

Banking Brief

RESEARCH DEPARTMENT

First Quarter 2025 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	
	25Q1	24Q4	24Q1	25Q1	24Q4	24Q1		25Q1	24Q4	24Q1
Total Assets	3,251.1	4.60	4.15	197.4	6.03	4.29	Total Assets	18,989.8	8.75	2.43
Total Loans	2,246.5	2.79	4.75	145.2	3.76	2.66	Total Loans	9,111.7	2.37	2.80
C&I	317.8	2.81	2.90	17.1	4.79	1.88	C&I	1,923.1	2.97	-4.92
Real Estate	1,699.8	3.48	4.83	114.8	2.06	2.91	Real Estate	3,713.4	-0.83	-0.50
Consumer	87.8	-1.22	-0.53	7.4	8.93	-6.11	Consumer	1,322.6	-13.41	-4.90
Total Deposits	2,755.7	5.65	5.56	164.2	7.78	5.79	Total Deposits	14,862.8	5.86	2.04
Ratios (in %)	25Q1	24Q4	24Q1	25Q1	24Q4	24Q1	Ratios (in %)	25Q1	24Q4	24Q1
Net Income/Avg Assets (ROA)	1.04	1.02	1.02	1.00	0.97	0.96	Net Income/Avg Assets (ROA)	1.13	1.12	1.00
Net Interest Inc/Avg Assets (NIM)	3.23	3.18	3.18	3.06	3.03	3.05	Net Interest Inc/Avg Assets (NIM)	2.68	2.69	2.73
Noninterest Inc/Avg Assets	0.79	0.79	0.78	1.05	1.04	0.97	Noninterest Inc/Avg Assets	1.29	1.26	1.21
Noninterest Exp/Avg Assets	2.57	2.55	2.54	2.72	2.71	2.66	Noninterest Exp/Avg Assets	2.22	2.24	2.37
Loans/Deposits	81.52	82.08	82.15	88.43	89.28	91.13	Loans/Deposits	61.31	61.82	60.85
Equity/Assets	10.30	10.09	9.84	10.71	10.62	10.43	Equity/Assets	10.06	10.04	9.70
Nonperforming Loans/Total Loans	0.80	0.75	0.68	1.17	1.19	1.17	Nonperforming Loans/Total Loans	0.94	0.96	0.91

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, 2024, 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, 2024. 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, 2024, including assets of only their commercial bank subsidiaries. *U.S.* excludes tristate banks. The sample includes 92 small tristate banks, 3,516 small U.S. banks, and 99 large U.S. banks. NOTE: The data for community banks in both 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 charts below.

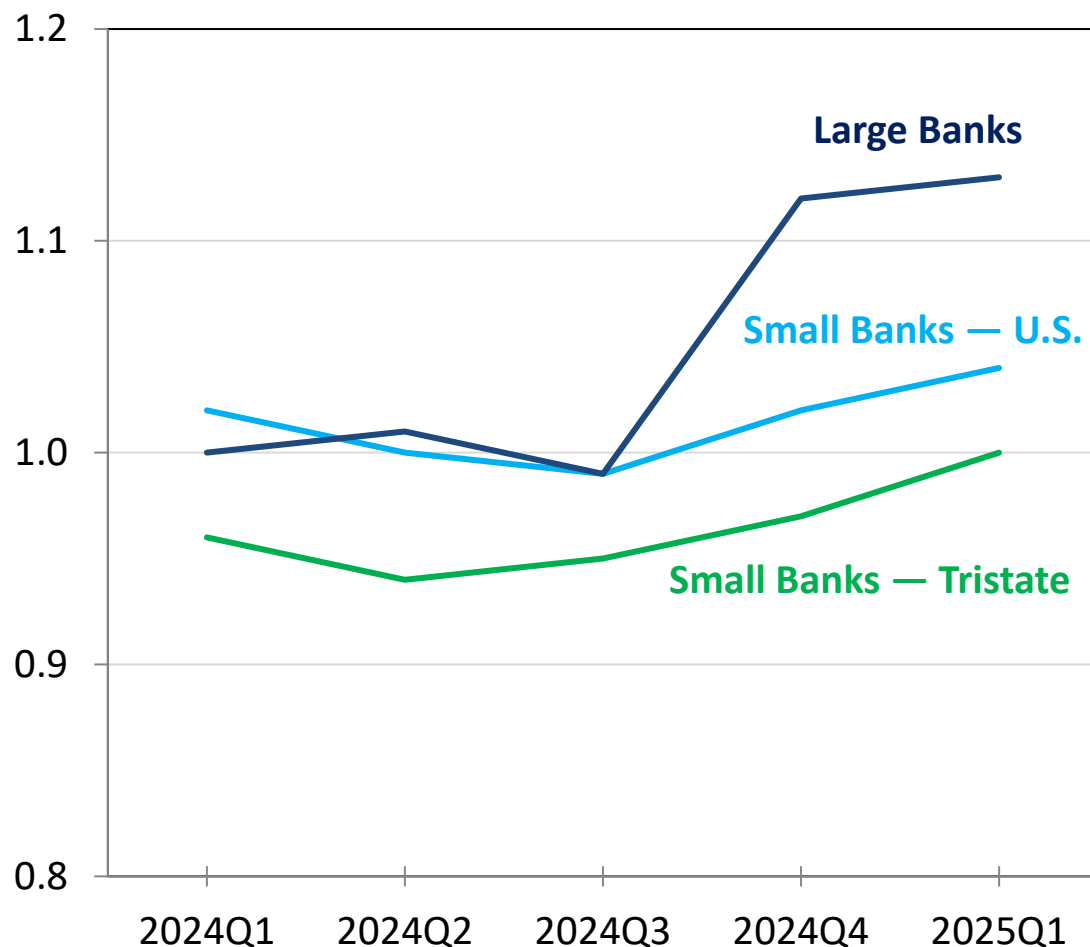
Recent Trends in Tristate and U.S. Banking Markets

