

First District Community Banking Trends

October 2026 (Data as of June 2026)



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This semiannual report documents the year-over-year (YoY) financial performance of First District (FD) Community Banking Organizations (CBOs) compared to National CBOs.²

Key Takeaways

- Total loan growth declined YoY for both the median FD CBO and the median National CBO to 0% and 3%, respectively.
- The nonaccrual ratio, a measure of asset quality, was relatively unchanged YoY for both the median FD CBO and the median National CBO, at 0.5% and 0.3%, respectively.³
- The tier 1 leverage ratio, a measure of capital adequacy, for the median FD CBO was relatively unchanged YoY at 10.6%, while that for the median National CBO increased to 11%.⁴
- The net interest margin (NIM), an earnings measure, for both the median FD CBO and the median National CBO increased YoY to 3.1% and 3.8%, respectively.
- The noncore funding-to-total-assets ratio, a measure of liquidity, was relatively unchanged YoY for both the median FD and the median National CBO, at 17% and 12%, respectively.

¹ The views expressed in this report are those of the staff authors and do not necessarily reflect the views of the Federal Reserve Bank of Boston or the Federal Reserve System. For questions or comments, please contact Kimberly Baker, Kimberly.Baker@bos.frb.org.

² The FD is composed of the six New England states: Connecticut (excluding Fairfield County), Maine, Massachusetts, New Hampshire, Rhode Island, and Vermont. We define FD CBOs as banks with less than \$10 billion in total assets located in the First Federal Reserve District. Unless otherwise noted, the year-over-year comparisons are as of June 30, 2026, and the data are at a quarterly frequency. The National CBO portfolio is composed of all CBOs in the United States, including those in the FD.

³ Nonaccrual ratio is a measure of loans on nonaccrual status divided by total loans. Loans in nonaccrual status are defined as loans for which full payment of principal or interest is not expected. They also include loans for which principal or interest has been in default for a period of 90 days or more, unless the loan is both well secured and in the process of collection.

⁴ A bank is deemed well capitalized if its total risk-based capital ratio, tier 1 risk-based capital ratio, common equity tier 1 capital ratio, and tier 1 leverage ratio are greater than or equal to 10.0%, 8.0%, 6.5%, and 5.0%, respectively.

Snapshot of FD CBOs versus National CBOs

Table 1 reports selected financial information for FD and National CBOs. The median FD CBO tends to be larger than the median National CBO, with a higher percentage of loans and noncore funding.⁵ In addition, the median FD CBO has a larger concentration in commercial real estate (CRE) than the median National CBO, although nonaccrual rates are comparable. The median FD CBO has slightly lower capital levels and lower profitability than the median National CBO.⁶

Table 1. Selected Median Financial Metrics for FD and National CBOs

Category	Metric (Median Ratios)	FD (n=157)	National (n=4,079)
Balance Sheet	Total Assets (\$ billions)	1.1	0.4
	Total Loans-to-Assets (%)	77.1	68.4
	NOO CRE Concentration (%) ⁽¹⁾	202.4	128.8
Asset Quality	Nonaccrual-to-Assets (%)	0.5	0.3
	ACL-to-Nonaccrual (x)	1.9	2.4
Capital Adequacy	Tier 1 Leverage (%) ⁽²⁾	10.6	11.0
	Tier 1 Risk-Based (%) ⁽³⁾	14.4	14.8
Profitability	Return on Average Assets (%)	0.7	1.2
	Net Interest Margin (%)	3.1	3.8
Liquidity	Deposits-to-Assets (%)	81.7	86.0
	Noncore Funding-to-Assets (%)	17.0	11.9

Source: FFIEC Call Reports.

Notes: The metrics shown are median values. (1) The denominator is capital, not average total assets; (2) the denominator is average total assets, which is not risk sensitive; (3) the denominator is risk-weighted assets, which assigns risk weights to asset categories. The data are as of June 30, 2026. FD = First District; NOO = Non-Owner Occupied; ACL=Allowance for Credit Losses; CRE = Commercial Real Estate.

⁵ Noncore funding includes brokered deposits, foreign deposits, borrowings, and large time deposits. As of June 30, 2026, the FD CBO population includes 157 institutions, comprising roughly 4% of the 4,079 institutions in the National CBO portfolio.

