2025 AICPA & CIMA

Conference on Banks & Savings Institutions
Conference on Credit Unions

Highlights & Key Insights

forvis mazars

Contents

A Note From the Financial Services Industry Leader at Forvis Mazars

The financial services industry continues to experience disruption and change, from regulatory updates and accounting standards to technological advancement and digital transformation. In a landscape where the pace of change is driving forward at a continuously increasing speed, it is important to stay aware of what is happening in the present and what's expected to come. Leaders from Forvis Mazars recently attended the AICPA & CIMA Conference on Banks & Savings Institutions and Conference on Credit Unions and heard several key industry hot topics and themes summarized within this document. We are committed to staying at the forefront of industry issues and our team remains informed and poised to address the evolving regulations and changes affecting financial institutions.

Forvis Mazars, LLP is a leading global professional services network. Ranked among the largest public accounting firms in the U.S., the firm's 7,000 dedicated team members provide an **Unmatched Client Experience**® through the delivery of assurance, tax, and consulting services for clients in all 50 states and internationally through the global network. Our team is proud to work with more than 90% of the top 12 U.S. financial institutions. Forvis Mazars is a leader when it comes to audit work for financial institutions, holding the number two position as auditors of public banks in the U.S., according to data from S&P Global.

We encourage you to connect with a local team member for questions regarding any of the topics explored in this document, or if you would like to learn more about our firm and how we can help your institution.

Ashley Ensley
Partner, Forvis Mazars

Introduction

The American Institute of CPAs (AICPA) and the Chartered Institute of Management Accountants (CIMA) held its annual Conference on Banks & Savings Institutions and Conference on Credit Unions on September 15–17, 2025. Forvis Mazars was honored to be an event sponsor again for 2025.

Senior officials from the federal banking agencies, SEC, FASB, and banking institutions discussed today's most pressing issues and key focus areas for community banks, midsize banks, and large banks. In panel sessions, chief financial officers (CFOs) and accounting policy officers from each banking sector provided invaluable insights and real-life examples on challenges and opportunities. CECL discussions evolved from implementation to model improvements, proposed accounting standards updates (ASUs) related to purchased financial assets, the SEC's disclosure expectations for registrants, and continued concerns about commercial real estate (CRE) valuations. The benefits and potential risks of the use of artificial intelligence (AI) were discussed in several sessions. Keynote sessions addressed the overall economy and the real estate sector.

We have included selected summaries from various conference speakers and have not captured all discussions presented during the three-day period. The discussion is intended to highlight trending accounting and financial statement reporting topics and recurring themes. The selections below are our interpretation of the speakers' comments and do not necessarily represent the opinions of Forvis Mazars. Links to our **FORsights**™ are included for a deeper dive into these topics.

Regulatory Update: OCC Comptroller Jonathan Gould

Introduction

The Office of the Comptroller of the Currency (OCC) continues to play a pivotal role in shaping the regulatory landscape for U.S. financial institutions. At the recent industry conference, Comptroller Jonathan Gould, newly sworn in as of July 2025, outlined his vision for recalibrating regulatory approaches, with a particular focus on supporting community banks and fostering a dynamic, diversified banking sector.

Key Themes & Priorities

Reducing Regulatory Burden

Gould emphasized the need to reduce unnecessary regulation, especially where it creates undue pressure on community banks. He advocated for a recalibration of risk tolerance, noting that historically low risk thresholds have discouraged banks from fulfilling their core purpose—taking socially useful risks. Gould's remarks highlighted the unique benefits of the U.S. banking system, which supports both large institutions and community banks, and called for regulatory frameworks that nurture this diversity.

Market-Driven Decisions & M&A Activity

Looking ahead, Gould anticipates closer collaboration between the OCC and FDIC to allow market and consumer demand to guide decisions on new bank formations (de novo banks). He signaled a shift toward less skepticism from the OCC regarding larger bank mergers and acquisitions (M&A), suggesting a more open stance on industry consolidation where it aligns regulatory risk with market needs.

Capital Requirements & Supervisory Consistency

On the regulatory front, Gould stressed the importance of ensuring capital requirements are appropriate and consistent. He called for clearer definitions of what constitutes unsafe and unsound practices, enabling institutions to set expectations and manage risk more effectively. Supervisory strategies will be risk-based, with community bank oversight focused on long-term viability, while larger banks will be held to lower risk tolerances due to their systemic importance.

Executive Orders & Consumer Protection

Addressing recent executive orders on debanking, Gould clarified the OCC's position: reputational risk should not be an examination criterion. He also announced improvements in transparency around *Bank Secrecy Act*/Anti-Money Laundering (BSA/AML) issues, including updates to the consumer complaint website to help better capture and address feedback from the public.

Looking Forward

In closing, Gould expressed his intent to ease short-term regulatory burdens, enabling bank management and boards to focus on medium- and long-term strategic challenges and core banking principles and shift focus away from regulatory scrutiny. This approach aims to foster a resilient, innovative banking sector that can adapt to evolving risks and opportunities.

