

Banking Brief

RESEARCH DEPARTMENT

Third Quarter 2024 Highlights

Summary Table of Bank Structure and Conditions

Community Banking Organizations							Large Organizations			
	Nation			Tristate				Nation		
	\$ Bill	% Change From		\$ Bill	% Change From			\$ Bill	% Change From	
	24Q3	24Q2	23Q3	24Q3	24Q2	23Q3		24Q3	24Q2	23Q3
Total Assets	3,235.1	7.29	5.28	193.6	7.80	3.87	Total Assets	18,684.5	5.81	3.49
Total Loans	2,242.8	4.69	6.11	142.3	0.80	2.23	Total Loans	8,952.2	2.30	1.36
C&I	325.2	-0.19	4.73	16.7	1.23	0.02	C&I	2,018.8	0.16	0.04
Real Estate	1,692.1	5.15	6.11	112.9	1.96	3.25	Real Estate	3,709.7	-0.16	0.14
Consumer	90.0	1.58	0.21	7.4	-22.90	-9.70	Consumer	1,417.9	2.92	0.92
Total Deposits	2,710.0	8.69	5.15	159.9	10.39	4.54	Total Deposits	14,544.4	5.45	2.71
Ratios (in %)	24Q3	24Q2	23Q3	24Q3	24Q2	23Q3	Ratios (in %)	24Q3	24Q2	23Q3
Net Income/Avg Assets (ROA)	1.00	1.01	1.08	0.95	0.94	1.11	Net Income/Avg Assets (ROA)	0.99	1.01	1.24
Net Interest Inc/Avg Assets (NIM)	3.16	3.18	3.25	2.99	3.03	3.28	Net Interest Inc/Avg Assets (NIM)	2.69	2.71	2.84
Noninterest Inc/Avg Assets	0.77	0.78	0.75	1.00	0.95	0.90	Noninterest Inc/Avg Assets	1.23	1.22	1.27
Noninterest Exp/Avg Assets	2.54	2.56	2.47	2.67	2.67	2.65	Noninterest Exp/Avg Assets	2.36	2.37	2.22
Loans/Deposits	82.76	83.54	82.01	89.00	91.05	91.02	Loans/Deposits	61.55	62.02	62.37
Equity/Assets	10.33	10.00	9.35	10.73	10.53	9.96	Equity/Assets	10.08	9.91	9.73
Nonperforming Loans/Total Loans	0.73	0.70	0.60	1.12	1.15	1.13	Nonperforming Loans/Total Loans	0.93	0.90	0.82

Source: Unless otherwise noted, all data are from Federal Financial Institutions Examination Council (FFIEC) Call Reports.

Notes: The data are adjusted for mergers. Quarterly percentage changes are compound annualized rates except where noted. Ratios are aggregates; that is, the numerators and denominators are summed across all banks in the group, then divided. *Large U.S. banks* are defined as banking organizations such as bank holding companies that are ranked in the top 100 in banking assets as of December 31, 2023, including assets of only their commercial bank subsidiaries. Large banks typically operate in multiple regions. The number of large banks may exceed 100 if during the calendar year some banking organizations' assets grow larger than those of the 100th largest bank at the beginning of the year. A *banking organization* is an independent bank or all the banks within a highest-level bank holding company; however, banks less than five years old and special-purpose banks, such as credit card banks, are excluded. *Small tristate banks* are defined as those based in the tristate area that were not in the top 100 in assets as of December 31, 2023. The *tristate area* consists of Pennsylvania, New Jersey, and Delaware. *Small U.S. banks* are defined as those based outside the tristate area that were not in the top 100 in assets as of December 31, 2023, including assets of only their commercial bank subsidiaries. *U.S.* excludes tristate banks. The sample includes 93 small tristate banks, 3,476 small U.S. banks, and 100 large U.S. banks. NOTE: The data for community banks both in the nation and Tri-State exclude Lakeland Bank, a sizeable community bank in New Jersey that was acquired by a thrift in the second quarter of 2024 because its acquisition materially affected the numbers in a misleading way. Lakeland is also excluded from all of the charts below.

Recent Trends in Tristate and U.S. Banking Markets

Year over year, return on average assets continued to decrease at large and small banks, but they have begun to stabilize as year-over-year growth of quarterly net income was positive at all banks. As has been the case the previous few quarters, the declines in profitability are primarily due to falling net interest margins. Loan growth was weak at large banks and local banks but fairly strong at small banks nationally. Commercial real estate (CRE) lending is driving the weak asset and loan growth. CRE loan growth was weak at small banks and negative at large banks. The largest share of CRE loans is commercial mortgages, and these are driving the data. Additionally, construction lending has been falling dramatically at all banks. The ratios of nonperforming assets to total assets and nonperforming loans to total loans continued to increase at all but local banks, but they remain manageable. This is being driven by CRE loans at all banks and nonperforming consumer loans at large banks. Net charge-offs as a percent of loan-loss provisions increased at large banks and decreased at small banks both nationally and locally. In all cases, this ratio was below 100 percent, meaning banks are provisioning adequately.

