

An early look at Q1 2021 Bank Performance

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While the industry spent much of 2020 helping their consumer and commercial customers navigate the economic shutdown, industry observers have held their economic breath waiting to see how the effects will indicate in quarterly banking results. Early indications from the first quarter 2021 call report filings show that performance overall appears to be holding up for most banks, at least for now.

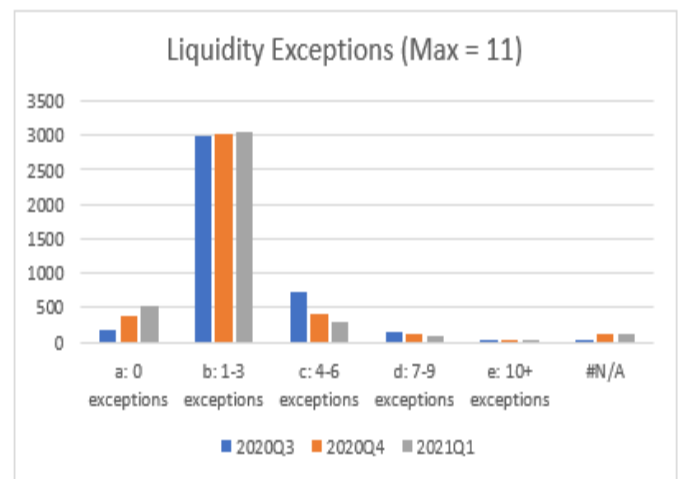
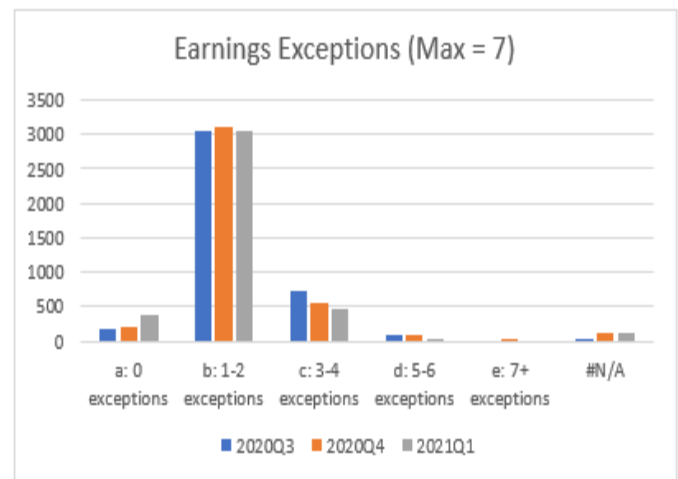
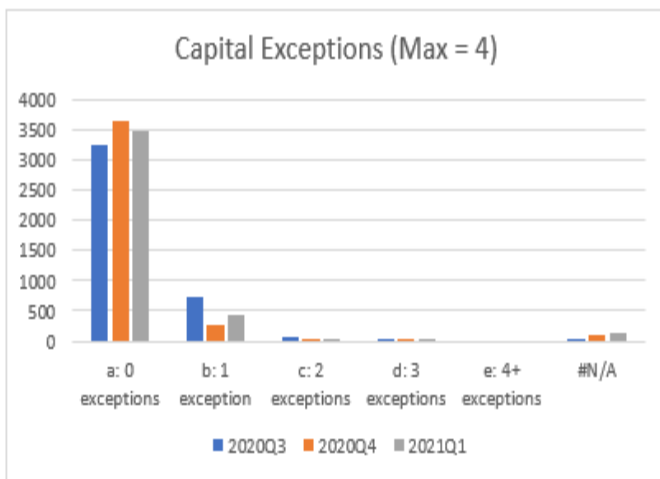
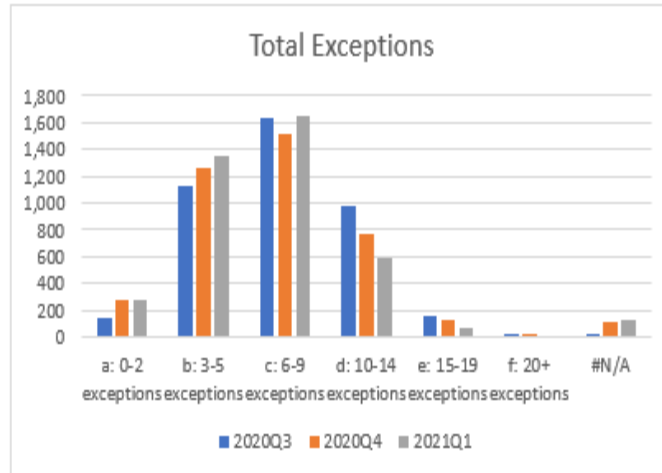
By applying data from our analytic tools, CSBS can look into bank performance for both state chartered and national banks. The tools are designed to help financial regulators better understand the risk profiles of their supervised institutions.

A CSBS model assigns “exception scores” to banks if they breach high-risk thresholds of key ratios for capital, asset quality, earnings and liquidity. The total score is determined by tallying the number of exceptions for each category. The thresholds were set by a group of analytics experts from the state system. Each state can adjust the thresholds based on their experience and supervisory philosophy. Charts 1 through 5 show how the exception scores of all banks in the United States changed from last quarter and last year.

Key Findings

In terms of the distribution of scores, the majority of banks in the United States have scores on the lower end of the spectrum across all five categories (Total, Capital, Asset Quality, Earnings, and Liquidity):

- The majority of banks in the **Total** category have an exception score of 10 or less.
- The majority of banks in the **Capital** category have an exception score of 0.
- The majority of banks in the **Asset Quality** category have an exception score of 6 or less.
- The majority of the banks in the **Liquidity** category have an exception score of 3 or less.
- The majority of the banks in the **Earnings** category have a score of 2 or less.

