

Banking Brief

RESEARCH DEPARTMENT

First Quarter 2021 Highlights

Summary Table of Bank Structure and Conditions

First Quarter 2021	Small Banks						Large Banks		
	U.S.			Tristate			U.S.		
	\$ Billion	% Change From		\$ Billion	% Change From		\$ Billion	% Change From	
	21Q1	20Q4	20Q1	21Q1	20Q4	20Q1	21Q1	20Q4	20Q1
Total Assets	2,976.7	21.60	21.56	202.9	22.09	20.93	17,242.9	11.68	9.85
Total Loans	1,923.2	6.98	12.50	146.7	14.24	18.10	7,649.7	-2.84	-4.13
C&I	413.6	29.28	56.38	36.7	69.99	108.29	1,896.8	-2.23	-11.64
Real Estate	1,328.1	3.11	4.84	98.0	0.39	2.86	3,238.1	-5.55	-1.79
Consumer	69.6	5.86	3.56	7.6	25.49	14.70	1,084.1	-11.11	-4.17
Total Deposits	2,522.1	27.85	25.42	165.3	23.47	20.83	14,041.9	12.78	15.69
Ratios (in %)	21Q1	20Q4	20Q1	21Q1	20Q4	20Q1	21Q1	20Q4	20Q1
Net Income/Avg. Assets (ROA)	1.22	1.07	1.16	1.04	0.85	1.00	0.83	0.59	0.94
Net Interest Inc./Avg. Assets (NIM)	3.15	3.20	3.43	2.92	2.96	3.16	2.10	2.23	2.57
Noninterest Inc./Avg. Assets	1.16	1.11	0.98	1.07	1.06	1.07	1.31	1.32	1.40
Noninterest Exp./Avg. Assets	2.61	2.71	2.84	2.47	2.56	2.74	2.15	2.26	2.38
Loans/Deposits	76.25	79.73	85.02	88.76	90.50	90.81	54.48	56.55	65.74
Equity/Assets	10.43	10.85	11.60	10.01	10.37	11.12	9.84	10.01	10.24
Nonperforming Loans/Total Loans	0.75	0.79	0.79	0.70	0.75	0.70	1.06	1.12	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, 2020, 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, 2020. 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, 2020, including assets of only their commercial bank subsidiaries. *U.S.* excludes tristate banks. The sample includes 114 small tristate banks, 3,766 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

Profitability increased at small banks and declined somewhat at large banks compared to last year. After falling during the first stage of the pandemic, profits have been increasing at all banks since the second quarter of 2020. The net interest margin (NIM) is lower across all banks, as it trended downward through the past year, a trend that often coincides with a low interest rate environment. U.S. and tristate small banks saw large increases in their total assets compared to the first quarter of 2020, with large banks seeing a more modest increase. Total loans growth rose at small banks, led by strong growth in their commercial and industrial (C&I) portfolios and modest growth in real estate portfolios. Large banks saw a decrease in their total loan growth from last year with negative growth in most loan categories. Total deposits were up at all banks compared to a year ago, with significant growth occurring in the second quarter of 2020. The ratio of nonperforming loans (NPL) to total loans was relatively steady at small banks relative to last year, but the large bank NPL to total loan ratio rose this quarter. Capital ratios for all banks fell year over year, significantly at small banks and modestly at large banks. The CARES Act provided temporary relief to community bank capital requirements, as evidenced by the decline in the second quarter of 2020.

CHART 1

Return on Average Assets Up Slightly at Small Banks, Down at Large From Last Year Percent

