

# Banking Brief

RESEARCH DEPARTMENT

## **Third Quarter 2022 Highlights**

## Summary Table of Bank Structure and Conditions

Third Quarter 2022	Small Banks						Large Banks		
	U.S.			Tristate			U.S.		
	\$ Billion	% Change From		\$ Billion	% Change From		\$ Billion	% Change From	
	22Q3	22Q2	21Q3	22Q3	22Q2	21Q3	22Q3	22Q2	21Q3
<b>Total Assets</b>	3,073.1	3.87	5.29	193.9	4.14	-1.18	18,143.0	-2.17	1.06
<b>Total Loans</b>	2,010.4	16.62	12.03	140.2	14.11	5.01	8,555.8	5.17	9.33
C&I	305.0	7.02	-1.59	18.3	-11.68	-27.27	2,050.5	1.34	13.82
Real Estate	1,501.7	18.49	15.10	109.6	16.93	10.49	3,566.3	8.28	6.44
Consumer	91.4	33.01	28.97	7.7	48.75	41.14	1,256.1	3.34	9.07
<b>Total Deposits</b>	2,643.6	2.26	6.14	163.3	4.54	0.71	14,723.7	-5.45	-0.07
<b>Ratios (in %)</b>	<b>22Q3</b>	<b>22Q2</b>	<b>21Q3</b>	<b>22Q3</b>	<b>22Q2</b>	<b>21Q3</b>	<b>22Q3</b>	<b>22Q2</b>	<b>21Q3</b>
Net Income/Avg. Assets (ROA)	1.21	1.20	1.32	1.24	1.26	1.32	0.99	0.97	1.11
Net Interest Inc./Avg. Assets (NIM)	3.12	3.03	3.10	3.17	3.11	3.06	2.17	2.04	2.01
Noninterest Inc./Avg. Assets	0.90	0.95	1.12	1.01	1.07	1.13	1.21	1.22	1.27
Noninterest Exp./Avg. Assets	2.46	2.46	2.55	2.51	2.51	2.49	2.06	2.04	2.06
Loans/Deposits	76.05	73.59	72.05	85.88	84.02	82.37	58.11	56.58	53.11
Equity/Assets	9.06	9.36	10.61	9.82	9.99	10.42	9.25	9.39	9.89
Nonperforming Loans/Total Loans	0.50	0.54	0.64	1.13	1.29	0.66	0.70	0.73	0.89