Year over year, return on average assets increased at all banks, but local banks continue to trail the rest of the nation. Quarterly net income grew at double-digit rates at small banks both locally and nationally. At large banks, growth was just under 10 percent. Total loan growth remained positive, albeit sluggish, at all categories of banks. Residential real estate lending growth was sluggish, especially at large banks. Commercial real estate (CRE) lending also grew slowly at small banks, and growth was negative at large banks. The sluggish growth at small banks was driven by a slowdown in lending for multifamily properties, whereas a decline in commercial mortgage loans dragged down growth at large banks. Recent research suggests that large banks have increased lending to nonbank lenders, particularly real estate lenders such as fintechs, so an increasing share of their lending is being done indirectly. Growth in commercial and industrial lending exhibits the same pattern as that in CRE lending: slow growth at small banks and negative growth at large banks. Loan quality improved at large and local banks, but the nonperforming loan ratio increased at small banks. The nonperforming CRE loan ratio has increased over the past year for all banks, though the pattern differs: This ratio increased sharply at large banks in the first half of 2024 before flattening, while it has continued to rise at small banks in the past three quarters. Net charge-offs as a percent of loan loss provisions are down somewhat at all banks in the past year.

CHART 1

Return on Average Assets Improved at All Banks

Percent

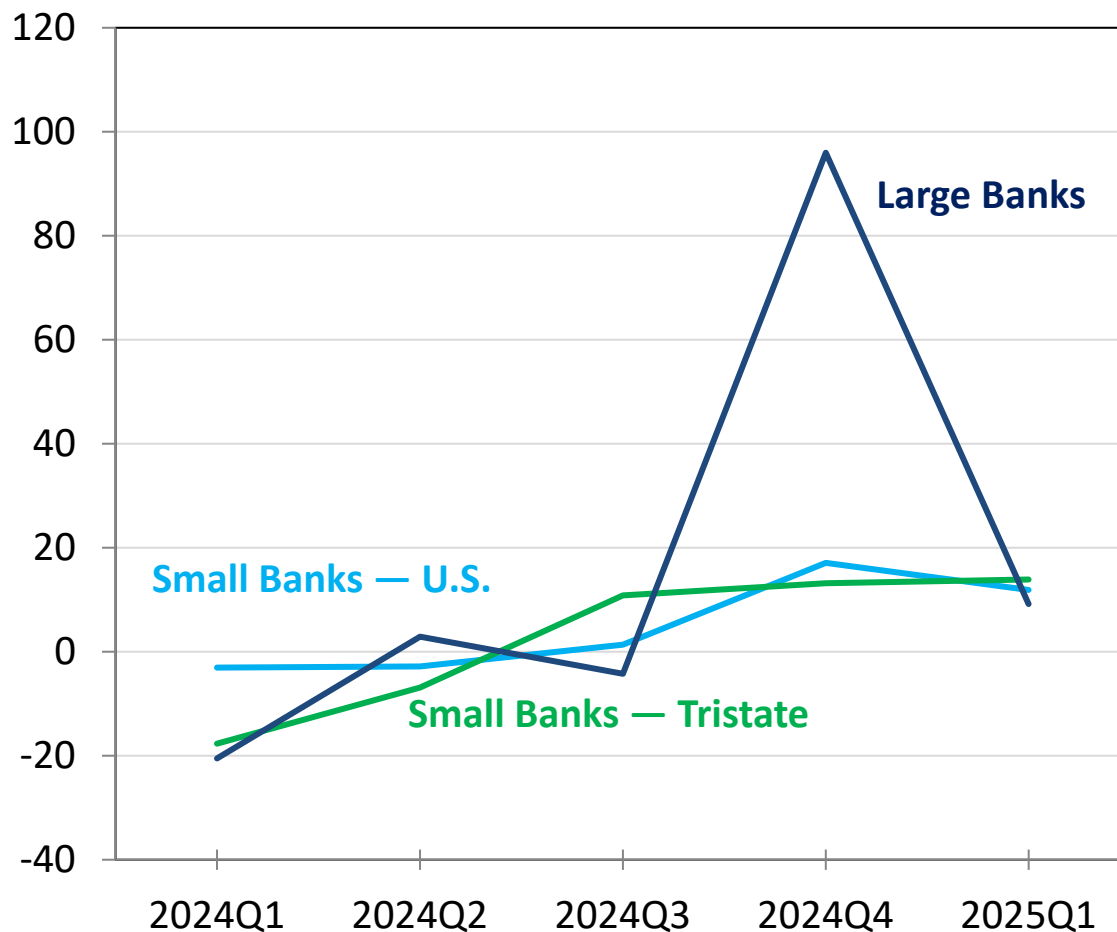


Return on average assets (ROAA) is annual net income divided by average assets. Annual net income is the sum of quarterly net income in the current quarter plus that of the three previous quarters. Average assets are the average of total assets in each of the last five quarters, including the current quarter.

