

# Banking Brief

RESEARCH DEPARTMENT

## **Third Quarter 2023 Highlights**

## Summary Table of Bank Structure and Conditions

|                                   | Community Banking Organizations |               |        |           |               |       | Large Organizations               |               |       |       |
|-----------------------------------|---------------------------------|---------------|--------|-----------|---------------|-------|-----------------------------------|---------------|-------|-------|
|                                   | Nation                          |               |        | Tri-State |               |       | Nation                            |               |       |       |
|                                   | \$ Bill                         | % Change From |        | \$ Bill   | % Change From |       | \$ Bill                           | % Change From |       |       |
|                                   | 23Q3                            | 23Q2          | 22Q3   | 23Q3      | 23Q2          | 22Q3  | 23Q3                              | 23Q2          | 22Q3  |       |
| Total Assets                      | 3,209.4                         | 8.63          | -4.06  | 202.5     | 4.19          | 5.27  | Total Assets                      | 17,928.7      | -1.32 | 0.22  |
| Total Loans                       | 2,215.5                         | 12.54         | 4.07   | 149.4     | 5.39          | 7.47  | Total Loans                       | 8,738.2       | -0.70 | 3.41  |
| C&I                               | 318.9                           | 2.12          | -10.27 | 17.3      | 1.22          | -5.34 | C&I                               | 2,013.8       | -6.73 | 0.60  |
| Real Estate                       | 1,661.0                         | 12.00         | 8.63   | 118.5     | 5.42          | 9.22  | Real Estate                       | 3,644.0       | 0.48  | 2.67  |
| Consumer                          | 107.9                           | 17.93         | 20.29  | 8.2       | 13.74         | 7.29  | Consumer                          | 1,386.9       | 2.34  | 10.24 |
| Total Deposits                    | 2,682.8                         | 9.43          | -6.90  | 164.9     | 5.13          | 1.82  | Total Deposits                    | 14,062.5      | -2.86 | -3.02 |
|                                   |                                 |               |        |           |               |       |                                   |               |       |       |
| Ratios (in %)                     | 23Q3                            | 23Q2          | 22Q3   | 23Q3      | 23Q2          | 22Q3  | Ratios (in %)                     | 23Q3          | 23Q2  | 22Q3  |
| Net Income/Avg Assets (ROA)       | 1.09                            | 1.15          | 1.19   | 1.04      | 1.16          | 1.25  | Net Income/Avg Assets (ROA)       | 1.24          | 1.22  | 0.99  |
| Net Interest Inc/Avg Assets (NIM) | 3.25                            | 3.28          | 3.03   | 3.20      | 3.32          | 3.18  | Net Interest Inc/Avg Assets (NIM) | 2.83          | 2.76  | 2.17  |
| Noninterest Inc/Avg Assets        | 0.76                            | 0.76          | 0.84   | 0.85      | 0.87          | 1.01  | Noninterest Inc/Avg Assets        | 1.27          | 1.27  | 1.22  |
| Noninterest Exp/Avg Assets        | 2.47                            | 2.43          | 2.32   | 2.58      | 2.57          | 2.52  | Noninterest Exp/Avg Assets        | 2.22          | 2.20  | 2.08  |
| Loans/Deposits                    | 82.58                           | 82.01         | 73.88  | 90.65     | 90.60         | 85.88 | Loans/Deposits                    | 62.14         | 61.80 | 58.28 |
| Equity/Assets                     | 9.38                            | 9.54          | 8.83   | 9.77      | 10.01         | 9.82  | Equity/Assets                     | 9.73          | 9.73  | 9.30  |
| Nonperforming Loans/Total Loans   | 0.59                            | 0.52          | 0.48   | 1.07      | 0.96          | 1.13  | Nonperforming Loans/Total Loans   | 0.82          | 0.75  | 0.71  |

**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 99 small tristate banks, 3,541 small U.S. banks, and 95 large U.S. banks.

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

The condition of banks deteriorated in the third quarter. Profitability remained fairly strong, particularly at large banks, but by other measures banks didn't perform as well. Quarterly net income decreased at small banks despite higher net interest income as higher interest rates led to losses on their securities portfolios. Income at larger banks grew, but at a slower rate than in previous quarters. Loans continued to grow at all banks, albeit at a slower pace than they did during the previous few quarters. Commercial real estate and commercial and industrial loans are driving the slow growth. The nonperforming loan ratio remained relatively low, but it is increasing. Local banks still have a higher percentage of bad loans in their portfolios. The increase in nonperforming loans is being driven by commercial real estate loans. Net charge-offs as a percent of loan loss provisions were up sharply everywhere except at local banks.

