



Stronger Together
Navigating Mergers & Acquisitions

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forv/s
mazars

Meet the Presenters



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Objectives

To provide an overview of:



Current market overview and trends in credit union mergers & acquisitions



Identification and measurement of the major asset/liability classes in credit union mergers



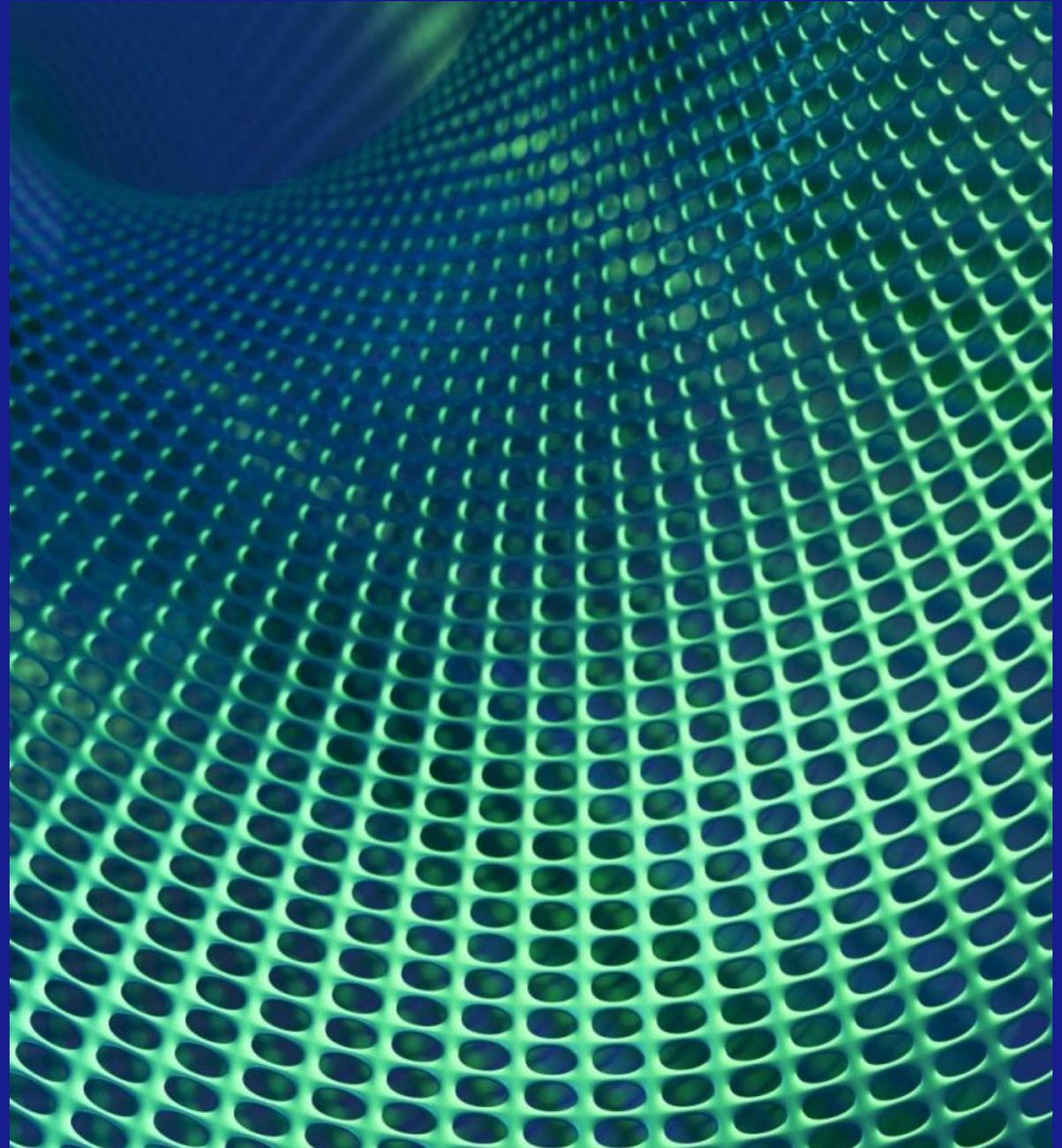
Accounting considerations for credit union business combinations



Credit Risk in credit union mergers & acquisitions

01

Credit Union & Market Overview & Merger & Acquisition Trends

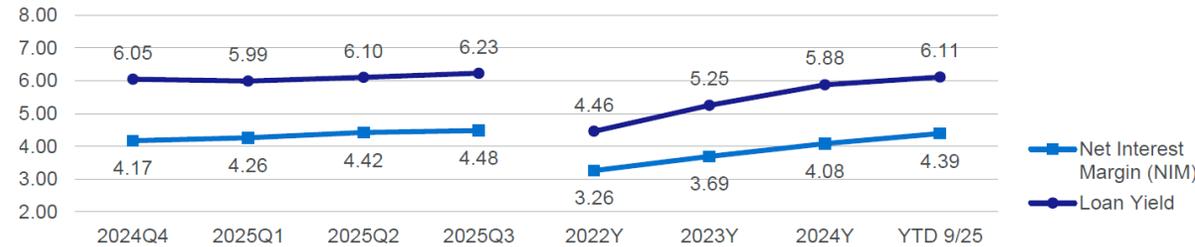


Credit Union Year-to-Date Financial Trends

- Large and midsize credit unions are driving industry growth in both memberships and lending
- Credit unions with less than \$500 million in assets saw slower growth in both loans and membership, reflecting competitive and economic pressures
- Annualized loan growth of 4.6% led by loans and lines of credit for one-to-four family portfolios and commercial loans
- Non-interest expenses increasing due to cost pressures of regulatory compliance, technology, staffing
- Profitability and capital adequacy remain strong, but asset quality metrics show mixed results, with 60+ days delinquent loans increasing but net charge-off levels declining
- Loan portfolios remain concentrated in real estate and vehicle lending, with commercial lending expanding in larger institutions

Balance Sheet Highlights	2024Q4	2025Q1	2025Q2	2025Q3	2022Y	2023Y	2024Y	YTD 9/25
Loan Growth (Annualized)	3.5	2.0	6.7	5.1	19.9	6.4	2.6	4.6
Share & Dep. Growth (Annualized)	5.0	12.4	0.2	2.3	3.3	1.7	4.1	5.0
Loans / Assets	61.0	58.9	59.4	59.8	56.4	61.6	61.0	59.8
Loans / Deposits	71.1	68.9	70.0	70.4	64.6	71.8	71.1	70.4
Margin / Yields / Rates	2024Q4	2025Q1	2025Q2	2025Q3	2022Y	2023Y	2024Y	YTD 9/25
Net Interest Margin (NIM)	4.17	4.26	4.42	4.48	3.26	3.69	4.08	4.39
Loan Yield / COF Spread	3.84	3.94	4.05	4.17	3.89	3.67	3.74	4.06
Loan Yield	6.05	5.99	6.10	6.23	4.46	5.25	5.88	6.11
COF (Int. Exp / Avg IB Liab)	2.20	2.05	2.05	2.06	0.57	1.57	2.14	2.05

Net Interest Margin (NIM) & Loan Yield (%)



Delinquent Loans / Total Loans & NCOs / Average Loans (%)

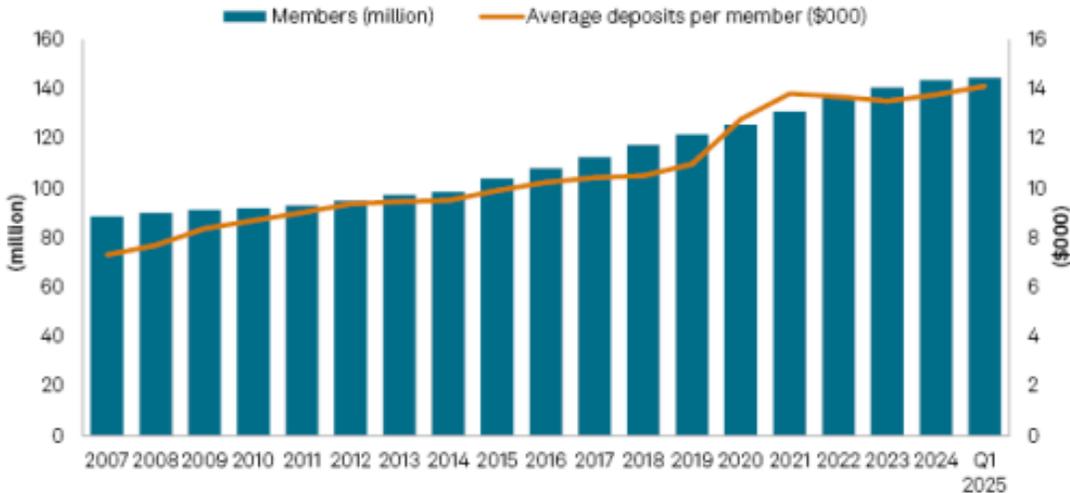


Source: Forvis Mazars Credit Union Performance Trends, Q3 FY 2025

Credit Union Membership Trends

- Annual membership growth has stayed above 2% annually since 2015
- Loosened eligibility requirements for joining credit unions through NCUA
- Average deposits per member as of Q1 2025 has grown approximately 51% since 2012
- NCUA approved 103 expansions in 2024 for underserved areas and 46 expansions of existing community charters in 2024
- Strategic bank acquisitions, further expand member growth
- Deposit market share rose to 19.2% in Q1 2025 while total loan and lease share also was up to 19.8% as of Q4 2023
- High market share for consumer lending, especially auto and personal loans