CHART 2

Quarterly Net Income Grew Annually at Double- or Near Double-Digit Rates

Percent

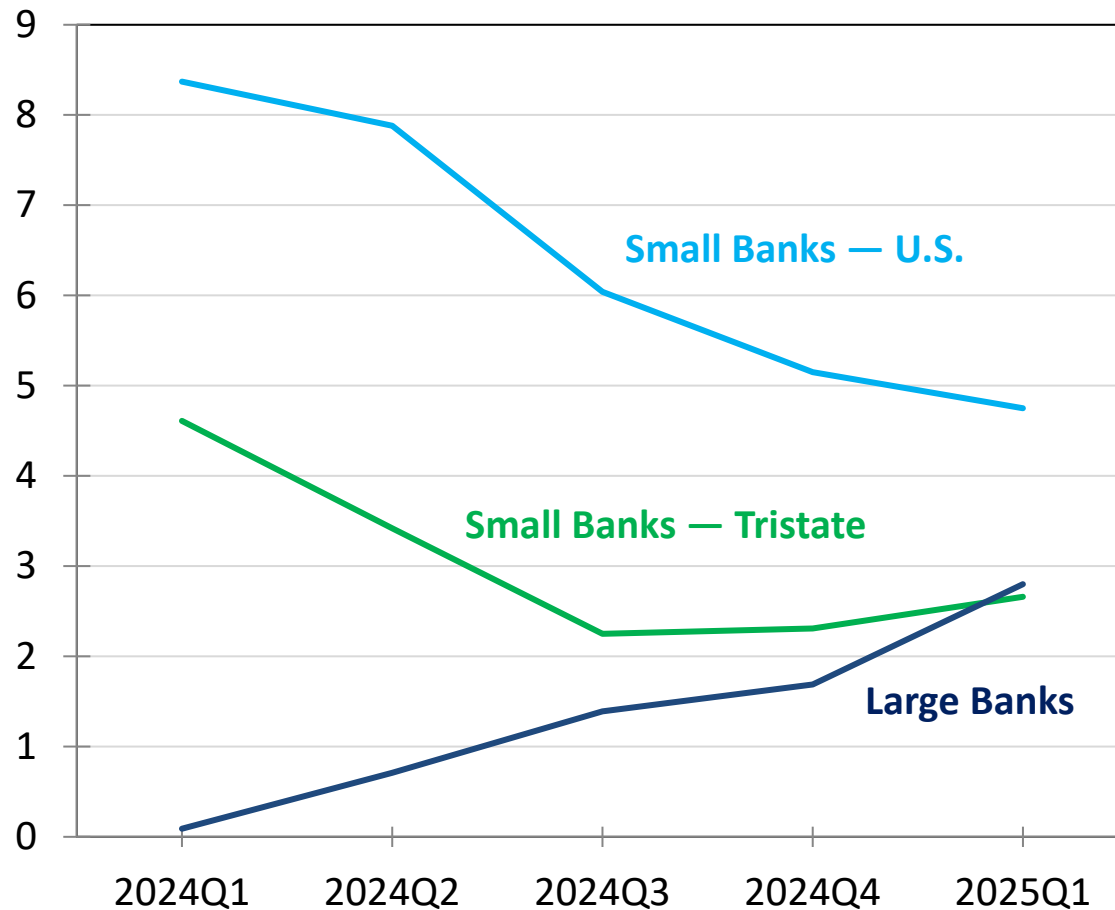


The percentage change in quarterly net income in the current quarter from the same quarter in the previous year. Quarterly net income is net income as reported in the quarter only.