Conclusion

The comptroller's remarks signal a thoughtful shift in regulatory tenor—one that balances prudence with flexibility—and encourages banks to innovate while maintaining sound risk management. As the OCC continues to refine its approach, financial institutions should remain engaged with regulators, advocate for clarity and consistency, and prepare to navigate a landscape where both opportunity and oversight are evolving.

FASB Update: Key Developments & Implications for the Banking & Credit Union Industry

Introduction

FASB continues to advance its technical and research agendas, with 11 active projects—nine expected to be finalized by year-end 2025. This update from FASB highlights key priorities, technical projects, and actionable recommendations for financial institutions.

Agenda Consultation Insights

Top priorities identified by banking industry stakeholders:

- Risk Management and Hedging – Simplified, principles-based guidance and improved disclosures.
- Enhanced Disclosures – Timely, segmented, and decision-useful information for investors.
- Transfers and Servicing of Financial Assets – Consistent derecognition criteria and clearer servicing guidance.

Key Technical Projects

Purchased Financial Assets

Clarifies accounting for non-purchased credit deteriorated (PCD) loans acquired in business combinations. A final ASU is expected Q4 2025; effective for periods beginning after December 15, 2026 with early adoption permitted.

Derivative Scope Refinements

Addresses environmental, social, and governance (ESG)-linked derivatives. A final ASU is expected Q3 2025; effective for periods beginning after December 15, 2026.

Hedge Accounting Improvements

Improves accessibility and alignment with actual risk strategies. A final ASU is expected Q4 2025; effective after December 15, 2026.

Statement of Cash Flows – Targeted Improvements

Enhances clarity and relevance of cash flow reporting for financial institutions. Research in progress.

Government Grants

Provides standardized guidance modeled after international standards (IAS 20). An ASU is expected by 2029 for public business entities (PBEs).

Environmental Credit Programs

Establishes fair value options for non-compliance credits. A final ASU update is drafted; effective date pending.

Current Research Agenda Highlights

- Hedge and Derivative Accounting Overhaul – Broader changes to Topic 815.
- Digital Assets – Targeted improvements for accounting and disclosure.
- Commodities – Scope and disclosure considerations for physical trading.

Recommendations for Banks & Credit Unions

- Engage Early – Participate in outreach and comment periods.
- Assess Impact – Review operational and reporting implications.
- Prepare Systems – Plan for implementation timelines.
- Stay Informed – Monitor Emerging Issues Task Force (EITF) and research agenda developments.

Introduction

The 2025 Conference convened leading voices from the SEC and PCAOB to address the evolving landscape of financial reporting and audit oversight. The sessions focused on investor needs, cost efficiency for issuers, and the ongoing transformation of audit practices. This summary covers the most salient themes and insights, reflecting the conference's commitment to transparency, regulatory alignment, and continuous improvement in financial reporting.

SEC Chief Accountant Highlights

Optimism & Investor Focus

The SEC Chief Accounting team set an optimistic tone, emphasizing the importance of disclosures that truly add value for investors. The team advocated for a reassessment of financial statement disclosure requirements, urging issuers to identify disclosures that may have lost relevance over time and to streamline reporting for greater efficiency.

- Disclosure Reassessment: Focus on disclosures that are meaningful to investors. Reduce cost burdens for issuers by eliminating nonessential disclosures.
- Reporting Frequency: Discussion on aligning U.S. reporting requirements with global standards. Consideration of shifting from quarterly (10-Q) to semiannual or annual reporting to support long-term perspectives.
- Standard-Setting Agenda: Commitment to timely issuance of new standards and interpretations. Making sure issuers and auditors have adequate time to comply with changes.

PCAOB Chief Accountant Highlights

Audit Quality & Inspection Focus

The PCAOB Chief Accounting team had a consistent tone from prior years, focusing on auditor inspection topics and emerging areas of interest.

- Confirmations: Auditors are expected to own the confirmation process. Where confirmations are not feasible, auditors must determine alternative responses to identified risks.
- Technology in Auditing: Rapid evolution of audit tools is acknowledged. Emphasis on robust controls over data used in audit tools, especially when sourced externally. Upcoming guidance on reliance on external information/data.
- Quality Control (QC1000): Increased focus on audit firms' systems of quality control. Implementation deadline extended to allow firms to reassess internal policies. Risk-based approach to quality control assessments may reduce the number of individual audit inspections for firms with strong controls.
- Inspection Topics: Continued attention to allowance for credit losses (ACL), use of specialists, management review controls (MRCs), information provided by the entity (IPE), and evaluation of deficiencies.

Conclusion

The SEC and PCAOB reinforced the importance of purposeful disclosure, efficient reporting, and rigorous audit quality. Both agencies are committed to supporting issuers and auditors through timely guidance and a risk-based approach to oversight. As the regulatory and technological environment continues to evolve, the focus remains on delivering value to investors while helping ensure the integrity and effectiveness of financial reporting and audit processes.

