2Q26

Quarterly Bank Report

August 5, 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:

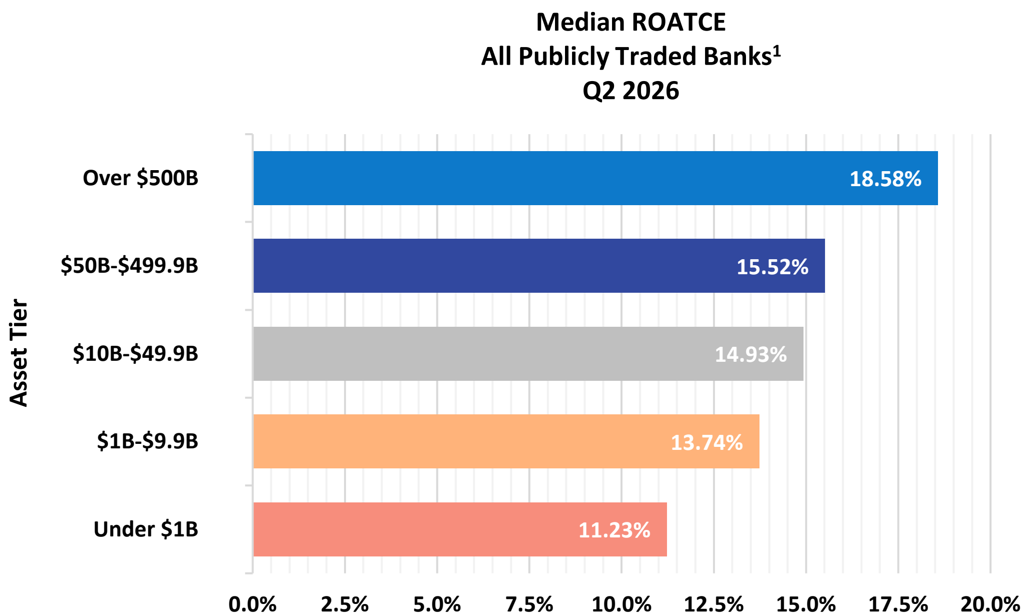
Profitability improved once again in the second quarter of 2026, dispelling indications from the previous quarter that the industry's financial performance was starting to plateau.

- ✓ Median ROATCE increased across all five tiers, reversing declines from the prior quarter. Three tiers reached their highest levels in eight quarters, and stronger interest and fee income helped improve efficiency ratios despite higher expenses.
- ✓ The median net interest margin (NIM) increased across all five asset tiers, reaching eight-quarter highs in four of them. Interestingly, smaller banks experienced greater NIM expansion compared to larger banks, as they replaced older, lower-yielding assets with newer ones that offered higher yields. While reductions in funding costs contributed to this trend, they were less significant for banks with assets under $1 billion. Some community institutions on Q2 earnings calls felt they would continue to see NIM expansion, but it remains to be seen how broad-based that expansion will be.
- ✓ Loan growth increased across all five tiers, driven by stronger commercial borrowing. Deposit growth slowed from the first quarter of 2026 and became negative among banks with assets between $1 billion and $9.9 billion, resulting in elevated loan-to-deposit ratios across the four tiers below $500 billion.
- ✓ Bank valuations improved alongside a better earnings outlook. The median price-to-tangible book values reached eight-quarter highs across all five tiers, and year-to-date shareholder returns remained positive in every tier.
- ✓ Median nonaccrual loans to total assets declined across all five asset tiers in Q2, indicating that credit quality remained favorable. The ABA Credit Conditions Index rose sharply by 11.3 points to 48.8, reflecting a more positive outlook, though it remained below the neutral threshold for a sixth consecutive quarter as consumer credit concerns persisted.

Economic Outlook

According to the July WSJ survey, economists put the probability of a recession in the next 12 months at 25%, down from 33% in April and the lowest since early 2025.

Median ROATCE



Asset Tier	Median Price/Tangible Book Value[2] Q2 2026	Median Total Return to Shareholders[3] Q2 2026
Over $500B	215.10%	21.10%
$50B-$499.9B	174.96%	20.97%
$10B-$49.9B	167.94%	17.73%
$1B-$9.9B	137.88%	15.11%
Under $1B	103.04%	5.46%

Median Return on Average Tangible Common Equity (ROATCE) increased across all five asset tiers in the second quarter of 2026, reversing the declines seen in each tier during the previous quarter. Several large banks experienced a boost in earnings due to strong trading and investment banking activities. Additionally, the median total return to shareholders was positive in all five tiers, exceeding 20% in the two largest tiers. This increase was supported by a broad rally in bank shares in June, following a period of weakness among the largest banks in May.

Source: CPG analysis of data provided by S&P Global Market Intelligence, 2026.
1. 457 publicly traded U.S. banks and thrifts that had reported Q2 2026 results as of 08/03/26.
2. Share price as of 6/30/26.
3. Total Return to Shareholders YTD as of 6/30/26.

Stock Performance

Bank stock performance diverged in the second quarter of 2026, as the KBW Nasdaq Bank Index outperformed both broad-market indices, while the S&P 500 Bank Index lagged the S&P 500. The 13-bank S&P 500 Bank Index is limited to diversified and regional banks, while the 24-bank KBW Nasdaq Bank Index also includes investment banks, consumer finance, custody banks, and additional regional institutions, giving it greater exposure to capital-markets and fee-related activity.

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

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

Asset Tier (Institution)	Headquarters (City, State)	Price/Tangible Book Value (X) As of 6/30/26	Change [3/31/26 - 6/30/26]
Over $500B Median		2.2	0.3
The Charles Schwab Corporation	Westlake, TX	7.1	-0.1
The Bank of New York Mellon Corporation	New York, NY	4.8	0.7
Morgan Stanley	New York, NY	3.9	0.7
$50B-$499.9B Median		1.7	0.2
Northern Trust Corporation	Chicago, IL	2.7	0.4
Cullen/Frost Bankers, Inc.	San Antonio, TX	2.6	0.3
Fifth Third Bancorp	Cincinnati, OH	2.4	0.4
Regions Financial Corporation	Birmingham, AL	2.2	0.3
M&T Bank Corporation	Buffalo, NY	2.0	0.2
$10B-$49.9B Median		1.7	0.2
Community Financial System, Inc.	Syracuse, NY	3.2	0.3
First Financial Bankshares, Inc.	Abilene, TX	2.9	0.4
Nicolet Bankshares, Inc.	Green Bay, WI	2.7	0.2
TFS Financial Corporation	Cleveland, OH	2.6	0.5
Stock Yards Bancorp, Inc.	Louisville, KY	2.4	0.3
$1B-$9.9B Median		1.4	0.1
The Bancorp, Inc.	Wilmington, DE	3.6	0.4
Triumph Financial, Inc.	Dallas, TX	3.5	0.7
Pathward Financial, Inc.	Sioux Falls, SD	3.4	-0.1
Esquire Financial Holdings, Inc.	Jericho, NY	3.3	0.2
Bank First Corporation	Manitowoc, WI	3.1	0.2
Under $1B Median		1.0	0.1
Pinnacle Bancshares, Inc.	Jasper, AL	1.5	NA
Juniata Valley Financial Corp.	Mifflintown, PA	1.5	0.0
KS Bancorp, Inc.	Smithfield, NC	1.4	NA
Chino Commercial Bancorp	Chino, CA	1.4	0.2
United Bancorp, Inc.	Martins Ferry, OH	1.3	0.0

The median price/tangible book value increased across all five asset tiers, with gains ranging from 0.1x among banks below $10B to 0.3x among banks over $500B.

