

# Banking Brief

## RESEARCH DEPARTMENT

### **Fourth 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	
	24Q4	24Q3	23Q4	24Q4	24Q3	23Q4		24Q4	24Q3	23Q4
Total Assets	3,254.7	2.73	4.01	194.2	1.14	3.33	Total Assets	18,552.8	-2.84	1.80
Total Loans	2,264.6	4.31	5.15	143.6	3.53	2.29	Total Loans	9,025.0	3.20	1.67
C&I	327.8	3.59	3.45	16.9	4.85	0.92	C&I	1,898.0	-21.90	-5.41
Real Estate	1,708.6	4.36	5.20	113.9	3.84	2.89	Real Estate	3,697.9	-1.44	-0.40
Consumer	88.9	-5.04	-0.47	7.3	-4.50	-5.78	Consumer	1,370.3	-12.78	-3.84
Total Deposits	2,753.9	6.95	5.46	160.9	2.39	4.90	Total Deposits	14,616.9	1.95	1.76
<b>Ratios (in %)</b>	<b>24Q4</b>	<b>24Q3</b>	<b>23Q4</b>	<b>24Q4</b>	<b>24Q3</b>	<b>23Q4</b>	<b>Ratios (in %)</b>	<b>24Q4</b>	<b>24Q3</b>	<b>23Q4</b>
Net Income/Avg Assets (ROA)	1.02	0.99	1.02	0.97	0.95	1.02	Net Income/Avg Assets (ROA)	1.12	0.99	1.07
Net Interest Inc/Avg Assets (NIM)	3.18	3.16	3.18	3.03	2.99	3.13	Net Interest Inc/Avg Assets (NIM)	2.69	2.69	2.77
Noninterest Inc/Avg Assets	0.79	0.77	0.75	1.04	1.00	0.93	Noninterest Inc/Avg Assets	1.26	1.23	1.27
Noninterest Exp/Avg Assets	2.55	2.54	2.50	2.71	2.67	2.64	Noninterest Exp/Avg Assets	2.24	2.36	2.36
Loans/Deposits	82.23	82.75	82.47	89.25	89.00	91.53	Loans/Deposits	61.74	61.56	61.80
Equity/Assets	10.13	10.33	9.86	10.62	10.73	10.38	Equity/Assets	10.04	10.08	9.76
Nonperforming Loans/Total Loans	0.75	0.73	0.63	1.19	1.12	1.13	Nonperforming Loans/Total Loans	0.96	0.93	0.86

**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, 3,523 small U.S. banks, and 99 large U.S. banks. NOTE: The data for community banks both in the nation and tristate exclude Lakeland Bank, a sizable 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 increased sharply at large banks. At small banks nationally, it was flat, and it decreased somewhat at local banks. In all three cases, it did increase from the third quarter. Quarterly net income grew strongly at large banks year over year, and it was positive at other banks after several sluggish quarters. This income growth was despite net interest margins falling at large banks. Large banks were, however, able to control costs, as noninterest expenses as a percent of average assets fell. Small banks were not as successful at controlling costs, but their noninterest income as a percent of average assets increased. By most other measures, bank performance remains below historical averages. Loan growth remained slow, with commercial real estate (CRE) and commercial and industrial (C&I) loans being the main drag. Construction loan growth was negative at all banks. However, other loan growth was also slow. Nonperforming loans as a percent of total loans grew slowly. Net charge-offs as a percent of loan-loss reserves increased as well.

