ALSTON & BIRD | COUNSEL TO THE BANKING INDUSTRY

Trends in Community Banking

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Mark Kanaly | mark.kanaly@alston.com | 404.881.7975 | 214.922.3404

BANKING LANDSCAPE – AN OVERVIEW

TAKING STOCK

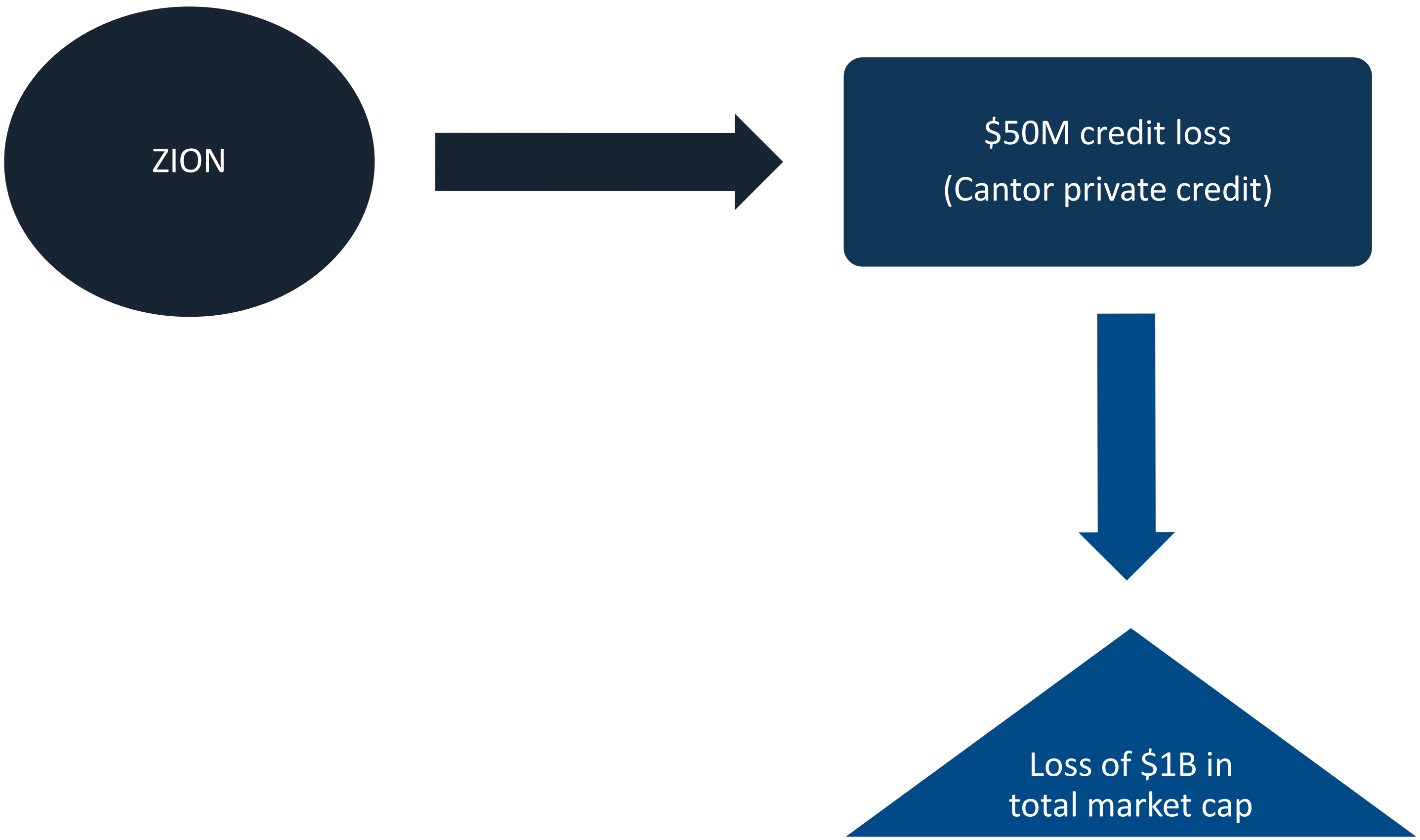
+ Regulatory Rollback
+ Return of M&A
+ Capital Markets Open
+ “Now or Never” Initiatives
+ Resilient EPS Models
+ High Reserve Cushions

- Trading Multiples Remain Low*
- Heightened Credit Focus
- Investor Demand for Loan Growth, But Quality is King
- NIM Uncertainty
- Low Loan-to-Deposit Ratios**
- Fear of Future Political Change

* At September 30, 2025, 27% of banks traded below 100% Price-to-TBV ex-AOCI; average was only 119%

** Industry average of only 70% at September 30, 2025

WHAT JUST HAPPENED?



