BANKING BRIEF
FOR PENNSYLVANIA, NEW JERSEY, AND DELAWARE

First Quarter 2009

The condition of banks both locally and nationally continued to deteriorate in the first quarter of 2009. Asset quality worsened and profitability continued to decline, and it is now at the point where the industry as a whole is barely breaking even. Equity-to-asset ratios have started to rise at large banks after falling for at least a year, partly driven by shrinkage in assets. The Federal Deposit Insurance Corporation (FDIC) reported 21 bank failures in the first quarter, and as of the publication of this report, there have been an additional 12 since then.[1] Between 2000 and 2007, there were only 27 bank failures, and in 2008 there were 26 failures.

At large organizations, profitability, as measured by return on average assets (ROAA), decreased 10 basis points to 0.06 percent, basically zero profits.[2] The main problem continues to be asset quality. Nonperforming loans as a percent of total loans increased from 3.06 percent to 3.94 percent in the first quarter.[3] While residential real estate (RRE) lending is still the primary problem, the quality of large organizations' commercial real estate (CRE) loans is now nearly as bad.[4] Additionally, the problems that originated in real estate lending have spread to other types of lending as well. Nonperforming loans and charge-offs among commercial and industrial (C&I) loans and consumer loans are also becoming a concern. The large banks are still under-reserved as well, so earnings may very well stay depressed for a while.

Community banks also have substantial problems. Nationally, aggregate earnings were slightly negative. Banks in the tri-state area performed better, but their ROAA dropped 12 basis points, to 0.48 percent. The main problem continues to be asset quality in their portfolio of CRE loans,

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1 See the FDIC Failed Bank List (http://www.fdic.gov/bank/individual/failed/banklist.html) for a complete list of failed institutions.

2 See the Summary Table of Bank Structure and Conditions on the back page. Unless otherwise noted, all numbers presented here are based on data obtained from Federal Financial Institutions Examination Council (FFIEC) call reports. Also, since as a result of industry consolidations nearly all of the larger banks (such as Bank of America and Wells Fargo) in the "tri-state large organizations" sample are either not headquartered in the area and/or have substantial operations elsewhere, we will no longer discuss them separately in the text, but we will continue to list them separately in charts and tables.

3 Nonperforming loans are defined as loans past due 90 days or more plus nonaccruing loans. For historical perspective, the ratio of nonperforming loans to total loans for all commercial banks between 1997 and 2007 was 1.09 percent. At the bottom of the last real estate cycle in 1991, this ratio was 3.80 percent. Source: FDIC Historical Statistics on Banking, http://www2.fdic.gov/hsob/index.asp.

4 RRE loans are defined as the sum of mortgages on one- to four-family properties (secured by either first or junior liens) plus home equity lines of credit (HELOCs). CRE loans are defined as the sum of construction and land development loans, loans secured by multi-family properties, and loans secured by nonfarm, nonresidential properties.

which represent nearly half of all loans both locally and nationally. They also have problems with RRE loans, but to a much lesser extent than the large institutions. However, like the large banks, community banks now also have problems in C&I and consumer lending. Also, community banks both locally and nationally are even more under-reserved than the large organizations.

Large Organizations

As noted above, profitability at large institutions continued to fall, and ROAA is now below 0.1 percent. Out of 100 organizations in the large bank sample, 32 reported a loss in the first quarter compared to 33 in the fourth quarter of 2008. Their leverage ratio, as measured by the ratio of equity-to-assets, increased from 8.71 percent to 9.56 percent from the fourth quarter of 2008 to the first quarter of 2009, partly because total assets declined at a 13.34 percent annual rate.

Nonperforming loans continued to rise, and they now represent 3.94 percent of all loans. This is an increase of nearly 90 basis points from the fourth quarter of 2008. In part this is due to a fall in overall lending (see Summary Table of Bank Structure and Conditions on the back page), but overall nonperforming loans continued to increase at roughly the same rate as over the previous six months. Net charge-offs continued to increase as well, and they now represent 0.47 percent of average loans (Figure 1).[5]

The leading cause of the rise in nonperforming loans continues to be RRE loans, particularly mortgages. RRE loans represent about 34 percent of all loans at large organizations but slightly over half of all nonperforming loans. The ratio of nonperforming RRE loans to total RRE loans rose from 4.58 percent in the fourth quarter of 2008 to 5.85 percent in the first quarter of 2009 (Figure 2). For mortgages this number is much higher. Mortgages make up about two-thirds of RRE loans, but they account for nearly 95 percent of nonperforming RRE loans. The ratio of nonperforming mortgages to total mortgage loans climbed from 5.89 percent to 7.65 percent in the first quarter, much higher than the nonperforming rate for all RRE loans (Figure 3). Additionally, HELOCs, which represent about a third of all loans, deteriorated as well. Nonperforming HELOCs as a percent of total HELOCs increased from 1.79 to 2.13 percent.

The performance of the large organizations' CRE loan portfolios has been deteriorating as well, and it is now at nearly the same level as the RRE loans. CRE loans account for about 20 percent of total loans at large organizations but nearly 27 percent of nonperforming loans. Nonperforming CRE loans took a major jump in the first quarter, from $39.0 billion to $51.4 billion, an annual increase of over 200 percent. The ratio of nonperforming CRE loans to total CRE loans increased from under 4 percent to 5.25 percent in the first quarter (Figure 4).

The majority of these nonperforming CRE loans are construction loans. While construction loans represent less than one-third of all CRE loans, they represent nearly 70 percent of nonperforming CRE loans. The ratio of nonperforming construction loans to total construction loans climbed from 8.70 percent in the fourth quarter of 2008 to 11.21 percent in the first quarter of 2009 (Figure 5). The nonperforming loan

[5] Tri-state area figures for the fourth quarter of 2008 were materially affected by the accounting treatment applied to two banks (PNC Financial Services Group and Wells Fargo & Company) that acquired troubled institutions. In both cases, the acquiring institutions were permitted to write down some nonperforming assets and adjust equity capital and reserves without having these adjustments reflected on their income statements. This had a tendency to make net charge-offs appear lower than they were.

Figure 1

Quarterly Net Charge-Offs/Average Loans

Large Organizations

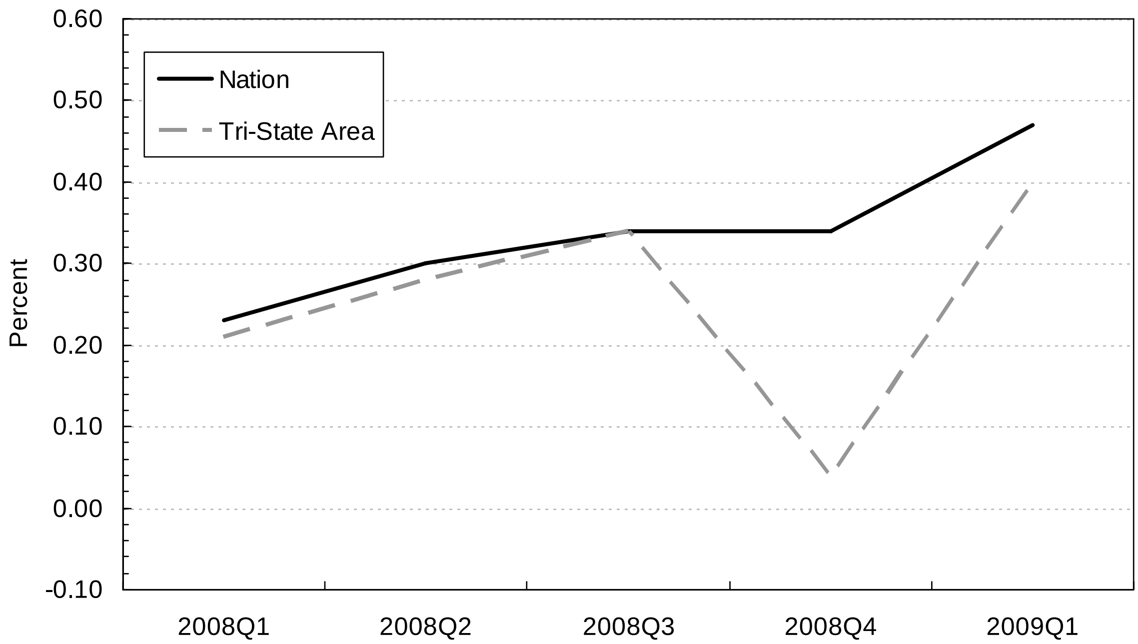
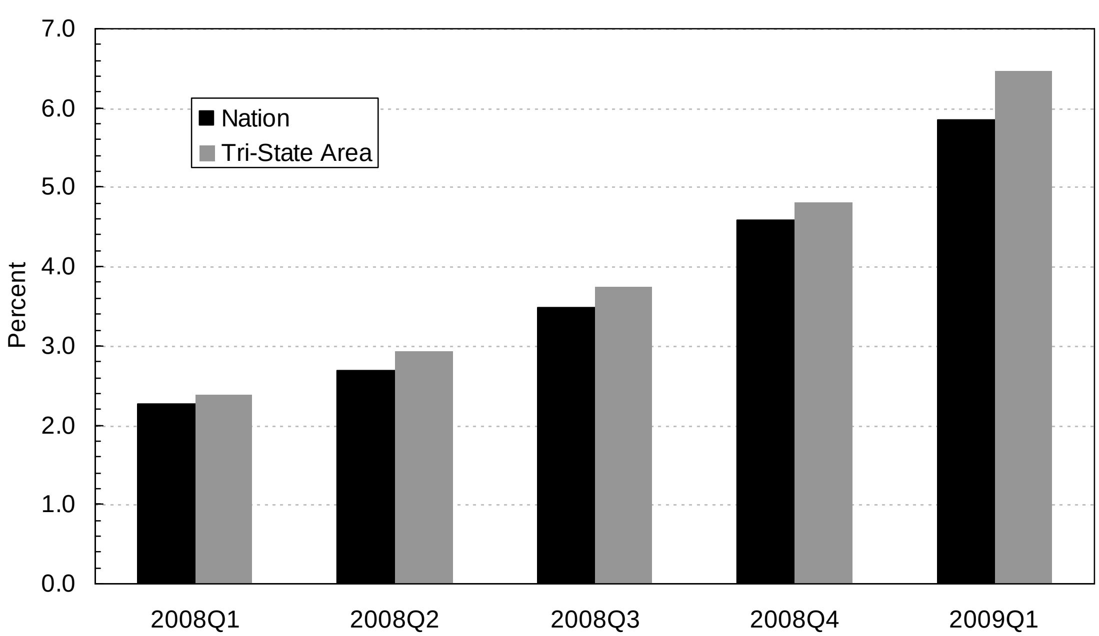


