to continue to employ the Executive in such executive capacity in the conduct of its business, and the Executive desires to be so employed on the terms contained herein.

NOW, THEREFORE, in consideration of the mutual promises and covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, hereto agree as follows:

1. Employment and Employment Period. The Employer hereby employs the Executive and the Executive agrees to be employed by the Employer, on the terms and conditions set forth in this Agreement, for a period commencing on the Effective Time and ending on the third anniversary of the Effective Time, subject to earlier termination or extension as provided herein (the “**Term**”). On the first anniversary date of the Effective Time, and on each succeeding anniversary date (each, an “**Anniversary Date**”), the Term shall extend automatically for one additional year beyond the initial Term or the extended Term, as the case may be, so that the Term shall continue to be three (3) years from the date of such extension, unless either the Employer or the Executive by written notice to the other given at least ninety (90) days prior to such Anniversary Date notifies the other of its intent not to extend the same. In the event that notice not to extend is given by either the Employer or the Executive, this Agreement shall terminate as of the last day of the initial Term or such extended Term. Reference herein to the Term of this Agreement shall refer to both such initial Term and any extended Terms.
 2. Capacity and Extent of Service.
 - (a) During his employment hereunder, the Executive shall serve as the Chairman, Chief Executive Officer and President of NSTS and as Chairman and Chief Executive Officer of the Bank. In addition, during the Term, the Executive shall be appointed to serve as a member of the Board of Directors of the Bank and shall be nominated to stand for election as a director of NSTS.
 - (b) The Executive shall be employed on a full-time basis as provided above and shall be assigned only such duties and tasks as are commensurate with those customarily held by a person in such positions. It is the intention of the Employer that the Executive shall be subject to the direction and supervision of the Board of the Employer.
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- (c) During his employment hereunder, the Executive shall devote his full business time and his best efforts, business judgment, skill and knowledge to the performance of his duties and responsibilities hereunder. Except as otherwise permitted in Section 2(d), the Executive shall not engage in any other business activity during the Term of this Agreement, other than an activity approved in writing by the Board of the Employer. For the avoidance of doubt, the Executive may engage in service for civic, charitable or religious purposes or services in connection with any trade association (together “**Community Activities**”) during business hours without the need for notice to the Board of the Employer; provided that such service does not involve a material time commitment. The Executive shall disclose any such Community Activities if so requested by the Board of the Employer and shall cease any such Community Activities as soon as is practicable if directed in writing by the Board, provided that the Board determines in good faith that continuation of such Community Activity is contrary to the legitimate business interests of the Employer.
- (d) With the prior written approval of the Board of the Employer, the Executive may serve on boards of both for-profit and not-for-profit entities or engage in Community Activities that involve a material time commitment. Notwithstanding the foregoing, Executive may continue to serve on any board of directors on which he was serving as of the date this Agreement was entered. A list of any such boards of directors has been supplied to the Board.

3. Compensation and Benefits.

- (a) Base Compensation. As compensation for the services to be performed by the Executive during his employment hereunder, the Bank shall pay to the Executive, in regular periodic installments, a base salary per year equal to Executive’s annual base salary in effect as of the date hereof, which salary may be increased, but not decreased, in the sole discretion of the Board of the Employer from time to time (the “**Base Salary**”).
- (b) Short-Term and Long-Term Incentive Compensation. (A) In addition to the foregoing Base Salary, for each fiscal year during his employment hereunder, the Executive shall be eligible to receive a cash bonus as may be determined by the Board of the Employer or pursuant to any short-term incentive compensation plan for senior executives of the Employer that may be adopted in the future by the Board in its discretion. Cash bonuses shall be paid as directed by the Board of the Employer. (B) The Executive shall also be eligible during his employment hereunder to participate in any long-term and/or equity-based incentive compensation plan or program that may be adopted by the Board for senior executives of the Employer, in accordance with the terms of such plans or programs, as may be amended from time to time by the Board in its discretion.
- (c) Employee Benefits. During his employment hereunder, the Executive shall be entitled to participate in all other retirement, welfare, and employee benefit programs and arrangements of the Employer as may be in effect from time to time to the extent the Executive is eligible for participation under the terms of such plans, programs, and arrangements.
- (d) Perquisites; Vacation. During his employment hereunder, the Executive shall be entitled to receive perquisites available to senior executives of the Employer in accordance with the Employer’s policies as in effect from time to time, such perquisites to include reimbursement for monthly membership dues at a local country club mutually agreed upon between Bank and Executive, and business expenses as contemplated by Section 4 below that are incurred at such club, and may include an automobile allowance as determined by the Board and monthly cellular telephone costs as determined by the Board. In addition, Executive shall be entitled to thirty (30) days paid time off during each calendar year.

4. Business Expenses. The Employer shall reimburse the Executive for all reasonable travel and other business expenses incurred by him in the performance of his duties and responsibilities in accordance with the Employer's reimbursement policies, subject to such reasonable requirements with respect to substantiation and documentation as may be specified by the Employer or its auditors. Reimbursements of expenses and in-kind benefits subject to this Section 4 or Section 3(d) or otherwise provided to the Executive shall be subject to the following rules: (i) the amount of such expenses eligible for reimbursement or in-kind benefits provided in any taxable year shall not affect the expenses eligible for reimbursement or in-kind benefits provided in any other taxable year, except as otherwise allowed by Section 409A of the Code; (ii) any reimbursement shall be made on or before the last day of the calendar year following the calendar year in which the expenses to be reimbursed were incurred; and (iii) no right to reimbursement or in-kind benefits may be liquidated or exchanged for another benefit.
5. Termination. Notwithstanding the provisions of Section 1, the Executive's employment hereunder shall terminate under the following circumstances:
- (a) Death. In the event of the Executive's death during his employment under this Agreement, the Executive's employment shall terminate on the date of his death.
 - (b) Disability. In the event that the Executive becomes Disabled during his employment under this Agreement, the Executive's employment hereunder shall terminate. For purposes of this Agreement, "**Disability**" or "**Disabled**" means any medically determinable physical or mental impairment that can be expected to result in death or can be expected to last for a continuous period of not less than twelve (12) months and that renders the Executive unable to engage in any substantial gainful activity. If any question arises as to whether the Executive is Disabled, upon reasonable request therefor by the Board of the Employer, the Executive shall submit to reasonable examination by a physician for the purpose of determining the existence, nature and extent of any such disability. The Board of the Employer shall promptly provide the Executive with written notice of the results of any such determination of Disability and of any decision of the Board of the Employer that this Agreement shall terminate by reason thereof. Any termination of the Term under this Section 5(b) shall be effected without any adverse effect on the Executive's rights to receive benefits under any disability policy of the Employer, but shall not be treated as a termination without Cause.
 - (c) Termination by the Executive without Good Reason. Notwithstanding the provisions of Section 1, the Executive may resign from the Employer at any time prior to the expiration of the Term. If Executive resigns without Good Reason, there shall be no additional Base Salary or bonus payable to Executive after the date of termination.
 - (d) Termination by the Employer Without Cause. The Executive's employment under this Agreement may be terminated by the Employer without Cause upon thirty (30) days' prior written notice to the Executive. Compensation and benefits will be provided as set forth in Section 6 or Section 7, as applicable.
 - (e) Termination by the Executive for Good Reason. The Executive may terminate his employment hereunder for Good Reason. For purposes of this Agreement, "Good Reason" shall mean that the Executive has complied with the "Good Reason Process" (hereinafter defined) following the occurrence of any of the following events:

- (i) Material adverse change by the Employer, not consented to by the Executive, in Executive's responsibilities, titles, powers, or duties at the Employer;
- (ii) Failure by the Employer to appoint the Executive as a member of the Board of Directors of the Bank, or to nominate the Executive to stand for election to the Board of Directors of NSTS;
- (iii) A material reduction in the Executive's Base Salary, as the same may be increased from time to time;
- (iv) The involuntary relocation of the office at which the Executive is principally employed to a location more than twenty-five (25) miles of driving distance from Executive's principal office of employment as of the date this Agreement is entered; or
- (v) Material breach by the Employer of this Agreement, which breach continues for more than ten (10) days following written notice given by the Executive to the Employer, such written notice to set forth in reasonable detail the nature of such breach.

"**Good Reason Process**" shall mean that (i) the Executive reasonably determines in good faith that a "Good Reason" condition has occurred; (ii) the Executive notifies the Employer in writing of the first occurrence of the Good Reason condition within thirty (30) days of the first occurrence of such condition; (iii) the Executive cooperates in good faith with the Employer's efforts, for a period not less than thirty (30) days following such notice (the "**Cure Period**"), to remedy the condition; (iv) notwithstanding such efforts, the Good Reason condition continues to exist; and (v) the Executive terminates his employment within ten (10) days after the end of the Cure Period. If the Employer cures the Good Reason condition during the Cure Period, Good Reason shall be deemed not to have occurred. Notwithstanding the foregoing, the Employer may elect to waive the Cure Period, in which case, the Executive's termination may occur within such 30-day Cure Period.

- (f) Termination by the Employer for Cause. At any time during the Term, the Employer may terminate the Executive's employment hereunder for Cause if at a meeting of the Board of the Employer called and held for such purpose (after reasonable notice to the Executive and an opportunity for him, together with counsel, to be heard before the Board, which notice shall specify in reasonable detail the basis for a proposal to terminate the Executive's employment for "**Cause**") a majority of the Board determines in good faith that the Executive is guilty of conduct that constitutes "**Cause**" as defined herein. Only the following shall constitute "**Cause**" for such termination:

- (i) Executive's personal dishonesty, incompetence, willful misconduct, or breach of fiduciary duty involving personal profit;
- (ii) Executive's willful violation of any law, rule, or regulation (other than traffic violations or similar offenses) or final cease-and-desist order from bank regulatory agencies;

- (iii) Executive's intentional failure to perform the duties assigned to him by the Board of the Employer; or
 - (iv) Executive's material breach of any provision of this Agreement.
- (g) Resignation from Board of the Employer. Upon Executive's termination of employment for any reason, the Executive shall submit to the Employer in writing his resignation as a member of Board of Directors of each of the Bank and NSTS.

6. Compensation Upon Termination.

- (a) Termination Generally. If the Executive's employment with the Employer is terminated by the Employer or the Executive for any reason, the Employer shall pay or provide to the Executive (or to his authorized representative or estate) (i) on or before the time required by law but in no event more than thirty (30) days after the Executive's date of termination, the sum of (A) any Base Salary earned through the date of termination, (B) unpaid expense reimbursements (subject to, and in accordance with, Section 4 of this Agreement), (C) any vacation pay to which the Executive is entitled on or before the time required by law but in no event more than thirty (30) days after the Executive's date of termination, and (D) any earned but unpaid incentive compensation for the year immediately preceding the year of termination; and (ii) any vested benefits the Executive may have under any employee benefit plan of the Employer through the date of termination, which vested benefits shall be paid and/or provided in accordance with the terms of such employee benefit plans (collectively, the "**Accrued Benefits**"). In addition, nothing herein shall affect the Executive's rights after termination of employment under COBRA (if any).
- (b) Termination by the Employer Without Cause or by the Executive For Good Reason. During the Term, if the Executive's employment is terminated by the Employer without Cause as provided in Section 5(d), or the Executive terminates his employment for Good Reason as provided in Section 5(e), the Employer shall pay to the Executive his Accrued Benefits and the benefit described in Section 6(a)(ii). In addition, subject to the last paragraph of this Section 6(b), the Employer shall pay to Executive an amount equal to the Base Salary he would have been entitled to receive had he continued employment for the remainder of the then in effect Term ("**Severance Amount**"). The Severance Amount shall be paid out in substantially equal installments in accordance with the Bank's payroll practice over the remainder of the Term ("**Severance Period**") commencing within sixty (60) days after the date of termination, subject to the receipt of the signed Release Agreement (described below) within such sixty (60) day period; and further subject to the delay specified in Section 8(a) hereof in the event Executive is a specified employee (as defined therein); provided, however, that if the 60-day period begins in one calendar year and ends in a second calendar year, the payment of the Severance Amount shall commence in the second calendar year. Solely for purposes of Section 409A of the Code, each installment payment shall be considered a separate payment.

The provision of the Severance Amount shall be conditioned on the Executive signing a Release Agreement substantially in the form of Exhibit A ("**Release Agreement**") within the time period set forth therein and not revoking the Release Agreement within the seven (7) day revocation period set forth in the Release Agreement; provided that the Employer tenders the Release Agreement to the Executive no later than seven (7) days after the date of termination of employment. Notwithstanding the foregoing, the Release Agreement may be modified to the extent necessary to comply with applicable law from and after the date of this Agreement.

7. Change in Control.

- (a) The provisions of this Section 7 set forth certain terms of an agreement reached between the Executive and the Employer regarding the Executive's rights and obligations upon the occurrence of a Change in Control of the Employer. These provisions are intended to assure and encourage in advance the Executive's continued attention and dedication to his assigned duties and his objectivity during the pendency and after the occurrence of any such event. These provisions shall apply in lieu of, and expressly supersede, the provisions of Section 6(b) regarding severance pay upon a termination of employment, if such termination of employment occurs within twenty-four (24) months after the occurrence of the first event constituting a Change in Control. These provisions shall terminate and be of no further force or effect beginning twenty-four (24) months after the occurrence of a Change in Control.
- (b) Termination following a Change in Control.
- (i) During the Term, if within twenty-four (24) months after a Change in Control, the Executive's employment is terminated by the Employer without Cause as provided in Section 5(d) or the Executive terminates his employment for Good Reason as provided in Section 5(e), the Employer shall pay the Executive his Accrued Benefits. In addition, the Employer shall pay to the Executive a severance payment in an amount equal to two and one-half (2.5) times the sum of (A) the Executive's current Base Salary, plus (B) the average annual bonus earned by the Executive pursuant to Section 3(b)(A) with respect to the applicable Employer's three (3) most recent fiscal years ending before or simultaneously with the Change in Control. The severance payment shall be paid out in a lump sum within sixty (60) days of termination of employment, subject to the receipt of the signed Release Agreement (described in Section 7(c) below); and further subject to the delay specified in Section 8(a) hereof in the event Executive is a specified employee (as defined therein); provided, however, that if the sixty (60) day period begins in one calendar year and ends in a second calendar year, the payment of the severance amount shall be made in the second calendar year.
- (ii) Anything in this Agreement to the contrary notwithstanding, if (A) a Change of Control occurs, (B) the Executive's employment with Company is terminated by Company without Cause or if Executive terminates his employment for Good Reason, in either case within three (3) months prior to the date on which the Change of Control occurs, and (C) it is reasonably demonstrated by Executive that such termination of employment or event constituting Good Reason was (x) at the request of a third party who had taken steps reasonably calculated to effect a Change of Control or (y) otherwise arose in connection with or in anticipation of a Change of Control, then for all purposes of this Agreement such Change of Control shall be deemed to have occurred during the Term and the termination date shall be deemed to have occurred after the Change of Control, so that Executive is entitled to the severance amount provided by this Section 7(b), reduced by any amounts already paid to the Executive under Section 6(b). Any additional amounts due Executive as a result of the application of this paragraph to a termination prior to a Change of Control shall be paid to Executive in a lump sum payment within sixty (60) days of Executive becoming entitled to such payment, subject to the receipt of the signed Release Agreement (described in Section 7(c) below) within such sixty (60) day period; and further subject to the delay specified in Section 8(a) hereof in the event Executive is a specified employee (as defined therein); provided, however, that if the sixty (60) day period begins in one calendar year and ends in a second calendar year, the payment of the severance amount shall be made in the second calendar year.

- (c) Release Requirement. The provision of the severance amount provided under this Section 7 shall be conditioned on the Executive signing a Release Agreement in the form of Exhibit A (the “**Release Agreement**”) within the time period set forth therein and not revoking the Release Agreement within the seven (7) day revocation period set forth in the Release Agreement; provided that the Employer tender the Release Agreement to the Executive no later than seven (7) days after the date of termination of employment. Notwithstanding the foregoing, the Release Agreement may be modified to the extent necessary based on changes in applicable law from and after the date of this Agreement.
- (d) Payment Limitation.
- (i) Anything in this Agreement to the contrary notwithstanding, in the event that the amount of any compensation, payment or distribution by the Employer to or for the benefit of the Executive, whether paid or payable or distributed or distributable pursuant to the terms of this Agreement or otherwise, calculated in a manner consistent with Section 280G of the Code and the applicable regulations thereunder (the “**Severance Payments**”), would be subject to the excise tax imposed by Section 4999 of the Code, the following provisions shall apply:
- (A) Executive shall be entitled to the greater of the amount to which he would be entitled by this Agreement (and other benefit plans and arrangements that provide a payment that is treated as a “**Contingent Payment**”) under either item (i) or (ii) below:
- (i) The “net” after-tax benefit to which Executive would be entitled after taking into consideration any and all taxes that Executive would owe on such Contingent Payments, including any Federal, state and local income and employment taxes, as well as any excise tax, penalties or interest; and
- (ii) The “net” after-tax benefit to which Executive would be entitled after reducing the Contingent Payments so that such payments do not exceed the Threshold Amount, after taking into consideration any all taxes that Executive would owe on such reduced Contingent Payments, including any Federal, state and local income and employment taxes.
- (iii) For the purposes of this Section 7, “**Threshold Amount**” shall mean three times the Executive’s “base amount” within the meaning of Section 280G(b)(3) of the Code and the regulations promulgated thereunder less one dollar (\$1.00); and “**Excise Tax**” shall mean the excise tax imposed by Section 4999 of the Code, and any interest or penalties incurred by the Executive with respect to such excise tax. The term “**Contingent Payment**” shall mean a payment in the nature of compensation that is contingent on a change in (i) the ownership or effective control of the Employer or (ii) a change in the ownership of a substantial portion of the assets of the Employer, however, a Contingent Payment shall not include any payment under a qualified plan listed in Code Section 280G(b)(6).

(iv) The determination as to which of the alternative provisions of Section 7(d)(i)(A) shall apply to the Executive shall be made by a nationally recognized accounting firm selected by the Employer (the “**Accounting Firm**”), which shall provide detailed supporting calculations both to the Employer and the Executive within fifteen (15) business days of the date of termination, if applicable, or at such earlier time as is reasonably requested by the Employer or the Executive. For purposes of determining which of the alternative provisions of Section 7(d)(i)(A) shall apply, the Executive shall be deemed to pay federal income taxes at the highest marginal rate of federal income taxation applicable to individuals for the calendar year in which the determination is to be made, and state and local income taxes at the highest marginal rates of individual taxation in the state and locality of the Executive’s residence on the date of termination, net of the maximum reduction in federal income taxes which could be obtained from deduction of such state and local taxes. Any determination by the Accounting Firm shall be binding upon the Employer and the Executive.

(e) Change in Control. For purposes of this Agreement, the term “**Change in Control**” shall mean the consummation by the Employer, in a single transaction or series of related transactions, of any of the following:

(i) the sale of all or a substantial portion of the assets of NSTS or the Bank to any person, group or entity;

(ii) the merger, consolidation or other business combination of NSTS or the Bank with another entity, in which NSTS or the Bank, as applicable, is not the survivor of such merger, consolidation or other business combination or a majority of the board of directors or other governing body of the entity surviving or resulting from such merger, consolidation or other business combination is not composed of individuals who were serving on the Board of Directors of NSTS or the Bank, as the case may be, immediately prior to the consummation of such merger, consolidation or other business combination; or

(iii) a change in control of NSTS or the Bank within the meaning of the Home Owners’ Loan Act and the applicable rules and regulations promulgated thereunder by the Board of Governors of the Federal Reserve System (the “**Federal Reserve**”).

8. Section 409A.

(a) Anything in this Agreement to the contrary notwithstanding, if at the time of the Executive’s separation from service within the meaning of Section 409A of the Code, the Employer determines that the Executive is a “specified employee” within the meaning of Section 409A(a)(2)(B)(i) of the Code, then to the extent any payment or benefit that the Executive becomes entitled to under this Agreement on account of the Executive’s separation from service would be considered deferred compensation subject to the 20 percent additional tax imposed pursuant to Section 409A(a) of the Code as a result of the application of Section 409A(a)(2)(B)(i) of the Code, such payment shall not be payable and such benefit shall not be provided until the date that is the earlier of (A) six months and one day after the Executive’s separation from service, or (B) the Executive’s death. If any such delayed cash payment is otherwise payable on an installment basis, the first payment shall include a catch-up payment covering amounts that would otherwise have been paid during the six-month period but for the application of this provision, and the balance of the installments shall be payable in accordance with their original schedule. Any such delayed cash payment shall earn interest at an annual rate equal to the applicable federal short-term rate published by the Internal Revenue Service for the month in which the date of separation from service occurs, from such date of separation from service until the payment.

- (b) To the extent that any payment or benefit described in this Agreement constitutes “non-qualified deferred compensation” under Section 409A of the Code, and to the extent that such payment or benefit is payable upon the Executive’s termination of employment, then such payments or benefits shall be payable only upon the Executive’s “separation from service.” The determination of whether and when a separation from service has occurred shall be made in accordance with the presumptions set forth in Treasury Regulation Section 1.409A-1(h).
- (c) The parties intend that this Agreement will be administered in accordance with Section 409A of the Code. To the extent that any provision of this Agreement is ambiguous as to its compliance with Section 409A of the Code, the provision shall be read in such a manner so that all payments hereunder comply with Section 409A of the Code. The parties agree that this Agreement may be amended, as reasonably requested by either party, and as may be necessary to fully comply with Section 409A of the Code and all related rules and regulations in order to preserve the payments and benefits provided hereunder without additional cost to either party. No action or failure by the Employer in good faith to act, pursuant to this Section 8(c), shall subject the Employer to any claim, liability, or expense, and the Employer shall not have any obligation to indemnify or otherwise protect Executive from the obligation to pay any taxes pursuant to Section 409A of the Code.

9. Non-Solicitation and Confidential Information.

- (a) Non-Solicitation. In consideration of the Employer’s agreement to continue to employ the Executive and the Executive’s eligibility to receive and/or receipt of future short-term and long-term incentive compensation from the Employer, the Executive agrees that, during the term of his employment under this Agreement and the twelve (12) months following the date of termination of his employment hereunder, he shall not, directly or indirectly (i) hire or attempt to hire any employee of the Employer, assist in such hiring by any other person, or encourage any such employee to terminate his or her relationship with the Employer, or (ii) solicit any customer of the Employer or its subsidiaries for the purpose of providing to the customer services or products of any kind that are offered or provided by the Bank, divert or attempt to divert any business from the Employer or its subsidiaries, or induce, attempt to induce, or assist others in inducing or attempting to induce any agent, customer or supplier of the Employer or any other person or entity associated or doing business with the Employer (or proposing to become associated or to do business with the Employer) to terminate such person’s or entity’s relationship with the Employer (or to refrain from becoming associated with or doing business with the Employer) or in any other manner to interfere with the relationship between the Employer and any such person or entity. The Executive understands that the restrictions set forth in this Section 9(a) and the following Section 9(b) are intended to protect the Employer’s interests in its Confidential Information and established employee, customer and supplier relationships and goodwill, and the Executive agrees that such restrictions are reasonable and appropriate for this purpose. For the avoidance of doubt, the Executive’s involvement in general advertising or general personnel recruiting efforts that are not targeted at customers or employees of the Employer shall not be considered to violate this Section 9(a). For purposes of this provision, the term “customer” means any business, entity or person which is or was a customer of the Bank at any time during the period of Executive’s employment and with respect to which the Executive had contact or supervisory responsibility or about whom Executive had access to Confidential Information.

- (b) Confidential Information. Except in furtherance of Executive's duties for the Bank, the Executive shall not at any time divulge, use, furnish, disclose or make accessible to anyone, other than to an employee or director of the Employer with a reasonable need to know, any Confidential Information. As used herein, "**Confidential Information**" shall include information relating to the Employer's business which has not been made generally available to the public or has been identified to the Executive as confidential, either orally or in writing, including, but not limited to: confidential or secret data, business relationships, business plans or strategies, marketing plans, contract provisions, actual or prospective customers, services, and procedures or techniques of the Employer; provided, however, that nothing in this Section 9 shall prevent the disclosure by the Executive of any such information which at any time comes into the public domain other than as a result of the violation of the terms of this Section 9 by the Executive or which is otherwise lawfully acquired by the Executive or which the Executive is ordered by a governmental body of competent jurisdiction to disclose. In addition, notwithstanding anything to the contrary herein, the Executive understands that nothing contained in this Agreement limits his ability to file a charge or complaint with the Equal Employment Opportunity Commission, the Securities and Exchange Commission, the Office of the Comptroller of the Currency (the "**OCC**"), the Federal Reserve, or any other federal, state, or local government agency or commission having jurisdiction over the Employer ("**Government Agencies**"). The Executive further understands that this Agreement does not limit his ability to communicate with any Government Agency or otherwise participate in any investigation or proceeding that may be conducted by any Government Agency, including providing documents or other information, without notice to the Employer. This Agreement does not limit the Executive's right to receive an award for information provided to any Government Agencies.
- (c) Documents, Records, etc. All documents, records, data, apparatus, equipment and other physical property, whether or not pertaining to Confidential Information, which are furnished to the Executive by the Employer or are produced by the Executive in connection with the Executive's employment will be and remain the sole property of the Employer. The Executive will return to the Employer all such materials and property as and when requested by the Employer. In any event, the Executive will return all such materials and property immediately upon termination of the Executive's employment for any reason. The Executive will not retain any such material or property or any copies thereof after such termination.

- (d) Third-Party Agreements and Rights. The Executive hereby confirms that the Executive is not bound by the terms of any agreement with any previous employer or other party which restricts in any way the Executive's use or disclosure of information or the Executive's engagement in any business. The Executive represents to the Employer that the Executive's execution of this Agreement, the Executive's employment with the Employer and the performance of the Executive's proposed duties for the Employer will not violate any obligations the Executive may have to any such previous employer or other party. In the Executive's work for the Employer, the Executive will not disclose or make use of any information in violation of any agreements with or rights of any such previous employer or other party, and the Executive will not bring to the premises of the Employer any copies or other tangible embodiments of non-public information belonging to or obtained from any such previous employment or other party.
- (e) Litigation and Regulatory Cooperation. During and after the Executive's employment with the Employer, the Executive shall cooperate fully with the Employer in the defense or prosecution of any claims or any actions now in existence or that may be brought in the future against or on behalf of the Employer that relate to events or occurrences that transpired while the Executive was employed by the Employer. The Executive's full cooperation in connection with such claims or actions shall include, but not be limited to, being available to meet with counsel to prepare for discovery or trial and to act as a witness on behalf of the Employer at mutually convenient times. During and after the Executive's employment, the Executive also shall cooperate fully with the Employer in connection with any investigation or review by any federal, state or local regulatory authority as such investigation or review relates to events or occurrences that transpired while the Executive was employed by the Employer. The Employer shall reimburse the Executive for any reasonable out-of-pocket expenses incurred in connection with the Executive's performance of his obligations pursuant to this Section 9(e). Unless the Executive is then employed or the Employer is paying the Severance Amount, the Employer shall pay the Executive for any services pursuant to this Section 9(e) at the hourly rate of Executive's final annual Base Salary divided by 2,080; provided that no payment obligation shall apply to services that could be compelled pursuant to a subpoena.
- (f) Injunction. The Executive agrees that it would be difficult to measure any damages caused to the Employer that might result from any breach by the Executive of the promises set forth in this Section 9, and that in any event money damages would be an inadequate remedy for any such breach. Accordingly, the Executive agrees that if the Executive breaches or proposes to breach, any portion of this Section 9, the Employer shall be entitled, in addition to all other remedies that it may have, to seek an injunction or other appropriate equitable relief to restrain any such breach without showing or proving any actual damages to the Employer.
10. Withholding. All payments made by the Employer under this Agreement shall be net of any tax or other amounts required to be withheld by the Employer under applicable law.
11. Indemnification. The Employer agrees to indemnify the Executive for all costs, charges and expenses (including reasonable attorneys' fees), and shall provide for the advancement of expenses incurred or sustained in connection with any action, suit or proceeding to which the Executive may be made a party by reason of the Executive's being or having been a director, officer or employee of any such entities or their affiliates, all to the maximum extent permitted under the applicable laws of the United States, and applicable banking rules and regulations adopted by the OCC and the Federal Reserve, as applicable. The provisions of this Section 11 shall survive expiration or termination of this Agreement for any reason whatsoever. The Executive shall be entitled to coverage under such directors and officers liability insurance policies maintained from time to time by the Employer for the benefit of its directors and officers.

12. Notices. Any notices, requests, demands and other communications provided for by this Agreement shall be sufficient if in writing and delivered in person or sent by registered or certified mail, postage paid, to the Executive at the last address the Executive has filed in writing with the Employer or, in the case of the Employer, at its main office, attention of the Chairman of the Compensation Committee of the Board of the Directors.
13. Entire Agreement. This Agreement constitutes the entire agreement between the parties with respect to its subject matter and may not be changed except by a writing duly executed and delivered by the Employer and the Executive in the same manner as this Agreement.
14. Binding Effect, Non-assignability. This Agreement shall be binding upon and inure to the benefit of the Employer and its successors. Neither this Agreement nor any rights arising hereunder may be assigned or pledged by the Executive during his lifetime. This Agreement shall inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees and legatees.
15. Amendment. This Agreement may be amended or modified only by a written instrument signed by the Executive and by a duly authorized representative of the Employer.
16. Enforceability. If any portion or provision of this Agreement shall to any extent be declared illegal or unenforceable by a court of competent jurisdiction, then the remainder of this Agreement, or the application of such portion or provision in circumstances other than those as to which it is so declared illegal or unenforceable, shall not be affected thereby, and each portion and provision of this Agreement shall be valid and enforceable to the fullest extent permitted by law.
17. Forfeiture of Payments. The Executive agrees that the receipt of severance compensation under Section 6(b) or Section 7 is conditioned upon the Executive's compliance in all material respects with the covenants set forth in Section 9. The foregoing shall be in addition to any other remedies or rights the Employer may have at law or in equity as a result of the Executive's failure to observe such provisions.
18. Applicable Law. This Agreement shall be construed and enforced in all respects in accordance with the laws of the State of Illinois, without regard to its principles of conflicts of laws, and in accordance with and subject to any applicable federal laws to which the Employer may be subject. In addition to the foregoing:
 - (a) In no event shall the Employer be obligated to make any payment pursuant to this Agreement that is prohibited by Section 18(k) of the Federal Deposit Insurance Act (codified at 12 U.S.C. sec. 1828(k)), 12 C.F.R. Part 359, or any other applicable law.
 - (b) In no event shall the Employer be obligated to make any payment pursuant to this Agreement if:
 - (i) the Bank is in default as defined in Section 3(x)(1) (12 U.S.C. Sec. 1813(x)(1)) of the Federal Deposit Insurance Act, as amended; provided any vested rights of the parties shall not be affected hereby; or

- (ii) the Federal Deposit Insurance Corporation enters into an agreement to provide assistance to or on behalf of the Bank under the authority contained in Section 13(c) (12 U.S.C. Sec. 1823(c)) of the Federal Deposit Insurance Act, as amended.
- (c) The Employer may terminate Executive's employment at any time and for any reason, but any termination by the Board of the Employer, other than termination for Cause, shall not prejudice Executive's right to compensation or other benefits under this Agreement.
- (d) If the Executive is suspended from office and/or temporarily prohibited from participating in the conduct of the Employer's affairs by a notice served under Section 8(e)(3) (12 U.S.C. 1818(e)(3)) or 8(g)(1) (12 U.S.C. 1818(g)) of the Federal Deposit Insurance Act, the Employer's obligations under this Agreement shall be suspended as of the date of service, unless stayed by appropriate proceedings. If the charges in the notice are dismissed, the Employer may in its discretion (i) pay the Executive all or part of the compensation withheld while its contract obligations were suspended and (ii) reinstate (in whole or in part) any of the obligations which were suspended.
- (e) If the Executive is removed and/or permanently prohibited from participating in the conduct of the Employer's affairs by an order issued under Section 8(e)(4) (12 U.S.C. 1818(e)) or 8(g)(1) (12 U.S.C. 1818(g)) of the Federal Deposit Insurance Act, all obligations of the Employer under this Agreement shall terminate as of the effective date of the order, but vested rights of the contracting parties shall not be affected.

