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STIFEL

Ryan Henley, CFA

Managing Director

Head of Financial Institutions Strategy

henleyr@stifel.com

(205) 949-3509

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Loss Earnback

Loss Earnback Activity in 3Q'25













- Though each strategy has differed in meaningful ways (timing, use of proceeds, composition of sales, size, earnback period, etc.), dozens of institutions have publicly announced loss earnback portfolio repositionings since 4Q'22:

Pretax Loss Threshold	Number of Announced Portfolio Restructurings by Quarter											
	4Q '22	1Q '23	2Q '23	3Q '23	4Q '23	1Q '24	2Q '24	3Q '24	4Q '24	1Q '25	2Q '25	3Q '25
>\$1mm	12	31	22	16	44	16	20	21	35	14	15	17
>\$5mm	6	15	7	10	27	8	15	14	22	9	8	5

- The 3rd quarter saw continued activity in portfolio repositioning strategies, though the proportion of strategies recognizing >\$5mm of losses declined versus prior periods.
- Across the entire 197-bank peer set, 110 banks (roughly 56%) have executed at least one loss earnback since 4Q'22 – and over half of those (66 banks, or roughly 33%) have executed multiple transactions.
- Three of the 3rd quarter transactions announced to date were from first-time participants, and thirty-five banks have executed at least three transactions in the past twelve quarters (with two banks active in ten of twelve quarters).

1. Source: Stifel, S&P Global as of 11/10/2025
2. Includes major exchange-traded public banks with between \$2Bn and \$100Bn in Total Assets
3. Merger targets have been removed from institution count from previous periods

Summary of Securities Portfolio Restructurings in 3Q'25 (1 of 2)

Company	Ticker	Total Assets (\$M) ²	Intent	Amount Sold (\$M)	% of Total Portfolio ³	Pre-Tax Loss/Secs Sold (%)	Pre-Tax Loss (\$M)	Use of Proceeds	Spread	Earnback Period	Accompanying Event	8-K Announce?	Prior Restructure? ⁴	1 Day Relative Stock Performance	3 Day Relative Stock Performance	7 Day Relative Stock Performance
 Source Bank	SRCE	\$9,053	AFS	\$73	5.0%	-3%	(\$1.9)	Securities Reinvestment	267bps	Estimated ~2 years			Yes	2.12%	1.70%	1.52%
 amalgamated bank	AMAL	\$8,686	AFS	NA	NA		(\$1.2)						Yes	3.27%	4.19%	2.76%
 ABB AMERICAN BUSINESS BANK	AMBZ	\$4,456	AFS	NA	NA		(\$2.6)						Yes	5.75%	7.36%	7.52%
 Avidbank	AVBH	\$2,356	AFS	\$275	93.8%	-23%	(\$62.4)	Securities Reinvestment and Deleverage			IPO of Common Stock		Yes	0.41%	(0.47)%	2.04%
 BANNER BANK	BANR	\$16,556	AFS	NA	NA		(\$1.2)						Yes	5.99%	2.86%	3.07%
 CITIZENS BUSINESS BANK <small>A Financial Services Company</small>	CVBF	\$15,670	AFS	\$65	1.3%	-13%	(\$8.2)	Securities Reinvestment			Other Income from legal settlement		Yes	0.55%	0.58%	(0.76)%
 COLONY BANK	CBAN	\$3,140	AFS	\$76	9.6%	-1%	(\$1.0)	Loan Reinvestment and Liquidity		< 1 year			Yes	(2.18)%	(2.44)%	(3.89)%
 Community Bank	CBFV	\$1,545	AFS	\$130	48.5%	-9%	(\$11.8)	Securities Reinvestment	256bps	Estimated ~4.3 years		Yes	Yes	(0.18)%	(0.22)%	2.30%
 EAGLEBANK	EGBN	\$10,764	AFS	\$39	1.9%	-5%	(\$2.0)				Deleverage		Yes	(12.15)%	(9.71)%	(12.98)%
 EQUITY BANK	EQBK	\$6,356	AFS	\$490	50.1%	-11%	(\$53.3)	Securities Reinvestment and Liquidity	280bps	Estimated ~4.8 years	Merger and Subordinated Debt Reissue		Yes	0.00%	6.23%	4.38%
 FIRST BANK	FBNC	\$12,741	AFS	\$194	7.3%	-14%	(\$27.9)	Securities Reinvestment		Estimated ~5.6 years			Yes	(1.55)%	1.01%	0.46%
 First Mid	FMBH	\$7,769	AFS	\$38	3.5%	-5%	(\$1.9)	Securities Reinvestment			Branch Sale			(2.79)%	(1.48)%	(0.59)%
 HORIZON BANK <small>Beyond</small>	HBNC	\$6,692	AFS + HTM	\$1,700	82.9%	-18%	(\$299.1)	Securities Reinvestment and Deleverage			Common Raise, Sub Debt Issuance, Loan Sale	Yes	Yes	(5.32)%	(6.22)%	0.00%
 MVB	MVBF	\$3,185	AFS	\$73	18.1%	-10%	(\$7.5)	Securities Reinvestment	340bps	Estimated ~3.1 years	Sale of Fintech Sub	Yes	Yes	2.02%	4.24%	6.97%
 pathward	CASH	\$7,167	AFS	NA	NA		(\$2.2)				BOLI Surrender		Yes	0.62%	(0.81)%	(2.86)%

1. Source: S&P Capital IQ Pro and Company Filings








2. Total Assets as of 3Q'25 bank level

3. Beginning total portfolio data reflects book value as of 2Q'25

4. Looks at losses taken from 4Q'22 through 3Q'25 over \$500k

5. Relative Stock Performance represents the difference between the bank's stock price performance from the date of the earning release vs. the change in the KBX Regional Banking Index over the same period.

Summary of Securities Portfolio Restructurings in 3Q'25 (2 of 2)

Company	Ticker	Total Assets (\$M) ²	Intent	Amount Sold (\$M)	% of Total Portfolio ³	Pre-Tax Loss/Secs Sold (%)	Pre-Tax Loss (\$M)	Use of Proceeds	Spread	Earnback Period	Accompanying Event	8-K Announce?	Prior Restructure? ⁴	1 Day Relative Stock Performance	3 Day Relative Stock Performance	7 Day Relative Stock Performance
 Peoples Bank	PEBO	\$9,612	AFS	\$75	3.8%	-3%	(\$2.6)	Securities Reinvestment and Deleverage		1.5 years			Yes	1.53%	2.34%	1.71%
 ServisFirst Bank	SFBS	\$17,583	AFS	\$83	4.4%	-9%	(\$7.8)	Securities Reinvestment	448bps	3 years			Yes	(6.73)%	(6.13)%	(8.17)%
 Simmons Bank	SFNC	\$24,164	AFS	\$3,201	53.2%	-25%	(\$801.5)	Deleverage			Common Raise	Yes	Yes	2.27%	2.45%	2.79%
 SmartBank	SMBK	\$5,778	AFS	\$85	13.6%	-4%	(\$3.7)	Securities Reinvestment	355bps	Estimated ~ 1.2 years	Sale of Insurance Sub		Yes	3.62%	0.49%	1.75%
 Southside Bank	SBSI	\$8,376	AFS	\$325	11.9%	-8%	(\$24.4)	Loan Reinvestment and Securities Reinvestment		< 4 years	Subordinated Debt Issuance		Yes	(2.02)%	1.45%	3.31%
 Ohio Valley Bank	OVBC	\$1,555	AFS	\$11	4.0%	-11%	(\$1.2)	Securities Reinvestment		Estimated ~3.6 years			Yes	2.76%	4.82%	4.44%
 tri counties bank	TCBK	\$9,875	AFS	\$31	1.6%	-7%	(\$2.1)				Gain from early retirement of Sub Debt		Yes	1.54%	1.55%	4.51%

1. Source: S&P Capital IQ Pro and Company Filings

2. Total Assets as of 3Q'25 bank level

3. Beginning total portfolio data reflects book value as of 2Q'25

4. Looks at losses taken from 4Q'22 through 3Q'25 over \$500k






















5. Relative Stock Performance represents the difference between the bank's stock price performance from the date of the earning release vs. the change in the KBX Regional Banking Index over the same period.

Large Securities Portfolio Restructures: Loss Larger Than Prior Quarter Core Income

The chart below assesses major exchange-traded public banks who took a loss greater than a quarter's worth of core income from 1Q24 to 2Q25.²


Key Takeaways:

1. On average these institutions took a loss greater than 3 times the previous quarter's core income and their stock outperformed the KRX index.
2. 15 of the 21 institutions in this list executed the loss earnback in conjunction with an accompanying event, 7 of which included a capital raise.
3. All reported or estimated earnback periods were over 3 years, the average sale was over 25% of the portfolio, 80% reinvested at least a portion of proceeds back into securities and 2 institutions tainted HTM.

Company	Ticker	Total Assets (\$M) as of 1Q25	Quarter Executed	Intent	Amount Sold (\$M)	% of Portfolio Sold	Pre-Tax Loss (\$M)	Pre-Tax Core Income (Prior Quarter of Executed)	Loss as Multiple of Prior Quarter Core Income	Use of Proceeds	Accompanying Event	Earnback Period	1 Day Relative Stock Performance	3 Day Relative Stock Performance	7 Day Relative Stock Performance
 Berkshire Bank	BHLB	12,013	1Q24	AFS	362	23%	(49.9)	27.3	1.83	Deleverage	Sale of NY Branches		0.53%	0.56%	1.21%
 SYNOVUS	SNV	60,339	2Q24	AFS	1,600	16%	(256.7)	174.8	1.47	Securities Reinvestment	RWA Optimization	5 Years	(0.48)%	1.81%	2.08%
 Bank of Marin	BMRC	3,784	2Q24	AFS	293	20%	(32.5)	4.0	8.20	Securities and Loan Reinvestment		3 Years	(1.39)%	(2.39)%	6.25%
 Northwest Bank	NWBI	14,454	2Q24	AFS	276	14%	(39.4)	38.6	1.02	Securities Reinvestment and Deleverage		< 3 Years	3.31%	4.61%	3.53%
 German American Bank	GABC	8,420	2Q24	AFS	375	24%	(34.9)	24.6	1.42	Securities Reinvestment	Gain from Sale of Insurance Sub		(0.82)%	(3.55)%	0.99%
 Trustmark	TRMK	18,296	2Q24	AFS	1,600	50%	(182.8)	48.3	3.78	Securities Reinvestment	Gain from Sale of Insurance Sub and Visa B	Estimated ~3.5yrs	(0.55)%	0.49%	(0.08)%
 Commerce Bank	CBSH	32,365	2Q24	AFS	1,200	13%	(179.1)	156.9	1.14	Securities Reinvestment	Visa B Gain		4.48%	2.93%	1.44%
 First American	FAF	15,497	3Q24	AFS	NA		(326.6)	171.2	1.91	Securities Reinvestment			(0.31)%	(1.68)%	(2.13)%
 Texas Capital Bank	TCBI	31,376	3Q24	AFS	1,240	28%	(179.6)	53.3	3.37			Estimated ~3.7yrs	5.83%	6.96%	8.66%
 BANC OF CALIFORNIA	BANC	33,780	3Q24	AFS	742	15%	(59.9)	34.2	1.75	Securities Reinvestment	Sale of Civic Loan Portfolio	Estimated ~3yrs	3.17%	3.10%	1.97%
 MidWestOne Financial Group	MOFG	6,254	3Q24	AFS + HTM	1,000	55%	(140.2)	11.5	12.20	Securities Reinvestment and Deleverage	Common Equity Raise	4.5 Years	(1.04)%	0.40%	(1.49)%
 AMERANT BANK	AMTB	10,170	3Q24	AFS + HTM	551	36%	(68.6)	11.9	5.76	Securities and Loan Reinvestment	Common Equity Raise		(2.83)%	0.41%	(2.33)%
 HORIZON BANK	HBNC	7,629	4Q24	AFS	332	13%	(39.1)	23.9	1.64	Loan Reinvestment and Deleverage	Released Tax Valuation Allowance	< 4yrs	5.15%	7.94%	5.56%
 Associated Bank	ASB	43,309	4Q24	AFS	1,300	16%	(148.2)	112.5	1.32	Securities Reinvestment	Common Equity Raise, Loan Sale	Estimated ~3.55 Years	0.77%	0.91%	0.91%
 FIRST BANK	FBNC	12,436	4Q24	AFS	280	11%	(36.8)	25.7	1.44	Securities Reinvestment		Estimated ~3.5 Years	(1.77)%	(0.32)%	(1.71)%
 FLUSHING BANK	FFIC	9,008	4Q24	AFS	445	26%	(72.3)	11.4	6.35	Securities Reinvestment	Common Equity Raise, Loan Sale	Estimated ~ 4.4 Years	(12.02)%	(10.78)%	(11.49)%
 WASHINGTON TRUST	WASH	6,586	4Q24	AFS	409	40%	(31.0)	14.1	2.20	Securities Reinvestment	Common Equity Raise	Estimated ~ 3.4 Years	(2.99)%	(4.15)%	(5.60)%
 Financial Institutions, Inc.	FISI	6,340	4Q24	AFS	636	62%	(100.1)	17.0	5.88	Securities Reinvestment	Common Equity Raise	Estimated ~ 4.5 Years	7.70%	8.22%	8.66%
 Eastern Bank	EBC	24,986	1Q25	AFS	1,300	29%	(269.6)	87.8	3.07	Securities Reinvestment		Estimated ~5.8 Years	(5.46)%	(5.52)%	(5.84)%
 SouthState	SSB	65,135	1Q25	AFS	1,800	26%	(228.8)	193.8	1.18	Securities Reinvestment	Sale Leaseback	Estimated ~5.5 Years	(1.13)%	0.05%	(0.38)%
 Chemung Canal Trust Company	CHMG	2,797	2Q25	AFS	242	45%	(17.0)	7.7	2.22	Deleverage and Loan Reinvestment	Subordinated Debt Issuance		0.12%	(0.51)%	(1.53)%
Averages						28%			3.29				0.01%	0.45%	0.41%
Medians						25%			1.91				(0.48)%	0.41%	0.91%

1. Source: S&P Capital IQ Pro and Company Filings
2. Preliminary 2Q25 data as of 7/22/2025
3. Includes major exchange-traded public banks with between \$2Bn and \$100Bn in Total Assets
4. Total Assets as of 1Q'25
5. Beginning total portfolio data reflects value as of quarter prior to sale
6. Relative Stock Performance represents the difference between the bank's stock price performance from the date of the earning release vs. the change in the KBX Regional Banking Index over the same period.

July 2025 SFNC Case Study (1 of 2)

Company	Ticker	Total Assets (\$M) ²	Intent	Amount Sold (\$M)	Pre-Tax Loss (\$M)	Use of Proceeds	Accompanying Event	8-K Announce?	Prior Restructure? ⁴	1 Day Relative Stock Performance	3 Day Relative Stock Performance	7 Day Relative Stock Performance
 Simmons First National Corporation	SFNC	\$26,694	AFS + HTM	\$2,400	(\$609.0)	Deleverage and Securities Reinvestment	Common Raise	Yes	Yes	2.27%	2.45%	2.79%

Potential Balance Sheet Repositioning Expected to Enhance Profitability

Overview of Contemplated Balance Sheet Repositioning

- ❑ Simmons is evaluating a potential repositioning of a portion of the held-to-maturity (“HTM”) securities portfolio
- ❑ Approximately \$3.6 billion of securities in the portfolio would be transferred from HTM to available-for-sale (“AFS”)
- ❑ Any sale of securities would only occur after execution of the common equity offering and subject to market conditions
- ❑ We expect to use proceeds from the transaction to:
 - Reduce wholesale borrowings
 - Improve liquidity profile of securities portfolio

Strategic Rationale


- ❑ We expect that the balance sheet repositioning will:
 - Enhance risk management
 - More effectively and efficiently manage interest rate risk
 - Enhance liquidity and economic capital position
 - Improve buffers to capital through enhanced earnings
 - Bolster earnings profile today with achievable upside
 - Meaningful improvement to NII, PPNR and EPS
 - Expansion in key return metrics
 - TBVPS growth potential unlocked
 - Accelerate optimization of earning asset and funding mix
 - Improve balance sheet flexibility
 - Propel organic growth and capital generation

NII – Net interest income
PPNR – pre-provision net revenue



- Source: S&P Capital IQ Pro and Company Filings
- Total Assets as of 2Q'25
- Looks at losses taken from 4Q'22 through 2Q'25
- Relative Stock Performance represents the difference between the bank's stock price performance from the date of the earning release vs. the change in the KBX Regional Banking Index over the same period.

July 2025 SFNC Case Study (2 of 2)

Company	Ticker	Total Assets (\$M) ²	Intent	Amount Sold (\$M)	Pre-Tax Loss (\$M)	Use of Proceeds	Accompanying Event	8-K Announce?	Prior Restructure? ⁴	1 Day Relative Stock Performance	3 Day Relative Stock Performance	7 Day Relative Stock Performance
 Simmons First National Corporation	SFNC	\$26,694	AFS + HTM	\$2,400	(\$609.0)	Deleverage and Securities Reinvestment	Common Raise	Yes	Yes	2.27%	2.45%	2.79%

Transaction Assumptions & Summary Impact

Potential Transaction Assumptions¹

Common Equity Capital Raise	Gross Offering Proceeds: \$250M
	Net Offering Proceeds: ~\$237M²
Transfer HTM Portfolio to AFS	Book Value of Securities: ~\$3.6B
	Market Value of Securities: ~\$2.9B
	Unrealized After-Tax Loss: ~\$501M
Securities Sold	FMV of Securities: ~\$2.4B
	After-Tax Loss: ~\$609M
	FTE Yield (Book Value): ~2.35%
	WAL of Securities Sold: ~13 years
Balance Sheet Adjustments	Reinvest in New Securities: \$500M @ ~4.85%
	Pay Down Wholesale Borrowings: \$2.3B @ ~4.43%

Pro Forma Financial Highlights

	Reported 2Q25 ³	Adjusted 2Q25 ^{4,5}	Pro Forma ⁵
Securities / Total Assets	22.5%	---	14.4%
Loans HFI / Deposits	78.4%	---	84.9%
Wholesale Funding / Total Funding ⁵	17.2%	---	7.8%
Tangible Common Equity Ratio ⁶	8.5%	6.6%	8.2%
Tier 1 Leverage Ratio	10.0%	8.2%	9.5%
CET1 Ratio	12.4%	9.9%	11.1%
Total Risk-Based Capital Ratio	14.4%	12.0%	13.2%

¹ Actual amounts and terms may vary depending on market conditions and execution

² Assumes 5.0% gross underwriting spread and \$1 million in additional expenses

³ 2Q25 numbers are preliminary. See slide 3 for disclaimer

⁴ Inclusive of after-tax loss from transfer of HTM portfolio to AFS of ~\$501 million


⁵ Total funding equals total deposits and FHLB & other borrowings

⁶ Non-GAAP measures that management believes aid in the discussion of results. See appendix for Non-GAAP reconciliation



1. Source: S&P Capital IQ Pro and Company Filings
2. Total Assets as of 2Q'25
3. Looks at losses taken from 4Q'22 through 2Q'25
4. Relative Stock Performance represents the difference between the bank's stock price performance from the date of the earning release vs. the change in the KBX Regional Banking Index over the same period.

August 2025: HBNC Case Study (1 of 2)

Company	Ticker	Total Assets (\$M) ²	Intent	Amount Sold (\$M)	Pre-Tax Loss (\$M)	Use of Proceeds	Accompanying Event	8-K Announce?	Prior Restructure? ⁴	1 Day Relative Stock Performance	3 Day Relative Stock Performance	7 Day Relative Stock Performance
 HORIZON BANK	Beyond HBNC	\$7,652	AFS + HTM	\$1,400	(\$310.0)	Deleverage and Securities Reinvestment	Common Raise, Sub Debt Issuance, Loan Sale	Yes	Yes	(5.32)%	(6.22)%	0.00%

Potential Strategic Actions to Unlock & Reposition the Balance Sheet



Transaction Overview

- 1 We are evaluating a potential repositioning of low-yielding available-for-sale and held-to-maturity securities and the sale of certain indirect auto loans in combination with a capital raise
- 2 Additionally, we are evaluating paying down puttable advances and identified public funds resulting in a more granular funding base with reduced liquidity risk / interest rate risk
- 3 HTM reclassification and securities sales would NOT be undertaken until HBNC has received the proceeds from the planned common equity offering
- 4 Expected Results:
 - ✓ Unlocks Peer Top Quartile Profitability
 - ✓ Reduces Interest Rate Risk
 - ✓ Increases Liquidity
 - ✓ Accelerates Capital Generation for Future Growth
 - ✓ Reduces Consumer Credit Risk

Potential Balance Sheet Actions

Sources

Raise ~\$104MM of Common Equity

Raise ~\$100MM of Subordinated Debt⁽¹⁾

Sell ~\$1.4B in Securities⁽²⁾
After-tax Loss of ~\$238MM

Sell ~\$200MM in Indirect Auto Loans

Uses

Pay down \$1.1B of Wholesale Funding

- ~\$715MM in puttable advances⁽³⁾
- ~\$400MM in identified public funds

Redeem ~\$56MM in subordinated debt

Reinvest ~\$620MM in securities


(1) Following completion of its common stock offering, the Company anticipates issuing \$100 million in fixed-to-floating rate subordinated notes due 2035 in a private placement transaction with registration rights, the proceeds of which would be used in part to redeem the Company's existing subordinated debt and for other general corporate purposes.

