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Florida banks grow loans faster than the national rate in Q2

By: Nina Lincoff
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Florida continued to be a sunny environment for those seeking a loan, as the state's banks grew loans in the second quarter at a faster rate than banks across the nation.

Total loans held by Florida's 168 banks in the second quarter rose to $121.1 billion from $118 billion in the first quarter, or a 2.9 percent increase.

That's a faster rise than the 2.2 percent increase reported by banks across the nation, which collectively grew loans by $185 billion in the second quarter.

The number of banks however, shrunk in the Sunshine State, falling to 168 institutions from 175 in the first quarter. But while the number of banks shrunk, profits didn't.

Florida's 168 banks reported a profit of $347 million, up from $236 million in first quarter.

The most profitable Florida banks in the second quarter were:

- St. Petersburg-based Raymond James Bank (NYSE: RJF) with a net income of $51 million.
- Miami Lakes-based Bank United (NYSE: BKU), with a net income of $47 million.
- Jacksonville-based Ever Bank (NYSE: EVER), with a net income of $43.4 million.
- Weston-based Florida Community Bank (NYSE: FCB), with a net income of $19.9 million.
- Coral Gables-based Capital Bank (Nasdaq: CBF), with a net income of $14.3 million.

The Florida banks with the deepest second quarter losses were:

- Miami-based Brickell Bank, formerly Espirito Santo Bank, with a net loss of $2.9 million
- Tampa-based Bay Cities Bank, with a net loss of $1 million.
- Lake Mary-based Independent Banker's Bank of Florida, with a net loss of $806,000.
- Fort Walton Beach-based Beach Community Bank, with a net loss of $740,000.

- Miami-based Banco do Brasil Americas, with a net loss of $717,000.

According to the Federal Deposit Insurance Corp., banks earned a collective profit of $43 billion in the second quarter, the highest quarterly income on record.

"Bankers generally reported another quarter of higher earnings, improved asset quality, and increased lending," FDIC Chairman Martin J. Gruenberg said. "There were fewer problem banks, and only one bank failed during the second quarter.

Despite the lending and profit gains, Florida banks struggled with tight interest margins. Their combined net interest margin – the spread between interest earned on loans and paid out on deposits – declined to 3.40 percent in the second quarter, from 3.58 percent a year ago.

Across the country, the average interest margin rose to 3.06 percent in the second quarter from 3.02 percent in the first, but still remained below the 3.15 percent reported in the second quarter of 2014.

“Revenue growth has been modest and net interest margins continued to decline – even as banks extended asset maturities to mitigate the impact of low rates,” Gruenberg said.

Loan quality declined slightly in Florida, with banks’ collective noncurrent loan ratio rising to 3.44 percent in the second quarter from 3.42 percent in the first, although that is still less than the 4.15 percent reported for the second quarter of last year.

The amount of reposed property at Florida banks fell to $1.1 billion in the second quarter, from $1.2 billion in the first quarter. Deposits, on the other hand, increased to $131.6 billion in the second quarter from $130.6 billion in the first quarter.

The number of banks on the FDIC's Problem List continued a nearly seven-year fall, from 253 to 228 during the second quarter.

Low interest rates have been hurting banks, and it is expected that Federal Reserve will raise U.S. interest rates before the end of the year, according to media reports.

“Revenue growth has lagged behind asset growth, as exceptionally low interest rates put downward pressure on net interest margins,” Gruenberg said.

While a hike in interest rates will likely help banks boost revenue in the medium- and long-term, some are saying that there will be an inflection point immediately following a rate hike where banks will lose money due to floors set for loans before the increase.

"One interesting comment has been that most asset-based loans have a floor in them," said investment banker James Cassel, chairman and co-founder of Miami-based Cassel Salpeter & Co.

With a low interest rate, the cost of banks' money is very low, but there will be a short period of time where, following a rate hike, banks' money will cost more than money coming in, Cassel said.

That will normalize, of course, but it is something to consider in the lead up to a rate hike.