



Pennsylvania • New Jersey • Delaware

## First Quarter 2016 Highlights

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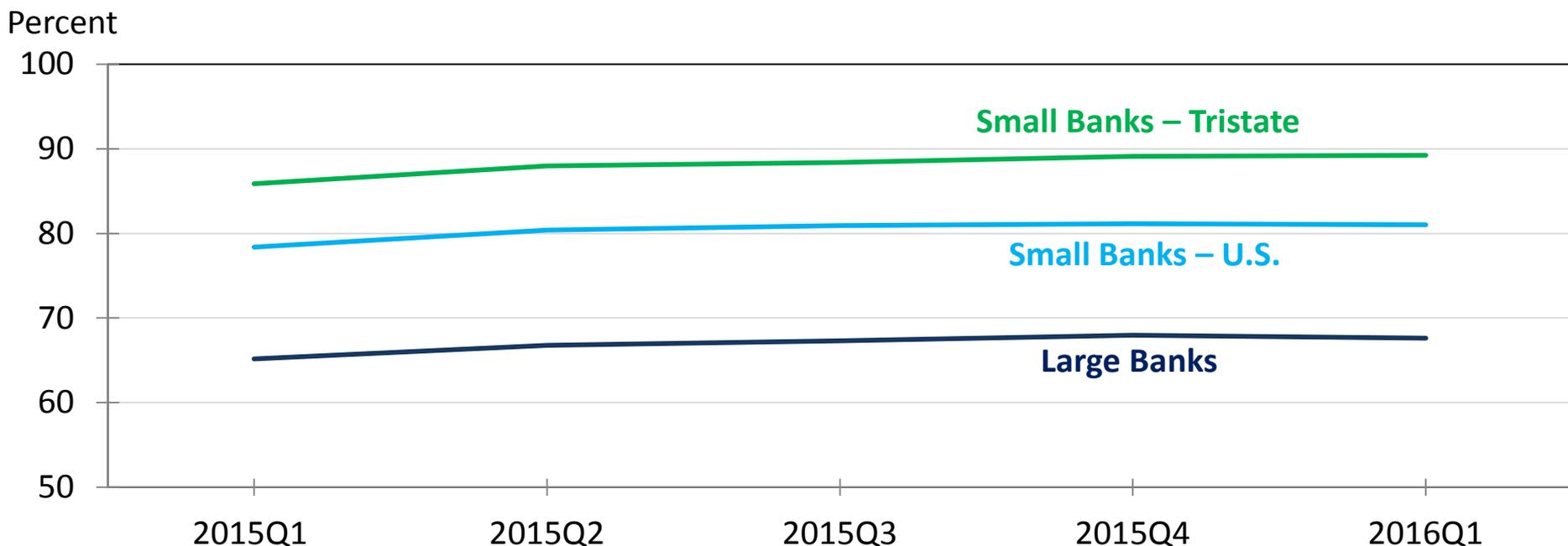
## Recent Trends in Tristate and U.S. Banking Markets

In the first quarter of 2016, year-over-year asset growth at large banks saw a slight increase, but quarterly growth was strong. Asset growth during the year at small banks was moderate. Profitability was steady for large banks and small banks in the nation, but profitability declined at tristate banks as net interest margins declined. Loan growth remained strong for both large and small banks, with commercial real estate (CRE) lending acting as the main contributor. Multifamily and construction lending were the driving forces behind the strong increase in CRE lending. Asset quality continued to improve for all banks, although commercial and industrial (C&I) nonperforming loans (NPLs) saw another uptick, in part due to oil and gas-related loans. Banks' loan-to-deposit ratio continued to increase at all banks, with small bank loan-to-deposit ratios now well above historical averages.

## CHART 2

### Loans as a Share of Deposits Continued to Increase

Total loans as a share of total deposits.



Loan-to-deposit ratios at small banks are high by historical standards. The average loan-to-deposit ratio for small banks over the past 20 years was 75 percent.

