



Pennsylvania • New Jersey • Delaware

## Second Quarter 2015 Highlights

FEDERAL RESERVE BANK OF PHILADELPHIA  
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## Recent Trends in Tristate and U.S. Banking Markets

The second quarter of 2015 continued to show signs of thriving loan growth among small banks in the U.S. and moderate growth among large U.S. banks. For small banks, both nationally and regionally, commercial real estate (CRE) loans increased by double-digit rates from the second quarter of 2014. Growth was particularly strong in construction loans. Large U.S. banks' CRE lending grew moderately, and their construction lending displayed double-digit growth. With net interest margins holding steady, increased loan activity fueled banks' profitability. Nonperforming loans as a share of total loans (NPL ratio) decreased for both large and small banks. Real estate acquired through foreclosures declined for small and large banks across the country, with large banks seeing the most pronounced decline.



# Summary Table of Bank Structure and Conditions — Second Quarter 2015

	Small Banks						Large Banks			
	U.S.			Tristate			U.S.			
	\$ Billions	% Change from		\$ Billions	% Change from		\$ Billions	% Change from		
	2015Q2	2015Q1	2014Q2	2015Q2	2015Q1	2014Q2		2015Q2	2015Q1	2014Q2
Total Assets	2,142.5	3.58	8.75	119.5	8.10	8.18	Total Assets	11,805.2	-2.39	4.62
Total Loans	1,423.3	11.67	12.66	85.9	14.65	12.34	Total Loans	5,929.2	8.26	6.45
C&I	234.7	12.45	13.30	11.3	10.49	9.81	C&I	1,427.5	11.93	8.89
Real Estate	1,029.7	9.86	11.89	65.9	13.07	11.15	Real Estate	2,707.8	4.31	1.72
Consumer	58.1	14.04	9.58	3.2	16.55	13.53	Consumer	868.0	8.92	15.36
Total Deposits	1,763.5	1.45	8.04	95.8	4.98	6.76	Total Deposits	8,901.3	-1.95	4.50
<b>Ratios (in %)</b>	<b>2015Q2</b>	<b>2015Q1</b>	<b>2014Q2</b>	<b>2015Q2</b>	<b>2015Q1</b>	<b>2014Q2</b>	<b>Ratios (in %)</b>	<b>2015Q2</b>	<b>2015Q1</b>	<b>2014Q2</b>
Net Income/Avg. Assets (ROA)	1.00	0.98	0.96	0.89	0.88	0.82	Net Income/Avg. Assets (ROAA)	0.97	0.95	0.94
Net Interest Inc./Avg. Assets (NIM)	3.33	3.34	3.36	3.15	3.17	3.19	Net Interest Inc./Avg. Assets (NIM)	2.46	2.45	2.44
Noninterest Inc./Avg. Assets	0.94	0.93	0.93	1.18	1.19	1.21	Noninterest Inc./Avg. Assets	1.67	1.68	1.66
Noninterest Exp./Avg. Assets	2.91	2.92	3.00	3.05	3.07	3.15	Noninterest Exp./Avg. Assets	2.59	2.63	2.64
Loans/Deposits	80.71	78.79	77.40	89.68	87.73	85.23	Loans/Deposits	66.61	64.98	65.39
Equity/Assets	11.08	11.10	10.99	10.35	10.47	10.15	Equity/Assets	11.03	10.95	11.02
Nonperforming Loans/Total Loans	1.07	1.17	1.51	1.07	1.15	1.40	Nonperforming Loans/Total Loans	1.83	1.98	2.48

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, 2014, 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, 2014.

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, 2014, including assets of only their commercial bank subsidiaries.

*U.S.* excludes tristate banks.

The sample includes 158 small tristate banks, 4,847 small U.S. banks, and 102 large U.S. banks.

