

Banking Brief

RESEARCH DEPARTMENT

Fourth Quarter 2022 Highlights

Summary Table of Bank Structure and Conditions

Fourth Quarter 2022	Small Banks						Large Banks		
	U.S.			Tristate			U.S.		
	\$ Billion	% Change From		\$ Billion	% Change From		\$ Billion	% Change From	
	22Q4	22Q3	21Q4	22Q4	22Q3	21Q4	22Q4	22Q3	21Q4
Total Assets	3,138.4	6.65	4.96	197.5	9.92	1.29	18,168.0	0.48	-0.51
Total Loans	2,095.6	15.61	14.91	143.9	13.36	8.69	8,775.7	10.56	8.65
C&I	315.7	12.84	6.07	18.6	6.41	-14.62	2,077.7	5.34	10.80
Real Estate	1,569.4	16.53	16.83	112.6	14.48	11.57	3,612.4	5.06	6.64
Consumer	96.5	23.38	33.60	7.7	2.62	33.46	1,391.3	50.49	15.83
Total Deposits	2,659.8	0.60	3.70	161.5	-2.10	-1.42	14,672.3	-1.47	-2.89
Ratios (in %)	22Q4	22Q3	21Q4	22Q4	22Q3	21Q4	22Q4	22Q3	21Q4
Net Income/Avg. Assets (ROA)	1.21	1.20	1.30	1.23	1.24	1.35	1.04	0.99	1.10
Net Interest Inc./Avg. Assets (NIM)	3.25	3.13	3.05	3.28	3.17	3.06	2.42	2.17	1.98
Noninterest Inc./Avg. Assets	0.85	0.90	1.06	0.92	1.01	1.14	1.19	1.21	1.25
Noninterest Exp./Avg. Assets	2.47	2.46	2.50	2.51	2.52	2.50	2.09	2.06	2.03
Loans/Deposits	78.79	76.10	71.10	89.08	85.87	80.79	59.81	58.11	53.46
Equity/Assets	9.33	9.06	10.49	9.88	9.84	10.61	9.49	9.25	9.82
Nonperforming Loans/Total Loans	0.54	0.50	0.57	1.99	1.13	0.65	0.71	0.70	0.85

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.

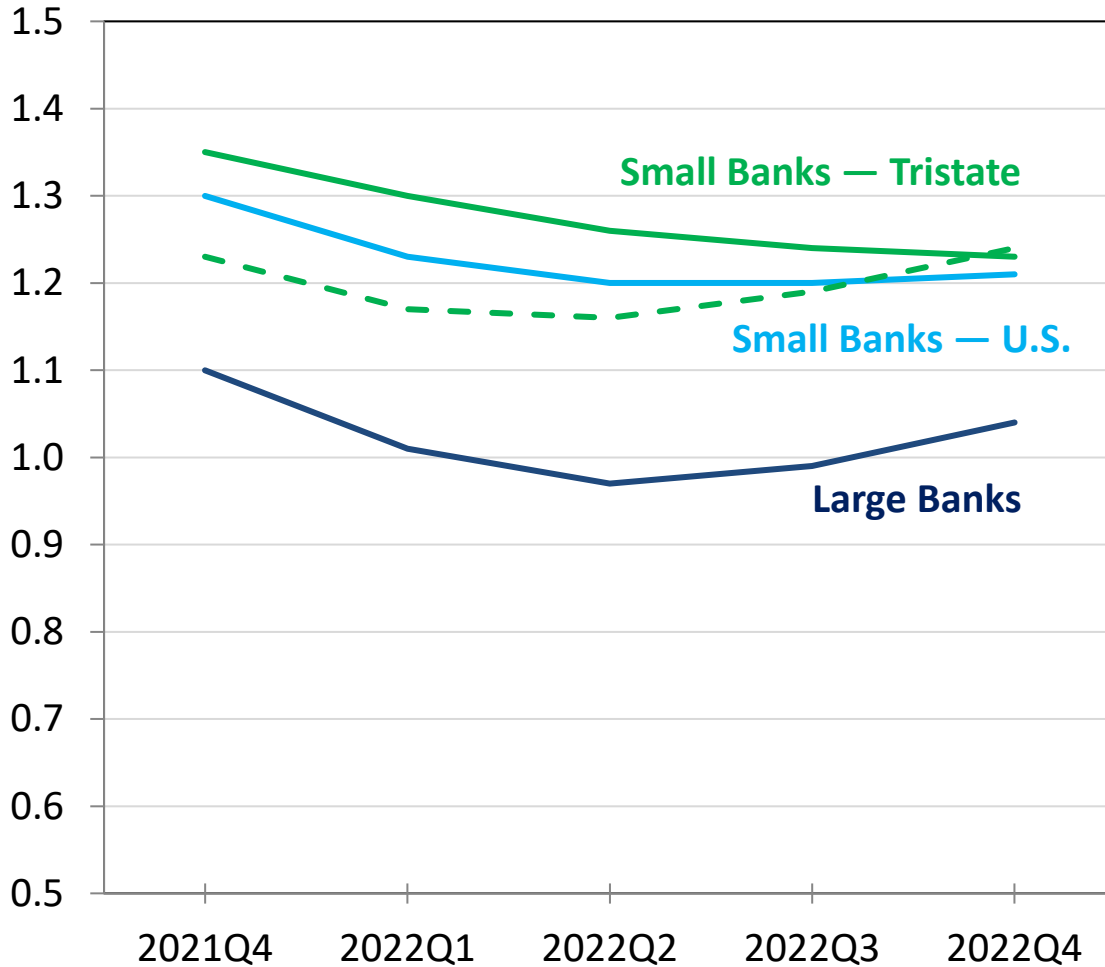
Recent Trends in Tristate and U.S. Banking Markets

