



Pennsylvania • New Jersey • Delaware

Second Quarter 2016 Highlights

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

In the second quarter of 2016, profitability increased at small banks outside of the tristate area, while it remained relatively modest at large banks and banks in the tristate area. Net interest margins stayed steady. Large banks had their strongest asset growth within the past year. Real estate continued to be strong for all banks in the U.S. Commercial real estate (CRE) lending was the largest force behind loan growth. Small banks' loan-to-deposit ratios continued to rise above their historical averages. Asset quality continued to improve for all banks, although commercial and industrial (C&I) nonperforming loans (NPLs) saw yet another slight uptick. Banks' equity and capital ratios maintained their strength.

Summary Table of Bank Structure and Conditions — Second Quarter 2016

	Small Banks						Large Banks			
	U.S.			Tristate			U.S.			
	\$ Billions	% Change From		\$ Billions	% Change From		\$ Billions	% Change From		
	2016Q2	2016Q1	2015Q2	2016Q2	2016Q1	2015Q2	2016Q2	2016Q1	2015Q2	
Total Assets	2,187.4	6.01	7.07	115.7	7.87	6.90	Total Assets	12,478.1	6.52	4.82
Total Loans	1,487.0	12.40	9.75	83.9	10.44	9.46	Total Loans	6,408.2	7.57	6.85
C&I	235.8	10.32	8.89	10.9	8.41	6.25	C&I	1,562.4	2.49	8.03
Real Estate	1,090.1	12.12	10.28	65.9	10.24	9.85	Real Estate	2,892.3	6.87	5.23
Consumer	61.5	10.79	6.40	3.3	15.85	5.22	Consumer	916.5	14.04	5.56
Total Deposits	1,796.3	2.92	6.53	93.5	7.14	7.07	Total Deposits	9,387.8	3.66	4.56
Ratios (in %)	2016Q2	2016Q1	2015Q2	2016Q2	2016Q1	2015Q2	Ratios (in %)	2016Q2	2016Q1	2015Q2
Net Income/Avg. Assets (ROA)	1.04	1.02	0.98	0.89	0.87	0.91	Net Income/Avg. Assets (ROA)	0.95	0.96	0.97
Net Interest Inc./Avg. Assets (NIM)	3.32	3.31	3.35	3.15	3.15	3.15	Net Interest Inc./Avg. Assets (NIM)	2.40	2.40	2.46
Noninterest Inc./Avg. Assets	0.95	0.95	0.95	1.20	1.20	1.25	Noninterest Inc./Avg. Assets	1.58	1.59	1.66
Noninterest Exp./Avg. Assets	2.84	2.86	2.95	3.07	3.10	3.14	Noninterest Exp./Avg. Assets	2.41	2.43	2.58
Loans/Deposits	82.78	80.97	80.34	89.66	88.98	87.71	Loans/Deposits	68.26	67.63	66.80
Equity/Assets	11.17	11.06	11.03	10.69	10.63	10.64	Equity/Assets	11.11	11.10	11.04
Nonperforming Loans/Total Loans	0.91	0.96	1.06	0.97	1.03	1.10	Nonperforming Loans/Total Loans	1.61	1.70	1.82

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, 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 Increased at Small Banks Outside the Region

Return on Average Assets (ROAA).

