DATA DISPATCH

Banks' loan, deposit betas well-positioned for additional rate cuts

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Market Intelligence

Analysts anticipate further net interest income improvement as the Federal Reserve embarks on new rate cuts, with banks set to trim deposit prices quickly while relative stability in medium- and long-term interest rates supports fixed asset repricing.

Net interest margins (NIMs) increased in the second quarter despite flat overall funding costs as 100 basis points of Fed rate cuts in late 2024 moved further into the past. The median cumulative deposit beta edged up 1.5 percentage points sequentially to 7.3% nationally in the second quarter, according to S&P Global Market Intelligence data. Betas show changes in liability costs and asset yields relative to changes in the overnight rate the Fed targets.

Meanwhile, the median cumulative loan beta moved further into negative territory, dropping 13.8 percentage points sequentially to negative 22.1%. Negative loan betas imply rising loan yields since underlying short-term rates have been falling or flat in recent quarters.

The Fed cut its target rate for the first time this year by 25 basis points on Sept. 17, and markets anticipate additional rate cuts this year and next.

"While lower short-term rates would typically pressure bank earnings due to asset sensitivity, many banks are well-positioned thanks to substantial fixed-rate loan and securities portfolios built during the zero-rate environment of 2020–2022," Jefferies analysts said in a Sept. 24 note previewing third-quarter earnings reports. Asset sensitivity refers to the tendency for asset yields to move faster than liability costs.

"As these assets reprice and strong deposit betas continue through the down-rate cycle, we believe most banks are set up for net interest margin expansion and solid net interest income growth in the coming quarters," the Jefferies analysts added.



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Deposit beta optimism

Deposit betas have been relatively strong compared to previous cycles. The industrywide cumulative deposit beta across the current cycle through the second quarter was 34.9%, meaning that deposit price cuts were faster relative to the decline in underlying rates at an equivalent time interval in two of the previous three rate-cutting periods.

"Deposit pricing [and] betas responded more aggressively to the late 2024 rate cuts than we initially anticipated," Piper Sandler analysts said in a Sept. 29 report previewing earnings reports. "We expect a similar reaction to the latest [and] potential rate cuts in late 2025, indicating potential opportunities for further reductions in funding costs.

Banks including Truist Financial Corp. and M&T Bank Corp. had said they had capacity to front-run the anticipated Fed cut in September with reduced deposit prices.

Analysts have cited lower loan-to-deposit ratios than before the pandemic and earlier periods as one factor giving banks more freedom to reduce deposit prices, though they warn that firming loan growth tends to increase competition for funding.

Lower loan-to-deposit ratios "have supported strong liquidity profiles, reduced reliance on wholesale funding, and enhanced pricing power on interest-bearing deposits," the Jefferies analysts said. "This positioning should allow banks to respond quickly and competitively if loan demand strengthens in the coming quarters."

Rate positioning

The way the rate environment interacts with a particular bank depends significantly on its balance sheet composition.

The industrywide loan yield was flat sequentially in the second quarter at 6.7%, with variation across loan categories that appear in different concentrations at individual banks.

The industrywide commercial and industrial loan yield fell 20 basis points sequentially to 6.6%, and the industrywide consumer loan yield fell 10 basis points to 11.82%. Both categories tend to include large amounts of floating-rate loans.

Meanwhile, the yield on single-family residential loans increased 7 basis points to 4.7% and the yield on other real estate loans increased 11 basis points to 6.1%.

While markets expect several Fed rate cuts, medium- and long-term interest rates that support fixed-rate asset pricing have been relatively stable. Average Treasury yields across two-year to seven-year maturities fell just 7 basis points in the third quarter.

One source of asset sensitivity at large banks is large pools of deposits in transaction accounts that are generally cheap across cycles and where there is less room for price reductions when underlying rates fall.

Consensus analyst forecasts mostly anticipate NIM expansion at the publicly traded banks with more than $100 billion of assets sequentially in the third quarter and then over the subsequent year.

