

Navigating the New Normal: What Financial Services Leaders Need to Know

Banking · Fintech · Lending · Leasing · Asset Management
Compensation · Talent Strategy · Geopolitical Risk

Executive Summary

The financial services sector is navigating one of its most consequential inflection points in decades. Record bank profits coexist with compressing returns. A deregulatory M&A wave is reshaping the competitive landscape. Private credit has crossed the \$3.5 trillion threshold. AI is restructuring talent hierarchies. And the geopolitical environment—marked by tariff-driven stagflation risk, elevated long-term yields, and geoeconomic fragmentation—demands strategic agility that few organizations have fully developed.

This briefing synthesizes the most critical data and strategic imperatives across banking, fintech, lending, leasing, asset management, and talent—offering financial services leaders a concise command view of the forces reshaping their industry in 2026.

The Central Tension

Global banking net income hit a record \$1.3 trillion in 2025—yet return on tangible equity fell from 12.4% to 11.8%. Banks are earning more in absolute terms but becoming structurally less efficient. Leaders who cannot close this gap will face pressure from consolidators, activists, and better-capitalized competitors.

Macroeconomic & Geopolitical Environment

The operating environment for financial services in 2026 is defined by four interlocking forces: tariff-induced inflation, a cautious Federal Reserve, geoeconomic fragmentation, and elevated long-term yields. Together, these create a backdrop that rewards precision and punishes excess leverage.

The Tariff Transmission Problem

US core inflation is running at approximately 3%, with the full impact of import tariffs still unfolding. The first wave of pain landed on importers; the next will reach consumers and exporters. The IMF's April 2026 World Economic Outlook describes a global economy "tested again" by accumulated imbalances and fragmentation. Financial leaders should model a scenario where core inflation remains sticky through Q3 2026, delaying rate normalization.

Core Inflation (US)

~3.0% Sideways; tariff pass-through still materializing

Fed Funds Rate Target

~3.0% Expected by year-end 2026 (Deloitte/Rabobank consensus)

US Unemployment

4.3–4.4% Stable through Q1 2026

Credit Card Charge-offs

4.11% Highest level relative to the past 15 years

Long Rates and Capital Costs

While the Fed is easing, long-term yields remain elevated due to rising term premiums. The ECB is expected to hold around 2%. Meaningful infrastructure and defense spending in Europe could push long yields slightly higher. For financial institutions with duration mismatches or large AFS portfolios, the rate environment remains a material risk—not a tailwind.

Geoeconomic Fragmentation

Rabobank's 2026 Global Outlook frames this era as one of "new rules, different economy." Trade conflicts, populism, and competition for critical raw materials are creating persistent uncertainty. Cross-border deals face divergent regulatory scrutiny—tighter antitrust in some jurisdictions, deregulatory in others. For multinational financial institutions, navigating these divergent regimes is now a core strategic competency.

Strategic Implication

Leaders should pressure-test capital plans against a scenario of sticky inflation, delayed Fed cuts, and elevated credit costs through H2 2026. The downside case is not low-probability.

Banking: Record Profits, Declining Returns

Global banks posted \$1.3 trillion in net income in 2025—the highest in industry history. But return on tangible equity declined for the second consecutive year, and the productivity gap between top-quartile and median banks is widening. McKinsey's 2025 Global Banking Annual Review identified "precision, not heft" as the defining strategic posture.

Key Performance Metrics (2025)

Metric	2024	2025	Trend
Global Net Income	\$1.21T	\$1.3T	+7% YoY
Return on Tangible Equity	12.4%	11.8%	↓ Declining
Return on Equity	10.3%	~9.8%	↓ Declining
Capital Ratios (avg)	~12.8%	~13.0%	Stable
US Net Interest Margin	Flat	+9 bps	↑ Improving

Regional Divergence

US banks benefited from a 9-basis-point improvement in net interest margins. Japan and UK banks similarly expanded margins. Emerging market banks, particularly in Brazil, faced dramatic margin compression (from 3.55% to 2.93%). The global picture is one of widening performance dispersion—a trend leaders in every market must take seriously.

M&A: The Long-Anticipated Wave Breaks

The regulatory environment for bank M&A has shifted meaningfully. The OCC and FDIC rescinded Biden-era merger policy statements in 2025, reinstating prior frameworks. Regulators approved mergers in 2025 at the fastest pace since 1990. Q1 2026 recorded the largest combined deal value since Q1 2019, with 53 deals completed—the highest count since Q4 2021.

