FEDERAL RESERVE BANK PHILADELPHIA

Banking Brief

RESEARCH DEPARTMENT

Fourth Quarter 2023 Highlights

Summary Table of Bank Structure and Conditions

	Community Banking Organizations					
	Nation			Tristate		
	$ Bill	% Change From		$ Bill	% Change From	
	23Q4	23Q3	22Q4	23Q4	23Q3	22Q4
Total Assets	3,260.4	7.85	-3.54	205.1	2.13	3.33
Total Loans	2,251.1	8.04	2.45	151.9	3.11	4.98
C&I	324.9	8.67	-10.43	17.5	1.08	-6.59
Real Estate	1,687.6	7.82	6.57	121.2	4.94	6.88
Consumer	108.8	3.50	15.18	7.7	-19.11	1.57
Total Deposits	2,715.4	6.11	-5.08	166.5	0.79	2.53
Ratios (in %)	23Q4	23Q3	22Q4	23Q4	23Q3	22Q4
Net Income/Avg Assets (ROA)	1.03	1.09	1.18	0.96	1.04	1.22
Net Interest Inc/Avg Assets (NIM)	3.18	3.25	3.15	3.04	3.20	3.30
Noninterest Inc/Avg Assets	0.76	0.76	0.80	0.88	0.85	0.91
Noninterest Exp/Avg Assets	2.50	2.47	2.33	2.58	2.58	2.52
Loans/Deposits	82.90	82.53	76.81	91.22	90.71	89.09
Equity/Assets	9.87	9.36	9.09	10.21	9.77	9.84
Nonperforming Loans/Total Loans	0.63	0.59	0.53	1.07	1.06	1.98

	Large Organizations		
	Nation		
	$ Bill	% Change From	
	23Q4	23Q3	22Q4
Total Assets	18,103.9	3.73	1.00
Total Loans	8,786.6	1.89	1.30
C&I	2,005.2	-1.82	-1.25
Real Estate	3,655.1	0.56	1.56
Consumer	1,405.5	5.46	0.88
Total Deposits	14,267.8	5.75	-1.41
Ratios (in %)	23Q4	23Q3	22Q4
Net Income/Avg Assets (ROA)	1.07	1.24	1.04
Net Interest Inc/Avg Assets (NIM)	2.76	2.83	2.43
Noninterest Inc/Avg Assets	1.27	1.27	1.20
Noninterest Exp/Avg Assets	2.36	2.22	2.11
Loans/Deposits	61.58	62.16	59.94
Equity/Assets	9.76	9.73	9.54
Nonperforming Loans/Total Loans	0.86	0.82	0.72

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, 3,526 small U.S. banks, and 95 large U.S. banks.

Recent Trends in Tristate and U.S. Banking Markets

Profitability remained fairly strong. Year-over-year return on average assets (ROAA) increased slightly at large banks, although there was a substantial drop from the third to the fourth quarter. At small banks, ROAA has been slowly decreasing. Annual growth in quarterly net income has been decreasing at all banks, and it slowed substantially at large banks. It continued to decrease at small banks as well. This happened despite higher net interest income. It can be attributed partially to higher noninterest expenses and partially to losses on securities. The largest increases in noninterest expense were due to expenses on premises and fixed assets and goodwill impairment. Loans continued to grow at all banks, but the pace of that growth continued to slow. Commercial real estate and commercial and industrial loans are driving the slow growth. The nonperforming loan ratio remained relatively low. 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. Loans on multifamily properties were weaker everywhere but locally.