Auditing Standards Update

Introduction

Mike Manspeaker from the Auditing Standards Board (ASB) provided an update on auditing standards with upcoming effective dates and outlined future focus areas for the ASB. The session addressed significant changes impacting CPA firms and financial institutions, emphasizing quality management (QM), group audits, accounting estimates, and recent exposure drafts.

Quality Management Standards

- Effective Dates: New QM standards take effect for CPA firms in 2025 and 2026.
- Key Themes: The standards emphasize improved governance and monitoring, adopting a risk-based approach tailored to each firm's circumstances.
- Roles Clarified: The standards clarify the responsibilities of both the engagement partner and the engagement quality reviewer within a firm's quality management system.

Group Audits (SAS 149)

- Scope: Statement on Auditing Standards (SAS) 149 introduces a risk-based approach for planning and performing group audits.
- Responsibilities: The standard clarifies the roles of group auditor and component auditors and referred-to auditors emphasizing communication and professional skepticism.
- Effective Date: Applies to periods ending on or after December 15, 2026.

Accounting Estimates (SAS 143)

- Focus: SAS 143, effective for periods ending on or after December 15, 2023, remains a key area for the ASB, especially for financial institutions, given the significance of the ACL as an accounting estimate.
- Requirements: Auditors must consider estimation uncertainty and inherent imprecision, review subsequent activity, test management's process, or develop their own point estimate or range.
- Retrospective Review: Auditors are required to review outcomes of previous estimates to inform current risk assessments.
- Fraud Connection: The standard links to fraud auditing, requiring scrutiny of management's estimates for potential bias.

Recent & Upcoming Exposure Drafts (EDs)

Consideration of Fraud in a Financial Statement Audit

- ED Published: May 2025, with comments due August 2025.
- Key Changes: Clarifies auditor responsibilities related to fraud, emphasizes professional skepticism, and extends retrospective review requirements.
- Internal Controls: Includes guidance on understanding whistleblower programs as part of internal control systems.
- Material Misstatements: Reinforces auditor concern with material misstatements due to fraud.

Attestation Standards

- Revision Project: The ASB is revising baseline attestation standards, likely to include sustainability and ESG subject matter.
- International Convergence: Potential for further alignment with international standards.
- Upcoming Votes: An ED is expected by the end of 2025; comment letters on scope limitations in review engagements are under consideration.

