

Banking Brief

RESEARCH DEPARTMENT

Second Quarter 2025 Highlights

Summary Table of Bank Structure and Conditions

	<i>Community Banking Organizations</i>						<i>Large Organizations</i>			
	<i>Nation</i>			<i>Tristate</i>			<i>Nation</i>			
	\$ Bill	% Change From		\$ Bill	% Change From		\$ Bill	% Change From		
	25Q2	25Q1	24Q2	25Q2	25Q1	24Q2	25Q2	25Q1	24Q2	
Total Assets	3,181.8	1.74	3.99	202.8	2.58	4.22	Total Assets	19,020.2	-1.10	2.58
Total Loans	2,221.0	6.34	4.45	149.8	3.85	2.88	Total Loans	9,053.5	-5.03	0.68
C&I	317.8	6.42	2.74	17.1	-3.86	3.34	C&I	1,880.5	-9.52	-7.42
Real Estate	1,686.9	5.74	4.73	119.3	5.16	3.14	Real Estate	3,742.5	-0.76	-0.77
Consumer	84.8	2.73	-1.50	7.5	4.58	-4.30	Consumer	1,116.4	-49.70	-20.95
Total Deposits	2,687.4	-0.18	5.21	169.2	4.06	5.98	Total Deposits	14,758.9	-4.50	2.12
Ratios (in %)	25Q2	25Q1	24Q2	25Q2	25Q1	24Q2	Ratios (in %)	25Q2	25Q1	24Q2
Net Income/Avg Assets (ROAA)	1.08	1.04	1.01	0.99	0.98	0.93	Net Income/Avg Assets (ROA)	1.12	1.13	1.01
Net Interest Inc/Avg Assets (NIM)	3.31	3.24	3.16	3.07	3.03	3.00	Net Interest Inc/Avg Assets (NIM)	2.62	2.68	2.72
Noninterest Inc/Avg Assets	0.81	0.80	0.78	1.06	1.04	0.94	Noninterest Inc/Avg Assets	1.28	1.28	1.22
Noninterest Exp/Avg Assets	2.61	2.58	2.54	2.70	2.69	2.64	Noninterest Exp/Avg Assets	2.17	2.22	2.38
Loans/Deposits	82.64	81.35	83.25	88.54	88.58	91.20	Loans/Deposits	61.34	61.43	62.22
Equity/Assets	10.48	10.32	9.98	10.85	10.68	10.49	Equity/Assets	9.93	10.05	9.91
Nonperforming Loans/Total Loans	0.78	0.79	0.69	0.85	1.15	1.13	Nonperforming Loans/Total Loans	0.89	0.94	0.90

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 inside or 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. The sample includes 91 small tristate banks, 3,405 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.

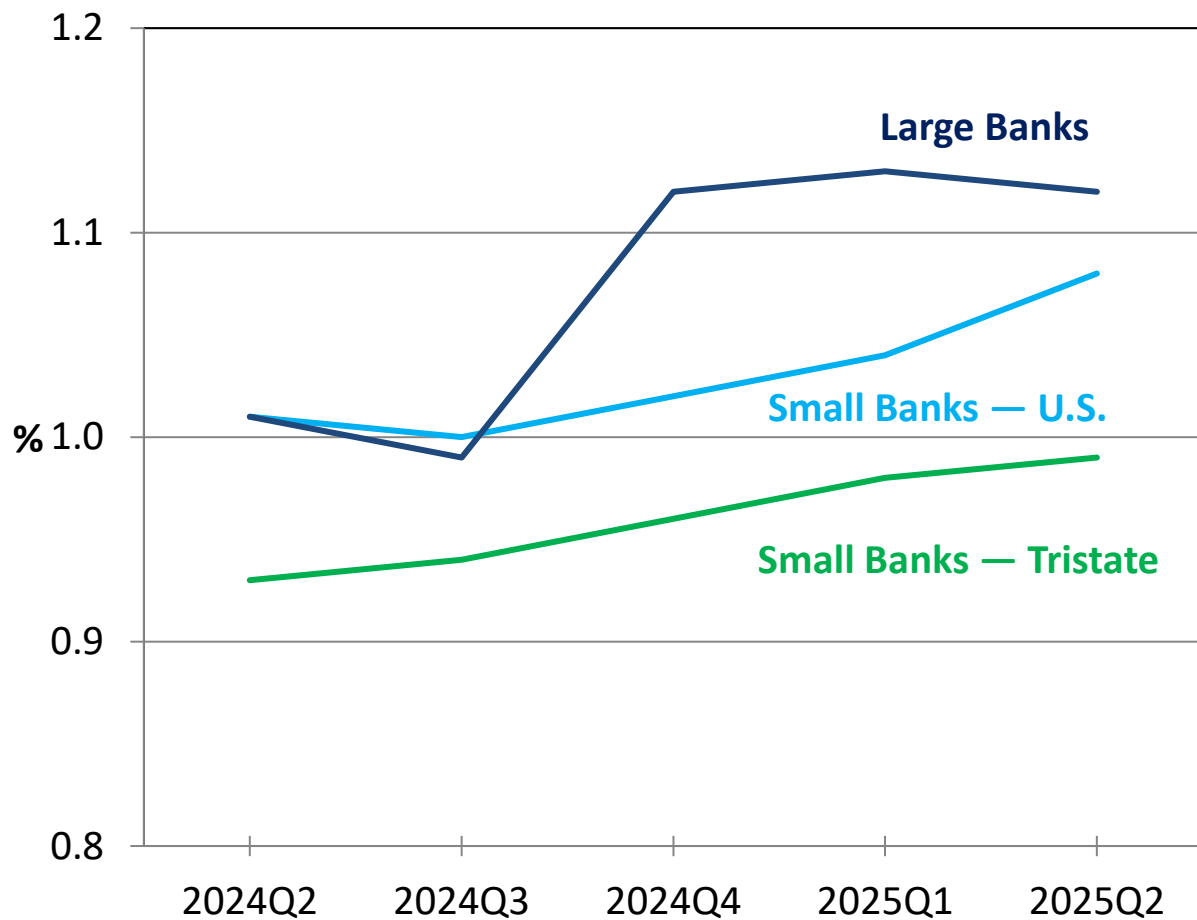
Recent Trends in Tristate and U.S. Banking Markets

