

CREDIT UNION CLIMATE

AN INDUSTRY IN THE STATE OF CHANGE



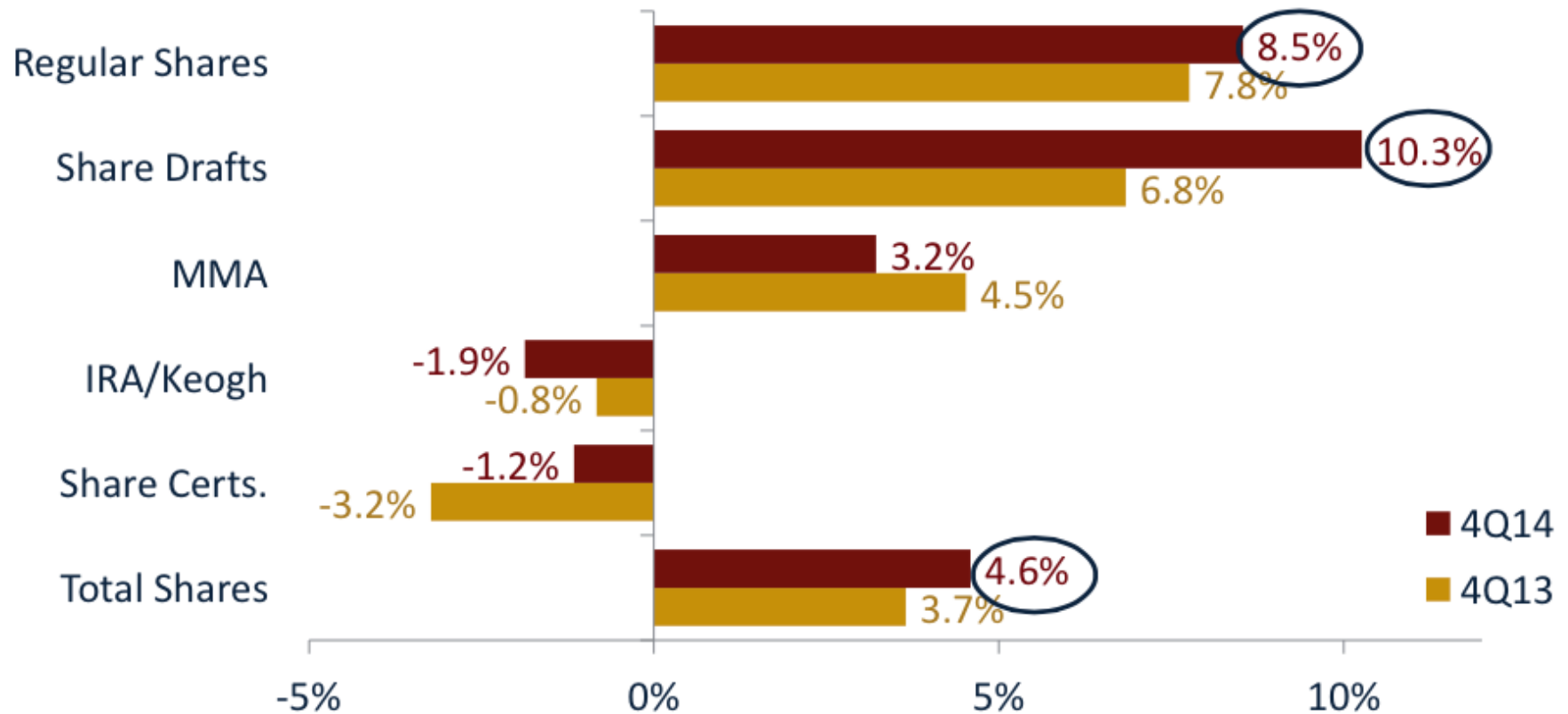
PIERRE CARDENAS NCCO,MBA
INNOVATORS OF CHANGE
PRESIDENT/CEO

Let's Take a look at what is
TAKING PLACE TODAY!

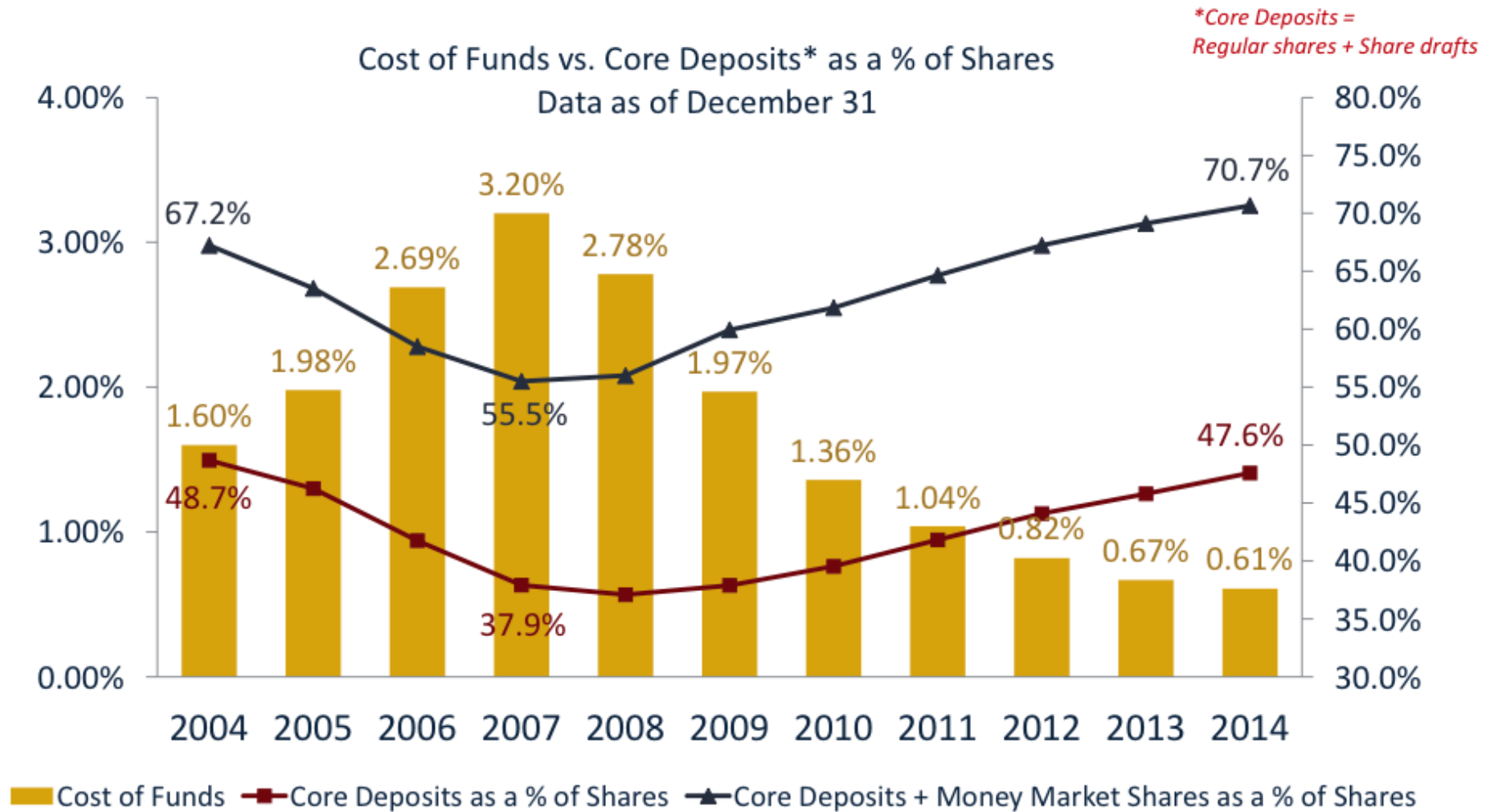


Core deposit growth reflects strong relationships, driving faster overall share growth

