

Banking Brief

RESEARCH DEPARTMENT

First Quarter 2024 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 | | |
| | 24Q1 | 23Q4 | 23Q1 | 24Q1 | 23Q4 | 23Q1 | 24Q1 | 23Q4 | 23Q1 | |
| Total Assets | 3,178.3 | 3.58 | 5.35 | 199.9 | 1.78 | 2.80 | Total Assets | 18,494.0 | 6.27 | 0.74 |
| Total Loans | 2,192.3 | 4.37 | 8.59 | 149.5 | 2.11 | 4.60 | Total Loans | 8,824.4 | -2.02 | 0.01 |
| C&I | 322.1 | 4.61 | 5.98 | 17.3 | 0.73 | -1.00 | C&I | 2,013.6 | 0.59 | -2.96 |
| Real Estate | 1,656.7 | 4.78 | 8.63 | 118.8 | 1.80 | 5.67 | Real Estate | 3,703.8 | -0.24 | 0.44 |
| Consumer | 89.2 | -0.71 | 1.70 | 7.9 | 10.26 | -0.64 | Consumer | 1,388.7 | -9.82 | 1.12 |
| Total Deposits | 2,661.0 | 5.03 | 4.77 | 163.5 | 3.84 | 3.04 | Total Deposits | 14,523.6 | 4.76 | 1.36 |
| Ratios (in %) | 24Q1 | 23Q4 | 23Q1 | 24Q1 | 23Q4 | 23Q1 | Ratios (in %) | 24Q1 | 23Q4 | 23Q1 |
| Net Income/Avg Assets (ROA) | 1.03 | 1.03 | 1.17 | 0.96 | 1.01 | 1.24 | Net Income/Avg Assets (ROA) | 1.00 | 1.07 | 1.16 |
| Net Interest Inc/Avg Assets (NIM) | 3.19 | 3.19 | 3.25 | 3.02 | 3.10 | 3.39 | Net Interest Inc/Avg Assets (NIM) | 2.73 | 2.77 | 2.62 |
| Noninterest Inc/Avg Assets | 0.78 | 0.75 | 0.76 | 0.93 | 0.89 | 0.87 | Noninterest Inc/Avg Assets | 1.22 | 1.27 | 1.25 |
| Noninterest Exp/Avg Assets | 2.55 | 2.50 | 2.37 | 2.59 | 2.59 | 2.55 | Noninterest Exp/Avg Assets | 2.36 | 2.36 | 2.15 |
| Loans/Deposits | 82.39 | 82.52 | 79.49 | 91.42 | 91.80 | 90.06 | Loans/Deposits | 60.76 | 61.78 | 61.58 |
| Equity/Assets | 9.89 | 9.87 | 9.54 | 10.53 | 10.46 | 10.29 | Equity/Assets | 9.70 | 9.76 | 9.68 |
| Nonperforming Loans/Total Loans | 0.67 | 0.63 | 0.51 | 1.12 | 1.08 | 1.30 | Nonperforming Loans/Total Loans | 0.91 | 0.86 | 0.74 |

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, 2023, 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, 2023. 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, 2023, including assets of only their commercial bank subsidiaries. *U.S.* excludes tristate banks. The sample includes 97 small tristate banks, 3,578 small U.S. banks, and 100 large U.S. banks.

Recent Trends in Tristate and U.S. Banking Markets

Profitability continued to decrease. Year over year, return on average assets (ROAA) decreased at all banks. ROAA has been slowly decreasing at small banks, now it is at large banks as well. Annual growth in quarterly net income has been decreasing, especially at large banks. Two factors that are contributing to decreasing profits are increasing noninterest expenses and falling net interest margins, particularly at small banks. Loan growth is going in opposite directions at small and large banks. At small banks, loans grew sharply; at large banks, loan growth was essentially zero. Commercial real estate (CRE) lending is driving both trends. At small banks, there were increases in loans on multifamily properties, while at large banks the main weakness was commercial mortgages. Commercial and industrial (C&I) lending also remained weak. The ratio of nonperforming loans to total loans continued to increase slowly, as it has for the last year. CRE loans were responsible for most of the increase as well as increasing nonperforming credit card loans at large banks. Credit cards are a small part of small banks' portfolios, but they make up more than 50 percent of consumer loans at large banks.

CHART 1

Profitability Is Steady at Small Banks, Continued to Decrease Locally and at Large Banks

