

# Bank CEO Network

## State of Banking 2026

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HUNTON

“But I keep cruisin’  
Can’t stop, won’t stop movin’  
It’s like I got this music in my mind  
Sayin’, It’s going to be alright”

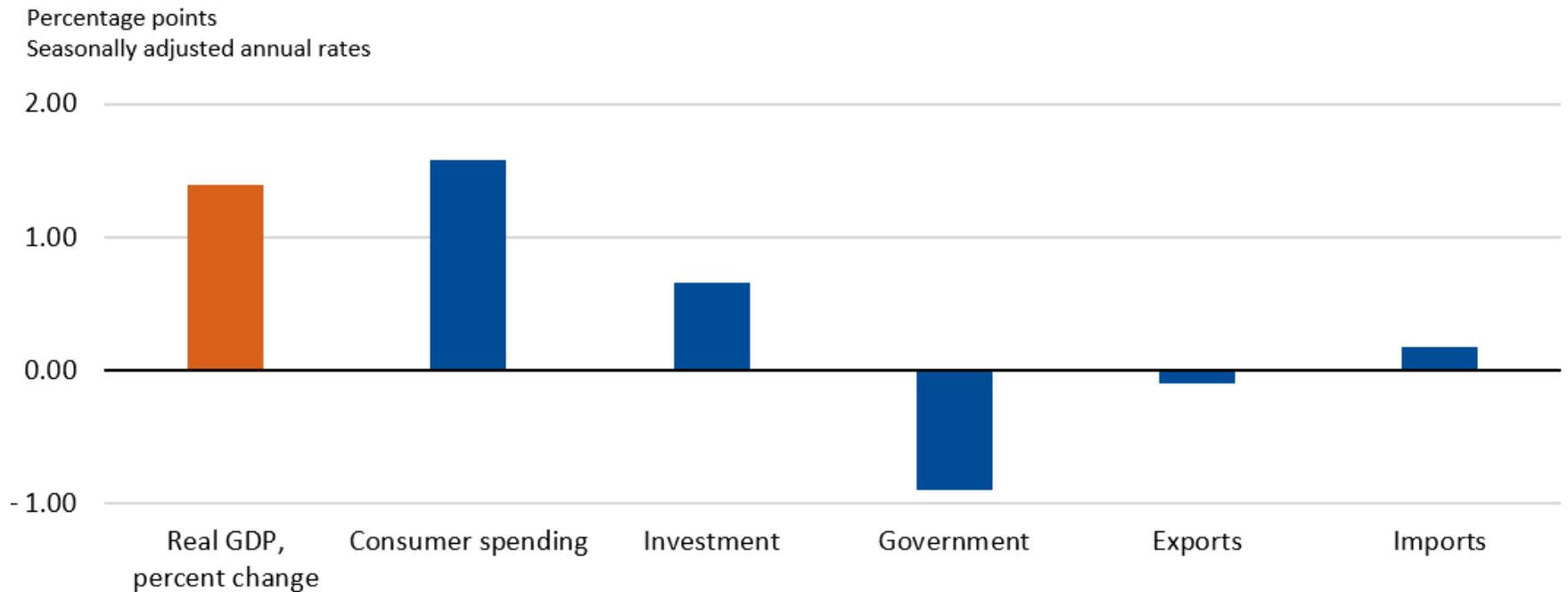
- Taylor Swift

# 2026 Banking Outlook

Banks Enter 2026 with Tailwinds from Yield Curve and Capital Capacity/Availability, and Increasing M&A Activity

Impact	Current Factors
↗	<b>Earning Tailwinds are Back</b> <ul style="list-style-type: none"><li>• Current industry supports strong EPS growth as core banking trends continue to normalize</li></ul>
↗	<b>The Margin Story Isn't Over</b> <ul style="list-style-type: none"><li>• NIMs improved in 2025 – a positively sloped yield curve (both 2Y/10Y and 3M/5Y) and continued repricing will keep this trend in place for 2026, even if the pace of improvement moderates</li><li>• A new Fed chair to be picked in 2026 is expected to be dovish and continue or accelerate pace of rate cuts</li></ul>
↗	<b>Loan Growth is Improving and Credit Remains Manageable</b> <ul style="list-style-type: none"><li>• Pipelines are healthier and demand is returning; this will position 2026 as a higher volume year than the last several quarters</li><li>• Credit quality remains benign, with risks more idiosyncratic than systemic<ul style="list-style-type: none"><li>• We've seen large, yet contained losses with regional banks (i.e., Tricolor, First Brands, Cantor Group) – expect focus to continue on NDFI lenders and consumer strength</li></ul></li></ul>
↗	<b>M&amp;A Momentum is Rising</b> <ul style="list-style-type: none"><li>• More deals and faster approvals are returning as a real catalyst for strategy and valuation</li><li>• Deal economics are getting a boost as early adoption of the new CECL FASB guidance improves acquisition optics and capital impact</li></ul>
↗	<b>Valuations Continue to Increase</b> <ul style="list-style-type: none"><li>• Banks continue to be inexpensive vs. historical, both relative to S&amp;P 500 and in terms of % of banks trading below their historical average P/TBV</li><li>• Room for re-rating of individual names and sector as a whole if execution is solid and macro trends continue favorable</li></ul>

# Contributions to Percent Change in Real GDP, 4<sup>th</sup> Quarter 2025 Real GDP Increased 1.4 Percent

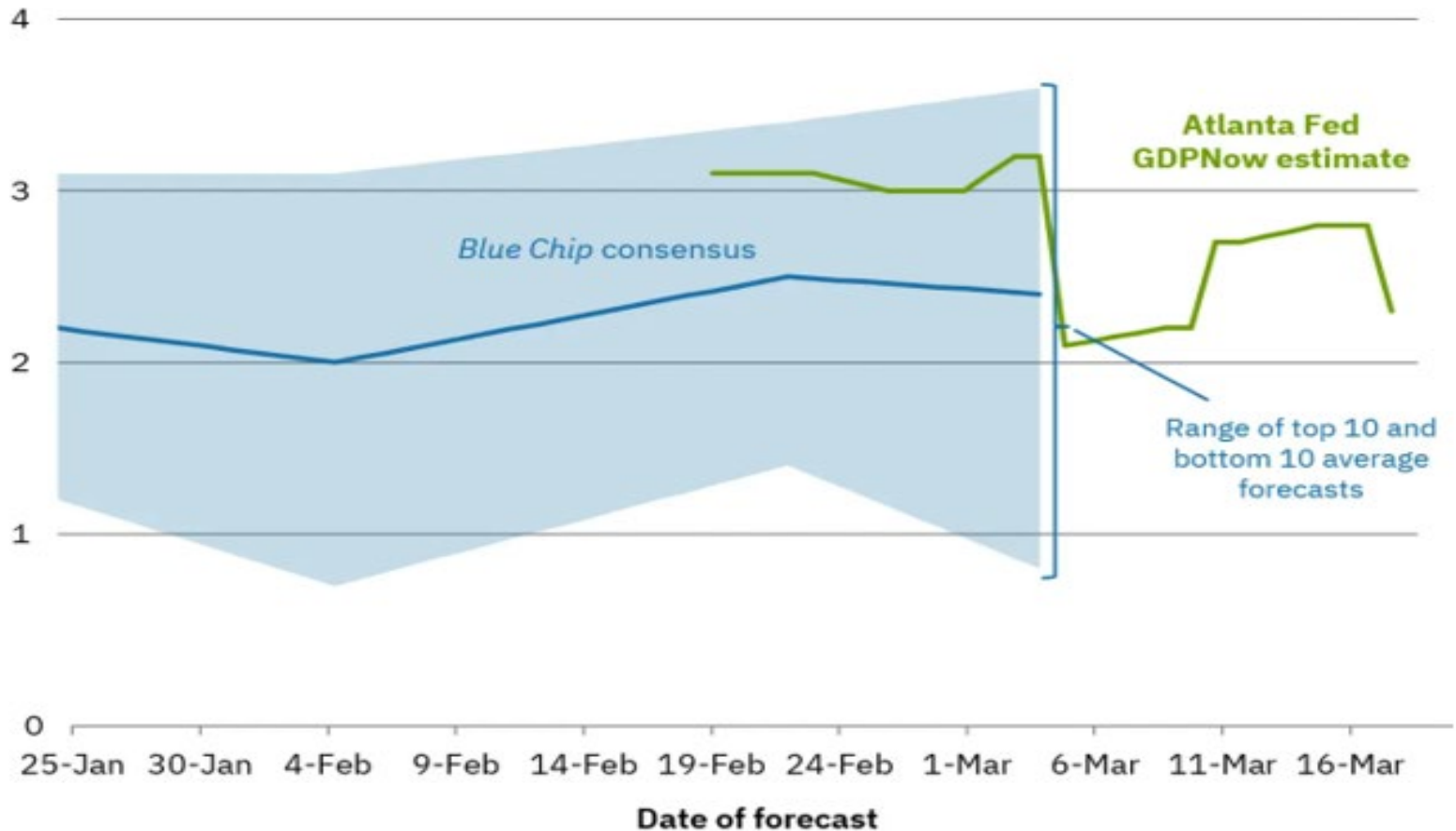


GDP Gross domestic product

Note. Imports are a subtraction in the calculation of GDP; thus, a decrease in imports results in a positive contribution to GDP.

U.S. Bureau of Economic Analysis

# Evolution of Atlanta Fed GDPNow real GDP estimate for 2026: Q1 Quarterly percent change (SAAR)



Sources: Blue Chip Economic Indicators and Blue Chip Financial Forecasts

Note: The top (bottom) 10 average forecast is an average of the highest (lowest) 10 forecasts in the Blue Chip survey.

# Bullish Outlook

- Tariff refunds
- War Spending
- Political momentum – Policymakers are likely to push for short term, pro growth policies that can fuel economic growth
- OBBBA – focused on revitalizing domestic manufacturing
- Capital investment boom (boomlet). International firms are expanding U.S. manufacturing. Municipalities are upgrading infrastructure
- Macro signals support growth

# Falling Real Interest Rates

Two-year Treasury yield, change since end of 2025

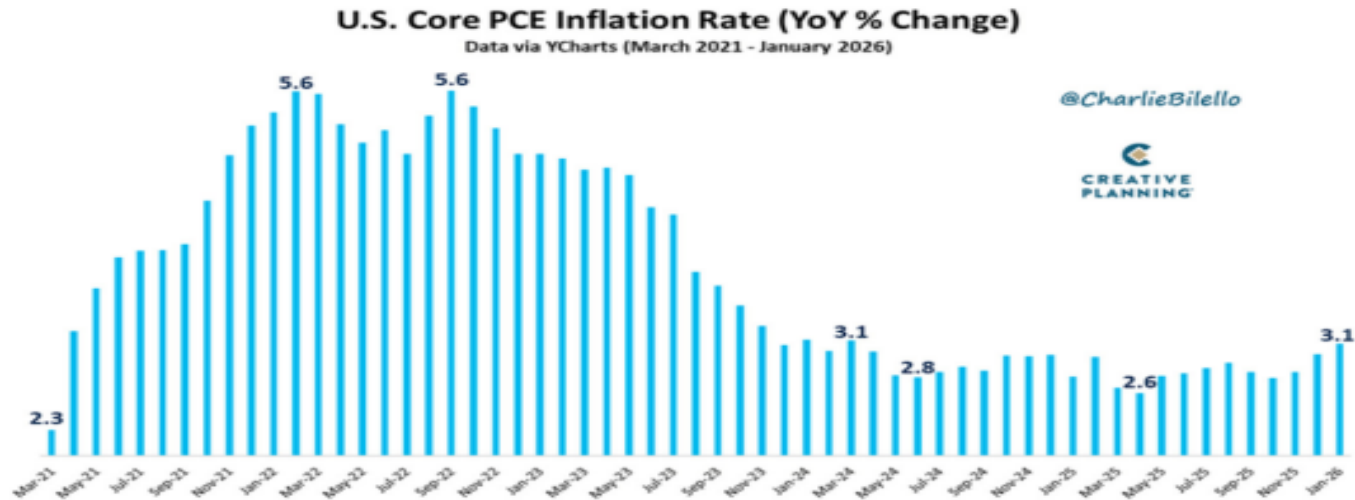


\*Yield on 5-Year Treasury inflation-adjusted note due April 15, 2028

Source: Haver

# Core Trend

When Federal Reserve officials talk about their 2% inflation target, they mean inflation as measured by “Core PCE.” That’s the Personal Consumption Expenditures index, minus food and energy. The chart below offers some perspective on this benchmark.



Source: [Charlie Bilello](#)

Core PCE was running at a 2.3% annual rate as the COVID crisis receded in early 2021. It climbed quickly from there, reaching 5.6% in 2022 thanks to both supply chain pressures and the Ukraine war. By mid-2024 it was below 3% again but remained stubbornly above the 2021 level.

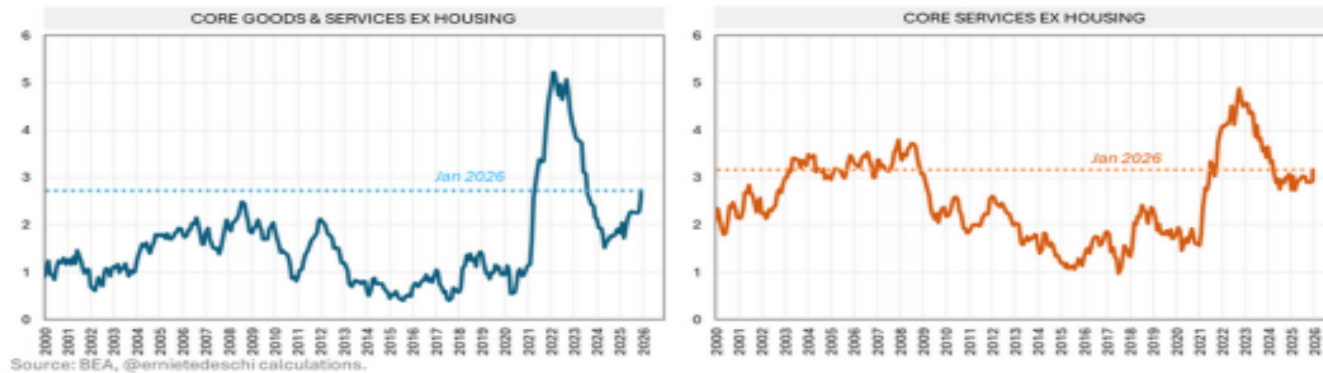
The most recent data covering January 2026 shows Core PCE back above 3%. There is no sign it will fall to the Fed’s 2% target. Reaching that level would likely require a severe recession... which of course no one wants to see. But with the target still at 2%, recession would appear to be the Fed’s implicit goal.

# Service Surge

The charts drill into the PCE data to remove the impact of housing prices. Inflation data (both CPI and PCE) considers housing a “service” and not a “good.” This data shows services inflation rising even if you ignore housing prices.

**Market-Based Core PCE ex. Housing Inflation**

Percent, year-on-year



Source: [Ernie Tedeschi](#)

The right chart shows core services ex-housing recently broke out of the two-year range between 2.7% and 3%. It is now 3.2%.

The left chart adds core goods to the picture, minus housing. This kind of inflation (not counting food, energy or housing) is rising at 2.7%, the highest since year 2000. Worse, it's climbing quickly.

Inflationary forces seem to have embedded themselves deeper into the economy, even before any impact from the Iran war.

# Changing Rates

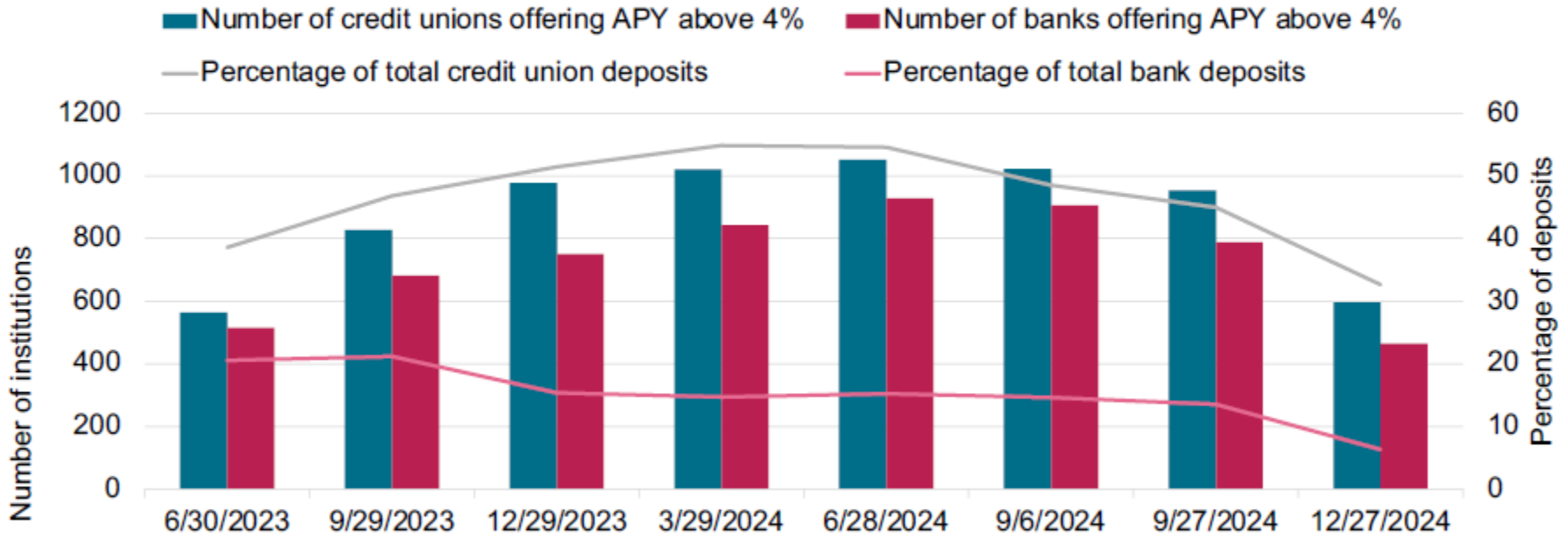
Market implied probability in 2026



Note: through Thursday, March 19

Source: Federal Reserve Bank of Atlanta

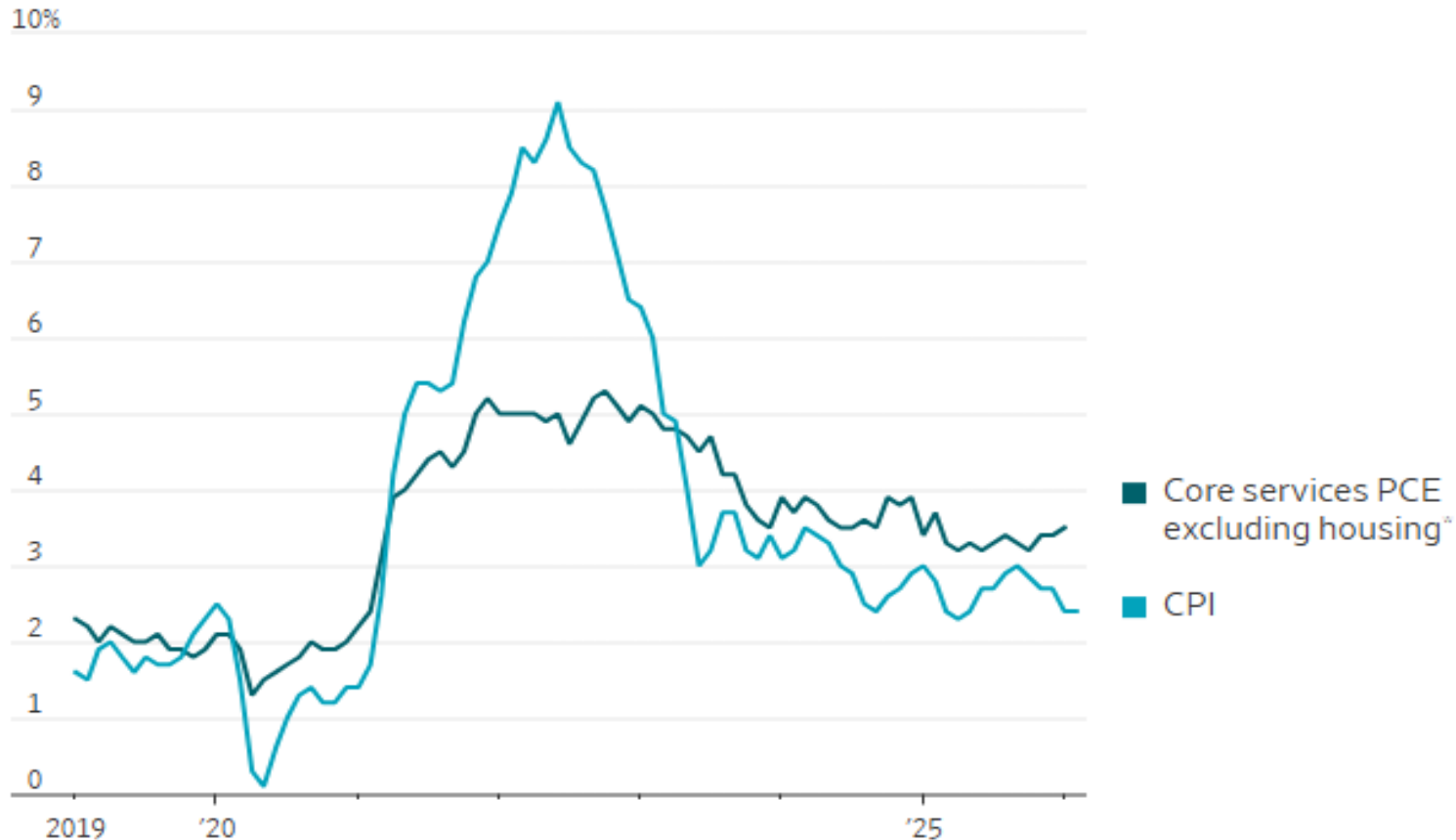
# Banks, credit unions marketing 1-year CDs above 4% have fallen since early September



Data compiled Jan. 6, 2025.  
 APY = annual percentage yield; CD = certificate of deposit.  
 Based on 1-year CDs with a \$10,000 minimum investment.  
 Banks comprises US commercial banks, savings banks and savings and loan associations.  
 Source: S&P Global Market Intelligence.

# Which Inflation do you believe?

Year-over-year change



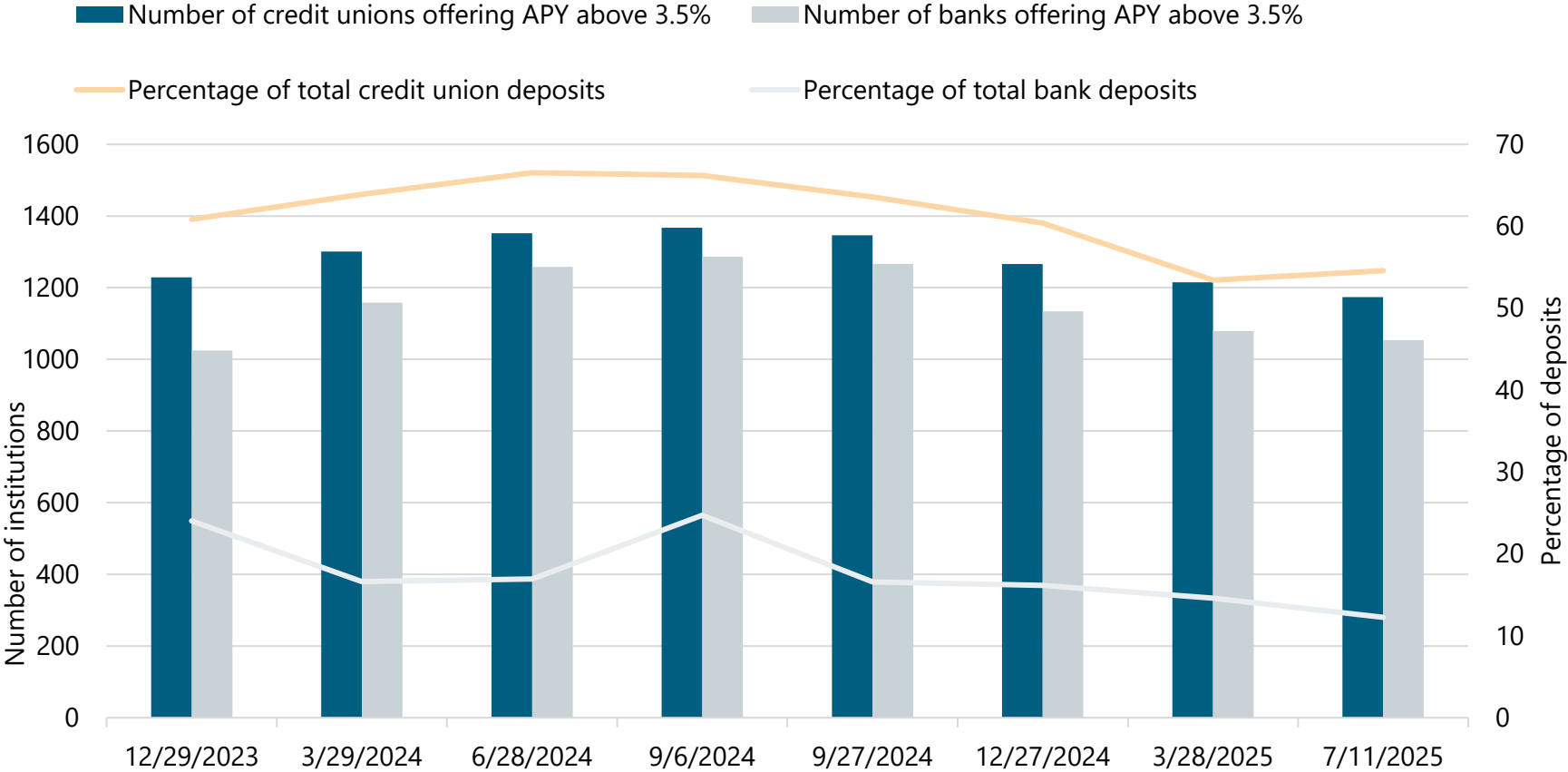
\*Price index of personal-consumption expenditures excluding goods, food, energy and housing  
Sources: Labor Department (CPI), Commerce Department (PCE), both via Haver

# Return of Inflation?

## Break out 2023 Playbook

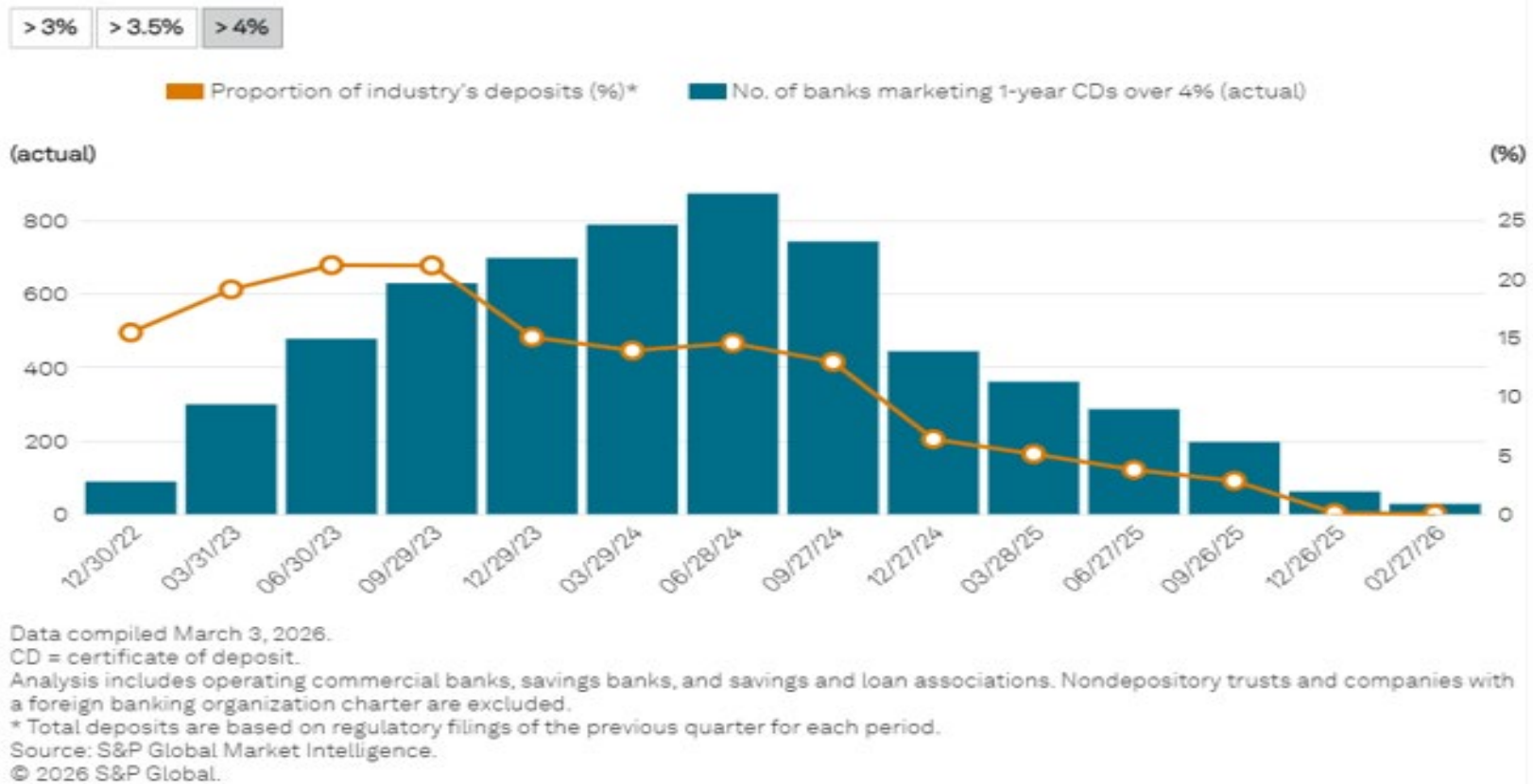
- Swaps/hedges/interest rate cap
- Funding. Lock in some longer term deposits?
- Revisit CD prepayment penalties
- Keep securities portfolio shorter

# Banks, credit unions marketing 1-year CDs above 3.5% holding fairly steady



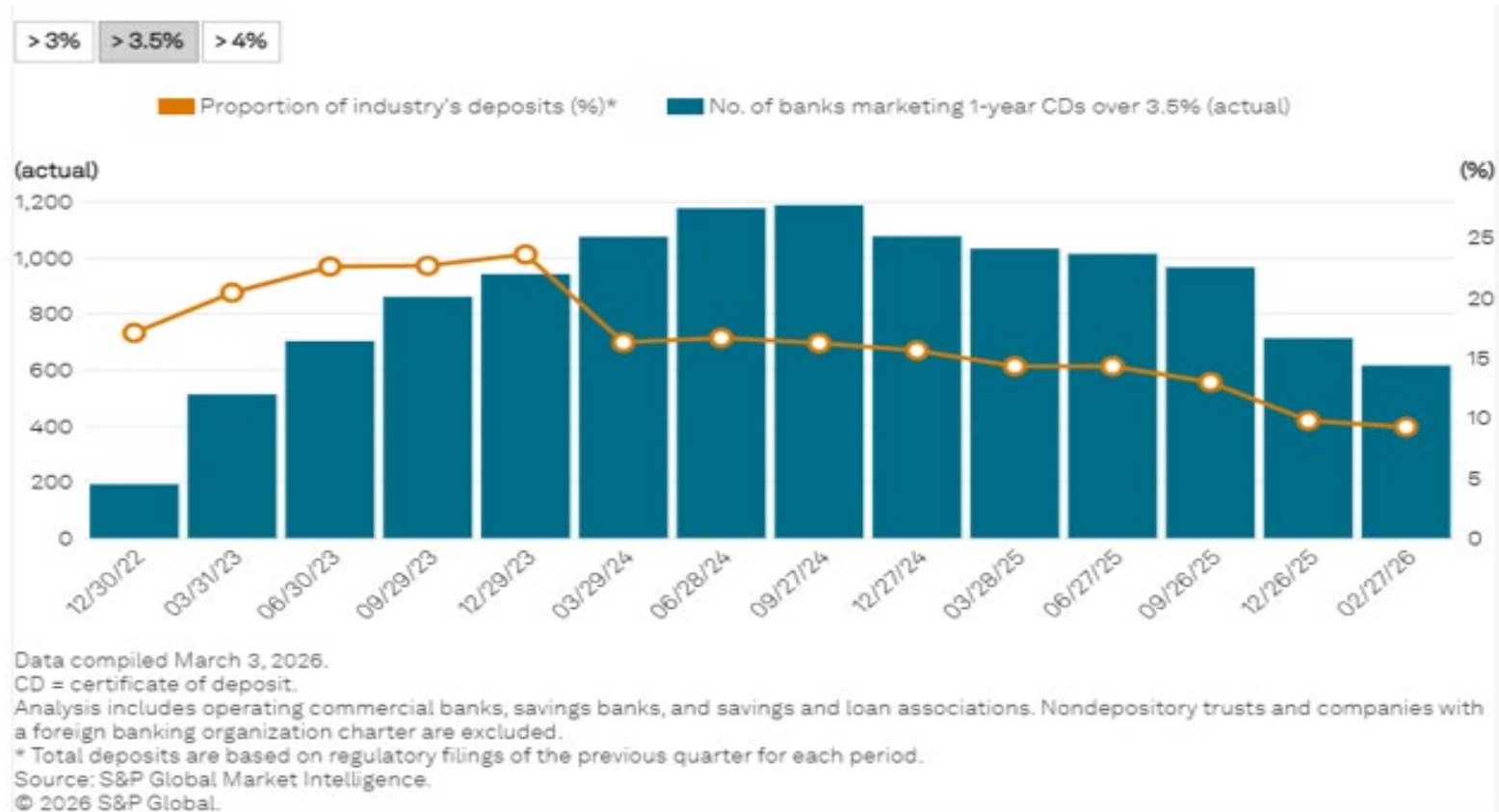
Data compiled July 15, 2025.  
 APY = annual percentage yield; CD = certificate of deposit.  
 Based on 1-year CDs with a \$10,000 minimum investment.  
 Banks comprise US commercial banks, savings banks and savings and loan associations.  
 Source: S&P Global Market Intelligence.

# Number of US Banks by Average 1-year \$10,000 CD Rate



Rates above 4%

# Number of US Banks by Average 1-year \$10,000 CD Rate



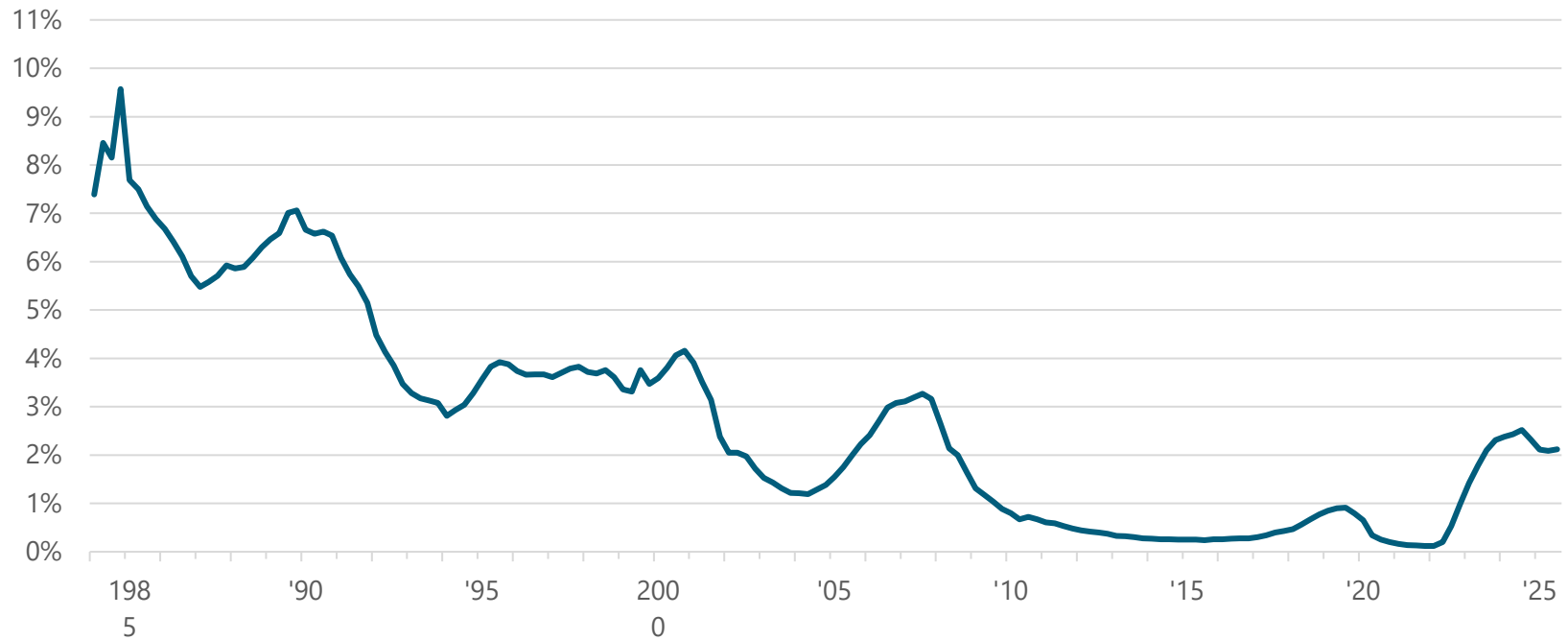
Rates above 3.5%

# Number of US Banks by Average 1-year \$10,000 CD Rate



**Rates above 3%**

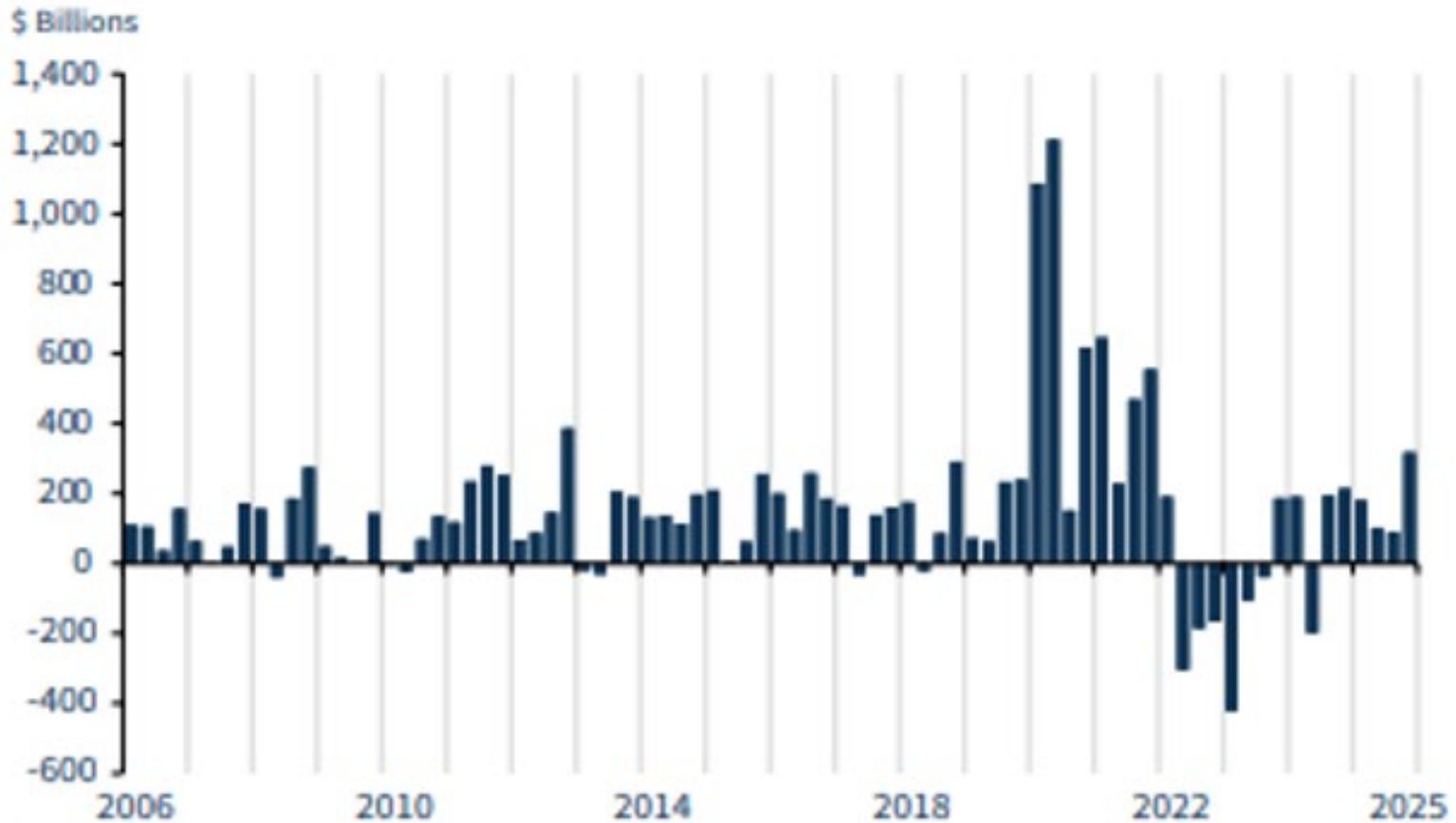
# Cost of deposits of U.S. Banks



Note: among FDIC-insured banks  
Source: FDIC

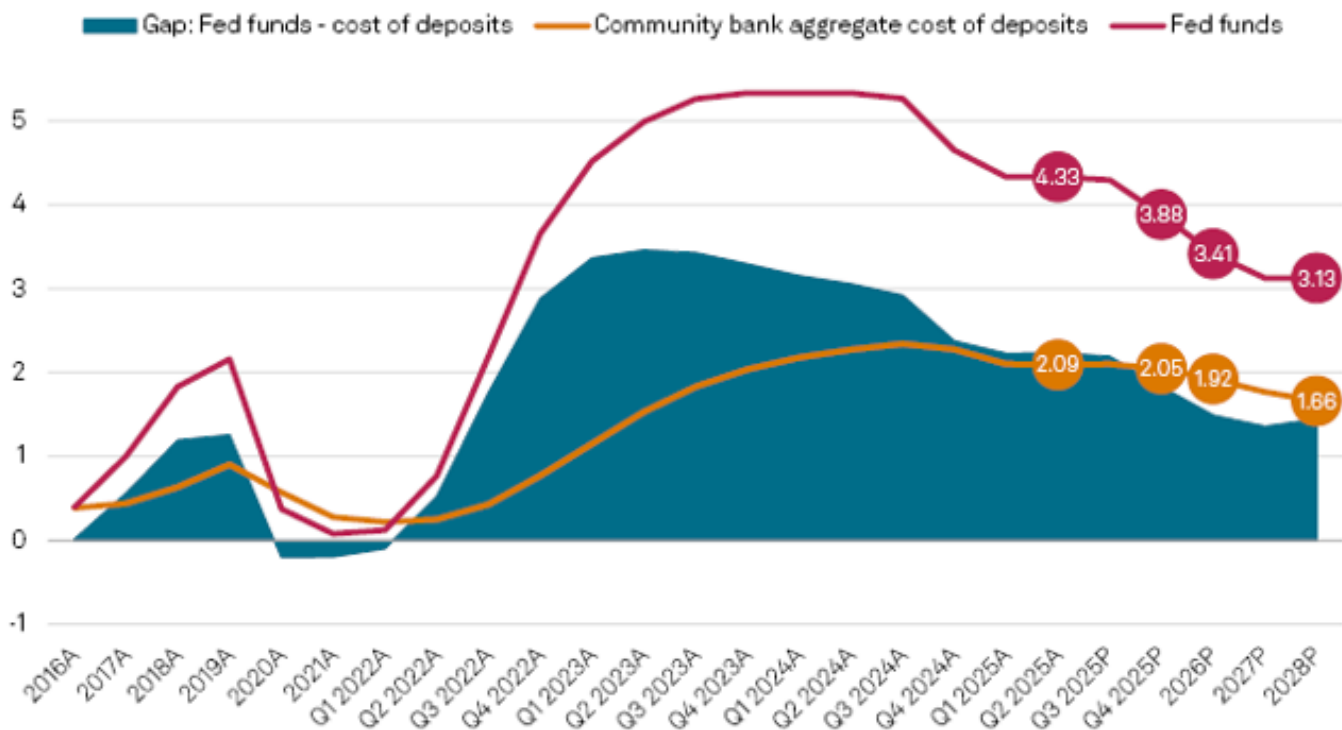
# Quarterly Change in Domestic Deposits

## All FDIC-Insured Institutions



Source: FDIC.

# Community Bank Deposit Costs will Become Even More Competitive with Institutional Markets (%)



Data compiled Feb. 6, 2026.

A = actual; P = projected.

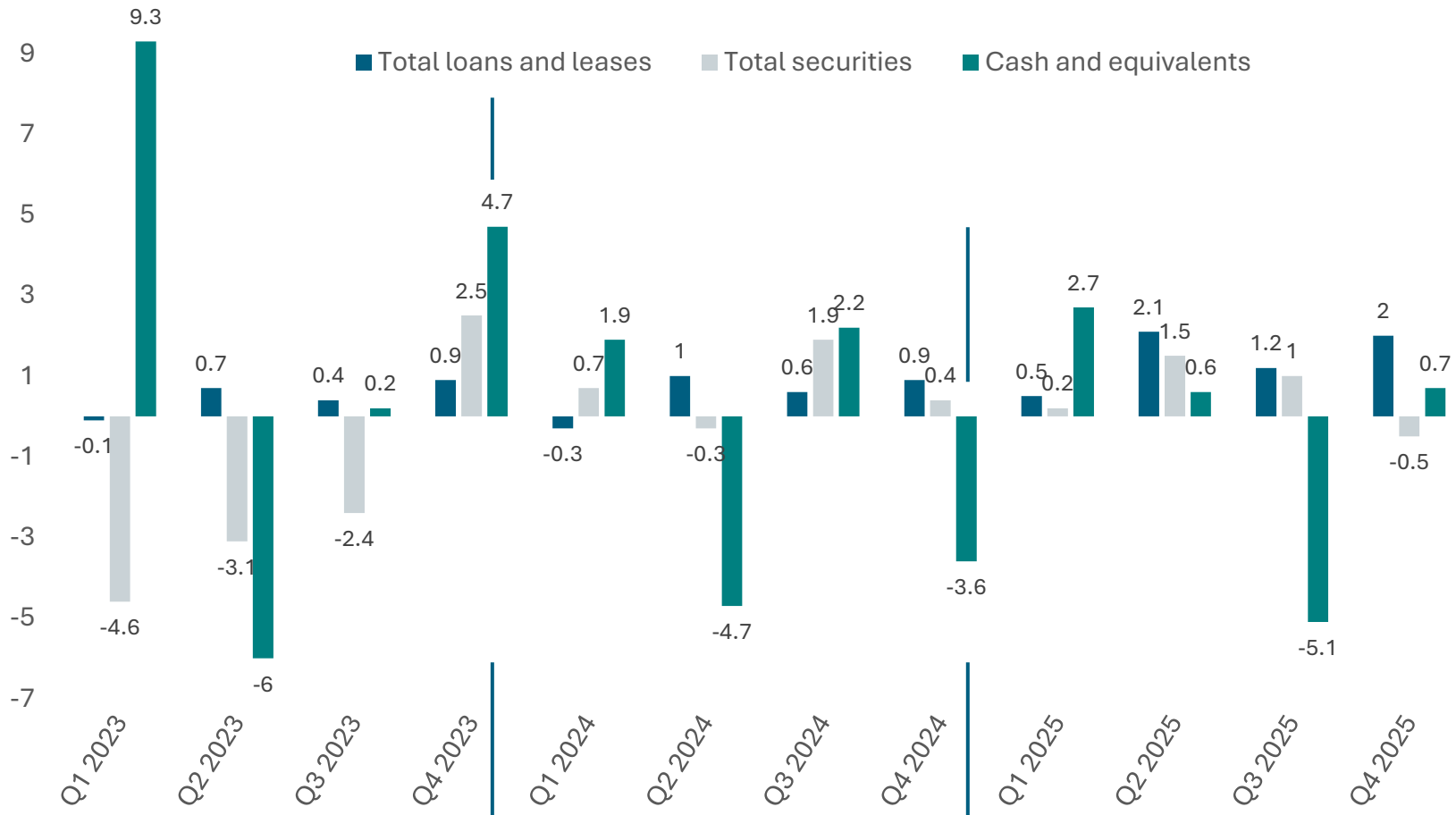
Community banks defined as institutions with less than \$10 billion in assets in a given period.

Sources: S&P Global Market Intelligence; proprietary estimates.

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# US Bank Loan Growth Slows in Q4 2025

## QOQ changes in US bank aggregate asset composition (%)



Data compiled Feb. 17, 2026.

ROAA = return on average assets; ROAE = return on average equity; FTE = fully taxable equivalent; NPA = nonperforming asset; NCO = net charge-off.

Analysis includes US commercial banks, savings banks, and savings and loan associations. Nondepository trusts and companies with a foreign banking organization charter are excluded.

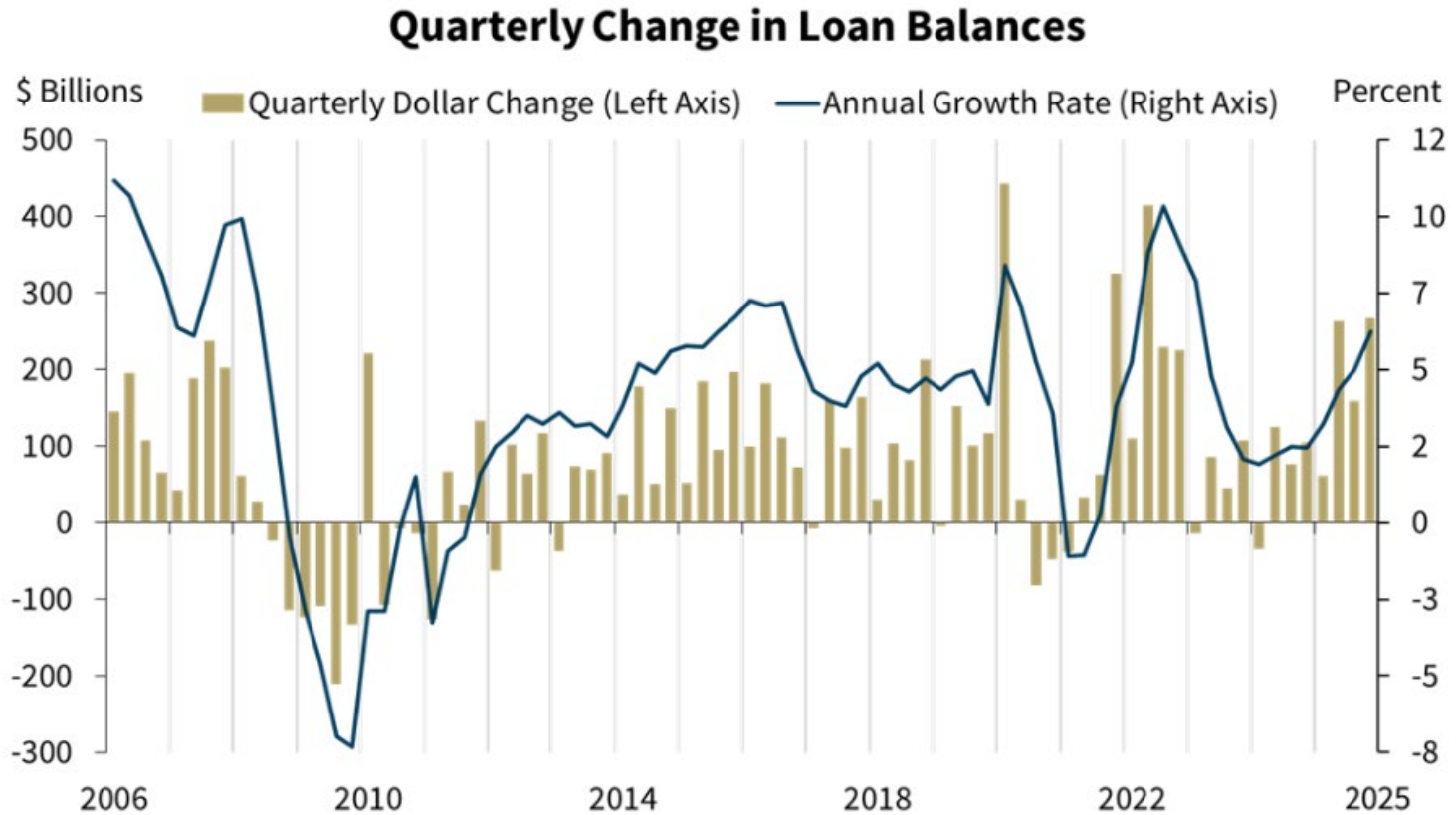
\* Excludes modified loans and leases.

Data based on regulatory filings as of Dec. 31, 2025.

Source: S&P Global Market Intelligence.

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# Quarterly Change in Loan Balances

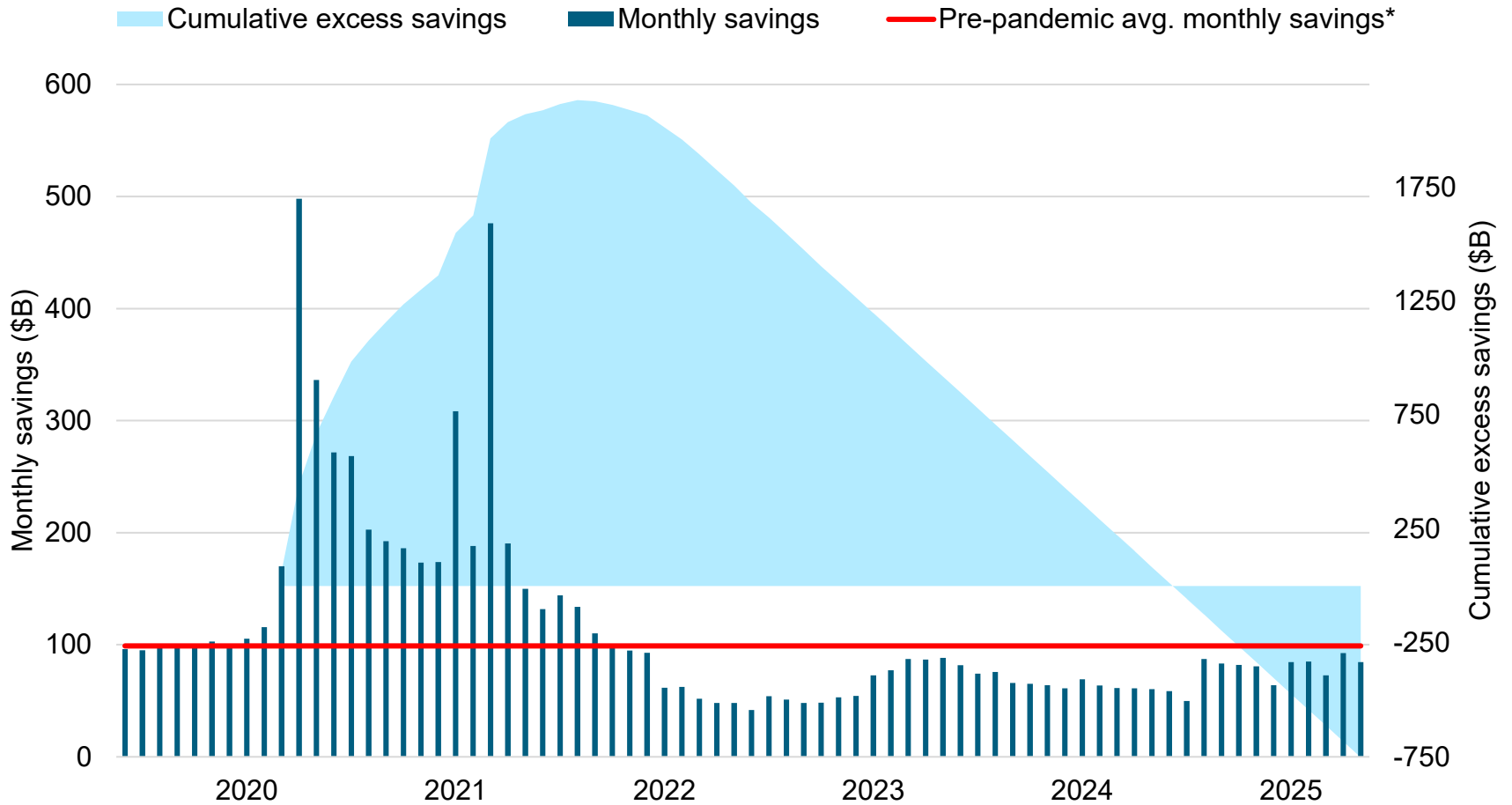


Source: FDIC.

Note: ASC Topics 810 and 860 resulted in the consolidation of large amounts of securitized loan balances back onto banks' balance sheets in the first quarter 2010. Although the amount consolidated cannot be precisely quantified, the industry would have reported a decline in loan balances for the quarter absent this change in accounting standards.

# Consumers have spent excess savings

## Cumulative aggregate pandemic-era excess savings



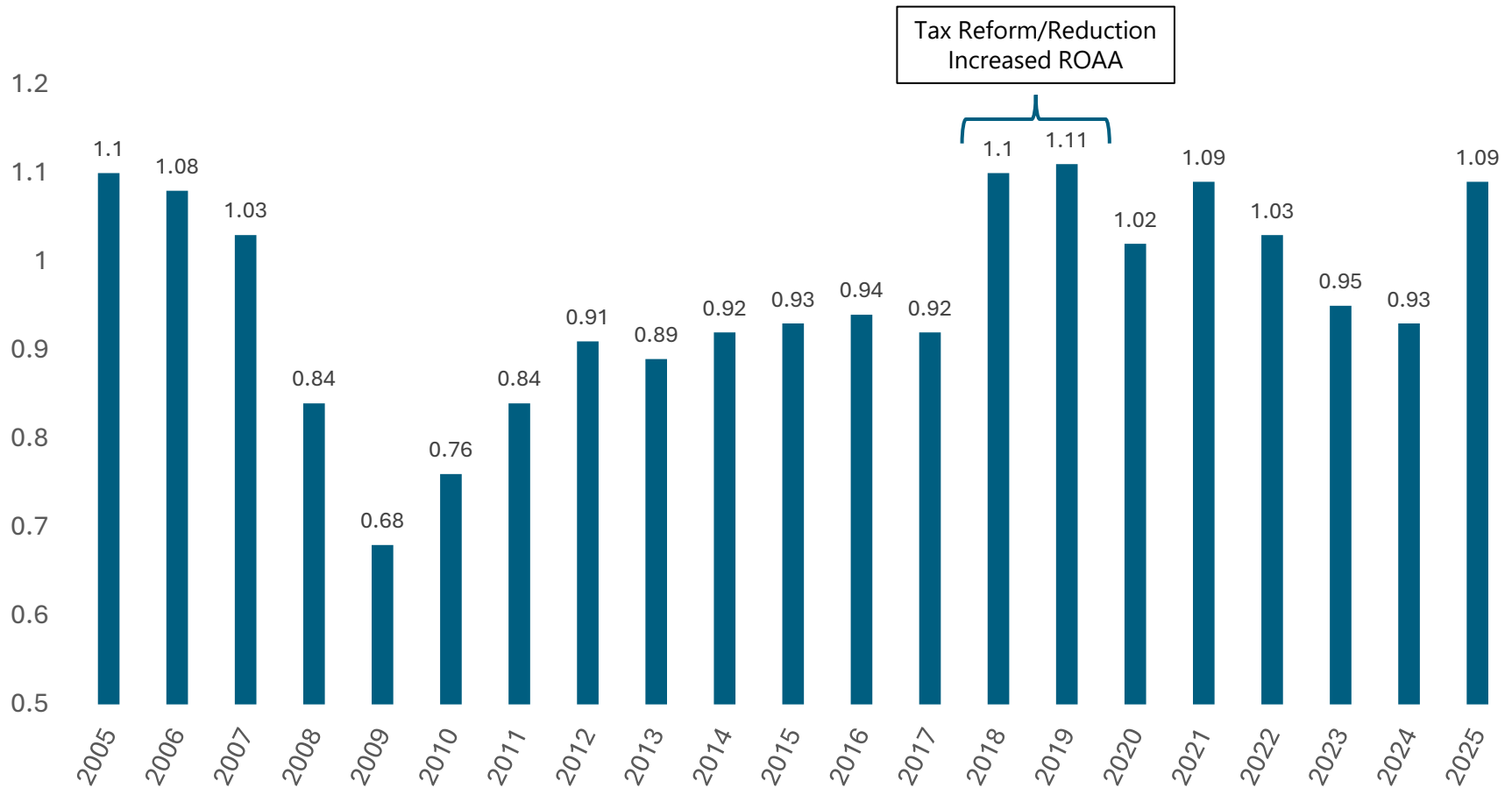
Data compiled July 21, 2025.

\* Represents the average monthly savings from January 2019 to February 2020.

