

Banking Brief

RESEARCH DEPARTMENT

Fourth Quarter 2021 Highlights

Summary Table of Bank Structure and Conditions

Fourth Quarter 2021	Small Banks						Large Banks		
	U.S.			Tristate			U.S.		
	\$ Billion	% Change From		\$ Billion	% Change From		\$ Billion	% Change From	
	21Q4	21Q3	20Q4	21Q4	21Q3	20Q4	21Q4	21Q3	20Q4
Total Assets	3,122.5	10.69	11.94	209.8	0.07	8.68	18,123.0	6.81	7.85
Total Loans	1,911.8	7.57	2.79	144.7	0.43	1.96	7,984.9	13.11	3.22
C&I	312.1	-14.03	-18.38	26.5	-34.59	-17.46	1,864.3	18.37	-2.54
Real Estate	1,407.6	13.17	8.54	104.0	8.81	6.22	3,318.2	3.49	0.39
Consumer	77.1	9.48	13.21	9.5	36.24	32.07	1,196.3	18.21	7.10
Total Deposits	2,676.5	13.10	14.74	176.3	5.11	12.42	14,993.3	10.32	9.72
Ratios (in %)	21Q4	21Q3	20Q4	21Q4	21Q3	20Q4	21Q4	21Q3	20Q4
Net Income/Avg. Assets (ROA)	1.30	1.32	1.10	1.31	1.30	0.85	1.10	1.11	0.59
Net Interest Inc./Avg. Assets (NIM)	3.04	3.08	3.21	2.99	3.00	2.96	1.97	2.00	2.23
Noninterest Inc./Avg. Assets	1.04	1.10	1.12	1.08	1.08	1.06	1.26	1.28	1.32
Noninterest Exp./Avg. Assets	2.47	2.52	2.69	2.42	2.43	2.56	2.04	2.06	2.26
Loans/Deposits	71.43	72.33	79.73	82.09	83.03	90.51	53.26	52.93	56.61
Equity/Assets	10.51	10.61	10.88	10.43	10.24	10.37	9.81	9.89	10.02
Nonperforming Loans/Total Loans	0.55	0.63	0.78	0.56	0.62	0.75	0.85	0.89	1.12

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 110 small tristate banks, 3,749 small U.S. banks, and 97 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 fourth quarter of 2021, profitability continued to climb across all bank categories, owing largely to decreases in nonperforming loans. Net interest margins (NIM) ticked down at both large banks and small banks outside the tristate region, while NIMs at banks in the tristate region ticked up slightly. Assets continued to grow at a healthy level, although growth was much lower than 2020Q4. Loan growth was modest for both large and small banks. At large banks, a solid increase in consumer loans counterbalanced a modest decline in commercial and industrial (C&I) loans. At small banks, a notable increase in real estate loans — especially commercial real estate (CRE) loans — counterbalanced a significant decline in C&I loans. Loan growth for multifamily properties is up in all bank categories, rising most significantly at small tristate banks. Overall loan quality improved at all banks, although small banks increased provisions for loan losses. Capital ratios fell slightly at large banks and small banks across the country, while capital ratios rose in our region.

