



Pennsylvania • New Jersey • Delaware

Third Quarter 2015 Highlights

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

The third quarter of 2015 showed steady year-over-year growth both in the region and the nation, although there were some signs of slowing. Large banks saw a continued dip in asset growth. Loan growth remained solid, with commercial real estate (CRE) lending leading the way. Commercial and industrial (C&I) lending seemed to be cooling after a long period of rapid growth. Nonperforming C&I loans as a share of total C&I loans inched upward for all categories of banks, the result of the brisk growth in C&I lending over the previous two years. Construction loans were the primary driver of healthy CRE growth, both in the region and the nation. Steady net interest margins and moderate loan growth have led to a sustained rise in profitability.

Summary Table of Bank Structure and Conditions — Third Quarter 2015

	Small Banks							Large Banks		
	U.S.			Tristate				U.S.		
	\$ Billions	% Change From		\$ Billions	% Change From			\$ Billions	% Change From	
	2015Q3	2015Q2	2014Q3	2015Q3	2015Q2	2014Q3		2015Q3	2015Q2	2014Q3
Total Assets	2,116.1	6.20	8.77	120.9	4.70	6.97	Total Assets	11,871.6	0.28	3.21
Total Loans	1,414.1	9.15	12.21	87.4	6.86	11.08	Total Loans	6,027.6	3.99	7.33
C&I	223.9	7.85	13.71	11.4	2.50	9.29	C&I	1,446.3	1.08	8.39
Real Estate	1,034.5	9.44	11.81	67.4	9.47	10.59	Real Estate	2,745.4	2.88	2.63
Consumer	58.9	8.08	7.58	3.2	0.37	8.51	Consumer	881.3	6.15	16.67
Total Deposits	1,744.9	6.10	8.14	97.5	7.00	6.50	Total Deposits	8,961.2	0.70	3.44
Ratios (in %)	2015Q3	2015Q2	2014Q3	2015Q3	2015Q2	2014Q3	Ratios (in %)	2015Q3	2015Q2	2014Q3
Net Income/Avg. Assets (ROAA)	1.00	1.00	0.96	0.90	0.89	0.83	Net Income/Avg. Assets (ROAA)	0.98	0.97	0.94
Net Interest Inc./Avg. Assets (NIM)	3.33	3.34	3.35	3.16	3.15	3.16	Net Interest Inc./Avg. Assets (NIM)	2.46	2.46	2.42
Noninterest Inc./Avg. Assets	0.95	0.94	0.92	1.18	1.18	1.20	Noninterest Inc./Avg. Assets	1.64	1.66	1.68
Noninterest Exp./Avg. Assets	2.93	2.93	2.99	3.03	3.05	3.12	Noninterest Exp./Avg. Assets	2.53	2.59	2.61
Loans/Deposits	81.04	80.47	78.10	89.66	89.69	85.96	Loans/Deposits	67.26	66.73	64.83
Equity/Assets	11.14	11.03	11.00	10.45	10.35	10.17	Equity/Assets	11.15	11.04	10.93
Nonperforming Loans/Total Loans	1.00	1.05	1.37	1.06	1.07	1.31	Nonperforming Loans/Total Loans	1.73	1.83	2.33

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, and 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.