Source: Bureau of Economic Analysis, San Francisco Federal Reserve

# Where are bank earnings heading from here?

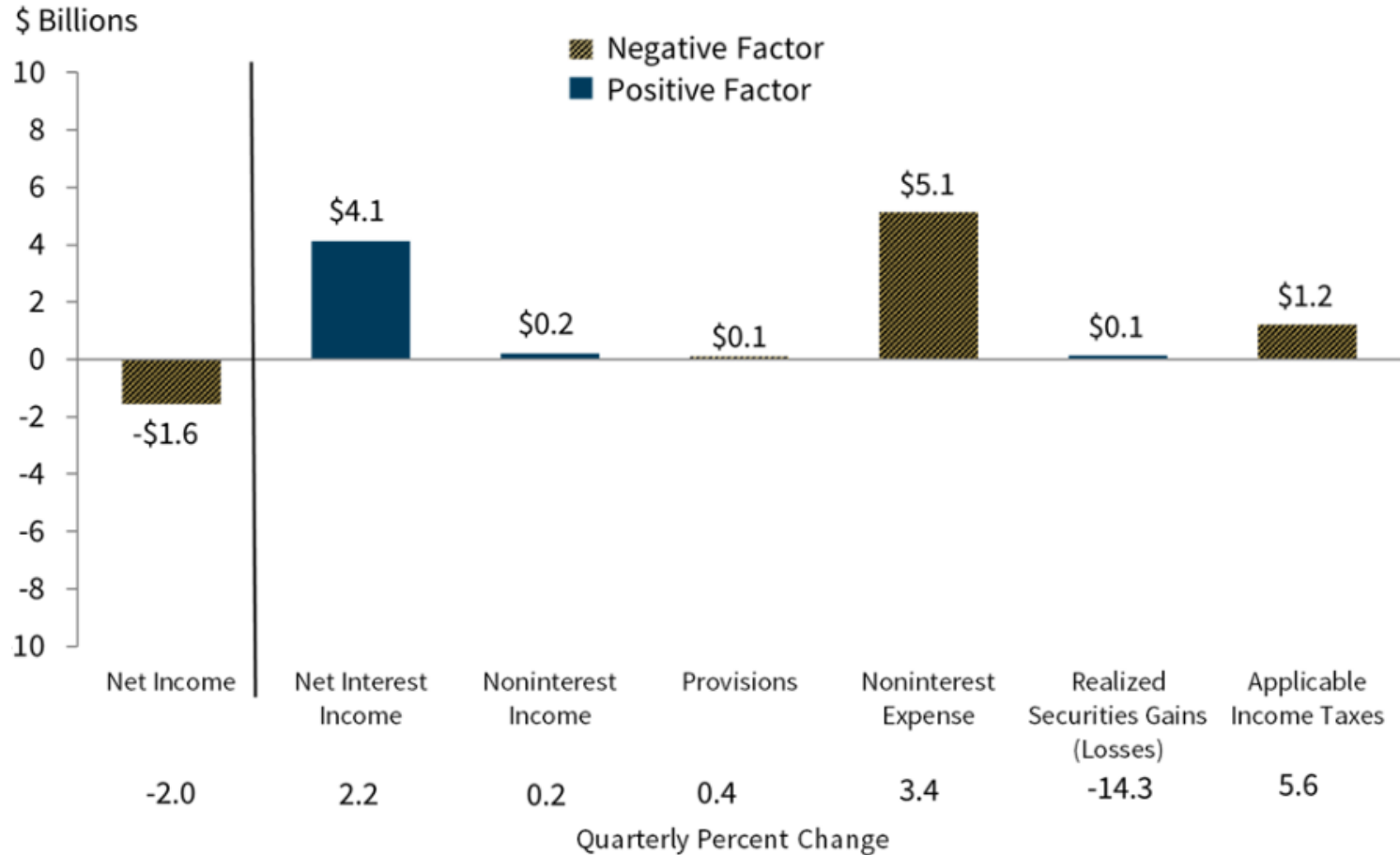
## Median Bank Industry ROAA



Includes financial data for all U.S. commercial banks, savings banks, and thrifts (top tier consolidated only)  
Source: S&P Capital IQ Pro; Data as of Q4 2025

# Contributors to the Year-Over-Year Change in Income FDIC-Insured Community Banks

## Quarter-Over-Quarter Change in Net Income

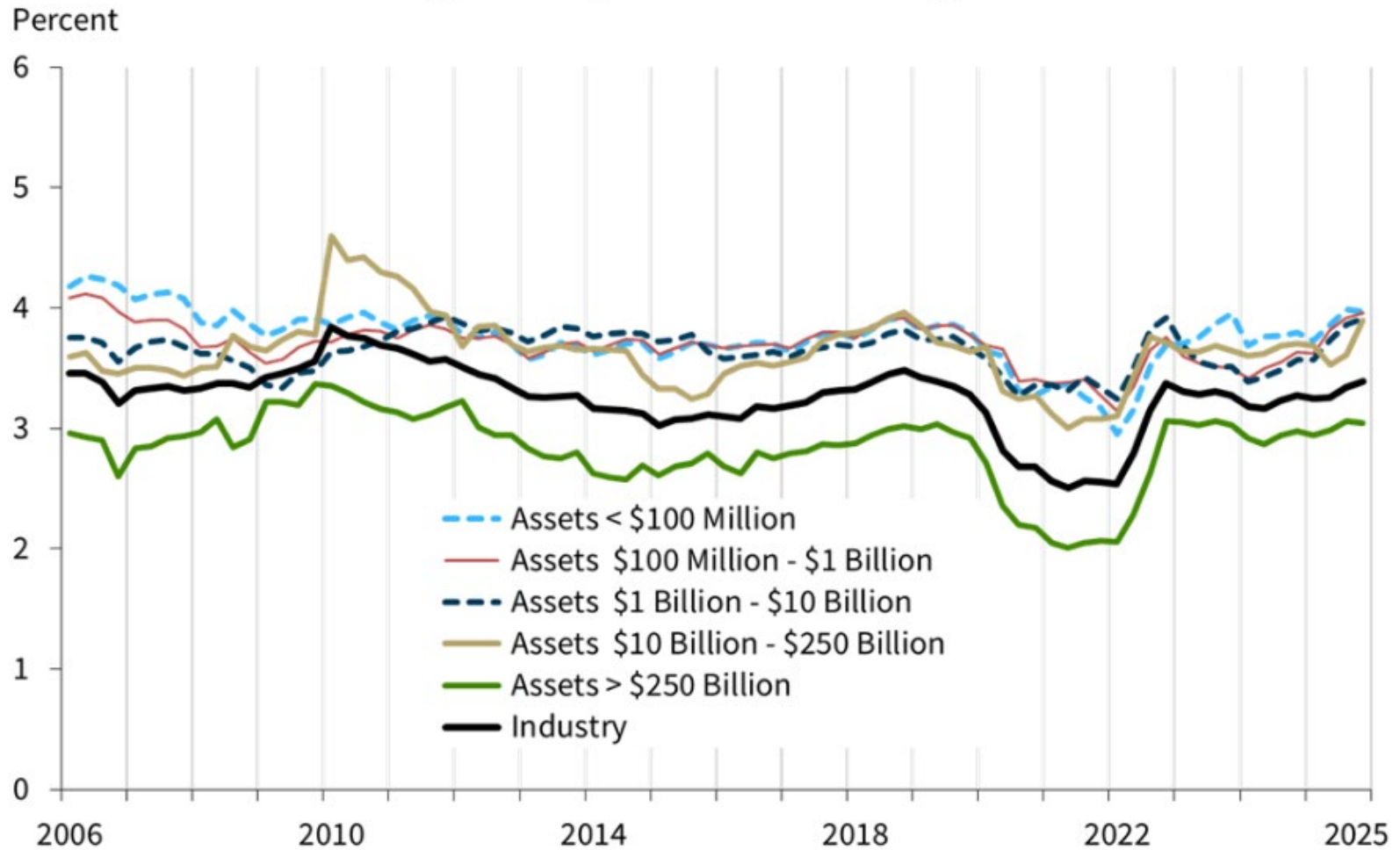


Source: FDIC.

Note: Striped bars show a negative effect on net income; solid bars show a positive effect on net income.

# Quarterly Net Interest Margin

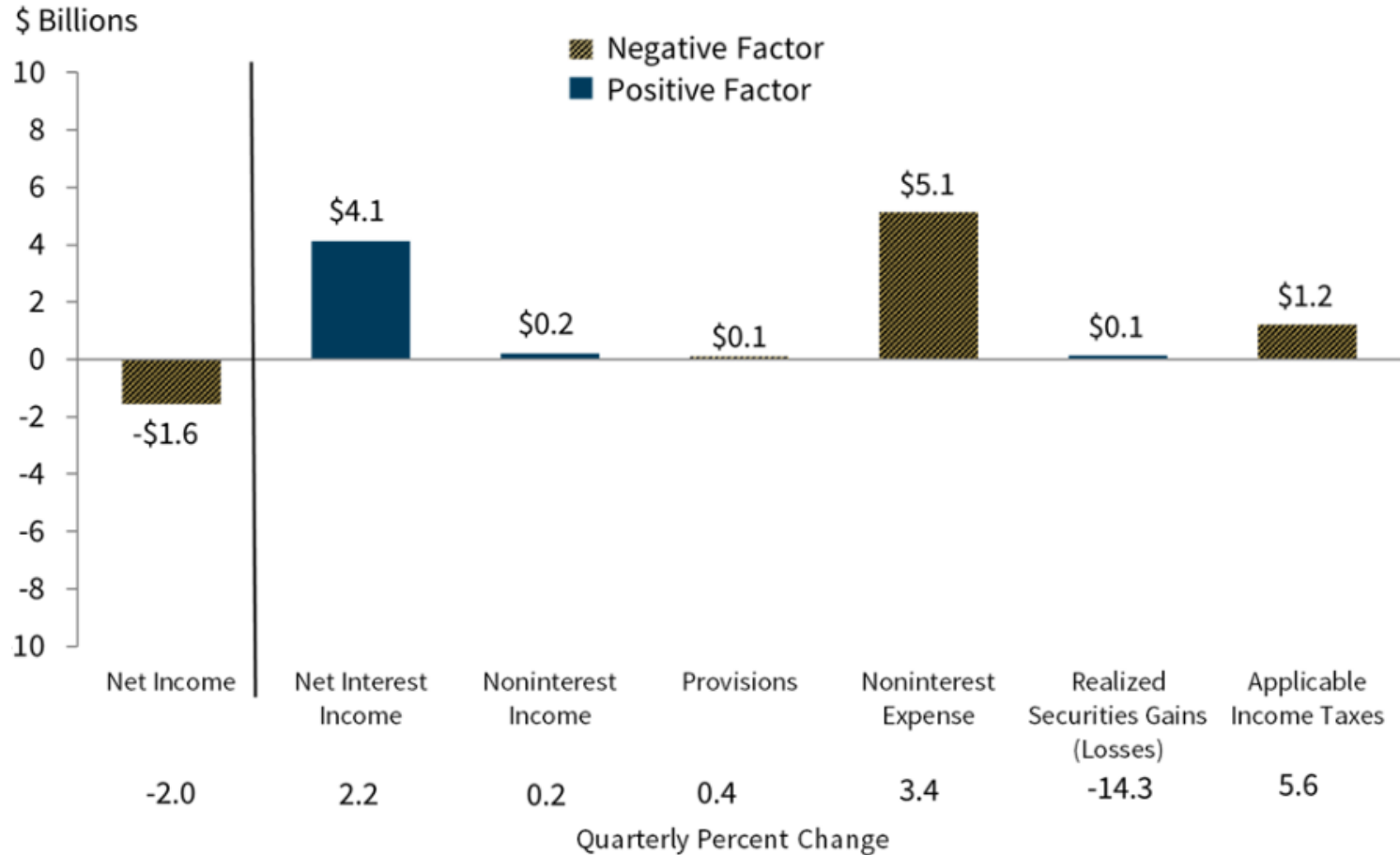
## Quarterly Net Interest Margin



Source: FDIC.

# Contributors to the Year-Over-Year Change in Income FDIC-Insured Community Banks

## Quarter-Over-Quarter Change in Net Income



Source: FDIC.

Note: Striped bars show a negative effect on net income; solid bars show a positive effect on net income.

# Bank earnings rising in the face of higher credit costs

## Community bank aggregate profitability metrics (%)

	2024A	Q1'25A	Revised forecast		Forecast in January before tariffs	
			2025P	2026P	2025P	2026P
Efficiency ratio	63.39	63.04	62.97	62.10	61.87	61.33
Net interest margin	3.42	3.50	3.54	3.54	3.51	3.54
ROAA	1.07	1.12	1.04	1.13	1.07	1.17
ROAE	10.54	10.77	9.99	10.63	10.17	10.79
YOY earnings change	-0.1	5.5	0.7	12.6	5.5	11.7

Data compiled Feb. 6, 2026.

A = actual; P = projected; 2025T3A = represents data through the first nine months of 2025.

Community banks defined as institutions with less than \$10 billion in assets in a given period.

Stable credit scenario assumes that nonaccrual loans/loans, net charge-offs/avg. loans and reserve/loans hold steady with third quarter 2025 levels.

Sources: S&P Global Market Intelligence; proprietary estimates.

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# Insights From 2025 Performance and Longer Loans for Profitability

## Loan vs Deposit Growth: Funding Dynamics

Larger banks face funding pressure as loan growth outpaces deposits



## Loan-to-Deposit Ratio by Segment



### Small Banks (<\$1B)

Deposits growing faster than loans → excess liquidity, but struggling to deploy profitably

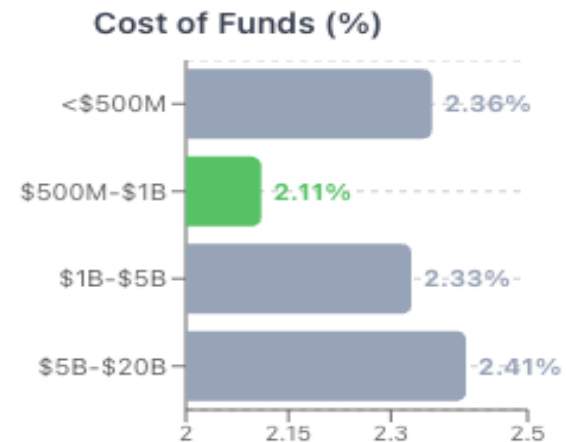
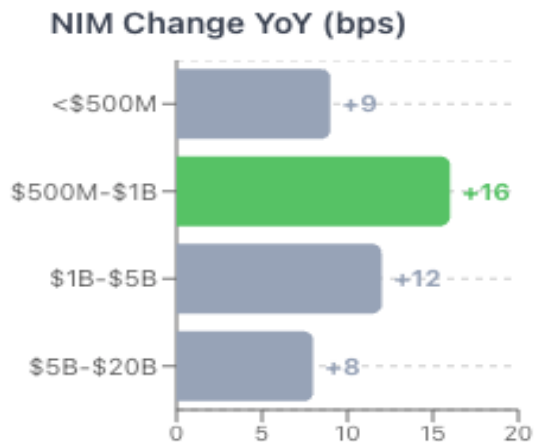
### Large Banks (\$1B+)

Loans growing faster than deposits → may need wholesale funding, rate competition

# Insights From 2025 Performance and Longer Loans for Profitability

## The \$500M-\$1B Sweet Spot

Best NIM improvement + Lowest Cost of Funds (p=0.0019)



**+16 bps**

Best NIM Gain

**2.11%**

Lowest CoF

**650**

Banks

**Why it works:** Large enough for dedicated ALM/treasury functions, small enough for agile decision-making.

# Insights From 2025 Performance and Longer Loans for Profitability

## NIM Quarterly Progression: The Q4 Inflection Point

Q3 2025 marked the peak — Q4 erased 69% of gains



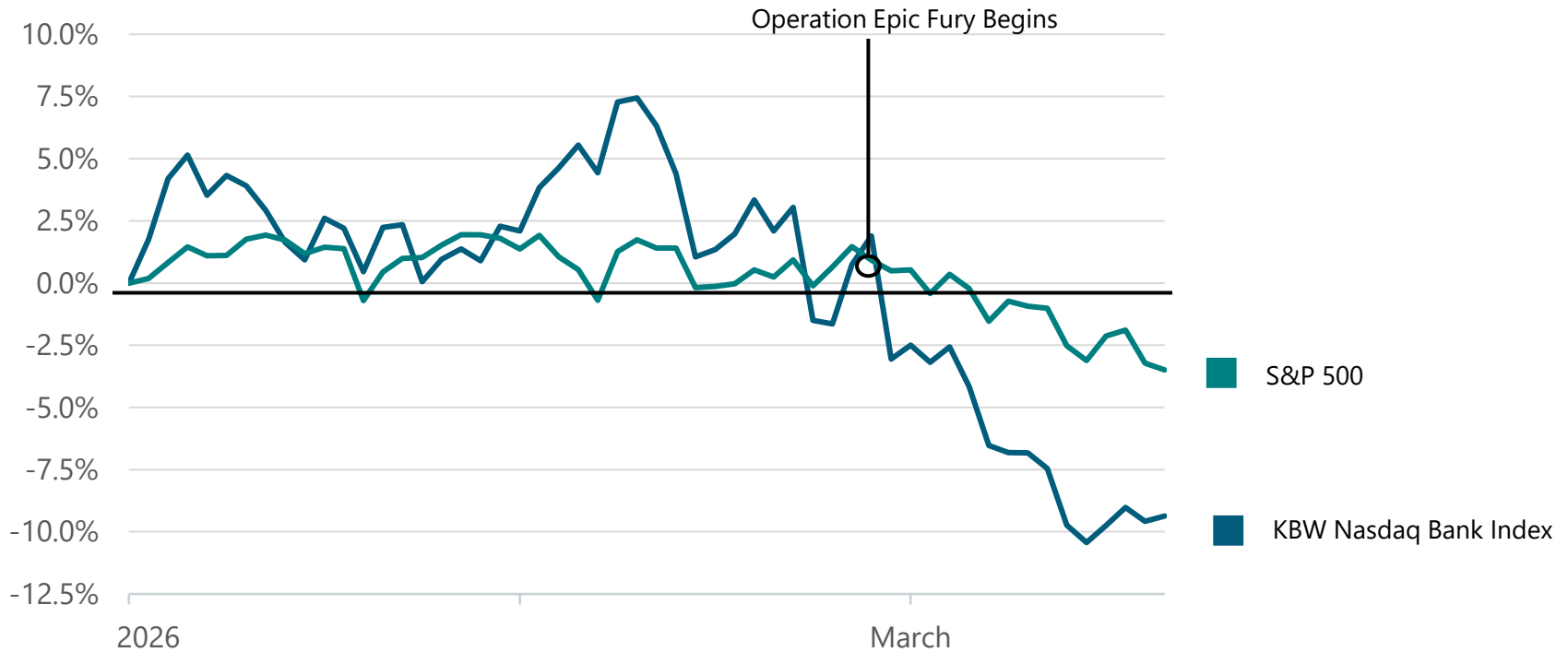
Q1→Q3  
+13 bps

Q3→Q4  
-9 bps

Net YoY  
+4 bps

**Key Insight:** 65% of community banks saw NIM decline in Q4, signaling the end of easy margin expansion.

# Performance of large bank stocks and the broader market in 2026

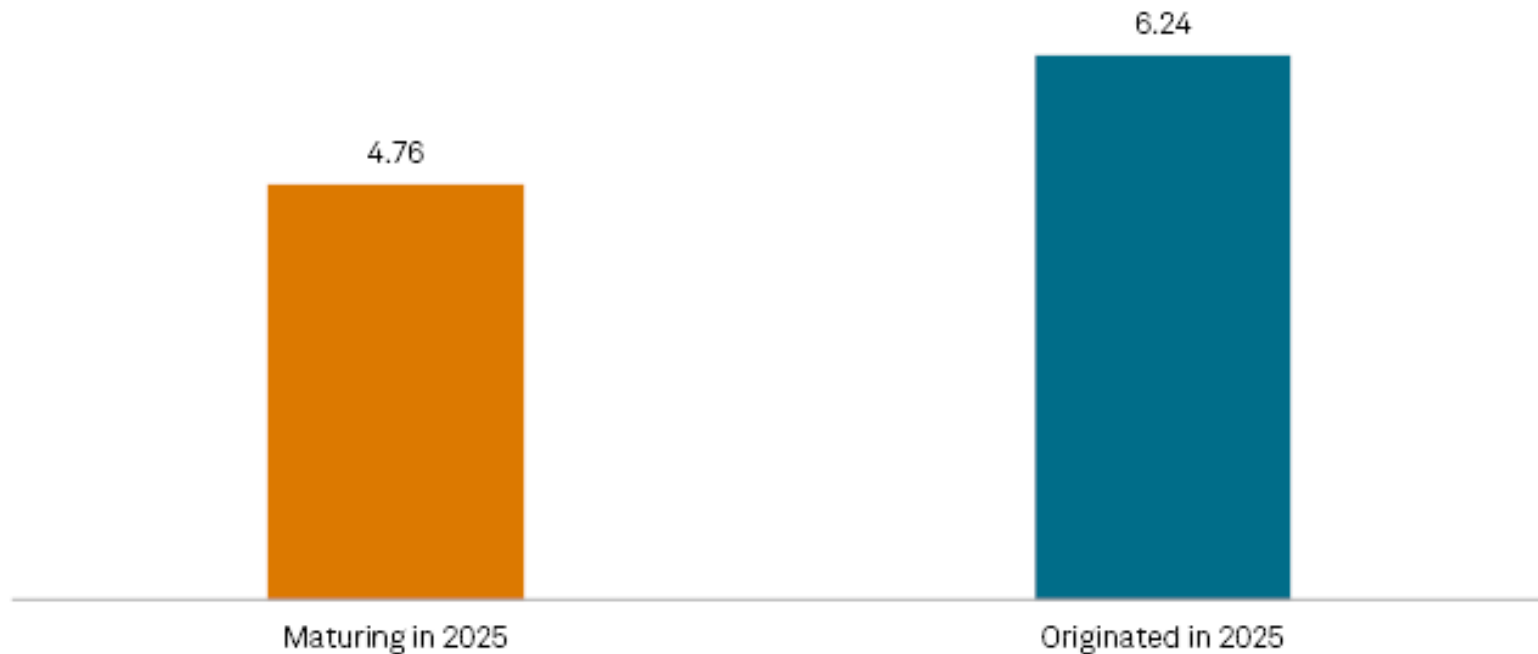


Source: FactSet

# CRE: Checking In

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## Average interest rate on commercial real estate mortgages originated in 2025 is roughly 150 basis points higher than mortgages maturing in 2025 (%)



Data compiled Sept. 23, 2025.

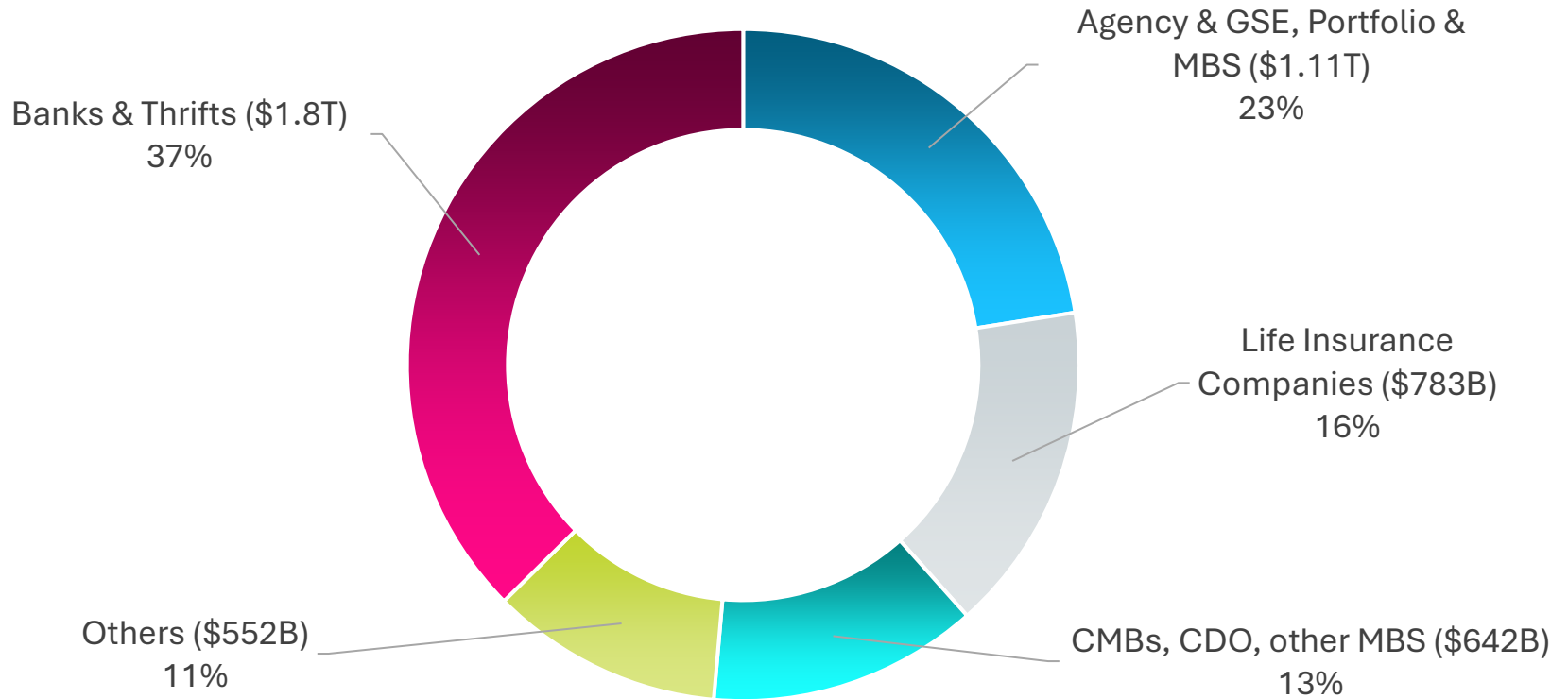
Data represents the aggregation of 3.6 million commercial real estate property mortgages, sourced from various tax filings from approximately 75% of US counties.

Source: Commercial Prospecting dataset, S&P Global Market Intelligence.

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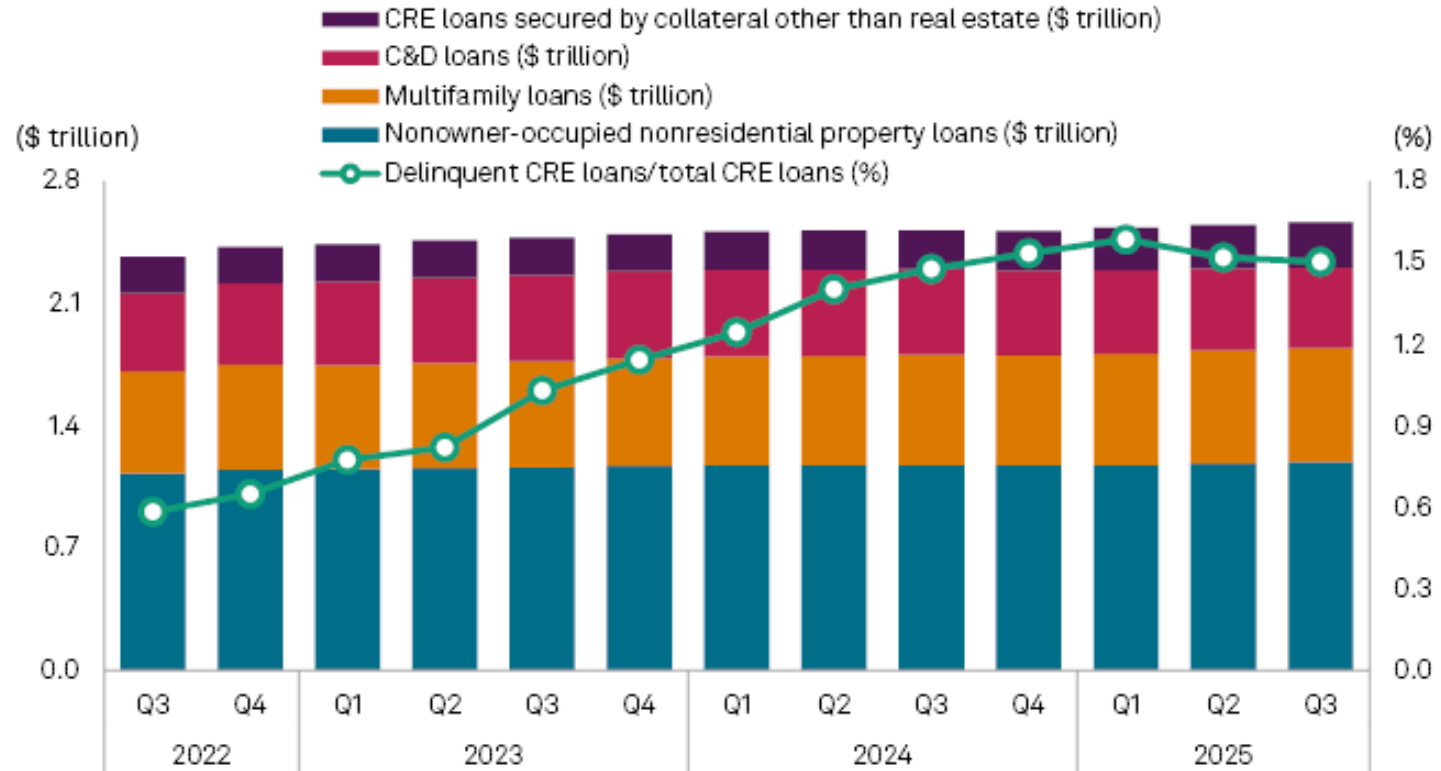
# Commercial Real Estate Lenders

Total: \$4.93 Trillion



Data current as of Q3 2025  
Source: Mortgage Bankers Association

# CRE composition and delinquency at US banks



Data compiled Dec. 1, 2025.

CRE = commercial real estate; C&D = construction and development.

Delinquent loans consist of loans 30 or more days past due and loans in nonaccrual status.

Analysis based on aggregates for operating and historical US commercial banks, savings banks, and savings and loan associations. Nondepository trusts and companies with a foreign banking organization charter are excluded.

Regulators define commercial real estate loans as construction and land development loans + multifamily loans + nonowner-occupied nonresidential property loans + commercial real estate loans secured by collateral other than real estate.

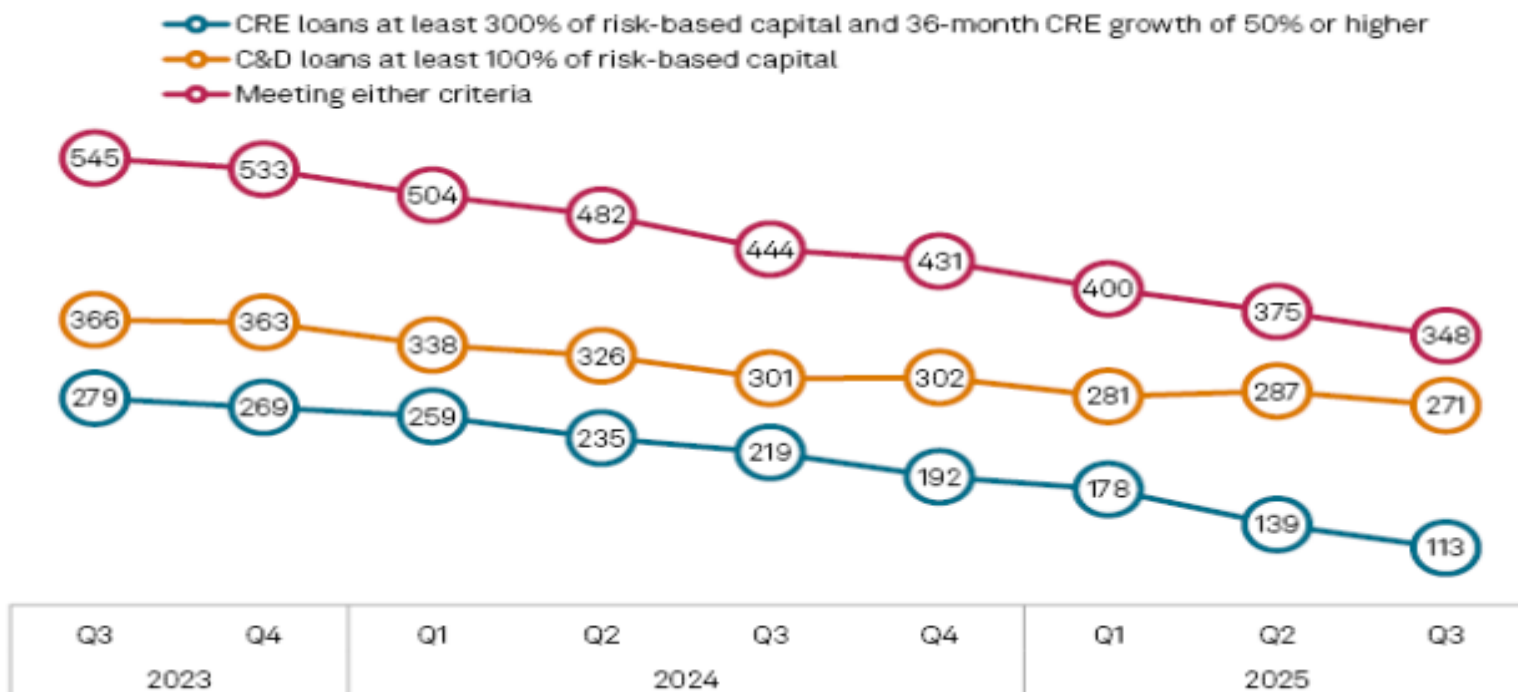
Data based on regulatory filings.

Source: S&P Global Market Intelligence.

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# Banks with elevated CRE exposures continue to decline

## Number of US banks exceeding 2006 CRE loan concentration guidance



Data compiled Dec. 1, 2025.

CRE = commercial real estate; C&D = construction and development; ALLL = allowance for loan and lease losses.

Analysis includes operating and historical US commercial banks, savings banks, and savings and loan associations.

Nondepository trusts and companies with a foreign banking organization charter are excluded.

Regulators define commercial real estate loans as construction and land development loans + multifamily loans + nonowner-occupied nonresidential property loans + commercial real estate loans secured by collateral other than real estate.

Since the first quarter of 2020, regulators have recommended using Tier 1 capital plus the entire ALLL as the denominator in credit concentration calculations because of many banks qualifying for and opting into the community bank leverage ratio framework. Banks adopting the current expected credit loss model should use the portion of the credit losses attributed to loans and leases plus Tier 1 capital.

Companies that met both criteria are included in the totals for each criterion, causing overlap between the totals of each criterion.

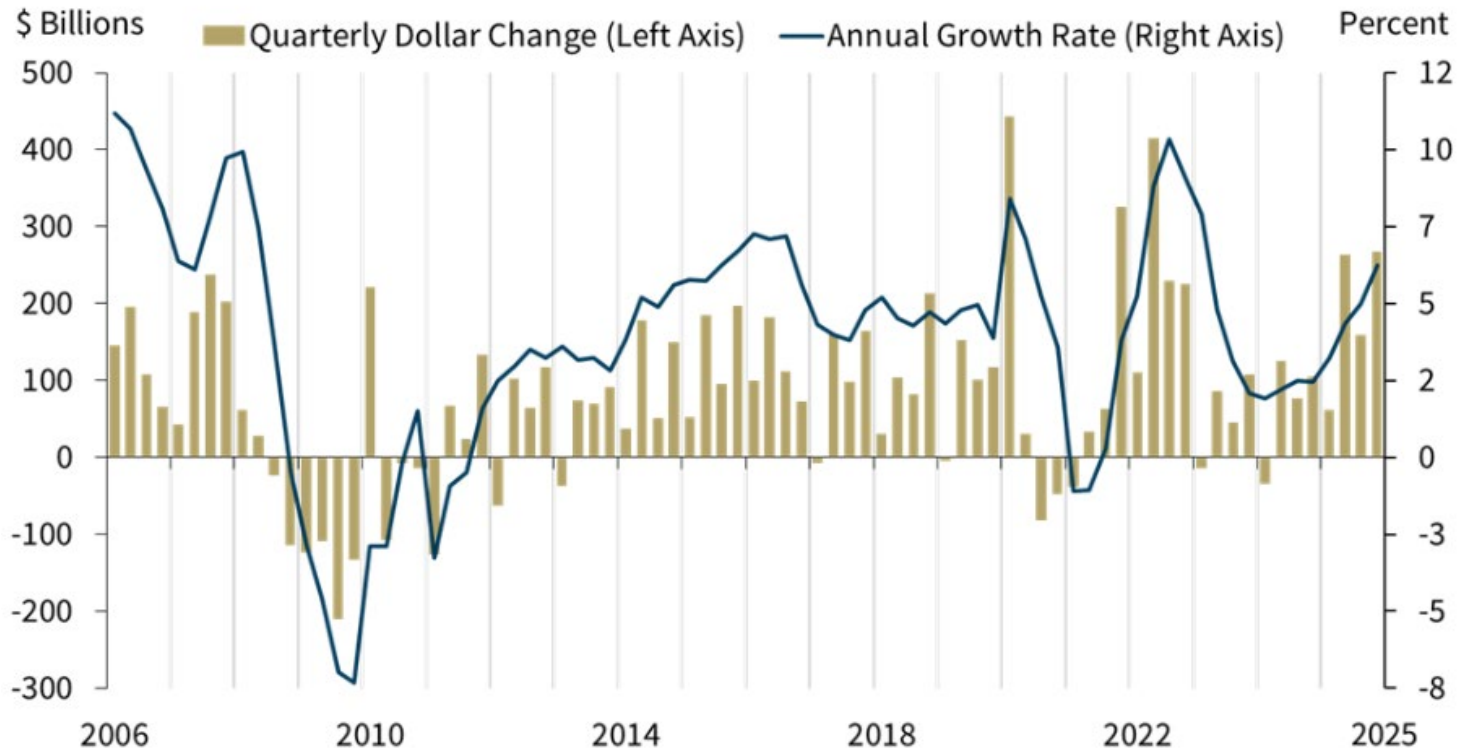
Data based on regulatory filings.

Source: S&P Global Market Intelligence.

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# Quarterly Change in Loan Balances

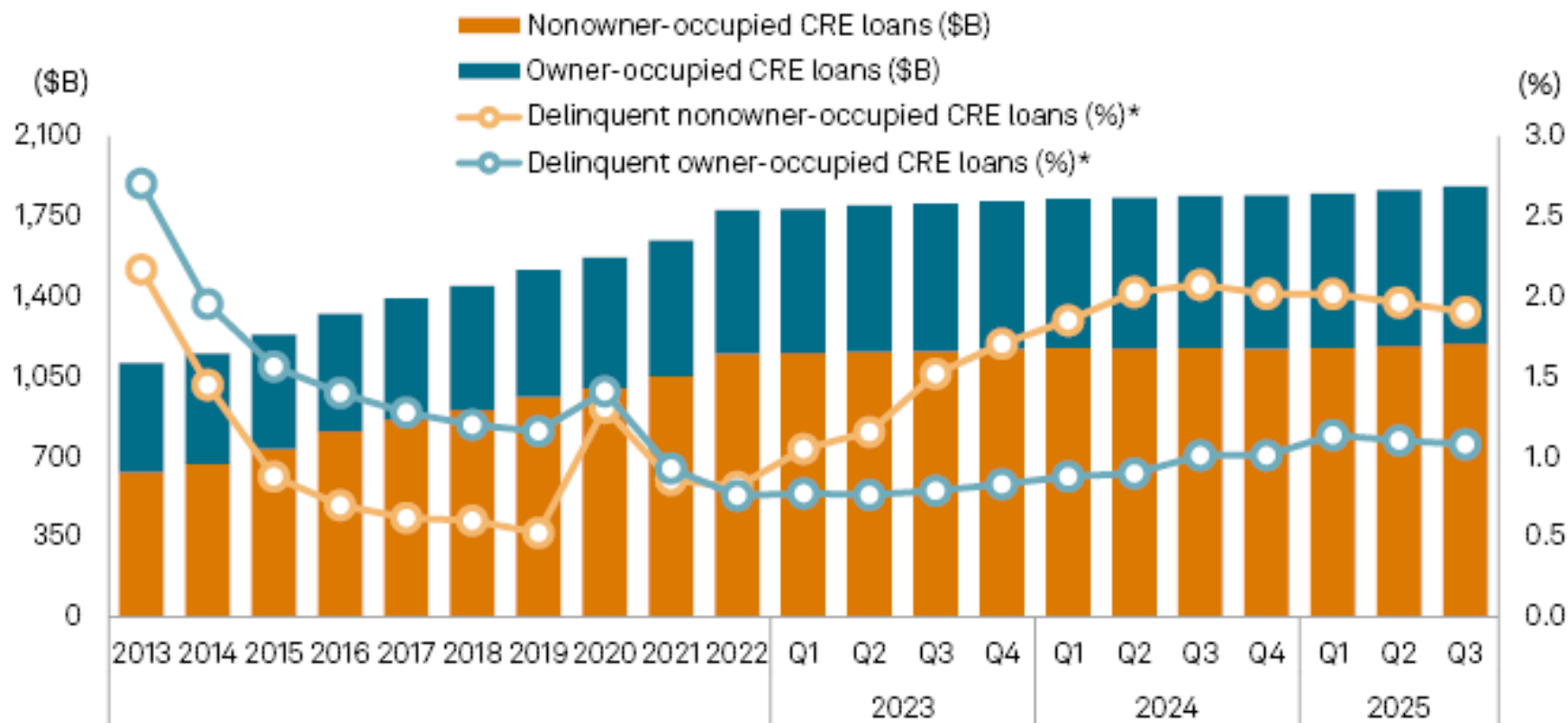
## Quarterly Change in Loan Balances



Source: FDIC.

Note: ASC Topics 810 and 860 resulted in the consolidation of large amounts of securitized loan balances back onto banks' balance sheets in the first quarter 2010. Although the amount consolidated cannot be precisely quantified, the industry would have reported a decline in loan balances for the quarter absent this change in accounting standards.

## Owner-occupied vs. nonowner-occupied loans



Data compiled Dec. 4, 2025.

NCO = net charge-off.

Analysis includes operating US commercial banks, savings banks, and savings and loan associations. Excludes nondepository trusts and companies with a foreign banking organization charter.

\* Delinquent loans include loans 30-plus days past due or in nonaccrual status.

Data based on regulatory filings.

Source: S&P Global Market Intelligence.

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## CRE loan breakdown by type, assets and region, Q3 2025

By asset size	CRE loans		Delinquent CRE loans*				Nonowner-occupied CRE NCOs/avg. nonowner-occupied CRE loans (%)	
	Total (\$B)	Nonowner- occupied (%)	Owner-occupied		Nonowner-occupied		Q3 2025 (%)	QOQ change (bps)
			Q3 2025 (%)	QOQ change (bps)	Q3 2025 (%)	QOQ change (bps)		
Less than \$3B	452.45	58.2	1.30	6	1.15	3	0.08	2
\$3B-\$10B	304.87	65.7	0.99	-1	0.91	1	0.09	-2
\$10B-\$100B	629.72	64.7	0.89	-3	1.27	7	0.29	5
Greater than \$100B	483.50	65.3	1.13	-14	3.99	-29	0.75	3
<b>By region (Less than \$10B in total assets)</b>								
South Central	122.81	61.2	1.48	22	1.12	-15	0.09	4
Southeast	132.06	59.0	1.05	5	1.05	1	0.04	0
West	114.26	63.3	1.16	10	1.03	16	0.02	-8
Midwest	233.70	58.1	1.19	5	1.00	3	0.16	7
Northeast	154.47	66.4	1.12	-23	1.07	4	0.07	-5

Data compiled Dec. 4, 2025.

NCO = net charge-off.

Analysis includes operating US commercial banks, savings banks, and savings and loan associations; excludes nondepository trusts and companies with a foreign banking organization charter.

\* Delinquent loans include loans 30-plus days past due or in nonaccrual status.

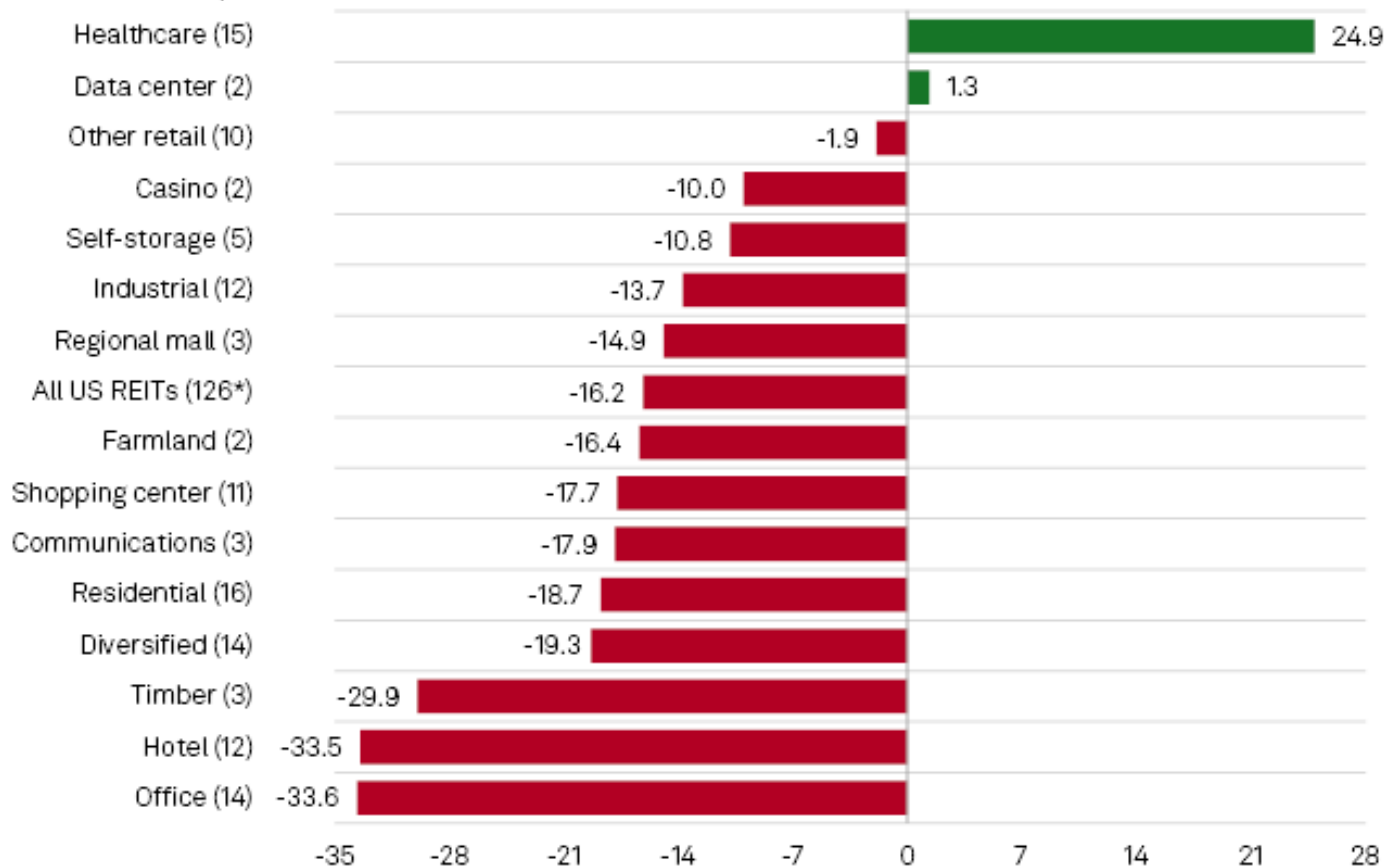
Data based on regulatory filings.

Source: S&P Global Market Intelligence.

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## Median premium (discount) to NAV as of Jan. 30, 2026 (%)

Property type  
(number of companies)



Data compiled Feb. 2, 2026.

NAV = net asset value.

Includes equity real estate investment trusts that trade on the Nasdaq, NYSE or NYSE American with market capitalizations of at least \$200 million.

Other retail includes outlet centers and single tenant; residential includes multifamily, single-family and manufactured homes.

\* Includes two additional specialty REITs that are not reflected in a property type category.

Source: S&P Global Market Intelligence.

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## Fixed to Floating Subdebt

### Integrate Ranges

5 – 6%

4 – 5%

3 – 4%

### Percentage of Outstanding Subdebt

45%

22%

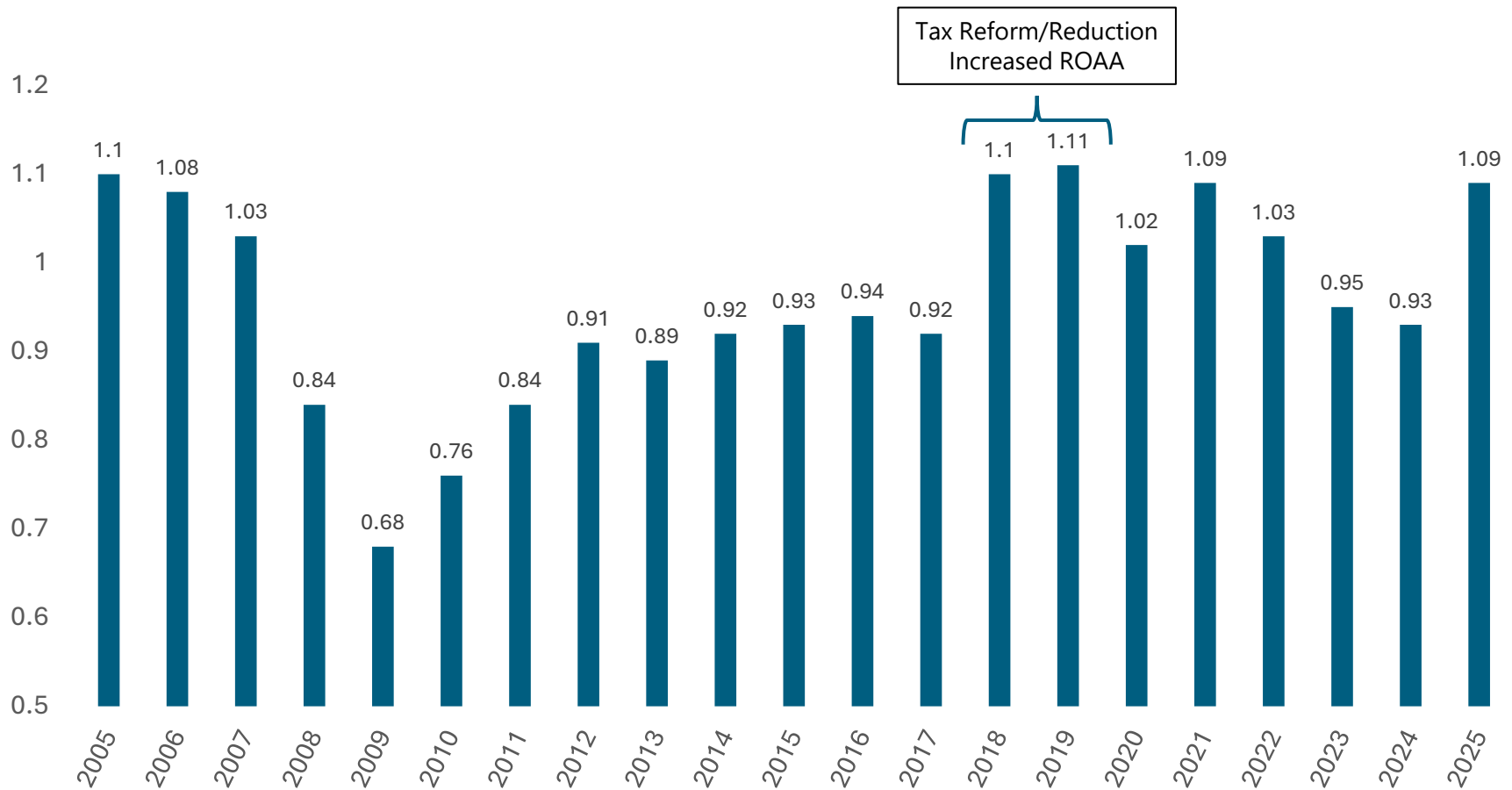
31%

35% of outstanding Subdebt will reset to floating rate during the remainder of 2026

SOFR has hovered around 4% plus 3 – 4% above the index

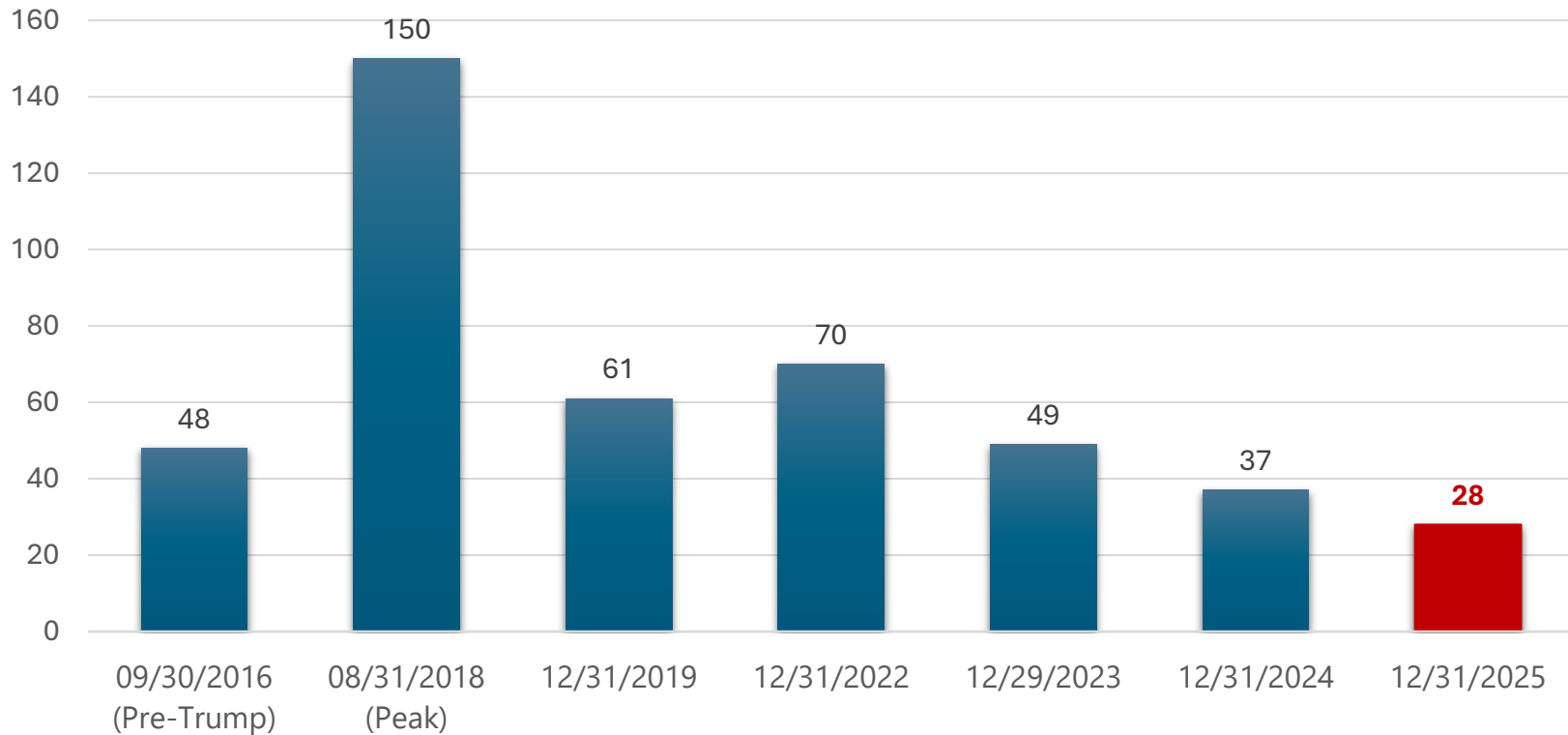
# Where are bank earnings heading from here?

## Median Bank Industry ROAA



Includes financial data for all U.S. commercial banks, savings banks, and thrifts (top tier consolidated only)  
Source: S&P Capital IQ Pro; Data as of Q4 2025

# Number of Banks with Price to Tangible Book Values Greater Than 2x

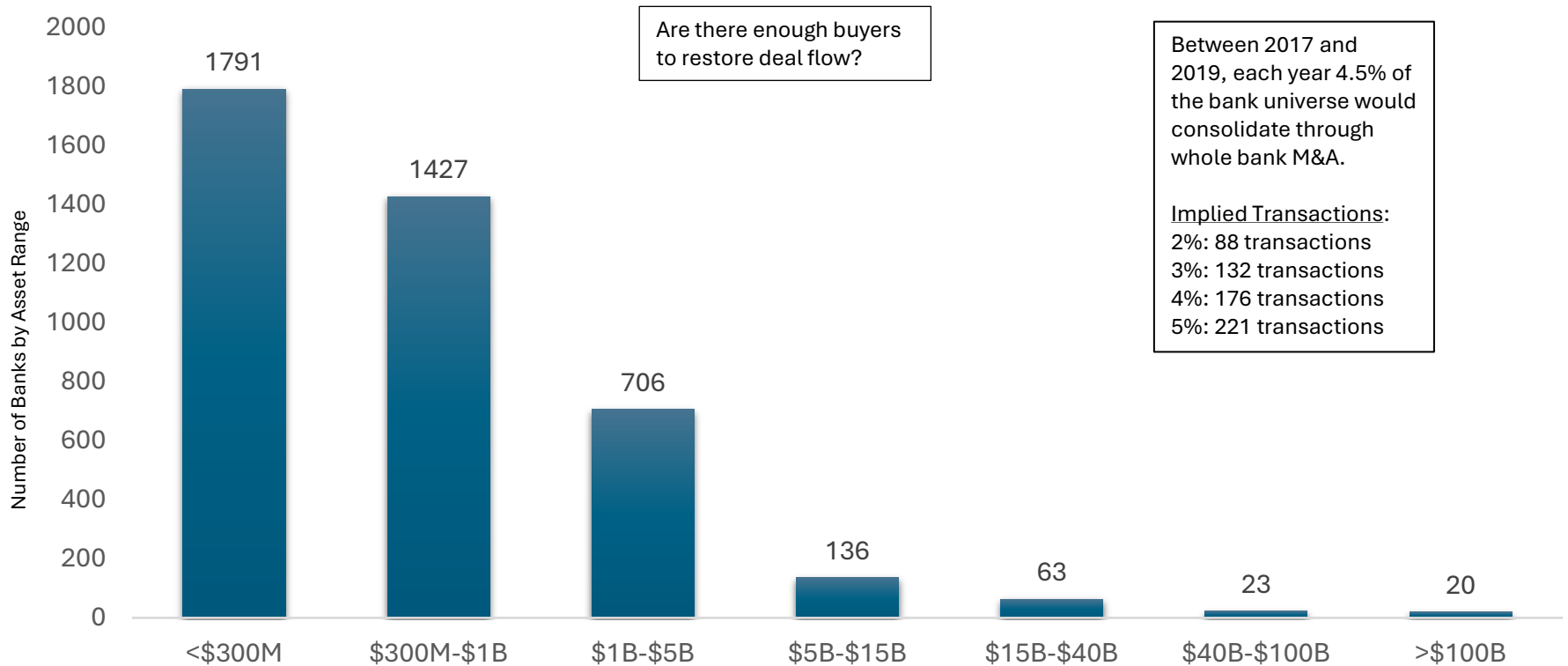


Data as of Q4 2025

Note: Includes all U.S. banks traded on NYSE and NASDAQ exchanges where price/ tangible book metrics are available.

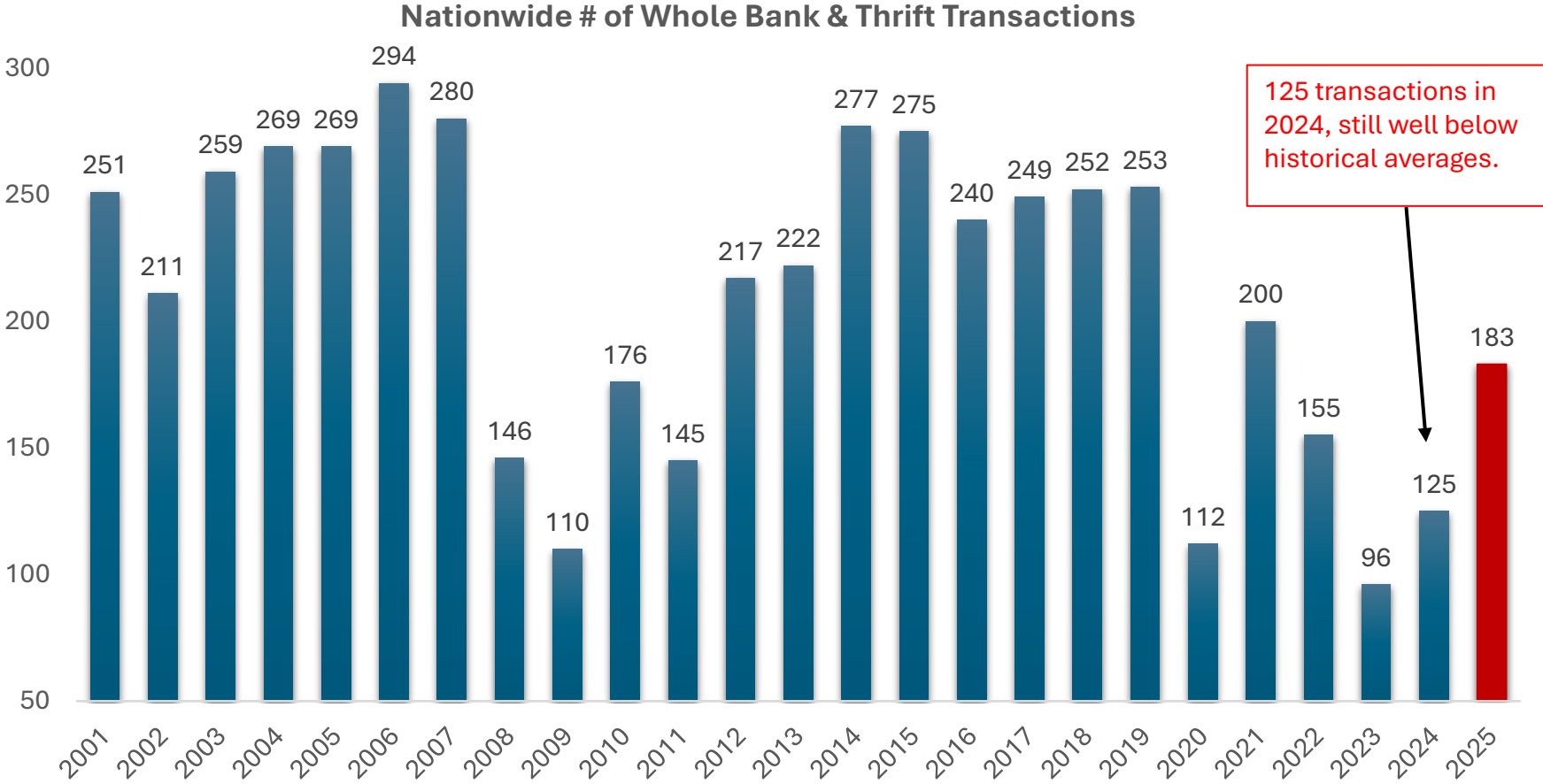
Source: S&P Capital IQ Pro

# Number of Banks by Asset Size



Note: Includes all top tier consolidated regulated depositories.  
Source: S&P Capital IQ Pro; Data current as of Q4 2025

# Nationwide # of Whole Bank & Thrift Transactions



Data current through the end of 2025.  
Source: S&P Capital IQ Pro

## Jamie Dimon on Community Banking

“ ... Midsized and community banks...are essential to the American economic system. They fill a critical role in small communities, offering local knowledge and local relationships that some large banks simply can't provide—or can't provide cost-effectively.”

