

Navigating the current banking environment

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Research

Fundamentals positive for now, but uncertainty persists

- **Fundamental environment holding up amid uncertainty:** Banks continue to benefit from remixing of balance sheets and credit trends remain benign.
- **Lagging impact of tariffs, weakening consumer could show up in second half of 2025:** Corporates built inventories ahead of tariffs, allowing for delayed price increases. Consumers are stretched – importantly not broken – but could weaken due to higher prices, weakness in the labor market.
- **Push for scale, friendlier regulatory environment supports more M&A:** The desire to grow earnings, potential for higher credit losses, relatively slow loan growth and friendlier regulatory environment should support stronger bank M&A activity.



Q3 earnings trends — Credit in focus but largely remains benign

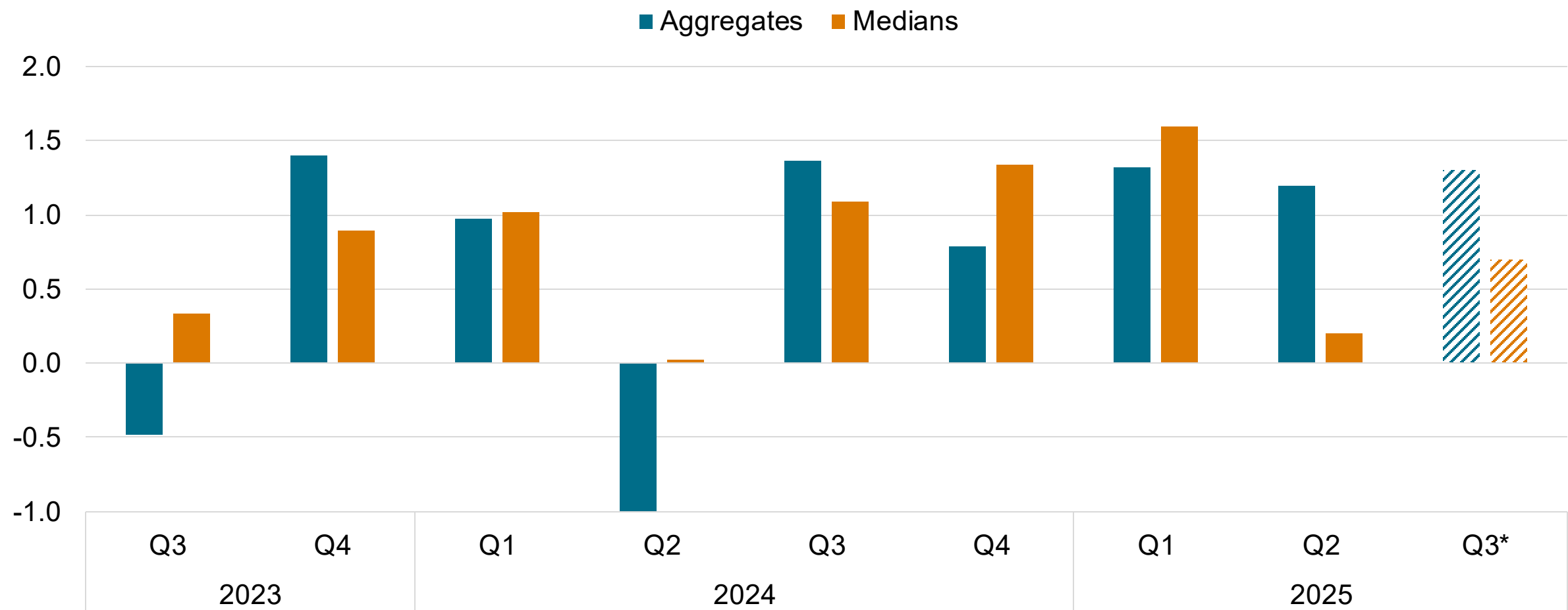
QoQ change based on data from 186 publicly traded banks

Median change %	Aggregate change %	
1.3	0.7	Deposits
1.1	1.4	Net loans
0.0	(0.5)	Total securities
15.0	18.5	Net unrealized gains/losses
1.0	(2.0)	CDs
1.4	1.0	Interest-bearing deposits
(0.7)	(0.0)	Noninterest-bearing deposits
(0.4)	NA	Cost of total deposits (bps)
5	2.2	Yield on loans (bps)
8	3.8	Net interest margin (bps)
0.2	0.7	Nonaccrual loans
4.1	5.0	Net charge-offs
0.5	0.5	Loan loss reserves

Data compiled Oct. 27, 2025.
Source: S&P Global Market Intelligence.

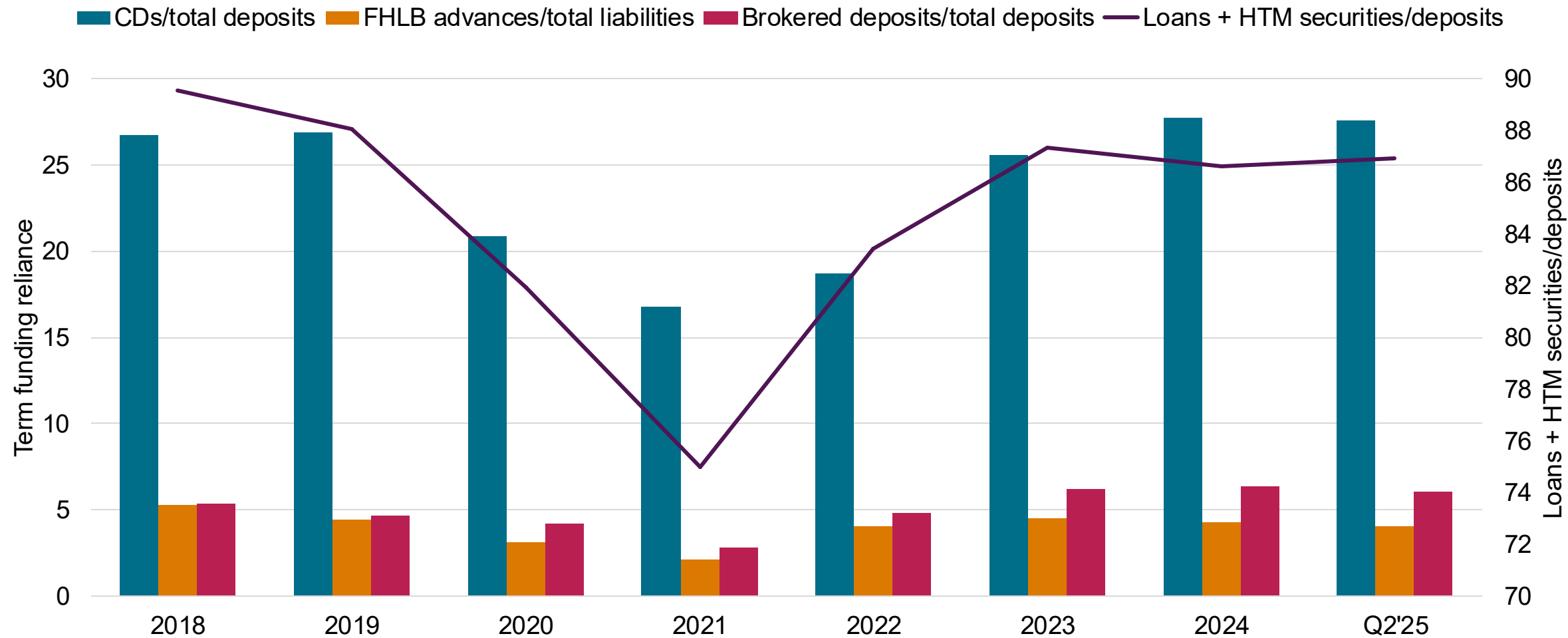
Deposit growth rebounds in Q3'25

QOQ changes in US bank deposits (%)



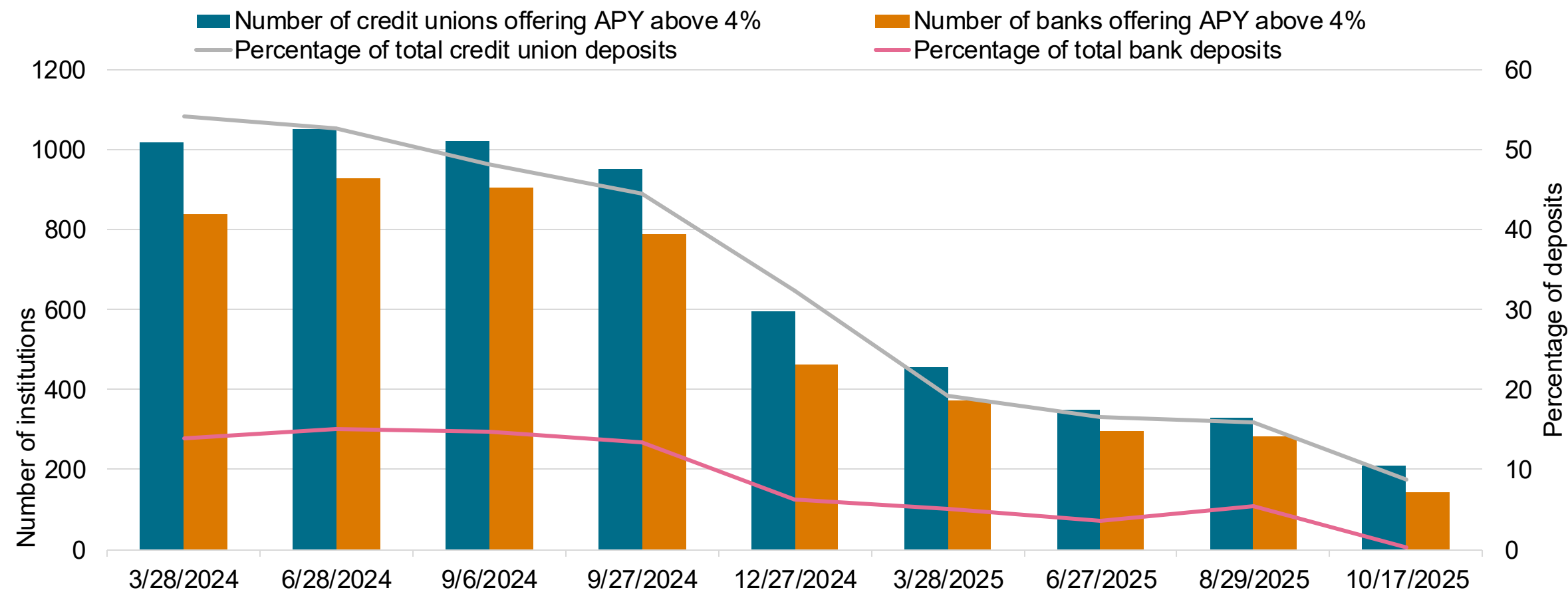
Data compiled Oct. 23, 2025.
Analysis includes US commercial banks, savings banks, and savings and loan associations. Nondepository trusts and companies with a foreign banking organization charter are excluded.
Data based on regulatory filings as of June 30, 2025.
*Q3 results are based on the Federal Reserve's H.8 release, which tracks commercial bank balances on a weekly basis. The H.8 release shows the change between the week ended Sept. 17 and the week ended June 25, 2025.
Source: S&P Global Market Intelligence.

Community banks' reliance on CDs stabilizing (%)



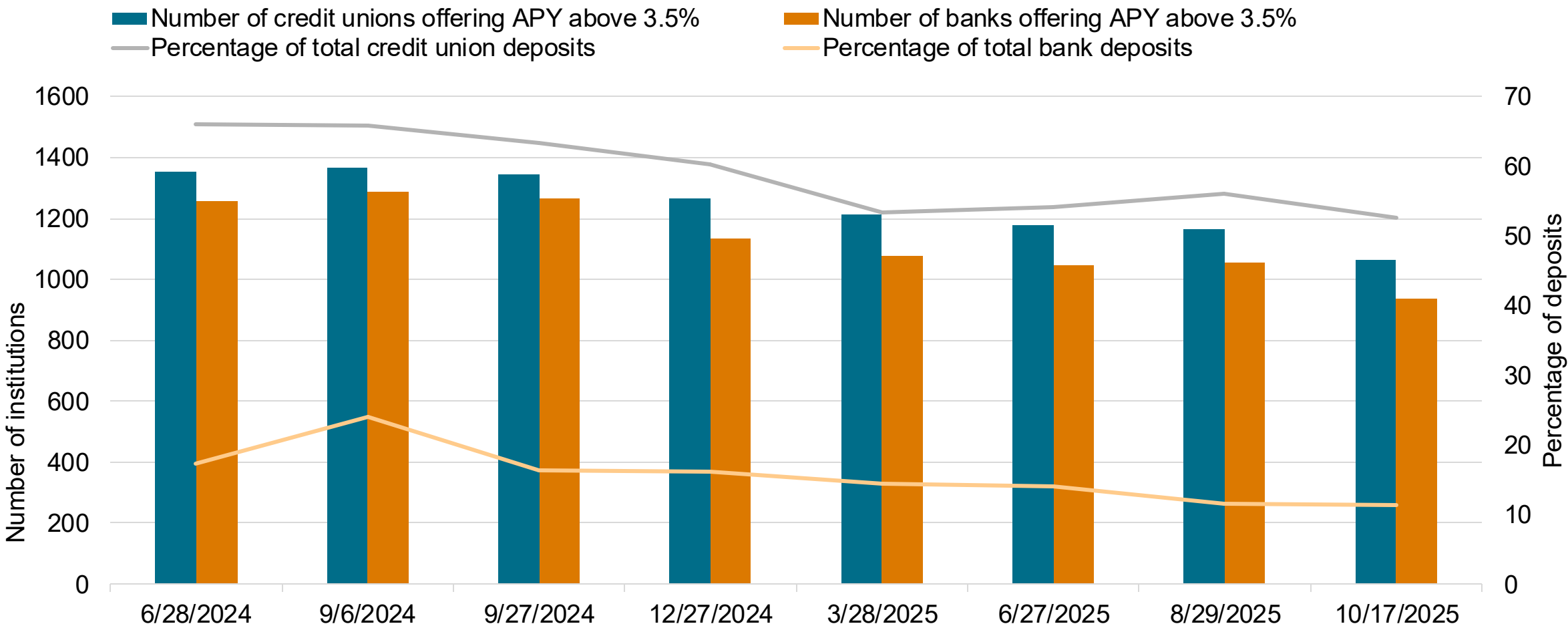
Data compiled Aug. 11, 2025.
Community banks defined as institutions with less than \$10 billion in assets in a given period.
HTM = Held-to-maturity securities.
Source: S&P Global Market Intelligence.

