

Performance Analytics Workshop Report

FinancialEdge Community Credit
Union

March 2017
(Data as-of 12/31/2016)

Program Name Change

The CEO Strategies Group
program is now called:

Performance Analytics

Other Raddon Updates

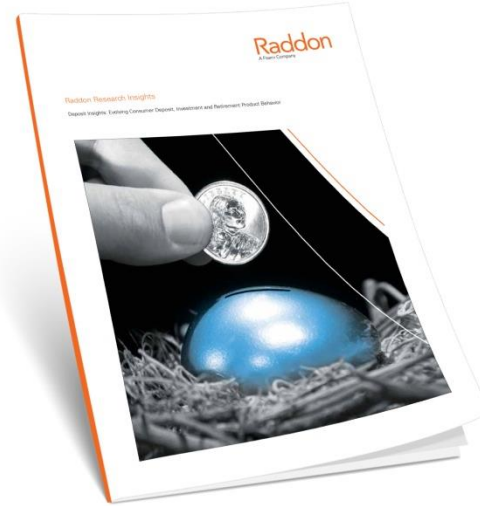
- New Website
- Research Insights Program
- CEO Forum
- Raddon Research Conference
- Raddon Consulting Solutions
- New Branding Study

NOW AVAILABLE!

Raddon Research Insights **Baseline Studies**



Channels and Payments Insights: High-Touch and High-Tech Consumers Are the Norm



Deposit Insights: Evolving Consumer Deposit, Investment and Retirement Product Behavior



Small Business Insights: Optimism Leads to Opportunity



Lending Insights: Promoting Growth in a Challenging Lending Environment

2017 Raddon Research Conference

November 6–8, 2017 • Chicago



Mark Your Calendar for the 2017 Raddon Research Conference

Save the date for the inaugural Raddon Research Conference, November 6–8, 2017, at the Hyatt Regency Chicago.

CEO FORUM



Mark Your Calendar for the 2017 Raddon CEO Forum

Save the date for the 2017 Raddon CEO Forum, August 7–9, 2017, at the Montage, Laguna Beach, California.

Raddon Advisory Consulting Suite



Strategy Services

Strategic Planning
Board Transformation
Brand Strategy
Market Area & Expansion
Digital Experience
Retail Banking
Business Banking



Marketing Services

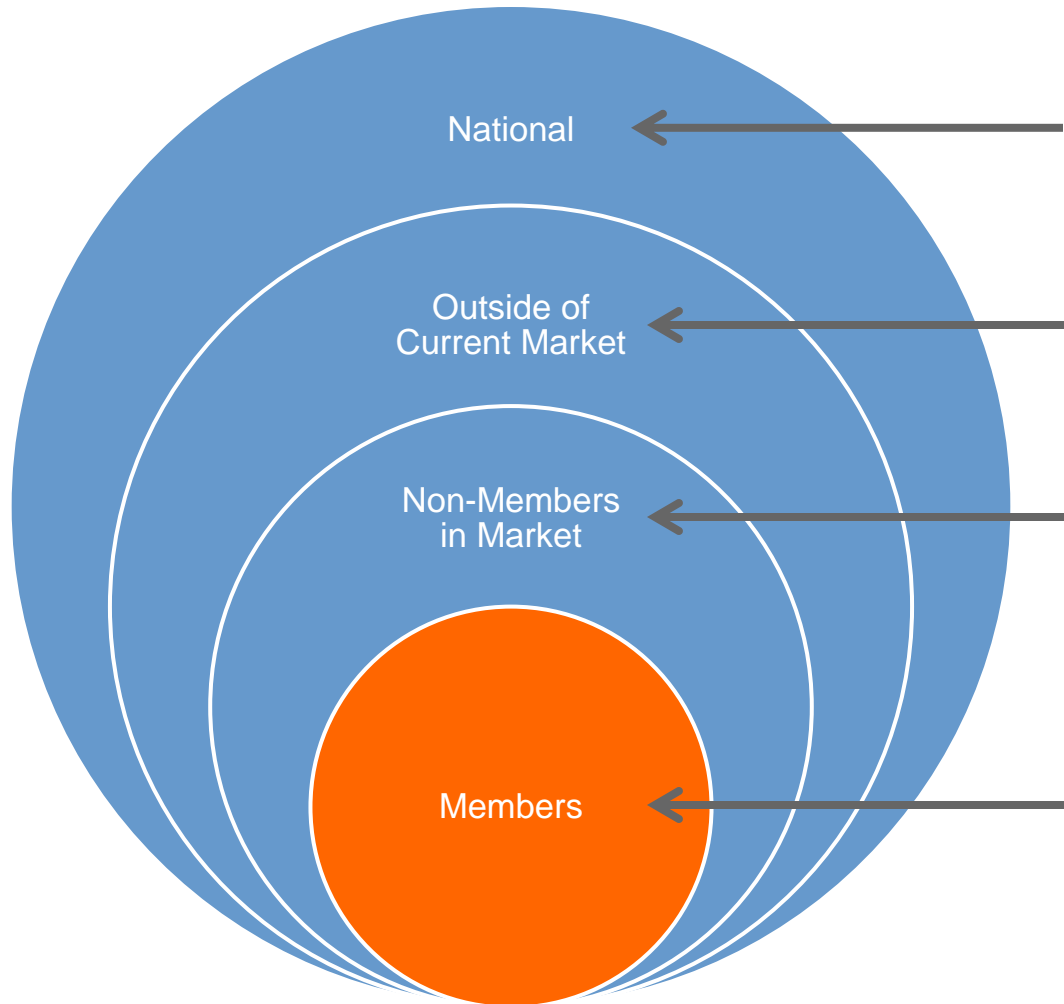
Digital, Direct Mail & Marketing
Communications:
*Targeting, Creative, Execution,
Fulfillment, Printing, Tracking &
ROI Analysis*
Marketing Plan Development



Sales & Service Transformation

Training:
Management, Platform & Teller
Branch Improvement
Contact Center
Mystery Shopping

The Multiple Levels of Branding



For most institutions, branding at the national level is limited to the “Credit Union brand” – consumers awareness of credit unions in general.

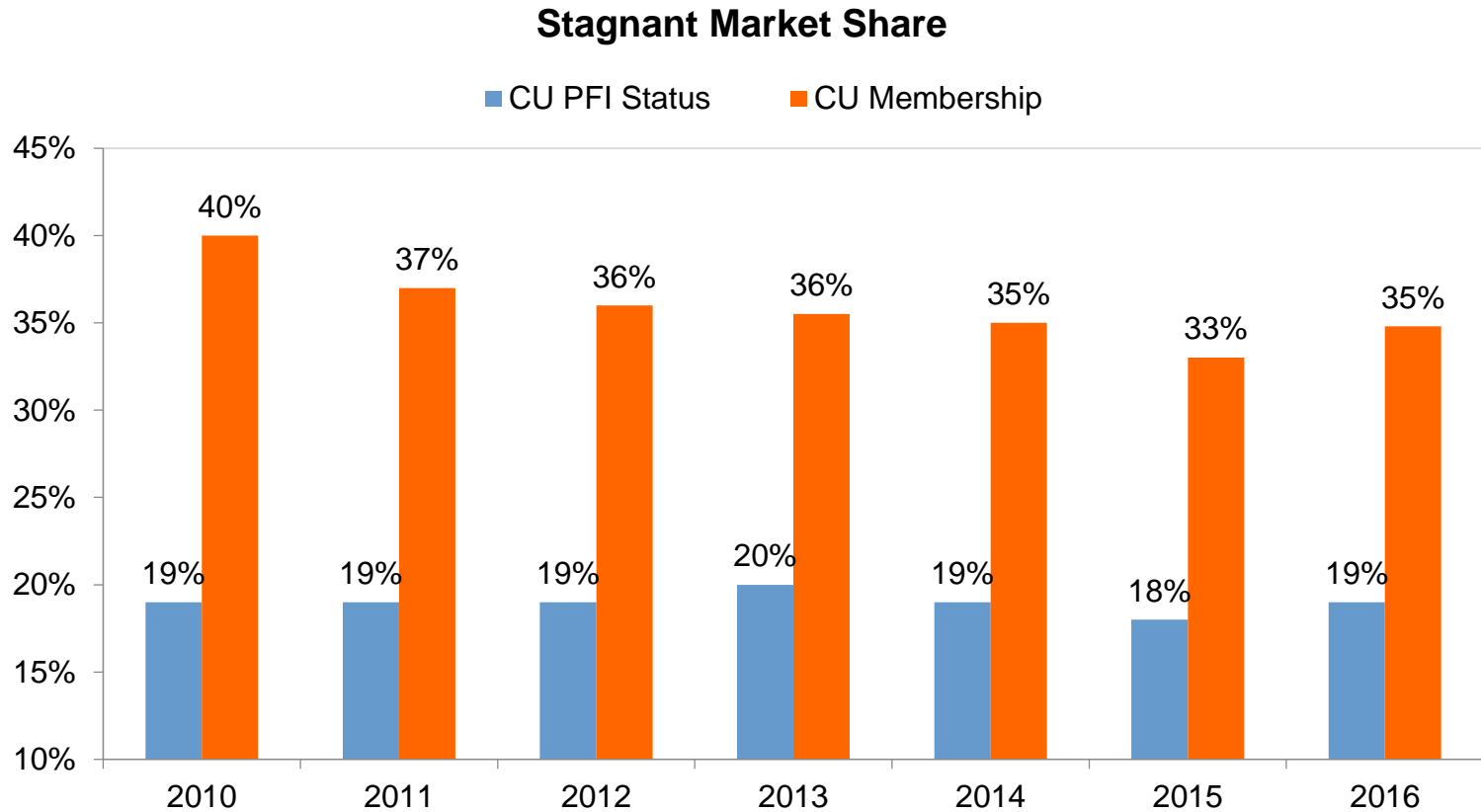
General awareness of the institution is the initial goal of branding outside of current markets.

In addition to general awareness, what are the perceptions of the brand in your current markets?

Member perceptions of the brand and core attributes can vary widely even amongst current members.

Impact of National Branding?

While the total number of credit union members has grown since 1997, growth of market share has been stagnant during the recovery.



Source: Raddon Research Insights



Workshop Agenda

- 9am – 12pm
 - Methodology and Introduction
 - The Changing Tide in 2017
 - Deposit Strategies in a New Environment
- 12pm – 1pm
 - Lunch
- 1pm – 3pm
 - The Future of Loan Growth
 - The Branch Is Not Dead
 - Case Study Update: Mobiloil FCU's Road to High Performance



Methodology in Brief

Performance Analytics

Program Overview

- Performance Analytics from Raddon leverages your credit union's account and transaction data, as well as key financial information, to help you create effective growth and earnings improvement strategies.

Growth

Loans

Deposits

Households

Products

Earnings

Margins

Non-Int. Income

Expenses

Efficiency

Membership

Segmentation

Relationship

Engagement

Business Lines

Delivery

Branches

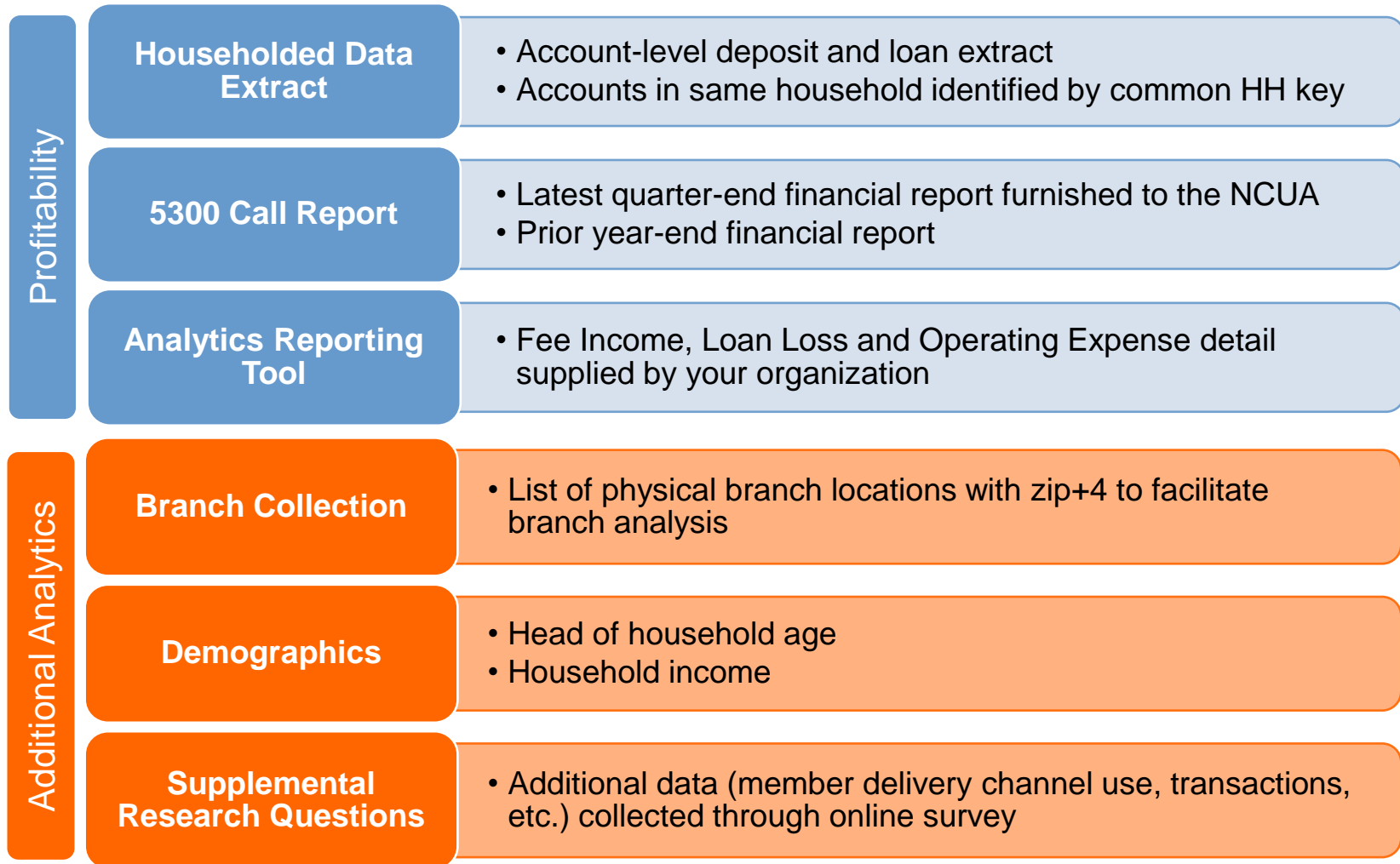
Online/Mobile

Debit Cards

Credit Cards

Performance Analytics

Sources of Information



Your Data

- Various charts help depict your credit union's profile and performance
 - Scorecards
 - Long-term trends
- Pages showing your data will include your institutions name in the sub-header
- If applicable, page references to the full report are shown on the bottom right of the slide

Supporting Material

- Other Raddon research and analysis
 - Research Insights
 - Member Survey
- Third Party Sources
 - NCUA, FDIC
 - Federal Reserve
 - Other Gov't Agencies

Performance Analytics

Workshop Report Comparisons and Percentiles

To help evaluate your performance, this report provides your credit union with the following benchmarks.

COMPARISONS

90th Percentile

The average of the ratios at the 90th percentile for a given metric.

Demonstrates top performance for the particular ratio.

High Performers

The average ratios of the institutions that score in the top 10% (90th+ Percentile) on the Raddon Performance Index.

National Average

The average ratios of all participating credit unions in the Performance Analytics program.

300+ credit unions
\$350B+ total assets

PERCENTILES

Represents the rank (from 1 to 100) of your institution's ratio versus all other participants in the program.

100th Percentile =
Highest or best ratio

50th Percentile =
Median ratio

1st Percentile =
Lowest or worst ratio

Performance Analytics

Components of Profitability

Profit is computed at the account level and ties back to the Call Report.

Net Interest Income

- Margins computed using transfer price (FHLBB/Treasury) based on account open date and product duration

Non-Interest Income

- Client supplies non-interest income by product type from GL's, used to compute average non-interest income per account

Operating Expenses

- Per account expenses by product type, supplied by client or Raddon average costs

Loan Loss

- Client supplies per account loan loss rates by product type

Raddon Terms and Definitions

Products & Products
per Household
(formerly called Services)

Growth Rates

Share of Wallet

Business Lines

New and Cross-Sold
Households

Segmentation



State of the Economy and Industry

The 2016 election has changed things

The Immediate Aftermath of the Election

Improved Confidence

1. Stock market performance
 - DJIA exceeds 20000 - first time ever
2. Consumer confidence
 - Highest level since January 2004
 - Other than Dot.com boom, there have been only six months since 1978 where consumer confidence has been higher
3. Small business confidence
 - NFIB reports that small business optimism is at its highest level since December 2004
 - Corporate tax rates likely to be lowered

The Immediate Aftermath of the Election

Improved Operating Environment

1. Regulatory Environment

- Mark McWatters named as Chair of NCUA
- Discussion of defunding CFPB and/or moving from single Director to a Board
- Significant revisions to Dodd-Frank are possible

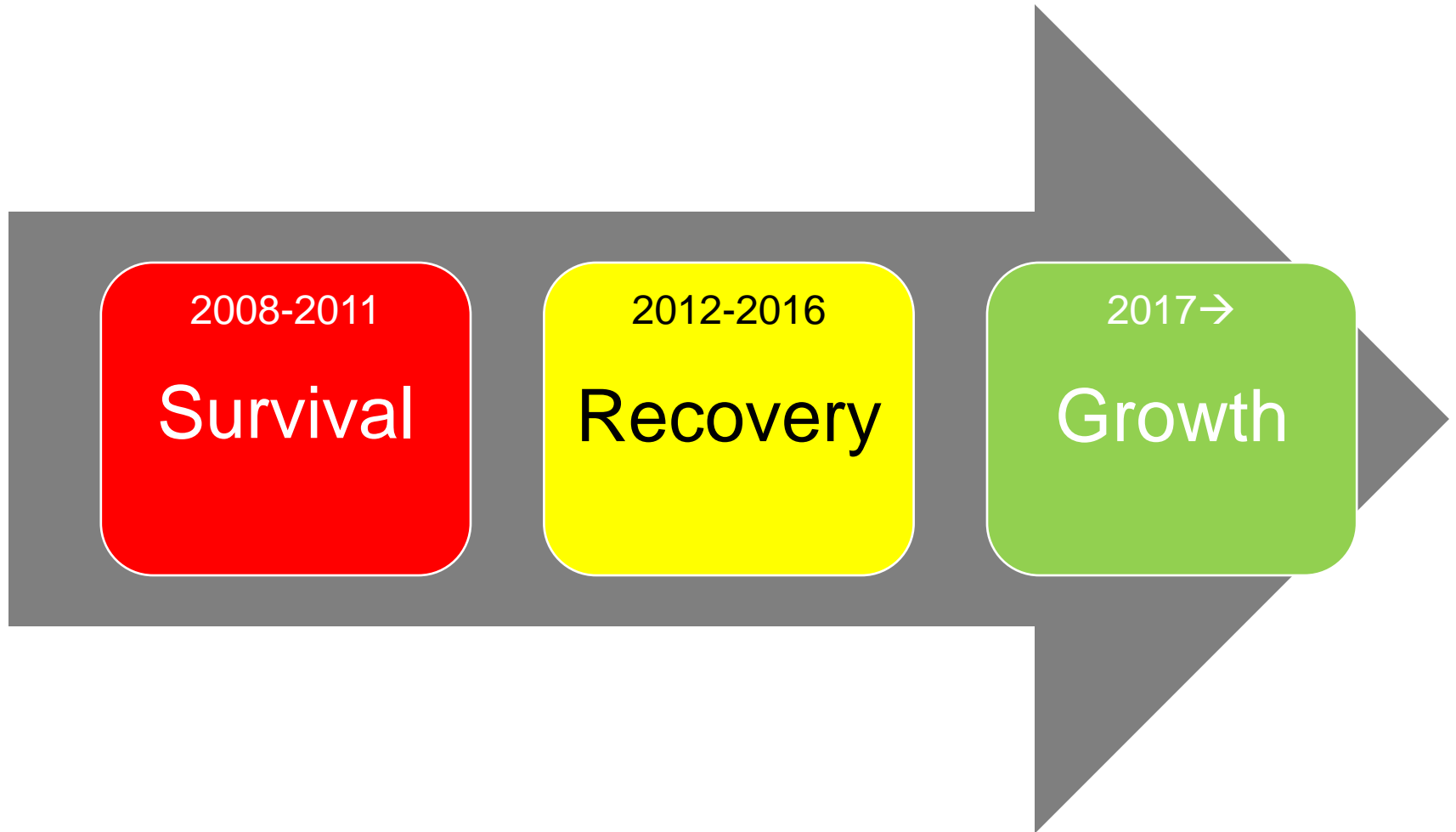
2. Interest Rates

- Fed signals a return to a more “normal” rate environment

3. Growth Opportunity

- Stemming from enhanced confidence

What It Means: A New Phase for the Industry



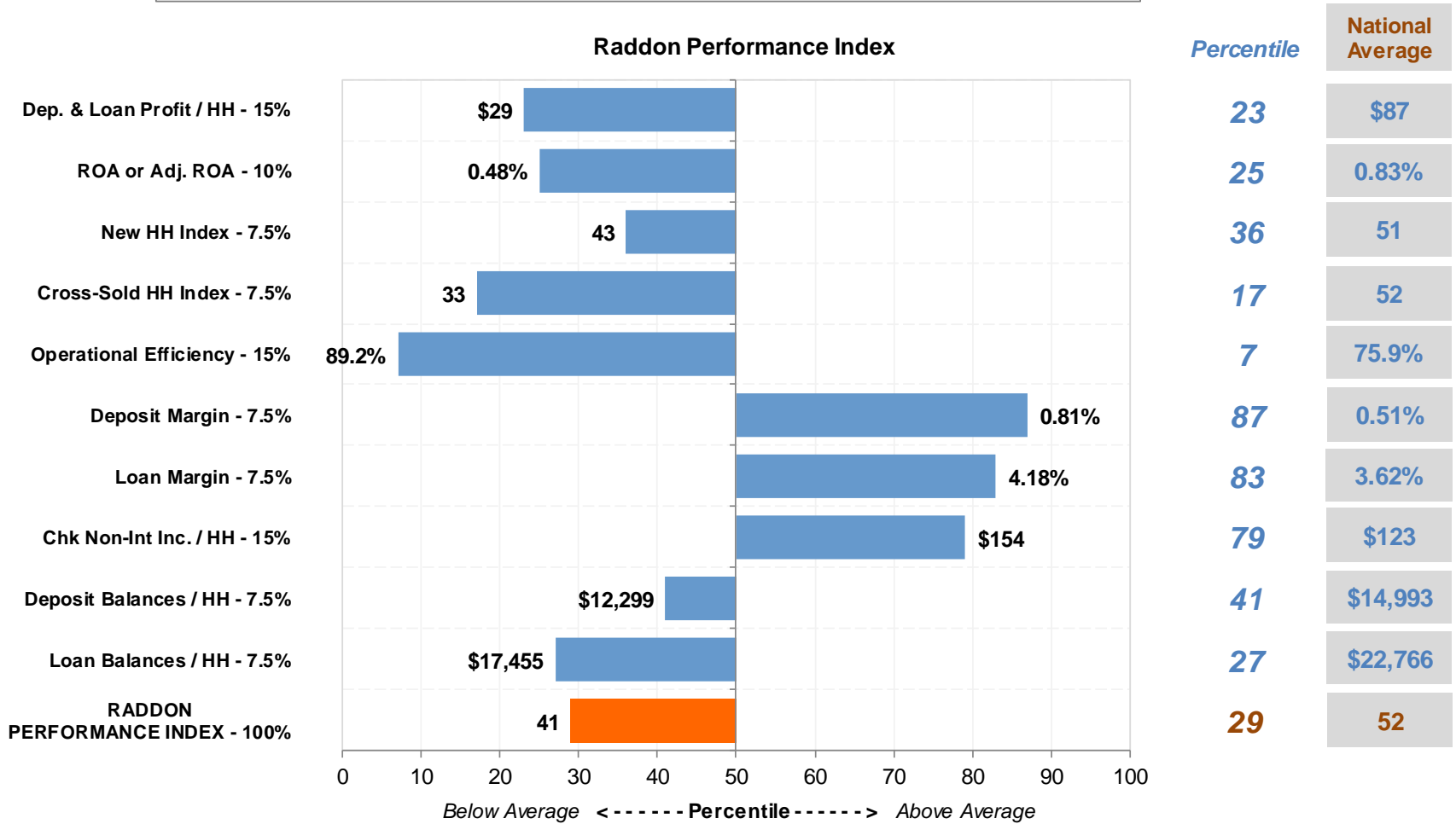


Institution Profile

The Raddon Performance Index - What Are Your Strengths?

FinancialEdge Community Credit Union - All Households - 12/31/2016

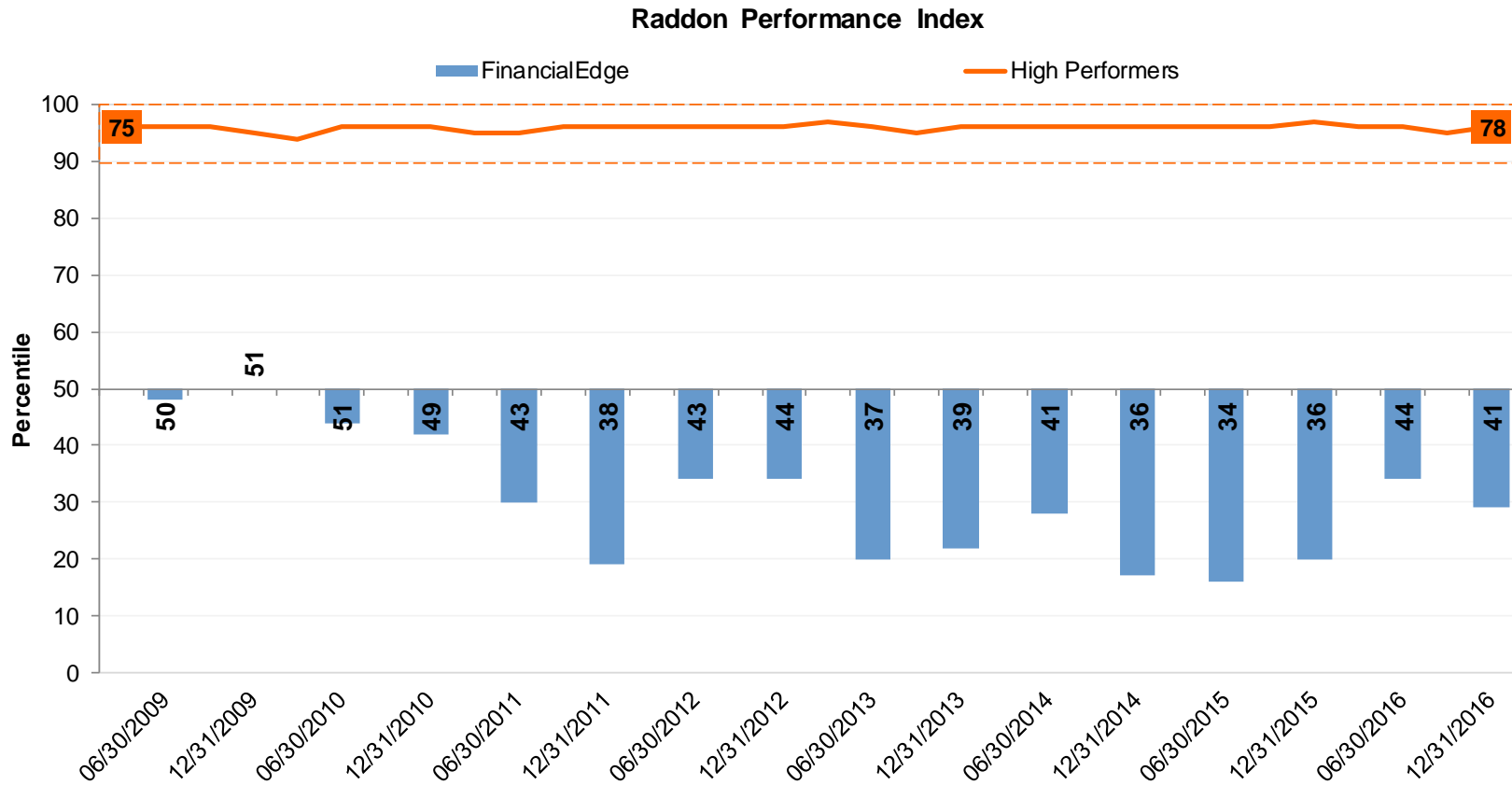
Institutions with a percentile of 90 or above on the *Raddon Performance Index* are part of the *High Performer* comparison group.



Is Your Institution's Raddon Performance Index Improving?

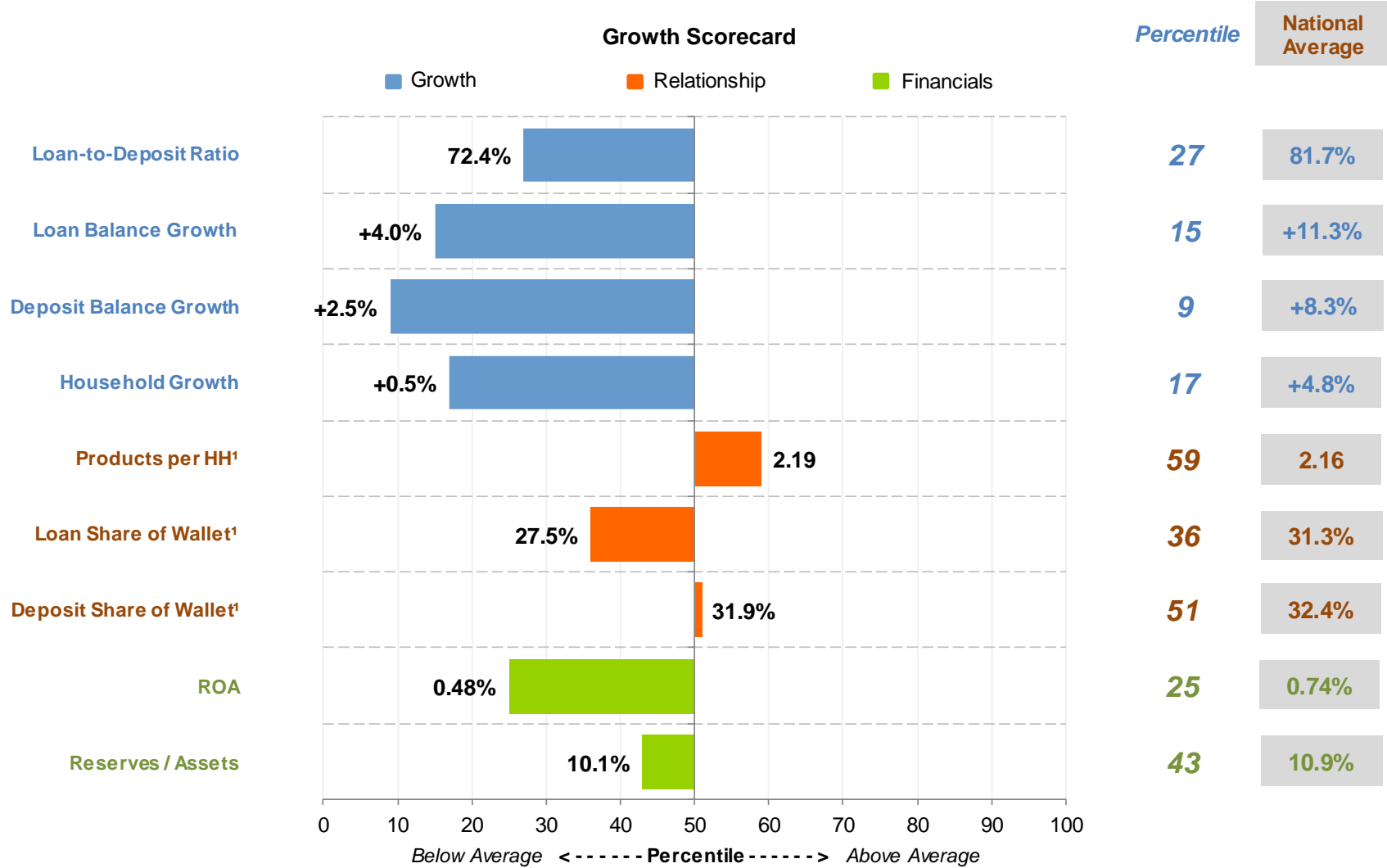
FinancialEdge Community Credit Union - All Households

The chart below shows your institution's trend in the Raddon Performance Index. The columns plot your percentile rank (above or below the median), while the labels indicate your actual score on the Performance Index. Note that the average Raddon Performance Index for High Performers is in the mid-70s. That is, an index near 70 or above typically associates with a ranking in the 90th percentile or better, which defines High Performer status.



How Does Your Growth and Depth of Relationship Compare?

