# US Banking Sector Intelligence

Strategic market-intelligence summary
for the US banking industry – Full-Year 2025

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## Strategic Summary, Full-Year 2025

July 2026 | Strategic analysis report prepared by FinQuest | New York, United States

The U.S. banking industry closed 2025 with expanded scale, record full-year earnings, a larger capital base, and asset quality that stayed within its normal range despite pockets of stress. The near-term opportunity is to convert this balance-sheet strength into disciplined credit growth, sharper capital and liquidity management, and continued technology and payments modernization, against a fiscal and monetary backdrop that turned more uncertain toward year-end.

Full-year 2025 indicators point to an industry that combined broad-based earnings growth with steady balance-sheet expansion. This performance unfolded alongside a markedly different regulatory posture from federal banking agencies over the course of the year, including a reassessment of the 2023 Basel III Endgame capital proposal, an easing of the enhanced supplementary leverage ratio for the largest institutions, and a stated shift in supervisory emphasis toward material financial risk rather than governance formalities. The Federal Reserve resumed cutting interest rates in the second half of the year, moving the federal funds rate from 4.25%–4.50% to 3.50%–3.75% as labor-market conditions cooled even as tariff-related price pressure kept inflation elevated.

Against this backdrop, aggregate assets, deposits, and equity capital all increased compared with year-end 2024, while full-year 2025 net income rose 10.2% versus 2024 on wider margins and continued loan growth. This brief uses FDIC and Federal Reserve data as its primary evidence base and translates both the industry's financial indicators and the shifting regulatory and macroeconomic backdrop into practical implications for capital deployment, credit discipline, balance-sheet resilience, and digital and payments modernization.

### NOTABLE FROM THE REPORT

| USD 25.3tn | USD 18.4tn | 10.3% | USD 295.6bn | 76,000+ |
|---|---|---|---|---|
| Sector assets | Domestic deposits | Equity-to-assets ratio | Full-year net income | Branches & offices |
| FDIC-insured, Q4 2025 | Q4 2025 | Q4 2025 | 2025 | Mid-2025 |

*Scale provides reach, earnings provide reinvestment capacity, and capital provides resilience. The strategic task for 2026 is to convert these advantages into disciplined credit growth and stronger risk infrastructure, particularly in the portfolios still running above pre-pandemic stress levels.*

### 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, a supervisory assessment, or analysis of any individual institution. Future editions may expand the analytical framework to include additional indicators such as loan-to-deposit ratio by peer group, aggregate return on equity, cost-to-income ratio, revenue composition, portfolio quality by loan category, credit concentration by borrower type, and broader liquidity and funding measures.

*Note: Figures sourced from FDIC and Federal Reserve publications have been rounded for executive presentation and reflect all FDIC-insured commercial banks and savings institutions unless otherwise stated.*

## 1. Executive overview

At the end of 2025, aggregate assets of FDIC-insured commercial banks and savings institutions reached approximately USD 25.26 trillion, compared with USD 24.10 trillion at year-end 2024, an increase of USD 1.16 trillion, or 4.8%.