19. Dispute Resolution

- (a) If a dispute arises out of or relates to this Agreement, or the breach hereof, and if such dispute is not settled within a commercially reasonable time (not to exceed sixty (60) days, through negotiations), the parties shall attempt in good faith to settle the dispute by mediation under the Employment Arbitration Rules and Mediation Procedures of the American Arbitration Association as then in effect (the "**Rules**"). No resolution or attempted resolution of any dispute or disagreement pursuant to this Section 19 shall be deemed to be a waiver of any term or provision of this Agreement or a consent to any breach or default, unless such waiver or consent shall be in writing and signed by the party claimed to have waived or consented.
- (b) Any dispute or controversy not settled in accordance with the foregoing provisions of this Section 19 shall be settled exclusively by binding arbitration, as an alternative to civil litigation and without any trial by jury to resolve such claims, to be conducted before three arbitrators in Lake County, Illinois in accordance with the Rules. Each party shall select one such arbitrator and the two arbitrators so selected shall choose a third.
- (c) The parties covenant and agree that they will participate in such mediation and/or arbitration in good faith and that the Employer will bear the fees and expenses of such proceeding charged by the American Arbitration Association (including the fees of the arbitrators). In an arbitration, the arbitrator shall not have the power to award damages in excess of actual compensatory damages and shall not multiply actual damages or award punitive damages or any other damages, and each party hereby irrevocably waives any claim to such damages.
- (d) Any payment required under this Section 19 shall be made after the final resolution referenced herein, but not later than the later of (i) December 31 of the calendar year in which such resolution is achieved, and (ii) two and one-half months after the date on which such final resolution is achieved.

- (e) The prevailing party in any arbitration proceeding or any other legal proceeding between the Executive and the Employer, shall be entitled to reimbursement from the other party for all reasonable attorneys' fees, costs and expenses that such prevailing party incurs in connection with any such proceeding.
20. Counterparts. This Agreement may be executed in any number of counterparts, each of which when so executed and delivered shall be taken to be an original; but such counterparts shall together constitute one and the same document.
21. Successors to the Employer. The Employer shall require any successor (whether direct or indirect, by purchase, merger, consolidation or otherwise) to all or substantially all of the business or assets of the Employer expressly to assume and agree to perform this Agreement to the same extent that the Employer would be required to perform it if no succession had taken place. Failure of the Employer to obtain an assumption of this Agreement at or prior to the effectiveness of any succession shall be a material breach of this Agreement.
22. No Mitigation. The Executive shall not be required to mitigate the amount of any payment provided for in this Agreement by seeking other employment or otherwise. No payment provided for in this Agreement shall be reduced by any compensation earned by the Executive as the result of employment by another employer, or the Executive's receipt of income from any other sources, after termination of his employment with the Employer.
23. Survival. For avoidance of doubt, the provisions of Sections 6 through 11, and Sections 16 through 19 of this Agreement shall survive the expiration or earlier termination of the Term.

[Signature Page Follows]

IN WITNESS WHEREOF, this Agreement has been executed by the Employer, by its duly authorized officer, and by the Executive, this ____ day of _____, 2021.

NSTS BANCORP, INC.

By: _____
Printed Name:
Its:

NORTH SHORE TRUST AND SAVINGS

By: _____
Printed Name:
Its:

EXECUTIVE

By: _____
Stephen G. Lear

EXHIBIT A
RELEASE AGREEMENT

Executive enters into this Release Agreement (“**Release**”) pursuant to the Employment Agreement by and among North Shore Trust and Savings, a federally chartered stock savings bank (“**Bank**”), NSTS Bancorp, Inc., a Delaware corporation and sole shareholder of the Bank (“**NSTS**”), (the Bank and NSTS are sometimes referred to collectively as the “**Employer**”), and Stephen G. Lear (“**Executive**”) (“**Employment Agreement**”). Executive acknowledges that his timely execution and return and non-revocation of this Release are conditions to the provision of certain severance benefits pursuant to Section 6 or 7, as applicable, of the Employment Agreement.

Executive therefore agree to the following terms:

1. For valuable consideration, the adequacy of which is hereby acknowledged, the undersigned (“**Executive**”), for himself, his spouse, heirs, administrators, children, representatives, executors, successors, assigns, and all other persons claiming through Executive, if any (collectively, “**Releasers**”), does hereby release, waive, and forever discharge the Employer, the Employer’s subsidiaries, parents, affiliates, related organizations, employees, officers, directors, attorneys, successors, and assigns (collectively, the “**Releasees**”) from, and does fully waive any obligations of Releasees to Releasers for, any and all liability, actions, charges, causes of action, demands, damages, or claims for relief, remuneration, sums of money, accounts or expenses (including attorneys’ fees and costs) of any kind whatsoever, whether known or unknown or contingent or absolute, which heretofore has been or which hereafter may be suffered or sustained, directly or indirectly, by Releasers in consequence of, arising out of, or in any way relating to Executive’s employment with the Employer or any of its affiliates and the termination of Executive’s employment. The foregoing release and discharge, waiver and covenant not to sue includes, but is not limited to, all claims and any obligations or causes of action arising from such claims, under common law including wrongful or retaliatory discharge, breach of contract and any action arising in tort including libel, slander, defamation or intentional infliction of emotional distress, and claims under any federal, state or local statute including Title VII of the Civil Rights Act of 1964, the Civil Rights Act of 1866 and 1871 (42 U.S.C. § 1981), the National Labor Relations Act, the Americans with Disabilities Act of 1990, the Rehabilitation Act of 1973, the Illinois Human Rights Act, the Age Discrimination in Employment Act or the discrimination or employment laws of any state or municipality, and/or any claims under any express or implied contract which Releasers may claim existed with Releasees. This also includes a release by Executive of any claims for breach of contract, wrongful discharge and all claims for alleged physical or personal injury, emotional distress relating to or arising out of Executive’s employment with the Employer or the termination of that employment; and any claims under the WARN Act or any similar law, which requires, among other things, that advance notice be given of certain work force reductions. This release and waiver does not apply to any claims or rights that may arise after the date Executive signs this Release. The foregoing release does not apply to any claims or rights for compensation or benefits referred to in the Employment Agreement with respect to which this is the Release referred to therein or to any claims which cannot be waived by law.
2. Nothing in this Release is intended to prevent Executive from filing a charge with, providing information or testimony to, or participating in an investigation, hearing or proceeding with any governmental agency; provided, however, that Executive waives the right to receive any damages or other personal relief based on any claim, cause of action, demand or lawsuit relating to or arising from his employment relationship with the Employer brought by Executive or on the Executive’s behalf, or by any third party, including as a member of any class, collective action, or as a relator under the False Claims Act.

3. Except as otherwise provided in Sections 1 and 2 of this Release, Executive agrees never to sue Releasees in any forum for any claim covered by the above waiver and release language. If Executive violates this Release by suing Releasees, other than as set forth in Sections 1 and 2 hereof, Executive shall be liable to the Employer for its reasonable attorneys' fees and other litigation costs incurred in defending against such a suit.
4. Executive acknowledges and recites that:
- (a) Executive has read and understands the Release in its entirety;
 - (b) Executive has been advised and directed orally and in writing (and this subparagraph (b) constitutes such written direction) to seek legal counsel and any other advice he wishes with respect to the terms of this Release before executing it;
 - (c) Executive has been given up to twenty-one (21) days, or such longer period required by applicable law, to review this Release before executing it and has seven (7) days after signing it to revoke it by giving written notice to North Shore Trust and Savings, 700 S. Lewis Avenue, Waukegan, Illinois 60085; and
 - (d) Executive has executed this Release knowingly and voluntarily.
5. This General Release shall be governed by the internal laws (and not the choice of laws) of the State of Illinois, except for the application of preemptive Federal law.

PLEASE READ THIS RELEASE AGREEMENT CAREFULLY. IT CONTAINS A RELEASE OF ALL KNOWN AND UNKNOWN CLAIMS.

So agreed.

Date: _____

NORTH SHORE TRUST AND SAVINGS

Change In Control Agreement

THIS CHANGE IN CONTROL AGREEMENT (the "Agreement") is entered into as of _____, 2021 (the "Effective Date") by and between North Shore Trust and Savings, a federally chartered savings association ("Bank") and the undersigned officer (the "Executive");

WITNESSETH THAT:

WHEREAS, the Executive is employed by the Bank, and the Bank desires to provide protection to Executive in connection with any change in control of the Bank or its sole shareholder, NSTS Bancorp, Inc. ("NSTS").

NOW, THEREFORE, it is hereby agreed by and between the parties, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, as follows:

ARTICLE I

ESTABLISHMENT AND PURPOSE

1.1 Term of the Agreement. Unless expired earlier as provided in Section 1.3 or terminated by the Bank pursuant to Section 2.3, this Agreement will commence on the Effective Date and remain in effect for an initial term of three years which will be automatically extended for one year on each anniversary of the Effective Date. In addition, if a Change in Control occurs while this Agreement is effective, this Agreement will remain irrevocably in effect for the greater of twelve (12) months from the date of the Change in Control or until all benefits then due and owing have been paid to the Executive hereunder, and will then expire.

1.2 Purpose of the Agreement. The purpose of this Agreement is to advance the interests of the Bank by providing the Executive with an assurance of equitable treatment, in terms of compensation and economic security, in the event of a Change in Control of the Bank or NSTS and to enable the Executive to maintain productivity and focus during a period of significant uncertainty that is inherent in a Change in Control. Further, the Bank believes that agreements of this kind will aid it in retaining the highly qualified, high performing professionals who are essential to its success.

1.3 Contractual Right to Benefits. This Agreement establishes and vests in the Executive a contractual right to the benefits to which he or she is entitled hereunder, enforceable by the Executive against the Bank. However, nothing in this Agreement will require or be deemed to require the Bank to segregate, earmark, or otherwise set aside any funds or other assets to provide for any payments to be made under it.

Subject to Section 3.2, the Bank will retain the right to terminate the Executive's employment at any time prior to a Change in Control of the Bank or NSTS. Except as otherwise provided in Section 3.2, if the Executive's employment is terminated prior to a Change in Control, this Agreement will no longer be applicable to the Executive, and any and all rights and obligations of the Bank and the Executive under this Agreement will cease.

ARTICLE II

DEFINITIONS AND CONSTRUCTION

2.1 **Definitions.** Whenever used in the Agreement, the following capitalized terms have the meanings set forth below.

- (a) **“Average Annual Bonus”** means the Executive’s actual average annual bonus earned over the three complete fiscal years prior to the Effective Date of Termination, or, if shorter, over the Executive’s entire period of employment.
- (b) **“Base Salary”** means the base rate of compensation paid to the Executive as annual salary as in effect as of the Effective Date of Termination.
- (c) **“Cause”** means a termination of the Executive’s employment by the Bank, for which no Severance Benefits are payable, as provided in Article IV.
- (d) **“Change in Control”** means the consummation by NSTS or the Bank, in a single transaction or series of related transactions, of any of the following: (i) the sale of all or a substantial portion of the assets of NSTS or the Bank to any person, group or entity; (ii) the merger, consolidation or other business combination of NSTS or the Bank with another entity, in which NSTS or the Bank, as applicable, is not the survivor of such merger, consolidation or other business combination or a majority of the board of directors or other governing body of the entity surviving or resulting from such merger, consolidation or other business combination is not composed of individuals who were serving on the Board of Directors of NSTS or the Bank, as the case may be, immediately prior to the consummation of such merger, consolidation or other business combination; or (iii) a change in control of NSTS or the Bank within the meaning of the Change in Bank Control Act and the applicable rules and regulations promulgated thereunder by the Board of Governors of the Federal Reserve System or the Office of the Comptroller of the Currency, as applicable, with respect to NSTS or the Bank, as applicable.
- (e) **“Code”** means the Internal Revenue Code of 1986, as amended.
- (f) **“Disability”** means a physical or mental condition that would entitle the Executive to benefits under the Bank’s long-term disability plan, or if the Bank maintains no such plan, then under the federal Social Security laws.
- (g) **“Effective Date of Termination”** means the date on which a Qualifying Termination occurs which triggers Severance Benefits hereunder.
- (h) **“Expiration Date”** means the date the Agreement expires, as provided in Section 1.1 herein.
- (i) **“Good Reason”** means (i) a material reduction in the Executive’s annual Base Salary; (ii) material adverse change by the Bank, not consented to by the Executive, in Executive’s responsibilities, powers, or duties at the Bank; or (iii) a required relocation of the Executive to a location more than twenty-five (25) miles from the Executive’s then existing job location to which the Executive does not consent.
- (j) **“Qualifying Termination”** means any of the events described in Section 3.2, the occurrence of which triggers the payment of Severance Benefits.

(k) “**Severance Benefit**” means the payment of severance compensation as provided in Article III.

2.2 Severability. If any provision of this Agreement is held to be illegal or invalid for any reason, the illegality or invalidity will not affect the remaining parts of this Agreement, and this Agreement will be construed and enforced as if the illegal or invalid provision had not been included.

2.3 Amendment or Termination. The provisions of this Agreement may be amended by written agreement between the Bank and the Executive, with any material amendment approved by the Bank’s Board of Directors. Subject to the final sentence of Section 1.1, the Bank may terminate this Agreement by written resolution of the Bank’s Board of Directors, effective as of a date at least twelve months following the date the Bank gives written notice to the Executive of its intent to terminate the Agreement.

2.4 Applicable Law. To the extent not preempted by the laws of the United States, the laws of the State of Illinois, without regard to its conflict of laws provisions, will be the controlling law in all matters relating to this Agreement.

2.5 Notice. Any notices, requests, demands and other communications provided for by this Agreement shall be sufficient if in writing and delivered in person or sent by registered or certified mail, postage paid, to the Executive at the last address the Executive has filed in writing with the Bank or, in the case of the Bank, to the Bank’s main office.

2.6 Golden Parachute Limitation. In no event will the Bank (or any affiliate) be obligated to make any payment pursuant to this Agreement that is prohibited by Section 18(k) of the Federal Deposit Insurance Act (codified at 12 U.S.C. sec. 1828(k)), 12 C.F.R. Part 359, or any other applicable law.

2.7 Counterparts. This Agreement may be executed in two (2) or more counterparts by original signature, facsimile or any generally accepted electronic means (including transmission of a .pdf file containing executed signature pages), each of which shall be deemed an original, and all of which shall constitute one and the same Agreement.

2.8 Arbitration. Any dispute or controversy arising under or in connection with this Agreement will be settled exclusively by binding arbitration, as an alternative to civil litigation and without any trial by jury to resolve such claims, conducted by a single arbitrator, mutually acceptable to the Bank and the Executive, sitting in a location selected by the Bank within 50 miles from the main office of the Bank, in accordance with the Employment Arbitration Rules and Mediation Procedures of the American Arbitration Association as then in effect. Judgment may be entered on the arbitrator’s award in any court having jurisdiction.

2.9 Entire Agreement. This Agreement contains the entire understanding between the parties hereto and supersedes any prior agreement between the Bank and the Executive.

2.10 No Attachment. Except as required by law, no right to receive payments under this Agreement shall be subject to anticipation, commutation, alienation, sale, assignment, encumbrance, charge, pledge, or hypothecation, or to execution, attachment, levy, or similar process or assignment by operation of law, and any attempt, voluntary or involuntary, to effect any such action shall be null, void, and of no effect.

ARTICLE III
SEVERANCE BENEFITS

3.1 Right to Severance Benefits. Subject to the provisions hereof, the Executive will be entitled to receive from the Bank Severance Benefits as described in Section 3.3 if there has been a Change in Control of the Bank or NSTS and if any of the events designated within Section 3.2 occur. The Executive will not be entitled to receive Severance Benefits if his or her employment with the Bank ends due to death, Disability, voluntary retirement, a voluntary termination by the Executive without Good Reason, or due to an involuntary termination by the Bank for Cause.

3.2 Qualifying Terminations. The occurrence of any one of the following events within twelve (12) calendar months after a Change in Control of the Bank or NSTS will trigger the payment of Severance Benefits under this Agreement:

- (a) an involuntary termination of the Executive's employment without Cause;
- (b) a voluntary termination of the Executive's employment with the Bank for Good Reason;
- (c) the failure or refusal of a successor company (including, but not limited to, an individual, corporation, association, or partnership) to assume the Bank's obligations under this Agreement, as required by Section 7.1; and
- (d) a breach by the Bank or any successor company of any of the provisions of this Agreement.

In addition, an involuntary termination without Cause will trigger the payment of Severance Benefits under this Agreement if the Executive's employment is terminated by the Bank without Cause within three (3) months prior to a Change in Control that actually occurs during the term of this Agreement and either (i) the termination without Cause was at the request or direction of a person who has entered into an agreement with the Bank or NSTS, the consummation of which would constitute a Change in Control, or (ii) the Executive reasonably demonstrates that the termination without Cause is otherwise in connection with or in anticipation of the Change in Control.

3.3 Description of Severance Benefits. If the Executive becomes entitled to receive Severance Benefits, as provided in Sections 3.1 and 3.2, the Bank will pay to the Executive and provide him or her with the following:

- (a) an amount equal to [] times the sum of (i) Executive's annual Base Salary and (ii) the Executive's Average Annual Bonus; and
- (b) continuation of the welfare benefits of medical, dental or other health coverage, at the same premium cost to the Executive and at the same coverage level as in effect as of the Executive's Effective Date of Termination until the twelve month anniversary of the Effective Date of Termination, without regard to the federal income tax consequences of that continuation.

The treatment of any options or other stock-based awards held by the Executive will be subject to the terms of the plan or plans under which they were granted. Benefits under subsection 3.3(b) will be discontinued prior to the end of the twelve month anniversary of the Effective Date of Termination if the Executive receives substantially similar benefits in the aggregate from a subsequent employer, as determined by the Bank's Board of Directors. Continued medical, dental or other health benefits under subsection 3.3(b) will count toward any COBRA continuation coverage period that may apply to the Executive.

3.4 Cause. Nothing in this Agreement will be construed to prevent the Bank from terminating the Executive's employment for Cause. If the Bank does so, no Severance Benefits will be payable to the Executive under this Agreement. Cause is defined to mean the following: (i) Executive's personal dishonesty, incompetence, willful misconduct, or breach of fiduciary duty involving personal profit; (ii) Executive's willful violation of any law, rule, or regulation (other than traffic violations or similar offenses) or a final cease-and-desist order from bank regulatory agencies; (iii) Executive's intentional failure to perform the duties assigned to him by the Board of the Bank; or (iv) other conduct of Executive that is prejudicial to the best interests of the Bank, as reasonably determined by the Bank's Board of Directors, including without limitation, unauthorized disclosure of the Bank's confidential information or trade secrets.

ARTICLE IV

FORM AND TIMING OF SEVERANCE BENEFITS

4.1 Form and Timing of Severance Benefits. Subject to Article VIII below, the Severance Benefits described in Section 3.3(a) will be paid in cash to the Executive in substantially equal installments in accordance with the Bank's payroll practice over a twelve (12) month period commencing within sixty (60) days after the date of termination, subject to the receipt of a signed release agreement (in a form to be mutually agreed to by the parties) within such sixty (60) day period; and further subject to the delay specified in Section 8.1 hereof in the event Executive is a specified employee (as defined therein); provided, however, that if the 60-day period begins in one calendar year and ends in a second calendar year, the payment of the Severance Amount shall commence in the second calendar year. Solely for purposes of Section 409A of the Code, each installment payment shall be considered a separate payment. The Severance Benefits described in Section 3.3(b) will be provided by the Bank to the Executive immediately upon the Effective Date of Termination and will continue to be provided until the twelve month anniversary of the Effective Date of Termination. However, the Severance Benefits described in Section 3.3(b) will be discontinued prior to the end of the twelve month period immediately upon the Executive's receiving similar benefits from a subsequent employer, as determined by the Bank's Board of Directors.

4.2 Withholding of Taxes. The Bank will withhold from any amounts payable under this Agreement all federal, state, city, or other taxes that are legally required.

ARTICLE V

REDUCTION OF PAYMENTS IN CERTAIN CIRCUMSTANCES

5.1 No Excise Tax Gross-Up; Possible Reduction in Payments. Any provision of this Agreement or any other compensation plan, program or agreement to which Executive is a party or under which Executive is covered to the contrary notwithstanding, Executive will not be entitled to any gross-up or other payment for golden parachute excise taxes Executive may owe pursuant to Section 4999 of the Code. In the event that any Severance Benefits or other payments or benefits otherwise payable to Executive (a) constitute "parachute payments" within the meaning of Section 280G of the Code, and (b) but for this Section 5.1 would be subject to the excise tax imposed by Section 4999 of the Code, then such Severance Benefits payable under this Agreement and under such other plans, programs and agreements shall be reduced to an aggregate amount that is \$1.00 less than such amount that would trigger the excise tax imposed by Section 4999 of the Code, so that no portion of such benefits paid hereunder will be subject to the excise tax under Section 4999 of the Code. Any reduction in payments and/or benefits required by this Section 5.1 shall occur in the following order: (1) reduction of Severance Benefits or other cash payments, beginning with payments scheduled to occur soonest; (2) reduction of vesting or acceleration of equity awards (in reverse order of the date of the grant); and (3) reduction of other benefits paid or provided to Executive.

ARTICLE VI

OTHER RIGHTS AND BENEFITS NOT AFFECTED

6.1 Other Benefits. Except as provided in this Section below, neither the provisions of this Agreement nor the Severance Benefits provided for hereunder will reduce any amounts otherwise payable, or in any way diminish the Executive's rights as an employee of the Bank, whether existing now or hereafter, under any benefit, incentive, retirement, stock option, stock bonus, stock purchase plan, or any employment agreement. Notwithstanding the foregoing, if the Executive is also a covered employee under a severance plan of the Bank or NSTS, the Executive will be entitled to receive the Severance Benefits provided under this Agreement in lieu of any severance pay or other benefits provided under that severance plan. Benefits provided under this Agreement will not increase any amounts otherwise payable under any other arrangement, if that other arrangement does not provide that severance benefits will be taken into account in determining benefits.

6.2 Employment Status. This Agreement does not constitute a contract of employment or impose on the Bank any obligation to retain the Executive as an employee, to change the status of the Executive's employment as an employee at will, or to change the Bank's policies regarding termination of employment.

ARTICLE VII

SUCCESSORS

7.1 Successors. The Bank will require any successor (whether direct or indirect, by purchase, merger, consolidation, or otherwise) of all or substantially all of the business and/or assets of the Bank or of any division or subsidiary thereof to expressly assume and agree to perform this Agreement in the same manner and to the same extent that the Bank would be required to perform it if no such succession had taken place. Failure of the Bank to obtain such an assumption and agreement prior to the effectiveness of any such succession will be a breach of this Agreement and will entitle the Executive to compensation from the Bank in the same amount and on the same terms as he or she would be entitled hereunder if terminated voluntarily for Good Reason, except that, for the purposes of implementing the foregoing, the date on which any succession becomes effective will be deemed the Effective Date of Termination. This Agreement will inure to the benefit of and be enforceable by the Executive's personal or legal representatives, executors, administrators, successors, heirs, distributees, devisees, and legatees. If the Executive dies while any amount would still be payable to him or her hereunder had he or she continued to live, any such amount, unless otherwise provided herein, will be paid in accordance with the terms of this Agreement, to the Executive's devisee, legatee, or other designee, or if there is no such designee, to the Executive's estate.

7.2 Beneficiaries. The Executive may designate a beneficiary under this Agreement in the form of a signed writing acceptable to the Bank's Board of Directors. The Executive may make or change such designation at any time.

ARTICLE VIII

CODE SECTION 409A

8.1 Code Section 409A. The parties intend that this Agreement will be administered in accordance with Internal Revenue Code Section 409A (~~Code Section 409A~~). To the extent that any provision of this Agreement is ambiguous as to its compliance with Code Section 409A, the provision shall be read in such a manner so that all payments hereunder comply with Code Section 409A. The parties agree that this Agreement may be amended, as reasonably requested by either party, and as may be necessary to fully comply with Code Section 409A and all related rules and regulations in order to preserve the payments and benefits provided hereunder without additional cost to either party. No action or failure by the Bank in good faith to act, pursuant to this Section 8.1, shall subject the Bank to any claim, liability, or expense, and the Bank shall not have any obligation to indemnify or otherwise protect Executive from the obligation to pay any taxes pursuant to Code Section 409A.

Anything in this Agreement to the contrary notwithstanding, if at the time of the Executive's separation from service within the meaning of Code Section 409A, the Bank determines that the Executive is a "specified employee" within the meaning of Section 409A(a)(2)(B)(i) of the Code, then to the extent any payment or benefit that the Executive becomes entitled to under this Agreement on account of the Executive's separation from service would be considered deferred compensation subject to the 20 percent additional tax imposed pursuant to Section 409A(a) of the Code as a result of the application of Section 409A(a)(2)(B)(i) of the Code, such payment shall not be payable and such benefit shall not be provided until the date that is the earlier of (A) six months and one day after the Executive's separation from service, or (B) the Executive's death. If any such delayed cash payment is otherwise payable on an installment basis, the first payment shall include a catch-up payment covering amounts that would otherwise have been paid during the six-month period but for the application of this provision, and the balance of the installments shall be payable in accordance with their original schedule. Any such delayed cash payment shall earn interest at an annual rate equal to the applicable federal short-term rate published by the Internal Revenue Service for the month in which the date of separation from service occurs, from such date of separation from service until the payment.

To the extent that any payment or benefit described in this Agreement constitutes "non-qualified deferred compensation" under Code Section 409A, and to the extent that such payment or benefit is payable upon the Executive's termination of employment, then such payments or benefits shall be payable only upon the Executive's "separation from service." The determination of whether and when a separation from service has occurred shall be made in accordance with the presumptions set forth in Treasury Regulation Section 1.409A-1(h).

IN WITNESS WHEREOF, the Executive has executed this Agreement and the Bank has caused this Agreement to be executed pursuant to a resolution of its Board of Directors, as of the day and year first above written.

NORTH SHORE TRUST AND SAVINGS

EXECUTIVE

By: _____
Its: _____

Name: _____

Subsidiaries of the Registrant

<u>Name</u>	<u>Percent Ownership</u>	<u>State of Incorporation/Organization</u>
North Shore Trust and Savings	100%	Federal

FELDMAN FINANCIAL ADVISORS, INC.

8804 MIRADOR PLACE
MCLEAN, VA 22102
(202) 467-6862

September 13, 2021

Boards of Directors
NSTS Bancorp, Inc.
North Shore MHC
NSTS Financial Corporation
North Shore Trust and Savings
700 S. Lewis Avenue
Waukegan, Illinois 60085

Members of the Boards of Directors:

We hereby consent to the use of our firm's name in the Application for Conversion, and any amendments thereto, to be filed with the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency. We also consent to the use of our firm's name in the Registration Statement on Form S-1, and any amendments thereto, to be filed with the Securities and Exchange Commission. Additionally, we consent to the inclusion of, summary of, and reference to our Conversion Valuation Appraisal Report and any Conversion Valuation Appraisal Updates and our statements concerning subscription rights and liquidation rights in such filings and amendments, including the prospectus of NSTS Bancorp, Inc. We also consent to the reference to our firm under the heading "Experts" in the prospectus.

Sincerely,

/s/ Feldman Financial Advisors, Inc.

FELDMAN FINANCIAL ADVISORS, INC.



Plante & Moran, PLLC
10 South Riverside Plaza
9th floor
Chicago, IL 60606
Tel: 312.207.1040
Fax: 312.207.1066
plantemoran.com

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the inclusion in this Registration Statement on Form S-1 of our report dated March 16, 2021, with respect to the consolidated financial statements of North Shore MHC and Subsidiaries as of December 31, 2020 and 2019, and for the years then ended, and to the reference to us under the heading "Experts" in the Registration Statement.

/s/ Plante & Moran, PLLC

Chicago, Illinois
September 13, 2021



FELDMAN FINANCIAL ADVISORS, INC.

8804 MIRADOR PLACE
MCLEAN, VA 22102
(202) 467-6862

July 14, 2021

ConfidentialBoard of Directors
North Shore, MHC
700 South Lewis Avenue
Waukegan, Illinois 60085

Members of the Board of Directors:

This letter sets forth the Agreement (“Agreement”) between North Shore, MHC (the “Company”) and Feldman Financial Advisors, Inc. (“FFA”), whereby the Company has engaged FFA to provide an independent appraisal of the estimated aggregate pro forma market value (the “Valuation”) of the shares of common stock that are to be issued and sold by a newly formed stock holding company in connection with the conversion (“Conversion”) of the Company from the mutual holding company form of organization to the full stock form. The Company currently owns all of the capital stock of NSTS Financial Corporation (“NSTS”), a mid-tier stock holding company. NSTS owns all of the capital stock of North Shore Trust and Savings, a federally chartered stock savings bank.

FFA agrees to deliver the Valuation, in a written report, to the Company at the address above on or before a mutually agreed upon date. Further, FFA agrees to perform such other services as are necessary or required of the independent appraiser in connection with comments from the Company’s regulatory authorities and subsequent updates of the Valuation as from time to time may be necessary, both after initial approval by the Company’s regulatory authorities and prior to the time the Conversion is completed. If requested, FFA will assist the Company in responding to all regulatory inquiries regarding the Valuation and will also assist the Company at all meetings with the regulatory authorities concerning the Valuation.

The Company agrees to pay FFA a professional consulting fee of \$50,000 for FFA’s appraisal services related to the preparation of the initial appraisal report and the final appraisal update required after the completion of the subscription and community offering. Any additional appraisal updates will be subject to a fee of \$7,500 per updated appraisal. The Company also agrees to reimburse FFA for certain out-of-pocket expenses necessary and incident to the completion of the services described above. These reimbursable expenses shall not exceed \$5,000 in the aggregate without the prior authorization of the Company. Reimbursable expenses for any travel accommodations, copying, report reproduction, data materials, and express mail delivery shall be paid to FFA as incurred and billed. Payment of the professional consulting fees shall be made according to the following schedule:

- \$7,500 upon execution of this Agreement to engage FFA’s appraisal services;
 - \$42,500 upon delivery of the initial appraisal report to the Company; and,
 - \$7,500 upon delivery of each updated appraisal report to the Company, excluding the final appraisal update.
-

If, during the course of the Conversion, unforeseen events occur so as to materially change the nature of the work content of the appraisal services described above such that FFA must supply services beyond that contemplated at the time this contract was executed, the terms of this Agreement shall be subject to renegotiation by the Company and FFA. Such unforeseen events shall include, but not be limited to, material changes in regulations governing the Conversion, material changes in mutual-to-stock appraisal guidelines or processing procedures as administered by the relevant regulatory authorities, significant changes in the Company's management or operating policies, and excessive delays or suspension of processing of the Conversion.

In the event the Company shall for any reason discontinue the Conversion prior to delivery of the completed appraisal report and payment of the progress payment fee totaling \$42,500, the Company agrees to compensate FFA according to FFA's standard billing rates for consulting appraisal services based on accumulated and verifiable time expended, provided that the total of such charges shall not exceed \$50,000 plus reimbursable expenses, less credit for payment of the initial fee of \$7,500.

In order to induce FFA to render the aforesaid services, the Company agrees to the following:

1. The Company agrees to supply FFA such information with respect to the Company's business and financial condition as FFA may reasonably request in order for FFA to perform the appraisal services. Such information shall include, without limitation: annual financial statements, periodic regulatory filings, material agreements, corporate books and records, and such other documents as are material for the performance by FFA of the appraisal services.
 2. The Company hereby represents and warrants to FFA (i) that to its best knowledge, any information provided to FFA by or on behalf of the Company will not, at any relevant time, contain any untrue statement of a material fact or fail to state a material fact necessary to make the information or statements therein not false or misleading, (ii) that the Company will not use the product of FFA's services in any manner, including in a proxy or offering circular, in connection with any untrue statement of a material fact or in connection with the failure to state a material fact necessary to make other statements not false or misleading, and (iii) that all documents incorporating or relying upon FFA's services or the product of FFA's services will otherwise comply with all applicable federal and state laws and regulations.
-

Feldman Financial Advisors, Inc.