CHART 1

Profitability Continued to Decrease

Percent

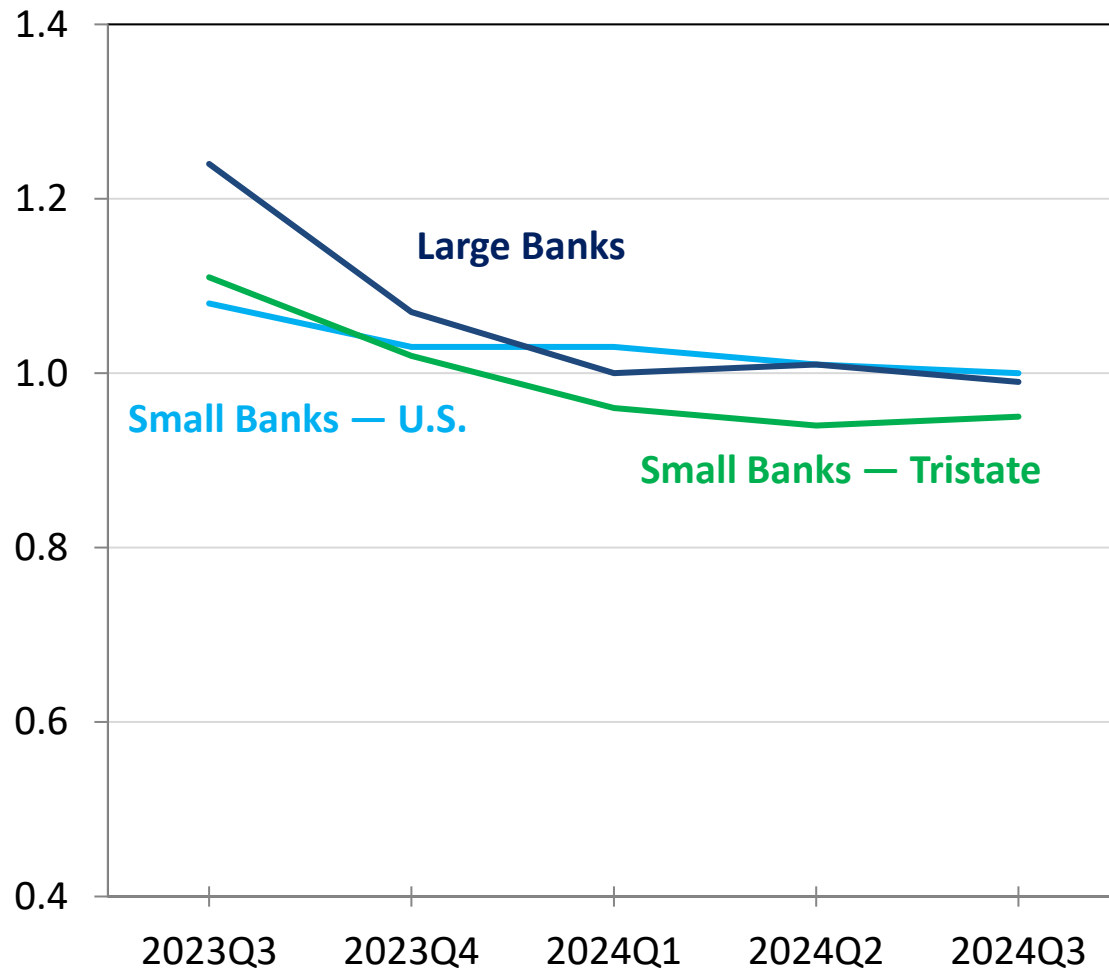


CHART 2

Annual Quarterly Net Income Is Now Growing After Falling the Last Several Quarters Percent