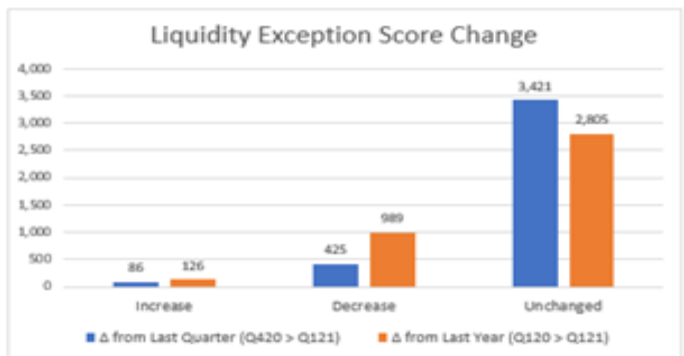
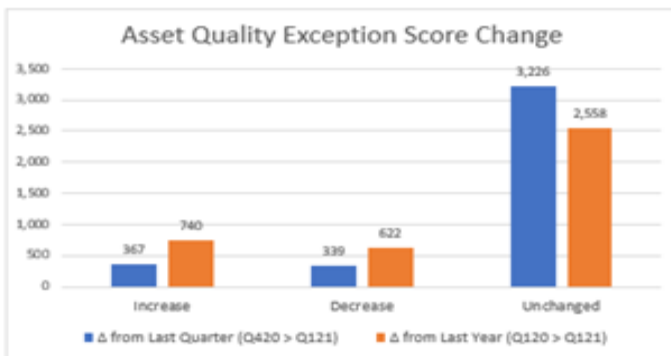
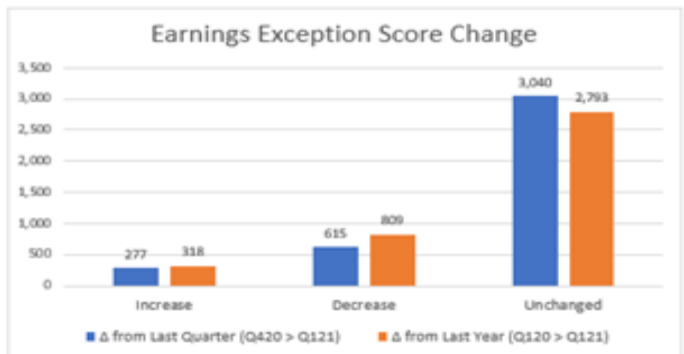
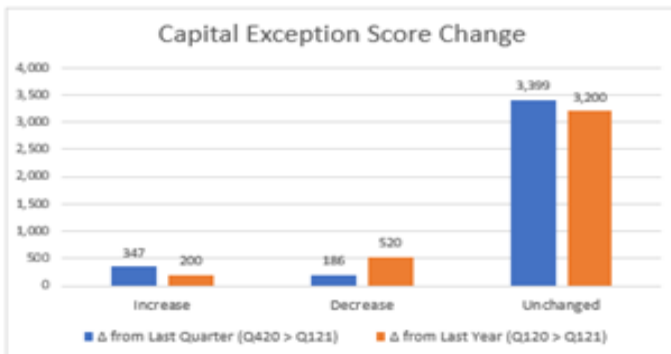
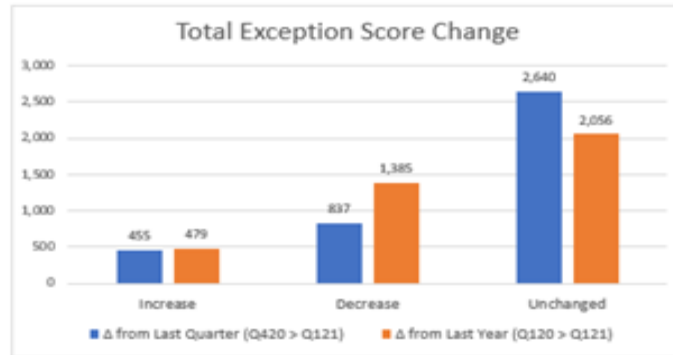


In terms of the number of banks whose exceptions scores increased or decreased over the quarter:

- In the **Total** category, 435 banks saw an increase in their exception score over the

quarter, while 837 banks saw a decrease in their exception score over the quarter.

- In the **Capital** category, 347 banks saw an increase in their exception score over the quarter, while 186 banks saw a decrease in their exception score over the quarter.
- In the **Asset Quality** category, 367 banks saw an increase in their exception score over the quarter, while 339 banks saw a decrease in their exception score over the quarter.
- In the **Earnings** category, 277 banks saw an increase in their exception score over the quarter, while 615 banks saw a decrease in their exception score over the quarter.
- In the **Liquidity** category, 86 banks saw an increase in their exception score over the quarter, while 425 banks saw a decrease in their exception score over the quarter.



These charts and graphs visualize these trends and illustrate the banking industry performance improvements noticed in the first quarter of 2021. This analysis uses data from the Federal Financial Institutions Examination Council Central Data Repository, which makes call report data available as it is filed by banks. The exception scoring methodology is a theoretical framework that is intended to augment (not replace) a typical bank financial examination. It is important to note that scores are not weighted by relative importance of key ratios in each category, meaning no one performance ratio score is weighted more than another.

CSBS will continue to monitor these trends and create data analytics platforms to better inform bank examiners and supervisors. A data-driven approach to financial supervision

can help examiners better assess a bank's risk profile and enhance the judgement aspect of their jobs. Effectively doing so will strengthen safety and soundness among banks, fortifying the nation's financial system.

