



# 2Q22

## Quarterly Bank Report

August 1, 2022

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CPG monitors the quarterly financial performance trends of publicly traded banks and provides opinions on the implications for the industry and the strategies required to deliver top-tier performance going forward.

If you have any feedback or would like to discuss this report, please contact Claude Hanley at 703-861-8623 or [chanley@capitalperform.com](mailto:chanley@capitalperform.com).

### CPG's Takeaways:

- Most banks reported solid financial performance in 2Q22, and earnings releases conveyed strong operating fundamentals. Median ROATCEs increased among all asset tiers below \$500.0B, as banks in those segments reported a jump in net interest income. Profitability among the largest banks was somewhat dampened by significant reductions in fee revenue, but that asset tier still posted a median ROATCE in the mid-teens.
  - ✓ Total revenue growth in 2Q22 increased in four of the five asset tiers. The median net interest margin increased in all five asset tiers due to the rise in interest rates and the redeployment of liquidity from investment securities into loans. Executives at many institutions expect that net interest income will continue to grow this year.
  - ✓ The median efficiency ratio in all five asset tiers improved in 2Q22
  - ✓ Borrowing demand from retail and business customers rebounded at many banks. While mortgage banking profits were down, demand rose for CRE and C&I loans and the rate of loan payoffs slackened.
  - ✓ Importantly, many bank executives indicated that loan balances would continue to grow this year, even as economic growth slows. Large bank executives expressed optimism about loan growth and indicated that pipelines remained robust heading into 3Q22.
  - ✓ Excess liquidity began to recede as loan growth surpassed deposit growth. Some institutions reported a decline in deposit balances of non-operating corporate accounts.
  - ✓ Credit quality remained pristine. Executives seemed confident that their institutions were well positioned to weather an economic downturn.
- Despite the generally solid 2Q22 performance, bank investors and analysts are more concerned about what lies ahead. Some banks warned that loan demand could weaken later this year if the worsening economic outlook starts to hurt consumer confidence. Also, many expect that asset quality will deteriorate somewhat in the coming quarters. However, as JPMorgan CEO Jamie Dimon recently noted, there is a range of potential economic outcomes. For bank executives, cautious optimism may be the best approach to take in the coming quarters.

#### Economic Outlook

As the third quarter unfolds, the economy is facing significant headwinds:

- GDP contracted by an annualized 0.9% in 2Q22, the second straight quarterly decline.
- New applications for unemployment benefits remain near the highest level of the year, a sign that the job market is cooling.
- Real disposable income fell 0.5% in 2Q22, the fifth straight quarterly decline.

## Top Valued Banks

Institution	Price/Tangible Book Value <sup>1</sup>
<b>Over \$500B</b>	
The Charles Schwab Corporation	7.45
Truist Financial Corporation	2.38
U.S. Bancorp	2.22
The PNC Financial Services Group, Inc.	2.14
Morgan Stanley	1.90
<b>\$50B-\$499.9B</b>	
First Horizon Corporation	2.15
The Bank of New York Mellon Corporation	2.11
Discover Financial Services	2.09
Northern Trust Corporation	2.07
First Republic Bank	2.06
<b>\$10B-\$49.9B</b>	
First Financial Bankshares, Inc.	5.53
Community Bank System, Inc.	4.57
ServisFirst Bancshares, Inc.	3.58
BancFirst Corporation	3.20
CVB Financial Corp.	2.92
<b>\$1B-\$9.9B</b>	
Westamerica Bancorporation	3.03
Triumph Bancorp, Inc.	2.74
City Holding Company	2.50
Southside Bancshares, Inc.	2.29
Bank First Corporation	2.22
<b>Under \$1B</b>	
Delhi Bank Corp.	2.97
Truxton Corporation	2.65
Bank of South Carolina Corporation	2.15
Juniata Valley Financial Corp.	1.99
Marine Bancorp of Florida, Inc.	1.83

Comments on the strategies of a few of the Top Valued Banks:

### **PNC Financial Services Group**

**(\$540.8B, Pittsburgh, PA):** Corporate and business banking loans grew 6% in 2Q22. The company operates several material fee-based businesses, including asset management, cards, and capital markets activities. Fee revenue comprised 40% of total revenue in 2Q22. Executives foresee significant sales momentum in legacy BBVA USA geographies.

### **First Financial Bankshares (\$13.3B, Abilene, TX):**

The company conducts full-service commercial banking operations in 12 regions throughout Texas. Growth in loans (excluding PPP loans) was 23.5% in 2Q22. Also, the company provides trust and wealth management services through a separately chartered trust company.

### **Westamerica Bancorporation (\$7.2B, San Rafael, CA.):**

The company's geographic focus is Northern and Central California and its strategic focus is on the small business segment. That segment focus has enabled the company to build a low-cost deposit base. Noninterest-bearing demand deposits comprised 46.7% of total deposits as of June 30, 2022.

Source: CPG analysis of data provided by S&P Global Market Intelligence, 2022.

1. Calculated using closing share price and tangible book value on 6/30/22.

## Most Profitable Banks

Institution	2Q22 ROATCE (%)	Price/Tangible Book Value <sup>1</sup>
<b>Over \$500B</b>		
The Charles Schwab Corporation	45.00	7.45
Truist Financial Corporation	23.30	2.38
U.S. Bancorp	19.06	2.22
The PNC Financial Services Group, Inc.	18.67	2.14
JPMorgan Chase & Co.	17.00	1.64
<b>\$50B-\$499.9B</b>		
Synchrony Financial	33.06	1.29
Regions Financial Corporation	26.09	1.99
KeyCorp	21.39	1.66
The Bank of New York Mellon Corporation	21.37	2.11
State Street Corporation	21.00	1.54
<b>\$10B-\$49.9B</b>		
First BanCorp.	19.06	1.66
Atlantic Union Bankshares Corporation	18.76	2.00
CVB Financial Corp.	18.67	2.92
BancFirst Corporation	18.52	3.20
OFG Bancorp	18.45	1.35
<b>\$1B-\$9.9B</b>		
JD Bancshares, Inc.	18.63	1.61
Southside Bancshares, Inc.	18.57	2.29
Preferred Bank	18.55	1.68
South Plains Financial, Inc.	18.53	1.24
Bank First Corporation	18.39	2.22
<b>Under \$1B</b>		
Lumbee Guaranty Bank	13.59	1.06
Oak Ridge Financial Services, Inc.	13.48	0.99
Muncy Bank Financial, Inc.	13.45	1.45
First Bancshares, Inc.	13.41	0.97
Sturgis Bancorp, Inc.	12.97	1.03

