

A User's Guide for the Uniform Bank Performance Report

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Introduction

The Uniform Bank Performance Report (UBPR) is an analytical tool created for bank supervisory, examination, and bank management purposes. In a concise format, it shows the impact of management decisions and economic conditions on a banks performance and balance-sheet composition. The performance and composition data contained in the report can be used as an aid in evaluating the adequacy of earnings, liquidity, capital, asset and liability management, and growth management. Bankers and examiners alike can use this report to further their understanding of a banks financial condition and through such understanding perform their duties more effectively.

The UBPR is now available online at no charge at WWW.FFIEC.GOV. A UBPR for any bank in the country may be viewed online, printed or downloaded. The site includes 5 years of history including all intermediate quarters.

A UBPR is produced for each commercial bank in the United States that is supervised by the Board of Govern-

ors of the Federal Reserve System, Federal Deposit Insurance Corporation, or the Office of the Comptroller of the Currency. UBPRs are produced for FDIC insured savings banks also. The report is computer-generated from a data base derived from public and nonpublic sources. It contains several years' worth of data, which are updated quarterly. Those data are presented in the form of ratios, percentages, and dollar amounts computed mainly from Reports of Condition and Income submitted by the bank. Each UBPR also contains corresponding average data for the banks peer group and percentile rankings for most ratios. The UBPR therefore permits evaluation of a banks current condition, trends in its financial performance, and comparisons with the performance of its peer group.

In addition to the individual bank report, the following is also available:

- A Peer Group report, which presents all peer averages
- A State Average Report, which presents ratio, averages within States

- A Distribution report is also produced using the peer groupings in the state average and peer group average reports. Selected percentile values are displayed for individual ratios to provide additional insight into the range of bank performance that comprises an average.
- UBPR data tapes, which present all types of UBPR data in bulk format on magnetic tape.

This users guide contains basic guidelines for using the UBPR, including a suggested method of analyzing the report, technical information, and ratio definitions. The UBPR, related statistical reports and the User's Guide are available on line at no charge via FFIEC Website, (FFIEC.Gov) Questions relating to details in this guide may be addressed to the Coordinator for Uniform Performance Reports, Federal Financial Institutions Examination Council, Arlington, VA. See the Title Page for the complete address.

Summary of Changes to the 2006 UBPR

This information describes changes that are planned for the March 31, 2006 UBPR.

Delivery of the Users Guide

The Users Guide will continue to be made available to all users through the FFIEC website <http://www.ffiec.gov/ubprguide.htm> as a series of PDF files.

UBPR Available Online

The UBPR will continue to be made available to bankers and the general public at no charge. The UBPR portion of the FFIEC website provides several other analytical tools to support the UBPR including Peer Group Data Report, Peer Distribution Report and a List of Banks by Peer group. Bankers and others may also use the Custom Peer facility to re-compute UBPR peer group statistics based on a custom or user defined group of banks. Please see <http://www.ffiec.gov/UBPR.htm> for details.

UBPR Page Layouts

Replaced all UBPR sample pages. See section III for details.

Changes

Several additions were made to the Uniform Bank Performance Report as of March 31, 2006. To the extent possible these changes were made retroactively. Please refer to the attached copies of pages showing new ratios in bolded type. The changes involve a comparing the allowance for loan and lease losses to loans not held for sale, addition of several new concentrations of credit ratios on a separate page and new detail on other real estate owned.

Page 1.

Added: Loan & Lease Loss Allowance to Loans and Leases Not Held For Sale

Page 4.

Added: Loans Held For Sale and Loans Not Held For Sale to the Bal-

ance Sheet Assets and Liabilities and Capital (\$000) page.

Page 6.

Added: Loans Held For Sale and Loans Not Held For Sale to the Balance Sheet Percentage Composition of Assets and Liabilities page.

Page 7.

Added: Loan & Lease Loss Allowance to Loans and Leases Not Held For Sale to the Analysis Ratios section.