CHART 1

Profits Decreased at Small Banks, Stayed Steady at Large Banks

Percent

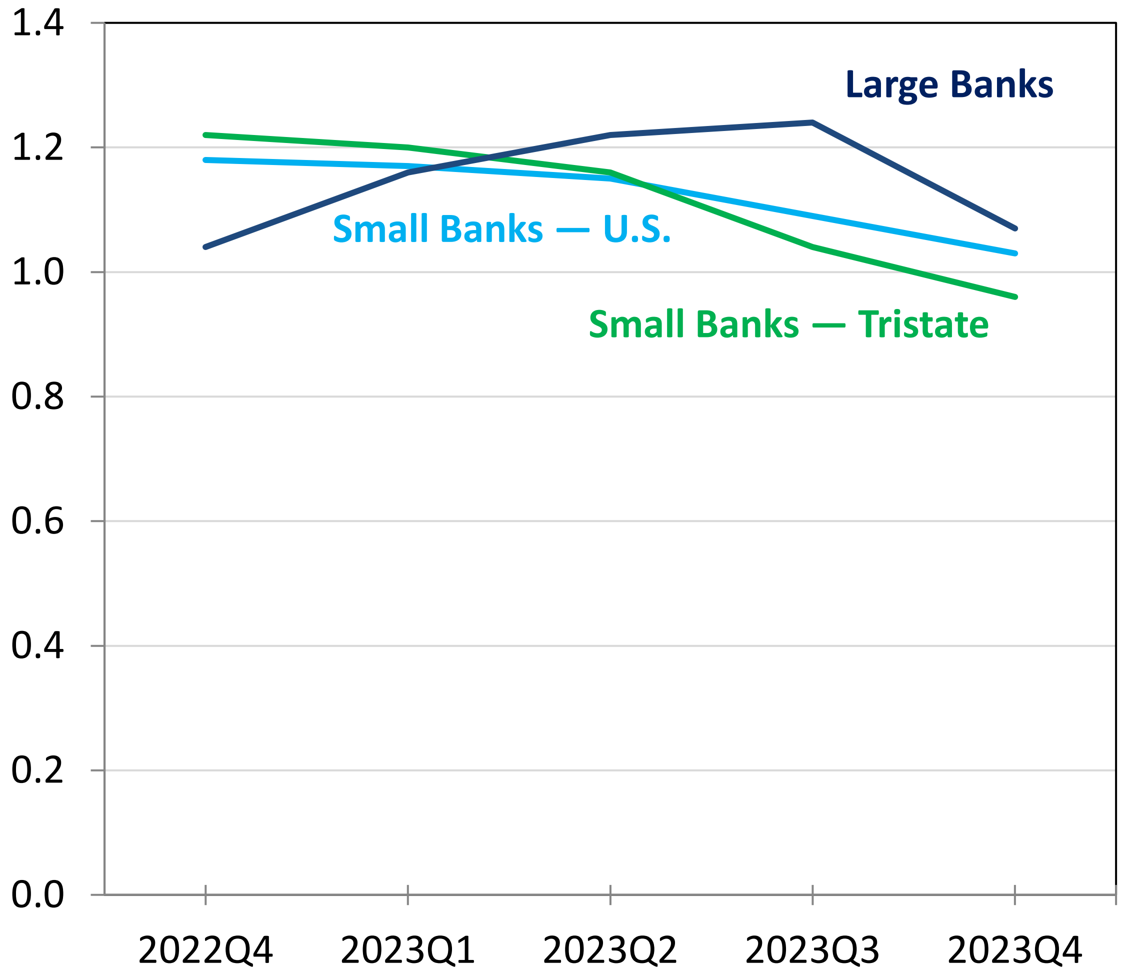


CHART 2

Growth in Quarterly Income Nose-Dived at Large Banks and Continued to Shrink at Small Banks

