Canada Banking Sector Intelligence

Strategic market-intelligence summary for the Canadian banking sector - Full-Year 2025

FinQuest

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Strategic Summary, Full-Year 2025

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Canada's banking sector closed fiscal 2025 with strong capital, expanding balance sheets, improved underlying earnings, and resilient funding despite slower domestic growth, trade-policy uncertainty, and a large mortgage-renewal cycle. The strategic priority for 2026 is to protect earnings quality and credit discipline while accelerating operating efficiency, regulatory remediation, cyber resilience, consumer-driven banking, and real-time payments readiness.

The six domestic systemically important banks reported combined assets of approximately C$9.05 trillion, up 5.7% from fiscal 2024. Canadian-dollar gross deposits reached C$3.13 trillion at December 2025, aggregate D-SIB Common Equity Tier 1 capital stood at 13.7%, and the Big Six reported approximately C$69.9 billion of net income. Reported earnings growth, however, was materially affected by institution-specific transactions and prior-year charges, so adjusted performance remains the better measure of operating momentum.

This brief uses OSFI, Bank of Canada, Department of Finance Canada, Payments Canada, and bank annual-report data as its primary evidence base. It translates the sector's financial strength and concentrated structure into practical implications for capital, liquidity, credit, operating-model efficiency, compliance, technology, payments, and resilience.

NOTABLE FROM THE REPORT

C$9.05tn	C$3.13tn	13.7%	C$69.9bn	60%
Big Six assets	Canadian-dollar deposits	Aggregate D-SIB CET1	Big Six reported net income	Mortgages renewing
FY2025	Dec. 2025	Q4 2025	FY2025	2025-2026

Canada entered 2026 with strong capitalization, deep deposit franchises, profitable national institutions, and stable access to funding. The task is not simply to preserve resilience; it is to convert scale and earnings into sharper execution, lower structural cost, stronger financial-crime and fraud controls, and modern customer and payment infrastructure.

SCOPE OF THIS EDITION

This Full-Year 2025 Executive Report is designed as a concise market-intelligence summary for executives, boards, investors, and institutional stakeholders. It is not intended to replace a full banking-sector diagnostic, supervisory assessment, or analysis of any individual institution. Future editions may expand the framework to include peer-group margins, efficiency ratios, loan growth by portfolio, deposit beta, wholesale-funding composition, impaired loans, provisions, and regional credit concentration.

Note: Figures have been rounded for executive presentation. Big Six figures reflect fiscal years ending October 31, 2025; Bank of Canada deposit figures are calendar year-end. Cover image: Toronto skyline and CN Tower at night, Wladyslaw Sojka, Wikimedia Commons, CC BY 3.0.

1. Executive overview

At fiscal year-end 2025, the six domestic systemically important banks held combined assets of approximately C$9.05 trillion, compared with C$8.56 trillion a year earlier - an increase of C$491 billion, or 5.7%. The scale of the system remains concentrated: the D-SIBs account for approximately 93% of assets held by federally regulated deposit-taking institutions.