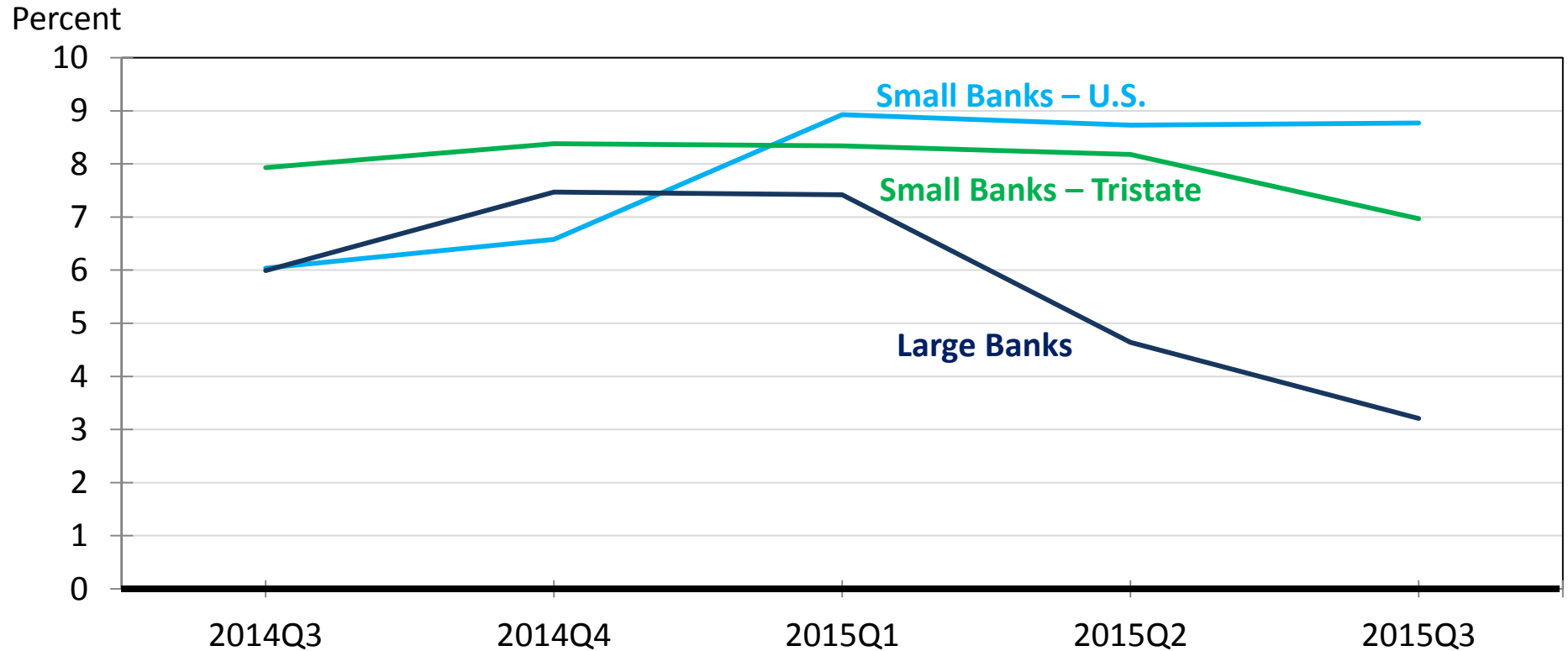
U.S. excludes tristate banks.

The sample includes 156 small tristate banks, 4,799 small U.S. banks, and 101 large U.S. banks.

CHART 1

Asset Growth Continued to Slow at Large Banks

Annual growth of total assets.