Year over year, return on average assets (ROAA) increased at all banks, with large banks leading the way and local banks trailing the rest of the nation. Quarterly net income at large banks shrank from last year but continued to grow at smaller banks. Loan growth and net interest margins remained strong at local and community banks but weakened at large banks. Growth in residential real estate (RRE) lending has remained slow but steady for the last year. Commercial real estate (CRE) lending remained steady at local and community banks but continued to shrink for large banks. Commercial mortgages and loans on multifamily properties are responsible for the sustained growth in CRE lending at local and community banks. Commercial and industrial (C&I) loans growth remains slow at all banks. The Federal Reserve Board's Senior Loan Officer Opinion Survey on Bank Lending Practices (SLOOS) for July 2025 reported that some banks have tightened their standards on C&I loans and commercial mortgages, while standards on multifamily properties were unchanged. Consumer loans dropped significantly, mainly as a result of credit card lending. Consumer loans make up a small percentage of loans at small banks. At large banks, they are about 12 to 13 percent of all loans, mostly credit cards. SLOOS reported a significant tightening of loan standards on credit cards and subprime auto loans. Loan quality improved substantially since last year at local banks, worsened somewhat at community banks nationwide, and was basically unchanged at large banks.

CHART 1

Profitability Improved at Community Banks, Is Down Slightly at Large Banks

Return on average assets

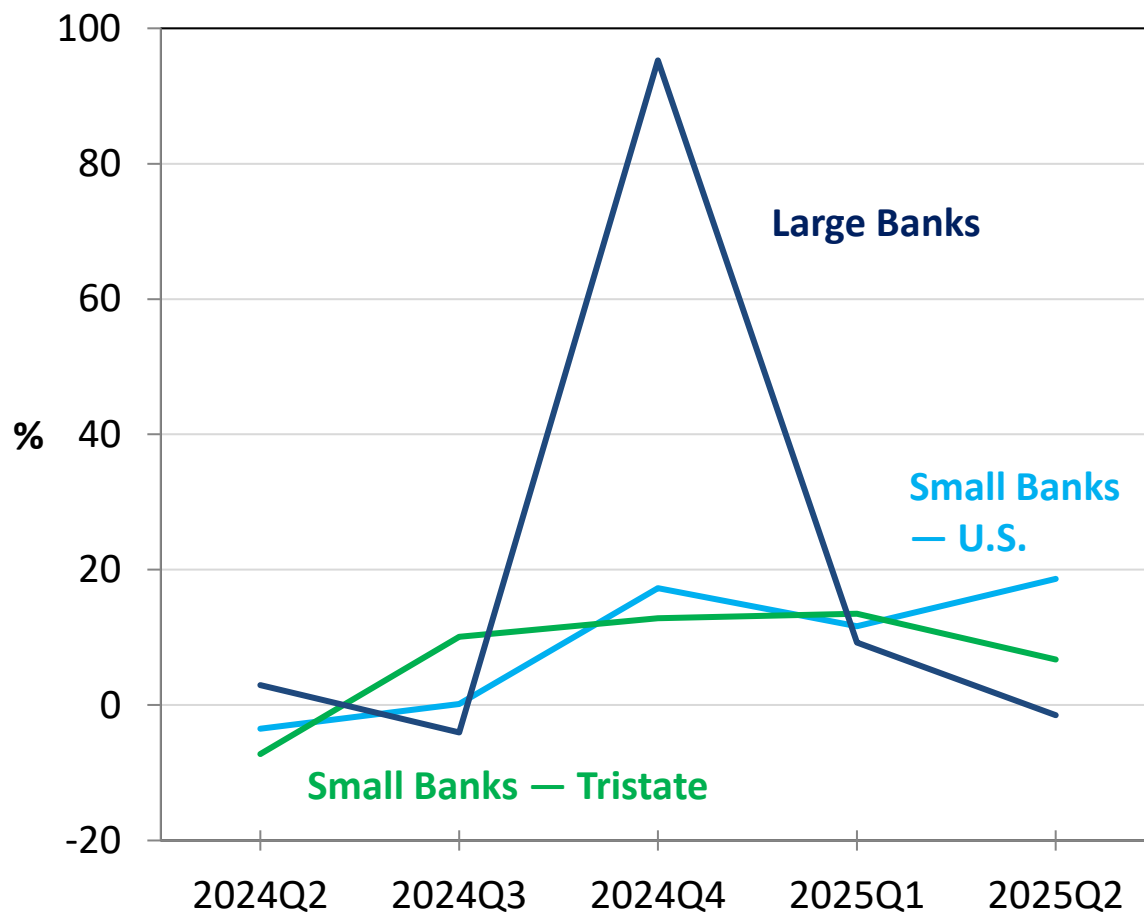


Return on average assets (ROAA) is annual net income divided by average assets. Annual net income is the sum of quarterly net income in the current quarter plus that of the three previous quarters. Average assets are the average of total assets in each of the last five quarters, including the current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

