

Banking Brief

RESEARCH DEPARTMENT

Second Quarter 2022 Highlights

Summary Table of Bank Structure and Conditions

Second Quarter 2022	Small Banks						Large Banks		
	U.S.			Tristate			U.S.		
	\$ Billion	% Change From		\$ Billion	% Change From		\$ Billion	% Change From	
	22Q2	22Q1	21Q2	22Q2	22Q1	21Q2	22Q2	22Q1	21Q2
Total Assets	3,044.0	2.01	6.61	192.0	-1.84	-0.80	18,242.7	-6.00	3.74
Total Loans	1,934.6	21.15	7.40	135.7	14.93	-1.13	8,448.5	13.82	8.61
C&I	299.9	11.12	-15.09	18.9	-9.92	-39.59	2,043.7	17.95	10.91
Real Estate	1,439.3	21.37	12.96	105.4	17.10	8.40	3,496.0	10.45	5.41
Consumer	85.2	54.80	24.53	6.9	52.51	34.97	1,245.9	14.45	10.11
Total Deposits	2,628.9	0.52	8.41	161.5	-5.52	3.59	14,931.5	-9.29	3.60
Ratios (in %)	22Q2	22Q1	21Q2	22Q2	22Q1	21Q2	22Q2	22Q1	21Q2
Net Income/Avg. Assets (ROA)	1.20	1.23	1.29	1.26	1.30	1.20	0.97	1.01	1.05
Net Interest Inc./Avg. Assets (NIM)	3.03	3.01	3.09	3.11	3.05	2.96	2.04	1.97	2.03
Noninterest Inc./Avg. Assets	0.95	1.00	1.16	1.07	1.11	1.13	1.22	1.23	1.28
Noninterest Exp./Avg. Assets	2.46	2.47	2.58	2.51	2.50	2.48	2.04	2.03	2.09
Loans/Deposits	73.59	70.24	74.28	84.02	80.01	88.03	56.58	53.46	53.97
Equity/Assets	9.36	9.74	10.60	9.99	10.11	10.31	9.39	9.35	9.96
Nonperforming Loans/Total Loans	0.54	0.56	0.70	1.29	0.93	0.68	0.73	0.80	0.95