Figure 2

Nonperforming RRE* Loans/Total RRE Loans

Large Organizations



*Residential Real Estate

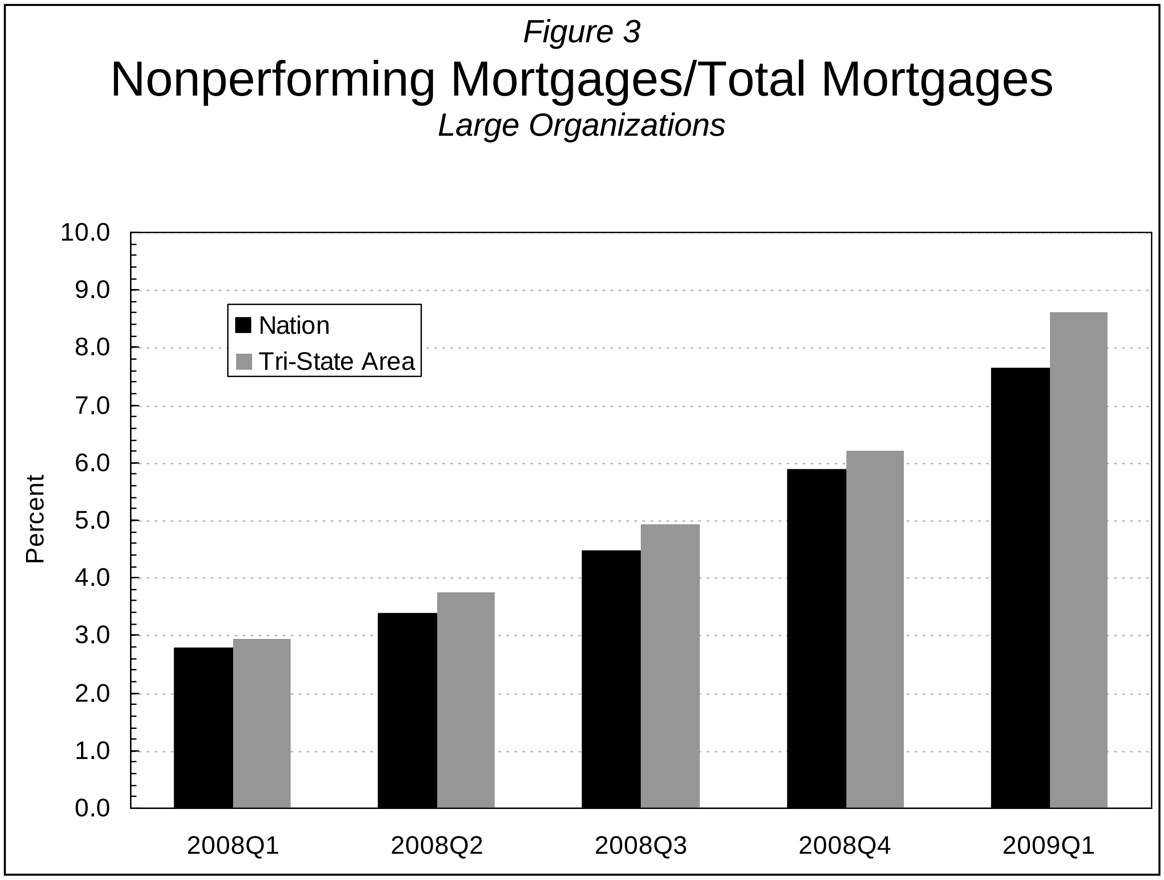


Figure 3
Nonperforming Mortgages/Total Mortgages
Large Organizations
Percent
Nation
Tri-State Area
10.0
9.0
8.0
7.0
6.0
5.0
4.0
3.0
2.0
1.0
0.0
2008Q1
2008Q2
2008Q3
2008Q4
2009Q1

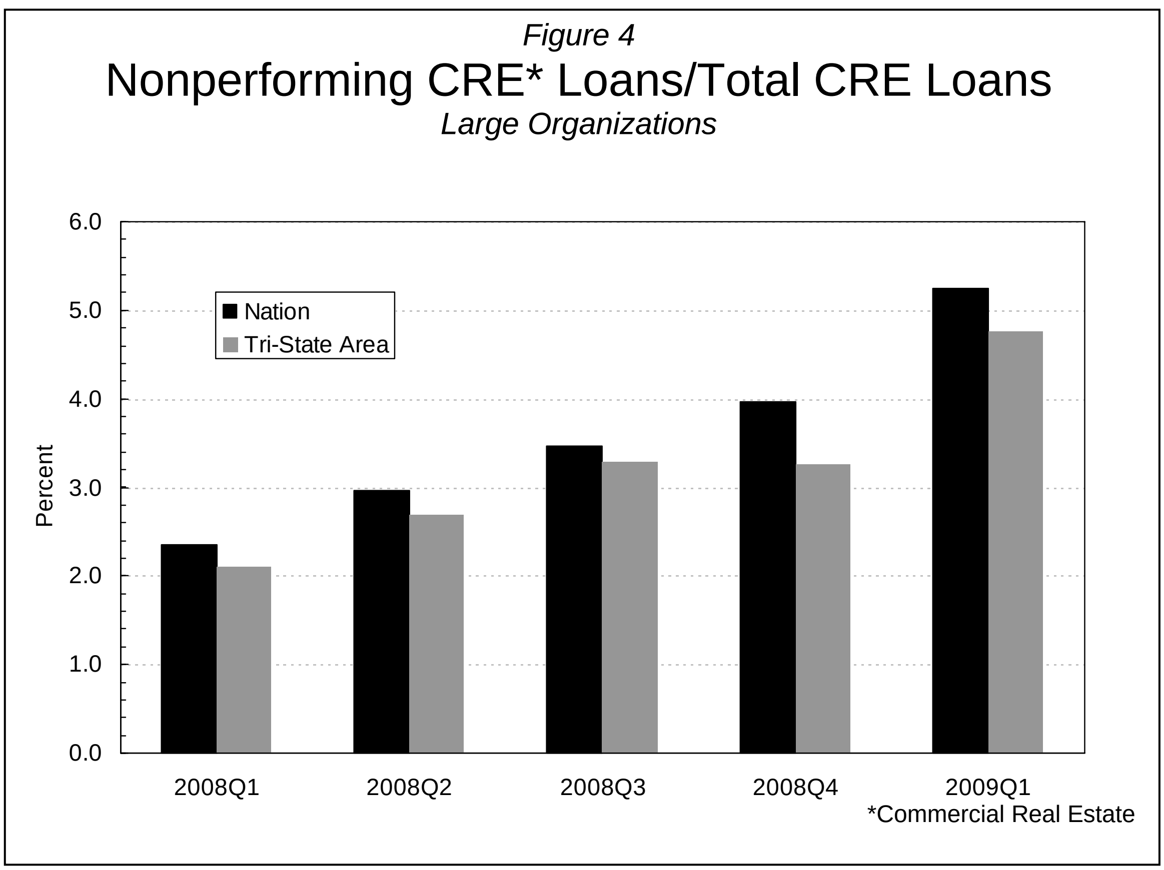
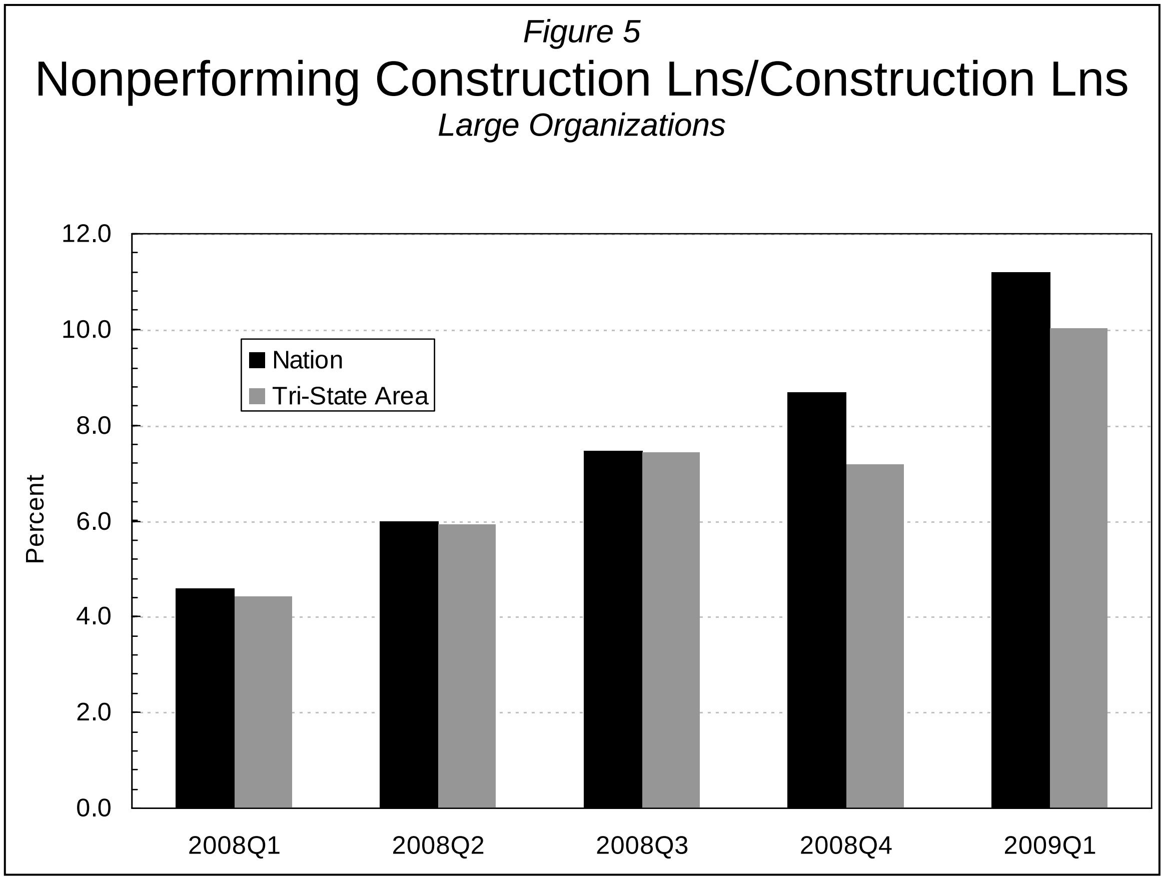


