

Banking Brief

RESEARCH DEPARTMENT

Second Quarter 2021 Highlights

Summary Table of Bank Structure and Conditions

Second Quarter 2021	Small Banks						Large Banks		
	U.S.			Tristate			U.S.		
	\$ Billion	% Change From		\$ Billion	% Change From		\$ Billion	% Change From	
	21Q2	21Q1	20Q2	21Q2	21Q1	20Q2	21Q2	21Q1	20Q2
Total Assets	3,006.6	6.70	10.68	206.3	6.78	8.60	17,449.0	4.41	7.50
Total Loans	1,901.2	-2.03	1.05	147.7	2.54	4.94	7,678.6	0.87	-2.26
C&I	371.4	-33.81	-12.28	35.3	-14.65	5.89	1,824.6	-14.78	-14.09
Real Estate	1,344.4	8.04	5.49	99.9	7.81	3.96	3,246.4	-0.14	-2.14
Consumer	72.9	21.91	8.88	8.3	37.08	21.21	1,126.9	16.72	3.02
Total Deposits	2,551.8	7.53	13.97	167.2	4.73	10.28	14,285.7	6.63	9.90
Ratios (in %)	21Q2	21Q1	20Q2	21Q2	21Q1	20Q2	21Q2	21Q1	20Q2
Net Income/Avg. Assets (ROA)	1.28	1.22	1.08	1.18	1.04	0.87	1.05	0.83	0.64
Net Interest Inc./Avg. Assets (NIM)	3.08	3.15	3.34	2.91	2.92	3.05	2.03	2.10	2.43
Noninterest Inc./Avg. Assets	1.13	1.16	1.01	1.08	1.07	1.04	1.29	1.31	1.38
Noninterest Exp./Avg. Assets	2.54	2.62	2.78	2.42	2.48	2.65	2.09	2.15	2.35
Loans/Deposits	74.51	76.26	84.03	88.31	88.77	92.80	53.75	54.50	60.44
Equity/Assets	10.60	10.44	10.77	10.14	10.00	10.06	9.94	9.84	10.01
Nonperforming Loans/Total Loans	0.69	0.75	0.75	0.65	0.70	0.66	0.96	1.06	1.02

