

Banking Brief

RESEARCH DEPARTMENT

Third Quarter 2021 Highlights

Summary Table of Bank Structure and Conditions

Third Quarter 2021	Small Banks						Large Banks		
	U.S.			Tristate			U.S.		
	\$ Billion	% Change From		\$ Billion	% Change From		\$ Billion	% Change From	
	21Q3	21Q2	20Q3	21Q3	21Q2	20Q3	21Q3	21Q2	20Q3
Total Assets	3,072.9	9.11	11.56	209.7	6.84	8.12	17,798.4	8.25	9.61
Total Loans	1,894.9	-1.31	-0.64	144.5	-8.16	0.66	7,725.1	2.44	-0.29
C&I	327.3	-39.68	-23.17	29.5	-51.11	-15.63	1,784.3	-8.55	-9.35
Real Estate	1,375.9	9.70	6.36	101.9	8.08	5.01	3,278.7	4.03	-1.68
Consumer	75.7	16.25	10.21	8.8	29.96	21.93	1,146.8	7.24	4.39
Total Deposits	2,620.1	11.14	15.03	174.1	17.52	12.64	14,604.8	9.24	11.67
Ratios (in %)	21Q3	21Q2	20Q3	21Q3	21Q2	20Q3	21Q3	21Q2	20Q3
Net Income/Avg. Assets (ROA)	1.32	1.28	1.06	1.30	1.18	0.79	1.10	1.05	0.59
Net Interest Inc./Avg. Assets (NIM)	3.08	3.08	3.27	3.00	2.91	2.96	2.00	2.03	2.31
Noninterest Inc./Avg. Assets	1.09	1.13	1.07	1.08	1.08	1.04	1.28	1.29	1.34
Noninterest Exp./Avg. Assets	2.52	2.54	2.74	2.43	2.42	2.59	2.06	2.09	2.29
Loans/Deposits	72.32	74.51	83.73	83.03	88.31	92.91	52.89	53.75	59.24
Equity/Assets	10.60	10.60	10.88	10.24	10.14	10.06	9.89	9.94	10.17
Nonperforming Loans/Total Loans	0.64	0.69	0.77	0.62	0.65	0.70	0.89	0.96	1.10

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

In the third quarter of 2021, profitability continued to climb across all bank categories. The increase in profitability was driven by increases in income from securities-related activities. However, net interest margins (NIM) declined at both large and small banks, while NIMs at banks in the tristate region remained steady. Asset growth slowed compared to 2020Q3 but remains at a healthy level. Loan growth continued to slow at small banks, ticking down from last quarter, while large bank loan growth remained low. Low real estate loan growth is a driving contributor of slow total loan growth for large banks, with negative residential real estate (RRE) growth and near-zero commercial real estate (CRE) growth. Small banks' slow loan growth is driven by a decline in commercial and industrial (C&I) loans. Consumer lending rose consistently across all bank categories. Overall loan quality improved at all banks, most notably at large banks. Capital ratios fell slightly at large banks and small banks across the country, while capital ratios rose in our region.