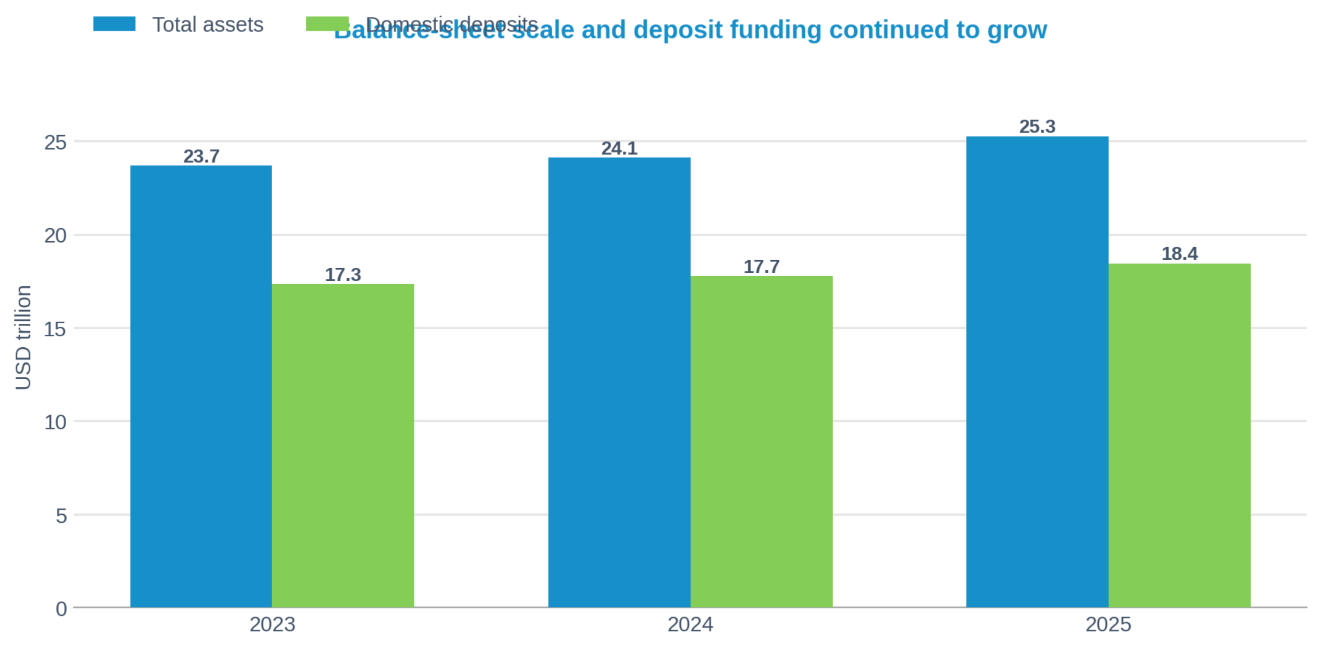
The industry's funding profile remains anchored by domestic deposits. Aggregate deposits increased from approximately USD 17.75 trillion at year-end 2024 to approximately USD 18.44 trillion at year-end 2025, a gain of USD 690 billion, or 3.9%. Deposits rose in every quarter of the year, the sixth consecutive quarterly increase entering 2026, with fourth-quarter growth driven substantially by estimated uninsured deposits.

Capitalization also strengthened. Aggregate equity capital rose from approximately USD 2.41 trillion at year-end 2024 to approximately USD 2.60 trillion at year-end 2025, lifting the industry's equity-to-assets ratio from 10.00% to 10.28%. For the largest institutions subject to the Federal Reserve's annual stress test, the aggregate common equity tier 1 capital ratio stood at 12.8% in the fourth quarter — comfortably above regulatory minimums. The capital position provides a platform for balance-sheet resilience, continued technology investment, and a more orderly transition to whatever framework ultimately emerges from the pending Basel III Endgame re-proposal.

The number of FDIC-insured institutions continued to decline, from 4,487 at year-end 2024 to 4,336 at year-end 2025, extending a consolidation trend that has cut the number of U.S. banks by more than half since 2010.

*Exhibit 1*

**Balance-sheet scale and deposit funding continued to grow**




*Source: FDIC Statistics at a Glance and Historical Trends, 2023–2025; FinQuest analysis.*