CHART 1

Profitability Is Up Year-Over-Year

Percent

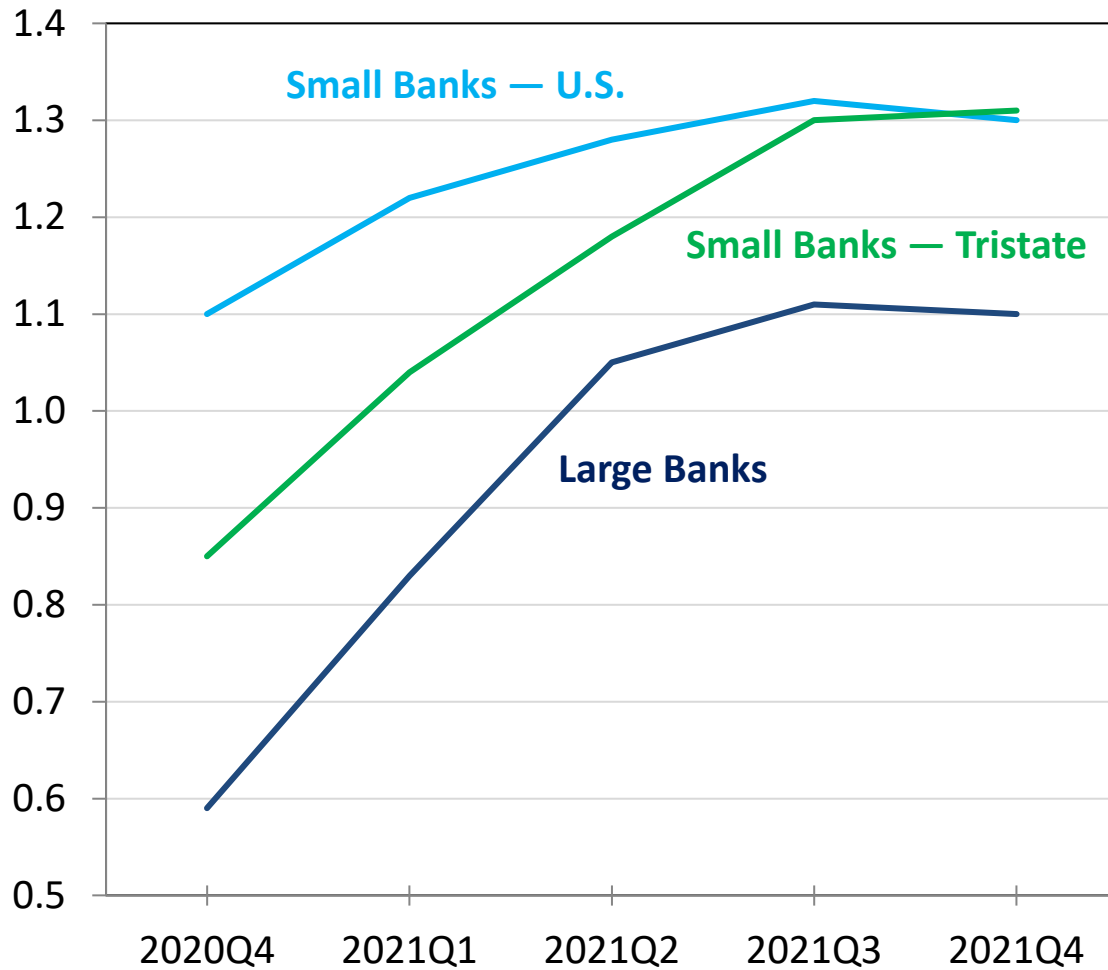


CHART 2

Total Loan Growth Down at Small Banks, Small Increase at Large Banks