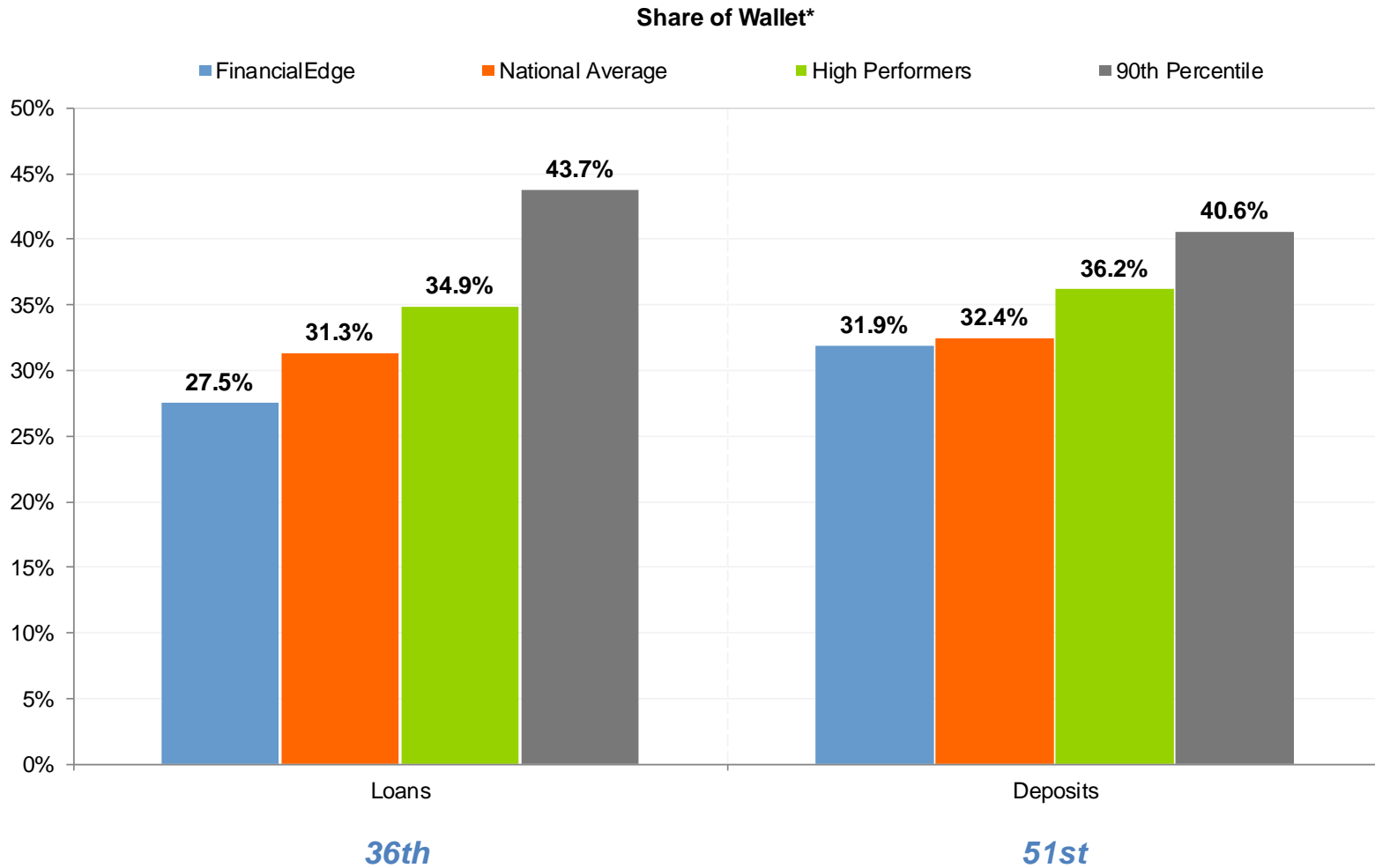
FinancialEdge Community Credit Union - All Households - 12/31/2016



¹Retail households; Loan SOW excludes 1st mortgages

How Much of Your Members' Wallet Do You Control?

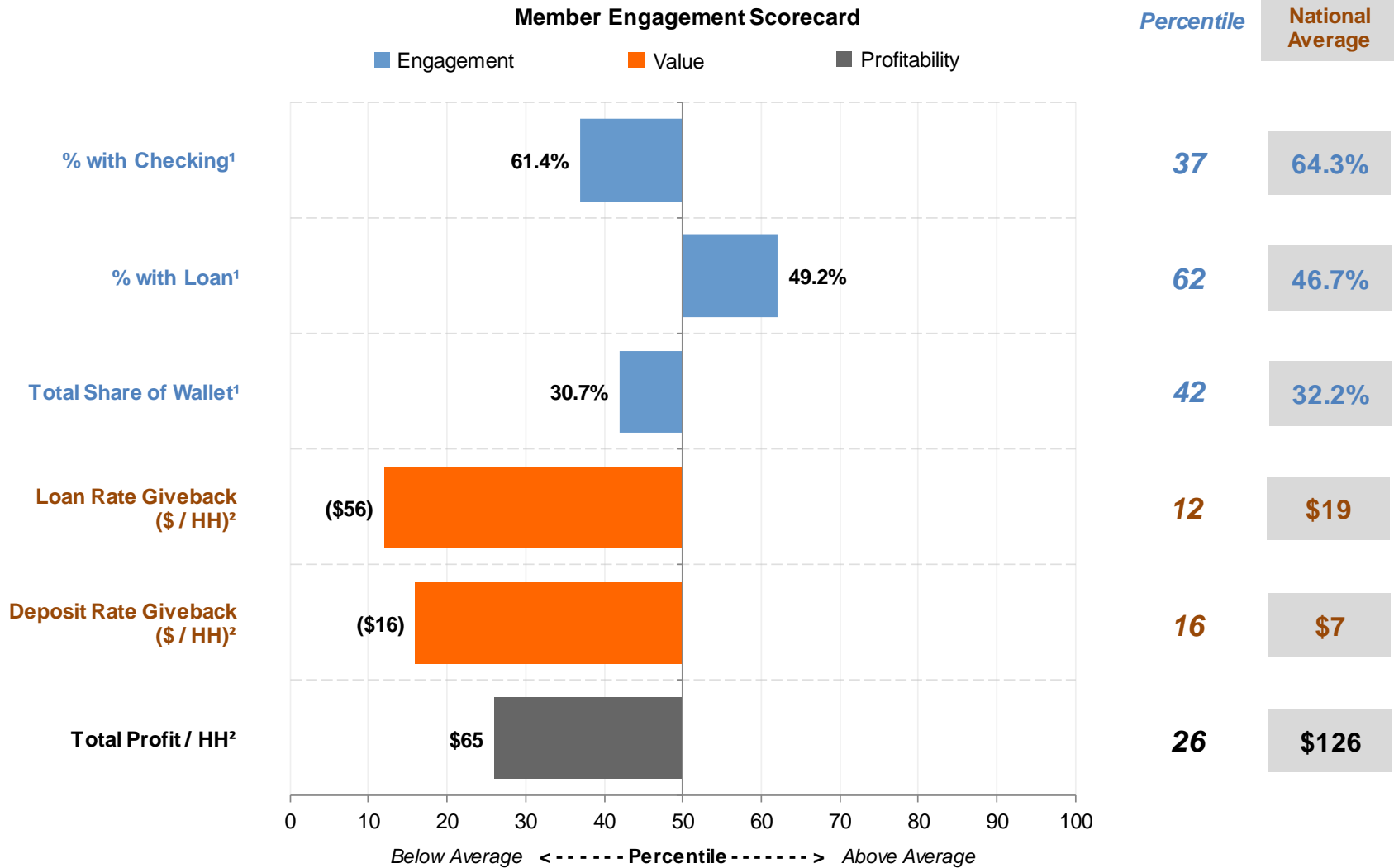
FinancialEdge Community Credit Union - Retail Households - 12/31/2016



*First mortgages are excluded from the total loan share of wallet since sold balances can skew results.

How Strong Is Your Member Engagement and Giveback?

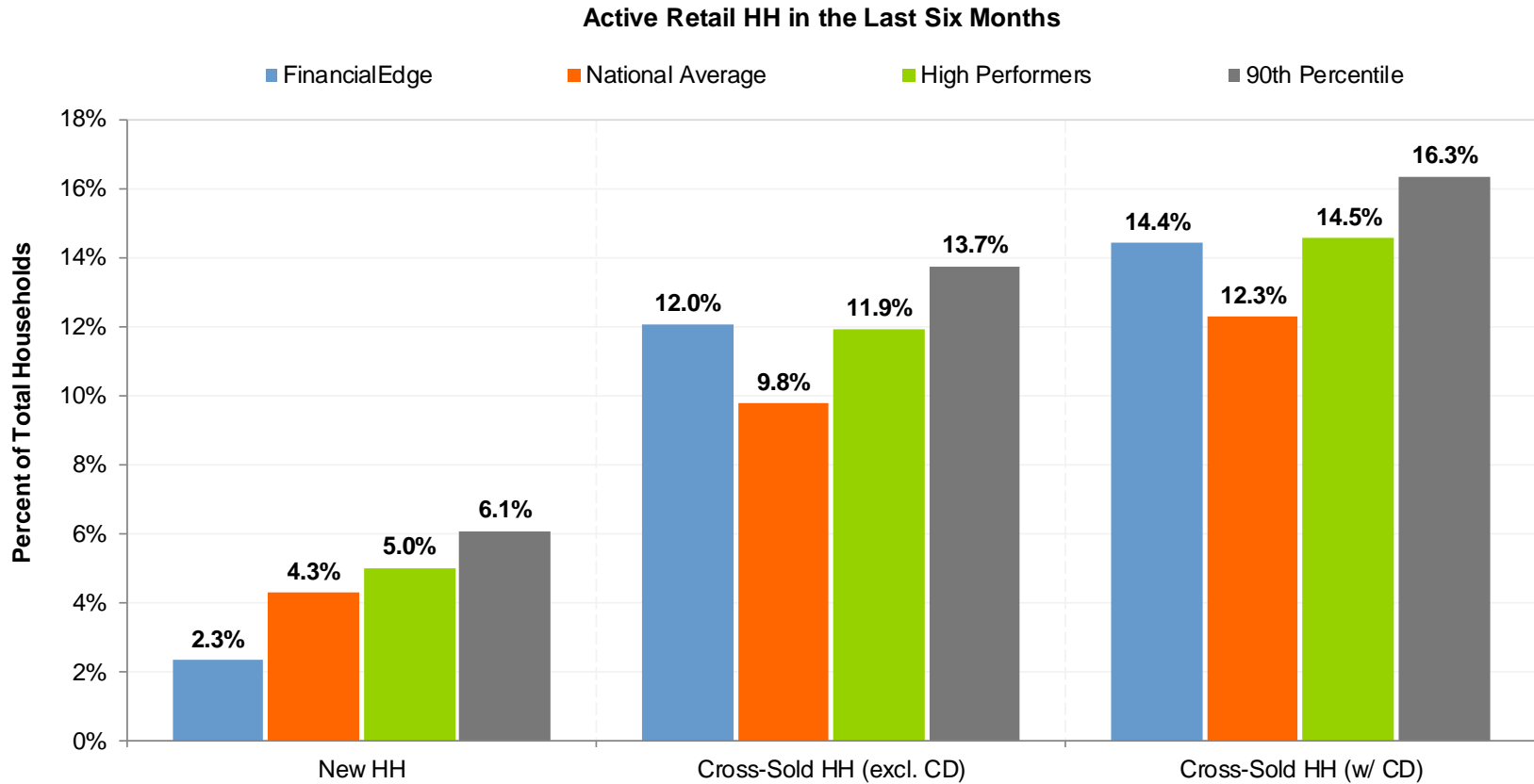
FinancialEdge Community Credit Union - 12/31/2016



¹Retail households; ²All households

How Many of Your Retail Households Are Active?

FinancialEdge Community Credit Union - Retail Households - 12/31/2016



Percentile

12th

81st

77th

of Households

141

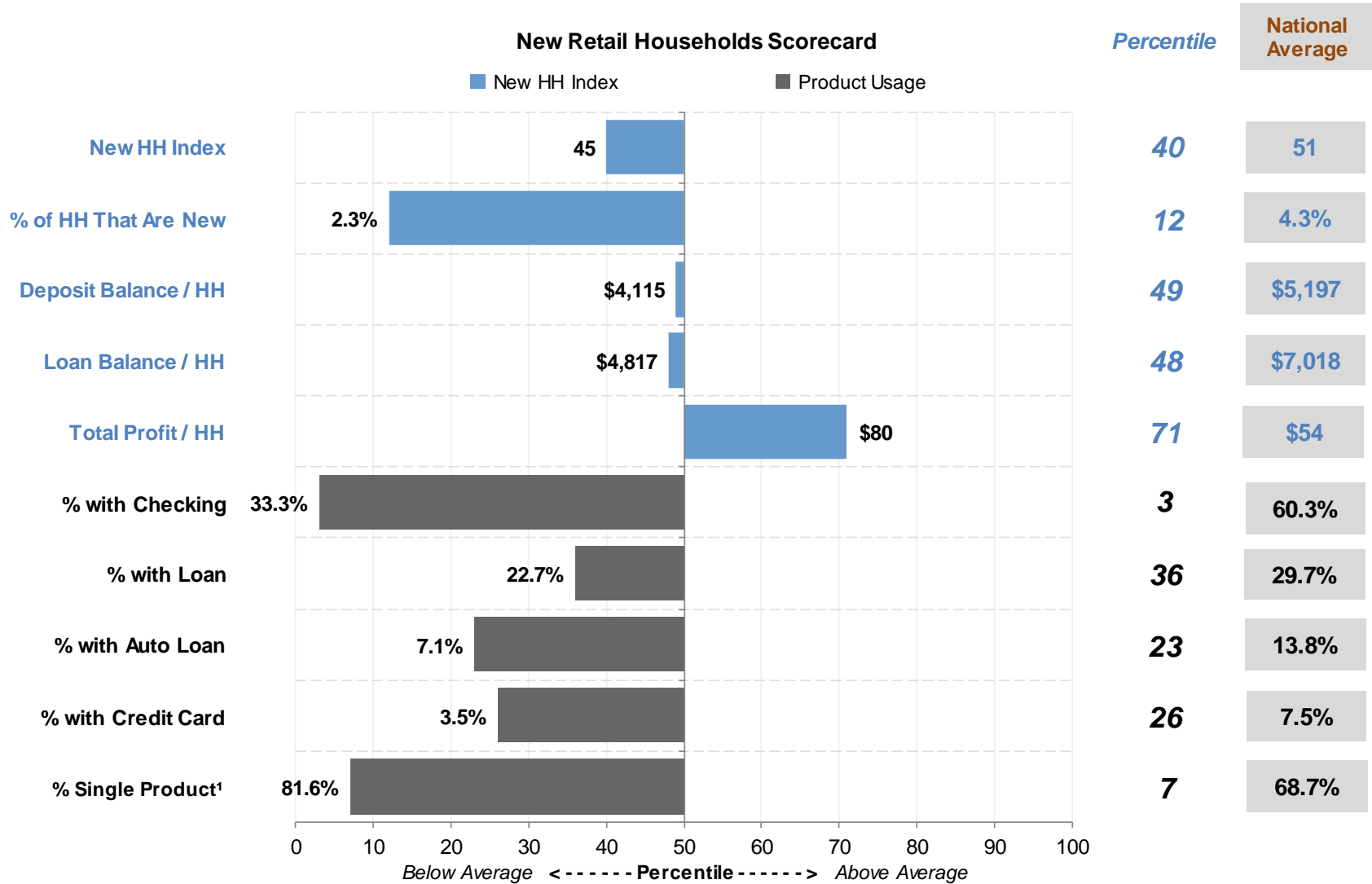
730

873

Performance Analytics Pages: 14, 16, 20, 22, 24

How Strong Is Your Performance with New Retail Households?

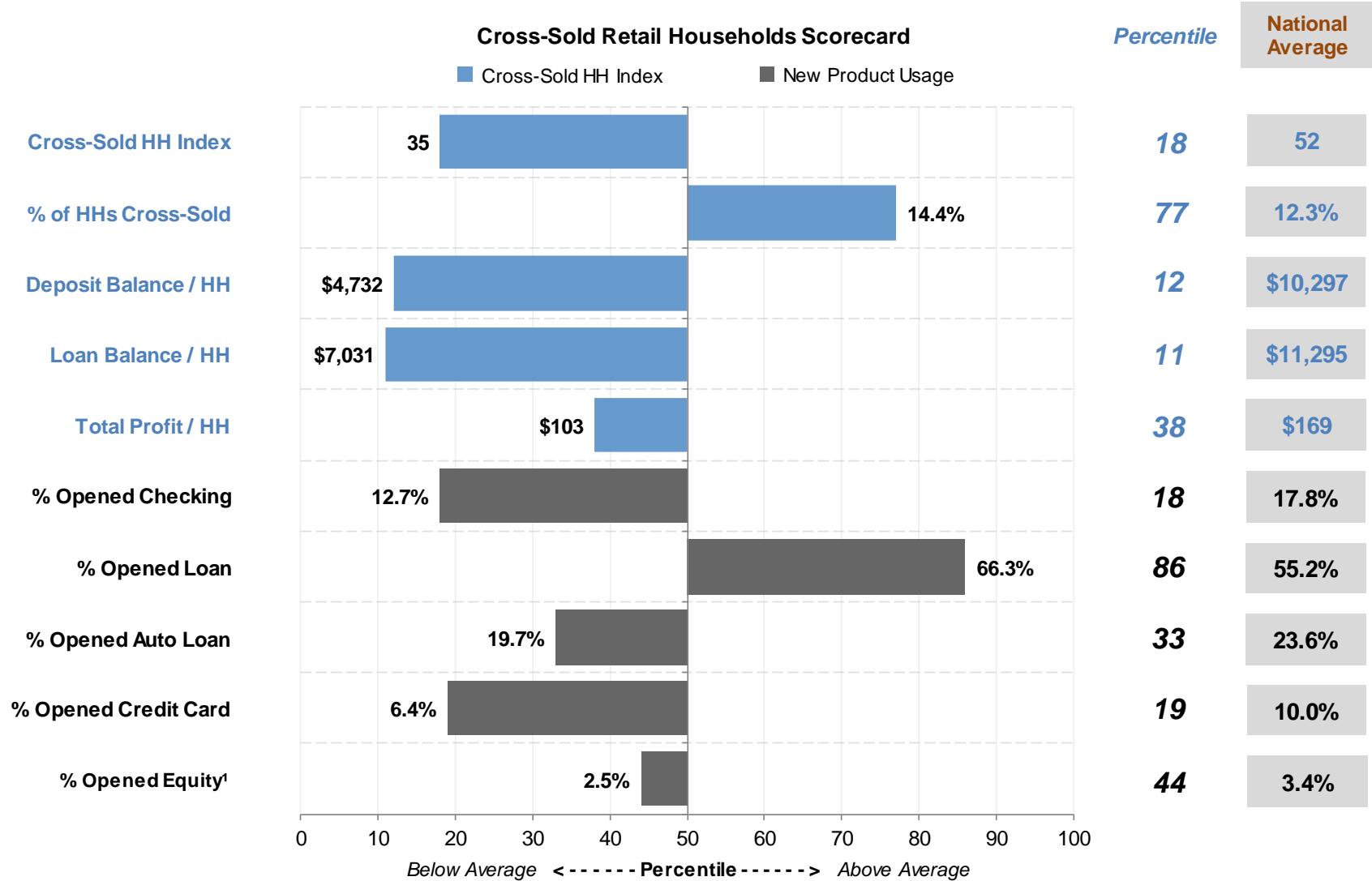
FinancialEdge Community Credit Union - Retail Households - 12/31/2016



¹A lower percent single Product corresponds with a higher percentile.

How Well Are You Cross Selling to Retail Households?

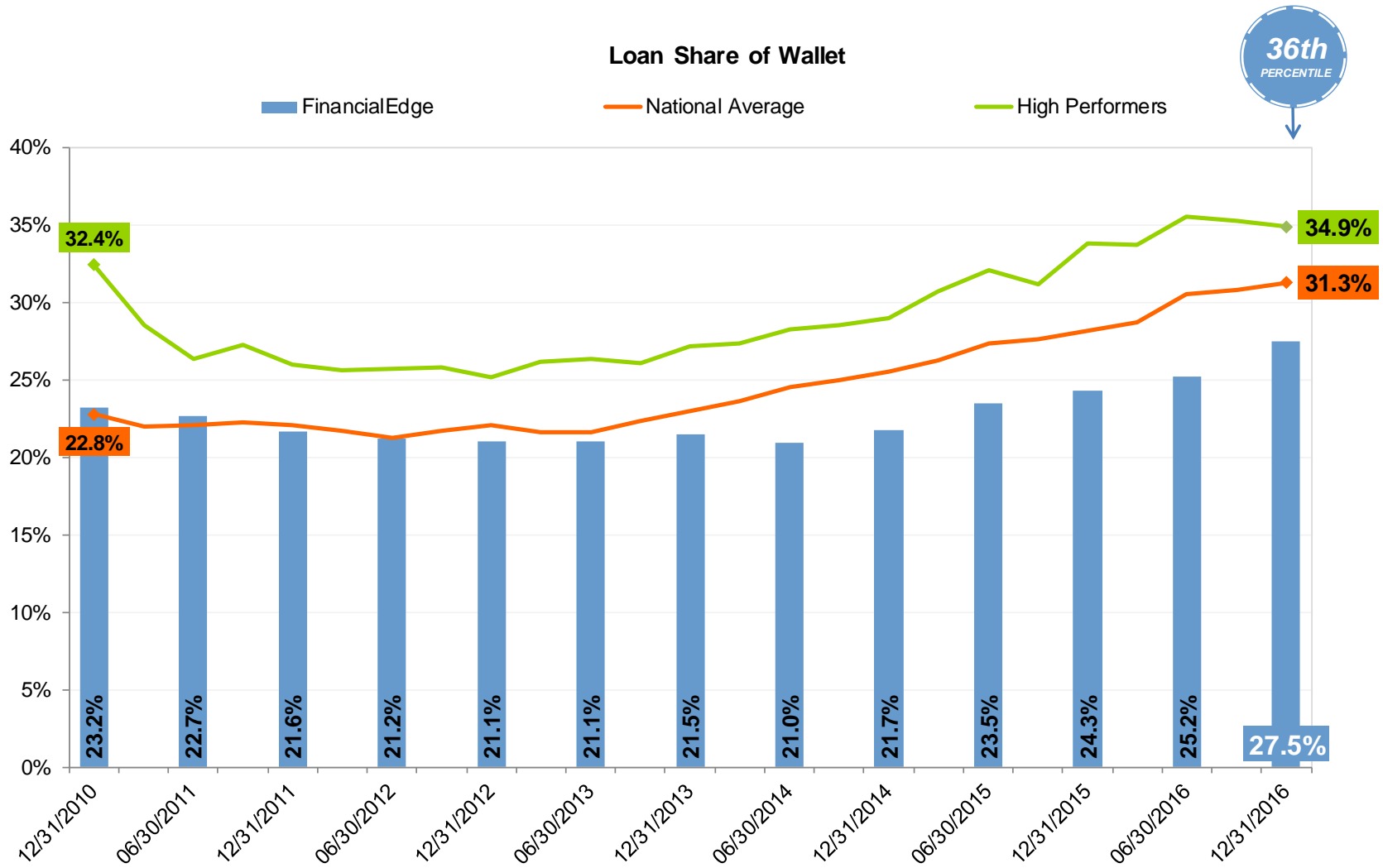
FinancialEdge Community Credit Union - Retail Households - 12/31/2016



¹Home equity loan or line of credit

How Much Have You Increased Your Loan Share of Wallet?

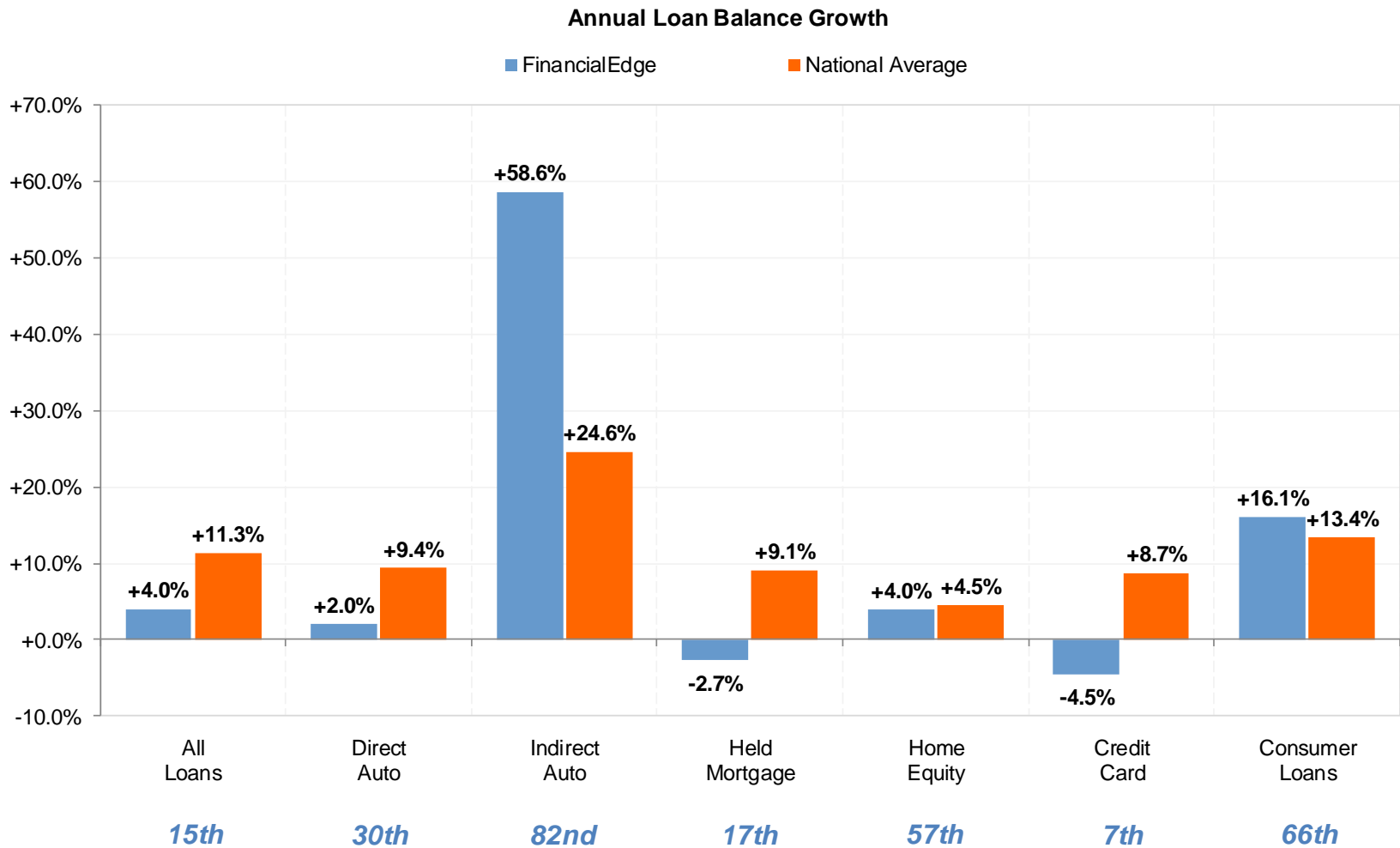
FinancialEdge Community Credit Union - Retail Households



Performance Analytics Pages: 348, 351

Which Products Are Driving Your Loan Growth?

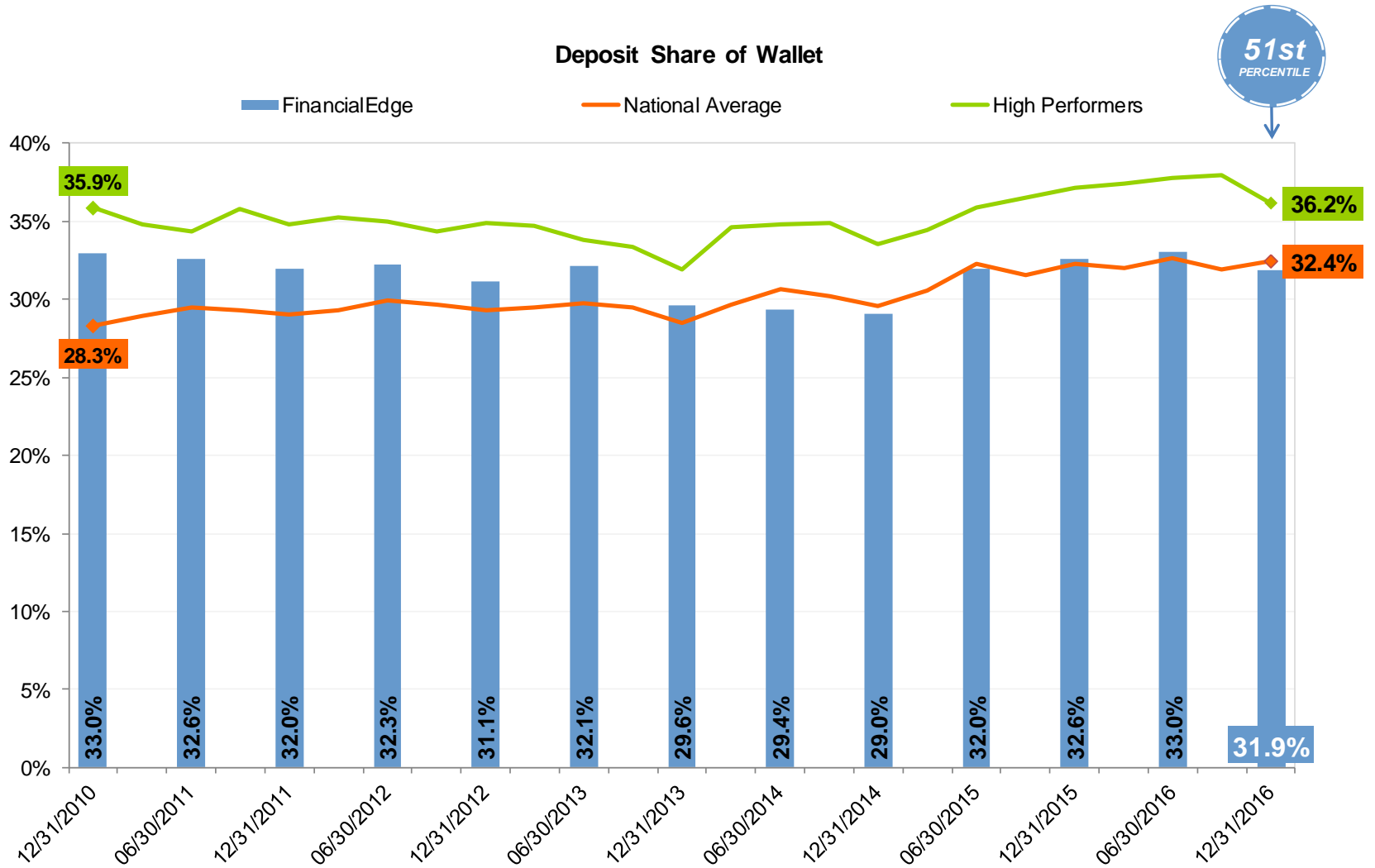
FinancialEdge Community Credit Union - All Households - 12/31/2016



Performance Analytics Pages: 37, 38, 45, 47

Can You Retain and Grow Deposit Share of Wallet as Rates Rise?

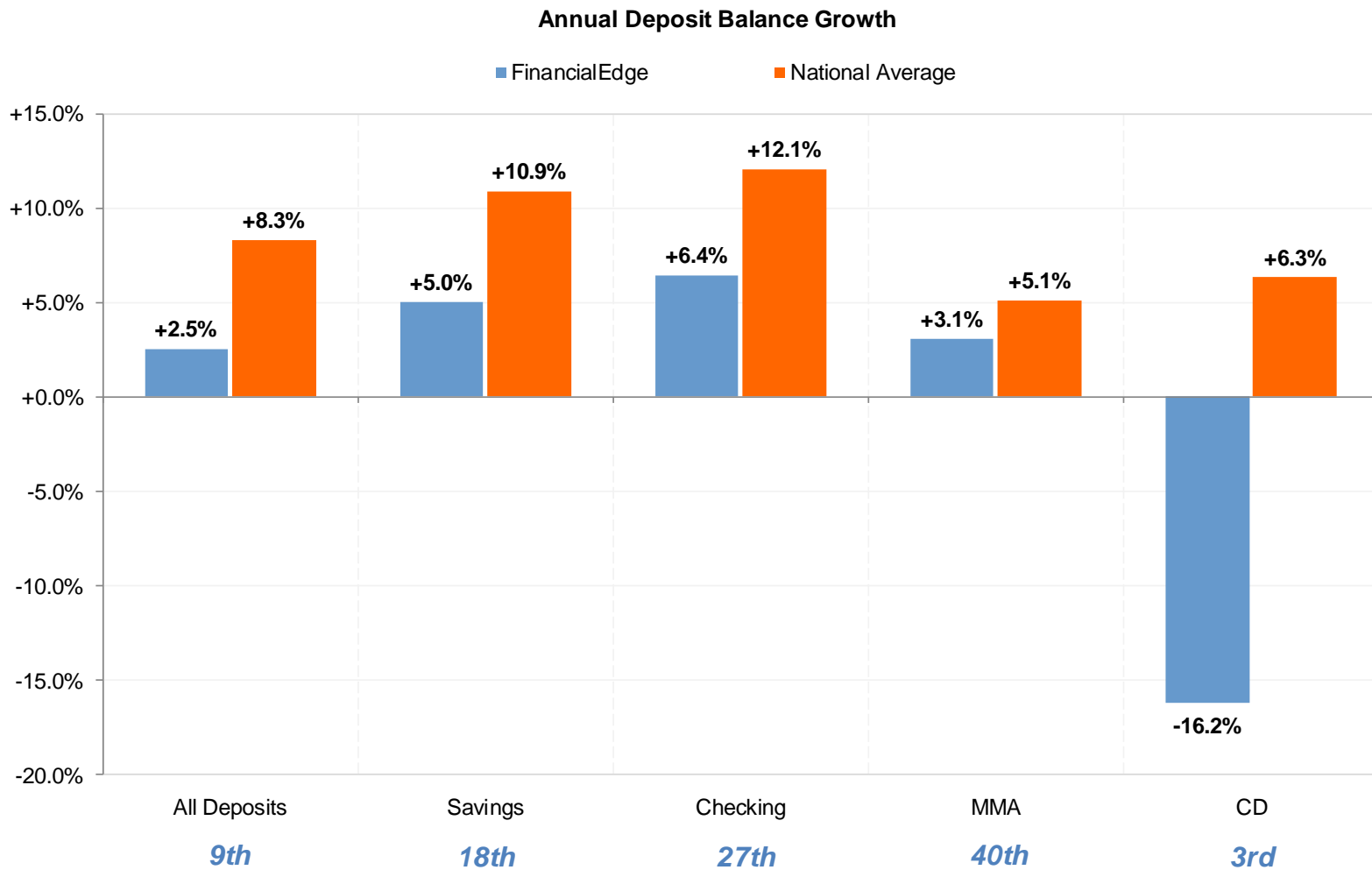
FinancialEdge Community Credit Union - Retail Households



Performance Analytics Pages: 349, 351

How Does Your Deposit Growth Compare?

