WISCONSIN INSTITUTE OF CERTIFIED PUBLIC ACCOUNTANTS
WICPA

2025 WICPA FINANCIAL INSTITUTIONS CONFERENCE

YOUR SOURCE FOR KEY UPDATES & INSIGHTS ON TIMELY ISSUES

HIGHLIGHTED TOPICS:

ARTIFICIAL INTELLIGENCE: IMPACTS FOR COMMUNITY FINANCIAL INSTITUTIONS

Review the opportunities and risks of leveraging different types of AI in financial services

ECONOMIC & FINANCIAL MARKETS OUTLOOK

Gain insights into forecasts on GDP, Fed policy, interest rates and investment opportunities in the fixed-income market

AML IN FINTECH: COMPLIANCE & RISK MANAGEMENT ESSENTIALS

Explore the risks of fintech companies and their banking partners under the Bank Secrecy Act and anti-money laundering regulations

TUESDAY, MAY 13 | WICPA CPE LIVESTREAM ONLY

MATERIALS AT A GLANCE

The following materials are from the morning sessions of the 2025 WICPA Financial Institutions Conference held on Tuesday, May 13, including:

- Economic & Financial Markets Outlook
- Navigating Current Tax Developments & Accounting Changes
- AML in Fintech: Compliance & Risk Management Essentials
- Leveraging the Changing Regulatory Environment

2025 WICPA GOLF OUTING

FRIDAY, SEPT. 19 – Ironwood Golf Course, Sussex

4-PERSON SCRAMBLE
$95 per Golfer
$380 for Foursome

REGISTRATION INCLUDES
18 Holes of Golf With Cart
Practice Greens & Driving Range
Continental Breakfast & Lunch
Beverage Vouchers
Hole & Event Contests
Entry in Prize Drawings
Awards Reception & Appetizers

SCHEDULE
8:30 a.m.
Check-In & Breakfast

9:00 a.m.
Practice Greens
& Driving Range

10:00 a.m.
Shotgun Start

4:00 p.m.
Awards Reception,
Prize Drawings & Appetizers

HOLE & EVENT PRIZES
$1,000+ in Drawing Prizes
$500+ in Individual Prizes
$500+ in Team Prizes
$500 Inside the Circle Contest

Scan the QR code or visit wicpa.org/GolfOuting to register.

SAVE THE DATE!

UPCOMING WICPA CONFERENCES & SPECIAL EVENTS

CONFERENCES

WICPA conferences are your source for key updates and insights on timely issues. As a WICPA member, you can save up to $150 on registration!

Business & Industry Spring Conference
Thursday, March 20
Brookfield Conference Center & WICPA CPE Livestream

Financial Institutions Conference
Tuesday, May 13
WICPA Office & WICPA CPE Livestream

School District Audit Conference
Thursday, May 29
WICPA CPE Livestream Only

Business & Industry Fall Conference
Tuesday, Sept. 9
Brookfield Conference Center & WICPA CPE Livestream

Not-for-Profit Accounting Conference
Tuesday, Sept. 16
WICPA Office & WICPA CPE Livestream

Tax Conference
Monday, Nov. 10 - Tuesday, Nov. 11
Brookfield Conference Center & WICPA CPE Livestream

Accounting & Auditing Conference
Thursday, Nov. 20
WICPA Office & WICPA CPE Livestream

Accounting Technology Conference
Thursday, Dec. 4
WICPA Office & WICPA CPE Livestream

SPECIAL EVENTS

WICPA special events are unique opportunities to connect with fellow members and provide a great way to socialize and have fun!

Member Recognition Banquet & Annual Business Meeting
Friday, May 9
Brookfield Conference Center

New CPA Banquet
Friday, June 13
Brookfield Conference Center

Golf Outing
Friday, Sept. 19
Ironwood Golf Course

Bowling Night
Thursday, April 30, 2026
New Berlin Ale House

Conveniently attend WICPA conferences from anywhere with an internet connection!

wicpa.org/Livestream
wicpa.org/OnDemand

Registration opens approximately eight weeks prior. For more details about each and to register, visit wicpa.org/conferences and wicpa.org/events.

JOIN A CONFERENCE PLANNING COMMITTEE

Participate in planning a WICPA conference and enjoy:

- FREE registration* (a $300-$400 value!)
- Exclusive networking
- Leadership skill development
- Recognition for your WICPA involvement
- Informal CPE credit

* To receive free conference registration:
  - attend one planning meeting ~ 2 hours
  - select topics
  - contact speakers
  - introduce speakers at conferences

2025 CONFERENCES
Accepting Volunteers

SEPT. 9 — BUSINESS & INDUSTRY FALL CONFERENCE

SEPT. 16 — NOT-FOR-PROFIT ACCOUNTING CONFERENCE

NOV. 10-11 — TAX CONFERENCE

NOV. 20 — ACCOUNTING & AUDITING CONFERENCE

For more information or to join, email **tammy@wicpa.org**.

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8:10 – 9:20 a.m.

Economic & Financial Markets Outlook

Jordan Jackson, *Executive Director, Global Market Strategist, J.P. Morgan Asset Management*

Market Insights

CELEBRATING 20 YEARS

Guide to the Markets®

Jordan Jackson,
Global Market Strategist

U.S. | 2Q 2025
As of April 30, 2025

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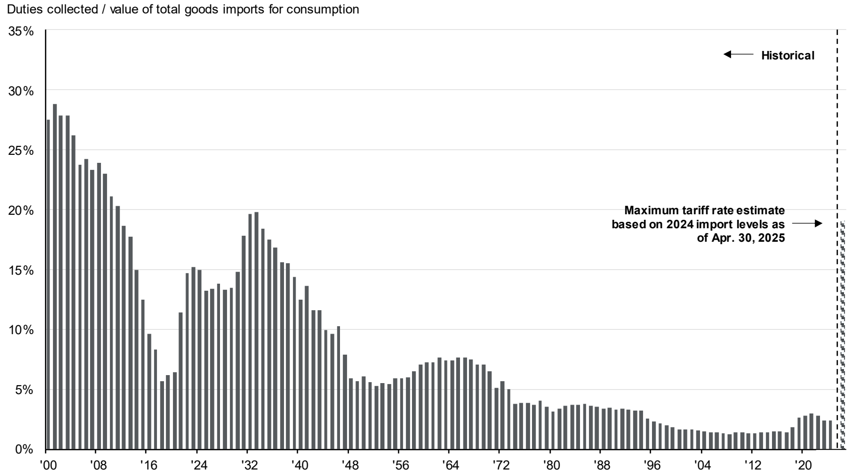
We are now experiencing the highest tariff rate since the 1930's

GTM | U.S. | 31

Economy

Average tariff rate on U.S. goods imports for consumption

Duties collected / value of total goods imports for consumption



Source: Goldman Sachs Investment Research, United States International Trade Commission, J.P. Morgan Asset Management. For illustrative purposes only. Estimates about which goods are USMCA compliant come from Goldman Sachs Investment Research. Imports for consumption: goods brought into a country for direct use or sale in the domestic market. The estimate does not consider non-tariff barriers, such as value-added taxes. Figures are based on 2024 import levels and assume no change in demand due to tariff increases. Forecasts are based on current data and assumptions about future economic conditions. Actual results may differ materially due to changes in economic, market, and other conditions.
Guide to the Markets – U.S. Data are as of April 30, 2025.

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1Q25 growth was heavily impacted by the pulling forward of purchases ahead of tariffs

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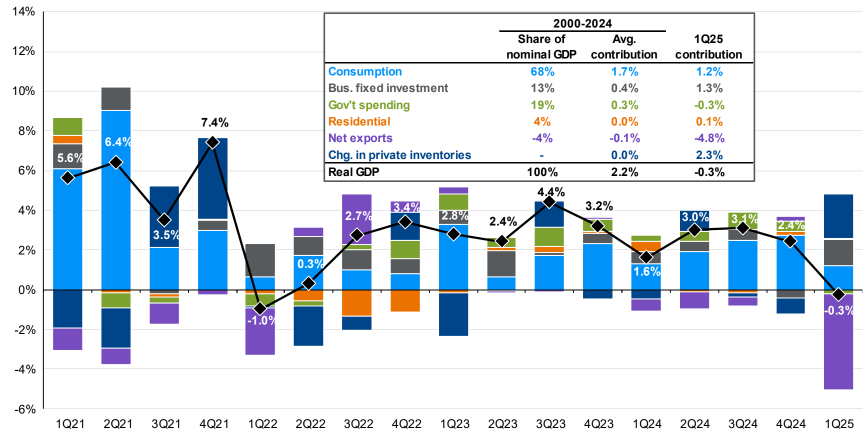
Economy

Contributors to real GDP growth

Quarter-over-quarter, seasonally adjusted annualized rate



	2000-2024 Share of nominal GDP	2000-2024 Avg. contribution	1Q25 contribution
Consumption	68%	1.7%	1.2%
Bus. fixed investment	13%	0.4%	1.3%
Gov't spending	19%	0.3%	-0.3%
Residential	4%	0.0%	0.1%
Net exports	-4%	-0.1%	-4.8%
Chg. in private inventories	-	0.0%	2.3%
Real GDP	100%	2.2%	-0.3%

Source: BEA, FactSet, J.P. Morgan Asset Management.
Guide to the Markets – U.S. Data are as of April 30, 2025.

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Consumer and business confidence continues to wane suggesting further softening in the economy

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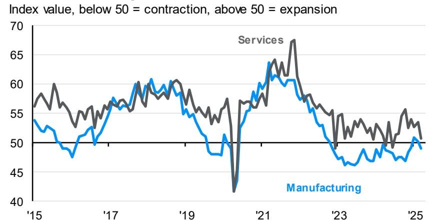
Economy

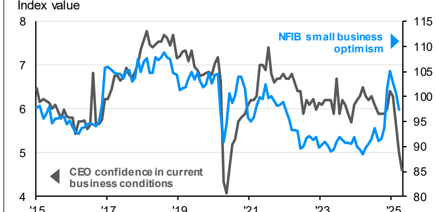
ISM manufacturing and services PMIs

Index value, below 50 = contraction, above 50 = expansion



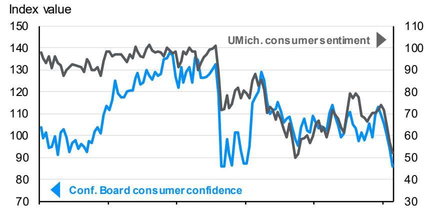
Business confidence

Index value



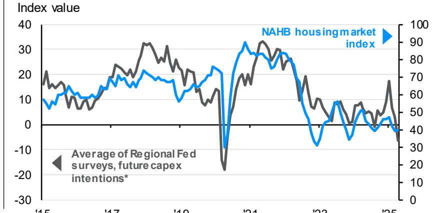
Consumer confidence

Index value



Capex intentions and homebuilder sentiment

Index value



Source: BLS, Chief Executive Group, Conference Board, Federal Reserve Bank of Chicago, Federal Reserve Bank of Dallas, Federal Reserve Bank of Kansas City, Federal Reserve Bank of Philadelphia, Federal Reserve Bank of New York, Federal Reserve Bank of Richmond, ISM, NFIB, University of Michigan, J.P. Morgan Asset Management. *Average includes the Chicago Fed, Philly Fed, Richmond Fed, Dallas Fed, Kansas City Fed and NY Fed manufacturing surveys of future capital expenditures. All surveys collect capital expenditure intentions for the next 6 months besides the Chicago Fed survey, which collects capital expenditure intentions for the next 12 months.
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After a strong March employment report, labor markets are poised to weaken going forward.