The highest multiples in the two largest tiers belong to institutions with brokerage, wealth management, and capital markets businesses, including Charles Schwab, Morgan Stanley, and Northern Trust.

Several of the most highly valued smaller banks operate specialized niches, including fintech and partner banking, litigation finance, and freight payments, that support stronger fee income and premium valuations.

Source: CPG analysis of data provided by S&P Global Market Intelligence, 2026.
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Banks with the Largest Increase in NIM in 2Q26

The net interest margin (NIM) increased as the asset tier decreased.

Although the yield curve flattened in Q2, longer-term rates remained elevated. Large banks benefited from higher rates earlier due to their larger share of floating-rate assets, but that sensitivity also exposed them sooner to the Fed's late-2025 rate cuts. Many community banks hold more fixed-rate, longer-duration assets, which supported larger NIM gains when repricing at elevated yields in Q2.

Among the largest NIM gainers, asset repricing contributed more than reductions in funding costs.

	NIM (%)		Cost of Funds (%)	
Asset Tier (Institution)	**As of 6/30/26**	**Change [3/31/26 - 6/30/26]**	**As of 6/30/26**	**Change [3/31/26 - 6/30/26]**
Over $500B Median	2.66	0.05	2.38	0.02
Capital One Financial Corporation	8.01	0.14	2.98	-0.08
The Charles Schwab Corporation	3.00	0.13	NA	NA
Citigroup Inc.	2.53	0.10	3.35	-0.02
$50B-$499.9B Median	3.33	0.01	1.99	0.02
Associated Banc-Corp	3.17	0.15	2.24	0.01
Ally Financial Inc.	3.32	0.15	NA	NA
Fifth Third Bancorp	3.35	0.09	1.82	0.00
Northern Trust Corporation	1.81	0.08	4.17	-0.15
Citizens Financial Group, Inc.	3.16	0.06	1.85	0.07
$10B-$49.9B Median	3.72	0.07	1.91	0.02
CVB Financial Corp.	3.71	0.32	NA	NA
Origin Bancorp, Inc.	3.91	0.25	2.02	-0.01
Stock Yards Bancorp, Inc.	3.83	0.24	1.90	-0.04
First BanCorp.	5.17	0.23	1.38	-0.01
Commerce Bancshares, Inc.	3.76	0.22	1.23	-0.04
$1B-$9.9B Median	3.69	0.08	1.95	0.02
MVB Financial Corp.	4.15	0.47	2.12	-0.02
Riverview Bancorp, Inc.	3.33	0.44	NA	NA
QNB Corp.	3.14	0.37	2.23	0.11
Carter Bankshares, Inc.	3.39	0.35	NA	NA
Coastal Financial Corporation	7.25	0.35	2.61	0.06
Under $1B Median	3.98	0.11	1.93	-0.04
California International Bank, N.A.	7.24	1.12	2.26	-0.08
FinWise Bancorp	13.65	0.92	3.12	0.05
Gateway Bank, F.S.B.	3.04	0.77	3.39	0.09
Touchmark Bancshares, Inc.	2.61	0.56	NA	NA
United National Bank	4.87	0.55	2.38	-0.02

Source: CPG analysis of data provided by S&P Global Market Intelligence, 2026.
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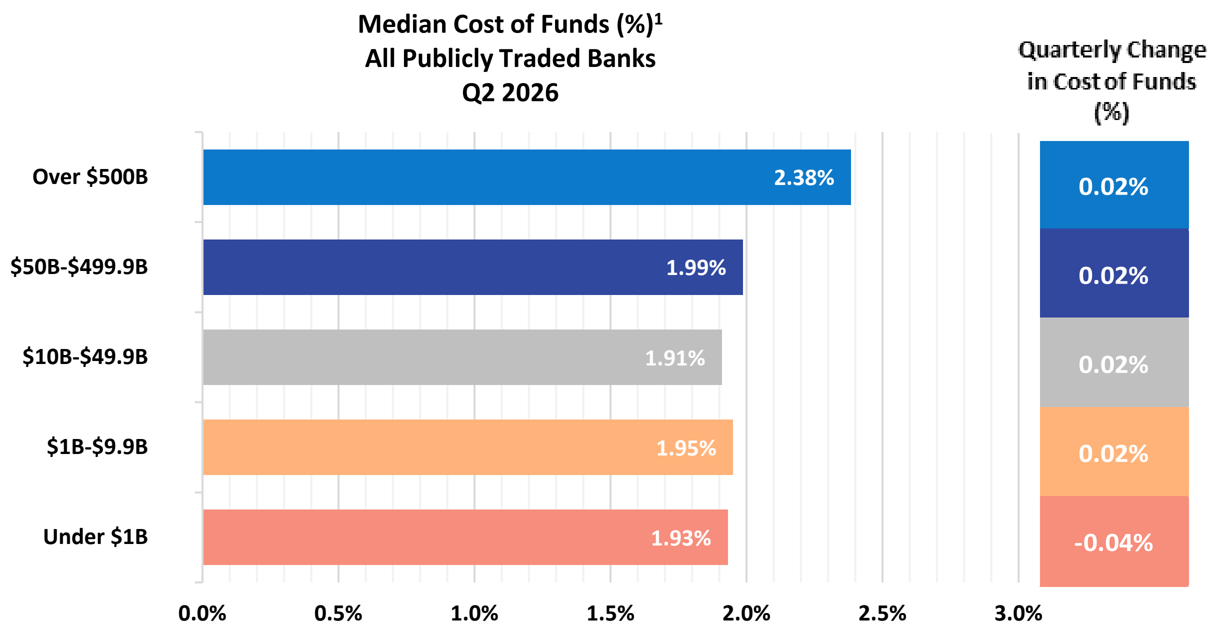
Cost of Funds



The median cost of funds increased slightly in the four asset tiers above $1 billion, while it declined by 4 basis points for banks with less than $1 billion in assets. These increases followed a decrease across all five tiers in the previous quarter and took place despite the federal funds target range remaining unchanged throughout the second quarter of 2026.