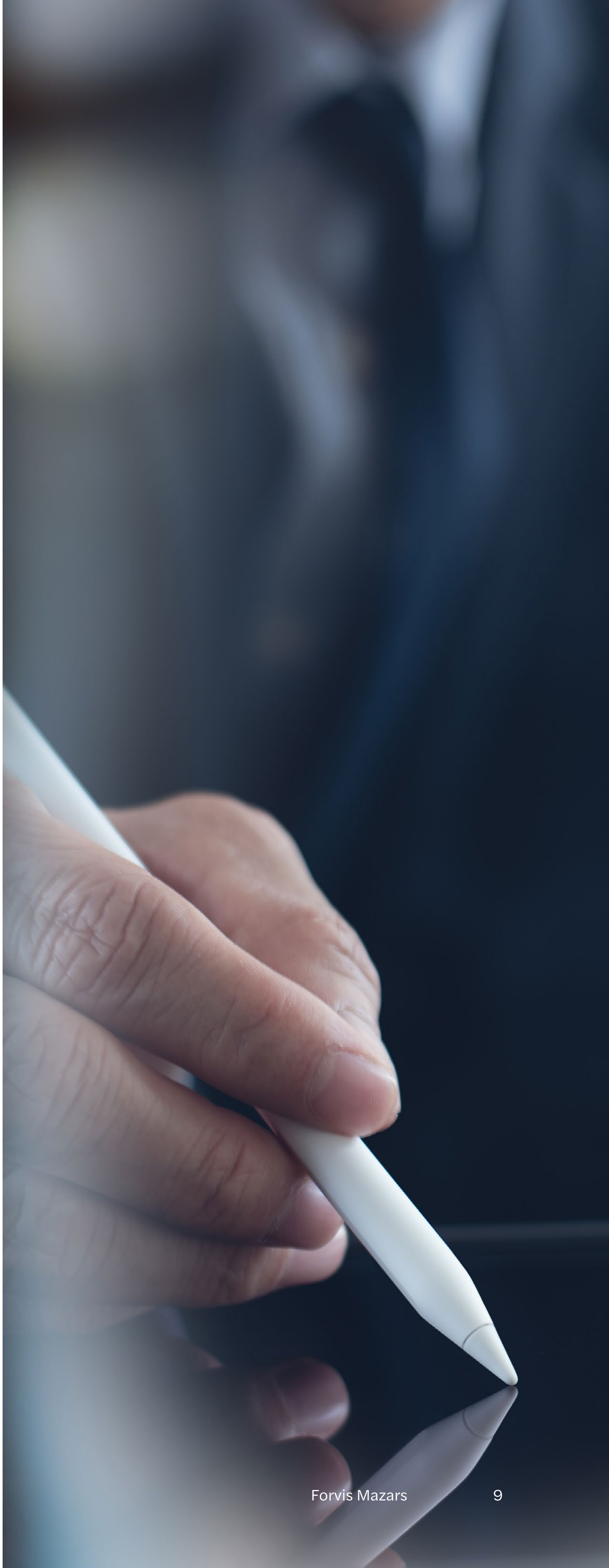
Auditing Standards Update

External Confirmations

- ED Under Review: Would require auditors to use external confirmations for cash held by third parties.
- Documentation: Expands requirements for documenting decisions not to use external confirmation procedures for cash and accounts receivable.

Conclusion

The ASB’s latest updates reflect a commitment to enhancing audit quality, transparency, and risk management in financial reporting. CPA firms and financial institutions should prepare for the implementation of new standards, stay informed on exposure drafts, and help ensure robust governance and documentation practices. The evolving landscape underscores the importance of professional skepticism, effective communication, and continuous improvement in audit engagements.



Embracing the Future of Intelligent Finance: AI for Financial Institutions

Introduction

The financial services industry stands at the threshold of a new era—one defined by the rapid adoption and integration of artificial intelligence (AI). Dr. Lamont Black, Filene Fellow and associate professor at DePaul University, delivered a compelling session on how financial institutions can embrace the future of intelligent finance. His presentation traced the evolution of technology, contextualized AI's current trajectory, and offered practical guidance for leaders navigating this transformation.

The Evolution of Technology & the Dawn of AI

Black began by situating AI within the broader history of technological revolutions, claiming it marks the beginning of a new era rather than the tail end of the information revolution. Drawing parallels to the iPhone's impact on banking, he warned that institutions must not become the next "Blockbuster Video," citing a missed transformative opportunity to acquire Netflix.

AI Adoption: From Disruption to Transformation

- Industry Adoption: AI adoption in business functions has surged, with 72% of companies using AI in at least one area by 2024. Generative AI usage has also accelerated, reaching 65%.
- Disruption vs. Transformation: Institutions must proactively transform with AI rather than be disrupted by it.

Understanding AI: Types & Use Cases

- Machine Learning: Fully automated, rules-based systems for tasks like consumer lending decisioning.
- Generative AI: Tools like ChatGPT and Microsoft Copilot augment human productivity.
- Agentic AI: AI systems that can be delegated tasks, freeing humans for strategic work.

Practical Applications in Financial Institutions

Internal Operations

- Lending (Decisioning): AI improves speed and accuracy.
- Fraud Detection: Enhanced identification and prevention.
- Knowledge Base Assistants: Generative AI supports staff with instant, context-aware information.

Customer Experience

- Self-Service Assistants (Chatbots): Provide 24/7 support.
- Personalization: Tailored products and services.
- Next Best Product: Data-driven recommendations.

Organizational Change & Strategic Imperatives

- Beyond IT: AI adoption requires organizationwide change.
- AI Road Map: Align technology investments with strategic goals.
- Risk Management: Address risks such as data integrity, fraud, and AI hallucinations.

Leadership & Board Engagement

- Board Involvement: Boards must oversee AI strategy and organizational change.
- Strategic Alignment: Strategy should drive AI adoption, not the other way around.

Embracing the Future of Intelligent Finance: AI for Financial Institutions

The Path Forward: Opportunities & Challenges

- Adoption Levels: Larger institutions are leading while smaller institutions risk falling behind.
- Workforce Impact: AI will transform every leadership role.
- Ethical and Social Considerations: Responsible, phased adoption is essential.

Conclusion

Business adoption of AI is no longer a future consideration—it is a present reality. Financial institutions must develop a comprehensive AI road map, engage leadership and oversight at all levels, and balance innovation with prudent risk management. As Black concluded, "The future is bright" for those willing to embrace intelligent finance and lead their organizations through this transformative era.

CECL Best Practices Heading Into Year 3 – Credit Unions

Introduction

As financial institutions enter the third year of modeling under the CECL methodology, industry leaders gathered to discuss evolving best practices, model adjustments, and governance strategies. Panelists included Gautam Agarwal, Navy Federal Credit Union vice president of lending analytics; Stephen LaBarbera, Doeren Mayhew principal; Sharon Poach, Navy Federal Credit Union senior vice president of finance and controller; and Anthony Porter, Baker Tilly principal; representing a cross-section of credit union experience.

