

Credit Defaults Fall, Market Risk Grows

The IRA Bank Book

Q4 2025 Industry Review & Outlook

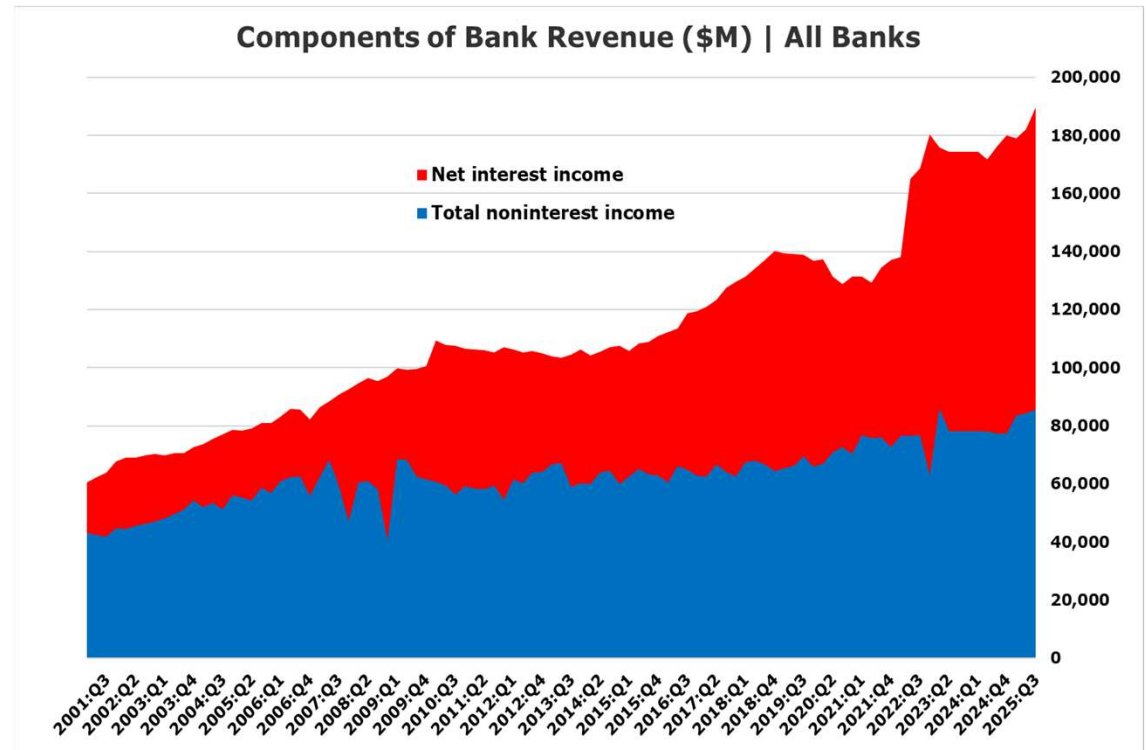
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Industry Trends: Income

- Falling credit costs and rising net interest income pushed industry profitability up to record levels in Q3 2025. Asset returns continue to rise and reached 1.27% for all banks in Q3 2025, the FDIC reports.
- The statistical drop in loan loss provisions in Q3 came about due to the effect of the purchase of Discover Financial by **CapitalOne (COF)** in Q2 2025, which required COF to increase credit loss provisions.
- Non-interest income also rose in Q3 2025, up 8.4% sequentially and 11% YOY. Total non-interest expense, primarily personnel costs, rose 3% sequentially and 5.2% YOY.