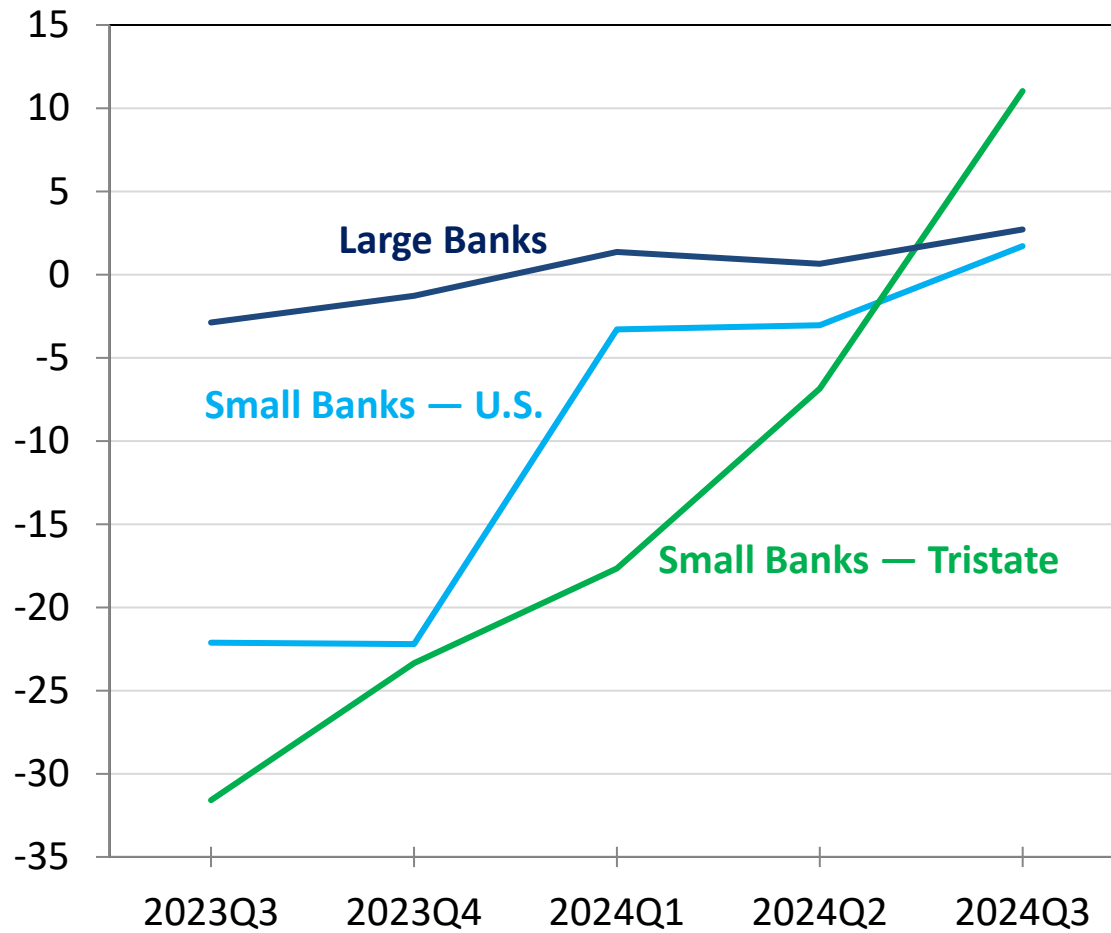


CHART 3

Falling Net Interest Margins Are a Drag on Profits

Percent

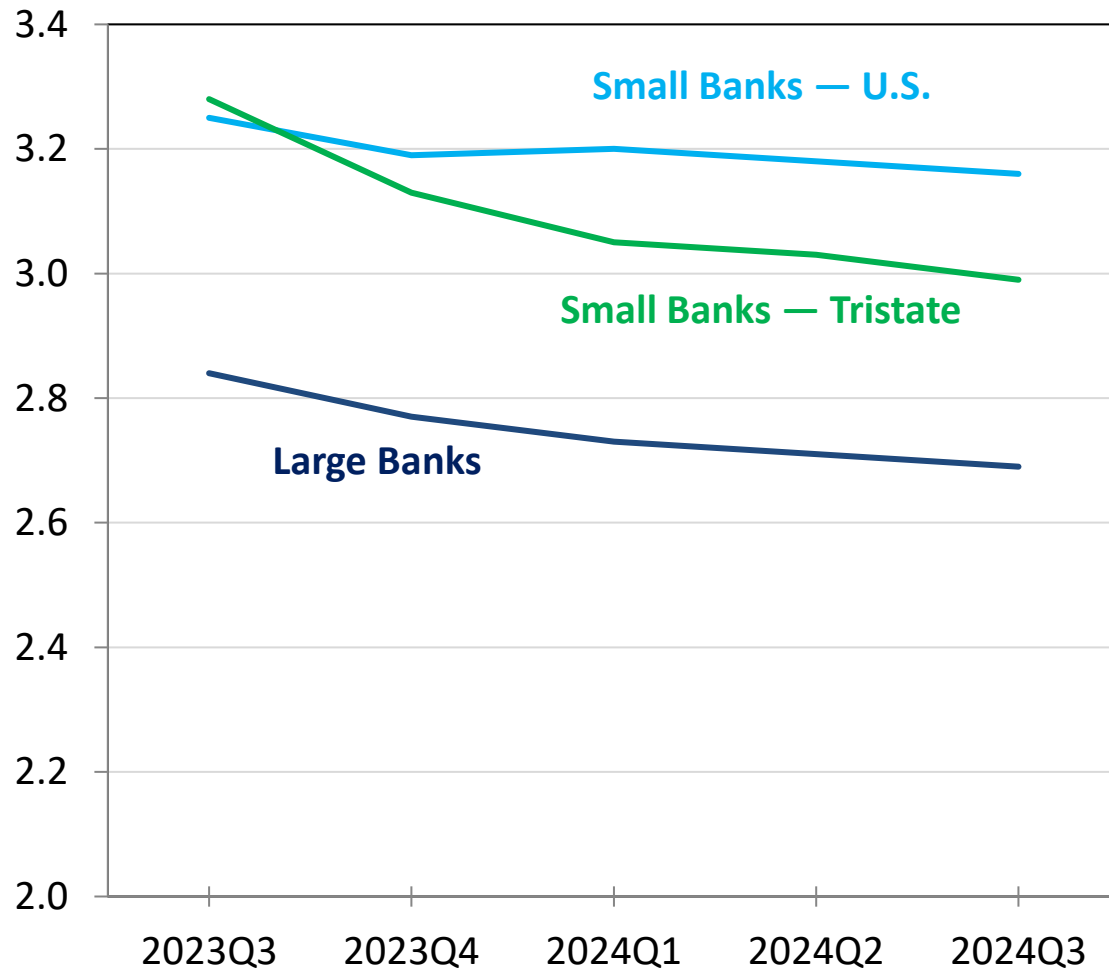


CHART 4