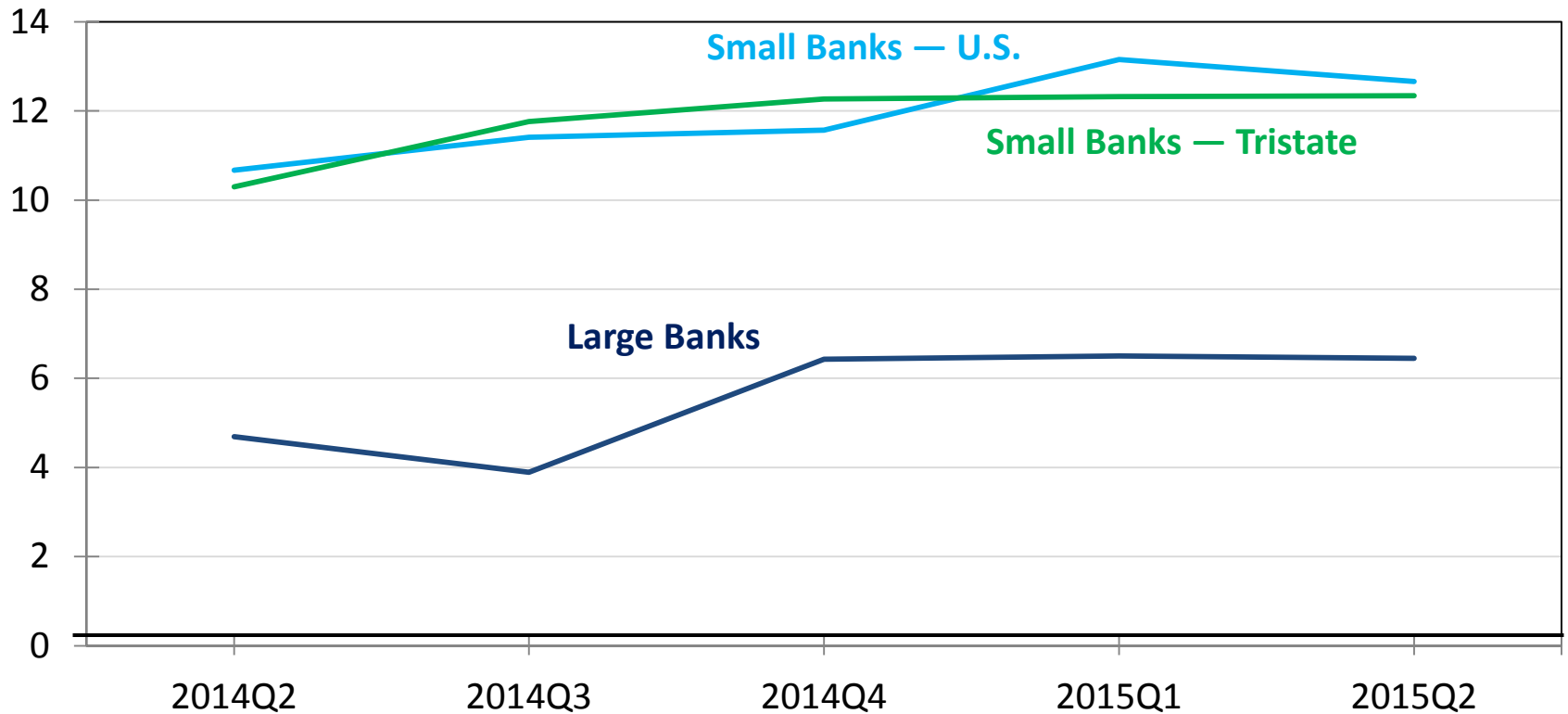


## CHART 1

# Strong Loan Growth Continued at Small Banks

Annual growth of total loans.