Percent

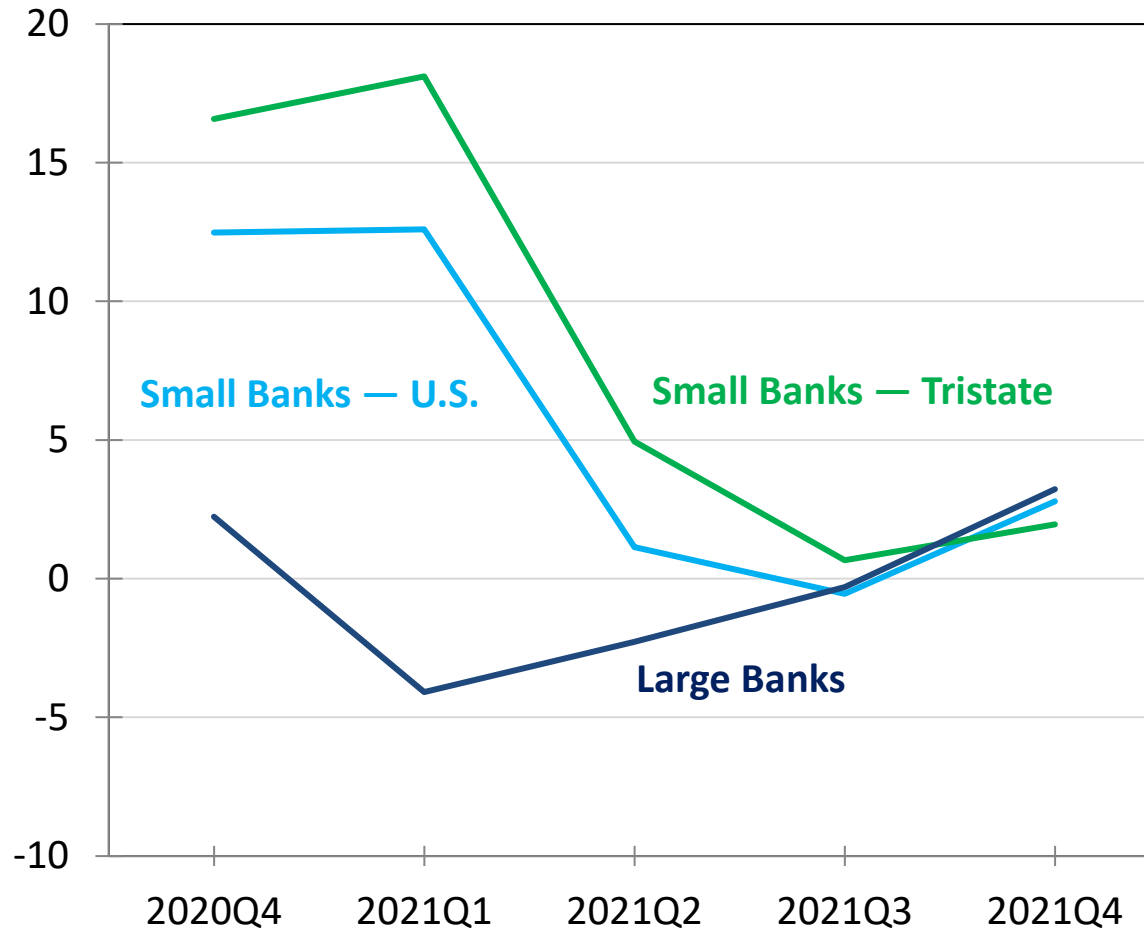


CHART 3

Multifamily Property Loans Up at All Banks, Significantly at Small Banks

Percent