CHART 1

Profitability Continued to Rise at All Banks

Percent

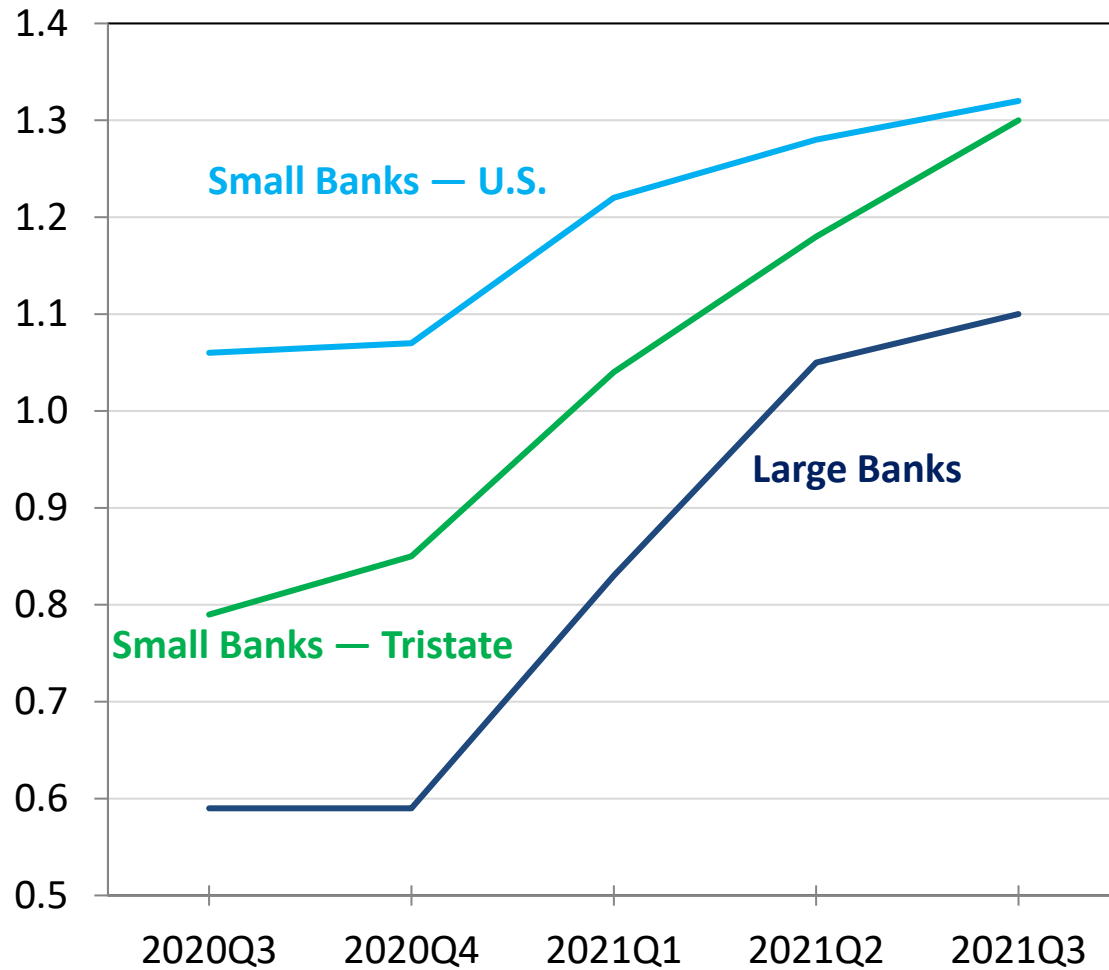


CHART 2

NIM Trending Downward at Most