

webinar to begin shortly

elliott davis

Financial Services Group

Quarterly Accounting and Reporting Update



September 24, 2026



2-3 ET | 1-2 CT

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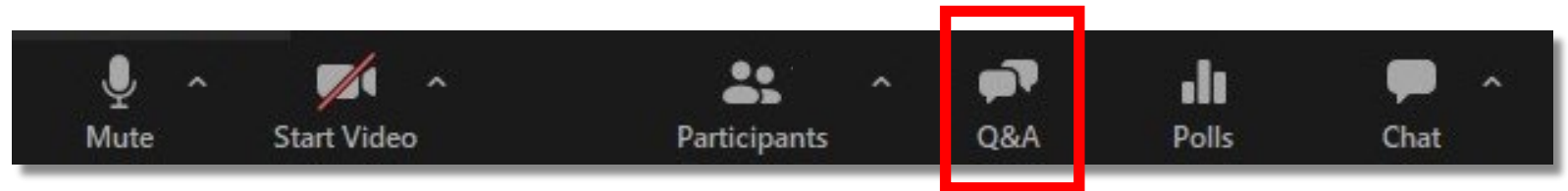
before we begin

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today's speakers

Host

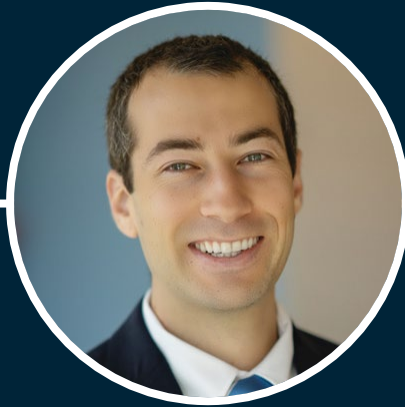
Presenters



Brent Binns

Senior Manager

Brent.Binns@elliottdavis.com



Bob Balzano

Senior Manager

Bob.Balzano@elliottdavis.com



Morgan Barr

Senior Manager

Morgan.Barr@elliottdavis.com



Clay Harris

Manager

Clay.Harris@elliottdavis.com



agenda

1 SEC Comment Letters & ASU 2023-09

2 Accounting for M&A Related Expenses

3 AI in Finance & Accounting



polling question #1

SEC Comment Letters

Bob Balzano, Senior Manager

sec comment letter trends

MOST FREQUENT SEC STAFF COMMENT AREAS – FINANCIAL SERVICES REGISTRANTS

1

Segment reporting

2

Non-GAAP measures

3

Management's
discussion and
analysis

4

Loans receivable and
credit losses

5

Fair value
measurement

FOR CONTEXT – ACROSS ALL REGISTRANTS

33%

of 2025 comment letter conversations
cited results of operations (MD&A) – the
single leading issue

28%

cited segment reporting, nearly double its
14% share across the prior ten years

22%

of letters went to registrants with public
float under \$75 million, up from 21%

segment reporting: what the staff is asking

1 Who is the CODM — and what do they actually see?

Disclose the CODM's title and position and how each reported measure is used to assess performance and allocate resources. The staff routinely asks for the reporting package the CODM receives and the materials provided to the board.

2 Are you really a single reportable segment?

Single-segment conclusions draw direct challenges. The staff tests the footnote against earnings calls, investor decks, and your website — divisional revenue or margin color anywhere else is evidence discrete information exists.

3 Significant segment expense categories (ASU 2023-07)

Disclose the significant expense categories regularly provided to the CODM, plus the composition of "other segment items." If no categories are disclosed, explain the nature of the expense information the CODM uses to manage the segment.

4 Aggregation, and changes you didn't make

Expect requests for your economic-similarity analysis and the five qualitative criteria in ASC 280-10-50-11 — and expect questions when an acquisition, reorganization, or change in key personnel did not change your segments.

A TYPICAL FIRST COMMENT

"Please identify your CODM, describe the information regularly provided to the CODM and how frequently it is reviewed, and tell us how you determined you have one reportable segment."