However, forecasts for NIMs at banks including JPMorgan Chase & Co., Citigroup Inc. and Wells Fargo & Co. are generally flattish over that time horizon.

"While Wells Fargo screens as the most asset sensitive of the [global systemically important banks]," analysts at BofA Global Research said in an Oct. 6 preview note, they forecast 3.3% growth in its net interest income in 2026 because of an anticipated rebound in the second half of the year "on the back of balance sheet growth and fading impact from rate cuts."

US banks by highest cumulative deposit betas from Q2 2024 to Q2 2025

Company (top-level ticker)	June 30, 2025, total assets ($B)	Cumulative deposit beta[1]		Q2 2025 cost of deposits (%)	June 30, 2025, loans/deposits (%)
		Current easing cycle, Q2 2024 to Q2 2025 (%)	Previous tightening cycle, Q4 2021 to Q2 2024 (%)		
NexBank Capital Inc.	15.65	113.6	59.1	2.87	90.0
LendingClub Corp. (LC)	10.78	94.7	81.3	3.67	66.0
Hingham Institution for Savings (HIFS)	4.54	85.2	64.8	2.80	158.6
Axos Financial Inc. (AX)	24.78	83.6	69.3	3.06	102.5
First American Bank Corp.	8.13	81.9	48.4	1.76	61.7
Goldman Sachs Group Inc. (GS)	1,785.01	78.9	82.4	3.91	64.8
Merchants Bancorp (MBIN)	19.14	78.6	87.5	4.19	118.5
Northern Trust Corp. (NTRS)	171.88	75.6	56.3	2.15	31.6
ConnectOne Bancorp Inc. (CNOB)[2]	13.92	74.5	56.1	2.53	99.0
Charles Schwab Corp. (SCHW)	458.94	74.3	24.3	0.54	57.4
INTRUST Financial Corp.	6.80	73.8	51.8	2.14	68.4
Preferred Bank (PFBC)	7.28	73.0	72.1	3.37	94.5
Amarillo National Bancorp Inc.	9.83	71.6	63.3	2.81	80.5
Bank of New York Mellon Corp. (BK)	485.79	68.9	57.0	2.25	20.9
CIBC Bancorp USA Inc. (CM)	74.91	67.6	69.9	3.11	89.8
Mutual Bancorp.[2,3]	7.16	65.9	51.4	2.11	96.8
New York Private Bank & Trust Corp.	5.81	64.8	71.4	3.49	95.9
Stifel Financial Corp. (SF)	39.86	64.8	61.0	2.57	78.5
Origin Bancorp Inc. (OBK)[2]	9.68	64.1	55.1	2.44	94.7
Woori America Bank (A316140)	3.88	63.4	58.6	2.62	93.3
Industry median[4]		**7.3**	**32.0**	**1.90**	**80.8**

Data compiled Oct. 2, 2025.

Analysis limited to operating top-tier consolidated US banks and thrifts with at least $3 billion in total assets at June 30, 2025. Only entities that filed either FR Y-9C or call reports and maintained the same reporting format across all time periods were included in the analysis. Industrial banks and nondepository trusts, as well as banks with a not meaningful or unavailable loans-to-deposits ratio, deposit cost or yield on loans and leases at June 30, 2025, were excluded.

[1] Cumulative deposit beta is the change in cost of deposits as a percentage of change in effective federal funds rate.

[2] Completed a whole-bank deal since Oct. 1, 2021.

[3] Nonstock mutual holding company ownership structure.

[4] Includes all US commercial banks, savings banks, and savings and loan associations; excludes industrial banks, nondepository trusts and banks with a foreign banking organization charter.

Bank financial data based on regulatory filings.

Tickers based on top-level entities' home-country stock exchanges.

Sources: S&P Global Market Intelligence; Federal Reserve Bank of St. Louis.

