

Banking Brief

RESEARCH DEPARTMENT

Second Quarter 2023 Highlights

Summary Table of Bank Structure and Conditions

Second Quarter 2023	Small Banks						Large Banks		
	U.S.			Tristate			U.S.		
	\$ Billion	% Change From		\$ Billion	% Change From		\$ Billion	% Change From	
	23Q2	23Q1	22Q2	23Q2	23Q1	22Q2	23Q2	23Q1	22Q2
Total Assets	3,140.7	2.76	-5.16	201.0	2.55	5.26	17,988.2	-5.65	0.01
Total Loans	2,148.7	10.58	5.01	147.8	7.21	9.62	8,753.6	0.39	4.90
C&I	317.2	8.19	-9.47	17.3	-7.15	-8.53	2,049.2	-3.73	2.75
Real Estate	1,612.8	9.29	10.42	117.3	9.81	12.09	3,639.7	0.75	4.55
Consumer	103.2	22.68	23.59	7.9	-3.54	14.86	1,378.9	4.92	10.53
Total Deposits	2,620.5	0.28	-8.80	163.2	1.09	1.66	14,164.9	-2.28	-3.62
Ratios (in %)	23Q2	23Q1	22Q2	23Q2	23Q1	22Q2	23Q2	23Q1	22Q2
Net Income/Avg. Assets (ROA)	1.15	1.18	1.17	1.17	1.21	1.27	1.22	1.16	0.98
Net Interest Inc./Avg. Assets (NIM)	3.28	3.25	2.94	3.32	3.35	3.12	2.76	2.62	2.04
Noninterest Inc./Avg. Assets	0.76	0.77	0.89	0.87	0.85	1.07	1.27	1.25	1.23
Noninterest Exp./Avg. Assets	2.43	2.37	2.33	2.57	2.54	2.51	2.20	2.15	2.05
Loans/Deposits	81.99	80.02	71.21	90.59	89.27	84.01	61.80	61.38	56.78
Equity/Assets	9.55	9.53	9.10	10.05	10.09	10.00	9.73	9.69	9.44
Nonperforming Loans/Total Loans	0.52	0.50	0.52	0.96	1.29	1.29	0.75	0.74	0.73

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, 2022, 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, 2022. 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, 2022, including assets of only their commercial bank subsidiaries. *U.S.* excludes tristate banks. The sample includes 104 small tristate banks, 3,638 small U.S. banks, and 99 large U.S. banks.

Recent Trends in Tristate and U.S. Banking Markets

The second quarter had mixed results, with large banks' numbers improving and small banks, particularly local banks, showing continued deterioration. Profitability at large banks now outpaces that of small banks. While the growth of quarterly net income fell a bit at large banks, it remains fairly strong. At small banks, on the other hand, income fell as higher interest rates led to losses on their securities portfolios. Loans continued to grow, albeit at a slower pace than they did during the previous few quarters. Commercial real estate loans continued to grow at small and large banks; however, commercial and industrial loans barely grew at all at small banks, and they continued to shrink at large banks. The nonperforming loan ratio was basically flat at both large and small banks nationally and fell at local banks, but local banks still have a higher percentage of bad loans in their portfolios. Net charge-offs as a percent of loan loss provisions were up sharply.

CHART 1

Profitability at Large Banks Increased, but Small Banks' Profits Continued to Fall

