DATA DISPATCH

Loan yield surge drives US bank margins to multiyear highs in Q3 2025

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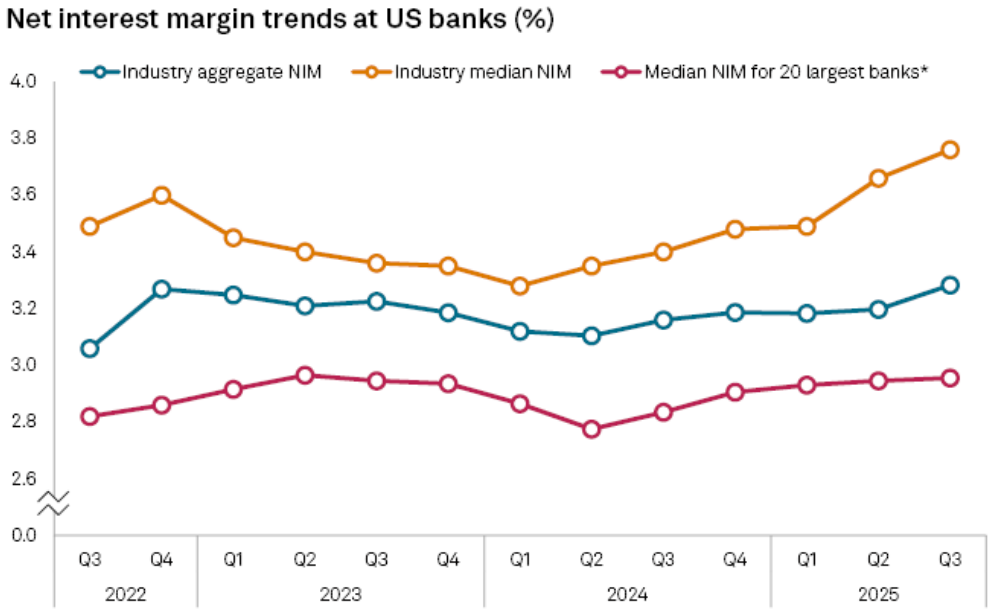
By Zain Tariq and Ayesha Shahbaz
Market Intelligence

US banks posted another quarter of net interest margin (NIM) expansion in the third quarter of 2025 as loan yields continued to rise and asset repricing gained momentum.

On an aggregate basis, the taxable-equivalent NIM for the banking industry rose by 8 basis points from the linked quarter, reaching 3.28%, the highest level since the third quarter of 2019. Meanwhile, the median NIM climbed 10 basis points to 3.76%.

The nation's largest bank, JPMorgan Chase Bank NA, reported an increase in NIM of 5 basis points to 2.86% while the median for the 20 largest banks by total assets was up just 1 basis point. Among these banks, Capital One NA posted the biggest quarterly increase in NIM of 68 basis points to 8.31%, partly driven by the benefit of the acquisition of Discover Financial Services, while Morgan Stanley Bank NA posted the biggest quarterly decline of 10 basis points to 1.90%.



Data compiled Nov. 18, 2025.
NIM = net interest margin.
Analysis includes operating and historical US commercial banks, savings banks, and savings and loan associations. Nondepository trusts and companies with a foreign banking organization charter are excluded.
* The 20 largest US banks by total assets as of Sept. 30, 2025, are JPMorgan Chase Bank NA, Bank of America NA, Citibank NA, Wells Fargo Bank NA, U.S. Bank NA, Capital One NA, Goldman Sachs Bank USA, PNC Bank NA, Truist Bank, Bank of New York Mellon, State Street Bank and Trust Co., TD Bank NA, Morgan Stanley Bank NA, BMO Bank NA, Charles Schwab Bank SSB, Morgan Stanley Private Bank NA, First-Citizens Bank & Trust Co., Citizens Bank NA, Fifth Third Bank NA and American Express National Bank.
Data is fully taxable equivalent, adjusted for major intercompany consolidations and based on regulatory filings.
Source: S&P Global Market Intelligence.
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Deposit costs sticky, loan yields climb

The Federal Reserve's 25-basis-point rate cut late in the quarter provided limited near-term relief, and most banks emphasized that deposit pricing remained stubbornly elevated through the third quarter. The aggregate cost of deposits rose 3 basis points to 2.12%, following a decline in the previous quarter, though still 39 basis points lower than the peak in the third quarter of 2024.

Deposits were up 0.4%, the slowest quarterly growth since the 1.0% decline in the second quarter of 2024, driven by lower savings rates and higher rates.

