

DATA DISPATCH

Funding competition pushes US banks to wholesale markets

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By Zain Tariq
Market Intelligence

US banks dramatically increased their use of wholesale funding in the second quarter as they navigate an intensely competitive deposit market and a higher-for-longer interest rate environment.

Federal Home Loan Bank advances jumped 14.8% from the [prior](#) quarter, marking the second straight quarterly increase, to \$532.4 billion, according to S&P Global Market Intelligence data. The increase pushed the industry's reliance on this funding source to its highest level since the fourth quarter of 2024. Meanwhile, growth in certificates of deposit slowed to 0.7%, following a 1.5% increase in the first quarter.

US bank CD balances by asset size, Q2 2026				
Total assets	Aggregate CDs			
	Balance (\$B)	QOQ change (%)	Proportion of total deposits (%)	
			Q2 2026	Q1 2026
< \$10B	793.23	-1.7	26.9	26.9
\$10B-\$100B	507.46	2.2	16.8	16.8
> \$100B	1,626.08	1.4	11.0	11.0
Industry	2,926.77	0.7	14.1	14.1

US bank FHLB advances by asset size, Q2 2026				
Total assets	FHLB advances			
	Balance (\$B)	QOQ change (%)	Proportion of total liabilities (%)	
			Q2 2026	Q1 2026
< \$10B	119.73	5.5	3.8	3.6
\$10B-\$100B	133.12	3.3	4.1	4.0
> \$100B	279.57	26.3	1.6	1.3
Industry	532.42	14.8	2.2	2.0

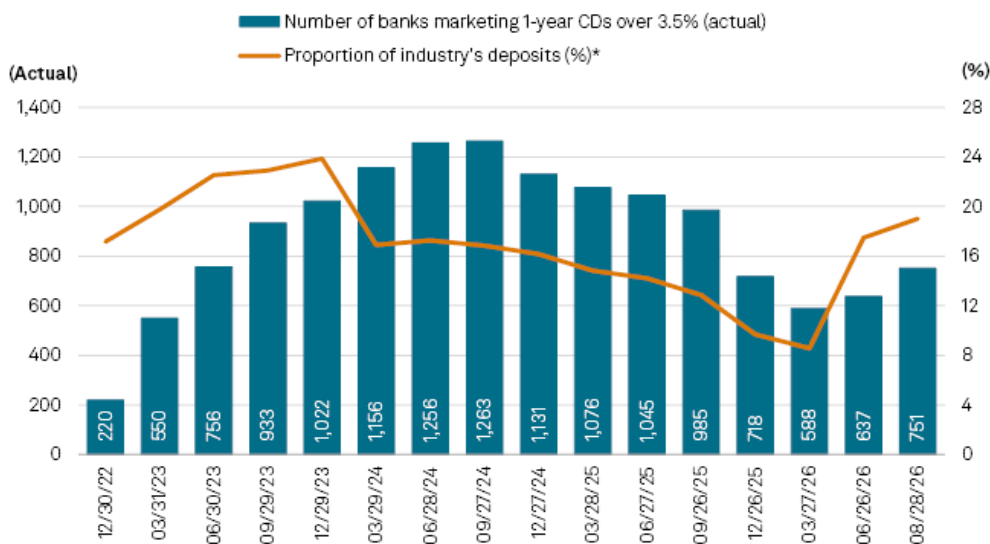
Data compiled Aug. 31, 2026.
CD = certificate of deposit; FHLB = Federal Home Loan Bank.
Analysis includes US commercial banks, savings banks, and savings and loan associations. Nondepository trusts and companies with a foreign banking organization charter are excluded.
Data based on regulatory filings.
Source: S&P Global Market Intelligence.
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Promotional CDs increase

Many US banks trimmed deposit rates late in 2025 after the Federal Reserve resumed its easing cycle. However, as further rate cuts stalled and expectations settled into a higher-for-longer rate environment, pricing pressure quickly resurfaced across the industry.

The number of US banks marketing rates above 3.5% on a one-year, \$10,000 CD fell to 588 near the end of the first quarter from 985 as of Sept. 30, 2025. That trend, however, reversed sharply over the summer, with the count climbing back to 751 banks as of Aug. 28, as institutions raised promotional specials to defend and attract balances.

Number of US banks offering >3.5% rate on 1-year \$10,000 CD



Data compiled Aug. 31, 2026.

CD = certificate of deposit.

Analysis includes operating commercial banks, savings banks, and savings and loan associations. Nondepository trusts and companies with a foreign banking organization charter are excluded.

