

# Banking Brief

RESEARCH DEPARTMENT

## **First Quarter 2022 Highlights**

## Summary Table of Bank Structure and Conditions

First Quarter 2022	Small Banks						Large Banks		
	U.S.			Tristate			U.S.		
	\$ Billion	% Change From		\$ Billion	% Change From		\$ Billion	% Change From	
	22Q1	21Q4	21Q1	22Q1	21Q4	21Q1	22Q1	21Q4	21Q1
<b>Total Assets</b>	3,042.4	5.60	7.80	206.4	-4.80	2.36	18,513.4	6.03	6.52
<b>Total Loans</b>	1,855.2	5.05	1.96	142.3	-4.43	-2.26	8,168.2	5.25	5.35
C&I	296.6	-6.57	-24.92	23.9	-28.90	-33.90	1,956.6	18.63	2.14
Real Estate	1,373.7	9.10	9.75	103.8	-1.01	6.17	3,407.8	3.12	2.81
Consumer	80.3	24.30	18.07	10.2	29.80	33.36	1,200.6	1.10	10.59
<b>Total Deposits</b>	2,637.6	10.06	10.26	175.9	-0.74	7.14	15,287.9	5.22	7.87
<b>Ratios (in %)</b>	<b>22Q1</b>	<b>21Q4</b>	<b>21Q1</b>	<b>22Q1</b>	<b>21Q4</b>	<b>21Q1</b>	<b>22Q1</b>	<b>21Q4</b>	<b>21Q1</b>
Net Income/Avg. Assets (ROA)	1.23	1.30	1.23	1.26	1.31	1.04	1.01	1.10	0.83
Net Interest Inc./Avg. Assets (NIM)	3.00	3.04	3.15	2.97	2.98	2.90	1.97	1.98	2.11
Noninterest Inc./Avg. Assets	0.99	1.06	1.18	1.06	1.08	1.07	1.23	1.25	1.30
Noninterest Exp./Avg. Assets	2.46	2.49	2.64	2.41	2.41	2.46	2.03	2.03	2.15
Loans/Deposits	70.34	71.16	76.06	80.87	81.64	88.64	53.43	53.42	54.71
Equity/Assets	9.73	10.48	10.42	9.91	10.40	9.98	9.36	9.82	9.85
Nonperforming Loans/Total Loans	0.56	0.56	0.75	0.85	0.60	0.70	0.80	0.85	1.06

**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, 2021, 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, 2021. 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, 2021, including assets of only their commercial bank subsidiaries. *U.S.* excludes tristate banks. The sample includes 107 small tristate banks, 3,733 small U.S. banks, and 99 large U.S. banks.

## Recent Trends in Tristate and U.S. Banking Markets

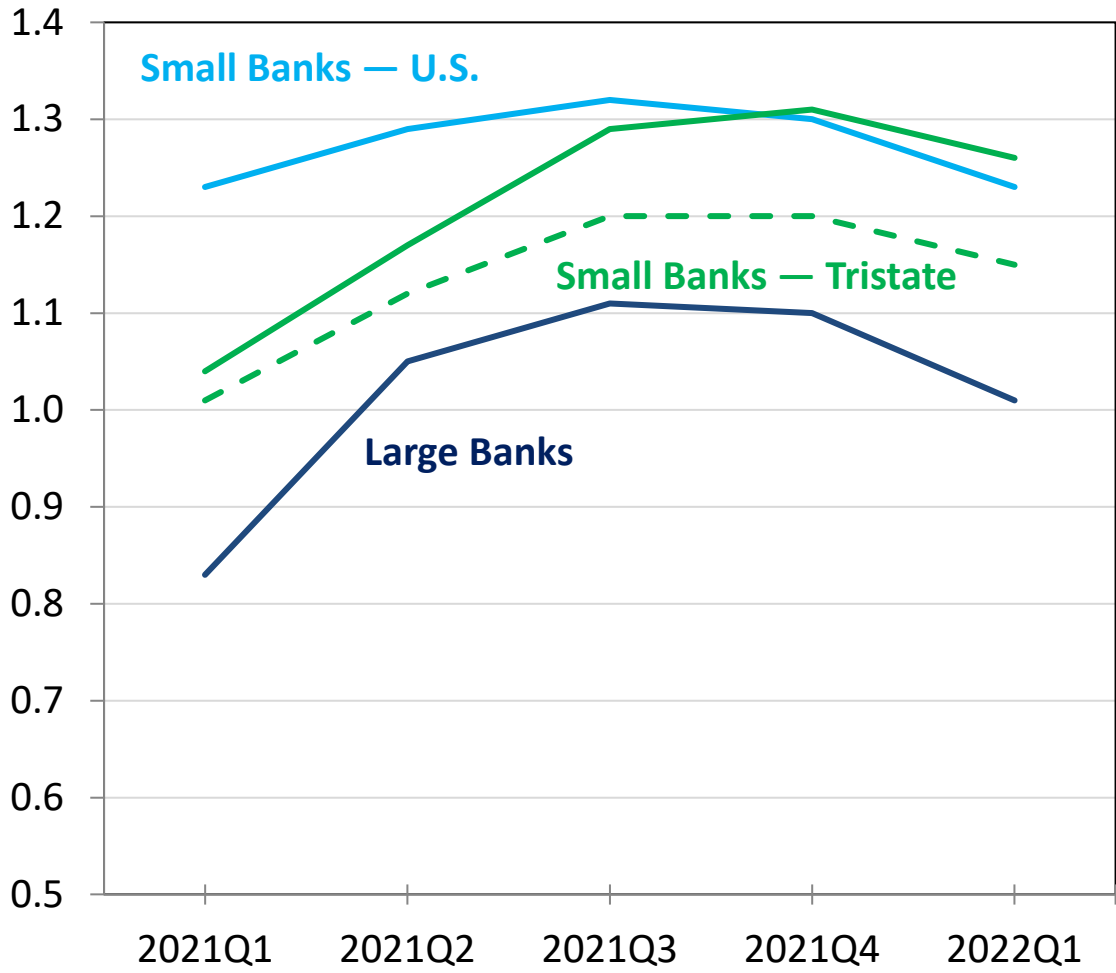
Profitability improved at large banks and tristate banks compared to last year, while small bank profitability has remained steady around the nation. The decline in net interest income was a drag on profits at large banks and small banks around the nation, but the effect was offset by lower nonperforming loans and lower noninterest expenses. At tristate banks, the rising net interest margin (NIM) outweighed higher nonperforming loans. However, this divergent narrative at tristate banks from small banks around the nation was driven by a single bank. Removing this bank from the calculations for the tristate region shows more consistent performance between tristate small banks and small banks around the nation.

