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Bank Watch

ARTICLES

Some “Slop” About 2025 Bank Stock Performance

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Some “Slop” About 2025 Bank Stock Performance

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Every January, BankWatch provides a recap of valuation trends for publicly-traded banks. For inspiration this year, we looked to 2025's word of the year nominees. Two words, in particular, caught our attention:

- » **Slop.** The word slop first appeared in the 15th century when it meant muddy or slushy waters, but the definition evolved to mean, among other things, an unappetizing semi-liquid food. To become word of the year, though, this evolution of meanings continued. Slop now refers to poor quality, unimaginative AI-generated content flooding the internet. See also: drivel.
- » **67.** Unlike slop, 67 (that's six seven, not sixty-seven) entered the lexicon more recently via, where else, TikTok. To appreciate the cultural moment, 67 can best be understood by reference to 2024's word of the year, brain rot. Brain rot refers to mindless, addictive digital content, and 67 is an example of brain rot. 67 is a nonsensical, ambiguous term, though it is sometimes defined to mean "so so" or "maybe this, maybe that."

67 raises several questions. Can a number really be "word" of the year? Can a word that is ambiguous—indeed, that may have no meaning at all—be word of the year? If so, could any sequence of letters (or numbers) be word of the year, if TikTok says so? Those are metaphysical questions that BankWatch cannot answer. However, we can analyze bank stock pricing in 2025.

A 67 Year

If we define 67 as "so so," the term would be an apt descriptor of 2025, at least with respect to small cap banks. After the twin shocks of rapidly rising interest rates in 2022 and regional bank failures in 2023, community and regional bank stocks finally staged a recovery in 2024. The recovery petered out in 2025, though, for small and

Figure 1

	S&P Small Cap Banks	S&P Mid Cap Banks	S&P Large Cap Banks	S&P 500	Nasdaq
2022	-14.1%	-28.4%	-19.8%	-19.4%	-33.1%
2023	-2.9%	-29.0%	13.6%	24.2%	43.4%
2024	14.7%	28.3%	35.7%	23.3%	28.6%
2025	6.8%	11.5%	32.6%	16.4%	20.4%
12/21 - 12/25	2.2%	-27.3%	63.9%	43.6%	48.6%

Source: S&P Capital IQ Pro, Mercer Capital research

mid-cap banks. Powered by their capital markets businesses, large cap banks achieved another year of strong returns, exceeding the S&P 500 and Nasdaq indices.

The S&P Small Cap Bank index appreciated by 7% in 2025 (see Figure 1), finally recouping the level reported at year-end 2021. Mid-cap and large-cap banks outperformed small-cap banks, which is attributable to net interest margin performance, M&A opportunities, deregulatory benefits, and capital markets activity among the largest banks.

The positive performance for 2025 belies a volatile year. Bank stocks performed poorly after the liberation day tariff announcements, clouded by macroeconomic concerns. The S&P Small Cap Bank index dropped 11% between year-end 2024 and April 30, 2025. Reductions in short-term interest rates, along with M&A activity, boosted share prices in the second half of 2025, with the Small Cap index rising by 9% in the last two months of 2025. Further, investors likely began to appreciate that bank stock pricing reflected reasonable valuations, relative to other pricier sectors of the stock market.

Maybe This, Maybe That

Figure 2 provides a stratification of bank stock price changes. Index returns occasionally can be biased by unusual factors influencing component companies, such as the bank failures in 2023. Focusing on the change in share price performance for the median bank provides another perspective.

Figure 2

12/31/24 - 12/31/25			
Stock Price Change			
Change	Banks	% of Total	Price Change
Up > 20%	60	20%	31%
Up 10% to 20%	69	24%	15%
Up 0% to 10%	76	26%	5%
Total Up	205	70%	14%
Down 0% to 10%	51	17%	-4%
Down 10% to 20%	31	11%	-13%
Down > 20%	6	2%	-36%
Total Down	88	30%	-8%
All Banks	293	100%	8%

Table excludes banks subject to M&A transactions

Source: S&P Capital IQ Pro, Mercer Capital research

Bank stocks bounced back in 2024 after the difficult year in 2023, and 74% of banks reported year-over-year stock price appreciation in 2024. This trend continued in 2025, with 70% of banks reporting higher stock prices at year-end 2025, relative to year-end 2024. The magnitude of the improvement, however, was lower in 2025. In 2024, 55% of the banks in our analysis reported a share price change exceeding 10%. This percentage fell to 44% in 2025. The median bank reported share price appreciation of 8% in 2025, down from 12% in 2024.