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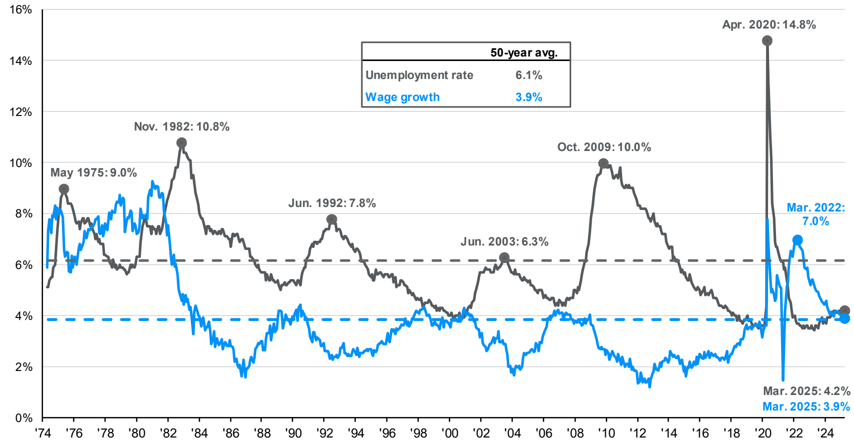
Economy

Civilian unemployment rate and year-over-year wage growth

Private production and non-supervisory workers, seasonally adjusted, percent



Source: BLS, FactSet, J.P. Morgan Asset Management. Private production and non-supervisory jobs represent just over 80% of total private nonfarm jobs.
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Weakening growth/recession gives the administration the green light to increase fiscal stimulus next year

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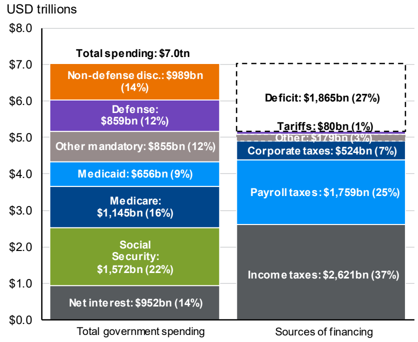
Economy

The 2025 federal budget

USD trillions

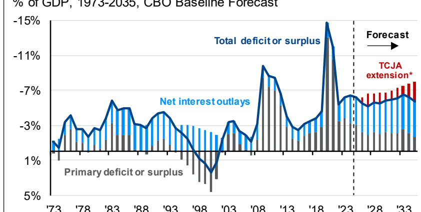


CBO's Baseline economic assumptions

	2025	'26-'27	'28-'29	'30-'35
Real GDP growth	2.2%	1.8%	1.8%	1.8%
10-year Treasury	4.1%	3.9%	3.9%	3.8%
Headline inflation (CPI)	2.3%	2.4%	2.3%	2.2%
Unemployment	4.2%	4.4%	4.4%	4.4%

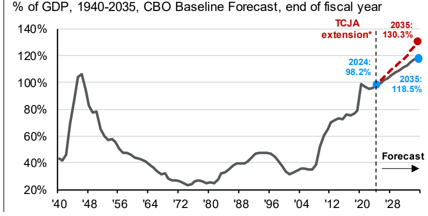
Federal deficit and net interest outlays

% of GDP, 1973-2035, CBO Baseline Forecast



Federal net debt (accumulated deficits)

% of GDP, 1940-2035, CBO Baseline Forecast, end of fiscal year



Source: CBO, J.P. Morgan Asset Management; (Left) Numbers may not sum to 100% due to rounding; (Top and bottom right) BEA, Treasury Department. Estimates are from the Congressional Budget Office (CBO) January 2025 An Update to the Budget Outlook: 2025 to 2035. "Other" spending includes, but is not limited to, health insurance subsidies, income security and federal civilian and military retirement. Years shown are fiscal years. *Adjusted by JPMAM to include estimates from the CBO March 2025 report "Projections of Deficits and Debt Under Alternative Scenarios for the Budget and Interest Rates" on the extension of TCJA provisions. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.
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Elevated uncertainty have led equities to correct quickly via valuations

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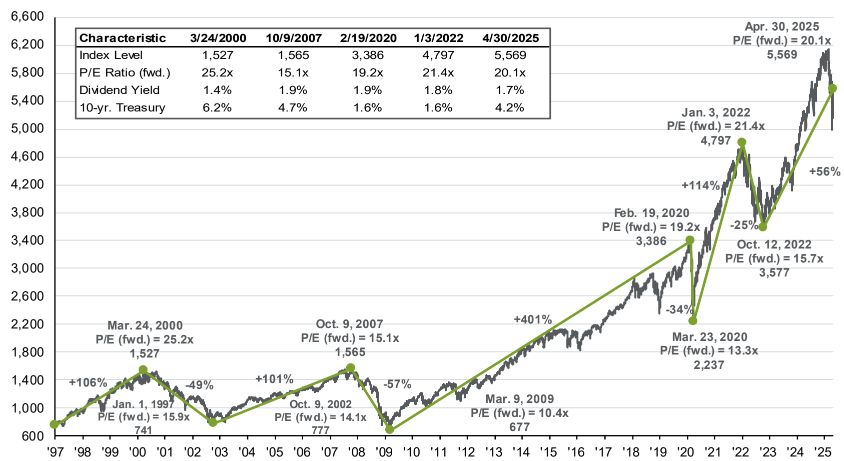
Equities

S&P 500 Price Index



Characteristic	3/24/2000	10/9/2007	2/19/2020	1/3/2022	4/30/2025
Index Level	1,527	1,565	3,386	4,797	5,569
P/E Ratio (fwd.)	25.2x	15.1x	19.2x	21.4x	20.1x
Dividend Yield	1.4%	1.9%	1.9%	1.8%	1.7%
10-yr. Treasury	6.2%	4.7%	1.6%	1.6%	4.2%

Source: Compustat, FactSet, Federal Reserve, Refinitiv Datastream, Standard & Poor's, J.P. Morgan Asset Management.
Dividend yield is calculated as consensus estimates of dividends for the next 12 months, divided by most recent price, as provided by Compustat. Forward price-to-earnings ratio is a bottom-up calculation based on IBES estimates and FactSet estimates since January 2022. Returns are cumulative and based on S&P 500 Index price movement only, and do not include the reinvestment of dividends. Past performance is not indicative of future returns.
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EPS outlook remains too rosy

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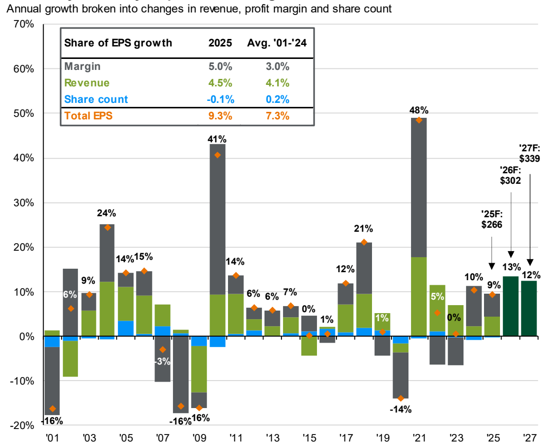
Equities

S&P 500 year-over-year pro forma EPS growth

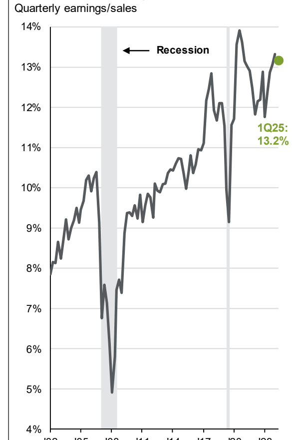
Annual growth broken into changes in revenue, profit margin and share count

Share of EPS growth	2025	Avg. '01-'24
Margin	5.0%	3.0%
Revenue	4.5%	4.1%
Share count	-0.1%	0.2%
Total EPS	9.3%	7.3%



S&P 500 profit margins

Quarterly earnings/sales



Source: Compustat, FactSet, Standard & Poor's, J.P. Morgan Asset Management.
Historical EPS levels are based on annual pro forma earnings per share. 2025, 2026 and 2027 EPS growth are based on consensus analyst estimates for each calendar year. Past performance is not indicative of future returns.
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The negative effect of trade policy changes will far outweigh any corporate tax cuts

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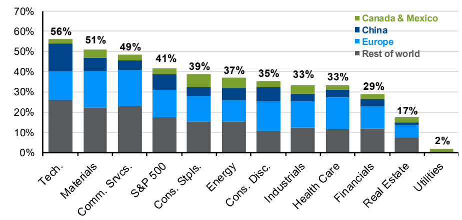
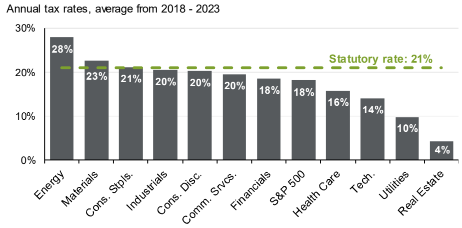
Equities

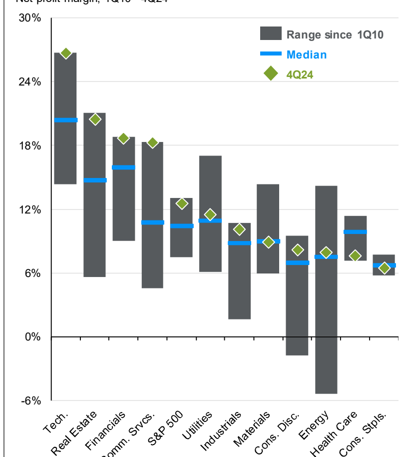
S&P 500 sector revenue exposure
% foreign sales, 2024



S&P 500 sector effective tax rates
Annual tax rates, average from 2018 - 2023



S&P 500 sector profit margins
Net profit margin, 1Q10 - 4Q24



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management. (Bottom left) Tax rates are effective federal, state and local rates. Real estate effective tax rate average from 2018 to 2023 is a bottoms-up calculation due to data availability limitations. (Right) Real estate receives taxation benefits by distributing most of its profits.
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Value has faired the sell off better

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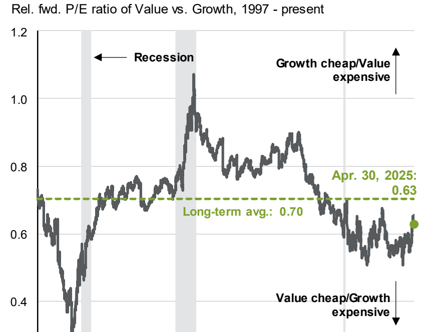
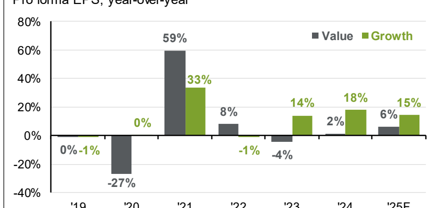
Equities

Value vs. Growth relative valuations
Rel. fwd. P/E ratio of Value vs. Growth, 1997 - present

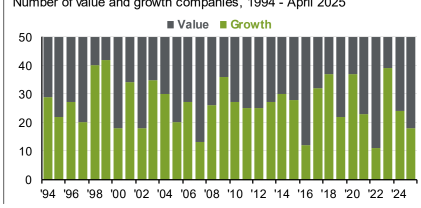


	Forward P/E		Div. yield	
Style	Current	Long-term avg.	Current	Long-term avg.
Value	16.1x	14.2x	2.6%	2.6%
Growth	25.6x	21.2x	0.9%	1.4%

Earnings growth
Pro forma EPS, year-over-year



Top 50 performing companies in the S&P 500
Number of value and growth companies, 1994 - April 2025



Source: FactSet, FTSE Russell, NBER, J.P. Morgan Asset Management.
Growth is represented by the Russell 1000 Growth Index and Value is represented by the Russell 1000 Value Index. (Left) Long-term averages are calculated monthly since December 1997. Dividend yield is calculated as the next 12-month consensus dividend divided by most recent price. (Top Right) Earnings estimates for 2025 are forecasts based on consensus analyst expectations. (Bottom Right) Graph was made by ranking the S&P 500 constituents by total return on a yearly basis. On average, 23 of the top 50 performing companies are value and 27 are growth.
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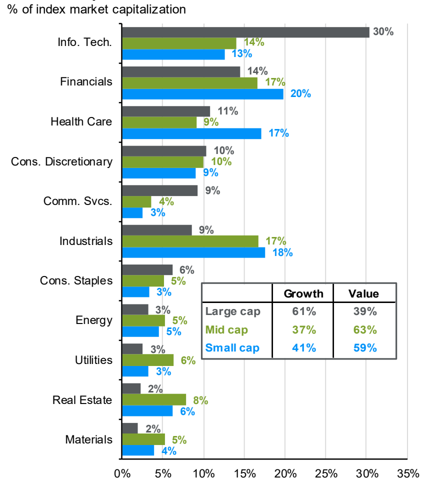
Equities

Small caps may continue to underperform given weakening growth prospects

Sector composition

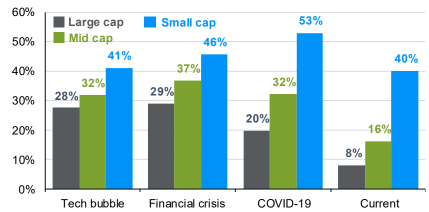
% of index market capitalization



	Growth	Value
Large cap	61%	39%
Mid cap	37%	63%
Small cap	41%	59%

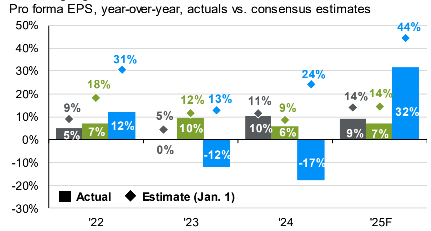
Percent of unprofitable companies

Pro forma EPS



Earnings growth

Pro forma EPS, year-over-year, actuals vs. consensus estimates



Source: Compustat, FactSet, FTSE Russell, NBER, J.P. Morgan Asset Management.
The S&P 500 is used for large cap. The Russell Mid Cap is used for mid cap. The Russell 2000 is used for small cap. Data for the percent of unprofitable companies in each index are from the following quarters: Tech bubble = 4Q01, Financial crisis = 4Q08, COVID-19 = 1Q20 and Current = 4Q24.
Guide to the Markets – U.S. Data are as of April 30, 2025.