# Summary Table of Bank Structure and Conditions — First Quarter 2016

Small Banks							Large Banks			
	U.S.			Tristate				U.S.		
	\$ Billions	% Change From		\$ Billions	% Change From			\$ Billions	% Change From	
	2016Q1	2015Q4	2015Q1	2016Q1	2015Q4	2015Q1		2016Q1	2015Q4	2015Q1
Total Assets	2,164.0	6.70	6.41	113.9	2.96	6.63	Total Assets	12,274.0	9.61	2.57
Total Loans	1,450.8	7.16	9.63	82.3	7.27	10.20	Total Loans	6,285.7	6.14	7.01
C&I	230.8	4.93	9.32	10.8	0.59	6.65	C&I	1,552.0	20.41	10.45
Real Estate	1,064.3	9.26	9.80	64.6	8.21	10.63	Real Estate	2,839.6	3.09	4.58
Consumer	60.9	0.60	7.71	3.2	4.41	5.52	Consumer	885.9	-3.24	4.31
Total Deposits	1,790.5	7.76	6.03	92.2	6.69	6.04	Total Deposits	9,296.7	8.42	3.14
<b>Ratios (in %)</b>	<b>2016Q1</b>	<b>2015Q4</b>	<b>2015Q1</b>	<b>2016Q1</b>	<b>2015Q4</b>	<b>2015Q1</b>	<b>Ratios (in %)</b>	<b>2016Q1</b>	<b>2015Q4</b>	<b>2015Q1</b>
Net Income/Avg. Assets (ROA)	1.02	1.02	0.99	0.87	0.88	0.89	Net Income/Avg. Assets (ROA)	0.96	0.98	0.95
Net Interest Inc./Avg. Assets (NIM)	3.32	3.32	3.35	3.16	3.16	3.18	Net Interest Inc./Avg. Assets (NIM)	2.40	2.39	2.46
Noninterest Inc./Avg. Assets	0.95	0.95	0.93	1.20	1.22	1.25	Noninterest Inc./Avg. Assets	1.59	1.62	1.67
Noninterest Exp./Avg. Assets	2.87	2.89	2.95	3.10	3.13	3.15	Noninterest Exp./Avg. Assets	2.43	2.45	2.63
Loans/Deposits	81.03	81.14	78.37	89.24	89.12	85.87	Loans/Deposits	67.61	67.97	65.16
Equity/Assets	11.05	10.94	11.05	10.63	10.49	10.76	Equity/Assets	11.10	11.11	10.96
Nonperforming Loans/Total Loans	0.96	0.95	1.15	1.03	1.02	1.17	Nonperforming Loans/Total Loans	1.70	1.67	1.97

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, 2015, 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, 2015.

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, 2015, including assets of only their commercial bank subsidiaries.

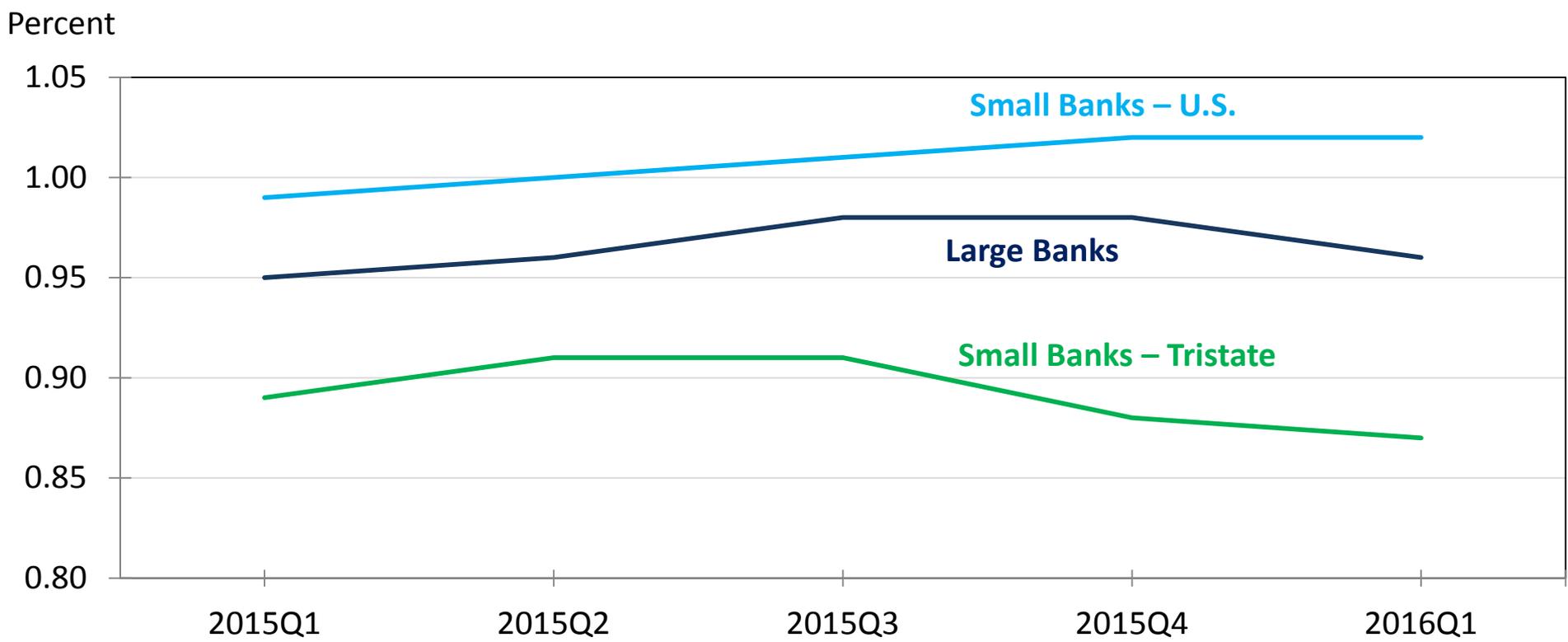
*U.S.* excludes tristate banks.