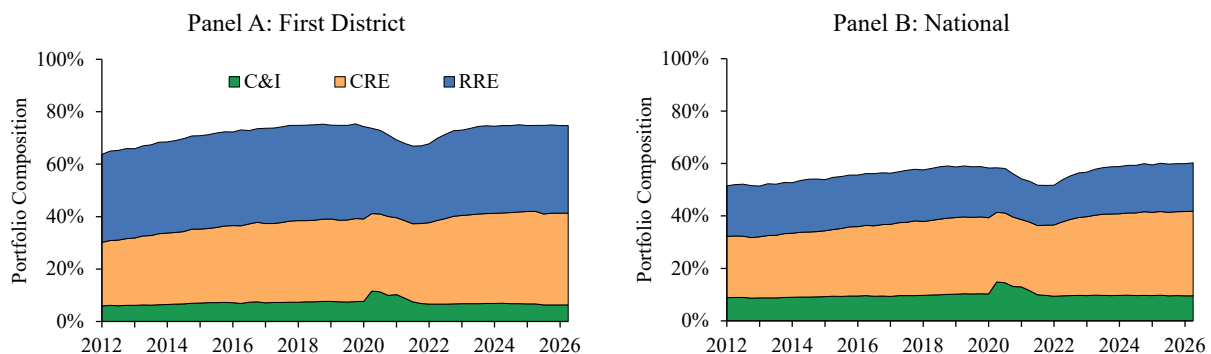
⁶ The mutual ownership structure is much more prevalent in the FD compared to the nation, as 79% of FD CBOs are mutually owned versus 9% of National CBOs. Mutual community banks were established to encourage household savings and provide residential loans to their members, and the lack of public shareholders reduces pressure to maximize profits. Earnings for mutual community banks tend to be lower than those of stock-owned institutions, primarily due to the larger residential loan portfolios, which are lower-yielding. For more on New England mutual banks, see Haley, Chris, and Oppel, Brett. 2023. “New England Mutual Banks—The Pandemic and Beyond.” <https://www.communitybankingconnections.org/articles/2023/first-release-2023/new-england-mutual-banks--the-pandemic-and-beyond>.

Review of Financial Trends

FD CBOs' loan portfolios were relatively unchanged

- CRE, commercial and industrial (C&I), and residential real estate (RRE) loan balances for FD CBOs held relatively steady YoY at 74% of assets, while loan balances for National CBOs were somewhat unchanged at 60% of assets (Figure 1, Panels A and B).
- FD CBOs have a substantially *larger* fraction of RRE loans (33% versus 18%) and a *lower* fraction of C&I loans (6% versus 10%) than National CBOs. Also, FD CBOs have a modestly *larger* fraction of CRE loans (35% versus 32%) than National CBOs.

Figure 1. Loan Portfolio Composition: C&I, CRE, and RRE



Source: FFIEC Call Reports; authors' calculations.