FinancialEdge Community Credit Union - All Households - 12/31/2016



Performance Analytics Pages: 26, 27, 33

How Many Indirect And Business Households Do You Have?

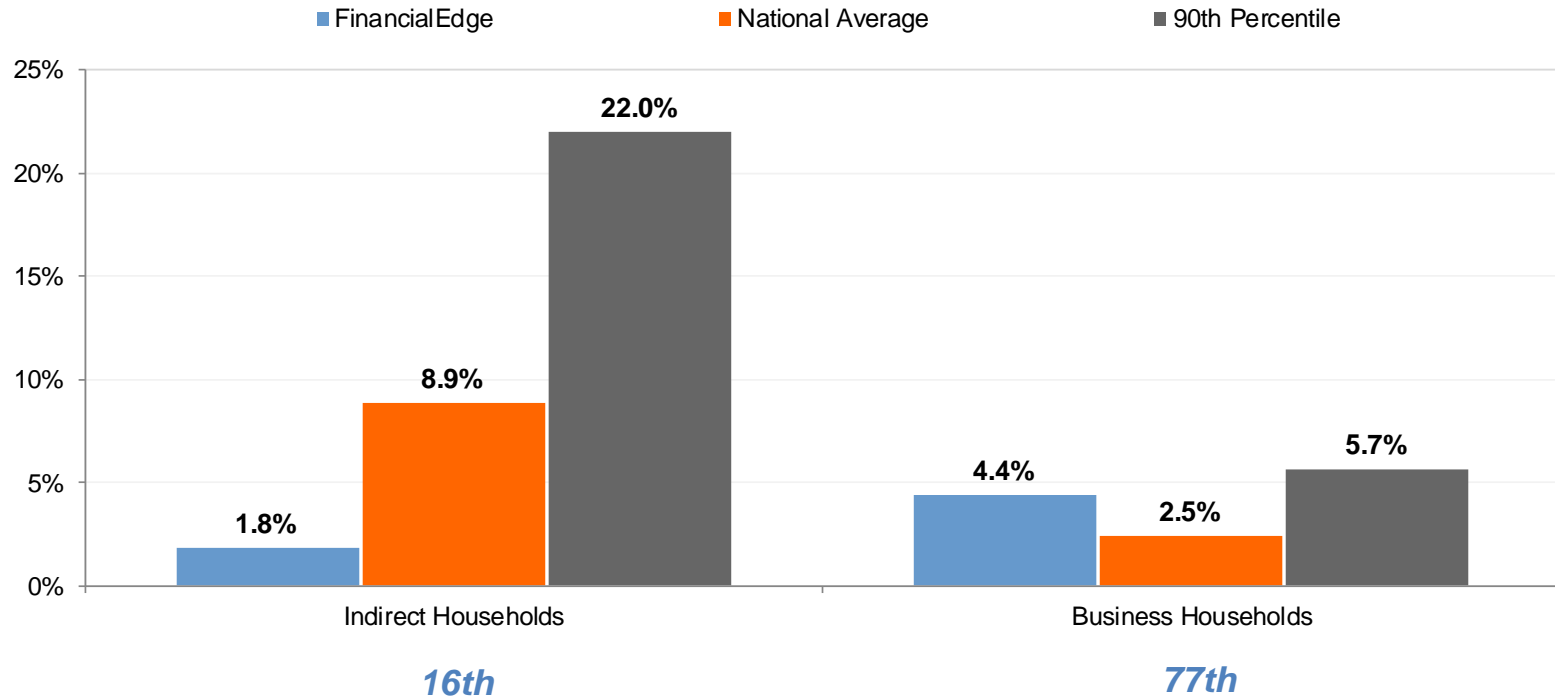
FinancialEdge Community Credit Union - 12/31/2016

Most households are considered **retail households** - they joined the credit union through the branch or online channel and have no business accounts. The graph below shows the volume of other household types at your credit union - those that joined through the indirect channel and those with business relationships.

Indirect households are any households where the earliest account opened is an indirect loan.

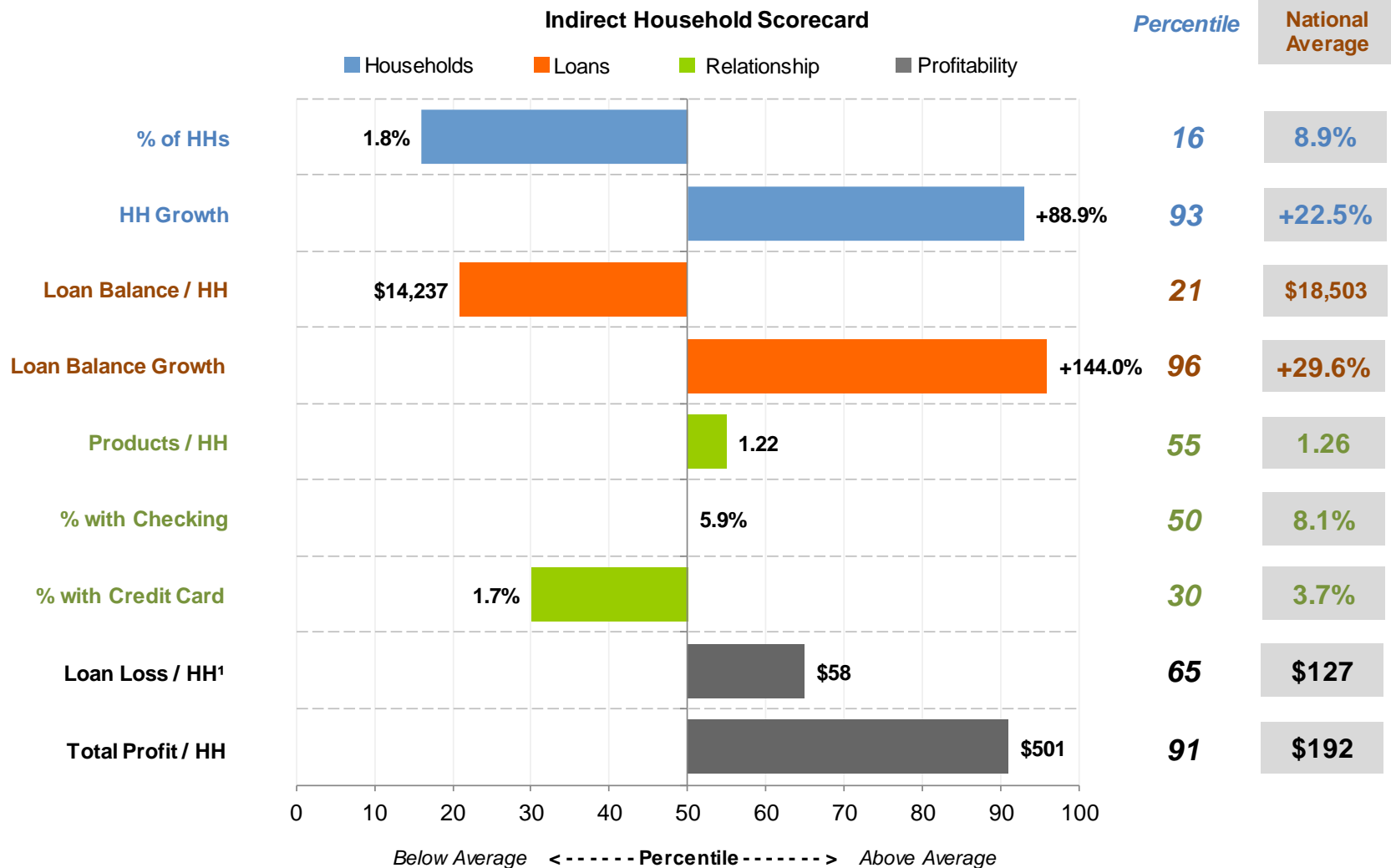
Business households are any households with at least one business deposit or loan account.

Percentage of Households by Business Line



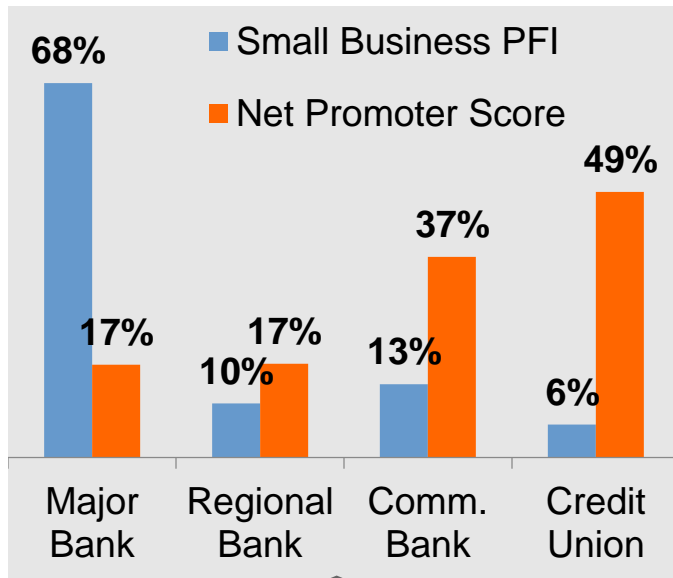
How Does Your Indirect Household Performance Compare?

FinancialEdge Community Credit Union - Indirect Households - 12/31/2016



¹Lower loan loss corresponds to a higher percentile.

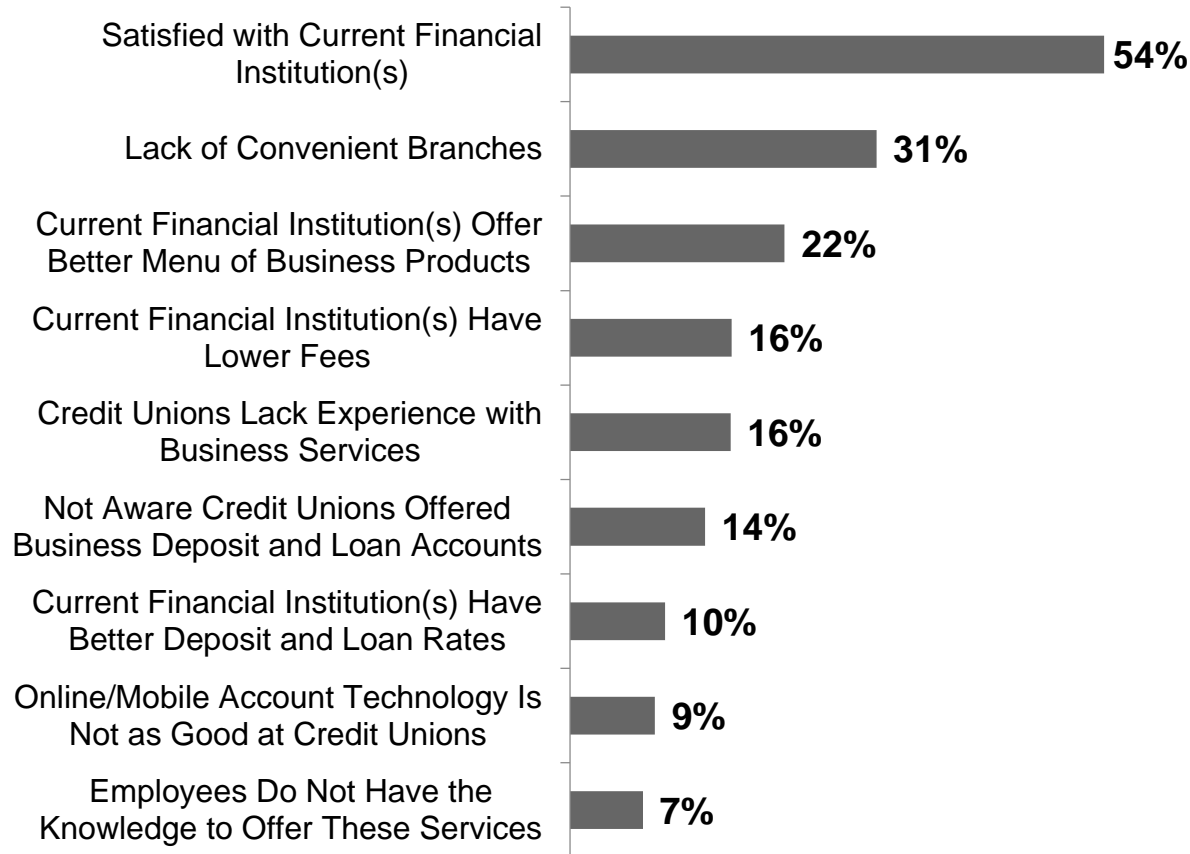
The Small Business Opportunity



Major banks dominate the small business market, in spite of lower net promoter scores.

Credit unions must overcome perceptions on convenience, technology, expertise, and awareness.

Reasons Small Businesses Would Not Conduct Business with a Credit Union¹



¹Among small businesses not currently using a CU, reasons from the 23% indicating they were unlikely to do so in the future.

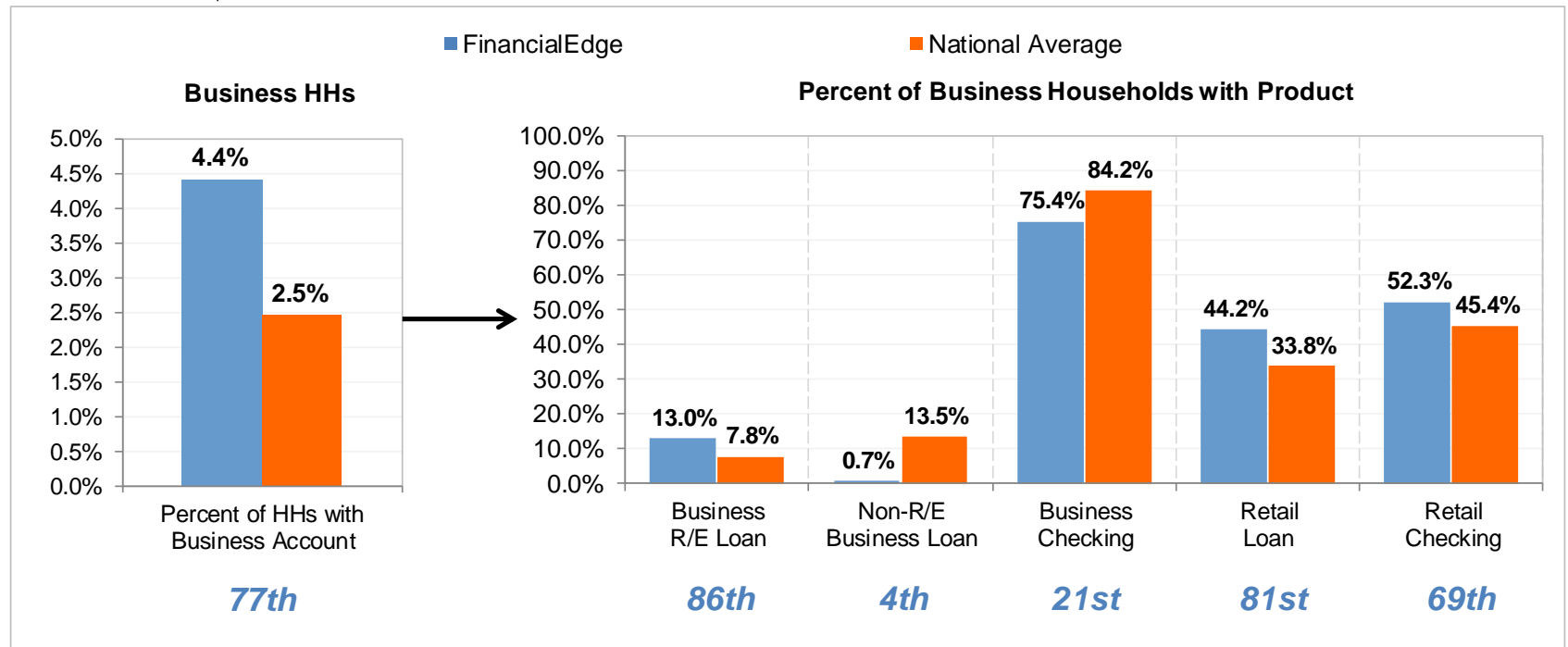
Source: Raddon Research Insights, 2016

What Is the Profile of Your Business Households?

FinancialEdge Community Credit Union - Business Households - 12/31/2016

At FinancialEdge, 285 households have at least one business account with the credit union.

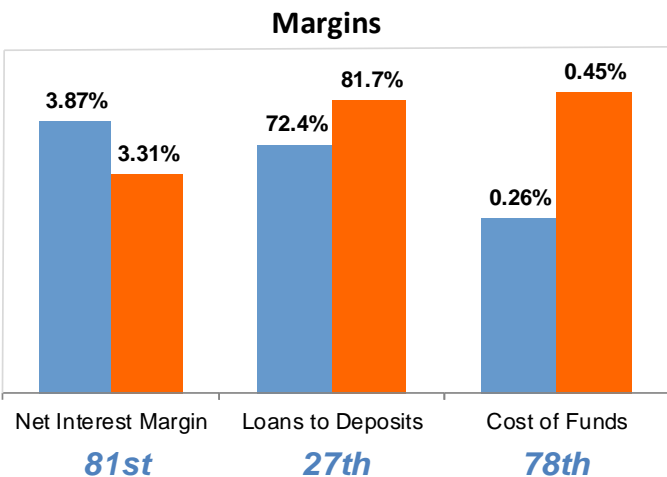
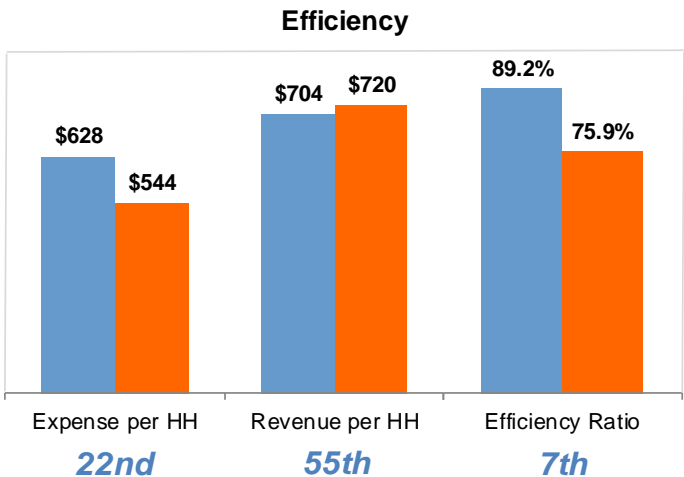
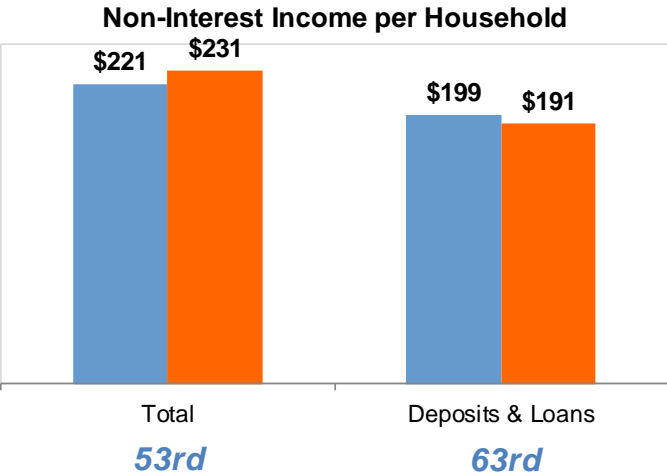
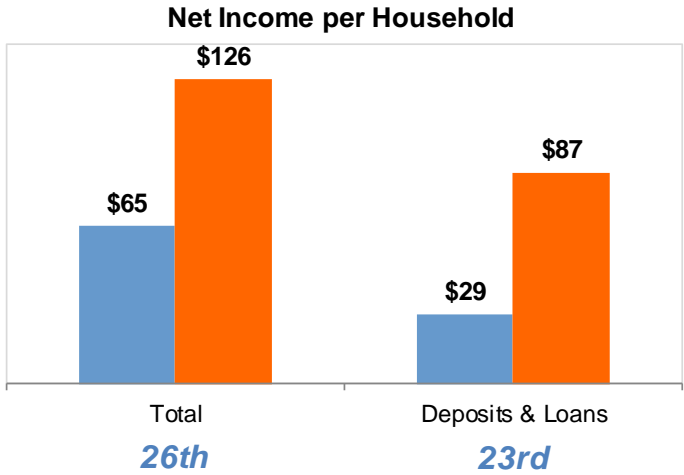
	Total Balances	Balance Growth	Percentile	National Average
Business Loans	\$3,189,685	+8.1%	44	+16.9%
Business Checking	\$1,121,231	+28.1%	81	+16.5%
Business Deposits ¹	\$2,370,933	+106.9%	94	+17.4%



¹Excluding checking

How Do Your Earnings Compare?

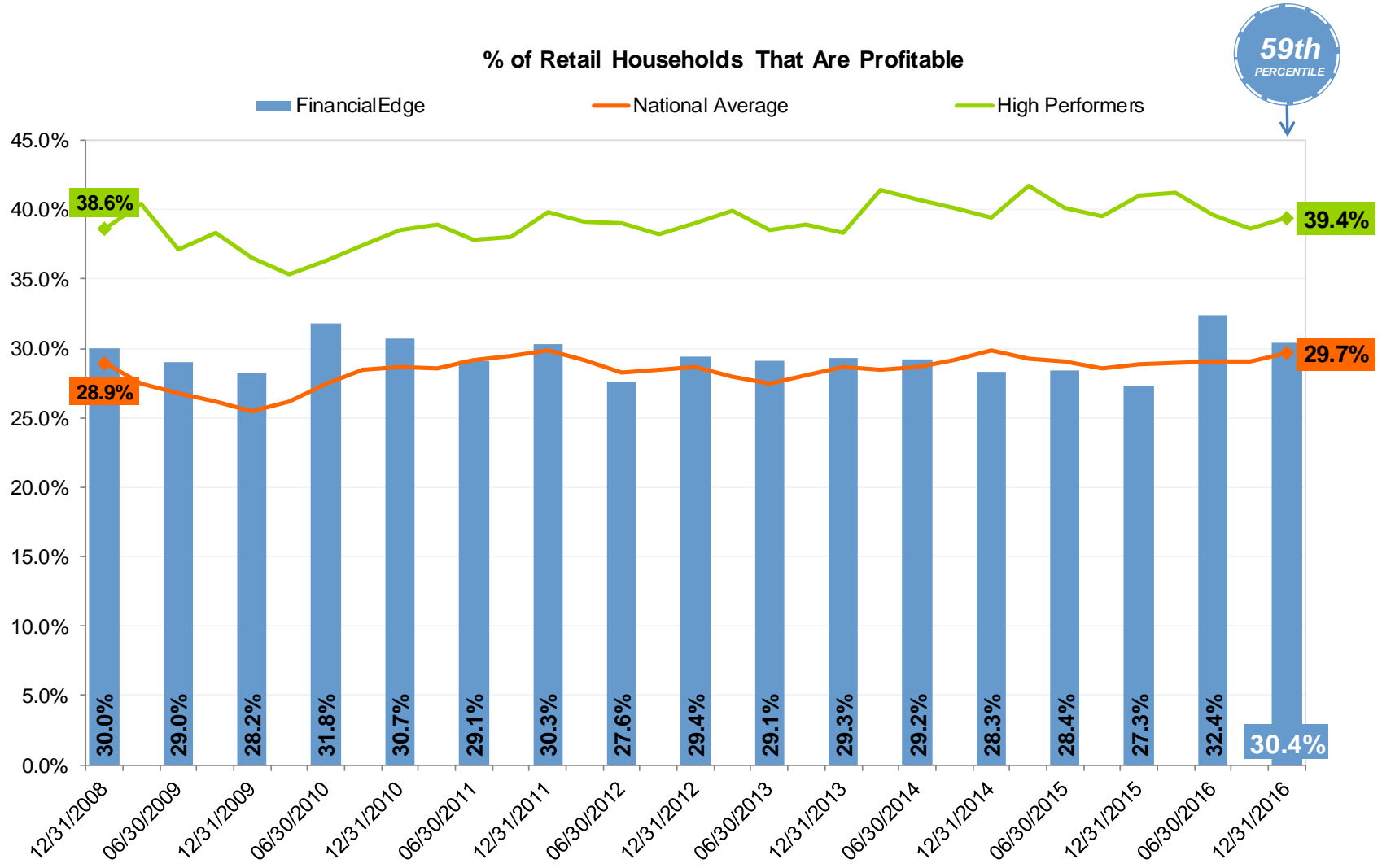
FinancialEdge Community Credit Union - All Households - 12/31/2016



Performance Analytics Pages: 25, 57-59, 66, 68, 69, 78, 94, 120

Have You Improved Your Percentage of Profitable Households?

FinancialEdge Community Credit Union - Retail Households





Profit Segmentation

Raddon Profit Segmentation

'A' through 'E' Profit Segments and Profit 15 Segments

SEGMENT	DEFINITION	ISSUE
A HHs \$500+ Household Profit		
Real Estate	50%+ of Household Profit is from Real Estate Loans	Real estate risk
Core Money	50%+ of Household Profit is from Core Deposits	Will the money stay in core?
Mixed	All remaining A Households	Profitable CDs / consumer loans
B HHs \$100 to \$499 Household Profit		
Loans	75%+ of Household Profit is from Loans	Consumer loan pay-downs
Deposits	75%+ of Household Profit is from Deposits	Is it loyal core money?
Mixed	All remaining B Households	Loan paydowns / next loan
C HHs \$0 to \$99 Household Profit		
Low Product	Household has 1 product	Is there potential?
Multiple Product / Low Balance	HH has 2 or more products & HH Balances less than \$10,000	Profitable loan cross-sale
Multiple product / High Balance	HH has 2 or more products & HH Balances at least \$10,000	Is there balance potential?
D HHs -\$1 to -\$99 Household Profit		
Low product	Household has 1 product	Member participation
Multiple product / Low Balance	HH has 2 or more products & HH Balances less than \$10,000	Profitable loan cross-sale
Multiple product / High Balance	HH has 2 or more products & HH Balances at least \$10,000	Is there balance potential?
E HHs Less than \$-100 Household Profit		
Low Loan Balance	Total Household Loan Balances < \$10,000	Paid down loan / unactivated line
Non - Core	50%+ of Household loss is from Non-Core Deposits	CD pricing may not be rational
Other	All remaining E Households	Unprofitable checking

Real Estate Loans includes balances in Mortgages, HELOC, and Home Equity Loan.

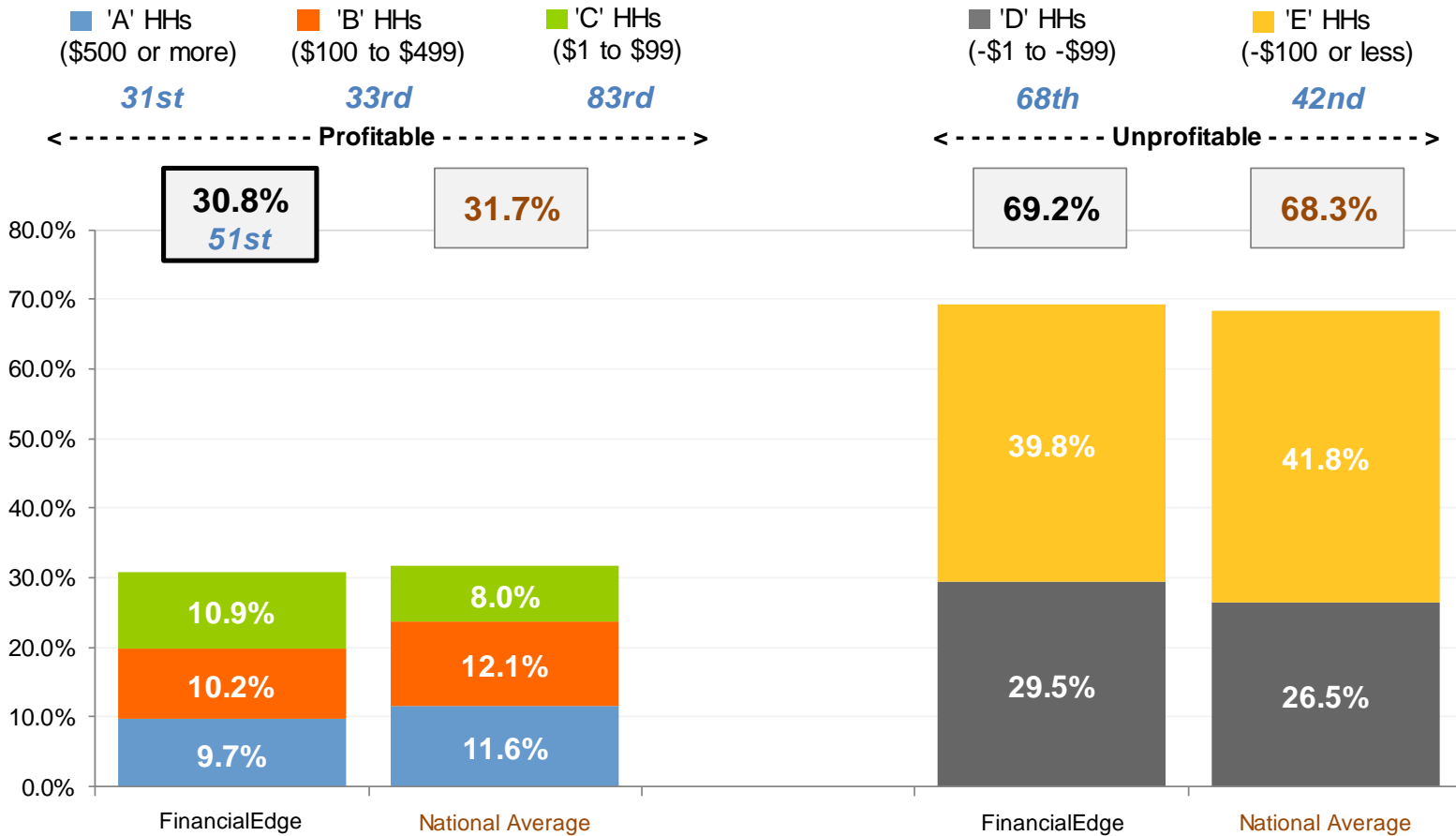
Core Deposits includes balances in Checking, Savings, and Traditional & Tiered Money Market.

Non-Core Deposits includes balances in High Rate Money Market Accounts, CDs & IRAs.

What Is The Distribution of Your Households by Profit Segment?

FinancialEdge Community Credit Union - All Households - 12/31/2016

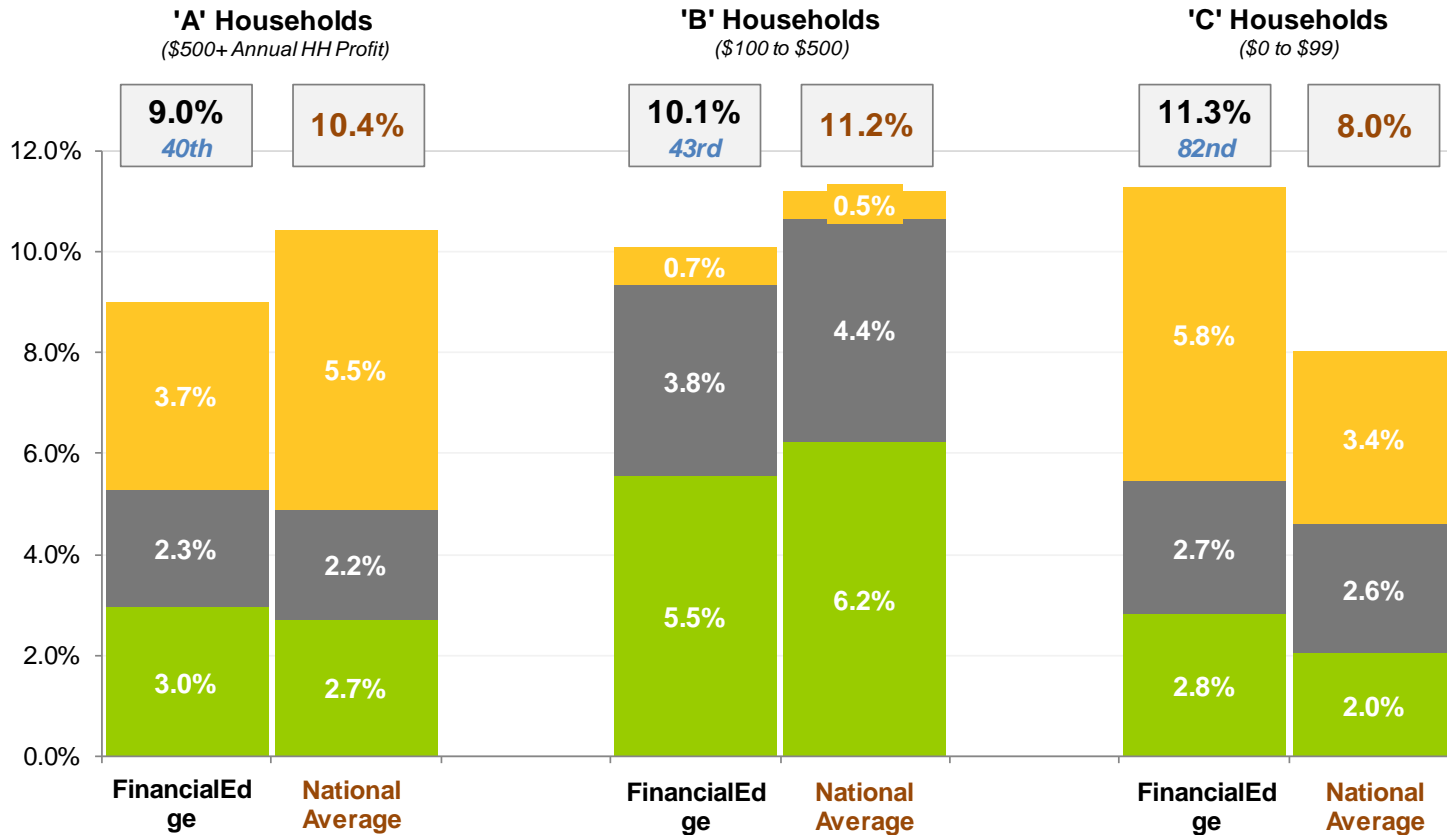
Households are assigned to a Profit Segment based on their annual net income contribution to the organization. The annual household profit amounts that define each segment are shown below. Higher percentiles correspond to having a higher percentage of households in the respective segment.



