

Bank Financial Analysis Intersession Problem

Objective

Utilizing technology tools, this project will build on the analytical foundation created during the session and enhance your understanding of your bank's condition, performance, and risk profile.

If you are a regulator or consultant, please select a bank to “adopt” for this exercise.

Part I

1. Following the instructions from your pre-course assignment, go to www.ffiec.gov and download your bank's UBPR. If you are an employee of a thrift, you may obtain your reports from your CEO or CFO.
 2. Go to the FDIC's Statistics on Depository Institutions.
<http://www2.fdic.gov/sdi/main.asp>
 3. Click “Create” custom reports.
 4. Type of reports: “Dollars/Percent of Assets”
 5. Number of columns: 4
 6. In the drop down box, select “Single Institution” for each column.
 7. In the first column, input your institution's FDIC certificate number.
 8. In each of the next 3 columns, select an institution for a comparative analysis. Consider using any of the following or any combination:
 - a. Local competitors
 - b. Bank's similar to yours in size, location, or structure
 - c. The banks of your classmates (consider working together).
- NOTE: Make sure all of the report dates at the bottom of each column are the same.
9. After you have selected each institution, click “Next.” At this point, the name of each institution should appear.
 10. You can now begin to generate various reports to complete your analysis. To print, place your pointer in the report section of the screen, right click, and select print.
 11. Prepare an analysis of your institution, addressing the following areas:
 - a. Analyze your bank's asset quality. Recall both the **quantitative** and **qualitative** factors discussed in class which influence and indicate asset quality. This written analysis should follow the “Written Analysis Guidance” below.
 - b. Select the bank from your comparison banks with the best or worst asset quality. List 5 to 8 **bullet points** which support why the chosen bank has better or worse asset quality than your institution.
 - c. Analyze your bank's earnings performance. Recall the various components of earnings we discussed in class. When analyzing the net interest margin, remember the many components in the numerator and denominator. All of these items must be analyzed to determine the impact on the net interest margin. Include analysis and commentary on any other relevant components: non interest income, non interest expense, loan loss

provisions, and securities gains and losses. This written analysis should follow the “Written Analysis Guidance” below.

- d. Select the bank in your group with the best or worst earnings performance. List 5 to 8 **bullet points** which support why the chosen bank has better or worse earnings performance than your institution.

Part II

Unfortunately, this information is not available for thrifts. If you are employed by a thrift, you will need to select one of your comparison banks for this part of the exercise.

1. Based on the information you provide in class, Olson Research will enter you in their database and automatically e-mail the report you need for this part of the project.
2. If you did not receive the report or deleted it, go to the website of Olson Research Associates, <http://blogs.olsonresearch.com/>
3. In the center of the page, under Canary Reports, click on [access your canary reports here](#).
4. Enter your e-mail address. Based on the information you provided during class, Olson has tied the e-mail address you provided to your FDIC certificate number.
5. Be sure to read the description of what the Canary report is and how it was developed.
6. Print the report.
7. See the sample attached. The report identifies 16 measurements in 3 key risk areas. Your bank’s numbers are measured against a “regulatory preference.” Any number outside of the “preference” is noted in red with the title preceded by “>>”. While not automatically an area to be criticized, a bank will likely receive additional scrutiny during a regulatory examination.
8. Identify two areas on the report where your bank is outside of the stated “preference.” (If you do not have any areas, identify two areas where you are close to being outside of the stated “preference.”) Write an analysis which addresses the following:
 - a. Why does this position exist?
 - b. What are the quantitative and subjective factors which mitigate the risk of this position?
 - c. What steps could your bank take to improve this position, while minimizing any impact on financial condition or performance?
 - d. You may need to use the reports generated in Part I or schedules from your bank’s UBPR to support your analysis.

Written Analysis Guidance

Your analysis should focus only on the key points, but must be thorough and complete. Charts and graphs can be an effective communication tool, but must be referenced and explained in the written analysis. Ensure that your analysis has a logical flow and leaves no questions unanswered. Analysis is more than simply restating facts. (Example: The net interest margin increased 50 b.p. *Why?* ...due to a drop in the cost of funds. *Why?* Etc.).