Profitability declined at large banks and small banks year over year despite the rise in the net interest margin. Noninterest income declined for all bank categories, slowing net income for small and large banks, most notably at small banks. Large and local small banks both witnessed strong loan growth this quarter, while loan growth at small banks around the nation was even stronger. Real estate lending is very strong across banks, as residential real estate (RRE) and commercial real estate (CRE) show positive trends. Commercial and industrial lending (C&I) is beginning to recover, as small banks around the country are experiencing growth and tristate banks growth is trending toward positive territory, though still negative. Meanwhile, C&I loan growth is particularly strong at large banks. Deposit growth is much lower than four quarters ago. Nonperforming loans declined for most categories of loans, though nonperforming consumer loans ticked up at large banks. Equity capital declined in the fourth quarter for all categories of banks driven by lower noninterest income and losses on bank securities portfolios.

CHART 1

Overall Profitability Remained Lower*

Percent

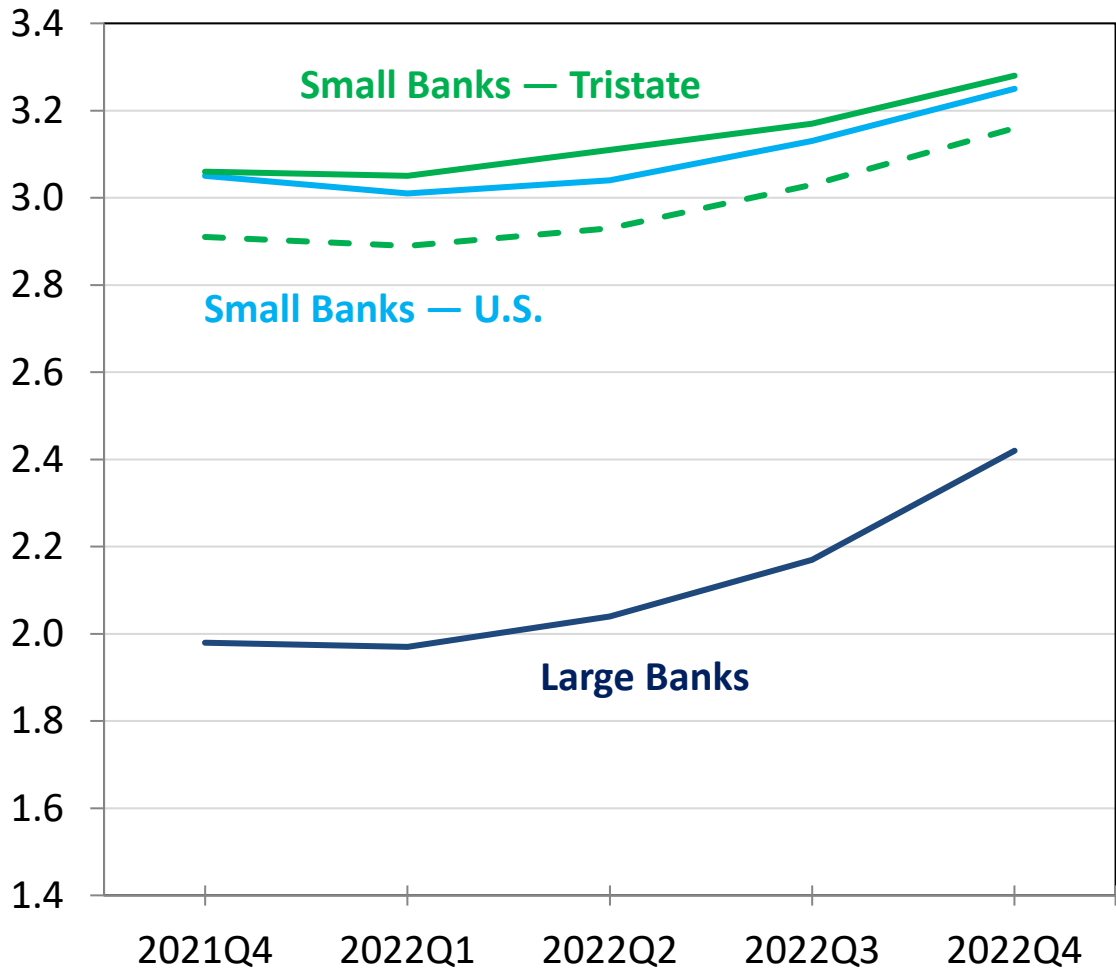


*Data for small banks in the tristate area were adjusted due to one bank experiencing unusually high nonperforming loan amounts. This bank has been removed in the dotted line.