Banks, credit unions marketing 1-year CDs above 4% has fallen considerably



Data compiled Oct. 13, 2025.
APY = annual percentage yield; CD = certificate of deposit.
Based on 1-year CDs with a \$10,000 minimum investment.
Banks comprise US commercial banks, savings banks and savings and loan associations.
Source: S&P Global Market Intelligence.

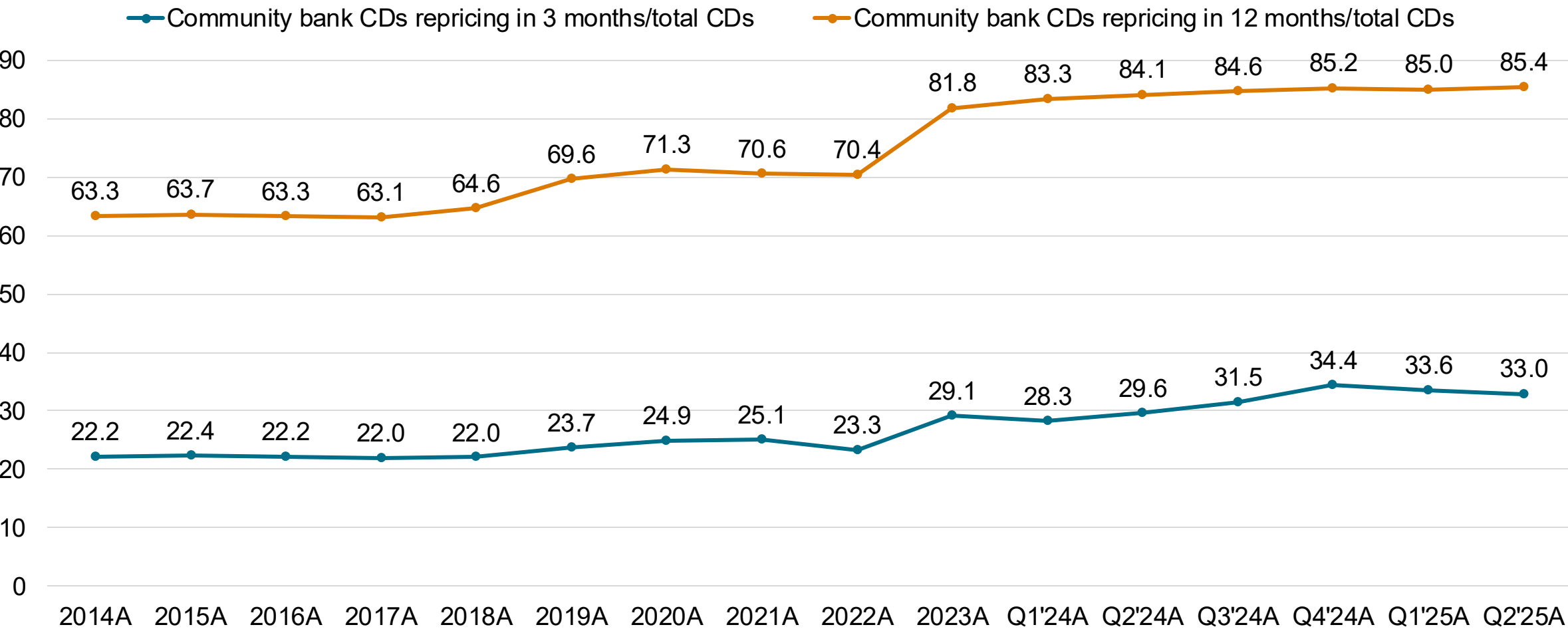
Banks, credit unions marketing 1-year CDs above 3.5% holding fairly steady



Data compiled Oct. 26, 2025.
APY = annual percentage yield; CD = certificate of deposit.
Based on 1-year CDs with a \$10,000 minimum investment.
Banks comprise US commercial banks, savings banks and savings and loan associations.
Source: S&P Global Market Intelligence.

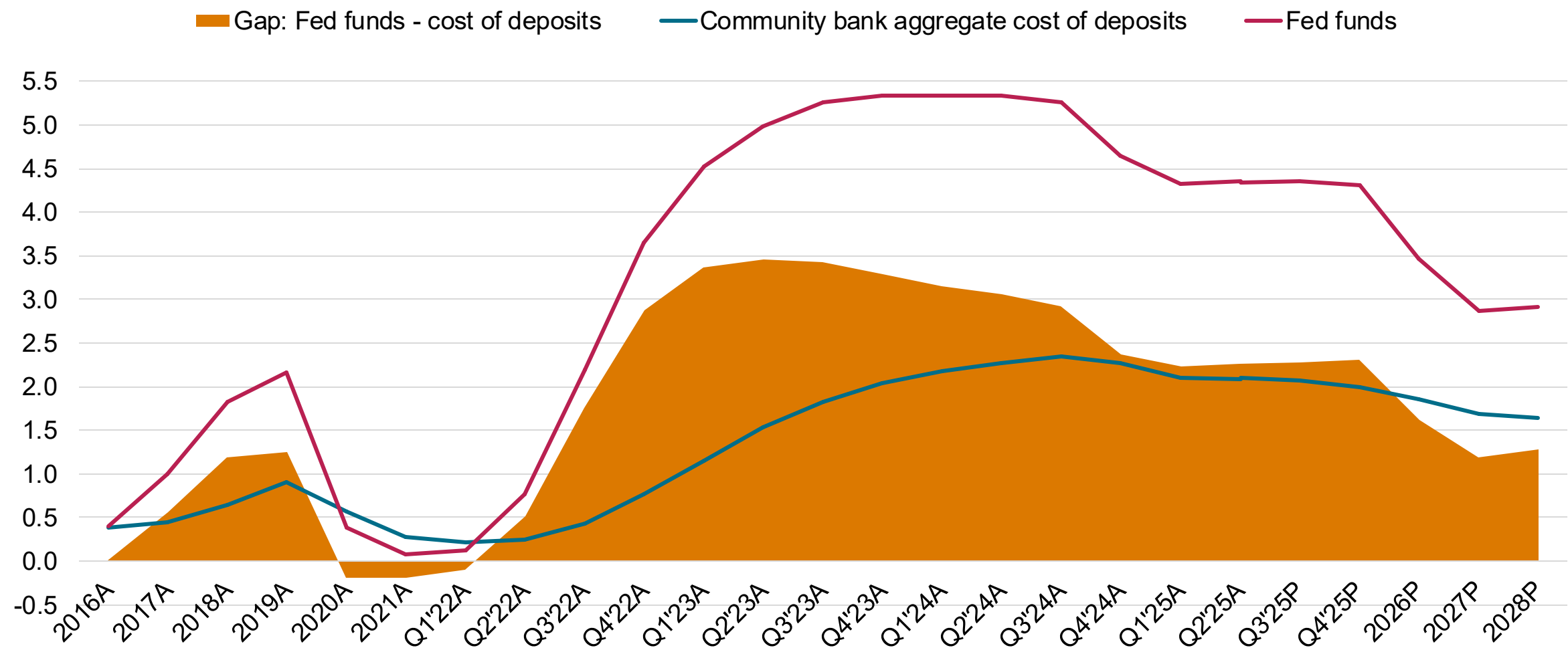
Community banks have shortened duration in their CD books (%)

All US banks below \$10B in assets



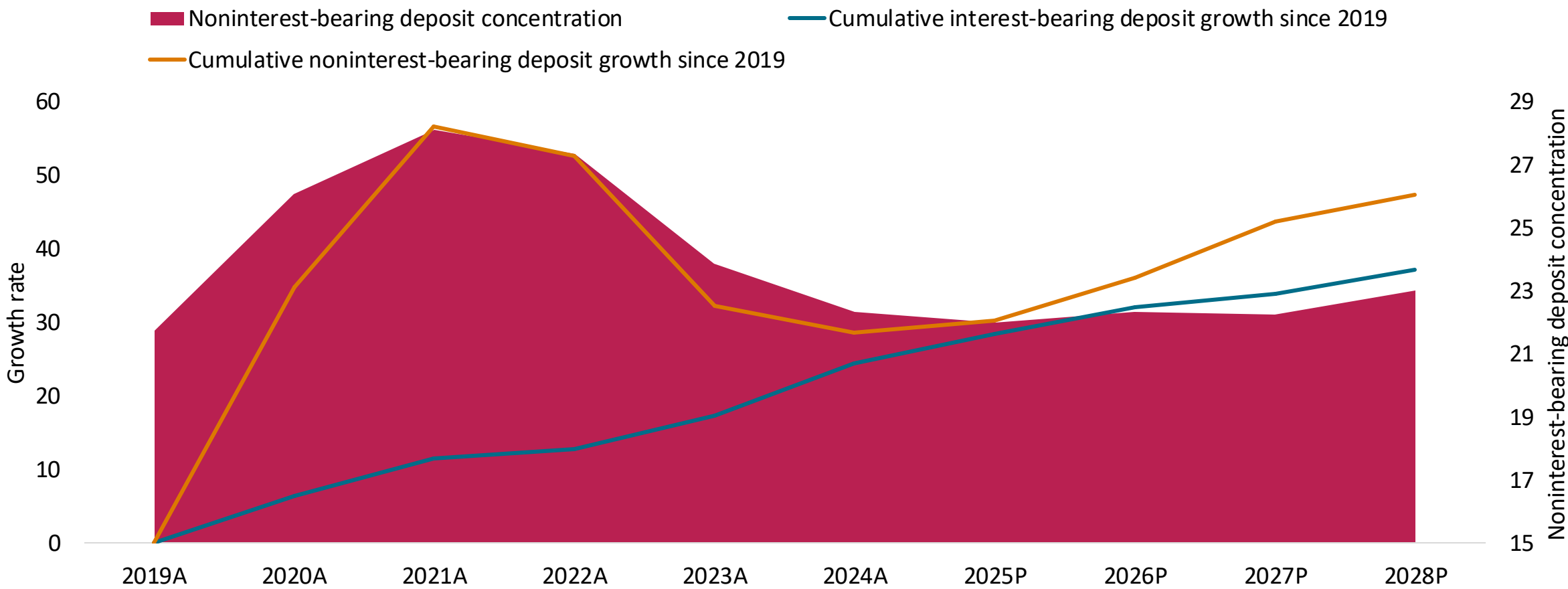
Data compiled Aug. 15, 2025.
Banks comprise US commercial banks, savings banks and savings and loan associations.
Source: S&P Global Market Intelligence.

Community bank deposit costs declining at a slower pace (%)



Data compiled Oct. 23, 2025.
A = actual; P = projected.
Cost of deposits = Interest expense on deposits/average deposits in the period, including non-interest-bearing deposits.
Sources: S&P Global Market Intelligence; proprietary estimates.