At large banks, growth was relatively slow for Consumer and Industrial (C&I) and Real Estate (RE) loans, but consumer loan growth was strong. At small banks, C&I loans declined significantly as the PPP program unwound. While RE growth was solid, the decline in C&I loans led to low total loan growth at small banks in the nation and negative growth at small banks in the tristate region. Capital declined for all categories of banks, with significant declines at small banks around the nation. Again, removing the outlier bank makes the decline in capital for tristate banks look much like that for other small banks.

CHART 1

### Profitability Increased at Large and Tristate Banks, Moderated at Small Banks\*

Return on average assets, percent

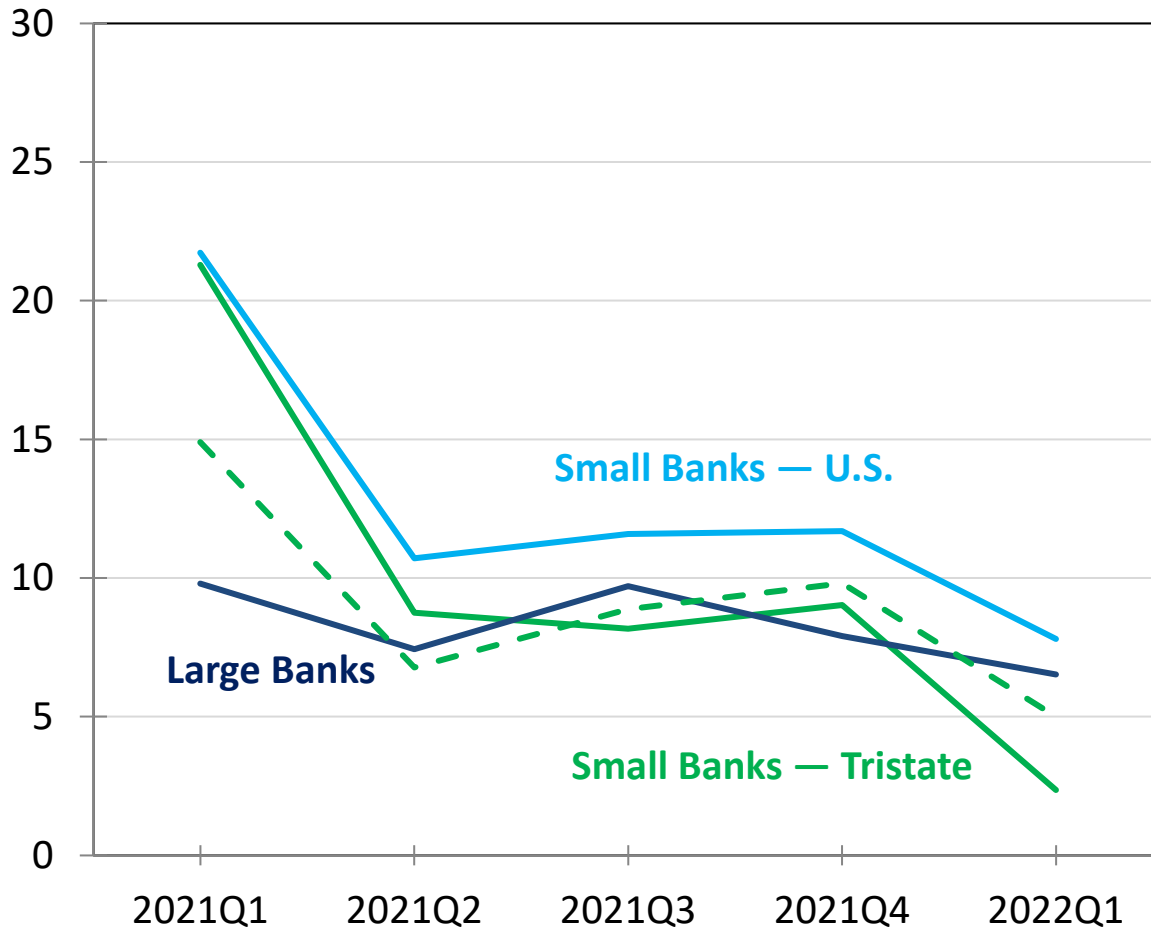


\*Data for small banks in the tristate area were adjusted due to one bank experiencing unusually high nonperforming loan amounts. This bank has been removed in the dotted line.

CHART 2

### Asset Growth Fell at Small Banks, Ticked Down at Large Banks\*

Percent

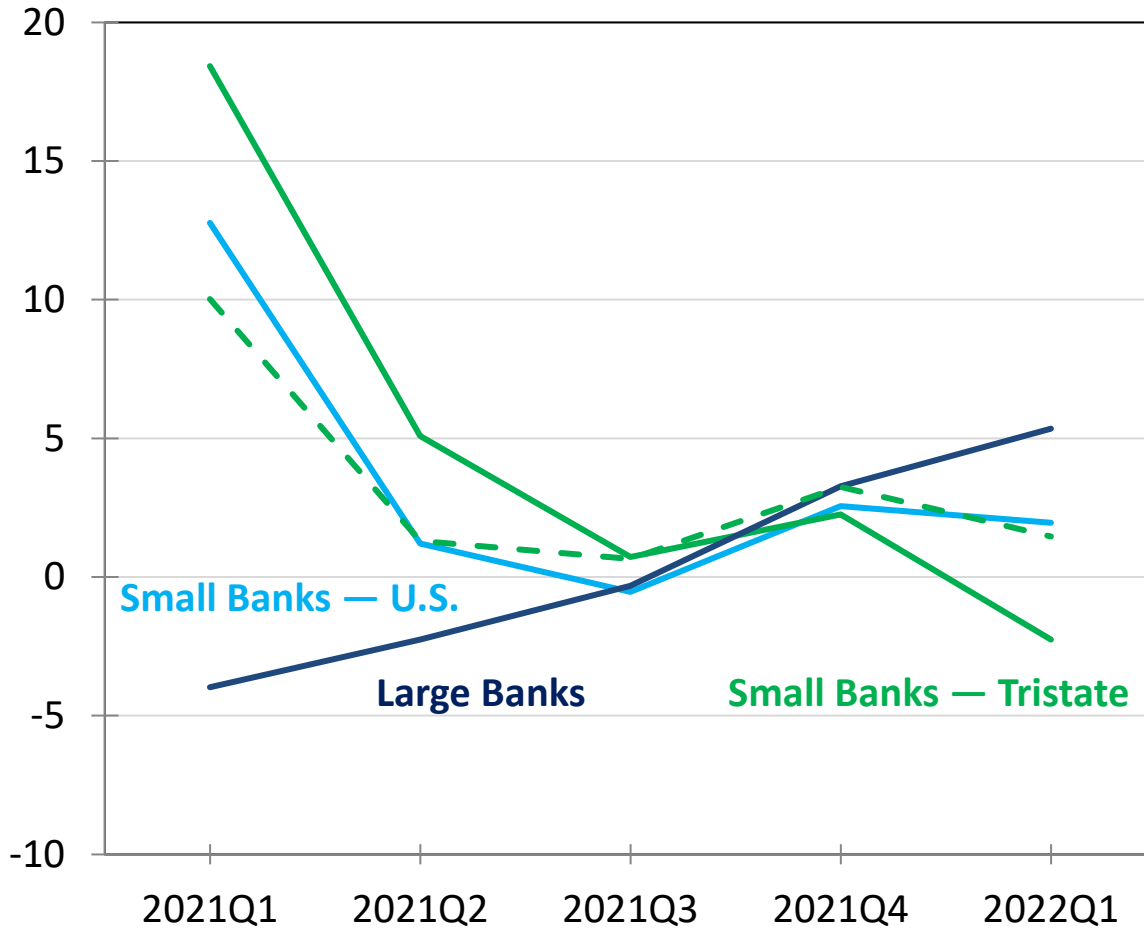


\*Data for small banks in the tristate area were adjusted due to one bank experiencing unusually high nonperforming loan amounts. This bank has been removed in the dotted line.

