



Fourth Quarter 2015 Highlights

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

In the fourth quarter of 2015, return on average assets (ROAA) increased at large banks and at small banks outside the tristate area, while it remained flat in the region. Asset growth at large banks continued to slow, while asset growth at small banks remained modest. Loan growth remained strong for both large and small banks, with commercial real estate (CRE) lending acting as the main contributor. Multifamily lending was the driving force behind the strong increase in CRE lending. Banks' loan-to-deposit ratio continued to increase with tristate area banks' ratio moving to more than 90 percent. Asset quality continued to improve for all banks, although commercial and industrial (C&I) nonperforming loans (NPLs) saw another slight uptick, in part due to oil- and gas-related loans.

Summary Table of Bank Structure and Conditions — Fourth Quarter 2015

| | Small Banks | | | | | | Large Banks | | | |
|-------------------------------------|---------------|---------------|---------------|---------------|---------------|---------------|-------------------------------------|---------------|---------------|---------------|
| | U.S. | | | Tristate | | | U.S. | | | |
| | \$ Billions | % Change From | | \$ Billions | % Change From | | \$ Billions | % Change From | | |
| | 2015Q4 | 2015Q3 | 2014Q4 | 2015Q4 | 2015Q3 | 2014Q4 | 2015Q4 | 2015Q3 | 2014Q4 | |
| Total Assets | 2,140.1 | 9.46 | 8.73 | 124.3 | 11.69 | 7.70 | Total Assets | 11,985.1 | 3.05 | 1.65 |
| Total Loans | 1,434.9 | 10.73 | 11.90 | 90.1 | 13.15 | 11.26 | Total Loans | 6,183.9 | 9.67 | 6.21 |
| C&I | 227.7 | 12.28 | 13.05 | 11.8 | 13.99 | 9.95 | C&I | 1,481.4 | 9.28 | 7.85 |
| Real Estate | 1,049.1 | 10.58 | 11.82 | 69.5 | 12.87 | 10.74 | Real Estate | 2,810.0 | 8.03 | 4.33 |
| Consumer | 59.6 | 7.11 | 7.09 | 3.2 | -0.33 | 5.48 | Consumer | 894.5 | 5.96 | 2.96 |
| Total Deposits | 1,763.5 | 9.24 | 8.22 | 99.1 | 6.88 | 6.41 | Total Deposits | 9,104.7 | 5.62 | 2.51 |
| Ratios (in %) | 2015Q4 | 2015Q3 | 2014Q4 | 2015Q4 | 2015Q3 | 2014Q4 | Ratios (in %) | 2015Q4 | 2015Q3 | 2014Q4 |
| Net Income/Avg. Assets (ROAA) | 1.02 | 1.00 | 0.97 | 0.88 | 0.90 | 0.88 | Net Income/Avg. Assets (ROAA) | 0.98 | 0.98 | 0.94 |
| Net Interest Inc./Avg. Assets (NIM) | 3.32 | 3.34 | 3.35 | 3.13 | 3.16 | 3.17 | Net Interest Inc./Avg. Assets (NIM) | 2.39 | 2.46 | 2.48 |
| Noninterest Inc./Avg. Assets | 0.95 | 0.95 | 0.92 | 1.16 | 1.18 | 1.19 | Noninterest Inc./Avg. Assets | 1.63 | 1.64 | 1.67 |
| Noninterest Exp./Avg. Assets | 2.88 | 2.92 | 2.95 | 3.02 | 3.04 | 3.09 | Noninterest Exp./Avg. Assets | 2.45 | 2.53 | 2.66 |
| Loans/Deposits | 81.37 | 81.09 | 78.69 | 90.94 | 89.65 | 86.98 | Loans/Deposits | 67.92 | 67.28 | 65.56 |
| Equity/Assets | 10.97 | 11.13 | 10.95 | 10.21 | 10.44 | 10.18 | Equity/Assets | 11.11 | 11.15 | 10.91 |
| Nonperforming Loans/Total Loans | 0.95 | 1.01 | 1.21 | 0.98 | 1.06 | 1.24 | Nonperforming Loans/Total Loans | 1.68 | 1.73 | 2.12 |

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 152 small tristate banks, 4,727 small U.S. banks, and 103 large U.S. banks.

