



BANKING BRIEF

Pennsylvania • New Jersey • Delaware

Fourth Quarter 2016 Highlights

FEDERAL RESERVE BANK OF PHILADELPHIA
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Summary Table of Bank Structure and Conditions — Fourth Quarter 2016

	Small Banks						Large Banks					
	U.S.			Tristate			U.S.					
	\$Billions	% Change From		\$Billions	% Change From		\$Billions	% Change From				
	2016Q4	2016Q3	2015Q4	2016Q4	2016Q3	2015Q4		2016Q4	2016Q3	2015Q4		
Total Assets	2,225.8	6.33	6.91	120.4	12.92	9.14	Total Assets	12,611.8	-2.29	4.72		
Total Loans	1,519.0	7.40	9.26	87.6	12.48	10.92	Total Loans	6,496.9	0.45	4.31		
C&I	237.0	9.84	7.34	11.4	8.51	9.01	C&I	1,558.8	-4.33	4.76		
Real Estate	1,117.5	8.56	10.11	68.7	13.29	11.20	Real Estate	2,950.6	1.30	3.72		
Consumer	63.6	6.50	7.77	3.6	23.20	14.43	Consumer	941.7	5.00	5.22		
Total Deposits	1,840.1	8.28	7.08	98.3	14.39	11.01	Total Deposits	9,662.4	0.63	5.60		
Ratios (in %)	2016Q4	2016Q3	2015Q4	2016Q4	2016Q3	2015Q4	Ratios (in %)	2016Q4	2016Q3	2015Q4		
Net Income/Avg. Assets (ROA)	1.02	1.05	1.01	0.95	0.91	0.90	Net Income/Avg. Assets (ROA)	0.98	0.97	0.98		
Net Interest Inc./Avg. Assets (NIM)	3.31	3.30	3.31	3.14	3.13	3.16	Net Interest Inc./Avg. Assets (NIM)	2.43	2.42	2.39		
Noninterest Inc./Avg. Assets	0.97	0.97	0.96	1.16	1.16	1.18	Noninterest Inc./Avg. Assets	1.54	1.56	1.62		
Noninterest Exp./Avg. Assets	2.84	2.83	2.89	2.94	2.99	3.08	Noninterest Exp./Avg. Assets	2.36	2.37	2.45		
Loans/Deposits	82.55	82.72	80.90	89.09	89.47	89.17	Loans/Deposits	67.24	67.27	68.07		
Equity/Assets	10.87	11.14	10.94	10.63	10.84	10.53	Equity/Assets	10.97	11.04	11.11		
Nonperforming Loans/Total Loans	0.87	0.90	0.95	0.92	0.90	0.96	Nonperforming Loans/Total Loans	1.50	1.54	1.67		

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 140 small tristate banks, 4,532 small U.S. banks, and 100 large U.S. banks.

