CAPITAL PERFORMANCE GROUP

1Q25

Quarterly Bank Report

May 7, 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:

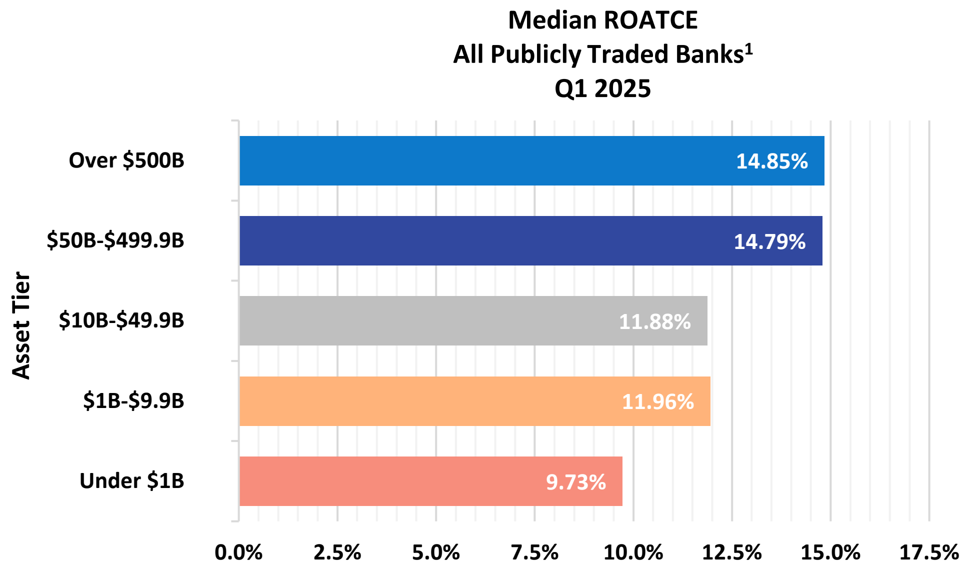
While the industry's financial performance in the first quarter remained solid, the change in the economic outlook negatively impacted some metrics and indicates that profitability will be a challenge for the remainder of 2025.

- ✓ Overall profitability dipped. Median ROTCEs remained in double digits in four asset tiers, but the median ROATCE declined for four. Profitability will remain under pressure for the remainder of 2025 as revenue growth slows and credit costs rise.
- ✓ While the median NIM expanded modestly in some asset tiers, revenue growth was flat. Funding costs decreased for a second consecutive quarter, but loan growth was negligible. Some banks trimmed their outlook for loan growth for the remainder of the year. Revenue growth will be a challenge without an improvement in the macroeconomic outlook.
- ✓ Efficiency ratios increased for all asset tiers as expense growth exceeded revenue growth. Absent a pickup in revenue growth, banks will need to redouble efforts to contain operating costs.
- ✓ The credit outlook became shakier. While the median ratio of nonaccrual loans to total assets was basically unchanged from the prior quarter, many banks increased their provision for credit losses, reflecting concerns about the outlook for asset quality. The ABA's latest Credit Conditions Index fell 15.7 points in Q1 to 41.3, its first decline in five quarters. It signals that overall conditions will weaken over the next six months..
- ✓ Stock valuations dropped in the first quarter of 2025 as concerns about the economic outlook weighed on bank stocks. The median price to tangible book value decreased in all asset tiers except the largest, and the median total return to shareholders declined in four asset tiers. The sell-off hurts the currency of potential acquirers and may dampen expectations for a rebound in M&A activity.

Economic Outlook

- Goldman Sachs reduced its 2025 GDP growth forecast from 1.5% to 1.3%, and Morgan Stanley reduced its 2025 growth forecast to 0.8% from 1.5%.
- Small business optimism and consumer financial sentiment have declined, and economists have raised the probability of a recession occurring in the next 12 months.
- The economy added 177,000 jobs in April, and the unemployment rate remained at 4.2%.

Median ROATCE

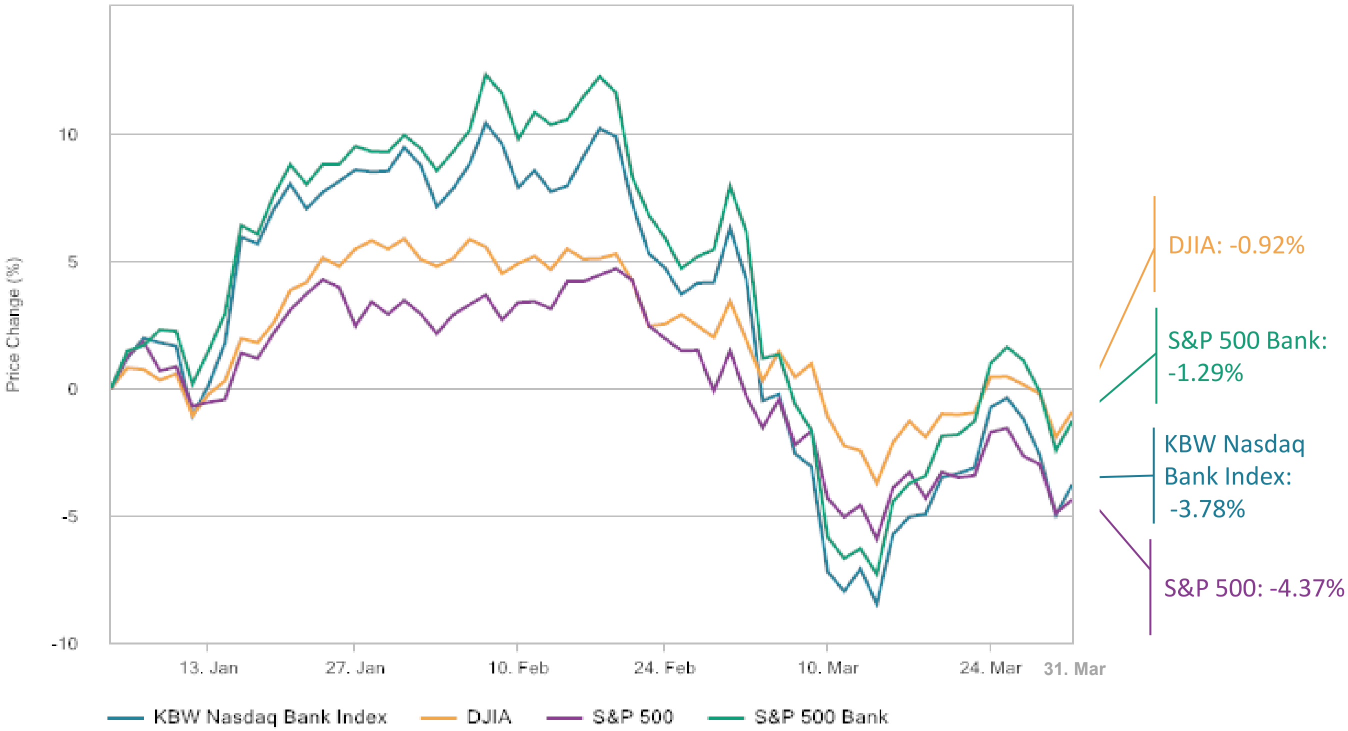


Asset Tier	Median Price/Tangible Book Value[2] Q1 2025	Median Total Return to Sharefolders[3] Q1 2025
Over $500B	170.35%	(4.14%)
$50B-$499.9B	151.75%	(5.63%)
$10B-$49.9B	136.60%	(6.25%)
$1B-$9.9B	113.07%	(3.00%)
Under $1B	88.33%	2.92%

