

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

FORM 10-K

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2024

Or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

Commission File Number 001-41232

NSTS BANCORP, INC.

(Exact name of the registrant as specified in its charter)

Delaware
(State or Other Jurisdiction of Incorporation or Organization)

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

700 S. Lewis Ave., Waukegan, Illinois
(Address of principal executive offices)

60085
(Zip Code)

(847) 336-4430
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value \$0.01 share	NSTS	NASDAQ Capital Market

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes No

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

Accelerated filer

Non-accelerated filer

Smaller reporting company

Emerging growth company

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 13(a) of the Exchange Act.

Indicate by check mark whether the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

If securities are registered pursuant to Section 12(b) of the Act, indicate by check mark whether the financial statements of the Registrant included in the filing reflect the correction of an error to previously issued financial statements.

Indicate by check mark whether any of those error corrections are restatements that required a recovery analysis of incentive-based compensation received by any of the Registrant's executive officers during the relevant recovery period pursuant to §240.10D-1(b).

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

The aggregate market value of the Registrant's voting common stock held by non-affiliates based on the closing price of the common stock on June 30, 2024 was \$47.1 million.

As of March 27, 2025, the Registrant had 5,247,826 shares of its common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Registrant's proxy statement for its Annual Meeting of Stockholders, scheduled to be held May 21, 2025, are incorporated by reference into Part III of this Form 10-K.

Auditor Name: Plante & Moran, PLLC Auditor Location: Chicago, Illinois Auditor Firm ID: 166

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PART I

Item 1. Business

Forward-Looking Statements

This filing 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;
- changes in the level and direction of loan delinquencies and charge-offs and changes in estimates of the adequacy of the allowance for credit losses;
- fluctuations in real estate values and both residential and commercial real estate market conditions;
- 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;
- our ability to manage our liquidity and to access cost-effective funding, including significant fluctuations in our deposit accounts;
- major catastrophes such as tornadoes, floods or other natural disasters, as well as public health emergencies and pandemics, 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;
- interruptions involving information technology and communications systems of service providers;
- breaches or failures of information security controls or cyber-related incidents;
- 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;
- adverse changes in the securities markets;

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- changes in laws or government regulations or policies affecting financial institutions, including changes in regulatory fees and capital requirements, especially in light of the new United States presidential administration;
- 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 reliance on our executive officers; 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. Except as required by applicable law or regulation, we do not undertake, and we specifically disclaim any obligation, to update any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events.

NSTS Bancorp, Inc.

NSTS Bancorp, Inc. ("NSTS" or the "Company", "we" or "our") is a Delaware corporation which was incorporated in September 2021. As a savings and loan holding company, NSTS Bancorp, Inc. is regulated by the Board of Governors of the Federal Reserve System ("Federal Reserve Board"). NSTS Bancorp, Inc. was formed to serve as the stock holding company for North Shore Trust and Savings (the "Bank") in connection with the conversion of North Shore Trust and Savings, NSTS Financial Corporation and North Shore MHC, from the mutual to the stock form of organization, which was completed on January 18, 2022. NSTS Bancorp Inc.'s executive offices are located at 700 S. Lewis Ave., Waukegan, Illinois 60085, and its telephone number is (847) 336-4430.

NSTS Bancorp, Inc. completed its stock offering in connection with the conversion on January 18, 2022. NSTS Bancorp, Inc. sold 5,290,000 shares of common stock at \$10.00 per share in its subscription offering for gross proceeds of approximately \$52.9 million. In connection with the conversion, it also issued 107,959 shares of common stock and \$150,000 in cash to NSTS Charitable Foundation, Inc. Shares of NSTS Bancorp, Inc.'s common stock began trading on January 19, 2022 on The Nasdaq Capital Market under the trading symbol "NSTS."

NSTS Bancorp, Inc., as the holding company of North Shore Trust and Savings, is authorized to pursue other business activities permitted by applicable laws and regulations, which may include the acquisition of banking and financial services companies. We currently have no agreements to acquire other financial institutions or financial services companies, although we may determine to do so in the future.

NSTS Bancorp, Inc.'s cash flow depends on earnings from the investment of the net proceeds of the stock offering and from any dividends it receives 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. NSTS Bancorp, Inc. does not own or lease any property, but instead pays North Shore Trust and Savings for the use of its premises, furniture and equipment. We employ as officers of NSTS Bancorp, Inc. only persons who are also officers of North Shore Trust and Savings. However, we use the support staff of North Shore Trust and Savings from time to time. We pay North Shore Trust and Savings for the time devoted to NSTS Bancorp, Inc. by employees of North Shore Trust and Savings; however, these individuals are not separately compensated by NSTS Bancorp, Inc. NSTS Bancorp, Inc. may hire additional employees, as appropriate, to the extent it expands its business in the future.

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. The Bank is a wholly owned subsidiary of NSTS Bancorp, Inc., and operates 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 three loan production offices in Chicago, Aurora and Plainfield, 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”).

Our Business and Franchise

For over 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 is 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 Federal Home Loan Bank of Chicago (“FHLB”). 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, one- to four- family residential construction loans and consumer loans. North Shore Trust and Savings derives its income principally from interest earned on loans and investment securities, the gain on sale of mortgage loans sold into the secondary mortgage market, 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.

Our business strategy is to continually enhance our products and services with a focus on one- to four- family residential first mortgage loans, and to maintain our holdings of commercial real estate and multi-family residential real estate loans. Our traditional lending market is centered in our retail branch area of Lake County, Illinois. We are also an active originator of residential home loans in Lake County, Illinois as well as other counties in the greater Chicagoland area, as well as Kenosha County in Wisconsin. We established a loan production office in 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. To complement the existing offices, during the third quarter of 2023, we established two additional loan production offices in Aurora and Plainfield, Illinois to expand our loan originations within the Chicagoland area. The lending team originates loans as Oak Leaf Community Mortgage, powered by North Shore Trust and Savings. As of December 31, 2024, \$119.4 million, or 91.2% of our total loan portfolio, consisted of 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 filing.

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 three loan production offices located in Chicago, Plainfield and Aurora, Illinois. We currently are evaluating sites for additional loan production branch offices in surrounding communities to be established over the next few years.

Our market area consists of Lake County, Cook County and Will County which are located in Illinois, and Kenosha County which is located in Wisconsin. The largest employers in Lake County are pharmaceutical and healthcare 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. Will County's largest employers include Amazon and the local school district. Kenosha County's largest employers include Amazon, Uline, and Snap-on. Overall, Lake, Cook, Will and Kenosha counties have a diversified employment base which helps to maintain a relatively stable economy.

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.

Operating Segment

While the Company has assigned certain management responsibilities by region and business line, the Company's chief decision-maker monitors and evaluates financial performance on a Company-wide basis. The majority of the Company's revenue is from the business of banking and the Company's assigned business lines have similar economic characteristics, products, services and customers. Accordingly, all of the Company's operations are considered by management to be aggregated in one reportable operating segment.

Lending Activities

General. As of December 31, 2024, our net loan portfolio totaled \$130.4 million or 46.8% 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, one- to four- family residential construction 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.

	December 31,			
	2024		2023	
	Amount	%	Amount	%
(Dollars in thousands)				
First mortgage loans:				
1-4 family residential	\$ 119,409	91.22%	\$ 111,081	91.97%
Multi-family	3,368	2.57%	3,111	2.58%
Commercial	4,197	3.21%	3,835	3.17%
Construction	3,651	2.79%	2,508	2.08%
Total first mortgage loans	130,625		120,535	
Consumer loans	282	0.21%	248	0.20%
Total loans	130,907	100.00%	120,783	100.00%
Net deferred loan costs	650		1,016	
Allowance for credit losses	(1,201)		(1,176)	
Total loans, net	\$ 130,356		\$ 120,623	

Contractual Terms to Final Maturities. The following table shows the scheduled contractual maturities of our loans as of December 31, 2024, before giving effect to net deferred loan costs and the allowance for credit 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.

	1-4 Family Residential	Multi-Family Residential	Commercial	Construction	Consumer	Total
	(Dollars in thousands)					
Amounts due after December 31, 2024 in:						
One year or less	\$ 116	\$ —	\$ 198	\$ —	\$ 43	\$ 357
After one year through two years	160	—	—	93	48	301
After two years through three years	218	—	—	189	68	475
After three years through five years	2,940	515	183	—	79	3,717
After five years through ten years	7,981	—	1,716	—	36	9,733
After ten years through 15 years	15,006	1,726	1,863	—	6	18,601
After 15 years	92,988	1,127	237	3,369	2	97,723
Total	\$ 119,409	\$ 3,368	\$ 4,197	\$ 3,651	\$ 282	\$ 130,907

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The following table shows the dollar amount of our loans as of December 31, 2024, due after December 31, 2025, as shown in the preceding table, which have fixed interest rates or which have floating or adjustable interest rates.

	<u>Fixed-Rate</u>	<u>Floating or Adjustable-Rate</u>	<u>Total at December 31, 2024</u>
		(Dollars in thousands)	
1-4 family residential	\$ 80,330	\$ 38,963	\$ 119,293
Multi-family	515	2,853	3,368
Commercial	71	3,928	3,999
Construction	3,462	189	3,651
Consumer	181	58	239
Total	<u>\$ 84,559</u>	<u>\$ 45,991</u>	<u>\$ 130,550</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 at our office locations in Lindenhurst, Plainfield and Aurora, 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"). With the addition of the Oak Leaf Community Mortgage lending team in 2023, we sell the majority of loans originated that conform to secondary market standards into the secondary market. Our portfolio underwriting standards allow for unique portfolio products that do not conform with those secondary market standards, with exceptions for factors such as the borrower's job status or income, debt-to-income ratios, credit score, 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.

Further, although we have not previously purchased participation interests in commercial real estate mortgage loans, we will consider purchasing such participation interests 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, purchased, sold and repaid during the periods indicated.

	Year Ended December 31,	
	2024	2023
(Dollars in thousands)		
Loan originations:		
1-4 family residential	\$ 83,709	\$ 29,077
Multi-family	517	—
Commercial	979	928
Construction	3,500	2,510
Consumer	144	164
Total loan originations	\$ 88,849	\$ 32,679
Loans sold	53,129	3,358
Loan principal repayments	24,758	11,153
Total loans sold and principal repayments	\$ 77,887	\$ 14,511
Change due to other items, net ⁽¹⁾	(391)	(524)
Net increase in loans, net and loans held for sale	\$ 10,571	\$ 17,644

(1) Other items consist of deferred fees and the change in allowance for credit losses.

One to Four-Family Residential Mortgage Lending. Our primary lending continues to be the origination of loans secured by first mortgages on one to four-family residences in our market area. As of December 31, 2024, \$119.4 million, or 91.2% of our total loan portfolio, consisted of one to four-family residential mortgage loans.

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, and 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. Beginning in 2024, the majority of loan originations that conform to secondary market standards are sold, on a servicing released basis, to the secondary mortgage market. We offer a variety of specialized portfolio loan products to address the needs of borrowers who do not meet secondary market standards. 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 December 31, 2024, approximately 32.7% of our one to four-family residential mortgage loans maturing after December 31, 2025 were ARM loans. The interest rate on our ARM loans is based on either the Wall Street Journal Prime rate, the one-year Treasury rate or SOFR.

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. We 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 the portfolio and we generally exercise our rights under these clauses.

Multi-Family Residential and Commercial Real Estate Lending. At December 31, 2024, our multi-family residential mortgage loans amounted to \$3.4 million, or 2.6% 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 December 31, 2024, our largest multi-family residential mortgage loan relationship, which consists of two loans, was \$1.3 million, 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 December 31, 2024, we had a total of 10 multi-family residential mortgage loans and the average size of our multi-family residential mortgage loans was approximately \$337,000.

Our commercial real estate loan portfolio amounted to \$4.2 million, or 3.2% of the total loan portfolio, at December 31, 2024. 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. The two largest commercial real estate loans outstanding were \$1.6 million and \$1.1 million, and both loans were paying in accordance with all of 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 involves 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 December 31, 2024, 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, 2024 and 2023.

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.

Construction Lending. At December 31, 2024, our construction lending amounted to \$3.7 million, or 2.8% of the total loan portfolio. The construction loan portfolio consisted of 13 loans, the largest totaling \$940,000, which is the construction of a single family home in the Chicago, Illinois metro area expected to be completed in 2025, in which the loan will convert to a conventional mortgage loan with a remaining term of 29 years. In addition to single family residential construction projects, our construction lending consists of land loans for properties zoned for residential construction. There are unfunded commitments of \$4.8 million related to construction loans as of December 31, 2024.

Consumer Lending. 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 \$282,000, or 0.2%, of our total loan portfolio at December 31, 2024. At December 31, 2024, 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. We had no charge-offs on consumer loans during the years ended December 31, 2024 and 2023.

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. As of December 31, 2024, the maximum loan amount that may be approved by an individual officer is \$766,550, which is consistent with secondary market limits for conforming loans. Loans up to \$1.0 million are reviewed by a single member of our management loan committee and loans up to \$1.75 million 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 \$2.5 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," substandard, doubtful 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 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. Prior to the time of foreclosure, our policy is to obtain an appraisal on real estate subject to foreclosure proceedings. 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 problem and potential problem loans in accordance with generally accepted accounting principles. Loans are reviewed on a regular basis. Loans are listed on the "watch/special mention list" where management has some concern that the collateral or debt service ability may not be adequate, although the collectability of the contractual loan payments is still probable. If a loan deteriorates in asset quality, the classification is changed to "substandard," "doubtful" or "loss" depending on the circumstances and the evaluation. When a loan is identified for individual evaluation for expected credit losses, the measurement of the loan in the allowance for credit losses is based on present value of expected future cash flows, except that expected credit losses for all collateral-dependent loans are measured based on the fair value of the collateral. As of December 31, 2024, and 2023, loans identified for individual evaluation of expected credit losses, amounted to \$0 and \$200,000, 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."

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 credit 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. General valuation allowances represent loss allowances which have been established to recognize the estimated credit 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.

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Our allowance for credit 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 individually evaluated loans. The general components cover non-classified loans and are based on proxy expected lifetime loss rates, adjusted for bank-specific facts and circumstances. The allowance for credit losses is maintained by management at a level believed adequate to absorb estimated credit losses that are expected to occur within the existing loan portfolio through their contractual terms. However, actual losses are dependent upon future events and, as such, further additions to the level of the allowance for credit 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 December 31, 2024, we had no loans classified as "special mention," "doubtful," "loss," or "substandard."

Modifications on loans to borrowers experiencing financial difficulty. 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. There were no modifications on loans to borrowers experiencing financial difficulty during the years ended December 31, 2024 and 2023.

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)						
December 31, 2024						
1-4 family residential	\$ 371	\$ —	\$ —	\$ 371	\$ 119,038	\$ 119,409
Multi-family	—	—	—	—	3,368	3,368
Commercial	—	—	—	—	4,197	4,197
Construction	—	—	—	—	3,651	3,651
Consumer	—	—	—	—	282	282
Total	\$ 371	\$ —	\$ —	\$ 371	\$ 130,536	\$ 130,907
December 31, 2023						
1-4 family residential	\$ 131	\$ —	\$ 200	\$ 331	\$ 110,750	\$ 111,081
Multi-family	—	—	—	—	3,111	3,111
Commercial	—	—	—	—	3,835	3,835
Construction	—	—	—	—	2,508	2,508
Consumer	—	—	—	—	248	248
Total	\$ 131	\$ —	\$ 200	\$ 331	\$ 120,452	\$ 120,783

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 credit losses on our classified loans at December 31, 2024 and 2023.

	At December 31,	
	2024	2023
	(Dollars in thousands)	
Substandard loans	\$ —	\$ 200
Doubtful loans	—	—
Loss loans	—	—
Total classified loans	\$ —	\$ 200

In addition to classified loans, our other real estate owned, (“OREO”) is classified as substandard. There were no OREO properties as of December 31, 2024 and 2023.

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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.

	At December 31,	
	2024	2023
	(Dollars in thousands)	
Non-accruing loans:		
1-4 family residential	\$ —	\$ 200
Multi-family	—	—
Commercial	—	—
Construction	—	—
Consumer	—	—
Total non-accruing loans	\$ —	\$ 200
Accruing loans 90 days or more past due:		
1-4 family residential	—	—
Multi-family	—	—
Commercial	—	—
Construction	—	—
Consumer	—	—
Total accruing loans 90 days or more past due	—	—
Total non-performing loans	—	200
Other real estate owned	—	—
Total non-performing assets	—	200
Total loans outstanding	\$ 130,907	\$ 120,783
Total assets outstanding	\$ 278,688	\$ 256,776
Total non-accruing loans as a percentage of total loans outstanding	—%	0.17%
Total non-performing loans as a percentage of total loans outstanding	—%	0.17%
Total non-performing loans as a percentage of total assets	—%	0.08%
Total non-performing assets as a percentage of total assets	—%	0.08%

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

	At or for the Year Ended December 31,	
	2024	2023
	(Dollars in thousands)	
Total loans outstanding at end of period	\$ 130,907	\$ 120,783
Total non-accrual loans at end of period	—	200
Total non-performing loans at end of period	—	200
Total average loans outstanding	133,176	107,438
Allowance for credit losses, beginning of period	1,176	624
Cumulative effect of ASU 2016-13 adoption (CECL)	N/A	384
Provision for credit losses	25	168
Charge-offs:		
1-4 family residential	—	—
Multi-family	—	—
Commercial	—	—
Construction	—	—
Consumer	—	—
Total charge-offs	\$ —	\$ —
Recoveries on loans previously charged-off:		
1-4 family residential	\$ —	\$ —
Multi-family	—	—
Commercial	—	—
Construction	—	—
Consumer	—	—
Total recoveries	\$ —	\$ —
Net (recoveries) charge-offs	\$ —	\$ —
Allowance for credit losses, end of period	\$ 1,201	\$ 1,176
Allowance for credit losses as a percent of non-performing loans	—%	588.00%
Allowance for credit losses as a percent of total loans outstanding	0.92%	0.97%
Allowance for credit losses as a percent of total non-accrual loans	—%	588.00%
Ratio of net (recoveries) charge-offs during the period to average loans outstanding during the period	0.00%	0.00%

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The allowance for credit losses is established through a provision for credit losses. We maintain the allowance at a level believed, to the best of management's knowledge, to cover estimated lifetime credit losses in the loan portfolio at each reporting date. Management reviews the allowance for credit losses on no less than a quarterly basis. 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 both December 31, 2024 and December 31, 2023 our allowance for credit losses amounted to \$1.2 million. The establishment of the allowance for credit 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 credit losses. Such agencies may require North Shore Trust and Savings to make additional provisions for estimated credit losses based upon judgments different from those of management.

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

	At December 31,					
	2024			2023		
	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	Percent of Loans in Category to Total Loans
	(Dollars in thousands)					
1-4 family residential	\$ 1,056	87.93%	91.22%	\$ 1,094	93.03%	91.97%
Multi-family	37	3.08%	2.57%	40	3.40%	2.58%
Commercial	41	3.41%	3.21%	37	3.15%	3.17%
Construction	65	5.41%	2.79%	4	0.34%	2.08%
Consumer	2	0.17%	0.21%	1	0.08%	0.20%
Total	\$ 1,201	100.00%	100.00%	\$ 1,176	100.00%	100.00%

Investment Activities

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, corporate debt obligations and federal funds. Our investment strategy is established by the board of directors.

	At December 31,			
	2024		2023	
	Amortized Cost	Market Value	Amortized Cost	Market Value
	(Dollars in thousands)			
Securities available-for-sale				
U.S. Treasuries	\$ —	\$ —	\$ 2,995	\$ 2,973
U.S. Government and agency obligations	9,719	8,657	10,234	9,106
Municipal obligations	14,103	11,736	15,451	13,570
Mortgage-backed securities	30,681	25,915	34,884	30,351
Collateralized mortgage obligations	28,783	24,941	30,073	26,135
Total securities available-for-sale	\$ 83,286	\$ 71,249	\$ 93,637	\$ 82,135

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 December 31, 2024, our securities available-for-sale portfolio totaled \$71.2 million, or 25.6% of total assets at such date. The largest component of our investment securities portfolio at December 31, 2024 was investment in pass-through mortgage-backed securities issued by Fannie Mae, Ginnie Mae and Freddie Mac, which amounted to \$25.9 million, followed by collateralized mortgage obligations issued by Fannie Mae, Ginnie Mae and Freddie Mac, which amounted to \$24.9 million. Our investment in U.S. government and federal agency obligations as of December 31, 2024, was \$8.7 million and our investment in municipal obligations as of December 31, 2024, was \$11.7 million. During the year ended December 31, 2024, the investments in short term U.S. Treasuries matured, resulting in no holdings at the end of the year.

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 December 31, 2024, all securities were classified as securities available for sale. At December 31, 2024, 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. At December 31, 2024, the available-for-sale securities portfolio had a net unrealized loss position of \$12.0 million. Some investment securities held in the portfolio have declined in value but do not presently represent realized losses. Unrealized losses on investment securities have not been recognized into income because the securities 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 and increased market interest rates. The fair values are expected to recover as the securities approach their maturity dates.

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 December 31, 2024. 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 based on average remaining life. The below yields represent tax equivalent yield.