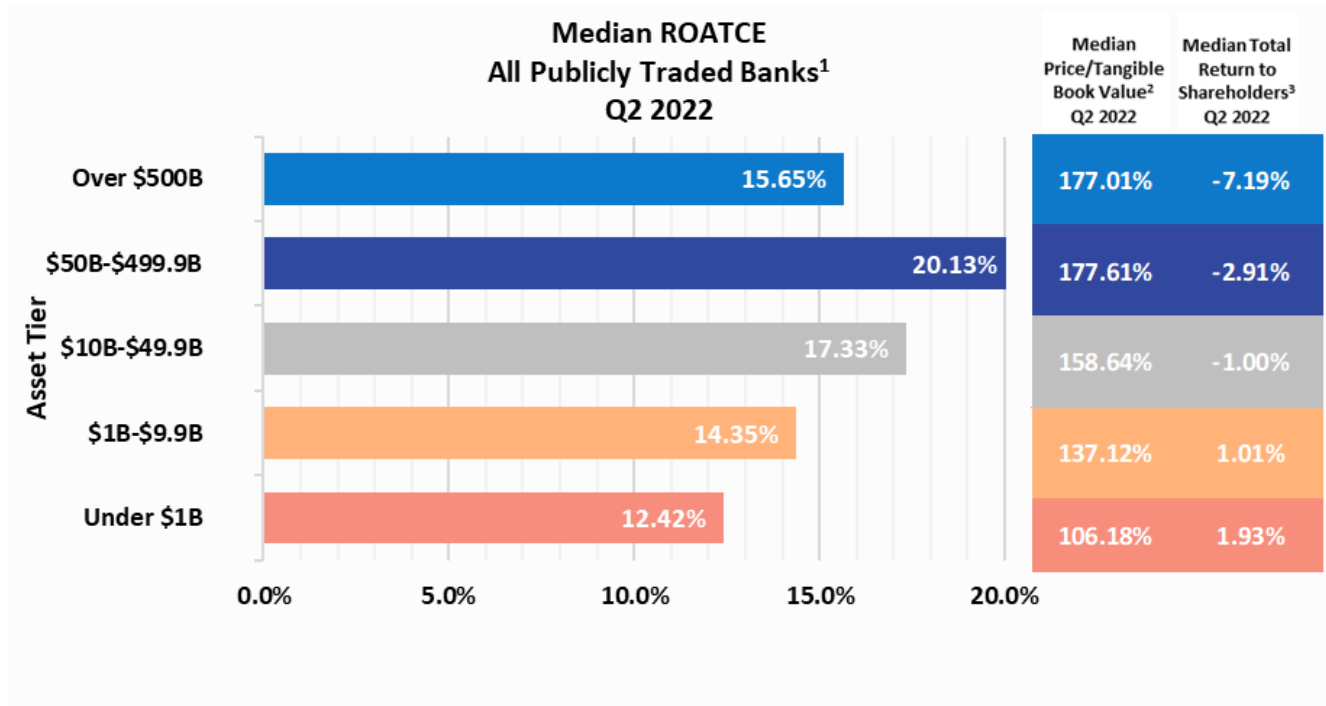
ROATCE's for the Most Profitable Banks generally exceeded 18.0% in 2Q22 among banks with more than \$1.0B in total assets. Comments on the strategies of one of the Most Profitable Banks are provided below:

**Atlantic Union Bankshares (\$19.7B, Richmond, VA):** The company is the largest regional bank headquartered in Virginia. It operates 109 branches in all major markets of the state. Annualized loan growth (excluding PPP loans) was 7.2% in 2Q22 and management expects loan growth will be in the high single digits for the year. Recent growth has come from wholesale banking and the company is building out its asset-based lending capabilities. The company is committed to achieving top-tier financial performance.

Source: CPG analysis of data provided by S&P Global Market Intelligence, 2022.

1. Calculated using closing share price and tangible book value on 6/30/22.

## Median ROATCE



The median ROATCE among banks with assets between \$50.0B and \$499.9B rose to 20.13% in 2Q22 and the median stock price/tangible book value multiple of that tier rose to just over 1.7x. Despite double-digit median ROATCEs among all asset tiers, the median Total Return to Shareholders in the quarter either declined or was only modestly positive.

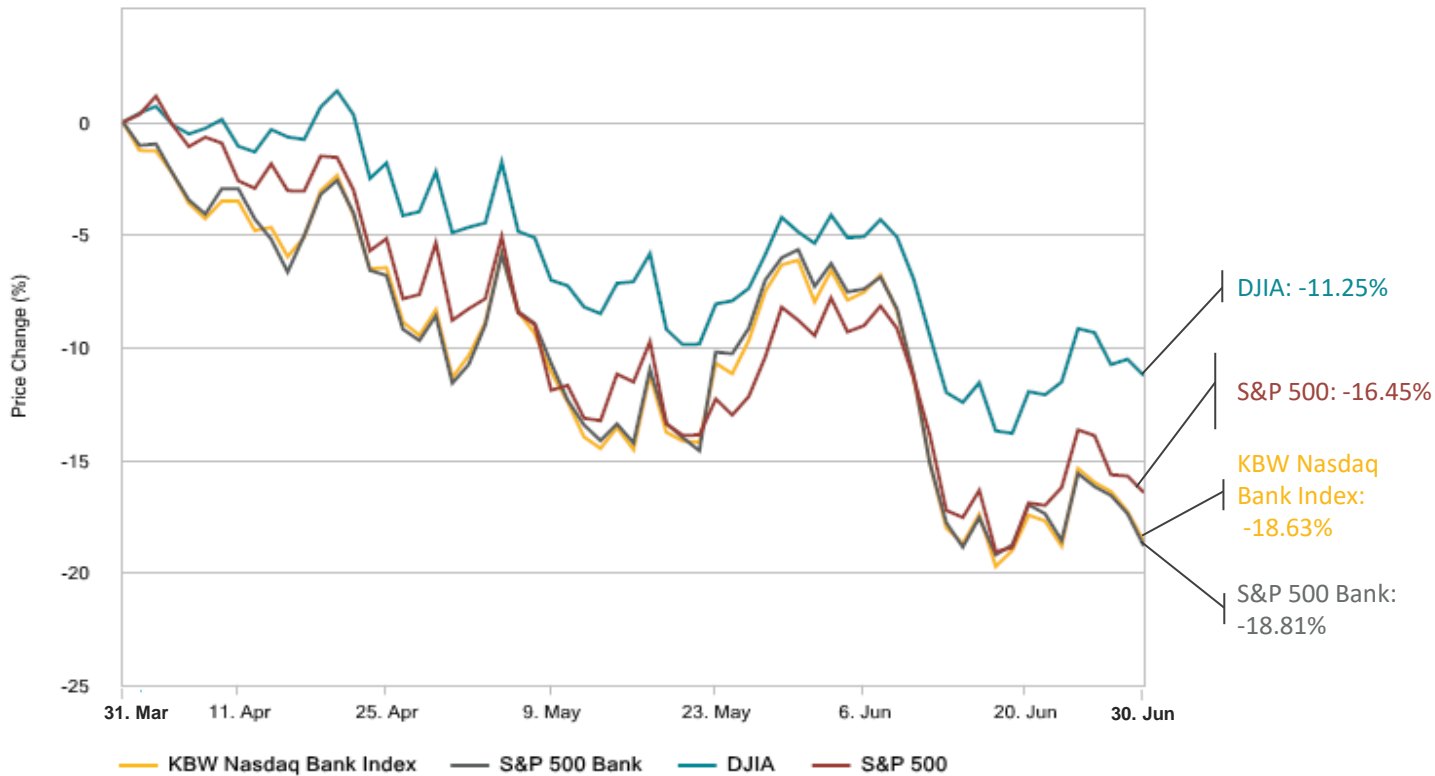
Source: CPG analysis of data provided by S&P Global Market Intelligence, 2022.

1. 257 publicly-traded U.S. banks and thrifts that had reported Q2 2022 results as of 7/26/22.