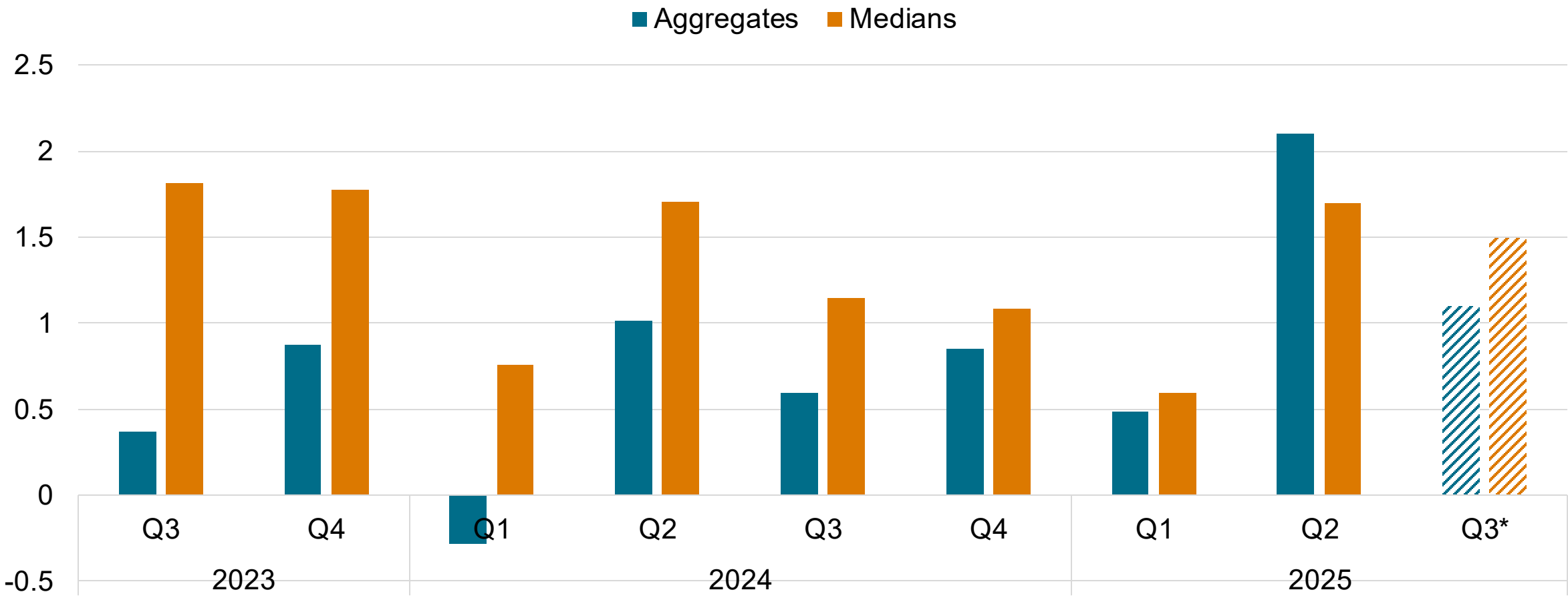
Noninterest-bearing deposit growth remains difficult for community banks (%)



Data compiled Aug. 11, 2025.
A = actual; P = projected.
Cost of deposits = Interest expense on deposits/average deposits in the period, including non-interest-bearing deposits.
Sources: S&P Global Market Intelligence; proprietary estimates.

Loan growth slows after stronger Q2'25

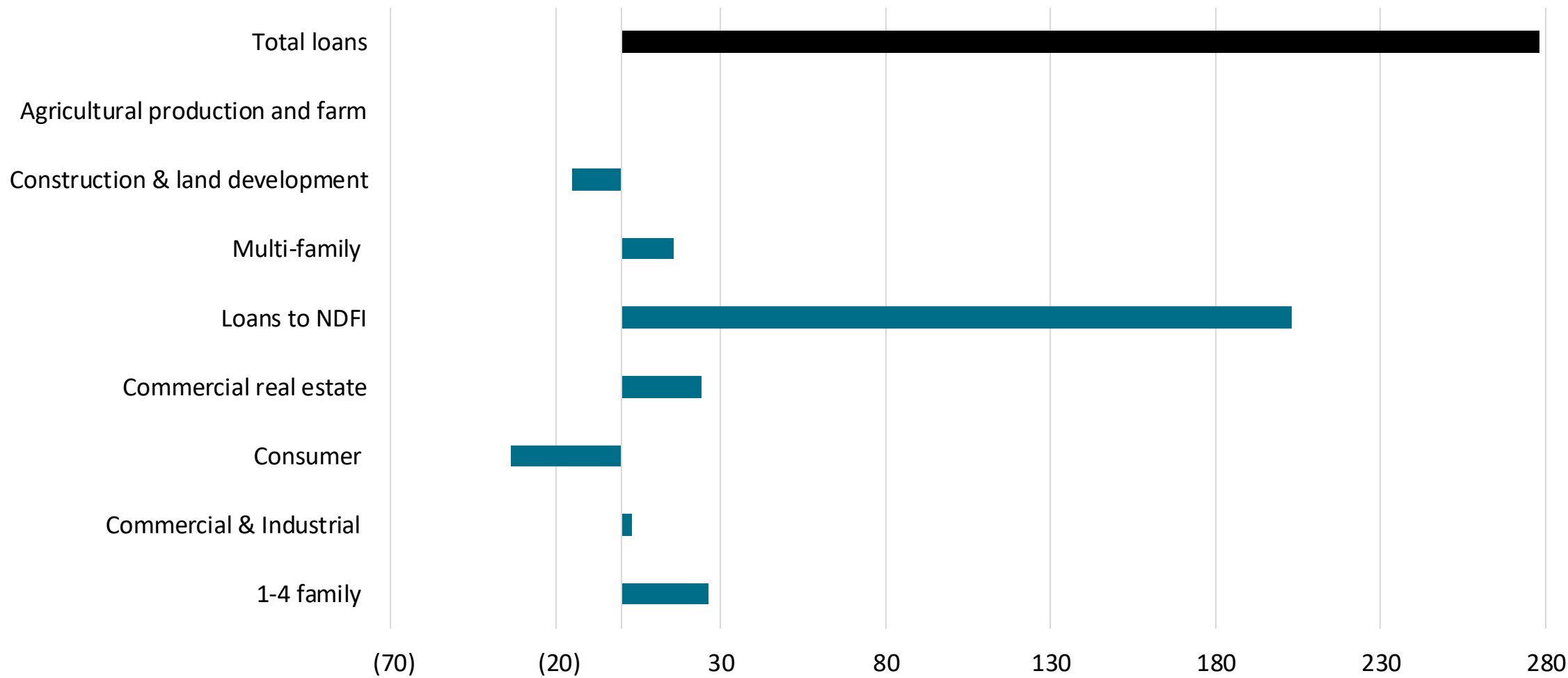
QOQ changes in US bank loans (%)



Data compiled Oct. 2, 2025.
Analysis includes US commercial banks, savings banks, and savings and loan associations. Nondepository trusts and companies with a foreign banking organization charter are excluded.
Data based on regulatory filings as of June 30, 2025.
*Q3 results are based on the Federal Reserve's H.8 release, which tracks commercial bank balances on a weekly basis. The H.8 release shows the change between the week ended Sept. 17 and the week ended June 25, 2025.
Source: S&P Global Market Intelligence.

Loans to nondepository financial institutions (NDFI) driving loan growth

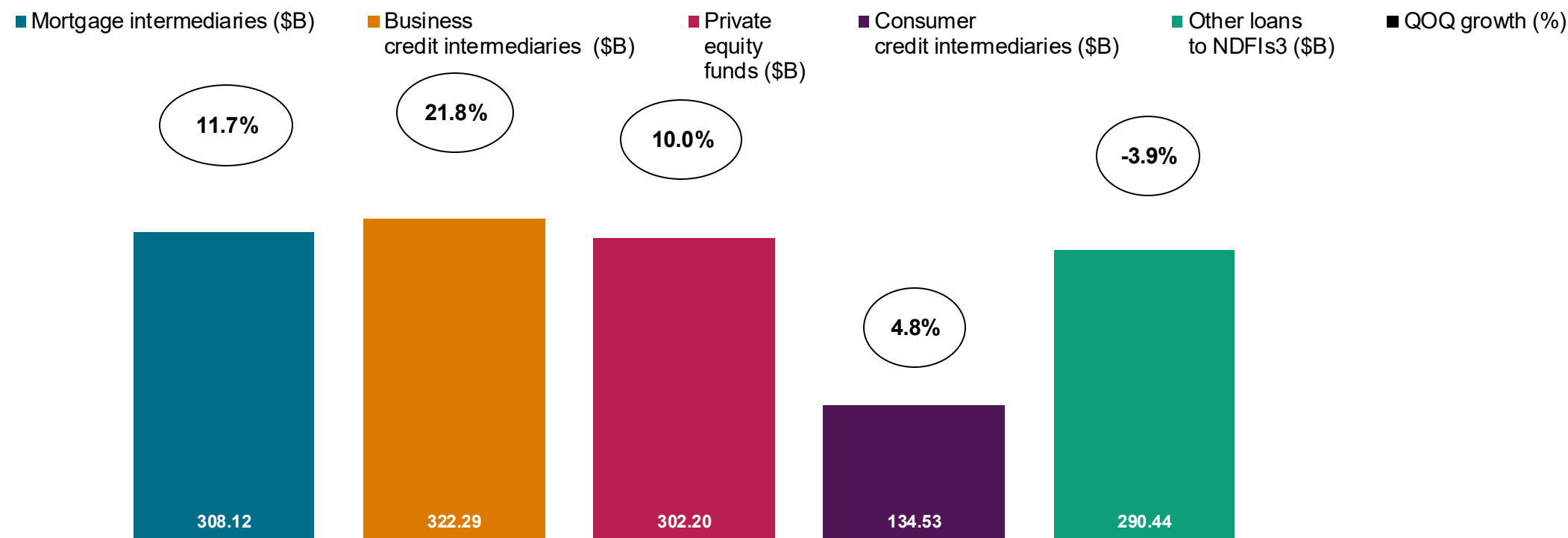
YTD change in US banks' loan balances since year-end 2024 (\$B)



Data compiled Aug. 15, 2025.
Sources: S&P Global Market Intelligence; proprietary estimates.

Digging deeper into NDFI loans after a few notable losses occur in Q3'25

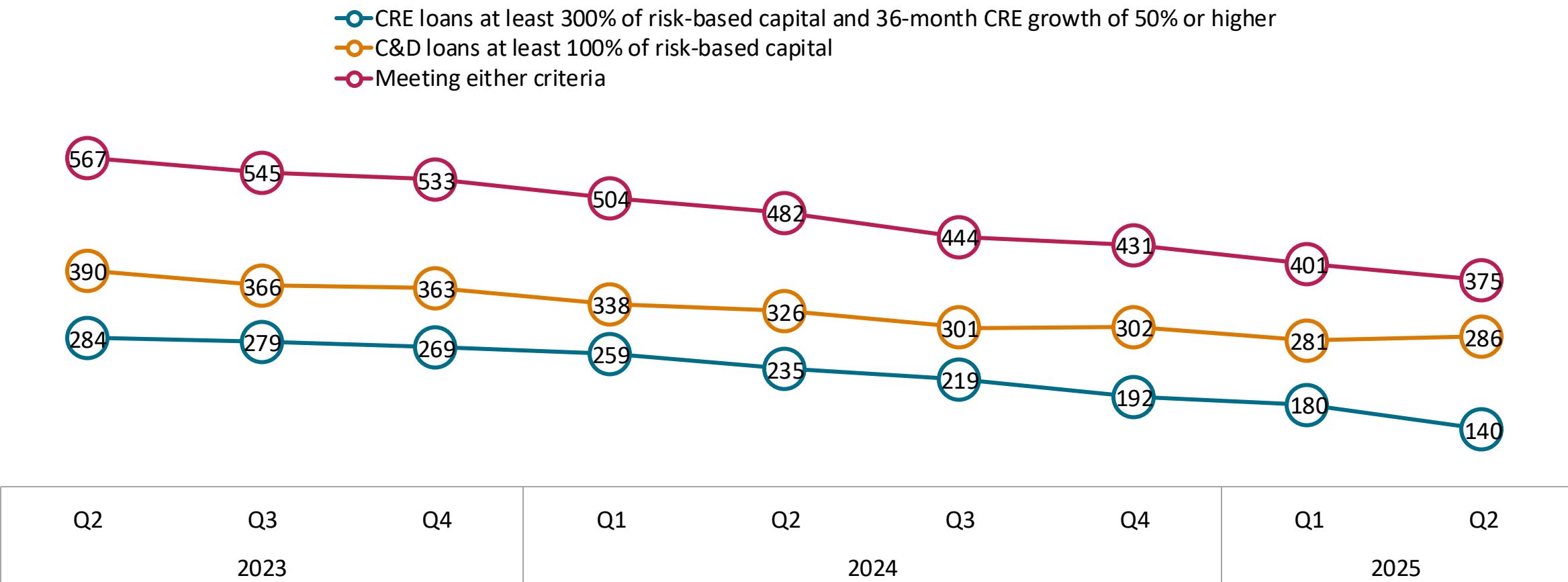
Breakdown for loans to nondepository financial institutions, Q2 2025 (\$B)



Data compiled Aug. 20, 2025.
FFIEC = Federal Financial Institutions Examination Council; NDFI = nondepository financial institution.
Analysis includes US commercial banks, savings banks, and savings and loan associations; excludes nondepository trusts and companies with a foreign banking organization charter.
Only institutions with \$10 billion or more in total assets as of June 30 of the preceding calendar year are required to disclose the breakdown of loans to NDFIs.
1 Four loan categories include commercial and industrial loans, loans to finance agricultural production and other loans to farmers, other consumer loans, and loans to depository institutions and acceptances of other banks.
2 Other loans include loans for purchasing or carrying securities, including margin loans, and all other loans, excluding consumer loans.
3 Other loans to NDFIs may include loans to holding companies, insurance companies, federally sponsored lending agencies, investment banks and broker/dealers, publicly listed investment funds, private capital funds, hedge funds, pension funds, endowments, family offices, sovereign wealth funds, securitization vehicles, other investment firms, financial vehicles, and advances made to the bank's own trust department.
Data based on regulatory filings.
Source: S&P Global Market Intelligence.