	Amounts at December 31, 2024, Which Mature In				
	One Year or Less	After One through Five Years	After Five through 10 Years	Over 10 Years	Total
	(Dollars in thousands)				
Securities available for sale:					
U.S. Government and agency obligations	\$ 1,000	\$ 3,047	\$ 4,610	\$ —	\$ 8,657
Municipal obligations	—	1,452	2,401	7,883	11,736
Mortgage-backed securities	—	8,971	15,794	1,150	25,915
Collateralized mortgage obligations	—	15,086	7,786	2,069	24,941
Total	<u>\$ 1,000</u>	<u>\$ 28,556</u>	<u>\$ 30,591</u>	<u>\$ 11,102</u>	<u>\$ 71,249</u>
Weighted average yield:					
U.S. Government and agency obligations	4.54%	2.30%	1.53%	N/A	2.12%
Municipal obligations	N/A	2.43	2.62	2.27	2.35
Mortgage-backed securities	N/A	1.77	2.06	2.61	1.94
Collateralized mortgage obligations	N/A	2.04	2.00	1.94	2.02
Total weighted average yield	<u>4.54%</u>	<u>1.99%</u>	<u>2.00%</u>	<u>2.14%</u>	<u>2.05%</u>

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

	At December 31,	
	2024	2023
	(Dollars in thousands)	
Fixed-rate	\$ 70,095	\$ 80,899
Adjustable-rate	1,154	1,236
Total securities available for sale	\$ 71,249	\$ 82,135

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 December 31, 2024, 51.2% 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. During 2023 and 2024, we offered a CD Special that attracted funds into Time Deposits. We continue to see a strong retention of our 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 December 31,			
	2024		2023	
	Amount	%	Amount	%
	(Dollars in thousands)			
Certificate accounts:				
0.00% - 0.99%	\$ 5,938	3.12%	\$ 12,301	7.29%
1.00% - 1.99%	18,246	9.60%	13,064	7.74%
2.00% - 2.99%	7,093	3.73%	12,260	7.26%
3.00% - 3.99%	538	0.28%	4,336	2.57%
4.00% - 4.99%	26,540	13.96%	1,968	1.16%
5.00% - or more	34,464	18.12%	23,326	13.82%
Total certificate accounts	\$ 92,819	48.81%	\$ 67,255	39.84%
Transaction accounts:				
Savings	\$ 41,544	21.85%	\$ 41,774	24.74%
Checking:				
Interest-bearing	14,930	7.85%	15,346	9.09%
Noninterest-bearing	11,896	6.26%	12,424	7.36%
Money market	28,967	15.23%	32,027	18.97%
Total transaction accounts	\$ 97,337	51.19%	\$ 101,571	60.16%
Total deposits	\$ 190,156	100.00%	\$ 168,826	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.

	At and for the Year Ended December 31,					
	2024			2023		
	Average Balance	Interest Expense	Average Rate Paid	Average Balance	Interest Expense	Average Rate Paid
	(Dollars in thousands)					
Savings accounts	\$ 41,273	\$ 62	0.15%	\$ 45,696	\$ 68	0.15%
Checking-interest bearing	15,316	8	0.05%	16,714	9	0.05%
Money market	30,617	196	0.64%	36,875	226	0.61%
Time deposit	80,485	2,734	3.40%	56,573	1,033	1.83%
Total interest-bearing deposits	\$ 167,691	\$ 3,000	1.79%	\$ 155,858	\$ 1,336	0.86%
Total deposits	\$ 178,921	\$ 3,000	1.68%	\$ 168,682	\$ 1,336	0.79%

The following table shows, by various interest rate categories and maturities, the amount of time deposits as of December 31, 2024.

Time deposit	Balance at December 31, 2024					
	Maturing in the 12 Months Ending December 31,					
	2025	2026	2027	2028	Thereafter	Total
	(Dollars in thousands)					
0.00% - 0.99%	\$ 4,085	\$ 859	\$ 994	\$ —	\$ —	\$ 5,938
1.00% - 1.99%	10,486	2,204	307	2,631	2,618	18,246
2.00% - 2.99%	1,499	813	380	1,576	2,825	7,093
3.00% - 3.99%	—	—	206	332	—	538
4.00% - 4.99%	13,096	9,138	345	3,961	—	26,540
5.00% - or more	34,464	—	—	—	—	34,464
Total certificate accounts	\$ 63,630	\$ 13,014	\$ 2,232	\$ 8,500	\$ 5,443	\$ 92,819

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The following table shows the maturities of our time deposits in excess of the FDIC insurance limit (generally, \$250,000) as of December 31, 2024 by time remaining to maturity.

Quarter Ending:	Amount	Weighted Average Rate
	(Dollars in thousands)	
March 31, 2025	\$ 3,098	3.88%
June 30, 2025	2,288	4.32%
September 30, 2025	1,732	5.00%
December 31, 2025	7,516	4.50%
After December 31, 2025	7,356	3.70%
Total time deposits with balances of \$250,000 or more	<u>\$ 21,990</u>	<u>4.17%</u>

The amount of our total deposits with accounts over the FDIC's insurance limit of \$250,000 was \$44.5 million or 23.4% of total deposits, and \$34.3 million or 20.3% of total deposits, at December 31, 2024 and 2023, respectively.

Borrowings. There were no additional borrowings made during the year ended December 31, 2024. In June 2023, the Company borrowed \$5.0 million from the FHLB Chicago at a rate of 4.78% for 24 months, payable on June 20, 2025. The advance is collateralized by loans pledged to the FHLB and is payable at maturity, with a prepayment penalty if repayment is made prior to the maturity date. Additionally, during the fourth quarter of 2023, the Company borrowed \$10.0 million from the Federal Reserve Bank of Chicago as part of the Bank Term Funding Program, at a rate of 5.31% for 12 months, payable in November 2024. The borrowing was repaid in December 2023. The borrowing was collateralized by securities pledged to the FRB and was payable at maturity with no prepayment penalty.

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

	At or For the Year Ended December 31,	
	2024	2023
	(Dollars in thousands)	
FHLB of Chicago advances and other borrowings:		
Average balance outstanding	\$ 5,000	\$ 3,461
Maximum amount outstanding at any month-end during the period	5,000	15,000
Balance outstanding at end of period	5,000	5,000
Average interest rate during the period	4.8%	5.0%
Weighted average interest rate at end of period	4.8%	4.8%

As of December 31, 2024, there was \$5.0 million in outstanding borrowings with the FHLB Chicago. The Bank is eligible to borrow up to a total of \$78.1 million and \$77.2 million at December 31, 2024 and 2023, respectively, which would be collateralized by \$103.8 million and \$102.6 million of first mortgage loans under a blanket lien arrangement at December 31, 2024 and 2023, respectively. Additionally, at December 31, 2024 and 2023 we had a \$10.0 million federal funds line of credit with the BMO Harris Bank, none of which was drawn at December 31, 2024 and 2023.

Expense and Tax Allocation

North Shore Trust and Savings has an agreement with NSTS Bancorp, Inc., to provide it with certain administrative support services for compensation not less than the fair market value of the services provided. During the year ended December 31, 2024, the total of these services was \$1.3 million. In addition, North Shore Trust and Savings and NSTS Bancorp, Inc. have an agreement that establishes a method for allocating and for reimbursing the payment of their consolidated tax liability.

Employees and Human Capital Resources

At December 31, 2024, we had 53 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 is a key to our future success. We continue to elevate individuals from within the organization into new roles and 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.

During the year ended December 31, 2023, as part of the strategic growth initiatives, the Bank hired a mortgage lending team of 10 individuals, operating as Oak Leaf Community Mortgage, powered by North Shore Trust and Savings. These additional employees joined the Bank between September 11, 2023 and October 2, 2023. During the year ended December 31, 2024, the Bank continued to invest in the mortgage lending team, adding additional loan officers and support staff.

In an effort to continue our investment in our employees and as part of the conversion, North Shore Trust and Savings established the Employee Stock Ownership Plan ("ESOP") for its employees. Shares held in the ESOP will be released and allocated to employees on an annual basis based on the ratio of each such participant's annual compensation.

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.

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.

Beginning in 2022, NSTS Bancorp, Inc. filed a consolidated federal income tax return with North Shore Trust and Savings. Any cash distributions made by NSTS Bancorp, Inc. to its stockholders would be treated as cash dividends and not as returns of capital to stockholders 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.

Corporate Dividends-Received Deduction. NSTS Bancorp, Inc., as an affiliate of North Shore Trust and Savings, is 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. is 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.

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 (the "DIF"), 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 FHLB 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 (known as an institution's CAMELS rating). These CAMELS 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 CAMELS 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, the Community Reinvestment Act of 1977 (the "CRA") 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.

The Consumer Financial Protection Bureau (the "CFPB"), has broad rulemaking, supervisory and enforcement powers under various federal consumer financial protection laws with respect to certain consumer financial products and services, including the ability to require reimbursements and other payments to customers for alleged legal violations. The CFPB has the authority to impose significant penalties, as well as injunctive relief that prohibits lenders from engaging in allegedly unlawful practices. The CFPB is also authorized to engage in consumer financial education, track consumer complaints, request data and promote the availability of financial services to underserved consumers and communities. Although all institutions are subject to rules adopted by the CFPB and examination by the CFPB in conjunction with examinations by the institution's primary federal regulator, the CFPB has primary examination and enforcement authority over banks with assets of \$10.0 billion or more. The OCC has primary responsibility for examination of North Shore Trust and Savings and enforcement with respect to various federal consumer protection laws so long as North Shore Trust and Savings has total consolidated assets of less than \$10.0 billion, and state authorities are responsible for monitoring our compliance with all state consumer laws. The CFPB also has the authority to require reports from institutions with less than \$10.0 billion in assets, such as North Shore Trust and Savings, to support the CFPB in implementing federal consumer protection laws, supporting examination activities, and assessing and detecting risks to consumers and financial markets.

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

Any change in applicable laws or regulations, whether by the OCC, the FDIC, the CFPB, the Federal Reserve Board, the SEC or the U.S. 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 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 filing, 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 \$20.0 billion or less as of December 31, 2017, and is referred to as the covered savings association ("CSA") election.

A federal savings association that has exercised the CSA 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 CSA. The CSA is also subject to the same duties, restrictions, liabilities and limitations applicable to a national bank. A CSA 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 CSA 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 CSA may generally not retain any assets, subsidiaries or activities not permitted for national banks.

Applicable regulations authorize a federal association that has exercised the CSA election to terminate the election and thereby again operate as a federal savings association that has not made a CSA election. North Shore Trust and Savings has not exercised the CSA election and has no current plans to elect to be treated as a CSA.

Capital Requirements. Federal regulations require federally insured depository institutions to meet several minimum capital standards: a common Tier 1 capital to risk-based assets ratio of 4.5%, a Tier 1 capital to risk-based assets ratio of 6%, a total capital to risk-based assets ratio of 8%, and a 4% Tier 1 capital to total assets (known as the "leverage ratio").

The EGRRCPA required the federal banking agencies, including the OCC, to establish a "community bank leverage ratio" ("CBLR") of between 8% and 10% for institutions with assets of less than \$10.0 billion. The CBLR is the ratio of a bank's tangible Tier 1 equity capital to average total consolidated assets and has been set 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 \$10.0 billion that meet other specified criteria. 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. 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. At December 31, 2024, North Shore Trust and Savings' CBLR was 23.53%.

As of December 31, 2024, North Shore Trust and Savings' capital exceeded all applicable requirements including the applicable conservation buffer.

Loans-to-One Borrower. Generally, a federal savings association, including a CSA, 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 December 31, 2024, 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. Furthermore, the current Capital Rules limit capital distributions if the institution does not hold a "capital conservation buffer" consisting of 2.5% common equity Tier 1 capital to risk-based assets above the amount necessary to meet its minimum risk-based capital requirements.

Community Reinvestment Act and Fair Lending Laws. All insured depository institutions have a responsibility under the CRA 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 CRA. A savings association's failure to comply with the provisions of the CRA could, at a minimum, result in denial of certain corporate applications such as branch or merger applications, or in restrictions on its activities. In addition, the Equal Credit Opportunity Act (the "ECOA") and the Fair Housing Act prohibit lenders from discriminating on the basis of race, creed or other prohibited factors in their lending practices. The failure to comply with the ECOA and the Fair Housing Act could result in enforcement actions by the OCC, as well as other federal regulatory agencies and the U.S. Department of Justice. The CRA requires all institutions insured by the FDIC to publicly disclose their rating. North Shore Trust and Savings received an "Outstanding" CRA rating in its most recent federal examination.

On October 24, 2023, the OCC, the FDIC and the Federal Reserve Board jointly issued a final rule to revise the CRA's implementing regulations. While the final rule formally took effect on April 1, 2024, the majority of its provisions have a compliance date of January 1, 2026. The final rule implements a revised regulatory framework that, like the current framework, is based on bank asset size and business model. Under the final rule, federal agencies will evaluate small banks (i.e., those with assets of less than \$600.0 million as of December 31 in either of the prior two calendar years), such as North Shore Trust and Savings, under either the current small bank test, referred to in the final rule as the Small Bank Lending Test or, at the Bank's option, the new "Retail Lending Test," however, banks of all sizes will maintain the option to elect to be evaluated under a strategic plan with the final rule updating the standards for obtaining approval for such plan. The new Retail Lending Test evaluates a bank's record of helping to meet the credit needs of its community through the origination and purchase of home mortgage, multifamily, small business, small farm and, in certain cases, automobile loans. For small banks that opt to be evaluated under the Retail Lending Test, the agencies will evaluate the distribution of the bank's major product lines in its facility-based assessment areas and any outside retail lending area, if applicable. For each applicable performance test, the agencies will assign conclusions reflecting the bank's performance in its facility-based assessment areas, and in the case of the new Retail Lending Test, the agencies will assign one of five conclusions to the bank: "Outstanding;" "High Satisfactory;" "Low Satisfactory;" "Needs to Improve;" or "Substantial Noncompliance." For small banks evaluated under the current Small Bank Lending Test, the agencies will assign one of four conclusions: "Outstanding;" "Satisfactory;" "Needs to Improve;" or "Substantial Noncompliance." At this time, we are unable to determine what impact, if any, the CRA reform may have on the operations of North Shore Trust and Savings.

Small Business Lending Rule. On March 30, 2023, the CFPB issued a final rule amending Regulation B, the implementing regulation of the ECOA, to implement section 1071 of the Dodd-Frank Act. Consistent with section 1071, covered financial institutions are required to collect and report to the CFPB data on applications for credit for small businesses, including those that are owned by women or minorities. The rule also addresses the CFPB's approach to privacy interests and the publication of section 1071 data, shielding certain demographic data from underwriters and other persons, recordkeeping requirements and enforcement provisions. Compliance with the small business lending rule beginning July 18, 2025 is required for covered financial institutions that originate the most covered credit transactions for small businesses (i.e., at least 2,500 covered originations in either 2022 and 2023 or 2023 and 2024). However, institutions with a moderate transaction volume (i.e., at least 500 but less than 2,500 covered originations in either 2022 and 2023 or 2023 and 2024) have until January 16, 2026 to begin complying with the rule and those with the lowest volume (i.e., at least 100 but less than 500 covered originations in either 2022 and 2023 or 2023 and 2024) have until October 18, 2026. A financial institution that did not originate at least 100 covered originations in calendar years 2022 and 2023 or 2023 and 2024, but subsequently originates at least 100 covered originations in two consecutive calendar years will be required to comply with the final rule. North Shore Trust and Savings had less than 100 covered originations in both 2022 and 2023 and 2023 and 2024, and therefore is not yet subject to comply.

Interchange Fees. The Dodd-Frank Act includes provisions that restrict interchange fees to those which are reasonable and proportionate for certain debit card issuers and limits the ability of networks and issuers to restrict debit card transaction routing, known as the Durbin Amendment. On October 25, 2023, the FRB proposed rules that would reduce the maximum permissible interchange fee cap and would adopt an approach for future adjustments to such cap. Although the interchange fee restrictions in the Durbin Amendment do not apply to debit card issuers with total assets of less than \$10.0 billion, which would include North Shore Trust and Savings, such restrictions may negatively impact the pricing all debit card processors may charge.

Incentive Compensation. The Dodd-Frank Act requires that the federal banking agencies issue a rule related to incentive-based compensation. No final rule implementing this provision of the Dodd-Frank Act has been adopted, but a proposed rule was published by the FDIC in May 2024. The proposed rule is intended to (i) prohibit incentive-based payment arrangements that the banking agencies determine could encourage certain financial institutions to take inappropriate risks by providing excessive compensation or that could lead to material financial loss, (ii) require the board of directors of those financial institutions to take certain oversight actions related to incentive-based compensation, and (iii) require those financial institutions to disclose information concerning incentive-based compensation arrangements to the appropriate federal regulator. While the proposed rule is not final, we have made efforts to ensure that our incentive compensation plans do not encourage unsound risks.

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 its implementing Regulation W. 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. is 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% stockholders, 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 restrictions, including limits on various types of loans.

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, stockholders, 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 actions by the OCC may range from the issuance of a capital directive, formal agreement or cease and desist order against institutions, and can also include the removal of officers and/or directors of the institution. The OCC can appoint receivers and/or conservators for the institutions it supervises if certain circumstances are met. Civil penalties can be assessed for various types of conduct against the institution and/or its officers and directors. The maximum civil money penalties that can be assessed are generally based on the type and severity of the violation, unsafe and unsound practice or other action, and are adjusted annually for inflation. 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 by the OCC, the FDIC has authority to take action under specified circumstances.

Assessments. Federal savings associations pay assessments to the OCC to fund its operations. The general assessments, paid on a semi-annual basis, are based upon the federal savings association's total assets (including consolidated subsidiaries), its financial condition and the complexity of its portfolio. During 2024, our assessments totaled \$44,835.

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.

Reserve Requirements. The Federal Reserve Board's regulations require insured depository institutions to maintain non-interest earning reserves against their transaction accounts (e.g., negotiable order of withdrawal accounts, standard checking accounts, etc.). On March 24, 2020, the Federal Reserve Board issued an interim final rule amending its Regulation D (Reserve Requirements of Depository Institutions, 12 CFR part 204) to lower reserve ratios on transaction accounts maintained at depository institutions to zero percent. While the Federal Reserve Board has indicated that it does not plan to reinstate such Regulation D reserve requirements, it may do so in the future. As of December 31, 2024, North Shore Trust and Savings was in compliance with these requirements.

Branching. A federal savings association that has elected CSA 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% or greater, a Tier 1 risk-based capital ratio of 8% or greater, a leverage ratio of 5% 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% or greater, a Tier 1 risk-based capital ratio of 6% or greater, a leverage ratio of 4% 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%, a Tier 1 risk-based capital ratio of less than 6%, a leverage ratio of less than 4% 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%, a Tier 1 risk-based capital ratio of less than 4%, a leverage ratio of less than 3% or a common equity Tier 1 ratio of less than 3%. 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%.

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% 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 CBLR regulatory capital framework provides that a qualifying institution whose capital exceeds the CBLR and opts to use that framework will be considered "well-capitalized" for purposes of prompt corrective action. As noted above, North Shore Trust and Savings elected to use the CBLR framework and its capital exceeds the CBLR. As a result, as of December 31, 2024, North Shore Trust and Savings met the criteria for being considered "well-capitalized."

Insurance of Deposit Accounts. The DIF 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 DIF.

Under the FDIC's risk-based assessment system, institutions deemed less risky of failure pay lower assessments. Assessments for institutions of less than \$10.0 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.

On November 16, 2023, the FDIC approved a final rule to implement a special assessment on certain banking organizations with financial institution subsidiaries with more than \$5.0 billion in assets, in order to recover the costs associated with protecting uninsured depositors following the closures of Silicon Valley Bank and Signature Bank in March 2023. The special assessment began being collected with the first quarterly assessment period of 2024 at an annual rate of approximately 13.4 basis points for an anticipated total of eight quarterly periods and is subject to periodic adjustments. The assessment base is equal to uninsured deposits reported as of December 31, 2022, adjusted to exclude the first \$5.0 billion. Because North Shore Trust and Savings' uninsured deposits at the measurement date were below \$5.0 billion, North Shore Trust and Savings was not subject to this special assessment.

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 (the "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.

In November 2021, the federal regulators finalized a rule concerning notification requirements for banks related to significant computer security incidents. Under the final rule, a bank or its holding company is required to notify its applicable federal banking regulators within 36 hours of incidents that have materially disrupted or degraded, or are reasonably likely to materially disrupt or degrade, the banking organization's ability to deliver services to a material portion of its customer base, jeopardize the viability of key operations of the organization, or impact the stability of the financial sector. The rule was effective April 1, 2022 and compliance was required as of May 1, 2022.

In March 2022, the Cyber Incident Reporting for Critical Infrastructure Act of 2022 ("CIRCIA") was signed into law. The enactment of CIRCIA requires the U.S. Department of Homeland Security's Cybersecurity and Infrastructure Security Agency ("CISA") to develop and implement regulations requiring covered entities to report covered cyber incidents and ransomware payments to CISA in an effort to better equip CISA to provide resources and assistance to victims suffering attacks and share information necessary to warn other potential victims. In part, CIRCIA requires CISA to develop and issue regulations requiring covered entities to report to CISA within 72 hours from the time an entity reasonably believes a covered cyber incident occurred and within 24 hours of making any ransom payments made as a result of a ransomware attack. CISA is required to complete mandatory rulemaking activities before the reporting requirements go into effect. On March 28, 2024, CISA issued a notice of proposed rulemaking to implement CIRCIA and, under such proposal, regulated financial institutions such as banks would be required to comply with CIRCIA. CISA has indicated that it intends to finalize the rule in late 2025. It is uncertain what impact, if any, the final CIRCIA rule may have on banks. NSTS will continue to monitor the status of this proposed rule going forward.