*Similar outcomes for WAL and BANC

WHY?

First Brands + Tricolor (Fifth Third) + Cantor Private Credit (Zion)

+ NDFIs and Credit Trends + Programmatic Fund Trading = Rapid Trading for fear of “Tip of the Iceberg”

Result is a disconnect between strong Q3 earnings and industry trading at only 10.8x 2025E EPS

REGULATORY ROLLBACK

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FDIC

Board

- ~~Martin Gruenberg (Chair)~~
- Travis Hill (Acting Chair)
- ~~Joe McKernan~~
- ~~Michael Hsu~~
- ~~Rohit Chopra~~
- Jonathan Gould
- Russell Vought
- [Vacancy]

Developments

Travis Hill agenda (September 2025)

Complete withdrawal of proposed rules relating to:

- 2024 bank merger guidance
- Corporate governance
- Brokered deposits
- Change in Bank Control Act
- CRA
- Reputation risk

FEDERAL RESERVE

Leadership – Monetary Policy

- Jerome Powell (Chair, 2026) (2028)
- Philip Jefferson (Vice Chair, 2027) (2036)
- Michelle Bowman (2034)
- Christopher Waller (2030)
- Lisa Cook (2038)
- Michael Barr (2032)
- Stephen Miran (2026)

Leadership – Supervision

- Appointment of Michelle Bowman as Vice Chair

Developments

- Evolving role vis-à-vis CFPB?
- Independence of the Fed?
- Bitcoin reserve?
- Fed's exit from global climate change groups
- End of reputation risk
- Change in large institution "management ratings"

OCC

Leadership

- ~~Michael Hsu (Acting Comptroller)~~
- Jonathan Gould (Comptroller)

Developments

- Repeal of bank merger guidelines
- Removal of “reputation risk” from bank inspection guidelines
- Shift in position on digital assets via interpretation letters
- Treasury initiative to streamline and control FDIC and OCC

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CFPB

Leadership

- ~~Rohit Chopra (Director)~~
- Russel Vought (Acting Director)

Developments

- Trump plans to fire about 1700 employees
- Lawsuits pending
- Trump vision to transition CFPB from “Orwellian predator” (per Andy Barr) to a bipartisan commission funded by Congressional appropriation
- Withdrawal of enforcement actions
- 1033 open banking pullback
- Notification of overdraft rules

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KEY POLICIES / INITIATIVES

Looser Bank Regulation

Expedited Merger Approvals

Tabling of Basel III

Neutering CFPB

Elimination of Climate Rules

Proliferation of Fintech and Crypto

EXAMINATION TRENDS

EXAM FOCUS – PRE-TRUMP

Credit

- CRE
- Consumer

Liquidity

- Market risk
- Earnings

Third Party

- Fintech
- Cyber

Compliance

- ODP
- UDAAP
- AML/CFT

THE HOPE . . .