The follow-up asks for the CODM reporting package itself — the staff wants evidence, not reasoning.

WHY IT MATTERS FOR COMMUNITY BANKS

Most banks report a single segment while discussing lending, wealth, insurance, and mortgage lines separately on calls and in investor materials. That gap is exactly what the staff screens for — and ASU 2023-07's expense disclosures now apply to single-segment filers too.

segment reporting: what community banks should do

before you file

- Document the CODM — title, position, and the package they actually receive each period. That package is the answer to the staff's first request.
- Read your earnings call transcript, investor deck, and website against the segment footnote, and reconcile any business-line detail you discuss publicly.
- Identify the significant expense categories regularly provided to the CODM, and describe what sits inside “other segment items.”
- Reporting one segment? Apply the full ASU 2023-07 disclosures anyway — single-segment filers are not exempt.

if a letter arrives

- Assume the follow-up request for the CODM reporting package and board materials is coming, and assemble it before you respond.
- Answer with evidence: how the information is prepared, how often the CODM reviews it, and how resources are allocated — not a restatement of your conclusion.
- If aggregation is questioned, provide the economic-similarity analysis and each of the five qualitative criteria in ASC 280-10-50-11.
- Involve auditors, counsel, and the audit committee early — a changed segment conclusion can reach the footnote and prior periods.

Bottom line: the staff resolves segment questions on what the CODM actually receives — build that record before a letter arrives, not after.

ASU 2023-09

asu 2023-09: what the standard does

1 Disclosure only

Amends the income tax footnote under ASC 740. Nothing changes in how income taxes are recognized or measured.

2 Two areas change

The effective tax rate reconciliation, and income taxes paid — both with consistent categories and jurisdiction-level detail.

3 Everyone is in scope

All entities pick up new requirements. How much detail you disclose depends on whether you are a public business entity.

4 A few disclosures retire

Two long-standing requirements come out of the footnote for all entities.

EFFECTIVE DATES

Public business entities — annual periods beginning after **December 15, 2024**

Entities other than PBEs — annual periods beginning after **December 15, 2025**

Early adoption permitted. Transition is prospective; retrospective to all prior periods presented is permitted.

FOR A CALENDAR-YEAR ENTITY

First application for non-PBE is the December 31, 2026 financial statements — this year-end. The disclosure is required annually.

what changes for private companies

5%

of total income taxes paid, net of refunds — the point at which a single jurisdiction is named.

To illustrate, on \$4.0 million paid, that is \$200,000.

WHERE THE WORK ACTUALLY IS

Cash paid and refunds received by taxing jurisdiction, including estimated payments — likely that provision workpapers and core systems require updates to capture this information.

1

Rate reconciliation stays qualitative

No numeric table required — a narrative instead. Describe the categories of reconciling items, and the individual jurisdictions, that drive a significant difference from the statutory rate.

2

Income taxes paid — the new one

Federal, state and foreign, net of refunds received, for each annual period presented — plus any single jurisdiction at or above 5% of the total, named. A state counts as a jurisdiction.

3

Two new splits

Pretax income from continuing operations, domestic versus foreign. Income tax expense, federal versus state versus foreign.

4

What comes out

Two disclosures are removed for all entities: the twelve-month unrecognized tax benefit range, and the cumulative undistributed foreign earnings amount.

getting ready for year-end 2026

before the close

- Build the income taxes paid schedule from cash, not the provision: payments made and refunds received by jurisdiction, including estimated payments, for the full year.
- Define your jurisdictions and test the 5% threshold using the absolute value of the net payment or refund in each one.
- Draft the qualitative rate reconciliation narrative now — tax-exempt municipal and BOLI income, tax credit investments, state taxes, and valuation allowance changes.

as you draft the footnote

- Add the domestic and foreign split of pretax income and the federal, state, and foreign split of income tax expense.
- Remove the eliminated disclosures rather than rolling last year's footnote forward unchanged.
- Decide transition early: prospective is the default, and retrospective application to all periods presented is permitted — it affects your comparatives.
- Walk a draft footnote past your auditors and the audit committee before year-end, and update the process and controls that capture jurisdiction-level tax payments.