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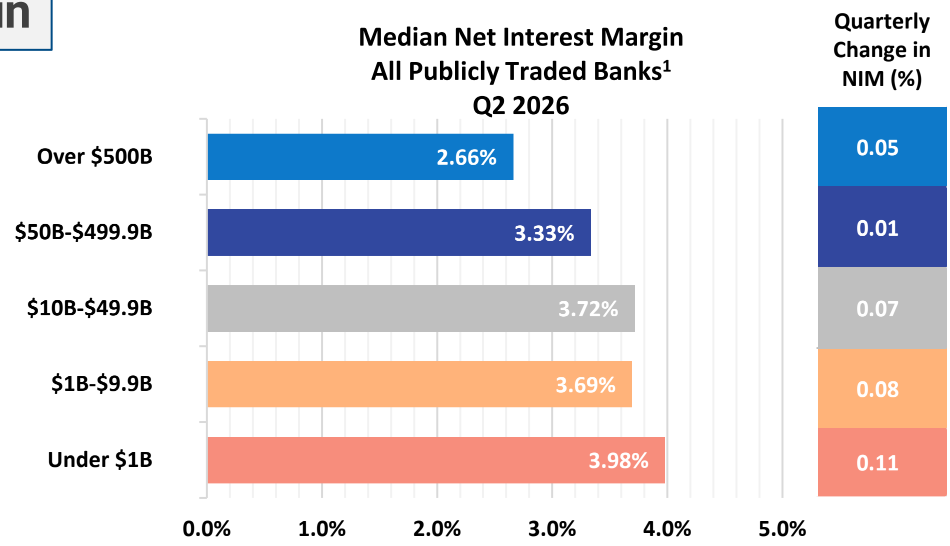
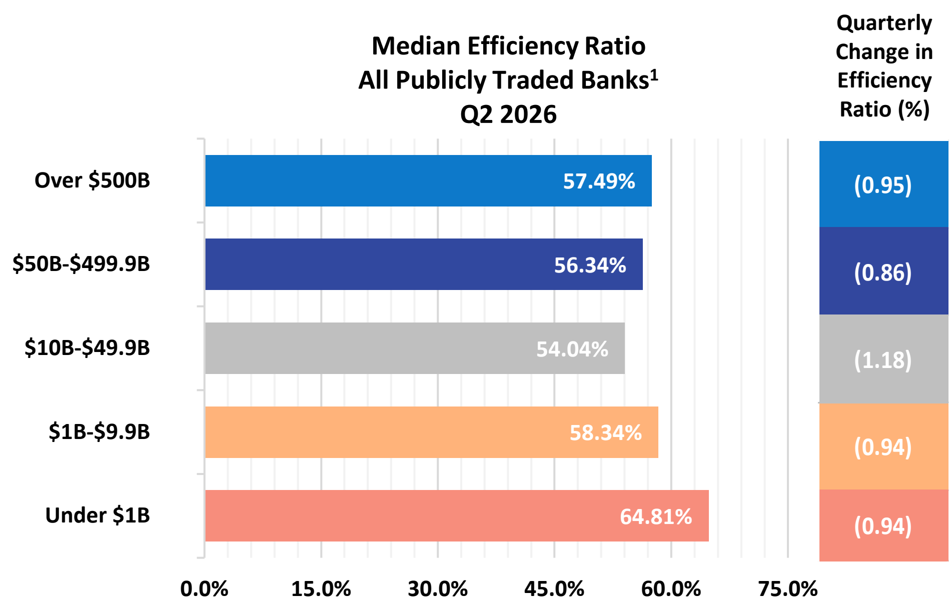
Net Interest Margin

The median net interest margin expanded in all five asset tiers, with the smallest tiers posting the highest gains. Executives at smaller banks cited repricing into higher-yielding assets as a catalyst for NIM growth.



Efficiency Ratio

Median efficiency ratios improved in all five asset tiers, as revenue growth from interest and fee income outpaced slight increases in operating expenses over the quarter.



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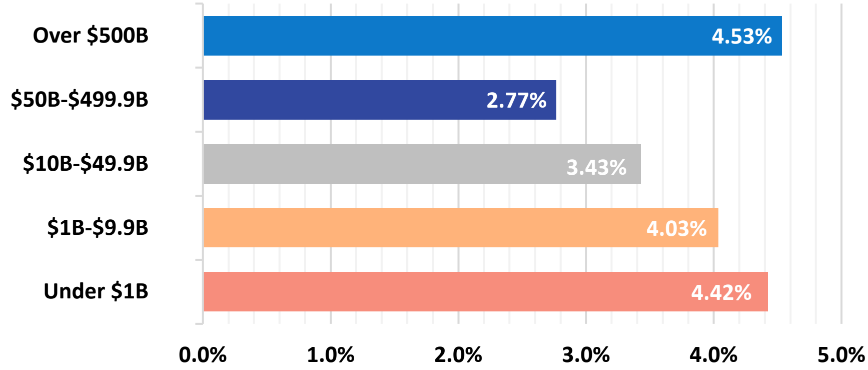
Revenue Growth

Typical revenue growth picked back up from the first quarter for most bank size groups, helped by higher fee income and wider gaps between what banks earn on loans and pay on deposits.

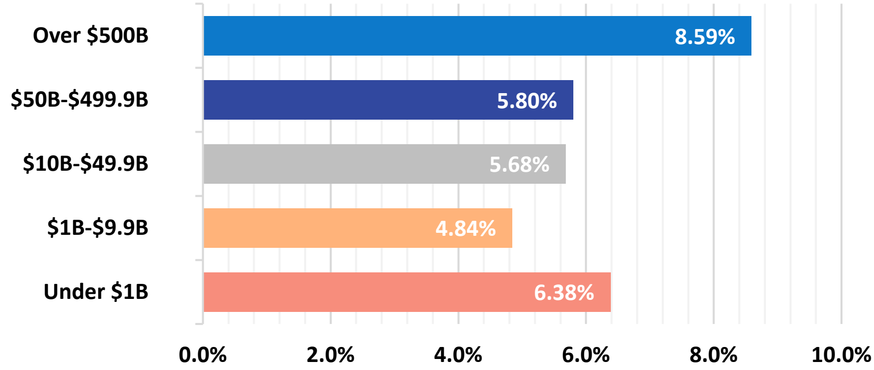
Median Revenue Growth
All Publicly Traded Banks[1]
Q1 2026 to Q2 2026



Noninterest Income

Median noninterest income turned positive in Q2 for the four smallest tiers after negative growth in Q1. Executives at smaller banks reported growth in wealth management, trust, card, and payments revenue.

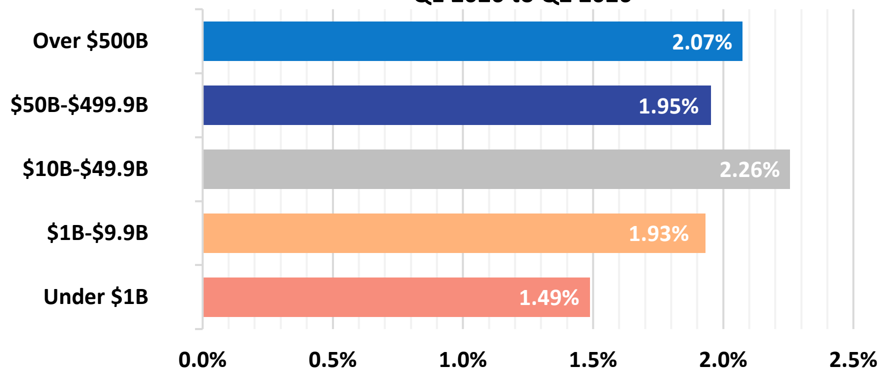
Median Noninterest Income Growth
All Publicly Traded Banks[1]
Q1 2026 to Q2 2026



Noninterest Expense

Median noninterest expense grew in all five asset tiers. Bank disclosures pointed to higher compensation tied to fee-generating businesses and merger-related integration costs as contributors at some institutions.