(2) Includes \$210MM (market value) of AFS and \$1.2B (market value) of HTM securities with a pre-tax loss of \$310MM as of 8/13/2025, tax-effected at 23%.

(3) Inclusive of estimated pre-tax prepayment penalty of \$150MM as of 8/8/2025.

1. Source: S&P Capital IQ Pro and Company Filings
2. Total Assets as of 2Q'25
3. Looks at losses taken from 4Q'22 through 2Q'25
4. Relative Stock Performance represents the difference between the bank's stock price performance from the date of the earning release vs. the change in the KBX Regional Banking Index over the same period.

August 2025: HBNC Case Study (2 of 2)

Company	Ticker	Total Assets (\$M) ²	Intent	Amount Sold (\$M)	Pre-Tax Loss (\$M)	Use of Proceeds	Accompanying Event	8-K Announce?	Prior Restructure? ⁴	1 Day Relative Stock Performance	3 Day Relative Stock Performance	7 Day Relative Stock Performance
 Beyond	HBNC	\$7,652	AFS + HTM	\$1,400	(\$310.0)	Deleverage and Securities Reinvestment	Common Raise, Sub Debt Issuance, Loan Sale	Yes	Yes	(5.32)%	(6.22)%	0.00%

Detailed Assumptions on Potential Balance Sheet Repositioning		Potential Transaction Assumptions ⁽¹⁾	
Common Equity Capital Raise		<ul style="list-style-type: none"> Gross Offering Proceeds: \$104MM (inclusive of overallotment option) Net Offering Proceeds: \$98MM⁽²⁾ 	
Subordinated Debt Private Placement		<ul style="list-style-type: none"> Gross Offering Proceeds: \$100MM Net Offering Proceeds: \$98MM⁽³⁾ 	
Transfer HTM Securities to AFS		<ul style="list-style-type: none"> Book Value of HTM Portfolio: \$1.8B Market Value of HTM Portfolio: \$1.5B Unrealized After-Tax Loss: \$217MM (as of 6/30/2025) 	
Securities Sale		<ul style="list-style-type: none"> Book Value of Securities: \$1.7B Market Value of Securities: \$1.4B After-Tax Loss: \$238MM (estimated execution levels as of 8/13/2025) FTE Book Yield: 2.49% / Nominal Book Yield of 2.15% WAL on Securities Sold: Greater than 8 years 	
Auto Loan Sale		<ul style="list-style-type: none"> Book Value: \$201MM Net After-tax Loss: \$4MM Net Pre-tax Yield: 3.96% 	
Balance Sheet Repositioning		<ul style="list-style-type: none"> Pay Down FHLB Advances: \$700MM @ 3.59% Pre-tax Cost / After-tax Pre-Payment Penalty of \$12MM Runoff of High-Cost Public Funds: \$400MM @ 4.15% Pre-tax Cost Redeem Subordinated Notes: \$56MM (floats @ 3-Mo SOFR + 549 beginning 7/1) Reinvest Remaining Proceeds in New Securities: ~\$618MM @ 5.25% pre-tax at a 0% risk-weighting 	

Note: a tax rate of 23% has been applied to pre-tax figures to derive after-tax amounts.
 (1) Actual amounts and terms may vary depending on market conditions and execution.
 (2) Assumes 4.75% gross underwriting spread and \$400 thousand in additional expenses.
 (3) Assumes 1.50% gross underwriting spread and \$400 thousand in additional expenses.

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- Source: S&P Capital IQ Pro and Company Filings
- Total Assets as of 2Q'25
- Looks at losses taken from 4Q'22 through 2Q'25
- Relative Stock Performance represents the difference between the bank's stock price performance from the date of the earning release vs. the change in the KBX Regional Banking Index over the same period.

Polling Question

Which best describes your institution's thought process around portfolio repositionings?

1. We have executed repositioning strategies previously, but are unlikely to pursue further opportunities.
2. We have executed repositioning strategies previously and may consider additional opportunities in the next 3-6 months.
3. We have not executed repositioning strategies previously, but may do so within the next 3-6 months.
4. We have not executed repositioning strategies previously and are unlikely to do so.





RWA Optimization

Potential Risk Weighted Asset Reduction Considerations

- The following slides and summary grid below highlight multiple risk-based capital optimization considerations institutions may have available.
- Each of following considerations are intended to serve as a reminder and update for what peers have implemented over the past few years to reduce risk weighted assets and thereby improve risk-based capital ratios.

1	2	3	4	5
HELOC Reclass	Municipal Loans	Prudently Underwritten Residential Mortgage Loans	Statutory Multifamily Mortgage	Loans/Commitments Held for Investment/Sale
Unfunded single family commitment lines that fall under unconditionally cancelable definition can be assigned a 0% credit conversion factor for risk weighting purposes	Loans made to municipalities or other public sector entities (PSEs) can carry 20% or 50% risk weighting vs where some institutions might be classifying exposure as 100% RW	For first lien 1-4 family residential mortgage loans that meet certain lending and payment criteria can qualify for 50% RW treatment	First lien loans secured by multifamily residential property that meet certain lending and payment criteria can qualify for 50% RW treatment	Loans/commitments secured by “financial exposures” that qualify for securitization framework can fall under simplified supervisory formula approach (SSFA) or Gross-Up Approach for RWA treatment

Public Bank Disclosures

Strategy	Public Bank Disclosure	
HELOC Reclass	 HANCOCK WHITNEY	<p>"Approximately half of the improvement in the tier 1 and total risk-based capital ratios from March 31, 2024 is the result of a risk weighted asset optimization analysis associated with certain off-balance sheet commitments for home equity lines of credit"² – HWC 2Q24 10q</p>
Municipal Loans	 Webster Bank	<p>"And I'll give you an example. Kind of in the public sector, we had a lot of loans sitting at a 100% risk weighting and general obligation bonds can be at 20% and revenue pledge at 50%. So we did a lot of work to pull additional data and really optimize our risk weighting there. It's one example across the category. So hopefully that, and then as we mentioned the securitization also helped drive increased capital levels. And that was about 6 basis points, included in that 44 that I just mentioned." – WBS 3Q24 Earnings Release</p>
Loans/Commitments Held for Investment/Sale	 Texas Capital	<p>"We also noted in the remarks the potential from increase -- or for increased regulatory capital from enhanced credit structures for a portion of the mortgage warehouse facilities. That's not enabled through use of an expensive derivative, but instead adjustments to facility structure, which better reflects what clients are used to with large bank counterparties." – TCBI 4Q24 Earnings Release</p> <p>"I'd call out that further supporting the optionality is a success that we've had implementing the enhanced credit structures for the mortgage finance project -- mortgage finance clients. So we noted in the prepared remarks that as of 3/31, we had \$715 million or 15% of clients that have moved into that structure, which reduced their risk-weighting from 100% to 26%, resulting in a 21 basis point increase in regulatory capital. Based on current client interaction, we suspect we can get that number to 30% of ending period Q2 warehouse balances in the structure." – TCBI 1Q25 Earnings Call</p>
	 SYNOVUS	<p>"But the effort we're talking about today is around certain loan categories that could be eligible to have reduced risk weightings, including mortgage, government lending, securitization exposures and multifamily term loans. <i>The largest impact of this effort is coming from loans that qualify for a reduced RWA treatment within our lender finance portfolio. But in order to achieve that risk weighting, down to 20% in many cases relative to the 100% risk weighting we have today. We have to perform proper analysis and documentation in light of the regulatory capital requirements under the simplified supervisory formula approach.</i>" – SNV 1Q24 Earnings Call</p>

1 HELOC Reclassification

Stifel has worked with hundreds of banks to identify areas for risk weight relief in Unfunded HELOCs

While we typically see banks hold 100% RW, 50% CCF against Unfunded HELOCs, a closer look at the definition of “unconditionally cancelable” suggests that if the HELOC contracts follow Reg Z, that means the lines can technically be canceled, and therefore, capital should not have to be held against them.

“In the case of consumer home equity or mortgage lines of credit secured by liens on 1-4 family residential properties, a bank is deemed able to unconditionally cancel the commitment if, at its option, it can prohibit additional extensions of credit, reduce the credit line, and terminate the commitment to the full extent permitted by relevant federal law.”

Regulatory clarity provided:

- This excerpt “to the full extent permitted by relevant federal law” is a reference to the situations permitted by Reg Z that one can cancel a HELOC.
- As a result, one would achieve the HELOC definition of unconditionally cancellable and **can apply a CCF of 0% to these contracts assuming the contracts have the Reg Z language.**

Figure 1: Sample HELOC Reclass

	MVB Financial Corp.		
	2016Q2	2016Q3	Change
Total Assets	1,484,962	1,468,595	
Off-Balance Sheet Items (RC-L)			
Unfunded Commitment: 1-4 FAMILY (HELOCs)	38,274	38,944	
Derivatives & Off-Balance Sheet Items (RC-R)			
NotAmt: Unused Cmt>1yr Orig Mat	139,848	86,355	
NotAmt: Unused Cmt ABCP Conduits <= 1 Yr Orig Mat	NA	NA	
Not Amt: Unused Cmt ABCP excl Cond<= 1 Yr Orig Mat	126,857	145,804	
NotAmt: Unconditionally Cancelable Commitments	1,218	40,182	38,964
NotAmt: Total Unsettled Transactions	0	0	
	Excludes Reclass	Includes Reclass	Change
	2016Q3		
Reporting Period of HELOC Reclassification			
Unfunded Commitment: 1-4 FAMILY (HELOCs)	38,944	38,944	-
Unconditionally Cancelable Commitments	1,238	40,182	38,944
Common Equity Tier 1 Capital	92,124	92,124	-
Tier 1 Capital	112,582	112,582	-
Total Capital	151,140	151,140	-
Risk Weighted Assets	1,203,642	1,184,170	(19,472)
Common Equity Tier 1 Capital Ratio	7.65%	7.78%	0.13%
Tier 1 Ratio	9.35%	9.51%	0.15%
Total Capital Ratio	12.56%	12.76%	0.21%

- Source: S&P Global
- Assumes a 100% RW and 50% CCF for HELOC unfunded commitments
- Information confidential and private, for intended audience only and not meant for distribution

2 Municipal Loan Risk Weighting

Do Municipal Loans require a different risk weighting than Municipal Securities?

- 12 CFR § 217.32 bifurcates the risk weighting on municipal obligations into two categories, general obligations at 20% risk weight, and revenues obligations at 50% risk weight.

(i) A Board-regulated institution must assign a **20 percent risk weight to a general obligation exposure** to a PSE that is organized under the laws of the United States or any state or political subdivision thereof.

(ii) A Board-regulated institution must assign a **50 percent risk weight to a revenue obligation exposure** to a PSE that is organized under the laws of the United States or any state or political subdivision thereof.

- 12 CFR § 217.2 further defines “general obligation” and “revenue obligation” as follows”

General obligation means a **bond or similar obligation** that is backed by the full faith and credit of a public sector entity (PSE).

Revenue obligation means a **bond or similar obligation** that is an obligation of a PSE, but which the PSE is committed to repay with revenues from the specific project financed rather than general tax funds.

- The wording in this section of the regulation is important, as it makes no distinction between municipal securities and municipal loans. Instead, bonds and “similar obligation[s]” both receive the same treatment: either 20% or 50%. Notably, the revenue/general obligation distinction is made separate from the use of funds of the obligation, it is contingent solely on the source of payment and not the form of function of the obligation.
- Using this logic, some institutions have classified, or are recently reclassifying, their municipal loans from 100% to either 20% or 50%. The reduction in risk weighted assets is essentially free capital, similar to the HELOC reclassification.

Figure 1: Sample Muni Loan Reclass

	State & Political Loans	State & Political Loans RWA	Δ in RWA	Total Risk Weighted Assets	Tier 1 Capital	Tier 1 Common Capital Ratio	Δ in RBC Ratio
100% Risk Weight	\$800,828	\$800,828	\$0	\$22,530,325	\$2,721,018	12.08%	
50% Risk Weight	\$800,828	\$400,414	(\$400,414)	\$22,129,911	\$2,721,018	12.30%	↑ 0.22%
20% Risk Weight	\$800,828	\$160,166	(\$640,662)	\$21,889,663	\$2,721,018	12.43%	↑ 0.35%

3 Prudently Underwritten Residential Mortgage Loans

Prudently Underwritten Residential Mortgage Loans that meet specific criteria can garner a 50% Risk Weight.

“In column H—50% risk weight, include the carrying value of loans held for investment (HFI) secured by 1-4 family residential properties included in Schedule RC-C, Part I, item 1.c.(1) (only include qualifying first mortgage loans); qualifying loans from Schedule RC-C, Part I, items 1.c.(2)(a) and 1.d; and those loans that meet the definition of a residential mortgage exposure and qualify for 50 percent risk weight under §.32(g) of the regulatory capital rules. For residential mortgage exposures,

- The loans must be prudently underwritten.
- Be fully secured by first liens on 1-4 family residential properties (regardless of the original and outstanding amount of the loan) or multifamily residential properties (with an original and outstanding amount of \$1 million or less).
- A property is owner-occupied or rented.
- Not 90 days or more past due or in nonaccrual status.
- And have not been restructured or modified (unless modified or restructured solely pursuant to the U.S. Treasury’s Home Affordable Mortgage Program (HAMP)).”

Prudently underwritten standards include relevant credit factors listed in Appendix

4 Statutory Multifamily Mortgage

Multifamily Loans that are performing for 12 months and meet certain underwriting standards can qualify for 50% Risk Weight.

“In column H—50% risk weight, include the carrying value of loans HFI secured by 1-4 family residential properties included in Schedule RC-C, Part I, item 1.c.(1) (only include qualifying first mortgage loans); qualifying loans from Schedule RC-C, Part I, items 1.c.(2)(a) and 1.d; and those loans that meet the definition of a residential mortgage exposure and qualify for 50 percent risk weight under §.32(g) of the regulatory capital rules..... **Also include loans HFI that meet the definition of statutory multifamily mortgage in §.2 of the regulatory capital rules.** Also include the portion of any loan HFI which meets the definition of residential mortgage exposure reported in Schedule RC, item 4.b, that is secured by collateral or has a guarantee that qualifies for the 50 percent risk weight. The loan is made in accordance with prudent underwriting standards”

“**11b Statutory multifamily mortgage** means a loan secured by a multifamily residential property that meets the requirements under Section 618(b)(1) of the Resolution Trust Corporation Refinancing, Restructuring, and Improvement Act of 1991, and that meets the following criteria:

- (1) The loan is made in accordance with prudent underwriting standards;
- (2) The principal amount of the loan at origination does not exceed 80 percent of the value of the property (or 75 percent of the value of the property if the loan is based on an interest rate that changes over the term of the loan) where the value of the property is the lower of the acquisition cost of the property or the appraised (or, if appropriate, evaluated) value of the property;
- (3) **All principal and interest payments on the loan must have been made on a timely basis in accordance with the terms of the loan for at least one year** prior to applying a 50 percent risk weight to the loan, or in the case where an existing owner is refinancing a loan on the property, all principal and interest payments on the loan being refinanced must have been made on a timely basis in accordance with the terms of the loan for at least one year prior to applying a 50 percent risk weight to the loan;
- (4) Amortization of principal and interest on the loan must occur over a period of not more than 30 years and the minimum original maturity for repayment of principal must not be less than 7 years;
- (5) Annual net operating income (before making any payment on the loan) generated by the property securing the loan during its most recent fiscal year must not be less than 120 percent of the loan's current annual debt service (or 115 percent of current annual debt service if the loan is based on an interest rate that changes over the term of the loan) or, in the case of a cooperative or other not-for-profit housing project, the property must generate sufficient cash flow to provide comparable protection to the institution; and
- (6) The loan is not more than 90 days past due, or on nonaccrual.”

Additional Requirements listed in Appendix

5 Loans That Qualify for Securitization Framework

Loans secured by “financial exposures” and qualify for securitization framework can fall under simplified supervisory formula approach (SSFA) or Gross-Up Approach for RWA treatment, likely reducing current risk weight.

- Basel III final ruling describes on- and off- balance sheet securitization as:
 - Requires all or substantially all of the underlying exposures to be financial exposures
 - Transaction in which credit risk of one or more underlying exposures has been transferred to one or more third parties
 - The credit risk associated with the underlying exposures has been separated into at least two tranches reflecting different levels of seniority
 - Performance/risk of securitization exposure must depend on performance of underlying exposures
- The final rule states certain investments and lending activities can fall under the scope of securitization eligibility and exposure including loans, lines of credits and liquidity facilities provided there is a tranching of credit risk
- For on- and off-balance sheet loans held for investment/sale and meet securitization exposure criteria (i.e., backed by financial exposure as source collateral/repayment), institutions can apply simplified supervisory formula approach (SSFA) or gross-up approach for calculating risk weighted asset classification, therefore, likely reducing current risk weighted asset value for certain loans

Synovus Earnings Call Transcript Q1 '24

“But the effort we're talking about today is around certain loan categories that could be eligible to have reduced risk weightings, including mortgage, government lending, securitization exposures and multifamily term loans. ***The largest impact of this effort is coming from loans that qualify for a reduced RWA treatment within our lender finance portfolio. But in order to achieve that risk weighting, down to 20% in many cases relative to the 100% risk weighting we have today. We have to perform proper analysis and documentation in light of the regulatory capital requirements under the simplified supervisory formula approach.*”² – SNV 1Q24 Earnings Call**

5 Traditional Securitization: Basel III Definition

Traditional securitization means a transaction in which:

1. “All or a portion of the credit risk of one or more underlying exposures is transferred to one or more third parties other than through the use of credit derivatives or guarantees;
2. The credit risk associated with the underlying exposures has been separated into at least two tranches reflecting different levels of seniority;
3. **Performance of the securitization exposures depends upon the performance of the underlying exposures;**
4. **All or substantially all of the underlying exposures are financial exposures (such as loans, commitments, credit derivatives, guarantees, receivables, asset-backed securities, mortgage-backed securities, other debt securities, or equity securities);**
5. **The underlying exposures are not owned by an operating company;**
6. The underlying exposures are not owned by a small business investment company defined in section 302 of the Small Business Investment Act;
7. The underlying exposures are not owned by a firm an investment in which qualifies as a community development investment under section 24(Eleventh) of the National Bank Act;
8. The [AGENCY] may determine that a transaction in which the underlying exposures are owned by an investment firm that exercises substantially unfettered control over the size and composition of its assets, liabilities, and off-balance sheet exposures is not a traditional securitization based on the transaction's leverage, risk profile, or economic substance;
9. The [AGENCY] may deem a transaction that meets the definition of a traditional securitization, notwithstanding paragraph (5), (6), or (7) of this definition, to be a traditional securitization based on the transaction's leverage, risk profile, or economic substance; and
10. The transaction is not: (i) An investment fund; (ii) A collective investment fund (as defined in [12 CFR 9.18 (national bank) and 12 CFR 151.40 (Federal saving association) (OCC); 12 CFR 208.34 (Board)]); (iii) An employee benefit plan (as defined in paragraphs (3) and (32) of section 3 of ERISA), a “governmental plan” (as defined in 29 U.S.C. 1002(32)) that complies with the tax deferral qualification requirements provided in the Internal Revenue Code, or any similar employee benefit plan established under the laws of a foreign jurisdiction; (iv) A synthetic exposure to the capital of a financial institution to the extent deducted from capital under Sec. --.22; or(v) Registered with the SEC under the Investment Company Act of 1940 (15 U.S.C. 80a-1) or foreign equivalents thereof.”

CRE Optimization

Summary of CRE Ratio Optimization

What is CRE Ratio Optimization?

- A bank sells pool of loans to outside investor for cash, achieving true sale treatment and removal from balance sheet.
- Investor creates SPV and places purchased loan pool inside SPV.
- Bank would lend SPV majority of notional sold to investor (i.e., seller financing).
- Bank would treat new (senior) loan to SPV as securitization exposure and use SSFA calculation for risk weighting purposes. Given targeted equity injection from investor, SSFA would result in 20% risk weight on new loan¹.

What is the difference compared to a Credit Risk Transfer?