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

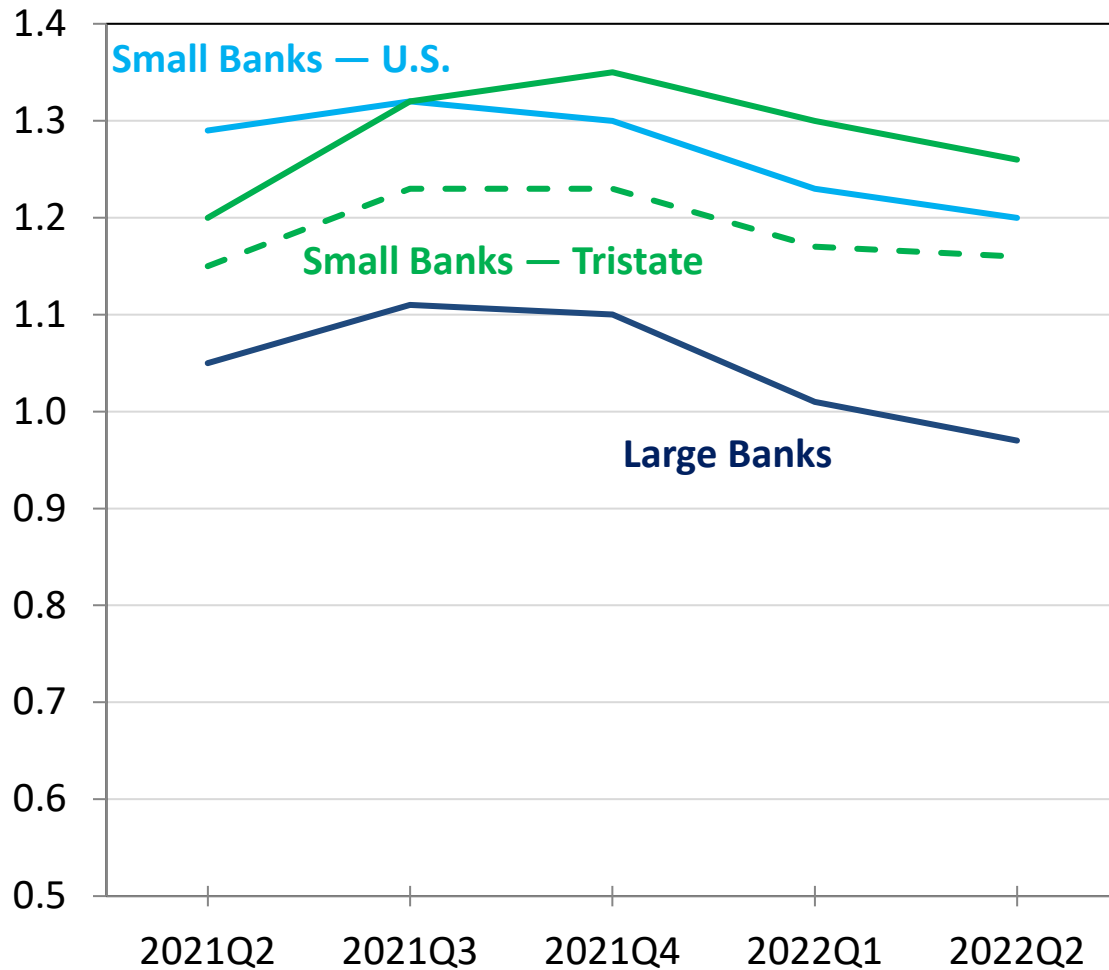
Profitability ticked down at large banks and small banks around the nation compared to last year, while tristate bank profitability has remained steady. Noninterest income slowed for all banks, with small banks experiencing the most significant decline. Net interest income stabilized compared to last quarter for all bank categories. At tristate banks, the rising net interest margin (NIM) outweighed higher nonperforming loans, despite a large increase in nonperforming loan ratios due to a rapid increase at a single bank.

Large banks and small banks around the nation experienced strong lending growth this quarter relative to last year and the previous quarter. Small tristate bank lending rebounded from last quarter's decline but is still in negative territory. Large bank lending growth was primarily driven by continued expansion of commercial and industrial (C&I) and real estate (RE) loans, with strong consumer lending as well. At small banks around the nation, RE, consumer, and commercial mortgages all contributed to the strong loan growth. Small tristate banks experienced strong gains in residential real estate and consumer lending, but C&I lending is down significantly compared to last year, keeping their overall growth in negative territory. Equity capital declined in the second quarter for all categories of banks, with significant declines at small banks around the nation, which is consistent with last quarter.

CHART 1

Profitability Ticked Down Around the Nation and at Large Banks, Ticked Up at Small Tristate Banks*