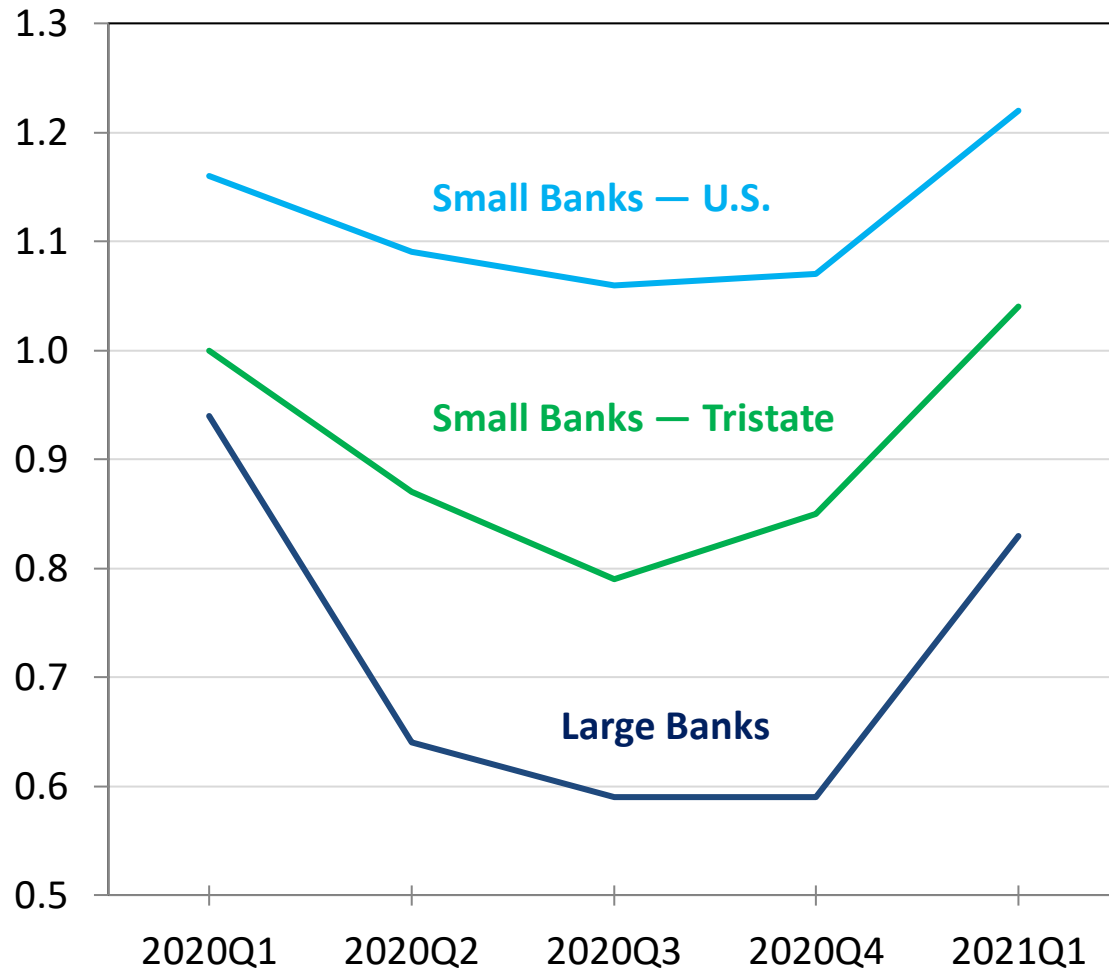


CHART 2

Growth in Net Income at All Banks; Large Banks See Big Spike