Percent

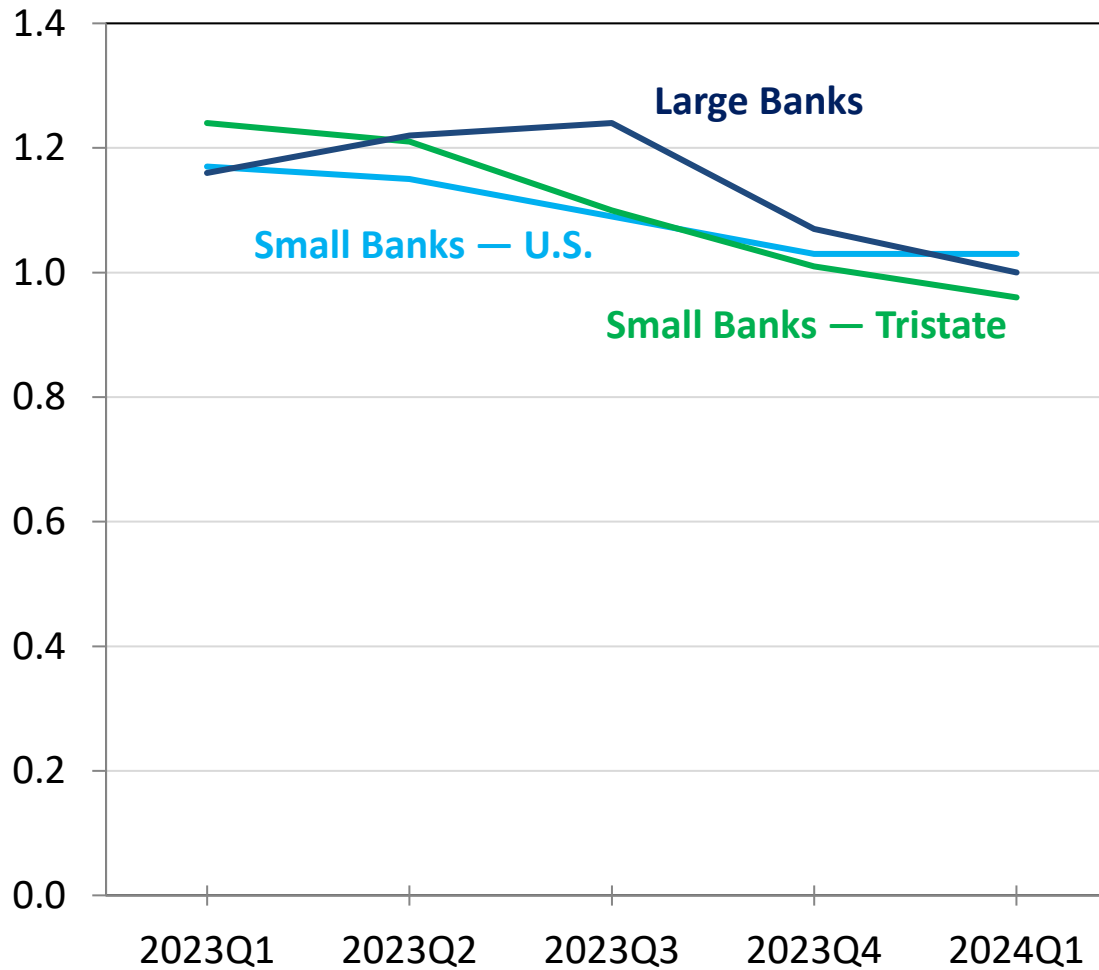


CHART 2

Year-Over-Year Quarterly Net Income Shrank Percent

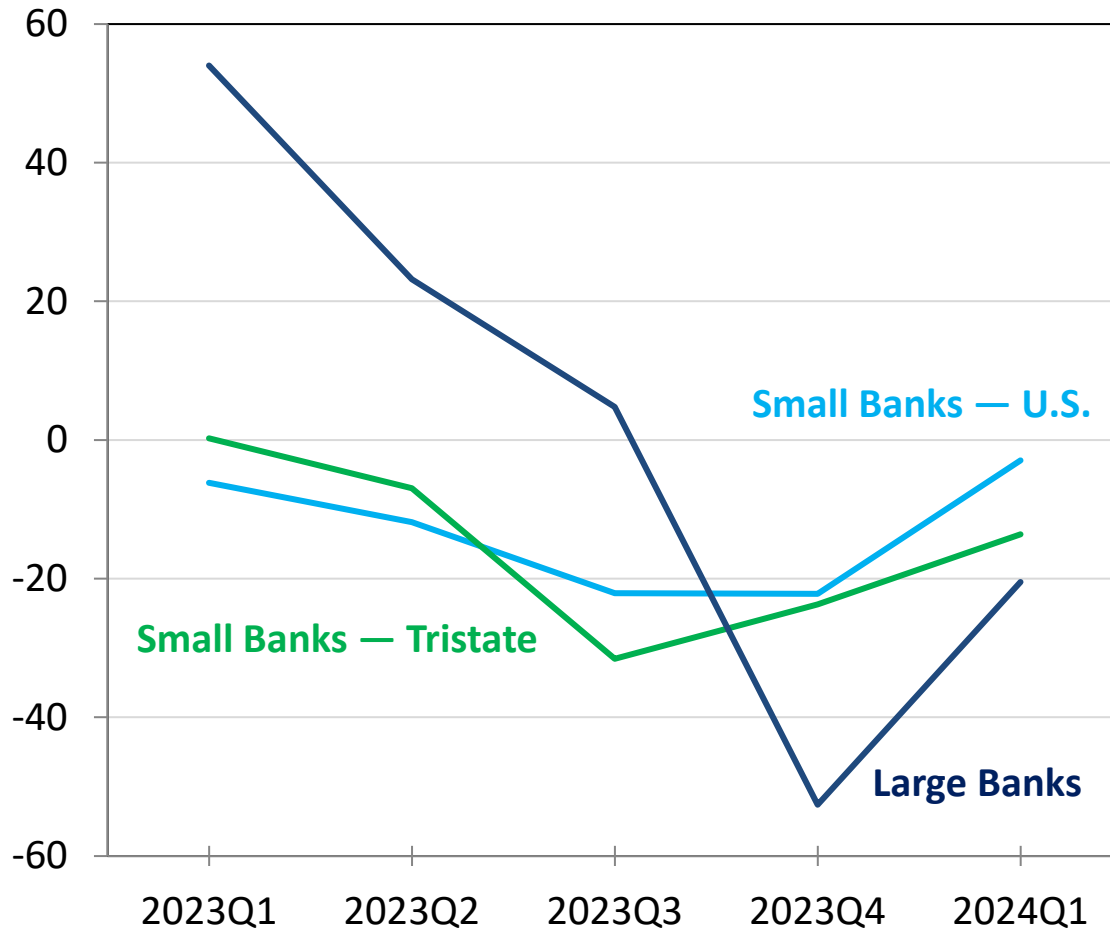


CHART 3

Noninterest Expenses as a Percentage of Average Assets Are Increasing