Percent

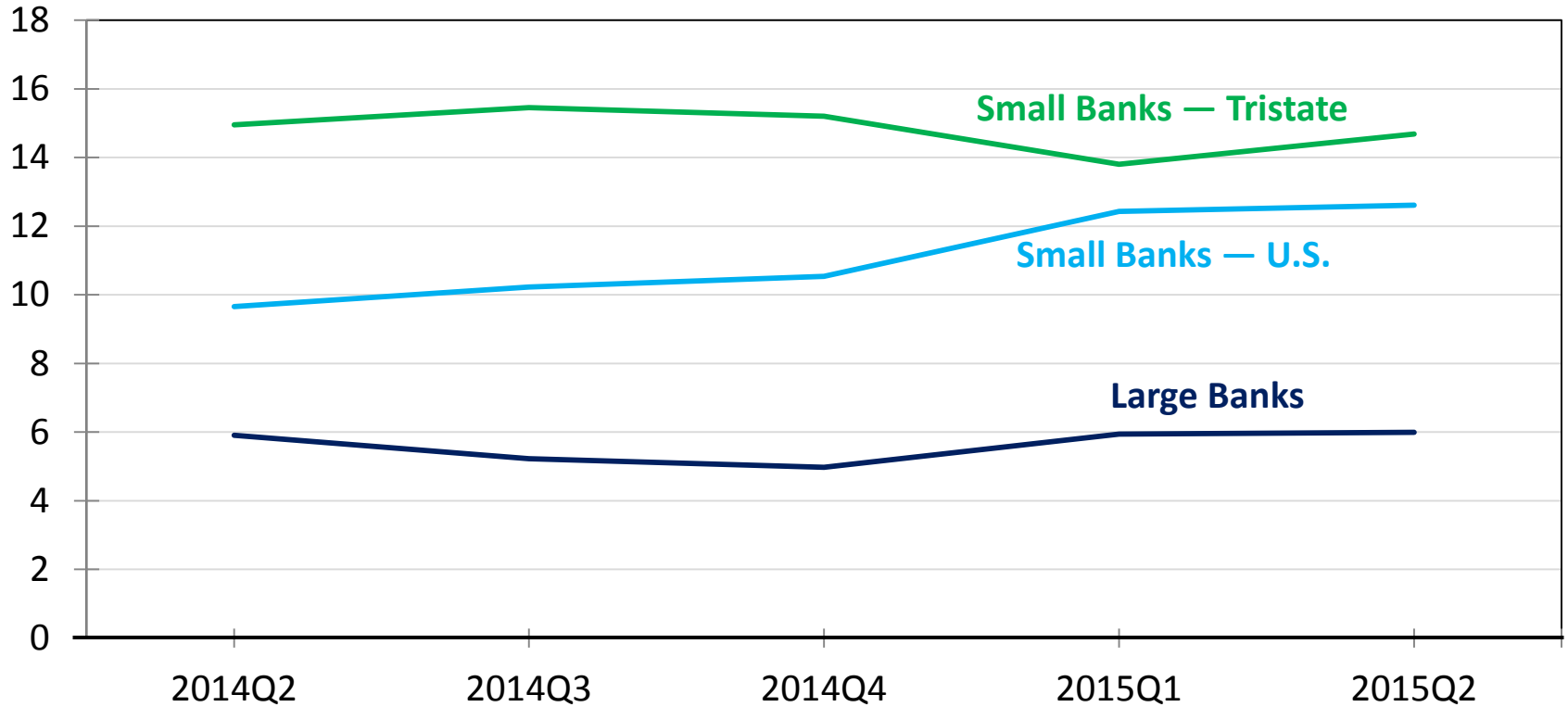


## CHART 2

# Commercial Real Estate (CRE) Loan Growth Remained Solid

Annual growth of CRE loans.

