

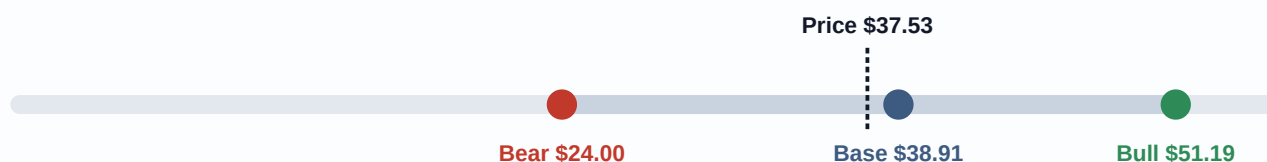
Initiated 2026-10-13 · Price \$37.53 (intraday 2026-10-13, stockanalysis.com) · Mkt cap \$5.36bn · Financials / regional bank · Model: verified

Rating: Hold — Conviction: Low

Atlantic Union has delivered on the Sandy Spring deal: a 20% adjusted ROTCE, 47–49% efficiency and tangible book growing ~12% a year. But at ~1.8x tangible book the stock already pays for that. The base case only earns its cost of equity if ~\$150mm a year of purchase-accounting accretion is replaced by fixed-rate loan repricing while 2H26 deposit competition intensifies. Upside and downside are roughly symmetric, so we rate it Hold. The call is sensitive to the discount rate.

Conviction tests (3a-v-c): T1 fail (Hold → Buy at -1pp: base +19.5%; -8.5% at +1pp) · T2 pass (residual income +2.2%, justified P/TBV +5.2%) · T3 pass · T4 pass

MODEL VALUE RANGE VS PRICE



Business overview

Atlantic Union is a Richmond-based commercial bank with \$38.1bn of assets. It took over Sandy Spring (Maryland) on 2025-04-01, after American National in 2024. Its footprint now runs across Virginia, Maryland, DC and North Carolina, where 10 de novo branches are planned, mostly by 2027. The balance sheet holds \$28.7bn of loans and \$30.5bn of deposits (Q2 2026). Commercial real estate is the largest book: non-owner-occupied CRE \$7.3bn, owner-occupied \$4.3bn, multifamily \$2.4bn and construction \$1.9bn. Revenue is about 85% net interest income. Three variables drive earnings: (1) the NIM as purchase-accounting accretion runs off (Q2 GAAP NIM 3.89%; core 3.46% excluding \$39.9mm of quarterly accretion); (2) deposit growth, which caps loan growth at a 94% loan-to-deposit ratio; and (3) CRE credit costs, currently only 2–3bp of net charge-offs.

Competition

Truist (21.3% of Virginia deposits), Wells Fargo (14.5%) and Bank of America lead the deposit market. Atlantic Union holds 6.3% of all Virginia deposits and 23.9% of deposits at Virginia-headquartered banks, ahead of TowneBank at 14.9% (June 2025 FDIC/SNL data, as cited in company filings, so a year old). Pressure would show up first in deposit pricing. Management flagged more loan and deposit competition in 2H26, and new interest-bearing deposits are costing 3–3.5% against a 1.95% spot cost of deposits. Among listed peers, United Bankshares trades at 1.80x tangible book and 12.1x forward earnings, TowneBank at 1.53x and 10.0x (stockanalysis, 2026-10-13).

Bull case

1. **Repricing replaces accretion.** Each quarter, \$800–900mm of ~5% fixed-rate loans reprice ~100bp higher, and core NIM is guided to rise modestly. GAAP NIM therefore holds near 3.85% even as Sandy Spring accretion fades. Plays out if term rates stay near today's ~5% 10Y and deposit betas stay below 50%. *Model: nim*
2. **Operating leverage from a completed integration.** With merger costs gone (zero in Q2), the 47.5% Q2 efficiency ratio is the new base. Revenue growth on a flat cost base pushes efficiency toward 46%. Plays out if expense growth stays within the \$742–752mm 2026 guide plus inflation. *Model: efficiency_ratio*
3. **Franchise growth.** Maryland loan pipelines and the North Carolina branches support mid-single-digit loan growth (6.4% annualized YTD), funded by core deposits. Plays out if deposits grow ahead of the guided low single digits. *Model: ea_growth*