Figure 3

Asset Size Range	12/31/24 - 12/31/25 Stock Price Change				% with Share Price Change > 0%	Median Stock Price Change
	Down > 15%	Down 0% to 15%	Up 0% to 15%	Up > 15%		
< \$1 Billion	0%	6%	41%	53%	94%	17%
\$1 - \$5 Billion	10%	13%	36%	41%	77%	11%
\$5 - \$10 Billion	5%	32%	47%	16%	63%	4%
\$10 - \$100 Billion	6%	38%	35%	21%	56%	2%
> \$100 Billion	0%	0%	39%	61%	100%	23%
Total	7%	23%	38%	32%	70%	8%

Values in the table represent the % of banks with stock price changes of 0% to 15%, greater than 15%, etc.

Source: S&P Capital IQ Pro, Mercer Capital research

Figure 3 illustrates stock price performance in 2025 stratified by asset size. There was a clear bifurcation in performance during 2025, with the smallest and largest banks outperforming. Meanwhile, banks with assets between \$5 billion and \$100 billion reported weak performance, with about 40% of these banks experiencing lower stock prices from 2024 to 2025.

- » For smaller banks, continued repricing of low rate assets originated in 2020 and 2021, along with falling funding costs, boosted net interest margins and profitability. Further, the market began to move beyond some of the concerns regarding commercial real estate exposures and dilutive capital raises to cover unrealized losses on securities, which weighed on performance after the 2023 bank failures. Finally, this group of banks most directly benefits from speculation regarding M&A activity.
- » For banks with assets exceeding \$100 billion, strong capital markets activity and deregulatory activity provided a tailwind to performance, even though net interest margins generally remained stable compared to 2024. Citigroup, in particular, boosted index returns with a 66% increase in its share price between year-end 2024 and 2025, as it recaptured some of the valuation multiple discount to G-SIB banks.

- » Banks with assets between \$5 and \$100 billion were stuck in the middle between the smallest and largest banks, with median share price growth of less than 5%. These banks lacked exposure to capital markets activity, as well as the scale to compete with the largest banks. Further, several banks in this group announced M&A transactions that were not well received by the market. This poor performance occurred even with solid EPS growth, as analyst EPS estimates indicate median EPS growth of 12% for 2025 and 11% for 2026.

Figure 4 repeats the analysis in Figure 3 but covers the entire rising rate cycle, beginning from year-end 2021. Despite significant capital accumulation over this period, the median bank reported a share price change of positive 7% (the total change from 2021 to 2025, not an annualized growth rate). It is notable that this period of weak performance occurred in the absence of significant credit costs. In one sense, bank investors are fortunate, as adding higher credit costs to a period marked by significant NIM pressure would have been much more stressful.

Figure 4

Asset Size Range	12/31/21 - 12/31/25 Stock Price Change				% with Share Price Change > 0%	Median Stock Price Change
	Down > 15%	Down 0% to 15%	Up 0% to 15%	Up > 15%		
< \$1 Billion	23%	23%	8%	46%	54%	3%
\$1 - \$5 Billion	24%	14%	16%	46%	62%	11%
\$5 - \$10 Billion	26%	21%	18%	34%	52%	2%
\$10 - \$100 Billion	26%	27%	26%	21%	47%	-3%
> \$100 Billion	6%	11%	22%	61%	83%	24%
Total	24%	20%	19%	37%	56%	7%

Values in the table represent the % of banks with stock price changes of 0% to 15%, greater than 15%, etc.

Source: S&P Capital IQ Pro, Mercer Capital research

Despite rebounding net interest margins and shrinking unrealized losses on securities, Figure 4 illustrates that the bank sector remains out of favor with investors. Almost one-half of the banks with assets less than \$100 billion have not yet recovered their share prices reported at year-end 2021.

Figure 5

Asset Size Range	Acquirer Group	Non-Acquirer Group
\$1 - \$5 Billion	7%	12%
\$5 - \$10 Billion	6%	3%
\$10 - \$100 Billion	-4%	3%

M&A is often pitched as a solution for banks with lagging share prices. However, investors often reacted negatively to announced M&A transactions in 2025, penalizing the acquirer's shares and eroding the nominal deal value sellers expected to receive. Figure 5 compares the share price appreciation for banks that, as the acquirer, announced an acquisition in 2025 versus those that did not. The correlation is not perfect, as acquirers with assets between \$5 and \$10 billion outperformed non-acquirers in the same size range. However, there is no evidence that acquirers significantly outperformed the market in 2025, which would certainly catalyze more M&A activity in 2026.