Recent Trends in Tristate and U.S. Banking Markets

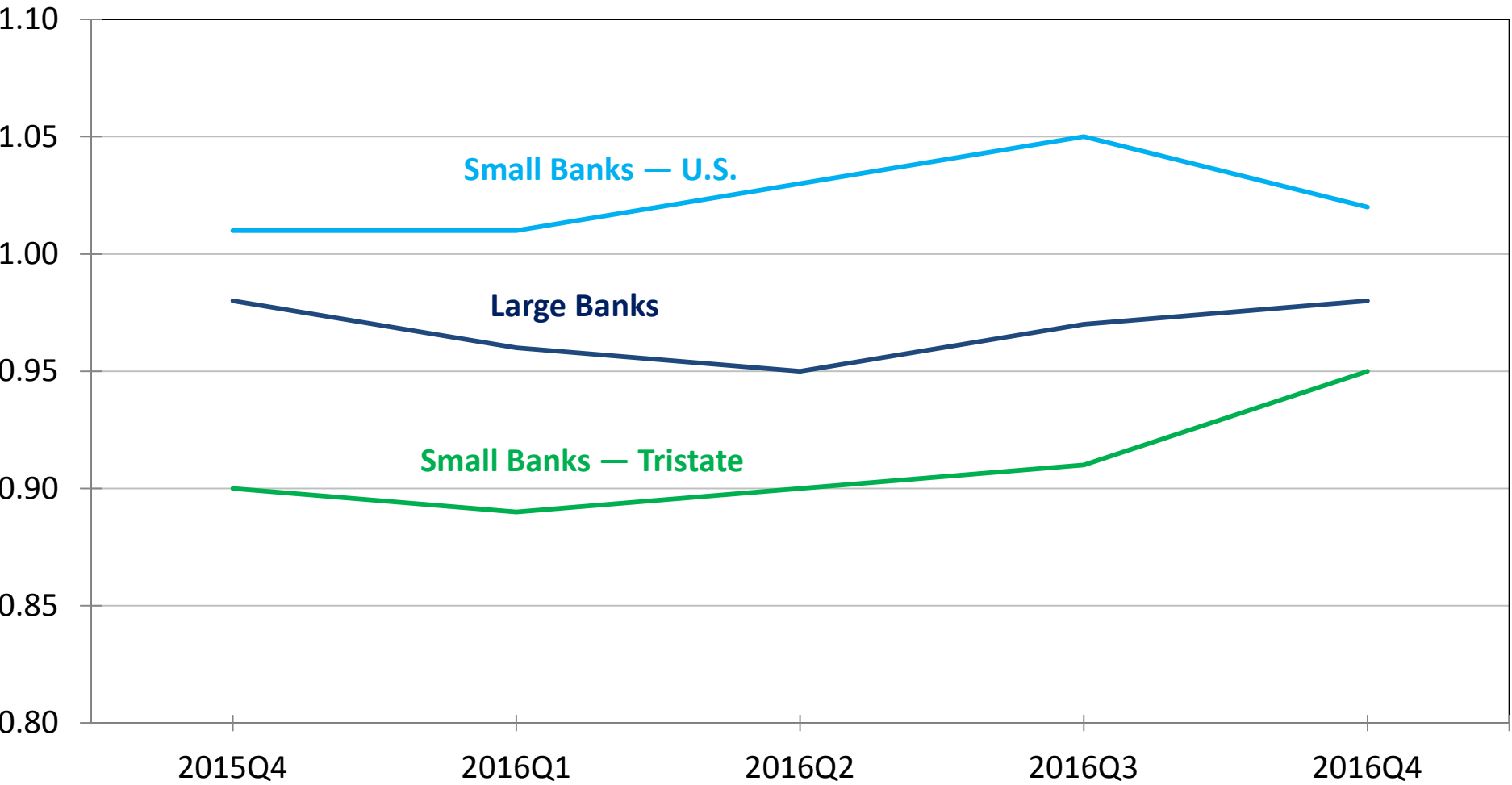
In the fourth quarter of 2016, profitability increased at small banks in the tristate area, while it remained relatively flat at large banks and small banks outside the tristate area. There was strong asset growth at these tristate small banks, mainly driven by loan growth. Consumer loans grew rapidly at tristate banks. Loan growth was solid at small banks outside of the tristate area, although there was some modest slowing. Asset and loan growth were more modest at large banks and slowed somewhat, especially loan growth. Real estate continued to be strong for small banks in the tristate area and the nation. Commercial real estate (CRE) lending was the largest force behind loan growth overall, although residential real estate (RRE) growth was solid. Asset quality continued to improve for all banks, but commercial and industrial (C&I) nonperforming loans (NPLs) saw yet another slight uptick, and nonperforming consumer loans at large banks and small banks outside the tristate area also rose modestly. Loan loss provisions rose at small banks. Deposit growth has also been strong, with a modest increase in core deposits at large banks and tristate small banks.

CHART 1

Profitability Increased at Small Banks in the Tristate Region

Return on average assets (ROAA).

Percent



However, net interest margins in the fourth quarter remained flat for all banks (see Summary Table on slide 2).

CHART 2

Loan Growth Remained Solid

Annual growth of total loans.