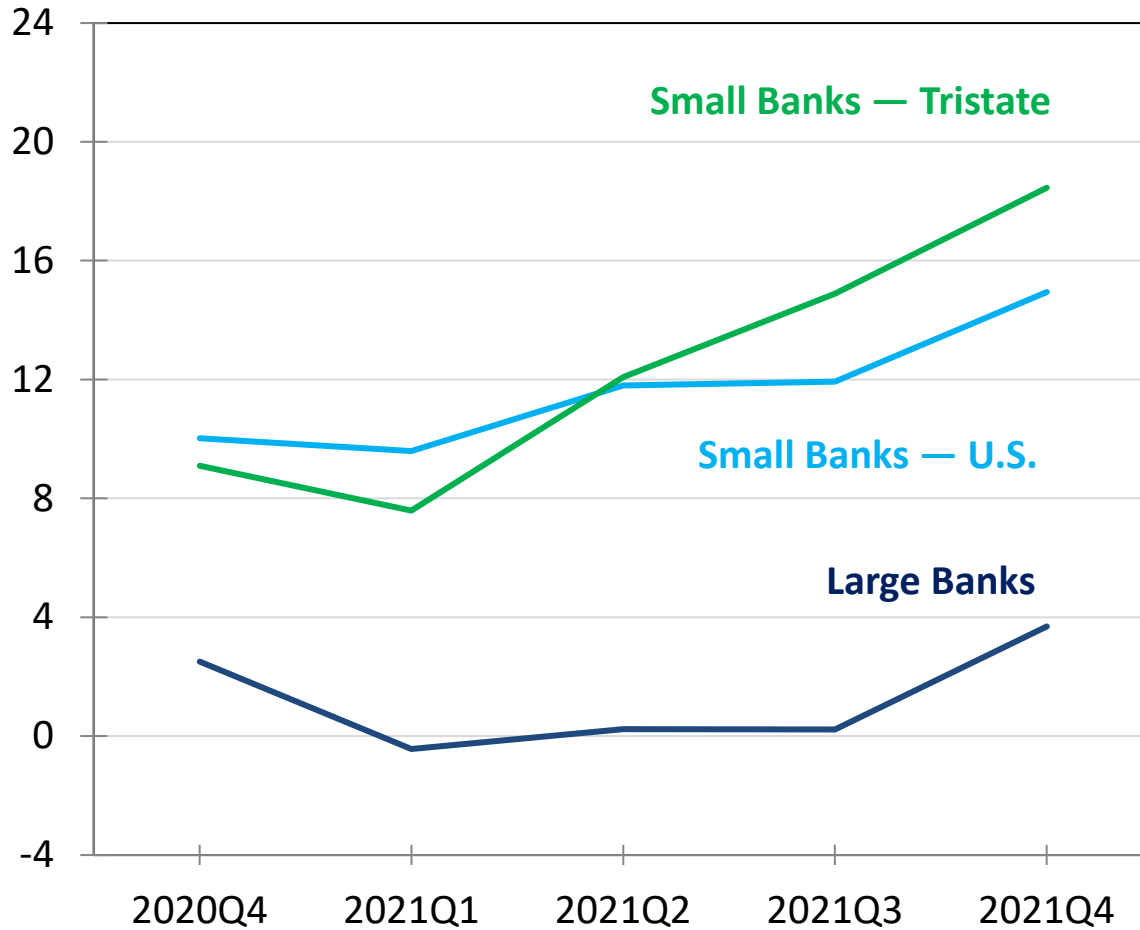


CHART 4

Nonperforming Loan Share Continues to Fall Across All Banks

Percent

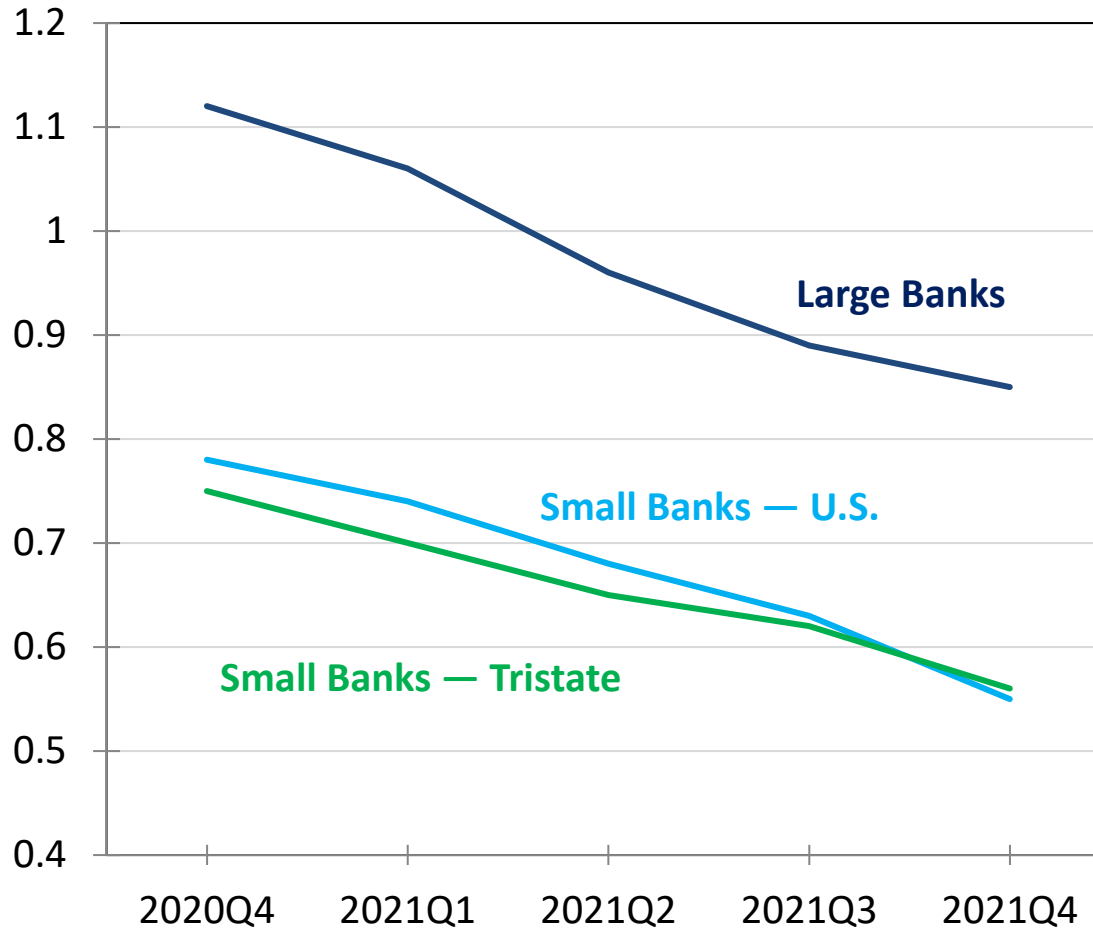


