CAPITAL PERFORMANCE GROUP

3Q26
Quarterly Bank Report

NOVEMBER 4, 2026

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.

CPG's Takeaways:

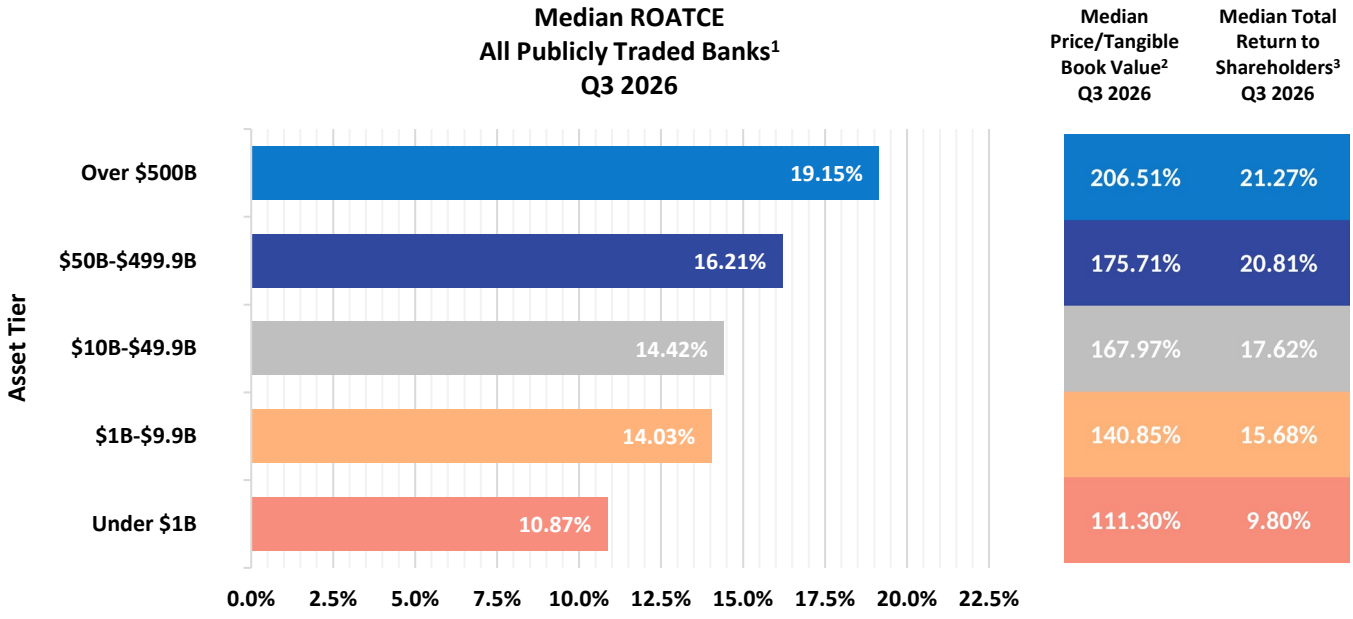
Profitability continued to improve in 3Q26, supported by further NIM expansion. Bank executives generally remain optimistic about additional margin improvement, although rising funding costs and differences in interest-rate sensitivity could result in uneven performance.

- ✓ Median ROATCE increased across four of the five asset tiers, with banks between $1B and $49.9B reaching eight-quarter highs. Efficiency ratios improved in four tiers as revenue growth outpaced expenses, although less consistent fee income growth left banks more reliant on net interest income.
- ✓ NIM increased across all five tiers to eight-quarter highs, led by banks between $10B and $49.9B rather than smaller institutions as in Q2. Some executives anticipate further expansion as lower-yielding loans and securities mature and are replaced at higher yields, although rising deposit costs could offset some benefits.
- ✓ Loan and deposit growth remained positive across all five tiers, although loan growth moderated in four and loan-to-deposit ratios stayed elevated among banks below $500B. Community bank executives offered mixed outlooks, with some reporting healthy commercial lending pipelines and others citing elevated loan payoffs and competitive pricing pressures.
- ✓ Deposit growth improved from Q2, but funding costs rose in four of the five tiers. As banks compete to fund new loans, deposit cost and stability will matter more, favoring institutions that attract and retain lower-cost operating accounts.
- ✓ Bank valuations improved, with median price-to-tangible book values reaching eight-quarter highs in four tiers. Institutions with diversified fee-generating businesses and specialized models continued to command premium multiples, while stronger valuations could provide well-positioned acquirers with greater flexibility to pursue acquisitions.
- ✓ Median nonaccrual loans to assets declined in three tiers, indicating generally favorable credit quality. However, the ABA Credit Conditions Index fell to 44.7 and remained below neutral for a seventh consecutive quarter. 3Q26 earnings suggest that deterioration in problem loans remains uneven, with some banks reporting increased criticized loans and others continuing to improve.

Economic Outlook

- According to the October WSJ survey, economists put the 12-month recession probability at 24%, down from 25% in July.
- Economists surveyed by FactSet expect the upcoming October jobs report to show a modest addition of 55,000 jobs.

Median ROATCE



Median Return on Average Tangible Common Equity (ROATCE) increased across four of the five asset tiers in the third quarter, with only the largest banks experiencing a slight decline. Banks with assets between $1B and $49.9B reached their highest median ROATCE in eight quarters, while the largest banks continued to report the strongest profitability overall. Additionally, the median total return to shareholders remained positive in all five tiers, exceeding 20% in the two largest tiers. These positive returns persisted despite weakness in bank stocks during September.

Source: CPG analysis of data provided by S&P Global Market Intelligence, 2026.
1. 387 publicly traded U.S. banks and thrifts that had reported Q3 2026 results as of 10/30/26.
2. Share price as of 9/30/26.
3. Total Return to Shareholders YTD as of 9/30/26.

Stock Performance



Bank stock performance weakened toward the end of the third quarter of 2026, as the KBW Nasdaq Bank Index declined while the S&P 500 advanced. Bank shares faced increased pressure in September after the Federal Reserve raised interest rates, contributing to weaker performance relative to the broader market. This divergence occurred despite generally improving bank profitability, highlighting continued investor sensitivity to interest rates and funding costs.

Source: S&P Global Market Intelligence, 2026. Price Change (%) collected from December 31, 2025, through September 30, 2026.