The sample includes 147 small tristate banks, 4,689 small U.S. banks, and 101 large U.S. banks.

# CHART 1

## Profitability Decreased for Banks in the Tristate Area

Return on average assets (ROAA).

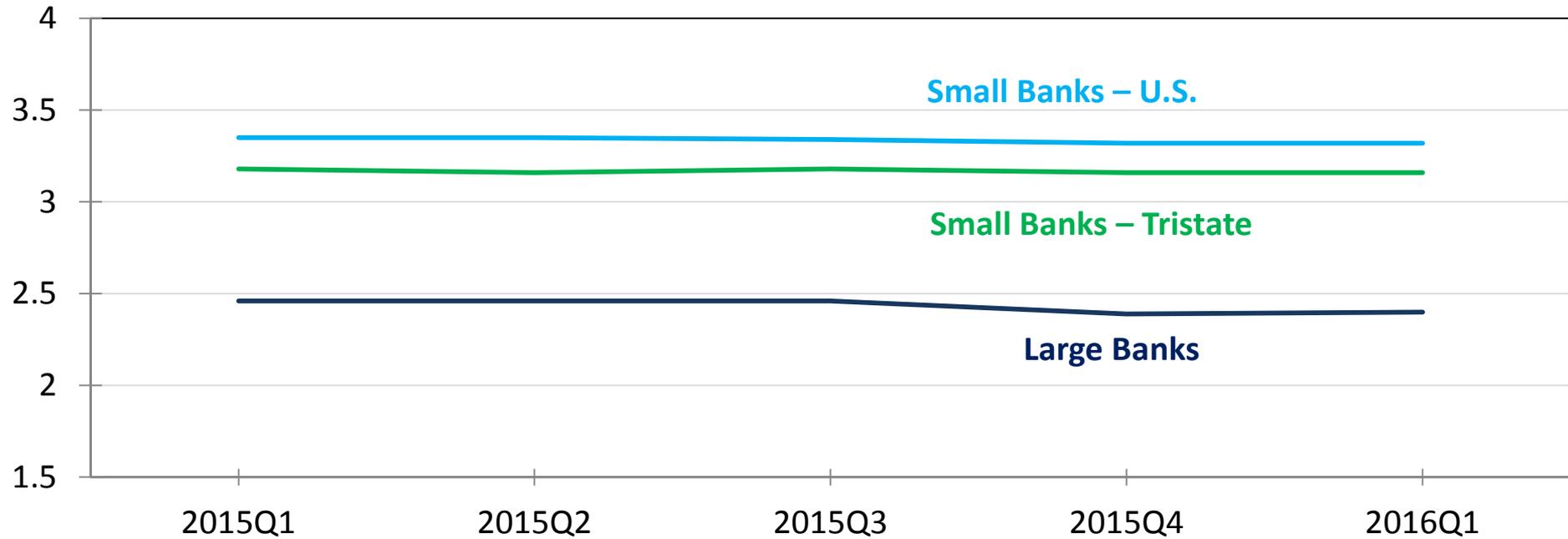


### CHART 3

## Net Interest Margins Continued to Decline at Tristate Banks

Net interest margin.