Median Noninterest Expense Growth
All Publicly Traded Banks[1]
Q1 2026 to Q2 2026



Source: CPG analysis of data provided by S&P Global Market Intelligence, 2026.
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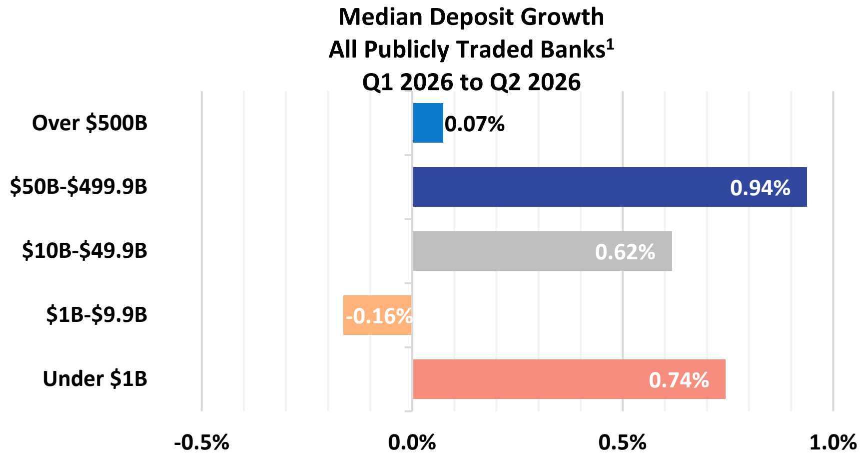
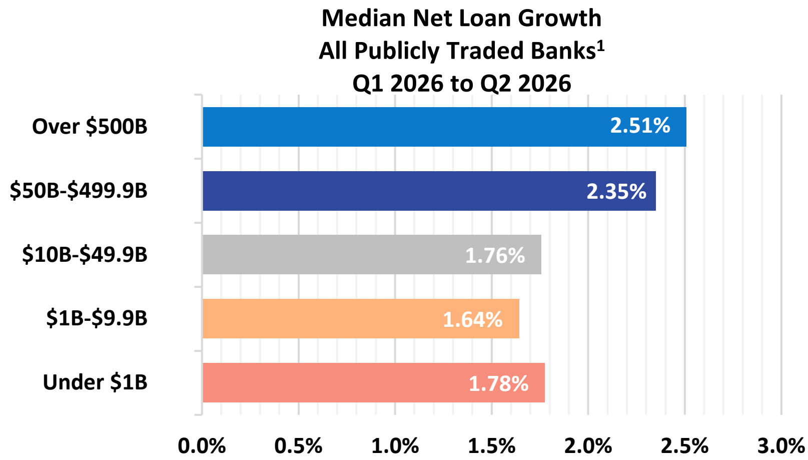
Deposit Growth

Median deposit growth was positive in most deposit tiers in Q2, but lower than in Q1. Some banks cited seasonal tax-related withdrawals from commercial accounts as contributing to slower deposit growth.



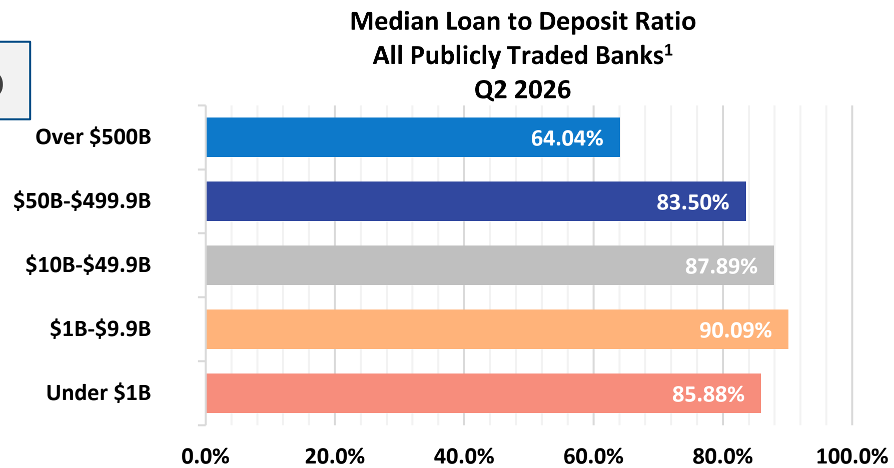
Net Loan Growth

Median net loan growth accelerated in the second quarter, with institutions reporting increased commercial borrowing, driven by strong business activity.



Loan to Deposit Ratio

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



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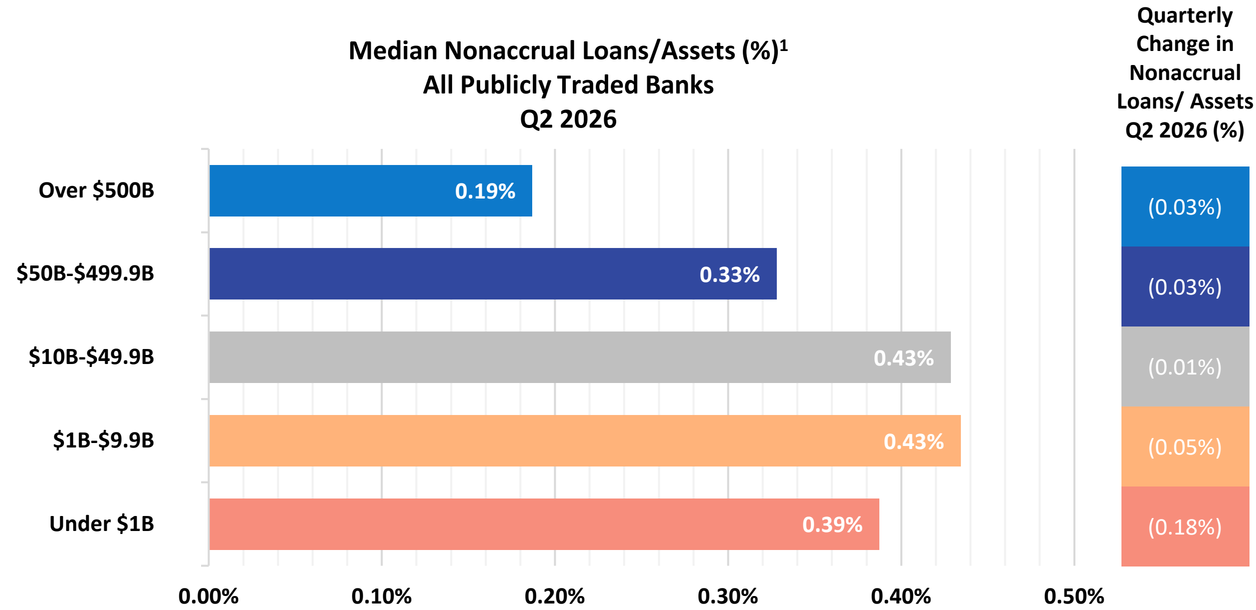
Nonaccrual Loans/Assets



In the second quarter, the median ratio of nonaccrual loans to total assets decreased across all five asset tiers, indicating that credit quality continued to improve. The ABA Credit Conditions Index increased significantly by 11.3 points, bringing it to 48.8. This rise reflects a more positive outlook; however, the index still remains below the neutral threshold for the sixth consecutive quarter due to ongoing concerns about consumer credit.

