4Q24
Quarterly Bank Report

February 5, 2025

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:

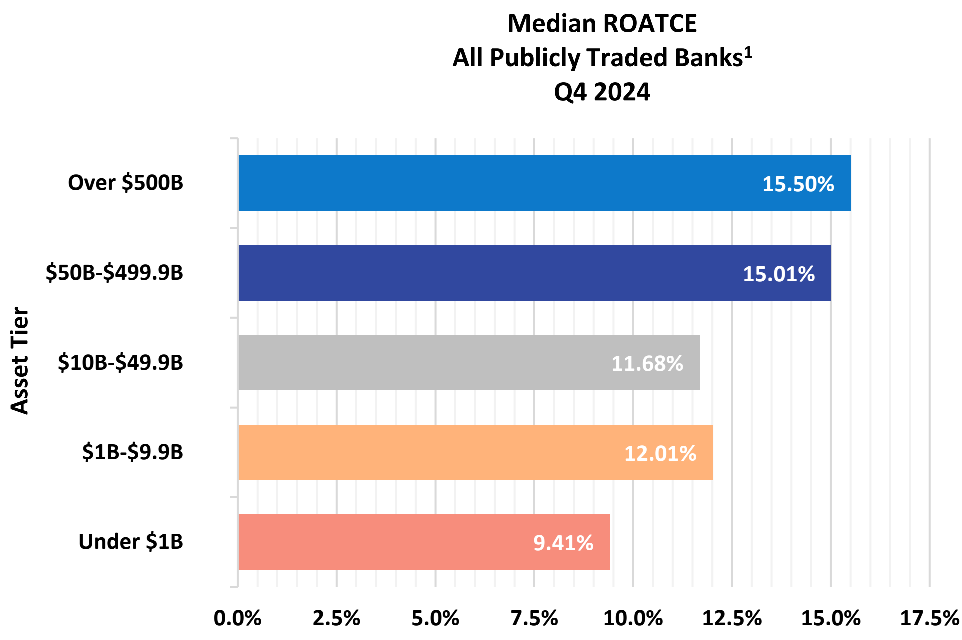
The industry's financial performance in the fourth quarter generally showed a continuation of the positive trends that characterized the third quarter reports. Developments included:

- ✓ Median ROATCE reached double digits in all but the smallest asset tier. In addition, the two largest asset tiers posted median total returns to shareholders: 13.45% and 11.76%, respectively.
- ✓ The median net interest margin increased in all asset tiers except the $50B-$499.9B asset tier. The expansion was driven in large measure by the decline in the median cost of funds which occurred in all asset tiers. In earnings calls, executives were optimistic that NII would continue to grow in 2025.
- ✓ The median ratio of nonaccrual loans to total assets was basically unchanged form the prior quarter, indicating continued overall credit stability. The ABA's latest Credit Conditions Index increased 28.3 points in Q4 to 56.9, the highest since 2022, a sign of the general positive sentiment surrounding the outlook for asset quality.
- ✓ Loan growth remained muted partly because many banks sought to reduce their CRE exposure. Many bankers anticipate growth in the low single digits in 2025, but that may be conservative. According to the most recent Federal Reserve survey of bank lending practices, bankers expect lending standards to either ease or remain basically unchanged and demand to strengthen across all loan categories.
- ✓ Bank stock indices outperformed the broader market in 4Q24 as investors anticipated a more benign regulatory and interest rate environment. The S&P 500 Bank Index, composed of the largest 60 U.S. Banks, increased by 14.3% over the same period, while the KBW Nasdaq Bank Index, composed of 24 of the largest banks in the U.S., rose by 13.5%, compared with 3.0% for the S&P 500. Consequently, the median price/tangible book value multiples increased across all asset tiers.

Economic Outlook

- The Commerce Department reported that GDP grew at 2.3% in the fourth quarter, down from 3.1% in the third quarter.
- Banks expect credit quality to improve for most commercial loan types during 2025, and to either deteriorate or remain basically unchanged for most consumer loan types, according to the survey of bank lending practices.

Median ROATCE



Asset Tier	Median Price/Tangible Book Value[2] Q4 2024	Median Total Return to Sharefolders[3] Q4 2024
Over $500B	177.93%	13.45%
$50B-$499.9B	167.60%	11.76%
$10B-$49.9B	150.37%	5.95%
$1B-$9.9B	119.12%	5.14%
Under $1B	92.81%	5.92%

The two largest asset tiers (banks Over $500B and $50B-$499.9B) posted the highest median ROATCE and generated the highest median total returns to shareholders: 13.45% and 11.76%, respectively. The median ROATCE of the smallest asset tier lagged that of all other tiers. Median Price/Tangible Book Values increased across the board on a quarter over quarter basis.

Source: CPG analysis of data provided by S&P Global Market Intelligence, 2025.
1. 428 publicly traded U.S. banks and thrifts that had reported Q4 2024 results as of 01/31/25.
2. Share price as of 12/31/24.
3. Total Return to Shareholders Q4 as of 12/31/24.

Stock Performance

Bank stock indices outperformed and the broader market in 4Q24 as investors anticipated a more benign regulatory and interest rate environment. The S&P 500 Index increased by 3.03% between September 30th and December 31st. The S&P 500 Bank Index, composed of the largest 60 U.S. Banks, increased by 14.35% over the same period, while the KBW Nasdaq Bank Index, composed of 24 of the largest banks in the U.S., rose by 13.55%.

Source: S&P Global Market Intelligence, 2025. Price Change (%) collected from September 30, 2024 through December 31, 2024.

Top Valued Banks as of December 31, 2024 (Price/Tangible Book Value)

Asset Tier (Institution)	Headquarters (City, State)	Price/Tangible Book Value (X) As of 12/31/24	Price/Tangible Book Value (X) Change [9/30/24-12/31/24]
Over $500B Median		1.8	0.2
Morgan Stanley	New York, NY	2.8	0.4
JPMorgan Chase & Co.	New York, NY	2.5	0.3
The PNC Financial Services Group, Inc.	Pittsburgh, PA	2.0	0.1
$50B-$499.9B Median		1.7	0.1
The Bank of New York Mellon Corporation	New York, NY	3.1	0.3
Discover Financial Services	Riverwoods, IL	2.6	0.4
Cullen/Frost Bankers, Inc.	San Antonio, TX	2.6	0.4
Fifth Third Bancorp	Cincinnati, OH	2.3	0.1
Regions Financial Corporation	Birmingham, AL	2.1	0.2
$10B-$49.9B Median		1.5	0.1
First Financial Bankshares, Inc.	Abilene, TX	4.0	0.1
Community Financial System, Inc.	Dewitt, NY	3.8	0.3
ServisFirst Bancshares, Inc.	Birmingham, AL	2.9	0.1
BancFirst Corporation	Oklahoma City, OK	2.7	0.2
Glacier Bancorp, Inc.	Kalispell, MT	2.7	0.3
$1B-$9.9B Median		1.2	0.1
GBank Financial Holdings Inc.	Las Vegas, NV	4.4	1.9
Pathward Financial, Inc.	Sioux Falls, SD	3.8	0.6
Triumph Financial, Inc.	Dallas, TX	3.6	0.5
The Bancorp, Inc.	Wilmington, DE	3.2	0.0
City Holding Company	Charleston, WV	3.1	0.1
Under $1B Median		0.9	0.0
Delhi Bank Corp.	Delhi, NY	2.5	0.2
Juniata Valley Financial Corp.	Mifflintown, PA	1.7	0.2
River Valley Community Bancorp	Yuba City, CA	1.4	0.1
FFD Financial Corporation	Dover, OH	1.4	0.2
Sound Financial Bancorp, Inc.	Seattle, WA	1.3	0.0