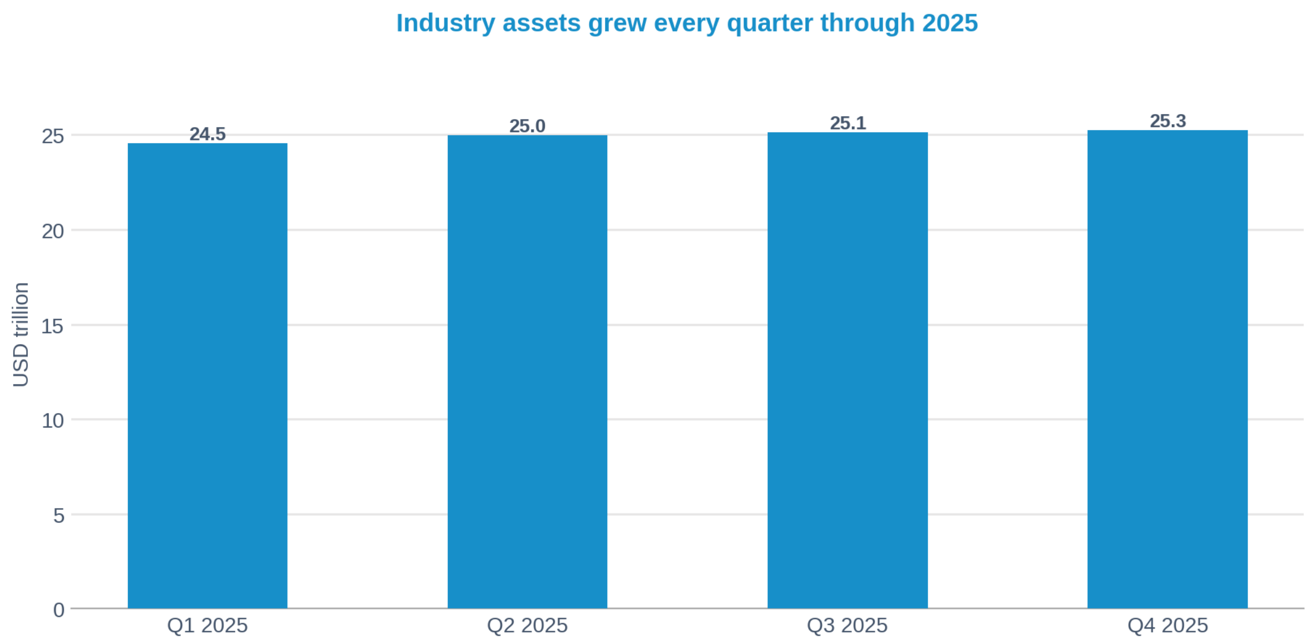
## 2. Sector scale, funding depth, and liquidity capacity

The clearest 2025 signal is the combination of steady balance-sheet growth and deepening deposit funding. Total industry assets rose in every quarter of the year — from approximately USD 24.54 trillion in the first quarter to USD 25.26 trillion in the fourth — while annual loan growth accelerated to 5.9% by year-end, the fastest pace in eleven quarters. This is not only a size story; it is a funding-and-deployment story. Institutions enter 2026 with a larger deposit base, a wider net interest margin, and more room to modernize treasury and credit-deployment frameworks.

- **Unrealized losses eased but remain elevated.** Unrealized losses on investment securities stood at approximately USD 306 billion at year-end 2025 and fell 9.2% in the fourth quarter alone — the lowest level since the first quarter of 2022 — as mortgage rates declined. Longer-term loans and securities fell to 33.7% of total assets, the lowest share since 2020 and the twelfth consecutive quarterly decline, pointing to a continued shift toward shorter-duration, more liquid balance sheets.
- **Liquidity should be actively governed, not passively held.** This funding strength is a strategic resource best governed through ALCO discipline, deposit-behavior analytics, continued attention to the mix of insured versus uninsured deposits, and clear investment policy for redeploying liquidity into productive, risk-adjusted assets as duration risk continues to be worked down.

*Exhibit 2*

**Industry assets grew every quarter through 2025**




*Source: FDIC Statistics at a Glance, Q1–Q4 2025; FinQuest analysis.*

## 3. Profitability, cost discipline, and reinvestment capacity

2025 profitability was a genuinely positive signal for the industry. Full-year net income reached approximately USD 295.6 billion, up USD 27.5 billion, or 10.2%, from 2024, lifting industry-wide return on assets to 1.20% from 1.12%. Net interest margin expanded to 3.39% in the fourth quarter — the highest level since 2019 — as the decline in funding costs outpaced the decline in asset yields.