CHART 2

Quarterly Net Income at Large Banks Shrank Year Over Year

Annual growth of quarterly net income

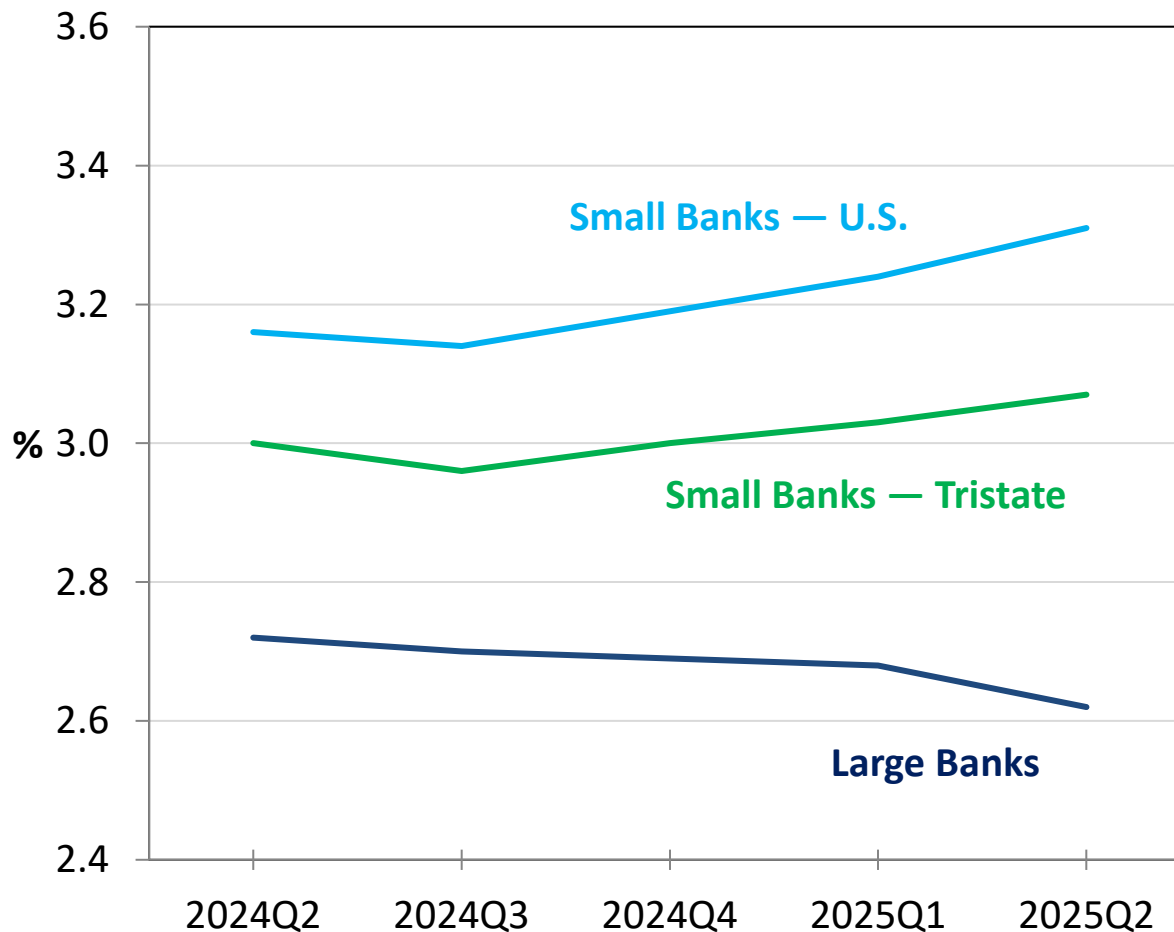


The percentage change in quarterly net income in the current quarter from the same quarter in the previous year. Quarterly net income is net income as reported in the quarter only.