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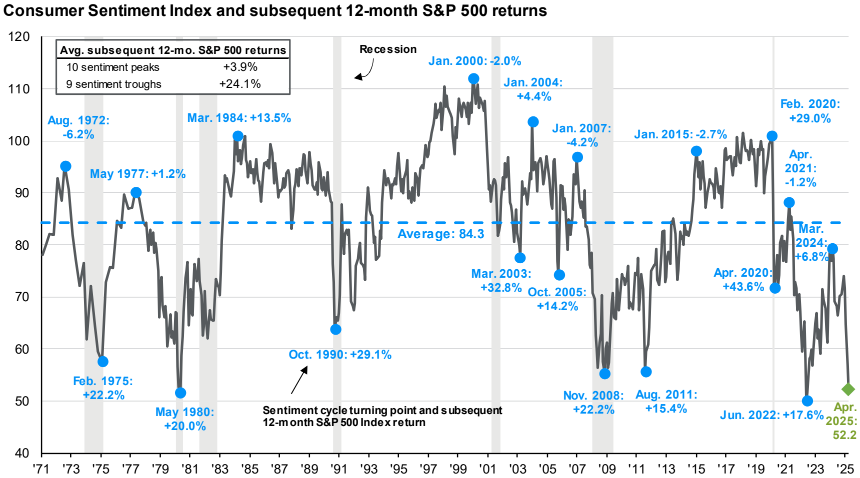
Economy

However, depressed consumer sentiment has historically been a good time to buy

Consumer Sentiment Index and subsequent 12-month S&P 500 returns



Source: FactSet, Standard & Poor's, University of Michigan, J.P. Morgan Asset Management.
Peak is defined as the highest index value before a series of lower lows, while a trough is defined as the lowest index value before a series of higher highs. Subsequent 12-month S&P 500 returns are price returns only starting from the end of the month and excluding dividends. Past performance is not a reliable indicator of current and future results.
Guide to the Markets – U.S. Data are as of April 30, 2025.

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Economy

The broad disinflationary trend likely to stall out in the near term

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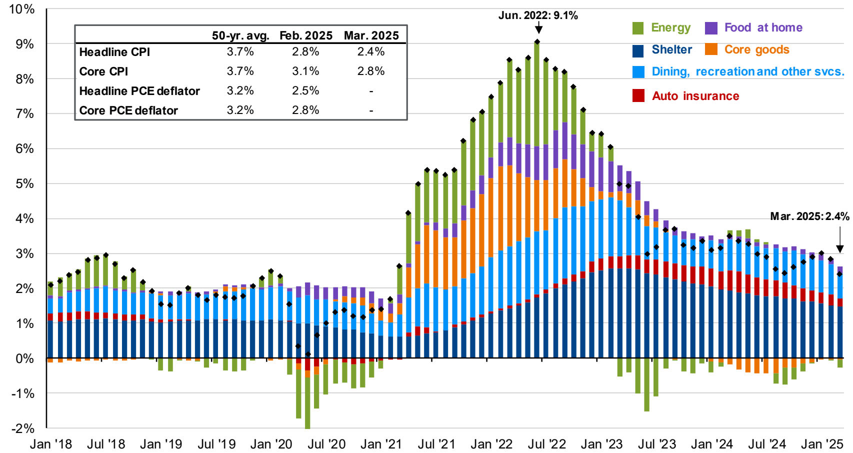
Contributors to headline CPI inflation

Contribution to y/y % change in CPI, non-seasonally adjusted



	50-yr. avg.	Feb. 2025	Mar. 2025
Headline CPI	3.7%	2.8%	2.4%
Core CPI	3.7%	3.1%	2.8%
Headline PCE deflator	3.2%	2.5%	-
Core PCE deflator	3.2%	2.8%	-

Source: BLS, FactSet, J.P. Morgan Asset Management. Contributions mirror the BLS methodology on Table 7 of the CPI report. Values may not sum to headline CPI figures due to rounding and underlying calculations. "Shelter" includes owners' equivalent rent, rent of primary residence and home insurance. "Food at home" includes alcoholic beverages.
Guide to the Markets – U.S. Data are as of April 30, 2025.

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Fixed Income

Markets now anticipate ~4 cuts this year

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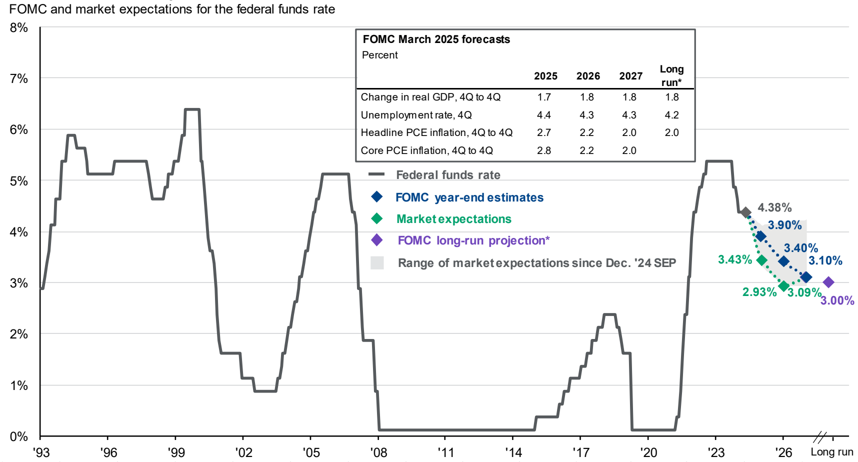
Federal funds rate expectations

FOMC and market expectations for the federal funds rate



FOMC March 2025 forecasts
Percent

	2025	2026	2027	Long run*
Change in real GDP, 4Q to 4Q	1.7	1.8	1.8	1.8
Unemployment rate, 4Q	4.4	4.3	4.3	4.2
Headline PCE inflation, 4Q to 4Q	2.7	2.2	2.0	2.0
Core PCE inflation, 4Q to 4Q	2.8	2.2	2.0	

Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.
Market expectations are based off of USD Overnight Index Swaps. *Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.
Guide to the Markets – U.S. Data are as of April 30, 2025.

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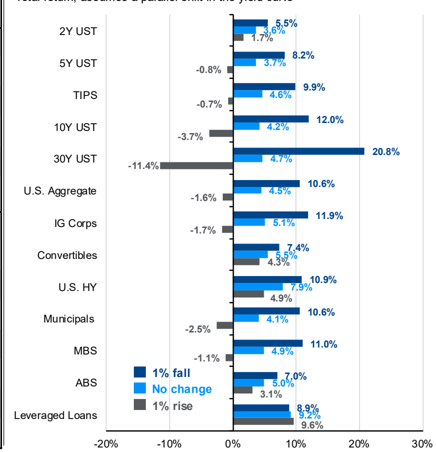
Bonds have proven their worth as a ballast to portfolio returns this year

Fixed Income

U.S. Treasuries	Yield 4/30/2025	Yield 12/31/2024	Return 2025	Avg. Maturity	Correlation to 10-year	Correlation to S&P 500
2-Year	3.60%	4.25%	2.44%	2 years	0.74	0.00
5-Year	3.72%	4.38%	4.46%	5	0.94	-0.02
TIPS	1.70%	2.13%	4.29%	7.3	0.73	0.34
10-Year	4.17%	4.58%	4.85%	10	1.00	-0.07
30-Year	4.66%	4.78%	2.99%	30	0.93	-0.10
Sector						
U.S. Aggregate	4.51%	4.91%	3.18%	8.4	0.90	0.25
IG Corps	5.14%	5.33%	2.27%	10.4	0.69	0.47
Convertibles	5.54%	6.13%	-0.26%	-	-0.03	0.86
U.S. HY	7.90%	7.49%	0.98%	4.7	0.09	0.79
Municipals	4.06%	3.74%	-1.03%	13.4	0.73	0.27
MBS	4.93%	5.27%	3.35%	7.9	0.81	0.26
ABS	5.01%	5.38%	2.19%	2.2	0.42	0.23
Leveraged Loans	9.25%	8.68%	0.41%	4.7	-0.22	0.62

Fixed income returns in different interest rate scenarios

Total return, assumes a parallel shift in the yield curve



Source: Bloomberg, FactSet, Federal Reserve Bank of Cleveland, Standard & Poor's, U.S. Treasury, J.P. Morgan Asset Management. Sectors shown above are provided by Bloomberg unless otherwise noted and are represented by – U.S. Aggregate; MBS: U.S. Aggregate Securitized - MBS; ABS: J.P. Morgan ABS Index; IG Corporates: U.S. Corporates; Municipals: Muni Bond; High Yield: Corporate High Yield; Leveraged Loans: J.P. Morgan Leveraged Loan Index; TIPS: Treasury Inflation-Protected Securities; Convertibles: U.S. Convertibles Composite. Convertibles yield is as of most recent month-end and is based on U.S. portion of Bloomberg Global Convertibles Index. Yield and return information based on bellwethers for Treasury securities. Yields shown for TIPS are real yields. TIPS returns consider the impact that inflation could have on returns by assuming the Cleveland Fed's 1-year inflation expectation forecasts are realized. Sector yields reflect yield-to-worst. Leveraged loan yields reflect the yield to 3Y takeout. Correlations are based on 15-years of monthly returns for all sectors. ABS returns prior to June 2012 are sourced from Bloomberg. Past performance is not indicative of future results.

Guide to the Markets – U.S. Data are as of April 30, 2025.

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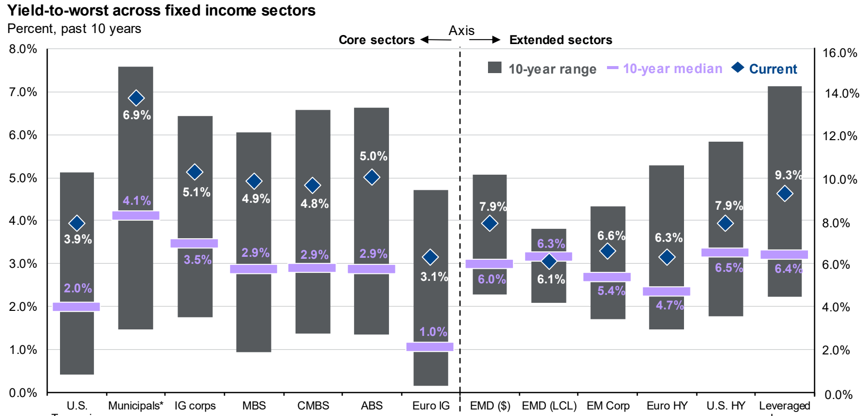
Bond yields still look attractive

Fixed Income

Yield-to-worst across fixed income sectors

Percent, past 10 years



*Weight in U.S. Agg.***	*45%*	*<1%*	*24%*	*25%*	*2%*	*<1%*	-	-	-	-	-	-	-

Source: Bloomberg, FactSet, J.P. Morgan Credit Research, J.P. Morgan Asset Management.

Indices used are Bloomberg except for ABS, emerging market debt and leveraged loans: ABS: J.P. Morgan ABS Index; CMBS: Bloomberg Investment Grade CMBS Index; EMD (USD): J.P. Morgan EMIGLOBAL Diversified Index; EMD (LCL): J.P. Morgan GBI-EM Global Diversified Index; EM Corp.: J.P. Morgan CEMBI Broad Diversified; Leveraged Loans: JPM Leveraged Loan Index; Euro IG: Bloomberg Euro Aggregate Corporate Index; Euro HY: Bloomberg Pan-European High Yield Index. Yield-to-worst is the lowest possible yield that can be received on a bond apart from the company defaulting and considers factors like call provisions, prepayments and other features that may affect the bonds' cash flows. *All sectors shown are yield-to-worst except for Municipals, which is based on the tax-equivalent yield-to-worst assuming a top-income tax bracket rate of 37% plus a Medicare tax rate of 3.8%. **Sectors shown may not exactly match all sectors represented in the Bloomberg U.S. Aggregate Index. Sector level weights are shown, and index constituents may not match.

Guide to the Markets – U.S. Data are as of April 30, 2025.

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Particularly, in the municipal bond market.