Source: FDIC

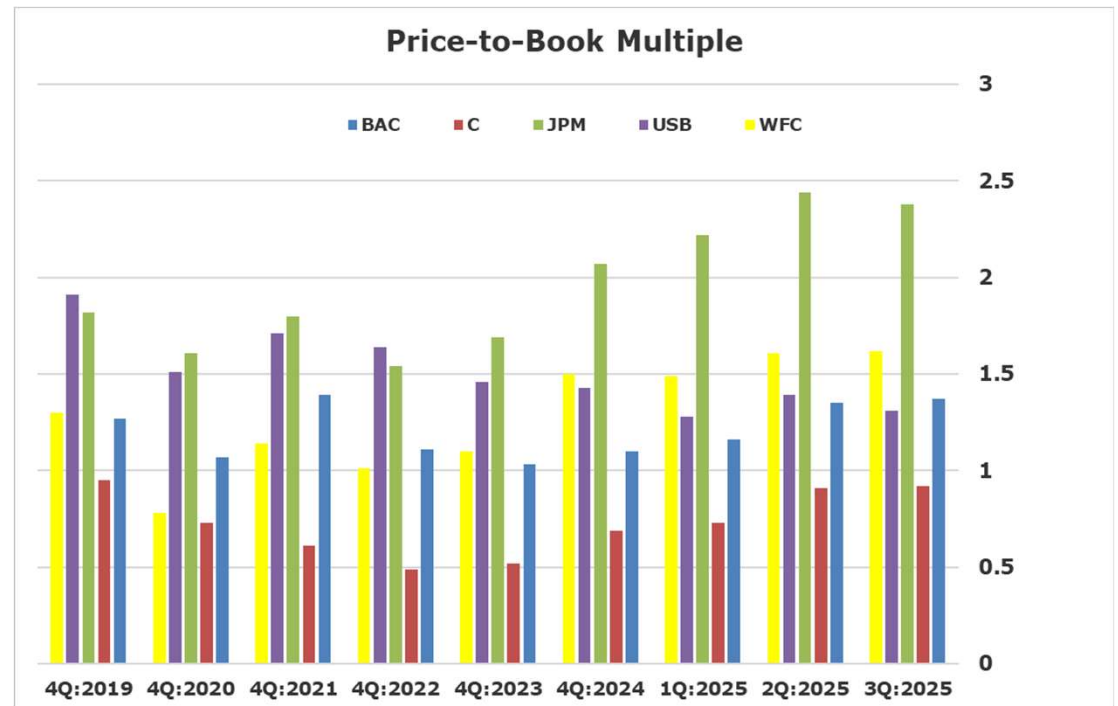
Industry Trends: WGA Bank Top 50

- Market performance for the banks in the [WGA Bank Top 50](#) continues to be strong despite the selloff in early November. **SoFi Technology (SOF)** leads the pack up 85% YTD as of the end of November.
- The top members of the WGA Top 50 Banks have performed quite well since we finalized the group in early November with our new model criteria focused on market performance.
- Goldman Sachs (GS)**, **Morgan Stanley (MS)** and **Citigroup (C)** continue to lead the larger group. **Lending Club (LC)** was #2 behind SOFI at the end of November.

Rank	Q1 2024	Q2 2024	Q3 2024	Q4 2024	Rank	Q1 2025	Q2 2025	Q3 2025	Q4 2025
1	FBP	DFS	SFBS	DFS	1	DFS	DFS	SYF	AXP
2	FCNCA	JPM	FCNCA	SYF	2	JPM	JPM	JPM	SOFI
3	IBOC	SYF	DFS	EWBC	3	SYF	SCHW	GS	MS
4	AX	FCNCA	JPM	JPM	4	GS	FBP	AX	GS
5	AXP	EWBC	FFIN	AMP	5	SCHW	BANF	SCHW	JPM
6	DFS	AXP	AMP	CFR	6	AXP	FFIN	EWBC	SCHW
7	JPM	SCHW	CUBI	SFBS	7	SFBS	IBOC	NTRS	SF
8	MBIN	IBOC	FBP	RJF	8	EWBC	GS	RF	BAC
9	OFG	FITB	BOH	SCHW	9	AMP	AX	FITB	BK
10	SYF	AMP	IBOC	AXP	10	RJF	EWBC	MS	WFC
11	AMP	FBP	SYF	MS	11	MS	BMO	SFBS	COF
12	BANF	CFR	RF	FITB	12	FCNCA	HOMB	AXP	CMA
13	CUBI	RJF	BK	BANF	13	WTFC	AMP	CFR	NTRS
14	EWBC	WFC	AXP	WAL	14	AX	BK	RJF	LC
15	SFBS	FFIN	NTRS	FFIN	15	WFC	WFC	BK	STT
16	FFIN	AX	FCF	WFC	16	CFR	AXP	PNC	C
17	RJF	BANF	ZION	MTB	17	COF	SYF	BMO	BMO
18	CFR	SFBS	AX	NTRS	18	FFIN	BPBP	WFC	FBK
19	FITB	RF	RJF	WTFC	19	FBP	OFG	WAL	TD
20	OZK	HOMB	CBU	RF	20	UMBF	CFR	WTFC	RJF
21	BOH	COF	WAL	FCNCA	21	BANF	COF	FFIN	SYF
22	BPBP	WTFC	UMBF	SF	22	IBOC	WTFC	IBOC	KEY
23	CVBF	PNC	MS	USB	23	OZK	USB	AMP	SBFC
24	HE	TD	GS	IBOC	24	PNC	SFBS	FBP	EWBC
25	HOMB	OZK	EWBC	PNFP	25	BK	MS	TD	WTFC
26	NYCB	MTB	WSFS	AX	26	NTRS	NTRS	SF	CFG
27	RF	MS	CFR	COF	27	HOMB	TD	OZK	COLB
28	SCHW	BAC	PNC	BK	28	BMO	FITB	USB	FHN
29	SF	HBAN	NBTB	PNC	29	WAL	RJF	BPBP	ALLY
30	SOFI	GS	MTB	UMBF	30	BPBP	ABCB	FCNCA	ABCB
31	WTFC	OFG	SCHW	GS	31	FHN	HBAN	WBS	CUBI
32	COF	SF	BANF	FBP	32	FITB	OZK	BAC	TFC
33	LOB	MBIN	BPBP	GBCI	33	PNFP	BAC	ZION	USB
34	SSB	UMBF	BOKF	CMA	34	HBAN	CVBF	BANF	BOH
35	WBS	FHN	GBCI	HOMB	35	ONB	PNC	FHN	TCBI
36	ABCB	USB	LOB	SNV	36	ZION	MTB	STT	CFR
37	BK	BOKF	FITB	HBAN	37	WBS	RF	HBAN	FITB
38	CMA	CMA	SSB	WBS	38	MBIN	WAL	SNV	EBC
39	FAF	BPBP	OFG	FHN	39	SSB	WSFS	SOFI	VLY
40	FULT	SNV	TD	CVBF	40	SF	FCNCA	MTB	BKU
41	GS	BK	PNFP	BMO	41	SOFI	ONB	OFG	AMP
42	HBAN	ONB	EBC	BOH	42	OFG	BOH	ABCB	ASB
43	MS	ZION	WFC	COLB	43	SNV	STT	CMA	INDB
44	ONB	CVBF	HBAN	ZION	44	BAC	FCF	COF	FIKB
45	PNC	WAL	COLB	ABCB	45	CBU	CBU	HOMB	PNC
46	SNV	NTRS	USB	BAC	46	USB	PNFP	C	FCNCA
47	TD	FHB	ABCB	BANR	47	RF	FHN	SSB	CBU
48	UMBF	BOH	ONB	SSB	48	MTB	NBTB	UMBF	BOKF
49	WAFD	WSFS	BANR	OZK	49	CUBI	BANR	MBIN	MTB
50	WAL	ALLY	ALLY	SOFI	50	WSFS	SF	CUBI	RF