2. Share price as of 6/30/22.

3. Total Return to Shareholders for the quarter ended 6/30/22.

## Stock Performance

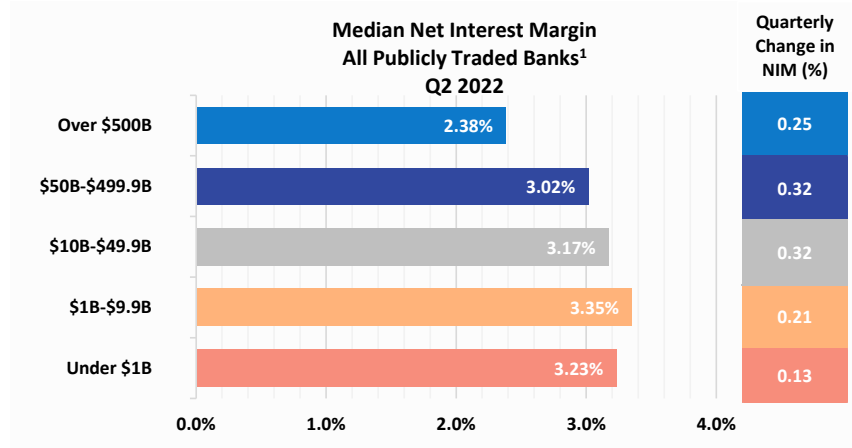


Concerns among investors about the economic outlook led to a quarterly decline in the broader market and an even sharper decline in bank stock indexes.

Source: S&P Global Market Intelligence, 2022. Price Change (%) collected from March 31, 2022, through June 30, 2022.

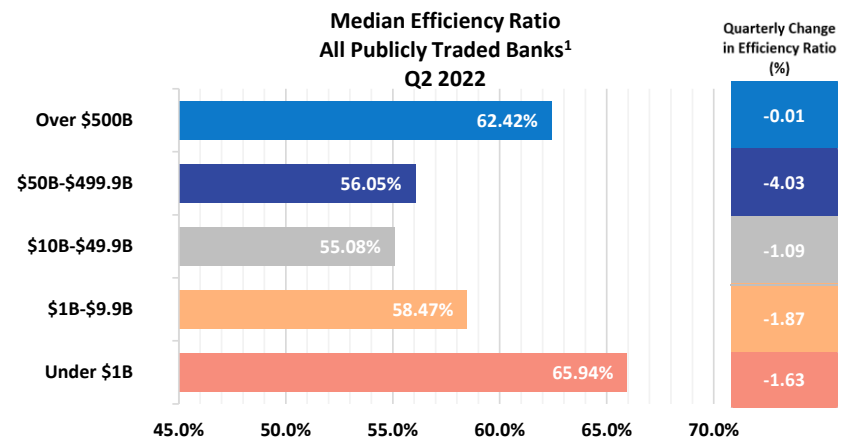
## Net Interest Margin

Median net interest margins expanded sharply in all asset tiers in 2Q22 as the industry benefited from an uptick in loan growth and rising interest rates.



## Efficiency Ratio

The expansion in net interest margins led to a decline in the median efficiency ratio among all five asset tiers. The biggest decline occurred in the \$50.0B-\$499.9B tier.

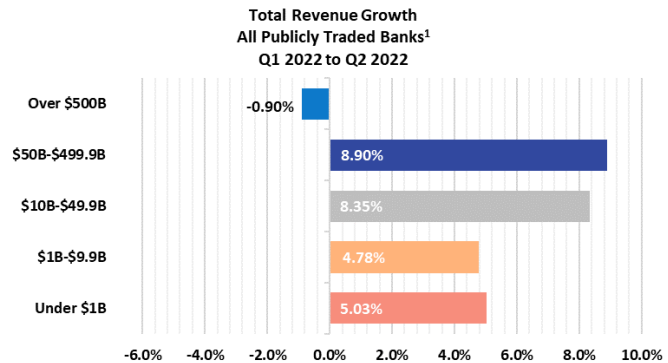


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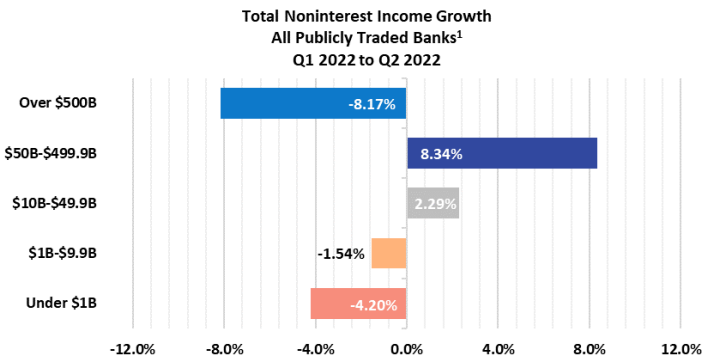
## Revenue Growth

Total revenue growth in 2Q22 increased in four of the five asset tiers. Only banks with total assets over \$500.0B saw a decrease. The decline in the largest asset tier was tied to a drop in trading revenue.



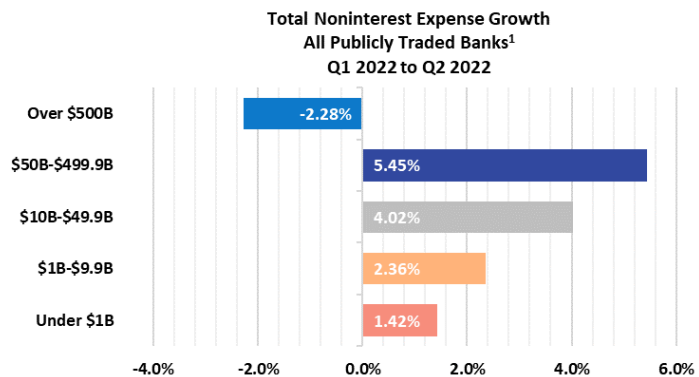
## Noninterest Income

Noninterest income declined in three of the five asset tiers in 2Q22 as mortgage banking revenue declined. Banks with total assets over \$500.0B saw a significant decline largely driven by a drop in investment banking activity.



## Noninterest Expense

Noninterest expense increased in four of the five asset tiers in 2Q22. Growth in the four asset tiers was tied primarily to increased compensation and benefits expense.



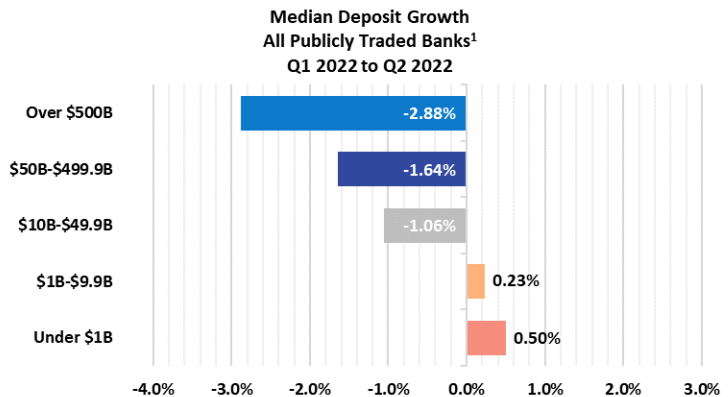
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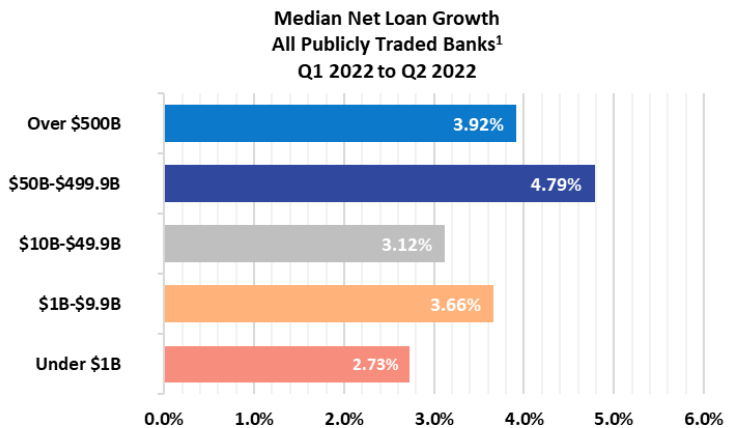
## Deposit Growth

Only banks with total assets under \$10.0B saw an increase in median deposit growth. Many banks reported a decline in deposit balances of non-operating corporate accounts.