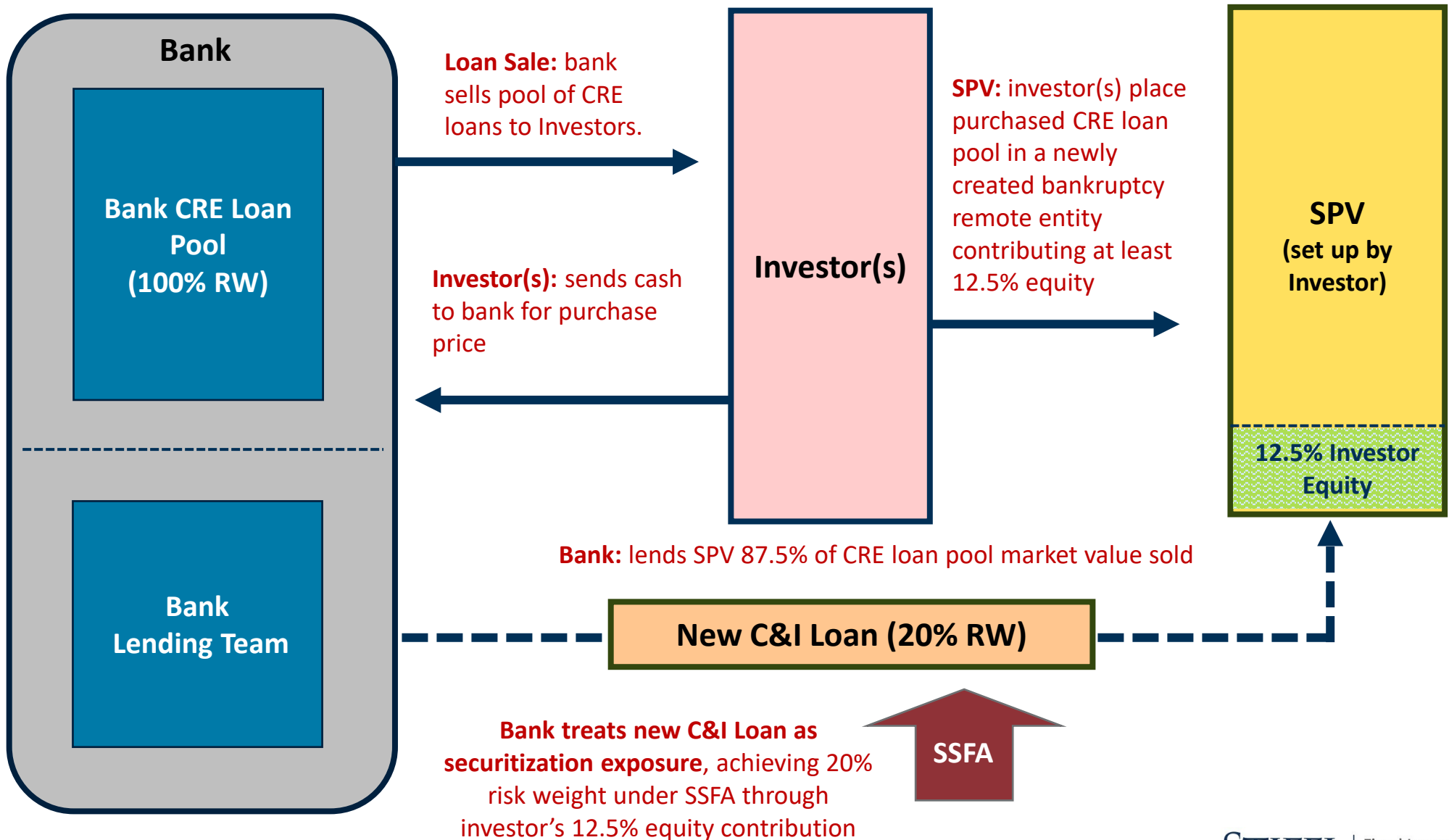
- Loan sale of individual/pool of loans or a flow program removes assets from balance sheet. If those are CRE loans, this improves certain metrics including 300% commercial real estate to total risk based capital ratio. Conversely, for a Credit Risk Transfer, the reference pool stays on balance sheet and has no impact on CRE/TRBC ratio.
- CRE Ratio Optimization provides liquidity day one for institution where Credit Risk Transfer provides no balance sheet liquidity (CDS version).
- Selling pool of loans to investors incurs mark to market recognition of loans sold, potentially creating a gain/loss event depending on terms of sale whereas Credit Risk Transfer that has no mark to market event day one.
- The ultimate cost to bank and return to investor prices similarly between CRE Ratio Optimization vs Credit Risk Transfer with CRE Ratio Optimization providing liquidity day one and immediately reducing CRE/TRBC ratio if loan pool sold is CRE.

Other Considerations

- Loans sold can be servicing retained or servicing released.
- In the scenario where bank lends to outside investor to fund purchase, legal lending limits should be considered for loan exposure (mitigated by potentially using multiple SPVs).
- Deferred fees and expenses would be realized at time of sale and CECL allowance would have to be recalculated.

CRE Ratio Optimization

Bank sells pool of CRE loans to outside investor for true sale and deconsolidation treatment. Investor places CRE loan pool in Special Purpose Vehicle (SPV). Bank lends SPV 87.5% of CRE pool market value and treats new C&I loan exposure as securitization, therefore using SSFA for risk weight calculation.



CRE Ratio Optimization (CRO): Sample Walkthrough

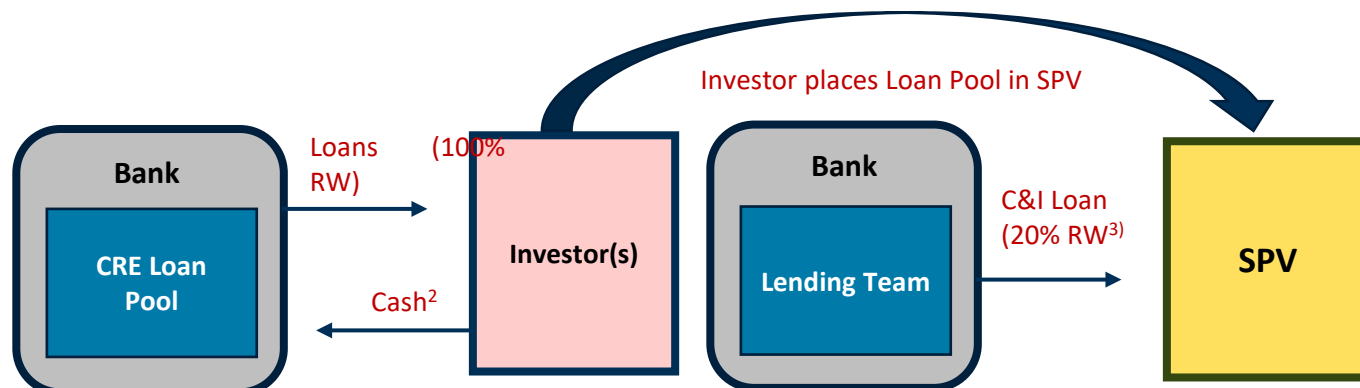
Bank sells pool of CRE loans yielding 7.15% to outside investor for cash (assumed 4.50% yield) at gain/loss neutral.

Bank reduces CRE/TRBC ratio to below 300% after CRE loan pool is removed from balance sheet.

Bank lends 87.5% of loan pool market value sold to newly created SPV and elects SSFA for risk weight calculation (assumes loan to SPV falls under securitization exposure).

Step 1: Sell \$250mm CRE Pool to Investor

Step 2: Lend \$219mm to Fund Purchase



Notional (mm): 250,000

Yield Sold: 7.15%

Pre-Tax Gain/ Loss: 0

Notional (mm): 218,750

C&I Loan Yield: 6.00%

Capital Ratio Impact

	Before CRO
CET1	840,000
Tier 1 Capital	960,000
Total Capital	1,120,000
RWA	7,760,000
Tier 1 Lev Ratio	9.60%
CET1 RBC Ratio	10.82%
Tier 1 RBC Ratio	12.37%
Total RBC Ratio	14.43%
CRE/ TRBC Ratio	321.4%

Change	After CRO - 0% Gain/ Loss
0	840,000
0	960,000
0	1,120,000
(250,000)	7,510,000
	9.60% → 0.00%
	11.19% ↑ 0.36%
	12.78% ↑ 0.41%
	14.91% ↑ 0.48%
	299.1% ↓ -22.32%

Change	After C&I Loan & CRO
0	840,000
0	960,000
0	1,120,000
43,750	7,553,750
	9.60% → 0.00%
	11.12% ↑ 0.30%
	12.71% ↑ 0.34%
	14.83% ↑ 0.39%
	299.1% ↓ -22.32%

Earnings Impact (000's)

	Before CRO
Net Interest Income	260,000
Net Income	84,000
NIM %	2.60
EPS (Annual)	2.80
EPS % Chg (Annual)	0.0%

Change	After CRO - 0% Gain/ Loss
(6,625)	253,375
(5,234)	78,766
	2.53 ↓ (0.07)
	2.63 ↓ (0.17)
	↓ -6.2%

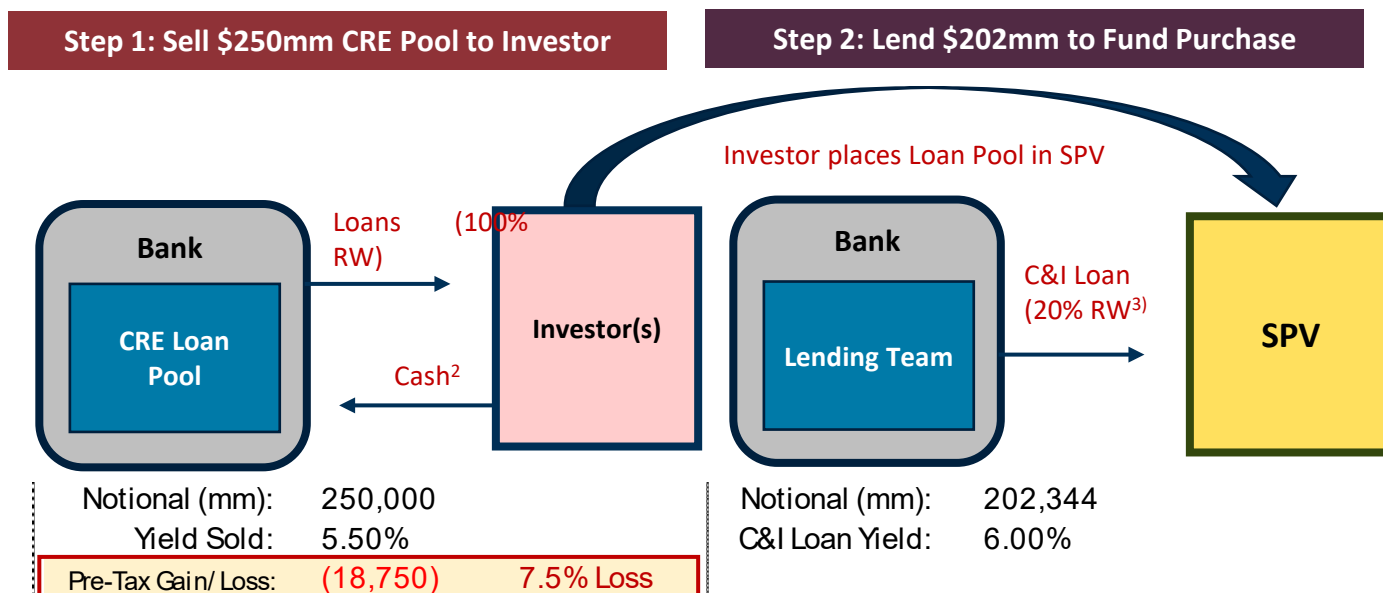
Change	After C&I Loan & CRO
3,281	256,656
2,592	81,358
	2.57 ↓ (0.03)
	2.71 ↓ (0.09)
	↓ -3.1%

CRE Ratio Optimization (CRO): Sample Walkthrough – Loss Scenario

Bank sells pool of CRE loans yielding 5.50% to outside investor for cash (assumed 4.50% yield) at 7.5% pre-tax loss (\$19mm).

Bank reduces CRE/TRBC ratio to just above 300% after CRE loan pool is removed from balance sheet.

Bank lends 87.5% of loan pool market value sold to newly created SPV and elects SSFA for risk weight calculation (assumes loan to SPV falls under securitization exposure).



Capital Ratio Impact

	Before CRO
CET1	840,000
Tier 1 Capital	960,000
Total Capital	1,120,000
RWA	7,760,000
Tier 1 Lev Ratio	9.60%
CET1 RBC Ratio	10.82%
Tier 1 RBC Ratio	12.37%
Total RBC Ratio	14.43%
CRE/ TRBC Ratio	321.4%

Change	After CRO - 7.5% Loss
14,813	825,188
14,813	945,188
14,813	1,105,188
(250,000)	7,510,000
	9.44% ↓ -0.16%
	10.99% ↑ 0.16%
	12.59% ↑ 0.21%
	14.72% ↑ 0.28%
	303.1% ↓ -18.31%

Change	After C&I Loan & CRO - 7.5% Loss
0	825,188
0	945,188
0	1,105,188
40,469	7,550,469
	9.44% ↓ -0.16%
	10.93% ↑ 0.10%
	12.52% ↑ 0.15%
	14.64% ↑ 0.20%
	303.1% ↓ -18.31%

Earnings Impact (000's)

	Before CRO
Net Interest Income	260,000
Net Income	84,000
NIM %	2.60
EPS (Annual)	2.80
EPS % Chg (Annual)	0.0%

Change	After CRO - 7.5% Loss
(2,500)	257,500
(1,975)	82,025
	2.58 ↓ (0.02)
	2.73 ↓ (0.07)
	↓ -2.4%

Change	After C&I Loan & CRO - 7.5% Loss
3,035	260,535
2,398	84,423
	2.61 ↑ 0.01
	2.81 ↑ 0.01
	↑ 0.5%

CRE Ratio Optimization (CRO): Alternatives Comparison

- Whole loan sales and full securitizations achieve balance sheet and capital relief, but also impact loan growth targets, earnings.
- Credit Risk Transfer is only alternative below not impacting net interest margin but does not remove loans from balance sheet (no effect on 300% CRE/TRBC calculation).
- With CRE Ratio Optimization, the bank lends to SPV immediately with transaction proceeds while also reducing risk weight from 100% to 20%.

Criteria	Whole Loan Sale	Whole Loan Sale with Seller Financing (Non SPV Buyer)	Securitization Retaining First Loss Exposure	Credit Risk Transfer	CRE Ratio Optimization (w/ Seller Financing to SPV)
Description	Sale of whole loans at one time or ongoing flow	Sale of whole loans at one time or on going flow sales plus 75-85% LTV seller-provided financing	Debt issuance via securitization plus retention of 5% of FMV equity	Purchase protection on first 5% loss or 12.5% loss of referenced asset pool- Credit Default Swap format	Sell pool of loans to outside investor with bank financing the deal by lending majority of proceeds to an SPV
Sale Treatment	Yes	Yes	Yes	No	Yes
Mark to Market	Yes	Yes	Yes	No	Yes
Risk Based Capital Impact	Reduces risk weighed asset by amount of loan RWA amount*	RWA changes by RWA loan sold amount and amount financed (assumed 100% RW)*	Retaining first 5% loss piece can hold a risk weight % 10-20x current risk weight of loan	Reduces RWA of reference pool from 50% to 20% or 100% to 20% under SSFA	RWA changes by RWA amount of loan RWA amount sold and new loan to SPV's RWA (assumed 20% ¹) *
Earnings Impact	Bank gives up coupon on loan sold and must reinvest proceeds, impacting net interest income*	Depending on terms of sale and seller-provided financing, go forward net interest income can be impacted*	While subordinated piece bank retains holds above market rates (7% to 9%), proceeds must be reinvested, impacting net interest income*	CDS version of Credit Risk Transfer incurs annual premium recognized in non interest income	Depending on terms of sale and seller-provided financing, go forward net interest income can be impacted*

*Excluding potential one time gain/loss event

Recent Transactions - Third Coast Bancshares (TCBX)

“HOUSTON – April 7, 2025 – Third Coast Bank, a Texas banking association (the “Bank”) and a wholly owned bank subsidiary of Third Coast Bancshares, Inc. (NASDAQ: TCBX) (the “Company,” “we” or “our”), today announced that, on April 1, 2025, **it originated a \$200 million revolving commercial real estate loan (the “Mortgage Loan”) made to one of America’s largest private investment firms focused on real estate development.** The Mortgage Loan is secured by interests in a portfolio of eleven Residential Master Planned Communities under development located in the Houston, Dallas and Austin metropolitan areas in the State of Texas. EJP Capital LLC (“EJP Capital”), a global alternative asset management firm with approximately \$5.4 billion assets under management as of December 31, 2024, arranged the securitization transaction described below.

It is **expected that these transactions will reduce the Bank’s risk-weighted assets as calculated under current risk-based capital rules. It is also expected that these transactions will reduce the ratio of loans for construction, land development and other land to the Bank’s total capital**, a measure used by the Bank’s regulators to inform their supervisory approach to possible loan concentration risk. The Company believes these transactions improve the diversity of the Bank’s on-balance sheet loan portfolio.” Third Coast Bancshares (TCBX) 2Q25 8k

“HOUSTON – June 4, 2025 – Third Coast Bank, a Texas banking association (the “Bank”) and a wholly owned bank subsidiary of Third Coast Bancshares, Inc. (NASDAQ: TCBX) (the “Company,” “we” or “our”), today announced that it **entered into a \$150 million securitization transaction of certain commercial real estate loans (the “Mortgage Loans”) originated by the Bank.**

It is **expected that these transactions will reduce the Bank’s risk-weighted assets as calculated under current risk-based capital rules. It is also expected that these transactions will reduce the ratio of loans for construction, land development and other land to the Bank’s total capital**, a measure used by the Bank’s regulators to inform their supervisory approach to possible loan concentration risk. The Company believes these transactions improve the diversity of the Bank’s on-balance sheet loan portfolio.” Third Coast Bancshares (TCBX) 2Q25 8k

Sale-Leaseback

Sale-Leaseback Transaction (SLB)

A sale-leaseback opportunity is available for depositories that own branches and other properties (headquarters, operation centers, loan production offices). In this transaction, a third party purchases real estate from the depository and the depository enters into a long-term lease agreement to occupy these branches and/or properties. Stifel has several referral partners that can provide a turnkey sale-leaseback transaction.

- New FASB Lease Accounting Rules (2022) allow a gain to be recognized upon the closing of the transaction as opposed to spreading the gain recognition over the term of the lease.
- The timing of a sale-leaseback transaction is compelling as real estate values remain attractive and capitalization rates are still historically low.
- The one-time gain can also be used to offset the impact of restructuring a securities portfolio and/or loan book in order to accelerate the benefit of rising interest rates.

Pros

Relative Value

- While front end Treasury rates have increased significantly over the past few years, cap rates have only moved a fraction over same time period.

Capital Creation

- Gain on properties flow through net income to top of equity stack (CET1, Tier 1 Capital, Risk Based, etc.).

Removes Non-Earning Assets

- While SLB unlocks gains on balance sheet that provides opportunity for restructuring, SLB turns non-earning assets into earning assets through cash proceeds and creates liquidity and capital for the institution.

Cons

Lease Commitments

- Must own real estate assets
- Typically lease structures range from 15 to 20 years, creating a fixed cost
- However, balance sheet restructuring opportunities can offset new non-interest costs that would allow institutions to continue to grow and enhance balance sheet efficiency

Operational Efforts

- Gathering documentation and legal work on properties, i.e., environmental studies, title work, legal review, etc.