Percent

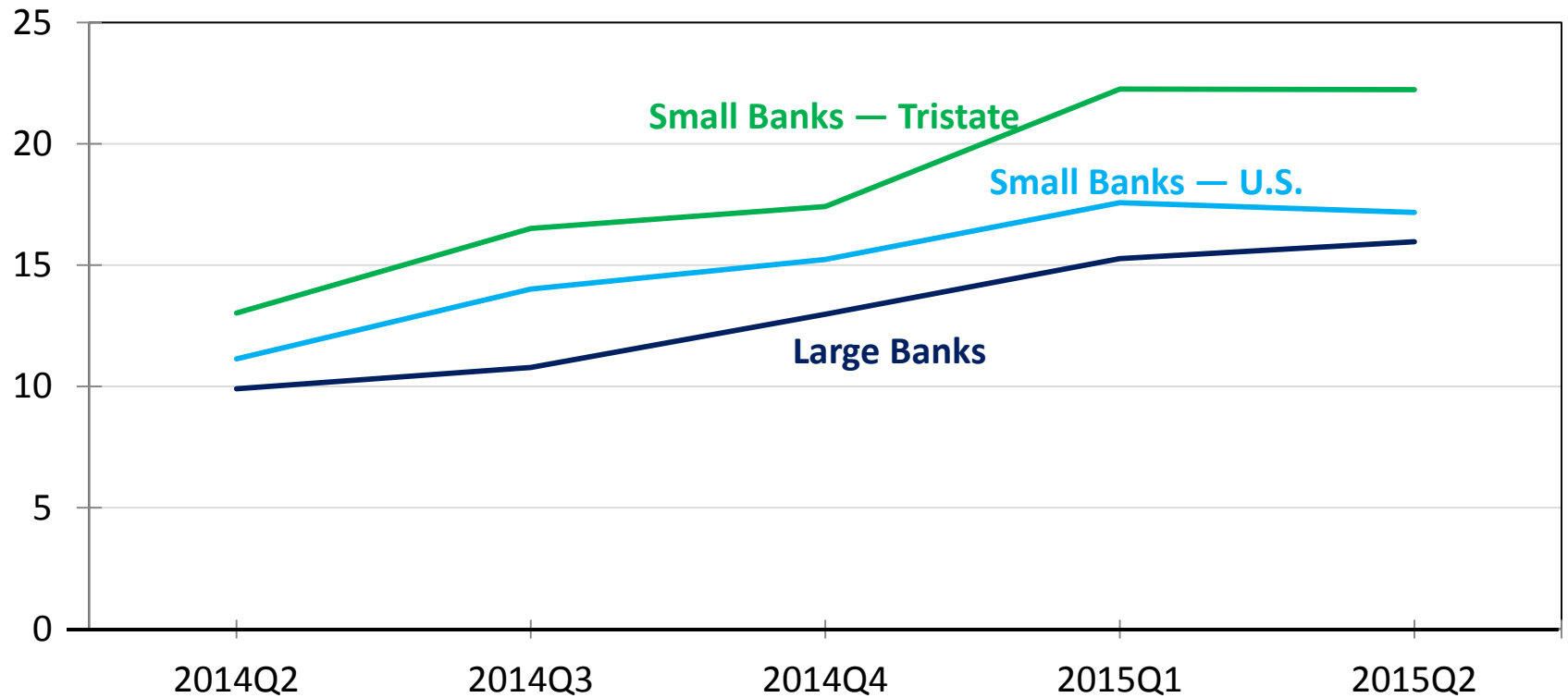


### CHART 3

## Construction Loan Growth Was Particularly Strong

Annual growth of construction loans.

