

Financial Institution Industry Outlook

2026 Financial Institutions Virtual Symposium

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Financial Institution Industry Outlook
Strong results, a faster-moving environment

The industry numbers look strong. The question for leadership teams is whether plans and risk frameworks will hold up as rates, rules, and competition shift.

1. **The numbers**
   Where banks and credit unions stand: profitability, growth and funding, and industry structure

2. **The rulebook**
   What regulators are changing, and which items are final, proposed, or only signals

3. **The road ahead**
   What leadership teams and boards should prepare for now

Where you'll hear more today

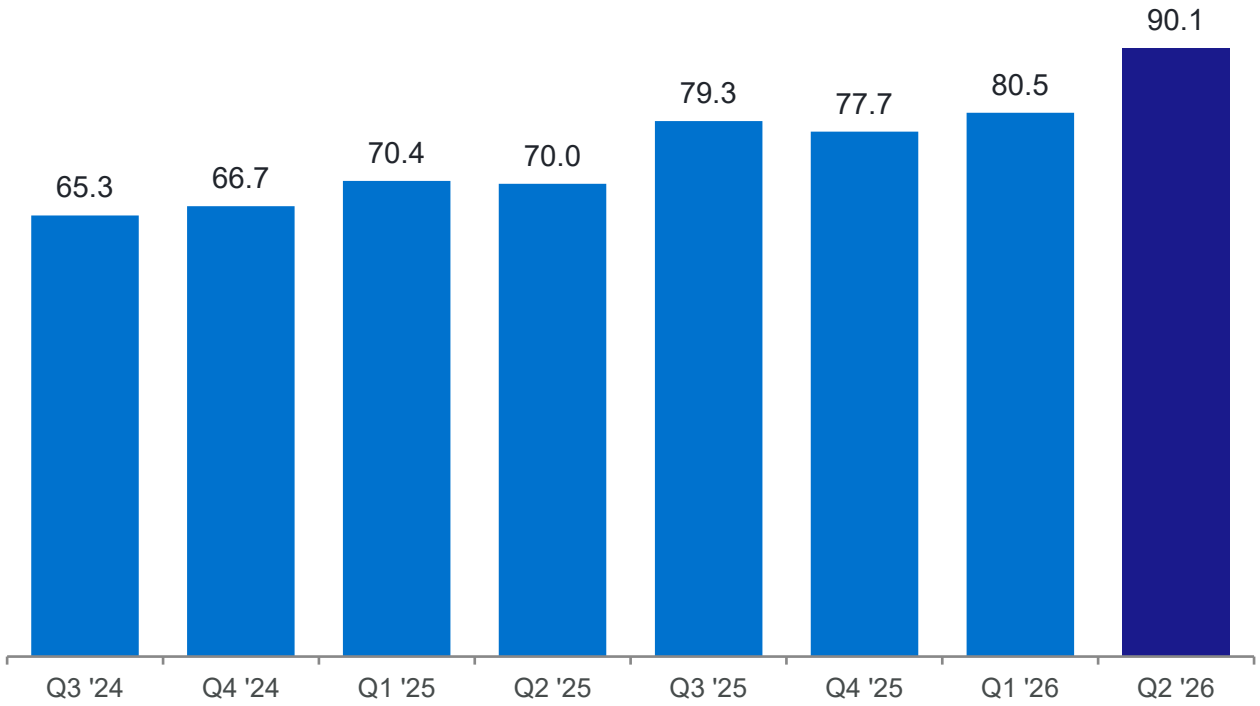
- Regulatory environment
- Economic conditions
- Credit risk
- Accounting and tax
- Fraud prevention
- Digital assets
- Artificial intelligence
- Cybersecurity

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Profitability: strong earnings, with a changing mix

Bank quarterly net income ($ billions)[1]



Banks and credit unions side by side

Metric	Banks[1]	Credit unions[2]
Return on assets	**1.37%** Q2 2026 · +24 bps YoY	**0.91%** YTD 2026 · +15 bps YoY
Net interest margin	**3.32%** Q2 2026 · +1 bp QoQ, +6 bps YoY	**3.49%** YTD 2026 · +17 bps YoY
Net income	**$90.1B** Q2 2026 · +12.0% QoQ	**$22.4B** YTD, annual rate · +26.9% YoY

TAKEAWAY: Earnings are strong in both sectors. At banks, the Q2 gain leaned on fees, trading, and one-time securities gains, with margin up just 1 bp; credit union margin widened 17 bps year over year.