The median total return to shareholders declined in four asset tiers as concerns about the economic outlook weighed on bank stocks. Median ROTCEs remained in double digits in four asset tiers even as many banks increased loan loss provisions.

Source: CPG analysis of data provided by S&P Global Market Intelligence, 2025.
1. 433 publicly traded U.S. banks and thrifts that had reported Q1 2025 results as of 04/29/25.
2. Share price as of 3/31/25.
3. Total Return to Shareholders Q1 as of 3/31/25.

Stock Performance



Both bank and market indices finished down in the first quarter of 2025. The sharp drop was attributed to concerns about slowing economic growth and recession concerns.

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

Top Valued Banks as of March 31, 2025 (Price/Tangible Book Value)

Asset Tier (Institution)	Headquarters (City, State)	Price/Tangible Book Value (X) As of 3/31/25	Price/Tangible Book Value (X) Change [12/31/24 - 3/31/25]
Over $500B Median		1.7	0.0
Morgan Stanley	New York, NY	2.5	-0.3
JPMorgan Chase & Co.	New York, NY	2.5	0.0
The PNC Financial Services Group, Inc.	Pittsburgh, PA	1.8	-0.3
$50B-$499.9B Median		1.5	-0.2
The Charles Schwab Corporation	Westlake, TX	7.4	0.4
The Bank of New York Mellon Corporation	New York, NY	3.3	0.1
Discover Financial Services	Riverwoods, IL	2.4	-0.2
Fifth Third Bancorp	Cincinnati, OH	2.0	-0.3
SouthState Corporation	Winter Haven, FL	1.9	-0.1
$10B-$49.9B Median		1.4	-0.1
First Financial Bankshares, Inc.	Abilene, TX	3.8	-0.2
Community Financial System, Inc.	Dewitt, NY	3.2	-0.6
ServisFirst Bancshares, Inc.	Birmingham, AL	2.7	-0.2
Commerce Bancshares, Inc.	Kansas City, MO	2.6	0.0
BancFirst Corporation	Oklahoma City, OK	2.5	-0.3
$1B-$9.9B Median		1.1	-0.1
Pathward Financial, Inc.	Sioux Falls, SD	3.3	-0.5
Coastal Financial Corporation	Everett, WA	3.0	0.1
The Bancorp, Inc.	Wilmington, DE	3.0	-0.2
City Holding Company	Charleston, WV	2.9	-0.2
Thomasville Bancshares, Inc.	Thomasville, GA	2.8	0.1
Under $1B Median		0.9	-0.1
Delhi Bank Corp.	Delhi, NY	2.4	-0.1
Pinnacle Bancshares, Inc.	Jasper, AL	1.6	NA
Juniata Valley Financial Corp.	Mifflintown, PA	1.5	-0.2
RBAZ Bancorp, Inc.	Phoenix, AZ	1.5	0.0
River Valley Community Bancorp	Yuba City, CA	1.4	-0.1

Investor turned sharply bearish toward the end of 1Q25.

The median price/tangible book value multiples declined among the most highly valued companies. Some banks, including Community Financial System and Pathward Financial, experienced sharp decreases.

In contrast, the trading multiples of money managers such as Charles Schwab and BNY Mellon ticked up.

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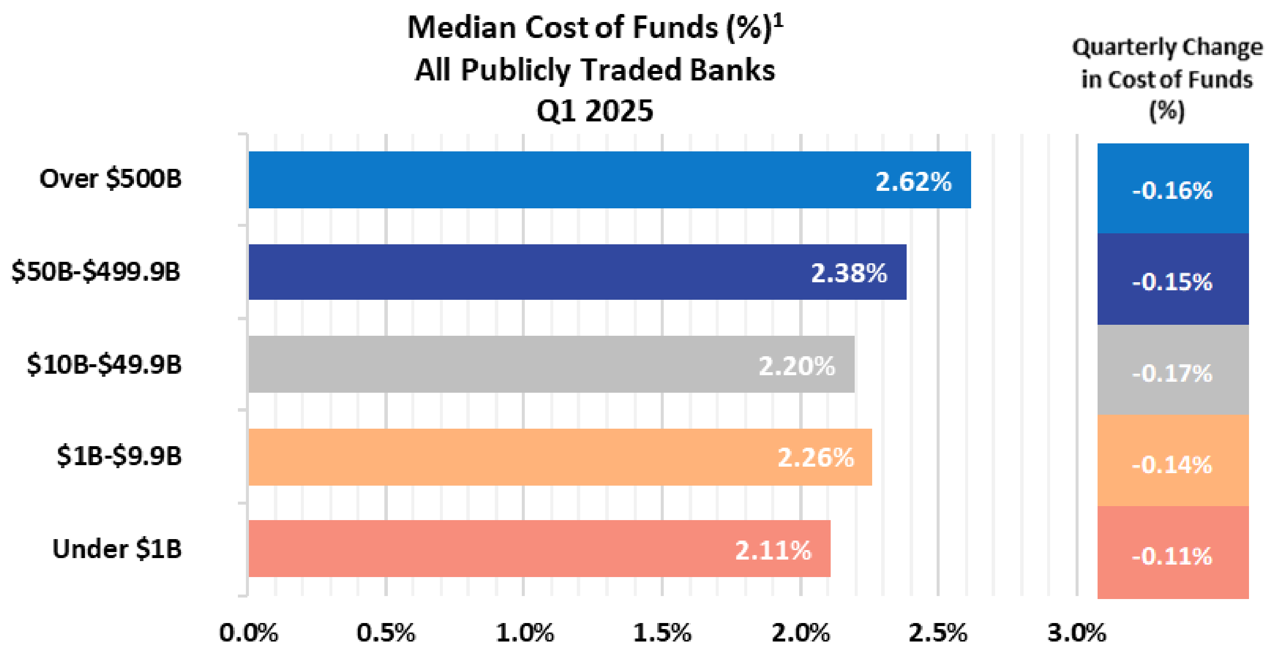
Cost of Funds



Funding costs decreased by 11-17 bps in the first quarter of 2025. This marks back-to-back quarters with a decreased cost of funds after months of elevated rates. The decrease can be attributed to a cumulative 100 bps cut in the federal funds rate since September 2024. The Federal Reserve remains cautious in its approach to further cuts.