CHART 3

### Loan Growth Declined at Small Banks, Increased at Large Banks\*

Percent

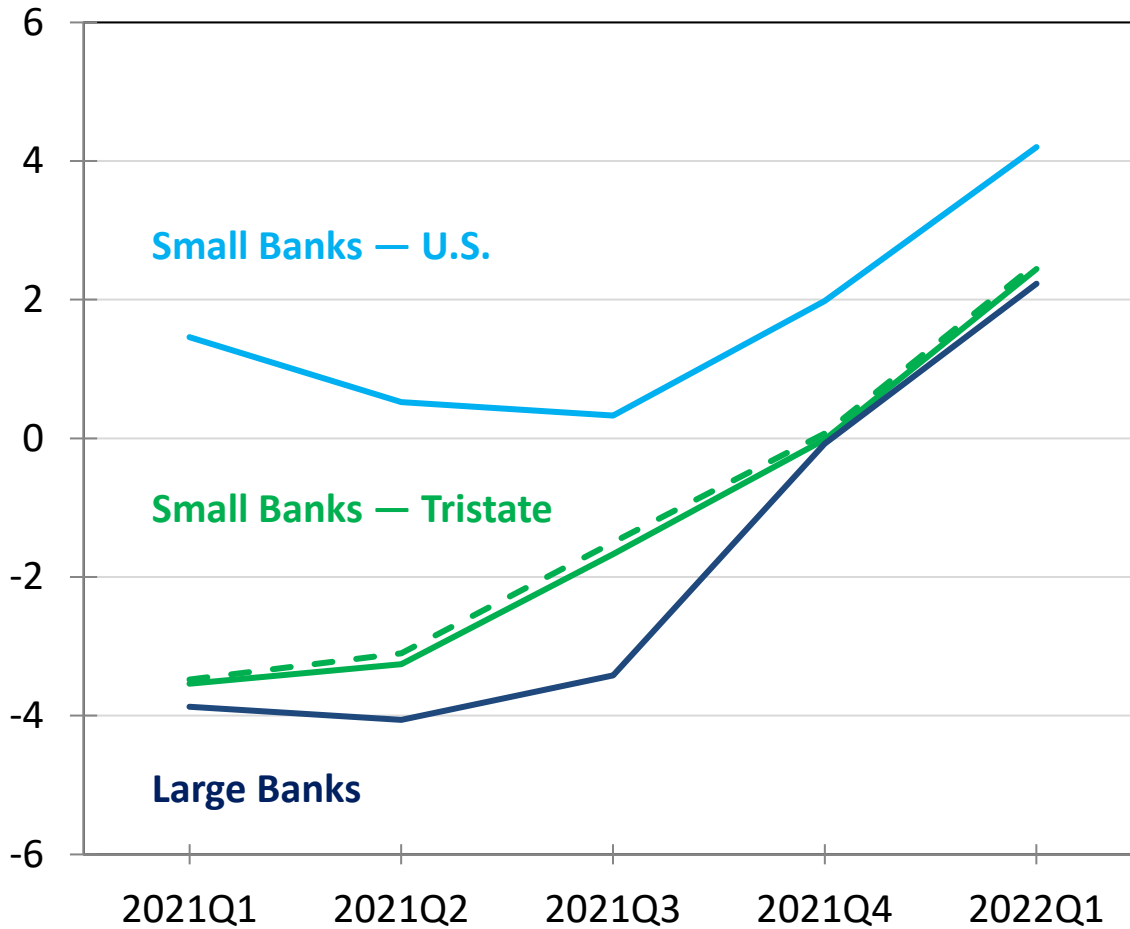


\*Data for small banks in the tristate area were adjusted due to one bank experiencing unusually high nonperforming loan amounts. This bank has been removed in the dotted line.