Anti-Money Laundering and the USA PATRIOT Act. North Shore Trust and Savings is subject to the Bank Secrecy Act (the "BSA") and the Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism Act of 2001 (the "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 U.S. Department of the Treasury (the "U.S. Treasury"), the Financial Crimes Enforcement Network ("FinCEN"), 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 BSA. North Shore Trust and Savings otherwise has implemented policies and procedures to comply with the foregoing requirements.

The U.S. Treasury's Office of Foreign Assets Control ("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 the U.S. 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.

On January 1, 2021, the U.S. Congress passed the Corporate Transparency Act (the "CTA") as part of 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 ("BOI") 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 \$5.0 million or less) to report BOI to FinCEN (which will be maintained by FinCEN 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 U.S. Treasury or the U.S. Attorney General resulting in monetary sanctions exceeding \$1.0 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 the People's Republic of China, the Russian Federation or certain other jurisdictions) for the purpose of combating illicit finance risks; and (v) expanded duties and enforcement powers for FinCEN. Many of the amendments, including those with respect to beneficial ownership, require FinCEN to promulgate rules.

On September 29, 2022, FinCEN finalized the first of three proposed rules to implement changes to the beneficial ownership requirements and related amendments set forth in the CTA. The final rule prescribes which corporate entities created in or registered to do business in the U.S. will be required to report BOI directly to FinCEN. This first rule is effective and compliance is required as of January 1, 2025 for reporting companies created or registered prior to January 1, 2024, however, on December 26, 2024, a federal appeals court issued a nationwide injunction halting enforcement of BOI reporting requirements. NSTS will continue to monitor the status of the BOI rule going forward.

On December 21, 2023, FinCEN finalized the second of the three proposed rules which allows for FinCEN, upon request, to disclose BOI to a statutorily defined group of governmental authorities and financial institutions. The second final rule identifies the entities FinCEN is allowed to provide access to BOI to include (i) federal agencies engaged in national security, intelligence or law enforcement activity, (ii) state, local and tribal law enforcement agencies with court authorization, (iii) foreign law enforcement agencies, judges, prosecutors and other authorities that meet specific criteria, (iv) U.S. Treasury personnel, (v) financial institutions using BOI in order to comply with customer due diligence ("CDD") requirements and (vi) regulators, acting in a supervisory capacity, evaluating such institutions for CDD-related compliance. The second final rule provides that such CDD requirements could include anti-money laundering ("AML") and countering the financing of terrorism ("CFT") obligations set forth under the BSA (e.g., anti-money laundering program, customer identification, suspicious activity reports filing and enhanced due diligence requirements) and compliance with the OFAC sanctions. This rule provides that FinCEN may disclose BOI to an authorized financial institution provided that such institution has developed and implemented administrative, technical, and physical safeguards reasonably designed to protect the information and has received the relevant reporting company's consent to such disclosure. The second final rule became effective on February 20, 2024.

On July 19, 2024, the federal banking agencies, proposed amendments to update the requirements for supervised institutions to establish, implement and maintain effective, risk-based and reasonably designed AML and CFT programs. The proposed amendments would require supervised institutions to identify, evaluate and document the regulated institution's money laundering, terrorist financing and other illicit finance activity risks, as well as consider FinCEN's published AML/CFT priorities. We are currently evaluating the effects, if any, of the proposed amendments on North Shore Trust and Savings and its AML programs were they to be adopted as final.

Brokered Deposits. The FDIA and FDIC regulations generally restrict the ability of an insured depository institution to accept, renew or rollover a brokered deposit if the institution's capital category is not "well capitalized" or, upon application to and a waiver from the FDIC, "adequately capitalized." Less-than-well-capitalized banks are further subject to limitations on the interest rates that they may pay on deposits. The characterization of deposits as "brokered" may lead to the imposition of higher assessments on such deposits. As required by the EGRRCPA, the FDIC's brokered deposit regulations provide a limited exception for reciprocal deposits for banks that are well managed and well capitalized (or adequately capitalized and have obtained a waiver from the FDIC as mentioned above). Under such limited exception, qualified banks are permitted for exemption from treatment as "brokered" deposits up to \$5.0 billion, or 20% of the bank's total liabilities in reciprocal deposits.

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;
- Truth-In-Lending Act, governing disclosures of credit terms to consumer borrowers;
- 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;
- Fair Debt Collection Act, governing the manner in which consumer debts may be collected by collection 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 FHLB System, which consists of 11 regional FHLBs. Each FHLB 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 FHLB. North Shore Trust and Savings was in compliance with this requirement as of December 31, 2024 based on its ownership of \$585,000 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 December 31, 2024, no impairment had been recognized.

Holding Company Regulation

NSTS Bancorp, Inc. is a unitary savings and loan holding company subject to regulation and supervision by the Federal Reserve Board. The Federal Reserve Board has 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 are limited to those activities permissible by law for financial holding companies (if an election to be treated as a financial holding company is made) 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 DIF, 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.

As a savings and loan holding company with less than \$3.0 billion in consolidated assets, NSTS Bancorp, Inc. is currently exempt from consolidated regulatory capital requirements.

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.

As a Delaware corporation, we are subject to the limitations of the Delaware General Corporation Law (the "DGCL"). The DGCL allows us to pay dividends only out of our surplus (as defined and computed in accordance with the provisions of the DGCL) or if we have no such surplus, out of our net profits for the fiscal year in which the dividend is declared and/or the preceding fiscal year.

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 Securities Exchange Act of 1934, as amended (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.

Future Legislation and Regulation

The new U.S. presidential administration has recently taken action to put new leadership in place at various U.S. federal bank supervisory agencies, including appointing a new Acting Chairman of the FDIC and Acting Comptroller of the OCC, and nominating individuals to serve as the permanent Comptroller of the OCC and Director of the CFPB. The administration has also indicated that it would like to see changes made to certain financial regulations, including the Dodd-Frank Act. Further, the U.S. Congress may enact legislation from time to time that affects the regulation of the financial services industry, and state legislatures may enact legislation from time to time affecting the regulation of financial institutions chartered by or operating in those states. Federal and state regulatory agencies also periodically propose and adopt changes to their regulations or change the manner in which existing regulations are applied. The substance or impact of the proposed new leadership changes at the federal bank supervisory agencies, pending or future legislation or regulation, and any changes to existing financial regulations, cannot be predicted, although these developments could affect the regulatory structure under which we operate and may materially impact our business operations. Our business, financial condition, results of operations or prospects may be adversely affected, perhaps materially, as a result.

Federal Securities Laws

NSTS Bancorp, Inc. common stock is registered with the SEC. Accordingly, NSTS Bancorp, Inc. is subject to the information, proxy solicitation, insider trading restrictions and other requirements under the Exchange Act.

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. We have established policies, procedures and systems designed to comply with the Sarbanes-Oxley Act of 2002 and its implementing regulations, and we review and document such policies, procedures and systems to ensure continued compliance.

Emerging Growth Company Status

NSTS Bancorp, Inc. is 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 following its initial public offering in 2022, or until the earliest of (a) the last day of the first fiscal year in which our annual gross revenues exceed \$1.235 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 \$700.0 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.

Availability of Annual Report on Form 10-K

This Annual Report on Form 10-K is available on our website at www.northshoretrust.com. Information on the website is not incorporated into, and is not otherwise considered a part of, this Annual Report on Form 10-K.

Subsidiaries

NSTS Bancorp, Inc.'s only subsidiary is North Shore Trust and Savings. The Bank does not have any subsidiaries.

Item 1A. Risk Factors

Not required for smaller reporting companies.

Item 1B. Unresolved Staff Comments

None.

Item 1C. Cybersecurity

NSTS Bancorp, Inc. relies extensively on various information systems and other electronic resources to operate our business. In addition, nearly all of our customers, service providers and other business partners on whom we depend, including the providers of our online banking, mobile banking, and accounting systems, use their own information systems and electronic resources. Any of these systems can be compromised, including through the employees, customers, and other individuals who are authorized to use them, and bad actors who use a sophisticated and constantly evolving set of software, tools, and strategies to do so. Moreover, the nature of our business, as a financial services provider, make us and our business partners high-value targets for these bad actors to pursue.

Accordingly, we have devoted significant resources to assessing, identifying and managing risks associated with cybersecurity threats, including:

- internal regular assessments of our information systems, existing controls, vulnerabilities and potential improvements;
- continuous monitoring tools that can detect and help respond to cybersecurity threats in real-time;
- performing due diligence with respect to our third-party service providers, including their cybersecurity practices, and requiring contractual commitments from our service providers to take certain cybersecurity measures;
- third-party cybersecurity consultants, who conduct periodic penetration testing, vulnerability assessments and other procedures to identify potential weaknesses in our systems and processes; and
- periodic cybersecurity training for our workforce.

This information security program is a key part of our overall risk management system, which is administered by our VP Information Technology. The program includes administrative, technical and physical safeguards to help ensure the security and confidentiality of customer records and information. These security and privacy policies and procedures are in effect across the Bank and each of its locations. The VP Information Technology reports directly to the board of directors on a quarterly, or more frequently if necessary, basis.

We face a number of cybersecurity risks in connection with our business. From time-to-time, we have identified cybersecurity threats that require us to make changes to our processes and to implement additional safeguards. While none of these identified threats have materially affected us, it is possible that threats and incidents we identify in the future could have a material adverse effect on our business, results of operations, and financial condition.

Item 2. Properties

We currently conduct business from our main office, two full-service branch offices and three loan production offices. 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 December 31, 2024.

Description/Address	Net Book Value of Property	Amount of Deposits
	(Dollars in thousands)	
Main Office:		
700 S. Lewis Avenue, Waukegan, Illinois 60085	\$ 969	\$ 114,166
Branch Offices:		
1233 N. Green Bay Road, Waukegan, Illinois 60085	1,010	48,985
3060 W. Sand Lake Road, Lindenhurst, Illinois 60046	3,221	27,005
Total	\$ 5,200	\$ 190,156
Loan Production Offices:		
875 North Michigan Avenue, Chicago, Illinois 60611 ⁽¹⁾	N/A	N/A
75 Executive Dr, Aurora, Illinois 60504 ⁽¹⁾	N/A	N/A
24252 West Main Street, Plainfield, Illinois 60544 ⁽¹⁾	N/A	N/A

⁽¹⁾The loan production offices are leased by North Shore Trust and Savings and do not accept deposits. The leases are short-term in nature and expire in 3-12 months and are expected to be renewed.

Item 3. Legal Proceedings

We are not presently involved in any legal proceedings of a material nature. From time to time, we are subject to various legal actions arising in the normal course of our business. In the opinion of management, the resolution of these legal actions is not expected to have a material adverse effect on our financial condition, results of operations or cash flows.

Item 4. Mine Safety Disclosures

Not Applicable.

PART II**Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

NSTS Bancorp, Inc.'s common stock is listed on the Nasdaq Capital Market, under the symbol “NSTS”. As of March 24, 2025, there were 5,599,859 shares of our common stock issued and 5,247,826 shares outstanding, which were held by approximately 222 stockholders of record (excluding the number of persons or entities holding stock in street name through various brokerage firms). Our common stock began trading on the Nasdaq Capital Market on January 19, 2022, with an initial price of \$10.00 per share.

We do not currently intend to pay cash dividends to our stockholders, and no assurances can be given that any such dividends will be paid in the future. The payment and amount of any dividends will be subject to statutory and regulatory limitations, and will depend upon a number of factors, including the following: regulatory capital requirements; our financial condition and results of operations; our other uses of funds for the long-term value of stockholders; tax considerations; and general economic conditions.

We are 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 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.

Additionally, Federal Reserve policy could restrict future dividends on our common stock, depending on our earnings and capital position and likely needs. See “Supervision and Regulation – Federal Banking Regulations - Capital Distributions” and “Supervision and Regulation - Holding Company Regulations”.

Issuer Purchases of Securities

Effective December 21, 2023, the Company's Board of Directors authorized a new share repurchase program that authorizes the Company to repurchase up to an aggregate of 265,763 shares, or 5%, of its then outstanding common stock. The program was in effect until December 31, 2024.

The following table sets forth information about the Company's purchases of its common stock during the three months ended December 31, 2024. There were no repurchases during the month ended December 31, 2024.

Period	(a)	(b)	(c)	(d)
	Total number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased As part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet to be Purchased Under the Plans or Programs
October 1 - October 31, 2024	12,766	\$ 10.73	12,766	201,152
November 1 - November 31, 2024	29,121	11.13	29,121	172,031
December 1 - December 31, 2024	—	N/A	—	172,031
Total	41,887	\$ 11.01	41,887	172,031

There were no unregistered sales of NSTS Bancorp, Inc.'s common stock during the year ended December 31, 2024.

Item 6. [Reserved]

Item 7. 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 NSTS Bancorp, Inc. and North Shore Trust and Savings for the years ended December 31, 2024 and 2023. The purpose of this discussion is to provide information about our financial condition and results of operations which is not otherwise apparent from the consolidated financial statements. You should read the information in this section in conjunction with the other business and financial information provided in this annual report.

Overview

North Shore Trust and Savings is a community-oriented savings institution headquartered in Waukegan, Illinois. Our business strategy is to continually enhance our products and services with a focus on one- to four- family residential first mortgage loans, and to maintain our holdings of commercial real estate and multi-family residential real estate loans. Our traditional lending market is centered in our retail branch area of Lake County, Illinois and has expanded to counties in the greater Chicagoland area in Illinois as well as Kenosha County in Wisconsin. We currently operate three full-service banking offices in Lake County, Illinois and three loan production offices in Chicago, Plainfield and Aurora, Illinois. Our primary sources of funds consist 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 December 31, 2024, we had total assets of \$278.7 million, including \$130.4 million in net loans and \$71.2 million of securities available for sale, total deposits of \$190.2 million and total equity of \$76.5 million. For the year ended December 31, 2024, we had a net loss of \$789,000 compared to a net loss of \$4.0 million for the year ended December 31, 2023.

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 credit 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. We expect that our noninterest expenses will increase as we grow and expand our operations. Our results of operations and financial condition are also significantly affected by general economic and competitive conditions, particularly changes in interest rates, changes in accounting guidance, government policies and actions of regulatory authorities.

Critical Accounting Policies

In reviewing and understanding financial information for NSTS Bancorp, Inc., 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 included within this filing. 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 Credit Losses. On January 1, 2023, we adopted the new CECL accounting methodology which requires entities to estimate and recognize an allowance for lifetime expected credit losses for loans and other financial assets measured at amortized cost. The accounting estimates relating to the allowance for credit losses is a “critical accounting policy” as:

- changes in the provision for credit losses can materially affect our financial results;
- estimates relating to the allowance for credit losses require us to project future borrower performance, including cash flows, delinquencies and charge-offs, along with, when applicable, collateral values, based on a reasonable and supportable forecast period utilizing forward-looking economic scenarios in order to estimate probability of default and loss given default;
- the allowance for credit losses is influenced by factors outside of our control such as industry and business trends, geopolitical events and the effects of laws and regulations as well as economic conditions such as trends in housing prices, interest rates, GDP, inflation, energy prices and unemployment; and
- considerable judgment is required to determine whether the models used to generate the allowance for credit losses produce an estimate that is sufficient to encompass the current view of lifetime expected credit losses.

Because our estimates of the allowance for credit losses involve judgment and are influenced by factors outside our control, there is uncertainty inherent in these estimates. Our estimate of lifetime expected credit losses is inherently uncertain because it is highly sensitive to changes in economic conditions and other factors outside of our control. Changes in such estimates could significantly impact our allowance and provision for credit losses. See Note 1 – *Summary of Significant Accounting Policies* in the accompanying notes to the consolidated financial statements included elsewhere in this report for a discussion of our allowance for credit losses.

Comparison of Financial Condition at December 31, 2024 and December 31, 2023

	At December 31,	
	2024	2023
	(Dollars in thousands)	
Selected Consolidated Financial Condition Data:		
Total assets	\$ 278,688	\$ 256,776
Cash and cash equivalents	53,481	31,388
Securities available for sale	71,249	82,135
Federal Home Loan Bank stock	585	550
Loans held for sale	1,218	380
Loans, net	130,356	120,623
Total deposits	190,156	168,826
Other borrowings	5,000	5,000
Total equity	76,490	77,545

Total Assets. Total assets increased \$21.9 million to \$278.7 million as of December 31, 2024 compared to \$256.8 million at December 31, 2023. The increase was driven by an increase in loans, net, funded by an increase in time deposits and a reduction in securities available for sale due to maturities and principal payments of securities.

Cash and cash equivalents. Cash and cash equivalents increased \$22.1 million to \$53.5 million as of December 31, 2024, from \$31.4 million at December 31, 2023. The increase in cash was driven by an increase in time deposits during the same period and principal payments received on securities available for sale. Additionally, the Bank sold \$5.9 million of loans on December 30, 2024, resulting in an increase in cash held as of the end of the year. Currently, the Bank holds a majority of the cash on hand at the Federal Reserve Bank of Chicago, earning 4.40%, to keep the funds available to fund loan demand. Management continues to actively monitor our liquidity position on a daily basis and maintains levels of liquid assets deemed adequate.

Securities Available for Sale. Securities available-for-sale decreased to \$71.2 million as of December 31, 2024, compared to \$82.1 million at December 31, 2023. There were no purchases or sales of securities available-for-sale during the year ended December 31, 2024. During the year ended December 31, 2024, the Bank received principal payments of \$5.5 million, had maturities of \$4.3 million, had net premium amortization and discount accretion of \$515,000 and had an increase in the unrealized loss on the portfolio of \$535,000.

As of December 31, 2024, the securities available for sale portfolio included an unrealized loss position of \$12.0 million, or 14.5% of the total book value of the portfolio. Management monitors the portfolio for credit losses and believes that the decline in value does not presently represent realized losses and is due to market volatility and increased market interest rates. While the Bank does not currently intend to sell securities in a loss position, management may consider the opportunity to reposition the investment securities portfolio in the future.

Loans held for sale. Our loans held for sale increased \$838,000 to \$1.2 million at December 31, 2024 compared to \$380,000 at December 31, 2023. With the addition of Oak Leaf Community Mortgage during the late third and early fourth quarters of 2023, and the related increase in loan originations, management has increased the proportion of loan originations held for sale to the secondary market. During the year ended December 31, 2024, the Bank originated \$45.6 million in loans held for sale.

Loans, net. Our loans, net, increased by \$9.8 million to \$130.4 million at December 31, 2024 compared to \$120.6 million at December 31, 2023. The Bank originated \$43.2 million in loans to be held in the portfolio during the year ended December 31, 2024 and had loan principal payments and payoffs and changes to deferred fees and costs of \$25.0 million. In an effort to continue to grow loan originations, the Bank hired three additional mortgage loan originators during the year ended December 31, 2024. The Bank sold \$8.4 million in loans that were originally held in the portfolio to local community banks.

As of December 31, 2024, the allowance for credit losses on loans ("ACL") totaled \$1.2 million, an increase of \$25,000 compared to December 31, 2023. The increase in the ACL is driven by an increase in the portfolio loan balances, partially offset by a reduction in proxy expected lifetime loss rates due to high credit quality of the portfolio and positive economic factors such as a lower inflation rate and stable unemployment rates. As of December 31, 2024, there were no loans individually assessed and no loans were rated substandard or watch. As of December 31, 2024, the Bank has no non-accrual loans and two loans past due greater than 30 days. The Bank actively monitors the loan portfolio for signs of weakening credit quality, noting as of December 31, 2024 the portfolio remains of high quality with limited credit concerns.

Deposits. Total deposits increased \$21.4 million to \$190.2 million at December 31, 2024 compared to \$168.8 million at December 31, 2023. The increase in deposits is primarily within the time deposit accounts as the Bank continued to offer a competitive CD special during the year ended December 31, 2024. Based on current offering rates in our market area and our current deposit pricing strategy, as well as our strong historical deposit retention, management anticipates that a significant portion of maturing time deposits will be retained. Management continues to actively monitor the deposit balances and interest rates offered to maintain an adequate level of liquidity.

Other Borrowings. As of December 31, 2024, the Bank has \$5.0 million in outstanding advances from FHLB Chicago with a term of 24 months at 4.78%, that is scheduled to mature in June 2025. No additional borrowings were made during the year ended December 31, 2024.

Total Equity. Total equity decreased \$1.0 million to \$76.5 million at December 31, 2024. The decrease is primarily due to an increase in the unrealized loss position on the securities available-for-sale portfolio, a reduction in retained earnings due to a net loss during the year and an increase in treasury stock as a result of stock repurchases completed during the year ended December 31, 2024.

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.