Percent

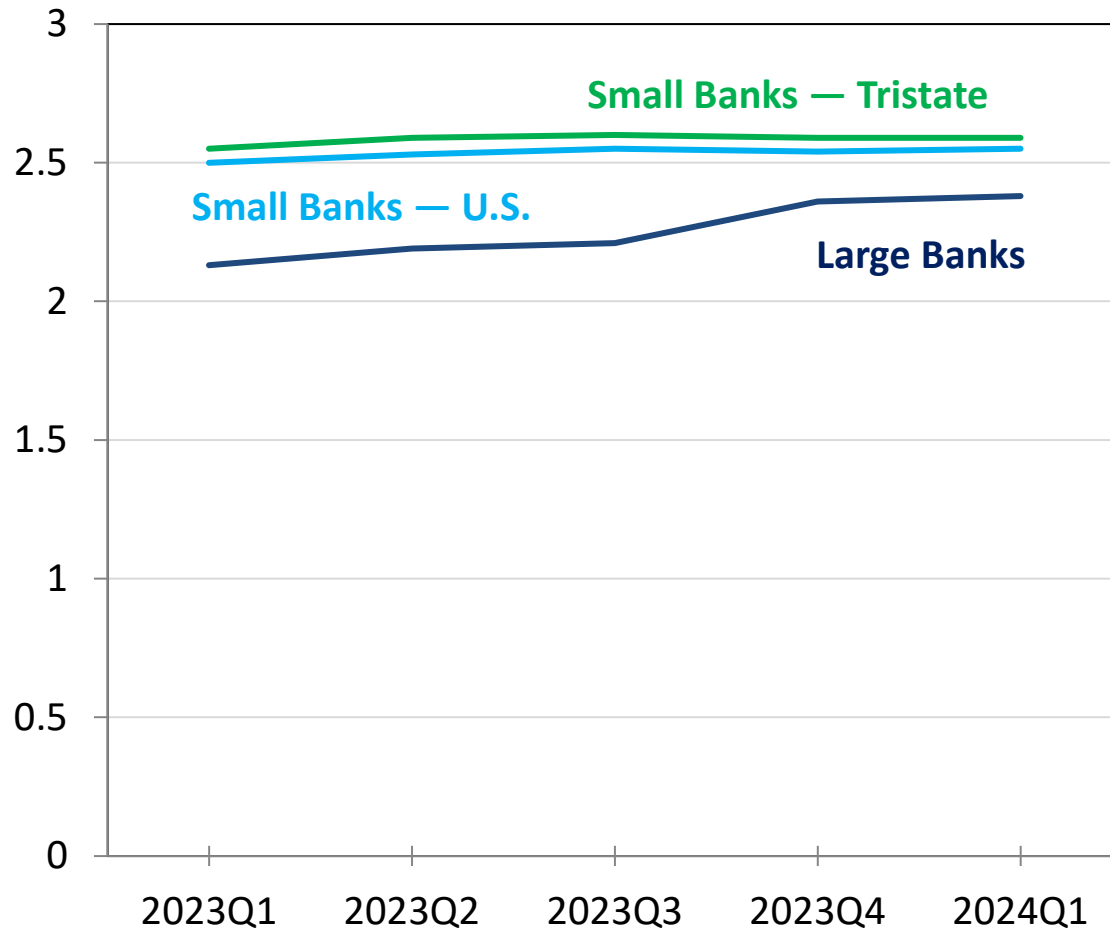


CHART 4

Net Interest Margins Decreased

Percent

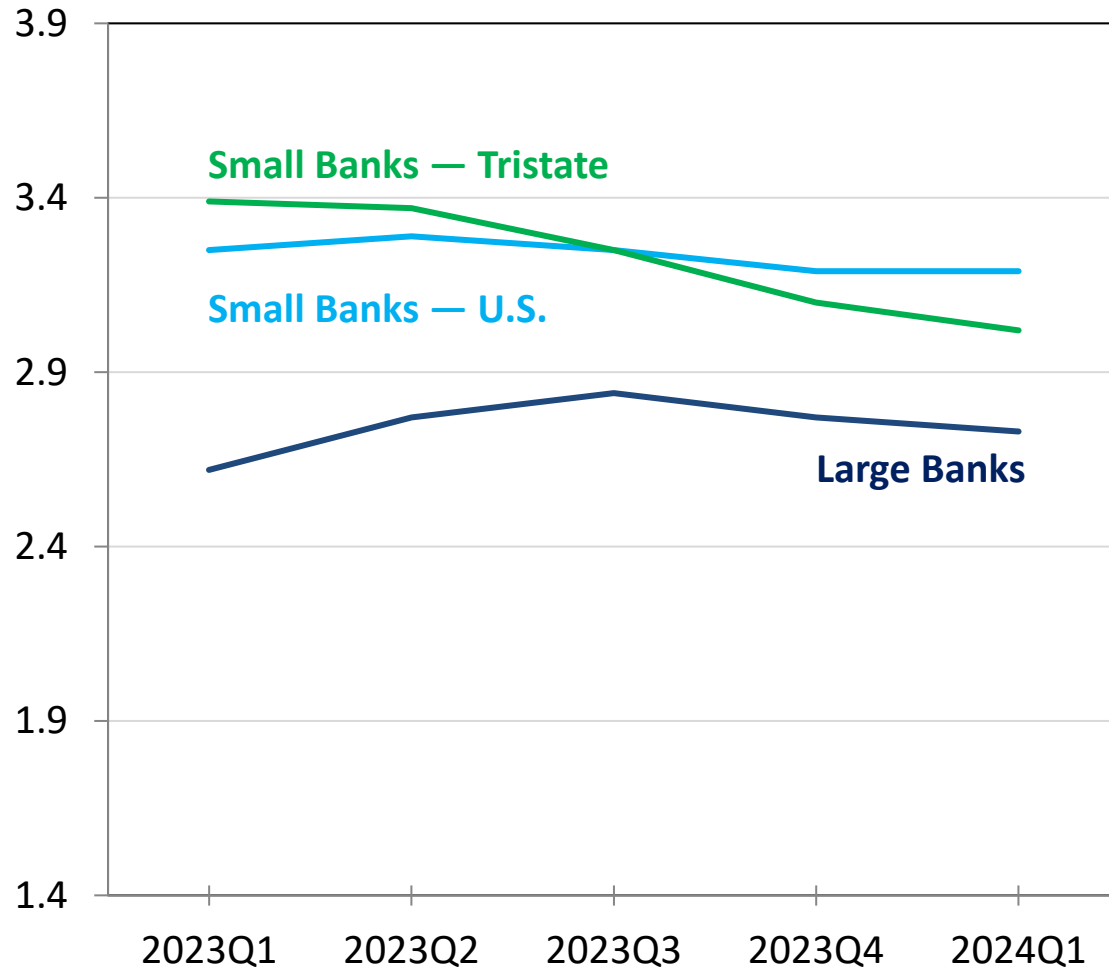


CHART 5