Membership trends at US credit unions



Source: S&P Capital IQ Pro

Trends in Credit Union Mergers & Acquisitions

- U.S. credit union merger approvals have accelerated in recent years, in part driven in 2025 by a favorable regulatory environment
- While the total number of mergers is lower than pre-pandemic years, the average asset size per deal has increased, exceeding \$100 million as of Q3 2025
- Consolidation is being fueled by the need for scale technology investment, and regulatory compliance efficiencies

Credit Union Mergers by Year and Average Asset Size (2018 - Q3 2025)

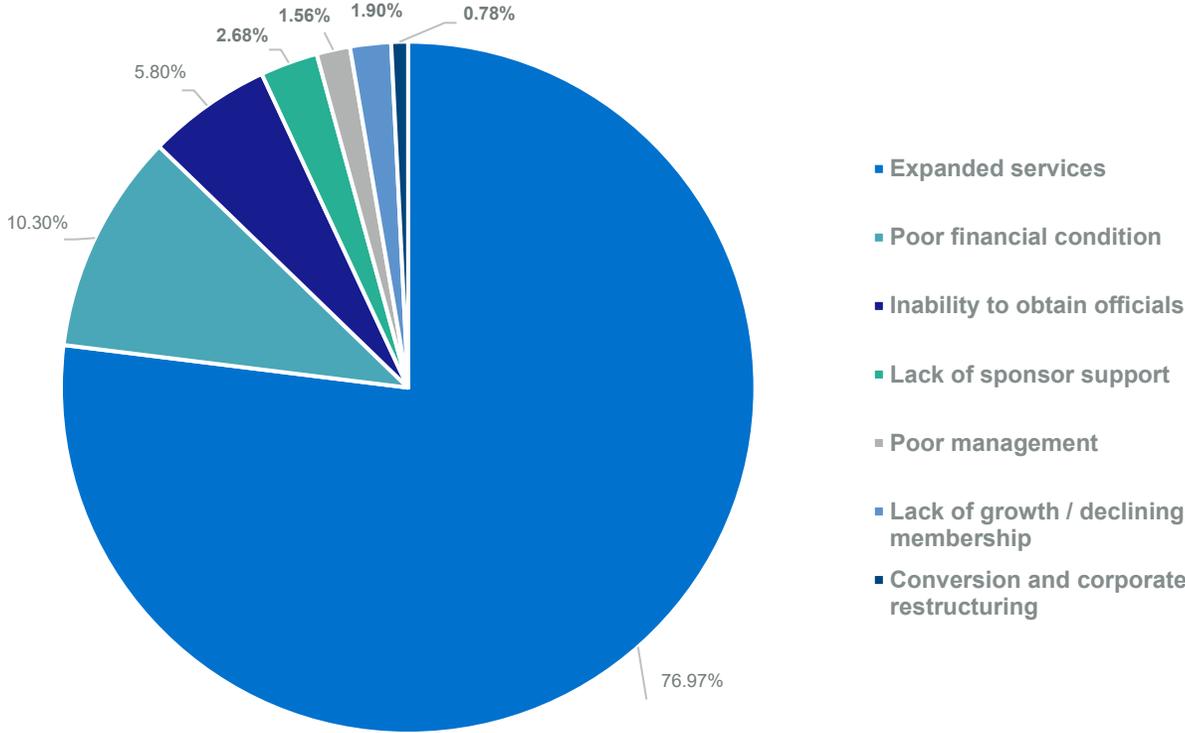


Source: NCUA

Trends in Credit Union Mergers

- Expanded member services is the most significant driver of credit union mergers
 - Competition from non-bank lenders and Fintechs is pushing traditional financial institutions to adapt and innovate
 - Innovation, member experience, and digital services provide differentiation in crowded market
- Scaling and cost synergies are becoming increasingly important with smaller CUs facing greater pressure
- Financial weakness represents a minority of reasons listed as the reason for credit union mergers
- Leadership or field of membership issues such as lack of sponsor support and inability to obtain officials represents a small percentage of reason listed for merging

Top Reasons for Credit Union Acquisitions



Source: NCUA

Credit Union | Bank Mergers



Credit Unions have been increasingly been purchasing banks to:

- Expand into new geographic areas
- Grow membership
- Diversify balance sheet
- Add expertise
- Drive economies of scale

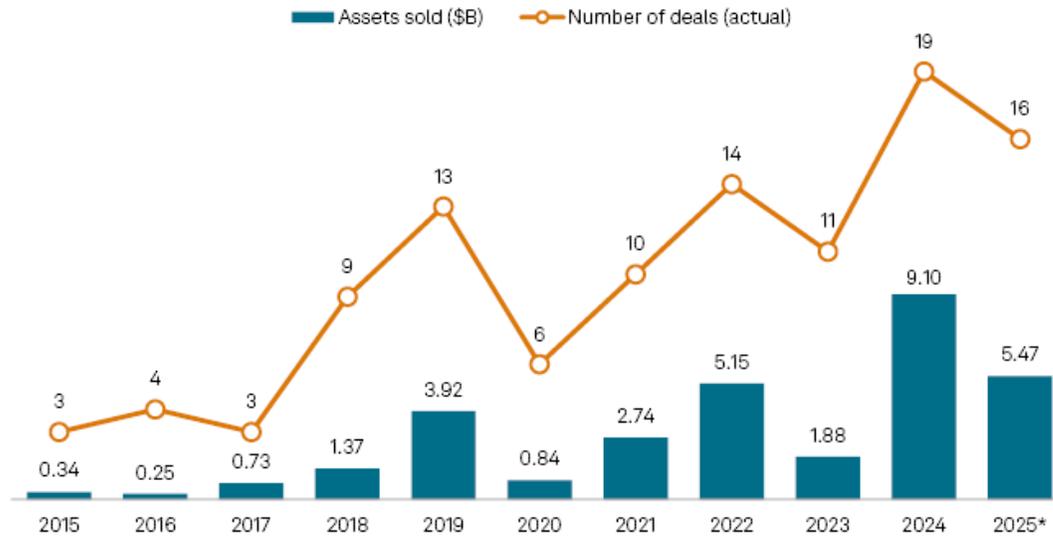


Credit Unions typically purchase banks at significant premiums (for cash), in part, due to:

- Higher legal costs from greater complexity and regulatory scrutiny
- Adverse tax consequences, particularly for shareholders of a C-Corp

Credit Union | Bank Mergers

US credit union-bank M&A deals announced since 2015



Data compiled Nov. 19, 2025.

Analysis limited to whole-bank and franchise deals announced between Jan. 1, 2015, and Nov. 19, 2025, with a US credit union buyer and US bank or thrift target; excludes branch and terminated deals.

* Year to date through Nov. 19, 2025.

Target total assets are as of the most recent quarter-end prior to deal announcement.

Source: S&P Global Market Intelligence.

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Source: S&P Capital IQ Pro

*Data through November 2025

Largest US bank acquisitions by credit unions since 2019

Ranked by target total assets

Buyer	Target	Target city, state	Date announced	Total assets (\$M)*	
				Target	Buyer
● Global FCU	First Financial Northwest Bank	Renton, WA	01/11/24	1,525.1	11,836.4
● America First FCU	Meadows Bank	Las Vegas, NV	07/25/25	1,387.0	22,577.6
● MIDFLORIDA CU	Prime Meridian Holding Co.	Tallahassee, FL	04/22/25	974.7	8,142.0
● GreenState CU	First American Bank	Fort Dodge, IA	06/25/19	959.3	5,383.6
● DFCU Financial	Winter Park National Bank	Winter Park, FL	11/08/24	845.0	6,581.2
● Summit CU	Commerce State Bank	West Bend, WI	03/03/22	837.1	4,830.6
● GreenState CU	Oxford Bank & Trust	Oak Brook, IL	05/25/21	759.4	7,474.8
● MIDFLORIDA CU	Community Bank and Trust of Florida	Ocala, FL	05/03/19	733.3	3,486.9
● DFCU Financial	First Citrus Bancorp. Inc.	Tampa, FL	05/12/22	689.3	6,404.0
● Georgia's Own CU	Vinings Bank	Smyrna, GA	02/21/22	685.6	3,419.4
● ELGA CU	Marine Bank & Trust Co.	Vero Beach, FL	06/04/24	666.3	1,521.1
● Lake Michigan CU	Pilot Bancshares Inc.	Tampa, FL	06/16/21	656.0	9,993.3
● HAPO Community CU	Community First Bank	Kennewick, WA	10/08/24	632.3	2,377.5
● OneAZ CU	1st Bank Yuma	Yuma, AZ	10/03/24	623.7	3,316.8
● Gesa CU	Security State Bank	Centralia, WA	05/23/24	598.0	5,517.1
● Harborstone CU	SaviBank	Burlington, WA	03/22/24	592.6	1,909.3
● Hudson Valley CU	Catskill Hudson Bancorp Inc.	Kingston, NY	01/10/24	554.5	7,062.8
● Spokane Teachers CU	Community Bank	Joseph, OR	08/13/24	548.5	5,877.0
● Arizona FCU	Horizon Community Bank	Lake Havasu City, AZ	03/10/22	539.5	2,779.9
● FAIRWINDS CU	Citizens Bank of Florida	Oviedo, FL	08/19/21	491.7	3,773.3

● Pending deal ● Completed deal

Data compiled Nov. 19, 2025.