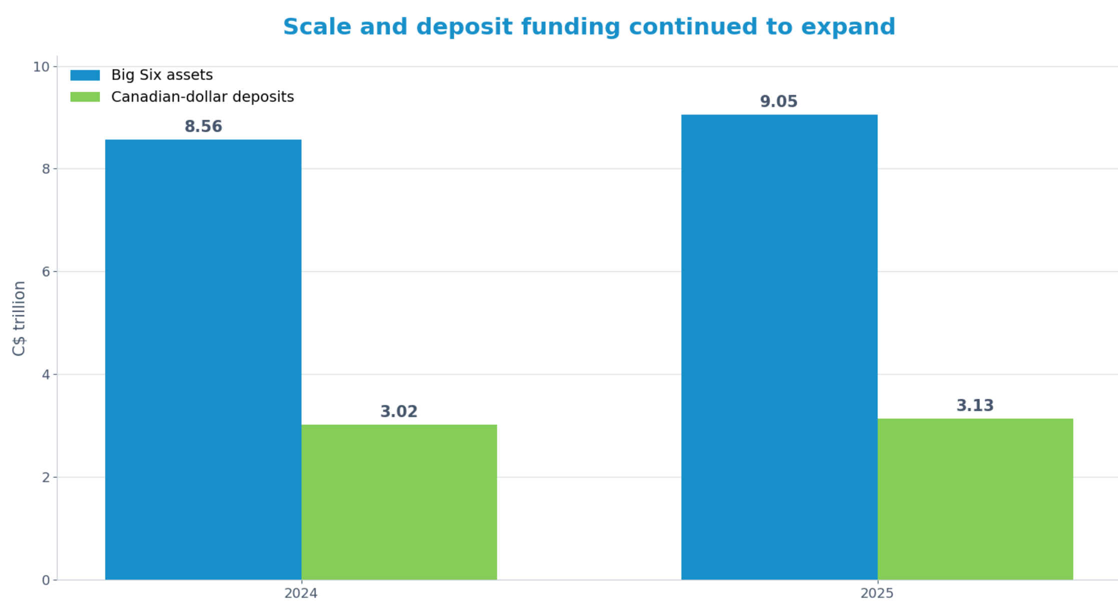
Canadian-dollar gross deposits reached approximately C$3.13 trillion in December 2025, up C$115.5 billion, or 3.8%, from December 2024. Personal deposits were approximately C$1.60 trillion and non-personal deposits approximately C$1.52 trillion, confirming that the domestic funding base remained broad even as institutions continued to use wholesale and foreign-currency funding.

Capital remained a core strength. OSFI reported an aggregate D-SIB CET1 ratio of 13.7% at Q4 2025, compared with a supervisory expectation of at least 11.5%. OSFI maintained the Domestic Stability Buffer at 3.5% of risk-weighted assets through year-end, preserving substantial usable capacity against system-wide stress.

The sector also remained profitable, but headline comparability requires discipline. Big Six reported net income reached approximately C$69.9 billion, compared with C$51.3 billion in fiscal 2024. The increase overstates underlying sector acceleration because TD's reported results were materially affected by strategic transactions in 2025 and major U.S. AML-related charges in the prior year.

Exhibit 1

Scale and deposit funding continued to expand



Source: Big Six 2025 annual reports; Bank of Canada, Chartered Bank Selected Liabilities; FinQuest analysis.

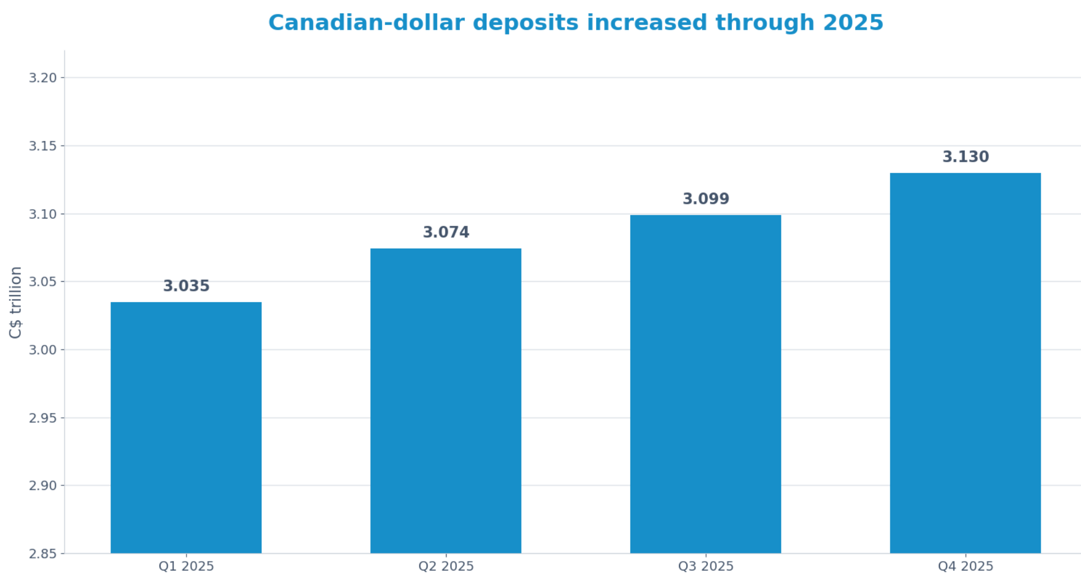
2. Sector scale, funding depth, and liquidity capacity