Figure 4
Nonperforming CRE* Loans/Total CRE Loans
Large Organizations
Percent
Nation
Tri-State Area
6.0
5.0
4.0
3.0
2.0
1.0
0.0
2008Q1
2008Q2
2008Q3
2008Q4
2009Q1
*Commercial Real Estate



ratio for other types of CRE lending increased as well, but it is still below the overall rate of nonperforming loans. The ratio for multifamily property loans climbed from 1.67 percent to 2.57 percent from the fourth quarter to the first quarter, and the ratio for loans secured by business properties climbed from 1.61 to 2.39 percent in that period. These numbers are particularly worrying because nonperforming loans in these categories are rapidly increasing, at an annual rate of over 500 percent for multifamily property loans and over 400 percent for loans secured by business properties.

In addition to problems with various types of real estate lending, nonperforming loans in other types of lending are also increasing. C&I loans represent about 22.2 percent of all loans. Nonperforming C&I loans increased at an annual rate of over 130 percent in the first quarter, and the ratio of nonperforming C&I loans to total C&I loans increased from 1.67 percent to 2.16 percent. Likewise, consumer loans represent a relatively small percentage of all loans, about 12.5 percent. Nonperforming consumer loans increased over 85 percent (annualized) in the quarter, and the ratio of nonperforming consumer loans to total consumer loans increased from 1.45 to 1.68 percent. Most of the consumer loan problems are in credit card lending. These represent about 22 percent of all consumer loans but nearly half of nonperforming consumer loans. The ratio of nonperforming credit card loans to total credit card loans was 3.40 percent in the first quarter of 2009, up from 2.82 percent in the fourth quarter of last year. Moreover, defaulted credit card loans are nearly always complete losses for banks, since there are seldom any recoveries on charged-off credit card loans.

As shown on the back page, lending at large banking organizations decreased in every category of loans. Likewise, commitments to lend in the future have decreased as well, but there are still substantial unused commitments to lend. Total unused commitments decreased at an annualized rate of nearly 20 percent in the first quarter, but as a percent of total assets, they only dropped from 46.6 to 46.0 percent. The largest category of unused commitments is credit card loans. The biggest decrease was in commitments to fund construction, particularly one- to four-family properties.

As nonperforming loans and, as a result, charge-offs, have mounted, the banks' provisioning and reserves have not kept pace. In fact, they are falling farther behind. The loan-loss coverage ratio is now 63.70 percent, meaning that current reserves are sufficient to cover only about 64 percent of nonperforming loans (Figure 6).[6] The ratio of net charge-offs to loan-loss provision continued to climb, and it is now over 63 percent.[7] One year ago this ratio was a little under 50 percent. Thus, one of the main reasons loan-loss coverage continues to fall is that for every dollar added to loan-loss reserves, 60 cents is immediately removed due to charge-offs. In spite of this, the ratio of loan-loss provision to operating income has decreased (Figure 7).[8] In addition to nonperforming loans, other real estate owned (OREO) — that is, foreclosed real estate — continued to increase as well, but only slightly, since many states have imposed or negotiated moratoria on residential property foreclosures. OREO increased at an annual rate of 23.7 percent in the first quarter, well below the triple-digit rates at which it had been increasing in the previous several quarters. As a percent of total assets, OREO increased only slightly, from 0.14 to 0.16 percent. This small increase occurred in spite of a decline in total assets.

In some other areas banks have improved. After losing $813.1 million on asset sales in the fourth quarter, including $268.8 million on loan sales, these numbers reversed. Large organizations had positive income of nearly $2 billion on asset sales, with $1.78 billion of this being on loan sales in the first quarter of 2009. Losses on OREO sales continued to increase, from $291.5 million to $545.1 million. Additionally, net trading income reversed from a $9 billion loss in the fourth quarter of 2008 to a $7.36 billion gain in the first quarter of 2009. This was in spite of a 54.8 percent drop in trading assets. Most of this drop in trading assets was a result of a decrease in mortgage-backed securities (MBSs), which fell 88.6 percent. As a result, trading assets as a percent of total assets are now below 8 percent (Figure 8). Whether this increase in trading income is a one-quarter anomaly or something more is still to be determined.

Large organizations suffered substantial goodwill impairment losses in the fourth quarter of 2008, but these also decreased this quarter. Goodwill impairment losses were $16.6 billion in the fourth quarter and $4.1 billion in the first quarter. Goodwill as a percent of total equity remains high, but it is also decreasing (Figure 9).

The securities portfolios of large organizations also performed better in the first quarter. These organizations had realized losses on their securities for the previous three quarters, including a $695.6 million loss in the fourth quarter of 2008. In the first quarter of 2009, large organizations had a net realized gain of $1.33 billion on

[6] Loan-loss coverage ratio is defined as the ratio of loan-loss reserves to nonperforming loans. To give some historical perspective, the average loan loss coverage ratio for all commercial banks between 1997 and 2007 was 154.6 percent. At the bottom of the last real estate cycle in 1991, this ratio was 72.6 percent. Source: FDIC Historical Statistics on Banking: http://www2.fdic.gov/hsob/index.asp.

[7] For purposes of this document, loan-loss reserves refer to the balance-sheet item; loan-loss provision is the income statement item, that is, what was added to loan-loss reserves in the quarter.

[8] Operating income is defined as noninterest income plus net interest income.

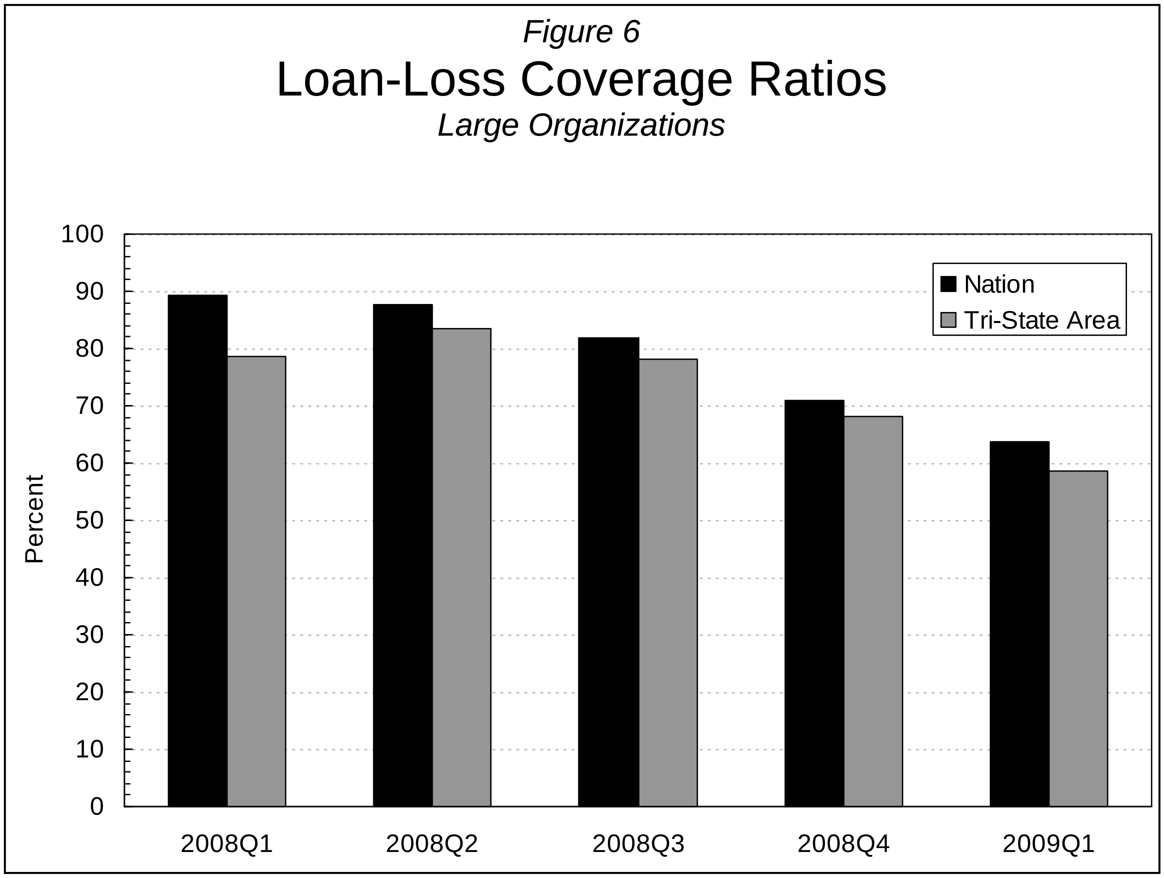


Figure 6
Loan-Loss Coverage Ratios
Large Organizations
Percent
100
90
80
70
60
50
40
30
20
10
0
Nation
Tri-State Area
2008Q1
2008Q2
2008Q3
2008Q4
2009Q1