Percent

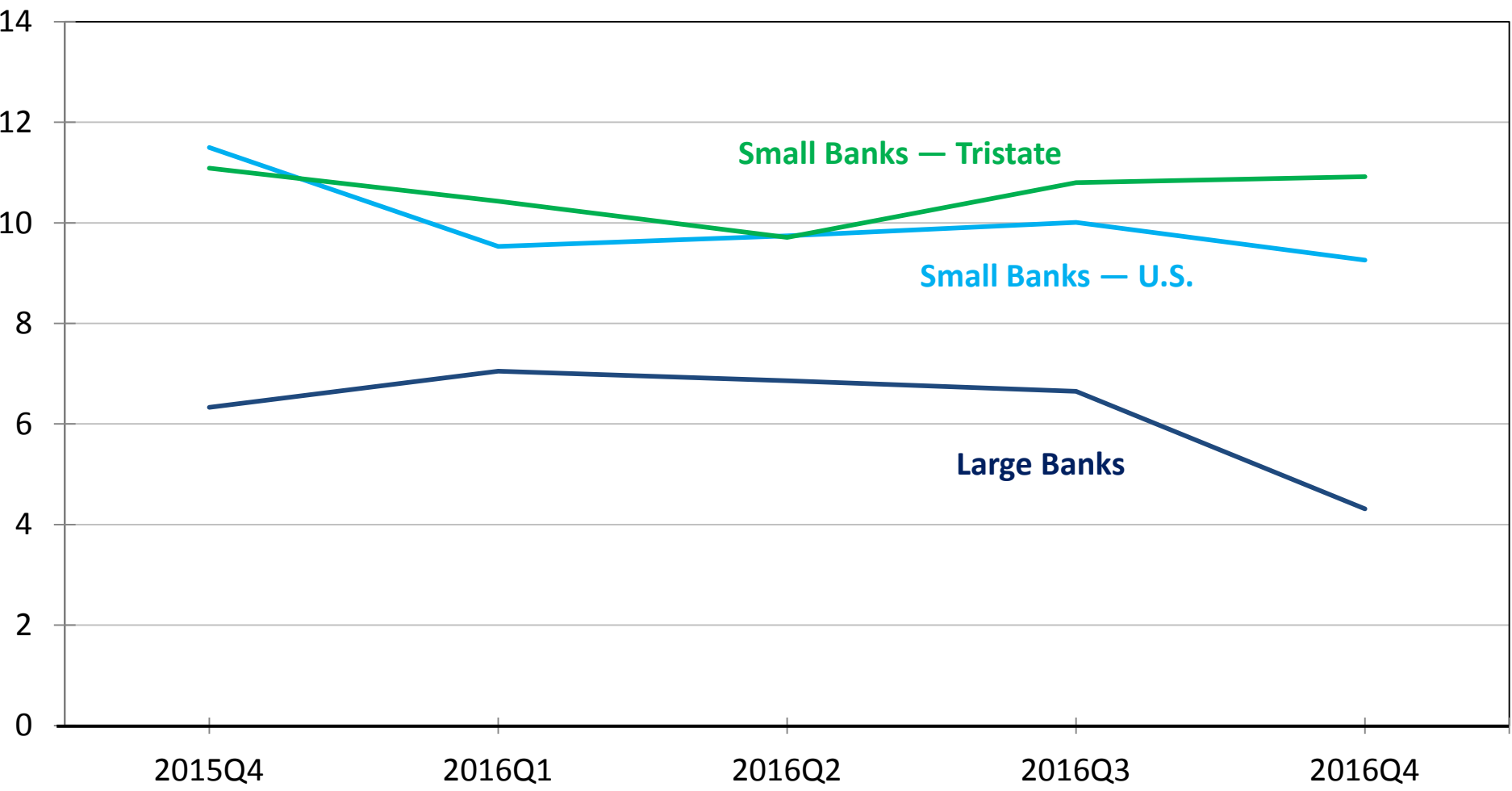