CHART 3

Annual Loan Growth Was Sluggish

Percent

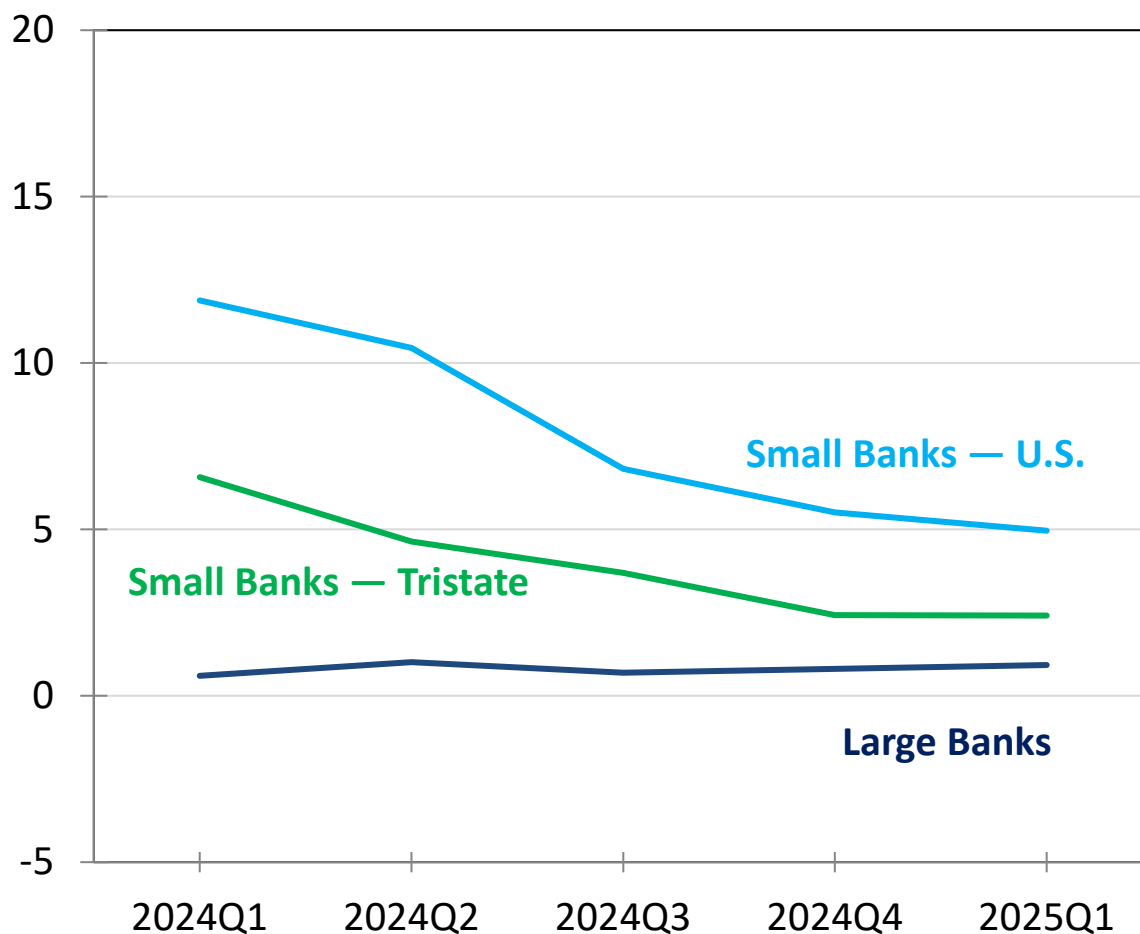


The percentage change in total loans and leases (net of unearned income) in the current quarter from the same quarter in the previous year.

CHART 4

Residential Real Estate Loans Continued to Grow Slowly

Percent

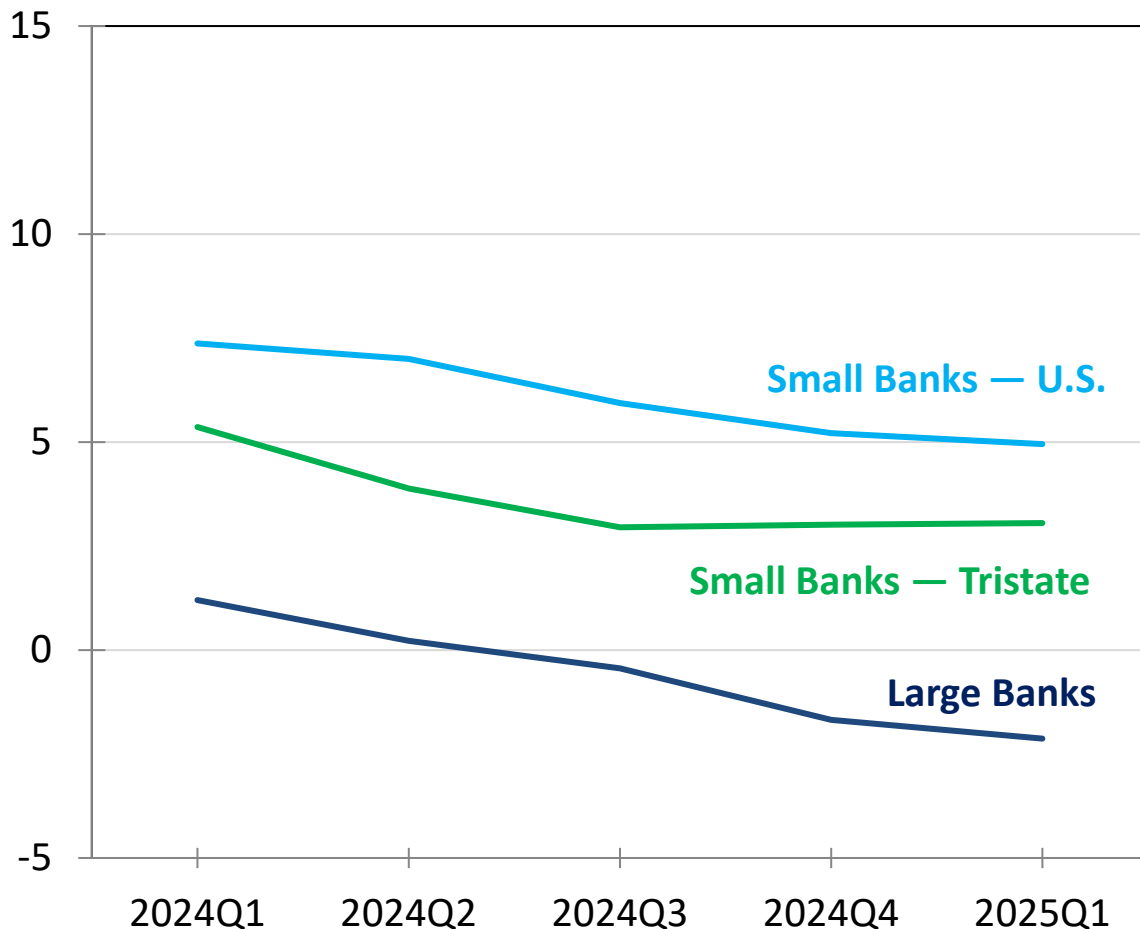


The percentage change in residential real estate (RRE) loans in the current quarter from the same quarter in the previous year. RRE loans are the sum of loans secured by one- to four-family properties with first liens, those with junior liens, and home equity lines of credit (HELOCs).

