

Executive Summary

Banking Financial Performance & Risk Assessment (2020–2024)

1. Engagement Objective

The objective of this analysis was to assess the financial performance, growth sustainability, and emerging risk profile of U.S. banking institutions over the period 2020–2024, using SEC regulatory filings as the primary source of truth.

The analysis was designed to support forward-looking decision-making by evaluating how balance sheet growth, profitability, and leverage evolved through a period of exceptional macroeconomic volatility.

2. Scope & Data Foundation

Data Sources

- SEC EDGAR 10-K filings (Q4 annual data)
- XBRL numeric disclosures
- Banking institutions identified using SIC codes 6000–6199

Tools & Approach

- Python (Jupyter) for data ingestion, normalization, and validation
- Excel for financial analysis, year-over-year comparisons, and executive-level review

Key Metrics Evaluated

- Total Assets
 - Net Income
 - Return on Assets (ROA)
 - Return on Equity (ROE)
 - Leverage Ratio
 - Year-over-Year growth indicators
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3. Key Observations

A. Balance Sheet Expansion

- Banks experienced significant asset growth between 2020 and 2023, driven by post-pandemic liquidity conditions and accommodative monetary policy.
- By 2024, asset growth moderated materially, indicating a shift toward balance sheet consolidation.

Implication:

The transition from expansion to contraction suggests increased focus on liquidity management and risk containment.

B. Earnings Volatility

- Net income trends exhibited high volatility, with periods of sharp recovery followed by notable declines.
- Profitability did not scale proportionally with asset growth across the period.

Implication:

Earnings instability introduces sustainability concerns, particularly when combined with elevated balance sheet size.

C. Profitability & Capital Efficiency

- ROA and ROE declined over time, signaling reduced efficiency in deploying assets and equity.
- Later-year performance indicates margin pressure and diminishing returns on incremental growth.

Implication:

Growth strategies increasingly relied on scale rather than operational efficiency.

D. Leverage Dynamics

- Leverage ratios increased during expansionary phases, amplifying earnings volatility.
- Subsequent stabilization aligns with a broader de-risking trend.

Implication:

Elevated leverage heightened downside exposure during periods of profitability stress.

4. Year-over-Year Risk Indicators

Year-over-Year analysis identified:

- Post-2020 growth spikes driven by non-recurring conditions
- Inconsistent profitability recovery across years
- A clear inflection point by 2024, marked by contraction and risk normalization

Conditional formatting was used to highlight periods of:

- Positive momentum (growth and recovery)
 - Negative signals (contraction and earnings pressure)
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5. Overall Risk Assessment

The analysis indicates that:

- Early post-pandemic growth was not uniformly sustainable
- Profitability lagged balance sheet expansion
- Declining efficiency preceded balance sheet contraction
- Risk correction became evident by 2024

Overall Conclusion:

Balance sheet growth, while initially beneficial, introduced structural risk as efficiency and earnings stability weakened over time.

6. Strategic Implications

This analysis supports:

- **Risk Management:** Early identification of balance sheet and earnings stress
 - **Finance Leadership:** Improved capital allocation and leverage oversight
 - **Audit & Compliance:** Enhanced regulatory readiness through data-driven insights
 - **Executive Decision-Making:** Alignment of growth strategies with financial resilience
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7. Closing Perspective

This engagement demonstrates how integrated accounting and risk analytics can be leveraged to:

- Move beyond retrospective reporting
- Identify emerging financial risk
- Enable proactive, data-driven management decisions

Sustainable growth requires not only expansion, but disciplined profitability, efficiency, and risk governance.