Top Valued Banks as of September 30, 2026 (Price/Tangible Book Value)

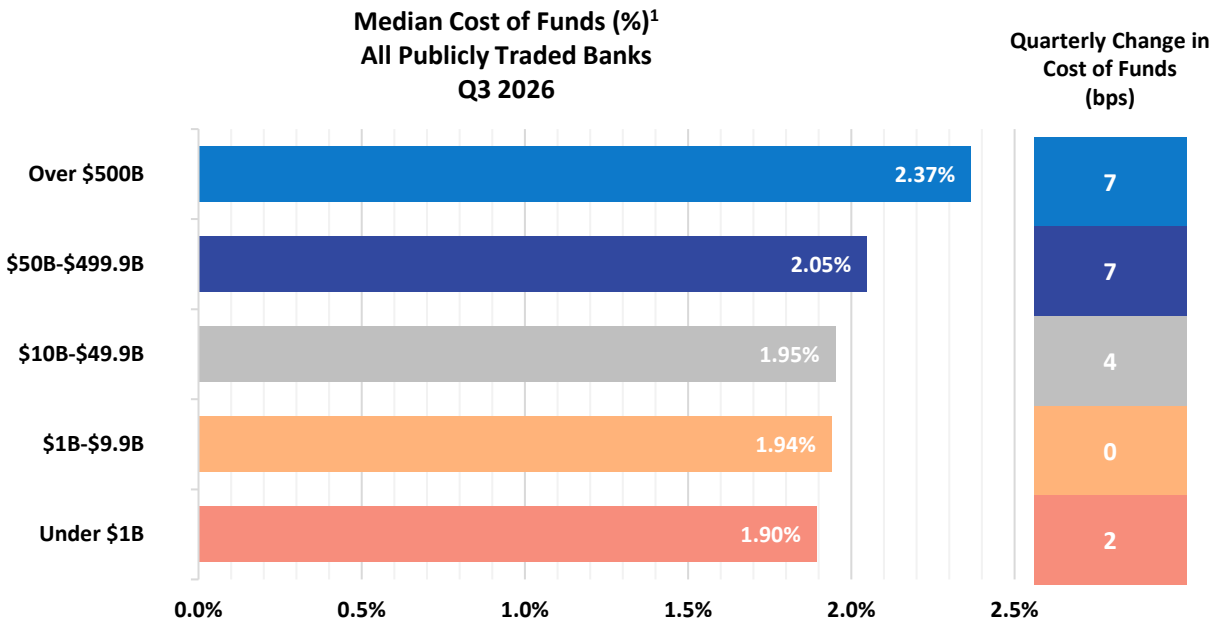
Asset Tier (Institution)	Headquarters (City, State)	Price/Tangible Book Value (X) As of 9/30/26	Change [6/30/26 - 9/30/26]
Over $500B Median		2.1	0.3
The Charles Schwab Corporation	Westlake, TX	4.8	0.7
Morgan Stanley	New York, NY	3.9	0.7
The Goldman Sachs Group, Inc.	New York, NY	2.9	0.5
$50B-$499.9B Median		1.8	0.2
The Bank of New York Mellon Corporation	New York, NY	7.1	-0.1
State Street Corporation	Boston, MA	3.0	0.6
Northern Trust Corporation	Chicago, IL	2.7	0.4
Prosperity Bancshares, Inc.	Houston, TX	2.6	0.3
Fifth Third Bancorp	Cincinnati, OH	2.4	0.4
$10B-$49.9B Median		1.7	0.2
Enterprise Financial Services Corp	Clayton, MO	3.2	0.3
FirstSun Capital Bancorp	Denver, CO	2.9	0.4
Dime Commercial Bancshares, Inc.	Hauppauge, NY	2.7	0.2
Banner Corporation	Walla Walla, WA	2.6	0.5
Amerant Bancorp Inc.	Coral Gables, FL	2.4	0.3
$1B-$9.9B Median		1.4	0.1
First Mid Bancshares, Inc.	Mattoon, IL	3.6	0.4
Central Pacific Financial Corp.	Honolulu, HI	3.5	0.7
Pathward Financial, Inc.	Sioux Falls, SD	3.4	-0.1
Cashmere Valley Bank	Cashmere, WA	3.3	0.2
Bank First Corporation	Manitowoc, WI	3.1	0.2
Under $1B Median		1.1	0.1
Bank of Botetourt	Buchanan, VA	2.5	0.2
First Resource Bancorp, Inc.	Exton, PA	2.3	0.2
Pacific Valley Bancorp	Salinas, CA	2.0	0.4
CNB Financial Services, Inc.	Berkeley Springs, WV	1.6	0.4
Northeast Indiana Bancorp, Inc.	Huntington, IN	1.5	0.3

The median price/tangible book value rose across all five asset tiers, from 0.1x for banks below $10B to 0.3x for banks over $500B.

Several of the most highly valued smaller banks operate differentiated business models, including First Mid's insurance, wealth management, and agricultural services businesses; Central Pacific's Hawaii-focused banking franchise and international deposit relationships; and Pathward's fintech partnerships, payments, and specialty lending.

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Cost of Funds

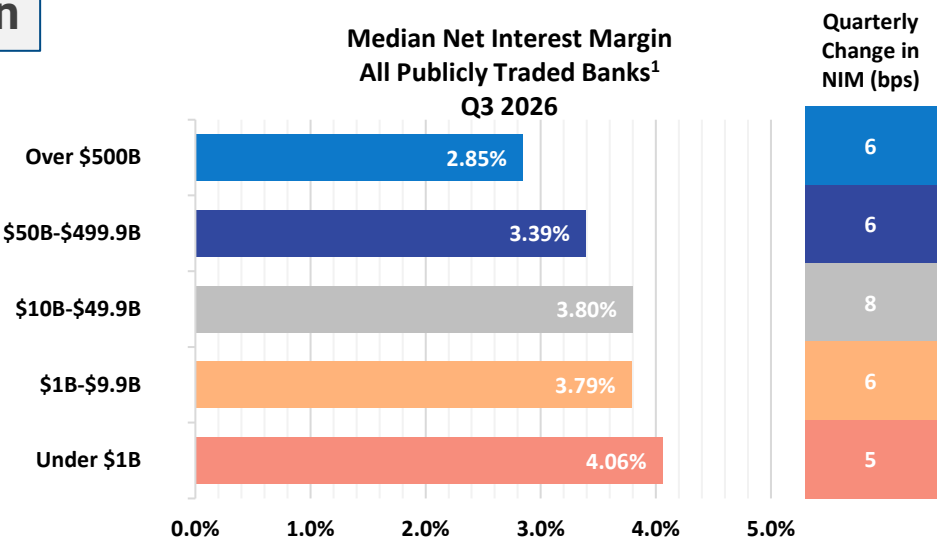


The median cost of funds increased in four of the five asset tiers, while remaining unchanged among banks with assets between $1B and $9.9B. The two largest tiers experienced the greatest increases, at 7 basis points each. These increases followed a decline in funding costs across all five tiers in the previous quarter and occurred as the Federal Reserve raised its target range by 25 basis points in September 2026.

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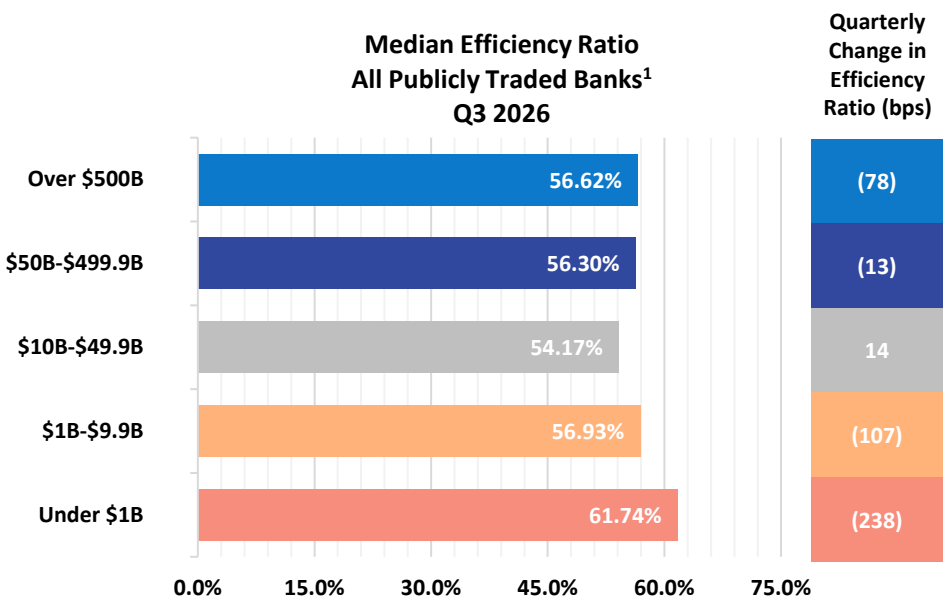
Net Interest Margin

The median net interest margin expanded in all five asset tiers, with banks between $10B and $49.9B posting the largest gains. Continued asset repricing supported NIM expansion despite stable or increasing funding costs across the industry.