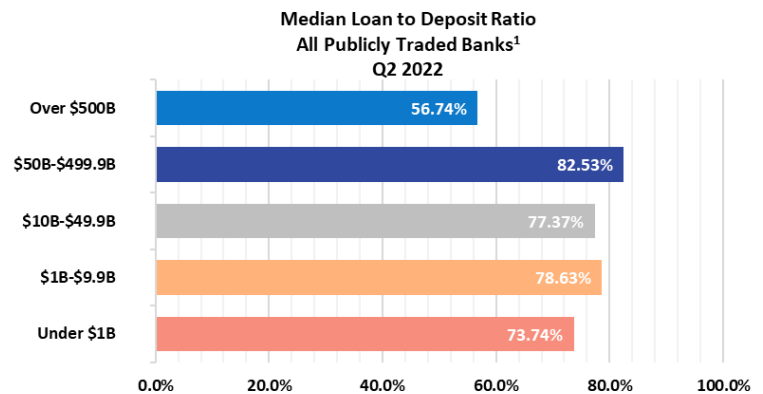
## Net Loan Growth

Median net loan growth was positive in all five asset tiers. Executives at many banks indicated that demand for borrowing from retail and business customers rebounded in 2Q22.



## Loan to Deposit Ratio

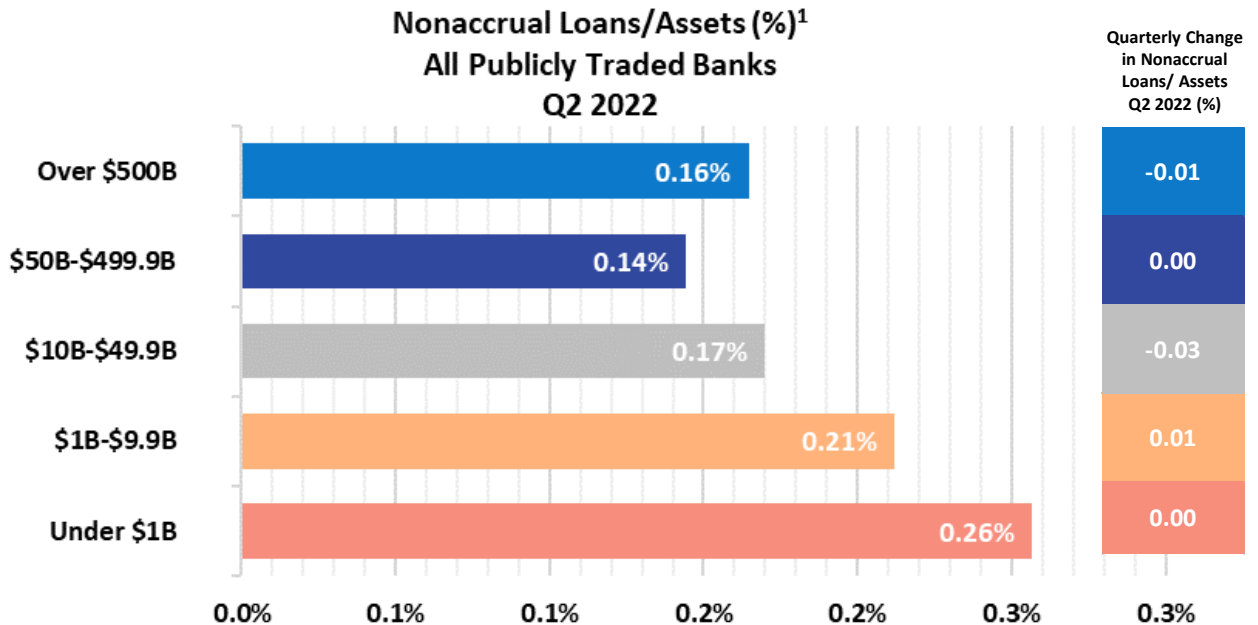
Median loan to deposit ratios improved in 2Q22 compared to 1Q22 in all asset tiers.



Source: CPG analysis of data provided by S&P Global Market Intelligence, 2022.

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## Nonaccrual Loans/Assets



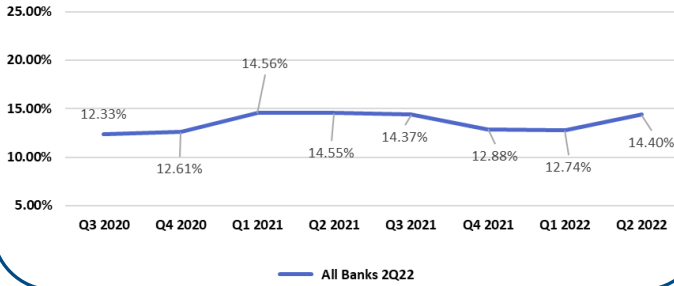
Asset quality remained pristine in 2Q22 and the median ratio of Nonaccrual Loans/Assets slightly improved in two of the asset tiers. Asset quality is expected to deteriorate somewhat in the coming quarters.

Source: CPG analysis of data provided by S&P Global Market Intelligence, 2022.

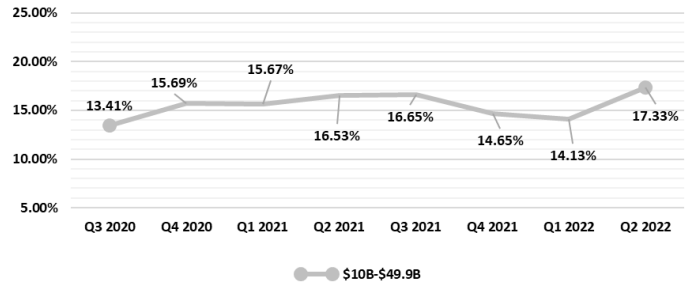
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## ROATCE Trends by Asset Tier

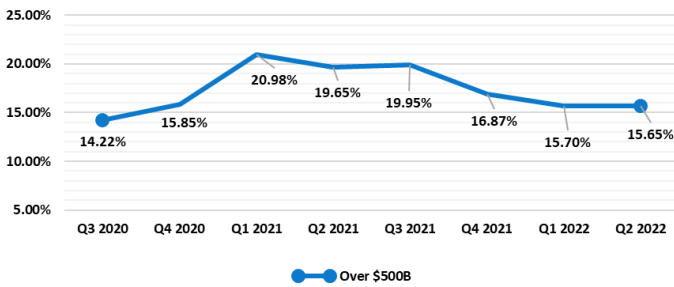
**Median ROATCE1 (%)**  
All Publicly Traded Banks  
Q3 2020 to Q2 2022



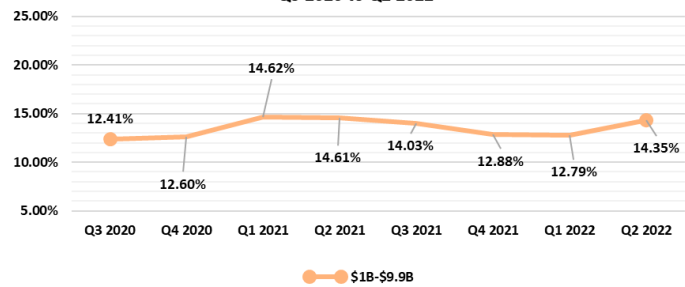
**Median ROATCE1 (%)**  
Publicly Traded Banks \$10B - \$49.9B  
Q3 2020 to Q2 2022