	At or For the Year Ended December 31,					
	2024			2023		
	Average Outstanding Balance	Interest	Average Yield/Rate	Average Outstanding Balance	Interest	Average Yield/Rate
	(Dollars in thousands)					
Interest-earning assets:						
Loans	\$ 133,176	\$ 6,785	5.09%	\$ 107,438	\$ 4,360	4.06%
Interest-bearing bank deposits	35,554	1,613	4.54%	9,805	348	3.55%
Time deposits with other financial institutions	1,647	85	5.16%	2,736	94	3.44%
Securities available for sale	76,260	1,783	2.34%	114,744	2,902	2.53%
Federal Home Loan Bank stock	576	38	6.60%	550	24	4.36%
Total interest-earning assets	\$ 247,213	\$ 10,304	4.17%	\$ 235,273	\$ 7,728	3.28%
Noninterest-earning assets	19,626			21,550		
Total assets	\$ 266,839			\$ 256,823		
Interest-bearing liabilities:						
Interest-bearing demand	\$ 15,316	\$ 8	0.05%	\$ 16,714	\$ 9	0.05%
Money market	30,617	196	0.64%	36,875	226	0.61%
Savings	41,273	62	0.15%	45,696	68	0.15%
Time deposits	80,485	2,734	3.40%	56,573	1,033	1.83%
Total interest-bearing deposits	\$ 167,691	\$ 3,000	1.79%	\$ 155,858	\$ 1,336	0.86%
Other borrowings	5,000	243	4.86%	3,461	172	4.97%
Total interest-bearing liabilities	\$ 172,691	\$ 3,243	1.88%	\$ 159,319	\$ 1,508	0.95%
Noninterest-bearing liabilities	17,162			17,896		
Total liabilities	\$ 189,853			\$ 177,215		
Equity	76,986			79,608		
Total liabilities and equity	\$ 266,839			\$ 256,823		
Net interest income		\$ 7,061			\$ 6,220	
Interest rate spread ⁽¹⁾			2.29%			2.33%
Net interest-earning assets ⁽²⁾	74,522			75,954		
Net interest margin ⁽³⁾			2.86%			2.64%
Average interest-earning assets to average-interest bearing liabilities	143.15%			147.67%		

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

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

(3) 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.

	Years Ended December 31, 2024 vs. 2023		
	Increase (Decrease) Due to		Total
	Volume	Rate	Increase (Decrease)
	(Dollars in thousands)		
Interest-earning assets:			
Loans	\$ 1,174	\$ 1,251	\$ 2,425
Federal funds sold and interest-bearing deposits in other banks	1,144	121	1,265
Time deposits in other banks	(46)	37	(9)
Investment securities	(913)	(206)	(1,119)
FHLB of Chicago stock	1	13	14
Total interest-earning assets	<u>\$ 1,360</u>	<u>\$ 1,216</u>	<u>\$ 2,576</u>
Interest-bearing liabilities:			
Interest-bearing demand	\$ (1)	\$ —	\$ (1)
Money market	(40)	10	(30)
Savings	(7)	1	(6)
Time deposit	560	1,141	1,701
Total interest-bearing deposits	<u>\$ 512</u>	<u>\$ 1,152</u>	<u>\$ 1,664</u>
Other borrowings	75	(4)	71
Total interest-bearing liabilities	<u>\$ 587</u>	<u>\$ 1,148</u>	<u>\$ 1,735</u>
Change in net interest income	<u>\$ 773</u>	<u>\$ 68</u>	<u>\$ 841</u>

Comparison of Operating Results for the Years Ended December 31, 2024 and 2023

General. For the year ended December 31, 2024, we had a net loss of \$789,000, compared to a net loss of \$4.0 million for the year ended December 31, 2023. The decrease in net loss for the year-ended December 31, 2024 is primarily due to a loss on sale of securities and a valuation allowance on the deferred tax assets recognized in 2023 which did not occur in 2024. Additionally, net interest income after provision for credit losses increased \$946,000, and the gain on sale of loans increased \$1.2 million for the year ended December 31, 2024 compared to the year ended December 31, 2023. However, the increase in noninterest expenses of \$1.9 million during year ended December 31, 2024 compared to December 31, 2023 partially offsets the decrease in net loss.

Net Interest Income. Net interest income increased \$841,000, to \$7.1 million for year ended December 31, 2024 compared to \$6.2 million for the year ended December 31, 2023. Our interest rate spread decreased to 2.29% for the year ended December 31, 2024 from 2.33% for the year ended December 31, 2023. Our net interest margin increased to 2.86% for the year ended December 31, 2024 compared to 2.64% for the year ended December 31, 2023. The decrease in interest rate spread is driven by an increased average balance of higher earning interest-bearing liabilities, specifically interest-bearing deposits, as a percentage of total assets. The increase in the interest margin is driven by an increase in yields earned on loans and interest-bearing deposits in other banks.

Average interest-earning assets of \$247.2 million for the year ended December 31, 2024 increased \$11.9 million compared to \$235.3 million for the year ended December 31, 2023. The increase in average earning assets was driven by an increase in loans and interest-bearing deposits at other banks, funded by an increase in average deposit balances during the year and reduction in investment securities. The average outstanding balance of loans, net increased to \$133.2 million for the year ended December 31, 2024, an increase of \$25.8 million from \$107.4 million for the year ended December 31, 2023. Additionally, the average yield earned on those loans outstanding increased 103 basis points to 5.09% for the year ended December 31, 2024. This increase is a result of an overall increase in market rates on mortgage loans originated during 2024, as well as increased loan demand for specialty portfolio products which are originated at higher interest rates and with additional origination fees.

The cost of interest-bearing liabilities increased 93 basis points for the year ended December 31, 2024 compared to the year ended December 31, 2023. The net increase in our funding costs was primarily due to an increase in rates offered on time deposit accounts to remain competitive with the local market.

Provision for Credit Losses. During the year ended December 31, 2024, we recorded a provision for credit losses of \$71,000, comprised of \$25,000 provision for credit losses on loans and \$46,000 provision for credit losses related to unfunded commitments.

We will continue to assess and evaluate the estimated future credit loss impact of current market conditions in subsequent reporting periods, which will be highly dependent on credit quality, macroeconomic forecasts and conditions, as well as the composition of our loan and available-for-sale securities portfolios.

Noninterest Income. The following table shows the components of noninterest income for the periods presented.

	For the Year Ended December 31,	
	2024	2023
	(Dollars in thousands)	
Noninterest income:		
Gain on sale of mortgage loans	\$ 1,245	\$ 32
Loss on sale of securities	—	(1,794)
Rental income on office building	64	64
Service charges on deposits	256	270
Increase in cash surrender value of BOLI	220	192
Other	156	86
Total noninterest income	\$ 1,941	\$ (1,150)

For the year ended December 31, 2024 compared to the same period ended December 31, 2023, noninterest income increased \$3.1 million to \$1.9 million. The increase was driven by an increase in the gain on sale of mortgage loans and no loss on sale of securities during the year ended December 31, 2024. Gain on sale of mortgage loans increased \$1.2 million, from \$32,000 to \$1.2 million for the year ended December 31, 2024 compared to the year ended December 31, 2023. The increase in gain on sale of mortgages was primarily the result of an overall increase in total mortgage loans originated during the period. During the year ended December 31, 2024, we sold 199 loans totaling \$53.1 million for a gain on sale of \$1.2 million. Included in the number and amount of loans sold during the period were loans sold that were originated as held for investment, but subsequently sold to local community banks, totaling \$8.4 million, for a total gain on sale of \$352,000. Management continues to look for opportunities and markets to sell loans as we continue to see increased loan production compared to prior years.

Noninterest Expense. The following table shows the components of noninterest expense for the periods presented.

	For the year ended December 31,	
	2024	2023
	(Dollars in thousands)	
Noninterest expense:		
Salaries and employee benefits	\$ 5,939	\$ 4,554
Equipment and occupancy	782	739
Data processing	884	684
Professional services	513	601
Advertising	286	104
Supervisory fees and assessments	142	140
Loan expenses	212	117
Deposit expenses	239	217
Director fees	215	216
Other	508	480
Total noninterest expense	\$ 9,720	\$ 7,852

Noninterest expenses increased \$1.8 million for the year ended December 31, 2024, compared to the year ended December 31, 2023. The increase in noninterest expenses was primarily driven by increases in salaries and employee benefits. The average number of employees increased to 50 for the year ended December 31, 2024 compared to 39 for the year ended December 31, 2023. The increase in headcount is based on the addition of the Oak Leaf Community Mortgage team brought on during the fourth quarter of 2023 as well as additional hires during 2024 to supplement the lending team as operations continue to expand. Additionally, the Company implemented the 2023 Equity Incentive Plan on June 15, 2023, and began recognizing expenses associated with this plan in June 2023, as such expenses were higher for the year ended 2024 compared to 2023. Marketing and advertising costs increased during 2024 as a result of an increased focus on lending operations and related marketing to our new lending area, Will County, Illinois. Data processing expenses increased as we have continued to invest in systems and processes to improve the lending experience for our customers as well as implement efficiencies within our internal processes. Additionally, certain data processing expenses are based on per employee costs, which increased due to an increase in headcount. Loan expenses increased as a result of an increase in loan originations during the year. Equipment and occupancy costs increased as a result of two additional loan production office rental agreements in place during 2024 that were not in place during the first nine months of 2023. Management intends to continue to invest in the people and processes in place to achieve efficiencies as loan production continues to grow.

Provision for Income Tax Expense. During the year ended December 31, 2024, the Bank recorded no income tax expense. The change in valuation allowance of \$389,000 was offset by an equal deferred tax benefit.

Federal net operating losses as of December 31, 2024 are \$6.7 million, of which \$1.3 million is subject to expire in 2027, the remainder does not expire. During the year ended December 31, 2024, management assessed the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing net operating losses. A significant piece of objective negative evidence evaluated is the cumulative taxable loss incurred over the four-year period ended December 31, 2024. Such objective evidence limits the ability to consider other subjective evidence, such as our projections for future growth. On the basis of this evaluation, as of December 31, 2024, a full valuation allowance of \$2.5 million, against the net deferred tax assets has been recorded. Additionally, 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 of \$515,000 has been recorded on the related deferred tax asset.

There were no uncertain tax positions outstanding as of December 31, 2024 and 2023. As of December 31, 2024, tax years remaining open for State of Illinois and Wisconsin were 2020 through 2023. Federal tax years that remained open were 2021 through 2023. As of December 31, 2024, there were also no unrecognized tax benefits that are expected to significantly increase or decrease within the next twelve months.

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 generally 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 will be adversely affected as market rates of interest continue to 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 net portfolio value ("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 December 31, 2024 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	\$ 58,410	\$ (13,279)	(18.5)%	23.4%	(2.9)%
200	62,836	(8,853)	(12.3)%	24.5%	(1.8)%
100	67,257	(4,432)	(6.2)%	25.4%	(0.9)%
Static	71,689	—	—	26.3%	—
-100	74,513	2,824	3.9%	26.6%	0.3%
-200	77,262	5,573	7.8%	26.7%	0.4%

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 December 31, 2024.

Change in Interest Rates in Basis Points (Rate Shock)	Net Interest Income		\$ Change	% Change
	Amount	\$ Change		
	(Dollars in thousands)			
300bp	\$ 7,102	\$ 173		2.5%
200	7,186	257		3.7%
100	7,127	198		2.9%
Static	6,929	—		0.0%
-100	6,585	(344)		(5.0)%
-200	6,245	(684)		(9.9)%

The table above indicates that as of December 31, 2024, in the event of an immediate and sustained 300 basis point increase in interest rates, our net interest income for the twelve months ending December 31, 2025 would be expected to increase by \$173,000, or 2.5% to \$7.1 million.

Certain shortcomings are inherent in the methodologies used in the above interest rate risk measurements. Modeling changes require making certain assumptions that may or may not reflect the manner in which actual yields and costs respond to changes in market interest rates. The above table assumes that the composition of our interest sensitive assets and liabilities existing at the date indicated remains constant uniformly across the yield curve regardless of the duration or repricing of specific assets and liabilities. Accordingly, although the table provides an indication of our interest rate risk exposure at a particular point in time, such measurements are not intended to and do not provide a precise forecast of the effect of changes in market interest rates on our NPV and will differ from actual results.

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 the sale and maturities of securities. We also have the ability to borrow from the FHLB of Chicago and a \$10.0 million unsecured Fed Funds facility with BMO Harris Bank. The Bank is eligible to borrow up to a total of \$78.1 million and \$77.2 million at December 31, 2024 and 2023, respectively, which would be collateralized by \$103.8 million and \$102.6 million of first mortgage loans under a blanket lien arrangement at December 31, 2024 and 2023, respectively. Additionally, we had no outstanding balance with BMO Harris Bank.

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 operating activities was \$9.4 million and \$431,000 for the years ended December 31, 2024 and 2023, respectively. Net cash (used in) or provided by investing activities, which consists primarily of net change in loans receivable and net change in investment securities, was \$(8.2) million and \$25.0 million for the years ended December 31, 2024 and 2023, respectively. Net cash provided by (used in) financing activities, consisting primarily of the activity in deposit accounts and FHLB of Chicago advances, was \$20.8 million and \$(7.1) million for the years ended December 31, 2024 and 2023, respectively.

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. Time deposits that are scheduled to mature in less than one year from December 31, 2024, totaled \$63.6 million. While we historically have experienced strong deposit retention, many of the new time deposits were brought in with a growth pricing strategy. As such, we expect a decrease in the time deposits as these mature during 2025. 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.

As of December 31, 2024, 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 23.53% and 24.72% at December 31, 2024 and 2023, respectively.

Commitments. At December 31, 2024, we had \$1.1 million of outstanding commitments to originate loans. Our total letters and lines of credit and unused lines of credit totaled \$9.0 million at December 31, 2024. 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 December 31, 2024.

	Total Amounts Committed at December 31, 2024	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	\$ 8,950	\$ 254	\$ 1,360	\$ 765	\$ 6,571
Commitments to originate loans	1,109	1,109	—	—	—
Total commitments	\$ 10,059	\$ 1,363	\$ 1,360	\$ 765	\$ 6,571

Cash Obligations. The following table summarizes our cash obligations at December 31, 2024.

	Total at December 31, 2024	Payments Due By Period			
		To 1 Year	1-3 Years	4-5 Years	After 5 Years
		(Dollars in thousands)			
Time deposits	\$ 92,819	\$ 63,630	\$ 15,246	\$ 13,943	\$ —
Other borrowings	5,000	5,000	—	—	—
Total cash obligations	\$ 97,819	\$ 68,630	\$ 15,246	\$ 13,943	\$ —

Impact of Inflation and Changing Prices

The financial statements and related financial data presented herein 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 our 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.

Current Accounting Developments

In March 2024, the FASB issued ASU No. 2024-01, "Compensation—Stock Compensation (Topic 718): Scope Applications of Profits Interests and Similar Awards" (ASU 2024-01). ASU 2024-01 adds an example to Topic 718 which illustrates how to apply the scope guidance to determine whether profits interests and similar awards should be accounted for as share-based payment arrangements under Topic 718 or under other U.S. GAAP. ASU 2024-01 is effective for annual periods beginning after December 15, 2025, although early adoption is permitted. Upon adoption, ASU 2024-01 is not expected to have an impact on the Company's consolidated balance sheets or consolidated statements of income.

On November 27, 2023, the FASB issued ASU 2023-07, "Segment Reporting (ASC 280): Improvements to Reportable Segment Disclosures", intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. Provisions in the amendment include: (1) Requirement that a public entity disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss (collectively referred to as the "significant expense principle"); (2) Requirement that a public entity disclose, on an annual and interim basis, an amount for other segment items by reportable segment and a description of its composition. The other segment items category is the difference between segment revenue less the segment expenses disclosed under the significant expense principle and each reported measure of segment profit or loss; (3) Requirement that a public entity provide all annual disclosures about a reportable segment's profit or loss and assets currently required by ASC 280 in interim periods; (4) Clarification that if the CODM uses more than one measure of a segment's profit or loss in assessing segment performance and deciding how to allocate resources, a public entity may report one or more of those additional measures of segment profit. However, at least one of the reported segment profit or loss measures (or the single reported measure, if only one is disclosed) should be the measure that is most consistent with the measurement principles used in measuring the corresponding amounts in the public entity's consolidated financial statements; (5) Requirement that a public entity disclose the title and position of the CODM and explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources; and (6) Requirement that a public entity that has a single reportable segment provide all the disclosures by the amendments in the update and all existing segment disclosures in ASC 280.

The amendments in the update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. For public business entities, amendments in the update should be applied retrospectively to all periods presented in the financial statements, and upon transition the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. The Company adopted this standard effective January 1, 2024, and did not have a material impact on the consolidated financial statements.

On December 14, 2023, the FASB issued ASU 2023-09 "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". The amendments require that public business entities on an annual basis (1) disclose specific categories in the rate reconciliation, and (2) provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pretax income (or loss) by the applicable statutory income tax rate). The amendments require that all entities disclose on an annual basis the following information about income taxes paid: (1) The amount of income taxes paid (net of refunds received) disaggregated by federal (national), state, and foreign taxes, and (2) The amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than 5 percent of total income taxes paid (net of refunds received). The amendments also require that all entities disclose the following information: (1) Income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign, and (2) Income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign. The ASU is effective for public business entities for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The amendments should be applied on a prospective basis. Retrospective application is permitted. The Company will adopt this ASU for the reporting period beginning January 1, 2025, and does not expect the amendments to have a material impact to the financial statements of the Company.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

For information regarding market risk, see “Item 7. Management’s Discussion and Analysis of Financial Condition and Results of Operations - Exposure to Changes in Interest Rates”.

Item 8. Financial Statements and Supplementary Data

The consolidated Financial Statements of NSTS Bancorp, Inc. and its consolidated subsidiaries begins on page 46 of this Annual Report on Form 10-K.

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

None.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls & Procedures

Under the supervision and with the participation of our management, including our principal executive officer and principal financial officer, we evaluated the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report. Based upon that evaluation, the principal executive officer and principal financial officer concluded that, as of December 31, 2024, our disclosure controls and procedures were effective to provide reasonable assurance that the information required to be disclosed by NSTS Bancorp, Inc. in the reports it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC and is accumulated and communicated to NSTS Bancorp, Inc.'s management, including our principal executive officer and our principal financial officer, as appropriate, to allow timely decisions regarding required disclosure.

Management's Annual Report on Internal Control Over Financial Reporting

Management of NSTS Bancorp, Inc. is responsible for establishing and maintaining effective internal control over financial reporting. Internal control is designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of published financial statements. Internal control over financial reporting includes self-monitoring mechanisms, and actions are taken to correct deficiencies as they are identified.

Management assessed the effectiveness of NSTS Bancorp, Inc.'s internal control over financial reporting as of December 31, 2024. This assessment was based on criteria for effective internal control over financial reporting established in *Internal Control – Integrated Framework (2013)* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on this assessment, our Chief Executive Officer and our Chief Financial Officer have determined that NSTS Bancorp, Inc. maintained effective internal control over financial reporting as of December 31, 2024, based on the specified criteria.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Changes in Internal Control Over Financial Reporting

There were no changes made in our internal control over financial reporting during the quarter ended December 31, 2024 that have materially affected, or are reasonably likely to materially affect, NSTS Bancorp, Inc.'s internal control over financial reporting.

Item 9B. Other Information

Not Applicable.

Item 9C. Disclosure Regarding Foreign Jurisdictions that Prevent Inspections

None.

PART III

Item 10. Directors, Executive Officers and Corporate Governance

NSTS Bancorp, Inc. has adopted a Code of Ethics that applies to its principal executive officer and principal financial officer, as well as all of its senior officers. A copy of the Code of Ethics is available on our website at <https://ir.northshoretrust.com>, or upon written request to Ms. Christine Stickler at 700 S. Lewis Ave., Waukegan, Illinois 60085 without charge. If we amend or grant any waiver from a provision of our Code of Ethics that applies to our executive officers, we will publicly disclose such amendment or waiver on our website and as required by applicable law, including by filing a Current Report on Form 8-K.

The information required by this Item is incorporated herein by reference to the sections captioned "Proposal I – Election of Directors" and "Stockholder Proposals and Nominations" in NSTS Bancorp, Inc.'s definitive Proxy Statement for its 2025 Annual Meeting of Stockholders, a copy of which will be filed with the SEC no later than 120 days after the end of our fiscal year (the "Proxy Statement").

Item 11. Executive Compensation

The information required by this Item is incorporated herein by reference to the sections captioned "Executive and Director Compensation" in the Proxy Statement.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**(a) Securities Authorized for issuance under Stock-Based Compensation Plans**

Set forth below is information as of December 31, 2024 regarding the Company's equity compensation plans that have been approved by shareholders. The Company has no equity-based benefit plans, other than its employee stock ownership plan, that were not approved by shareholders.

Plan	Number of Securities to be Issued Upon Exercise of Outstanding Options and rights (1)	Weighted Average Exercise Price (2)	Number of Securities Remaining Available for Issuance Under Plan (3)
2023 Equity Incentive Plan	500,500	\$ 9.58	16,296
Total	500,500	\$ 9.58	16,296

(1) Consists of outstanding stock options to purchase 500,500 shares of common stock granted under the Company's stock-based compensation plans.

(2) Represents the weighted average exercise price of stock options granted in 2023 and 2024.

(3) Represents the number of available shares that may be granted as stock options and other stock awards under the 2023 Equity Incentive Plan.

(b) Security Ownership of Certain Beneficial Owners

The information required by this Item is incorporated herein by reference to the section captioned "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement.

(c) Security Ownership of Management

The information required by this Item is incorporated herein by reference to the section captioned "Security Ownership of Certain Beneficial Owners and Management" in the Proxy Statement.

(d) Changes in Control

Management knows of no arrangements, including any pledge by any person of securities of NSTS Bancorp, Inc., the operation of which may at a subsequent date result in a change in control of NSTS Bancorp, Inc.

Item 13. Certain Relationships and Related Transactions, and Director Independence

The information required by this Item is incorporated herein by reference to the sections captioned "Transactions with Certain Related Persons," "Board Independence" and "Meetings and Committees of the Board of Directors" in the Proxy Statement.

Item 14. Principal Accountant Fees and Services

The information required by this Item is incorporated herein by reference to the section captioned "Proposal II—Ratification of Appointment of Independent Registered Public Accounting Firm" in the Proxy Statement.