2025

Congressional Control

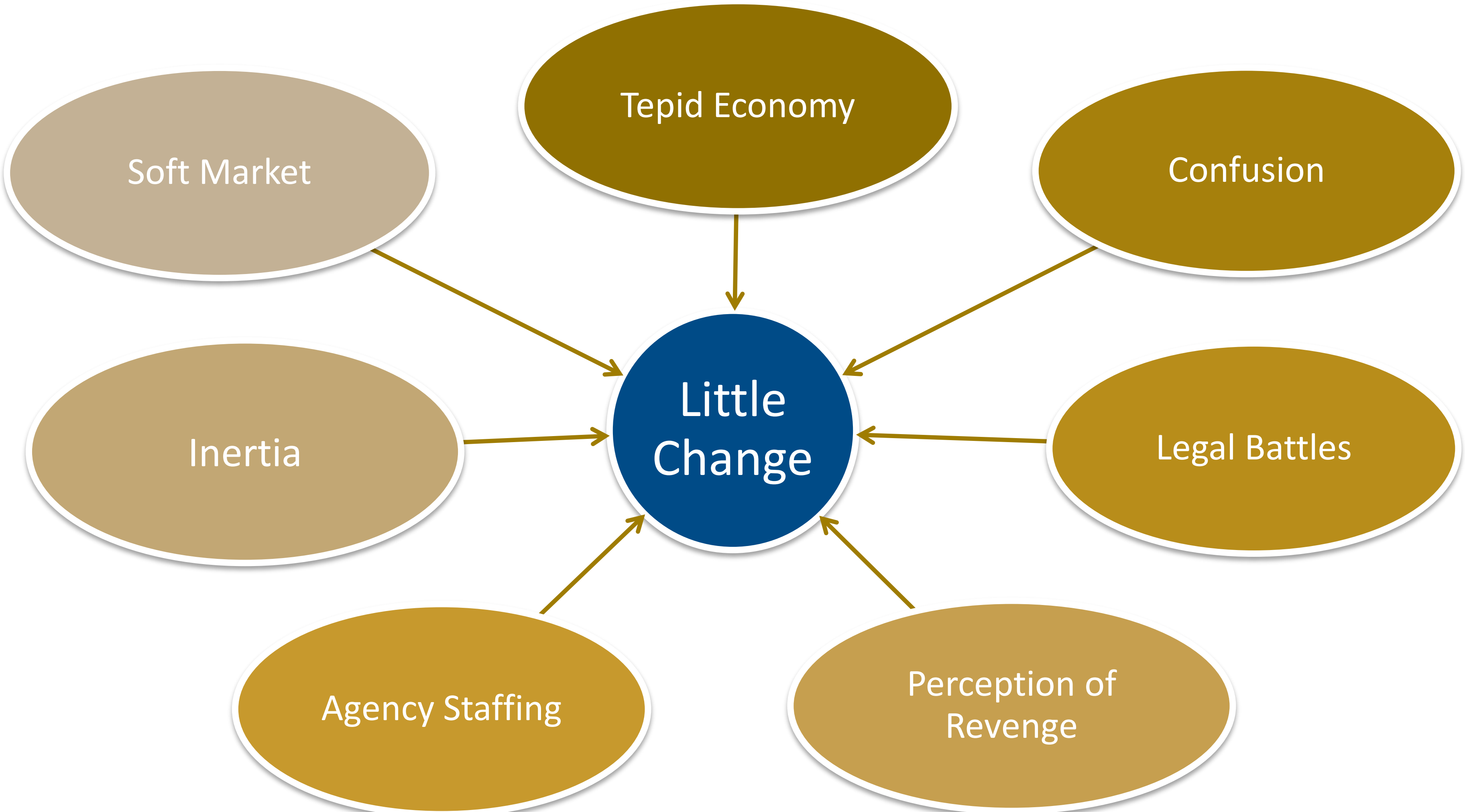
Strong Economy

New Agency Leadership

Change in Agency Tone

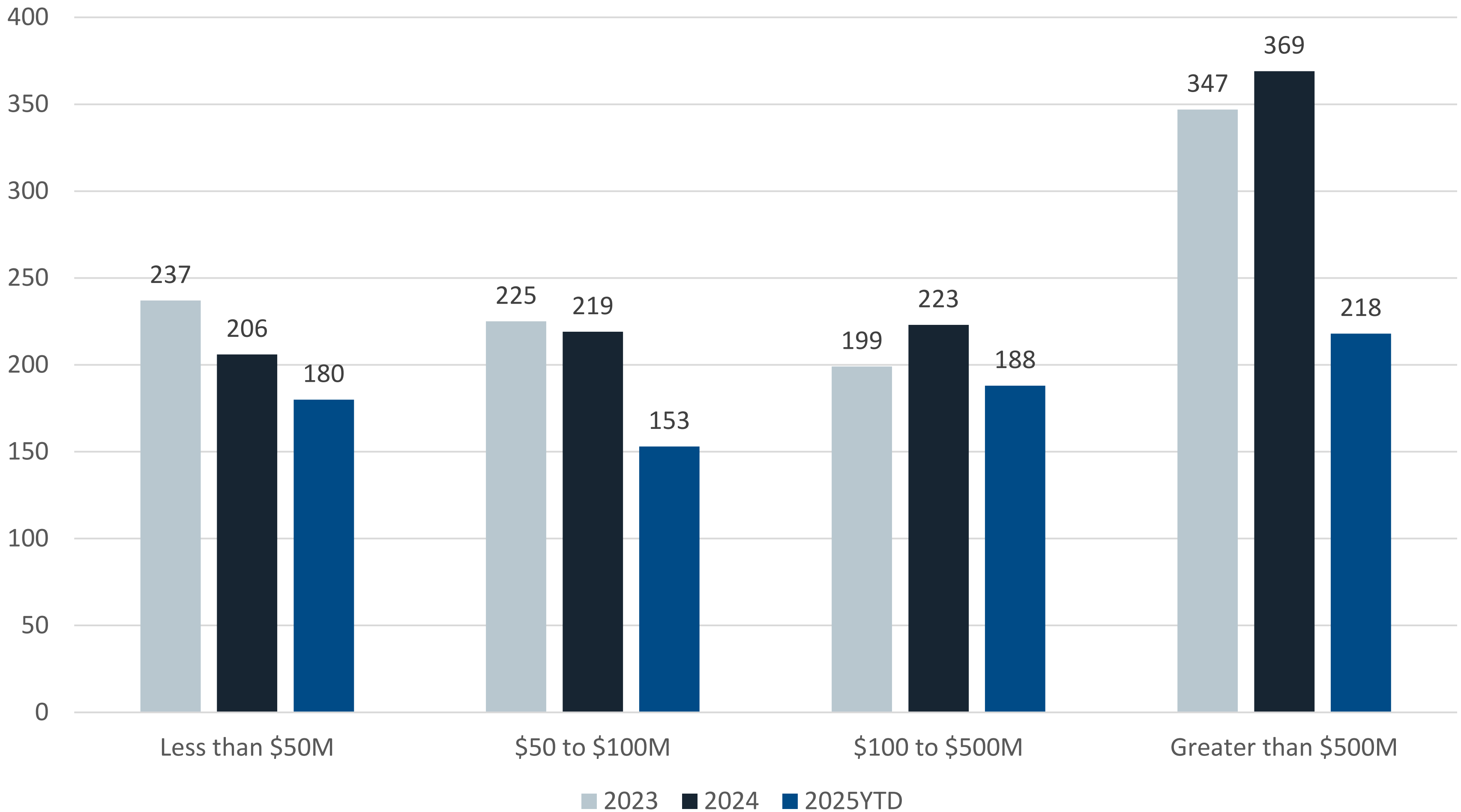
Lighter touch Exams

THE REALITY SO FAR



MERGERS AND ACQUISITIONS

Average Days-to-Close
By Deal Size, 2023 to 2025 YTD



Columbia / Umpqua -- 505 days
Columbia / Pacific Premier -- 131 days

FORECASTING M&A

Faster Approvals
Relative Value
Cost Efficiencies
Scale
Capitol
Purchase Accounting
Age

Fewer Buyers
Uncertainty
Market Volatility
Pricing

M & A

CAPITAL MARKETS TRENDS

CAPITAL – REGULATORY TENSION

Capital Policy	Capital Allocation Strategy
▪ "If X, then Y" ▪ Vague outline of the triggers and resulting steps	▪ Growth ▪ Dividends ▪ Stock buybacks ▪ Portfolio repositioning ▪ M&A

CAPITAL

20 years ago

- 40 or so institutional investors
- Lots of capital tools
  - TRUPs
  - Sub debt
  - Tier 1-qualifying preferred
  - Common
  - "Club deals"

Today

- 8 or so institutional investors
- TRUPs are gone
- Limited market for preferred
- Larger banks make it tougher to do "friends and family" raises

CAPITAL AVAILABILITY – PRIOR TO Q3

Offensive

Mergers

- Renasant's $1.2B acquisition of The First, with $230M capital raise

IPOS

- Northpointe's $150M initial public offering

Balance Sheet Cleanup

- Amerant's $165M capital raise to fuel a $560M securities portfolio repositioning

Distressed

- First Foundation's $225M recapitalization in private equity "club" deal

OTHER CAPITAL STRATEGIES

Sale –Leaseback

- SouthState sale of 170 branches in $475M deal

Risk Weighting Optimization

- Synovus reduction of RWAs by $2.4B and securities portfolio repositioning of $1.6B

BOLI Extension

- Recover cash surrender value of existing policy and extend

Q3 – OPEN PLAYBOOK

COASTALSOUTH BANCSHARES, INC.