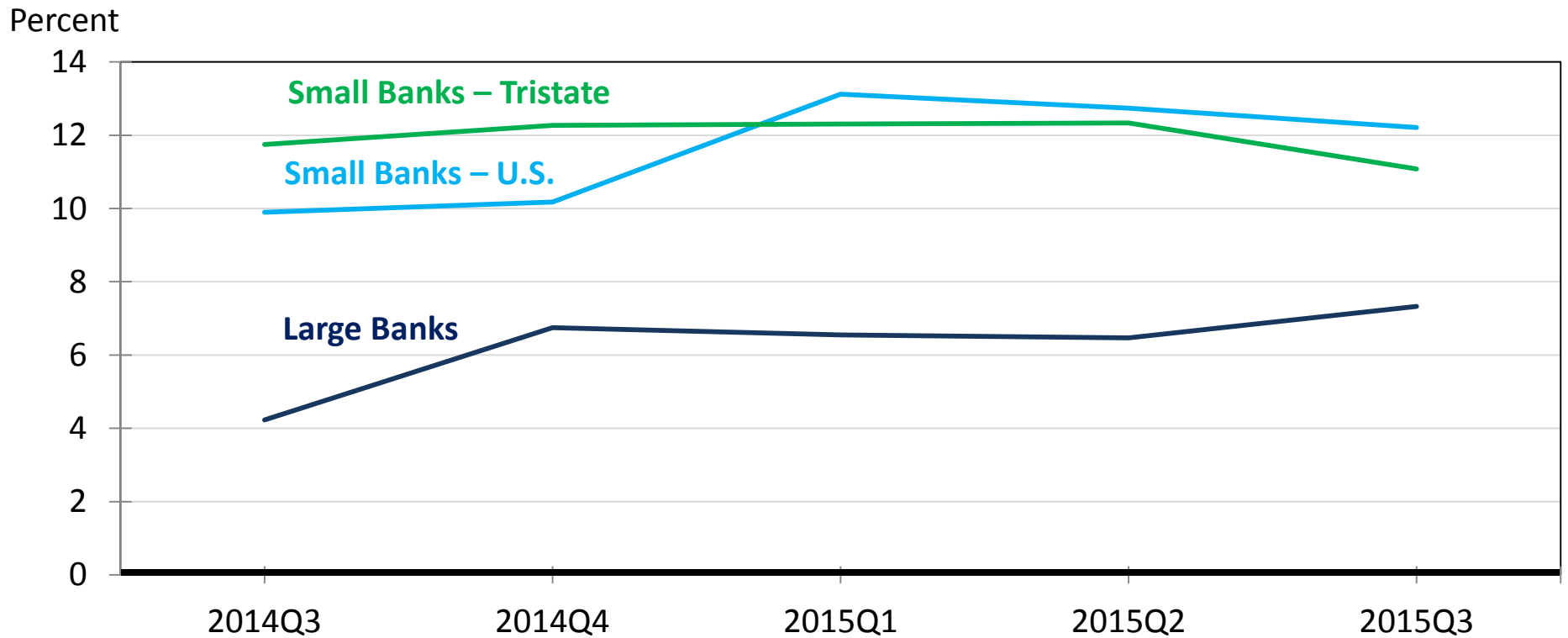
Growth at large banks slowed in a number of nonloan categories, including federal funds sold in domestic offices, other real estate owned (OREO), and cash and balances due from depository institutions.



CHART 2

Year-Over-Year Loan Growth Stayed Solid

Annual growth of total loans.



The quarterly loan growth rate decelerated in the third quarter. Quarterly loan growth at tristate small banks was 6.86 percent (annualized), while growth at small banks in the rest of the nation was 9.15 percent on average. Quarterly loan growth at large banks was 3.99 percent.



CHART 3

C&I Loan Growth Slowing Modestly

Annual growth rate of commercial and industrial loans.