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Growth is healthy; funding mix and credit are the watch items

Metric	Banks[1] (June 30, 2026)	Credit unions[2] (June 30, 2026)
Total assets	**$26.46 trillion** +5.9% year over year[3]	**$2.50 trillion** +5.0% year over year
Loans	**+6.8% year over year** Led by loans to nondepository financial institutions (NDFIs)[4]	**$1.76 trillion** +4.9% year over year
Deposits / shares	**+0.8% for the quarter; eighth straight increase** Uninsured deposits up $317.4B[4]	**$1.91 trillion insured shares and deposits** +4.3% year over year; loan-to-share 82.9%
Credit quality	**Asset quality metrics improved** Per FDIC Q2 2026 statement	**Delinquency 0.96%, +6 bps YoY** Net charge-offs 0.78%, little changed
Capital	**Capital and liquidity levels strong** Per FDIC Q2 2026 statement	**Net worth ratio 11.42%** vs. 11.11% a year earlier
Unrealized securities losses	**$326.7 billion** Described by the FDIC as elevated[5]	**Not shown in NCUA summary**

TAKEAWAY: Growth is healthy in both sectors. At banks, deposit growth is being driven by uninsured balances, and the fastest-growing loans are nontraditional, which sets up the liquidity and credit discussions later today.

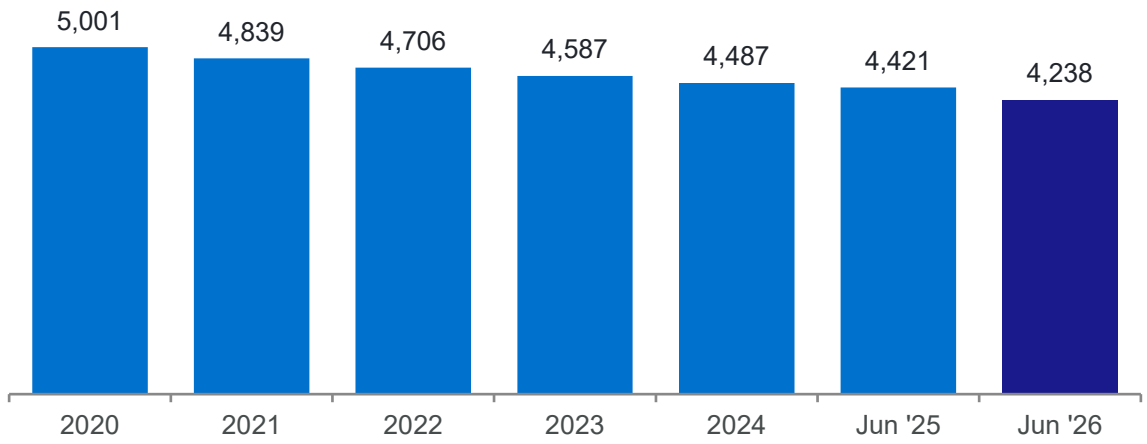
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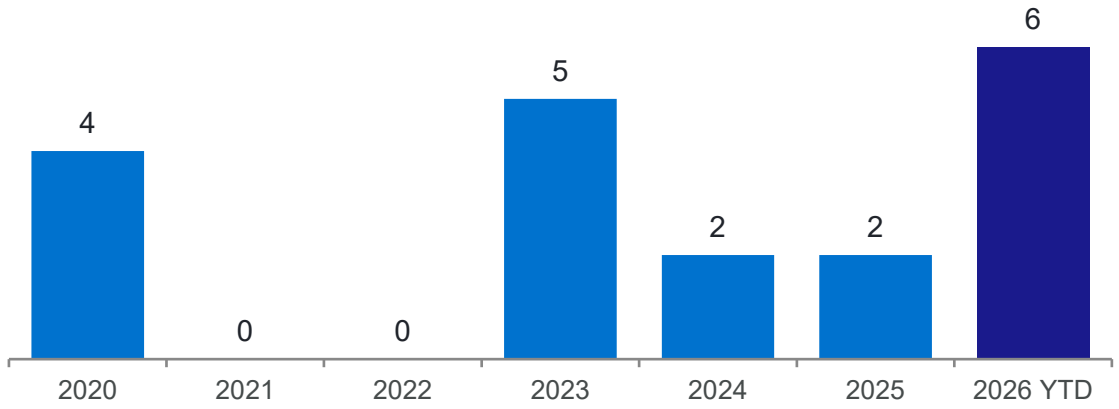
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Consolidation continues: fewer institutions, faster deals

FDIC-insured institutions (count)[1]



Bank failures per year[2]



47

problem banks (1.1%)

June 30, 2026; 59 a year earlier[3]

4,214

federally insured credit unions

June 30, 2026; 4,370 a year earlier[4]

81

bank deals announced in H1 2026

Most for a first half since 2021[5]

94 days

median announcement to close

2026 to date vs. 187 days in 2024[5]

TAKEAWAY: Fewer, larger institutions and a faster regulatory path to a deal. Failures are up from recent years, but all six in 2026 were small (the largest, about $736 million in assets).