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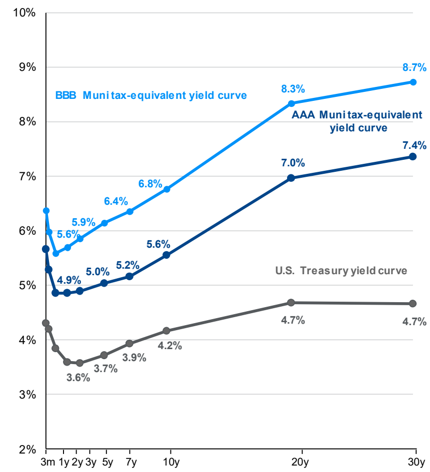
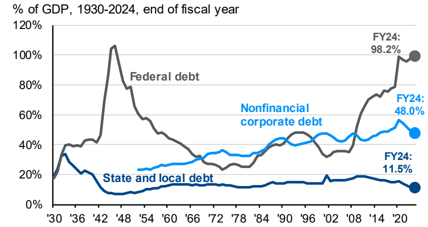
Fixed Income

Muni tax-equivalent and Treasury yield curves



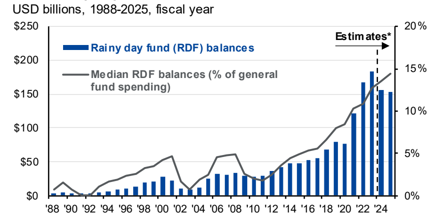
State and local, federal and corporate debt

% of GDP, 1930-2024, end of fiscal year



State Rainy Day Fund balances

USD billions, 1988-2025, fiscal year



Source: J.P. Morgan Asset Management; (Left) Bloomberg, FactSet, Federal Reserve, S&P Global; (Top right) Census Bureau, Congressional Budget Office (CBO), Federal Reserve; (Bottom right) NASBO Fiscal Survey of States Fall 2024. Municipal tax-equivalent yields are calculated based on municipal bond curves for each credit rating according to S&P Global and assume a top-income tax bracket rate of 37% plus a Medicare tax rate of 3.8% for a total tax rate of 40.8%. State and local debt are based on the Census Bureau's Annual Survey of State and Local Government Finances. A rainy day fund, also known as a budget stabilization fund or reserve fund, is a collection of funds that local governments use to prepare for financial emergencies and future stability. *Estimates are sourced from NASBO's Fall 2024 Fiscal Survey of States. Figures for FY 2024 are preliminary while figures for FY 2025 are projected based on states' enacted budgets.
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Global equities have held up a bit better, especially in dollar terms

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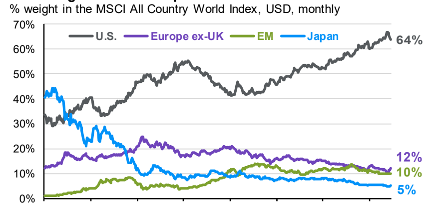
International

Returns	YTD 2025		2024		15-years	
	Local	USD	Local	USD	Ann.	Beta
Regions						
U.S. (S&P 500)	-	-4.9	-	25.0	13.0	1.0
AC World ex-U.S.	2.8	9.3	13.2	6.1	5.7	1.0
EAFE	3.1	12.0	11.8	4.3	6.6	1.0
Eurozone	8.0	18.5	10.3	3.4	6.9	1.2
Emerging markets	2.5	4.4	13.7	8.1	3.4	1.0
Selected Countries						
Japan	-4.0	5.8	21.2	8.7	6.2	0.7
United Kingdom	5.6	12.6	9.5	7.5	5.8	1.0
France	4.1	14.2	1.8	-4.6	7.4	1.2
Canada	1.6	5.8	23.0	12.7	5.8	1.1
Germany	13.3	24.4	18.4	11.0	7.5	1.3
China	9.9	10.2	19.8	19.7	3.3	0.9
Taiwan	-12.6	-10.4	44.3	35.1	11.3	1.0
India	0.4	1.8	15.7	12.4	6.5	0.9
Brazil	11.2	19.9	-11.4	-29.5	-1.3	1.3

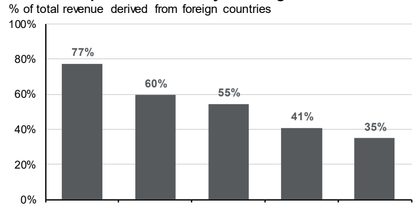
Share of global market capitalization

% weight in the MSCI All Country World Index, USD, monthly



Revenue exposure vs. country of listing

% of total revenue derived from foreign countries



Source: FactSet, MSCI, Standard & Poor's, J.P. Morgan Asset Management. (Left) All return values are MSCI Total Return Index (Gross) data. 15-year history based on USD returns. 15-year return and beta figures are calculated using a rolling 12-month period ending with the previous month-end. Beta is for monthly returns relative to the MSCI All Country World Index. Annualized volatility is calculated as the standard deviation of quarterly returns multiplied by the square root of four. Chart is for illustrative purposes only. Please see disclosure page for index definitions. Past performance is not a reliable indicator of current and future results. (Bottom right) Revenue exposure data are as of the previous quarter-end.
Guide to the Markets – U.S. Data are as of April 30, 2025.

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Driven by positive earnings revisions and improving growth relative to the U.S.

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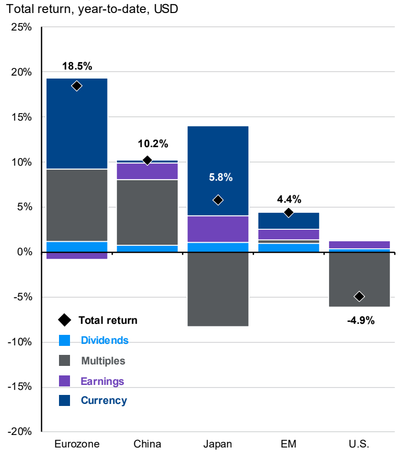
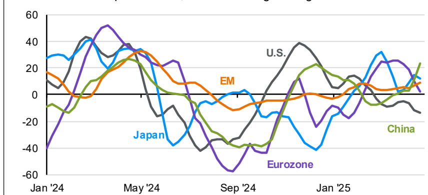
Global equity return decomposition*

Total return, year-to-date, USD



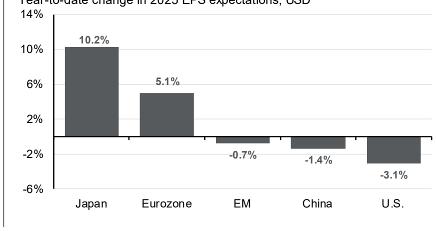
Economic surprises

Citi Economic Surprises Index, 3-week moving average



Earnings revisions

Year-to-date change in 2025 EPS expectations, USD



Source: FactSet, J.P. Morgan Asset Management. (Left) All return values are MSCI Gross Index data, except the U.S., which is the S&P 500. *Multiple expansion is based on the forward P/E ratio, and EPS growth outlook is based on NTMA earnings estimates. Chart is for illustrative purposes only. Past performance is not indicative of future results. (Top right) Citibank. (Bottom right) All return values are MSCI Gross Index data, except the U.S., which is the S&P 500.

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International

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U.S. performance has arguably been a "one trick" pony/one stock story

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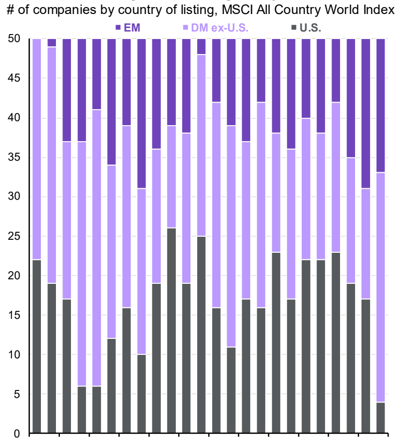
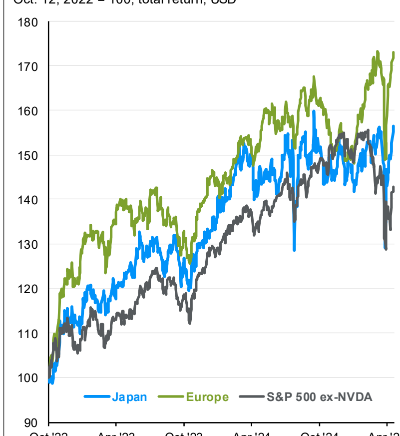
Top 50 performing companies globally

# of companies by country of listing, MSCI All Country World Index



S&P 500 ex-NVDA vs. international developed markets

Oct. 12, 2022 = 100, total return, USD



Source: FactSet, MSCI, J.P. Morgan Asset Management. (Left) Graph was made by ranking all the companies in the MSCI All Country World Index by performance on a yearly basis and determining the top 50 performers using their total return in USD. Companies are listed in no particular order. Excluding companies with a market capitalization that does not make up at least 0.01% of the MSCI All Country World Index in the year shown. (Right) Oct. 12, 2022, was the market bottom for U.S. equities.

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International

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International

Specific international themes may be poised to continue to outperform US growth

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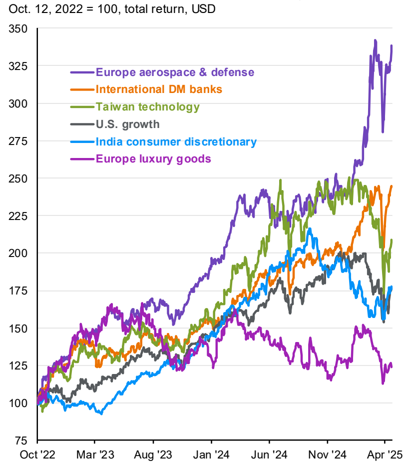

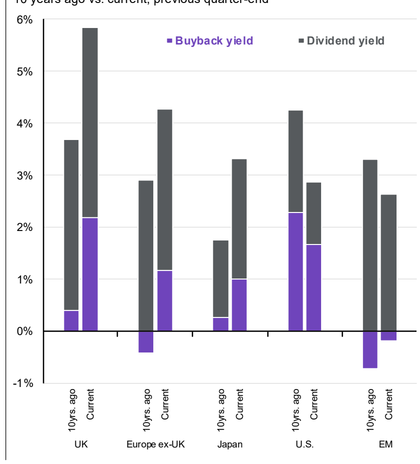

Source: MSCI, J.P. Morgan Asset Management. (Left) Russell. Each country/sector/industry is represented by its respective MSCI index except U.S. growth which is represented by the Russell 1000 Growth Index. International DM banks = MSCI EAFE / Banks Index. Oct. 12, 2022, was the market bottom for U.S. equities. (Right) Bloomberg, FTSE, Standard & Poor's. *Buyback yield for S&P 500 is as of the latest available. U.S.: S&P 500, Europe ex-UK: MSCI Europe ex-UK, UK: FTSE 100, EM: MSCI EM, Japan: TOPIX. Net buyback yield adjusts for share issuance. Past performance is not a reliable indicator of current and future results.
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Investing Principles

The best defense against uncertainty is diversification.

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2010–2024																	
Ann.	Vol.	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	YTD
Large Cap 13.9%	Small Cap 20.6%	REITs 27.9%	REITs 8.3%	REITs 19.7%	Small Cap 38.8%	REITs 28.0%	REITs 2.8%	Small Cap 21.3%	EM Equity 37.8%	Cash 1.8%	Large Cap 31.5%	Small Cap 20.0%	REITs 41.3%	Comdty. 16.1%	Large Cap 26.3%	Large Cap 25.0%	DM Equity 12.0%
Small Cap 10.3%	EM Equity 17.9%	Small Cap 26.9%	Fixed Income 7.8%	High Yield 19.6%	Large Cap 32.4%	Large Cap 13.7%	Large Cap 1.4%	High Yield 14.3%	DM Equity 25.6%	Fixed Income 0.0%	REITs 28.7%	EM Equity 18.7%	Large Cap 28.7%	Cash 1.5%	DM Equity 18.9%	Small Cap 11.5%	EM Equity 4.4%
REITs 9.4%	REITs 16.8%	EM Equity 19.2%	High Yield 3.1%	EM Equity 18.6%	DM Equity 23.3%	Fixed Income 6.0%	Fixed Income 0.5%	Large Cap 12.0%	Large Cap 21.8%	REITs -4.0%	Small Cap 25.5%	Large Cap 18.4%	Comdty. 27.1%	High Yield -12.7%	Small Cap 16.9%	Asset Alloc. 10.0%	Comdty. 3.6%
Asset Alloc. 7.2%	DM Equity 16.5%	Comdty. 16.8%	Large Cap 2.1%	DM Equity 17.9%	Asset Alloc. 14.9%	Asset Alloc. 5.2%	Cash 0.0%	Comdty. 11.8%	Small Cap 14.6%	High Yield -4.1%	DM Equity 22.7%	Asset Alloc. 10.6%	Small Cap 14.8%	Fixed Income -13.0%	Asset Alloc. 14.1%	High Yield 9.2%	Fixed Income 3.2%
High Yield 5.9%	Comdty. 16.1%	Large Cap 15.1%	Cash 0.1%	Small Cap 16.3%	High Yield 7.3%	Small Cap 4.9%	DM Equity -0.4%	EM Equity 11.6%	Asset Alloc. 14.6%	Large Cap -4.4%	Asset Alloc. 19.5%	DM Equity 8.3%	Asset Alloc. 13.5%	Asset Alloc. -13.9%	High Yield 14.0%	EM Equity 8.1%	High Yield 2.7%
DM Equity 5.7%	Large Cap 15.1%	High Yield 14.8%	Asset Alloc. -0.7%	Large Cap 16.0%	REITs 2.9%	Cash 0.0%	Asset Alloc. -2.0%	REITs 8.6%	High Yield 10.4%	Asset Alloc. -5.8%	EM Equity 18.9%	Fixed Income 7.5%	DM Equity 11.8%	DM Equity -14.0%	REITs 11.4%	Comdty. 5.4%	Cash 1.4%
EM Equity 3.4%	Asset Alloc. 10.4%	Asset Alloc. 13.3%	Small Cap -4.2%	Asset Alloc. 12.2%	Cash 0.0%	High Yield 0.0%	High Yield -2.7%	Asset Alloc. 8.3%	REITs 8.7%	Small Cap -11.0%	High Yield 12.6%	High Yield 7.0%	High Yield 1.0%	Large Cap -18.1%	EM Equity 10.3%	Cash 5.3%	Asset Alloc. 0.9%
Fixed Income 2.4%	High Yield 9.4%	DM Equity 8.2%	DM Equity -11.7%	Fixed Income 4.2%	Fixed Income -2.0%	EM Equity -1.8%	Small Cap -4.4%	Fixed Income 2.6%	Fixed Income 3.5%	Comdty. -11.2%	Fixed Income 8.7%	Cash 0.5%	Cash 0.0%	EM Equity -19.7%	Fixed Income 5.5%	REITs 4.9%	REITs 0.7%
Cash 1.2%	Fixed Income 4.7%	Fixed Income 6.5%	Comdty. -13.3%	Cash 0.1%	EM Equity -2.3%	DM Equity -4.5%	EM Equity -14.6%	DM Equity 1.5%	Comdty. 1.7%	DM Equity -13.4%	Comdty. 7.7%	Comdty. -3.1%	Fixed Income -1.5%	Small Cap -20.4%	Cash 5.1%	DM Equity 4.3%	Large Cap -4.9%
Comdty. -1.0%	Cash 0.9%	Cash 0.1%	EM Equity -18.2%	Comdty. -1.1%	Comdty. -9.5%	Comdty. -17.0%	Comdty. -24.7%	Cash 0.3%	Cash 0.8%	EM Equity -14.2%	Cash 2.2%	REITs -5.1%	EM Equity -2.2%	REITs -24.9%	Comdty. -7.9%	Fixed Income 1.3%	Small Cap -11.6%