**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.

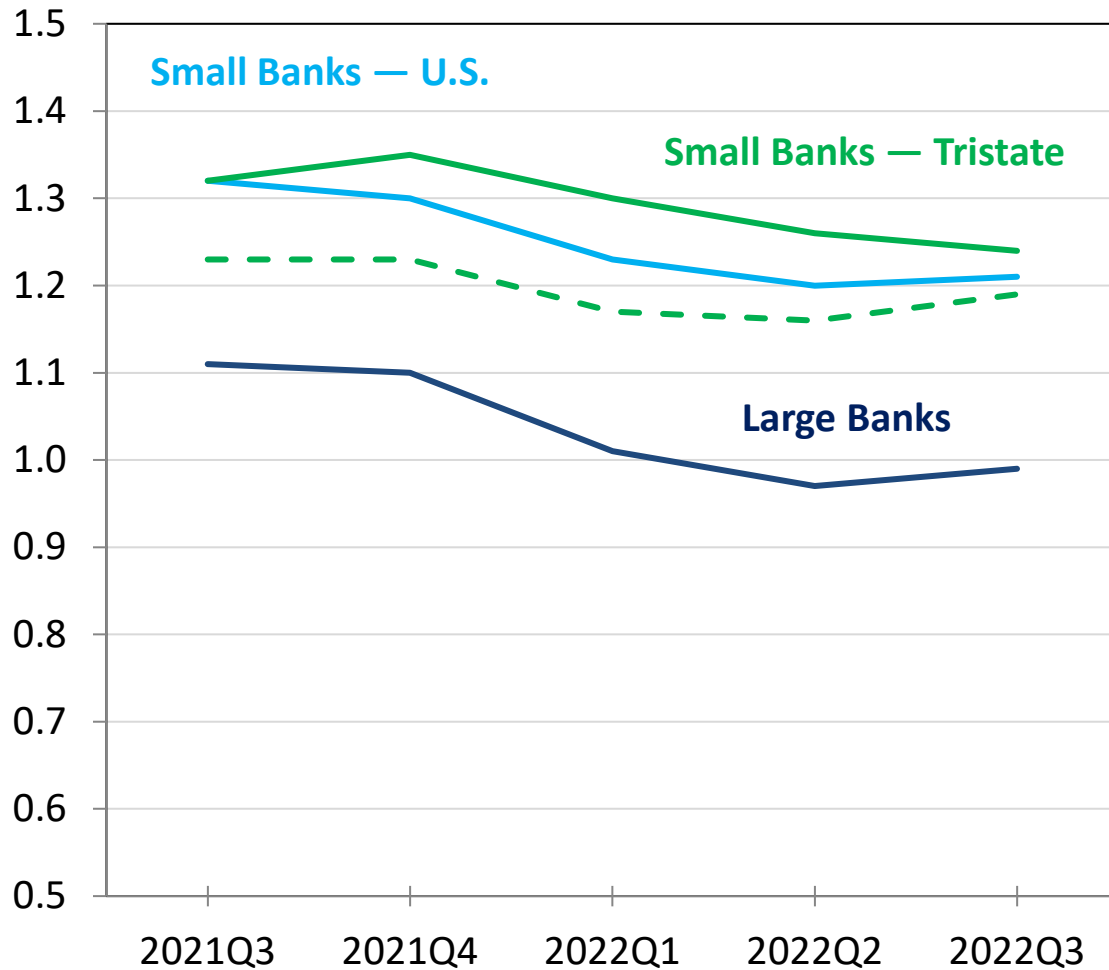
## Recent Trends in Tristate and U.S. Banking Markets

In the third quarter of 2023, profitability declined at large banks and small banks year over year. Noninterest income continued to decline for small banks in the nation and the tristate region, while net interest income ticked up across all bank categories as interest rates rose. Large and small banks continued to see strong lending growth. Large bank commercial real estate lending (CRE) continued to expand, with large gains in multifamily mortgage lending. At small banks around the nation and in our region, growth in residential real estate (RRE) was particularly strong. Commercial and industrial lending (C&I) was flat at small banks in the nation and negative for small banks in our region, but it was solid at large banks. Overall, nonperforming loans continued to improve. One tristate bank continues to skew tristate nonperforming C&I loan values; removing this bank yields results similar to those for small banks around the nation. Equity capital declined for all categories of banks as losses on securities brought down equity values.