CHART 1

## Profitability (ROAA) Increased Sharply at Large Banks, Small Banks Lagged

Percent

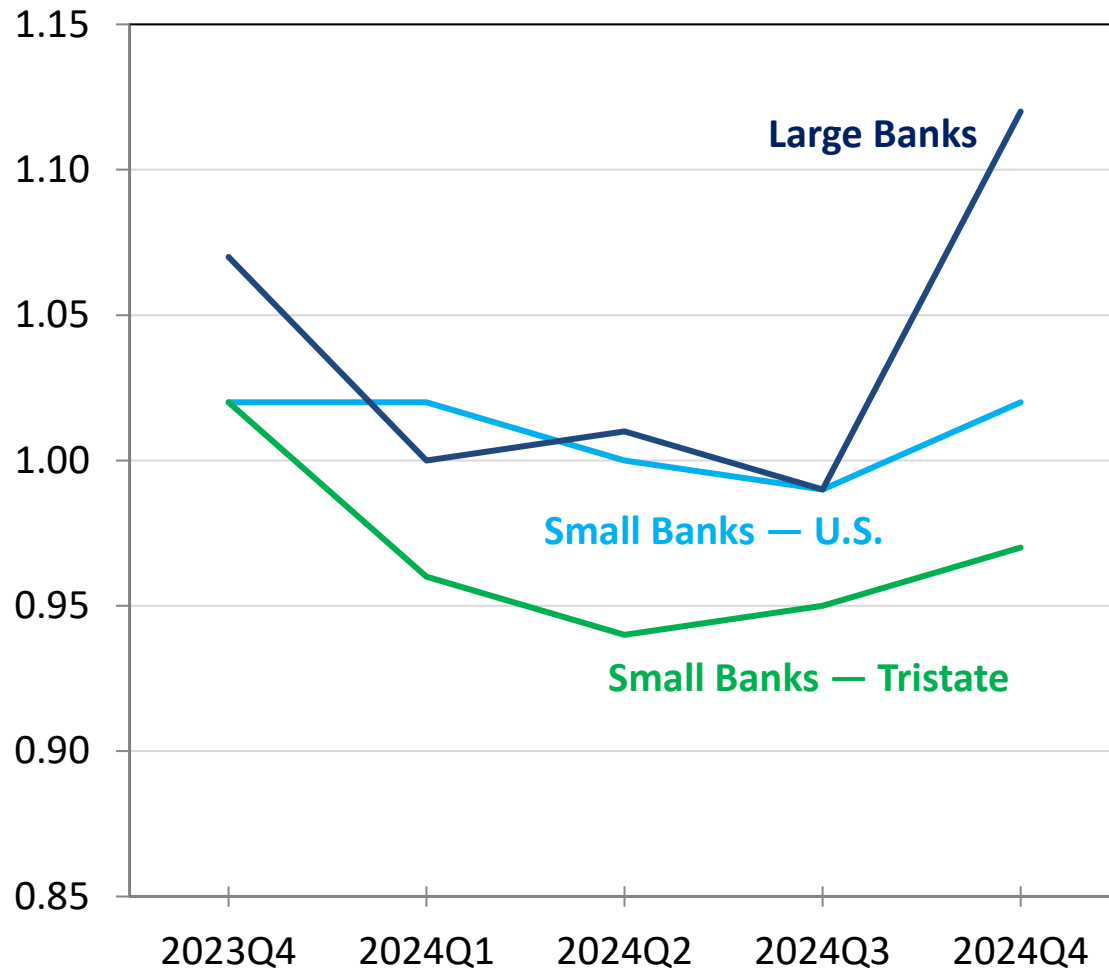


CHART 2

## Annual Growth of Quarterly Net Income Strong at Large Banks, More Moderate at Small Banks

Percent

