

Banking Brief

RESEARCH DEPARTMENT

Second Quarter 2024 Highlights

Summary Table of Bank Structure and Conditions

	<i>Community Banking Organizations</i>						<i>Large Organizations</i>							
	<i>Nation</i>			<i>Tristate</i>			<i>Nation</i>							
	\$ Bill	% Change From		\$ Bill	% Change From		\$ Bill	% Change From		\$ Bill	% Change From			
	24Q2	24Q1	23Q2	24Q2	24Q1	23Q2		24Q2	24Q1	23Q2		24Q2	24Q1	23Q2
Total Assets	3,181.3	1.07	5.11	190.0	-18.38	-3.00	Total Assets	18,419.8	-1.71	1.76				
Total Loans	2,218.6	5.65	7.56	142.1	-18.46	-2.36	Total Loans	8,900.1	3.29	0.66				
C&I	325.9	6.08	5.19	16.6	-14.41	-3.08	C&I	2,017.6	0.81	-1.73				
Real Estate	1,671.9	4.60	7.42	112.3	-20.07	-2.44	Real Estate	3,710.3	0.32	0.32				
Consumer	89.7	2.43	0.60	7.9	-3.31	-0.53	Consumer	1,408.1	5.72	1.06				
Total Deposits	2,656.5	-0.05	4.94	156.0	-17.12	-2.08	Total Deposits	14,350.4	-4.79	0.66				
Ratios (in %)	24Q2	24Q1	23Q2	24Q2	24Q1	23Q2	Ratios (in %)	24Q2	24Q1	23Q2				
Net Income/Avg Assets (ROA)	1.00	1.03	1.15	0.92	0.95	1.21	Net Income/Avg Assets (ROA)	1.01	1.00	1.22				
Net Interest Inc/Avg Assets (NIM)	3.18	3.20	3.29	2.96	3.02	3.37	Net Interest Inc/Avg Assets (NIM)	2.71	2.73	2.77				
Noninterest Inc/Avg Assets	0.78	0.78	0.75	0.92	0.93	0.88	Noninterest Inc/Avg Assets	1.22	1.22	1.27				
Noninterest Exp/Avg Assets	2.55	2.55	2.43	2.59	2.60	2.59	Noninterest Exp/Avg Assets	2.37	2.36	2.20				
Loans/Deposits	83.52	82.37	81.49	91.05	91.42	91.31	Loans/Deposits	62.02	60.77	62.02				
Equity/Assets	10.00	9.89	9.53	10.53	10.52	10.25	Equity/Assets	9.91	9.70	9.73				
Nonperforming Loans/Total Loans	0.70	0.67	0.53	1.15	1.12	0.96	Nonperforming Loans/Total Loans	0.90	0.91	0.75				

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 94 small tristate banks, 3,557 small U.S. banks, and 100 large U.S. banks.

Recent Trends in Tristate and U.S. Banking Markets

Year over year, return on average assets decreased at large and small banks. The declines in profitability are primarily the result of falling net interest margins. Asset growth was weak at large banks, fairly strong at small banks nationally, and negative at local banks. Real estate lending is driving the weak asset growth. At large banks, both residential and commercial real estate (CRE) loans were basically flat. Small banks nationally had relatively strong growth in real estate loans. Tristate banks had negative growth in all sectors of commercial real estate lending. This was primarily because of several relatively large banks in northern and central New Jersey. The Federal Reserve Board's Senior Loan Officer Opinion Survey reported tightening standards for CRE loans, and that is reflected in the data. 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.