CHART 1

### Profitability Continued to Increase at Large Banks, but Small Bank Profits Fell

Percent

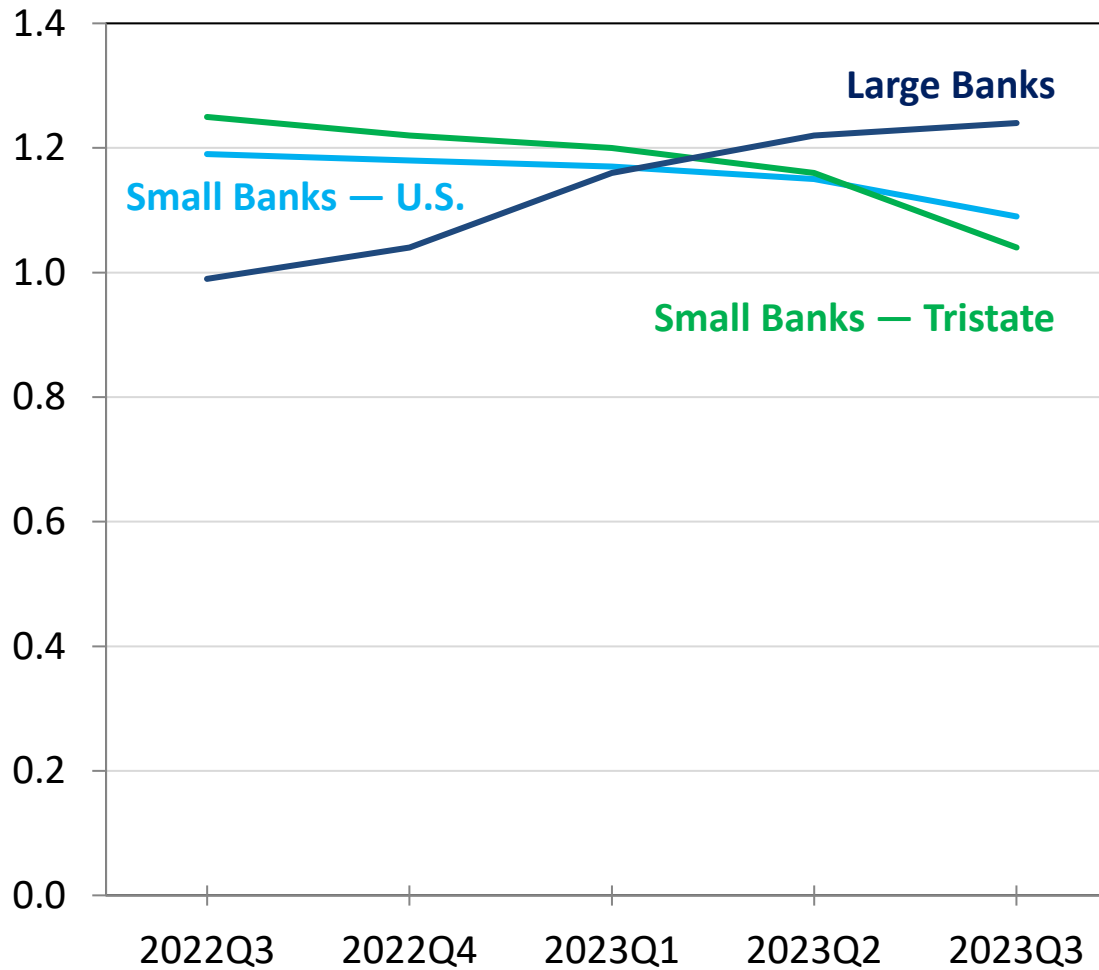


CHART 2