Loan Growth Slowed at Small Banks but Still Outpaces That of Large Banks

Percent

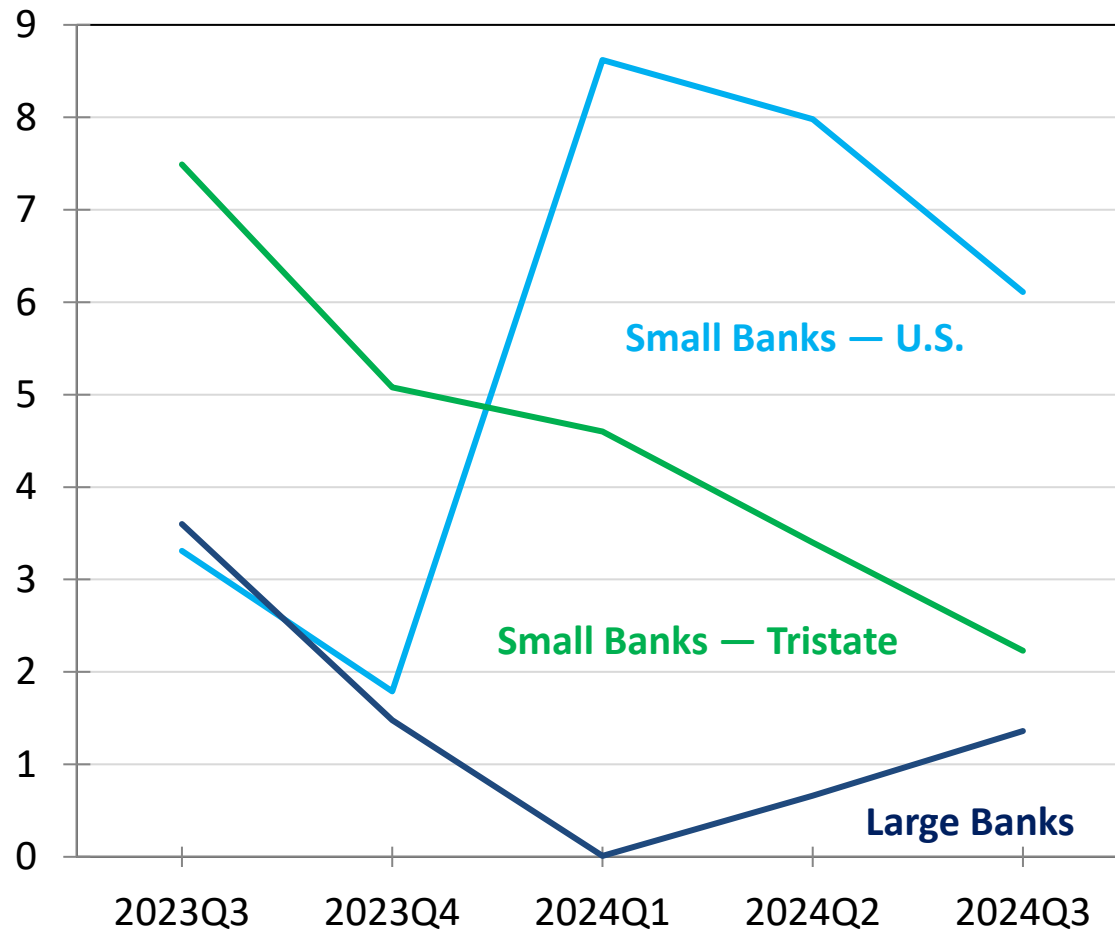


CHART 5

CRE Loan Growth Slowed at Community Banks and Shrank at Large Banks