CHART 1

### Bank Profitability Remains Lower\*

Percent

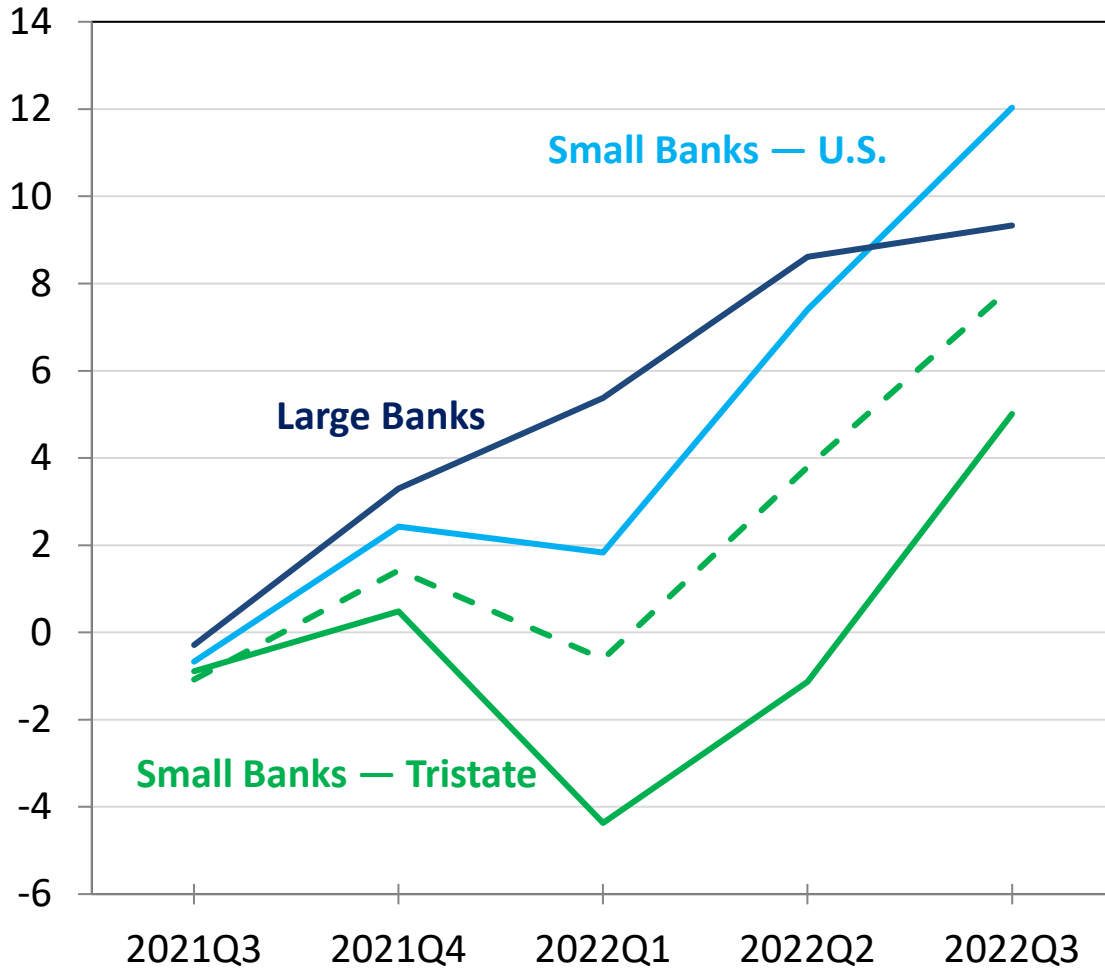


\*Data for small banks in the tristate area were adjusted due to one bank experiencing unusually high nonperforming loan amounts. This bank has been removed in the dotted line.

