Banking Brief

Research Department

Fourth Quarter 2020 Highlights

Summary Table of Bank Structure and Conditions

Fourth Quarter 2020	Small Banks						Large Banks		
	U.S.			Tristate			U.S.		
	$ Billion	% Change From		$ Billion	% Change From		$ Billion	% Change From	
	20Q4	20Q3	19Q4	20Q4	20Q3	19Q4	20Q4	20Q3	19Q4
Total Assets	2,844.9	9.40	19.16	198.9	-2.08	21.09	16,763.9	14.40	17.55
Total Loans	1,898.0	-5.79	12.84	148.9	-4.80	19.51	7,697.5	-1.58	2.10
C&I	393.0	-32.33	52.80	38.1	-24.33	110.56	1,896.7	-11.38	5.04
Real Estate	1,315.9	4.77	5.66	93.9	4.24	2.23	3,286.5	-4.84	0.20
Consumer	69.8	-1.26	1.93	8.4	-0.21	12.58	1,115.2	6.72	-4.76
Total Deposits	2,375.8	14.61	20.62	157.9	6.86	17.74	13,622.2	18.43	23.37
Ratios (in %)	**20Q4**	**20Q3**	**19Q4**	**20Q4**	**20Q3**	**19Q4**	**20Q4**	**20Q3**	**19Q4**
Net Income/Avg. Assets (ROA)	1.13	1.12	1.26	0.87	0.80	1.11	0.59	0.58	1.20
Net Interest Inc./Avg. Assets (NIM)	3.20	3.27	3.48	2.92	2.91	3.16	2.23	2.31	2.64
Noninterest Inc./Avg. Assets	1.11	1.07	0.98	1.05	1.04	1.08	1.32	1.34	1.44
Noninterest Exp./Avg. Assets	2.66	2.69	2.83	2.50	2.53	2.74	2.26	2.30	2.36
Loans/Deposits	79.89	83.90	85.40	94.35	97.12	92.95	56.51	59.18	68.28
Equity/Assets	10.85	10.83	11.78	9.83	9.52	11.10	10.01	10.18	11.23
Nonperforming Loans/Total Loans	0.75	0.75	0.71	0.71	0.63	0.63	1.12	1.11	0.84

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, 2019, 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, 2019. 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, 2019, including assets of only their commercial bank subsidiaries. *U.S.* excludes tristate banks. The sample includes 113 small tristate banks, 3,867 small U.S. banks, and 100 large U.S. banks. *Data for Large Banks were adjusted due to an internal merger at one institution during the second quarter of 2019 in which credit card loans previously held at a nonbanking subsidiary were brought onto the bank's balance sheet, thus making assets, loans, and consumer loans appear to grow at an extremely and artificially high rate.

Recent Trends in Tristate and U.S. Banking Markets

Bank profitability declined at all banks, most significantly at tristate banks and large banks. The decline predominantly occurred in the second and third quarters; profits have been stable since the third quarter. This decline in profitability was driven by declines in net interest margins (NIM) in the second and third quarters and the rise in nonperforming loans at tristate banks and large banks. Annual growth rates for both loans and assets at small banks were high, although quarterly growth was negative. The rapid growth in the second and third quarters and subsequent slowing in the fourth quarter was largely due to commercial and industrial (C&I) lending, which, in turn, was driven by Paycheck Protection Program lending. Large banks saw a rise in annual asset growth, largely driven by securities, while total loan growth declined. All bank categories saw significant growth in deposits, likely caused by uncertainty due to the COVID-19 pandemic. The share of nonperforming loans (NPL) to total loans for large banks and tristate banks increased, while small banks in the rest of the U.S. remained steady. This rising share was due, in large part, to an increase in nonperforming CRE loans at large banks and tristate banks. After significant declines in the second and third quarters, in the fourth quarter bank capital ratios increased at tristate banks and stabilized at large banks and small banks in the nation.