-Jamie Dimon, CEO J.P. Morgan Chase

# Bank CEO Network: The New Battle for Deposits

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Washington, DC 20037

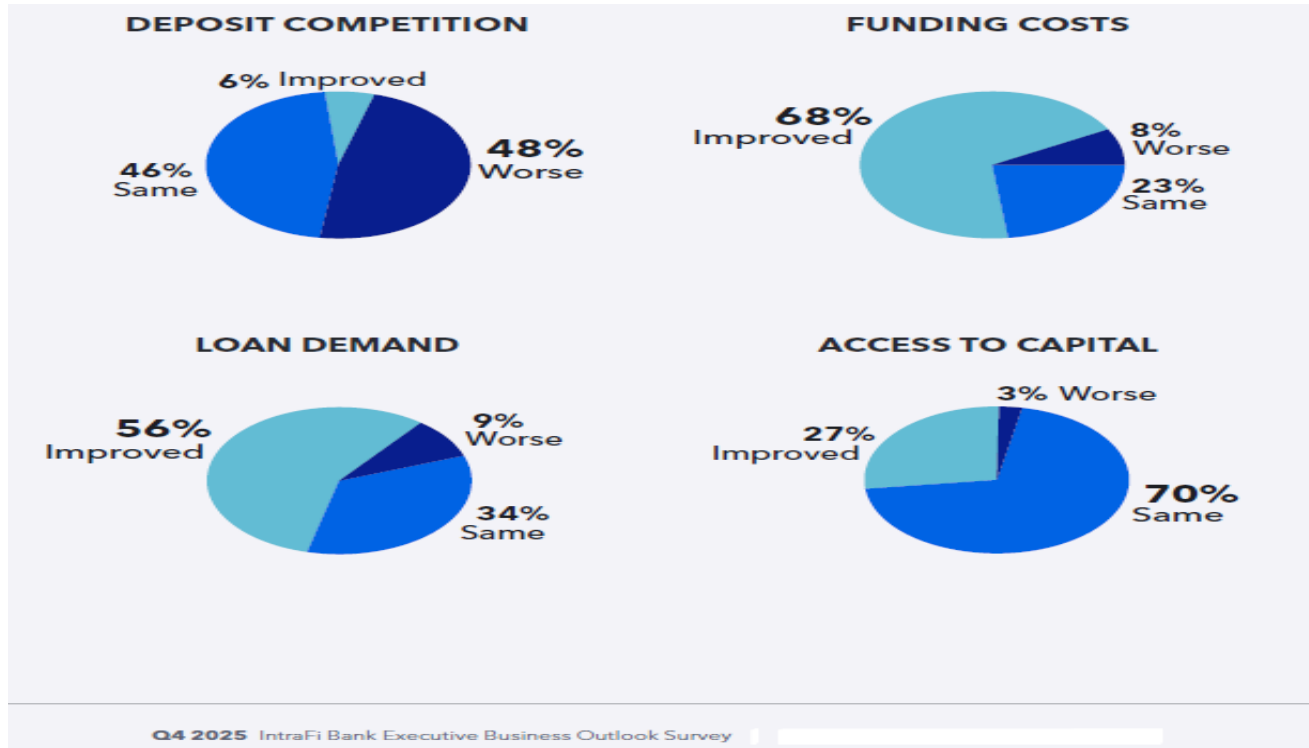
[heastep@hunton.com](mailto:heastep@hunton.com)

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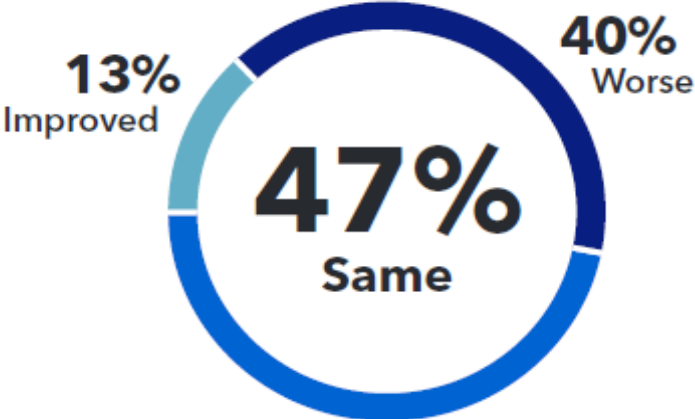
# Toplines

This is a topline overview of banker expectations for the 12 months ahead in four key categories

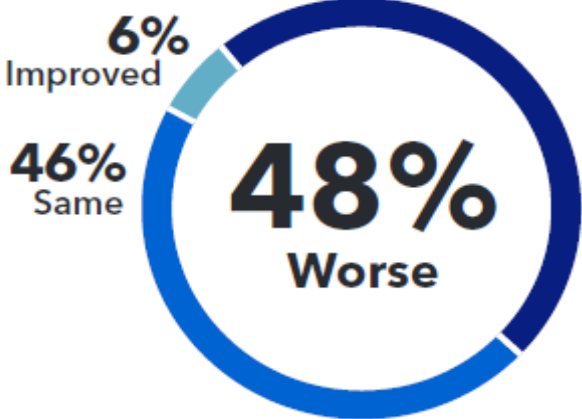


# Deposit Competition

**Experience**  
Compared to 12 Months Prior

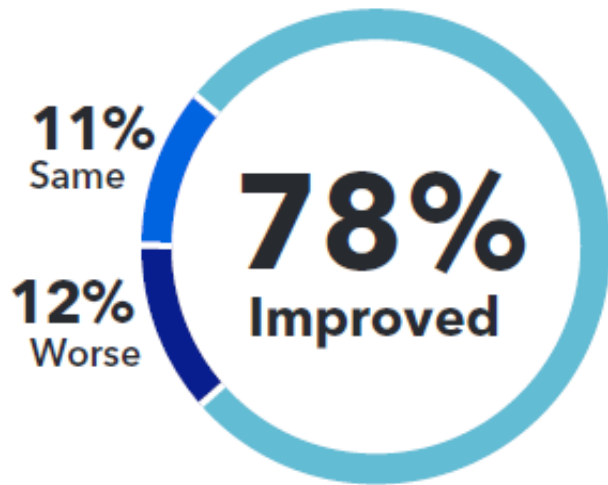


**Expectation**  
Looking 12 Months Ahead

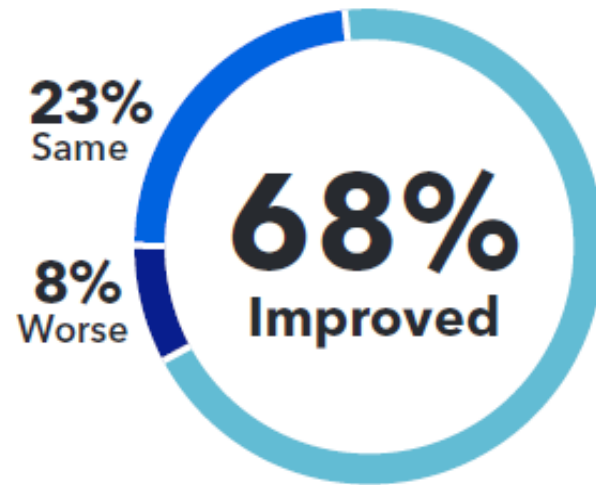


# Funding Costs

**Experience**  
Compared to 12 Months Prior

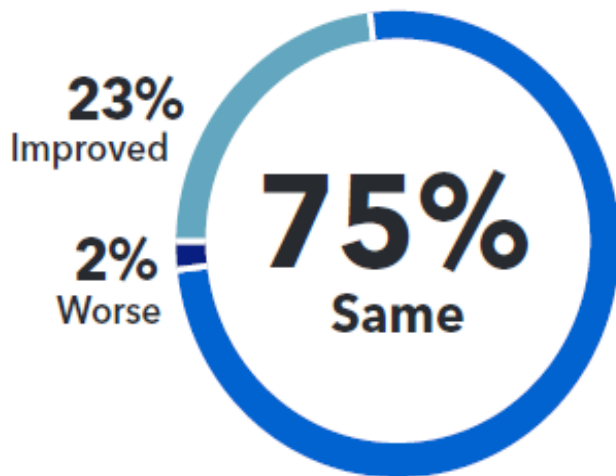


**Expectation**  
Looking 12 Months Ahead

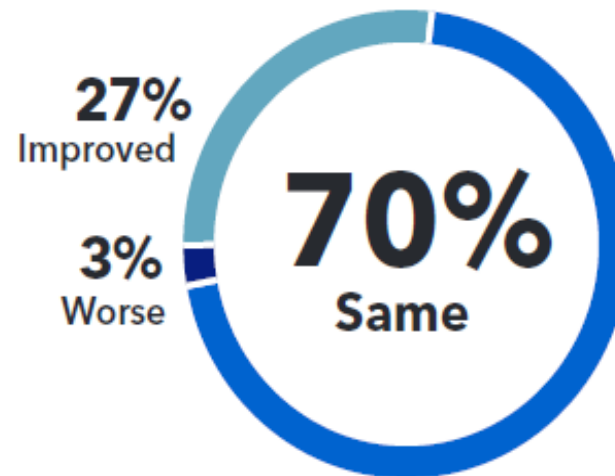


# Access to Capital

**Experience**  
Compared to 12 Months Prior



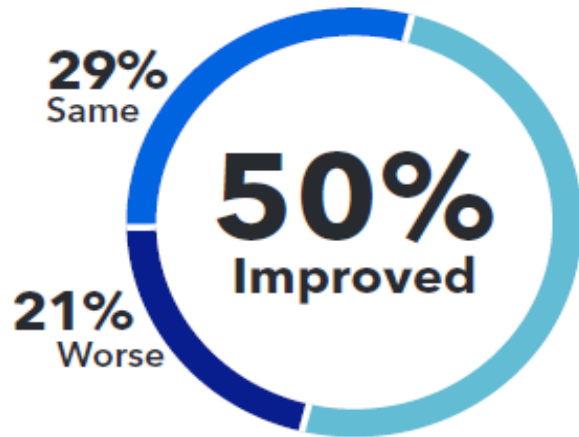
**Expectation**  
Looking 12 Months Ahead



# Loan Demand

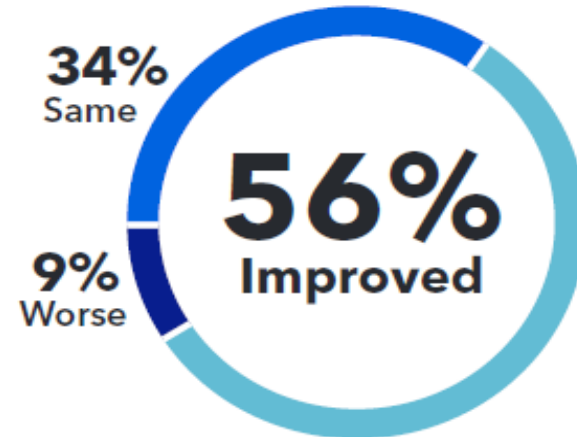
## Experience

Compared to 12 Months Prior



## Expectation

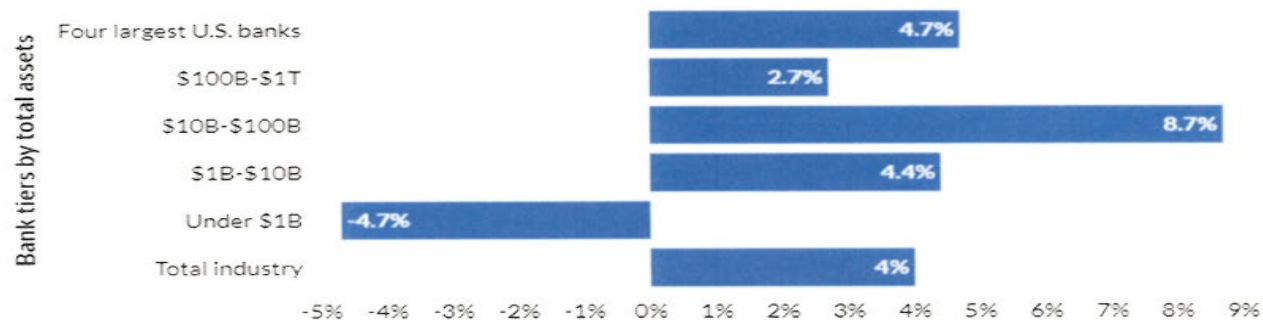
Looking 12 Months Ahead



# Banks that won on deposit growth in 2025 got boost from M&A

## Overperformers

Banks with between \$10 billion and \$100 billion of assets reported stronger core deposit growth than the rest of the industry from the end of 2024 to the end of 2025, largely due to M&A activity.



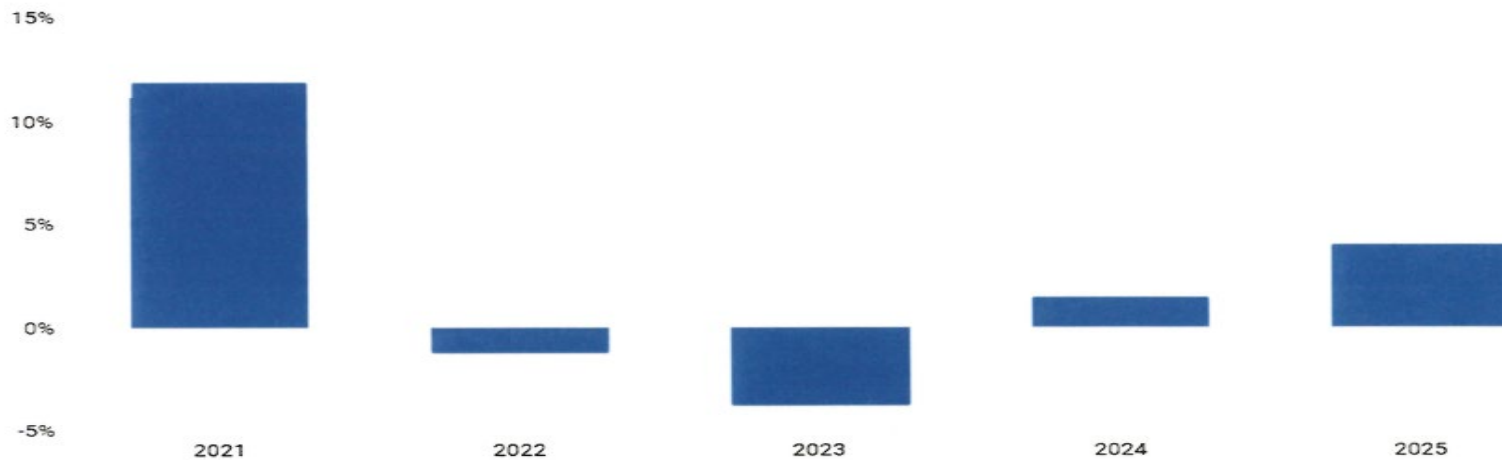
Source: Invictus Group analysis of call reports, as of 12/31/2025 • The four largest U.S. banks are JPMorganChase, Bank of America, Citi and Wells Fargo.

AMERICAN BANKER

- Absent the acquisitions, banks in the \$10B-\$100B asset tier that completed deals last year likely would have grown core deposits by less than 2% (Source: Invictus Group)
- Bank M&A boom heating up – deposit franchises a key motivating factor

# Core Deposit Growth Accelerated in 2025

Core Deposit Growth at U.S. Commercial Banks for the First Three Quarters of Each Year

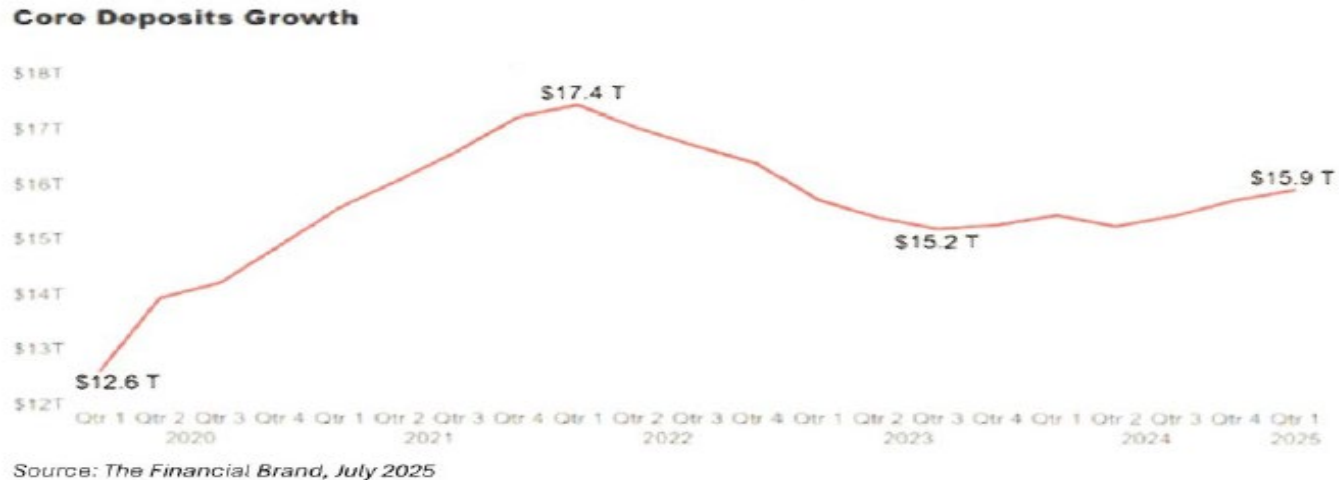


SOURCES: Consolidated Reports of Condition and Income (Call Reports) and author's calculations.

■ FEDERAL RESERVE BANK OF ST. LOUIS

- Core deposit growth at U.S. commercial banks accelerated in the first three quarters of 2025, by about 4% compared with 1.5% through the first three quarters of 2024.

# Rebuilding Momentum: A Return to Core Stability



- In early 2025, as rate volatility eased and consumer confidence improved, banks saw renewed momentum.
- The FDIC showed three consecutive quarters of deposit gains, with brokered deposits declining while core deposits rose.

# Depositor Rate Sensitivity

- A. Extremely rate sensitive/willing to accept online offerings
  - Competitors: MMMFs, Ally, Synchrony Bank, Capital One, Goldman Sachs, AMEX, and Crypto and Technology companies
- B. Rate sensitive, but want to transact business locally
  - Competitors: Top 5 rate payors in the geographic market
- C. Somewhat rate sensitive/somewhat fee sensitive (looking for value proposition)
- D. Service focused, not really rate sensitive
- E. Technology/product focused not rate sensitive

# Who is in the C-E Buckets?

## C. Includes:

- Nonprofits
- Corporate treasurers
- Municipalities
- HSAs
- 529 plans

## D. Includes:

- HOAs (the operating accounts)
- Law firms
- Small businesses
- Objective focused
- Prepaid cards

## E. Includes:

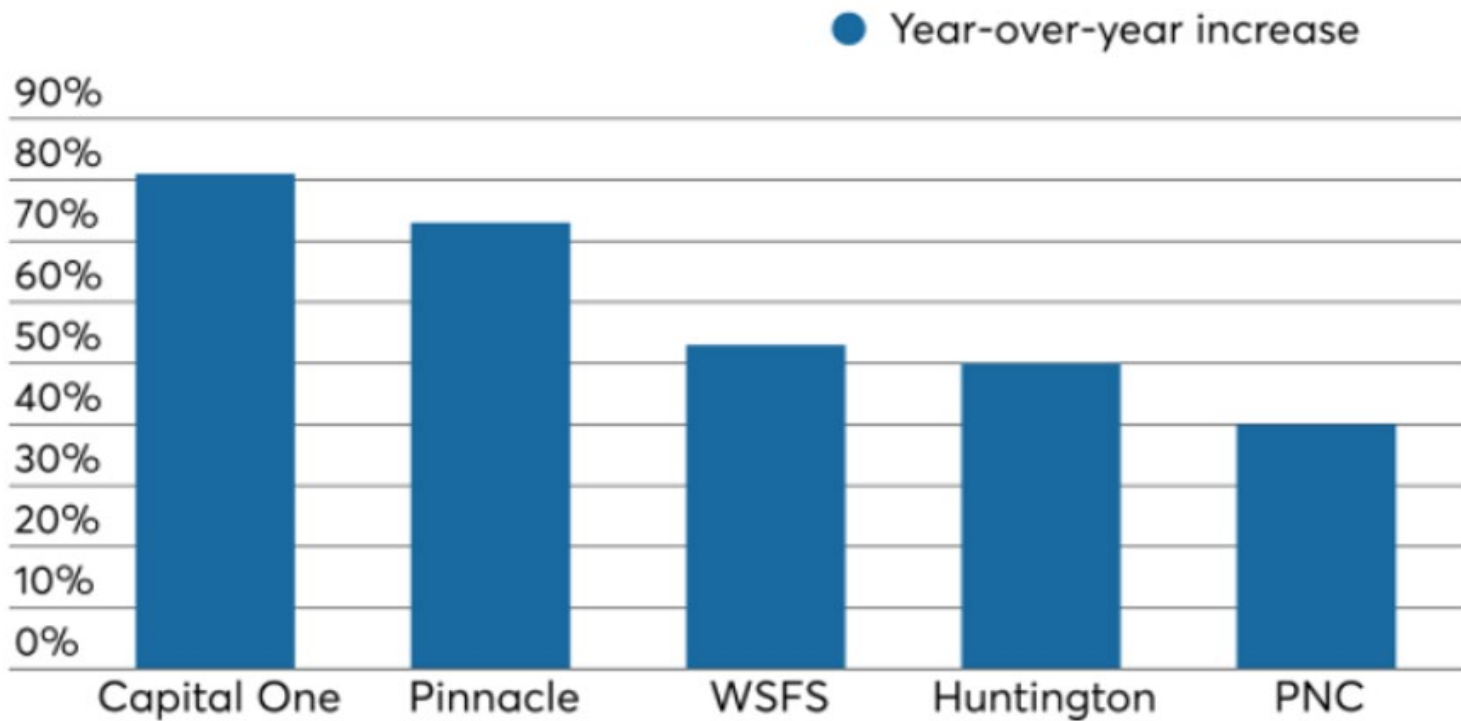
- Retail customers
- Trade associations
- Youth and amateur sports leagues

# How to Attract Desired Business

- Price differentiate
- Focus on C-E with product and service propositions
- Establish value proposition for each type of account
- Determine product/service needs for target customers, e.g.:
  - Electronic lockbox
  - Treasury management
  - Sweep
  - Prepaid credit cards
  - Positive pay
  - Mobile banking
  - Zelle
- Consider customer profitability pricing – C&I, SBA, owner occupied CRE
- Cross sell: Lines of Credit?
- Incentive and train relationship managers and lenders
- Market consistent with focus especially digital marketing

## Big Spenders

Banks are increasing their marketing budgets to reel in more deposits and leverage their investments in digital banking



# Treasury or Cash Management

- Basics
  - Online cash management (information/reports/account reconciliation)
  - Automated Clearing House (ACH)
  - Online wires
  - Business bill pay
  - Remote deposit capture (RDC)
  - Corporate credit cards
  - Sweep
  - Positive pay (ACH and check)
  - Controlled disbursement
  - Foreign draft services
  - Fraud prevention services
  - Zero balance accounting

# Administration of Treasury Management Services

- Trends in recent years are for financial institutions to consolidate separate stand-alone treasury management services agreements into “master” treasury management services agreements with general terms applicable to all treasury management services, and separate service-specific provisions applicable to each specific service (example: ACH underwriting criteria, business online banking security provisions)
- A “master” treasury management services agreement can also grow with a particular customer’s treasury management services needs as the service-specific provisions do not apply until a customer “turns on” a particular service. Example:
  - Customer A starts out utilizing positive pay and zero balance accounting services only.
  - 1 year later, Customer A wants to add ACH origination and business remote deposit capture
  - Rather than executing separate new agreements, the customer updates the “service selection form” to “turn on” the new services, and by doing so, agrees to the terms and conditions applicable to that new service (which already exists in the “master” treasury management services agreement already executed and in place)

# Electronic Lockbox

- Processing A/R for your customers
- Targets
  - Associations, such as HOAs
  - Utilities
  - Municipalities
  - Schools
  - Smaller landlords
  - Youth sports
  - Churches/nonprofits
  - Insurance agencies
  - Title insurance agencies
  - Finance companies
  - Medical officers
- Integrated with treasury management?
- Integrated with nonprofits?

# Payroll

- Goal: Fees for services break even; deposit generation
  - Free transfers to payroll accounts
  - Email communications to employees
  - W-2's and 1099's
  - HR
  - Tax calculation
  - Payroll cards?
  - Remittances?
- Competition



# Smart Safe

- Targets
  - Medium risk businesses with cash customers such as:
    - Nail salons
    - Gas stations/convenience stores
    - Grocery stores
    - Bars and restaurants
    - Bakeries
    - Coffee bars
    - Transportation services
    - Estate sale services
  - Cannabis
  - BSA/AML/KYC

# Mortgage

- Wholesale mortgage lending
- Fee offset
- On balance sheet product

## Reciprocal Deposits

- Deposits placed through a deposit placement network in exchange for matching funds
- Economic Growth Regulatory Reform and Community Protection Act – no longer considered “brokered deposits” (Main Street Capital Access Act)
- Target customers:
  - Large deposits from local businesses considering “TBTF” banks
  - Replacing collateral for trust and municipal deposits
  - Attracting deposits from other financial institutions

# Partnering With Fintech



Fintech and financial services are competing less and coming together. **82 percent** expect to increase fintech partnerships in the next three to five years.

# Fintech's Wide-Reaching Terrain

- Lending
- Payments
- Wealth Management
- RegTech
- Cloud and API Solutions

# Raffles, Lotteries, Awards, Kasasa

- Savings promotion raffles
  - Savings promotion raffles are not lotteries
  - Each \$1 of savings enters the depositor in a periodic drawing
  - Demand tends to be highest among people with the lowest savings
  - Legal in approximately 30 states and increasing
- Variable rewards
  - Citibank
    - Example: \$400 cashback bonus for:
      - New account (btw checking and savings)
      - Maintain \$15k minimum for 60 days
      - Complete 1 direct deposit
- Kasasa
  - High interest deposit with multiple requirements

## Other Steps

- Post-signup campaigns to encourage usage of products
- Increase customer interactions

## If Must Offer CDs

- Run CD specials in tangential zip codes
- Require use of other products to obtain rate
- Cross sell
- Make sure auto-renew

# Millennials

- Mobile banking
- Identification with a cause
- P2P Zelle
- Rewards Starbucks cards
- Identity theft protection
- Data storage
- Merchant discounts

# Bank CEO Network

## Balance Sheet Management

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Topic No. 1:

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Lending partnerships

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# The DUS model participants

The DUS model works because the interests of all four players are aligned.



# Table 1: Types of Multifamily Mortgaged Properties Eligible for DUS MBS

**Table 1: Types Of Multifamily Mortgaged Properties Eligible for DUS MBS**

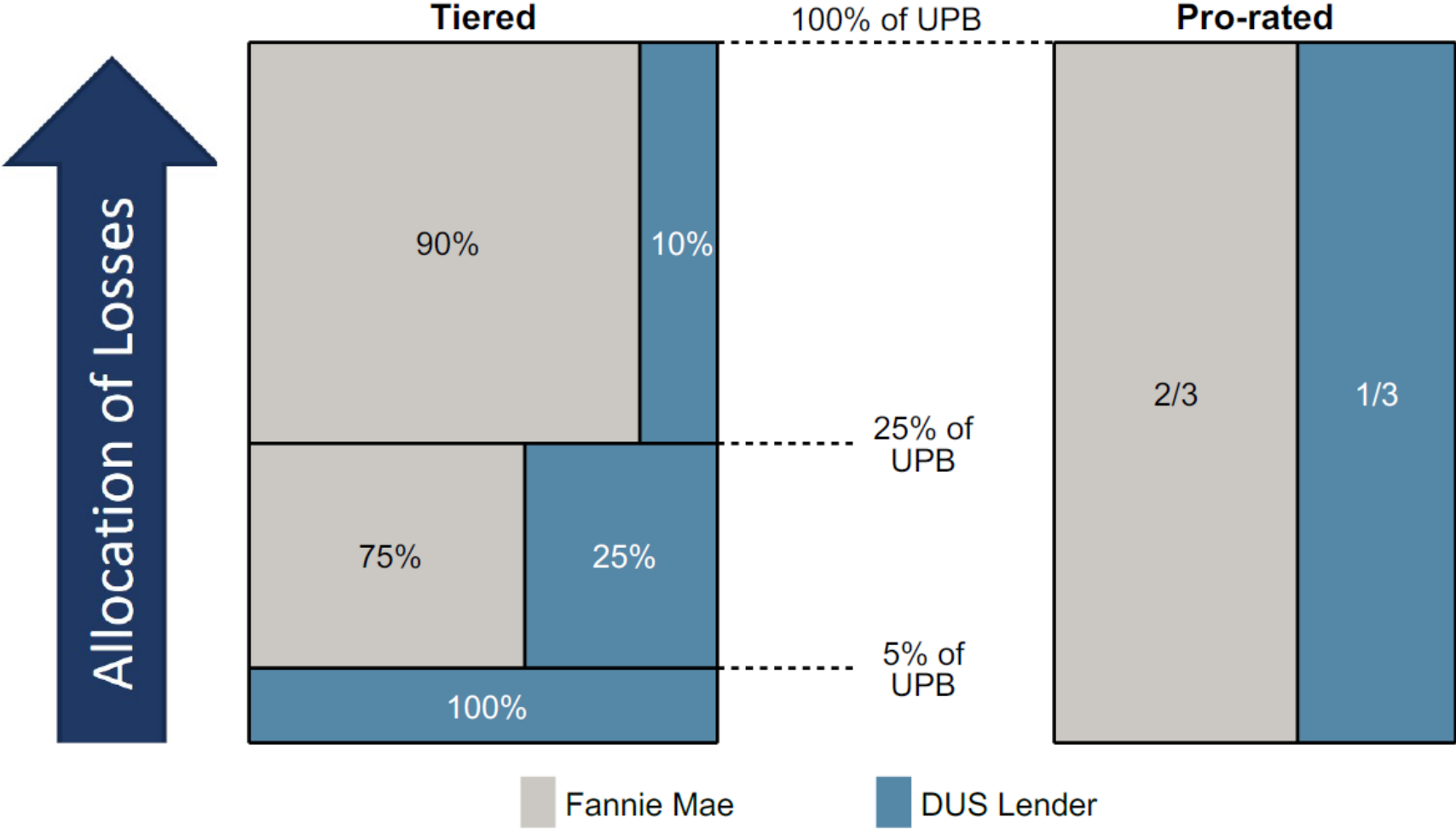
<b>Property Type</b>	<b>Description</b>
Multifamily	A multifamily loan secured by a residential property composed of five or more dwelling units and in which generally no more than 20% of the net rentable area is rented to, or to be rented to, non-residential tenants.
Cooperative	A multifamily loan made to a cooperative organization and secured by a first or subordinate lien on a cooperative multifamily housing project that contains five or more units.
Manufactured Housing	A multifamily loan secured by a residential real estate development with lots on which manufactured homes are located, together with amenities, utility services, landscaping, roads, and other infrastructure.
Seniors	A multifamily loan secured by a mortgaged residential rental property with any combination of independent living, assisted living, Alzheimer's/dementia care, or skilled nursing units.
Dedicated Student	A multifamily loan secured by multifamily rental properties in which 80% or more of the units are leased to undergraduate or graduate students.
Military	A multifamily loan secured by any multifamily rental property in which 40% or more of the units are occupied by individuals serving in, or employed by, the United States military.

Multifamily MBS Prospectus documents on our [website](#) further detail multifamily mortgage loan and property types.

# Eligibility

- Existing, stabilized Conventional Properties, Multifamily Affordable Housing Properties, Seniors Housing Properties, Student Housing Properties, and Manufactured Housing Communities
- Properties with a minimum of five units (50 pad sites for Manufactured Housing Communities)
- Credit-worthy single-asset U.S. borrower with U.S. ownership
- Borrowers may have indirect foreign ownership interests, subject to proper structuring of the borrowing entity and its parent

# Principal Types of Multifamily DUS Loss Sharing



## Takeaways for non-DUS participants

- Partner with DUS participant and split fee income
- Move loans off balance sheet for volume
- Similar programs:
  - Freddie Mac Optigo
  - FHA Map Program



Topic No. 2:

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# Securitization

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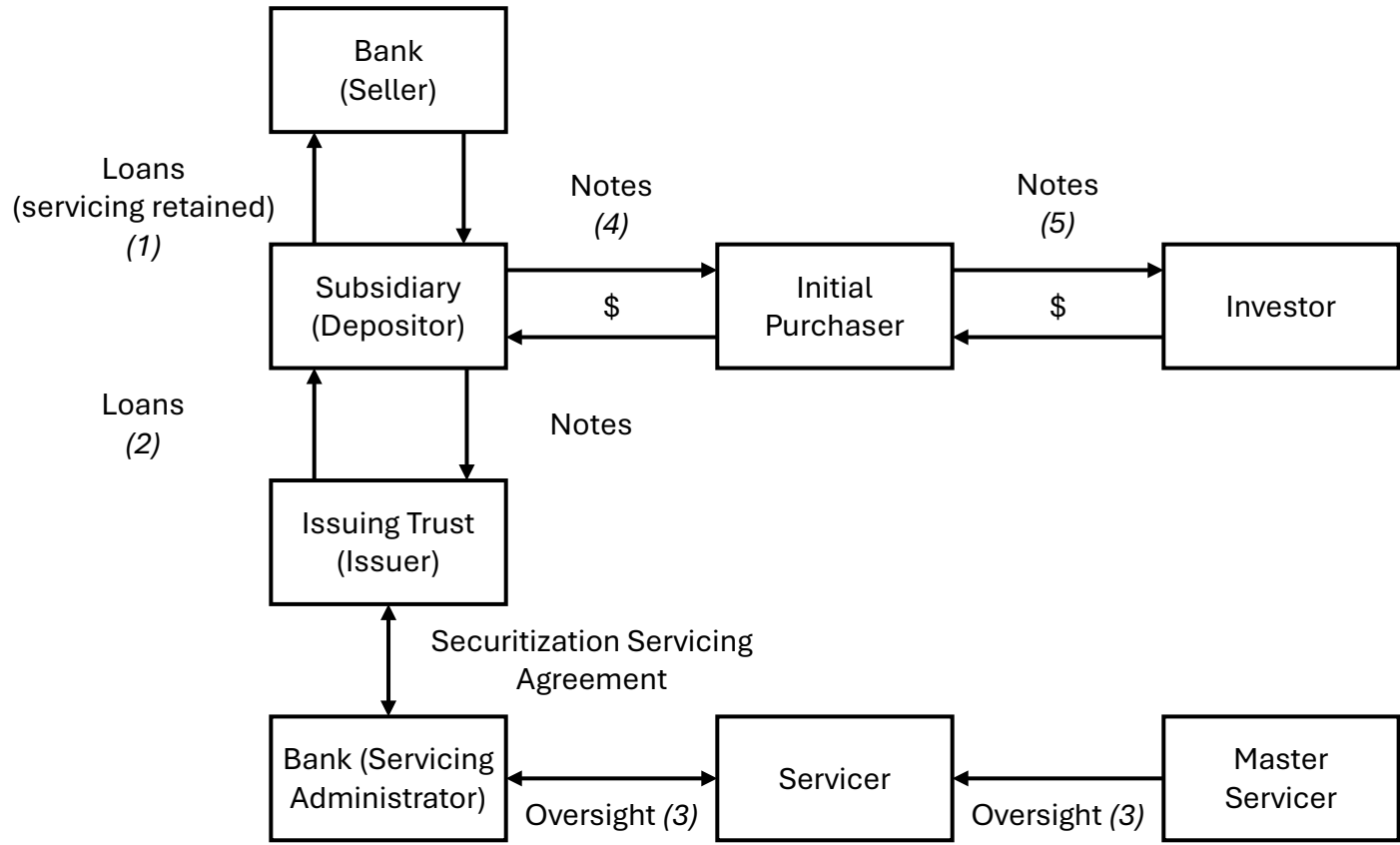
# Advantages and Disadvantages

## **Advantages**

- Improves capital ratios by removing assets from the balance sheet
- Frees up balance sheet for additional lending
- Retained servicing is a source of noninterest income

## **Disadvantages**

- Regulatory approval to establish subsidiary
- Transaction costs



The background features a complex, low-poly geometric pattern in various shades of blue. A large, dark teal rectangular area is overlaid on the left side of the image, containing the text.

Topic No. 3:

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# Sale Leasebacks

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## Sale Leaseback Activity by Financial Institutions, SLB Capital Advisors



## 2025 Examples

- **C Federal Bank:** Completed a sale-leaseback deal with MountainSeed Real Estate Services, announced in Jan 2026 as effective on November 25, 2025.
- [Primis Bank](#): Announced a large-scale sale-leaseback transaction covering 18 branches on December 8, 2025, to build capital for growth in 2026 and 2027.
- [SouthState Bank](#): Completed a \$467 million, 165-branch sale-leaseback transaction with Blue Owl Capital in early 2025, which has been cited as a primary example of current industry trends in 2026.
- **Harborstone Credit Union:** Closed on a \$79.3 million sale-leaseback in 2025.

# Typical Terms

- 15 year + lease term
- Annual rent escalation clause
- Triple net lease
- BHC guaranty of bank lease agreement
- Diligence and closing like typical transaction
- Cap rates?

# Lending to Non-depository Lenders

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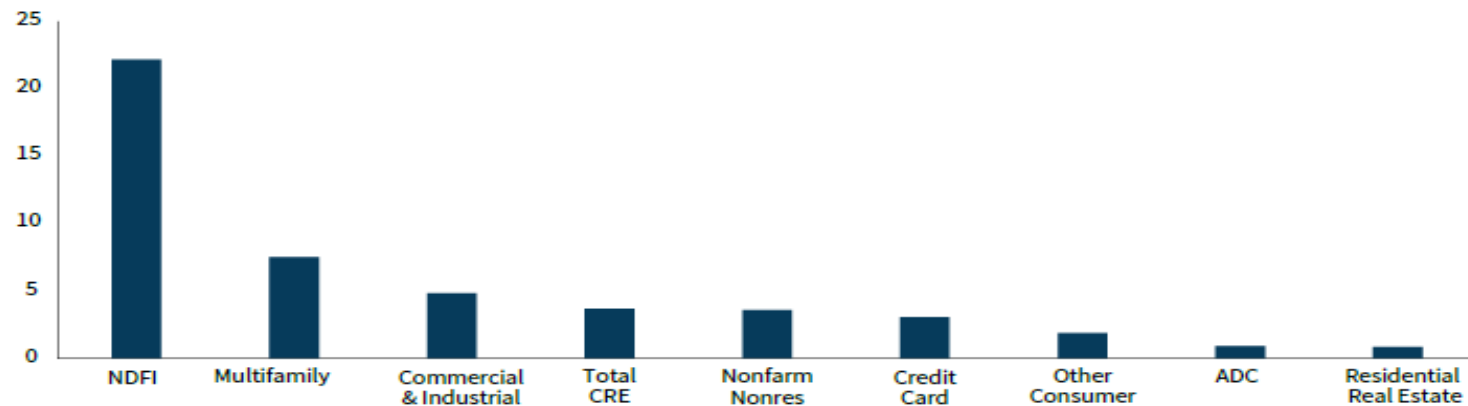
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# Banking Issues in Focus: Bank Lending to Nondepository Financial Institutions

## CHART 1

### Growth in Bank Loans to NDFIs Outpaced Other Major Loan Categories

Compound Annual Growth Rate from 2010–2024  
Percent

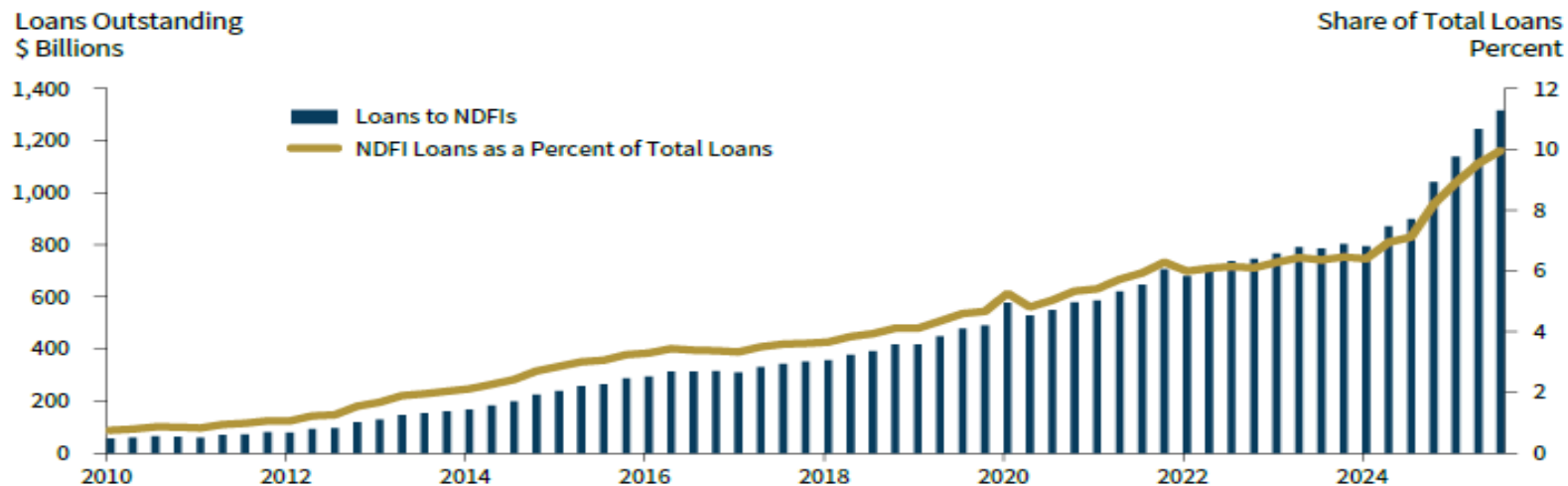


Source: FDIC.

Note: Data are annual through 2024 and include only funded commitments. ADC stands for acquisition, development, and construction loans. NDFI stand for nondepository financial institutions.

# Banking Issues in Focus: Bank Lending to Nondepository Financial Institutions

**CHART 2**  
Loans to NDFIs Grew Significantly from 2010 to 2025



Source: FDIC.

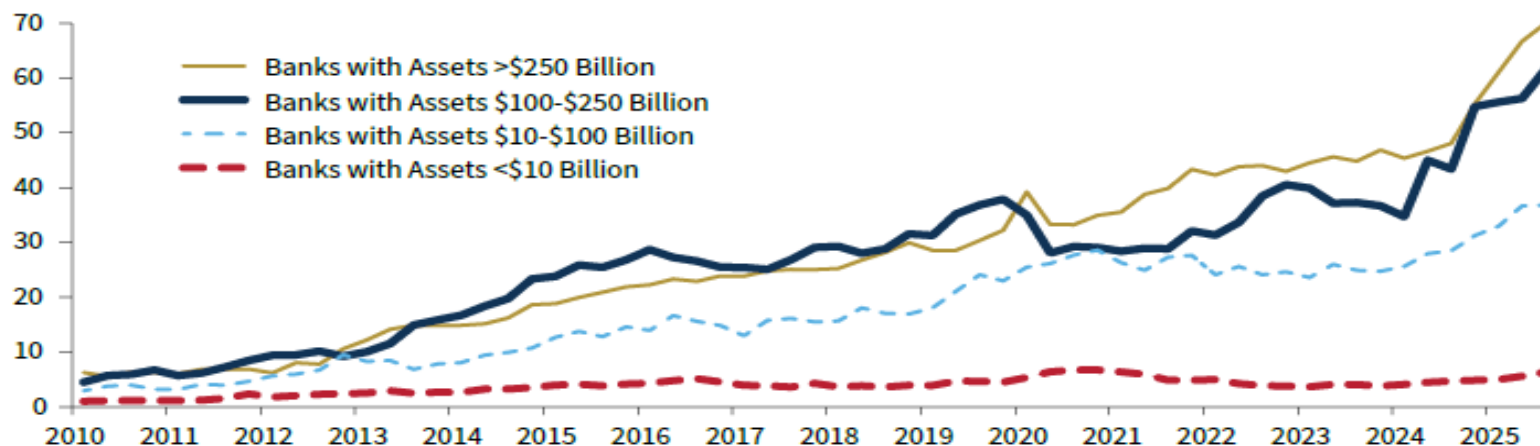
Note: Data are quarterly through third quarter 2025 and include only funded commitments. NDFI stands for nondepository financial institution.

# Banking Issues in Focus: Bank Lending to Nondepository Financial Institutions

## CHART 3

### Larger Banks Have the Highest Concentration of Loans to NDFIs

NDFI Loans to Tier 1 Capital Plus Allowance  
Percent



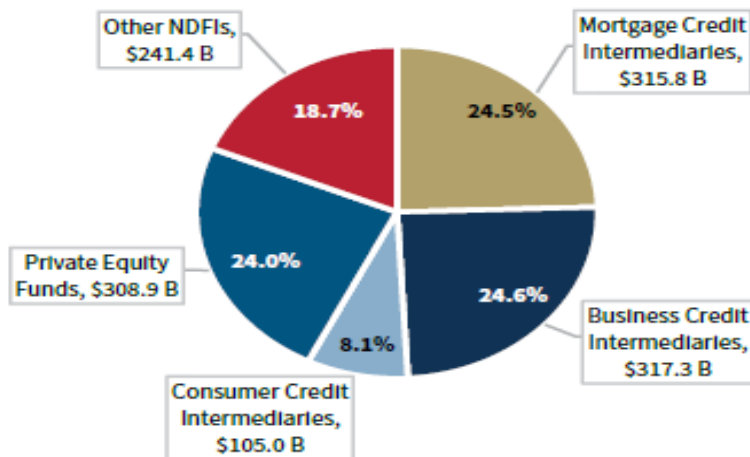
Source: FDIC.

Note: Data are quarterly through third quarter 2025. NDFI stands for nondepository financial institution.

# Banking Issues in Focus: Bank Lending to Nondepository Financial Institutions

## CHART 4

### More Than Half of NDFI Lending is to Credit Intermediaries



Source: FDIC.

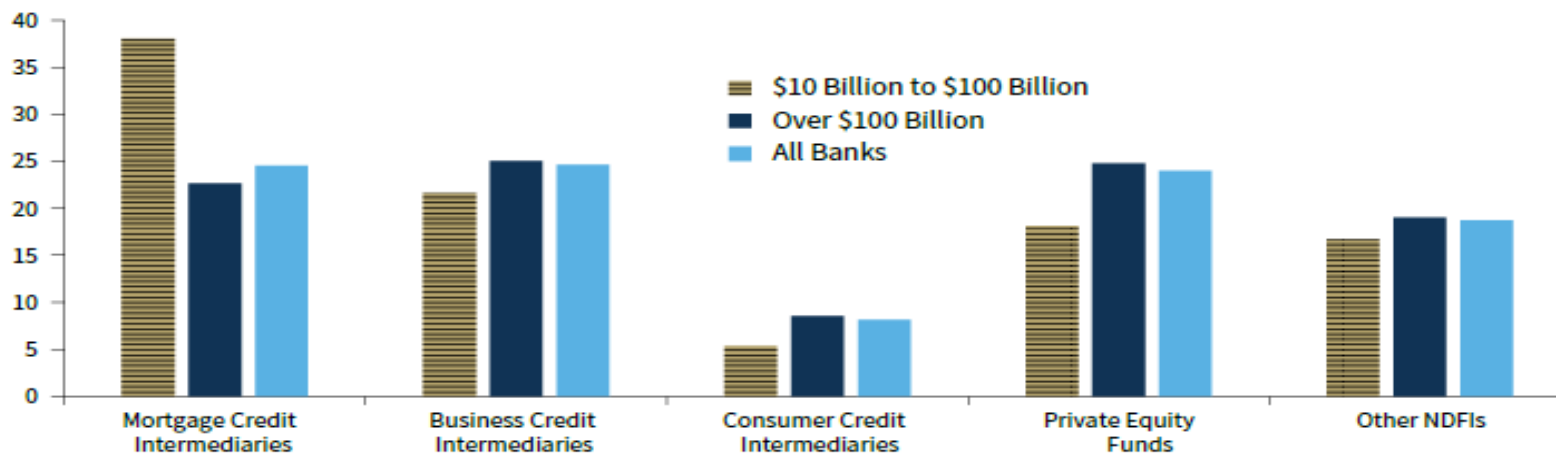
Note: Data are for third quarter 2025 and include only funded commitments. Only banks with more than \$10 billion in assets reported. NDFI stands for nondepository financial institution.

# Banking Issues in Focus: Bank Lending to Nondepository Financial Institutions

## CHART 5

### Smaller Banks Are More Likely to Lend to Mortgage Credit Intermediaries

Share of NDFI Loans at Banks  
Percent



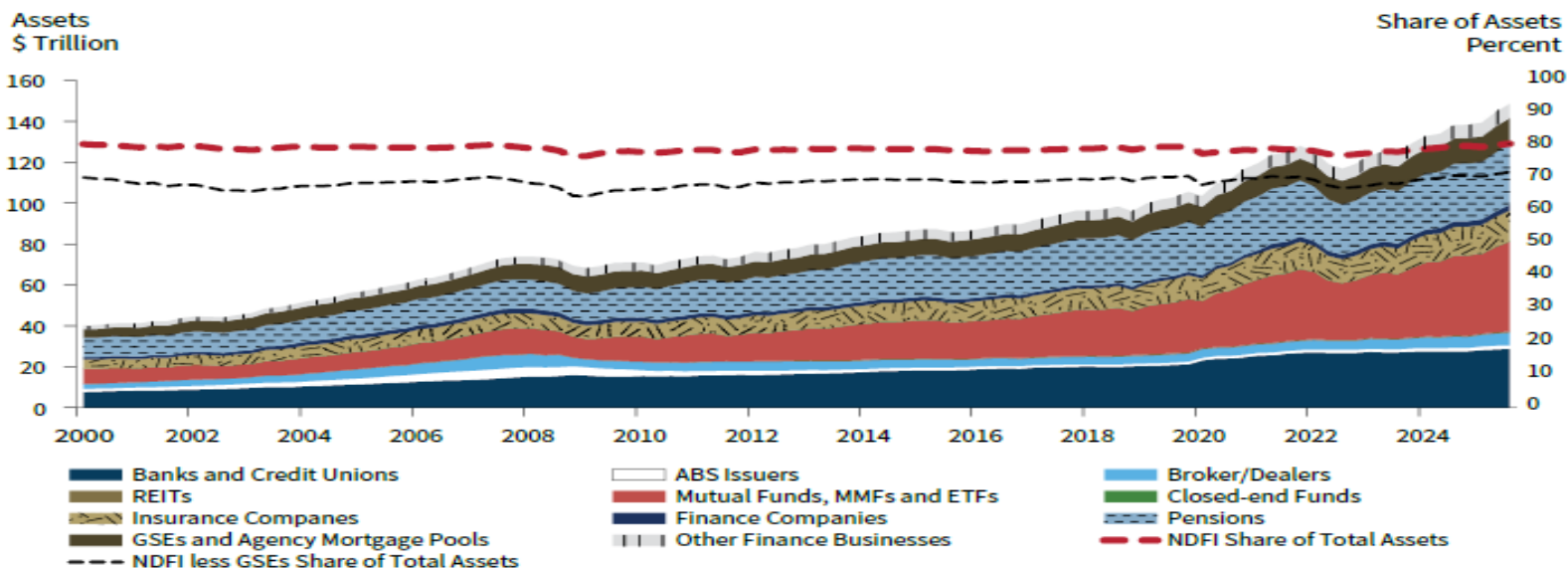
Source: FDIC.

Note: Data are for third quarter 2025 for banks with assets greater than \$10 billion and include only funded commitments. NDFI stands for nondepository financial institution.

# Banking Issues in Focus: Bank Lending to Nondepository Financial Institutions

**CHART 6**

The NDFI Share of Financial Sector Assets Has Been Flat



Source: Federal Reserve Board Z.1 Financial Accounts of the United States (Haver Analytics).

Note: NDFI stands for nondepository financial institution.

# Bank CEO Network

## Tech Issues and Opportunities

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## Overview of Topics

- 1. Mobile Wallets**
- 2. Stablecoins and Tokenized Deposits**
- 3. Artificial Intelligence**
- 4. Fintech Competition**



Topic No. 1:

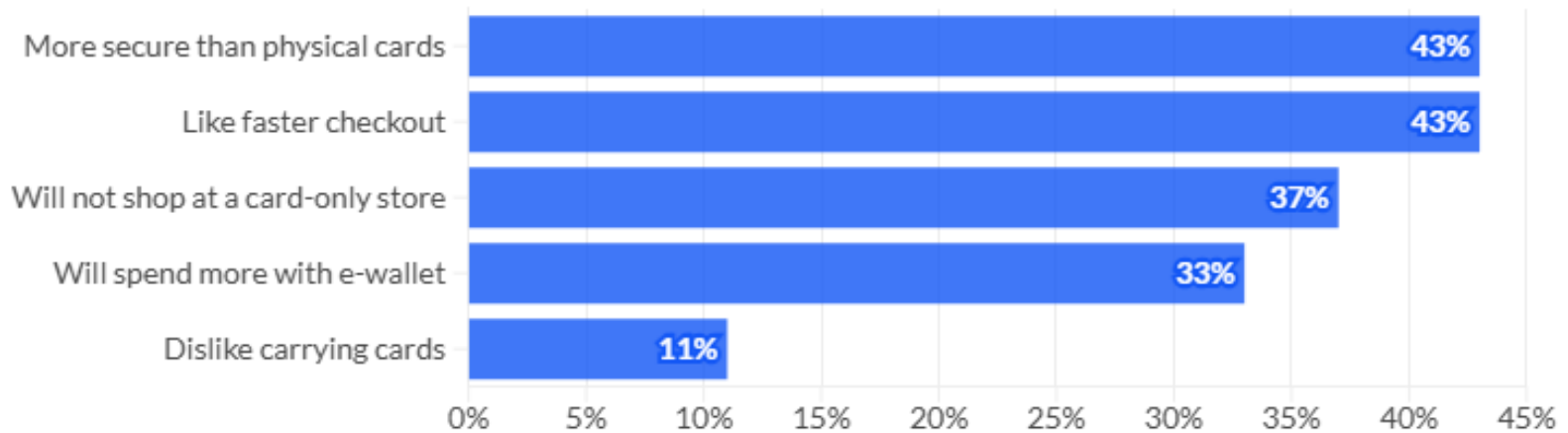
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Mobile Wallets

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# Mobile Wallets

## Why consumers like mobile wallets



Source: LendingTree

**AMERICAN BANKER.**

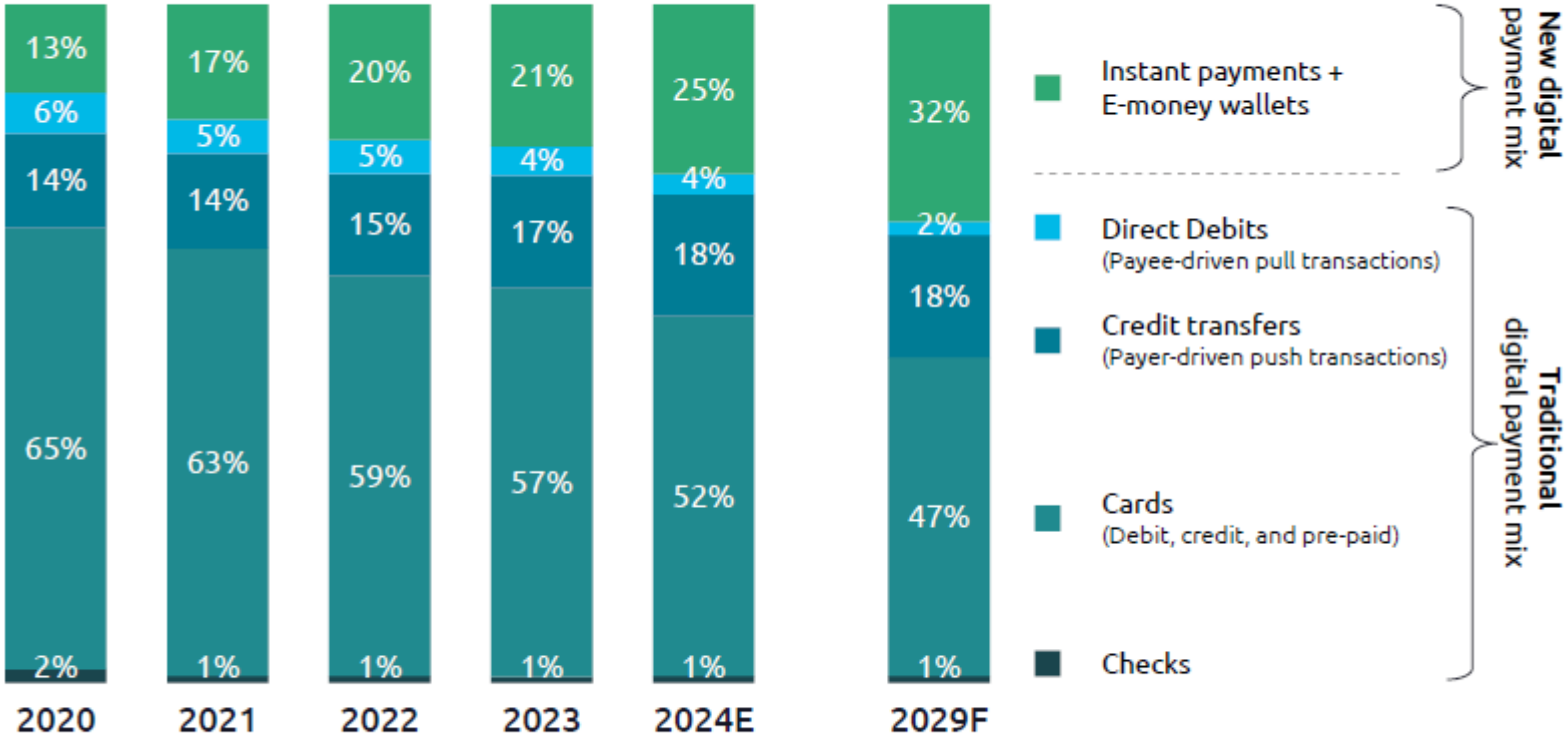
## Mobile Wallets

40% of small and mid-sized merchants plan to switch to PayTechs within a year, driven by faster onboarding and better service...banks must modernize their infrastructure, adopt "freemium" models, and offer segment-specific services like instant settlement and fraud prevention to stay competitive.

-Capgemini

# Mobile Wallets

**Figure 2.**  
The new payments mix is taking up a bigger global share



Sources: Capgemini Research Institute for Financial Services Analysis, 2025; GlobalData Payments Analytics 2025.  
Note: E = estimate and F = forecast.



## Topic No. 2:

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# Stablecoins and Tokenized Deposits

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# Definitions & Core Concepts

## Tokenized Deposits

Digital representations of traditional bank deposits recorded on a blockchain or distributed ledger.

### Key characteristics:

- Issued by regulated depository institutions (banks, credit unions)
- Represent a deposit liability on the bank's balance sheet
- Eligible for FDIC insurance (up to insured limits)
- Operate on private or permissioned ledgers (typically)
- Support fractional reserve banking model

## Payment Stablecoins

Digital assets pegged 1:1 to a fiat currency, backed by reserves of high-quality liquid assets.