Percent

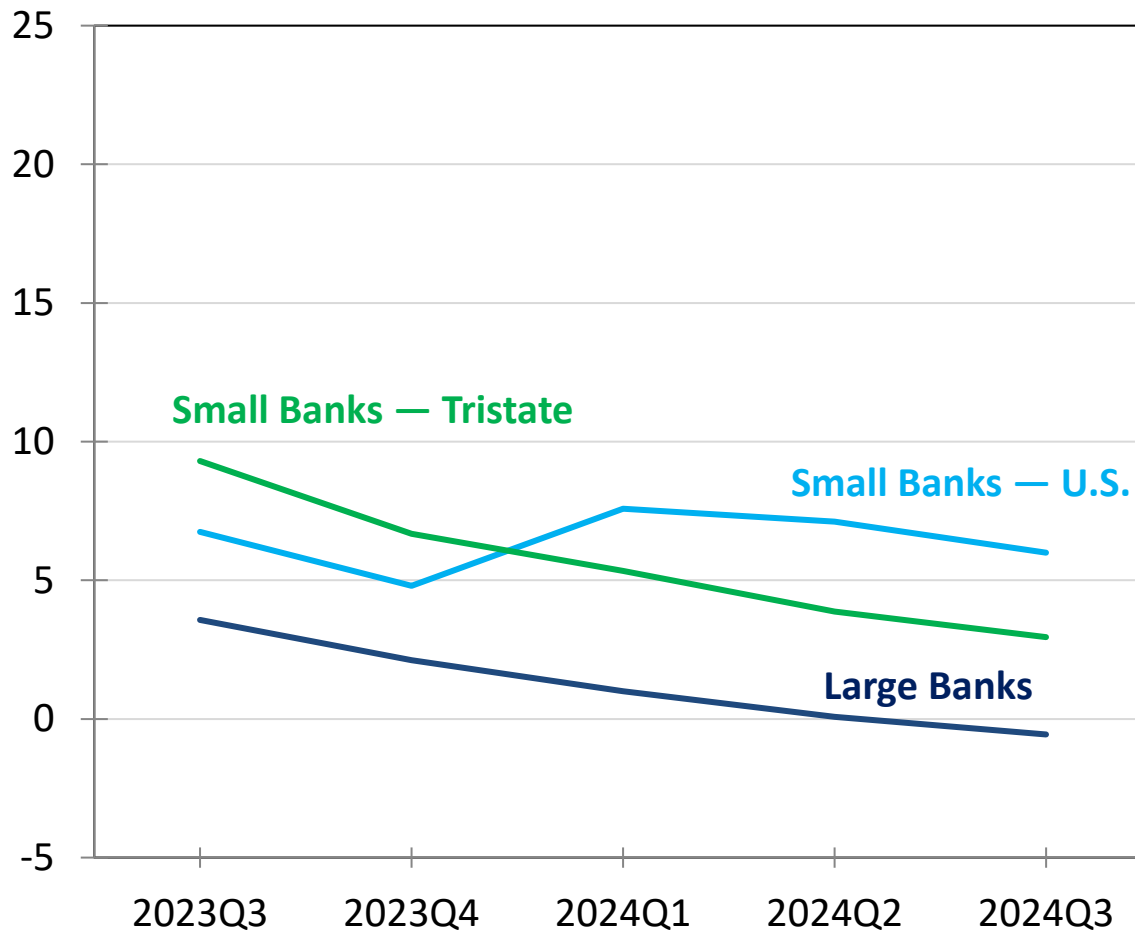


CHART 6

Commercial Mortgages Continued to Grow at Community Banks but Shrank at Large Banks