Sale-Leaseback Transaction: Balance Sheet Summary of Strategies

SAMPLE

- The grid to the right shows the pro forma balance sheet impacts after sale-leaseback of properties with a total \$27mm purchase price
- Enter into a long term lease with \$2.5mm expense per year but remove \$419k annual depreciation from balance sheet
- Net Income change from today's b/s to after sale-leaseback breakdown below



















Strategy:					1		2		
		After Sale Lease Back		-Offset \$14mm of Gain with Bond Sales - Maximize NII -100% Securities Reinvest			-Offset \$14mm of Gain with Bond Sales - Maximize NII - Security Reinvest + \$50mm Delever		
	Current Balance Sheet	Pro Forma	Chg	Pro Forma	Chg due to Strat 1	Total Change	Pro Forma	Chg due to Strat 2	Total Change
Impact on Earnings									
Net Interest Income	25,091	26,117	1,026	28,967	2,850	3,876	28,717	2,600	3,626
NIM	3.12%	3.14%	0.02%	3.53%	0.39%	0.41%	3.72%	0.59%	0.61%
Pre Tax Income	9,256	8,210	(1,045)	11,060	2,850	1,805	10,810	2,600	1,555
Net Income	7,312	6,486	(826)	8,738	2,251	1,426	8,540	2,054	1,228
ROAA	0.97%	0.82%	-0.15%	1.12%	0.30%	0.14%	1.17%	0.35%	0.19%
ROAE	10.84%	8.01%	-2.84%	10.78%	2.78%	-0.06%	10.54%	2.54%	-0.30%
Impact on Capital									
Tier 1 Leverage	9.13%	10.13%	1.00%	9.10%	-1.02%	-0.03%	9.60%	-0.53%	0.47%
CET1 Risk-Based	14.02%	15.87%	1.84%	13.98%	-1.89%	-0.05%	14.20%	-1.67%	0.18%
Tier 1 Risk Based	14.02%	15.87%	1.84%	13.98%	-1.89%	-0.05%	14.20%	-1.67%	0.18%
Total Risk Based	15.21%	17.03%	1.81%	15.13%	-1.90%	-0.09%	15.37%	-1.66%	0.16%
Tangible Equity Ratio	9.14%	10.15%	1.01%	10.15%	0.00%	1.01%	10.71%	0.55%	1.56%
	Current Securities	Pro Forma	Chg	Pro Forma		Chg	Pro Forma		Chg
Total Securities Portfolio									
Portfolio Balance	182,760			174,153		(8,607)	124,153		(58,607)
Bk Yield	2.67			4.50		1.83	4.49		1.83
Securities Sold				126,785			126,785		
Bk Yield				1.87			1.87		
Securities Purchased				118,179			68,179		
Bk Yield				4.50			4.50		
Pretax Gain / (Loss)		17,180		(13,997)			(13,997)		
Gain / (Loss)		13,573		(11,057)			(11,057)		

Interest Income									
Yield on Cash (3.80%) (Pre tax)	1,026								
Yield on Cash (Post Tax)	811								
Non Interest Expense									
Lease Expense	(2,490)								
Depreciation Removed	419								
Total	(2,071)								
Total Operating Expense Post Tax	(1,636)								
Total Net Income	(826)								

Portfolio/Balance Sheet Restructure

- Total proceeds from sale-leaseback generate \$27MM in cash that is reflected to earn 3.80% over next twelve months (\$1.0m NII increase before portfolio restructure)
- Strategies 1 and 2 sell securities from investment portfolio to offset gain generated by sale-leaseback transaction, with strategy 1 reinvesting all bond sale proceeds back into the securities book and strategy 2 using \$50mm of proceeds to paydown short term funding with 4.00% cost

Public Bank Sale-Leaseback Disclosures

Company	Ticker	Trade Date	Total Assets (\$M)	Region	# of Properties Sold	Pre-Tax Gain (\$M)	Asset Restructure?
 Pinnacle Financial Partners	PNFP	2Q 2023	\$54,255	Southeast	51	92.8	Yes - Sold \$166mm Securities at 9.2mm loss
 Atlantic Union Bank	AUB	3Q 2023	\$24,633	Southeast	25	27.9	Yes - Sold \$228mm Securities at 27.7mm loss
 SIERRA BANCORP Parent Company for Bank of the Sierra	BSRR	4Q 2023	\$3,606	West	13	15.3	Yes - Sold \$197mm Securities at 24.5mm loss
 The Citizens Bank	CIZN	1Q 2024	\$1,586	Southeast	3	4.5	Yes - Sold Securities at 1.6mm loss
 PLUMAS BANK	PLBC	1Q 2024	\$1,633	West	9	19.8	Yes - Sold \$115mm Securities at 19.8mm loss
 Peoples Bank A FINWARD COMPANY	FNWD	1Q 2024	\$2,042	Midwest	5	11.8	Yes - Sold \$15mm Securities at 500k loss
 FIRST SEACOAST BANK	FSEA	2Q 2024	\$593	Northeast	5	2.5	N/A
 Fulton Bank	FULT	2Q 2024	\$32,052	Midwest	40	20.3	Yes - Sold \$356mm Securities at 20.3mm loss
 FIRST GUARANTY BANK	FGBI	2Q 2024	\$3,829	Southeast	3	13.2	N/A
 First Fed	FNWB	2Q 2024	\$2,158	Northwest	6	7.8	Yes - Sold \$23.2mm Securities at 2.1mm loss
 cibmarine BANCSHARES INC	CIBH	2Q 2024	\$852	Midwest	3	4.5	N/A
 CITIZENS BUSINESS BANK	CVBF	3Q 2024	\$15,257	West	2	9.1	Yes - Sold \$312mm Securities at 11.6mm loss
 QUAIN T OAK BANCORP INC	QNTD	4Q 2024	\$652	Northeast	1	1.5	N/A
 Bogota Savings Bank	BSBK	4Q 2024	\$931	Northeast	3	9	Yes - Sold \$66mm Securities at 8.9mm loss
 BAYFIRST	BAFN	4Q 2024	\$1,292	Southeast	2	11.6	N/A
 MVB FINANCIAL	MVBF	4Q 2024	\$3,028	Mid-Atlantic	4	11.8	N/A
 SouthState	SSB	1Q 2025	\$65,135	Southeast	170	225	Yes - Sold \$1.8bn Securities at 229mm loss
 WASHINGTON TRUST	WASH	1Q 2025	\$6,588	Northeast	5	7.0	Yes - Termination of Qualified Pension Plan at \$6.4 million charge

Recent Transaction – Sierra Bancorp (BSRR)

“On December 21, 2023, Bank of the Sierra (the “Bank”), a wholly owned subsidiary of Sierra Bancorp (the “Company”), entered into two separate agreements for the purchase and sale of real property, to be executed in two tranches (the “Agreements”), with Bots Owner LLC and Bots Owner 002 LLC (collectively the “Purchasers”), each an affiliate of Blue Owl Real Estate Capital LLC, which provides for the sale of 13 properties owned and operated as branch locations by the Bank (the “Properties”). The total sale price is \$19.9 million. The first tranche closed effective December 21, 2023, and the second tranche is expected to close early in the first quarter of 2024. All the Properties are located in California.

Under the Agreement, the Bank concurrently entered into lease agreements (the “Lease Agreements”) with Purchasers under which the Bank will lease each of the Properties. Each of the Lease Agreements will have an initial term of 18 years with specified renewal options. We will not close any branches or exit any markets as part of the sale-leaseback transaction.

The sale-leaseback transaction resulted in proceeds in excess of book value of approximately \$14.3 million. The aggregate first full year of rent expense under the Lease Agreements will be approximately \$1.7 million pre-tax and will be partially offset by the elimination of the annual pre-tax depreciation expenses on the buildings of approximately \$0.3 million. The Lease Agreements also include an annual rent adjustment of 2.25%. **The Company anticipates using the proceeds generated from the sale-leaseback transaction for general corporate purposes and is evaluating a potential sale of a portion of its securities portfolio that is currently in a loss position that, if consummated, would offset some or all of the gain generated by the sale-leaseback transaction.”**

Recent Transaction – First State Bank (Gainesville, TX)

Atlanta, GA and Gainesville, TX – June 30th, 2025 – MountainSeed Real Estate Services, LLC (“MountainSeed”), a Georgia limited liability company, has successfully completed a sale-leaseback transaction with First State Bank (“the Bank”).

Effective June 30th, 2025, First State Bank **sold seven of its owned locations for a total purchase price of approximately \$32 million**, subject to customary closing adjustments. These properties are situated across North and Central Texas markets integral to the Bank’s operations and will continue to support daily banking services.

As part of the transaction, First State Bank has simultaneously entered into a long-term lease agreement to retain full operational control of the facilities. The lease includes an initial 15-year term with renewal options, enabling the Bank to preserve continuity in each community it serves.

This transaction reflects First State Bank’s proactive financial strategy, **effectively enabling them to restructure their balance sheet and position the securities portfolio for enhanced future earnings. By unlocking capital tied up in real estate, the Bank gained liquidity and flexibility to strengthen its balance sheet while maintaining full-service access across its branch footprint.**


















“The SLB transaction enabled First State Bank to unlock substantial equity from our long-term real estate holdings. As part of the deal, we sold half of our branch properties, and the Mountainseed team was instrumental in keeping the process on schedule. Their communication throughout was outstanding, and we couldn’t be more satisfied with the results. **We began restructuring our balance sheet immediately after closing,**” noted Brian McCain, CFO, First State Bank.

Subordinated Debt Call Considerations

Summary of Strategies and Impacts

SAMPLE

- Four balance sheet strategies are compared below following SAMPLE Bank's call of its \$75mm legacy subordinated note that decrease hold co. tier 2 capital and bank level CRE/TRBC ratio but improve earnings going forward.

Strategy	Description	Profile	High Level Impacts
B Base: Call Legacy Subdebt \$75M SOFR+235bps Flt	- Call \$75M Legacy Subdebt - Cost of cash used to pay redeem Subdebt assumed to be 4.25%	Fits for banks with: Excess Tier 2 capital , and a Moderate to Low CRE Ratio	 Reduction in Total RBC Ratio  Increase to CRE Ratio  Earnings Improvement
1 Call Legacy Subdebt + Issue New Subdebt \$75M Subdebt 8.00% Cost	- Issue \$75M New Subdebt - Assumes an 8.00% Fixed Cost for five years	Fits for banks with: Tighter Tier 2 capital , and a Higher CRE Ratio	 Moderate Total RBC Improvement  No Change to CRE Ratio  Moderate Earnings Dilution
2 Call Legacy Subdebt + Issue New Senior Debt \$103M Senior Debt 7.00% Cost	- Issue \$103M New Senior Debt - Assumes 7.00% Cost, sized to match cost of \$75M new Sub Debt	Fits for banks with: Excess Tier 2 capital , and a Higher CRE Ratio	 Reduction in Total RBC Ratio  Reduction in CRE Ratio  Moderate Earnings Dilution
3 Call Legacy Subdebt + CRE Optimization Sell \$208M CRE Loans to SPV	- \$208M CRE Loans sold to SPV - Lend 87.5% to SPV in C&I Loan - CRE Bal & RWA Reduced due to SSFA - Sized to match cost of New Sub	Fits for banks with: Excess Tier 2 capital , and a Higher CRE Ratio , and Tighter CET1	 CET1 Improves with RWA Reduction  No Change to CRE Ratio  Total RBC Ratio Reduced  Moderate Earnings Dilution
4 Call Legacy Subdebt + Sale Leaseback Sell Branches/HQ and Lease Back	- \$55M Purchase Sale Leaseback - \$35M one-time gain, capital boost - Assumes 8.75% Cap Rate - Sized to match cost of New Sub Debt	Fits for banks with: Excess Tier 2 capital , and a Moderate CRE Ratio , and Tighter CET1	 CET1 & Leverage Improve with Gain  Total RBC Reduced (Part Offset by Gain)  Increase in CRE Ratio  Moderate Earnings Dilution

Key



Significant Positive Impact



Moderate Impact (+/-)



Significant Negative Impact

Upcoming Call Windows for Legacy Subordinated Debt: Capital Alternatives

- Four balance sheet strategies are compared below following SAMPLE Bank's call of its \$75mm legacy subordinated note that decrease hold co. tier 2 capital and bank level CRE/TRBC ratio but improve earnings going forward

Institutions with excess tier 2 capital/
moderate to low CRE ratio

Institutions with tighter tier 2 capital/
higher CRE ratio

Institutions with excess tier 2 capital/
higher CRE ratio

Institutions with excess tier 2 capital/
higher CRE ratio/
tighter CET1

Institutions with excess tier 2 capital/
moderate CRE ratio/
tighter CET1

Call Legacy Subdebt + Alternatives

Call Legacy Subdebt

Call \$75mm SOFR+
325bps Floating
Subdebt

Strat 1: Issue New \$75mm Subdebt

\$75mm Subdebt
8.00% Cost

Strat 2: Issue New \$103mm Senior Debt

\$103mm Senior Debt
7.00% Cost

Strat 3: CRE Optimization

Sell \$208mm CRE
Loans Lend 87.5% to
SPV

Strat 4: Sale- Leaseback

\$55mm Purchase SLB
\$35mm Gain
8.75% Cap Rate

Hold Co. Level

Capital Ratio Impact

	6/30 Hold Co. Level	Pro Forma	Change
RWA	4,000,000	4,000,000	0
Tier 1 Lev Ratio	9.89%	10.04%	0.16%
CET1 RBC Ratio	11.88%	11.88%	0.00%
Total RBC Ratio	14.38%	12.88%	-1.50%
TCE/TA	9.71%	9.85%	0.14%
CRE/ TRBC (Bank Level)	283.3%	323.8%	40.5%

Pro Forma	Total Change
4,000,000	0
9.89%	0.00%
11.88%	0.00%
14.75%	0.38%
9.71%	0.00%
283.3%	0.0%

Pro Forma	Total Change
4,000,000	0
9.83%	-0.06%
11.88%	0.00%
12.88%	-1.50%
9.66%	-0.05%
270.8%	-12.5%

Pro Forma	Total Change
3,828,813	(171,188)
9.89%	0.00%
12.41%	0.53%
13.45%	-0.92%
9.71%	0.00%
284.3%	1.0%

Pro Forma	Total Change
4,049,500	49,500
10.30%	0.41%
12.41%	0.54%
13.40%	-0.97%
10.18%	0.47%
307.6%	24.3%

Earnings Impact (000's)

	6/30 Hold Co. Level	Pro Forma	Change
Net Interest Income	183,500	185,938	2,438
Net Income	85,095	87,021	1,926
NIM %	3.50%	3.60%	0.10%
EPS (Annual)	2.84	2.90	0.06
EPS % Chg (Annual)	0.0%	2.3%	

Pro Forma	Total Change
183,163	(338)
84,829	(267)
3.49%	-0.01%
2.83	(0.01)
-0.3%	

Pro Forma	Total Change
183,162	(338)
84,828	(267)
3.48%	-0.02%
2.83	(0.01)
-0.3%	

Pro Forma	Total Change
183,162	(338)
84,828	(267)
3.49%	-0.01%
2.83	(0.01)
-0.3%	

Pro Forma	Total Change
188,303	4,803
84,828	(267)
3.56%	0.05%
2.83	(0.01)
-0.3%	

- Sample illustration indicative, may not represent executable levels. Sample ~\$5.5b balance sheet using peer averages
- Cash Yield of 4.30% assumed to pay off subdebt and proceeds from new subdebt issuance and SLB transaction sit in cash
- Assumes 100% RW in loans sold in CRE Optimization strategy

Renewable Energy Tax Credits

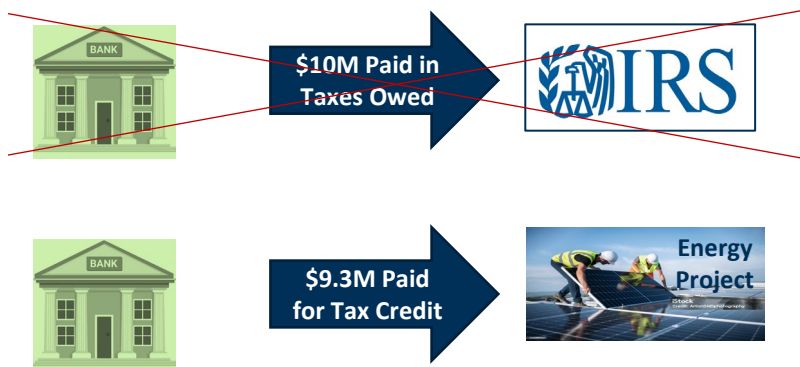
Renewable Energy Tax Credits Overview

Energy Tax Credit Transfer Overview:

- Under the Inflation Reduction Act (IRA), renewable energy tax credits can be **transferred to third party for cash**, eliminating complex equity partnerships. Additionally, One Big Beautiful Bill (OB BB) preserved transferability for available tax credits.
- Renewable energy project developers that receive tax credits are incentivized to transfer their credits to profitable institutions and use cash to fund projects. Typically, the cash from a tax credit purchase makes up ~1/3 of capital stack.
- **1-year credits** can be purchased and used simultaneously, with no balance sheet impact.
- Credits are typically sold at a discount with pricing in the low-to-mid 90s, **reducing cash tax expense by 5-8%, improving bottom line net income and EPS**. Can offset up to 75% of tax liability.
- Risk of recapture, disallowance and change in law are typically mitigated through diligence, **tax credit insurance**, indemnities and guarantees.

Energy Tax Credit Transfer Process

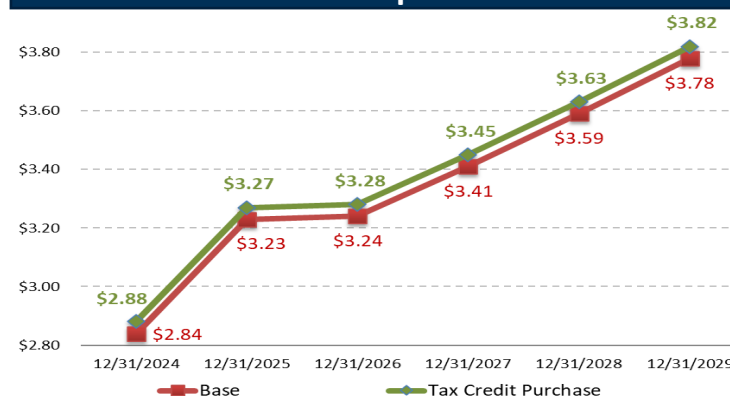
Satisfy full \$10M tax liability, \$700k of cash savings, EPS ↑



This is not a use of liquidity! It's just using **LESS** of the dollars set aside to pay federal taxes, while still satisfying the full tax liability.

Tax Credit Purchase Detail	
Tax Credit Purchase Amount	\$ 10,000
Price of Credits	\$ 0.93
Investor Contribution	\$ 9,300
Discount to Tax Expense	\$ (700)

EPS Impact



Renewable Energy Tax Credits Overview

How is This Different Than “Traditional Tax Equity” and other Tax Credits?

	LIHTC, NMTC, Historic Tax Credits	Traditional Tax Equity (Energy)	Transferable Tax Credits (Energy)
Overview	Public welfare investments, often qualify for CRA. Long-term Investments to monetize credit, highly project dependent	Long-term Investments to monetize credit, highly project dependent – depreciation and losses from project flow through to investor	Tax Credits purchased for cash on quarterly or annual basis – “pay as you go”
Structure	Complex equity partnership	Complex equity partnership	No partnership – “Cash for Credits”
Investors	All Banks	Large banks (small banks in fund structure)	Banks & Corporations
Term	5yr, 7yr, & 10yr terms	6-10yr term	1 yr term
Funding	All Upfront, before credits flow	All Upfront	Variable depending on transaction
Risks	Project performance, long term mgmt.	Project performance, long term mgmt.	Diligence, tax credit insurance mitigates
Return Profile	IRR Range: 5-7% (LIHTC, NMTC) 6-8% (HTC)	IRR Range: 15-20%	IRR: Not calculable
Constraint	Public welfare ¹ (5% of Total Capital)	Tax equity finance ¹ (5% of Total Capital)	75% of federal liability

Two Types of Transferable Federal Tax Credits

Investment Tax Credits (ITCs)

- **ITCs are based on a percentage of eligible costs of specified energy projects** – solar assets, battery storage, and others.
- **Most ITCs are 30% of eligible basis, but can rise to 50% or more**, particularly if the project meets US Domestic Content requirements or are in Energy Communities.
- **Credits are generated in the year an eligible asset is placed in service.**
- **ITCs carry a five-year linear vesting period.**
- Special provisions of the IRA allow carry back up to three years and carry forward up to 22 years.
- **ITCs typically are priced slightly lower than PTCs**, creating more cash tax savings and greater ETR/EPS impact.

Production Tax Credits (PTCs)

- **PTCs are based on production of a certain asset;** electricity from wind or other sources, as well as newer IRA credit categories such as carbon sequestration, hydrogen generation, or production of solar or battery components, among others.
- **PTCs are valid when “minted”**- when the underlying production is complete, and the unit is sold to a third-party.
- **Thus, PTCs vest immediately and have no recapture period.**
- Similar to ITCs, PTCs have a carry back up to three years and carry forward up to 22 years.
- Because PTCs are easier to calculate and measure, and have no recapture period, **they tend to price slightly higher than ITCs.**

Risk Mitigation

As with any tax planning opportunity, there are certain diligence issues that must be addressed and risk mitigation strategies should be considered where necessary.

- There are three key areas of focus in risk mitigation: Disallowance Risk, Recapture Risk and Change in Law.
- Compliance period of 5 years with a 20% reduction each year.
- These risks are addressed through diligence of the tax credit, diligence of counterparties, and through tax credit insurance and guarantees.

Risk	Description	Mitigants
Recapture	Buyers are responsible if the tax credits are recaptured or “clawed back” by the IRS. This can happen if the project stops performing, if the underlying asset is damaged or if the project is sold	<ol style="list-style-type: none">1) Diligence of counterparties2) Assuring asset has proper casualty policy3) Reps and warranties of project owner4) Tax credit insurance5) Guarantees
Disallowance	The IRS determines on audit that the tax credit claimed is greater than allowed. Buyers are responsible if the IRS disallows or reduces the amount of credits associated with a project	<ol style="list-style-type: none">1) Proper diligence of the project will help determine the correct percentage applied to produce the tax credit amount. Legal counsel and third parties can assist with this diligence2) Tax credit insurance3) Guarantees
Change in Law	The Inflation Reduction Act resulted in a renewable energy boom in the United States, and while the OBBB Act curtailed certain provisions, it largely eliminated any concern over change in tax law	<ol style="list-style-type: none">1) Historically, changes to law have been prospective rather than retroactive2) Commercial terms can be built in to mitigate risk3) Tax credit insurance that includes Change in Law coverage

One Big Beautiful Bill (OBBB): What's Changed & 3 Key Takeaways for Tax Credit Buyers

What's Changed? The OBBB Act rolled back some of the IRA initiatives, but the conclusion is that there will be **plenty of tax credit buying opportunities for years to come**

Phaseout



- Battery Storage
- Geothermal
- Hydropower
- Nuclear
- Carbon Sequestration
- Advanced Manufacturing
- Clean Fuel

Most credits will be available over the next 5-10 years



- Solar
- Wind
- Small agri-biodiesel ('26)
- Clean Hydrogen

Traditional Credits (Solar & Wind) still available for at least next 2 years



- Electric Vehicle
- Charging Stations

Very few credits eliminated in 2025

3 Key Takeaways for Buyers

- 1) **Transferability is Fully Preserved:** Buyers Can Rely on Transfer Credits into the Future
- 2) **Inventory will be Robust:** Most Clean Credits Preserved/Extended
- 3) **The Tax Credit Transfer Market has Already Seen a Shift Toward Newly Eligible Credit Types:** In the 2nd half of 2024, 75% of all tax credit transfers were newly eligible technologies (non-solar & wind)¹

Case Study: Two Renewable Energy Tax Credit Transactions in 2025Q2

Case Study 1: Buyer of Transfer Investment Tax Credits (ITCs)

- **\$10Bn publicly traded bank purchased \$10M in renewable energy transfer tax credits in 2025Q2, resulting in \$0.02 EPS Improvement**

- **Technology & Type:** Solar & Battery Storage ITCs under section 48E
- **Source:** Developer relationship
- **Size:** \$10.0M of investment tax credits
- **Price/Discount:** \$0.93 per \$1 of Tax Credits, saved \$0.07 on tax liability
- **Insurance:** Insured by nationwide carrier against recapture, disallowance
- **Notes:** First time buyer

Proforma Impact

Data	Net Income	87,000
	75% of Est. Federal Tax	18,000

Tax Credit Purchase	Tax Credit Amount	10,000
	Tax Credit Price	0.93
	Cash Outlay for Credits	9,300
	Tax Expense Savings	700

EPS Δ	EPS Change	↑	0.02
	EPS Accretion	↑	0.80%

Case Study 2: Buyer of Transfer Production Tax Credits (PTCs)

- **\$20Bn publicly traded bank purchased \$22M in renewable energy transfer tax credits in 2025Q2, resulting in \$0.05 EPS Improvement**

- **Technology & Type:** Clean Fuel PTC under section 45Z
- **Source:** Developer relationship
- **Size:** \$22.0M of production tax credits
- **Price/Discount:** \$0.935 per \$1 of Tax Credits, saved \$0.065 on tax liability
- **Insurance:** Nationwide carrier insured against change in law, disallowance
- **Notes:** First time buyer, executed loss-earnback which reduced capacity

Proforma Impact

Data	Net Income	180,000
	75% of Est. Federal Tax	30,000

Tax Credit Purchase	Tax Credit Amount	22,000
	Tax Credit Price	0.935
	Cash Outlay for Credits	20,570
	Tax Expense Savings	1,430

EPS Δ	EPS Change	↑	0.05
	EPS Accretion	↑	0.79%

Tax Credit Transfers: Public Disclosures



Rollins, Inc.