Bottom line: for a private community bank the rate reconciliation stays qualitative — the real lift is a jurisdiction-level record of income taxes actually paid, and that record is built in the general ledger, not in the footnote.

what the disclosure looks like

income taxes paid, net of refunds

Year ended December 31, 2026 – illustrative

Federal	\$3,100,000
State	880,000
Foreign	—
Total income taxes paid, net of refunds	\$3,980,000
Jurisdictions at or above the 5% threshold:	
South Carolina	\$412,000
North Carolina	\$265,000

qualitative rate reconciliation

- The Company's effective tax rate differs from the 21% federal statutory rate primarily as a result of tax-exempt interest on municipal obligations and income on bank-owned life insurance.
- Investments in low-income housing and new markets tax credit projects further reduce the effective rate, offset in part by the related amortization.
- State income taxes, net of the federal benefit, increase the effective rate; the Company files in South Carolina, North Carolina, and Georgia.



polling question #2

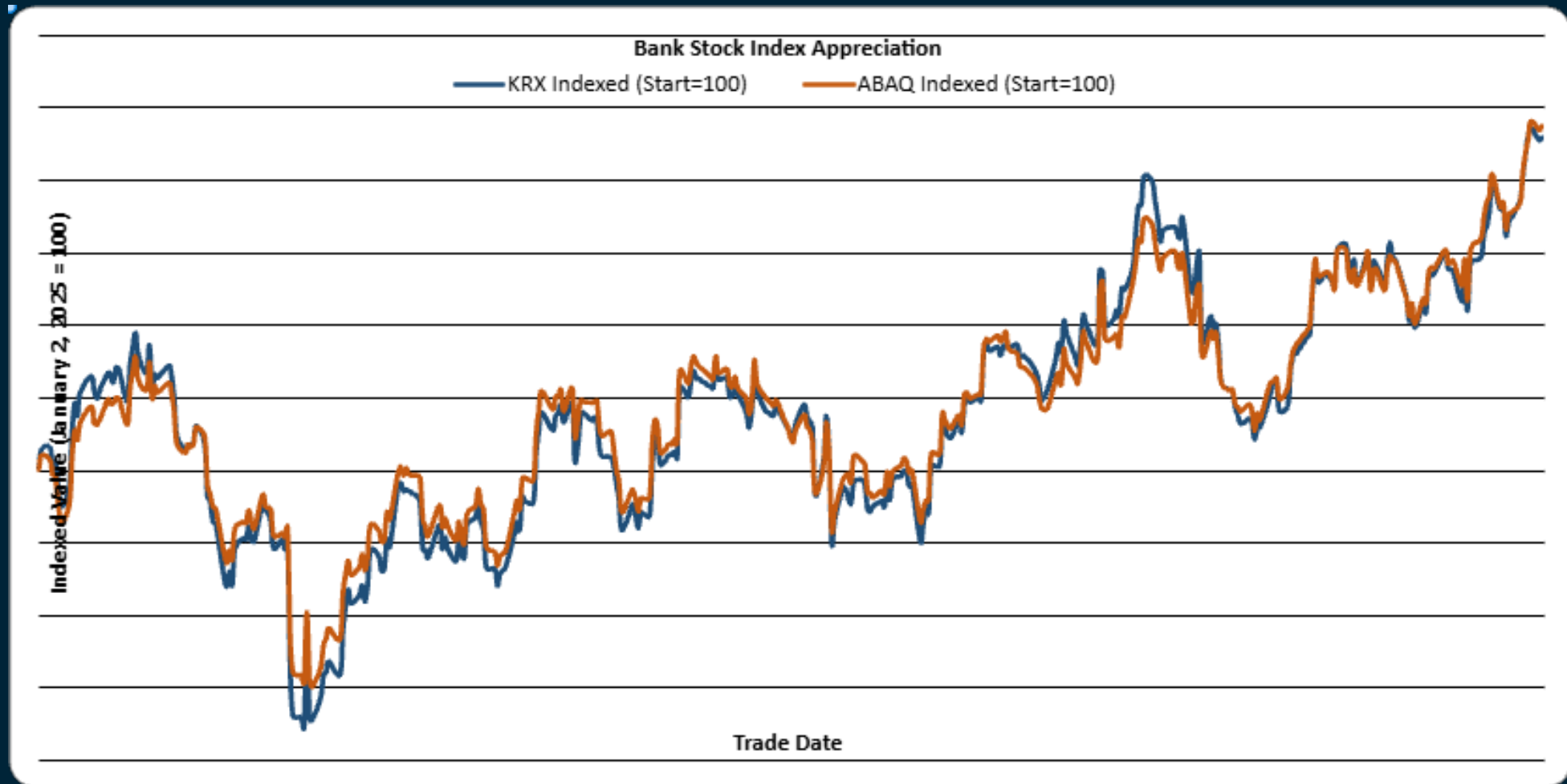
Accounting for M&A Related Expenses

2026 – Q3 Financial Services Group Webinar

Morgan Barr, Senior Manager

M&A Update

Bank Stock Appreciation January 1, 2025 to June 30, 2026



Largest Deals in 2025

Largest US bank deals announced since 2025

Ranked by announced deal value

Buyer (ticker)	Target	Target city, state	Announcement date	At announcement		
				Deal value (\$M)	Deal value/ tangible common equity (%)	Deal value/ deposits (%)
Banco Santander SA (SAN)	Webster Financial Corp.	Stamford, CT	02/03/26	12,179.2	203.1	17.7
Fifth Third Bancorp (FITB)	Comerica Inc.	Dallas, TX	10/06/25	10,906.2	165.3	17.4