Efficiency Ratio

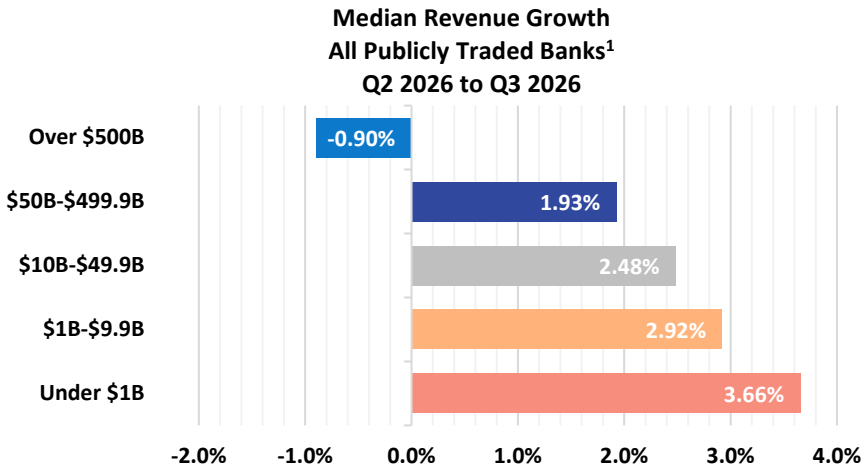
Median efficiency ratios improved in four of the five asset tiers, with the largest improvement among banks with less than $1B in assets. Revenue growth and expanding net interest margins generally supported improved operating efficiency across the tiers.



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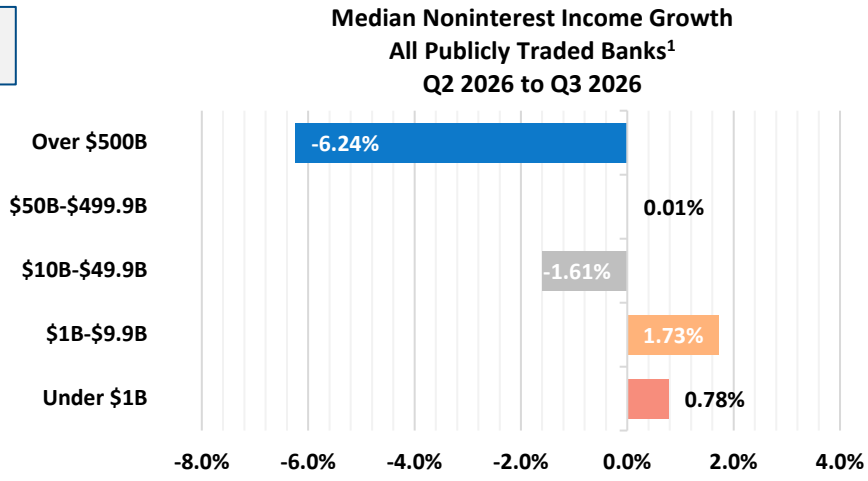
Revenue Growth

Median revenue growth was positive across the four asset tiers below $500B, led by the smallest tier. The largest banks experienced a slight decline, while continued NIM expansion helped support revenue growth among smaller institutions.



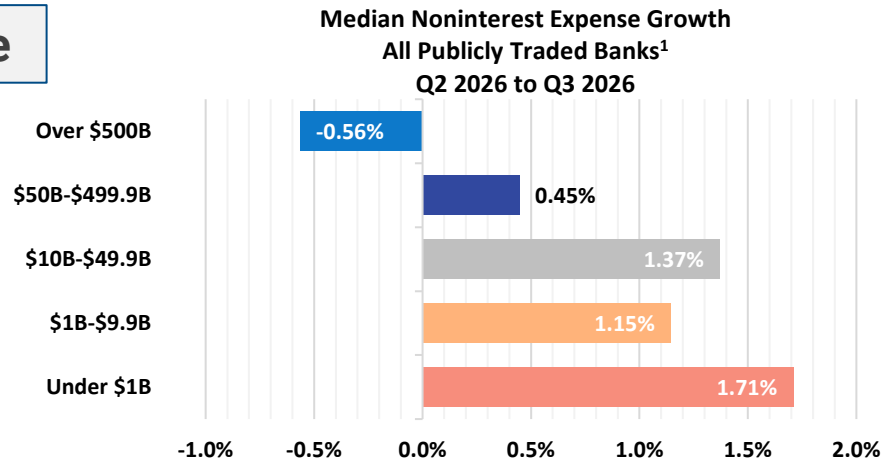
Noninterest Income

Median noninterest income grew in three of the five asset tiers. Banks between $10B and $49.9B and those over $500B experienced declines, indicating that fee income growth was less consistent across the industry than in the previous quarter.



Noninterest Expense

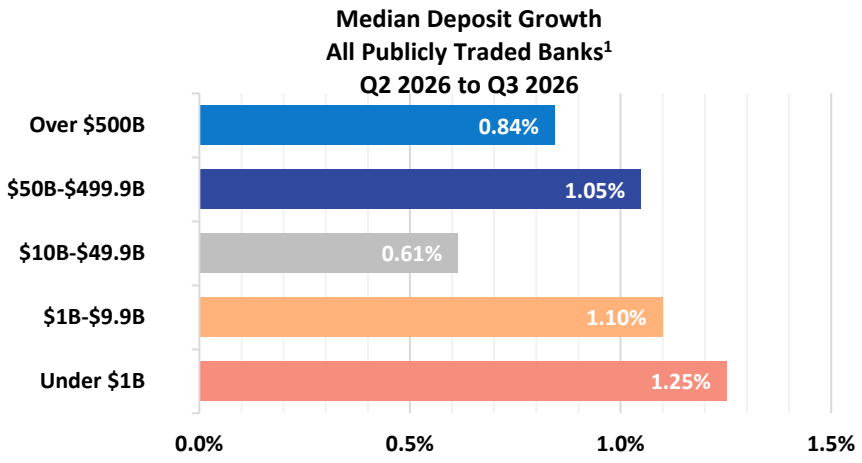
Median noninterest expense increased in four of the five asset tiers, with banks under $1B experiencing the greatest growth. The largest banks reported a slight decline in expenses.