PART IV

Item 15. Exhibit and Financial Statement Schedules

<u>Exhibit Number</u>	
2.1	Plan of Conversion of North Shore MHC, as amended ⁽¹⁾
3.1	Certificate of Incorporation of NSTS Bancorp, Inc. ⁽¹⁾
3.2	Bylaws of NSTS Bancorp, Inc. ⁽¹⁾
3.3	Amendment to Article III, Section 12 of the Bylaws of NSTS Bancorp, Inc. ⁽³⁾
4.1	Description of NSTS Bancorp, Inc.'s securities registered under the Securities Exchange Act of 1934, as amended
10.1	Amended and Restated Employment Agreement by and among NSTS Bancorp, Inc., North Shore Trust and Savings and Stephen G. Lear dated March 27, 2024* ⁽⁶⁾
10.2	Employment Agreement by and among NSTS Bancorp, Inc., North Shore Trust and Savings and Nathan E. Walker dated March 27, 2024* ⁽⁶⁾
10.3	Change in Control Severance Agreement by and between North Shore Trust and Savings and Carissa H. Schoolcraft dated January 18, 2022* ⁽²⁾
10.4	Change in Control Severance Agreement by and between North Shore Trust and Savings and Amy L. Avakian dated January 18, 2022* ⁽²⁾
10.5	Change in Control Severance Agreement by and between North Shore Trust and Savings and Christine E. Stickler dated January 18, 2022* ⁽²⁾
10.6	NSTS Bancorp, Inc. 2023 Equity Incentive Plan* ⁽⁴⁾
10.7	Form of Restricted Stock Award Grant Notice under the NSTS Bancorp, Inc. 2023 Equity Incentive Plan* ⁽⁵⁾
10.8	Form of Stock Option Grant Notice under the NSTS Bancorp, Inc. 2023 Equity Incentive Plan* ⁽⁵⁾
19.1	Insider Trading Policy
21.1	Subsidiaries of NSTS Bancorp, Inc.
23.1	Consent of Independent Registered Public Accounting Firm, Plante & Moran, PLLC
24.1	Power of Attorney (set forth on signature page)
31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certifications pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
97.1	Policy Concerning Recovery of Erroneously Awarded Compensation ⁽⁶⁾
101.INS	Inline XBRL Instance Document (the Instance Document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document)
101.SCH	Inline XBRL Taxonomy Extension Schema Document
101.CAL	Inline XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF	Inline XBRL Taxonomy Extension Definition Linkbase Document
101.LAB	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (Embedded within the Inline XBRL document and included in Exhibit 101)

* Indicates a management contract or compensatory plan.

(1) Filed as an exhibit to NSTS Bancorp, Inc.'s Registration Statement on Form S-1 (File No. 333-259483) and incorporated herein by reference.

(2) Filed as an exhibit to NSTS Bancorp, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2021 (File No. 001-41232) and incorporated herein by reference.

(3) Filed as an exhibit to NSTS Bancorp, Inc.'s Current Report on Form 8-K (File No. 001-41232) filed on March 31, 2023, and incorporated herein by reference.

(4) Filed as Appendix A to the Proxy Statement for the NSTS Bancorp, Inc. annual meeting of stockholders (File No. 001-41232) filed on April 14, 2023 and incorporated herein by reference.

(5) Filed as an exhibit to NSTS Bancorp, Inc.'s Current Report on Form 8-K (File No. 001-41232) filed on June 16, 2023, and incorporated herein by reference.

(6) Filed as an exhibit to NSTS Bancorp, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2023 (File No. 001-41232) and incorporated herein by reference.

Item 16. Form 10-K Summary

None.

INDEX TO CONSOLIDATED FINANCIAL STATEMENT OF NSTS BANCORP, INC.

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Report of Independent Registered Public Accounting Firm

To the Stockholders and Board of Directors of
NSTS Bancorp, Inc.

Opinion on the Financial Statements

We have audited the accompanying balance sheets of NSTS Bancorp, Inc. and its Subsidiary (the “Company”) as of December 31, 2024 and 2023, the related statements of operations, comprehensive income, stockholders’ equity, and cash flows for each of the years in the two-year period ended December 31, 2024, 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, 2024 and 2023, and the results of its operations and its cash flows for each of the years in the two-year period ended December 31, 2024, 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.

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 auditor since 2019.

Chicago, Illinois
March 28, 2025

NSTS BANCORP, INC. AND SUBSIDIARIES
Consolidated Balance Sheets

	Year ended December 31,	
	2024	2023
	(Dollars in thousands)	
Assets:		
Cash and due from banks	\$ 1,223	\$ 1,000
Interest-bearing bank deposits	52,258	30,388
Cash and cash equivalents	53,481	31,388
Time deposits with other financial institutions	1,494	1,991
Securities available for sale	71,249	82,135
Federal Home Loan Bank stock (FHLB)	585	550
Loans held for sale	1,218	380
Loans, net of unearned income	131,557	121,799
Allowance for credit losses on loans	(1,201)	(1,176)
Loans, net	130,356	120,623
Premises and equipment, net	5,311	5,285
Accrued interest receivable	870	758
Bank-owned life insurance (BOLI)	9,661	9,441
Other assets	4,463	4,225
Total assets	\$ 278,688	\$ 256,776
Liabilities:		
Deposits:		
Noninterest bearing	\$ 11,896	\$ 12,424
Interest-bearing		
Demand and NOW checking	14,930	15,346
Money market	28,967	32,027
Savings	41,544	41,774
Time deposits over \$250,000	21,990	9,975
Other time deposits	70,829	57,280
Total deposits	190,156	168,826
Escrow deposits	1,739	1,382
Other borrowings	5,000	5,000
Accrued expenses and other liabilities	5,303	4,023
Total liabilities	202,198	179,231
Stockholders' equity:		
Common stock (\$0.01 par value; 10,000,000 shares authorized; 5,249,826 and 5,315,261 shares outstanding at December 31, 2024 and December 31, 2023, respectively)	56	56
Treasury Stock, at cost (352,033 and 269,898 shares at December 31, 2024 and 2023, respectively)	(3,240)	(2,381)
Additional paid-in capital	51,684	50,920
Retained earnings	40,266	41,055
Unallocated common shares held by ESOP	(3,670)	(3,882)
Accumulated other comprehensive loss, net	(8,606)	(8,223)
Total stockholders' equity	76,490	77,545
Total liabilities and stockholders' equity	\$ 278,688	\$ 256,776

See accompanying notes to consolidated financial statements

NSTS BANCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Operations

	Year ended December 31,	
	2024	2023
	(Dollars in thousands)	
Interest income:		
Loans, including fees	\$ 6,785	\$ 4,360
Securities		
Taxable	1,539	2,506
Tax-exempt	244	396
Federal funds sold and other	1,613	348
Time deposits with other financial institutions	85	94
FHLB stock	38	24
Total interest income	10,304	7,728
Interest expense:		
Deposits	3,000	1,336
Other borrowings	243	172
Total interest expense	3,243	1,508
Net interest income	7,061	6,220
Provision for credit losses	71	176
Net interest income after provision for credit losses	6,990	6,044
Noninterest income:		
Gain on sale of mortgage loans	1,245	32
Loss on sale of securities	—	(1,794)
Rental income on office building	64	64
Service charges on deposits	256	270
Increase in cash surrender value of BOLI	220	192
Other	156	86
Total noninterest income	1,941	(1,150)
Noninterest expense:		
Salaries and employee benefits	5,939	4,554
Equipment and occupancy	782	739
Data processing	884	684
Professional services	513	601
Advertising	286	104
Supervisory fees and assessments	142	140
Loan expenses	212	117
Deposit expenses	239	217
Director fees	215	216
Other	508	480
Total noninterest expense	9,720	7,852
Loss before income taxes	(789)	(2,958)
Income tax expense	—	999
Net loss	\$ (789)	\$ (3,957)
Basic and diluted loss per share	(0.16)	(0.79)
Weighted average shares outstanding	4,911,461	5,004,498

See accompanying notes to consolidated financial statements

NSTS BANCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Comprehensive Income

	Year ended December 31,	
	2024	2023
	(Dollars in thousands)	
Net loss	\$ (789)	\$ (3,957)
Unrealized net holding (loss) gain on securities		
Unrealized net holding (loss) gain on securities arising during period, net of realized loss on sales of \$0 and \$1,794,000, in the years ended December 31, 2024 and 2023, respectively	(535)	4,058
Tax effect	152	(1,156)
Other comprehensive (loss) income, net of taxes	(383)	2,902
Comprehensive loss	\$ (1,172)	\$ (1,055)

See accompanying notes to consolidated financial statements

NSTS BANCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Stockholders' Equity

	Common Shares	Common Stock	Treasury Stock	Additional Paid-In Capital	Retained earnings	Accumulated other comprehensive loss	Unallocated Common Shares Held by ESOP	Total
(Dollars in thousands)								
Balance at January 1, 2023	5,397,959	\$ 54	\$ —	\$ 50,420	\$ 45,291	\$ (11,125)	\$ (4,098)	\$ 80,542
Cumulative impact of ASU 2016-13	—	—	—	—	(279)	—	—	(279)
Net loss	—	—	—	—	(3,957)	—	—	(3,957)
ESOP shares committed to be released	—	—	—	(17)	—	—	216	199
Purchase of treasury stock from stock repurchase program	(269,898)	—	(2,381)	—	—	—	—	(2,381)
Compensation cost for stock options and restricted stock	—	—	—	519	—	—	—	519
Issuance of common shares for the restricted stock plan	187,200	2	—	(2)	—	—	—	—
Change in net unrealized gain on securities available for sale, net	—	—	—	—	—	2,902	—	2,902
Balance at December 31, 2023	5,315,261	\$ 56	\$ (2,381)	\$ 50,920	\$ 41,055	\$ (8,223)	\$ (3,882)	\$ 77,545
Net loss	—	—	—	—	(789)	—	—	(789)
ESOP shares committed to be released	—	—	—	2	—	—	212	214
Purchase of treasury stock from stock repurchase program	(93,732)	—	(970)	—	—	—	—	(970)
Purchase of treasury stock from taxes withheld on net share settlement of restricted stock awards	(11,403)	—	(109)	—	—	—	—	(109)
Reissuance of treasury stock for options exercised	23,000	—	220	(5)	—	—	—	215
Compensation cost for stock options and restricted stock	—	—	—	767	—	—	—	767
Issuance of common shares for the restricted stock plan	16,700	—	—	—	—	—	—	—
Change in net unrealized gain on securities available for sale, net	—	—	—	—	—	(383)	—	(383)
Balance at December 31, 2024	5,249,826	\$ 56	\$ (3,240)	\$ 51,684	\$ 40,266	\$ (8,606)	\$ (3,670)	\$ 76,490

See accompanying notes to consolidated financial statements

NSTS BANCORP, INC. AND SUBSIDIARIES
Consolidated Statements of Cash Flows

	Year ended December 31,	
	2024	2023
	(Dollars in thousands)	
Cash flows from operating activities:		
Net loss	\$ (789)	\$ (3,957)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Depreciation	293	266
Securities amortization and accretion, net	515	538
Loans originated for sale	(45,583)	(3,738)
Proceeds from sales of loans held for sale	54,374	3,390
Gain on sale of mortgage loans	(1,245)	(32)
Loss on sale of securities	—	1,794
Provision for credit losses	71	176
Earnings on bank owned life insurance	(220)	(192)
ESOP expense	214	199
Stock based compensation expense	767	519
Change in deferred income taxes	(152)	990
Net change in accrued interest receivable and other assets	(46)	165
Net change in accrued expenses and other liabilities	1,234	313
Net cash provided by operating activities	9,433	431
Cash flows from investing activities:		
Net change in portfolio loans	(18,142)	(17,816)
Principal repayments on mortgage-backed securities	5,536	8,207
Maturities and calls of securities available for sale	4,300	4,080
Sales of securities available for sale	—	28,509
Purchase of Federal Home Loan Bank stock	(35)	—
Net change in time deposits with other financial institutions	497	2,486
Purchases of premises and equipment, net	(319)	(516)
Net cash (used in) provided by investing activities	(8,163)	24,950
Cash flows from financing activities:		
Net change in deposits	21,330	(9,888)
Net change in escrow deposits	357	129
Proceeds from FHLB advance	—	5,000
Proceeds from Federal Reserve Bank - Bank Term Funding Program	—	10,000
Repayment of Federal Reserve Bank - Bank Term Funding Program	—	(10,000)
Purchase of treasury shares	(970)	(2,381)
Purchase of treasury stock from taxes withheld on net share settlement of restricted stock awards	(109)	—
Proceeds from exercise of stock options	215	—
Net cash provided by (used in) financing activities	20,823	(7,140)
Net change in cash and cash equivalents	22,093	18,241
Cash and cash equivalents at beginning of period	31,388	13,147
Cash and cash equivalents at end of period	\$ 53,481	\$ 31,388
Supplemental disclosures of cash flow information:		
Loans transferred to held for sale from portfolio, net	\$ 8,384	\$ —
Cash paid during the period for: Interest	3,255	1,464

See accompanying notes to consolidated financial statements

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

NSTS Bancorp, Inc. was formed to serve as the stock holding company for North Shore Trust and Savings (the “Bank”) in connection with the conversion of North Shore Trust and Savings, NSTS Financial Corporation and North Shore MHC, from the mutual to the stock form of organization, which was completed on January 18, 2022.

NSTS Bancorp, Inc. completed its stock offering on January 18, 2022. The Company sold 5,290,000 shares of common stock at \$10.00 per share in its subscription offering for gross proceeds of approximately \$53.0 million. In connection with the subscription offering, NSTS Bancorp, Inc. also issued 107,959 shares of common stock and \$150,000 in cash to NSTS Charitable Foundation. Shares of NSTS Bancorp, Inc. common stock began trading on January 19, 2022 on the Nasdaq Capital Market under the trading symbol "NSTS."

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 one to four-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.

Certain amounts in prior year financial statements have been reclassified to conform to the 2024 presentation.

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 credit 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 loss 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 and losses 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 loss. Discounts are accreted into interest income over the estimated life of the related security and premiums are amortized against 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 liquidity.

For available-for-sale debt securities in an unrealized loss position, the Company first assesses whether it intends to sell, or it is more likely than not that it will sell, the security before recovery of its amortized cost basis. If either of the aforementioned criteria exists, the Company will record an ACL related to securities available-for-sale with an offsetting entry to the provision for credit losses on securities on the statement of operations. Losses are charged against the allowance when management believes the available-for-sale security is uncollectible or when either of the criteria regarding intent or requirement to sell is met. Accrued interest receivable on available-for-sale securities, totaling \$278,000 and \$351,000 as of December 31, 2024 and 2023, respectively, is excluded from the estimate of credit losses. If either of these criteria does not exist, the Company will evaluate the securities individually to determine whether the decline in the fair value below the amortized cost basis (impairment) is due to credit-related factors or noncredit-related factors, such as market interest rate fluctuations.

In evaluating securities available-for sale for potential impairment, the Company considers many factors, including the financial condition and near-term prospects of the issuer, which for debt securities considers external credit ratings and recent downgrades; and its ability and intent to hold the security for a period of time sufficient for a recovery in value. The Company also considers the extent to which the securities are issued by the federal government or its agencies, and any guarantee of issued amounts by those agencies. The amount of the impairment related to other factors is recognized in other comprehensive loss.

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 \$585,000 and \$550,000 at December 31, 2024 and 2023, 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 the lower of cost or market 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 one to four-family, construction, 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 credit losses on loans, 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 Credit Losses

The allowance for credit losses (“ACL”) is an estimate of the expected credit losses on the loans held for investment, unfunded loan commitments, and available-for-sale debt securities portfolios.

Allowance for Credit Losses on Loans

The ACL is calculated according to GAAP standards and is maintained by management at a level believed adequate to absorb estimated credit losses that are expected to occur within the existing loan portfolio through their contractual terms. The ACL is a valuation account that is deducted from the loans’ amortized cost basis to present the net amount expected to be collected on loans. Determination of the ACL is inherently subjective in nature since it requires significant estimates and management judgment, and includes a level of imprecision given the difficulty of identifying and assessing the factors impacting loan repayment and estimating the timing and amount of losses. While management utilizes its best judgment and information available, the ultimate adequacy of the ACL is dependent upon a variety of factors beyond the Company’s direct control, including, but not limited to, the performance of the loan portfolio, consideration of current economic trends, changes in interest rates and property values, estimated losses on pools of homogeneous loans based on an analysis that uses historical loss experience for prior periods, portfolio growth and concentration risk, management and staffing changes, the interpretation of loan risk classifications by regulatory authorities and other credit market factors. While each component of the ACL is determined separately, the entire balance is available for the entire loan portfolio.

The ACL methodology consists of measuring loans on a collective (pool) basis when similar risk characteristics exist. The Company has identified five loan portfolios and measures the ACL using the Scaled CECL Allowance for Losses Estimator (“SCALE”) method. The loan portfolios are one- to four-family residential real estate, commercial real estate, multi-family real estate, construction and consumer. The SCALE method uses publicly available data from Schedule RI-C of the Call Report to derive the initial proxy expected lifetime loss rates. These proxy expected lifetime loss rates are then adjusted for bank-specific facts and circumstances to arrive at the final ACL estimate that adequately reflects the Company’s loss history and credit risk within our portfolio.

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

One- to four-family mortgage loans in this segment are made to individuals. The loans are secured by real estate with the Bank typically in a first lien position. The Bank 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.

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.

Construction lending is generally originated with a loan-to-value ratio, based on the estimated cost to construct, less than or equal to 80%. Additionally, the construction loan terms generally include interest only payments for the first 18 months. The overall costs of construction, building material supply chain and health of the economy, including 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.

The qualitative factors applied to each loan portfolio consist of the impact of other internal and external qualitative and credit market factors as assessed by management through a detailed loan review, ACL analysis and credit discussions. These internal and external qualitative and credit market factors include:

- changes in lending policies and procedures, including changes in underwriting standards and collections, charge-offs and recovery practices;
- changes in international, national, regional and local conditions;
- changes in the experience, depth and ability of lending management;
- changes in the volume and severity of past due loans and other similar loan conditions;
- changes in the nature and volume of the loan portfolio and terms of loans;
- the existence and effect of any concentrations of credit and changes in the levels of such concentrations;
- effects of other external factors, such as competition, legal or regulatory factors, on the level of estimated credit losses;
- changes in the quality of our loan review functions; and
- changes in the value of underlying collateral for collateral dependent loans.

The impact of the above listed internal and external qualitative and credit market risk factors is assessed within predetermined ranges to adjust the ACL totals calculated.

In addition to the pooled analysis performed for the majority of our loan and commitment balances, we also review those loans that have collateral dependency or nonperforming status which requires a specific review of that loan, per our individually analyzed CECL calculations.

Loans are charged off against the ACL when management believes the uncollectibility of a loan balance is confirmed, while recoveries of amounts previously charged-off are credited to the ACL. Approved releases from previously established ACL reserves authorized under our ACL methodology also reduce the ACL. Additions to the ACL are established through the provision for credit losses on loans, which is charged to expense.

The Company's ACL methodology is intended to reflect all loan portfolio risk, but management recognizes the inability to accurately depict all future credit losses in a current ACL estimate, as the impact of various factors cannot be fully known. Accrued interest receivable on loans, totaling \$560,000 and \$392,000 as of December 31, 2024 and 2023, respectively, is excluded from the amortized cost basis of financing receivables for the purpose of determining the allowance for credit losses.

Allowance for Credit Losses on Unfunded Loan Commitments

The Company estimates expected credit losses over the contractual period in which the Company is exposed to credit risk by a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Company. The ACL related to off-balance sheet credit exposures, which is within other liabilities on the Company's Consolidated Balance Sheets, is estimated at each balance sheet date under the CECL model, and is adjusted as determined necessary through the provision for credit losses on the statement of operations. The estimate for ACL on unfunded loan commitments includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

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:

	Years
Land improvements	3 - 10
Office building and improvements	10 - 40
Furniture and equipment	3 - 10

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.

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 credit 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.

Operating Segments

The Company's revenue is primarily derived from the business of banking. The Company's financial performance is monitored on consolidated basis by Mr. Stephen Lear, CEO and Chairman of the Board, who is considered to be the Company's Chief Operating Decision Maker ("CODM"). Financial performance is reported to the CODM monthly, and the primary measure of performance is consolidated net income. The allocation of resources throughout the Company is determined annually based upon consolidated net income performance. The presentation of financial performance to the CODM is consistent with amounts and financial statement line items shown in the Company's consolidated balance sheets and consolidated statements of operations. Additionally, the Company's significant expenses are adequately segmented by category and amount in the consolidated statements of operations to include all significant items when considering both qualitative and quantitative factors. Significant expenses of the Company include salaries and employee benefits, equipment and occupancy expense, data processing, professional services and advertising.

All of the Company's financial results are similar and considered by management to be aggregated into one reportable operating segment. While the Company has assigned certain management responsibilities by business-line, the Company's CODM evaluates financial performance on a Company-wide basis. The Company's assigned business lines have similar economic characteristics, products, services and customers. Accordingly, all of the Company's operations are considered by management to be aggregated in one reportable operating segment.

Dividend Restrictions

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

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales when control over the assets has been relinquished. Control over transferred assets is deemed to be surrendered when the assets have been isolated from the Bank, the transferee obtains the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and the Bank does not maintain effective control over the transferred assets through an agreement to repurchase them before maturity.

Stock Based Compensation

The Company maintains an equity incentive plan under which restricted stock and stock options may be granted to employees and directors, see Note 11.