Percent

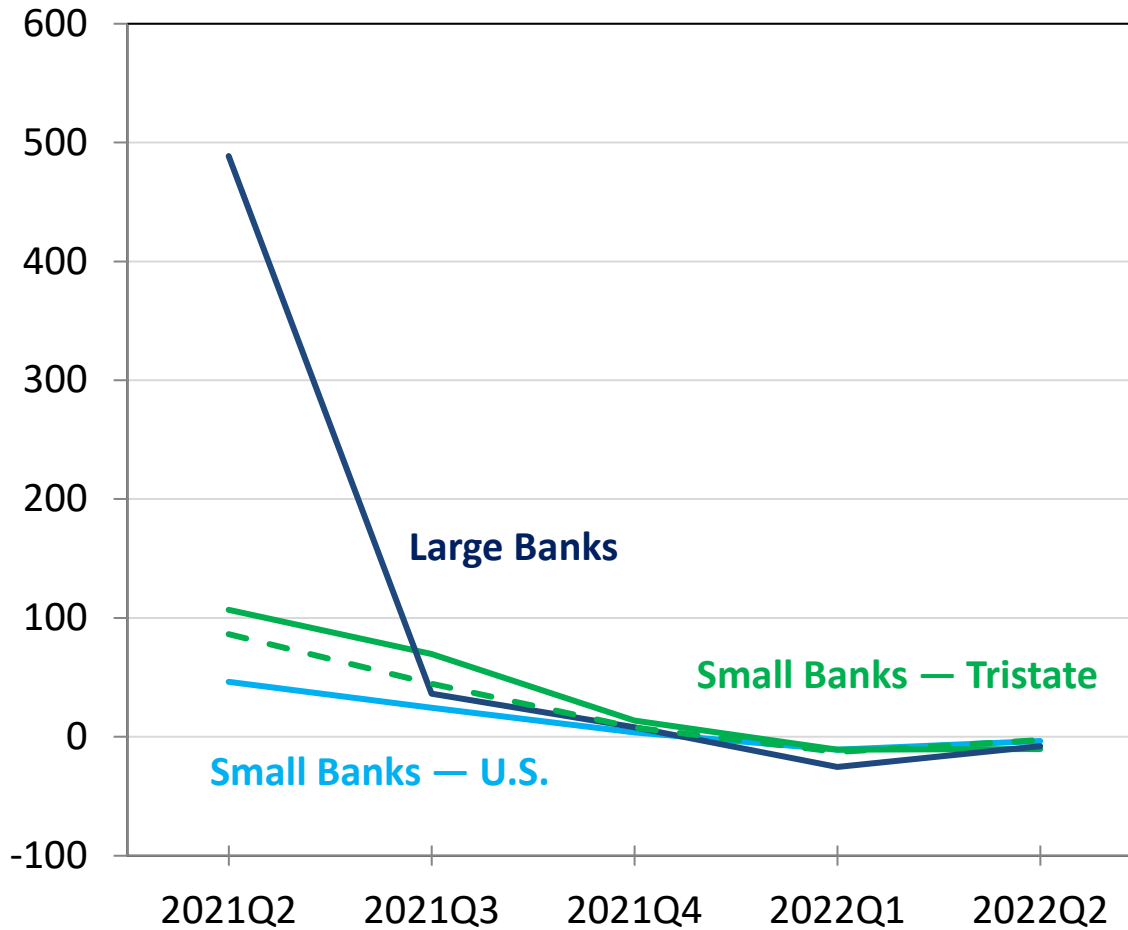


*Data for small banks in the tristate area were adjusted due to one bank experiencing unusually high nonperforming loan amounts. This bank has been removed in the dotted line.