CHART 1

Profitability Increased for Banks Outside the Tristate Area

Return on average assets (ROAA).

Percent

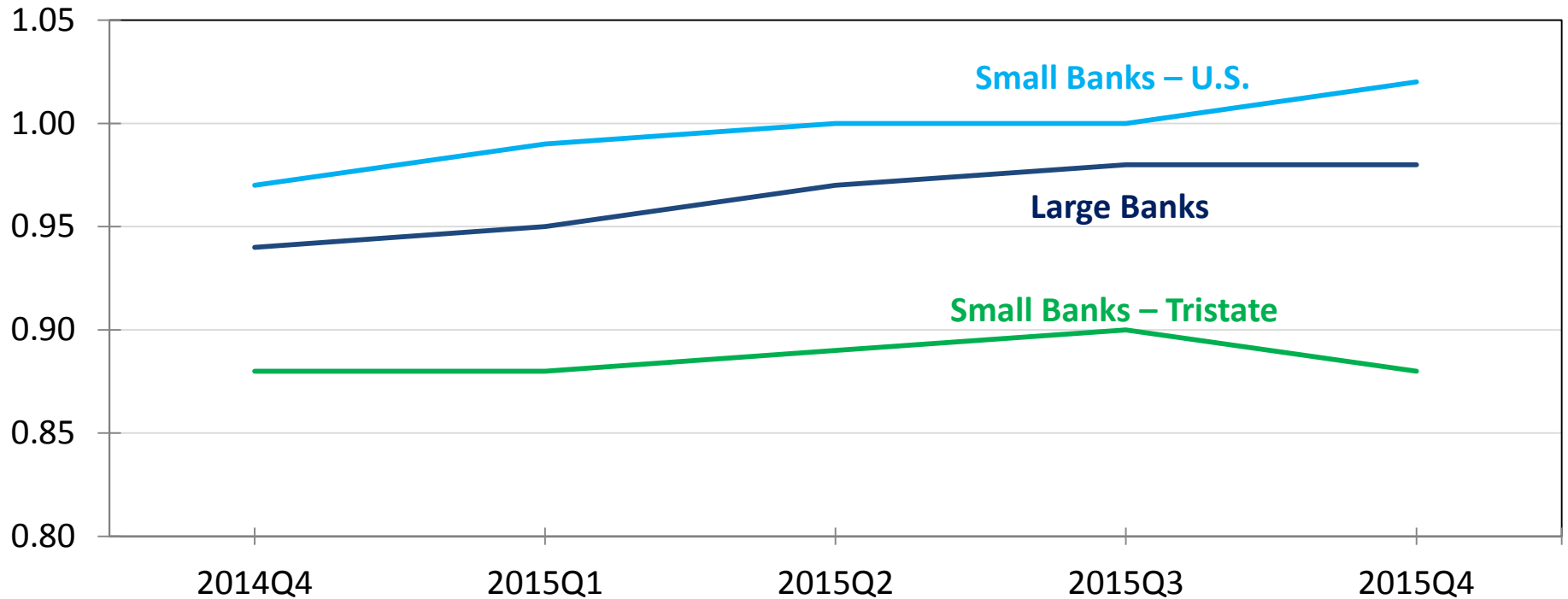


CHART 2

Asset Growth Continued to Slow at Large Banks

Annual growth of total assets.