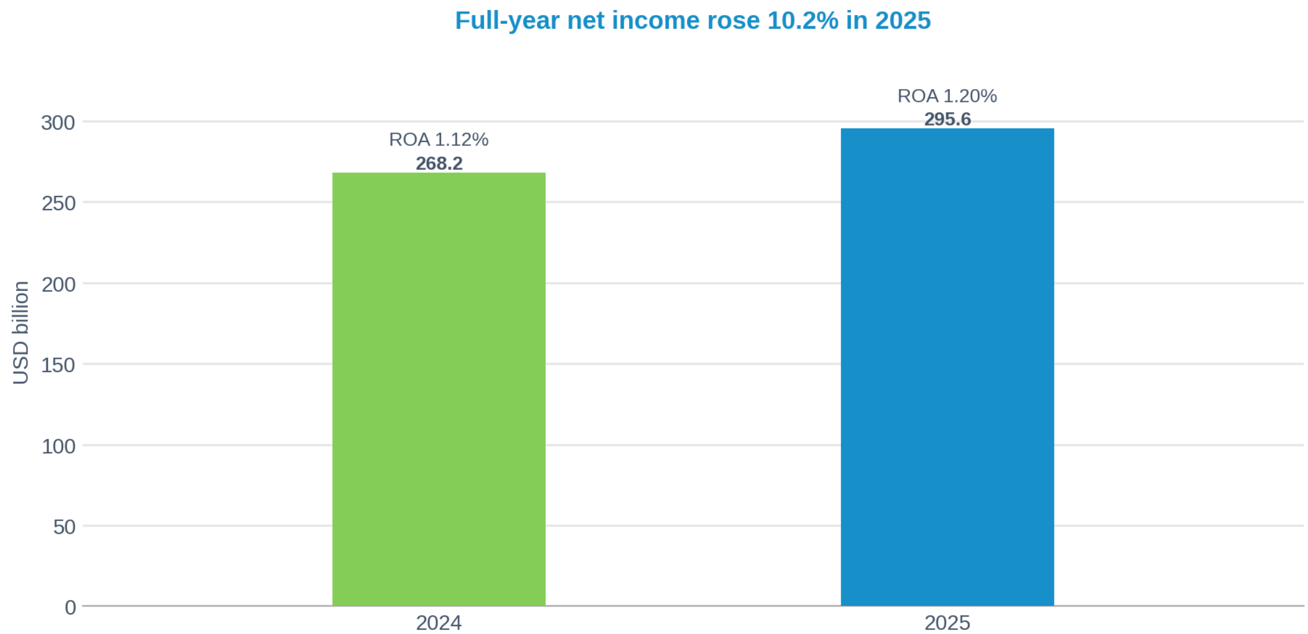
Community banks captured an outsized share of the improvement. Full-year net income for the more than 3,900 FDIC-insured community banks rose 22.5% to USD 29.9 billion, with full-year pretax return on assets up 18 basis points to 1.32%, driven primarily by higher net interest income.

This earnings momentum matters because it builds internal funding capacity for reinvestment. Institutions can use this window to strengthen core systems, digital and mobile channels, cybersecurity, fraud and AML monitoring, credit analytics, and management information — treating profitability as a modernization enabler rather than only a short-term financial outcome.

**The operating-model implication is clear: institutions with stronger cost discipline and clearer revenue visibility can move faster on transformation. Even so, transformation should be sequenced — the highest-value first wave should focus on credit-workflow discipline in the portfolios still running hot, particularly nonowner-occupied commercial real estate, credit cards, and auto, before broader product expansion.**

*Exhibit 3*

**Full-year net income rose 10.2% in 2025**




*Source: FDIC Quarterly Banking Profile, Fourth Quarter 2025; FinQuest analysis.*