CHART 1

Profitability Down Year Over Year

Percent

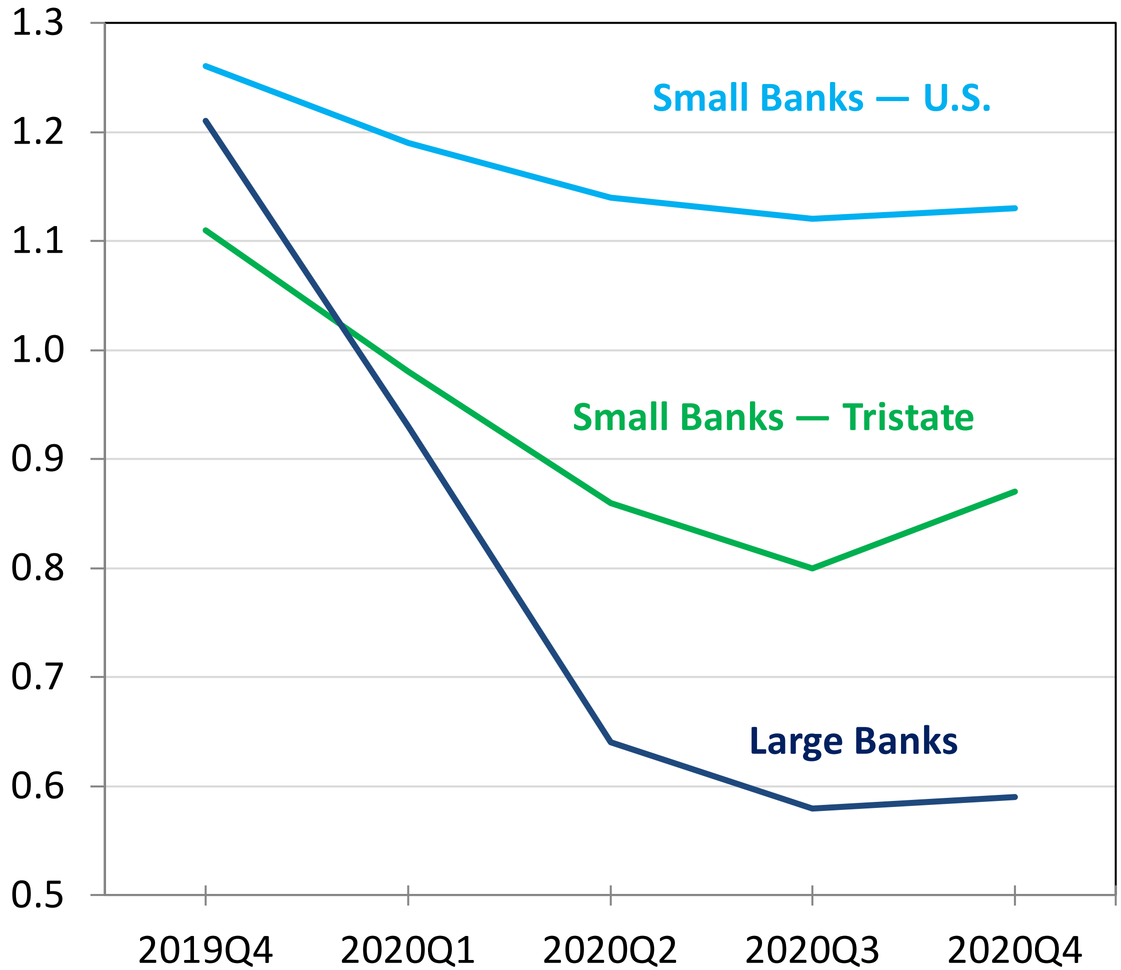

CHART 2

NIM Trended Downward Across All Banks

Percent

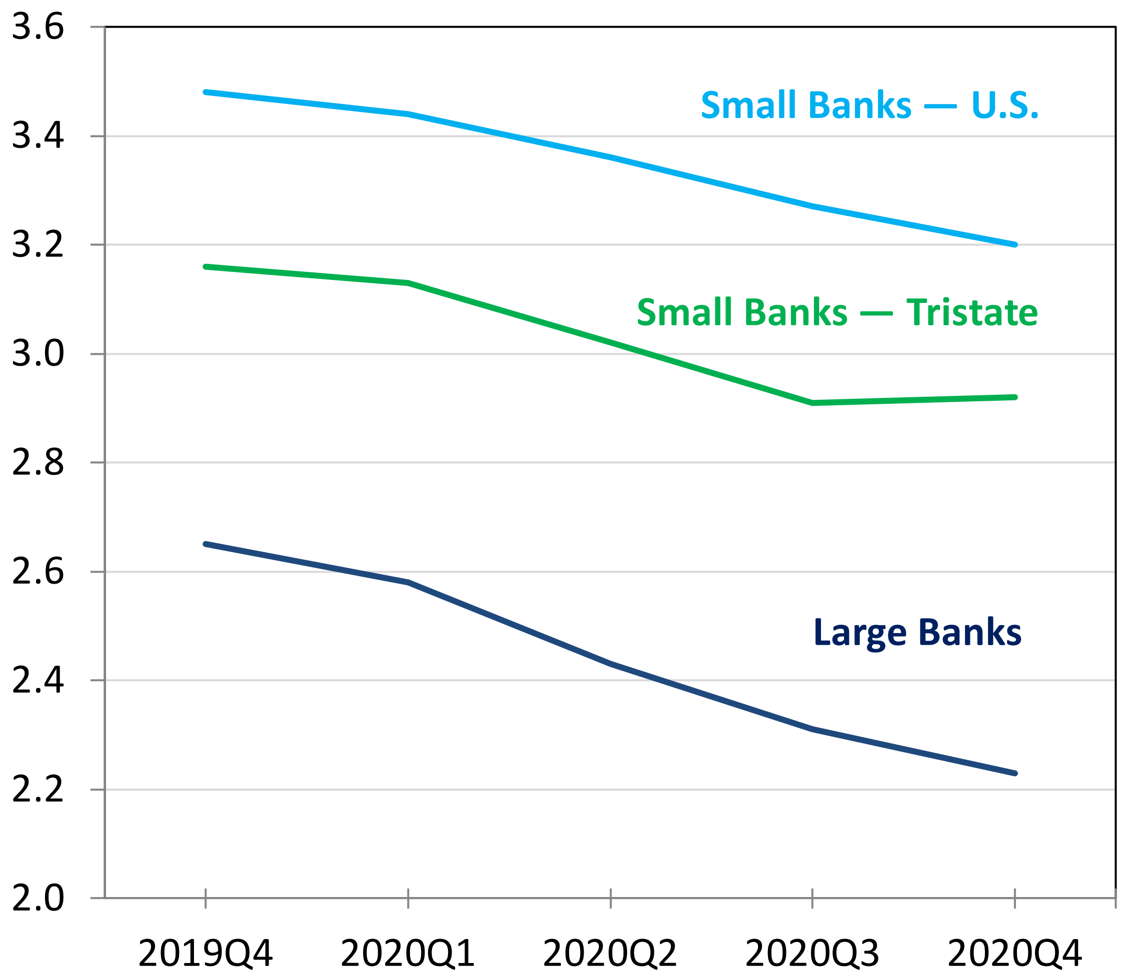

CHART 3