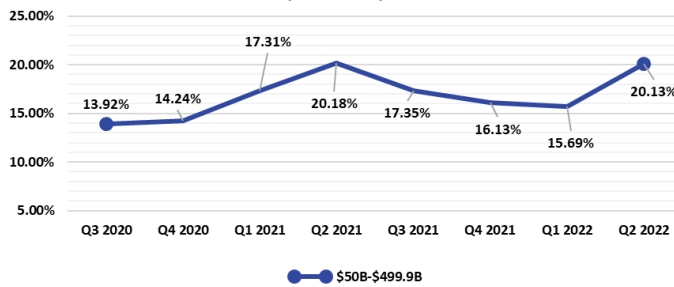
**Median ROATCE1 (%)**  
Publicly Traded Banks Over \$500B  
Q3 2020 to Q2 2022



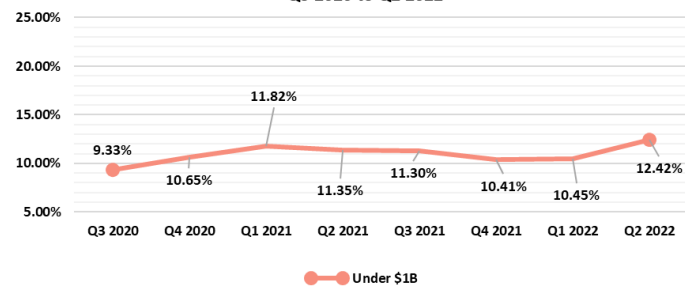
**Median ROATCE1 (%)**  
Publicly Traded Banks \$1B - \$9.9B  
Q3 2020 to Q2 2022



**Median ROATCE1 (%)**  
Publicly Traded Banks \$50B - \$499.9B  
Q3 2020 to Q2 2022



**Median ROATCE1 (%)**  
Publicly Traded Banks Under \$1B  
Q3 2020 to Q2 2022

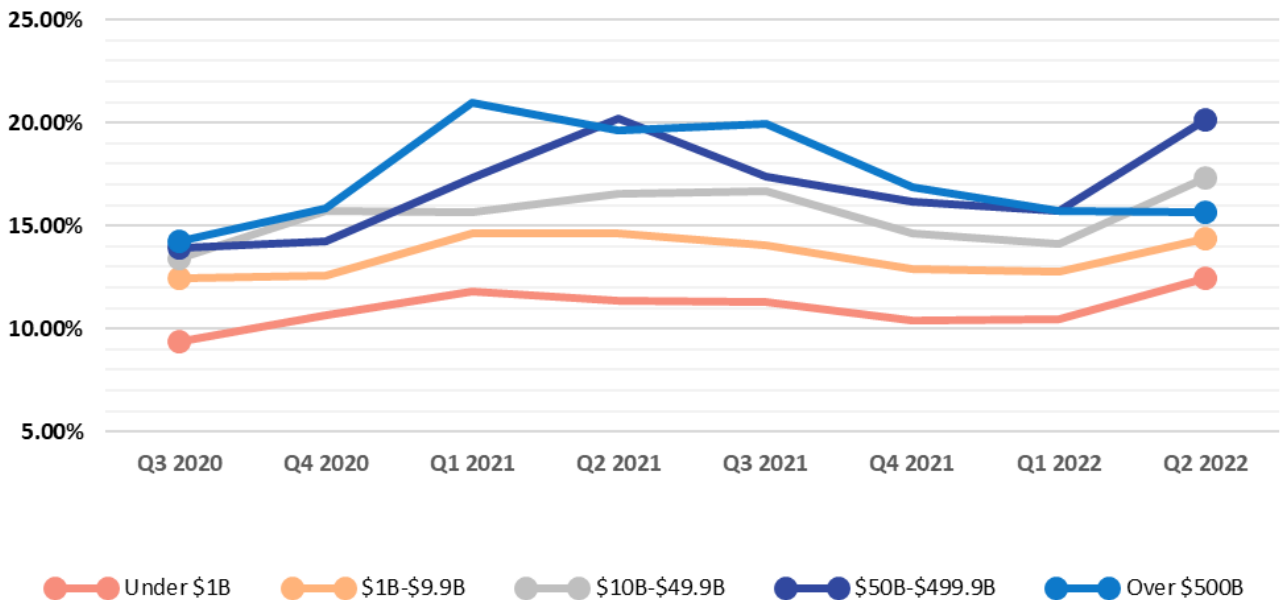


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## ROATCE Trends by Asset Tier

Median ROATCE<sup>1</sup> (%)  
All Publicly Traded Banks  
Q3 2020 to Q2 2022

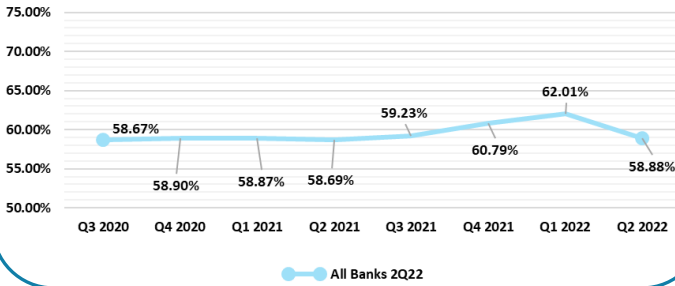


Median ROATCEs increased in 2Q22 among all asset tiers below \$500.0B as net interest income jumped during the quarter for banks in those segments. Profitability among the largest banks was dampened by significant reductions in fee revenue.

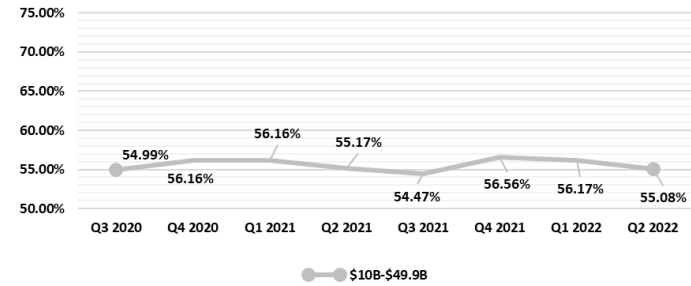
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## Efficiency Trends by Asset Tier

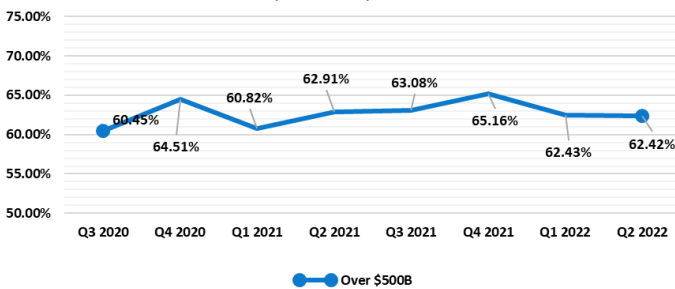
Median Efficiency Ratio<sup>1</sup> (%)  
All Publicly Traded Banks  
Q3 2020 to Q2 2022