CHART 2

Net Interest Margins Rose as Interest Rates Increased*

Percent

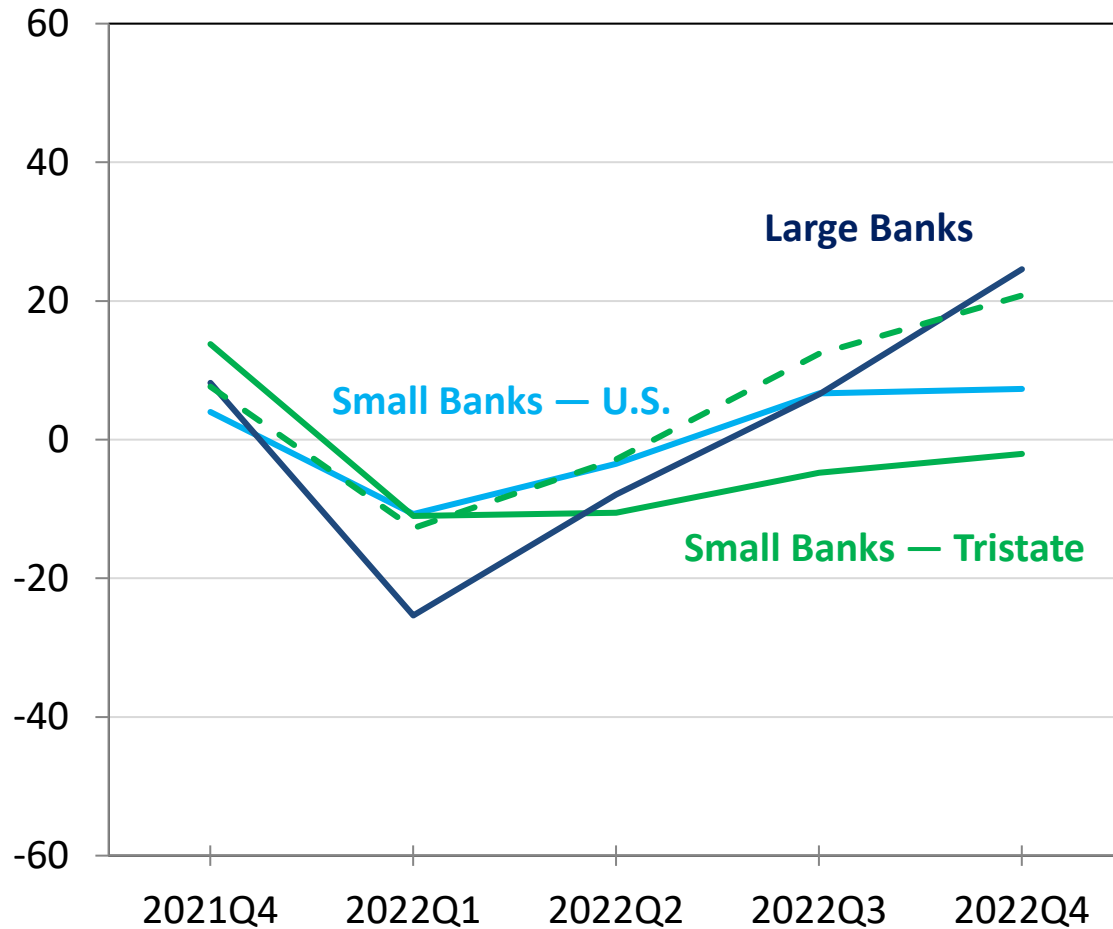


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CHART 3

Quarterly Net Income Growth Is Higher, Particularly at Large Banks*