Annual Asset Growth Rose at All Banks with Small Bank Growth Moderating*

Percent

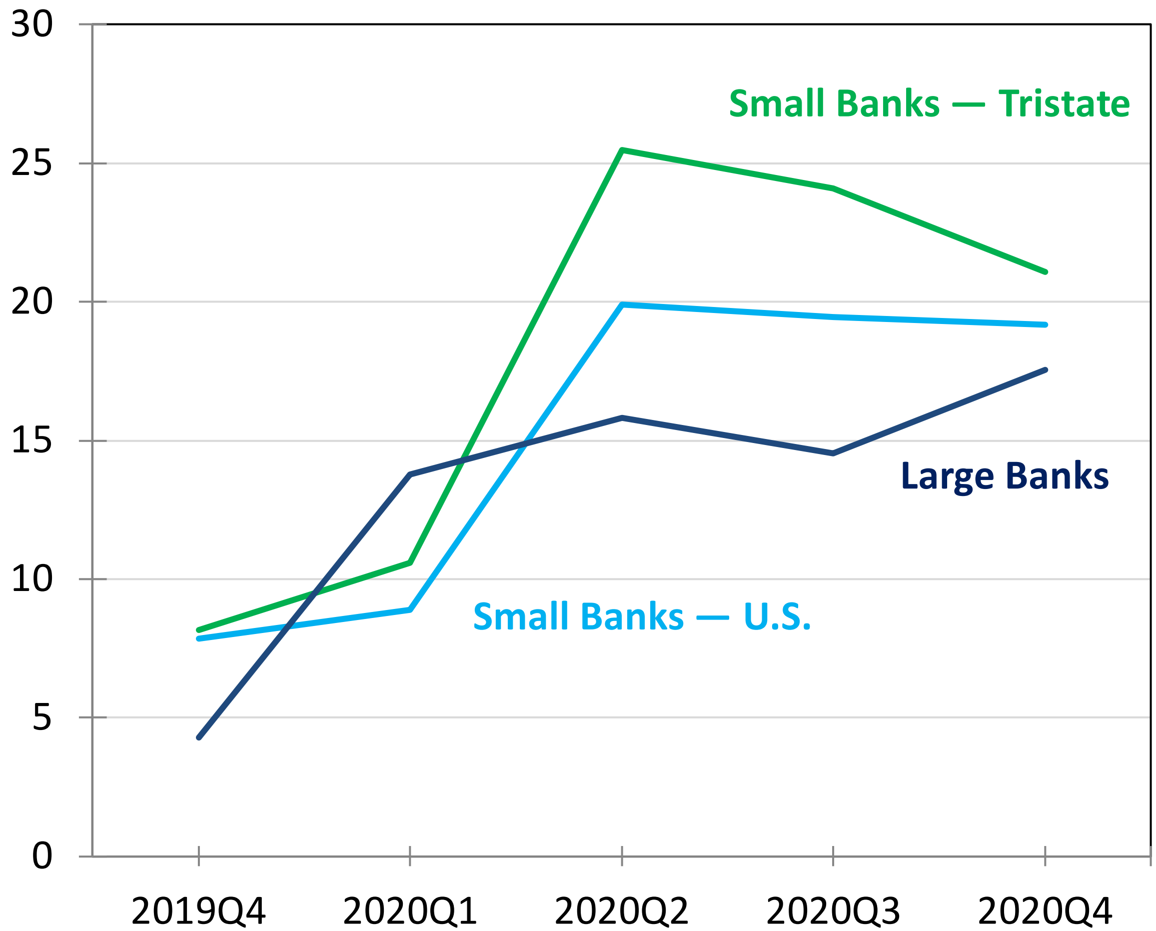

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CHART 4

Loan Growth Slowed for All Banks but Maintained Elevated Levels at Small Banks*