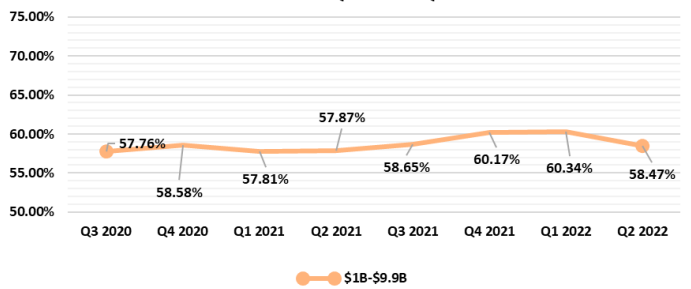
Median Efficiency Ratio<sup>1</sup> (%)  
Publicly Traded Banks \$10B - \$49.9B  
Q3 2020 to Q2 2022



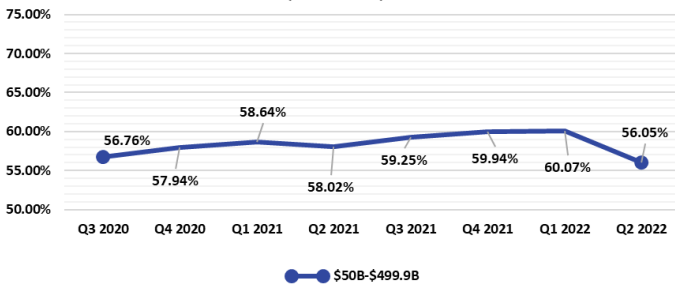
Median Efficiency Ratio<sup>1</sup> (%)  
Publicly Traded Banks Over \$500B  
Q3 2020 to Q2 2022



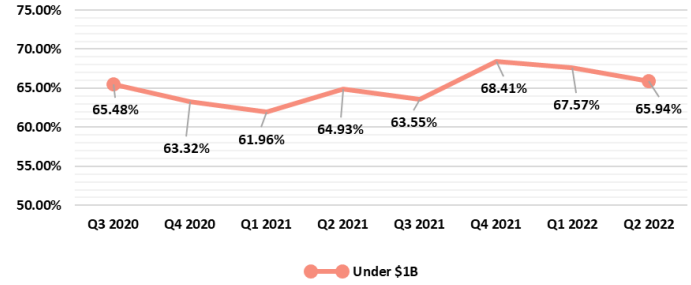
Median Efficiency Ratio<sup>1</sup> (%)  
Publicly Traded Banks \$1B - \$9.9B  
Q3 2020 to Q2 2022



Median Efficiency Ratio<sup>1</sup> (%)  
Publicly Traded Banks \$50B- \$499.9B  
Q3 2020 to Q2 2022



Median Efficiency Ratio<sup>1</sup> (%)  
Publicly Traded Banks Under \$1B  
Q3 2020 to Q2 2022

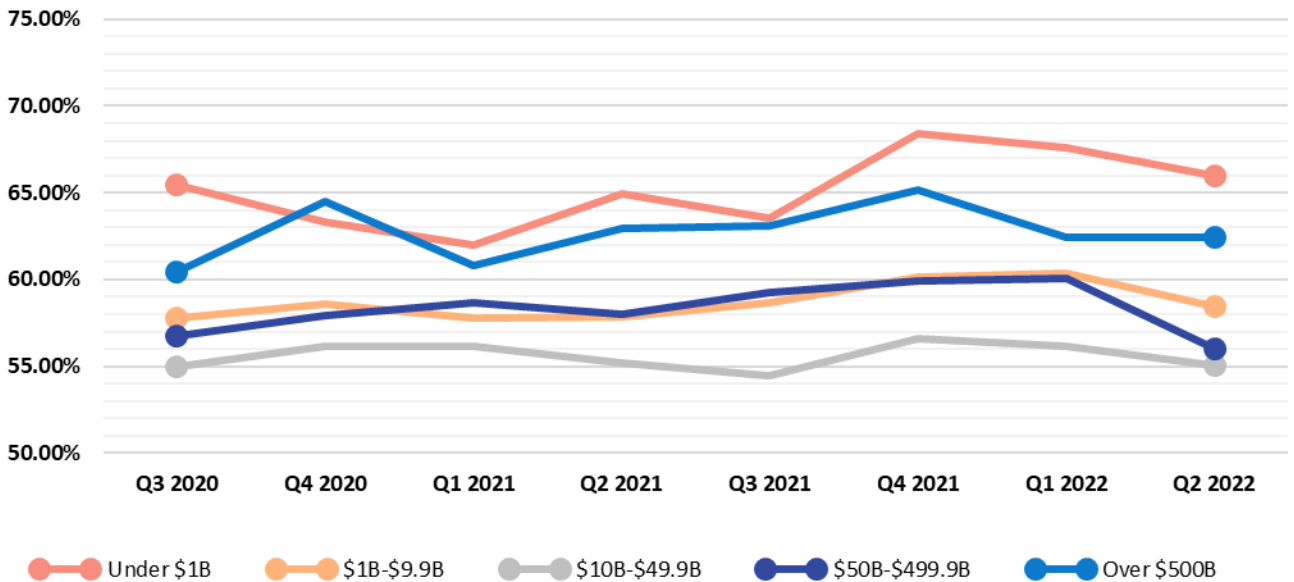


Source: CPG analysis of data provided by S&P Global Market Intelligence, 2022.

1. 256 publicly-traded U.S. banks and thrifts that had reported Q2 2022 results as of 7/26/22.

## Efficiency Trends by Asset Tier

Median Efficiency Ratio<sup>1</sup> (%)  
All Publicly Traded Banks  
Q3 2020 to Q2 2022

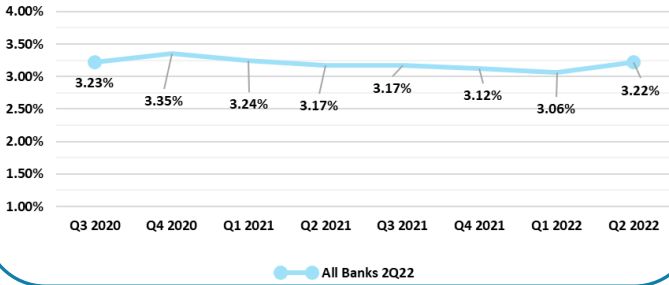


The median efficiency ratio in all five asset tiers declined in 2Q22, as revenue growth increased during the quarter for banks with assets under \$500.0B, and expense growth decreased for banks with assets above \$500.0B.

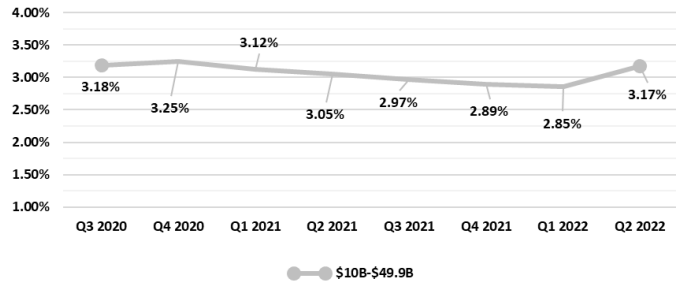
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## Net Interest Margin Trends by Asset Tier

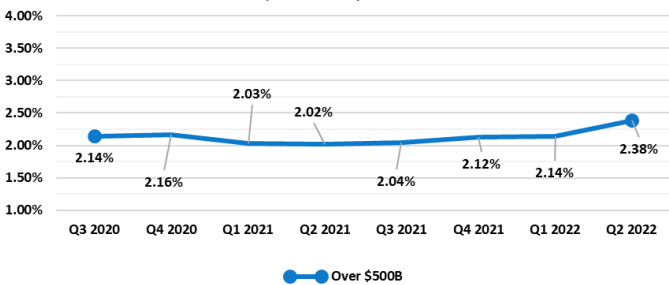
Median NIM<sup>1</sup> (%)  
All Publicly Traded Banks  
Q3 2020 to Q2 2022