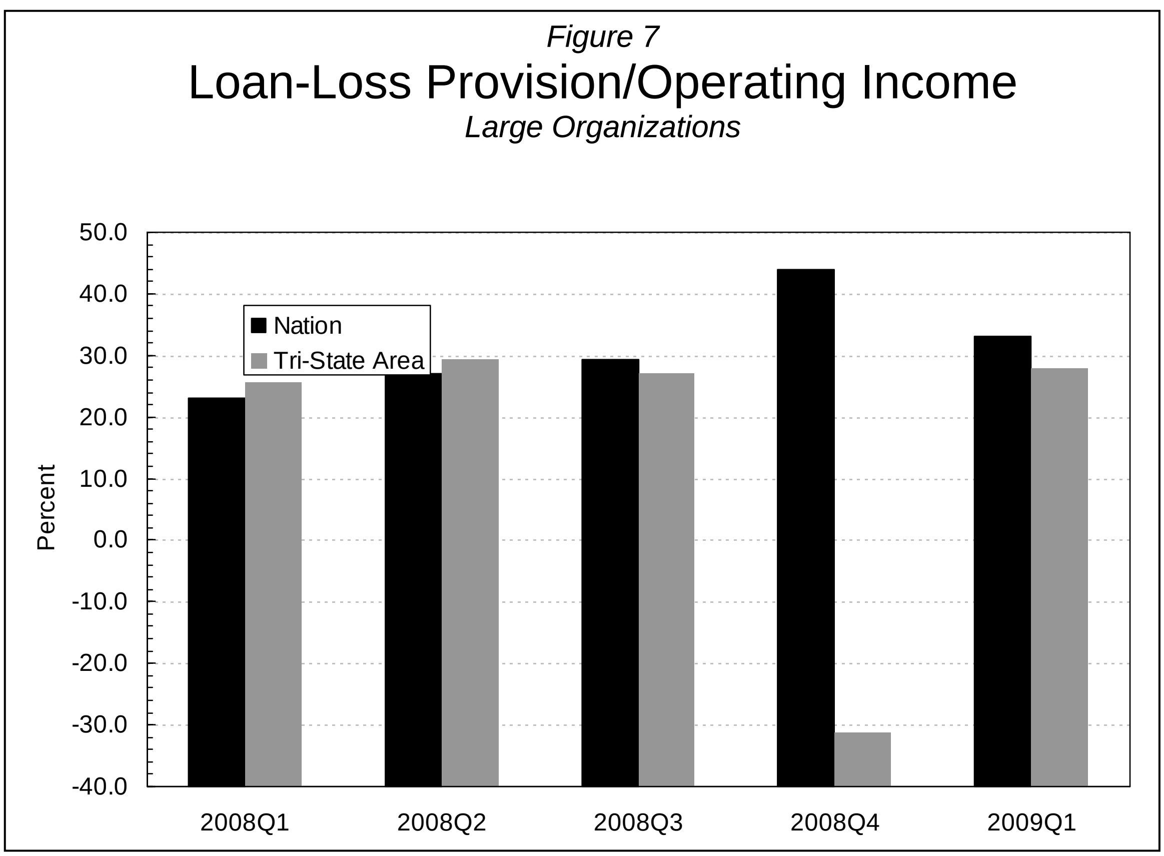


Figure 7
Loan-Loss Provision/Operating Income
Large Organizations
Percent
50.0
40.0
30.0
20.0
10.0
0.0
-10.0
-20.0
-30.0
-40.0
Nation
Tri-State Area
2008Q1
2008Q2
2008Q3
2008Q4
2009Q1

Figure 8

Trading Assets/Total Assets

Large Organizations

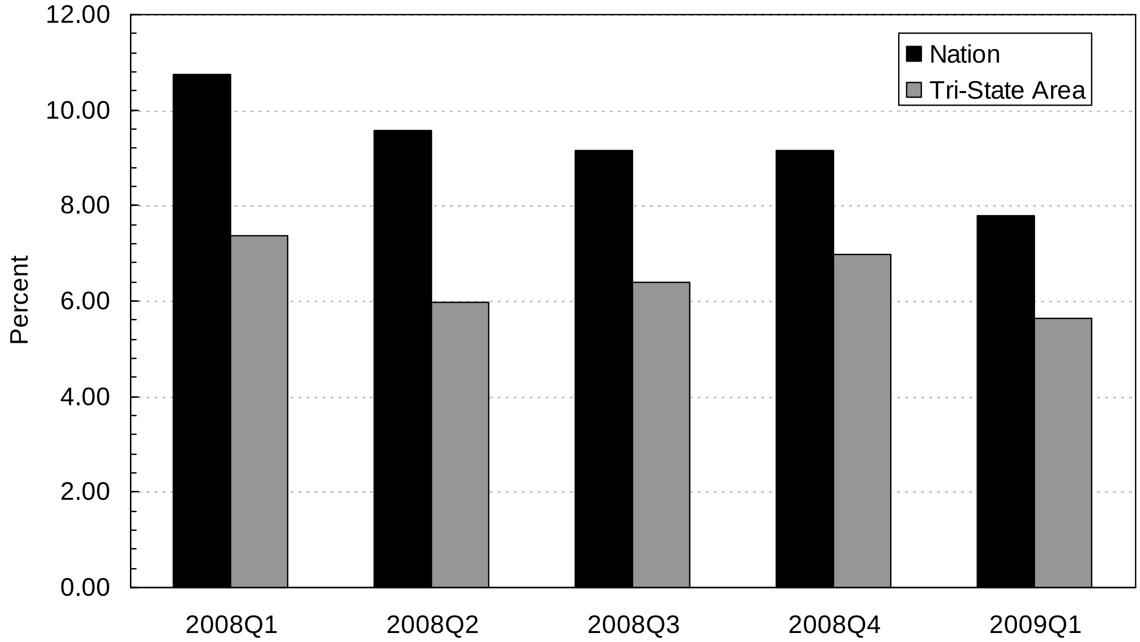


Figure 9

Goodwill/Total Equity

Large Organizations

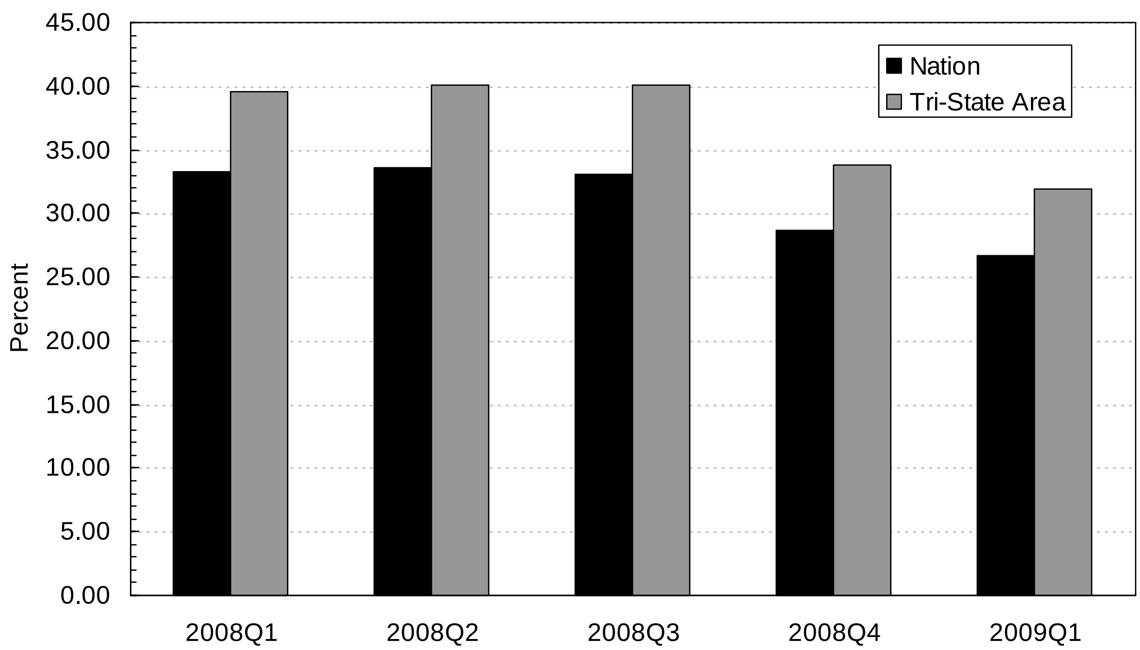
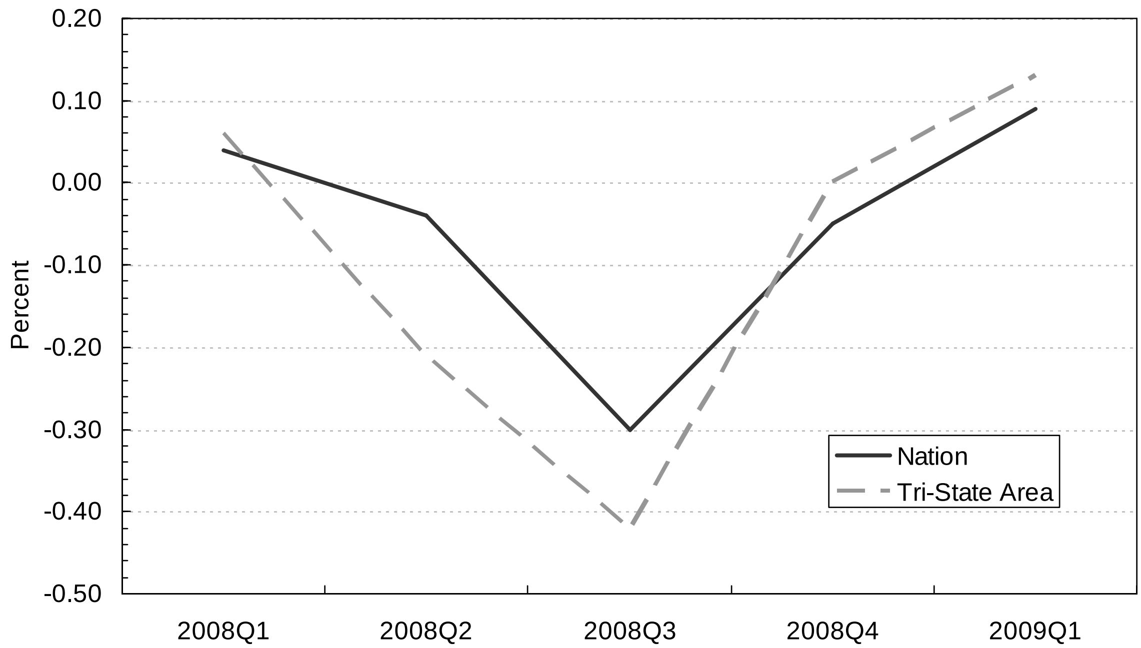


Figure 10

Realized Gains (Losses) on Securities/Average Securities



their securities (Figure 10).[9] Both the book value and the market value of the large organizations' securities portfolios rose as well, by annual rates of 34.6 and 40.8 percent, respectively.[10] This was mainly due to an increase in foreign securities, securities of government-sponsored enterprises (GSEs, such as Fannie Mae and Freddie Mac), corporate securities, and GSE-issued mortgage-backed securities.