Source: Bloomberg, FactSet, MSCI, NAREIT, Russell, Standard & Poor's, J.P. Morgan Asset Management.
Large cap: S&P 500, Small cap: Russell 2000, EM Equity: MSCI EME, DM Equity: MSCI EAFE, Comdty: Bloomberg Commodity Index, High Yield: Bloomberg Global HY Index, Fixed Income: Bloomberg U.S. Aggregate, REITs: NAREIT Equity REIT Index, Cash: Bloomberg 1-3m Treasury. The "Asset Allocation" portfolio assumes the following weights: 25% in the S&P 500, 10% in the Russell 2000, 15% in the MSCI EAFE, 5% in the MSCI EME, 25% in the Bloomberg U.S. Aggregate, 5% in the Bloomberg 1-3m Treasury, 5% in the Bloomberg Global High Yield Index, 5% in the Bloomberg Commodity Index and 5% in the NAREIT Equity REIT Index. Balanced portfolio assumes annual rebalancing. Annualized (Ann.) return and volatility (Vol.) represents period from 12/31/2009 to 12/31/2024. Please see disclosure page at end for index definitions. All data represents total return for stated period. The "Asset Allocation" portfolio is for illustrative purposes only. Past performance is not indicative of future returns.
Guide to the Markets – U.S. Data are as of April 30, 2025.

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ASSET MANAGEMENT

J.P. Morgan Asset Management – Index definitions

All indexes are unmanaged and an individual cannot invest directly in an index. Index returns do not include fees or expenses.

Equities:

The **Dow Jones Industrial Average** is a price-weighted average of 30 actively traded blue-chip U.S. stocks.

The **MSCI ACWI (All Country World Index)** is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets.

The **MSCI EAFE Index(Europe, Australasia, Far East)**is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the US & Canada.

The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets.

The **MSCI Europe Index** is a free float-adjusted market capitalization index that is designed to measure developed market equity performance in Europe.

The **MSCI Pacific Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance in the Pacific region.

The **Russell 1000 Index**® measures the performance of the 1,000 largest companies in the Russell 3000.

The **Russell 1000 Growth Index**® measures the performance of those Russell 1000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 1000 Value Index**® measures the performance of those Russell 1000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 2000 Index**® measures the performance of the 2,000 smallest companies in the Russell 3000 Index.

The **Russell 2000 Growth Index**® measures the performance of those Russell 2000 companies with higher price-to-book ratios and higher forecasted growth values.

The **Russell 2000 Value Index**® measures the performance of those Russell 2000 companies with lower price-to-book ratios and lower forecasted growth values.

The **Russell 3000 Index**® measures the performance of the 3,000 largest U.S. companies based on total market capitalization.

The **Russell Midcap Index**® measures the performance of the 800 smallest companies in the Russell 1000 Index.

The **Russell Midcap Growth Index** ® measures the performance of those Russell Midcap companies with higher price-to-book ratios and higher forecasted growth values. The stocks are also members of the Russell 1000 Growth index.

The **Russell Midcap Value Index** ® measures the performance of those Russell Midcap companies with lower price-to-book ratios and lower forecasted growth values. The stocks are also members of the Russell 1000 Value index.

The **S&P 500 Index** is widely regarded as the best single gauge of the U.S. equities market. The index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. The **S&P 500 Index** focuses on the large-cap segment of the market; however, since it includes a significant portion of the total value of the market, it also represents the market.

Fixed income:

The **Bloomberg 1-3 Month U.S. Treasury Bill Index** includes all publicly issued zero-coupon US Treasury Bills that have a remaining maturity of less than 3 months and more than 1 month, are rated investment grade, and have $250 million or more of outstanding face value. In addition, the securities must be denominated in U.S. dollars and must be fixed rate and non convertible.

The **Bloomberg Global High Yield Index** is a multi-currency flagship measure of the global high yield debt market. The index represents the union of the US High Yield, the Pan-European High Yield, and Emerging Markets (EM) Hard Currency High Yield Indices. The high yield and emerging markets sub-components are mutually exclusive. Until January 1, 2011, the index also included CMBS high yield securities.

The **Bloomberg Municipal Index**: consists of a broad selection of investment-grade general obligation and revenue bonds of maturities ranging from one year to 30 years. It is an unmanaged index representative of the tax-exempt bond market.

The **Bloomberg US Dollar Floating Rate Note (FRN) Index** provides a measure of the U.S. dollar denominated floating rate note market.

The **Bloomberg US Corporate Investment Grade Index** is an unmanaged index consisting of publicly issued US Corporate and specified foreign debentures and secured notes that are rated investment grade (Baa3/BBB or higher) by at least two ratings agencies, have at least one year to final maturity and have at least $250 million par amount outstanding. To qualify, bonds must be SEC-registered.

The **Bloomberg US High Yield Index** covers the universe of fixed rate, non-investment grade debt. Eurobonds and debt issues from countries designated as emerging markets (sovereign rating of Baa1/BBB+/BBB+ and below using the middle of Moody's, S&P, and Fitch) are excluded, but Canadian and global bonds (SEC registered) of issuers in non-EMG countries are included.

The **Bloomberg US Mortgage Backed Securities Index** is an unmanaged index that measures the performance of investment grade fixed-rate mortgage backed pass-through securities of GNMA, FNMA and FHLMC.

The **Bloomberg US TIPS Index** consists of Inflation-Protection securities issued by the U.S. Treasury.

The **J.P. Morgan Emerging Market Bond Global Index(EMBI)**includes U.S. dollar denominated Brady bonds, Eurobonds, traded loans and local market debt instruments issued by sovereign and quasi-sovereign entities.

The **J.P. Morgan Domestic High Yield Index** is designed to mirror the investable universe of the U.S. dollar domestic high yield corporate debt market.

The **J.P. Morgan Corporate Emerging Markets Bond Index Broad Diversified (CEMBI Broad Diversified)**is an expansion of the **J.P. Morgan Corporate Emerging Markets Bond Index (CEMBI)**. The CEMBI is a market capitalization weighted index consisting of U.S. dollar denominated emerging market corporate bonds.

The **J.P. Morgan Emerging Markets Bond Index Global Diversified (EMBI Global Diversified)** tracks total returns for U.S. dollar-denominated debt instruments issued by emerging market sovereign and quasi-sovereign entities: Brady bonds, loans, Eurobonds. The index limits the exposure of some of the larger countries.

The **J.P. Morgan GBI EM Global Diversified** tracks the performance of local currency debt issued by emerging market governments, whose debt is accessible by most of the international investor base.

The **U.S. Treasury Index** is a component of the U.S. Government index.

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J.P. Morgan Asset Management – Definitions

Other asset classes:

The **Alerian MLP Index** is a composite of the 50 most prominent energy Master Limited Partnerships (MLPs) that provides investors with an unbiased, comprehensive benchmark for the asset class.

The **Bloomberg Commodity Index** and related sub-indices are composed of futures contracts on physical commodities and represents twenty two separate commodities traded on U.S. exchanges, with the exception of aluminum, nickel, and zinc

The **Cambridge Associates U.S. Global Buyout and Growth Index**® is based on data compiled from 1,768 global (U.S. & ex –U.S.) buyout and growth equity funds, including fully liquidated partnerships, formed between 1986 and 2013.

The **CS/Tremont Hedge Fund Index** is compiled by Credit Suisse Tremont Index, LLC. It is an asset-weighted hedge fund index and includes only funds, as opposed to separate accounts. The Index uses the Credit Suisse/Tremont database, which tracks over 4500 funds, and consists only of funds with a minimum of US$50 million under management, a 12-month track record, and audited financial statements. It is calculated and rebalanced on a monthly basis, and shown net of all performance fees and expenses. It is the exclusive property of Credit Suisse Tremont Index, LLC.

The **HFRI Monthly Indices (HFRI)** are equally weighted performance indexes, utilized by numerous hedge fund managers as a benchmark for their own hedge funds. The HFRI are broken down into 4 main strategies, each with multiple sub strategies. All single-manager HFRI Index constituents are included in the HFRI Fund Weighted Composite, which accounts for over 2200 funds listed on the internal HFR Database.

The **NAREIT EQUITY REIT Index** is designed to provide the most comprehensive assessment of overall industry performance, and includes all tax-qualified real estate investment trusts (REITs) that are listed on the NYSE, the American Stock Exchange or the NASDAQ National Market List.

The **NFI-ODCE**, short for NCREIF Fund Index -Open End Diversified Core Equity, is an index of investment returns reporting on both a historical and current basis the results of 33 open-end commingled funds pursuing a core investment strategy, some of which have performance histories dating back to the 1970s. The NFI-ODCE Index is capitalization-weighted and is reported gross of fees. Measurement is time-weighted.

Definitions:

Investing in **alternative assets** involves higher risks than traditional investments and is suitable only for sophisticated investors. Alternative investments involve greater risks than traditional investments and should not be deemed a complete investment program. They are not tax efficient and an investor should consult with his/her tax advisor prior to investing. Alternative investments have higher fees than traditional investments and they may also be highly leveraged and engage in speculative investment techniques, which can magnify the potential for investment loss or gain. The value of the investment may fall as well as rise and investors may get back less than they invested.

Bonds are subject to interest rate risks. Bond prices generally fall when interest rates rise.

Investments in **commodities** may have greater volatility than investments in traditional securities, particularly if the instruments involve leverage. The value of commodity-linked derivative instruments may be affected by changes in overall market movements, commodity index volatility, changes in interest rates, or factors affecting a particular industry or commodity, such as drought, floods, weather, livestock disease, embargoes, tariffs and international economic, political and regulatory developments. Use of leveraged commodity-linked derivatives creates an opportunity for increased return but, at the same time, creates the possibility for greater loss.

Derivatives may be riskier than other types of investments because they may be more sensitive to changes in economic or market conditions than other types of investments and could result in losses that significantly exceed the original investment. The use of derivatives may not be successful, resulting in investment losses, and the cost of such strategies may reduce investment returns.

Distressed Restructuring Strategies employ an investment process focused on corporate fixed income instruments, primarily on corporate credit instruments of companies trading at significant discounts to their value at issuance or obliged (par value) at maturity as a result of either formal bankruptcy proceeding or financial market perception of near term proceedings.

Investments in **emerging markets** can be more volatile. The normal risks of investing in foreign countries are heightened when investing in emerging markets. In addition, the small size of securities markets and the low trading volume may lead to a lack of liquidity, which leads to increased volatility. Also, emerging markets may not provide adequate legal protection for private or foreign investment or private property.

The price of **equity** securities may rise, or fall because of changes in the broad market or changes in a company's financial condition, sometimes rapidly or unpredictably. These price movements may result from factors affecting individual companies, sectors or industries, or the securities market as a whole, such as changes in economic or political conditions. Equity securities are subject to "stock market risk" meaning that stock prices in general may decline over short or extended periods of time.

Equity market neutral strategies employ sophisticated quantitative techniques of analyzing price data to ascertain information about future price movement and relationships between securities, select securities for purchase and sale. Equity Market Neutral Strategies typically maintain characteristic net equity market exposure no greater than 10% long or short.

Global macro strategies trade a broad range of strategies in which the investment process is predicated on movements in underlying economic variables and the impact these have on equity, fixed income, hard currency and commodity markets.

International investing involves a greater degree of risk and increased volatility. Changes in currency exchange rates and differences in accounting and taxation policies outside the U.S. can raise or lower returns. Some overseas markets may not be as politically and economically stable as the United States and other nations.

There is no guarantee that the use of **long and short positions** will succeed in limiting an investor's exposure to domestic stock market movements, capitalization, sector swings or other risk factors. Using long and short selling strategies may have higher portfolio turnover rates. Short selling involves certain risks, including additional costs associated with covering short positions and a possibility of unlimited loss on certain short sale positions.

Merger arbitrage strategies which employ an investment process primarily focused on opportunities in equity and equity related instruments of companies which are currently engaged in a corporate transaction.

