webinar to begin shortly

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Financial Services
Quarterly Accounting and Reporting Update

September 25, 2025

2-3 ET | 1-2 CT

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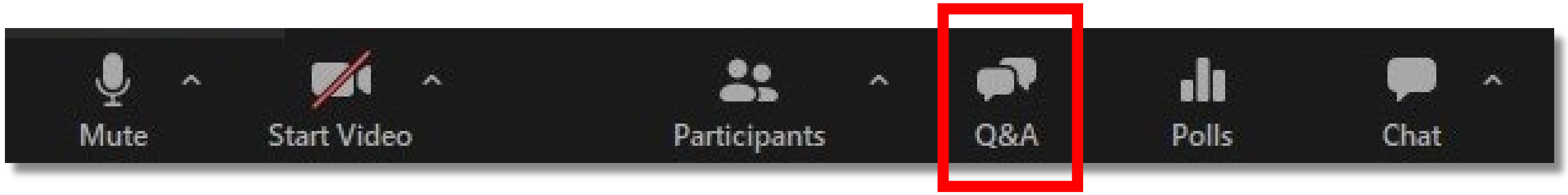
before we begin

questions:

Submit questions via the Q&A box
Questions will be addressed at the end, or via email



cpe requirements:

Stay on for the duration of the webinar

Respond to all 4 polling questions

For technical difficulties with polling, please notify us via the Q&A box in Zoom

Complete and submit the survey following the webinar

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today's speakers

Host

Presenters

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agenda:

1 **Stablecoins**

2 **Credit Structures & Related Financial Reporting**

3 **FDIC Threshold Changes**

Stablecoins

Bob Balzano
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Background

What are Stablecoins?

- Digital assets backed by fiat currency or other assets
- Payment stablecoins defined by GENIUS Act
- Maintains value and redeemable for a monetary value
- Non-interest bearing used for payment or settlement
- Different than tokenized deposits

Use Cases

- Global money transfers
- Payment for goods and services
- Smart contracts
- Liquidity pools

Do Stablecoins Matter?

That's up to board and management teams. A primary concern for traditional financial institutions is financial disintermediation.

Large companies across industries are getting involved in the space such as

- JPMorgan, BofA, Wells Fargo, other large banks
- Payment processors including Visa, Mastercard, Stripe
- Retail giants such as Amazon and Walmart
- Fintechs/nonbanks such as Circle

Potential strategies for traditional financial institutions

- Offering traditional banking services
- Launch own stablecoin or partner with an issuer
- Explore tokenized deposits

GENIUS Act

Creates Regulatory Framework

- Covers payment stablecoins as defined in the law

Requires 100% Reserves

- Backed by liquid assets, such as fiat currency, treasuries, etc.
- Must be redeemable for a monetary value

Reporting

- Requires monthly reporting and certifications
- Annual audit requirements for entities with over $50 billion in issuances

Other Provisions

- Marketing restrictions
- Prioritizes stablecoin holders in bankruptcy

Financial Reporting

SEC Interim Guidance

- SEC staff guidance released in August 2025
- USD-pegged stablecoins could potentially be classified as cash equivalents
- Requires guaranteed redemption mechanisms and value stability

AICPA 2025 Criteria for Stablecoin Reporting Guide

- Provides a standard framework for how issuers of asset-backed, fiat-pegged stablecoins present and disclose information in GAAP financial statements
- Illustrative disclosure examples
  - Token issuer's redeemable tokens outstanding
  - Redemption assets available for redeemable tokens outstanding
  - Comparison of redemption assets available for redeemable tokens outstanding and the token issuer's redeemable tokens outstanding

Other Available Guidance

- ASU 2023-08 (Subtopic 350-60 – Crypto Assets)
  - Specific to crypto assets, discusses fair value implications and impact to income statement
- AICPA Accounting for and auditing of Digital Assets practice aid
  - Accounting and auditing considerations around stablecoins, as well as other digital assets
- SEC staff accounting bulletins
  - Recission of SAB 121 with passage of SAB 122

polling question #1

Credit Structures and Related Financial Reporting

Luke Sears
Senior Manager
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General Credit Update

- **CRE**
  - Valuations improving, reserves decreasing
- **Multifamily & 1-4 family**
  - Multifamily delinquencies, smoothing of resi NPLs
- **C&I**
  - Tariff uncertainty, negligible delinquency changes
- **Consumer**
  - Credit card, auto delinquencies remain elevated

Change in Accounting Estimate

- Evaluating changes in ACL calculation
- Prospective accounting treatment
- Materiality of change
- Adequacy of disclosure

Change in Accounting Estimate

During the first quarter of 2023, the Company refined its allowance for credit losses ("ACL") methodology for estimating probability of default ("PD") and loss given default ("LGD"). Additionally, the Company began using internally calculated prepayment rates based on its historical information. These changes, based on the continued maturity of internal data, resulted in a $1.5 million increase in the ACL in the first quarter of 2023.

The Company also refined its methodology for estimating its reserve on unfunded loan commitments by incorporating historical utilization rates on unused lines of credit and updating probability assumptions related to construction loan commitments. These changes resulted in a $2.4 million increase in the reserve on unfunded commitments in the first quarter of 2023.