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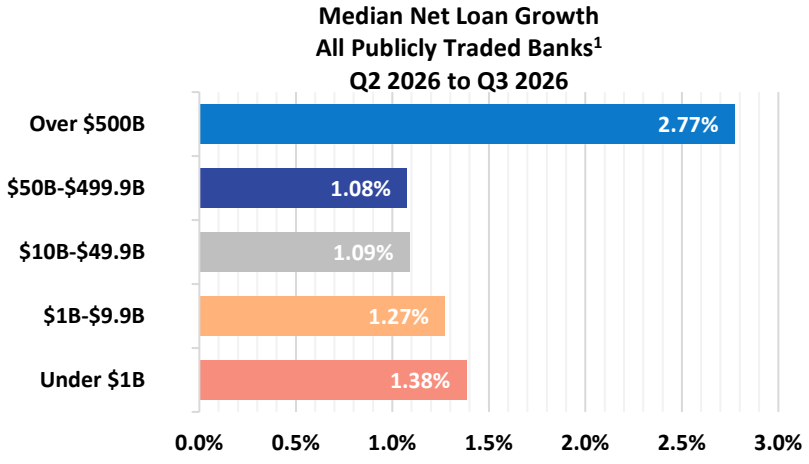
Deposit Growth

Median deposit growth was positive across all five asset tiers in the third quarter, improving from the mixed results reported in Q2. Banks between $1B and $9.9B returned to positive deposit growth, while banks under $1B experienced the strongest quarterly increase.



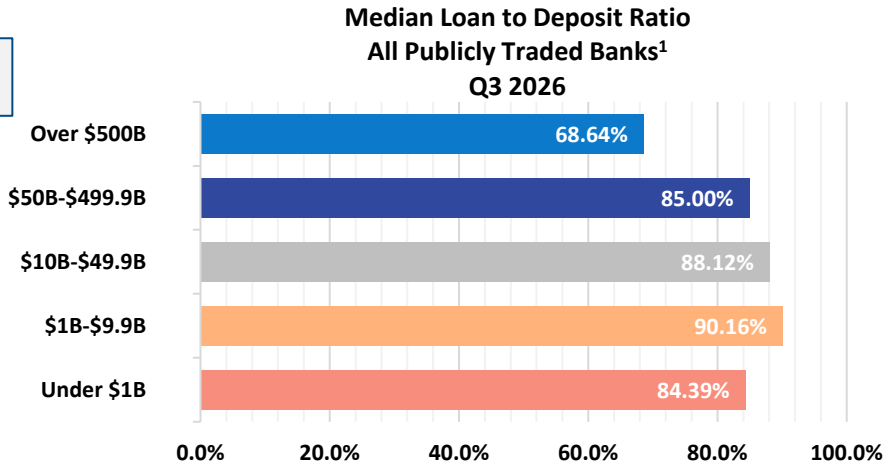
Net Loan Growth

Median net loan growth remained positive across all five asset tiers in the third quarter. The largest banks posted the strongest loan growth at 2.8%, while the remaining tiers reported more modest increases of about 1.1% to 1.4%.



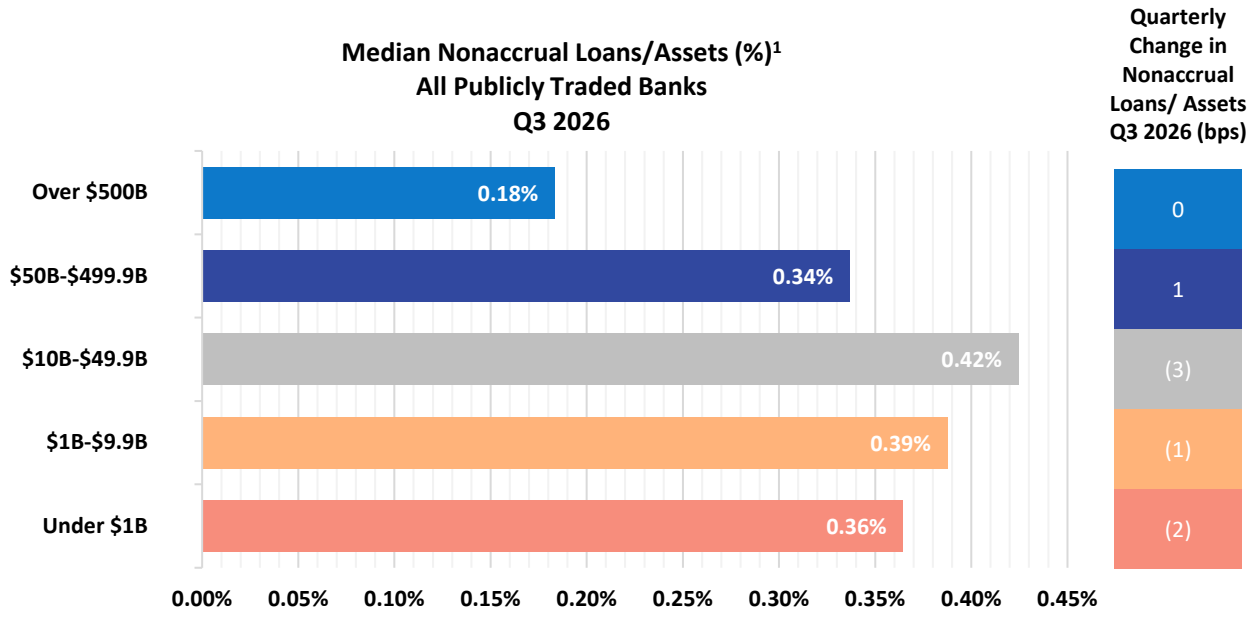
Loan to Deposit Ratio

Median loan-to-deposit ratios remained above 80% in the four asset tiers below $500B, with banks in the $1B to $9.9B range continuing to report a median above 90%.