CHART 1

Return on Average Assets Continued to Fall

Percent

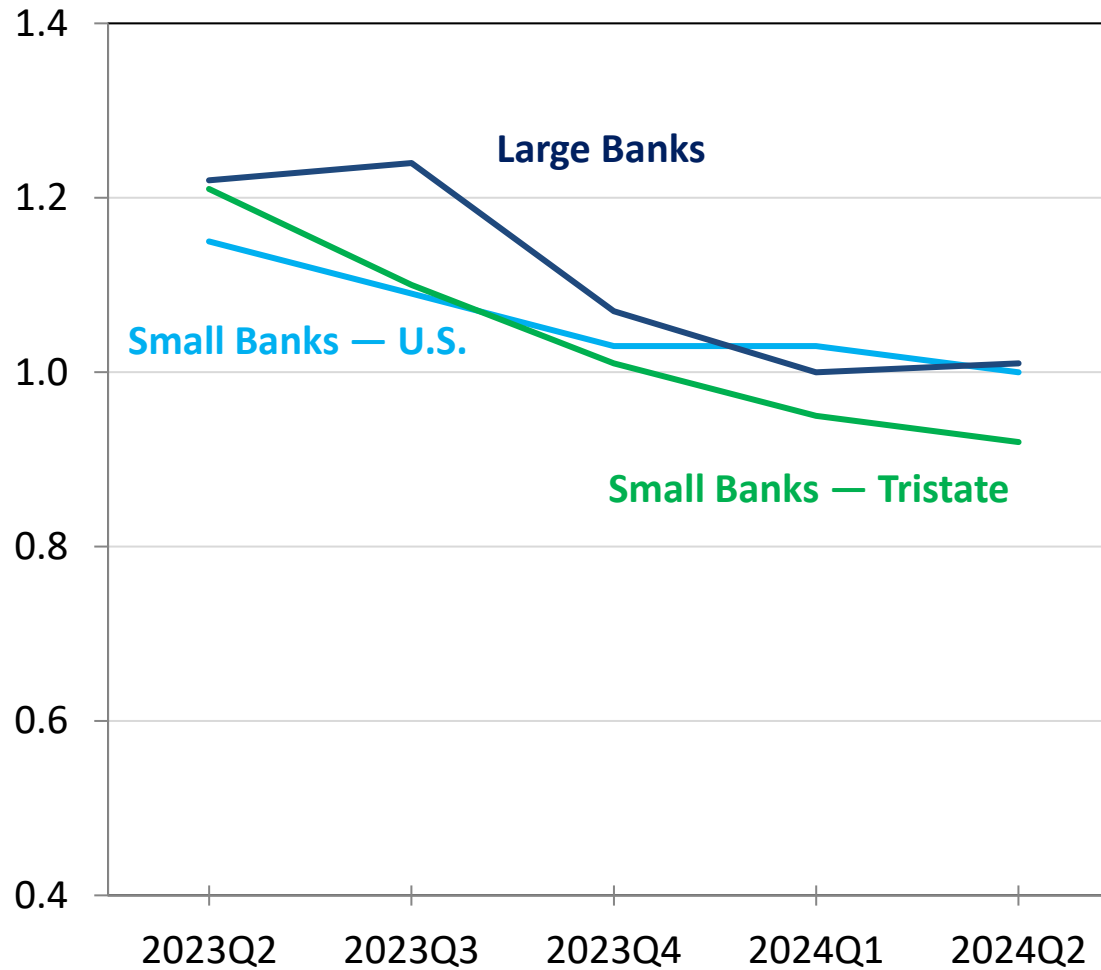


CHART 2

Falling Net Interest Margins Are Driving Falling Profits

Percent