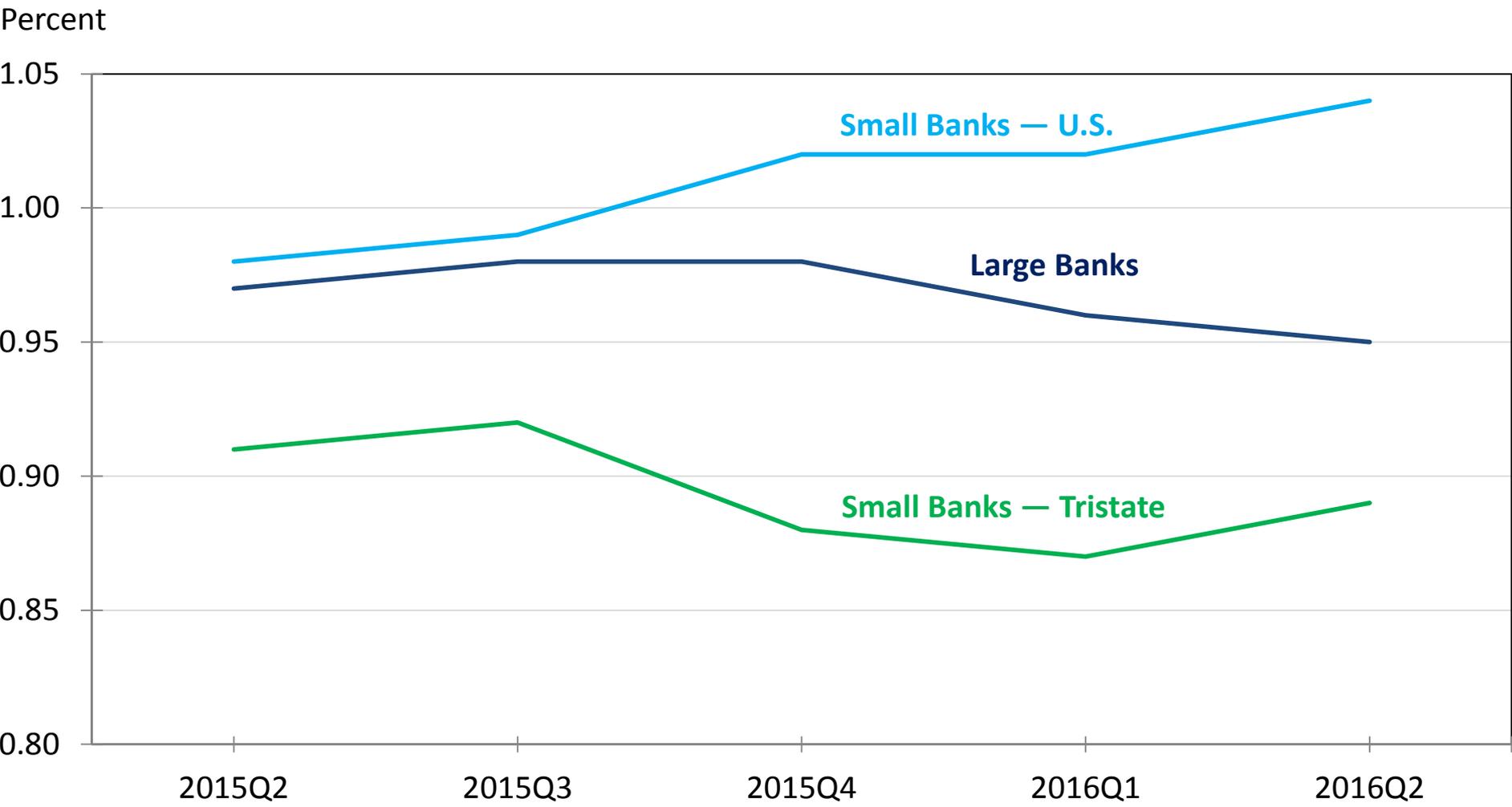


CHART 2

Lending at Small and Large Banks Stayed Strong

Annual Growth of Total Loans.