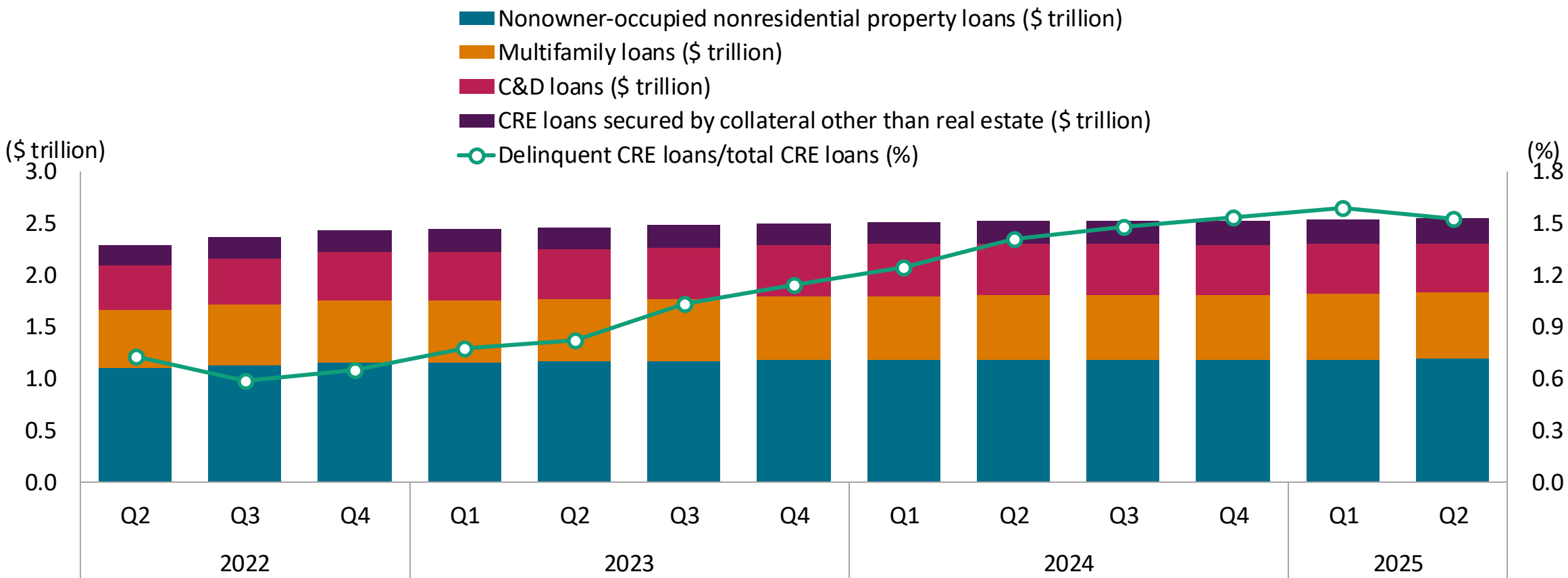
Banks with elevated CRE exposures continue to decline

Number of US banks exceeding 2006 CRE loan concentration guidance (actual)



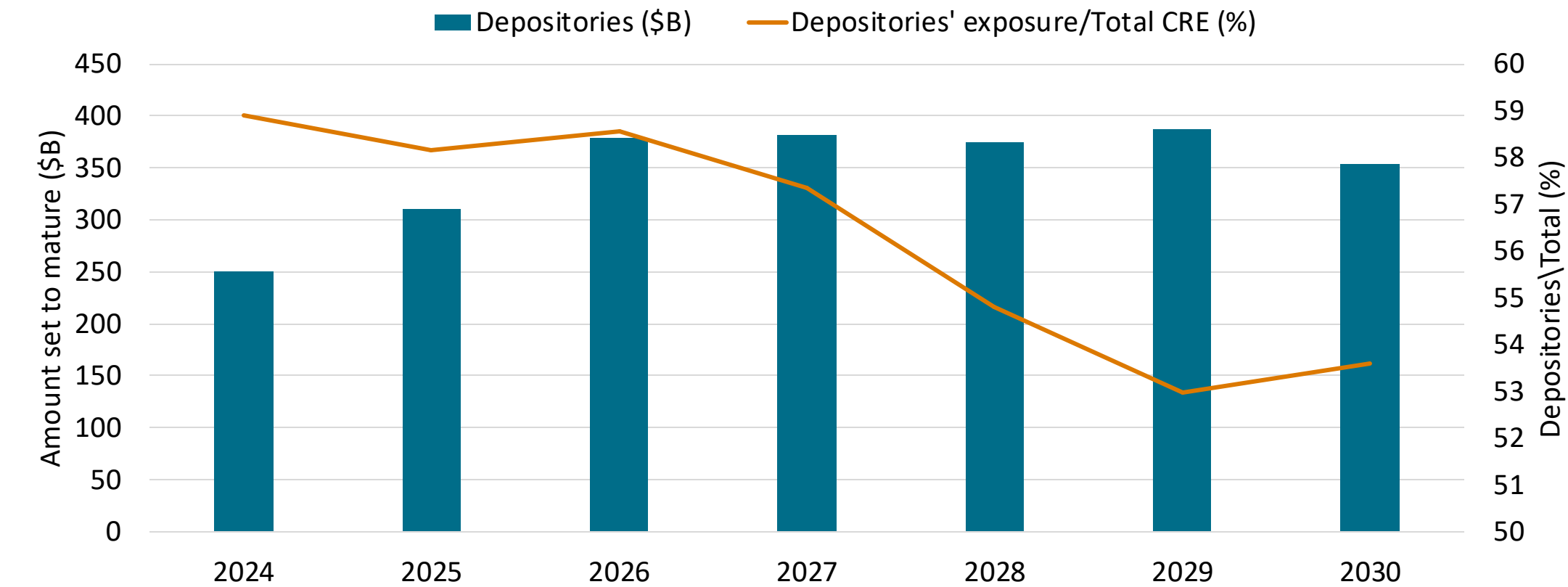
Data compiled May 8, 2025.
CRE = commercial real estate; C&D = construction and development.
Analysis includes operating and historical US commercial banks, savings banks, and savings and loan associations. Nondepository trusts and companies with a foreign banking organization charter are excluded.
Since the first quarter of 2020, regulators have recommended using Tier 1 capital plus the entire ALLL as the denominator in credit concentration calculations because of many banks qualifying for and opting into the community bank leverage ratio framework. Banks adopting the current expected credit loss model should use the portion of the credit losses attributed to loans and leases plus Tier 1 capital.
Companies that met both criteria are included in the totals for each criterion, causing overlap between the totals of each criterion.
Data based on regulatory filings.
Source: S&P Global Market Intelligence.

CRE composition and delinquency at US banks



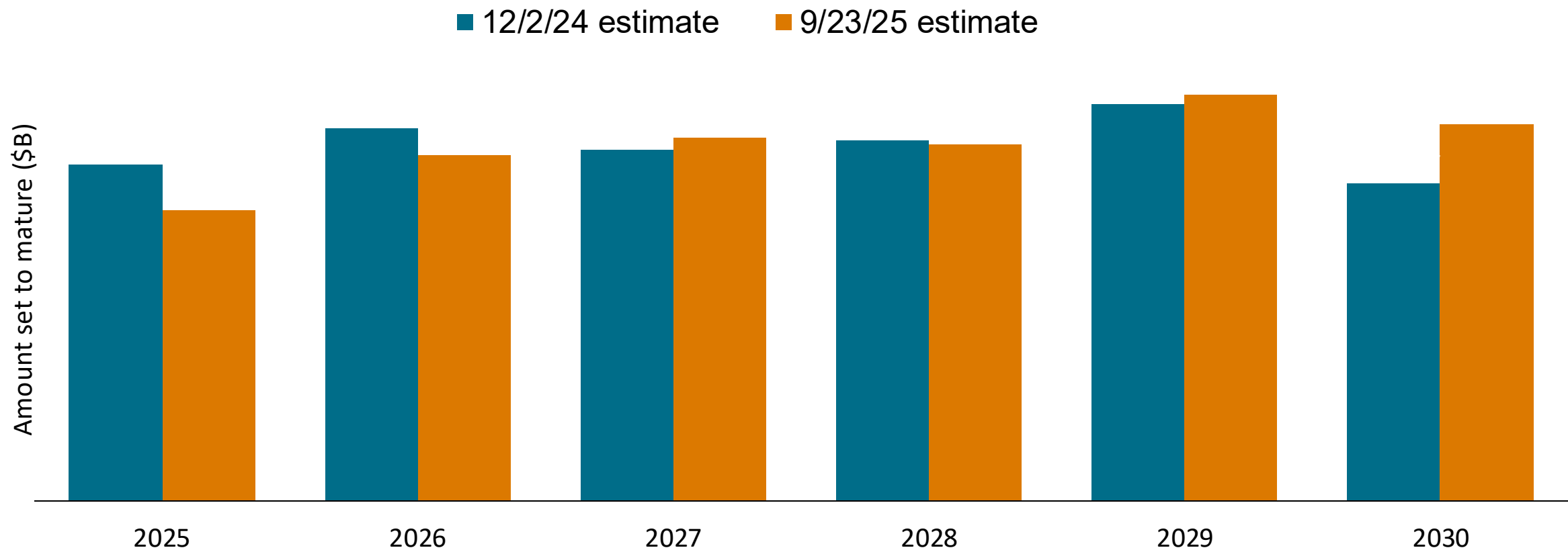
Data compiled Aug. 15, 2025.
CRE = commercial real estate; C&D = construction and development.
Delinquent loans consist of loans 30 or more days past due and loans in nonaccrual status.
Analysis based on aggregates for operating and historical US commercial banks, savings banks, and savings and loan associations. Nondepository trusts and companies with a foreign banking organization charter are excluded.
Regulators define commercial real estate loans as construction and land development loans + multifamily loans + nonowner-occupied nonresidential property loans + commercial real estate loans secured by collateral other than real estate.
Data based on regulatory filings.
Source: S&P Global Market Intelligence.

US CRE mortgages, originated by depositories, less estimated to mature in coming years (\$B)



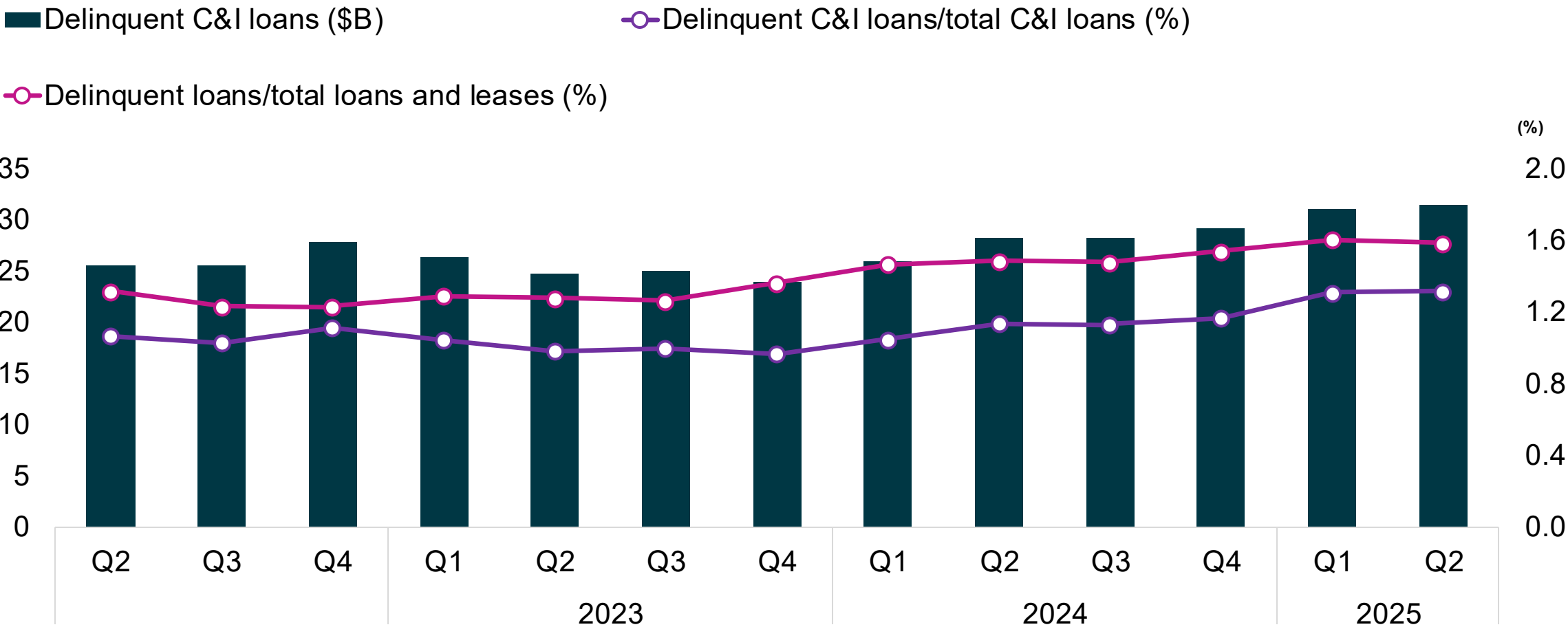
Data compiled Sept.23, 2025.
The amounts shown are the value of the loan at the time of origination.
Data represents the aggregation of 3.6 million commercial real estate property mortgages, sourced from various tax filings from approximately 75% of US counties. While roughly 60% of the loans were originally missing a maturity date, analysis uses a random forest model to impute the missing values.
The raw data does not include roughly 25% of counties, so we created another model using gross county product and the number of properties in the county to estimate the total mortgage amounts in the missing counties. Ultimately, these were relatively minimal amounts compared to the overall market.
Source: Commercial Prospecting dataset, S&P Global Market Intelligence.