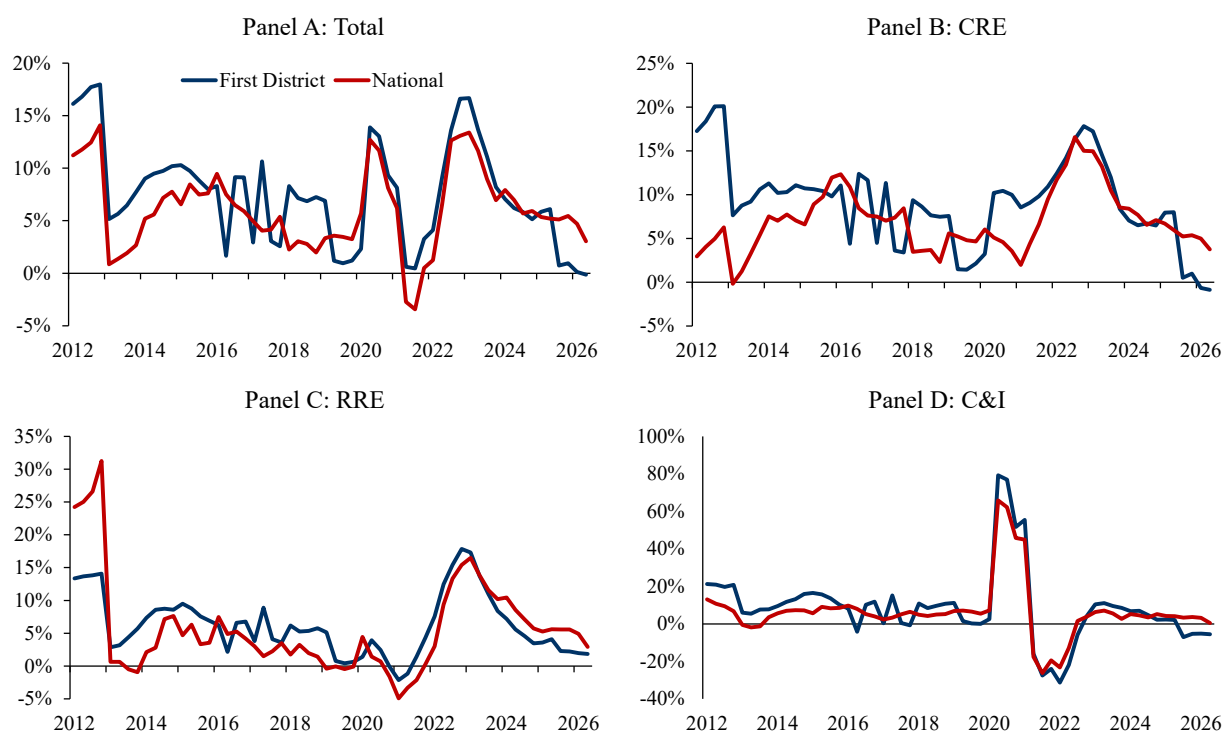
Notes: The metrics shown are percentages of total assets. C&I = Commercial and Industrial; CRE = Commercial Real Estate; RRE = Residential Real Estate. The data are as of June 30, 2026, and at a quarterly frequency.

Loan growth declined for FD CBOs

- Total loan growth declined by six percentage points YoY, reaching approximately 0% for FD CBOs, while National CBOs' loan growth decelerated by two percentage points to 3% (Figure 2, Panel A); these trends were persistent across different loan categories (Figure 2, Panels B, C, and D).⁷

⁷ The recent divergence in loan growth between FD CBOs and National CBOs is driven primarily by the merger of two large FD CBOs in 2025, which removed them from the CBO portfolio.

Figure 2. Loan Growth: Total and by Selected Categories



Source: FFIEC Call Reports; authors' calculations.

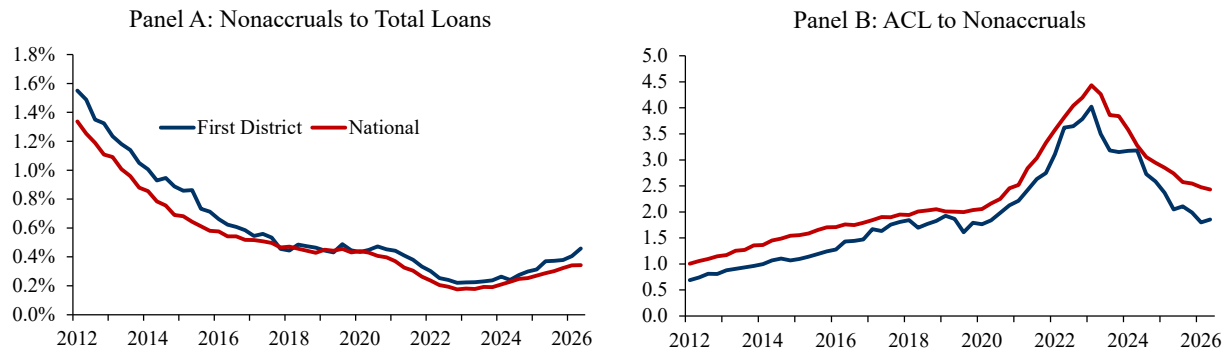
Notes: The metrics shown are YoY percent changes in portfolio loan balances, which are affected by paydowns, charge-offs, and purchases. The panels have different scales. CRE = Commercial Real Estate; RRE = Residential Real Estate; C&I = Commercial and Industrial. The data are as of June 30, 2026, and at a quarterly frequency.