Percent

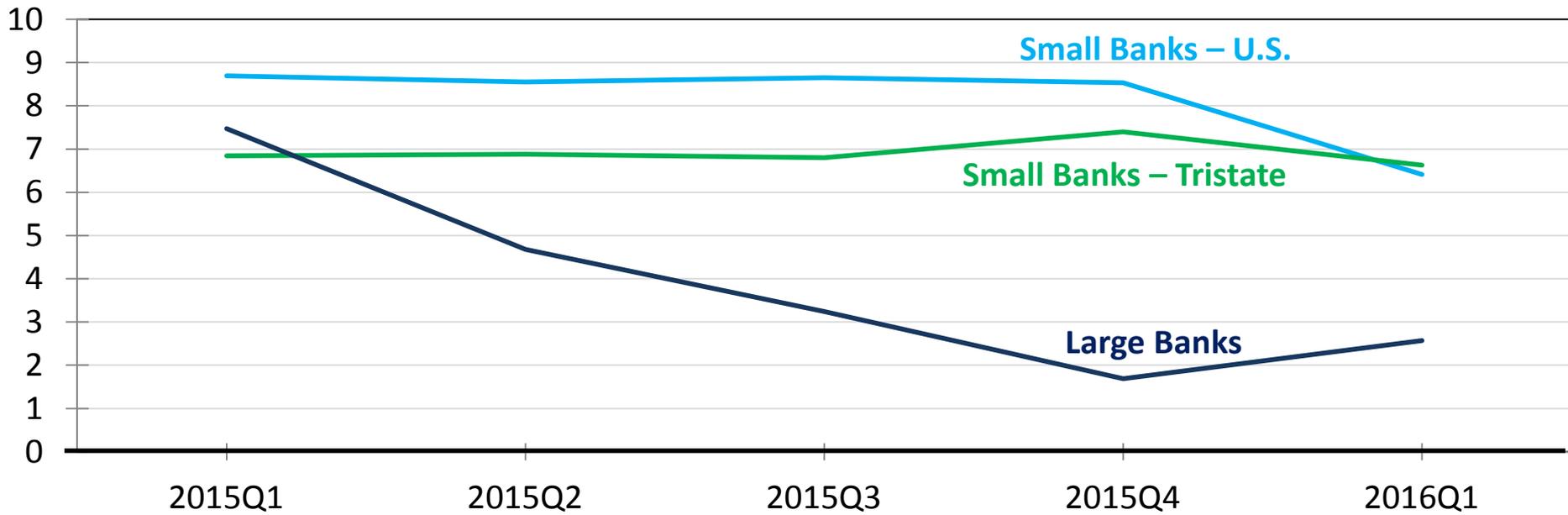


## CHART 4

# Asset Growth Remained Slow at Large Banks

Annual growth of total assets.