Estimate of amount of CRE expected to mature in 2025 has fallen, while estimates for 2029 and 2030 have increased (\$B)



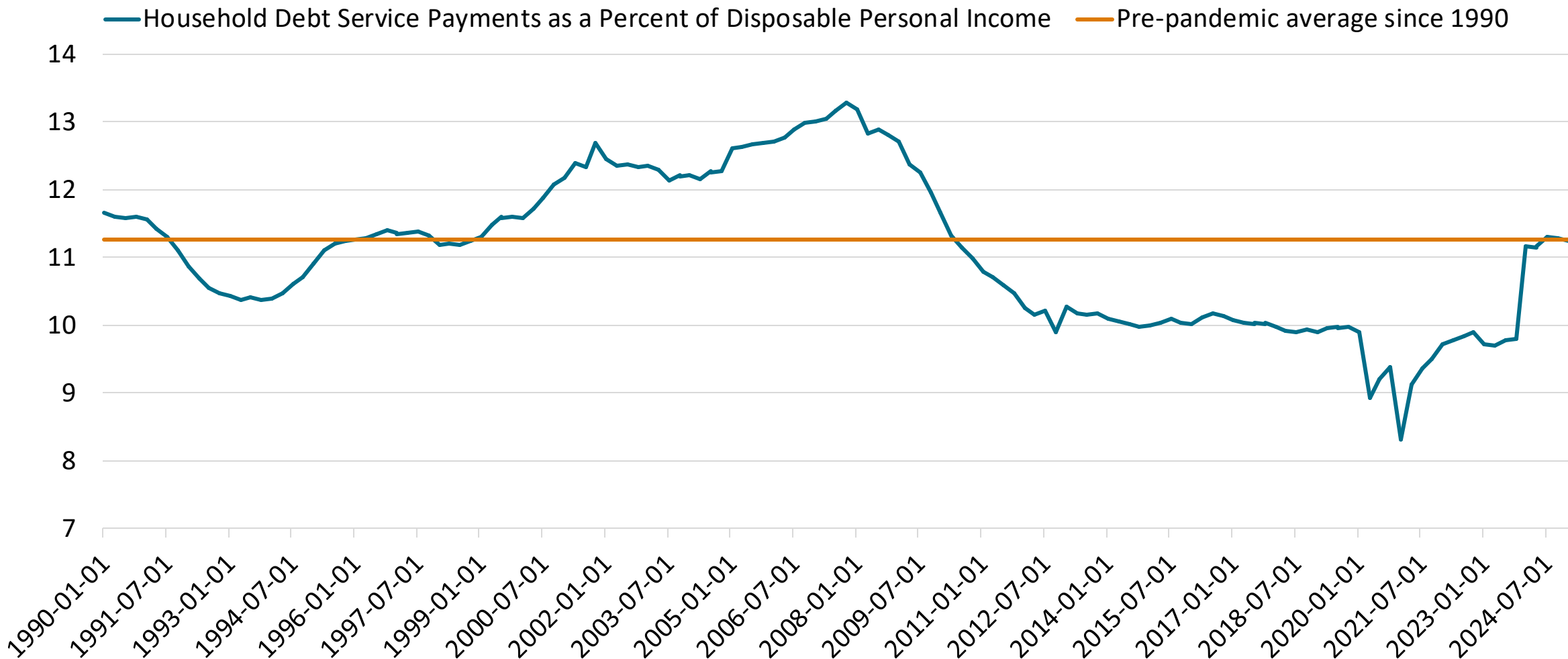
Data compiled Sept.23, 2025.
The amounts shown are the value of the loan at the time of origination.
Data represents the aggregation of 3.6 million commercial real estate property mortgages, sourced from various tax filings from approximately 75% of US counties. While roughly 60% of the loans were originally missing a maturity date, analysis uses a random forest model to impute the missing values.
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Source: Commercial Prospecting dataset, S&P Global Market Intelligence.

C&I delinquency at US banks



Data compiled May 29, 2025.
C&I = commercial and industrial.
Analysis includes US commercial banks, savings banks, and savings and loan associations.
Excludes nondepository trusts and companies with a foreign banking organization charter.
Delinquent loans represent nonaccrual and past-due loans.
Data based on regulatory filings.
Source: S&P Global Market Intelligence.

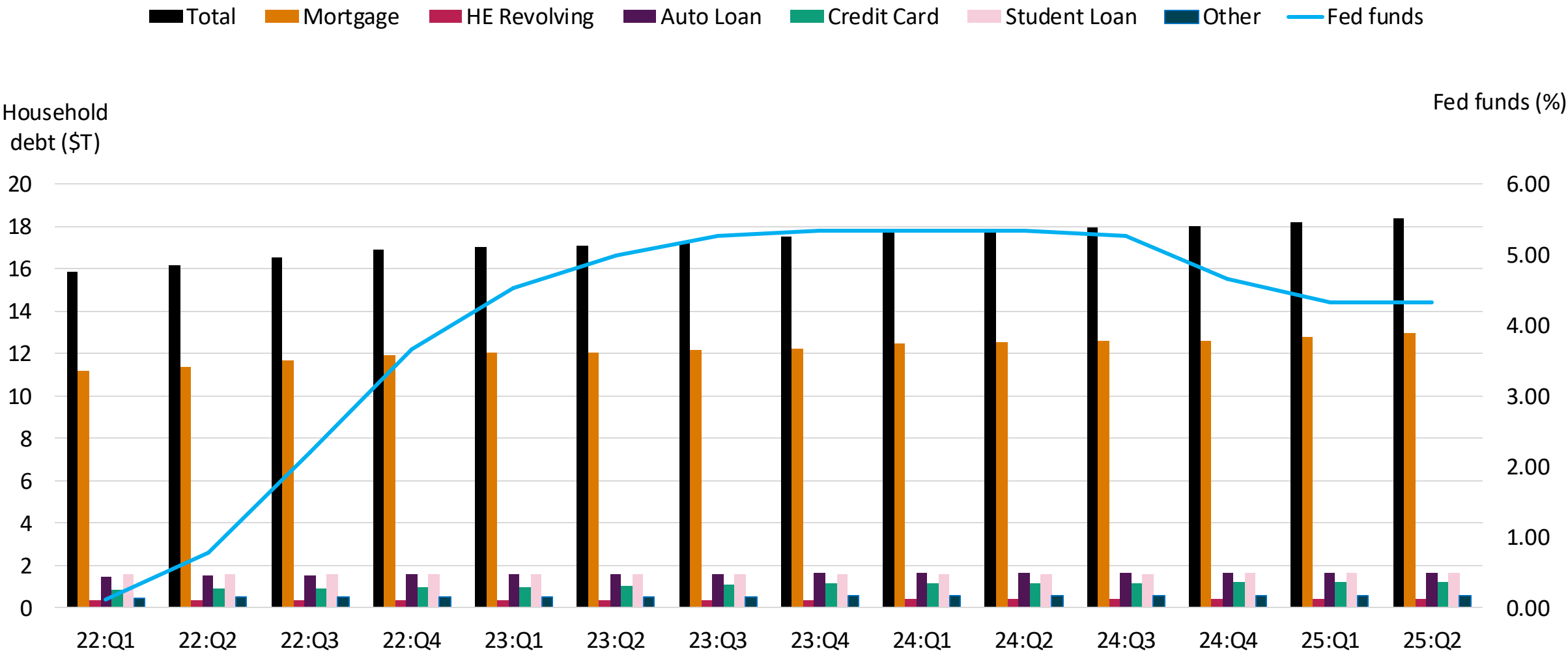
US consumer debt holding at historical averages (%)



Data compiled June 26, 2025.
Source: Federal Reserve

Consumers locked in mortgages while rates were low

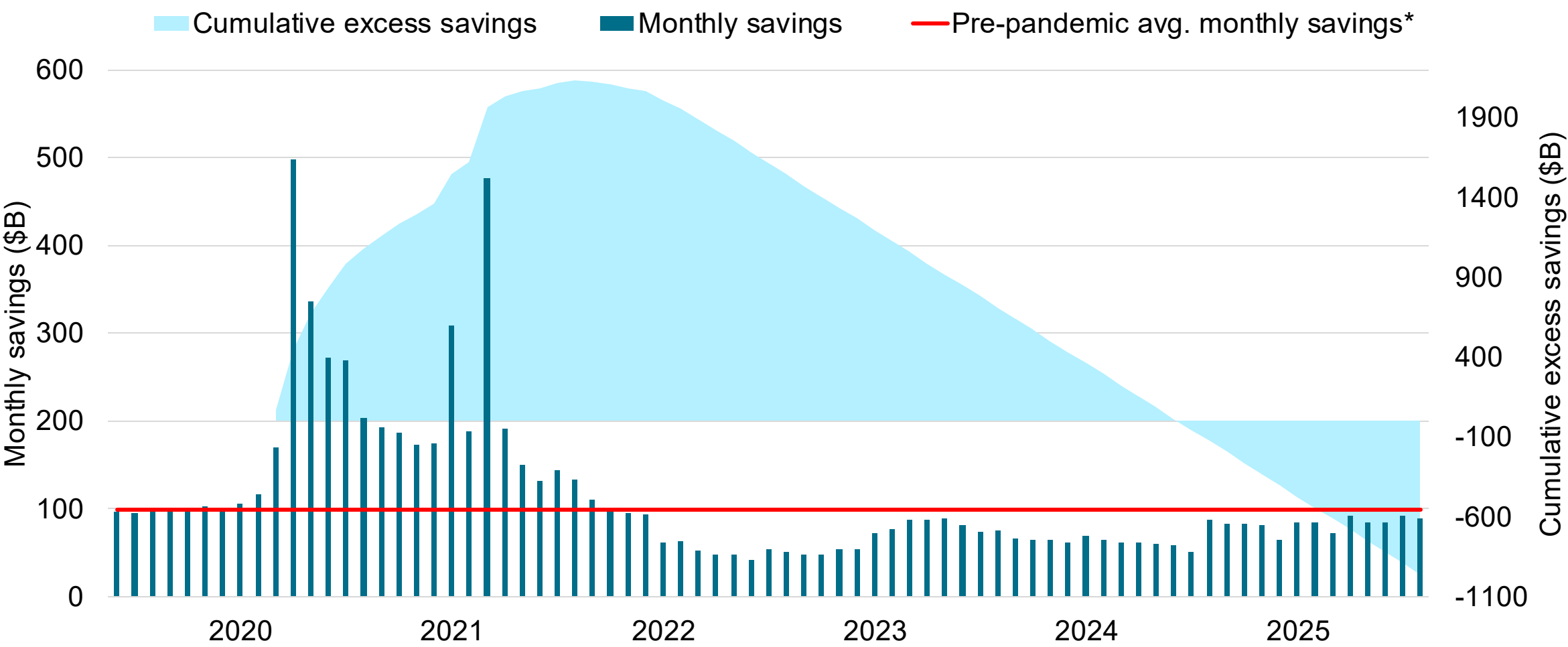
Composition of household debt balance – nonseasonally adjusted



Data compiled Sept. 25, 2025.
Source: Federal Reserve Bank of New York.