Loan Growth Strengthened at Small Banks, but It Was Zero at Large Banks

Percent

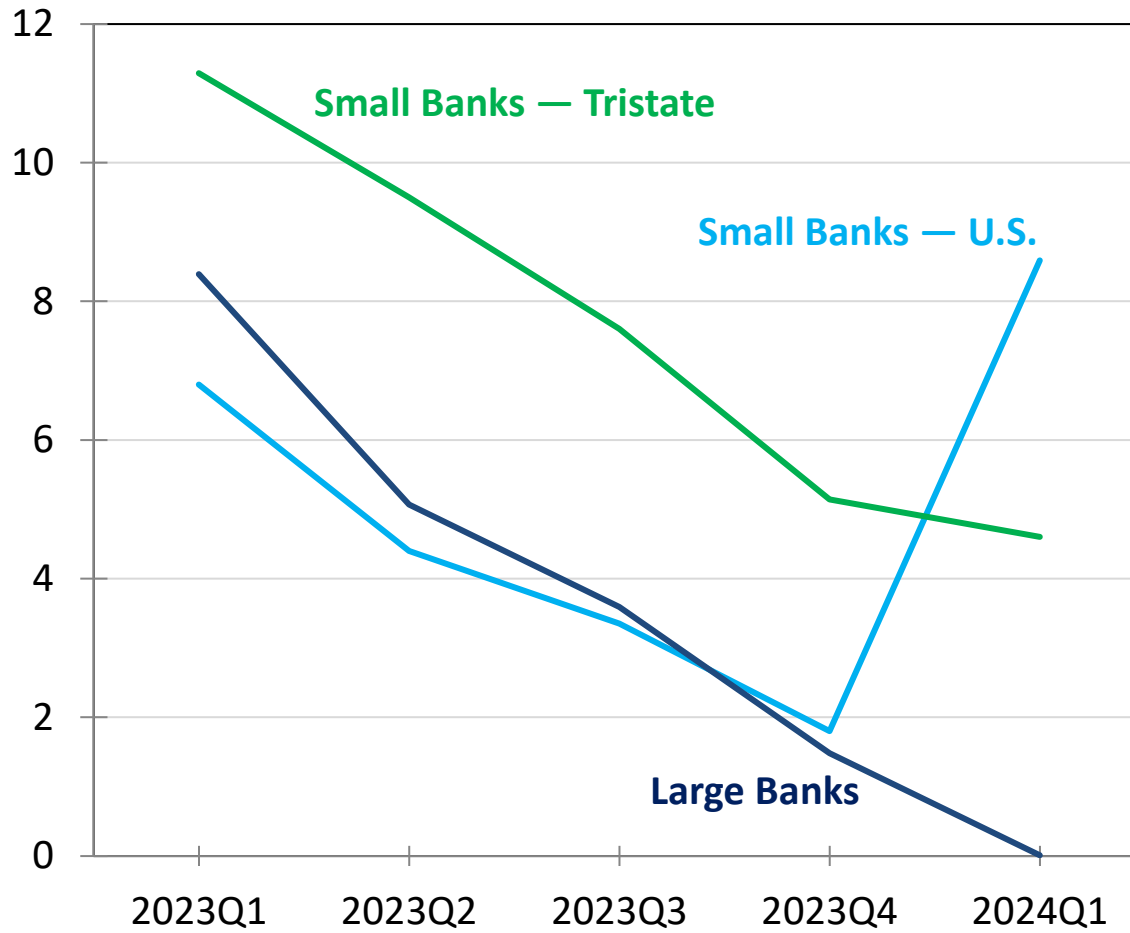


CHART 6

CRE Loans Are Driving Loan Growth, for Good or Bad

Percent

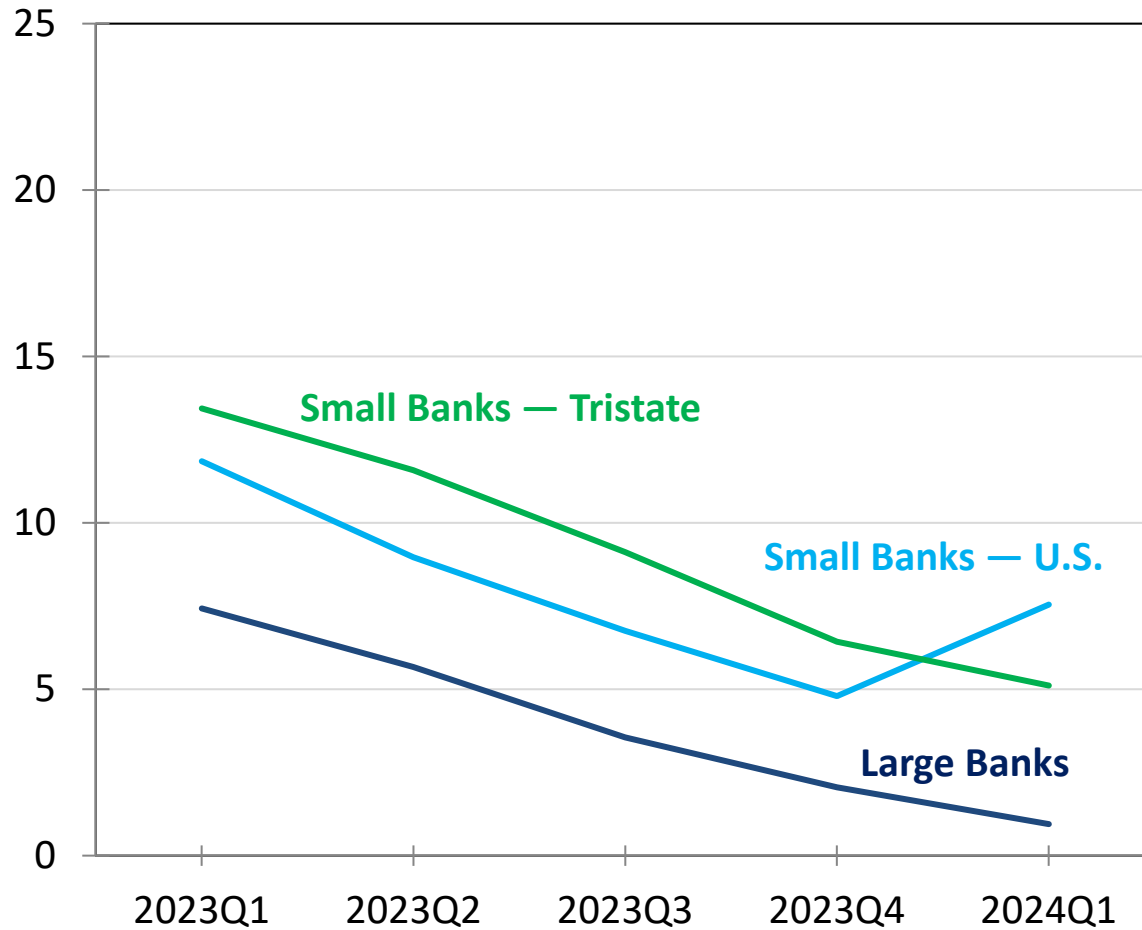