Percent

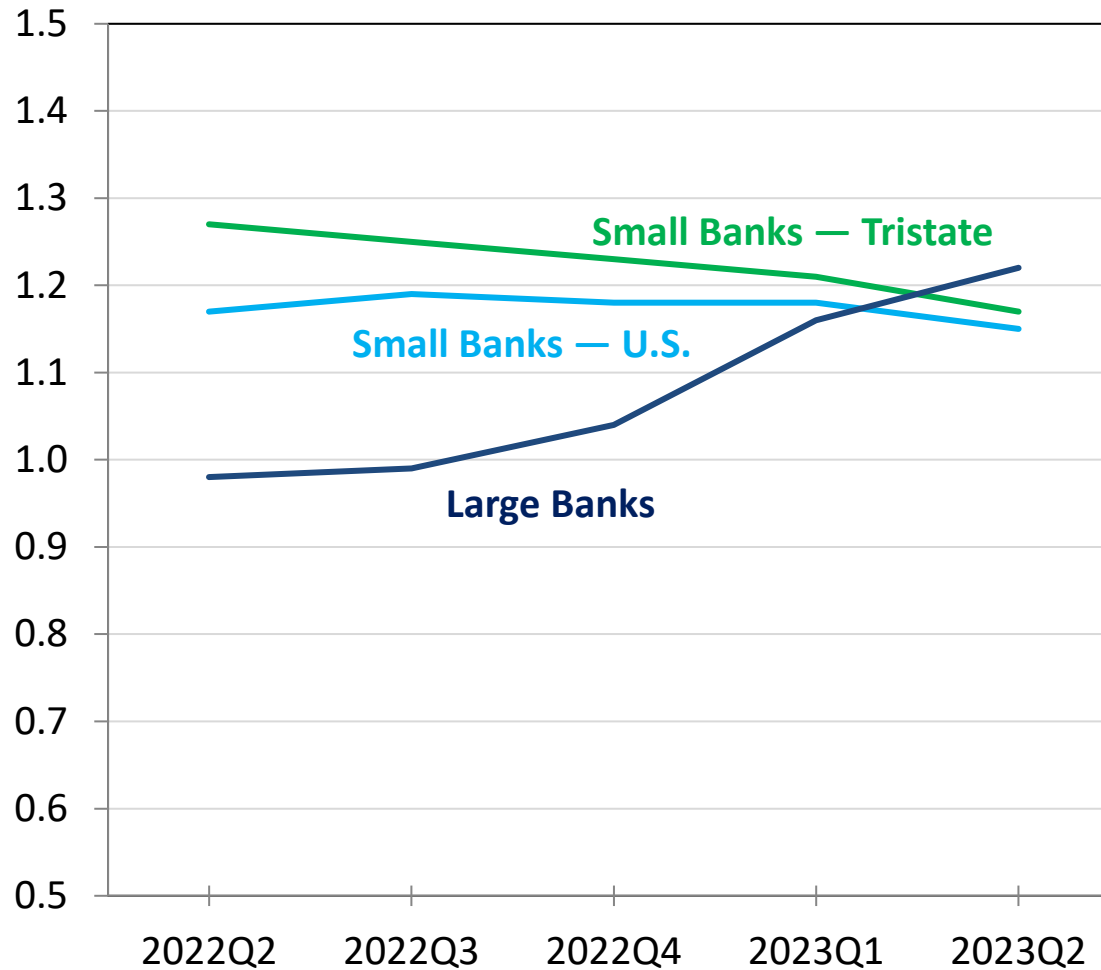


CHART 2

Quarterly Net Income Fell at Small Banks

Percent

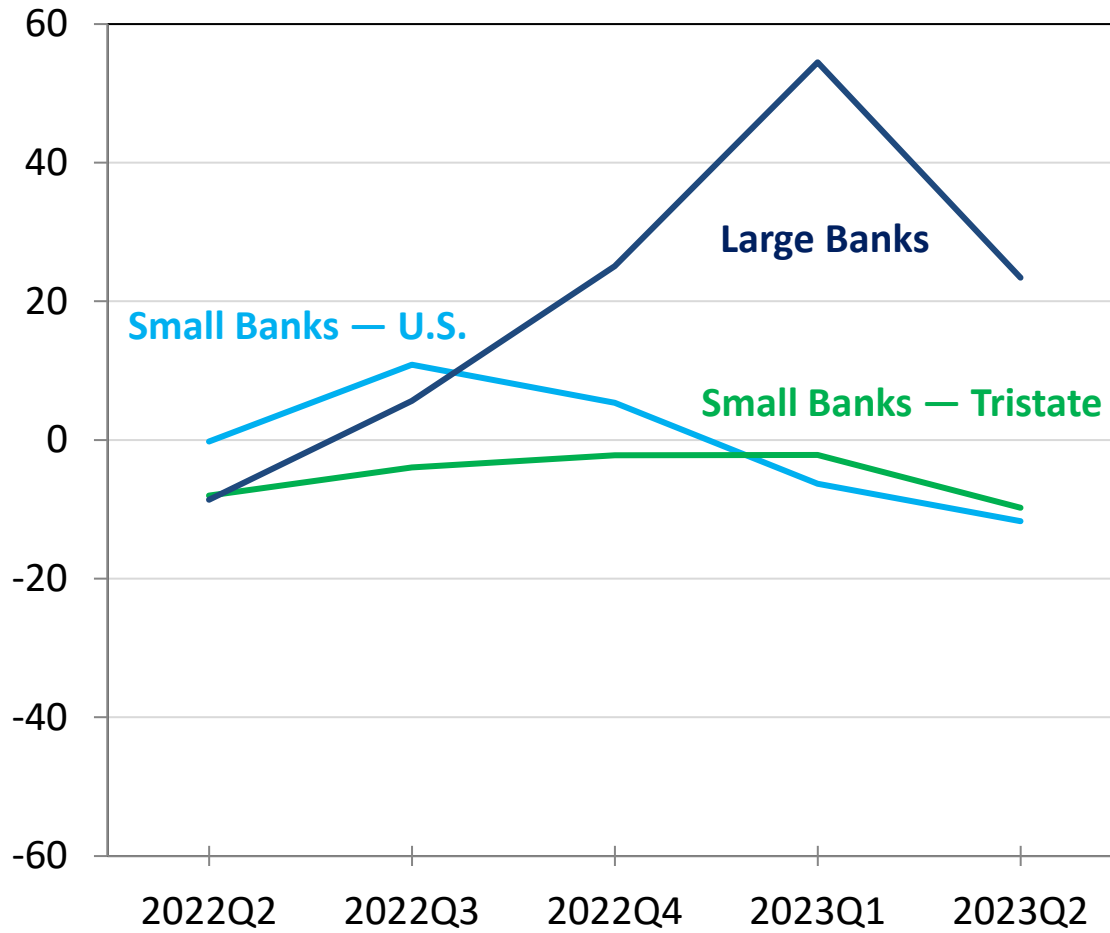


CHART 3