$50M Common Stock IPO
(July 2025)

SmartBank

$100M Subordinated Debt
(August 2025)

WesBanco

$230M Preferred Stock
(September 2025)

HORIZON BANCORP, INC.

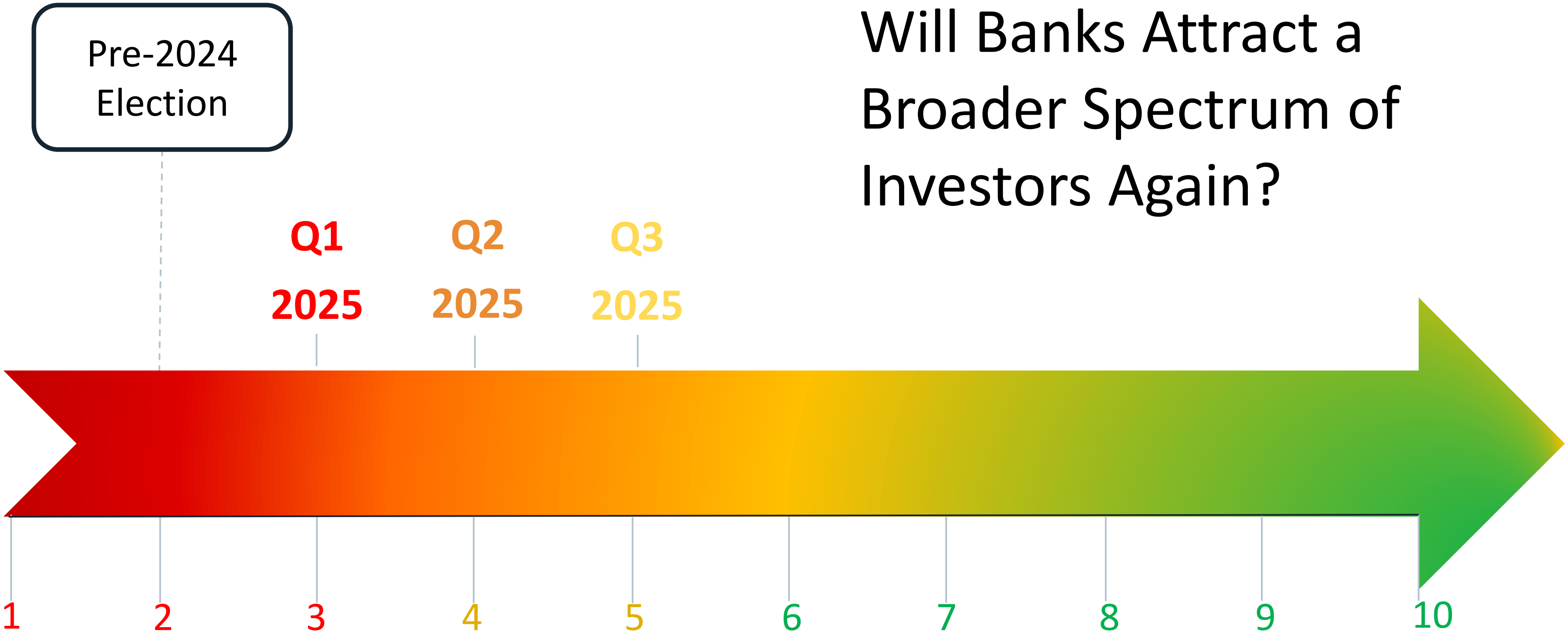
$105M Common Stock
$100M Subordinated Debt
1.6B Balance Sheet Restructuring
(August 2025)

FIRST INTERNET BANCORP

$870M Loan Sale
(September 2025)

ACCESS TO CAPITAL – WHAT'S NEXT?

Will Banks Attract a Broader Spectrum of Investors Again?