CHART 7

Small Banks Saw Strong Growth in Loans Secured by Multifamily Properties

Percent

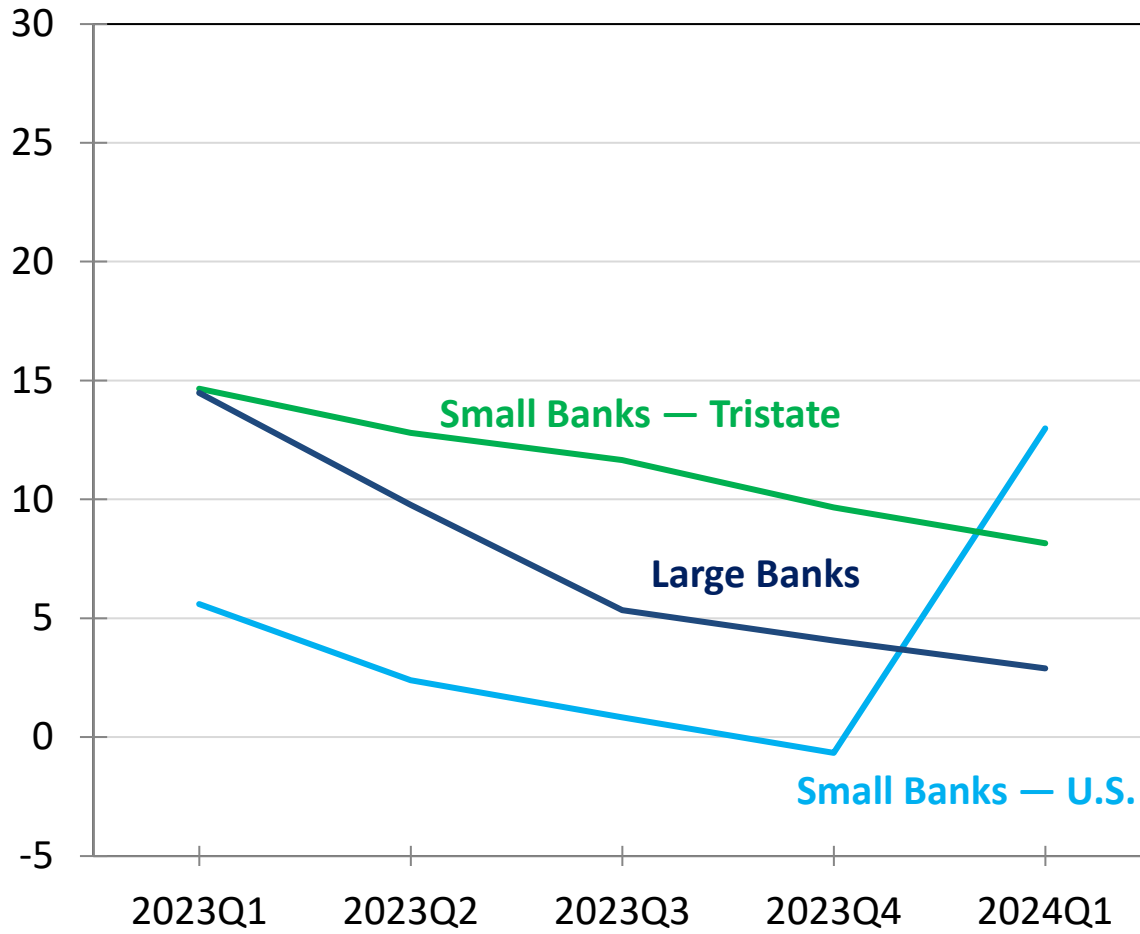


CHART 8

At the Same Time, Commercial Mortgages Were Weak at Large Banks