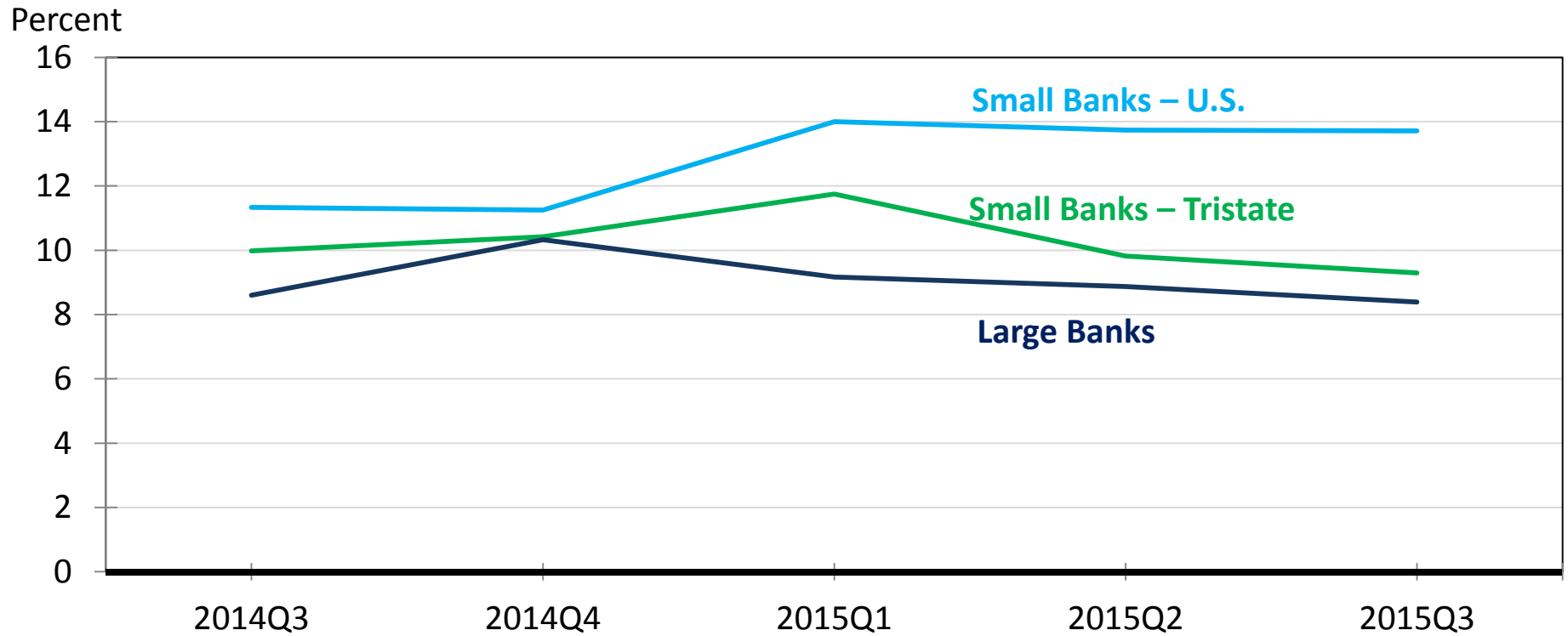


CHART 4

Nonperforming C&I Loans Increased Slightly From Last Quarter

Nonperforming commercial and industrial loans as a share of total C&I loans.