CHART 2

Quarterly Income Growth Is Lower Than a Year Ago*

Percent

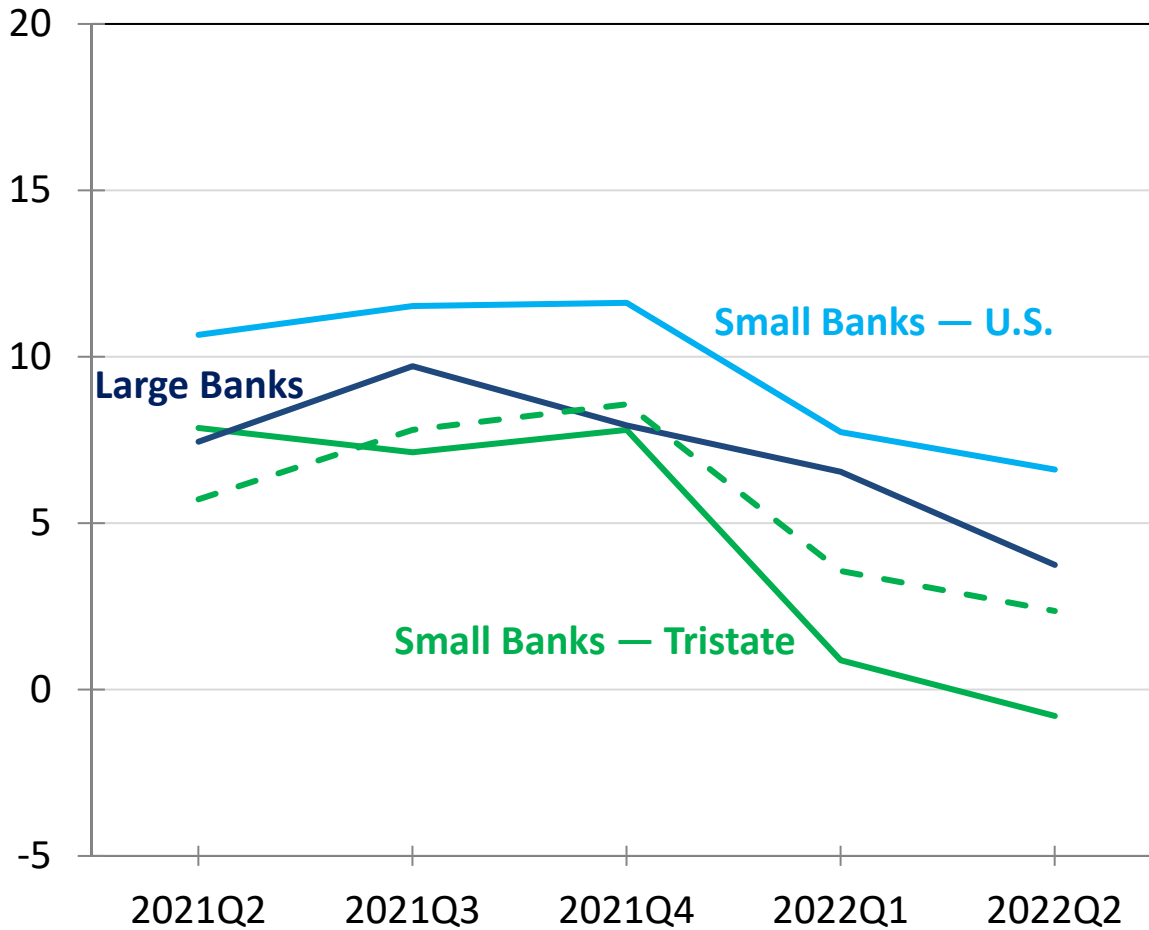


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CHART 3

Asset Growth Slowed for All Bank Categories*

Percent