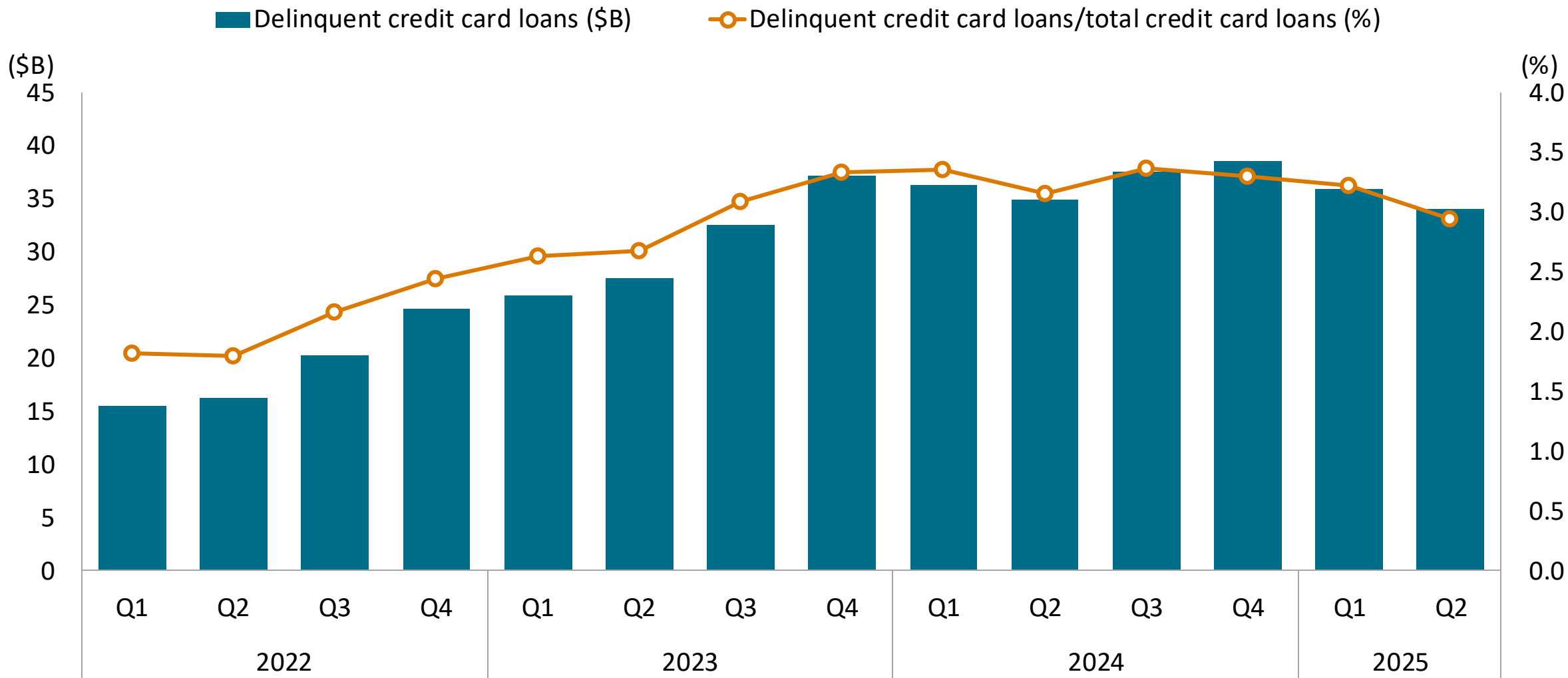
Consumers have spent excess savings

Cumulative aggregate pandemic-era excess savings



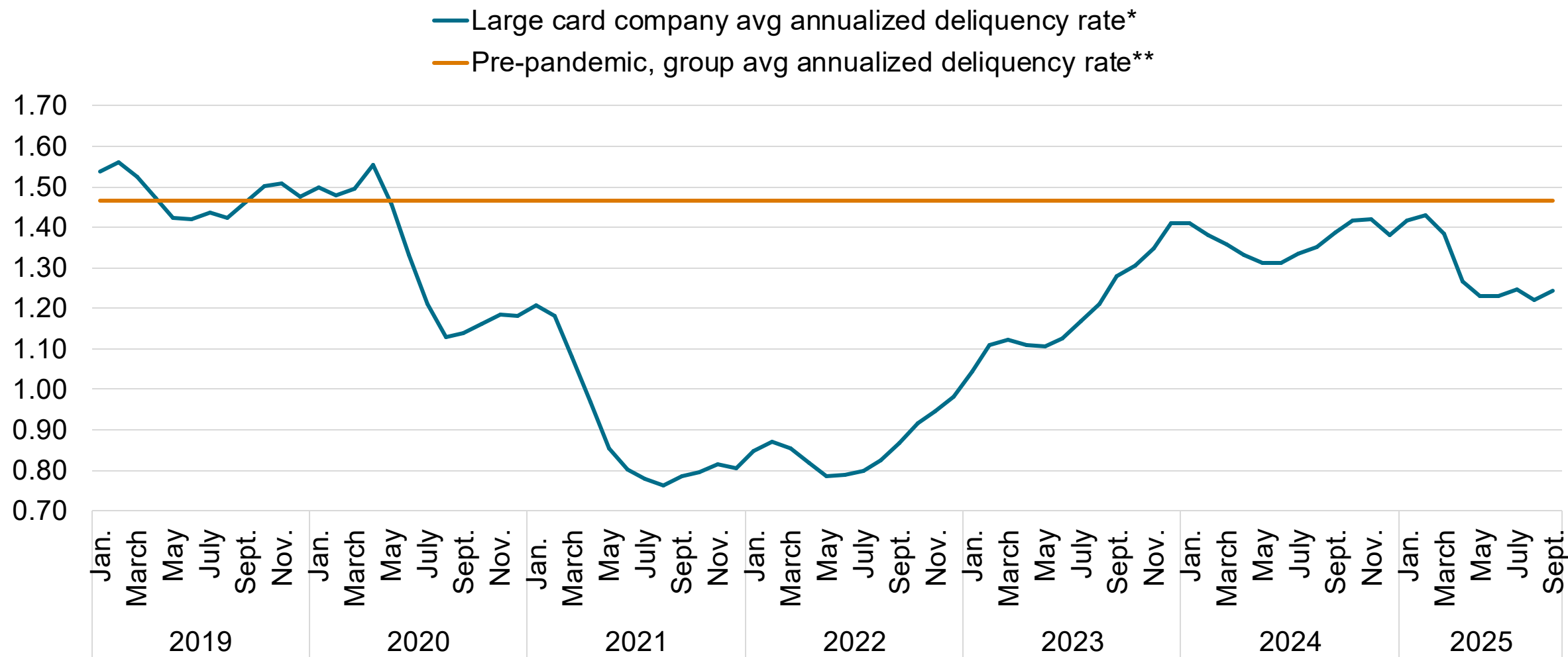
Data compiled Oct. 3, 2025.
* Represents the average monthly savings from January 2019 to February 2020.
Source: Source: Bureau of Economic Analysis , San Francisco Federal Reserve.

Credit card delinquency trends at US banks



Data compiled Aug. 15, 2025.
Analysis based on regulatory filings by US commercial banks, savings banks, and savings and loan associations. Excludes nondepository trusts and companies with a foreign banking organization charter.
Delinquent loans include those at least 30 days past due or in nonaccrual status.
Source: S&P Global Market Intelligence.

Credit card delinquency trends at US banks

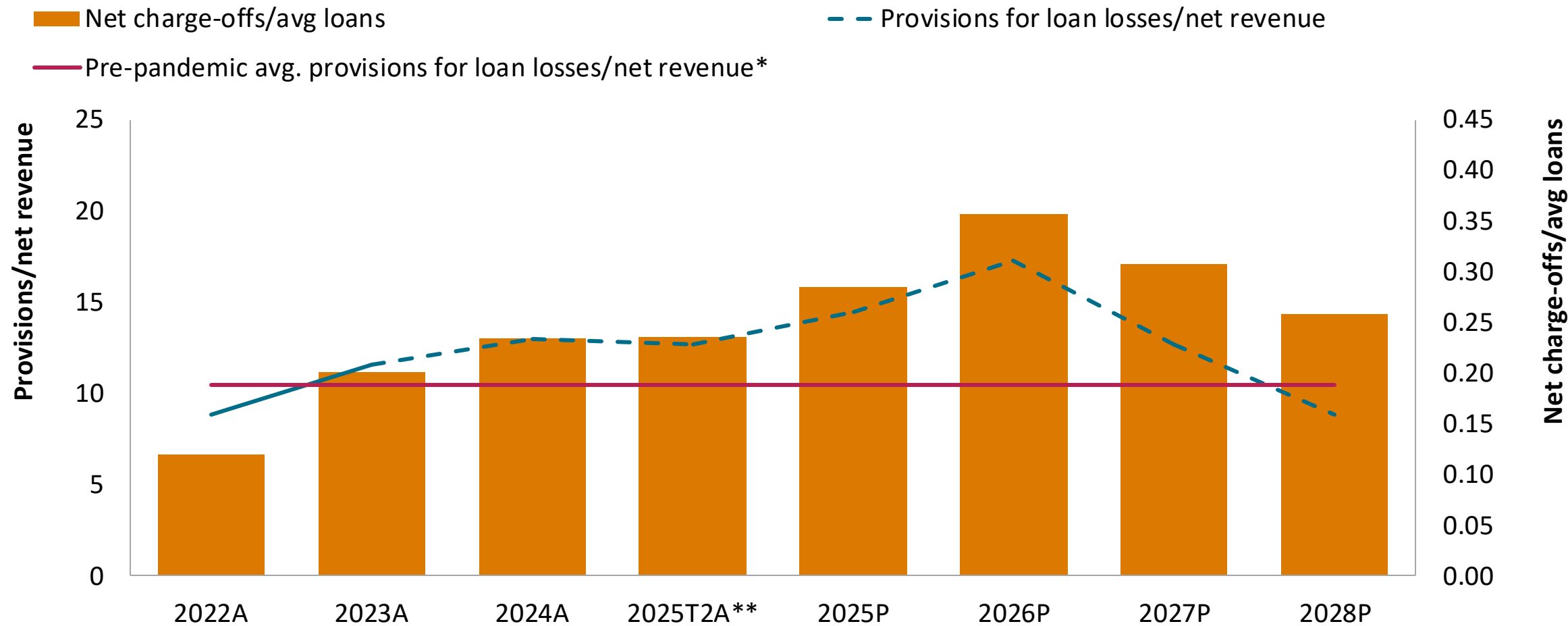


*Average of delinquency rates among American Express Co., Bank of America Corp., Capital One Financial Corp., Citigroup Inc., Discover Financial Services and JPMorgan Chase & Co.

**Average of the group average delinquency rate from 2015-2019

Sources: S&P Global Market Intelligence

Credit costs becoming a larger headwind to earnings (%)



Data compiled Oct. 27, 2025.
A = actual; P = projected.
Community banks defined as institutions with less than \$10 billion in assets in a given period.
* Average of provisions for loan losses/net revenue from 2014-2019. Net revenue = net interest income + noninterest income - noninterest expense.
** Annualized
Source: S&P Global Market Intelligence, proprietary estimates.

Community bank earnings holding up for now

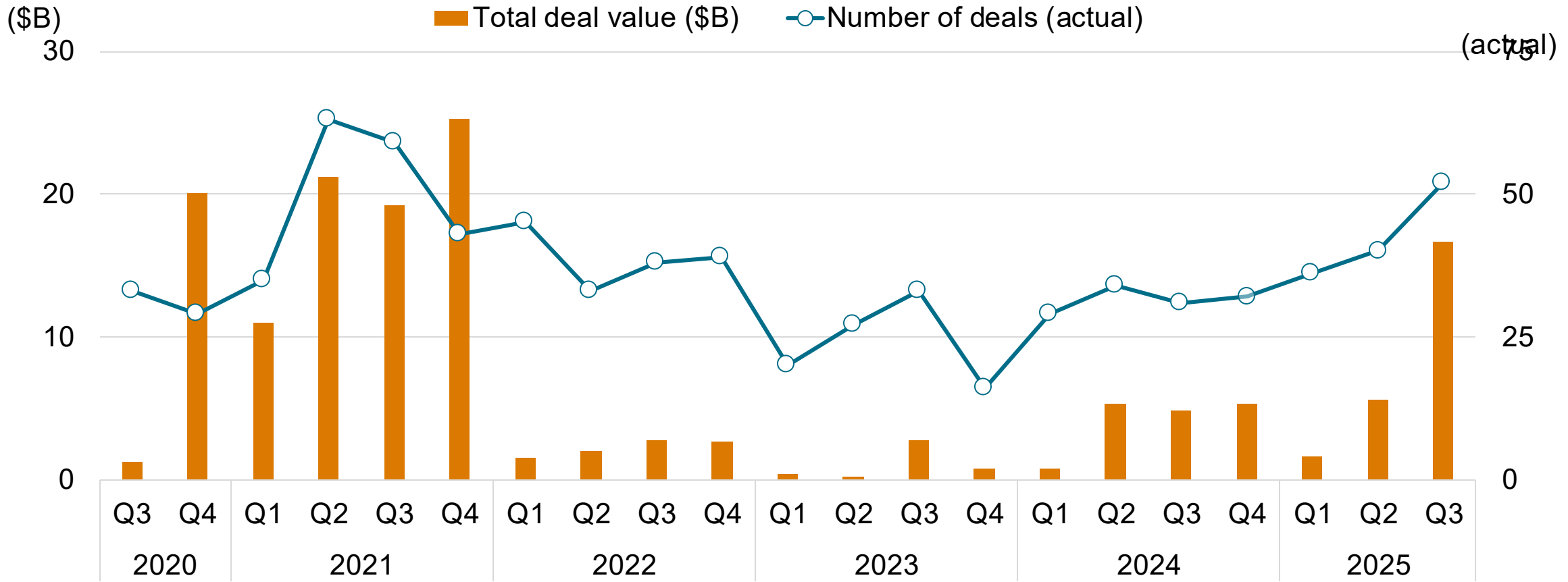
Community bank aggregate profitability metrics (%)