Percent

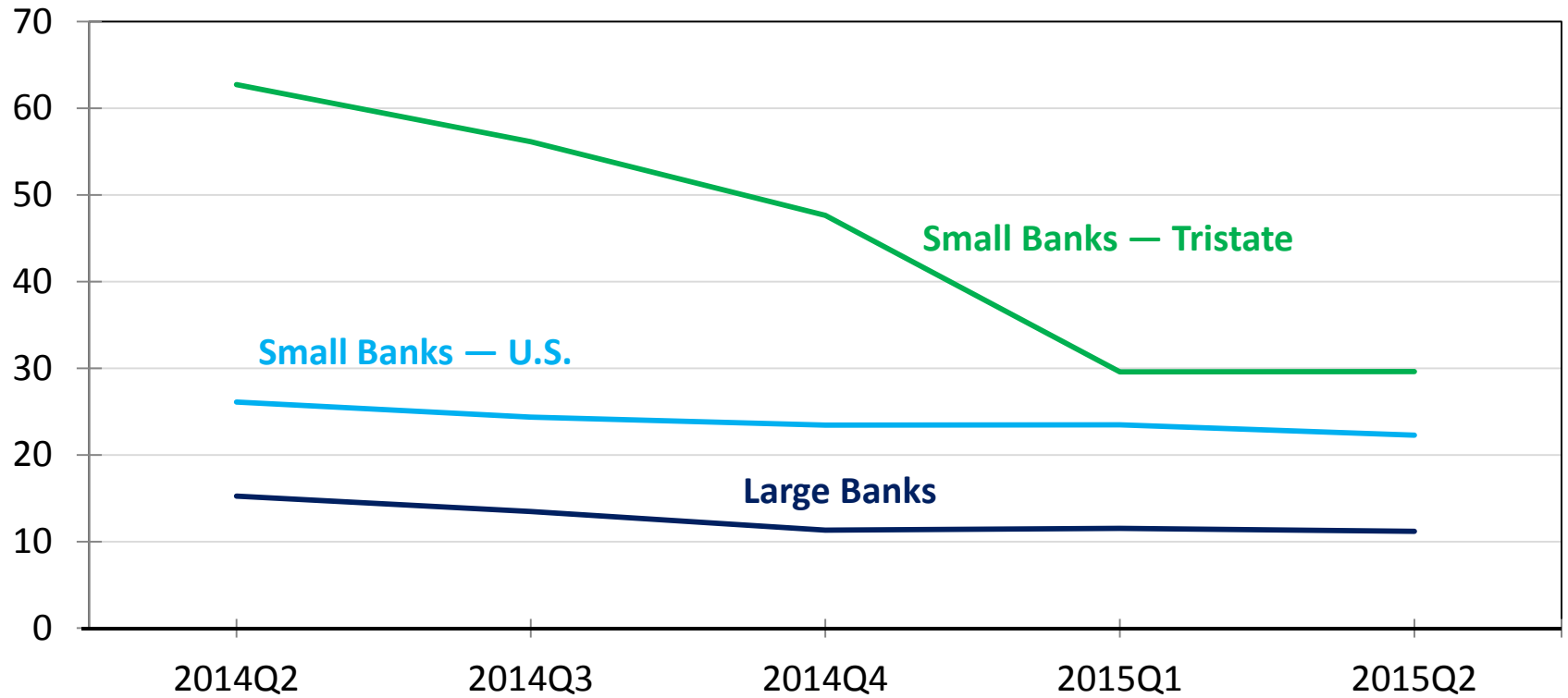


## CHART 4

# Growth in Multifamily Construction Loans Remained Robust

Annual growth of multifamily loans.