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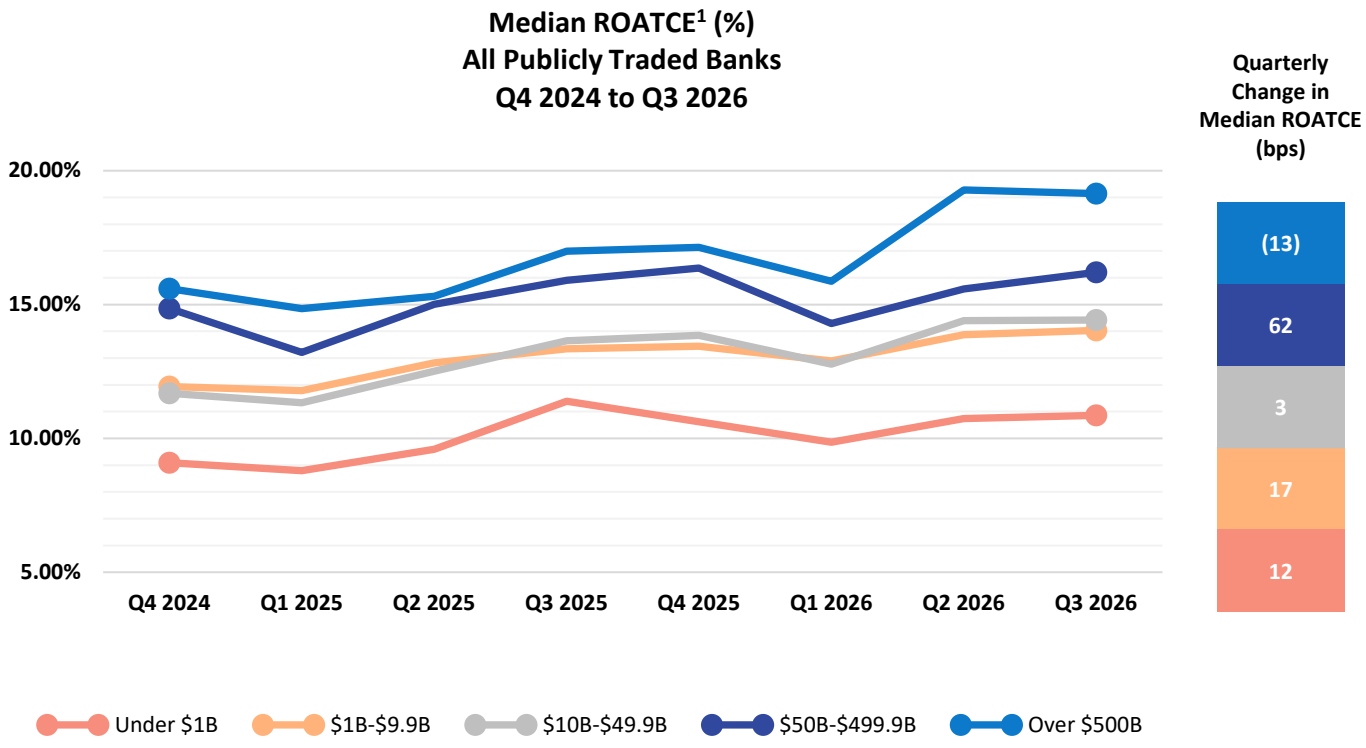
Nonaccrual Loans/Assets



In the third quarter, the median ratio of nonaccrual loans to total assets fell across three asset tiers, rose slightly among banks with $50B to $499.9B in total assets, and stayed essentially unchanged among the largest banks, suggesting credit quality remained generally favorable. However, the ABA Credit Conditions Index declined by 4.1 points to 44.7, reflecting a more cautious outlook. The index remained below the neutral threshold for the seventh consecutive quarter, as a weaker outlook for business credit offset improving expectations for consumer credit.

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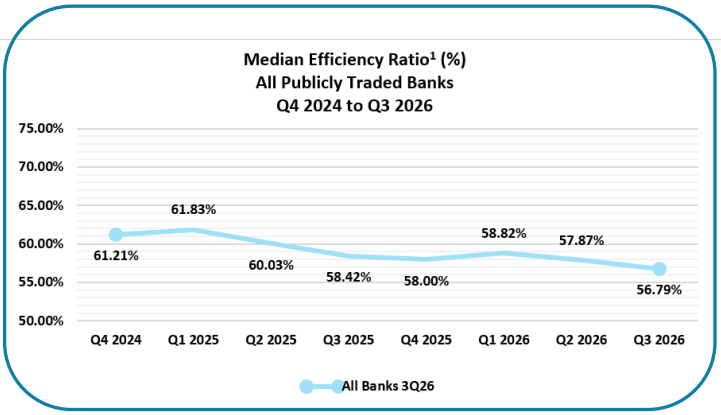
ROATCE Trends by Asset Tier

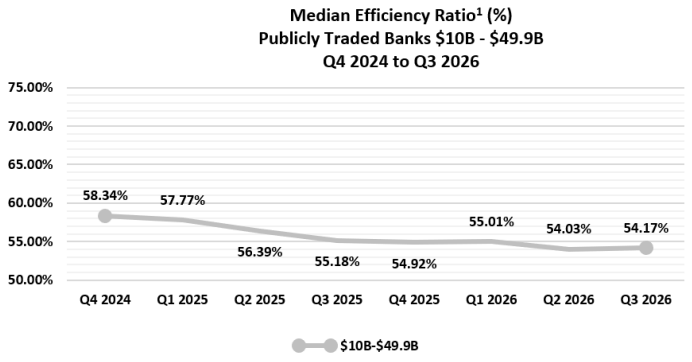


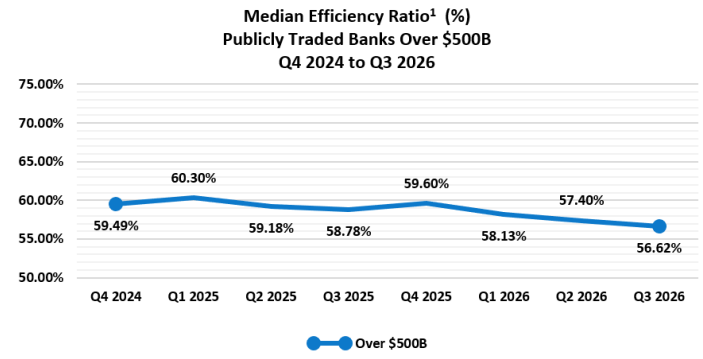
Median ROATCE increased across four of the five asset tiers, continuing the profitability improvements seen in the previous quarter. Banks between $1B and $9.9B and those between $10B and $49.9B achieved their highest median ROATCE in the last eight quarters, while the largest banks experienced a slight decline after posting particularly strong results in Q2.

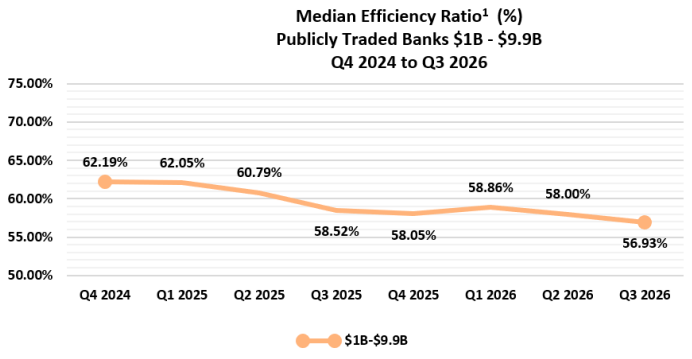
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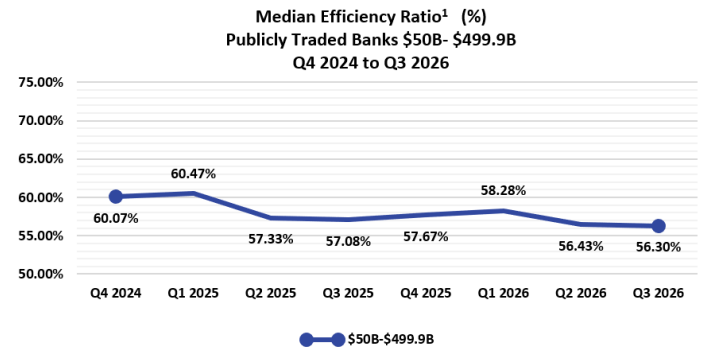
Efficiency Trends by Asset Tier