Pinnacle Financial Partners Inc. (PNFP)*	Synovus Financial Corp.	Columbus, GA	07/24/25	7,899.3	170.1	15.8
Huntington Bancshares Inc. (HBAN)	Cadence Bank	Tupelo, MS; Houston, TX	10/27/25	7,593.5	170.0	17.3
PNC Financial Services Group Inc. (PNC)	FirstBank Holding Co.	Lakewood, CO	09/08/25	4,078.7	236.3	17.4
Columbia Banking System Inc. (COLB)	Pacific Premier Bancorp Inc.	Irvine, CA	04/23/25	2,085.3	99.3	14.2
Prosperity Bancshares Inc. (PB)	Stellar Bancorp Inc.	Houston, TX	01/28/26	2,024.9	180.8	22.5
Huntington Bancshares Inc. (HBAN)	Veritex Holdings Inc.	Dallas, TX	07/14/25	1,871.9	150.9	18.0
CommerceOne Financial Corp.	Green Dot Corp.	Provo, UT	11/24/25	1,111.9	199.5	NA
Nicolet Bankshares Inc. (NIC)	MidWestOne Financial Group Inc.	Iowa City, IA	10/23/25	866.3	165.7	15.8
CVB Financial Corp. (CVBF)	Heritage Commerce Corp	San Jose, CA	12/17/25	813.7	151.2	17.0
FirstSun Capital Bancorp (FSUN)	First Foundation Inc.	Dallas, TX	10/26/25	758.3	55.8	8.8
Seacoast Banking Corp. of Florida (SBCF)	Villages Bancorp. Inc.	The Villages, FL	05/29/25	710.8	161.4	20.5
Associated Banc-Corp (ASB)	American National Bank	Omaha, NE	12/01/25	603.7	124.4	12.9
Columbia Financial Inc. (CLBK)	Northfield Bancorp Inc.	Woodbridge, NJ	02/02/26	596.6	86.3	14.9
OceanFirst Financial Corp. (OCFC)	Flushing Financial Corp.	Uniondale, NY	12/29/25	567.3	79.9	7.7
TowneBank (TOWN)	Dogwood State Bank	Raleigh, NC	08/19/25	491.2	223.7	24.9
Eastern Bankshares Inc. (EBC)	HarborOne Bancorp Inc.	Brockton, MA	04/24/25	481.8	99.8	10.4
Glacier Bancorp Inc. (GBCI)	Guaranty Bancshares Inc.	Addison, TX	06/24/25	476.2	161.6	17.6
Commerce Bancshares Inc. (CBSH)	FineMark Holdings Inc.	Fort Myers, FL	06/16/25	465.7	130.9	15.3
Industry median					143.7	15.5

Data compiled Feb. 4, 2026.