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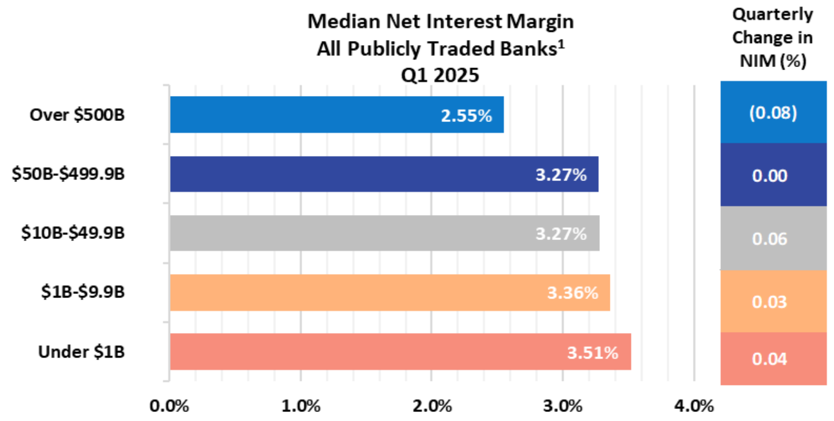
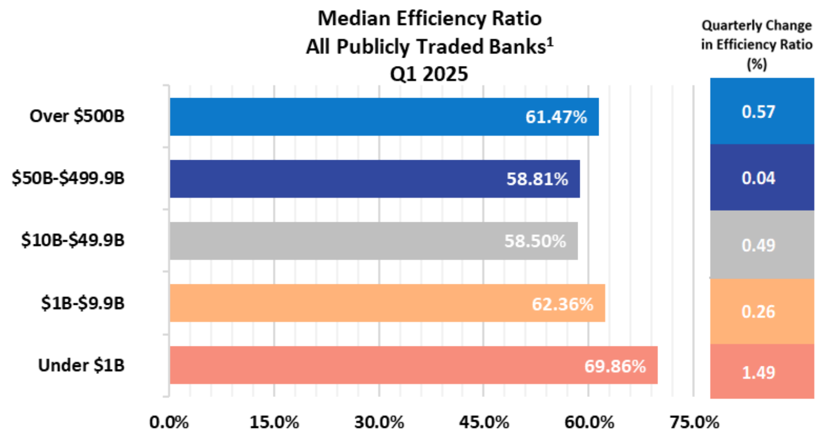
Net Interest Margin

The median net interest margin increased slightly for banks with less than $50 billion in assets. The outlook for continued expansion will largely depend on the Federal Reserve's interest rate policy actions.



Efficiency Ratio

Median efficiency ratios rose for all asset tiers in 1Q25 primarily due to a decline in revenue growth.



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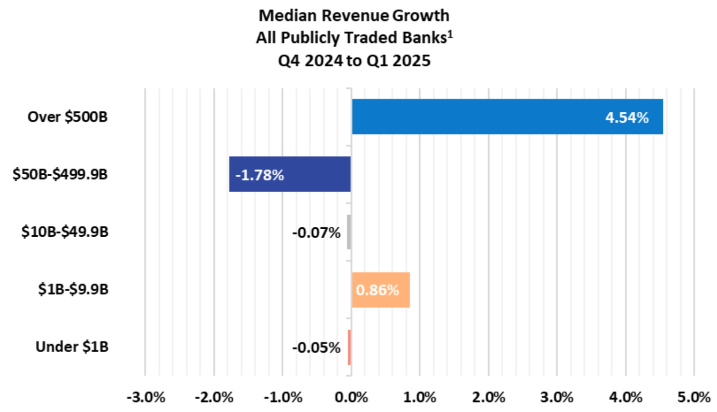
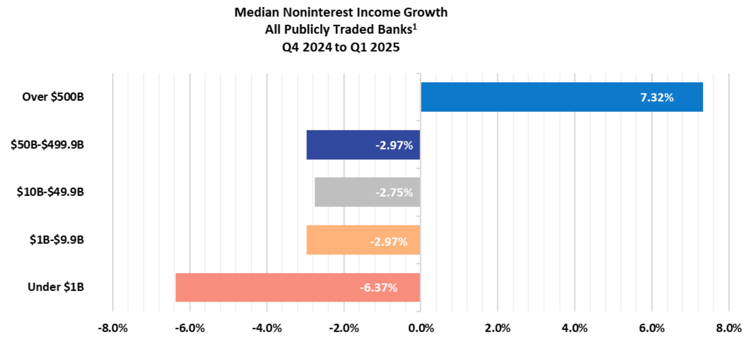
Revenue Growth

Median revenue increased for banks above $500B. Despite the expansion in NIM among the smaller asset tiers, median revenue growth was essentially flat.



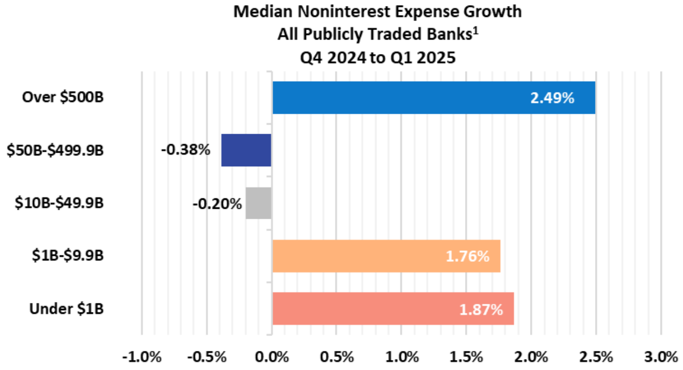
Noninterest Income

Noninterest income growth skyrocketed for the largest asset tier, driven by higher trading and investment banking fees. The outlook for the remainder of 2025 has become more clouded. Noninterest income dropped for all banks below $500B.



Noninterest Expense

Noninterest expense grew for the largest and two smallest asset tiers. Managements often cited technology investments and a rise in compensation as reasons for the increase.