### Key characteristics:

- Issued primarily by non-bank entities (Circle, Tether, etc.)
- Backed 1:1 by off-balance-sheet reserves (Treasuries, cash)
- Not FDIC-insured; holders bear issuer-specific risk
- Operate on public blockchains (Ethereum, Solana)
- Full reserve (no lending against reserves under GENIUS Act)

*Example: JPMorgan's JPMD (tokenized deposit) vs. Circle's USDC (stablecoin)*

# Structural Comparison



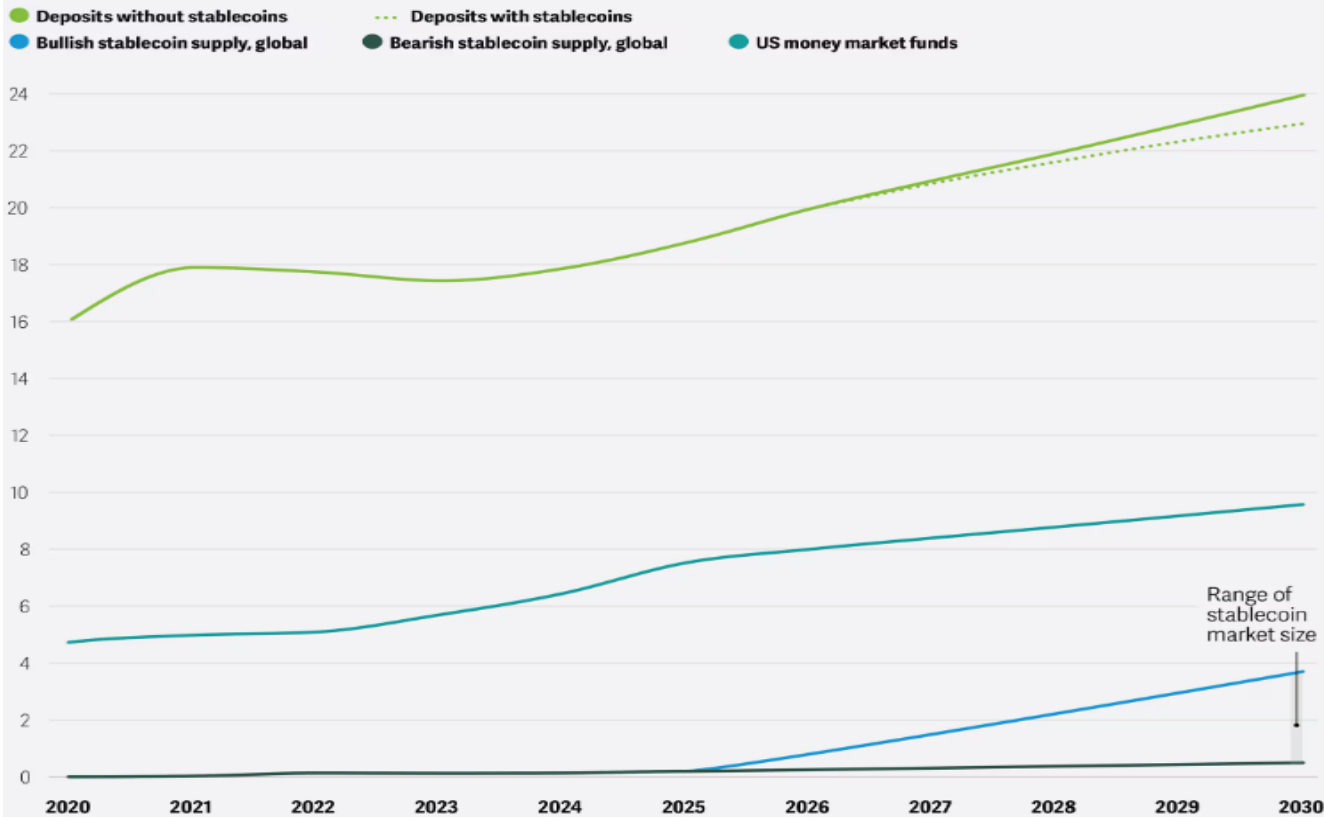
Dimension	Tokenized Deposits	Payment Stablecoins
<b>Issuer</b>	Regulated banks & credit unions	Non-bank fintechs, bank subsidiaries, state-chartered entities
<b>Balance Sheet</b>	On bank's balance sheet (deposit liability)	Off-balance-sheet; backed by segregated reserves
<b>Reserve Model</b>	Fractional reserve (supports lending)	Full 1:1 reserve (no lending permitted)
<b>FDIC Insurance</b>	<b>Yes (up to insured limits)</b>	<b>No — holder bears issuer risk (bearer instrument)</b>
<b>Ledger Type</b>	Private / permissioned blockchain	Public / permissionless blockchain
<b>Interest / Yield</b>	Banks may pay interest (like traditional deposits)	Prohibited under GENIUS Act
<b>Redemption</b>	Direct redemption at par with bank	Par redemption limited to approved arbitrageurs; others sell on exchanges
<b>Liquidity Effect</b>	<b>Maintains bank liquidity (supports credit creation)</b>	<b>Removes liquidity from banking system (funds sit in reserves that must be maintained and cannot be lent out by custody bank)</b>
<b>Instrument Type</b>	Account-based (tied to depositor identity)	Bearer instrument (transferable by possession)

Source: ABA Banking Journal, Finovate, Federal Reserve, CEPR (2025–2026)

# Growth of Stablecoins Could Come at the Expense of Deposits

## Growth of stablecoins could come at the expense of deposits

US\$ trillion



Sources: Deposits and MMF data from the Federal Reserve Economic Data; Stablecoin supply data from the US Treasury; M2 projection from Oxford Economics; range of stablecoin market estimates from different industry forecasts and Deloitte Center for Financial Services analysis.

Deloitte | <https://www.deloitte.com/us/en/insights/research-centers/center-for-financial-services.html>

## Stablecoins: Use Cases

- Cross-Border Payments: Real-time global settlement that streamlines costs and eliminates traditional banking bottlenecks, with global financial research highlighting the growing role of stablecoins in facilitating cross-border transaction flows.
- Merchant Payments: Instant payment confirmation with lower processing fees and greater transparency for digital and retail commerce.
- DeFi Participation: Direct access to decentralized financial markets for yield generation, liquidity provision, and programmable financial services.
- Treasury Settlement: On-chain treasury management enabling 24/7 settlement and programmable corporate payment flows.

# Tokenized Deposits: Use Cases

- Interbank Settlement: Real-time wholesale payments between regulated financial institutions, requiring shared ledger connectivity and standardized messaging across participating banks
- Trade Finance & Supply Chain Management: Smart-contract-driven settlement with embedded compliance, supported by integration into existing risk, onboarding, and transaction monitoring frameworks
- Payroll Disbursement: Integrated with tax, reporting, and domestic banking systems.
- Corporate Treasury: Large enterprise liquidity management that connects banking networks with bank deposit ledgers to enable automated sweeps, settlements, and reconciliation.

# Example Roles in the Emerging PSC Value Chain

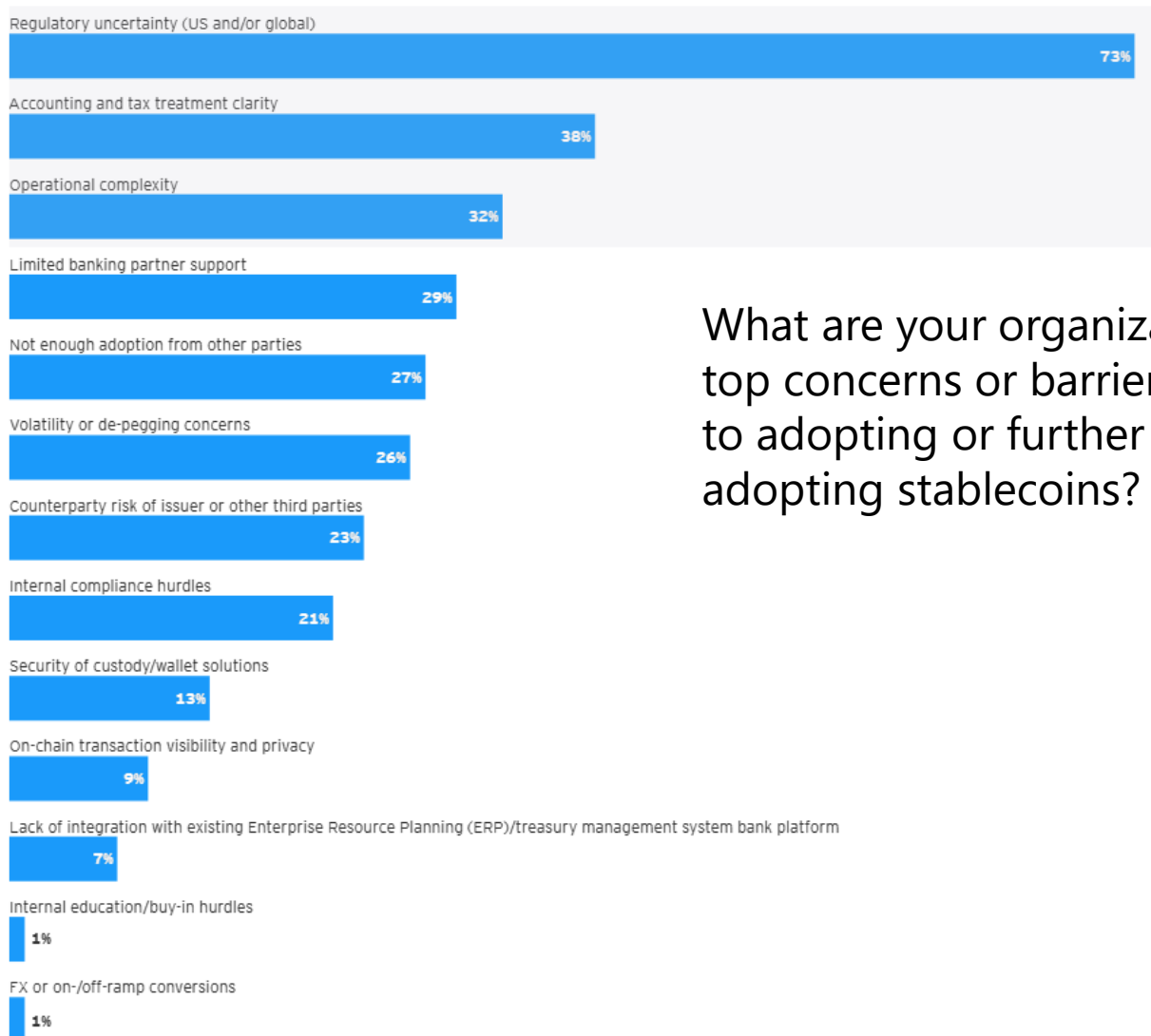
## Example roles in the emerging PSC value chain

Role	Function
Issuer	Create, distribute, and manage stablecoins
Custodian	Safekeep private keys for client crypto assets
Reserve bank	Hold and manage reserve assets for the payment stablecoins
Payment transaction processor	Facilitate seamless conversions between stablecoins and fiat currencies (on/off ramp)
Platform builder	Design, develop, and maintain platforms to integrate payment stablecoins with the existing financial system
Value-added services provider	Offer a range of support services, such as "programmable money," leveraging smart contracts with stablecoins to automate complex transactions
Facilitator of customer access through third-party platforms	Partner with core systems providers, fintechs, and payments networks to offer stablecoin services to customers

Sources: Deloitte's Business & Entity Transformation practice and Deloitte Center for Financial Services analysis.

**Deloitte** | <https://www.deloitte.com/us/en/insights/research-centers/center-for-financial-services.html>

# Stablecoins and Tokenized Deposits



What are your organization's top concerns or barriers to adopting or further adopting stablecoins?

# Regulatory Framework

*How each instrument maps to U.S. banking and financial regulations*



## Tokenized Deposits

### Existing banking regulatory framework applies:

- Federal Reserve Act, OCC regulations
- FDIC deposit insurance rules
- Regulation E (EFTA) consumer protections
- BSA/AML & OFAC sanctions compliance
- Capital requirements (Basel III / standardized)
- CRA obligations maintained

*CSBS & federal agencies urging joint guidance on DLT-specific risks (24/7 liquidity, smart contracts, reconciliation)*



## Payment Stablecoins

### New framework under the GENIUS Act (2025):

- Federal licensing: OCC (nonbanks), bank regulators (IDI subsidiaries)
- State option for issuers < \$10B (if "substantially similar")
- BSA/AML & sanctions compliance (FinCEN tailored rules)
- No bank-style capital requirements
- Exempt from securities classification (SEC confirmed)
- Interest payments to holders prohibited

*Effective: earlier of Jan 2027 or 120 days after final rules*

# Risk Profiles



Risk Category	Tokenized Deposits	Stablecoins
<b>Credit / Counterparty</b>	Bank credit risk (mitigated by FDIC insurance)	Issuer-specific; no deposit insurance; reserve asset quality risk
<b>Liquidity</b>	24/7 redemption risk; must manage LCR for always-on settlement	Run risk (as seen in USDC/SVB 2023); restricted par redemption to arbitrageurs
<b>Operational / Technology</b>	DLT reconciliation; smart contract risk; on-chain/off-chain ledger integrity	Smart contract exploits; public blockchain congestion; oracle failures
<b>Regulatory</b>	Awaiting unified federal/state guidance; supervisory uncertainty on DLT use	GENIUS Act implementation in progress; 18-month transition period
<b>Systemic / Contagion</b>	Integrated with banking system; deposit flight risks	Large-scale redemptions could destabilize Treasury markets
<b>AML / Sanctions</b>	Existing BSA/AML framework; CIP/CDD well-established	Pseudonymous transactions; cross-border movement; novel FinCEN rules needed

# The GENIUS Act Ended Regulatory Ambiguity—Banks Must Now Act

The enactment of the GENIUS Act in July 2025 established a federal framework for payment stablecoins, transitioning digital assets from speculative instruments to regulated financial infrastructure. Combined with updated guidance from the OCC, FDIC, and Federal Reserve, a new reality has emerged for US banks.



The question is no longer IF blockchain will integrate with banking—it is HOW banks will protect their deposit franchises.

**>\$300B**

Stablecoin market capitalization in early 2026 (up ~50% YoY)

**\$1.9T - \$4.0T**

Projected stablecoin circulation by 2030 (base versus bull case)

**\$100T - \$140T**

Projected annual transaction flows supported by tokenized bank deposits by 2030

# The Fed Warns: Stablecoins Carry Run Risk and Illicit Finance Exposure

Fed Governor Michael Barr (Mar. 31, 2026) flagged **two principal concerns** banks and regulators must address:

## 1. Financial Stability Risk

- *“Stablecoins will be stable only if they can be reliably and promptly redeemed at par across a wide range of conditions, including market stress.”*  
– Gov. Barr, Mar. 31, 2026
- History shows private-money runs (Free Banking era; MMF runs in 2008, 2020).
- Issuers may chase yield, risking reserve asset quality.

## 2. Illicit Finance Risk

- Stablecoins can be bought in secondary markets without strong customer ID.
- AML/CFT rules for stablecoins should exceed those for tokenized deposits.

Source: Governor Michael S. Barr, Federal Reserve; Brookings Institution

# Banks Should Deploy Both Instruments to Maximize Value and Minimize Risk

Stablecoins and tokenized deposits are not competing products—they serve different customer segments and use cases. A dual adoption strategy allows banks to:

## Deploy Tokenized Deposits To:

- Retain institutional clients requiring **programmable, insured money**.
- Preserve the deposit base and sustain **credit creation**.
- Offer 24/7, real-time settlement within **existing regulatory frameworks**.
- Compete with non-bank stablecoin issuers on speed without sacrificing safety.

## Integrate Stablecoins To:

- Facilitate **cross-border payments** and remittances at lower cost.
- Offer digital asset accounts and stablecoin custody to retail and business clients.
- Generate **fee income** through custody, settlement, and white-label infrastructure.
- Remain relevant as the global digital economy expands.

Source: Citi Institute (Nov. 2025); ABA / Stablecore (Jan. 2026); Federal Reserve FEDS Notes (Dec. 2025)

# Stablecoin and Tokenized Deposits

Takeaway for Community and Regional Banks - Deposits, deposits, deposits

- Retain customers and grow deposits
- Send/receive alongside traditional payment rails
- Overcollateralized lending
- Speed and low cost

## Stablecoins and Tokenized Deposits – what to do now:

- Assess customer expectations and desires
- Develop strategic plan for stablecoins and tokenized deposits
- Establish a stablecoin wallet through a third-party vendor
- Consider a digital asset bank network
- Reassess BSA/AML in light of stablecoin



Topic No. 3:

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Artificial Intelligence

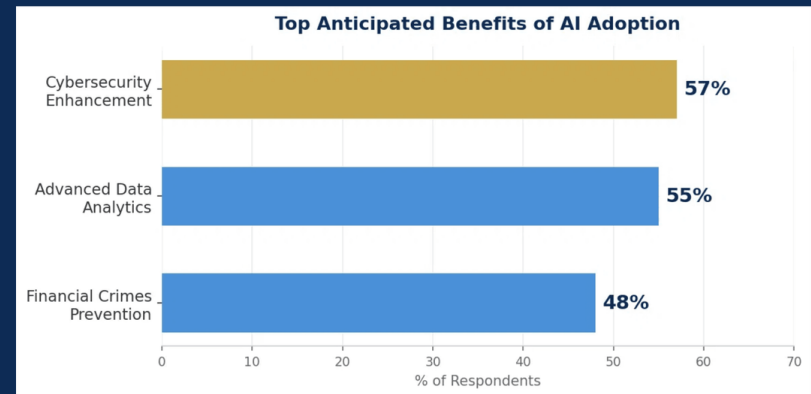
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## AI Tops the Agenda for the Third Consecutive Year, Cited by 27% as the Most Important Issue

- > 85% believe AI adopters will gain a significant competitive advantage.
- > Governance and responsible deployment are emerging as critical concerns alongside adoption.

**78%**

*"Emphasize that AI should augment — not — not replace — human judgment."*



# Artificial Intelligence

What is your knowledge level on various areas of artificial intelligence, including agentic AI?

Machine learning



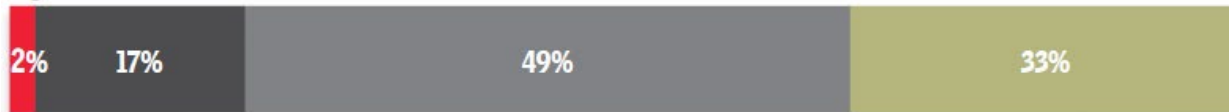
Use cases for AI



Generative AI



Agentic AI



AI/data governance



- Very knowledgeable
- Moderately knowledgeable
- Baseline understanding
- I don't understand it at all

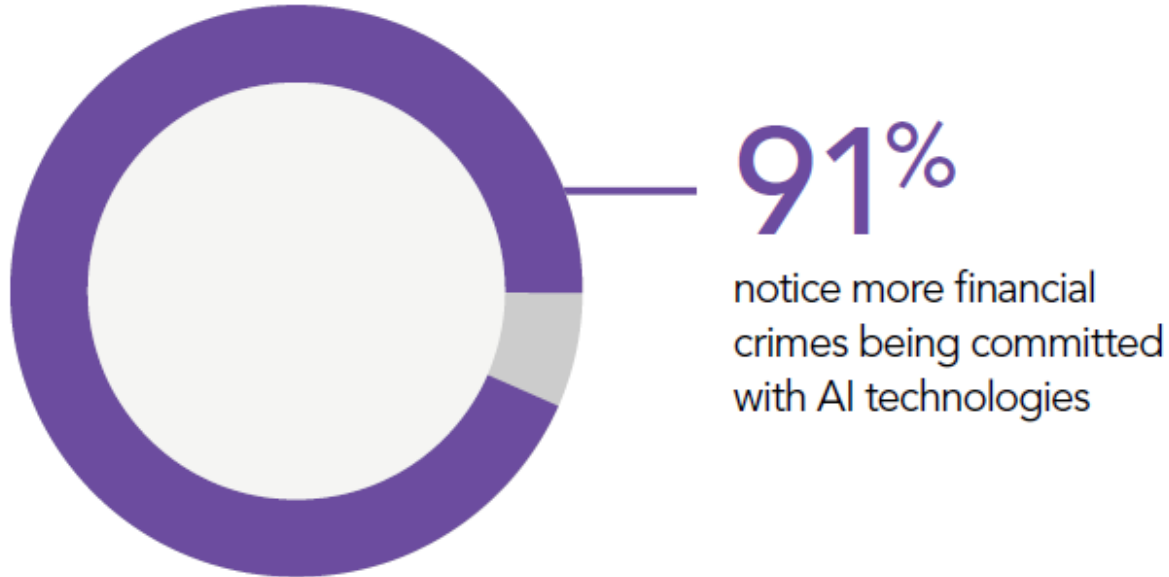
# Artificial Intelligence

What risks associated with AI are you most concerned about as they pertain to your bank?

- 84%** Increasingly sophisticated fraud and scams targeting our customers
- 77%** Increasingly sophisticated fraud and scams targeting our organization and/or employees
- 38%** Competitive threat from other financial institutions or nonbanks
- 37%** Data security risks from our own usage of AI
- 34%** Increased potential for third- and fourth-party risk
- 18%** Operational risk associated with our own use of AI technologies



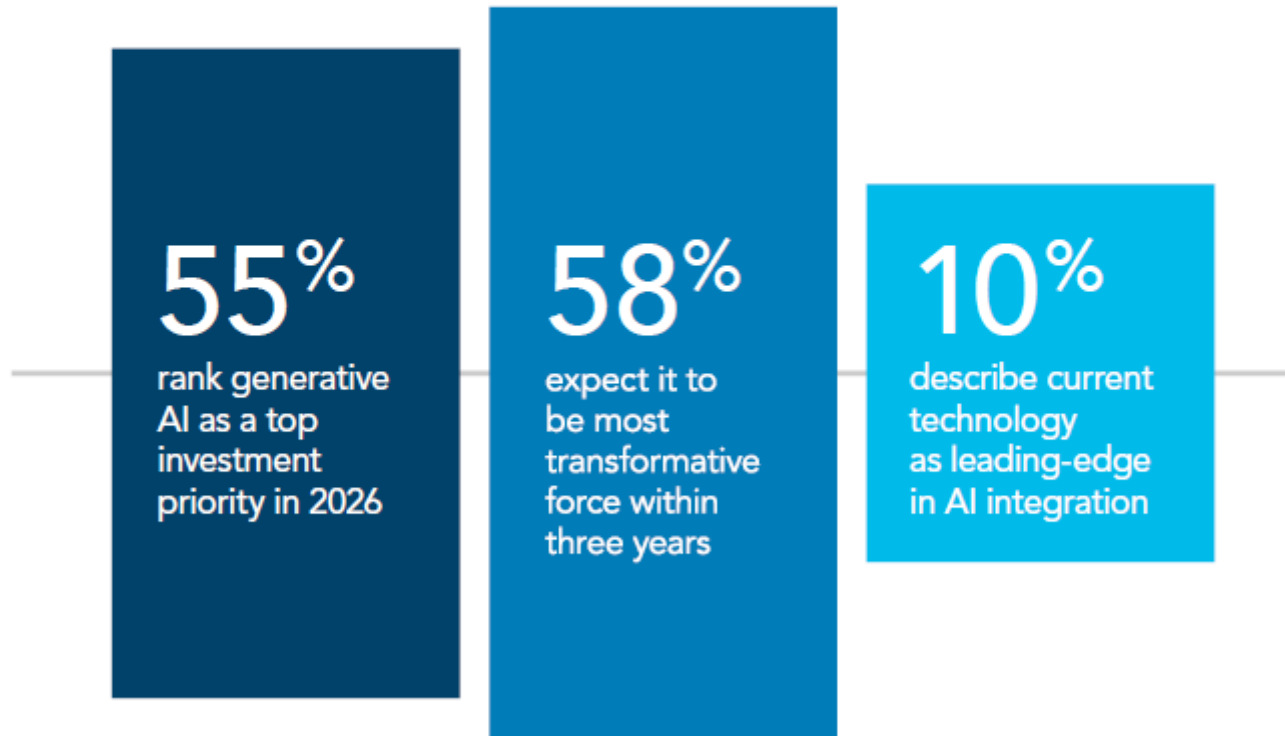
# 2026 State of Fraud Report



Source: "2026 State of Fraud Report," Alloy, 2026

## Financial services executives' views on generative/agent AI

Figure 30

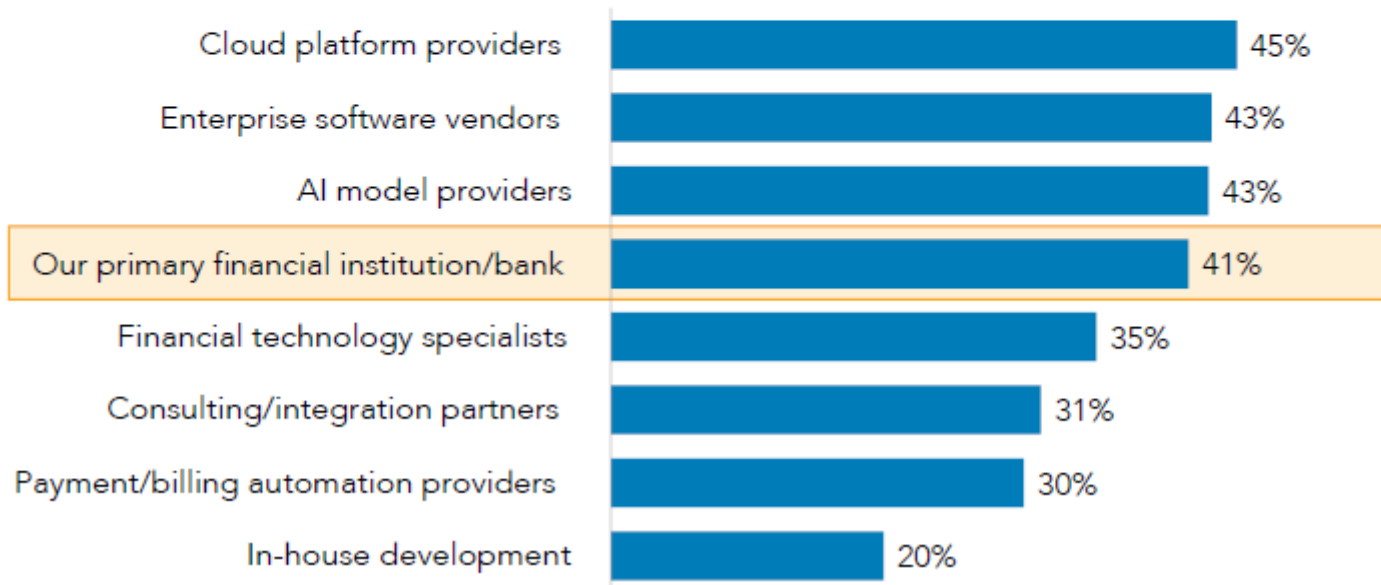


Source: "Re-engineering the bank for growth," PwC, 2025

## Corporate end users expect their FIs to help them with AI

Figure 31

**Which types of providers does your organization currently work with or plan to work with for generative AI capabilities in banking and payments?**



Source: Datos Insights survey of 1,036 global midsize and large organizations, Q3 2025

# Artificial Intelligence – What to do now:

- As you determine your business use, develop governance including
  - AI policy
  - AI usage reports to IT committee (or committee tasked with IT)
  - Develop fraud monitoring data specific to AI
  - Assess regulatory issues with AI tools (ex. Credit decisioning)
- Review agreements with third parties regarding their use of AI with your bank's information
- Monitor state law developments, as well as federal developments after Trump's Executive Order



Topic No. 4:

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Fintech Competition

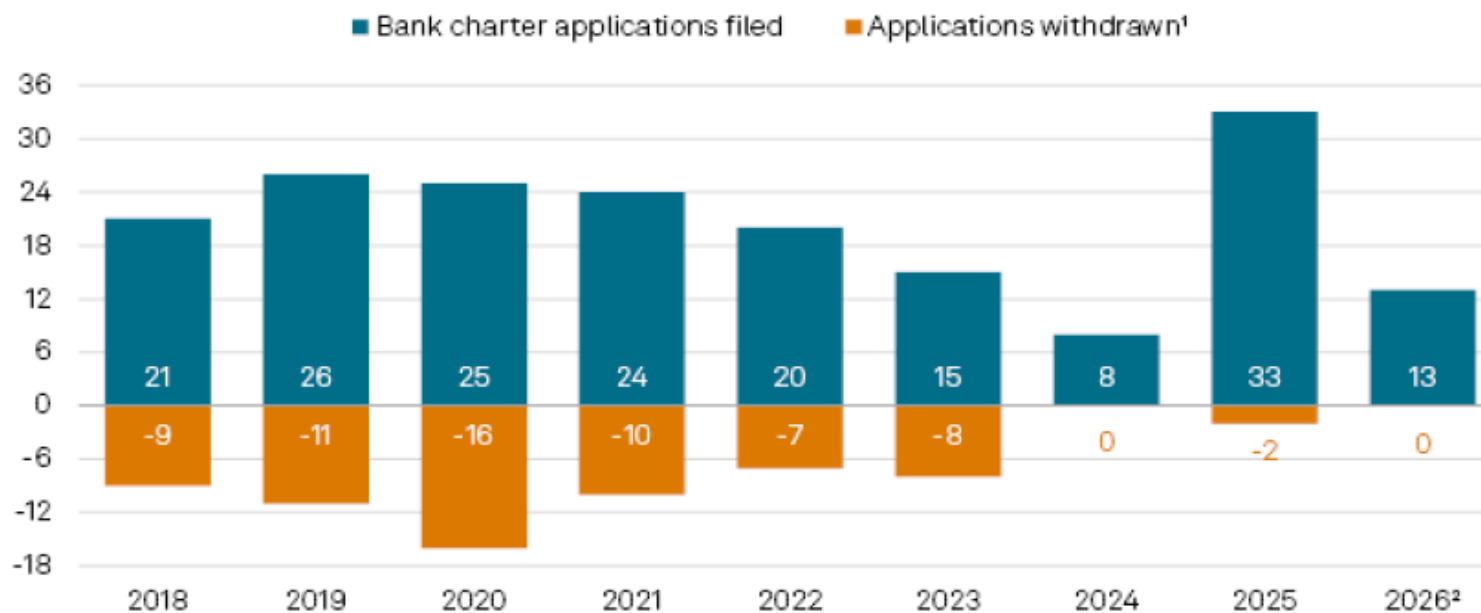
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## Key Fintech Themes in 2026

- Licensed activity
- Consolidation
- Deepening of services (as opposed to breadth)

# Fintech competition

## Bank charter applications trend



Data compiled March 30, 2026.

FDIC = Federal Deposit Insurance Corp.; OCC = Office of the Comptroller of the Currency.

Data based on the date a federal regulatory agency received a company's charter application for a US bank or thrift. Shelf charter banks, specialty banks and companies adopting new charters are excluded.

<sup>1</sup> Applications that were filed during the year but withdrawn later. Applications that were refiled are shown in the year when those were filed again.

<sup>2</sup> Year to date through March 30, 2026.

Sources: S&P Global Market Intelligence; FDIC; OCC.

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# Bank investment/acquisition of Fintechs

- Modernizing bank technology
- Innovation
- Expanded customer base

# Ten Years of Global FinTech Investment

## Ten Years of Global FinTech Investment





















Deals Capital Invested



Made with Flourish • Create a chart

# Where FinTech is Attracting Investment

## Top 10 Global Markets: Where FinTech Is Attracting Investment

Country	Deal Count	Capital Invested (\$ billions)	
 United States	2,458	25.1	
 United Kingdom	534	3.6	
 India	253	3.4	
 UAE	113	2.5	
 Singapore	204	2.0	
 Brazil	124	1.59	
 Canada	182	1.55	
 Mexico	36	1.3	
 France	133	1.1	
 Germany	113	1.0	

Made with Flourish - Create a table

## Businesses' willingness to change FI for faster payments

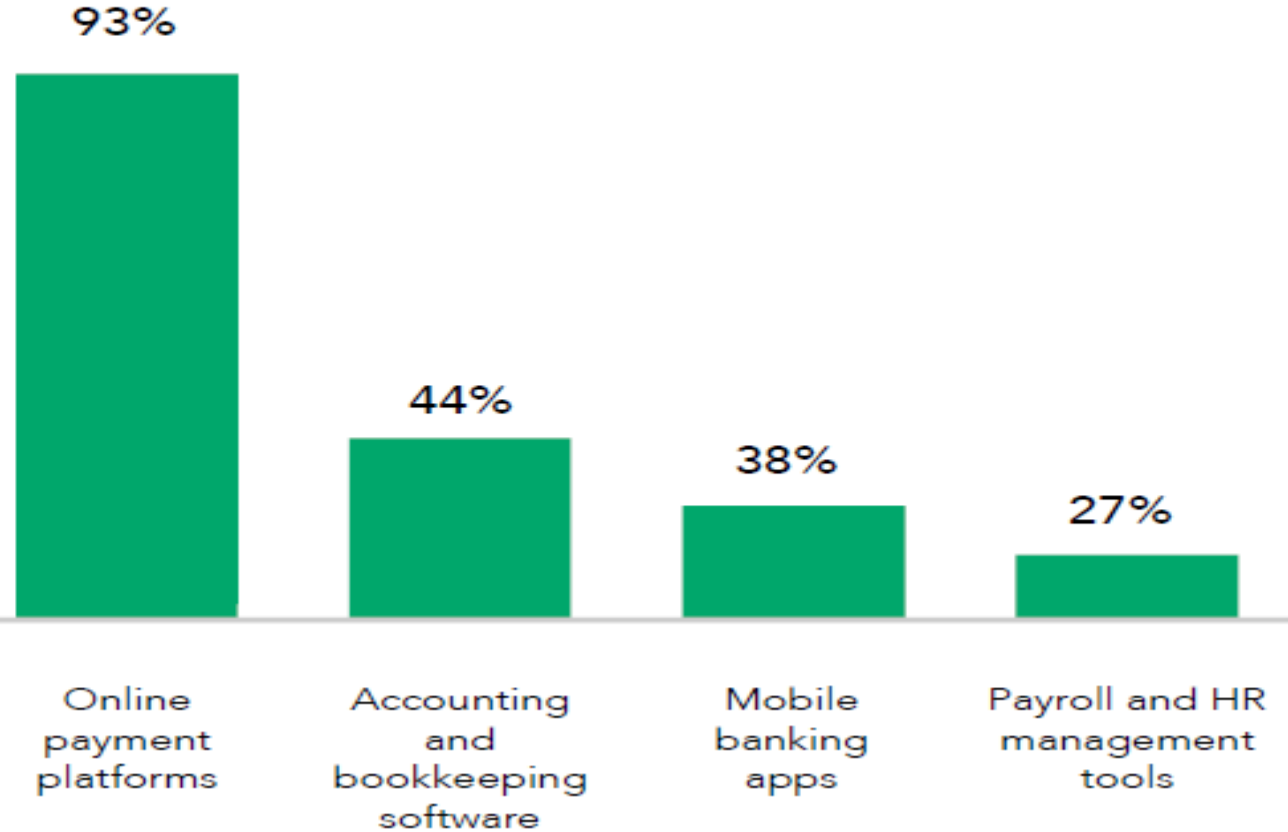
Figure 32



Source: Datos Insights survey of 1,039 mid-sized and large business, Q3 2025

# Top fintech usage by small businesses

Figure 33



Source: "2025 State of Fintech, Financial Technology Association," June 2025

# Capital Opportunities

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202-955-1954

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# What Are We Covering Today?

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State of Capital

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Capital Planning

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Capital Sources

Common Stock

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IPOs/Direct Listings

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Preferred Stock

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Sub Debt, Senior Debt and Bank stock loans

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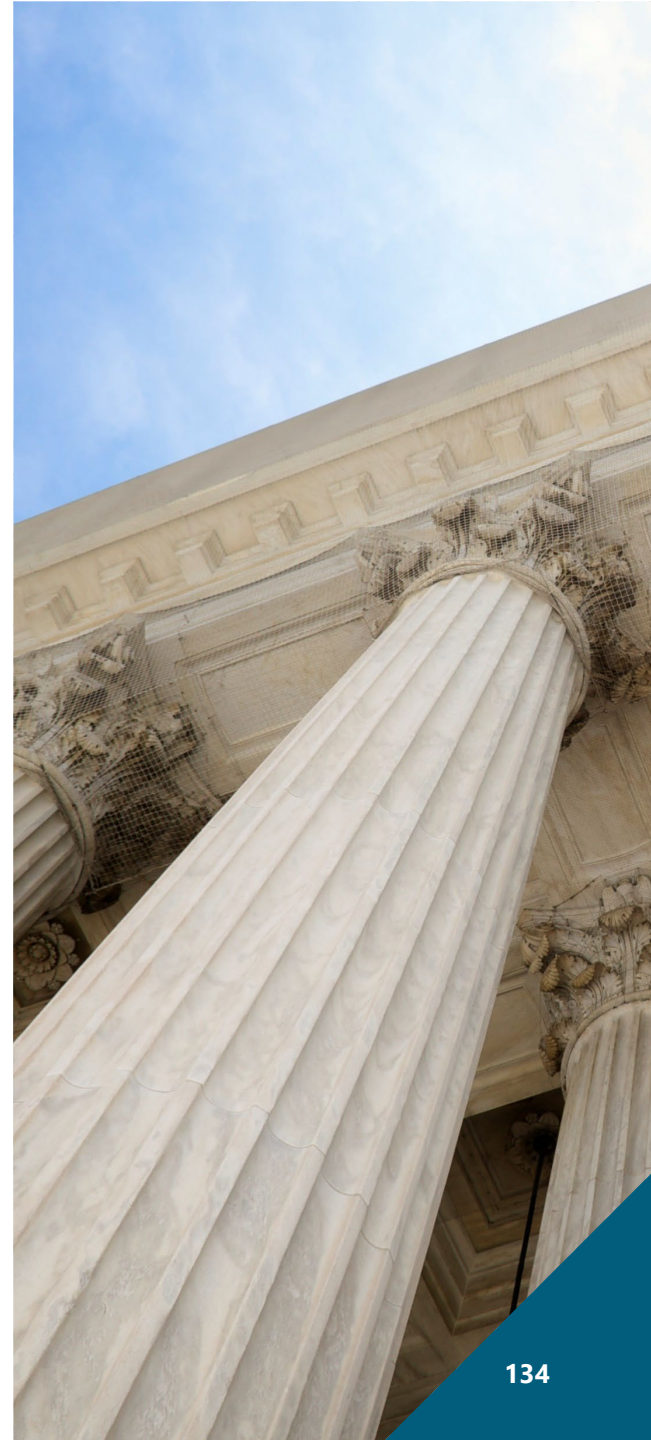
ESOP/KSOP

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Uses of Capital

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# State of Capital

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# Summary of 2025 Performance

ROA and Net Income Improved Over 2025

NIM improves—Community Banks at 3.65%

Loan Growth Expanding

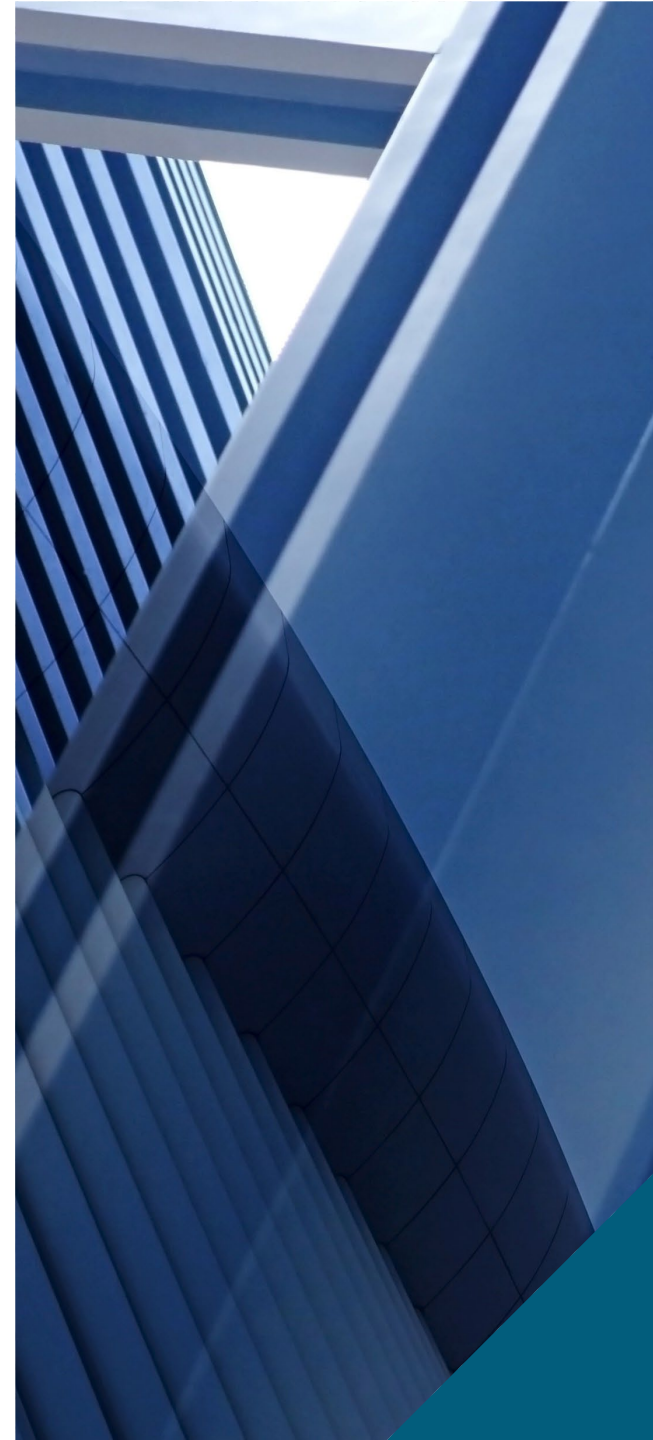
Asset quality metrics strong

Unrealized losses in AFS continue to decrease

Deposits Increasing

Excess capital increasing

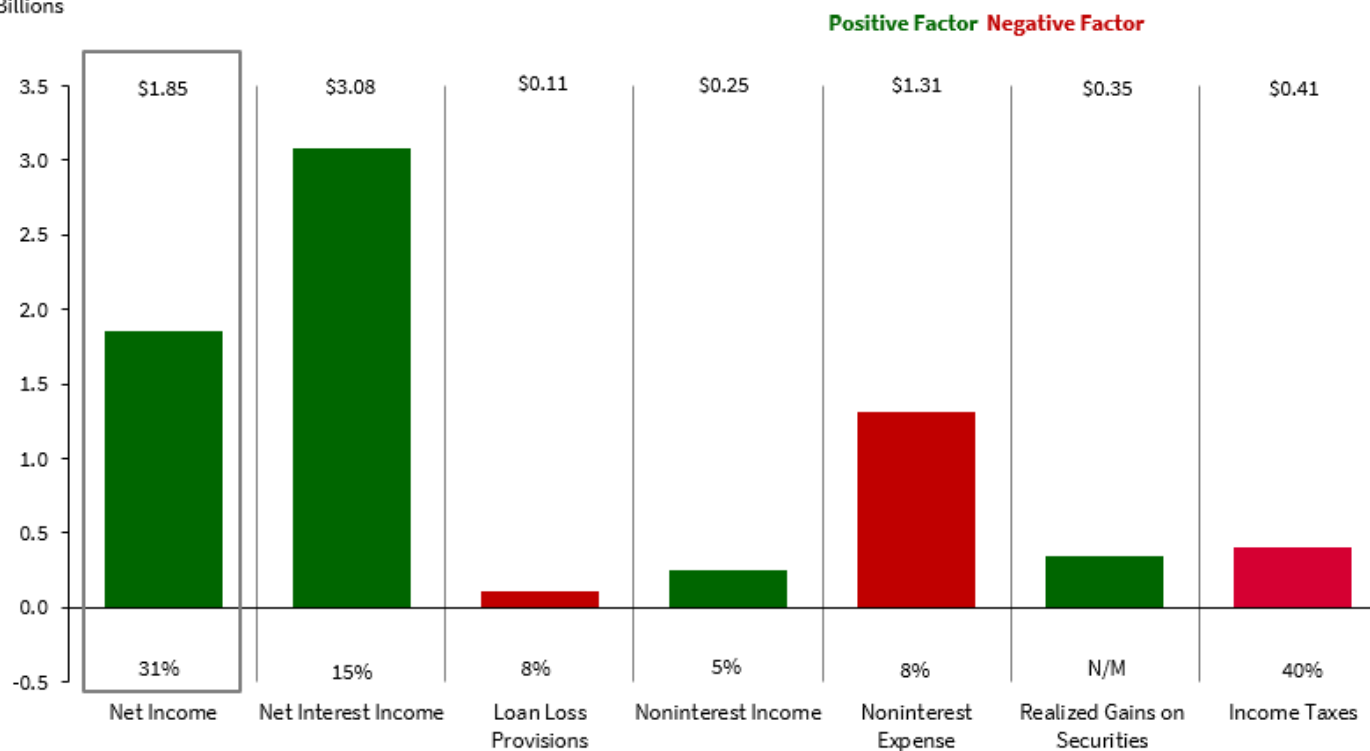
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# Contributors To The Year-Over-Year Change In Income

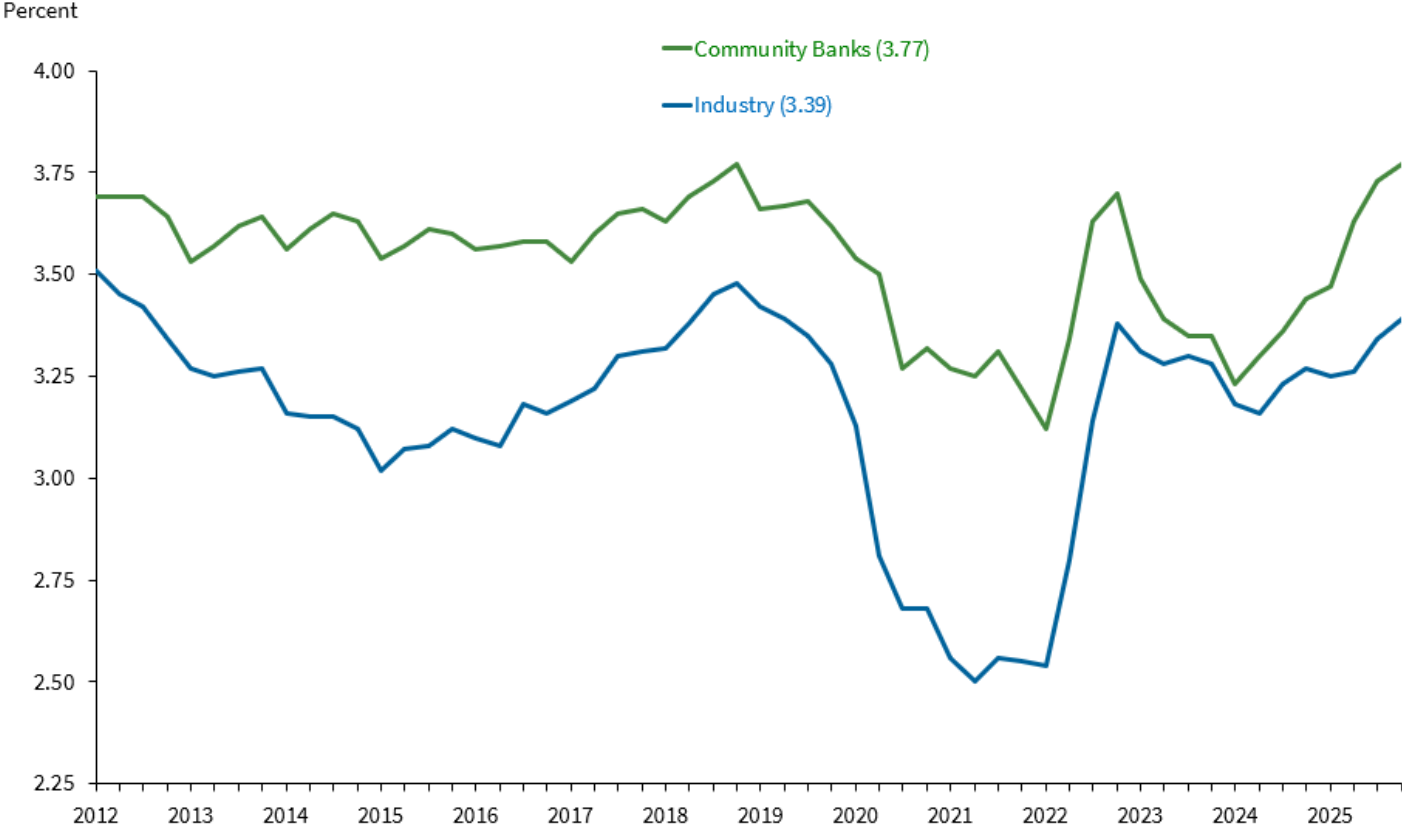
FDIC-Insured Community Banks

\$ Billions



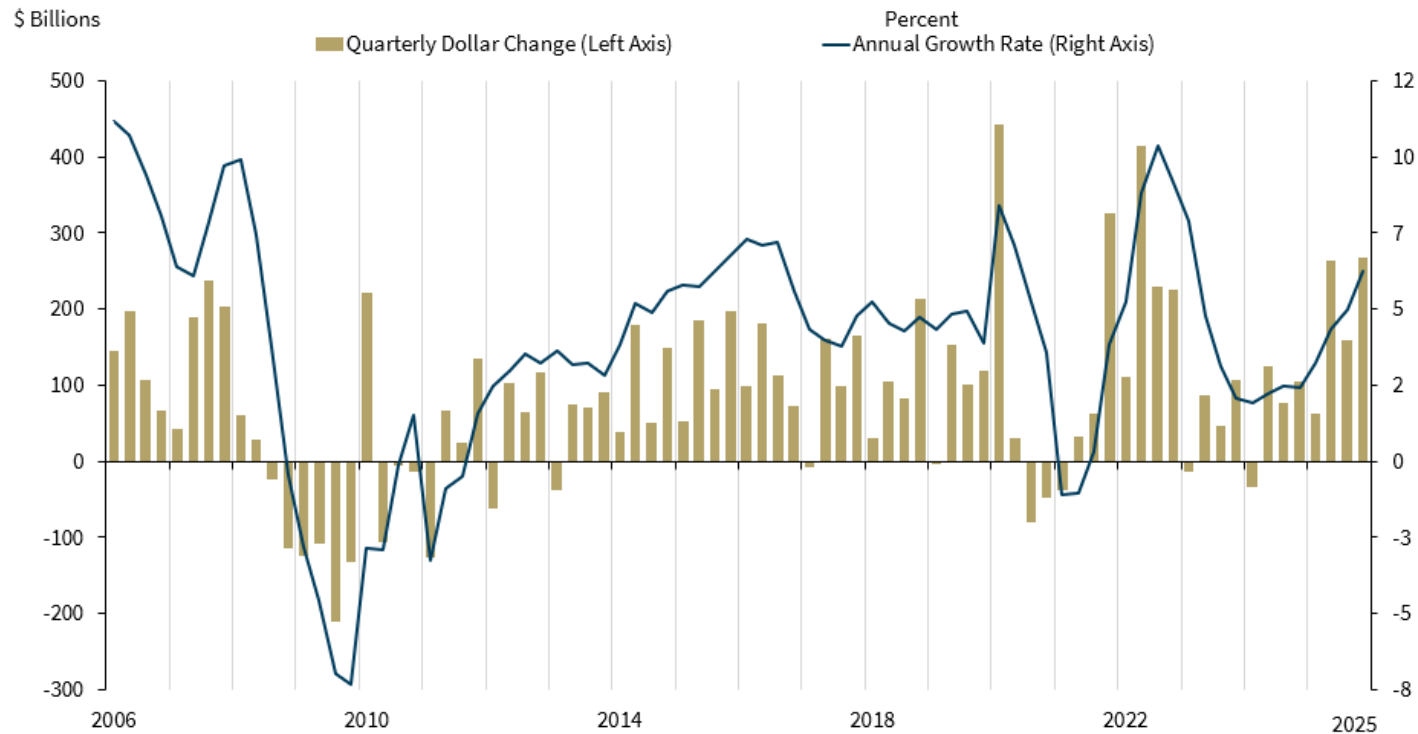
Source: FDIC.  
N/M - Not Meaningful

# Net Interest Margin



Source: FDIC.

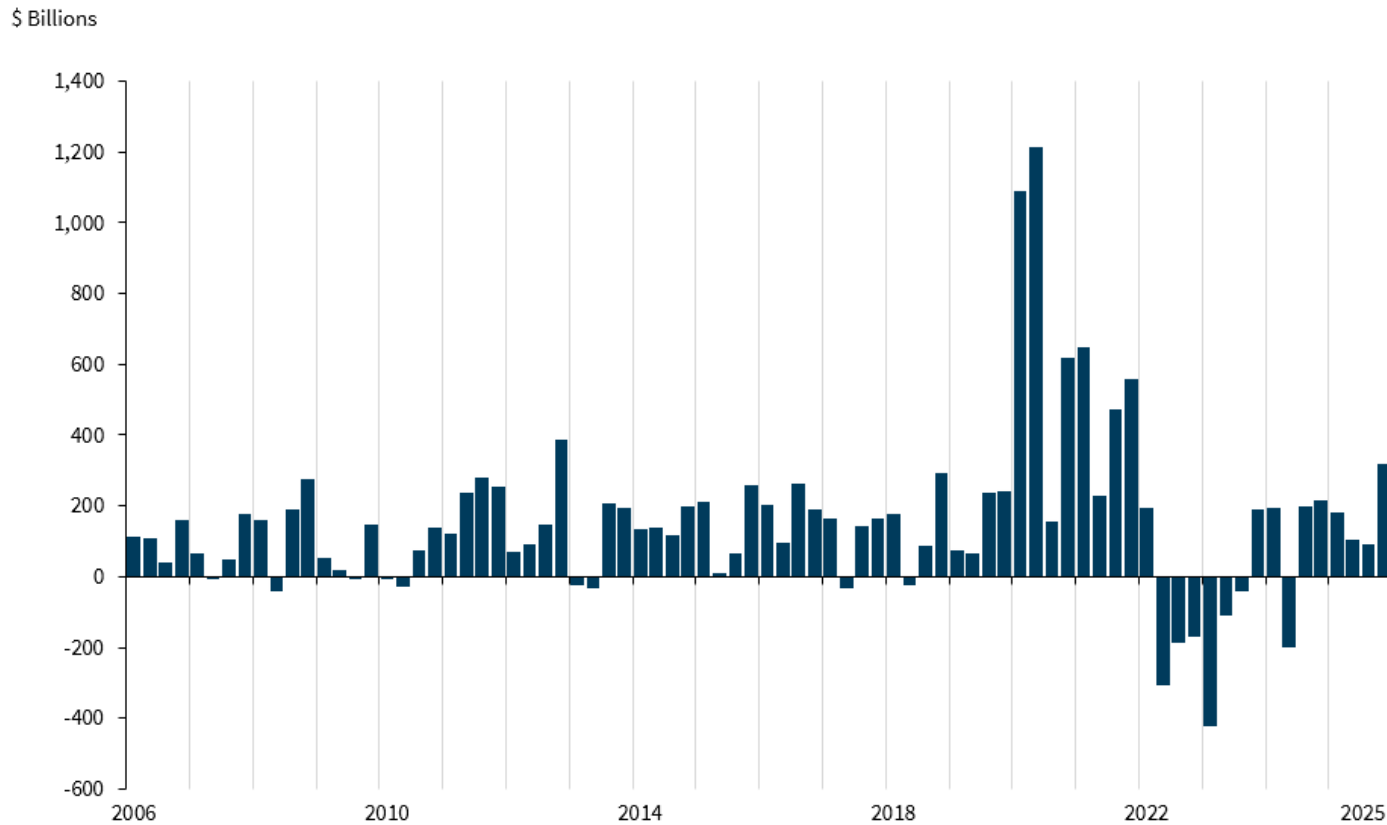
# Quarterly Change in Loan Balances



Source: FDIC.

Note: ASC Topics 810 and 860 resulted in the consolidation of large amounts of securitized loan balances back onto banks' balance sheets in the first quarter 2010. Although the amount consolidated cannot be precisely quantified, the industry would have reported a decline in loan balances for the quarter absent this change in accounting standards.

# Quarterly Change in Domestic Deposits



Source: FDIC.