## 4. Credit deployment and asset-quality discipline

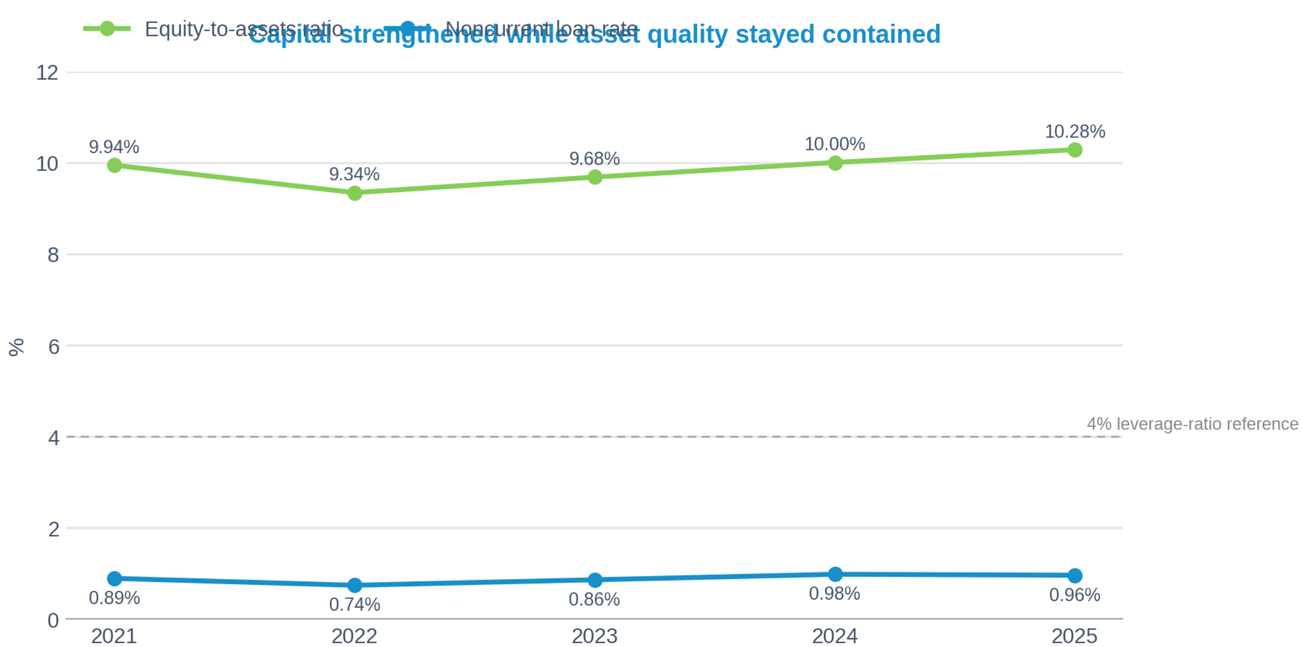
Credit growth accelerated through 2025. Total loans and leases reached approximately USD 13.48 trillion at year-end, against deposits of USD 18.44 trillion and total assets of USD 25.26 trillion — an industry-wide loan-to-deposit ratio of roughly 73%. Fourth-quarter growth was led by loans to non-depository financial institutions, credit card balances, securities-backed lending, nonowner-occupied commercial real estate, and commercial and industrial loans.

Asset-quality indicators stayed within a generally favorable range, though with pockets of continued stress. The noncurrent loan rate across all loan categories was 0.96% at year-end 2025, essentially unchanged from 0.98% a year earlier, while the industry's loss-reserve coverage ratio eased to 171.2% from 177.9% — still well above pre-pandemic norms. The broader past-due-and-nonaccrual rate stood at 1.56% in the fourth quarter, below the 1.94% pre-pandemic average, and the quarterly net charge-off rate of 0.63% improved 8 basis points from a year earlier.

**The area still warranting the closest attention is nonowner-occupied commercial real estate at the very largest institutions: past-due-and-nonaccrual rates there, while improving for a fifth consecutive quarter, stood at 4.06% among banks with more than USD 250 billion in assets — well above the pre-pandemic average of 0.58% — alongside continued elevated delinquency in credit card and auto portfolios. The constructive read is not that lenders should pull back broadly. It is that the industry can keep expanding productive credit provided underwriting, sector limits, borrower monitoring, and recovery capability keep pace, with particular discipline applied to CRE, card, and auto exposures.**

*Exhibit 4*

**Capital strengthened while asset quality stayed contained**




*Source: FDIC financial soundness and asset-quality indicators, 2021–2025; FinQuest analysis.*