Percent

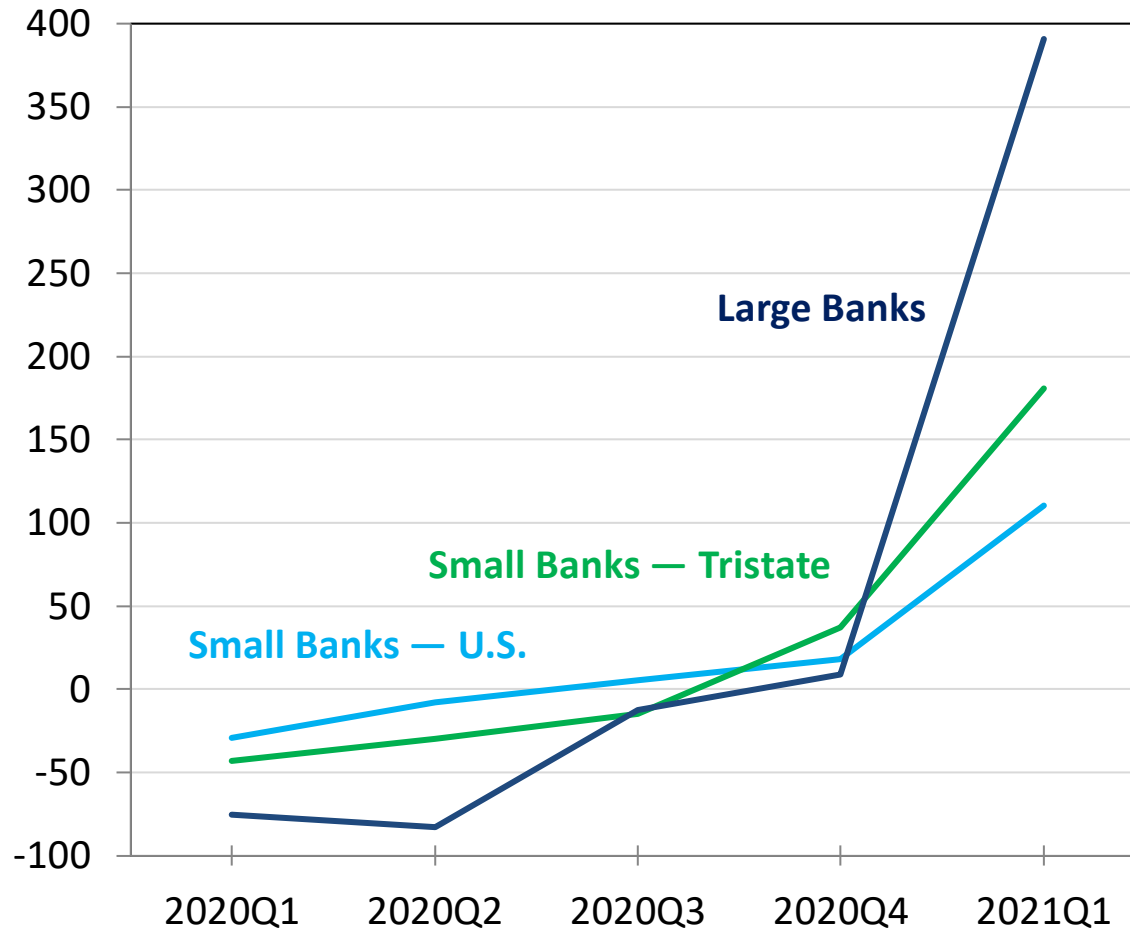
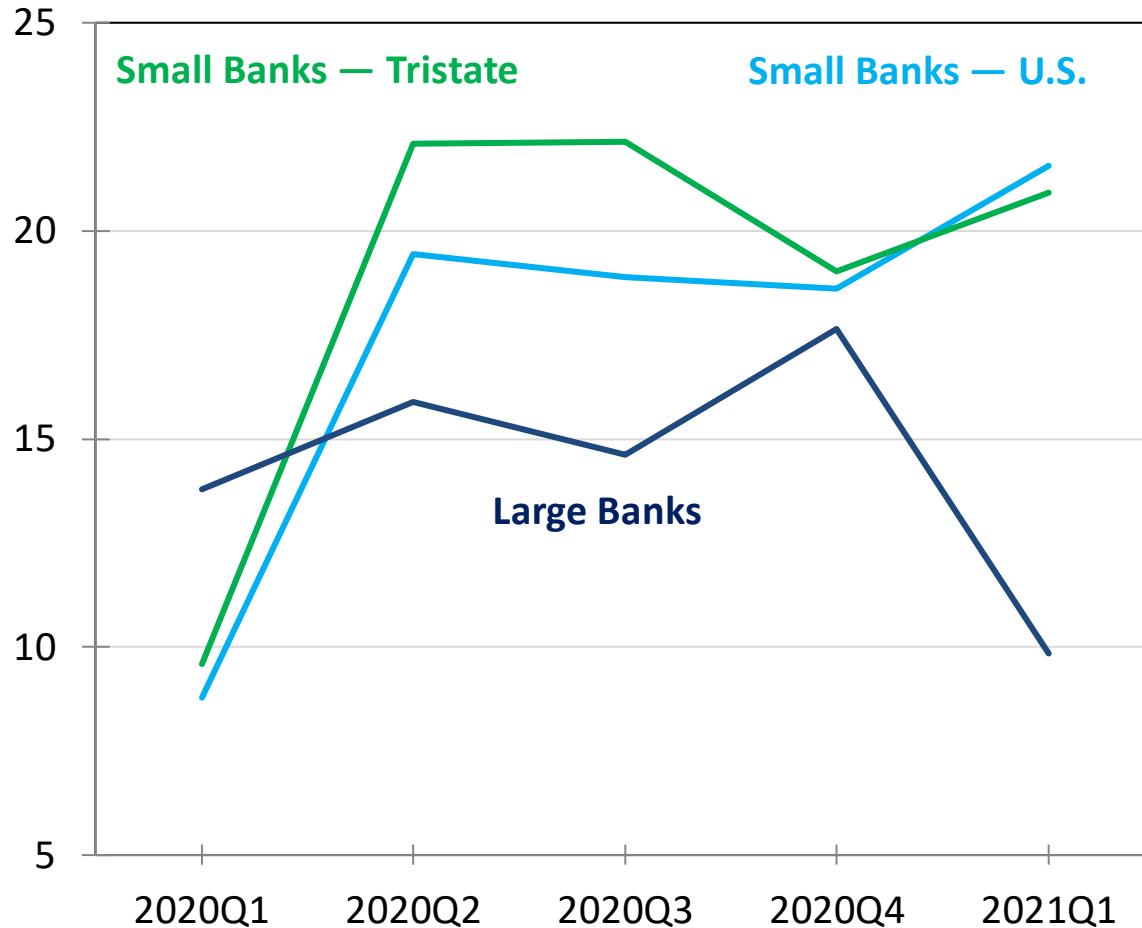