Performance Analytics Pages: 303-305

What Is the Profit 15 Distribution of Your Profitable Households?

FinancialEdge Community Credit Union - Retail Households - 12/31/2016



A - Mixed, 27th
A - Core Money, 65th
 A - Real Estate, 67th

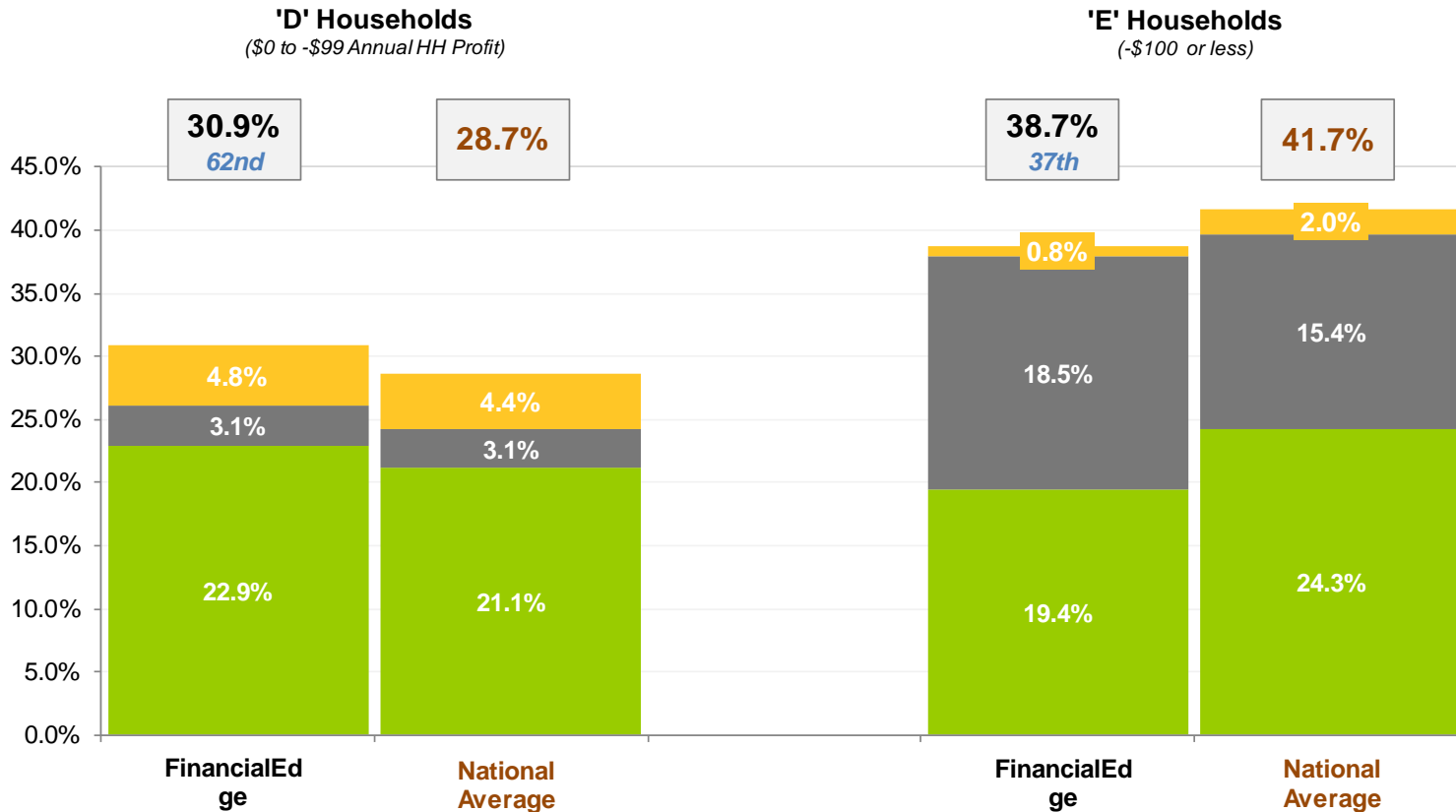
B - Mixed, 81st
 B - Deposits, 56th
 B - Loans, 35th

C - Low Products, 81st
 C - High Balance, 56th
 C - Low Balance, 80th

Performance Analytics Pages: 303-305, N/A

What Is the Profit 15 Distribution of Your Unprofitable Households?

FinancialEdge Community Credit Union - Retail Households - 12/31/2016



D - Low Balance, 64th
 D - High Balance, 50th
D - Low Products, 62nd

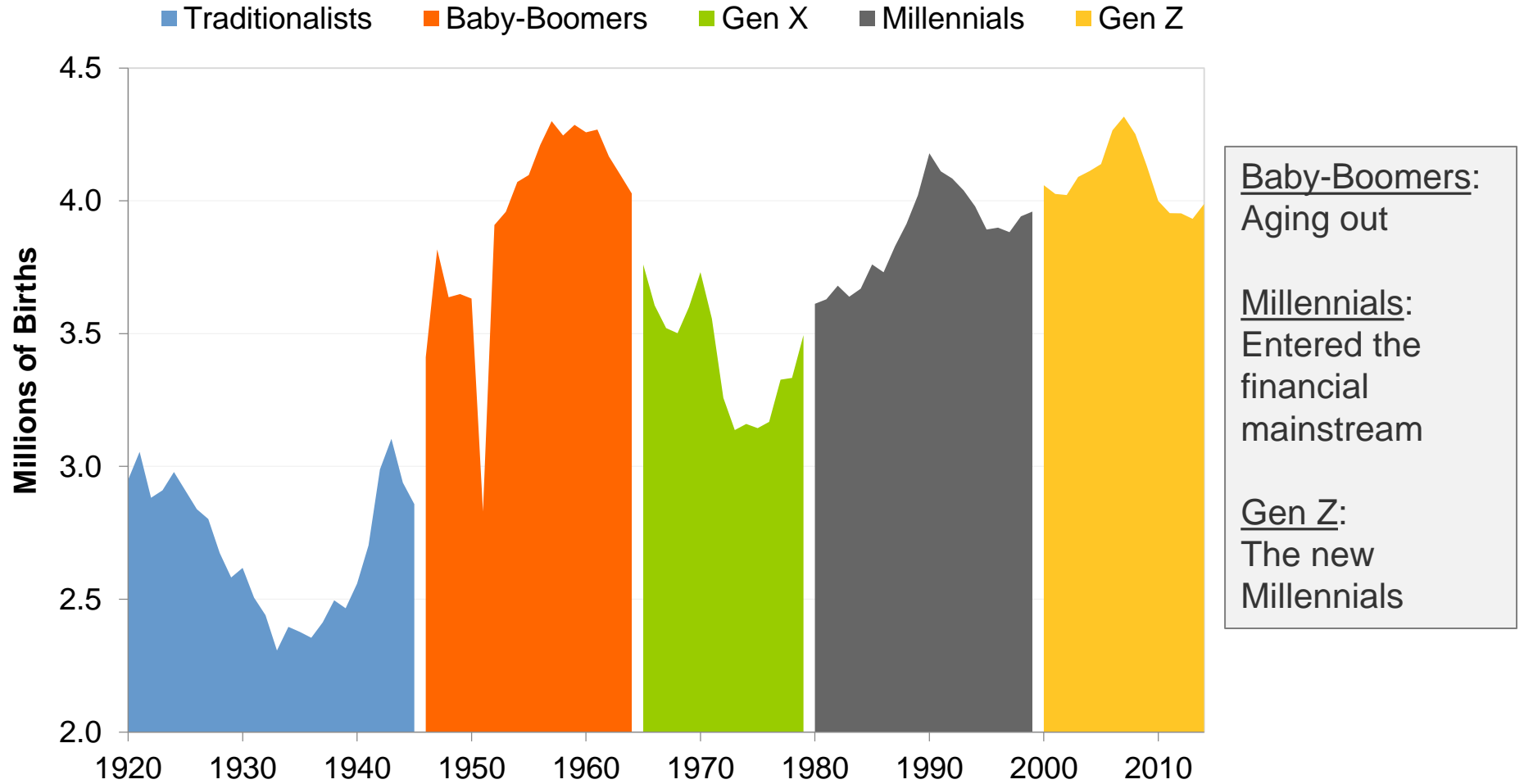
E - Deposits, 18th
 E - Loans, 75th
 E - Others, 31st

Performance Analytics Pages: 303-305, N/A



Generation & Consumer Segmentation

The Generational Shift

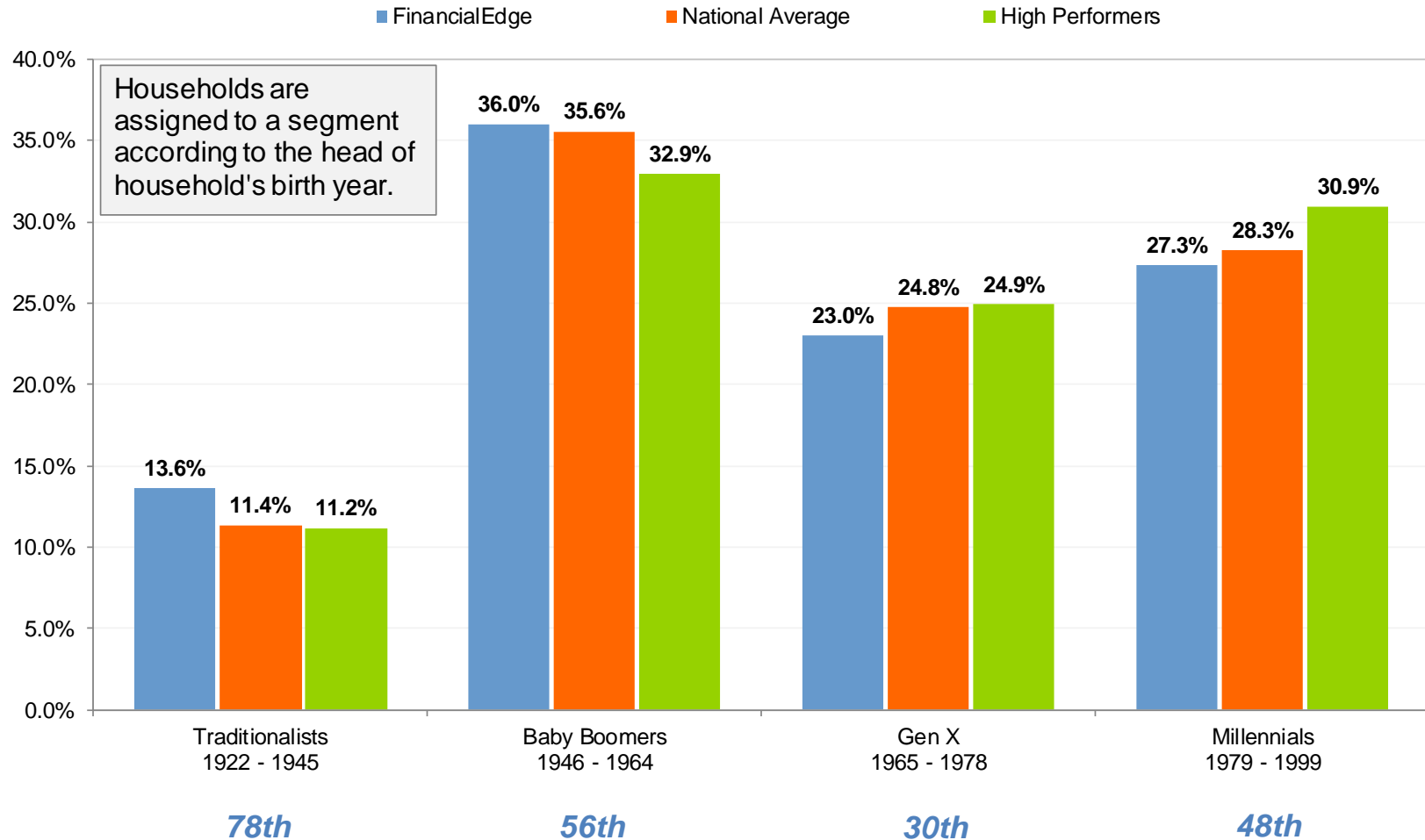


Source: National Center for Health Statistics

What Is the Generational Distribution of Your Member Households?

FinancialEdge Community Credit Union - Retail Households - 12/31/2016

Percentage of Households by Generational Segment



Raddon Consumer Segments Defined

All U.S. Households - Raddon Research Insights

The diagram below demonstrates how Raddon's Consumer Segments are defined based on household income and the head of household's age. The statistics* reflect the percentage of the U.S. household population in each segment along with their average age and income.

Age	18 - 34	35 - 44	45 - 54	55+
Income				
\$125,000 or more	CREDIT DRIVEN 9% of HHs Age: 28 Income: \$97K	UPSCALE 11% of HHs Age: 58 Income: \$173K		
\$50,000 - \$124,999		MIDDLE MARKET 17% of HHs Age: 45 Income: \$81K		MID INCOME DEPOSITOR 13% of HHs Age: 67 Income: \$80K
Less than \$50,000	FEE DRIVEN 19% of HHs Age: 33 Income: \$29K		LOW INCOME DEPOSITOR 32% of HHs Age: 63 Income: \$29K	

*Source: Raddon Research Insights, Spring 2016

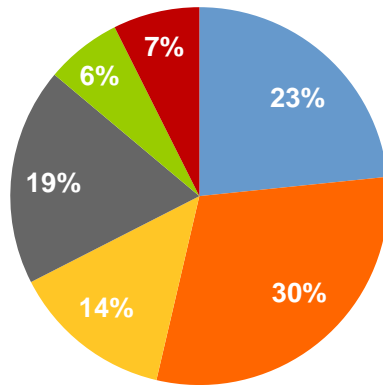
How Does Your Member Demography Compare?

FinancialEdge Community Credit Union - Retail Households - 12/31/2016

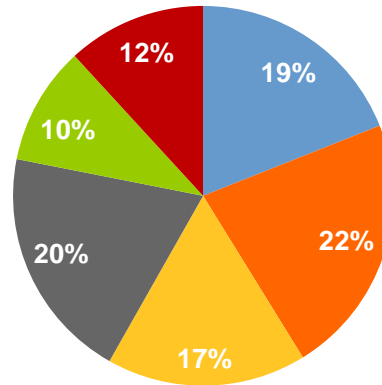
Consumer Segment Distribution

■ Fee Driven
 ■ Low Income Depositor
 ■ Middle Market
 ■ Middle Income Depositor
 ■ Credit Driven
 ■ Upscale

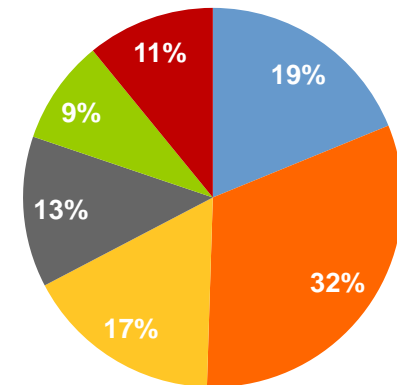
FinancialEdge



National Average, Credit Unions¹



National Average, All U.S. Households²

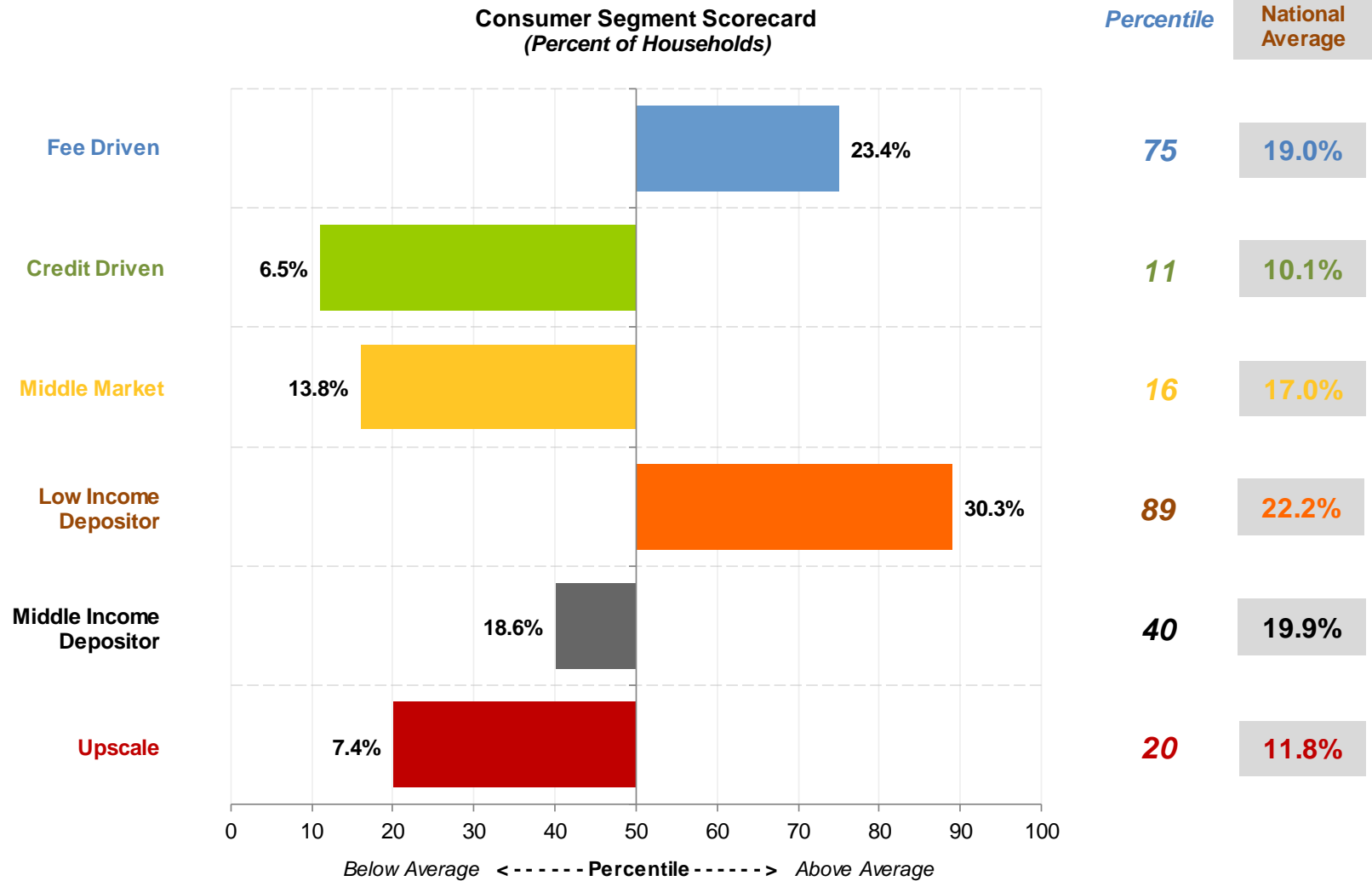


¹Performance Analytics average data

²Raddon Research Insights, National Consumer Survey

How Do Your Demographics Compare?

FinancialEdge Community Credit Union - Retail Households - 12/31/2016

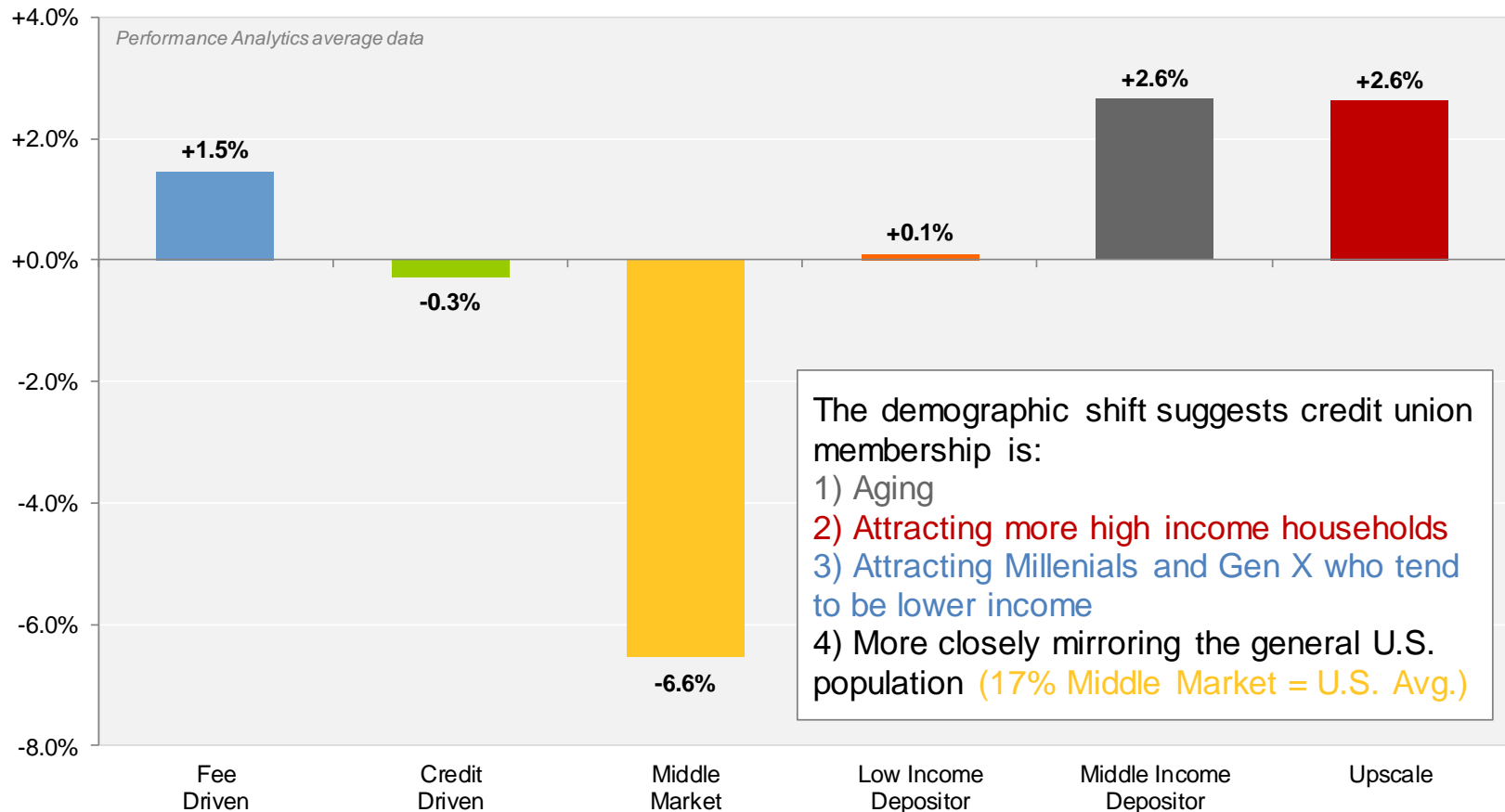


Performance Analytics Pages: 318

Change in Industry Demographics, 2010 to 2016

National Average - All Credit Union Households

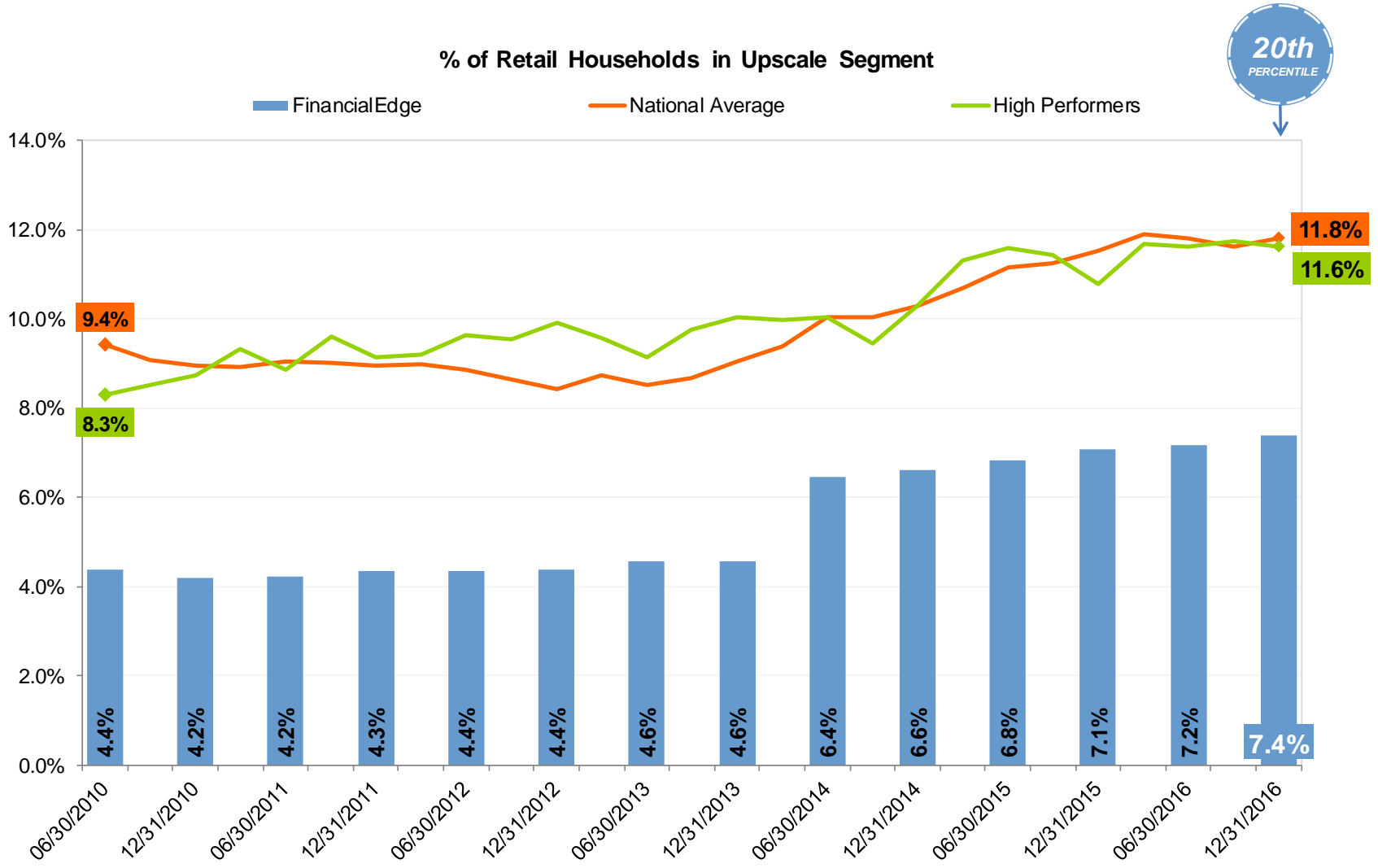
National Average: Change in Percentage of Households by Consumer Segment, 2010 to 2016



Source: Performance Analytics average data

How Does Your Trend in Upscale Households Compare?

FinancialEdge Community Credit Union - Retail Households

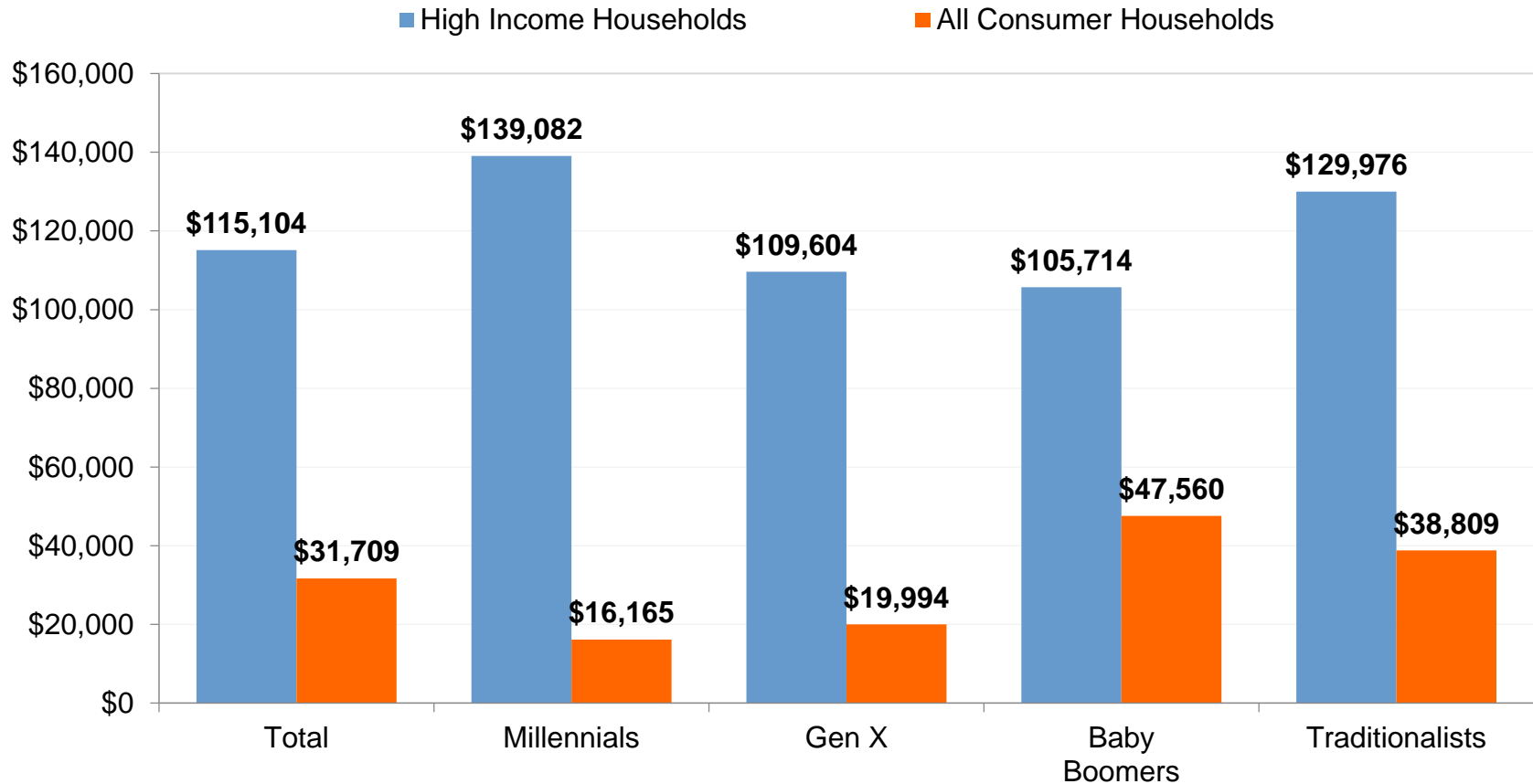


Performance Analytics Pages: 317, 318, 321

Deposit Balances Among High-Income Households

Raddon Research Insights – Survey of 2,500 HHs with \$125K+ in Annual Income

Household Deposit Balance



Demographic Implications

Older, High Income

Deposits and Retirement

Millennials

The Economic Force Awakens

Gen Z

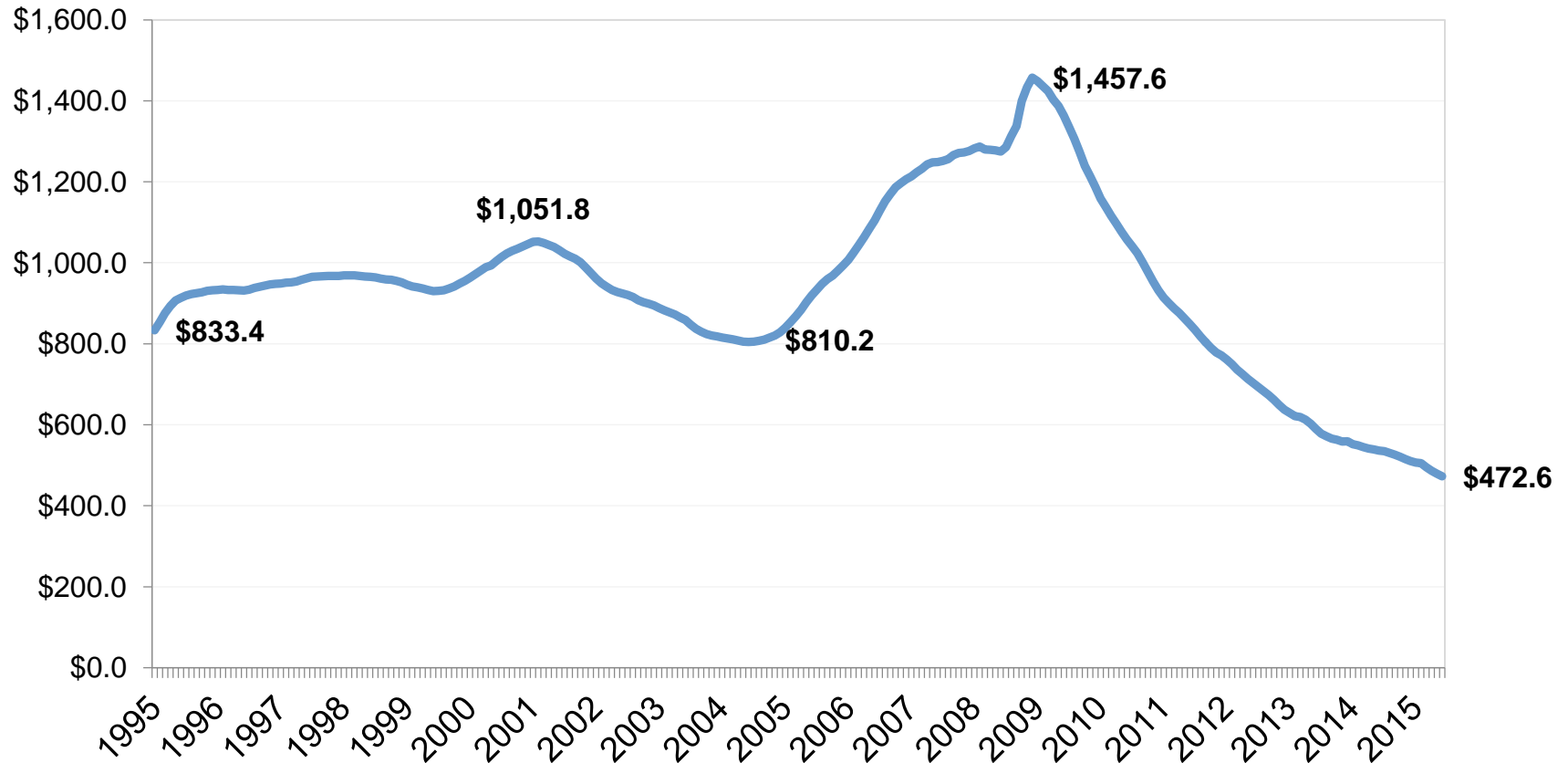
The Next Generation



Deposits

Trend in Total Certificate of Deposit Balances

**Aggregate Balances in CDs - Seasonally Adjusted
(\$ in Billions)**

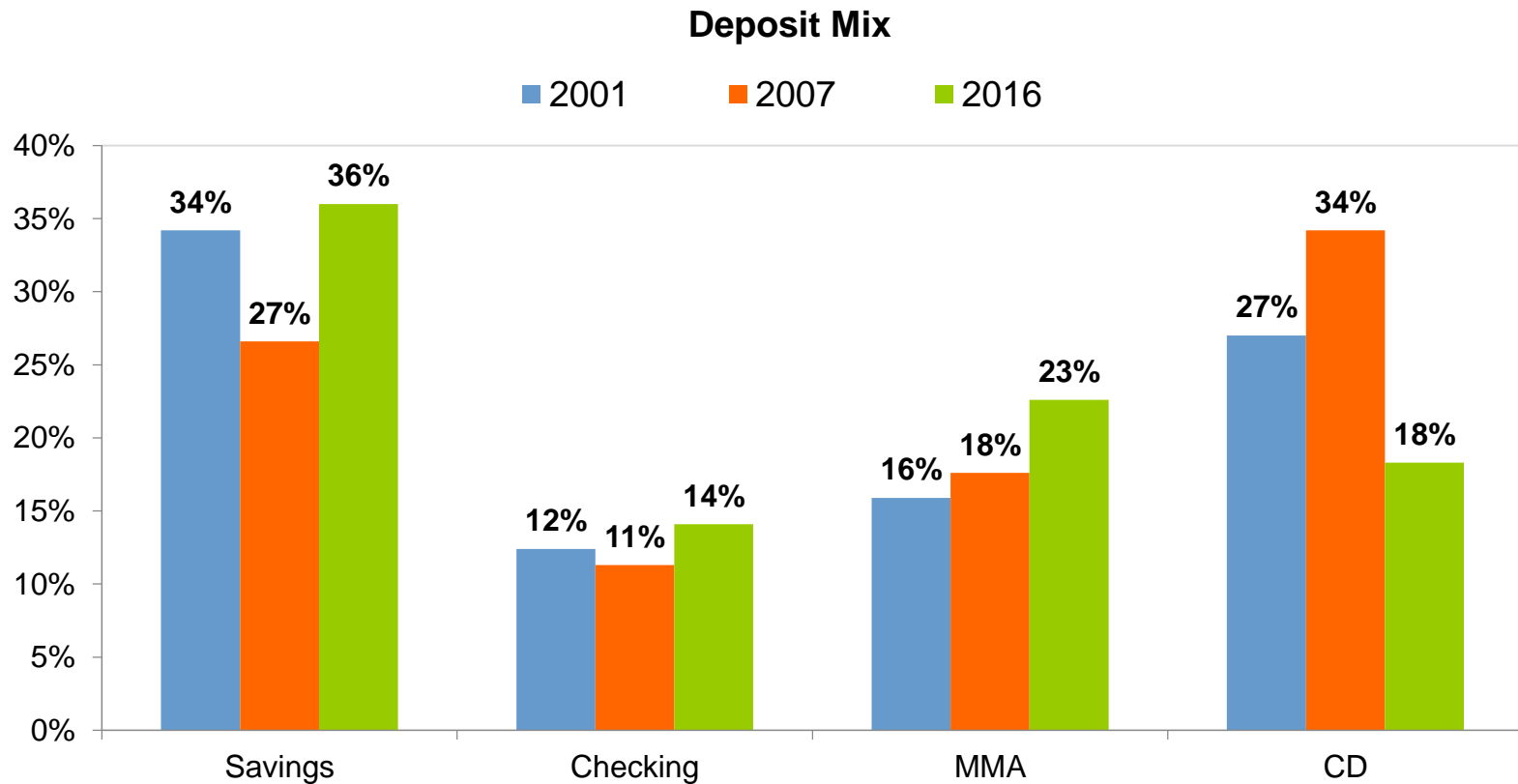


Source: Federal Reserve

Trend in Credit Union Deposit Mix

Since 2007, the percent of deposits held in CD products has declined from 34% to 18%. Meanwhile, the mix of Savings balances is at a level not seen since 2001, and balances in Money Markets remain near unprecedented levels.