Loan Growth Slowed but Remains Fairly Strong

Percent

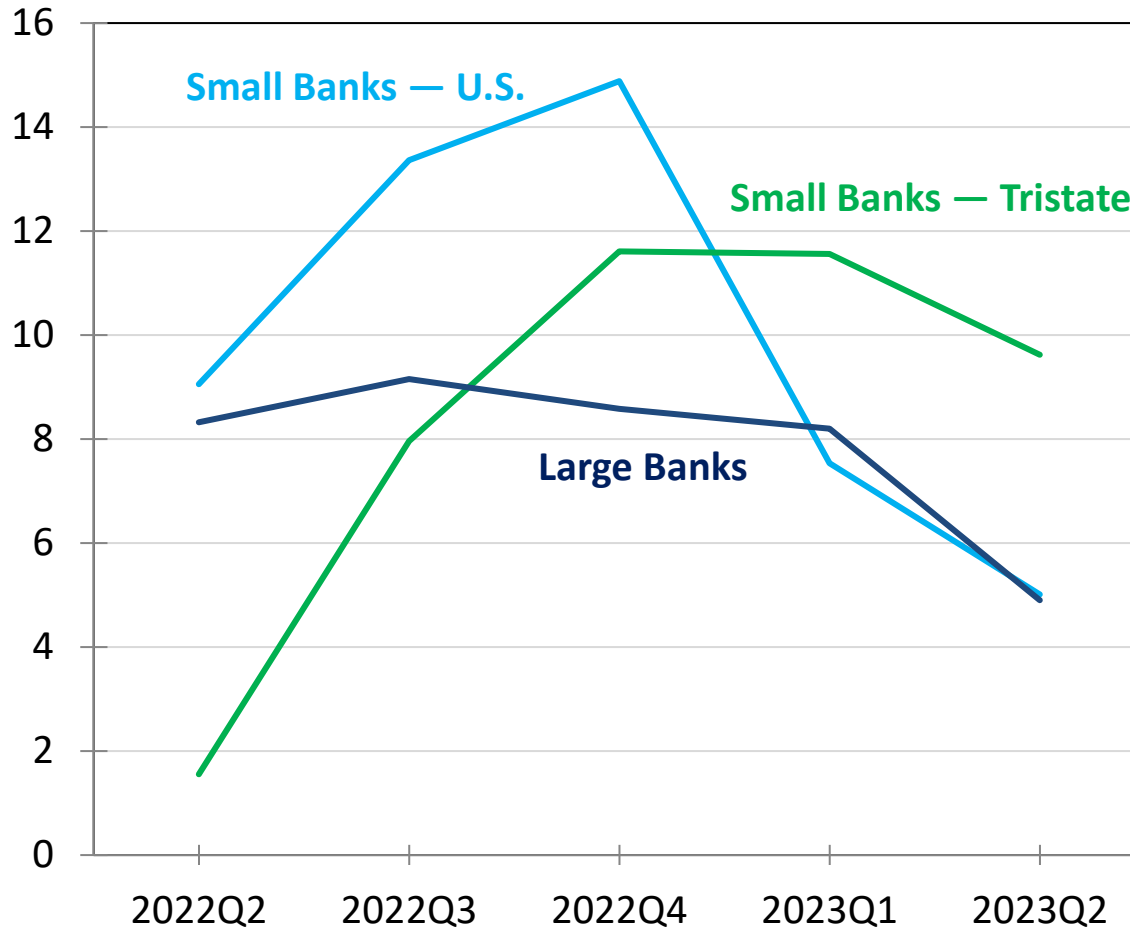


CHART 4

Commercial Real Estate Loans Continued to Grow but Not as Much as in Previous Quarters