Board of Directors
North Shore, MHC
July 14, 2021
Page 3

3. Any valuations or opinions issued by FFA may be included in its entirety in any communication by the Company in any regulatory application, proxy statement, or offering prospectus; provided that such valuation or opinion may not be disclosed in the prospectus, nor reproduced and distributed, nor may FFA be referred to in the prospectus without FFA's prior written consent.
 4. FFA's Valuation will be based upon the Company's representation that the information contained in the Conversion application and additional information furnished to us by the Company and its independent auditors is truthful, accurate, and complete in all material respects. FFA will not independently verify the financial statements and other information provided by the Company and its independent auditors, nor will FFA independently value the assets or liabilities of the Company. The Valuation will consider the Company only as a going concern and will not be considered as an indication of the liquidation value of the Company.
 5. FFA's Valuation is not intended, and must not be represented to be, a recommendation of any kind as to the advisability of purchasing shares of common stock in the Conversion. Moreover, because the Valuation is necessarily based upon estimates and projections of a number of matters, all of which are subject to change from time to time, FFA will give no assurance that persons who purchase shares of common stock in the Conversion will thereafter be able to sell such shares at prices related to FFA's Valuation.
 6. The Company agrees to indemnify FFA and its affiliates and all persons employed by or associated with FFA or its affiliates against all claims, liabilities, and related expenses, as incurred, arising out of this engagement, unless, upon final adjudication, such claims, liabilities, and expenses are found to have resulted primarily from FFA's gross negligence, bad faith or willful misconduct. No termination, completion, or modification hereof shall limit or affect such indemnification obligation. In the event FFA becomes aware of a claim or a possible claim arising out of this Agreement, it shall notify the Company as soon as possible. The Company will attempt to resolve the claim. In the event the Company is not able to resolve the claim, it has the option to retain legal counsel on behalf of FFA to defend the claim.
-

Feldman Financial Advisors, Inc.

Board of Directors
North Shore, MHC
July 14, 2021
Page 4

7. The Company and FFA are not affiliated, and neither the Company nor FFA has an economic interest in, or is held in common with, the other and has not derived a significant portion of its gross revenues, receipts, or net income for any period from transactions with the other. It is understood that FFA is not a seller of securities within the scope of any federal or state securities laws, and any report prepared by FFA shall not be used as an offer or solicitation with respect to the purchase or sale of any security, it being understood that the foregoing shall not be construed to prohibit the filing of any such report as part of the Application for Conversion or Securities and Exchange Commission and blue sky filings or customary references thereto in applications, filings, proxy statements, and prospectuses.

Please acknowledge your concurrence with the foregoing by signing as indicated below and returning to FFA a signed copy of this Agreement and the initial retainer fee of \$7,500.

Yours very truly,

Feldman Financial Advisors, Inc.

/s/ Trent R. Feldman
Trent R. Feldman
President

Agreed to and Accepted by:

North Shore, MHC

By: /s/Stephen G. Lear

Title: CEO

Date: 7/21/21

Feldman Financial Advisors, Inc.

8804 Mirador Place
McLean, VA 22102
(202) 467-6862

September 10, 2021

Boards of Directors
NSTS Bancorp, Inc.
North Shore MHC
NSTS Financial Corporation
North Shore Trust and Savings
700 S. Lewis Avenue
Waukegan, Illinois 60085

Members of the Boards of Directors:

It is the opinion of Feldman Financial Advisors, Inc., that the subscription rights to be received by the eligible account holders and other eligible subscribers of North Shore Trust and Savings (the "Bank"), pursuant to the Plan of Conversion (the "Plan") adopted by the Boards of Directors of North Shore MHC (the "Mutual Holding Company"), NSTS Financial Corporation, (the "Mid-Tier Holding Company"), and the Bank, do not have any ascertainable market value at the time of distribution or at the time the rights are exercised in the subscription offering.

In connection with the Plan, the Mutual Holding Company will convert from the current mutual holding company structure to a stock holding company structure through the merger into the Mid-Tier Holding Company, which will merge into NSTS Bancorp, Inc. (the "Holding Company"), and the Holding Company will subsequently offer shares of its common stock for sale in a subscription offering to eligible account holders and other eligible subscribers. Any shares of common stock that remain unsubscribed for in the subscription offering will be offered by the Holding Company for sale in the community or syndicated offerings to certain members of the general public. When the conversion is completed, the Bank will become a wholly-owned subsidiary of the Holding Company, and the Mutual Holding Company and the Mid-Tier Holding Company will both cease to exist.

Our opinion is based on the fact that the subscription rights are acquired by the recipients without cost, are legally non-transferable and of short duration, and afford the recipients the right only to purchase shares of common stock of the Holding Company at a price equal to its aggregate estimated pro forma market value, which will be the same price at which any unsubscribed shares will be purchased in the community or syndicated community offerings.

Changes in the local and national economy, the legislative and regulatory environment, the stock market, interest rates, and other external factors may occur from time to time, often with great unpredictability, and may materially impact the value of savings institution common stocks as a whole or the value of the Holding Company alone. Accordingly, no assurance can be given that persons who subscribe to shares of common stock in the subscription offering will thereafter be able to buy or sell such shares at the same price paid in the subscription offering.

Sincerely,

/s/ Feldman Financial Advisors, Inc.

Feldman Financial Advisors, Inc.

Feldman Financial Advisors, Inc.

8804 Mirador Place
McLean, VA 22102
(202) 467-6862

September 10, 2021

Boards of Directors
NSTS Bancorp, Inc.
North Shore MHC
NSTS Financial Corporation
North Shore Trust and Savings
700 S. Lewis Avenue
Waukegan, Illinois 60085

Members of the Boards of Directors:

At the request of North Shore MHC (the “Mutual Holding Company”), NSTS Financial Corporation (the “Mid-Tier Holding Company”) and North Shore Trust and Savings (the “Bank”), Feldman Financial Advisors, Inc. hereby provides its opinion as to any potential economic value of the rights received by depositors in a liquidation account maintained by the newly formed NSTS Bancorp, Inc. (the “Holding Company”) and the associated liquidation account in the Bank as set forth in the Plan of Conversion (the “Plan”) adopted by the Boards of Directors of the Mutual Holding Company, the Mid-Tier Holding Company, and the Bank.

In connection with the Plan, the Mutual Holding Company will convert from the current mutual holding company structure to a stock holding company structure through the merger into the Mid-Tier Holding Company, which will merge into the Holding Company, and the Holding Company will subsequently offer shares of its common stock for sale in a subscription offering to eligible account holders and other eligible subscribers. Any shares of common stock that remain unsubscribed for in the subscription offering will be offered by the Holding Company for sale in the community or syndicated offerings to certain members of the general public. When the conversion is completed, the Bank will become a wholly-owned subsidiary of the Holding Company and the Mutual Holding Company and the Mid-Tier Company will both cease to exist.

As set forth in the Plan, in connection with the conversion, certain depositors of the Bank will receive rights in a liquidation account in the Holding Company and will also receive associated rights in a liquidation account in the Bank to support the Holding Company liquidation rights in the event the Holding Company lacks sufficient net assets to make sufficient distributions from the Holding Company liquidation account upon a solvent liquidation of the Bank. Such a solvent liquidation is unlikely, except in the limited cases where a bank sells its assets pursuant to a purchase and assumption transaction with a credit union acquirer. It is our belief that at the time of the conversion, consisting of the merger of the Mutual Holding Company and the Mid-Tier Holding Company into the Holding Company, and the contemporaneous offering, the liquidation accounts in the Holding Company and the Bank have no economic value.

Sincerely,

/s/ Feldman Financial Advisors, Inc.

Feldman Financial Advisors, Inc.

North Shore MHC
Waukegan, Illinois

Conversion Valuation Appraisal Report
Valued as of August 31, 2021

Prepared By
Feldman Financial Advisors, Inc.
McLean, Virginia

August 31, 2021

Board of Directors
North Shore MHC
700 South Lewis Avenue
Waukegan, Illinois 60085

Members of the Board of Directors:

At your request, we have completed and hereby provide an independent appraisal (the "Appraisal") of the estimated pro forma market value of North Shore MHC (the "Company") as of August 31, 2021 in conjunction with the Company's conversion (the "Conversion") from the mutual holding company to stock form of organization, issuance of all of its capital stock to a newly formed stock holding company known as NSTS Bancorp, Inc. ("NSTS Bancorp"), and offering for sale of NSTS Bancorp's common stock to eligible depositors and borrowers of North Shore Trust and Savings (the "Bank"), the Bank's employee stock ownership plan, and certain members of the general public in the subscription and community offering (the "Stock Offering"). The Conversion is being undertaken pursuant to a Plan of Conversion adopted by the Boards of Directors of the Company, the Bank, and the mid-tier stock holding company, NSTS Financial Corporation ("NSTS Financial"). The Appraisal is furnished pursuant to the filing by the Company of applications with respect to the Conversion and the Stock Offering with the Board of Governors of the Federal Reserve System and the Office of the Comptroller of the Currency.

Feldman Financial Advisors, Inc. ("Feldman Financial") is a financial consulting and advisory firm that specializes in valuations and analyses of business enterprises and securities in the thrift, banking, and mortgage industries. The background of Feldman Financial is presented in Exhibit I. In preparing the Appraisal, we conducted an analysis of the Company that included discussions with the Company's management, the Company's legal counsel, Vedder Price P.C., and the Company's independent registered public accounting firm, Plante Moran, PLLC. In addition, where appropriate, we considered information based on other available published sources that we believe are reliable; however, we cannot guarantee the accuracy and completeness of such information. We also reviewed, among other factors, the economy in the Company's primary market area and compared the Company's financial condition and operating performance with that of selected publicly traded thrift institutions. We reviewed conditions in the securities markets in general and in the market for thrift institution common stocks in particular.

The Appraisal is based on the Company's representation that the information in the Conversion applications and additional evidence furnished to us by the Company and its independent auditor are truthful, accurate, and complete. We did not independently verify the financial statements and other information provided by the Company and its independent accounting firm, nor did we independently value the assets or liabilities of the Company. The Appraisal considers the Company only as a going concern and should not be considered as an indication of the liquidation value of the Company.

Board of Directors
North Shore MHC
August 31, 2021
Page Two

Pursuant to the Plan of Conversion, the Company will convert from the mutual holding company form of organization to the stock form of organization through the following series of steps. The Company currently owns 100% of the common stock of NSTS Financial, which in turn owns 100% of the common stock of the Bank. The Company will first merge with and into NSTS Financial which will in turn immediately merge with and into NSTS Bancorp, which in turn will sell shares of common stock in the Stock Offering. When the Conversion and Stock Offering are completed, all of the outstanding capital stock of the Bank will be owned by NSTS Bancorp, and all of the common stock of NSTS Bancorp will be owned by shareholders. The Bank will operate as a wholly-owned subsidiary of NSTS Bancorp, and the Company and NSTS Financial will both cease to exist.

The Plan of Conversion provides for the establishment of a new charitable foundation, North Shore Charitable Foundation (“the Foundation”). The Foundation will be funded initially by common stock and cash received in conjunction with the Stock Offering. The contribution to the Foundation from the net proceeds of the Stock Offering will amount to shares representing 2.0% of the total outstanding shares of common stock issued in the Conversion (including shares contributed to the Foundation) and \$150,000 in cash. The purpose of the Foundation is to provide financial support to charitable organizations in the communities in which the Company operates and will operate in the future and to enable these local communities to share in the Company’s long-term growth.

It is our opinion that, as of August 31, 2021, the estimated pro forma market value of the Company was within a range (the “Valuation Range”) of \$34,693,880 to \$46,938,780 with a midpoint of \$40,816,330. Pursuant to applicable appraisal guidelines, the Valuation Range was based upon a 15% decrease from the midpoint value to determine the minimum value and a 15% increase from the midpoint value to establish the maximum value. Assuming an additional 15% increase above the maximum value would result in an adjusted maximum of \$53,979,590. Based on the Valuation Range, the range of shares to be sold in the Stock Offering (excluding the Foundation shares) is as follows: \$34,000,000 at the minimum, \$40,000,000 at the midpoint, \$46,000,000 at the maximum, and \$52,800,000 at the adjusted maximum. Based on an initial offering price of \$10.00 per share, the number of shares to be sold in the Stock Offering is as follows: 3,400,000 at the minimum, 4,000,000 at the midpoint, 4,600,000 at the maximum, and 5,290,000 at the adjusted maximum.

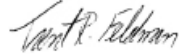
Our Appraisal is not intended, and must not be construed, to be a recommendation of any kind as to the advisability of purchasing shares of common stock in the Stock Offering. Moreover, because the Appraisal is necessarily based upon estimates and projections of a number of matters, all of which are subject to change from time to time, no assurance can be given that persons who purchase shares of stock in the Stock Offering will thereafter be able to sell such shares at prices related to the foregoing estimate of the Company’s pro forma market value. Feldman Financial is not a seller of securities within the meaning of any federal or state securities laws, and any report prepared by Feldman Financial shall not be used as an offer or solicitation with respect to the purchase or sale of any securities.

Board of Directors
North Shore MHC
August 31, 2021
Page Three

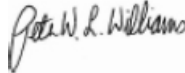
The Valuation Range reported herein will be updated as appropriate. These updates will consider, among other factors, any developments or changes in the Company's operating performance, financial condition, or management policies, and current conditions in the securities markets for thrift institution common stocks. Should any such new developments or changes be material, in our opinion, to the valuation of the Company, appropriate adjustments to the estimated pro forma market value will be made. The reasons for any such adjustments will be explained in detail at that time.

Respectfully submitted,

Feldman Financial Advisors, Inc.



Trent R. Feldman
President



Peter W. L. Williams
Principal

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INTRODUCTION

At your request, we have completed and hereby provide an independent appraisal (the “Appraisal”) of the estimated pro forma market value of North Shore MHC (the “Company”) as of August 31, 2021 in conjunction with the Company’s conversion (the “Conversion”) from the mutual holding company to stock form of organization, issuance of all of its capital stock to a newly formed stock holding company known as NSTS Bancorp, Inc. (“NSTS Bancorp”), and offering for sale of NSTS Bancorp’s common stock to eligible depositors and borrowers of North Shore Trust and Savings (the “Bank”), the Bank’s employee stock ownership plan, and certain members of the general public in the subscription and community offering (the “Stock Offering”). The Conversion is being undertaken pursuant to a Plan of Conversion adopted by the Boards of Directors of the Company, the Bank, and the mid-tier stock holding company, NSTS Financial Corporation (“NSTS Financial”). The Appraisal is furnished pursuant to the filing by the Company of applications with respect to the Conversion and the Stock Offering with the Board of Governors of the Federal Reserve System (“FRB”) and the Office of the Comptroller of the Currency (“OCC”).

Feldman Financial Advisors, Inc. (“Feldman Financial”) is a financial consulting and advisory firm that specializes in valuations and analyses of business enterprises and securities in the thrift, banking, and mortgage industries. The background of Feldman Financial is presented in Exhibit I. In preparing the Appraisal, we conducted an analysis of the Company that included discussions with the Company’s management, the Company’s legal counsel, Vedder Price P.C., and the Company’s independent registered public accounting firm, Plante Moran, PLLC. In addition, where appropriate, we considered information based on other available published sources that we believe are reliable; however, we cannot guarantee the accuracy and completeness of such information. We also reviewed, among other factors, the economy in the Company’s primary market area and compared the Company’s financial condition and operating performance with that of selected publicly traded thrift institutions. We reviewed conditions in the securities markets in general and in the market for thrift institution common stocks in particular.

The Appraisal is based on the Company's representation that the information in the Conversion applications and additional evidence furnished to us by the Company and its independent auditor are truthful, accurate, and complete. We did not independently verify the financial statements and other information provided by the Company and its independent accounting firm, nor did we independently value the assets or liabilities of the Company. The Appraisal considers the Company only as a going concern and should not be considered as an indication of the liquidation value of the Company.

Our Appraisal is not intended, and must not be construed, to be a recommendation of any kind as to the advisability of purchasing shares of common stock in the Stock Offering. Moreover, because the Appraisal is necessarily based upon estimates and projections of a number of matters, all of which are subject to change from time to time, no assurance can be given that persons who purchase shares of stock in the Stock Offering will thereafter be able to sell such shares at prices related to the foregoing estimate of the Company's pro forma market value. Feldman Financial is not a seller of securities within the meaning of any federal or state securities laws, and any report prepared by Feldman Financial shall not be used as an offer or solicitation with respect to the purchase or sale of any securities.

The Valuation Range reported herein will be updated as appropriate. These updates will consider, among other factors, any developments or changes in the Company's operating performance, financial condition, or management policies, and current conditions in the securities markets for thrift institution common stocks. Should any such new developments or changes be material, in our opinion, to the valuation of the Company, appropriate adjustments to the estimated pro forma market value will be made. The reasons for any such adjustments will be explained in detail at that time.

I. Business of North Shore Mhc

General Overview

North Shore MHC is a federally-chartered mutual holding company that functions as the parent company of NSTS Financial, a federally-chartered mid-tier stock holding company. NSTS is the parent company of the Bank, a federally-chartered stock savings institution. The Bank was established originally in 1921 as North Shore Building and Loan, an Illinois-chartered institution. In 2005, the Bank converted to a federally-chartered savings institution and reorganized into the mutual holding company form of organization. Since its inception, the Bank has operated as a traditional savings institution focused primarily on serving the banking needs of customers in its market area of Lake County, Illinois, and adjacent communities.

The Company operates from its headquarters and main banking office in Waukegan, Illinois, along with two additional full-service branch offices located in Waukegan and Lindenhurst, Illinois, respectively. The Company also has a loan production office in Chicago, Illinois. The Company's business consists primarily of taking deposits from the general public and investing those deposits, together with funds generated from operations, in one- to four-family residential mortgage loans and purchase investments. The Company also invests in securities, historically consisting primarily of residential mortgage-backed securities issued by U.S. Government-sponsored enterprises, collateralized mortgage obligations, municipal obligations, and U.S. Government agency obligations. The Company offers a variety of deposit accounts, including checking accounts, savings accounts, money market accounts, and certificates of deposit.

At June 30, 2021, the Company had consolidated total assets of \$239.9 million, total deposits of \$184.4 million, and total equity of \$45.9 million (measuring 19.13% of total assets). The Company reported a net loss of -\$112,000 for the year ended December 31, 2020 and net income of \$414,000 for the year ended December 31, 2019. The Bank's deposits are insured up to applicable limits by the Federal Deposit Insurance Corporation ("FDIC"). The Bank is subject to regulation, examination, and supervision primarily by the OCC and secondarily by the FDIC. The Bank is also a member of the Federal Home Loan Bank ("FHLB") of Chicago. The Company is subject to regulation by the FRB.

Over the past ten years, the Bank has emphasized conservative lending, controlled growth, and an emphasis on managing liquidity and interest rate risk. The Bank's total assets decreased by 7.7% from \$262.5 million at December 31, 2010 to \$242.2 million at December 31, 2020. The Bank's total loans decreased by 30.8% from \$146.3 million at December 31, 2010 to \$101.3 million at December 31, 2020. The Bank's ratio of total loans to total deposits decreased from 67.6% at year-end 2010 to 53.3% at year-end 2020. Over this same time period, the Bank's ratio of total equity to total assets increased from 16.16% at year-end 2010 to 18.85% at year-end 2020.

The Bank's 100-year operating history has provided it with a familiarity of its local communities and customer base. The Bank believes that its community orientation is attractive to customers and distinguishes it from the larger banks that operate in the local market area. The Bank continues to stress high quality, personal customer service through an honest, straightforward, and upfront marketing approach and has developed a loyal customer base. The Bank relies on its experienced and committed staff to meet the needs of customers. The Bank has a diverse staff, many of whom are bilingual, to assist with effectively serving the expanding Hispanic population in Waukegan. The Bank relies on its upgraded technology infrastructure to provide efficient and effective delivery of products and services. In recent years, the local market has experienced a significant amount of consolidation among its banking institutions, resulting in opportunities to pursue customer relationships that may have been disrupted as a result of mergers and acquisitions. The Lindenhurst branch office was opened to service an increasing population in the western part of Lake County. The Bank established a loan production office in the Roscoe Village neighborhood of Chicago, Illinois in 2016 to originate loans outside of its branch network in a more densely populated metropolitan area.

The Company's current operating goal is to position the organization to succeed in an evolving and competitive financial services landscape and enhance its position as one of the leading community banking institutions in its market. The Company believes that it can provide long-term value to its stockholders, customers, employees, and the communities it serves by executing a prudent business strategy that generates increasing profitability. The Company also believes there is a significant opportunity for a community-focused banking institution to compete effectively in its primary market area and that the increased capital it will have after the completion of the Stock Offering will facilitate this objective. The Company has emphasized and invested in a strong workforce, upgraded technology, and enhanced brand awareness in its market area. The core elements of the Company's business strategy are outlined in more detail below:

- ***Moderately grow the loan portfolio while continuing the sale of one-to four-family residential mortgages in the secondary market.*** The Company's primary lending focus has been the origination of one- to four-family residential mortgage loans. As of June 30, 2021, \$87.9 million or 89.7% of the Company's loan portfolio was secured by one- to four-family residential mortgage loans. The Company believes that prudently increasing its one-to four - family, multi-family, and commercial real estate lending offers an opportunity to enhance its profitability and growth prospects. The Company plans to continue selling a portion of its loan production into the secondary market as a means to generate non-interest income, as well as manage interest rate and credit risk as long as market conditions are favorable to do so.
- ***Leverage technology to enhance customer experience and drive operating efficiencies.*** Over the past several years, the Company expanded its digital platform to include web-based and mobile application-based online banking. The Company aims to make upgrades continually to its online and mobile banking suites. Management has emphasized streamlining of internal processes and seeks to increase operating efficiencies through automation whenever possible. The Company plans to continue to invest in convenience technologies and employee training to enhance customer experience and keep pace with consumer demands.

- **Increase loan production through the formation of loan production offices.** The Company originates loans through its three full-service branch locations in Waukegan and Lindenhurst, Illinois, and one loan production office in Chicago. The Company is currently reviewing sites to add up to three additional loan production offices in its surrounding communities over the next few years.
- **Continue to emphasize prudent credit risk management.** The Company is pursuing moderate portfolio growth because it believes strong asset quality is a key to its long-term financial success. The Company's strategy for credit risk management focuses on having an experienced team of credit professionals, well-defined policies and procedures, appropriate loan underwriting criteria, and active credit monitoring. The Company's ratio of non-performing assets to total assets ratio was 0.24% at June 30, 2021, 0.15% at December 31, 2020, and 0.03% at December 31, 2019. Because substantially all of the Company's loans are secured by real estate and the level of its non-performing loans has been low in recent years, the Company believes that its current allowance for loan losses is adequate to account for the probable losses inherent in its loan portfolio.
- **Grow the franchise organically.** The Company expects to embark on a strategy of prudent growth following the Conversion and Stock Offering. The Company seeks to expand its market share in existing and contiguous markets by leveraging its longstanding ties to the community and delivering high-quality financial solutions. Building customer relationships around low-cost and no-cost products is part of the Company's relationship expansion strategy. These accounts can be established with a modest initial deposit, impose minimal fees, and are a viable alternative for the consumer to non-bank money service businesses.
- **Recruit and retain top talent.** Recruiting and retaining talented individuals to implement the Company's business strategy will be critical to its success. While the Company believes it has assembled a strong management team, it plans to continue assessing its personnel needs and expects to add new lenders and management staff in order to facilitate planned growth and to complement the existing management team. Critical to the Company's efforts to attract and retain talent are the Conversion and the adoption and implementation of employee stock benefit plans, consistent with federal banking regulations and subject to shareholder approval, after the Conversion.

While its equity level is solid at 19.13% of total assets as of June 30, 2021, the Company believes it must raise additional capital in order to facilitate its growth objectives and loan generation activity, and provide a greater cushion in response to the risk profile associated with continued expansion and future economic conditions. As a stock organization upon completion of the Conversion, the Company will be organized in the ownership form used by commercial banks, most major businesses, and a large number of thrift institutions. The ability to raise new equity capital through the issuance and sale of capital stock will allow the Company the flexibility to increase its equity capital position more rapidly than by accumulating earnings.

The Company also believes that the ability to attract new capital also will help address the needs of the communities it serves and enhance its ability to expand or to make acquisitions. After the Conversion, the Company will have an increased ability to merge with or acquire other financial institutions or business enterprises; however, there are no current arrangements, understandings, or agreements regarding any such acquisition opportunities. Finally, the Company expects to benefit from its employees and directors having stock ownership in its business, since that is viewed as an effective performance incentive and a means of attracting, retaining, and compensating employees and directors.

In summary, the Company's primary reasons for implementing the Conversion and undertaking the Stock Offering are to:

- Enhance its capital base to support growth and compete more effectively in the financial services marketplace.
- Offer depositors, employees, management, and directors an equity ownership interest in NSTS Bancorp, the proposed publicly-traded holding company, and thereby an economic interest in the potential future success of NSTS Bancorp and the Bank.
- Attract and retain qualified directors, management, and employees by establishing various stock-based benefit plans.
- Increase the Company's flexibility to structure and finance the expansion of its operations, including potential acquisitions of other financial service businesses and establishing new branches or new loan production offices.

The remainder of Chapter I examines in more detail the trends addressed in this section, including the impact of changes in the Company's economic and competitive environment, and recent strategic initiatives. The discussion is supplemented by the exhibits in the Appendix. Exhibit II-1 summarizes the Company's consolidated balance sheets as of December 31, 2019 and 2020 and June 30, 2021. Exhibit II-2 presents the Company's consolidated income statements for the years ended December 31, 2019 and 2020 and the six months ended June 30, 2020 and 2021.

Financial Condition

Table 1 presents selected data concerning the Company's financial position as of December 31, 2019 and 2020 and June 30, 2021. Table 2 displays relative balance sheet concentrations as of similar period-end dates.

Table 1
Selected Financial Condition Data
 As of December 31, 2019 and 2020 and June 30, 2021
 (Dollars in Thousands)

	June 30,	December 31,	
	2021	2020	2019
Total assets	\$239,858	\$242,219	\$235,549
Cash and cash equivalents (1)	26,549	44,304	52,550
Investment securities available for sale	98,284	81,620	68,569
Federal Home Loan Bank stock	550	512	512
Total loans, net (2)	98,240	100,426	98,399
Premises and equipment, net	5,146	5,213	5,400
Bank-owned life insurance	8,978	8,890	8,707
Total deposits	184,406	186,404	184,371
Federal Home Loan Bank advances	5,000	4,000	-
Total equity	45,875	46,725	45,764

(1) Includes interest-bearing and time deposits with other financial institutions.

(2) Includes loans held for sale.

Source: North Shore MHC, financial statements.

Asset Composition

The Company's total assets amounted to \$239.9 million at June 30, 2021, reflecting a 1.0% or \$2.3 million decrease from total assets of \$242.2 million at December 31, 2020. In the prior year, the Company's total assets increased by 2.8% or \$6.7 million from \$235.5 million at December 31, 2019 to \$242.2 million at December 31, 2020. The recent contraction of total assets was primarily attributable to a moderate decrease of \$2.2 million in total net loans from \$100.4 million at December 31, 2020 to \$98.2 million at June 30, 2021.

Table 2
Relative Balance Sheet Concentrations
 As of December 31, 2019 and 2020 and June 30, 2021
 (Percent of Total Assets)

	June 30,	December 31,	
	2021	2020	2019
Cash and cash equivalents (1)	11.07%	18.29%	22.31%
Investment securities available for sale	40.98	33.70	29.11
Federal Home Loan Bank stock	0.23	0.21	0.22
Total loans, net (2)	40.96	41.46	41.77
Premises and equipment, net	2.15	2.15	2.29
Bank-owned life insurance	3.74	3.67	3.70
Other assets	0.88	0.52	0.60
Total assets	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>
Total deposits	76.88%	76.96%	78.27%
Federal Home Loan Bank advances	2.08	1.65	-
Other liabilities	1.91	2.10	2.30
Total liabilities	<u>80.87</u>	<u>80.71</u>	<u>80.57</u>
Total equity	19.13	19.29	19.43
Total liabilities and equity	<u>100.00%</u>	<u>100.00%</u>	<u>100.00%</u>

(1) Includes interest-bearing and time deposits with other financial institutions.

(2) Includes loans held for sale.

Source: North Shore MHC, financial statements.

Total net loans (including loans held for sale) decreased during the first half of 2021 as total loan sales and principal repayments exceeded total loan originations. Consistent with its interest rate risk strategy, the Company has continued to sell, on a servicing released basis, a portion of its fixed-rate, one- to four-family residential mortgage originations. As a result of the recent decrease in the Company's loan portfolio, the percentage of total net loans decreased from 41.8% of total assets at December 31, 2019 to 41.0% of total assets at June 30, 2021.

Cash and cash equivalents have decreased by \$26.0 million from \$52.6 million at December 31, 2019 to \$26.6 million at June 30, 2021. The decrease in cash and cash equivalents primarily reflected outgoing cash flows to purchase increased amounts of investment securities available for sale, which increased by \$29.7 million from \$68.6 million at December 31, 2019 to \$98.3 million at June 30, 2021. The increased level of securities was related to the Company's objectives to manage interest rate risk and increase yields on earning assets. As a result of the reallocation of liquidity, aggregate cash and cash equivalents decreased from 22.3% of total assets at December 31, 2019 to 11.1% at June 30, 2021. Concurrently, investment securities increased from 29.1% of assets at December 31, 2019 to 41.0% of total assets at June 30, 2021.

The balance sheet value of bank-owned life insurance ("BOLI") increased moderately from \$8.7 million at December 31, 2019 to \$9.0 million at June 30, 2021. BOLI provides the Company with a funding offset for employee benefit plans and obligations and also generates non-interest that generally is non-taxable. The percentage of BOLI to total assets measured 3.7% of total assets at June 30, 2021.

The largest segment of the Company's loan portfolio comprises residential estate mortgage loans. As of June 30, 2021, one- to four-family residential mortgage loans accounted for 89.7% of total loans as illustrated in Exhibit II-3. The Company's loan portfolio also included smaller concentrations of multi-family real estate loans (5.3% of total loans), commercial real estate loans (4.7% of total loans), and consumer loans (0.3% of total loans) at June 30, 2021.

Exhibit II-4 details the Company's recent lending activity. For the six months ended June 30, 2021, the Company originated \$23.8 million of loans, including \$22.7 million of one- to four-family residential mortgage loans and \$1.0 million of commercial real estate loans. For the year ended December 31, 2020, the Company originated \$56.5 million of loans, including \$52.7 million of one- to four-family residential mortgage loans and \$3.5 million of commercial real estate loans. The Company's loan sales amounted to \$35.3 million for the year ended December 31, 2020 and \$13.3 million for the six months ended June 30, 2021. The Company considers its balance sheet and interest rate risk management objectives along with prevailing market conditions in making decisions as whether to hold or sell originated residential mortgage loans.

At June 30, 2021, the Company had \$87.9 million in one- to four-family residential mortgage loans, which represented 89.7% of total loans. Of the one- to four-family mortgage loans due after June 30, 2022, approximately \$72.8 million or 84.4% consisted of fixed-rate loans and \$13.4 million or 15.6% consisted of adjustable-rate loans. A small portion of the Company's one- to four-family residential mortgage loans are considered non-conforming due to factors such as the borrower's job status or income, the condition or age of the residence or other factors and are not readily saleable into the secondary mortgage market. The Company generally limits the loan-to-value ratios of its residential mortgage loans to 97% for adjustable-rate loans and 95% for fixed-rate loans, provided that the borrower obtains private mortgage insurance on loans that exceed 80% of the appraised value of the secured property. The Company's fixed-rate residential mortgage loans are fully amortizing with maturities of up to 30 years, while the adjustable-rate loans have interest rates that either adjust on an annual basis or are fixed for the initial three or five years and then adjust every three or five years thereafter. At June 30, 2021, the average one- to four-family residential mortgage loan size was approximately \$147,000.