CHART 3

Net Interest Margins Are Helping to Increase Profits at Community Banks

Net interest margins

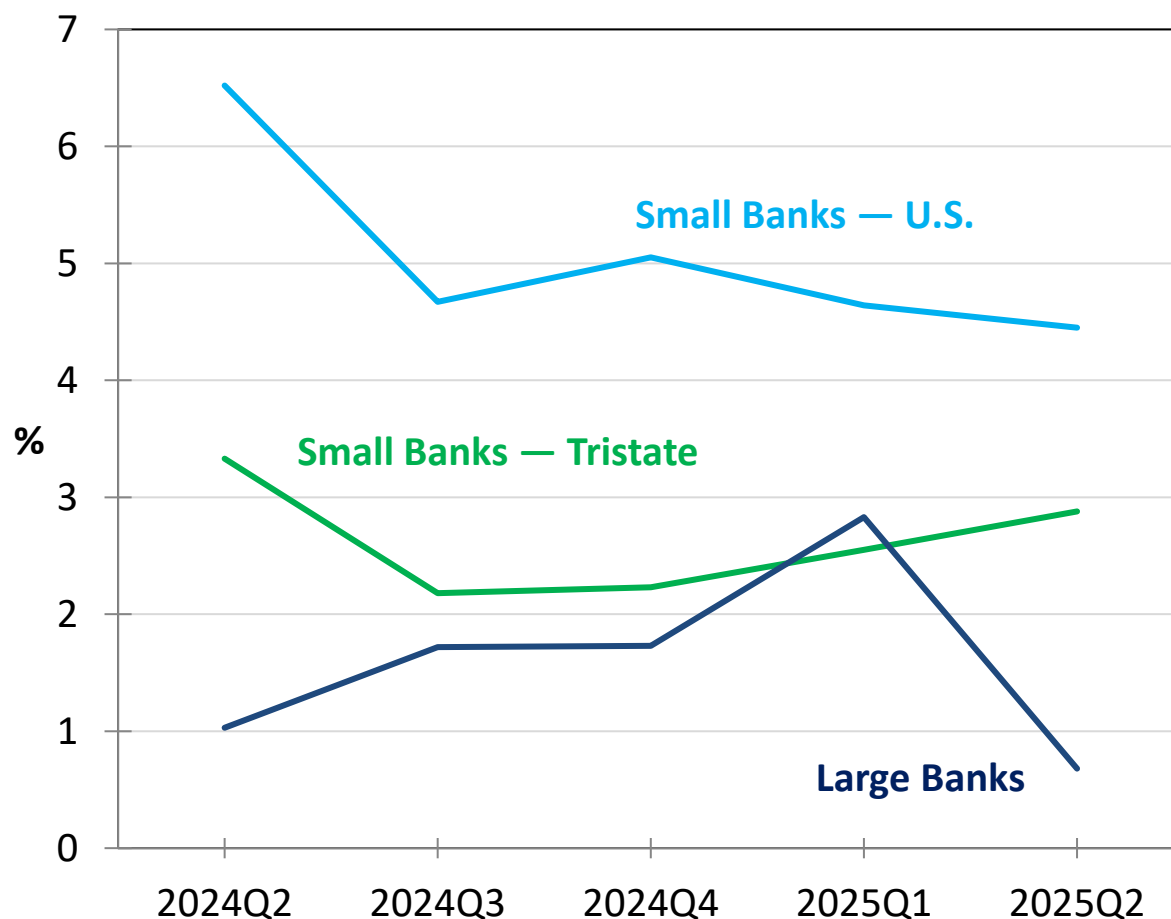


Net interest margin is the ratio of net interest income to average assets. Net interest income is defined as total interest income minus total interest expense.

CHART 4

Loan Growth Weakened at Large Banks but Is Still Relatively Strong at Community Banks

Annual growth of total loans

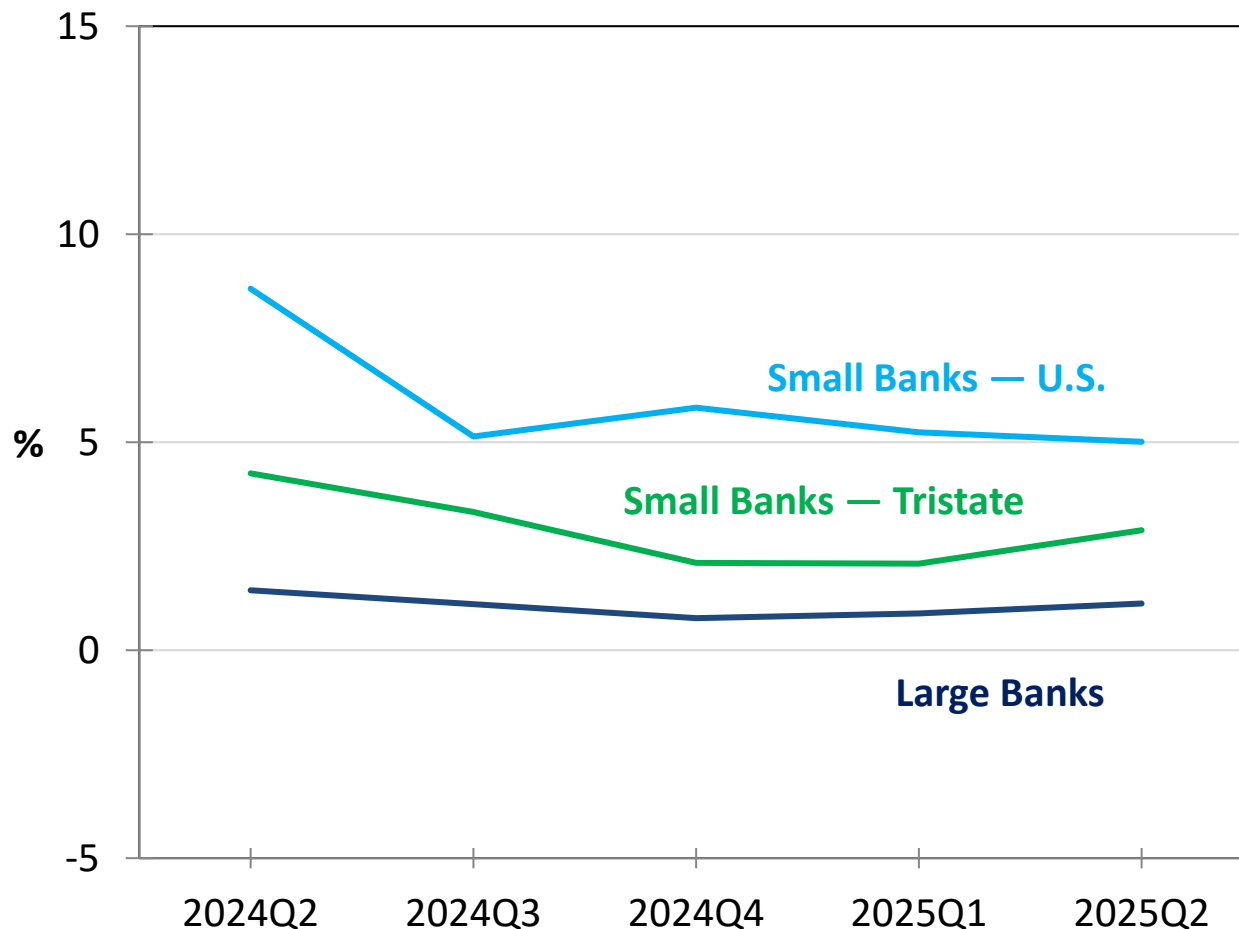


The percentage change in total loans and leases (net of unearned income) in the current quarter from the same quarter in the previous year.