The median price/tangible book value multiples increased for most asset tiers between September 30, 2024, and December 31, 2024.

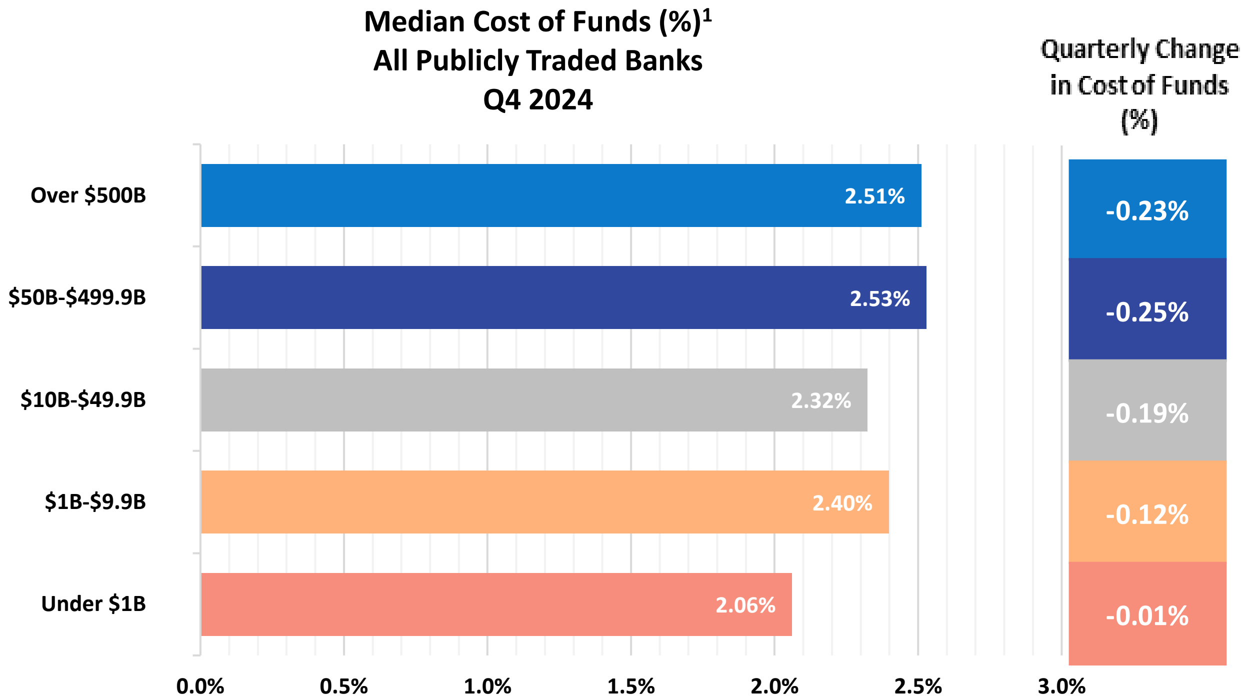
The multiples of most of the top-valued institutions in each asset tier similarly experienced increases.

The multiples of certain smaller regional and community banks experienced sharp increases, including GBank Financial Holdings Inc.

In addition to a more benign economic and regulatory outlook, expectations for an increase in M&A activity may contribute to higher valuations moving forward.

Source: CPG analysis of data provided by S&P Global Market Intelligence, 2025.
1. 428 publicly traded U.S. banks and thrifts that had reported Q4 2024 results as of 1/31/25.

Cost of Funds



The median cost of funds decreased between 1bp and 25bps. The decrease was the most pronounced among institutions in the two largest asset tiers. The decrease can be attributed to a cumulative 100bps cut in the federal funds rate since September 18th. However, following the January FOMC meeting, the Federal Reserve signaled it would take a cautious approach toward further interest rate cuts.

Source: CPG analysis of data provided by S&P Global Market Intelligence, 2025.
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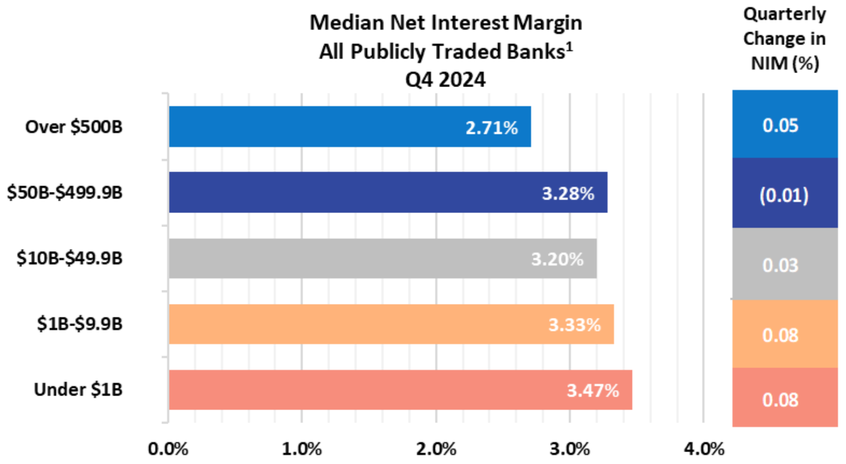
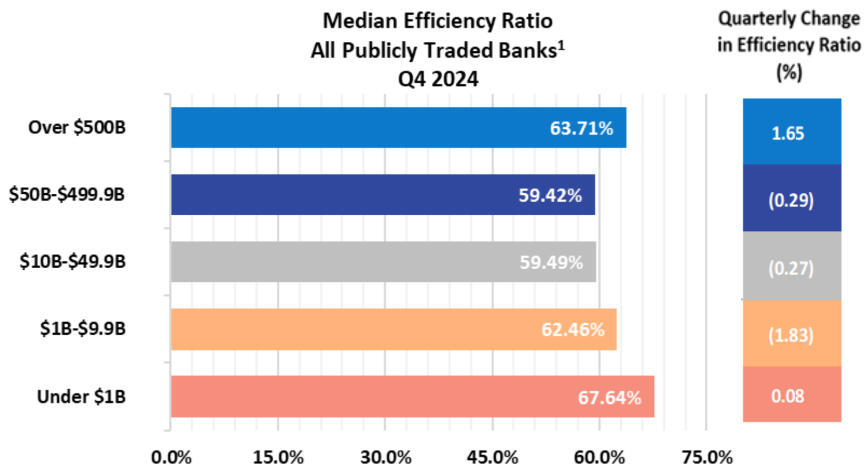
Net Interest Margin

The median net interest margin increased in all asset tiers excluding the $50B-$499.9B asset tier. Executives continue to stay optimistic heading into 2025 with anticipations that regulations will ease, and interest rates will fall.