Page 7a.

Added: Foreclosed GNMA to the analysis of Other Real Estate Owned.

Page 7b.

Added: Page 7b Analysis of Concentrations of Credit. That page contains ratios comparing various types of loans to Tier 1 Capital plus the Allowance for Loan and Lease Losses.

Section I: Using the Uniform Bank Performance Report for Financial Analysis

Summary

The Uniform Bank Performance Report is designed to be used by bank examiners and bank management evaluating the financial condition of banks. By analyzing the data contained in the UBPR, the user can obtain an overall picture of the bank's financial health and can discover conditions that might require further analysis and investigation. The UBPR is not designed to replace on-site examination or investigations but to supplement present examination procedures. It also functions as a common point of financial analysis between regulator and banker and can be useful as a part of a bank's own internal bank process. The UBPR presents three types of data for use in the financial analysis of a bank: (1) the bank's data, (2) data for a peer group of banks similar in size and economic environment, and (3) percentile rankings. A thorough understanding of those data groups and their interrelationships and limitations is essential in order to use the UBPR effectively. As a general rule, any analysis should compare the bank to its peer group, consider the bank's trends over time, and also be aware of trends and changes in peer group averages. This users guide does not present detailed in-depth instructions on ratio analysis, nor does it assign particular value to individual ratios or groups of ratios. Rather, it simply summarizes one way of using the UBPR for analysis; other approaches may be equally effective. Its primary purpose is to explain the calculations of individual ratios.

Availability

All Uniform Bank Performance Reports and related information are distributed online through the FFIEC website www.ffiec.gov. First select

Uniform Bank Performance Reports (UBPR) under Quick Links on the FFIEC website. Please review the Schedule for the Online ubpr for information on when the current UBPR will be available.

Uniform Bank Performance Reports —

Select Search for a Uniform Bank Performance Report

To identify a bank enter the FDIC certificate number OR enter the name or one or more of the geographic criteria. For example just entering Los Angeles and California will return a list of all banks in Los Angeles, California.

All Statistical Reports—

Select All Statistical Reports

This section lists all reports available in the online UBPR system. Then choose from the following list of special reports.

Uniform Bank Performance Report—See above.

Bank List Report—This report provides a list of banks by peer group. The list includes core information such as location, assets and net income and it may be resorted by several criteria. An individual bank's UBPR may be accessed directly from the list by clicking on the certificate number.

Peer Group Data Report—This report displays all UBPR ratios averaged by peer group in UBPR format. All peer groups are available.

Peer Group Distribution Report—This report provides a distribution or range of values for all ratios that appear in the UBPR by peer group.

This report can provide valuable insight into the population of banks that are used to calculate peer average data that appears in the UBPR. For example the UBPR calculates a trimmed average ROA for the peer group 9 of 1.18%. Peer group nine is made up of 339 banks with net income to average assets (ROA) that ranges from -2.24% at the first percentile to 5.51% at the 99th percentile. The report displays ratio distribution data in UBPR page format.

State Average Report—Provides summary UBPR ratio data and selected aggregate information averaged by state. A further breakdown of average statistical data is provided by asset size. The information is provided for all states and territories in UBPR format.

State Distribution Report—This report provides a distribution or range of values for all ratios that appear in the state average report. As with the peer group distribution report this report can provide valuable insight into the population of banks used to calculate state average data.

Custom Peer Group Report—This report allows a selected bank to be compared with the composite performance of a user defined peer group of banks. UBPR peer statistics are recomputed based on a user defined group of banks and displayed along with individual bank data in UBPR page format. Banks may be identified as peers by either entering FDIC certificate numbers or using the built-in search engine.

Analytical Considerations

Effective use of the UBPR entails consideration of the level and trend of individual ratios and the interrelationship among related ratios. No single ratio, percentile ranking, or trend is indicative of a bank's condi-

tion. Each bank has its own unique operating characteristics that affect both its balance-sheet composition and its income stream. A given bank may be above or below the peer group average for a given ratio, however that information must be considered in combination with other related facts including other UBPR data before its importance can be determined.