CHART 5

Growth of Residential Real Estate Loans Was Slow but Steady

Annual growth of RRE loans

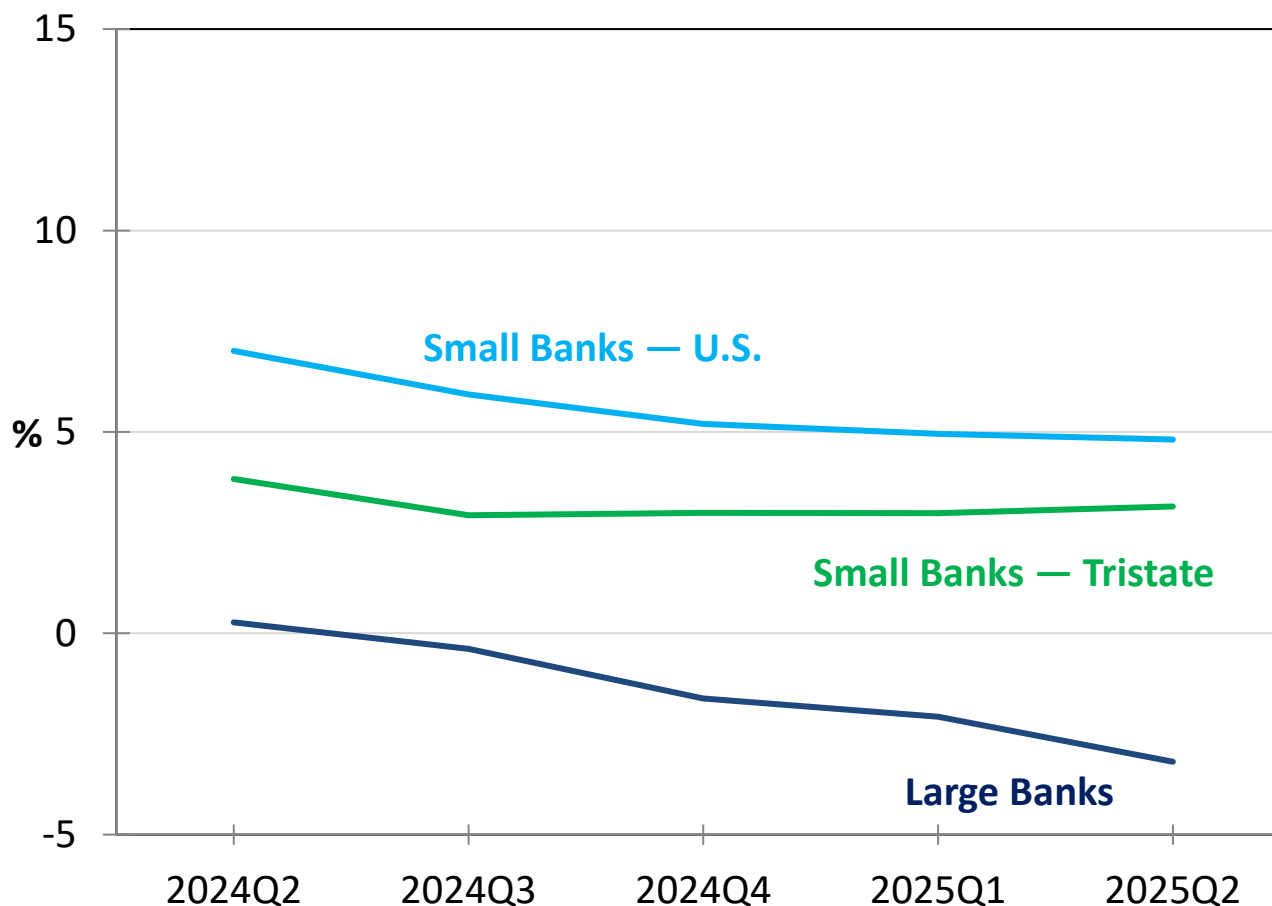


The percentage change in residential real estate (RRE) loans in the current quarter from the same quarter in the previous year. RRE loans are the sum of loans secured by one- to four-family properties with first liens, those with junior liens, and home equity lines of credit (HELOCS).