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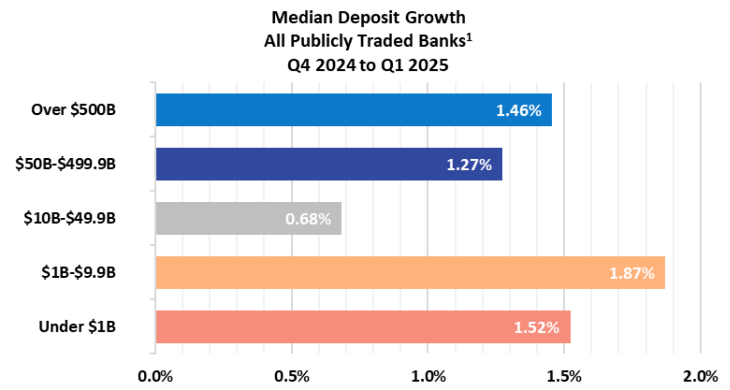
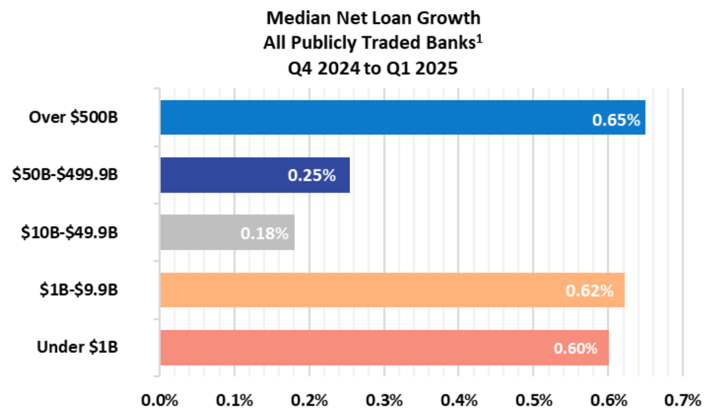
Deposit Growth

In 1Q25, the median deposit growth was positive in all five asset tiers, exceeding net loan growth.



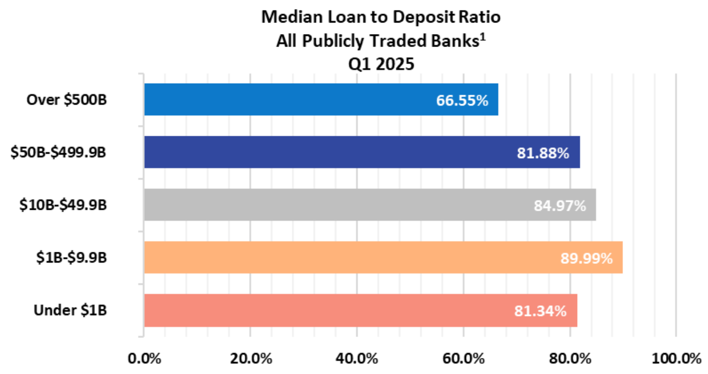
Net Loan Growth

Median net loan growth increased in all asset tiers, albeit marginally. Loan growth is expected to remain modest for the remainder of 2025.



Loan to Deposit Ratio

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



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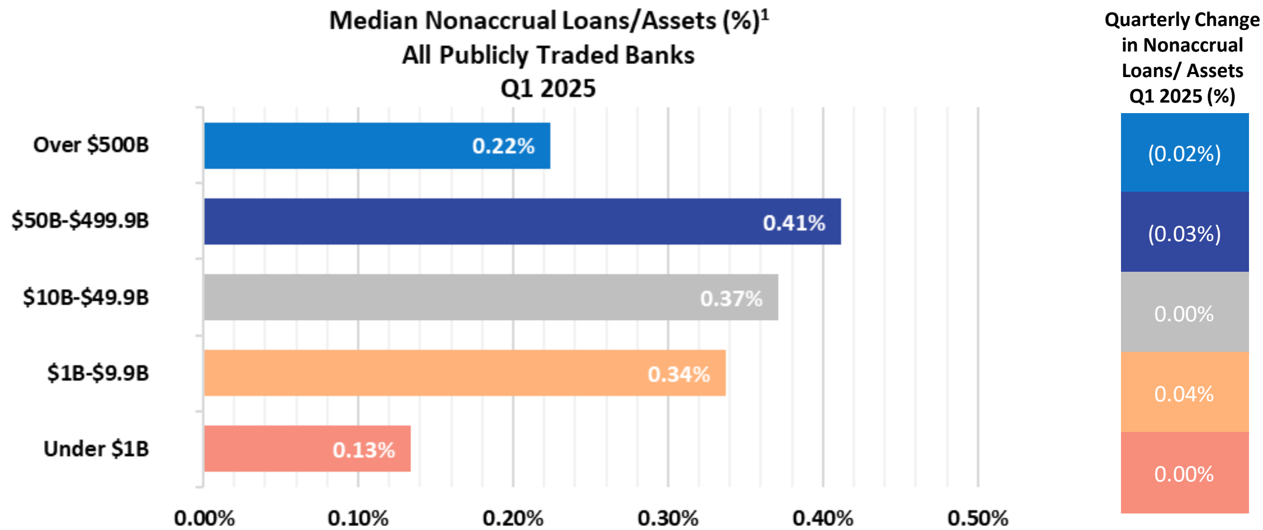
Nonaccrual Loans/Assets



The median ratio of nonaccrual loans to total assets was essentially unchanged from the prior quarter. Yet many banks increased their loan loss provision in the quarter, and the ABA's latest Credit Conditions Index fell 15.7 points in Q1 to 41.3, its first decline in five quarters. It signals that overall conditions will weaken over the next six months.