Percent

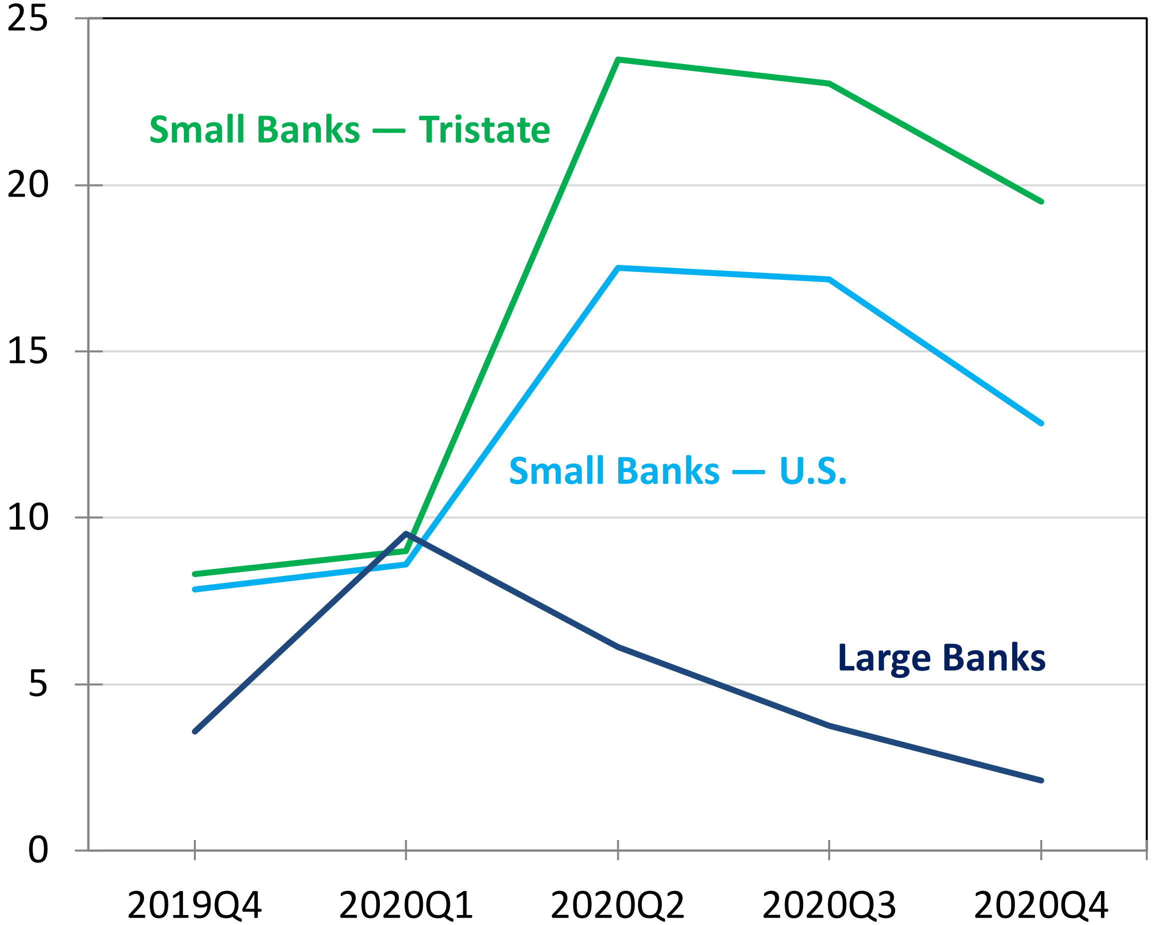

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CHART 5

C&I Loans Grew Year Over Year at Small Banks, Remained Relatively Steady at Large Banks