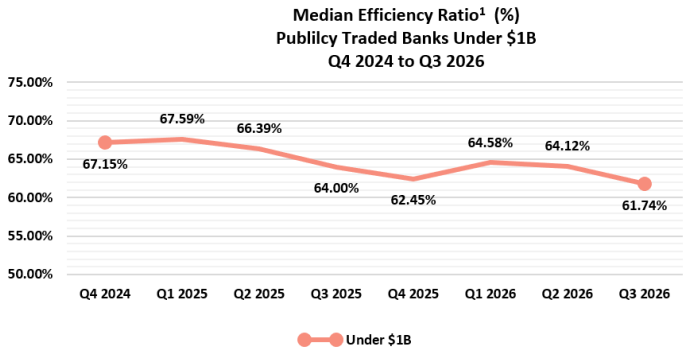






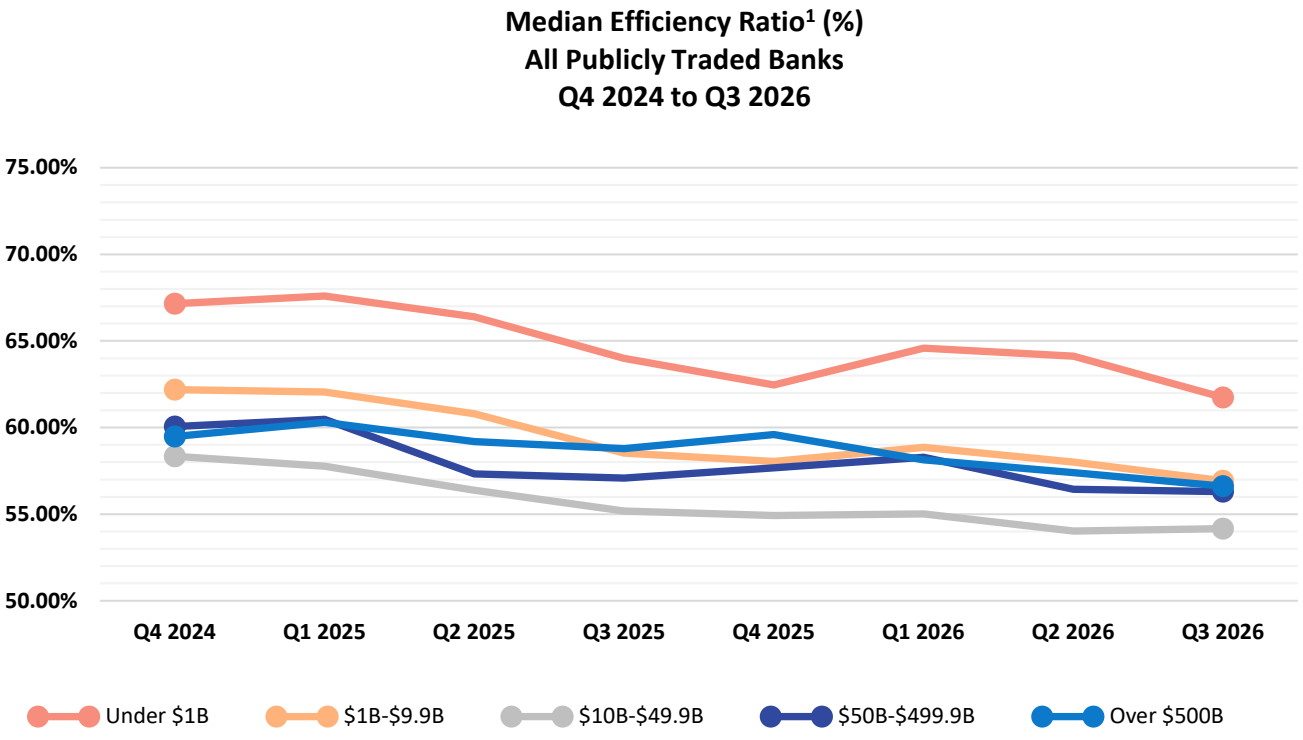






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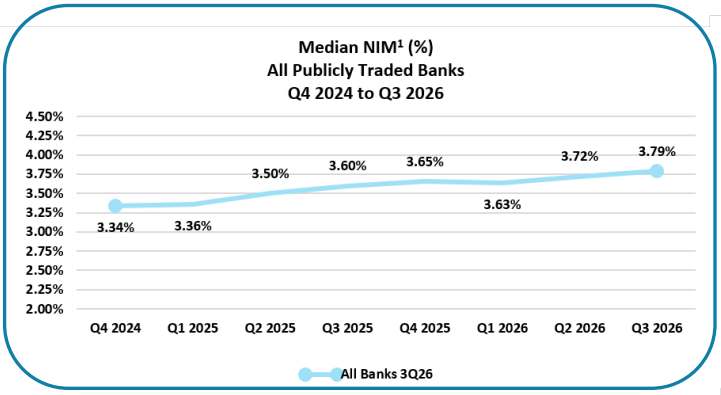
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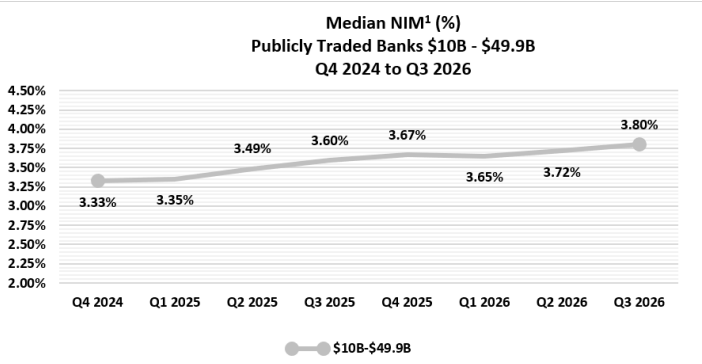


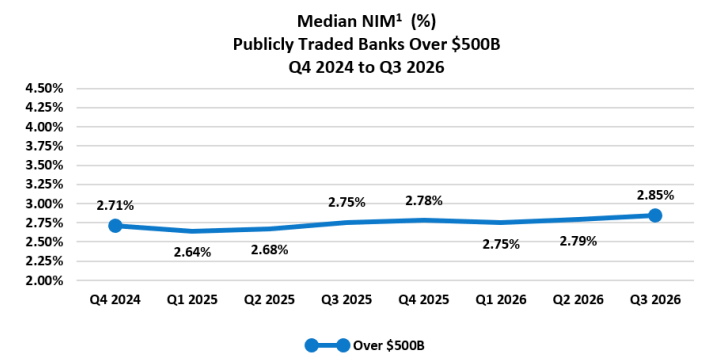
Median efficiency ratios improved across four of the five asset tiers in the third quarter of 2026, with only banks between $10B and $49.9B experiencing a slight increase. Efficiency ratios remained lower than eight quarters ago in every tier, with four tiers reaching their lowest levels over that period. Continued net interest margin expansion supported operating efficiency despite higher noninterest expenses at most banks.