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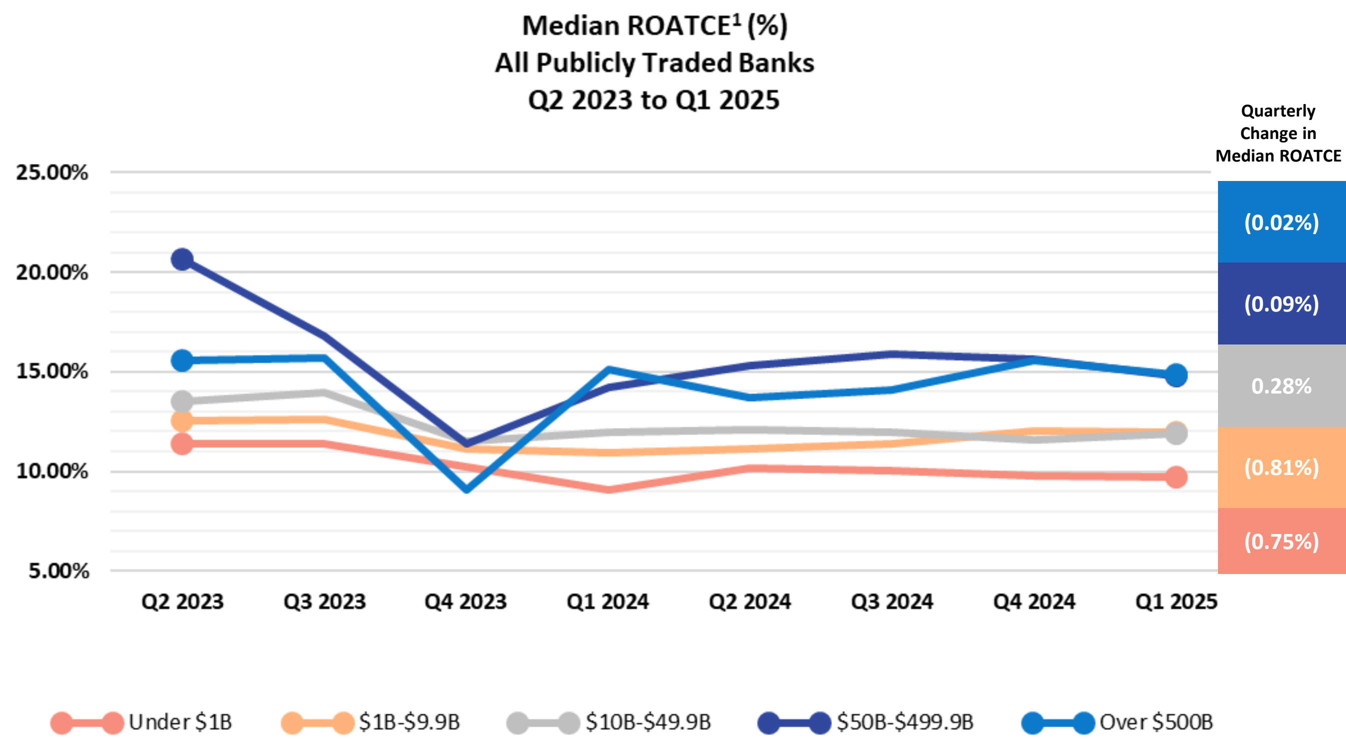
ROATCE Trends by Asset Tier



The median ROATCE declined in all asset tiers except the $10B-$49.9B tier.

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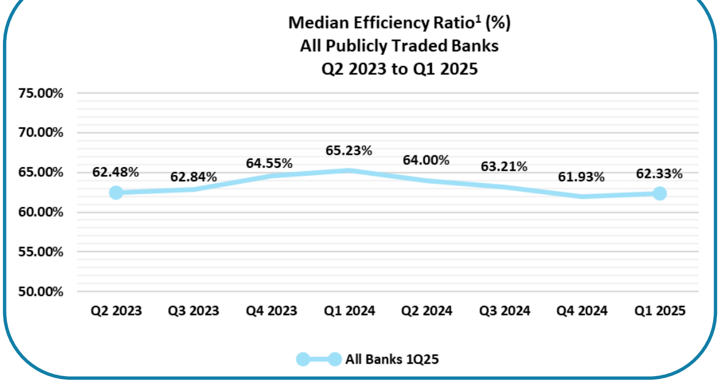
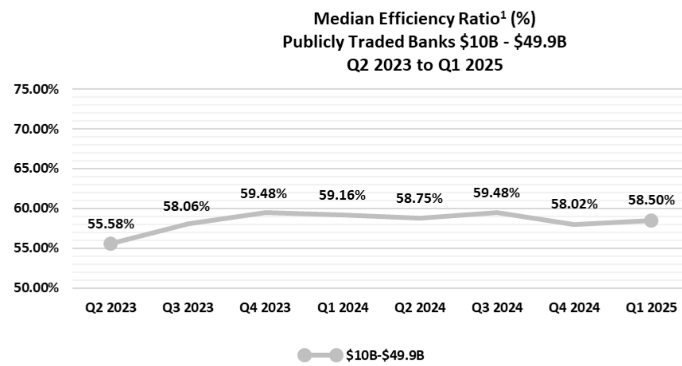
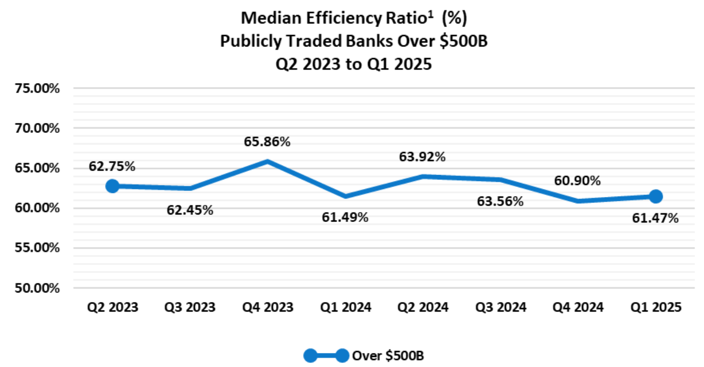
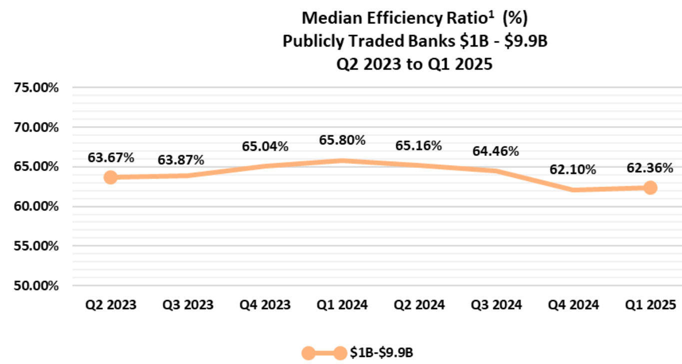
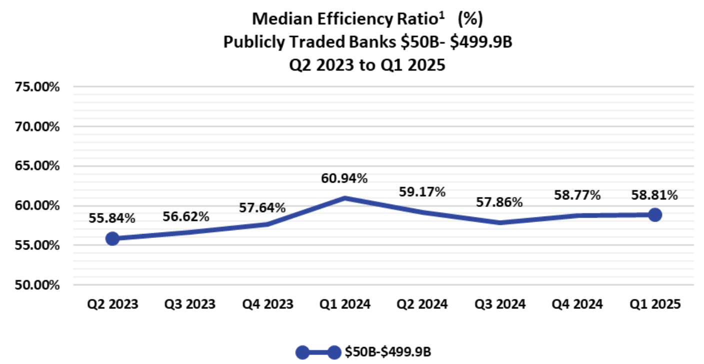
Efficiency Trends by Asset Tier