During the third quarter of 2023, the Company changed the valuation techniques used to estimate the fair value of servicing rights and loans measured at fair value as a result of rising interest rates and their impacts on market conditions. The changes include aligning our net servicing income and loan fair value estimates with changes in forward interest rate curves. Loan fair value estimates were also revised to utilize market participant credit loss information. These revisions provide estimates that the Company believes are more representative of fair value while transitioning from unobservable inputs to those that are more observable. These estimate changes were implemented as of July 1, 2023 and resulted in an adjustment to increase the estimated value of the servicing asset by $13.7 million and loans measured at fair value by $1.3 million. This adjustment also increased noninterest income by a corresponding $15.0 million.

During the second quarter of 2024, the Company made enhancements to the qualitative framework of the allowance for credit losses. The enhanced framework leverages quantifiable credit risk metrics as well as current and forecasted economic conditions to determine possible portfolio outcomes that are not captured in quantitatively modeled results. The framework continues to consider risk factors which include, but are not limited to, changes in lending policies, economic and business conditions, nature and volume of portfolio, volume and severity of past due loans, value of underlying collateral, concentrations, and prepayment speeds. The result of these changes was not material.

These refinements have been accounted for as **changes in accounting estimates** under Financial Accounting Standards Board ("FASB") ASC 250, *Accounting Changes and Error Corrections*, with prospective application beginning in the period of change.

SEC Comment Letters – MD&A

- Evaluation of risk factors (i.e. changes in commercial real estate market)
- Need for further disaggregated information about loan portfolio
- Mixture of qualitative and quantitative information
- Disclosure about risk management practices to mitigate risk

Real Estate Appraisal Considerations

Timing

Generally, 18 months is appropriate but more frequently should be required if expected changes

Assumption Review

What should appraisal reviewers be paying most attention to?

Individually Evaluated Loans

Are reserves, or lack thereof, based upon the most recent data?

Qualitative Factors

Changes in real estate collateral a common adjustment factor

Sales Accounting Treatment - Loans

- Pro rata ownership
- Proportionate cash flow
- Equal priority and no subordination
- No recourse or control retention
- No exclusive pledge rights
- Considerations when credit enhancements are applied

polling question #2

Proposed FDIC Threshold Updates

Morgan Barr
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Regulations Under Proposed Changes

12 CFR Part 303 — Filing Procedures

12 CFR Part 335 — Securities of Nonmember Banks and State Savings Associations

12 CFR Part 340 — Restrictions on Sale of Assets of a Failed Institution by the Federal Deposit Insurance Corporation

12 CFR Part 347 — International Banking

12 CFR Part 363 — **Annual Independent Audits and Reporting Requirements**

12 CFR Part 380 — Orderly Liquidation Authority

Why the change?

1. Current thresholds set in 2005.

2. Inflation has eroded their real value.

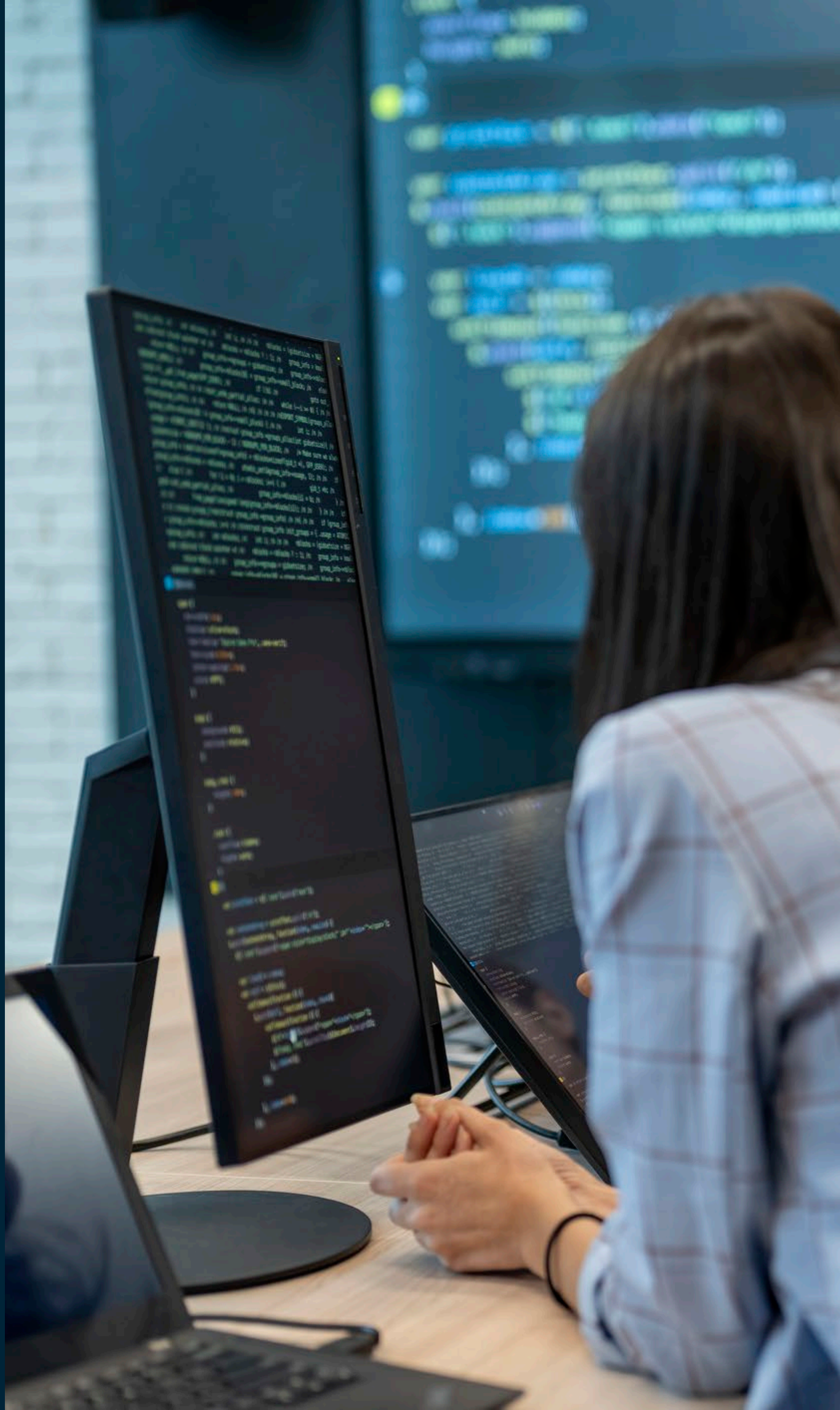
3. Smaller institutions face requirements intended for larger institutions.