CECL Model Adoption: Approaches & Trends

Polling revealed a diversity of CECL model adoption strategies:

- Third-party vendor solutions
- In-house developed models
- National Credit Union Administration (NCUA) CECL tool

Model Performance & Adjustments

Institutions were asked whether economic or other events since CECL adoption had led to model deterioration and subsequent adjustments:

- Many reported making changes in response to shifting conditions, while others maintained their original models.
- Adjustments included overlays, changes in estimation methods, updates to model assumptions, and refined segmentation.

Key Insight: Even statistically sound models may require practical adjustments to remain conceptually sound. Backtesting (ideally annually) is considered best practice for validating model performance and identifying areas for refinement.

Methodology Changes & Overlays

Panelists and poll results highlighted the following changes since adoption:

- Added Overlays or Qualitative Adjustments (49%)
- Changed Estimation Method (12%)
- No Changes (15%)
- Changed Model Assumptions (21%)
- Changed Segmentations (3%)

Best Practices:

- Overlays should be well-documented, justified, and consistently applied. Both positive and negative overlays are possible, but negative overlays require especially strong support.
- Seasonality overlays are valid if applied appropriately to each asset class.
- Most assets are evaluated collectively, but large loans may be individually assessed.

Governance & Stakeholder Engagement

Institutions reported spending varying amounts of time discussing allowance with management, auditors, and examiners:

- About as much time as expected (73%)
- Too much time (18%)
- No time at all (9%)

Governance Trends:

- Stakeholder questions have become more detailed, focusing on model methodology, inputs, assumptions, and sensitivity.
- Discussions are increasingly strategic, with executives more engaged in challenging results and removing bias.

CECL Best Practices Heading Into Year 3 – Credit Unions

- Leading institutions view CECL not just as a compliance exercise, but as an opportunity to add value through better documentation and rationale for inputs and assumptions.

Conclusion

Three years into CECL, leading institutions are moving beyond compliance to embrace continuous improvement, robust governance, and strategic engagement. The most successful organizations document their rationale, challenge their models, and foster open dialogue with stakeholders, helping ensure that CECL remains a value-added process, not just an accounting and regulatory requirement.

Introduction

The conference provided a timely forum for community banks to address the evolving complexities of financial reporting and regulatory compliance. Industry leaders and panelists explored critical topics shaping the sector, from credit risk management to the impact of new accounting standards. Below are the key themes and actionable strategies discussed, offering clarity and direction for financial institutions preparing for the future.

Credit Risk & ACL: Navigating Economic Uncertainty

Economic volatility continues to influence credit risk profiles for community banks. Panelists highlighted slower demand for term loans, increased usage of operating lines, and rising interest rates as factors affecting portfolio performance. While commercial real estate (CRE) has shown resilience, certain markets are experiencing higher delinquencies. The importance of revisiting segmentation strategies, model overlays, and qualitative factors (Q-factors) was emphasized, with strong documentation and governance around ACL estimates deemed essential.

Purchased Financial Assets (PFAs): Preparing for New Guidance

FASB is finalizing an ASU to resolve the "double count" issue for non-PCD PFAs. The new standard introduces a gross-up approach for seasoned assets, excluding credit cards and held-to-maturity securities. Banks are advised to prepare for transition disclosures and pooling decisions and to understand differences in day-one presentation and recovery-cap mechanics compared to PCD treatment. Early adoption is permitted for statements that have not yet been issued, and proactive planning is encouraged if early adoption of this standard would impact 2025 transactions.

Banking-as-a-Service (BaaS): Managing Fintech Partnerships

BaaS arrangements are increasingly prevalent, with banks funding fintech-originated loans or holding loans sourced by partners. These models require clear role definitions and robust underwriting controls. Credit enhancements provided by fintechs often fail the "freestanding" test under Accounting Standards Codification (ASC) 326-20-30-12, necessitating inclusion in the ACL. Banks must assess partner performance and make sure sale criteria are met when distributing exposures; these transactions are often complex and must align execution, risk appetite, accounting requirements, and operational capacity.

Bank-Owned Life Insurance (BOLI): Caution on Day-One Gains

BOLI remains a complex area for financial reporting. Under ASC 325, realizable amounts must reflect contractual limitations. Panelists expressed skepticism about recognizing day-one gains in non-distressed BOLI transactions, recommending that such gains be treated as contingencies under ASC 450-30 unless supported by persuasive evidence. Careful evaluation of BOLI contracts is advised to avoid premature income recognition.

Sale-Leaseback Accounting: Ensuring Proper Qualification

Sale-leaseback transactions depend on whether the sale qualifies under ASC 842/606. If the leaseback is classified as a finance lease or includes a repurchase option, sale accounting is typically precluded. Discount rate assumptions and fair-value support are critical for determining the transaction's impact on earnings and liquidity. Banks should pre-assess these deals to help ensure accurate accounting treatment and avoid surprises in financial statements.