Largest Pending Deals in 2026

Largest pending US bank deals announced in 2026

Listed by announced deal value

Buyer (ticker)	Target	Target city, state	Announcement date	At announcement		
				Deal value (\$M)	Deal value/ tangible common equity (%)	Deal value/ deposits (%)
Banco Santander SA (SAN)	Webster Financial Corp.	Stamford, CT	02/03/26	12,225.1	203.2	17.8
Prosperity Bancshares Inc. (PB)	Stellar Bancorp Inc.	Houston, TX	01/28/26	1,999.0	180.8	22.2
Columbia Financial Inc. (CLBK) ¹	Northfield Bancorp Inc.	Woodbridge, NJ	02/02/26	596.6	86.3	14.9
Hancock Whitney Corp. (HWC)	OFB Bancshares Inc.	Orlando, FL	05/15/26	355.1	200.0	19.0
Esquire Financial Holdings Inc. (ESQ)	Signature Bancorp. Inc.	Rosemont, IL	03/12/26	336.1	152.9	19.5
Bank First Corp. (BFC)	PSB Holdings Inc.	Wausau, WI	05/19/26	202.7	163.2	17.1
Banner Corp. (BANR)	Pacific Financial Corp.	Aberdeen, WA	04/30/26	177.0	153.9	15.5
Fidelity BancShares	Affinity Bancshares Inc.	Covington, GA	03/30/26	148.0	128.6	21.3
OppFi Inc. (OPFI)	BNCCORP Inc.	Bismarck, ND	04/29/26	129.3	120.6	13.3
United Community Banks Inc. (UCB)	Peach State Bancshares Inc.	Gainesville, GA	04/21/26	100.9	193.9	14.2
ODNB Financial Corp. ²	National Capital Bancorp Inc.	Washington, DC	06/15/26	97.8	142.7	15.0
North Shore Bank ¹	1895 Bancorp of Wisconsin Inc.	Greenfield, WI	06/18/26	95.9	147.3	23.8
Arrow Financial Corp. (AROW)	Adirondack Bancorp Inc.	Utica, NY	02/26/26	89.1	138.2	10.5
Coastal Carolina Bancshares Inc. (CCNB) ²	Beacon Holding Co. Inc.	Mount Pleasant, SC	05/29/26	88.0	NA	11.8
Cambridge Financial Group Inc. ¹	First Seacoast Bancorp Inc.	Dover, NH	05/05/26	85.4	127.8	18.2
Peoples Bancorp Inc. (PEBO)	Citizens National Corp.	Paintsville, KY	04/21/26	79.1	121.2	13.4
Brookfield Bancshares Inc.	NSTS Bancorp Inc.	Waukegan, IL	05/12/26	75.7	94.0	41.7
Independent Bank Corp. (IBCP)	HCB Financial Corp.	Hastings, MI	03/18/26	70.2	150.8	13.0
Isabella Bank Corp. (ISBA)	Grand River Commerce Inc.	Grandville, MI	06/12/26	54.7	114.7	12.5
Catalyst Bancorp Inc. (CLST)	Lakeside Bancshares Inc.	Lake Charles, LA	04/08/26	41.1	113.9	14.3
Group median					142.7	15.3

Data compiled June 24, 2026.

NA = not available.

Accounting for M&A Related Expenses

A Roadmap for Merger Costs

PHASE	WHAT YOU'RE PAYING FOR	WHAT DECIDES THE ANSWER
Getting to close	Advisory, legal, diligence, regulatory	When were the services received?
Funding the deal	Debt financing and stock issuance costs	Is it a financing or issuance cost—not a merger expense?
Becoming one bank	Core conversion, people, branches	Whose obligation existed at close?
Telling the story	Merger line, footnotes, adjusted metrics	Is it consistent quarter to quarter?