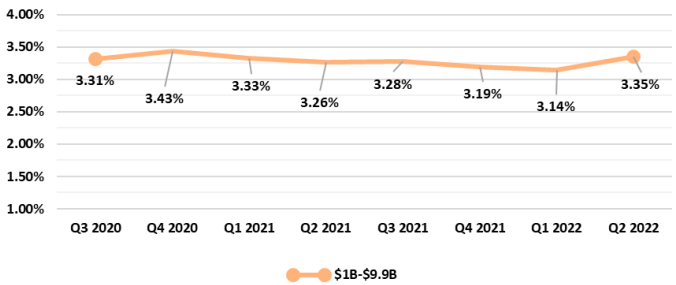
Median NIM<sup>1</sup> (%)  
Publicly Traded Banks \$10B - \$49.9B  
Q3 2020 to Q2 2022



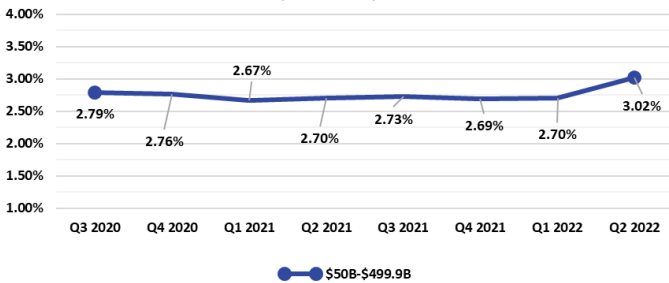
Median NIM<sup>1</sup> (%)  
Publicly Traded Banks Over \$500B  
Q3 2020 to Q2 2022



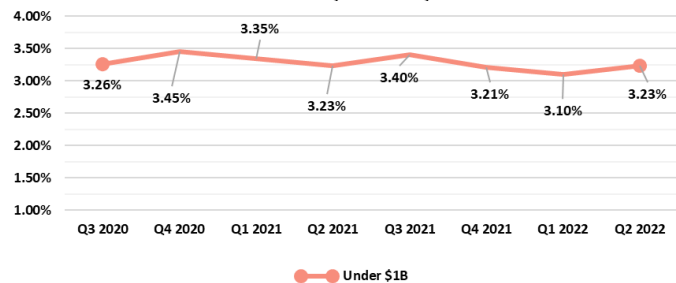
Median NIM<sup>1</sup> (%)  
Publicly Traded Banks \$1B - \$9.9B  
Q3 2020 to Q2 2022



Median NIM<sup>1</sup> (%)  
Publicly Traded Banks \$50B - \$499.9B  
Q3 2020 to Q2 2022



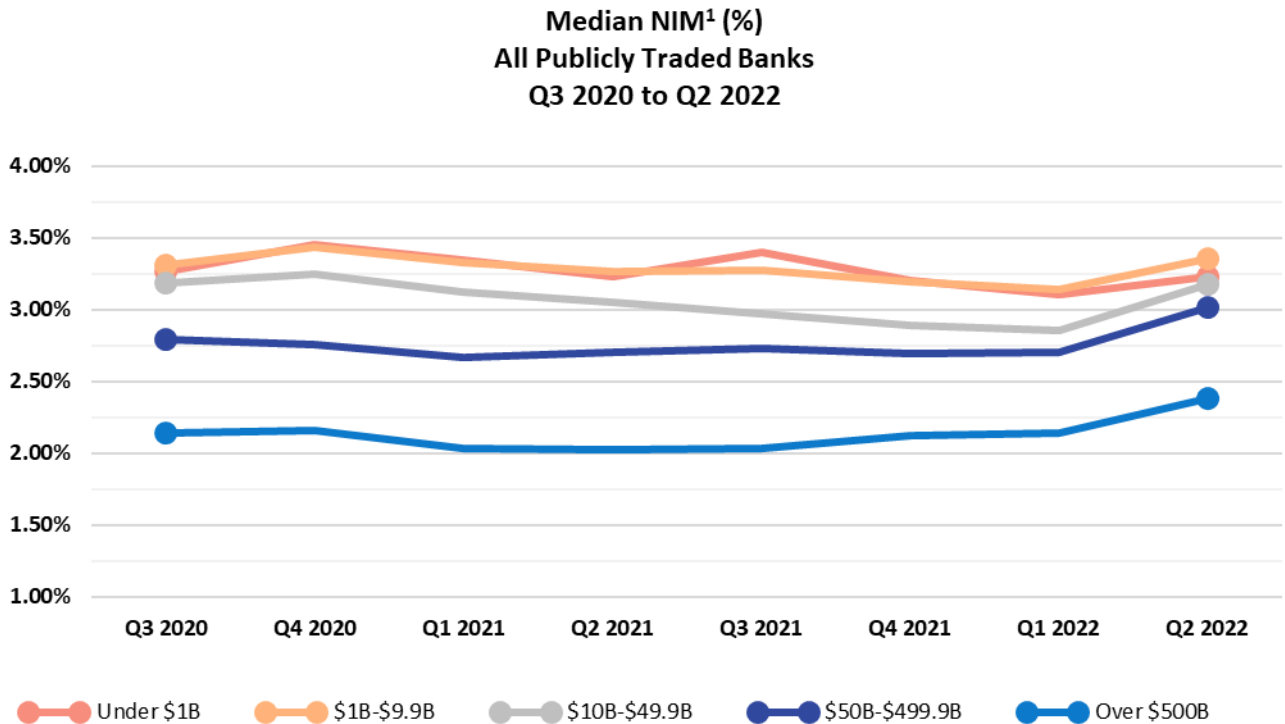
Median NIM<sup>1</sup> (%)  
Publicly Traded Banks Under \$1B  
Q3 2020 to Q2 2022



Source: CPG analysis of data provided by S&P Global Market Intelligence, 2022.

1. 256 publicly-traded U.S. banks and thrifts that had reported Q2 2022 results as of 7/26/22.

# Net Interest Margin Trends by Asset Tier



The median net interest margin increased in all five asset tiers due to the rise in interest rates and the redeployment of liquidity from investment securities into loans. Executives at many institutions expect that net interest income will continue to grow this year.