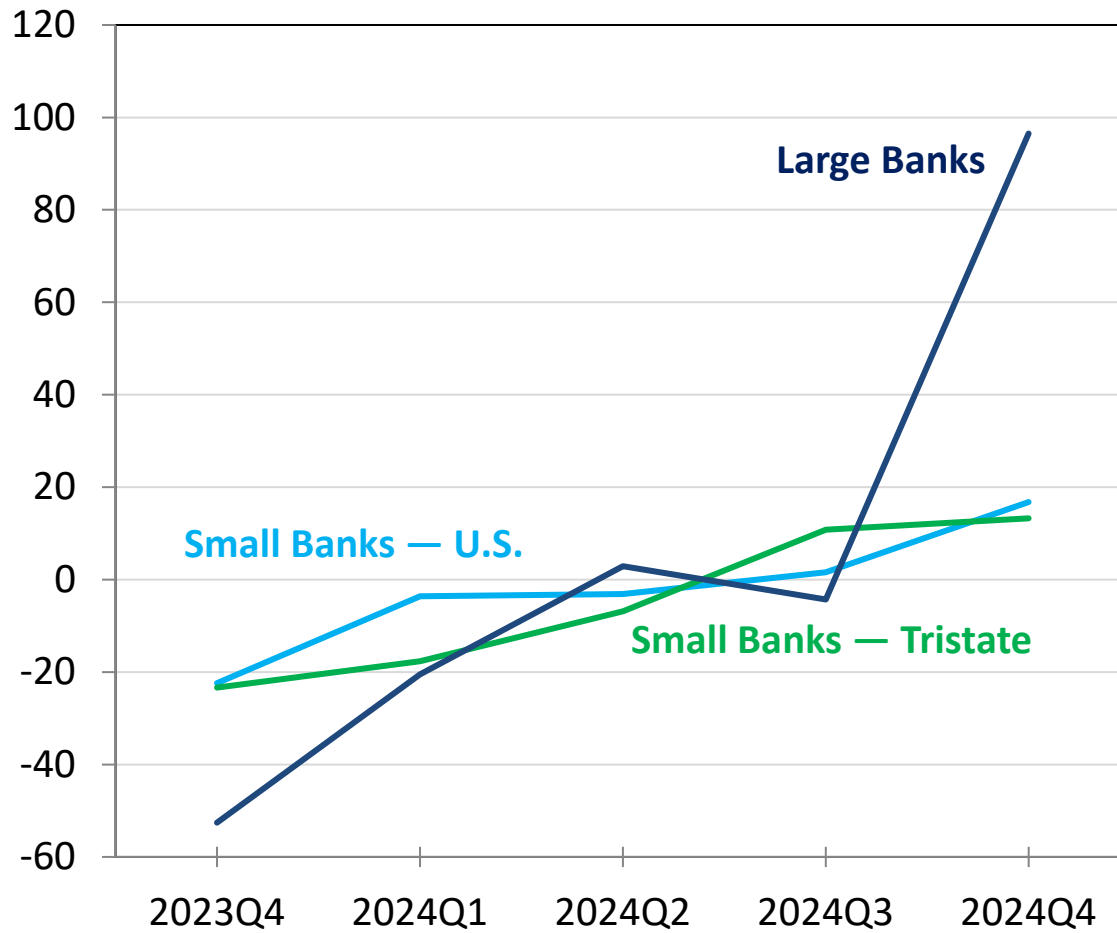


CHART 3

# Net Interest Margins Fell at Large and Local Banks, Were Flat at Small Banks Nationally

Percent

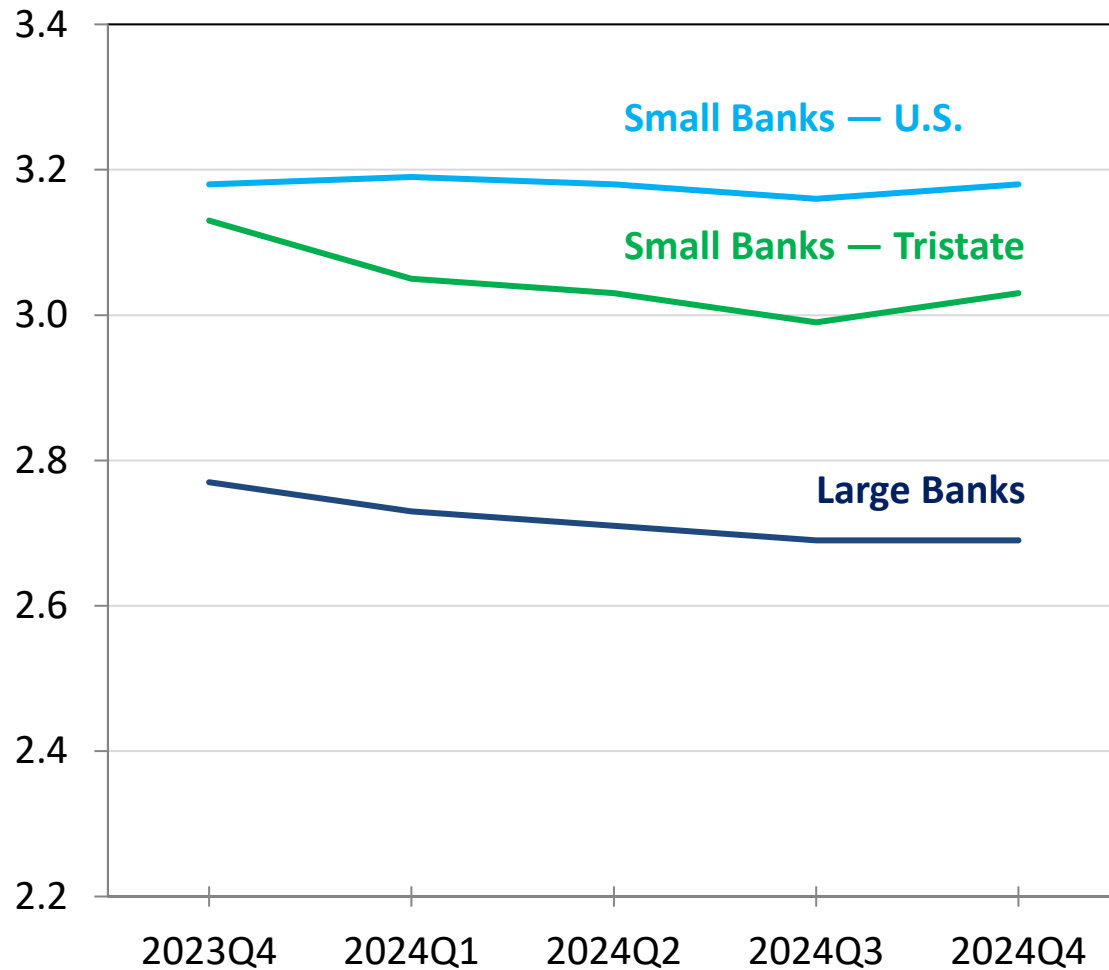


CHART 4

## Noninterest Expense/Average Assets Shrank at Large Banks but Not at Small Banks

Percent