Percent

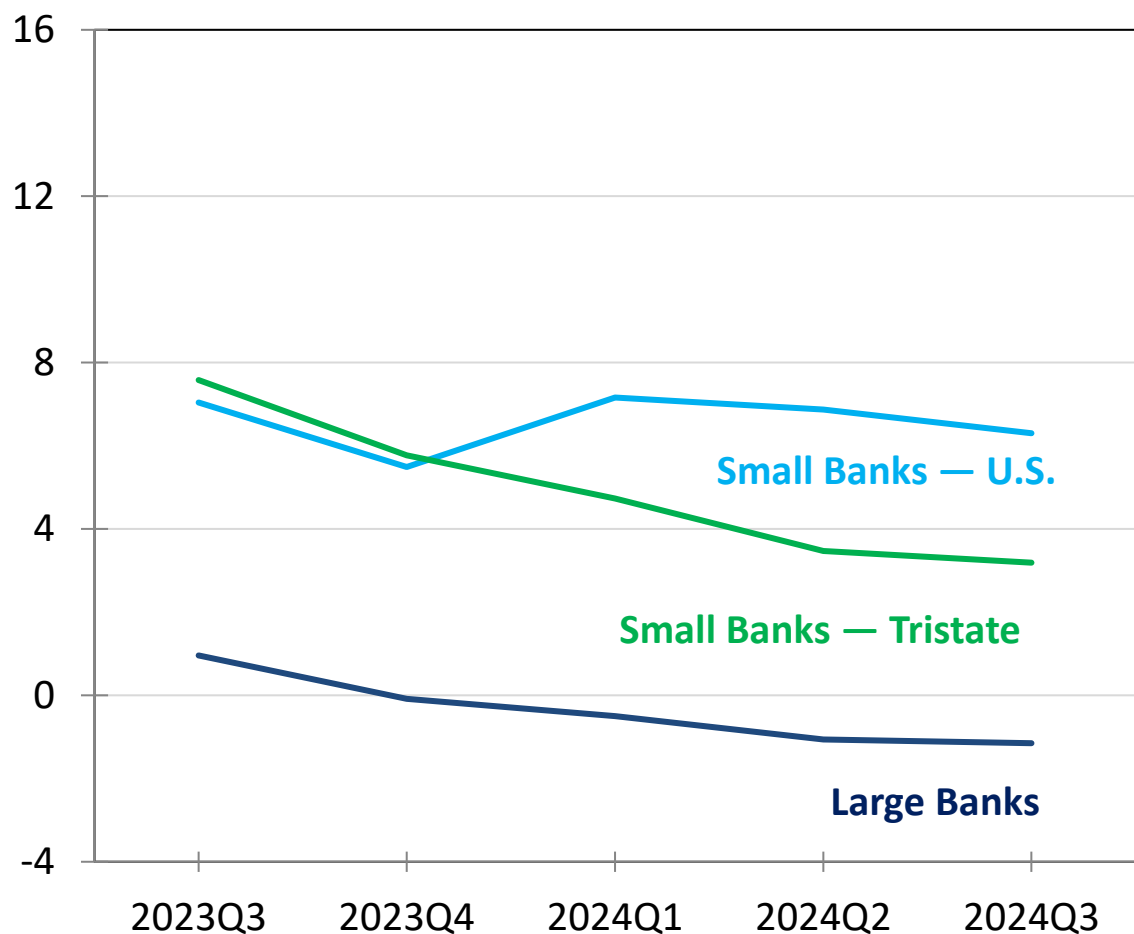


CHART 7

Construction Loan Are Falling Dramatically Percent

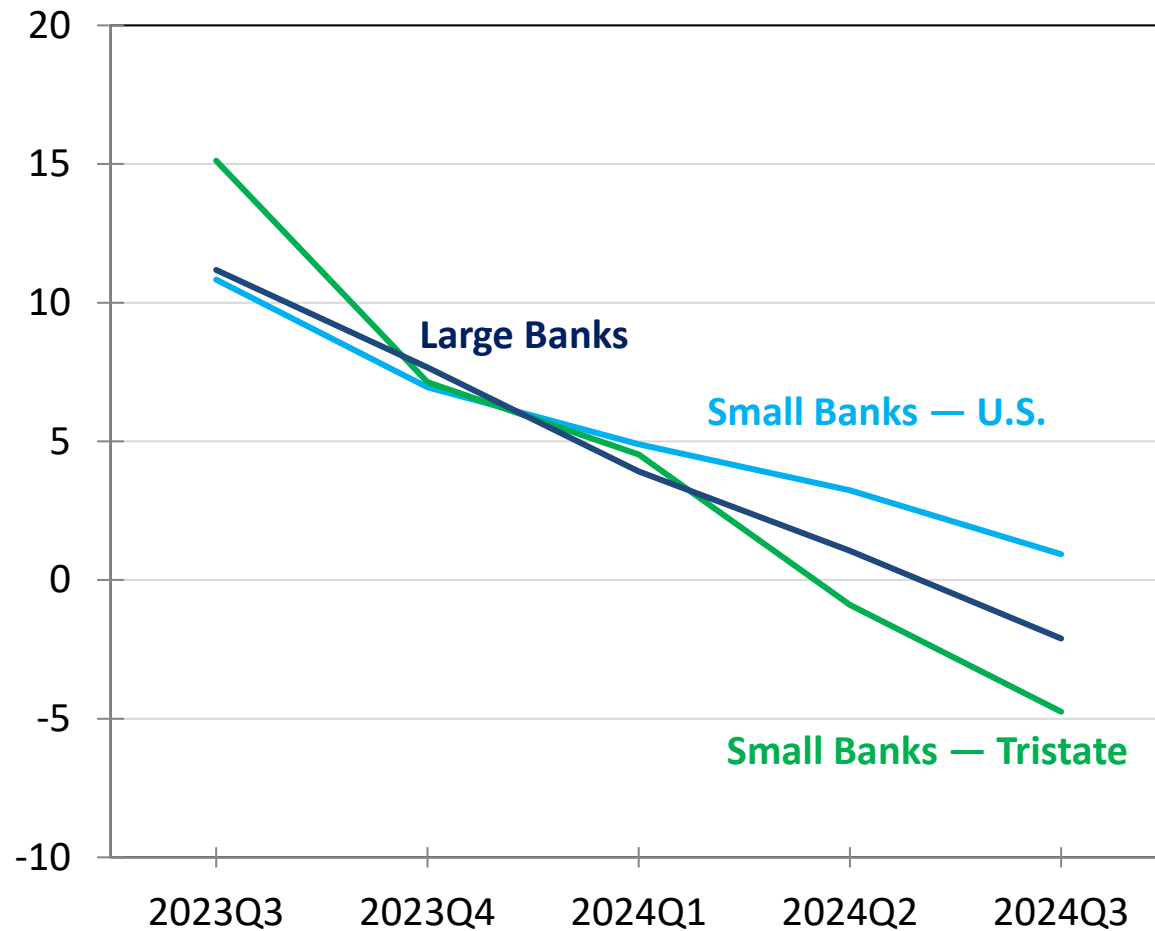


CHART 8

Nonperforming Assets/Total Assets Shrank at Local Banks but Were Still High, Grew at Other Banks Percent