YOY Growth by Share Product Type
Data as of December 31

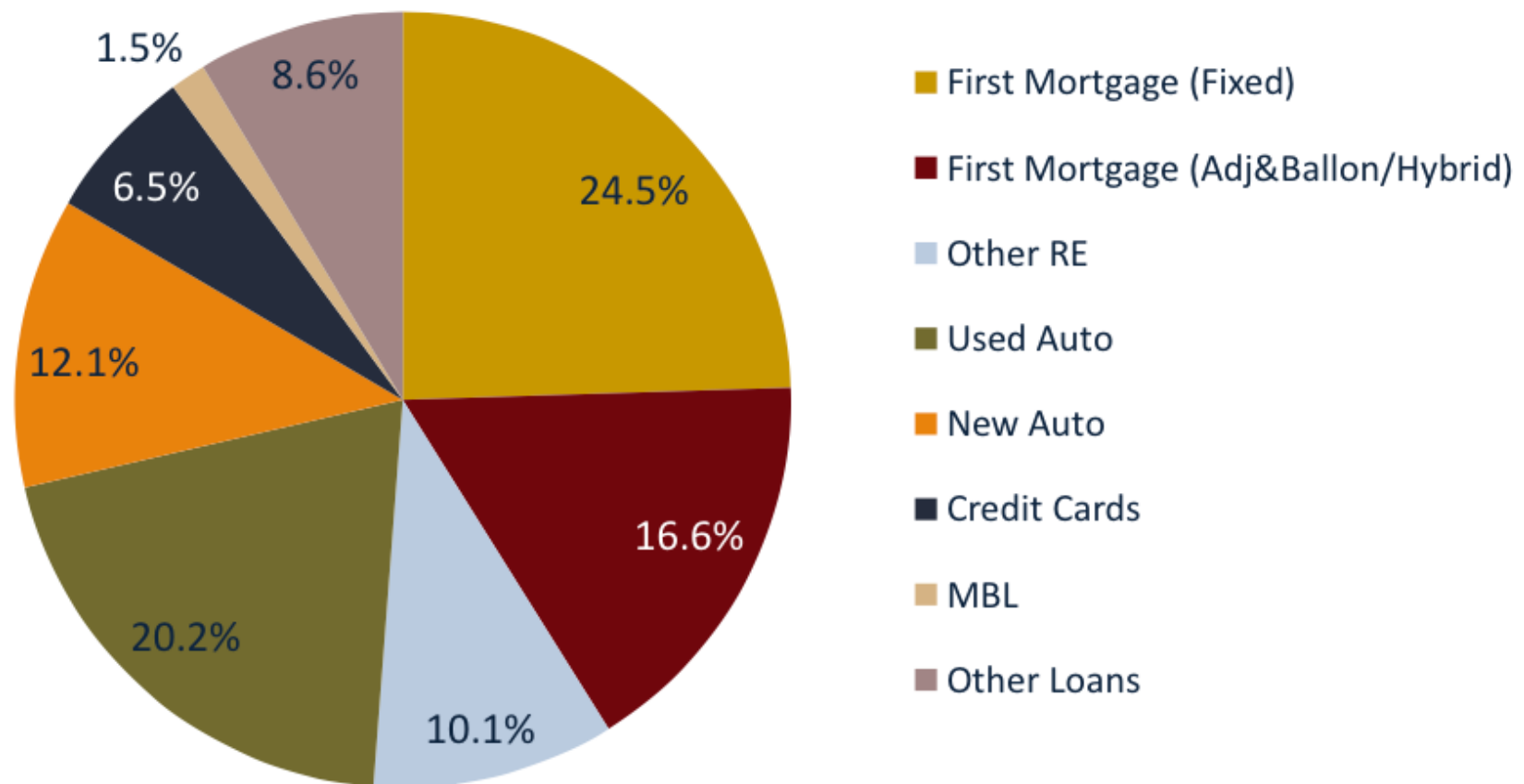


Cost of funds declines as the percentage of core deposits increases



Credit unions have a diversified, well-balanced \$722 billion loan portfolio

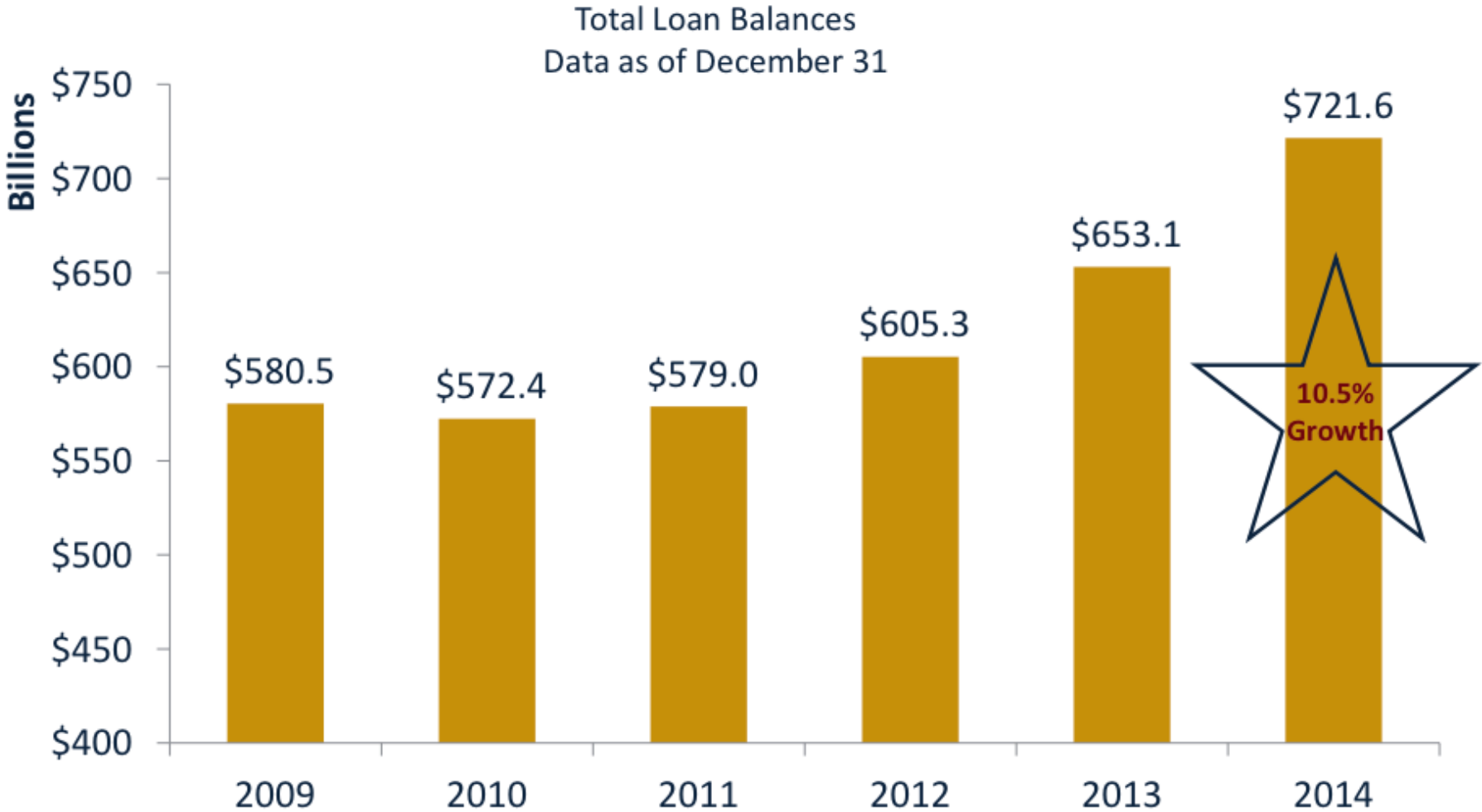
Loan Composition
Data as of December 2014



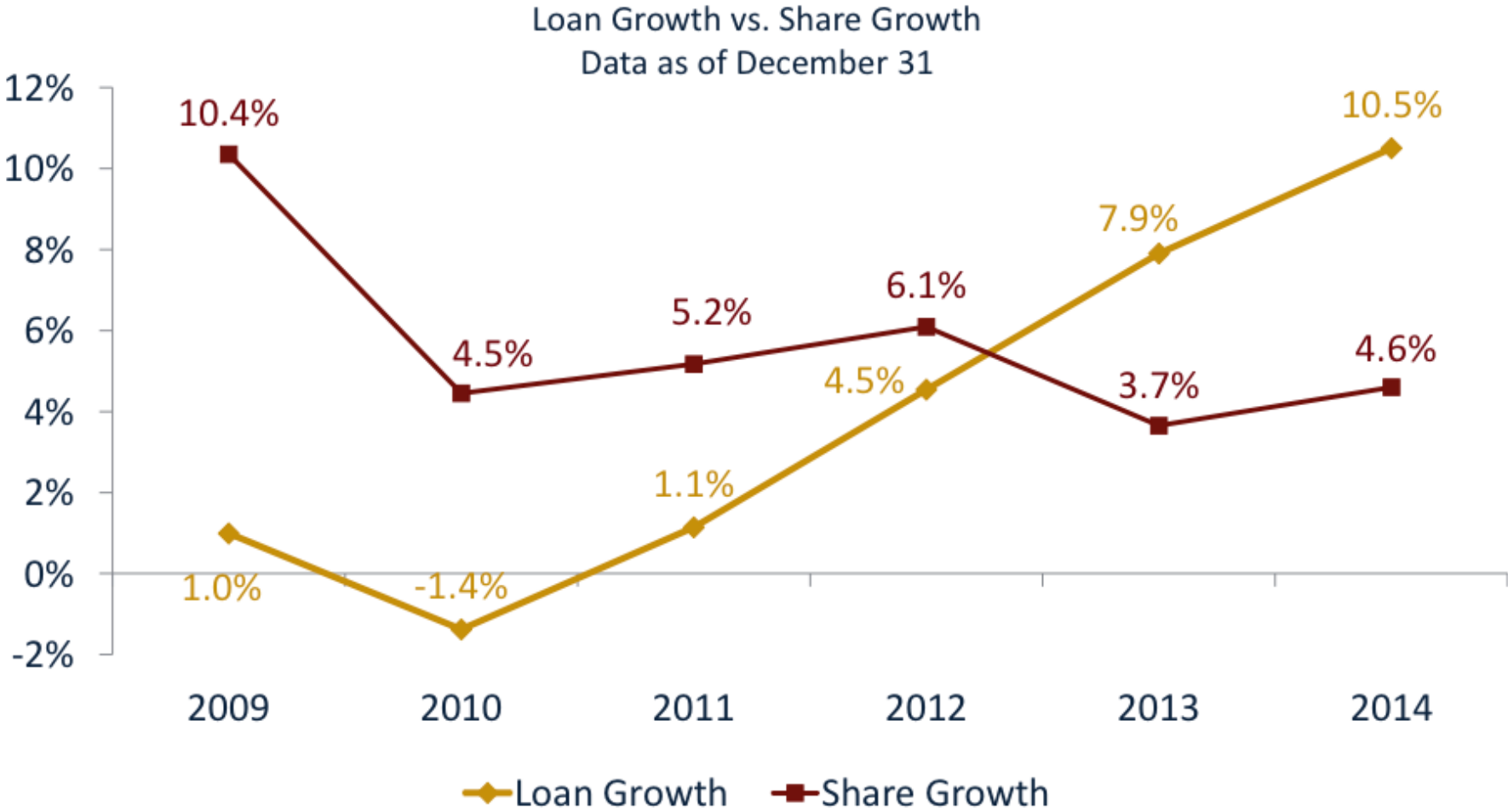
Higher consumer loan originations are driving total originations up even as first mortgage volume falls



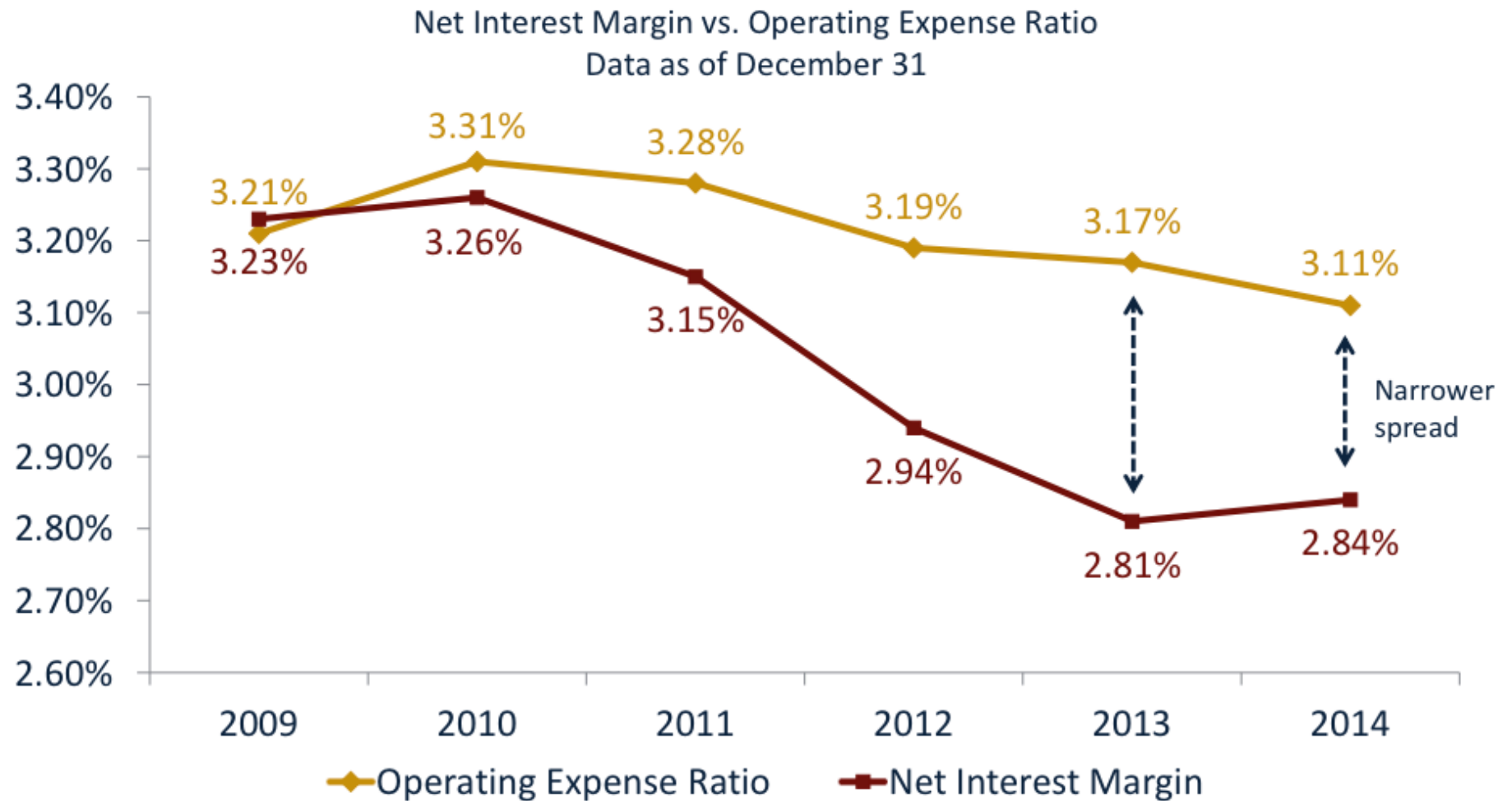
Loan balances are growing at a record pace at credit unions



Loan growth surpasses share growth by 6 percentage points



Net interest margin rose 3 basis points over the past year

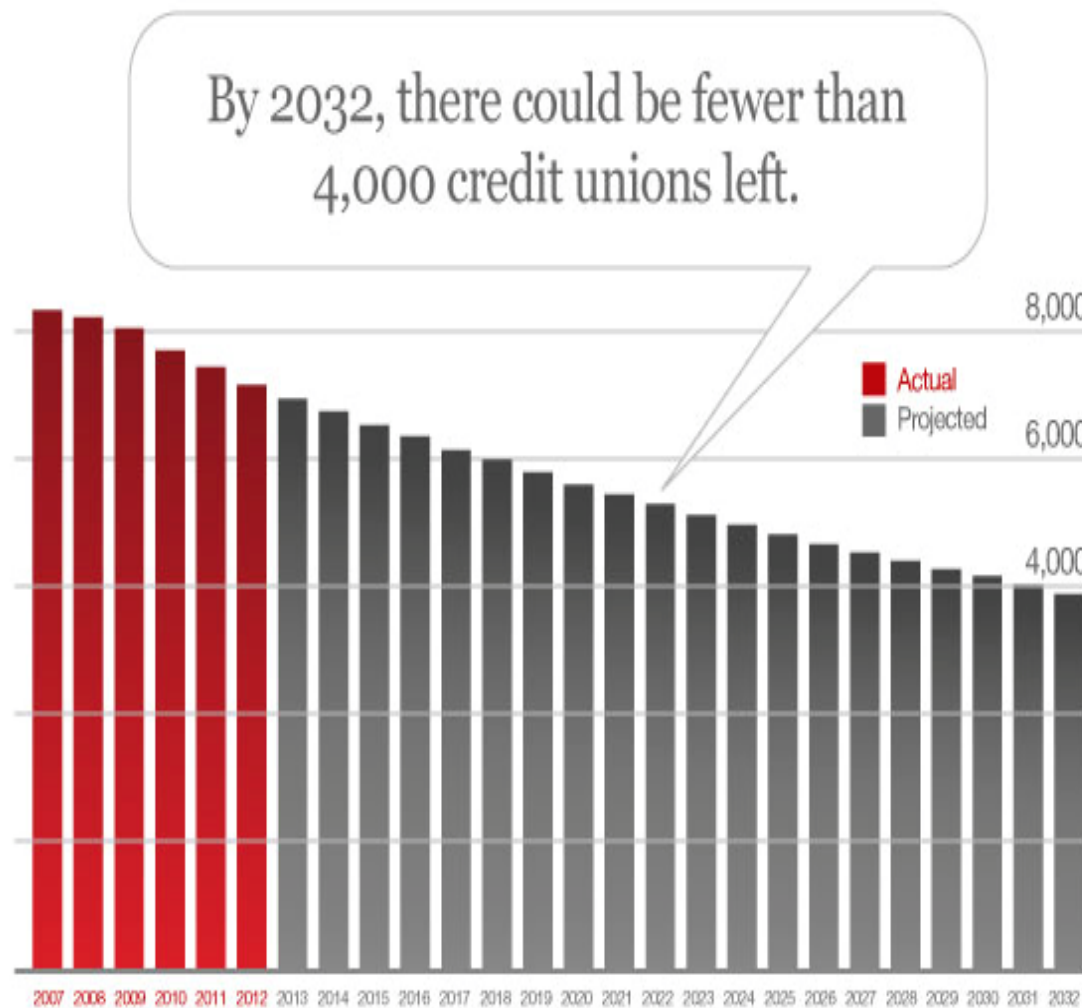


Credit Unions Connecting With The Booming Economy

- GDP annual growth rate of 2.4%; unemployment rate of 5.6% (Dec 2014); rising wages and consumer confidence
- Credit unions positive in every key performance category
 - Loan growth at 10.5% with a diversified portfolio; all categories recorded faster growth than 2013
 - Share growth in core accounts: Regular & Share Drafts
 - Capital at record level: 11.4%
 - Member relationships continue to expand
 - Total income rises due to rising loan interest
 - Strong asset quality
 - Balance sheets well-positioned for IRR and liquidity
 - Net income highest ever at \$8.9 billion
 - Market shares continue to rise: First Mortgages, Autos, Credit Cards