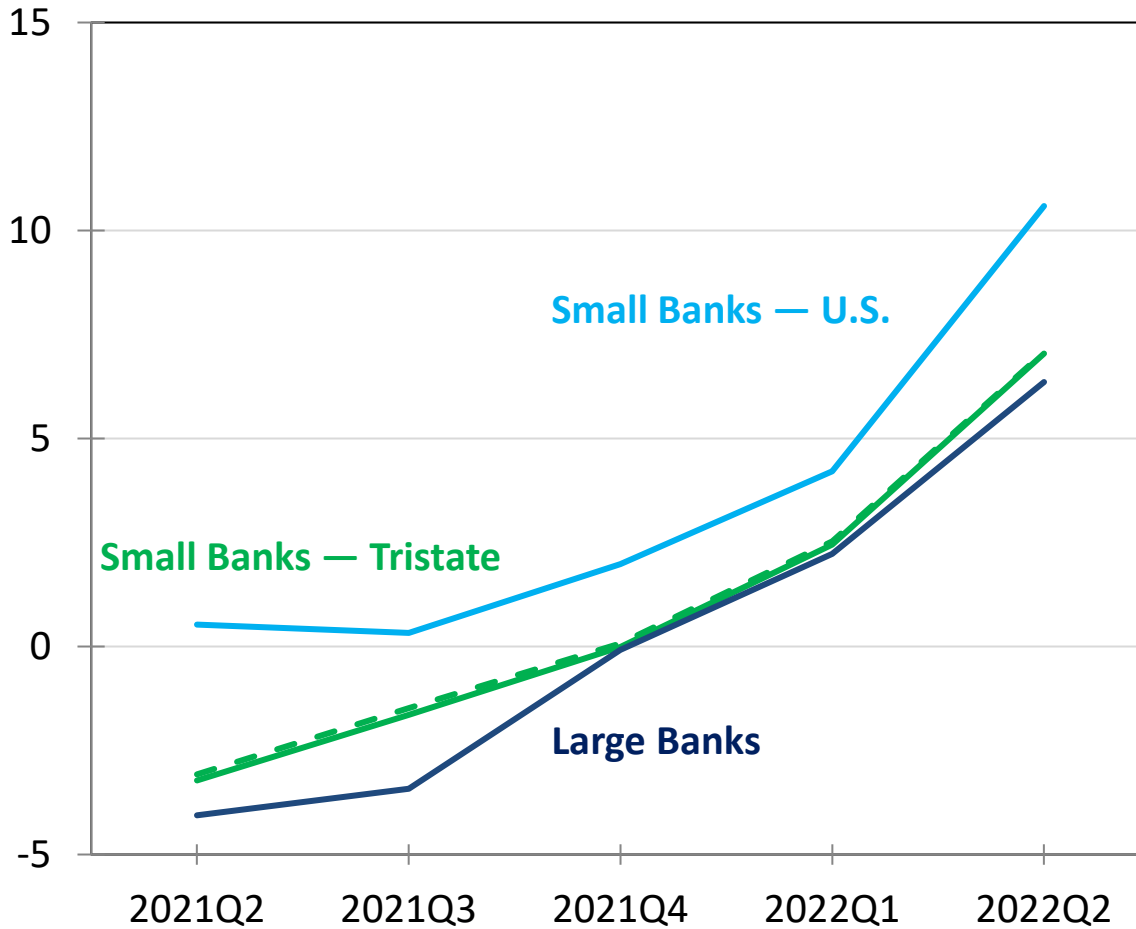


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CHART 4

Strong Residential Real Estate Growth for All Banks*

Percent

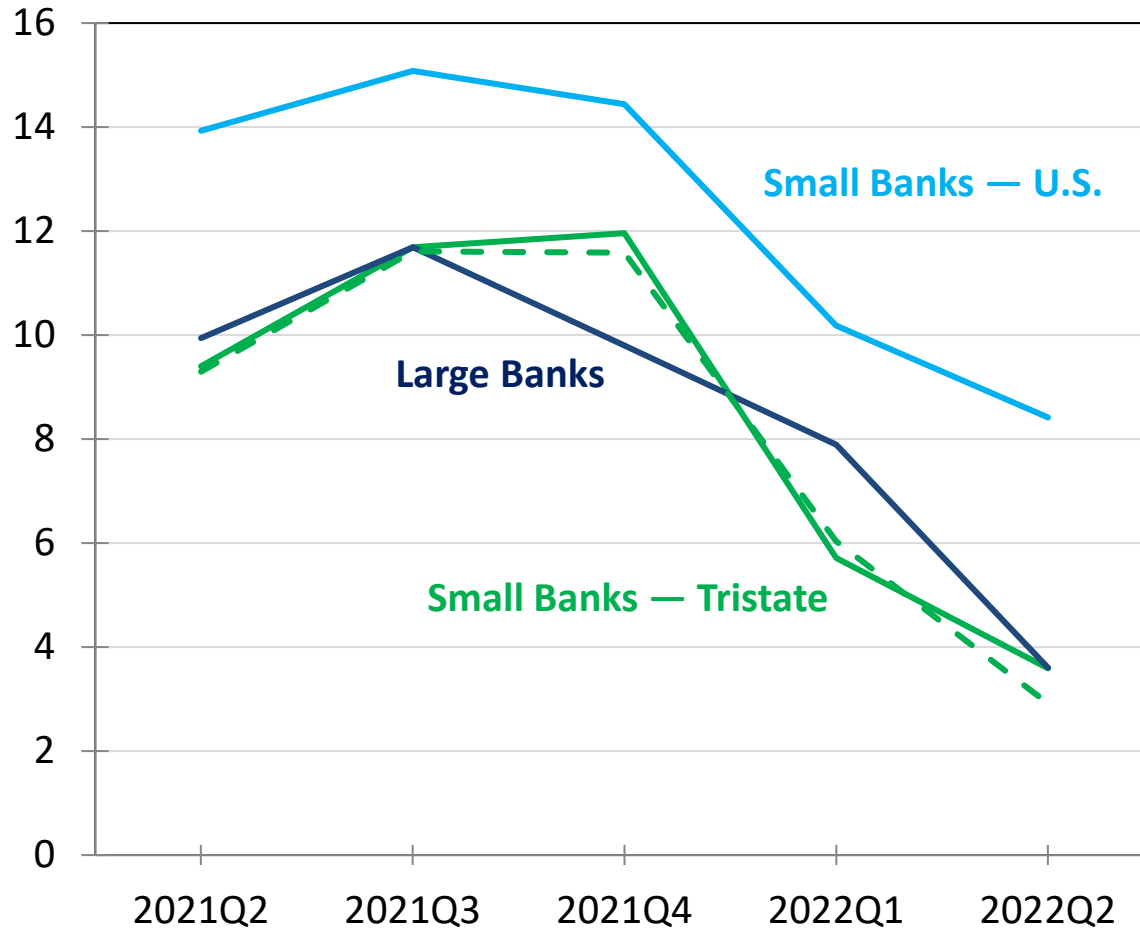


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CHART 5