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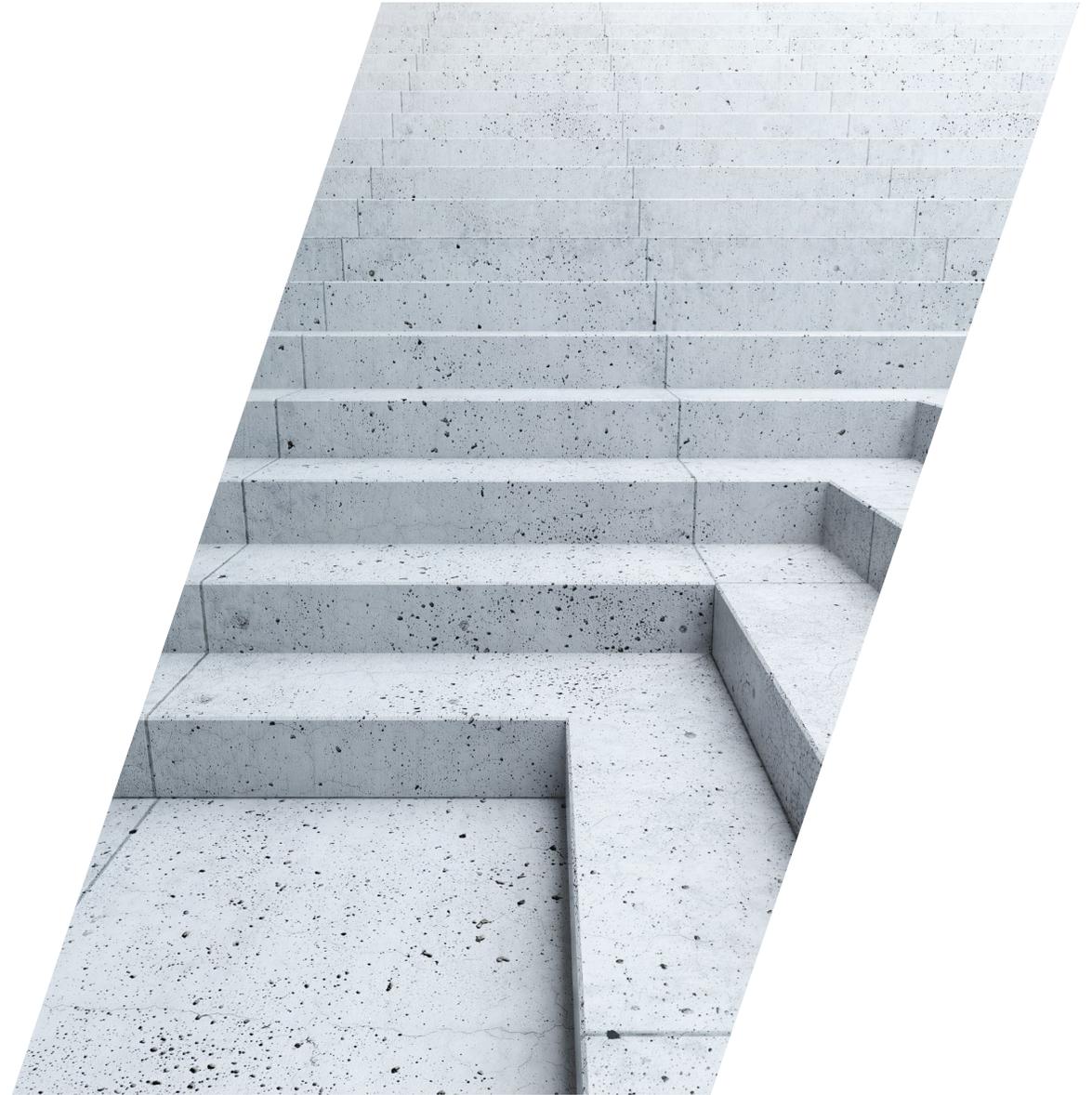
Regulatory & Reporting Considerations

Regulatory Compliance

- Credit union M&A transactions must comply with specific regulatory frameworks such as NCUA rules to ensure legal adherence. The regulations are designed to protect members, ensure the continuing credit union remains financially sound, and minimize risk to the National Credit Union Share Insurance Fund (NCUSIF)
- For state-chartered credit unions, both state law and federal NCUA requirements apply
- When a credit union acquires a bank, additional regulatory oversight comes into play, particularly from the Federal Deposit Insurance Corporation (FDIC)

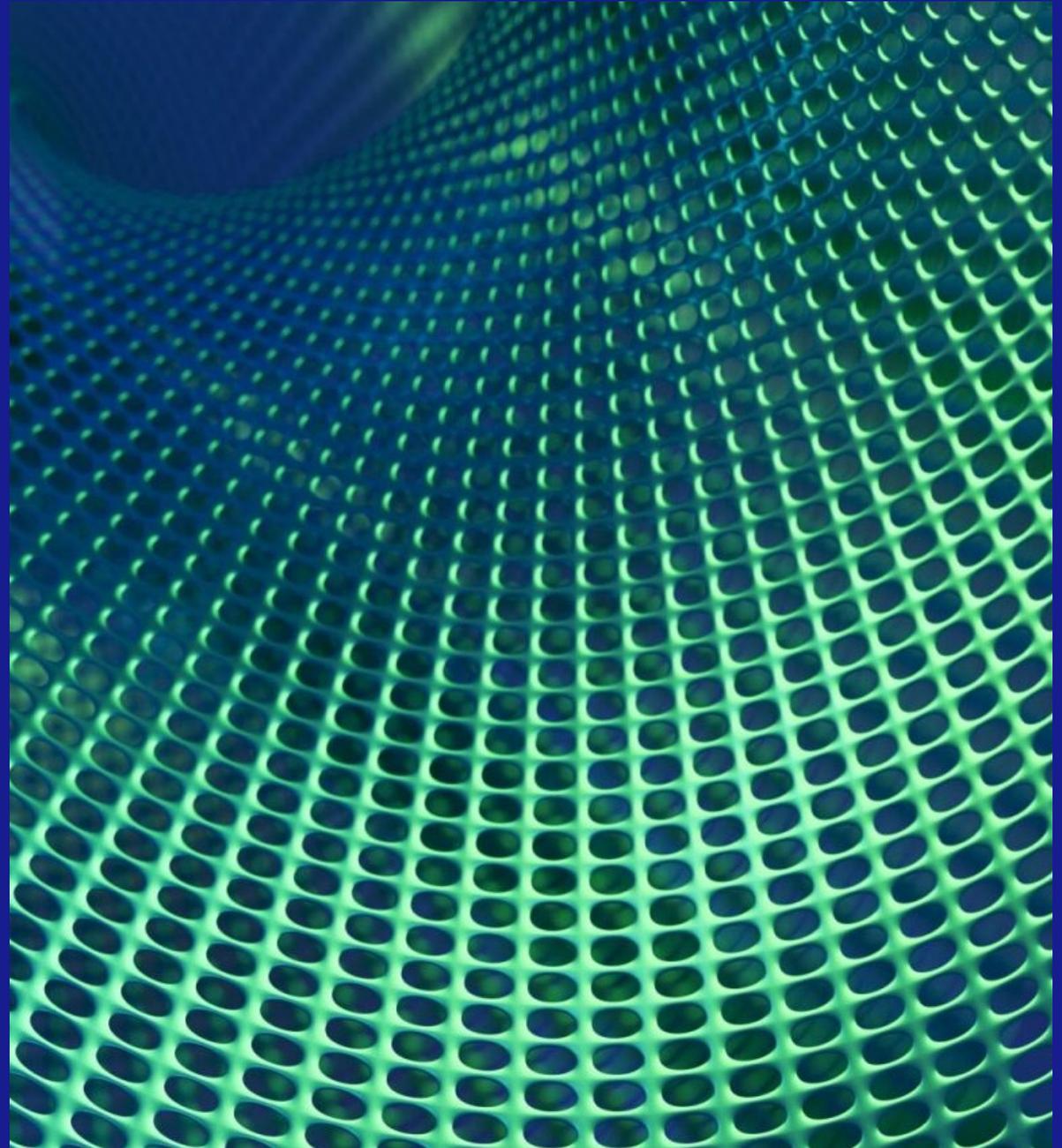
GAAP Reporting Standards

- Financial reporting in credit union mergers follows GAAP standards adapted to the sector's unique accounting requirements