Percent

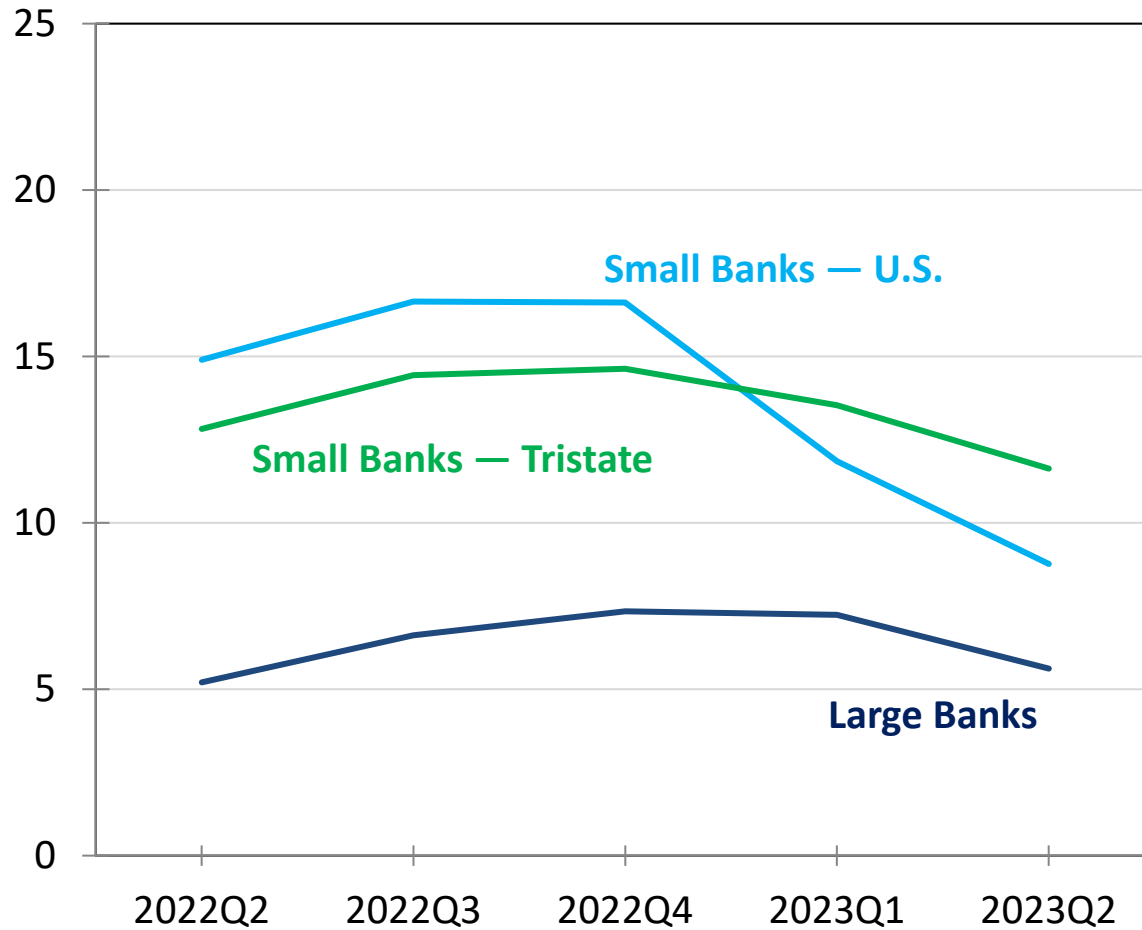


CHART 5

Commercial and Industrial Loans Decreased at Large Banks, Were Practically Flat at Small Banks Percent