The headline transaction: Banco Santander's \$12.3 billion agreement to acquire Webster Financial—the largest regional bank acquisition by value in years. Skadden has called this "the long-anticipated wave of bank consolidation" finally breaking. Regional banks in particular face structural pressure to achieve scale competitive with the top-tier institutions.

Leadership Imperative

CEOs and boards of regional and mid-market banks should have a clear answer to this question: Are we an acquirer, a target, or independently scalable? Ambiguity on this question is a competitive liability in today's environment.

Fintech: Scaling the Infrastructure Layer

The fintech sector has matured from a disruptive challenger into a foundational infrastructure layer for financial services. Digital lending platforms now handle over 70% of lending processes. Embedded finance and AI-driven credit decisioning are reshaping distribution economics at every point in the value chain.

Fintech Lending: Market Scale and Growth

Global Fintech Lending
AUM

\$504–588B (est.) 2025–2026E; CAGR ~16.6% per Fortune Business Insights — estimates vary by source

Digital Lending Preference

~68% of borrowers prefer digital platforms (Cognitive Market Research survey data)

AI/ML Integration

~57% of fintech platforms integrating AI for credit scoring and risk (industry survey estimates)

Mobile Approval Share

~35% of fintech lease transactions via mobile in 2025 (GlobalGrowthInsights estimate)

Note on market sizing: Fintech lending market estimates vary significantly across research providers — from ~\$504B to over \$1.4T depending on scope and methodology. Figures above reflect the Fortune Business Insights/Cognitive Market Research mid-range. The directional trend (strong double-digit CAGR, rapid digital adoption) is consistent across sources.

Strategic Dynamics

Legacy banks are responding to fintech competition through acquisition and partnership rather than organic build. JP Morgan, Wells Fargo, and regional banks have all accelerated fintech partnership activity. The competitive advantage for fintechs increasingly lies not in technology per se, but in data networks and unit economics at scale—which takes time and capital to build.

Embedded leasing is a notable emerging vector: strategic partnerships between commercial banks, fintech platforms, and equipment manufacturers are placing lease offers directly at the point of asset purchase, compressing the sales cycle and expanding addressable market.

Watch Signal

AI-enabled fraud is cited as the fastest-growing financial crime risk. Fintechs that built compliance infrastructure as an afterthought are facing rising costs and regulatory scrutiny. This is creating a bifurcation between scaled, compliant platforms and smaller, exposed operators.

Lending: Credit Normalization in Progress

The consumer credit cycle that began tightening in 2022–2023 is now in a normalization phase—but normalization does not mean benign. Charge-off rates are stabilizing at elevated levels. Commercial credit conditions are mixed, with demand recovering in segments tied to infrastructure and energy transition. Leaders in lending must distinguish between cyclical normalization and structural deterioration in specific portfolios.

Consumer Credit Landscape

Credit card charge-offs reached 4.11% in Q4 2025, up slightly from 4.07%, and represent the highest sustained level in 15 years. Employment stability (unemployment 4.3–4.4%) has prevented a cascading deterioration, but wage growth is softening and the lagged impact of higher rates on revolving debt burdens is not fully reflected in current loss rates.

Commercial Lending Dynamics

Commercial real estate remains a concentration risk for regional banks, though transaction volumes are beginning to recover in select markets. Infrastructure lending is emerging as a growth segment—driven by domestic reshoring, energy transition capital expenditure, and defense spending. Banks with sector expertise in these areas are capturing disproportionate deal flow.

Digital Lending Transformation

The structural story in lending is digital displacement. Over 60% of financial services now incorporate fintech-based lending solutions. The competitive implication is clear: banks and non-bank lenders that have not automated underwriting, decisioning, and servicing are carrying cost structures that are no longer defensible at mid-market scale.

Portfolio Signal

Leaders should scrutinize their consumer portfolio for lagged rate impact: borrowers who locked in variable-rate obligations during the rate-rising cycle may face payment stress in H2 2026, even as rates start to fall. Loss recognition will lag behavioral deterioration.