Credit Union Industry Outlook: 5 Years Back, 20 Years Forward

[< Back To Article](#)



Key Fact: In 2012, the number of credit union branches declined for the first time in the industry's 100+ year history. There were 27 fewer credit union branches that year than last. Have we hit the peak and the trend is now reversing? There will probably never be more credit union branches than there were in 2011

	Total # of all CU branches	CUs w/5+ branches	CUs w/10+ branches	CUs w/only 1 branch	% of CUs w/1 branch
2007	20,694	1,006	341	5,393	26.1%
2008	21,122	1,032	350	5,176	24.5%
2009	21,290	1,058	364	5,005	23.5%
2010	21,341	1,075	367	4,520	21.2%
2011	21,433	1,100	402	4,311	20.1%
2012	21,406	1,116	415	4,093	19.1%

The big are getting bigger, while small credit unions are shrinking. If current trends hold, half the credit unions around today will be gone in the next 20 years.

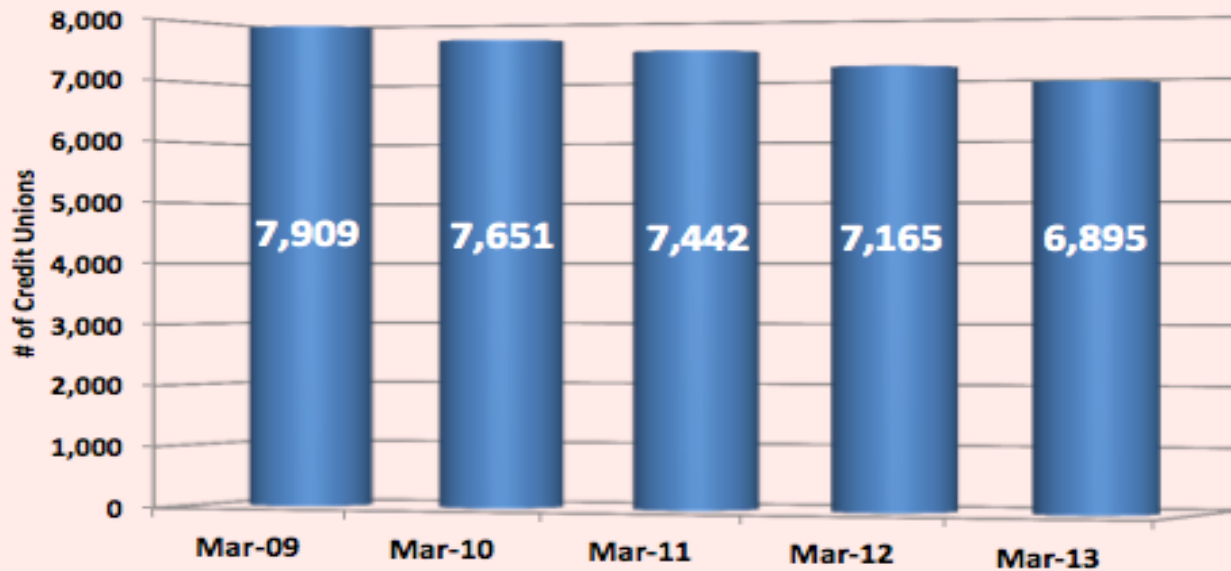
Key Fact: Every month, the industry sheds about 20 credit unions.

	Total # of all CUs	# of CUs w/\$1+ billion in assets	% of all CUs with \$1+ billion assets	# of CUs w/less than \$100 million in assets	% of all CUs w/less than \$100 million in assets
2007	8,332	123	1.5%	7,080	85.0%
2008	8,215	132	1.6%	6,920	84.2%
2009	8,066	137	1.7%	6,760	83.8%
2010	7,710	159	2.1%	6,311	81.9%
2011	7,442	173	2.3%	6,023	80.9%
2012	7,165	194	2.7%	5,700	79.6%

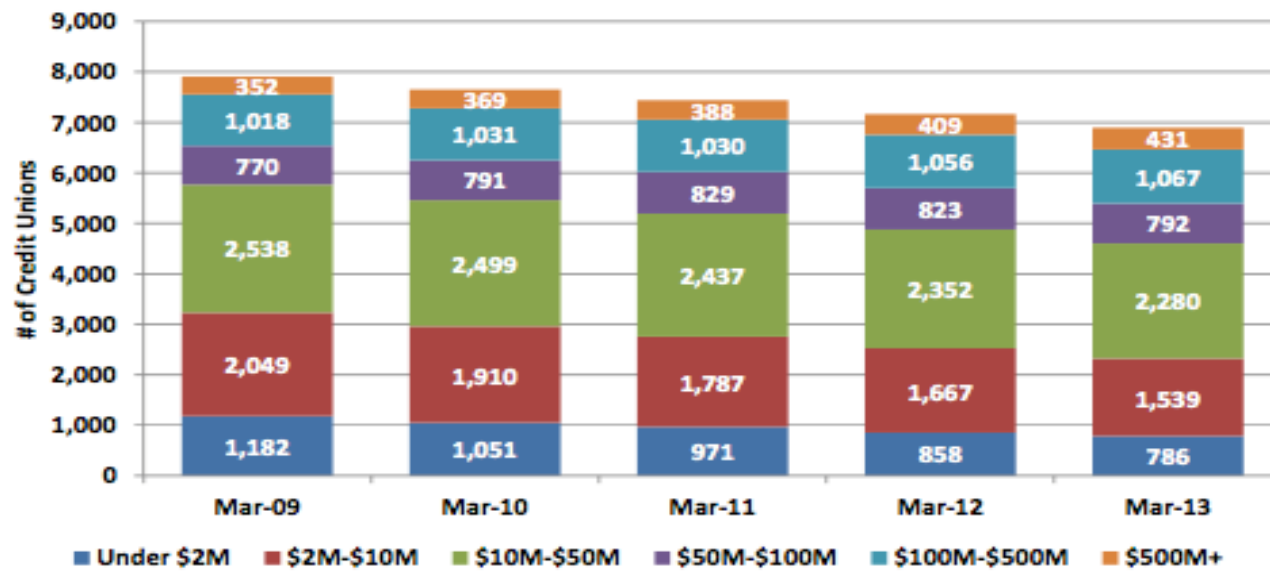
	Total assets for all CUs (billions)	Net asset growth for all CUs (billions)	Total assets for Top 100 CUs	% of all assets belonging to Top 100 CUs	Net asset growth for Top 100 (billions)	% of CU industry's net asset growth coming from Top 100
2010	\$896.8	\$82.8	\$330.3	36.8%	\$30.0	36.2%
2011	\$951.6	\$54.8	\$358.0	37.6%	\$27.7	50.5%
2012	\$1,015.0	\$63.4	\$386.7	38.1%	\$28.7	45.3%

	Total # of all CU members	Net new members for all CUs	# of members belonging to Top 100	% of all CU members belonging to Top 100	# of net new members for Top 100	% of net new CU members joining the Top 100
2010	91,175,370	1,313,996	26,054,728	28.6%	1,600,415	121.8%
2011	92,236,368	1,060,998	27,234,013	29.5%	1,179,285	111.1%
2012	93,735,068	1,498,700	28,498,526	30.4%	1,264,513	84.4%

of Credit Unions As of March 31, 2013



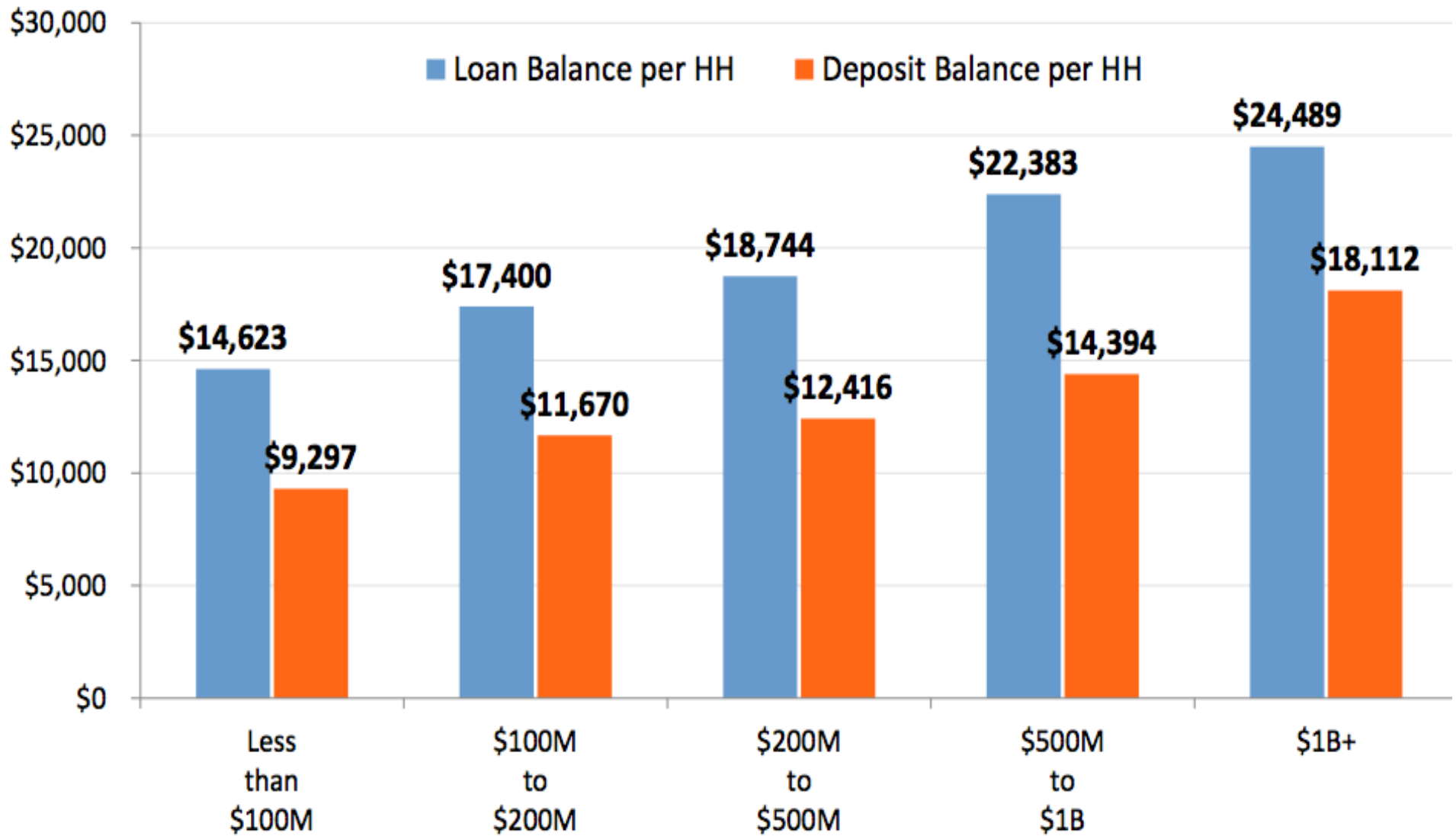
of Credit Unions -Trend By Asset-Based Peer Groups