CHART 6

Growth of CRE Loans Was Steady at Community Banks but Negative at Large Banks

Annual growth of commercial real estate loans

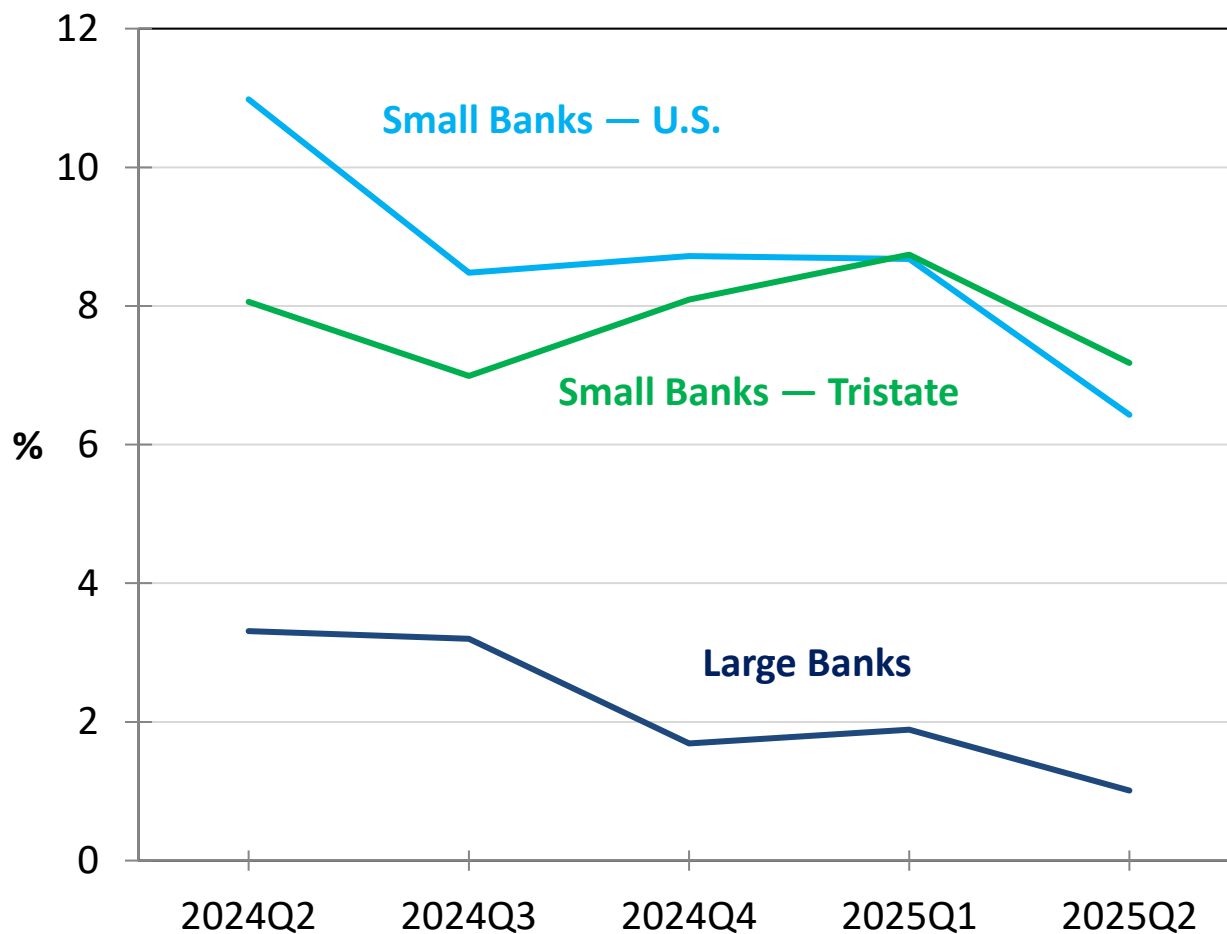


The percentage change in commercial real estate (CRE) loans in the current quarter from the same quarter in the previous year. CRE loans are the sum of all construction loans, loans secured by multifamily properties, and loans secured by nonfarm, nonresidential properties.

CHART 7

Loans Secured by Multifamily Properties Are Driving CRE Loan Growth

Annual growth of loans secured by multifamily properties

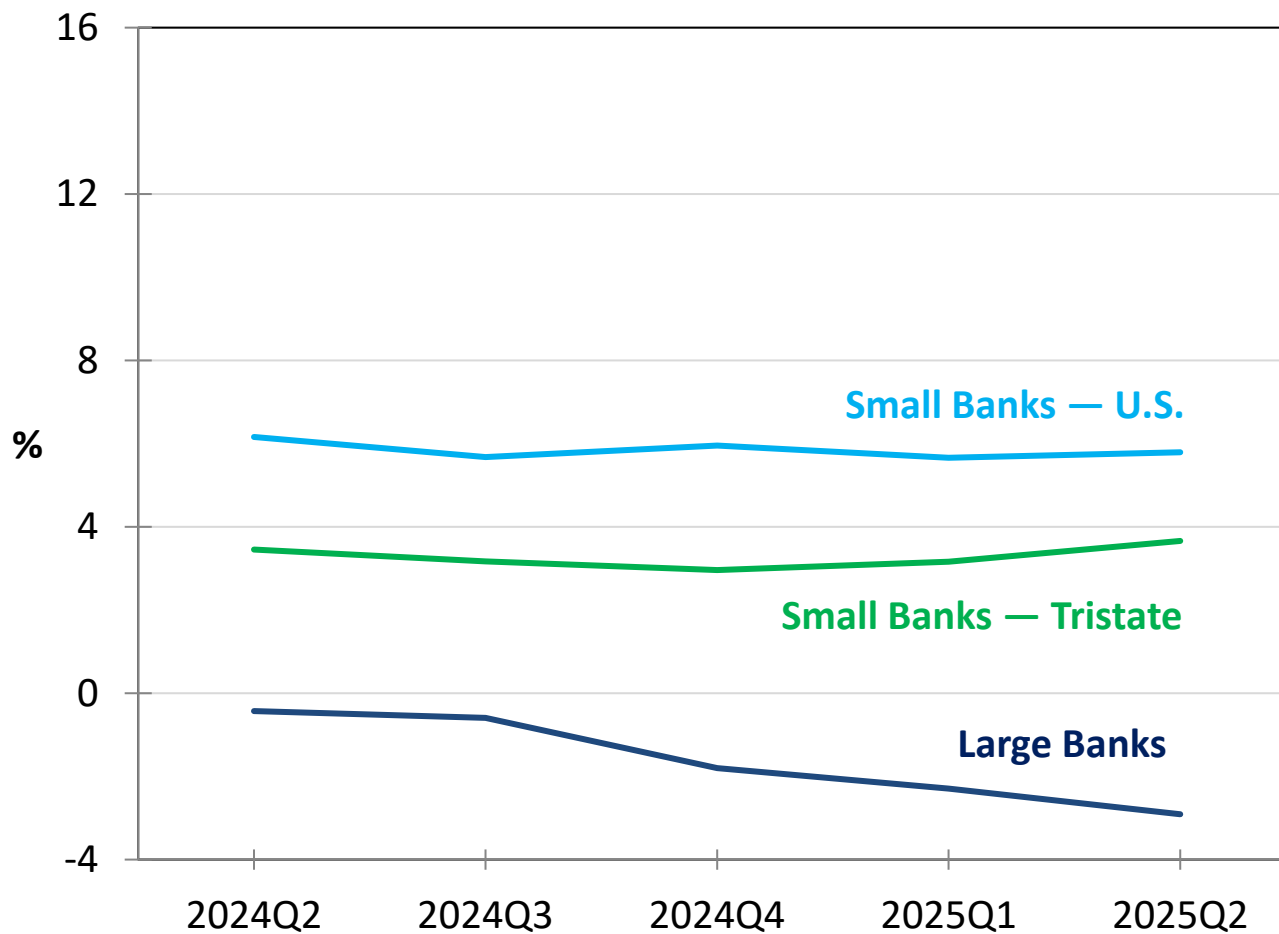


The percentage change in loans secured by multifamily properties in the current quarter from the same quarter in the previous year.