CHART 4

## Residential Real Estate Growth Rising at All Banks\*

Percent

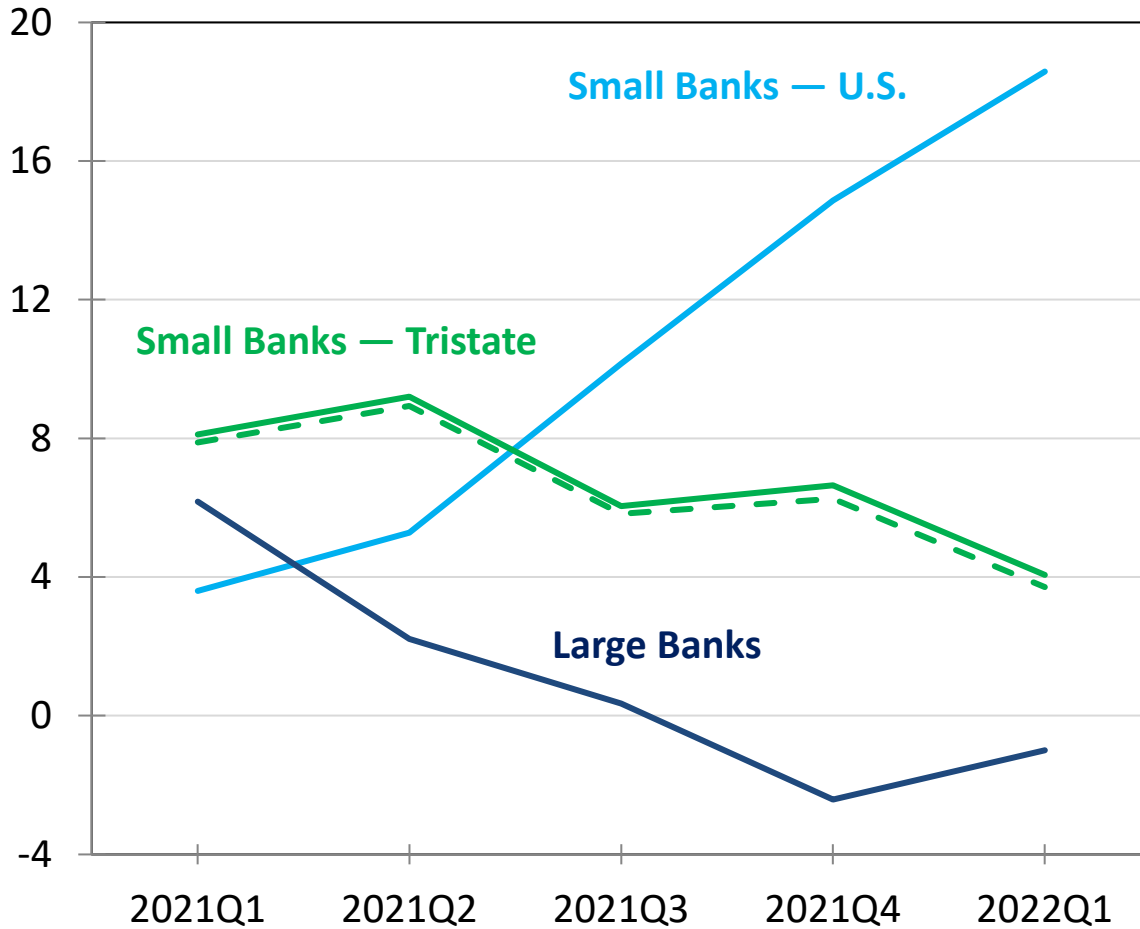


\*Data for small banks in the tristate area were adjusted due to one bank experiencing unusually high nonperforming loan amounts. This bank has been removed in the dotted line.

