Section II: Technical Information

Banks Covered

The Uniform Bank Performance Report covers all insured commercial banks and FDIC-Supervised Savings Banks, which may be categorized according to their charter types and primary regulatory agencies:

- National banks, which are regulated by the Office of the Comptroller of the Currency
- State-chartered banks which are members of the Federal Reserve System, regulated by the Federal Reserve Board
- State-chartered banks that are not members of the Federal Reserve System, and are regulated by the Federal Deposit Insurance Corporation
- FDIC-Supervised savings banks which are regulated by the FDIC.

Sources of UBPR Data

The source of all bank financial data in the UBPR is the Report of Condition and Report of Income, (Call Reports), and filed quarterly by each insured bank. These Call Reports differ somewhat between banks in amount of detail, depending on the characteristics of the banks. The following "report type" designations refer to the FFIEC form numbers on different Call Reports:

From March 31, 2001 forward:

- 031 Reporters: all banks with domestic and foreign offices
- 041 Reporters: all banks with domestic offices

From December 31, 2000 back:

- 031 Reporters: all banks with domestic and foreign offices
- 032 Reporters: all banks with domestic offices only with assets of $300 million or more
- 033 Reporters: all banks with domestic offices only and with assets of $100 million or more but less than $300 million
- 034 Reporters: all banks with domestic offices only and with assets of less than $100 million

The UBPR also uses various items of bank "structure" data from agency files, to categorize banks or to gather additional information. Such items of information include:

- bank name and address
- number of offices
- established date
- whether located in a Metropolitan Statistical Area
- holding company identification
- occurrences of bank mergers

Format and Content

Each Uniform Bank Performance Report presents pages of bank financial data organized into: (1) summary ratios, (2) income information and (3) balance sheet information. These different formats are illustrated in Appendix A of this user guide. Also, the source items and calculations used for some UBPR items may vary depending on Call Report type, bank class, or other factors. The items and calculations are discussed in Section III.

Peer Groups

Banks are grouped into a peer group to permit average ratios to be calculated. Peer-group data are included in the UBPR to show the average performance of a group of banks with similar characteristics. This information can be used as a benchmark against which an individual bank's asset and liability structure and earnings may be measured.

There are five types of UBPR peer groups that appear in UBPR and related reports. The first type of peer group is used in the UBPR. A commercial bank is assigned to one of 25 peer groups based on the following factors: asset size (90 day average assets), the number of branches, and whether a bank is in a metropolitan or non-metropolitan location. Thus, all banks of similar size, type, and location are placed within the same peer group. The second group is FDIC Insured Savings Banks which are grouped separately into 4 asset based peer groups. The third group is Credit Card Specialty Banks and those are grouped into three asset based peer groups. Credit Card banks are defined as those that exceed 50% for the following two criteria:

1. Credit Cards and Related Plans plus Securitized and Sold Credit Card and Related Plans divided by Total Loans plus Securitized and Sold Credit Card and Related Plans.
2. Total Loans plus Securitized and Sold Credit Card and Related Plans divided by Total Assets plus Securitized and Sold Credit Card and Related Plans.

The fourth and fifth peer-group types, which appear only in the UBPR State Averages Report, are based upon an average for all commercial banks within the state or averages for specific asset-size groups within each state.

For each time period appearing in the UBPR, a bank is classified in the peer group that most closely represents its own characteristics. Because a bank's peer group may change from period to period, a two or three-digit number at the top of each column of peer-group data identifies the peer group from which the data are derived. The peer-group description corresponding to the two-digit number may be found on the introductory page of the UBPR for the current period. All peer group criteria are summarized in a table at the end of this section.

Computing Peer-Group Averages

Peer group averages shown in the UBPR are a trimmed average of the ratios for individual banks. The peer group average for a given ratio is trimmed or adjusted to eliminate the effect of outliers or banks above the 95th and below the 5th percentile. The resulting average in most cases is very close to the median or mid-point value for a given group of banks. Thus the peer group average could be thought of as presenting the performance of the-bank-in-the-middle for a specific ratio. It should be noted that the group of banks averaged for one ratio will differ from that used in other ratios. This occurs because the top and bottom 5% of banks designated as outliers will change from ratio to ratio. Consequently peer group averages were not designed to be added or otherwise combined. The resulting peer group ratios are very stable over time and are not influenced by outlier banks.

As an example the trimmed average Return on Assets (ROA) for peer group 3 was 1.26%. The 180 banks in peer 3 have an ROA that ranges from –1.60% to 6.35%. After sorting the banks from highest to lowest ROA, eighteen banks were identified as being in the top and bottom 5% and excluded from the group of banks to be averaged.

When an item is reported by only a small group of banks within a peer group, an insufficient number of valid observations can distort peer-group data. To minimize this problem, a floor has been set for the minimum number of ratio values that may be used to calculate the peer-group average. If fewer than five ratio values are available to compute the peer-group figure, a double number sign (##) is displayed rather than the value.