Banks, Ticked Up in Tristate Area

Percent

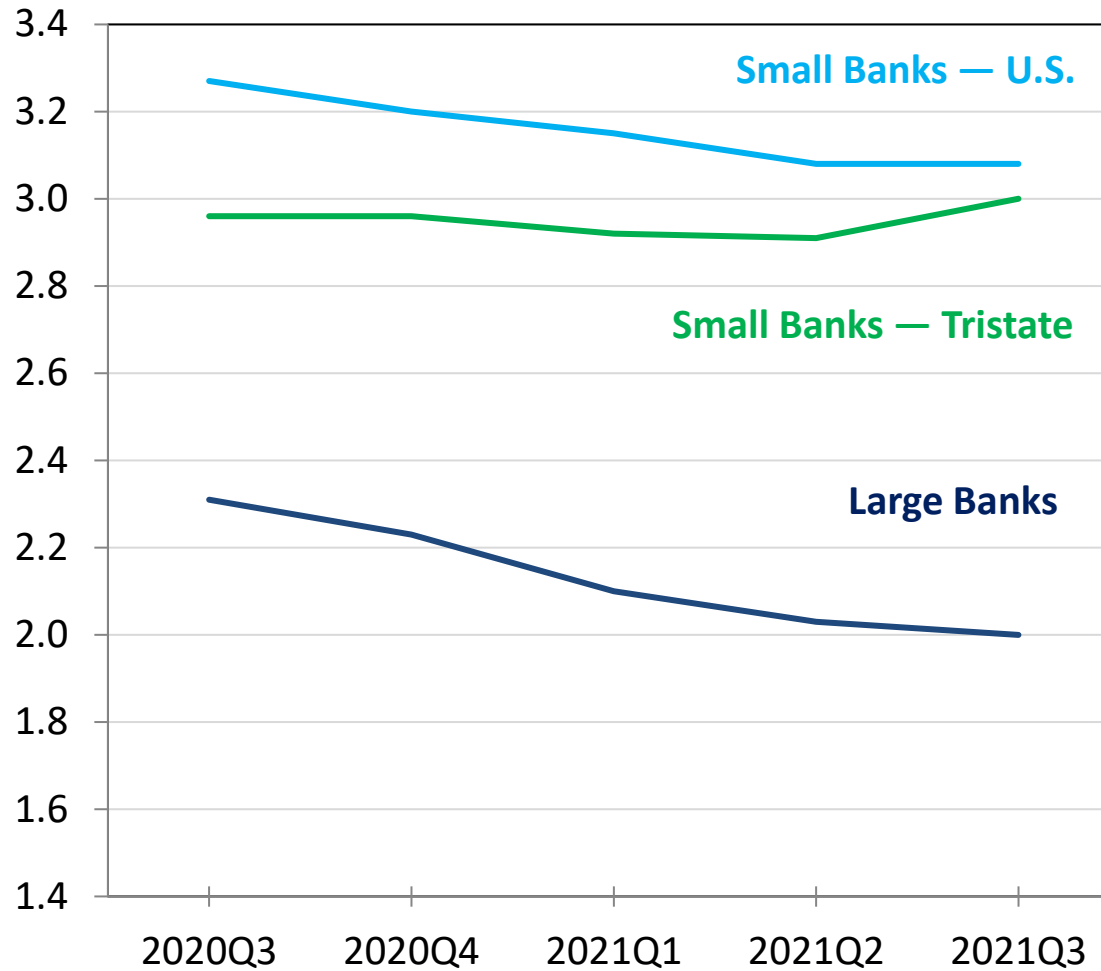


CHART 3

Continued Slow Loan Growth in All Bank Categories