The Company recognizes the cost of employee services received in exchange for awards of equity instruments based on the grant-date fair value of those awards in accordance with ASC 718, "Compensation-Stock Compensation". The Company estimates the per share fair value of option grants on the date of grant using the Black-Scholes option pricing model using assumptions for the expected dividend yield, expected stock price volatility, risk-free interest rate and expected option term. These assumptions are subjective in nature, involve uncertainties and, therefore, cannot be determined with precision. The Black-Scholes option pricing model also contains certain inherent limitations when applied to options that are not traded on public markets.

The per share fair value of options is highly sensitive to changes in assumptions. In general, the per share fair value of options will move in the same direction as changes in the expected stock price volatility, risk-free interest rate and expected option term, and in the opposite direction as changes in the expected dividend yield. For example, the per share fair value of options will generally increase as expected stock price volatility increases, risk-free interest rate increases, expected option term increases and expected dividend yield decreases. The use of different assumptions or different option pricing models could result in materially different per share fair values of options.

The Company recognizes compensation expense for the fair values of these awards, which have graded vesting, on a straight-line basis over the requisite service period of the awards. The Company's accounting policy is to recognize forfeitures as they occur. Forfeited shares are added back to the pool of shares available for future grants.

Employee Stock Ownership Plan

The ESOP shares pledged as collateral are reported as unearned ESOP shares in the Consolidated Balance Sheets. As shares are committed to be released from collateral, the Bank reports compensation expense equal to the average market price of the shares during the year, and the shares become outstanding for basic net income per common share computations. Dividends on allocated ESOP shares reduce retained earnings; dividends on unearned ESOP shares reduce the ESOP's debt and accrued interest.

Treasury Stock

Treasury stock acquired is recorded at cost and is carried as a reduction of stockholders' equity in the Consolidated Balance Sheets. Treasury stock issued is valued based on the "last in, first out" inventory method. The difference between the consideration received upon issuance and the carrying value is charged or credited to additional paid-in capital.

Earnings per Share

Basic earnings per share represents income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Unallocated ESOP shares are not deemed outstanding for earnings per share calculations. ESOP shares committed to be released are considered to be outstanding for purposes of the earnings per share computation. ESOP shares that have not been legally released, but that relate to employee services rendered during an accounting period (interim or annual) ending before the related debt service payment is made, are considered committed to be released. Diluted earnings per share reflects additional common shares that would have been outstanding if dilutive potential common shares had been issued, as well as any adjustment to income that would result from the assumed issuance.

Note 2: Securities

The amortized cost and estimated fair value of debt securities at December 31, 2024 and 2023, 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, 2024	U.S. government agency obligations		Municipal obligations	Mortgage-backed residential obligations	Collateralized mortgage obligations	Total available-for-sale
	(Dollars in thousands)					
1 year or less	\$ 1,000	\$ —	\$ —	\$ —	\$ —	\$ 1,000
1 to 5 years	3,047	1,452	8,971	15,086	28,556	
5 to 10 years	4,610	2,401	15,794	7,786	30,591	
After 10 years	—	7,883	1,150	2,069	11,102	
Fair value	\$ 8,657	\$ 11,736	\$ 25,915	\$ 24,941	\$ 71,249	
Gross unrealized gains	—	—	—	—	—	
Gross unrealized losses	(1,062)	(2,367)	(4,766)	(3,842)	(12,037)	
Amortized cost	\$ 9,719	\$ 14,103	\$ 30,681	\$ 28,783	\$ 83,286	

December 31, 2023	U.S. Treasuries	U.S. government agency obligations		Municipal obligations	Mortgage-backed residential obligations	Collateralized mortgage obligations	Total available-for-sale
	(Dollars in thousands)						
1 year or less	\$ 2,973	\$ —	\$ 1,292	\$ —	\$ —	\$ —	\$ 4,265
1 to 5 years	—	4,769	1,461	8,976	12,919	28,125	
5 to 10 years	—	4,337	882	19,777	9,756	34,752	
After 10 years	—	—	9,935	1,598	3,460	14,993	
Fair value	\$ 2,973	\$ 9,106	\$ 13,570	\$ 30,351	\$ 26,135	\$ 82,135	
Gross unrealized gains	—	—	1	—	—	1	
Gross unrealized losses	(22)	(1,128)	(1,882)	(4,533)	(3,938)	(11,503)	
Amortized cost	\$ 2,995	\$ 10,234	\$ 15,451	\$ 34,884	\$ 30,073	\$ 93,637	

As of December 31, 2024 and 2023, no securities were pledged to secure public deposits or for other purposes as required or permitted by law. At December 31, 2024 and 2023, there were no holdings of securities of any one issuer, other than the U.S. Government and its agencies, in an amount greater than 10% of equity.

Information pertaining to securities with gross unrealized losses at December 31, 2024 and 2023, aggregated by investment category and length of time that individual securities have been in a continuous loss position, is as follows:

December 31, 2024	Less than 12 Months		12 Months or Longer		Total	
	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses
(Dollars in thousands)						
U.S. government agency obligations	\$ —	\$ —	\$ 8,657	\$ 1,062	\$ 8,657	\$ 1,062
Municipal obligations	467	28	11,269	2,339	11,736	2,367
Mortgage-backed residential obligations	—	—	25,915	4,766	25,915	4,766
Collateralized mortgage obligations	—	—	24,941	3,842	24,941	3,842
Total	\$ 467	\$ 28	\$ 70,782	\$ 12,009	\$ 71,249	\$ 12,037
December 31, 2023						
U.S. Treasuries	\$ —	\$ —	\$ 2,973	\$ 22	\$ 2,973	\$ 22
U.S. government agency obligations	—	—	9,106	1,128	9,106	1,128
Municipal obligations	279	1	12,796	1,881	13,075	1,882
Mortgage-backed residential obligations	—	—	30,351	4,533	30,351	4,533
Collateralized mortgage obligations	—	—	26,135	3,938	26,135	3,938
Total	\$ 279	\$ 1	\$ 81,361	\$ 11,502	\$ 81,640	\$ 11,503

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At December 31, 2024 and 2023, certain investment securities were in unrealized loss positions. There were no securities with identified credit losses at December 31, 2024 and 2023. Unrealized losses have not been recognized into income because, based on management's evaluation, the decline in fair value is largely due to increased market rates, temporary market conditions and trading spreads, and, as such, are considered to be temporary by the Bank. In addition, management has the intent and ability to hold the securities until they mature or they recover their carrying values.

All U.S. government agency obligations, mortgage-based residential obligations and collateralized mortgage obligations are agency-issued or government-sponsored enterprise issued. Agency-issued securities are generally guaranteed by a U.S. government agency, such as the Government National Mortgage Association. Government-sponsored enterprises, such as the Federal Home Loan Mortgage Corporation, the Federal National Mortgage Association, or the Small Business Administration, have either a direct or implied guarantee by the U.S. government.

The Bank holds two classifications of municipal bonds, general obligation bonds and revenue bonds. General obligation bonds are backed by the general revenue of the issuing municipality, while revenue bonds are supported by a specific revenue source. All general obligation and revenue bonds have a bond rating of investment grade by Standard and Poor's or Moody's Investor Services or are not rated. There have been no declines in investment grade ratings on bonds in a loss position and as of December 31, 2024, all municipal bonds are paying as agreed.

The following table represents the proceeds from the sale of securities available-for-sale and the related gross gains and losses during the periods presented.

	At December 31,	
	2024	2023
	(Dollars in thousands)	
Sales of securities available for sale	\$ —	\$ 28,509
Gross gain realized on the sale of securities available for sale	—	—
Gross loss realized on the sale of securities available for sale	—	(1,794)

Note 3: Loans

A summary of loans by major category as of December 31, 2024 and 2023 is as follows:

	December 31, 2024	December 31, 2023
	(Dollars in thousands)	
First mortgage loans		
1-4 family residential	\$ 119,409	\$ 111,081
Multi-family	3,368	3,111
Commercial	4,197	3,835
Construction	3,651	2,508
Total first mortgage loans	130,625	120,535
Consumer loans	282	248
Total loans	130,907	120,783
Net deferred loan costs	650	1,016
Allowance for credit losses on loans	(1,201)	(1,176)
Total loans, net	\$ 130,356	\$ 120,623

First mortgage loans serviced for others are not included in the accompanying Consolidated Balance Sheets. The unpaid principal balance of these loans totaled \$13.9 million and \$13.2 million at December 31, 2024 and 2023, respectively. Custodial escrow balances maintained in connection with the foregoing loan servicing were \$236,000 and \$231,000 at December 31, 2024 and 2023, respectively.

In the normal course of business, loans are made by the Bank to directors and officers of the Company and 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, 2024 and 2023, such borrowers were indebted to the Bank in the aggregate amount of \$587,000 and \$550,000, respectively.

Note 4: Allowance for Credit Losses

The following tables present the activity in the allowance for credit losses for the years ended December 31, 2024 and 2023:

	December 31, 2024					
	1-4 family residential	Multi-family	Commercial	Construction	Consumer	Total
	(Dollars in thousands)					
Year ended:						
Beginning balance	\$ 1,094	\$ 40	\$ 37	\$ 4	\$ 1	\$ 1,176
Charge-offs	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—
Net recoveries (charge-offs)	—	—	—	—	—	—
(Release of) Provision for credit losses	(38)	(3)	4	61	1	25
Ending balance	\$ 1,056	\$ 37	\$ 41	\$ 65	\$ 2	\$ 1,201

	December 31, 2023					
	1-4 family residential	Multi-family	Commercial	Construction	Consumer	Total
	(Dollars in thousands)					
Year ended:						
Beginning balance	\$ 581	\$ 19	\$ 19	\$ —	\$ 5	\$ 624
Cumulative effect of change in accounting principle	335	23	29	—	(3)	384
Charge-offs	—	—	—	—	—	—
Recoveries	—	—	—	—	—	—
Net recoveries (charge-offs)	—	—	—	—	—	—
Provision for (release of) credit losses	178	(2)	(11)	4	(1)	168
Ending balance	\$ 1,094	\$ 40	\$ 37	\$ 4	\$ 1	\$ 1,176

The ACL on loans excludes \$60,000 and \$14,000 of allowance for off-balance sheet exposures as of December 31, 2024 and 2023, respectively, recorded within Other Liabilities on the Consolidated Balance Sheets.

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There were no collateral dependent loans as of December 31, 2024. As of December 31, 2023, collateral dependent loans totaled \$200,000 in the one to four-family residential loan segment. These loans are collateralized by residential real estate and have no ACL as of December 31, 2023. There were no other collateral dependent loans as of December 31, 2023.

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 performs an independent review of a significant portion of the commercial loan portfolio. Management uses the results of the independent review as part of its annual review process.

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The following tables present the credit risk profile of the Company's loan portfolio based on risk rating category and year of origination as of December 31, 2024 and 2023.

As of December 31, 2024								
Term loans amortized cost basis by origination year								
	2024	2023	2022	2021	Prior	Revolving loans amortized cost basis	Revolving loans converted to term loans amortized cost basis	Total
(Dollars in thousands)								
1-4 family residential								
Pass	\$ 20,577	\$ 20,986	\$ 12,421	\$ 18,074	\$ 43,245	\$ 4,106	\$ —	\$ 119,409
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Total 1-4 family residential	20,577	20,986	12,421	18,074	43,245	4,106	—	119,409
Current year-to-date gross write-offs	—	—	—	—	—	—	—	—
Multi-family								
Pass	515	—	—	230	2,623	—	—	3,368
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Total multi-family	515	—	—	230	2,623	—	—	3,368
Current year-to-date gross write-offs	—	—	—	—	—	—	—	—
Commercial								
Pass	148	301	—	96	3,158	494	—	4,197
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Total commercial	148	301	—	96	3,158	494	—	4,197
Current year-to-date gross write-offs	—	—	—	—	—	—	—	—
Construction								
Pass	3,134	517	—	—	—	—	—	3,651
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Total construction	3,134	517	—	—	—	—	—	3,651
Current year-to-date gross write-offs	—	—	—	—	—	—	—	—
Consumer								
Pass	127	77	58	18	2	—	—	282
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Total consumer	127	77	58	18	2	—	—	282
Current year-to-date gross write-offs	—	—	—	—	—	—	—	—
Total								
Pass	24,501	21,881	12,479	18,418	49,028	4,600	—	130,907
Special Mention	—	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—	—
Total	24,501	21,881	12,479	18,418	49,028	4,600	—	130,907
Current year-to-date gross write-offs	—	—	—	—	—	—	—	—

As of December 31, 2023

Term loans amortized cost basis by origination year

	2023	2022	2021	Prior	Revolving loans amortized cost basis	Revolving loans converted to term loans amortized cost basis	Total
(Dollars in thousands)							
1-4 family residential							
Pass	\$ 23,395	\$ 18,950	\$ 19,605	\$ 47,517	\$ 1,414	\$ —	\$ 110,881
Special Mention	—	—	—	—	—	—	—
Substandard	—	—	—	200	—	—	200
Total 1-4 family residential	23,395	18,950	19,605	47,717	1,414	—	111,081
Current year-to-date gross write-offs	—	—	—	—	—	—	—
Multi-family							
Pass	—	—	239	2,872	—	—	3,111
Special Mention	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—
Total multi-family	—	—	239	2,872	—	—	3,111
Current year-to-date gross write-offs	—	—	—	—	—	—	—
Commercial							
Pass	186	—	100	3,399	150	—	3,835
Special Mention	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—
Total commercial	186	—	100	3,399	150	—	3,835
Current year-to-date gross write-offs	—	—	—	—	—	—	—
Construction							
Pass	2,508	—	—	—	—	—	2,508
Special Mention	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—
Total construction	2,508	—	—	—	—	—	2,508
Current year-to-date gross write-offs	—	—	—	—	—	—	—
Consumer							
Pass	122	95	28	3	—	—	248
Special Mention	—	—	—	—	—	—	—
Substandard	—	—	—	—	—	—	—
Total consumer	122	95	28	3	—	—	248
Current year-to-date gross write-offs	—	—	—	—	—	—	—
Total							
Pass	26,211	19,045	19,972	53,791	1,564	—	120,583
Special Mention	—	—	—	—	—	—	—
Substandard	—	—	—	200	—	—	200
Total	26,211	19,045	19,972	53,991	1,564	—	120,783
Current year-to-date gross write-offs	—	—	—	—	—	—	—

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The aging of the Bank's loan portfolio as of December 31, 2024 and 2023, 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
(Dollars in thousands)						
December 31, 2024						
1-4 family residential	\$ 371	\$ —	\$ —	\$ 371	\$ 119,038	\$ 119,409
Multi-family	—	—	—	—	3,368	3,368
Commercial	—	—	—	—	4,197	4,197
Construction	—	—	—	—	3,651	3,651
Consumer	—	—	—	—	282	282
Total	\$ 371	\$ —	\$ —	\$ 371	\$ 130,536	\$ 130,907
December 31, 2023						
1-4 family residential	\$ 131	\$ —	\$ 200	\$ 331	\$ 110,750	\$ 111,081
Multi-family	—	—	—	—	3,111	3,111
Commercial	—	—	—	—	3,835	3,835
Construction	—	—	—	—	2,508	2,508
Consumer	—	—	—	—	248	248
Total	\$ 131	\$ —	\$ 200	\$ 331	\$ 120,452	\$ 120,783

The following table presents the amortized cost basis of loans on nonaccrual status recorded at December 31, 2024 and 2023. As of January 1, 2023, the amortized cost basis of loans on nonaccrual status was \$154,000.

	December 31, 2024		December 31, 2023	
	Nonaccrual with no Allowance for Credit Losses	Nonaccrual	Nonaccrual with no Allowance for Credit Losses	Nonaccrual
(Dollars in thousands)				
First mortgage loans				
1-4 family residential	\$ —	\$ —	\$ 200	\$ 200
Multi-family	—	—	—	—
Commercial	—	—	—	—
Construction	—	—	—	—
Consumer loans	—	—	—	—
Total loans	\$ —	\$ —	\$ 200	\$ 200

The Bank may modify loans to borrowers experiencing financial difficulty by providing modifications to repayment terms; more specifically, modifications to loan interest rates. Management performs an analysis at the time of loan modification. Any reserve required is recorded through a provision to the allowance for credit losses on loans.

As of January 1, 2023, the Company adopted ASU 2022-02, *Financial Instruments - Credit Losses (Topic 326): Troubled Debt Restructuring and Vintage Disclosures*. There were no modifications on loans to borrowers experiencing financial difficulty during the year ended December 31, 2024 and 2023.

There were no consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process as of December 31, 2024. The recorded investment of consumer mortgage loans secured by residential real estate properties for which formal foreclosure proceedings are in process is \$64,000 as of December 31, 2023.

Note 5: Premises and Equipment

The components of premises and equipment as of December 31, 2024 and 2023, are as follows:

	2024	2023
	(Dollars in thousands)	
Land and improvements	\$ 2,940	\$ 2,940
Building and improvements	7,274	7,012
Furniture and equipment	1,477	1,424
Total gross equipment	11,691	11,376
Less accumulated depreciation	6,380	6,091
Premises and equipment, net	\$ 5,311	\$ 5,285

Depreciation expense was \$293,000 and \$266,000 for the years ended December 31, 2024 and 2023, respectively.

Note 6: Deposits

As of December 31, 2024, for the years below ended December 31, the scheduled maturities of time deposits are as follows:

Years Ended	Amount (Dollars in thousands)
2025	\$ 63,630
2026	13,014
2027	2,232
2028	8,500
2029 and beyond	5,443
Total	\$ 92,819

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, 2024 and 2023, total deposits held by directors and officers of the Company and the Bank were \$1.1 million and \$739,000, respectively.

Note 7: Other Borrowings

There were no additional borrowings made during the year ended December 31, 2024. In June 2023, the Company borrowed \$5.0 million from the FHLB Chicago at a rate of 4.78% for 24 months, payable on June 20, 2025. The advance is collateralized by loans pledged to the FHLB and is payable at maturity, with a prepayment penalty if repayment is made prior to the maturity date.

Additionally, during the fourth quarter of 2023, the Company borrowed \$10.0 million from the Federal Reserve Bank of Chicago ("FRB") as part of the Bank Term Funding Program, at a rate of 5.31% for 12 months, payable in November 2024. The borrowing was repaid in December 2023. The borrowing was collateralized by securities pledged to the FRB and was payable at maturity with no prepayment penalty.

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

	At or For the Year Ended December 31,	
	2024	2023
	(Dollars in thousands)	
FHLB of Chicago advances and other borrowings:		
Average balance outstanding	\$ 5,000	\$ 3,461
Maximum amount outstanding at any month-end during the period	5,000	15,000
Balance outstanding at end of period	5,000	5,000
Average interest rate during the period	4.8%	5.0%
Weighted average interest rate at end of period	4.8%	4.8%

The following table shows the outstanding advances, additional borrowing capacity and total borrowing capacity from the FHLB Chicago at the dates presented.

	December 31, 2024	December 31, 2023
	(Dollars in thousands)	
Outstanding advances	\$ 5,000	\$ 5,000
Additional borrowing capacity	73,094	72,200
Total borrowing capacity	\$ 78,094	\$ 77,200

The eligible borrowings are collateralized by \$103.8 million and \$102.6 million of first mortgage loans under a blanket lien arrangement at December 31, 2024 and 2023, respectively. Additionally, at December 31, 2024 and 2023 we had a \$10.0 million federal funds line of credit with the BMO Harris Bank, none of which was drawn at December 31, 2024 and 2023.

Note 8: Income Taxes

Income tax expense for the years ended December 31, 2024 and 2023, is summarized as follows:

	Year Ended December 31,	
	2024	2023
	(Dollars in thousands)	
Current expense		
Federal	\$ —	\$ 9
State	—	—
Total current expense	—	9
Deferred benefit	(389)	(1,150)
Change in valuation allowance	389	2,140
Total deferred expense	—	990
Total income tax expense	\$ —	\$ 999

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. The provision for income taxes differs from that computed as follows:

	Year Ended December 31,	
	2024	2023
	(Dollars in thousands)	
Loss before income tax expense	\$ (789)	\$ (2,958)
Tax benefit at statutory federal rate of 21% applied to income before income tax benefit	166	621
State income tax benefit, net of federal effect	59	222
Tax-exempt security and loan income, net of TEFRA adjustments	45	77
BOLI	46	40
Change in valuation allowance	(389)	(2,140)
Other	73	181
Total income tax expense	\$ —	\$ (999)
Effective tax rate	—%	(33.8)%

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, 2024 and 2023, are as follows:

	Year Ended December 31,	
	2024	2023
	(Dollars in thousands)	
Deferred tax assets		
Allowance for credit losses	\$ 364	\$ 339
Deferred compensation	635	556
Retirement plans	162	181
Premises held for sale impairment	101	101
Unrealized loss on securities available-for-sale	3,431	3,279
Federal net operating loss carryforwards	1,405	1,042
Other	7	15
State net operating loss carryforwards	515	532
Gross deferred tax assets	6,620	6,045
Valuation allowance	(3,050)	(2,661)
Net deferred tax assets	3,570	3,384
Deferred tax liabilities		
FHLB stock dividends	(101)	(101)
Accumulated depreciation	(38)	(4)
Deferred tax liabilities	(139)	(105)
Net deferred tax asset	\$ 3,431	\$ 3,279

The Bank does not expect the total amount of unrecognized tax benefits to change significantly in the next twelve months. Gross Federal net operating losses (NOL) as of December 31, 2024 and 2023 are \$6.7 million, and \$5.0 million, respectively. A portion of the Federal NOL, related to charitable contributions, totaling \$1.3 million, as of December 31, 2024, will expire in 2027. The remainder of the Federal NOL does not expire. During 2024, management assessed the available positive and negative evidence to estimate whether sufficient future taxable income will be generated to permit use of the existing deferred tax assets. A significant piece of objective negative evidence evaluated is the cumulative taxable loss incurred over the four-year period ended December 31, 2024. Such objective evidence limits the ability to consider other subjective evidence, such as our projections for future growth.