The Company's effective tax rate decreased to 24.8% in the third quarter of 2025 compared with 26.1% in the third quarter of 2024. During the nine months ended September 30, 2025, the Company's effective tax rate decreased to 24.9% compared to 25.6% in 2024. The reduced rate for both periods was primarily due to the purchase and use of transferable federal income tax credits during the three months ended September 30, 2025.

10-Q 2025/10/30



RBB Bancorp

On September 13, 2024, we entered into a Purchase and Sale Agreement (PSA) for the purchase of approximately \$23.2 million in federal transferable tax credits to be generated by four projects. Two of the projects were placed in service in 2024 and generated approximately \$12.9 million of federal transferable tax credits. The approximate purchase price of \$12.0 million will be paid by us to the seller, an independent third party, upon the achievement of certain benchmarks outlined in the PSA. We utilized the purchased tax credits of \$12.9 million to offset amounts that otherwise would be due and payable to the IRS for 2024 and potentially prior tax years. The accounting treatment is an increase in income tax receivable from the IRS, a liability to the seller, and a reduction to income tax expense in the period the qualifying project is placed in service.

10-K 2025/03/17



NB Bancorp Inc

Income tax expense for the quarter ended June 30, 2025 was \$4.1 million, representing a \$774 thousand, or 15.8%, decrease from the prior quarter. The decrease was primarily driven by a \$6.8 million investment in a solar tax credit investment during the current quarter. The effective tax rate for the current quarter was 22.1%, compared to 28.0% in the prior quarter. The primary driver of the decrease in the effective tax rate was the significant amount of solar income tax credits earned during the current quarter.

Earnings Release 2025/07/23

Northrim BanCorp Inc

In the fourth quarter of 2024, Northrim recorded \$2.4 million in state and federal income tax expense for an effective tax rate of 17.8%, compared to \$2.8 million, or 24.2% in the third quarter of 2024 and \$1.7 million, or 20.7% in the fourth quarter of 2023. For 2024, Northrim recorded \$10.0 million in state and federal income tax expense in 2024 for an effective tax rate of 21.3%, compared to \$6.2 million, or 19.7% in 2023. The decrease in the tax rate in fourth quarter 2024 as compared to the third quarter of 2024 and the fourth quarter of 2023 is primarily the result of increased tax benefits related to the Company's investment in low-income housing tax credits and the purchase of renewable energy tax credits.

Earnings Release 2025/01/27



Tax Credit Transfers: Case Study Disclosed



Mercantile Bank Corporation

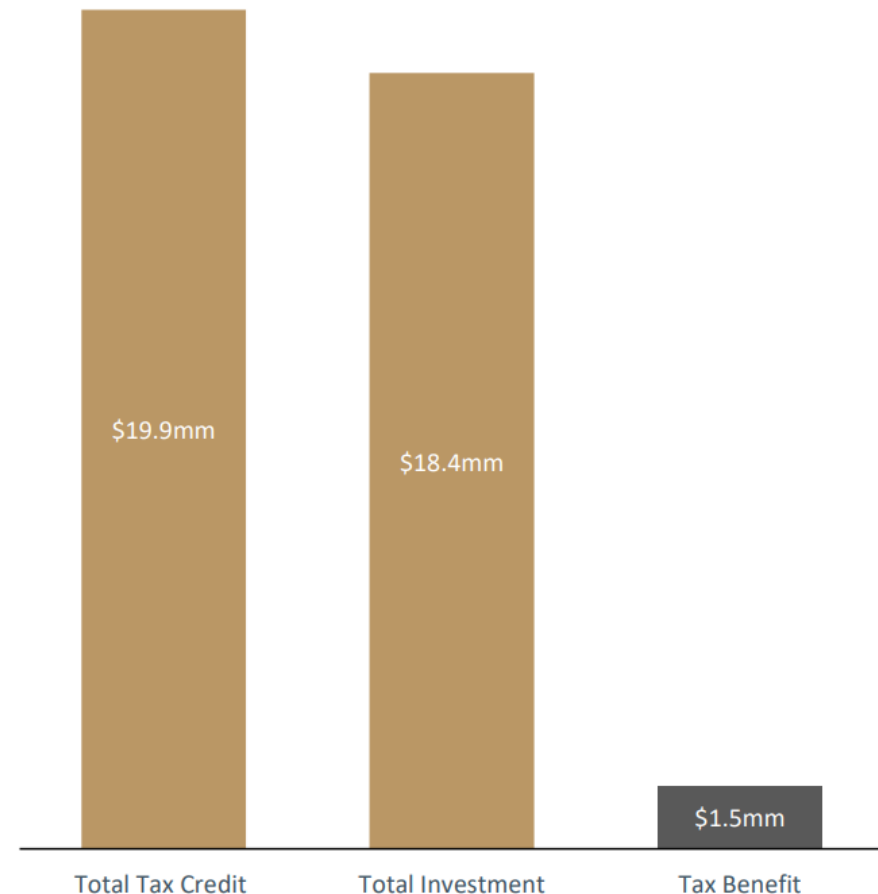
We were able to reduce our federal income tax expense by \$1.5 million via the acquisition of transferable energy tax credits during the second quarter of 2025. The recording of the tax benefit resulted in a second quarter effective tax rate of about 13% compared to a projected effective tax rate of 19%. We are scheduled to close on another transferable energy tax credit by the end of July, which will reduce our federal income tax expense by about \$750,000. Additional acquisitions of transferable energy tax credits may be made from time-to-time subject to our investment policy, tax credit availability, and tax credits derived from our low-income housing and historic tax credit activities.

Earnings Call 2025/07/22

Transferable Energy Tax Credits

Closed two transferable tax credit deals for a tax benefit of \$1.5 million in the second quarter of 2025

- 2024 Solar Project: \$750,000 tax benefit
- 2024 Battery Project: \$750,000 tax benefit
- Investment offsets estimated Federal tax payments



CRITICAL STEPS—Buyer Checklist: Renewable Energy Transfer Credits

Critical
initial
buyer
steps

1

Education: Discuss transfer market, types of credits, process, benefits, risks, risk mitigation, tax appetite, timing of purchase.

2

Internal Alignment: Alignment/education across CFO/Treasurer/VP Tax/General Counsel/Board if necessary.

3

Retain Outside Counsel: Counsel experienced in renewable energy transactions highly recommended to diligence and paper the transfer transaction.

4

Credit Sourcing/Price Discovery: Based on tax credit appetite, timing, and risk profile, Stifel will source credits.

5

Term Sheet: Stifel, Buyer and Buyer Counsel review available credits and issue term sheet (or mark up term sheet from Seller).

6

Diligence: Upon execution of term sheet, buyer and seller counsel conduct project and tax credit diligence, finalize transfer terms and conditions, negotiate tax credit insurance.

7

Close: Deal execution.

8

Funding: Can be coincident with Close, or upon later date such as asset placed in service, or quarterly if purchasing Production Tax Credits.

Typically
10-12
weeks

Sample 2025 Transferable Production Tax Credit (PTC) Opportunity: Biodiesel

Summary of PTC Opportunity

Opportunity: Large partnership between two public companies producing significant quantities of biodiesel is offering up to \$250M of 2025 PTCs.

About the Company: One of the world's largest producers of renewable diesel and sustainable aviation fuel, their joint venture produces low-carbon renewable fuel that is 100% compatible with existing engines and infrastructure. Renewable diesel utilizes recycled animal fats and used cooking oil, some of which are supplied by their Feed segment, to produce low-carbon intensity fuel with up to 80% fewer lifecycle greenhouse gas emissions than traditional fuel.

The selling Entity is a NYSE listed company whose mission is to purpose and recycle materials from the animal agriculture and food industries – transforming them into essential ingredients that do everything from feeding animals to fertilizing crops to fueling planes and nourishing people.

Project Overview

Asset Type:	Clean Fuels Tax Credit (45z)
Credit Type	CFPC - 26 U.S. Code 45Z
Tax Credits Available:	~\$250M PTCs Generated in 2025
Price (all-in):	[\$0.94]
Production Dates	Throughout the year
Payment Terms:	Quarterly Settlement PAYGO Structure
CI Score Validation	TBD
Tax Memo	Holland and Knight
Insurance Policy	TBD
Portfolio Location	Louisiana and Texas

Sample Additional Key Diligence Items to be Provided:

- Organizational documents (certificate of incorporation, consent, LLC agreements, etc.)
- CI Score Validation Report
- Operating reports, audited financial statements, Pro forma financial model
- Tax returns, property & general liability insurance policy, tax credit insurance policy

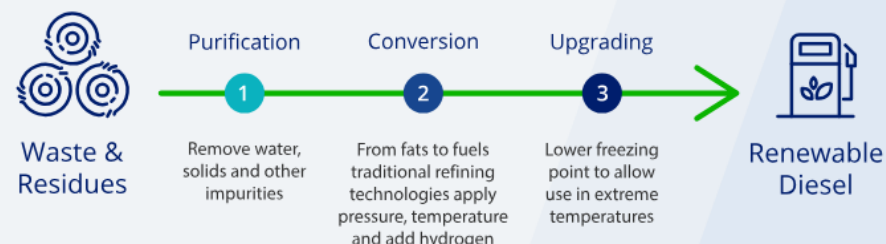
How Does the Technology Work?

Biodiesel is a renewable, domestically produced fuel made from vegetable oils, animal fats, or recycled restaurant grease. It can be used in diesel engines and is often blended with petroleum diesel. Biodiesel is considered a cleaner fuel option than traditional diesel, with potential environmental benefits like lower emissions and biodegradability.

Key Points About Biodiesel

- Biodiesel is made primarily from oily plants and algae and other oily sources (such as waste cooking fat from restaurant deep-frying). Biodiesel is used in diesel engines and is usually blended with petroleum diesel fuel in various percentages.
- Soybean and oil palm are common plants used in biodiesel production. The use of algae and cyanobacteria as sources for biodiesel holds promise but has been difficult to develop economically. Some algal species contain up to 40 percent lipids by weight, which can be converted into biodiesel or synthetic petroleum. Some estimates state that algae and cyanobacteria could yield between 10 and 100 times more fuel per unit area than plant-based biofuels.

Technology Overview



Tax Credit Carryback Strategy

Why Does This Work?

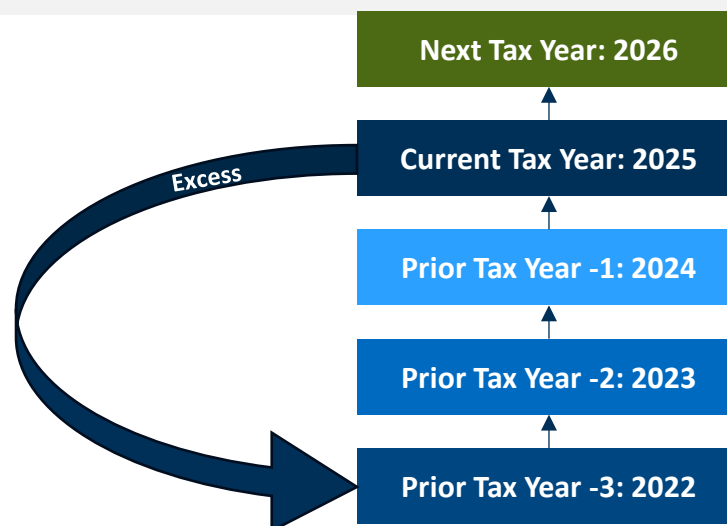
- The IRA allows buyers to purchase general business credits from renewable energy developers for cash
- Credits typically are sold at a 5-8 cent discount per dollar of credit
- Taxpayers can offset up to 75% of annual federal tax liability with transfer credits
- Transfer credit commercial deals typically start at ~\$7-8M minimum
- If tax credits in current tax year exceed liability, the IRA allows for a three-year carry back
- **Buyers could purchase an “oversized” credit in current year and carry back**

What are the Details?

- All forms of refund claims accrue 4.5% interest typically starting 45 days after filing¹
- There are several paths to file refunds for prior years as well as overpayment of estimated current year taxes
- Carrybacks are the three prior tax years from current tax year

What are the Benefits?

- Reduce cash tax expense in four consecutive tax years (five with carryforward)
- Immediate GAAP recognition of income
- **Result: Single transaction efficiently unlocks multi-year tax savings**



1. <https://www.irs.gov/payments/quarterly-interest-rates>

2. Stifel does not provide accounting, tax or legal advice; however, you should be aware that any proposed indicative transaction could have accounting, tax, legal or other implications that should be discussed with your advisors and or counsel. Please see further disclosures on the last two pages of this presentation

Examples for Taxpayer with ~\$2.5MM Annual Tax Credit Capacity

Purchase \$10MM Credit for 2025 and Carry Back Excess to 2022-2024

- Purchase of credit at \$0.93 results in \$700K discount
- Utilize \$2.5MM against 2025 when return filed
- File Form 1139 amended “quick refund” claims for \$2.5MM for each year 2022, 2023, 2024
- IRS owes interest to taxpayer beginning 45 days after refund claim is filed if refund has not been issued

Tax Credit 2025 Opportunity: Bank XYZ		
2025 Only	2025 Est. Federal Tax Liability (YTD Ann.)	3,325
	2025 Est. Tax Credit Purchase Amount	2,500
	2025 Est. \$ of Savings	175
	2025 Est. EPS Improvement (\$0.00)	0.02
	2025 Est. EPS Improvement (% Accr.)	1.42%

Tax Credit Carryback Opportunity: Bank XYZ		
Carryback + 2025	2022Y Purchase Amount	2,500
	2023Y Purchase Amount	2,500
	2024Y Purchase Amount	2,500
	2025Y Est. Purchase Amount	2,500
	Total Purchases for Carryback for 2022-2025	10,000
	Carryback Est. \$ of Savings	700
	Carryback Est. EPS Improvement (\$0.00)	0.07
	Carryback Est. EPS Improvement (% Accr.)	5.68%

Thousands, Bank Level Data

Assumes Price per Credit of \$0.93. Assumes full 75% capacity to offset federal liability

Walkthrough of Sample 2025 Purchase and Carryback (\$2.5mm Annual Tax Credit Capacity)

- **Dec 31, 2025:** Bank purchases \$10mm in transferable credits for \$9.3mm purchase price
 - **2025 Portion:** Bank recognizes a \$175k reduction to income tax expense in the current year
 - **2022-2024 Portion:** For each carryback year, Bank recognizes an income tax receivable of \$2.5mm and a reduction in income tax expense of \$175k for each carryback year
- **April 15, 2026:** Bank files their 2025 income tax return
- **Shortly after filing tax return:** File IRS Form 1139 (Corporation Application for Tentative Refund)¹
- **July 30, 2026 (or earlier):** Bank receives tentative refund from IRS plus 4.5% interest accrued from the date the application was filed (if refund issued later than 45 days after submission date)²

	Date	Detail	Debit (\$000)	Credit (\$000)
2025 Portion	Dec 31, 2025	Cash		\$ 2,325
		Normal Income Tax Expense	\$ 2,500	
		Reduction in Income Tax Expense		\$ 175
2022 -2024 Portion	Dec 31, 2025	Cash		\$ 6,975
		Income Tax Receivable	\$ 7,500	
		Reduction in Income Tax Expense		\$ 525
	Apr 15, 2026	File 2025 Income Tax Return		
	Apr 15, 2026 (or shortly after filing tax return)	File Form 1139 (Corporation Application for Tentative Refund)		
	July 30, 2026 (or earlier)	Cash	\$7,500	
		Income Tax Receivable		\$ 7,500

- **Note:** Timing may vary due to filing dates as some banks extend and therefore have a consideration around opportunity cost of cash

Carryback Filing Options

IRS Refund Paths

Description

Details/Considerations

Quick Refund: Form 1139

Form 1139 is used to apply for a quick refund of taxes due to certain carrybacks, such as net operating losses (NOLs) and tax credits. Will result in refund before examination of actual claim.

- Form 1139 must be filed within one year of the end of the tax year in which the NOL or tax credit arose.
- The IRS is required to process these 1139s and issue a refund within 90 days of receipt.
- Refund is considered tentative, and the IRS may later adjust the refund if it finds errors.

Refund for Overpayment of Estimated Taxes: Form 4466

Form 4466 is filed to receive a refund for overpayment of estimated tax. Transfer credit buyers frequently consider this when they purchase credits late in their tax year and have made significant estimated payments prior to transfer purchase.

- Must be filed by original return due date, not including extensions.
- The overpayment must be at least 10% of the expected tax liability for the year, and must exceed \$500.
- Facts and circumstances driven regarding year in which tax credits will be claimed, taxpayer's estimated payments made during that year, and original due date of return.
- Interaction with carryback years would require specific strategy.

Amended Return: Form 1120-X

An 1120-X is the most common amended return type. A corporation must file this within three years after the date the original return was filed, or within two years from the time the tax was paid, whichever is later.

- The IRS has the authority to examine Form 1120X prior to the issuance of a refund. This may include conducting an audit. The processing time is typically unknown; however, IRS's acceptance of the amended return generally closes the matter unless later found to be erroneous.
- Thus provides more certainty at end of review but takes longer to receive a refund.

Polling Question

Related to tax credits, I have:

1. Purchased and am open to purchasing more.
2. Have not purchased, but am open to exploring purchasing.
3. Have not purchased and would not be open to exploring purchasing.

CECL “Double Count” Reversal

Accounting Standards Update 2025-08: Purchased Loans (1 of 9)

On Wednesday, November 12, 2025, the Financial Accounting Standards Board (FASB) published Accounting Standards Update (ASU) 2025-08 - Financial Instruments Credit Losses (Topic 326): Purchased Loans. The standard is aimed at eliminating the current expected credit loss (CECL) “double count” by extending the use of the gross-up methodology to purchased seasoned loans, which include all loans acquired through business combinations and purchased loans that meet certain seasoning criteria.

The expansion of the gross-up methodology will have meaningful long-term consequences for both investment banking and loan trading activity when it takes effect for all entities for reporting periods starting after December 15, 2026. However, there are more pressing and immediate implications for institutions that have closed a business combination or otherwise acquired seasoned loans during the last year.

Specifically, entities may choose to early adopt the standard in any interim prior to its effective date. If adopted early, entities also have the option to apply the amendments as-of the beginning of that interim period or the annual reporting period that includes that interim period. For example, a calendar-year filer who early adopts in 4Q2025 may look back to transactions conducted any time on or after January 1, 2025, and where appropriate given the seasoning guidelines, reverse out the CECL double count booked at purchase and apply the new gross up methodology. Because the original credit loss was booked through income via a provision expense, unwinding that CECL double count would, by definition, result in a one-time recovery of capital flowing through net income.

That presents a unique opportunity for those institutions that have either closed acquisitions or purchased seasoned loans during the year. Such entities can early adopt the amendments of ASU 2025-08, recognize the one-time recovery of capital through the reversal of provision expense, and leverage/redeploy that excess capital all in the same period. For example, a securities restructuring transaction whose loss is partially or fully offset with the recovered capital could be economically accretive while the institution remains on budget and with largely unchanged capital headed into year-end. Such a transaction would leverage the change in accounting standard in much the same way many organizations have leveraged other sources of one-time gains like the sale of Visa B shares or a sale-leaseback trade to restructure parts of the balance sheet.

However, the timing of the release in mid-November leaves a narrow window in which institutions must act. The standard must be early adopted in the current period, and if entities wish to utilize capital in the same period that it’s recovered, they must develop and execute a restructuring plan before the end of the year.

What is the CECL Double Count?

As originally implemented, ASC 326 contained two competing models for booking credit allowances on acquired assets: the non-purchased credit deterioration (non-PCD) approach and the purchased credit deterioration (PCD) approach.

The non-PCD approach can be thought of as the “standard” framework and applies both to originated assets and to acquired financial assets that did not meet the PCD credit deterioration threshold. Under the non-PCD approach, entities book a reserve by debiting Provision Expense and crediting Allowance for Credit Losses.

	Debit	Credit
Provision Expense	\$ 200,000	
Allowance for Credit Losses (ACL)		\$ 200,000

For originated financial assets, FASB and most industry stakeholders view the non-PCD approach as simple and effective. However, for purchased financial assets the non-PCD approach has a fundamental flaw - it essentially double counts expected credit losses upfront.