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

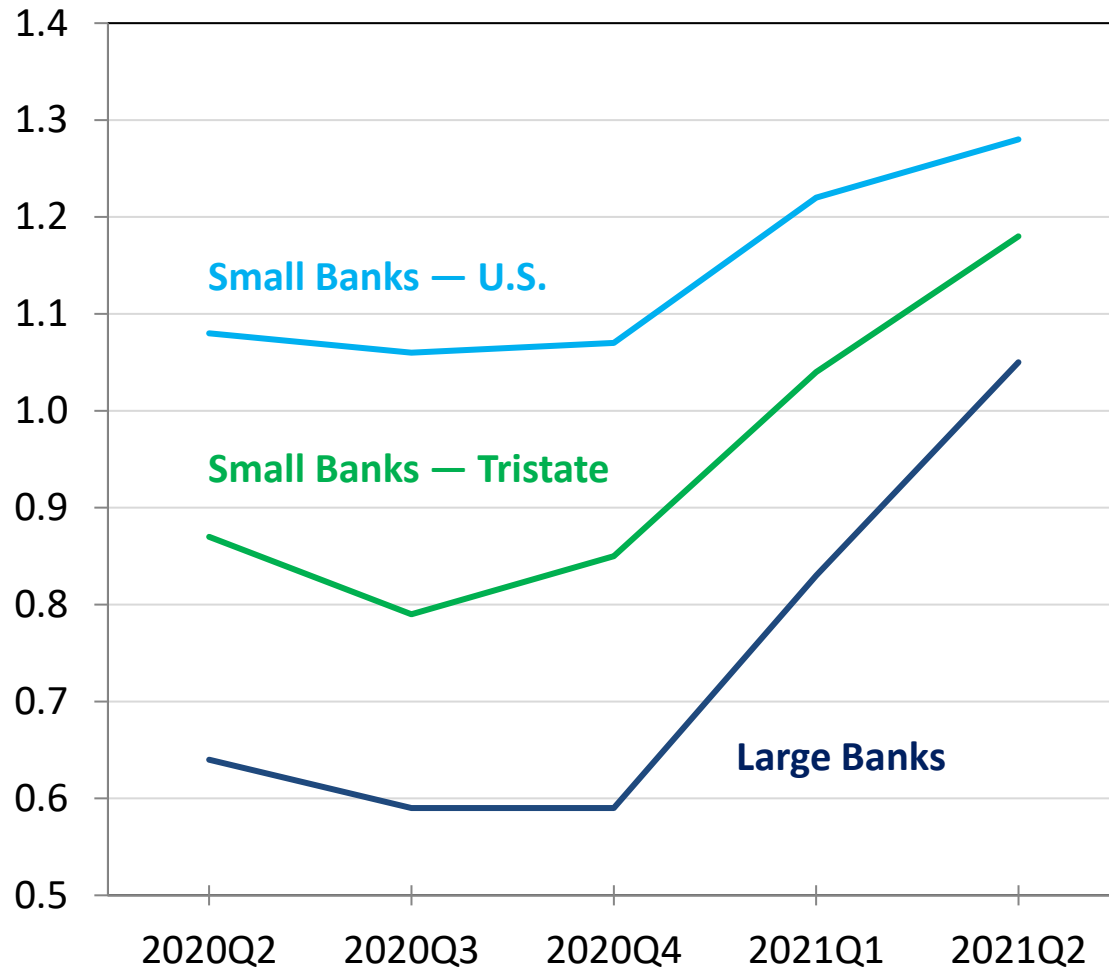
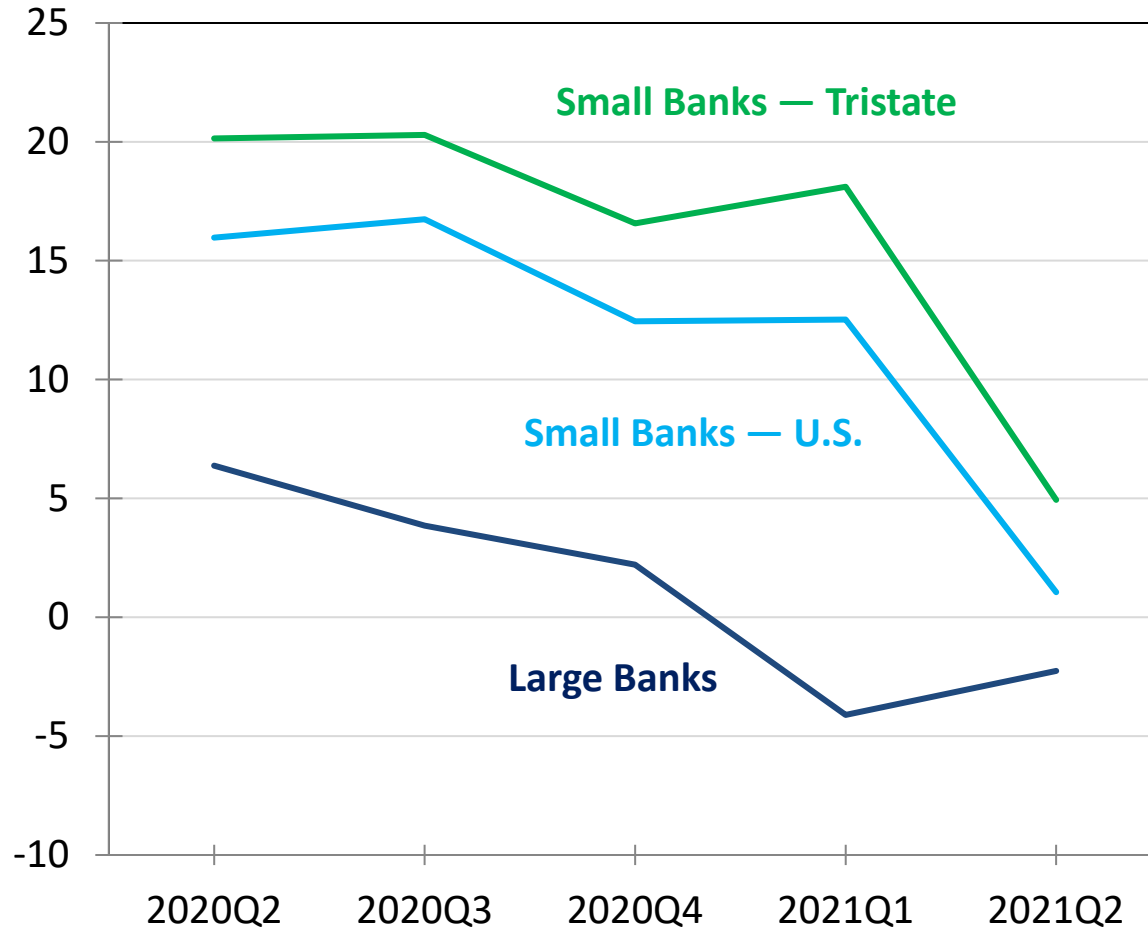