Percent

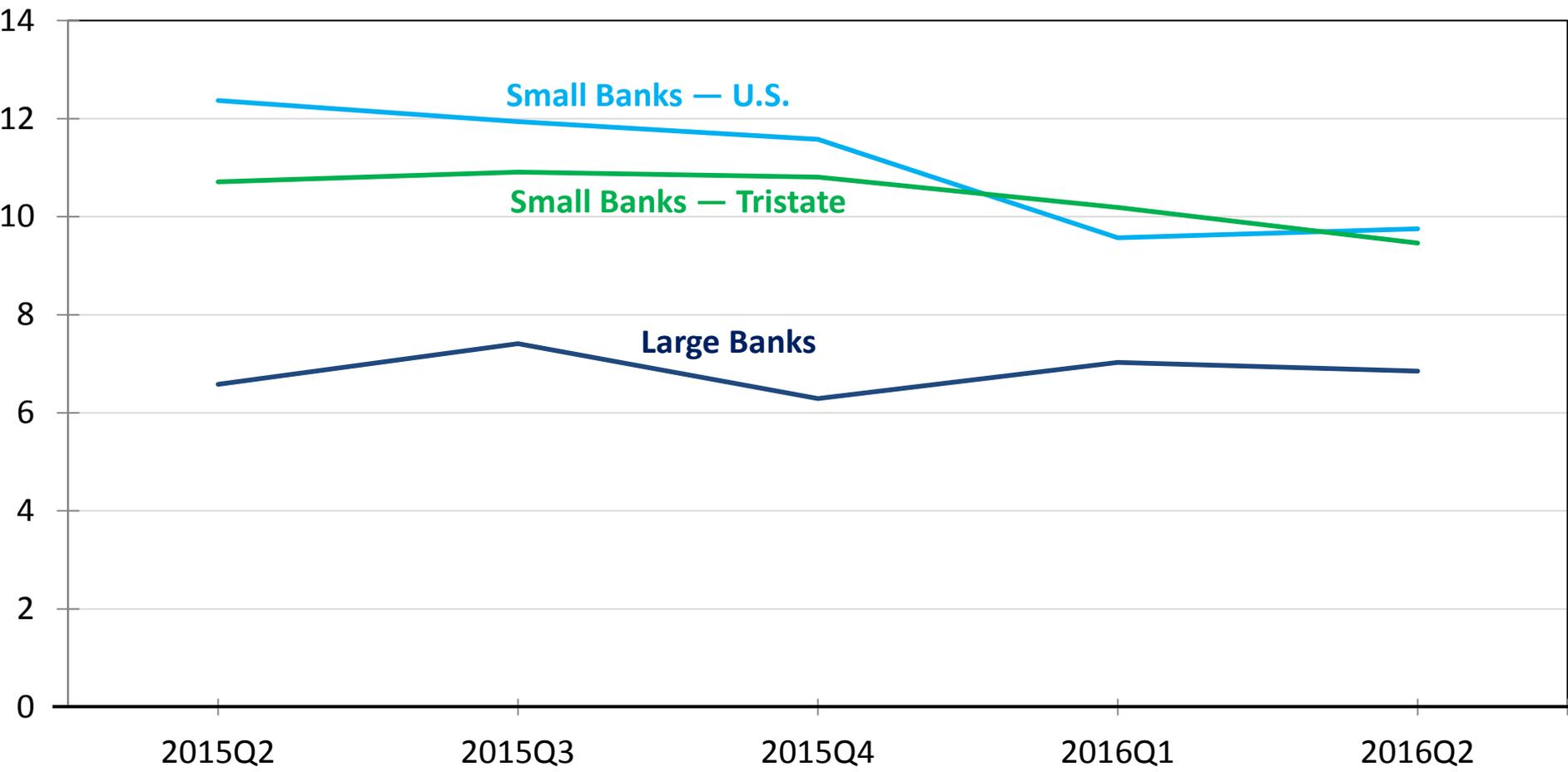


CHART 3

Commercial Real Estate Growth Remained Solid

Annual Growth of CRE Loans.

