

**DAY 5 - FRIDAY**

# Uniform Bank Performance Report

- All banks report financial results quarterly – the CALL report
- Analysis of your bank compared to peer banks –based on size/structure
- Excellent tool for analysis
- FFIEC.Gov website

# UBPR Detective

Two Banks

Same Markets

Different Outcomes

# UBPR CASE STUDY

Two Community Banks  
Same Banking Markets  
Two Different Outcomes

*Assumes CALL Report data was accurate*

# BANK A - SUMMARY

	12/31/2008			12/31/2007		
	BANK	PG 4	PCT	BANK	PG 5	PCT
<b>Earnings and Profitability</b>						
Percent of Average Assets:						
Interest Income (TE)	6.63	5.74	95	8.02	6.82	93
- Interest Expense	2.96	2.31	85	3.47	3.07	74
Net Interest Income (TE)	3.66	3.42	67	4.55	3.77	86
+ Noninterest Income	0.49	0.86	27	0.65	0.82	39
- Noninterest Expense	2.09	2.92	16	2.58	2.85	37
- Provision: Loan & Lease Losses	2.51	0.94	89	0.21	0.21	62
- Provision: Credit Loss Oth Assets	N/A	N/A	N/A	N/A	N/A	N/A
Pretax Operating Income (TE)	-0.44	0.48	23	2.40	1.56	88
+ Realized Gains/Losses Sec	0.00	-0.04	50	0.00	0.00	66
+ Unrealized Gains / Losses Equity Sec	N/A	0.00	N/A	N/A	0.00	N/A
Pretax Net Operating Income (TE)	-0.44	0.31	26	2.40	1.55	88
Net Operating Income	-0.29	0.18	25	1.57	1.10	81
Adjusted Net Operating Income	1.98	0.51	95	1.73	1.19	84
Net Inc Attrib to Min Ints	N/A	0.00	N/A	N/A	0.00	N/A
Net Income Adjusted Sub S	-0.29	0.15	25	1.57	1.01	89
Net Income	-0.29	0.18	25	1.57	1.10	81
<b>Margin Analysis:</b>						
Avg Earning Assets to Avg Assets	95.49	93.47	77	96.28	93.94	83
Avg Int-Bearing Funds to Avg Assets	82.19	82.61	42	77.70	80.05	33
Int Inc (TE) to Avg Earn Assets	6.94	6.16	94	8.33	7.28	90
Int Expense to Avg Earn Assets	3.10	2.47	84	3.61	3.27	70
Net Int Inc-TE to Avg Earn Assets	3.84	3.67	59	4.72	4.03	83
<b>Loan &amp; Lease Analysis:</b>						
Net Loss to Average Total LN&LS	0.25	0.81	26	0.05	0.18	26
Earnings Coverage of Net Losses (X)	8.68	6.51	72	55.34	31.11	80
LN&LS Allowance to LN&LS Not HFS	3.04	1.60	95	1.20	1.21	53
LN&LS Allowance to Net Losses (X)	13.67	4.14	90	25.82	15.59	81
LN&LS Allowance to Total LN&LS	3.04	1.59	95	1.20	1.21	54
Total LN&LS-90+ Days Past Due	0.31	0.13	81	0.33	0.11	83
-Nonaccrual	4.34	2.33	79	0.30	0.81	32
-Total	4.65	2.52	78	0.63	1.04	45
<b>Liquidity</b>						
Net Non Core Fund Dep New \$250M	66.30	36.39	93	50.59	27.89	90
Net Loans & Leases to Assets	91.40	72.57	98	92.23	71.61	99
<b>Capitalization</b>						
Tier One Leverage Capital	9.9572	8.41	86	13.1088	9.06	95
Cash Dividends to Net Income	0.00	36.00	39	0.00	47.84	20
Retained Earnings to Avg Total Equity	-2.59	-2.51	33	11.89	4.97	90
Rest+Nonac+RE Acq to Eqcap+ALLL	35.78	22.33	78	2.64	8.06	29
<b>Growth Rates</b>						
Total Assets	28.75	9.82	89	17.91	8.22	83
Tier One Capital	-2.24	7.54	23	12.90	7.95	77
Net Loans & Leases	27.59	10.38	88	17.57	10.30	78
Short Term Investments	-87.47	74.04	5	102.09	10.12	84
Short Term Non Core Funding	108.88	27.98	90	43.77	17.27	81
<b>Average Total Assets</b>						
Total Equity Capital		956,195			773,716	
Net Income		105,235			107,978	
		-2,803			12,109	
Number of banks in Peer Group			305			298