CHART 3

Annual Growth of Total Assets Rose at Small Banks, Fell at Large Banks*

Percent

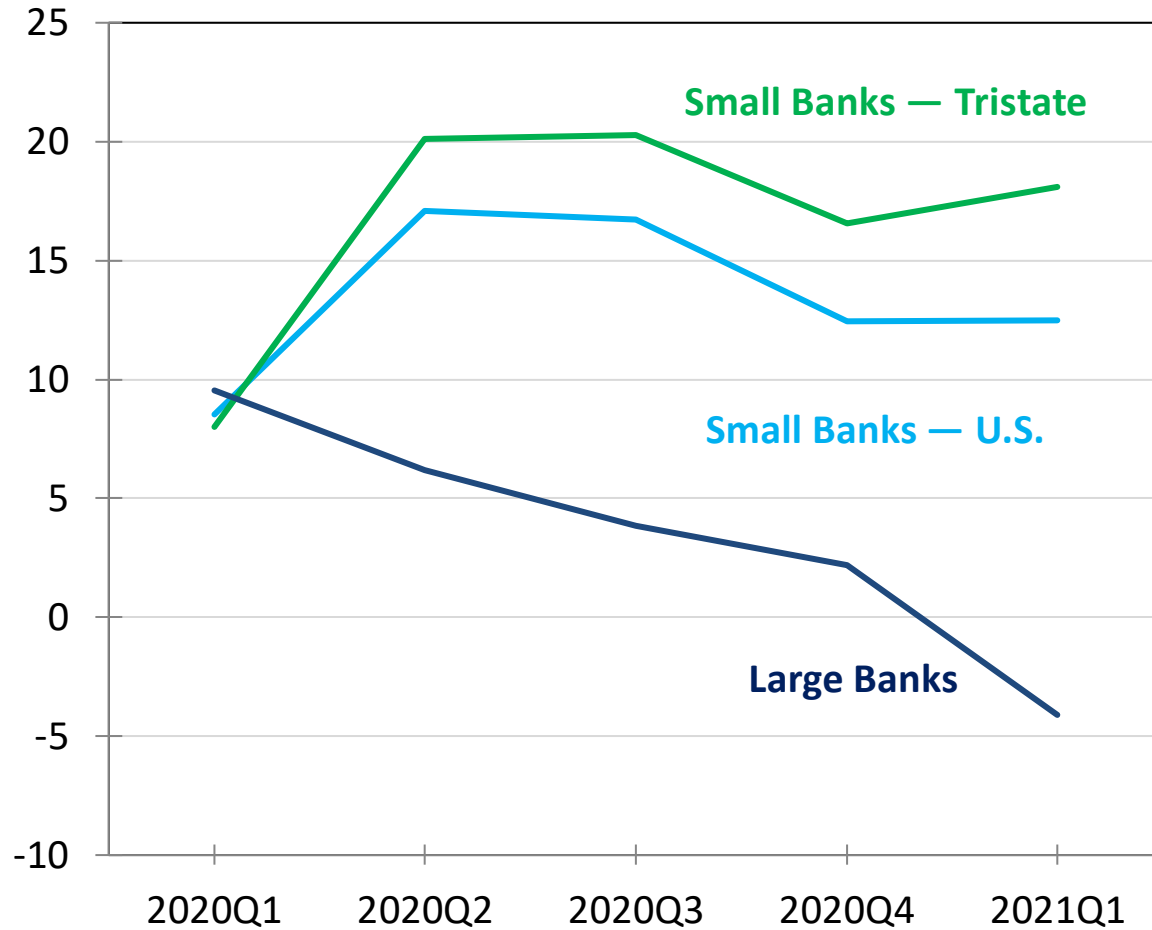


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CHART 4

Loan Growth at Large Banks Decreased*