Percent

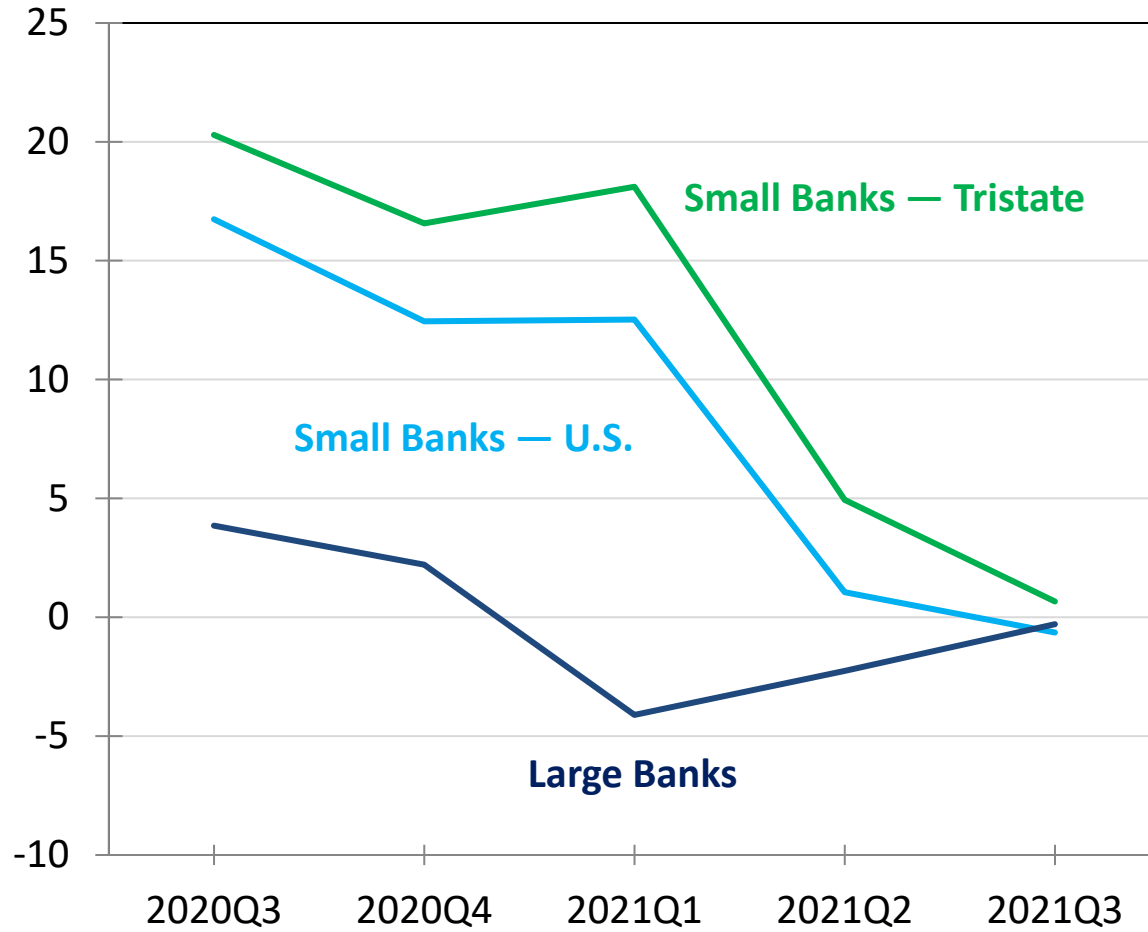


CHART 4

RRE Loans Down at Large and Tristate Banks, Slowing at Small Banks

Percent