At June 30, 2021, the Company had \$9.8 million in commercial real estate and multi-family real estate loans, which represented 10.0% of total loans. Of this aggregate total, the Company's commercial real estate loans amounted to \$4.6 million and multi-family residential loans amounted to \$5.2 million as of June 30, 2021. The Company's commercial and multi-family real estate lending activity is consistent with its strategy to diversify the loan portfolio and increase the overall portfolio yield with shorter-maturity loans. The commercial real estate loans include 14 loans that are secured primarily by investor properties, which include one- to four-family residences. Additionally, the company has two commercial real estate loans secured by retail frontage. The two largest commercial real loans outstanding at June 30, 2021 were \$2.0 million and \$1.4 million, both of which were paying in accordance with all their contractual terms. The Company's multi-family residential mortgage loans are secured by residential properties with more than four units or secured by multiple one- to four-family residential properties. The Company's largest multi-family loan as of June 30, 2021 was a \$940,000 loan secured by various one- to four-family investment homes and one multi-family apartment building located in Waukegan and North Chicago, Illinois, and was performing in accordance with its terms. At June 30, 2021, the average sizes of the Company's multi-family residential mortgage loans and commercial real estate loans were approximately \$347,000 and \$169,000, respectively.

The Company's consumer loans amounted to \$303,000 or 0.3% of the total loan portfolio as of June 30, 2021. The Company offers a limited range of consumer loans, principally to provide a full range of financial products to its customers. The Company's outstanding consumer loans primarily comprised loans secured by deposits, automobile loans, and unsecured personal loans. During the six months ended June 30, 2021, the Company charged off a \$99,000 unsecured consumer loan because it was six months past due but is continuing its collection efforts. There were no consumer loan charge-offs during the years ended December 31, 2019 and 2020.

Exhibit II-5 presents a summary of the Company's portfolio of cash, short-term liquidity, and investment securities as of December 31, 2019 and 2020 and June 30, 2021. The Company's primary investment objectives include the following: (1) manage the interest rate sensitivity of the balance sheet; (2) generate a favorable return without incurring undue interest rate and credit risk; (3) complement and supplement lending activities; and (4) provide and maintain liquidity to meet deposit withdrawal and loan funding needs. The Company's investment strategies and policies are established by the Board of Directors.

At June 30, 2021, the Company's aggregate cash and investments amounted to \$125.4 million or 52.3% of total assets. Cash and cash equivalents (including interest-bearing deposits and certificates of deposit with other financial institutions) amounted to \$26.5 million or 11.1% of the Company's total assets as of June 30, 2021. Cash and cash equivalents decreased from \$52.6 million or 22.3% of total assets as of December 31, 2019 as excess liquidity has been reallocated into investment securities. The Company's available-for-sale securities portfolio totaled \$98.3 million or 41.0% of total assets at June 30, 2021 and was composed of \$49.7 million of mortgage-backed securities, \$29.0 million of collateralized mortgage obligations, \$11.1 million of municipal obligations, and \$8.4 million of U.S. Government and agency obligations. The Company's mortgage-backed securities and obligations are issued by U.S. Government-sponsored enterprises. The Company's available-for-sale investment securities portfolio had a weighted average yield of 1.66% at June 30, 2021. The Company also owned \$550,000 of stock in the FHLB of Chicago as of June 30, 2021.

Liability Composition

Deposits are the Company's primary external source of funds for lending and investment purposes. Exhibit II-6 presents a summary of the Company's deposit composition as of December 31, 2019 and 2020 and June 30, 2021. Total deposits amounted to \$184.4 million or 76.9% of total assets and 95.1% of total liabilities at June 30, 2021. Total deposits decreased by 1.1% or \$2.0 million from \$186.4 million at December 31, 2020 to \$184.4 million at June 30, 2021. The Company's certificate accounts decreased by \$4.1 million in the first half of 2021, while core transaction accounts increased by \$2.1 million. The ratio of core transaction accounts to total deposits has increased from 61.0% at December 31, 2019 to 65.4% at June 30, 2021, while the concentration of certificate accounts decreased from 39.0% to 34.6% over the same time period.

The Company relies on customer service and longstanding relationships with customers in its primary market area to attract and retain deposits. Deposit account terms vary according to the minimum balance required, the time period that funds must remain on deposit, and the interest rate, among other factors. In determining the rates and terms of its deposit accounts, the Company considers the rates offered by competitors, liquidity needs, growth objectives, current operating strategies, and customer preferences and concerns. The Company has placed a concerted emphasis on attracting core transaction deposit accounts, which tend to represent lower cost and more stable funding sources. For the six months ended June 30, 2021, the Company's weighted average cost of core deposits was 0.13%, the weighted average cost of certificate accounts was 1.24%, and the overall weighted average cost of deposits was 0.50%, reflecting a decline from the corresponding overall costs of 0.94% and 0.77% for the years ended December 31, 2019 and 2020, respectively.

As a member of the FHLB of Chicago, the Company may obtain FHLB borrowings based upon the security of FHLB capital stock owned and certain of the Company's real estate mortgage loans. Historically, the Company has not utilized FHLB borrowings as a source of funds. However, the Company obtained a \$4.0 million, zero-rate FHLB advance in May 2020 that subsequently matured in May 2021. The Company replaced the matured borrowing with a \$5.0 million, zero-rate FHLB advance that matures in May 2022.

Equity Capital

The Company has historically maintained strong capital levels. The Company's total equity amounted to \$45.8 million or 19.13% of total assets at June 30, 2021. The ratio of total equity to assets decreased from 19.43% at December 31, 2019 and 19.29% at December 31, 2020 as the rate of moderate asset expansion outpaced the rate of capital formation due to the Company's net operating losses in 2020 and the first half of 2021. The Company's total equity increased by \$961,000 from \$45.8 million at year-end 2019 to \$46.7 million at year-end largely due to an increase of \$1.1 million in the Company's accumulated other comprehensive income ("AOCI"). The Company's AOCI is affected mainly by unrealized gains (or losses) on available-for-sale securities. The Company's total equity decreased by \$851,000 from \$46.7 million at December 31, 2020 to \$45.9 million at June 30, 2021 due to a decrease of \$836,000 in AOCI related a decrease in the level of unrealized gains on available-for-sale securities.

The Bank's capital level remains strong in comparison to minimum regulatory requirements. The Bank's equity capital amounted to \$44.8 million or 18.69% of total assets at December 31, 2020. The Bank has opted into the Community Bank Leverage Ratio ("CBLR") framework, which simplifies the financial reporting requirements for regulatory capital compliance for qualifying institutions. As of June 30, 2021, the Bank's CBLR (equal to the tier 1 leverage capital ratio) was 18.45% which exceeded the regulatory capital requirement, and the Bank was considered to be well capitalized. To be considered well capitalized using the CBLR framework at June 30, 2021 required a ratio of 8.50% or higher.

While not applicable due to the Bank's election of the CBLR framework, the Bank's regulatory capital ratios of tier 1 leverage capital, common equity tier 1 risk-based capital, tier 1 risk-based capital, and total risk-based capital measured 18.45%, 51.60%, 51.60%, and 52.51%, respectively, as of June 30, 2021. In comparison, the minimum regulatory requirements under federal banking agency guidelines were 4.00%, 4.50%, 6.00%, and 8.00%, and the threshold requirements for regulatory well capitalized levels were 5.00%, 6.50%, 8.00%, and 10.00%, respectively, under prompt correction action provisions.

Income and Expense Trends

Table 3 displays the main components of the Company's earnings performance for the years ended December 31, 2019 and 2020 and the six months ended June 30, 2020 and 2021. Table 4 displays the Company's principal income and expense ratios as a percent of average assets for the corresponding periods. Table 5 displays the Company's weighted average yields on interest-earning assets and weighted average costs of interest-bearing liabilities.

General Overview

Over recent years, the Company has exhibited a recurring trend of low or negative earnings. The Company's net income amounted to \$414,000 for the year ended December 31, 2019 but declined to a net loss of -\$112,000 for the year ended December 31, 2020 and a net loss of -\$14,000 for the six months ended June 30, 2021. The Company reported a return on average assets ("ROA") of 0.18% and -0.05% for 2019 and 2020, respectively, and -0.01% annualized for the six months ended June 30, 2021. The Company reported a return on average equity ("ROE") of 0.92% and -0.24% for 2019 and 2020, respectively, and -0.06% annualized for the first half of 2021.

Compared to its asset size peer group of FDIC-insured savings institutions, the Company's ROA of 0.18% in 2019 lagged the peer group average of 0.56% and its ROA of -0.05% in 2020 trailed the peer group average of 0.53%. Similarly, the Company's annualized ROA of -0.01% for the first half of 2020 was below the peer group average of 0.58%. Compared to its regulatory peer group on a historical basis, the Company's profitability trends are characterized by below-average levels of net interest income and non-interest income ratios, offset partially by lower non-interest expense ratios. The Company's net interest margin of 1.86% for the first half of 2021 measured below the peer group average of 2.86% primarily due to the Company's lower level of total net loans to assets, which measured 41.0% versus the peer group average of 61.4%.

Table 3
Income Statement Summary
For the Years Ended December 31, 2019 and 2020
And the Six Months Ended June 30, 2020 and 2021
(Dollars in Thousands)

	Six Months Ended June 30,		Year Ended December 31,	
	2021	2020	2020	2019
Interest income	\$ 2,565	\$ 3,272	\$ 6,011	\$ 7,012
Interest expense	490	840	1,488	1,726
Net interest income	2,075	2,432	4,523	5,286
Provision for loan losses	17	220	464	97
Net interest income after provision	2,058	2,212	4,059	5,189
Service charges on deposit accounts	141	127	255	241
Gain on sale of mortgage loans	245	146	787	285
Gain on sale of securities	-	59	59	-
Gain on sale of other real estate owned	-	-	-	38
BOLI income	88	90	182	188
Other income	130	88	319	115
Total non-interest income	604	510	1,603	867
Salaries and employee benefits	1,691	1,799	3,691	3,514
Occupancy and equipment	341	352	689	770
Data processing	328	247	565	463
Foreclosure expenses	8	3	12	38
Other expense	545	628	1,320	943
Total non-interest expense	2,913	3,028	6,277	5,728
Income (loss) before income taxes	(251)	(306)	(615)	328
Income tax benefit	(237)	(82)	(503)	(86)
Net income (loss)	<u>\$ (14)</u>	<u>\$ (224)</u>	<u>\$ (112)</u>	<u>\$ 414</u>

Source: North Shore MHC, financial statements.

Years Ended December 31, 2019 and 2020

Net income declined from \$414,000 in 2019 to a net loss of -\$112,000 in 2020. The primary reasons for the net loss in 2020 compared to 2019 were a \$763,000 decrease in net interest income, a \$549,000 increase in non-interest expense, and a \$367,000 increase in the provision for loan losses, offset partially by a \$736,000 increase in non-interest income and a \$417,000 increase in the income tax benefit. The decline in net interest income was largely attributable to a decline in the Company's net interest spread from 2.29% in 2019 to 1.86% in 2020 and an accompanying decline in the net interest margin from 2.49% in 2019 to 2.02% in 2020. The decreases in the net interest rate spread and net interest margin were mainly the result of a continuing low interest rate environment that reduced the average yields on earning assets in an amount that exceeded the reduction in the cost of funds.

The increase in the provision for loan losses in 2020 reflected a combination of factors. The Company's non-performing loans increased from \$65,000 at December 31, 2019 to \$355,000 at December 31, 2020. The Company also took into consideration the loan growth during the year and the uncertainty surrounding the economic impact of the coronavirus pandemic. As a result of the increased provision, the Company's allowance for loan losses increased from \$389,000 or 0.40% of total portfolio loans at December 31, 2019 to \$870,000 or 0.88% of total portfolio loans at December 31, 2020.

The Company's non-interest income increased by \$736,000 from \$867,000 in 2019 to \$1.6 million in 2020. As a result, the ratio of non-interest income to average assets increased from 0.38% in 2019 to 0.67% in 2020. The increase in non-interest income was primarily due to a \$502,000 increase in gain on sale of mortgage loans. The Company's loan sale volume increased from \$16.9 million in 2019 to \$36.5 million in 2020.

The Company's non-interest expense increased by \$549,000 from \$5.7 million in 2019 to \$6.3 million in 2020, reflecting an increase in the non-interest expense to average assets ratio from 2.50% in 2019 to 2.62% in 2020. The primary increase in non-interest expense was salaries and employee benefits increasing by 5.0% or \$177,000 from \$3.5 million in 2019 to \$3.7 million in 2020. Additionally, the increase in non-interest expense was driven by increases in data processing costs and professional services.

Table 4
Income Statement Ratios
For the Years Ended December 31, 2019 and 2020
And the Six Months Ended June 30, 2020 and 2021
(Percent of Average Assets)

	Year Ended June 30,		Year Ended December 31,	
	2021	2020	2020	2019
Interest income	2.13%	2.74%	2.50%	3.06%
Interest expense	<u>0.41</u>	<u>0.70</u>	<u>0.62</u>	<u>0.74</u>
Net interest income	1.72	2.03	1.88	2.31
Provision for loan losses	<u>0.01</u>	<u>0.18</u>	<u>0.19</u>	<u>0.04</u>
Net interest income after provision	1.71	1.85	1.69	2.26
Service charges on deposit accounts	0.12	0.11	0.11	0.11
Gain on sale of mortgage loans	0.20	0.12	0.33	0.12
Gain on sale of securities	0.00	0.05	0.02	0.00
Gain on sale of other real estate owned	0.00	0.00	0.00	0.02
BOLI income	0.07	0.08	0.08	0.08
Other income	<u>0.11</u>	<u>0.07</u>	<u>0.13</u>	<u>0.05</u>
Total non-interest income	0.50	0.43	0.67	0.38
Salaries and employee benefits	1.40	1.50	1.54	1.53
Occupancy and equipment	0.28	0.29	0.29	0.34
Data processing	0.27	0.21	0.24	0.20
Foreclosure expenses	0.01	0.00	0.00	0.02
Other expense	<u>0.45</u>	<u>0.52</u>	<u>0.55</u>	<u>0.41</u>
Total non-interest expense	2.42	2.53	2.62	2.50
Income (loss) before income taxes	(0.21)	(0.26)	(0.26)	0.13
Income tax benefit	<u>(0.20)</u>	<u>(0.07)</u>	<u>(0.21)</u>	<u>(0.04)</u>
Net income (loss)	<u>(0.01)</u>	<u>(0.19)</u>	<u>(0.05)</u>	<u>0.18</u>

Source: North Shore MHC, financial statements and internal data.

Six Months Ended June 30, 2020 and 2021

The Company reported a net loss of -\$14,000 for the first half of 2021, as compared to a net loss of -\$224,000 for the first half of 2020. The decrease in the loss for the 2021 period was chiefly attributable to a \$203,000 decrease in the provision for loan losses and a \$155,000 increase in the income tax benefit, offset partially by a \$357,000 decrease in net interest income.

Net interest income decreased by 14.7% or \$357,000 from \$2.4 million for the six months ended June 30, 2020 to \$2.1 million for the six months ended June 30, 2021. The Company's net interest spread declined from 2.00% for the first half of 2020 to 1.75% for the first half of 2021, while the net interest margin declined from 2.18% to 1.86% over the corresponding period. The Company's weighted average yield on interest-earning assets measured 2.30% for the six months ended June 30, 2021 and its weighted average cost of interest-bearing liabilities was 0.55%. Over the comparable periods, the yield on interest-earning assets declined by 64 basis points and the cost of interest-bearing liabilities declined by only 39 basis points.

Non-interest income increased by \$94,000 or 18.4% from \$510,000 in the first half of 2020 to \$604,000 for the first half of 2021. The increase in non-interest income was largely due to a \$99,000 increase in gain on sale of mortgage loans from \$146,000 in the first half of 2020 to \$245,000 in the first half of 2021. The annualized ratio of non-interest income to average assets increased from 0.43% for the six months ended June 30, 2020 to 0.50% for the six months ended June 30, 2021.

Non-interest expense decreased by \$115,000 or 3.8% from \$3.0 million in the first half of 2020 to \$2.9 million in the first half of 2021. The decrease in non-interest expense mainly reflected a \$108,000 or 6.0% decrease in salaries and employee benefits from \$1.8 million in the first half of 2020 to \$1.7 million in the first half of 2021. The number of full-time equivalent employees decreased to 35 at June 30, 2021 as compared to 39 at June 30, 2020. This decrease was offset partially by an increase of \$81,000 in data processing costs, which was related to an increase in network management costs as a result of technology upgrades to promote new products, services, and technology. The annualized ratio of non-interest expense to average assets decreased from 2.53% for the first half of 2020 to 2.42% for the first half of 2021.

Table 5
Yield and Cost Summary
For the Years Ended December 31, 2019 and 2020
And the Six Months Ended June 30, 2020 and 2021

	Six Months Ended June 30,		Year Ended December 31,	
	2021 (1)	2020 (1)	2020	2019
<u>Weighted Average Yields</u>				
Loans receivable	3.68%	4.26%	4.05%	4.42%
Federal funds sold and int.-bearing deposits	0.08	0.64	0.37	2.06
Time deposits with other financial institutions	1.08	2.39	2.11	2.66
Securities available for sale	1.54	2.36	2.03	2.32
Federal Home Loan Bank stock	2.26	2.34	2.54	2.13
Total interest-earning assets	2.30	2.94	2.69	3.30
<u>Weighted Average Costs</u>				
Interest-bearing demand	0.04	0.10	0.08	0.09
Money market accounts	0.20	0.64	0.47	1.05
Savings accounts	0.15	0.25	0.24	0.24
Certificates of deposit accounts	1.24	1.71	1.62	1.55
Total interest-bearing deposits	0.56	0.94	0.84	1.01
Federal Home Loan Bank borrowings	0.00	0.00	0.00	0.00
Total interest-bearing liabilities	0.55	0.94	0.83	1.01
Net interest rate spread (2)	1.75	2.00	1.86	2.29
Net interest margin (3)	1.86	2.18	2.02	2.49

(1) Annualized ratios for the period.

(2) Weighted average yield on interest-earning assets less the weighted average cost of interest-bearing liabilities.

(3) Net interest income divided by average total interest-earning assets.

Source: North Shore MHC, financial data.

The Company recorded an income tax benefit of \$237,000 in the six months ended June 30, 2021, which reduced the pre-tax loss of -\$251,000 to a net loss of -\$14,000. Similarly, the Company recognized an income tax benefit of \$82,000 in the six months ended June 30, 2020, which reduced the pre-tax loss of -\$305,000 to a net loss of -\$224,000. Previously, the Company recognized an income tax benefit of \$503,000 in the year-ended December 31, 2020, which reduced the pre-tax loss of -\$615,000 for the year to a net loss of -\$112,000.

Interest Rate Risk Management

The Company seeks to reduce its earnings vulnerability and capital risk to changes in market interest rates by managing the mismatch between asset and liability maturities and interest rates. The Company's Asset/Liability Committee ("ALCO") focuses on ensuring a stable and steadily increasing flow of net interest income through managing the asset and liability mix of the balance sheet. The ALCO is expected to integrate the Company's asset/liability management process into its operational decision making, including portfolio structure, investments, business planning, funding decisions, and pricing. The ALCO is responsible for evaluating the interest rate risk inherent in the Company's assets and liabilities, for determining the level of risk that is appropriate given the Company's business strategy, operating environment, capital, liquidity, and performance objectives, and for managing this risk consistent with the policy and guidelines approved by the Board of Directors.

The Company attempts to manage its interest rate risk to minimize the exposure of earnings and capital to changes in market interest rates. The Company has implemented various strategies to manage its interest rate risk. By enacting these strategies, the Company believes that it is better positioned to react to changes in market interest rates. These strategies include:

- Originating loans with adjustable interest rates.
- Promoting core deposit products.
- Selling a portion of fixed-rate one-to four -family residential mortgage loans.
- Maintaining investments as available -for-sale securities.
- Maintaining a meaningful level of assets in short-term liquidity holdings.
- Maintaining a substantial capital position, so as to increase the ratio of interest-earning assets relative to interest-rate sensitivity funding sources.
- Adjusting the size of the balance sheet.
- Modifying loan and deposit pricing/terms to influence customer behavior.

The Company monitors its interest rate sensitivity management through the use of models which generate estimates of the change in its net portfolio value (“NPV”) of equity over a range of interest rate scenarios. NPV represents the market value of portfolio equity, which is different from book value, and is equal to the market value of assets minus the market value of liabilities (representing the difference between incoming and outgoing discounted cash flows of assets and liabilities) with adjustments made for off-balance sheet items. The NPV ratio, under any interest rate scenario, is defined as the NPV in that scenario divided by the market value of assets in the same scenario. Table 6 sets forth the Company’s NPV as of June 30, 2021 and reflects the changes to NPV as a result of immediate and sustained changes in interest rates as indicated.

Table 6
Net Portfolio Value of Equity
As of June 30, 2021
(Dollars in Thousands)

Basis Point Change in Interest Rates (1)	Estimated NPV (2) (\$000s)	Amount Change from Base (\$000s)	Percent Change from Base	NPV Ratio (3)	Basis Point Change in NPV Ratio
+ 300 b.p.	\$ 29,102	\$ (18,007)	(38.22)%	13.56%	(599) b.p.
+ 200 b.p.	35,244	(11,865)	(25.19)%	15.79%	(376)b.p.
+ 100 b.p.	41,654	(5,455)	(11.58)%	17.92%	(163) b.p.
Base	47,109	--	--	19.55%	--
- 100 b.p.	51,440	4,331	9.19%	20.85%	130 b.p.
- 200 b.p.	52,744	5,635	11.96%	21.26%	171 b.p.

(1) Assumes an instantaneous uniform change in interest rates at all maturities.

(2) NPV is the discounted present value of expected cash flows from assets, liabilities, and off-balance sheet contracts.

(3) NPV ratio represents NPV divided by the present value of assets, which is calculated as the discounted value of incoming cash flows on interest-earning assets.

Source: North Shore MHC, financial data.

The table above indicates that at June 30, 2021, in the event of an instantaneous parallel 100 basis point increase in interest rates, the Company would experience an 11.6% decrease in NPV. In the event of an instantaneous 100 basis point decrease in interest rates, the Company would experience a 9.2% increase in NPV. The NPV simulations give no effect to any steps that the Company might take to counter the impact of such interest rate movement.

In addition to modeling changes in NPV, the Company also analyzes potential changes to net interest income for a 12-month period under rising and falling interest rate scenarios. The Company estimates its net interest income for a 12-month period, and then calculates what net interest income would be for the same period under the assumptions that the U.S. Treasury yield curve increases or decreases instantly by up to 300 basis points or decreases instantly by up to 200 basis points, in 100 point increments, with changes in interest rates representing immediate and permanent, parallel shifts in the yield curve.

Table 7 below sets forth, as of June 30, 2021, the calculation of the estimated changes in the Company's net interest income resulting from the designated immediate changes in the U.S. Treasury yield curve. As shown in Table 7, an upward change of 100 basis points in market interest rates would increase net interest income by \$30,000 and a downward change of 100 basis points would decrease net interest income by \$188,000. An upward change of 200 basis points in market interest rates would decrease net interest income by \$84,000 and a downward change of 200 basis points would decrease net interest income by \$266,000.

Table 7
Net Interest Income Sensitivity
 As of June 30, 2021
 (Dollars in Thousands)

Basis Point Change in Interest Rates (1)	Estimated Net Interest Income (\$000s)	Change in Net Interest Income (\$000s)	Percent Change from Level (%)
+ 300 b.p.	\$4,069	\$(321)	(7.32)%
+ 200 b.p.	4,307	(84)	(1.90)%
+ 100 b.p.	4,420	30	0.69%
Level	4,390	--	--
- 100 b.p.	4,202	(188)	(4.29)%
- 200 b.p.	4,124	(266)	(6.06)%

(1) Assumes an immediate uniform change in interest rates at all maturities.

Source: North Shore MHC, financial data.

Asset Quality

Table 8 summarizes the Company's total non-performing assets as of December 31, 2019 and 2020 and June 30, 2021. The Company has a solid record of reporting satisfactory asset quality in recent years. Non-performing assets increased from \$65,000 at December 31, 2019 to \$355,000 at December 31, 2020 and \$568,000 at June 30, 2021. Relative to assets, non-performing assets measured 0.03%, 0.15%, and 0.24% as of December 31, 2019, December 31, 2020, and June 30, 2021, respectively. Including performing troubled debt restructurings ("TDRs"), the Company's adjusted total non-performing assets measured 0.84%, 0.90%, and 0.94% as of year-end 2019, year-end 2020, and June 30, 2021, respectively. As of June 30, 2021, all of the Company's non-performing assets and TDRs were secured by one-to four -family residential properties.

Table 9 summarizes the Company's allowance for loan losses ("ALL") as of and for the years ended December 31, 2019 and 2020 and the six months ended June 30, 2020 and 2021. The allowance for loan losses increased from \$389,000 at December 31, 2019 to \$870,000 at December 31, 2020, before declining to \$792,000 at June 30, 2021. The Company's provision for loan losses increased from \$65,000 in 2019 to \$464,000 in 2020 to reflect the expansion of the loan portfolio and the uncertain economic impact of the coronavirus pandemic. As a result, the ratio of the ALL to total loans increased from 0.40% at year-end 2019 to 0.88% at year-end 2020 and measured 0.81% at June 30, 2021. The Company recorded net loan recoveries of \$31,000 and \$17,000 in 2019 and 2020, respectively. For the six months ended June 30, 2021, the Company recognized net loan charge-offs of \$95,000 mainly as a result of a \$99,000 charge-off relating to one unsecured consumer loan. The ratio of the ALL to non-performing loans decreased from 245.1% at December 31, 2020 to 158.4% at June 30, 2021. The ratio of the ALL to non-performing loans including TDRs decreased from 40.0% at December 31, 2020 to 36.1% at June 30, 2021.

Table 8
Non-performing Assets Summary
As of December 31, 2019 and 2020 and June 30, 2021
(Dollars in Thousands)

	June 30, 2021	December 31,	
		2020	2019
<u>Non-accruing Loans</u>			
One- to four-family residential	\$ 368	\$ 280	\$ 65
Multi-family residential	-	-	-
Commercial real estate	-	-	-
Consumer	-	-	-
Total non-accruing loans	<u>368</u>	<u>280</u>	<u>65</u>
<u>Accruing Loans 90 Days or More Past Due</u>			
One- to four-family residential	132	75	-
Multi-family residential	-	-	-
Commercial real estate	-	-	-
Consumer	-	-	-
Total accruing loans 90+ days past due	<u>132</u>	<u>75</u>	<u>-</u>
Total non-performing loans	500	355	65
Real estate owned	<u>68</u>	<u>-</u>	<u>-</u>
Total non-performing assets	<u>\$ 568</u>	<u>\$ 355</u>	<u>\$ 65</u>
Performing troubled debt restructurings (TDRs)	<u>1,696</u>	<u>1,824</u>	<u>1,902</u>
Total non-performing assets and TDRs (1)	<u>\$ 2,264</u>	<u>\$ 2,179</u>	<u>\$ 1,967</u>
Total non-accruing loans to total loans	0.38%	0.28%	0.07%
Total non-performing loans to total loans	0.51%	0.36%	0.07%
Total non-performing loans to total assets	0.21%	0.15%	0.03%
Total non-performing assets to total assets	0.24%	0.15%	0.03%
Total non-performing assets to total assets (1)	0.94%	0.90%	0.84%

(1) Including performing troubled debt restructurings.

Source: North Shore MHC, financial data.

Table 9
Allowance for Loan Losses
As of or For the Years Ended December 31, 2019 and 2020
And the Six Months Ended June 30, 2020 and 2021
(Dollars in Thousands)

	Six Months	Year Ended	
	Ended June 30, 2021	2020	December 31, 2019
Allowance at beginning of period	\$ 870	\$ 389	\$ 261
Charge-offs:			
One- to four-family residential	-	-	-
Multi-family residential	-	-	-
Commercial real estate	-	-	-
Consumer	(99)	-	-
Total charge-offs	<u>(99)</u>	<u>-</u>	<u>-</u>
Recoveries:			
One- to four-family residential	4	17	31
Multi-family residential	-	-	-
Commercial real estate	-	-	-
Consumer	-	-	-
Total recoveries	<u>4</u>	<u>17</u>	<u>31</u>
Net (charge-offs) recoveries	(95)	17	31
Provision for loan losses	<u>17</u>	<u>464</u>	<u>97</u>
Allowance at end of period	<u>\$ 792</u>	<u>\$ 870</u>	<u>\$ 389</u>
Allowance to non-performing loans	158.40%	245.07%	598.46%
Allowance to non-accrual loans	215.22%	310.71%	598.46%
Allowance to non-performing loans and TDRs	36.07%	39.93%	19.78%
Allowance to gross total loans	0.81%	0.88%	0.40%
Net (charge-offs) recoveries to average loans	(0.10)%	0.02%	0.03%

Source: North Shore MHC, financial data.

Office Facilities

The Company currently conducts business from its main office in Waukegan, Illinois, and two branch offices in Waukegan and Lindenhurst, Illinois, respectively. The Company also operates a loan production office in Chicago, Illinois. Exhibit II-8 provides summary information about the Company's office properties. The net book value of the Company's office properties totaled \$4.9 million at June 30, 2021. The Company believes that its current facilities are adequate to meet its present and foreseeable needs, subject to possible future expansion. The Company is currently reviewing sites to add up to three additional loan production offices in its surrounding communities over the next few years.

Market Area

Overview of Market Area

The Company is headquartered in Waukegan, Illinois. In addition to its main office, the Company has two additional full-service offices in Waukegan and Lindenhurst, Illinois, respectively, and one loan production office in Chicago, Illinois. The Company's market area consists of Lake County and Cook County, which are located in Illinois, and Kenosha County, which is located in Wisconsin. A map of the Company's office network is presented below.



The largest city in and the county seat of Lake County, Waukegan is located approximately halfway between Downtown Chicago and Milwaukee Mitchell International Airport. The estimated population of the city in 2021 was 84,914, making it the tenth most populous city in Illinois. Waukegan is a predominantly working-class community with a moderately sized middle-class population. The median household income in Waukegan was \$51,250 in 2021.

Lake County is situated in the northeastern corner of Illinois, along the shores of Lake Michigan. Lake County had an estimated population in 2021 of 693,598, making it the third most populous county in Illinois. The county is primarily suburban, with some urban areas and some rural areas. Lake County is surrounded by Cook County and the city of Chicago to the south, McHenry County to the west, and Kenosha County, Wisconsin to the north. Lake County is home to several large national and multinational employers. The largest employers in Lake County are pharmaceutical and healthcare companies, including Abbott Laboratories, AbbVie, and Baxter International. Lake County has a diversified employment base which helps to maintain a relatively stable economy. Lake County is part of the Chicago metropolitan statistical area (“MSA”), the third most populous MSA in the nation.

Kenosha is a city in and the county seat of Kenosha County, Wisconsin. Kenosha is on the southwestern shore of Lake Michigan. The estimated population of the city in 2021 was 98,174, making it the fourth most populous city in Wisconsin. Although closer to Milwaukee, Wisconsin, the city is part of the Chicago, MSA. Once a center of industrial activity, its gradual transition into a hub for the services-based economy has made it a bedroom community within the Chicago and Milwaukee metropolitan areas. Kenosha is home to the headquarters of the tool manufacturer Snap-on Inc. and the clothing company Jockey International. Amazon, Rust-Oleum, Uline, and Associated Wholesale Grocers operate warehouses and distribution centers located in Kenosha.

Kenosha County had an estimated 2021 population of 170,137, which made it the eighth most populous county in Wisconsin. The county has traditionally attracted newcomers from suburban Chicago. Kenosha County's improvements in roads, business's need for personnel, and quality-of-life factors have contributed to a decades-long influx of Illinois transplants, along with the direct rail link to Chicago via Metra's Union Pacific/North Line. Similar to Lake County, Kenosha County has a diversified employment base and a relatively stable economy.

Table 10 provides selected demographic data for the United States, the Chicago MSA, Cook County (Illinois), Lake County (Illinois), and Kenosha County (Wisconsin). The Chicago MSA had an estimated 2021 population of approximately 9.4 million residents. The Chicago MSA has one of the world's largest and most diversified economies, with more than 5 million full-time and part-time employees. The region is home to more than 400 major corporate headquarters, including 31 in the *Fortune 500*. The Chicago area is home to a number of the nation's leading research universities, including the University of Chicago, Northwestern University, University of Illinois at Chicago, DePaul University, and Loyola University.