Percent

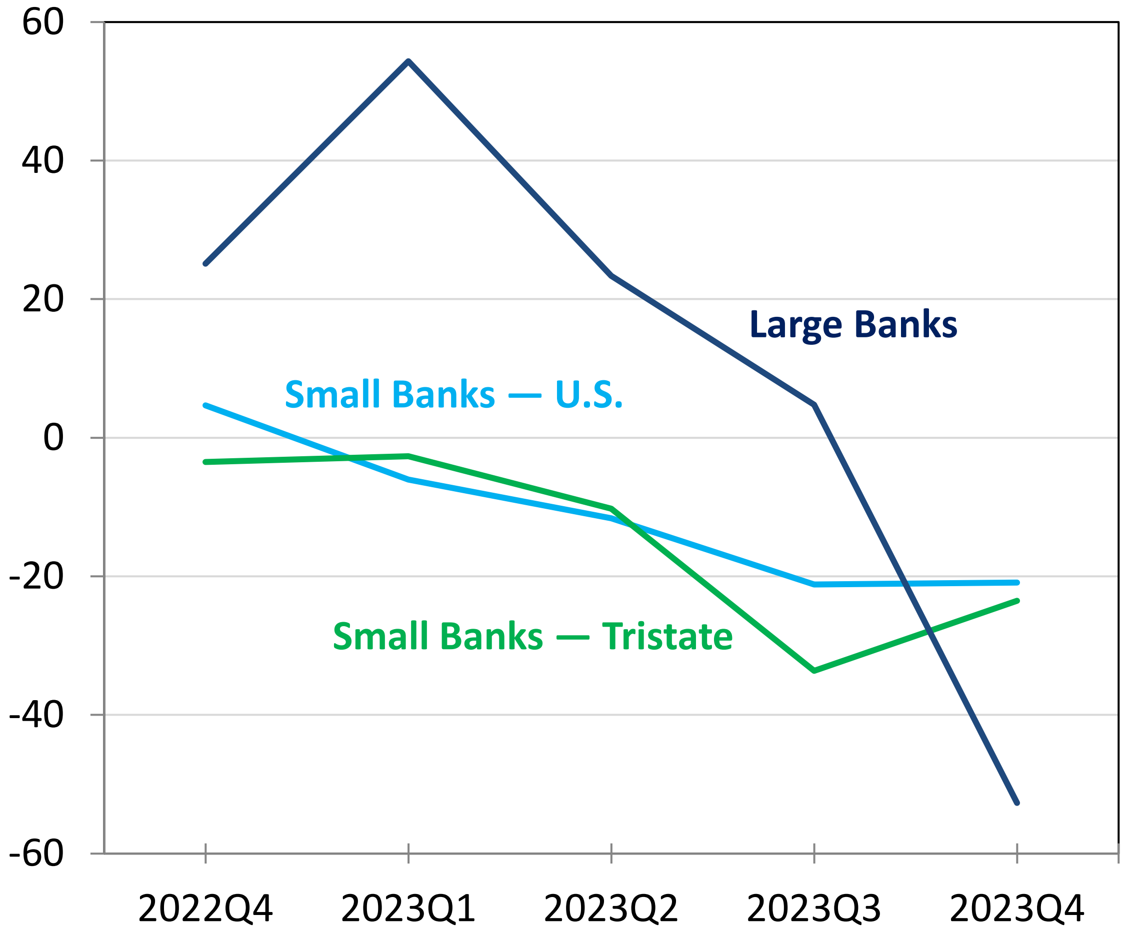


CHART 3

Declines in Quarterly Income Are Driven in Part by Noninterest Expenses/Average Assets

