



Weekly Post: Peer Group Comparison

Dear Clients:

Challenge:

We often like to compare our performance with a peer group, comparing our capital ratio, loan to deposit ratio, loan to total asset ratio, ROE and more. The comparison enables us to discuss the factors driving your performance with ALCO and with regulators, since such a comparison may reveal the underlying factors behind the profitability and risk exposure of your institution. However, which institutions should belong to your peer group for comparison?

- Should the institutions be your competitors in your region or state?
- Make sure the peer group is large enough to ensure that the average measures are meaningful?
- Should the peer group be industry leaders or a single institution?

Solution:

In Risk Officer™, you can select your peers based on city, state, charter type, federal district, banks or credit unions. Further, you can select the institutions that you would like to compare your institution with. The banner will then show your financial dashboard and the average values of the selected peer group. The color coding can assist you to identify any measures that may deviate from the average significantly

2014Sep CALL	Asset(\$000)	Loan(\$000)	Deposit(\$000)	Equity(\$000)
Bank	50,018	14,030	43,391	6,566
neighborhood banks*	960,387	691,023	732,694	101,387

Risk Officer™ *Trade Simulations* then enables you to do what-ifs analysis of your balance sheet strategies. The simulations can provide you specific solutions in improving your balance sheet performance.

- Risk Officer™ banner provides a peer group comparison

Numerical Example:

Key ratios from of the peer group comparison in the banner are also displayed in the Management Executive Summary.

Performance	Current	Peer Group*
Earning Asset Yield	3.41%	3.62%
Cost of Funds	0.57%	0.61%
Net Interest Margin	2.84%	3.01%
Equity to Assets	8.05%	12.63%
Noninterest cost(income)/Equity	24.27%	18.21%



Loss Provision/Equity	1.66%	0.55%
Realized Gain Loss/Equity	0.00%	0.32%
Tax/Equity	3.86%	2.30%
Return on Average Stockholders' Equity	5.99%	3.72%
Efficiency Ratio	69.77%	78.53%
Loans/Deposits+FHLB	98.46%	81.00%

You can also download an excel based Peer Group summary report by clicking on the icon Bank on the banner.

Conclusions

Peer group comparison is useful for ALCO meetings and for discussions with regulators. Furthermore, you can formulate your balance sheet strategies to enhance your performance relative to your peer group.

Please do not hesitate to contact me or my colleagues if you have any questions on Peer Group comparison.

Regards,

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