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US banks by highest cumulative loans and leases betas from Q2 2024 to Q2 2025

Company (top-level ticker)	Cumulative loans and leases beta[1]		June 30, 2025		
	Current easing cycle, Q2 2024 to Q2 2025 (%)	Previous tightening cycle, Q4 2021 to Q2 2024 (%)	C&I loans/ total loans and leases (%)	Consumer loans/total loans and leases (%)	Q2 2025 yield on loans and leases (%)
Green Dot Corp. (GDOT)	787.3	2,725.5	12.9	65.4	152.9
United National Corp.	170.2	-107.6	4.8	70.8	21.0
Goldman Sachs Group Inc. (GS)	156.1	151.5	12.4	10.7	9.7
Bank OZK (OZK)	115.6	42.5	7.1	12.2	5.9
The Bancorp Inc. (TBBK)	110.6	65.6	11.2	32.3	6.8
Merchants Bancorp (MBIN)	107.5	90.5	8.3	0.0	6.9
Bessemer Group Inc.	98.4	98.9	15.7	63.4	6.0
Morgan Stanley (MS)	97.5	67.8	6.2	11.8	4.9
SNBNY Holdings Ltd.[2]	95.8	86.7	41.4	0.4	6.1
CIBC Bancorp USA Inc. (CM)	85.0	88.9	28.4	0.8	7.0
Olney Bancshares of Texas Inc.	85.0	79.8	23.6	0.5	7.9
Discount Bancorp Inc. (DSCT)	83.0	85.8	28.4	0.2	6.9
Charles Schwab Corp. (SCHW)	80.2	72.5	2.6	11.1	5.8
Citigroup Inc. (C)	78.5	83.1	22.9	25.3	8.8
Mizuho Americas LLC (8411)	77.2	89.0	30.1	0.0	5.4
Bank of New York Mellon Corp. (BK)	75.9	95.2	3.8	8.1	5.8
State Street Corp. (STT)	75.6	72.7	8.4	0.0	5.1
Raymond James Financial Inc. (RJF)[2]	74.4	74.6	14.3	1.6	5.7
Ameriprise Financial Inc. (AMP)	74.3	90.1	43.9	8.2	7.7
SMBC Americas Holdings Inc. (8316)	73.8	80.0	32.5	24.6	6.5
Industry median[3]	**-22.1**	**24.9**	**10.0**	**2.2**	**6.5**

Data compiled Oct. 2, 2025.

C&I = commercial and industrial.

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[1] Cumulative loan beta is the change in yield on loans and leases as a percentage of change in effective federal funds rate.

[2] Completed a whole-bank deal since Oct. 1, 2021.

[3] Includes all US commercial banks, savings banks, and savings and loan associations; excludes industrial banks, nondepository trusts and banks with a foreign banking organization charter.

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Highest and lowest

Portfolio concentrations and business models can be relatively stable across cycles.

Goldman Sachs Group Inc. posted among the highest cumulative loan betas during the cycle so far at 156.1%, in line with its 151.5% loan beta during the previous tightening cycle.

High loan betas can also be paired with offsets from high deposit betas. Goldman's cumulative deposit beta is 78.9% during the cycle so far, compared with 82.4% during the previous tightening cycle.

