Banking Brief

Research Department

Second Quarter 2021 Highlights
Summary Table of Bank Structure and Conditions

<table>
<thead>
<tr>
<th></th>
<th>Small Banks</th>
<th></th>
<th>Large Banks</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>U.S.</td>
<td>Tristate</td>
<td>U.S.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>$ Billion</td>
<td>% Change From</td>
<td>$ Billion</td>
<td>% Change From</td>
</tr>
<tr>
<td></td>
<td>21Q2</td>
<td>21Q1 20Q2</td>
<td>21Q2</td>
<td>21Q1 20Q2</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td>3,006.6</td>
<td>6.70 10.68</td>
<td>206.3</td>
<td>6.78 8.60</td>
</tr>
<tr>
<td><strong>Total Loans</strong></td>
<td>1,901.2</td>
<td>-2.03 1.05</td>
<td>147.7</td>
<td>2.54 4.94</td>
</tr>
<tr>
<td><strong>C&amp;I</strong></td>
<td>371.4</td>
<td>-33.81 -12.28</td>
<td>35.3</td>
<td>-14.65 5.89</td>
</tr>
<tr>
<td><strong>Real Estate</strong></td>
<td>1,344.4</td>
<td>8.04 5.49</td>
<td>99.9</td>
<td>7.81 3.96</td>
</tr>
<tr>
<td><strong>Consumer</strong></td>
<td>72.9</td>
<td>21.91 8.88</td>
<td>8.3</td>
<td>37.08 21.21</td>
</tr>
<tr>
<td><strong>Total Deposits</strong></td>
<td>2,551.8</td>
<td>7.53 13.97</td>
<td>167.2</td>
<td>4.73 10.28</td>
</tr>
<tr>
<td><strong>Ratios (in %)</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Net Income/Avg. Assets (ROA)</td>
<td>1.28</td>
<td>1.22 1.08</td>
<td>1.18</td>
<td>1.04 0.87</td>
</tr>
<tr>
<td>Net Interest Inc./Avg. Assets (NIM)</td>
<td>3.08</td>
<td>3.15 3.34</td>
<td>2.91</td>
<td>2.92 3.05</td>
</tr>
<tr>
<td>Noninterest Inc./Avg. Assets</td>
<td>1.13</td>
<td>1.16 1.01</td>
<td>1.08</td>
<td>1.07 1.04</td>
</tr>
<tr>
<td>Noninterest Exp./Avg. Assets</td>
<td>2.54</td>
<td>2.62 2.78</td>
<td>2.42</td>
<td>2.48 2.65</td>
</tr>
<tr>
<td>Loans/Deposits</td>
<td>74.51</td>
<td>76.26 84.03</td>
<td>88.31</td>
<td>88.77 92.80</td>
</tr>
<tr>
<td>Equity/Assets</td>
<td>10.60</td>
<td>10.44 10.77</td>
<td>10.14</td>
<td>10.00 10.06</td>
</tr>
<tr>
<td>Nonperforming Loans/Total Loans</td>
<td>0.69</td>
<td>0.75 0.75</td>
<td>0.65</td>
<td>0.70 0.66</td>
</tr>
</tbody>
</table>

**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 in all bank categories compared to the second quarter of last year, driven by a decline in loan loss provisioning, especially at large banks. The net interest margin (NIM) has continued its downward trend this quarter as it has through the past year. Total loan growth fell at large banks, and small bank loan growth slowed. The decline in total loans at large banks was driven by declines in their commercial and industrial (C&I) portfolios. Total deposits increased dramatically at all banks. The nonperforming loan ratio (NPL) fell significantly at large banks and fell modestly at small banks. Capital ratios were stable at all banks.
**CHART 1**

All Banks Had Higher Returns on Assets

Percent

- **Small Banks — U.S.**
- **Small Banks — Tristate**
- **Large Banks**
CHART 2

Total Loan Growth Fell Year Over Year at Large Banks, Slowed at Small Banks*

Percent

*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.
CHART 3

Residential Real Estate Lending Fell Year Over Year Across the Board

Percent

2020Q2 2020Q3 2020Q4 2021Q1 2021Q2

Small Banks — U.S.
Small Banks — Tristate
Large Banks
CHART 4

C&I Loans Fell at Large and Small Banks in the Nation, Slowed Significantly at Local Banks

Percent

-40 0 40 80 120 160

Small Banks — Tristate

Small Banks — U.S.

Large Banks

2020Q2 2020Q3 2020Q4 2021Q1 2021Q2
CHART 5

NPL Declined at Large Banks

Percent

Large Banks

Small Banks — U.S.

Small Banks — Tristate

2020Q2 2020Q3 2020Q4 2021Q1 2021Q2
CHART 6

Loan Loss Provision Fell as a Share of Operating Income at All Banks

Percent

[Graph showing the decline in loan loss provisions for different categories of banks over time.]
CHART 7

Loan-to-Deposit Ratio Declined in All Bank Categories

Percent

- Small Banks — Tristate
- Small Banks — U.S.
- Large Banks

2020Q2 2020Q3 2020Q4 2021Q1 2021Q2
CHART 8
Capital Ratios Remained Stable Year Over Year, Though U.S. Small Banks Were Slightly Lower Percent

![Graph showing capital ratios for Small Banks — U.S., Small Banks — Tristate, and Large Banks from 2020Q2 to 2021Q2.]
Questions and comments may be directed to James V. DiSalvo at 215-574-3820 or jim.disalvo@phil.frb.org.


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