CHART 5

### Construction Lending Rose at Small Banks in the Nation, Fell at Tristate and Large Banks\*

Percent



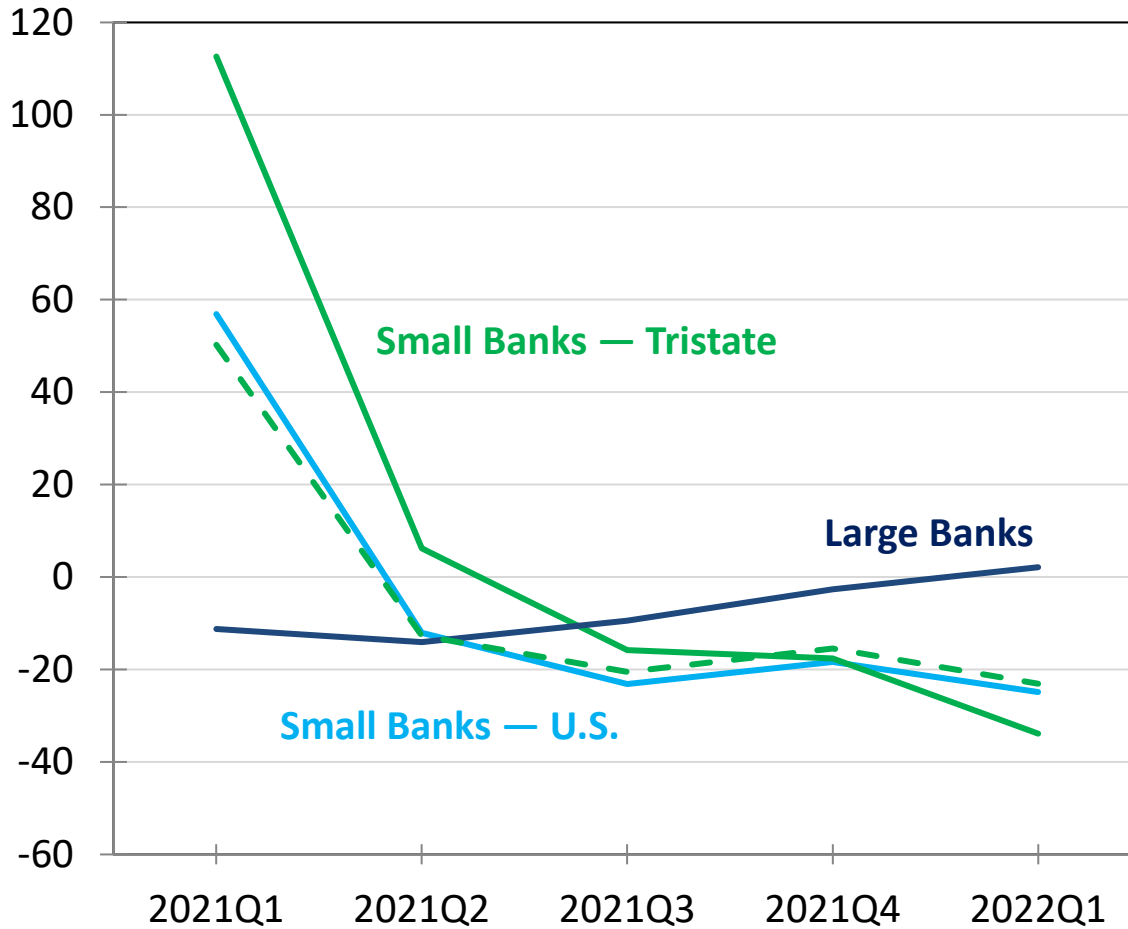
\*Data for small banks in the tristate area were adjusted due to one bank experiencing unusually high nonperforming loan amounts. This bank has been removed in the dotted line.