Mid-capitalization investing typically carries more risk than investing in well-established "blue-chip" companies. Historically, mid-cap companies' stock has experienced a greater degree of market volatility than the average stock.

Price to forward earnings is a measure of the price-to-earnings ratio (P/E) using forecasted earnings. **Price to book value** compares a stock's market value to its book value. **Price to cash flow** is a measure of the market's expectations of a firm's future financial health. **Price to dividends** is the ratio of the price of a share on a stock exchange to the dividends per share paid in the previous year, used as a measure of a company's potential as an investment.

Real estate investments may be subject to a higher degree of market risk because of concentration in a specific industry, sector or geographical sector. Real estate investments may be subject to risks including, but not limited to, declines in the value of real estate, risks related to general and economic conditions, changes in the value of the underlying property owned by the trust and defaults by borrower.

Relative Value Strategies maintain positions in which the investment thesis is predicated on realization of a valuation discrepancy in the relationship between multiple securities.

Small-capitalization investing typically carries more risk than investing in well-established "blue-chip" companies since smaller companies generally have a higher risk of failure. Historically, smaller companies' stock has experienced a greater degree of market volatility than the average stock.

J.P.Morgan
ASSET MANAGEMENT

J.P. Morgan Asset Management – Risks & disclosures

Prepared by: David P. Kelly, Jordan K. Jackson, John C. Manley, Meera Pandit, Gabriela D. Santos, Stephanie Aliaga, Sahil Gauba, Mary Park Durham, Brandon Hall and Katie Korngiebel.

Unless otherwise stated, all data are as of March 28, 2025 or most recently available.

Guide to the Markets – U.S.

JP-LITTLEBOOK | 0903c02a8264cfd3

J.P.Morgan
ASSET MANAGEMENT

9:30 – 10:20 a.m.

Navigating Current Tax Developments & Accounting Changes

Lindsey Sabelko, CPA, *Partner, Wipfli LLP*

Brett Schwantes, CPA, *Director, Wipfli LLP*

Navigating Current Tax Developments & Accounting Changes

May 13, 2025

wipfli.com

WIPFLI

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Disclaimer

The information presented during this presentation is accurate to the best of our knowledge as of the date of this presentation. Wipfli will not be updating the slides following this presentation, so please consider changes to applicable laws, rules, or regulations when subsequently referring to the information presented. This information is not fact-specific or tailored to any particular case and should not be used as a substitute for professional advice with respect to your unique circumstances. Please consult your tax advisor and/or accountant.

Agenda

Accounting Update

- New Accounting Standards Updates (ASUs)
- Troubled loan modification and CECL considerations
- FASB's Purchased Financial Assets project

Tax Update

- Tax extender items
- Tax planning in a high-interest rate environment
- State and local tax issues
- Miscellaneous updates

Accounting Standards Updates

ASU 2023-09

PBEs: Years beginning after December 15, 2024

Non-PBEs: Years beginning after December 15, 2025

Early adoption is permitted

Improvements to Income Tax Disclosures

Enhances income tax disclosures by requiring:

- More detailed reconciliation of the effective tax rate to the statutory rate with greater disaggregation required.
- Additional disaggregation of income taxes paid
- Disclosure levels vary significantly for PBE's compared to non-PBE's
  - Replaces the term "public entity" with "public business entity"

Improvements to Income Tax Disclosures – PBE's

- PBE's must include the following categories in tabular rate recon:
  - State and local taxes, net
    - Qualitative description of states that make up the majority of the effect
  - Foreign taxes – Disaggregation for individual items over 5%
  - Effect of change in tax laws
  - Effect of cross-border laws – Disaggregation for individual items over 5%
  - Tax credits – Disaggregation for individual items over 5%
  - Change in valuation allowance
  - Nontaxable or nondeductible items – Disaggregation for individual items over 5%
  - Changes in unrecognized tax benefits
- 5% threshold based on multiplying pretax income by the applicable statutory income tax rate

Improvements to Income Tax Disclosures – PBE's

	Year Ended December 31, 20X2		Year Ended December 31, 20X1		Year Ended December 31, 20X0	
	Amount	Percent	Amount	Percent	Amount	Percent
U.S. Federal Statutory Tax Rate	$ AA	aa %	$ BB	bb %	$ CC	cc %
State and Local Income Taxes, Net of Federal Income Tax Effect [a]	AA	aa	BB	bb	CC	cc
Foreign Tax Effects						
United Kingdom						
Statutory tax rate difference between United Kingdom and United States	(AA)	(aa)	(BB)	(bb)	(CC)	(cc)
Share-based payment awards	AA	aa	BB	bb	CC	cc
Research and development tax credits	(AA)	(aa)	(BB)	(bb)	CC	cc
Other	(AA)	(aa)	BB	bb	(CC)	(cc)
Ireland						
Statutory tax rate difference between Ireland and United States	(AA)	(aa)	(BB)	(bb)	(CC)	(cc)
Changes in valuation allowances	(AA)	(aa)	(BB)	(bb)	CC	cc
Enacted changes in tax laws or rates	-	-	BB	bb	-	-
Other	AA	aa	(BB)	(bb)	(CC)	(cc)
Switzerland	(AA)	(aa)	(BB)	(bb)	(CC)	(cc)
Mexico	AA	aa	BB	bb	CC	cc
Other foreign jurisdictions	(AA)	(aa)	(BB)	(bb)	CC	cc
Effect of Changes in Tax Laws or Rates Enacted in the Current Period	-	-	-	-	(CC)	(cc)
Effect of Cross-Border Tax Laws						
Global intangible low-taxed income	AA	aa	BB	bb	CC	cc
Foreign-derived intangible income	(AA)	(aa)	(BB)	(bb)	(CC)	(cc)
Base erosion and anti-abuse tax	AA	aa	BB	bb	CC	cc
Other	AA	aa	-	-	-	-
Tax Credits						
Research and development tax credits	-	-	(BB)	(bb)	(CC)	(cc)
Energy-related tax credits	(AA)	(aa)	-	-	-	-
Other	-	-	(BB)	(bb)	-	-
Changes in Valuation Allowances	AA	aa	(BB)	(bb)	(CC)	(cc)
Nontaxable or Nondeductible Items						
Share-based payment awards	AA	aa	BB	bb	CC	cc
Goodwill impairment	AA	aa	BB	bb	-	-
Other	AA	aa	(BB)	(bb)	CC	cc
Changes in Unrecognized Tax Benefits	(AA)	(aa)	BB	bb	(CC)	(cc)
Other Adjustments	AA	aa	(BB)	(bb)	(CC)	(cc)
Effective Tax Rate	$ AA	aa %	$ BB	bb %	$ CC	cc %

[a] State taxes in California and New York made up the majority (greater than 50 percent) of the tax effect in this category.

Improvements to Income Tax Disclosures – non PBE's

- Non-PBE's do not require a tabular presentation
  - Must provide qualitative disclosure about specific categories of reconciling items and individual jurisdictions that result in a difference between the statutory and effective tax rates.

- Example: The difference between Entity W's effective tax rate and its statutory tax rate is primarily attributed to tax credits, state taxes, and foreign taxes. More specifically, the foreign tax effects of Entity W's operations in Ireland had a decreasing effect on its effective tax rate, while the foreign tax effects of Entity W's operations in France had an increasing effect on its effective tax rate. Entity W received federal research and development tax credits, which decreased its effective tax rate, while state taxes in California increased its effective tax rate.

Improvements to Income Tax Disclosures – (ALL)

- Income Taxes Paid:
  - All entities must disclose amount of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign jurisdictions
  - Further disaggregation required where amount is at least 5% of total income taxes paid

- Eliminates disclosures for:
  - Unrecognized tax benefits having a reasonable possibility of significantly increasing or decreasing in next 12 months

ASU 2024-03

Years beginning after December 15, 2026

Interim periods beginning after December 15, 2027

Early adoption is permitted

Income Statement - Expense Disaggregation Disclosure

Only applies to public business entities

- Additional applicability in other industries
- Financial institutions required to present/disclose separately:
  - Employee compensation
  - Depreciation
  - Intangible asset amortization
  - Certain other expenses included in relevant expense captions
  - Qualitative description of amounts remaining in relevant expense captions that are not separately disclosed
  - Disclosures around selling expenses, including a definition

Income Statement - Expense Disaggregation Disclosure

Required to be disaggregated	Example "other expenses" [1]
Purchases of inventory	Impairment loss – intangibles
Employee compensation	Impairment loss – long-lived assets
Depreciation	Gain/loss on sale of long-lived assets
Intangible asset amortization	Gain/loss on derivative instruments
Certain oil- and gas-producing activities	Components of net benefit cost (other than service cost)
	Amortization – hosting arrangement
	Lease costs (disaggregated by type)

[1] "Other expenses" are disclosed separately if they are included in a relevant expense line item

Example Expense Disaggregation Disclosure

Disaggregation of Relevant Expense Captions

	20X4	20X3	20X2
Occupancy and depreciation expense			
Occupancy and depreciation expense			
Depreciation	$ 164,232	$ 146,403	$ 145,907
Operating lease expense	152,445	103,239	149,842
Other occupancy expenses [(a)]	59,910	30,233	53,930
Total occupancy and depreciation expense	$ 376,587	$ 279,875	$ 349,679

(a) Other occupancy expenses consist primarily of repair and maintenance expense for the years ended December 31, 20X4, 20X3, and 20X2.

	20X4	20X3	20X2
Other			
Other			
Intangible asset amortization	$ 13,139	$ 10,980	$ 10,068
Other [(b)]	17,374	10,419	14,736
Total other	$ 30,513	$ 21,399	$ 24,804

(b) Other consists primarily of regulatory licensing fees and charitable contributions for the years ended December 31, 20X4, 20X3, and 20X2.

ASU 2023-08

PBEs: Years beginning after December 15, 2024

Non-PBEs: Years beginning after December 15, 2024

Early adoption is permitted

Accounting for Certain Crypto Assets

- Certain crypto assets are measured at fair value
- Requires entities to present applicable crypto assets separately from other intangible assets on the balance sheet
- Gains and losses from subsequent measurement would be presented in the income statement separate from changes in carrying value of intangible assets

Crypto Assets

- ASU 2023-08 applies to crypto assets meeting all of the following criteria:
  - Meet the definition of an intangible asset
  - Do not provide rights to underlying goods or services
  - Created or reside on a distributed ledger or "blockchain"
  - Secured through cryptography
  - Fungible
  - Is not created or issued by the reporting entity or its related parties

ASU 2022-02

Other considerations

Troubled loan modification (TLM) considerations:

- What modifications are in scope?
- "Once a TLM, always a TLM?"
- How do TLMs work under CECL?
- Regulatory reporting

CECL Information

Implemented – Ongoing Maintenance

- Consider new data, evaluate key inputs and assumptions
- Can have changes to methodology
  - Models will probably evolve
- Consider whether any changes are:
  - Change in estimate (this will usually be the answer)
  - Correction of an error (rare)
  - Change in accounting principal (unlikely)

Call Report – Other Liability Changes

CECL Information

Schedule RC-G—Other Liabilities

Dollar Amounts in Thousands	RCON	Amount	
1. a. Interest accrued and unpaid on deposits in domestic offices[6]	3645		1.a.
	RCFD		
b. Other expenses accrued and unpaid (includes accrued income taxes payable)	3646		1.b.
2. Net deferred tax liabilities[3]	3049		2.
3. Allowance for credit losses on off-balance-sheet credit exposures	B557		3.
4. All other liabilities (itemize and describe amounts greater than $100,000 that exceed 25 percent			

FASB Project

Acquired loans

Existing GAAP

- Acquired loans (non-PCD) are measured at fair value
  - Fair value discount (premium) is amortized to interest income
- After acquisition, must recognize allowance for credit losses
  - Charge to earnings (provision for loan losses)

Tentative Changes

- Acquired loans are measured at fair value
  - Fair value component related to discount for credit losses would be recognized as an allowance for credit losses
  - No charge to earnings would be necessary upon acquisition

FASB Project

Acquired loans

Feedback from Comment Letters

- Complexity in applying gross-up approach to credit card and other revolving credit facilities
- Application of seasoning criteria
- Application of retrospective lookback (widely disliked)
- Application to securities available for sale

Update

April 30 FASB Decisions

FASB Project

Acquired loans

- Removed from scope of standard:
  - Securities (HTM and AFS)
  - Credit card loans
- All other loans are included in scope if they:
  - Are acquired in a business combination or
  - Meet seasoning criteria
    - Acquired more than 90 days after its origination date and
    - Acquirer did not have involvement with the origination of the loan

Update

April 30 FASB Decisions

FASB Project

Acquired loans

- Initial amortized cost basis of loans within scope will be the purchase price plus the initial allowance for credit losses
- Standard will be applied prospectively for annual periods beginning after December 15, 2026, and interim periods within those annual periods
- Early adoption will be permitted for any annual or interim period for which financial statements have not been issued
  - May be applied either as of the beginning of the interim period or the annual period

Extending the 2017 Tax Cuts

- The Trump administration is pushing to solidify the tax cuts introduced in the 2017 Tax Cuts and Jobs Act (TCJA)
- Unless Congress extends or modifies the law, most of the TCJA's provisions are set to expire on December 31, 2025