CHART 2

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

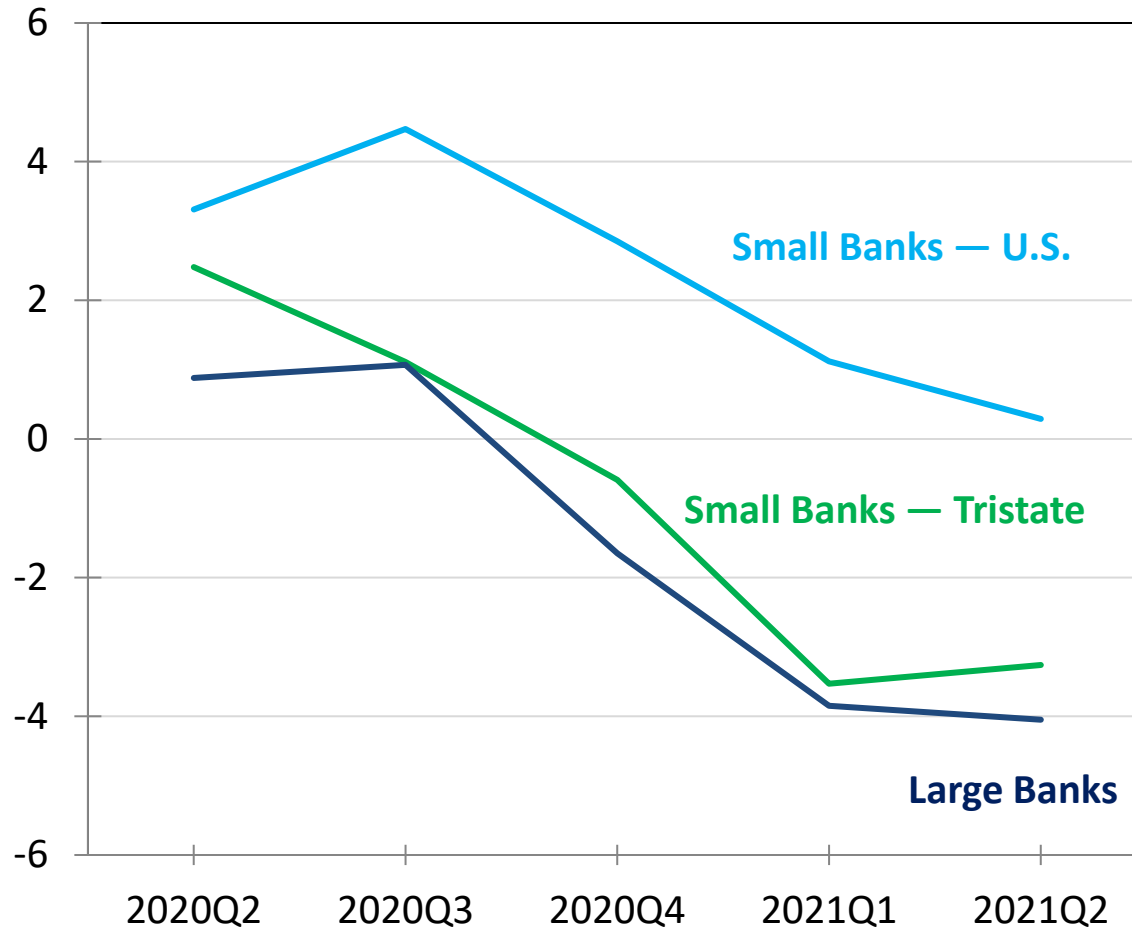


CHART 4

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