How will consumer deposit product usage change in a rising rate environment marked by greater deposit competition?

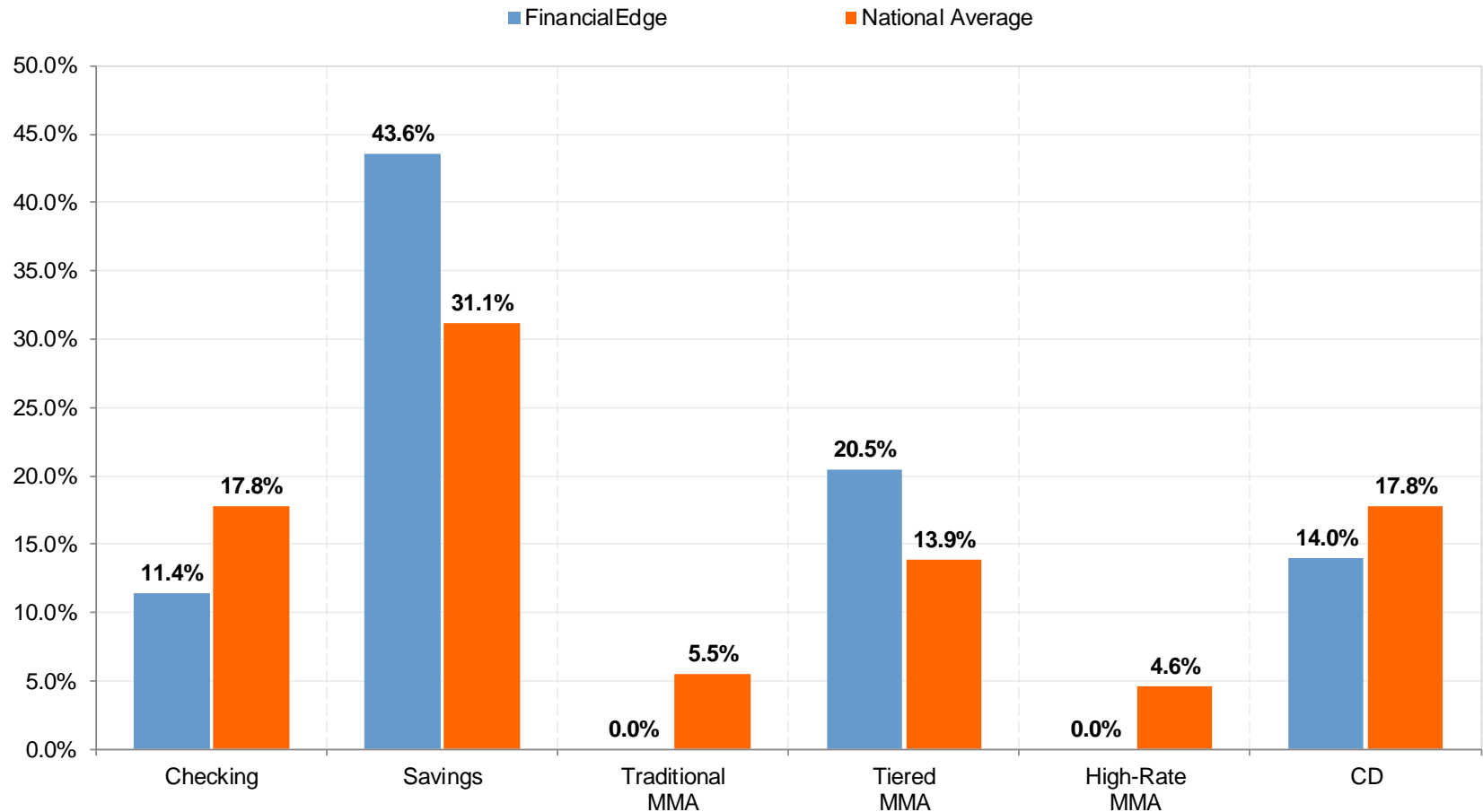


Source: NCUA, Raddon

How Does Your Deposit Mix Compare?

FinancialEdge Community Credit Union - All Households - 12/31/2016

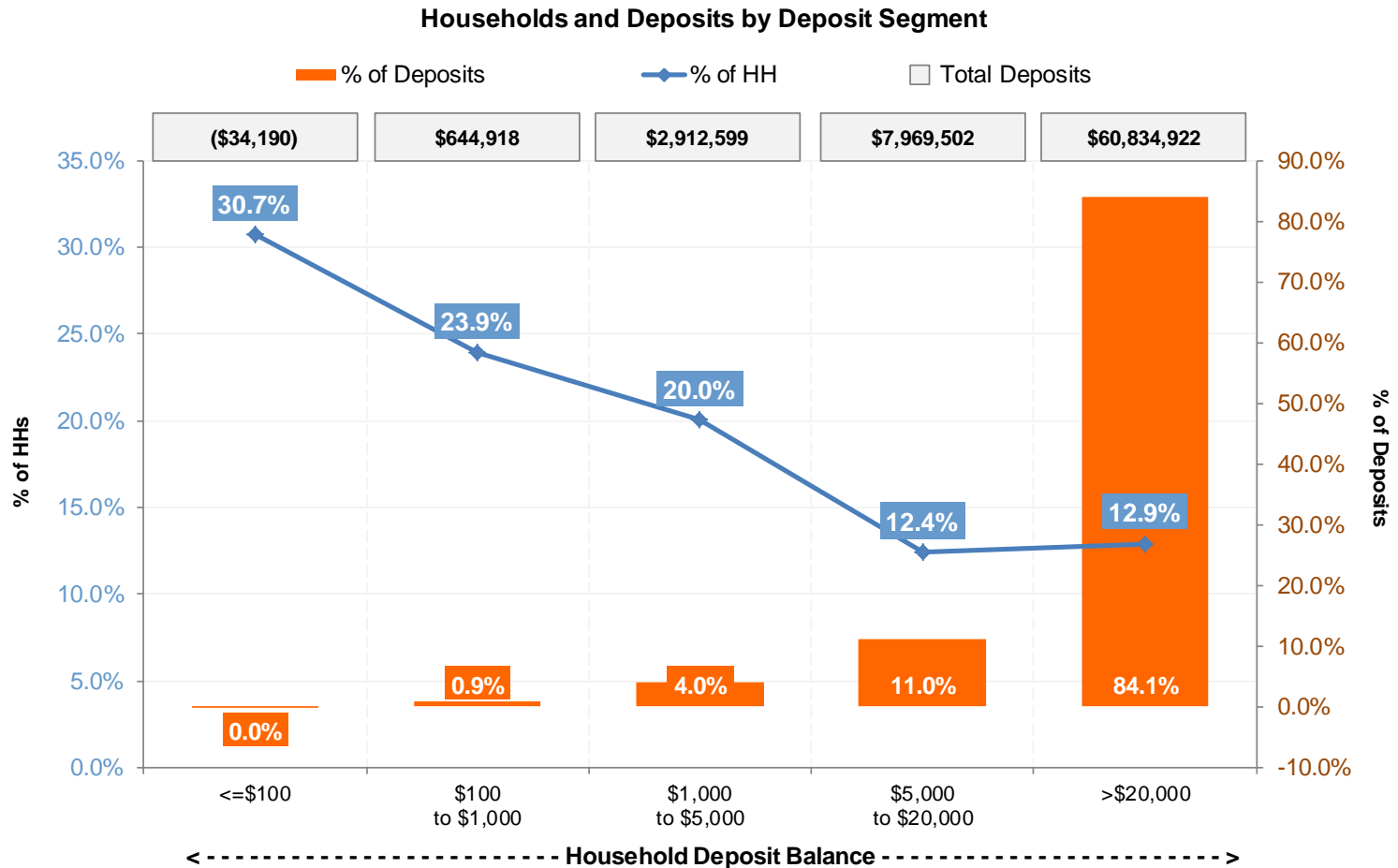
Percent of Total Deposit Balances by Product Type¹



¹Does not total 100% because IRA and Business Deposits are not shown.

How Much Do High Balance Households Contribute To Total Deposits?

FinancialEdge Community Credit Union - Retail Households - 12/31/2016

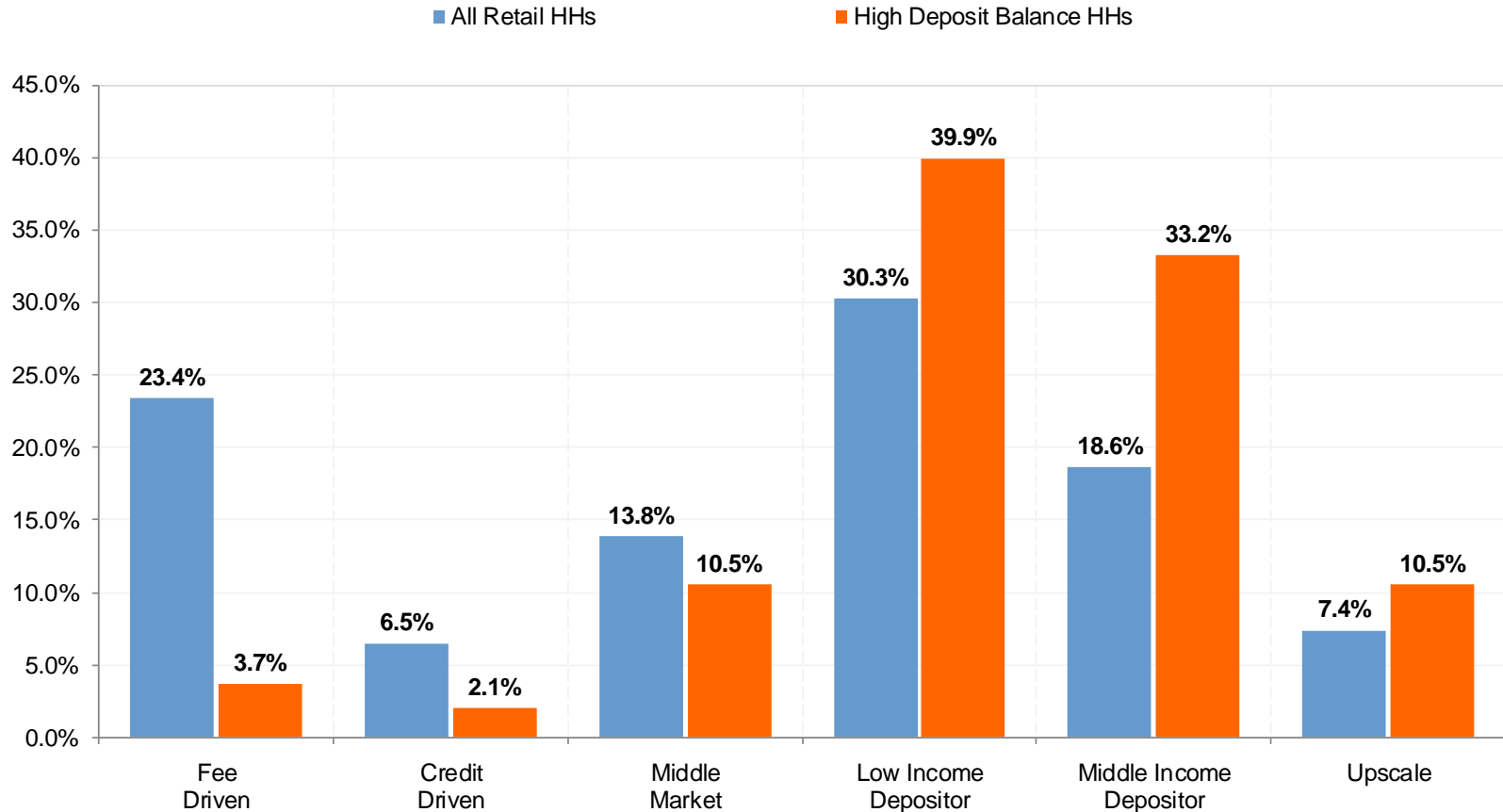


Performance Analytics Pages: N/A

What Is the Demography of Your High Deposit Balance Households?

FinancialEdge Community Credit Union - Retail Households - 12/31/2016

Percentage of Households by Consumer Segment

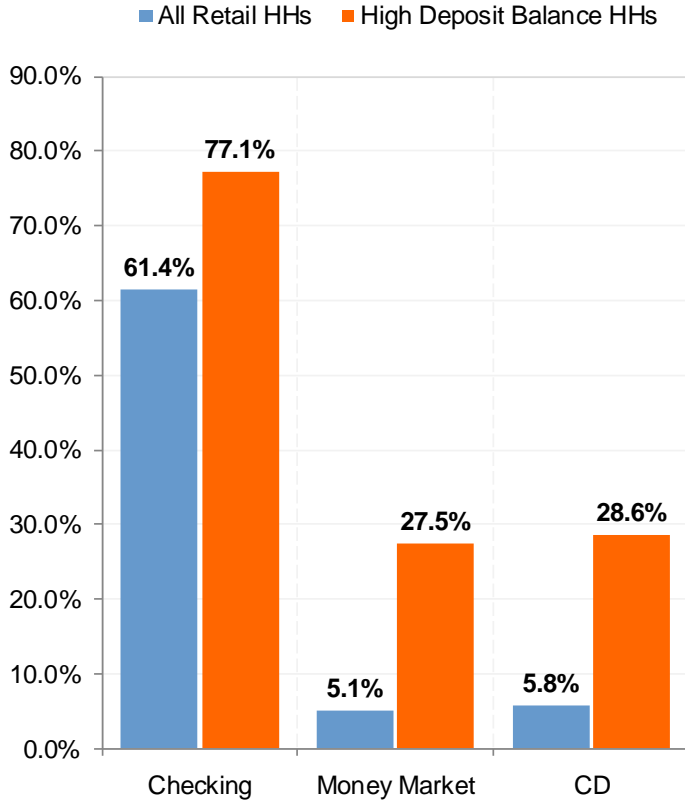


Performance Analytics Pages: N/A

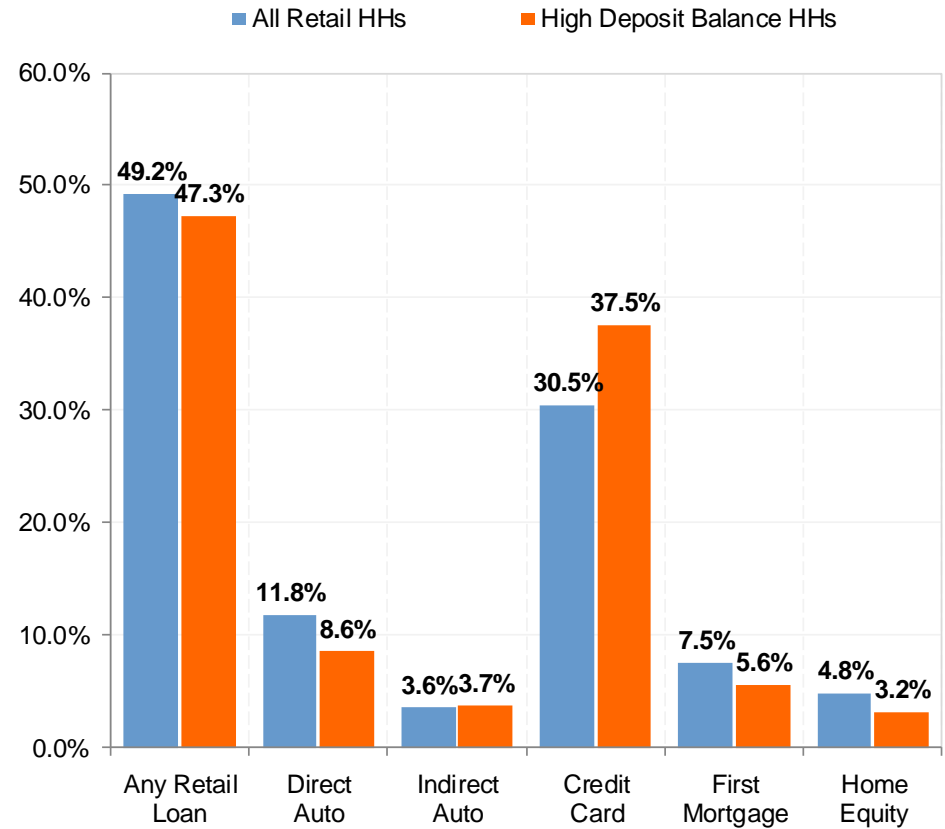
How Does Product Penetration for High Deposit Households Compare?

FinancialEdge Community Credit Union - Retail Households - 12/31/2016

Household Deposit Product Penetration



Household Loan Product Penetration



Performance Analytics Pages: N/A

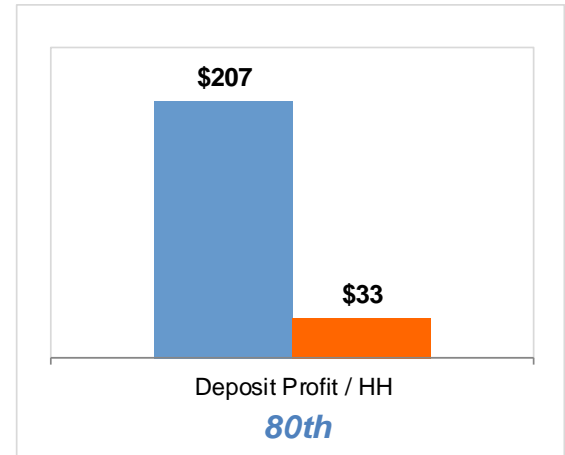
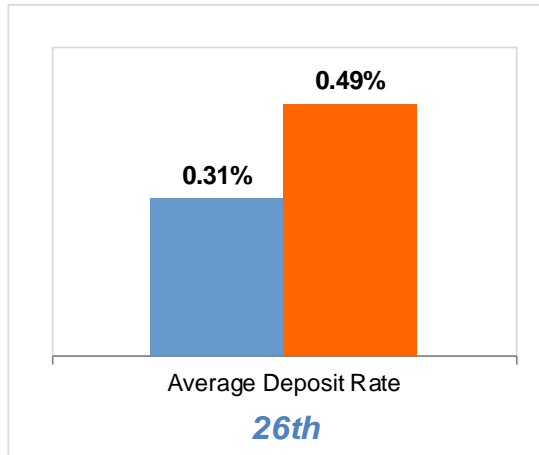
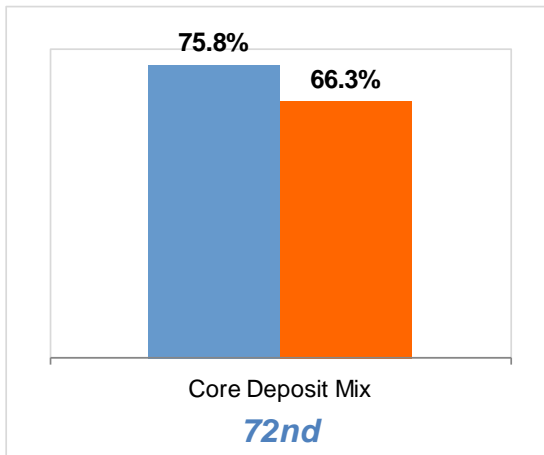
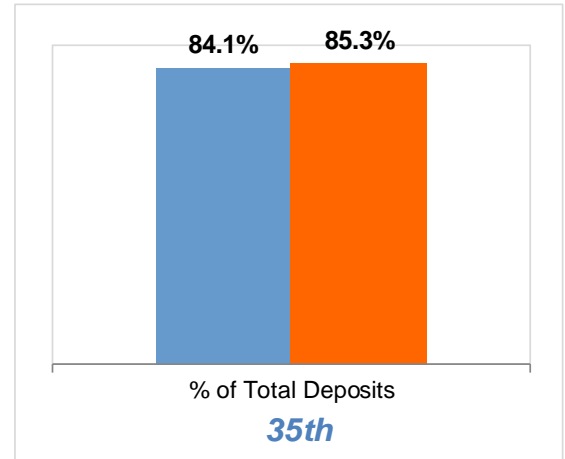
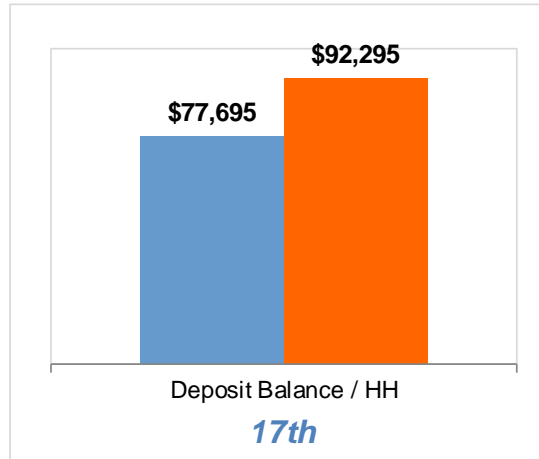
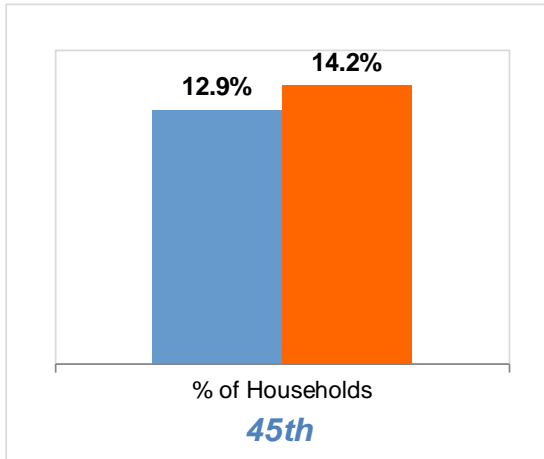
How Does Deposit Usage For Your High Balance Households Compare?

FinancialEdge Community Credit Union - Retail Households - 12/31/2016

The graphs below show statistics for your high deposit balance households¹ compared to the National Average.

■ FinancialEdge

■ National Average



¹Households with >\$20,000 in deposit balances.

Performance Analytics Pages: N/A

How Will Profit and Product Use Change As Rates Rise?

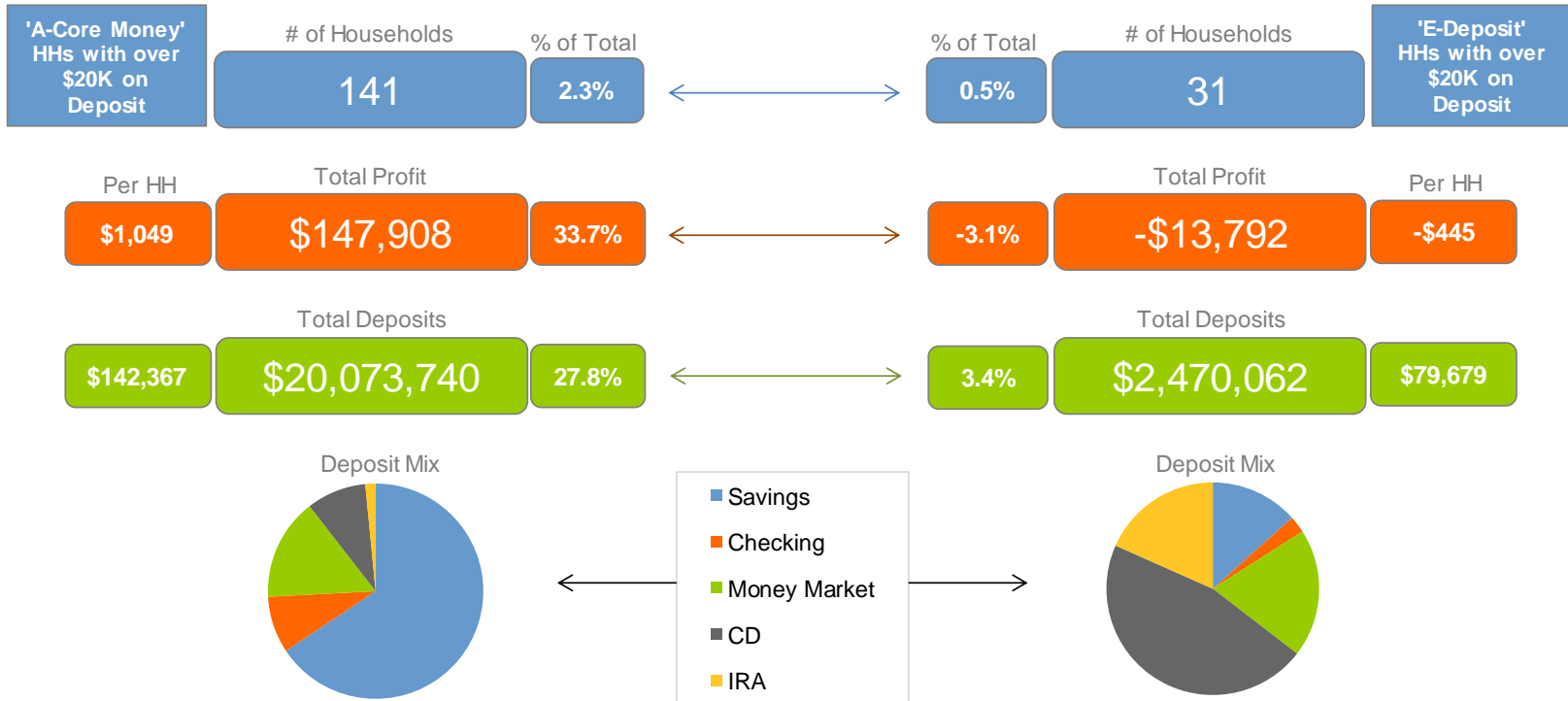
FinancialEdge Community Credit Union - Retail Households - 12/31/2016

At FinancialEdge, 141 high deposit balance households fall into Raddon's 'A-Core Money' Profit 15 Segment.

These households have more than \$20,000 on deposit and currently contribute over \$500 in annual profit, with more than half of that profit coming from their deposit relationship.

At the same time there are 31 high deposit balance households in Raddon's 'E-Deposit' Profit 15 Segment.

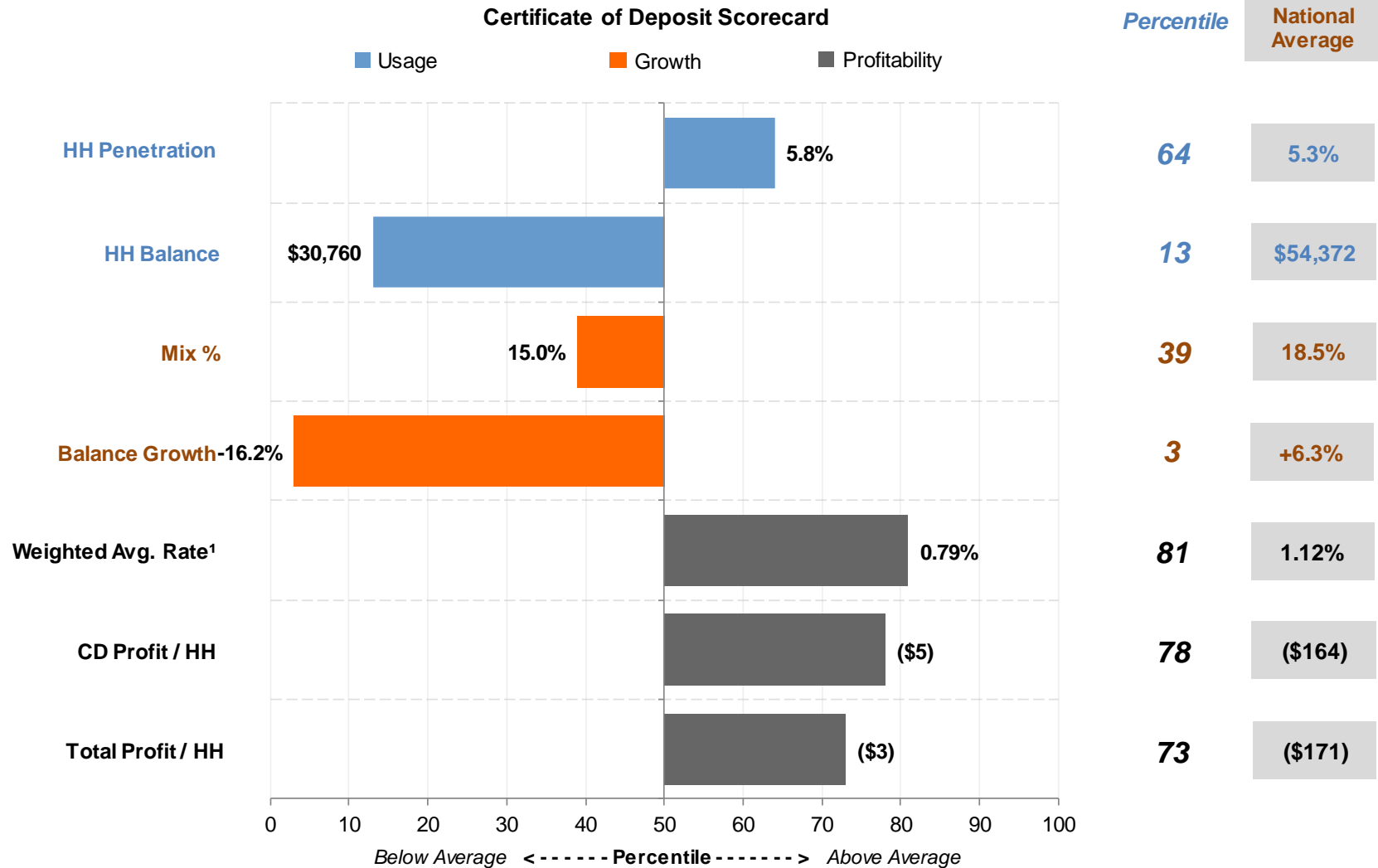
These households have more than \$20,000 on deposit and currently contribute a loss of over \$100 annually, with more than half of that loss coming from their deposit relationship.