The large organizations' cost of funding continues to fall as interest rates reached very low levels. Deposits decreased 10.5 percent in the first quarter, and all of that decrease was from noncore deposits. Core deposits increased slightly.[11] Debt funding, which is generally more expensive than deposits, decreased as well, by 18.8 percent. The derived interest rate (average interest rate) on all deposits fell from 1.89 to 1.50 percent in the first quarter.[12] The derived interest rate on domestic deposits was less, 1.40 percent, down from 1.71 percent in the fourth quarter of 2008. Transaction accounts had the lowest rate, 0.68 percent, while time deposits of less than $100,000, at 2.64 percent, had the highest. The derived interest rate on debt also decreased, from 3.17 to 2.55 percent.

In summary, earnings continued to drop at large organizations mainly because of

[9] Realized gains and losses on securities is a net position. Thus, even though the tri-state area sample in the chart is a subset of the national sample, it can still have a larger gain or loss than the national sample.

[10] The reported value of securities lists held-to-maturity securities at their book value and available-for-sale securities at their market value.

[11] Core deposits are defined as total domestic deposits minus the sum of brokered deposits in denominations of less than $100,000 and all deposits in denominations greater than $100,000. Noncore deposits are defined as all deposits less core deposits.

[12] Derived interest rate is defined as the annualized quarterly interest expense divided by the quarterly average balance.

ongoing asset-quality problems. The problems that started in residential real estate lending have spread to commercial real estate lending and all other loans as well, resulting in substantial increases in nonperforming loans and net charge-offs. At present, the large organizations do not have sufficient reserves to cover all of their loan losses. Thus, new additions to loan-loss reserves are necessary, and these will have a substantial negative impact on income.

Community Banks

Tri-state area community banks continue to outperform those in the nation as a whole by a substantial margin, but the condition of all community banks is deteriorating. Local community banks had an ROAA of 0.48 percent in the first quarter of 2009, down from 0.60 percent in the fourth quarter of 2008. Community banks nationally actually experienced a small aggregate loss in the first quarter. Of 176 tri-state area community banks, 136 had positive net income for the quarter. This was a drop of one from the fourth quarter of 2008. For banks nationally, 1,019 out of 5,676 had a loss in the first quarter. This was a decrease of 114 from the fourth quarter of 2008. Also, 10 community banks in the tri-state area and 125 nationally had equity-to-asset ratios of less than 6 percent in the first quarter of 2009. In the fourth quarter of 2008, these numbers were six and 103, respectively.

Nonperforming loans as a percent of total loans increased from 2.67 to 3.19 percent nationally and from 1.94 to 2.19 percent locally. However, net charge-offs decreased locally and nationally both in absolute terms and as a percent of average assets (Figure 11). In absolute terms, net charge-offs nationally decreased at an annualized rate of 82.0 percent, to $3.0 billion. Locally, the decrease was 84.8 percent, to $54.6 million. Given that nonperforming loans continued to increase, it is likely that this drop in charge-offs is due to the community banks postponing recognizing losses, as opposed to any fundamental change in their ability to recover loan losses.

The driving force behind the community banks' asset-quality problems is CRE lending. CRE loans represent 48.2 percent of all loans at banks nationally and 46.0 percent at banks locally. However, nonperforming CRE loans represent 72.2 percent of nonperforming loans nationally and 67.8 percent locally. The ratio of nonperforming CRE loans to total CRE loans continues to increase, and it is approaching 5 percent nationally and over 3 percent locally (Figure 12). As is the case at the large organizations, the most severe problems in CRE loans facing community banks are construction loans. While these loans represent about 31 percent of CRE loans nationally and about 22 percent locally, they account for nearly two-thirds of all nonperforming CRE loans nationally and 56 percent locally. Moreover, nationally more than 10 percent of construction loans are now nonperforming, and locally this number is over 8 percent (Figure 13). Moreover, bad construction loans account for nearly 80 percent of charged-off CRE loans nationally. This is not the case at tri-state area banks, where that number is 47 percent.

The largest part of CRE lending both nationally and locally is loans secured by nonfarm, nonresidential property, that is, commercial mortgages. These represent 62.6 percent of CRE loans nationally and 72.1 percent locally. Until recently this type of lending had been performing relatively well, but it appears that the situation is deteriorating. Nonperforming commercial mortgages increased at an annualized rate of 152.4 percent in the first quarter nationally and 83.5 percent locally. Nationally, the ratio of nonperforming commercial mortgages to total commercial mortgages is now 2.13 percent, and it is 1.82 percent locally (Figure 14). These numbers have

Figure 11

Quarterly Net Charge-Offs/Average Loans

Community Banks

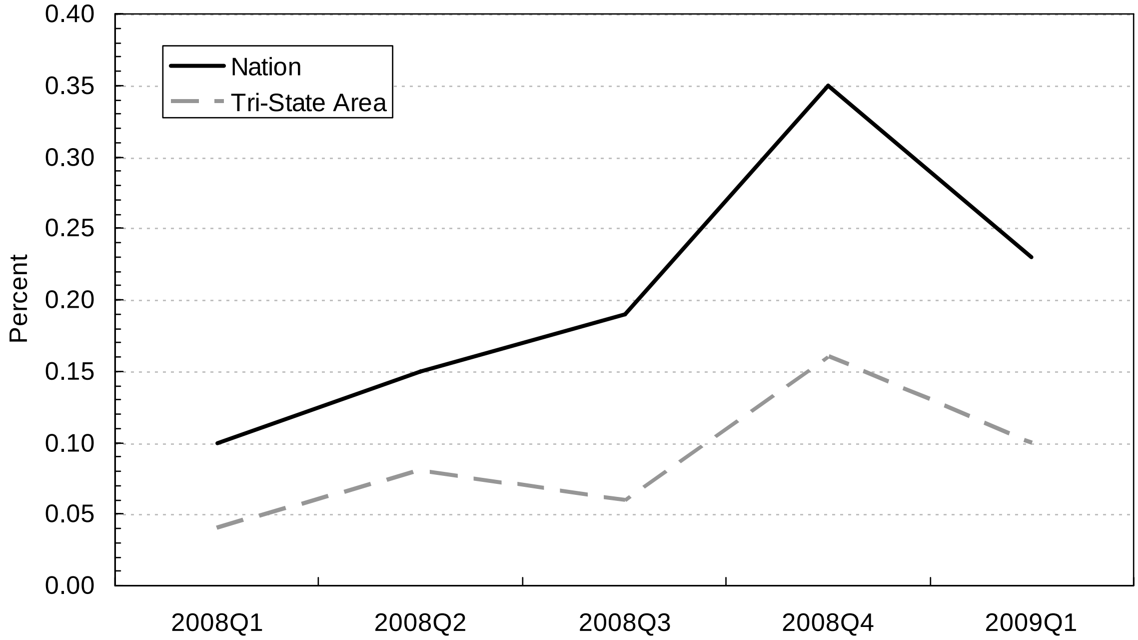
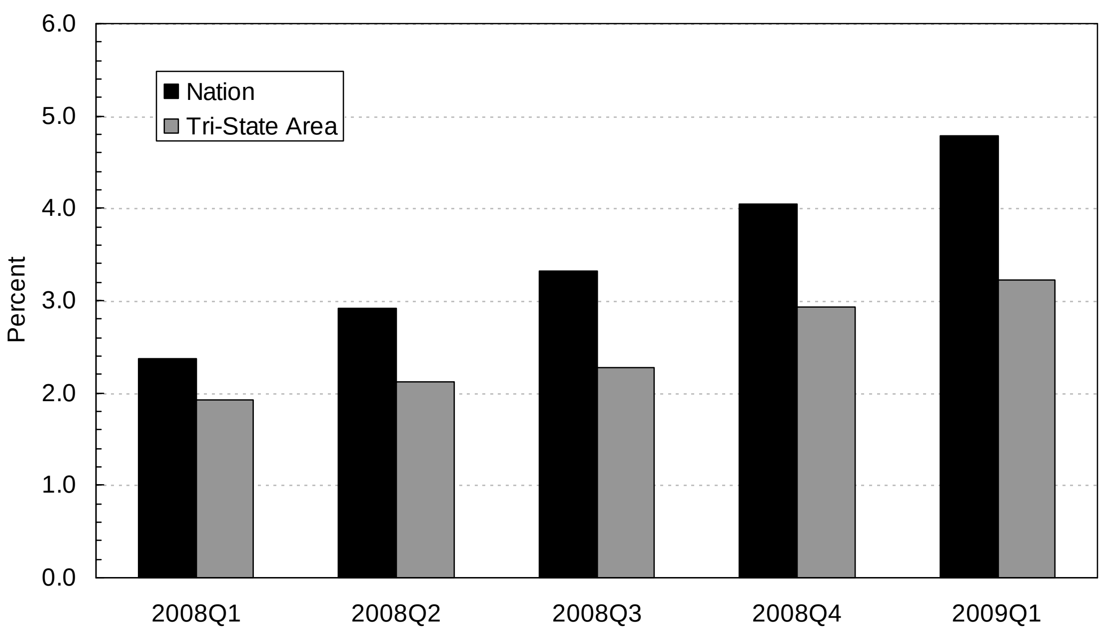