# BANK B - SUMMARY

	12/31/2008			12/31/2006		
	BANK	PG 5	PCT	BANK	PG 5	PCT
<b>Earnings and Profitability</b>						
Percent of Average Assets:						
Interest Income (TE)	5.57	5.90	23	7.33	6.63	82
- Interest Expense	2.56	2.36	63	3.05	2.70	73
Net Interest Income (TE)	3.01	3.55	20	4.28	3.94	69
+ Noninterest Income	3.59	0.77	97	1.01	0.83	68
- Noninterest Expense	5.29	2.91	95	3.44	2.84	80
- Provision: Loan & Lease Losses	0.91	0.62	75	0.16	0.15	61
- Provision: Credit Loss Oth Assets	N/A	N/A	N/A	N/A	N/A	N/A
Pretax Operating Income (TE)	0.40	0.87	25	1.68	1.82	43
+ Realized Gains/Losses Sec	-0.01	-0.04	23	-0.01	0.00	16
+ Unrealized Gains / Losses Equity Sec	N/A	0.00	N/A	N/A	0.00	N/A
Pretax Net Operating Income (TE)	0.39	0.74	29	1.67	1.81	42
Net Operating Income	0.30	0.53	30	1.15	1.26	44
Adjusted Net Operating Income	1.03	0.78	60	1.31	1.33	51
Net Inc Attrib to Min Ints	N/A	0.00	N/A	N/A	0.00	N/A
Net Income Adjusted Sub S	0.30	0.47	30	1.15	1.17	48
Net Income	0.30	0.53	30	1.15	1.26	44
<b>Margin Analysis:</b>						
Avg Earning Assets to Avg Assets	89.66	93.86	8	94.61	94.04	57
Avg Int-Bearing Funds to Avg Assets	78.27	80.74	31	73.88	79.62	18
Int Inc (TE) to Avg Earn Assets	6.21	6.30	44	7.75	7.06	81
Int Expense to Avg Earn Assets	2.86	2.52	70	3.22	2.87	72
Net Int Inc-TE to Avg Earn Assets	3.36	3.79	25	4.52	4.21	67
<b>Loan &amp; Lease Analysis:</b>						
Net Loss to Average Total LN&LS	0.20	0.53	33	0.00	0.11	17
Earnings Coverage of Net Losses (X)	7.66	9.99	60	705.78	57.97	96
LN&LS Allowance to LN&LS Not HFS	1.59	1.43	70	1.01	1.21	24
LN&LS Allowance to Net Losses (X)	8.52	5.96	76	359.44	26.60	96
LN&LS Allowance to Total LN&LS	1.44	1.42	61	1.00	1.20	24
Total LN&LS-90+ Days Past Due	0.00	0.15	26	0.00	0.08	30
-Nonaccrual	1.34	1.84	51	0.03	0.44	14
-Total	1.34	2.07	46	0.03	0.58	9
<b>Liquidity</b>						
Net Non Core Fund Dep New \$250M	38.28	31.66	67	17.97	26.92	30
Net Loans & Leases to Assets	92.27	71.43	99	78.15	70.71	72
<b>Capitalization</b>						
Tier One Leverage Capital	9,2200	8.75	67	12,2100	9.02	92
Cash Dividends to Net Income	31.46	45.37	41	8.82	39.93	22
Retained Earnings to Avg Total Equity	2.17	0.24	48	10.15	7.37	68
Rest+Nonac+RE Acq to Eqcap+ALLL	12.73	18.71	49	0.21	4.16	10
<b>Growth Rates</b>						
Total Assets	18.84	8.75	82	23.12	10.13	87
Tier One Capital	19.48	5.18	89	47.06	11.64	95
Net Loans & Leases	26.96	9.14	90	20.31	12.34	79
Short Term Investments	-97.44	35.08	1	80.13	59.71	71
Short Term Non Core Funding	3.43	21.85	36	132.39	36.94	93
<b>Average Total Assets</b>		553,900			344,684	
Total Equity Capital		55,102			44,015	
Net Income		1,653			3,978	
Number of banks in Peer Group			305			285