Asset quality: Nonaccrual ratio increased modestly for FD CBOs

- For the median FD CBO, the ratio of nonaccruals-to-total loans increased YoY by 0.1 percentage points to 0.5%, and the analogous ratio for the median National CBO remained relatively unchanged at 0.3% (Figure 3, Panel A).⁸
- Meanwhile, the allowance for credit losses (ACL) coverage of nonaccruals for the median FD CBO decreased YoY by 0.1 times to 1.9 times (Figure 3, Panel B). The median National CBO's coverage ratio fell by 0.3 times to 2.4 times (Figure 3, Panel B).

⁸ Nonaccrual ratios for both FD and National CBOs were driven primarily by non-owner-occupied, nonfarm, nonresidential loans.

Figure 3. Asset Quality Ratios: Nonaccruals-to-Total Loans and ACL-to-Nonaccruals



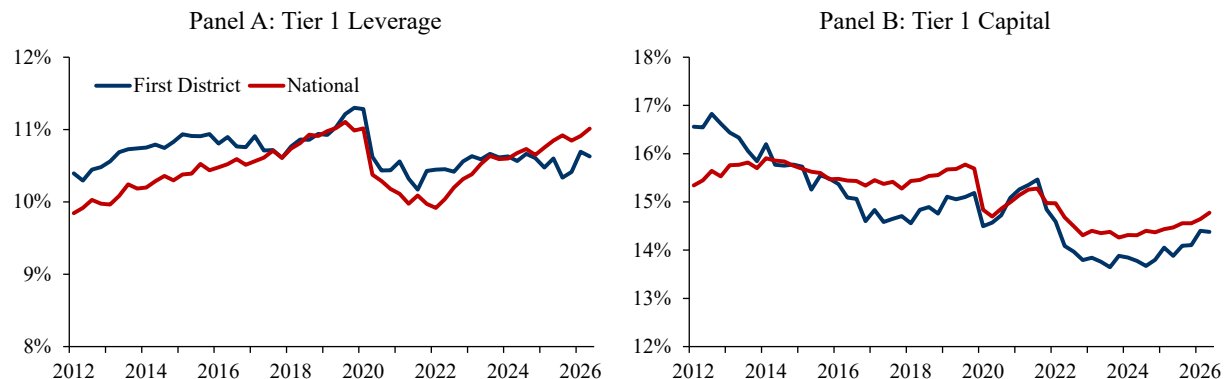
Source: FFIEC Call Reports; authors' calculations.

Notes: The metrics shown are median values and the panels have different scales. ACL = Allowance for Credit Losses. The data are as of June 30, 2026, and at a quarterly frequency.

Capital: Risk-based capital levels increased modestly for FD CBOs

- The tier 1 leverage ratio for the median FD CBO was relatively unchanged YoY at 10.6%, while the tier 1 leverage ratio for the median National CBO rose by 0.2 percentage points to 11.0% (Figure 4, Panel A).⁹
- In addition, the tier 1 risk-based capital (RBC) ratio for the median FD CBO increased YoY by 0.5 percentage points to 14.4%. The median National CBO's ratio also increased by 0.3 percentage points to 14.8% (Figure 4, Panel B).¹⁰

Figure 4. Capital Ratios: Tier 1 Leverage and Risk-Based



Source: FFIEC Call Reports; authors' calculations.

Notes: The metrics shown are median values and the panels have different scales. The data are as of June 30, 2026, and at a quarterly frequency.

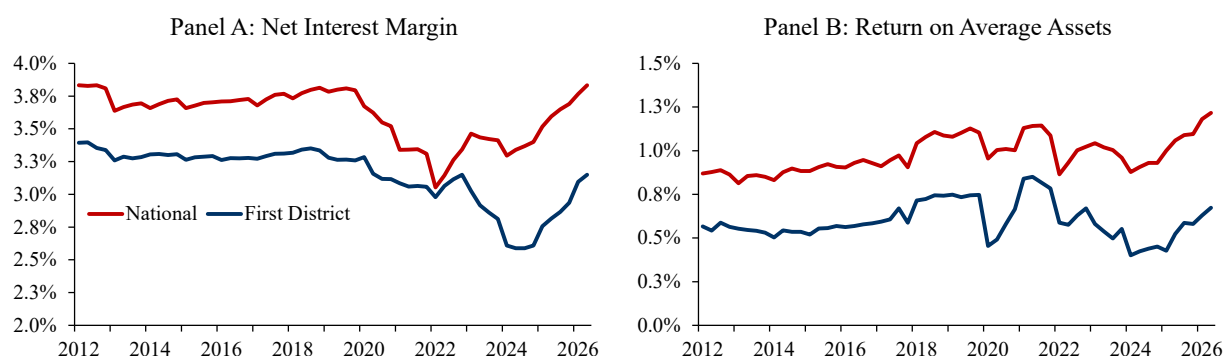
⁹ The recent divergence between the FD and National CBOs is primarily due to slightly higher capital growth nationally compared to the FD, reflecting greater earnings retention.