Revenue Is Driven through Deeper Relationships

CEO Strategies Group Asset Size Averages

Balances per Household by Asset Size

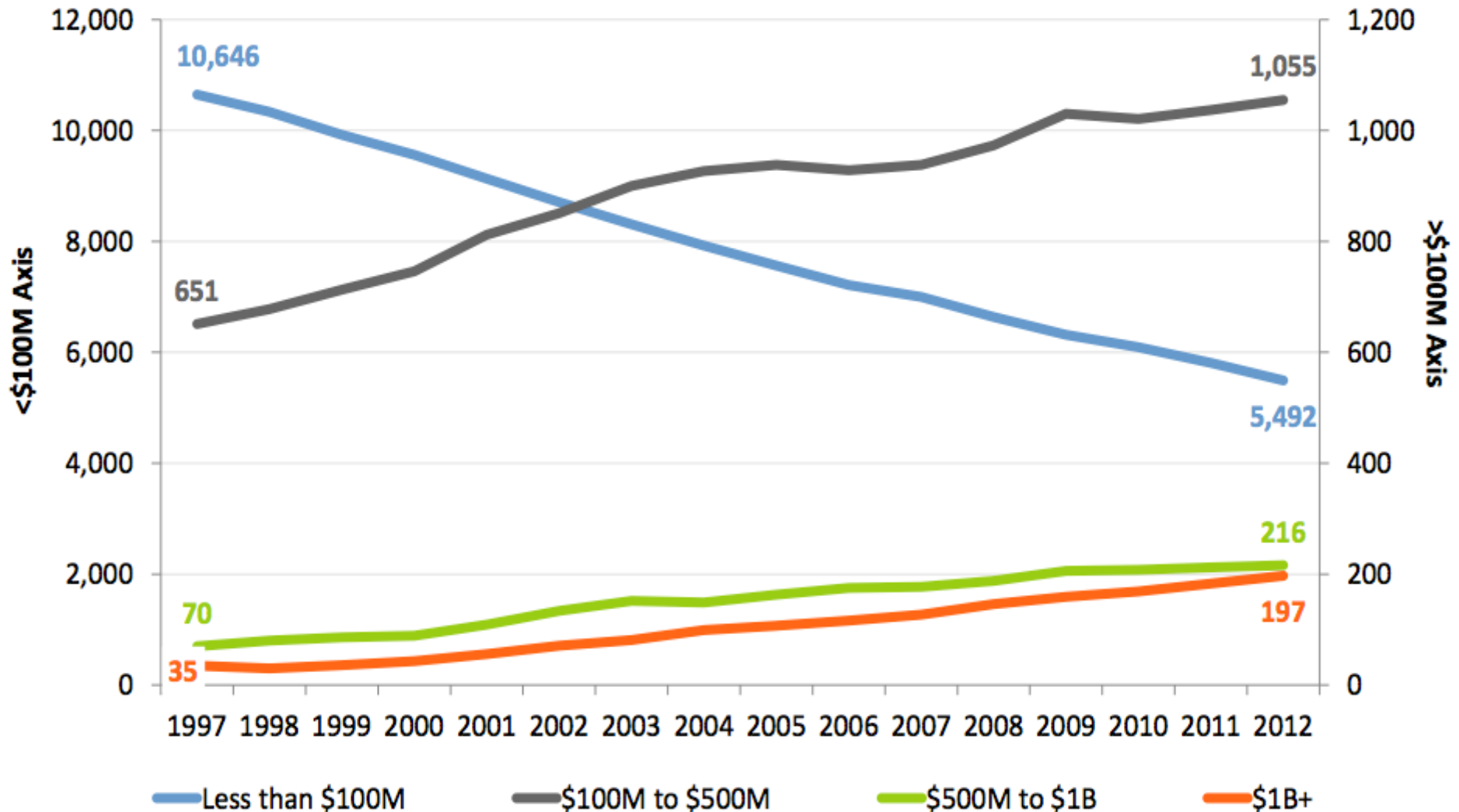


Source: CEO Strategies Group Data

Industry Consolidation Concentrated Among Small Credit Unions

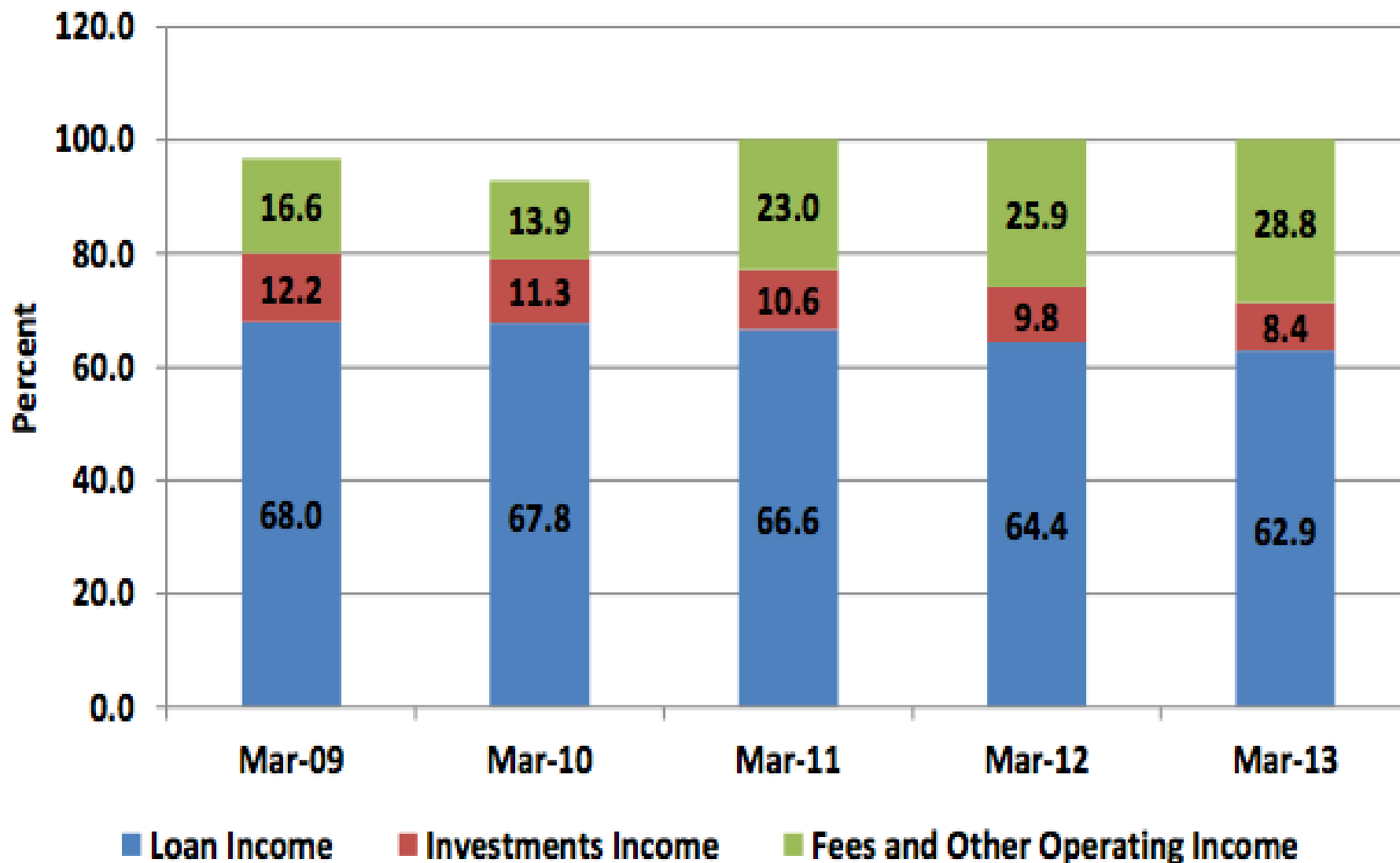
Nearly Six Times as Many \$1B+ Credit Unions Today than 15 Years Ago

Number of Credit Unions by Asset Size



Source: NCUA

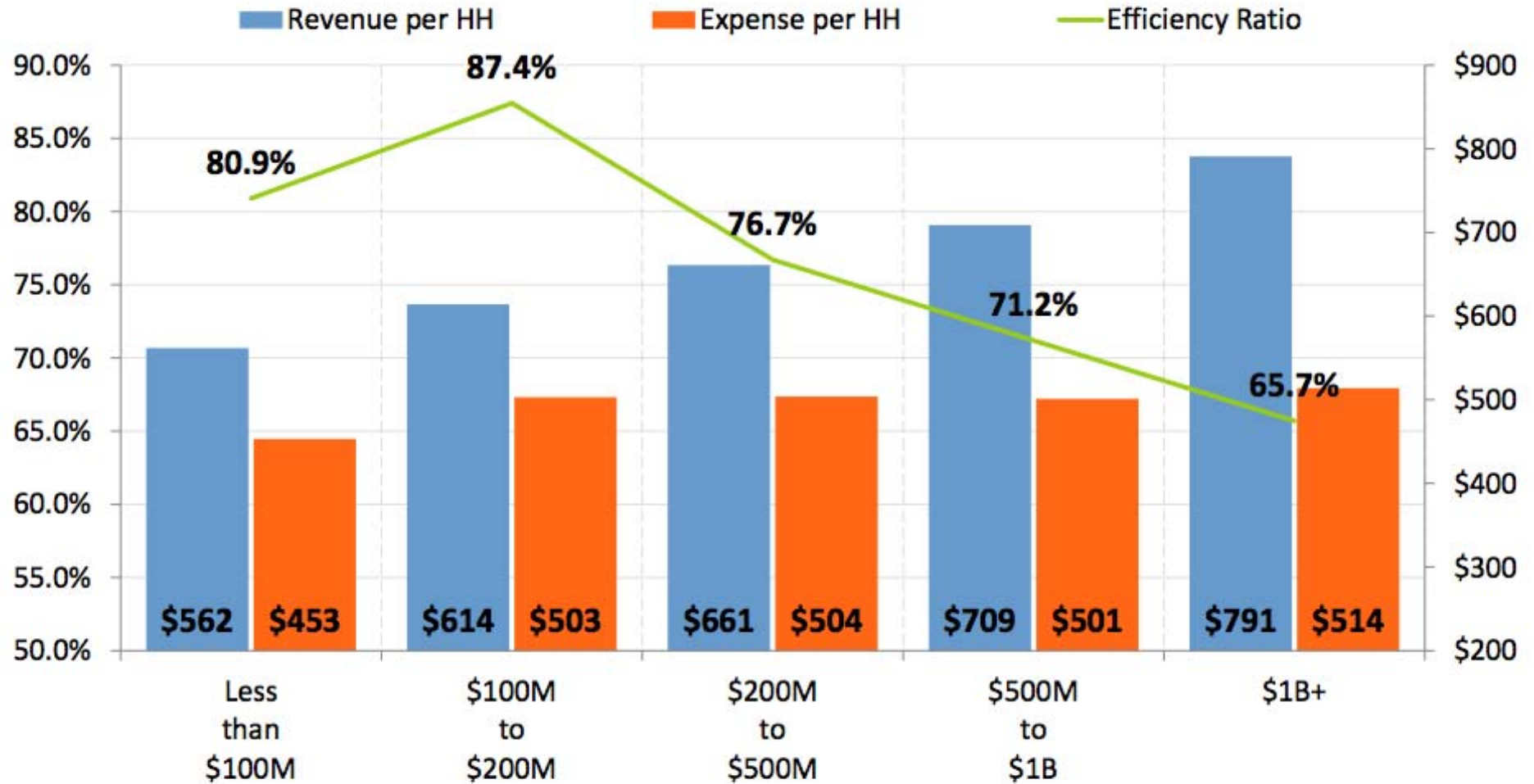
Income Breakdown As a % of Total Income



Larger Credit Unions Generate More Revenue per HH

CEO Strategies Group Asset Size Averages

The Components of Efficiency by Asset Size



Source: CEO Strategies Group Data

Cloud Strategies by Provider

Microsoft



Microsoft
Online Services

Google



amazon.com



salesforce.com
Success On Demand



salesforce.com
Success On Demand

vmware

VMware vCloud

vmforce



IaaS

Infrastructure as a Service



PaaS

Platform as a Service



SaaS

Software as a Service



BPaaS

Business Process as a Service

Mobile Internet Ramping Faster than Desktop Internet Did – Apple Leading Charge

iPhone + iTouch vs. NTT docomo i-mode vs. AOL vs. Netscape Users
First 20 Quarters Since Launch