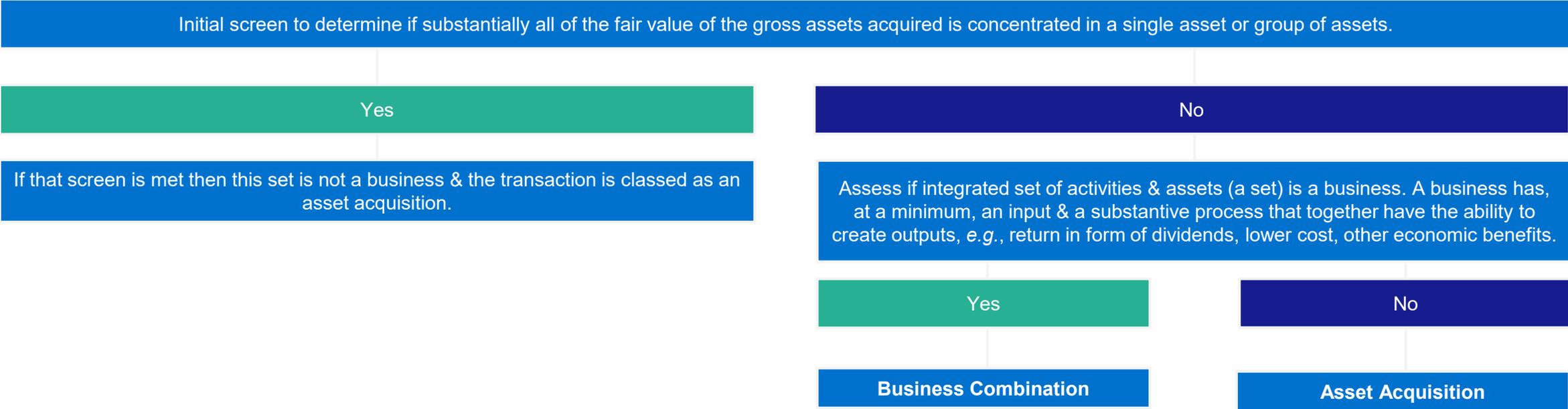
02

Accounting for Business Combinations



Business Combination?

- A transaction or event in which an acquirer obtains control of one or more businesses
- Assets acquired and liabilities assumed must constitute a business to be classed as a business combination



- In a banking context, a business combination would include whole credit union transactions, acquisitions of group of assets or liabilities that satisfy the definition of a “business”

Definition & Principles of Purchase Accounting

Fair Value Recognition

- Purchase accounting records acquisitions at fair value to accurately reflect economic realities of the transaction

Asset & Liability Identification

- Identifiable assets acquired and liabilities assumed are recognized to ensure complete transaction transparency

Transparency & Accuracy

- Purchase accounting promotes transparency and accuracy in reporting the economic impact of acquisitions



Credit Union Assets & Liabilities

Financial Instruments

- Loan portfolio
- Share certificates
- FHLB Advances, sub-debt, etc.

Member's Equity

- Net worth/members equity
- ECIP

Intangible Assets

- Core Deposit Intangible (CDI)
- Non-compete agreements
- Servicing assets

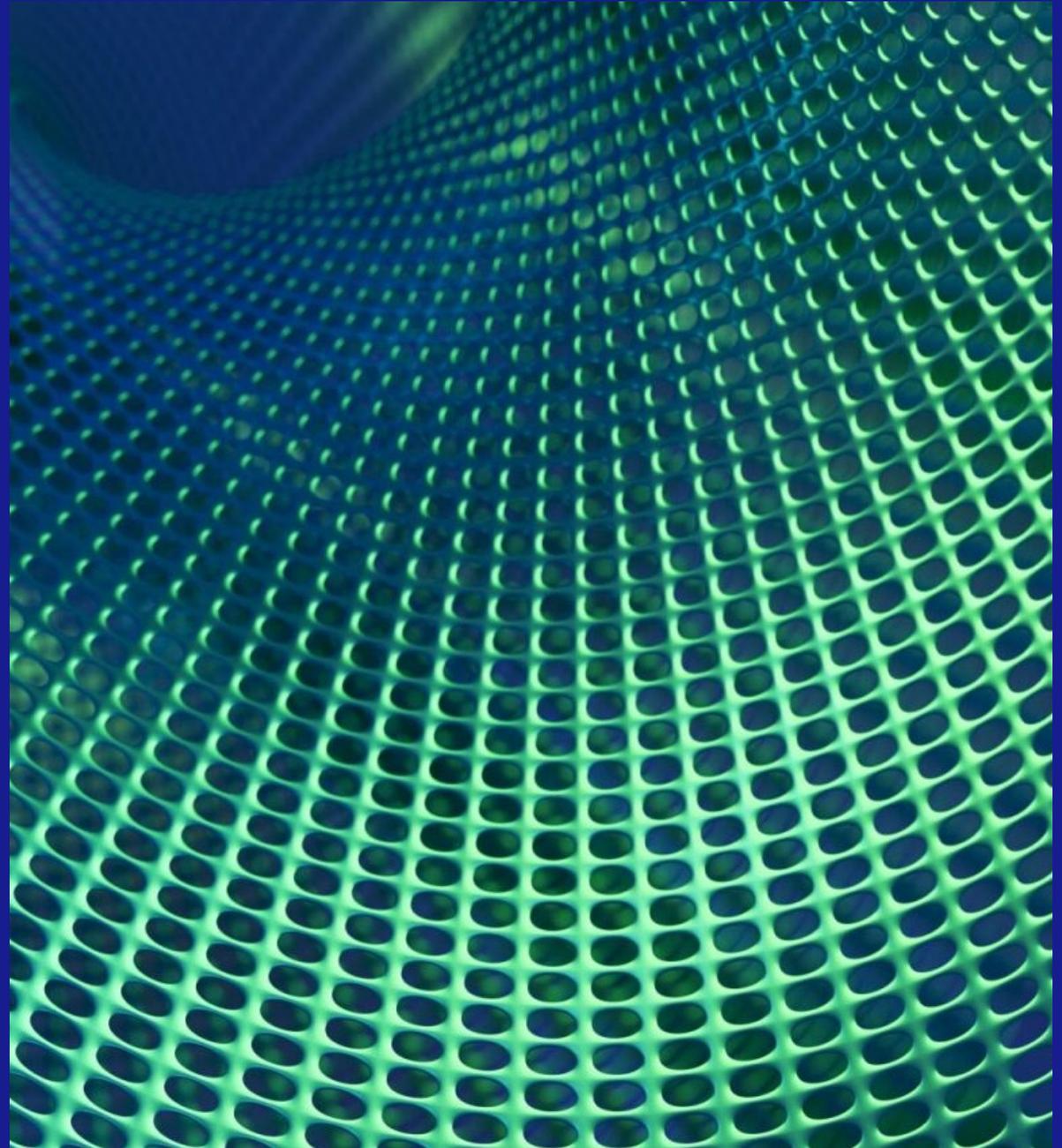
Tangible Assets

- Buildings/Leases



03

Accounting for Business Combinations – Loans



Loan Portfolio Valuation

- Monthly principal & interest cash flows for each loan/pool are projected based on the contractual terms of the loans. Each loan/pool is then adjusted for:
 - Prepayments
 - Credit losses
- Discount rates are developed based on the relative risk of the cash flows, taking into consideration:
 - Market rates as of the Valuation Date
 - Rate type, *e.g.*, fixed, floating, etc.
 - Liquidity expectations
- Monthly principal & interest cash flows for each pool are discounted to present value & summed to arrive at the fair value of the loan portfolio



ASC 820 vs. ASC 326 Credit Loss

Characteristic	ASC 820	ASC 326
Life of Loan	Yes	Yes
Market Participant	Yes	No
Exit Price	Yes	No
Entity Specific	No	Yes
Measurement Method	DCF	Multiple
Measurement Base	Principal Balance	Amortized Cost
Measurement Approach	Individual &/or pooled *	Individual &/or pooled*

- * Note:
- Segmentation may differ
 - Both include qualitative & quantitative estimates, but presented differently

Evaluating & Estimating Expected Credit Losses (CECL Guidance)

CECL Estimation Requirement

CECL mandates estimating expected credit losses over the entire life of financial assets.