For example, if a bank's net interest income (TE) to average assets (UBPR page 01) is 3.03 percent compared with the peer group average of 3.96 percent, placing it in the 15th percentile, the bank may appear to be having profit-margin difficulties. However, if the bank's temporary investments (UBPR page 10) are 49 percent of average assets compared with the peer-group average of 17 percent and its volatile liabilities are 43 percent of average assets compared with 19 percent for the peer group, it can be concluded that the bank's assets and liability composition is substantially different from that of its peers. Thus, a lower net interest income (TE) to average

assets ratio may be normal and proper, as would be a lower overhead expense to average assets ratio. Dependence on large time deposits and federal-funds purchased in short-term investments normally produces narrower profit margins and does not require as large a building, staff, or operating budget as engaging more heavily in retail activities.

However, overhead expenses that are not well below the peer group mean for such a bank could be cause for concern, because of the potential effect on earnings. As the above example demonstrates, differences in assets and liability composition must be taken into consideration in order to properly interpret percentile rankings and ratio variations between the bank and its peer group. By employing percentile rankings and peer-group data as general guides or points of reference, rather than as strict bench marks, and by being aware of the interrelationship

between the bank's balance sheet and its income statement, analysis may focus on those areas of a bank's operation that merit concern, thus providing a more complete understanding of the entire bank.

Method of Review

The introductory page of the UBPR describes the bank's current peer group and the name and address of its holding company, if applicable. The primary financial analysis begins on UBPR page 01 with a review of summary ratios.

The Summary Ratios page (Page 01) presents the bank's average assets and net income in dollars; performance ratios, asset and liability management data, capital ratios, and growth rates. It also shows percentile rankings and peer-group averages. This page provides direction for analysis of the other sections of the report. After the summary ratios section has been analyzed, the bank's earnings section can be evaluated using a "Decision Tree" analysis approach. Note that the UBPR is organized so that ratios on page one are supported by details on subsequent pages. This approach is an attempt to explore how ratios are interrelated and how one ratio can affect other ratios, thus allowing the analyst to trace the source of a particular performance characteristic to its root cause.

For example, the interplay of rates earned on assets or paid on liabilities and the volume or mix of such assets and liabilities is segregated in the decision tree analysis.

Each component of a ratio and of each succeeding ratio can be determined by referring to Section III, where the method of calculating each ratio is explained. Exhibit I-1 charts the systematic process a user might follow in analyzing a bank's net income to average assets ratio.

Rather than trace each earning component separately, the analyst may review the earnings page in sequence

to analyze the trend and interrelationships of these components while tracing their causes. Concurrently, the analyst may identify conditions that may be cause for concern and find corroborative evidence of conditions noted during the review of the summary ratios. This method allows for an orderly progression of thought and helps the analyst develop a perception of the bank as a whole.

This method of page-by-page review may be extended to the other sections of the UBPR. After completing the review of the last page of the report, the user should have a relatively comprehensive overview of the bank's financial condition and, possibly, a list of causes for concern that warrant further inquiry.

Using Peer Group, State Average and Distribution Reports

The UBPR Peer Group Report and State Average Report present ratio averages for peer groups and States, respectively. These reports are used to analyze conditions and trends in these banking industry groups. The grouped averages do not constitute supervisory targets or ideal values. Rather, they are intended to provide some insight into the performance of similarly sized and situated banks across the country. While individual peer averages may be thought of as representing the composite performance of a group of banks, those values may or may not be an appropriate goal for a given bank. Only a full analysis of all financial data including historical trend analysis and comparison to peer group averages can provide that answer. Additionally, the peer distribution reports, which show several percentiles values for UBPR ratios are designed to show the range of values that compose a given average. As such, they provide additional support to the argument that the averages represent a middle point and that most banks will fall on either side of that average. See Section II for technical considerations regarding averages.