Noninterest expenses/average assets, percent

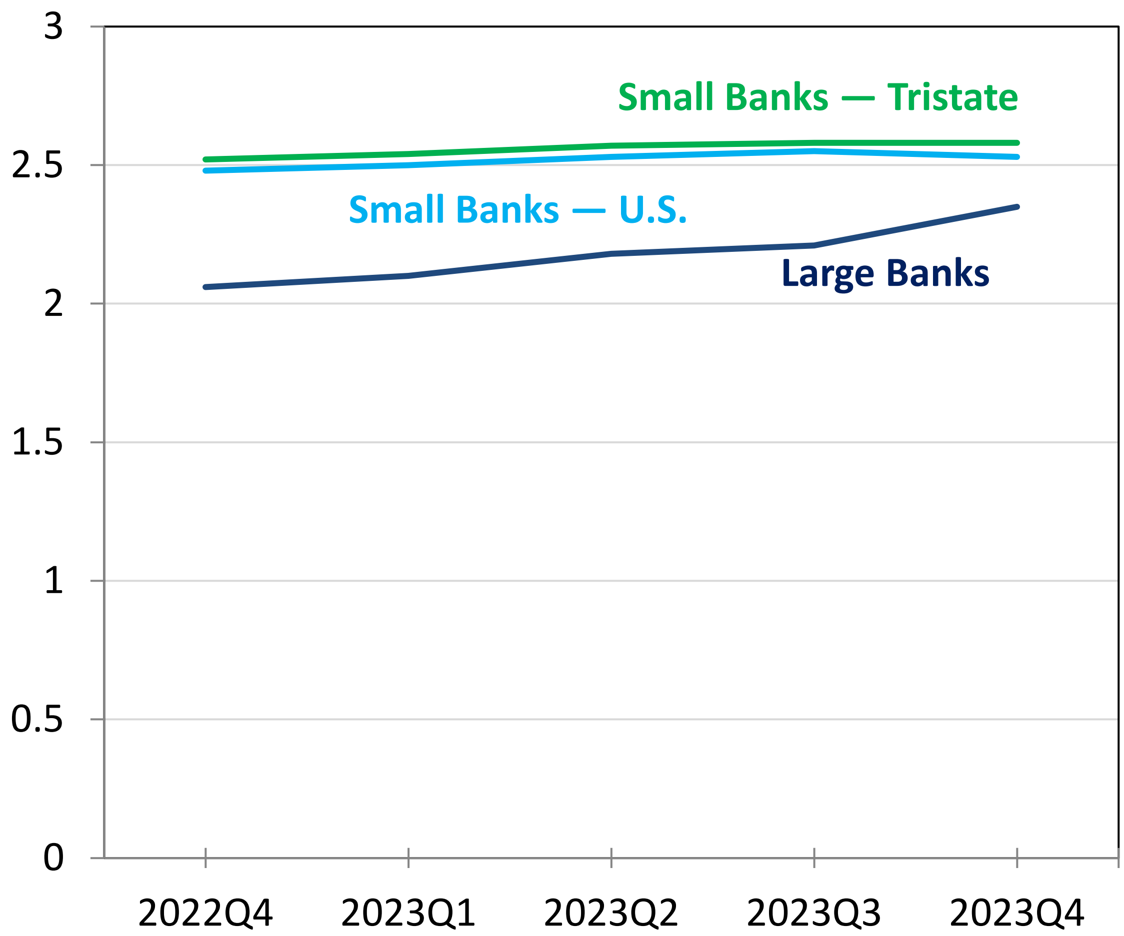


CHART 4

Net Interest Margins Remained Strong

Percent

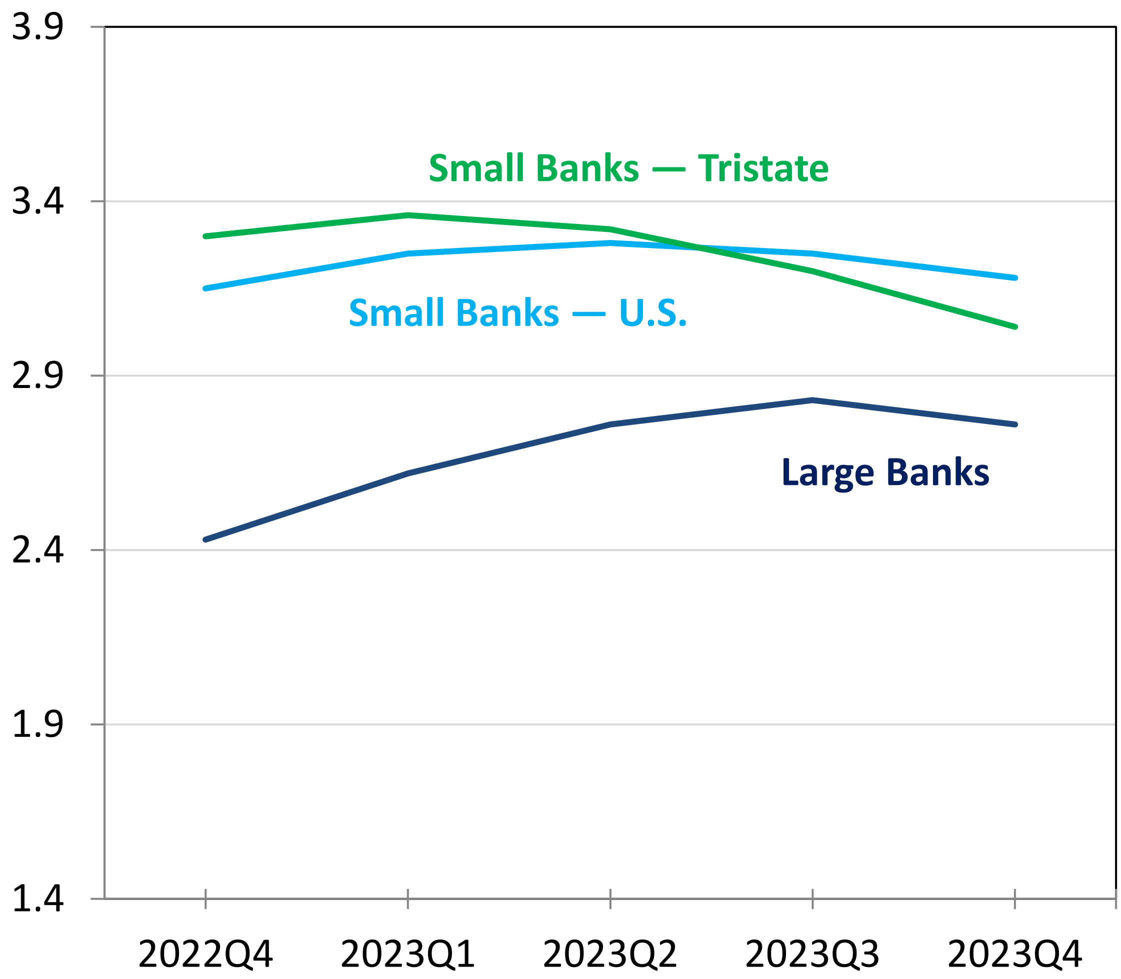


CHART 5

Loan Growth Continued to Slow

