

Sample Peer Report

Introduction & Executive Summary

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This report presents a detailed analysis of MyCU Credit Union's performance compared to its peer group, defined as the five closest credit unions by asset size within [STATE] in Q4 2024. These peers include CU1, CU2, CU3, CU4, and CU5.

Key Findings:

MyCU demonstrates mixed performance relative to its peers with several notable strengths and challenges:

- Strengths: Higher net interest margin, lower overall delinquency ratio, stronger asset growth (YoY), and superior revenue per employee.
- Challenges: Significantly lower ROAA and net income per member, substantially lower net worth ratio, and lagging membership growth.
- Neutral Areas: Loan-to-share ratio and operating expense ratio closely align with peer averages.

MyCU's current financial position suggests a credit union with strong operational efficiency and good asset quality, but facing profitability challenges that warrant management attention. The institution's capital position, while adequate, falls significantly below peer levels, potentially limiting future growth opportunities.

Financial Performance: Profitability & Capital

MyCU's profitability metrics show concerning underperformance compared to peers, while capital levels reveal a significant gap in net worth ratio.

Return on Average Assets (ROAA)

MyCU's ROAA of 0.16% in Q4 2024 significantly lags behind the peer average of 0.47%, resulting in a negative variance of 0.31 percentage points. This represents a substantial profitability gap that has widened over the past year. Quarter-over-quarter, MyCU experienced a decline of 0.07 percentage points while peers remained relatively stable. The year-over-year comparison is even more concerning, with MyCU declining by 0.65 percentage points compared to peers' smaller decline of 0.22 percentage points.

Net Interest Margin (NIM)

Net Interest Margin represents one of MyCU's relative strengths. At 2.97%, MyCU's NIM exceeds the peer average of 2.82% by 0.15 percentage points. While both MyCU and peers showed minimal quarter-over-quarter changes, the year-over-year trend shows MyCU's NIM declined by 0.13 percentage points compared to peers' minimal decline of 0.01 percentage points, suggesting this advantage may be narrowing.

Net Income Per Member (NIPM)

MyCU generates significantly less net income per member than its peers. At \$21.28 per member, MyCU's NIPM is substantially below the peer average of \$67.43, representing a negative variance of \$46.15. This metric declined by \$8.99 quarter-over-quarter and shows an alarming year-over-year decrease of \$79.41, compared to peers' YoY decline of \$40.13. This suggests fundamental profitability challenges that require strategic attention.

Net Worth Ratio

MyCU's Net Worth Ratio of 8.08% is well below the peer average of 12.05%, a significant gap of 3.97 percentage points. While this level exceeds regulatory minimums for "well-capitalized" status, it provides less cushion against adverse events than peers maintain. The ratio decreased by 0.18 percentage points quarter-over-quarter and 0.46 percentage points year-over-year, showing a concerning downward trend. By comparison, peers experienced a smaller QoQ decline of 0.13 percentage points and only a minimal YoY decline of 0.07 percentage points.

Summary Table: Profitability & Capital Metrics (Q4 2024)

Metric	MyCU	Peer Average	Variance	QoQ Change (MyCU)	QoQ Change (Peers)	YoY Change (MyCU)	YoY Change (Peers)
ROAA	0.16%	0.47%	-0.31%	-0.07%	0.00%	-0.65%	-0.22%
Net Interest Margin	2.97%	2.82%	+0.15%	0.00%	-0.02%	-0.13%	-0.01%
Net Income per Member	\$21.28	\$67.43	-\$46.15	-\$8.99	-\$0.83	-\$79.41	-\$40.13
Net Worth Ratio	8.08%	12.05%	-3.97%	-0.18%	-0.13%	-0.46%	-0.07%

Lending Activity & Asset Quality

MyCU maintains a balanced lending portfolio with a slightly higher loan-to-share ratio than peers, while demonstrating strong overall asset quality with lower delinquency rates in most categories.

Loan-to-Share Ratio

MyCU's loan-to-share ratio of 76.10% slightly exceeds the peer average of 74.66%, indicating somewhat higher lending intensity relative to deposits. This ratio declined by 1.49 percentage points quarter-over-quarter and 6.02 percentage points year-over-year, compared to peers' QoQ decline of 1.44 percentage points and YoY decline of 1.68 percentage points. The declining trend suggests a shift in balance sheet composition toward more liquid assets, but the ratio remains in a healthy range that balances lending opportunity with liquidity needs.

Delinquency Ratios by Product

MyCU demonstrates superior overall asset quality with a 0.44% delinquency ratio compared to the peer average of 0.58%. This positive variance of 0.14 percentage points indicates better-than-average underwriting and collection practices.

