

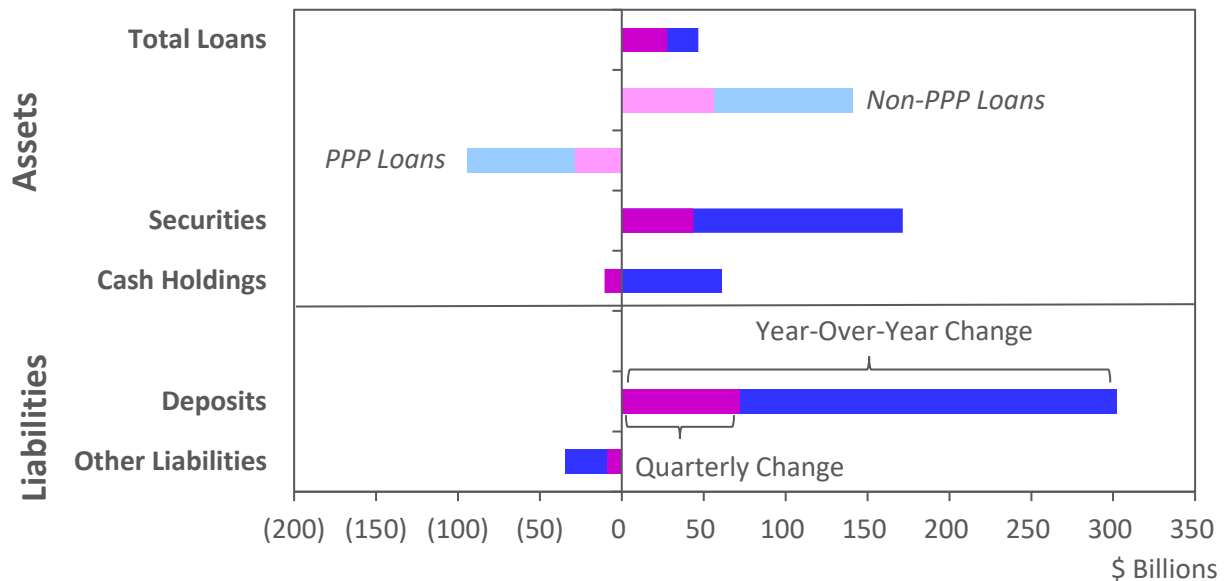
Community Banking BULLETIN: Highlight

Providing insights on community banking

Continued deposit growth fueling growth in liquid assets

Deposits continued to grow at a substantial pace for community banks¹ in 2021, further expanding balance sheets with banks holding the majority of these funds in cash and securities.

Balance Sheet Changes at Community Banks From 4Q 2020 to 4Q 2021



Source: Reports of Condition and Income²

- Deposits continued to grow in 2021 for community banking organizations (CBOs) after unprecedented growth in 2020, up \$302 billion year-over-year (14 percent) including \$72 billion in the most recent quarter (3 percent). These deposit inflows continue to fuel increases in liquid assets, with securities and cash holdings outpacing growth in loan portfolios.
- The loan-to-deposit ratio at CBOs has now fallen to 71 percent, the lowest level in over 25 years. Total loans as a percentage of total assets declined from 66 percent in 2020 to 61 percent in 2021, though total loans increased \$47 billion year-over-year (3 percent). Loans not associated with the Paycheck Protection Program (PPP) increased by \$141 billion year-over-year (9 percent), offsetting the forgiveness-driven \$94 billion decline in PPP loans with only \$32 billion in PPP loans remaining.
- Total securities have grown \$172 billion in 2021, or 38 percent year-over-year, and now account for 22 percent of total assets at CBOs, up from 18 percent in 2020. Cash holdings increased \$61 billion year-over-year (21 percent) in 2021, accounting for a record high 12 percent of total assets, but declined slightly by \$11 billion over the past quarter.

Questions or comments? Please contact KC.SRM.SRA.CommunityBankingBulletin@kc.frb.org

¹ Community banking organizations are defined as having \$10 billion or less in total assets

² Data throughout the Community Banking Bulletin have been adjusted for mergers, acquisitions, and failures