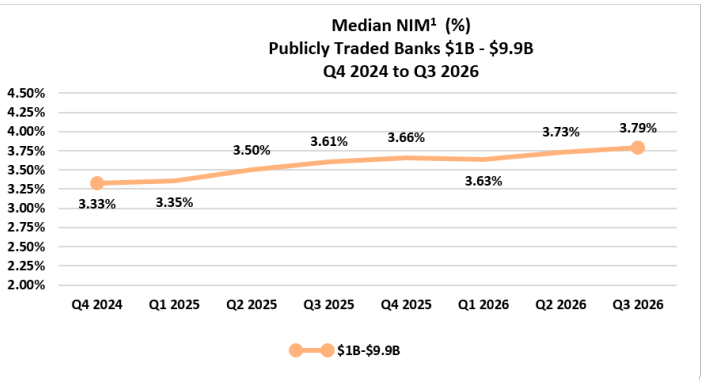
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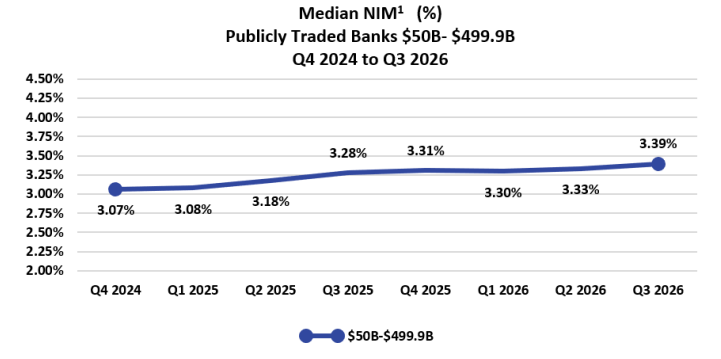
Net Interest Margin Trends by Asset Tier

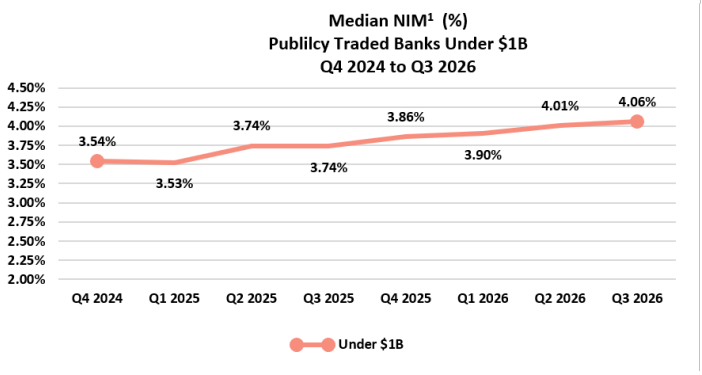






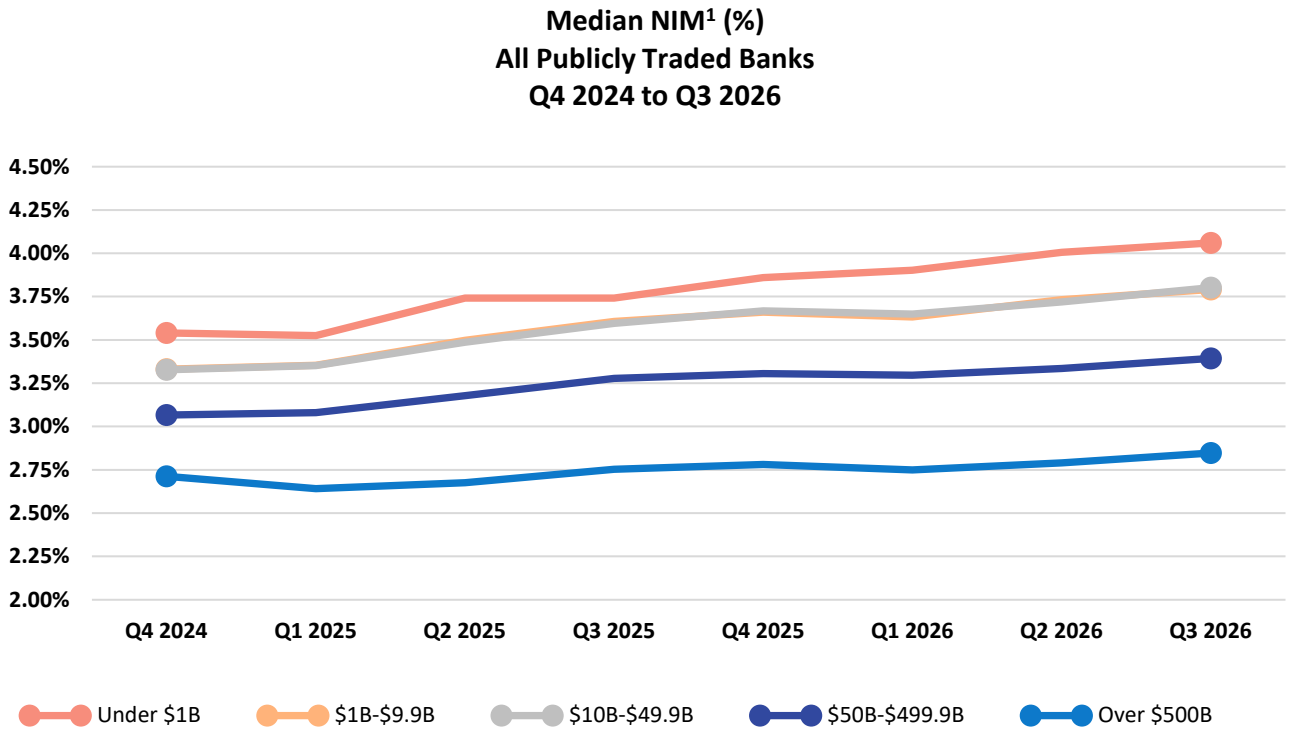






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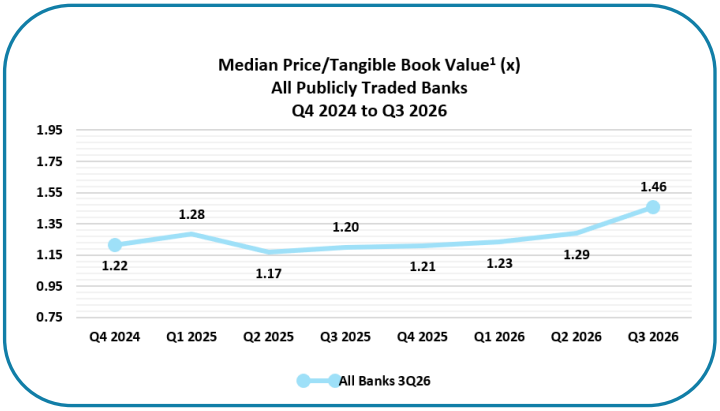
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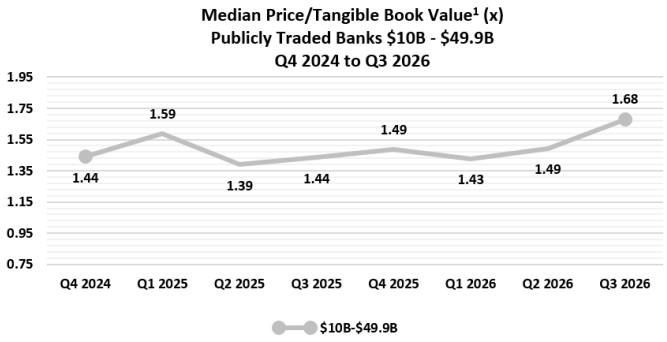