Industry Trends: Market Value

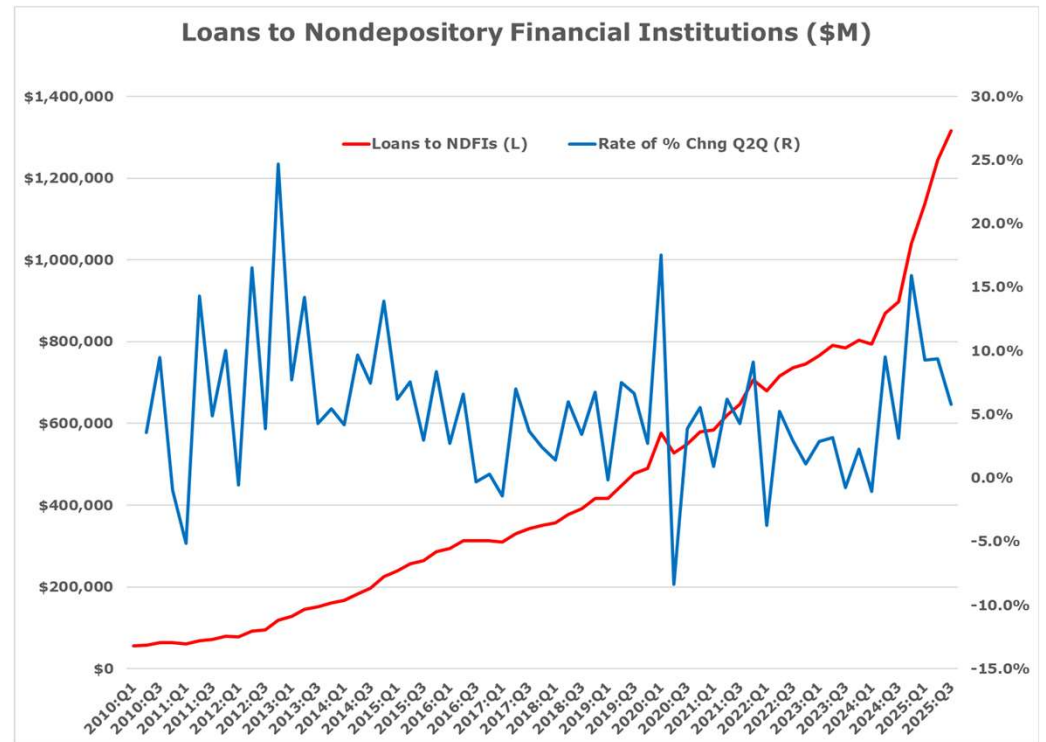
- The market volatility in Q3 2025 caused **JPMorgan (JPM)** to retreat somewhat, but the largest US bank still tends to trade at a significant premium to other names due to superior operating leverage.
- After JPM we see the resurgent **Wells Fargo (WFC)**, confirming our earlier view that the bank would regain its leadership status. **Bank of America (BAC)** is next but still trades at half of the multiple of JPM and at a discount to WFC.
- **U.S. Bancorp (USB)** is next, reflecting the size bias of institutional investors. At the bottom of the group in terms of price-to-book is the much-improved **Citigroup (C)**, which still trades at a discount to book value.