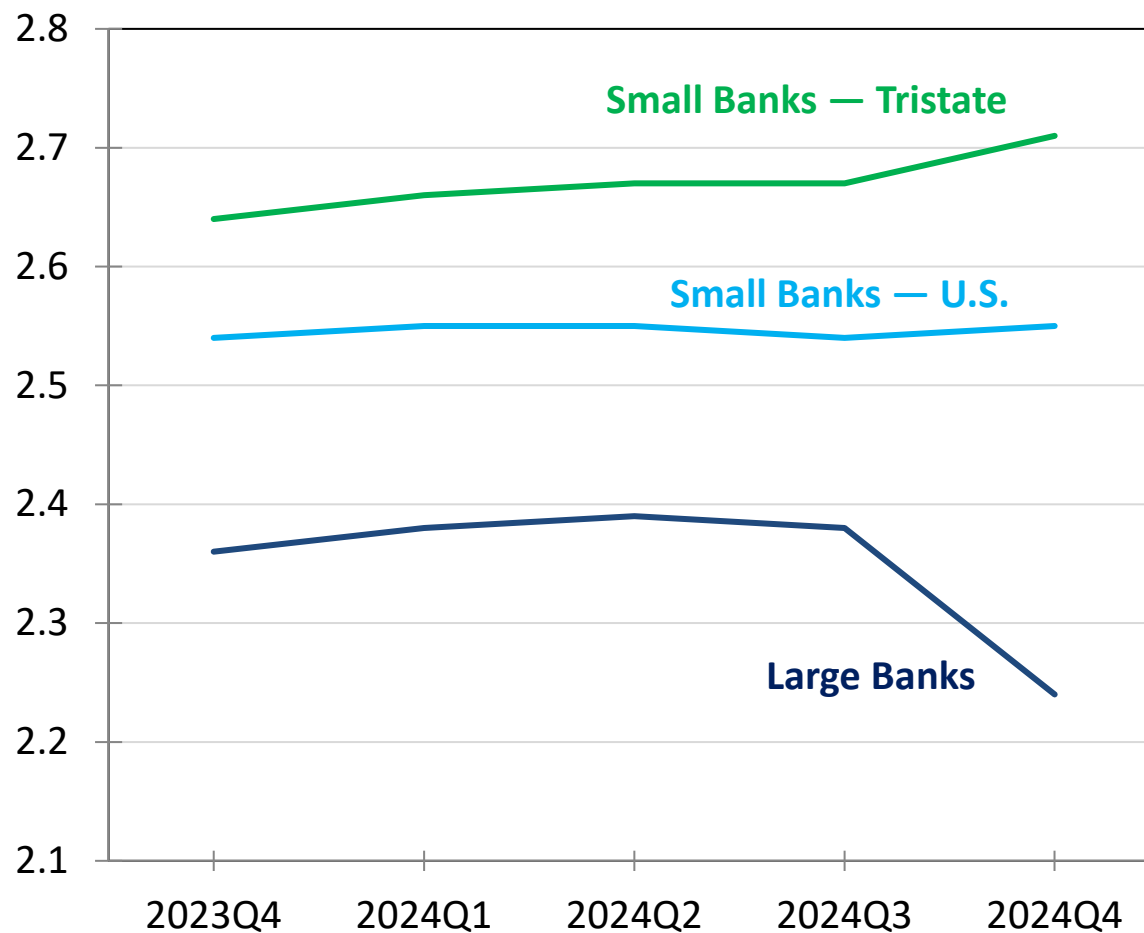


CHART 5

# Noninterest Income as a Percent of Average Assets Grew at Small Banks, Was Flat at Large Banks

Percent

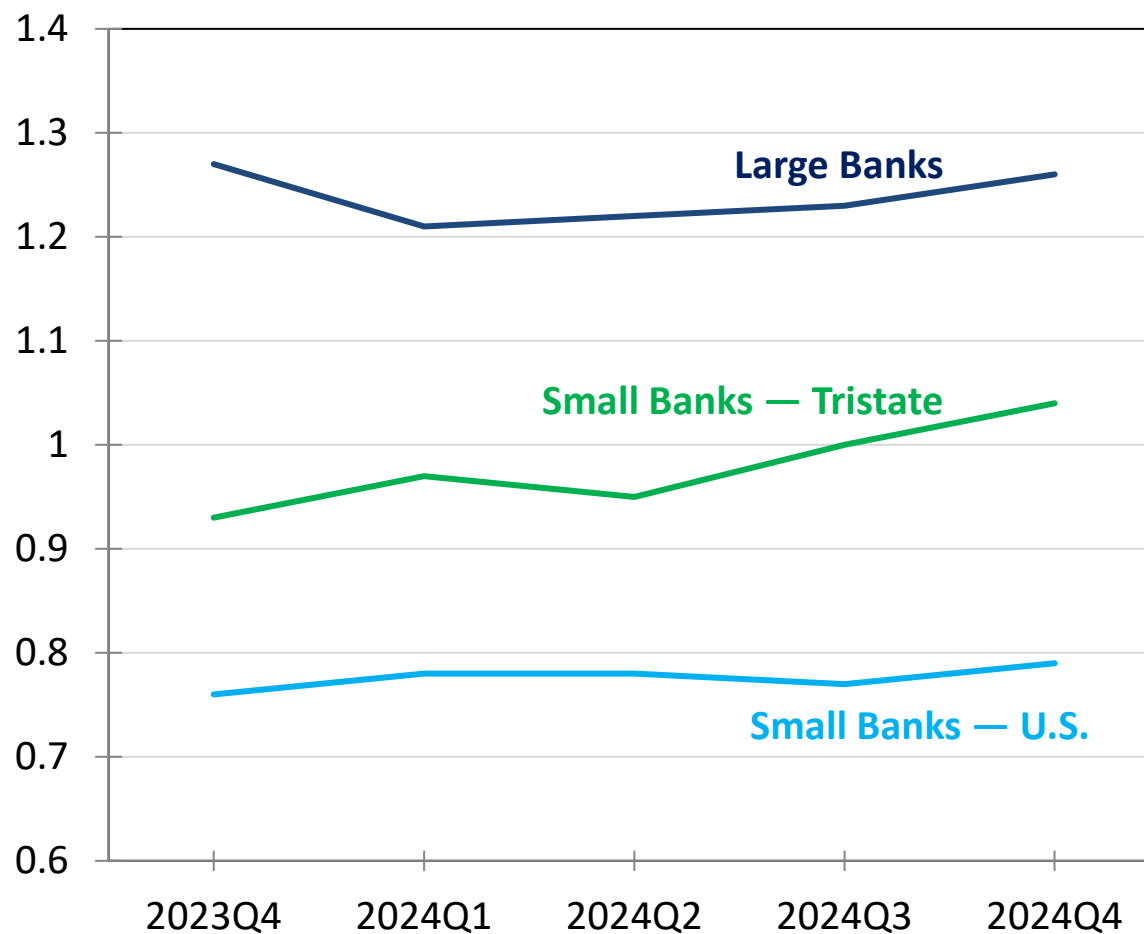




CHART 6