# GOING INTO THE GREAT RECESSION

Funds rate 12/07 = 4.25% Funds rate 12/08 = Zero-0.25%

- What is similar about these two banks:
  - Profitable pre-crisis
  - Stronger Net Interest Margins than peer – higher risk portfolios?
  - Fast Growth
  - Well Capitalized
- What is different about these two banks:
  - Liquidity – Brokered CDs, Loan leverage, core deposits
  - Loan Quality – Lower quality, higher charge-offs
  - Overhead – one higher, yet somewhat offset with higher non-interest income
- Now for the rest of the story.....

# BANK A – POST G.R.

	6/30/2011			12/31/2010			12/31/2009		
	BANK	PG 4	PCT	BANK	PG 4	PCT	BANK	PG 4	PCT
<b>Earnings and Profitability</b>									
Percent of Average Assets:									
Interest Income (TE)	4.52	4.37	59	5.12	4.52	88	5.81	4.87	96
- Interest Expense	2.11	0.84	99	2.25	1.08	98	2.51	1.57	93
Net Interest Income (TE)	2.41	3.50	7	2.87	3.42	20	3.30	3.26	50
+ Noninterest Income	-0.18	0.91	2	0.17	0.95	9	0.31	0.93	17
- Noninterest Expense	3.27	2.98	67	2.18	2.95	15	2.19	3.12	14
- Provision: Loan & Lease Losses	5.25	0.55	98	4.30	0.97	97	4.76	1.50	93
- Provision: Credit Loss Oth Assets	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pretax Operating Income (TE)	-6.30	0.95	1	-3.44	0.50	5	-3.34	-0.34	15
+ Realized Gains/Losses Sec	0.00	0.03	37	0.00	0.06	33	0.00	0.03	42
+ Unrealized Gains / Losses Equity Sec	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A
Pretax Net Operating Income (TE)	-6.30	1.00	1	-3.44	0.56	5	-3.33	-0.37	16
Net Operating Income	-6.25	0.70	0	-4.13	0.33	3	-2.18	-0.38	18
Adjusted Net Operating Income	-9.96	0.66	0	-1.40	0.46	11	-0.89	0.00	23
Net Inc Attrib to Min Ints	0.00	0.00	96	0.00	0.00	95	0.00	0.00	95
Net Income Adjusted Sub S	-6.25	0.66	0	-4.13	0.29	3	-2.19	-0.40	18
Net Income	-6.25	0.70	0	-4.13	0.33	3	-2.19	-0.37	18
<b>Margin Analysis:</b>									
Avg Earning Assets to Avg Assets	97.93	92.96	96	96.01	92.90	88	96.10	93.37	84
Avg Int-Bearing Funds to Avg Assets	91.08	81.61	95	87.83	82.25	86	84.83	82.90	57
Int Inc (TE) to Avg Earn Assets	4.61	4.70	43	5.33	4.88	78	6.05	5.23	93
Int Expense to Avg Earn Assets	2.16	0.91	98	2.34	1.16	98	2.61	1.69	91
Net Int Inc-TE to Avg Earn Assets	2.46	3.78	6	2.99	3.69	15	3.43	3.50	43
<b>Loan &amp; Lease Analysis:</b>									
Net Loss to Average Total LN&LS	10.31	0.92	98	1.94	1.27	74	3.74	1.54	87
Earnings Coverage of Net Losses (X)	-0.12	5.86	5	0.55	4.00	19	0.41	3.15	25
LN&LS Allowance to LN&LS Not HFS	7.10	2.15	99	8.32	2.20	99	4.44	2.08	95
LN&LS Allowance to Net Losses (X)	0.64	4.11	4	4.11	2.73	78	1.17	2.31	31
LN&LS Allowance to Total LN&LS	7.10	2.13	99	8.31	2.16	99	4.44	2.07	95
Total LN&LS-90+ Days Past Due	1.02	0.12	93	0.56	0.09	90	0.43	0.12	87
-Nonaccrual	16.85	3.01	98	13.12	3.30	95	7.08	3.52	84
-Total	17.87	3.49	97	13.68	3.70	94	7.51	3.74	85
<b>Liquidity</b>									
Net Non Core Fund Dep New \$250M	39.25	9.72	97	42.50	10.87	97	57.38	27.70	94
Net Loans & Leases to Assets	79.18	62.64	95	79.54	63.76	92	77.23	67.51	80
<b>Capitalization</b>									
Tier One Leverage Capital	1.6058	9.28	0	4.2053	8.86	2	8.3734	8.31	49
Cash Dividends to Net Income	0.00	19.22	55	0.00	22.07	52	0.00	25.08	52
Retained Earnings to Avg Total Equity	-182.70	4.06	0	-58.52	0.18	3	-22.69	-8.06	19
Rest+Nonac+RE Acq to Eqcap+ALLL	377.75	30.27	99	199.59	34.11	97	107.60	36.06	90
<b>Growth Rates</b>									
Total Assets	-19.35	3.87	2	-14.03	3.07	6	17.63	5.39	85
Tier One Capital	-80.35	8.60	0	-50.81	7.18	2	-5.47	5.13	23
Net Loans & Leases	-14.26	-0.45	13	-11.47	-1.93	20	-0.61	-0.69	56
Short Term Investments	-58.34	16.98	11	-35.18	59.42	22	24013.20	322.43	99
Short Term Non Core Funding	-58.73	-40.20	27	-31.14	-10.57	20	-31.11	-5.36	19
<b>Average Total Assets</b>		1,047,549			1,220,766			1,133,878	
Total Equity Capital		16,459			48,858			99,413	
Net Income		-32,752			-50,410			-24,794	
Number of banks in Peer Group			330			322			331





