FDIC
Federal Deposit Insurance Corporation
550 17th Street NW, Washington, DC 20429

Federal Financial Institutions Examination Council

Uniform Bank Performance Reports

FIL-58-2004
May 26, 2004

TO: CHIEF EXECUTIVE OFFICER (also of interest to Chief Financial Officer)

SUBJECT: Uniform Bank Performance Report (UPBR) Availability and Changes

Summary: *The FFIEC Task Force on Surveillance Systems has made several changes to the UBPR Peer Grouping methodology and made other statistical information*

Over the past three years, the Federal Financial Institutions Examination Council (FFIEC) Task Force on Surveillance Systems has substantially changed the distribution procedures for Uniform Bank Performance Reports (UBPRs). This letter is intended to update users on the current distribution practices for UBPRs and to describe the related statistical reports that are available on the UBPR website. It also details some significant changes to the March 31, 2004, version of the UBPR that will affect peer group statistics and percentile rankings for commercial banks. These changes reduce the number of asset-based commercial bank peer groups from 24 to 15 and introduce three new peer groups for de novo banks.

Availability

The UBPR is an individual analysis of financial institutions that includes extensive comparisons to peer group performance. The report is produced by the FFIEC for the use of banking supervisors, bankers, and the general public. Reports may be obtained for any bank online on the public website www.ffiec.gov/UBPR.htm for no charge. Reports may be viewed, printed, or downloaded.

The UBPR is produced quarterly from Call Report data submitted by banks. The UBPR is usually published on the public website within 35 days of a Call Report due date. For example, the March 31, 2004, Call Report is filed by banks on April 30, 2004. The March 2004 UBPR should be available on June 3, 2004. Please see the UBPR section of www.ffiec.gov for a complete schedule.

To supplement the UBPR, several other reports are also available on the FFIEC website under "All UBPR Statistical Reports." These reports include:

- **List of Banks in UBPR Peer Group** - Displays the banks assigned to each peer group. The list may be re-sorted by assets, income, and other criteria. Additionally, each bank's UBPR may be directly accessed.

- **Custom Peer Report** - This feature allows individual banks to be compared with the performance of a user-defined peer group of banks. Individual bank information is displayed along with recalculated peer group average and percentile ranking statistics. Results are displayed for UBPR page 1 (Summary Ratios).

- **Peer Group Distribution Report** - Displays the range of values that underlie the peer group averages. Selected percentiles ranging from the 1st to the 99th percentiles provide additional insight into the composition of banks assigned to a given peer group and how they impact the computation of peer group averages.

- **Peer Group Data Report** - Displays peer group average data for all UBPR peer groups in UBPR page format. This report is particularly useful for analyzing a peer group that a bank may move into because of asset growth or demographic changes.

- **State Average Report** - Displays selected UBPR performance ratios that are average by state.

- **Users Guide** - An online Users Guide is available on http://www.ffiec.gov/ubprguide.htm. This document provides details on the computation of all ratios, defines peer group composition, and explains the various statistical processes used in the UBPR.

Summary of Changes to the March 31, 2004, UBPR

The FFIEC Task Force on Surveillance Systems will implement two changes to the peer group structure used in the UBPR effective with the March 31, 2004, version of the report. The first combines several asset-based commercial bank peer groups. The second replaces the current de novo bank peer group with three "class-of" peer groups.

Background

Peer group definitions used in the UBPR have evolved over time. Originally, 25 asset-based peer groups were used for all banks. As the financial services industry changed, the need for greater definition in the peer group structure became apparent and further business line groupings were added.

The current peer group structure is multi-tiered. Financial institutions are first segregated into one of four broad groups. These groups include commercial banks, FDIC-insured savings banks, credit card specialty banks, and bankers' banks. Within the first three groups, institutions are then subdivided by asset size. The commercial bank group is further divided based on location (urban or rural determined by whether the bank is located in a Metropolitan Statistical Area) and number of branches. For the most part, the asset-based peer groups have produced reasonable benchmarks to gauge bank performance. In addition, analysis conducted by the task force shows that key financial measures for overhead, margins, capitalization, and profitability continue to differ depending on bank location (urban or rural) and number of branches.

However, the asset ranges used to define commercial peer groups have remained substantially unchanged since their inception 20 years ago. Additionally, the number of banking institutions has declined significantly. As a result, some current peer groups now contain less than 100 institutions. In some instances, the resulting peer group statistics have proven to be less reliable because of the impact a few institutions can have on averaged ratios. The planned consolidation of peer groups is designed to address these distortions.

The changes will only affect commercial bank peer groups. The number of commercial bank asset-based peer groups will decline from 24 to 15. For example, banks in current peer groups 1 (assets > $10 billion) and 2 (assets between $3 and $10 billion) will be combined into new peer group 1 (assets > $3 billion). Current peer groups 15 through 24, which have a variety of asset ranges below $50 million, will be combined into four new peer groups that divide banks with less than $50 million in assets based on their location and number of branches. *Changes to commercial bank asset-based peer groups will be made retroactively for all quarters.*

Additionally, a more fundamental change to the way peer group statistics are calculated for de novo banks will be implemented. Previously, all newly chartered banks were placed in peer group 25 for three years or until they reached $50 million in assets. A "class-of" structure for de novo banks would group banks by the year of their opening. De novo banks would be compared to their "class-of peers" for five years, or until attaining $750 million in assets. After five years, these banks would be moved to the appropriate asset-based peer group. *Initially, the class-of structure will span three years, i.e., banks opened in 2001, 2002 and 2003.* Additional classes will be added until five separate de novo peer groups are attained.

Also, see the spread sheet at http://www.ffiec.gov/pdf/ubpr/revised-peer-stats.xls for a detailed comparison of current and revised peer groups.

Impact on Bank Analysis

For many groups of banks, the task force does not expect the changes to have a significant effect. For example, Net Income to Average Assets (ROA) for banks in current peer group 15 is 0.76%, while comparable new peer group 12 will have an average ROA of 0.71%. For other groups, the changes will be more noticeable but will generally improve the value of computed benchmarks. For example, the peer group average for Non-Interest Income to Average Assets for banks in current peer group 21 is 3.71%, while banks in comparable new peer group 14 will be compared to a more reasonable peer average of 1.43%. It should be noted that the task force will continue producing peer group distribution reports to assist in evaluating any significant changes in peer ratios and bank rankings that arise from the new peer groups (available on the FFIEC UBPR website).

For de novo banks, the task force believes that the proposed changes will provide a marked improvement in usefulness of the benchmark statistics. Under the current structure, the peer group averages reflect a static composite bank that is 1.5 years old, with loss operations and a high capital ratio. The new structure will compare banks that are at similar maturity levels. Basing the comparisons of banks within the de novo categories on the degree to which they have become "seasoned" and overcome the initial expenses of opening should strengthen the UBPR's identification of outliers.

Questions or comments regarding the UBPR may be addressed to UBPR Coordinator John Smullen by email at jsmullen@fdic.gov or by phone at (703) 516-5732.

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Distribution: Insured Commercial Banks and FDIC-Supervised Savings Banks