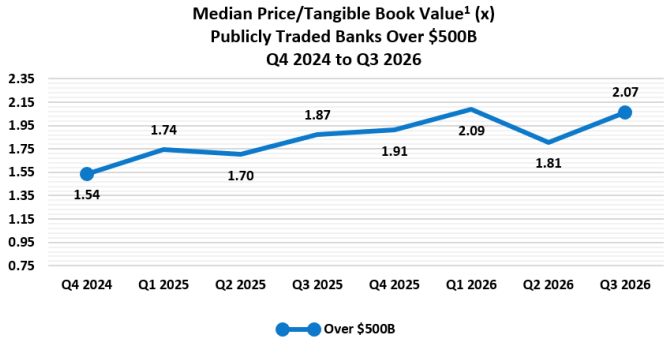
Median net interest margins increased by about 5 to 8 basis points across all five asset tiers, extending the improvement from the previous quarter. All five tiers reached their highest levels in eight quarters, with banks under $1B continuing to report the highest margins and those between $10B and $49.9B experiencing the largest quarterly improvement.

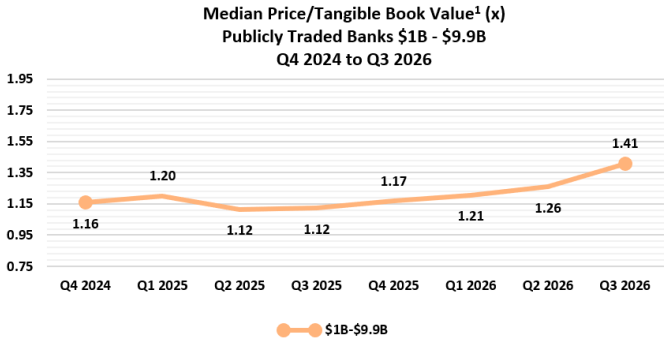
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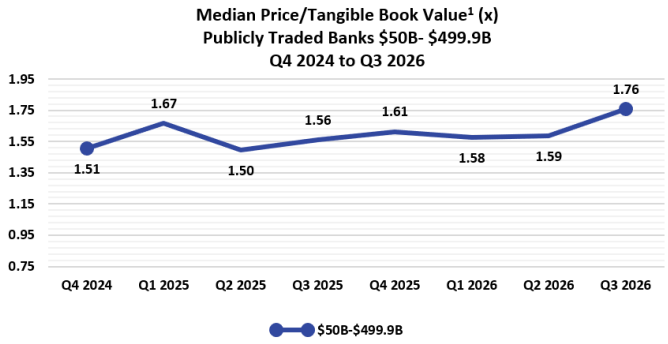
Valuation Trends by Asset Tier

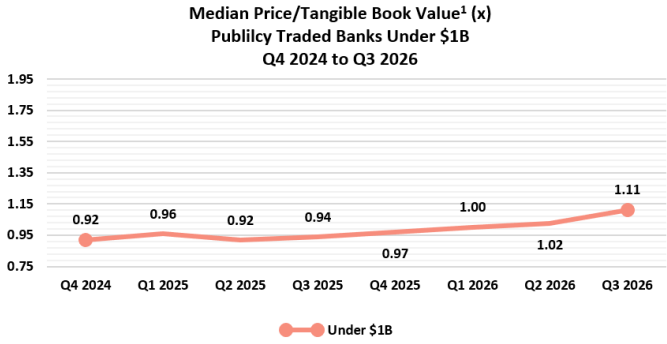






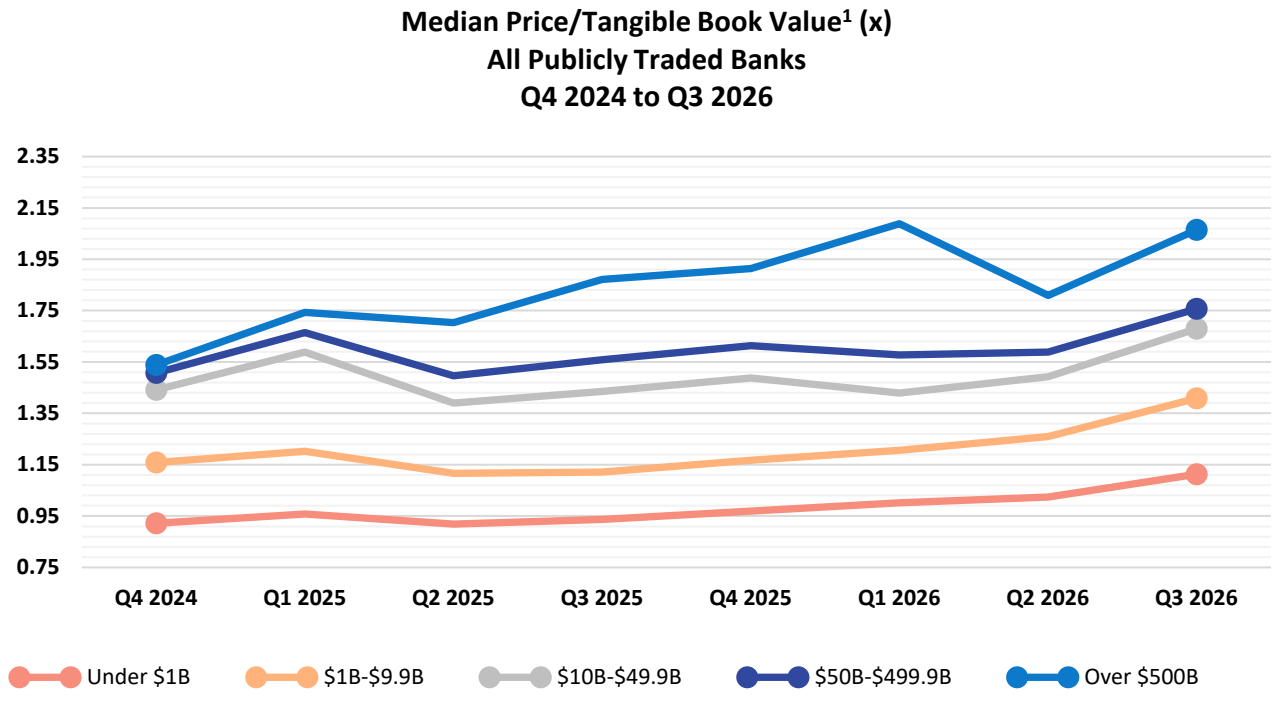






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Valuation Trends by Asset Tier



Median price-to-tangible book values rose across all five asset tiers in the third quarter of 2026, with four tiers reaching their highest levels in eight quarters. Larger banks continued to have the strongest valuations, supported by generally improving profitability and continued net interest margin expansion, although banks over $500B remained slightly below their valuation peak from the first quarter of 2026.

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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



Mary Beth Sullivan
Managing Partner
msullivan@capitalperform.com



Claude A. Hanley, Jr.
Partner
chanley@capitalperform.com



Ally Akins
Principal
aakins@capitalperform.com



Matthew Prince
Business Analyst
mprince@capitalperform.com

Follow us on LinkedIn
www.capitalperform.com
1717 K Street, NW, Suite 900
Washington, DC 20006