The clearest 2025 funding signal was steady growth in Canadian-dollar deposits. Gross deposits increased from C$3.04 trillion in the first quarter to C$3.13 trillion at year-end, while foreign-currency deposits with Canadian residents also increased. This supported balance-sheet growth without evidence of broad deposit dislocation.

- **Funding resilience should still be actively governed. Large Canadian banks combine retail and commercial deposits with covered bonds, securitization, senior debt, secured funding, and foreign-currency wholesale markets. Boards should therefore monitor deposit concentration, rate sensitivity, uninsured balances, term structure, encumbrance, currency mismatches, and market-access assumptions as an integrated funding agenda.**
- **Liquidity quality matters more than reported liquidity volume. Institutions should continue to test rapid deposit outflows, collateral calls, market closures, cyber-related payment disruption, and cross-border liquidity constraints. The objective is to preserve reliable access to liquidity while avoiding an unnecessarily expensive funding structure as interest rates normalize.**

Exhibit 2

Canadian-dollar deposits increased through 2025



Source: Bank of Canada, Chartered Bank Selected Liabilities, monthly data; FinQuest analysis.

3. Profitability, cost discipline, and reinvestment capacity

The Big Six reported approximately C$69.9 billion of net income in fiscal 2025, compared with C$51.3 billion in 2024. RBC, BMO, CIBC, and National Bank delivered meaningful earnings growth, while Scotiabank's reported result was broadly stable. TD's reported result improved sharply, but the year-over-year comparison was distorted by strategic gains, restructuring, and prior-year U.S. AML-related charges.

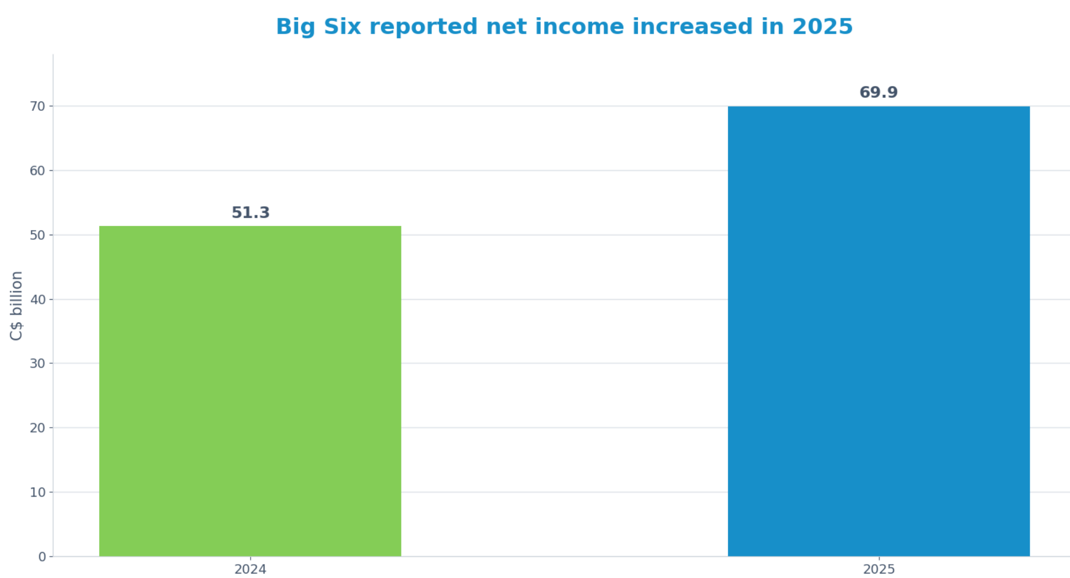
The more relevant strategic signal is that the sector retains substantial internal capacity to invest. Priority areas include U.S. and Canadian financial-crime remediation, fraud prevention, cloud and cyber resilience, data lineage, core-platform simplification, AI governance, customer-service automation, and decision-grade management information.