## Loans Continue to Grow, but Growth Remains Relatively Weak

Percent

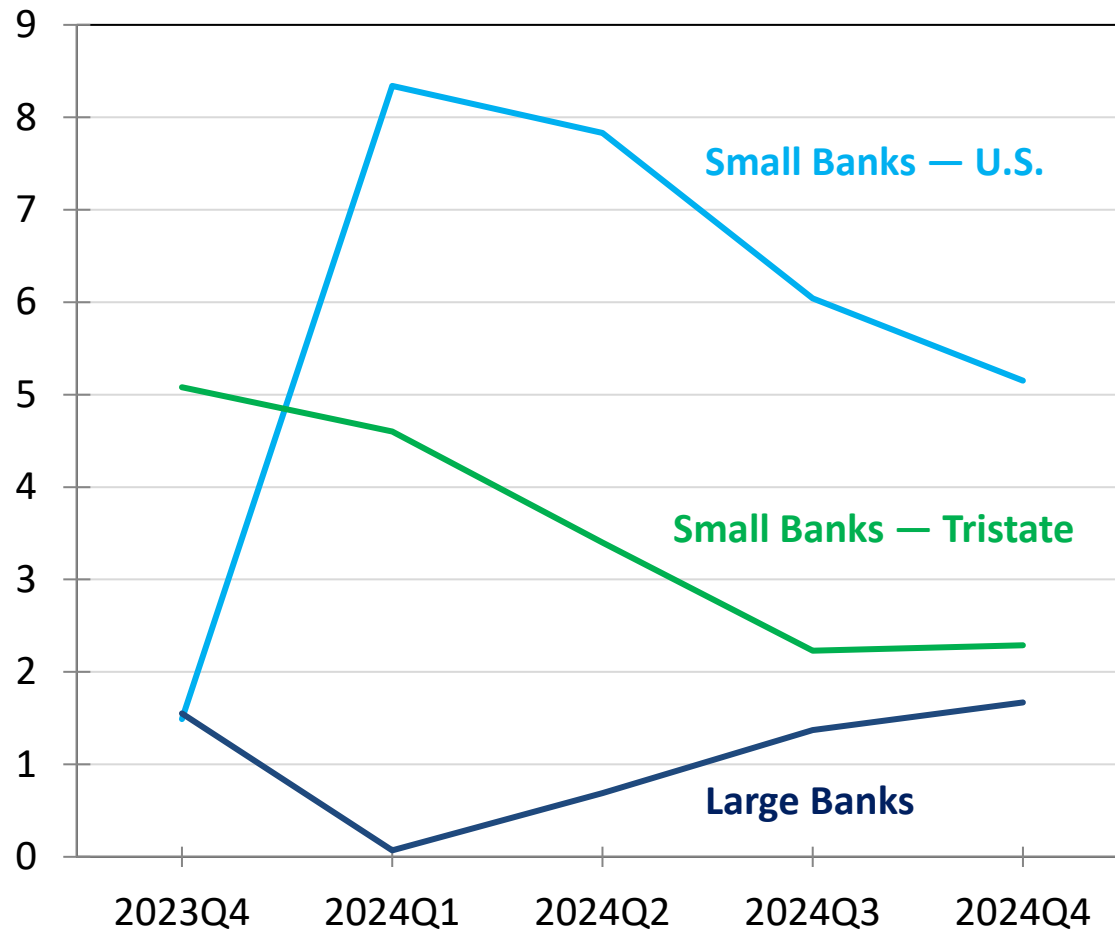


CHART 7

## CRE Loans Remain a Drag on Growth

Percent

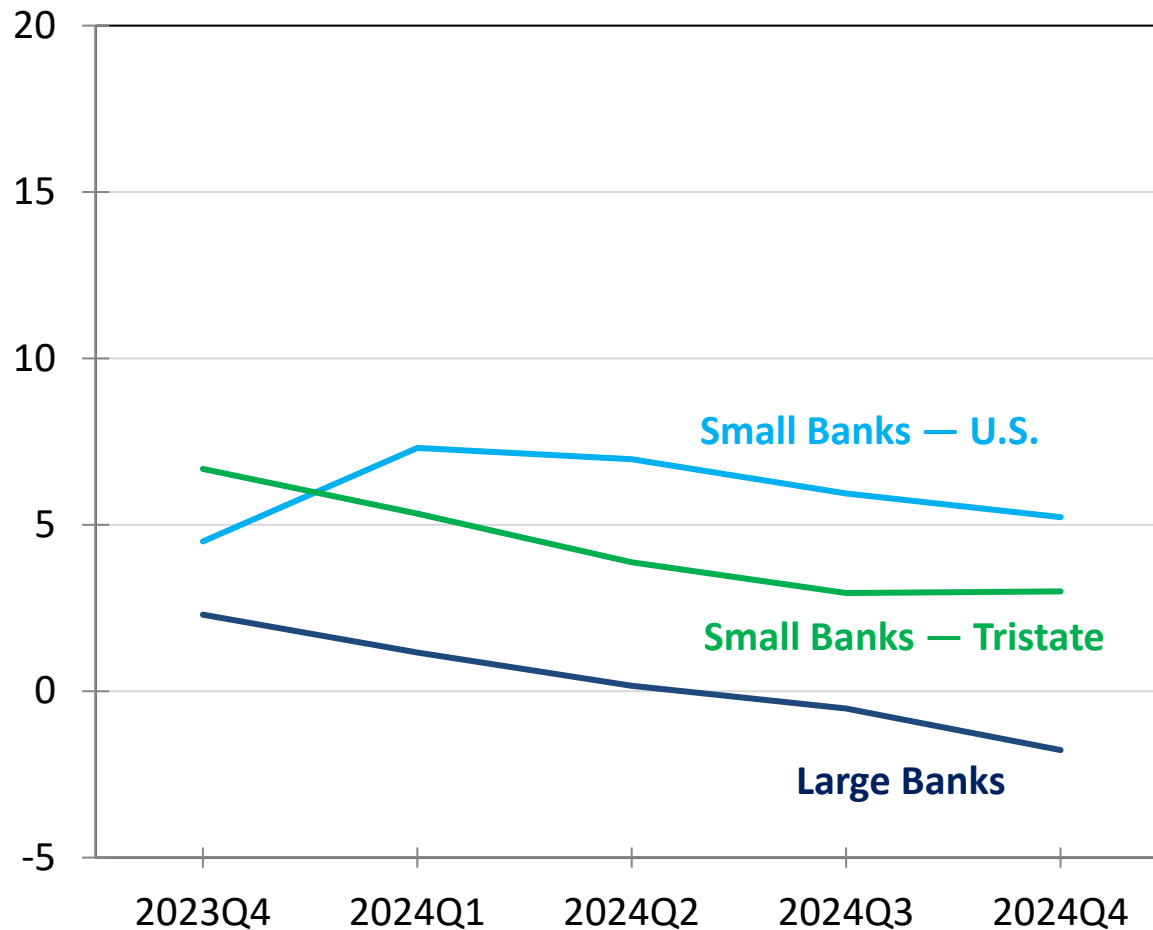


CHART 8

## Construction Loan Growth Was Negative

Percent