Efficiency Ratio

Median efficiency ratios rose for the largest and smallest asset tiers in 4Q24. Fee incomes for both tiers dropped on a quarter over quarter basis, accounting for part of the decreased efficiency.



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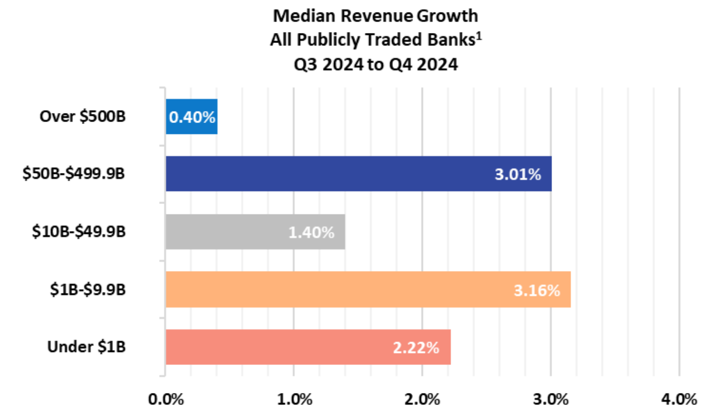
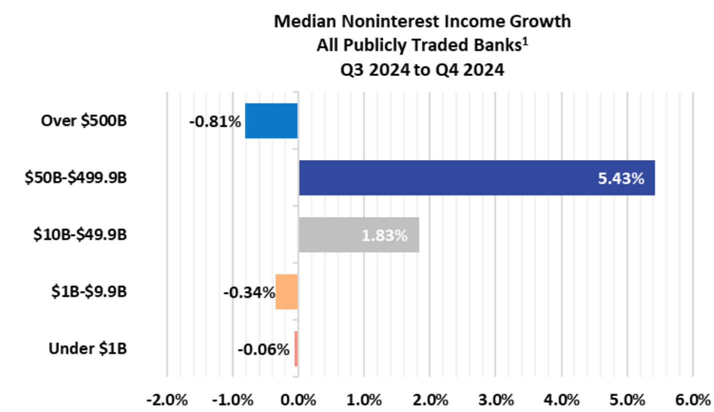
Revenue Growth

Median revenue grew among all asset tiers, with the $1B-$9.9B segment experiencing the strongest growth at 3.16%.



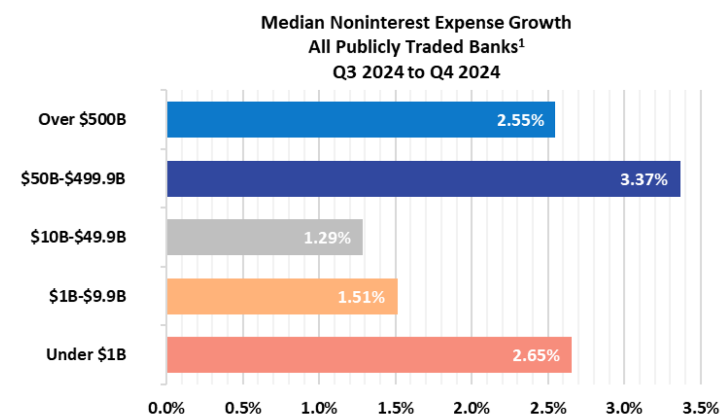
Noninterest Income

Total noninterest income growth increased for both asset tiers between $10B-$499.9B in Q4. The $50B to $499.9B asset tier experienced the largest quarterly increase in fee income at 5.43%, following its rise of 1.71% in Q3.



Noninterest Expense

Noninterest expense grew across all asset tiers. Once again, management alluded to higher salaries and compensation as one of the main reasons for the increase.



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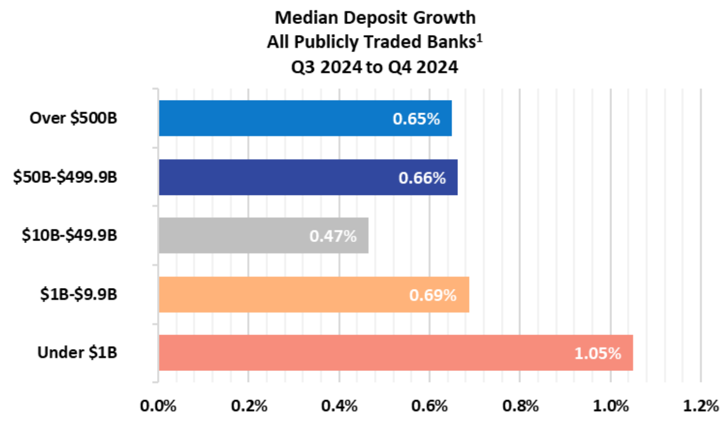
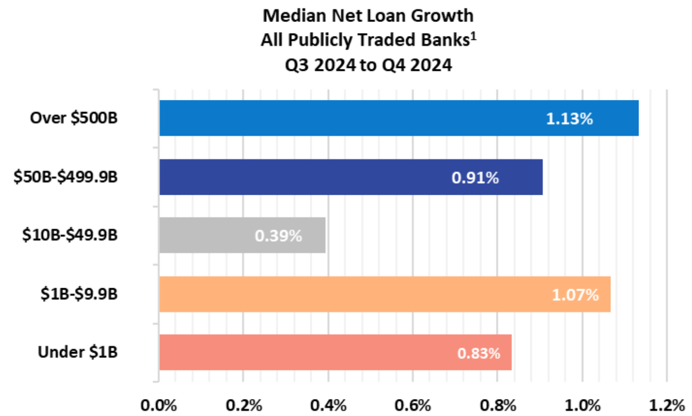
Deposit Growth

Median deposit growth increased marginally across all asset tiers. Growing low-cost core deposits will continue to be a focus for many institutions if interest rates do not continue to be slashed.