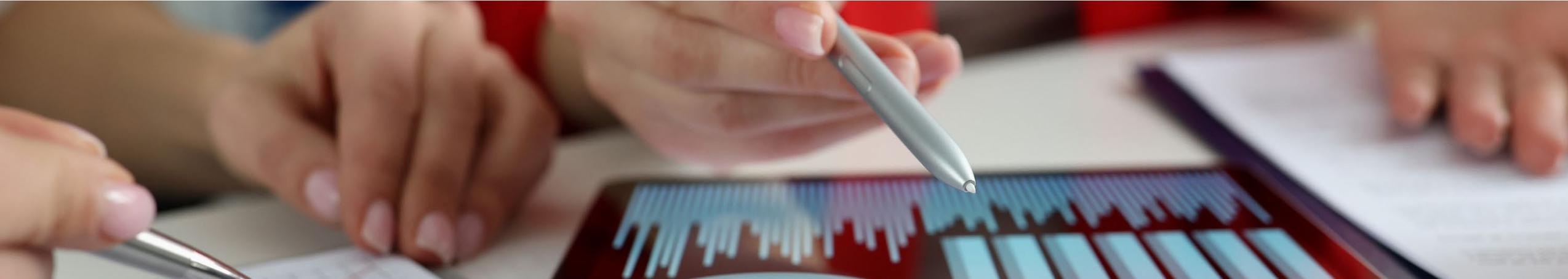
Acquirer Assessment Responsibilities

Acquiring entities must evaluate credit loss estimates for accuracy and completeness during acquisition.

For a credit union acquiring a bank with a different portfolio, the Current Expected Credit Loss (CECL) standard mandates that the credit union immediately recognize an allowance for expected credit losses on the newly acquired loans. This requires the acquirer to develop robust modeling and data collection for the unfamiliar loan types, which may necessitate a significant day-one provision for credit losses, impacting the credit union's net worth and financial position. The acquisition of differing portfolio types, such as commercial or industrial loans, also creates complexity by requiring the credit union to apply loss methodologies to assets for which they lack historical loss data.



Gross-Up Approach: Financial Assets Accounting



Gross-Up for Most Acquired Loans:

- All qualifying loans acquired in business combinations or certain asset acquisitions will be accounted for using the PCD gross-up approach
- The acquirer will recognize an ACL at the acquisition date for these assets with a corresponding adjustment to the loans' basis (increasing the carrying amount)
- No Day-1 credit loss expense is recorded through the income statement for these assets

Loan Portfolio Valuation – Purchased Financial Assets

- In November 2025, the FASB issued Accounting Standards Update (ASU) 2025-08 for purchased financial assets (PFA):
 - Creates greater consistency in purchased loan accounting by expanding the “gross up model” to include all PFA (vs. just PCD assets)
 - Eliminates the “double-dip” treatment on non-PCD assets that meet the Purchased Seasoned Loans (“PSL”) qualifications. Instead of recording a Day-1 provision expense for non-PCD acquired loans, ASU 2025-08 requires use of the gross-up method, eliminating Day-1 credit loss expense for PSLs
 - This method requires recognition of an allowance for credit losses (ACL) at acquisition, with a corresponding increase to amortized cost basis
 - Improves the relevance and transparency of acquisition date loss recognition and reduces initial earnings volatility by aligning treatment more closely with PCD assets
 - PFA acquired outside a business combination must meet a bright line seasoned test, *i.e.*, acquired more than 90 days after origination and acquirer was not involved in origination

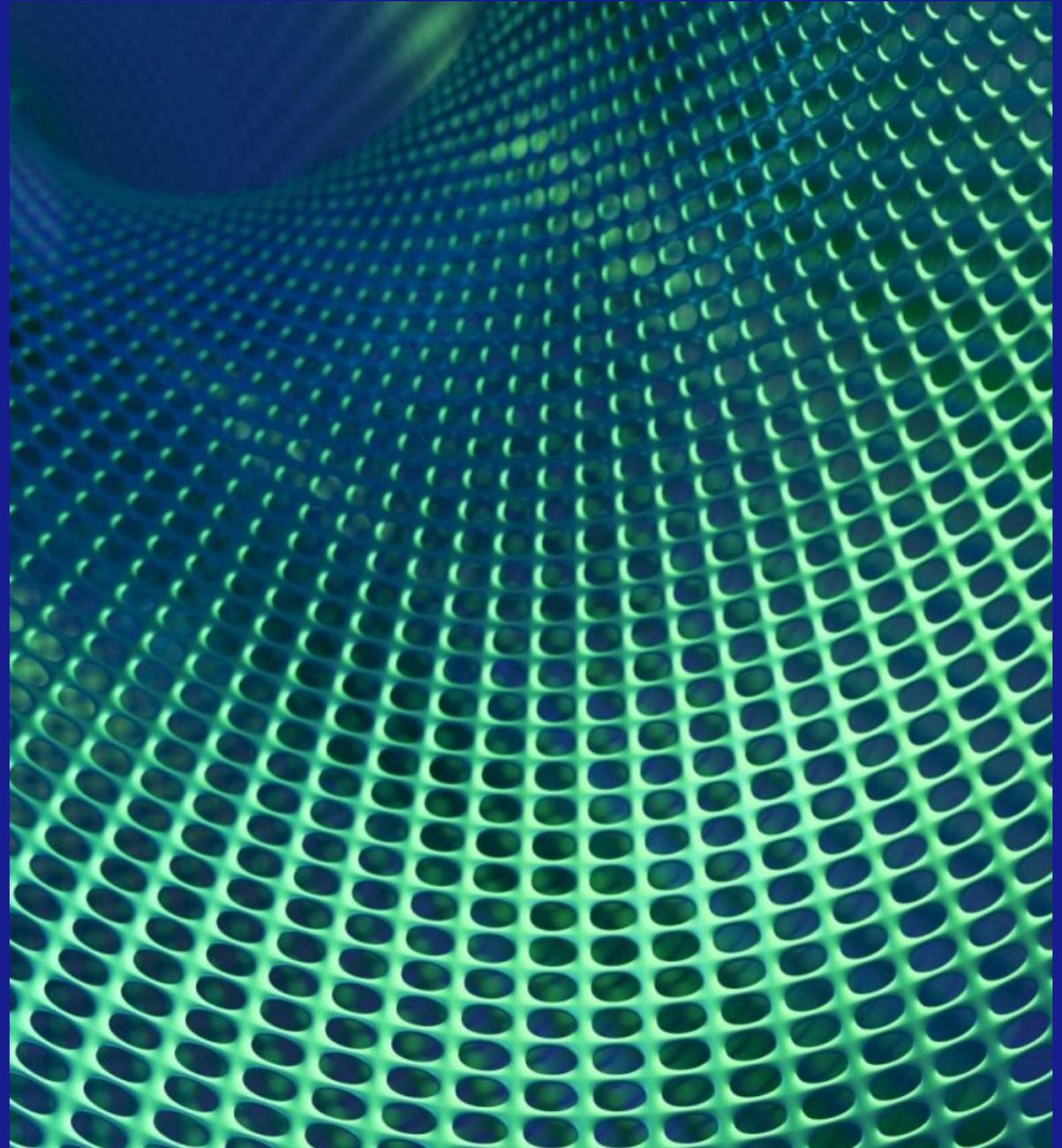


ASU 2025-08: Comparison Chart

Topic	Previous Guidance (Pre-ASU 2025-08)	New Guidance Under ASU 2025-08
Scope of Gross-Up Method	Applied only to Purchased Credit Deteriorated (PCD) assets	Expanded to include both PCD assets and Purchased Seasoned Loans (PSLs)
Purchased Seasoned Loans (PSLs)	Not separately defined; non-PCD loans accounted like originations with Day-1 provision	Introduces formal definition and criteria; PSLs included in gross-up method
Day-1 Allowance for Credit Losses (ACL)	PCD: ACL via gross-up. Non-PCD: Day-1 provision expense	Eliminates Day-1 provision for PSLs; ACL via gross-up method
Subsequent Measurement Differences	Material differences between PCD & non-PCD	Narrower measurement differences between PSLs & PCD
PCD Loan Accounting	PCD assets recognized using gross-up approach	Unchanged
Involvement in Origination Assessment	Not applicable	Requires assessment of acquirer involvement in origination
Earnings Impact at Acquisition	Day-1 credit loss expense required	Reduced earnings drag; no Day-1 expense for PSLs
Treatment of Fair Value Adjustments	Non-PCD: credit-related adjustments expensed	PSLs: credit-related discounts treated as ACL; others amortized
Effective Date	Legacy model until adoption	Effective FY beginning after Dec 15, 2026; early adoption permitted
Transition Method	Not applicable	Applied prospectively to acquisitions on/after adoption date

04

Accounting for Business Combinations – Member Shares



Share Certificates

- Fixed-term deposit types:
 - Retail CDs
 - Brokered CDs
 - Jumbo CDs (>\$100k)
 - CDARs
- Project monthly cash flows (interest and balloon principal repayment) based on balance, remaining maturity, and interest rate for each deposit category
- Discount rate should reflect share certificate market rates for deposits of equivalent maturity in a similar region