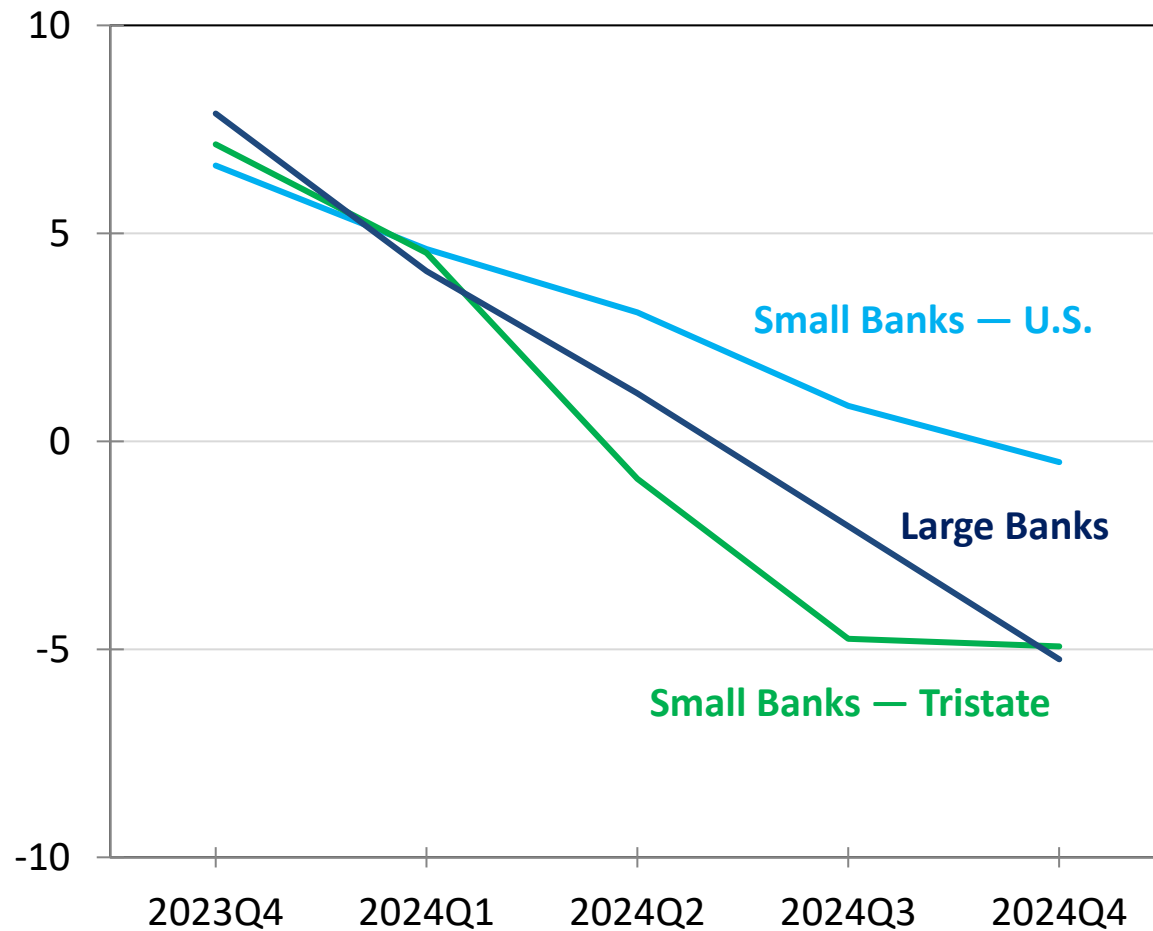


CHART 9

## Commercial and Industrial Loan Growth Was Negative at Large Banks, Sluggish at Small Banks

Percent

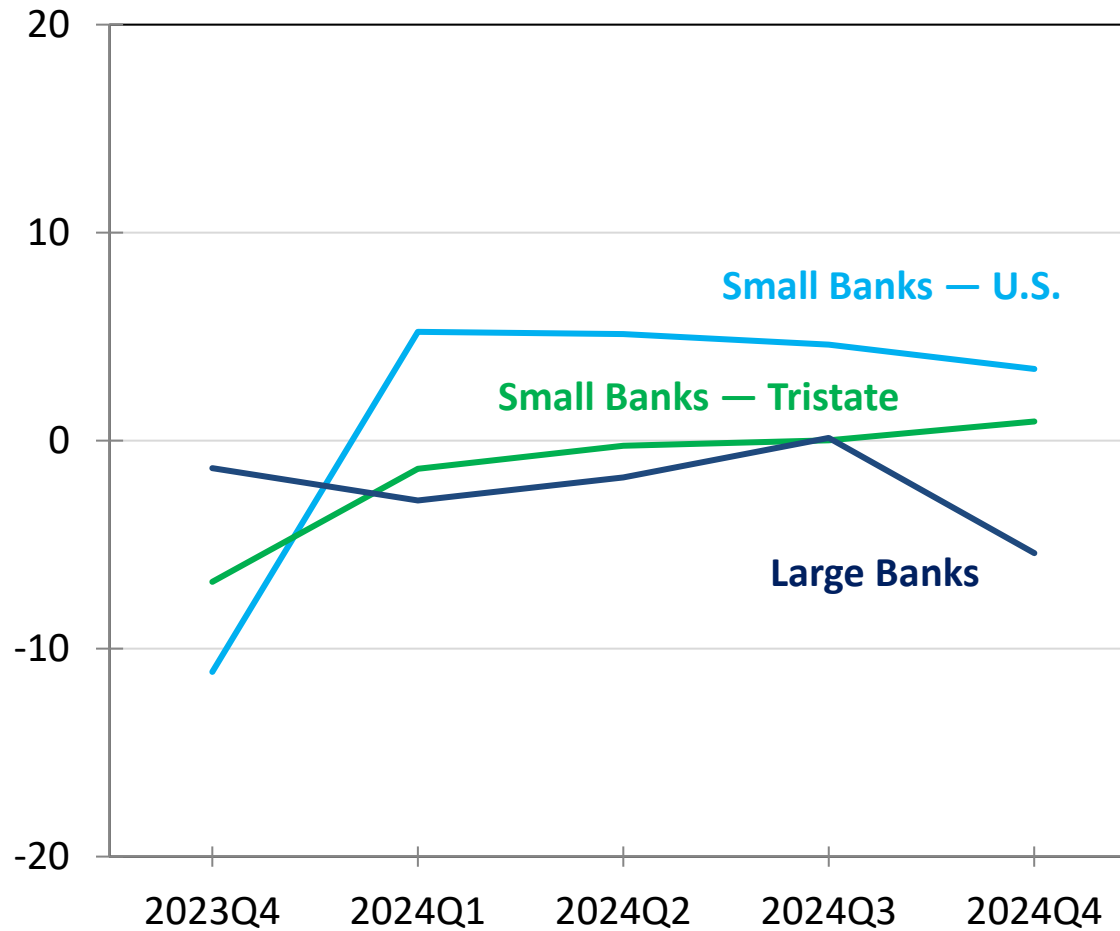


CHART 10

## Nonperforming Loan Ratios Increased Slowly

Percent