## 5. Market structure, concentration, and industry consolidation

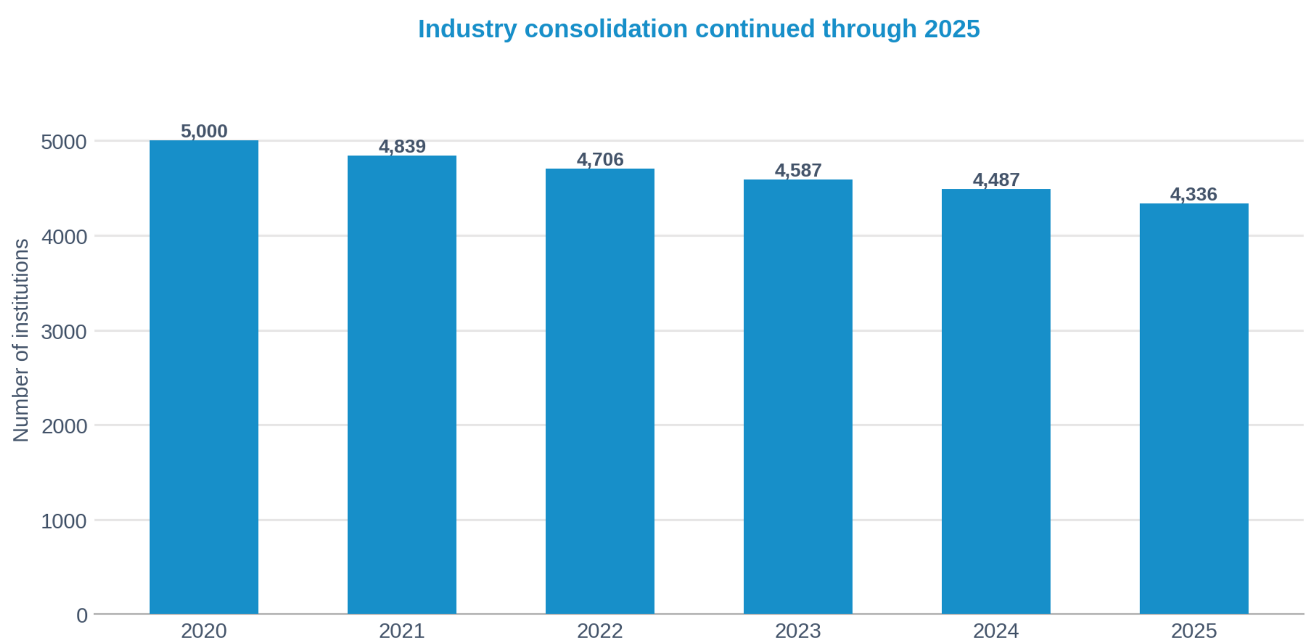
The U.S. banking industry remains structurally concentrated at the top even as the number of institutions continues to shrink. The four largest banks by assets — JPMorgan Chase, Bank of America, Citigroup, and Wells Fargo — held combined assets of approximately USD 10.0 trillion at year-end 2025, or roughly 40% of total industry assets, reflecting scale advantages in funding cost, technology spend, and operating efficiency that continue to compound at the largest institutions.

At the other end of the structure, the number of FDIC-insured institutions fell to 4,336 at year-end 2025 from 4,487 a year earlier — a decline of 151 institutions, or 3.4% — extending an unbroken consolidation trend that has cut the number of U.S. banks by more than half since 2010. Sixty institutions sat on the FDIC's confidential Problem Bank List at year-end, or 1.4% of the total, within the normal 1%–2% range for a non-crisis period, and no bank failed in the fourth quarter — capping a year with the smallest asset losses from failures since 2022.

**The practical implication for smaller and mid-sized institutions is that scale economics are real but not determinative. Institutions below roughly USD 1 billion in assets continue to earn wider net interest margins than the largest banks by pricing to relationship rather than to market, but they also run meaningfully higher efficiency ratios. The competitive question for 2026 is less about matching the scale of the largest banks and more about converting relationship pricing power into a cost base that can sustain it.**

*Exhibit 5*

**Industry consolidation continued through 2025**




*Source: FDIC Historical Trends and Statistics at a Glance, 2020–2025; FinQuest analysis.*

## 6. FinQuest view: 2026 priorities for banks

- ✓ **Convert earnings strength into balance-sheet resilience.** Use 2025's earnings momentum to build capital buffers ahead of the pending Basel III Endgame re-proposal, continue working down unrealized securities losses, and extend the multi-year shift toward shorter-duration, more liquid balance sheets.
- ✓ **Sharpen underwriting and monitoring in the portfolios still running hot.** Nonowner-occupied CRE, credit card, and auto portfolios remain above pre-pandemic stress norms even where headline asset quality looks favorable. Priority should go to sector limits, early-warning indicators, collateral revaluation discipline, and collections capacity in these categories specifically, rather than broad-based tightening.
- ✓ **Prepare now for the 2026 capital-rules transition.** With the Basel III Endgame re-proposal issued in March 2026 and the enhanced supplementary leverage ratio already eased for GSIBs in late 2025, institutions — particularly the largest banks — should model multiple capital scenarios, engage the comment process, and avoid capital-allocation decisions that would need to be unwound under a materially different final rule.
- ✓ **Accelerate digital banking, payments, and stablecoin readiness.** The next phase should include continued build-out of instant payments, digital account opening, fraud and AML analytics, and readiness for the GENIUS Act's stablecoin framework as Treasury and the FDIC finalize implementing rules.
- ✓ **Treat scale strategy as a board-level agenda.** With four institutions holding roughly 40% of industry assets and consolidation continuing, mid-sized and community banks should treat efficiency ratio, technology investment, and M&A posture as an explicit strategic choice for 2026 rather than a byproduct of day-to-day operations.