Percent



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CHART 5

RRE Loans Fell Across All Banks

Percent

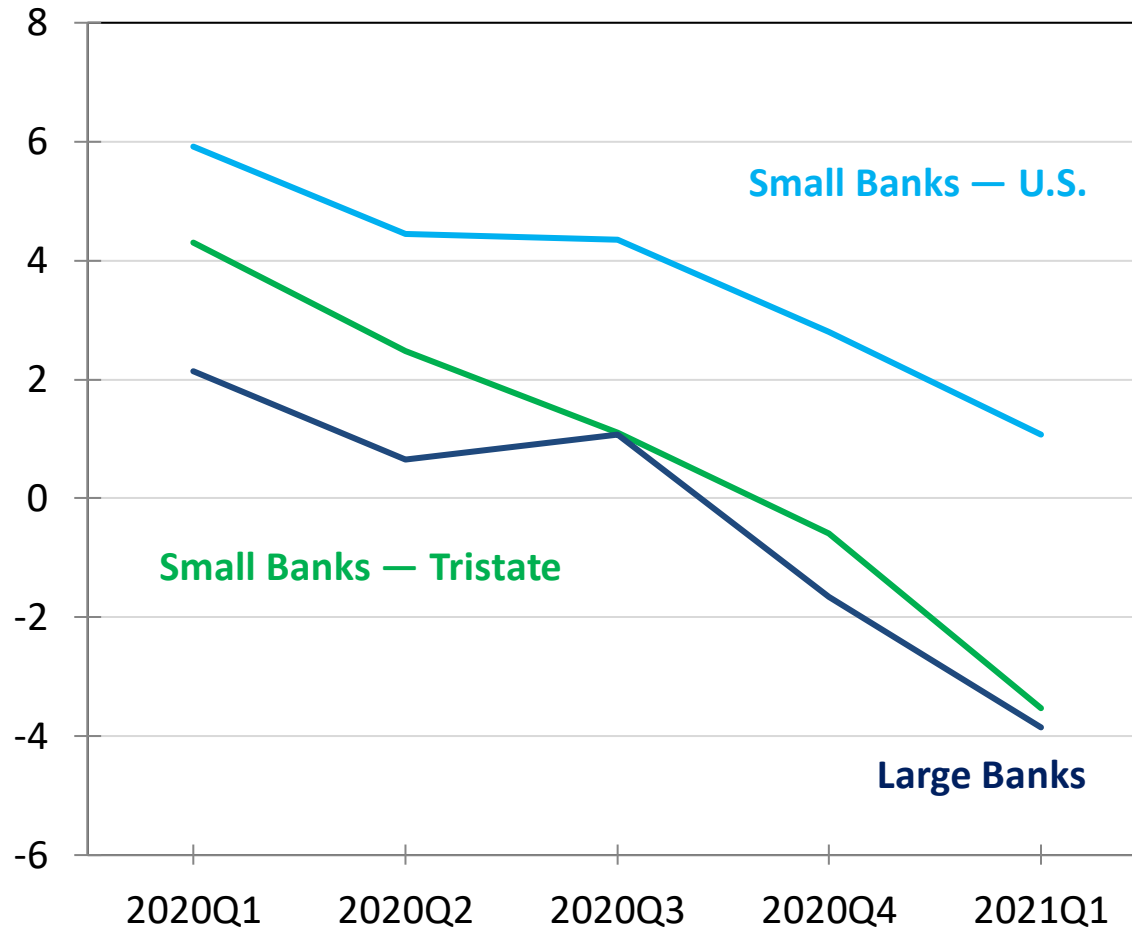


CHART 6