HEAR MORE: Accounting and tax session

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Supervision and capital: less process, more judgment

Supervision: new rules of engagement

FINAL / IN EFFECT	OCC and FDIC rules define “unsafe or unsound” and limit formal criticism; effective Nov. 2. The Federal Reserve did not join.
FINAL / IN EFFECT	Merger review is back to pre-2024 standards; FDIC continuous exam threshold raised from $10B to $30B.
PROPOSED	CAMELS revisions and an OCC proposal on violations of law are pending.
PROPOSED	FDIC merger-review proposal would allow deemed approval of de minimis deals in as little as five days.

SO WHAT: Firmer ground to contest findings helps only if reasoning is documented.

Capital and liquidity: rebuilt in sequence

FINAL / IN EFFECT	Community bank leverage ratio lowered to 8%, effective July 1.
PROPOSED	March capital package: comments closed June 18. Vice Chair Bowman expects finalization by year-end; not assured.
DIRECTIONAL SIGNAL	Liquidity: no proposal yet. Treasury has called it the “next big-ticket item.”
PROPOSED	Credit unions: NCUA's 12th round of deregulation proposals announced Oct. 14; comments due around Dec. 14.

SO WHAT: Plan capital and funding now; use the runway before final rules arrive.

Banks vs. credit unions: banks measure capital through risk-based and leverage ratios (including the 8% CBLR option); credit unions use the NCUA net worth ratio (11.42% system-wide at June 30, 2026).

HEAR MORE: Regulatory environment session

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Rates and credit: plans built for easing meet a tightening cycle

3.75 - 4.00%

Federal funds target range

Raised 25 bps on Sept. 16 (unanimous), the first increase since July 2023[1]

16 of 18

Fed officials expect at least one more hike

Per the September projections; FOMC meets Dec. 15 - 16[1]

5.29%

10-year Treasury yield

Sept. 30 close; reached 5% on Sept. 15, the highest since 2007[2]

Area	What the data shows	Question for your leadership team
Funding and margin	Deposits tend to reprice first. Bank margin up just 1 bp in Q2 (3.32%); credit union margin 3.49% year to date[3]	Have asset-liability assumptions written for an easing cycle been rebuilt for a tightening one?
Credit	Bank asset quality improved in Q2; credit union delinquency 0.96%, up 6 bps year over year[3]	Do allowance and loan review assumptions reflect higher-for-longer rates and elevated energy prices?
Securities and capital	Bank unrealized securities losses $326.7B with long-term yields at multi-year highs[2]	How sensitive is capital to further rate moves, and does that change how you extend duration?

HEAR MORE: Economic conditions and credit risk sessions

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New activities and operational risk: where the rules are heading

Digital assets and stablecoins

OCC FINAL · OTHERS PROPOSED

The OCC is the first agency to finalize GENIUS Act rules (Oct. 21, 2026); other agencies' rules remain proposed. The statute becomes operative Jan. 18, 2027, or 120 days after final rules if earlier.

Ask: *Is stablecoin, tokenization, or custody in scope for your strategy, and who owns the risk?*

HEAR MORE: Digital assets session

AML/CFT and fraud

PROPOSED

Four coordinated proposals shift AML/CFT toward program effectiveness, risk assessment, and governance. A final rule is possible this fall for FinCEN and the joint agencies.

Ask: *Can you show how the effectiveness of your program is tested?*

HEAR MORE: Fraud prevention session

Third-party risk

PROPOSED

Agencies proposed principles-based guidance in September to replace existing guidance. OCC comments are due Nov. 16. Agencies also flagged core provider pricing and deconversion fee concerns.

Ask: *Is oversight tailored to each relationship's risk, including core providers?*

HEAR MORE: Regulatory environment session

AI and cyber resilience

DIRECTIONAL SIGNAL

An executive order addresses AI and cybersecurity in financial services, and renewed geopolitical conflict has raised cyber and infrastructure risk. No agency rule sets expectations yet.