Percent

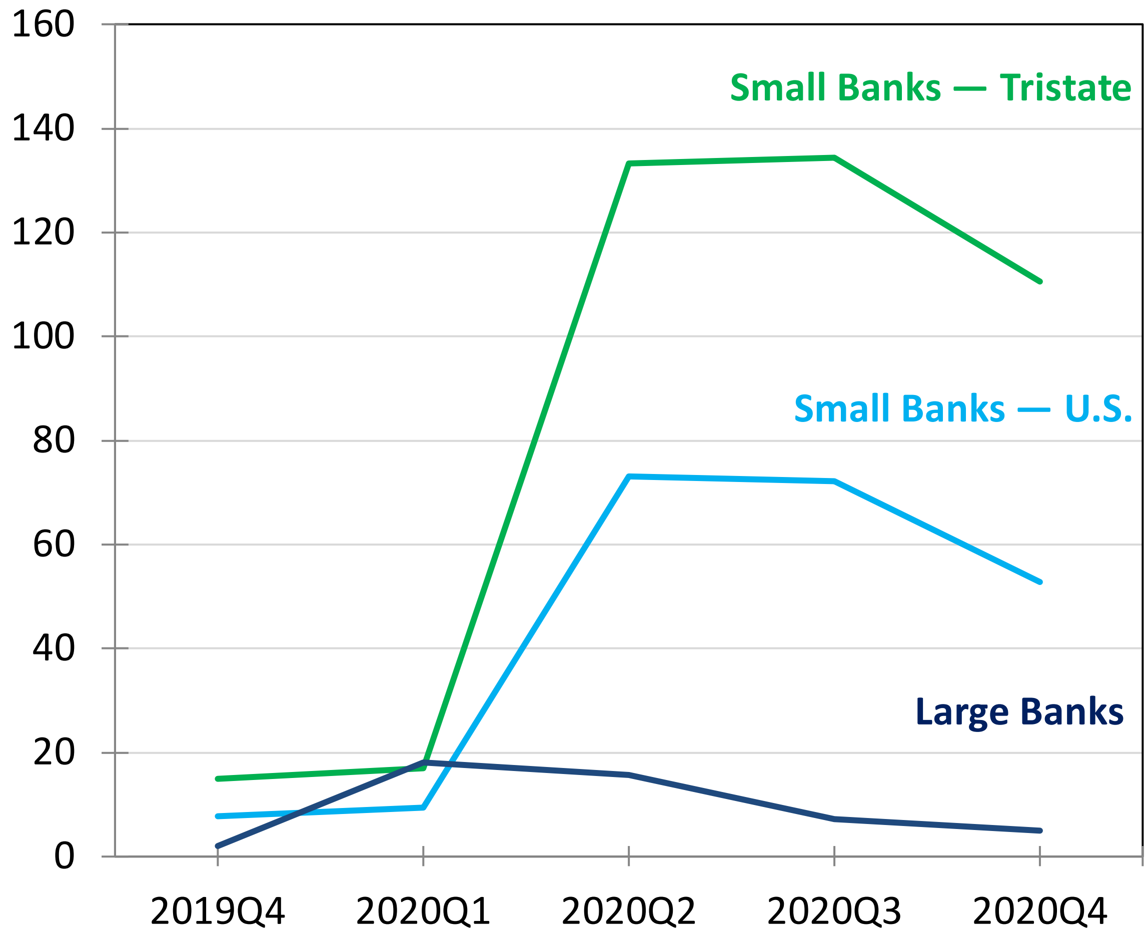

CHART 6

Deposits Are High for All Banks*

Percent

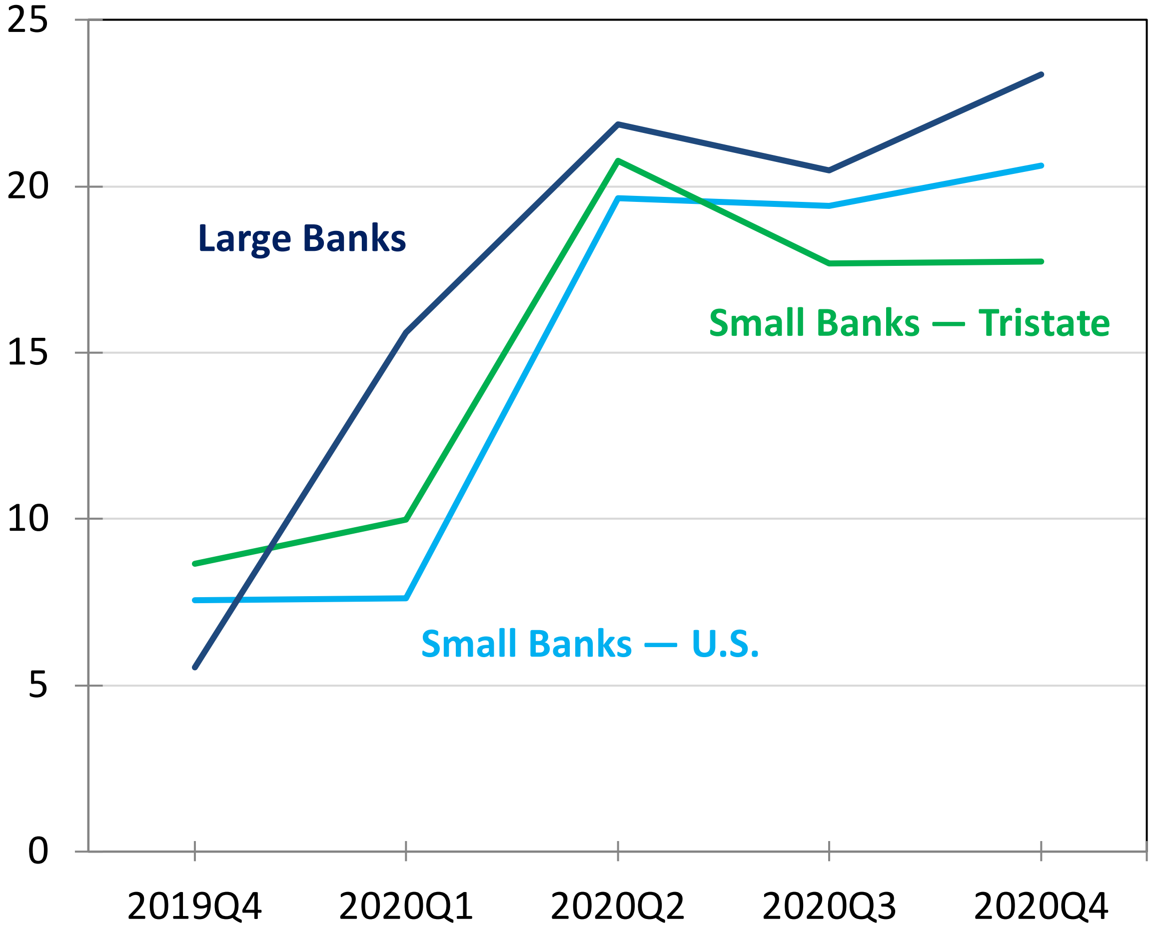