Figure 12

Nonperforming CRE* Loans/Total CRE Loans

Community Banks



*Commercial real estate

Figure 13

Nonperforming Construction Lns/Construction Lns

Community Banks

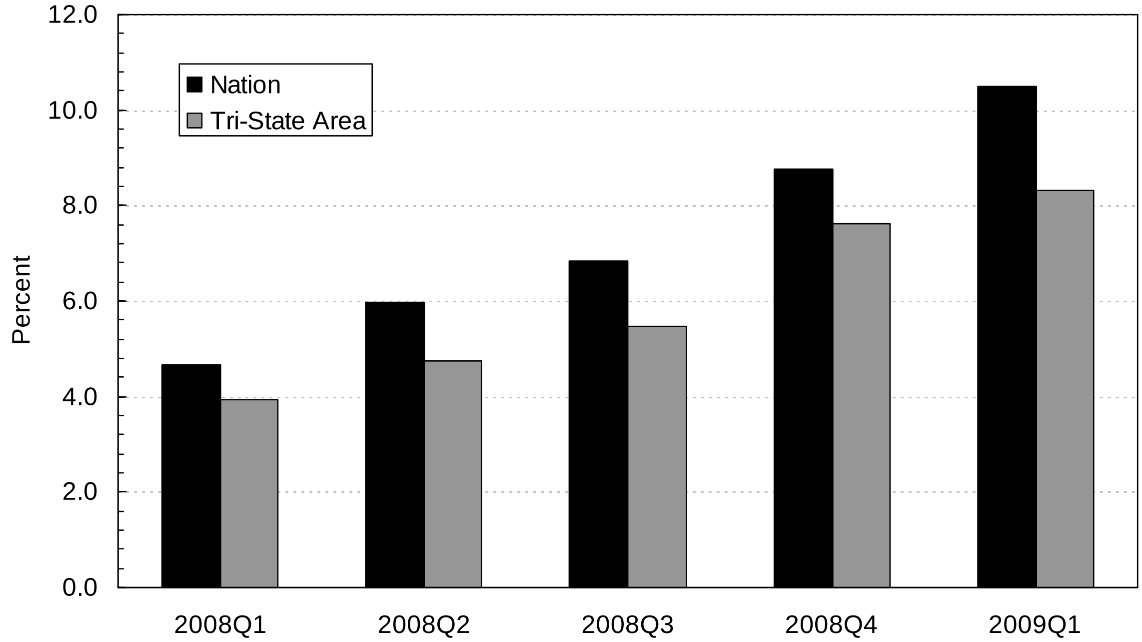
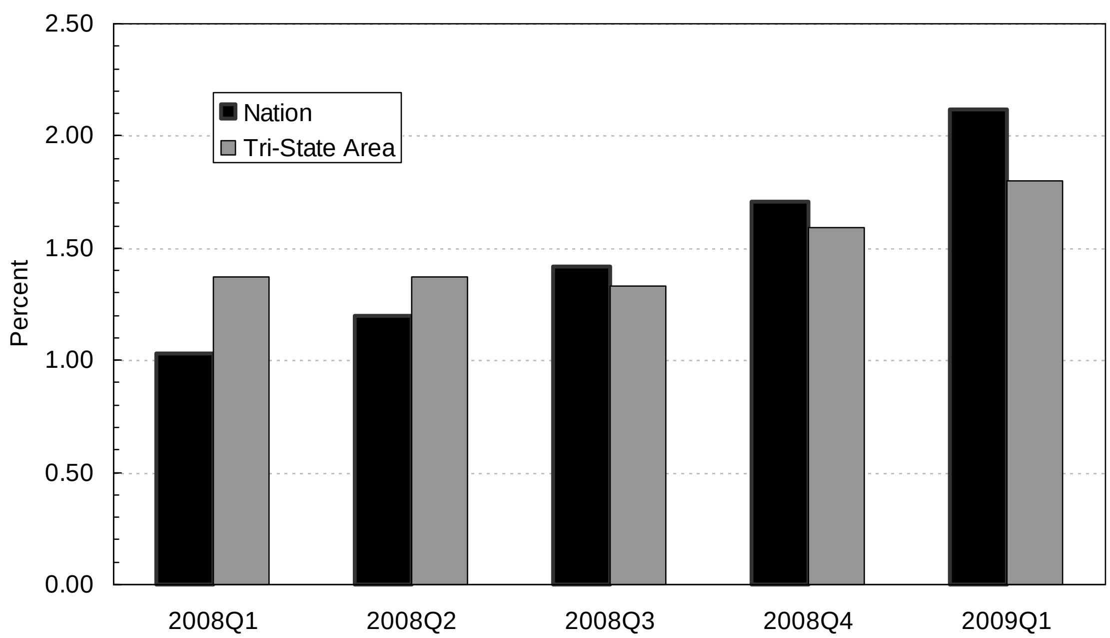


Figure 14

Nonperforming Commercial Mortgages/ Commercial Mortgages



increased substantially in the past two quarters.

In RRE lending, community banks are performing much better than the large organizations. RRE loans represent approximately 23.2 percent of loans at community banks nationally and 33.7 percent at tri-state area community banks. Unlike at the large organizations, RRE loans at community banks are increasing. While there are some problems in the community banks' RRE loan portfolios, the ratio of nonperforming RRE loans to total RRE loans is much lower than that of the large organizations, 1.96 percent nationally and only 1.20 percent locally (Figure 15).

Community banks are slightly outperforming large organizations in other types of lending as well, but quality is still deteriorating. C&I loans represent about 15.4 percent of total loans nationally and 12.6 percent locally. The ratio of non-performing C&I loans to total C&I loans increased by 41 basis points nationally in the first quarter, from 1.54 to 1.95 percent, and by more than 50 basis points locally, from 1.44 to 1.96 percent.

Consumer loans represent 4.9 percent of total loans nationally and 3.6 percent locally. The ratio of nonperforming consumer loans to total consumer loans was 0.71 percent for the nation, basically unchanged from the fourth quarter of 2008, and 0.48 percent locally, a decrease of two basis points. The main reason for the dichotomy in consumer loan quality between large organizations and community banks is that the community banks mostly refrain from credit card lending. Credit card loans make up 3.32 percent of banks' consumer loan portfolios nationally and 3.02 percent locally.

The difficulties with asset quality continued to take a toll on reserves, and community banks both nationally and locally are now seriously under-reserved. Loan-loss reserves increased at an annualized rate of 21.1 percent nationally and 37.4 percent locally, but nonperforming loans increased much faster: 101.0 percent nationally and 75.0 percent locally. As a result, loan-loss coverage ratios are as low as 51.7 percent nationally and 62.3 percent locally (Figure 16). As noted above, net charge-offs dropped substantially in the first quarter both locally and nationally, and it is possible that this is because community banks are forgoing charging off bad loans while they attempt to build up reserves. The ratio of net charge-offs to loan-loss provision barely changed nationally from the fourth quarter of 2008, and it decreased locally (Figure 17). Had charge-offs risen at a rate commensurate with that of nonperforming loans, loan-loss coverage would be substantially lower than it is now. The ratio of loan-loss provision to operating income is still relatively low (Figure 18).

In addition to bad loans, they are also carrying substantial other nonperforming assets on their books. OREO continues to rise at triple-digit annualized rates. As a percent of assets, nationally OREO (at 0.59 percent) is now nearly quadruple that of large organizations, while locally (at 0.31 percent) it is almost double (Figure 19).

Community banks continue to pay substantial dividends in spite of falling income. The percentage of institutions paying dividends continued to drop, from 73.0 to 41.2 percent nationally and from 68.3 to 47.2 percent locally, but the dividend payout ratio is still well over 100 percent nationally, meaning that institutions are paying more than their net income on dividends (Figure 20).[13]

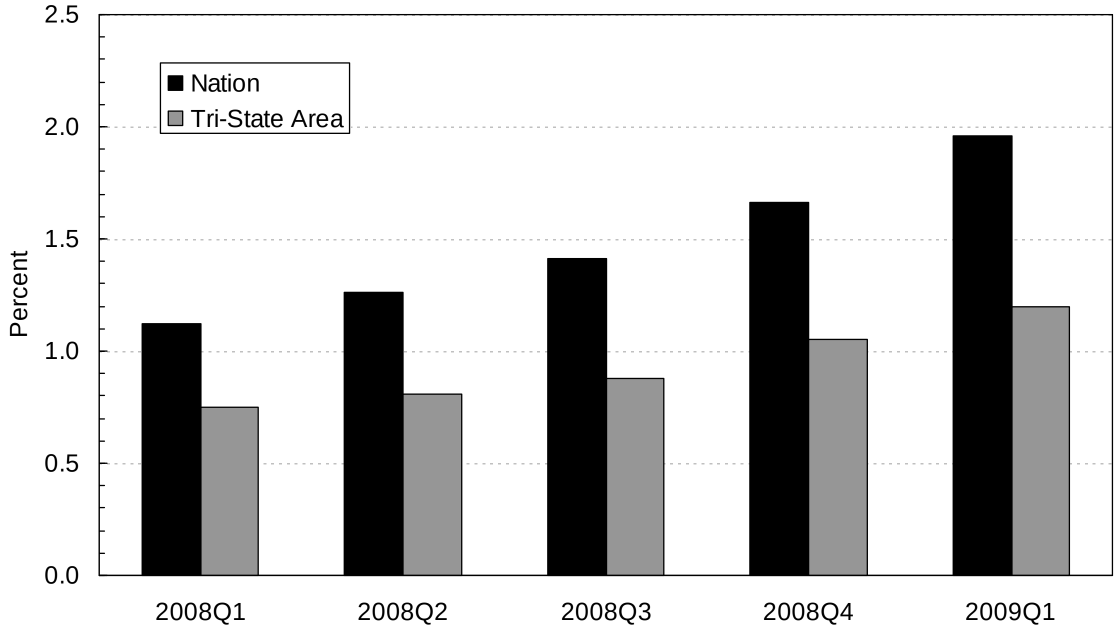
In some other activities community banks are performing better. Income from asset sales increased substantially, from \$33.1 million to \$408.5 million nationally and from \$18.4 million to \$27.1 million locally. This was mainly due to large increased gains in loan sales and decreased

[13] Dividend payout ratio is defined as the ratio of dividends on common stock to net income. For historical perspective, the average dividend payout ratio for all banks between 1997 and 2007 was 69.3 percent. Source: FDIC Historical Statistics on Banking: http://www2.fdic.gov/hsob/index.asp.