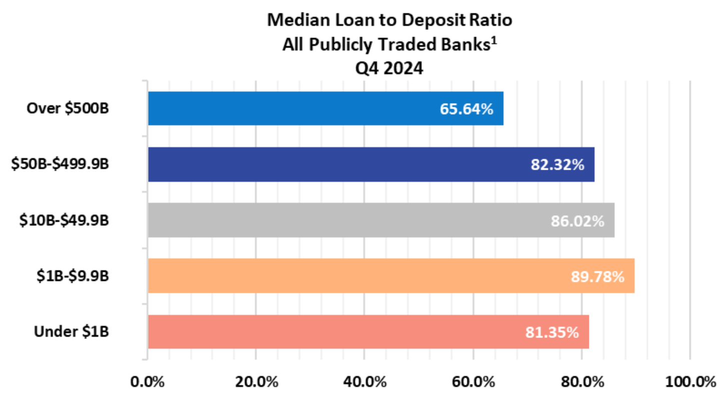
Net Loan Growth

All asset tiers saw increases in median net loan growth, albeit marginally. Utilization rates on commercial lines remained somewhat depressed and many banks sought to reduce their CRE exposure.



Loan to Deposit Ratio

The median loan to deposit ratios decreased for all asset tiers except the $50B-$499.9B tier. However, all four asset tiers below $500B maintained loan-to-deposit ratios over 80.0%.



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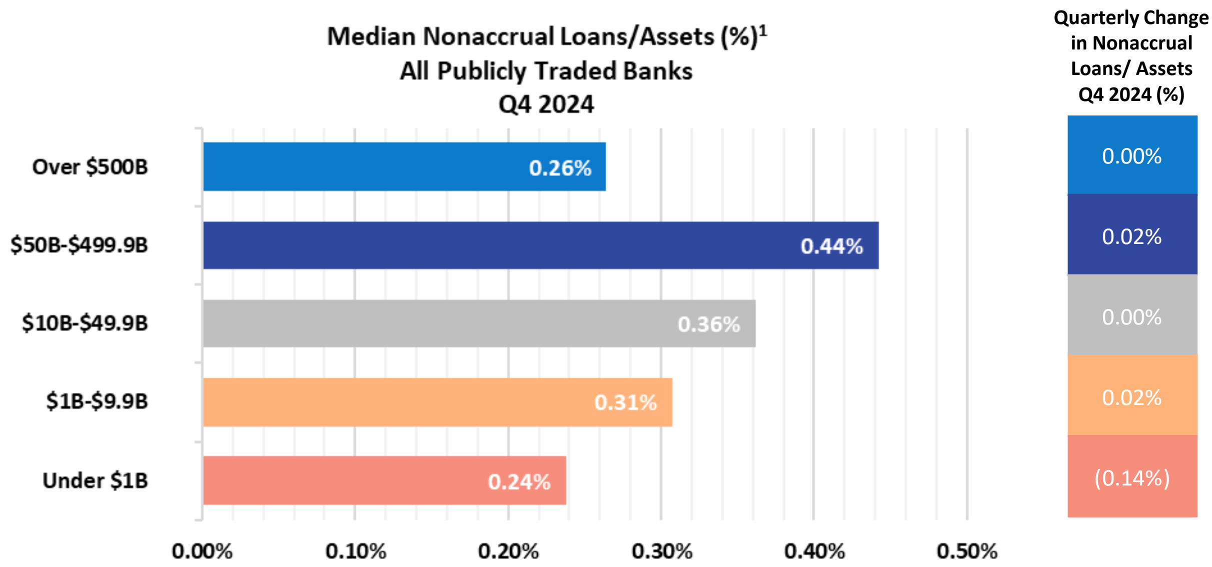
Nonaccrual Loans/Assets



The median ratio of nonaccrual loans to total assets was basically unchanged form the prior quarter, indicating continued credit stability. The ABA's latest Credit Conditions Index increased 28.3 points in Q4 to 56.9, the highest since 2022, alluding to general positive sentiment surrounding asset quality. However, there is still considerable uncertainty regarding the outlook for inflation and the corresponding outlook for interest rates.

Source: CPG analysis of data provided by S&P Global Market Intelligence, 2025.
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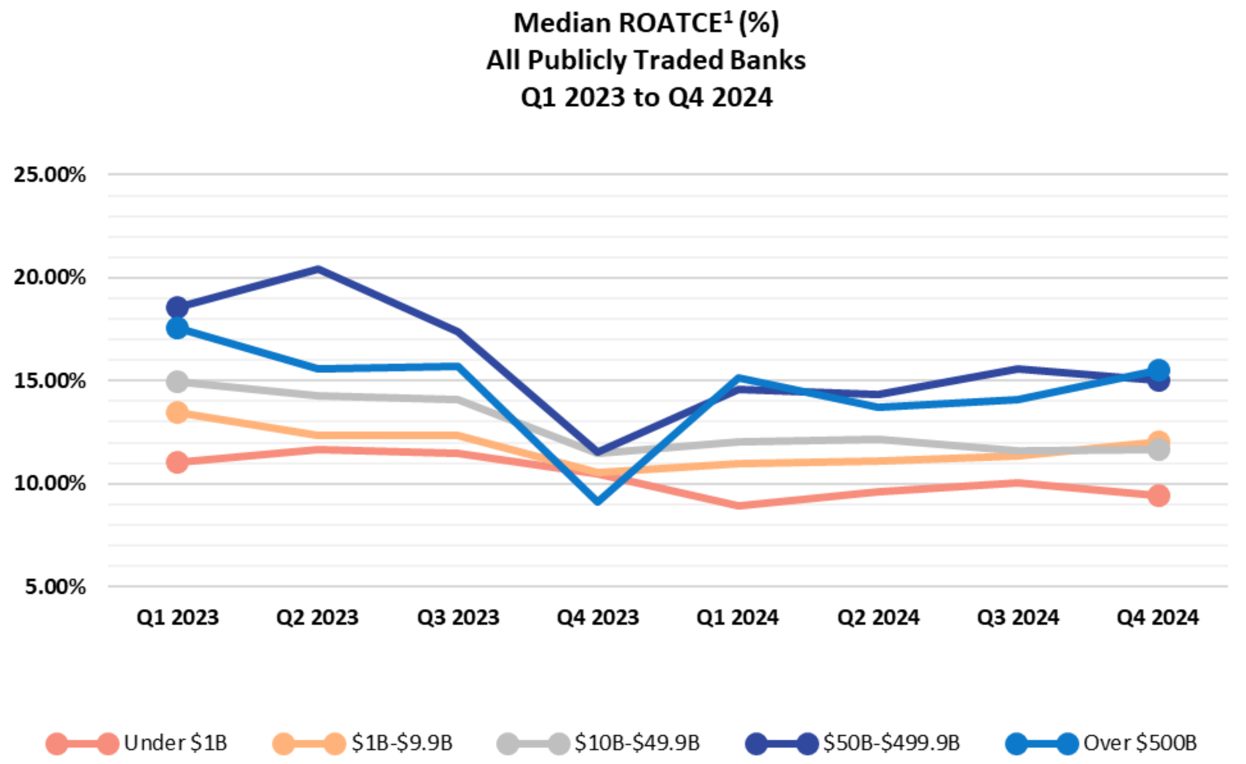
ROATCE Trends by Asset Tier



The median ROATCE declined for the under $1B and $10B-$49.9B asset tiers in the fourth quarter. The 142 bps increase in the Over $500B asset tier was the highest and can be attributed to an uptick in net income.