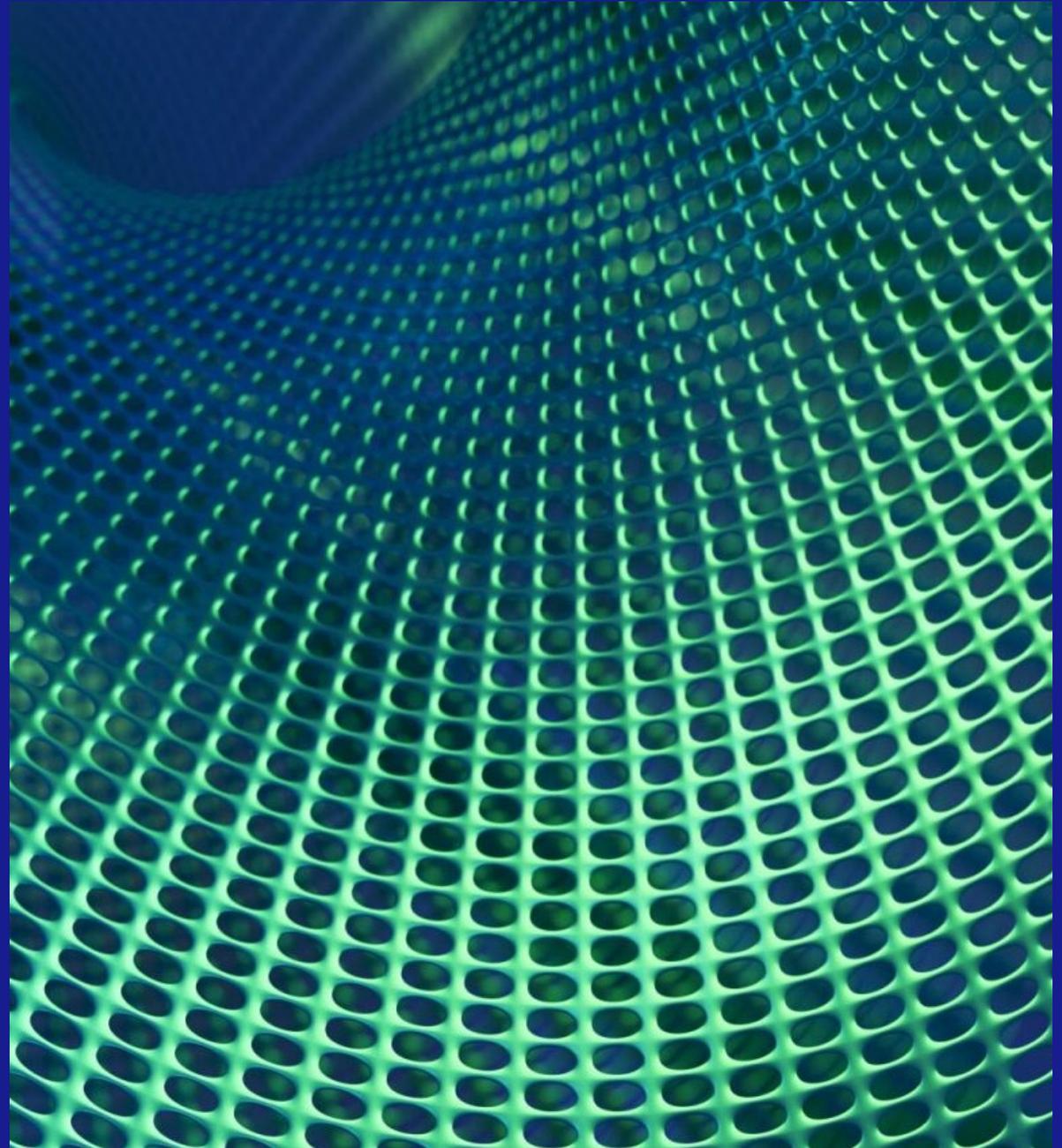
Share Certificates/Other Liabilities Marks

- Accrete through income statement on a level yield basis (or straight line as a practical expedient)
- Valuation specialist can provide schedules if needed



05

Accounting for Business Combinations – Equity



Equity Valuation in Credit Union Mergers

Purpose of Equity Valuation

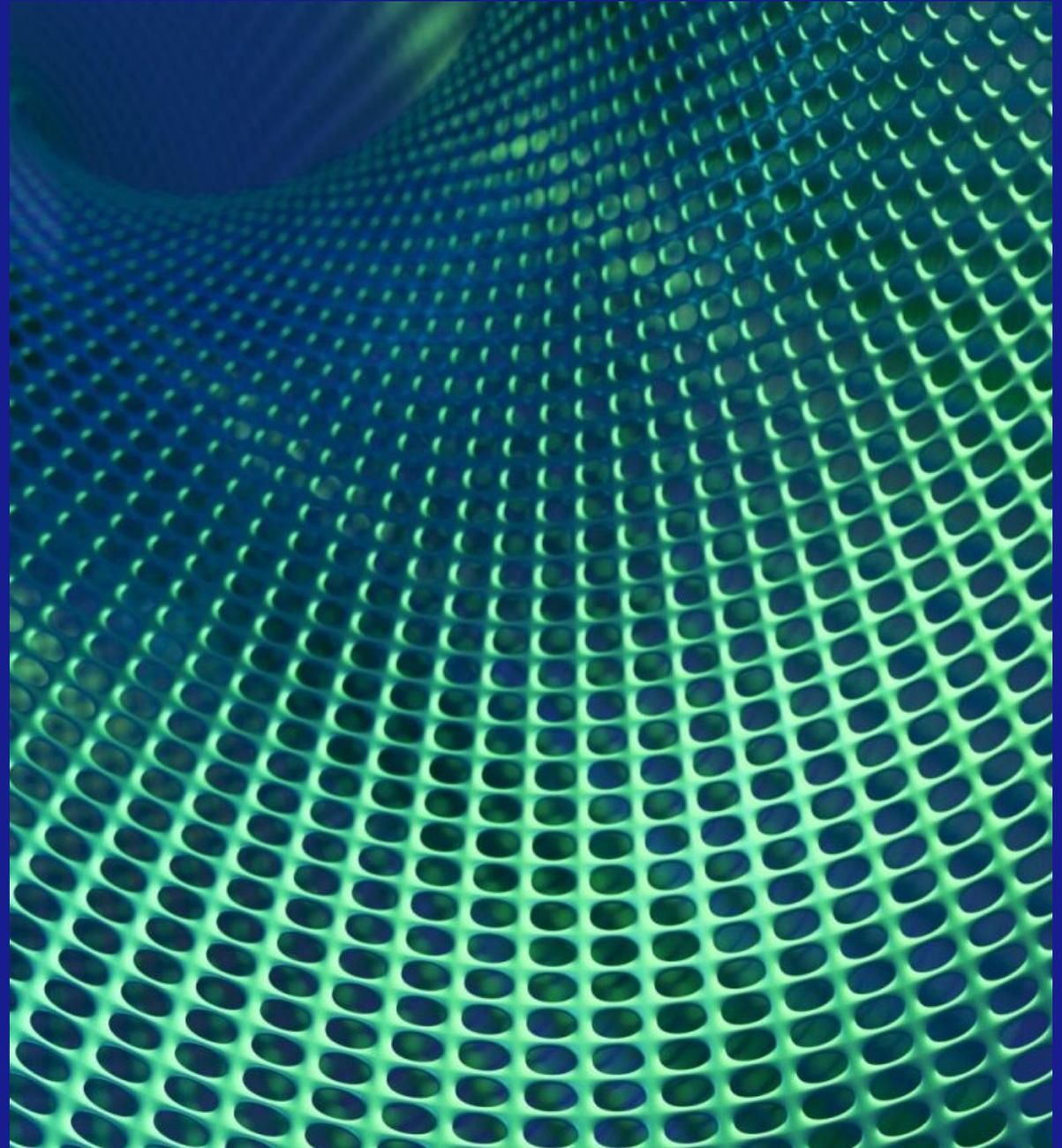
- Assess Fair Value of the target Credit Union to be “merged in”
- Establish “hypothetical purchase consideration” used for calculating residual goodwill and/or bargain purchase
- Enable Strategic Planning: Helps determine capital impact, merger synergies, and post-merger financial health
- Facilitate Due Diligence: Identifies risks and opportunities in the target institution’s balance sheet and operations

Valuation Approaches

- Income Approach
 - Projects market participant future cash flows (*i.e.*, excluding buyer specific synergies)
 - Discounts cash flows using risk adjusted discount rate
- Market Approach
 - Benchmarks comparable transactions or publicly available data (*e.g.*, bank data)
 - Less common due to lack of available market pricing
- Asset Approach
 - Adjusts book values of assets and liabilities to fair value

06

Accounting for Business Combinations – Intangibles



Core Deposit Intangible (CDI)

- The CDI is an intangible asset, not a financial instrument
- Derives its value from the difference between the cost of maintaining the credit union's member deposit base and an alternative funding source
- Core Account Types
 - Share Draft Accounts (DDA)
 - Money Market Deposit Accounts (MMDA)
 - Share Draft Accounts (NOW)
 - Share Certificates <\$100K (CD)
 - Regular Share Accounts (Savings)