Percent

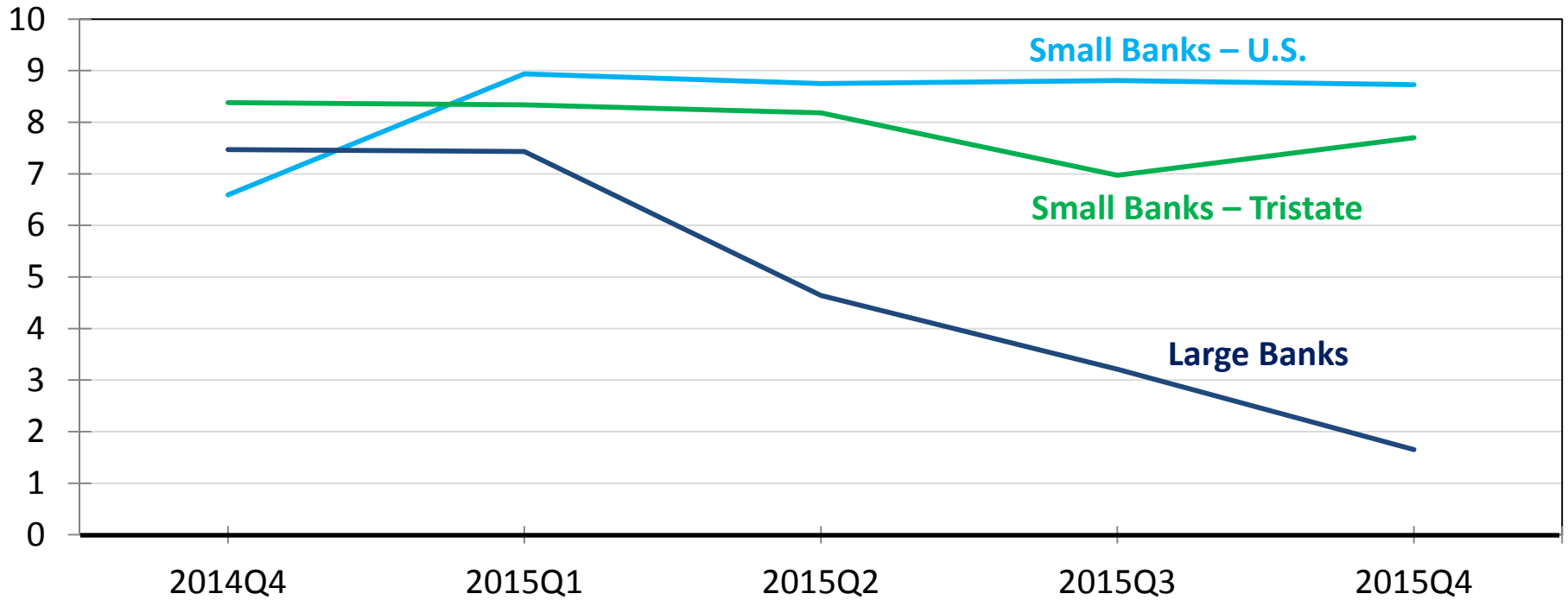


CHART 3

Asset Quality Improved for All Banks

Nonperforming assets as a share of total assets.