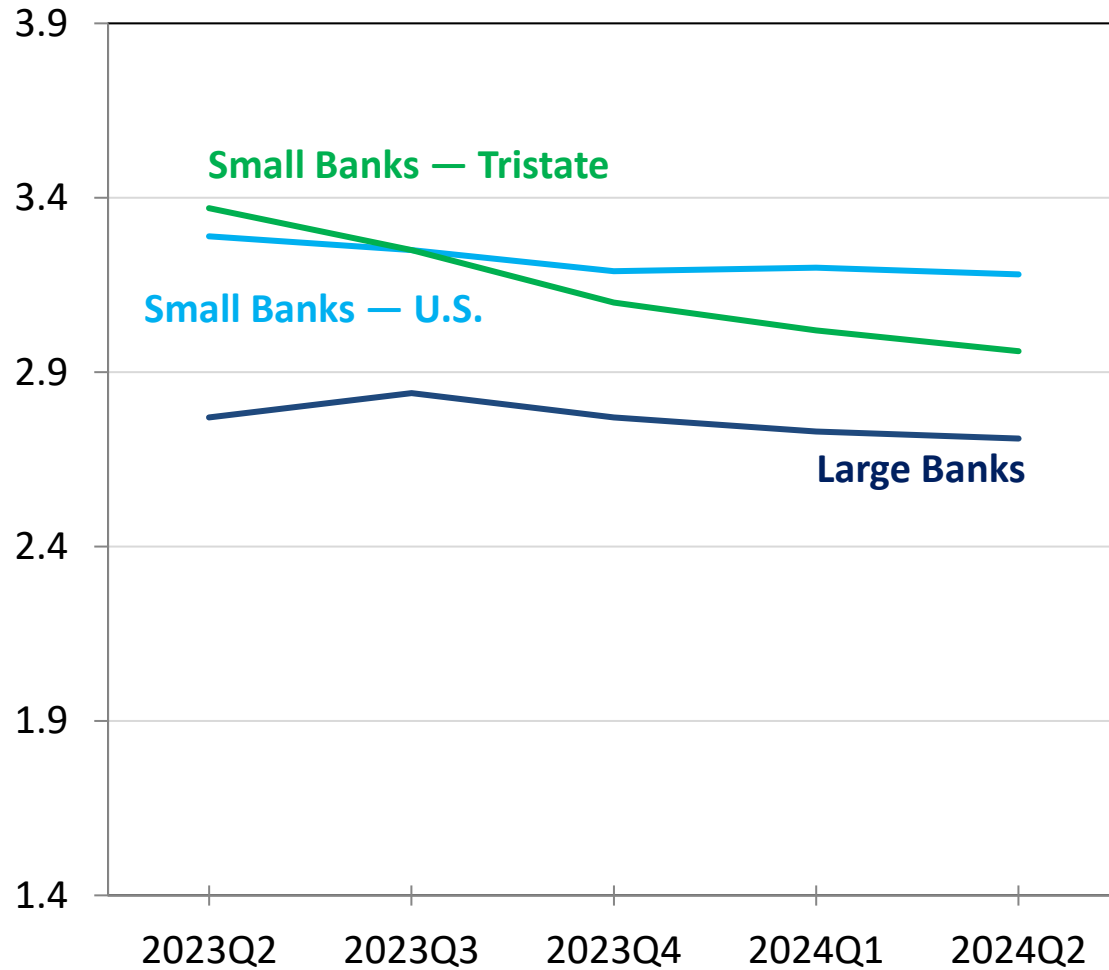


CHART 3

Asset Growth Flat at Large Banks, Strong at Small Banks Except Local Banks

Percent

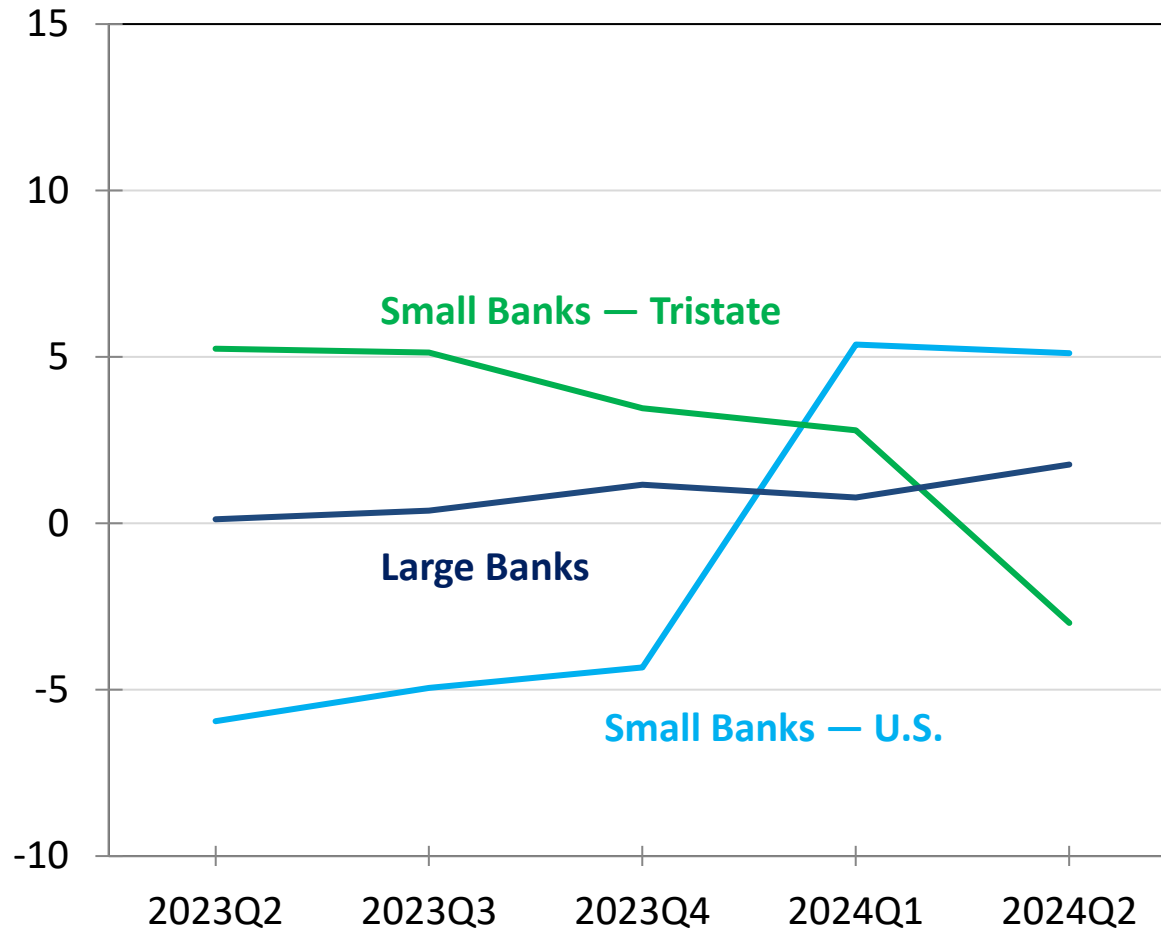


CHART 4