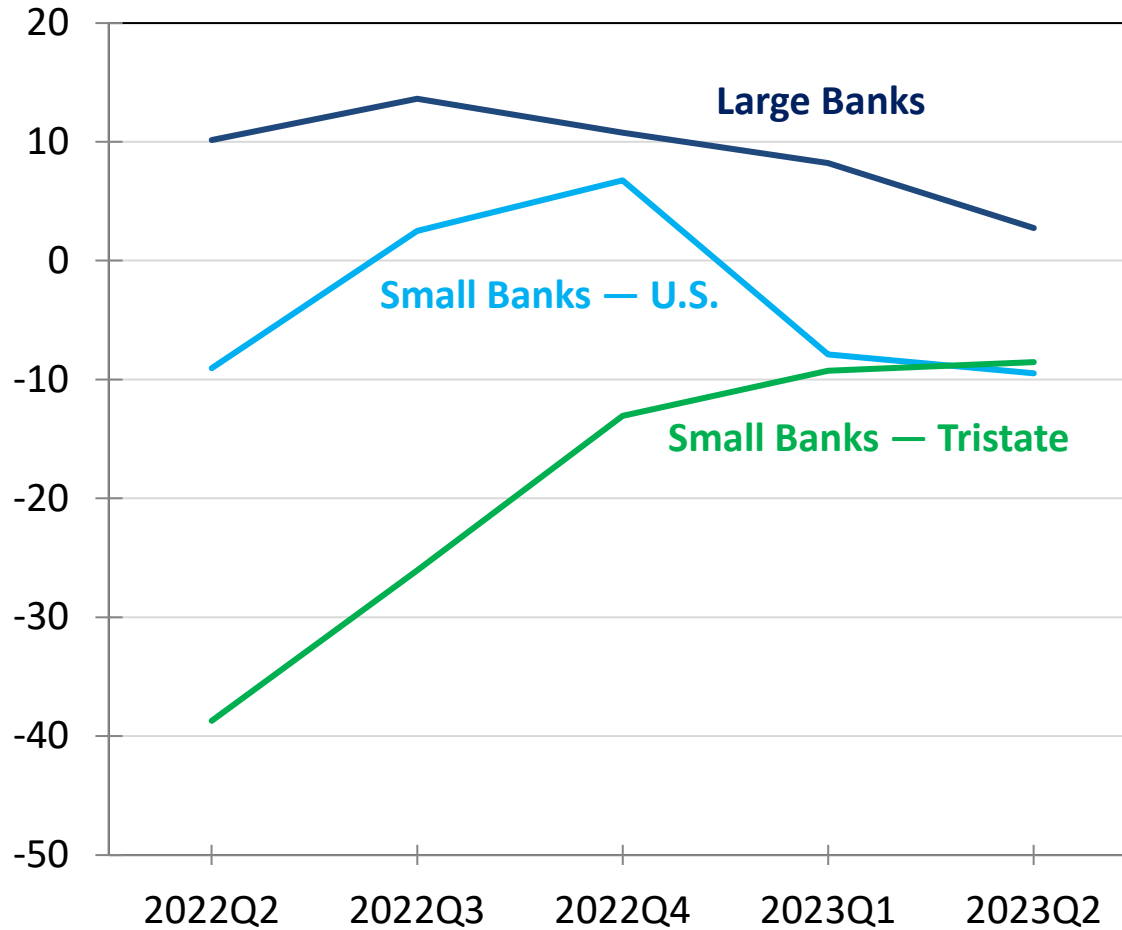


CHART 6

Nonperforming Loan Ratios at Local Banks Fell but Are Still Higher Than Those at Banks in Nation Percent