¹⁰ CBOs with less than \$10 billion in assets may opt into the Community Bank Leverage Ratio, which sets an 8% T1 leverage ratio and exempts them from risk-based capital requirements. For more information on the CBLR, see <https://www.federalreserve.gov/newsevents/pressreleases/bcreg20260423a.htm>.

Earnings: NIM and ROAA continued to improve for FD CBOs

- The NIM for the median FD CBO increased YoY by 0.3 percentage points to 3.1%, while the NIM for the median National CBO rose by 0.2 percentage points to 3.8% (Figure 5, Panel A).
- The return on average assets (ROAA) ratio also rose for the median FD CBO and the median National CBO. Specifically, the median FD CBO's ROAA increased by 0.2 percentage points to 0.7%, while the ROAA for the median National CBO rose by 0.1 percentage points to 1.2% (Figure 5, Panel B).¹¹

Figure 5. Earnings Ratios: Net Interest Margin and Return on Average Assets



Source: FFIEC Call Reports; authors' calculations.

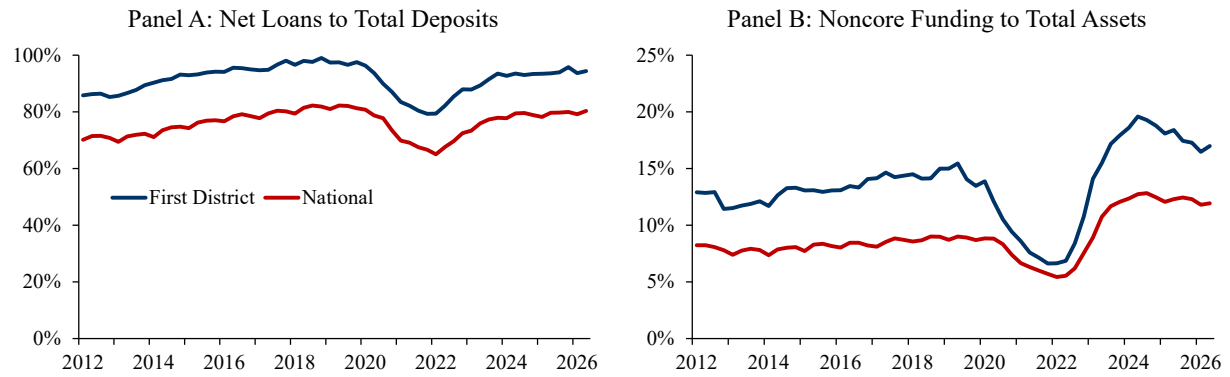
Notes: The metrics shown are median values and the panels have different scales. The data are as of June 30, 2026, and at a quarterly frequency.

Liquidity: FD CBOs' reliance on noncore funding declined

- The net loans-to-total deposits ratio for both the median FD CBO and the median National CBO was relatively unchanged YoY at 94% and 80%, respectively (Figure 6, Panel A).
- The median FD CBO's noncore-funding-to-assets ratio declined YoY by one percentage point to 17%, while the ratio for the median National CBO remained relatively unchanged at 12% (Figure 6, Panel B).

¹¹ Overall, earnings are lower in the FD compared to the National CBOs, as FD CBOs have a higher percentage of lower-yielding residential loans relative to National CBOs.

Figure 6. Liquidity Ratios: Loans-to-Deposits and Noncore Funding-to-Total Assets



Source: FFIEC Call Reports; authors' calculations.

Notes: The metrics shown are median values and the panels have different scales. The data are as of June 30, 2026, and at a quarterly frequency.