Source: CPG analysis of data provided by S&P Global Market Intelligence, 2026.
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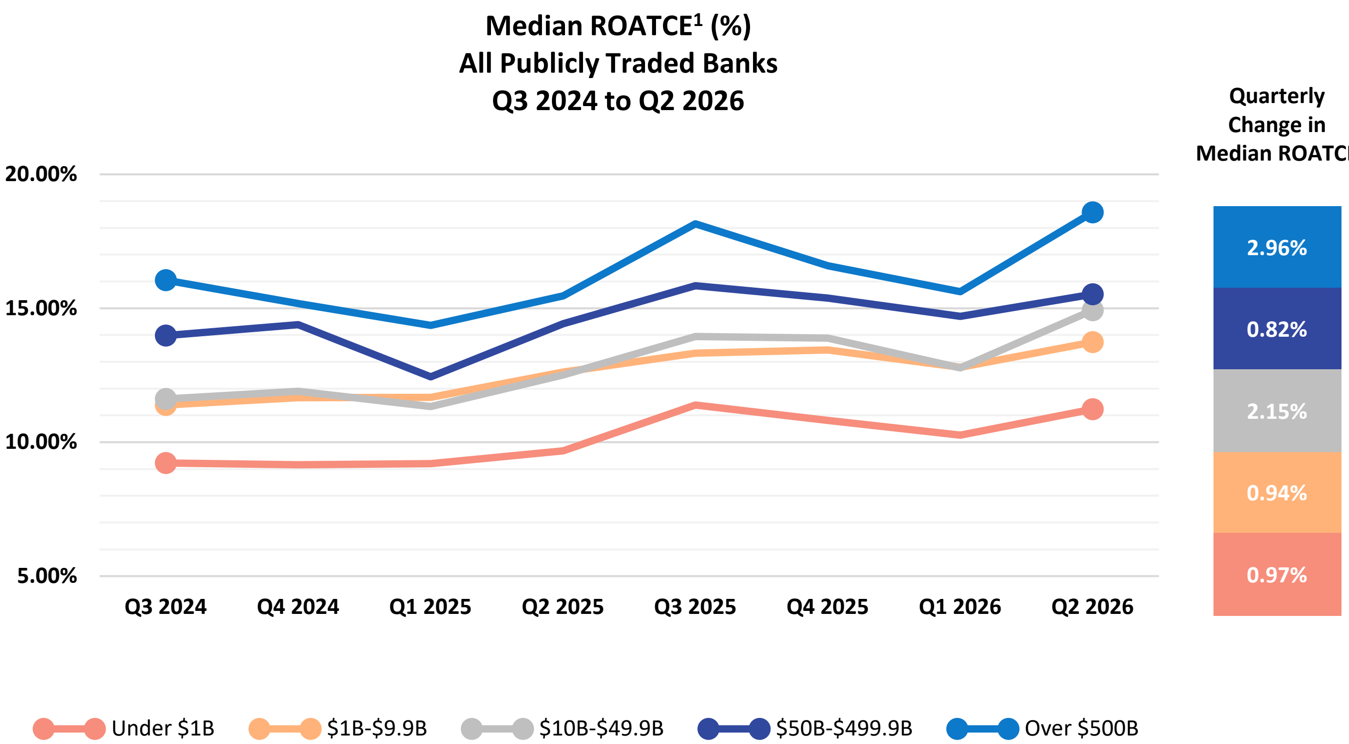
ROATCE Trends by Asset Tier



Median ROATCE increased across all five asset tiers, reversing prior quarter declines. The tiers of $1B to $9.9B, $10B to $49.9B, and over $500B achieved their highest median ROATCE in the last eight quarters.

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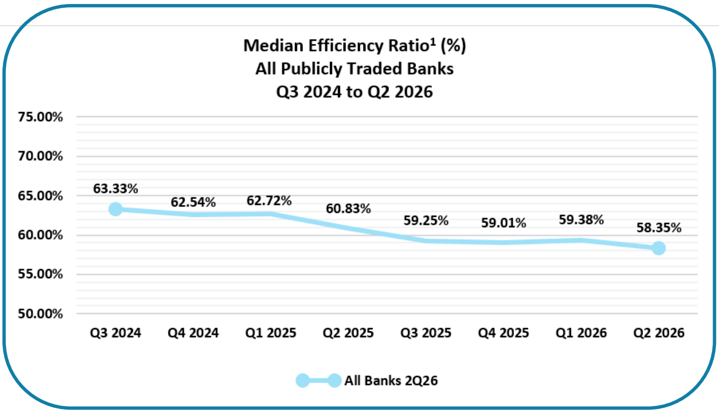
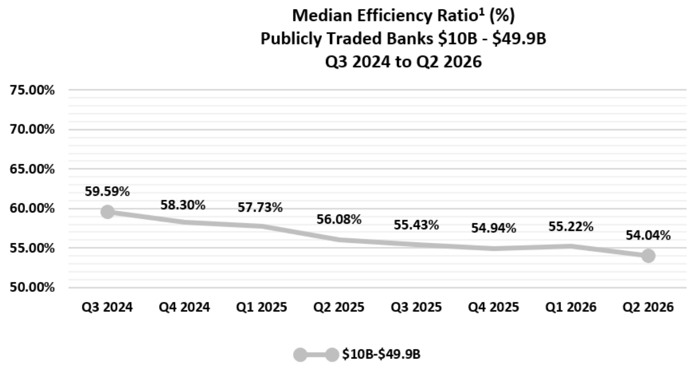
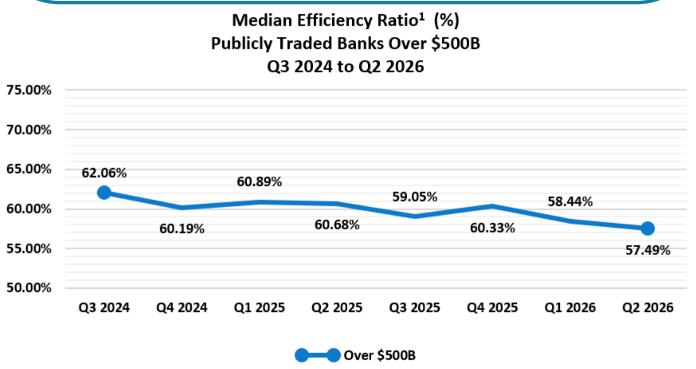
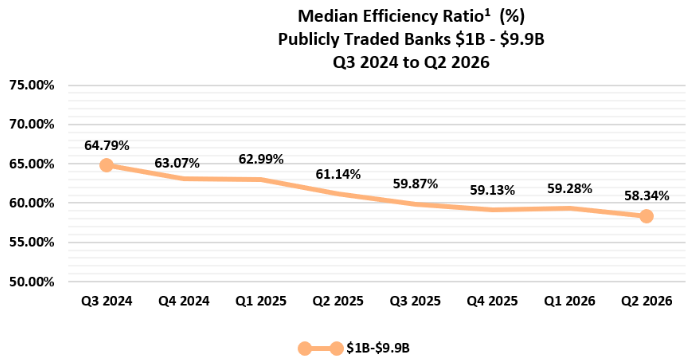
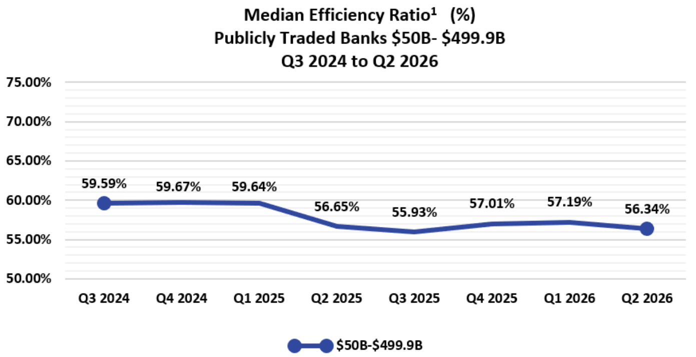
Efficiency Trends by Asset Tier