CHART 5

CRE Loan Quality Improving as Nonperforming Ratio Falls

Percent

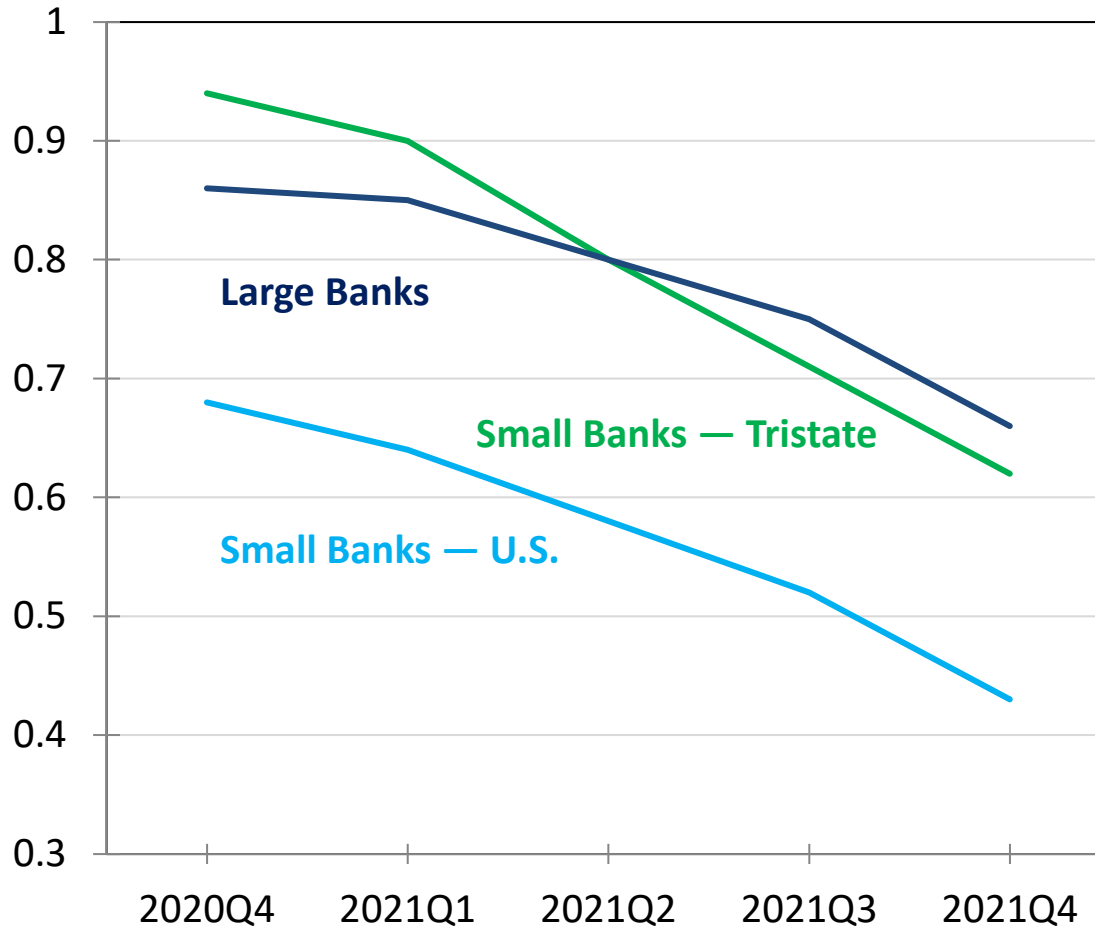
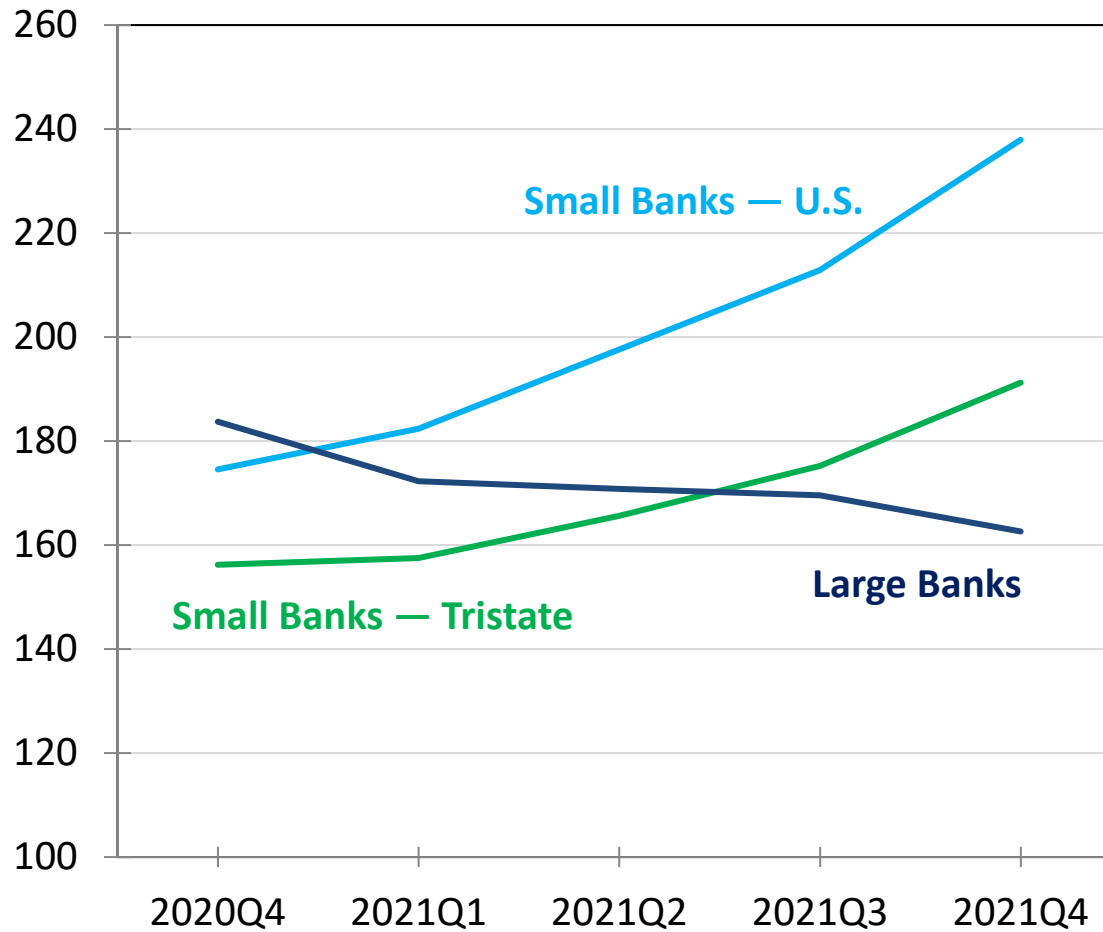


CHART 6

Loan Loss Provisions at Small Banks Rose This Quarter

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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