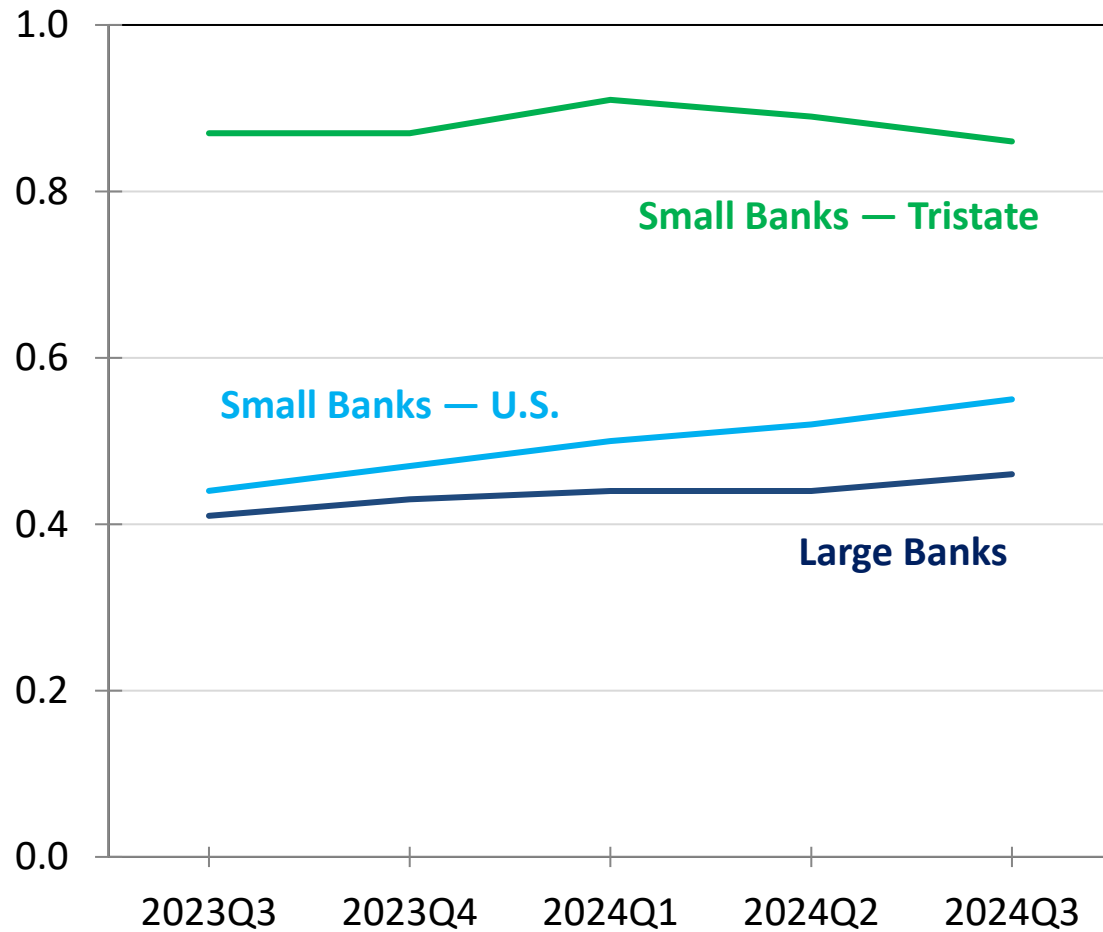


CHART 9

Commercial Real Estate Is Driving Nonperforming Assets and Loans

Percent

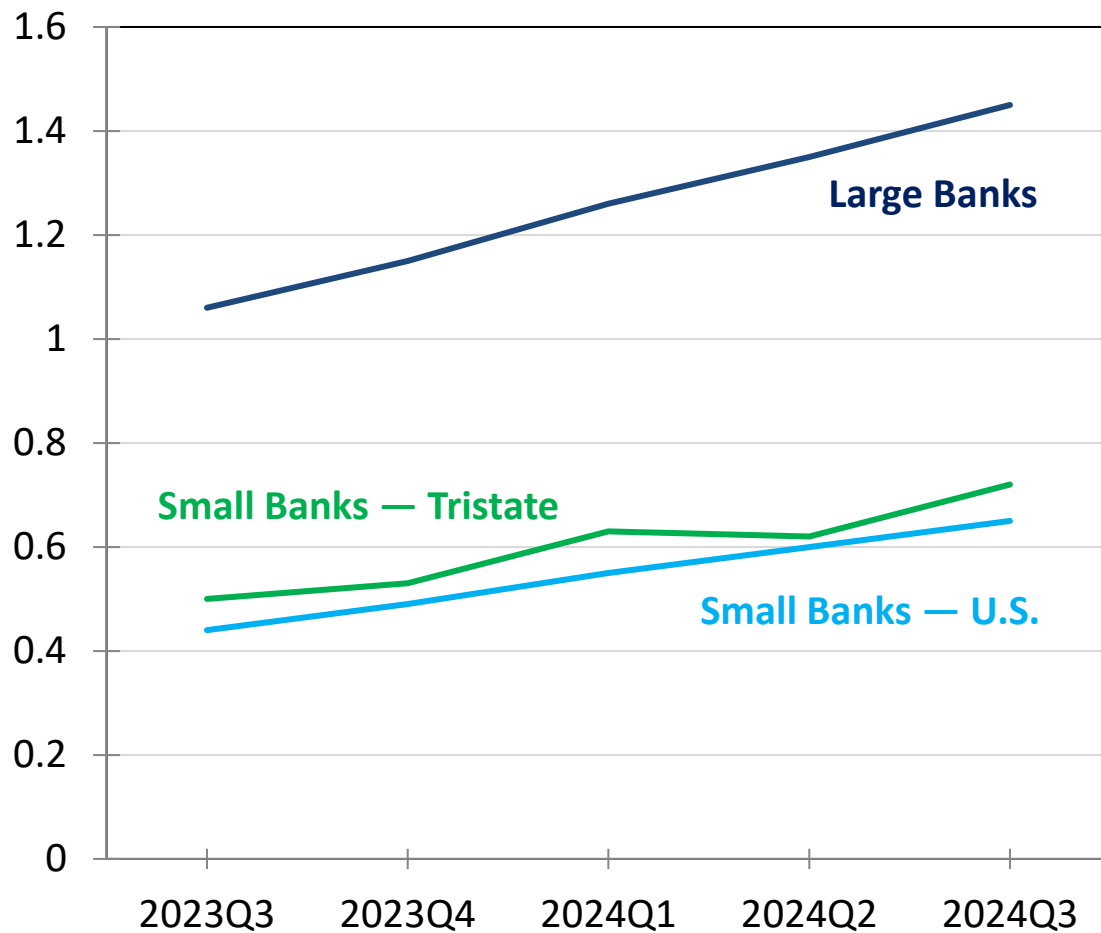