That double count is perhaps easiest to see in the context of a hypothetical acquisition scenario, where \$20mm is paid for an institution composed solely of \$20mm of loans with a fair value of \$96.25, resulting in \$750k in goodwill in addition to a separate CECL mark:

Business Combination Sample Entries		
	Debit	Credit
Loans	\$ 19,250,000	
Goodwill	\$ 750,000	
Cash/Consideration		\$ 20,000,000

CECL "Double Count" Sample Entries		
	Debit	Credit
Provision Expense	\$ 200,000	
Allowance for Credit Losses (ACL)		\$ 200,000

Notice here that the current expected credit losses appear in both sets of accounting entries.

Accounting Standards Update 2025-08: Purchased Loans (3 of 9)

First, credit losses are embedded in the purchase price of the asset. Both in theory and in practice, the bid on any credit sensitive asset includes a discount sized to reflect the present value of the buyer's expectation of future credit losses. That's true both at the instrument and portfolio level. Notably, it's also true regardless of the ultimate purchase price of the asset. An asset priced below par very clearly has a credit-related discount but so too does an asset priced at par or even one priced above par.

For example, a 5-year amortizing loan paying a 4% coupon in a 5% interest rate environment would naturally price at \$97.25, but a buyer anticipating a 1.00% credit loss would pay just \$96.25. In that case, the aggregate 3.75-point discount would reflect a 2.75-point market discount and a 1-point credit discount. In the inverse scenario, a 5-year amortizing loan paying a 5% coupon in a 4% prevailing interest rate environment, the loan would naturally price at approximately \$102.83, but a buyer anticipating a similar 1.00% credit loss would pay just \$101.83. Here, the aggregate 1.83-point premium represents a 2.83-point market premium partially offset by the same 1-point credit discount.

In either case, whether ultimately priced below or above par, a 1-point credit-related discount is embedded in the fair value of the loan. However, the non-PCD accounting makes no distinction between this credit-related discount and the market-related discount.

Second, credit losses are then also booked explicitly and directly through income as the Allowance for Credit Losses is established via the journal entries above.

Once double-counted in this manner – first through the purchase price and second through the establishment of the ACL – non-PCD accounting relies on the additional discount accretion from the credit-related discount to gradually unwind the double count over time.

For example, the lower cost basis in both previous examples (\$96.25 vs. \$97.25 for the discount loan or \$101.83 vs. \$102.83 for the premium loan) will result in higher interest income, and the up-front provision expense will be reversed out as the additional credit-related discount is accreted out over time.

Ultimately, then, impact of the double count nets to zero over the life of the loans. However, the accounting geography and progression of taking a large loss upfront only to recoup that loss over time is a distorted view of the transaction that doesn't line up with the underlying economics. The initial inclusion of the double count unfairly penalizes capital levels at the time of purchase or close, and the subsequent inclusion of credit-related discounts through net interest income meaningfully overstates run rate going forward. As a result, both income and capital are poorly represented by non-PCD methodology as long as the assets remain outstanding.

Accounting Standards Update 2025-08: Purchased Loans (4 of 9)

The PCD approach generally avoids these issues by using a “gross-up” methodology that appreciates that expectations for future credit losses are already embedded in the purchase price of an acquired asset. The gross-up would generally record a credit allowance by debiting Loans for current expected credit losses at the time of purchase and then crediting Allowance for Credit Losses by a corresponding amount.

	Debit	Credit
Loans	\$ 19,450,000	
Cash		\$ 19,250,000
Allowance for Credit Losses (ACL)		\$ 200,000

The entries associated with a business combination might look something like this.

	Debit	Credit
Loans	\$ 19,450,000	
Goodwill	\$ 750,000	
Cash/Consideration		\$ 20,000,000
Allowance for Credit Losses (ACL)		\$ 200,000

Here, expectations of credit losses are added to amortized cost through a basis adjustment, rather than flowing through income at the time of purchase or acquisition. Accordingly, there is no upfront hit to income or capital via the PCD method of accounting.

As a natural consequence of that treatment, correspondingly lower yields are reported under the gross-up methodology as accretion of the credit-related discount is excluded from interest income via the basis adjustment. Generally, FASB views this model as more accurately representing how buyers think through the purchase of credit exposed assets: purchase prices are adjusted to reflect current expectations of future credit losses and yields on those assets should be lower in out-years to reflect those future losses over time.

Prior to the amendments in ASU 2025-08, this gross-up approach applied only to purchased credit deterioration (PCD) assets where there was *“more-than-insignificant deterioration in credit quality since origination, as determined by an acquirer’s assessment.”*

ASU 2025-08 dramatically widened the scope of the gross-up methodology to include both purchased financial assets with credit deterioration and to *“purchased seasoned loans.”*

Limitations and Definitions

In ASU 2025-08, FASB has defined “*purchased seasoned loans*” to include all loans obtained through a business combination, and all purchased loans obtained more than 90 days after origination where the buyer was not involved in origination:

326-20-30-16 *A purchased seasoned loan is a loan that meets either of the following criteria and is not a purchased financial asset with credit deterioration or a financial asset listed in paragraph 326-20-30-19:*

- a. *The loan is obtained through a business combination accounted for using the acquisition method in accordance with Subtopic 805-20.*
- b. *The loan is (i) obtained through a transfer that is not a business combination accounted for using the acquisition method in accordance with Subtopic 805-20 or (ii) initially recognized through the consolidation of a variable interest entity in accordance with paragraph 810-10-30-3. In addition, the loan must meet both of the following criteria:*
 - 1. *The loan is obtained more than 90 days after its origination date.*
 - 2. *The transferee was not involved with the origination of the loan. See paragraph 326-20-30-17 for guidance on how to assess whether the transferee was involved with the origination of the loan.*

FASB further clarifies the phrase “*involved with the origination*” by noting that purchases executed through an existing contractual relationship, financing arrangement, or purchase commitment are likely to fall short of the definition of purchased seasoned loans and therefore are likely scoped out of the amendment. Even in the absence of contractual arrangements, loan purchases where buyers have a “*substantive influence*” on the underwriting process are likely to be excluded from the definition of seasoned and the corresponding gross-up treatment:

326-20-30-17 *The transferee is more likely to be involved with the origination of a loan when the transfer of that loan is effected through the terms of an existing contractual relationship, financing arrangement, purchase commitment, or other agreement with the entity that originated and transferred the loan. The transferee is involved with the origination of a loan when either of the following occurs:*

- a. *Within 90 days after the loan origination date, the transferee has direct or indirect exposure to the economic risks and rewards of ownership.*
- b. *The transferee has substantive influence on the offering, arranging, underwriting, or other nonadministrative lending activity performed by the originator (the transferor) related to the initial extension of credit to a debtor.*

Accounting Standards Update 2025-08: Purchased Loans (6 of 9)

This somewhat limits the scope of the new standard as it would seem to exclude loans originated as part of an indirect lending or flow program.

Notably, the purchased seasoned loan determination is made on a line-by-line basis. That will add a layer of accounting complexity to transacting in all but the most homogenous loan pools. For example, a mixed pool of loans ranging from 60 to 90+ days post-origination must now be bifurcated and be subject to two different accounting frameworks. The sub-90 days loans would fall short of the seasoning requirement and retain their existing non-PCD accounting, while the loans more than 90 days past origination would be deemed seasoned and subject to the expanded gross-up methodology. That might compel sellers to be more targeted in offering qualifying and non-qualifying pools separately, or it might push sellers to retain loans past the seasoning threshold if mixed pools would otherwise solicit materially weaker bids.

There are also several broad exclusions from the definition of purchased seasoned loans. Credit cards, trade receivables, and debt securities are all explicitly scoped out. The latter is perhaps the most notable, as it means that held-to-maturity securities measured at amortized cost and therefore subject to CECL will retain their existing non-PCD accounting treatment.

Notably, the ASU does not change the existing accounting treatment of PCD assets, it simply expands the purview of that gross-up methodology to cover a broader base of seasoned loans. That means purchased assets with significant credit deterioration can still qualify for the gross-up method by virtue of that deterioration even if they would otherwise not meet the new seasoning criteria.

Early Adoption, Transition, and Restructuring Opportunities

Early adoption will be an attractive option for many institutions that have been acquisitive, engaged in meaningful loan purchase activity, or both. For those that early adopt, applying the amendments retrospectively to the beginning of the annual period will likely be most beneficial. However, not all institutions will benefit equitably, and some may see little or no benefit at all from early adoption. Entities should carefully consider the consequences of early adopting versus allowing the standard to come into force in 2026.

First, institutions should size and scope the potential opportunity. As discussed above, the scope of the gross-up methodology has been expanded only to cover those assets that meet the definition of purchased seasoned loans on a loan-by-loan level. For institutions that have a closed business combination during the period, the scope is straightforward: all loans acquired in the business combination (except for credit cards) automatically meet the definition of a purchased seasoned loans and the opportunity for early adoption and transition will be sized accordingly.

Accounting Standards Update 2025-08: Purchased Loans (7 of 9)

For institutions that have purchased loans, the size and scope of the capital recovery opportunity will vary. Some institutions may have purchased a mix of seasoned and non-seasoned loans over the period, and the scope of the accounting amendments will depend very heavily on the granular seasoning mix of the loans purchased. Similarly, the credit characteristics of loans purchased over the period will influence the size and ultimate capital recovery and redeployment opportunity. An institution that purchased high-FICO low-LTV 1-4 family residential mortgages will have booked lower CECL reserves and will therefore see less practical benefit to early-adoption than one who purchased mixed-use CRE loans with a weaker credit profile. Moreover, the nature of each institution's CECL model will also have an impact on the transition opportunity. Two organizations looking at the exact same loan pool can arrive at very different CECL allowances. Indeed, that level of discretion is inherent in the "reasonable and supportable" management forecasts required under CECL. So, an organization modeling on relatively conservative CECL assumptions might be able to recoup meaningfully more upfront capital than an organization with a more permissive set of assumptions.

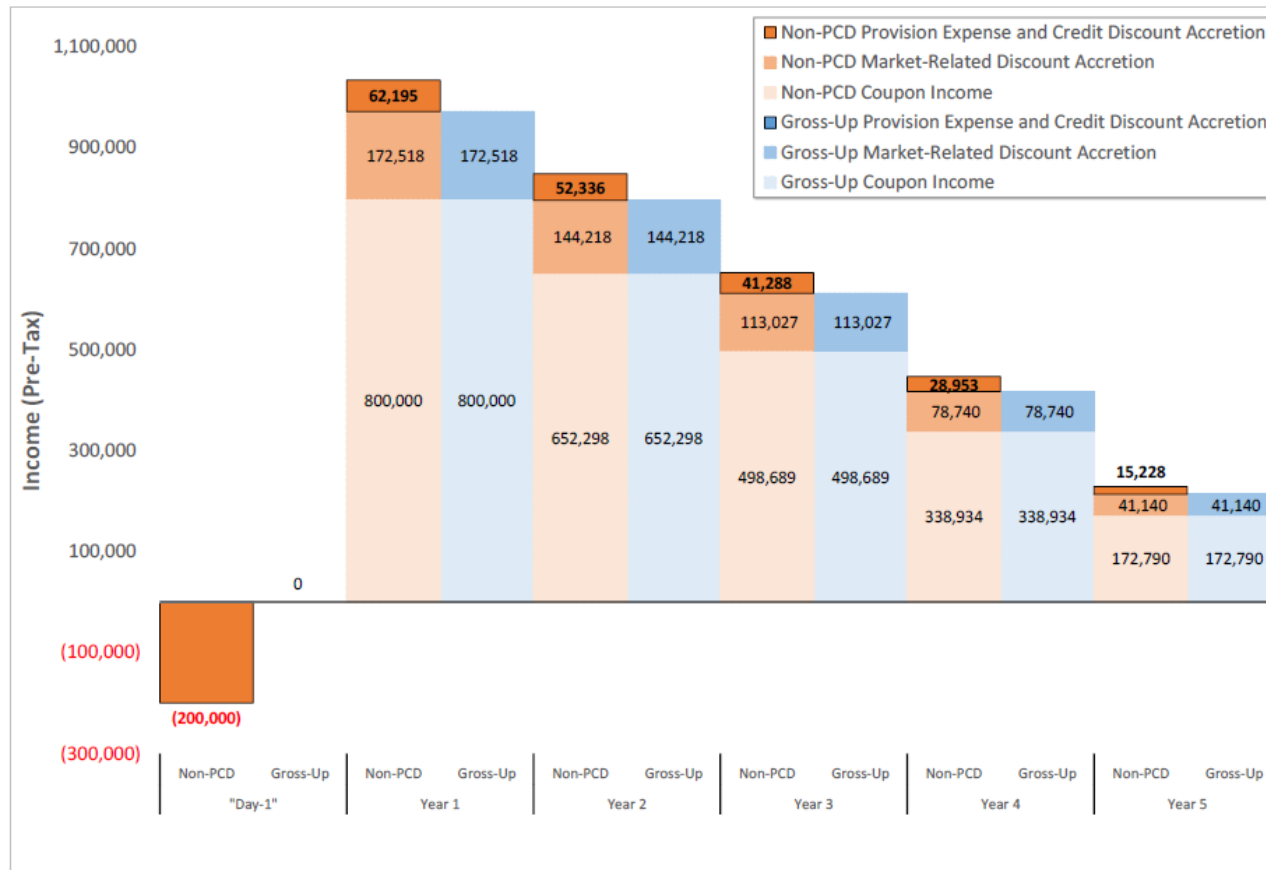
Second, institutions must also weigh the practical costs of early adoption versus the true potential for economic benefit.

There is, by definition, an added administrative burden in adopting early, as the gross-up methodology does require slightly more accounting overhead. Eventually, that burden will be forced on all entities when the standard comes into force on December 15, 2026, but accelerating that burden into the last month of the year can have a meaningful implicit cost.

On the other hand, the economic benefit is somewhat nuanced. As mentioned previously, the simple change in accounting principle has no net economic benefit in and of itself. Moving from the legacy non-PCD framework to the expanded gross-up methodology simply adds back capital now at the expense of future interest income.

A visualization and decomposition of income in the prior example (a 5-year fully amortizing 4% loan purchased in a prevailing 5% interest rate environment at \$96.25 with 1 point of credit-related discount) makes that clear. The current non-PCD approach (shown in orange) books a \$200k provision expense today, but accretes, on average, \$40k in additional credit-related discount through income each year (the uneven and declining nature of the credit-related discount is related to the choice of fully amortizing loans in this example – other structures would seem more level NII differences over time). The newly expanded gross-up methodology (in blue) books no immediate hit to income, instead booking the reserve via the basis adjustment, but sees lower annual interest income over time. In fact, fleshing out the math reveals that the yield on loans in the non-PCD scenario is 5.38%, compared to just 5.00% in the gross-up scenario.

Accounting Standards Update 2025-08: Purchased Loans (8 of 9)



Now current capital certainly has a substantive economic value – but only to the extent that capital is properly deployed. Early adopting in the absence of any additional capital deployment, then, is simply a one-for-one swap of upfront capital for out-year earnings that might have varying levels of appeal for different institutions.

Some organizations might see enough benefit from simply aggregating additional capital that they early adopt without additional activity. That might be the case for some private institutions that view themselves as somewhat capital constrained. On the other hand, large, publicly traded institutions with sufficient capital might view the simple change in accounting principle on trades that were executed earlier in the year as a complicating factor for earnings estimates and forward guidance. They might simply forgo early adoption and look to apply the standard prospectively at the standard transition or simply early adopt as-of the current interim period.

Accounting Standards Update 2025-08: Purchased Loans (9 of 9)

Indeed, the real opportunity comes not from the change in accounting principle itself, but rather from the ability to leverage and redeploy capital that's been pulled forward via the change in accounting principle to drive additional future earnings.

For example, in a very simplified expansion of the scenario above, an organization that early adopts and uses the \$200k reversal of provision expense to sell \$2mm in securities yielding 2.00% at 10% loss and reinvest in securities yielding 4.75% would end up capital neutral on the trade, but would see \$27.5k in additional net interest income over the 5-year horizon. That simplified scenario would also show improved GAAP earnings in out years despite the forgone accretion of the credit-related discount (and would show improved GAAP income in all years if we had assumed a more bullet-like loan structure).

Conclusion

The details of such a restructuring trade will be institution-specific and depend heavily on the size and nature of acquisitions and loan transactions carried out earlier in the year. It will also depend on the composition of securities sold and the risk profile of securities purchased as a reinvestment. Even so, the fact remains that the early adoption of the accounting standards can facilitate a restructuring transaction that is capital neutral, economically accretive, and positive to future GAAP earnings under a conservative set of assumptions.

Accordingly, we advise that entities who have closed acquisitions or conducted loan purchase activity to carefully, but quickly, assess the potential benefits of early adopting ASU 2025-08 in the coming weeks. Please contact your Stifel representative for more information, and as always for accounting matters, consult your accounting professionals.

Life Insurance Funds

Types of Employee Benefit Plan Investments

§ 701.19 Benefits for employees of federal credit unions

(a) **General authority.** A federal credit union may provide employee benefits, including retirement benefits, to its employees and officers who are compensated in conformance with the Act and the bylaws, individually or collectively with other credit unions. The kind and amount of these benefits must be reasonable given the federal credit union's size, financial condition, and the duties of the employees.

(c) **Investment authority.** A federal credit union investing to fund an employee benefit plan obligation is not subject to the investment limitations of the Act and part 703 or, as applicable, part 704, of this chapter and may purchase an investment that would otherwise be impermissible if the investment is directly related to the federal credit union's obligation or potential obligation under the employee benefit plan and the federal credit union holds the investment only for as long as it has an actual or potential obligation under the employee benefit plan.

“Otherwise Impermissible Investments”

Life Insurance

Securities

Annuities



Bonds	Equities
Corporate Bonds (Subdebt, CLOs, Private Label etc.)	Mutual Funds/ ETFs
Annuities	Publicly Traded Stocks
Whole/Term Life Insurance	Index Life Funds
Life Insurance Funds	

Types of Employee Benefit Expenses

- NCUA Regulation § 701.19 govern investments to fund employee benefit plan obligations
- Under this provision, a credit union may hold otherwise impermissible investments if the investment is “directly related” to the credit union’s obligations under an employee benefit plan
- A “soft cap” investment size for total employee benefit plan is 25% of net worth, but can be increased up to annual investment earnings not exceeding annual employee benefit expenses (subject to further documentation and support)
- **Institutions are viewing life insurance funds as a complimentary investment to existing holdings or first time investments for their Employee Benefit Plan Obligation**

Employee benefit obligations include but not limited to:

- | | |
|--|------------------------------------|
| • Paid Vacations | • Legal assistance plan |
| • Holiday and sick leave | • Adoption assistance |
| • Retirement plans (both qualified and non-qualified) | • Transportation benefits |
| • Medical, Health, Dental and Vision plans | • Relocation assistance |
| • Life insurance plans | • Wellness programs |
| • Health and dependent care flexible spending accounts | • Access to a subsidized cafeteria |

Charitable Donation Account Regulation (NCUA Rules and Regulation Part 721.3(b)(2))

- **(2) Charitable Donation Accounts:** A charitable donation account (CDA) is a hybrid charitable and investment vehicle, satisfying the conditions in paragraphs (b)(2)(i) through (vii) of this section, that you may fund as a means to provide charitable contributions and donations to qualified charities. If you fund a CDA that satisfies all of the conditions in paragraphs (b)(2)(i) through (vii) of this section, **then you may do so free from the investment limitations of the Federal Credit Union Act and part 703 of this chapter**
 - i. Maximum aggregate funding: The book value of your investments in all CDAs, in the aggregate, as carried on your statement of financial condition prepared in accordance with generally accepted accounting principles, **must be limited to 5 percent of your net worth at all times** for the duration of the accounts, as measured every quarterly Call Report cycle
 - ii. Segregated account: The assets of a CDA must be held in a segregated custodial account or special purpose entity and must be specifically identified as a CDA.
 - iii. Regulatory oversight: If you choose to establish a CDA using a trust vehicle, the trustee must be regulated by the Office of the Comptroller of the Currency (OCC), the U.S. Securities and Exchange Commission (SEC), another federal regulatory agency, or a state financial regulatory agency.
 - iv. Account documentation and other written requirements:
 - i. Identify charity(ies) and frequency of donations
 - ii. Investment policy statement including strategies and risk tolerance
 - iii. Accounting procedures
 - iv. Liquidation and minimum distribution provisions
 - v. **Minimum distribution to charities:** You are required to distribute to one or more qualified charities, no less frequently than every 5 years, and upon termination of a CDA regardless of the length of its term, **a minimum of 51 percent of the account's total return on assets over the period of up to 5 years.**
 - vi. Liquidation of assets upon CDA termination: Upon termination of the CDA, you may receive a distribution of the remaining account assets in cash or you may receive a distribution in kind of the remaining account assets but only if those assets are permissible investments for federal credit unions under the Federal Credit Union Act and part 703 of this chapter

	Premier Income Fixed	Premier Income Plus
Offering Structure	Limited Partnership	
Minimum Investment	\$100,000	
Term	5 years (five, one (1) year extensions)	Indefinite (5 year lock up with 5 year extension)
Interest/ Dividend Rate	10.0% annual interest	15% upfront, 7.25% annual interest
Up front bonus	No	15% of NAV
Net excess returns	80% of net excess return (reflected in NAV each quarter)	

Balance Sheet Hedging

Stifel Interest Rate Products

Through affiliate company Stifel Interest Rate Products, LLC, Stifel offers access to hedging solutions to help depository institutions manage interest rate risk.