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CHART 7

NPLs Ticked Up at Small Banks, Grew Significantly at Large Banks

Percent

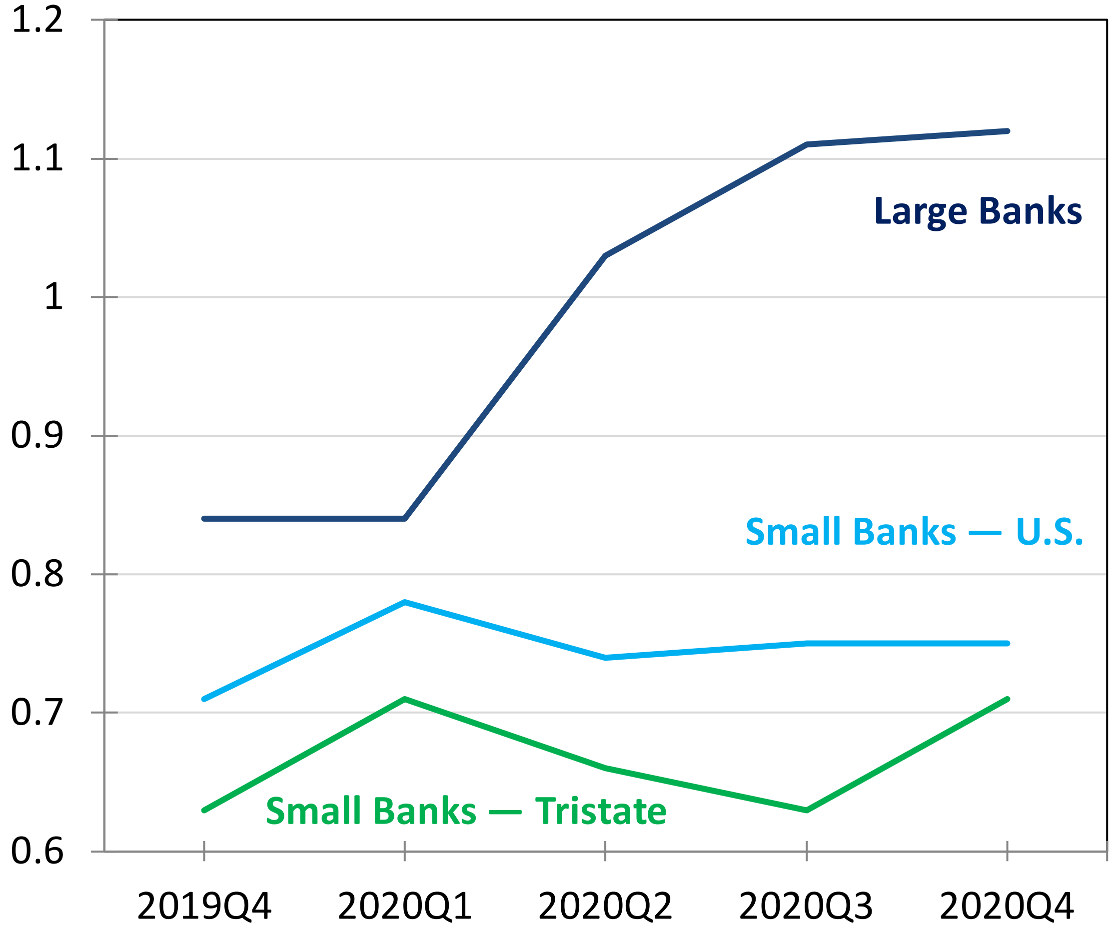


CHART 8

Nonperforming CRE Loans Rose for All Banks

Percent

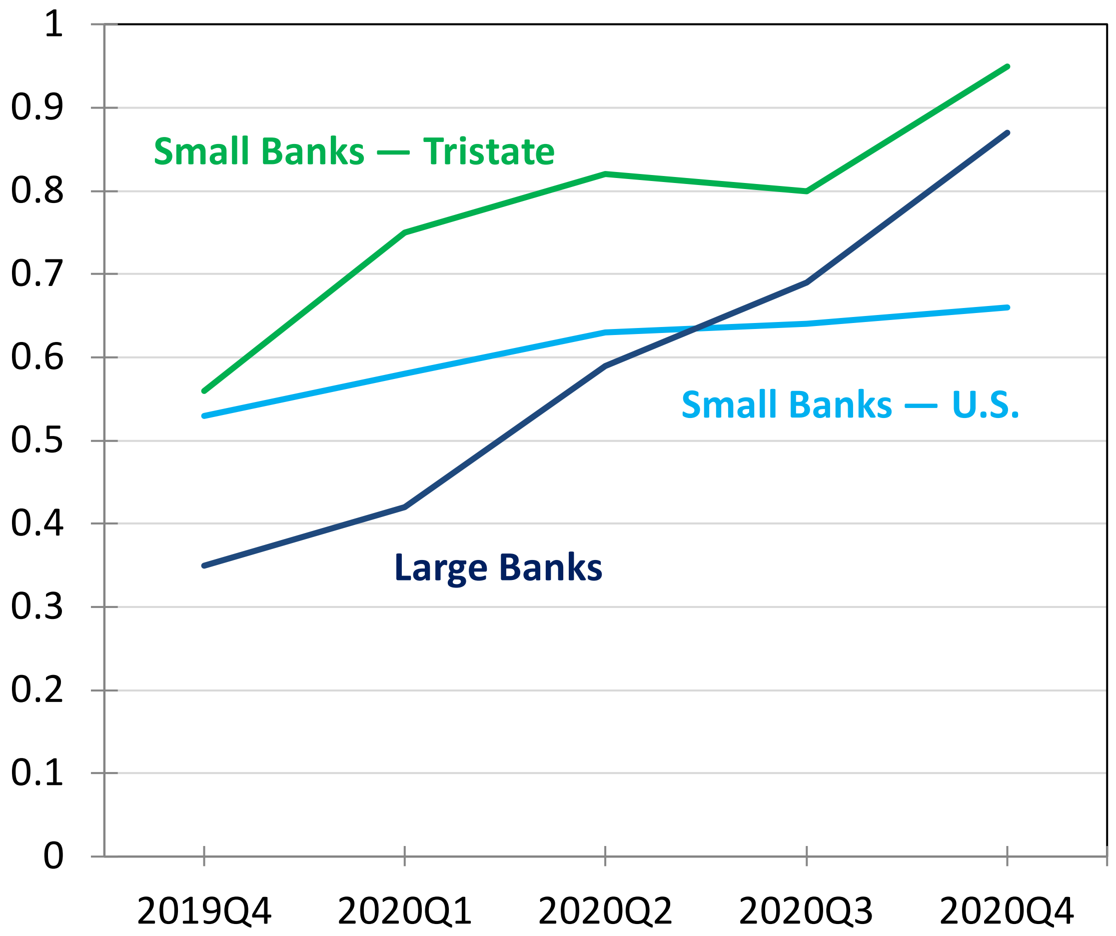
