In this project, you will analyze the change in the performance of a bank across two periods and in relation to an appropriate peer group (or target competitor). This project provides you with an opportunity to (i) improve your ability to read and understand bank financial statements, (ii) familiarize yourself with the calculation of financial ratios, and (iii) gain experience in thinking about what ratios mean and how they relate to each other. Although you may (and should) exhibit your own creativity and insights, you must stick to the following guidelines when preparing your project.

1. Choose a bank with an available Uniform Bank Performance Report (UBPR), obtain the 12/31/2011 standard report showing data for years 2007-2011. You cannot choose the same bank as someone else in the class, so email the bank’s name to Dr. Best before you start your analysis.

2. For the two most recent years of data, calculate/collect for your bank and an appropriate peer comparison (use PG listed in UBPR if possible) all of the performance ratios listed in the project template attached as a part of this document. UBPR download instructions and an Excel spreadsheet are available in CourseDen. You are not required to use the spreadsheet template, but you must include all ratios (or explain why they are not available).

3. Your analysis should follow the format of the project template. The general process is to first identify the change in the higher level ratios and then determine which of the lower level ratios caused the change. For example, begin by establishing whether ROE went up or down and how the bank’s ROE changed relative to that of its peer group. Next, identify which basic return driver from the next level was responsible for the change. Did ROE change because of a change in ROA, a change in the EM, or changes in both? How do the changes compare to those of the bank’s peer group? Now break ROA into its components and continue the analysis. The attached project template lists all ratios you are expected to calculate and interpret. Keep the discussion focused on the ratios at hand. The process is partly method and partly old-fashioned thinking. However, you must be meticulous and pay attention to details. At each level, determine the changes that drive the difference in the higher level ratios. Do not assume that the driver of a change is obvious. You must indicate the important links.

4. The last page of the report requests that you summarize your findings by identifying the three most important reasons the bank’s ROE differs over time and/or differs from its peer group’s ROE. Explain why they are the most important drivers. Give “real-world” reasons why differences exist (difference/change in focus, change in the economy, new branches, so forth). Indicate specific actions you believe the bank should undertake. In the case of negative effects/differences, what could the bank do to correct the issues? In the case of positive effects/differences, how could the bank ensure continued success in these areas?

5. Prepare your project report. Keep your analysis concise and to the point. Use the project template available on my website (and attached to this document) to prepare your report. All data and explanations should be typed in 12-point font. Answers should be contained in the space provided on each page. Failure to carefully follow the order and requirements of the template will result in grade deductions.

6. When you write your report, make it as concise and clear as possible. More transparent explanations lead to higher grades. Explanations that are technically “correct,” but are verbose and difficult to follow, will generally receive lower grades. Be sure to spell check your paper.

7. Words of Advice: Poorly organized reports naturally and rightly receive lower grades. Your objective should be to communicate the information in the most clear and concise manner possible. Do not assume relationships are obvious, but do not write 50 words when 10 will do. Write in the manner of a business
report that is easy for a busy executive to read and understand. Read your report for clarity, logic, and organization. Carefully follow the Report Template. You answers/explanations should not exceed the “blank space” provided for each area.

8. The grade assigned to a project depends on the technical content, interpretation of data, logic, clarity, and presentation. Conclusions and interpretations must be supported by the data.

9. Please resist the urge to try to impress with volume – more is not better. The following will result in automatic letter grade deductions.

   1. Extra pages.
   2. More than two years of ratios.
   3. Exceeding provided space restrictions in the Report Template.
   4. Failure to include all required ratios.
   5. Failure to include the required information in the Appendix.