## Quarterly Net Income Grew Slightly at Large Banks, but It Continued to Fall at Small Banks

Percent

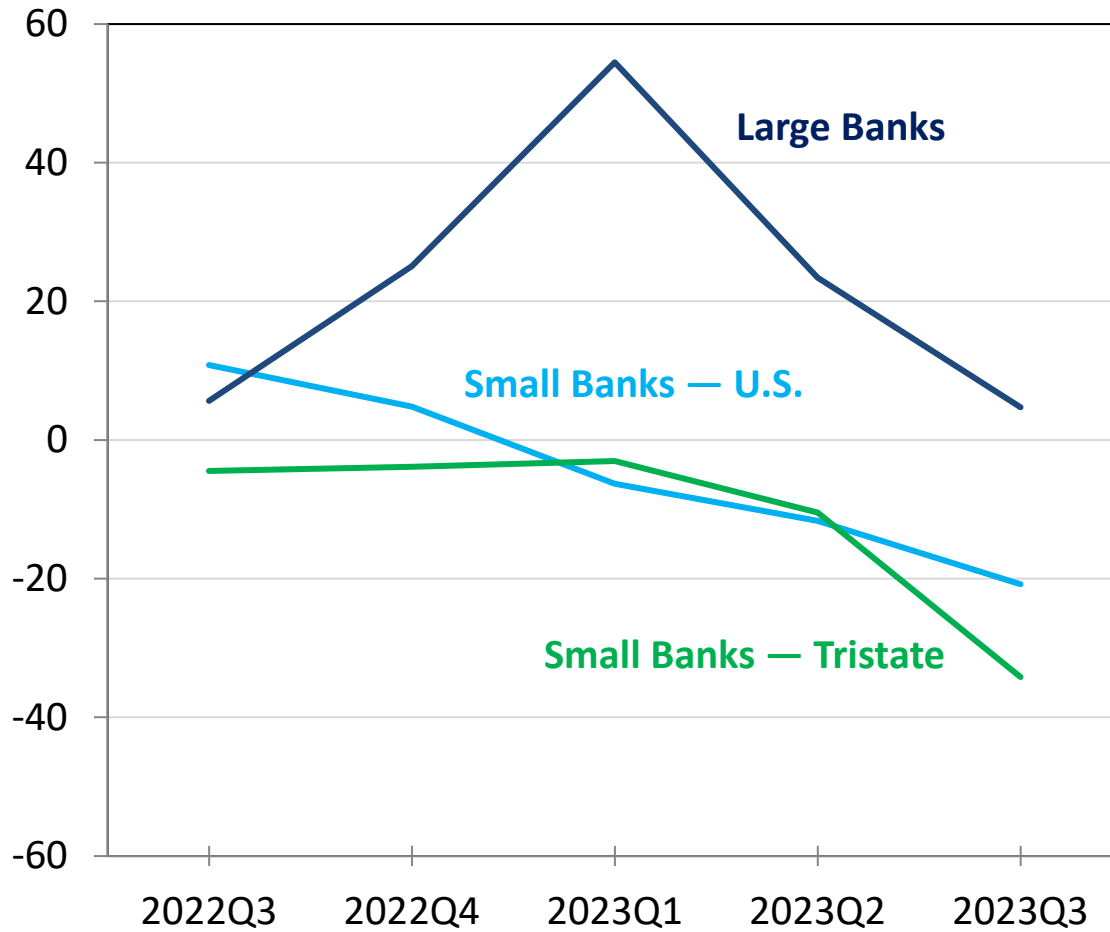


CHART 3

### Growth of Total Loans Continued to Slow Percent