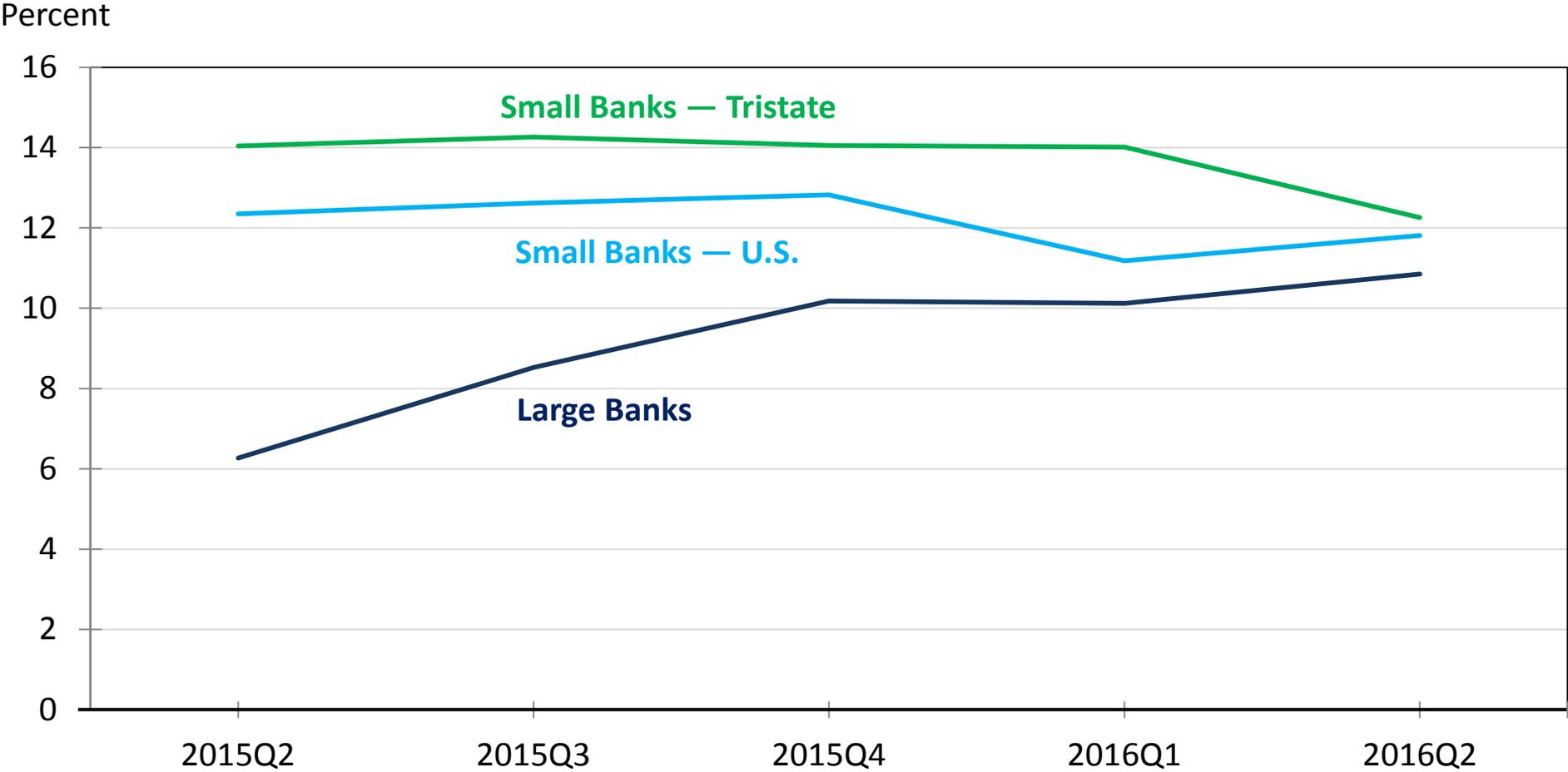


CHART 4

Loan Quality Continued to Improve

Nonperforming Loans as a Share of Total Loans.