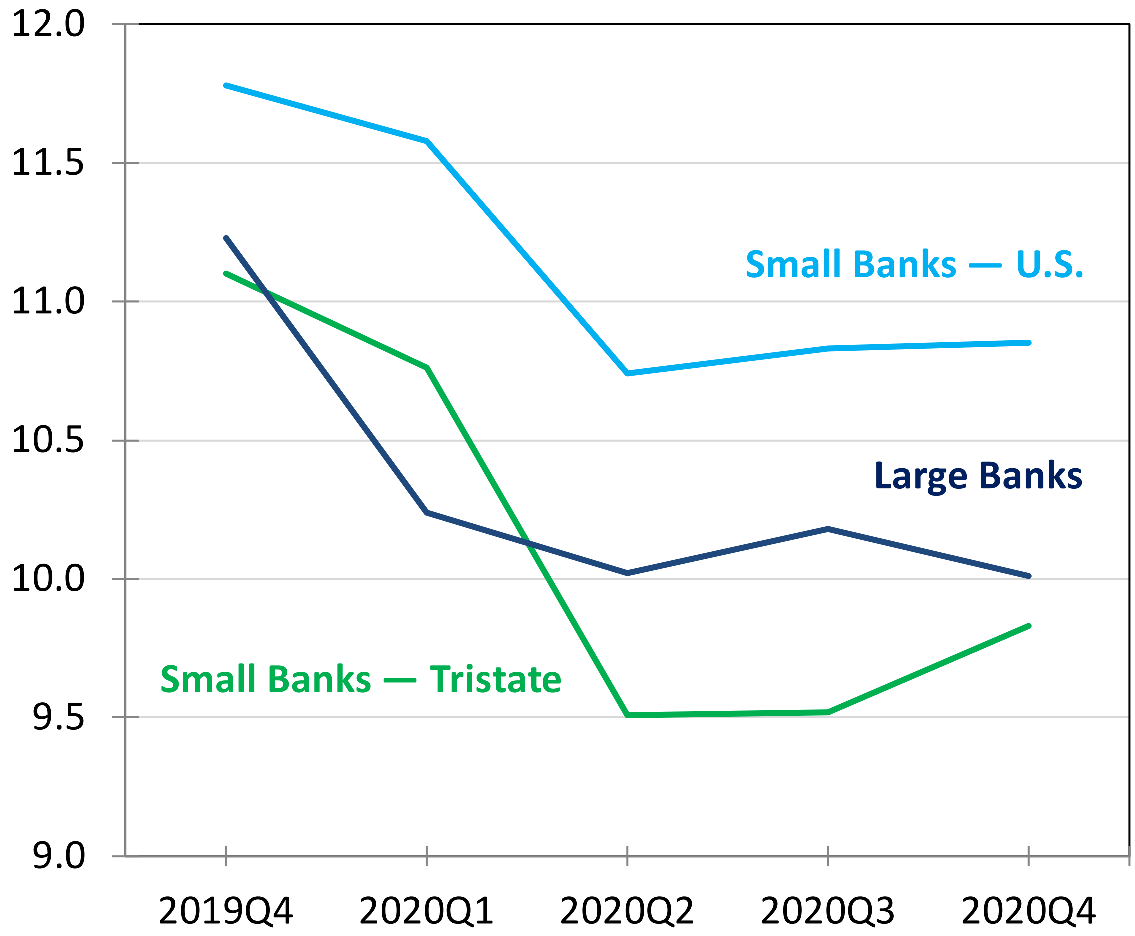


CHART 9

Equity Ratios Were Lower, Following a Decline in Q2

Percent



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