DATA DISPATCH

Bank stocks slide, but analysts expect fundamentals to hold up in Q3 earnings

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By Alex Graf
Market Intelligence

Bank stocks underperformed the broader market during the last full week of September, but equity analysts still expect depositories to report improving financial metrics when they release third-quarter results.

The KBW Nasdaq Bank index fell 1.0% while the S&P 500 fell 0.4% from the market's close on Sept. 18 to the close on Sept. 25. Even so, Jefferies analyst David Chiaverini wrote in a Sept. 24 research note that he expects third-quarter reports to reflect continued growth in pre-provision net revenue, net interest income, net interest margins, loans and deposits. The analyst also expects banks to report stable credit quality and modest fee income performance given easing economic uncertainty and lower interest rates.

"We remain constructive on US banks despite recent stock choppiness, supported by strong fundamentals and a stable near-term macro backdrop," Chiaverini wrote.

D.A. Davidson analysts Gary Tenner, Jeff Rulis and Peter Winter similarly predicted in a Sept. 25 research note that third-quarter earnings results will highlight moderate loan growth and benign credit trends, though they cautioned that their outlook for net interest income and net interest margin trends was more constrained.

"With prospects of lower interest rates, we expect the growth commentary for 4Q (and potentially into 2026) to remain constructive, and view most as being able to navigate a stair-step pace of rate cuts with minimal top line revenue impact," the analysts wrote.

Chiaverini's recommended "top picks" for regional banks included Citizens Financial Group Inc., Huntington Bancshares Inc. and Fifth Third Bancorp, while his midcap picks were East West Bancorp Inc., Flagstar Financial Inc., Western Alliance Bancorp., Webster Financial Corp. and Valley National Bancorp.

D.A. Davidson's analysts also listed several names they liked heading into third-quarter earnings, including Axos Financial Inc., Banner Corp., Bank of Marin Bancorp., Bridgewater Bancshares Inc., Citizens Financial Group, First Foundation Inc., Five Star Bancorp, KeyCorp and U.S. Bancorp. The analysts added that their outlook was less constructive for Midland States Bancorp Inc., Prosperity Bancshares Inc. and Triumph Financial Inc.

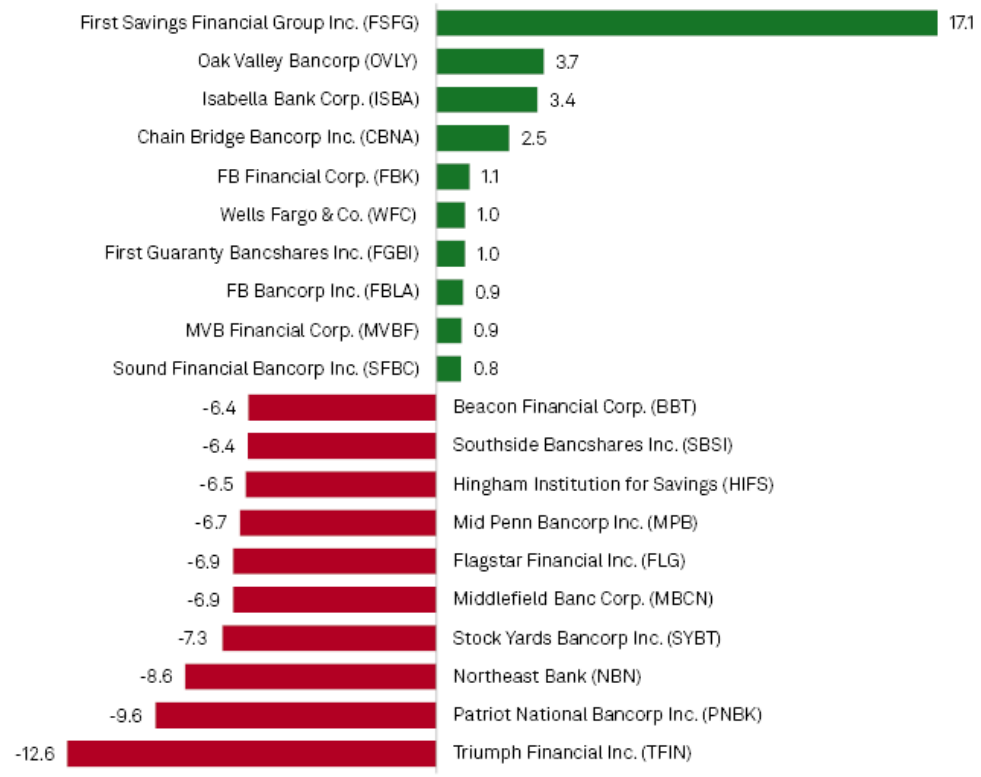
Worst performers

Triumph Financial was the week's worst-performing bank stock with a total return of negative 12.6%. Triumph was previously the industry's worst performer from the market's close on Sept. 4 to the close on Sept. 11 after the company disclosed that its subsidiary, TBK Bank SSB, is the agent bank for a $60.5 million loan facility to Tricolor Holdings LLC, which filed for bankruptcy Sept. 10.

Patriot National Bancorp Inc. was the second-worst performer with a total return of negative 9.6%, and Northeast Bank was the third-worst performer with a total return of negative 8.6%.

Best-, worst-performing US bank stocks

Total return calculated from Sept. 18, 2025, to Sept. 25, 2025 (%)



Data compiled Sept. 26, 2025.

Includes public banks that have a primary listing on major US exchanges with a market capitalization greater than $100 million as of Sept. 25, 2025.

Source: S&P Global Market Intelligence.

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Best performers

Only 21 banks posted positive returns during the week, according to an S&P Global Market Intelligence analysis. First Savings Financial Group Inc. was the top-performing bank of the week with a total return of 17.1%, while Oak Valley Bancorp was the second-best performer of the week with a total return of 3.7%. Isabella Bank Corp. rounded out the top three with a total return of 3.4%.

First Merchants Corp. announced an agreement to acquire First Savings Financial Group Inc. on Sept. 25. On the day of the announcement, the company's stock surged to a 52-week high, rising 13.4% from the previous day's close. The transaction will provide First Merchants with added scale in Indiana with an achievable cost savings target, Piper Sandler analyst Nathan Race wrote in a Sept. 25 research note. First Merchants can also reposition First Savings' securities portfolio to enhance earnings per share, prune lower-yielding loans from the seller's portfolio and redeploy the proceeds into higher-yielding commercial loans, the analyst added.

"While we were not anticipating an acquisition announcement given recent [management] commentary, FRME's strong organic growth prospects and solid stand-alone outlook, we believe this deal makes attractive strategic sense," Race wrote.

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