US banks by lowest cumulative deposit betas from Q2 2024 to Q2 2025

Company (top-level ticker)	June 30, 2025, total assets ($B)	Cumulative deposit beta[1]		Q2 2025 cost of deposits (%)	June 30, 2025, loans/deposits (%)
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Texas Exchange Bank	3.15	-78.2	30.1	3.20	35.1
First Busey Corp. (BUSE)[2]	18.92	-43.2	31.6	2.19	87.5
Bangor Bancorp MHC[3]	7.35	-34.7	23.5	1.72	85.7
New Hampshire Mutual Bancorp[3]	3.76	-29.9	26.2	1.78	99.5
ANB Corp.	5.51	-21.4	26.6	1.70	69.3
United National Corp.	4.61	-19.9	31.0	2.14	152.3
1867 Western Financial Corp. (WFCL)	4.69	-17.5	23.8	1.47	65.1
Central Bancshares Inc.	3.77	-16.6	26.7	1.67	97.3
Exchange Bank (EXSR)	3.27	-12.7	20.6	1.26	56.9
Stock Yards Bancorp Inc. (SYBT)[2]	9.21	-10.8	34.8	2.03	91.3
Cache Valley Bank[2]	3.32	-10.8	41.5	2.66	87.2
Valley View Bancshares Inc.	3.62	-7.7	26.6	1.66	68.0
1st Security Bank of Washington (FSBW)	3.18	-6.6	35.6	2.23	103.9
Westamerica Bancorp. (WABC)	5.83	-6.5	3.0	0.25	15.8
EB Acquisition Co. LLC	16.58	-5.7	24.4	1.37	66.2
Banco Do Brasil Americas (BBAS3)	3.12	-5.3	30.6	1.90	67.3
Amalgamated Financial Corp. (AMAL)	8.63	-5.1	28.1	1.62	61.0
Heritage Financial Corp. (HFWA)	7.07	-5.0	23.7	1.39	82.6
Tompkins Financial Corp. (TMP)	8.37	-4.4	27.7	1.63	91.9
Atlantic Union Bankshares Corp. (AUB)[2]	37.29	-3.4	47.8	2.66	88.3
Industry median[4]		**7.3**	**32.0**	**1.90**	**80.8**

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[2] Completed a whole-bank deal since Oct. 1, 2021.

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Pathward Financial Inc. (CASH)	-159.3	28.2	86.3	6.2	10.32
First Busey Corp. (BUSE)[2]	-72.5	36.9	26.7	3.6	6.19
Barclays US LLC (BARC)	-65.0	138.2	0.6	67.8	15.44
SouthState Bank Corp. (SSB)[2]	-52.2	34.7	13.7	2.1	6.31
Gate City Bank[3]	-47.4	15.9	3.4	22.1	3.43
German American Bancorp Inc. (GABC)[2]	-45.0	25.9	11.7	1.2	6.34
Eastern Bankshares Inc. (EBC)[2]	-44.8	22.5	13.4	1.2	5.35
Community Bancshares of Mississippi Inc.	-44.5	26.6	8.9	2.4	7.02
Principal Bank (PFG)	-44.4	25.1	0.0	0.0	4.05
Bravera Holdings Corp.[2]	-43.6	27.8	12.7	15.4	6.54
Hometown Financial Group MHC[2,4]	-43.1	19.1	7.1	0.1	5.58
Southern BancShares Inc. (SBNC)	-42.4	14.2	7.1	0.7	5.36
Hills Bancorp. (HBIA)	-42.3	21.4	8.9	0.9	5.58
South Plains Financial Inc. (SPFI)	-40.3	30.9	13.3	10.5	6.97
Amalgamated Financial Corp. (AMAL)	-38.1	13.2	24.8	8.0	5.07
United Services Automobile Association	-37.9	44.4	0.0	89.2	9.09
Ponce Bank (PDLB)	-37.9	36.9	1.9	0.0	6.37
Orrstown Financial Services Inc. (ORRF)[2]	-36.0	33.5	11.1	0.4	6.47
Fishback Financial Corp.	-35.6	20.1	20.4	2.8	6.40
Capital One Financial Corp. (COF)[2]	-35.6	60.9	10.2	75.0	13.01
Industry median[5]	**-22.1**	**24.9**	**10.0**	**2.2**	**6.50**

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C&I = commercial and industrial.

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[2] Completed a whole-bank deal since Oct. 1, 2021.

[3] Mutual/co-op ownership structure.

[4] Nonstock mutual holding company ownership structure.

[5] Includes all US commercial banks, savings banks, and savings and loan associations; excludes industrial banks, nondepository trusts and banks with a foreign banking organization charter.

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