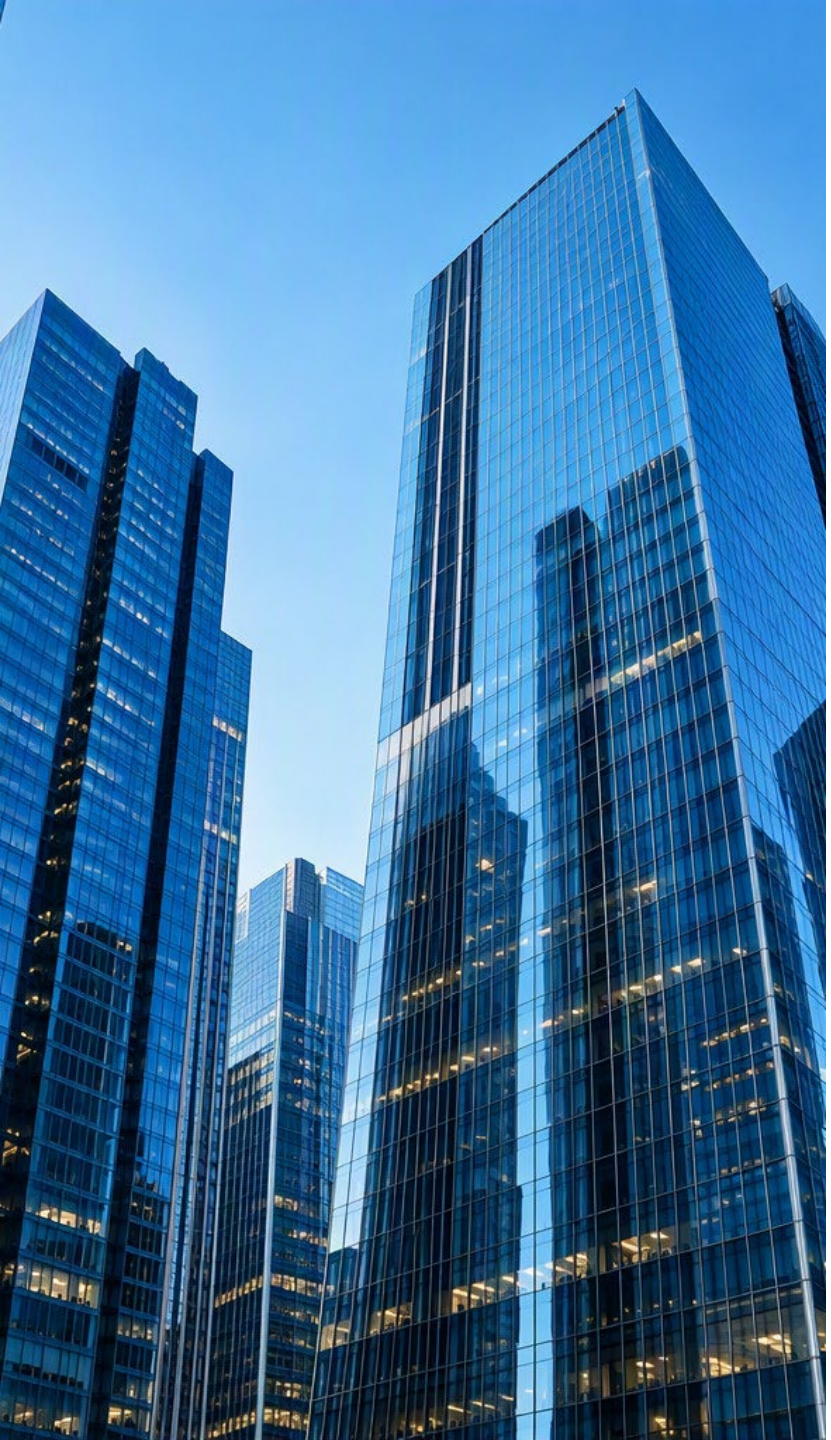
Ask: *Who owns AI governance and cyber resilience testing, and what does the board see?*

HEAR MORE: AI and cybersecurity sessions

WATCH THROUGH YEAR-END: Final actions on capital, AML/CFT, the GENIUS Act, and third-party risk.

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Financial Institution Industry Outlook

Three takeaways to carry into the rest of the day

1

Strong results are not the same as no exposure

Look at the mix beneath the headlines: one-time gains in earnings, uninsured balances in funding, and nontraditional lending in credit.

2

The rulebook is shifting toward judgment

Know what is final, proposed, or only a signal. Track the items that could finalize by year-end, and document your reasoning.

3

Strategy is moving faster

Consolidation, digital assets, and AI are on the table, and a faster regulatory path puts a premium on execution readiness.

UP NEXT: Perspectives on the Current Regulatory Landscape for Financial Institutions

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