Percent

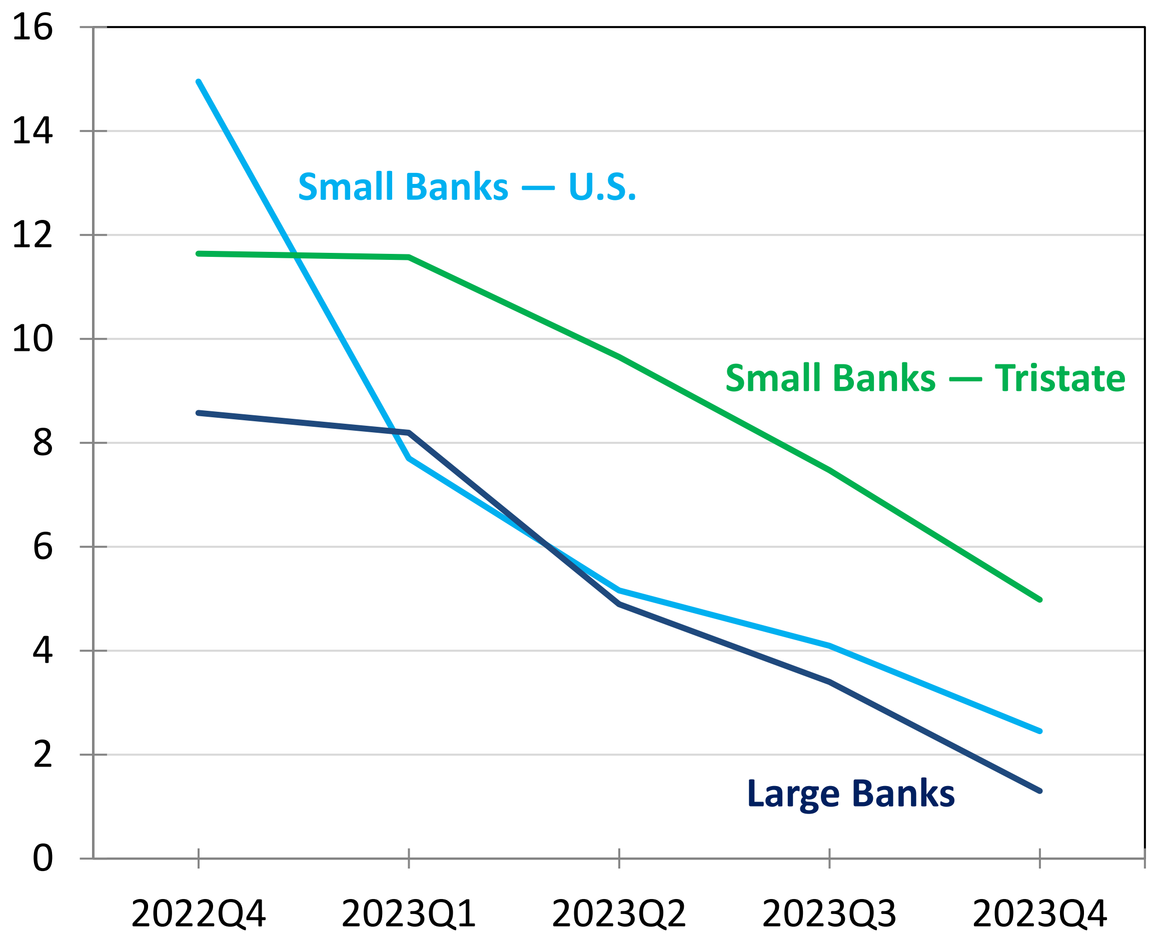


CHART 6

Although Growth of Most Types of Loans Slowed, C&I Loans Were the Weakest

Percent

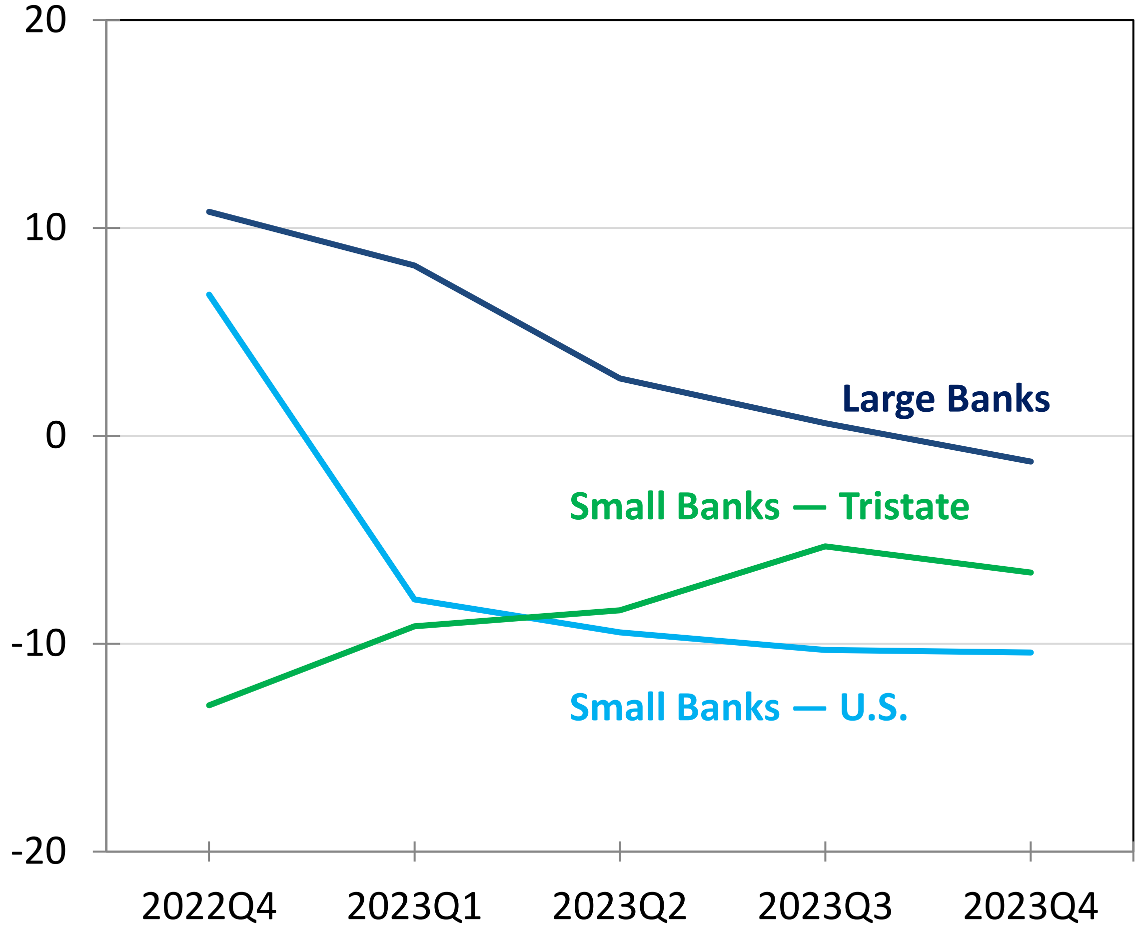


CHART 7