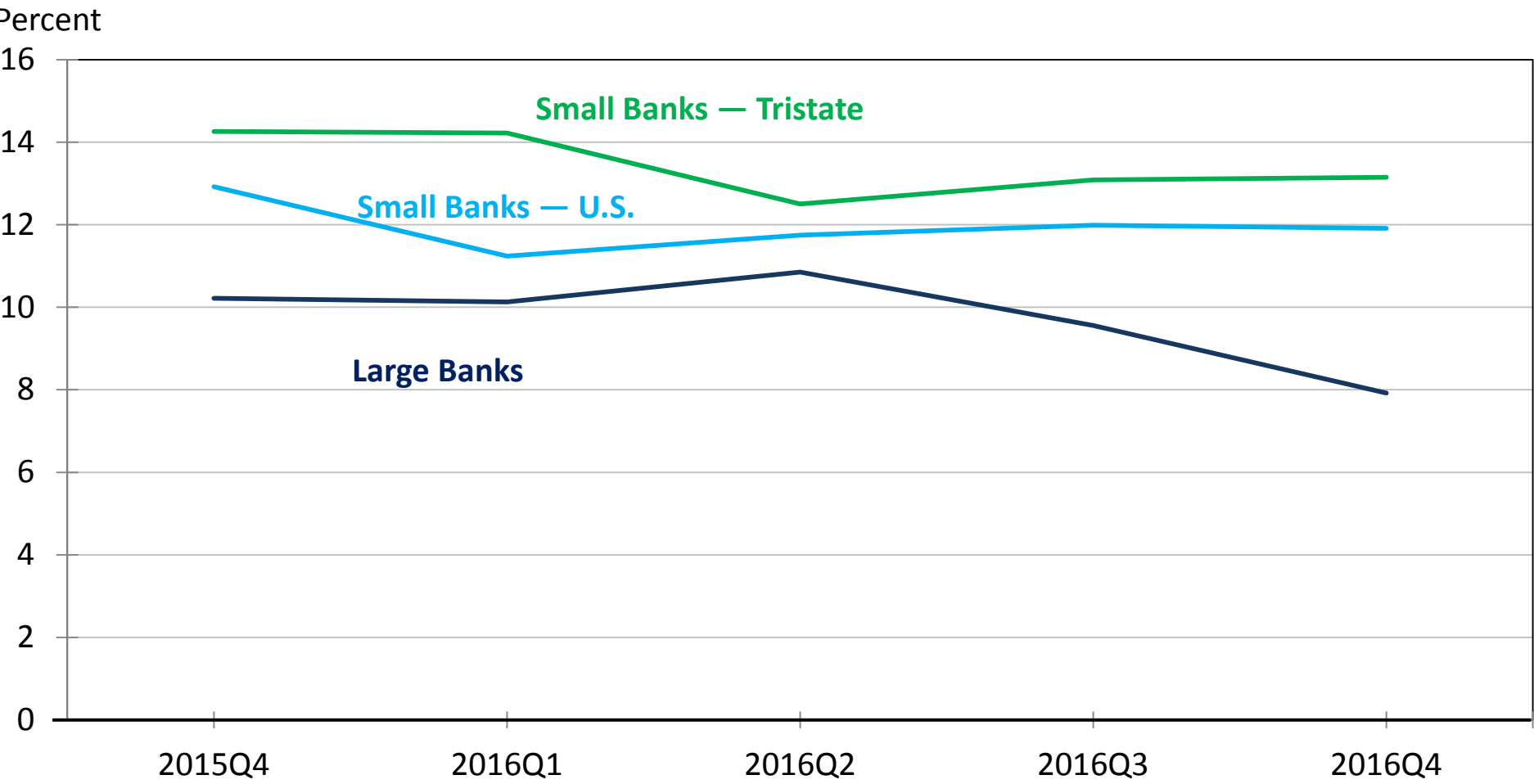