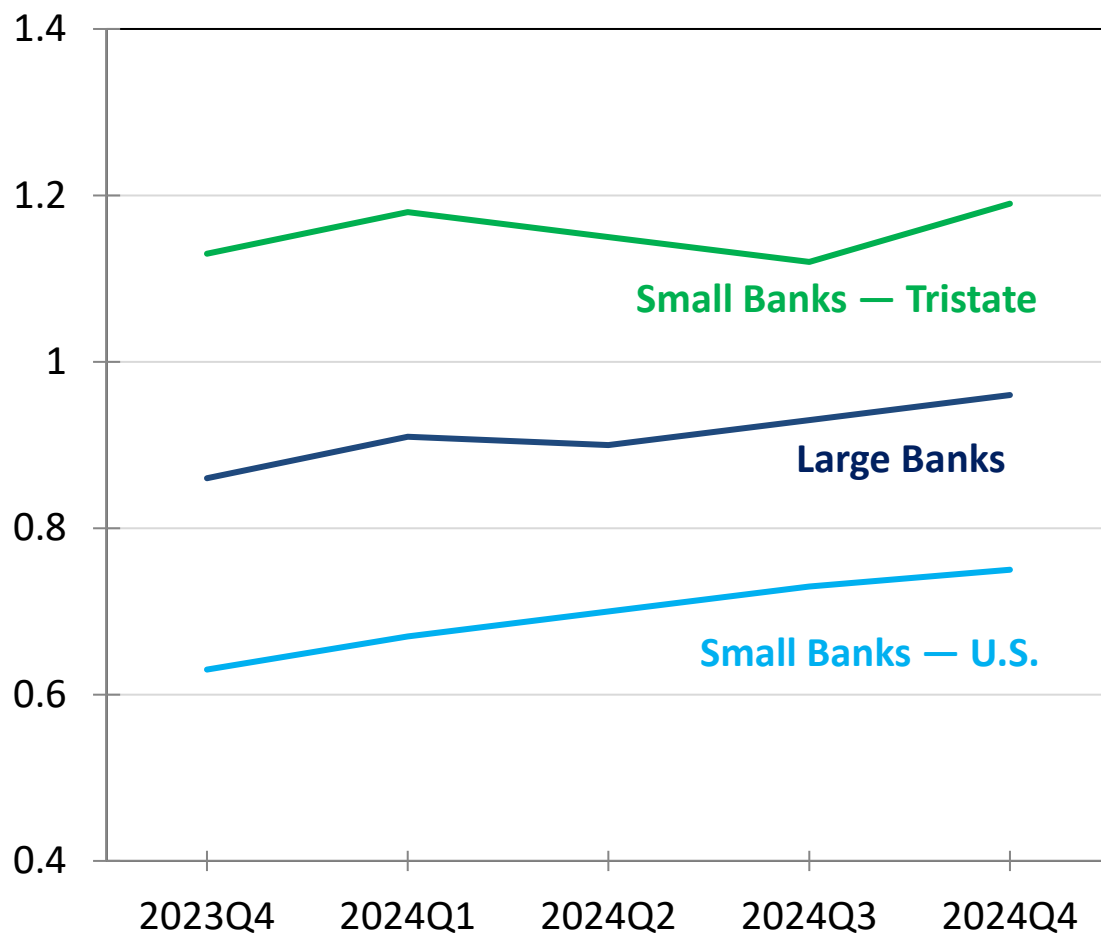
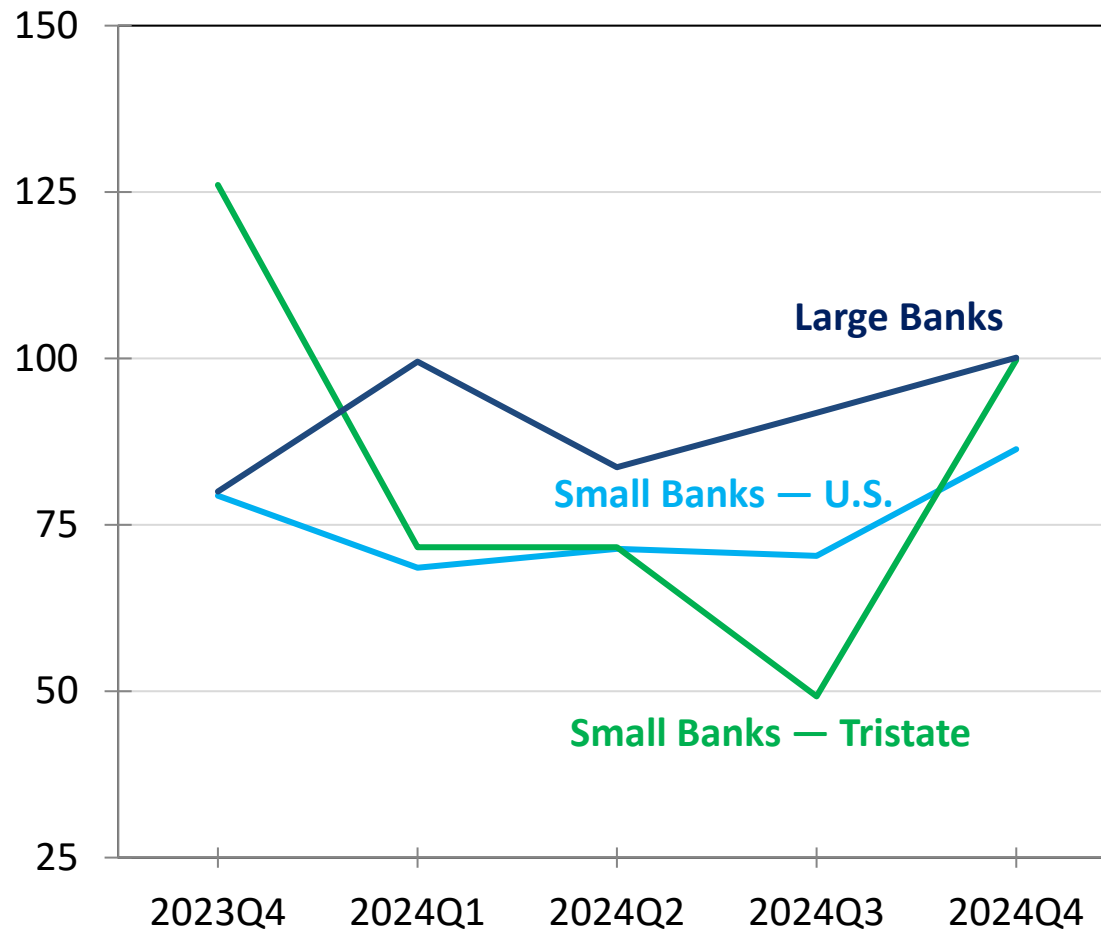


CHART 11

## Net Charge-Offs as a Share of Loan Loss Provisions Increased Sharply

Percent



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For methodology documentation and back issues, visit [www.philadelphiafed.org/the-economy/banking-and-financial-markets/banking-brief](http://www.philadelphiafed.org/the-economy/banking-and-financial-markets/banking-brief).

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