# BANK B – POST G.R.

## Public Report

	12/31/2014			12/31/2012			12/31/2010		
	BANK	PG 4	PCT	BANK	PG 4	PCT	BANK	PG 5	PCT
<b>Earnings and Profitability</b>									
Percent of Average Assets:									
Interest Income (TE)	4.32	3.76	88	4.58	4.05	85	5.07	4.78	70
- Interest Expense	0.33	0.35	48	0.53	0.54	50	1.07	1.22	37
Net Interest Income (TE)	3.99	3.40	90	4.05	3.48	84	4.00	3.56	78
+ Noninterest Income	6.74	0.90	98	8.80	1.06	97	6.91	0.72	99
- Noninterest Expense	8.88	2.92	97	10.23	3.05	98	8.47	2.94	99
- Provision: Loan & Lease Losses	0.00	0.09	23	0.48	0.31	73	1.12	0.80	74
- Provision: Credit Loss Oth Assets	N/A	0.00	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Pretax Operating Income (TE)	1.84	1.38	81	2.15	1.24	90	1.32	0.59	67
+ Realized Gains/Losses Sec	0.00	0.02	30	0.00	0.06	25	0.00	0.06	35
+ Unrealized Gains / Losses Equity Sec	N/A	0.00	N/A	N/A	0.00	N/A	N/A	0.00	N/A
Pretax Net Operating Income (TE)	1.84	1.41	79	2.15	1.30	90	1.32	0.65	66
Net Operating Income	1.19	0.99	72	1.42	0.94	83	0.87	0.44	62
Adjusted Net Operating Income	1.18	0.99	70	1.51	0.90	84	0.83	0.56	53
Net Inc Attrib to Min Ints	0.02	0.00	98	0.10	0.00	98	0.03	0.00	93
Net Income Adjusted Sub S	1.17	0.92	76	1.32	0.87	84	0.83	0.38	63
Net Income	1.17	0.99	69	1.32	0.94	77	0.83	0.44	60
<b>Margin Analysis:</b>									
Avg Earning Assets to Avg Assets	93.45	93.57	49	94.82	92.89	71	92.96	93.08	45
Avg Int-Bearing Funds to Avg Assets	64.33	77.79	10	73.33	79.74	19	77.01	81.05	25
Int Inc (TE) to Avg Earn Assets	4.62	4.03	87	4.83	4.37	80	5.45	5.15	70
Int Expense to Avg Earn Assets	0.35	0.38	48	0.56	0.58	48	1.15	1.31	37
Net Int Inc-TE to Avg Earn Assets	4.27	3.64	89	4.27	3.75	82	4.30	3.84	77
<b>Loan &amp; Lease Analysis:</b>									
Net Loss to Average Total LN&LS	0.01	0.14	22	0.42	0.58	51	1.30	1.02	69
Earnings Coverage of Net Losses (X)	163.79	26.29	94	6.92	9.59	57	2.12	5.56	43
LN&LS Allowance to LN&LS Not HFS	1.16	1.38	32	1.68	1.86	47	1.62	1.97	41