Percent

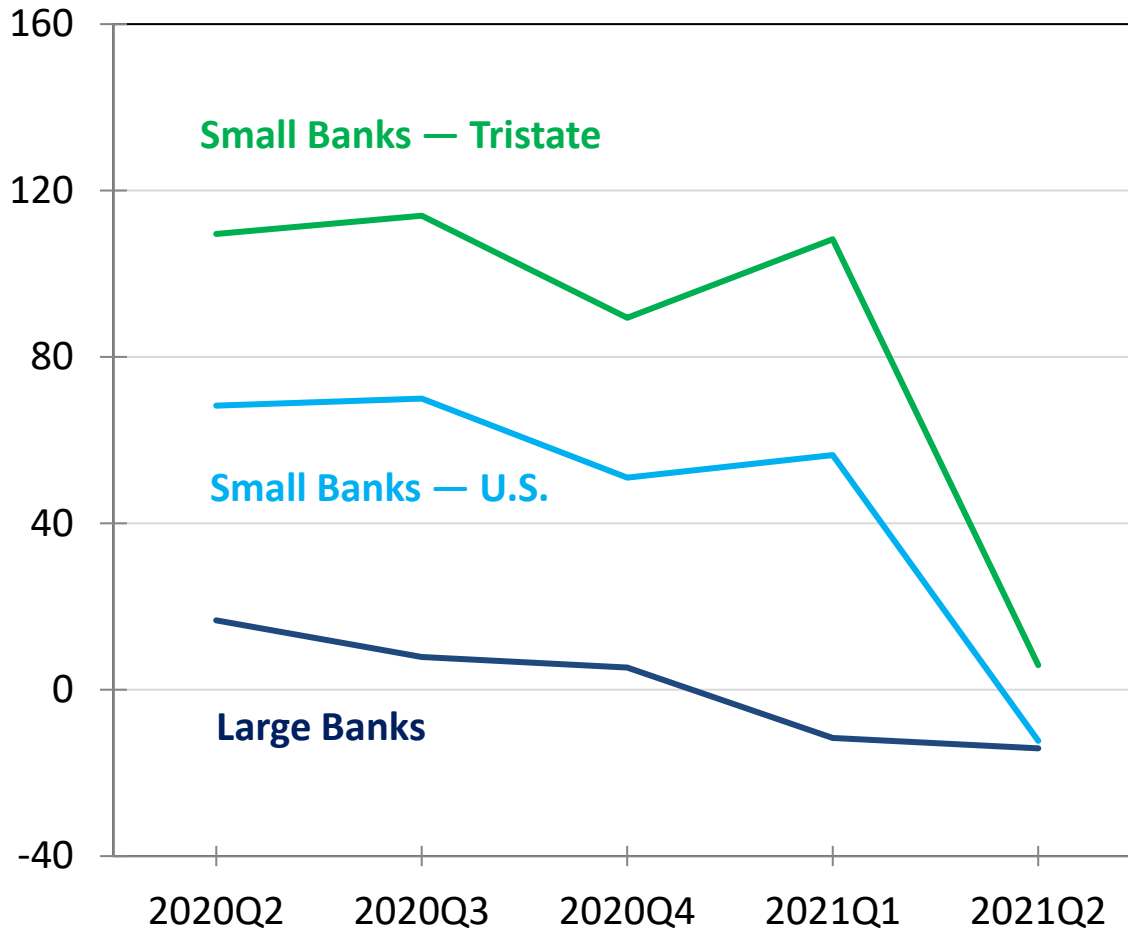


CHART 5

NPL Declined at Large Banks

Percent

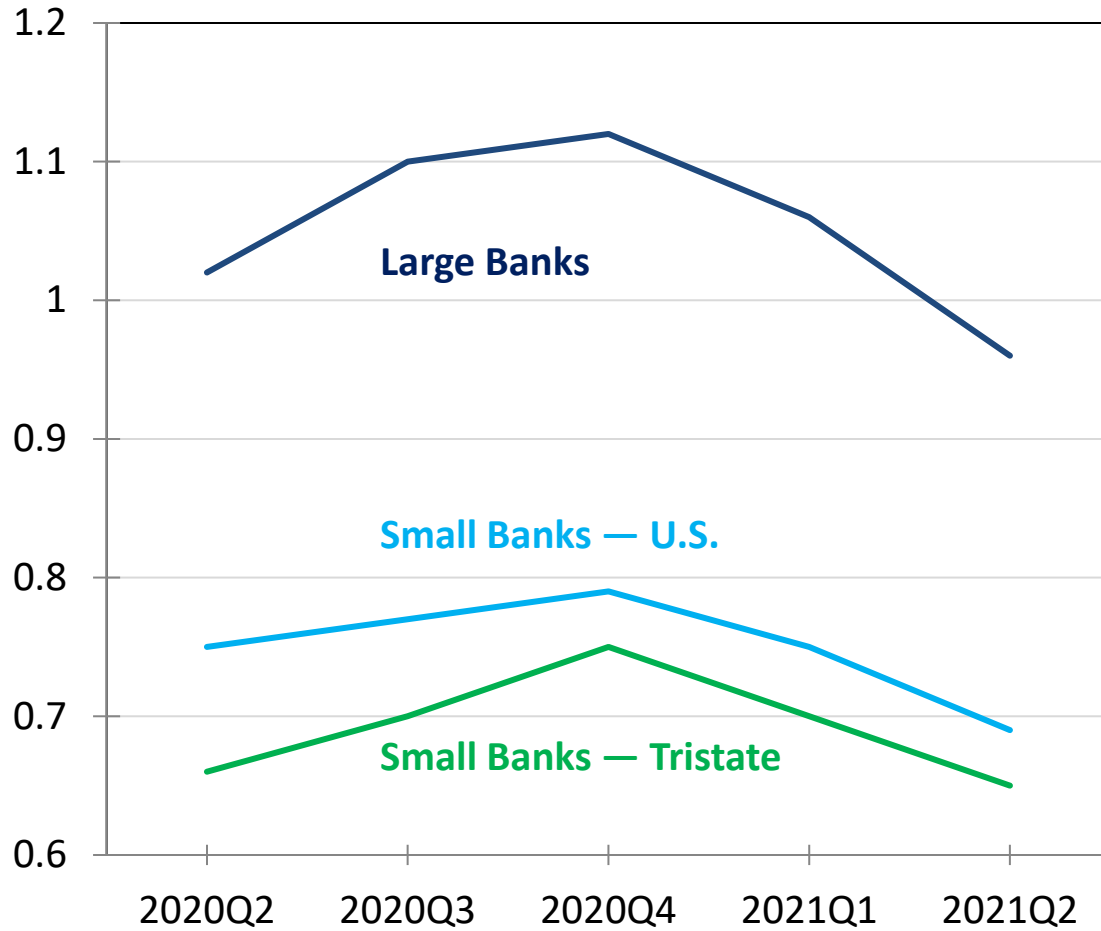