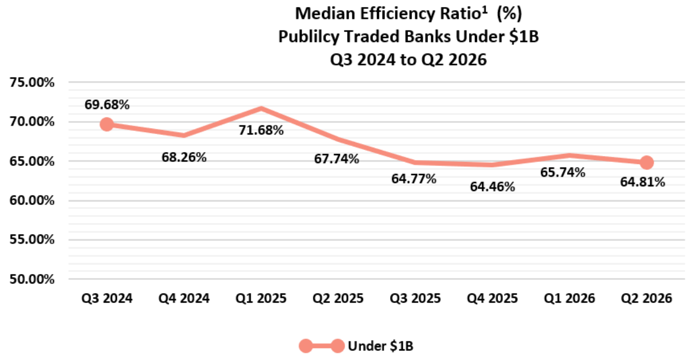












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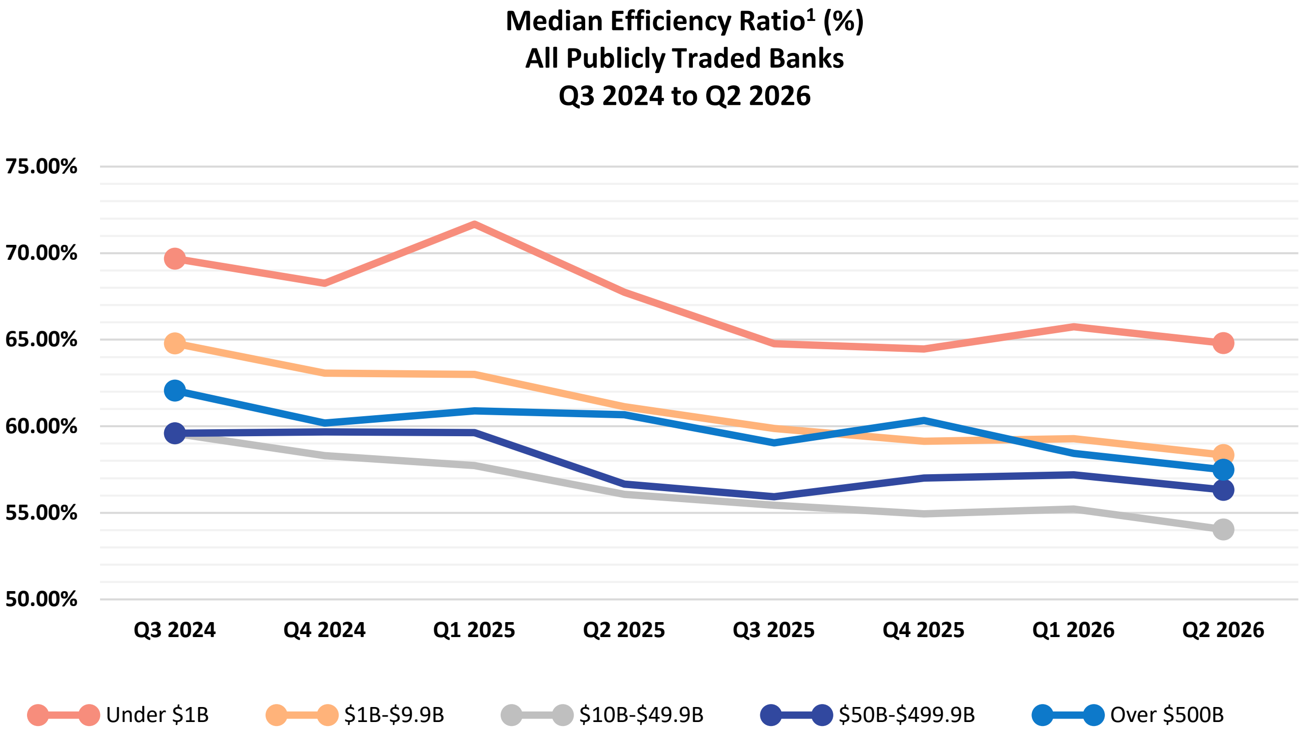
Efficiency Trends by Asset Tier



Median efficiency ratios improved across all five asset tiers in the second quarter of 2026, and they are lower than they were eight quarters ago in every tier. This improvement was driven by the continued expansion of net interest margins and stronger fee income, which outpaced expenses.

Source: CPG analysis of data provided by S&P Global Market Intelligence, 2026.
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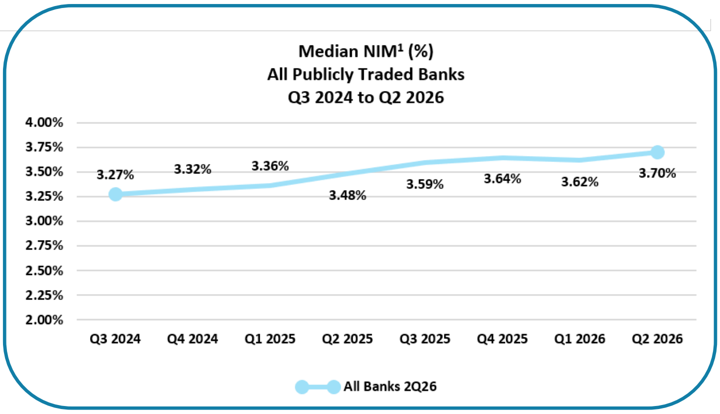
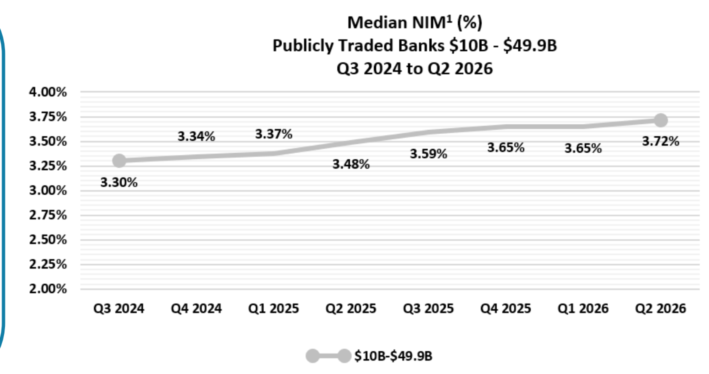
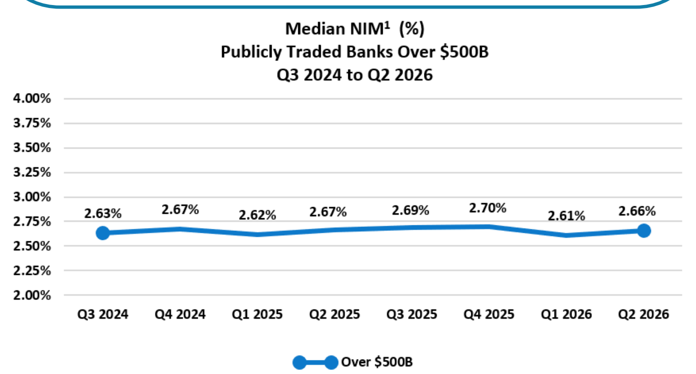
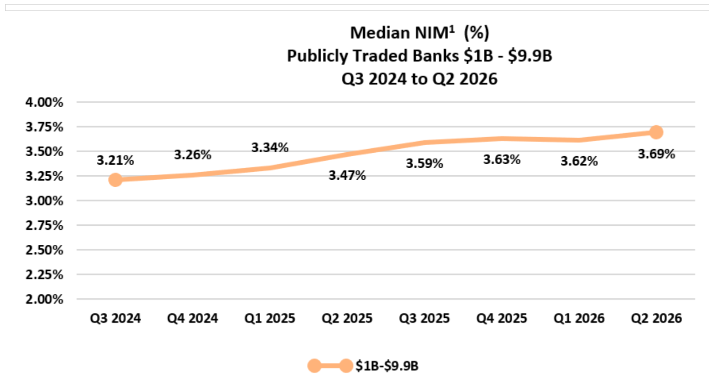
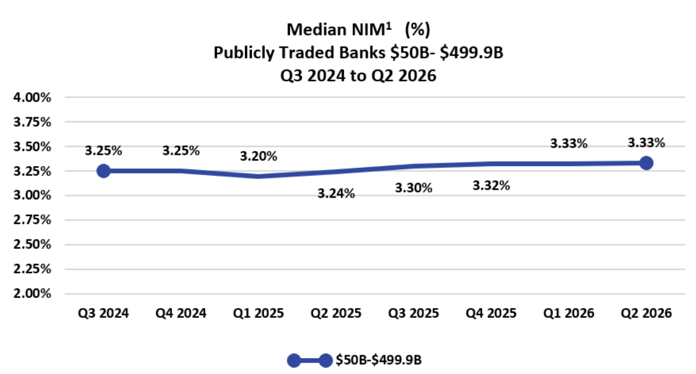
Net Interest Margin Trends by Asset Tier