State Averages

Ratio averages for groups of banks by state and asset-size groups within each state appear in the State Averages Report. The methodology for calculating State averages is identical to that for calculating peer group averages. For a State average, the group consists of all banks in the State.

Percentile Rankings

Percentile rankings (PCT) are presented to the right of most of the individual and peer group ratios. The percentile ranking is the position or ranking of one bank relative to all others within the peer group for a given ratio. Thus, if a bank is at the 80th percentile for the tier one leverage ratio, it may be said that 20% of the banks in the peer group have a leverage ratio that is higher and 80% have a lower ratio. A high or low percentile ranking is a simple statement of statistical fact; it does not imply a good, bad, satisfactory, or unsatisfactory condition. However, when analyzed within the context of other related data, an opinion can be formed about the potential relevance of a high or low percentile ranking to an individual bank's financial condition and performance.

Please note that unlike the peer group average methodology discussed above, all banks within the peer group are included in the percentile ranking.

Computations and Adjustments

Calculating Asset and Liability Averages

The UBPR calculates three different types of average assets and liabilities for use on selected pages.

The first type of average is a cumulative or year-to-date average of the one quarter averages for assets and liabilities reported in call schedule RC-K. The resulting year-to-date averages are used as the denominator in earnings ratios, yield and rate calculations found on pages 1 and 3 of the UBPR. As an example, the average assets used for page 1 earnings analysis in the September 30th UBPR would reflect an average of the quarterly average assets reported in March, June and September of the current year.

The second type of average is a year-to-date average of end-of-period balances reported on Schedules RC, RC-B, RC-C and RC-E from the beginning of the year forward. To provide an accurate average, the asset or liability balance at the prior year-end is also included. Averages calculated in this manner are used to determine the percentage composition of assets and liabilities on page 6.

For example, the September 30th year-to-date average total loans is composed of the spot balances for total loans from call schedule RC-C for the prior December, and current March, June and September divided by 4.

The final type of average is a moving four-quarter average using quarterly average data from schedule RC-K. These averages are used as the denominator in last-four-quarters income analysis on page 12. A four quarter window compares four quarters of income / expense to selected assets or liabilities averaged for a similar period of time.

Thus, average assets used in the September 30 UBPR analysis of net income on page 12 would include the quarterly average assets from schedule RC-K for the prior December, and current March, June and September. That average creates a window stretching from October 1 of the prior year to September 30 of the current year.

Annualization of Ratios Using Interim-Period Report-of-Income-Data

The dollar amounts displayed for most income and expense items in the UBPR are shown for the year-to-date period. However, to allow comparison of ratios between quarters, income and expense and related data used in ratios on pages 1, 3 and 7 are annualized for interim reporting periods. Thus, the income or expense item is multiplied by the indicated factor listed below before dividing it by the corresponding asset or liability. All income and expense items on page 12 represent the results for one quarter and are annualized by a factor of 4.

Income and expense information for four quarters is not annualized. Since the year-end UBPR represents a full fiscal year, that data does not have to be annualized. The UBPR annualization factors are:

March	4.0
June	2.0
September	1.3334

Missing Data or Extreme Ratio Values

When data is missing from an individual calculation the UBPR will display NA.

When a ratio exceeds 999 or is less than -999 then + ## or - ## will be displayed respectively.

If there are an insufficient number of banks (observations) to permit calculation of a valid average ratio for peer group analysis, NA will appear.

Subchapter S Adjustments

For banks that elect Subchapter S status for income taxes, the UBPR adjusts after tax earnings used in Net Income as % of Average Assets (ROA). This adjustment is performed to improve the comparability of those income between banks that are taxed at the corporation level (non S Corp. banks) and those that have shifted income taxation to the shareholder level (S corp. Banks). Dollar data displayed in the UBPR is **not** adjusted. In essence an estimated tax is substituted for any reported taxes then deducted from income.

After tax earnings is adjusted as follows:

Estimated income taxes: Federal income tax rates are applied to net income before extraordinary items and taxes plus non-deductible interest expense to carry tax exempt securities less tax exempt income from securities issued by states and political subdivisions, less tax exempt income from leases, less tax exempt income from other obligations of states and political subdivisions. (See appendix A-3 for tax table)

Net Income adjusted for Subchapter S: Net Income plus applicable income taxes less estimated income taxes.

Tax Equivalency

Virtually all banks have some income that is exempt from federal or state taxes. The tax benefit derived from this tax-exempt income is a significant element in determining the true return on investment. Banks may differ both in the amount of tax-exempt assets held and in their ability to use tax-exempt income. In order to reduce distortions and allow meaningful comparisons of different banks' income (and of a single bank's income at different times), the tax benefit is added to book operating income so that pretax income figures for all banks are presented on a tax-equivalent basis. The tax benefits from municipal loans, leases, and municipal securities are used in the UBPR to compute the tax-equivalent income. Because interest income from these obligations is normally the largest component of tax exempt income for commercial banks, the adjustments made using this data normally produce a close approximation of the true tax-equivalent position. In essence the UBPR tax equivalent adjustment "grosses up" tax exempt income so that it approximates taxable income.