With an estimated 2021 population of 5.1 million residents, Cook County is the most populous county in Illinois and the second most populous county in the United States after Los Angeles County, California. More than 40% of all residents of Illinois live in Cook County. The county seat of Cook County is the city of Chicago, which is the most populous city in Illinois and the third most populous city in the United States. Cook County's population has declined by 1.4% since 2010, compared to the national population growth rate of 7.2% during this period. Cook County had a median household income of \$69,884, above the national median of \$67,761 but slightly below the Illinois median of \$70,396. Cook County's unemployment rate of 8.8% in July 2021 was above the national rate of 5.7% and the Illinois unemployment rate of 7.0%.

Table 10
Selected Demographic Data

	United States	Chicago MSA	Cook County (Illinois)	Lake County (Illinois)	Kenosha County (Wisconsin)
Total Population					
2010 - Base	308,745,538	9,461,105	5,194,675	703,462	166,426
2021 - Current	330,946,040	9,428,289	5,121,057	693,598	170,137
2026 - Projected	340,574,349	9,402,890	5,080,149	689,306	172,112
% Change 2010-21	7.19%	-0.35%	-1.42%	-1.40%	2.23%
% Change 2021-26	2.91%	-0.27%	-0.80%	-0.62%	1.16%
Age Distribution, 2021					
0 - 14 Age Group	18.32%	18.36%	18.63%	18.73%	18.06%
15 - 34 Age Group	26.75%	26.98%	19.10%	26.51%	26.80%
35 - 54 Age Group	25.08%	26.29%	27.19%	25.49%	25.60%
55 - 69 Age Group	18.44%	18.00%	23.58%	19.18%	19.50%
70+ Age Group	11.40%	10.38%	11.50%	10.09%	10.04%
Median Age (years)	38.9	38.5	38.0	39.0	39.1
Total Households					
2010 - Base	116,716,292	3,475,726	1,966,356	241,712	62,650
2021 - Current	125,732,798	3,508,640	1,975,686	242,455	64,427
2026 - Projected	129,596,282	3,511,017	1,970,509	241,839	65,290
% Change 2010-21	7.73%	0.95%	0.47%	0.31%	2.84%
% Change 2021-26	3.07%	0.07%	-0.26%	-0.25%	1.34%
Household Income, 2021					
< \$25,000	17.97%	15.83%	18.63%	12.25%	15.48%
\$25,000 - \$49,999	20.27%	17.86%	19.10%	15.02%	20.85%
\$50,000 - \$99,999	29.03%	27.88%	27.19%	26.43%	31.36%
\$100,000 - \$199,999	23.23%	26.17%	23.58%	27.65%	25.13%
\$200,000+	9.51%	12.26%	11.50%	18.65%	7.17%
Average Household Income					
2021 - Current	\$96,765	\$109,122	\$103,144	\$137,052	\$90,881
2026 - Projected	\$107,191	\$121,129	\$115,125	\$146,023	\$101,599
% Change 2021-26	10.77%	11.00%	11.62%	6.55%	11.79%
Median Household Income					
2021 - Current	\$67,761	\$76,758	\$69,884	\$92,588	\$69,846
2026 - Projected	\$73,868	\$85,408	\$77,593	\$98,648	\$76,911
% Change 2021-26	9.01%	11.27%	11.03%	6.55%	10.12%
Unemployment Rate					
December 2019	3.4%	3.2%	3.2%	3.6%	3.0%
December 2020	6.5%	8.2%	9.4%	7.0%	4.5%
July 2021	5.7%	7.5%	8.8%	4.9%	4.8%

Table 10 (continued)
Selected Demographic Data

	United States	Chicago MSA	Cook County (Illinois)	Lake County (Illinois)	Kenosha County (Wisconsin)
Total Housing Units, 2021	141,870,120	3,887,300	2,223,937	264,834	71,836
Owner Occupied	81,944,178	2,313,050	1,141,580	186,122	43,814
Renter Occupied	43,788,620	1,195,590	834,106	56,333	20,613
Vacant	16,137,322	378,660	248,251	22,379	7,409
Owner Occupied	57.76%	59.50%	51.33%	70.28%	60.99%
Renter Occupied	30.87%	30.76%	37.51%	21.27%	28.69%
Vacant	11.37%	9.74%	11.16%	8.45%	10.31%
Owner Occupied Units					
2021 - Current	81,944,178	2,313,050	1,141,580	186,122	43,814
2026 - Projected	84,477,023	2,314,327	1,136,249	185,752	44,396
% Change 2010-21	7.84%	0.84%	-0.20%	49.00%	2.90%
% Change 2021-26	3.09%	0.06%	-0.47%	-0.20%	1.33%
Renter Occupied Units					
2021 - Current	43,788,620	1,195,590	834,106	56,333	20,613
2026 - Projected	45,119,259	1,196,690	834,260	56,087	20,894
% Change 2010-21	7.51%	1.16%	1.41%	-0.29%	2.71%
% Change 2021-26	3.04%	0.09%	0.02%	-0.44%	1.36%

Source: Claritas; S&P Global; U.S. Bureau of Labor Statistics.

From 2010 to 2021, the population in Lake County declined by 1.4%, while the population in Kenosha County increased by 2.2%. The median ages in Lake County and Kenosha County were similar at 39.0 years and 39.1 years, respectively. The estimated median household income levels in 2021 were \$92,588 for Lake County and \$69,846 for Kenosha County. By comparison, the median household income levels for the Chicago MSA, Illinois, and Wisconsin were \$76,758, \$70,395, and \$66,361, respectively. The July 2021 unemployment rates for Lake County and Kenosha County were 4.9% and 4.8%, respectively. The unemployment rates in July 2021 for the Chicago MSA, Illinois, and Wisconsin were 7.5, 7.0%, and 4.15%, respectively.

Table 11 presents the total employment force by industry sectors in the combined Lake County-Kenosha County Metropolitan Division, the Chicago-Naperville-Arlington Heights Metropolitan Division, and the Chicago MSA. The aggregate labor force numbered 410,100 in the Lake County-Kenosha County Metropolitan Division. As displayed in Table 13, trade, transportation, and utilities (22.5%), professional and business services (17.1%), manufacturing (15.2%), and government (12.0%) accounted for the largest employment concentrations in the combined Lake County-Kenosha County area. The Chicago MSA evidenced the highest labor force concentrations in trade, transportation, and utilities (20.6%), professional and business services (17.8%), education and health services (15.5%), and government (11.7%).

Table 11
Total Employment Force by Industry Sectors
For the Month of June 2021

Industry	Chicago MSA		Chicago-Naperville-Arlington Heights, Illinois (Metropolitan Division)		Lake County-Kenosha County, Illinois-Wisconsin (Metropolitan Division)	
	Total Employment	% of Total	Total Employment	% of Total	Total Employment	% of Total
Mining and natural resources	1,800	0.04	1,300	0.04	100	0.02
Construction	178,500	3.97	134,000	3.74	15,500	3.78
Manufacturing	395,000	8.79	265,100	7.40	62,400	15.22
Trade, transportation, and utilities	928,100	20.64	726,800	20.29	92,300	22.51
Information	70,800	1.57	63,600	1.78	3,000	0.73
Financial activities	317,400	7.06	276,500	7.72	22,400	5.46
Professional and business services	799,500	17.78	676,200	18.87	70,200	17.12
Education and health services	696,800	15.50	576,400	16.09	42,900	10.46
Leisure and hospitality	399,600	8.89	306,300	8.55	39,400	9.61
Other services	182,400	4.06	150,000	4.19	12,600	3.07
Government	526,000	11.70	406,600	11.35	49,300	12.02
Total Employment	4,495,900	100.00	3,582,800	100.00	410,100	100.00

Source: U.S. Bureau of Labor Statistics.

Overview of Office Network

Table 12 provides deposit data for the Company's full-service banking offices from June 30, 2015 to June 30, 2020. The Company's deposits increased by 6.1% over the observed one-year period and declined by 1.4% over the five-year period. The Company's largest office based on deposits is the main office in Waukegan, which had total deposits of \$130.8 million or 67.8% of the Company's total deposits at June 30, 2020. The deposits at the main office have decreased from 70.3% of the Company's total deposits at June 30, 2015 to 67.8% of the Company's total deposits at June 30, 2020.

The branch office on North Green Bay Road in Waukegan experienced deposit growth of 8.3% from \$38.7 million at June 30, 2015 to \$41.9 million at June 30, 2020. The Lindenhurst branch office exhibited deposit growth of 3.5% from \$19.4 million at June 30, 2015 to \$20.1 million at June 30, 2020. As of June 30, 2021, the Company's branch deposits amounted to \$119.7 million at the South Lewis Avenue (Waukegan) main office location, \$43.9 million at the North Green Bay Road (Waukegan) branch office, and \$20.8 million at the Lindenhurst branch office.

Table 12
Branch Office Deposit Data
Data as of June 30, 2015 to 2020

Address	City	State	Branch Deposits at June 30,			2019- 2020 Growth (%)	2015- 2020 Growth (%)
			2020 (\$000)	2019 (\$000)	2015 (\$000)		
Lake County							
700 S. Lewis Avenue	Waukegan	Illinois	130,765	121,831	137,322	7.33	(4.77)
1233 N. Green Bay Road	Waukegan	Illinois	41,931	40,011	38,708	4.80	8.33
3060 W. Sand Lake Road	Lindenhurst	Illinois	20,054	19,765	19,373	1.46	3.52
Total			192,750	181,607	195,403	6.14	(1.36)

Source: S&P Global.

Deposit Market Share Analysis

Table 13 displays branch deposit data for the top 25 financial institutions (commercial banks and thrift institutions) in Lake County as of June 30, 2020 (with deposit data adjusted for subsequently completed mergers). The Company ranked 17th in Lake County out of 29 financial institutions with total deposits of \$192.8 million in three offices as of June 30, 2020 for a market share of 0.8%. The deposit market share leaders in Lake County were Wintrust Financial Corp. with a market share of 28.7%, JPMorgan Chase with a market share of 20.8%, First Midwest Bancorp with a market share of 8.5%, BMO Financial Corp. (BMO Harris Bank N.A.) with a market share of 6.2%, and Bank of America Corporation with a market share of 6.2%. The deposit market total in Lake County increased by 15.4% from \$21.6 billion at June 30, 2019 to \$24.9 billion at June 30, 2020. Among the top 25 financial institutions in Lake County were only two thrift institutions: National Bancorp Holdings (The Federal Savings Bank) ranking 16th and North Shore MHC ranking 17th.

Table 14 displays branch deposit data for the top 25 financial institutions in the Chicago MSA as of June 30, 2020. The Company ranked 88th in the Chicago MSA out of 155 financial institutions with total deposits of \$192.8 million for a market share of 0.04%. The deposit market share leaders in the Chicago MSA were JPMorgan Chase with a market share of 21.6%, BMO Financial Corp. with a market share of 16.2%, Bank of America Corporation with a market share of 9.0%, Northern Trust Corp. with a market share of 6.7%, and Wintrust Financial Corp. with a market share of 6.5%. The deposit market total in the Chicago MSA increased by 24.4% from \$415.2 billion at June 30, 2019 to \$516.4 billion at June 30, 2020. The two largest thrift institutions based on market share in the Chicago MSA were National Bancorp Holdings at the 37th position with deposits of \$960.7 million and a market share of 0.14% and Liberty Bank for Savings at the 43rd position with deposits of \$654.8 million and a market share of 0.12%.

Table 13
Deposit Market Share in Lake County, Illinois
 Data as of June 30, 2020

Market Rank 2020	Financial Institution	Type	No. of Branch Offices 2020	Market Deposits 2020 (\$000)	Market Share 2020 (%)	Market Deposits 2019 (\$000)	Market Share 2019 (%)	1-Year Deposit Growth (%)
1	Wintrust Financial Corp. (IL)	Bank	23	7,168,491	28.74	5,832,912	26.98	22.90
2	JPMorgan Chase & Co. (NY)	Bank	23	5,184,404	20.79	4,329,781	20.03	19.74
3	First Midwest Bancorp Inc. (IL)	Bank	11	2,116,455	8.49	1,953,149	9.03	8.36
4	BMO Financial Corp. (IL)	Bank	15	1,540,269	6.18	1,423,464	6.58	8.21
5	Bank of America Corporation (NC)	Bank	12	1,539,693	6.17	1,340,544	6.20	14.86
6	Fifth Third Bancorp (OH)	Bank	10	1,344,687	5.39	1,263,466	5.84	6.43
7	PNC Financial Services Group (PA)	Bank	13	937,745	3.76	828,396	3.83	13.20
8	Northern Trust Corp. (IL)	Bank	2	774,039	3.10	584,486	2.70	32.43
9	First Bank Chicago Corp. (IL)	Bank	1	582,907	2.34	570,096	2.64	2.25
10	U.S. Bancorp (MN)	Bank	6	528,205	2.12	588,086	2.72	(10.18)
11	Huntington Bancshares Inc. (OH)	Bank	9	437,164	1.75	418,919	1.94	4.36
12	Citigroup Inc. (NY)	Bank	2	423,000	1.70	368,000	1.70	14.95
13	CIBC Bancorp USA Inc. (IL)	Bank	1	384,214	1.54	323,110	1.49	18.91
14	First American Bank Corp. (IL)	Bank	7	379,705	1.52	349,983	1.62	8.49
15	Inland Bancorp Inc. (IL)	Bank	2	327,269	1.31	336,699	1.56	(2.80)
16	National Bancorp Holdings Inc. (IL)	Thrift	1	195,959	0.79	124,445	0.58	57.47
17	North Shore MHC (IL)	Thrift	3	192,750	0.77	181,607	0.84	6.14
18	BankFinancial Corp (IL)	Bank	4	191,853	0.77	199,991	0.92	(4.07)
19	AliKat Investments Inc. (IL)	Bank	3	161,330	0.65	132,559	0.61	21.70
20	HBT Financial Inc. (IL)	Bank	2	118,927	0.48	111,725	0.52	6.45
21	Associated Banc-Corp (WI)	Bank	4	114,470	0.46	106,233	0.49	7.75
22	Byline Bancorp Inc. (IL)	Bank	1	104,485	0.42	71,930	0.33	45.26
23	Cornerstone Bancorp (IL)	Bank	1	96,202	0.39	80,520	0.37	19.48
24	Parkway Bancorp Inc. (IL)	Bank	2	35,286	0.14	45,969	0.21	(23.24)
25	Dickinson Financial Corp. (MO)	Bank	3	27,113	0.11	24,981	0.12	8.53
	Market Total		166	24,939,587	100.00	21,620,876	100.00	15.35

Source: S&P Global.

Table 14
Deposit Market Share in the Chicago MSA
 Data as of June 30, 2020

Market Rank 2020	Financial Institution	Type	No. of Branch Offices 2020	Market Deposits 2020 (\$000)	Market Share 2020 (%)	Market Deposits 2019 (\$000)	Market Share 2019 (%)	1-Year Deposit Growth (%)
1	JPMorgan Chase & Co. (NY)	Bank	313	111,639,686	21.62	87,840,179	21.16	27.09
2	BMO Financial Corp. (IL)	Bank	208	83,652,475	16.20	63,391,597	15.27	31.96
3	Bank of America Corporation (NC)	Bank	135	46,345,193	8.97	35,572,365	8.57	30.28
4	Northern Trust Corp. (IL)	Bank	5	34,446,777	6.67	23,216,879	5.59	48.37
5	Wintrust Financial Corp. (IL)	Bank	149	33,773,116	6.54	27,001,510	6.50	25.08
6	Fifth Third Bancorp (OH)	Bank	173	29,088,276	5.63	23,967,415	5.77	21.37
7	CIBC Bancorp USA Inc. (IL)	Bank	21	27,228,225	5.27	20,107,899	4.84	35.41
8	PNC Financial Services Group (PA)	Bank	132	16,277,060	3.15	13,468,089	3.24	20.86
9	Citigroup Inc. (NY)	Bank	57	15,255,000	2.95	14,071,000	3.39	8.41
10	First Midwest Bancorp Inc. (IL)	Bank	94	13,930,627	2.70	12,629,974	3.04	10.30
11	U.S. Bancorp (MN)	Bank	128	12,809,540	2.48	11,969,510	2.88	7.02
12	Huntington Bancshares Inc. (OH)	Bank	147	10,297,420	1.99	9,195,398	2.21	11.98
13	Wells Fargo & Co. (CA)	Bank	9	8,871,972	1.72	7,509,449	1.81	18.14
14	Byline Bancorp Inc. (IL)	Bank	48	4,911,584	0.95	3,937,125	0.95	24.75
15	Associated Banc-Corp (WI)	Bank	24	3,758,111	0.73	4,811,685	1.16	(21.90)
16	First American Bank Corp. (IL)	Bank	51	3,731,833	0.72	3,364,392	0.81	10.92
17	First Bancshares Inc. (IN)	Bank	38	3,579,280	0.69	3,266,977	0.79	9.56
18	Old Second Bancorp Inc. (IL)	Bank	29	2,431,436	0.47	2,038,332	0.49	19.29
19	West Suburban Bancorp Inc. (IL)	Bank	43	2,363,369	0.46	2,046,220	0.49	15.50
20	First Busey Corp. (IL)	Bank	17	2,242,623	0.43	1,931,567	0.47	16.10
21	Republic Bancorp Co. (IL)	Bank	19	1,918,462	0.37	1,695,038	0.41	13.18
22	Parkway Bancorp Inc. (IL)	Bank	24	1,917,671	0.37	2,069,923	0.50	(7.36)
23	Lakeside Bancorp Inc. (IL)	Bank	9	1,751,291	0.34	1,451,799	0.35	20.63
24	First Merchants Corp. (IN)	Bank	20	1,694,161	0.33	1,544,153	0.37	9.71
25	First Bank Chicago Corp. (IL)	Bank	3	1,624,683	0.31	1,489,575	0.36	9.07
88	North Shore MHC (IL)	Thrift	3	192,750	0.04	181,607	0.04	6.14
	Market Total		2,407	516,405,291	100.00	415,216,071	100.00	24.37

Source: S&P Global.

The Company faces significant competition in originating loans and attracting deposits. This competition stems primarily from commercial banks, other thrift institutions, credit unions, and mortgage-banking companies. Many of the financial service providers operating in the Company's market area are significantly larger and have greater financial resources. The Company faces additional competition for deposits from online banking institutions, short-term money market funds, other corporate and government securities funds, mutual funds, and from other non-depository financial institutions such as brokerage firms and insurance companies.

Competition for residential mortgage lending in the Company's market area is high. In addition to local and regional participants, many nationwide lenders are present in the Company's lending market. Out-of-state mortgage banking companies were prevalent among the top ten residential lenders in Lake County and the Chicago MSA. Guaranteed Rate Inc. (Illinois) was the leading residential mortgage lender in 2020 in both Lake County and the Chicago MSA. The most active nationwide lenders operating in these local markets included JPMorgan Chase (New York), Quicken Loans LLC (Michigan), CrossCountry Mortgage LLC (Ohio), LoanDepot.com LLC (California), and Huntington National Bank (Ohio).

Summary Outlook

The Company has reported low levels of profitability over the past five years, culminating in a net operating loss in 2020. The Company's ROA has trended downward from 0.29% in 2018 to 0.18% in 2019 and -0.05% in 2020. For the six months ended June 30, 2021, the Company recorded an annualized ROA of -0.01%. The path to improved profitability for the Company has been impeded by low levels of net interest income and non-interest income.

The Company's net interest margin remains under pressure in the current interest rate environment and its efficiency ratio is still well above peer group averages. The large concentrations of liquidity and investments have the effect of restraining the Company's net interest income. Historically, the Company's provision for loan losses has amounted to very small amounts; however, the increased provision in 2020 contributed to the Company's net loss.

The Company plans to continue its emphasis on residential mortgage lending. Commercial real estate and multi-family residential loans have increased in recent years as the Company sought to improve its earning asset yields and interest rate sensitivity with shorter-maturity loans. A key element of the Company's operating strategy is to continue to aggressively manage credit risk, so as to continue to maintain the Company's favorable measures of credit quality. The Company's strong capital position helps to support its net interest margin and interest rate risk management, although the loan portfolio continues to reflect a large concentration of fixed-rate residential mortgage loans.

The Company's traditional thrift institution orientation reflects a business model that produces below-average levels of non-interest income, but also results in below-average levels of non-interest expense. The infusion of additional capital from the Stock Offering will fortify the Company's already strong capital position and allow for the implementation of prudent growth strategies, which would serve to leverage operating expenses and provide additional flexibility to evaluate adding additional products and services that would enhance the Company's competitive position and contribute to improved profitability.

II. COMPARISONS WITH PUBLICLY TRADED THRIFTS

General Overview

The comparative market approach provides a sound basis for determining estimates of going-concern valuations where a regular and active market exists for the stocks of peer institutions. The comparative market approach was utilized in determining the estimated pro forma market value of the Company because: (1) reliable market and financial data are readily available for comparable institutions; (2) the comparative market method is required by the applicable regulatory guidelines; and (3) other alternative valuation methods (such as income capitalization, liquidation analysis, or discounted cash flow) are unlikely to produce a valuation relevant to the future trading patterns of the related equity interest. The generally employed valuation method in initial public offerings, where possible, is the comparative market approach, which also can be relied upon to determine pro forma market value in a thrift stock conversion.

The comparative market approach derives valuation benchmarks from the trading patterns of selected peer institutions which, due to certain factors such as financial performance and operating strategies, enable the appraiser to estimate the potential value of the subject institution in a stock conversion offering. The pricing and trading history of recent initial public offerings of thrifts are also examined to provide evidence of the “new issue discount” that must be considered. In Chapter II, our valuation analysis focuses on the selection and comparison of the Company with a comparable group of publicly traded thrift institutions (the “Comparative Group”). Chapter III will detail any additional discounts or premiums that we believe are appropriate to the Company’s pro forma market value.

Selection Criteria

Selected market price and financial performance data for all public thrifts listed on major stock exchanges are shown in Exhibit III. The list excludes companies that are subject to being acquired under a pending transaction and companies that have a majority ownership interest controlled by a mutual holding company. Several criteria, discussed below, were used to select the individual members of the Comparative Group from the overall universe of publicly traded thrifts.

- Operating characteristics – An institution's operating characteristics are the most important factors because they affect investors' expected rates of return on a company's stock under various business/economic scenarios, and they influence the market's general perception of the quality and attractiveness of a given company. Operating characteristics, which may vary in importance during the business cycle, include financial variables such as profitability, balance sheet growth, capitalization, asset quality, and other factors such as lines of business and management strategies.
- Degree of marketability and liquidity – Marketability of a stock reflects the relative ease and promptness with which a security may be sold when desired, at a representative current price, without material concession in price merely because of the necessity of sale. Marketability also connotes the existence of buying interest as well as selling interest and is usually indicated by trading volumes and the spread between the bid and asked price for a security. Liquidity of the stock issue refers to the organized market exchange process whereby the security can be converted into cash. We attempted to limit our selection to companies that have access to a regular trading market or price quotations, and therefore only considered companies listed on major stock exchanges. We eliminated from the Comparative Group companies whose market prices were materially influenced by announced acquisitions or other unusual circumstances. However, the expectation of continued industry consolidation is currently embedded in thrift equity valuations.
- Geographic Location – The region of the country where a company operates is also of importance in selecting the comparative group. The operating environment for thrift institutions varies from region to region with respect to business and economic environments, real estate market conditions, speculative takeover activity, and investment climates. Economic and investor climates can also vary greatly within a region, particularly due to takeover activity.

The operations of the Company fit the general profile of a small to medium-sized thrift institution, concentrating primarily on real estate lending in its local market and relying on retail deposits as a funding source. Residential mortgage loans remain the core product in the Company's loan portfolio, drawing upon its roots as a traditional home lender. The Company has made some progress in beginning to diversify its loan mix through the steady origination of commercial real estate and multi-family residential loans.

In determining the Comparative Group composition, we focused on the Company's asset size, capitalization, asset quality, and earnings fundamentals. Attempting to concentrate on the Company's performance characteristics and to develop a meaningful number of comparables for valuation purposes, we expanded the criteria to include a statistically significant number of companies. In addition, because of the scarcity of candidates meeting the criteria precisely, we increased the asset size constraint to generate a significant number of comparables while maintaining non-size related characteristics. As with any composition of a group of comparable companies, the selection criteria were broadened sufficiently to assemble a consequential number of members. We performed an initial screening for publicly traded thrifts headquartered in the Midwest region of the United States with total assets less than \$1.0 billion. We then expanded the selection criteria to other geographic regions and applied the following selection criteria:

- Publicly traded thrift – stock-form thrift whose shares are traded on the New York Stock Exchange (“NYSE”), NYSE American, or NASDAQ Stock Market.
- Excludes mutual holding companies – company's corporate structure is not organized in the mutual holding company (“MHC”) form.
- Seasoned trading issue – company has been publicly traded in the fully stock form for at least one year.
- Non-acquisition target – company is not subject to a pending acquisition.
- Asset size – total assets less than \$1.0 billion.
- Capital level – tangible common equity to tangible assets greater than 7.50%.

- Market capitalization – total market value of common stock is less than \$125.0 million.
- Profitability – ROA less than 1.75% to exclude any high-performing institutions.
- Credit quality – non-performing assets to total assets less than 1.5%.

As a result of applying the stated criteria, the screening process produced a reliable representation of public thrifts. A general operating summary of the 10 companies included in the Comparative Group is presented in Table 15. All of the selected companies are traded on the NASDAQ Stock Market. The Comparative Group ranged in asset size from \$249.2 million at Mid-Southern Bancorp to \$981.0 million at HMN Financial. The median asset size of the Comparative Group was \$450.6 million and larger than the Company's total assets of \$239.9 million as of June 30, 2021.

The Comparative Group includes five thrifts based in the Midwest region, Cincinnati Bancorp (Ohio), FFBW Inc. (Wisconsin), HMN Financial (Minnesota), IF Bancorp (Illinois), and Mid-Southern Bancorp (Indiana). The Comparative Group's remaining members are distributed among the Mid-Atlantic (four companies) and Southwest (one company) regions. Most of the public thrifts in the Midwest were excluded because either the company was not traded on a major stock exchange, is organized in the mutual holding company ("MHC") form, or its asset size exceeded the asset threshold of \$1.0 billion. The Comparative Group companies based in the Mid-Atlantic states include CBM Bancorp (Maryland), Elmira Savings Bank (New York), HV Bancorp (Pennsylvania), and WVS Financial Corp. (Pennsylvania). The one member located in the Southwest includes Home Federal Bancorp (Louisiana). While some differences inevitably may exist between the Company and the individual companies, we believe that the chosen Comparative Group, on the whole, provides a meaningful basis of financial comparison for valuation purposes.

Table 15
Comparative Group Operating Summary
As of June 30, 2021

Company	City	St.	No. of Offices	Initial Public Offering Date	Total Assets (\$Mil.)	Tang. Common Equity/ Assets (%)
North Shore MHC	Waukegan	IL	3	NA	\$239.9	19.13
<u>Comparative Group</u>						
CBM Bancorp, Inc.	Baltimore	MD	4	09/27/18	250.0	20.08
Cincinnati Bancorp, Inc.	Cincinnati	OH	6	10/14/15	249.8	17.08
Elmira Savings Bank	Elmira	NY	12	03/01/85	648.7	7.87
FFBW, Inc.	Brookfield	WI	6	10/10/17	352.6	27.37
HMN Financial, Inc.	Rochester	MN	14	06/30/94	981.0	10.93
Home Federal Bancorp, Inc.	Shreveport	LA	8	01/18/05	565.7	9.32
HV Bancorp, Inc.	Doylestown	PA	7	01/11/17	548.6	7.55
IF Bancorp, Inc.	Watseka	IL	8	07/07/11	797.3	10.70
Mid-Southern Bancorp	Salem	IN	3	04/08/98	249.2	19.71
WVS Financial Corp.	Pittsburgh	PA	6	11/29/93	346.1	11.09

Source: North Shore MHC; S&P Global.

Recent Financial Comparisons

Table 16 summarizes certain key financial comparisons between the Company and the Comparative Group. Tables 17 through 21 contain the detailed financial comparisons of the Company with the individual Comparative Group companies based on measures of profitability, income and expense components, capital levels, balance sheet composition, asset quality, and growth rates. Financial data for the Company, the Comparative Group, and All Public Thrift aggregate were utilized for the latest available period as of or for the last twelve months (“LTM”) ended June 30, 2021.

The Company’s LTM earnings amounted to \$98,000 with an LTM ROA of 0.04%, reflecting profitability below the Comparative Group median of 0.73% and the All Public Thrift median of 0.92%. The Company’s lower ROA was attributable mainly to a lower level of net interest income and a resulting much higher efficiency ratio. The Company’s LTM ROE was 0.21% and also lagged the Comparative Group median of 7.13% and the All Public Thrift median of 8.10%. The Company’s ROA was below the ROA results of all the members of the Comparative Group. The lowest ROA results in the Comparative Group were generated by CBM Bancorp, WVS Financial, and Mid-Southern Bancorp at 0.36%, 0.39%, and 0.53%, respectively.

Based on core earnings (as adjusted to exclude securities gains, intangibles amortization expense, foreclosures expense, and other non-recurring items), the Company’s core profitability was also lower than the Comparative Group’s levels. The Company’s LTM core earnings ratio measured 0.05% of average assets and positioned below the corresponding Comparative Group median of 0.73% and the All Public Thrift median of 0.96%. The Company’s core earnings exclude the impact of \$17,000 in real estate foreclosure expenses and reflect a resulting amount of core earnings equal to \$115,000 for the LTM ended June 30, 2021.

Table 16
Key Financial Comparisons
North Shore MHC and the Comparative Group
As of or For the Last Twelve Months Ended June 30, 2021

	North Shore MHC	Comparative Group Median	All Public Thrift Median
<u>Profitability Ratios</u>			
LTM Return on Average Assets (ROA)	0.04%	0.73%	0.92%
LTM Return on Average Equity (ROE)	0.21	7.13	8.10
Core Return on Avg. Assets (Core ROA)	0.05	0.73	0.96
Core Return on Avg. Equity (Core ROE)	0.25	7.02	8.15
Net Interest Margin	1.86	3.02	3.03
Efficiency Ratio	104.83	69.89	64.60
<u>Income and Expense</u> (% of avg. assets)			
Total Interest Income	2.19	3.27	3.29
Total Interest Expense	0.47	0.49	0.45
Net Interest Income	1.72	2.80	2.78
Provision for Loan Losses	0.11	0.08	0.05
Other Operating Income	0.70	0.93	0.58
Net Securities Gains and Non-rec. Income	0.00	0.00	0.01
General and Administrative Expense	2.53	2.71	2.56
Intangibles Amortization Expense	0.00	0.00	0.00
Non-recurring Expense	0.01	0.00	0.00
Pre-tax Core Earnings	0.59	0.97	1.02
<u>Equity Capital Ratios</u>			
Total Equity / Total Assets	19.13	11.05	11.69
Tangible Equity / Tangible Assets	19.13	11.01	10.82
<u>Growth Rates</u>			
Total Assets	(2.54)	8.79	7.37
Net Total Loans	(2.86)	(5.34)	(0.45)
Total Deposits	(2.63)	12.43	10.45

Table 16 (continued)
Key Financial Comparisons
North Shore MHC and the Comparative Group
As of or For the Last Twelve Months Ended June 30, 2021

	North Shore MHC	Comparative Group Median	All Public Thrift Median
Balance Sheet Composition (% of total assets)			
Cash and Securities	52.27%	32.70%	23.76%
Loans Receivable, net	40.96	63.20	70.74
Real Estate Owned	0.03	0.00	0.00
Intangible Assets	0.00	0.00	0.11
Other Assets	6.74	4.65	4.48
Total Deposits	76.88	78.46	78.81
Borrowed Funds	2.08	4.13	8.19
Other Liabilities	1.91	0.45	1.20
Total Liabilities	80.87	88.95	88.31
Total Equity	19.13	11.05	11.69
Loan Portfolio Composition (% of total loans)			
Residential Real Estate Loans (1)	88.53	38.48	28.39
Other Real Estate Loans	10.92	41.81	52.90
Non-Real Estate Loans	0.55	15.66	18.71
Credit Risk Ratios			
Non-performing Loans / Total Loans	0.51	0.24	0.39
Non-performing Assets / Total Assets	0.24	0.17	0.29
Reserves / Total Non-performing Loans (2)	36.07	280.88	122.69
Reserves / Total Loans	0.80	1.19	1.11

(1) Includes home equity and second mortgage loans.

