DATA DISPATCH
US community banks' Q3 loan growth slows

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Market Intelligence

Lower demand reduced median loan growth for banks with less than $10 billion in total assets during the third quarter.

US community bank median loan growth by region, type

Q3 2023 vs. Q2 2023 change

Aggregate ($B) / QOQ change (%)

	Gross loans & leases		Commercial & industrial		Commercial real estate & multifamily		Consumer		Total one- to four-family	
	Aggregate ($B)	QOQ change (%)	Aggregate ($B)	QOQ change (%)	Aggregate ($B)	QOQ change (%)	Aggregate ($B)	QOQ change (%)	Aggregate ($B)	QOQ change (%)
West	307.36	1.1	41.93	-0.5	139.68	0.7	24.29	0.6	62.04	1.3
Midwest	825.37	2.1	142.90	-0.2	269.23	0.8	44.14	1.3	185.13	2.2
South Central	320.03	1.3	51.88	0.4	114.05	0.9	12.91	1.4	68.35	1.9
Northeast	524.89	1.5	54.97	-0.2	216.36	1.2	25.26	0.4	179.29	1.6
Southeast	374.45	2.2	41.72	0.0	140.89	1.0	17.81	1.6	114.89	2.7
National	2,352.12	1.9	333.40	-0.1	880.21	0.9	124.41	1.3	609.70	2.1

Data compiled Nov. 13, 2023.
Consumer loans exclude home equity loans.
Analysis includes US commercial banks, savings banks, and savings and loan associations below $10 billion in total assets at the end of the third quarter of 2023 and the second quarter of 2023.
Nondepository trusts, companies with a foreign banking organization charter and companies with a loans-to-assets ratio below 25% as of Sept. 30, 2023, are excluded.
Data based on regulatory filings as of Sept. 30, 2023.
Banks are assigned regions based on headquarters.
Loan categories are not representative of the entire loan portfolios.
Source: S&P Global Market Intelligence.

US community banks grew loans and leases at 1.9% sequentially, down from 2.5% in the second quarter, according to S&P Global Market Intelligence data. Total gross loans and leases for banks in the asset bucket was $2.352 trillion as of Sept. 30.

Commercial & industrial (C&I) loans declined 0.1% sequentially in the third quarter, compared to growth of 1.2% in the second quarter. Consumer lending growth remained positive but was lower than in the previous quarter at 1.3% compared with 1.8%.

The 0.9% sequential rise in the commercial real estate (CRE) and multifamily loans was 0.3 percentage point below the second quarter, while the sequential growth rate in the one- to four-family loans segment declined by 0.4 percentage point to 2.1%.

– Download a template to compare a bank's financials to industry aggregate totals.
– Read the latest news and developments in the community banking sector.

Southeast leads with highest loan growth

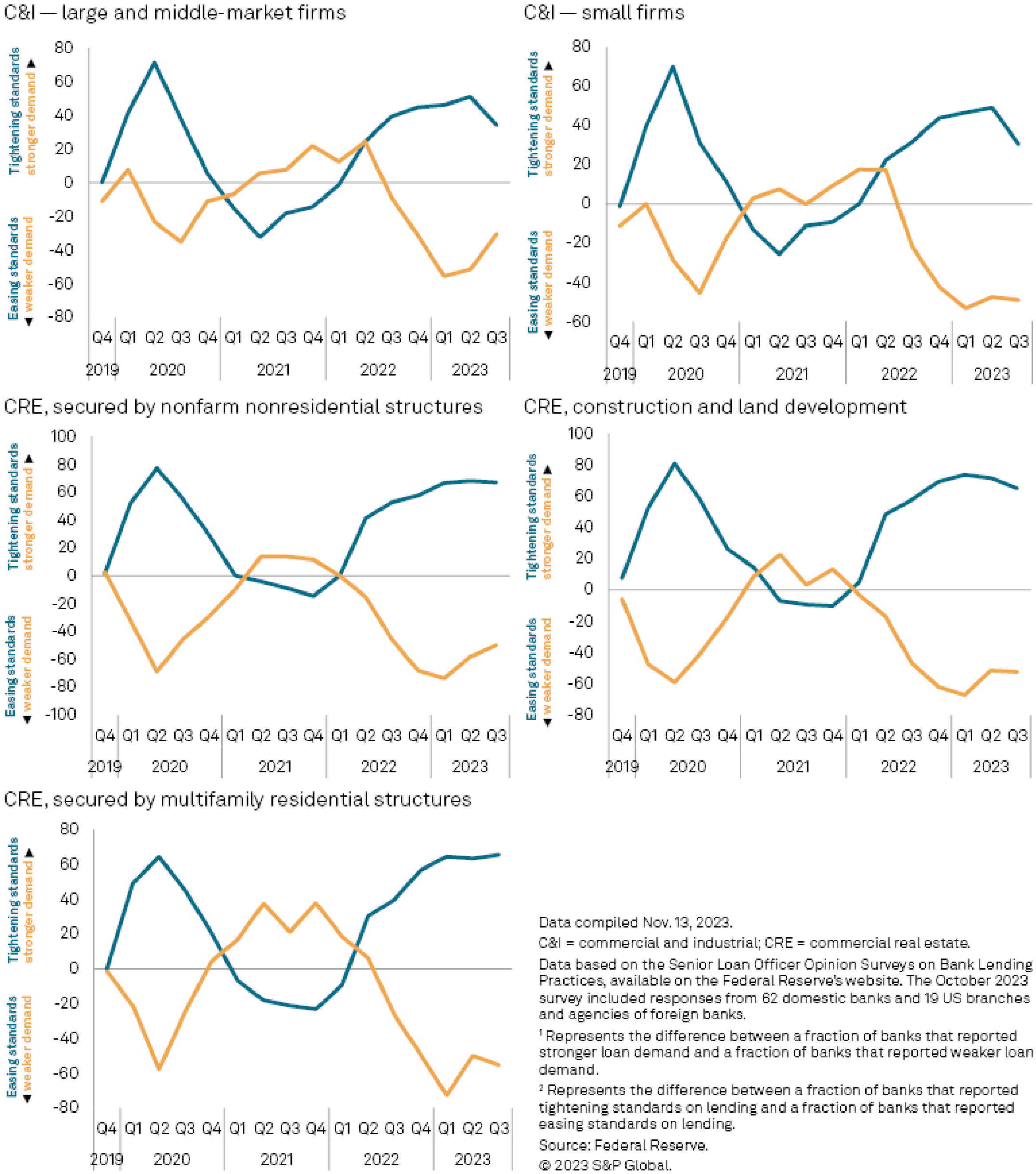
At 2.2%, the Southeast region recorded the highest sequential loan growth during the third quarter, driven primarily by a 2.7% sequential increase in total one-to-four-family loans — the highest growth in this category across the different regions. At 1.6%, the Southeast also posted the highest quarter-over-quarter growth in consumer lending.