Standard-Setting Developments: Preparing for Disclosure Changes

FASB and the SEC are advancing several initiatives affecting community banks. ASU 2023-09 on income tax disclosures requires tabular rate reconciliations and jurisdictional breakdowns of taxes paid. ASU 2024-03 on disaggregation of income statement expenses (DISE) will require PBEs to disclose specific expense categories starting in 2026. Additional projects include updates on crypto assets, joint ventures, derivatives, hedge accounting, and government grants. Banks should begin enhancing data pipelines and systems to meet these new disclosure requirements.

FDICIA Threshold Proposal: Easing Compliance Burdens

The FDIC has proposed raising several Part 363 thresholds, including increasing the annual reporting threshold to $1 billion and the internal controls over financial reporting (ICFR) threshold to $5 billion, indexed biennially to the CPI-W. This change aims to reduce compliance burdens for smaller institutions and facilitate better long-term planning. Banks should review governance structures, audit committee composition, and internal control frameworks in anticipation of these changes, which have not yet been finalized.

Action Checklist: Steps for Community Banks

To stay ahead, community banks should:

- Refresh ACL governance and align estimates with current economic conditions.
- Inventory purchased assets and plan for PFA adoption.
- Map BaaS relationships and validate underwriting and enhancement accounting.
- Re-evaluate BOLI contracts for realizability limits.
- Pre-assess sale-leaseback transactions for qualification.
- Build data pipelines for income tax and DISE disclosures.
- Prepare for *Federal Deposit Insurance Corporation Improvement Act* (FDICIA) threshold changes with updated policies and changes to audit strategies and committee charters.

Conclusion: Readiness for 2026 & Beyond

As community banks confront evolving risks and regulatory expectations, early preparation and disciplined financial reporting are key to navigating the years ahead. By strengthening ACL processes, understanding new accounting standards, and proactively managing fintech and BaaS relationships, banks can position themselves for success in 2026 to 2027. The presenters underscored the importance of readiness, transparency, and strategic planning in a dynamic environment.

Fintech Partnerships: Key Insights & Strategies

Introduction

The financial services industry stands at a pivotal crossroads, shaped by rapid technological innovation and evolving market demands. Emmett Shipman, fintech strategy and growth senior manager for Wolf & Company, gave a presentation on fintech partnerships that illuminated the strategic challenges facing community financial institutions. This session offered a road map for navigating the new era of banking through effective fintech collaboration.

Banking Evolution & the Rise of Fintech

Community financial institutions have long been the backbone of the economy. Today, the sector is experiencing a transformation driven by the convergence of traditional banking and fintech innovation. Fintech has emerged as the fourth platform—following internet, mobile, and cloud technologies—ushering in a new chapter marked by scaled winners and emerging disruptors. The interplay between banks seeking innovation and fintechs seeking distribution creates a dynamic flywheel of opportunity.

Strategic Themes & Opportunities

1. The Next Chapter of Fintech

- Scaled fintechs and new disruptors are poised to lead the industry's next phase.
- Agentic AI and on-chain finance represent promising frontiers, though hurdles remain.

2. Growth Areas

- Fintech lending and business-to-business (B2B) infrastructure are identified as key growth segments.
- Banks must embrace AI, strategically collaborate with fintechs, and develop digital asset strategies.

3. Navigating Partnerships

- Institutions should prioritize initiatives aligned with organizational goals.
- Assessing enterprise readiness and evaluating fintech partners are essential.
- Leveraging network partners—legal, risk, compliance, and peer institutions—can help overcome regulatory hurdles.

4. Operating Leverage & Best-in-Class Solutions

- Focus on creating operating leverage and delivering superior solutions.
- Understand when to be "best in class" versus "okayest in class," and double down where differentiation matters.

Practical Strategies for Financial Institutions

- Board and Leadership Engagement: Strategic fintech conversations must begin at the top, with full transparency and alignment.
- Enterprise Readiness: Define what "enterprise readiness" means for your institution and act accordingly.
- Risk Management: Educate regulators and maintain openness with examiners and auditors to navigate scrutiny.
- Decision Making: Know when to raise, hold, or fold—never go all in without full information, and be prepared to fail fast when necessary.
- Ecosystem Leverage: Utilize partners across the ecosystem to address legal, risk, and compliance challenges.

Conclusion

The collision of fintech and community banking presents both challenges and opportunity for innovation. Success in this new era requires understanding historical context, embracing innovation, and engaging strategically with fintech partners. Institutions must pivot from a product-centric to a customer-centric mindset, leveraging technology to redefine their role in the financial landscape. There is no universal playbook—each institution must chart its own course, prioritizing, testing, and learning along the way. With change comes opportunity; those who embrace it will shape the future of banking.

M&A Banking Valuation & Accounting Trends

Introduction

The conference sessions on M&A banking valuation and accounting trends provided an overview of the current dealmaking environment, valuation methodologies, and accounting considerations under ASC 805 and ASC 820 with key insights and practical takeaways.

Current Landscape

Bank M&A increased in 2025 with significant changes in deal dynamics due to the changing economic and regulatory landscape. Understanding key M&A considerations is essential for professionals advising financial institutions or stakeholders involved in transactions.