# Legislative Initiatives

## Main Street Capital Access Act

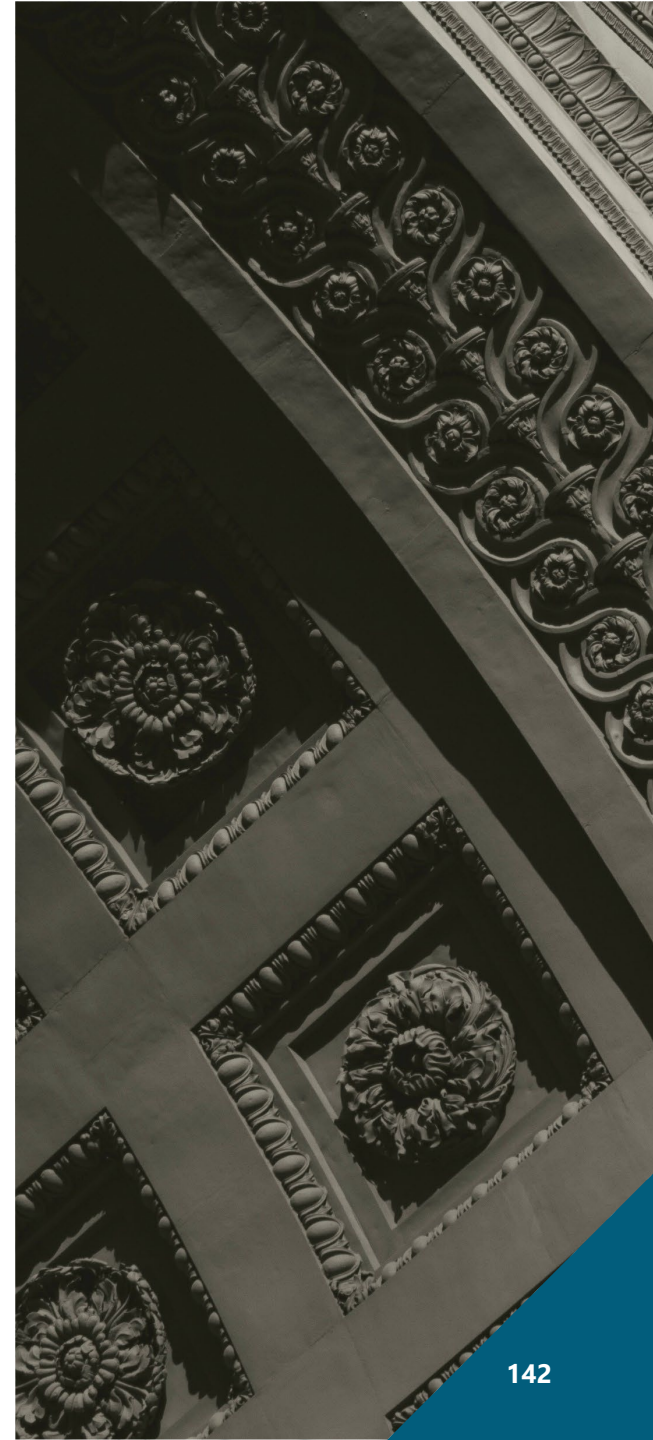
- Small Bank Holding Company Relief-\$25 million
- CBLR–increase threshold to \$15 billion
- CBLR–lower the statutory range from 8–10% to 6–8%
- Exam relief–18-month cycle for up to \$6 billion in assets
- Also combining S&S and compliance exams
- Improvements to Discount Window
- Brokered deposit relief based on liabilities for less than \$10 billion institutions
- BMA relief, including no competitive effects if under \$10 billion in assets

# Legislative Initiatives (*cont'd*)

## Community Bank LIFT Act

- CBLR—increase threshold to \$15 billion
- CBLR—lower the statutory range from 8–10% to 6–8%

ACRE Act (with OBBBA) 25% of ag interest income exempt from tax



# Agency Initiatives

CBLR proposal reduction to 8% and four quarter grace period for drop below 7%

- Must have a leverage ratio greater than 7%

Fed to propose eliminating capital deduction for MSR and seek comment on whether risk weight should be recalibrated

Revised supervisory appeals processes



# Capital Planning

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# Capital Plan

## Purpose

Allows management to ensure that the bank has sufficient capital to support its strategic plan and effectively control the bank's risk profile

- Ensures that there is enough “fuel” in the tank to drive the bank's strategic plan and enable the bank to absorb risks that it may encounter
- Enables management to identify timing of capital needs to avoid “just in time” capital through the use of tolerances and triggers
- Provides management with reference points for capital alternatives and sources of capital
- Capital plans are required of healthy banks as well as problem institutions



# Capital Plan

## Healthy Banks

Bank regulators have communicated clear expectation for all banks, healthy or otherwise, to implement capital plans, especially for growing organizations

Capital plans should be prepared in ordinary course of business along with budget, strategic plan and compliance risk management plan

# Capital Plan Components

1. **Relationship to Strategic Plan** (integration versus stand alone)
2. **Capital planning process** (who decides what, how and how frequently)
3. **Community bank leverage ratio section** (if applicable, why or why not opt-in)
4. **Capital risk appetite** (include current ratios, regulatory minimums, PCA ratios, capital conservation buffer ratios, peer ratios and end with risk appetite ratios)

# Capital Plan Components (*cont'd*)

5. **Description of macro economic environment** (national, regional, COVID, interest rates, etc.)
6. **Description of risks specific to Bank** (credit, liquidity, interest rate, operational, etc.)
7. **Description of key three-year strategic objectives** (opening a branch, launching material new product, M&A, etc.)
8. **Description of base case three-year financial projections with assumptions**

# Capital Plan Components (*cont'd*)

**9. Description of stress tests** (calibrated to risk profile)

**10. Based on economic conditions**, strategic plans, base case projections and stress tests, **calibrate and set capital event triggers**

- Select capital triggers, credit triggers, liquidity triggers, earnings triggers (lesser extent, operational triggers, interest rate triggers)
- Typically set three thresholds for each trigger (e.g. Stage 1, Stage 2, Stage 3)

**11. Establish procedures for responding to a trigger breach**



# Capital Plan Components (*cont'd*)

- 12. Lay out potential options for responding to trigger breaches** (i.e. reduce certain expenses, sell assets, reduce originations, raise capital, etc.). Note contemplated timelines associated with each action and availability of option during different scenarios





# Triggers

Triggers should be **calibrated to your risk profile**

## Capital triggers

- Consider peer ratios and be careful not to calibrate too high

## Credit triggers

- Include concentration and performing asset triggers
- If NPA ratio greater than 5%, potential for administrative action
- ACR ratio between 30% and 80%, potential for informal administrative action

# Sources of Capital

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# Most Common Forms of Capital

Common  
Stock

Subordinated  
Debt

Bank  
Stock Loans

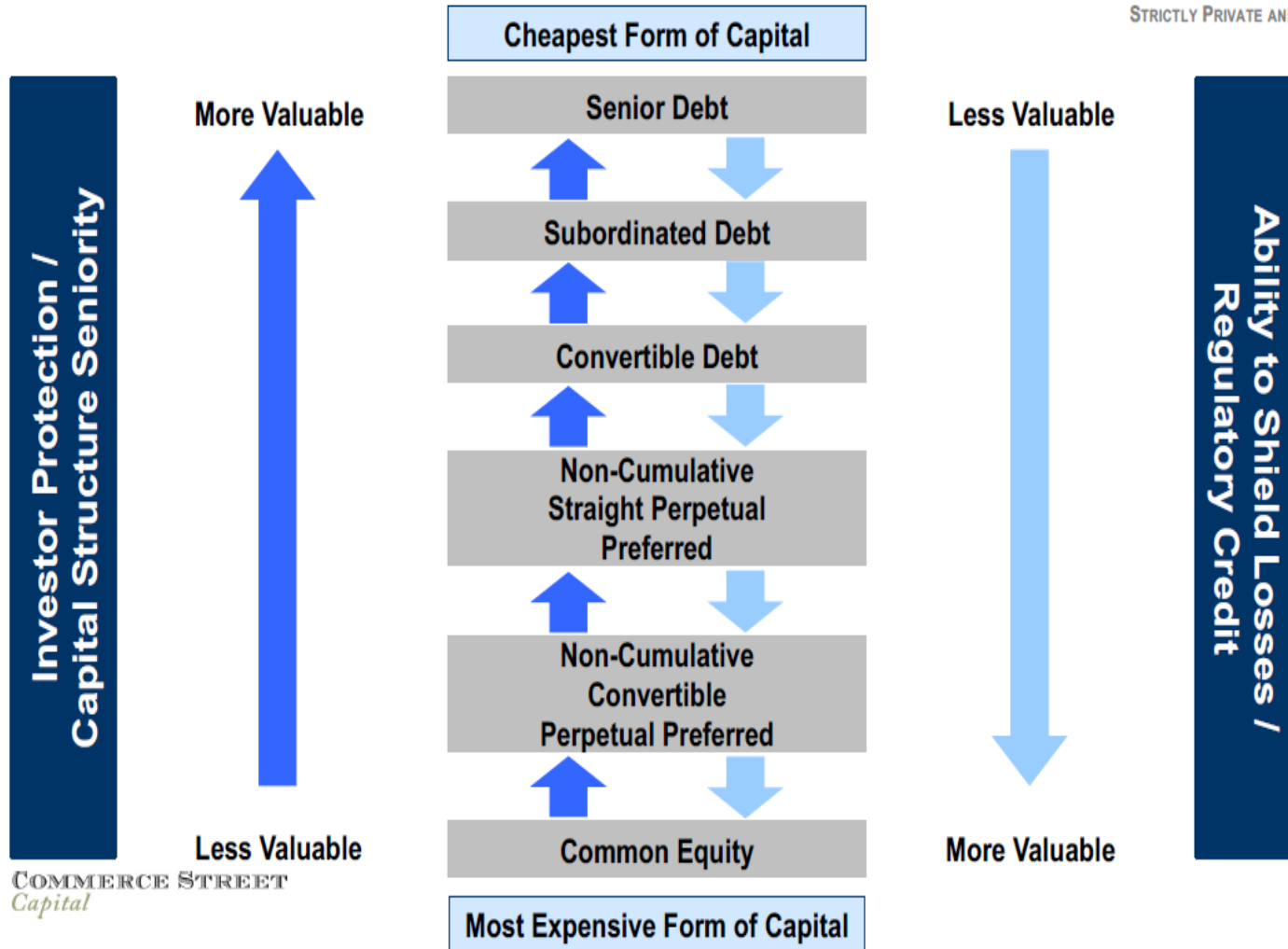
Senior Debt

Balance  
Sheet Events

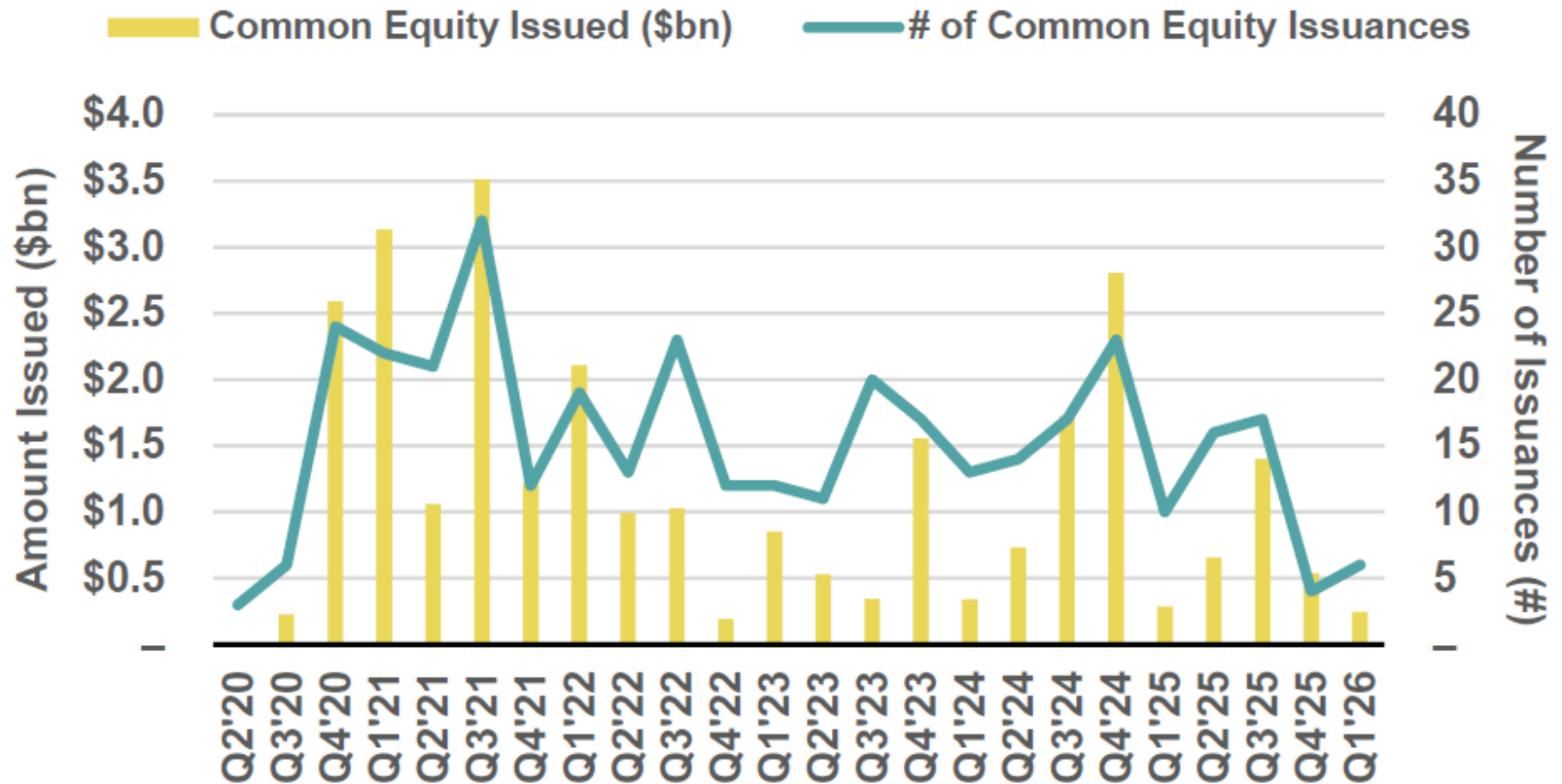
ESOP/KSOP

# Capital Cost

STRICTLY PRIVATE AND CONFIDENTIAL



# Common Equity Issuance By Quarter



**Source:** S&P Capital IQ Pro. Market data as of 03/27/26. Issuances exclude offerings by banks > \$250bn in assets.

# Who Should the Bank Sell Stock To?

Existing shareholder base

- Voluntary rights offering
- Preemptive rights

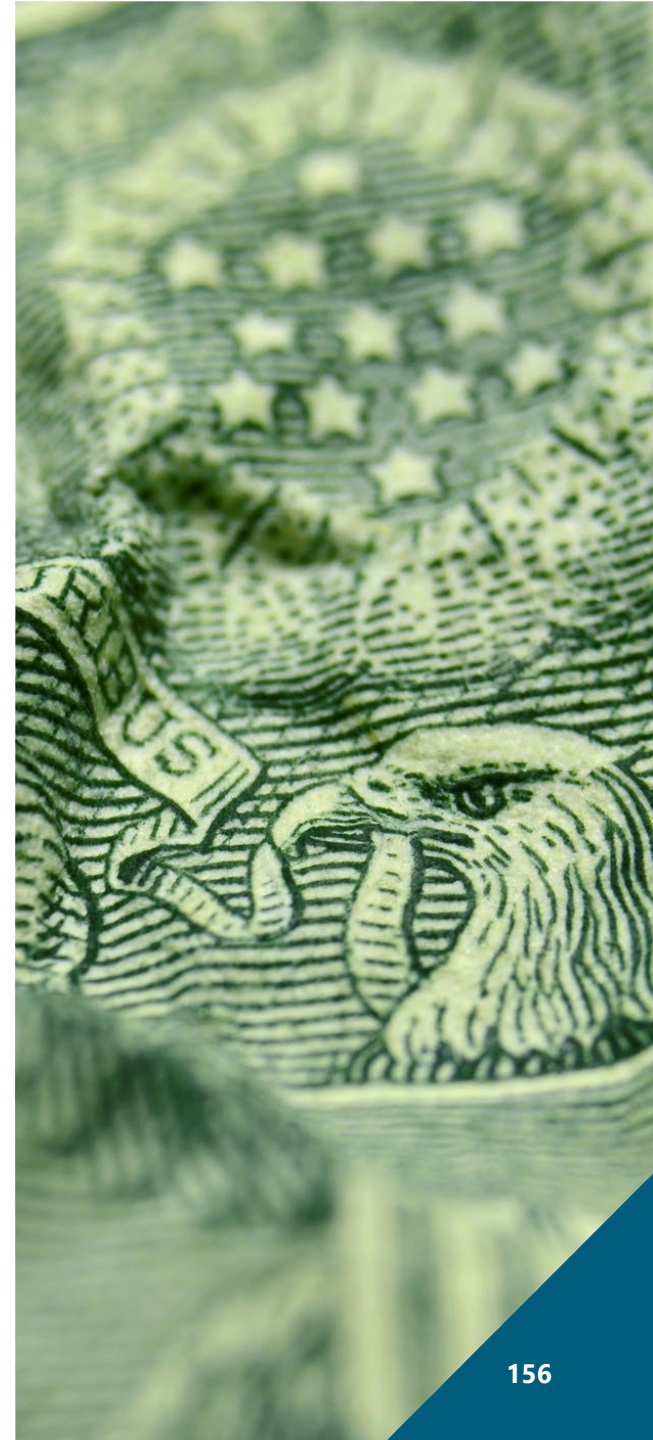
New investors in growing markets

Bank customers

Institutional investors and private equity

- Desire for liquidity event

Bank Holding Company Act issues  
and “control” thresholds





# Gotchas

**Review** Articles/Certificate of Formation, Bylaws, Shareholder Agreements, etc.

- Preemptive rights

**Does BHC have preemptive rights?** If yes, amend Articles/Certificate of Formation to remove, which usually requires shareholder approval

**Can you find an exemption** with preemptive rights

**Waiver of rights** (just takes one to mess up)

- Authorized shares

**Does BHC have enough?** If not, amend Articles/Certificate of Formation to increase, which usually requires shareholder approval

- Subchapter S corporations

**Number and type of shareholders**

- Other restrictions

# Historical Bank IPO Market

## Historical Bank IPO Market

Backlog building for H1 2026

■ = # of IPOs  
 — = KRX Performance



	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
>\$100mm	3	1	6	-	3	6	2	2	-	2	-	-	-	2
Total	4	4	14	8	6	11	14	7	1	6	2	-	1	4

**Source:** Dealogic. Search excludes Best Efforts Offerings and SPACs. Includes SEC Registered, Rank Eligible IPO and Follow-On Offerings from the USA, Puerto Rico, Bermuda and the Cayman Islands with deal values greater than \$15 million

# The Rationale For Going Public

Access to Capital	In the IPO and afterwards in other markets (follow-on; convertibles; etc.)
Branding Event	Significant publicity garnered through IPO process plus increased profile as a public company
Broader Sponsorship	From respected research analysts and a broad, engaged shareholder base
Valuation	Opportunity to be rewarded by public markets for strong performance
Liquidity	Path for monetization by existing shareholders
Strategic / Tactical Options	Public market currency for use in strategic or personnel discussions

# Backdrop

## Favorable Backdrop for Banks



### Positive Market Momentum

KRX +25% since mid-June 2024



### FOMC policy shift

Sept 2025 (-25bps) and cumulatively (-125bps)



### Current Administration

More accommodative regulatory backdrop



### Economic Outlook

Remains stable despite tariff risks



### Positive Earnings Outlook

Double digit EPS growth expected 2026



### Return of Bank M&A

- \$52 billion of announced M&A since 2024
- Large cap banks and market premiums are back

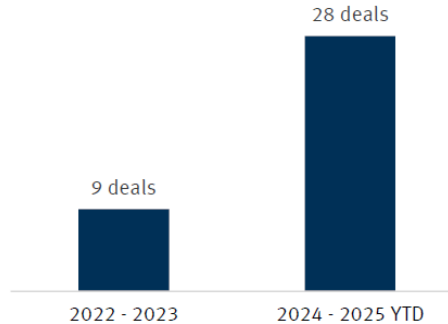


### Capital Markets Open

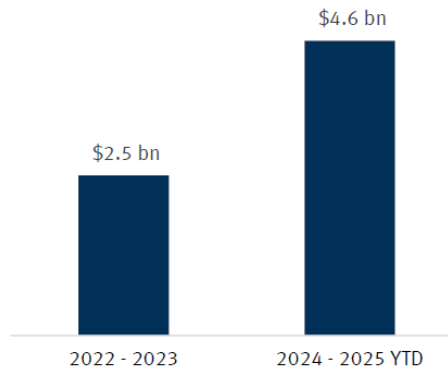
- \$8 billion of equity raised since 2024<sup>(1)</sup>
- Generalists are coming back

## Bank Follow-On Market is Back

### Number of Deals

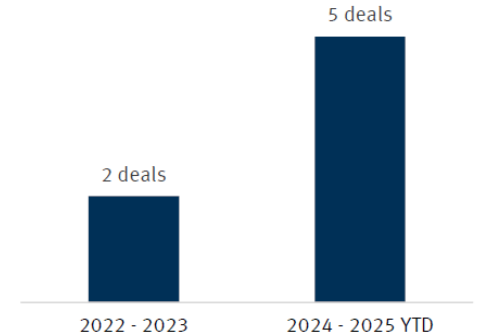


### Gross Proceeds (\$bn)

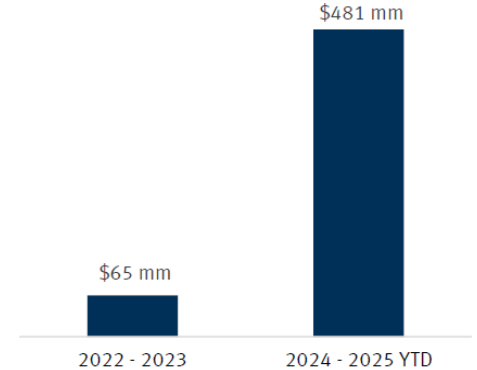


## Bank IPO Market is Accelerating

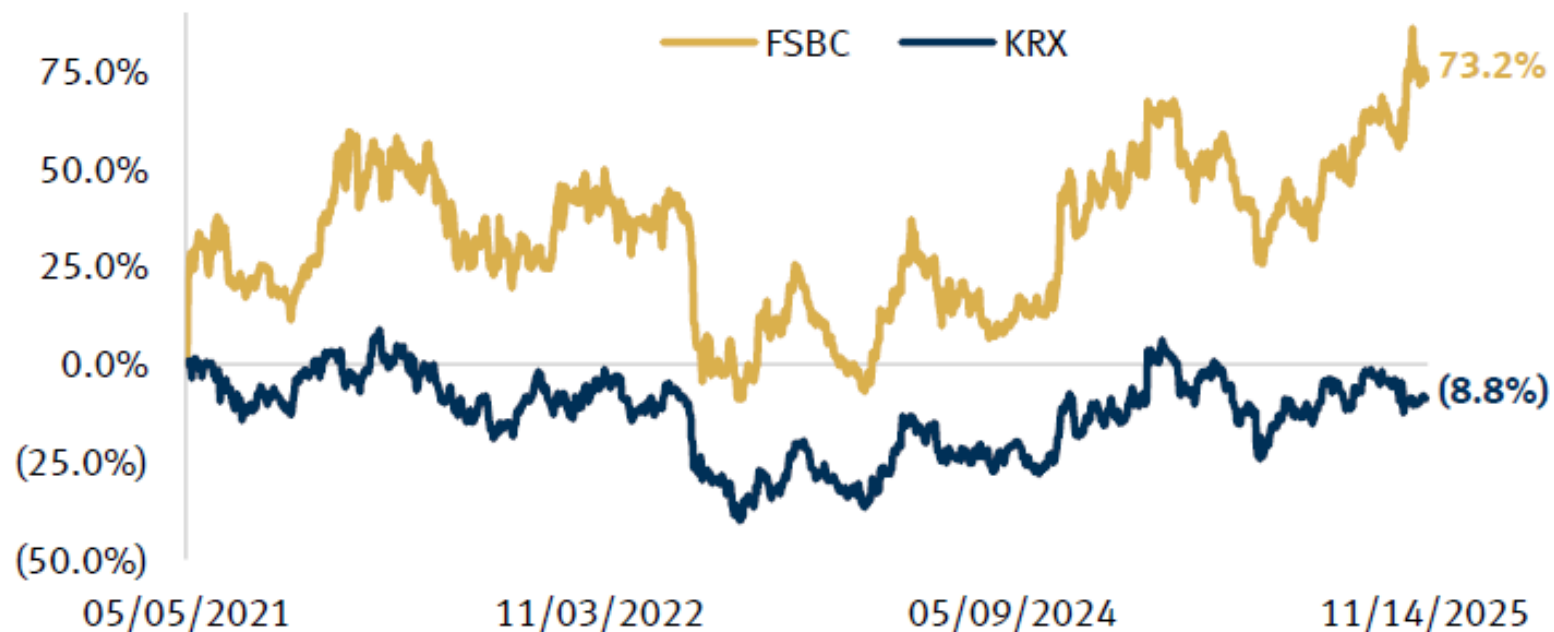
### Number of Deals



### Gross Proceeds (\$bn)



# FSBC Price Performance Since IPO Relative To KRX



# Pre-IPO Actions: *Corporate Cleanup and Diligence*

## Legal "Corporate Clean-up" and Due Diligence

---

- Revisit need for transfer restrictions on capital stock
- Ensure compliance with Rule 701 and employee equity disclosures
- Engage in underwriter due diligence preparation
- Implement "gun jumping" and IPO publicity training program
- Validate data privacy adherence
- Review all related party transactions
- Address plans to move executive officer loans off the balance sheet
- Discuss lock-up structures and alternatives with outside counsel
- Organize legal and financial documentation in a data room
- Evaluate the impact of acquisitions on financial disclosures
- Determine "named executive officers"
- Consider how to position the issuer from a market and regulatory perspective for enhanced public scrutiny
- Assess need for any restructuring for regulatory or tax reasons
- Resolve licensing or regulatory issue to the extent possible
- Address outstanding legal proceedings
- Evaluate transaction approvals needed
- Will any consents from third parties be required relating to contracts expected to be included as exhibits to the S-1?
- Are appropriate corporate communication policies in place? Website scrub done?
- Are corporate minute books and other records updated?

# Pre-IPO Actions: *Employment and Governance*

## Governance

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- Board Composition
- Governance
- Pre-IPO Share Split, if Needed
  
- What Anti-Takeover Devices Will the Company Adopt (*n.b.*, ISS and shareholder watchdog groups)
- Audit Committee
- Compensation Committee
- Nominating Committee

## Compensation & Employment Matters

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- Existing Plans and Practices
- Plan for Post-IPO Compensation
- Public Company Equity Incentive Plan
- Employee Share Purchase Plan (if desired)
  
- Executive Compensation

# Pre-IPO Actions: *Finance, Audit & Tax*

## Audit / Tax

---

- Recruit essential tax and critical accounting staff for IPO readiness
- Secure auditor and tax advisor relationships
- Set up/discuss financial internal controls (new SEC focus on cybersecurity)
- IPO financials subject to audit by independent public accountant registered with the PCAOB
- Complete necessary audits and SAS 100 quarterly reviews
- Expect additional scrutiny from accountants in connection with IPO audit, including involvement of "national office"
- If a material weakness in the company's disclosure controls and procedures is uncovered during the audit, will need to be disclosed in IPO registration statement
- Identify and resolve key tax and accounting issues
- Are there any potential "cheap stock" issues?

## Finance

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- Align financial statement audits with Public Company Accounting Oversight Board (PCAOB) standards
- Finance team reviews financial statement requirements for IPOs and heightened standards for public companies
- Recruit essential finance staff for IPO readiness
- Formulate a market entry strategy that highlights growth potential
- Confirm financial models reflect banker input
- Conduct trial runs of financial disclosures and investor communications
- Identify critical financial and operational metrics for public disclosure
- Transition operations to meet public company regulatory requirements
- Select stock exchange and determine eligibility

# Defining a Public Company

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# “GOING PUBLIC” – Issues to Consider

- What is a “public company”?
  - + A company that has its shares traded on a national securities exchange (e.g., NYSE or Nasdaq).
  - + A company that is required to file reports with the U.S. Securities and Exchange Commission.
    - Annual reports on Form 10-K (once per year)
    - Quarterly reports on Form 10-Q (quarterly)
    - Current reports on Form 8-K (real-time for certain events)
    - Proxy statements for shareholder meetings
    - Beneficial ownership disclosures by insiders

# Becoming a Reporting Company

- File a Form S-1 with the SEC
  - + Initial registration statement for the Company's common shares under the Securities Act
  - + Filed with the SEC
- Satisfies the listing requirements of an exchange

# “GOING PUBLIC” – Emerging Growth Company

- EGCs are companies within the first five years after its IPO and with gross annual revenue of less than \$1.235 billion during their most recently completed fiscal year.
  - + Confidential SEC Submission
  - + Testing the waters with Institutional Investors
  - + “Scaled” disclosure requirements:
    - Two Years of Required Financial Information (rather than three years)
    - Reduced Executive Compensation Disclosure
    - Deferred Compliance with New or Revised Financial Accounting Standards
    - Exempt from auditor attestation of internal controls under SOX

# Emerging Growth Companies (*cont'd*)

- The vast majority of EGCs confidentially submit their first filing
- Even though EGCs are only required to provide 2 years of audited financials, the majority provide financial information for additional years

# Emerging Growth Companies (*cont'd*)

- EGC status is terminated on the earlier of:
  - + the last day of the fiscal year following the fifth anniversary of the IPO
  - + the last day of the fiscal year in which the company has more than \$1.235 billion in annual revenues
  - + the date on which the company has a “public float” of more than \$700 million in market value of common shares held by nonaffiliates, or
  - + the date on which the company issues more than \$1.0 billion of nonconvertible debt over a three-year period

## Potentially Greater Access to Capital Markets & Financial Flexibility

- Raising capital on more attractive terms
- Publicly traded securities typically trade at a higher multiple than privately traded securities
- Availability of public information often simplifies transaction documentation and expedites subsequent capital raises
- Secondary public offerings may be available
- Private forms of financing may be more readily available
- PIPE offerings may be available

# Expands & Improves Acquisition Financing Alternatives

- Finance acquisitions through issuance of publicly traded stock as acquisition currency
- Conserves cash
- Provides incentive for retained managers of acquired company
- Eases burden on company to plan for liquidity events of significant shareholders

# Stock and Options as Means of Aligning Director, Officer and Shareholder Interests

- Assists in the recruitment and retention of directors and employees
- Provides a means of providing compensation without using cash
- Reduces pressure on cash flow from repurchasing stock on exercise of options
- Allows for termination of put rights under ESOP
- Provides the potential for considerable upside potential to employees
- Expands universe of benefit planning alternatives

# Investors May Achieve Greater Liquidity For Investment Position

- Going public may create public market for the common stock
- Publicly traded stocks typically trade at a higher multiple than privately traded stocks
- Affiliates of company may be able to sell their common stock pursuant to a registered resale, Rule 144 or another transaction exempt from registration requirements
- Non-Affiliates may be able to sell their common stock pursuant to Rule 144 or another transaction exemption

# Enhanced Corporate Governance Fosters Atmosphere of Investor Confidence

- More transparency on corporate governance matters
- More detailed corporate governance charters, guidelines, policies and procedures
- More robust system of investor relations

# Brand Recognition

- May complement or extend product or service marketing efforts
- Availability of public information may make company more likely subject of media attention
- Demonstrable track record

# Groups and Their Roles in the Public Company

- Management Team:
  - + Chief Executive Officer and President
  - + Chief Financial Officer
  - + Other executive officers may participate based upon their availability, experience, and other factors.
- Board of Directors:
  - + Principal decision-making authority, based upon advice from management and the company's counsel, and accountants.
  - + Generally not involved in the day-to-day activities of the working group.

# Groups and Their Roles in the IPO Process

- Company Counsel:
  - + In connection with the ongoing 1934 Act reporting obligations, company counsel will review and advise on:
    - the company's periodic and current reports
    - Section 13 and Section 16 beneficial ownership filings
    - respond to SEC comments
    - the company's proxy statement and annual meeting process

# Groups and Their Roles in the IPO Process

## *(cont'd)*

- In addition, company counsel will advise the company on Board independence issues, executive compensation and stock plans, and other corporate governance matters.
  - + Amend and restate articles and bylaws
  - + Update committee charters and corporate governance guidelines
  - + Develop Code of Ethics, Insider Trading Policy, Whistleblower Policy, Clawback Policy, etc.

# Groups and Their Roles in the IPO Process (*cont'd*)

- Independent Accountants:
  - + The accountants are responsible for reviewing the financial statements to be included in the periodic reports, and assisting with other financial data.
  - + The accountants are also typically responsible for:
    - verifying the accuracy of financial data in the periodic reports and compliance with SEC accounting rules,
    - dealing with accounting issues, and
    - helping to review the Management's Discussion & Analysis section of the periodic reports.

# Groups and Their Roles in the IPO Process (*cont'd*)

- Regulators:
  - + Regulatory agencies, including the SEC, FINRA, the stock exchange on which the company plans to list, and state securities or “blue sky” commissions, will play a role in reviewing the offering documents.
  - + The SEC reviews the disclosure in the periodic reports and proxy statements.
  - + If not on an exchange FINRA must receive notice of certain corporate actions.
  - + The stock exchange will require compliance with its corporate governance requirements.

# Positioning the Company to be Public

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# Crafting the Story

- Develop story for roadshow and prospectus
  - + What makes the company unique?
  - + What is the company's strategy?
    - Acquisitions, expansion, organic growth, new product lines, etc.

# Officer Certifications, Financial Reporting and Controls

- The company's Chief Executive Officer and Chief Financial Officer will need to make certifications regarding the completeness and accuracy of each quarterly and annual report.
- The company's senior management will need to make quarterly evaluations of the company's disclosure controls, i.e., the processes that help to ensure that the company's disclosure documents are accurate, timely and complete.
- The company's auditors will do a separate annual evaluation and attestation of the internal controls and management's evaluation of them.

# Officer Certifications, Financial Reporting and Controls (*cont'd*)

- More robust quarterly and annual disclosure to investors
  - + Development of a workable system of disclosure controls and internal controls prior to the IPO.
  - + Section 404 of the Sarbanes-Oxley Act of 2002.

# Pre-Going Public Corporate Governance Issues

- Director selection and education
- Committee charters and independence
- Organizational documents and agreements
- Corporate Governance Guidelines, Code of Ethics, Insider Trading Policy, Whistleblower Policy, Clawback Policy

# Pre-Going Public Corporate Governance Issues (*cont'd*)

- Consideration of Anti-Takeover Devices
- As a public company, the company will be more vulnerable to hostile takeovers than it was as a private company.
- Consideration given to adopting certain anti-takeover strategies, including one or more of the following:
  - + Adoption of a “classified” or “staggered” Board.
  - + No shareholder action by written consent.
  - + A Shareholder Rights Agreement/“poison pill.”
- Institutional investors and proxy advisors will weigh in on anti-takeover provisions in governing documents.
- Hostile takeovers are very unusual in bank holding company context due to regulatory oversight.

# Compensation and Benefits

- Review executive compensation arrangements and stock plans prior to an IPO.
  - + The arrangements must be fully disclosed in the Prospectus.
  - + Both NEO and director compensation is disclosed
- Equity Incentive Plan
- ESOP

# Selecting the Exchange

- The rules of the SEC and the individual stock exchange rules require that companies comply with certain governance standards.
- Selecting a stock exchange:
  - + Nasdaq Stock Market:
    - Nasdaq Global Select Market
    - Nasdaq Global Market or
    - the Nasdaq Capital Market (for smaller capitalization companies).
  - + NYSE

# Listing on NASDAQ

- NASDAQ Global Select Market
  - + Comply with all of NASDAQ's corporate governance requirements,
  - + Have a minimum closing bid price of \$4.00,
  - + Have at least 1,250,000 in publicly held shares,
  - + Have at least 450 round lot shareholders, and
  - + Have 3 market makers.

# Listing on NASDAQ (*cont'd*)

- The four different listing standards are (only 2 are applicable):
  - + Equity Standard
    - Stockholders' equity of at least \$55 million,
    - public float of at least \$160 million, and
    - 2-year operating history.
  - + Earnings Standard
    - Pretax earnings in prior 3 fiscal years > \$11 million,
    - Positive earnings for the last 3 fiscal years, and
    - \$2.2 million of earnings for each of the last 2 fiscal years.

## Listing on NASDAQ (*cont'd*)

- The listing fees for the Global Select Market depend on the amount of shares to be listed.
- Non-refundable application fee = \$25,000
- Listing fee for up to 30 million shares = \$150,000
- Listing fee for more than 30 million shares = \$150,000
- The Global Select also carries an annual listing fee of \$55,000 (from 10 to 50 million in shares investing)

# Issues Unique to IPOs

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# Lock-ups; Resales of Restricted Stock After Going Public

- Substantially all of the shares of the issuer's shareholders will be locked up for a period of 180 days
- Unregistered shares acquired by directors and executive officers prior to the IPO will be restricted securities under the Securities Act
- Resales by "affiliates" will be subject to compliance with Rule 144

# Lock-ups; Resales of Restricted Stock After Going Public (*cont'd*)

- Affiliate restrictions on transfer
  - + Brokered transaction
  - + Volume limitation
  - + Form 144 Notice filing with SEC

# Underwriting Agreement

- Agreement between issuer and underwriters providing for underwriter purchase of shares
- Reps and warranties of issuer to backstop underwriter's diligence
- Executed after pricing

# Green Shoe

- Over-allotment option if public demand exceeds expectations
- Underwriters can buy up to an additional 15% of the issuer's shares at the offering price

# Gun Jumping

- Communications before filing the S-1 may be “conditioning the market”
- “Test-the-waters” under the JOBS Act is permissible for EGCs, provided investors meet the qualifications
- Dual track M&A/IPO communications
- Waiting period communications

# Issues Unique to Direct Listings

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# Issues Unique to Direct Listings

- “Direct listing” is when a company’s securities are listed on a national securities exchange without an underwritten offering of new shares.
- Like an IPO requires the filing of a lengthy registration statement with the SEC (either a Form S-1 or a Form 10)
- While the registration statement is pending, the company files a listing application with the securities exchange (e.g., NYSE or Nasdaq)
- Takes anywhere from six (6) to twelve (12) months to complete

# Potential Advantages

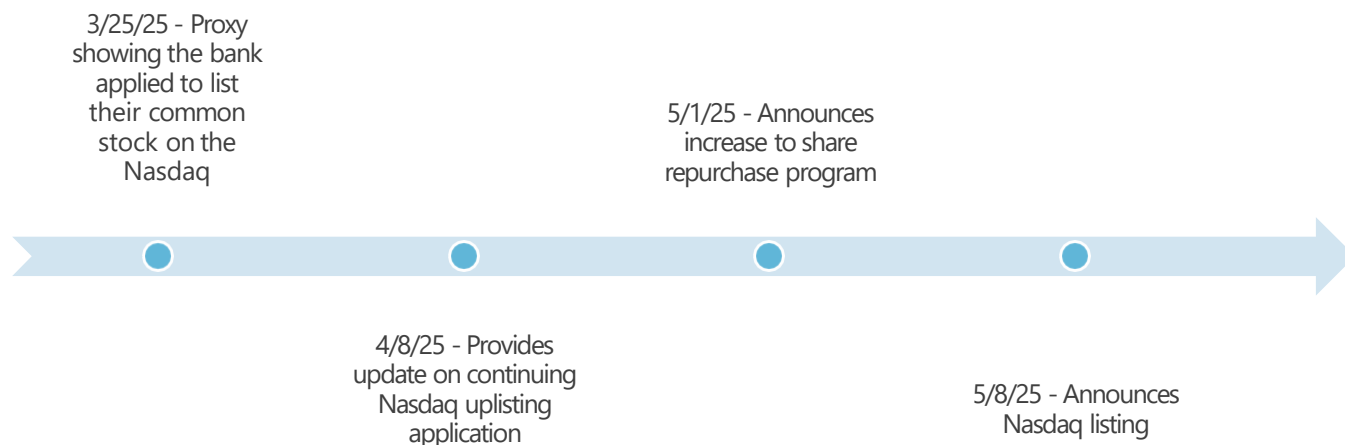
- Shares listed on an exchange vs quoted on OTCQX
- Existing shareholders may sell immediately
- Potentially wider initial market participation (orders placed through investors' brokers rather than through an underwriter)
- No underwriter fees
- No lock-up arrangements

# Potential Disadvantages

- No new capital
- Registration statement is just as lengthy and time-intensive as IPO registration statement
- No underwriter to help with marketing and preparation of registration statement
- Expenses may be less than an IPO, but still material

# ISBA Dry Listing Example

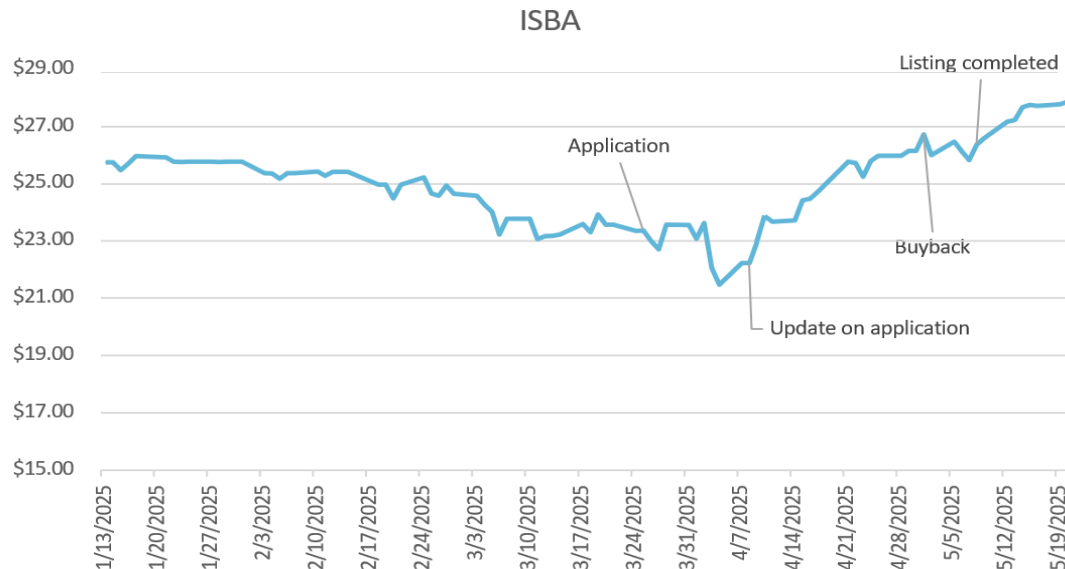
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Isabella Bank Corporation is a \$2B in assets bank headquartered in Mount Pleasant, Michigan. Their stock was previously traded on the OTCQX market and now trades under the trading symbol "ISBA" on The Nasdaq Stock Market. Their market cap as of May 14th, 2025, is \$204.5m.

# ISBA Dry Listing Example

(cont'd)



Since Isabella announced their filing of an application to list their shares on the Nasdaq, the stock has gained 16.50%, significantly outperforming the BANK Index and the Russell 2000 by 14.63% and 16.06%, respectively.

It is important to note that Isabella barely missed the cutoff for listing to be included in the Russell 2000 index. Had the shares been listed in time, the estimated passive demand from index buyers was roughly 600k shares, which we believe would have further boosted stock performance. Starting in 2026, the Russell index is moving to semi-annual reconstitution, with a recon occurring in June and another in November.

# Isabella Bank Corporation Common Stock (ISBA)

**\$45.91**  
▼ -0.90 -1.92%  
Apr 1, 2026

Nasdaq Listed

**Isabella Bank Corporation Common stock (ISBA)**  
Volume: 48,562 52 Week Range: 24.68 - 58.83

1D 5D 1M 6M YTD **1Y** 5Y MAX



Apr 2, 2026

# Community Bancorp. Common Stock (CMTV)

Nasdaq Listed

**\$35.48**

▲ +1.65 +4.88%

Apr 1, 2026

**Community Bancorp. Common Stock (CMTV)**

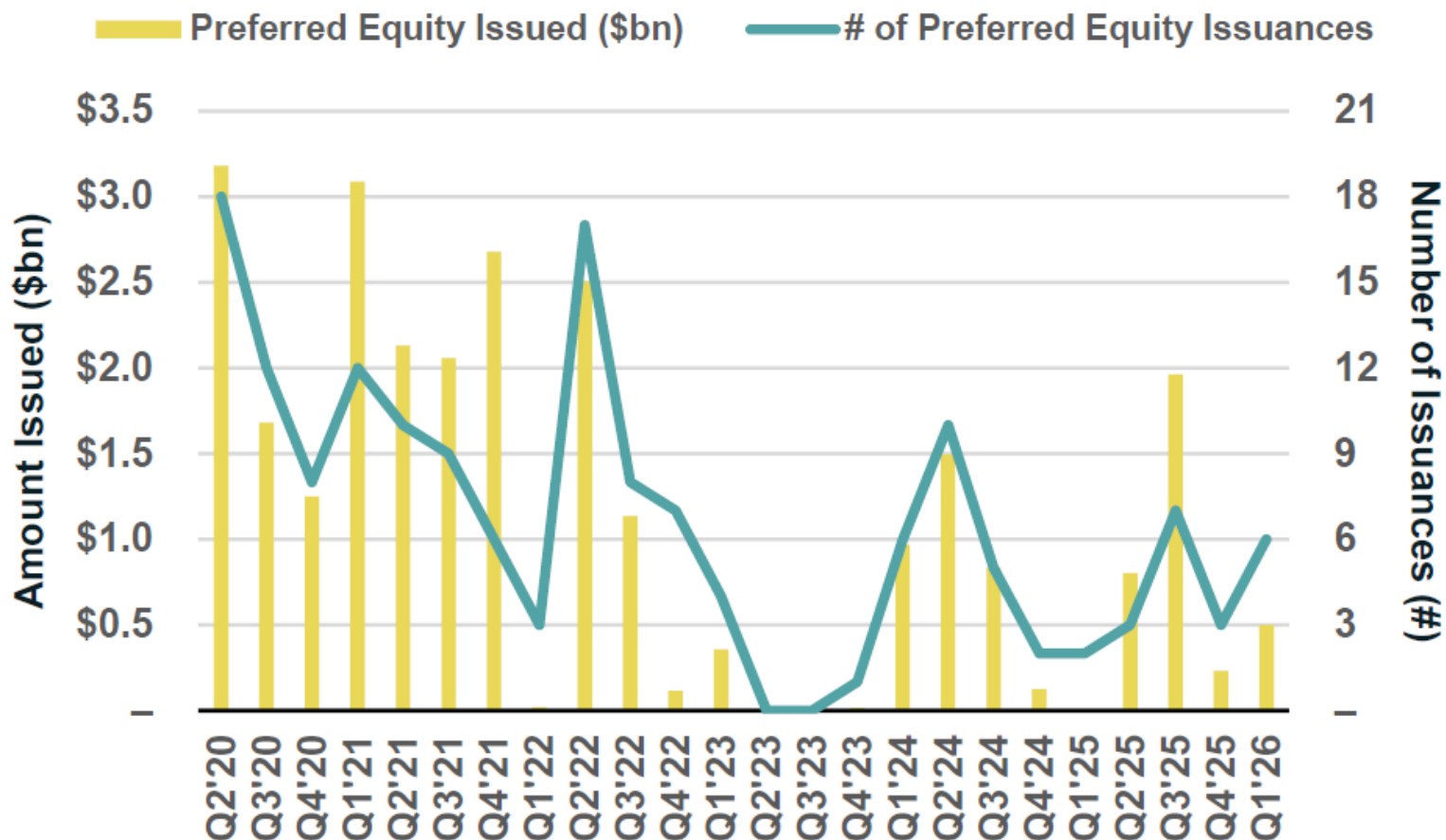
Volume: 12,704 52 Week Range: 29.52 - 42.80

1D 5D 1M **6M** YTD 1Y 5Y MAX



Apr 2, 2026

# Preferred Equity Issuance By Quarter



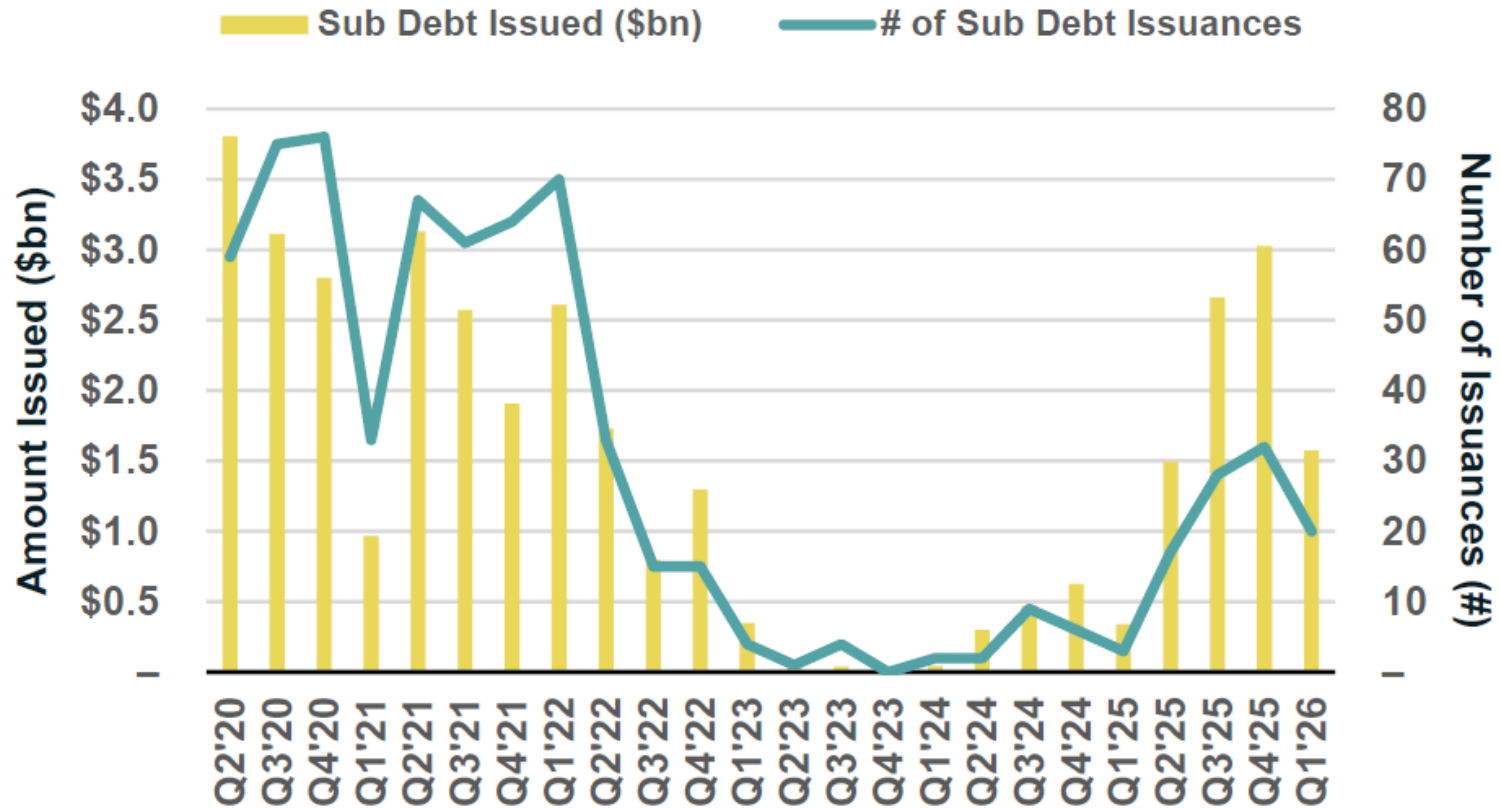
**Source:** S&P Capital IQ Pro. Market data as of 03/27/26. Issuances exclude offerings by banks > \$250bn in assets.

# Summary of Indicative Convertible Preferred Terms

<b>Issuer Name</b>	Bank XYZ
<b>Security Type</b>	Non-Cumulative Convertible Perpetual Preferred Stock
<b>Issuance Type</b>	Regulation D Private Placement with Registration Rights
<b>Issuance Size</b>	Up to \$50 million, pending further discussions with management
<b>Non-Cumulative Dividend</b>	7-9%
<b>Conversion Premium</b>	15-20%+
<b>Issuer Conversion Option</b>	Issuer may force conversion under certain conditions
<b>Use of Proceeds</b>	General corporate purposes including balance sheet repositioning

**Source:** S&P Capital IQ Pro. Market data as of 02/20/26. Issuances exclude offerings by banks > \$250bn in assets.

# Subordinated Debt Issuance By Quarter



**Source:** S&P Capital IQ Pro. Market data as of 03/27/26. Issuances exclude offerings by banks > \$250bn in assets. PT advised capital raises highlighted.

# BHC versus Bank Capital

**BHC's with less than \$3.0 billion** in total assets are generally not subject to Federal Reserve consolidated capital guidelines

- But, debt to equity limits

**Large BHC's**—consolidated capital guidelines

Either way, proceeds of debt or other capital raised at BHC level can be injected into the bank as common equity capital





# Standard Features of Sub Debt

FRB Sub Debt Policy Statement (12 CFR 250.166)

Unsecured

Ranking

Senior to stock and trust preferred

Junior to senior indebtedness such as bank stock loans

Must state that it is not a deposit and not insured by a federal agency

Duration (at least 5 years for Tier 2 Capital for large BHCs; usually 10-15 years)

Typically, interest only (and fixed-to-floating rate)

Can only accelerate payment of principal prior to maturity in event of bankruptcy or receivership of subsidiary bank (not missing payments)

Call features after five years

# Advantages of Sub Debt

## **Tier 2 Capital at BHC level**

(large BHCs)

## **No BHC capital treatment concerns for small BHCs**

(but debt-to-equity ratio considerations)

## **Tier 1 Capital at bank level**

## **Interest payments are deductible**

(unlike dividends)

## **Non-dilutive to shareholders**

(also, S corp considerations)

## **Preferred by coupon clippers**



# Disadvantages of Sub Debt

## For large BHCs:

- Tier 2 Capital at BHC level
- Requires minimum 5-year call right
- Amount treated as Tier 2 capital rolls off 20% in each of the last five years leading to maturity

## For small BHCs:

- Debt-to-equity ratio concerns at BHC level for BHCs with <\$3 billion in total assets

## Impact of interest and principal payments on cash flow



# Issues to Consider

**Purpose of debt** (e.g., comfort capital, refinance, acquisition)

## Who to sell to

- Customers, existing shareholders, institutional investors, etc.
- Accredited investors and qualified institutional buyers to take advantage of exemptions from registration

## Rate

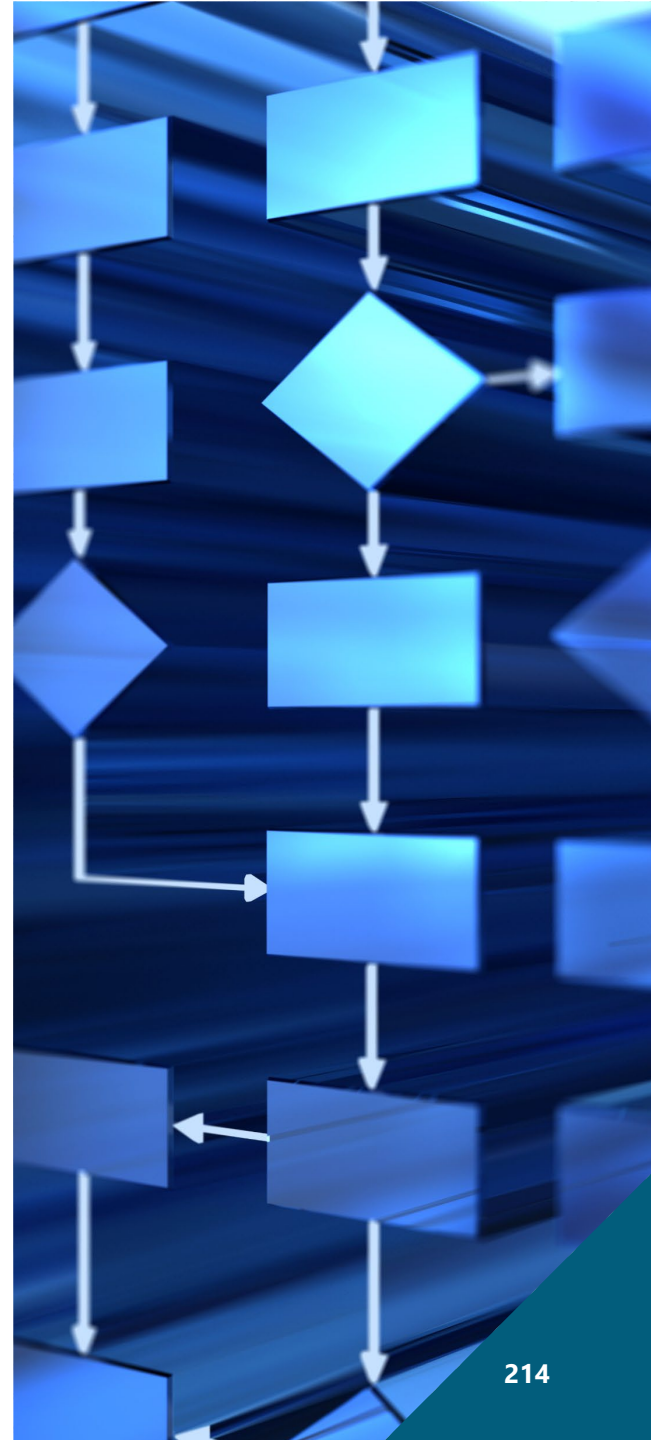
- 7%?
- Depends on purchaser and condition of issuer
- Alternatives to typical fixed-to-floating rate (e.g., tiered rates depending on size of investment)

**Rating** (e.g., Kroll, Egan-Jones)

**Payment schedule** (e.g., frequency, other payment obligations)

**Placement agent?**

HUNTON



# Debt Redemptions/Repurchases: Special Considerations

- Subdebt redemptions and repurchases treated the same by the FRB
- If a Subdebt redemption will be refinanced by issuing new debt FRB consultations typically not required
- If a preferred stock redemption involves replacing preferred stock with “lower-quality” forms of capital (like hybrid instruments or subordinated debt), the FRB will review differently
- SR 09-4

## Special Financing: Redemptions

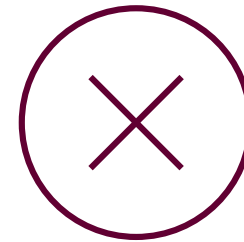
- If redeeming or repurchasing TRUPs, notice to or approval from the FRB may be required

# Should the Bank Use a Placement Agent?



## Pros

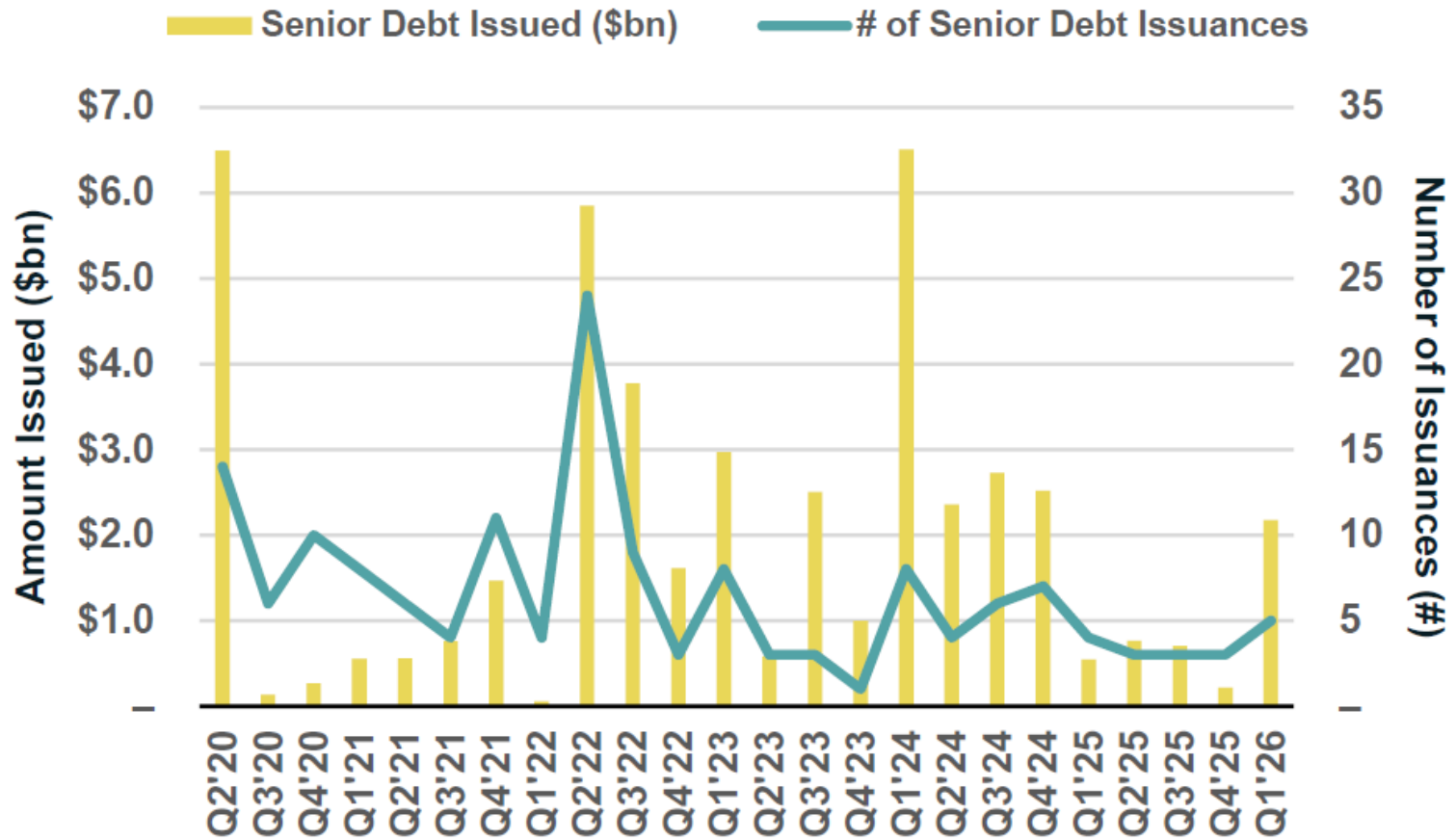
- Access new investors
- Raise more money
- Resources to manage the process



## Cons

- Cost (2%-3%)
- Lose control over investors
- New investor expectations may differ

# Senior Debt Issuance By Quarter



**Source:** S&P Capital IQ Pro. Market data as of 03/27/26. Issuances exclude offerings by banks > \$250bn in assets.

# Senior Debt

**No preferred capital treatment at the BHC level**  
(only an issue for large BHCs)

**More restrictive covenants**

**More events of default**

But, typically, **lower coupon compared to sub debt**

# Pros and Cons of Debt Alternatives

## Bank Stock Loan

### Pros:

- Cheaper option
- Flexible payments
- Faster

### Cons:

- Principal repayment
- Collateral
- Covenants
- Guarantees?

## Sub Debt

### Pros:

- Capital treatment
- Interest only
- No collateral
- No financial covenants

### Cons:

- Higher coupon
- 5-year lock-out

# Source of Strength

Raising capital at BHC can enable BHC to serve as better source of strength to bank

BHC (or BHC sub) can purchase bad loans out of bank

- Improves bank asset quality ratios
- Legally isolates risk from bank



# Use of ESOP/KSOP

Create ESOP/KSOP

Fund ESOP/KSOP

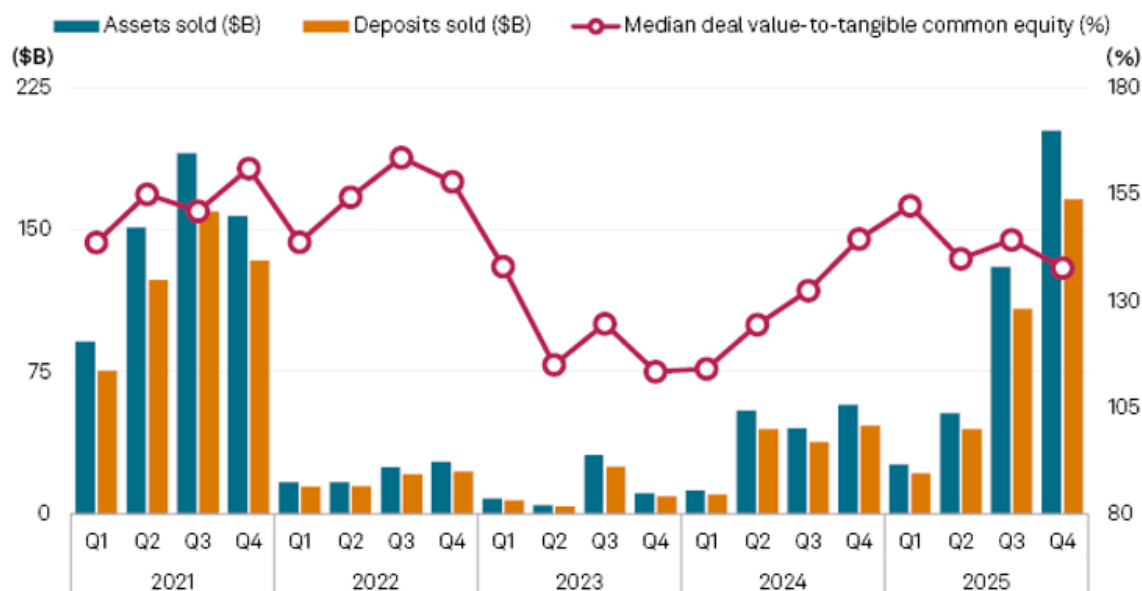
- One-time election right
- Rollover IRAs
- Match or discretionary contribution by BHC or Bank
- Leveraged ESOPs

# Uses of Capital

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# US Bank Deal Statistics

	2021	2022	2023	2024	2025
Number of deals (actual)	200	155	96	125	181
Total deal value (\$B)	76.73	8.94	4.14	16.34	49.41
Assets sold (\$B)	589.77	84.97	54.63	169.36	411.81
Deposits sold (\$B)	492.24	72.13	44.97	139.55	340.54
Median deal value-to-tangible common equity (%)	152.2	153.9	124.2	131.4	142.9



Data compiled Jan. 2, 2026.

Analysis limited to US-based whole company and franchise bank and thrift deals that were announced between Jan. 1, 2021, and Dec. 31, 2025. Excludes minority, branch, government-assisted and terminated deals, as well as bids and thrift merger conversions.