Source: CPG analysis of data provided by S&P Global Market Intelligence, 2025.
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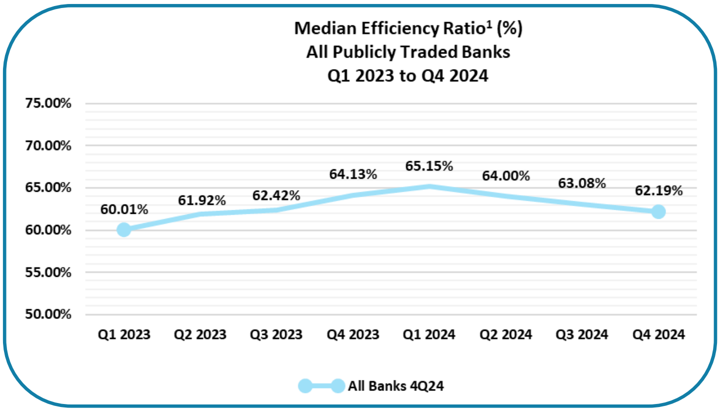
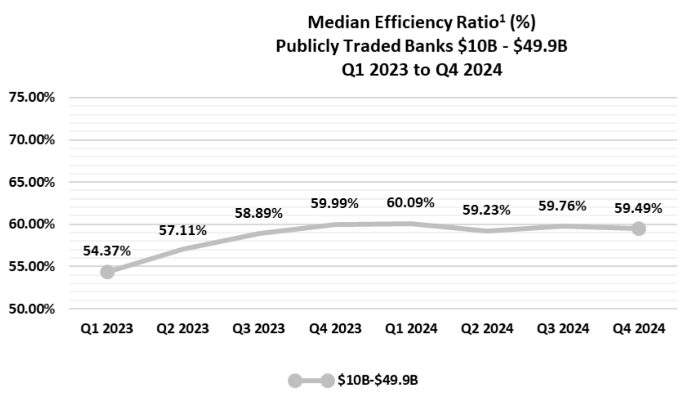
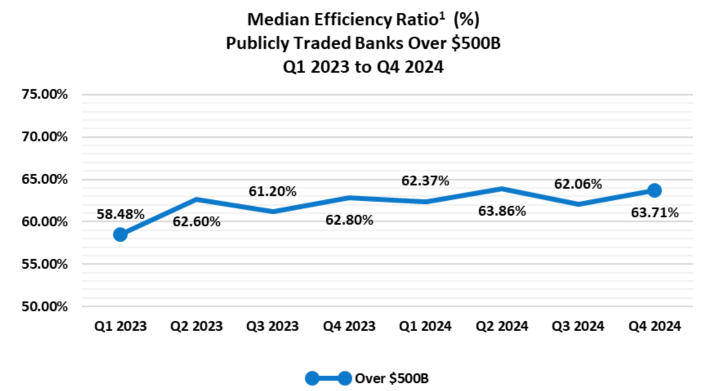
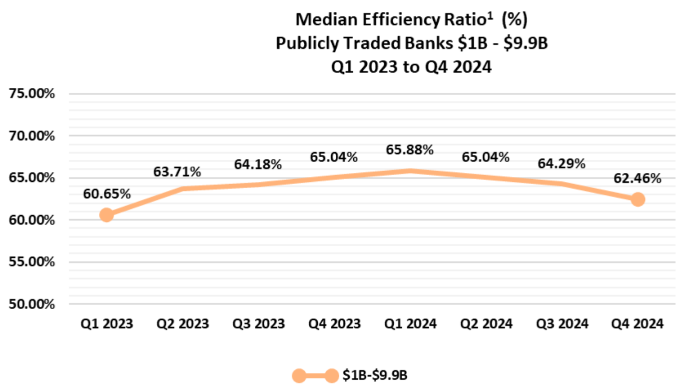
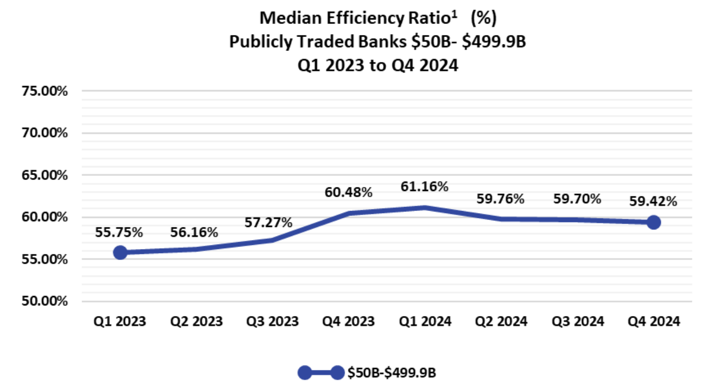
Efficiency Trends by Asset Tier