Percent

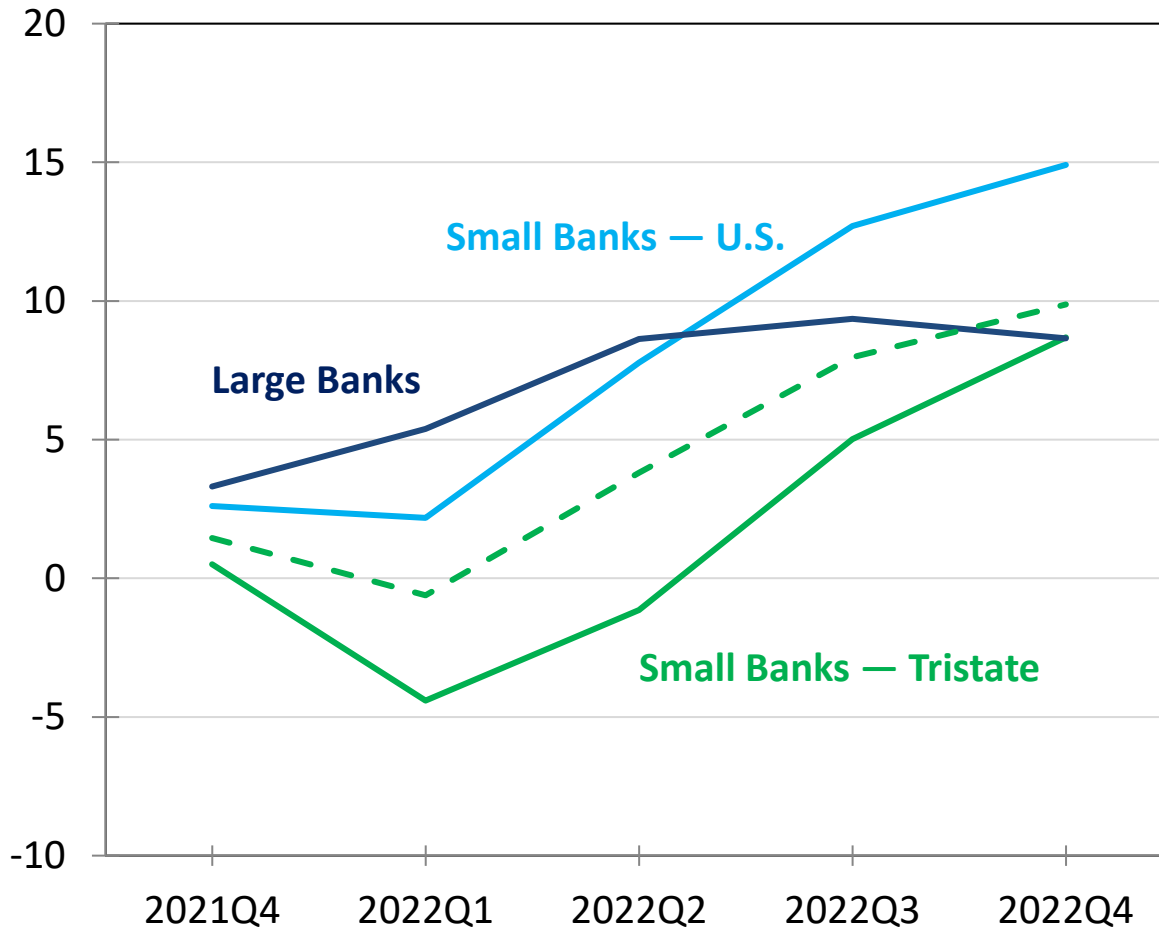


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CHART 4

Loan Growth in the Fourth Quarter Was Strong*

Percent

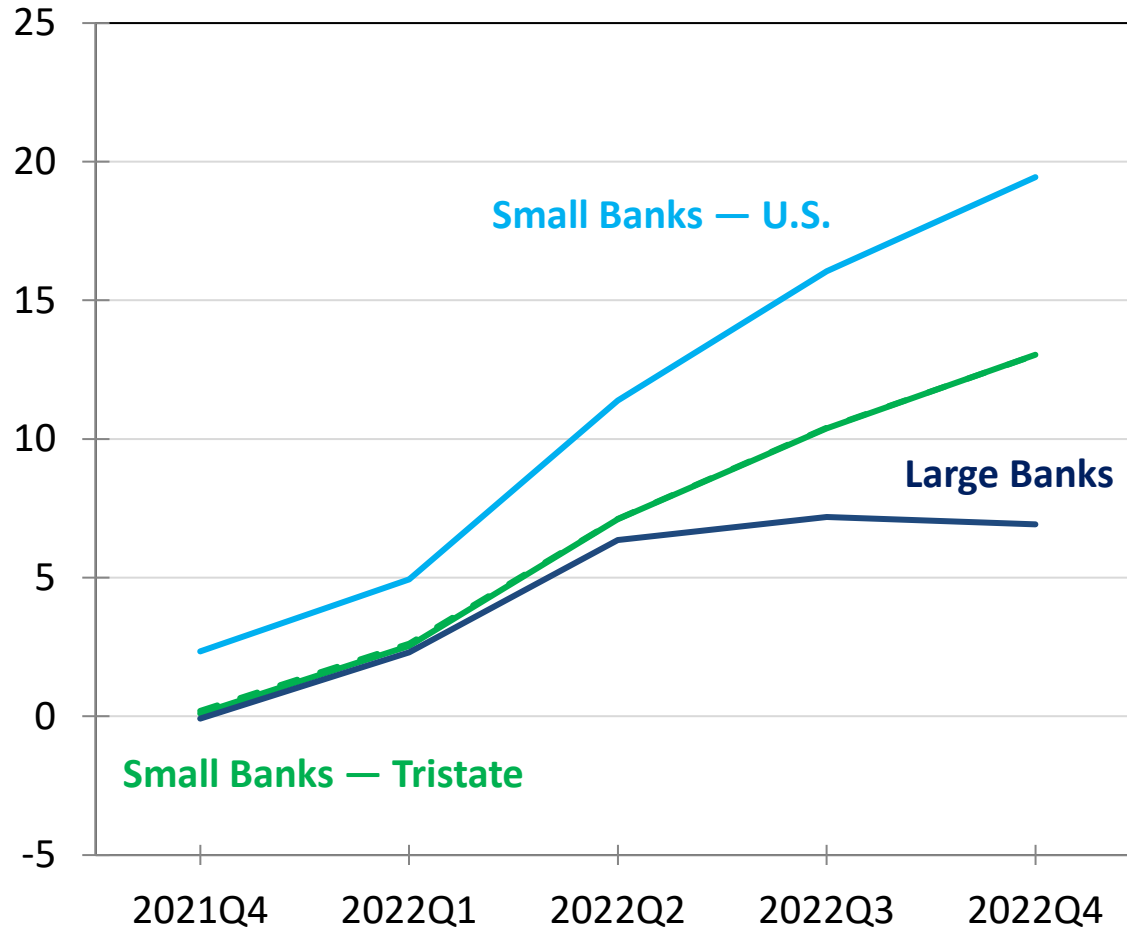