Figure 6

	Year-Over-Year EPS Change		
	2025	2026	2027
Down More than 25%	7%	4%	0%
Down 10% - 25%	6%	1%	1%
Down 0% - 10%	7%	7%	1%
Total Down	19%	13%	2%
Up 0% - 10%	18%	32%	56%
Up 10% - 25%	29%	32%	33%
Up More than 25%	34%	23%	9%
Total Up	81%	87%	98%
Median EPS Change	16%	11%	9%

Analysis includes banks with assets between \$1 and \$15 billion

2025-27 EPS represents the mean analyst estimate; 2024 represents core EPS

Source: S&P Capital IQ Pro, Mercer Capital research

EPS Estimates & Valuation

After suffering from the effects of the rising interest rate environment, EPS rebounded strongly in 2025. Analysts expect EPS to expand by 16% in 2025, relative to the prior year (see Figure 6 on the previous page). The outlook remains favorable, with median expected EPS growth rates of 11% in 2026 and 9% in 2027.

The estimates do not appear far-fetched, assuming a few basis points of net interest margin expansion, expense control, and low credit costs. Some bugaboos remain, though. NIMs remain subject to intense loan yield competition and refinancing activity among loans originated in 2023, 2024, and early 2025. Credit issues remain a concern, as occurred in the third quarter of 2025 when several banks experienced large credit losses caused by alleged borrower fraud. Third, government policy remains somewhat unpredictable, with the recently floated credit card interest rate cap as an example.

Figure 7

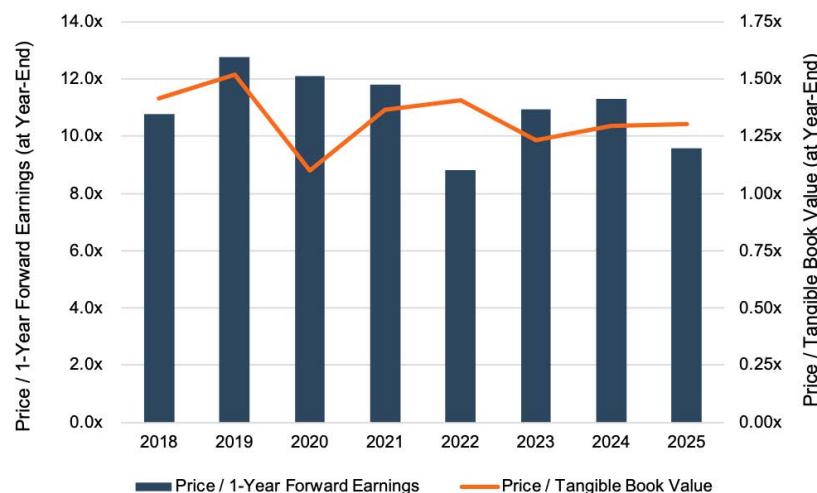


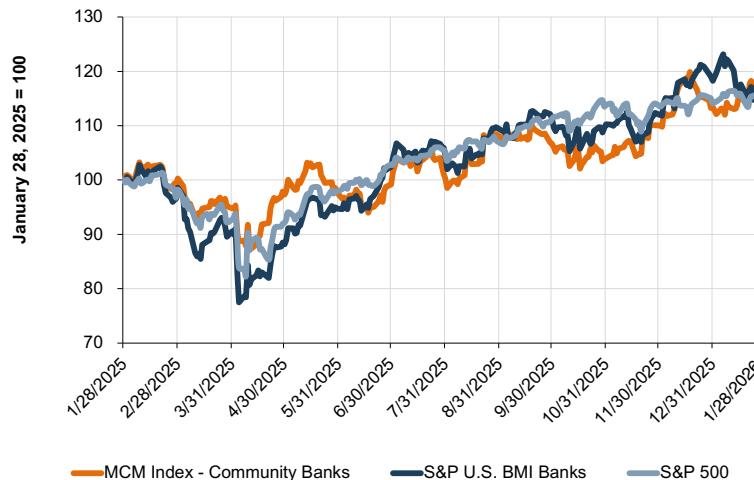
Figure 7 illustrates historical price/one-year forward earnings and price/tangible book value multiples. The median P/E multiple was 9.6x at year-end 2025, which is below the long-term average. This indicates some disconnect between analyst EPS estimates and earnings discounted by the market into banks' share valuations.