(2) Includes accruing troubled debt restructurings.

Source: North Shore MHC; S&P Global.

As shown in Table 19, the Company's level of net interest income at 1.72% of average assets was significantly below the Comparative Group median of 2.80%, owing to the Company's relatively high concentration of assets invested in cash equivalents and investment securities, which generally carry lower yields than loans. The Company's total interest income measured 2.19% of average assets for the LTM period, trailing the Comparative Group median of 3.27%. The Company's interest expense amounted to 0.47% of average assets and was slightly below the Comparative Group median of 0.49%. As reflected by its lower net interest margin of 1.86% versus the corresponding Comparative Group median of 3.02%, the earning power of the Company's balance sheet is restrained by the relatively large concentration of cash and investments.

The Company's non-interest operating income totaled 0.70% of average assets, lagging behind the Comparative Group median of 0.93%. The Company's primary sources of non-interest income include service charges on deposit accounts, gains on sale of mortgage loans, and BOLI income. Most of the Comparative Group companies reported higher levels of non-interest income, particularly expanded revenue streams from service charges related to higher levels of transaction deposit account activity and from mortgage banking operations producing significant loan origination and servicing fees and gains on sale of loans.

The Company's loan loss provision amounted to 0.11% of average assets for the recent LTM period and was slightly higher than the Comparative Group median of 0.08%. After three consecutive years of either making low levels of provision charges or recording a credit for loan losses from 2015 to 2019, the Company recorded an increased provision in the year ended December 31, 2020 to reflect steady loan portfolio growth and the potential economic impact of the coronavirus pandemic. The Company's total non-performing assets measured 0.24% at June 30, 2021, which was slightly higher than the Comparative Group median of 0.17% and below the All Public Thrift median of 0.29%. The Company's non-performing loans measured 0.51% at June 30, 2021, which was higher than the Comparative Group and All Public Thrift medians of 0.24% and 0.39%, respectively. Historically, the Company has experienced a relatively low level of net loan charge-offs. The Company's 0.80% ratio of loan loss allowance to total loans was lower than the corresponding Comparative Group median of 1.19% and All Public Thrift median of 1.11%. Furthermore, the Company's 36.1% ratio of loan loss allowance to total non-performing loans including restructured loans was positioned below the Comparative Group median of 280.9% and All Public Thrift median of 122.7%.

The Company's operating expense ratio at 2.53% of average assets was lower than the Comparative Group median of 2.71% and All Public Thrift median of 2.56%. However, the Company's 104.8% efficiency ratio (defined as non-interest expense less intangibles amortization and foreclosure expenses as a percent of the sum of net interest income before provision plus non-interest operating income) compared unfavorably to the Comparative Group median of 69.9%. Only two members of the Comparative Group exhibited efficiency ratios above 80% with Mid-Southern Bancorp at 83.5% and CBM Bancorp at 84.0%. Improving the efficiency ratio is a strategic goal for the Company as it seeks to leverage the operating infrastructure and staffing resources in place to grow the balance sheet and generate increased levels of market share penetration and banking activity.

As reflected in Table 20, the overall balance sheet composition of the Company reflected a much lower concentration of loans to assets versus that of the overall Comparative Group. The Company's net total loans amounted to 41.0% of total assets as of June 30, 2021, well below the median of 63.2% for the Comparative Group. The Company's ratio of cash and securities to total assets was 52.3% and appreciably above the median of 32.7% for the Comparative Group. The Company had no goodwill or other intangible assets on its balance sheet as of June 30, 2021, while its ratio of real estate owned at 0.03% of total assets was modestly above the Comparative Group median of 0.00%. The Company's ratio of other assets measured 6.7% and was higher than the Comparative Group median of 4.7%. The Company's other assets were primarily composed of BOLI (3.7% of total assets) and premises and equipment (2.1% of total assets) as of June 30, 2021.

The Company's ratio of borrowed funds to total assets amounted to 2.1% at June 30, 2021 and was lower than the Comparative Group median of 4.1%. The Company historically has not utilized borrowings as a supplemental source of funds. However, the Company obtained FHLB borrowings in 2020 and 2021 that were offered on a limited basis by the FHLB of Chicago to its member institutions as part of its coronavirus relief funding program. The Company obtained a \$4.0 million, one-year, zero-rate FHLB advance in May 2020 and replaced it with a \$5.0 million, one-year, zero-rate FHLB advance in May 2021.

The Company's level of deposits at 76.9% of total assets was below the Comparative Group median of 78.5% of total assets due to the Company's stronger capital position. The Company's equity level before the Stock Offering was 19.13% relative to total assets as of June 30, 2021, which was higher than the Comparative Group median of 11.05% and All Public Thrift median of 11.69%.

The Company's level of residential real estate loans (including home equity loans) measured 88.5% of total loans based on regulatory financial data as of June 30, 2021, outdistancing the Comparative Group median of 38.5% and reflective of the Company's traditional thrift orientation. Three other members of the Comparative Group exhibited a majority of loans in the residential category: WVS Financial at 86.8%, Elmira Savings Bank at 63.6%, and Mid-Southern Bancorp at 53.4%. Other companies within the Comparative Group exhibited more diverse loan portfolio compositions with higher percentages of non-residential mortgage loans and non-real estate loans in portfolio.

The Company's concentration of non-residential real estate loans (which category includes commercial real estate, multi-family real estate, and construction and land development loans) represented 10.9% of total loans and was lower than the Comparative Group median of 41.8%. The Company also exhibited a lower level of non-real estate loans, which accounted for only 0.6% of total loans versus the Comparative Group median of 15.7%. The Company has relatively scarce amounts of consumer loans and commercial business loans in its loan portfolio as compared to most of the Comparative Group members, instead electing to concentrate on its residential lending activity.

The Company's asset growth rate measured -2.5% over the recent LTM period versus the Comparative Group median asset growth rate of 8.8%. The Company exhibited a deposit growth rate of -2.6% versus the Comparative Group median of 12.4%. Several of the companies in the Comparative Group have experienced solid increases in deposits due to acquisitions or the inflow of funds from stimulus-related deposits into customer accounts. The Company's loan growth rate of -2.6% compared favorably to the Comparative Group median of -5.3%. Several of the Comparative Group companies have experienced loan portfolio shrinkage due to their active participation in the U.S. Government's Paycheck Protection Program ("PPP") and the subsequent forgiveness of these loans from their originations of a year ago.

In summary, the Company's recent earnings performance was well below the results exhibited by the Comparative Group, while its capital ratio (before the effect of the Stock Offering) was much stronger and its asset quality ratios were relatively comparable to the levels represented by the Comparative Group medians. The Company's profitability was characterized by a much lower net interest margin and a lower level of non-interest income. As a result, the Company's efficiency ratio was very unfavorable versus the Comparative Group median. Similar to most financial institutions its size, the Company is faced with the ongoing challenge of improving its efficiency ratio either through bolstering its net interest margin, enhancing non-interest income generation, or improving the efficiency and productivity of its operating infrastructure. The Company's earnings growth outlook will depend largely on its ability to maintain satisfactory loan quality as it grows the portfolio, to improve the net interest margin across movements in the interest rate environment, and to control non-interest expense as it seeks to expand its operations and transition to a public company.

Table 17
General Operating Characteristics
As of June 30, 2021

	City/State	Ticker	Exchange	No. of Offices	IPO Date	Total Assets (\$000s)	Total Deposits (\$000s)	Total Equity (\$000s)	Tang. Common Equity (\$000s)
North Shore MHC	Waukegan, IL	NA	NA	3	NA	239,858	184,406	45,875	45,875
Comparative Group Average						498,894	396,681	62,706	61,333
Comparative Group Median						450,582	341,305	51,457	50,097
<u>Comparative Group</u>									
CBM Bancorp, Inc.	Baltimore, MD	CBMB	NASDAQ	4	09/27/18	249,994	192,924	50,188	50,188
Cincinnati Bancorp, Inc.	Cincinnati, OH	CNNB	NASDAQ	6	10/14/15	249,770	157,294	42,797	42,636
Elmira Savings Bank	Elmira, NY	ESBK	NASDAQ	12	03/01/85	648,686	551,245	62,375	50,005
FFBW, Inc.	Brookfield, WI	FFBW	NASDAQ	6	10/10/17	352,603	245,179	96,769	96,399
HMN Financial, Inc.	Rochester, MN	HMNF	NASDAQ	14	06/30/94	981,026	862,282	107,958	107,133
Home Federal Bancorp, Inc.	Shreveport, LA	HFBL	NASDAQ	8	01/18/05	565,731	506,596	52,725	52,725
HV Bancorp, Inc.	Doylestown, PA	HVBC	NASDAQ	7	01/11/17	548,561	437,430	41,437	41,437
IF Bancorp, Inc.	Watseka, IL	IROQ	NASDAQ	8	07/07/11	797,341	667,632	85,304	85,304
Mid-Southern Bancorp, Inc.	Salem, IN	MSVB	NASDAQ	3	04/08/98	249,152	189,065	49,116	49,116
WVS Financial Corp.	Pittsburgh, PA	WVFC	NASDAQ	6	11/29/93	346,078	157,167	38,389	38,389

Source: North Shore MHC; S&P Global.

Table 18
General Financial Performance Ratios
As of or For the Last Twelve Months Ended June 30, 2021

	Total Assets (\$000s)	Total Deposits (\$000s)	Total Equity/ Assets (%)	Tang. Equity/ Assets (%)	Net Interest Margin (%)	Effcy. Ratio (%)	LTM ROA (%)	LTM ROE (%)	Core ROA (%)	Core ROE (%)
North Shore MHC	239,858	184,406	19.13	19.13	1.86	104.83	0.04	0.21	0.05	0.25
Comparative Group Average	498,894	396,681	14.37	14.17	2.87	70.77	0.88	7.80	0.88	7.81
Comparative Group Median	450,582	341,305	11.05	11.01	3.02	69.89	0.73	7.13	0.73	7.02
All Public Thrift Average	4,111,292	2,986,828	12.80	12.02	3.09	67.23	1.06	8.31	1.07	8.76
All Public Thrift Median	1,617,016	1,321,789	11.69	10.82	3.03	64.60	0.92	8.10	0.96	8.15
<u>Comparative Group</u>										
CBM Bancorp, Inc.	249,994	192,924	20.08	20.08	3.03	83.99	0.36	1.65	0.36	1.65
Cincinnati Bancorp, Inc.	249,770	157,294	17.13	17.08	2.44	71.46	1.72	11.34	1.73	11.40
Elmira Savings Bank	648,686	551,245	9.62	7.87	3.27	70.89	0.73	7.91	0.73	7.97
FFBW, Inc.	352,603	245,179	27.44	27.37	3.54	73.01	0.66	2.21	0.72	2.43
HMN Financial, Inc.	981,026	862,282	11.00	10.93	3.34	60.35	1.53	13.83	1.53	13.84
Home Federal Bancorp, Inc.	565,731	506,596	9.32	9.32	3.31	60.54	0.99	10.46	0.99	10.46
HV Bancorp, Inc.	548,561	437,430	7.55	7.55	2.39	67.47	1.13	18.27	1.13	18.27
IF Bancorp, Inc.	797,341	667,632	10.70	10.70	2.86	68.89	0.72	6.35	0.69	6.07
Mid-Southern Bancorp, Inc.	249,152	189,065	19.71	19.71	3.01	83.47	0.53	2.53	0.53	2.53
WVS Financial Corp.	346,078	157,167	11.09	11.09	1.52	67.59	0.39	3.40	0.41	3.53

Source: North Shore MHC; S&P Global.

Table 19
Income and Expense Analysis
For the Last Twelve Months Ended June 30, 2021

	As a Percent of Average Assets									
	Interest Income	Interest Expense	Net Interest Income	Other Oper. Income	Gains & Non-rec. Income	Loan Loss Prov.	Gen. & Admin. Expense	Amort. of Intang.	Non-rec. Expense	Pre-tax Core Earnings
North Shore MHC	2.19	0.47	1.72	0.70	0.00	0.11	2.53	0.00	0.01	(0.22)
Comparative Group Average	3.15	0.49	2.66	1.53	0.00	0.09	2.94	0.00	0.00	1.16
Comparative Group Median	3.27	0.49	2.80	0.93	0.00	0.08	2.71	0.00	0.00	0.97
All Public Thrift Average	3.41	0.51	2.93	1.26	0.07	0.10	2.75	0.02	0.05	1.21
All Public Thrift Median	3.29	0.45	2.78	0.58	0.01	0.05	2.56	0.00	0.00	1.02
<u>Comparative Group</u>										
CBM Bancorp, Inc.	3.45	0.57	2.89	0.73	0.00	(0.03)	3.12	0.00	0.00	0.53
Cincinnati Bancorp, Inc.	3.24	0.92	2.32	5.62	0.00	0.08	5.67	0.01	0.00	2.18
Elmira Savings Bank	3.23	0.65	2.58	1.17	0.00	0.15	2.65	0.00	0.00	0.94
FFBW, Inc.	3.60	0.36	3.23	0.40	0.00	0.08	2.66	0.00	0.01	0.90
HMN Financial, Inc.	3.47	0.22	3.25	1.81	0.01	0.05	2.88	0.01	0.00	2.13
Home Federal Bancorp, Inc.	3.72	0.61	3.11	1.01	0.00	0.33	2.54	0.00	0.00	1.25
HV Bancorp, Inc.	2.58	0.43	2.15	3.15	0.00	0.16	3.58	0.00	0.00	1.56
IF Bancorp, Inc.	3.29	0.56	2.72	0.84	0.04	0.11	2.46	0.00	0.00	1.00
Mid-Southern Bancorp, Inc.	3.20	0.33	2.87	0.43	0.00	0.03	2.76	0.00	0.00	0.52
WVS Financial Corp.	1.75	0.27	1.48	0.16	(0.02)	(0.02)	1.11	0.00	0.00	0.55

Source: North Shore MHC; S&P Global.

Table 20
Balance Sheet Composition
As of June 30, 2021

	As a Percent of Total Assets									
	Cash and Securities	Net Loans	Real Estate	Intang. Assets	Other Assets	Total Deposits	Borrowed Funds	Other Liabs.	Total Liabs.	Total Equity
North Shore MHC	52.27	40.96	0.03	0.00	6.74	76.88	2.08	1.91	80.87	19.13
Comparative Group Average	30.69	60.53	0.01	0.22	4.32	75.69	9.07	0.88	85.63	14.37
Comparative Group Median	32.70	63.20	0.00	0.00	4.65	78.46	4.13	0.78	88.95	11.05
All Public Thrift Average	25.45	67.62	0.05	0.88	4.44	77.46	7.36	1.62	87.20	12.80
All Public Thrift Median	23.76	70.74	0.00	0.11	4.48	78.81	5.37	1.20	88.31	11.69
<u>Comparative Group</u>										
CBM Bancorp, Inc.	35.84	60.66	0.00	0.00	3.50	77.17	2.00	0.75	79.92	20.08
Cincinnati Bancorp, Inc.	12.08	82.14	0.00	0.06	5.71	62.98	18.54	1.35	82.87	17.13
Elmira Savings Bank	19.67	72.63	0.00	1.90	5.80	84.98	4.25	1.16	90.38	9.62
FFBW, Inc.	38.90	56.15	0.00	0.10	4.85	69.53	2.41	0.61	72.56	27.44
HMN Financial, Inc.	31.93	65.71	0.00	0.08	2.28	87.90	0.29	0.81	89.00	11.00
Home Federal Bancorp, Inc.	33.46	62.01	0.07	0.00	4.46	89.55	0.58	0.56	90.68	9.32
HV Bancorp, Inc.	21.07	73.81	0.00	0.00	5.11	79.74	11.55	1.15	92.45	7.55
IF Bancorp, Inc.	NA	64.39	0.03	0.00	NA	83.73	4.29	1.27	89.30	10.70
Mid-Southern Bancorp, Inc.	52.60	44.51	0.04	0.00	2.85	75.88	4.01	0.39	80.29	19.71
WVS Financial Corp.	NA	23.31	0.00	0.00	NA	45.41	42.79	0.70	88.91	11.09

Source: North Shore MHC; S&P Global.

Table 21
Growth Rates, Credit Risk, and Loan Composition
As of or For the Last Twelve Months Ended June 30, 2021

	Asset Growth Rate	Loan Growth Rate	Deposit Growth Rate	NPLs/ Total Loans	NPAs Total Assets	Loan Loss Allow./ NPLs(1)	Loan Loss Allow./ Loans	Resid. Real Est. Loans/ Loans	Other Real Est. Loans/ Loans	Non- Real Est. Loans/ Loans
North Shore MHC	(2.54)	(2.86)	(2.63)	0.51	0.24	36.07	0.80	88.53	10.92	0.55
Comparative Group Average	10.12	(2.09)	16.58	0.38	0.28	301.95	1.09	43.52	39.75	16.72
Comparative Group Median	8.79	(5.34)	12.43	0.24	0.17	280.88	1.19	38.48	41.81	15.66
All Public Thrift Average	9.53	1.18	14.54	0.70	0.50	203.14	1.09	32.09	42.08	25.83
All Public Thrift Median	7.37	(0.45)	10.45	0.39	0.29	122.69	1.11	28.39	52.90	18.71
<u>Comparative Group</u>										
CBM Bancorp, Inc.	6.25	(9.09)	13.90	0.17	0.10	432.71	1.06	41.54	39.75	18.71
Cincinnati Bancorp, Inc.	6.85	12.95	5.39	0.13	0.10	132.57	0.81	44.79	46.10	9.11
Elmira Savings Bank	(4.02)	(9.85)	0.00	1.05	0.95	93.84	1.21	63.58	21.99	14.44
FFBW, Inc.	20.19	(1.07)	40.04	0.17	0.10	280.88	1.21	23.37	59.74	16.88
HMN Financial, Inc.	13.70	(4.31)	14.55	0.27	0.18	536.82	1.51	28.14	58.14	13.72
Home Federal Bancorp, Inc.	9.17	(6.38)	9.94	0.27	0.24	492.35	1.16	35.41	43.87	20.72
HV Bancorp, Inc.	29.15	14.69	45.53	0.69	0.51	74.69	0.56	34.25	27.39	38.36
IF Bancorp, Inc.	8.41	0.70	10.96	0.22	0.17	580.90	1.27	23.92	54.91	21.17
Mid-Southern Bancorp, Inc.	14.55	(7.18)	21.61	0.81	0.41	92.80	1.43	53.40	32.50	14.10
WVS Financial Corp.	(3.09)	(11.37)	3.85	0.00	0.00	NM	0.69	86.84	13.13	0.03

(1) Includes accruing troubled debt restructurings.

Source: North Shore MHC; S&P Global.

III. MARKET VALUE ADJUSTMENTS

General Overview

This concluding chapter of the Appraisal identifies certain additional adjustments to the Company's estimated pro forma market value relative to the Comparative Group selected in Chapter II. The adjustments discussed in this chapter are made from the viewpoints of potential investors, which would include depositors holding subscription rights and unrelated parties who may purchase stock in a community offering. It is assumed that these potential investors are aware of all relevant and necessary facts as they would pertain to the value of the Company relative to other publicly traded thrift institutions and relative to alternative investments.

Our appraised value is predicated on a continuation of the current operating environment for the Company and thrift institutions in general. Changes in the Company's operating performance along with changes in the local and national economy, the stock market, interest rates, the regulatory environment, and other external factors may occur from time to time, often with great unpredictability, which could materially impact the pro forma market value of the Company or thrift stocks in general. Therefore, the Valuation Range provided herein is subject to a more current re-evaluation prior to the actual completion of the Conversion and Stock Offering.

In addition to the comparative operating fundamentals discussed in Chapter II, it is important to address additional market value adjustments based on certain financial and other criteria, which include, among other factors:

- (1) Earnings Prospects
- (2) Financial Condition
- (3) Market Area
- (4) Management
- (5) Dividend Payments
- (6) Liquidity of the Stock Issue

- (7) Subscription Interest
- (8) Recent Acquisition Activity
- (9) Effect of Banking Regulations and Regulatory Reform
- (10) Stock Market Conditions

Earnings Prospects

Earnings prospects are dependent upon the sensitivity of asset yields and liability costs to changes in market rates, the credit quality of assets, the stability of non-interest components of income and expense, and the ability to leverage the balance sheet. Each of the foregoing is an important factor for investors in assessing earnings prospects. The Company's profitability in recent years has been restrained due to its relatively lower level of net interest income and increased provision for loan losses. These disadvantages are offset somewhat by the Company's lower level of non-interest expense. Notwithstanding the income tax benefits which reduced the impact of negative operating returns, the Company reported net losses for the year ended December 31, 2020 and also for the six months ended June 30, 2021.

The Company's earnings compared unfavorably to the Comparative Group for the recent LTM period. The Company's ROA measured 0.04% versus the Comparative Group median of 0.73% and All Public Thrift median of 0.92%. On a core earnings basis which excludes non-recurring items, the Company's core ROA of 0.05% trailed the Comparative Group median of 0.73% and the All Public Thrift Median of 0.96%.

The Company's increased capital position after the Stock Offering will help to improve its net interest margin across changing interest rate and business cycles, provide added interest rate risk protection, and additional leverage capacity to grow the balance sheet. In the near term, the Company's profitability will continue to be challenged by net interest margin pressure, new stock benefit plans, public company costs, and regular loan loss provisions to ensure that the Company's reserve level increases commensurately with the risk profile of the anticipated loan portfolio expansion. Based on the Company's earnings fundamentals and recent subpar returns, we believe that the challenges of increasing profitability warrant a downward adjustment to the Company's pro forma market value relative to the Comparative Group.

Financial Condition

As discussed and summarized in Chapter I, the Company's balance sheet composition reflects a large concentration of cash liquidity and investments along with a loan portfolio predominantly comprising fixed-rate residential mortgage loans. The Company relies mainly on its deposit base as a funding source and utilizes borrowings sparingly to supplement deposits. Historically, the Company's deposit base was heavily reliant upon certificate accounts. In recent years, the Company has emphasized growing its transaction accounts, which have increased to 65.4% of total deposits at June 30, 2021. Meanwhile, in the sustained low interest rate environment, certificate accounts have declined to 34.6% of total deposits.

In contrast to the Comparative Group, the Company exhibited a substantially higher level of equity capital, a lower ratio of loans to assets, and relatively comparable measures of asset quality. Before the infusion of net capital proceeds, the Company's total equity ratio at 19.13% of assets was positioned well above the 11.05% median of the Comparative Group. The selection criteria for the Comparative Group ensured a collection of companies with solid capital positions, emphasis on real estate lending, and satisfactory asset quality, similar to the Company's financial profile. Therefore, on the whole, we believe that no adjustment is warranted for the Company's financial condition relative to the Comparative Group.

Market Area

The members of the Comparative Group are located in the Midwest, Mid-Atlantic, and Southwest regions of the country. The market areas encompassing the Comparative Group companies include metropolitan areas such as Baltimore, Cincinnati, Milwaukee, and Pittsburgh, along with smaller metropolitan and micropolitan areas. The Comparative Group companies are characterized by a cross-section of market areas that constitute smaller to larger metropolitan areas with relatively stable economies and moderate population growth prospects.

The Company's market area consists of Lake County and Cook County, which are located in Illinois, and Kenosha County which is located in Wisconsin. The Company's market areas are located within the Chicago MSA. As shown in Table 22, the weighted average household income of the Chicago MSA was \$76,758 and above the corresponding Comparative Group median household income within market area of \$65,793. The median household income in the cities where the Company has branch locations ranged from \$51,250 in Waukegan, Illinois, to \$111,367 in Lindenhurst, Illinois. The population growth forecast for the Chicago MSA of -0.3% over the next five years moderately trailed the Comparative Group median and average of 0.2% and 1.1%, respectively. The population growth forecast was higher in Kenosha County at 1.2% and the city of Lindenhurst at 5.1%. Four of the Comparative Group companies displayed negative population growth forecasts for their primary market area. The July 2021 unemployment rate of 7.5% for the Chicago MSA exceeded the Comparative Group median and average rates of 5.5% and 5.6%, respectively. While the Company's primary metropolitan market area is characterized by comparatively higher income levels, its population growth projections and unemployment rates are slightly less favorable than those of the Comparative Group. In recognition of these varying demographic factors altogether, we believe that no adjustment is warranted for market area.

Table 22
Selected Demographic Data of Primary Market Areas
North Shore MHC and the Comparative Group

Company	Headquarters Location	Wtd. Avg. Median Household Income 2021 (1) (\$)	Wtd. Avg. Est. Population Growth 2021-26 (1) (%)	Unemployment Rate July 2021 (2) (%)
North Shore MHC	Waukegan, IL [MSA data]	76,758	(0.27)	7.5
	Chicago MSA	76,758	(0.27)	7.5
	Lake County, IL	92,588	(0.26)	4.9
	Cook County, IL	69,884	(0.80)	8.8
	Kenosha County, WI	69,846	1.16	4.8
	Waukegan, IL (city)	51,250	(1.61)	6.7
	Lindenhurst, IL (city)	111,367	5.06	NA
Comparative Group Average [primary MSA data]		65,082	0.24	5.5
Comparative Group Median [primary MSA data]		65,793	1.11	5.6
<u>Comparative Group</u>				
CBM Bancorp, Inc.	Baltimore, MD	87,338	1.43	5.4
Cincinnati Bancorp, Inc.	Cincinnati, OH	68,988	1.70	5.3
Elmira Savings Bank	Elmira, NY	58,446	(2.06)	5.7
FFBW, Inc.	Brookfield, WI	66,586	1.26	5.0
HMN Financial, Inc.	Rochester, MN	72,330	2.28	2.8
Home Federal Bancorp, Inc.	Shreveport, LA	45,915	(0.75)	6.1
HV Bancorp, Inc.	Doylestown, PA	75,304	0.95	6.9
IF Bancorp, Inc.	Waukegan, IL	50,891	(2.92)	6.5
Mid-Southern Bancorp, Inc.	Salem, IN	60,023	1.30	4.5
WVS Financial Corp.	Pittsburgh, PA	64,999	(0.81)	6.6

(1) Weighted average based on pro rata branch deposit totals of each company in its primary MSA (or county) markets.

(2) Based on unemployment rate in company's primary MSA (or county) market as ranked by deposits.

Source: Claritas; S&P Global; U.S. Bureau of Labor Statistics.

Management

Management's principal challenges are to generate profitable results, monitor credit risks, and control operating costs while the Company competes in an increasingly challenging financial services environment. The normal challenges facing the Company in attempting to deliver earnings growth and enhance its competitiveness remain paramount as it attempts to leverage the net capital proceeds from the Stock Offering. The Chief Executive Officer of the Bank, Stephen Lear, has 42 years of experience with the organization, and Nathan Walker, who was promoted to President of the Bank in 2020, has been with the organization for 25 years. Mr. Walker's promotion to President was part of the Bank's long-term succession plan, ensuring key members of the management team are in place to execute the strategic plan. Other senior management includes Carissa Schoolcraft, who was promoted to Chief Financial Officer of the Bank in 2021, and Amy Avakian, the Chief Lending Officer, who has 33 years of experience.

The management team has ongoing challenges ahead in improving earnings results, growing the banking franchise, and controlling operating expenses as the organization transitions to a public company. Investors will likely rely upon actual financial results as the means of evaluating the future performance of management as the Company pursues its asset growth and earnings improvement objectives. Based on these considerations, we believe that no adjustment is warranted relative to the Comparative Group for this factor.

Dividend Payments

Following the completion of the Conversion and Stock Offering, the Board of Directors of NSTS Bancorp will have the authority to declare cash dividends on the shares of common stock, subject to statutory and regulatory requirements. However, no decision has been made with respect to the payment of dividends. The payment and amount of any dividends will depend upon many factors, including the following: (1) the financial condition and operating results of NSTS Bancorp and the Bank; (2) regulatory capital requirements and limitations on dividends; (3) other uses of funds for the long-term value of stockholders; (4) tax considerations; and (5) general economic conditions. There is no assurance that NSTS Bancorp will actually pay cash dividends or that, if paid, such dividends will not be reduced or eliminated in the future.

Payment of cash dividends has become commonplace among publicly traded thrifts with solid capital levels. Of the 10 members of the Comparative Group, five currently pay regular cash dividends. The median dividend yields of the Comparative Group and All Public Thrift aggregate were 0.39% and 1.37% as of August 31, 2021, respectively. Based on the anticipated strong capital levels of the Bank and NSTS Bancorp after the Stock Offering, investors are likely to expect that NSTS Bancorp will commence paying regular dividends not too long after the Stock Offering is completed as a means of enhancing shareholder returns. Therefore, we have concluded that no adjustment is warranted for purposes of dividend policy.

Liquidity of the Stock Issue

With the increased number of market makers and institutional investors following thrift stocks, the majority of initial public offerings by thrift institutions are able to develop a public market for their new stock issues. Most publicly traded thrift stocks continue to be traded on the NASDAQ Stock Market. All 10 members of the Comparative Group are listed on the NASDAQ Stock Market. NSTS Bancorp expects that its shares of common stock will be traded on the NASDAQ Stock Market under the symbol "NSTS" upon conclusion of the Stock Offering.

The development and maintenance of a public market, having the desirable characteristics of depth, liquidity, and orderliness, depend on the existence of willing buyers and sellers. The median market capitalization of the Comparative Group companies was \$50.2 million as of August 31, 2021. The All Public Thrift median market capitalization was much higher at \$173.9 million. Of the 10 companies in the Comparative Group, all are traded on NASDAQ Stock Market and indicated an overall average daily trading volume of approximately 3,500 shares over the LTM period. The Company's comparably-sized stock issue on a pro forma basis would firmly suggest that, given a proposed NASDAQ market listing, it would enjoy a depth of liquidity similar to that facilitated by the Comparative Group's market capitalizations and trading volume histories. Therefore, we have concluded that no adjustment to the Company's pro forma market value is warranted to address the liquidity of its common stock issue.

Subscription Interest

The Company has retained the services of Keefe, Bruyette & Woods, Inc. to assist in the marketing and sale of the Stock Offering. The Company's ESOP plans to purchase shares in the Stock Offering equal to 8.00% of the total amount of common stock to be outstanding. The Company expects its directors and executive officers, together with their associates, to purchase 270,000 shares of common stock in the Stock Offering for an aggregate amount of \$2.7 million based on a \$10.00 offering price per share. The minimum number of shares of common stock that may be purchased in the Stock Offering is 25 shares (\$250). Excluding the ESOP purchase, the maximum number of shares of common stock that may be purchased in the Stock Offering by any person or persons exercising subscription rights through a single qualifying account is 30,000 shares (\$300,000 equivalent). No person together with an associate or group of persons acting in concert may purchase more than 40,000 shares (\$400,000 equivalent).

Recent subscription interest in thrift stock conversion offerings has been varied. Four standard conversion offerings have been completed thus far in 2021 (all in the month of July), and two were completed in 2020. Of the four standard conversion transactions completed in 2021, two (Blue Foundry Bancorp and PB Bankshares) were fully subscribed by eligible account holders in the subscription phase and closed at the adjusted maximum of their respective offering ranges. Texas Community Bancshares closed its offering in the subscription phase at a level slightly above the minimum (between the minimum and the midpoint), while TC Bancshares closed its offering at a level slightly above the midpoint (between the midpoint and the maximum). Of the two standard offerings completed in 2020, Systematic Savings Bank closed its relatively small offering at the adjusted maximum based on results from its subscription and community offerings, while the sizable offering by Eastern Bankshares was closed at slightly below the maximum through the sale of shares entirely in the subscription offering.

Investor interest in recent thrift stock issues has been supported by the overall favorable performance results of the banking industry, stable housing market conditions, after-market pricing trends, and the expectation of continued merger and acquisition activity. We are not currently aware of any additional market evidence or characteristics that may help predict the level of interest in the Company's subscription offering. Accordingly, absent actual results of the subscription offering, we believe that subscription interest is currently a neutral factor and, at the present time, requires no further adjustment.