Leasing & Asset Finance: Durable Growth, Digital Transformation

Multiple market research providers estimate the global financial leasing market in the range of \$1.6–1.8 trillion in 2025, with a projected CAGR of approximately 6–7% through 2034 (sources include Dataintelo, Fortune Business Insights, and GlobalGrowthInsights). While precise sizing varies by methodology, the directional picture is consistent: durable mid-single-digit growth driven by asset-light enterprise strategies, emerging market infrastructure buildout, and digitalization of origination and servicing.

Market Size and Regional Distribution

Region	2025 Share (est.)	Growth Trajectory
Asia Pacific	~38–39% of global AUM	Fastest-growing region; est. CAGR ~8% through 2034
North America	~27–29%	Stable growth; infrastructure and fleet driving demand
Europe	~21–23%	Solvency II reform unlocking capital for consolidation
Rest of World	~10–12%	Emerging market infrastructure tailwind

Regional share estimates are from GlobalGrowthInsights and Dataintelo. Figures should be treated as directional, not precise.

Structural Trends

Enterprise adoption of asset-light models is accelerating demand for operating leases across equipment, technology, and transportation. Medical devices, agricultural equipment, and commercial technology are seeing particularly strong growth in embedded lease origination. Industry estimates suggest fintech-driven lease platforms have grown materially year-on-year, with mobile-based approvals representing a rising share of transactions (source: GlobalGrowthInsights).

For financial institutions with leasing capabilities, the strategic question is distribution: who owns the customer relationship at the point of asset acquisition? Banks that can place lease offers through manufacturer and dealer networks—rather than pulling customers back to a bank branch—will capture a disproportionate share of new origination.

Asset Management: The \$200 Trillion Horizon

Global assets under management are on a trajectory from \$139 trillion (2024) to \$200 trillion by 2030, growing at a 6.2% CAGR. The defining structural shift: private markets are on track to generate more than half of total industry revenue by 2030, producing approximately four times as much profit per \$1 billion AUM as traditional strategies.

Private Markets Momentum

Global AUM (2024)

\$139T Projected to reach \$200T by 2030 (PwC)

Private Credit AUM

>\$3.5T Record threshold crossed; fastest-growing alternative class

Blackstone Total AUM

\$1.3T World's largest alternative manager as of Q1 2026

Brookfield AUM

>\$1.0T Crossed \$1T milestone after record \$30B Q3 2025 raise

Credit Secondaries Raise

\$16B Q1–Q3 2025; exceeded prior three years combined

Private Equity: Recalibration, Not Retreat

PE fundraising through Q3 2025 fell to \$569.5 billion—a five-year low for the period, down 22% from 2024. The correction reflects LP fatigue with unrealized portfolios and compressed distributions, not a structural withdrawal from the asset class. The 2026 outlook points to renewed momentum as rate normalization enables more exit activity and improves deal economics.

Private Credit: The New Normal

Private credit has become a permanent fixture in institutional allocations and in the capital structures of mid-market companies. The \$3.5 trillion threshold represents a market that now rivals the US syndicated loan market in scale. Competition between direct lenders is compressing spreads, which is shifting the alpha opportunity toward structuring complexity, sector specialization, and origination networks—not raw capital deployment.

Strategic Shift

Traditional asset managers who remain exclusively in public markets face a structural revenue headwind. The talent, technology, and product development required to build credible private markets capabilities takes years. Leaders should be assessing their private markets strategy with urgency, not deliberation.

Compensation & Talent: The AI-Driven Restructuring

Talent strategy in financial services is being restructured from the top down by AI. One in three finance job postings now requires AI or machine learning skills—up from one in four a year ago. The market is concentrating value at the top of the finance function while automation pressure compresses compensation in the roles beneath. Leaders who do not understand this bifurcation will overpay for commoditizing skills and underpay for genuinely scarce ones.

The Compensation Bifurcation

Role	Compensation Trend (2026)	Key Dynamics
CFO (Top-Tier)	\$270K–\$322K avg	9% YoY growth at entry level; judgment & AI fluency premium
CFO (Mid-Tier)	\$195K–\$270K	Rising; strong demand from digital transformation mandates
Controller	\$107K–\$134K	Down 17–21% YoY; automation displacing transactional oversight
FP&A	Mixed	43% of postings require AI/ML; roles bifurcating by capability
Risk / Compliance	Above market	Regulatory complexity driving sustained premium
Technology Leadership	Premium	FinServ firms paying above 3.5% merit baseline for tech roles

Executive Hiring: Market Dynamics

The leadership hiring market in financial services is running hot at the senior level. According to McDermott + Bull's 2026 Bank Executive Hiring Trends report, 78% of executive searches were filled at the top quartile or higher of the compensation range—reflecting the premium candidates command to leave stable organizations, relocate, or step into transformation mandates. Separately, a Beqom survey of 300 senior HR and compensation leaders found that 87% report they cannot afford to lose key executives, and 86% describe their compensation scheme administration as complex. (Both figures are survey-based; treat as indicative of directional sentiment, not industry-wide census data.)