By product category, delinquency performance is mixed:

- Strengths: MyCU shows significantly lower delinquency in First Lien Residential loans (0.09% vs. 0.70%) and Used Vehicle loans (0.34% vs. 0.47%)
- Challenges: Higher delinquency exists in Credit Cards (0.88% vs. 0.74%), Other Secured Non-RE loans (0.75% vs. 0.06%), and Other Unsecured loans (2.37% vs. 1.67%)
- Notable: MyCU is the only institution among peers offering Leases Receivable, which show 2.96% delinquency

Charge-Off Ratios by Product

MyCU's overall charge-off ratio of 0.49% is higher than the peer average of 0.21%, indicating higher loan losses despite lower delinquency. This suggests potential issues with loss severity or collection effectiveness.

Key charge-off comparisons by product:

- Strengths: MyCU shows lower charge-offs in Commercial loans (0.42% vs. 0.99% for non-RE secured)
- Challenges: Notably higher charge-offs in Credit Cards (3.00% vs. 2.06%) and Other Unsecured loans (3.43% vs. 2.07%)
- Neutral: Vehicle loan charge-offs are roughly comparable to peers

Summary Table: Asset Quality Metrics by Product (Q4 2024)

Product Category	Delinquency MyCU	Delinquency Peers	Charge-off MyCU	Charge-off Peers
All Loans	0.44%	0.58%	0.49%	0.21%
First Lien Residential	0.09%	0.70%	0.00%	0.00%
Junior Lien Residential	0.60%	0.61%	0.00%	0.06%
Credit Card Loans	0.88%	0.74%	3.00%	2.06%
New Vehicle Loans	0.11%	0.14%	-0.04%	0.13%
Used Vehicle Loans	0.34%	0.47%	0.25%	0.26%
Commercial Secured by RE	0.00%	0.23%	0.00%	0.00%
Commercial Not Secured by RE	0.00%	0.00%	0.42%	0.99%
Other Secured Non-RE	0.75%	0.06%	0.00%	0.24%
Other Unsecured Loans	2.37%	1.67%	3.43%	4.34%
Leases Receivable	2.96%	N/A	0.00%	N/A

Operating Efficiency & Productivity

MyCU demonstrates strong revenue generation per employee while maintaining an operating expense ratio nearly identical to peers.

Operating Expenses to Gross Income

MyCU's operating expense to gross income ratio of 0.6002 is virtually identical to the peer average of 0.5999, indicating comparable efficiency in expense management. Quarter-over-quarter, MyCU improved this ratio by 0.2008 points, similar to peers' improvement of 0.2132 points. Year-over-year, MyCU showed a slight improvement of 0.0157 points, comparable to peers' improvement of 0.0183 points. This parity suggests MyCU's expense management practices align well with industry norms for similar-sized institutions.

Gross Revenue per Employee

MyCU significantly outperforms peers in productivity metrics, generating \$346,809 in gross revenue per employee compared to the peer average of \$307,823—a positive variance of \$38,986 or 12.7%. Despite a quarter-over-quarter decline of \$9,655 (2.7%), MyCU's annual improvement of \$25,540 (7.9%) outpaced peers' improvement of \$11,504 (3.9%). This reflects efficient staffing levels and effective revenue generation processes relative to peers.

Summary Table: Efficiency & Productivity Metrics (Q4 2024)

Metric	MyCU	Peer Average	Variance	QoQ Change (MyCU)	QoQ Change (Peers)	YoY Change (MyCU)	YoY Change (Peers)
Operating Expense to Gross Income	0.600	0.600	0.000	-0.201	-0.213	-0.016	-0.018
Gross Revenue per Employee	\$346,809	\$307,823	+\$38,986	-\$9,655	-\$12,558	+\$25,540	+\$11,504

Interest Rate Trends on Loan Products

MyCU's interest rate positioning varies significantly by product category, with a competitive advantage in some areas and potential yield opportunities in others.

Interest Rates by Product

MyCU's most significant rate advantages compared to peers include:

- First Lien Residential: 2.49% vs. 5.26% peer average (2.77 percentage points lower)
- Junior Lien Residential: 2.49% vs. 6.67% peer average (4.18 percentage points lower)
- Other Secured Non-RE: 4.24% vs. 7.89% peer average (3.65 percentage points lower)

Conversely, MyCU charges higher rates in several categories:

- Credit Card Loans: 14.74% vs. 11.63% peer average (3.11 percentage points higher)
- Other Unsecured Loans: 18.00% vs. 10.99% peer average (7.01 percentage points higher)

For auto loans, MyCU's rates are more competitive:

- New and Used Vehicle Loans: 5.29% vs. peer averages of 6.96% (new) and 7.26% (used)

Summary Table: Interest Rates by Product (Q4 2024)

Product Category	MyCU Rate	Peer Average Rate	Variance
Credit Card Loans	14.74%	11.63%	+3.11%
First Lien Residential	2.49%	5.26%	-2.77%
Junior Lien Residential	2.49%	6.67%	-4.18%
New Vehicle Loans	5.29%	6.96%	-1.67%
Used Vehicle Loans	5.29%	7.26%	-1.97%
Commercial Secured by RE	0.00%	0.23%	0.00%
Commercial Not Secured by RE	6.70%	5.94%	+0.76%
Other Secured Non-RE	6.29%	8.53%	-2.24%
Other Unsecured Loans	18.00%	10.99%	+7.01%
Leases Receivable	5.84%	N/A	N/A
Payday Alternative Loans	N/A	28.00%	N/A
Student Loans	N/A	8.64%	N/A

These rate differentials have significant implications for MyCU's competitiveness and profitability. The substantially lower mortgage rates likely provide a competitive advantage in attracting quality borrowers but may contribute to the institution's lower overall yield and profitability metrics. Conversely, the higher rates on credit cards and unsecured loans help offset some of this impact but may contribute to the elevated charge-off ratios in these categories.