CHART 6

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

Percent

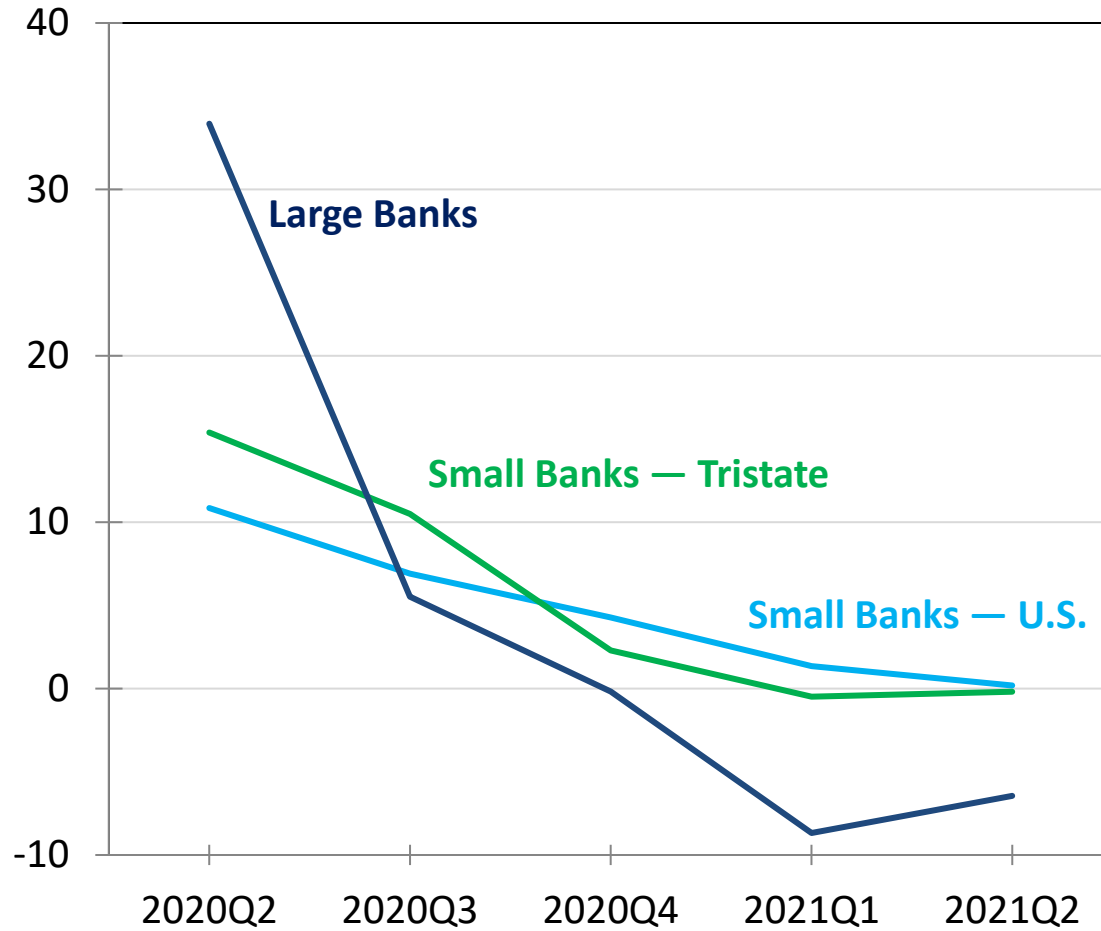


CHART 7

Loan-to-Deposit Ratio Declined in All Bank Categories