Cost discipline cannot be reduced to short-term expense compression. Banks should govern transformation through measurable outcomes: lower unit cost, reduced manual processing, stronger control performance, faster product delivery, better data quality, improved customer retention, and lower operational-loss exposure. Scale is only an advantage when it produces repeatable operating leverage.

The operating-model implication is clear: strong earnings and scale should fund control modernization and structural efficiency, not only incremental technology. Investment cases should measure unit cost, automation, data quality, customer outcomes, financial-crime risk reduction, and resilience.

Exhibit 3

Big Six reported net income increased in 2025



Source: RBC, TD, BMO, Scotiabank, CIBC, and National Bank 2025 annual reports; FinQuest analysis.

4. Credit deployment and asset-quality discipline

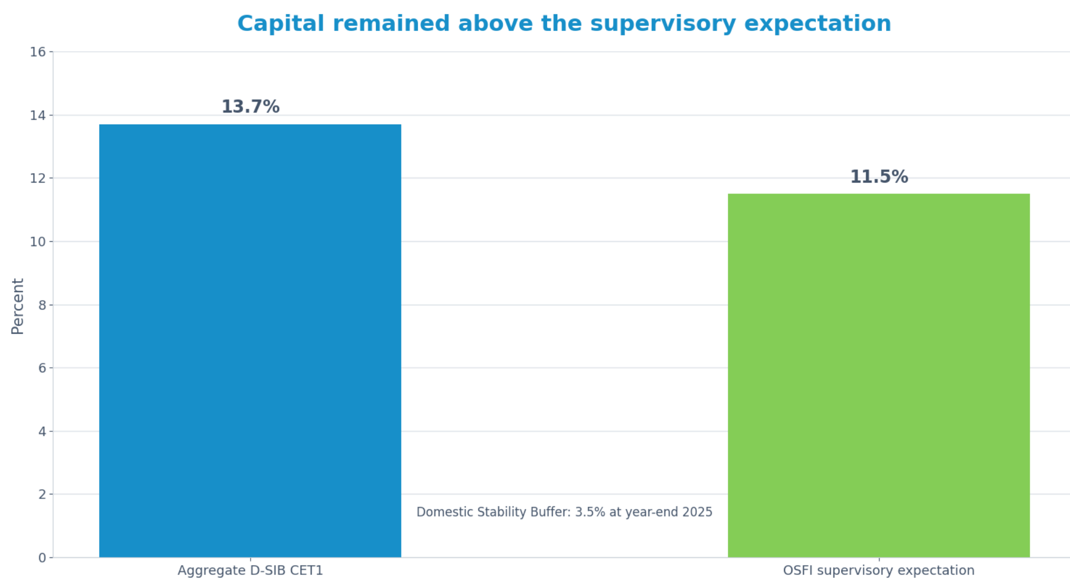
Canada's credit profile remains heavily influenced by residential real estate and household leverage. The Bank of Canada estimated that about 60% of outstanding mortgages would renew in 2025 or 2026 and that roughly 60% of that group would face higher payments. Lower policy rates reduced the expected payment shock, but borrower affordability, unemployment, and regional housing conditions remain central risk variables.