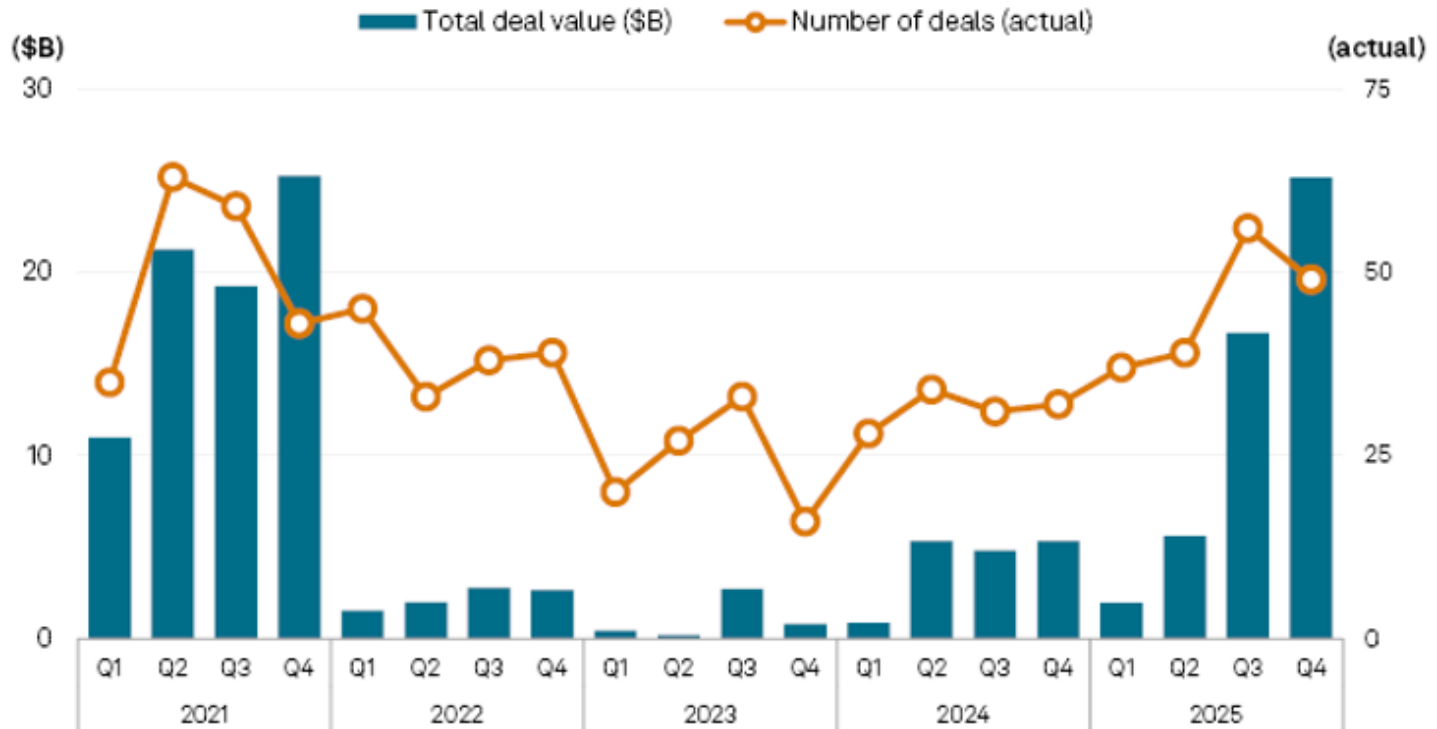
All metrics are as of the announcement date.

Deal value-to-tangible common equity is the deal value as a percentage of tangible common equity acquired; derived from per-share values when all ratio components are available; otherwise, aggregate values are used.

Source: S&P Global Market Intelligence.

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# 181 US Bank Deals Announced in 2025



Data compiled Jan. 2, 2026.

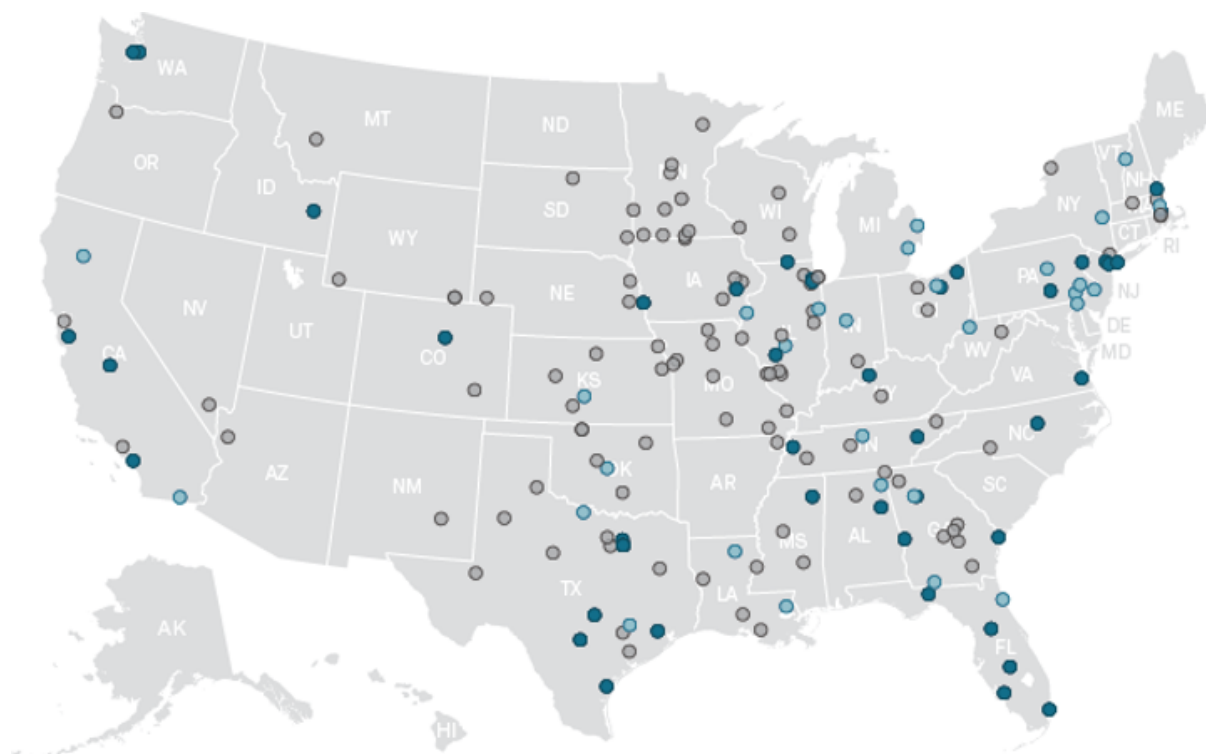
Analysis limited to US-based whole company, minority stake, and franchise bank and thrift deals that were announced between Jan. 1, 2021, and Dec. 31, 2025. Excludes branch, government-assisted and terminated deals, as well as bids and thrift merger conversions.

Deal values are as of the announcement date.

Source: S&P Global Market Intelligence.

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# US Bank Deals Announced in 2025



## Deal value

● Greater than or equal to \$100 million (47) ● Less than \$100 million (29) ● Not available (105)

Data compiled Jan. 2, 2026.

Analysis limited to US-based whole company and franchise bank and thrift deals that were announced between Jan. 1, 2025, and Dec. 31, 2025.

Excludes minority, branch, government-assisted and terminated deals, as well as bids and thrift merger conversions.

Shows the targets' headquarters. Deals with multiple targets are not depicted on the map.

Franchise deals with undisclosed locations are not shown.

Excludes branch, government-assisted and terminated deals, as well as bids and thrift merger conversions.

Source: S&P Global Market Intelligence.

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# Bank M&A Regulatory Approval Timeframe Trends (2022–2025)

Year	Average Time to Approval	Key Characteristics
2022	~6 Months	Increased scrutiny, start of regulatory slowdown.
2023	~6-7 Months	Peak slowdown, high volatility, 5 bank failures.
2024	~6-7 Months (H2: 102 days)	High complexity, new guidelines (FDIC/OCC).
2025	~4 Months (Target)	<b>Shortest average since 1990</b> ; faster approval under new administration.

# Stock Repurchase Programs

*Reactive responses to shareholder requests to liquidate or market conditions*

Formal repurchase plan with repurchase windows or discretionary repurchases from time to time as shares become available for sale

Pricing considerations—typically formulaic or based on an appraisal, but ultimately determined by the board

Board approval of structure; no shareholder approval

Regulation M—no repurchases during any “distribution” of stock by the company

Company is the ultimate insider—suspend program or disclose any material nonpublic information to sellers



A vertical decorative image on the left side of the slide. It features a dark blue background with a grid of light blue lines. Overlaid on the grid are several data series: a bar chart with bars in shades of purple and blue, a line graph with a white line, and a dashed white line. The overall aesthetic is modern and financial.

# Tender Offers

*Proactive solicitation of stock repurchases during a set time frame*

Flexibility in design—can target a specific subset of shareholders, determined by ownership level, date of purchase, etc.

Regulatory approvals/consents

Must be open for at least 20 business days

Board sets pricing and structure;  
no shareholder approval

Disclosure of all material information to offerees

Test the waters letter

# Bifurcated Offer

Part cash/part note

## Pros for Seller

- Installment gain
- Yield on full sales price
- Cash flow

## Pros for Buyer

- ROE/EPS pick up
- Enhanced repurchase volume



# ESOPs

- IRC 1042
- BHC definition
- Dilution drawbacks
- Different valuation from minority stock
- Limitations on cash flow



# Shareholder Issues

Peter G. Weinstock  
Hunton Andrews Kurth LLP  
1445 Ross Ave., Suite 3700  
Dallas, TX 75202  
[pweinstock@hunton.com](mailto:pweinstock@hunton.com)  
214-468-3395

Heather Archer Eastep  
Hunton Andrews Kurth LLP  
2200 Pennsylvania Ave. NW  
Washington, DC 20037  
[heastep@hunton.com](mailto:heastep@hunton.com)  
202-955-1954

HUNTON

## Management

"Succession planning is not an event, it's a process. And it's never too early to start."  
- Warren Buffett

# Shareholders

Stillwell Group's March 2026 standstill agreement with Lake Shore Bancorp, triggered by Lake Shore's public comments about entertaining M&A despite trading at 0.78x book value. Through the 2029 annual shareholder meeting, Stillwell will not:

- acquire additional shares
- Propose or support changes in control
- Solicit proxies against the board
- Submit director nominations or shareholder proposals
- Participate in voting trusts or syndicates
- Initiate litigation
- Publicly disparage the company or its officers

Provided that Stillwell's nominee is reappointed through the same time period and Lake Shore not pursue M&A until above book value for at least 60 days.

# Shareholders

- HoldCo Asset Management demands:
  - FIBK publicly swears off any and all future acquisitions
  - FIBK publicly swears off any securities restructurings
  - FIBK publicly declares a target CET1 ratio of 10.5%
  - FIBK publicly expresses its intention to use all excess capital (today and generated in the future) in excess of its target CET1 ratio to buyback shares
  - Management and board compensation is altered to incentivize long-term EPS creation through low-risk approaches such as share buybacks rather than high-risk approaches such as buying other banks
  - Management and board compensation is altered to incentivize the sale of the bank if that is determined to be the best path forward for shareholders
  - Appropriate non-insider shareholder representation on the Board and, consistent with appropriate practice, declassify the Board

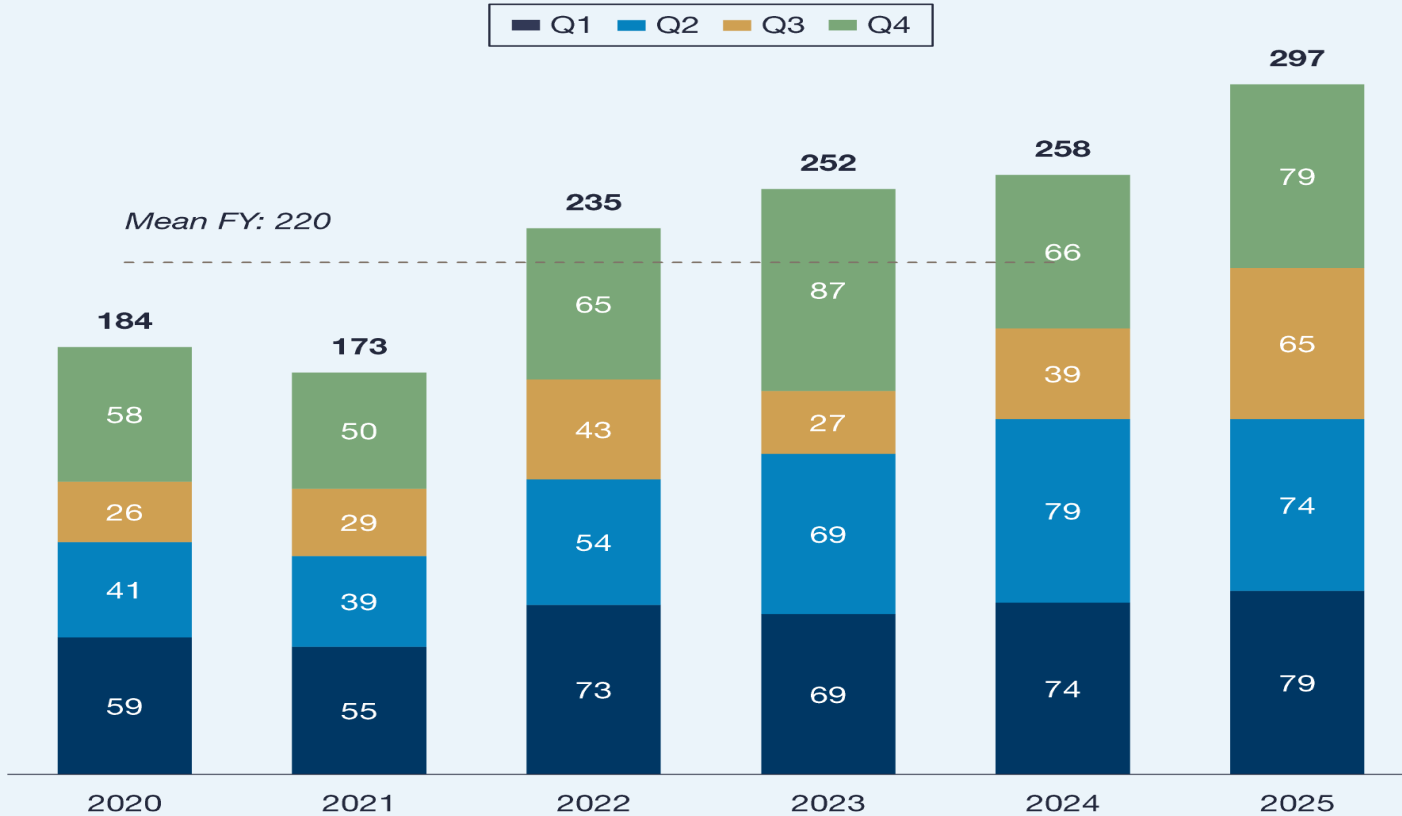
## HoldCo's Recent Public Activism Campaigns, Ranked by Size

HoldCo's Recent Public Activism Campaigns, Ranked by Size

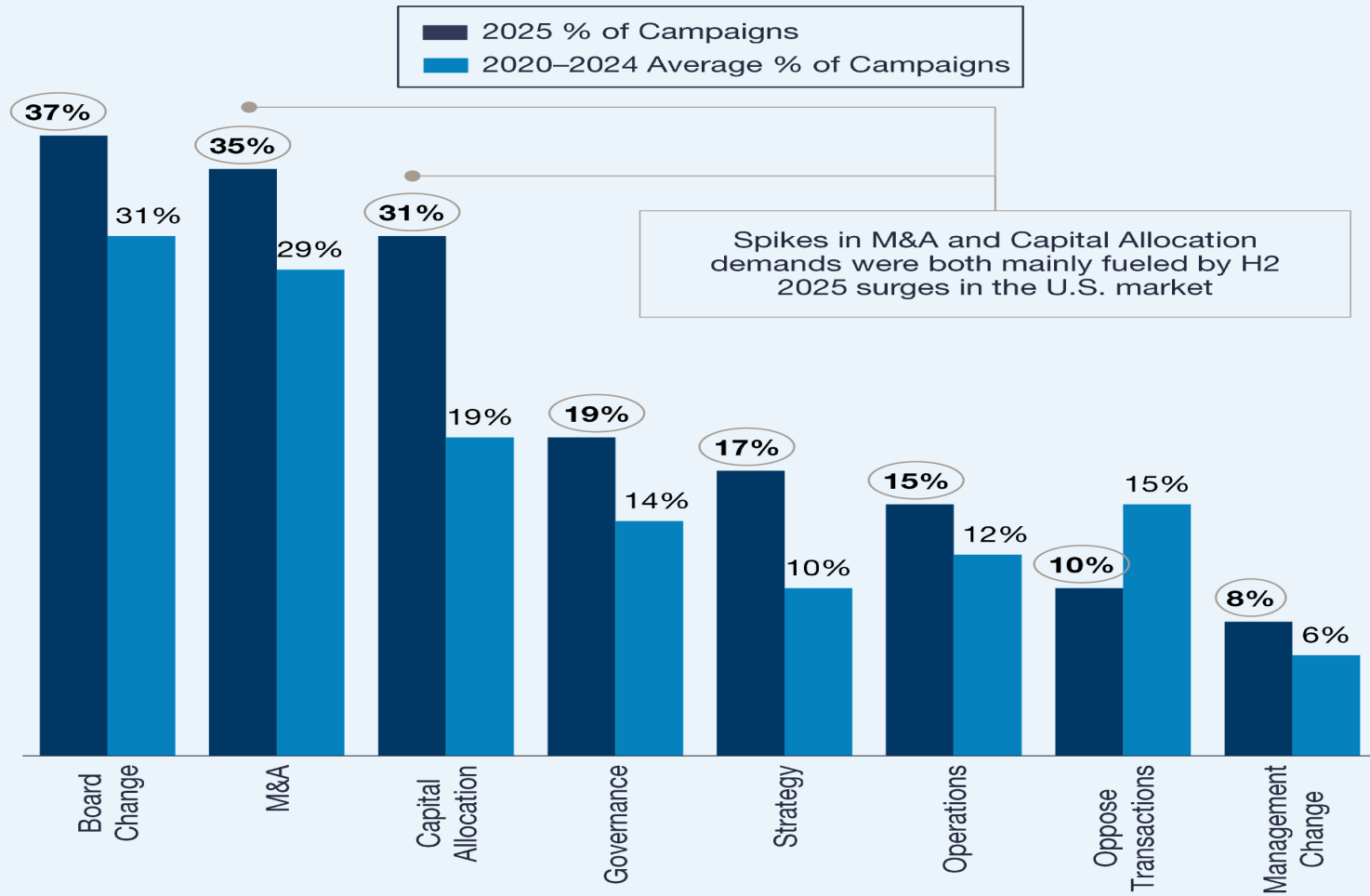
	KeyCorp	Comerica	Columbia Banking System	Eastern Bank	First Interstate BancSystem
Ticker	KEY	CMA	COLB	EBC	FIBK
HoldCo's Ownership (First Buy Date)	~\$160MM, ~0.7% of shares out. (4/30/2025)	~\$181MM, ~1.6% of shares out. (7/2/2025)	~\$168MM, ~1.9% of shares out. (4/23/2025)	~\$151MM, ~3.1% of shares out. (5/28/2025)	~\$140MM, ~3.9% of shares out. (5/21/2025)
Date Issued (PR Link)	1) <a href="#">12/5/25</a>	1) <a href="#">7/28/25</a> , 2) <a href="#">11/17/25</a> , 3) <a href="#">12/15/25</a> , 4) <a href="#">12/22/2025</a>	1) 9/14/25 (publicly released on <a href="#">10/29/25</a> ), 2) <a href="#">11/6/25</a>	1) <a href="#">10/20/25</a> , 2) <a href="#">10/31/25</a>	1) 9/3/25 (publicly released on <a href="#">10/24/25</a> ), 2) <a href="#">11/6/25</a>
Title & Link	<a href="#">To The Independent Directors of KeyCorp: Read My Lips: No New Acquisitions</a>	<a href="#">To The Board of Directors of Comerica Inc.: We Echo Mayo – If Not Now, Then When?</a> <a href="#">To The Independent Directors of Comerica Inc.: Look What You've Done</a> <a href="#">To Comerica Shareholders: Why We Recommend Voting AGAINST The Proposed Merger and Our Litigation Update</a> <a href="#">To the Board of Directors of Comerica Inc: When The Bank Was Healthy But The Board Got Scared</a>	<a href="#">To The Board of Directors of Columbia Banking System, Inc.: Failed Gambles Borne Solely By Owners – Protective Covenants Needed</a> <a href="#">Presentation To Columbia Banking System, Inc. (Ticker: COLB): Respect To The Board</a>	<a href="#">To The Board of Directors of Eastern Bankshares (Ticker: EBC): Where Has All The Capital Gone?</a> <a href="#">To The Independent Board of Directors of Eastern Bankshares: "Some of our shareholders would hear me say this and get very upset that I wasn't talking about our purpose being for the shareholders"</a>	<a href="#">To The Board of Directors of First Interstate BancSystem, Inc.: Buy Back Stock and Swear The Rest Off</a> <a href="#">Presentation To First Interstate BancSystem, Inc. (Ticker: FIBK): Respect To The Board</a>

## Annual Global Campaign Activity

- Relatively stable H1 y-o-y gave way to record-setting H2
- Q3 activity increased 67% y-o-y and surpassed prior record Q3 (2022) by 51%

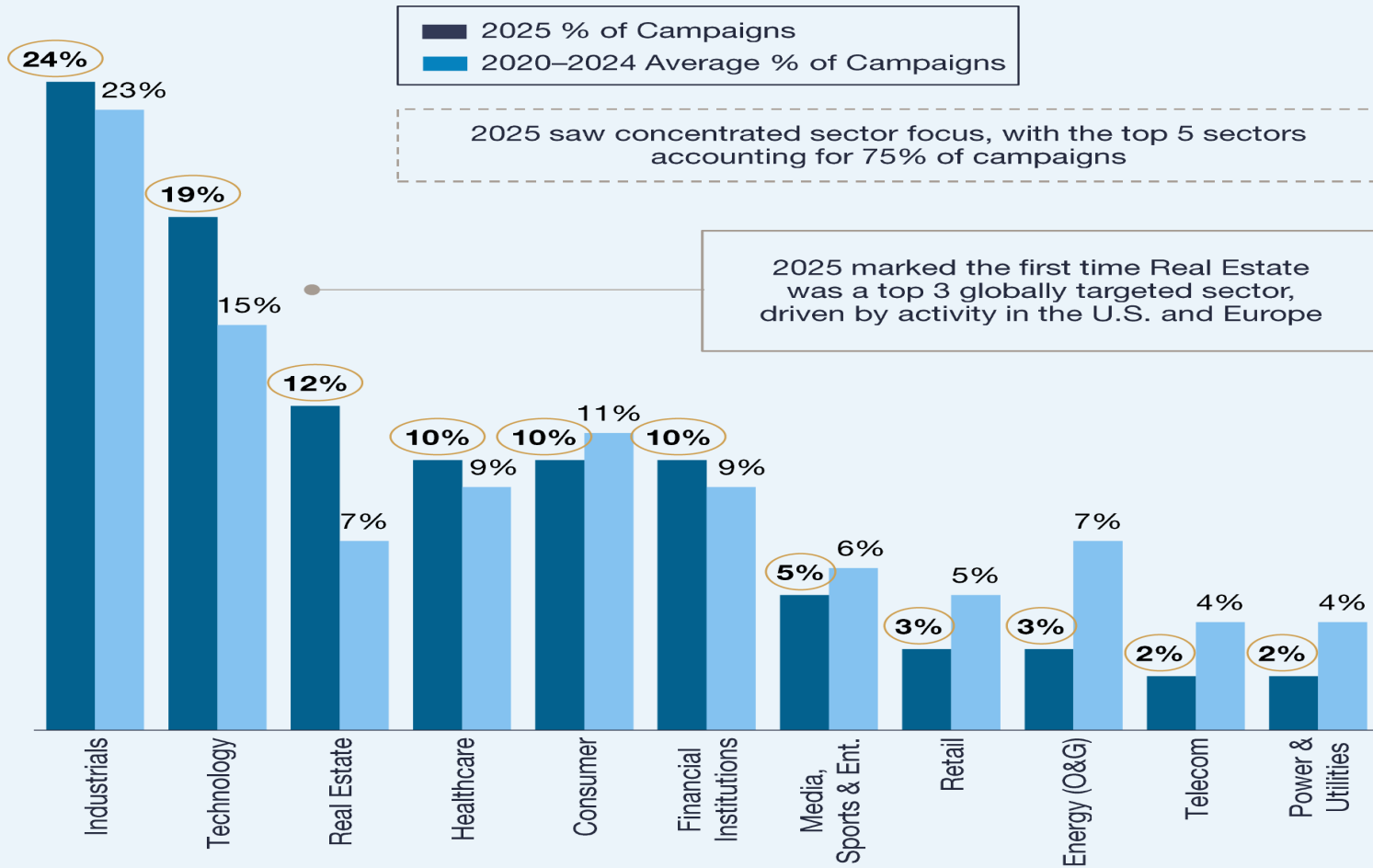


## Global Initial Campaign Objectives



Lazard, Annual Review of Shareholder Activism 2024  
 January 07, 2025

## Global Campaigns by Sector



# Hunton Experience

- \$80 million asset bank – proxy fight/TRO
- \$150 million asset bank – proxy fight/T.O.
- \$175 million asset bank – proxy fight/regulatory filings
- \$180 million asset bank – proxy fight
- \$250 million asset bank – proxy fight/T.O./TRO
- \$500 million bank holding company – proxy fight
- \$800 million family bank sold in split vote (after patriarch died)
- \$350 million family bank sold in split vote (after patriarch died)
- Lawsuit by private equity against management team
- \$200 million asset bank warded off unsolicited offer by investor group
- Dozens of shareholder inspections, letter-writing campaigns and other soft-pressure issues

# Why has activism increased?

1. Increased M&A Activity
2. Lower regulatory scrutiny
3. Less communication, including SEC required communication
4. Has bank outgrown board or management?



# Steps to Address Activism

1. Robust strategic plan
2. United Board opposed to a sale
3. Prepare for what attack would say
4. Messaging:
  - Long term value
  - Communicate to shareholders
5. Review Certificate/Articles and Bylaws
6. Buyback stock from would be sellers

# Strategic Plan

1. Does it make sense to explore a sale? Or express an intent to remain independent?
2. Ability to grow organically, including capital?
3. Is your stock undervalued? If so, how can it be improved?
4. Equally important, how to communicate that to shareholders
5. Does a stock buyback make sense?

## What To Do?

- Retain structural defenses (or consider adding to them)
- Consider amending the bylaws to:
  - Eliminate removal of directors by shareholders without cause
  - Eliminate shareholder action by consent
  - Extend advance notice to make proposals and structure
  - Extend advance notice to nominate directors
  - Require director nominee disclosure
  - Institute director qualifications (third-party compensation)

## What To Do? (*cont'd*)

- Consider amending the bylaws to (continued):
  - Adopt exclusive forum for shareholder class action and violations of securities laws
  - Adopt exclusive venue for other suits, including, for example, business courts
  - Provide structure around proxy access, shareholder meetings, etc.
  - Mandatory indemnification/exculpation for boards and C-suite and discretionary indemnification for everyone else
  - Exclude offensive actions by the company from advancement protections
  - Waiver of jury trial

## What To Do? (*cont'd*)

- Consider amending articles/certificates:
  - Shareholder percentage to call meeting
  - Staggered board
  - Super majority voting
  - Fair price provision
  - Drag/tag agreements and ROFO agreements
  - ESOP
  - Standstill agreements

## Recent Delaware Statutory Updates

- Controlling Stockholder Provisions
- Director Independence
- Stockholder Rights to Inspect Books and Records
- Generally effective August 1, 2025

# Recent Texas Statutory Updates

- Codifying the Business Judgment Rule
- Texas business courts permitted to issue advisory opinions
- Texas entity's official must only abide by TBOC
- Codifies exclusive forum and allows governing documents to require waive of jury trial
- Allows companies to limit inspection of books and records by excluding emails, texts and similar communications as well as what is a proper purpose
- Allows minimum ownership to be placed on who can commence derivative shareproceedings (not to exceed 3%)

# Common Faults in Governing Documents

**COVID-19 exposed many faults in corporate governing documents. Often, these documents are just plain old.**

## Problems

- Documents are outdated or incorrect.
- Documents are boilerplate.
- Documents don't reflect actual practices of the corporation.
- Inflexible.
- Lack of details on important processes.

## Necessary Changes

- Update governing documents to reflect current state law.
- Governing documents should be a roadmap for how your corporation operates.
- Provide greater detail on meetings of board and shareholders.

## Common Technical Faults

- Lengthy notice to call special board meetings
- Failure to accommodate remote or hybrid meetings, including shareholders
- Implementing online voting
- Electronic delivery of shareholder meeting materials

# Shareholders' Agreement

- If your bank is privately held, some of these provisions may be in your shareholders' agreement, so that should be reviewed as well
- Consider impact of voting requirements in shareholders' agreements
- Consider impact of Federal Reserve requirements (max term of 25 years)

## Be sure to review the articles and bylaws of both the bank holding company and the bank.

- Governing documents of both the bank holding company and the bank should reflect your *actual* corporate practices.
- Bank holding company governing documents are often revised while bank governing documents are neglected for years.
- The governing documents of the bank holding company and the bank should be consistent to the extent possible.
- Particular attention should be paid to the applicable state banking code when reviewing bank-level governing documents.
  - Sometimes, a state's banking code may not be completely consistent with that state's corporation code.

## Encouraging Stock Activity

- Get to know your market makers, including local brokers holding in street name for customers
- Routinely issuing new shares to increase float
- Offset by regular buybacks to provide liquidity and support stock pricing

# Stock Repurchases

It is important to remember that there are two occasions in which repurchases should not take place, even if the company's shares are underpriced. One is when a business both needs all its available money to protect or expand its own operations and is also uncomfortable adding further debt. Here, the internal need for funds should take priority. This exception assumes, of course, that the business has a decent future awaiting it after the needed expenditures are made.

The second exception, less common, materializes when a business acquisition (or some other investment opportunity) offers far greater value than do the undervalued shares of the potential re-purchaser.

To recap Berkshire's own repurchase policy: I am authorized to buy large amounts of Berkshire shares at 120% or less of book value because our Board has concluded that purchases at that level clearly bring an instant and material benefit to continuing shareholders. By our estimate, a 120%-of-book price is a significant discount to Berkshire's intrinsic value, a spread that is appropriate because calculations of intrinsic value can't be precise.

Warren Buffett  
Letter to Shareholders  
Berkshire Hathaway, Inc.  
February 25, 2017

## Stock Repurchase Programs

- *Reactive responses to shareholder requests to liquidate or market conditions*
- Formal repurchase plan with repurchase windows or discretionary repurchases from time to time as shares become available for sale
- Pricing considerations – typically formulaic or based on an appraisal, but ultimately determined by the board
- Board approval of structure; no shareholder approval
- Regulation M – no repurchases during any “distribution” of stock by the company
- Company is the ultimate insider – suspend program or disclose any material nonpublic information to sellers

## Tender Offers

- *Proactive solicitation of stock repurchases during a set time frame*
- Flexibility in design – can target a specific subset of shareholders, determined by ownership level, date of purchase, etc.
- Regulatory approvals/consents
- Must be open for at least 20 business days
- Board sets pricing and structure; no shareholder approval
- Disclosure of all material information to offerees
- Test the waters letter

# ESOPs

- IRC 1042
- BHC definition
- Dilution drawbacks
- Different valuation from minority stock
- Limitations on cash flow



# Subordinated Debt as Repurchase Instrument

- Unsecured
- Ranking
  - + Senior to stock
  - + Senior to TRUPs
  - + Junior to senior indebtedness such as bank-stock loans
- Duration
- Rate
- Call features
- Conversion features
- Payment-in-kind features





## Ownership Options and Tax Matters for the Closely Held Bank

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Topic No. 1:

One Big Beautiful Bill Act of 2025

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## One Big Beautiful Bill Act of 2025 (“OBBBA”)

- Permanently extended the tax rates from the Tax Cut Jobs Act of 2017 (top rate of 37% for 2026 at \$768,700 married filing jointly; 35% rate from \$512,451 for 2026. Rates are indexed). Remember the TCJA made permanent reduction in the corporate tax rate from 35% to 21%.
- Raised the cap on the state and local deduction to \$40,000 with a 1% increase each year for taxpayers making less than 500,000 with a 1% increase each year (Reverts to \$10,000 after five years – 2030). Pass through entity workaround preserved.
- Permanent extension of IRC Section 199A qualified business income deduction.

## OBBBA (*cont'd*)

Deductible amount equals lesser of:

QBI x 20% or the greater of:

- W-2 wages x 50%
- (W-2 wages x 25% + (2.5% x unadjusted basis of qualified Property))

## OBBBA (cont'd)

- Federal estate, gift and generation-skipping (GST) tax exemption increased to \$15 million starting in 2026 (adjusted for inflation).
- Permanent repeal of “Pease limitation” only allowing itemized deductions above 2% of AGI. The Pease limitation was replaced with a new limit on itemized deductions to those in the top 37% bracket. The new limit reduces all itemized deductions including SALT by  $2/37^{\text{th}}$  of the lesser of:
  1. The taxpayer’s itemized deductions; or
  2. The amount by which the taxpayer’s taxable income plus itemized deductions exceeds the threshold at which the 37% bracket begins (for 2026, \$768,700)
- Creates Trump accounts allowing parents to create tax-deferred accounts for the benefit of children (expires in 2028) UST will make an initial one-time \$1,000 contribution.
- Trump accounts are for children 18 and under with a SSN. Contribution limit of \$5000. Employers can contribute up to \$2500 per year to account of an employee’s child (which counts toward the \$5000 overall limit).

## OBBBA (*cont'd*)

- 1% tax on remittances but exemption if funded directly from bank accounts or debit cards.
- Exclusion from bank gross income of 25% of the interest received on qualified real estate loans made after July 4, 2025, and secured by rural or agricultural real estate. Refinancings are excluded
- Permanent 100% bonus depreciation for qualifying property, including *used* property.

Topic No. 2:  
Subchapter S  
versus  
Subchapter C

---

# S vs C

## S corporation advantages

- Generally no double taxation
  - Shareholder basis increase
  - Dividends (distributions) are generally tax free
- Whole bank S corporation sales, however, not more valuable
- Estate planning
  - GRATs
  - Sales to IDITs
  - Remember CIC/BHC
  - Power of Appointment
  - OBBA increase of estate tax exemption to \$15mm for 2026 (and indexed thereafter)

## S vs C (cont'd)

### Other S Corporation advantages

- No Tefra – TEFRA subsidiary work around
- Control shareholder base
- BOLI/muni income more valuable

### C Corporation Advantages

- Lower tax rates
- Capital alternatives:
  - Preferred stock
  - CBLR
  - Greater number and types of shareholder
- Rebook deferred tax asset
- No inadvertent termination or policing
- FLPs available

## S vs C (cont'd)

### Disadvantages to C Corp Conversion

- No more step up in basis (short of death) but OBBBA
- Stuck with C status for 5 years
- Built-in gains tax exposure for addition 5 years if re-elect S

## Passive Shareholders – High State Income Tax Rate

### Top Tax Rates

	<u>S</u>	<u>C</u>	<u>Difference</u>
Federal tax rate with ObamaCare surtax	32.64%	21.00%	11.64%
State tax rate	10.00%*	10.00%**	0.00%
Federal state tax benefit	0.00%	-2.10%	2.10%
Total	42.64%	28.90%	13.74%

\*Most states allow business to pay and deduct state taxes reducing example rate to 6.736%

\*\* State corporate rates are often lower than individual rates

## Passive Shareholders – No State Income Taxes

### Top Tax Rates

	<u>S</u>	<u>C</u>	<u>Difference</u>
Federal tax rate with ObamaCare Surtax	32.64%	21.00%	11.64%
State tax rate	0.00%	0.00%	0.00%
Federal state tax benefit	0.00%	0.00%	0.00%
Total	32.64%	21.00%	11.64%

Topic No. 3:  
Ownership Options

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## Ownership Succession

- Family bank:
  - Estate planning - OBBBA
  - Communication of estate planning to next generation
  - Communication of estate planning to bank leadership
  - Holdco board members/training
  
- More widely held bank:
  - Director redemption plans
  - ESOP/KSOP
  - Local investors
  - Debt-funded repurchases

Topic No. 4:  
Control Rules

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## Changes in Control

- Important filing thresholds:
  - 25% (any person, group or entity) – bright line
    - 10% (and largest owner (groups people block people/groups block groups) and largest owner
    - Family (or other control groups) 5% (fingerprints required); 2% (IBFRs required) - when joining
- Prior notice issue except for inheritance and potentially gifts
- After-the-fact filings - Inheritances, bona fide gifts, stock repurchases, or the acts of third parties outside the acquiror's control usually may file within *90 days after* the acquisition
- Important note: If a person has been approved for a particular control threshold, but later drops below, that person will typically need to submit a new notice before going back over
- Newspaper publication
- "Groups acting in concert"

## Changes in Control (*cont'd*)

- All group members must file, including parties that become members of existing control groups
- The following are presumed to be acting in concert:
  - A company and any controlling shareholder, partner, trustee, or management official of the company, if both the company and the person own voting securities of the state member bank or bank holding company
  - An individual and the individual's immediate family (a person's father, mother, stepfather, stepmother, brother, sister, stepbrother, stepsister, son, daughter, stepson, stepdaughter, grandparent, grandson, granddaughter, father-in-law, mother in-law, brother-in-law, sister-in-law, son-in-law, daughter-in-law, the spouse of any of the foregoing, and the person's spouse)
  - Companies under common control
  - Persons that are parties to any agreement, contract, understanding, relationship, or other arrangement, whether written or otherwise, regarding the acquisition, voting, or transfer of control of voting securities of a state member bank or bank holding company (other than through a revocable proxy) (certain agreements excepted)
  - Persons that have made, or propose to make, a joint filing under sections 13 or 14 of the Securities Exchange Act of 1934 and corresponding regulations
  - A person and any trust for which the person serves as trustee

## Shareholder Agreements

- A shareholder agreement can result in all signers being deemed controlling parties, regardless of actual ownership - or the shareholders agreement itself may be deemed a “company”
- SR 15-15: Supervisory Concerns Related to Shareholder Protection Arrangements
- The FRB requires review with many routine filings. Commonly flagged issues include:
  - Termination requirements
  - Prohibited “put” options
  - Lengthy / excessive rights-of-first-refusal
  - Terms that discourage investment by new shareholders or make raising capital difficult
  - Best practice: Review for issues *before* filing to avoid delays

# Trusts

- Trusts are distinct from their grantors and trustees - Trusts are new shareholders
- Must provide:
  - Trust agreement
  - Trust financials (or list of assets and approximate valuations, at a minimum)
  - IBFRs for trustees
- Change in trustee will trigger a new filing
- If a trustee is a member of a control group, the trust generally must file as a control group member
- Remind shareholders of the need to notify the holdco prior to transferring stock into a trust
- Requirements to avoid “company” status:
  - Terminates within 21 years and 10 months after the death of grantors or beneficiaries of the trust living on the effective date of the trust or within 25 years;
  - Is a testamentary or *inter vivos* trust established by an individual or individuals for the benefit of natural persons (or trusts for the benefit of natural persons) who are related by blood, marriage or adoption;
  - Contains only assets previously owned by the individual or individuals who established the trust;
  - Is not a Massachusetts business trust; and
  - Does not issue shares, certificates, or any other evidence of ownership.

## Trusts: Special Topics

**Multiple trustees** - Absent special provisions in the trust agreement, all trustees will be deemed to control all of the shares held by the trust

**Trust protectors** - May also be deemed control parties

**Other assets** - If the trust will hold other assets, consider a subtrust to hold BHC assets

**Control vs. "Company"** - These are separate questions that must be analyzed individually

Topic No. 5:  
Stock Repurchases

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## Stock Repurchases

It is important to remember that there are two occasions in which repurchases should not take place, even if the company's shares are underpriced. One is when a business both needs all its available money to protect or expand its own operations and is also uncomfortable adding further debt. Here, the internal need for funds should take priority. This exception assumes, of course, that the business has a decent future awaiting it after the needed expenditures are made.

The second exception, less common, materializes when a business acquisition (or some other investment opportunity) offers far greater value than do the undervalued shares of the potential re-purchaser.

To recap Berkshire's own repurchase policy: I am authorized to buy large amounts of Berkshire shares at 120% or less of book value because our Board has concluded that purchases at that level clearly bring an instant and material benefit to continuing shareholders. By our estimate, a 120%-of-book price is a significant discount to Berkshire's intrinsic value, a spread that is appropriate because calculations of intrinsic value can't be precise.

Warren Buffett  
Letter to Shareholders  
Berkshire Hathaway, Inc.  
February 25, 2017

## Bifurcated Tender Offers

### Choice of Cash or Note

#### For Seller:

- Installment Gains treatment (deferral of taxation)
- Pricing Certainty
- Potentially Greater Cashflow

#### For Holding Company Purchaser:

- Shares are no longer outstanding
- ROE vs. interest on debt
- No transaction costs to issue the debt

## Other Stock Repurchases

### Director Redemptions

- Source of funds:
  - BOLI and seller financing
- Pros for seller:
  - Basis step upon death
  - Pricing
- Pros for buyer:
  - Certainty
  - Pricing
  - Pay out

## Corporate Stocks Buyback – Excise Tax

- 1% excise tax
  - Applies to public companies
  - Includes OTC
- Applicable in mergers (cash consideration)
- Exemption of amount involved if less than \$1mm, tax free reorganizations and repurchases taxed as dividends

Topic No. 6:

# ESOPS and Third-Party Purchases

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## ESOPs little discussed Benefits

- 1042 Transaction – if in one or a series of transactions ESOP acquires 30% or more of a C Corporation, seller(s) can buy corporate equities and debt and defer taxation
- Require retiring employees to sell their shares. A specific form of investment is not a protected right
  - The key is that the company cannot retain discretion to liquidate or not liquidate. It has to commit one way or the other
- ESOP distributions can be delayed but must start no later than the 6th year after employee is terminated (unless leveraged ESOP)

## Broadening Employee Ownership Through an Existing ESOP

Strategy	Accelerated Liquidation of Company Stock Accounts (“Reshuffling”)	Investing S Corp Quarterly Distributions in Company Stock	Make Matching and/or Nonelective Contributions in Company Stock	Leverage the Purchase of Company Stock	One-time Offering of Company Stock for purchase with 401(k) accounts
Description	Generally, ESOP provides for liquidation of Company Stock Account when participants receive a distribution. AA could be amended to liquidate the Company Stock Account at a set date following termination of employment w/o regard to whether employee elected to receive a distribution.	Ordinarily, the Investment Fiduciary is to establish an investment policy. That policy could specify that all S Corp distributions would be invested in company stock. The policy could also specify that all or a portion of the cash contributions should be invested in company stock.	Ordinarily, under the Plan Information section of the Adoption Agreement, the Matching and Elective Contribution Accounts are part of the ESOP. The Company could determine to make matching or nonelective contributions in the form of company stock.	The ESOP borrows an amount from or guaranteed by the holding company. It would purchase shares of company stock. The shares so purchased would initially be held in an unallocated suspense account and released as the loan is paid.	A securities offering under which employees may voluntarily use funds in the Non-ESOP portion of the plan, including amounts rolled over from IRAs and qualified plans of previous employers, to purchase shares of company stock.
Who Benefits and is ownership broadened?	Participants who have cash in their ESOP accounts that is used to liquidate the terminated participant’s shares. This may include participants who previously did not have shares allocated to their accounts.	Participants with current company stock balances since only their accounts receive the quarterly distribution. Does not expand number of employees allocated shares.	All participants who are eligible to share in the contribution, including participants who were not previously allocated shares.	Participants who would otherwise receive the contributions and/or S Corp distributions that are used to pay the loan. Includes participants who were not previously allocated shares.	Participants who voluntarily elect to use funds in their Non-ESOP Accounts to purchase shares. Participants with the largest balances can purchase the most shares.
Company Financial Commitment and Deduction	None. Only funds available in the plan are used to liquidate shares.	None. If the Company eliminates or reduces the quarterly distribution, shares purchased are correspondingly reduced.	No increase required. Stock contribution is deductible to the extent of the FMV of the shares on the date of contribution. Allows deduction without cash outlay.	Company would incur an obligation to make sufficient contributions and/or pay S Corp distributions to allow plan to pay off loan. The contributions are deductible.	No deduction but amounts received from sale of securities are excluded from Company’s income.

## Broadening Employee Ownership Through an Existing ESOP (cont'd)

Strategy	Accelerated Liquidation of Company Stock Accounts ("Reshuffling")	Investing S Corp Quarterly Distributions in Company Stock	Make Matching and/or Nonelective Contributions in Company Stock	Leverage the Purchase of Company Stock	One-time Offering of Company Stock for purchase with 401(k) accounts
General	Although it doesn't cost anything, accelerating the liquidation of shares probably does the least to expand ownership. It does prevent former employees from continuing to share in the growth of the company and S Corp distributions.	Participants generally do not direct the investment of "ESOP Accounts," which is defined as the matching and nonelective accounts. An investment decision is being made by the trustee regardless of whether company stock or other investments are purchased.	Although this is an easy way to expand beneficial ownership of company stock, the impact at the participant level is slow because only future contributions are utilized.	Allows significant and immediate increase in plan ownership but impact at participant level is only realized as the loan is paid off. This may be some years. Can be beneficial to buy out retiring, deceased or dissident shareholders.	Allows immediate increase in beneficial ownership at participant level. Typically allows the key employees to purchase significant number of shares with pre-tax dollars and then shelter the growth on that investment in the plan and thereafter in an IRA.

# Issues to Consider in a Capital Offering



Topic No. 7:  
Employee Retention

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## Employee Retention

- Trendline
- Agreements
- SERP/SAR
  - Quid pro quo
  - Deferral
- Change in control – **2.0**
- Stock options/restricted stock
- Salary continuation plans

# Soil Nutrient Deductions

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## What are Soil Nutrients?

Of the 17 essential nutrients for the growth of most plants, the most well-known soil nutrients are nitrogen (N), phosphorus (P) and potassium (K). They make up the trio known as “NPK.”

Various provisions of the Internal Revenue Code (“IRC” or “Code”) that authorize federal tax “legacy nutrient deductions” (“LNDs”) for properly valued and documented soil nutrients provide possible planning opportunities.

## Nutrient Deductions

Section 180 provides a current deduction for the soil nutrient value (residual fertility) in land (a) purchased or inherited in the year that the deduction is pursued, (b) that is used for agricultural production, and (c) when the owner is actively engaged in farming, ranching, or in some cases, production timber.

Other provisions of the Code (Sections 167, 168, and 611) also offer taxpayers the opportunity to utilize LNDs.

Implementing LNDs under these Sections does not allow for a one-time, current deduction as does Section 180, but they do offer strategies to landowners who are not actively engaged in the business of farming.

They also offer landowners the possibility of pursuing LNDs on previously purchased or inherited properties.

## Deductions and Guidance

IRS 1995 MSSP guidelines laid out the following criteria:

- (a) establish the presence and extent of the fertilizer (the natural and man-made source of nutrients);
- (b) show the level of soil fertility attributable to fertilizer applied by the previous owner;
- (c) provide a basis upon which to measure the increase in fertility in the land;
- (d) provide evidence indicating the period over which the fertility attributable to the residual fertilizer will be exhausted; and
- (e) prove that the landowner has beneficial ownership of the residual fertilizer supply.

## Appropriate Timeline

Because soil nutrients in the “aerobic zone” of the topsoil (roughly the first 6 to 8 inches) are readily plant-available, they are used in a relatively short time frame. This is a critical factor when thinking about amortization periods of LNDs under Sections 167, 168, or 611 (e.g., farmland, ranchland, and production timberland).

## Amount of Deductions

Most state agricultural extension agencies regard the best practice for determining “baseline” nutrients as applying one year’s worth of crop use to the soil.

Any nutrients that are applied in excess of the crop-usage amount are commonly referred to as “excess nutrients.” Anything present in the topsoil of the aerobic zone that exceeds that baseline amount at the time the land is purchased or inherited is deemed an “excess” nutrient, the amount that supports the LNDs (subject to basis limitations).

## Example

Assume a farmer wants to purchase 1,500 acres of land at a price of \$5,000 per acre. The total acquisition price would be \$7,500,000. Assume the farmer utilizes a soil nutrition deduction of \$1,500 per acre. If that farmer is in the 35% tax bracket for the current year, the deduction could be worth \$525 or more per acre (after tax) or a cash equivalent of approximately \$800,000. This dollar amount is approximately 12% what he paid for the land.

## Tax Disclaimer

The information in this paper is general in nature and based on authorities that are subject to change. The authors assume no obligation to inform the reader of any changes in tax laws or other factors that could affect the information contained herein. This paper does not and is not intended to provide tax, legal, or accounting advice. Farmers, ranchers, timberland owners,, and all other readers should consult their tax, legal, and financial advisors concerning the application of these tax laws for their particular financial situation.

# Compensation Updates

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# Overview of Topics

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**1** Liquidity Incentive Program

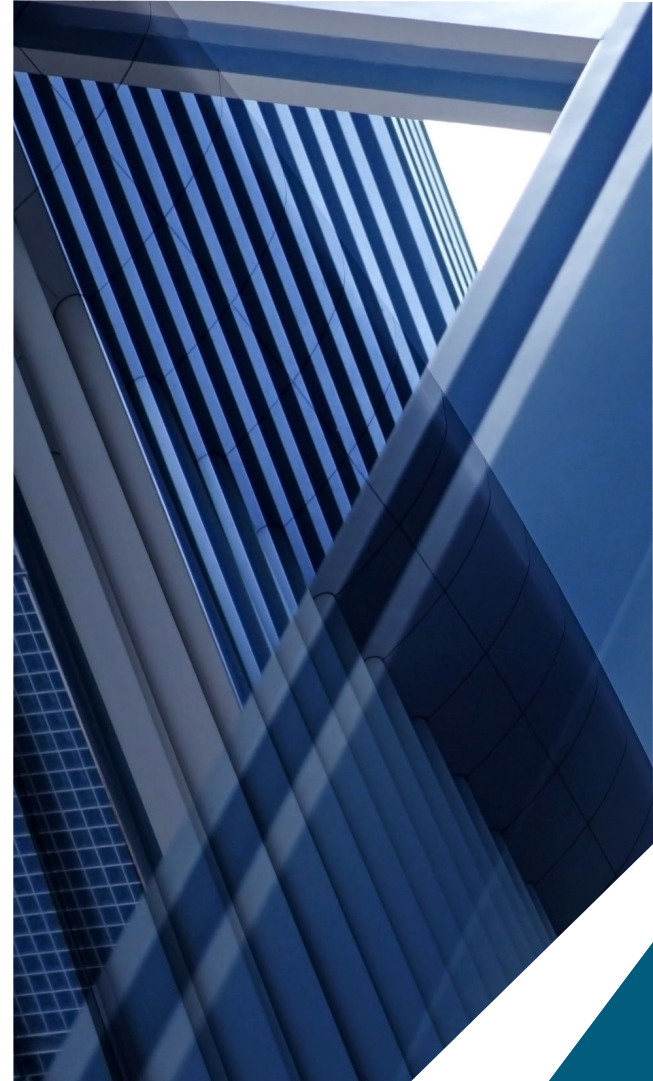
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**2** Pre M&A CIC Agreements

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**3** Top 10 Reasons to Review Employment Agreements

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Topic No. 1:

---

Liquidity Incentive Program

# Liquidity Incentive Program

Designed to **reward employees** upon a liquidity event **without current equity dilution**



**Key:** Determining who should participate

- Ability to **increase value** of the bank
- Incentives **required** to remain employed
- **Motivation** to increase stockholder value



What **liquidity events** and should they be treated differently

- Merger, sale or other transfer of 50% or more of **voting power or assets**
- IPO



How big is **the pool?**

- Fixed dollar
- Percentage of sale proceeds
- Sliding scale

# Liquidity Incentive Program (cont'd)



## Grants

- One time
- Annually



## Hurdle



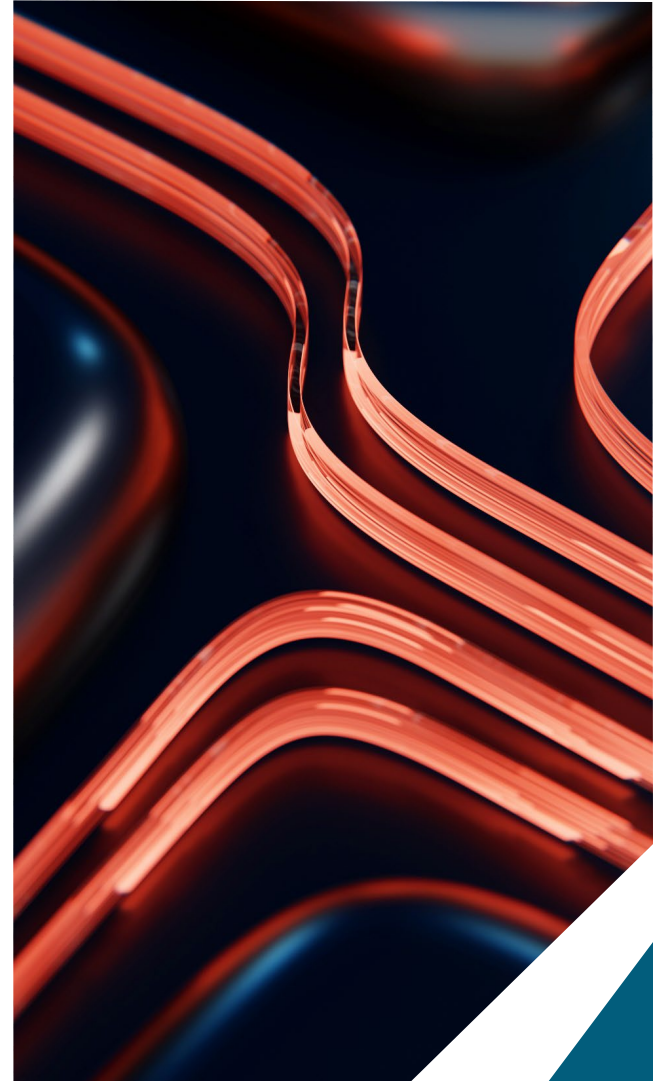
## Vesting and forfeiture

- **Minimum time component** for new employees?
- **Present** to win
- How do forfeitures get **allocated**?



## Consideration

- Cash only
- Same consideration **as shareholders**



## Liquidity Incentive Program (cont'd)



### Plan document/award agreement provisions

- Waiver and release
- Drafted to be **409A** compliant



### Determine who gets the deduction (buyer or seller)

- Driven by **timing of payment**
- **Unless contractually negotiated** in the definitive agreement

Topic No. 2:

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Pre M&A CIC Agreements

## Change in Control Payment “Best Practices”

Cash severance **no higher than 3.0x the sum of base salary and bonus** (typically defined as target bonus or an average of two-to-three prior years' actual bonuses)

“**Double-trigger**” severance and equity vesting acceleration i.e., benefits are only provided if:

① the transaction is **completed**

② there is an **involuntary termination** of employment

For equity vesting acceleration, the second trigger may also be that the acquirer chooses not to assume, convert, or replace outstanding awards on an economically equivalent basis

- But consider, how will the Company's shareholders get the benefit of “**no second trigger**”?

Cash severance multiple applied to **base salary and annual bonus only** (i.e., long-term incentives are not included)

No excise tax gross-up

# Golden Parachutes Background

Golden parachute payments are governed by **Section 280G** and **4999** of the Code. If applicable, these Code sections generally:

- Impose a **20% excise tax** on disqualified individuals for their receipt of an excess parachute payment, and
- Deny a corporate deduction for the same

Only **“excess”** (amounts exceeding 2.99x the **“base amount”**) **“parachute payments”** that are **“contingent”** on a change in control and that are paid to a **“disqualified individual”** are subject to adverse tax consequences under Section 280G

- Negate **any of these four elements** and 280G would not apply to that particular payment
- Disqualified individuals include directors, officers, 1%+ stockholders

Once the above adverse tax consequences are triggered, a **20% excise tax** (and corresponding loss of a deduction) applies to the amount of parachute payments that **exceed 1x the base amount**

280G **does not apply to S corporations**  
(or corporations eligible to elect S corporation status)

# Golden Parachutes

(cont'd)

## What amounts are included?



**Change in Control payments**



**Stay Pay/Stay Put payments**



**Non-Standard Severance pay**



**Continuation of benefits post-closing**



**SERPs and Salary Continuation Plans**



**Vesting of unvested amounts**



**Deferred compensation**



**Stock options**



**Payments made or agreements entered into within 12 months preceding the change in control (rebuttable presumption)**

Build in a **mitigation technique**

If excess, default is **valuing a noncompete**

Topic No. 3:

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Top 10 Reasons to Review Employment  
Agreements

# Executive Employment Agreements

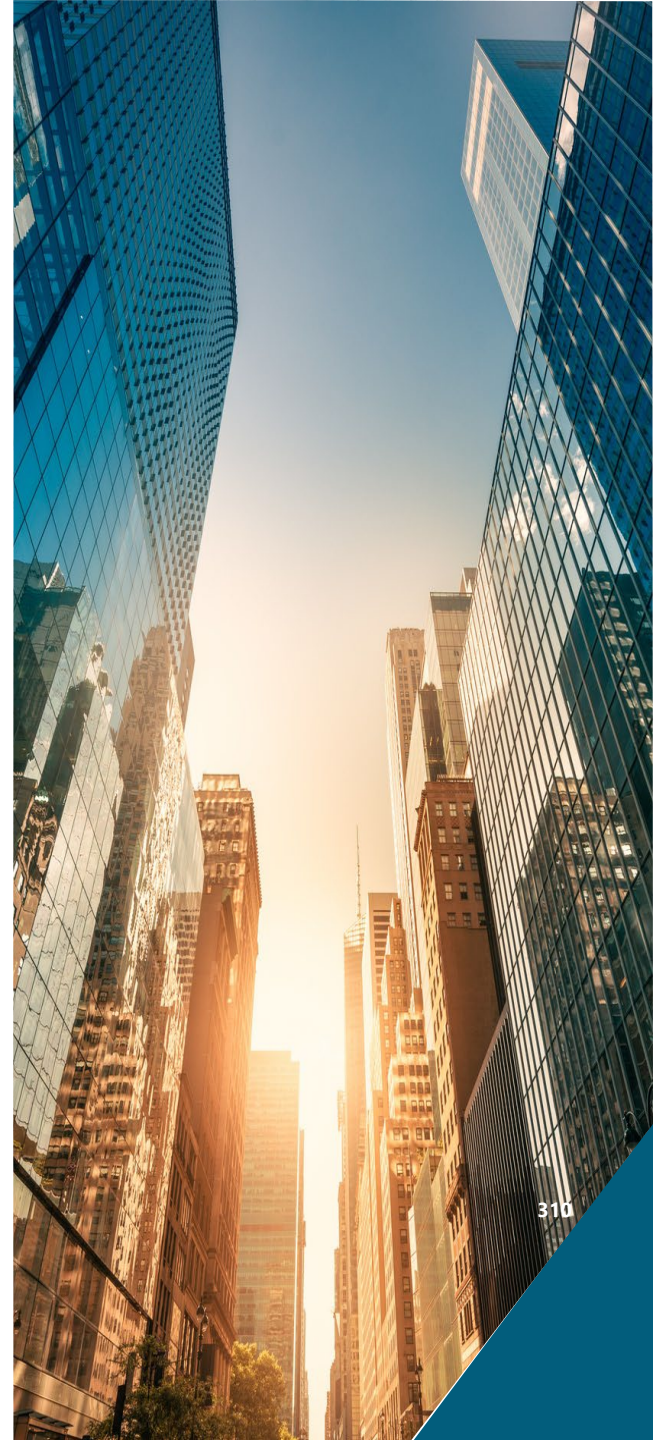
## Good Reason

1

Location, location, location

2

Duties



# Executive Employment Agreements (*cont'd*)

## Cause

3

Build out a procedure

- Notice and cure
- Time period by which claims run out

4

After acquired evidence



## Executive Employment Agreements (*cont'd*)

### Term

5

Term should extend upon a change in control

6

Change in Control Protection Period

# Executive Employment Agreements (*cont'd*)

## Termination

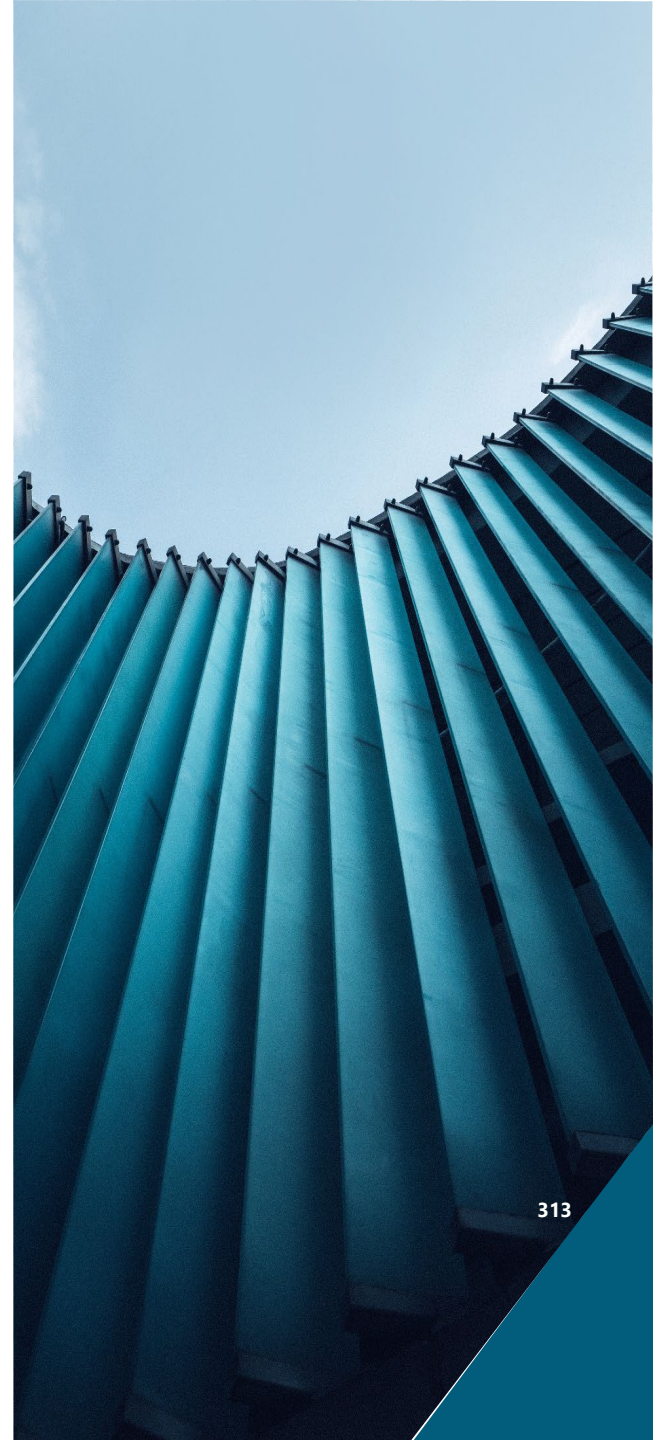
**7** Waiver and release timing

**8** Noncompetes

**9** Nonsolicit

**10** Survival

\* **280G Mitigation** (see above)



## M&A Returns With a Vengeance

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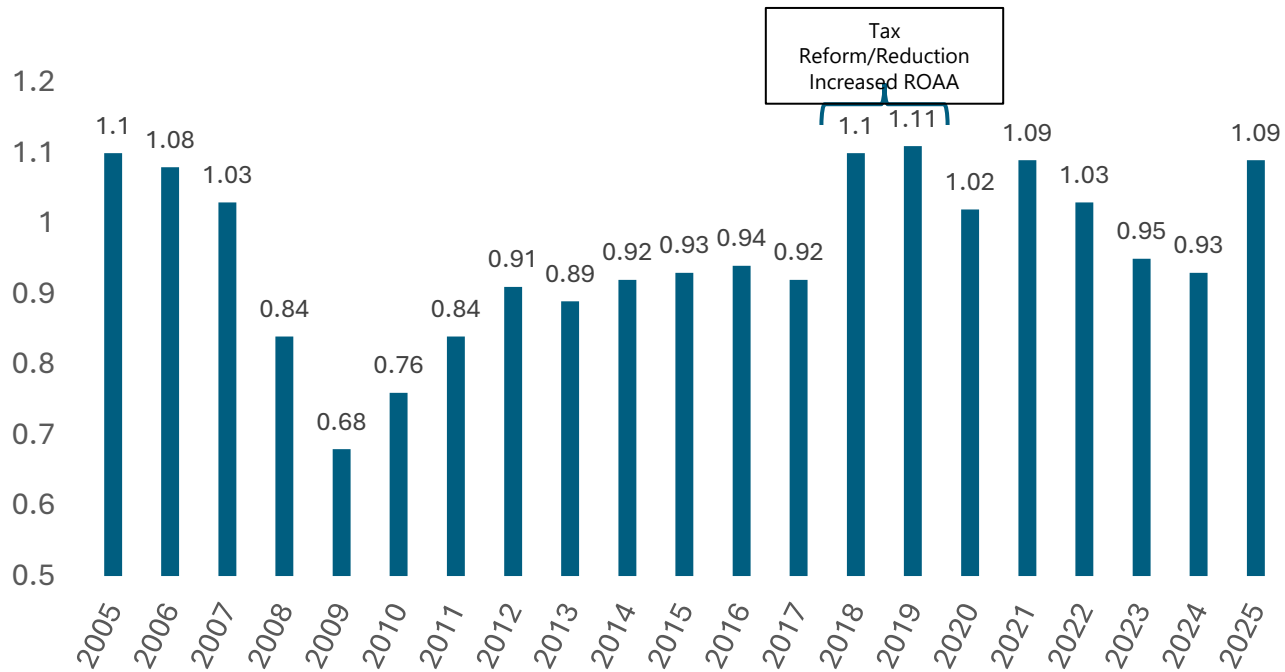
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## M&A Quotes from Gerald J. Ford (Hilltop Holdings/Plains Capital Bank)

1. Never get mad at your money.
2. You're only as good as your last deal.
3. Never call anybody's baby ugly.
4. Don't be incrementally seduced.
5. Don't pay someone for your heavy lifting.
6. A dollar borrowed is a dollar gained; a dollar repaid is a dollar lost forever.
7. Equity is your most expensive form of capital
8. Don't get "deal" heat.
9. Don't worry about the last 10%.
10. There is no such thing as a merger of equals.