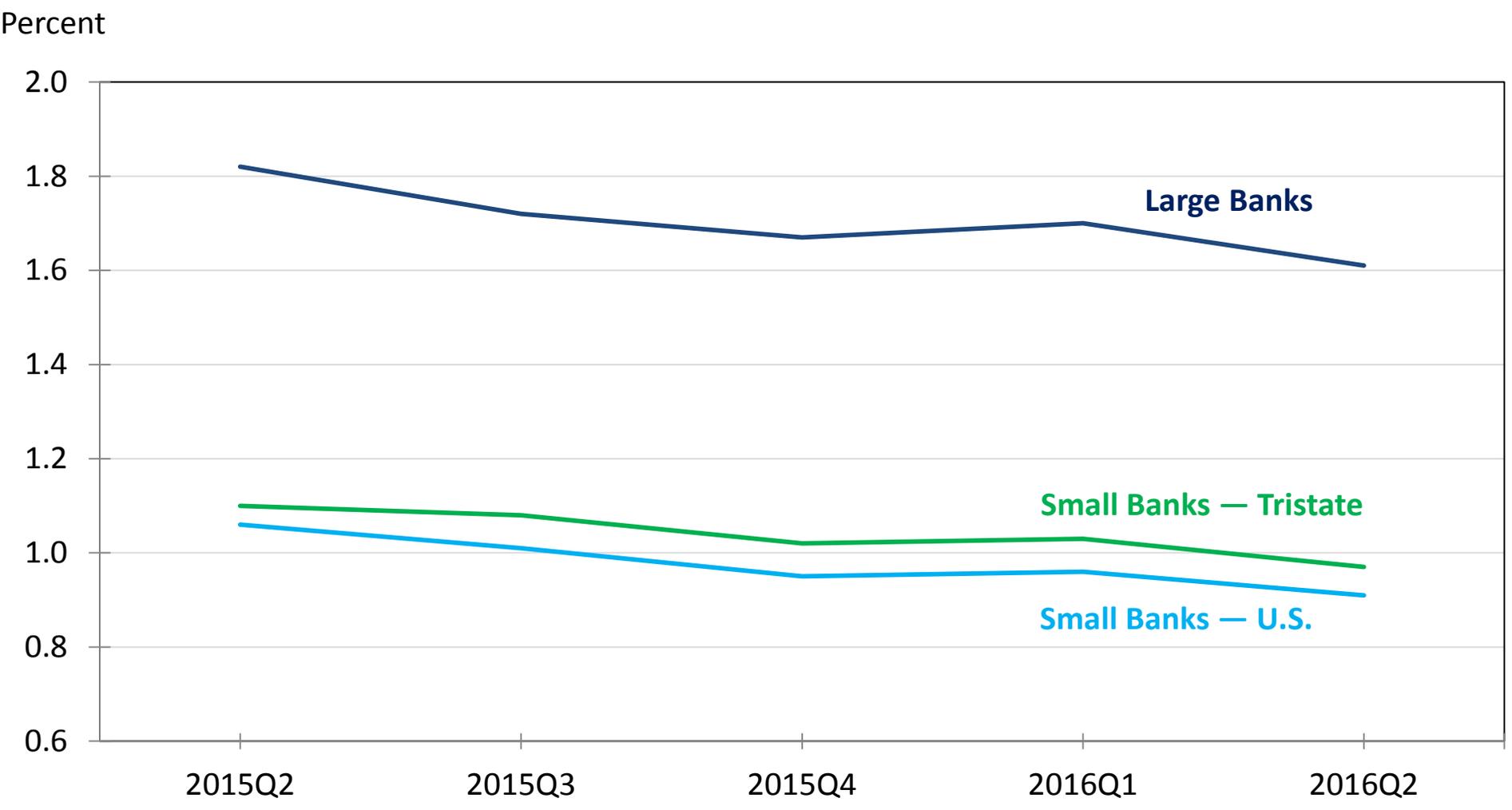


CHART 5

C&I Nonperforming Loans Inched Upward

Commercial and Industrial Nonperforming Loan Ratio.