Getting to Close

ACQUIRER INCURS

- Advisory / investment banking
- Legal, accounting, valuation, diligence
- Finder's fees, regulatory applications
- Internal staff time spent on the deal

ACQUIREE INCURS

- Sell-side diligence, its own counsel
- Fairness opinion, its own accounting support

CAVEAT: costs incurred on behalf of, or for the benefit of, the other party

Funding the Deal

DEBT ISSUANCE COSTS (ASC 835-30)

- Sub Debt, Holding Company notes, Borrowings raised to fund the deal
 - Presented as a direct deduction from the carrying amount
 - Amortized to interest expense over the term

• **EQUITY ISSUANCE COSTS** (ASC 340-10)

- Registration, underwriting, issuance-specific legal and accounting
 - Successful offering: net against gross proceeds – generally APIC
 - Mixed S-4 costs: allocate; abandoned offering costs: expense

Becoming One Bank – Core Conversion

- Deconversion fee to the acquiree's legacy provider
 - Acquirer's post-close expense
- Termination penalty on the acquiree's core contract
 - Acquirer's post-close expense
- Mapping, migration, testing, training
 - Expense as incurred by the acquirer
- Implementation in a hosted arrangement
 - Capitalize as prepaid, amortize over hosting term (*ASC 350-40*)

Becoming One Bank – People

- Acquiree's existing severance plan or past practice
 - Accrue when probable and estimable (ASC 712)
- Change-in-control under the acquiree's existing agreements
 - Contractual termination benefit (ASC 712)
- Package the acquirer creates for this deal
 - Recognize when communicated to employees (ASC 420)
- Short-window voluntary exit offer
 - Recognize when the employee accepts (ASC 712)
- Retention requiring future service
 - Recognize over the service period

Becoming One Bank – Branches and Facilities

- Owned branch closing
 - Test recoverability, then shorten useful life (*ASC 360-10*)
- Branch held for sale
 - Lower of carrying amount or fair value less cost to sell; stop depreciating
- Leased branch vacated
 - Impair the ROU asset (*ASC 842*)
- Signage, rebranding, dual-running systems
 - Period expense

Telling the Story

REQUIRED DISCLOSURES (ASC 805-10)

- Total acquisition-related costs incurred by the acquirer
- Amount expensed — and the income statement line where it sits
- Issuance costs not expensed, and how they were recognized
- Required at interim periods, not just annually

AI in Finance & Accounting

Practical Use Cases and the Regulatory & Auditor Perspective

Clay Harris, Manager

learning objectives

PRACTICAL USE CASES AND THE REGULATORY & AUDITOR PERSPECTIVE



Practical use cases

Identify practical AI use cases across finance and accounting functions, including financial reporting, FP&A, accounting research, and internal audit



Regulatory & auditor perspective

Examine the evolving regulatory and auditor perspective on AI adoption, including what regulators are expecting and what auditors are asking



polling question #3

where adoption stands today

BROAD ADOPTION. UNEVEN DISCIPLINE.

2x

Active AI use in the finance function has more than doubled in two years

63%

of finance departments are actively using AI solutions

18%

of organizations track AI return on investment

The gap that matters

only 23% say AI is exceeding expectations, and just 15% use agentic AI. Adoption is broad, operating discipline is not

where AI is being used in the finance and accounting function

FOUR FUNCTIONS, FOUR DIFFERENT RISK PROFILES

financial reporting

- Footnote and disclosure drafting
- First-pass statement preparation
- Board and MD&A reporting

FP&A

- Budget narratives
- Variance explanations
- Forecast scenario modeling

accounting research

- Guidance summaries
- Technical memo drafting
- Contract and lease review

internal audit

- Transaction testing
- Anomaly detection
- Document intake and prep

Strongest on first drafts and comparisons. Weakest on conclusions.