On the basis of this evaluation, as of December 31, 2024, a valuation allowance of \$2.5 million has been recorded to recognize only the portion of the deferred tax asset that is more likely than not to be realized.

NOL carryforwards for state income tax purposes were approximately \$5.4 million and \$5.6 million at December 31, 2024 and 2023, respectively, and will begin expiring in 2025. 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 of \$515,000 has been recorded on the related deferred tax asset.

There were no uncertain tax positions outstanding as of December 31, 2024 and 2023. As of December 31, 2024, tax years remaining open for State of Illinois and Wisconsin were 2020 through 2023. Federal tax years that remained open were 2021 through 2023. As of December 31, 2024, there were also no unrecognized tax benefits that are expected to significantly increase or decrease within the next twelve months.

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 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 December 31, 2024, 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 I capital to average total 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. The Bank elected to begin using CBLR for the first quarter of 2020. Management believes, as of December 31, 2024, 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, 2024 and 2023, are presented below:

	Actual		Minimum Required to be Well-Capitalized (1)	
	Amount	Ratio	Amount	Ratio
(Dollars in thousands)				
As of December 31, 2024				
Tier 1 capital (to Average Assets)	\$ 64,634	23.53%	\$ 24,722	>9%
As of December 31, 2023				
Tier 1 capital (to Average Assets)	\$ 63,258	24.72%	\$ 23,031	>9%

(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 Company's principal source of funds for dividend payments is dividends received from the Bank. Banking regulations limit the amount of dividends that the Bank may pay without prior approval of regulatory agencies. Under these regulations, the amount of dividends that the Bank may pay in any calendar year is limited to the current year's profits, combined with the retained profit of the previous two years, subject to the capital requirements described above which include a requirement that the Bank maintain a capital conservation buffer of 2.5% on all risk-based capital requirements in order to avoid additional limitations on capital distributions.

Note 10: Benefit Plans

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 \$206,000 for 2024 and \$161,000 for 2023.

As part of the conversion, North Shore Trust and Savings established the Employee Stock Ownership Plan ("ESOP") for its employees. Shares of the ESOP will be released and allocated to employees based on the ratio of each such participant's compensation. Refer to Note 11 for additional information surrounding the ESOP and related expenses.

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 2024 and 2023 was \$0.

Note 11: Stock Based Compensation**ESOP**

In connection with the Bank's mutual to stock conversion in January 2022, the Bank established the North Shore Trust and Savings Employee Stock Ownership Plan ("ESOP") for all eligible employees. The ESOP purchased 431,836 shares of Company common stock in the Company's initial public offering at \$10.00 per share with the proceeds of a twenty-five (25) year loan from the Company in the amount of \$4.3 million. The interest rate on the ESOP loan is fixed at 3.25%. The Bank intends to make annual contributions to the ESOP that at a minimum will permit the ESOP to repay the principal and interest due on the ESOP debt. However, the Bank may prepay the principal of the note, partially or in full and without penalty or premium at any time and from time to time without prior notice to the holder. Any dividends declared on Company common stock held by the ESOP and not allocated to the account of a participant can be used to repay the loan. As the ESOP loan is repaid, shares of Company common stock pledged as collateral for the loan are released from the loan suspense account for allocation to Plan participants on the basis of each active participant's proportional share of compensation. Participants vest 100% in their ESOP allocations after five years of service. In connection with the implementation of the ESOP, participants were given credit for past service with the Bank for vesting purposes. Participants will become fully vested upon death, disability, retirement, a change in control, or termination of the ESOP. Generally, participants will receive distributions from the ESOP upon separation from service. The plan reallocates any unvested shares of common stock forfeited upon termination of employment among the remaining participants in the plan.

ESOP compensation represents the average fair market value of the shares of Company common stock allocated or committed to be released as of that date. The difference between the market price and the cost of shares committed to be released is recorded as an adjustment to additional paid-in capital. Dividends, if any, on allocated shares are recorded as a reduction of retained earnings and dividends, if any, on unallocated shares are recorded as a reduction of the debt service. The ESOP compensation expense for the year ended December 31, 2024 and 2023 was \$214,000 and \$199,000.

Shares held by the ESOP were as follows:

	As of December 31,	
	2024	2023
	(Dollars in thousands)	
Shares allocated	64,844	43,624
Shares distributed to plan participants	(1,597)	—
Unallocated	366,992	388,212
Total ESOP shares	430,239	431,836
Fair value of unearned shares as of December 31, 2024 and December 31, 2023 respectively	\$ 4,331	\$ 3,692

Equity Incentive Plan

At the Company's annual meeting of stockholders held on May 24, 2023, stockholders approved the NSTS Bancorp, Inc. 2023 Equity Incentive Plan ("2023 Equity Plan"), which provides for the granting of up to 755,714 shares (215,918 shares of restricted stock and 539,796 shares available for future grants of stock options) of the Company's common stock pursuant to equity awards made under the 2023 Equity Plan.

Stock options granted under the 2023 Equity Plan generally vest in equal annual installments over a service period of five years beginning on the date of grant. The vesting of the options accelerates upon death, disability or following a change in control of the Company. Stock options are generally granted at an exercise price equal to the fair value of the Company's common stock on the grant date based on the closing market price of the Company's common stock on the date of grant, and have an expiration period of ten years. In June 2023, the Company granted 465,500 stock options under the 2023 Equity Plan. In December 2024, the Company granted 58,000 stock options under the 2023 Equity Plan. As of December 31, 2024, the Company has 16,296 shares available for future grants of stock options under the 2023 Equity Plan.

The fair value of stock options granted in 2024 is estimated utilizing the Black-Scholes option pricing model using the following assumptions: an expected life of 6.5 years, risk-free rate of 4.38%, volatility of 28.0% and a dividend yield of 0.0%. The fair value of stock options granted in 2023 is estimated utilizing the Black-Scholes option pricing model using the following assumptions: an expected life of 6.5 years, risk-free rate of 3.82%, volatility of 29.0% and a dividend yield of 0.0%. Due to the limited historical information of the Company's stock, management considered the weighted historical volatility of the common stock of the Company and other similar entities for an appropriate period in determining the volatility rate used in the estimation of fair value. The expected life of the stock option was estimated using the simplified method. The risk-free interest rate is based on the U.S. Treasury yield curve in effect at the time of grant. The Company recognizes compensation expense for the fair values of these awards, which have graded vesting, on a straight-line basis over the requisite service period of the awards. Upon exercise of vested options, management expects to first draw on treasury stock as the source for shares. The weighted average grant date fair value of stock options granted during the year ended December 31, 2024 was \$4.38. The weighted average grant date fair value of stock options granted during the year ended December 31, 2023 was \$3.56.

The following is a summary of the Company's stock option activity and related information for the periods presented.

Stock Option	Shares	Weighted Average Exercise Price	Aggregate Intrinsic Value (1)
Options, outstanding January 1, 2023	—	\$ —	\$ —
Granted	465,500	9.36	
Exercised	—	—	
Forfeited	—	—	
Options, outstanding December 31, 2023	465,500	\$ 9.36	\$ 70
Exercisable - End of Period	23,000	\$ 9.36	\$ 3
Options, outstanding January 1, 2024	465,500	\$ 9.36	\$ 70
Granted	58,000	11.34	
Exercised	(23,000)	9.36	
Forfeited	—	—	
Options, outstanding December 31, 2024	500,500	\$ 9.59	\$ 1,106
Exercisable - End of Period	106,900	\$ 9.36	\$ 261

(1) Dollars in thousands.

Expected future expense relating to the non-vested options outstanding as of December 31, 2024 is \$1.3 million over a weighted average period of 3.6 years. As of December 31, 2024, the Company had 393,600 in nonvested stock options with a weighted average remaining life of 8.6 years.

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Restricted shares granted under the 2023 Equity Plan generally vest in equal annual installments over a service period of five years beginning on the date of grant. The vesting of the awards accelerates upon death, disability or following a change in control of the Company. The product of the number of shares granted and the grant date closing market price of the Company's common stock determines the fair value of restricted shares under the 2023 Equity Plan. Management recognizes compensation expense for the fair value of restricted shares on a straight-line basis over the requisite service period.

On December 19, 2024, the Company granted to employees, under the 2023 Equity Plan, 16,700 shares of restricted stock with a total grant-date fair value of \$189,000. Additionally, on June 15, 2023, the Company granted to employees, under the 2023 Equity Plan, 187,200 shares of restricted stock with a total grant-date fair value of \$1.8 million. These restricted stock awards vest in equal installments over a five-year period beginning one year from the date of grant. As of December 31, 2024, the Company has 12,018 shares of restricted stock available for future grants under the 2023 Equity Plan.

The following is a summary of the status of the Company's restricted shares as of December 31, 2024 and changes thereto during the periods presented.

Restricted Stock	Shares	Weighted Average Grant Date Fair Value	
Nonvested balance as of December 31, 2022	—	\$	—
Granted	187,200		9.36
Vested	(9,200)		9.36
Forfeited	—		—
Nonvested balance as of December 31, 2023	178,000	\$	9.36
Nonvested balance as of December 31, 2023	178,000	\$	9.36
Granted	16,700		11.30
Vested	(42,960)		9.36
Forfeited	—		—
Nonvested balance as of December 31, 2024	151,740	\$	9.57

Expected future expense related to the non-vested restricted shares outstanding as of period end is \$1.3 million over a weighted average period of 3.6 years.

The following table presents the stock based compensation expense for the periods presented.

	Year Ended December 31,	
	2024	2023
	(Dollars in thousands)	
Stock option expense	\$ 373	\$ 252
Restricted stock expense	394	267
Total stock based compensation expense	\$ 767	\$ 519

For the year ended December 31, 2024, the total deferred tax benefit related to the \$767,000 of stock based compensation expense was \$123,000. Due to the passing of Director Bond, Jr., 18,400 stock options and 7,360 restricted stock awards vested during the fourth quarter of the year ended December 31, 2024. The early vesting of the stock options and restricted stock awards resulted in an additional expense of \$57,000 and \$60,000, respectively, during the year ended December 31, 2024. Due to the passing of Director Dolan, 23,000 stock options and 9,200 restricted stock awards vested during the fourth quarter of the year ended December 31, 2023. The early vesting of the stock options and restricted stock awards resulted in an additional expense of \$73,000 and \$77,000, respectively, during the year ended December 31, 2023.

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, 2024 and 2023, unused lines of credit and outstanding commitments to originate loans were as follows:

	2024		2023
	(Dollars in thousands)		
Unused line of credit	\$	8,950	\$ 4,050
Commitments to originate loans		1,109	3,770
Total commitments	\$	10,059	\$ 7,820

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. 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.

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, 2024 and 2023.

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.

Individually Evaluated (Nonrecurring)

Individually evaluated 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. Individually evaluated loans are evaluated on a quarterly basis for additional credit losses and adjusted accordingly.

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, 2024 and 2023:

	Fair Value Measurements Using			
	Fair Value	Level 1	Level 2	Level 3
(Dollars in thousands)				
December 31, 2024				
Securities Available-for-sale				
U.S. government agency obligations	\$ 8,657	\$ —	\$ 8,657	\$ —
Municipal obligations	11,736	—	11,736	—
Mortgage-backed residential obligations	25,915	—	25,915	—
Collateralized mortgage obligations	24,941	—	24,941	—
Total	\$ 71,249	\$ —	\$ 71,249	\$ —
December 31, 2023				
Securities Available-for-sale				
U.S. Treasuries	\$ 2,973	\$ 2,973	\$ —	\$ —
U.S. government agency obligations	9,106	—	9,106	—
Municipal obligations	13,570	—	13,570	—
Mortgage-backed residential obligations	30,351	—	30,351	—
Collateralized mortgage obligations	26,135	—	26,135	—
Total	\$ 82,135	\$ 2,973	\$ 79,162	\$ —

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. There were no assets measured at fair value on a nonrecurring basis as of December 31, 2024 and 2023.

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. Fair value estimates, methods and assumptions for the Company’s financial instruments that are not recorded at fair value on a recurring or non-recurring basis are set forth below.

Loans, net: Fair values are estimated for portfolios of loans with similar financial characteristics. Loans are segregated by type such as residential mortgage and consumer. Each loan category is further segmented into fixed and adjustable rate interest terms and by performing and non-performing categories. Estimated fair value of loans is determined using a discounted cash flow model that employs an exit discount rate that reflects the current market pricing for loans with similar characteristics and remaining maturity, adjusted for estimated credit losses inherent in the portfolio at the balance sheet date.

Interest-bearing deposits: The fair value of interest-bearing deposits is based on the discounted value of contractual cash flows. The discount rate is estimated using rates for currently offered deposits of similar remaining maturities.

Other borrowings: The fair value of borrowings is based on securities dealers’ estimated fair values, when available, or estimated using discounted cash flow analysis. The discount rates used approximate the rates offered for similar borrowings of similar remaining terms.

Certain 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. The carrying value of these financial instruments assumes to approximate the fair value of these instruments. These instruments include cash and cash equivalents, non-interest-bearing deposit accounts, time deposits with other financial institutions, FHLB stock, escrow deposits and accrued interest receivable and payable.

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
(Dollars in thousands)					
December 31, 2024					
Financial assets:					
Loans, net	\$ 130,356	\$ —	\$ —	\$ 124,084	\$ 124,084
Loans held for sale	1,218	—	1,242	—	1,242
Financial liabilities:					
Interest-bearing deposits	178,260	—	178,872	—	178,872
Other borrowings	5,000	—	4,999	—	4,999
December 31, 2023					
Financial assets:					
Loans, net	\$ 120,623	\$ —	\$ —	\$ 110,288	\$ 110,288
Loans held for sale	380	—	387	—	387
Financial liabilities:					
Interest-bearing deposits	156,402	—	156,092	—	156,092
Other borrowings	5,000	—	4,990	—	4,990

Note 15: Earnings Per Share

Basic EPS represents income available to common stockholders divided by the weighted-average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution that could occur if securities or other contracts to issue common shares (such as stock options) were exercised or converted into additional common shares that should then share in the earnings of the entity. Diluted EPS is computed by dividing net income attributable to common stockholders by the weighted average number of common shares outstanding for the period, plus the effect of potential dilutive common share equivalents.

There were no securities or other contracts that had a dilutive effect during the twelve months ended December 31, 2024 and 2023, and therefore the weighted-average common shares outstanding used to calculate both basic and diluted EPS are the same. Shares held by the Employee Stock Ownership Plan ("ESOP") that have not been allocated to employees in accordance with the terms of the ESOP, referred to as "unallocated ESOP shares", are not deemed outstanding for purposes of the EPS calculation.

	Year Ended December 31,	
	2024	2023
Net loss applicable to common shares	\$ (789)	\$ (3,957)
Average number of common shares outstanding	5,289,932	5,404,371
Less: Average unallocated ESOP shares	378,471	399,873
Average number of common shares outstanding used to calculate basic earnings per common share	4,911,461	5,004,498
Loss per common share basic and diluted	\$ (0.16)	\$ (0.79)

All unallocated ESOP shares have been excluded from the calculation of basic and diluted EPS. Due to the net loss position, all outstanding share option awards are anti-dilutive and excluded from the computation of diluted earnings per share.

Note 16: Condensed Parent Only Financial Information

The Parent Company's condensed balance sheet and related condensed statements of operations and cash flows are as follows.

**NSTS BANCORP, INC.
Condensed Balance Sheets**

	Year ended December 31,	
	2024	2023
(Dollars in thousands)		
Assets:		
Cash	\$ 16,855	\$ 18,634
Investment in subsidiary	56,028	55,035
Loan to ESOP	3,800	3,973
Other assets	15	7
Total assets	\$ 76,698	\$ 77,649
Liabilities:		
Accrued expense and other liabilities	\$ 208	\$ 104
Total liabilities	208	104
Stockholders' equity		
Common Stock	56	56
Treasury Stock	(3,240)	(2,381)
Additional paid-in capital	51,684	50,920
Retained earnings	40,266	41,055
Unallocated common shares held by ESOP	(3,670)	(3,882)
Accumulated other comprehensive loss, net	(8,606)	(8,223)
Total stockholders' equity	76,490	77,545
Total liabilities and stockholders' equity	\$ 76,698	\$ 77,649

**NSTS BANCORP, INC.
Condensed Statements of Operations**

	Year ended December 31,	
	2024	2023
(Dollars in thousands)		
Income:		
Interest income	\$ 129	\$ 135
Total income	129	135
Expense:		
Noninterest expense	\$ 1,313	\$ 1,180
Total expense	1,313	1,180
Losses before income tax expense and equity in undistributed earnings (losses) of subsidiary	\$ (1,184)	\$ (1,045)
Income tax expense	—	96
Losses before equity in undistributed earnings (losses) of subsidiary	\$ (1,184)	\$ (1,141)
Equity in undistributed earnings (losses) of subsidiary	395	(2,816)
Net loss	\$ (789)	\$ (3,957)

NSTS BANCORP, INC.
Condensed Statements of Cash Flows

	Year ended December 31,	
	2024	2023
(Dollars in thousands)		
Cash flows from operating activities:		
Net loss	\$ (789)	\$ (3,957)
Adjustments to reconcile net loss to net cash used in operating activities:		
Net change in other assets	(8)	97
Net change in accrued expenses and other liabilities	104	(307)
Equity in undistributed (earnings) losses of subsidiary	(395)	2,816
Net cash used in operating activities	(1,088)	(1,351)
Cash flows from investing activities:		
Principal payments on loan to ESOP	\$ 173	\$ 172
Net cash provided by investing activities	173	172
Cash flows from financing activities:		
Purchase of treasury shares	(970)	(2,381)
Purchase of treasury stock from taxes withheld on stock awards	(109)	—
Proceeds from exercise of stock options	215	—
Net cash used in financing activities	(864)	(2,381)
Net change in cash	(1,779)	(3,560)
Cash at beginning of period	18,634	22,194
Cash at end of period	\$ 16,855	\$ 18,634

Note 17: Changes in Accounting Principles

In March 2024, the FASB issued ASU No. 2024-01, "Compensation—Stock Compensation (Topic 718): Scope Applications of Profits Interests and Similar Awards" (ASU 2024-01). ASU 2024-01 adds an example to Topic 718 which illustrates how to apply the scope guidance to determine whether profits interests and similar awards should be accounted for as share-based payment arrangements under Topic 718 or under other U.S. GAAP. ASU 2024-01 is effective for annual periods beginning after December 15, 2025, although early adoption is permitted. Upon adoption, ASU 2024-01 is not expected to have an impact on the Company's consolidated balance sheets or consolidated statements of income.

On November 27, 2023, the FASB issued ASU 2023-07, "Segment Reporting (ASC 280): Improvements to Reportable Segment Disclosures", intended to improve reportable segment disclosure requirements, primarily through enhanced disclosures about significant segment expenses. Provisions in the amendment include: (1) Requirement that a public entity disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker ("CODM") and included within each reported measure of segment profit or loss (collectively referred to as the "significant expense principle"); (2) Requirement that a public entity disclose, on an annual and interim basis, an amount for other segment items by reportable segment and a description of its composition. The other segment items category is the difference between segment revenue less the segment expenses disclosed under the significant expense principle and each reported measure of segment profit or loss; (3) Requirement that a public entity provide all annual disclosures about a reportable segment's profit or loss and assets currently required by ASC 280 in interim periods; (4) Clarification that if the CODM uses more than one measure of a segment's profit or loss in assessing segment performance and deciding how to allocate resources, a public entity may report one or more of those additional measures of segment profit. However, at least one of the reported segment profit or loss measures (or the single reported measure, if only one is disclosed) should be the measure that is most consistent with the measurement principles used in measuring the corresponding amounts in the public entity's consolidated financial statements; (5) Requirement that a public entity disclose the title and position of the CODM and explanation of how the CODM uses the reported measure(s) of segment profit or loss in assessing segment performance and deciding how to allocate resources; and (6) Requirement that a public entity that has a single reportable segment provide all the disclosures by the amendments in the update and all existing segment disclosures in ASC 280.

The amendments in the update are effective for fiscal years beginning after December 15, 2023, and interim periods within fiscal years beginning after December 15, 2024, with early adoption permitted. For public business entities, amendments in the update should be applied retrospectively to all periods presented in the financial statements, and upon transition the segment expense categories and amounts disclosed in the prior periods should be based on the significant segment expense categories identified and disclosed in the period of adoption. The Company adopted this standard effective January 1, 2024, resulting in additional disclosure only, and did not have a material impact on the consolidated financial statements.