Deposit Growth Slowed This Quarter*

Percent

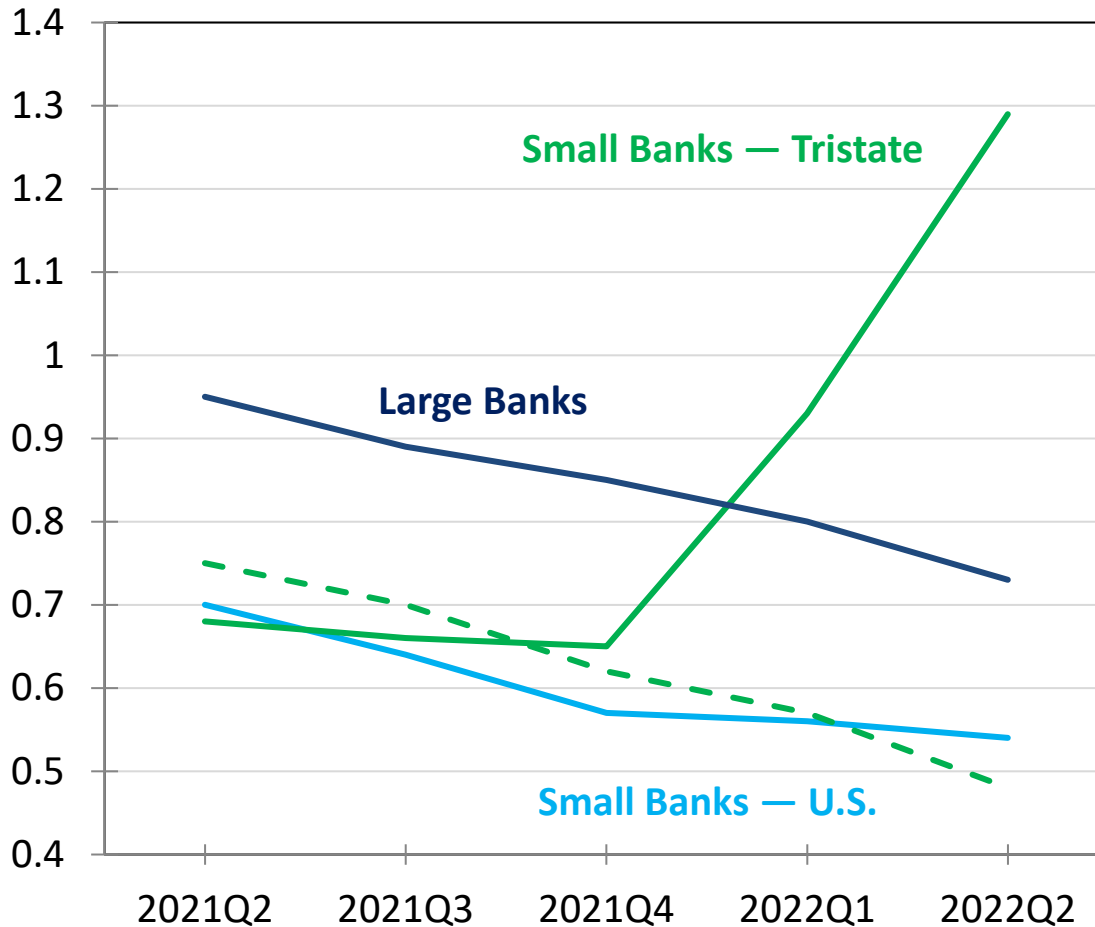


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CHART 6

Loan Performance Improved Year Over Year*