The tax-equivalency adjustment in the UBPR follows this general procedure:

- Determine the amount of tax-exempt income available for tax benefit: If pretax taxable income exceeds tax-exempt income, then all of the tax-exempt income results in tax benefit. In all other cases, taxable income and tax credits may be used to determine what amount, if any, of the tax-exempt income produces tax benefit.
- Estimate the tax benefit: Income tax rates are used to determine what proportion of the available tax-exempt income is to be used as the estimated tax benefit.
- Apply tax benefit to earnings: The total tax benefit is allocated to securities and loans & leases. These estimated tax benefits are then added to pretax income for UBPR purposes.

The computed tax-equivalent adjustment is also added to applicable income taxes to balance the UBPR's income and expenses presentation.

For purposes of the UBPR income and expense presentation, the tax-equivalency adjustment is divided into two portions: (1) the amount of currently usable tax benefit (current tax-equivalent adjustment) and (2) the amount derived from carrying back losses to prior years (other tax-equivalent adjustments).

By adding the tax benefit on tax-exempt assets to both book operating income and applicable income taxes, the net (after-tax) income reported by the bank remains unaffected. Adding the tax-equivalent adjustments to income makes the pretax income figures for all banks comparable.

A Tax-Equivalency Worksheet is provided in appendix A of this guide to enable the user to replicate the UBPR tax-equivalent adjustment.

Mergers

Merger activity occurs frequently among insured commercial banks. The UBPR does not attempt to make a historical adjustment to restate information prior to the date of a merger.

The UBPR does attempt to minimize the effects of a merger on year-to-date profitability, yield and rate calculations (pages 1 and 3) after a significant merger. A significant merger is one where asset growth exceeds 25%. When a significant merger is encountered all profitability, yield and rate calculations are adjusted to include only average assets and liabilities reported after the merger. Pre-merger asset data is ignored in the year of the merger. However, income and expense data is used as reported without adjustment.

The UBPR adjusts 1 quarter annualized earnings ratios on page 12 when pushdown accounting is indicated. The adjustment applies only to income and expense data. Average asset and liability data is not adjusted because it applies only to one quarter. When pushdown accounting is indicated the UBPR does not subtract prior from current income or expense items to develop data for one quarter. Instead the income or expense item is annualized as reported.

Finally, the UBPR will flag the occurrence of a merger with a footnote on page 1.

Insured Commercial Banks Peer Group Description

(Includes all insured commercial banks with the following characteristics:)

Peer Group Number	Average Assets for Latest Quarter	Number of Banking Offices	Location
1	In excess of $10 billion	-	-
2	Between $3 billion and $10 billion	-	-
3	Between $1 billion and $3 billion	-	-
4	Between $500 million and $1 billion	-	-
5	Between $300 million and $500 million	3 or more	-
6	Between $300 million and $500 million	2 or fewer	-
7	Between $100 million and $300 million	3 or more	Metropolitan area
8	Between $100 million and $300 million	3 or more	Non-metropolitan area
9	Between $100 million and $300 million	2 or fewer	Metropolitan area
10	Between $100 million and $300 million	2 or fewer	Non-metropolitan area
11	Between $50 million and $100 million	3 or more	Metropolitan area
12	Between $50 million and $100 million	3 or more	Non-metropolitan area
13	Between $50 million and $100 million	2 or fewer	Metropolitan area
14	Between $50 million and $100 million	2 or fewer	Non-metropolitan area
15	Between $25 million and $50 million	2 or more	Metropolitan area
16	Between $25 million and $50 million	2 or more	Non-metropolitan area
17	Between $25 million and $50 million	1	Metropolitan area
18	Between $25 million and $50 million	1	Non-metropolitan area
19	Between $10 million and $25 million	2 or more	Metropolitan area
20	Between $10 million and $25 million	2 or more	Non-metropolitan area
21	Between $10 million and $25 million	1	Metropolitan area
22	Between $10 million and $25 million	1	Non-metropolitan area
23	Less than or equal to $10 million	-	Metropolitan area
24	Less than or equal to $10 million	-	Non-metropolitan area
25	Were established within the last three years, and have assets less than or equal to $50 million		

FDIC Insured Savings Banks Peer Group Descriptions

(Includes FDIC insured savings banks with the following characteristics:)

Peer Group Number	Assets*
101	In excess of $1 billion
102	Between $300 million and $1 billion
103	Between $100 million and $300 million
104	Less than $100 million

*Asset figure used is latest quarterly average assets (from the FFIEC call report Schedule RC-K).

Credit Card Specialty Banks

(Includes insured commercial and savings banks with the following characteristics:)

Peer Group Number	Assets*
201	In excess of $3 billion
202	Between $1 billion and $3 billion
203	Less than $1 billion

*Asset figure used is latest quarterly average assets (from the FFIEC call report Schedule RC-K).