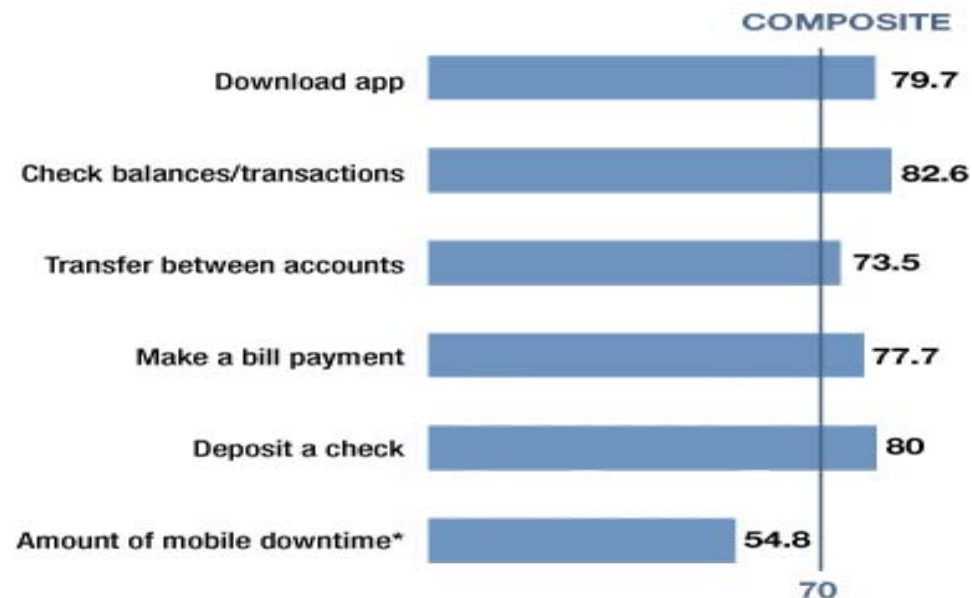
MobileBanking Intensity Index

American Banker Research in partnership with Verizon

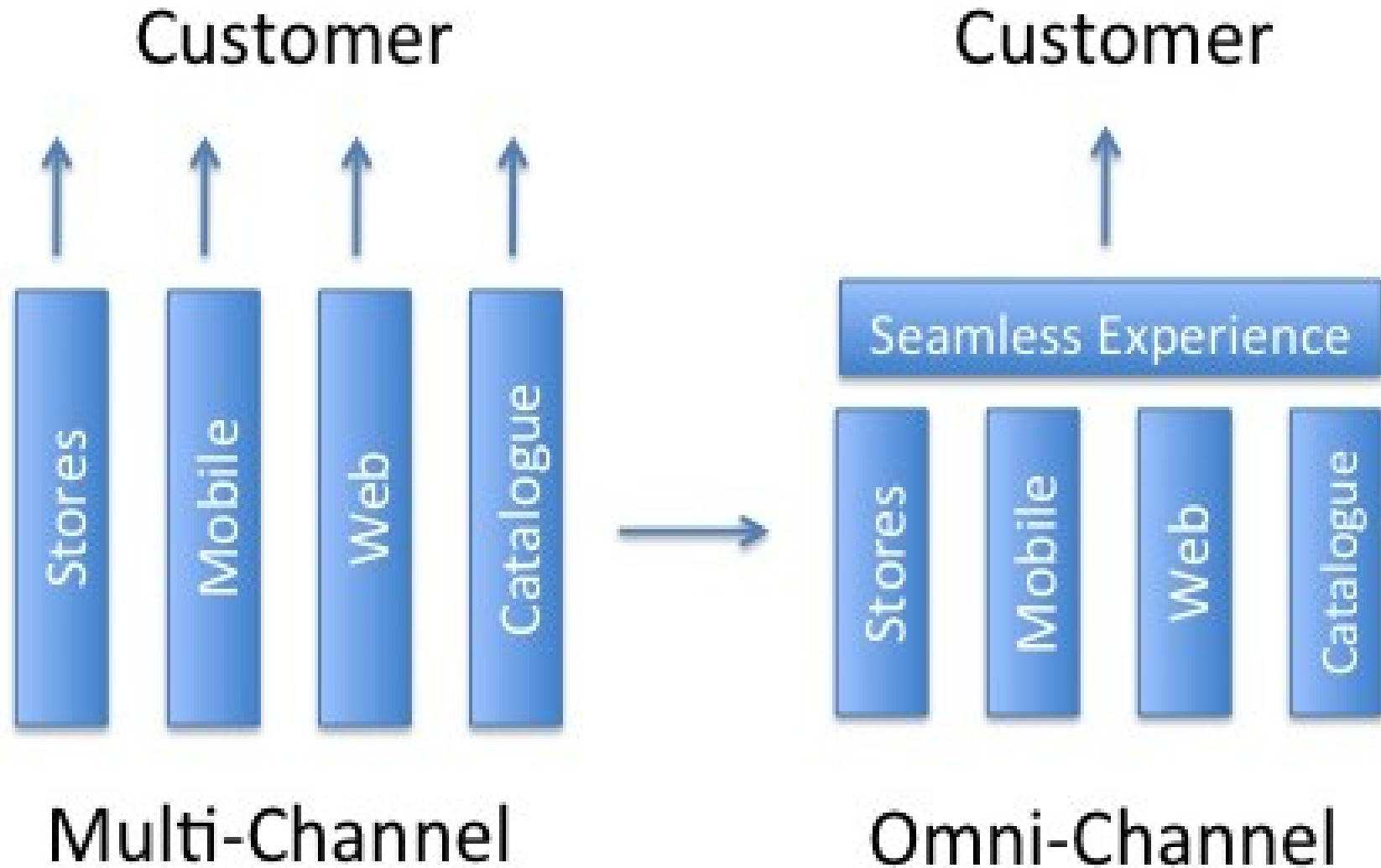


The Mobile Banking Intensity Index registered a reading of 70 in September, indicating a high level of mobile banking activity.

The MBII is a diffusion index based on a regular survey of industry executives by *American Banker*. Readings above 50 in the composite index and its components indicate expansion.



MULTI-CHANNEL VS. OMNI-CHANNEL



TRENDS I SEE TAKING PLACE IN THE INDUSTRY TODAY




New competition moving in!

Video: New Checking Competitors Moven and Simple

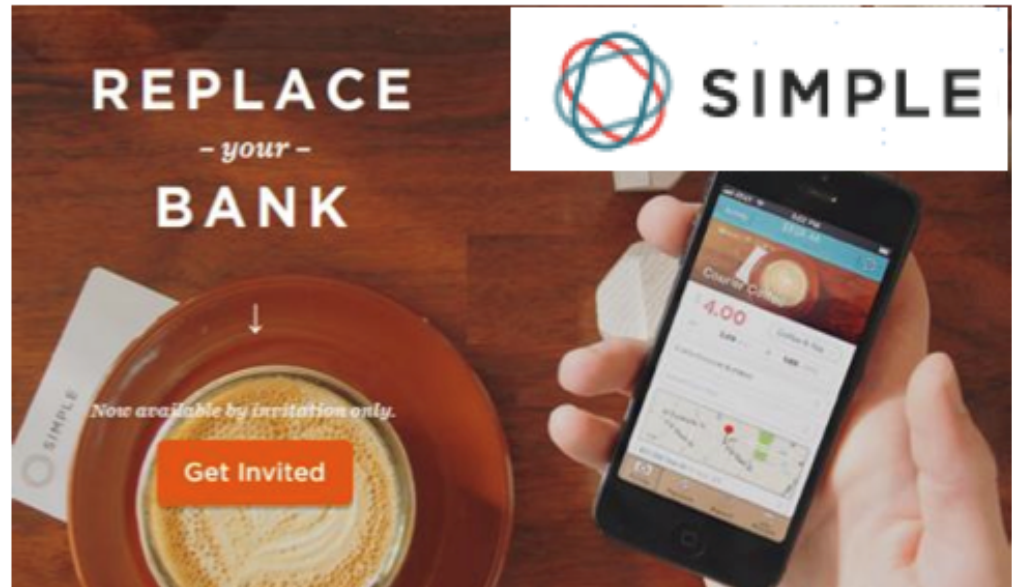
New checking competitors such as Moven and Simple are targeting mobile users by highlighting features such as mobile payments, p2p, remote deposit, and money management.

Both non-traditional institutions are marketing their product as a replacement to the traditional bank, with tag lines such as “replace your bank” and “we do everything you bank does, but better.”



Moven BETA

Get instant insights on your spending delivered directly to your phone and improve your financial health over time.



REPLACE
- your -
BANK

Now available by invitation only.

Get Invited

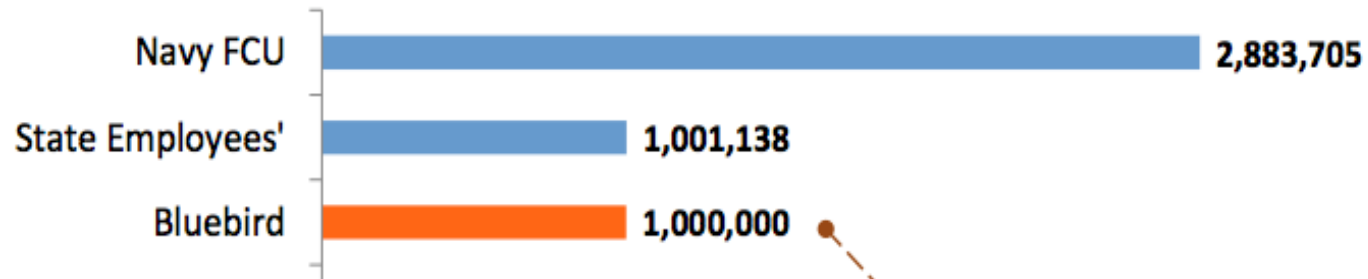
SIMPLE

Manage Your Money

We do everything your bank does, but better.

Bluebird Would Rank 3rd Amongst CU Checking Account Providers

Credit Union Checking Accounts v. Bluebird Users



more
ounts.
lion
hs in

Bluebird
r of
allest
present

Source: NCUA 3/31/13 data; American Express Investor Presentation

COURTESY: WALMART

Base Checking Accounts at Top 6 Banks

CHASE 

CHASE TOTAL CHECKINGSM

Basic checking with great features.

\$12 Monthly Fee unless \$500 direct deposit, or \$1500 average balance, or \$5,000 average balance in linked deposits/investments

 **PNC**

Standard Checking: \$7 Monthly Fee unless \$500 average balance

Virtual Wallet: Currently Free - effective December 2013: \$7 unless \$500 direct deposit, or \$500 average balance in linked checking/savings, or use only electronic methods for transactions, or student

Bank of America 

MyAccess[®] Checking Account

\$12 Monthly Fee unless \$250 direct deposit, or \$1500 average balance

usbank.

Easy Checking Account

\$6.95 Monthly Fee (\$8.95 w/ paper statements) unless \$1,000 direct deposit, or \$1500 average balance

WELLS FARGO

Wells Fargo ValueSM Checking Account

\$7 Monthly Fee (\$9 w/ paper statements) unless \$500 direct deposit, or \$1500 average balance

citi

Citibank Basic Checking

Simplicity at its best.

\$10 Monthly Fee unless 1 direct deposit AND 1 bill pay each month; or \$1500 average balance in linked checking/savings



EVERYONE IS COMPETING FOR YOUR MEMBERS!

.....AND ITS ONLY GOING TO GET TOUGHER!



Airlines Saw it Coming 1st!



Or they are just cheap!

WARNING!

- * Credit Union with RTMs and Tellers



VS.



PERSONAL TELLER MACHINE



A close-up of a smartphone screen displaying a mobile banking application. The screen shows a status bar at the top with a Windows logo, signal strength, Wi-Fi, and battery icons. Below the status bar, the text "Deposit Check" is displayed in white on a teal background. To the right of this text are icons for zooming in and out, a speaker, and a volume icon, followed by an "ok" button. Below the teal bar, a white banner contains the text "Step 2: Take Photo of Check Front". The main area of the screen is black, with a check being held in front of the camera. The check is partially visible, showing the name "THOMAS (OR MARY ANDERSON)", the number "608", and the date "July 14, 2015".