Nonperforming loans as a share of total loans, percent

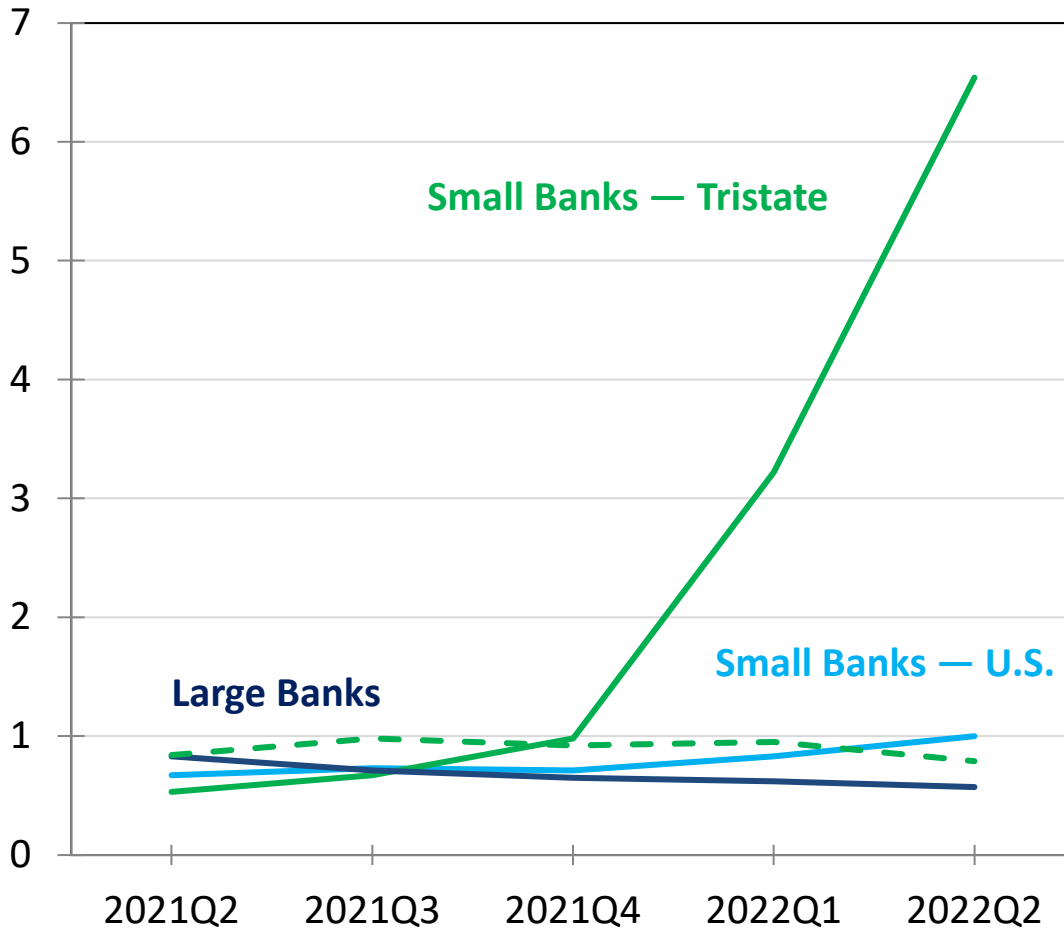


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CHART 7

C&I Loan Quality Rose Year Over Year at Large and Tristate Banks, Declined Across the Nation*