CDI Valuation



- Valued using a cost savings method, which is a variation of income approach
- Attrition rates for each deposit type
- Weighted average cost of deposits
 - Net servicing costs
 - Cost of alternative funds (blended)
 - Retail CD rates
 - Brokered CD rates
 - FHLB Advance rates

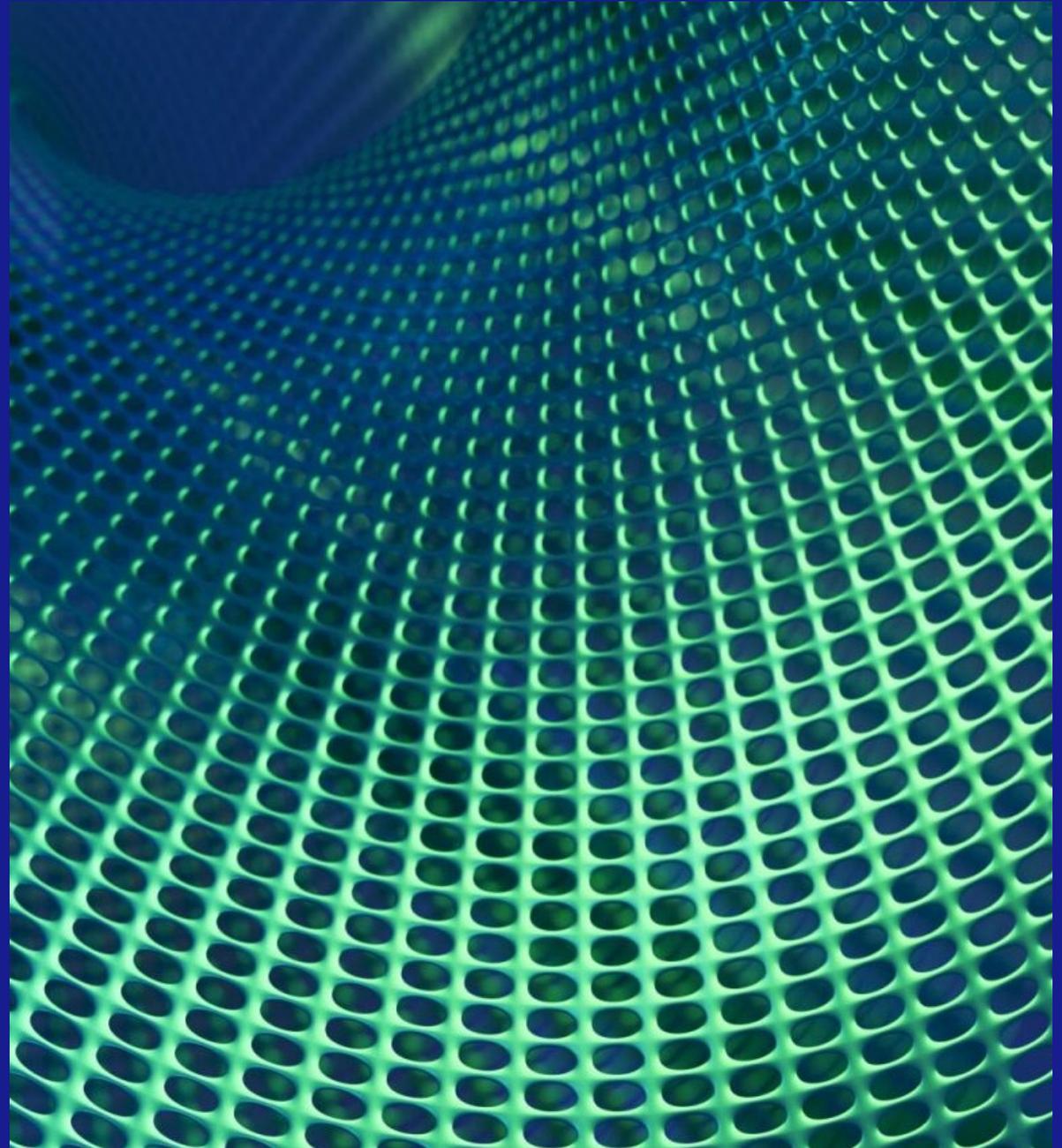
CDI Accounting

- New asset that amortizes over a useful life as determined by accounting policy
- Straight line over weighted average remaining life (6–8 years)
- Straight line over 10 years (most common)
- Accelerated method



07

Credit Risk in M&A



Credit Risk in M&A

Credit Culture – things to consider in a potential acquisition target or merger partner

1. Are the core values and behaviors compatible or like-minded?
2. Do they prioritize conservative underwriting and long-term relationships with customers/members?
3. Some red flags may include:
 - A focus on short-term profitability and aggressive growth
 - A lack of clear policies and procedures
 - Weak credit underwriting standards
 - Poor risk identification or risk management practices



Credit Risk in M&A

NCUA's 2026 Supervisory Priorities

- Lending

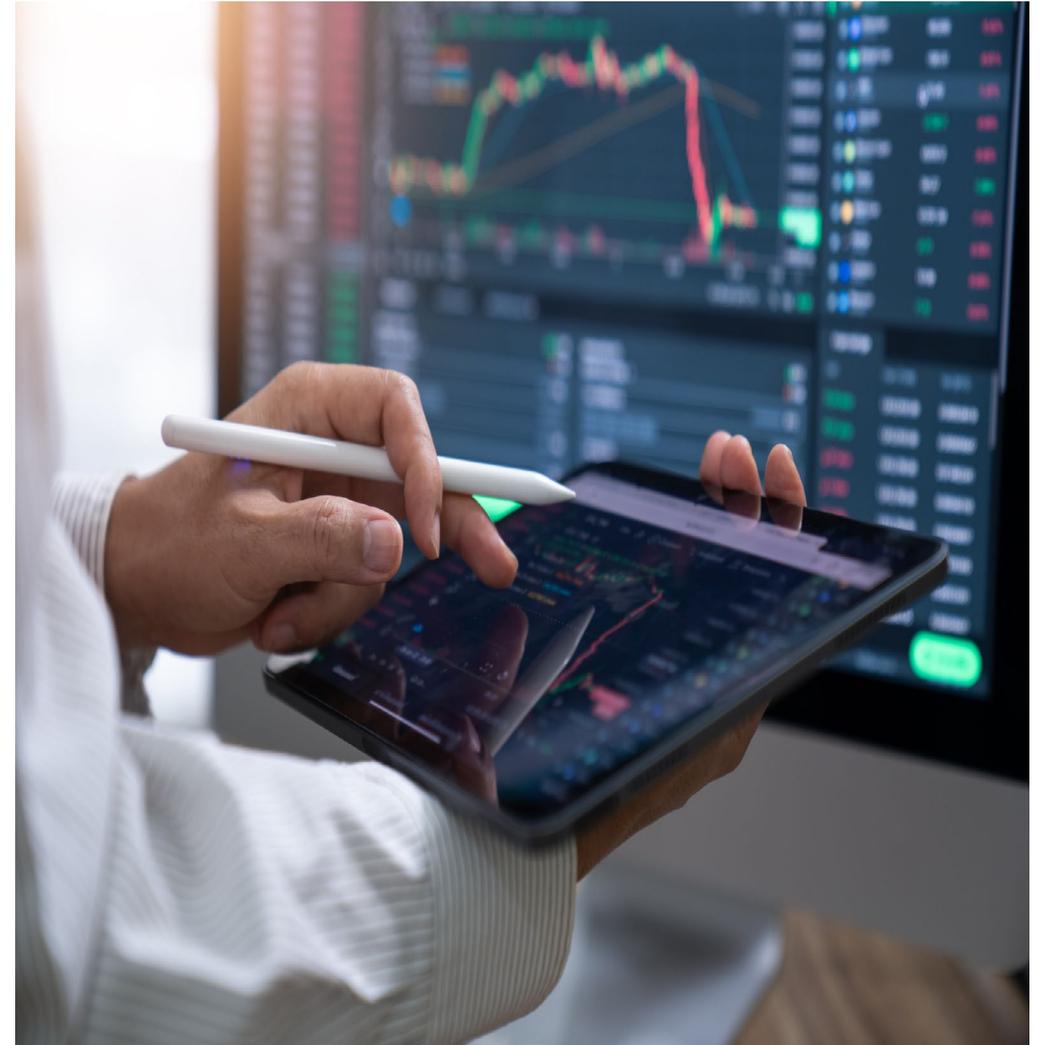
- “Loan growth has moderated, while loan performance has declined. The overall delinquency rate and rolling 12-month loss rate within federally insured credit union portfolios is at its highest point in over a decade”
- NCUA will focus on credit administration, underwriting, loss mitigation/workout, portfolio monitoring, and management of concentrations