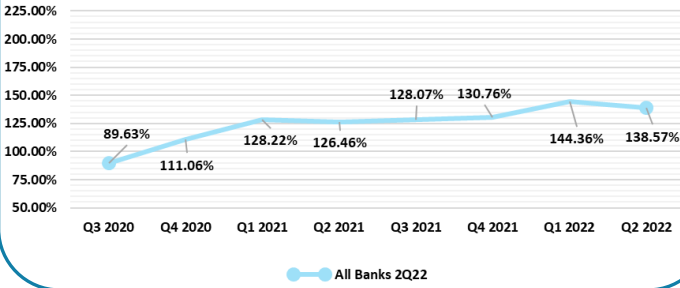
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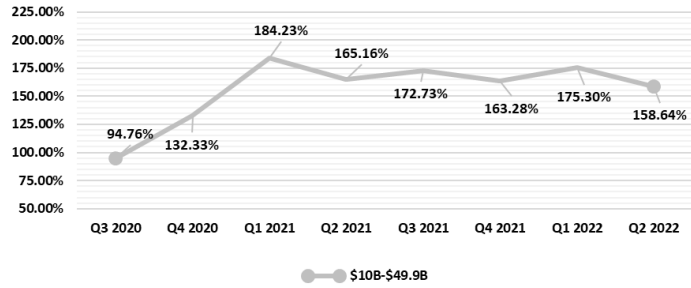


## Valuation Trends by Asset Tier

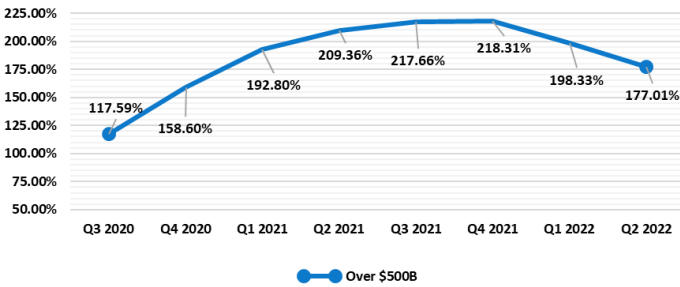
Median Price/Tangible Book Value<sup>1</sup> (%)  
All Publicly Traded Banks  
Q3 2020 to Q2 2022



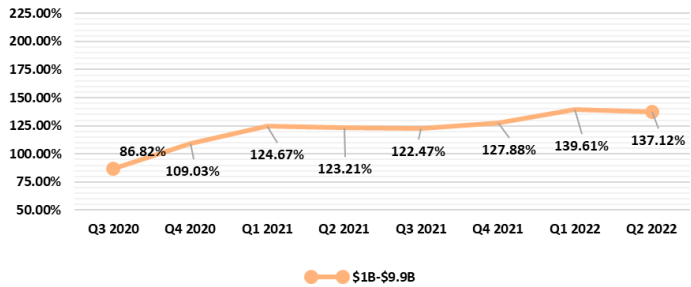
Median Price/Tangible Book Value<sup>1</sup> (%)  
Publicly Traded Banks \$10B - \$49.9B  
Q3 2020 to Q2 2022



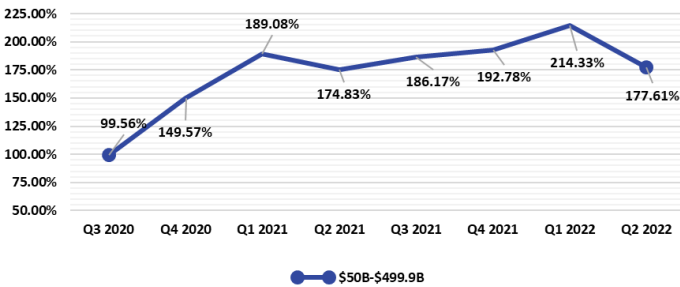
Median Price/Tangible Book Value<sup>1</sup> (%)  
Publicly Traded Banks Over \$500B  
Q3 2020 to Q2 2022



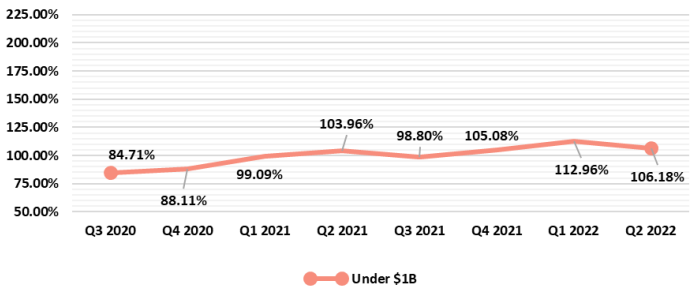
Median Price/Tangible Book Value<sup>1</sup> (%)  
Publicly Traded Banks \$1B - \$9.9B  
Q3 2020 to Q2 2022



Median Price/Tangible Book Value<sup>1</sup> (%)  
Publicly Traded Banks \$50B - \$499.9B  
Q3 2020 to Q2 2022



Median Price/Tangible Book Value<sup>1</sup> (%)  
Publicly Traded Banks Under \$1B  
Q3 2020 to Q2 2022

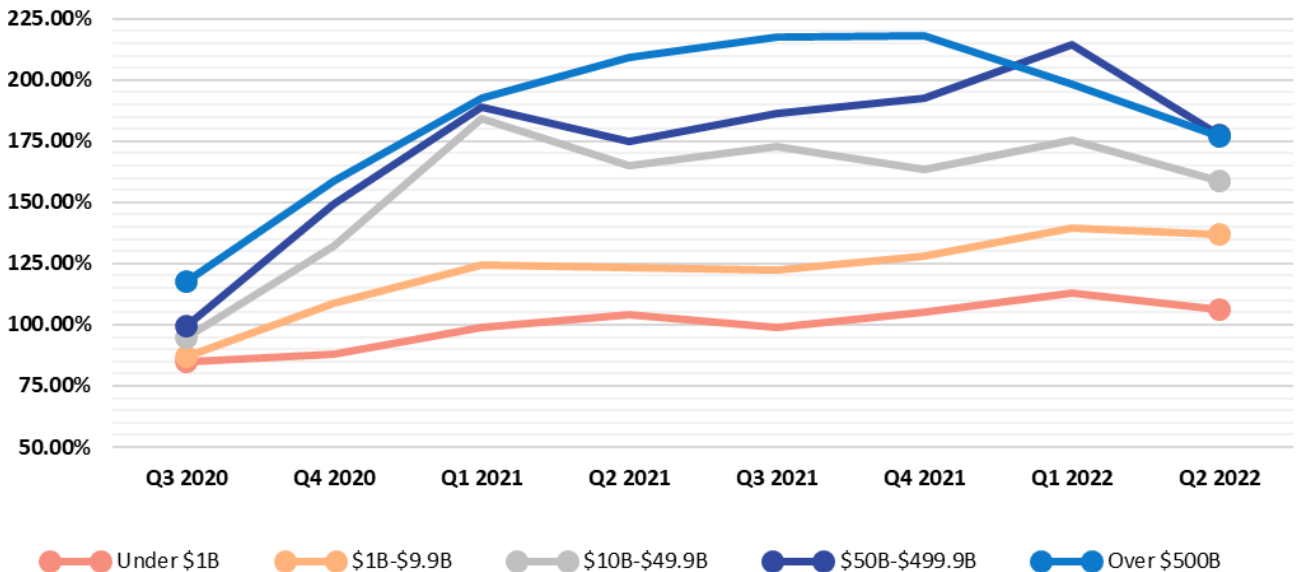


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## Valuation Trends by Asset Tier

Median Price/Tangible Book Value<sup>1</sup> (%)  
All Publicly Traded Banks  
Q3 2020 to Q2 2022



In 2Q22, the median price/tangible book value decreased in all asset tiers. The decrease was sharpest among banks in the \$50.0.0-\$499.9B asset tier. The decline can be attributed to the drop in bank stock prices due to concerns among investors about an impending economic slowdown/recession and a concomitant deterioration in asset quality.

Source: CPG analysis of data provided by S&P Global Market Intelligence, 2022.

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### Who We Are

CPG is a management consulting firm founded in 2001. We focus exclusively on the financial services industry. We provide value to our clients by delivering proven solutions to critical business issues, empowering decision-makers with relevant, concise, well-organized information, and engineering work practices to drive efficiencies and productivity.

For more than 20 years, Capital Performance Group has worked with the ABA Banking Journal and the [American Banker](#) to evaluate the nation's top performing banks.

### Quarterly Banking Report Team



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