	<u>2024A</u>	<u>2025T2A</u>	<u>2025P</u>	<u>2026P</u>
Efficiency ratio	63.39	61.98	61.05	59.52
ROAA	1.07	1.19	1.16	1.21
Net interest margin	3.42	3.62	3.68	3.74
YOY earnings growth	-0.1	12.6	11.6	7.5

Data compiled Oct. 23, 2025.
A = actual; P = projected;
Sources: S&P Global Market Intelligence; proprietary estimates

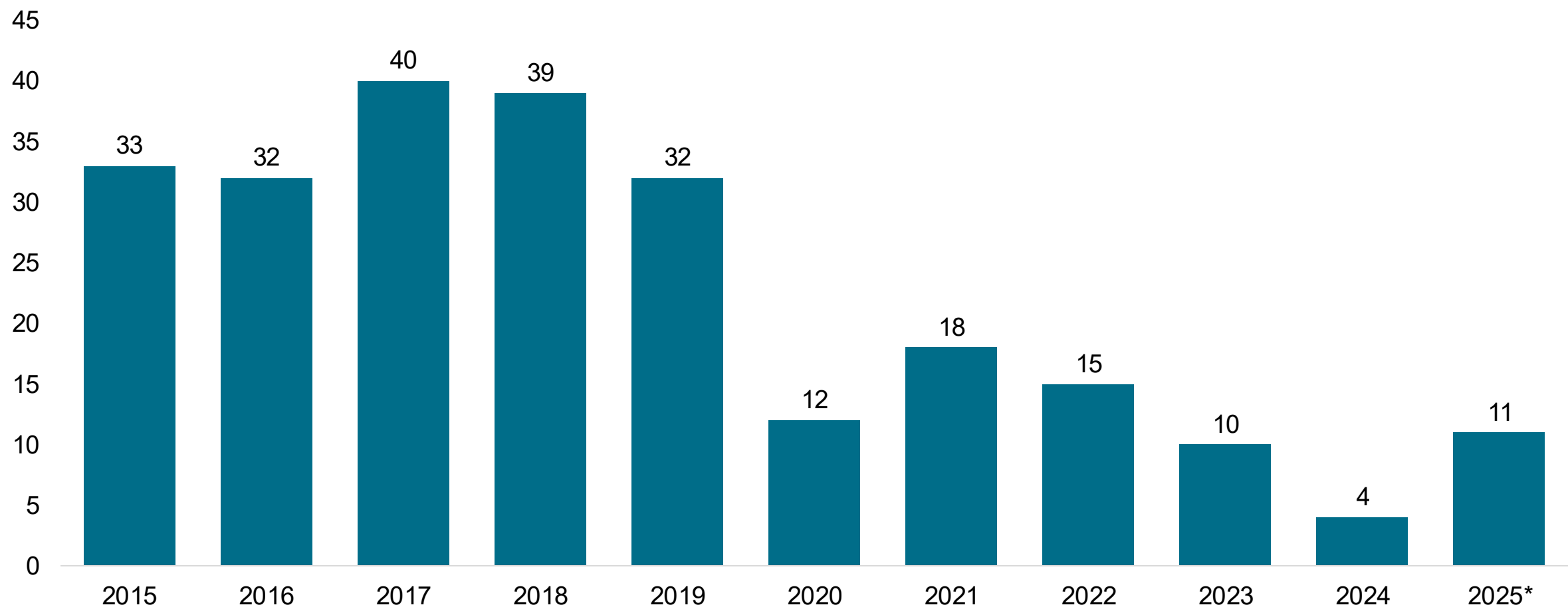
Bank M&A activity

Quarterly deal volume for US banks



Data compiled Oct. 3, 2025.
Analysis limited to US-based whole company and franchise bank and thrift deals that were announced between July 1, 2020, and Sept. 30, 2025. Excludes branch, minority-stake, government-assisted and terminated deals, as well as bids and thrift merger conversions.
Deal values are as of the announcement date.
Source: S&P Global Market Intelligence.

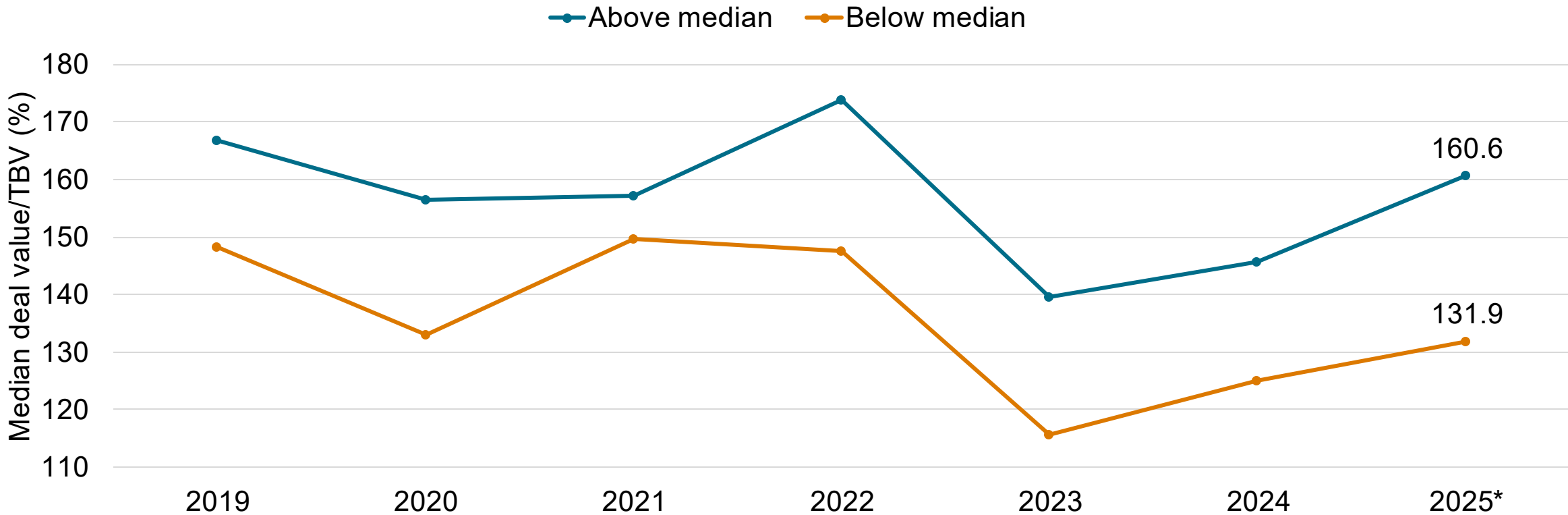
Number of US bank buyers with multiple deal announcements within a 365-day period (actual)



Data compiled Oct. 27, 2025.
Analysis limited to companies identified as buyers in whole-company and franchise US bank and thrift deals announced between Jan. 1, 2015, and Oct. 27, 2025. Only buyers that announced a deal within 365 days of a prior transaction are considered. If a buyer announced multiple deals within 365 days of each prior announcement in a given year, it is counted only once. Branch, minority-stake, government-assisted, and terminated deals, as well as thrift merger conversions, are excluded.
Year to date through Sept. 2, 2025.
Source: S&P Global Market Intelligence.

Acquirers pay up for noninterest-bearing deposits

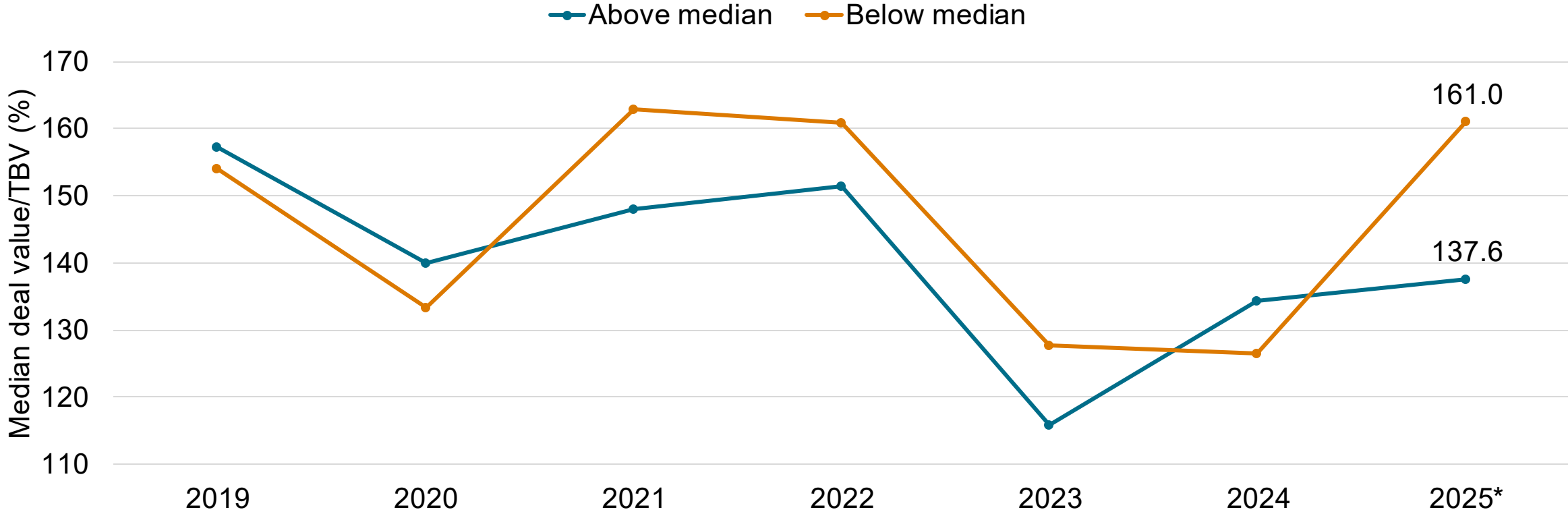
Median deal value/TBV for US bank targets by noninterest-bearing deposit concentration



Data compiled Sept. 2, 2025.
Analysis limited to US-based whole company and franchise bank and thrift deals that were announced between Jan. 1, 2019, and Aug. 29, 2025. Excludes branch, minority-stake, government-assisted and terminated deals, as well as bids and thrift merger conversions.
Financial data based on regulatory filings for the prior quarter when the deal was announced.
Unitary subsidiary data used for targets where financial data is not available.
* Year-to-date as of Aug. 29, 2025.
Deal value-to-tangible book is as of the announcement date.
Source: S&P Global Market Intelligence..

Less rate sensitive franchise sell for higher valuations in 2025

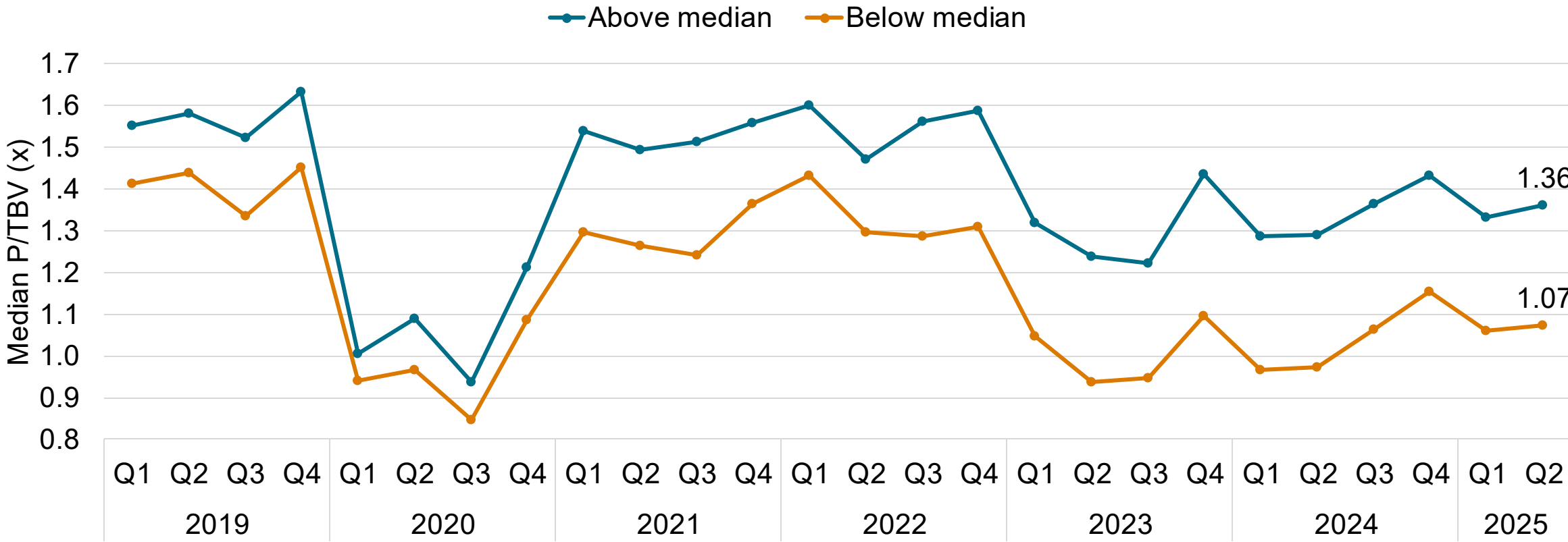
Median deal value/TBV for US bank targets by cost of deposits



Data compiled Sept. 2, 2025.
Analysis limited to US-based whole company and franchise bank and thrift deals that were announced between Jan. 1, 2019, and Aug. 29, 2025. Excludes branch, minority-stake, government-assisted and terminated deals, as well as bids and thrift merger conversions.
Financial data based on regulatory filings for the prior quarter when the deal was announced.
Unitary subsidiary data used for targets where financial data is not available.
* Year-to-date as of Aug. 29, 2025.
Deal value-to-tangible book is as of the announcement date.
Source: S&P Global Market Intelligence..