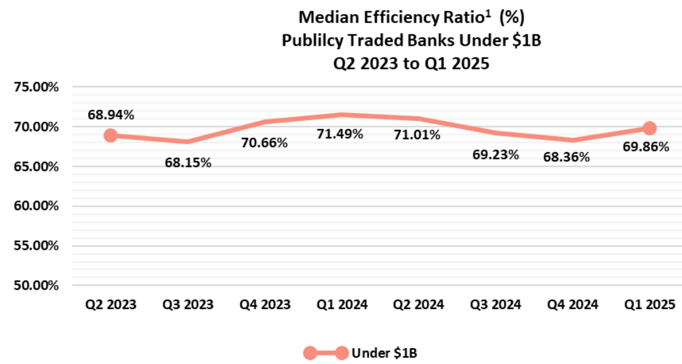












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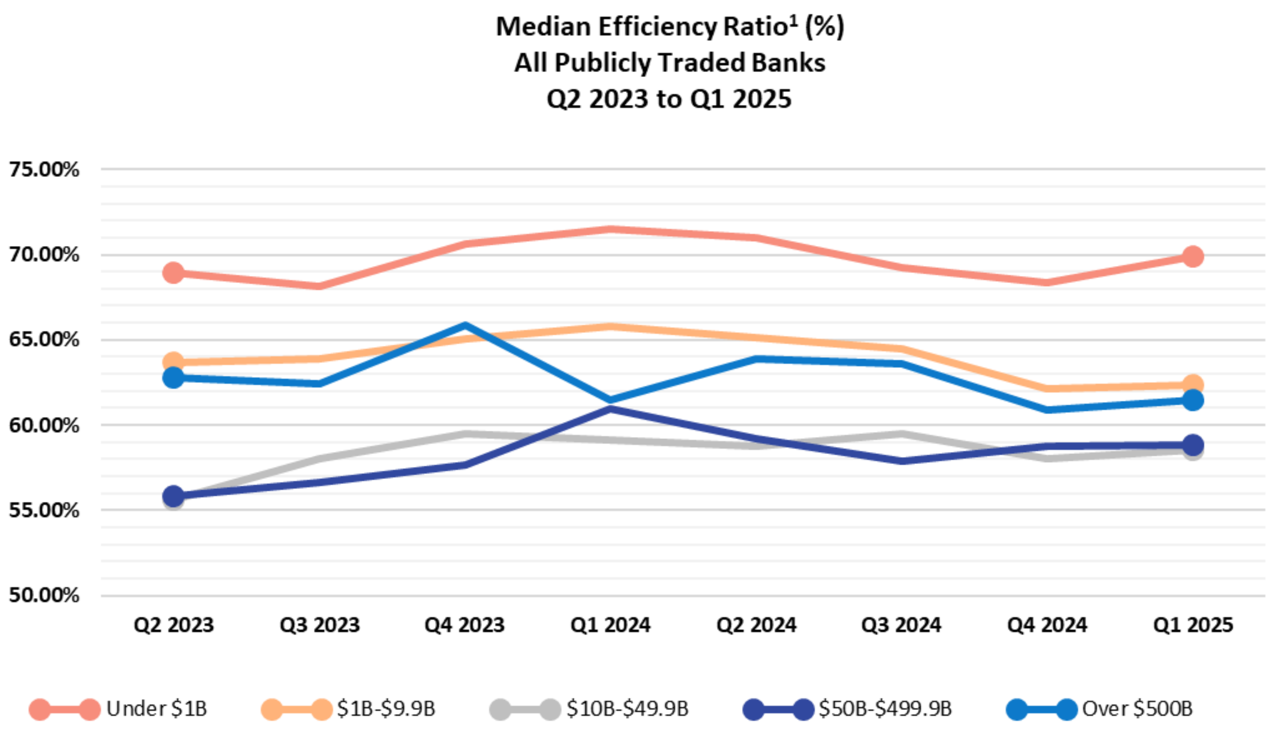
Efficiency Trends by Asset Tier



Efficiency ratios increased for all asset tiers in the first quarter of 2025. 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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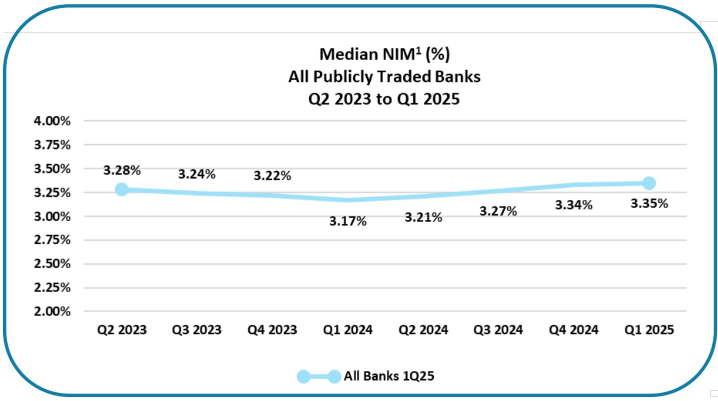
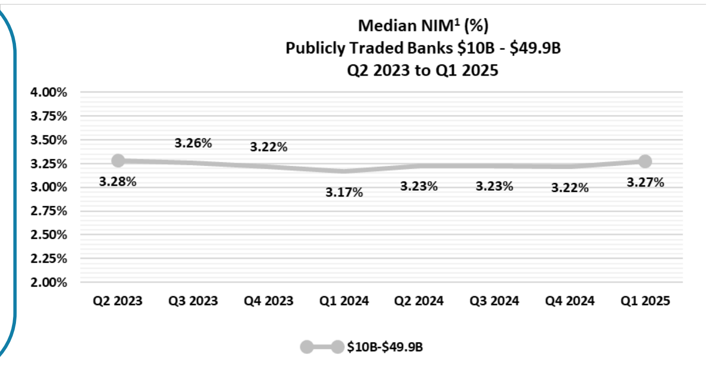
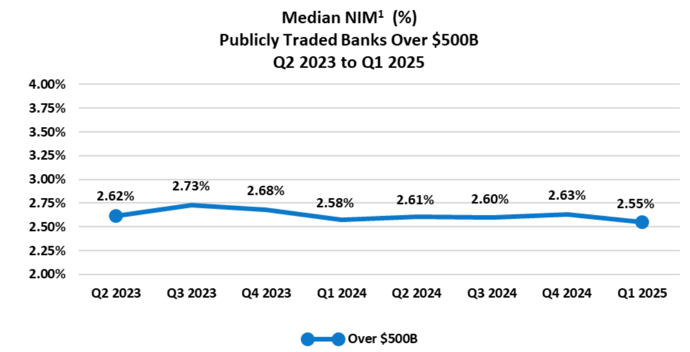
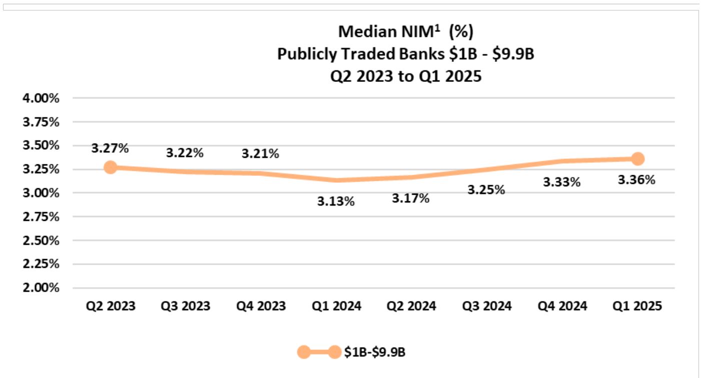
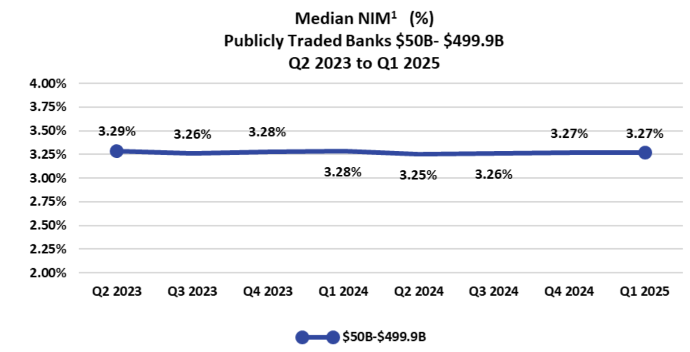
Net Interest Margin Trends by Asset Tier