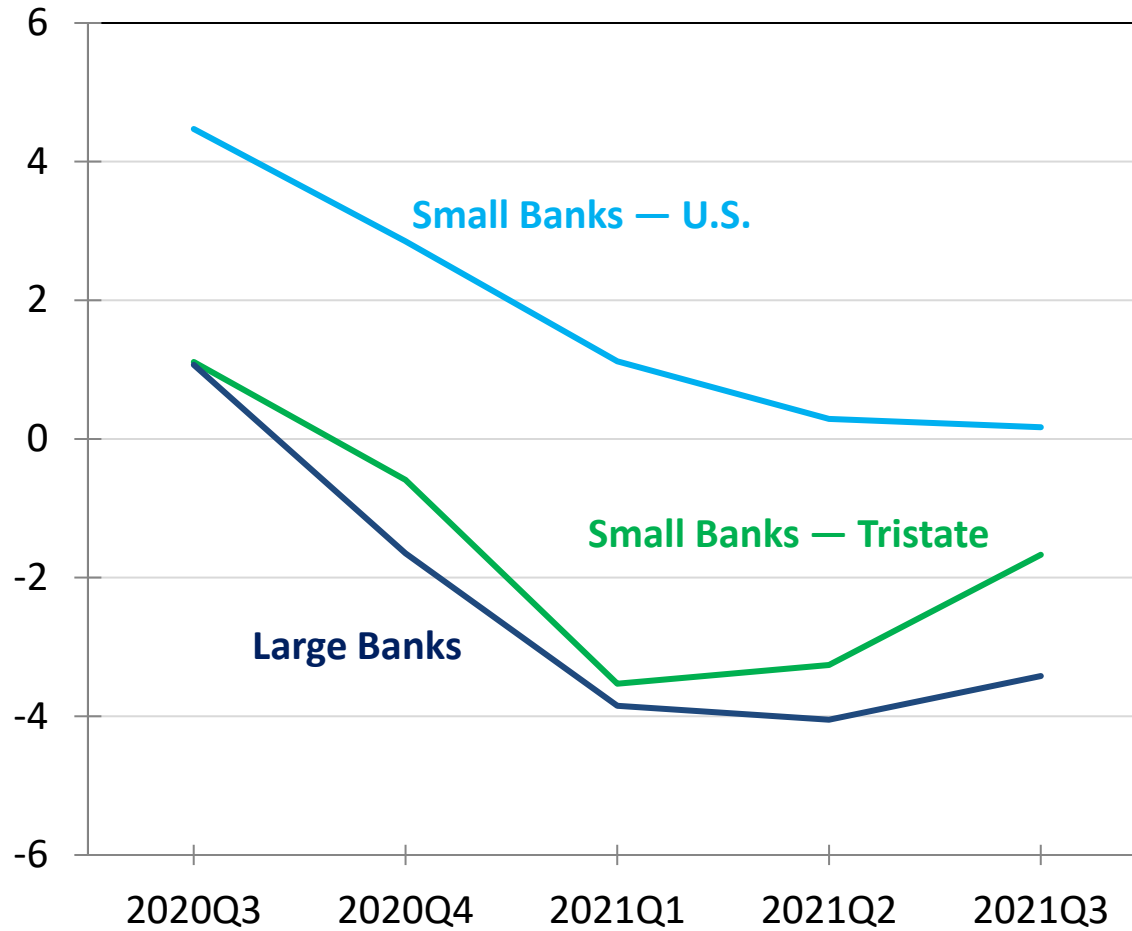


CHART 5

CRE Lending Rose at Small Banks, Remained Low at Large Banks

Percent

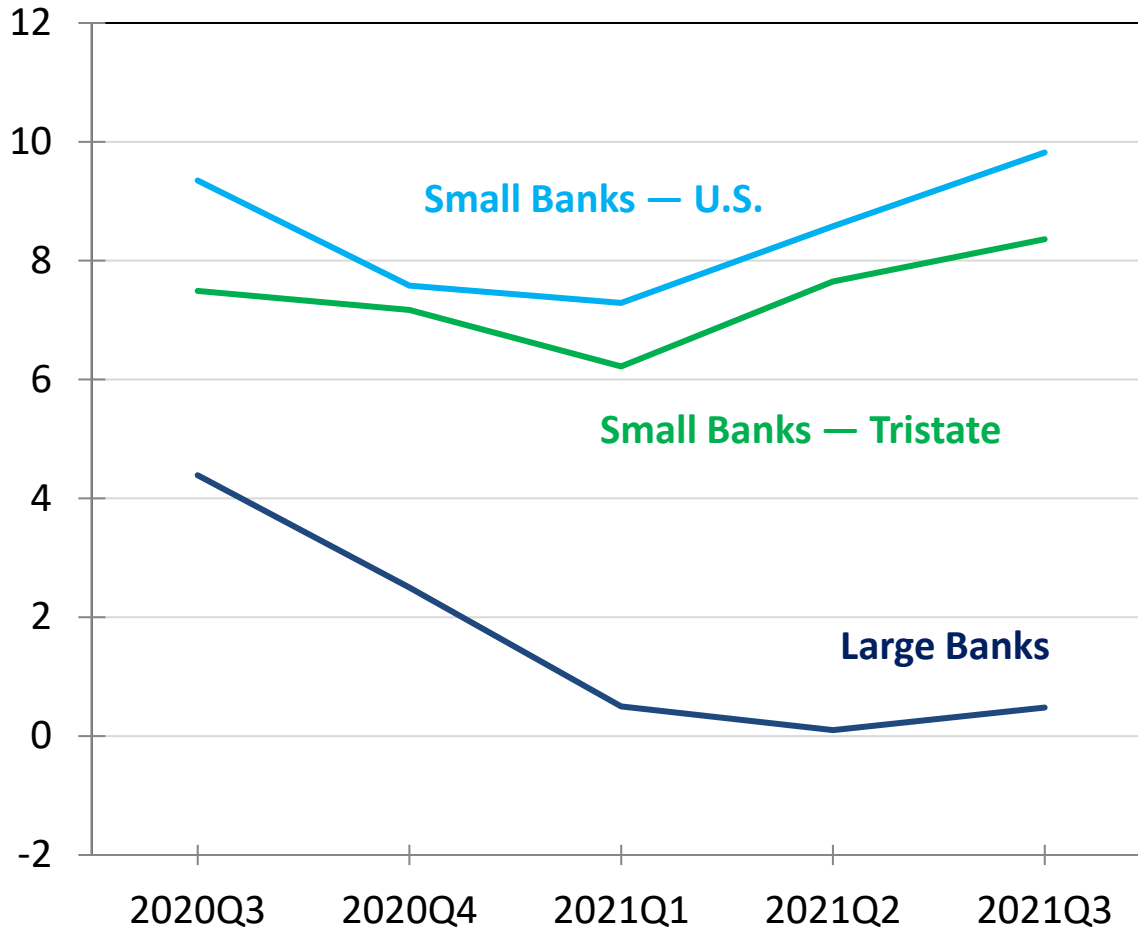