CRE Loan Growth Has Slowed, but It Remains Positive

Percent

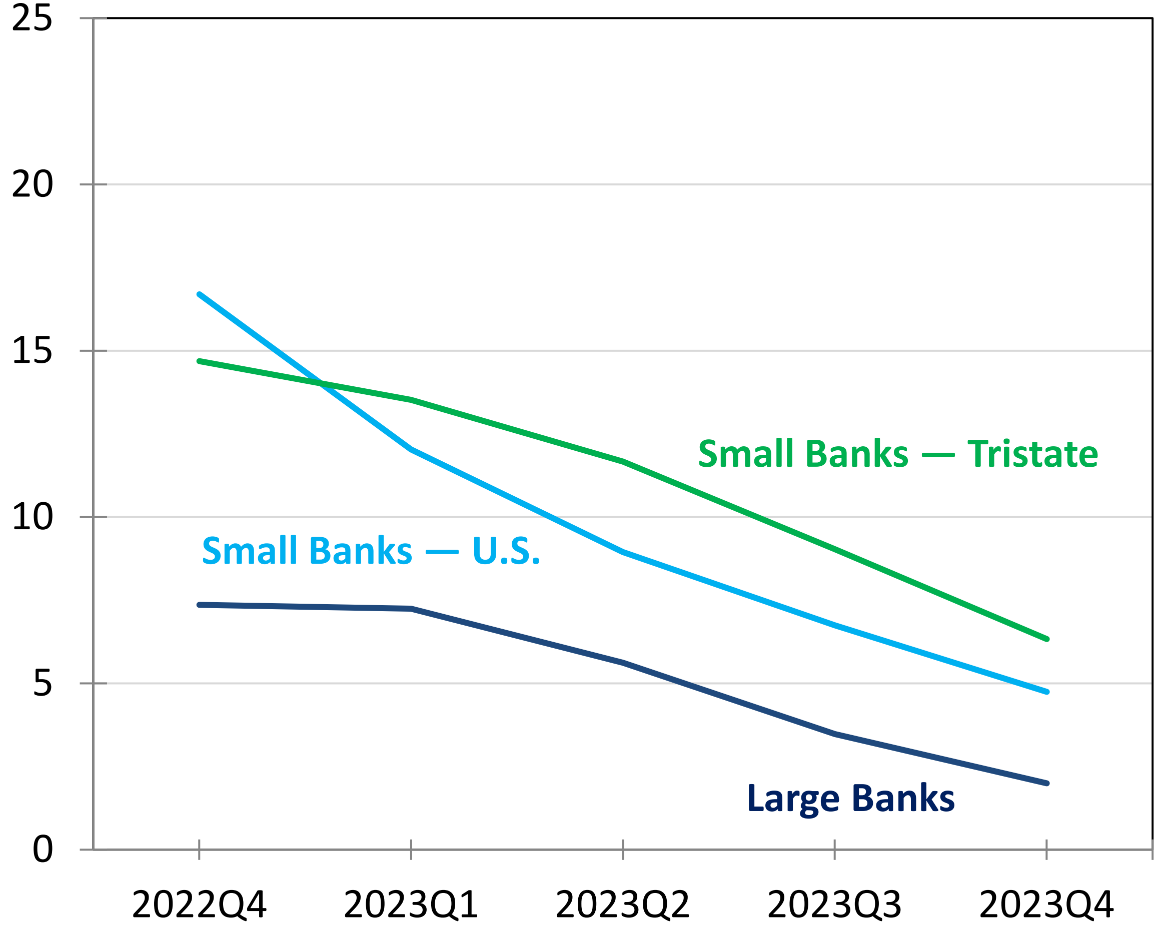


CHART 8

Nonperforming Loans Increased Slightly at All Banks

Percent

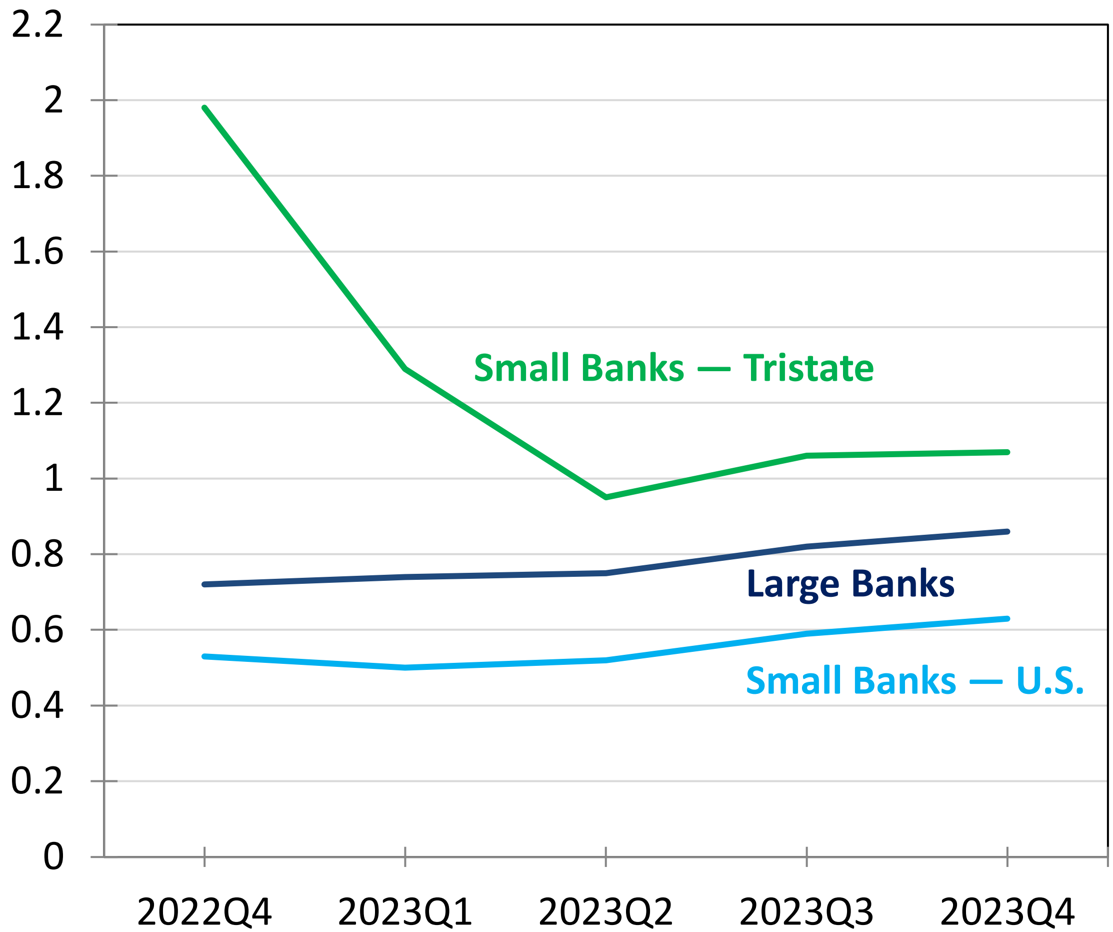


CHART 9