Credit Risk in M&A

Other Hot Topics We Are Seeing/Hearing From Clients Post-Exam

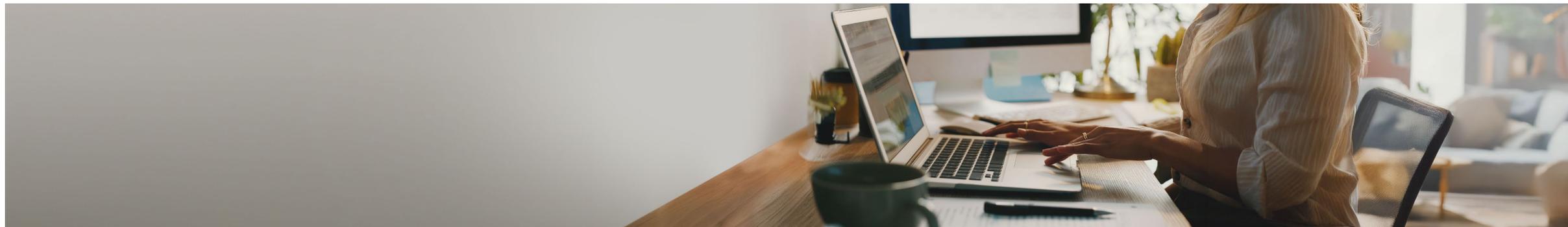
- Most conservative risk grading
- Emphasis on primary source of repayment in risk grading
- Well-defined weaknesses vs. potential weaknesses
- Focus on timely risk grading/annual reviews
- Collection of current financial information
- Adequate staffing in Credit Dept
- Understanding sponsor/guarantor's contingent debt



Credit Risk in M&A

Asset Quality Ratio Analysis – Credit Unions

Total Assets <\$10 Billion								
Asset Quality Ratios	2024Q4	2025Q1	2025Q2	2025Q3	2022Y	2023Y	2024Y	YTD 9/25
60+ Days Delinq. Loans / Loans	0.82	0.68	0.78	0.80	0.51	0.71	0.82	0.80
OREO / Assets	0.04	0.04	0.04	0.04	0.03	0.03	0.04	0.04
Nonperforming Assets / Assets	0.62	0.51	0.58	0.61	0.38	0.53	0.62	0.61
ACL / Loans	1.04	1.04	1.05	1.06	0.66	0.98	1.04	1.06
Delinquent Loans / Reserves	78.7	65.4	74.1	75.2	78.1	71.8	78.7	75.2
Provision Expense / Avg Assets	0.58	0.44	0.46	0.47	0.19	0.34	0.47	0.45
NCOs / Average Loans	0.63	0.62	0.56	0.56	0.24	0.44	0.59	0.58
# Companies Reporting NCOs	3,414	3,294	3,219	3,227	3,848	3,956	3,907	3,700
NCO Coverage Ratio (ACL / NCOs)	1.67	1.68	1.88	1.92	2.94	2.30	1.78	1.87



Credit Risk in M&A

Loan Portfolio Composition – Credit Unions

Total Assets < \$10 Billion								
Loan Balances (\$Billions)	2024Q4	2025Q1	2025Q2	2025Q3	2022Y	2023Y	2024Y	YTD 9/2
Credit Card Loans	\$40.3	\$39.5	\$39.4	\$39.9	\$36.6	\$39.2	\$40.3	\$39.9
Payday Alternative Loans (PAL)	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1	\$0.1
Non-Fed. Guar. Student Loans	\$3.5	\$3.6	\$3.4	\$3.4	\$3.6	\$3.6	\$3.5	\$3.4
Other Unsecured Loans	\$50.3	\$49.2	\$48.6	\$49.1	\$45.8	\$50.0	\$50.3	\$49.1
New Vehicle Loans	\$126.7	\$125.1	\$124.1	\$124.3	\$138.9	\$136.8	\$126.7	\$124.3
Used Vehicle Loans	\$258.8	\$259.4	\$261.0	\$261.1	\$259.1	\$263.9	\$258.8	\$261.1
Leases Receivable	\$5.4	\$5.4	\$5.2	\$5.2	\$5.6	\$5.7	\$5.4	\$5.2
Other Loans & LOC Sec Non RE	\$57.5	\$56.7	\$56.4	\$56.4	\$58.1	\$59.6	\$57.5	\$56.4
Loans & LOC 1-4 Fam. (1st Lien)	\$426.6	\$428.8	\$426.5	\$437.0	\$396.3	\$412.7	\$426.6	\$437.0
Loans & LOC 1-4 Fam. (Jr Lien)	\$121.6	\$124.7	\$128.2	\$134.7	\$84.8	\$103.6	\$121.6	\$134.7
Other RE Loans and LOC	\$2.0	\$2.1	\$2.1	\$2.4	\$1.9	\$2.0	\$2.0	\$2.4
Comm'l Loans/LOC (RE Sec.)	\$136.6	\$140.3	\$143.6	\$148.4	\$109.1	\$122.4	\$136.6	\$148.4
Comm'l Loans/LOC (Non RE Sec.)	\$12.1	\$12.0	\$12.4	\$12.8	\$10.1	\$11.1	\$12.1	\$12.8
Total Loans	\$1,241.4	\$1,246.8	\$1,251.6	\$1,275.2	\$1,149.8	\$1,210.6	\$1,241.4	\$1,275.2

Loan Portfolio Mix	2024Q4	2025Q1	2025Q2	2025Q3	2022Y	2023Y	2024Y	YTD 9/2
Credit Card Loans	3.2	3.2	3.1	3.1	3.2	3.2	3.2	3.1
Payday Alternative Loans (PAL)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Non-Fed. Guar. Student Loans	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3
Other Unsecured Loans	4.0	3.9	3.9	3.9	4.0	4.1	4.0	3.9
New Vehicle Loans	10.2	10.0	9.9	9.7	12.1	11.3	10.2	9.7
Used Vehicle Loans	20.8	20.8	20.9	20.5	22.5	21.8	20.8	20.5
Leases Receivable	0.4	0.4	0.4	0.4	0.5	0.5	0.4	0.4
Other Loans & LOC Sec Non RE	4.6	4.5	4.5	4.4	5.0	4.9	4.6	4.4
Loans & LOC 1-4 Fam. (1st Lien)	34.4	34.4	34.1	34.3	34.5	34.1	34.4	34.3
Loans & LOC 1-4 Fam. (Jr Lien)	9.8	10.0	10.2	10.6	7.4	8.6	9.8	10.6
Other RE Loans and LOC	0.2	0.2	0.2	0.2	0.2	0.2	0.2	0.2
Comm'l Loans/LOC (RE Sec.)	11.0	11.3	11.5	11.6	9.5	10.1	11.0	11.6
Comm'l Loans/LOC (Non RE Sec.)	1.0	1.0	1.0	1.0	0.9	0.9	1.0	1.0

Credit Risk in M&A

Loan Review Due Diligence Reviews – Scoping: Accuracy of the Risk Grades

- We generally push for 50% coverage of the commercial loan portfolio. However, the results vary from 40–60% coverage on DD reviews. Some of our clients tell us that their investment bankers request 70% coverage (or at least 70% of the riskier portions of the portfolio)
- Scope buckets often include large borrowers, problem loans, delinquent loans, Pass-Watch or Pass-Monitor borrowers, borrowers with upcoming maturities, and risk-based selection of borrowers/loans by industry-type



Credit Risk in M&A

Loan Review Due Diligence Reviews – Scoping: Other

- Limited testing of consumer/residential mortgage loans – updated financial information is usually not required, so these loans are often monitored or risk graded by delinquency. We often look at a small sample of problem loans or recently underwritten loans to test their underwriting and adherence to loan policy
- Risk-based sampling or limited testing of collateral docs



Credit Risk in M&A

Loan Review Due Diligence Reviews – Scoping: Credit Administration

- Focus on credit administration:
 - Level of policy exceptions?
 - Adequacy of Underwriting?
 - Focus on PSOR? Or are they relying on guarantor strength to prop up risk grades?
 - Unidentified risk in the portfolio? Are they proactively identifying risk? Or kicking the can down the road?
 - Are there any significant concentrations that are showing negative trends?



Credit Risk in M&A

Loan Review Due Diligence Reviews – Scoping: Credit Administration (continued)

- Are there gaps in loan monitoring processes/procedures?
We look closely at the following:
 - Construction disbursement packages/monitoring
 - Borrowing Base Certificates, AR/AP agings, interim FS
 - Status of Annual Reviews
 - Level of financial statement exceptions
 - Granularity of risk grading – bell-shaped or arrow-shaped?
 - Risk Grade Matrix – do the weightings make sense?
 - Does the bank document/understand how a borrower is making payments if cash flow is inadequate?
- *If there are concerns in these areas, there may be unidentified credit risk in the portfolio.



Common Challenges & Best Practices in Business Combination Accounting



Valuation Challenges

- Accurate valuation of assets and liabilities is a major challenge in purchase accounting



System Integration Issues

- Integrating accounting systems post-purchase can lead to operational difficulties and data inconsistencies



Regulatory Compliance

- Ensuring compliance with accounting regulations is essential to avoid legal and financial penalties



Best Practices

- Thorough due diligence, detailed documentation, and consistent accounting policies improve purchase accounting outcomes

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