Conclusion

Banks cannot directly control the price/earnings multiples assigned by the market, which are a function of growth expectations and the market's risk assessment. Generating consistent earnings and tangible book value growth while keeping risk in check offer the best way to ensure the market eventually rewards banks for their performance.

BankWatch has never selected a Bank of the Year. If we did, however, our award would go to Capital One Financial Corporation. It achieved share price appreciation of [drumroll] 67% between 2021 and 2025.

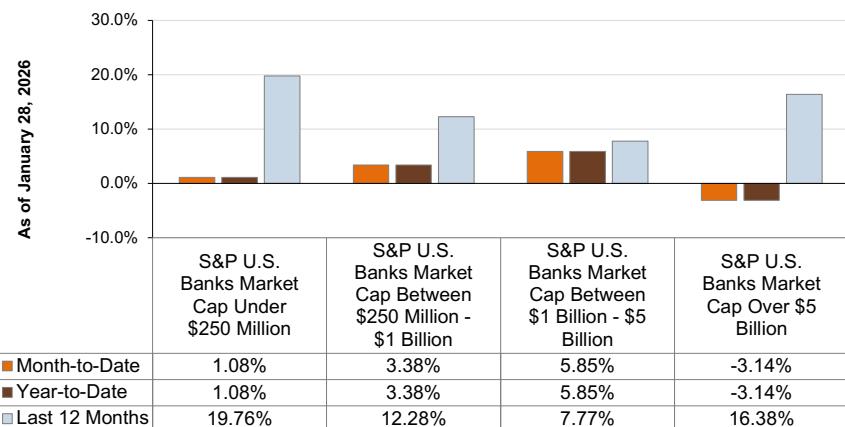
Mercer Capital's Bank Group Index Overview



Source: S&P Capital IQ Pro.

Return Stratification of U.S. Banks

by Market Cap



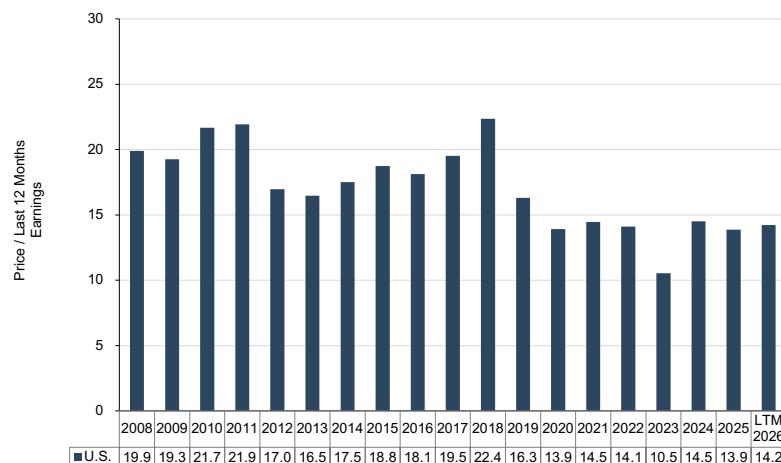
Source: S&P Capital IQ Pro.

	Total Return			Regional Index Data as of January 28, 2026					
	Month-to-Date	Year-to-Date	Last 12 Months	Price/LTM EPS	Price / 2026(E) EPS	Price / 2027(E) EPS	Price / Book Value	Price / Tangible Book Value	Dividend Yield
Atlantic Coast Index	3.0%	3.0%	10.3%	11.7x	10.1x	9.2x	113%	123%	2.6%
Midwest Index	0.5%	0.5%	23.4%	11.7x	9.8x	9.1x	102%	127%	2.5%
Northeast Index	1.9%	1.9%	15.6%	10.9x	8.8x	8.1x	111%	121%	2.8%
Southeast Index	-0.2%	-0.2%	23.1%	13.0x	9.0x	8.4x	100%	113%	2.3%
West Index	1.7%	1.7%	8.8%	13.4x	11.0x	8.8x	105%	122%	2.9%
Community Bank Index	1.3%	1.3%	14.9%	11.8x	9.6x	8.8x	108%	121%	2.7%
S&P U.S. BMI Banks	-2.4%	-2.4%	15.5%	na	na	na	na	na	na

Source: S&P Capital IQ Pro.