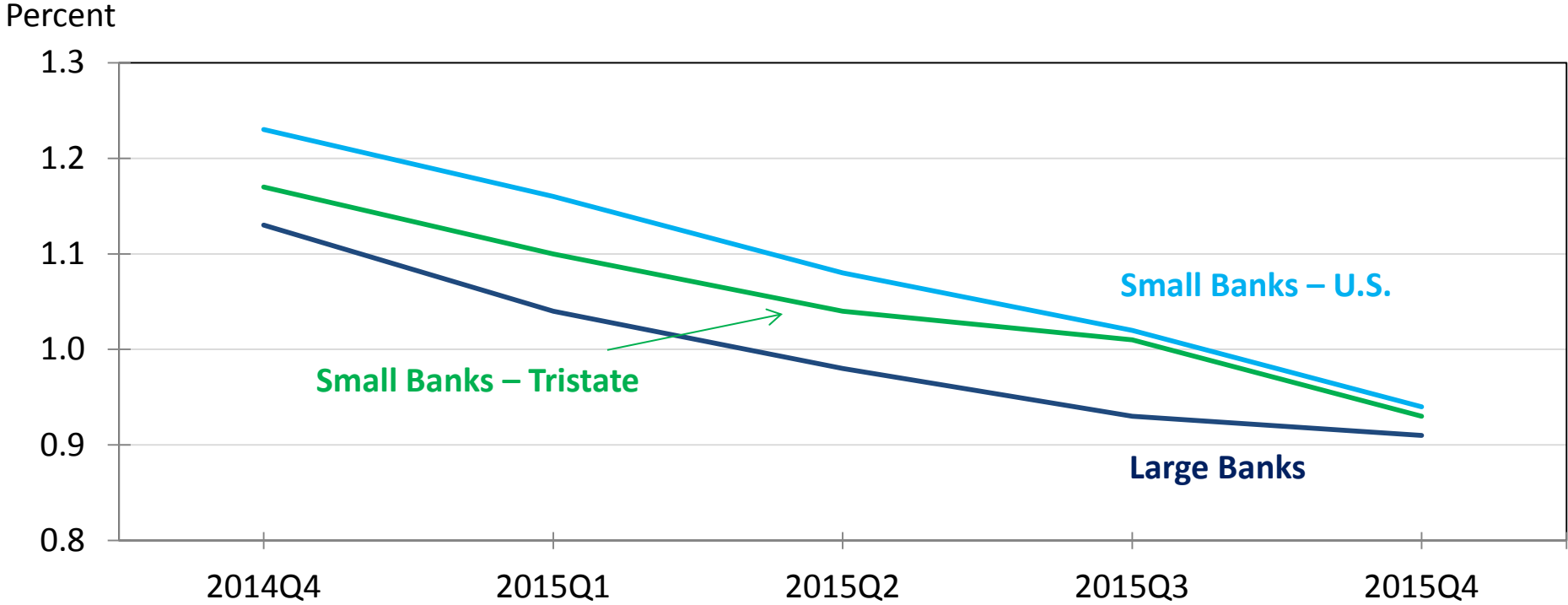
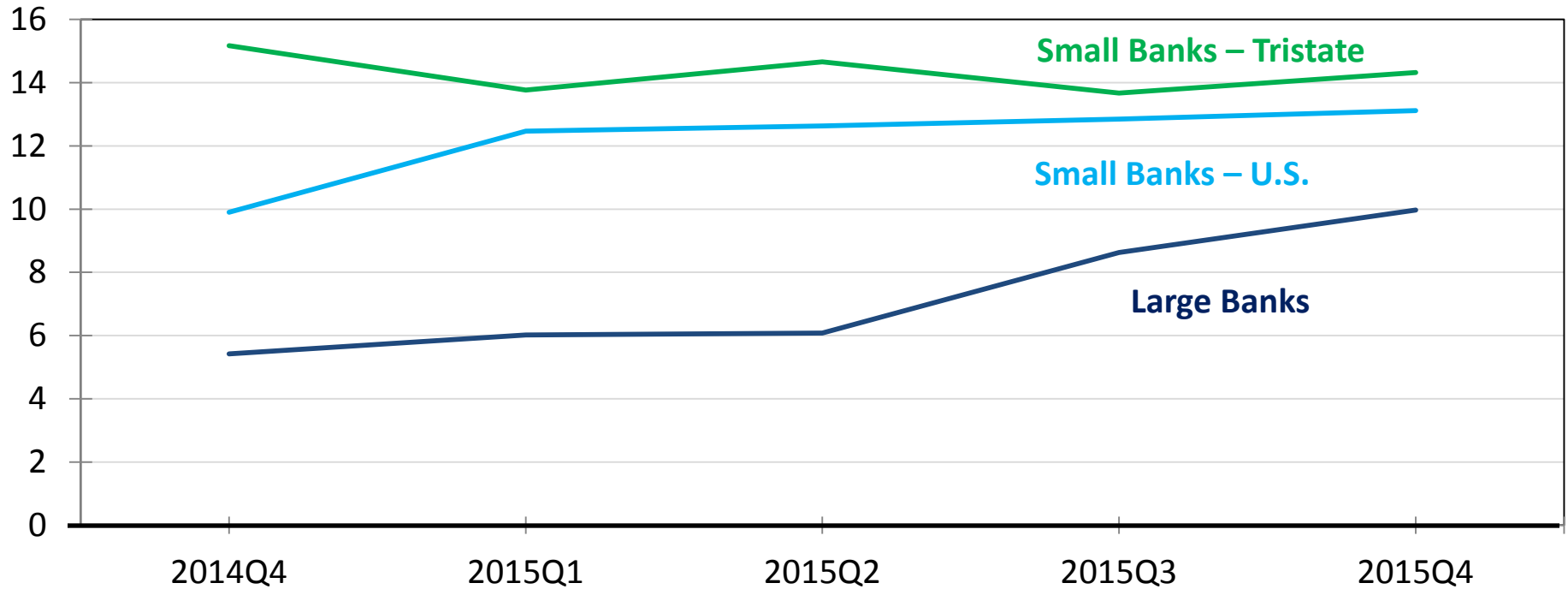