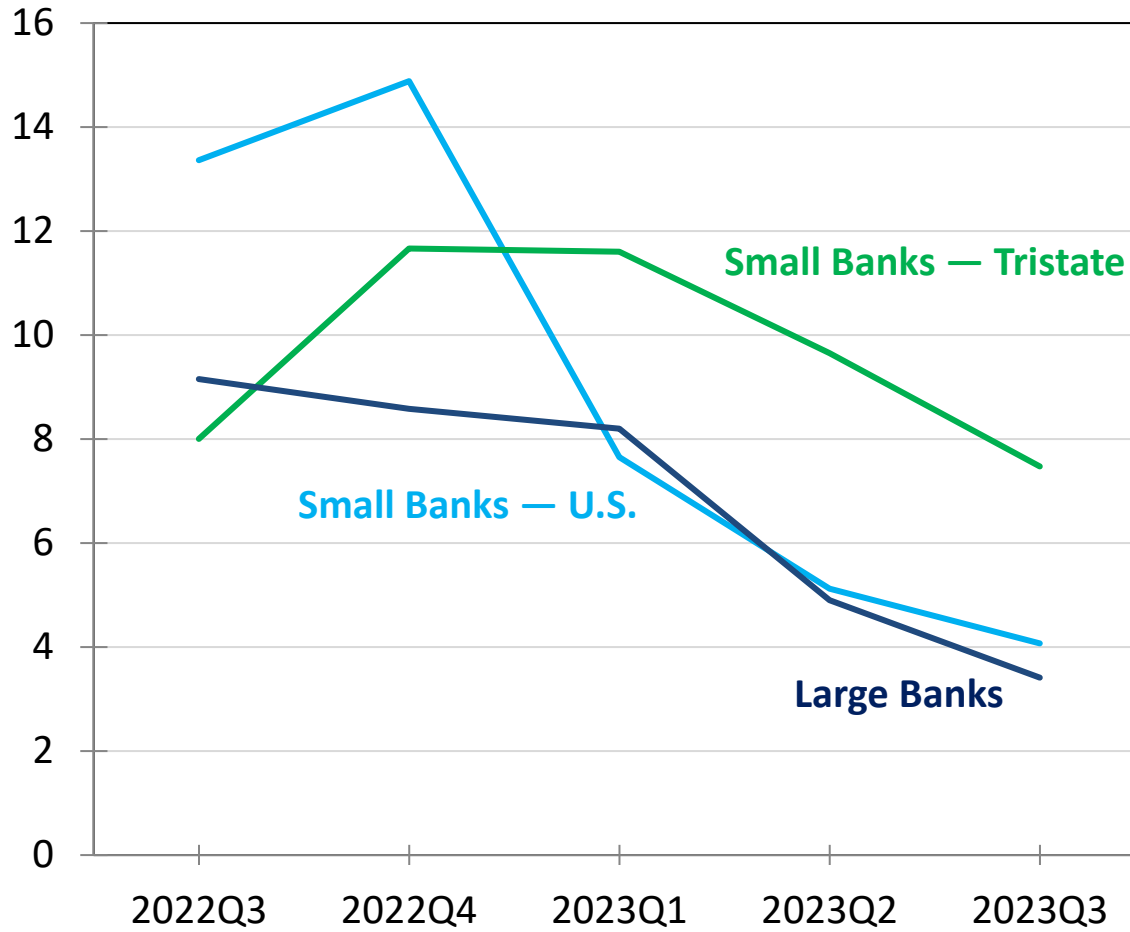


CHART 4

## Commercial Real Estate Lending Slowed Considerably

Percent

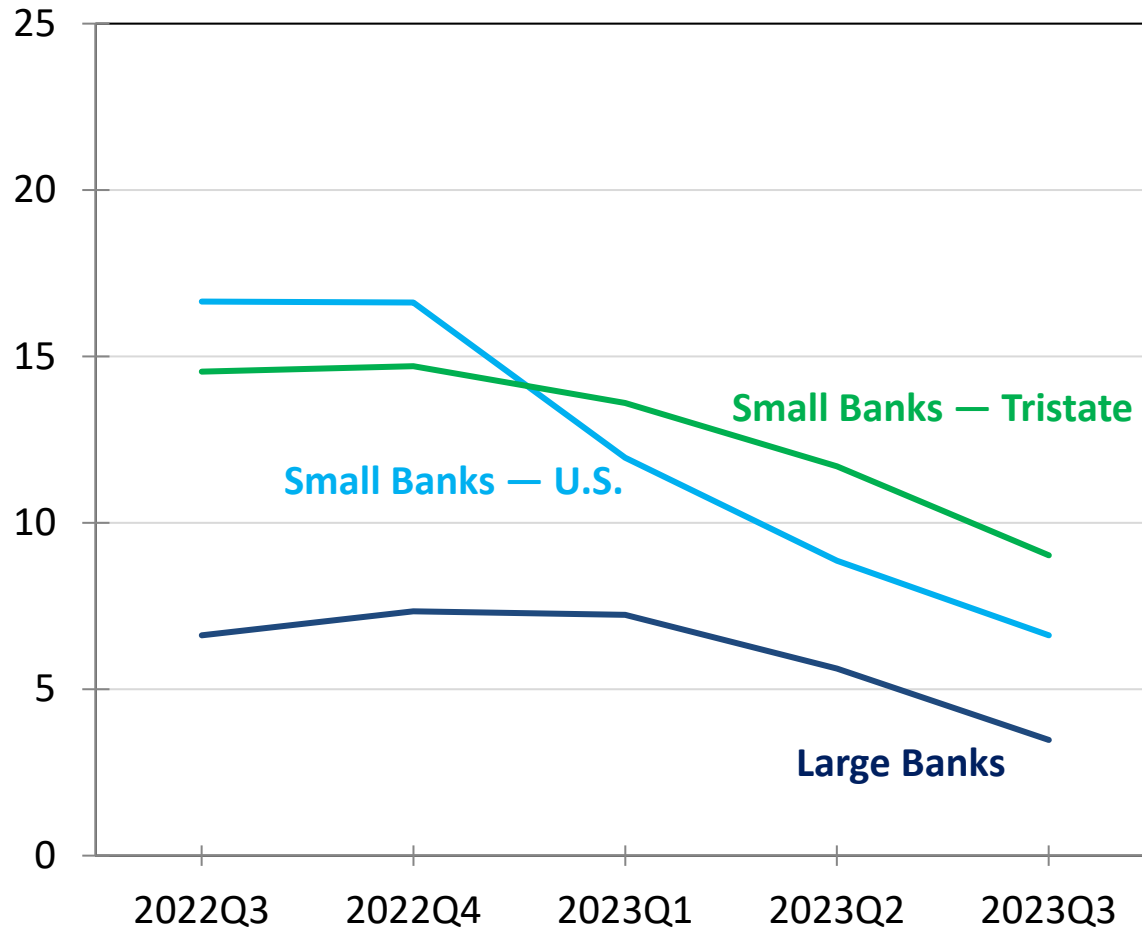


CHART 5