Deal value announced in the first half of 2025 increased by approximately 20% year-over-year, with 107 deals announced through Q2 2025 compared to 128 deals in all of 2024. Factors contributing to increased transactions include:

- Regulatory Environment: Optimism is rising due to a clearer and more favorable regulatory environment. Regulatory approval timelines have also decreased, allowing a faster turnaround for deal closures.
- Market Rebound: Relative stability in the markets due to lower inflation and the promise of lower interest rates. CRE and credit quality concerns are still prevalent, but earnings remained relatively stable through Q2 2025.
- Competitive Pressures: Non-bank lenders, fintechs, and other industry entrants are intensifying competition, prompting traditional banks to innovate. Profitability pressures remain a concern, prompting banks to leverage M&A for cost efficiency and revenue diversification.

M&A Valuation & Accounting Trends

ASC 805, *Business Combinations*, is the primary accounting guidance for M&A. Under the guidance, the acquirer measures the identifiable assets acquired, liabilities assumed, and any noncontrolling interest in the acquiree at their acquisition-date fair values. The most common assets and liabilities subject to fair value measurement in bank M&A include but are not limited to: loans and credit card receivables, the core deposit intangible (CDI), investments, time deposits, and assumed debt.

Key challenges for loan valuations include the complexity of balancing CECL estimates with market credit loss indications, especially for niche segments and discount rate estimation in the face of a lack of timely market data.

Key challenges for CDI valuation include quantifying customer attrition, incorporating cost savings/restructuring expenses, and estimating alternative cost of funds and deposit costs, which each require a layer of judgment on top of any quantitative analysis performed.

PFA Considerations: FASB is expected to issue a final ASU in Q4 2025, broadening the scope of assets subject to the gross-up approach for business combinations to include all seasoned loans. Operational and modeling challenges include aligning CECL models between acquirer and target, educating stakeholders on PCD distinctions and pending guidance changes, and managing post-deal accounting during system conversions.

M&A Activity, Investment Metrics, Challenges & Key Considerations

The session explored the current and future state of the bank M&A market. Highlights included:

Due Diligence: Due diligence helps prevent issues that could impact future profitability or integration success. It is important to focus diligence efforts on assessing earnings quality, credit risk profile, governance, capital adequacy, potential tax exposures, organizational capabilities, technology stack, HR systems, risk framework, and more.

Post-Deal Integration Considerations: Effective management post deal approval reduces the risk of deal failure, decreases integration costs, and preserves the value anticipated in the transaction.

Key considerations include core system conversion, data migration, retention plans, brand transition, cost savings tracking, risk management integration, regulatory reporting, and more.

Key Valuation Metrics: When assessing the value of a potential merger or acquisition, it's essential to understand how the transaction will impact the financial health and future prospects of the combined entity. The core investment metrics specific to financial institutions' M&A provide the structure to evaluate whether a deal will create sustainable value for shareholders and stakeholders.

- **Earnings and Book Value Impact**: Metrics that track changes in earnings per share and tangible book value help determine if the acquisition will immediately benefit shareholders or if there will be a period of dilution before value is realized. These measures are crucial for understanding the payback period and the long-term financial trajectory post-deal.
- **Valuation Benchmarks**: Comparing the price paid to the target's tangible book value and analyzing returns on tangible equity are standard practices to help ensure the deal is priced appropriately relative to industry norms and that the investment will generate attractive returns.
- **Synergy Realization**: Estimating cost savings and operational efficiencies is crucial to justifying the premium paid in many transactions. Metrics help validate whether projected synergies are realistic and whether the deal will deliver the anticipated improvements in profitability.
- **Capital Adequacy and Risk**: Assessing the impact on regulatory capital ratios helps ensure the combined entity will remain financially sound and compliant with regulatory requirements. This is especially important in banking, where capital adequacy directly affects the institution's ability to grow and absorb shocks.
- **Profitability and Efficiency**: Additional metrics such as net interest margin, efficiency ratio, and return on assets/equity provide a complete view of how well the combined business will deploy its resources, manage costs, and generate profits. These indicators help identify whether the deal will enhance operational performance or introduce new risks.

Conclusion

The banking sector is experiencing robust M&A activity, supported by excess capital, relative stability in the economy, and a favorable regulatory climate. Valuation and accounting for business combinations require careful consideration of fair value principles, regulatory updates, and operational challenges. The current treatment of PCD assets under CECL is evolving, with significant implications for deal economics and financial reporting.

Institutions should make sure teams are up to date on accounting guidance, specifically fair value measurement and PCD accounting. In addition, it is important to understand the valuation considerations and primary asset and liability classes to be valued that are specific to financial institutions.