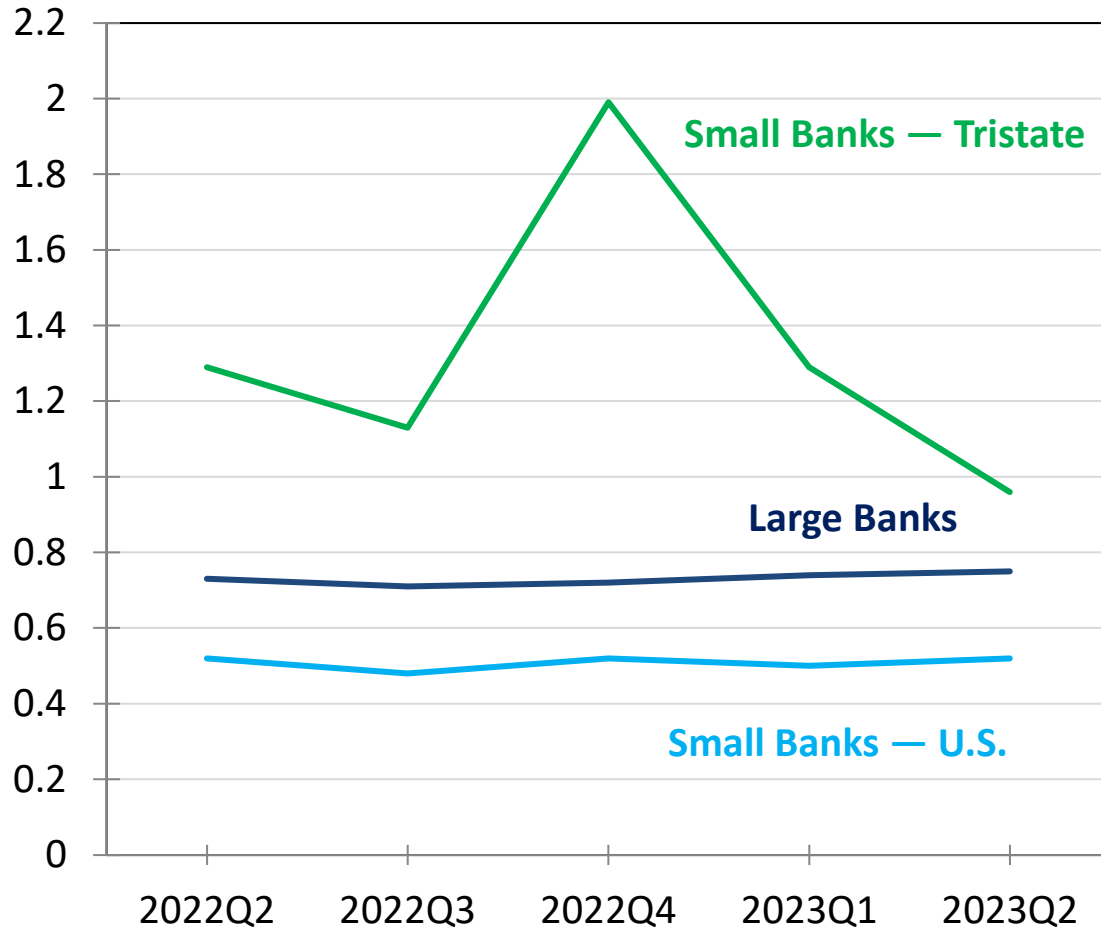
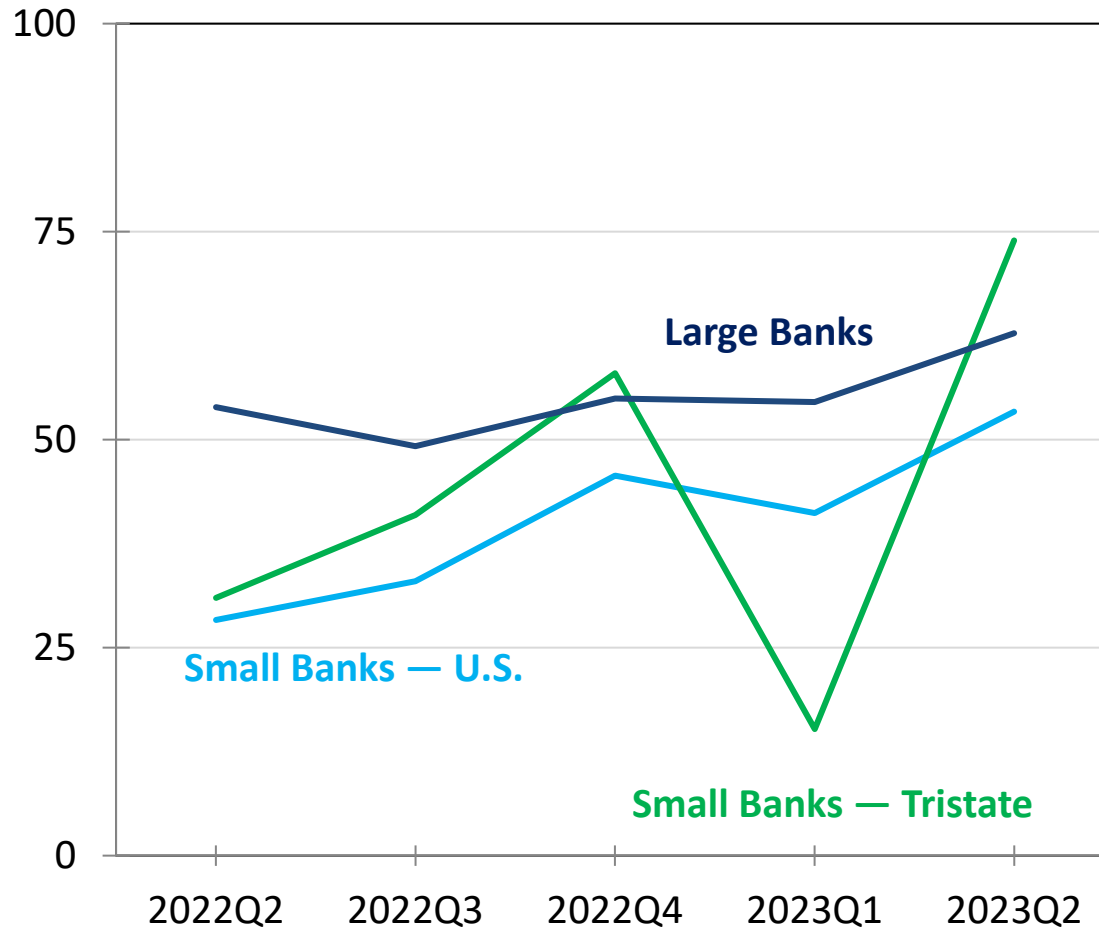


CHART 7

Net Charge-Offs Rose Sharply, Particularly at Local Banks

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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