Annual Growth of RRE Loans Was Flat at Large and Local Banks

Percent

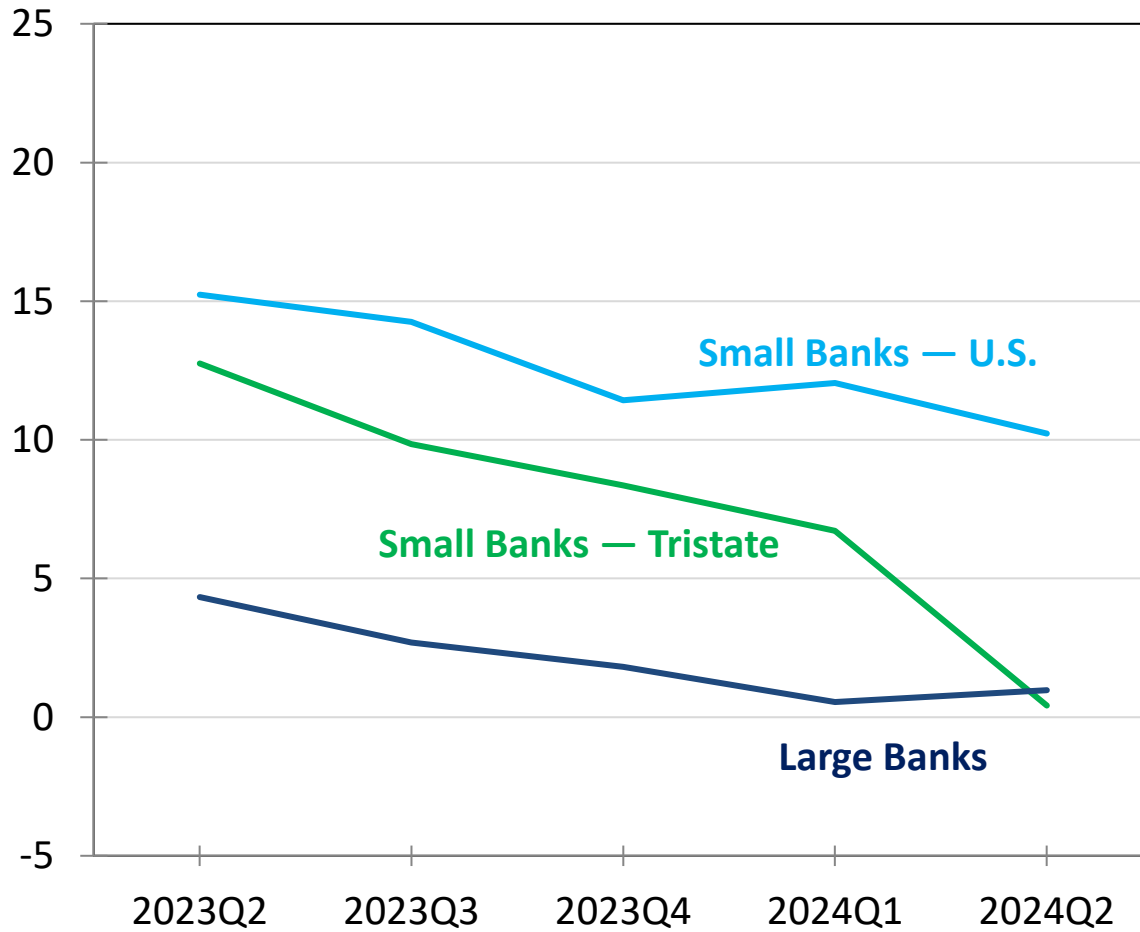


Chart 5

Commercial Real Estate Lending Is Driving the Growth, or Lack Thereof, in Lending Percent