CHART 6

### C&I Lending Down at Small Banks, Increased at Large Banks\*

Percent

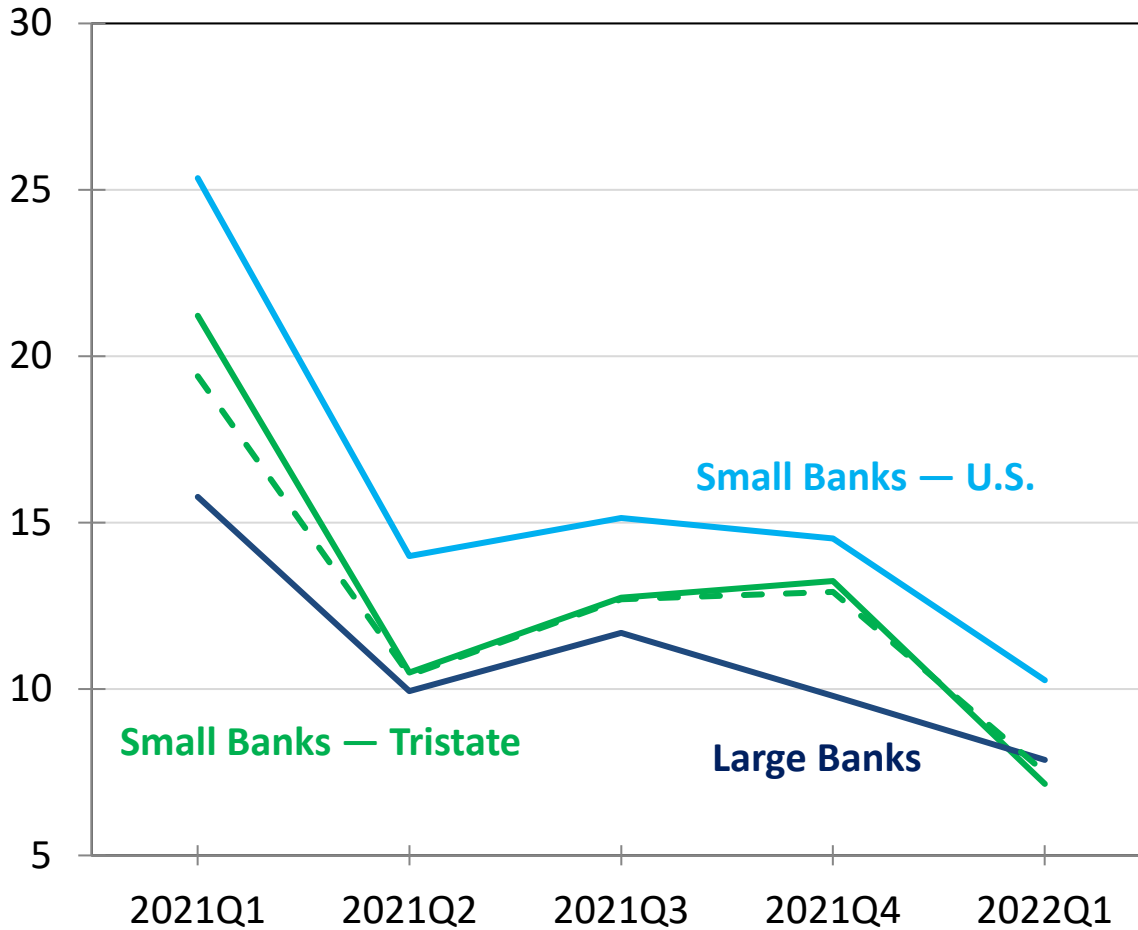


\*Data for small banks in the tristate area were adjusted due to one bank experiencing unusually high nonperforming loan amounts. This bank has been removed in the dotted line.

CHART 7

### Total Deposit Growth Declined in All Categories\*

Percent

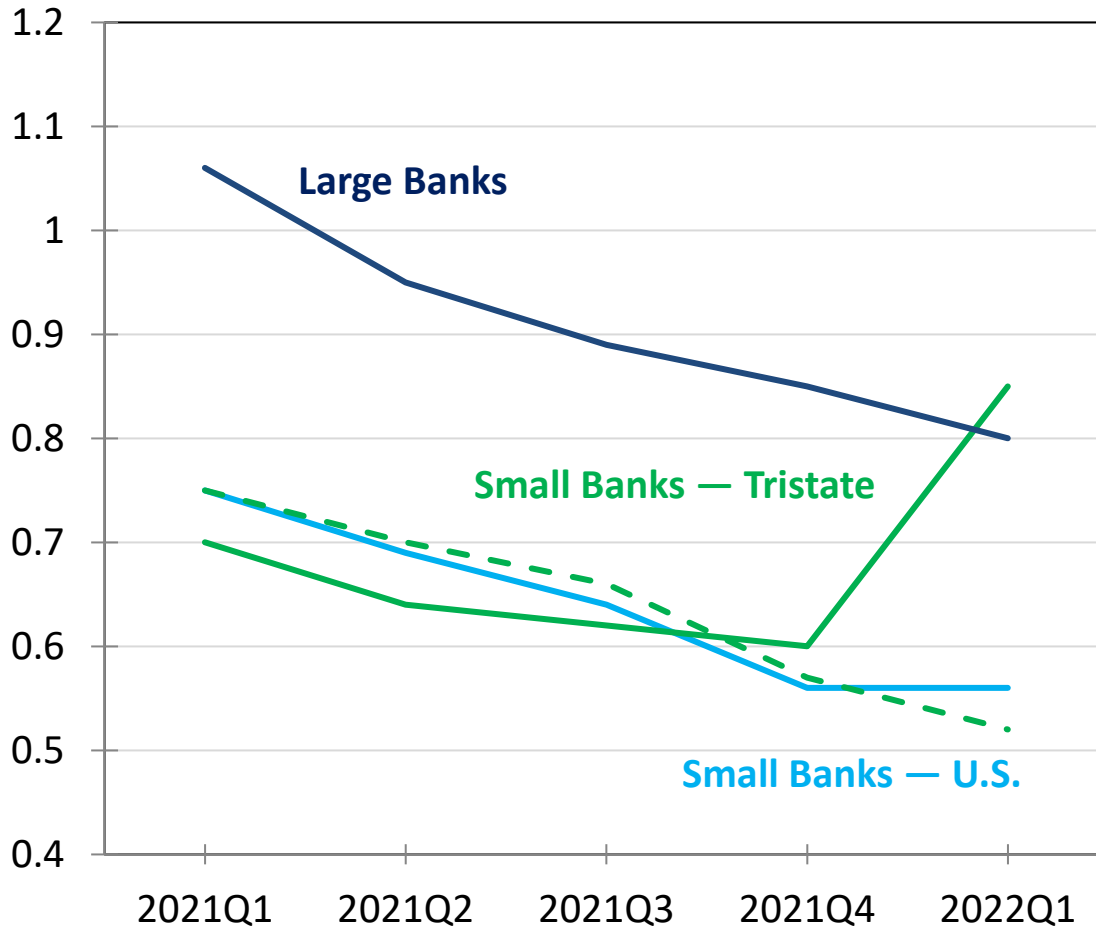


\*Data for small banks in the tristate area were adjusted due to one bank experiencing unusually high nonperforming loan amounts. This bank has been removed in the dotted line.