Deposit Check

Step 2: Take Photo of Check Front

USE PENETRATION

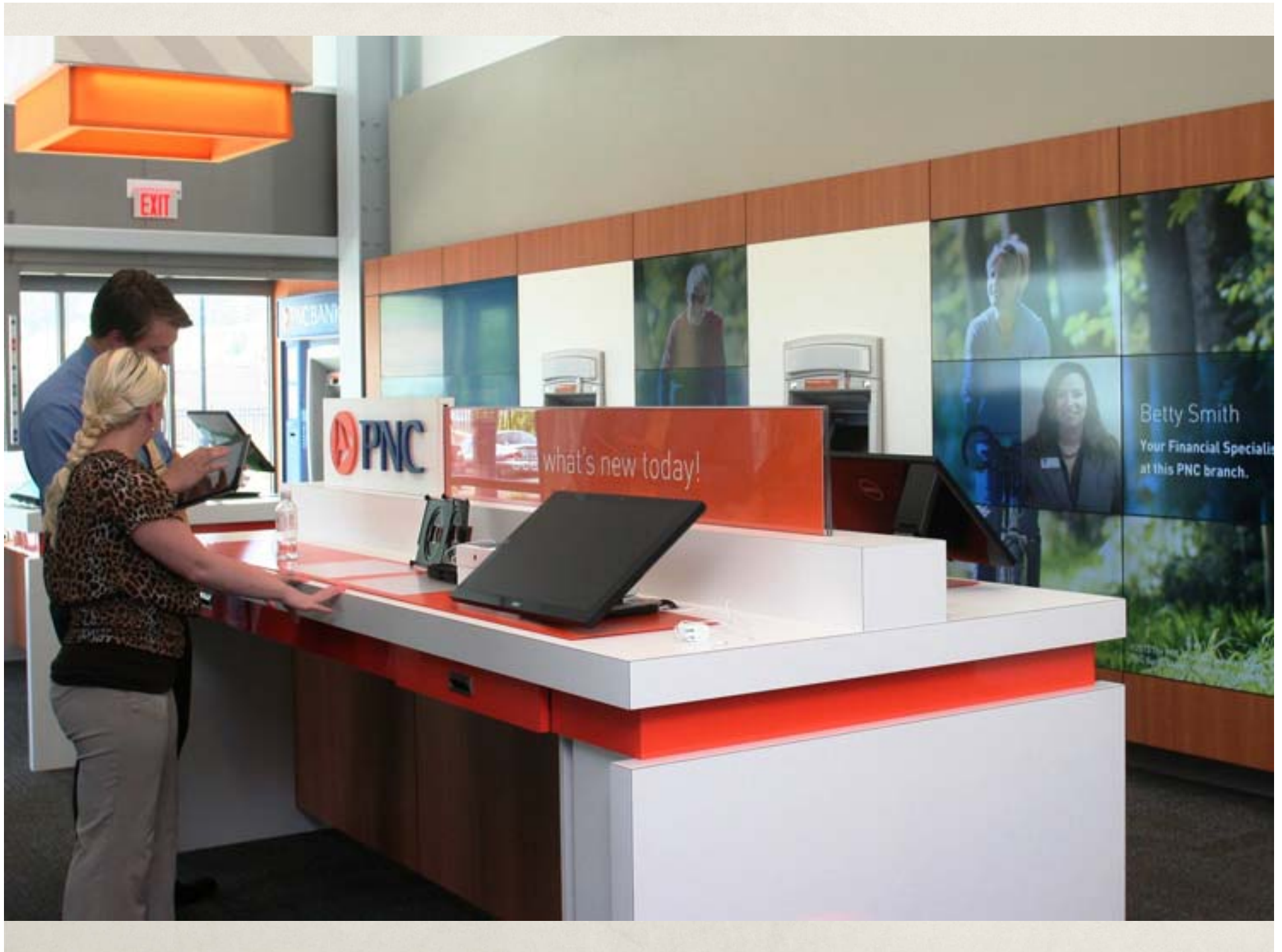
EASE OF USE

IMMEDIATE CREDIT

SELF SERVICE IS PUTTING THE POWER INTO THE MEMBERS HANDS







CAPITAL ONE'S FIRST CAFE' IN BOSTON



Wells fargo newest branch

- * Too bad that Wells Fargo is so focused on High-tech and ignores High-touch. Kind of a Tin Man searching for a heart. It is easy to see how their customer service is being pushed through high-tech machines that makes sense but doesn't build trust or



5 bank employees equipped with Microsoft Surface Tablets stroll around helping customers

Citibank newest retail branch

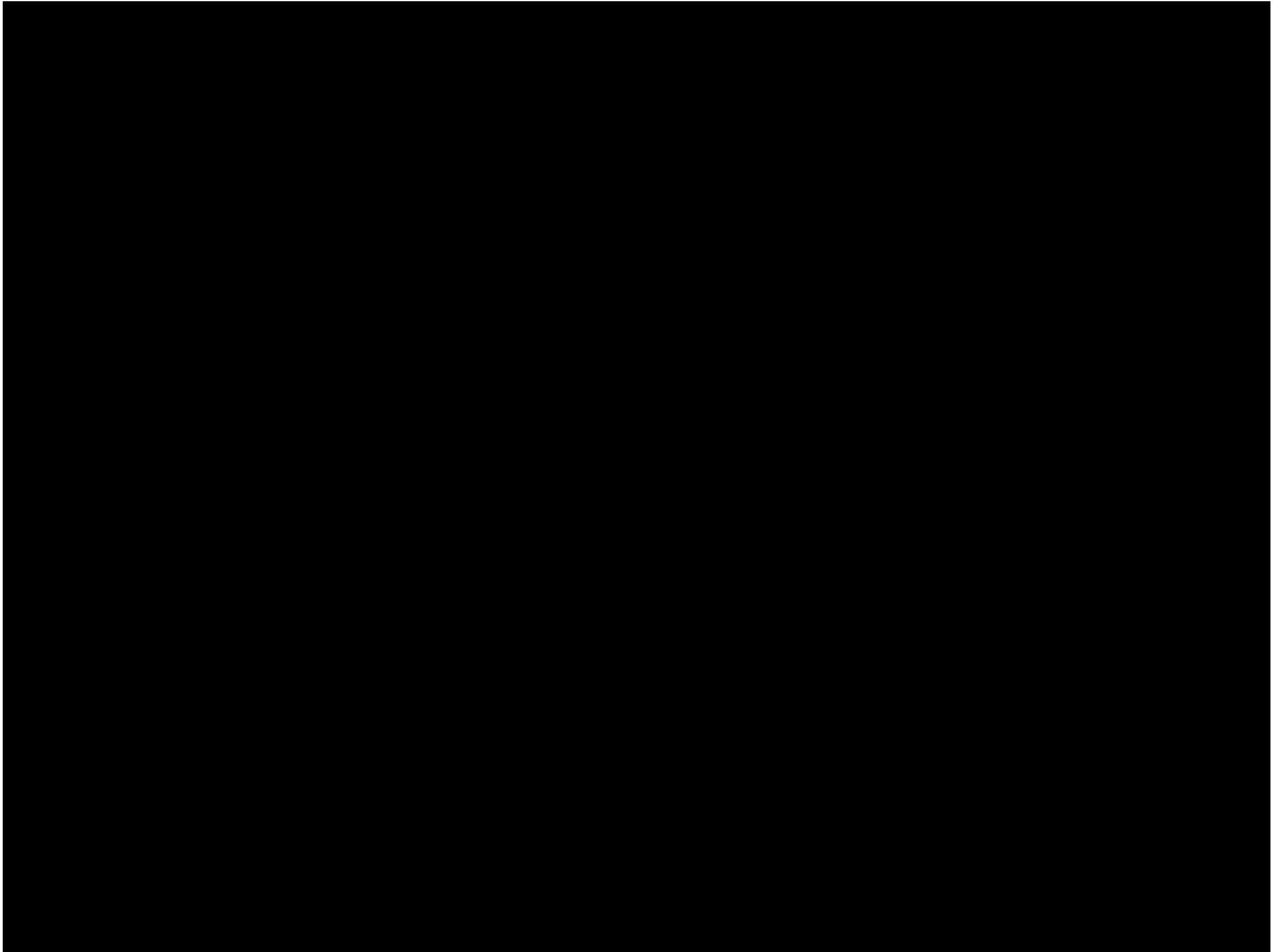


Apple based facility

CHASE – Self service built for speed







Top online bank







**FULL SELF SERVE
BRANCH WITH
MINIMUM STAFF**

**PROBLEM RESOLUTION
NEW ACCOUNTS
LOAN APPLICATIONS
SERVICE & ASSISTANCE**







AMPLIFY

Bank less. Live more.



EFFICIENT, FRIENDLY AND COST EFFECTIVE



COFFEE SHOP!



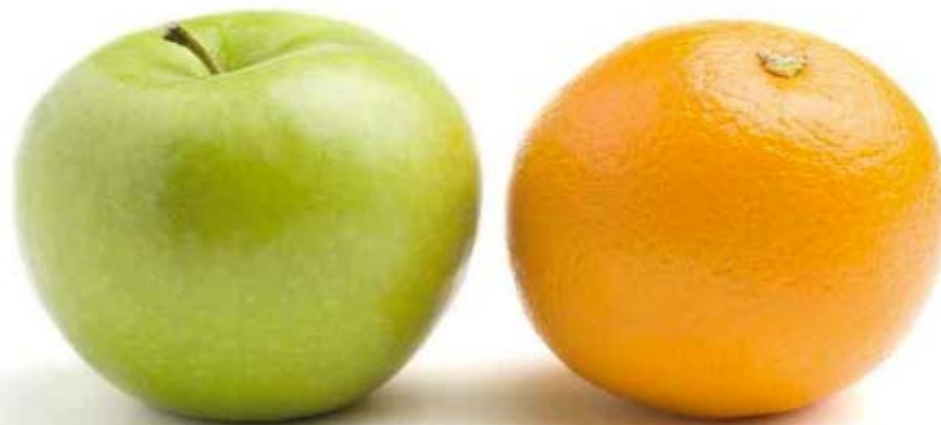


THE BIG CHALLENGE

* HYBRID CREDIT UNION

- * Serving your current members
- * While attracting new members

BOTH WANT IT DONE DIFFERENTLY!





ATTENTION



Commonly called “big data,” it is the collection and analysis of large, complex quantities of marketing information. Financial marketers will need to figure out how to use big data marketing tools to capture, curate, store, search, share, transfer, analyze and visualize these massive data sets into usable information to better engage consumers.

DATA MINING

Key to Proactive Lending

Focus on your members 1st

- * Data mining your current membership base for lending opportunities you are missing today!