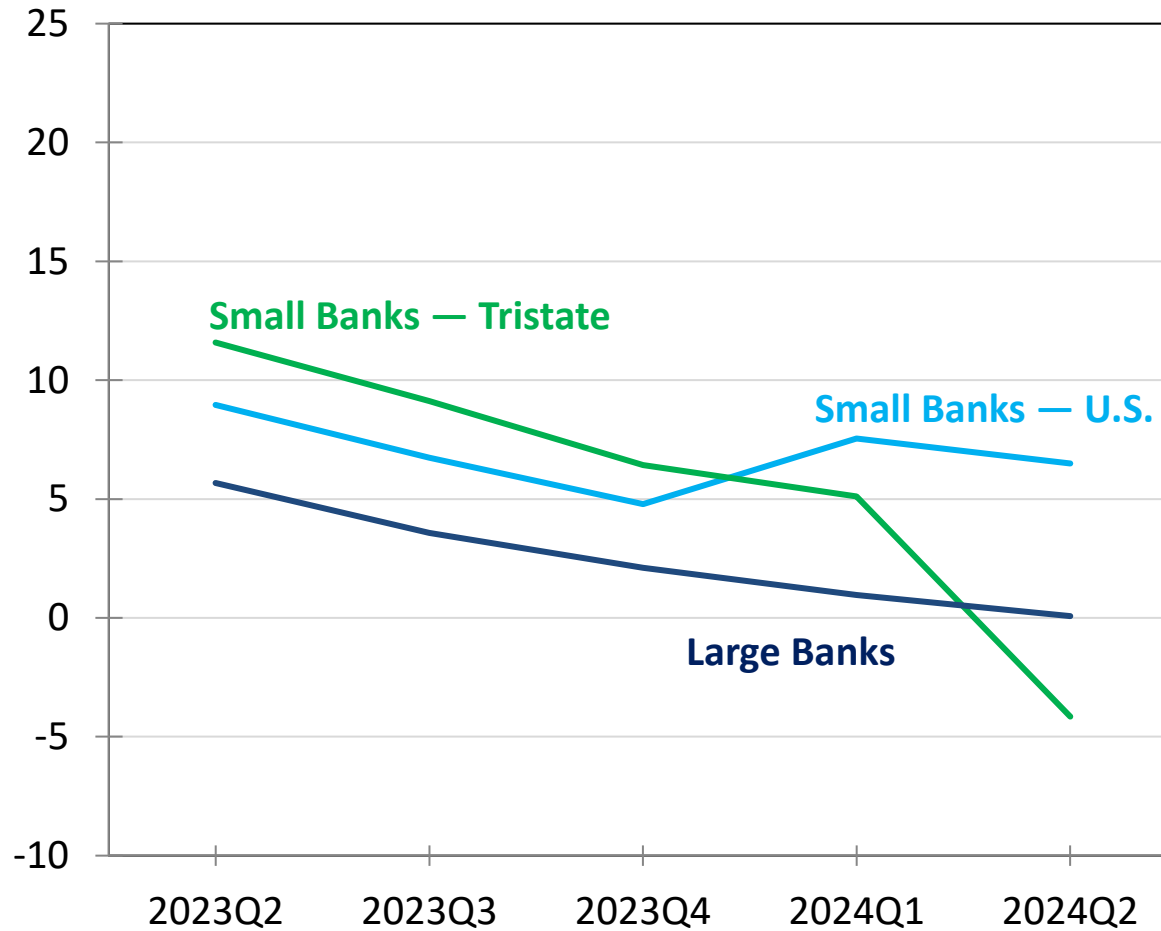


CHART 6

Annual Growth of Construction Loans Has Slowed Considerably

Percent

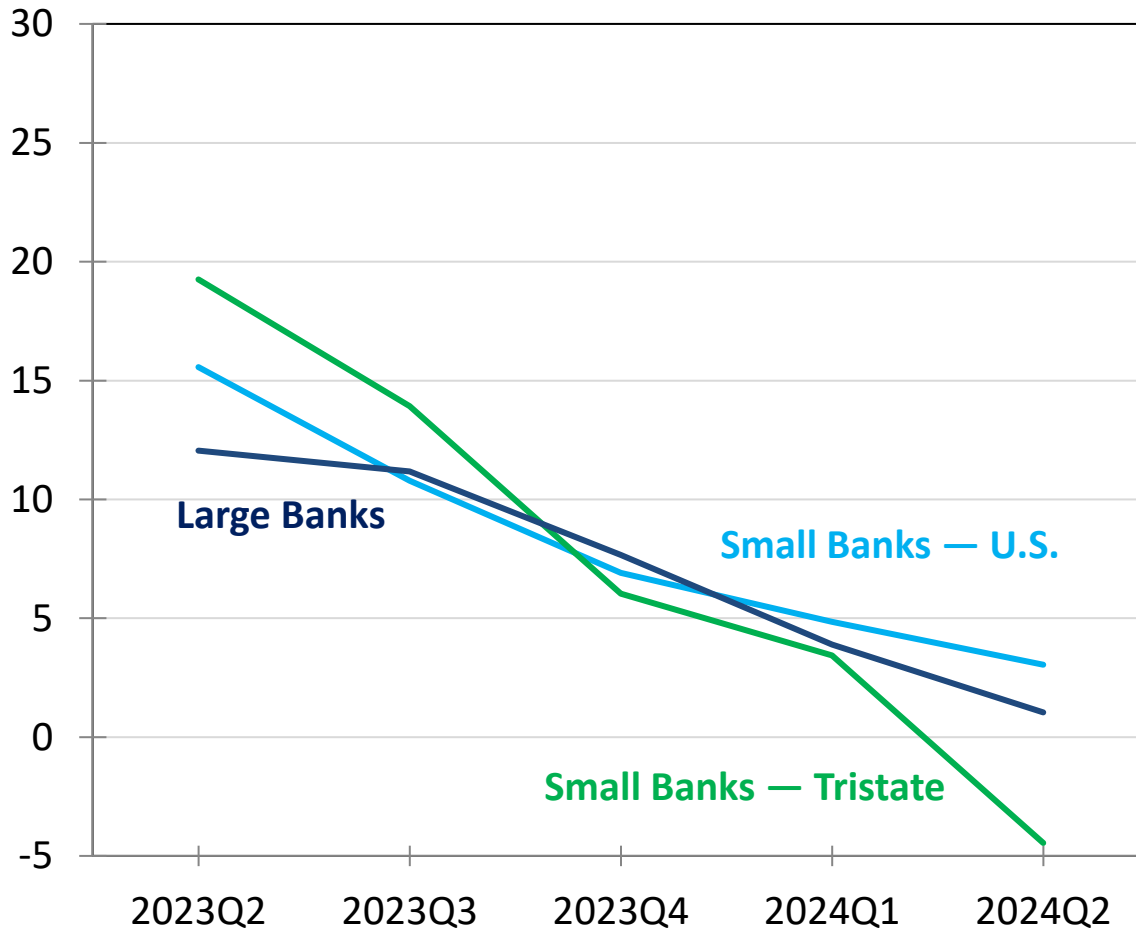


CHART 7

Loans Secured by Multifamily Properties