CHART 6

Depressed C&I Lending at All Banks

Percent

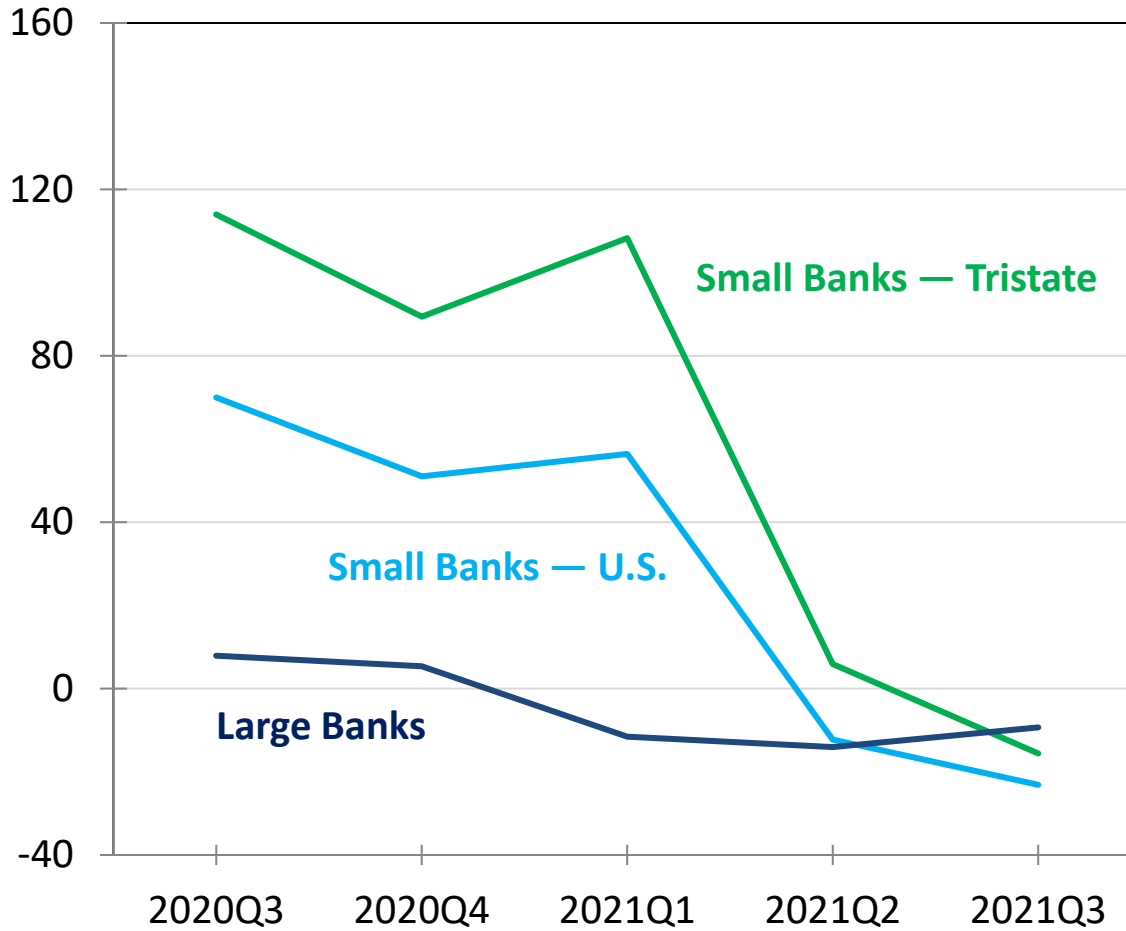
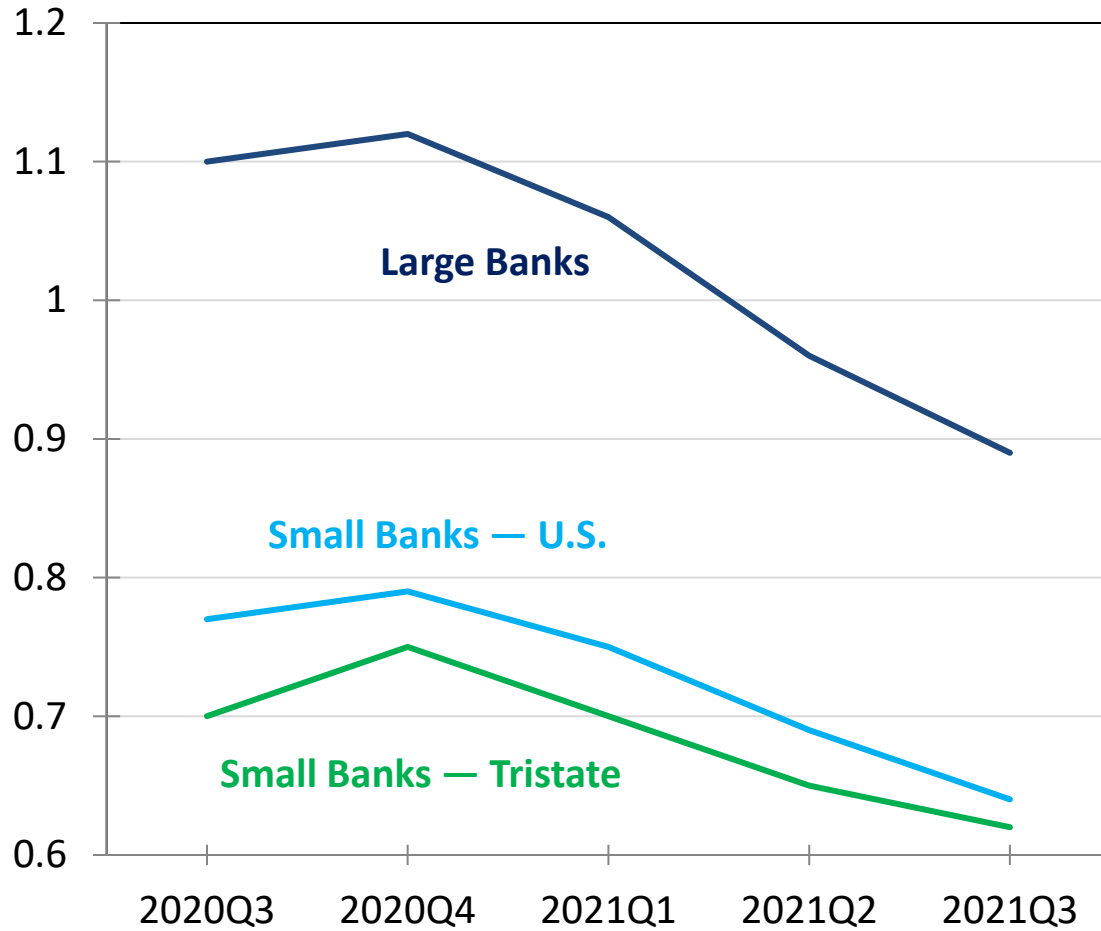


CHART 7

Loan Quality Improves at All Banks as Nonperforming Loan Share Falls Percent



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