During JPMorgan Chase & Co.'s third-quarter earnings call, CFO Jeremy Barnum said, "Consumer spending remained robust, while income was a bit lower. So that's all else equal, decreasing balances per account in CCB (consumer and community banking)."

Higher rates also continued to draw customers into yield-seeking accounts, Barnum said, noting that flows into higher-yielding products are "still below the peak" but remain a factor.

Despite headwinds on the funding side, banks saw substantial improvement in loan yields, which climbed 16 basis points to 6.88% for the industry. Fixed-rate loans originated during the low-rate era are steadily rolling off or repricing, and management teams broadly pointed to asset re-mixing and disciplined pricing as key contributors.

Loan growth remains modest at 1.2% after a relatively better second quarter when lending accelerated as corporates built inventories ahead of tariff-related price increases.

Much of the loan growth came from lending to nondepository financial institutions (NDFIs), a segment that has raised concerns among analysts and executives. While a few bank leaders cautioned about the credit risks and regulatory exposures linked to this sector, others argued that recent bankruptcies of auto NDFIs Tricolor Holdings LLC and First Brands Group LLC are isolated rather than systemic.

Macroeconomic factors and customer behavior will determine forward trajectory

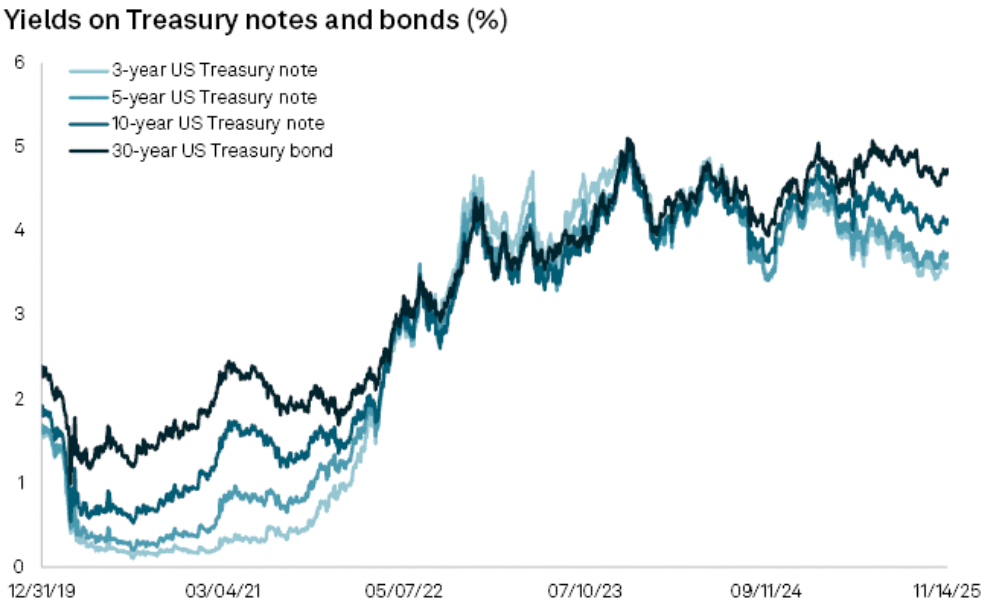
While the third quarter delivered some of the strongest spreads, the future trajectory of NIM is largely dependent on macroeconomic variables such as labor market, inflation and the pace of Fed easing. With deposit costs expected to lag the decline in asset yields, the industry is preparing for modest NIM compression ahead.

John Stern, vice chair and CFO at U.S. Bancorp, mentioned during the third-quarter earnings call that one of the components of the company's target NIM of

3% in 2027 is the deposit mix, pricing and competition, which is dependent on the macroeconomic environment. "So we definitely see a path for 3% in 2027, but some of those macro environments might impact the speed in which we get there," Stern said. U.S. Bank NA reported a 7-basis-point increase in NIM during the quarter to 2.84%.

Capital One Financial Corp. CFO Andrew Young emphasized that the bank has integrated the key structural factors contributing to margin expansion, particularly from the Discover acquisition and reduced funding costs. He indicated that future progress will be more influenced by customer dynamics and policy developments rather than structural adjustments. "[T]he relative growth of different asset classes and then how customers behave in card and retail" are the things that could move NIM in either direction, Young said during the bank's third-quarter earnings call.

While noting the significance of the timing of interest rate cuts, Young said "how far and how quickly the Fed moves ... could bring some beta lag with it, but that effect should sort itself out over time."



Data compiled Nov. 18, 2025.
Rate information is from Dec. 31, 2019, to Nov. 14, 2025. When unavailable, the yield from the previous day is shown.
Source: S&P Global Market Intelligence.
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