On December 14, 2023, the FASB issued ASU 2023-09 "Income Taxes (Topic 740): Improvements to Income Tax Disclosures". The amendments require that public business entities on an annual basis (1) disclose specific categories in the rate reconciliation, and (2) provide additional information for reconciling items that meet a quantitative threshold (if the effect of those reconciling items is equal to or greater than 5 percent of the amount computed by multiplying pretax income (or loss) by the applicable statutory income tax rate). The amendments require that all entities disclose on an annual basis the following information about income taxes paid: (1) The amount of income taxes paid (net of refunds received) disaggregated by federal (national), state, and foreign taxes, and (2) The amount of income taxes paid (net of refunds received) disaggregated by individual jurisdictions in which income taxes paid (net of refunds received) is equal to or greater than 5 percent of total income taxes paid (net of refunds received). The amendments also require that all entities disclose the following information: (1) Income (or loss) from continuing operations before income tax expense (or benefit) disaggregated between domestic and foreign, and (2) Income tax expense (or benefit) from continuing operations disaggregated by federal (national), state, and foreign. The ASU is effective for public business entities for annual periods beginning after December 15, 2024. Early adoption is permitted for annual financial statements that have not yet been issued or made available for issuance. The amendments should be applied on a prospective basis. Retrospective application is permitted. The Company will adopt this ASU for the reporting period beginning January 1, 2025, and does not expect the amendments to have a material impact to the financial statements of the Company.

Note 18: Subsequent Events

Management evaluated subsequent events through March 28, 2025, the date the financial statements were 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.

SIGNATURES

Pursuant to the requirements of the Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

NSTS BANCORP, INC.

Dated: March 28, 2025

By: /s/ Stephen G. Lear
Stephen G. Lear
President and Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below hereby constitutes and appoints each of Stephen G. Lear and Carissa H. Schoolcraft, with full power to act without the other, his or her trust and lawful attorney-in-fact and agency, with full and several powers of substitution, for him or her and in his or her name, place and stead, in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, and hereby grants to such attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done, as fully as to all intents and purposes as each of the undersigned might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their or his substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange of 1934, this report has been signed below by the following persons on behalf of the Registrant and 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)	March 28, 2025
<u>/s/ Carissa H. Schoolcraft</u> Carissa H. Schoolcraft	Chief Financial Officer (Principal Financial and Accounting Officer)	March 28, 2025
<u>/s/ Apolonio Arenas</u> Apolonio Arenas	Director	March 28, 2025
<u>/s/ Emily E. Ansani</u> Emily E. Ansani	Director	March 28, 2025
<u>/s/ Thomas M. Ivantic</u> Thomas M. Ivantic	Director	March 28, 2025
<u>/s/ Thomas J. Kneesel</u> Thomas J. Kneesel	Director	March 28, 2025
<u>/s/ Rodney J. True</u> Rodney J. True	Director	March 28, 2025

**DESCRIPTION OF THE REGISTRANT'S SECURITIES
REGISTERED PURSUANT TO SECTION 12
OF THE SECURITIES EXCHANGE ACT OF 1934**

Our common stock is the only class of our securities that is registered under Section 12 of the Securities Exchange Act of 1934, as amended (the "Exchange Act"). The following description of our common stock is a summary and does not purport to be complete. It is subject to and qualified in its entirety by reference to our Certificate of Incorporation (the "Certificate of Incorporation") and our Bylaws (the "Bylaws"), each of which is included as an exhibit to the Annual Report on Form 10-K of which this Exhibit 4.1 is a part.

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. As of December 31, 2024, there are 5,601,859 shares of our common stock issued and 5,249,826 shares outstanding. NSTS Bancorp, Inc. has not issued shares of preferred stock. Each share of common stock has the same relative rights as, and is 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 are duly authorized, fully paid and nonassessable.

The shares of common stock represent non-withdrawable capital, are not an account of an insurable type, and are not 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. are 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. The holders of common stock of NSTS Bancorp, Inc. have exclusive voting rights in NSTS Bancorp, Inc. They 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 is entitled to one vote per share and do 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, is not 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.

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 is 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. do 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. are not 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 are issued. 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.

Listing

Our common stock is listed on the Nasdaq Capital Market under the symbol "NSTS".

Transfer Agent

The transfer agent and registrar for our common stock is Pacific Stock Transfer.



INSIDER TRADING POLICY

This Insider Trading Policy (this "Policy") describes the standards of NSTS Bancorp, Inc. (the "Company") and its subsidiaries on trading, and causing the trading of, the Company's securities or securities of certain other publicly traded companies while in possession of confidential information. This Policy is divided into two parts:

- Part I prohibits trading in certain circumstances and applies to all directors, officers and employees of the Company and of North Shore Trust and Savings (the "Bank"). It also applies to their respective spouses, individuals living in their household and entities such persons own or control (collectively, "Affiliated Persons").
- Part II imposes additional trading restrictions and applies to (i) all directors and executive officers of the Company and the Bank (collectively, "Company Insiders") and in certain cases their Affiliated Persons, and (ii) certain other employees of the Company or the Bank that may be listed on **Appendix A** hereto or as otherwise maintained by the Compliance Officer from time to time (collectively, with Company Insiders, "Covered Persons") because of their position, responsibilities or their actual or potential access to material non-public information.

One of the principal purposes of the federal securities laws is to prohibit so-called "insider trading". Simply stated, insider trading occurs when a person uses material nonpublic information obtained through involvement with the Company to make decisions to purchase, sell, give away or otherwise trade the Company's securities or the securities of certain other companies or to provide that information to others outside the Company. The prohibitions against insider trading apply to trades, tips and recommendations by virtually any person, including all persons associated with the Company, if the information involved is "material" and "nonpublic". These terms are defined in this Policy under Part I, Section III below. The prohibitions would apply to any director, officer or employee who buys or sells securities on the basis of material nonpublic information that he or she obtained about the Company, its customers, suppliers, partners, competitors or other companies with which the Company has contractual relationships or may be negotiating transactions.

PART I

I. Applicability

This Policy applies to all trading or other transactions in (i) the Company's securities, including common stock, options and any other securities that the Company may issue, such as preferred stock, notes, bonds and convertible securities, as well as to derivative securities relating to any of the Company's securities, whether or not issued by the Company and (ii) the securities of certain other companies, including common stock, options and other securities issued by those companies as well as derivative securities relating to any of those companies' securities.

II. General Policy: No Trading or Causing Trading While in Possession of Material Nonpublic Information

- (a) No director, officer or employee of the Company or the Bank, or any of their Affiliated Persons, may purchase or sell, or offer to purchase or sell, any Company security, whether or not issued by the Company, while in possession of material nonpublic information about the Company. (The terms “material” and “nonpublic” are defined in Part I, Section III(a) and (b) below.)
- (b) No director, officer or employee of the Company or the Bank, or any of their Affiliated Persons, who knows of any material nonpublic information about the Company or its securities may communicate that information to (“tip”) any other person, including family members and friends, or otherwise disclose such information without the Company’s authorization.
- (c) No director, officer or employee of the Company or the Bank, or any of their Affiliated Persons, may purchase or sell any security of any other company while in possession of material nonpublic information that was obtained in the course of his or her involvement with the Company or the Bank. No director, officer or employee who knows of any such material nonpublic information may communicate that information to, or tip, any other person, including family members and friends, or otherwise disclose such information without the Company’s authorization.
- (d) For compliance purposes, you should never trade, tip or recommend securities (or otherwise cause the purchase or sale of securities) while in possession of information that you have reason to believe is material and nonpublic unless you first consult with, and obtain the advance approval of, the Compliance Officer (which is defined in Part I, Section III(c) below).
- (e) Company Insiders must “pre-clear” all trading in securities of the Company in accordance with the procedures set forth in Part II, Section III below.

III. Definitions

- (a) *Material*. Insider trading restrictions come into play only if the information you possess is “material”. Materiality, however, involves a relatively low threshold. Information is generally regarded as “material” if it has market significance, that is, if its public dissemination is likely to affect the market price of securities, or if it otherwise is information that a reasonable investor would want to know before making an investment decision.

Information dealing with the following subjects is reasonably likely to be found material in particular situations:

- (i) significant changes in the Company's prospects;

- (ii) significant write-downs in assets or increases in reserves;
- (iii) developments regarding significant litigation or government agency investigations;
- (iv) liquidity problems;
- (v) changes in earnings estimates or unusual gains or losses in major operations;
- (vi) major changes in the Company's management or the board of directors;
- (vii) changes in dividends;
- (viii) extraordinary borrowings;
- (ix) major changes in accounting methods or policies;
- (x) award or loss of a significant contract;
- (xi) cybersecurity risks and incidents, including vulnerabilities and breaches;
- (xii) changes in debt ratings;
- (xiii) proposals, plans or agreements, even if preliminary in nature, involving mergers, acquisitions, divestitures, recapitalizations, strategic alliances, licensing arrangements, or purchases or sales of substantial assets; and
- (xiv) offerings of Company securities.

Material information is not limited to historical facts but may also include projections and forecasts. With respect to a future event, such as a merger, acquisition or introduction of a new product, the point at which negotiations or product development are determined to be material is determined by balancing the probability that the event will occur against the magnitude of the effect the event would have on a company's operations or stock price should it occur. Thus, information concerning an event that would have a large effect on stock price, such as a merger, may be material even if the possibility that the event will occur is relatively small. When in doubt about whether particular nonpublic information is material, you should presume it is material. **If you are unsure whether information is material, you should either consult the Compliance Officer (defined below) before making any decision to disclose such information (other than to persons who need to know it) or to trade in or recommend securities to which that information relates or assume that the information is material.**

- (b) *Nonpublic.* Insider trading prohibitions come into play only when you possess information that is material and “nonpublic.” The fact that information has been disclosed to a few members of the public does not make it public for insider trading purposes. To be “public” the information must have been disseminated in a manner designed to reach investors generally, and the investors must be given the opportunity to absorb the information. Even after public disclosure of information about the Company, you must wait until the close of business on the second trading day after the information was publicly disclosed before you can treat the information as public.

Nonpublic information may include:

- (i) information available to a select group of analysts or brokers or institutional investors;
- (ii) undisclosed facts that are the subject of rumors, even if the rumors are widely circulated; and
- (iii) information that has been entrusted to the Company on a confidential basis until a public announcement of the information has been made and enough time has elapsed for the market to respond to a public announcement of the information (normally two trading days).

As with questions of materiality, if you are not sure whether information is considered public, you should either consult with the Compliance Officer or assume that the information is nonpublic and treat it as confidential.

- (c) *Compliance Officer.* The Company has appointed the Corporate Secretary as the Compliance Officer for this Policy. The duties of the Compliance Officer include, but are not limited to, the following:
- (i) assisting with implementation and enforcement of this Policy;
 - (ii) circulating this Policy to all employees and ensuring that this Policy is amended as necessary to remain up-to-date with insider trading laws;
 - (iii) pre-clearing trading in securities of the Company by Covered Persons in accordance with the procedures set forth in Part II, Section III below; and
 - (iv) providing approval of any Rule 10b5-1 plans under Part II, Section I(c) below and any prohibited transactions under Part II, Section IV below.

All determinations and interpretations by the Compliance Officer shall be final and not subject to further review.

IV. Exceptions

The trading restrictions of this Policy do not apply to the following:

- (a) *401(k) Plan.* Scheduled, periodic purchases of Company stock through a 401(k) plan maintained by the Company or the Bank which result from scheduled contributions in accordance with the terms of such 401(k) plan. However, any changes in your investment election regarding the Company's stock are subject to trading restrictions under this Policy.
- (b) *ESPP.* Purchasing Company stock through periodic, automatic payroll contributions to any employee stock purchase plan ("ESPP") that may be maintained by the Company. However, electing to enroll in any ESPP, making any changes in your elections under the ESPP and selling any Company stock acquired under the ESPP are subject to trading restrictions under this Policy.
- (c) *Options; Restricted Stock Awards.* Exercising stock options granted under any Company equity compensation plan for cash; the vesting of restricted stock granted under any Company equity compensation plan; and the exercise of a tax withholding right pursuant to which a person has elected to have the Company withhold shares subject to an option, or withhold or surrender shares upon the vesting of a restricted stock award, in order to satisfy tax withholding requirements. However, the sale of any shares issued on the exercise of Company-granted stock options, any cashless exercise of Company-granted stock options and any sale of restricted stock is subject to trading restrictions under this Policy.

V. Violations of Insider Trading Laws

Penalties for trading on or communicating material nonpublic information can be severe, both for individuals involved in such unlawful conduct and their employers and supervisors, and may include jail terms, criminal fines, civil penalties and civil enforcement injunctions. Given the severity of the potential penalties, compliance with this Policy is absolutely mandatory.

- (a) *Legal Penalties.* A person who violates insider trading laws by engaging in transactions in a company's securities when he or she has material nonpublic information can be sentenced to a substantial jail term and required to pay a criminal penalty of several times the amount of profits gained or losses avoided.

In addition, a person who tips others may also be liable for transactions by the tippees to whom he or she has disclosed material nonpublic information. Tippees can be subject to the same penalties and sanctions as the tippees, and the SEC has imposed large penalties even when the tipper did not profit from the transaction.

The SEC can also seek substantial civil penalties from any person who, at the time of an insider trading violation, "directly or indirectly controlled the person who committed such violation", which would apply to the Company and/or management and supervisory personnel. These control persons may be held liable for up to the greater of \$1 million or three times the amount of the profits gained or losses avoided. Even for violations that result in a small or no profit, the SEC can seek penalties from a company and/or its management and supervisory personnel as control persons.

- (b) *Company-Imposed Penalties.* Employees who violate this Policy may be subject to disciplinary action by the Company, including dismissal for cause. Any exceptions to the Policy, if permitted, may only be granted by the Compliance Officer and must be provided before any activity contrary to the above requirements takes place.

VI. Inquiries

If you have any questions regarding any of the provisions of this Policy, please contact the Compliance Officer at costickler@northshoretrust.com

PART II

I. Blackout Periods

All Covered Persons are prohibited from trading in the Company's securities during blackout periods as defined below.

- (a) *Quarterly Blackout Periods.* Trading in the Company's securities is prohibited during the period beginning at the close of the market (or end of the day if not a trading day) on the fifteenth (15th) day of the last month of each fiscal quarter (the "Regular Blackout Period Start Time") and ending at the close of market on the second trading day following the date of the public release of the Company's financial results (or if no earnings or similar release is made, then the second trading day following the date the respective Form 10-Q or Form 10-K is filed) (the "Regular Blackout Period End Time"). During these periods, Covered Persons generally possess or are presumed to possess material nonpublic information about the Company's financial results.
- (b) *Other Blackout Periods.* From time to time, other types of material nonpublic information regarding the Company (such as negotiation of mergers, acquisitions or dispositions, investigation and assessment of cybersecurity incidents or new product developments) may be pending and not be publicly disclosed. While such material nonpublic information is pending, the Company may impose special blackout periods during which Covered Persons are prohibited from trading in the Company's securities. If the Company imposes a special blackout period, it will notify the Covered Persons affected.
- (c) *Exception.* These trading restrictions do not apply to transactions under a pre-existing written plan, contract, instruction, or arrangement under Rule 10b5-1 under the Securities Exchange Act of 1934, as amended (an "Approved 10b5-1 Plan"), that:
 - (i) has been submitted for review by the Compliance Officer at least seven (7) days in advance of entering into such plan and acknowledged or approved by the Compliance Officer prior to entering into the plan (or, if revised or amended, such revisions or amendments have been submitted for review at least seven (7) days in advance of entering into such amendment and acknowledged or approved by the Compliance Officer prior to any such amendment being entered into);

- (ii) was entered into in good faith by the Covered Person at a time when the Covered Person was not in possession of material nonpublic information about the Company; and
- (iii) gives a third party the discretionary authority to execute such purchases and sales, outside the control of the Covered Person, so long as such third party does not possess any material nonpublic information about the Company; or explicitly specifies the security or securities to be purchased or sold, the number of shares, the prices and/or dates of transactions, or other formula(s) describing such transactions.

II. Trading Window

Covered Persons are permitted to trade in the Company's securities when no blackout period is in effect. Generally, this means that Covered Persons can trade during the period beginning on the Regular Blackout Period End Time and ending on the immediately succeeding Regular Blackout Period Start Time. However, even during this trading window, a Covered Person who is in possession of any material nonpublic information may not trade in the Company's securities until the information has been made publicly available or is no longer material. In addition, the Company may close this trading window if a special blackout period under Part II, Section I(b) above is imposed and will re-open the trading window once the special blackout period has ended.

III. Pre-Clearance of Securities Transactions

- (a) Because Company Insiders may likely obtain or have access to material nonpublic information on a regular basis, the Company requires Company Insiders to pre-clear transactions in Company securities with the Compliance Officer. The Company also may subject other non-executive officers or employees who are Covered Persons to the preclearance policy from time to time.
- (b) Subject to the exemption in subsection (d) below, no Company Insider may, directly or indirectly, purchase or sell (or otherwise make any transfer, gift, pledge or loan of) any Company security at any time, even during a trading window under Part II, Section II above, without first obtaining prior preclearance from the Compliance Officer. These preclearance procedures also apply to transactions by Affiliated Persons of Company Insiders.
- (c) The Compliance Officer shall record the date each request is received and the date and time each request is approved or disapproved. Unless revoked, a grant of permission will normally remain valid until the close of trading three business days following the day on which it was granted. If the transaction does not occur during the three-day period, pre-clearance of the transaction must be re-requested.

- (d) Pre-clearance is not required for purchases and sales of securities effected under an Approved 10b5-1 Plan. With respect to any purchase or sale under an Approved 10b5-1 Plan, the third party effecting transactions on behalf of the Company Insider should be instructed to send duplicate confirmations of all such transactions to the Compliance Officer.

IV. Prohibited Transactions

- (a) Company Insiders are prohibited from trading in the Company's equity securities during a blackout period imposed under an "individual account" retirement or pension plan of the Company, during which at least 50% of the plan participants are unable to purchase, sell or otherwise acquire or transfer an interest in equity securities of the Company, due to a temporary suspension of trading by the Company or the plan fiduciary.
- (b) The Company has determined that there is a heightened legal risk and/or the appearance of improper or inappropriate conduct if the persons subject to this Policy engage in certain types of transactions. Accordingly, it is the Company's policy that engagement in the following transactions is prohibited or restricted, as further noted below:
 - (i) *Short-term trading.* Company Insiders who purchase Company securities in the open market may not sell any Company securities of the same class for at least six months after the purchase (or vice versa);
 - (ii) *Short sales.* Directors, officers and employees of the Company or the Bank, and their Affiliated Persons, are prohibited from engaging in short sales of the Company's securities;
 - (iii) *Options trading.* Covered Persons may not buy or sell puts or calls or other derivative securities on the Company's securities;
 - (iv) *Trading on margin or pledging.* Covered Persons may not hold Company securities in a margin account or pledge Company securities as collateral for a loan unless advance approval is obtained from the Compliance Officer; and
 - (v) *Hedging.* Directors, officers and employees of the Company or the Bank, and their Affiliated Persons, may not enter into hedging or monetization transactions or similar arrangements (including prepaid variable forward contracts, equity swaps, collars, and exchange funds) that hedge or offset, or are designed to hedge or offset, any decrease in the market value of the Company's securities.

V. Acknowledgment and Certification

All Covered Persons are required to sign the attached acknowledgment and certification attached to this Policy.

Last Revision Date: December 20, 2021

Reviewed and Adopted by the Board February 16, 2023

Reviewed and Adopted by the Board February 15, 2024

Reviewed and Adopted by the Board February 20, 2025

Acknowledgement and Certification

The undersigned does hereby acknowledge receipt of the Company's Insider Trading Policy. The undersigned has read and understands (or has had explained) such Policy and agrees to be governed by such Policy at all times in connection with the purchase and sale of securities and the confidentiality of nonpublic information.

(Signature)

(Please print name)

Date: _____

APPENDIX A

Corporate Secretary

Significant Subsidiaries of the Registrant

Name	Percent Ownership	State of Incorporation
North Shore Trust and Savings	100%	Federal

**Consent of Independent Registered
Public Accounting Firm**

We have issued our report dated March 28, 2025, with respect to the consolidated financial statements included in the Annual Report of NSTS Bancorp, Inc. on Form 10-K for the year ended December 31, 2024. We hereby consent to the incorporation by reference of said report in the Registration Statement of NSTS Bancorp, Inc. on Form S-8 (File No. 333-272597).

/s/ Plante & Moran, PLLC

Chicago, Illinois

March 28, 2025

Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Stephen G. Lear, certify that:

1. I have reviewed this Annual Report on Form 10-K of NSTS Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 28, 2025

/s/ Stephen G. Lear

Stephen G. Lear

President and Chief Executive Officer

Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Carissa H. Schoolcraft, certify that:

1. I have reviewed this Annual Report on Form 10-K of NSTS Bancorp, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation;
 - d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Dated: March 28, 2025

/s/ Carissa H. Schoolcraft

Carissa H. Schoolcraft
Chief Financial Officer

**Certification of Chief Executive Officer and Chief Financial Officer
Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**

Stephen G. Lear, President and Chief Executive Officer, of NSTS Bancorp, Inc. (the "Company") and Carissa H. Schoolcraft, Chief Financial Officer of the Company, each hereby certifies in his or her capacity as an officer of the Company that he or she has reviewed the Company's Annual Report on Form 10-K for the year ended December 31, 2024 as filed with the Securities and Exchange Commission (the "Report") and that to the best of his or her knowledge:

1. the Report fully complies with the requirements of Sections 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

Date: March 28, 2025

/s/ Stephen G. Lear
Stephen G. Lear
President and Chief Executive Officer

Date: March 28, 2025

/s/ Carissa H. Schoolcraft
Carissa H. Schoolcraft
Chief Financial Officer

The purpose of this statement is solely to comply with Title 18, Chapter 63, Section 1350 of the United States Code, as adopted by Section 906 of the Sarbanes-Oxley Act of 2002.