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Rapid US Non-Bank Loan Growth Raises Risk of Wider Losses for Banks

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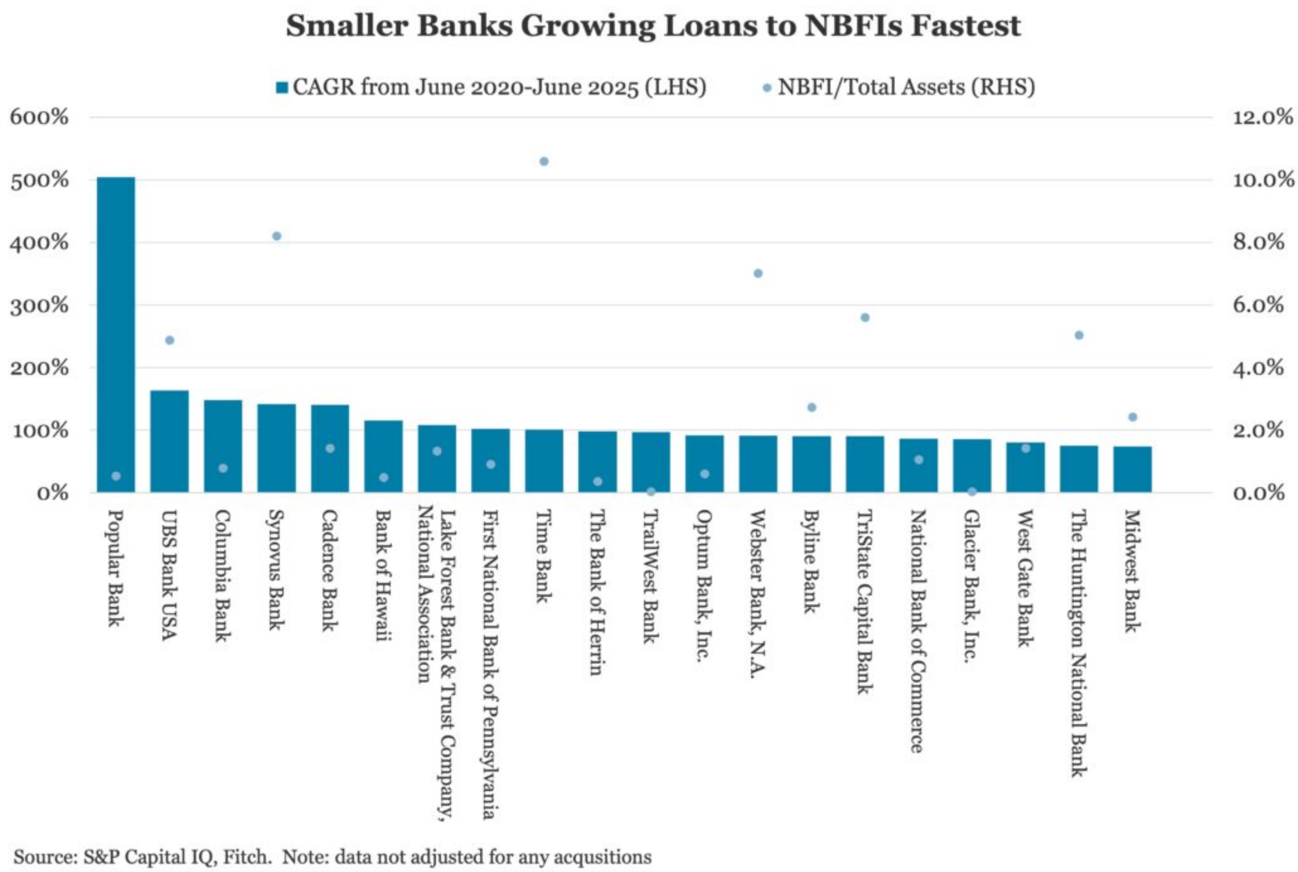

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U.S. regional banks' recent losses tied to non-bank financial institutions (NBFIs) may signal broader risk from this fast-growing loan segment. While these cases may be fraud-related and idiosyncratic, rapid expansion of NBFI exposures increases the chance that concentrated counterparties, combined with weak underwriting, could pressure bank earnings and sentiment beyond individually affected banks.

U.S. bank lending to NBFIs expanded sharply over the last five years, per bank regulatory data. Loans to NBFIs reached about $1.2 trillion on June 30, 2025, nearly 10% of total loans, up from roughly 3% a decade ago. Growth averaged about 11% annually on a CAGR basis for the entire industry; however, banks with assets between $10 billion and $250 billion in assets grew the fastest at roughly 35% during this period.