The Midwest region posted the second-highest quarterly loan growth, at 2.1%, even though C&I loans declined by 0.2% in the region.

The highest growth in the CRE and multifamily segment was in the Northeast region, at 1.2%.

Senior Loan Officer Opinion Survey on Bank Lending Practices (%)

Net percentage of domestic banks reporting tightening standards[1]
Net percentage of domestic banks reporting stronger demand[2]



Data compiled Nov. 13, 2023.
C&I = commercial and industrial; CRE = commercial real estate.
Data based on the Senior Loan Officer Opinion Surveys on Bank Lending Practices, available on the Federal Reserve's website. The October 2023 survey included responses from 62 domestic banks and 19 US branches and agencies of foreign banks.
[1] Represents the difference between a fraction of banks that reported stronger loan demand and a fraction of banks that reported weaker loan demand.
[2] Represents the difference between a fraction of banks that reported tightening standards on lending and a fraction of banks that reported easing standards on lending.
Source: Federal Reserve.

Fewer banks report tighter lending standards

The proportion of banks reporting tighter lending standards and weak demand for loans in the third quarter declined sequentially, according to the results of the Federal Reserve's October 2023 Senior Loan Officer Opinion Survey on Bank Lending Practices released Nov. 6.

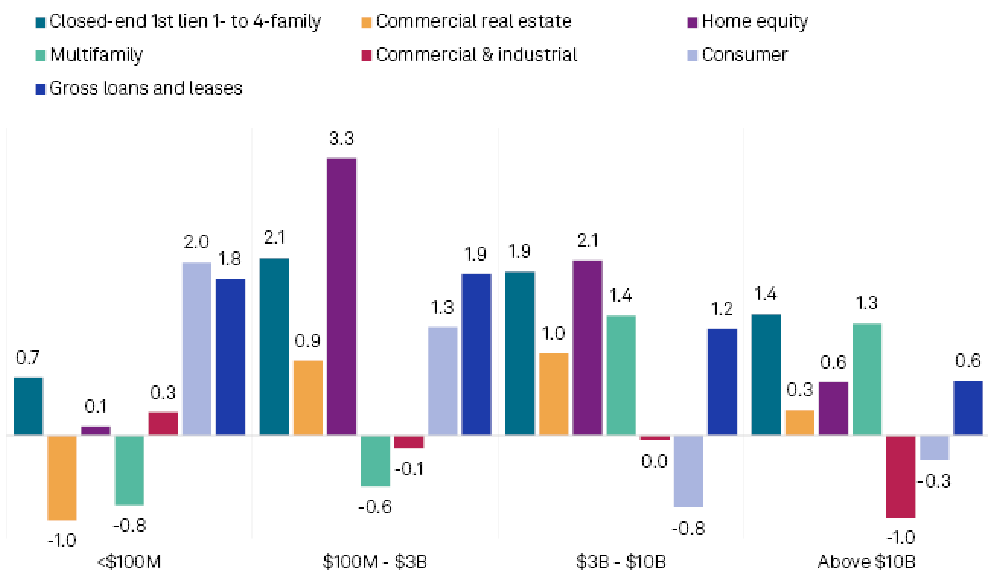
The net percentage of US banks reporting tightened standards for C&I loans to large and medium firms declined to 33.9% from 50.8% in the previous survey. A net 30.4% of banks reported tightened lending standards for C&I loans to small firms, down from 49.2% in the July survey. Banks also reported an improvement in demand for credit, with a net 30.5% of banks reporting weaker demand for C&I loans among large and midsize firms, down from 51.6% in the second quarter.