Investors reward low-cost deposit franchises

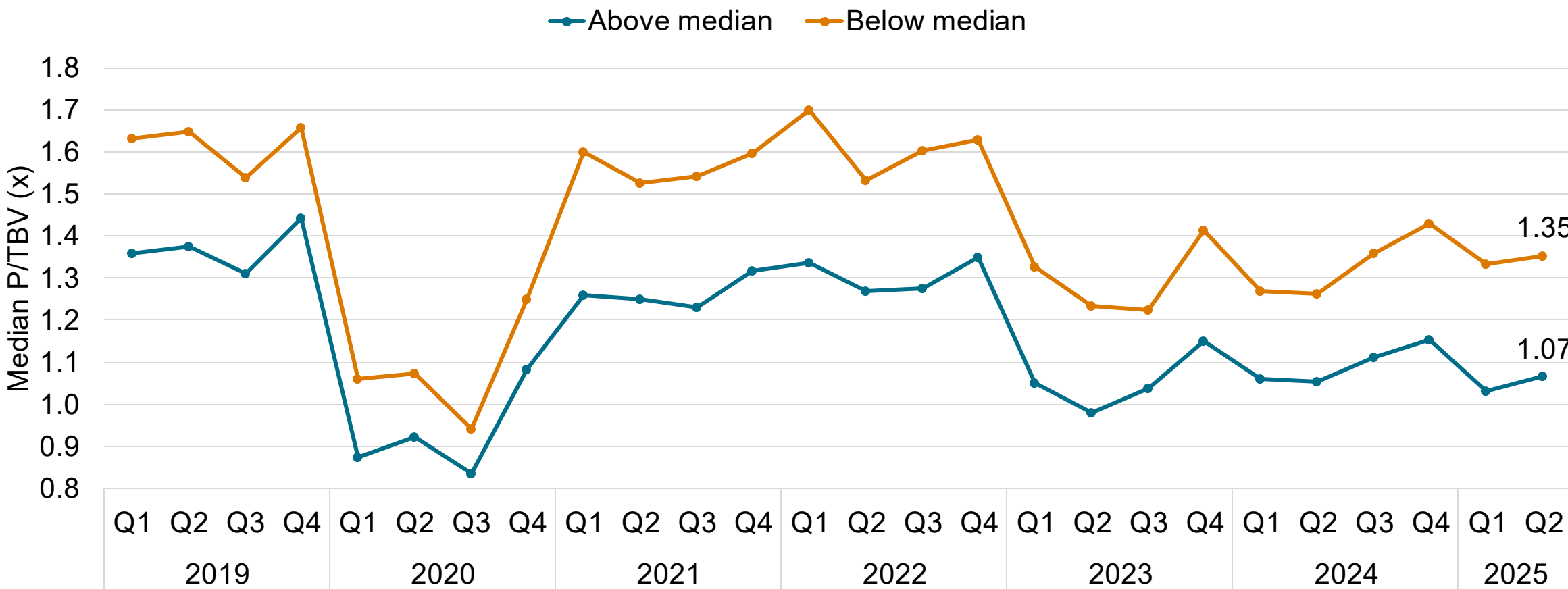
Median price/TBV for US public banks by median noninterest-bearing deposit concentration



Data compiled Sept. 2, 2025.
P/TBV = price-to-tangible book value.
Analysis limited to US banks trading on the Nasdaq, NYSE or NYSEAM as of Aug. 29, 2025; excludes banks with mutual holding company ownership structure and other operating subsidiaries.
Financial data based on regulatory filings.
Source: S&P Global Market Intelligence.
Intelligence.

Investors reward low-cost deposit franchises

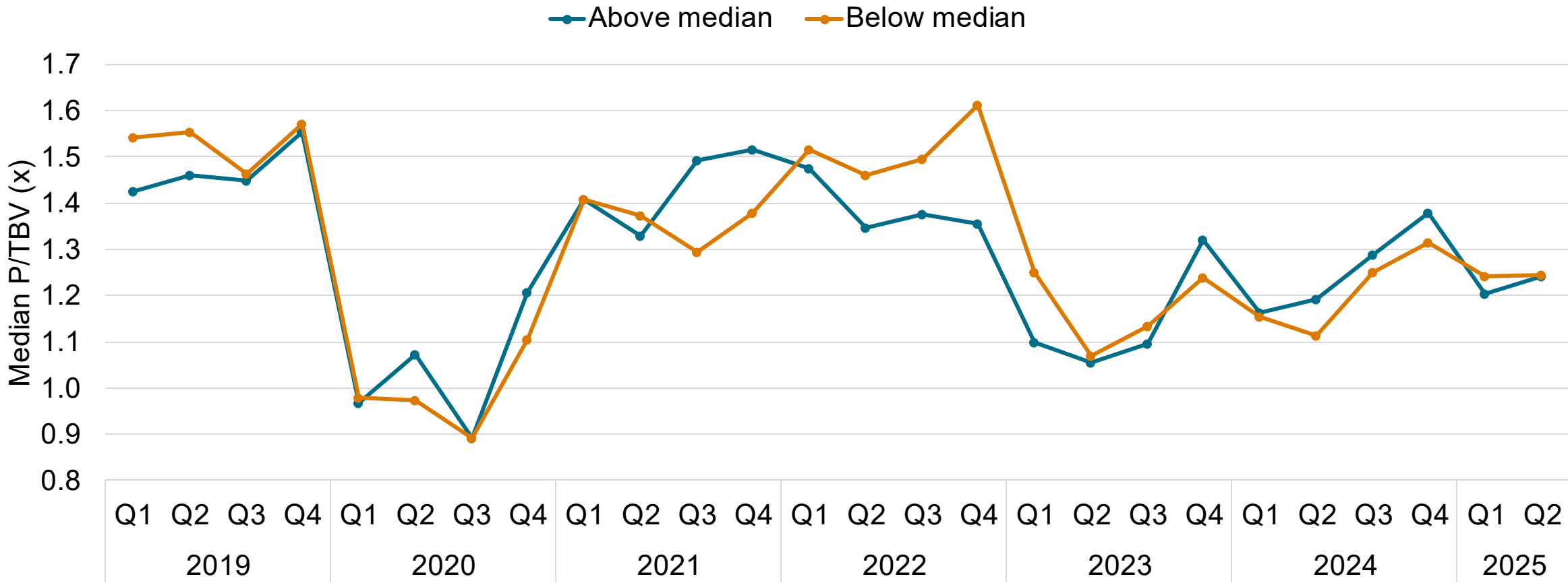
Median price/TBV for US public banks by median cost of deposits



Data compiled Sept. 2, 2025.
P/TBV = price-to-tangible book value.
Analysis limited to US banks trading on the Nasdaq, NYSE or NYSEAM as of Aug. 29, 2025; excludes banks with mutual holding company ownership structure and other operating subsidiaries.
Financial data based on regulatory filings.
Source: S&P Global Market Intelligence.
Intelligence.

Above average deposit growth does not attract a premium

Median price/TBV for US public banks by median QOQ deposit growth



Data compiled Sept. 2, 2025.
P/TBV = price-to-tangible book value.
Analysis limited to US banks trading on the Nasdaq, NYSE or NYSEAM as of Aug. 29, 2025; excludes banks with mutual holding company ownership structure and other operating subsidiaries.
Financial data based on regulatory filings.
Source: S&P Global Market Intelligence.
Intelligence.

Largest US bank deals announced in 2025

Ranked by announced deal value

Buyer (ticker)	Target	Target city, state	Date announced	At announcement		
				Deal value (\$M)	Deal value/tangible common equity (%)	Deal value/deposits (%)
Fifth Third Bancorp (FITB)	Comerica Inc.	Dallas, TX	10/06/25	10,869.9	172.8	18.2
Pinnacle Financial Partners Inc. (PNFP)*	Synovus Financial Corp.	Columbus, GA	07/24/25	7,898.2	170.1	15.8
Huntington Bancshares Inc. (HBAN)	Cadence Bank	Tupelo, MS	10/27/25	7,400.0	170.0	NA
PNC Financial Services Group Inc. (PNC)	FirstBank Holding Company	Lakewood, CO	09/08/25	4,041.2	234.2	17.3
Columbia Banking System Inc. (COLB)	Pacific Premier Bancorp Inc.	Irvine, CA	04/23/25	2,085.3	99.3	14.2
Huntington Bancshares Inc. (HBAN)	Veritex Holdings Inc.	Dallas, TX	07/14/25	1,840.4	150.9	17.7
Seacoast Banking Corp. of Florida (SBCF)	Villages BanCorp. Inc.	The Villages, FL	05/29/25	710.8	161.4	20.5
Commerce Bancshares Inc. (CBSH)	FineMark Holdings Inc.	Fort Myers, FL	06/16/25	580.9	152.6	18.8
TowneBank (TOWN)	Dogwood State Bank	Raleigh, NC	08/19/25	491.2	223.7	24.9
Eastern Bankshares Inc. (EBC)	HarborOne Bancorp Inc.	Brockton, MA	04/24/25	481.8	99.8	10.4
Industry median					150.3	16.6

Data compiled Oct. 27, 2025.

NA = not available.

Analysis limited to US-based whole company and franchise bank and thrift deals that were announced between Jan. 1, 2025, and Oct. 27, 2025. Excludes branch, minority-stake, government-assisted and terminated deals, as well as bids and thrift merger conversions.

* Reflects a merger of equals.

Deal value-to-tangible common equity is the deal value as a percentage of tangible common equity acquired; derived from pershare values when all ratio components are available; otherwise, aggregate values are used.

Company titles and tickers for buyers are shown as of the deal announcement and are based on the home country stock exchanges.

Source: S&P Global Market Intelligence.

Most expensive US bank deals announced in 2025

Ranked by announced deal value to tangible common equity

Buyer (ticker)	Target	Target city, state	Date announced	At announcement		
				Deal value (\$M)	Deal value/tangible common equity (%)	Deal value/deposits (%)
PNC Financial Services Group Inc. (PNC)	FirstBank Holding Company	Lakewood, CO	09/08/25	4,041.2	234.2	17.3
Bank First Corp. (BFC)	Centre 1 Bancorp Inc.	Beloit, WI	07/18/25	173.8	230.5	13.5
Prosperity Bancshares Inc. (PB)	American Bank Holding Corp.	Corpus Christi, TX	07/18/25	327.6	226.0	14.3
TowneBank (TOWN)	Dogwood State Bank	Raleigh, NC	08/19/25	491.2	223.7	24.9
MIDFLORIDA CU	Prime Meridian Holding Co.	Tallahassee, FL	04/22/25	194.9	216.0	23.8
Glacier Bancorp Inc. (GBCI)	Bank of Idaho Holding Co.	Idaho Falls, ID	01/13/25	246.2	186.7	22.0
TowneBank (TOWN)	Old Point Financial Corp.	Hampton, VA	04/03/25	202.1	179.2	16.1
Cadence Bank (CADE)	FCB Financial Corp.	Savannah, GA	01/22/25	105.8	174.3	20.9
Fifth Third Bancorp (FITB)	Comerica Inc.	Dallas, TX	10/06/25	10,869.9	172.8	18.2
Mercantile Bank Corp. (MBWM)	Eastern Michigan Financial Corp.	Croswell, MI	07/22/25	95.6	171.8	20.8
Industry median					150.3	16.6

Data compiled Oct. 22, 2025.

NA = not available.

Analysis limited to US-based whole company and franchise bank and thrift deals that were announced between Jan. 1, 2025, and Oct. 22, 2025. Excludes branch, minority-stake, government-assisted and terminated deals, as well as bids and thrift merger conversions.

* Reflects a merger of equals.

Deal value-to-tangible common equity is the deal value as a percentage of tangible common equity acquired; derived from pershare values when all ratio components are available; otherwise, aggregate values are used.

Company titles and tickers for buyers are shown as of the deal announcement and are based on the home country stock exchanges.

Source: S&P Global Market Intelligence.

Q&A

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