Demand by Function

Lending, Compliance/Risk, and Technology accounted for the largest share of leadership movement within banks in 2025—directly reflecting where boards are allocating strategic investment. Chief Risk Officers and Chief Compliance Officers are commanding new levels of compensation parity with business line leaders, reflecting regulatory prioritization. Technology executives with financial services domain expertise remain the most difficult searches in the market.

The AI Skills Premium

Nearly 31% of finance job postings explicitly mention AI or ML skills—with FP&A at 43%. But the compensation data tells a more nuanced story: AI skills in isolation are not commanding a premium in most roles; the premium accrues to executives who combine AI fluency with business judgment, regulatory literacy, and stakeholder credibility. Firms hiring for AI skills alone are likely to acquire technical capability without the leadership capacity to deploy it.

Talent Imperative

Financial services leaders should audit whether their compensation architecture still aligns incentives with strategic priorities. In an AI-restructuring environment, roles that looked like cost centers 18 months ago (data science, model risk) are now strategic differentiators—and compensation structures have not caught up in most organizations.

Five Strategic Priorities for 2026

Across banking, fintech, lending, leasing, and asset management, five priorities stand out as separating leaders who will define the next cycle from those who will be defined by it.

1. Resolve the Scale Question

The bank consolidation wave is real and accelerating. Every regional and mid-market institution needs a clear, board-ratified answer to the scale question: acquire, be acquired, or build sustainable differentiation as a focused specialist. There is no neutral position—the center is compressing.

2. Build Private Markets Credibility

The \$200 trillion AUM trajectory is being driven by private markets. Asset managers without credible private credit, private equity, or infrastructure capabilities are playing a shrinking game. The time to build or acquire these capabilities is now, before the cost of entry rises further.

3. Operationalize AI—Not Just Pilot It

Deloitte projects 30–100% productivity gains by 2032 for early AI adopters, with McKinsey modeling a potential 4-percentage-point ROTE improvement for leading banks. The gap between pilots and production deployment is where most institutions are losing time. Leaders should measure AI by productivity and revenue impact, not by the number of use cases in flight.

4. Architect Compensation for the New Talent Hierarchy

The AI-driven bifurcation of compensation is creating both opportunity and risk. Firms that update their compensation architecture proactively—building in premiums for judgment, AI fluency, and regulatory expertise—will attract and retain the leaders who matter most. Those that apply blanket merit increases will see disproportionate attrition at the top.

5. Stress-Test Against the Macro Downside

The probability-weighted macro scenario for 2026 is not catastrophic, but the tail risk is meaningful: sticky inflation, a Fed that cannot cut as expected, and credit normalization that turns into credit deterioration. Leaders who have already run and socialized the downside scenario with their boards will respond faster and more credibly when the environment demands it.

About ZRG Partners

ZRG Partners is a global executive search and leadership advisory firm serving financial services organizations across banking, fintech, asset management, insurance, and specialty finance. Our practice is built on deep sector expertise and a data-driven approach to leadership assessment and placement.

This briefing is produced by ZRG Partners' Financial Services Practice as part of our Executive Intelligence Series—designed to provide senior leaders with actionable perspective on the forces shaping their industry and their leadership teams.

Sources & Methodology

Data and analysis drawn from: McKinsey Global Banking Annual Review 2025 & 2026; Deloitte 2026 Banking & Capital Markets Outlook; PwC 2025 Global Asset & Wealth Management Report; IMF World Economic Outlook April 2026; Rabobank Global Outlook 2026; Skadden 2026 Insights on Bank Consolidation; McDermott + Bull 2026 Bank Executive Hiring Trends; Datarails 2026 Finance Skills Research; Beqom 2026 Compensation Trends in Financial Services; BridgeForce Financial Services Industry Trends Q2 2026; Harvard Law School Forum on Corporate Governance (M&A Trends 2026); PwC Global M&A Financial Services Outlook 2026.

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