CRE Loan Growth Down at All Banks, Most Notably for Large Banks

Percent

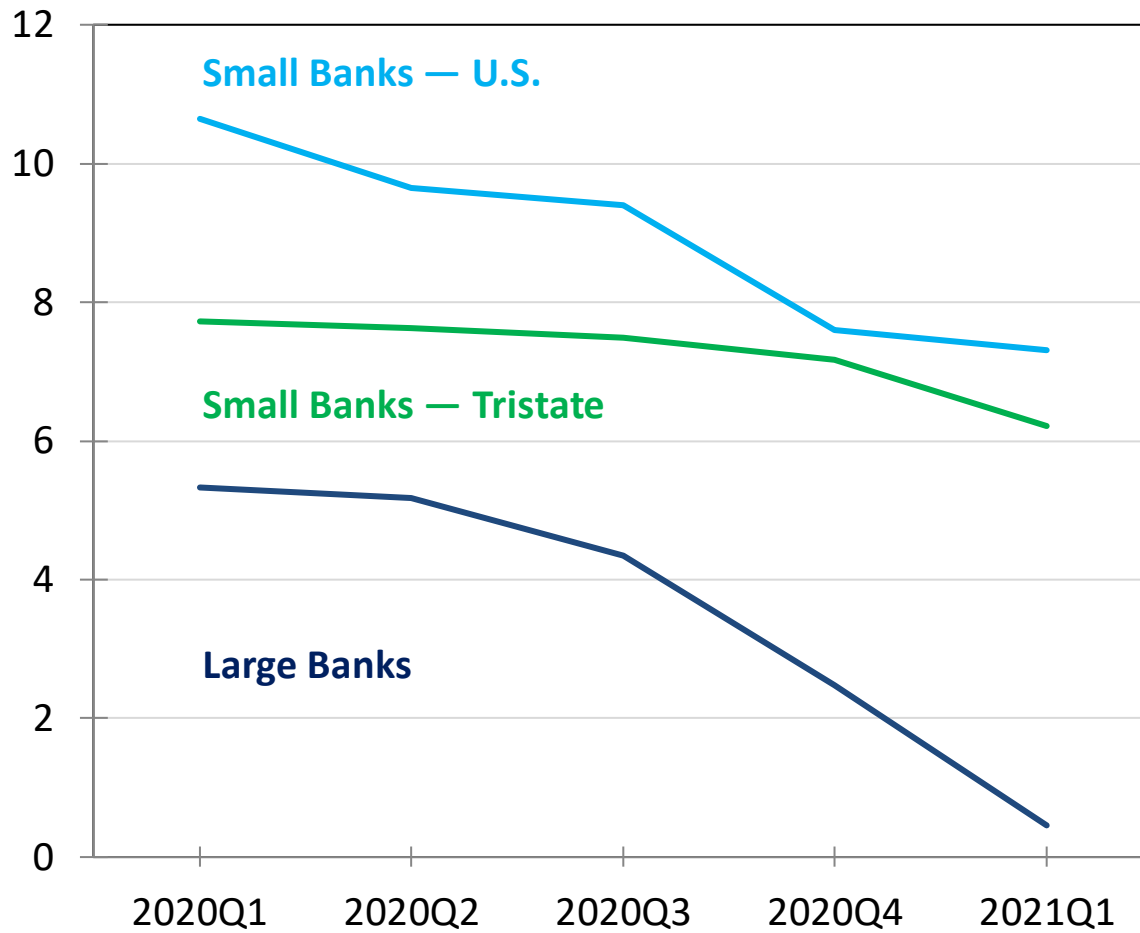


CHART 7

Annual Growth of Commercial and Industrial Loans

Percent

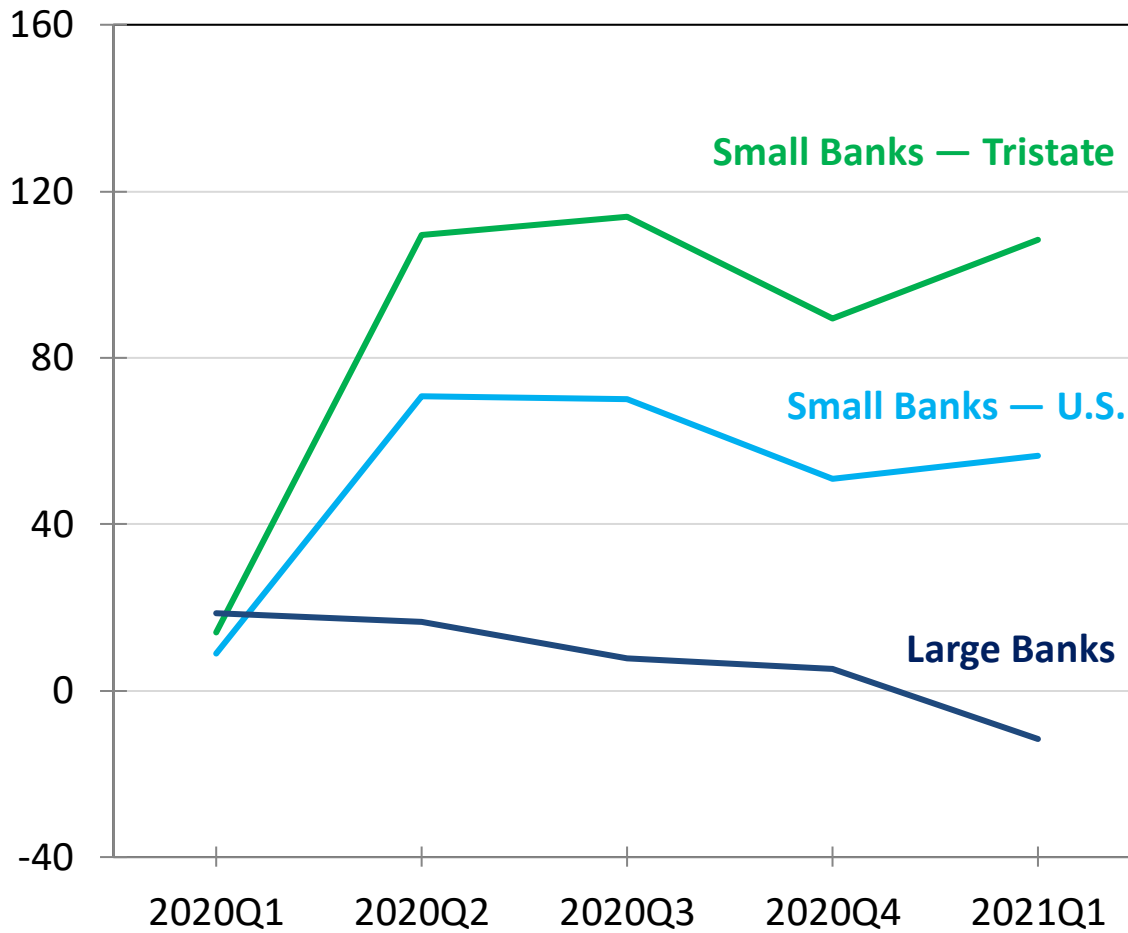


CHART 8