199A – Qualified Business Income Deduction

- Top extension priority
- This is to “match” the 21% corporate federal rate for passthrough entities
- Additionally, individual tax rates revert back to pre-TCJA levels at this time
- Top effective rate for federal tax goes from 29.6% to 39.6% for trust & individual shareholders

100% Bonus Depreciation

- Bonus depreciation began phase out in 2023
  - 80% in 2023
  - 60% in 2024
  - **40% in 2025**
  - 20% in 2026
- Bipartisan support to extend 100%

SALT Cap Deduction

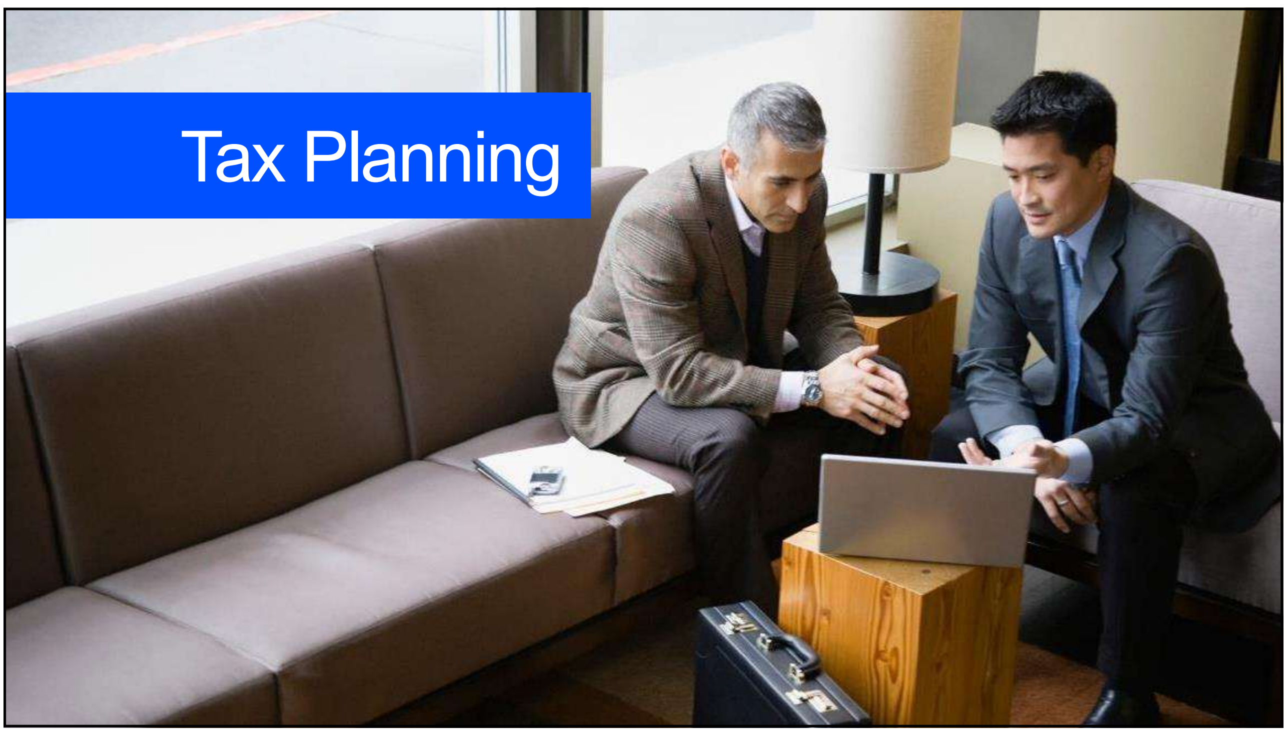
- Current SALT deduction cap is $10,000 for individuals who itemize on their individual returns
- In 2026, SALT deduction reverts to pre-TCJA rules
- If not extended, SALT deduction limited by AGI, but no dollar cap

Estate and Gift Tax Exemption

- "Double exemption" set to expire 12/31/25
- In 2024, the exemption is $13,610,000 ($27,220,000 per couple) with no transfer tax consequences
- In 2025, exemption increases to $14,100,000 and $28,200,000, respectively
- In 2026, exemption estimated to be between $7,000,000 - $7,250,000 depending on inflation
- Portability between spouses remains after 2025

Other Items on Trumps Agenda

- Reduction of Corporate Tax Rate
  - Lowering the rate from 21% to 20%, with a 15% rate for US manufacturers
- No taxes on tips and overtime
- No taxes on Social Security Benefits
- Introduction of Tariffs



Tax Planning

- **TEFRA – Interest Expense Disallowance**
  - Minimize TEFRA disallowance as interest expense increases
    - Calculated as a percentage of total interest expenses/avg total assets x average municipals
    - S Corporations 20% disallowance on bank qualified municipal investments for first 3 years
    - C Corporations 20% disallowance on bank qualified municipals
    - C Corp and S Corp 100% disallowance on **non-bank qualified municipals**
    - Minimize NBQ bonds
    - TEFRA interest expense disallowance generally does not apply to tax-exempt obligations held by an investment subsidiary
      - There are other tax implication to consider with an investment subsidiary – please consult your tax advisor if you are considering

Tax Planning

Gross Receipts and Cash Basis Tax Returns

- In times of higher interest rates gross income increases
  - C Corps
    - 2025 - $31 million average annual gross receipts over 3 year rolling period
    - Average gross receipts exceeding $31 million – convert to accrual basis tax return
  - S Corps
    - Generally, no gross receipt limitation
    - Automatic change to cash method with $50 million or less average annual gross receipts

Tax Planning

Other tax strategies to increase expense and/or defer income recognition

- Cost segregation studies on constructed or purchased buildings
- Accelerated depreciation on fixed assets
  - Bonus depreciation- 40% in 2025, 20% in 2026, 0% 2027 and on
  - Section 179 – 100% on qualifying assets, limited to $1,250,000 for 2025 (begins to phase out if 179 purchases exceed $3,130,000)
- Prepaid expense 12-month rule – Automatic accounting method change
  - Once elected, can determine whether to accelerate deduction each year

Tax Planning

Bad debt conformity election [Reg. 1.1662(d)(3)] - Current

- Any bank can make the conformity election
- Considered a method of accounting change (automatic) and must be formally elected (Form 3115)
- Thought of as “Audit insurance”
  - Election protects bad debts charged-off and deducted as being in compliance with regulatory standards
  - Need express determination letter from Federal examiner
- Protects from IRS audit on bank’s nonaccrual interest

Tax Planning

Proposed bad debt regulations

- Section 166 introduces new method of accounting for bad debts, "Allowance Charge-off Method"
  - Provides "conclusive presumption of worthlessness" for bad debts charged off on books against the allowance for credit losses (ACL)
  - Replaces the "Conformity Method" where an express determination letter was required
  - Form 3115 will be needed for this method change
- Unclear how nonaccrual loan interest is to be treated under proposed regulations
- Final regulations anticipated for summer of 2025

Long Term Tax Planning

Expiration of Section 199A and potential tax rate increases

- S Corporation vs. C Corporation Analysis
  - C Corp tax rate is 21%, currently no expiration date
  - S Corp highest individual tax rate 37%, on 80% of entity earnings (29.6% effective federal rate)
    - High income passive shareholders also pay 3.8% Net Investment Income Tax
- As of 2025 top tax rate increases back to 39.6% with no 20% deduction if TCJA is not extended (3.8% NIIT still applies)

Long Term Tax Planning

C Corporation

- Bank's priority is capital retention and growth
- Double Taxation - Dividends are taxed at the individual level
- Stock basis does not increase in value based on annual activity

S Corporation

- Bank's priority is return of profits to Shareholders
- S Corp distributions generally not taxable to Shareholders
- Stock basis is adjusted each year based on annual activity

S Corporation Revocation

- Can be done at anytime, but only retroactive if done by March 15th
- Greater than 50% written shareholder consent required
- Must wait 5 years to reelect S corporation status
- Subject to built-in gains (BIG) tax for 5 years after reelection
- Termination of S election will require booking of deferred tax assets/liabilities

State Nexus and VDAs

Having nexus in other states

- Remote employees in another state
- Physical property in another state
- Income derived from activity in another state

VDAs (Voluntary Disclosure Agreements)

- Submitting a VDA is useful for limiting lookback periods and reducing or eliminating penalties during tax reviews

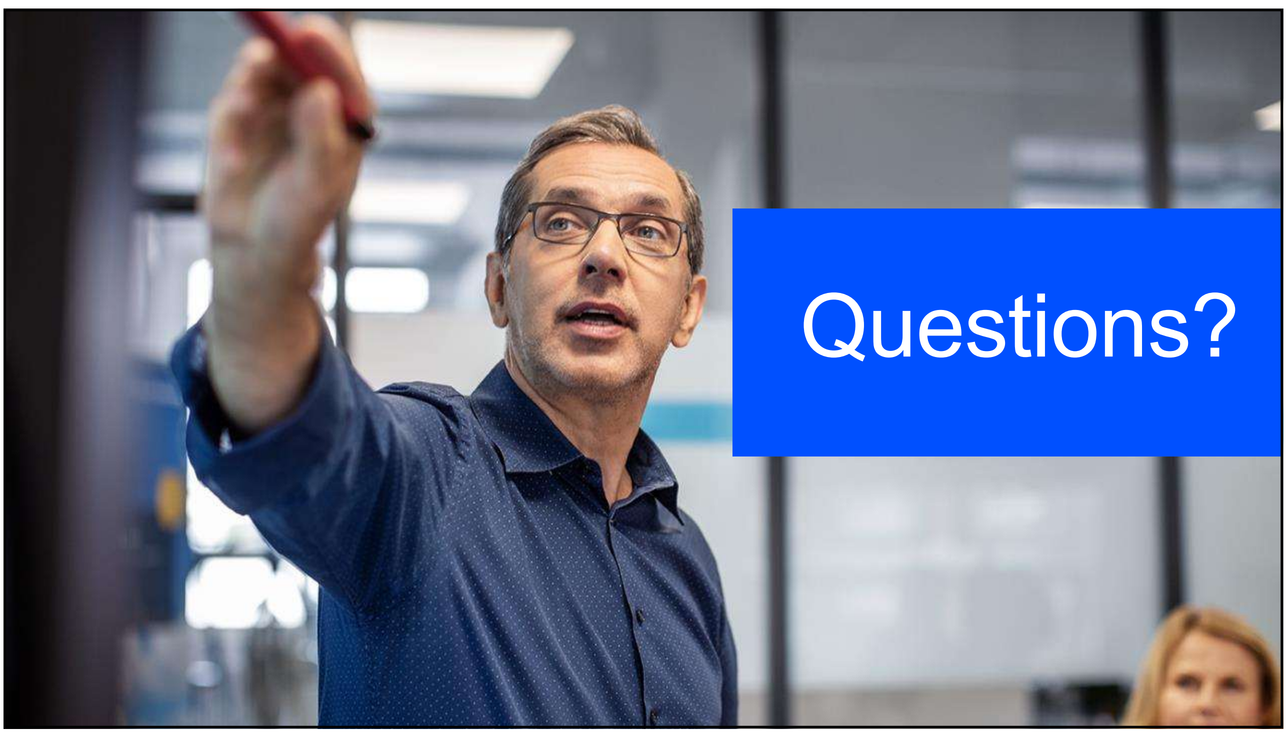
International Issues

- Remote work gives many of us flexibility to login from vacation
- However international travel should be closely monitored
- Have you considered locking employees out while abroad?