Performance Analytics Pages: N/A

How Does Your CD Performance Compare?

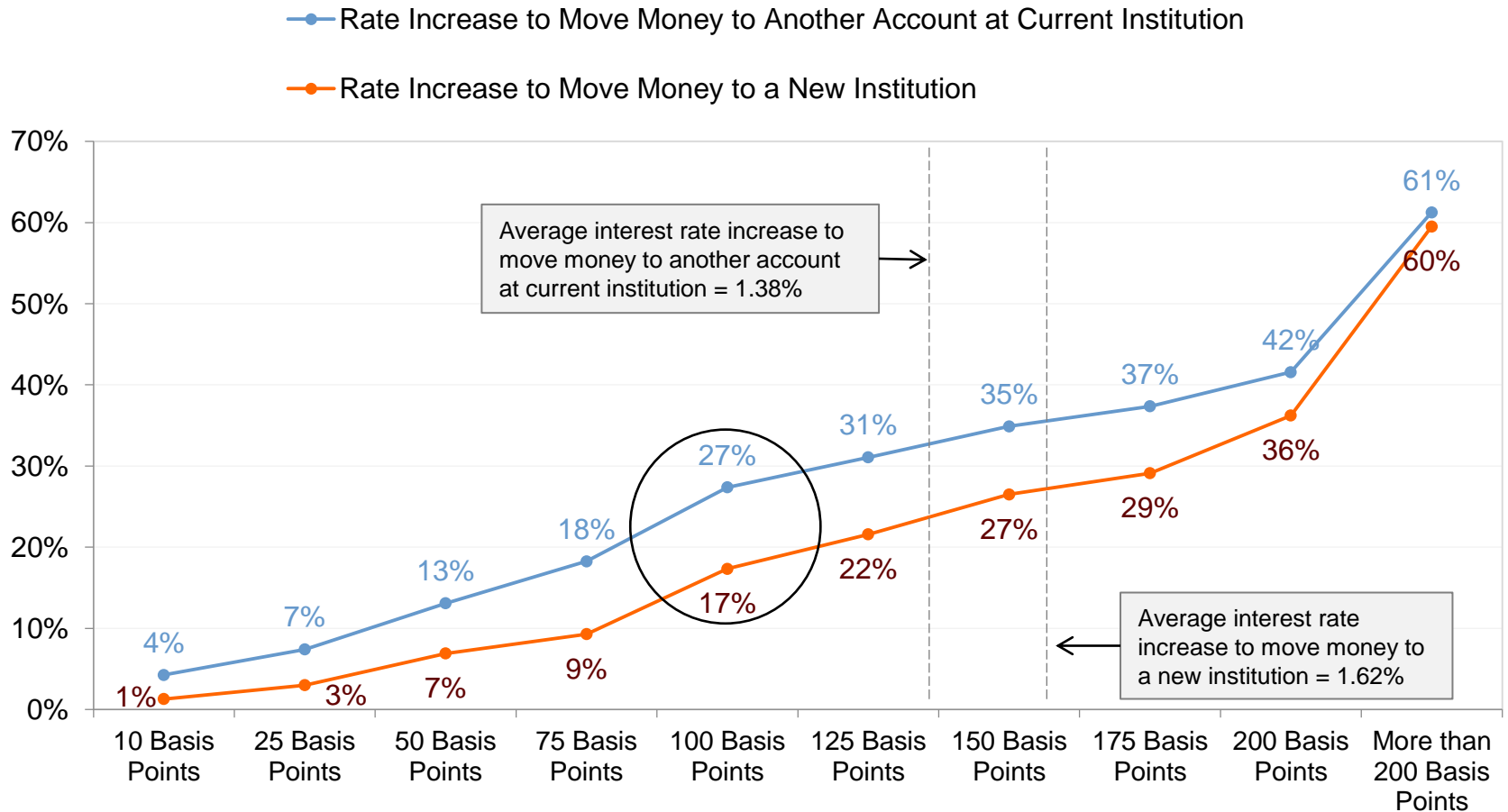
FinancialEdge Community Credit Union - Retail Households - 12/31/2016



¹A lower rate corresponds to a higher percentile.

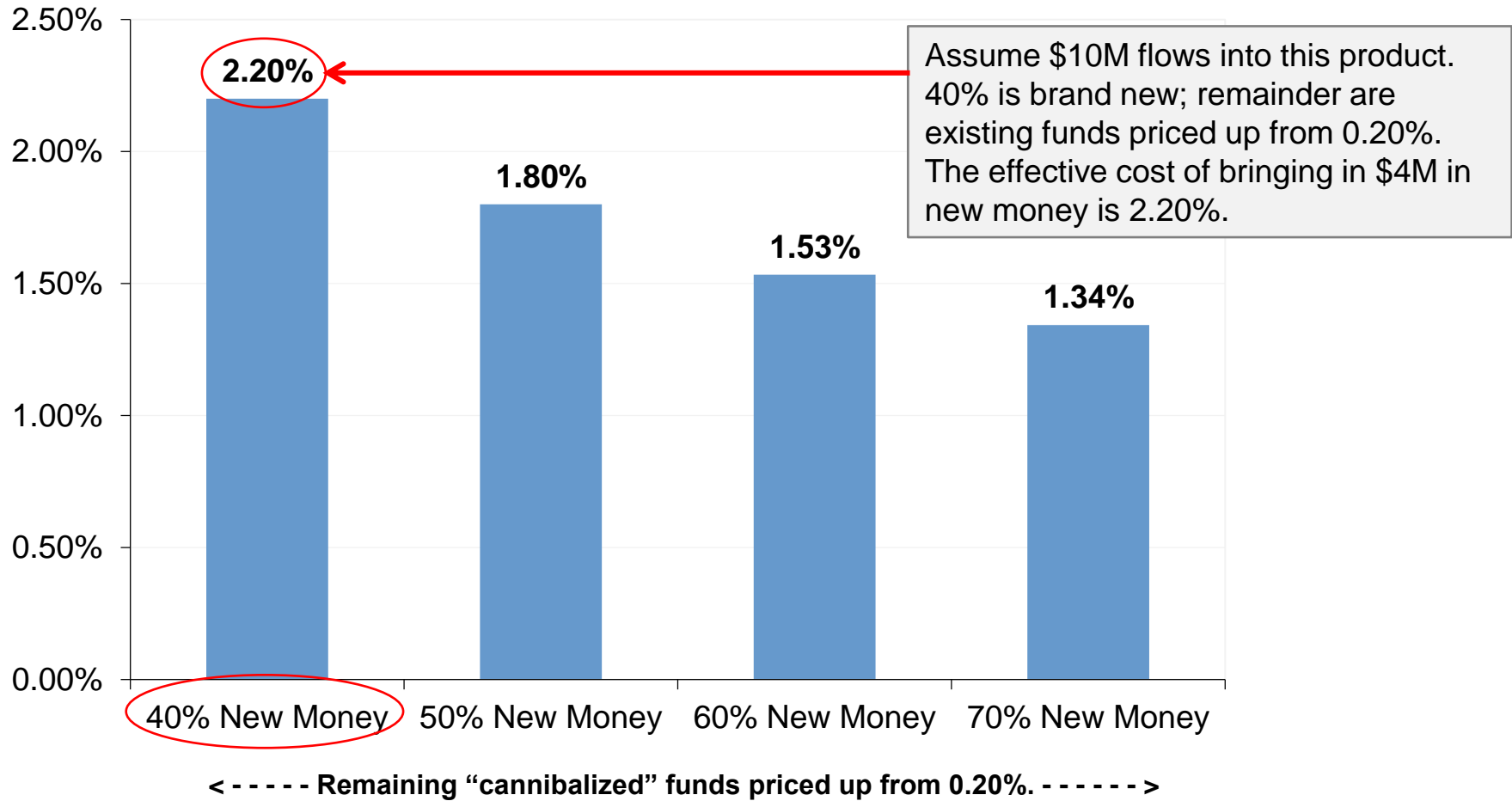
What Rate Increase Will Entice Consumers to Move Funds?

Raddon Research Insights – Survey of 1,200 Nationally Representative Consumers



The Cost of Cannibalization

Effective Cost of a 1% Deposit Product Offer at Various New Money Ratios



Source: Math

What Will Deposit Offers Look Like In Today's Environment?

Chase MMA 1998

CHASE

Discover the Overachieving Money Market Account

5.75%
APY
For balances of \$25,000 or more.

The Chase Money Market Account consistently outperforms T-Bills.

The Chase Money Market Account offers an advantage among the biggest in the industry. In fact, the Chase Money Market Account is a favorite of outperforming T-Bills. (See the paper.)

For more information, visit Chase.com

Home
Loans
Savings
Open an Account
Rate Sheet
Common Questions
FAQs & Definitions
Savings Contacts
Checking

World Savings MMA 2004

WORLD SAVINGS
How may we help you?®

Home
Loans
Savings
Open an Account
Rate Sheet
Common Questions
FAQs & Definitions
Savings Contacts
Checking

Hi-YieldSM Insured Money Market

FREE gift!
Earn great rates and your choice of 24 gifts.

For Illinois as of 1/23/2004

Money Market and Checking Accounts**	Minimum Balance Levels	Interest Rate	Annual Percentage Yield
Hi-Yield SM Insured Money Market Account	\$ 50,000	2.01%	2.03%
	25,000	1.96	1.98
	10,000	1.91	1.93
	2,500	0.51	0.51
	500	0.25	0.25

New Century Bank MMA 2003

LIMITED TIME OFFER

“Announcing our new Recovery Money Market Account: 2.75% A.P.Y. on balances of \$50,000 or more”

It's our small contribution towards helping the economy recover, and helping our customers avoid risky investments. All you have to do is open a **checks** with your name on them...right above

the 2.75% annual percentage yield, **guaranteed** through the **end of 2003**. And, we'll give you **free** on them...right above

1-800-5400 x106.

Old Kent CD 1999

HERE'S A GREAT WAY TO TO YOUR 1998 IRA. DEADLINE IS APRIL 17, 2000.

Old Kent's Relationship CD

7.00%
APY*
on balances of \$50,000+*

We have a lot of interest in great relationships.

SAVINGS RATES IN THE TOP 1% NATIONALLY

One of life's real highs.

7.25%
APY*
One Year CD

High rates are nothing new for E*TRADE Bank. We've consistently paid savings rates in the top 1% nationally for ten straight years. FDIC insured. Over \$7 billion in assets. The nation's largest branchless bank.** So, call a friendly E*TRADE Banker today at 1-800-ETBANK1. We'll be happy to help you open a high rate CD.

Certificates of Deposit		
Term	Interest rate	APY*
3 Month	6.20%	6.40%
6 Month	6.55%	6.77%
1 Year	7.00%	7.25%
1-1/4 Year	7.02%	7.27%
1-1/2 Year	7.04%	7.29%
2 Year	7.06%	7.31%
2-1/2 Year	7.07%	7.33%
3 Year	7.09%	7.35%
5 Year	7.11%	7.37%

E-Trade CD 2000

Deposit Strategies

Deposit Strategy	Acquisition	Retention
Goal	<ul style="list-style-type: none"> ✓ Grow deposits in cost-effective manner 	<ul style="list-style-type: none"> ✓ Retain key relationship households
Target	<ul style="list-style-type: none"> ✓ Older, high income members with low deposit balances at your institution ✓ New members, markets 	<ul style="list-style-type: none"> ✓ Households with large deposit balances at your institution or balance potential (e.g. younger, high income)
Risk	<ul style="list-style-type: none"> ✓ Cannibalization 	<ul style="list-style-type: none"> ✓ Run-off
Focus	<ul style="list-style-type: none"> ✓ New Money Ratio 	<ul style="list-style-type: none"> ✓ Re-boarding ✓ Relationship Pricing

Deposit Tactics

- Tiering Existing Accounts
- Requiring Checking to Obtain High Rate Product
- New Money Only Offer
- High Minimum Balance
- Off-peak CD Terms
- New High Rate Savings or Money Market Account

Deposit Tactics

Tactic

Tiering Existing Accounts

Requiring Checking to Obtain High Rate Offer

Advantages

Higher rate may help retain high balance member deposits

Limits hot money

Provides some low cost deposits

Provides a slight chance at getting new primary members

Disadvantages

Rewards non-rate sensitive members

Increases cost of funds more than needed

Less cost effective at new money growth

Inactive and dormant checking accounts after rate offer ends

Deposit Tactics

Tactic

New Money Only

High Minimum
Balance
Requirement
(e.g.\$15,000)

Advantages

Limits disintermediation

Limits disintermediation of
lower balance accounts

Disadvantages

Loyal member push back

Pressure on front line staff
from members

Higher balance accounts
are more rate sensitive

Deposit Tactics

Tactic

Off-peak CD Terms
(e.g. 7 months)

New Liquid Savings
or Money Market

Advantages

Creates a new bucket of
rate sensitive funds

Does not price up existing
CD balances

Limits disintermediation

Spreads rate sensitive
funds over several
accounts

Disadvantages

Product line complication

Development costs

Front line staff education

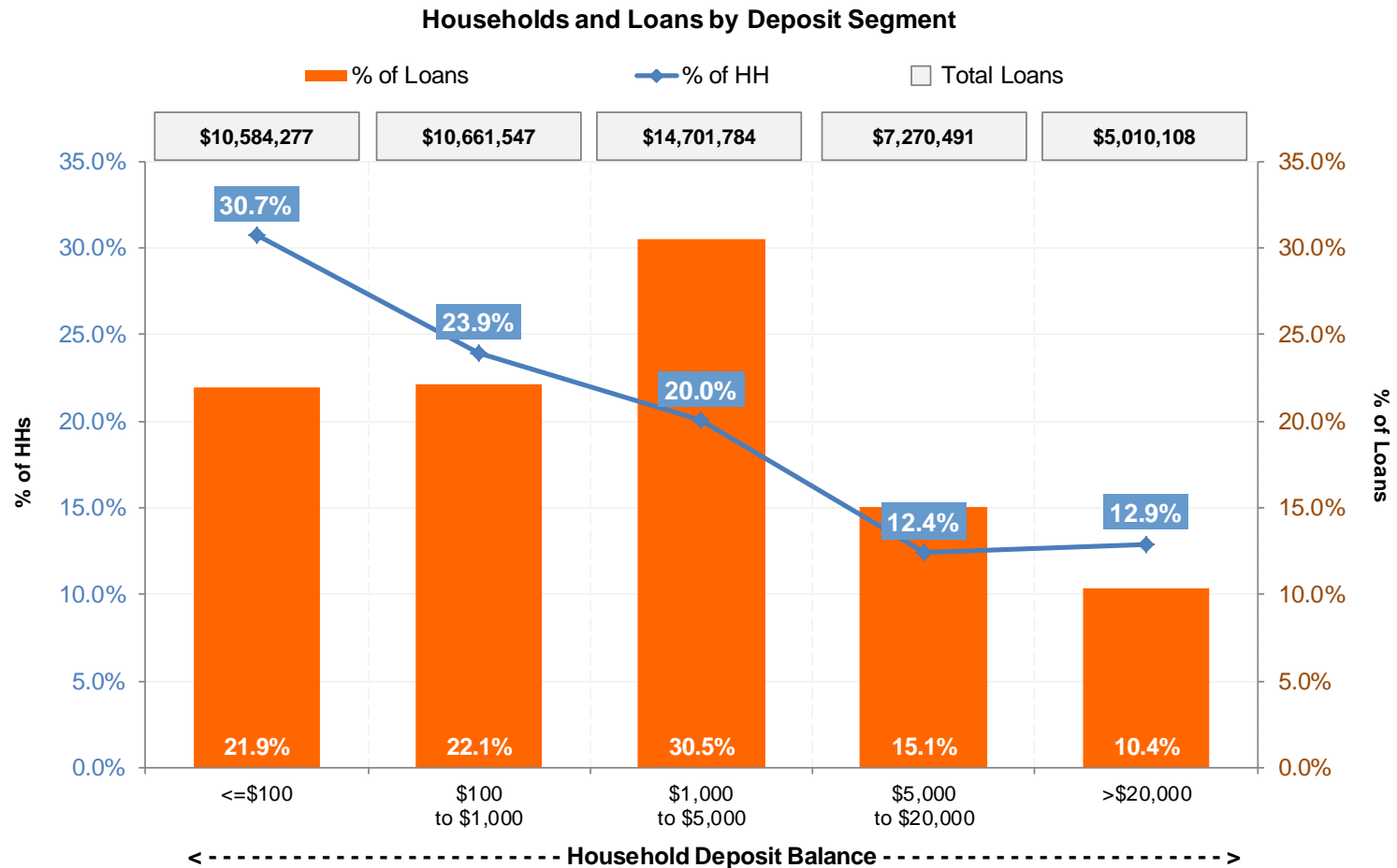
Product line complication

Development costs

Front line staff education

What Is The Loan Contribution From Each Deposit Segment?

FinancialEdge Community Credit Union - Retail Households - 12/31/2016



Performance Analytics Pages: N/A

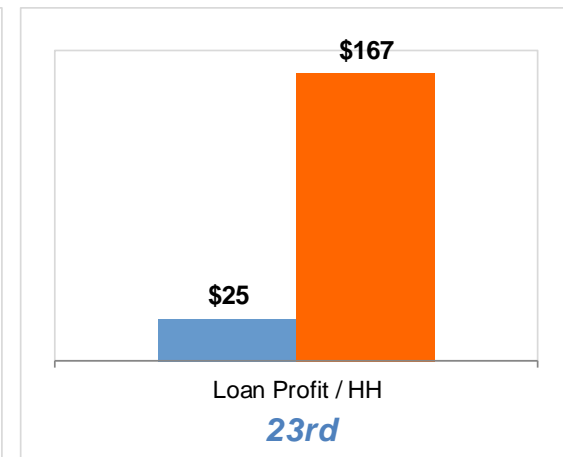
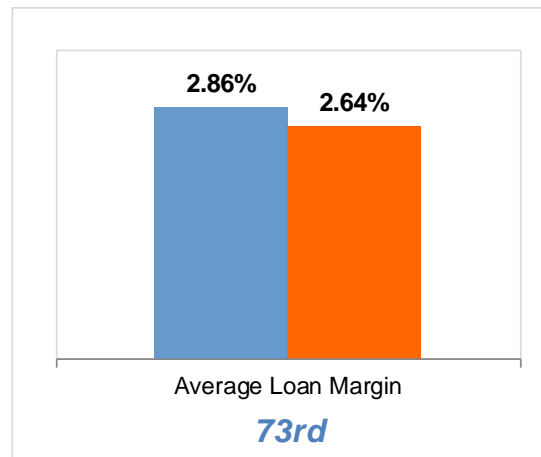
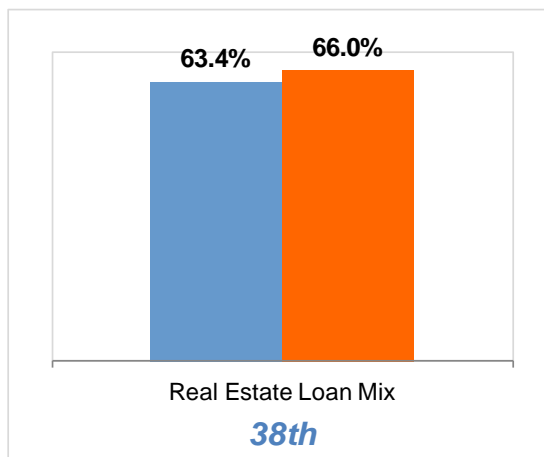
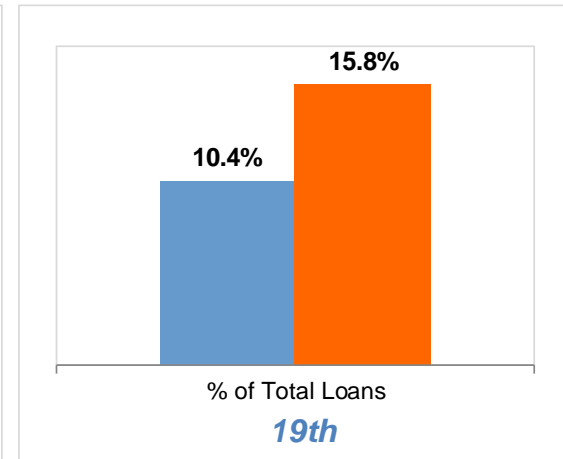
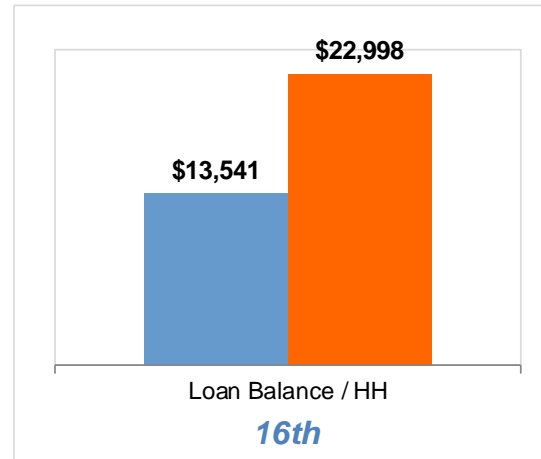
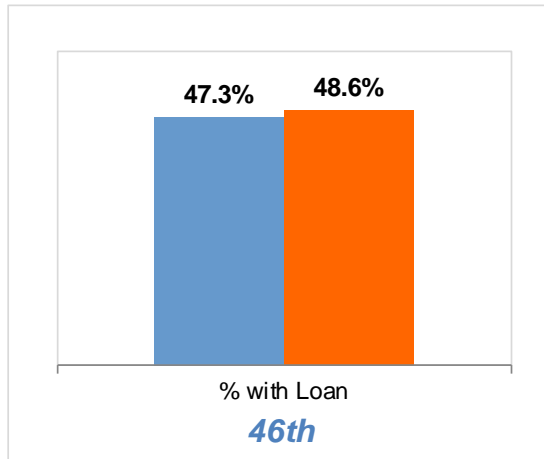
What Is the Loan Profile of Your High Deposit Balance Households?

FinancialEdge Community Credit Union - Retail Households - 12/31/2016

The graphs below show loan usage for your high deposit balance households¹ compared to the National Average.

■ FinancialEdge

■ National Average



¹Households with >\$20,000 in deposit balances.

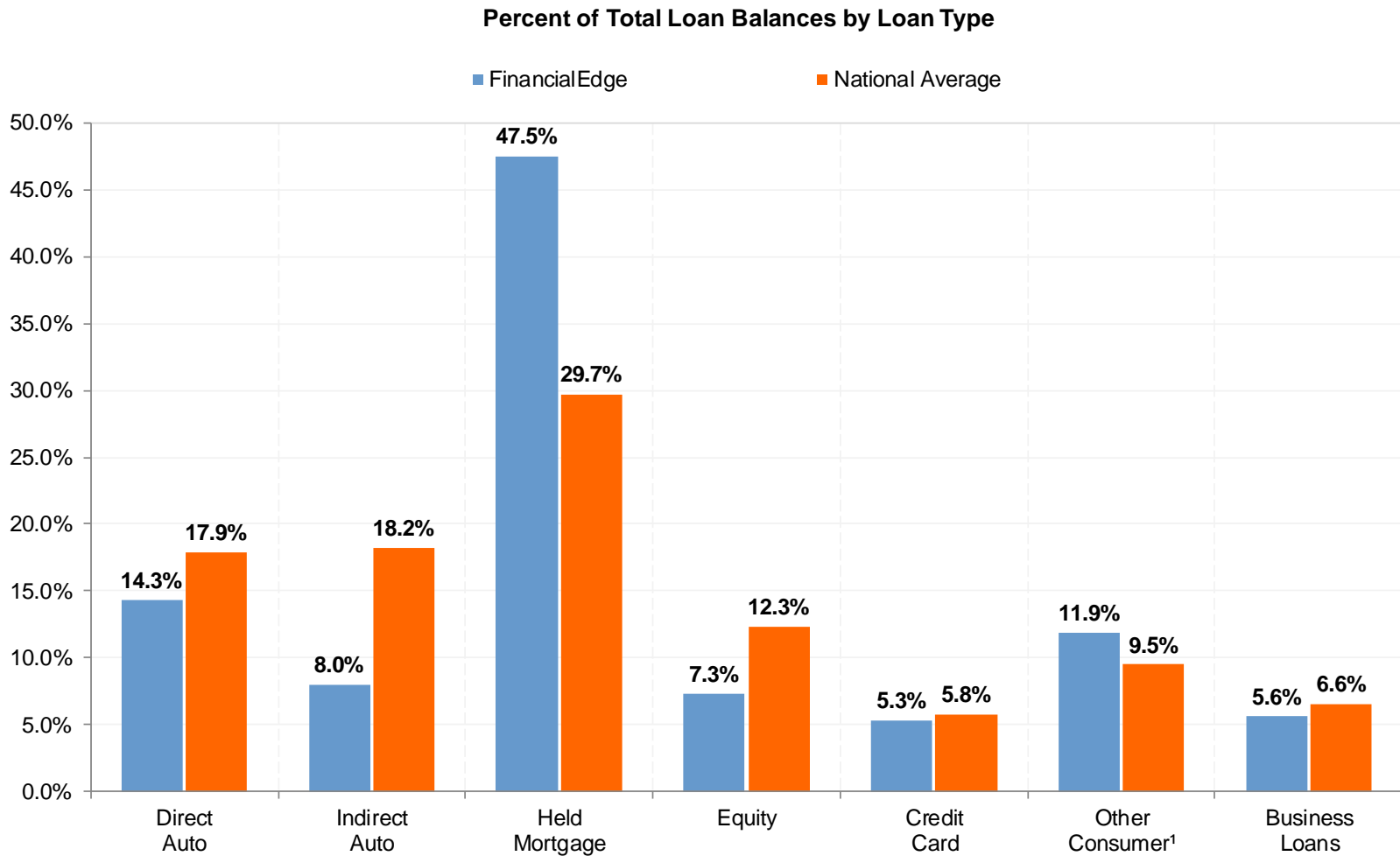
Performance Analytics Pages: N/A



Lending

How Does Your Loan Mix Compare?

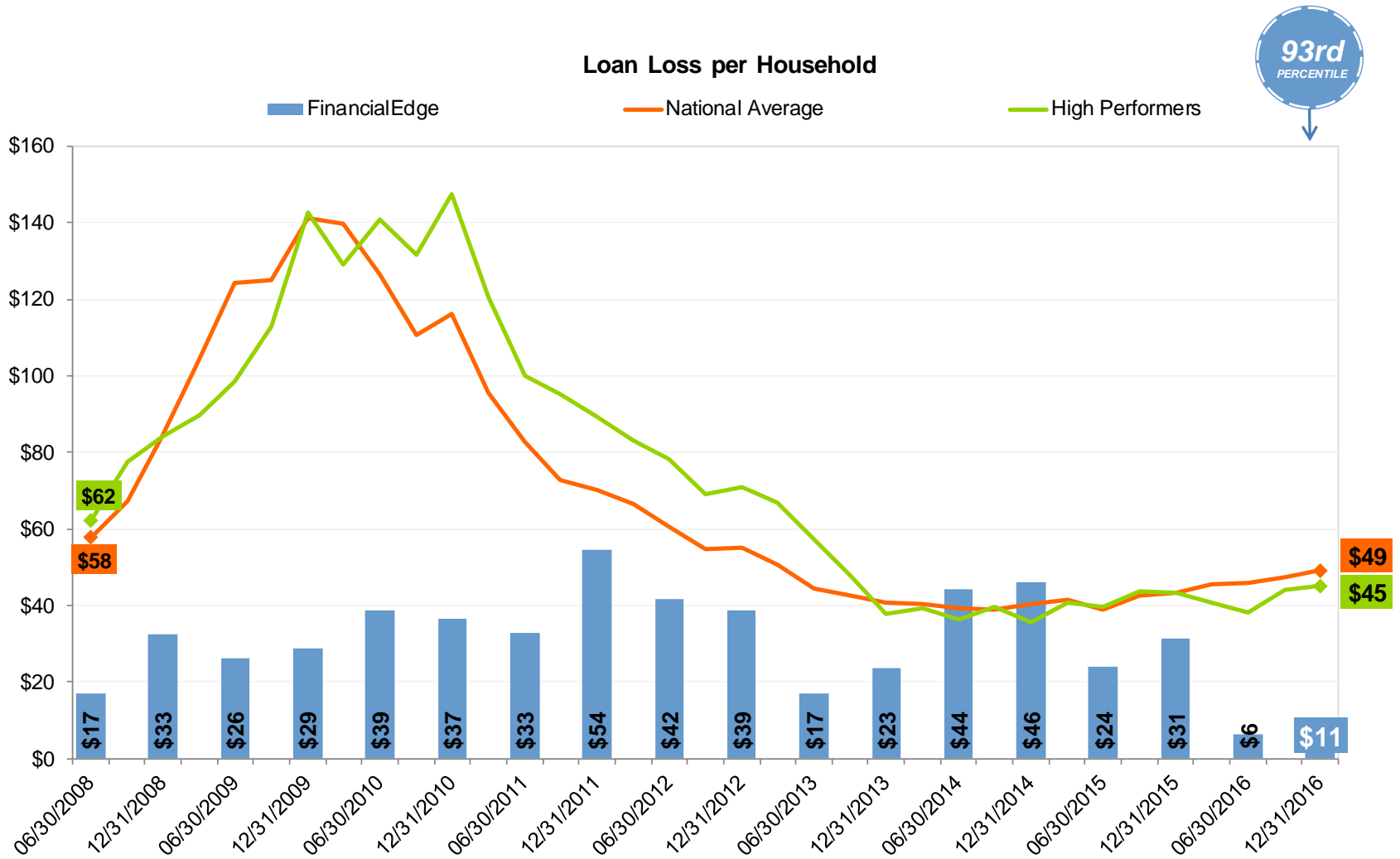
FinancialEdge Community Credit Union - All Households - 12/31/2016



¹Consumer Loan and Unsecured Line

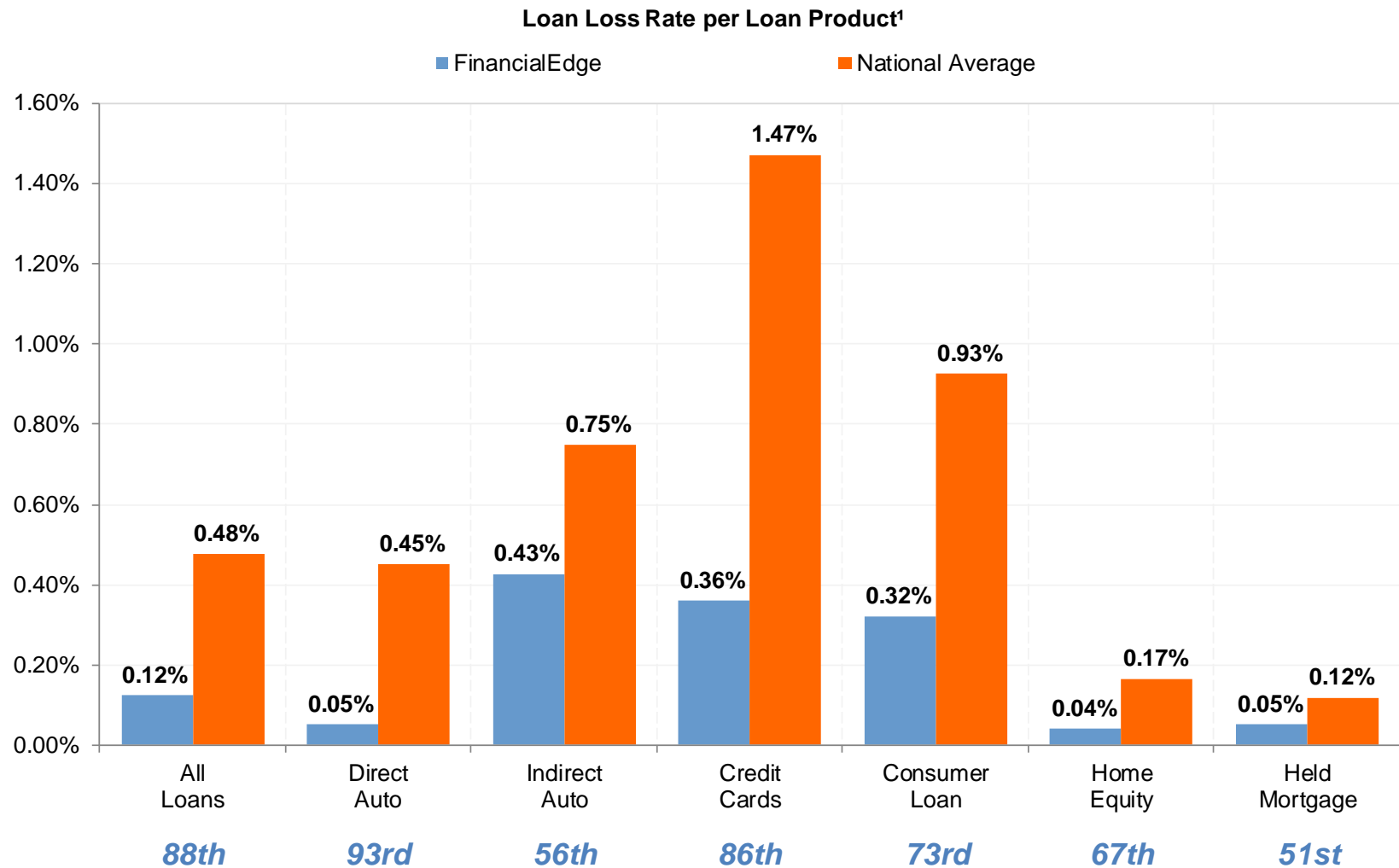
How Is Your Loan Loss Trending?