## Commercial Mortgage Growth Continued to Slow Percent

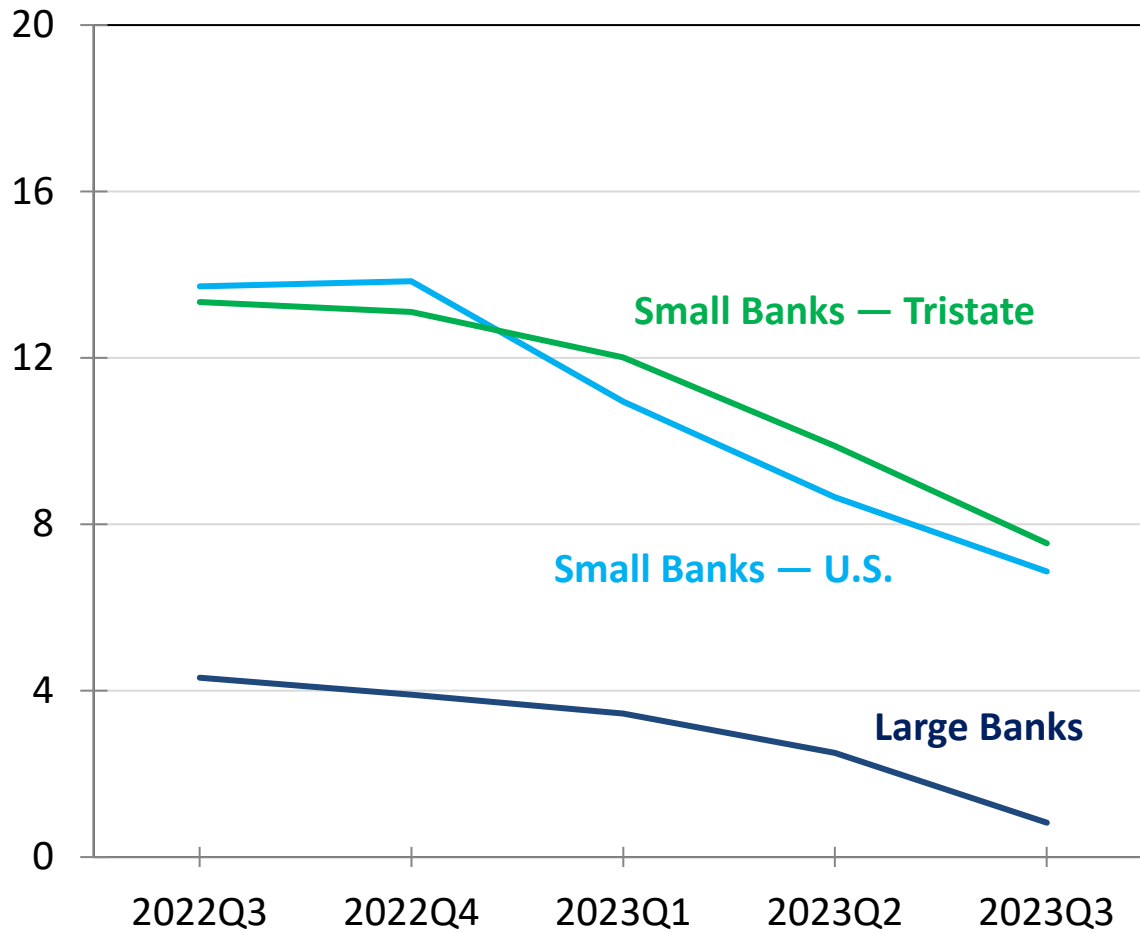




CHART 6

## Commercial and Industrial Loans Shrank at Community Banks and Barely Grew at Large Banks

Percent