Grew Everywhere Except Locally Percent

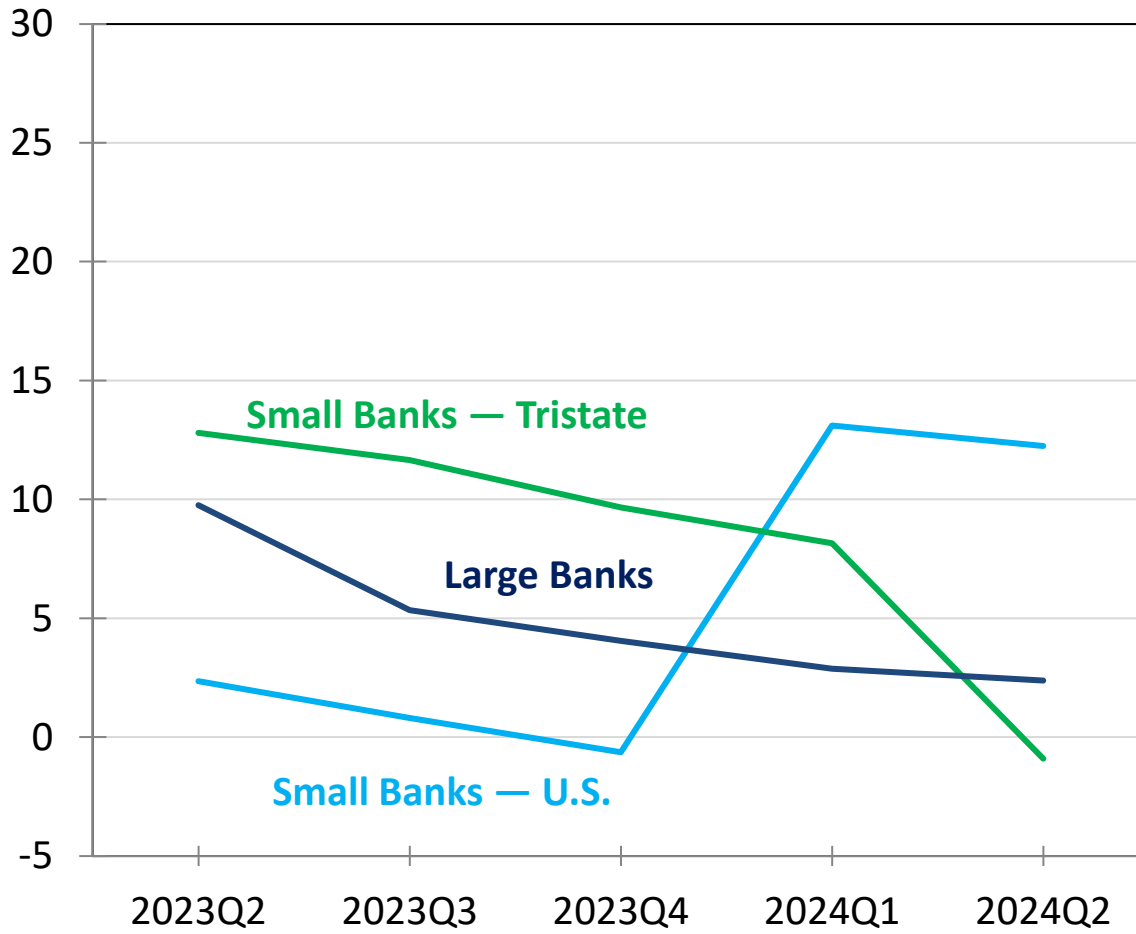


Chart 8

Annual Growth of Commercial Mortgages Was Strong at Small Banks Nationally, but Negative at Large Banks and Local Banks