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CHART 5

RRE Loans Are Strong at Large Banks and Surging at Small Banks*

Percent

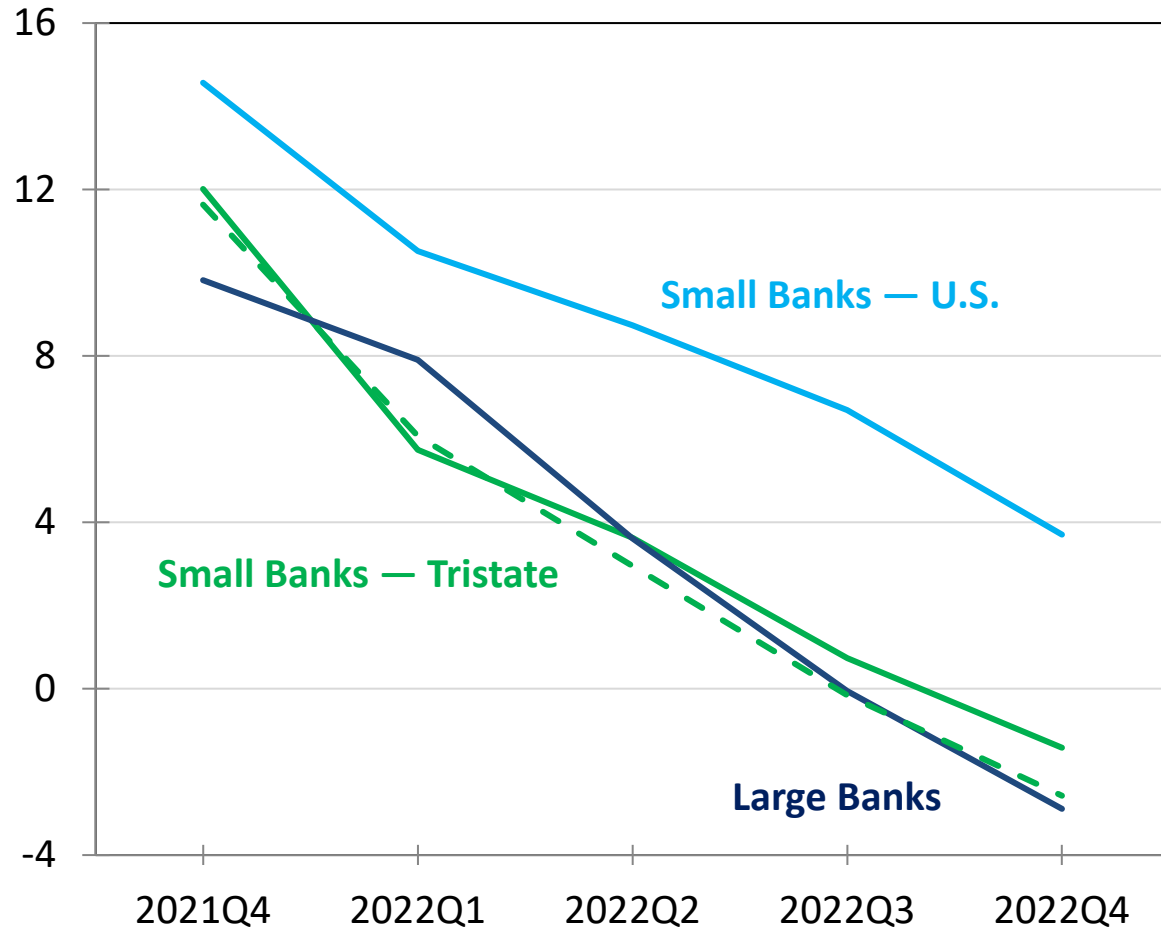


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CHART 6