Percent

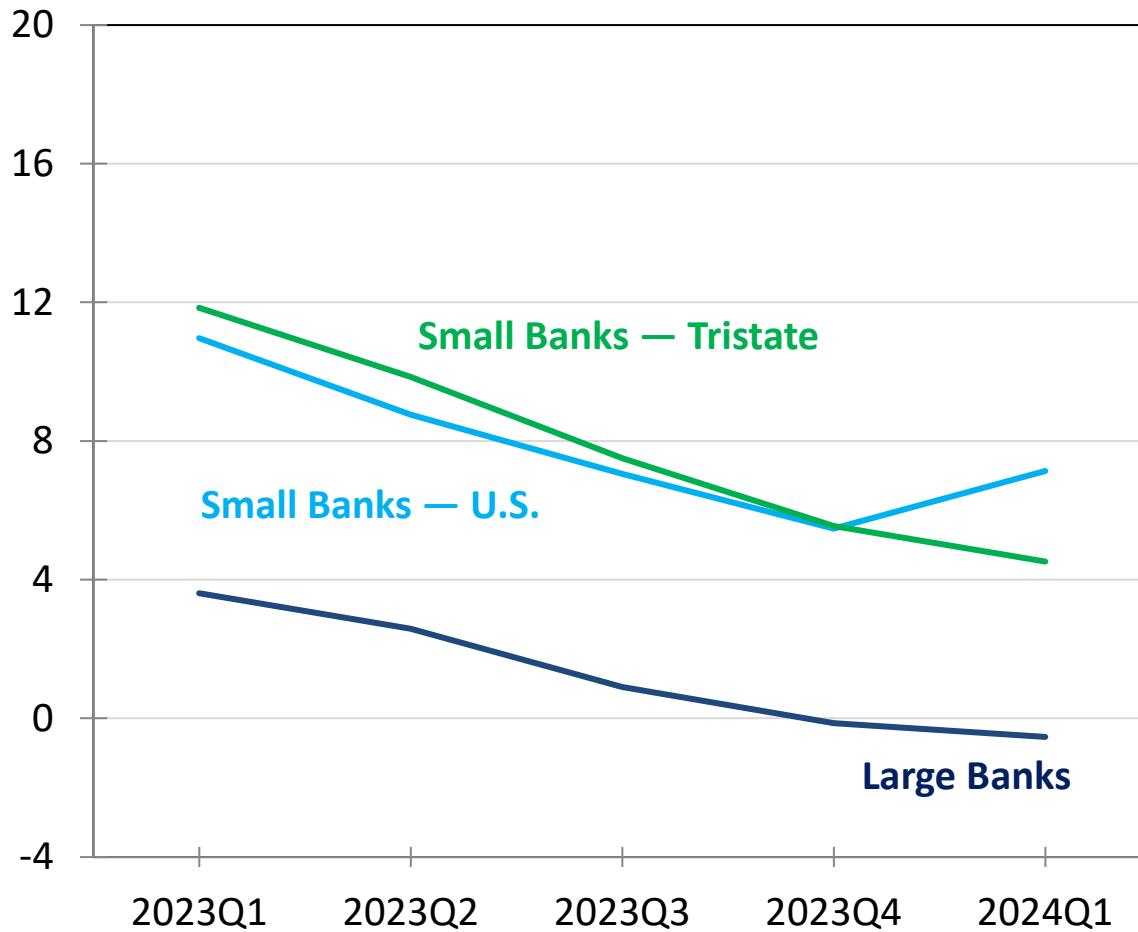


CHART 9

C&I Lending Remained Weak, but Small Banks Are Improving

Percent

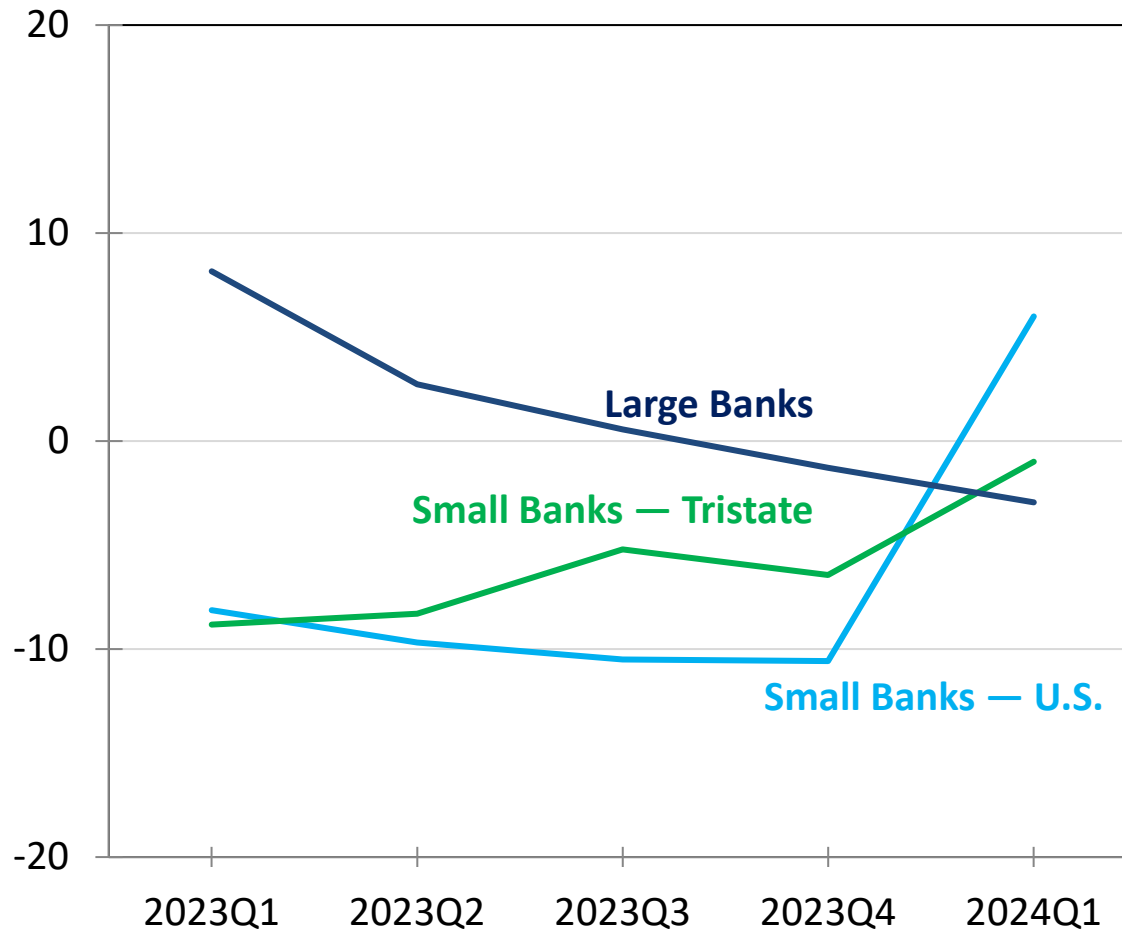


CHART 10

Nonperforming Loans Continued to Rise Slowly