Recent Trends in Credit Union Performance

Introduction

The credit union sector continues to navigate a dynamic landscape marked by economic headwinds, evolving consumer sentiment, and competitive pressures. Drawing on timely data and insights, this summary highlights key financial, operating, and competitive trends shaping credit union performance in 2025 as presented by Curt Long, vice president of data and research and chief economist with America's Credit Unions. The analysis is intended to provide clarity on current challenges and opportunities, with a focus on lending, liquidity, earnings, labor market impacts, and the competitive environment.

Financial Trends

Consumer Debt & Lending Capacity

Consumer revolving debt remains manageable, with households retaining capacity to borrow. However, the willingness of consumers to take on new debt is tempered by economic uncertainty. Debt service payments, while elevated, are not out of line with historical trends, suggesting that most households are not overextended.

Credit Conditions & Loan Growth

Credit conditions have tightened, as evidenced by rising loan application rejection rates across auto, credit card, and mortgage refinancing segments. Labor market anxiety is contributing to lower loan demand, with workers expressing concerns about job security and future prospects. Wage growth for low-income workers is slipping, and distributional impacts from recent tax bills and tariffs have heightened economic uncertainty at the lower end of the income spectrum.

Portfolio Composition & Market Share

Credit unions continue to focus their consumer loan portfolios on autos and first mortgages, which together account for more than 70% of total loans. Notably, credit unions are gaining market share in several loan categories, although overall loan growth remains modest due to persistent economic headwinds.

Operating Trends

Car-Buying Sentiment & Inventory

Car-buying sentiment remains poor, having declined sharply during the COVID-19 pandemic and showing little sign of recovery. Inventory-to-sales ratios for vehicles remain tight, and industry participants anticipate that this will be the new normal, with limited optimism for a near-term rebound in auto sales.

Credit Quality & Delinquencies

Credit union loan growth is skewing toward super prime borrowers, with a consistent focus on near prime and prime segments. Credit unions offer competitive rates, particularly for lower credit tiers, and have seen improvement in loan growth relative to banks and auto finance companies. Delinquencies, while elevated, are leveling off due to older loans maturing and working their way out of portfolios. However, industry forecasts suggest a potential deterioration in delinquency rates in 2026.

Earnings & Liquidity

Credit unions reported strong earnings in Q2 2025, with return on average assets (ROA) reaching 0.77%. Net interest margin (NIM) is at its highest level since 2004, reflecting favorable rate conditions. Liquidity constraints are easing slowly, with household savings rising and core deposits stabilizing. The loan-to-share ratio remains elevated but is trending toward normalization.

Competitive Trends

Capital & Regulatory Developments

Capital ratios are growing, though GAAP equity remains low. Adoption of the Complex Credit Union Leverage Ratio (CCULR) is increasing among larger credit unions, providing regulatory relief and flexibility.

Recent Trends in Credit Union Performance

AI & Labor Market Impacts

The impact of AI is increasingly evident, particularly among early-career workers in AI-exposed occupations. Credit unions are experiencing modest employment growth, generally following the credit cycle, and remain relatively labor-intensive compared to banks. The banking sector is undergoing significant shifts in workforce composition, with banks reducing branch footprints and increasing digitization of services.

Branching & Banking Deserts

Large banks are reducing their branch footprints, while credit unions are doing more to bring branches to underserved areas. Credit unions spend less on branches than community banks and are increasingly attentive to the issue of banking deserts.

Merger Activity & Market Structure

Merger rates for credit unions and banks have converged over the long run, though bank merger activity is currently at an all-time low due to regulatory challenges. The median bank remains significantly larger than the median credit union, underscoring ongoing consolidation and scale advantages in the sector.

Conclusion

Key themes for 2025 and beyond include:

- Credit union lending is likely to remain depressed due to low demand, tight liquidity, elevated delinquencies, and fierce competition.
- Earnings are improving, with delinquencies poised to decline, but macroeconomic and labor market risks persist.
- Merger activity will persist for credit unions and pick up for banks as the M&A environment improves and returns to scale increase.

Credit unions are well positioned to navigate the evolving financial landscape, leveraging their competitive rate advantage, focus on member service, and adaptability in the face of regulatory and technological change.

Conclusion

Forvis Mazars can help your financial institution tackle issues inherent to the industry, including market growth, internal control threats, industry consolidation, and compliance. Forvis Mazars is a leader when it comes to audit work for financial institutions, holding the number two position as auditors of public banks in the U.S., according to data from S&P Global. Our team of dedicated professionals has concentrated experience in the financial institutions, mortgage banking, broker-dealer, specialty finance, and asset management industries.

Combine our focus on Unmatched Client Experience with the resources of a global firm, and you will find that Forvis Mazars is the trusted advisor your institution needs. Serving you is our passion and privilege.

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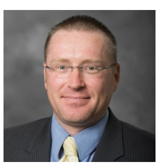

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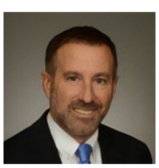

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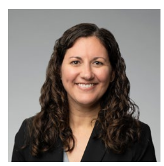

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