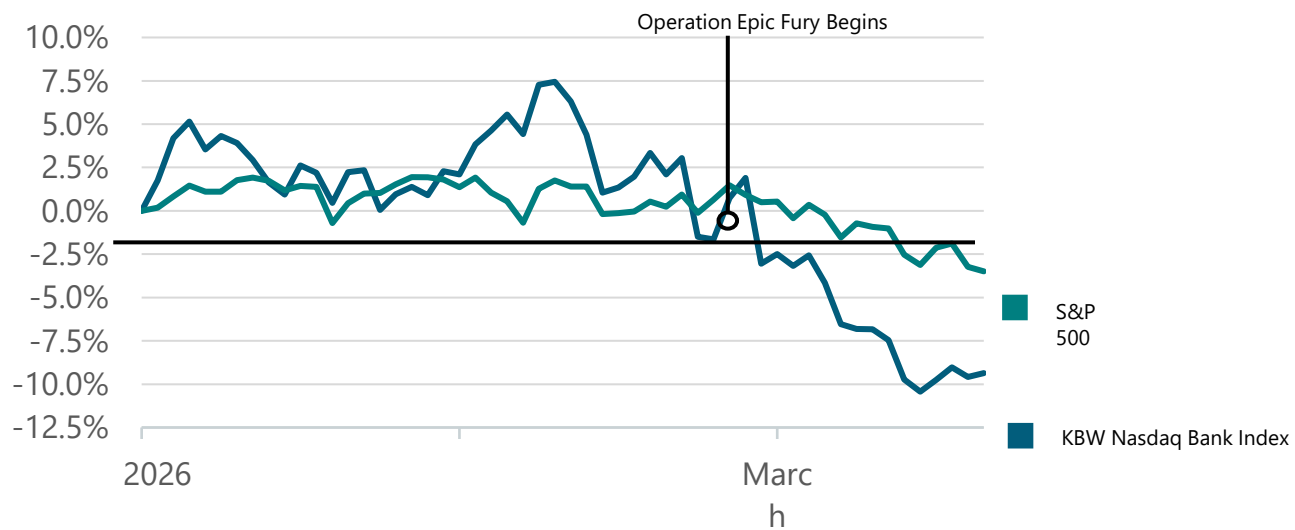
# Where are bank earnings heading from here?

Median Bank Industry ROAA



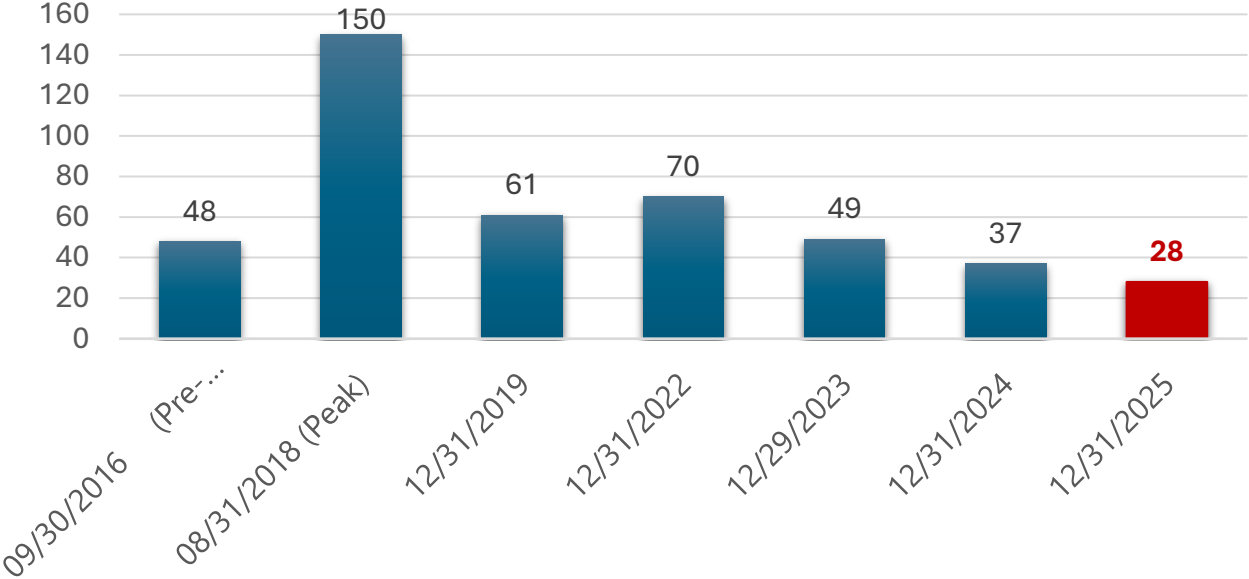
*Includes financial data for all U.S. commercial banks, savings banks, and thrifts (top tier consolidated only)  
Source: S&P Capital IQ Pro; Data as of Q4 2025*

# Performance of large bank stocks and the broader market in 2026



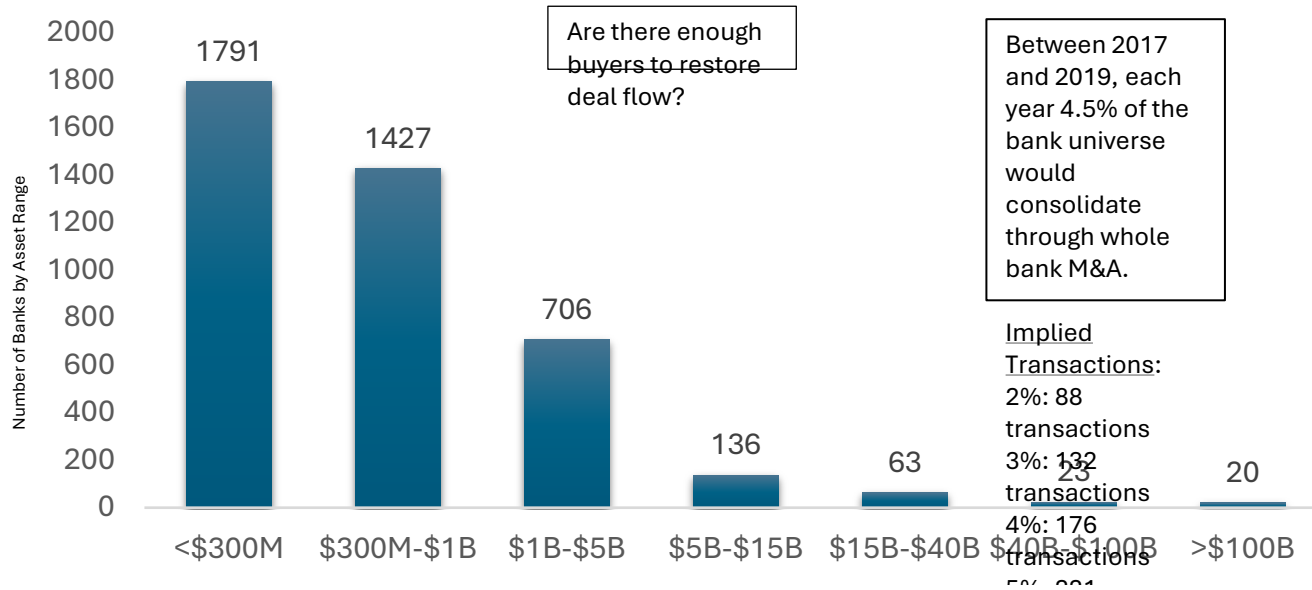
Source: FactSet

# Number of Banks with Price to Tangible Book Values Greater Than 2x



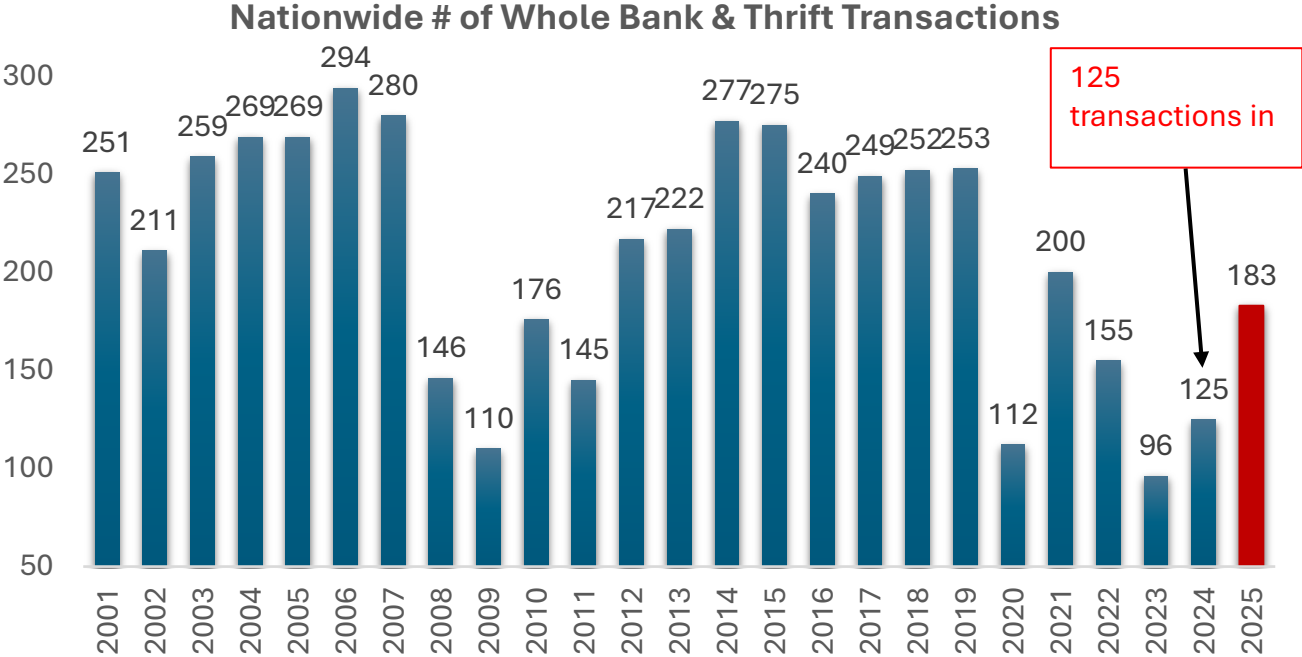
Data as of Q4 2025  
Note: Includes all U.S. banks traded on NYSE and NASDAQ exchanges where price/ tangible book metrics are available.  
Source: S&P Capital IQ Pro

# Number of Banks by Asset Size



Note: Includes all top tier consolidated regulated depositories.  
 Source: S&P Capital IQ Pro; Data current as of Q4 2025

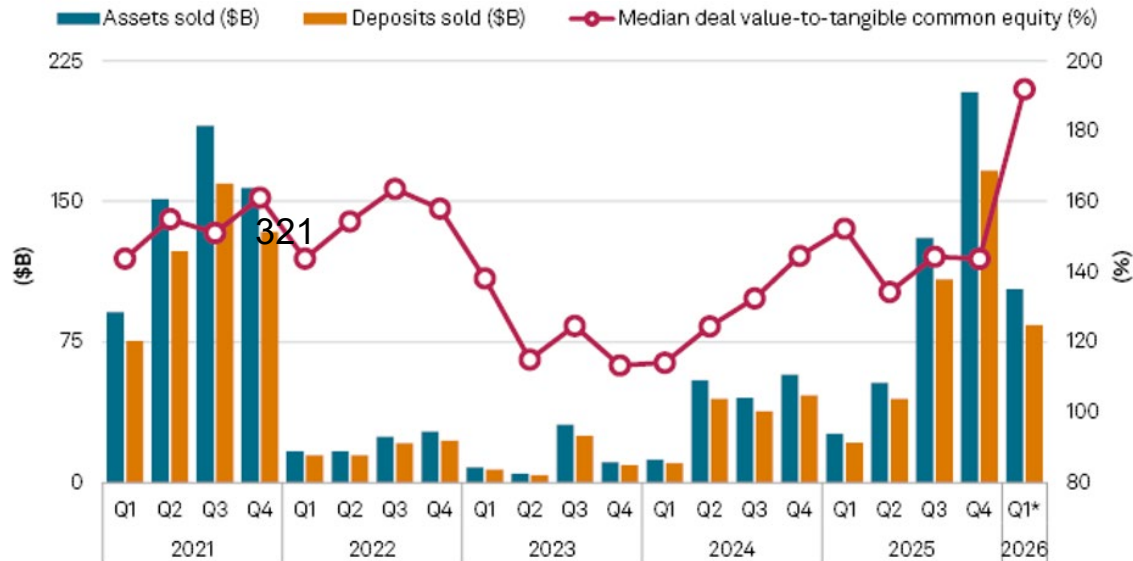
# Nationwide # of Whole Bank & Thrift Transactions



Data current through the end of 2025.  
Source: S&P Capital IQ Pro

# M&A for 2025/2026

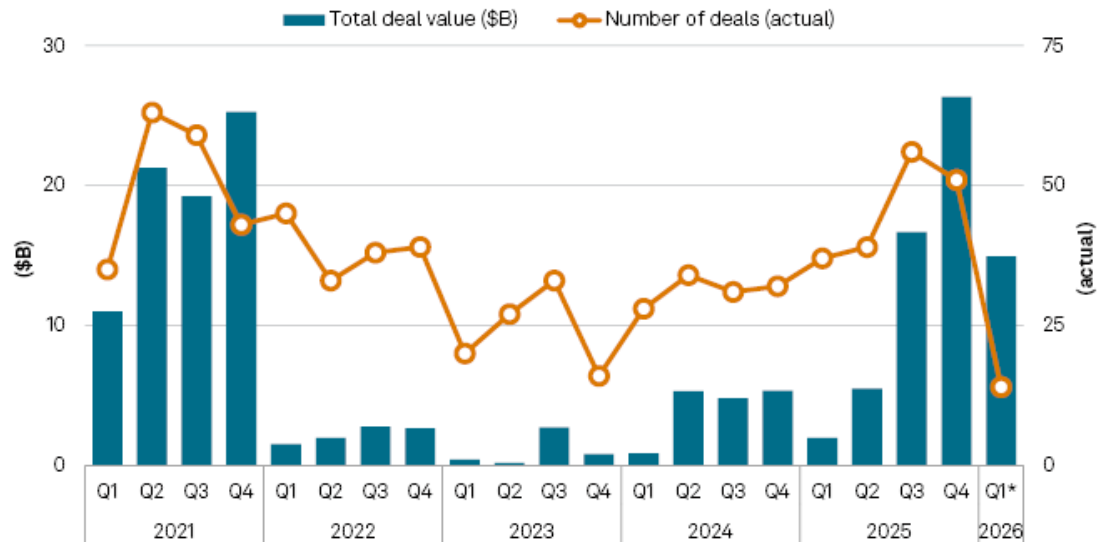
	2021	2022	2023	2024	2025	2026 YTD*
Number of deals (actual)	200	155	96	125	183	14
Total deal value (\$B)	76.73	8.94	4.14	16.34	50.46	14.94
Assets sold (\$B)	589.77	84.97	54.63	169.36	417.71	103.19
Deposits sold (\$B)	492.24	72.13	44.97	139.55	340.65	84.04
Median deal value-to-tangible common equity (%)	152.2	153.9	124.2	131.4	142.2	191.9



Data compiled Feb. 4, 2026.  
 Analysis limited to US-based whole company and franchise bank and thrift deals that were announced between Jan. 1, 2021, and Feb. 3, 2026. Excludes branch, minority-stake, government-assisted and terminated deals, as well as bids and thrift merger conversions.  
 All metrics are as of the announcement date.  
 \* Year to date and quarter to date through Feb. 3, 2026.  
 Deal value-to-tangible common equity is the deal value as a percentage of tangible common equity acquired; derived from per-share values when all ratio components are available; otherwise, aggregate values are used.  
 Source: S&P Global Market Intelligence.  
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# M&A for 2026 (cont.)

## 14 US bank deals announced in 2026



Data compiled Feb. 4, 2026.

Analysis limited to US-based whole company and franchise bank and thrift deals that were announced between Jan. 1, 2021, and Feb. 3, 2026. Excludes branch, minority-stake, government-assisted and terminated deals, as well as bids and thrift merger conversions.

\* Quarter to date through Feb. 3, 2026.

Deal values are as of the announcement date.

Source: S&P Global Market Intelligence.

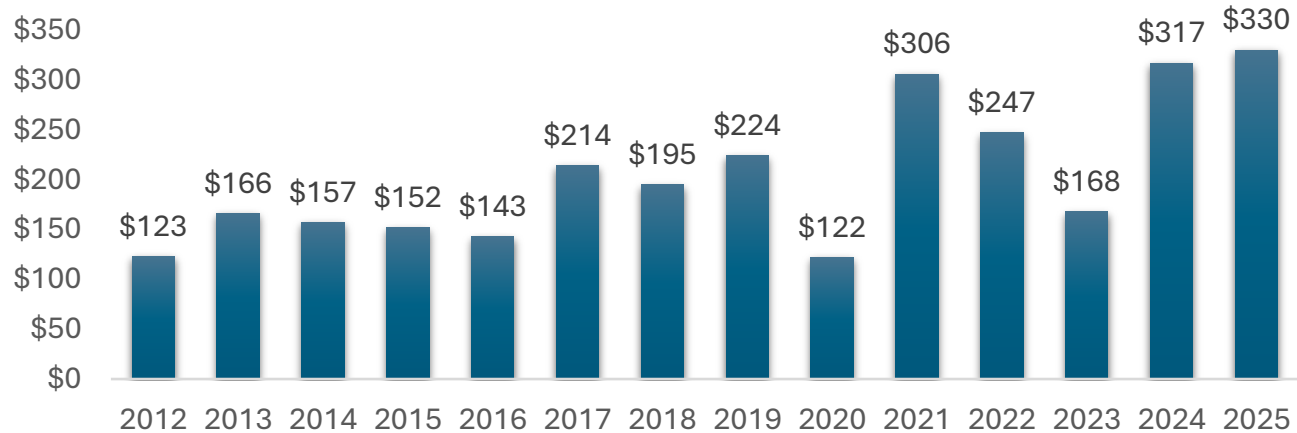
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## Why M&A for Buyers?

- Greater scale and efficiency
- Stronger currency
- Interest rate pricing power
- Potential funding source
- Revenue diversity
- Concentration relief
- Pent-up loan demand
  - + New loans at FMV continue to help offset legacy loan rates
- Geographic expansion
- Potential deregulation

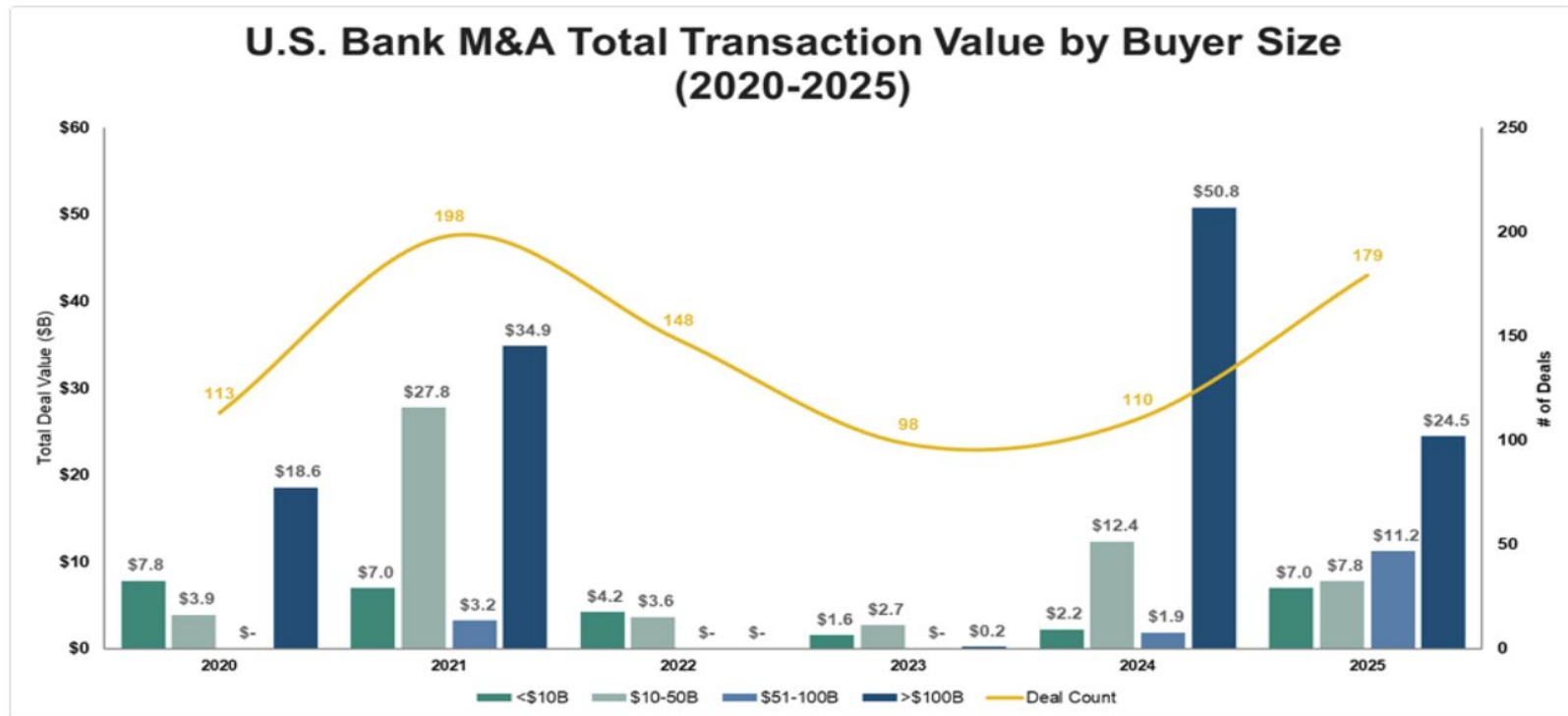
## Whole Bank & Thrift M&A Trends

### Nationwide **Median** Seller Asset Size (\$ in millions)



Data current as of January 2026  
Source: S&P Capital IQ Pro

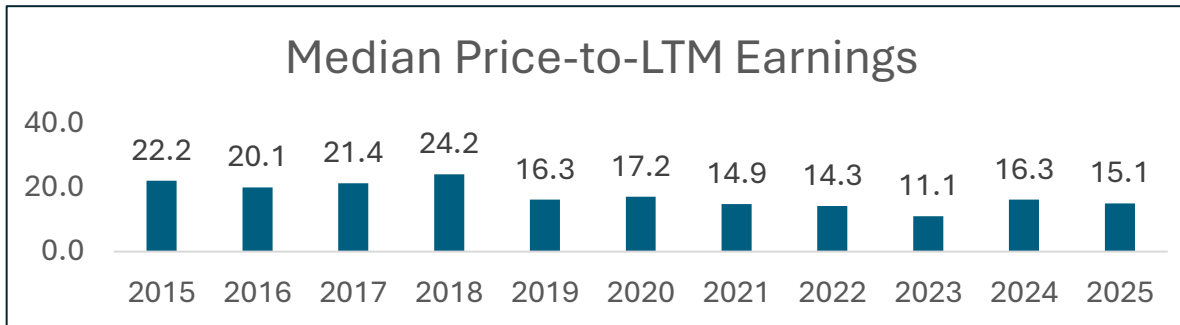
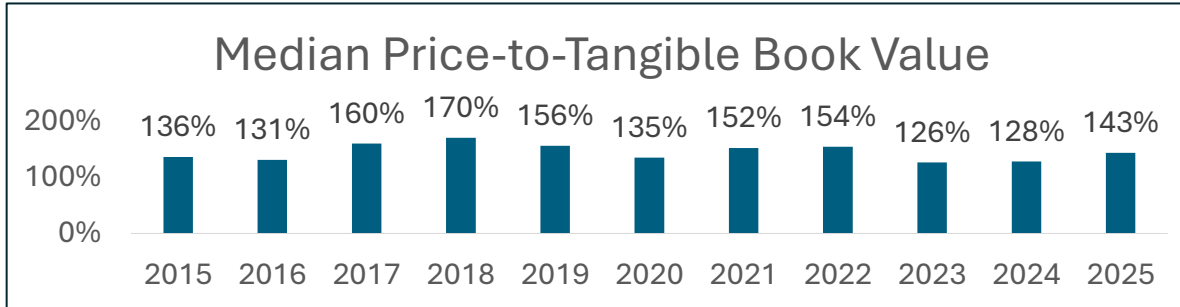
# Banking Industry Outlook: U.S. Banking M&A Caps Off a Historic 2025



## Why M&A for Sellers?

- Management succession
- Regulatory pressure
- Shareholder pressure
- Cost-cutting has reached its limits and is reversing; inability to lower efficiency ratios
- Economic cycle concerns
- Declining loan demand
- High cost of funds (COFs)
- Concentrations limit the ability to grow loans
- Potential decline in quality buyers

## Nationwide M&A Trends



Data as of January 1, 2026  
Source: S&P Capital IQ Pro

## Banking Industry Outlook: U.S. Banking M&A Caps Off a Historic 2025

	2020–2021 (Low Rates)	2022 (Transition)	2023–2025 (High Rates)	Trend
<b>1. Frequency of Skepticism</b> <i>(% of Acquirers Seeing Day 1 Stock Drop)</i>	61.10%	45.50%	63.50%	 Higher
<b>2. Initial Severity</b> <i>(Median Post Announcement Price Drop)</i>	-3%	-3.18%	-2.46%	 Lower
<b>3. Depth of Punishment</b> <i>(Median Max Drawdown)</i>	-6.35%	-9.18%	-8.74%	 Higher
<b>4. Duration of Penalty</b> <i>(Median Days to Recover)</i>	15 Days	37 Days	20 Days	 Higher

# Regulatory Update

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*If everything seems under control, you're not going fast enough.*

Mario Andretti

# Overview of Topics

1. One Big Beautiful Bill Act of 2025
2. New Sheriffs in Town
3. What has Been Achieved so Far?
4. OCC and FDIC Supervisory Changes
5. Appellate Process
6. Congress Gets Into the Act?
7. IT Agreements
8. New Entrants and New Payment Systems
9. Key Themes for Banking



## Topic No. 1:

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One Big Beautiful Bill Act of 2025

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## One Big Beautiful Bill Act of 2025 (“OBBBA”)

- Permanently extended the tax rates from the Tax Cut Jobs Act of 2017 (top rate of 37% for 2026 at \$768,700 married filing jointly; 35% rate from \$512,451 for 2026. Rates are indexed). Remember the TCJA made permanent reduction in the corporate tax rate from 35% to 21%.
- Raised the cap on the state and local deduction to \$40,000 with a 1% increase each year for taxpayers making less than \$500,000 with a 1% increase each year (Reverts to \$10,000 after five years – 2030). Pass through entity workaround preserved.
- Permanent extension of IRC Section 199A qualified business income deduction.

## OBBBA (*cont'd*)

Deductible amount equals lesser of:

QBI x 20% or the greater of:

- W-2 wages x 50%
- W-2 wages x 25% + (2.5% x unadjusted basis of qualified Property)

## OBBBA (cont'd)

- Federal estate, gift and generation-skipping (GST) tax exemption increased to \$15 million starting in 2026 (adjusted for inflation).
- Permanent repeal of “Pease limitation” only allowing itemized deductions above 2% of AGI. The Pease limitation was replaced with a new limit on itemized deductions to those in the top 37% bracket. The new limit reduces all itemized deductions including SALT by  $2/37^{\text{th}}$  of the lesser of:
  1. The taxpayer’s itemized deductions; or
  2. The amount by which the taxpayer’s taxable income plus itemized deductions exceeds the threshold at which the 37% bracket begins (for 2026, \$768,700)
- Creates Trump accounts allowing parents to create tax-deferred accounts for the benefit of children (expires in 2028) UST will make an initial one-time \$1,000 contribution.
- Trump accounts are for children 18 and under with a SSN. Contribution limit of \$5000. Employers can contribute up to \$2500 per year to account of an employee’s child (which counts toward the \$5000 overall limit).

## OBBBA (*cont'd*)

- 1% tax on remittances but exemption if funded directly from bank accounts or debit cards.
- Exclusion from bank gross income of 25% of the interest received on qualified real estate loans made after July 4, 2025, and secured by rural or agricultural real estate. Refinancings are excluded
- Permanent 100% bonus depreciation for qualifying property, including *used* property.

The background features a complex, low-poly geometric pattern in various shades of blue. A large, solid dark teal rectangle is positioned in the lower-left quadrant, serving as a backdrop for the text.

## Topic No. 2:

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New Sheriffs in Town

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# New Watchdogs Signal Favorable Policy Shifts for Banks

## *Lighter Touch, Pro-Growth, Innovation-Friendly Regulation*



### **Michelle Bowman, Fed Vice Chair of Supervision**

- She is a proponent of the concept of tailored supervision based on size, scope, complexity and risk
- Supports bank innovation and a transparent regulatory framework



### **Jonathan Gould, Comptroller of the Currency**

- Effective October 1, OCC reorganized supervision lines into asset size groups (Community Banks <\$30B)
- Pledged to end "debanking"
- Supports granting national trust charters to fintech/digital asset firms



### **Travis Hill, FDIC Chair**

- Wholesale review of regulations and supervision
- More flexible approach to bank M&A and technology adoption
- Oversight of stablecoins and fintech



### **Stuart Levenbach, Director of CFPB (Nominated)**

- Agency is largely nonfunctional
- Trump administration is pursuing its agenda to close or significantly reduce the agency's role or transfer its responsibilities to the other agencies



## Topic No. 3:

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What has Been Achieved So Far?

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# What has Been Scrapped

- Joint final CRA rule
- Climate Disclosure regulations
- Proposed Credit Card late fees
- FRB novel activities program
- Requirement of prior request for supervisory nonobjection for novel activities
- Disparate Impact
- OCC rescinded certain Fair Housing Loan Data System requirements that were only applicable to national banks (it was largely duplicate of HMDA)
- § 1071 of Dodd-Frank: Small Business Lending Rule
- Disclosure of Consumer Complaint data

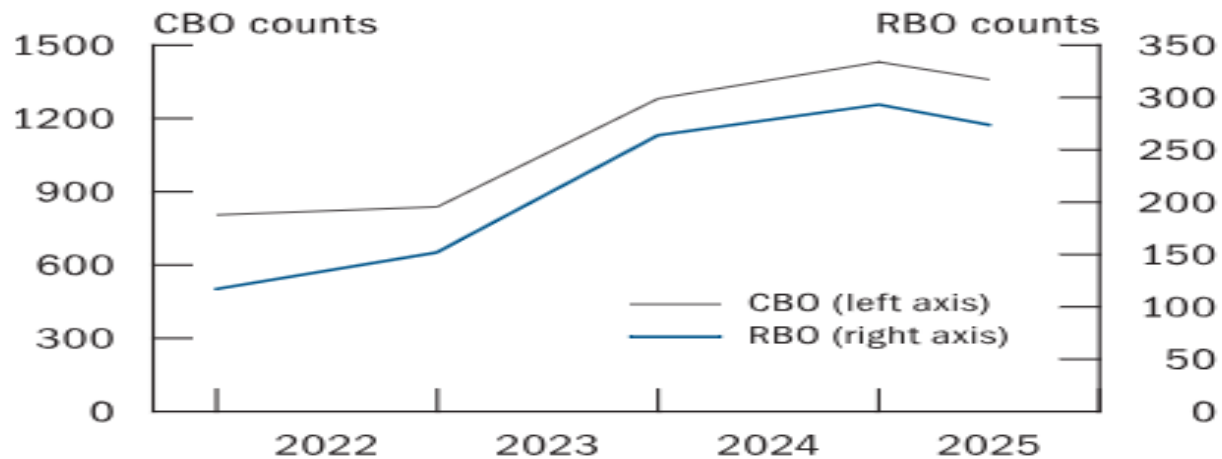
## Congressional Review Act

- \$5 overdraft fee rule from the CFPB
- Subjecting digital payment providers processing 50mm transactions to the Electronic Fund Transfer Act

## Streamlined or Modified

- FinCEN Customer Due Diligence Rule / Beneficial Ownership Reporting
- OCC update of BSA/AML examination procedures
- OCC simplified licensing requirements for corporate activities for national banks and federal savings banks with under \$30bb in assets (“covered community banks” or covered community savings associations”) thereby:
  - (i) Expanding expedited review eligibility to include applications for business combinations, branch establishments, and capital distributions;
  - (ii) Allowing qualifying institutions to use after-the-fact notices instead of full applications for certain non-controlling investments and operating subsidiaries; and
  - (iii) Clarifying that an adverse public comment is considered “significant” – and therefore warrants removing a filing from expedited processing – only if it presents previously unknown facts that, if accurate, would support denying or imposing a condition on the filing’s approval
- FRB reliance on bank level regulators
- FDIC raised threshold for 12 CFR 363 levels with indexing

## Outstanding Number of Supervisory Findings, CBO and RBO Firms



[Accessible Version](#) | [Return to text](#)

Note: Values are as of year-end. The 2025 value is as of 2025:Q2. The findings count data are subject to revisions as issues are reviewed, updated, and finalized; this could result in minor historical count fluctuations.

Source: Internal Federal Reserve supervisory databases.

## Outstanding Supervisory Findings by Category, CBO Firms



[Accessible Version](#) | [Return to text](#)

Note: As of 2025:Q2, there were 1,359 total supervisory findings for CBO firms.

Source: Internal Federal Reserve supervisory databases.

## What's Coming Next?

- FRB request for information on “skinny” master accounts. These would allow access to the payment rails but exclude other aspects such as discount window access or daylight overdrafts
- The rise of private credit. Regulators are monitoring bank exposure to private equity and other private lenders
- Battle over FRB Chair



## Topic No. 4:

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OCC and FDIC Supervisory Changes

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# FDIC and OCC Supervisory Changes

## Key takeaways

- A higher bar for FDIC and OCC enforcement actions based on safety and soundness
- A higher bar for MRAs – but with a lower standard than the new enforcement standards
- MRAs based on violations of law would require actual – not merely potential – violations and could not be based in immaterial violations of nonbanking regulations or laws
- Application of the standards would be tailored to the underlying financial risks of the bank
- FDIC – and OCC – supervised banks should expect a narrowed scope of enforcement activity
- Nonbinding FDIC and OCC examiner suggestions will be truly nonbinding
- Downgrades of bank composite ratings would be tied to material financial risks – but no similar changes for Management component
- Codified prohibition on the use of reputation risk

## Background

The FDIC and OCC have jointly proposed to codify key changes to their supervisory frameworks through two notions of proposed rulemaking.

- The Supervisory Measures Proposal would introduce new measures for when the FDIC and OCC will take an enforcement action based on an “unsafe or unsound practice” or issue a matter requiring attention (MRA) to a bank. The proposed standards reflect a narrowed supervisory approach focused on material financial risks.
- The Reputation Risk Proposal would codify the elimination of reputation risk from the FDIC and OCC’s supervisory programs in those agencies’ regulations.
- Notably, the Federal Reserve Board did not join the Proposals, and it remains to be seen when, if any, parallel changes it will make to its supervisory framework.

# Areas affected by the Supervisory Measures Proposal

The Supervisory Measures Proposal would change the following aspects of the FDIC and OCC's supervisory frameworks:

## Enforcement actions

The Supervisory Measures Proposal would only modify the FDIC and OCC's approach to enforcement actions that are based on "unsafe or unsound practices," a phrase that is not defined in the statute and previously has not been defined by regulation. Section 8 of the FDI Act uses "unsafe or unsound practices" as grounds for enforcement actions, including involuntary terminations of deposit insurance by the FDIC, cease-and-desist orders, temporary cease-and-desist orders, removals and prohibitions of an institution-affiliated party, and certain civil money penalties. Breach of fiduciary duty and violations of law would continue as independent bases for enforcement actions.

## MRAs

In addition to changing the standard for issuance of an MRA, the FDIC would change terminology from matter requiring board attention (MRBA) to MRA under the Supervisory Standards Proposal.



## Informal communications

Informal communications refer to nonbinding suggestions to enhance a bank's policies, practices, conditions or operations that do not rise to the level of an MRA and that may be communicated orally or in writing.

The OCC refers to these as "supervisory observations."

## Composite ratings

Composite rating refers to a bank's UFIRS rating.

# Comparing the proposed standards for unsafe or unsound practices and MRAs

## Enforcement orders

For purposes of the OCC's and FDIC's enforcement powers, an "unsafe or unsound practice" is a practice, act, or failure to act, alone or together with one or more other practices, acts, or failures to act, that:

- is contrary to generally accepted standards of prudent operation; **and**
- if continued, **is likely to**—
  - materially harm the financial condition of the institution; or
  - present a material risk of loss to the Deposit Insurance Fund; or
- materially harmed the financial condition of the institution.

## MRAs

The OCC and FDIC may only issue an MRA to a bank for a practice, act, or failure to act, alone or together with one or more other practices, acts, or failures to act, that:

- is contrary to generally accepted standards of prudent operation; **and**
- if continued, **could reasonably be expected to, under current or reasonably foreseeable conditions**—
  - materially harm the financial condition of the institution; or
  - present a material risk of loss to the Deposit Insurance Fund; or
- materially harmed the financial condition of the institution; or
- **is an actual violation of a banking or banking-related law or regulation.**

## Definitions Applicable to Both Proposed Measures

- **Imprudent act** – the practice must be contrary to generally accepted standards of prudent operation.
  - The FDIC and OCC do not intend to take enforcement actions or communicate an MRA for prudent operations that result in risk-taking.
- **Materially harm the financial condition**
  - **Material** – risks of minor financial harm, even if imminent or actually realized, are insufficient.
    - The materiality standard would be met if the likely harm would materially impact the institution’s **capital, asset quality, liquidity, earnings or sensitivity to market risk** or **materially** impact the risk that an institution **fails and causes a loss to the DIF**.
      - The FDIC and OCC have signaled that it would be rare for weaknesses in policies, procedures, documentation or internal controls, alone, to meet this standard,
    - The FDIC and OCC did not propose, but requested comments on whether they should adopt, quantitative thresholds for materiality (e.g., based on capital or liquidity outflow metrics).
  - **Harm** – the FDIC and OCC interpret harm to mean “financial losses,” meaning the practice must either have caused actual material financial losses, or material financial losses are “likely” or “reasonably foreseeable.”
    - As a result, deficiencies not directly related to financial results would generally not be the basis for enforcement actions or MRA, although the FDIC and OCC did acknowledge that “in limited circumstances, other [non-financial] practices, acts, or failures to act may be captured because, if continued, they are likely to cause material harm to an institution’s financial condition.” Severe critical infrastructure or cybersecurity deficiencies were provided as examples.
  - **Financial condition** – the FDIC and OCC’s inquiry under the Supervisory Standards Proposal focuses on whether an institution’s practices are likely to “directly, clearly and predictably impact an institution’s **capital, asset quality, earnings, liquidity or sensitivity to market risk**.”
- **Risk of loss to the DIF** – the FDIC and OCC are focused on practices that are likely to negatively affect an institution’s ability to **avoid FDIC receivership and present a material risk of loss to the DIF**.
  - For example, an institution’s failure to implement contingency funding arrangements may not pose a risk of material financial harm to the institution, but it could pose an increased risk to the DIF and therefore may be deemed an unsafe or unsound practice.

# A Higher Bar for FDIC and OCC Enforcement Actions Based on Safety and Soundness

- The FDIC and OCC have authority to bring enforcement actions based on an “unsafe or unsound practice,” but that term is not defined by statute or existing regulation.
  - During hearings on the Financial Institutions Supervisory Act of 1966, the Chairman of the Federal Home Loan Bank Board submitted a memorandum to Congress detailing his interpretation of “unsafe or unsound practices” (the **Horne Standard**).
  - Many courts have used the Horne Standard as an interpretive guidepost for decades, but others have developed different standards, creating a patchwork of interpretations.
  - The lack of a formal definition has given the banking agencies very broad discretion in what they might consider to be an unsafe and unsound practice.
- The proposed definition of unsafe or unsound practice is clearly inspired by the Horne Standard with a few key differences:
  - The **first prong**, which requires action that is contrary to generally accepted standards of prudent operations, is identical to the Horne Standard.
  - The **second prong**, however, requires that the practices must be **likely** (not merely possible) to cause **material financial harm or risk** (not abnormal loss or damage generally).
    - As the OCC and FDIC explain, the proposed definition is meant to focus supervisory resources on practices “that are likely to materially harm an institution’s financial condition, such as risks that are more likely than other risks to lead to **material financial losses, bank failures, and instability in the banking system.**”
- The proposed definition of unsafe or unsound practice is therefore intended to be a **new approach** and **higher bar** for the FDIC and OCC to meet before pursuing enforcement action.

## Horne Standard:

An “unsafe or unsound practice” embraces any action, or lack of action, which is contrary to generally accepted standards of prudent operation, the possible consequences of which, if continued, would be abnormal risk or loss or damage to an institution, its shareholders, or the agencies administering the insurance funds.

## Supervisory Standards Proposal:

An “unsafe or unsound practice” is a practice, act, or failure to act, alone or together with one or more other practices, acts, or failures to act, that

1. is contrary to generally accepted standards of prudent operation; **and**
2. (i) if continued, is likely to—
  - A. materially harm the financial condition of the institution; **or**
  - B. present a material risk of loss to the Deposit Insurance Fund; **or**(ii) materially harmed the financial condition of the institution.

## A Higher Bar for MRAs – But with a Lower Standard Than the New Enforcement Standard

- In its memo on the Supervisory Standards Proposal, FDIC staff explained that the proposed standard for communicating an MRA is intended to capture imprudent practices that could “reasonably be expected to become an unsafe or unsound practice (as defined under the proposed regulation) under current or reasonably foreseeable conditions.”
- The “reasonably expected” and “reasonably foreseeable conditions” probability qualifiers would prevent FDIC and OCC examiners from issuing MRAs for practices that only have a mere possibility of rising to the level of material financial risk, but are less strict than the “likely” probability standard that applies to enforcement actions.

## A Higher Bar for MRAs – But with a Lower Standard Than the New Enforcement Standard, (Cont'd)

- This standard would provide examiners flexibility to raise issues relating to material financial risks *before* they rise to the level of an unsafe or unsound practice, without “forc[ing] an institution to comply with an examiner’s managerial judgment instead of the judgment of the institution’s own management.”
- The agencies highlighted the context surrounding the 2023 regional bank failures as an example, noting that “in late 2022, the agencies could have considered it ‘reasonably foreseeable’ that the federal funds rate and other market interest rates would rise considerably, and an institution’s vulnerability to a significant rise in interest rates could have been grounds for an MRA.”

## MRAs Based on Violations of Law Would Require Actual – Not Merely Potential – Violations and Could not be Based on Immaterial Violations of Nonbanking Regulations or Laws

- The Supervisory Standards Proposal would also permit the FDIC or OCC to issue an MRA based on violations of banking or banking-related laws and regulations.
- These would need to be actual violations of banking or banking-related laws and regulations. The fact that policies, procedures or internal controls could lead to a potential violation of law or regulation would not be sufficient to form the basis of an MRA.
  - This limitation to actual violations of banking or banking-related law may require the supervisory staff of the FDIC and OCC to consult more with agency lawyers and could therefore mitigate existing internal silos.
- The FDIC and OCC noted that “banking or banking-related laws and regulations” will generally include federal and state banking and consumer financial protection laws but not laws outside of that context, such as tax law.
  - This means that violations of laws or regulations unrelated to banking or consumer finance could no longer form the basis of an FDIC or OCC MRA unless they independently meet the standard relating to material financial harm to a bank or material risk of loss to the DIF.

## Application of the Standards Would be Tailored to the Underlying Financial Risks of the Bank

The FDIC and OCC would tailor their application of the proposed Supervisory Standards Proposal to the underlying financial risks of a particular bank.

- In tailoring, the FDIC and OCC stated that they would focus on “capital structure, riskiness, complexity, activities, asset size, and any financial risk-related factor that the agencies deem appropriate.”
- This tailoring would come into play when the FDIC or OCC is interpreting what amounts to “material financial harm” to a particular bank in considering whether to issue an MRA or bring an enforcement action.
- Tailoring would also be implemented “with respect to the requirement or expectations set forth in” MRAs and enforcement actions.

## Application of the Standards Would be Tailored to the Underlying Financial Risks of the Bank, (*cont'd*)

The FDIC and OCC stated that they “expect that finding an unsafe or unsound practice would be a much higher bar for a community bank than for a larger institution when considered against the overall operations of the institution.”

- For example, they “would not expect that a particular projected percentage decrease in capital or liquidity that rises to the level of materiality for the largest institutions would necessarily also be material for community banks.”

## **Downgrades of bank composite ratings would be tied to material financial risks – but no similar changes for Management component**

Under the Supervisory Standards Proposal, FDIC – and OCC – supervised banks would only be downgraded to a “less-than-satisfactory” composite in circumstances in which an MRA or enforcement action is issued, meaning there is a likelihood of (or in the case of MRAs, a reasonable expectation of) material harm to the bank’s financial condition or material risk of loss to the DIF.

While violations of law are a basis to bring an MRA under the Supervisory Standards Proposal or an enforcement action, the FDIC and OCC stated that they would not expect to downgrade an institution’s composite rating to less-than-satisfactory based solely on a violation of law unless that violation “is likely to cause material harm to the financial condition of the institution, is likely to present a material risk of loss to the DIF, or has caused material harm to the institution’s financial condition,” i.e., meeting the proposed unsafe or unsound practice definition.

## Downgrades of bank composite ratings would be tied to material financial risks – but no similar changes for Management component (*cont'd*)

The Supervisory Standards Proposal would not explicitly apply these limitations to a downgrade of an institution's Management component that results in the bank being deemed to be not well managed.

- This is notable because, similar to a bank's composite rating being less-than-satisfactory, a bank's loss of well managed status can have significant impacts on the bank and its parent, including that the parent is required to enter into a 4(m) agreement with the Federal Reserve.

## Prohibition on the Use of Reputation Risk

The Reputation Risk Proposal would adopt recent changes made by the FDIC and OCC to remove reputation risk from their supervisory frameworks, making it harder to reverse these changes in the future. The FRB has since also eliminated reputation risk.

The Reputation Risk Proposal would not prohibit the FDIC or OCC from taking supervisory actions to promote banks' compliance with U.S. economic sanctions, nor would the Reputation Risk Proposal change their authority to enforce the requirements of the Bank Secrecy Act (BSA) and its implementing regulations. However, it would prohibit the FDIC and OCC from using BSA or anti-money laundering concerns as a pretext for evaluating a bank pursuant to its reputation risk.

## Prohibition on the Use of Reputation Risk (*cont'd*)

Banks should review their policies and procedures with respect to reputation risk, taking into account debanking considerations and the agencies' view that BSA/AML concerns could be used inappropriately as a pretext for reputation risk.



## Topic No. 5:

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Appellate Process

HUNTON

## OCC and FDIC – Appeal Process Summary

1. Appeals Board replaces Ombudsman
2. De novo standard of review
3. Same general categories of appealable issues (now part of regulation)
4. Formalizes a bank's ability to request a stay of supervisory determination
5. Formalizes safeguards against retaliation
6. No ability to reimpose findings if bank wins the appeals
7. Publication of redacted appeals
8. Examiners will need to make sure material supervisory determinations are tightly grounded
9. Provides secondary protections for fintechs and other bank customers because bank can appeal
10. Comments were due by April 20, 2026

# Agency Rulemaking

Process	OCC NPR	FDIC Guidelines
Matters eligible for appeal	<p>Material supervisory determinations including but not limited to:</p> <ol style="list-style-type: none"> <li>1. Examination ratings</li> <li>2. Adequacy of the allowance for credit losses methodology</li> <li>3. Individual loan ratings</li> <li>4. Violations of law</li> <li>5. Matters requiring attention, determinations regarding compliance with enforcement actions and other conclusions in a report of examination</li> <li>6. Fair lending-related decisions, including referrals to other agencies for potential violations</li> <li>7. Shared National Credit (SNC) exam decisions</li> <li>8. Licensing decisions</li> </ol>	<p>Material supervisory determinations including but not limited to:</p> <ol style="list-style-type: none"> <li>1. Examination ratings</li> <li>2. Appropriateness of ACL provisions</li> <li>3. Loan and asset classifications, if the amount in dispute exceeds 10% of the bank's capital</li> <li>4. Violations of law or regulation that may affect the capital, earnings, or operating flexibility of an institution, or affect the nature and level of supervisory oversight accorded an institution</li> <li>5. Matters requiring attention, determinations regarding compliance with enforcement actions and any other supervisory determination (unless otherwise not eligible for appeal) that may affect the capital, earnings, operating flexibility or capital category for prompt corrective action (PCA) purposes of an institution</li> <li>6. Determination regarding a bank's compliance with conditions imposed through the supervision or application processes</li> </ol>

## Agency Rulemaking

Process	OCC NPR	FDIC Guidelines
Matters ineligible for appeal	<p>Actions that are subject to a separate adjudicatory or appeals process, including:</p> <ol style="list-style-type: none"> <li>1. Decisions to appoint a conservator or receiver and related decisions</li> <li>2. Formal enforcement actions, rulemakings and adjudications conducted under the Administrative Procedure Act</li> <li>3. Agency decisions that are administrative</li> <li>4. Decisions to disapprove directors or senior executive officers and other agency decisions subject to separate judicial review</li> <li>5. Preliminary examination findings communicated before issuance of a final Report of Examination or other written supervisory determination</li> <li>6. Requests for agency records or information under the Freedom of Information Act (FOIA)</li> </ol>	<p>Actions that are subject to a separate adjudicatory or appeals process, including:</p> <ol style="list-style-type: none"> <li>1. Decisions to appoint a conservator or receiver and related decisions:</li> <li>2. Formal enforcement actions and decisions</li> <li>3. Determinations for which other avenues to appeal exist</li> <li>4. Facts and circumstances underlying pending or proposed formal enforcement actions by the FDIC, including those based on unsafe or unsound banking practices or issues related to the institution's AML/CFT program or sanctions compliance</li> <li>5. Decisions to take prompt corrective action (PCA) pursuant to section 38 of the FDI Act (12 U.S.C. § 1831o)</li> </ol>

# Agency Rulemaking

Process	OCC NPR	FDIC Guidelines
<p><b>Appeal Reviewer</b></p>	<p>The OCC NPR includes two routes for appealing material supervisory determinations:</p> <ol style="list-style-type: none"> <li>1. <b>Deputy Comptroller review:</b> A bank may elect to appeal to the Deputy Comptroller of the supervisory division that issued the determination. If the Deputy Comptroller was substantively involved in the underlying decision, the appeal must be transferred directly to the Appeals Board.</li> <li>2. <b>Appeals Board:</b> Alternatively, the bank may appeal directly to the Appeals Board. The Board is proposed to be composed of the Chief National Bank Examiner and two non-OCC employee members appointed by the Comptroller for non-renewable terms of one year.</li> </ol> <p>The term appointees would be individuals with relevant banking, regulatory, legal or supervisory experience. Notably, under the proposal, current OCC employees would not be eligible to serve as term appointees to the Appeals Board.</p>	<p>Banks must file appeals with the director of the division that made the findings at issue. The Division Director will conduct an independent review of the challenged material supervisory determination. If the bank disagrees with the decision of the Division Director, they may appeal it to the Office of Supervisory Appeals (OSA).</p> <p>Appeals to the OSA are heard by a panel of three reviewing officials hired by the FDIC for fixed terms, with at least one panel member required to have bank supervisory experience and at least one required to have banking sector experience.</p> <p>Current FDIC employees are not eligible to serve on the panel, nor are current employees of insured depository institutions or their affiliates. However, current government employees with relevant experience may serve on a part-time basis.</p>

# Agency Rulemaking

Process	OCC NPR	FDIC Guidelines
<b>Eligible Institutions</b>	National banks, federal savings associations, federal branches or agencies of foreign banks and payment stablecoin issuers regulated by the OCC. Additionally, an institution-affiliated party (IAP) directly affected by an informal enforcement action may also appeal that action.	Insured state nonmember banks, industrial loan companies, state savings associations and insured branches of foreign banks.
<b>Of note:</b> While the OCC proposal would allow an IAP to file an appeal if they were directly affected by an informal enforcement action, in practice this would seldom occur as the OCC has very rarely, if ever, brought informal enforcement actions against individuals. Further, it would be an uncommon scenario for an informal action against a bank to affect an IAP in a manner that would support an appeal.		
<b>Timing of Appeals and Hearings</b>	60 days from receipt of the supervisory determination.  If the bank first seeks review by the Deputy Comptroller, it may further appeal the Deputy Comptroller's determination to the Appeals Board within 15 days of receiving the Deputy Comptroller's written decision.	60 days from receipt of the supervisory determination.  After the Director issues a determination, the bank has 30 days to appeal to the OSA. If the Director refers the matter directly to the OSA, the appeal proceeds without a separate filing by the bank.  Following receipt of a notice of appeal (or referral), the OSA convenes a three-member panel to consider the matter.  The panel will generally meet to hear the appeal within 90 days.
<b>Standard of Review</b>	<i>De novo</i>	<i>De novo</i>

# Agency Rulemaking

<b>Process</b>	<b>OCC NPR</b>	<b>FDIC Guidelines</b>
<b>Scope of Review</b>	The Deputy Comptroller or Appeals Board may, in its discretion, request that the record be supplemented, including through further fact finding or visiting the appellant on-site.	Review is limited to the facts and circumstances existing at or prior to the time the material supervisory determination was made, even if those facts are discovered later. The OSA does not consider events occurring after the determination, including corrective actions taken by the institution, or arguments seeking to change or modify FDIC policy or rules.
<b>Burden of Proof</b>	Unspecified. The OCC is requesting comment on whether it should clarify the standard for the burden of proof, and what it should be.	Rests with the appealing bank
<b>Timing of Decision</b>	<p><i>Deputy Comptroller Review:</i> 45 days</p> <p><i>Appeals Board:</i> 45 days of receiving the appeal unless there are extenuating circumstances requiring additional time.</p>	<p><i>Division Director:</i> 45 days</p> <p><i>OSA Panel:</i> The OSA three-person panel will notify the bank in writing of its decision within 45 days after the panel meets to consider the appeal. The panel meeting must occur within 90 days of either (i) the filing of the appeal with the Office or (ii) referral of the appeal by the Division Director.</p>

## Agency Rulemaking

Process	OCC NPR	FDIC Guidelines
<p><b>Standards for staying supervisory actions pending appeal</b></p>	<p>A stay will be granted if the bank requests a stay and the Deputy Comptroller or the Appeals Board concludes that:</p> <ol style="list-style-type: none"> <li>1. Delaying the implementation of the material supervisory determination would not result in a risk of immediate financial harm to an OCC supervised institution;</li> <li>2. The material supervisory determination would impose costs on the appellant within the timeframe for the OCC to decide the appeal; and</li> <li>3. The public interest would not be harmed by delaying the implementation of the material supervisory determination.</li> </ol>	<p>A stay may be granted subject to conditions, including time limitations, where appropriate, if a bank requests a stay in writing and includes the reason(s) for the stay.</p> <p>The Division Director has discretion to grant a stay and will generally decide whether to grant a stay with 21 days. The Division Director will then provide the bank with the reason(s) for their decision in writing, which should include a weighing of potential harms.</p>

## Agency Rulemaking

<b>Process</b>	<b>OCC NPR</b>	<b>FDIC Guidelines</b>
<b>Publication of decision</b>	Will publish redacted decisions (including any dissent).	Will publish redacted decisions.
<b>Anti-retaliation provisions</b>	Included	Included



Topic No. 6:

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Congress Gets Into the Act?