Figure 15

Nonperforming RRE* Loans/Total RRE Loans

Community Banks



*Residential real estate

Figure 16

Loan-Loss Coverage Ratios

Community Banks

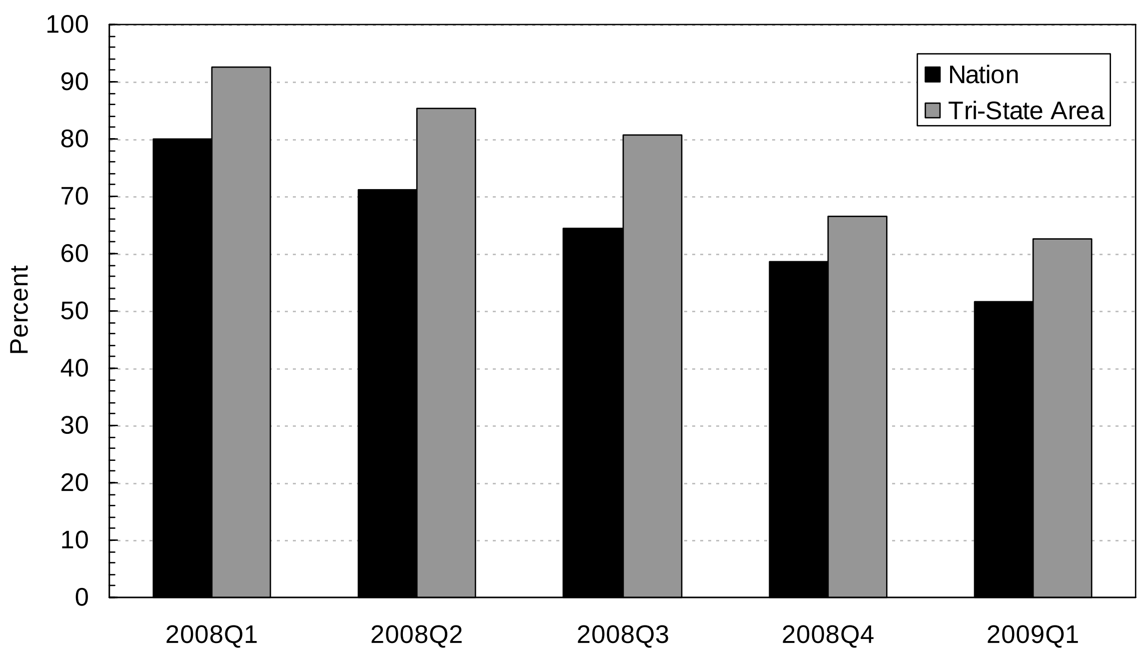


Figure 17

Net Charge-Offs/Loan-Loss Provision

Community Banks

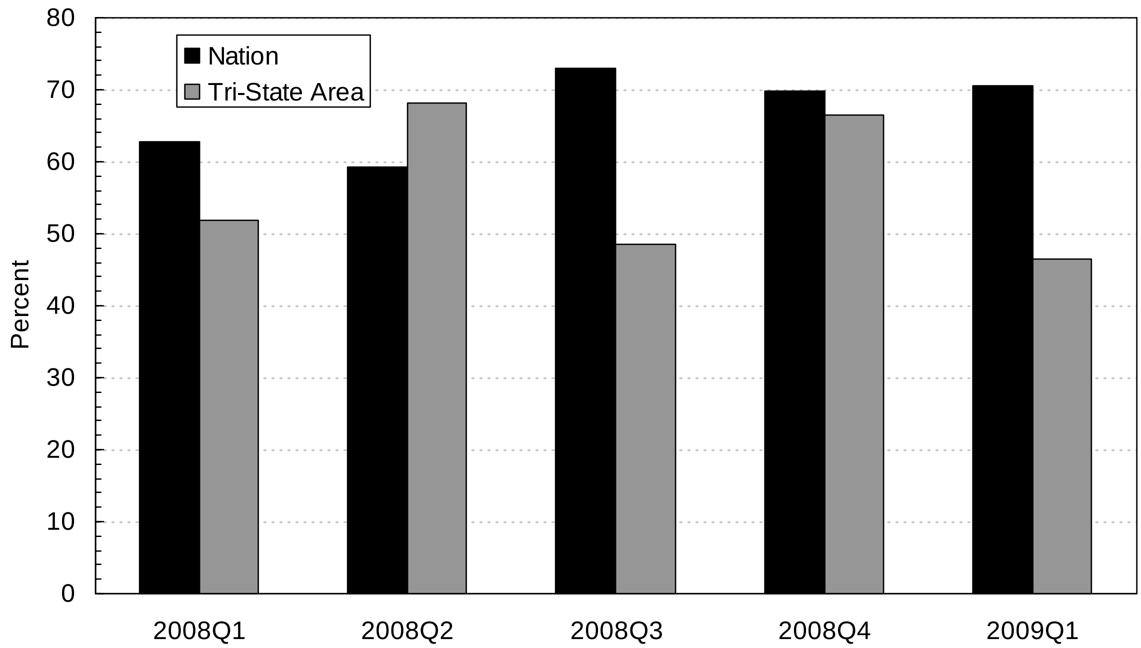


Figure 18

Loan-Loss Provision/Operating Income

Community Banks

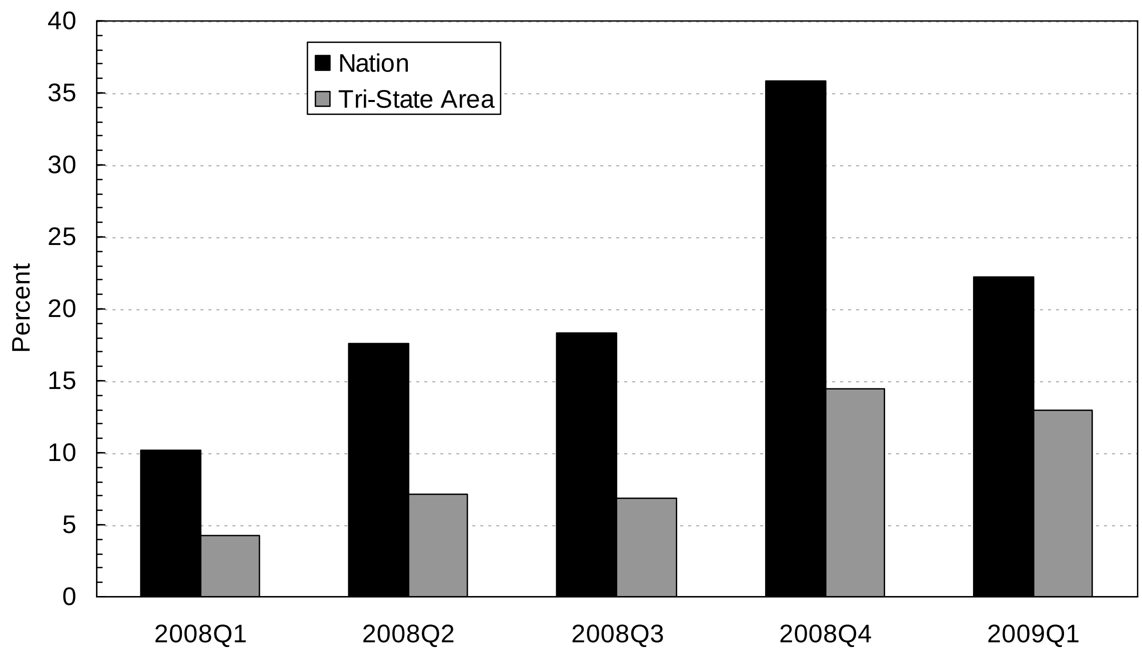


Figure 19

Other Real Estate Owned/Total Assets

Community Banks

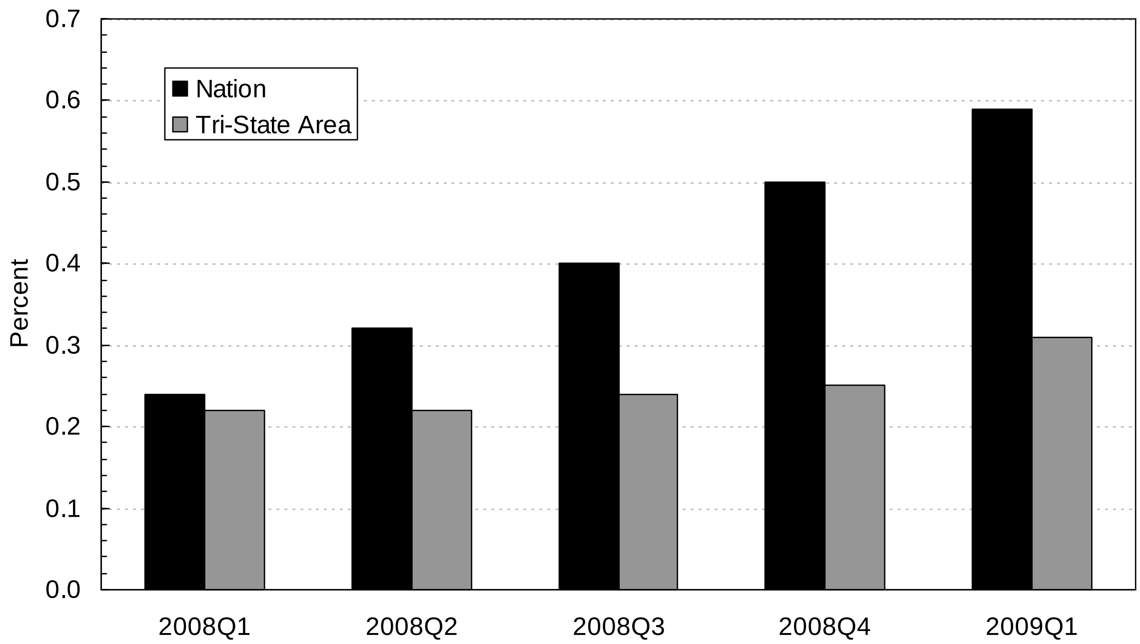
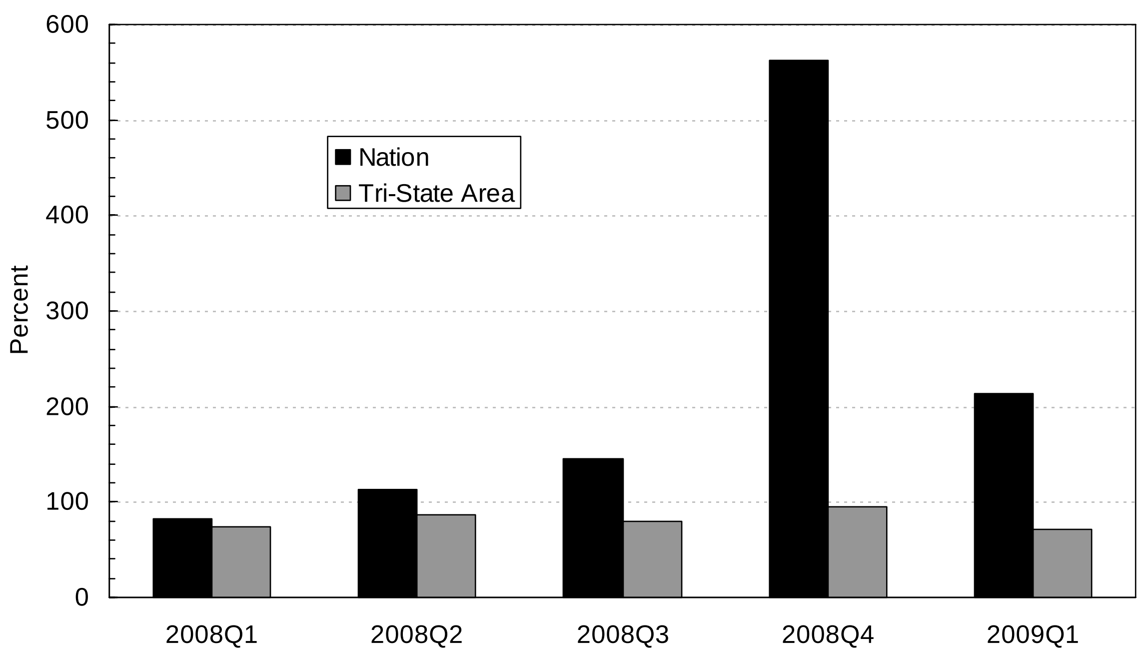


Figure 20

Dividend Payout Ratios

Community Banks



losses in OREO sales. Given that OREO has been increasing and will eventually have to be sold off (see above), the lower losses on OREO sales will likely not continue. Goodwill also decreased as a percent of equity both locally and nationally. Also, the goodwill impairment loss decreased from $1.2 billion to $241.1 million nationally and from $11.8 million to $77,000 locally.

Deposits grew substantially at community banks, 12.8 percent nationally and 21.9 percent locally, while debt funding decreased 31.2 percent nationally and 36.6 percent locally (all annualized rates). It appears that community banks are attempting to gain market share at the expense of larger organizations. Core deposits also grew 14.5 percent nationally and 15.7 percent locally. The major growth in deposits was in noncore deposits, which grew 28.5 percent nationally and 30.7 percent locally. However, noncore deposits are generally more expensive than core deposits. The major growth was in deposits in denominations greater than $100,000 (23.7 nationally and 32.7 percent locally, respectively). This growth in large denomination deposits is at least partially due to the increase in deposit insurance coverage from $100,000 to $250,000. However, while brokered deposits fell slightly nationally, by about 9 percent (annualized), they increased 52.3 percent locally. Additionally, time deposits greater than $100,000 that mature in less than one year grew much faster than those maturing in more than one year: 32.1 to 28.2 percent nationally and 30.8 to 15.6 percent locally. Thus, much of the deposit growth, especially at local banks, was in what is called "hot money," that is, funding that is not stable but follows the highest interest rates.

The derived interest rates on deposits and debt declined both locally and nationally. On deposits, the derived rate decreased from 2.76 to 2.50 percent nationally. In the tri-state area this decrease was from 2.69 to 2.45 percent. In both areas, though, the highest rates were in the areas where deposits are growing fastest. On debt funding, the derived rate decreased from 3.55 to 3.26 percent nationally and from 3.77 to 3.48 percent locally. Also, in virtually all categories of interest rates, community banks pay a substantially higher rate than large organizations.

In summary, the condition of community banks has deteriorated considerably. The national slump in real estate that began in the residential real estate markets has spread to commercial real estate as well, with decidedly adverse effects on community banks. Community banks in the tri-state area are performing much better than banks in other areas in this regard, most likely because commercial real estate in the tri-state region hasn't been affected as much as in other areas. Both sets of community banks are severely under-reserved, and additions to loan-loss reserves will be a drag on earnings for some time to come. It also appears that community banks are competitively luring depositors away from large organizations in the "hot money" segment.