Percent

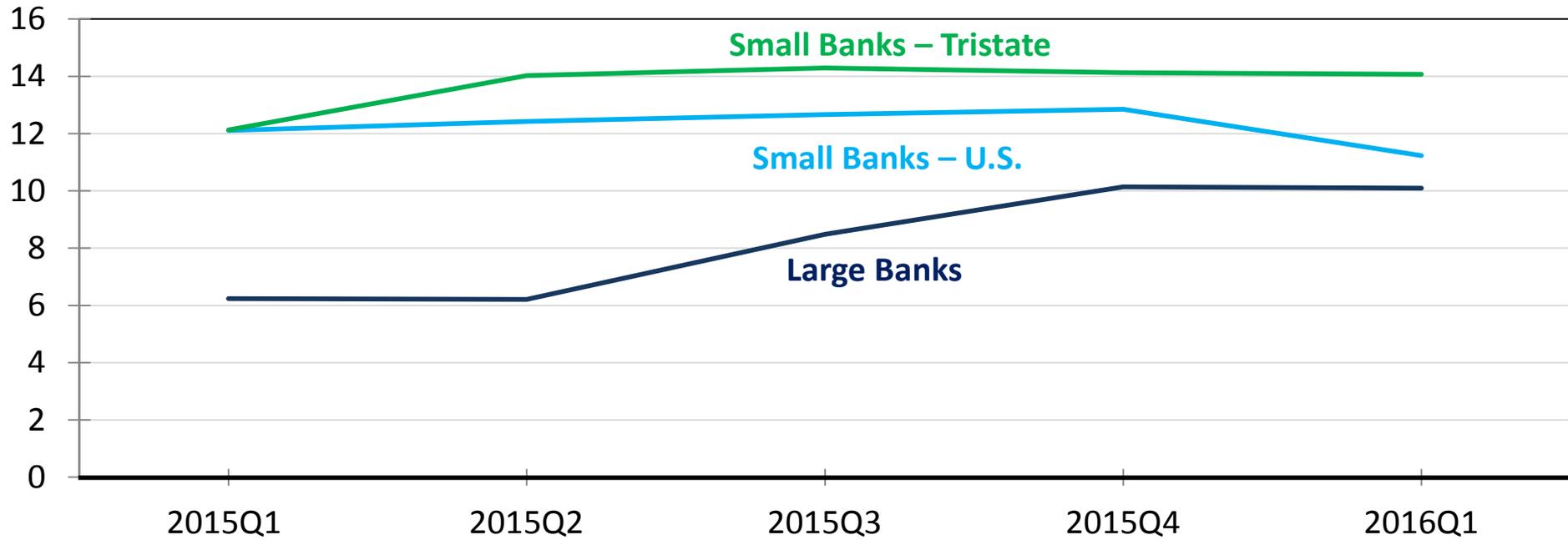


## CHART 5

# Commercial Real Estate Growth Remained Strong

CRE loans as a share of total loans.