Bear case

1. **Accretion runs off faster than repricing replaces it.** About 48bp of NIM is accretion. If 2H26 deposit competition, or Fed cuts on top of competition, holds core NIM flat, GAAP NIM drifts to ~3.4% by Y5. Plays out if new-money deposit costs stay at 3–3.5% while loan yields stall. *Model: nim*
2. **CRE credit normalizes from very low levels.** Net charge-offs of 2–3bp are not a through-cycle number for a \$11.6bn investor-CRE, multifamily and construction book. In the bear case losses peak at 60bp with a reserve build to ~1.6% of loans. Plays out if refinancing walls meet higher-for-longer rates. *Model: nco_rate, reserve_build*
3. **Deposit-constrained growth on a fixed cost base.** At a 94% LDR, loan growth can't outrun deposits. Flat balances plus the North Carolina build push efficiency toward 55% as accretion revenue fades. Plays out if deposit growth stays near zero. *Model: ea_growth, efficiency_ratio*

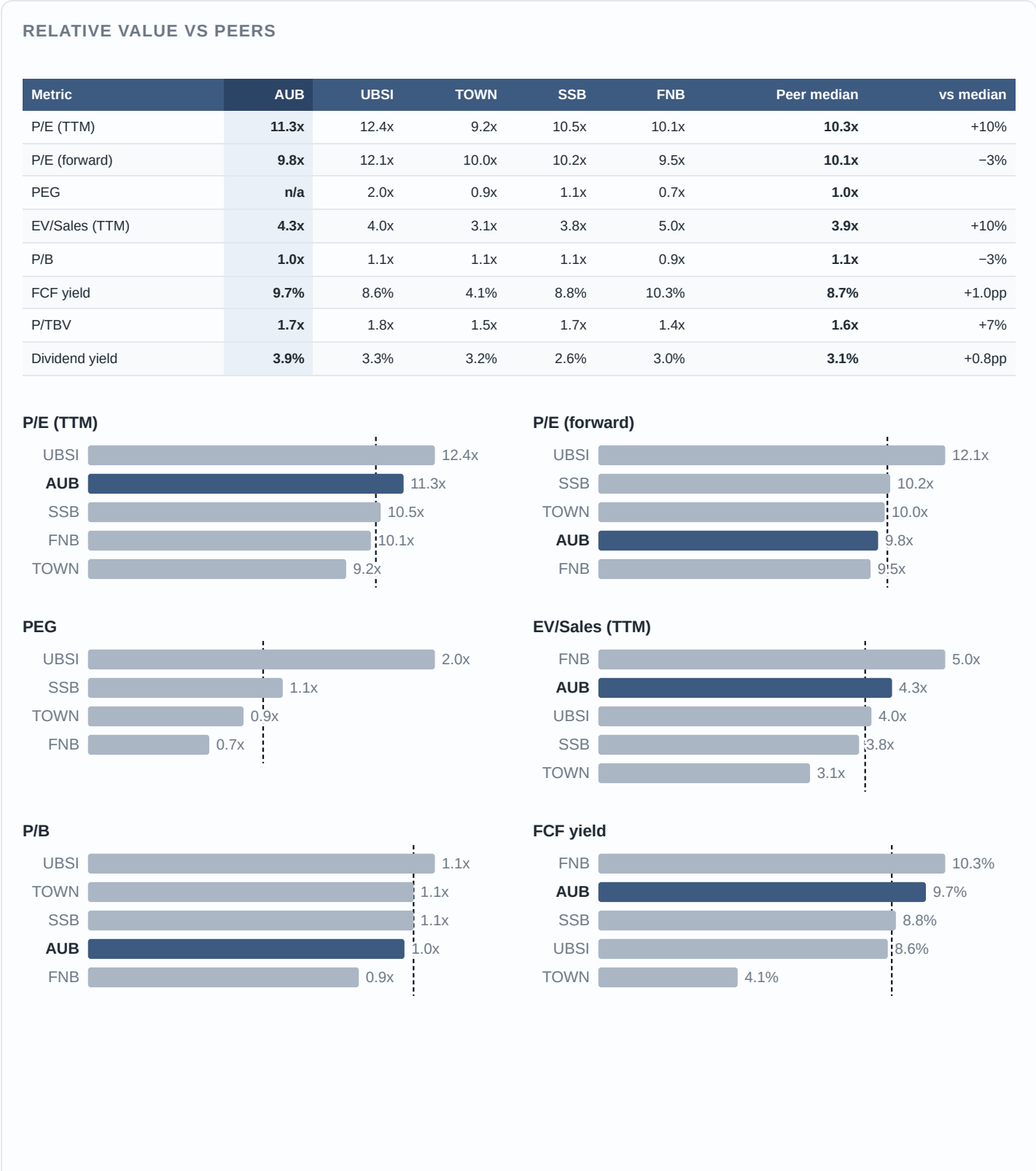
Valuation & balance sheet

Metric (definition)	Current	Own history (range or 5y avg)	Peers	Source, as-of
P/TBV (price ÷ period-end TBV/share)	1.81x on \$20.77 (1.74x stockanalysis basis)	n/a (unverified)	UBSI 1.80x · TOWN 1.53x · SSB 1.72x · FNB 1.40x (stockanalysis basis)	er2q26 6/30/26; stockanalysis 2026-10-13
Forward P/E (stockanalysis consensus)	9.75x	n/a (unverified)	UBSI 12.09x · TOWN 9.98x · SSB 10.17x · FNB 9.49x	stockanalysis 2026-10-13
Adjusted operating ROTCE (company non-GAAP)	20.1% (Q2 2026)	FY2024 16.1%	n/a (unverified)	er2q26; Q4 2024 release
GAAP NIM	3.89% (Q2 2026)	3.33% FY23 · 3.27% FY24 · 3.74% FY25	n/a (unverified)	er2q26, er4q25, er4q24

Model-implied value range (from `model-summary.json` ; bank, residual income and justified P/TBV, midpoints): Bear \$24.00 · Base \$38.91 · Bull \$51.19 per share, i.e. implied returns of –36.0% / +3.7% / +36.4% vs \$37.53. *These ranges show how the bull and bear drivers translate into value; they are not price targets.* The price sits on the base case, so the market already assumes accretion is largely replaced and credit stays benign. Re-rating: today's multiple on the model's own basis is 1.91x FY2025 TBV/share (\$19.61). The Base justified P/TBV (value_b \$39.47) embeds ~2.01x, a ~5% re-rating, while residual income (\$38.35) is close to today's multiple. The two methods agree within 3%. AUB already trades above the 1.63x peer median, so the base case gives it no further multiple credit relative to peers.