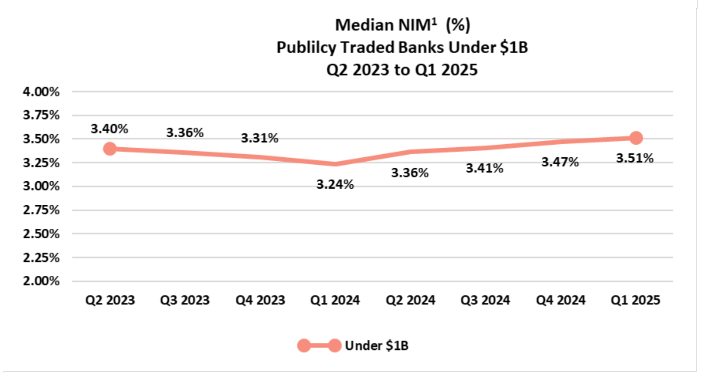












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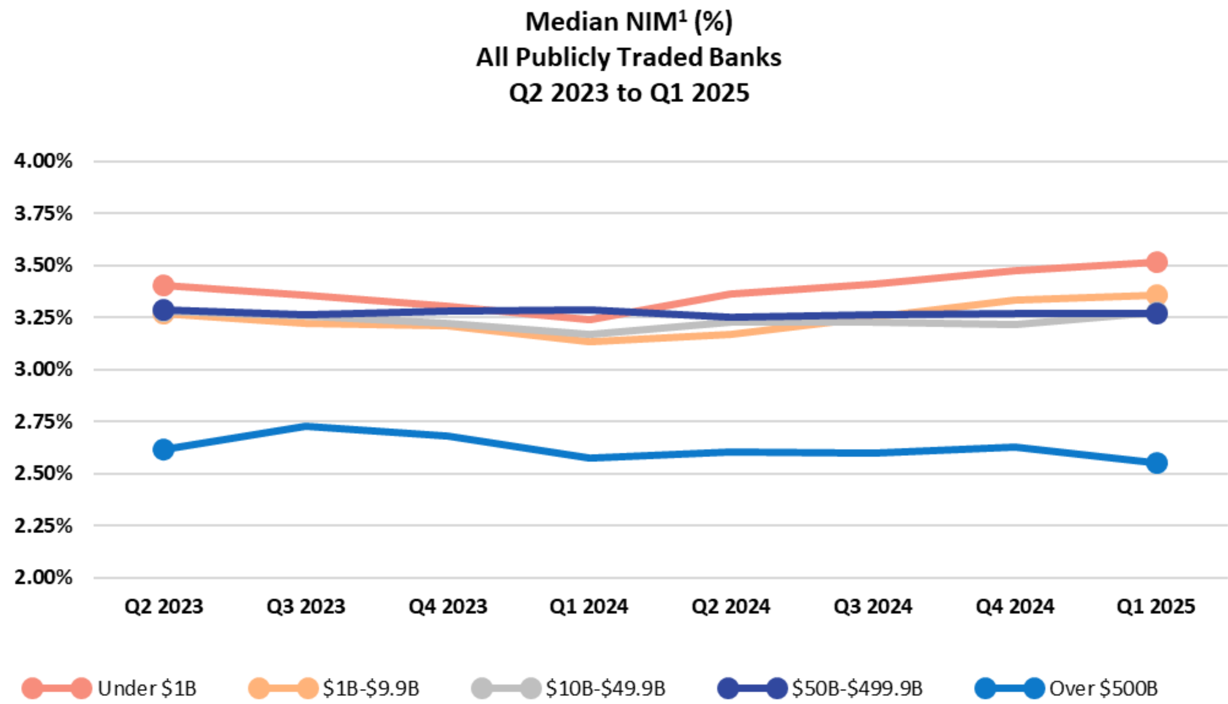
Net Interest Margin Trends by Asset Tier



Median net interest margins expanded across all asset tiers except for the largest tier. Many executives stated that lower deposit rates and repricing of lower-yielding loans and securities supported the expansion.