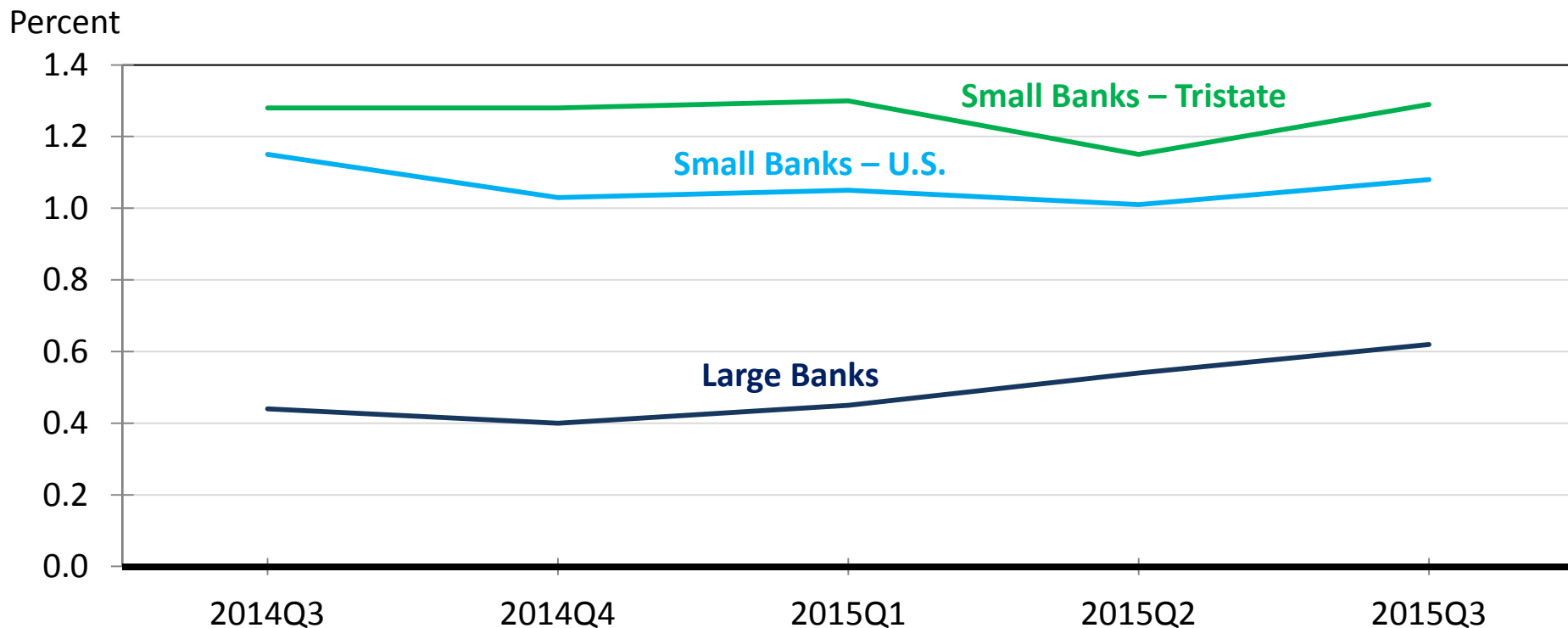
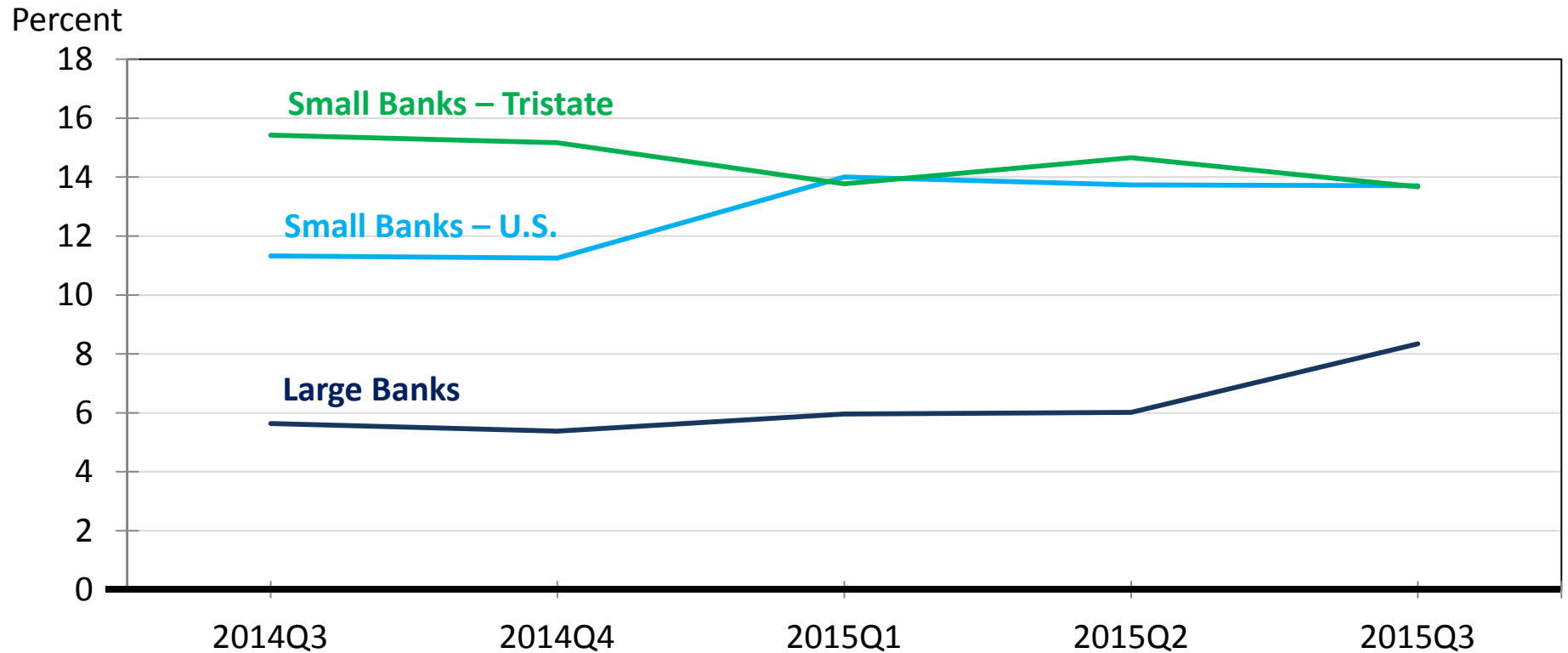