CHART 5

Commercial Real Estate Loans Grew Slowly at Small Banks but Shrank at Large Banks

Percent

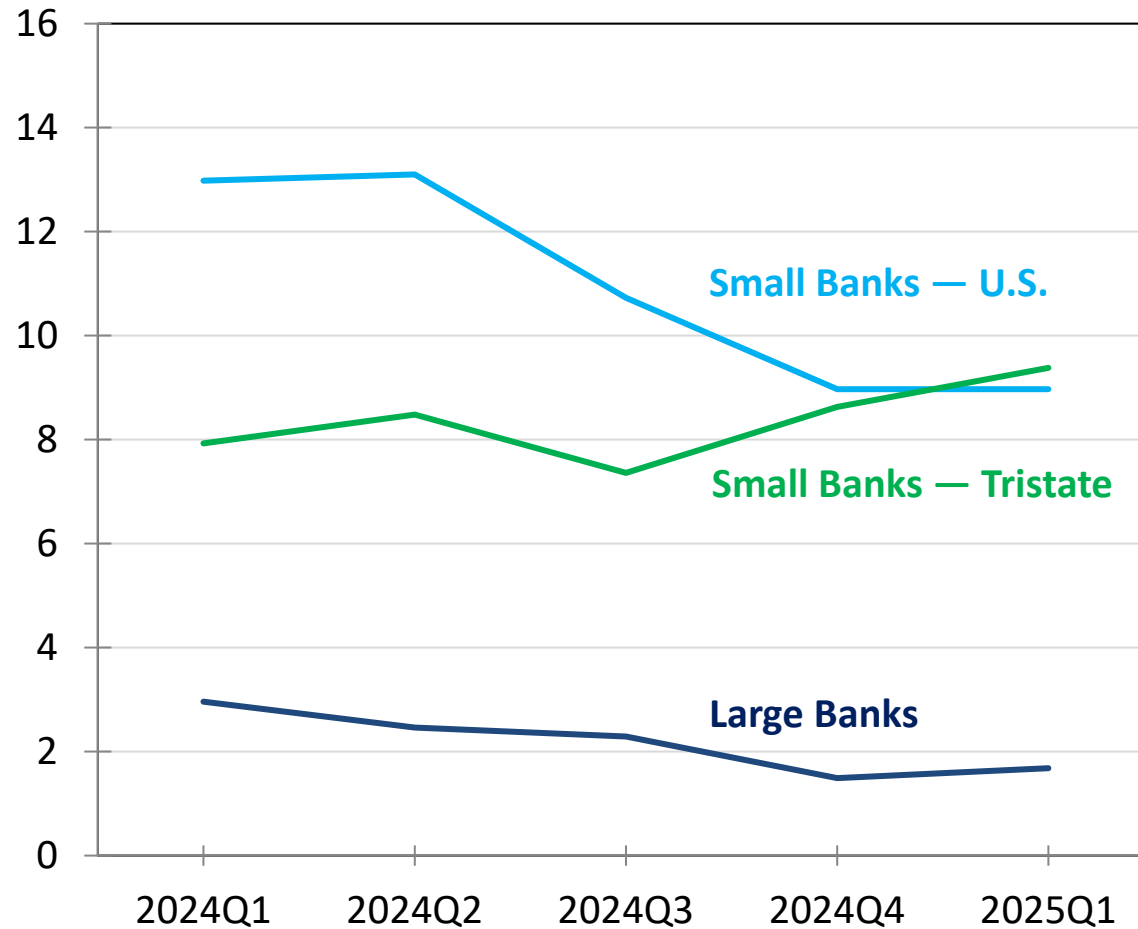


The percentage change in commercial real estate (CRE) loans in the current quarter from the same quarter in the previous year. CRE loans are the sum of all construction loans, loans secured by multifamily properties, and loans secured by nonfarm, nonresidential properties.