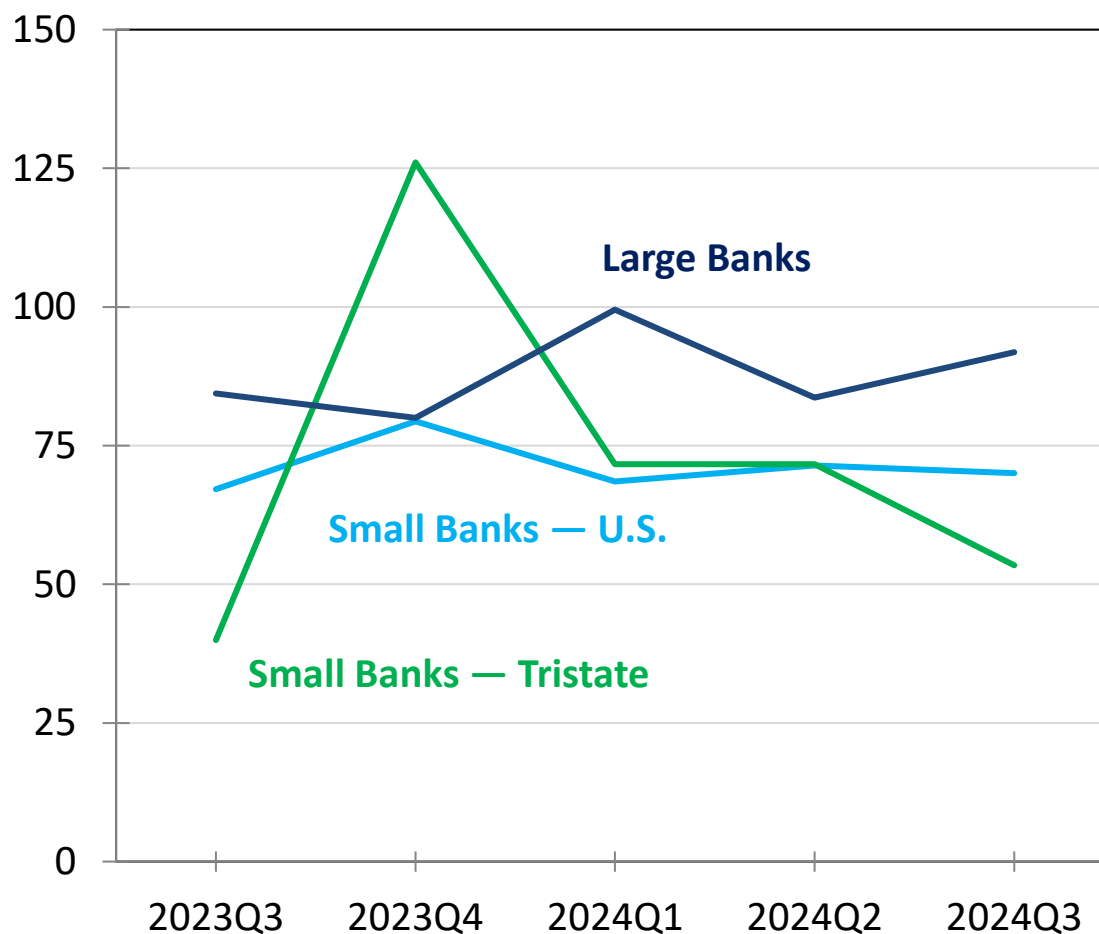


CHART 10

Net Charge-Offs as a Share of Loan Loss Provisions Remain Manageable

Percent



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