Summary Table of Bank Structure and Conditions - First Quarter 2009

Community Banking Organizations

	Tri-State			*Nation*		
	$ Bill	**% Change From**		**$ Bill**	**% Change From**	
	09Q1	**08Q4**	**08Q1**	**09Q1**	**08Q4**	**08Q1**
Total Assets	87.3	13.03	13.09	1,875.2	6.94	0.09
Total Loans	60.6	6.67	14.95	1,308.6	-1.41	1.22
Business	7.6	-0.79	12.74	200.1	-8.70	-1.22
Real Estate	48.8	7.66	15.82	982.7	1.51	2.35
Consumer	2.2	-0.53	9.41	63.6	-8.99	-3.32
Total Deposits	69.2	21.99	14.64	1,508.5	12.95	1.91
Ratios (in %)	**09Q1**	**08Q4**	**08Q1**	**09Q1**	**08Q4**	**08Q1**
Net Income/Avg Assets (ROA)	0.48	0.60	0.97	-0.05	0.08	0.75
Net Interest Inc/Avg Assets (NIM)	3.21	3.25	3.23	3.25	3.29	3.24
Noninterest Inc/Avg Assets	1.19	1.23	1.36	0.80	0.83	0.87
Noninterest Exp/Avg Assets	3.12	3.12	3.14	3.01	3.03	2.75
Loans/Deposits	87.56	90.54	87.32	86.75	89.75	87.34
Equity/Assets	9.60	9.54	9.98	9.94	9.95	10.73
Nonperforming Loans/Total Loans	2.19	1.93	1.33	3.20	2.68	1.66

Large Banking Organizations

	Tri-State			*Nation*		
	$ Bill	**% Change From**		**$ Bill**	**% Change From**	
	09Q1	**08Q4**	**08Q1**	**09Q1**	**08Q4**	**08Q1**
Total Assets	3,569.0	-11.41	0.74	9,126.3	-13.33	3.17
Total Loans	1,947.4	-4.84	-2.61	4,852.5	-7.27	-0.10
Business	451.8	-18.53	1.65	1,080.7	-17.18	-3.78
Real Estate	1,074.0	-1.50	-5.58	2,716.4	-1.33	4.99
Consumer	236.4	39.50	14.72	604.8	3.43	-1.72
Total Deposits	2,466.1	-1.10	7.99	6,014.3	-10.54	7.31
Ratios (in %)	**09Q1**	**08Q4**	**08Q1**	**09Q1**	**08Q4**	**08Q1**
Net Income/Avg Assets (ROA)	0.30	0.30	0.67	0.06	0.10	0.66
Net Interest Inc/Avg Assets (NIM)	2.06	2.02	2.52	2.43	2.41	2.63
Noninterest Inc/Avg Assets	1.55	1.37	1.67	1.63	1.51	1.73
Noninterest Exp/Avg Assets	2.14	2.01	2.61	2.70	2.64	2.76
Loans/Deposits	78.97	79.73	87.56	80.68	79.96	86.66
Equity/Assets	9.57	8.90	9.42	9.55	8.71	9.36
Nonperforming Loans/Total Loans	3.81	2.80	1.59	3.94	3.05	1.59

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 those whose credit card loans make up greater than 50 percent of their total loans are excluded. The large banking organization sample is based on banking organizations whose total assets were at least as large as those of the 100th largest banking organization in the United States as of December 31, 2008. The community banking organization sample is based on the remaining banking organizations. Tri-state large banking organizations are those large banking organizations that have either at least 5 percent of the deposits of the region or any state therein or at least 5 percent of their deposits in the region. Tri-state community banking organizations are those community banking organizations that are headquartered in the region. The numbers of banking organizations in the categories are as follows: (1) community banking organizations — 176 for the tri-state area and 5,676 for the nation; (2) large banking organizations — 16 for the tri-state area and 100 for the nation. Ratios are aggregates, that is, the numerators and denominators are summed across all banks in the group, then divided. Data are adjusted for mergers. Quarterly percentage changes are compound annualized rates.

Any questions or comments should be directed to Jim DiSalvo at (215) 574-3820 or jim.disalvo@phil.frb.org. Detailed documentation on the methodology used in constructing this document, back issues, and the current issue of *Banking Brief* are available on our website at www.philadelphiafed.org/research-and-data/publications/banking-brief. To subscribe to this publication, please go to www.philadelphiafed.org/philscriber/user/dsp_content.cfm.