CHART 8

Commercial Mortgage Growth Strong at Community Banks, Negative at Large Banks

Annual growth of commercial mortgages

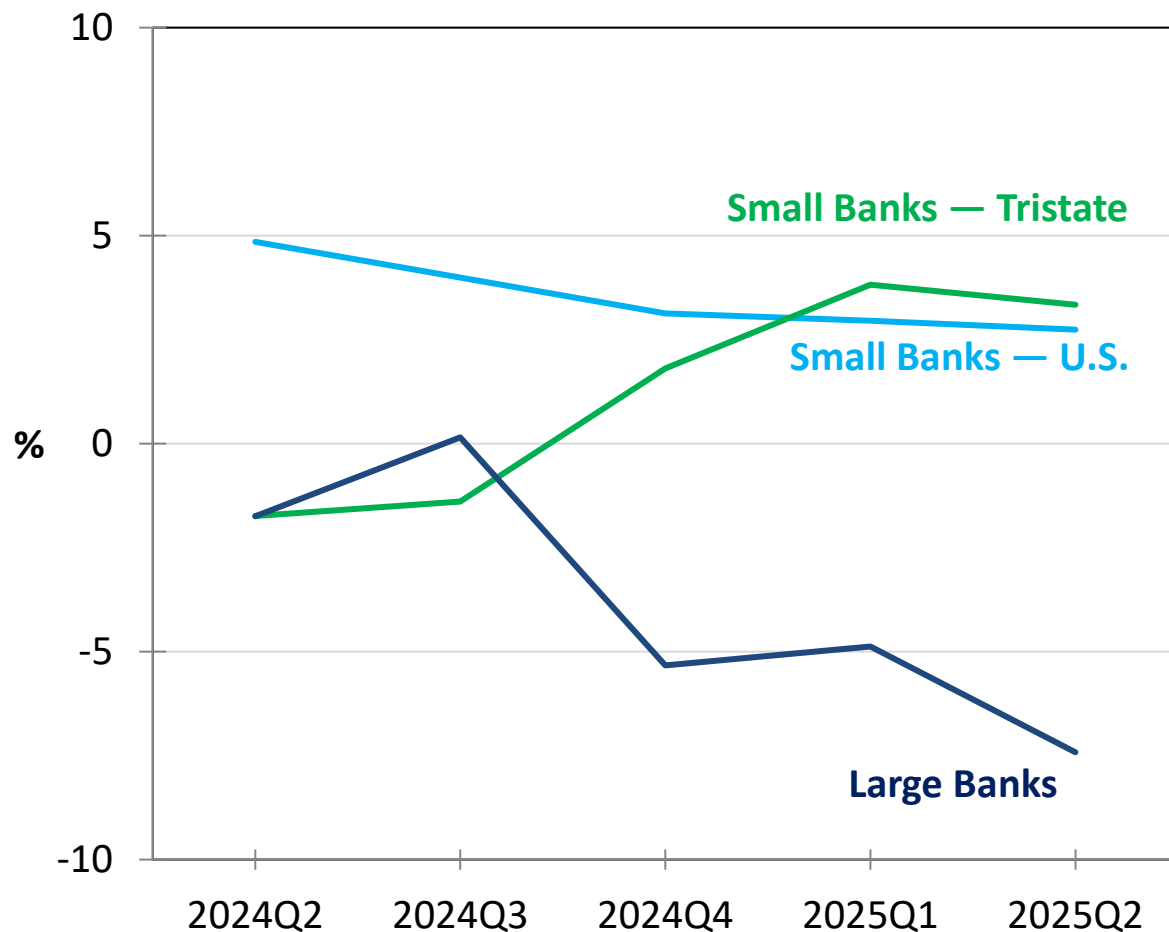


The percentage change in loans secured by nonfarm, nonresidential properties in the current quarter from the same quarter in the previous year.