CHART 2

### Loan Growth Is Strong Across All Banks\*

Percent

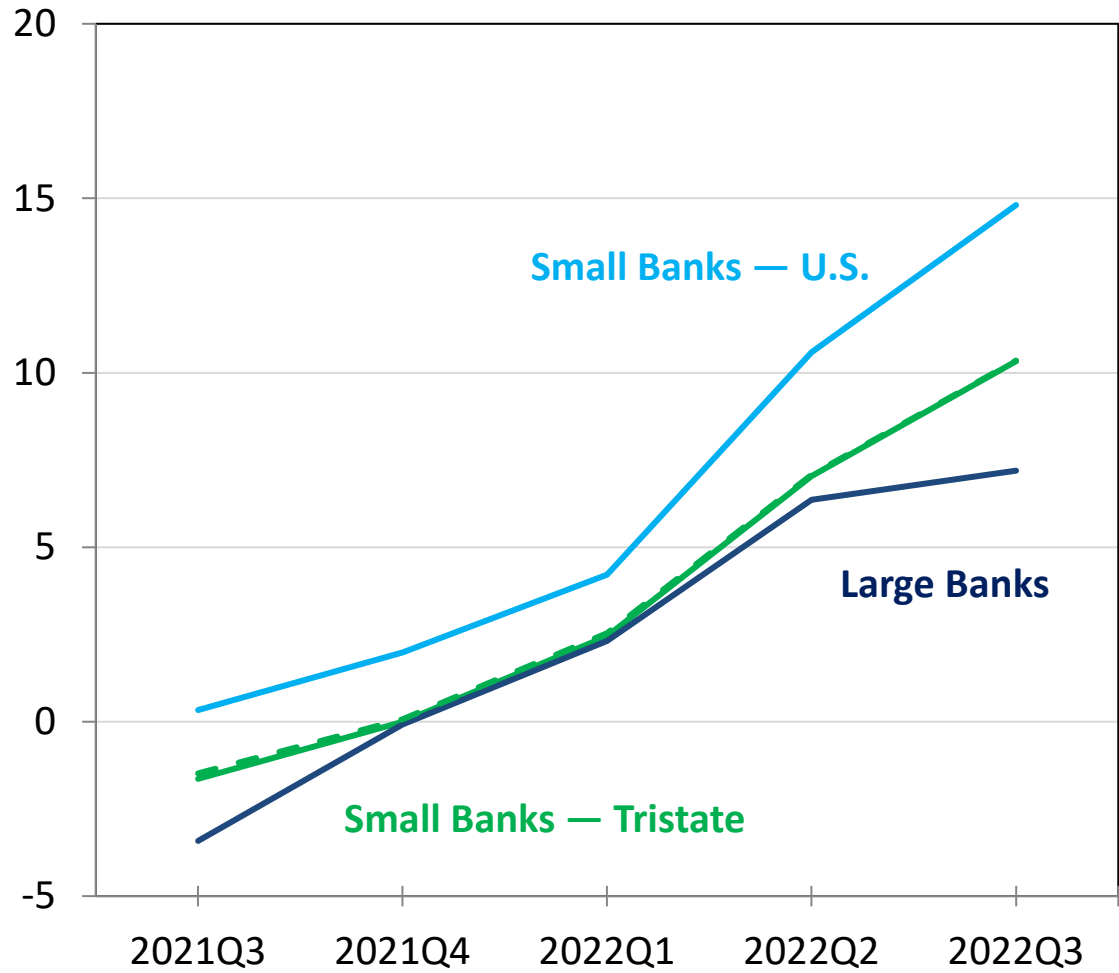


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CHART 3

### RRE Lending Grew for All Banks\*

Percent

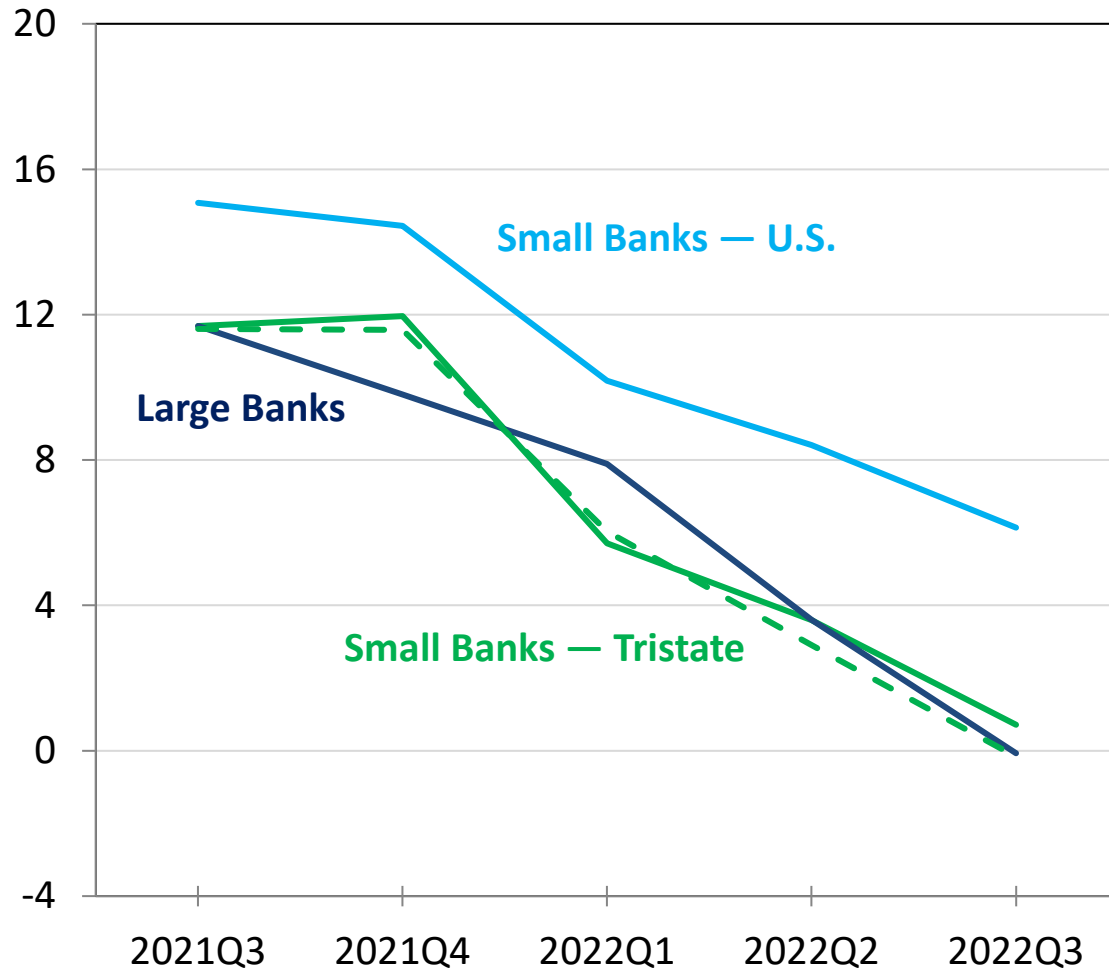


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CHART 4