C&I nonperforming loan ratio, percent

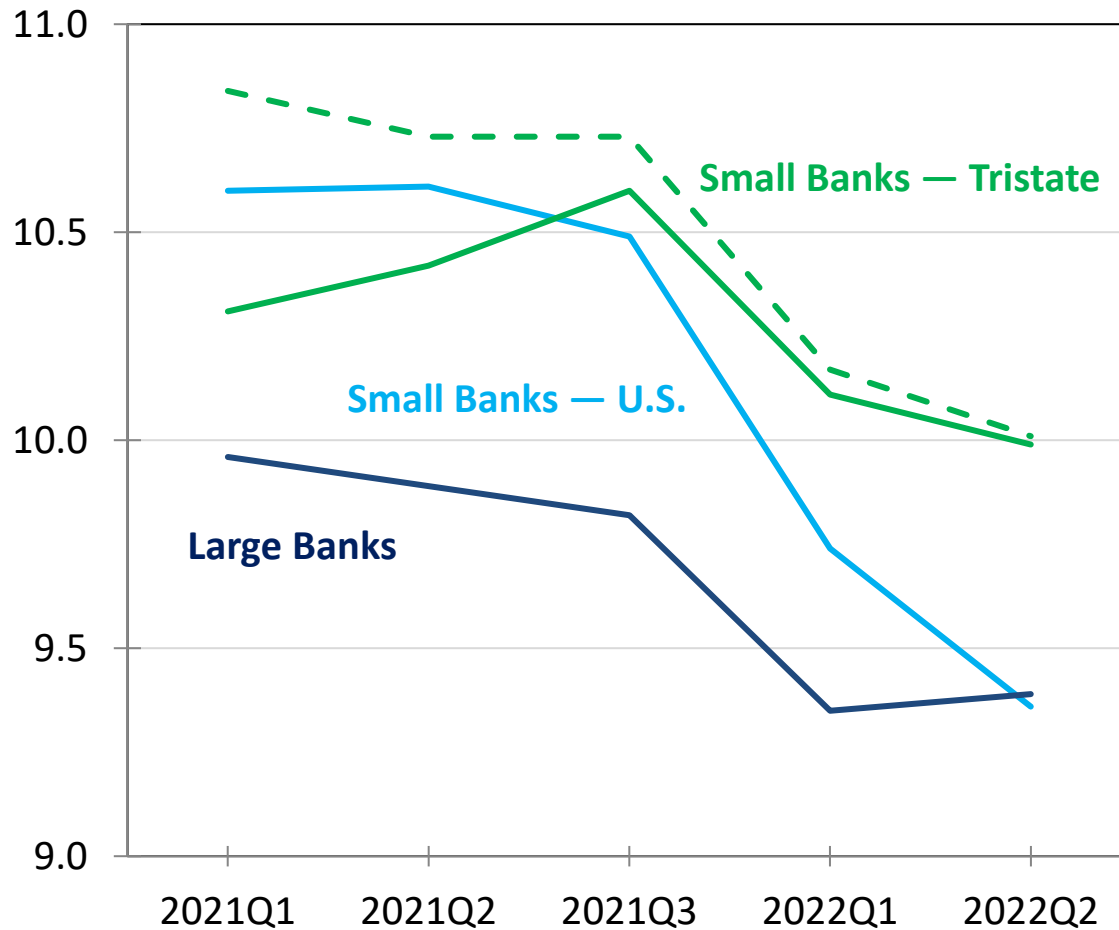


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CHART 8

Bank Capital Ratios Continue to Fall Year Over Year*

Percent



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Questions and comments may be directed to James V. DiSalvo at 215-574-3820 or jim.disalvo@phil.frb.org.

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