CHART 9

C&I Lending Remains Slow at All Banks

Annual growth of commercial and industrial loans

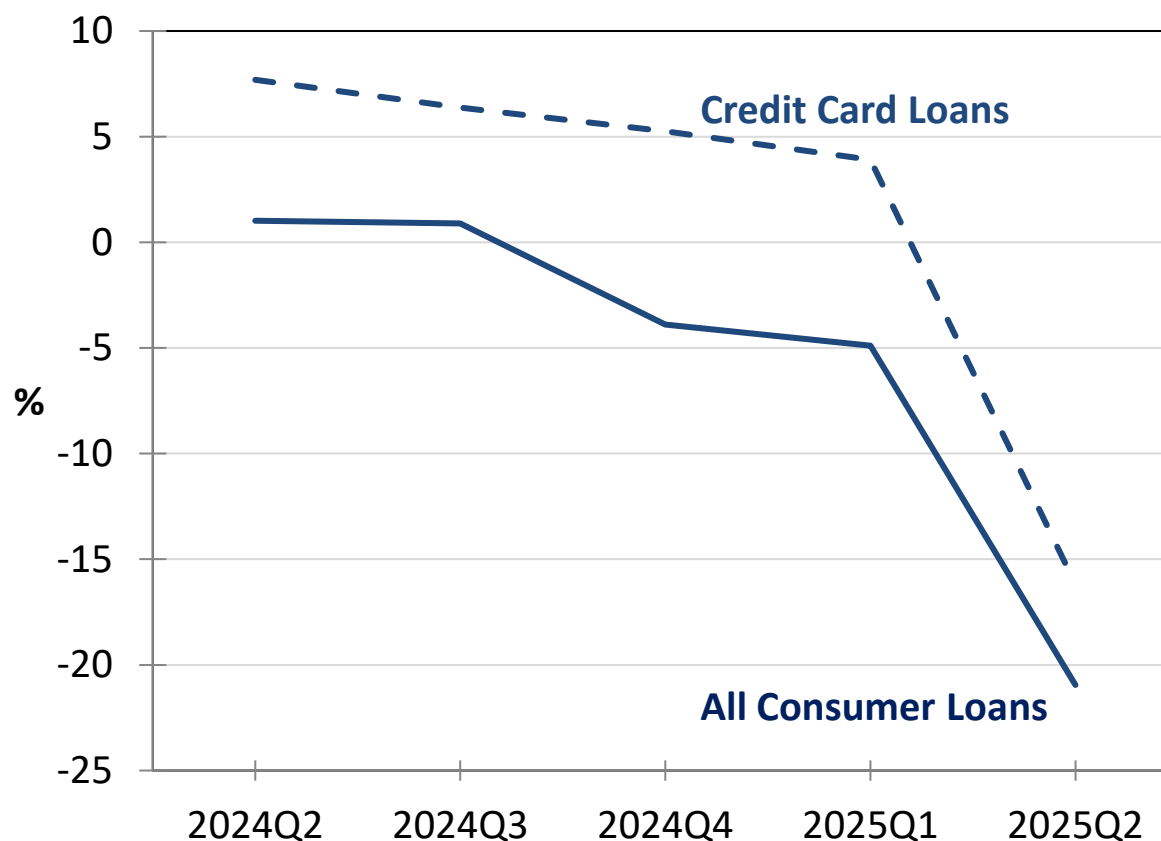


The percentage change in commercial and industrial loans (C&I loans, both domestic and foreign) in the current quarter from the same quarter in the previous year.

CHART 10

Decreases in Credit Card Borrowing Led to Large Decreases in Consumer Loans at Large Banks

Annual growth of consumer and credit card loans

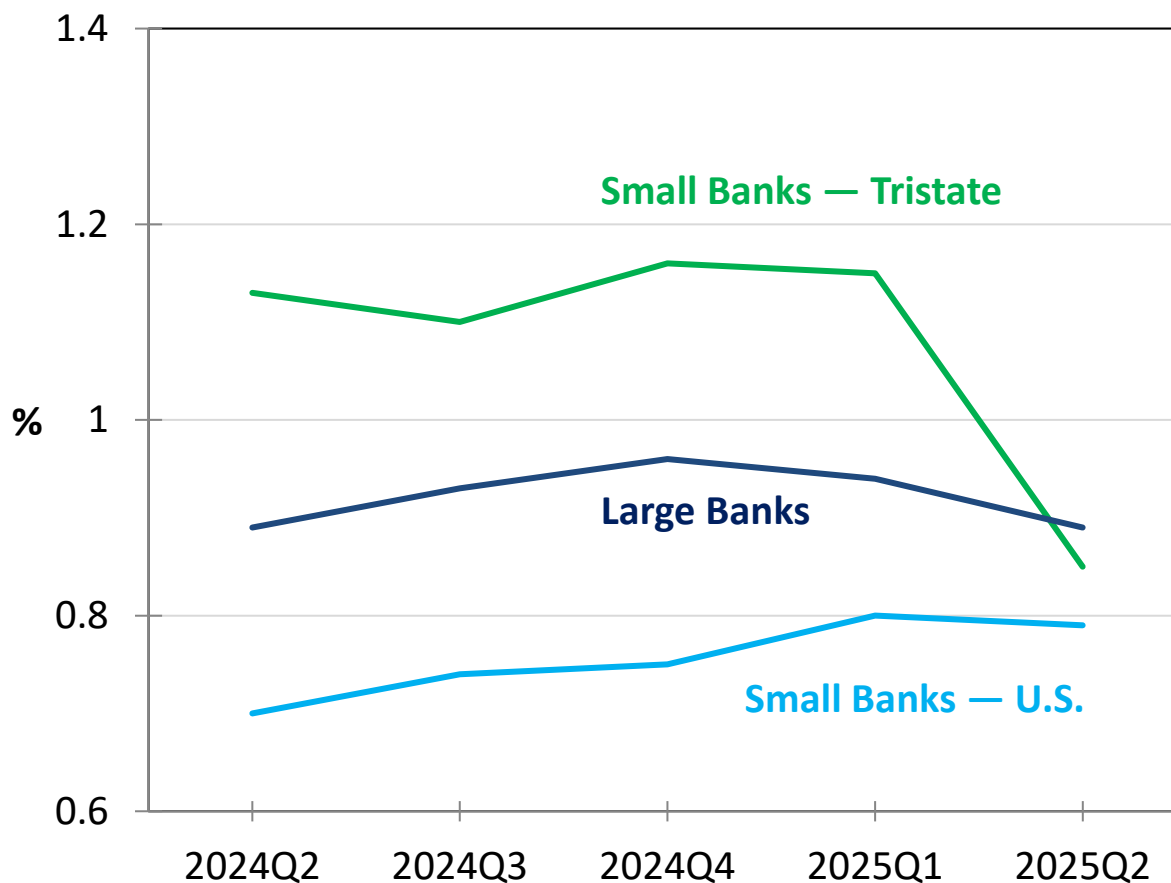


The percentage change in consumer and credit card loans from the current quarter from the same quarter in the previous year. Since consumer loans make up only a small percentage of loans at small banks, only data for large banks are presented.

CHART 11

Since Last Year, Loan Quality Improved at Local Banks, Was Unchanged at Large Banks, and Was Worse at Small Banks

Ratio of nonperforming loans to total loans



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.

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

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