* Total deposits are based on regulatory filings of the previous quarter for each period.

Source: S&P Global Market Intelligence.

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During second-quarter earnings calls, executives noted the increasingly aggressive deposit-gathering environment. "The competition is ferocious for deposits right now," [WaFd Inc.](#) President and CEO Brent Beardall [said](#) in July.

James Brogdon, president and CEO of [Simmons First National Corp.](#), [echoed](#) that assessment, stating during the company's July earnings call that "deposit competition is very, very fierce. And our outlook is that that's going to continue."

Several institutions pointed to competitor specials climbing back above 4.0%. John Tipton, CEO of [Home BancShares Inc.](#), subsidiary [Centennial Bank](#), noted during an [earnings](#) call that the bank was seeing competitor specials "in the 4-plus percent range." William Burns, CFO at [ConnectOne Bancorp Inc.](#), similarly [acknowledged](#) the necessity of meeting elevated market rates, saying: "Our CD rates are at 4% now. At this point, I was hoping it to be lower. But in order to compete, we need to be at that level."

Repricing tailwinds fade as banks tap wholesale liquidity

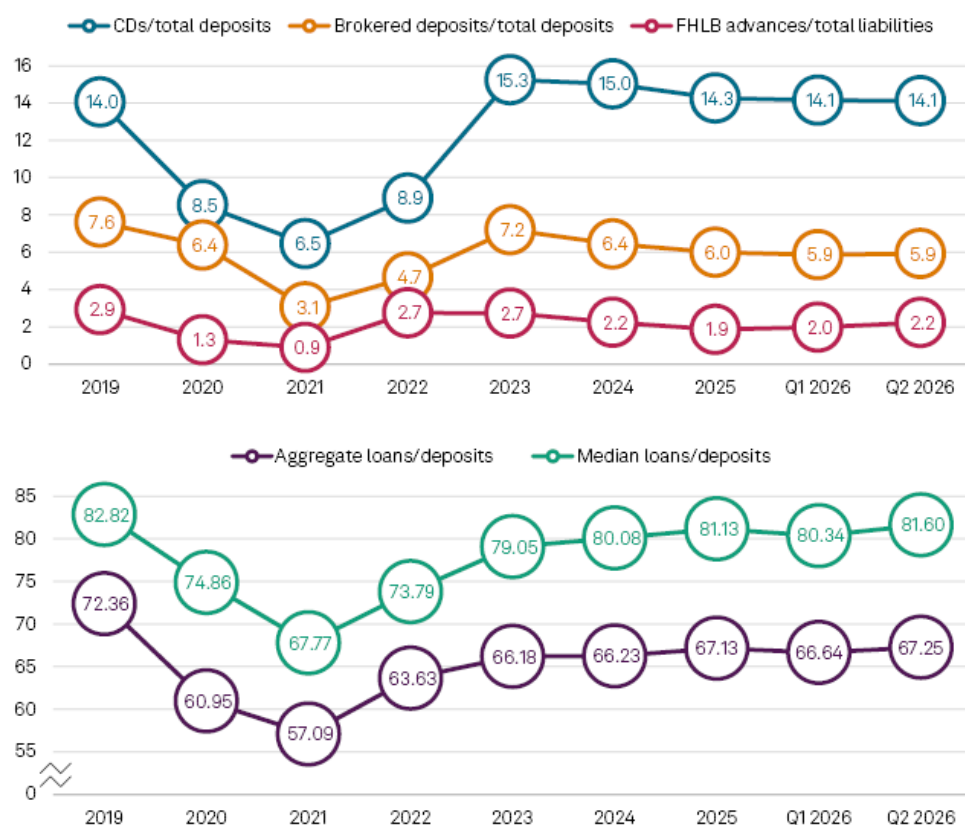
The tailwind that banks enjoyed in the previous two quarters from repricing older, peak-rate CDs into cheaper replacement funding has largely dissipated. Across the banking sector, 86.5% of CDs are scheduled to reprice within the next 12 months as of June 30, with 40.0% maturing within the next three months alone. With new offering rates elevated, replacement spreads have tightened considerably.

Michael Achary, CFO at [Hancock Whitney Corp.](#), noted during the company's second-quarter [earnings](#) call that for the second half of 2026, "the benefit from repricing maturing CDs will largely come to an end as new CD rates will likely be higher."

Faced with persistent retail deposit costs, several institutions made tactical decisions to substitute expensive retail deposits and brokered CDs with Federal Home Loan Bank (FHLB) advances and other wholesale channels. [Southside Bancshares Inc.](#) management [noted](#) during their call that the bank "repositioned broker deposits into FHLB advances and Fed discount window borrowings due primarily to rate." Charles Hobbs, CFO at Simmons First, described a dynamic, "capitalistic" strategy, expanding FHLB advances because pricing was materially better than retail and brokered deposit alternatives.