CHART 6

Lending on Multifamily Properties Is Driving CRE Loans

Percent

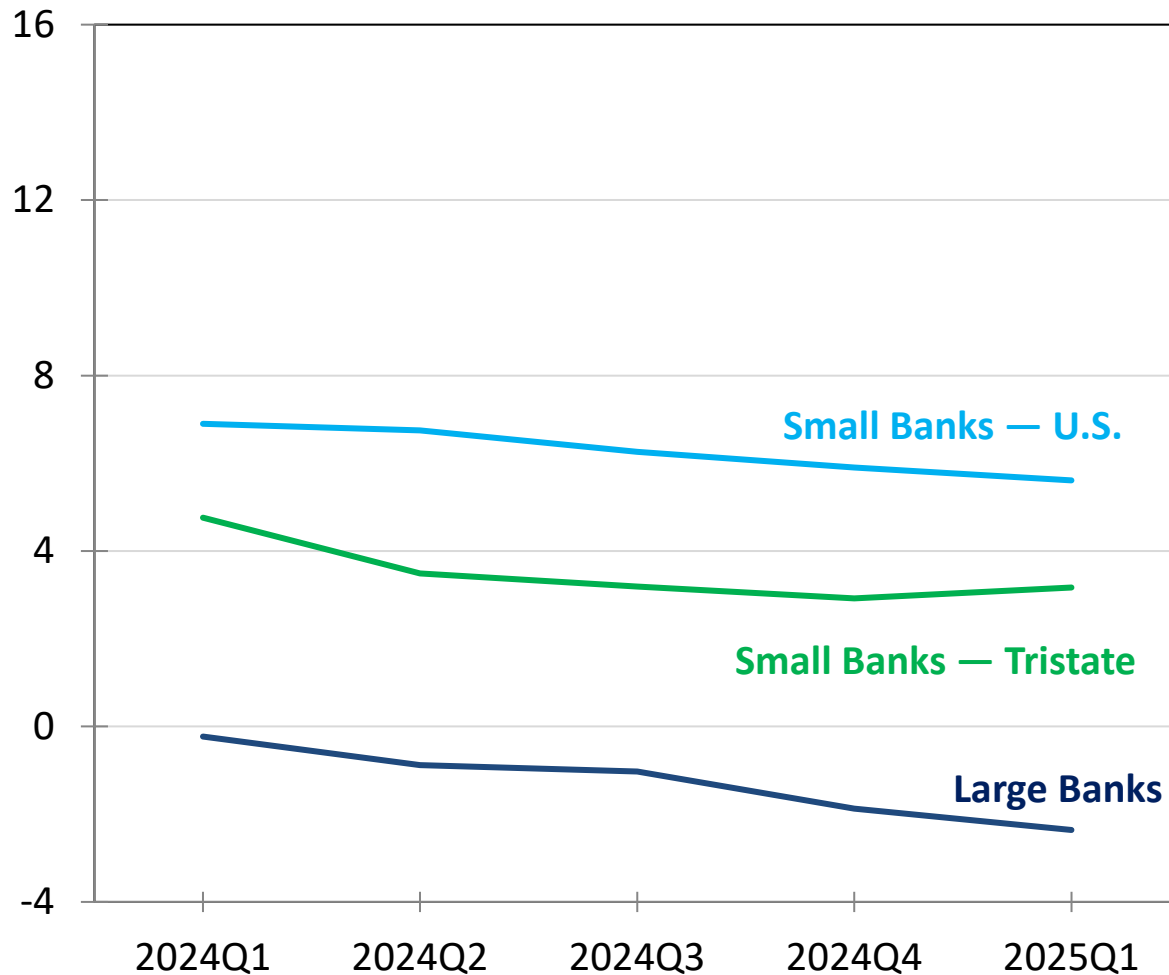


The percentage change in loans secured by multifamily properties in the current quarter from the same quarter in the previous year.

CHART 7

Commercial Mortgages Are Dragging Loan Growth at Large Banks

Percent

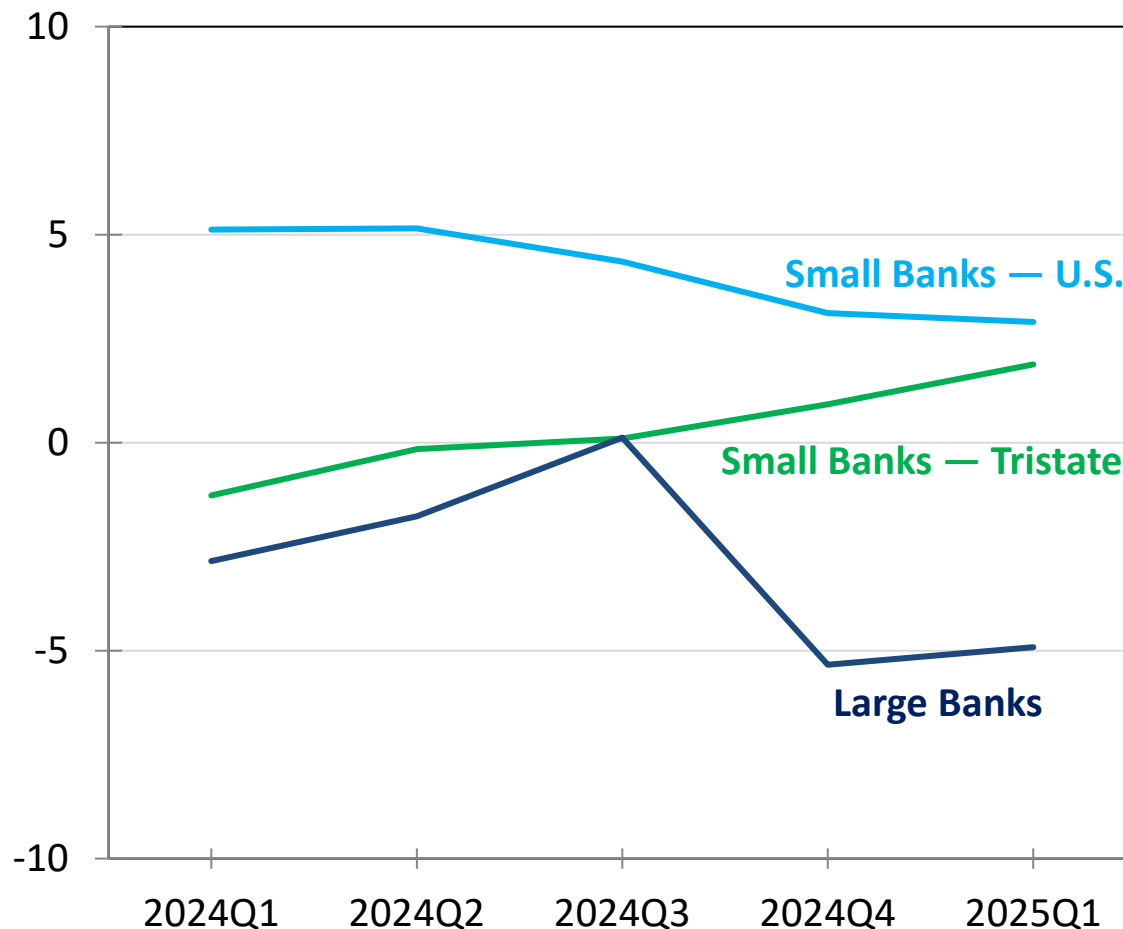


The percentage change in loans secured by nonfarm, nonresidential properties in the current quarter from the same quarter in the previous year.