FinancialEdge Community Credit Union - All Households



How Do Your Product Loan Losses Compare?

FinancialEdge Community Credit Union - All Households - 12/31/2016

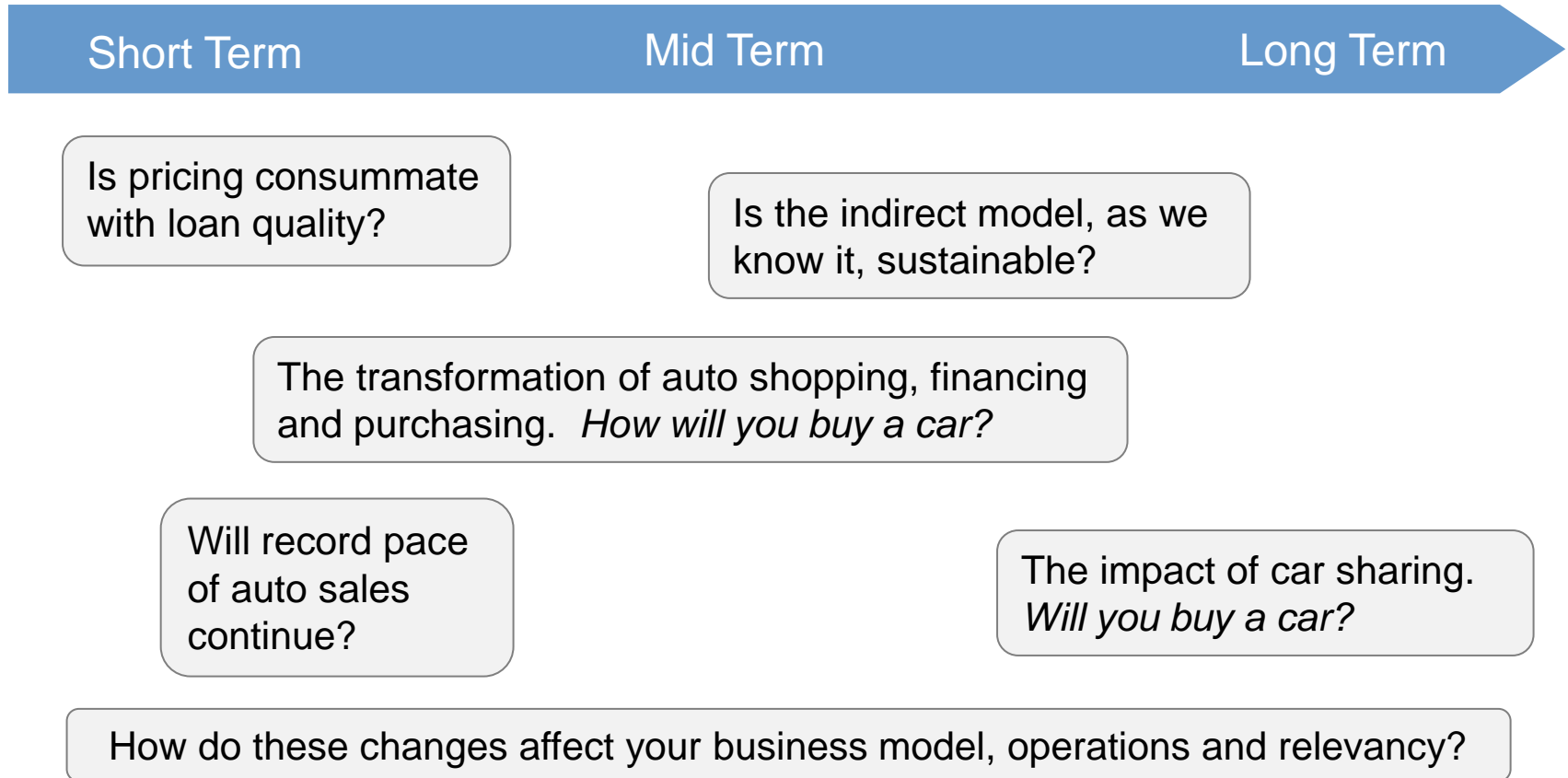


¹Lower loan loss corresponds to a higher percentile.



Auto Lending

What Are the Disruptive Forces in the Auto Arena?



Video: AutoGravity

Is This Model the Future of Auto Financing?

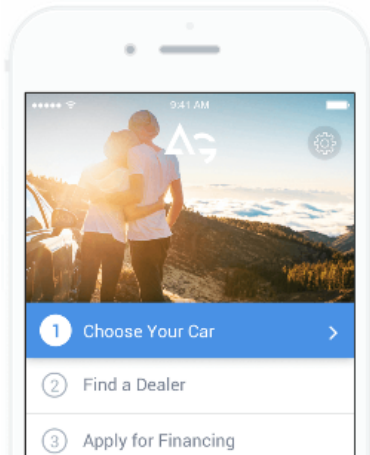


How AutoGravity Works

Get Up To Four Great Offers in Four Easy Steps

1

Choose Your Car

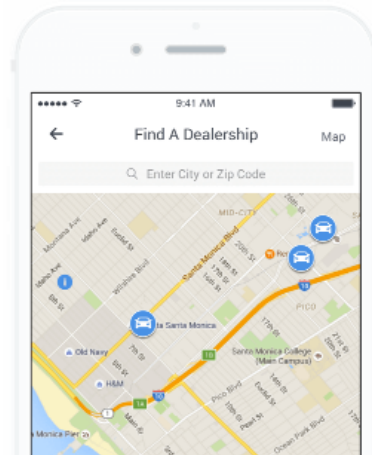


Interactive Car Search

Browse all makes, models and trims in our vehicle catalog

2

Find a Dealership

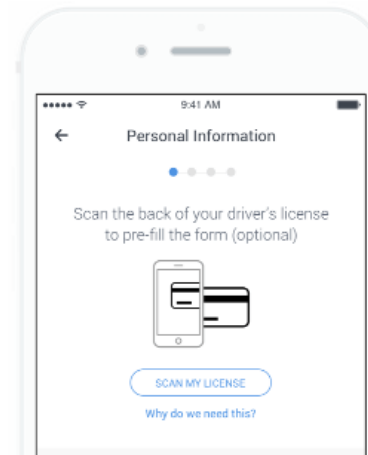


Explore Local Dealerships

Connect with local dealerships offering the car you're looking for

3

Apply for Financing

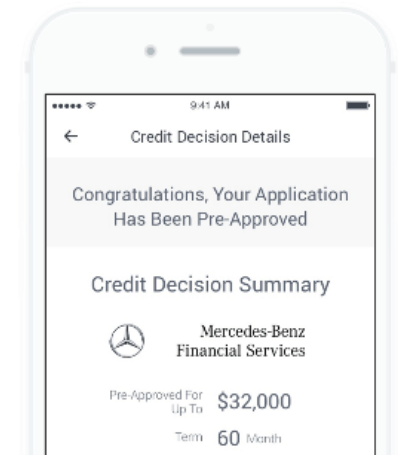


Up To Four Fair Financing Offers

Save time with a simple and secure online credit application

4

Select Offers



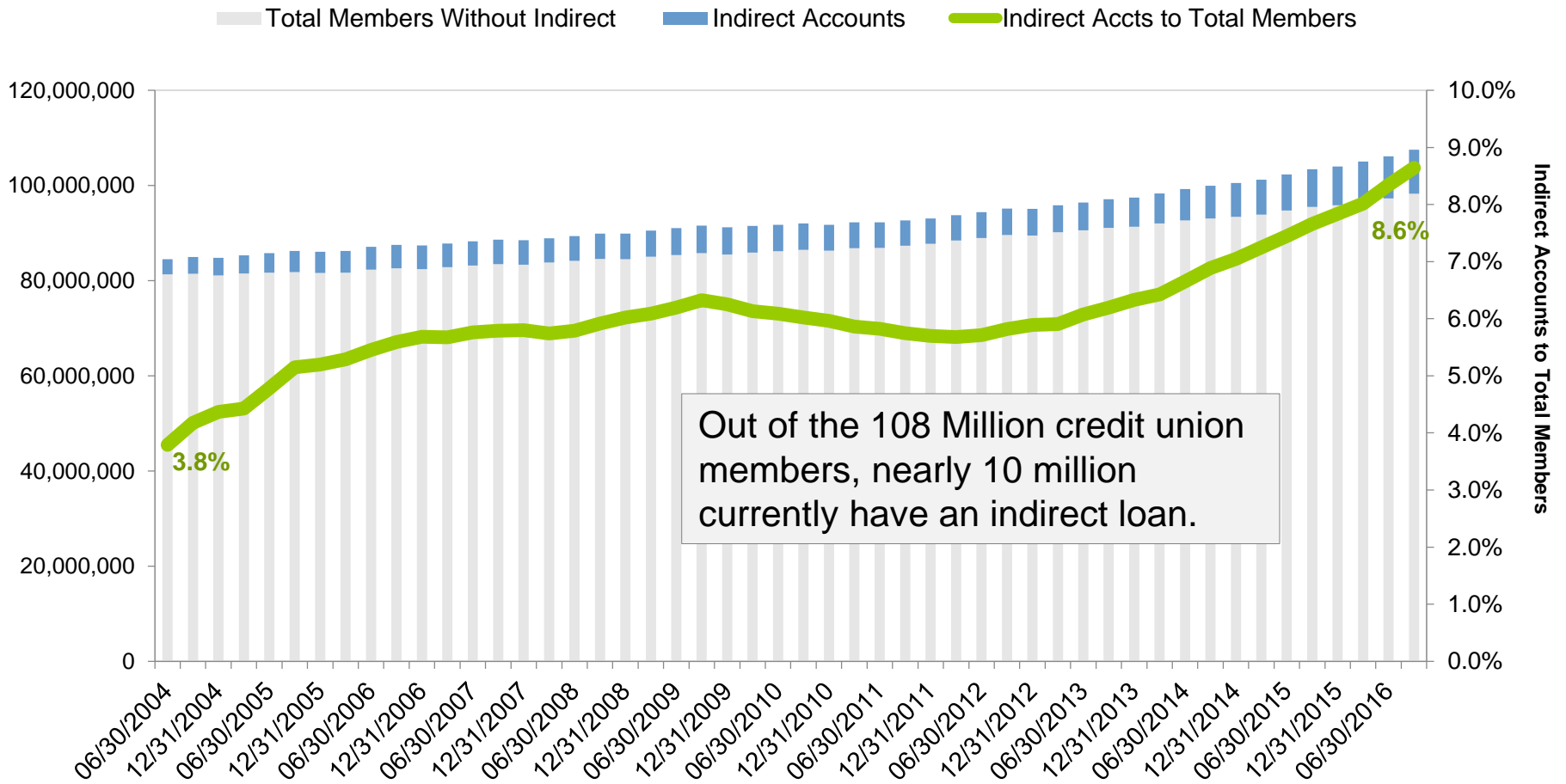
Car Financing in Minutes

Know before you go - select the rate and lender that's right for you

Source: AutoGravity, <https://youtu.be/EQVQcbVBDiY>

Credit Union Membership Growth Aided Significantly by Indirect

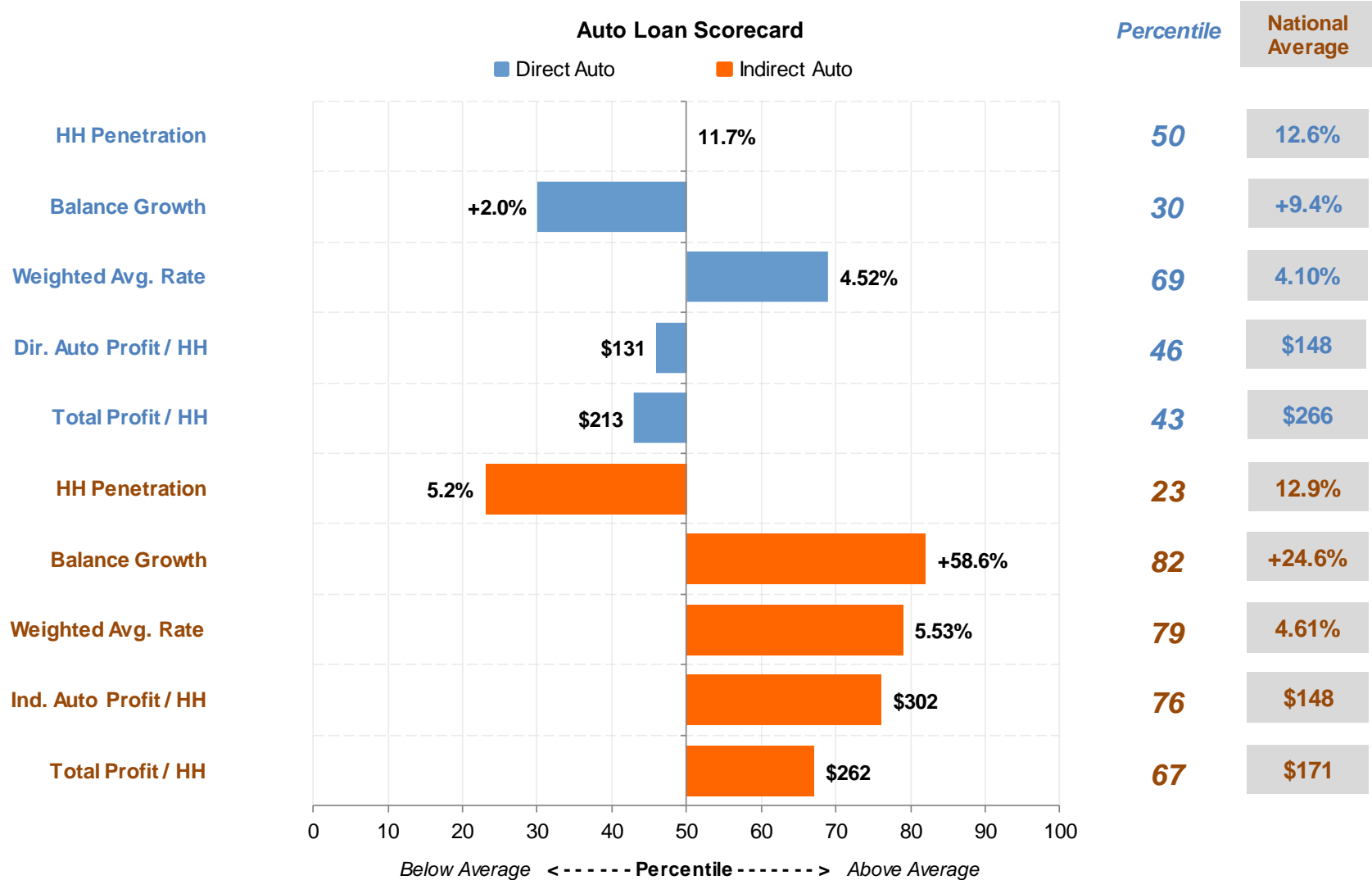
Credit Union Member and Indirect Growth



Source: NCUA, Raddon

How Strong Is Your Auto Loan Performance?

FinancialEdge Community Credit Union - All Households - 12/31/2016



Performance Analytics Book Pages: 46, 161, 163, 167

Strategic Considerations for Indirect Lending

How well are you managing the indirect line of business?

- Reliance on indirect
- Pricing and risk
- Dealer relationships

How much effort do you put towards cross-sales?

- Resources
- Commitment
- Culture

Diversification
beyond auto

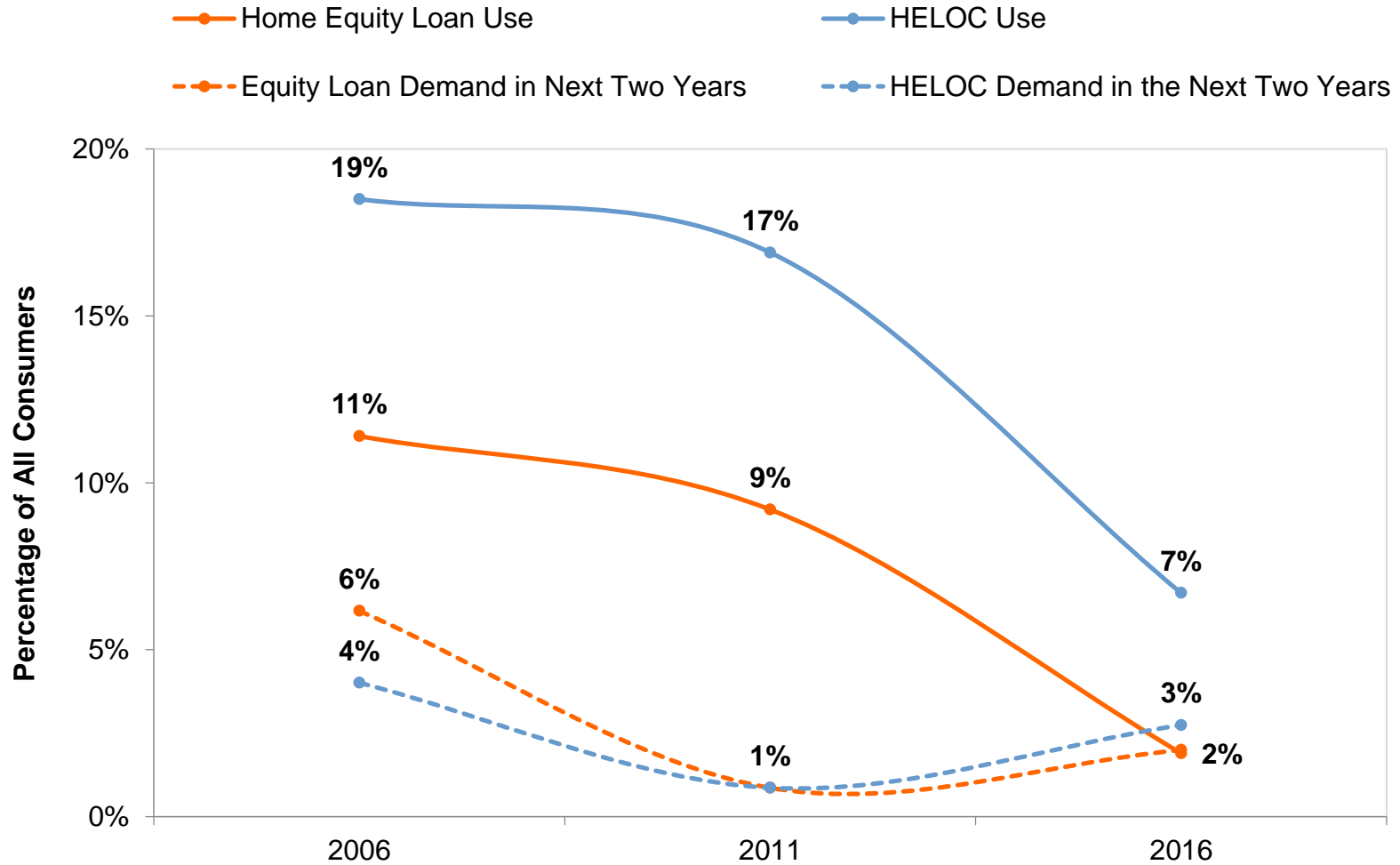
- Equity
- Home improvement
- Furniture



Equity Lending

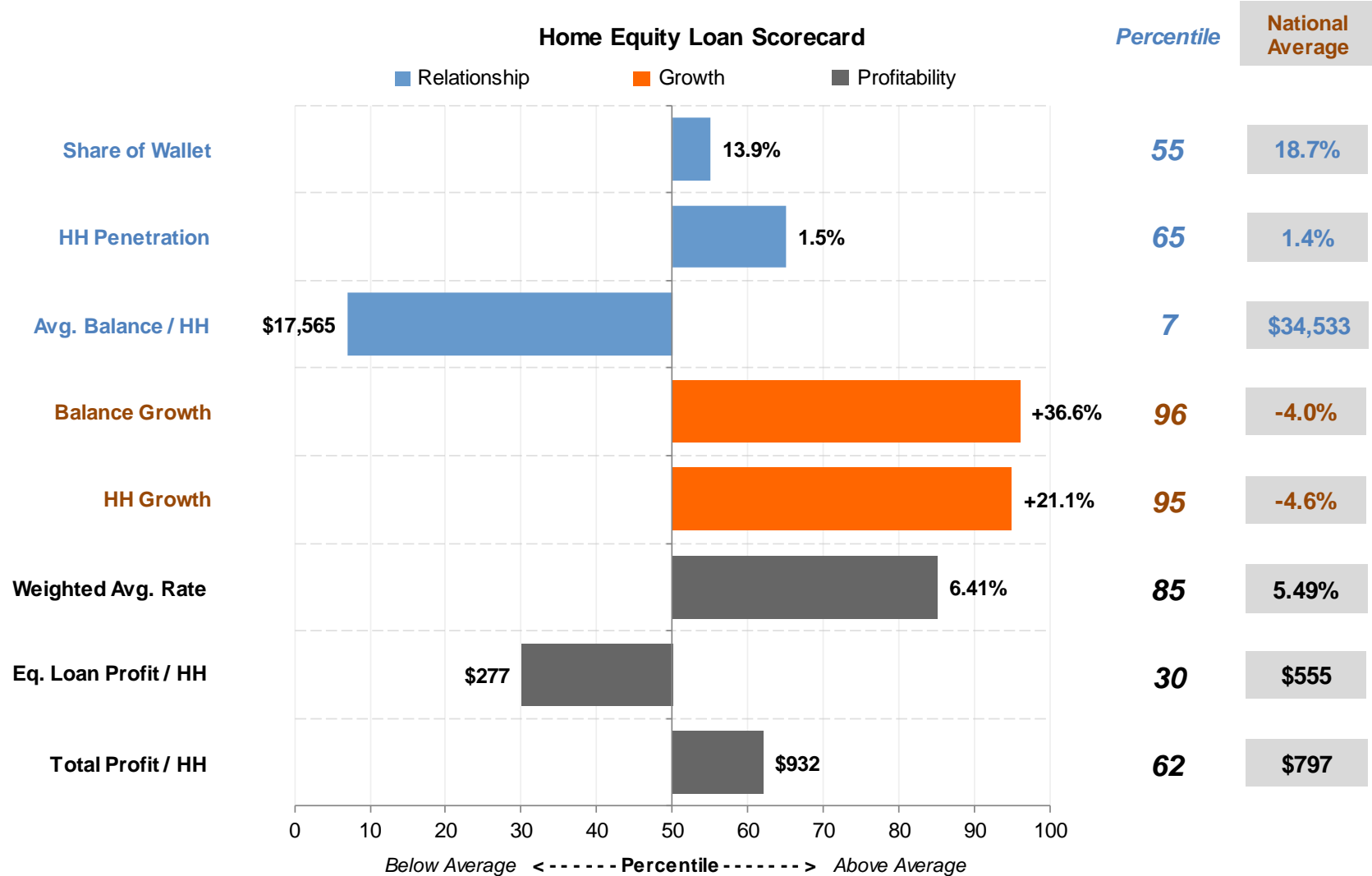
Is Equity Loan/Line Demand Gaining Steam?

Raddon Research Insights – Survey of 1,200 Nationally Representative Consumers



What Are Your Home Equity Loan Strengths and Weaknesses?

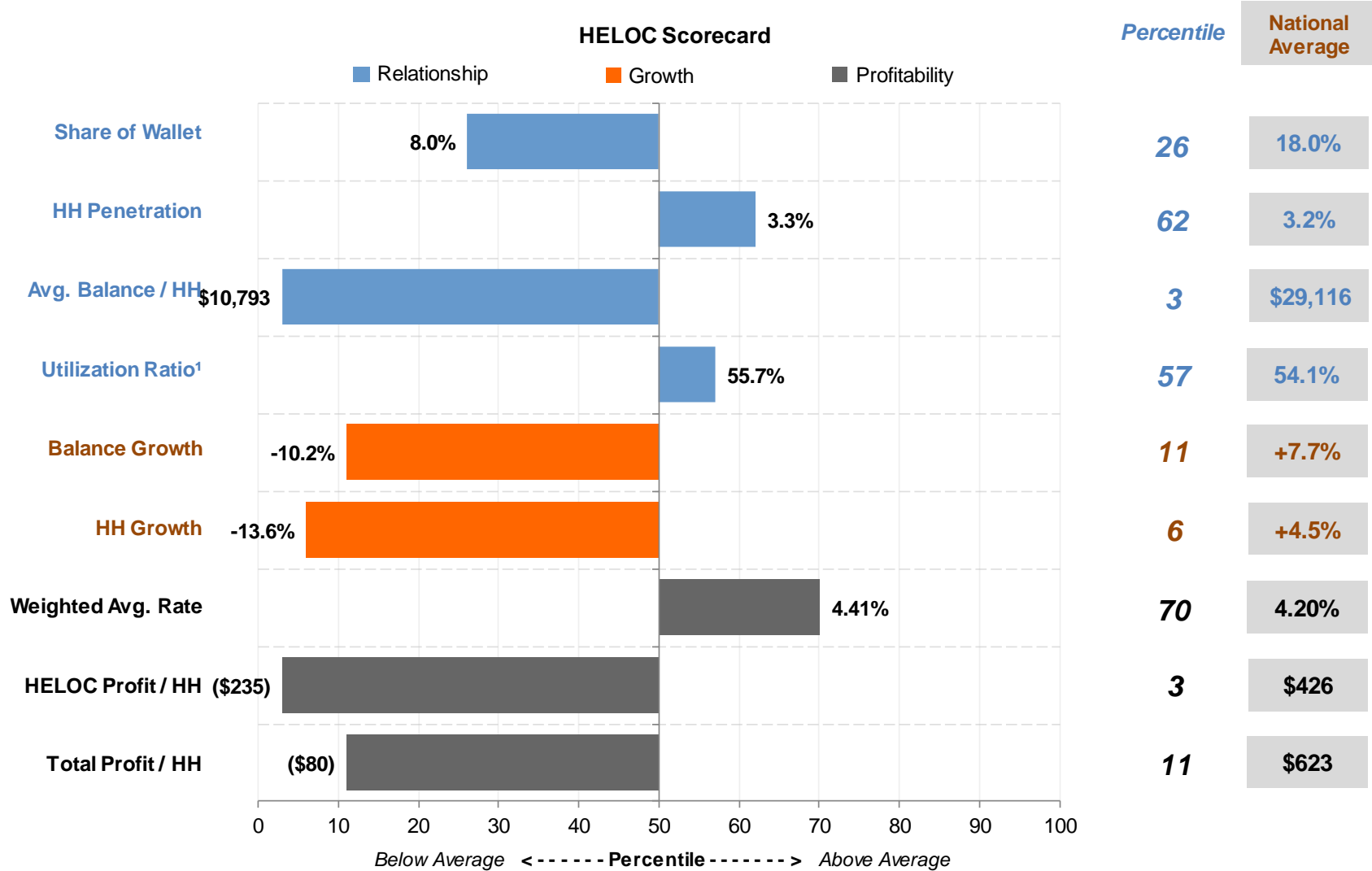
FinancialEdge Community Credit Union - Retail Households - 12/31/2016



Performance Analytics Book Pages: 47, 207, 354

What Are Your HELOC Strengths and Weaknesses?

FinancialEdge Community Credit Union - Retail Households - 12/31/2016

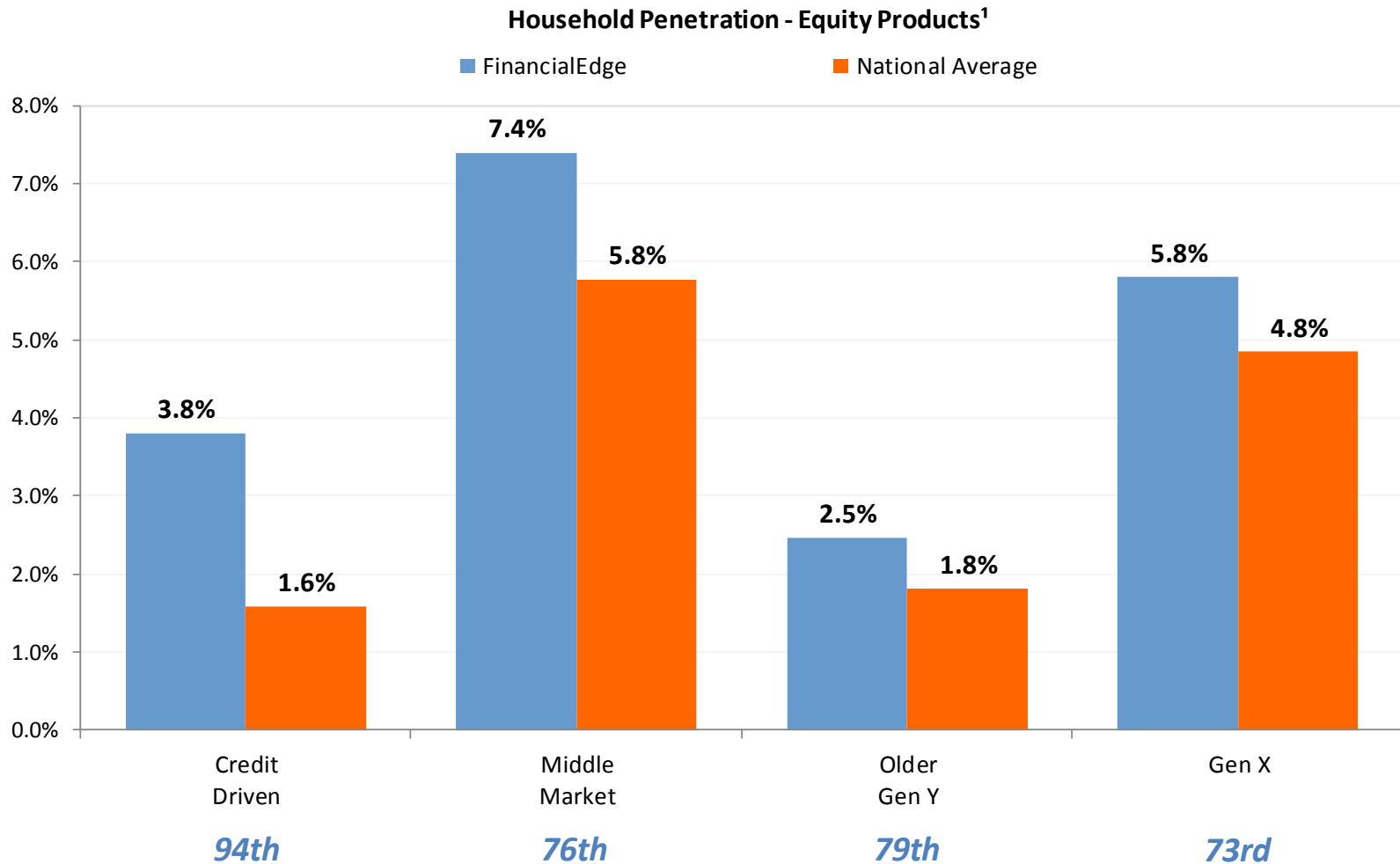


¹5300 Data, All Households

Performance Analytics Book Pages: 47, 113, 203, 354

How Does Your Equity Usage by Younger Households Compare?

FinancialEdge Community Credit Union - Retail Households - 12/31/2016



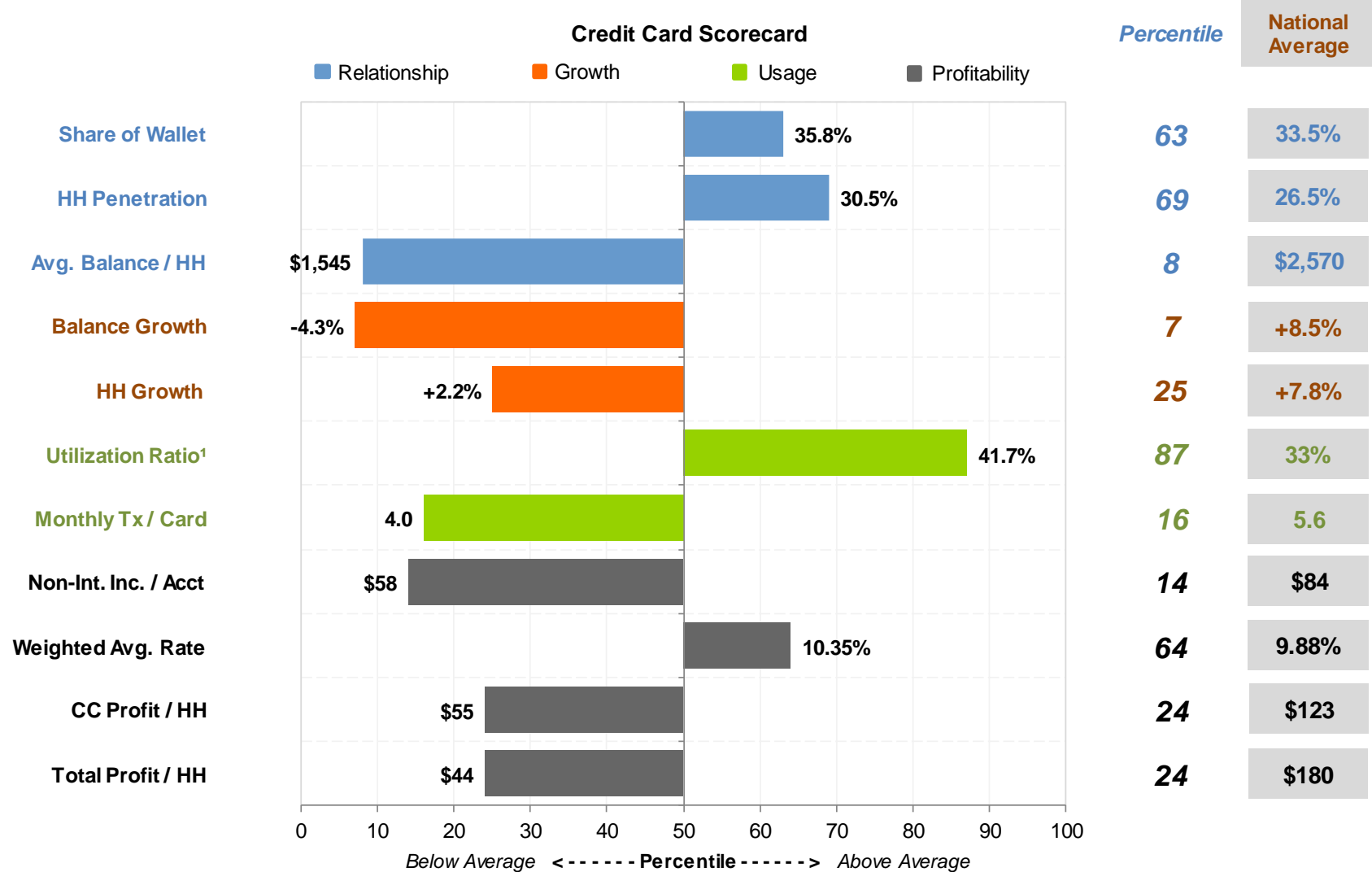
¹Home equity loan and/or line of credit.