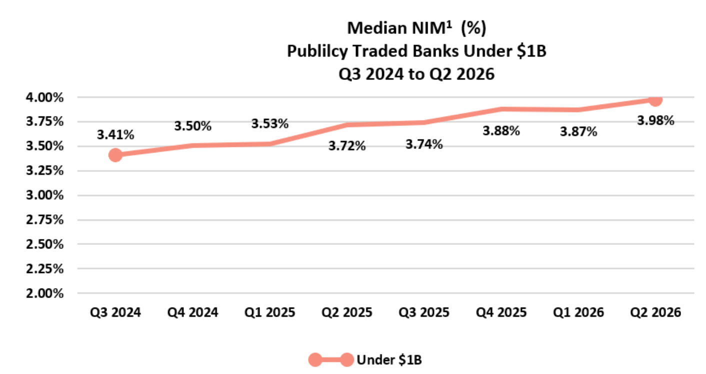












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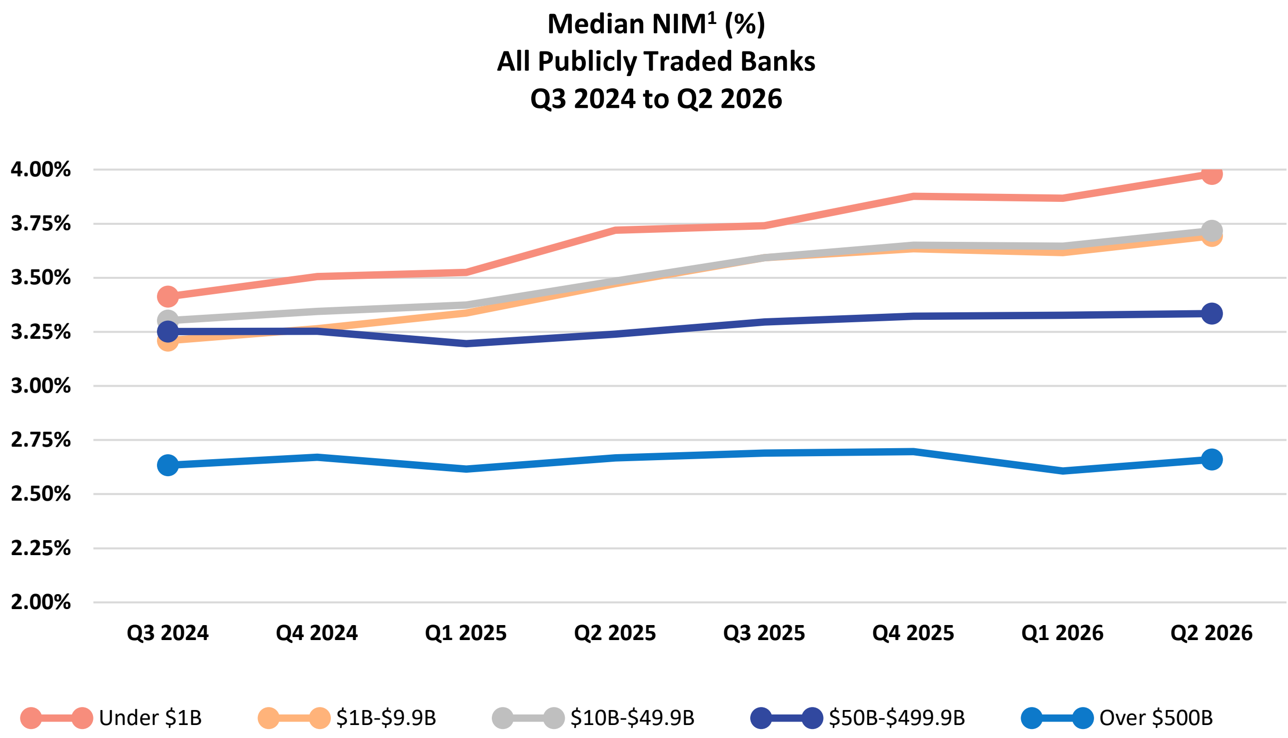
Net Interest Margin Trends by Asset Tier



Median net interest margins increased in all five asset tiers by 1 to 11 basis points, after declining in four tiers during the previous quarter. Four tiers reached their highest levels in eight quarters, while banks with assets over $500B remained below their peak from the fourth quarter of 2025.