Other institutions utilized wholesale borrowings as a temporary liquidity bridge to fund loan originations without repricing their broader customer deposit books. Executives at [KeyCorp](#) [explained](#) that the company chose to fund a seasonal deposit lull "with wholesale funds rather than reprice the client deposit base because the expectation is we're going to see some good deposit growth here in the second half."

Term funding concentration for US banking industry (%)



Data compiled Aug. 31, 2026.

CD = certificate of deposit; FHLB = Federal Home Loan Bank.

Analysis includes US commercial banks, savings banks, and savings and loan associations. Nondepository trusts and companies with a foreign banking organization charter are excluded.

Data based on regulatory filings.

Source: S&P Global Market Intelligence.

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Divergence in bank-level CD concentrations

At the institution level, bank strategies diverged sharply based on balance sheet positioning, deposit franchise strength and loan funding requirements.

Among banks with at least \$3 billion in total assets and a loan-to-deposit ratio greater than 25%, 235 banks, or roughly 60%, reported a decline in CD concentration during the second quarter. The largest decline was at [SNBNY Holdings Ltd.](#), which recorded a 14.4-percentage-point drop in CD concentration. [CRB Group Inc.](#) posted the highest increase, with its CD concentration rising 11.0 percentage points.

US banks with highest QOQ change in CD concentration, Q2 2026

Company (top-level ticker)	CDs/total deposits			Aug. 28, 2026, average 1-year \$10,000 CD rate (%)
	CDs (\$B)	(%)	QOQ change (pps)	
Highest increase				
CRB Group Inc.	2.42	36.4	11.0	3.50
Mizuho Americas LLC (8411)	0.69	47.8	9.6	NA
SoFi Technologies Inc. (SOFI)	4.38	9.6	6.9	0.01
Amboy Bancorp.	0.77	28.7	6.0	3.60
OFG Bancorp (OFG)	2.73	27.4	5.8	1.56
Peoples Financial Services Corp. (PFIS)	0.84	18.5	4.2	1.60
First Horizon Corp. (FHN)	10.02	14.7	4.0	0.10
Vallant Bank (VLNT)	0.64	18.5	3.9	1.00
Burke & Herbert Financial Services Corp. (BHRB)	1.74	19.4	3.2	1.27
Sierra Bancorp (BSRR)	0.68	23.2	3.2	0.08
Highest decrease				
SNBNY Holdings Ltd.	6.02	43.4	-14.4	NA
Third FS&LA of Cleveland MHC	6.55	64.3	-8.6	NA
Arrow Financial Corp. (AROW)	0.46	12.5	-6.8	0.20
First Carolina Financial Services Inc. (FCBM)	0.68	24.0	-6.3	1.50
Southern Bancorp Inc.	1.32	35.7	-6.2	2.76
Georgia Banking Co.	0.69	24.0	-6.2	3.70
CTBC Capital Corp. (2891)	2.13	42.4	-5.6	NA
Bradesco Bank (BBDC4)	2.30	45.9	-5.6	3.25
BankUnited Inc. (BKU)	2.37	8.2	-5.5	2.45
Barclays US LLC (BARC)	5.57	15.8	-5.2	NA
Industry aggregate*	2,926.77	14.1	0.0	2.19

Data compiled Aug. 31, 2026.

CD = certificate of deposit; NA = not available.

Analysis limited to top-tier consolidated US banks and thrifts with total assets of at least \$3 billion and a loans-to-deposits ratio greater than 25% at June 30, 2026.

* Represents all US commercial banks, savings banks, and savings and loan associations that filed regulatory reports as of June 30, 2026. Nondepository trusts and companies with a foreign banking organization charter are excluded. CD balance and composition represent industry aggregates. CD rates represent industry averages.

Total deposits and CDs are based on regulatory filings.

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

Source: S&P Global Market Intelligence.

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Deposit growth flat in Q3

Deposits at domestically chartered US commercial banks grew 0.2% halfway through the third quarter as of Aug. 19, according to seasonally adjusted data in the Federal Reserve's H.8 report on bank assets and liabilities.

Large time deposits rose 1.0% from July 1 to Aug. 19, driven by 1.5% growth at the top 25 domestically chartered banks by assets compared to 0.3% growth at small banks.

Borrowings fell 0.9% during the same period, while loans grew by 1.0%.

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