CHART 8

Commercial and Industrial Loans Are Also a Drag on Large Banks

Percent

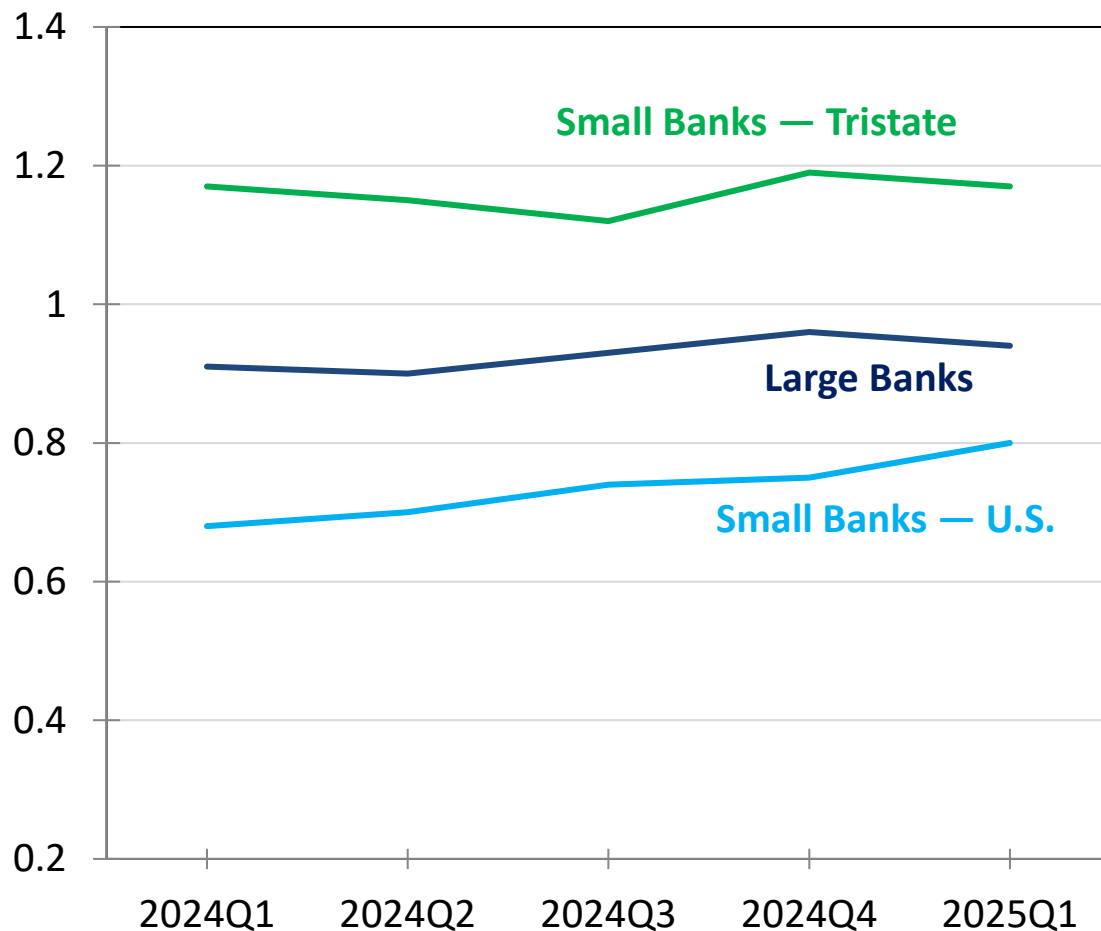


The percentage change in commercial and industrial loans (C&I loans, both domestic and foreign) in the current quarter from the same quarter in the previous year.