LN&LS Allowance to Net Losses (X)	79.90	17.02	93	2.83	6.31	35	1.02	3.72	15
LN&LS Allowance to Total LN&LS	0.97	1.37	18	1.01	1.82	10	1.23	1.94	16
Total LN&LS-90+ Days Past Due	0.02	0.04	60	0.01	0.08	50	0.15	0.11	70
-Nonaccrual	0.29	0.83	19	0.31	1.70	6	1.08	3.06	28
-Total	0.31	0.94	17	0.33	2.05	5	1.23	3.24	29
<b>Liquidity</b>									
Net Non Core Fund Dep New \$250M	10.32	8.58	54	30.75	5.75	96	15.97	9.11	71
Net Loans & Leases to Assets	85.46	65.65	98	88.04	61.59	99	87.80	65.77	98
<b>Capitalization</b>									
Tier One Leverage Capital	11.4509	9.81	84	8.8127	9.51	36	8.8900	9.02	48
Cash Dividends to Net Income	31.91	36.60	45	22.92	34.36	43	44.64	26.27	69
Retained Earnings to Avg Total Equity	7.03	5.20	68	11.06	4.20	89	5.05	0.69	64
Rest+Nonac+RE Acq to Eqcap+ALLL	3.48	10.86	17	3.08	20.46	6	11.15	35.71	24
<b>Growth Rates</b>									
Total Assets	4.97	8.52	43	33.59	6.58	95	19.78	1.78	94
Tier One Capital	8.93	8.95	62	25.30	7.13	92	31.50	3.63	95
Net Loans & Leases	13.44	12.05	61	32.13	6.38	93	19.42	-2.00	95
Short Term Investments	-56.26	16.24	9	78.28	31.17	75	19.19	58.11	49
Short Term Non Core Funding	16.64	21.11	53	85.89	1.46	92	7.84	-11.93	80
<b>Average Total Assets</b>		995,814			1,015,142			774,642	
Total Equity Capital		117,445			102,116			77,830	
Net Income		11,628			13,404			6,442	
Number of banks in Peer Group			322			324			322



# COMING OUT OF THE GREAT RECESSION

Funds rate 12/08 – 12/13 = Zero-0.25%

- Financial drivers for these banks:
  - Net Income
  - Asset quality and Provision for Loan Losses
  - Net Interest Margins
  - Growth
  - Income impact to capital
  - Liquidity

# Goals – Class Overview

- Understand bank balance sheets and how they relate to profitability, liquidity, capital
- Understand bank income statements and how to drive profitability and capital growth
- Understand basic financial ratios/metrics
- Be ready for ALCO Class in year 2
- Make class “virtually” fun!



HAPPY TRAILS – SEE YOU NEXT YEAR