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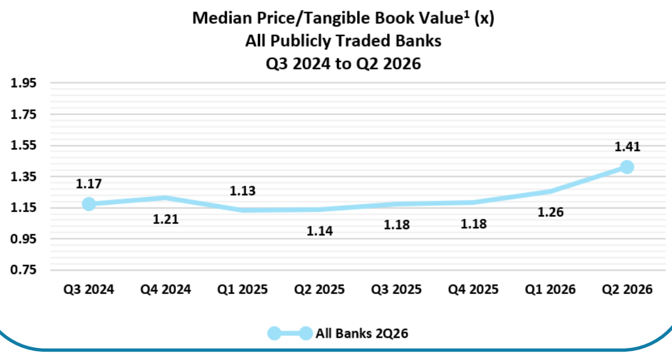
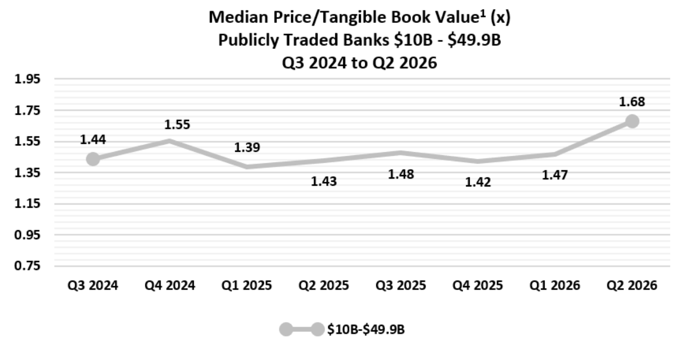
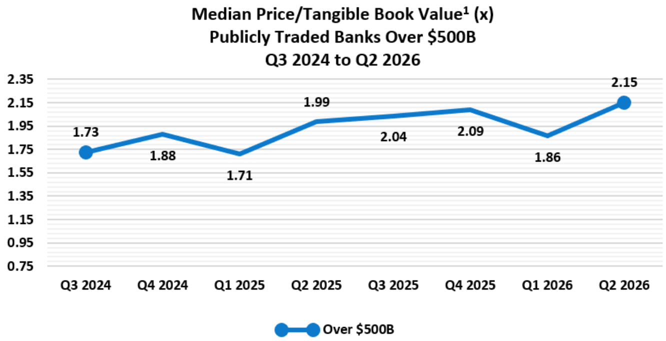
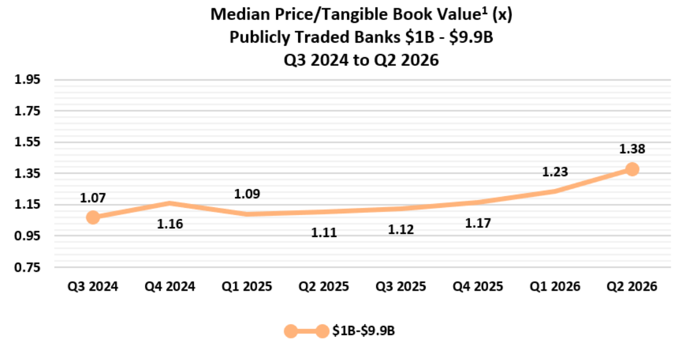
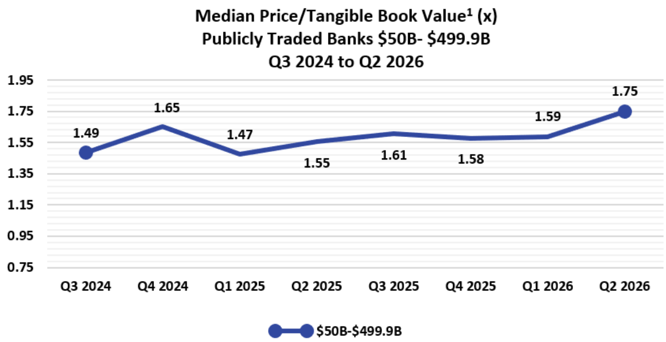
Valuation Trends by Asset Tier

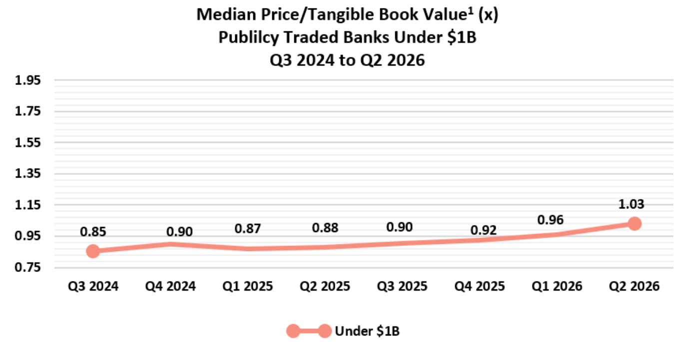












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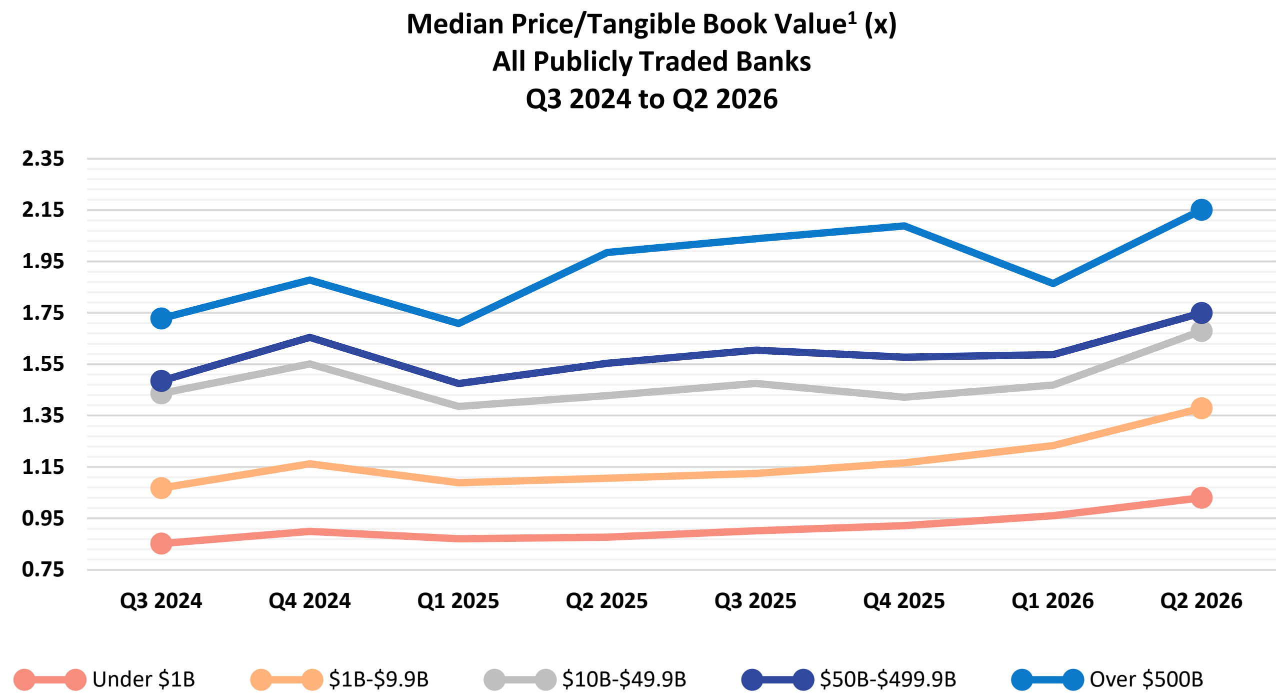
Valuation Trends by Asset Tier



Median price-to-tangible book values rose across all five asset tiers in the second quarter of 2026, reaching their highest levels in eight quarters. Larger banks continued to have the strongest valuations, driven by improved profitability expectations and favorable credit quality.

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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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