Credit Union STRATEGY

Many Loan Products

Auto
Loans

Home

Home
Re-fi

Small
Biz

Credit
Cards

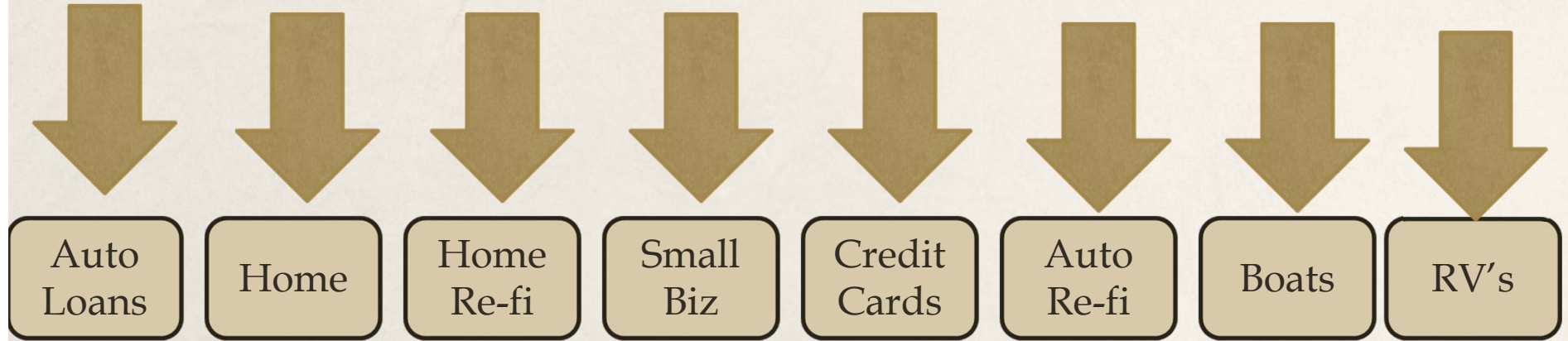
Auto
Re-fi

Boats

RV's

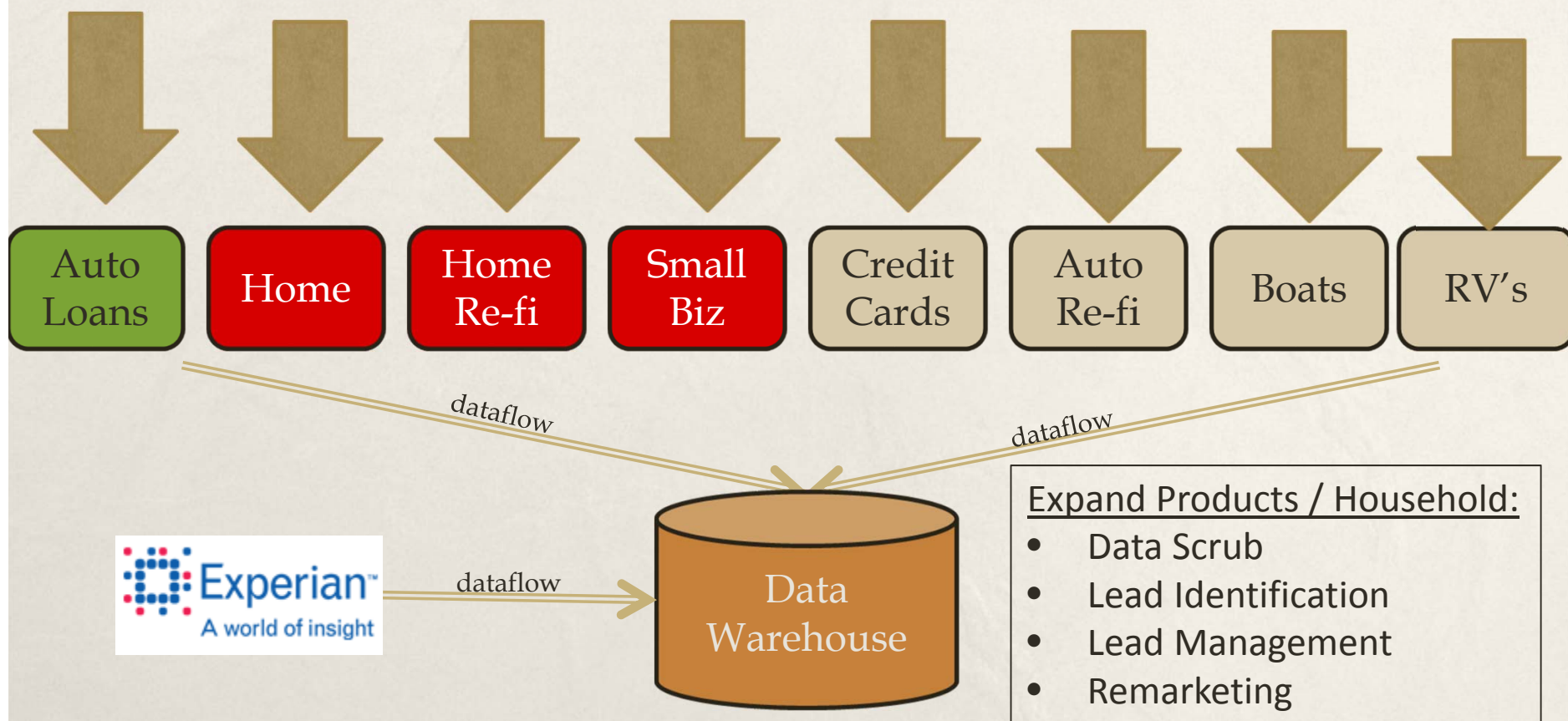
Credit Union's STRATEGY

Programs to Drive Qualified Leads



Credit Union STRATEGY

Programs to Expand Products / Household





ATTENTION

OUTBOUND LENDING

10 COMMANDMENTS OF
OUTBOUND LENDING



PROACTIVE LENDING

WANTED: SALES PEOPLE



Hire Lending Experts that like to save members money



OUTBOUND LENDING - \$1.7 MILLION in one month - Builds Relationships!

Hiring practices

Follow the Hard Rock Café approach



Crazy spiked haired intellect Hired to hire

Who knows how to ROCK!

Who are you hiring for??

INCENTIVE = SALES PERFORMANCE



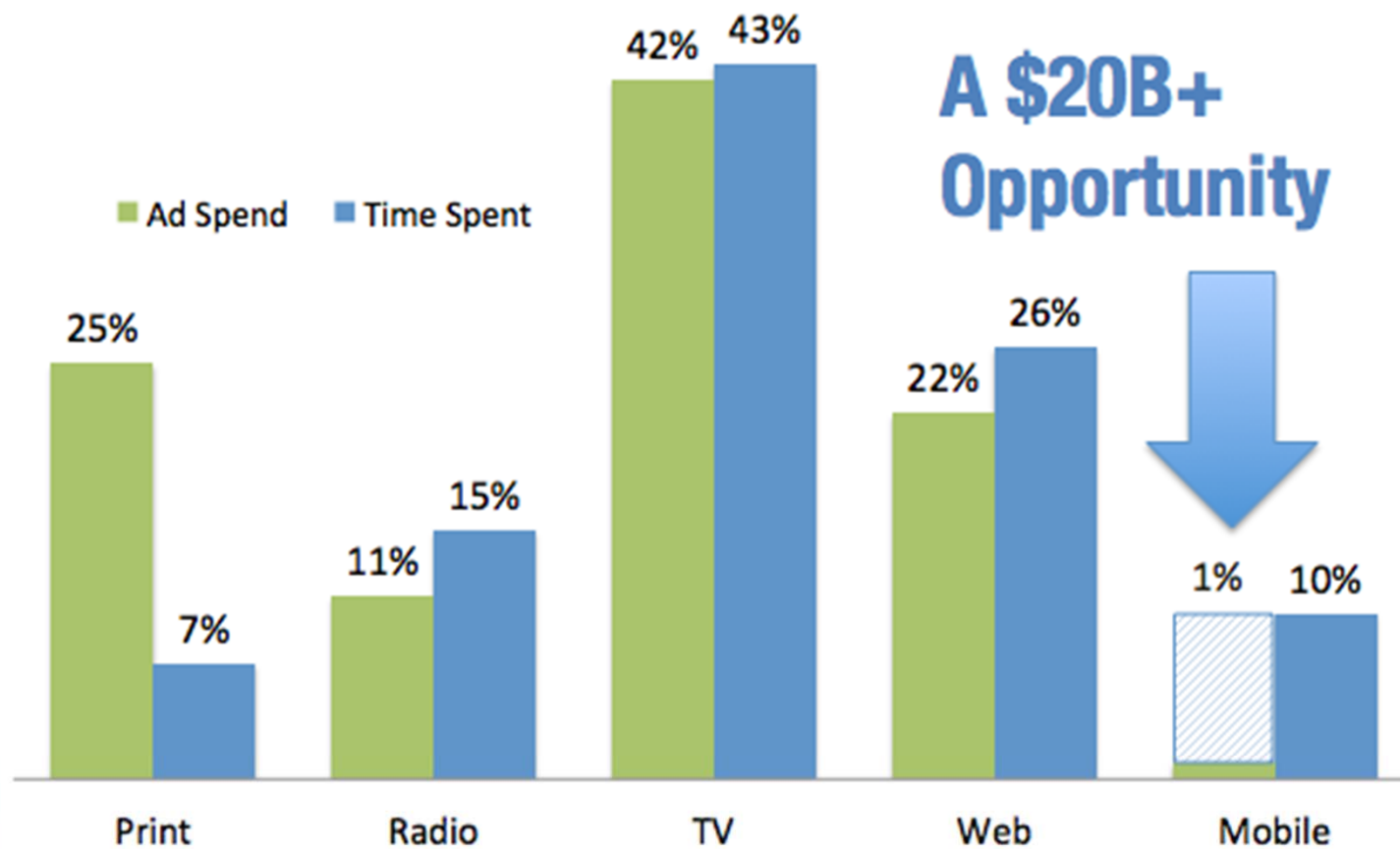
EAT WHAT YOU KILL!



HOW IS THAT FOR INCENTIVE!

Mobile Centric Strategy

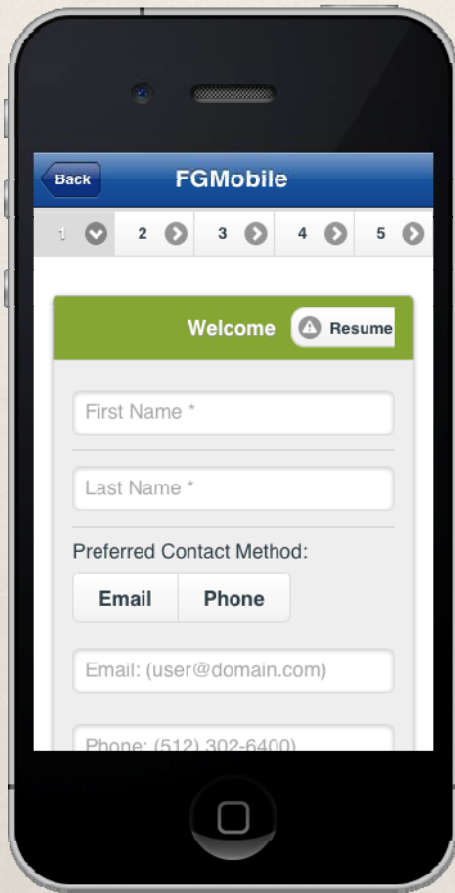




2011 U.S. Ad Spending vs. Consumer Time Spent By Media
 Source: Mary Meeker (KPCB), eMarketer, IAB

BI INTELLIGENCE

Mobile Loan Application

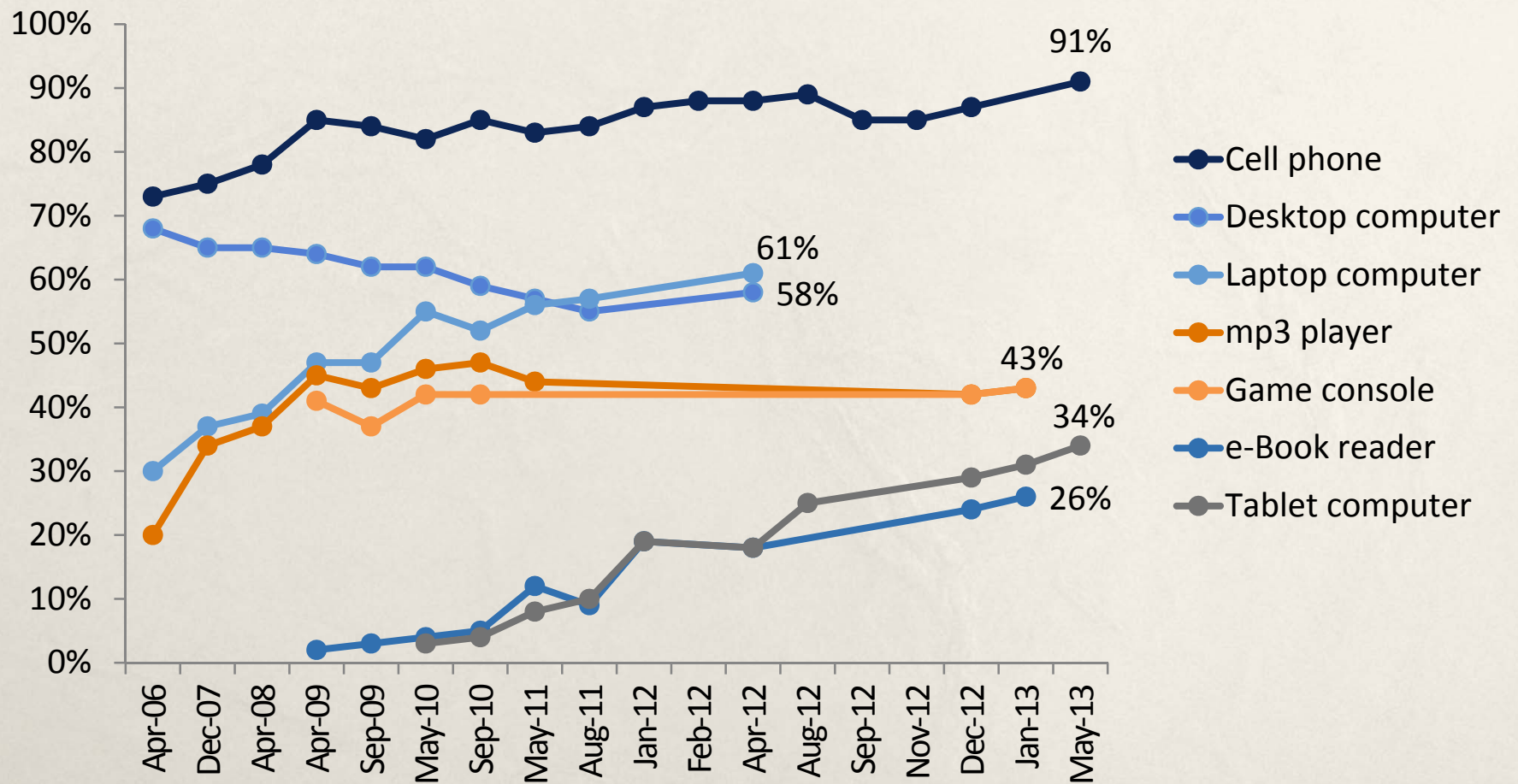


- Native application which facilitates control of device features such as camera for scanning
- Rapid setup can have private label lender up and running in a few hours
- Offered as an Allied MobileFI wizard,
•or stand alone application
- Integrates with most leading LOS's
- Supports multiple loan types
- Application Support – full account and technical support



How Many Own Mobile Devices?