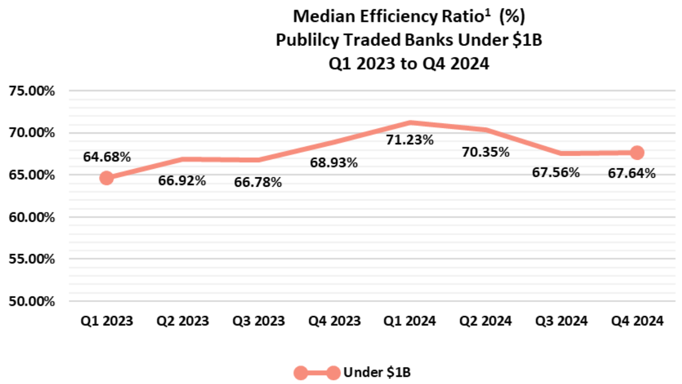












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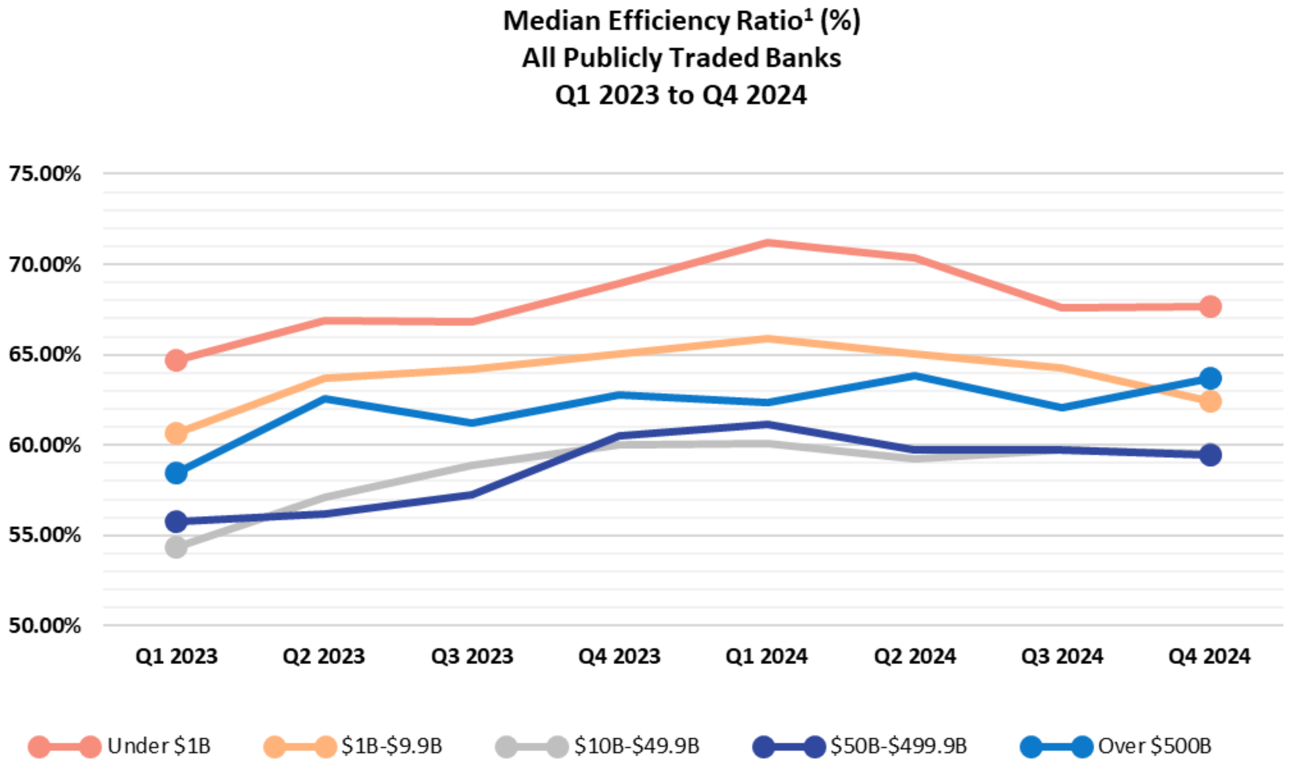
Efficiency Trends by Asset Tier



Efficiency ratios improved for all asset tiers between $1B and $499.9B in assets. Banks will need to continue to find ways to improve efficiency as rising compensation and technological expenses continue to elevate operating costs.

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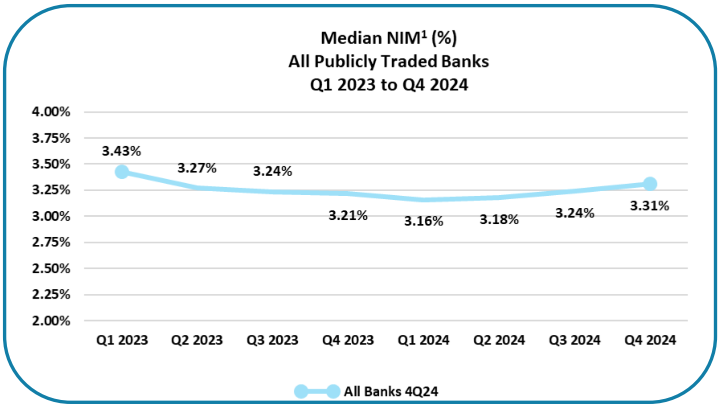
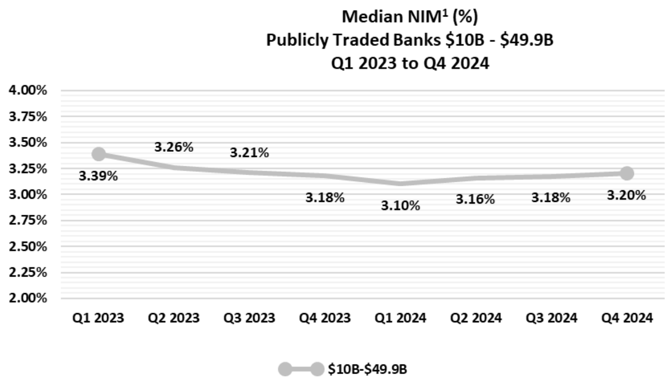
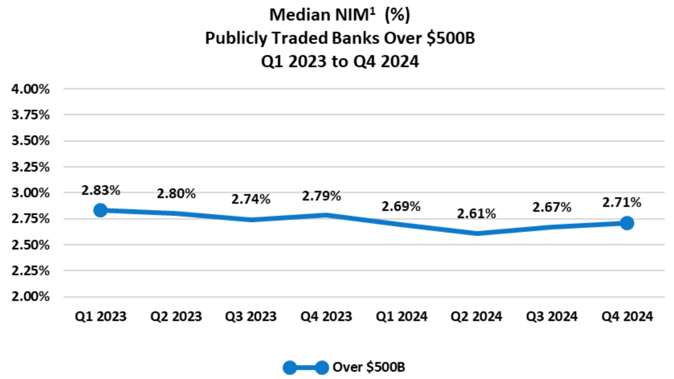
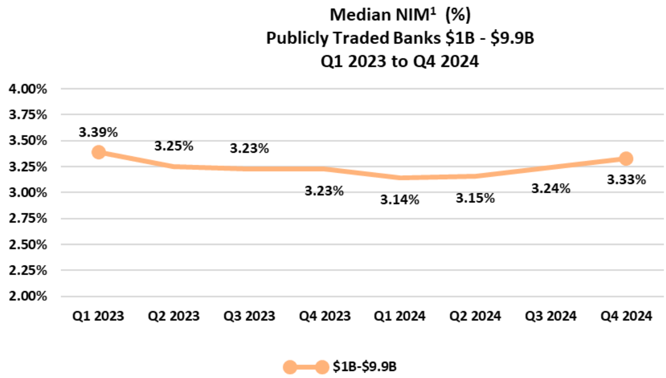
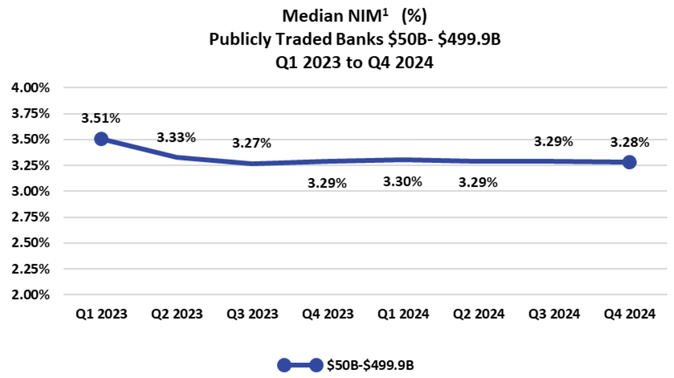
Net Interest Margin Trends by Asset Tier