### Deposits Continue to Shrink Across Banks\*

Percent

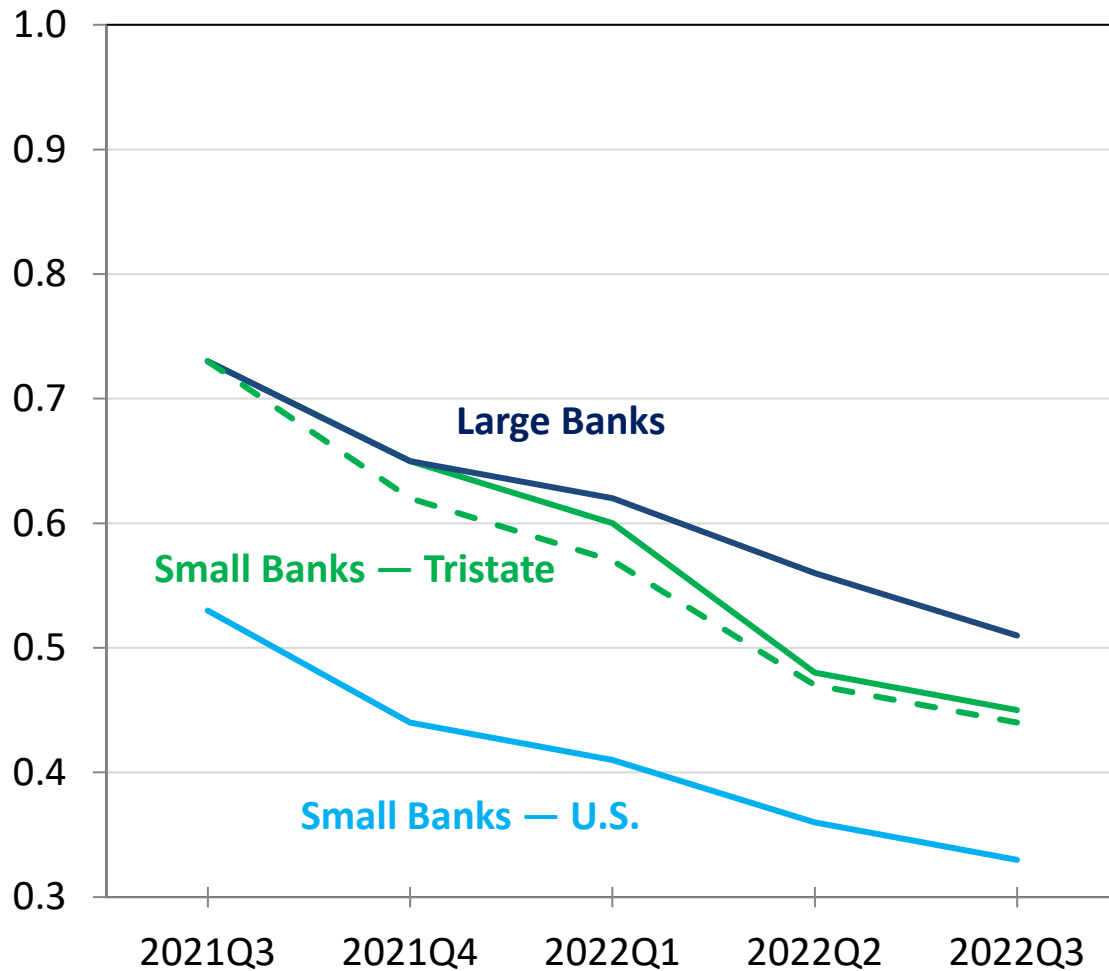


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CHART 5

### Nonperforming CRE Loans Decline, Showing Increasing Loan Quality\*

Percent



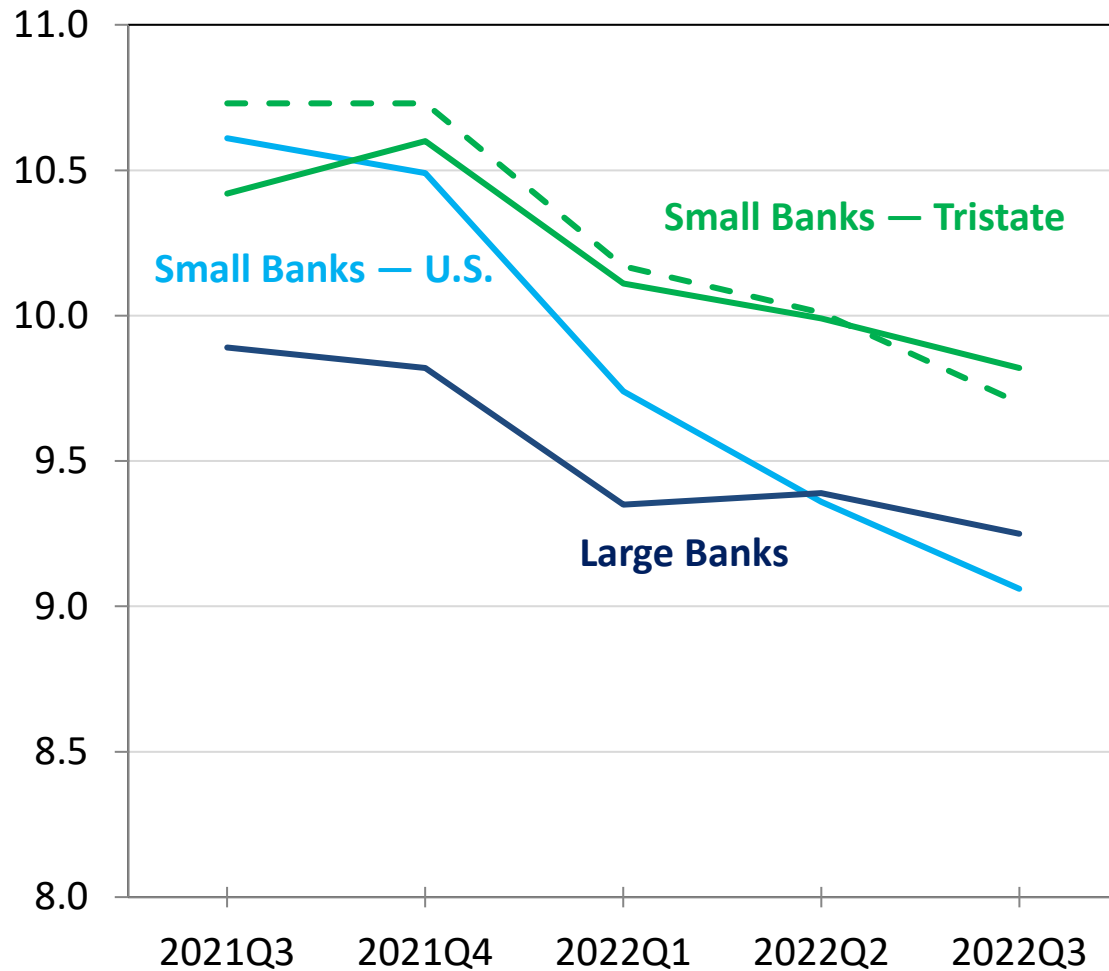
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CHART 6

### Equity Capital Falls Relative to Assets\*

Percent



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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).

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