Source: YahooFinance

Industry Trends: NDFIs

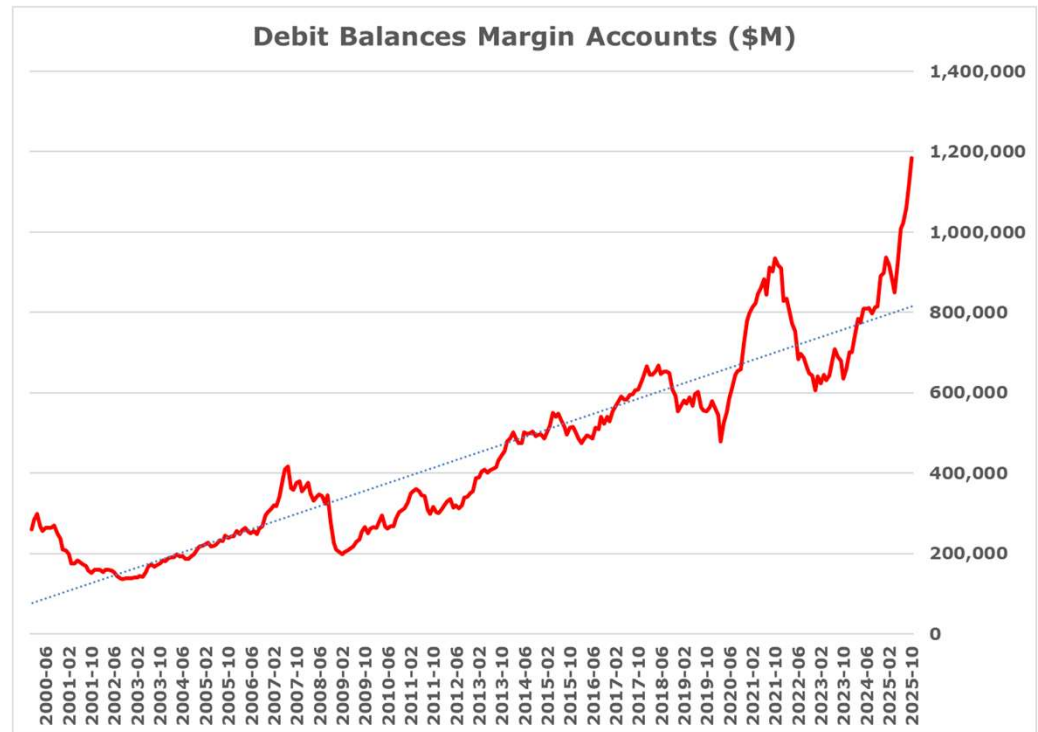
- Loans to non-depository financial institutions (NDFIs) continued to rise in Q3, although at a slower rate than in the first half of 2025. Loans to NDFIs and related unused credit lines (Slide 27) are the fastest growing asset class for banks, begging the question regarding credit risk to these non-bank firms in Q4 and 2026.
- As the numbers for loans to NDFIs grow, the rate of percentage increase naturally falls, but the risk to insured depositories remains elevated and growing. While the FDIC includes the NDFI loan series in the quarterly balance sheet data, they do not provide credit performance metrics for this important asset class.



Source: FDIC

Industry Trends: Margin Credit

- Along with bank loans to NDFIs, another important indicator of growing market risk is the hyperbolic growth of margin credit from Wall Street dealers.
- Margin credit is growing rapidly due to investors borrowing more to capitalize on high market valuations and a general sense of market euphoria, which can greatly amplify both upside gains and downside losses. Many large dealers are subsidiaries of large banks.
- Another factor fueling the growth of margin credit is rising leverage for securities and crypto tokens, low interest rates, and a need for liquidity among wealthy clients and firms. While rising margin debt can reflect confidence, we see it as a warning sign of excess speculation, potentially increasing market risk for depositories.



Source: FINRA