Percent

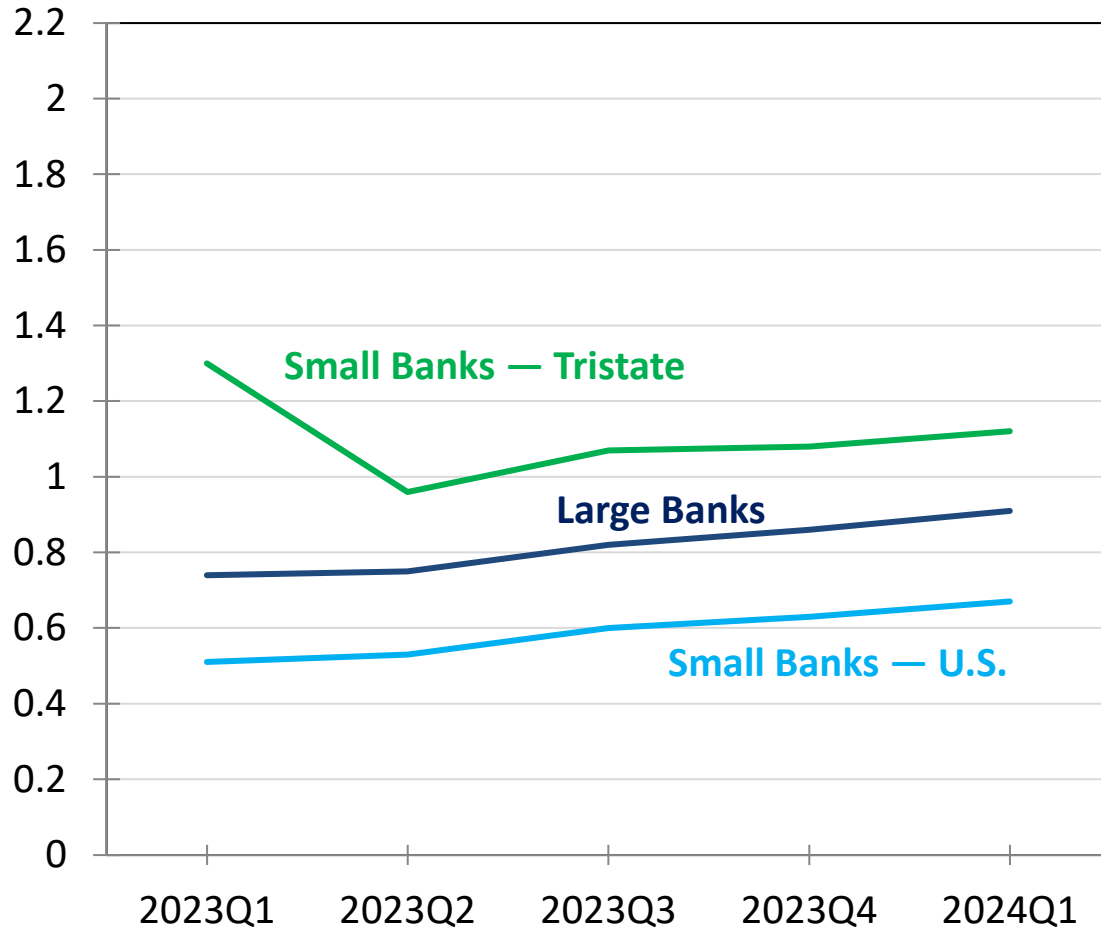


CHART 11

CRE Loans Are Driving the Increases in Nonperforming Loans

Percent

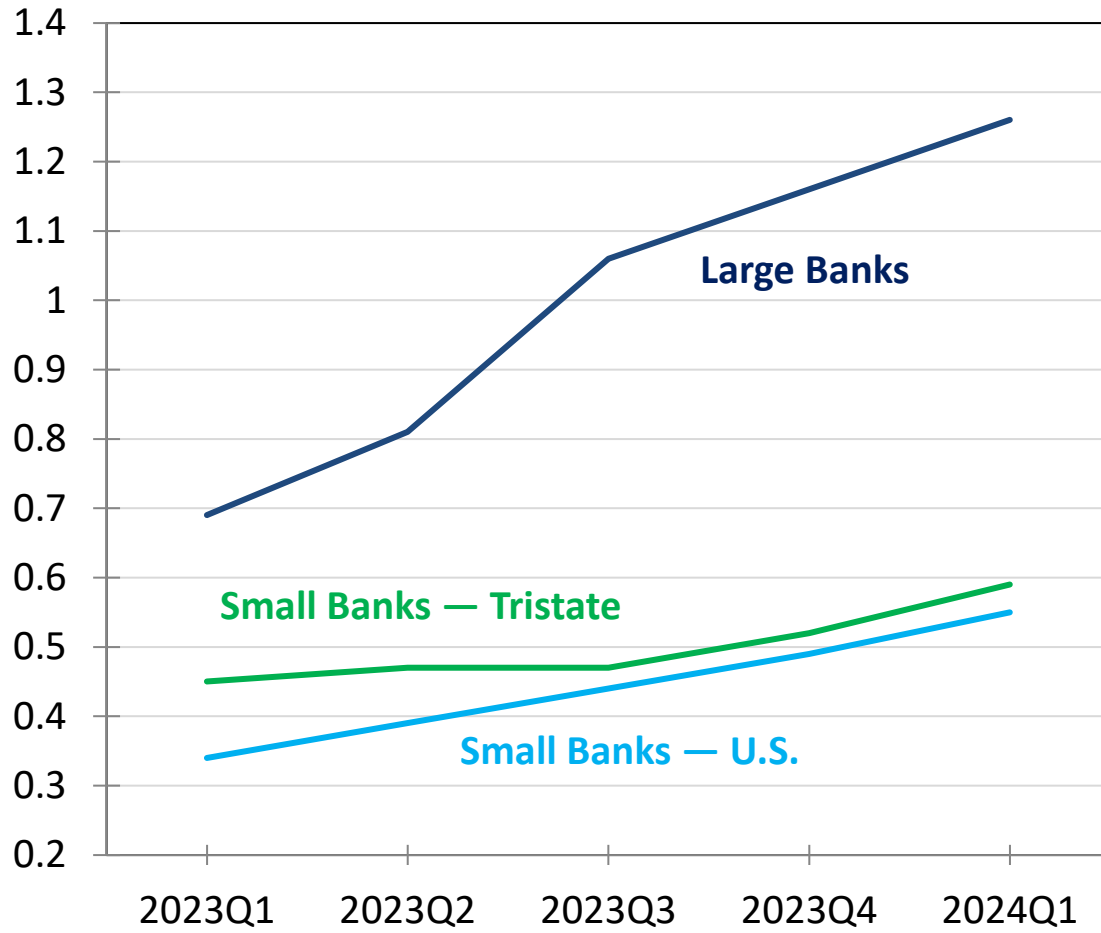