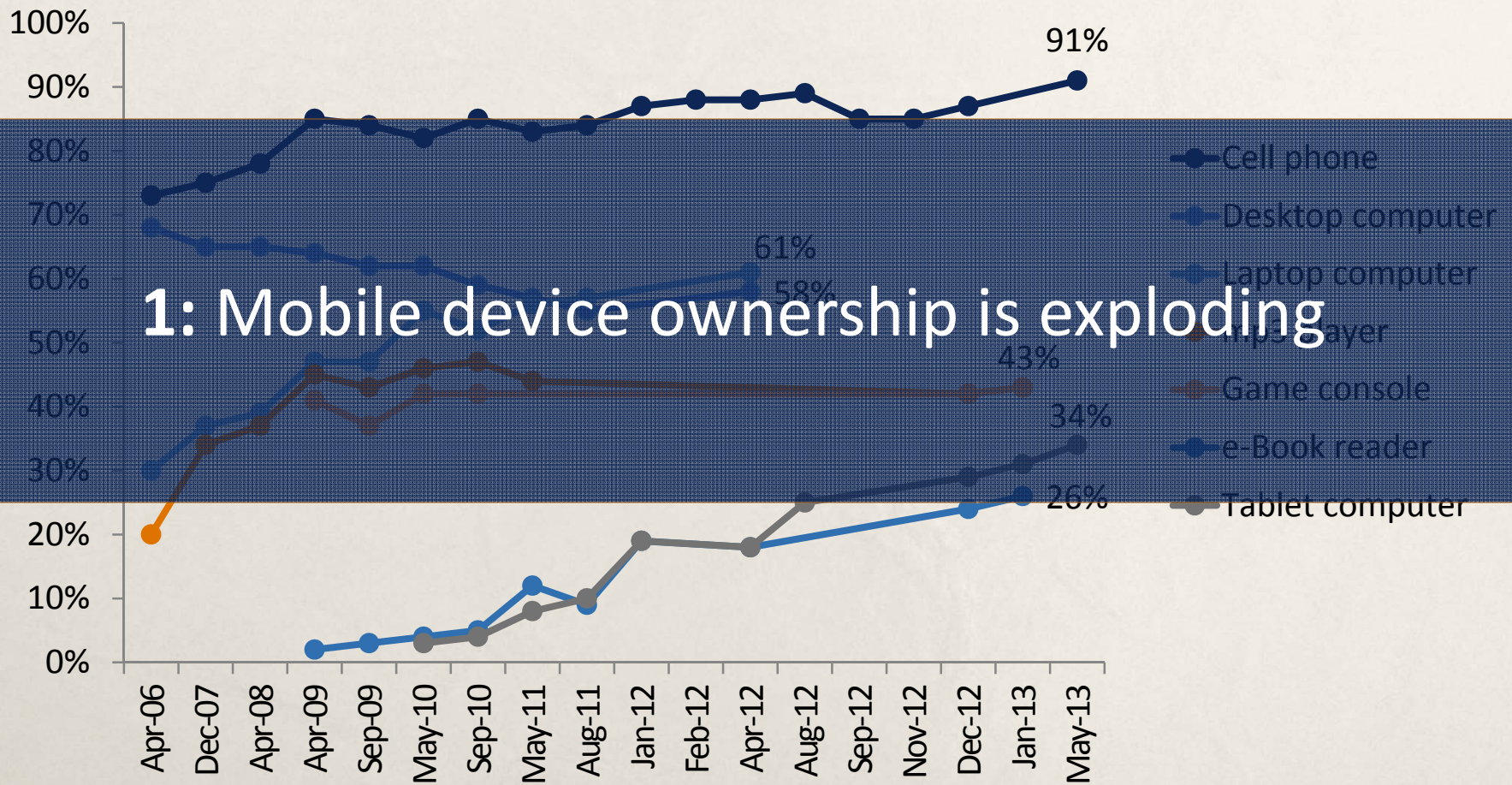
Percent of American Adults 18+ Who Own Each Device



Source: Pew Research Center, Internet and American Life Project, 2006-2013

How Many Own Mobile Devices?

Percent of American Adults 18+ Who Own Each Device



Source: Pew Research Center, Internet and American Life Project, 2006-2013



**Smartphone users
check their phones**

150

times each day.

Source: Infosys Report "Engaging with Digital Customers," 2013

**Smartphone users
check their phones**

1500

2: Mobile is where consumers spend their time

times each day.

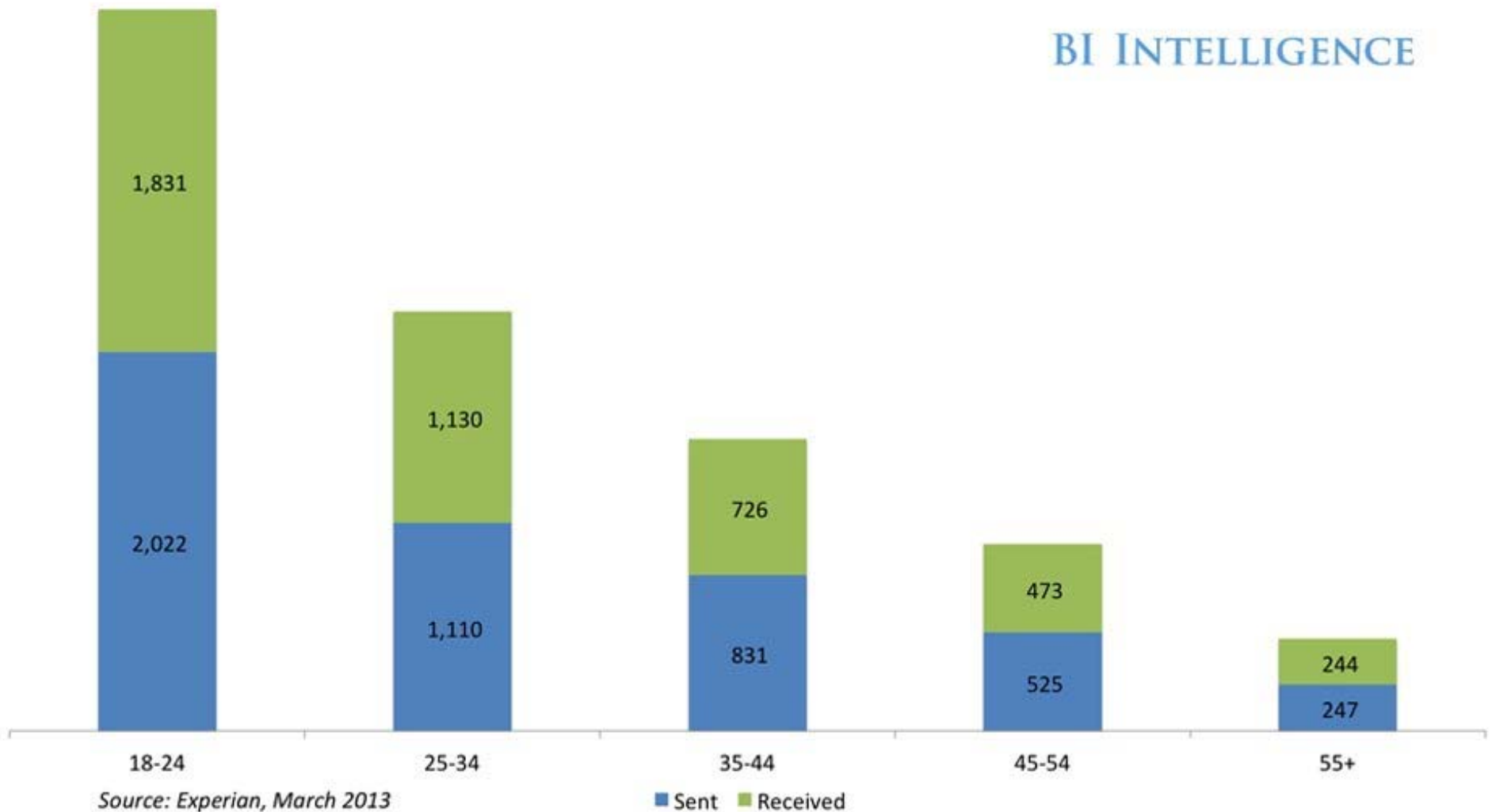
Source: Infosys Report "Engaging with Digital Customers," 2013



Average Number Of Texts Sent And Received Per Month

U.S. smartphone owners, by age

BI INTELLIGENCE



Remote Channel Focus

Call Center, Internet, Mobile, Outbound

(The new proactive frontier of Lending)

EXPENSE CONTROL

Inbound & Outbound focused
Data mining for continuous lists is key to a
successful program.

(committed approval = higher success rate)

Build upon your least expensive customer channel



DELIVER
A GREAT USER EXPERIENCE?



DELIVER A POSITIVE & POWERFUL REMOTE EXPERIENCE

Proactively Guide Choice of Channel

Enable them to accomplish each task with minimum effort. Done well, the process will guide the customer to the lowest effort channel while still satisfying the customer's desire for choice.

* There are two main obstacles:

* 1. Lack of experience with non-branch channels. This prevents customers from choosing the best-fit channel for their needs.

* 2. When customers have chosen a channel, they are reluctant to switch even if another channel promises easier resolution.
CREATURES OF HABIT!

* WE NEED TO PROACTIVELY INCENT THEM TO TRY





- * The goal is to provide a better path for the customer to follow and to avoid customer disengagement as they are served through different, more effective and efficient channels.

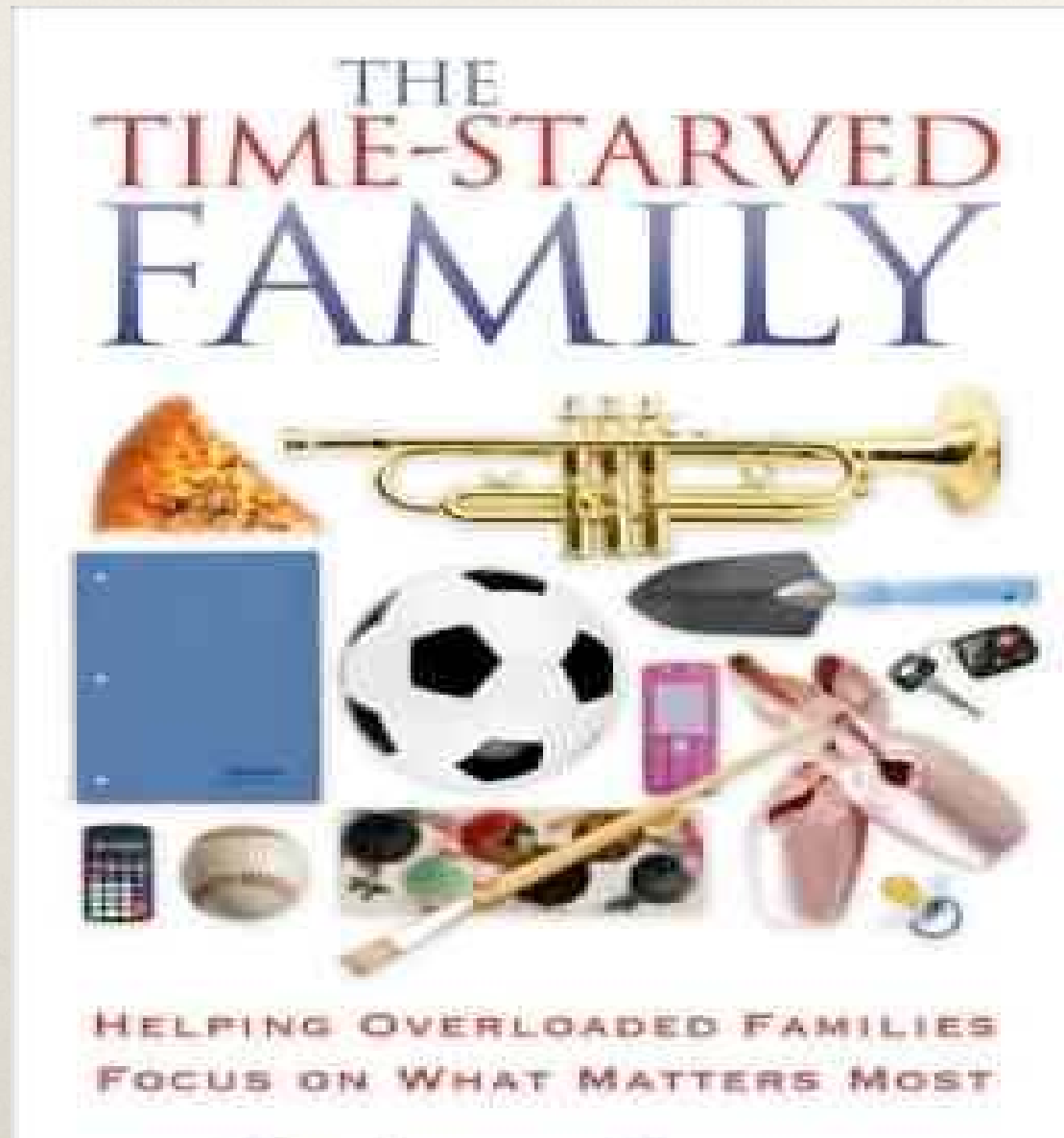
There are “4” things we can be sure of !



Better



There are “4” things we can be sure of !





user

friendly

A blue speech bubble with a white outline and a drop shadow, containing the word "Better" in a white serif font. The bubble has a tail pointing downwards and slightly to the left.

Better

ANY QUESTIONS?



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