Membership & Asset Growth

MyCU shows robust asset growth despite lagging significantly in membership growth compared to peers.

Membership Growth

MyCU's membership growth significantly trails its peer group, with current membership at 23,338 members. Quarter-over-quarter growth of 0.54% is substantially below the peer average of 3.91%, representing a gap of 3.37 percentage points. Year-over-year growth shows an even more pronounced disparity, with MyCU growing membership by only 1.17% compared to peers' 4.28%—a difference of 3.11 percentage points. This membership growth challenge is one of the most significant performance gaps identified in this analysis and suggests potential issues with member acquisition strategies, competitive positioning, or brand awareness in MyCU's market area.

Asset Growth

In contrast to membership trends, MyCU exhibits strong asset growth with total assets of \$318 million. Quarter-over-quarter asset growth of 2.63% exceeds the peer average of 2.32% by 0.31 percentage points. Year-over-year asset growth is even more impressive at 8.64%, outpacing peers' 5.55% by 3.09 percentage points. The contrast between strong asset growth and weak membership growth indicates that MyCU is effectively deepening relationships with existing members but struggling to expand its member base. This suggests focusing on new member acquisition while maintaining the successful asset growth strategy.

Summary Table: Growth Metrics (Q4 2024)

Metric	MyCU	Peer Average	Variance	QoQ Change (MyCU)	QoQ Change (Peers)	YoY Change (MyCU)	YoY Change (Peers)
Membership	23,400	18,476	+4,924	+0.54%	+3.91%	+1.17%	+4.28%
Total Assets	\$318M	\$300M	+\$18M	+2.63%	+2.32%	+8.64%	+5.55%

Conclusion & Recommendations

Overall Performance Assessment

MyCU Credit Union demonstrates a mixed performance profile compared to its peers. The institution excels in operational efficiency, asset growth, and certain aspects of loan portfolio management, but faces significant challenges in profitability, capital adequacy, and membership growth.

Key Strengths:

- Superior productivity metrics (revenue per employee)
- Strong asset growth trajectory
- Lower overall delinquency rates
- Competitive positioning in mortgage and auto lending rates

Key Challenges:

- Significantly lower profitability (ROAA and net income per member)
- Substantially lower capital position (net worth ratio)
- Weak membership growth
- Higher overall charge-off ratios

Strategic Recommendations

Based on this comprehensive analysis, we recommend the following strategic initiatives for MyCU's management:

1. Develop a Profitability Enhancement Strategy

- Review pricing on deposit products to reduce funding costs
- Consider selective rate increases in well-performing loan categories with significant rate advantages over peers
- Implement enhanced fee income strategies where appropriate
- Conduct profitability analysis by product line and member segment to identify improvement opportunities

2. Implement a Capital Building Plan

- Establish clear targets to increase the net worth ratio toward peer levels over a defined timeline
- Consider slowing asset growth temporarily to allow capital to catch up
- Explore secondary capital options if available under charter type
- Review dividend policies to retain more earnings

3. Launch a Membership Growth Initiative

- Conduct market analysis to identify untapped segments in the service area
- Develop targeted marketing campaigns for identified segments
- Review and enhance member onboarding processes
- Consider new product offerings that appeal to younger demographics
- Leverage digital channels for member acquisition

4. Address Asset Quality in Specific Categories

- Strengthen underwriting standards for credit cards and unsecured loans to reduce charge-offs
- Review collection procedures, particularly for credit card accounts
- Conduct vintage analysis to identify specific timeframes or underwriting changes that may have contributed to higher charge-offs

5. Leverage Interest Rate Advantages

- Develop marketing campaigns highlighting competitive rates in mortgage and auto loans
- Consider cross-selling opportunities to convert single-product members into multi-product relationships
- Evaluate the sustainability of current mortgage pricing given the significant rate advantage over peers

6. Maintain Operational Efficiency Advantage

- Continue practices that have led to superior revenue per employee
- Invest in technology that further enhances staff productivity
- Document and standardize effective operational processes

By implementing these strategic recommendations, MyCU can build on existing strengths while addressing performance gaps relative to peers. Regular monitoring of these metrics against the same peer group will allow management to measure progress and make necessary adjustments to strategy.



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