CHART 9

Nonperforming Loans Ratios Shrank at Local and Large Banks, Grew at Small Banks

Percent

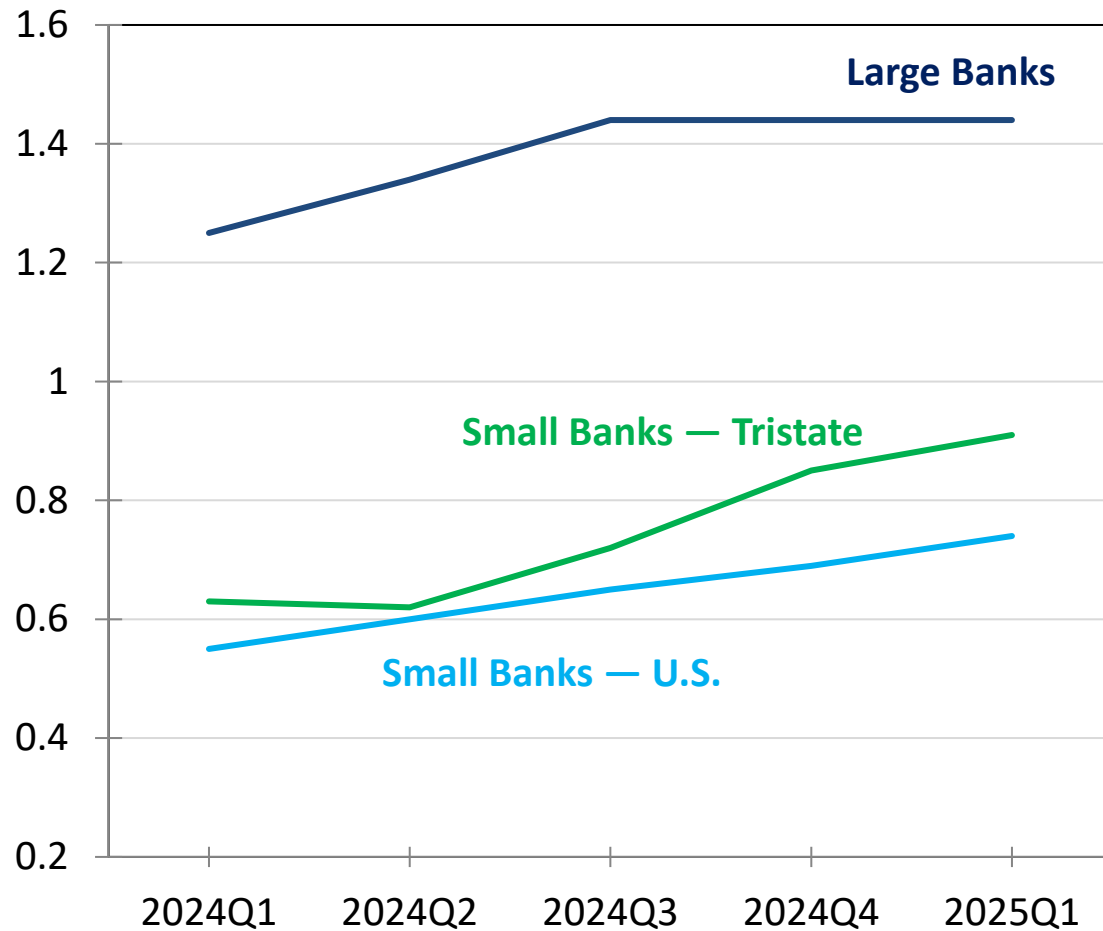


The ratio of nonperforming loans to total loans and leases. Nonperforming loans are the sum of loans past due 90 days or more and nonaccruing loans.

CHART 10

Nonperforming CRE Loan Ratio Was Flat at Large Banks

Percent

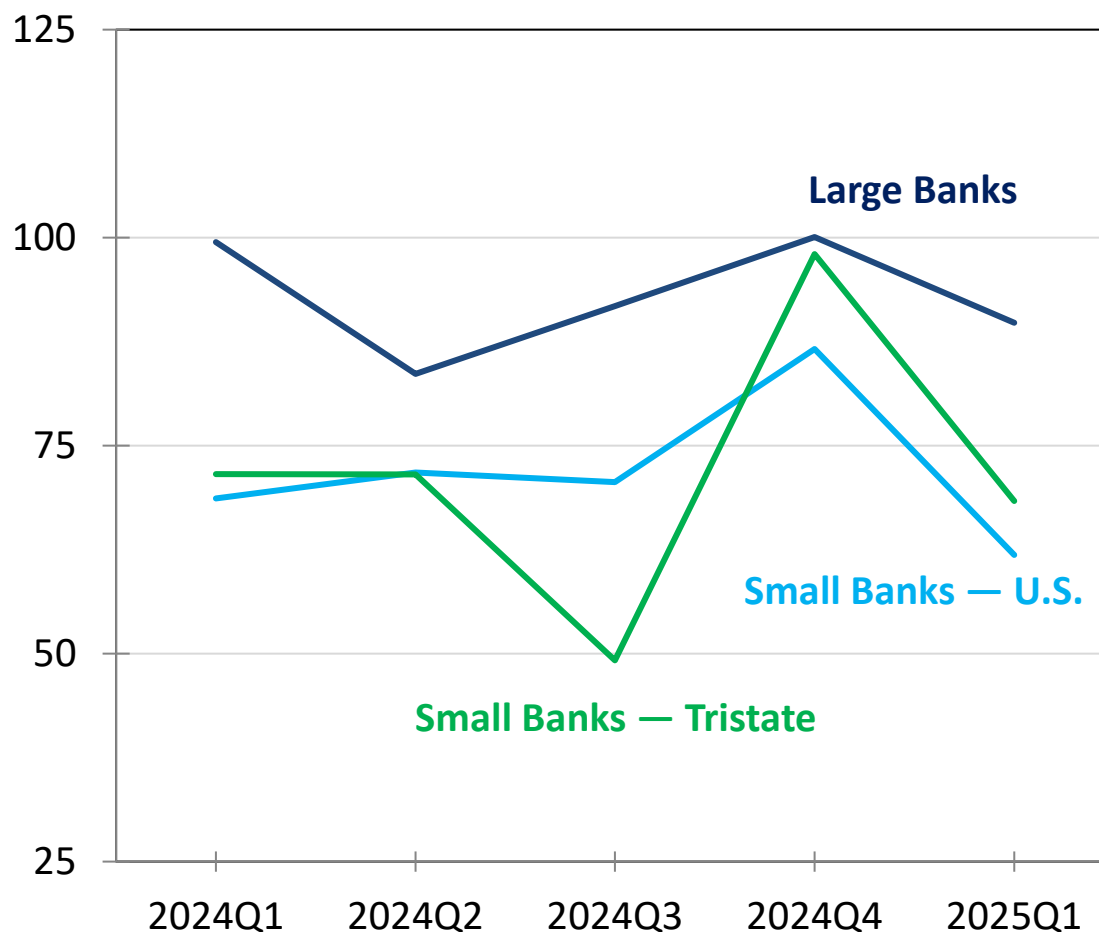


The ratio of nonperforming commercial real estate (CRE) loans to total CRE loans. Nonperforming CRE loans are the sum of loans past due 90 days or more and nonaccruing loans.

CHART 11

Net Charge-Offs as a Share of Loan Loss Provisions Have Improved in the Last Year

Percent



The ratio of quarterly net charge-offs to quarterly loan loss provisions. Net charge-offs are defined as charge-offs minus recoveries. Loan loss provision is the amount reported on the income statement as additions to loan loss reserves.

Questions and comments may be directed to James V. DiSalvo at 215-574-3820 or jim.disalvo@phil.frb.org.

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