CHART 4

Commercial Real Estate Growth Remained Strong

CRE loans as a share of total loans.

Percent



Multifamily lending in the fourth quarter of 2015 led the way for CRE loan growth, with tristate banks having an annual change of 30 percent, while small banks in the rest of the nation saw a 20.45 percent change and large banks saw a 17.05 percent change. CRE lending comprises nonfarm nonresidential loans, construction and land development loans, and multifamily loans.

CHART 5

C&I NPLs Continued to Increase Slightly

Nonperforming C&I loans as a share of total C&I loans.

Percent

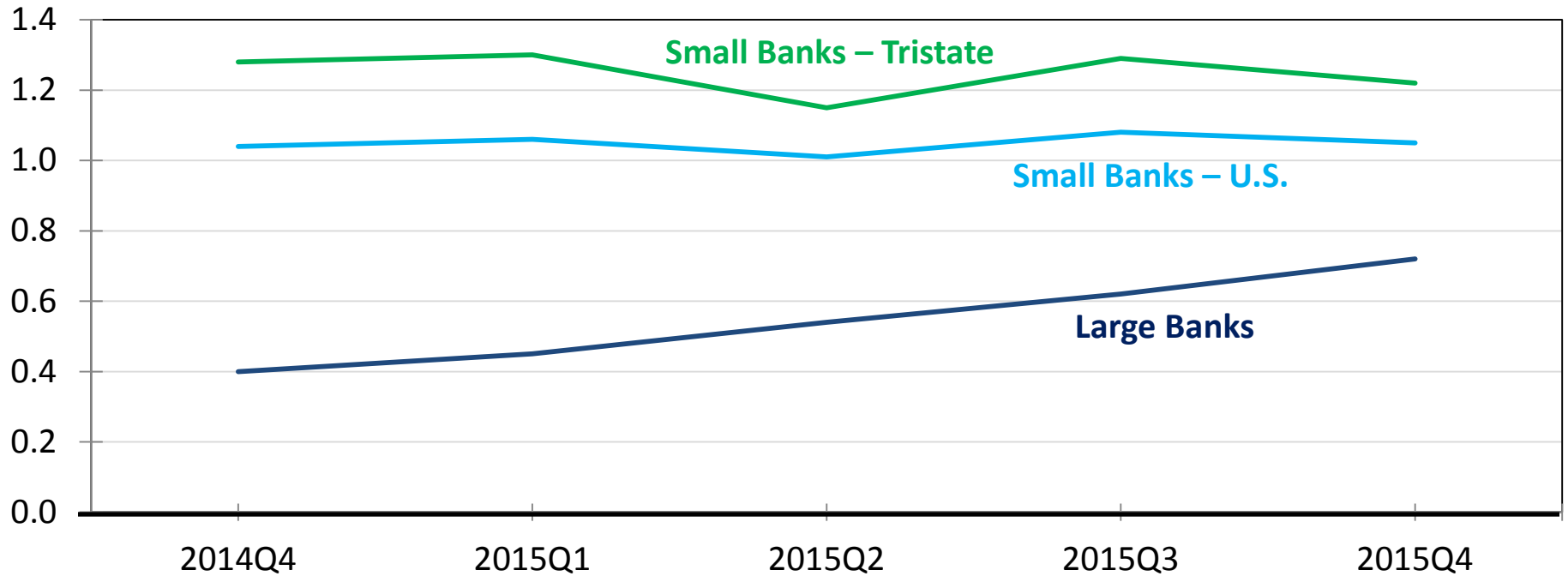
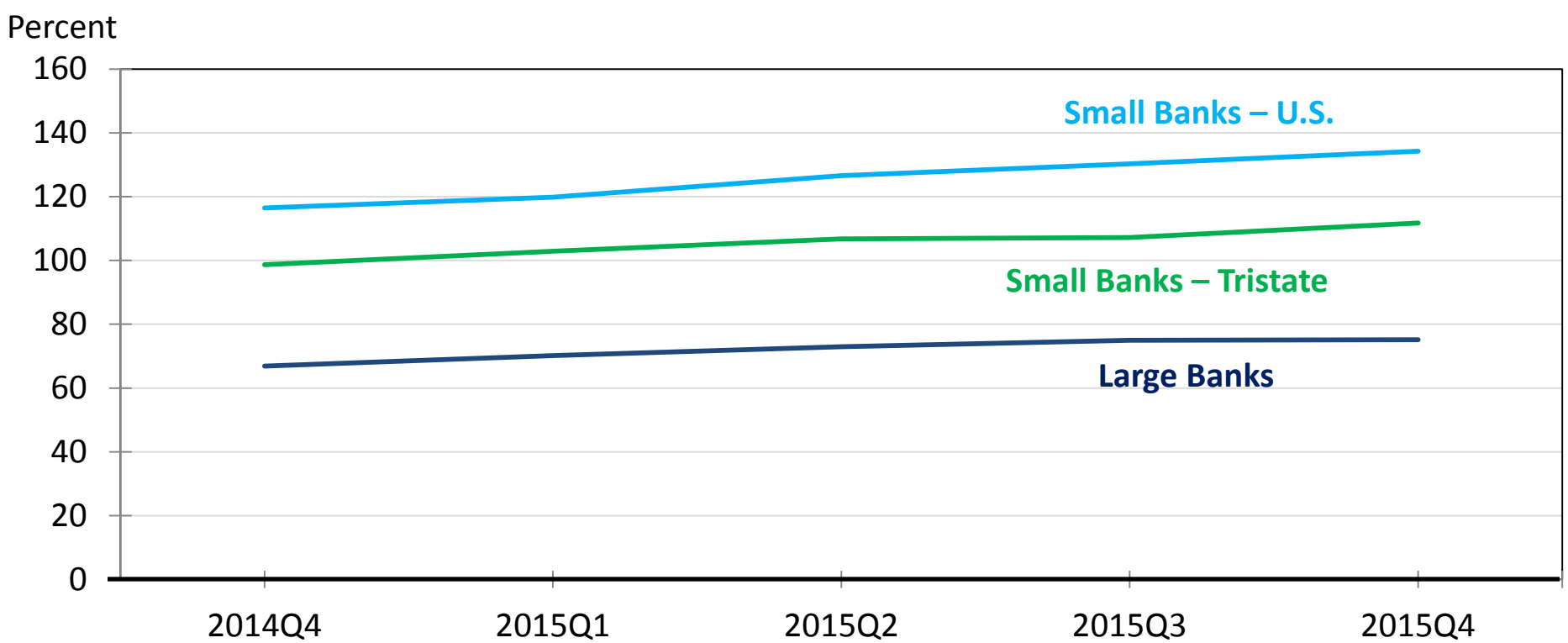


CHART 6

Loan Loss Provisions and Reserves Increased at All Banks

Loan loss coverage ratio.



Banks have cited the decline in oil prices as a reason to increase loss reserves and provisions.





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