Balance sheet: net leverage not meaningful (bank). TCE/TA 8.17%, CET1 10.41% (estimate; preferred range 10–10.5%), loan-to-deposit ratio 94.1%. Model coverage is PPNR/provision 20.5x in Y1, with TCE/earning assets rising from 8.7% to 9.4%. Nearest material maturity: \$250mm of subordinated notes callable/maturing 2031, since the 2029 notes are being redeemed with July's 6.25% 2036 issue. Ratings: KBRA BBB+ senior, BBB subordinated (stable).

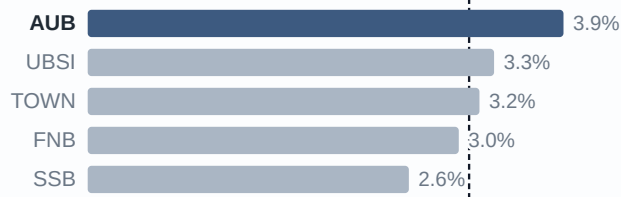
Model note: Verified (LibreOffice recalculated all 3,394 formula cells and they match). Unverified inputs: none. Assumptions without basis: none. Scenario consistency checks: all OK. The ~\$150mm/yr (H1 2026 run-rate) accretion runoff schedule embedded in the NIM path is our estimate; the company gives no full-year accretion guide. Coupons on the 2031/2032 notes and trust preferreds are placeholders; they don't affect bank value. Earning assets use Q4 average balances, and projected net income is tangible (excluding intangible amortization). Preferred dividends sit inside the 22.5% tax driver, and AOCI is not modeled. Base Y1 EPS of \$4.07 is tangible and excludes the \$32.4mm Bearing gain, so it sits above GAAP consensus (~\$3.85 implied by the 9.75x forward P/E). There is no company EPS guide to compare it with.



P/TBV



Dividend yield



As of 2026-10-13. One source and one definition for every company: aggregator TTM and consensus-forward multiples; P/TBV on the source's tangible book. Not the model's own TBV basis (see the report's valuation table). Quotes taken 10:07-10:22 ET with the market open, so multiples reflect intraday prices. Dashed line = peer median. Source: stockanalysis.com /stocks/<ticker>/statistics/, fetched 2026-10-13.

Notes. The source shows PEG as n/a for AUB; peers' PEGs are the source's figures. Not computed here. EV/EBITDA is not meaningful for banks and is omitted.