Percent

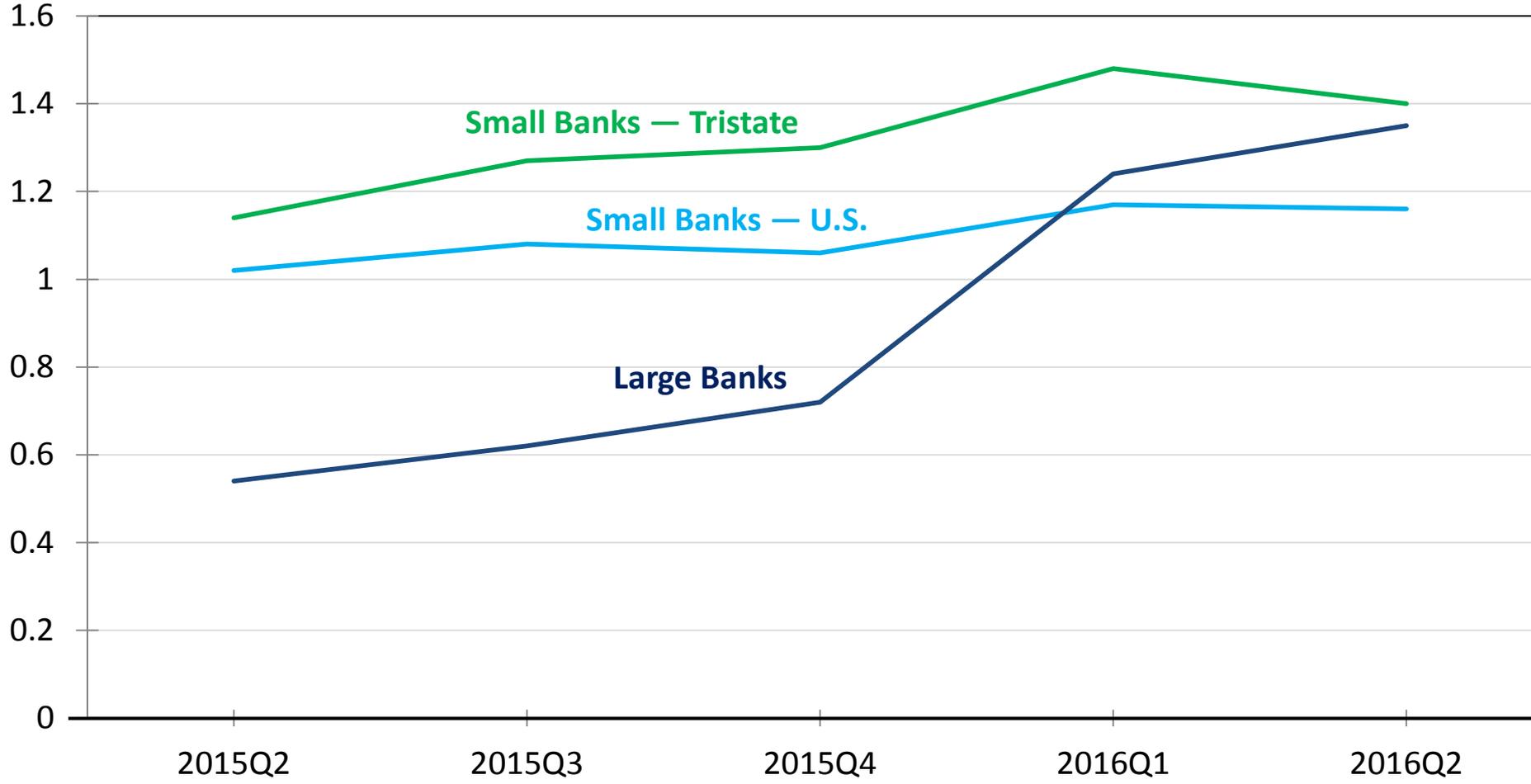
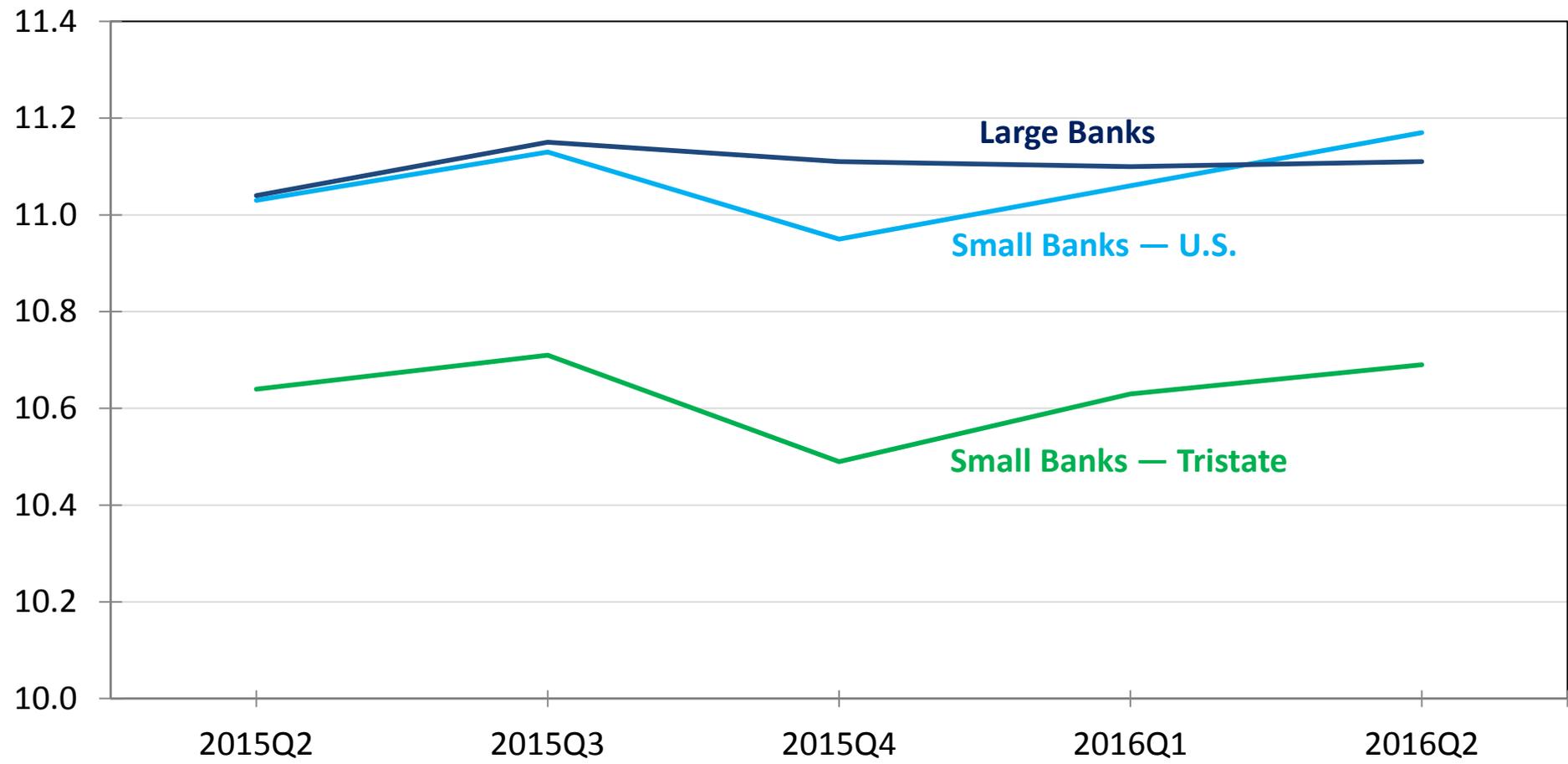


CHART 6

Equity and Capital Ratios Are Healthy

Total Equity as a Share of Total Assets.

Percent





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