CHART 8

## Loan Quality Continues to Improve at All Banks\*

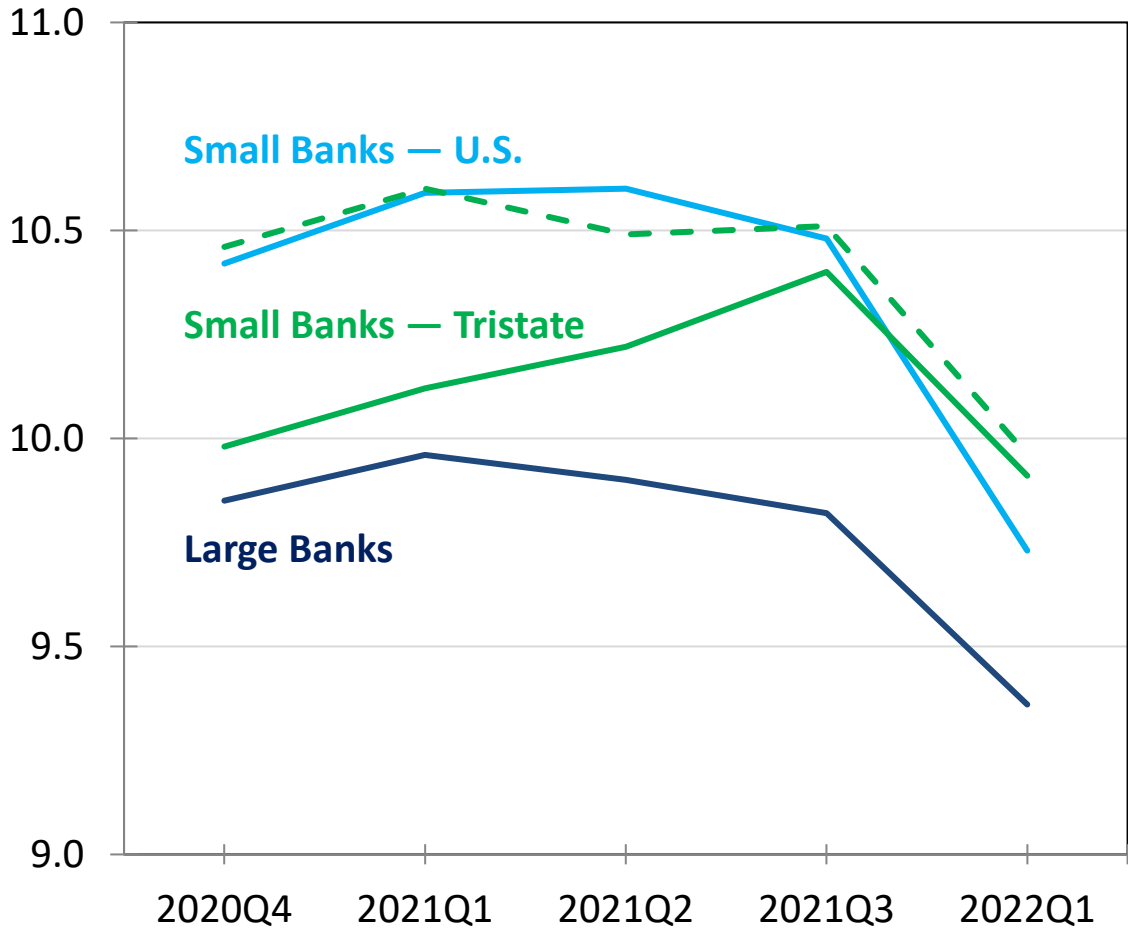
Nonperforming loans as a share of total loans, percent



\*Data for small banks in the tristate area were adjusted due to one bank experiencing unusually high nonperforming loan amounts. This bank has been removed in the dotted line.

### Capital Ratios Ticked Down in the First Quarter\*

Percent



\*Data for small banks in the tristate area were adjusted due to one bank experiencing unusually high nonperforming loan amounts. This bank has been removed in the dotted line.

Questions and comments may be directed to James V. DiSalvo at 215-574-3820 or [jim.disalvo@phil.frb.org](mailto:jim.disalvo@phil.frb.org).

For methodology documentation and back issues, visit [www.philadelphiafed.org/the-economy/banking-and-financial-markets/banking-brief](http://www.philadelphiafed.org/the-economy/banking-and-financial-markets/banking-brief).

To receive e-mail notifications on the latest *Banking Brief*, please go to [www.philadelphiafed.org/notifications/](http://www.philadelphiafed.org/notifications/).