Median Price/Earnings Multiples

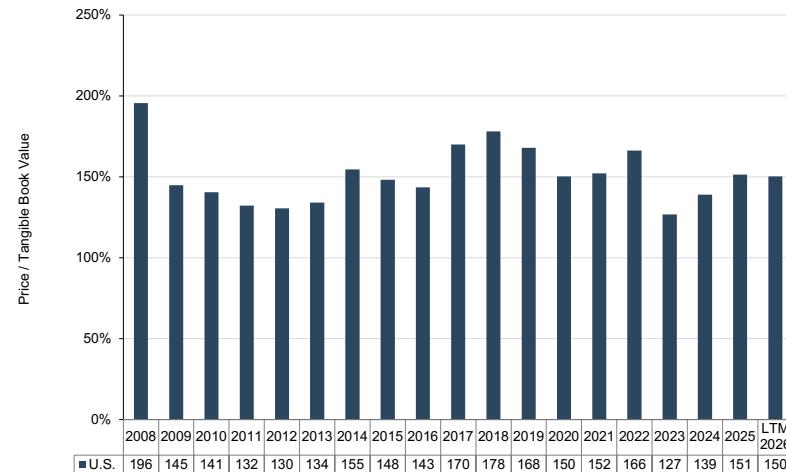
Target Banks' Assets <\$5B and LTM ROE >5%



Source: S&P Capital IQ Pro.

Median Price/Tangible Book Value Multiples

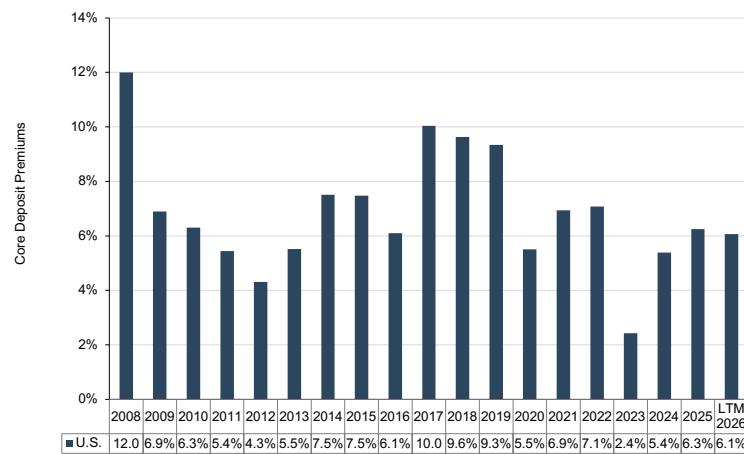
Target Banks' Assets <\$5B and LTM ROE >5%



Source: S&P Capital IQ Pro.

Median Core Deposit Premiums

Target Banks' Assets <\$5B and LTM ROE >5%



Source: S&P Capital IQ Pro.

Median Valuation Multiples for M&A Deals

Target Banks' Assets <\$5B and LTM ROE >5%, 12 months ended January 28, 2026

Regions	Price / LTM Earnings	Price/ Tang. BV	Price / Core Dep Premium	No. of Deals	Median Deal Value (\$M)	Target's Median Assets (\$000)	Target's Median LTM ROAE
Atlantic Coast	17.8x	172%	10.4%	8	187.4	1,058,258	9.3%
Midwest	13.8x	145%	6.9%	19	123.0	1,533,551	11.0%
Northeast	14.0x	126%	2.4%	5	99.1	877,064	8.5%
Southeast	13.8x	132%	4.5%	7	154.1	1,192,160	11.3%
West	16.2x	144%	5.4%	3	176.6	1,235,620	8.5%
National Community Banks	14.2x	150%	6.1%	42	162.1	1,213,890	10.1%

Source: S&P Capital IQ Pro.

Mercer Capital's Regional Public Bank Peer Reports

Updated monthly, Mercer Capital's Regional Public Bank Peer Reports offer a closer look at the market pricing and performance of publicly traded banks in the states of five U.S. regions. Click on the map to view the reports from the representative region.



Atlantic Coast



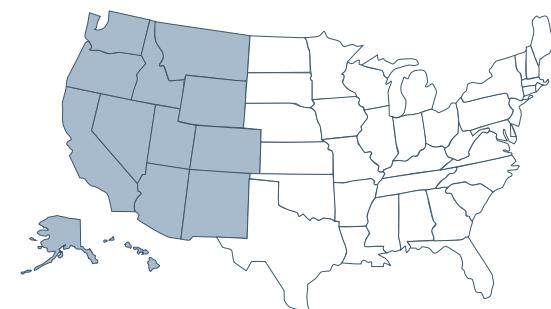
Midwest



Northeast



Southeast



West



OTCQX

with assets greater than \$1.5 billion

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