Percent

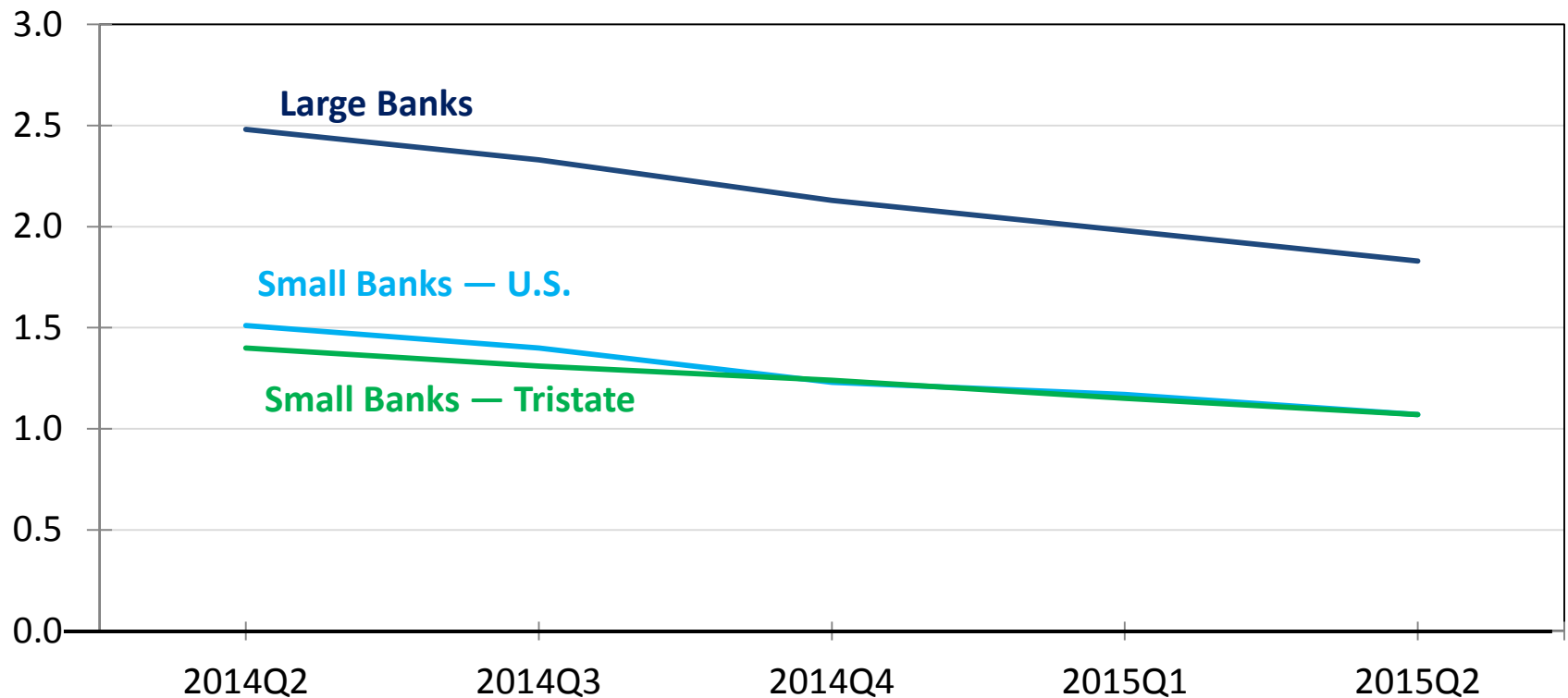


## CHART 5

### Nonperforming Loans (NPLs) Continued to Decline

Nonperforming loans as a share of total loans.

Percent



The ratio of nonperforming loans — those that are 90 or more days past due plus nonaccruing loans — to total loans (NPL ratio) decreased for all categories of banks.

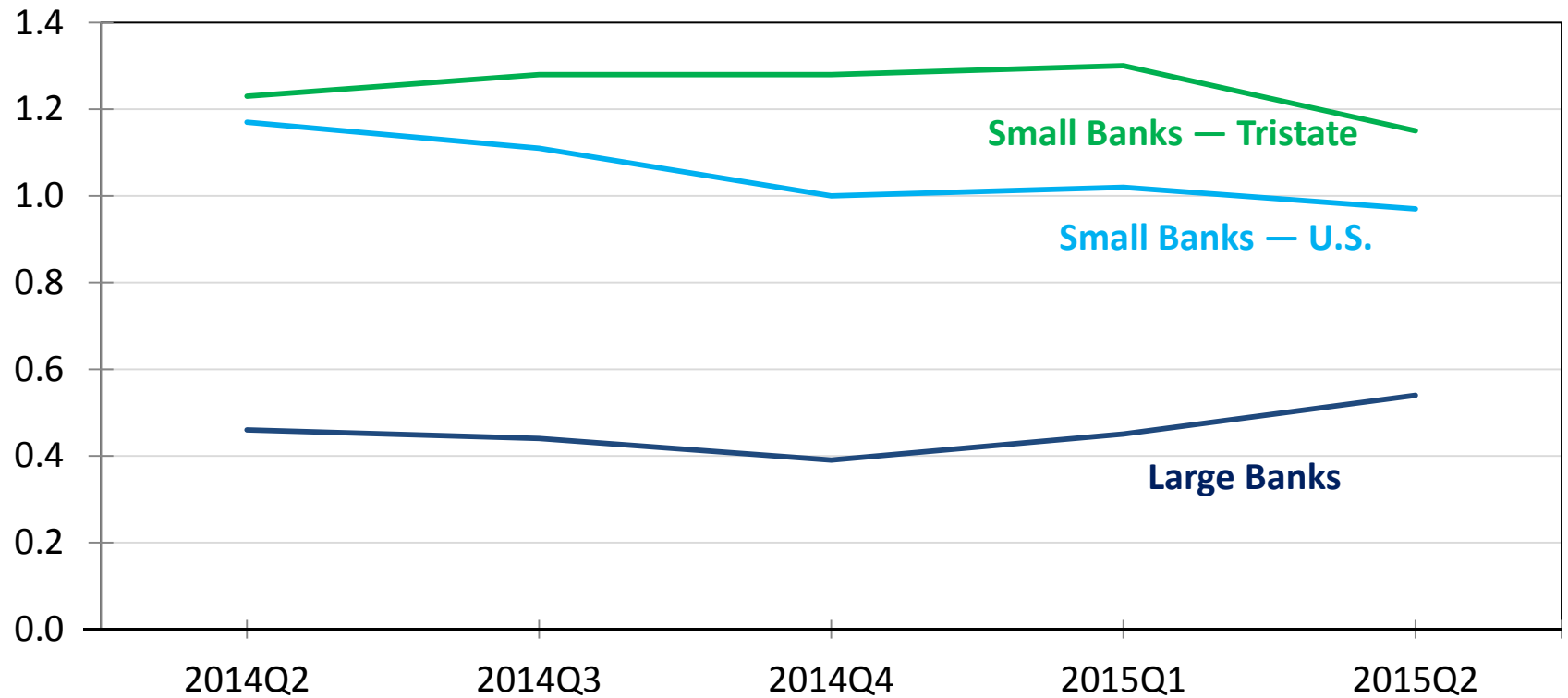


## CHART 6

### Large Banks Had a Slight Increase in Nonperforming C&I Loans

Commercial and industrial NPL ratio.

