

DATA DISPATCH

US banks' funding costs resume descent after latest Fed cuts

Monday, March 2, 2026 9:47 AM ET

By Zuhaib Gull and Harry Terris
Market Intelligence

Deposit costs dropped in the 2025 fourth quarter as another set of Federal Reserve interest rate cuts filtered through bank funding portfolios.

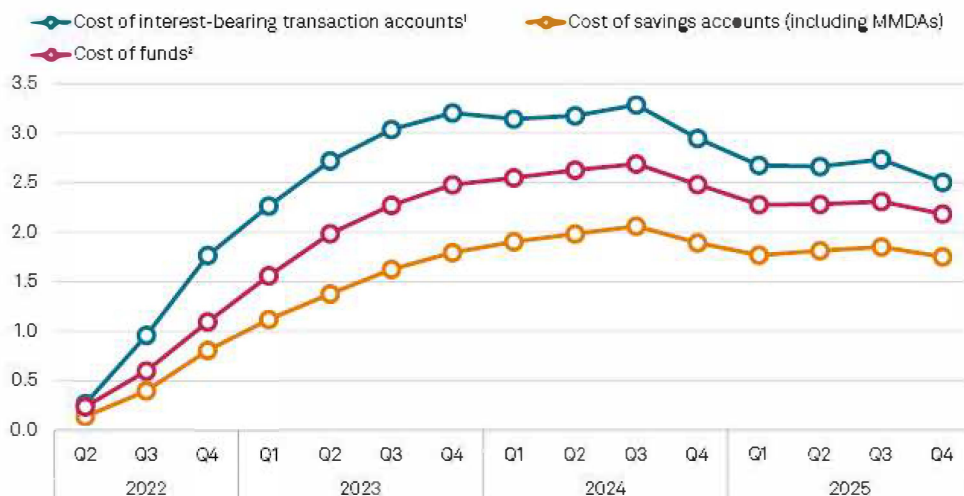
The industrywide cost of interest-bearing deposits fell 23 basis points sequentially to 2.50% and the cost of savings deposits fell 10 basis points to 1.75%, helping to drive the overall cost of funds down 13 basis points to 2.18%, according to data from S&P Global Market Intelligence. The more favorable pricing came along with a pickup in deposit growth.

The decline in funding costs outpaced the decline in asset yields, helping to drive [further expansion in net interest margins](#). While analysts have been watching closely for signs that competition will inhibit banks' [power to pass through rate cuts](#) to depositors, banks have [expressed confidence](#) in their ability to [push through further reductions](#), and continue to describe the interest rate environment as supportive.

"I wouldn't say it's worse," [Fifth Third Bancorp](#) Treasurer Brennen Willingham [said](#) at an investor conference in February about deposit price competition. "It's rational, but it's firm." He added that for the "crown jewel" of commercial operating deposits, "we'll continue to see that competition, I think, particularly as people are more constructive on the loan growth story."

Addressing the broader rate backdrop, Fifth Third COO James Leonard said, "If you go back a few years when I was in the CFO chair, I think I had said, 'If we got a Fed funds rate around 350 [basis points] with a nice slope to the curve, that would be an incredible position for our balance sheet.' And it looks like that's the type of scenario we're going to see play out here."

Funding costs at US banks (%)



Data compiled Feb. 12, 2026.

MMDA = money market deposit account.

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

¹ Interest-bearing transaction accounts include negotiable order of withdrawal accounts and demand deposit accounts.² Cost of funds is the total interest expense as a percentage of average interest-bearing liabilities and average noninterest-bearing deposits.

■ Data based on regulatory filings.

Excludes foreign deposits.

Source: S&P Global Market Intelligence.

© 2026 S&P Global.

Learn
More

- Set email alerts for [future Data Dispatch articles](#)
- Download a template to [generate a bank's regulatory profile](#)
- Download a template to [compare a bank's financials to industry aggregate totals](#)

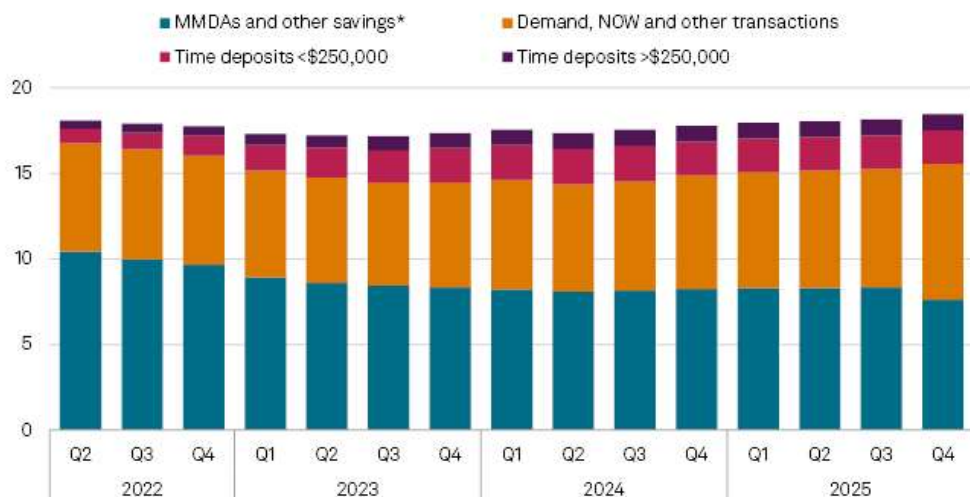
Back down

The drop in funding costs echoed three Fed cuts totaling 75 basis points, one late in the 2025 third quarter and one in December 2025 that banks say should help with additional deposit cost reductions in the first quarter this year.

Deposit and funding costs had [moved higher in the 2025 third quarter](#) as the Fed's 100 basis points of cuts in late 2024 moved further in the rear view. Those cuts drove a sequential reduction in industrywide funding costs of 21 basis points in the 2024 fourth quarter, and 20 basis points in the 2025 first quarter.

A Feb. 11 note on deposit pricing trends by Jefferies analysts found that banks' maximum offered rates on certificates of deposit, and savings and money market accounts were "trending stable to down" in February, and than maximum offered rates have trended lower over the past three months.

Deposit composition at US banks (\$ trillion)



Data compiled Feb. 12, 2026.

MMDA = money market deposit account; NOW = negotiable order of withdrawal.

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

* Other savings represent deposits or accounts that do not permit transfers by check, draft, debit card or similar order made by the depositor and payable to third parties.

Data based on regulatory filings.

Excludes foreign deposits.

Source: S&P Global Market Intelligence.

© 2026 S&P Global.

Growth pickup

Sequential industrywide deposit growth accelerated to 1.8% in the 2025 fourth quarter, and year-over-year growth rebounded to 3.8% after a decline to 3.3% in the 2025 third quarter.

Sequential and year-over-year growth has been driven by balances in transaction accounts, with savings deposits contracting and time deposits down modestly.

"Deposit trends remain strong," Piper Sandler analysts said in a Feb. 16 note on weekly data from the Fed, with recent year-over-year growth mostly holding above 4%.

[JPMorgan Chase & Co. forecast](#) low-to-mid single digit percentage retail deposit growth in 2026 during its [abbreviated investor day](#) on Feb. 23, reflecting expectations for continued checking account growth and continued abatement in customer yield-seeking behavior.

In 2025, "although total balances were about flat, we did see an inflection point in our checking balances per account, which grew 1% year-on-year," CFO Jeremy Barnum [said](#).

This article was published by S&P Global Market Intelligence and not by S&P Global Ratings, which is a separately managed division of S&P Global.