

# Too Good To Be True: Top Bank Analyst Warns Hidden Risks Are Building Inside America's Largest Banks

*Christopher Whalen warns big banks look strong on paper, but falling yields, rising competition, and hidden risks suggest credit stress is quietly building.*

NEW YORK, NY, UNITED STATES, May 4, 2026 /EINPresswire.com/ -- While Wall Street highlights strong balance sheets and falling default rates, some analysts see potential areas of divergence emerging beneath the surface of the U.S. banking system. According to veteran bank analyst Christopher Whalen, publisher of [The Institutional Risk Analyst](#), the strongest-looking banks may also be facing rising structural risks.



Christopher Whalen

"The published numbers from the largest banks are arguably stronger than underlying conditions might suggest, reflecting the opaque nature of credit risk on the balance sheets of many banks," he notes in the latest release of the [WGA Top Bank 100](#) listing for Q2 2026. "Reported default rates are falling, but so are loan yields, which could indicate emerging pressures."

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The published numbers from the largest banks are literally too good to be true, reflecting the opaque nature of credit risk on the balance sheets of many banks."

*Christopher Whalen*

In short, banks are posting cleaner credit metrics even as competition intensifies and returns compress, a dynamic that may indicate risk is being repriced rather than fully reduced. The fastest growth is in lending to non-depository financial institutions, a broad and opaque category that includes private credit and shadow banking. Yet even here, the signal is troubling. Bank assets are growing roughly three times faster than loans, forcing institutions to

compete for a shrinking pool of quality borrowers.

The outcome is predictable. Yields are falling. Discipline is slipping. Banks are reaching for return. Average loan yields at the largest institutions have declined nearly 25 basis points since late 2024, highlighting the pressure. Whalen argues this is not cyclical, but the result of a structural imbalance more than a decade in the making.

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“Wall Street hasn’t had a real credit shakeout since 2008,” he notes, echoing former [Goldman Sachs CEO Lloyd Blankfein](#). “We haven’t had a proper clearing event, which means a lot of financial assets are still likely marked too high. Fifteen years of extraordinary Fed policy suppressed credit losses and allowed bad debt to accumulate across both the public and private sectors.”

Likewise, JPMorgan CEO Jamie Dimon has called out deterioration in loan underwriting standards, Whalen notes. “There are more than a thousand private credit managers: Carlyle, Blackstone, KKR, Ares, Blue Owl may be brilliant, but I guarantee you not all thousand of them are,” Dimon said

Some observers note that as capital flows into private credit and nonbank channels, risks may become more distributed across the financial system, including areas that are less transparent and increasingly interconnected with traditional banks.

The WGA Top Bank 50 rankings represent the best performers among more than 100 publicly traded banks over \$10 billion in total assets. WGA scores the entire population of banks using a proprietary model where size is only one factor. All of the constituents of the WGA Top Bank 50 are available to subscribers to The Institutional Risk Analyst Premium Service.

Whalen Global Advisors LLC (WGA) is a New York-based consulting, risk analytics and publishing company focused on the intersection of financial institutions, credit markets, and global macro risk. WGA publishes The Institutional Risk Analyst (ISSN 2692-1812), the IRA Bank Book (ISBN 978-0-692-09756-4) quarterly review, and the widely followed WGA Top Bank and Top Precious Metals rankings. For additional information, please contact us at: [info@rcwhalen.com](mailto:info@rcwhalen.com)

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