Percent

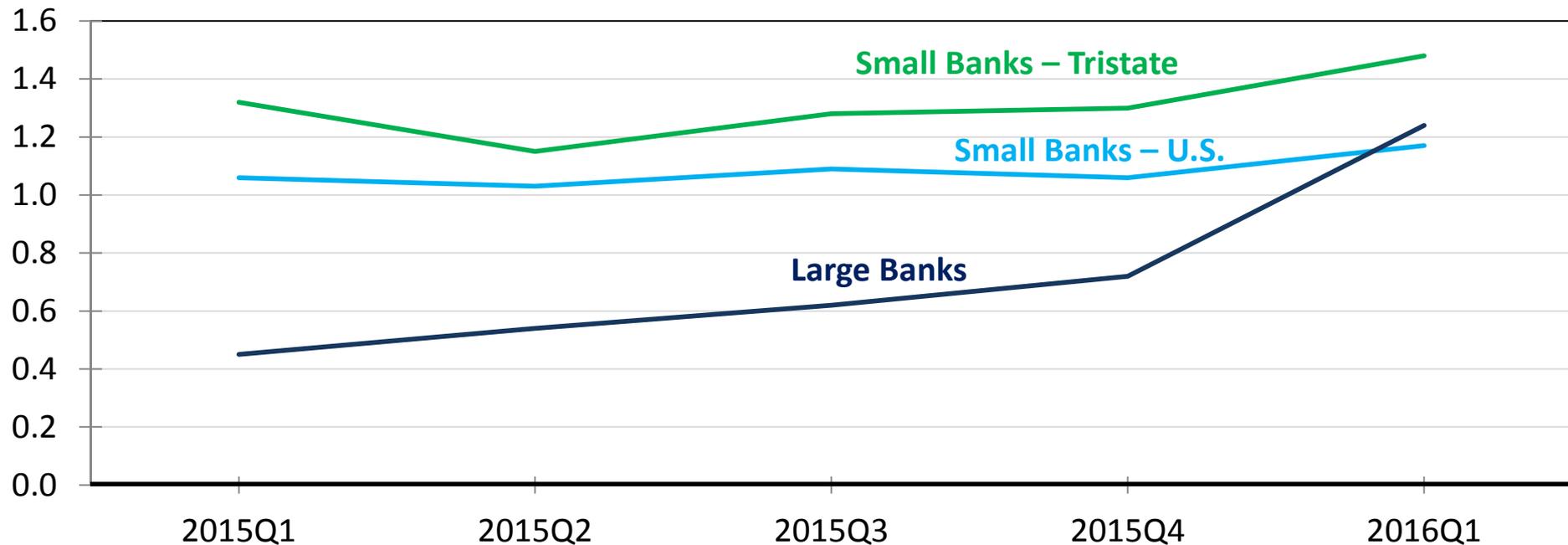


## CHART 6

### C&I NPLs Continued to Increase

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

Percent



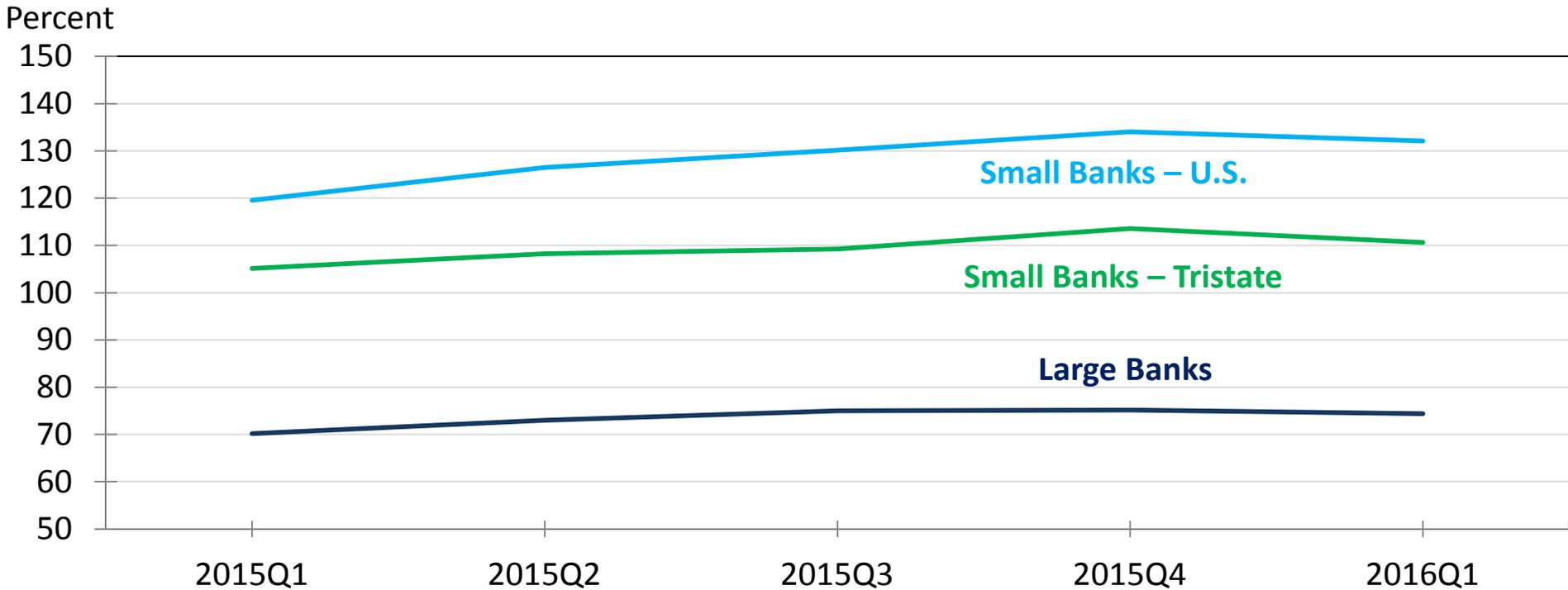
In addition to nonperforming oil and gas loans, a rise in nonperforming C&I loans is to be expected after three years of rapid growth in banks' C&I loan portfolio.



## CHART 7

# 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 provisions and reserves.





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