Mortgage arrears remained low by historical and international standards, and subsequent Bank of Canada analysis indicated that most borrowers were managing higher renewal payments without a broad rise in bank loan losses. The appropriate response is not indiscriminate tightening; it is granular monitoring of payment resets, debt-service capacity, uninsured mortgages, investor properties, variable-rate borrowers, and vulnerable geographic and income segments.

> **The constructive read is that mortgage-renewal risk remains manageable at the system level, but averages can conceal vulnerable borrower groups. Credit governance should therefore move from broad portfolio comfort toward timely borrower-level segmentation and intervention.**

Exhibit 4

Capital remained above the supervisory expectation



Source: OSFI, Benchmarking Canadian Bank Capital Ratios to International Peers, February 2026; OSFI Domestic Stability Buffer decision, December 2025; FinQuest analysis.

5. Market structure, concentration, and industry consolidation

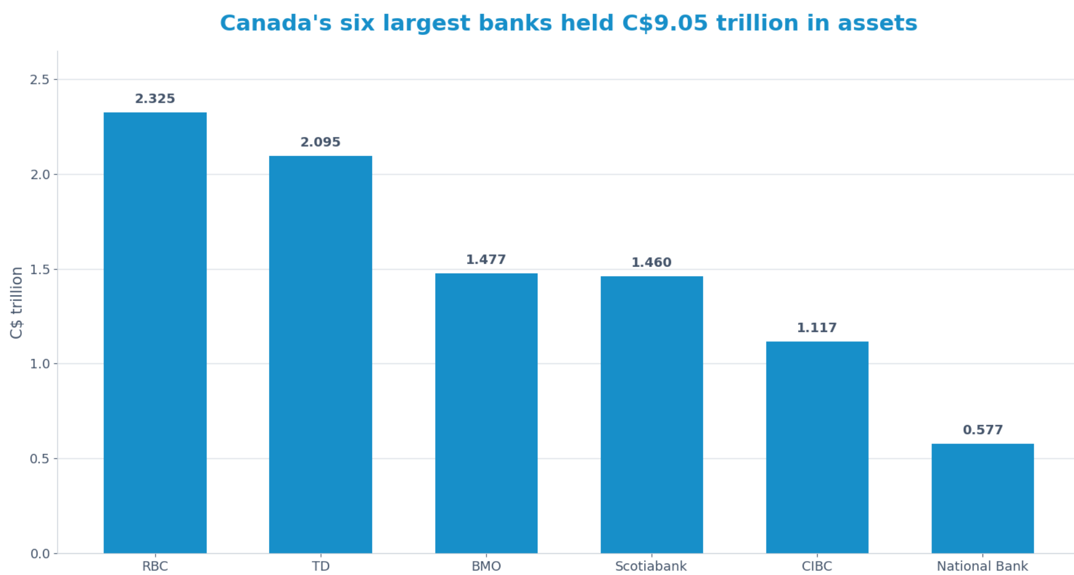
Canada's banking market is structurally concentrated. The six D-SIBs account for approximately 93% of assets held by federally regulated deposit-taking institutions, and their combined assets reached C$9.05 trillion in fiscal 2025. Scale provides funding access, national distribution, technology capacity, diversified earnings, and the ability to absorb large regulatory and operational investments.

Concentration also raises the importance of operational resilience and credible recovery capability. The acquisition of Canadian Western Bank by National Bank increased the scale of the sixth-largest institution and reinforced the strategic value of national distribution and commercial-banking depth. Across the market, competitive differentiation will depend less on balance-sheet size alone and more on execution speed, service quality, data integration, and control maturity.

Concentration creates resilience through scale, but it also increases the consequences of operational failure. Large institutions need tested recovery, consistent group controls, interoperable data, and rapid decision-making across Canadian and international businesses.

Exhibit 5

The six largest banks held C$9.05 trillion in assets



Source: Big Six 2025 annual reports; OSFI publications on domestic systemically important banks; FinQuest analysis.