Recent Acquisition Activity

Table 23 summarizes recent acquisition activity involving banks and thrifts based in the state of Illinois from January 1, 2019 to August 31, 2021. There were 41 such acquisition transactions announced during this period. Table 23 displays the 17 transactions wherein financial terms are available. The largest transaction involved the merger of equals between Old National Bancorp (based in Evansville, Indiana with \$23.7 billion of assets) and First Midwest Bancorp (based in Chicago, Illinois with \$21.2 billion in assets). The acquisition valuation ratios paid in these transactions generally have followed the nationwide acquisition valuation trends. Given that there will be significant regulatory restrictions on the ability to acquire control of NSTS Bancorp for a period of three years following the Conversion, we do not believe that acquisition premiums are a significant factor to consider in analyzing the Company's pro forma market value. Moreover, the standard of value applied herein does not require an acquisition value determination.

Table 23
Summary of Illinois Bank and Thrift Acquisition Activity
 Pending or Completed Transactions Announced Since January 1, 2019

Buyer	St.	Seller	St.	Seller's Prior Financial Data				Date Announced	Status (1)	Offer Value (\$Mil.)	Offer Value to			
				Total Assets (\$Mil.)	Equity/Assets (%)	LTM ROA (%)	LTM ROE (%)				Book Value (%)	Tang. Book (%)	LTM EPS (x)	Total Assets (%)
Overall Median				276.6	10.83	0.91	7.38	NA	NA	44.9	127.1	129.1	16.7	11.64
Overall Average				1,723.4	10.64	0.67	5.83	NA	NA	197.9	123.0	131.0	16.6	11.91
Scott Credit Union	IL	Tempo Bank	IL	92.9	11.30	1.42	14.44	08/20/21	P	14.3	135.8	135.8	10.3	15.34
Finward Bancorp	IN	Royal Financial Inc.	IL	533.7	9.01	1.01	11.07	07/29/21	P	52.9	108.0	113.4	10.2	9.91
Old Second Bancorp Inc.	IL	West Suburban Bancorp	IL	2,943.6	8.12	NA	NA	07/26/21	P	297.3	124.3	NA	NA	10.10
Old National Bancorp	IN	First Midwest Bancorp (2)	IL	21,208.6	12.51	0.63	5.06	06/01/21	P	2,468.6	101.8	165.1	20.4	11.64
Frst Bncp of Taylorville Inc.	IL	Mackinaw Valley Fin'l Svcs.	IL	94.1	9.00	0.16	1.69	04/23/21	P	6.1	135.9	157.5	NA	6.48
First Busey Corp.	IL	Cummins-American Corp.	IL	1,395.4	12.55	0.91	7.38	01/19/21	C	130.8	112.4	112.4	17.1	9.79
South Porte Financial Inc.	IL	SouthernTrust Bancshares	IL	58.7	9.75	0.64	6.65	03/02/20	C	7.3	127.2	127.2	20.8	12.50
American Pacific Bancorp	MD	Main Street Bancshares Inc.	IL	29.6	6.55	(1.78)	(25.98)	12/19/19	P	1.2	45.1	45.1	NA	3.88
First Waterloo Bancshares Inc.	IL	Best Hometown Bancorp	IL	114.5	10.83	NA	NA	10/09/19	C	12.3	99.3	NA	NA	10.75
RBB Bancorp	CA	PGB Holdings Inc.	IL	223.3	10.96	1.45	13.12	09/06/19	C	32.5	169.5	169.5	9.7	14.55
Heartland Financial USA Inc.	IA	Rockford B&TC	IL	523.4	8.76	0.11	1.29	08/13/19	C	59.2	129.1	129.1	NM	11.31
Wintrust Financial Corp.	IL	SBC Inc.	IL	594.0	11.19	1.87	17.19	07/25/19	C	90.5	153.9	157.4	11.4	15.24
Associated Banc-Corp	WI	First Staunton Bancshares	IL	539.8	12.00	1.28	10.88	07/25/19	C	76.3	121.9	126.9	16.7	14.13
Corporate America Family CU	IL	Ben Franklin Financial Inc.	IL	97.8	11.25	(0.55)	(4.64)	07/16/19	C	14.2	127.1	127.1	NA	14.49
Wintrust Financial Corp.	IL	STC Bancshares Corp.	IL	276.6	10.82	1.00	9.45	06/05/19	C	44.9	146.2	146.2	22.3	16.24
Midland States Bancorp Inc.	IL	HomeStar Financial Group	IL	375.4	8.09	1.16	15.41	04/02/19	C	9.9	95.0	95.0	7.1	2.64
Wintrust Financial Corp.	IL	Rush-Oak Corp.	IL	195.5	18.13	0.75	4.46	02/20/19	C	46.0	158.1	158.1	36.2	23.53

- (1) P = pending; C = completed.
 (2) Merger of equals transaction.

Source: S&P Global.

Effect of Banking Regulations and Regulatory Reform

In response to the financial crisis of 2008 and 2009, Congress took actions intended to strengthen confidence and encourage liquidity in financial institutions. The Dodd-Frank Wall Street Reform and Consumer Protection Act (“Dodd-Frank”) was enacted in 2010, and provided for new restrictions and an expanded framework of regulatory oversight for financial institutions. The legislation also created the Consumer Financial Protection Bureau that has broad authority to issue regulations governing the services and products provided by financial institutions. Community bankers believe that the Dodd-Frank legislation has led to increased compliance costs. Legislation was enacted in 2018 that preserves the fundamental elements of the post-Dodd-Frank regulatory framework, but included modifications that was expected to result in some meaningful regulatory relief for smaller and certain larger banking organizations.

As a stock savings institution insured by the FDIC and supervised by its primary regulators, the Company will continue to operate in the same regulatory environment that is substantially similar to that faced by the Comparative Group companies. As of June 30, 2021, the Company was not subject to any regulatory enforcement action and was considered well capitalized, similar to all the members of the Comparative Group. Therefore, given these factors, we believe that no specific adjustment is necessary for the effect of banking regulations and regulatory reform.

Stock Market Conditions

Financial stocks performed well in the economic recovery, and bank and thrift stocks participated fully in the sustained market rally from 2009 to 2018. Robust corporate earnings growth, sustained economic expansion, and generally low interest rates were major factors influencing equity market returns over this period, the second longest market rally in U.S. history. As the banking industry continued its recovery from the financial crisis, the FRB maintained a program of keeping rates at historic lows and implemented a series of three rate cuts in 2019. The FRB lowered the target range for the federal funds rate in July 2019 to 2.00-2.25%, in September 2019 to 1.75-2.00%, and in October 2019 to 1.50-1.75%. Favorable policy developments, including the further monetary easing by the FRB and de-escalation of the U.S.-China trade conflict, helped stocks to a strong final quarter of 2019 and lifted the S&P 500 Index to a 31.5% gain for the full year of 2019.

The overall market began to experience sharp volatility in February 2020 and entered official correction levels (down 10% from 52-week highs). Interest rates dropped as a flight to safety saw long-term U.S. Treasury bonds trade at all-time lows. The market volatility was spurred by the outbreak of the coronavirus and concerns about its impact on the U.S. economy, supply chains, and consumer spending. In an extraordinary attempt to contain the coronavirus's economic fallout, the FRB lowered the target range for the federal funds rate by 50 basis points to 1.00-1.25%. The coronavirus evolved into a global pandemic, disrupting major economies worldwide and abruptly ending the longest bull market run in U.S. history. U.S. equities fell sharply, then rebounded off their lows from March 2020 and performed strongly for the remainder of 2020.

The U.S. equity market continued to appreciate during 2021, extending the gains that began in the aftermath of March 2020, and many indexes reached all-time highs in successive months through August 2021. The successful rollout of coronavirus vaccines, unprecedented fiscal and monetary stimulus, healthy consumer balance sheets, and tightening labor markets created optimism about U.S. economic growth and helped propel stock market returns. Cyclical sectors of the market that lagged in early 2020 have recently outperformed significantly. Since the end of 2020, interest rates and commodity prices have risen, boosting the financials and energy sectors. Stock prices now reflect the market's expectations for a sustained, strong economic recovery.

Table 24 displays the one-year performance of the S&P 500 and NASDAQ Bank indexes. The NASDAQ Bank Index increased by 63.7% over the one-year period ended August 31, 2021, outperforming the broader S&P 500 Index, which was up 32.0% during this period. However, over the three-year period, the NASDAQ Bank Index is up only 7.1% as compared to the S&P 500 Index advancing 55.9%, as shown in Table 25.

A “new issue” discount that reflects investor concerns and investment risks inherent in all initial public offerings is a factor to be considered for purposes of valuing converting thrifts. Table 26 presents a summary of standard thrift conversion offerings since January 1, 2017. The pricing of these offerings confirms the presence of the new issue discount in the pro forma market valuations of converting thrifts versus existing publicly traded thrifts. The distinction of the new issue discount is most apparent with the price-to-book value ratio because the pro forma equity calculation involves combining the net new capital proceeds with the historical equity of the converting company. The median pro forma price-to-book value ratio for standard thrift conversion offerings was 59.3% for the 2020 to 2021 period, and the median pro forma price-to-tangible book ratio was 60.8%. The median pro forma price-to-earnings ratio was 16.4x for standard thrift conversion offering during the 2020 to 2021 period.

Historically, newly converted thrifts have gradually traded upward in the after-market to a range near existing thrift stock valuation levels, but found resistance approaching book value until a discernible trend in earnings improvement was evident. Pricing a new offering at a relatively high ratio in relation to pro forma book value, because of the mathematics of the calculation, would require very large increases in valuations resulting in unsustainable price-to-earnings ratios and very marginal returns on equity.

Table 24
Comparative One-Year Stock Index Performance
 For the One-Year Period Ended August 31, 2021

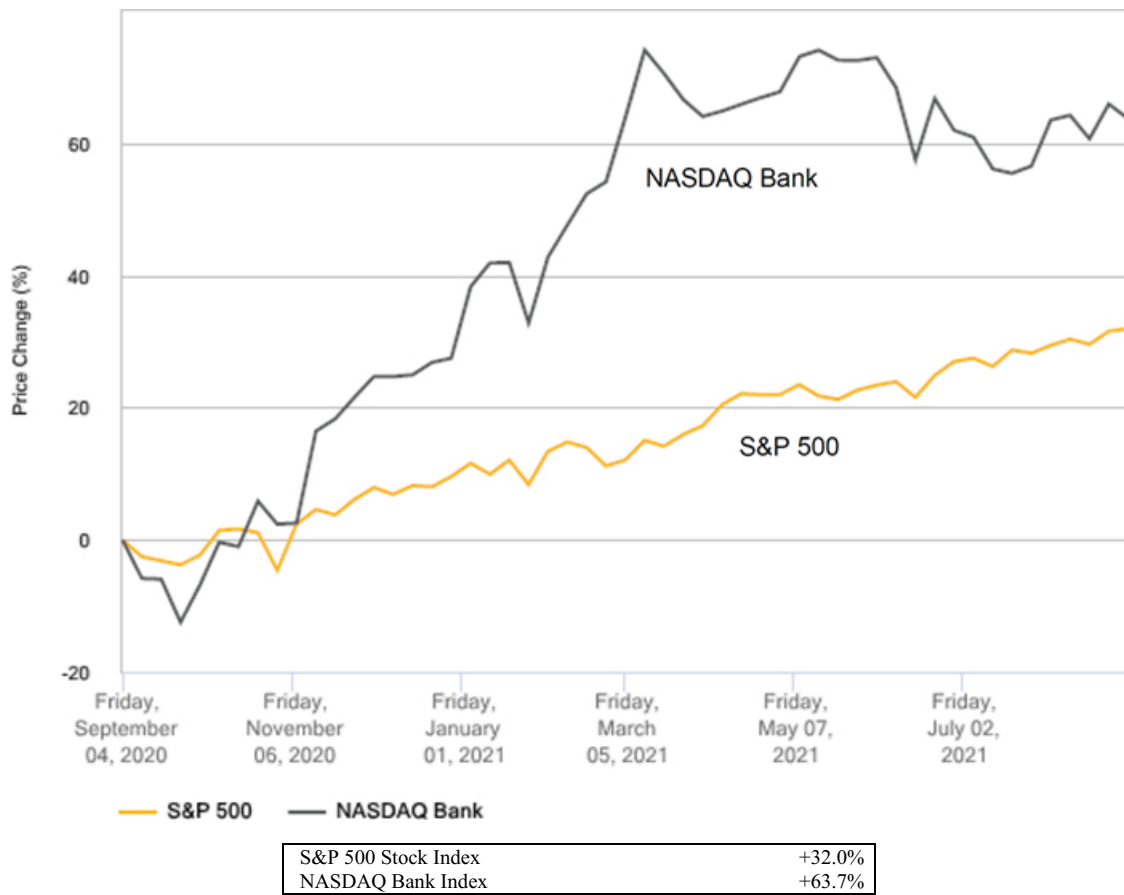


Table 25
Comparative Three-Year Stock Index Performance
 For the Three-Year Period Ended August 31, 2021



Table 26
Summary of Standard Conversion Offerings
Transactions Completed Since January 1, 2017

Company	State	Stock Exchange	Stock Offering Date	Total Assets (\$Mil.)	Gross Offering Proceeds (\$Mil.)	Pro Forma Ratios					After-Market Price Change			Price Change Through 8/31/21 (%)	
						Price/Book Value (%)	Price/Tang. Book (%)	Price/LTM EPS (x)	Tang. Eqty./Assets (%)	IPO Price (\$)	8/31/21 Closing Price (\$)	One Day (%)	One Week (%)		One Month (%)
2020 to 2021 -- Average				2,826.9	364.2	59.6	61.4	16.4	20.13	NA	NA	30.6	31.7	36.4	51.5
2020 to 2021 -- Median				340.1	40.5	59.3	60.8	16.4	20.37	NA	NA	29.0	27.0	34.1	40.0
2017 to 2021 -- Average				1,322.6	174.0	64.5	65.4	21.9	19.08	NA	NA	34.0	35.0	36.0	56.5
2017 to 2021 -- Median				184.2	27.8	61.7	65.9	17.9	19.90	NA	NA	30.0	32.4	32.9	51.4
Standard Conversion Offerings															
TC Bancshares, Inc.	GA	NASDAQ	07/20/21	363.6	49.0	59.9	59.9	14.4	20.84	10.00	12.98	21.1	20.7	28.9	29.8
Blue Foundry Bancorp	NJ	NASDAQ	07/15/21	1,963.6	277.7	66.1	66.1	15.4	19.90	10.00	13.49	29.0	27.0	34.1	34.9
Texas Community Bancshares, Inc.	TX	NASDAQ	07/14/21	316.5	32.1	53.2	56.0	16.4	17.83	10.00	15.50	50.8	53.5	54.0	55.0
PB Bankshares, Inc.	PA	NASDAQ	07/14/21	281.1	27.8	61.7	61.7	17.4	15.10	10.00	14.00	30.8	32.4	29.0	40.0
Eastern Bankshares, Inc.	MA	NASDAQ	10/14/20	13,996.5	1,792.9	58.2	65.9	18.4	23.10	10.00	19.78	21.5	24.8	36.2	97.8
Systematic Savings Bank	MO	OTC	10/13/20	40.0	6.0	58.7	58.7	NM	24.01	10.00	NA	NA	NA	NA	NA
Eureka Homestead Bancorp, Inc.	LA	OTC	07/09/19	98.4	14.3	60.6	60.6	44.7	21.53	10.00	12.96	21.0	21.0	21.7	29.6
Richmond Mutual Bancorporation	IN	NASDAQ	07/01/19	882.8	130.3	74.5	74.5	18.9	19.09	10.00	15.28	36.5	35.0	32.9	52.8
CBM Bancorp, Inc.	MD	NASDAQ	09/27/18	184.2	42.3	73.5	73.5	41.7	26.69	10.00	15.00	28.0	26.2	21.2	50.0
Sidney Federal S&L Association	NE	OTC	07/26/18	16.7	1.3	71.0	71.0	NM	10.83	10.00	6.01	NA	NA	NA	(39.9)
Eagle Financial Bancorp, Inc.	OH	OTC	07/20/17	119.3	15.7	61.7	61.7	10.2	20.28	10.00	18.55	49.2	50.5	60.9	85.5
Heritage NOLA Bancorp, Inc.	LA	OTC	07/12/17	104.1	16.5	72.5	72.5	NM	20.48	10.00	14.35	22.2	19.9	16.0	43.5
PCSB Financial Corporation	NY	NASDAQ	04/20/17	1,240.9	178.3	68.6	70.4	36.5	18.42	10.00	18.23	64.6	63.1	63.6	82.3
HV Bancorp, Inc.	PA	NASDAQ	01/11/17	177.1	21.8	70.7	70.7	22.7	15.46	10.00	21.66	36.7	40.8	40.0	116.6
Community Savings Bancorp, Inc.	OH	OTC	01/10/17	53.6	4.4	57.3	57.3	6.1	12.68	10.00	21.25	30.0	40.0	30.0	112.5

Source: S&P Global.

Accordingly, thrift conversions continue to be priced at discounts to comparable publicly traded companies. This is due to the relatively high pro forma equity ratios, expected low returns on equity, and the uncertainty regarding the prospects of an institution to leverage the balance sheet prudently and effectively in the current interest rate environment and against the backdrop of an increasingly competitive banking sector and volatile equities market.

For the 5,001 FDIC-insured commercial banks and savings institutions, full-year 2020 net income totaled \$147.9 billion, a decline of \$84.9 billion or 36.5% from 2019. The decline was primarily attributable to higher provision expenses in the first half of 2020 tied to pandemic-related deterioration in economic activity. Provision expenses increased by \$77.1 billion or 140% and net interest income declined by \$20.0 billion or 3.7%. The banking industry's average net interest margin declined 54 basis points from 3.36% in 2019 to 2.82% in 2020. The average ROA declined from 1.29% in 2019 to 0.72% in 2020.

The asset growth rate of the banking industry increased from 3.9% in 2019 to 17.4% in 2020, while the deposit growth rate increased from 4.8% to 22.6% in 2020. The injection of stimulus-related funds into the economic system increased the industry's holdings of liquid assets and deposit liabilities. The ratio of non-performing assets to total assets increased from 0.55% at year-end 2019 to 0.61% at year-end 2020. Largely due to the banking industry's significant asset expansion in 2020, the average equity capital ratio declined from 11.32% at year-end 2019 to 10.17% at year-end 2020.

For the first half of 2021, the banking industry's ROA improved to 1.31% as compared to 0.37% for the first half of 2020. The improvement from the year-ago period reflected a dramatic reduction in the provision for loan losses. As of June 30, 2021, the average equity capital ratio for the industry measured 10.12% of total assets and the ratio of non-performing assets to total assets was 0.51%. The average net interest margin contracted further by 44 basis points from 2.97% in the first half of 2020 to 2.53% in the first half of 2021.

Bank and thrift industry earnings results have continued to be solid in comparison to historical levels, but earnings growth has been challenged recently by eroding net interest margins and increasing credit-related charges. Industry operating expenses generally continue to rise in the face of sluggish growth in non-interest operating income. While bank and thrift industry capital levels remain strong and overall asset quality has stabilized, there continue to be volatile swings in the market for bank and thrift stocks in response to the economic outlook and the anxiety in the overall market that is contributing to the current fluctuations. Therefore, we believe that with the heightened uncertainty attendant to prevailing stock market conditions, the new issue discount continues to be highly relevant because of the risks and uncertainties associated with a new stock offering in the current market and warrants a downward adjustment.

Adjustments Conclusion

It is our opinion that the Company's pro forma market value should be discounted relative to the Comparative Group. Our conclusion is based on downward adjustments for earnings prospects related to its recent history of subpar returns and the new issue discount underlying current stock market conditions. Converting thrifts are often valued at meaningful discounts to peer trading companies relative to price-to-book value and price-to-tangible book value ratios. Due to initially low post-offering earnings from the re-investment of net offering proceeds at relatively low rates without the benefit of immediate leverage, resulting price-to-earnings ratios may reflect premiums to established trading companies. It is the judgment of the appraiser to balance the relative dynamics of price-to-book and price-to-earnings discounts or premiums.

Valuation Approach

In determining the estimated pro forma market value of the Company, we have employed the comparative company approach and considered the following pricing ratios: price-to-book value per share (“P/B”), price-to-tangible book value per share (“P/TB”), price-to-earnings per share (“P/E”), and price-to-assets (“P/A”). Table 27 presents the trading market valuation ratios of the Comparative Group and All Public Thrift averages and medians as of August 31, 2021. As shown in Table 27, the average P/B ratio for the Comparative Group was 96.3%. Five members of the Comparative Group were valued at levels under book value (P/B ratio less than 100.0%). The average P/TB ratio for the Comparative Group was 98.5%. Higher equity levels have a restraining impact on P/B and P/TB ratios because of the accompanying challenge to generate competitive ROE results on such excess capital. Among the Comparative Group members, FFBW, Inc. reported the highest equity capital ratio at 27.44% along with a P/B ratio of 83.6%. The average P/E ratio based on LTM earnings for the Comparative Group was 17.0x. On a core earnings basis, the average core P/E ratio of the Comparative Group was 16.7x. Some companies within the Comparative Group and All Public Thrift aggregate generated P/E ratios that were either negative or distortedly high due to low levels of profitability, and their corresponding P/E ratios are expressed as “NM” or non-meaningful.

Investors continue to make decisions to purchase thrift conversion stocks and more seasoned thrift issues based upon consideration of core earnings profitability and P/B comparisons. The P/E ratio remains an important valuation ratio in the current thrift stock market. However, as noted above, the P/E ratio is not useful for companies reporting negative or low earnings. The Company’s earnings for the LTM ended June 30, 2021 amounted to \$98,000 and its LTM core earnings amounted to \$115,000. On a pro forma basis, after making adjustments for re-investment of net offering proceeds and expensing charges related to the implementation of various stock benefit plans, including the ESOP, restricted stock plan (“RSP”), and stock option plan, the Company’s pro forma earnings are reduced to negative levels and renders the P/E approach irrelevant for valuation purposes.

Based on our comparative financial and valuation analyses, we concluded that the Company should be discounted relative to the trading valuation ratios of the overall Comparative Group. In consideration of the foregoing factors along with the additional adjustments discussed in this chapter, we have determined pro forma P/B and P/TB ratios of 51.5% at the midpoint for the Company, which reflects an aggregate midpoint of approximately \$40.8 million for the Valuation Range based on the assumptions summarized in Exhibit IV and including the issuance of 2.0% of the to-be-outstanding common shares to the Foundation. Employing a range of 15% above and below the midpoint, the resulting minimum value of approximately \$34.7 million reflects a 46.9% P/B ratio and the resulting maximum value of approximately \$46.9 million reflects a 55.6% P/B ratio. The adjusted maximum value, computed as an additional 15% above the maximum, is positioned at approximately \$54.0 million and a P/B ratio of 59.7%. The Company's pro forma P/B and P/TB ratios are equivalent since the Company had no intangible assets as of June 30, 2021.

The Company's pro forma earnings base is negative and results in non-meaningful P/E ratios. Similarly, the Company's pro forma core earnings result for the recent LTM period is also negative and therefore disallows usage of the P/E approach on a core earnings basis. As of August 31, 2021, the Comparative Group's average P/E ratio was 17.0x and its average core P/E ratio was 16.7x.

The Company's pro forma midpoint P/B and P/TB ratios of 51.5% reflect a discount of 46.5% to the Comparative Group average P/B ratio of 96.3% and a 47.7% discount to the Comparative Group average P/TB ratio of 98.5%. The Company's pro forma maximum P/B and P/TB ratios of 55.6% reflect discounts of 42.3% and 43.6% to the Comparative Group average P/B and P/TB ratios, respectively. At the adjusted maximum, the Company's pro forma P/B and P/TB ratios of 59.7% are positioned at a 38.0% discount to the Comparative Group median P/B and a discount of 39.4% to the Comparative Group median P/TB ratio.

Based on the price-to-assets valuation metric, the Company's pro forma midpoint of the Valuation Range at \$40.8 million reflects a corresponding P/A ratio of 14.94%, ranging from 12.95% at the minimum valuation to 16.86% and 18.98% at the maximum and adjusted maximum, respectively. The Company's solid capitalization level resulted in a midpoint P/A ratio of 14.94% versus the Comparative Group average of 13.73%. While the Company's pro forma P/B and P/TB ratios reflect material discounts to the Comparative Group, the Company's pro forma P/A ratios reflect a slight discount to the Comparative Group at the pro forma minimum, but increasing levels of premiums at the pro forma midpoint, maximum, and adjusted maximum values.

The Company's strong pro forma P/A ratios reflect the substantial capital ratios evidenced by NSTS Bancorp on a pro forma consolidated basis, which range from equity-to-assets ratios of 27.61% at the minimum valuation and 29.00% at the midpoint valuation to 30.33% at the maximum valuation and 31.81% at the adjusted maximum valuation. Among all of the public thrifts shown in Exhibit III, only two have equity-to-assets ratios in excess of 25.0%: FFBW Inc. at 27.44% and William Penn Bancorporation, which recently completed a second-step conversion, at 26.38%. The superior equity capital levels of the Company after completion of the Conversion and Stock Offering will provide greater expansion opportunity and flexibility, but also present challenges in generating competitive returns on equity.

Valuation Conclusion

It is our opinion that, as of August 31, 2021, the estimated pro forma market value of the Company was within a Valuation Range of \$34,693,880 to \$46,938,780 with a midpoint of \$40,816,330. Pursuant to applicable appraisal guidelines, the Valuation Range was based upon a 15% decrease from the midpoint value to determine the minimum value and a 15% increase from the midpoint value to establish the maximum value. Assuming an additional 15% increase above the maximum value would result in an adjusted maximum of \$53,979,590. Based on the Valuation Range, the range of shares to be sold in the Stock Offering (excluding the Foundation shares) is as follows: \$34,000,000 at the minimum, \$40,000,000 at the midpoint, \$46,000,000 at the maximum, and \$52,800,000 at the adjusted maximum. Based on an initial offering price of \$10.00 per share, the number of shares to be sold in the Stock Offering is as follows: 3,400,000 at the minimum, 4,000,000 at the midpoint, 4,600,000 at the maximum, and 5,290,000 at the adjusted maximum. Table 27 compares the Company's pro forma valuation ratios to the market valuation ratios of the Comparative Group.

Exhibit IV-1 displays the assumptions utilized in calculating the pro forma financial consequences of the Stock Offering. Exhibit IV-2 displays the pro forma financial data at the minimum, midpoint, maximum, and adjusted maximum levels of the Valuation Range. Exhibit IV-3 provides more detailed data and calculations at the pro forma midpoint level of the Valuation Range. Exhibit IV-4 compares the pro forma valuation ratios with the averages and medians reported by the Comparative Group.

Table 27
Comparative Pro Forma Market Valuation Analysis
 Computed from Market Price Data as of August 31, 2021

Company	Current Stock Price (\$)	Total Market Value (\$Mil.)	Price/ LTM EPS (x)	Price/ Core EPS (x)	Price/ Book Value (%)	Price/ Tang. Book (%)	Price/ Total Assets (%)	Total Equity/ Assets (%)	Tang. Equity/ Assets (%)	Current Dividend Yield (%)
NSTS Bancorp, Inc.⁽¹⁾										
Pro Forma Minimum	10.00	34.7	NM	NM	46.9	46.9	12.95	27.61	27.61	0.00
Pro Forma Midpoint	10.00	40.8	NM	NM	51.5	51.5	14.94	29.00	29.00	0.00
Pro Forma Maximum	10.00	46.9	NM	NM	55.6	55.6	16.86	30.33	30.33	0.00
Pro Forma Adj. Maximum	10.00	54.0	NM	NM	59.7	59.7	18.98	31.81	31.81	0.00
Comparative Group Average	NA	56.3	17.0	16.7	96.3	98.5	13.73	14.37	14.17	1.13
Comparative Group Median	NA	50.2	11.5	11.5	99.3	101.4	10.85	11.05	11.01	0.39
All Public Thrift Average⁽²⁾	NA	561.2	15.2	14.7	114.8	127.4	14.38	12.80	12.02	1.60
All Public Thrift Median⁽²⁾	NA	173.9	12.1	12.2	104.4	107.7	13.08	11.69	10.82	1.37
<u>Comparative Group</u>										
CBM Bancorp, Inc.	15.00	49.3	NM	NM	105.4	105.4	21.16	20.08	20.08	0.00
Cincinnati Bancorp, Inc.	14.64	42.9	10.1	10.0	101.3	101.7	17.36	17.13	17.08	0.00
Elmira Savings Bank	14.39	51.1	10.4	10.4	81.9	102.1	7.87	9.62	7.87	4.17
FFBW, Inc.	11.50	73.8	37.1	34.8	83.6	83.9	22.94	27.44	27.37	0.00
HMN Financial, Inc.	23.32	104.0	7.6	7.6	100.3	101.1	11.04	11.00	10.93	0.00
Home Federal Bancorp, Inc.	18.01	56.0	11.5	11.5	114.5	114.5	10.67	9.32	9.32	2.22
HV Bancorp, Inc.	21.66	47.1	6.5	6.5	113.7	113.7	8.59	7.55	7.55	0.00
IF Bancorp, Inc.	22.25	67.7	11.9	12.6	86.4	86.4	9.67	10.70	10.70	1.57
Mid-Southern Bancorp, Inc.	15.25	43.5	36.3	36.3	98.4	98.4	19.39	19.71	19.71	0.79
WVS Financial Corp.	15.80	27.5	21.4	20.6	77.6	77.6	8.60	11.09	11.09	2.53

(1) Pro forma ratios assume an estimated pro forma market value of \$34.7 million at the minimum, \$40.8 million at the midpoint, \$46.9 million at the maximum, and \$54.0 million at the adjusted maximum (inclusive of the shares of common stock issued to the charitable foundation).

(2) All public thrifts traded on a major exchange, excluding mutual holding companies and companies being acquired in announced merger transactions.

Source: North Shore MHC; S&P Global.

Exhibit I
Background of Feldman Financial Advisors, Inc.

Overview of Firm

Feldman Financial Advisors provides consulting and advisory services to financial institutions and mortgage companies in the areas of corporate valuations, mergers and acquisitions, strategic planning, branch sales and purchases, developing and implementing regulatory business and capital plans, and expert witness testimony and analysis. Our senior staff members have been involved in the stock conversion process since 1982 and have valued more than 350 converting institutions.

Feldman Financial Advisors was incorporated in February 1996 by a group of consultants who were previously associated with Credit Suisse First Boston and Kaplan Associates. Each of the principals at Feldman Financial Advisors has more than 35 years of experience in consulting, and all were officers of their prior firm. Our senior staff collectively has worked with more than 1,000 commercial banks, savings institutions, credit unions, insurance companies, and mortgage companies nationwide. The firm's office is located outside of Washington, D.C. in McLean, Virginia.

Background of Senior Professional Staff

Trent Feldman - President. Trent is a nationally recognized expert in providing strategic advice to and valuing financial service companies and advising on mergers and acquisitions. Trent was with Kaplan Associates for 14 years and was one of three founding principals at that firm. Trent also has worked at the Federal Home Loan Bank Board and with the California legislature. Trent holds Bachelor's and Master's Degrees from the University of California, Los Angeles.

Peter Williams - Principal. Peter specializes in merger and acquisition analysis, mutual-to-stock conversion valuations, corporate valuations, strategic business plans, and fair value accounting analysis. Peter previously was with Kaplan Associates for 13 years. Peter also worked as a Corporate Planning Analyst with the Wilmington Trust Company in Delaware. Peter holds a BA in Economics from Yale University and an MBA in Finance and Investments from The George Washington University.