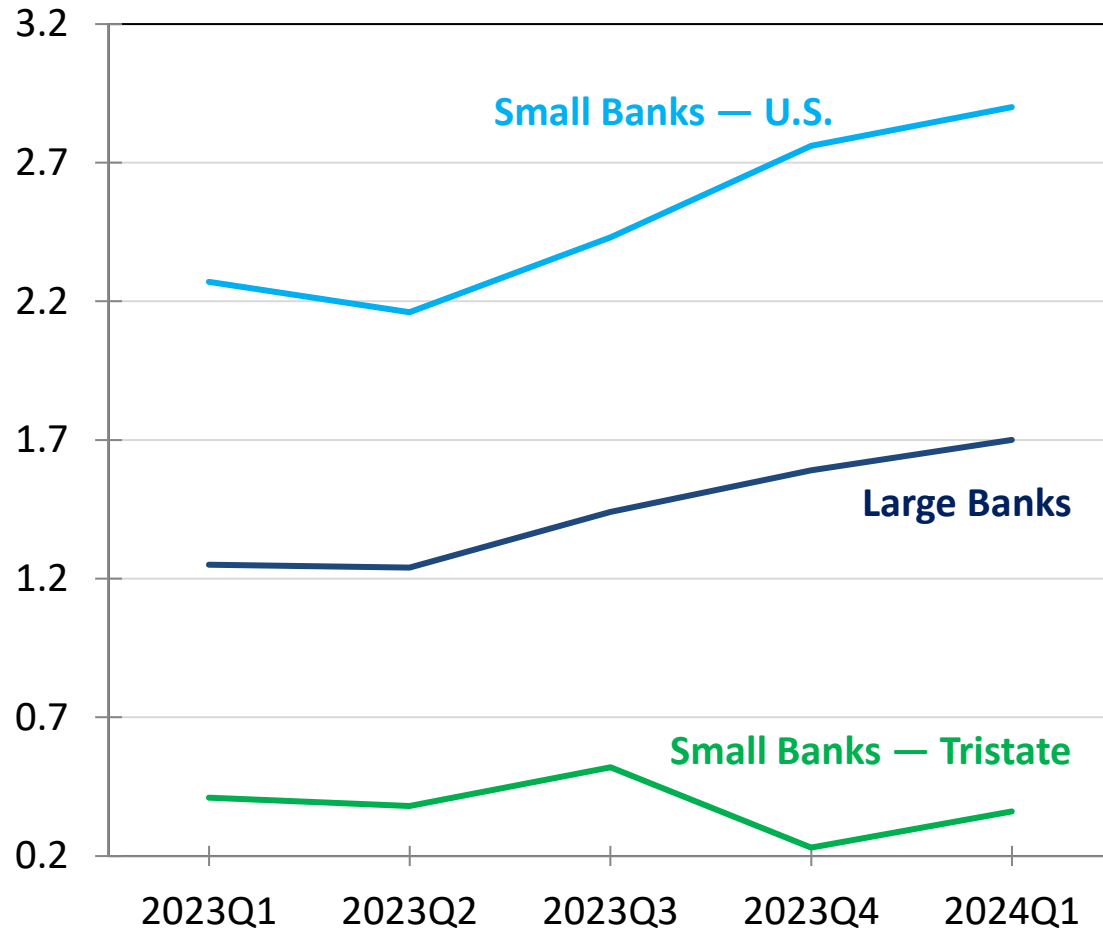


CHART 12

Nonperforming Credit Card Loans Have Increased Substantially at Large 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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