Percent

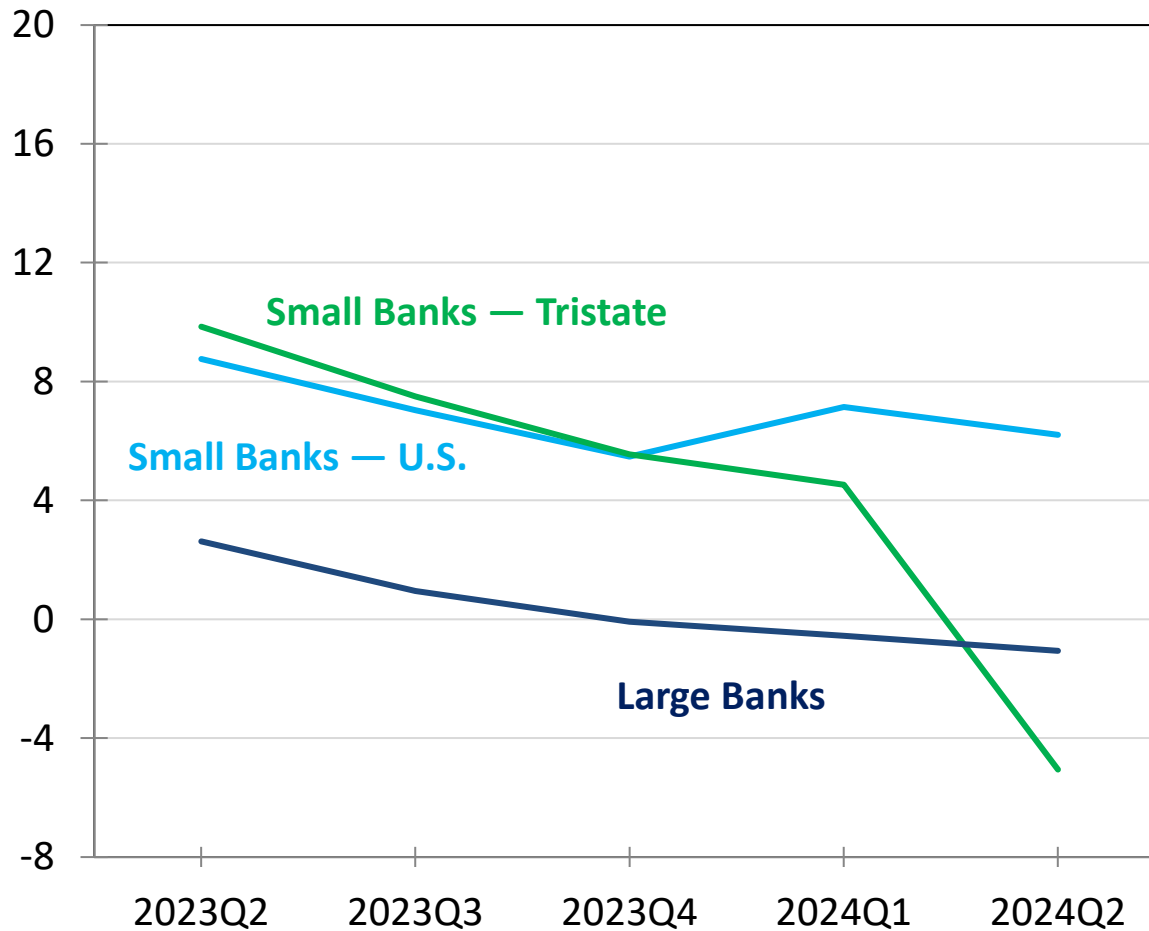


CHART 9

Commercial and Industrial Loans Tell the Same Story

Percent

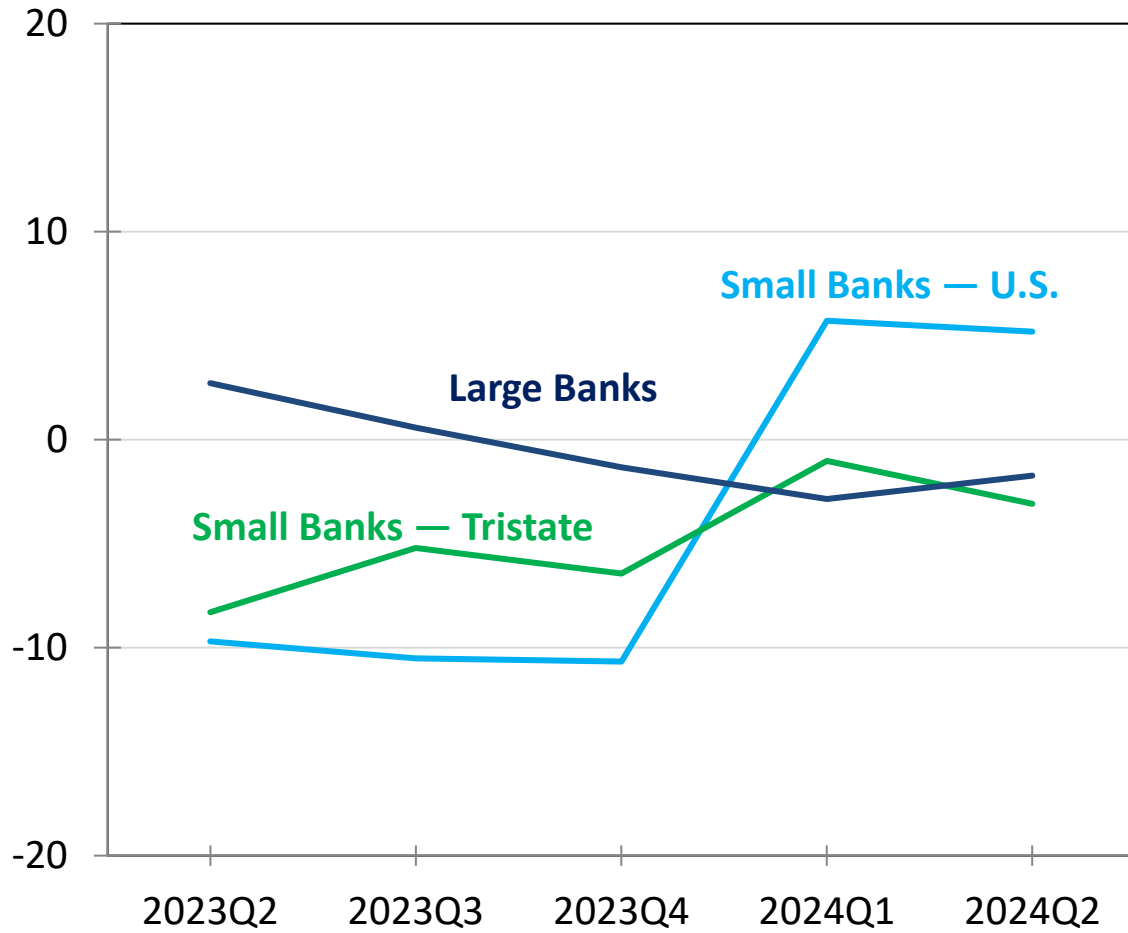


CHART 10

Nonperforming Loan Ratios Continued to Rise

Percent