financial reporting and FP&A

OBJECTIVE 1 | PRACTICAL USE CASES

financial reporting

- Drafting footnotes and disclosures
- First-pass financial statement preparation
- Call report and SEC filing support
- Disclosure checklist comparison
- Board reporting and MD&A drafting
- Review of financial statements

FP&A

- Budget narratives and commentary
- Variance analysis explanations
- Forecast and scenario modeling
- Peer and trend analysis
- Executive summary preparation

The common thread: AI drafts, compares and summarizes work that starts from data you already have. Judgment, conclusions and review stay with your team.

accounting research and internal audit

OBJECTIVE 1 | PRACTICAL USE CASES

accounting research

- FASB and regulatory guidance summaries
- Accounting memo drafting
- Technical issue identification
- Contract and lease review
- CECL documentation support

internal audit

- Transaction and population testing
- Anomaly and outlier detection
- Document intake and summarization
- Workpaper and audit prep support
- Policy and procedure comparison

Auditors are in the same place you are.

PCAOB outreach found firm use of generative AI is focused primarily on administrative and research activities, with use in planning and performing the audit still developing.

where the regulators landed

OBJECTIVE 2 | REGULATORY & AUDITOR PERSPECTIVE

April 17, 2026 | OCC, Federal Reserve and FDIC issue revised interagency model risk management guidance

what changed

OCC Bulletin 2026-13 / SR 26-2 replaces the 2011 framework, rescinding OCC 2011-12 and SR 11-7 after fifteen years.

how it applies

Principles-based and risk-based. No enforceable standards; non-compliance will not result in supervisory criticism. Most relevant above \$30 billion in assets.

the AI carve-out

Generative and agentic AI are expressly excluded as “novel and rapidly evolving.” An interagency request for information on AI is forthcoming.

The carve-out is not relief. It is a placeholder.

what examiners are asking anyway

NO FRAMEWORK YET BUT THE QUESTIONS HAVE ALREADY STARTED

fraud and cyber

The OCC's May 2026 Semiannual Risk Perspective flags AI as a driver of fraud and of faster, more sophisticated cyberattacks.

innovation posture

Regulators remain supportive of AI adoption. Examiners are testing whether banks understand and control their AI, not whether they use it.

the practical read

Expect questions on how the bank is leveraging AI for internal efficiency and customer facing operations with no clean governance framework to point to yet.

what auditors are asking

THE FOUR QUESTIONS WE HEAR MOST

What are auditors asking?

What are regulators expecting?

Do we need an AI policy?

How should usage be documented?

No AI-specific standard but the standards still apply.

The PCAOB has not issued a standard written specifically for AI. Existing requirements on evidence, documentation, review and quality control apply to any work an AI tool touches, and inspectors are already asking firms how they use these tools.

Auditors are asking clients how AI is used in their processes.

Expect questions about where AI touches the financial reporting process, who reviews its output and how that oversight is evidenced.

Fraud risk is moving to the front of the conversation.

The Center for Audit Quality published a 2026 resource addressing fraud risks related to artificial intelligence, deepfakes and digital assets.

three things to do next

KEY TAKEAWAYS

01

Put an AI use policy in writing

No rule requires one today. Having one is what separates a short examiner conversation from a long one.

02

Inventory where AI already touches financial reporting

Including tools embedded in vendor products. You cannot control what you have not identified.

03

Document the human review

That is the single thing your examiner and your auditor will both ask to see.

Most banks are not replacing accountants. They are using AI to eliminate low-value administrative work and being asked to prove they control it.



polling question #4

Thank you

BRENT BINNS

Senior Manager
Brent.Binns@elliottdavis.com

MORGAN BARR

Senior Manager
Morgan.Barr@elliottdavis.com

BOB BALZANO

Senior Manager
Bob.Balzano@elliottdavis.com

CLAY HARRIS

Manager
Clay.Harris@elliottdavis.com



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:



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upcoming events

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Financial Services Group Risk Management,
Compliance, & Internal Audit Forum

NOVEMBER 12 | 10AM – 3PM EST

Financial Services Group
Finance, Accounting, & Strategy Forum

DECEMBER 3 | 10AM – 3PM EST

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thank you

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