CHART 3
Loan Growth Driven by CRE and RRE Loans
 Annual growth of total CRE loans.

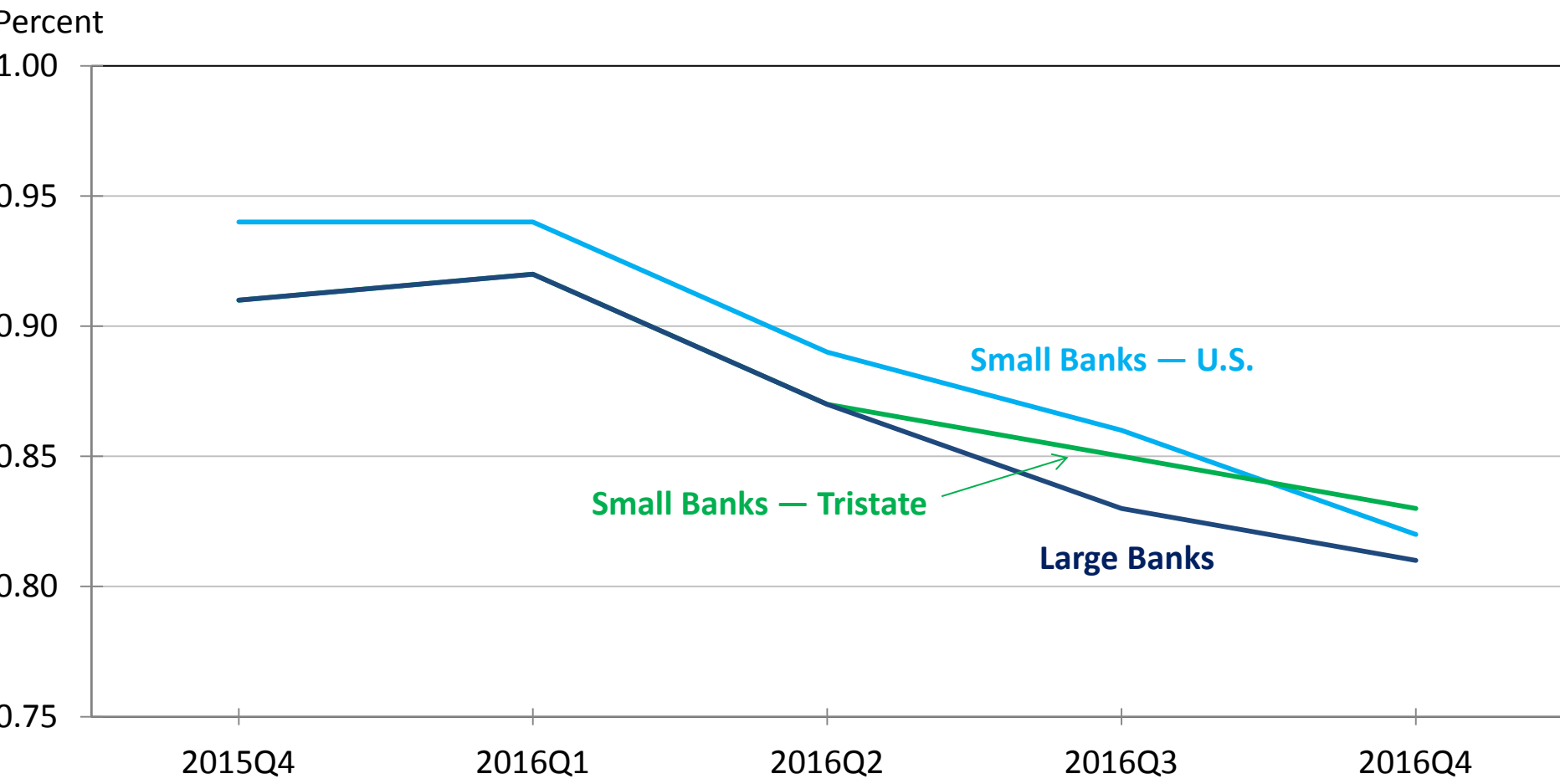


RRE loan growth at large banks was 1.74%, while RRE loans at small banks both in- and outside of the tristate area grew at 7.35%. Consumer loans grew rapidly at tristate small banks to 14.43% — up from 6.26% a year ago. Consumer loans at large banks and small banks outside the tristate area grew at 5.22% and 7.76%, respectively. Large banks may be pulling back from multifamily lending.

CHART 4

Overall Asset Quality Continued to Improve

Nonperforming assets as a share of total assets.