Exhibit II-1
Consolidated Balance Sheets
North Shore MHC
As of December 31, 2019 and 2020 and June 30, 2021
(Dollars in Thousands)

	June 30,	December 31,	
	2021	2020	2019
<u>Assets</u>			
Cash and due from banks	\$ 1,086	\$ 884	\$ 1,008
Interest-bearing bank deposits	19,264	30,984	31,372
Time deposits with other financial institutions	6,199	12,436	20,171
Investment securities available for sale	98,284	81,620	68,569
Federal Home Loan Bank stock	550	512	512
Loans held for sale	379	1,972	722
Loans, net of unearned income	98,654	99,325	98,065
Allowance for loan losses	(792)	(870)	(388)
Loans, net	97,861	98,455	97,677
Premises and equipment, net	5,146	5,213	5,400
Accrued interest receivable	680	672	636
Bank-owned life insurance	8,978	8,890	8,707
Other assets	1,432	580	775
Total Assets	<u>\$ 239,858</u>	<u>\$ 242,219</u>	<u>\$ 235,549</u>
<u>Liabilities and Equity</u>			
Deposits:			
Non-interest bearing accounts	\$ 11,835	\$ 9,734	\$ 7,301
Demand and NOW checking	17,975	16,364	12,750
Money market accounts	45,578	50,143	52,928
Savings accounts	45,229	42,250	39,567
Time deposits over \$250,000	8,950	10,705	10,804
Other time deposits	54,838	57,207	61,022
Total Deposits	184,406	186,404	184,371
Escrow deposits	1,468	1,519	1,509
Other borrowings	5,000	4,000	-
Accrued expenses and other liabilities	3,109	3,571	3,904
Total Liabilities	<u>193,983</u>	<u>195,493</u>	<u>189,785</u>
Retained earnings	45,305	45,319	45,431
Accumulated other comprehensive income, net	570	1,406	333
Total Equity	<u>45,875</u>	<u>46,725</u>	<u>45,764</u>
Total Liabilities and Equity	<u>\$ 239,858</u>	<u>\$ 242,219</u>	<u>\$ 235,549</u>

Source: North Shore MHC, financial statements.

Exhibit II-2
Consolidated Income Statements
North Shore MHC
For the Years Ended December 31, 2019 and 2020
And the Six Months Ended June 30, 2020 and 2021
(Dollars in Thousands)

	Six Months Ended June 30,		Year Ended December 31,	
	2020	2019	2020	2019
Interest income	\$ 2,565	\$ 3,272	\$ 6,011	\$ 7,012
Interest expense	490	840	1,488	1,726
Net interest income	<u>2,075</u>	<u>2,432</u>	<u>4,523</u>	<u>5,286</u>
Provision for loan losses	17	220	464	97
Net interest income after provision	<u>2,058</u>	<u>2,212</u>	<u>4,059</u>	<u>5,189</u>
Service charges on deposit accounts	141	127	255	241
Gain on sale of mortgage loans	245	146	787	285
Gain on sale of securities	-	59	59	-
Gain on sale of other real estate owned	-	-	-	38
Rental income on office building	21	21	42	42
BOLI income	88	90	182	188
Other income	109	67	277	73
Total non-interest income	<u>604</u>	<u>510</u>	<u>1,603</u>	<u>867</u>
Salaries and employee benefits	1,691	1,799	3,691	3,514
Occupancy and equipment	341	352	689	770
Data processing	328	247	565	463
Advertising	38	39	68	101
Supervisory fees and assessments	63	53	117	89
Loan expenses	72	59	141	101
Foreclosure expenses	8	3	12	38
Other expense	372	476	995	653
Total non-interest income	<u>2,913</u>	<u>3,028</u>	<u>6,277</u>	<u>5,728</u>
Income (loss) before income taxes	(251)	(306)	(615)	328
Income tax benefit	<u>(237)</u>	<u>(82)</u>	<u>(503)</u>	<u>(86)</u>
Net income (loss)	<u>\$ (14)</u>	<u>\$ (224)</u>	<u>\$ (112)</u>	<u>\$ 414</u>

Source: North Shore MHC, financial statements.

Exhibit II-3
Loan Portfolio Composition
North Shore MHC
As of December 31, 2019 and 2020 and June 30, 2021
(Dollars in Thousands)

Loan Category	June 30, 2021		December 31,			
	Amount (000s)	Percent (%)	2020		2019	
			Amount (000s)	Percent (%)	Amount (000s)	Percent (%)
First mortgage loans:						
One- to four-family residential	\$ 87,874	89.72	\$ 87,198	88.38	\$ 88,030	90.41
Multi-family residential	5,202	5.31	5,736	5.81	6,438	6.61
Commercial real estate	4,565	4.66	5,340	5.41	2,682	2.75
Total first mortgage loans	<u>97,641</u>	<u>99.69</u>	<u>98,274</u>	<u>99.61</u>	<u>97,150</u>	<u>99.78</u>
Consumer loans	<u>303</u>	<u>0.31</u>	<u>385</u>	<u>0.39</u>	<u>217</u>	<u>0.22</u>
Gross total loans	<u>97,944</u>	<u>100.00</u>	<u>98,659</u>	<u>100.00</u>	<u>97,367</u>	<u>100.00</u>
Net deferred loan costs	709		666		699	
Allowance for loan losses	<u>(792)</u>		<u>(870)</u>		<u>(389)</u>	
Net total loans (1)	<u>\$ 97,861</u>		<u>\$ 98,455</u>		<u>\$ 97,677</u>	

(1) Excludes loans held for sale.

Source: North Shore MHC, financial data.

Exhibit II-4
Net Lending Activity
North Shore MHC

For the Years Ended December 31, 2019 and 2020
And the Six Months Ended June 30, 2020 and 2021
(Dollars in Thousands)

	Six Months Ended June 30,		Year Ended December 31,	
	2021	2020	2020	2019
<u>Loan Originations</u>				
One- to four-family residential loans	\$ 22,737	\$ 17,419	\$ 52,674	\$ 34,706
Commercial real estate loans	1,012	1,255	3,527	-
Multi-family residential loans	-	-	-	854
Consumer loans	12	14	334	161
Total loan originations	<u>23,761</u>	<u>18,688</u>	<u>56,535</u>	<u>35,721</u>
<u>Loan Sales and Repayments</u>				
Loans sold	(13,661)	(8,771)	(36,476)	(16,912)
Loan principal repayments	<u>(12,244)</u>	<u>(6,977)</u>	<u>(17,534)</u>	<u>(21,214)</u>
Total loan sales and repayments	<u>(25,905)</u>	<u>(15,748)</u>	<u>(54,010)</u>	<u>(38,126)</u>
Increase (decrease) due to other items, net	<u>(42)</u>	<u>(199)</u>	<u>(497)</u>	<u>(29)</u>
Net increase in total loans, net (1)	<u>\$ (2,186)</u>	<u>\$ 2,741</u>	<u>\$ 2,028</u>	<u>\$ (2,434)</u>

(1) Includes loans held for sale.

Source: North Shore MHC, financial data.

Exhibit II-5
Cash and Investments Composition
North Shore MHC
As of December 31, 2019 and 2020 and June 30, 2021
(Dollars in Thousands)

Cash or Investment Category	June 30,		December 31,			
	2021		2020		2019	
	Amount (000s)	Percent (%)	Amount (000s)	Percent (%)	Amount (000s)	Percent (%)
Cash and due from banks	\$ 1,086	0.87	\$ 884	0.70	\$ 1,008	0.83
Interest-bearing deposits	19,264	15.36	30,984	24.51	31,372	25.79
Certificates of deposit	6,199	4.94	12,436	9.84	20,171	16.58
Total cash and cash equivalents	26,549	21.17	44,304	35.04	52,550	43.20
Available-for-sale securities:						
Mortgage-backed securities	49,721	39.66	43,094	34.08	30,032	24.69
U.S. Govt. and agency obligations	8,448	6.74	7,147	5.65	6,977	5.74
Municipal obligations	11,105	8.86	10,980	8.68	19,112	15.71
Collateralized mortgage obligations	29,010	23.14	20,399	16.13	12,449	10.23
Total available-for-sale securities	98,284	78.39	81,620	64.55	68,569	56.37
Other investments:						
Federal Home Loan Bank stock	550	0.44	512	0.41	512	0.42
Total cash and investments	<u>\$ 125,382</u>	<u>100.00</u>	<u>\$ 126,437</u>	<u>100.00</u>	<u>\$ 121,632</u>	<u>100.00</u>
<hr style="border-top: 1px dashed black;"/>						
<u>Percent of total assets (%)</u>						
Cash and cash equivalents		11.07		18.29		22.31
Available-for-sale securities		40.98		33.70		29.11
Federal Home Loan Bank stock		0.23		0.21		0.22
Total cash and investments		<u>52.27</u>		<u>52.20</u>		<u>51.64</u>

Source: North Shore MHC, financial statements.

Exhibit II-6
Deposit Accounts Composition
North Shore MHC
As of December 31, 2019 and 2020 and June 30, 2021
(Dollars in Thousands)

Deposit Account Category	June 30,		December 31,			
	2021		2020		2019	
	Amount (000s)	Percent (%)	Amount (000s)	Percent (%)	Amount (000s)	Percent (%)
Savings accounts	\$ 45,229	24.53	\$ 42,250	22.68	\$ 39,567	21.47
Interest-bearing checking	17,975	9.74	16,365	8.78	12,750	6.92
Non-interest bearing	11,836	6.42	9,734	5.22	7,301	3.96
Money market accounts	45,578	24.72	50,143	26.90	52,927	28.71
Total Non-certificates	<u>120,618</u>	<u>65.41</u>	<u>118,492</u>	<u>63.57</u>	<u>112,545</u>	<u>61.04</u>
Certificates of deposit:						
0.00% - 0.99%	32,420	17.57	27,025	14.49	4,432	2.39
1.00% - 1.99%	9,863	5.34	17,326	9.28	38,674	20.97
2.00% - 2.99%	19,995	10.84	22,073	11.84	27,276	14.79
3.00% or more	1,510	0.82	1,488	0.80	1,444	0.78
Total Certificates	<u>63,788</u>	<u>34.59</u>	<u>67,912</u>	<u>36.43</u>	<u>71,826</u>	<u>38.96</u>
Total Deposits	<u>\$ 184,406</u>	<u>100.00</u>	<u>\$ 186,404</u>	<u>100.00</u>	<u>\$ 184,371</u>	<u>100.00</u>

Source: North Shore MHC, financial data.

Exhibit II-7
Borrowed Funds Composition
North Shore MHC
As of or For the Years Ended December 31, 2019 and 2020
And the Six Months Ended June 30, 2021
(Dollars in Thousands)

	Six Months Ended June 30, 2021	Year Ended December 31,	
		2020	2019
<u>Federal Home Loan Bank Advances</u>			
Average balance outstanding during the period	\$4,227	\$879	-
Balance outstanding at end of period	\$5,000	\$4,000	-
Maximum amount of borrowings outstanding at any month-end during the period	\$5,000	\$4,000	-
Weighted average interest rate during the period	0.00%	0.00%	-
Weighted average interest rate at end of period	0.00%	0.00%	-

Source: North Shore MHC, financial data.

Exhibit II-8
Office Properties
North Shore MHC
 As of June 30, 2021
 (Dollars in Thousands)

Location	Leased or Owned	Date of Lease Expiration	Net Book Value (\$000s)
<u>Main Office</u> 700 South Lewis Avenue Waukegan, Illinois 60085	Owned	NA	\$ 723
<u>Branch Offices</u> 1233 North Green Bay Road Waukegan, Illinois 60085	Owned	NA	955
3060 West Sand Lake Road Lindenhurst, Illinois 60046	Owned	NA	3,261
<u>Loan Production Office</u> 2149 West Roscoe Street Chicago, Illinois 60046308	Leased	12/31/31	NA

Source: North Shore MHC.

Exhibit III
Financial and Market Data for All Public Thrifts

Company	State	Ticker	Total Assets (\$Mil.)	Total Equity/ Assets (%)	Tang. Equity/ Assets (%)	LTM ROA (%)	LTM ROE (%)	Closing Price 8/31/21 (\$)	Total Market Value (\$Mil.)	Price/ LTM EPS (x)	Price/ Core EPS (x)	Price/ Book Value (%)	Price/ Tang. Book (%)	Price/ Total Assets (%)	Div. Yield (%)
All Public Thrifts (1)															
1895 Bancorp of Wisconsin, Inc.	WI	BCOW	606	9.96	9.96	0.25	2.26	10.94	70.1	40.5	NA	88.3	88.3	NA	0.00
Affinity Bancshares, Inc.	GA	AFBI	787	14.95	12.86	0.95	8.10	13.76	94.6	12.6	12.2	80.4	95.7	12.02	0.00
Axos Financial, Inc.	NV	AX	14,266	9.82	9.08	1.52	16.52	48.48	2,877.5	13.6	12.7	205.3	223.8	20.16	0.00
Blue Foundry Bancorp	NJ	BLFY	2,577	7.95	7.94	NA	(2.52)	13.49	384.8	NA	NA	NA	NA	0.05	0.00
Broadway Financial Corporation	CA	BYFC	1,041	13.78	11.30	(0.57)	(4.94)	3.67	160.3	NM	NM	187.4	236.6	25.36	0.00
Capitol Federal Financial, Inc.	KS	CFFN	9,650	12.83	12.70	0.79	5.88	11.54	1,564.4	21.0	21.2	129.5	130.9	16.60	2.95
Carver Bancorp, Inc.	NY	CARV	683	7.57	7.57	(0.86)	(11.89)	18.66	65.0	NM	NM	240.0	240.0	9.85	0.00
CBM Bancorp, Inc.	MD	CBMB	250	20.08	20.08	0.36	1.65	15.00	49.3	NM	NM	105.4	105.4	21.16	0.00
Cincinnati Bancorp, Inc.	OH	CNNB	250	17.13	17.08	1.72	11.34	14.64	42.9	10.1	10.0	101.3	101.7	17.36	0.00
Elmira Savings Bank	NY	ESBK	649	9.62	7.87	0.73	7.91	14.39	51.1	10.4	10.4	81.9	102.1	22.94	4.17
ESSA Bancorp, Inc.	PA	ESSA	1,822	10.93	10.23	0.85	8.29	16.72	164.4	10.5	10.6	88.7	95.6	9.70	2.87
FFBW, Inc.	WI	FFBW	353	27.44	27.37	0.66	2.21	11.50	73.8	37.1	NA	83.6	83.9	22.94	0.00
First Northwest Bancorp	WA	FNWB	1,787	10.55	10.55	0.84	7.33	18.84	170.5	12.8	15.3	101.9	101.9	10.76	1.27
FS Bancorp, Inc.	WA	FSBW	2,223	10.88	10.61	2.12	19.81	34.17	283.2	6.7	6.6	117.8	121.1	12.81	1.64
Generations Bancorp NY, Inc.	NY	GBNY	380	11.19	10.82	0.48	5.39	10.82	26.6	14.8	28.4	62.5	65.0	7.00	0.00
HarborOne Bancorp, Inc.	MA	HONE	4,616	15.28	13.91	1.42	9.07	14.13	730.0	11.9	11.8	111.6	124.6	17.06	1.42
Hingham Institution for Savings	MA	HIFS	2,974	11.02	11.02	2.47	23.38	324.50	695.2	10.3	13.6	212.1	212.1	23.38	0.63
Home Federal Bancorp, Inc.	MN	HMNF	981	11.00	10.93	1.53	13.83	23.32	104.0	7.6	7.6	100.3	101.1	11.04	0.00
Home Federal Bancorp, Inc.	LA	HFBL	566	9.32	9.32	0.99	10.46	18.01	56.0	11.5	11.5	114.5	114.5	10.67	2.22
HV Bancorp, Inc.	PA	HVBC	549	7.55	7.55	1.13	18.27	21.66	47.1	6.5	6.5	113.7	113.7	8.59	0.00
IF Bancorp, Inc.	IL	IROQ	797	10.70	10.70	0.72	6.35	22.25	67.7	11.9	12.7	84.5	84.5	9.04	1.57
Kearny Financial Corp.	NJ	KRNY	7,284	14.32	11.72	0.86	5.79	12.69	942.2	16.5	15.8	96.1	121.0	13.76	3.15
Magyar Bancorp, Inc.	NJ	MGYR	842	7.27	7.27	0.70	8.52	10.56	75.0	14.0	15.8	122.3	122.3	8.90	0.00
Mid-Southern Bancorp, Inc.	IN	MSVB	249	19.71	19.71	0.53	2.53	15.25	43.5	36.3	36.3	98.4	98.4	19.39	0.79
New York Community Bancorp, Inc.	NY	NYCB	57,469	12.03	8.16	1.08	8.86	12.52	5,822.2	10.3	11.7	90.8	146.0	10.22	5.43
Northeast Community Bancorp, Inc.	NY	NECB	1,077	14.94	14.89	1.40	8.79	10.62	173.9	12.7	NA	107.9	108.3	16.12	2.26
Northfield Bancorp, Inc.	NJ	NFBK	5,427	13.88	13.21	1.09	7.98	16.90	858.6	14.0	13.0	114.1	120.7	15.83	3.08
PCSB Financial Corporation	NY	PCSB	1,875	14.64	14.36	0.68	4.55	18.23	287.5	21.7	21.8	104.7	107.2	15.33	1.32
Provident Bancorp, Inc.	MA	PVBC	1,585	14.61	14.61	1.00	6.26	16.23	226.1	19.3	17.7	127.9	127.9	18.68	0.99
Provident Financial Holdings, Inc.	CA	PROV	1,184	10.75	10.75	0.64	6.05	17.40	130.8	17.4	23.4	103.1	103.1	11.09	3.22
Provident Financial Services, Inc.	NJ	PFS	13,217	12.69	9.52	1.26	9.98	22.07	1,685.7	10.5	10.5	102.4	141.5	13.00	4.17

Exhibit III (continued)
Financial and Market Data for All Public Thrifts

Company	State	Ticker	Total Assets (\$Mil.)	Total Equity/ Assets (%)	Tang. Equity/ Assets (%)	LTM ROA (%)	LTM ROE (%)	Closing Price 8/31/21 (\$)	Total Market Value (\$Mil.)	Price/ LTM EPS (x)	Price/ Core EPS (x)	Price/ Book Value (%)	Price/ Tang. Book (%)	Price/ Total Assets (%)	Div. Yield (%)
Prudential Bancorp, Inc.	PA	PBIP	1,125	11.68	11.17	0.54	4.86	14.80	115.4	18.7	20.8	88.4	92.9	10.32	1.89
Randolph Bancorp, Inc.	MA	RNDB	744	13.53	13.53	2.95	21.36	20.11	98.0	4.9	4.8	104.9	105.0	14.20	0.00
Riverview Bancorp, Inc.	WA	RVSB	1,617	9.71	8.14	1.06	10.31	7.34	162.3	10.5	10.7	104.2	126.5	10.11	2.72
Spirit of Texas Bancshares, Inc.	TX	STXB	3,085	12.25	9.71	1.38	11.56	23.65	406.1	9.8	9.3	107.5	139.4	13.16	2.03
Sterling Bancorp, Inc.	MI	SBT	3,417	9.57	9.57	(0.16)	(1.82)	5.31	268.0	NM	NM	82.0	82.0	7.84	0.00
Territorial Bancorp Inc.	HI	TBNK	2,132	11.78	11.78	0.90	7.57	25.29	227.7	12.3	13.6	94.8	94.8	11.18	3.64
Timberland Bancorp, Inc.	WA	TSBK	1,740	11.69	10.85	1.72	14.52	29.04	242.6	8.7	8.7	119.2	129.7	13.94	2.89
Triumph Bancorp, Inc.	TX	TBK	6,016	13.17	8.83	2.00	15.90	82.22	2,035.0	18.1	18.9	276.2	448.0	34.58	0.00
TrustCo Bank Corp NY	NY	TRST	6,123	9.45	9.44	0.96	9.95	32.09	618.2	11.0	11.0	106.8	106.9	10.10	4.25
Waterstone Financial, Inc.	WI	WSBF	2,202	19.61	19.58	4.25	22.45	20.28	484.1	5.2	5.1	118.4	118.6	23.22	3.94
Western New England Bancorp, Inc.	MA	WNEB	2,477	9.03	8.47	0.77	8.13	8.58	206.5	11.3	10.9	92.3	99.1	8.34	2.33
William Penn Bancorporation	PA	WMPN	822	26.38	25.85	0.49	2.93	12.00	182.0	46.2	45.7	83.9	86.2	22.14	1.07
WSFS Financial Corporation	DE	WSFS	15,149	12.42	9.13	1.92	15.01	45.41	2,158.6	8.1	7.9	114.6	161.7	14.25	1.15
WVS Financial Corp.	PA	WVFC	346	11.09	11.09	0.39	3.40	15.80	27.5	21.4	20.6	77.6	77.6	8.60	2.53
Average			4,111	12.80	12.02	1.06	8.31	NA	561.2	15.2	14.7	114.8	127.4	14.38	1.59
Median			1,617	11.69	10.82	0.92	8.10	NA	173.9	12.1	12.2	104.4	107.7	13.08	1.32

(1) Public thrifts traded on NYSE, NYSE American, and NASDAQ stock markets; excludes companies subject to pending acquisitions or mutual holding company ownership.

Source: S&P Global Market Intelligence.

Exhibit IV-1
Pro Forma Assumptions for the Stock Offering

1. The total amount of the net offering proceeds was fully invested at the beginning of the applicable period.
2. The net offering proceeds are invested to yield a return of 0.87%, which represented the yield on five-year U.S. Treasury securities at June 30, 2021. The effective income tax rate was assumed to be 21.0%, resulting in a net after-tax yield of 0.69%.
3. It is assumed that 8.0% of the total shares of common stock to be sold in the Stock Offering will be acquired by the Company's employee stock ownership plan ("ESOP"). Pro forma adjustments have been made to earnings and equity to reflect the impact of the ESOP. The annual expense is estimated based on a 25-year loan to the ESOP from the Company. No re-investment is assumed on proceeds used to fund the ESOP.
4. It is assumed that the Company's restricted stock plan ("RSP") will purchase in the open market a number of shares equal to 4.0% of the total shares sold in the Stock Offering. Also, it is assumed that these shares are acquired at the initial public offering price of \$10.00 per share. Pro forma adjustments have been made to earnings and equity to reflect the impact of the RSP. The annual expense is estimated based on a five-year vesting period. No re-investment is assumed on proceeds used to fund the RSP.
5. It is assumed that an additional 10.0% of the total shares sold in the Stock Offering will be reserved for issuance by the Company's stock option plan. The pro forma net income has been adjusted to reflect the expense associated with the granting of options at an assumed options value of \$3.56 per option. It is further assumed that options for all shares reserved under the plan were granted to plan participants at the beginning of the period and 25.0% were non-qualified options for income tax purposes, the options would vest at a rate of 20.0% per year, and compensation expense will be recognized on a straight-line basis over the five-year vesting period.
6. The fair value of stock options has been estimated at \$3.56 per option using the Black-Scholes option pricing model with the following assumptions: a grant-date share price and option exercise price of \$10.00; dividend yield of 0.00%; an expected option life of 10 years; a risk-free interest rate of 1.45%; and a volatility rate of 24.79% based on the NASDAQ Bank Index.
7. Fixed offering expenses are estimated at \$1,400,000. As a variable component of offering expenses, sales commission expenses paid to the marketing agent equal 1.00% of the amount of stock sold in the Stock Offering.
8. No effect has been given to withdrawals from deposit accounts for the purpose of purchasing common stock in the Stock Offering.
9. No effect has been given in the pro forma equity calculation for the assumed earnings on the net proceeds.

Exhibit IV-2
North Shore MHC
Pro Forma Conversion Valuation Range
Historical Financial Data as of June 30, 2021
(Dollars in Thousands, Except Per Share Data)

	<i>MINIMUM</i>	<i>MIDPOINT</i>	<i>MAXIMUM</i>	<i>ADJ. MAX.</i>
Total shares outstanding	3,469,388	4,081,633	4,693,878	5,397,959
Shares sold in the offering	3,400,000	4,000,000	4,600,000	5,290,000
Shares issued to foundation	69,388	81,633	93,878	107,959
Offering price	\$10.00	\$10.00	\$10.00	\$10.00
Pro forma market value	\$34,694	\$40,816	\$46,939	\$53,980
Gross offering proceeds	\$34,000	\$40,000	\$46,000	\$52,900
Less: estimated offering expenses	(1,740)	(1,800)	(1,860)	(1,929)
Net offering proceeds	32,260	38,200	44,140	50,971
Less: cash contribution to foundation	(150)	(150)	(150)	(150)
Less: ESOP purchase	(2,776)	(3,265)	(3,755)	(4,318)
Less: RSP purchase	(1,388)	(1,633)	(1,878)	(2,159)
Net investable proceeds	\$27,946	\$33,152	\$38,357	\$44,344
Net income - LTM ended 6/30/21	\$98	\$98	\$98	\$98
Pro forma income on net proceeds	192	228	264	305
Pro forma ESOP adjustment	(88)	(103)	(119)	(136)
Pro forma RSP adjustment	(219)	(258)	(297)	(341)
Pro forma option adjustment	(234)	(275)	(317)	(364)
Pro forma net income	(\$251)	(\$310)	(\$371)	(\$438)
Pro forma earnings per share	(\$0.08)	(\$0.08)	(\$0.09)	(\$0.09)
Core earnings - LTM ended 6/30/21	\$115	\$115	\$115	\$115
Pro forma income on net proceeds	192	228	264	305
Pro forma ESOP adjustment	(88)	(103)	(119)	(136)
Pro forma RSP adjustment	(219)	(258)	(297)	(341)
Pro forma option adjustment	(234)	(275)	(317)	(364)
Pro forma core earnings	(\$234)	(\$293)	(\$354)	(\$421)
Pro forma core earnings per share	(\$0.07)	(\$0.08)	(\$0.08)	(\$0.08)
Total equity - 6/30/21	\$45,875	\$45,875	\$45,875	\$45,875
Net offering proceeds	32,260	38,200	44,140	50,971
Plus: common stock issued to foundation	694	816	939	1,080
Less: charitable contribution expense	(667)	(763)	(860)	(971)
Less: ESOP purchase	(2,776)	(3,265)	(3,755)	(4,318)
Less: RSP purchase	(1,388)	(1,633)	(1,878)	(2,159)
Pro forma total equity	\$73,998	\$79,230	\$84,461	\$90,478
Pro forma book value	\$21.33	\$19.41	\$17.99	\$16.76
Tangible equity - 6/30/21	\$45,875	\$45,875	\$45,875	\$45,875
Net offering proceeds	32,260	38,200	44,140	50,971
Plus: common stock issued to foundation	694	816	939	1,080
Less: charitable contribution expense	(667)	(763)	(860)	(971)
Less: ESOP purchase	(2,776)	(3,265)	(3,755)	(4,318)
Less: RSP purchase	(1,388)	(1,633)	(1,878)	(2,159)
Pro forma tangible equity	\$73,998	\$79,230	\$84,461	\$90,478
Pro forma tangible book value	\$21.33	\$19.41	\$17.99	\$16.76
Total assets - 6/30/21	\$239,858	\$239,858	\$239,858	\$239,858
Net offering proceeds	32,260	38,200	44,140	50,971
Plus: common stock issued to foundation	694	816	939	1,080
Less: charitable contribution expense, net	(667)	(763)	(860)	(971)
Less: ESOP purchase	(2,776)	(3,265)	(3,755)	(4,318)
Less: RSP purchase	(1,388)	(1,633)	(1,878)	(2,159)
Pro forma total assets	\$267,981	\$273,213	\$278,444	\$284,461
Pro Forma Ratios:				
Price / LTM EPS	NM	NM	NM	NM
Price / Core EPS	NM	NM	NM	NM
Price / Book Value	46.88%	51.52%	55.59%	59.67%
Price / Tangible Book Value	46.88%	51.52%	55.59%	59.67%
	12.95%	14.94%	16.86%	18.98%
Price / Total Assets				
Total Equity / Assets	27.61%	29.00%	30.33%	31.81%
Tangible Equity / Assets	27.61%	29.00%	30.33%	31.81%

Exhibit IV-3
Pro Forma Conversion Analysis at the Midpoint Value
North Shore MHC
Historical Financial Data as of June 30, 2021

<u>Valuation Parameters</u>	<u>Symbol</u>	<u>Data</u>								
Net income -- LTM	Y	\$ 98,000								
Core earnings -- LTM	Y	115,000								
Net worth	B	45,875,000								
Tangible net worth	B	45,875,000								
Total assets	A	239,858,000								
Expenses in conversion	X	1,800,000								
Other proceeds not reinvested	O	4,898,000								
ESOP purchase	E	3,265,000								
ESOP expense (pre-tax)	F	130,380								
RSP purchase	M	1,633,000								
RSP expense (pre-tax)	N	326,582								
Stock option expense (pre-tax)	Q	290,612								
Cash contribution to foundation	C	150,000								
Stock contribution to foundation	K	816,330								
Option expense tax-deductible	D	25.00%								
Re-investment rate (after-tax)	R	0.69%								
Tax rate	T	21.00%								
Shares for EPS	S	92.32%								
 Pro Forma Valuation Ratios at Midpoint Value										
Price / LTM EPS	P/E	NM								
Price / Core EPS	P/E	NM								
Price / Book Value	P/B	51.52%								
Price / Tangible Book	P/TB	51.52%								
Price / Assets	P/A	14.94%								
 Pro Forma Calculation at Midpoint Value										
V	=	$\frac{(P/E / S) * ((Y-R * (O+X)) - (F+N) * (1-T) - (Q-Q * D * T))}{1 - (P/E / S) * R}$	=	\$40,816,330	[LTM earnings]					
V	=	$\frac{(P/E / S) * ((Y-R * (O+X)) - (F+N) * (1-T) - (Q-Q * D * T))}{1 - (P/E / S) * R}$	=	\$40,816,330	[Core earnings]					
V	=	$\frac{P/B * (B + K - X - E - M - (C+K) * (1-T))}{1 - P/B}$	=	\$40,816,330	[Book value]					
V	=	$\frac{P/TB * (B + K - X - E - M - (C+K) * (1-T))}{1 - P/TB}$	=	\$40,816,330	[Tangible book]					
V	=	$\frac{P/A * (A + K - X - E - M - (C+K) * (1-T))}{1 - P/A}$	=	\$40,816,330	[Total assets]					
 Pro Forma Valuation Range										
Minimum	=	\$40,816,330	x	0.85	=	\$34,693,880	=	\$34,000,000	=	\$693,880
Midpoint	=	\$40,816,330	x	1.00	=	\$40,816,330	=	\$40,000,000	=	\$816,330
Maximum	=	\$40,816,330	x	1.15	=	\$46,938,780	=	\$46,000,000	=	\$938,780
Adj. Max.	=	\$46,938,780	x	1.15	=	\$53,979,590	=	\$52,900,000	=	\$1,079,590

Exhibit IV-4
Comparative Valuation Ratio Analysis
Pro Forma Conversion Valuation
 Computed from Market Price Data as of August 31, 2021

Valuation Ratio	Symbol	North Shore MHC	Comparative Group		All Public Thrifts (1)	
			Average	Median	Average	Median
Price / LTM EPS	P/E		17.0	11.5	15.2	12.1
Minimum	(x)	NM	NA	NA	NA	NA
Midpoint		NM	NA	NA	NA	NA
Maximum		NM	NA	NA	NA	NA
Adjusted Maximum		NM	NA	NA	NA	NA
Price / Core EPS	P/E		16.7	11.5	14.7	12.2
Minimum	(x)	NM	NA	NA	NA	NA
Midpoint		NM	NA	NA	NA	NA
Maximum		NM	NA	NA	NA	NA
Adjusted Maximum		NM	NA	NA	NA	NA
Price / Book Value	P/B		96.3	99.3	114.8	104.4
Minimum	(%)	46.9	-51.3%	-52.8%	-59.1%	-55.1%
Midpoint		51.5	-46.5%	-48.1%	-55.1%	-50.7%
Maximum		55.6	-42.3%	-44.0%	-51.6%	-46.8%
Adjusted Maximum		59.7	-38.0%	-39.9%	-48.0%	-42.9%
Price / Tangible Book	P/TB		98.5	101.4	127.4	107.7
Minimum	(%)	46.9	-52.4%	-53.8%	-63.2%	-56.5%
Midpoint		51.5	-47.7%	-49.2%	-59.6%	-52.2%
Maximum		55.6	-43.6%	-45.2%	-56.4%	-48.4%
Adjusted Maximum		59.7	-39.4%	-41.2%	-53.2%	-44.6%
Price / Total Assets	P/A		13.73	10.85	14.38	13.08
Minimum	(%)	12.95	-5.7%	19.3%	-10.0%	-1.0%
Midpoint		14.94	8.8%	37.6%	3.9%	14.2%
Maximum		16.86	22.8%	55.3%	17.2%	28.9%
Adjusted Maximum		18.98	38.2%	74.8%	32.0%	45.1%

(1) Excludes companies subject to mutual holding company ownership or pending acquisition.