Back-to-Back Loan Hedging

Stifel Interest Rate Products, LLC (SIRP) partners with community and regional banks to offer loan-level interest rate hedging programs. The turnkey solution features dedicated marketing support from experienced industry professionals, proprietary technology, and Dodd-Frank compliant reporting. SIRP offers a full service platform, as well as a la carte back office and technology packages. In partnering with SIRP, we will help:

- Implement all necessary approvals, policies and documentation
- Train lending, credit and operational personnel
- Develop close relationships with commercial lenders
- Conduct joint, in-person calls on potential clients
- Provide pricing, documentation and settlement services for all transactions
- Facilitate fixed rate loan hedging as supplement to loan swap programs

Balance Sheet Derivatives

SIRP assists depository institutions create effective and compliant derivative hedging strategies that enable a stronger, more efficient competitive position.

As a trusted partner for depository institutions across a wide range of asset sizes, our experienced team of strategists provides comprehensive lifecycle support that extends from strategy development to execution and documentation, and through to reporting and monitoring. There are no retainers or ongoing fees; a negotiated transaction fee is the only charge.

Full Cycle Support

Pre-Execution – education, strategy development and modeling, sample lifecycle report, ISDA negotiation, preliminary effectiveness testing

Execution – price transparency, hedge documentation, effectiveness testing

Post-Execution – ongoing effectiveness testing, suggested GL and call report entries, shocked valuation reports, monitoring

Stifel Interest Rate Products (SIRP) Contacts

Back-to-Back Loan Hedging

- Dolf Röell – droell@stifel-irp.com

Balance Sheet Derivatives

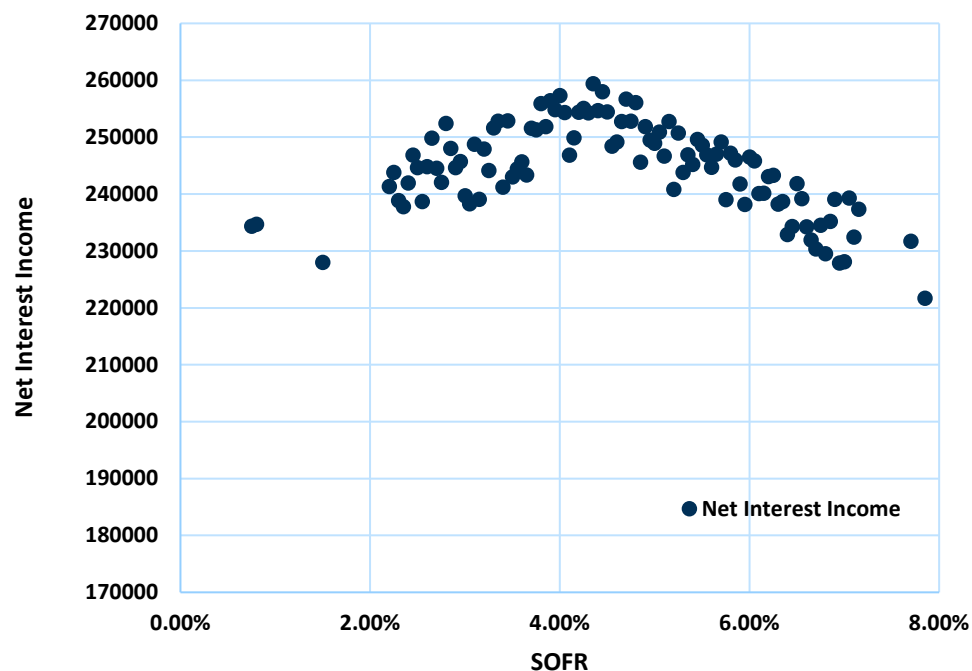
- David Shadix – shadixd@stifel-irp.com
- Katharine Bray – brayk@stifel-irp.com

IRR Stochastic Modeling Example

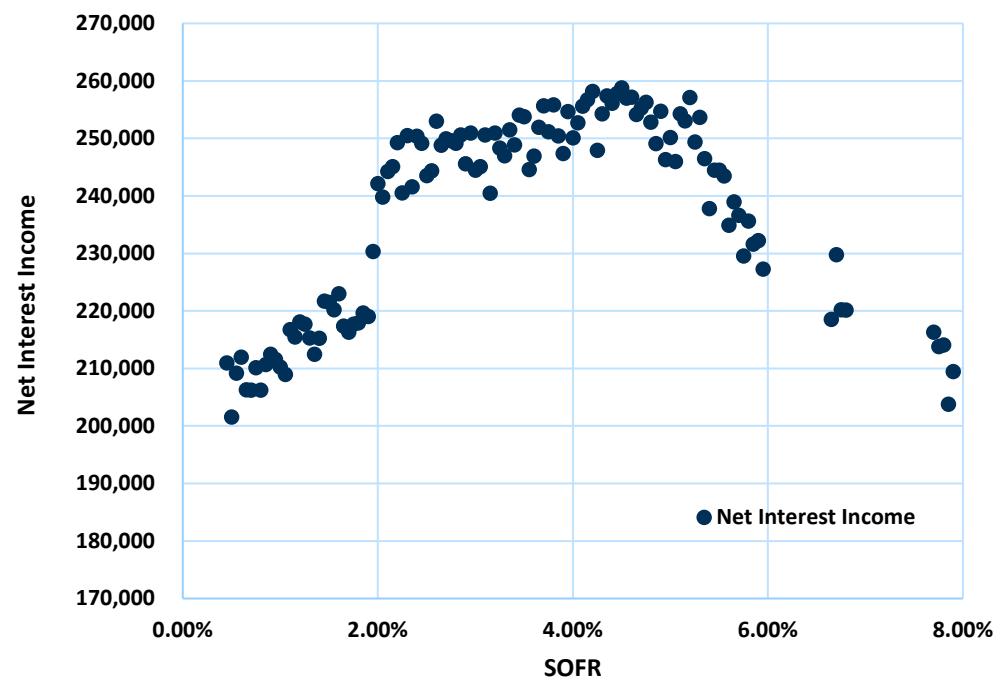
Larger institutions incorporating dynamic growth and mix shift to inform NII sensitivity

- Simulated NII outcomes for future years given level of rates, shape of curve, and resulting balance sheet growth and composition (which are themselves based on historical correlations and relationships)
- Helps determine inflection points in market environment and backdrop that severely challenges profitability and efficiency
- Indicates where insurance needs to be purchased, when market pricing allows

2026 NII Simulation



2027 NII Simulation



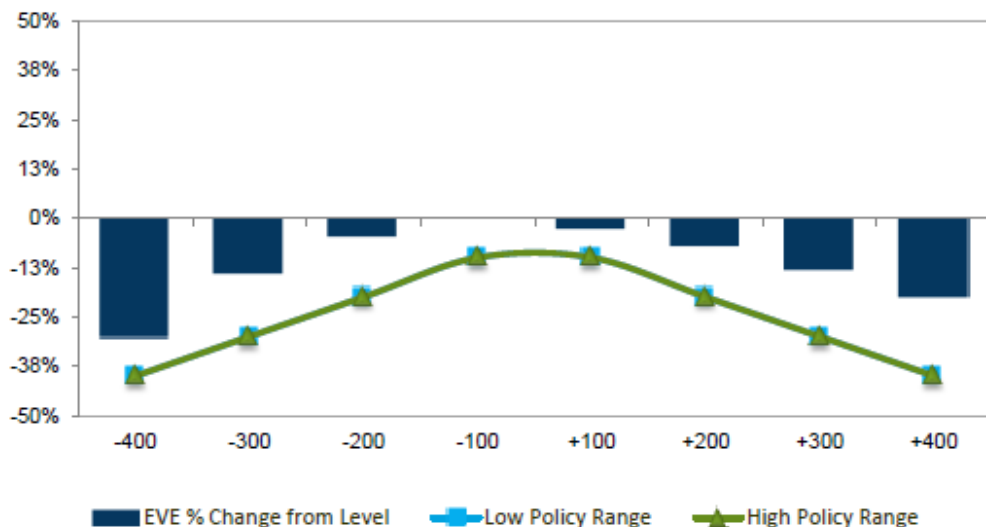
Tail Rate Interest Rate Risk: Hedging with Options

EVE “Frown”

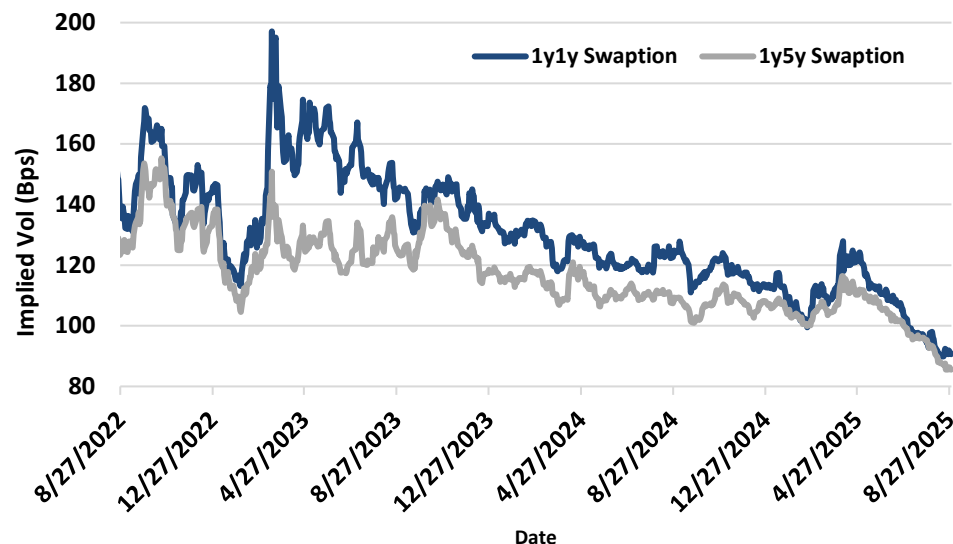
- The breakpoints that can be specifically identified through a stochastic approach can be seen at a high level in EVE model results.
- Sample EVE results below present a view that the institution has “sold” optionality positions to rising and falling rates. That optionality impacts performance negatively at different points up and down.
- With implied volatility at ~3-year lows, institutions can hedge against tail risk scenarios at cheaper levels that flatten both EVE and NII interest rate risk profiles.

Sample Bank

% Change in EVE



Implied Volatility – ATM Swaption Pricing



- Data per Bloomberg as of 8/29/2025
- Information presented above regarding interest rate derivatives is considered general and factual. Derivative services provided through Stifel Interest Rate Products, LLC. Please see further disclosures on the last page of this presentation.

Current Cap and Floor Pricing

- The grid below presents ATM, ATM +/- 50bps, and ATM +/- 100bps strikes for Cap and Floor options.
- Options require an initial upfront premium to be paid which is then amortized over the life of the hedge.

Interest Rate Caps

	3y	Premium (% of Notional)	Average Annual Amort(bps)		5y	Premium (% of Notional)	Average Annual Amort(bps)
		9/22/2025	9/22/2025			9/22/2025	9/22/2025
	Strike	9/22/2028	9/22/2028		Strike	9/22/2030	9/22/2030
~ATM	4.2	0.42	14	~ATM	4.2	1.21	24
	3.7	0.73	24		3.7	1.79	36
	3.2	1.38	46		3.2	2.81	56
	2.7	2.33	78		2.7	4.25	85
	2.2	3.49	116		2.2	6.04	121

Interest Rate Floors

	3y	Premium (% of Notional)	Average Annual Amort(bps)		5y	Premium (% of Notional)	Average Annual Amort(bps)
		9/22/2025	9/22/2025			9/22/2025	9/22/2025
	Strike	9/22/2030	9/22/2030		Strike	9/22/2030	9/22/2030
~ATM	4.2	3.19	106	~ATM	4.2	5.52	110
	3.7	2.07	69		3.7	3.77	75
	3.2	1.27	42		3.2	2.46	49
	2.7	0.78	26		2.7	1.58	32
	2.2	0.5	17		2.2	1.04	21

- Indicative levels as of 9/22/2025; may not represent executable levels.
- NII impact for options-related strategies is comprised of average annual amortization of any option premium, net of any payments for a given scenario.
- Information presented above regarding interest rate derivatives is considered general and factual. Derivative services provided through Stifel Interest Rate Products, LLC. Please see further disclosures on the last page of this presentation.

1y Spot Starting Rates Down Protection Summary

- 1y receive fixed swap: receive 3.62% fixed, pay SOFR floating (currently 4.05%)
- 1y outright 4.55% strike floor: Pay 0.96% upfront premium on notional (\$963k). Amortize annually over life of hedge
- 1y outright 3.55% strike floor: Pay 0.20% upfront premium on notional (\$204k). Amortize annually over life of hedge

		1y Rec. Fixed Swap				1y Outright Floor				1y Outright Floor			
				Rec Fixed	Notional	Premium	Long	4.55	Notional	Premium	Long	3.55	Notional
NII				3.62	100,000	0.96			100,000	0.20			100,000
Scen	SOFR	Rec. Fixed	Pay SOFR	Net %	Net \$	Avg Ann. Amort.	Payoff	Net %	Net \$	Avg Ann. Amort.	Payoff	Net %	Net \$
300	7.05	3.62	-7.05	-3.43	-3,428	-0.96	0.00	-0.96	-963	-0.20	0.00	-0.20	-204
200	6.05	3.62	-6.05	-2.43	-2,428	-0.96	0.00	-0.96	-963	-0.20	0.00	-0.20	-204
100	5.05	3.62	-5.05	-1.43	-1,428	-0.96	0.00	-0.96	-963	-0.20	0.00	-0.20	-204
Level	4.05	3.62	-4.05	-0.43	-428	-0.96	0.50	-0.46	-463	-0.20	0.00	-0.20	-204
-100	3.05	3.62	-3.05	0.57	572	-0.96	1.50	0.54	537	-0.20	0.50	0.30	296
-200	2.05	3.62	-2.05	1.57	1,572	-0.96	2.50	1.54	1,537	-0.20	1.50	1.30	1,296
-300	1.05	3.62	-1.05	2.57	2,572	-0.96	3.50	2.54	2,537	-0.20	2.50	2.30	2,296
EVE													
Scen	SOFR	Mkt Price %	Mkt Price \$			Mkt Price %	Mkt Price \$			Mkt Price %	Mkt Price \$		
300	7.05	-2.8	-2,842			-1.0	-961			-0.2	-205		
200	6.05	-1.9	-1,913			-0.9	-935			-0.2	-205		
100	5.05	-1.0	-966			-0.7	-726			-0.2	-189		
Level	4.05	0.0	0			0.0	0			0.0	0		
-100	3.05	1.0	985			1.0	974			0.7	738		
-200	2.05	2.0	1,990			2.0	1,971			1.7	1,726		
-300	1.05	3.0	3,015			3.0	2,989			2.7	2,737		

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1y Spot Starting Rates Up Protection Summary

- 1y pay fixed swap: pay 3.62% fixed, receive SOFR floating (currently 4.05%)
- 1y outright 2.55% strike floor: Pay 1.05% upfront premium on notional (\$1.05mm). Amortize annually over life of hedge
- 1y outright 3.55% strike floor: Pay 0.24% upfront premium on notional (\$236k). Amortize annually over life of hedge

		1y Pay Fixed Swap				1y Outright Cap				1y Outright Cap			
				Pay Fixed	Notional	Premium	Long	2.55	Notional	Premium	Long	3.55	Notional
NII				3.62	100,000	1.05			100,000	0.24			100,000
Scen	SOFR	Pay Fixed	Rec. SOFR	Net %	Net \$	Avg Ann. Amort.	Payoff	Net %	Net \$	Avg Ann. Amort.	Payoff	Net %	Net \$
300	7.05	-3.62	7.05	3.43	3,428	-1.05	4.50	3.45	3,452	-0.24	3.50	3.26	3,264
200	6.05	-3.62	6.05	2.43	2,428	-1.05	3.50	2.45	2,452	-0.24	2.50	2.26	2,264
100	5.05	-3.62	5.05	1.43	1,428	-1.05	2.50	1.45	1,452	-0.24	1.50	1.26	1,264
Level	4.05	-3.62	4.05	0.43	428	-1.05	1.50	0.45	452	-0.24	0.50	0.26	264
-100	3.05	-3.62	3.05	-0.57	-572	-1.05	0.50	-0.55	-548	-0.24	0.00	-0.24	-236
-200	2.05	-3.62	2.05	-1.57	-1,572	-1.05	0.00	-1.05	-1,048	-0.24	0.00	-0.24	-236
-300	1.05	-3.62	1.05	-2.57	-2,572	-1.05	0.00	-1.05	-1,048	-0.24	0.00	-0.24	-236
EVE													
Scen	SOFR	Mkt Price %	Mkt Price \$			Mkt Price %	Mkt Price \$			Mkt Price %	Mkt Price \$		
300	7.05	2.8	2,843			2.8	2,762			2.6	2,601		
200	6.05	1.9	1,914			1.9	1,850			1.7	1,684		
100	5.05	1.0	966			0.9	922			0.8	765		
Level	4.05	0.0	0			0.0	0			0.0	0		
-100	3.05	-1.0	-985			-0.8	-766			-0.2	-234		
-200	2.05	-2.0	-1,990			-1.0	-1,039			-0.2	-236		
-300	1.05	-3.0	-3,015			-1.0	-1,048			-0.2	-236		

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Appendix

4Q'24 – 2Q'25 Loss Earnback Activity

Summary of Securities Portfolio Restructurings in 2Q'25

Company	Ticker	Total Assets (\$M) ²	Intent	Amount Sold (\$M)	% of Total Portfolio ³	Pre-Tax Loss/Secs Sold (%)	Pre-Tax Loss (\$M)	Use of Proceeds	Spread	Earnback Period	Accompanying Event	8-K Announce?	Prior Restructure? ⁴	1 Day Relative Stock Performance	3 Day Relative Stock Performance	7 Day Relative Stock Performance
 Source Bank	SRCE	\$9,088	AFS	\$26	1.7%	-4%	(\$1.0)	Securities Reinvestment	314bps	Estimated ~1.2yrs			Yes	(1.37)%	0.03%	0.13%
 Amalgamated Bank	AMAL	\$8,625	AFS	NA	NA		(\$1.0)	Loan Reinvestment					Yes	(6.17)%	(7.72)%	(6.91)%
 ABB AMERICAN BUSINESS BANK	AMBZ	\$4,298	AFS	NA	NA		(\$1.1)						Yes	0.50%	4.92%	4.63%
 Bank of Hope	HOPE	\$18,547	AFS	\$418	19.5%	-9%	(\$38.9)	Securities Reinvestment	309bps	3yrs		Yes	No	0.97%	0.63%	1.72%
 Bank of Marin	BMRC	\$3,726	AFS	\$186	15.0%	-10%	(\$18.7)	Securities Reinvestment	304bps	4yrs		Yes	Yes	3.95%	4.07%	4.08%
 Chemung Canal Trust Company	CHMG	\$2,853	AFS	\$246	46.2%	-7%	(\$17.5)	Deleverage and Loan Reinvestment			Subordinated Debt Issuance	Yes	No	0.12%	(0.51)%	(1.53)%
 EAGLEBANK	EGBN	\$10,601	AFS	\$30	1.4%	-6%	(\$1.9)	Securities Reinvestment	438bps	Estimated ~1.4yrs			No	(19.23)%	(20.47)%	(18.46)%
 FirstBank	FBK	\$13,354	AFS	\$267	16.9%	-23%	(\$60.5)	Redeem SubDebt and Loan Reinvestment		<4yrs			Yes	(0.84)%	1.05%	(0.27)%
 Heritage Financial CORPORATION	HFWA	\$7,071	AFS	\$92	6.5%	-7%	(\$6.9)	Securities and Loan Reinvestment					Yes	(4.86)%	(3.46)%	(4.07)%
 Origin Bank	OBK	\$9,678	AFS	\$216	18.4%	-7%	(\$14.4)	Securities Reinvestment		2.6yrs			Yes	1.48%	3.60%	1.05%
 ServisFirst Bank	SFBS	\$17,379	AFS	\$70	3.7%	-12%	(\$8.6)	Securities Reinvestment	494bps	3.8yrs			No	0.98%	1.22%	1.01%
 Texas Capital	TCBI	\$31,944	AFS	\$282	6.2%	-1%	(\$1.9)	Securities Reinvestment	230bps	4 months			Yes	2.50%	2.58%	0.18%

1. Source: S&P Capital IQ Pro and Company Filings

2. Total Assets as of 2Q'25 bank level

3. Beginning total portfolio data reflects book value as of 1Q'25

4. Looks at losses taken from 4Q'22 through 2Q'25

5. Relative Stock Performance represents the difference between the bank's stock price performance from the date of the earning release vs. the change in the KBX Regional Banking Index over the same period.