6. FinQuest view: 2026 priorities for banks

- ✓ **Protect capital and liquidity through the mortgage-renewal and trade cycle.** Maintain forward-looking capital plans, funding diversification, collateral capacity, and liquidity scenarios calibrated to borrower stress, market disruption, and cross-border funding risk.
- ✓ **Shift from broad credit monitoring to borrower-level early warning.** Integrate payment-reset data, employment sensitivity, collateral values, commercial real-estate exposure, unsecured consumer credit, and sector concentration into timely portfolio action.
- ✓ **Convert compliance remediation into an enterprise operating-model reset.** Use U.S. AML lessons to strengthen governance, data lineage, transaction monitoring, quality assurance, issue management, accountability, and sustainable control staffing across the group.
- ✓ **Prepare for consumer-driven banking and real-time payments as operating-model changes.** Build API governance, consent management, fraud controls, customer authentication, 24/7 liquidity and operations, ISO 20022 data capability, and clear third-party accountability.
- ✓ **Treat efficiency, cyber resilience, fraud, and data as one transformation agenda.** Simplify platforms and processes while strengthening recovery testing, supplier governance, identity controls, enterprise data standards, and measurable returns from technology investment.

7. 2026 outlook

Full-year 2025 indicators support a constructive but more demanding outlook for 2026. The sector enters the year with high capital ratios, strong franchises, stable funding access, and significant earnings capacity. Lower interest rates may support loan demand and mortgage affordability, but they can also compress margins and intensify competition for deposits and fee revenue.

The most important strategic shift should be from reported earnings growth toward earnings quality: sustainable margin management, disciplined credit, lower structural cost, credible compliance execution, stronger fraud and cyber controls, and digital infrastructure that can operate safely at national scale.

FinQuest perspective: Canada's banking sector enters 2026 with substantial capital, funding, and earnings capacity. The opportunity is to convert these advantages into better earnings quality, lower structural cost, credible compliance execution, and secure modernization of data sharing and payments.

8. Country operating context

The Bank of Canada ended 2025 with the policy rate at 2.25%, after cuts in January, March, September, and October. Easier monetary conditions reduced debt-service pressure, but Canada's economy remained exposed to trade-policy uncertainty, slower population and output growth, unemployment risk, and the lagged effect of mortgage renewals on household consumption.

The prudential stance remained conservative. OSFI maintained the Domestic Stability Buffer at 3.5% through December 2025 and expected D-SIBs to target CET1 capital of at least 11.5%. Supervisory priorities continued to emphasize capital, liquidity, integrity and security, operational resilience, third-party risk, financial crime, and credible risk data.

Financial infrastructure also moved toward a more competitive model. Budget 2025 advanced the Consumer-Driven Banking Framework, while Payments Canada completed the Real-Time Rail technical build and entered comprehensive testing. These initiatives create material opportunities, but require banks to redesign consent, API, fraud, liquidity, operations, data, and customer-protection controls rather than treat the changes as narrow technology projects.

Canada's institutional strength and prudential discipline remain important advantages. The strategic requirement is execution: manage mortgage and trade risk, modernize payments and data sharing, strengthen fraud and cyber defenses, and ensure that transformation produces measurable operating value.

9. Sources and use note

This report was prepared by FinQuest using publicly available data and publications issued by Canadian regulatory, central-bank, government, payment-system, industry, and banking institutions. Figures are rounded for executive readability and should be reconciled against the original releases before external publication, regulatory submission, or client-specific advisory use.

- Office of the Superintendent of Financial Institutions, Financial Data for Banks and Domestic Stability Buffer decisions, 2025.
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- Bank of Canada, Financial Stability Report 2025 and Financial Stability Report 2026.
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- Department of Finance Canada, Budget 2025 Consumer-Driven Banking Framework.
- Payments Canada, Real-Time Rail 2025 delivery, consultation, sandbox, and testing updates.

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