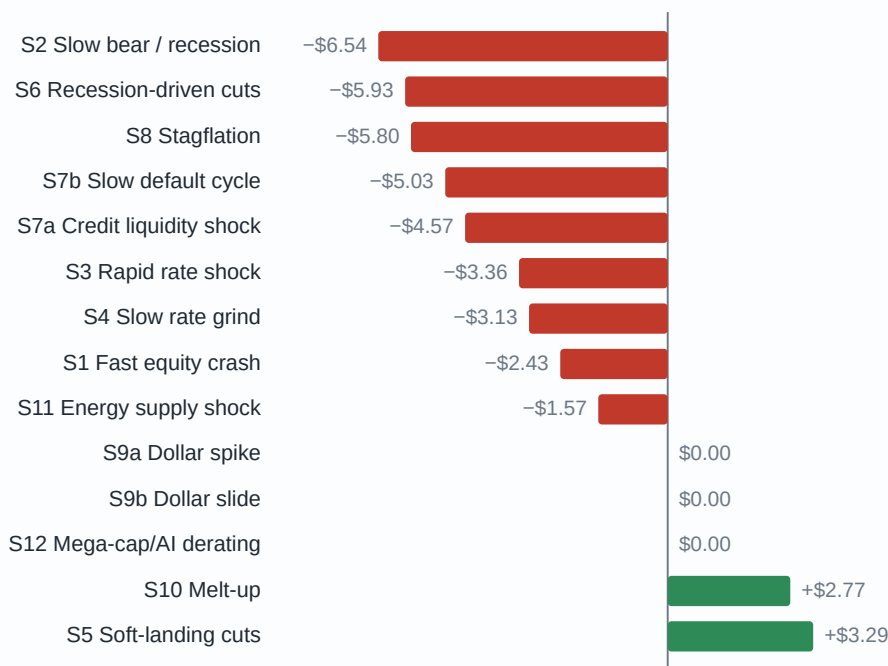
Scenario stress test

Reasoned from the bull/bear drivers above. The model column comes from the scenario overlays (Base case + shock).

Scenario	Effect	Mechanism	Magnitude	Model Δ value vs Base (\$/sh)
S1 Fast equity crash	-	Regional-bank risk premium widens; no earnings channel without recession	Med	-\$2.43
S2 Slow bear / recession	-	CRE/C&I losses, stalled loan demand, cut-driven yield compression; milder than Bear because it's transitory, while Bear permanently lowers NIM and efficiency	High	-\$6.54
S3 Rapid rate shock	-	Mix shift to rate-sensitive deposits leaves only a small NIM gain; higher cost of equity dominates; AFS AOCI hit not modeled	Med	-\$3.36
S4 Slow rate grind	±	Fixed-rate repricing lifts NIM over years vs higher cost of equity and CRE refinancing stress; net negative in the model	Med	-\$3.13
S5 Soft-landing cuts	+	Lower cost of equity and loan growth outweigh a small margin give-back	Med	+\$3.29
S6 Recession-driven cuts	-	NIM compression plus credit losses	High	-\$5.93
S7a Credit liquidity shock	-	Regional-bank funding fear; 94% LDR amplifies the risk premium	Med	-\$4.57
S7b Slow default cycle	-	Non-owner-occupied CRE and leveraged C&I defaults	High	-\$5.03
S8 Stagflation	-	Cost inflation, borrower stress, higher cost of equity	High	-\$5.80
S9a Dollar spike	0	no material effect, not modeled	Low	\$0.00
S9b Dollar slide	0	no material effect, not modeled	Low	\$0.00
S10 Melt-up	+	Risk appetite compresses the bank risk premium	Med	+\$2.77
S11 Energy supply shock	-	Inflation and rate spillover, modest consumer-borrower strain; no direct energy book	Low	-\$1.57
S12 Mega-cap/AI derating	0	no material effect, not modeled (Northern Virginia data-center economy is an indirect exposure)	Low	\$0.00

Currently active/on watch per the playbook: S3 partially active; S8, S10 and S11 on watch.

MODEL VALUE CHANGE VS BASE, BY SCENARIO



What would change the call

Upgrades if: core NIM (excluding accretion) rises above ~3.55% while accretion declines, or the stock falls toward ~1.5x tangible book with credit still clean. **Downgrades if:** core NIM falls below 3.40%, net charge-offs run above 25bp, or nonaccrual CRE rises materially from \$111mm.

Watch items

- **W1:** FTE NIM and core NIM excluding accretion — FY2026 FTE NIM within 3.90–3.95%; core NIM $\geq$ 3.46% — Q3 2026 earnings release — late October 2026 (date not yet confirmed) — *Model: nim*
- **W2:** Net charge-offs and nonaccrual loans — FY2026 NCOs within the 5–10bp guide; nonaccrual below ~\$125mm — Q3/Q4 2026 releases — *Model: nco_rate*
- **W3:** Adjusted operating noninterest expense — FY2026 within \$742–752mm — Q4 2026 release (January 2027) — *Model: efficiency_ratio*
- **W4:** Year-end deposits \$31–32bn and LDR within 90–95% — Q4 2026 release — *Model: ea_growth*

Sources

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- Macro log (10Y 5.24%, Oct 9) — <logs/macro-2026-10.md> — accessed 2026-10-13

Independent single-name research. Directional characterization, not a price target, execution instruction, or portfolio recommendation.