Summary of Securities Portfolio Restructurings in 1Q'25 (1 of 2)

Company	Ticker	Total Assets (\$M) ²	Intent	Amount Sold (\$M)	% of Total Portfolio ³	Pre-Tax Loss/Secs Sold (%)	Pre-Tax Loss (\$M)	Use of Proceeds	Spread	Earnback Period	Accompanying Event	Net Interest Margin as of 4Q24	8-K Announce?	Prior Restructure? ⁴	1 Day Relative Stock Performance	3 Day Relative Stock Performance	7 Day Relative Stock Performance
 Amalgamated Bank	AMAL	\$8,290	AFS	NA	NA		(\$0.7)					3.61		Yes	(2.81)%	(0.43)%	0.58%
 ABB American Business Bank	AMBZ	\$4,174	AFS	NA	NA		(\$0.4)					3.34		Yes	(0.30)%	2.23%	(0.73)%
 Bank of Clarke	EFSI	\$1,904	AFS	\$99	81.8%	-13%	(\$12.4)	Securities Reinvestment			Common Equity Raise	3.09	Yes		4.14%	3.89%	2.58%
 Bank of the Pacific	PFLC	\$1,218	AFS	\$9	3.0%	-2%	(\$0.2)	Securities Reinvestment	200bps	Estimated < 1yr		4.04		Yes	3.35%	2.02%	0.38%
 Busey	BUSE	\$11,977	AFS	\$203	7.7%	-8%	(\$15.5)	Securities Reinvestment	350bps	Estimated ~2.2yrs	Merger	3.02		Yes	1.33%	(1.86)%	(1.14)%
 Chesapeake Bank	CPKF	\$1,602	AFS	\$75	15.0%	-12%	(\$9.4)	Securities Reinvestment		2.5yrs	Sub Debt Issuance	3.73	Yes		1.04%	1.34%	7.13%
 Customers Bank	CUBI	\$22,416	AFS	\$620	20.8%	-8%	(\$51.3)	Loan Reinvestment				3.14		Yes	(1.94)%	0.35%	(1.51)%
 Eastern Bank JOIN US FOR GOOD	EBC	\$24,985	AFS	\$1,300	29.3%	-21%	(\$269.6)	Securities Reinvestment	357bps	Estimated ~5.8yrs		2.96		Yes	(5.46)%	(5.52)%	(5.84)%
 Ephrata National Bank	ENBP	\$2,220	AFS	NA	NA		(\$0.3)	Loan Reinvestment				2.98		Yes	0.00%	(4.61)%	(5.77)%
 Farmers National Bank	FMNB	\$5,142	AFS	\$24	1.9%	-6%	(\$1.3)	Securities Reinvestment	260bps	2.2yrs		2.75		Yes	2.48%	3.76%	2.87%
 First Commonwealth Bank Time to be First	FCF	\$11,756	0	NA	NA		(\$5.1)				Gain from Visa B Sale	3.56		Yes	0.86%	0.53%	0.54%
 First Financial Bank	FFBC	\$18,340	0	\$165	5.0%	-6%	(\$9.9)			2.3yrs		3.97		Yes	(3.45)%	(2.74)%	(2.71)%
 First Reliance Bank	FSRL	\$1,095	AFS	NA	NA		(\$0.2)				Gain on Early Extinguishment of Debt	3.55		Yes	2.09%	5.08%	1.13%
 Heritage Financial Corporation	HFWA	\$7,125	AFS	\$61	4.1%	-6%	(\$3.9)	Securities and Loan Reinvestment				3.37		Yes	(1.34)%	(1.84)%	(1.75)%
 Pathward	CASH	\$7,011	AFS	\$58	3.8%	-13%	(\$7.2)					6.93			4.09%	3.74%	3.63%
 Pinnacle Financial Partners	PNFP	\$54,173	AFS	\$189	2.3%	-7%	(\$12.5)	Securities Reinvestment		3yrs		3.14		Yes	0.50%	0.18%	(1.20)%
 S&B Bancorp	STBA	\$9,713	AFS	NA	NA		(\$2.3)	Securities Reinvestment				3.77		Yes	(0.61)%	0.98%	(0.99)%
 Southside Bank	SBSI	\$8,339	AFS	\$120	4.3%	0%	(\$0.6)	Securities Reinvestment				2.85		Yes	(0.25)%	(2.46)%	(2.68)%
 SouthState	SSB	\$65,109	AFS	\$1,800	27.4%	-13%	(\$228.8)	Securities Reinvestment	288bps	Estimated ~5.5yrs	Sale Leaseback	3.48	Yes		(1.13)%	0.05%	(0.38)%

- Source: S&P Capital IQ Pro and Company Filings
- Total Assets as of 1Q'25 bank level
- Beginning total portfolio data reflects book value as of 4Q'24, bank level
- Looks at losses taken from 4Q'22 through 1Q'25
- Relative Stock Performance represents the difference between the bank's stock price performance from the date of the earning release vs. the change in the KBX Regional Banking Index over the same period.

Summary of Securities Portfolio Restructurings in 1Q'25 (2 of 2)

Company	Ticker	Total Assets (\$M) ²	Intent	Amount Sold (\$M)	% of Total Portfolio ³	Pre-Tax Loss/Secs Sold (%)	Pre-Tax Loss (\$M)	Use of Proceeds	Spread	Earnback Period	Accompanying Event	Net Interest Margin as of 4Q24	8-K Announce?	Prior Restructure? ⁴	1 Day Relative Stock Performance	3 Day Relative Stock Performance	7 Day Relative Stock Performance
 Fidelity BANK	FDBC	\$2,711	AFS	\$18	3.1%	-5%	(\$0.8)					2.72		Yes	(3.56)%	0.37%	5.00%
 tri counties bank	TCBK	\$9,816	AFS	\$30	1.5%	-4%	(\$1.1)				Gain from death benefit	3.76			0.03%	(1.62)%	(2.38)%

1. Source: S&P Capital IQ Pro and Company Filings





2. Total Assets as of 1Q'25 bank level

3. Beginning total portfolio data reflects book value as of 4Q'24, bank level

4. Looks at losses taken from 4Q'22 through 1Q'25

5. Relative Stock Performance represents the difference between the bank's stock price performance from the date of the earning release vs. the change in the KBX Regional Banking Index over the same period.

Summary of Securities Portfolio Restructurings in 4Q'24 (1 of 4)

Company	Ticker	Total Assets (\$M) ²	Intent	Amount Sold (\$M)	% of Total Portfolio ³	Pre-Tax Loss/Secs Sold (%)	Pre-Tax Loss (\$M)	Use of Proceeds	Spread	Earnback Period	Accompanying Event	Net Interest Margin as of 3Q24	8-K Announce?	Prior Restructure?	1 Day Relative Stock Performance	3 Day Relative Stock Performance	7 Day Relative Stock Performance
 AB	AFBI	\$867	AFS	\$10	12.9%	-4%	(\$0.4)	Loan Reinvestment				3.49			(0.89)%	(0.87)%	(1.19)%
 Amalgamated Bank	AMAL	\$8,260	AFS	NA	NA		(\$1.0)					3.53		Yes	(4.41)%	(7.81)%	(5.91)%
 AMERANT BANK	AMTB	\$9,881	AFS	NA	NA		(\$8.1)	Deleverage and Reinvestment			Gain from FHLB prepay and sale of Houston Franchise	3.55		Yes	5.33%	3.87%	2.19%
 ARROW Financial Corporation	AROW	\$4,295	AFS	\$75	17.6%	-4%	(\$3.0)	Securities Reinvestmet	~380bps	1.1yrs		2.78	Yes		--	--	--
 Associated Bank	ASB	\$42,966	AFS	\$1,300	16.4%	-11%	(\$148.2)	Securities Reinvestment	~321bps	~3.55yrs	Common Equity Raise, Loan Sale	2.76	Yes	Yes	0.77%	0.91%	0.91%
 CENTRAL PACIFIC BANK	CPF	\$7,460	AFS	\$107	8.0%	-9%	(\$9.9)	Securities Reinvestment	~280bps	3.5yrs		3.17		Yes	(1.69)%	4.13%	3.53%
 CITIZENS BUSINESS BANK <small>A Financial Services Company</small>	CVBF	\$15,161	AFS	\$155	3.2%	-11%	(\$16.7)	Securities Reinvestment			Sale Leaseback	2.96		Yes	0.36%	0.42%	(0.65)%
 City NATIONAL BANK	CHCO	\$6,438	AFS	NA	NA		(\$2.8)					3.79		Yes	0.43%	0.09%	(2.01)%
 COLONY BANK	CBAN	\$3,099	AFS	\$8	1.0%	-5%	(\$0.4)	Reinvestment		< 2yrs		2.71		Yes	8.53%	7.62%	5.95%
 Columbia Bank	CLBK	\$10,472	AFS	\$321	20.1%	-11%	(\$34.6)	Securities and Loan Reinvestment, Deleverage		3.1yrs		1.89	Yes	Yes	(0.55)%	(1.15)%	(1.83)%
 Comerica	CMA	\$79,332	AFS	\$827	5.2%	-2%	(\$20.0)	Securities Reinvestment		< 1yr		2.88			(4.61)%	(3.73)%	0.91%
 COMMENCEMENT BANK	CBWA	\$650	AFS	\$13	14.0%	-7%	(\$0.9)	Securities Reinvestment	~243bps	2.5yrs	BOLI Restructure	3.28			2.06%	4.01%	7.41%
 customers bank	CUBI	\$22,296	AFS	\$480	13.9%	-5%	(\$26.3)	Securities and Loan Reinvestment				3.10		Yes	13.40%	11.85%	11.91%
 DIME	DCOM	\$14,337	AFS	\$379	27.7%	-11%	(\$42.8)	Securities Reinvestment	~388bps	Implied ~3yrs	Common Equity Raise, BOLI Restructure	2.62	Yes	Yes	1.39%	2.02%	5.61%
 Eastern Bank <small>JOIN US FOR GOOD</small>	EBC	\$25,552	AFS	\$116	2.5%	-8%	(\$9.2)	Securities Reinvestment			Gain on Sale of Equity Investment	2.88		Yes	0.92%	1.62%	2.88%
 FMBL <small>Farmers & Merchants Bank</small>	FMBL	\$11,690	AFS and HTM	\$201	4.8%	-5%	(\$10.1)	Securities Reinvestment	~207bps	Implied ~2.4yrs		2.02			0.22%	0.04%	0.57%
 Franklin Financial Services Corporation	FRAF	\$2,197	AFS	\$47	10.0%	-9%	(\$4.3)	Securities Reinvestment	~336bps	2.3yrs		3.07	Yes	Yes	1.60%	1.20%	9.27%
 FB BANK	FFBB	\$1,504	AFS	\$13	3.7%	-4%	(\$0.5)	Securities Reinvestment		1yr		5.28		Yes	(16.11)%	(16.16)%	(13.69)%

- Source: S&P Capital IQ Pro and Company Filings
- Total Assets as of 4Q24bank level
- Beginning total portfolio data reflects book value as of 3Q24, bank level
- Relative Stock Performance represents the difference between the bank's stock price performance from the date of the earning release vs. the change in the KBX Regional Banking Index over the same period.
- FMBL sold "qualified" HTM bonds and did not create a tainting event

Summary of Securities Portfolio Restructurings in 4Q'24 (2 of 4)

Company	Ticker	Total Assets (\$M) ²	Intent	Amount Sold (\$M)	% of Total Portfolio ³	Pre-Tax Loss/Secs Sold (%)	Pre-Tax Loss (\$M)	Use of Proceeds	Spread	Earnback Period	Accompanying Event	Net Interest Margin as of 3Q24	8-K Announce?	Prior Restructure?	1 Day Relative Stock Performance	3 Day Relative Stock Performance	7 Day Relative Stock Performance
FIRST BANK	FBNC	\$12,148	AFS	\$280	11.5%	-13%	(\$36.8)	Securities Reinvestment	~371bps	Implied ~3.5yrs		2.97		Yes	(1.77)%	(0.32)%	(1.71)%
 First Commerce Bank	CMRB	\$1,551	AFS	\$6	7.8%	-4%	(\$0.2)	Securities Reinvestment		2yrs		2.36			2.06%	(3.32)%	(3.08)%
 FIRST HORIZON	FHN	\$81,866	AFS	\$1,200	12.5%	-8%	(\$91.5)	Securities Reinvestment	~320bps	2.5yrs		3.28			0.47%	0.09%	(2.26)%
 First Merchants Bank <i>Helping you prosper</i>	FRME	\$18,299	AFS	\$110	3.0%	-11%	(\$11.6)				Gain from Branch Sale	3.17		Yes	2.57%	8.16%	6.51%
 First National Bank	FNB	\$48,447	AFS	\$231	3.2%	-15%	(\$34.0)	Securities Reinvestment	~337bps	Implied ~4.4yrs	Senior Debt Issuance	3.13		Yes	(1.38)%	(1.31)%	(1.13)%
 Financial Institutions, Inc.	FISI	\$6,081	AFS	\$636	63.0%	-16%	(\$100.1)	Securities Reinvestment	~352bps	Implied ~4.5yrs	Common Equity Raise	2.97	Yes	Yes	7.70%	8.22%	8.66%
 FLUSHING Bank	FFIC	\$9,047	AFS	\$445	26.4%	-16%	(\$72.3)	Securities Reinvestment	~369bps	Implied ~4.4yrs	Common Equity Raise, Loan Sale	2.26	Yes	Yes	(12.02)%	(10.78)%	(11.49)%
 Heritage Financial CORPORATION	HFWA	\$7,102	AFS	\$36	2.3%	-11%	(\$3.9)	Loan Reinvestment			BOLI Restructure	3.31		Yes	1.52%	2.69%	3.09%
 HORIZON BANK <i>Beyond</i>	HBNC	\$7,775	AFS	\$332	13.7%	-12%	(\$39.1)	Loan Reinvestment and Deleverage		< 4yrs	Released Tax Valuation Allowance	2.70		Yes	5.15%	7.94%	5.56%
 LEDYARD <i>Plan well. Live well.</i>	LFGP	\$950	AFS	\$28	9.3%	-4%	(\$1.1)				Sale Leaseback	2.26		Yes	1.78%	(1.31)%	1.66%
 Mid-Southern Savings Bank, FSB	MSVB	\$225	AFS	NA	NA		(\$11.1)					3.35			NA	NA	NA
 National Bank Holdings	NBHC	\$9,771	AFS	\$130	10.4%	-5%	(\$6.6)	Securities Reinvestment				3.83	Yes		(0.02)%	(0.16)%	(0.71)%
 Origin Bank	OBK	\$9,588	AFS	\$188	16.1%	-8%	(\$14.6)	Securities Reinvestment	~371bps	2.4yrs		3.18		Yes	5.31%	9.55%	5.86%
 pathward®	CASH	\$7,617	AFS	\$161	9.0%	-10%	(\$15.7)	Loan Reinvestment and Deleverage			Gain from Sale of Insurance Business	6.82		Yes	(0.48)%	2.66%	2.00%
 Rhinebeck Bank	RBKB	\$1,256	AFS	\$21	12.4%	-19%	(\$4.0)	Securities Reinvestment	306bps	Implied ~6yrs		3.21	Yes	Yes	1.85%	2.62%	1.03%
 S&T Bancorp.	STBA	\$9,653	AFS	\$45	4.5%	-6%	(\$2.6)	Securities Reinvestment		2yrs		3.83		Yes	(0.05)%	4.06%	4.58%
 Seacoast BANKING CORPORATION OF FLORIDA	SBCF	\$15,167	AFS	\$113	4.0%	-7%	(\$8.0)	Securities Reinvestment	~260bps	< 3yrs		3.16		Yes	4.66%	3.70%	5.61%

- Source: S&P Capital IQ Pro and Company Filings
- Total Assets as of 4Q24 bank level
- Beginning total portfolio data reflects book value as of 3Q24, bank level
- Relative Stock Performance represents the difference between the bank's stock price performance from the date of the earning release vs. the change in the KBX Regional Banking Index over the same period.
- Where losses were not disclosed outside of call report, no stock performance was calculated

Summary of Securities Portfolio Restructurings in 4Q'24 (3 of 4)

Company	Ticker	Total Assets (\$M) ²	Intent	Amount Sold (\$M)	% of Total Portfolio ³	Pre-Tax Loss/Secs Sold (%)	Pre-Tax Loss (\$M)	Use of Proceeds	Spread	Earnback Period	Accompanying Event	Net Interest Margin as of 3Q24	8-K Announce?	Prior Restructure?	1 Day Relative Stock Performance	3 Day Relative Stock Performance	7 Day Relative Stock Performance
 Central Bank	CBCY.B	\$19,230	AFS	NA	NA		(\$39.2)					3.52		Yes	NA	NA	NA
 WASHINGTON TRUST	WASH	\$6,936	AFS	\$409	41.9%	-8%	(\$31.0)	Securities Reinvestment	~265bps	Implied ~3.4yrs	Common Equity Raise	1.85	Yes		(2.99)%	(4.15)%	(5.60)%
 TriCity National Bank	TRCY	\$1,910	AFS	NA	NA		(\$3.2)					2.93		Yes	NA	NA	NA
 UNITED BANKSHARES, INC.	UBSI	\$29,925	AFS	\$171	5.3%	-1%	(\$2.4)					3.53		Yes	(0.34)%	(1.05)%	(1.75)%
 United Bank	UBAB	\$1,394	AFS	\$52	18.0%	-6%	(\$3.0)					5.14		Yes	1.21%	(3.09)%	(4.58)%
 United Community	UCB	\$27,657	AFS	NA	NA		(\$3.3)				MSR write-up and gain on sale of equity securities	3.40		Yes	0.04%	0.11%	(1.17)%
 VERITEX COMMUNITY BANK	VBTX	\$12,718	AFS	\$189	13.2%	-2%	(\$4.4)	Securities Reinvestment	~178bps	1.39yrs		3.41		Yes	(0.40)%	(1.01)%	(0.28)%
 Norwood FINANCIAL CORP	NWFL	\$2,319	AFS	NA	NA		(\$20.0)	Securities Reinvestment	~300bps		Common Equity Raise	2.95	Yes		(9.62)%	(3.84)%	(9.63)%
 Webster Bank	WBS	\$78,957	AFS	\$665	3.9%	-9%	(\$56.9)	Securities Reinvestment	~300bps	3yrs	RWA Optimization	3.35		Yes	1.43%	1.38%	(0.81)%
 West Bank	WTBA	\$4,013	AFS	\$12	2.0%	-10%	(\$1.2)	Loan Reinvestment		2yrs		2.03		Yes	0.58%	2.47%	2.94%
 WILSON Bank & Trust	WBHC	\$5,357	AFS	NA	NA		(\$1.0)					3.24		Yes	NA	NA	NA
 BCT	PTBS	\$876	AFS	NA	NA		(\$0.4)	Securities Reinvestment				3.30		Yes	3.78%	3.35%	(1.24)%
 Bank of FLORIDA	BKFL	\$369	AFS	NA	NA		(\$1.1)					3.36		Yes	NA	NA	NA
 Commerce Bank	CBSH	\$31,808	AFS	NA	NA		(\$3.3)					3.49		Yes	NA	NA	NA
 First Hawaiian Bank	FHB	\$23,831	AFS	\$290	4.9%	-9%	(\$26.2)	Securities Reinvestment	309bps	3yrs		2.90	Yes	Yes	0.27%	0.28%	0.23%
 GreenWay BANK	VWFB	\$329	AFS	NA	NA		(\$2.4)					2.22			NA	NA	NA
 HILLS BANK	HBIA	\$4,587	AFS	NA	NA		(\$5.2)					2.72			NA	NA	NA

1. Source: S&P Capital IQ Pro and Company Filings






2. Total Assets as of 4Q24bank level

3. Beginning total portfolio data reflects book value as of 3Q24, bank level

4. Relative Stock Performance represents the difference between the bank's stock price performance from the date of the earning release vs. the change in the KBX Regional Banking Index over the same period.

5. Where losses were not disclosed outside of call report, no stock performance was calculated

Summary of Securities Portfolio Restructurings in 4Q'24 (4 of 4)

Company	Ticker	Total Assets (\$M) ²	Intent	Amount Sold (\$M)	% of Total Portfolio ³	Pre-Tax Loss/Secs Sold (%)	Pre-Tax Loss (\$M)	Use of Proceeds	Spread	Earnback Period	Accompanying Event	Net Interest Margin as of 3Q24	8-K Announce?	Prior Restructure?	1 Day Relative Stock Performance	3 Day Relative Stock Performance	7 Day Relative Stock Performance
 Middletown Valley Bank	CMHF	\$1,020	AFS	\$8	5.9%	-5%	(\$0.4)	Securities Reinvestment				3.05			0.91%	1.51%	(0.34)%
 MISSION VALLEY BANK	MVLY	\$677	AFS	\$4	9.1%	-10%	(\$0.4)	Securities Reinvestment				4.48		Yes	2.06%	(1.38)%	1.55%
 PSB HOLDINGS, INC.	PSBQ	\$1,466	AFS	NA	NA		(\$0.5)					2.96		Yes	0.19%	0.79%	0.75%
 RIVER BANK & TRUST	RVRP	\$3,581	AFS	NA	NA		(\$1.5)					2.97		Yes	NA	NA	NA
 Source Bank	SRCE	\$8,929	AFS	\$63	4.0%	-6%	(\$3.9)	Securities Reinvestment	~393bps	1.6yrs		3.65		Yes	(0.53)%	6.01%	8.95%

1. Source: S&P Capital IQ Pro and Company Filings
2. Total Assets as of 4Q24bank level
3. Beginning total portfolio data reflects book value as of 3Q24, bank level
4. Relative Stock Performance represents the difference between the bank's stock price performance from the date of the earning release vs. the change in the KBX Regional Banking Index over the same period.
5. Where losses were not disclosed outside of call report, no stock performance was calculated
6. Data as of 2/4/2025

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