Nonperforming Loans Steady for Small Banks, Up for Large Year Over Year Percent

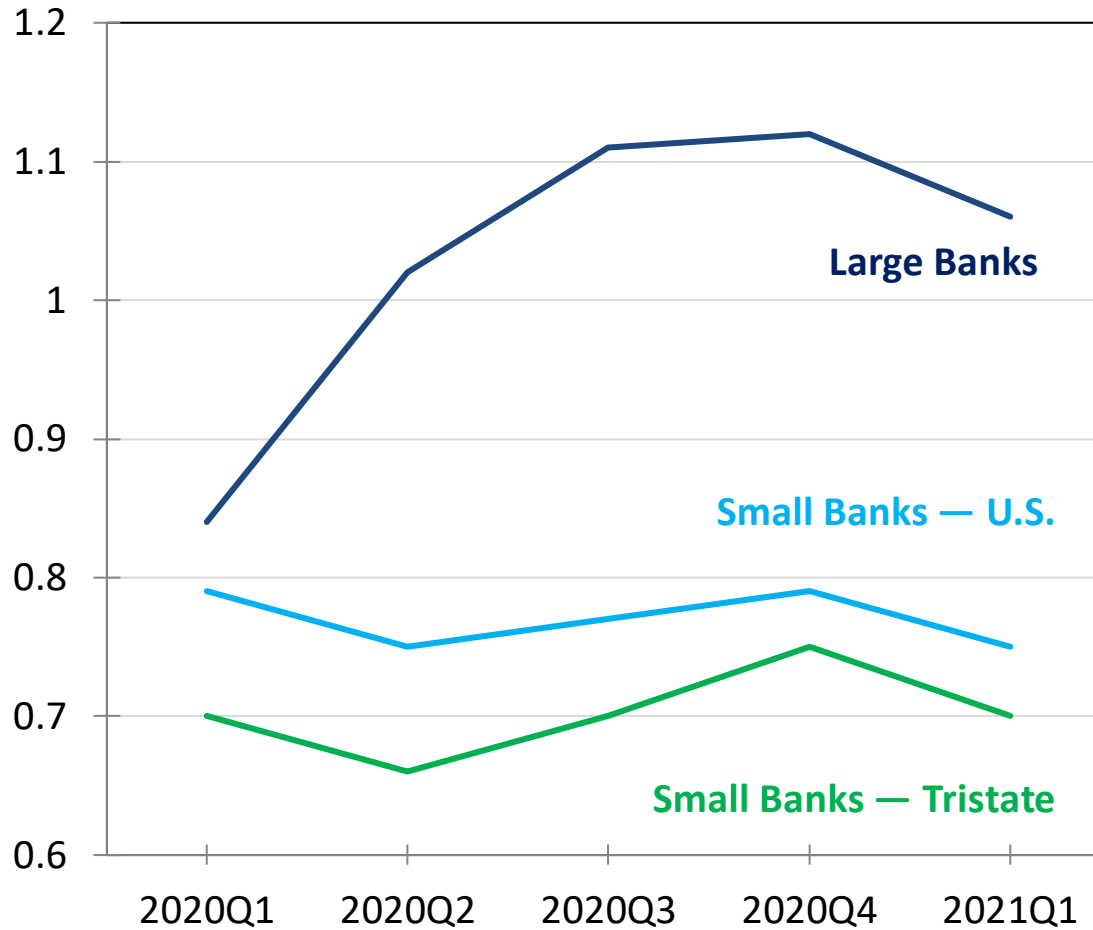


CHART 9

Net Charge-Offs Down at Large and Tristate Banks, Small National Banks See Uptick Percent