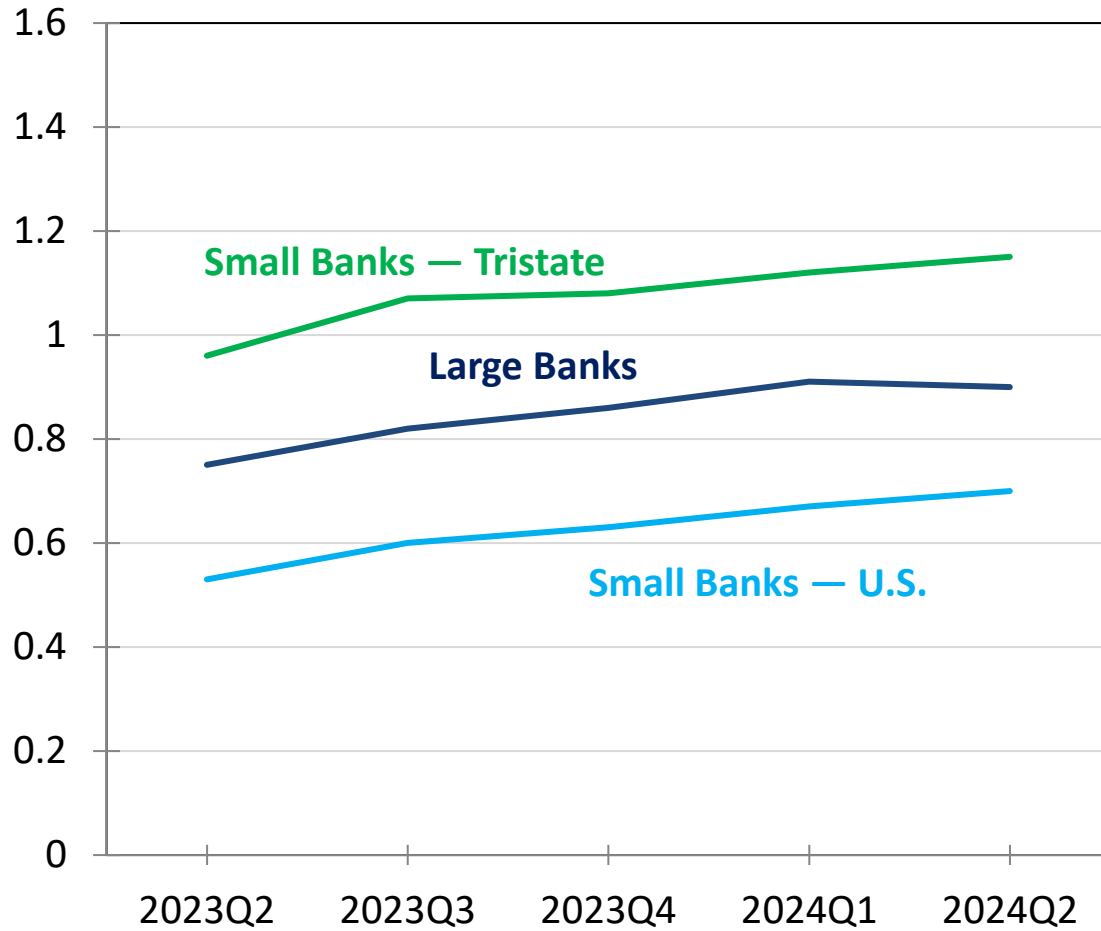
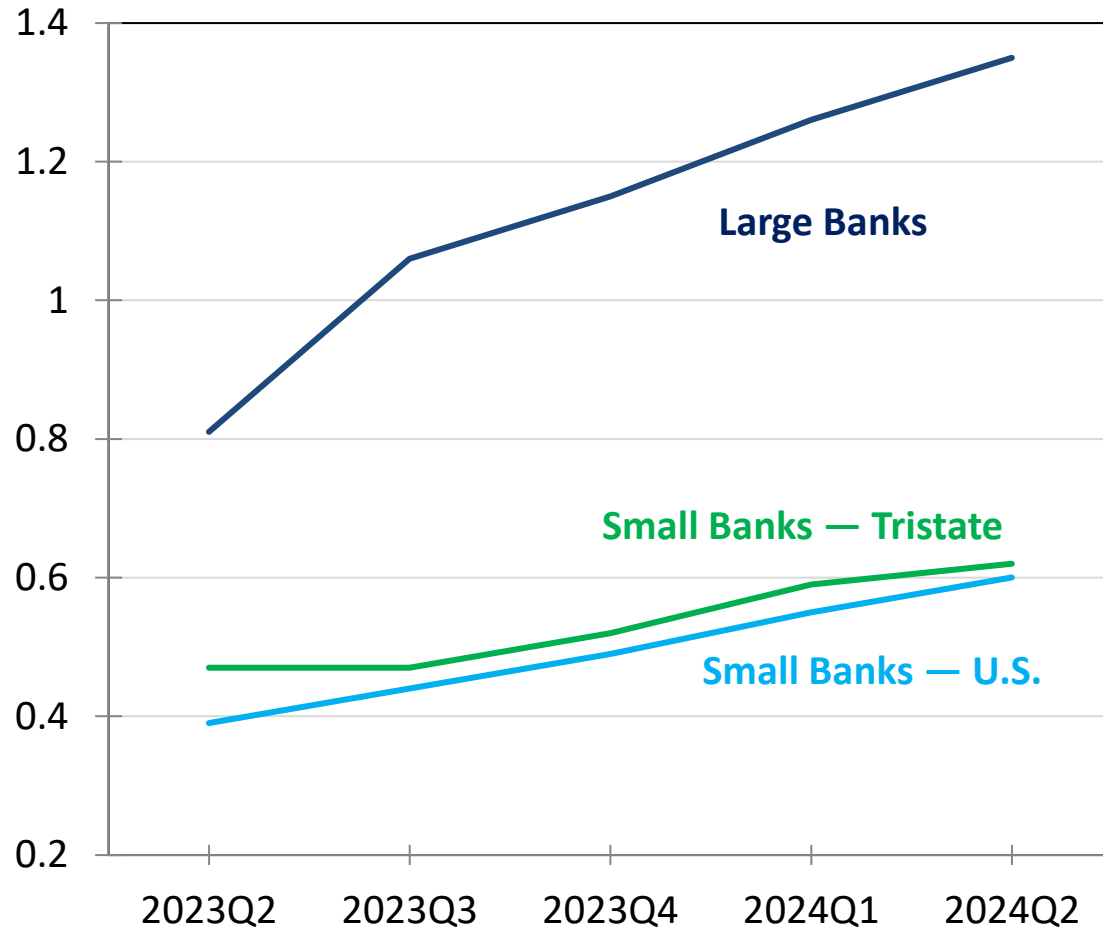


CHART 11

Rise in Nonperforming Loans Is Being Driven by Commercial Real Estate Percent



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