“NOW OR NEVER” INITIATIVES

ELIMINATION OF BANK HOLDING COMPANY

How?	Merger of Holding Company into Bank
Why?	▪ Results in only one Federal bank regulator ▪ Bank securities are exempt from SEC registration requirements
Why Not?	▪ Lose access to additional FHC activities ▪ For banks less than $3b in assets, lose unconsolidated capital treatment
Precedent	OZK, CADE

FEDERAL RESERVE MEMBERSHIP

WHY?

- One Federal bank regulator
- Fed has a more holistic view of risk
- Less compliance burden
- Less political
- Greater responsiveness
- Positive initiatives – consider Fintech pilot program and lack of public orders
- Dedicated team approach
- Unlike FDIC, Fed has applications staff

WHY NOT?

- Dodd Frank prohibition on "charter shopping"
- Must demonstrate "strategic alignment"
- Fed is just another (tough) regulator . . .
- Timing
- Expense
- Fear of not being approved

NOTABLE REGIONAL STATE MEMBER BANK COMPARATORS

Regions
- $153B (Atlanta)

First Horizon
- $81B (St. Louis)

Comerica
- $79B (Dallas)

Synovus
- $59B (Atlanta)

Centennial Bank
- $22B (St. Louis)

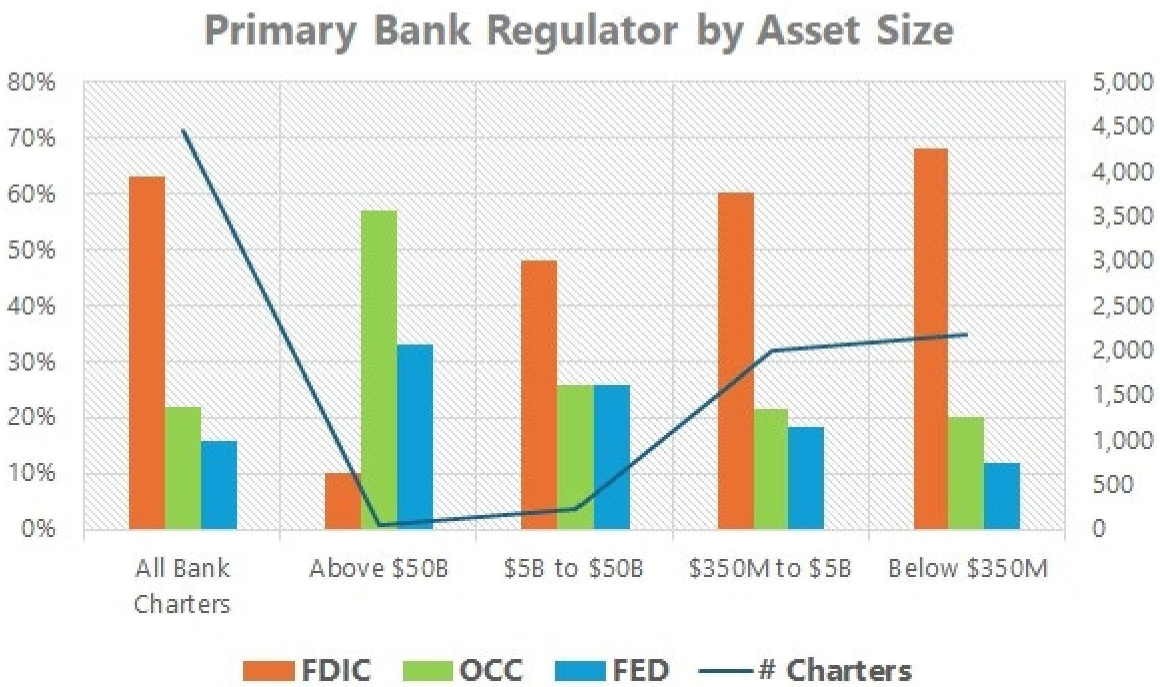
Trustmark
- $19B (Atlanta)

Origin Bank
- $9B (Dallas)

Capital City Bank
- $4B (Atlanta)

SmartBank
- $4B (Atlanta)

CHARTER BREAKDOWN



Source: Janney Research (FIG Group), FDIC call report filings 6-30-25 via S&P Capital IQ