CHART 5

CRE Loan Growth Remained Healthy

Annual growth rate of commercial real estate loans.



CRE loans make up around 50 percent of small bank loan portfolios and 30 percent of large bank loan portfolios.



CHART 6

Construction Lending Increased, Particularly in the Tristate Region

Annual growth rate of construction loans.

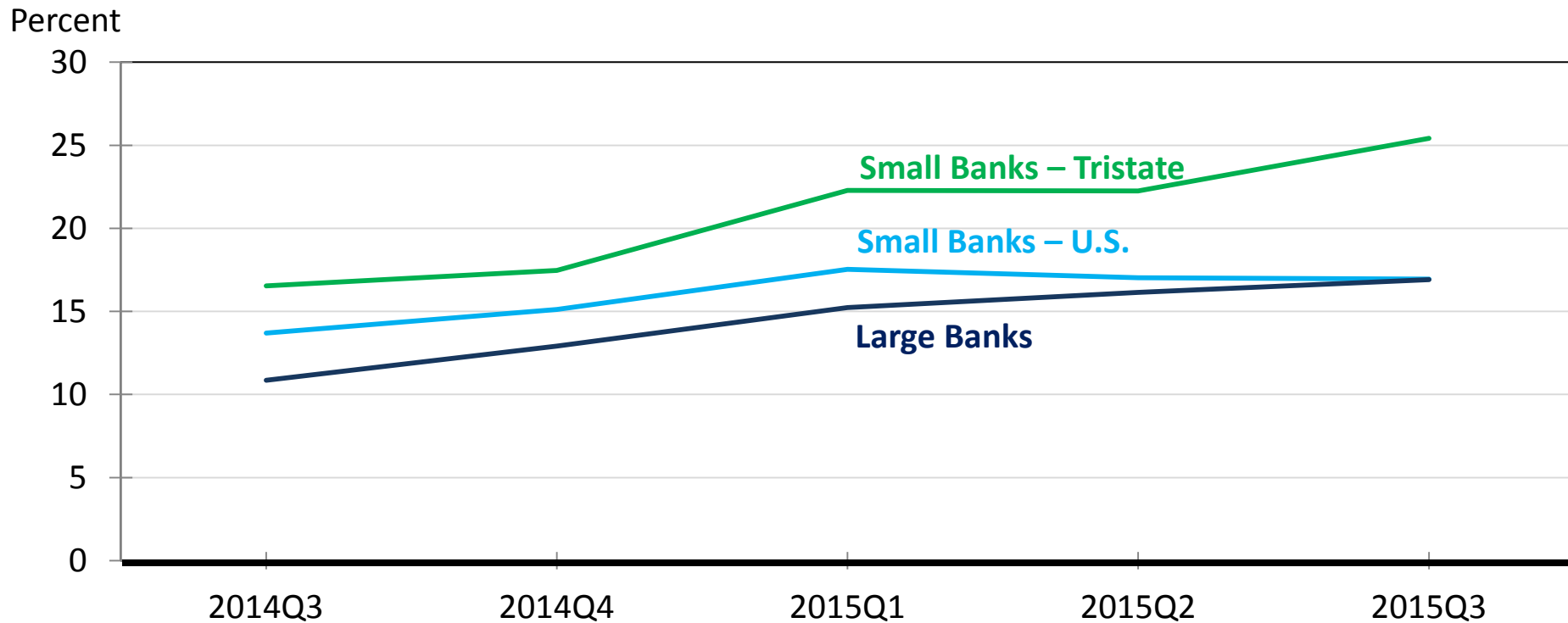
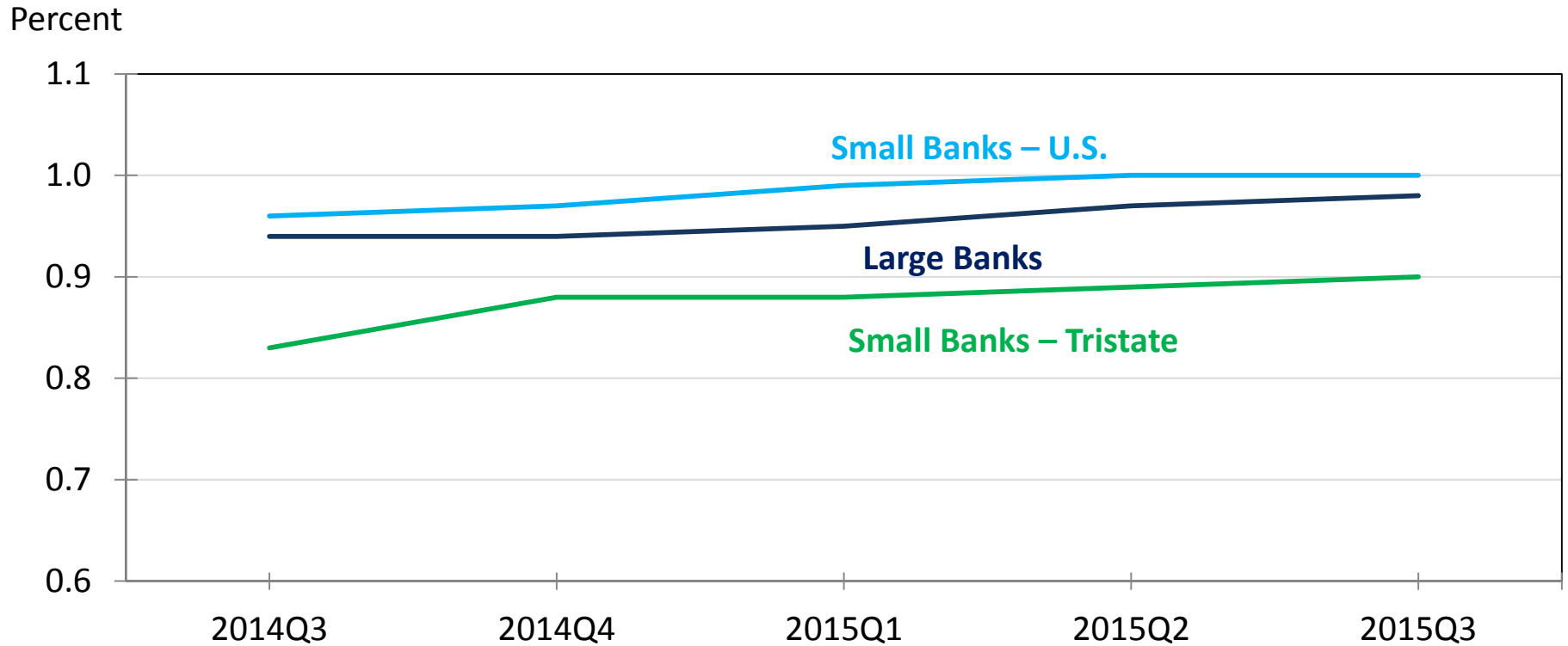


CHART 7

ROAA Continued to Rise

Return on average assets.



With loan growth accelerating and net interest margins holding constant, profitability at banks remained firm.





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