Deposit Growth Declines as Pandemic-Driven Savings Rates Fall*

Percent

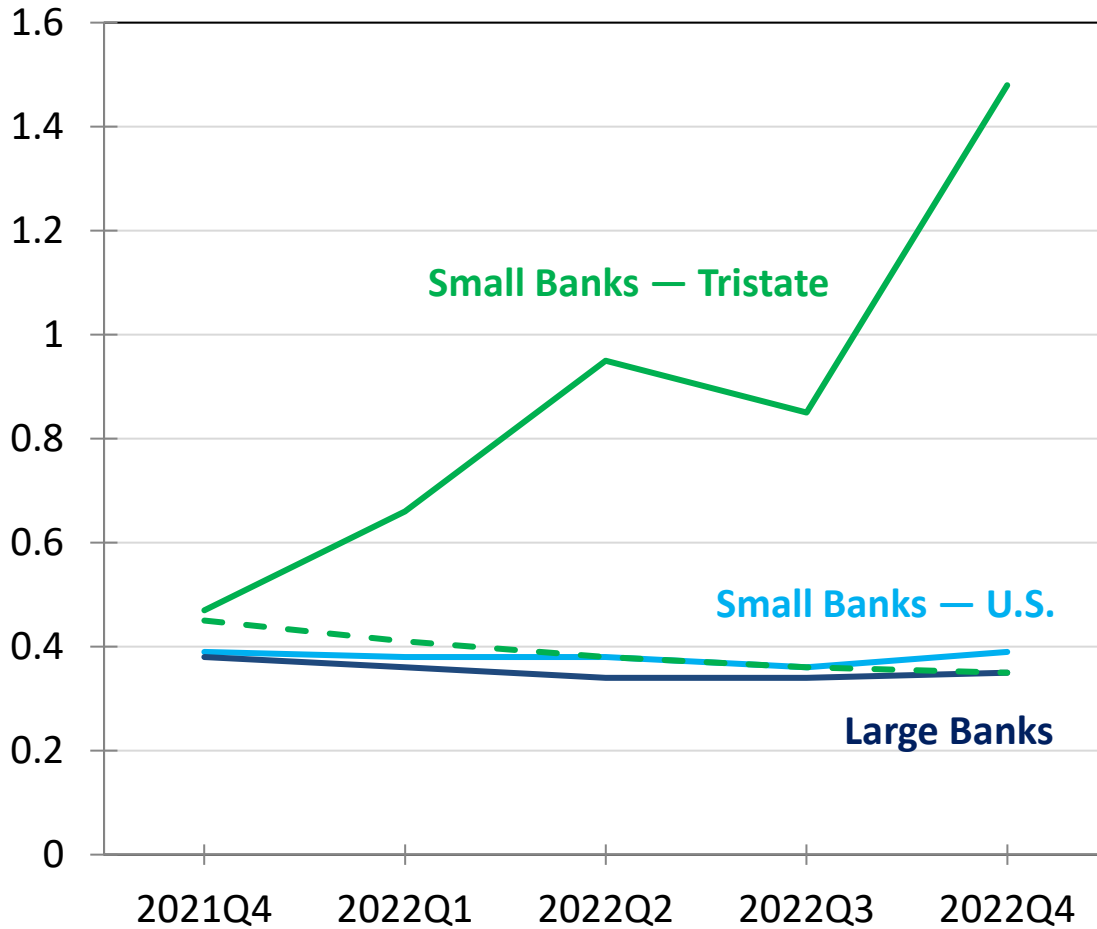


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CHART 7