Excise Tax on Stock Repurchases

Miscellaneous Updates

- Applies to stock of domestic corporations that are traded on an established securities market, including national securities exchange, foreign securities exchange, and regional or local securities exchange (e.g. NYSE, NASDAQ, OTC)
- Excise tax rate is 1 percent of fair value of stock repurchased by the corporation during the year
- Not applicable if the value of stock repurchased does not exceed $1 million
- Repurchased stock is reduced by fair value of any stock issued during the tax year
- No income tax deduction is permitted for the excise tax
- Reported on Form 720, Quarterly Federal Excise Tax Return
  - Include Form 7208, Excise Tax of Repurchase of Corporate Stock



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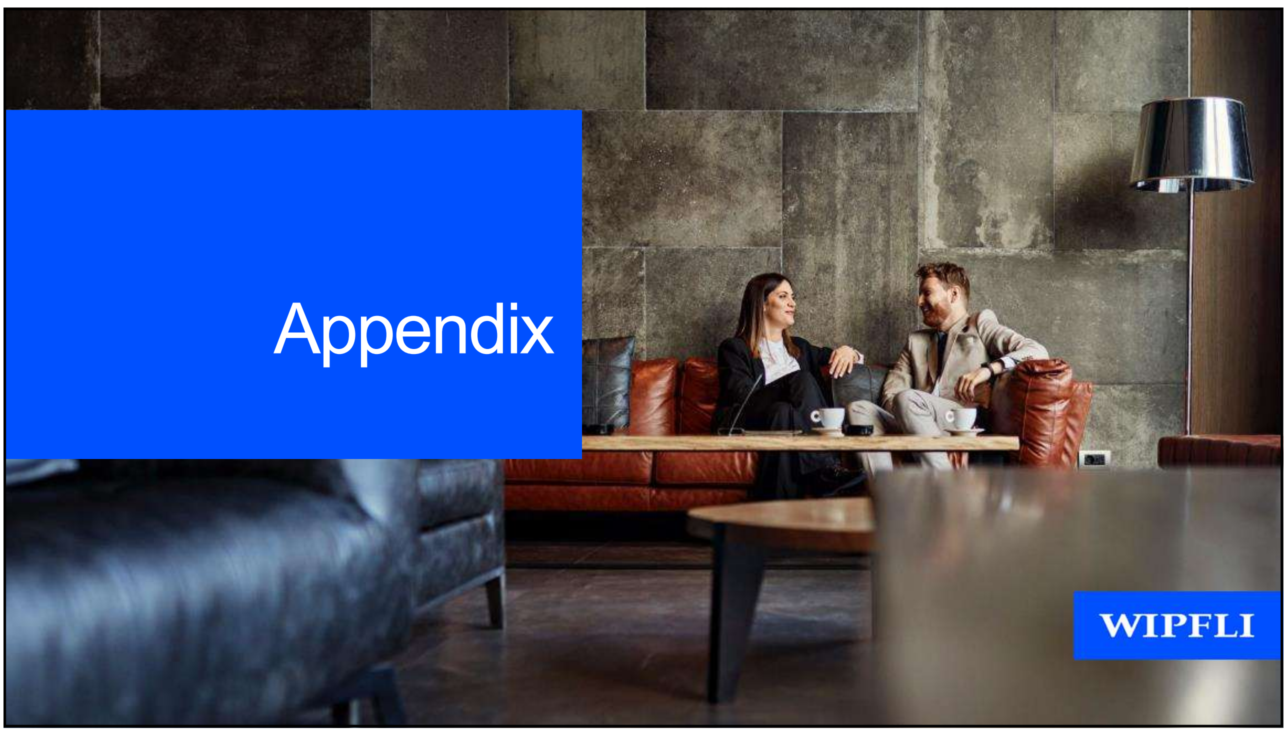

Accounting Standards Updates (ASUs) Effective Dates

Standard	SEC filers	PBEs	Non PBEs
ASU 2023-02 *Investments in Tax Credit Structures*			**Years beginning after December 15, 2024**
ASU 2023-08 *Crypto Assets*	**Years beginning after December 15, 2024**	**Years beginning after December 15, 2024**	**Years beginning after December 15, 2024**
ASU 2023-09 *Improvements to Income Tax Disclosures*	**Years beginning after December 15, 2024**	**Years beginning after December 15, 2024**	Years beginning after December 15, 2025
ASU 2024-03 *Disaggregation of Income Statement Expenses*	Years beginning after December 15, 2026	Years beginning after December 15, 2026	N/A
ASU 2024-04 *Induced Conversions of Convertible Debt Instruments*	Years beginning after December 15, 2025	Years beginning after December 15, 2025	Years beginning after December 15, 2025

Post-2025 TCJA Changes

Provision	Change under TCJA (that would be reversed after 2025)	2026 law if no action taken
Income tax rates	10%, 12%, 22%, 24%, 32%, 35%, 37%	10%, 15%, 25%, 28%, 33%, 35%, 39.6%
Child tax credit	$2,000 credit, $1,400 refundability cap, higher income phaseout	$1,000, $1,000 refundability cap
Employer FMLA Credit	General business credit based on wages paid during family & medical leave	No credit
Individual AMT	Exemption $126,500/ married, $81,300 otherwise (inflation adjusted)	$84,500/ married, $54,300/individual
Standard deduction	$12,000/single, $24,000/married filing jointly	$6,350/single, $12,700/married
Itemized deductions	Suspension of certain itemized deductions	Itemized deductions reinstated
Housing deduction caps	Deduction cap of $750,000, home equity interest suspended	$1m, home equity interest reinstated
SALT deduction cap	$10,000	No cap
Limit on wagering losses	Applies not only to wagers, but other expenses incurred in connection	Applies only to wagers
Charitable contributions	AGI limitation for charitable contributions increased to 60%	50%
199A deduction	20% deduction on certain pass-through income	No deduction
Moving expenses	Suspension of deduction	Reinstated
Employer meals	50% deduction for employer de minimis food and beverage expenses	Not deductible
ABLE Accounts	Contributions eligible for saver's credit, rollovers from 529 plans permitted, contribution increase	No saver's credit, 529 rollover, or contribution increase
Estate tax	Exemption $12.92m (inflation adjusted)	$5.49m (pre-2018 $5m inflation adjusted)

International provision	Change after 2025
GILTI	Deduction reduced from 50% to 37.5%
FDII	Deduction reduced rom 37.% to 21.875%
BEAT	Rate increased from 10% or 11% for banks/dealers to 12.5% & 13.5% and base expands with modifications to regular tax (i.e., the allowance for credits that reduces regular tax expands)

10:30 – 11:20 a.m.

AML in Fintech: Compliance & Risk Management Essentials

David Twomey, CAMS, *Senior Manager, Baker Tilly*

bakertilly

AML in Fintech: Compliance & Risk Management Essentials

Wisconsin Institute of CPAs (WICPA)

Meet our presenter

David Twomey
SENIOR MANAGER

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Intro to fintech partnerships

- Understand the structure of bank-fintech partnerships and AML compliance requirements.
- Explore the key AML and sanctions regulations affecting these relationships.
- Discuss the inherent risks and operational challenges in these partnerships.
- Examine fintech AML program expectations and enforcement case studies.
- Identify best practices for oversight and collaboration.

AML IN FINTECH: COMPLIANCE & RISK MANAGEMENT ESSENTIALS

Structure of bank-fintech agreements

Bank-fintech collaborations take various forms, including:

- Banking-as-a-Service (BaaS)
- Payment processing
- Lending
- Cryptocurrency services

Key components of partnership agreements

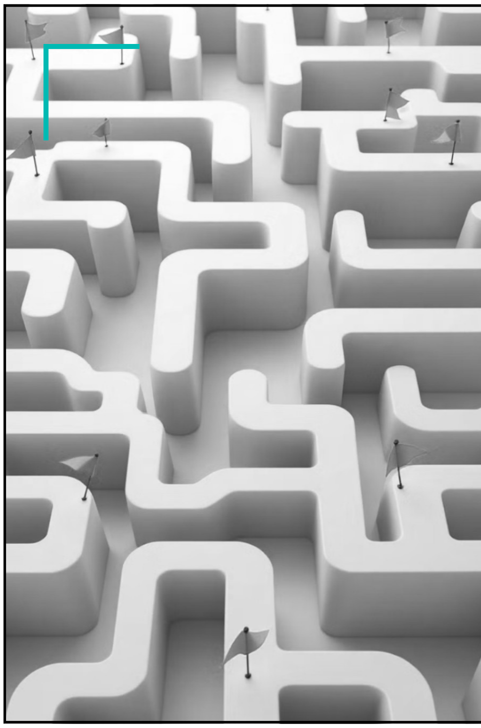
1 → 2 → 3 → 4 → 5

1. **AML responsibilities:** Banks remain accountable for compliance but may delegate operational AML tasks to Fintech's.
2. **Transaction monitoring & KYC:** Fintech's are often responsible for onboarding customers and conducting know your customer (KYC) screenings, yet banks must ensure these processes meet regulatory expectations.
3. **Contractual terms:** partner agreements typically outline SAR reporting obligations, data-sharing protocols, and remediation measures for compliance failures.
4. **Risk assessments:** Banks conduct due diligence before engaging with Fintech's, evaluating their AML program strength, fraud controls, and technology infrastructure.
5. **Regulatory review:** Some partnerships require regulatory approval, particularly in areas like lending or payments.

AML and sanctions regulations impacting institutions

Several regulations govern AML compliance within fintech partnerships:

Bank Secrecy Act (BSA):	Mandates financial institutions to implement AML programs, report suspicious transactions and maintain customer identification programs.
FinCEN's AML and CDD rule:	Requires Fintech's to establish risk-based customer due diligence (CDD) and monitor transactions for illicit activities.
Office of Foreign Assets Control (OFAC):	Imposes sanctions compliance obligations, requiring Fintech's to screen customers and transactions against global sanctions lists.
Regulatory trends:	Agencies like the OCC, CFPB and federal reserve are increasingly scrutinizing fintech partnerships, ensuring banks maintain adequate oversight.
Enforcement actions:	Regulators are ramping up penalties, especially where banks fail to monitor fintech AML deficiencies.



Key risk factors in the fintech landscape

Rapid customer growth	Anonymity of online transactions
Speed of transactions	Cross border transactions
Untested business models	Insufficient resources

Risks associated with bank-fintech partnerships

The evolving nature of bank-fintech partnerships introduces unique **AML risks**:

Third-party risk management:	Banks remain accountable for their fintech partners' compliance failures. Weak AML programs in fintechs can expose banks to regulatory fines.
Compliance gaps:	Fintechs may lack **robust AML training, internal controls, and transaction monitoring systems**, leaving gaps in compliance.
Data security & fraud:	Fintechs handling high-risk transactions—such as remittances or cryptocurrency—face greater exposure to **fraud, money laundering, and cyber threats**.
Regulatory scrutiny:	Regulators demand banks demonstrate **effective oversight** over their fintech partners. Inadequate oversight may result in **reputational damage and enforcement actions**.

Challenges in bank-fintech partnerships

AML compliance in fintech partnerships faces **operational and strategic challenges**:

Risk appetite misalignment:	Banks prioritize compliance, while Fintech's may emphasize speed and innovation.
Technology integration issues:	Fintechs often use modern, API-driven **systems**, which may not seamlessly integrate with legacy bank compliance infrastructure.
Regulatory ambiguity:	Fintech licensing and compliance expectations remain **constantly evolving**, creating uncertainty around enforcement actions.
Customer onboarding risks:	Some fintechs offer instant onboarding with limited KYC procedures, increasing exposure to illicit transactions.

What a fintech's AML program should look like

A **comprehensive AML framework** is crucial for fintech's:

Know your customer (KYC):
Strong customer identification processes and risk-based verification.

Transaction monitoring:
Ai-driven monitoring systems that identify unusual or high-risk transactions.

Suspicious activity reporting (SARs):
Prompt submission of reports to FinCEN and regulatory agencies.

Sanctions screening:
Automated screening against OFAC lists and other sanction programs.

Independent audits & governance:
Regular third-party AML reviews to assess compliance gaps.

Employee training:
Continuous education on emerging AML threats and compliance updates.

Fraud controls:
Implement machine-learning solutions to detect fraud trends and illicit activity patterns.

Best practices for bank-fintech relationships and oversight

To mitigate AML risks, institutions should adopt best practices:

Clearly defined contractual AML requirements:	Robust oversight mechanisms:	Advanced technology integration:	Regulatory engagement:	AML culture alignment:
Ensure agreements specify compliance responsibilities.	Banks must ensure a qualified party conducts periodic AML audits of fintech partners.	Implement seamless transaction monitoring across institutions.	Stay proactive in compliance conversations with regulators.	Ensure fintech teams receive structured compliance training.

CASE STUDY

Block (Cash App) – NYDFS Enforcement Action (2025)

Regulatory body: New York State Department of Financial Services (NYDFS).

Key issues:

Weak KYC & transaction monitoring: block failed to implement sufficient know-your-customer (KYC) and transaction monitoring controls.	**Backlog of suspicious activity reports (SARs):** delays in filing SARs created a high-risk environment for illicit transactions.	**Crypto compliance failures:** block's cash app bitcoin transactions lacked proper AML oversight.

Outcome: Regulatory investigation led to enforcement action, requiring Block to **enhance AML controls and compliance governance**.

CASE STUDY

Hatch bank

Key details of the consent order:

Regulatory findings:
The order follows a march 2024 report of examination by the DFPI and FDIC, which identified unsafe or unsound banking practices related to hatch bank's third-party fintech partnerships.

AML/CFT compliance issues:
Hatch bank's board of directors is required to strengthen its oversight of the bank's AML/CFT program, ensuring compliance with risk assessments, transaction monitoring, SAR filings and fintech partner reviews.

Short remediation timeline:
The bank must revise its AML/CFT risk assessment within 60 days and enhance policies for internal controls, transaction monitoring, and staffing within 90 days.

Fintech oversight requirements:
Hatch bank must conduct periodic reviews of every vendor or fintech partner that provides BSA functions such as customer due diligence, monitoring and case management.

Implications for Fintech partners & sponsor banks:

Regulatory precedent:
\this may be one of the first times a state regulator has pursued a BaaS sponsor bank independently, rather than jointly with a federal agency.

Increased scrutiny on fintech-bank relationships:
Banks offering BaaS services must ensure strong AML controls and proactive oversight of fintech partners to avoid similar enforcement actions.

Potential industry-wide impact:
The DFPI's aggressive timeline for remediation signals stricter enforcement trends for fintech-bank partnerships moving forward

Questions?

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Let’s connect!

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11:30 – 12:20 p.m.

Leveraging the Changing Regulatory Environment

Bart Smith, *Partner & Managing Director, Performance Trust Capital Partners*

Presentation materials not available.