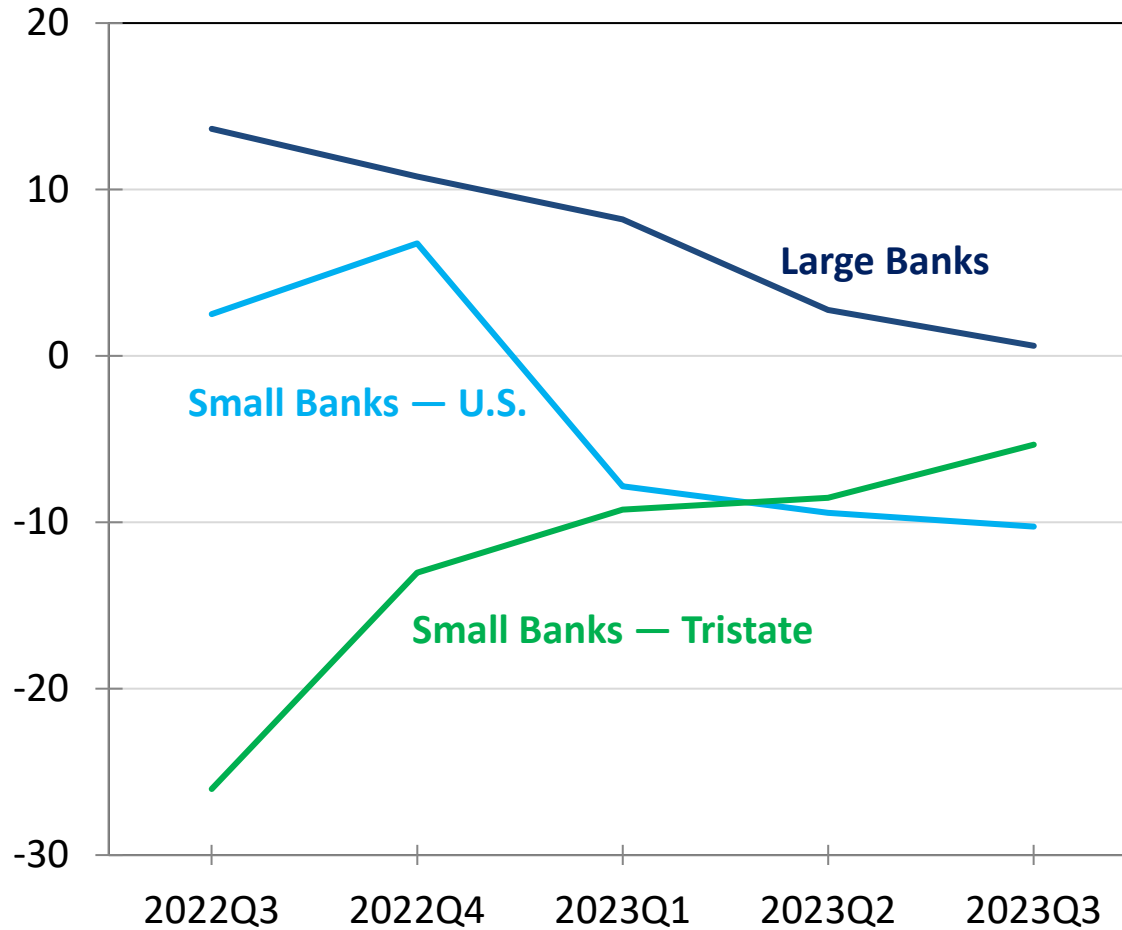


CHART 7

## Nonperforming Ratios Rose but Are Still Relatively Low

Percent

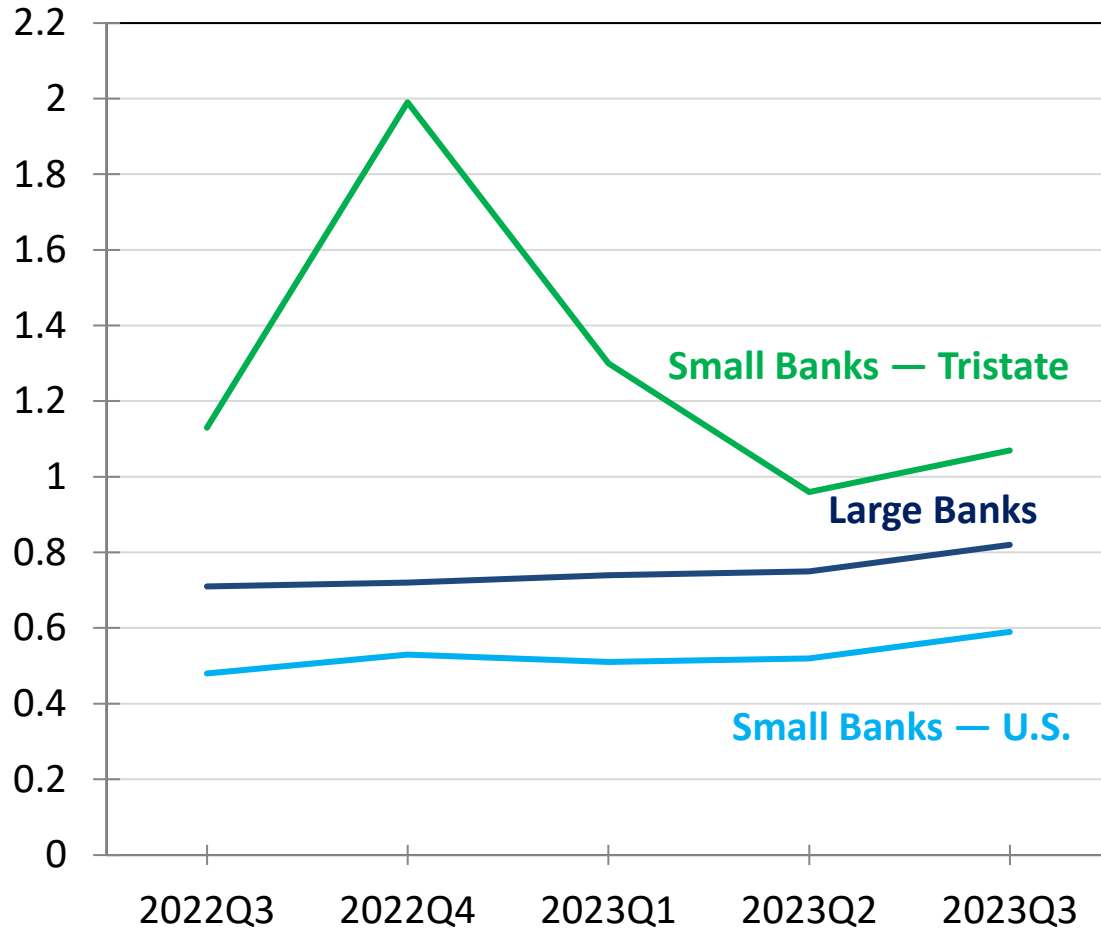