Asset Quality Continues to Improve*

Percent

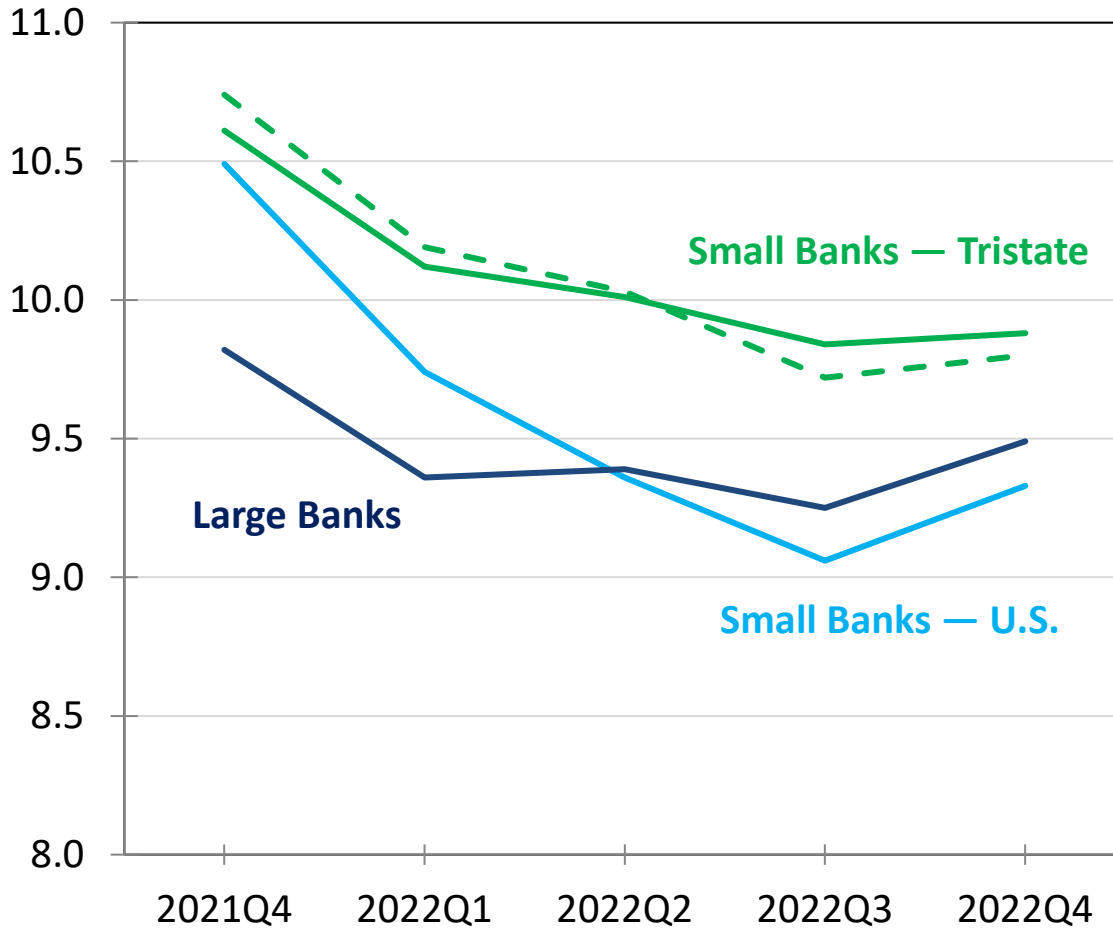


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CHART 8

Capital Ratios Decline Year over Year*

Percent

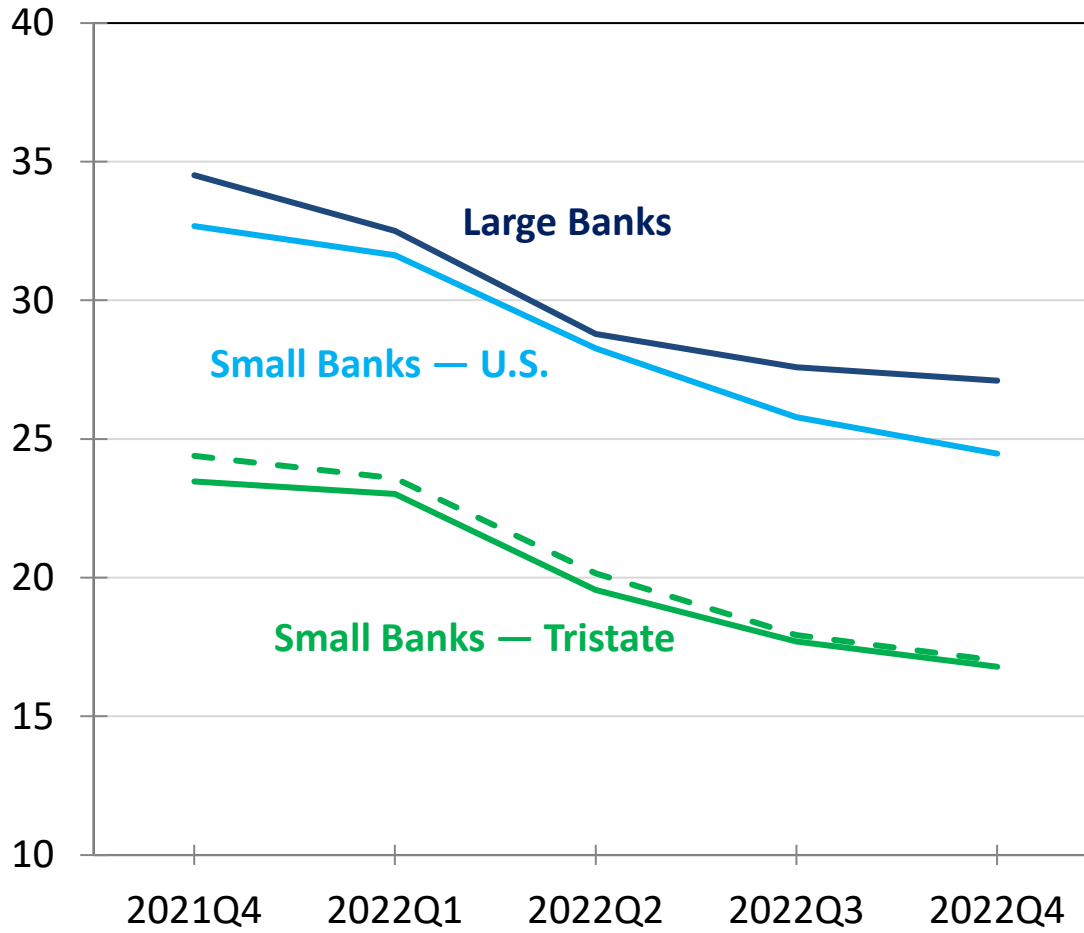


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CHART 9

Overall Asset Liquidity Is Lower Across All Banks*

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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