Percent

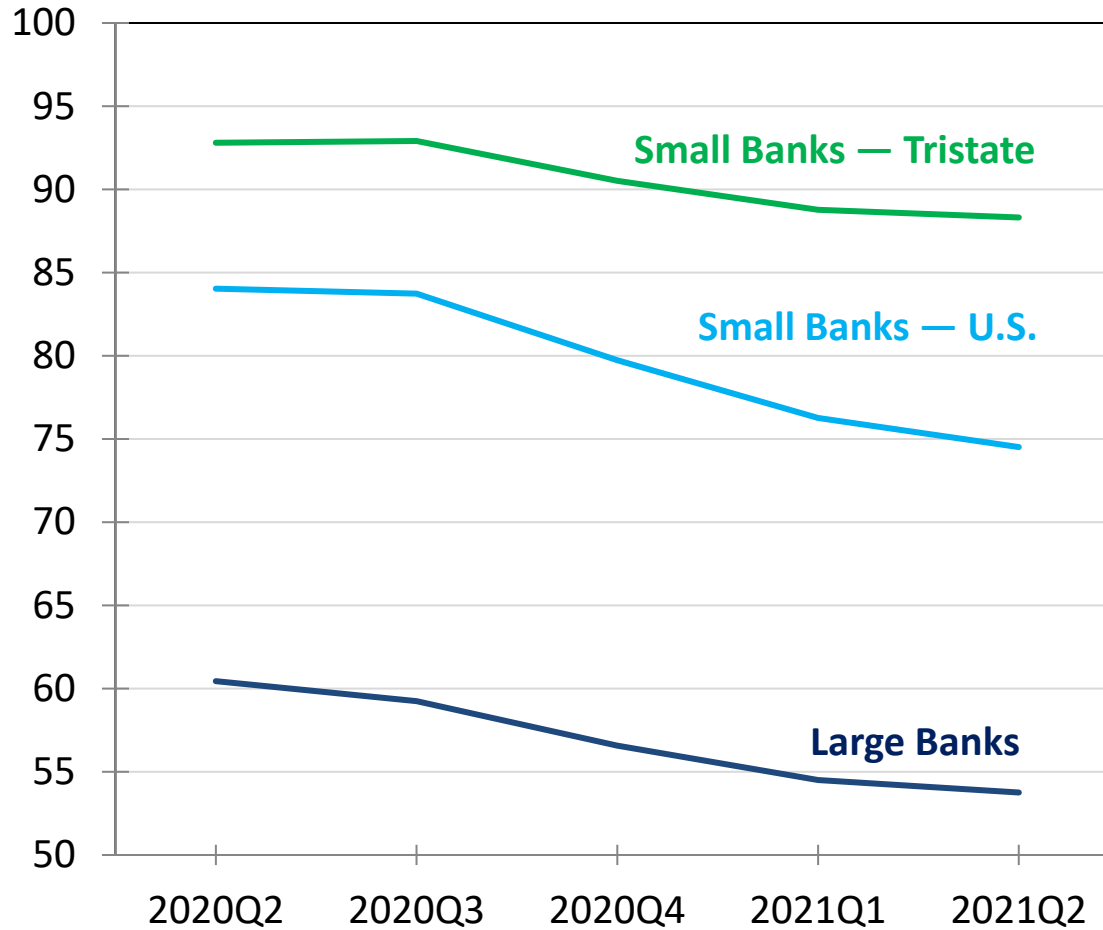
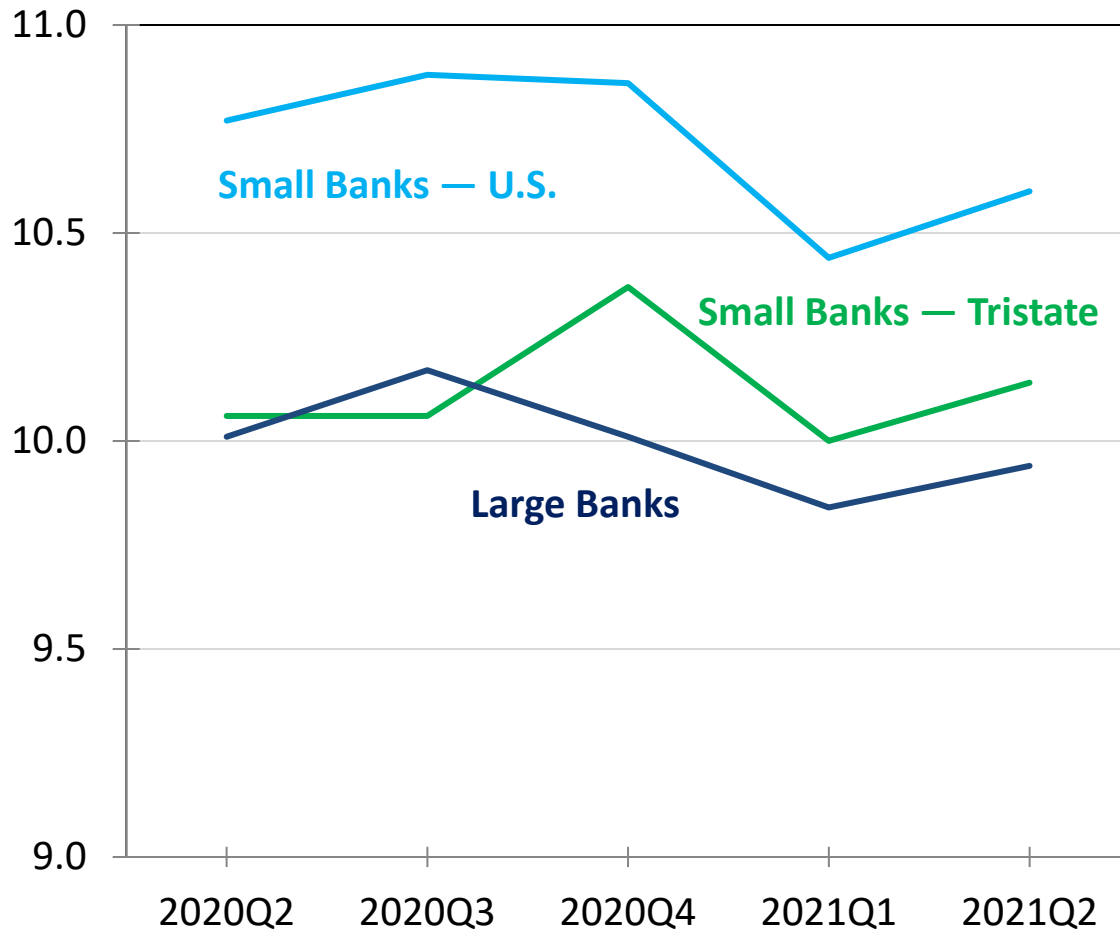


CHART 8

Capital Ratios Remained Stable Year Over Year, Though U.S. Small Banks Were Slightly Lower 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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