Much of the Increase in Nonperforming Loans Was Due to Commercial Real Estate

Percent

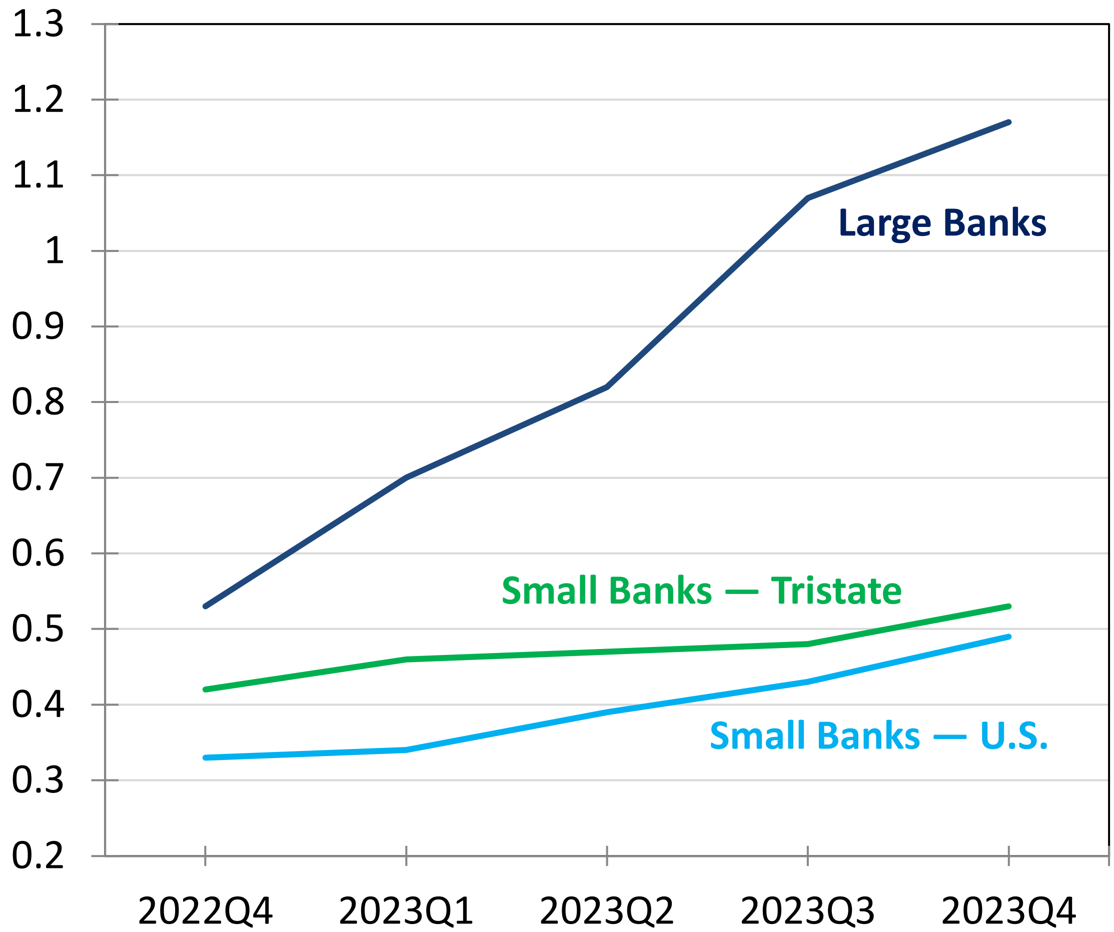
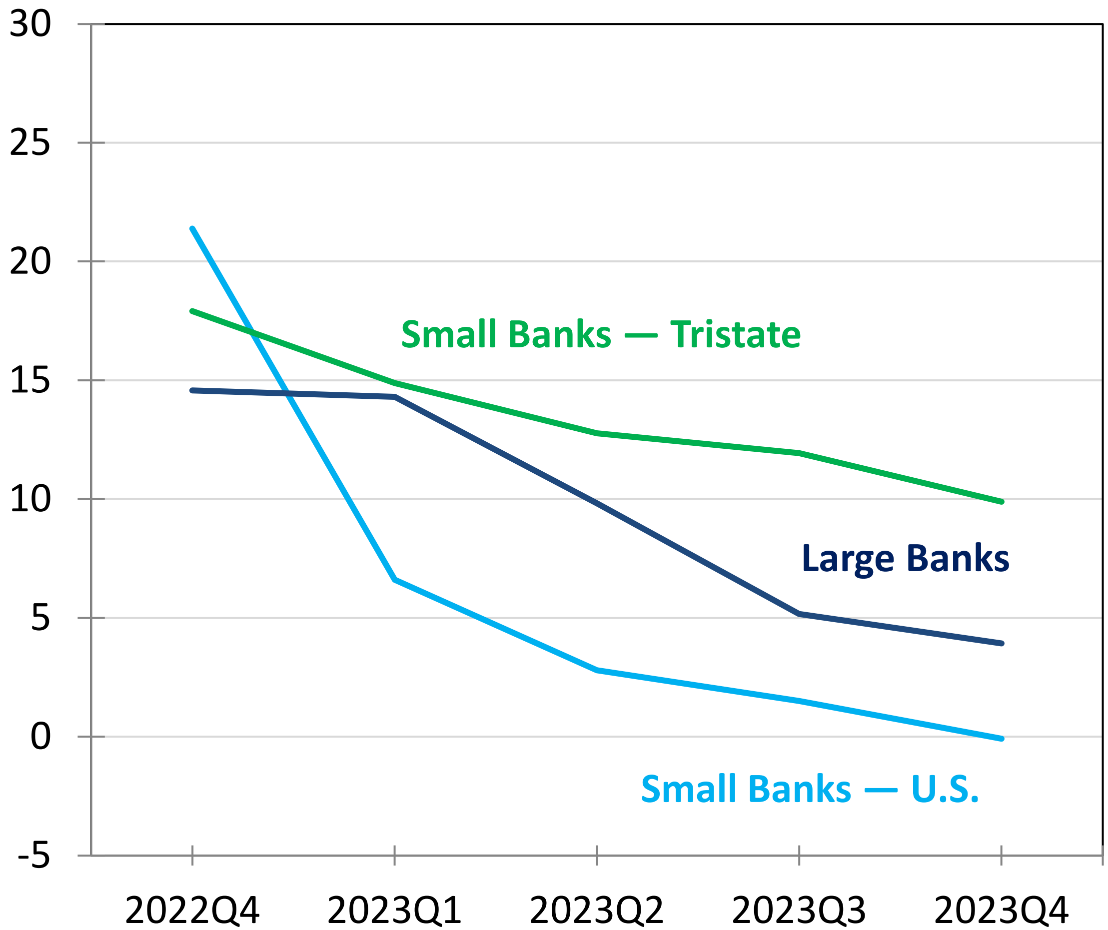


CHART 10

Except at Local Banks, Loans on Multifamily Properties Are Hampering CRE Loan Growth

Annual growth of loans secured by multifamily properties, 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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