Percent



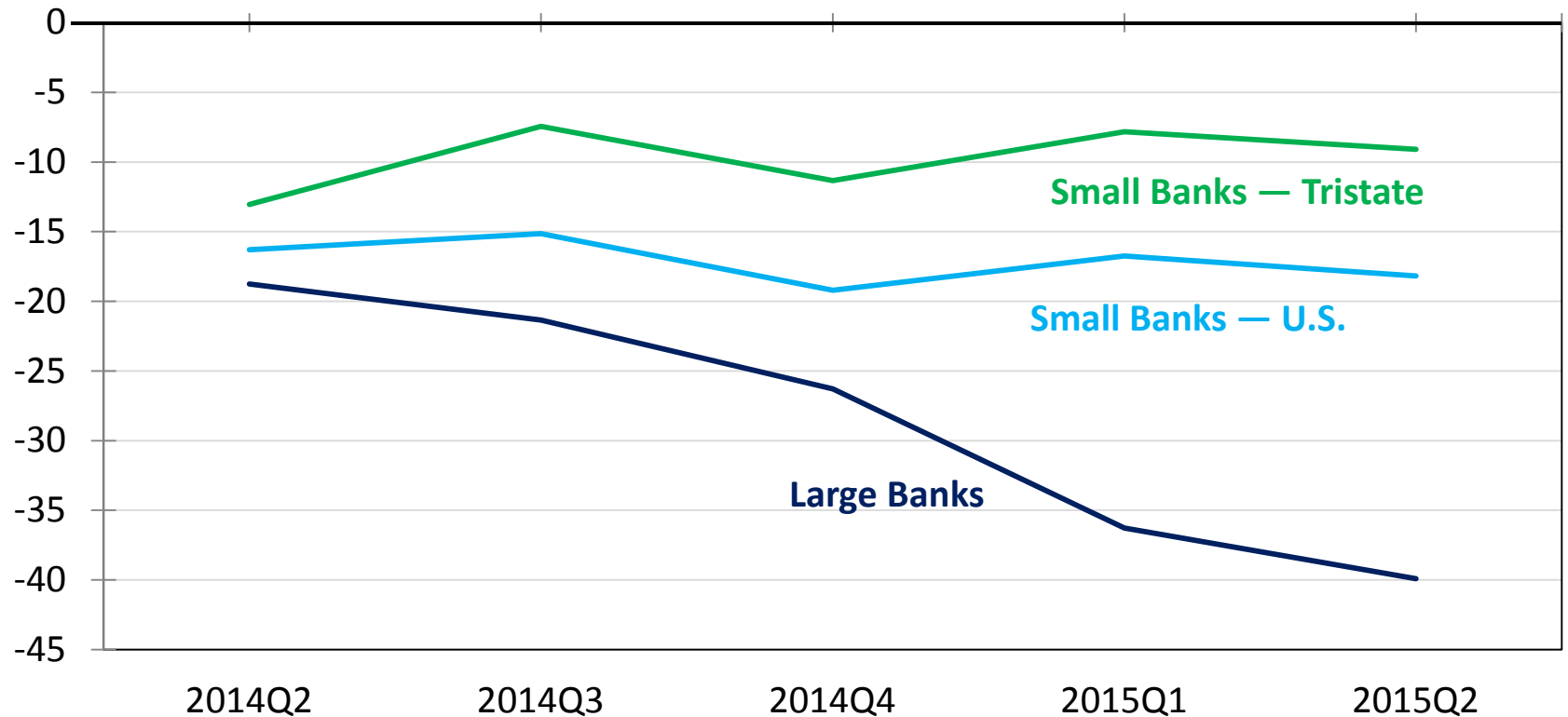
The C&I NPL ratio has been low and declining for several years now. The uptick for large banks may be due to the healthy growth in C&I lending in recent years.

## CHART 7

# Banks' Stock of Foreclosed Real Estate Continued to Decline

Annual growth of other real estate owned.

Percent



Banks are making progress in liquidating their stock of foreclosed real estate, known as other real estate owned (OREO).



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