

DATA DISPATCH

Loan, deposit growth slows YOY for US community banks in Q1

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By Nicole-Anne Lagrimas and Xylex Mangulabnan
Market Intelligence

Loan and deposit growth slowed year over year for U.S. community banks in the first quarter, a period in which seasonality typically affects loan demand and which this year was marked with uncertainties posed by rising interest rates and soaring inflation.

Community banks, defined as those with less than \$10 billion in total assets, posted year-over-year loan growth of 2.6% and deposit growth of 8.8%, according to an S&P Global Market Intelligence analysis. Only about a third of banks in the group grew loans at a faster rate, and even fewer, 16.7%, managed to beat their 2021 first-quarter deposit growth rate.

Community banks fare worse across several metrics

The 2022 first quarter was slower for most community banks in three other metrics: return on average assets, net interest margin and efficiency ratio. Across these indicators, more than 60% of the covered banks failed to improve results. The net charge-off rate was flat at 0.01% for the group year over year.

Banc of California Inc. was one of the banks that did manage to increase its loan portfolio. It reported \$7.45 billion in total gross loans as of March 31, from \$5.76 billion in the same quarter in 2021, according to its earnings release.

The company's loan pipeline is also more than twice as big as it was in the same period in 2021, boosting the company's confidence of robust earnings for the rest of the year, although expectations are tempered by factors like increasing rates, President and CEO Jared Wolff said.

Meanwhile, Boston-based Brookline Bancorp Inc. grew its deposits by \$227.6 million from the year-ago period, according to its earnings release. Total loans and leases, on the other hand, were \$7.22 billion, down \$44.4 million from the same quarter last year.

Median trends at community banks, Q1'22

(YOY)

- Worsened
- No change

① Percent

② Percent of banks improved

		ROAA		NIM*		Efficiency ratio		NCOs/ average loans*		YOY deposit growth		YOY loan growth	
		①	②	①	②	①	②	①	②	①	②	①	②
Q1'22 total assets category	<\$3B	0.96	39.5	3.18	34.8	65.40	34.7	0.01	40.9	8.8	13.2	1.6	27.1
	\$3B-\$10B	1.15	23.5	3.12	30.7	58.03	32.4	0.02	44.6	9.0	20.8	3.8	35.7
	All <\$10B	1.06	32.1	3.15	32.9	60.88	33.6	0.01	42.7	8.8	16.7	2.6	31.2

Data compiled May 2, 2022.

ROAA = return on average assets; NIM = net interest margin; NCO = net charge-off

Analysis limited to U.S. banks trading on the Nasdaq, NYSE or NYSEAM that reported earnings up to April 29, 2022, and disclosed total assets less than \$10 billion as of March 31, 2022. The middle-tier parent and ultimate parent must also have total assets less than \$10 billion as of the most recent quarter available. For each of the six financial metrics, banks are excluded from the median and percentage change calculations when data is not available for both the most recent quarter and the year-ago quarter.

Data is for the quarter ended March 31, 2022, and is based on GAAP filings.

* The year-over-year comparison represents the change in values rounded to two decimal places.

Percentage of banks improved reflects the number of banks that showed year-over-year improvement in the metric as a percentage of total banks that reported the metric for the quarter.

Source: S&P Global Market Intelligence

Biggest community banks

Among the 20 largest community banks, eight reported a net interest margin higher than the group median of 3.15%. Live Oak Bancshares Inc., based in Wilmington, N.C., posted NIM of 3.96%, followed by Englewood Cliffs, N.J.-based ConnectOne Bancorp Inc. at 3.65%, according to the data.

In terms of efficiency, Merchants Bancorp emerged at the top among its peers of large community banks. The Carmel, Ind.-based institution had an efficiency ratio of 30.93% in the first quarter, significantly better than the median efficiency ratio of 60.88%.

"Our strong results will continue to be driven by the exceptional team we have assembled across the country as we expand our relationship-based product offerings to a larger geographic footprint, while maintaining our hallmarks of efficiency and credit quality," President and COO Michael Dunlap said in the company's earnings release. The company made \$50.1 million in net income in the first quarter, down 19% from the prior-year period.

Largest US public community banks, Q1'22

Ranked by total assets

Company (ticker)	Quarter ended March 31, 2022				
	Total assets (\$B)	ROAA (%)	NIM (%)	Efficiency ratio (%)	NCOs/ average loans (%)
Merchants Bancorp (MBIN)	9.65	1.92	2.59	30.93	0.08
First Commonwealth Financial Corp. (FCF)	9.64	1.16	3.14	59.25	0.07
Banc of California Inc. (BANC)	9.58	2.07	3.47	56.06	-1.76
Park National Corp. (PRK)	9.58	1.58	3.55	61.24	-0.02
Capitol Federal Financial Inc. (CFFN)*	9.53	0.75	1.69	53.24	0.00
S&T Bancorp Inc. (STBA)	9.43	1.23	3.12	56.82	-0.12
Columbia Financial Inc. (CLBK)	9.24	0.88	2.94	54.72	-0.01
Brookline Bancorp Inc. (BRKL)	8.63	1.16	3.44	56.15	0.11
Live Oak Bancshares Inc. (LOB)	8.62	1.65	3.96	58.32	0.14
ConnectOne Bancorp Inc. (CNOB)	8.33	1.52	3.65	37.74	0.01
Flushing Financial Corp. (FFIC)	8.17	0.91	3.36	60.84	0.06
Origin Bancorp Inc. (OBNK)	8.11	1.03	2.78	60.62	0.14
1st Source Corp. (SRCE)	8.01	1.37	3.14	54.70	-0.02
Tompkins Financial Corp. (TMP)	7.89	1.18	3.00	60.54	0.00
Amerant Bancorp Inc. (AMTB)	7.81	0.77	3.14	79.30	0.28
Stock Yards Bancorp Inc. (SYBT)	7.77	0.46	3.06	52.95	-0.05
Amalgamated Financial Corp. (AMAL)	7.65	0.77	2.70	61.08	0.07
Premier Financial Corp. (PFC)	7.59	1.40	3.44	52.71	-0.01
HomeStreet Inc. (HMST)	7.51	1.08	3.22	77.35	0.00
Heritage Financial Corp. (HFWA)	7.48	1.06	2.79	64.27	-0.05

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* The first calendar quarter of 2022 represents the company's second fiscal quarter of 2022.

Source: S&P Global Market Intelligence

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