CHART 8

## Nonperforming CRE Loans Increased Substantially at Large Banks

Percent

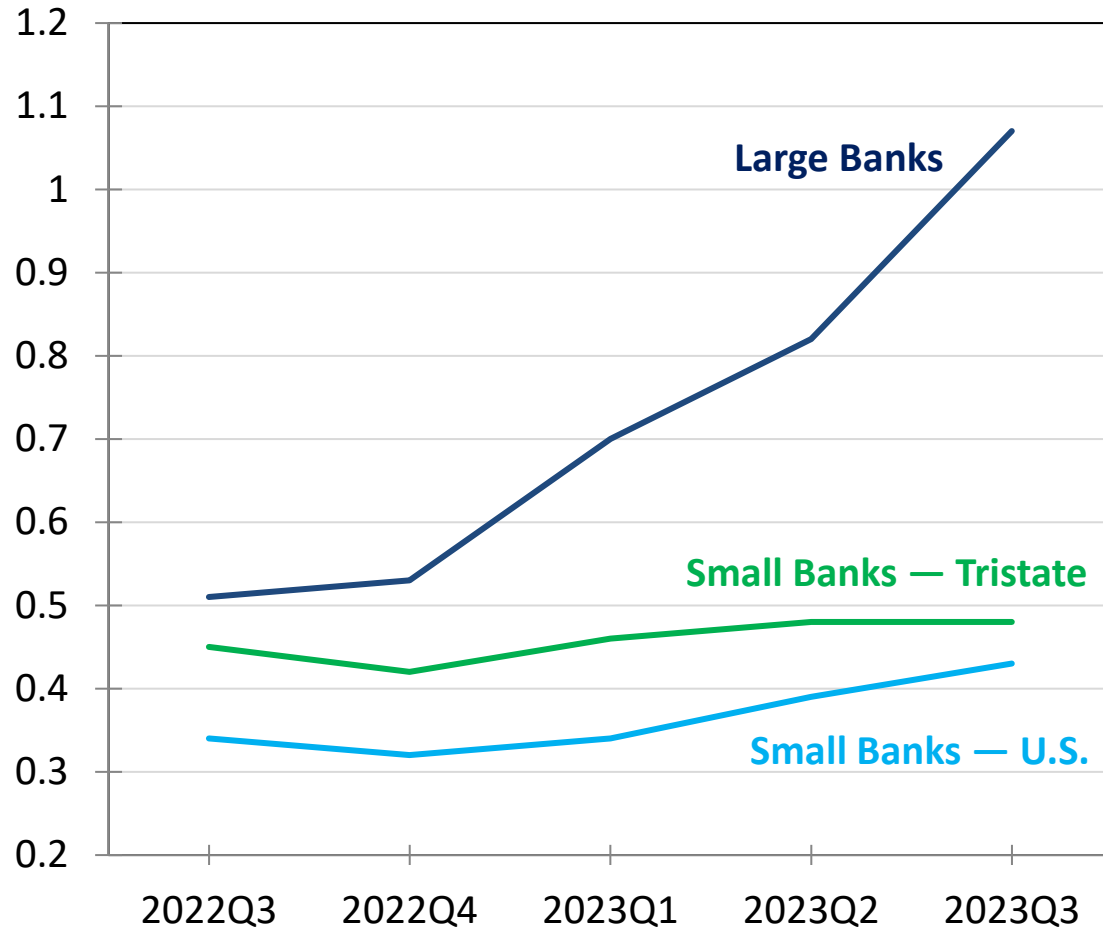
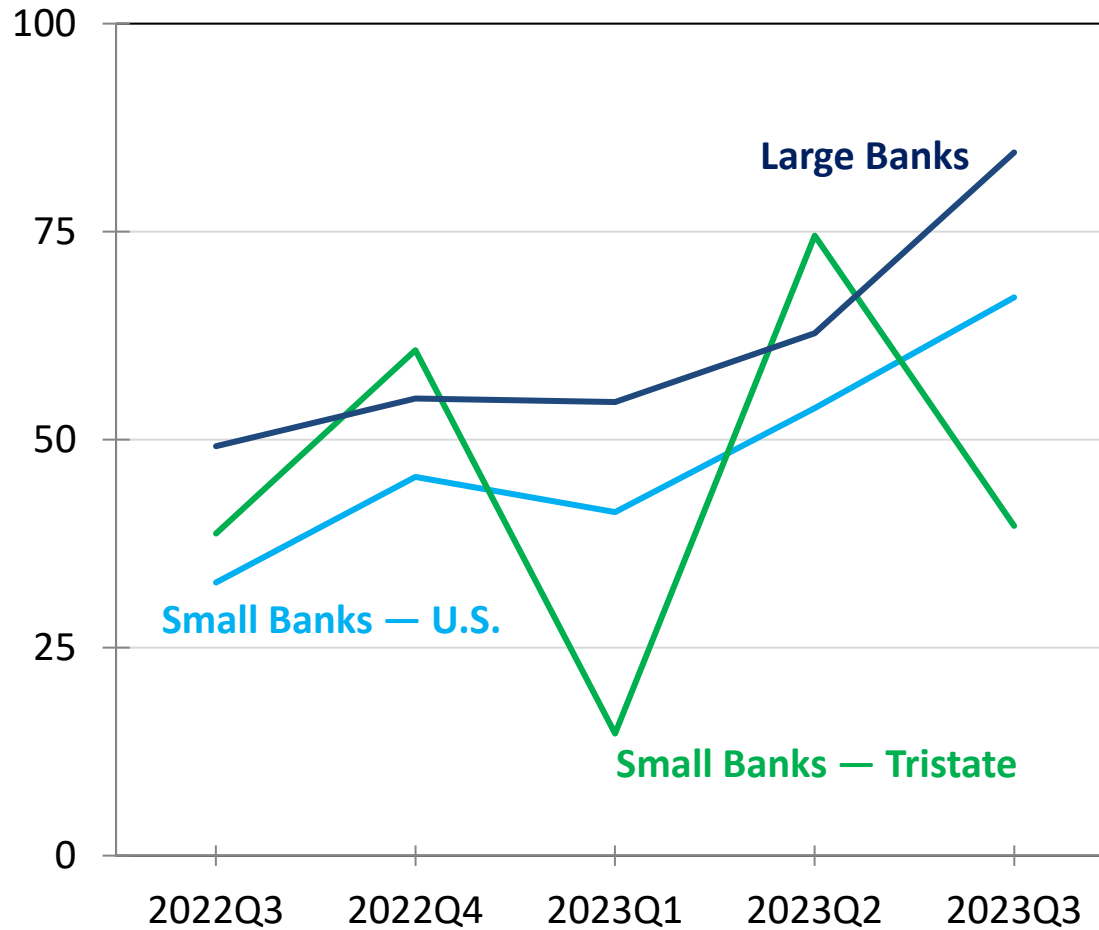


CHART 9

# Net Charge-Offs as a Share of Loan Loss Provisions Are Increasing

Percent



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).

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