In the CRE segment, a net 67.2% of domestic banks reported a decline in CRE lending appetite to nonfarm nonresidential structures, compared to 68.3% in the previous survey. Tightened lending standards for CRE loans in the construction and land development segment were reported by a net 64.9%, down from 71.7%

in the July survey. The share of banks reporting tightened CRE lending standards in the multifamily residential structure category increased to 65.5% in the third quarter — the highest proportion since 2020.

Median loan growth by bank asset size, type (%)

Q3 2023 vs. Q2 2023 change



Data compiled Nov. 13, 2023.
Consumer loans exclude home equity loans.
Home equity loans include revolving open-end one- to four-family loans (home equity lines) and closed-end junior lien one- to four-family loans.
Analysis includes US commercial banks, savings banks, and savings and loan associations.
Nondepository trusts and banks with a foreign banking organization charter are excluded.
Data based on regulatory filings as of Sept. 30, 2023.
Loan categories are not representative of the entire loan portfolios.
Source: S&P Global Market Intelligence.

Smaller community banks continue to lead in loan growth

Community banks with $100 million to $3 billion in total assets logged the highest quarterly growth in gross loans at 1.9% in the third quarter, followed by banks with below $100 million in total assets, which registered slightly lower sequential growth of 1.8%.

Sequential growth in consumer loans was highest in banks with less than $100 million in total assets, at 2%, which remained unchanged from the previous quarter. The banks in the below $100 million asset category also logged the highest sequential growth in C&I loans, at 0.3%.

CRE loans sequentially declined by 1% for banks below $100 million in total assets, while banks with total assets between $3 billion and $10 billion posted the highest sequential growth in CRE loans, at 1%.

At 3.3%, home equity loans grew the most on a quarterly basis for banks with $100 million to $3 billion in total assets.

Large community banks log QOQ, YOY loan growth

Fourteen of the 20 largest community banks logged sequential growth in gross loans in the third quarter, while 17 logged year-over-year increases in loan balances.

Santa Ana, Calif.-based Banc of California NA was the only bank to post a sequential and yearly decline in gross loan balance, which totaled $6.96 billion at the quarter-end.

Englewood Cliffs, NJ-based ConnectOne Bank, a subsidiary of ConnectOne Bancorp Inc., posted the highest loan growth for the fifth consecutive quarter. Gross loans for the bank amounted to $8.19 billion, up from $8.16 billion in the second quarter.

Loan growth at largest community banks

Company (top-level ticker)	City, state	Gross loans and leases		
		Q3 2023 ($B)	QOQ change (%)	YOY change (%)
ConnectOne Bank (CNOB)	Englewood Cliffs, NJ	8.19	▲	▲
S&T Bank (STBA)	Indiana, PA	7.52	▲	▲
NBH Bank (NBHC)	Greenwood Village, CO	7.50	▲	▲
HomeStreet Bank (HMST)	Seattle, WA	7.48	▲	▲
Amerant Bank NA (AMTB)	Coral Gables, FL	7.14	▼	▲
Amarillo National Bank	Amarillo, TX	7.01	▼	▲
Banc of California NA (BANC)	Santa Ana, CA	6.96	▼	▼
Flushing Bank (FFIC)	Uniondale, NY	6.91	▲	▼
Luther Burbank Savings (LBC)	Santa Rosa, CA	6.86	▼	▲
Premier Bank (PFC)	Youngstown, OH	6.82	▼	▲
Tri Counties Bank (TCBK)	Chico, CA	6.71	▲	▲
Byline Bank (BY)	Chicago, IL	6.62	▲	▲
Centier Bank	Merrillville, IN	6.62	▲	▲
Univest Bank and Trust Co. (UVSP)	Souderton, PA	6.59	▲	▲
Woodforest National Bank	The Woodlands, TX	6.57	▲	▲
Cross River Bank	Fort Lee, NJ	6.47	▲	▼
1st Source Bank (SRCE)	South Bend, IN	6.36	▲	▲
Midland States Bank (MSBI)	Effingham, IL	6.29	▼	▲
Nicolet National Bank (NIC)	Green Bay, WI	6.25	▲	▲
Sunflower Bank NA (FSUN)	Denver, CO	6.23	▲	▲

Data compiled Nov. 13, 2023.

Analysis includes the 20 largest US commercial banks, savings banks, and savings and loan associations by gross loans and leases as of Sept. 30, 2023, that had below $10 billion in total assets at the end of the third quarter of 2023 and the second quarter of 2023. The middle-tier and ultimate parent must also be below $10 billion in assets for the most recent quarter reported.

Nondepository trusts, companies with a foreign banking organization charter and companies with a loans-to-assets ratio below 25% as of Sept. 30, 2023, are excluded.

Data based on regulatory filings as of Sept. 30, 2023.

Source: S&P Global Market Intelligence.

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