Including “soft” information can greatly enhance your analysis. This information must be relevant. This may include history, management philosophy, strategy, significant changes, and local economic circumstances. Tell your bank’s story!

Get others involved. Interview your senior management and include this valuable perspective in your analysis.

Paragraph and sentence structure, punctuation, and spelling always matter. Most importantly, make sure you create an analysis that makes the reader WANT to read it.

Remember, your instructor must read 125 reports. Single-spaced and small fonts have an impact on his frame-of-mind while grading.

Required Documentation







The following documents must be submitted:

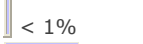

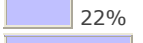

1. Your bank’s UBPR or similar report. You may limit this to the following pages: 1, 3, 4, 6, 10.
2. A list of the bank’s used in your comparative analysis, a brief biographical sketch of each, and an explanation as to why you chose them.
3. Your written analysis from Part I, #11, including only the reports generated in step #10 which support and are referenced in your analysis.
4. The Canary report generated in Part II.
5. Your written analysis from Part II, #7.





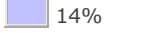
Benchmark Ratios and Quantitative Measures Report

The Rock Creek Banking Company (Reg ID#: 795661)

June 30, 2021

Credit Risk	Bank	Mean ¹	High	Low	Regulatory Preference	% of Banks Outside Regulatory Preference ²
Adjusted Reserve to Adjusted Loans	0.03	0.6	9.5	-10.0	above 0%	 26%
Change in Portfolio Mix	3.84	6.1	87.3	0.0	below 7%	 26%
» Loan Growth	24.12	15.6	219.7	-99.9	below 20%	 25%
» Loans to Assets	73.02	63.1	97.8	3.4	below 70%	 33%
» Loans to Equity	10.39	6.8	35.9	0.1	below 8x	 32%
» Loan Yield	9.88	9.0	46.1	0.0	below 9.5%	 28%

Interest Rate Risk	Bank	Mean	High	Low	Regulatory Preference	% of Banks Outside Regulatory Preference
Asset Depreciation to Tier 1 Capital ³	1.68	-4.5	53.8	-96.7	below 15%	 < 1%
Long Term Assets to Assets	0.04	17.9	79.2	0.2	below 25%	 24%
» Nonmaturity Deposits to Long Term Assets	126.63	576.1	9,946.4	1.3	above 140%	 22%
Residential Real Estate to Total Assets	7.91	24.6	88.7	0.0	below 25%	 41%

Liquidity Risk	Bank	Mean	High	Low	Regulatory Preference	% of Banks Outside Regulatory Preference
» Loan to Deposit Ratio	87.88	74.8	198.6	5.5	below 80%	 39%
» Net Noncore Funding Dependence	⁴ N/A	10.4	88.4	-98.4	below 20%	 28%
» Net Short-Term Liabilities to Total Assets	N/A	-16.9	62.3	-77.7	below 20%	 2%
» On Hand Liquidity to Total Liability	N/A	20.7	96.7	-37.6	above 8%	 23%
» Reliance on Wholesale Funding	N/A	6.2	92.1	0.0	below 15%	 14%

¹ Extreme outliers (poor or highly unusual data) are excluded from the Mean, High, and Low statistics.

² Includes all 8952 banks filing call reports for this quarter.

³ Assumes a 3.4% appreciation of first lien residential mortgages based on ORA's [2nd Quarter 2001 Industry Statistics](#).

⁴ N/A - Not applicable. N/C - prior year call report not available.

N/R - insufficient data provided on call report.

⁵ Preference is to be within 75th percentile of previous quarter.

⁶ Preference is to be less than 15% if bank was within the upper 50th percentile of prior quarter Loans-To-Deposits. Preference is to be less than 20% otherwise.

A "»" appearing to the left of any of the benchmarks listed above indicates **The Rock Creek Banking Company** has exceeded the regulatory preference.

This information has not been reviewed or approved by the OCC or the FDIC. Some of the calculations used here may differ slightly from those used by bank regulators.