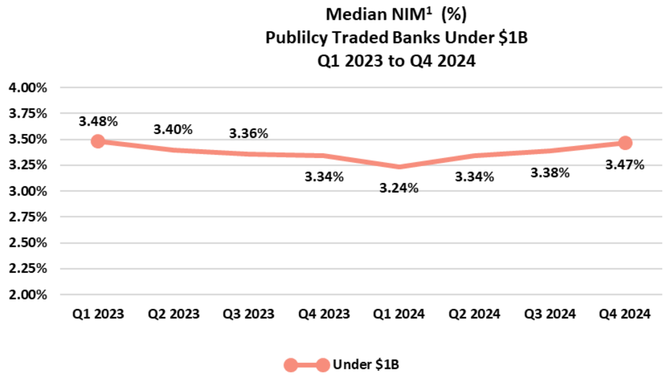












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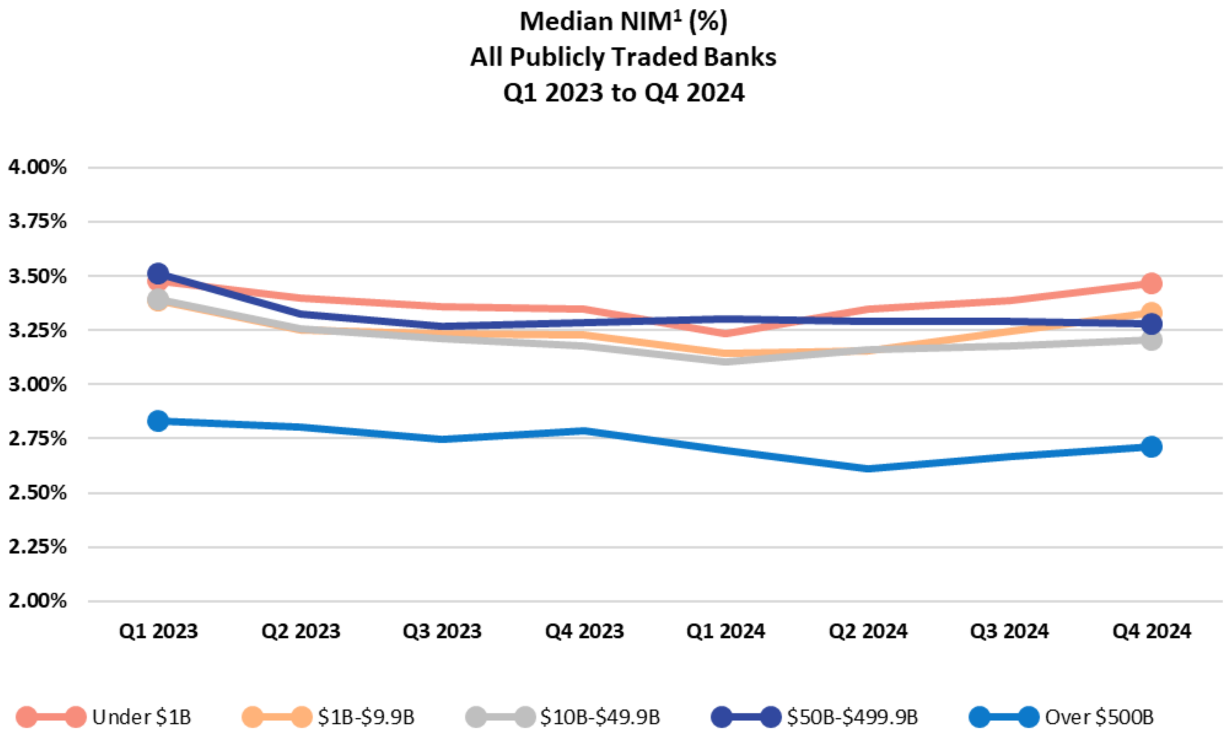
Net Interest Margin Trends by Asset Tier



Median net interest margins expanded across all asset tiers apart from the $50B-$499.9B range. Many executives stated that interest rate cuts supported the expansion through lowered cost of funds, but that they must stay mindful of loans repricing through 2025. According to S&P Global Market Intelligence, “net interest margins should rise modestly in 2025 before expanding more notably in 2026, when the profitability metric is expected to rise 16 basis points year over year.”

Source: CPG analysis of data provided by S&P Global Market Intelligence, 2025.
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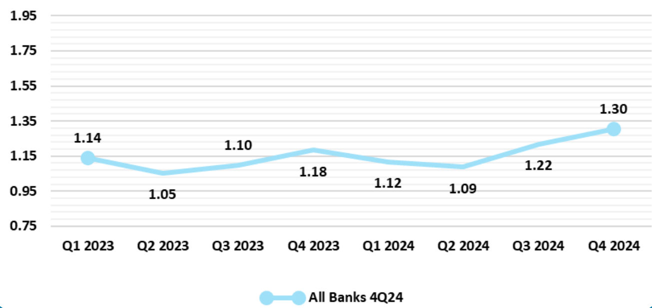
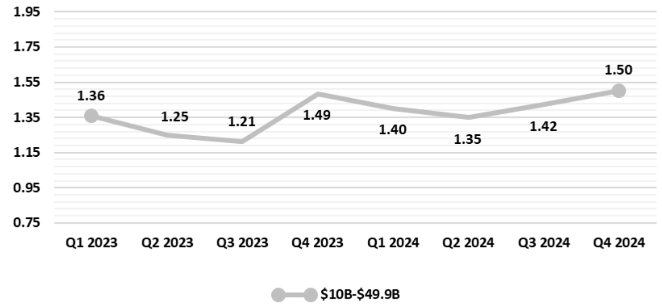
Valuation Trends by Asset Tier