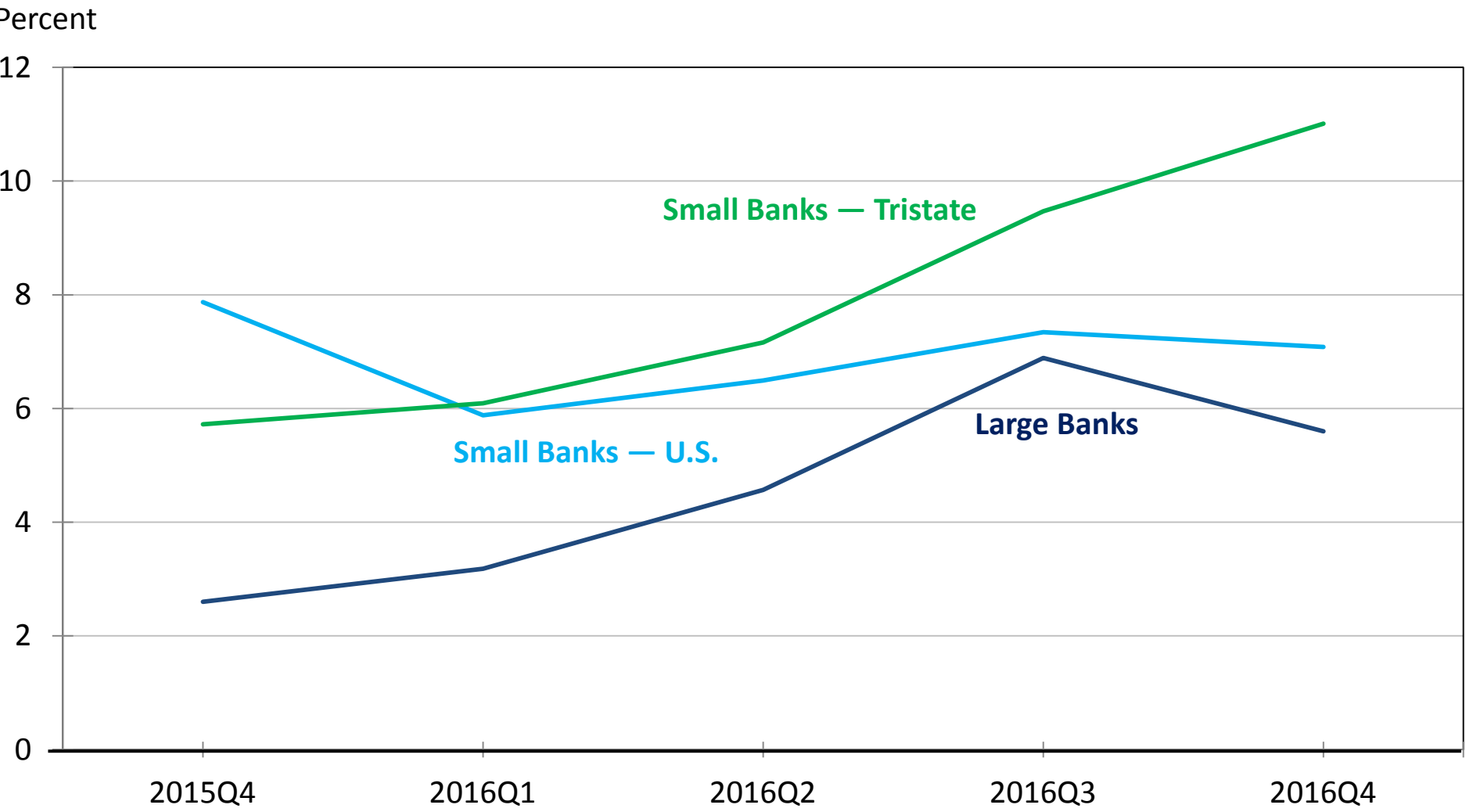


Nonperforming C&I loans increased at all banks with the rise being largest at large banks. This rise is concentrated at the beginning of the year, mainly due to oil-related loans. The moderation in the rise is consistent with evidence that this market has stabilized with strengthening oil prices.

CHART 5

Deposit Growth Quickened

Annual growth of total CRE loans.



Deposit growth was fueled mainly by increases in core deposits at large banks and tristate small banks.



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