Community Banking Bulletin

Highlight: Assets decline as decrease in cash holdings outpaces loan growth

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Total assets have declined for the second consecutive quarter, driven by a significant decrease in cash holdings which more than offset loan growth.

- Throughout 2020 and 2021, inflows of pandemic-related funds caused total assets at community banking organizations[1] (CBOs) to grow rapidly, peaking at $2.87 trillion in 4Q 2021. Funds were initially lent out under the Paycheck Protection Program (PPP) or remained largely in cash holdings. Banks also began growing their investment securities portfolios in response to tepid loan demand outside of PPP.
- In 2022, the trend has reversed, and total assets have now declined for two consecutive quarters. Cash holdings have declined significantly, particularly in 2Q 2022, decreasing by $80 billion or nearly 25 percent quarter-over-quarter (QoQ) at CBOs. Non-PPP loans grew during the same quarter by $68 billion or 4 percent QoQ. Growth was especially strong in commercial real estate loans (up $35 billion or 4.2 percent QoQ) and 1-to-4 family residential loans (up $18 billion or 5.3 percent QoQ).
- After having increased $206 billion from 2019 to 2021, growth in the securities portfolio has been stagnant in the current environment with just a $3.7 billion increase in 2Q 2022.[2]

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

Endnotes

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

[2] See related recent CBB discussing how the current rising rate environment has resulted in growing unrealized loss positions.