## 7. 2026 outlook

Full-year 2025 indicators support a constructive, if more complicated, outlook for 2026. The industry enters the year with four real strengths: earnings momentum, a strengthened capital base, an expanding deposit franchise, and asset quality that remains within historical norms in aggregate. These strengths sit alongside a genuinely more uncertain fiscal and monetary backdrop than institutions faced entering 2025.

The most important strategic shift for 2026 should be from balance-sheet growth toward balance-sheet quality: converting earnings into capital resilience, working down remaining unrealized losses, and tightening underwriting discipline in the specific portfolios still running above pre-pandemic stress levels, rather than pursuing broad-based expansion.

**FinQuest perspective: the U.S. banking industry enters 2026 with the earnings power, capital base, and funding franchise to absorb a more uncertain policy environment. The opportunity is to convert 2025's balance-sheet strength into sharper credit discipline, faster capital-rule readiness, and continued digital and payments modernization, even as a still-unsettled fiscal picture and a new Federal Reserve chair keep the macro backdrop more fluid than the industry's own fundamentals.**

## 8. Country operating context

The industry's balance-sheet strength should be read against a fiscal and monetary environment that grew more turbulent as 2025 progressed. The Federal Reserve held its policy rate steady for most of the year before cutting three times in succession — at its September, October, and December meetings — moving the federal funds rate from a range of 4.25%–4.50% down to 3.50%–3.75% as a cooling labor market took precedence over inflation that remained elevated, in the Federal Reserve's own assessment, largely because of tariffs the White House announced in April. The December decision passed on a 9–3 vote, an unusually public split among policymakers about where risks now lie.

Fiscal policy added further uncertainty. A lapse in congressional appropriations produced a 43-day federal government shutdown from October 1 to November 12, 2025 — the longest in U.S. history — furloughing roughly 900,000 federal employees and delaying several economic data releases that the industry and the Federal Reserve itself rely on. Funding was restored only through January 30, 2026, and a further brief lapse followed before fuller resolution in early February, underscoring that fiscal predictability heading into 2026 remains lower than in a typical year.

Regulatory direction shifted as well. Federal banking agencies moved through what one legal review called a "material reset" in 2025: the 2023 Basel III Endgame capital proposal was set aside in its original form, an interagency rule finalized in November eased the enhanced supplementary leverage ratio for the largest institutions, and supervisors signaled a shift in emphasis toward material financial risk over governance-process formalities. A broader Basel III Endgame re-proposal followed in March 2026, with further capital-rule changes expected later in the year, while Treasury and the FDIC continued work on implementing rules for the GENIUS Act's stablecoin framework. Separately, since the close of the reporting period, Jerome Powell's term as Federal Reserve Chair ended and Kevin Warsh became Chair, presiding over the Committee's June 2026 meeting.

**These conditions do not diminish the significance of the industry's positive financial indicators. Rather, they reinforce the importance of capital resilience, disciplined credit growth in the portfolios still running hot, continued liquidity and duration management, and readiness for a capital-rules and Federal Reserve leadership transition as central priorities for 2026.**

## 9. Sources and use note

This report was prepared by FinQuest using publicly available data published by the Federal Deposit Insurance Corporation and the Federal Reserve. Figures are rounded for executive readability and should be reconciled against the original releases before external publication, regulatory submission, or client-specific advisory use.

- FDIC, Quarterly Banking Profile, Fourth Quarter 2025.
- FDIC, Statistics at a Glance: Industry Trends, First through Fourth Quarter 2025, and Fourth Quarter 2024.
- FDIC, Historical Trends, as of December 31, 2024.
- FDIC, Summary of Deposits, as of June 30, 2025.
- Federal Reserve Board, H.8: Assets and Liabilities of Commercial Banks in the United States.
- Federal Reserve Board, Large Commercial Banks (year-end 2025) and Large Bank Capital Requirements, effective October 1, 2025.
- Federal Reserve Board, 2026 Dodd-Frank Act Stress Test results.
- Federal Reserve Bank of St. Louis (FRED), Total Bank Equity Capital series.

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