HUNTON

# Significant Changes to Credit Risk Capital Requirements

Category	Current Rule (GA Rule)	ERBA Proposal
<b>Depository institutions</b>	<ul style="list-style-type: none"> <li>• Domestic: 20%</li> <li>• Foreign: 20% to 150% based on CRC ratings, OECD membership and default history</li> </ul>	<ul style="list-style-type: none"> <li>• 20% to 150% based on creditworthiness, including capitalization levels</li> </ul>
<b>Residential mortgages</b>	<ul style="list-style-type: none"> <li>• 50% for prudently underwritten first-lien residential real estate exposures</li> <li>• 100% otherwise (including past due residential mortgages)</li> </ul>	<ul style="list-style-type: none"> <li>• 20% to 150% based on underwriting standards, LTV ratios, and whether dependent on cash flows as a source of repayment</li> </ul>
<b>Commercial real estate (excluding acquisition, development or constructions loans and high-volatility commercial real estate)</b>	<ul style="list-style-type: none"> <li>• 100%</li> </ul>	<ul style="list-style-type: none"> <li>• Borrower risk weight up to 150% based on underwriting standards, LTV ratios, and whether dependent on cash flows as a source of repayment</li> </ul>
<b>Corporates</b>	<ul style="list-style-type: none"> <li>• 100%</li> </ul>	<ul style="list-style-type: none"> <li>• 65% to 150% depending on whether investment grade, project finance, or subordinated</li> </ul>
<b>Retail</b>	<ul style="list-style-type: none"> <li>• 100%</li> </ul>	<ul style="list-style-type: none"> <li>• 45% to 100% depending on repayment history, size of exposure, product type and borrower type</li> </ul>
<b>Subordinated debt</b>	<ul style="list-style-type: none"> <li>• 100%</li> </ul>	<ul style="list-style-type: none"> <li>• 150%</li> </ul>
<b>Securitizations</b>	<ul style="list-style-type: none"> <li>• 20% to 1,250% using SSFA or gross-up approach or simply apply 1,250%</li> <li>• 1,250% on credit-enhancing interest-only strips (CEIOs)</li> </ul>	<ul style="list-style-type: none"> <li>• SSFA replaced with materially similar SEC-SA</li> <li>• Gross-up approach removed</li> <li>• 100% for senior tranches of non-performing loan (NPL) securitizations</li> <li>• 100% floor on NPL securitizations and resecuritizations</li> <li>• 15% floor using SEC-SA</li> <li>• CEIOs deducted from CET1 capital</li> </ul>
<b>Commitments</b>	<ul style="list-style-type: none"> <li>• 0% credit conversion factor (CCF) for unconditionally cancelable commitments</li> <li>• 20% CCF for conditionally cancelable commitments with original maturity less than one year.</li> </ul>	<ul style="list-style-type: none"> <li>• 10% CCF for unconditionally cancelable commitments</li> <li>• 40% CCF for conditionally cancelable commitments regardless of maturity</li> <li>• Revised definition of commitment to clarify the types of off-balance sheet</li> </ul>

## Significant Changes to Credit Risk Capital Requirements (*cont'd*)

Category	Current Rule (GA Rule)	ERBA Proposal
	<ul style="list-style-type: none"> <li>50% CCF for conditionally cancelable commitments with original maturity one year or greater.</li> </ul>	<p>exposures that would be subject to risk-based capital requirements,</p> <ul style="list-style-type: none"> <li>New exposure methodology for commitments without pre-set limits.</li> </ul>
<b>Derivatives</b>	<ul style="list-style-type: none"> <li>SA-CCR<sup>12</sup></li> </ul>	<ul style="list-style-type: none"> <li>SA-CCR required</li> <li>Introduces recognition of cross product netting of non-cleared repo-style transactions and derivative transactions</li> <li>Introduces netting of collateralized-to-market (CTM) and settled-to-market client (STM) facing transactions</li> <li>Other technical revisions</li> </ul>
<b>Collateralized transactions</b>	<ul style="list-style-type: none"> <li>Option to use the simple approach or collateral haircut approach</li> </ul>	<ul style="list-style-type: none"> <li>New collateral haircut approach facilitates diversification and netting</li> <li>Standard volatility haircuts recalibrated for certain categories (e.g. separate GSE haircut category, a wider bucket for all non-sovereign non-securitization investment grade instruments)</li> <li>Simple approach permits recognition of transactions subject to bankruptcy stay</li> </ul>
<b>Other Credit Risk mitigation techniques</b>	<ul style="list-style-type: none"> <li>Credit derivatives: Banks can buy “eligible” credit derivative and substitute the risk weight of the hedged exposure for the risk weight of the seller of the credit derivative. 40% haircut if credit derivative does not include a restructuring of the reference exposure as a credit event.</li> </ul>	<ul style="list-style-type: none"> <li>Credit derivatives: 40% haircut can be eliminated on certain hedged exposures</li> <li>New eligible prepaid credit protection arrangement can be recognized an eligible credit mitigant.</li> </ul>

## Main Street Capital Access Act

### Application Processing:

- Informationally complete
- Protests
- Return of 90-day approval

### Tailoring Regulation

- Consider risk profile and business model of the bank and tailor application
- 15-year look back

## Transparent Supervision

- CAMELS and examinations to focus on material risks to financial condition
- CAMELS to be revised to be based on clear and objective criteria
- “M” needs to be eliminated or revised to be an objective measure of governance or controls

### Examination reports

- 270 days unless delay explained with particularity
- 90 days from exit interview
- Exit interview within 30 days
- Appendix list what examiners relied on

# One Bank Holding Company Policy Statement

## CBLR

- \$15bb
- 6-8%
- Special assets classes and exposures

## Request for Guidance

- Within 60 days
- Regulators have 30 days to request additional information

## Independent Review Board

- Three members
- Presidential appointees
- Will have staff to investigate

Alternating examinations between full scope and limited scope

- Combination of topics
- \$6bb threshold

Community Bank FRB Representative

Derisking

CFPB Chair now nonvoting member of FDIC Board

Prohibition of Enforcement based on Guidance

## Regulatory Efficiency

Each regulator must consider cumulative effect of regulations on:

- Access to banking products
- Financial institutions
- Market liquidity
- Balance of pros and cons

Brokered deposits (CAMELS 1, 2 or 3)

- Reciprocal deposits
- Custodial deposits

Compliance and Deposit Insurance

# Deposit Insurance

- Proposal by Andy Barr to establish an emergency transaction account guaranty program to be activated by the Secretary of the Treasury during times of systemic stress. This temporary program would last for no longer than 120 days, allowing initial shocks to subside and maintaining confidence for depositors at banks of every size – especially community and mid-size banks. The bill would include credit unions.
- Main Street Depositor Protection Act (bipartisan sponsors) which would allow the FDIC to expand deposit protection for non-interest-bearing checking accounts (limiting premium costs for banks under \$10bb) to \$5mm for all but G-SIBs and foreign banks. It would cover credit unions.
- Rep. Dan Meuser (R-PA) filed a bill that would update the inflation adjustment applicable to deposit insurance and credit unions' share insurance.



Topic No. 7:

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IT Agreements

HUNTON

## Performance Measures and Benchmarks

1. Audit provisions
  - Basis for monitoring ongoing performance triggering rewards or penalties
2. Reimbursements
  - Push for cash
2. New agreements – omnibus
3. New products extending terms
4. Opportunity and Cure
  - Clear default provisions
  - Short lead time – 30 days
5. Data Breaches
  - Reimbursement for cost of investigation and recommendations

## Abuses

- 7-10 year term of contracts
- All provisions extended if any extended
- Document retention and deconversion in merger
- No cure by Bank – need reliable cure as well
- Price increases when there are changes in scope and deliverables
- Limitation of liability
  - Carve out IP infringement
  - Carve out Mastercard/Visa rules
- Actions by other software companies

The background features a complex, low-poly geometric pattern in various shades of blue. A large, dark teal rectangular area is overlaid on the left side of the image, serving as a background for the text.

Topic No. 8:

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New Entrants and New Payment  
Systems

HUNTON

## Changes to Banking Competitive Landscape

- Since the inauguration of the second Trump administration, there has been a sea change in the competitive landscape for banking
- New banking entrants (traditional banks, ILCs, and national trust banks) with collectively at least \$3 billion in new capital
- Acceleration of consolidation of existing banks
- Continued changes to the payments landscape

## Select New Entrants to the Banking Industry



coinbase



Revolut



## Select New Entrants – Traditional Banks

Name of Bank	Capital	Received by FDIC	Accepted by FDIC	Approved by FDIC	Opened
Revolut Bank, USA, N.A.	?	?	?	?	?
Erebor Bank, N.A.	\$276m	July 28, 2025	October 20, 2025	December 16, 2025	February 8, 2026
<u>Nubank</u> , N.A.	\$504m	October 29, 2025	Pending	Pending	Pending
Mercury Bank, N.A.	?	December 18, 2025	Pending	Pending	Pending
Augustus, N.A.	?	December 19, 2025	Pending	Pending	Pending
<u>bunq</u> US Bank, N.A.	?	January 7, 2026	Pending	Pending	Pending

- Source:

[https://www.fdic.gov/regulations/applications/rmsbankapp/result.html?start\\_date=&end\\_date=&date\\_range\\_type=1&applicant\\_name=&ddlstate=&applTypes\\_hidden=7&applTypes\\_desc\\_hidden=Deposit+Insurance+-+New+Bank&cert=&action\\_desc\\_hidden=](https://www.fdic.gov/regulations/applications/rmsbankapp/result.html?start_date=&end_date=&date_range_type=1&applicant_name=&ddlstate=&applTypes_hidden=7&applTypes_desc_hidden=Deposit+Insurance+-+New+Bank&cert=&action_desc_hidden=)

## Select New Entrants – Industrial Loan Companies

Name of Bank	Capital	Received by FDIC	Accepted by FDIC	Approved by FDIC	Opened
Ford Credit (UT)	\$1.5b	July 22, 2022	December 2, 2024	January 22, 2026	Pending
GM Financial (UT)	\$667m	January 31, 2025	January 22, 2026	January 22, 2026	Pending
Stellantis Bank (UT)	?	February 10, 2025	Pending	Pending	Pending
OneMain Bank (UT)	?	March 13, 2025	Pending	Pending	Pending
Edward Jones (UT)	\$330m	April 11, 2025	February 27, 2026	February 27, 2026	Pending
Nissan Bank (UT)	?	June 20, 2025	Pending	Pending	Pending
PayPal Bank (UT)	?	December 15, 2025	Pending	Pending	Pending
Affirm Bank (NV)	?	January 23, 2026	Pending	Pending	Pending

- Source:

[https://www.fdic.gov/regulations/applications/rmsbankapp/result.html?start\\_date=&end\\_date=&date\\_range\\_type=1&applicant\\_name=&ddlstate=&applTypes\\_hidden=7&applTypes\\_desc\\_hidden=Deposit+Insurance+-+New+Bank&cert=&action\\_desc\\_hidden=](https://www.fdic.gov/regulations/applications/rmsbankapp/result.html?start_date=&end_date=&date_range_type=1&applicant_name=&ddlstate=&applTypes_hidden=7&applTypes_desc_hidden=Deposit+Insurance+-+New+Bank&cert=&action_desc_hidden=)

## Select New Entrants – National Trust Banks

Name of Bank	Capital	Received by OCC	Approved by OCC	Opened
First National Digital Currency Bank (Circle)	\$6.05m	June 30, 2025	December 12, 2025	Pending
Ripple National Trust Bank	\$11.7m	July 1, 2025	December 12, 2025	Pending
Coinbase National Trust Company	?	October 3, 2025	Pending	Pending
Bridge National Trust Bank	\$45m	October 15, 2025	February 12, 2026	Pending
Laser Digital National Trust Bank (Nomura affiliate)	?	January 27, 2026	Pending	Pending
Morgan Stanley Digital Trust	?	February 18, 2026	Pending	Pending

- Source: <https://www.occ.treas.gov/topics/charters-and-licensing/digital-assets-licensing-applications/index-digital-assets-licensing-applications.html>
- Note that some national trust bank applications are conversions from state trust, and are not listed here (e.g., Fidelity (conversion from New York Trust Company) and BitGo (conversion from South Dakota trust company))

## Observations on New Banks

- New banks will need a master account at a Federal Reserve Bank to become fully operational
  - Traditional banks and ILCs will receive master accounts
  - Unclear whether national trust banks will be able to get master accounts
  - Kraken first crypto firm to get Federal Reserve account (limited purpose account with restrictions.
  - Kraken limited purpose account could be model for future “skinny” accounts (see [October 21, 2025 speech by Governor Waller](#))

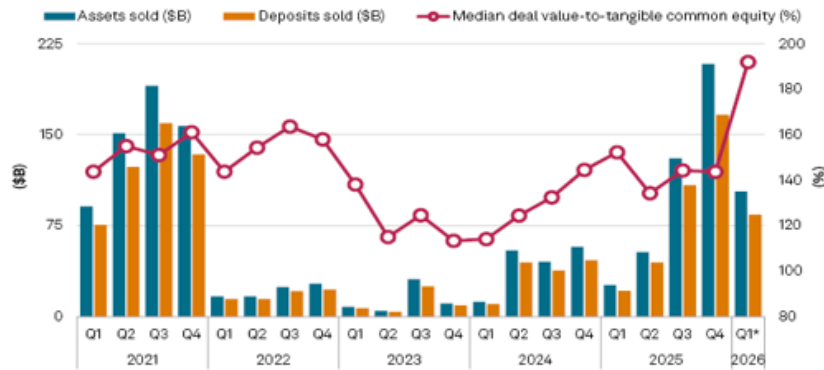
## Observations on New Banks (*cont'd*)

- National trust banks may be subject to litigation based on protests by state regulators and/or the Conference of State Bank Supervisors (see February 27, 2026 statement from CSBS)
- OCC released proposed [GENIUS Act regulations on February 25](#)
- OCC is pushing the FDIC and the Fed to act more quickly on de novo applications

# Bank Consolidation Increasing

US bank deal statistics

	2021	2022	2023	2024	2025	2026 YTD*
Number of deals (actual)	200	155	96	125	183	14
Total deal value (\$B)	76.73	8.94	4.14	16.34	50.46	14.94
Assets sold (\$B)	589.77	84.97	54.63	169.36	417.71	103.19
Deposits sold (\$B)	492.24	72.13	44.97	139.55	340.65	84.04
Median deal value-to-tangible common equity (%)	152.2	153.9	124.2	131.4	142.2	191.9

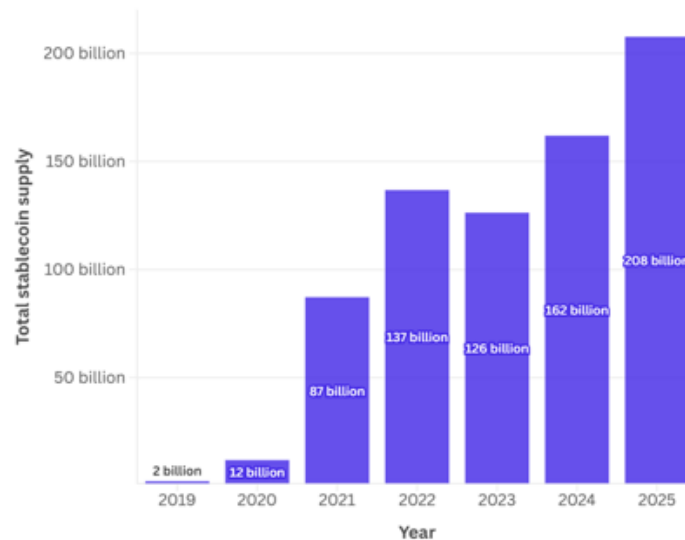


Data compiled Feb. 4, 2026.  
 Analysis limited to US-based whole company and franchise bank and thrift deals that were announced between Jan. 1, 2021, and Feb. 3, 2026. Excludes branch, minority-stake, government-assisted and terminated deals, as well as bids and thrift merger conversions.  
 All metrics are as of the announcement date.  
 \* Year to date and quarter to date through Feb. 3, 2026.  
 Deal value-to-tangible common equity is the deal value as a percentage of tangible common equity acquired; derived from per-share values when all ratio components are available; otherwise, aggregate values are used.  
 Source: S&P Global Market Intelligence.  
 © 2026 S&P Global.

- Material increase in deal volume starting to be felt in pricing

## Threat – Stablecoins / Digital Deposits

Average supply of stablecoins in circulation, across all stablecoins:



- Stablecoins growing quickly, but still a very small percentage of overall payments industry
- According to a [recent McKinsey study](#), annual volume of stablecoin payments is \$390 billion or 0.02% of global payments volume

## Threat – Stablecoins / Digital Deposits (*cont'd*)

- Currently, the vast majority of stablecoin payments are payments for digital asset (see BCG report [here](#))
- Use cases for stablecoins are still in the early stages and include remittances, agentic AI, B2B payments and settlement workflows for tokenized and on-chain asset classes
- The [OCC released its proposed rule on GENIUS Act](#) on February 25, 2026

## Threat – Stablecoins / Digital Deposits (*cont'd*)

- The [GENIUS Act](#) is intended to provide a framework for issuing payment stablecoins
- Implementing *proposed* rulemakings have been issued by the FDIC ([December 16, 2025](#)), the NCUA ([February 11, 2026](#)) and the OCC ([February 25, 2026](#)) (60 day comment period + potential extension, regulators review comments, then issue final rule)
- Still lots of unanswered questions on details of GENIUS Act stablecoins
- GENIUS Act takes effect the earlier of (i) January 18, [2027](#) or (ii) 120 days after the publication of a *final* rulemaking



Topic No. 9:

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Key Themes for Banking

HUNTON

# Key Themes for the Banking Industry



## Tailwinds – “Seller’s Market”

- Improving margins, earnings & stock prices
- Overall credit quality remains good
- Capital levels are healthy
- Yield curve is expected to stay steep
- Pro-growth regulatory policy shifts
- Capital Markets are wide open

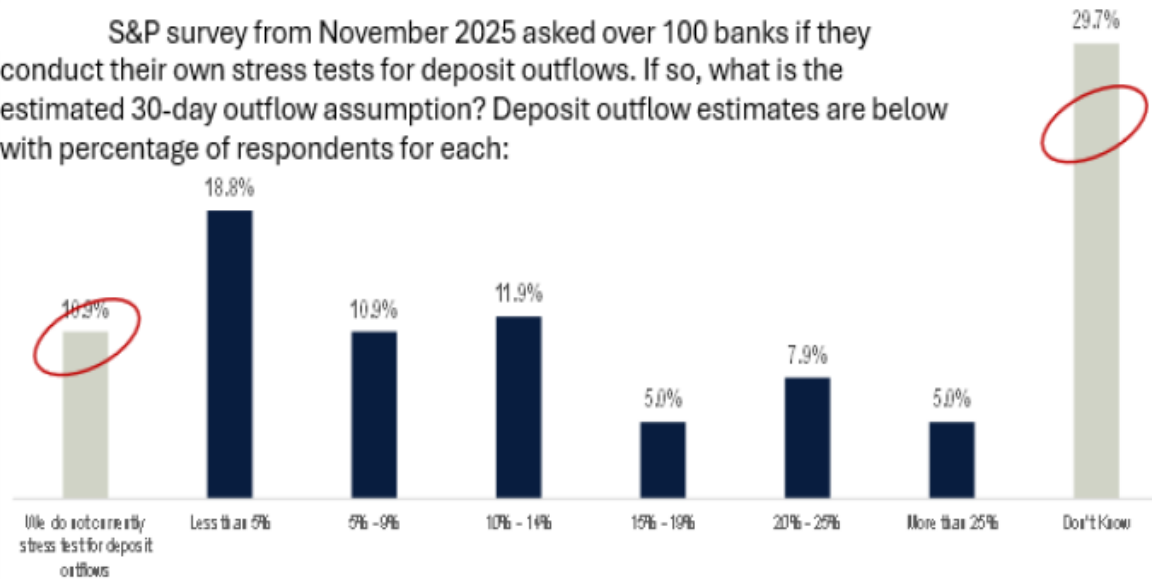
## Headwinds – Future Unknowns



- Mixed signals for overall U.S. economy
- Rate changes could cause margin pressure
- Rising delinquencies / early credit stress
- Disruptive entrance of stablecoins, fintech
- Speed of AI investment & adoption
- Global political conditions
- U.S. Mid-term elections

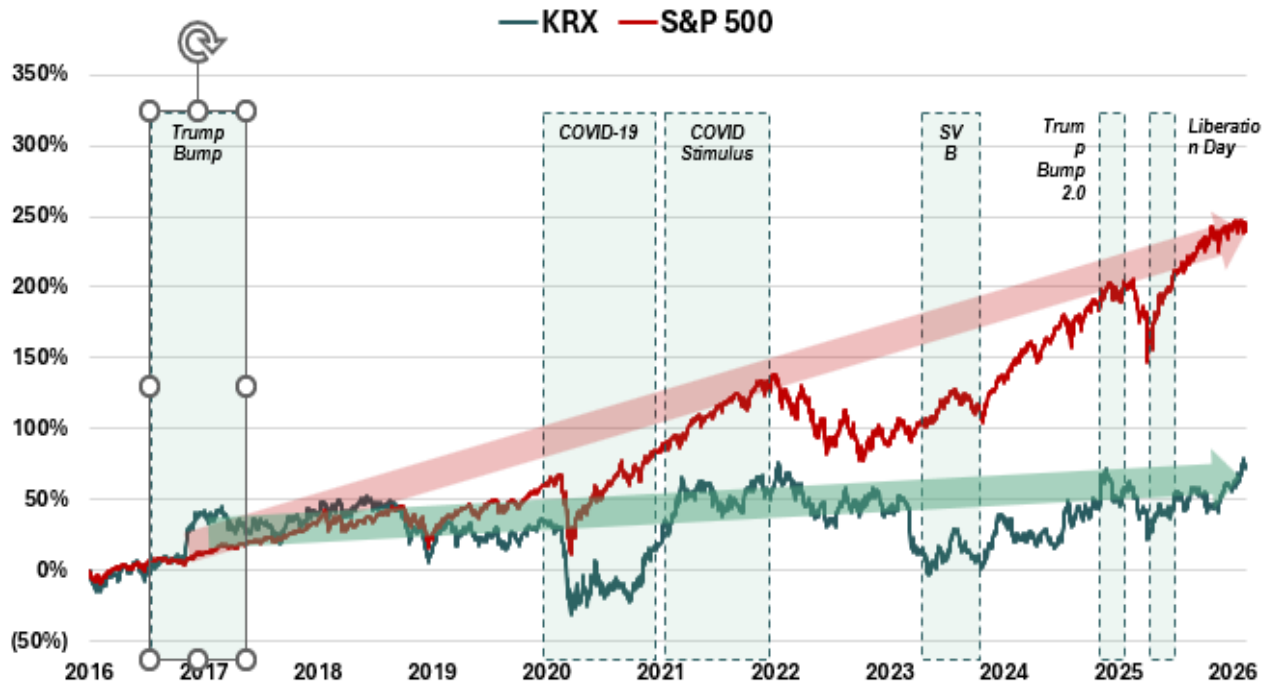
## Deposit Stress Testing

S&P survey from November 2025 asked over 100 banks if they conduct their own stress tests for deposit outflows. If so, what is the estimated 30-day outflow assumption? Deposit outflow estimates are below with percentage of respondents for each:



Source: S&P Capital IQ Pro; data compiled as of 11/25/2025  
Note: The 3<sup>rd</sup> quarter 2025 online survey was conducted between 9/2/2025 and 10/7/2025; 101 respondents answered the question.

## Total Returns: Banks Vs. Broader Market – Past 10 Years



Source: S&P Capital IQ; market data as of February 18, 2026  
(1) Reflects the KRX (KOSX Nasdaq Regional Banking Index)

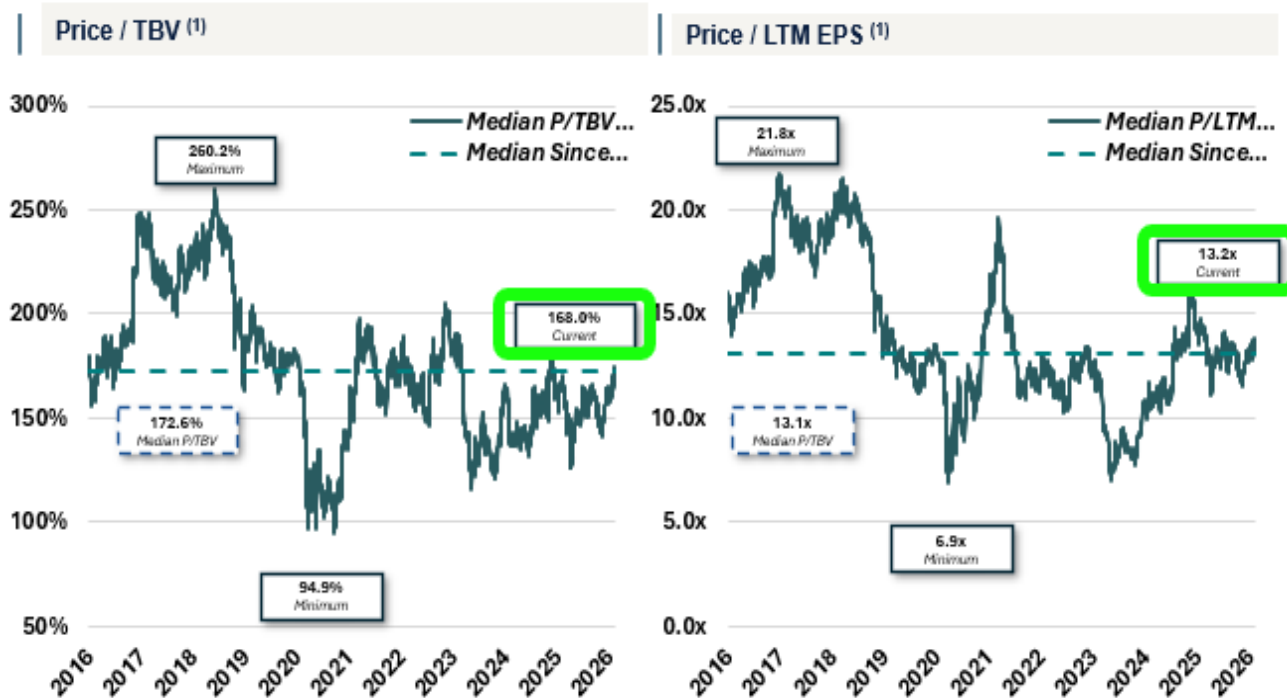
# Total Returns: Banks vs. Broader Market

Market Data as of January 1, 2025



Source: S&P Capital IQ, market data as of February 20, 2026  
(1) Reflects the KRX (KOSX Nasdaq Regional Banking Index)

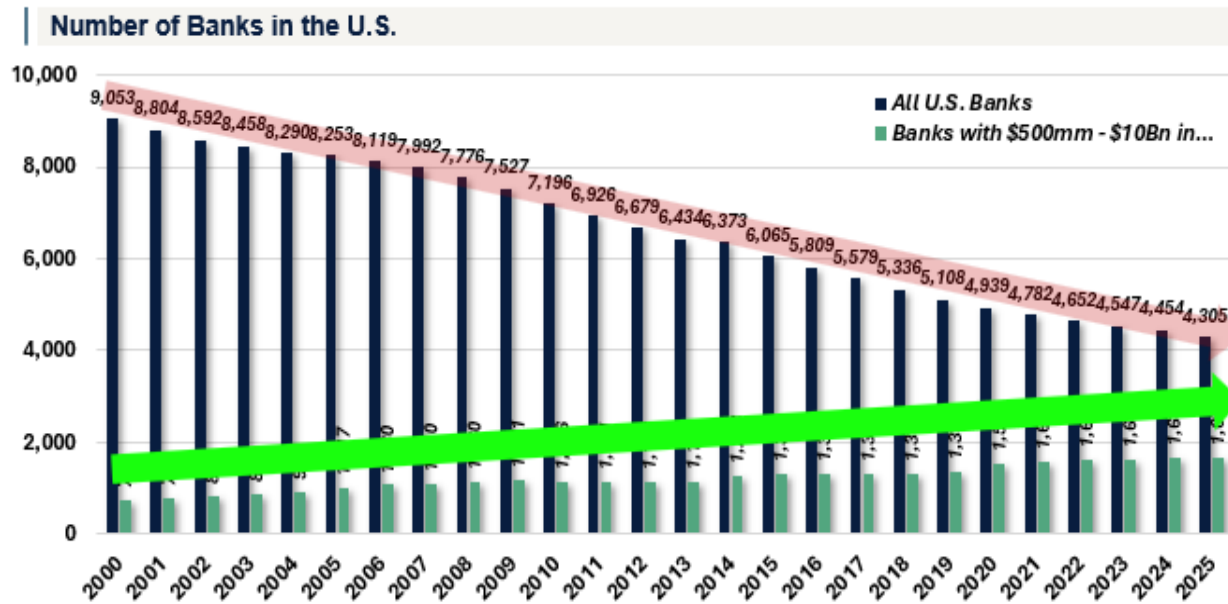
## Median Trading Valuations for Banks



Source: S&P Capital IQ; market data as of February 18, 2026  
 Note: Dotted line denotes the median for the period shown  
 (1) Reflects the median of HIX (KBW Nasdaq Regional Banking Index) constituent companies

# Industry Consolidation Trends

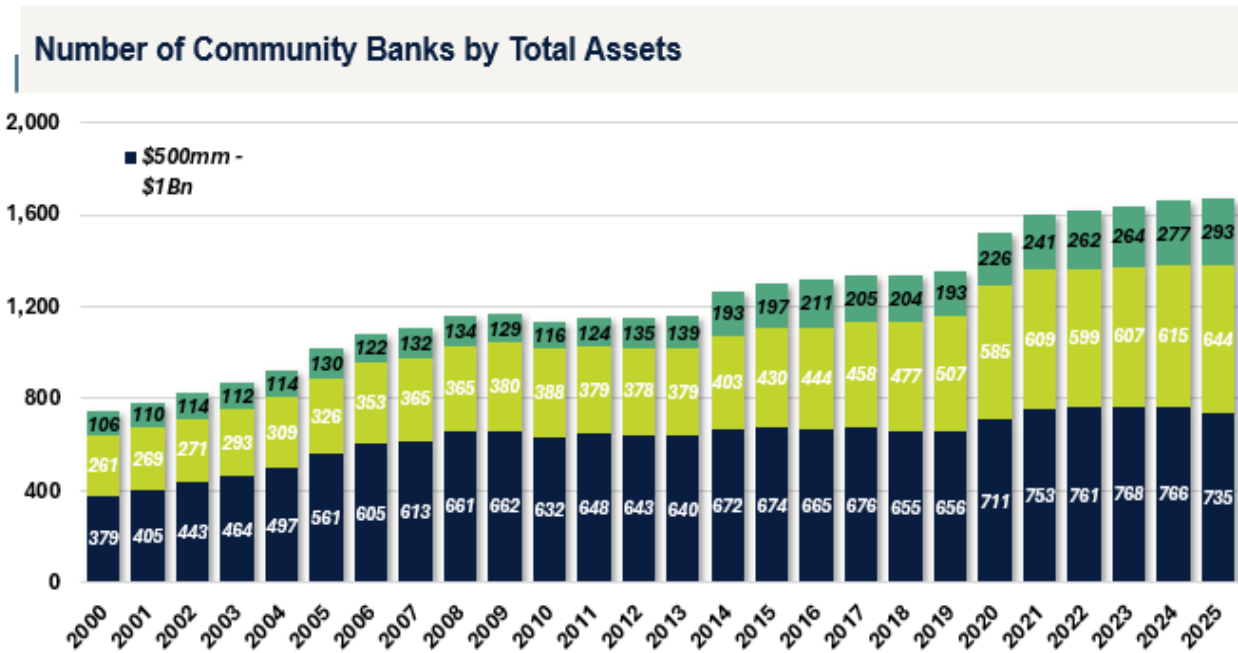
*The Number of U.S. Banks Has Been Cut in Half Over The Last 22 Years*



Source: S&P Capital IQ  
Note: Analysis excludes trust banks

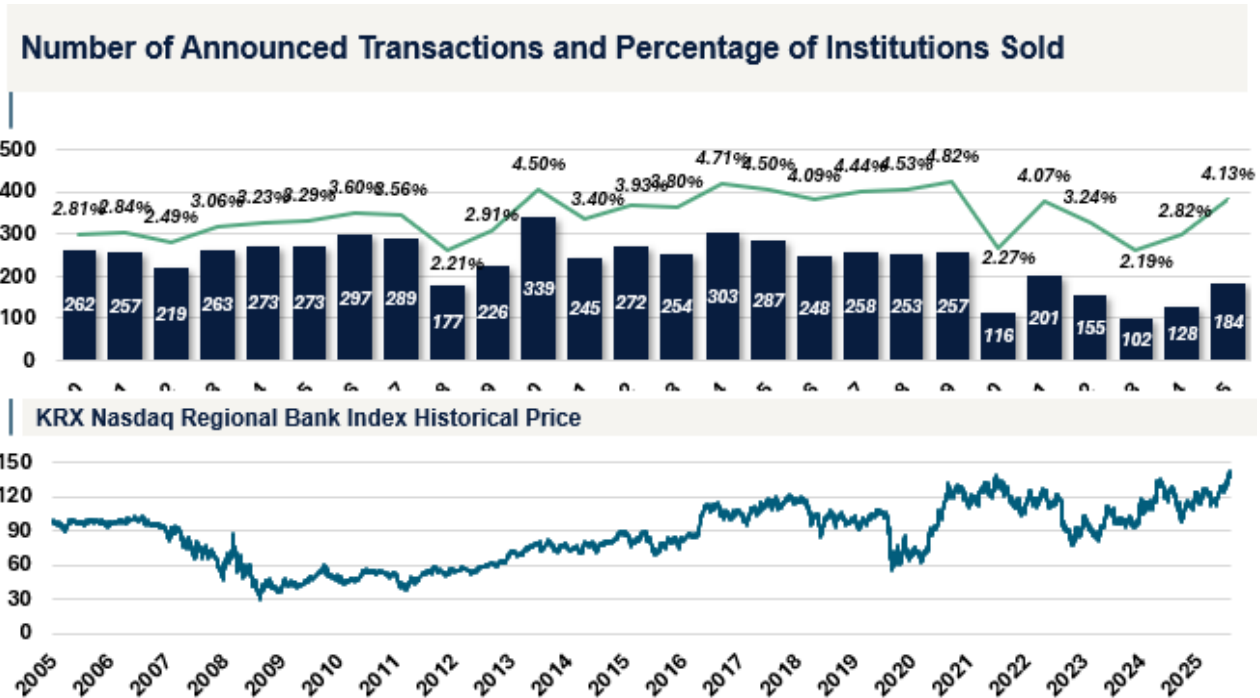
# The Community Bank Landscape

*Total Institutions Declining BUT Large Community Banks Are Becoming More Plentiful*



Source: S&P Capital IQ  
 Note: Analysis excludes mutuals

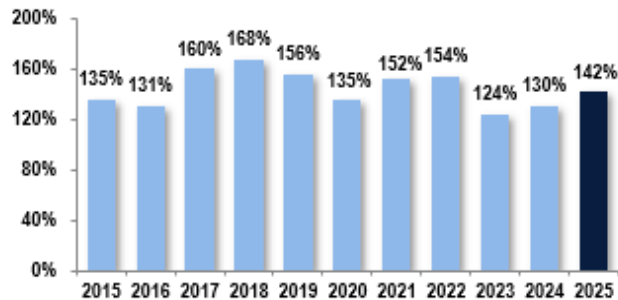
# Historical Nationwide Bank Consolidation



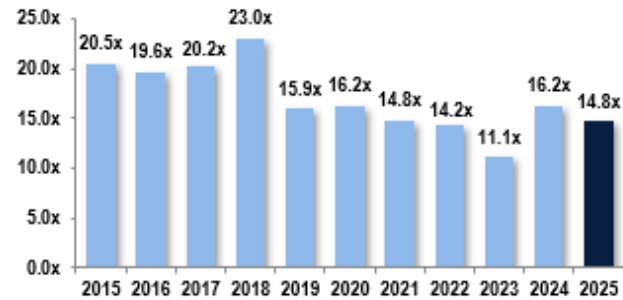
Source: S&P Capital IQ Pro; market data as of February 18, 2025  
 Note: Includes whole-bank M&A deals announced between January 1, 2000 and December 31, 2025 in which the target is headquartered in the U.S.

# M&A Valuation Multiples

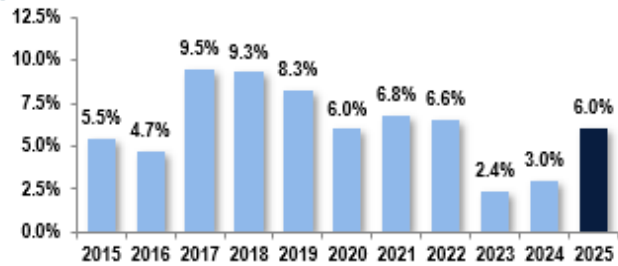
Deal Value / Tangible Book Value



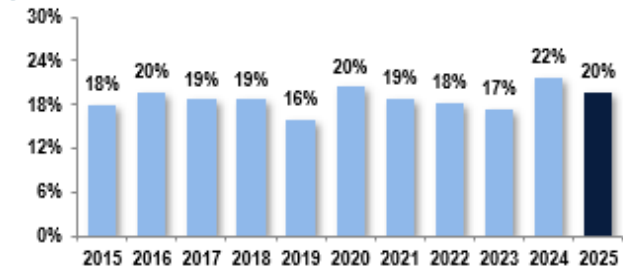
Deal Value / LTM EPS <sup>(1)</sup>



Core Deposit Premium



Target Assets / Acquirer Assets



Source: S&P Capital IQ Pro

Note: Includes whole-bank M&A deals announced between January 1, 2015 and December 31, 2025 in which the target is headquartered in the U.S.; data reflects median values for each time period

(1) Deal value / LTM EPS > 40.0x considered not meaningful ("NM")

## Cornerstone Advisors: What's Going on in Banking

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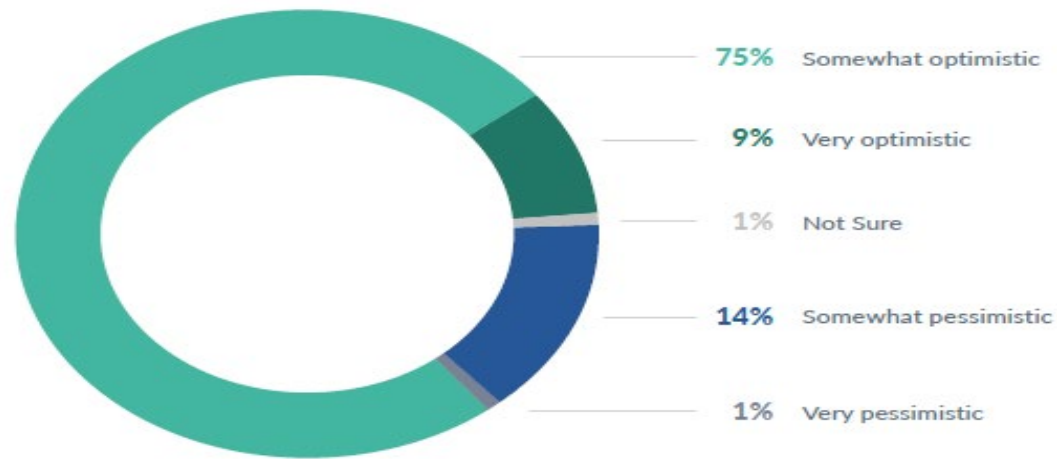
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HUNTON

## Outlook for 2026

How optimistic or pessimistic are you about the prospects for the banking industry in 2026?



Source: Cornerstone Advisors What's Going On in Banking

"I'm optimistic because our net interest margin is improving, our market continues to grow, albeit a bit slower than last year, and we are operationally more prepared than in prior years. This positive view is tempered by the healthy dose of uncertainty I have about Federal Reserve, tariffs, inflation, and the political environment."

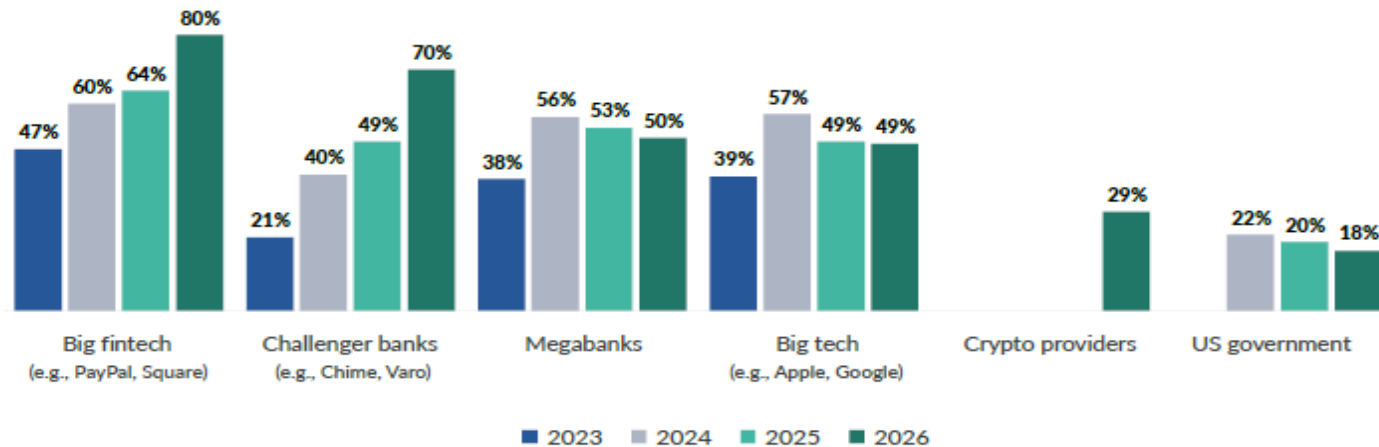
—Dana Hassell, President and Chief Executive Officer, American Bank N.A.

## Bank Execs' Top Concerns, 2023 to 2026

Consumer-related fraud	-	30%	43%	39%
Ability to attract qualified talent	42%	26%	32%	37%
Non-interest income	26%	32%	33%	26%
Weak economy/loan demand	35%	21%	19%	23%
Cost of funds	43%	70%	48%	21%
Small business-related fraud	-	15%	25%	20%
Credit quality/problem loans	7%	23%	20%	19%
Interest rate environment	53%	53%	32%	16%

# Threats to the Banking Industry

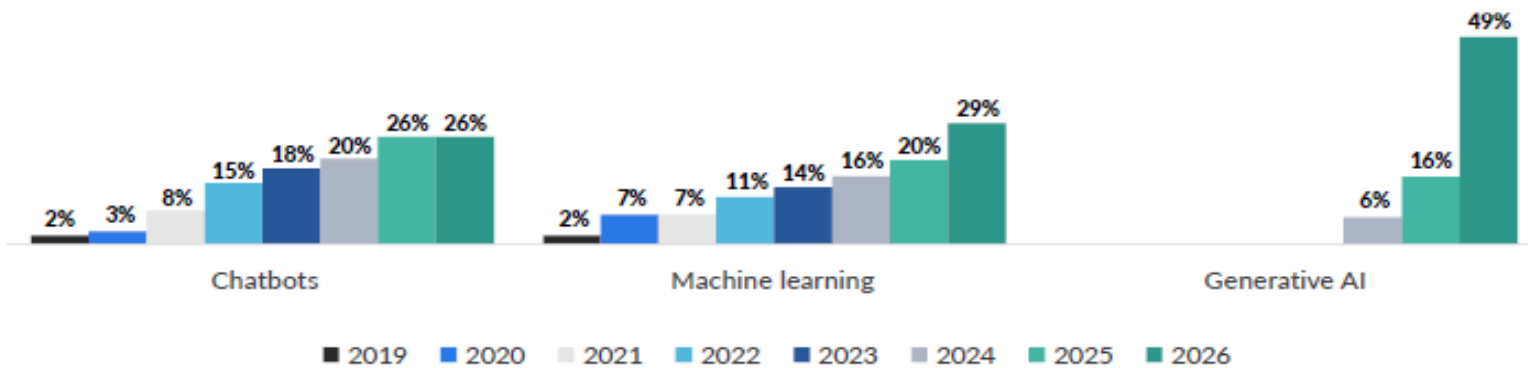
Percentage of Bank and Credit Union Executives That Consider the Following Types of Companies to be a "Significant Threat" in the Coming Decade



Source: Cornerstone Advisors What's Going On in Banking

## Banks' Deployment of Artificial Intelligence, 2019 to 2026

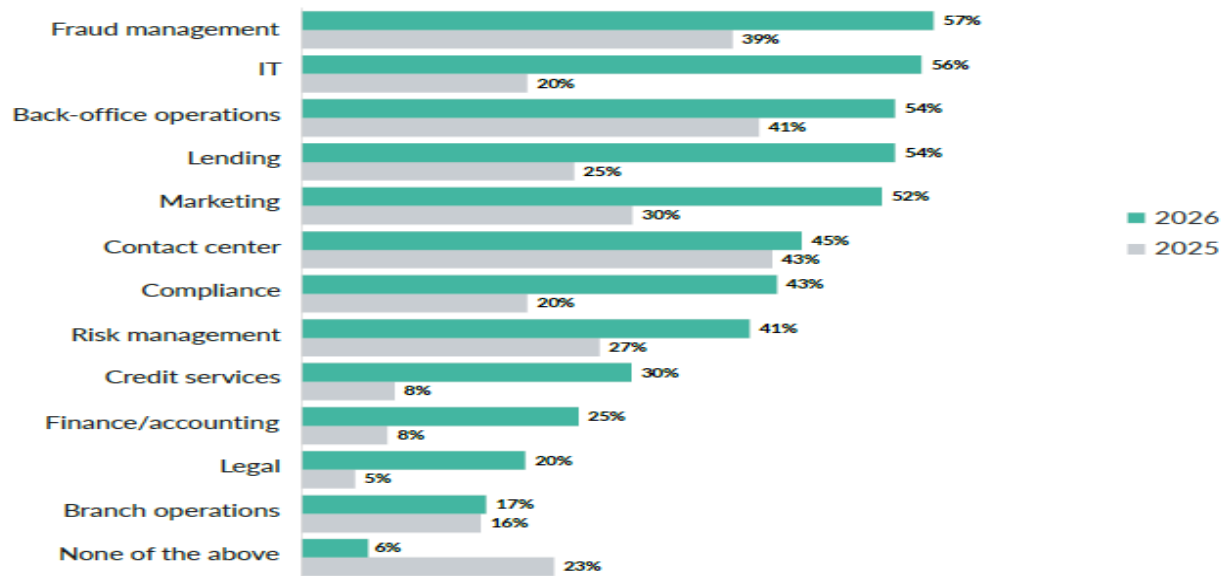
Percentage of Banks That Had Already Deployed  
AI Technology Going Into 2019 to 2026



Source: Cornerstone Advisors What's Going On in Banking

# Banks' Generative AI Plans

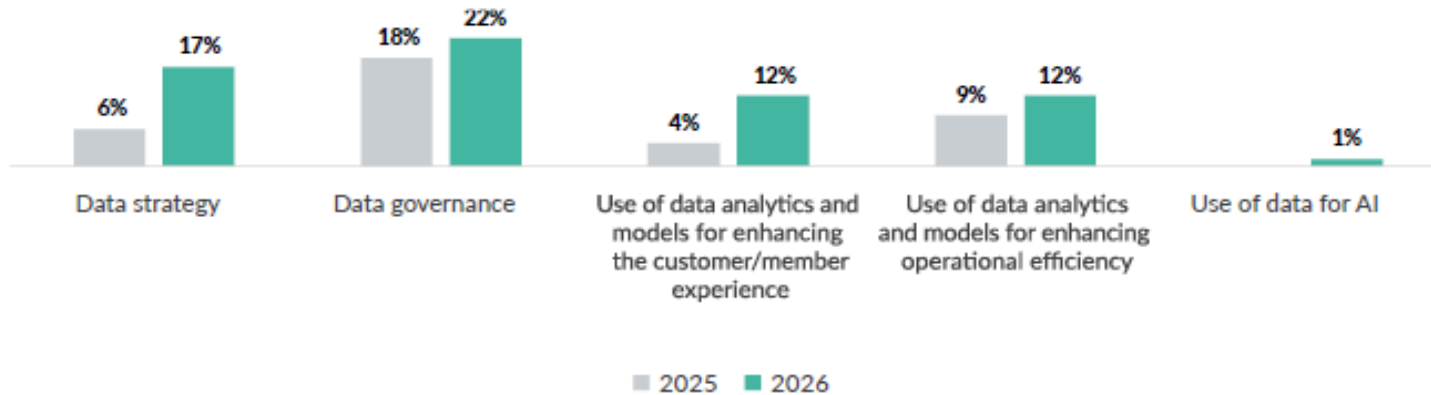
In which of the following areas is your bank using—or planning to use—generative AI to help increase productivity?



Source: Cornerstone Advisors What's Going On in Banking

## Banks' Data Assessments

Percentage of Banks That Rated Data Elements "Very Effective"



Source: Cornerstone Advisors What's Going On in Banking

## Fraud Loss Outlook

	Banks	Credit unions	
Comparing 2025 to 2024, would you say that fraud-related losses at your institution...	Increased significantly	12%	17%
	Increased slightly	29%	35%
	Stayed about the same	38%	21%
	Decreased slightly	9%	13%
	Decreased significantly	3%	10%
	Don't know	9%	4%

Source: Cornerstone Advisors What's Going On in Banking

## Fraud Loss Outlook (Cont'd)

	Banks	Credit unions	
Thinking ahead to 2026, compared to 2025, do you expect fraud-related losses at your institution to...	Increase significantly	0%	10%
	Increase slightly	59%	62%
	Stay about the same	24%	17%
	Decrease slightly	6%	12%
	Decrease significantly	6%	0%
	Don't know	6%	0%

Source: Cornerstone Advisors What's Going On in Banking

## Fraud Budget Outlook

	Banks	Credit unions	
Compared to 2025, how do you expect the budget for fraud prevention and dispute resolution to change in 2026?	Significantly higher	3%	6%
	Somewhat higher	72%	69%
	No change	25%	24%
	Somewhat lower	0%	0%
	Significantly lower	0%	2%

Source: Cornerstone Advisors What's Going On in Banking

## Banks' Tokenization Status

	Have already invested in or deployed	Will invest or implement in 2026	Have discussed at the board or executive team level	Not on our radar
Tokenized deposits	0%	9%	57%	35%
Blockchain	0%	6%	52%	42%
Stablecoins	0%	5%	71%	24%

Source: Cornerstone Advisors What's Going On in Banking

## Approach to Tokenized Deposits

What best describes your institution's current approach toward tokenized deposits?

	Banks	Credit unions
Waiting for regulatory clarity before proceeding	37%	29%
Early exploration of use cases and partners	29%	18%
Actively developing tokenized deposit solutions	1%	0%
Ruled out pursuing tokenized deposits	0%	5%
Not familiar enough to assess at this point	33%	47%

Source: Cornerstone Advisors What's Going On in Banking

## Core Provider Role in Deposit Tokenization Strategy

What role do you expect your core provider to play in your deposit tokenization strategy?

	Banks	Credit unions
We haven't yet evaluated this aspect	42%	55%
Expect our core provider to lead and support our tokenized deposit infrastructure	19%	16%
Will integrate tokenized solutions independently of our core provider	19%	16%
We don't believe our core provider will be prepared to support tokenized initiatives	19%	13%

Source: Cornerstone Advisors What's Going On in Banking

## Tokenization Providers

Who will your institution most likely turn to help deploy stablecoin-related initiatives?

	<b>Banks</b>	<b>Credit unions</b>
Core/platform providers	48%	41%
Fintechs specializing in tokenization	42%	30%
Bank consortiums	39%	46%
Consulting or systems integrators	35%	20%
Blockchain infrastructure firms	20%	14%
In-house development	16%	27%
Don't know	18%	27%

Source: Cornerstone Advisors What's Going On in Banking

## Banks' Lending Priorities 2023 to 2026

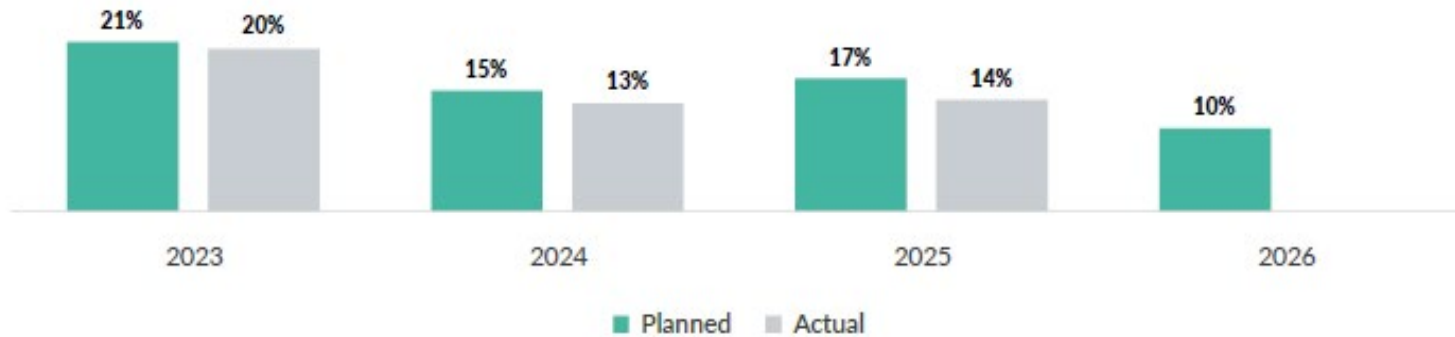
Percentage of Banks Citing Loan Type as a High Priority

	2023	2024	2025	2026
Commercial real estate loans	49%	57%	60%	75%
C&I loans	62%	67%	60%	73%
Mortgage/refi loans	20%	44%	48%	52%
Home equity loans/lines of credit	17%	24%	30%	26%
Sole proprietorship loans	6%	13%	17%	17%
Microloans (e.g., less than \$75k)	NA	17%	21%	11%
Auto loans	3%	12%	8%	6%
Other personal loans	3%	10%	8%	4%
Student loans	0%	1%	2%	1%

Source: Cornerstone Advisors What's Going On in Banking

## Banks' Planned vs. Actual Commercial LOS New Selection/Replacements

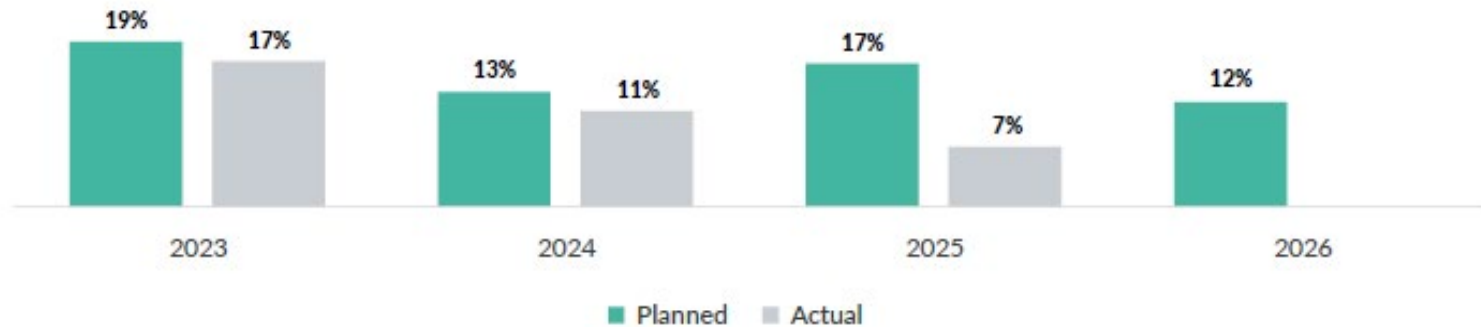
Banks' Planned vs. Actual Commercial Digital Loan Origination System  
New Selection/Replacement



Source: Cornerstone Advisors What's Going On in Banking

## Banks' Planned vs. Actual Consumer LOS New Selection/Replacements

Banks' Planned vs. Actual Consumer Digital Loan Origination System  
New Selection/Replacement



Source: Cornerstone Advisors What's Going On in Banking

## Banks' Tech Spending Changes, 2023 to 2026

How will your institution's tech spending change in the upcoming year compared to the prior year?

	2023	2024	2025	2026
Significantly higher (>10% higher)	14%	8%	9%	12%
Somewhat higher (1%-10% higher)	64%	56%	64%	72%
No change	14%	22%	19%	12%
Somewhat lower (1%-10% lower)	9%	13%	8%	2%
Significantly lower (>10% lower)	0%	2%	1%	2%

Source: Cornerstone Advisors What's Going On in Banking

## Reasons for Increased Tech Spend

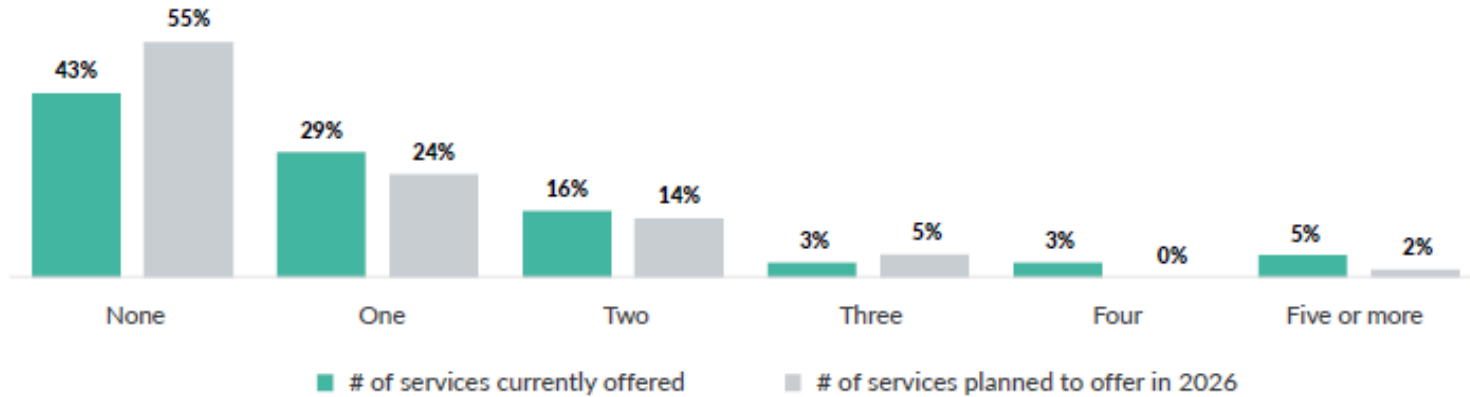
What are the top reasons for the increased tech spend?

	<b>Banks</b>	<b>Credit unions</b>
IT infrastructure	65%	67%
Digital/CX platform	50%	52%
Higher business as usual operations	25%	32%
Back-office platform	31%	27%
Data communication	25%	20%
Core platform modernization	23%	20%

Source: Cornerstone Advisors What's Going On in Banking

## Banks' Fintech Partnership Activity

Number of Fintech Services Currently Offered via Fintech Partnerships



Source: Cornerstone Advisors What's Going On in Banking

# Peter G. Weinstock



## •PRACTICE AREAS

- Advertising Compliance and Counseling
- Artificial Intelligence
- Banking and Finance
- Consumer Financial Compliance and Litigation
- Corporate Governance and Board Advisory
- Fair Lending
- Financial Institutions Corporate and Regulatory
- FinTech

## •CONTACT

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## •EDUCATION

- JD, Duke University School of Law, 1985 BA,
- State University of New York, 1982

## •BAR ADMISSIONS

- Texas

## •CHAMBERS

- Martindale-Hubbell® AV Preeminent

Peter's practice focuses on corporate and regulatory representation of small to large regional and national financial institution franchises. During the past several years, Peter has devoted substantial time to bank M+A, capital raising, FinTech, embedded finance, strategic planning, regulatory, compliance and enforcement. He is Co-Practice Group Leader of the Financial Institutions Section. He has counseled institutions on more than 300 M&A transactions, as well as provided representation on over 325 securities offerings as well as capital planning.

## Relevant Experience

Representation includes:

- Participation in the 2025 FFIEC task force on de novo charter formation
- Facilitated over 60 board strategic plans.
- Lead counsel in merger of equals creating a \$13 billion bank in California, in 2022 creating \$3.0 + billion bank in Wisconsin, and in 2024 creating a \$25 billion bank in Massachusetts
- Lead counsel on the North American Corporate Deal of the Year (Middle Market) – the M&A Atlas Awards – for Cascade Bancorp, Inc.'s successful topping bid to acquire Home Federal Bancorp, Inc., a NASDAQ-listed bank; also, Finance Monthly Deal Maker of the Year award 2014;
- More topping bid transactions as buyer or seller than any other banking firm over the past 20 years;
- More M&A transactions than any firm over the last 30 years (according to *S&P Global Market Intelligence*);
- Hundreds of capital offerings;
- Hundreds of fair lending, CMPs and other enforcement actions;
- Testimony before Panel of the House Judiciary Committee regarding Operation "Choke Point" in July 2014;
- Myriad compliance issues before all of the federal bank regulatory authorities, including the CFPB; and negotiations of hundreds of administrative actions;
- Representation of 8% of FinTech platform banks;
- Provided regulatory trainings; and
- Dozens of new bank charters

For the 22 years of its existence ending in 2019 he served as co-editor of ICBA's Newsletter, "SUBCHAPTER S: THE NEXT GENERATION." He is the author of numerous articles in law and banking publications, including Banking Law Journal article "A Rosetta Stone for Credit 2022 Policy Statement on CRE Loan Workouts and Accommodations." His article, "Acquisitions of Failed Banks – Present Risk and Opportunity," was voted the second best article appearing in The Risk Managers Association Journal of 2011. He has spoken at over 300 banking conferences and seminars. Mr. Weinstock is listed in Chambers USA "Leaders in Their Field" for banking and "FinTech" and as AV Preeminent in Martindale-Hubbell®. He was also named to the National Law Journal's list of Mergers & Acquisitions and Antitrust Trailblazers for 2018.

# Heather Archer Eastep



## PRACTICES

Financial Institutions Corporate and Regulatory  
Banking and Finance  
Mergers and Acquisitions  
Latin America  
Consumer Financial Compliance and Litigation  
Transactional ESOP  
Transaction Processing  
Corporate

## EDUCATION

LLM, Georgetown University, with distinction, 2003  
JD, George Mason University, *cum laude*, 2000  
BS, The College of William & Mary, 1996

## BAR ADMISSIONS

District of Columbia  
Texas  
Virginia

Heather's practice focuses on financial institutions.

Heather's practice focuses on corporate and regulatory representation of small to large regional and national financial institution franchises. She has counseled institutions on M&A transactions, as well as provided representation on securities offerings, capital planning, and corporate restructuring. She also advises financial institutions and financial service providers on emerging regulatory and compliance issues, mostly recently related to high risk customers and Fintech opportunities.

Relevant Experience

### Strategic business planning:

Structuring and raising equity and debt through public or private offerings.

Shareholder matters including share repurchases/tender offers, responses to activist investors and related corporate governance planning.

Structure changes and expansionary activities such as de novo formations, charter conversions, holding company formations, expansion of existing lines of business (trust, insurance, securities and non-banking activities).

Management planning, incentive compensation, corporate succession matters and board advisory services.

### Acquisition transactions:

Advises clients on all matters related to the acquisition or sale of existing financial institutions and their nonbank subsidiaries and the acquisition, sale, establishment and relocation of branch offices.

Mergers and acquisitions of banks with nonbank entities, such as mortgage companies, and investments in banks by third parties.

Awarded a top legal ranking in the U.S. for the 11th year in a row in SNL Financial's league tables for bank and thrift legal advisers. (2017)

### Regulatory Compliance:

Advises clients on a broad variety of bank regulatory and compliance matters, including consumer compliance, third party risk, compliance management systems, incentive compensation, high risk customers, transactions with affiliates and other regulatory and compliance matters.

Response to formal and informal administrative actions and supervisory issues.

# Disclaimer

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