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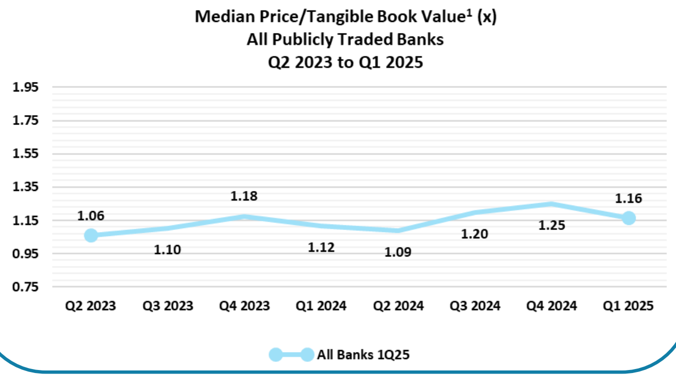
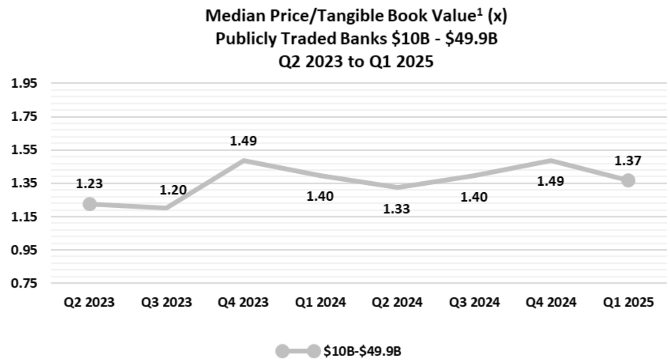
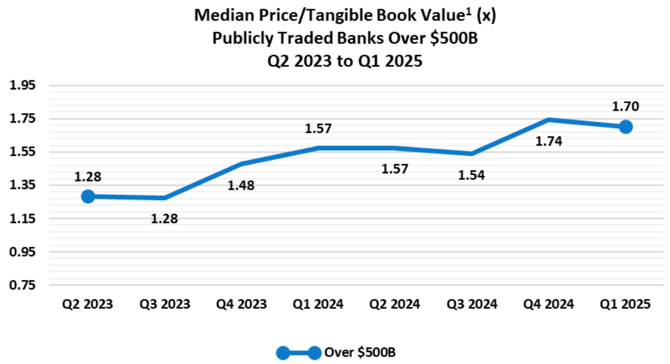
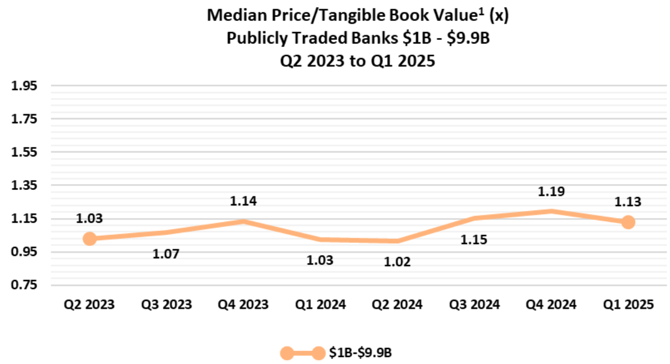
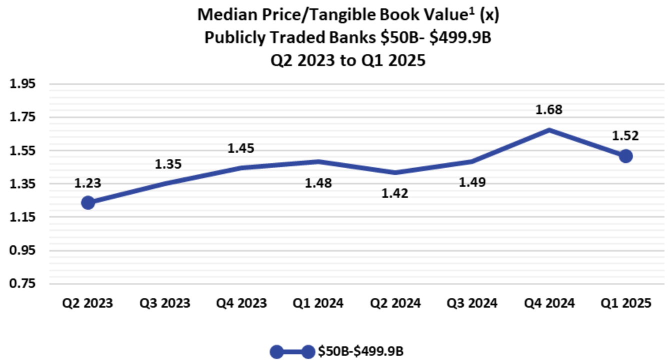
Valuation Trends by Asset Tier

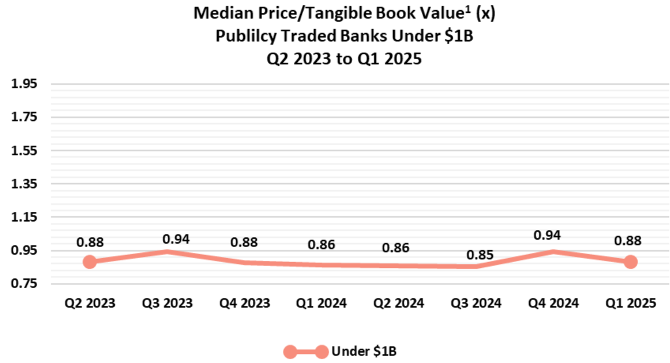












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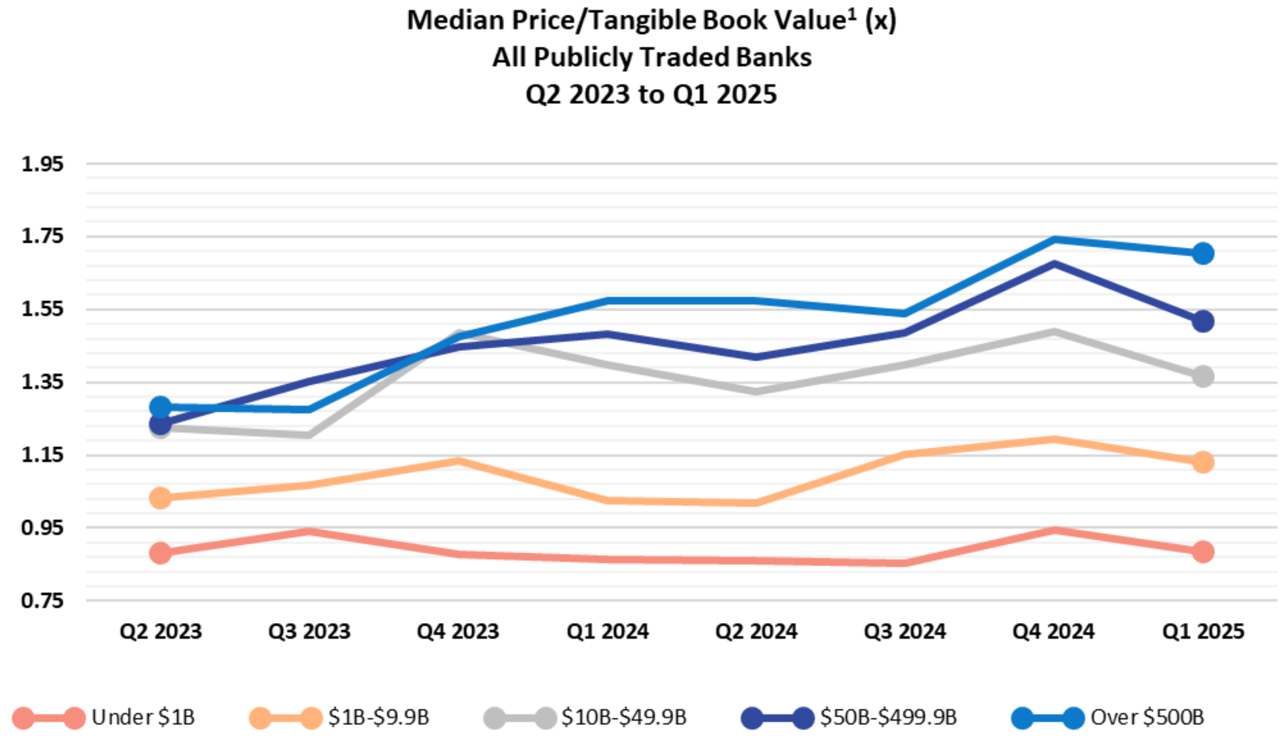
Valuation Trends by Asset Tier



Bank stock valuations dropped in the first quarter of 2025.
The median price to tangible book value decreased by 4-16 bps.
Stock values tumbled in March due to the announcement of tariffs and expectations of an economic slowdown.

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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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