Current Requirements:
$500M – $1B in Total Assets

- Audited comparative annual financial statements (prepared in accordance with GAAP).
- Independent public accountant's report on those financial statements.
- Management Report that includes:
  - Statement of management's responsibilities for:
    - Preparing the financial statements.
    - Establishing and maintaining an adequate internal control structure over financial reporting.
    - Complying with designated safety and soundness laws/regulations.
- Management's assessment of compliance with those laws/regulations during the year, including any noncompliance.

Current Requirements: $1B+ in Total Assets

- Management's assessment of the effectiveness of internal control over financial reporting (ICFR) as of fiscal year-end.
- Independent public accountant's attestation report on ICFR.



Current Requirements: Other Key Items

- Audit Committee:
  - Must consist of outside directors; independence requirements increase with size
  - For larger institutions, committee must include members with banking/financial expertise.
- Filing Deadlines:
  - 90 or 120 days after fiscal year-end (depending on public company status).
- Submission:
  - Filed with the FDIC (via FDICconnect) and copies to the institution’s primary federal regulator and state regulator.

Current Requirements

	Total Assets less than $500 million	Total Assets greater than $500 million and less than $1 billion	Total Assets greater than $1 billion	Total Assets greater than $3 billion
Audited Comparative Financial Statements		✔	✔	✔
Independent public accountant's report on those financial statements		✔	✔	✔
Management Report/Assessment of ICFR			✔	✔
Independent public accountant's attestation report on ICFR			✔	✔
Independent Audit Committee			✔	✔
Audit Committee Members with Financial Expertise and Independent Counsel				✔

Proposed Threshold Changes

	Old	New
General Applicability Threshold for 363	$500 million	$1 billion
ICFR Threshold	$1 billion	$5 billion
Audit Committee Composition Threshold	$500 million	$1 billion

Indexing Methodology

- **CPI-W Based:** Uses Consumer Price Index for Urban Wage Earners and Clerical Workers.
- **Adjustment Frequency:** Every two years, **OR** Interim adjustment if cumulative inflation > 8% since last change.
- **Rounding:** To two significant digits for simplicity.
- **No Downward Adjustments:** Thresholds will never decrease during deflation.
- **Goal:** Keep thresholds aligned with real economic conditions.

Expected Impact

- **Approximately 800 institutions** (\$500M–\$1B) would no longer file Part 363 Annual Reports.
- **Approximately 675 institutions** (\$1B–\$5B) would no longer provide ICFR assessments and auditor attestations.
- **Coverage Maintained:** ~95% of industry assets remain under Part 363 oversight.
- **Economic Impact:** Significant compliance relief without reducing safety standards.
- **Expected Implementation:** Proposal is currently in a comment period with the earliest expected implementation date being applicable to 2026

polling question #3

polling question #4

replay link:

A replay link will be emailed to you in the coming weeks.
A copy of the slides presented today will also be made available at that time.

feedback welcomed:

We welcome and appreciate your feedback with the goal of always getting better.

upcoming events & insights:

Please visit elliottdavis.com/insights to view upcoming webinars, events, and additional insights.

upcoming events

Register at:
https://www.elliottdavis.com/events

Credit Risk in Trucking Part 2

Thursday | October 30 | 2:00pm EST

2025 Risk Management, Compliance, & IA Forum

Thursday | November 13 | 10:00am – 3:00pm EST

2025 Finance, Accounting, & Strategy Forum

Thursday | December 4 | 10:00am – 3:00pm EST elliott davis

thank you