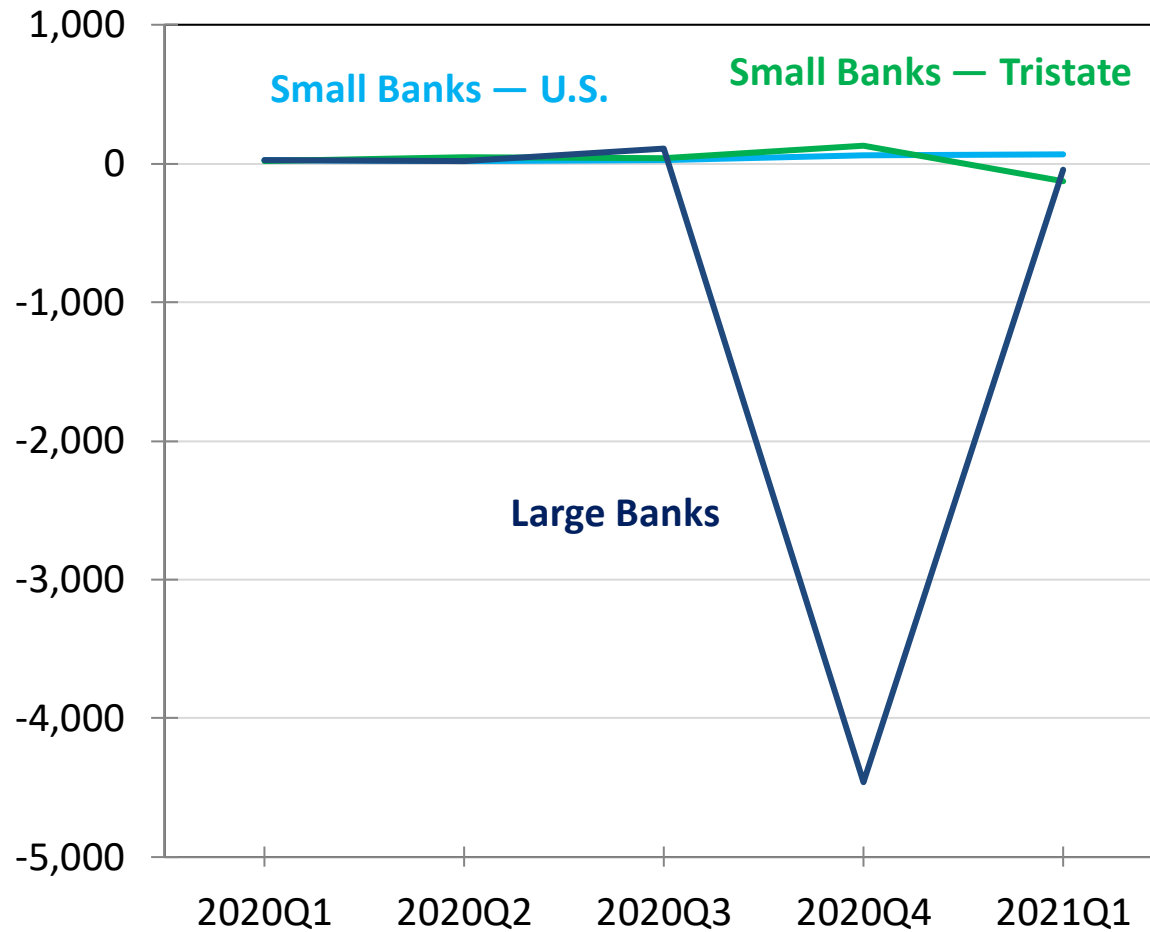
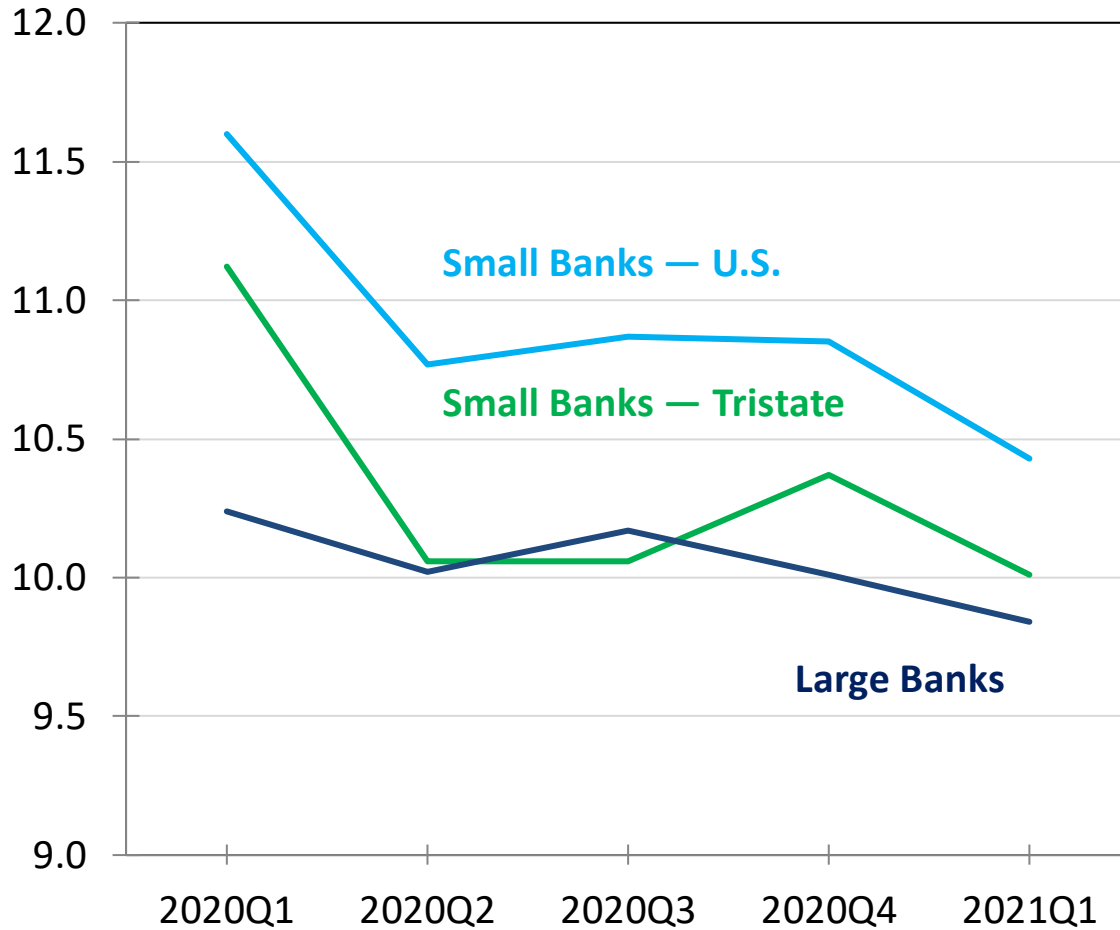


CHART 10

Equity Over Assets Ticked Down at Large Banks, Fell at Small Banks

Percent



Questions and comments may be directed to James V. DiSalvo at 215-574-3820 or jim.disalvo@phil.frb.org.

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