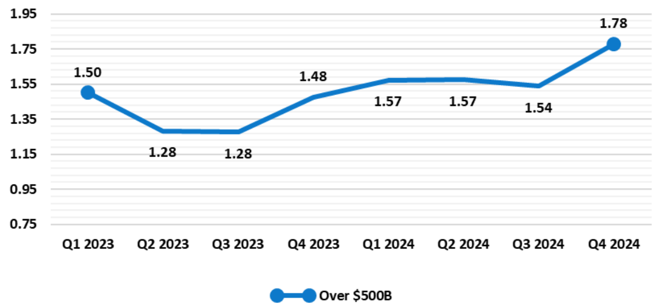
Median Price/Tangible Book Value[1] (x)
All Publicly Traded Banks
Q1 2023 to Q4 2024



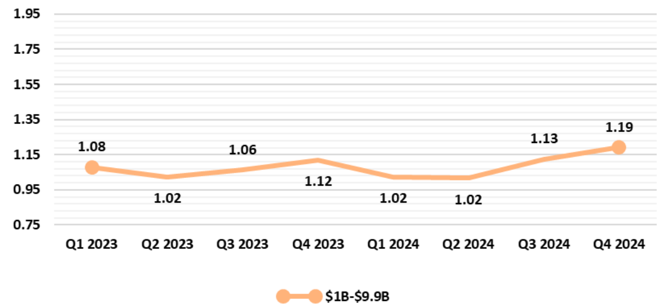
Median Price/Tangible Book Value[1] (x)
Publicly Traded Banks $10B - $49.9B
Q1 2023 to Q4 2024



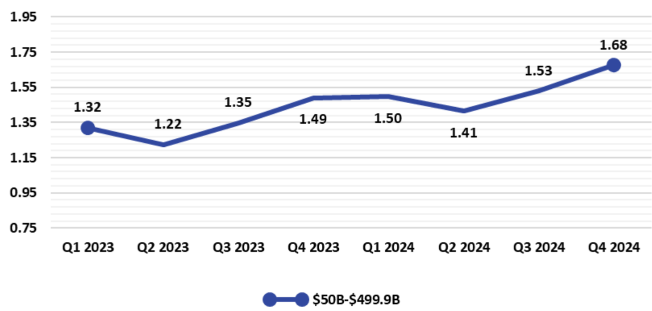
Median Price/Tangible Book Value[1] (x)
Publicly Traded Banks Over $500B
Q1 2023 to Q4 2024



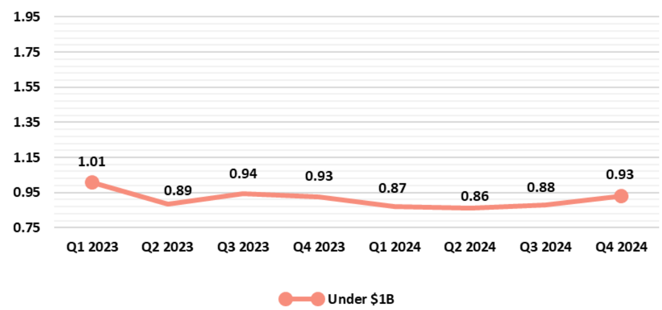
Median Price/Tangible Book Value[1] (x)
Publicly Traded Banks $1B - $9.9B
Q1 2023 to Q4 2024



Median Price/Tangible Book Value[1] (x)
Publicly Traded Banks $50B- $499.9B
Q1 2023 to Q3 2024



Median Price/Tangible Book Value[1] (x)
Publilcy Traded Banks Under $1B
Q1 2023 to Q3 2024



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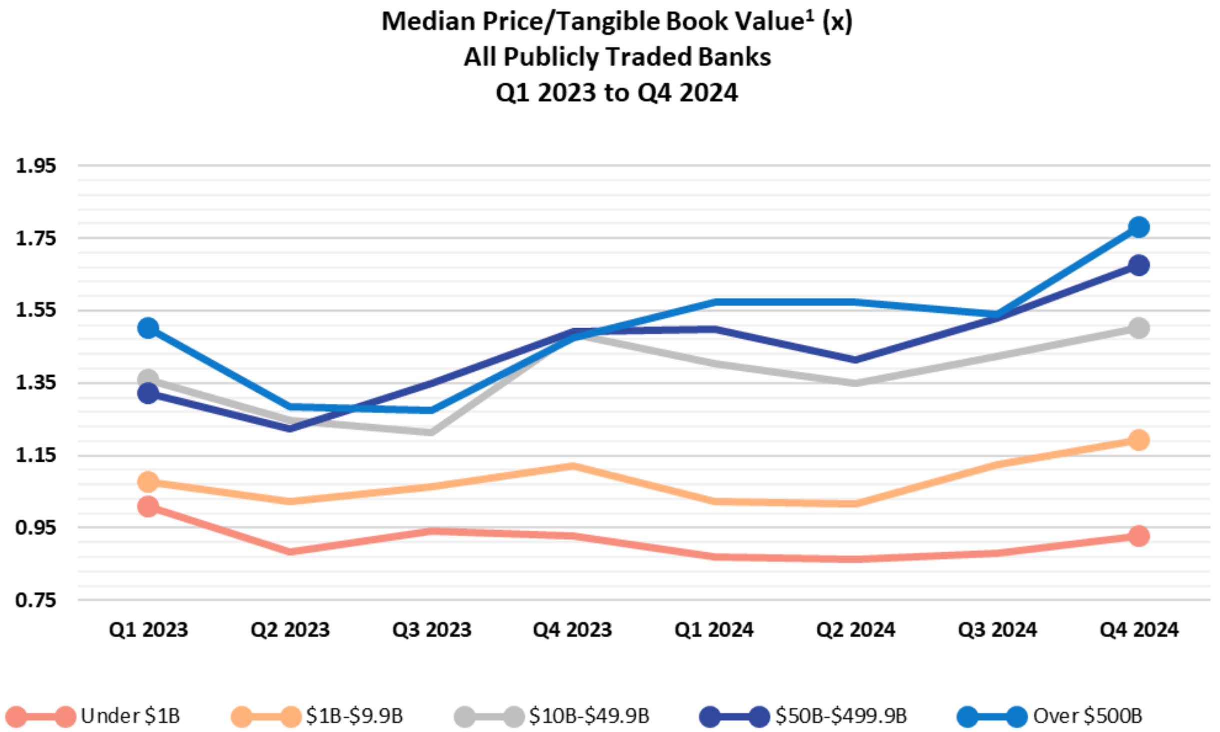
Valuation Trends by Asset Tier



Bank stock valuations rose in the fourth quarter of 2024. The median price to tangible book value increased by at least 15 bps for the two highest asset tiers. Stocks rallied after the November election, driven by expectations of deregulation. In 2025, investors will have to balance the impact of the new administration's policies regarding bank regulation, tariffs, and in turn how the Federal Reserve reacts with interest rates.

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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.

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