Credit Cards


How Strong Is Your Credit Card Performance?

FinancialEdge Community Credit Union - Retail Households - 12/31/2016



15300 Data, All Households

Performance Analytics Book Pages: 45, 48, 103, 113, 173, 354



Profit 15 'E – Loans' Households

What Is the Profile of Your Profit 15 'E-Loans' Households?

FinancialEdge Community Credit Union - Retail Households - 12/31/2016

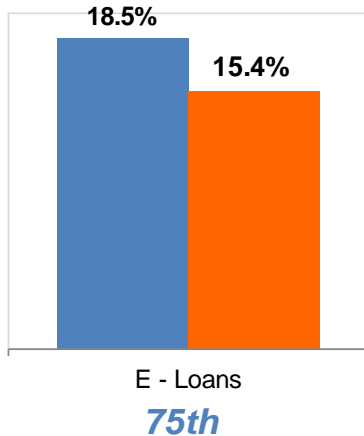
At FinancialEdge, 1,120 retail households currently fall into the 'E-Loans' Profit 15 Segment.

These households contribute an annual loss of over \$100 with more than half of this loss coming from their loan relationship.

On a percentage basis, how does your volume of 'E-Loans' households compare to the average below?"

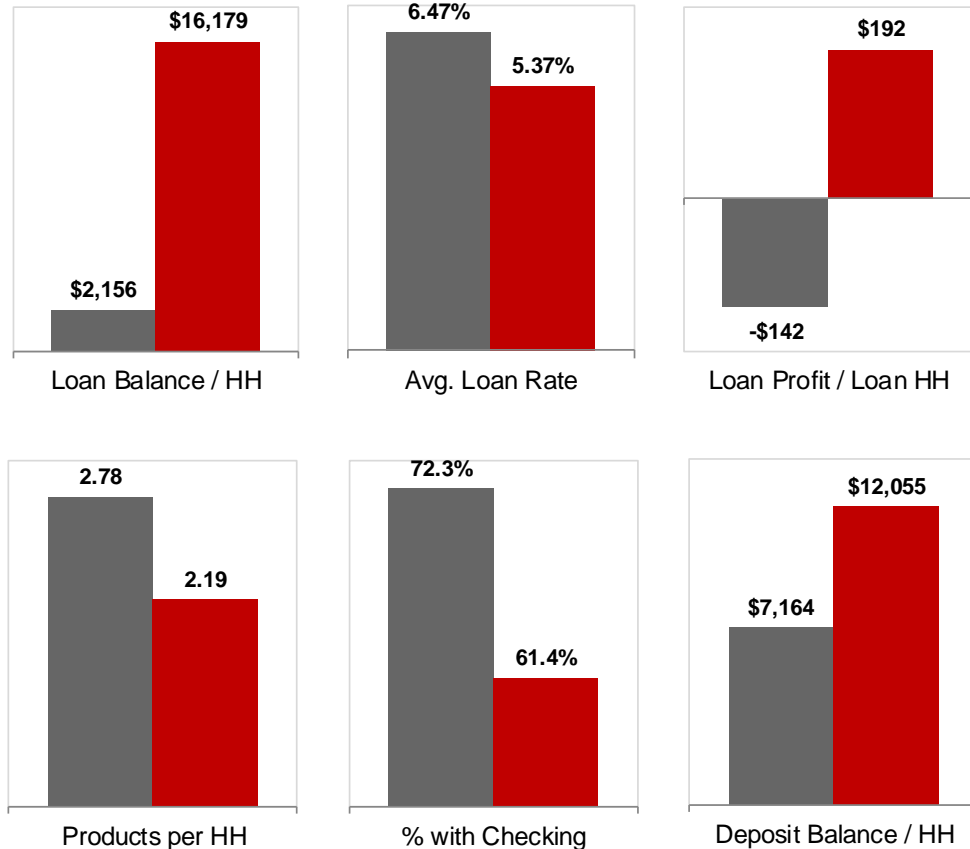
Percentage of Retail HHs in Profit 15 Segment

■ FinancialEdge ■ National Average



FinancialEdge: Household Comparison

■ E - Loans HHs ■ All Retail HHs

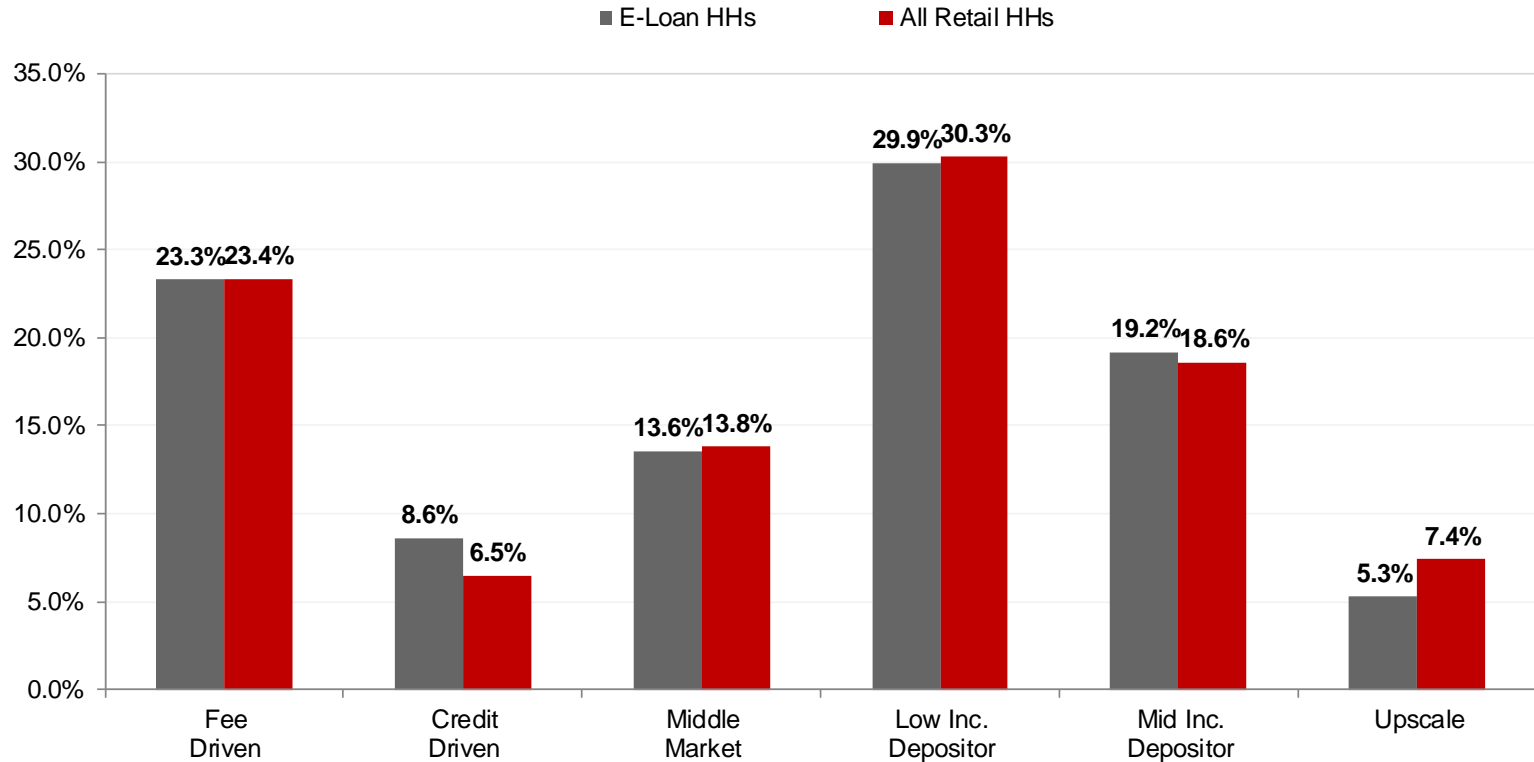


Performance Analytics Pages: N/A

Profit 15: 'E-Loans' Households by Consumer Segment

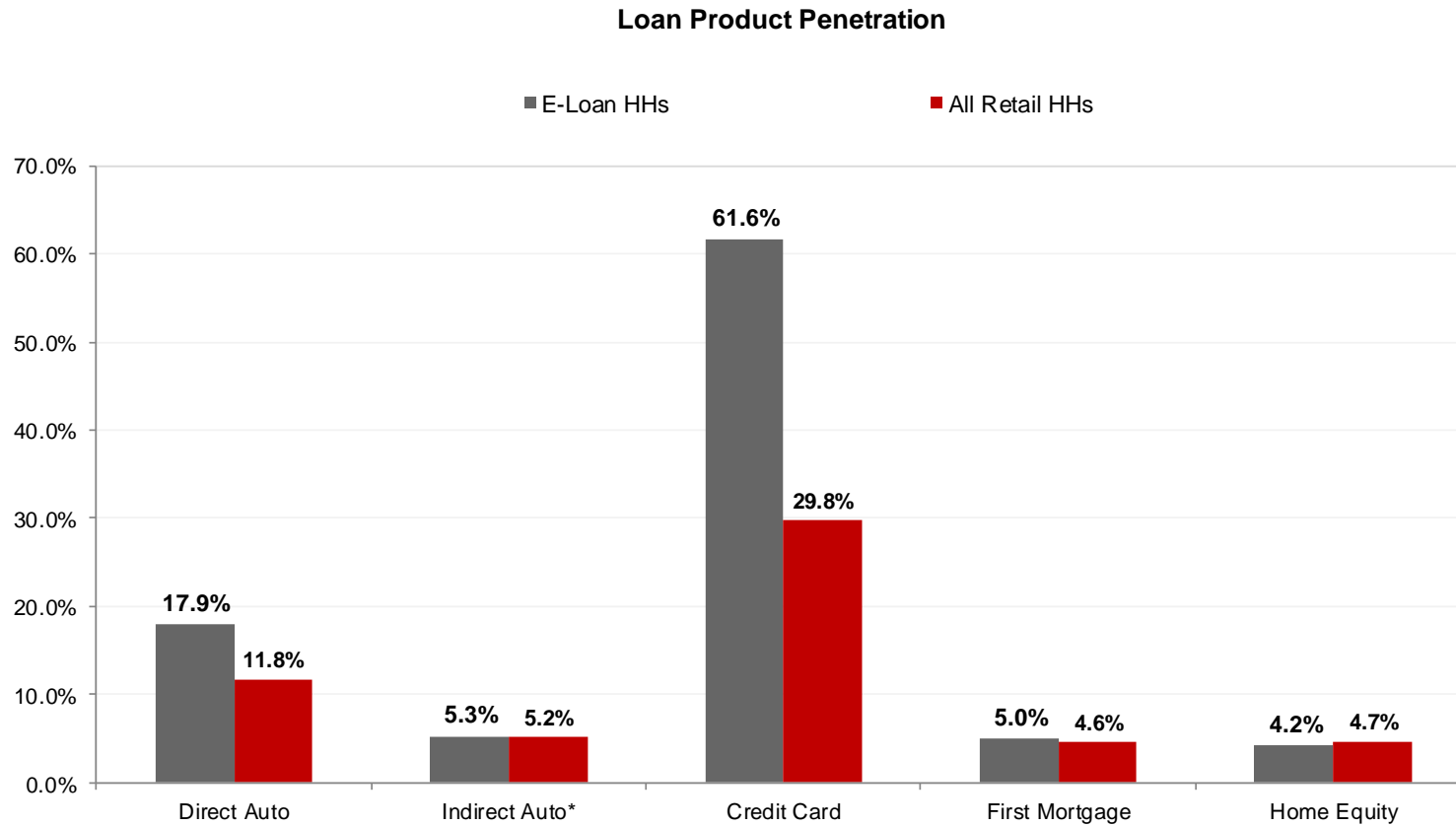
FinancialEdge Community Credit Union - Retail Households - 12/31/2016

Percentage of Households by Consumer Segment



Profit 15: 'E-Loans' Households Product Penetration

FinancialEdge Community Credit Union - Retail Households - 12/31/2016



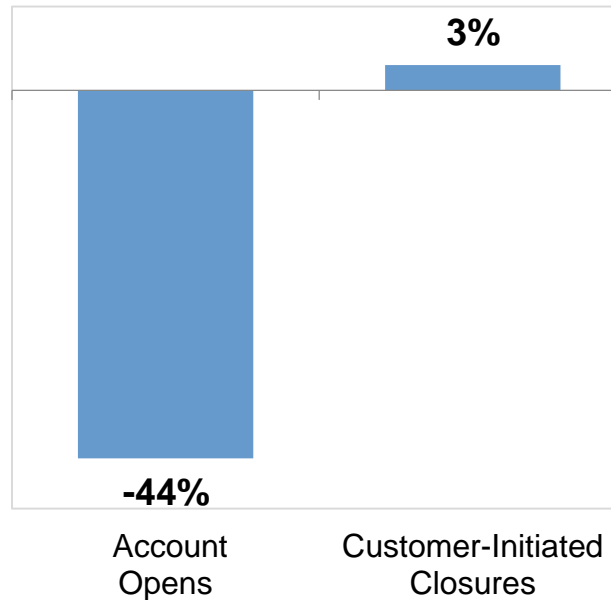


Checking and Delivery

Impact of Wells Fargo Account Openings

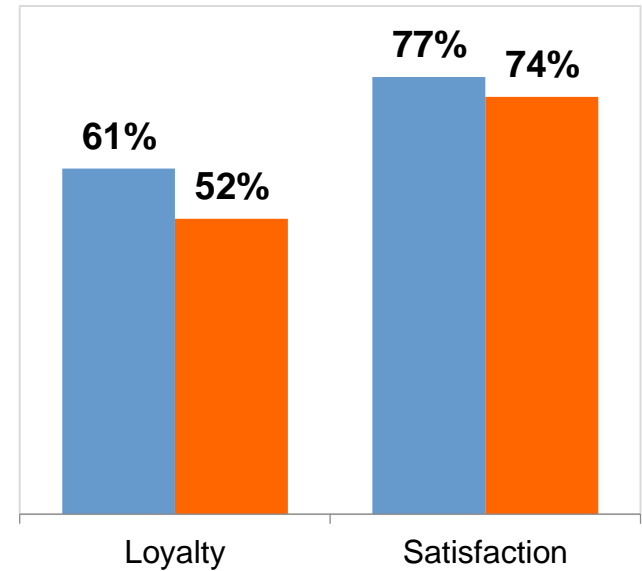


Consumer Checking Account Activity, October 2015 – October 2016



Customer Perception

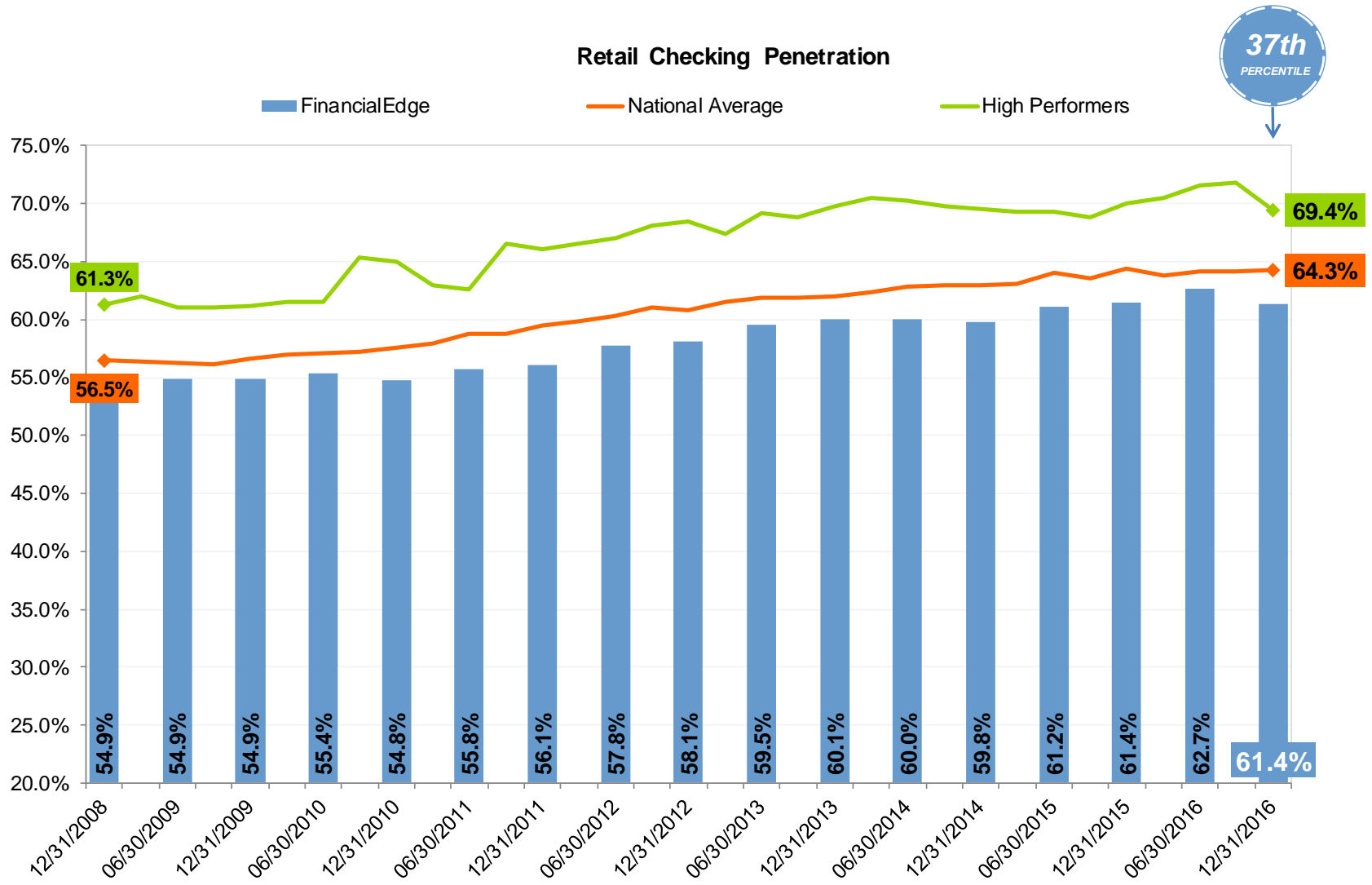
■ 2015 ■ 2016



Source: Goldman Sachs U.S. Financial Services Conference, December 2016

Can Industry Checking Growth Continue?

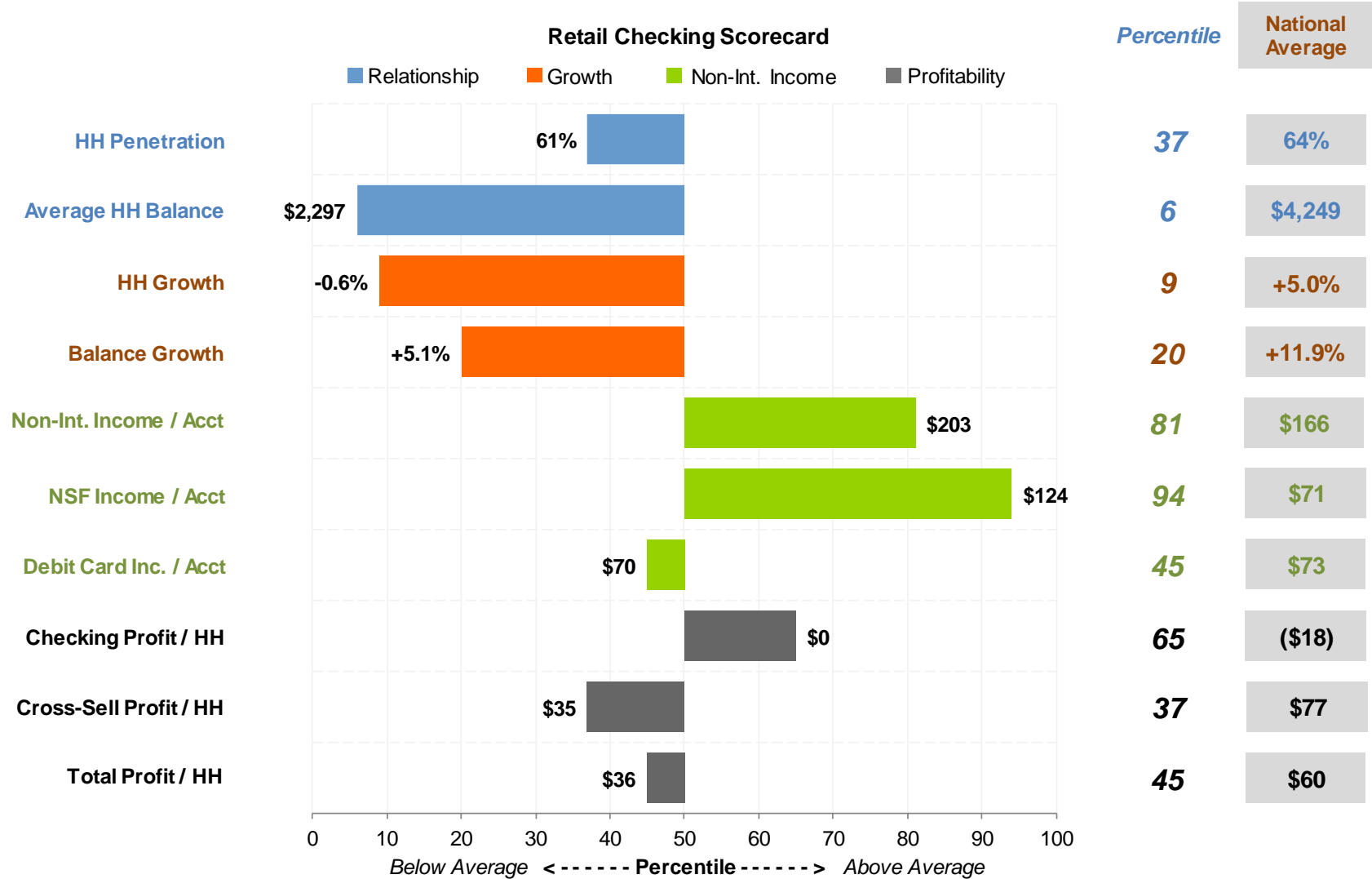
FinancialEdge Community Credit Union - Retail Households



Performance Analytics Pages: 110, 122, 123, 221

What Are Your Retail Checking Strengths and Weaknesses?

FinancialEdge Community Credit Union - Retail Households - 12/31/2016



Performance Analytics Book Pages: 33, 34, 100, 221

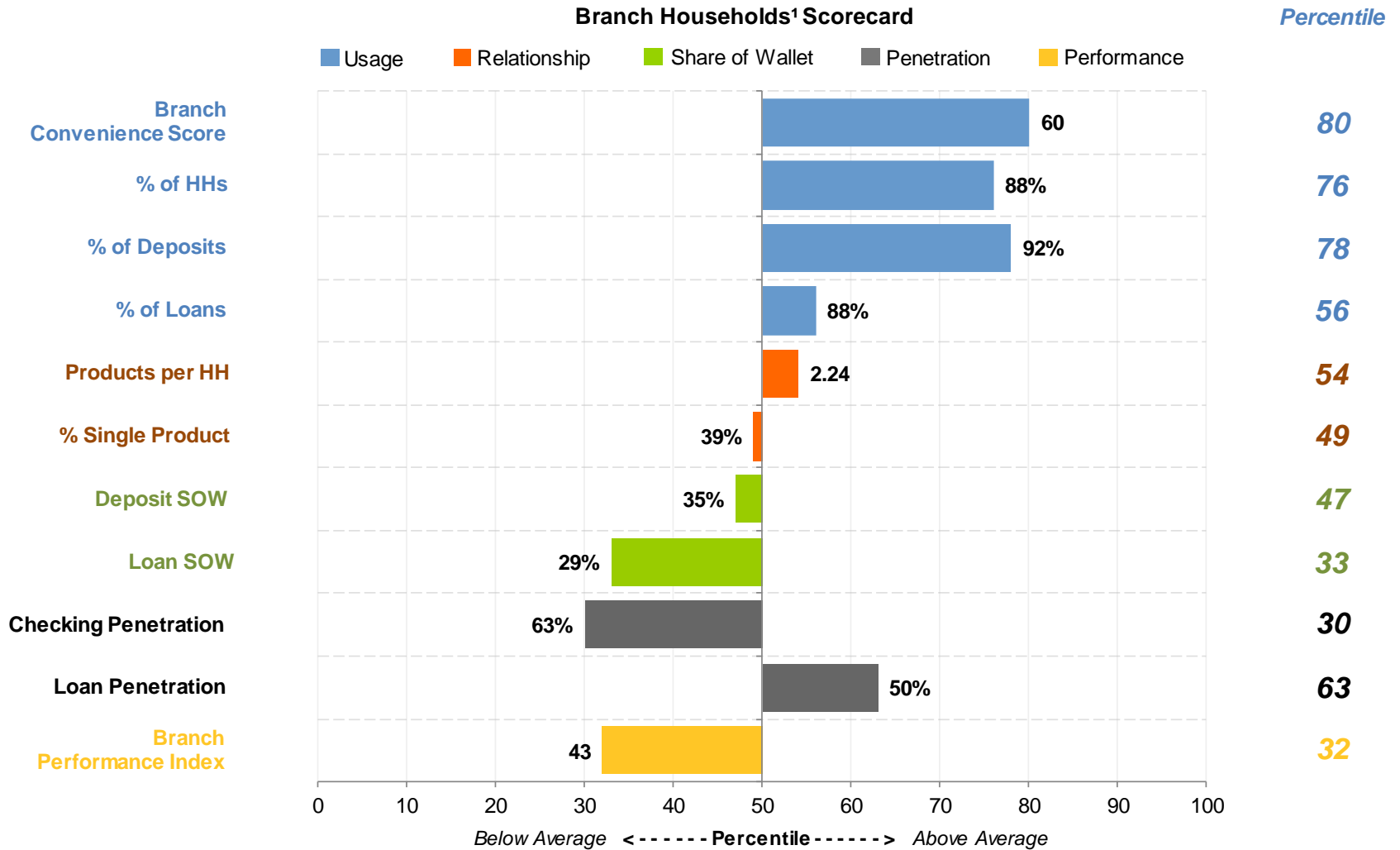
Raddon Branch Convenience Segments

Performance Analytics

Branch Convenience Score Segments (Segment Name & Score Range)	
Multi-Branch Access (75-100)	Households with access to multiple branches within a 5 mile radius, or extremely close in proximity to a single branch
Very Convenient (61-74)	Households that have access to a branch within 5 miles of their home
Convenient (41-60)	Households that may or may not have a branch within 5 miles, but otherwise convenient access within 20 miles
Inconvenient (1-40)	Households with no branches in a 5 mile radius, and only one or two branches within 20 miles of their home
No Branch Access (Zero)	Households that have no branches within 20 miles of their home. They are not assigned to a branch in this analysis.

How Do Your Households with Branch Access Compare?

FinancialEdge Community Credit Union - Retail Households - 12/31/2016



¹Data for all households assigned to a branch in the branch analysis; at least one branch within 20 miles.

Performance Analytics Pages: See Branch Analysis Section

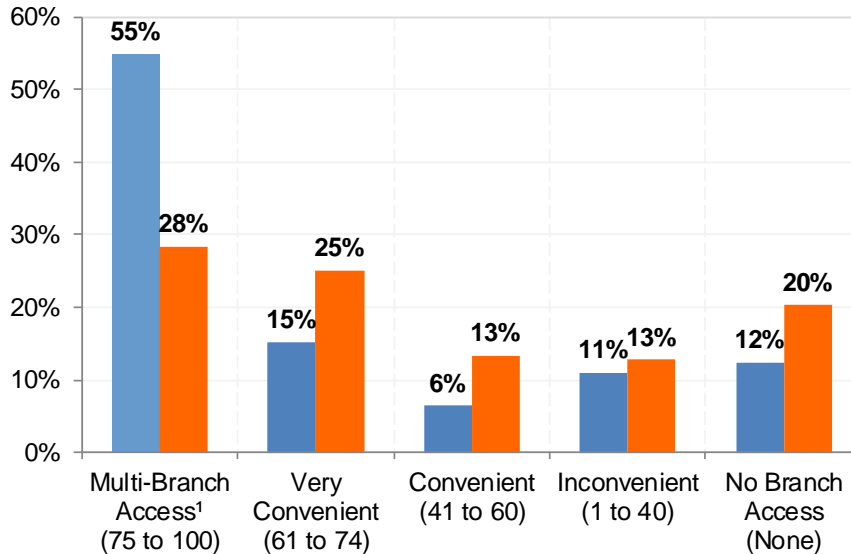
How Convenient Are Your Branch Locations To Your Member Households?

FinancialEdge Community Credit Union - Retail Households - 12/31/2016

At FinancialEdge, 55% of households have access to multiple branches within 5 miles of their home¹.

Percentage of Households by Branch Convenience Score

■ FinancialEdge ■ National Average

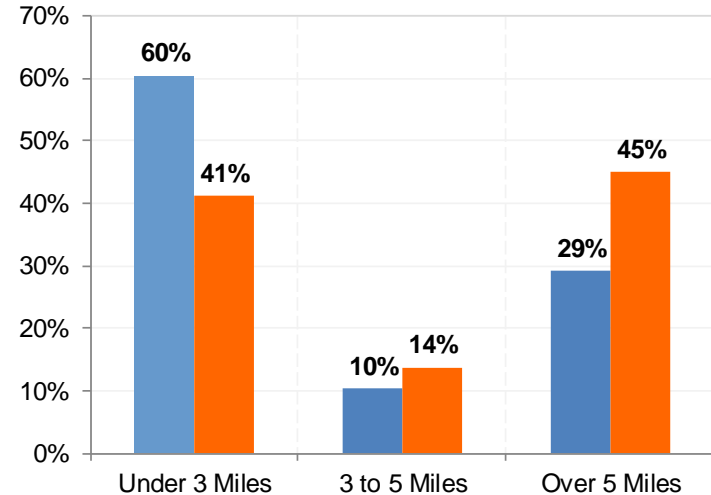


Meanwhile, 12% of households do not have a branch within 20 miles of their home.

For 60% of households, the nearest branch is no more than 3 miles away.

Percentage of Households by Nearest Branch Accessibility

■ FinancialEdge ■ National Average

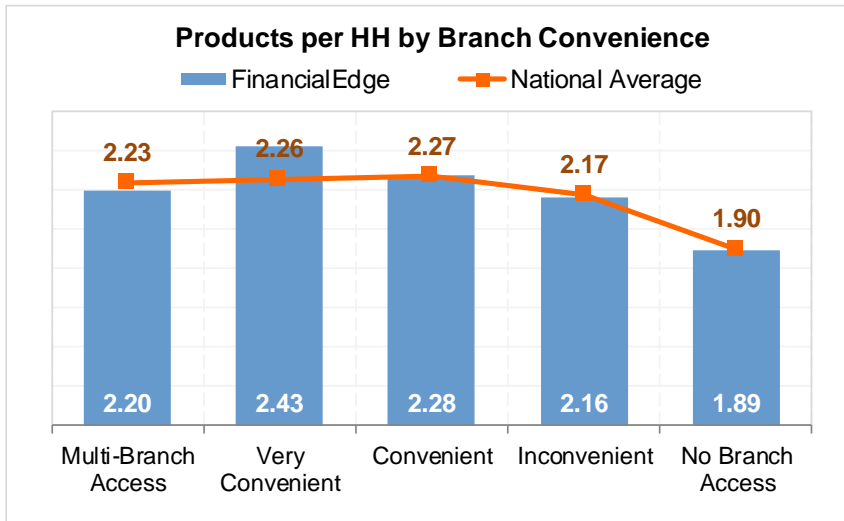


And 29% of households are more than 5 miles from the nearest branch.

¹May include households with access to only one branch, but very close proximity.

How Strong Are Your Sales in Your Branches' Local Markets?

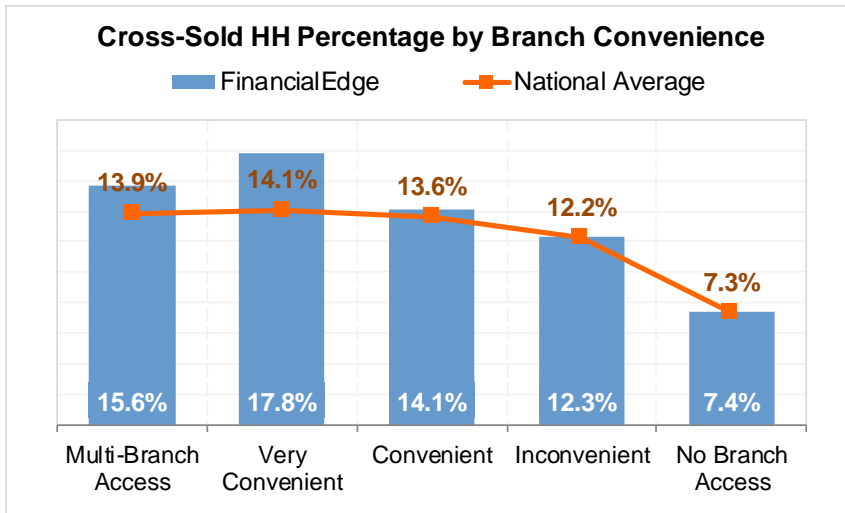
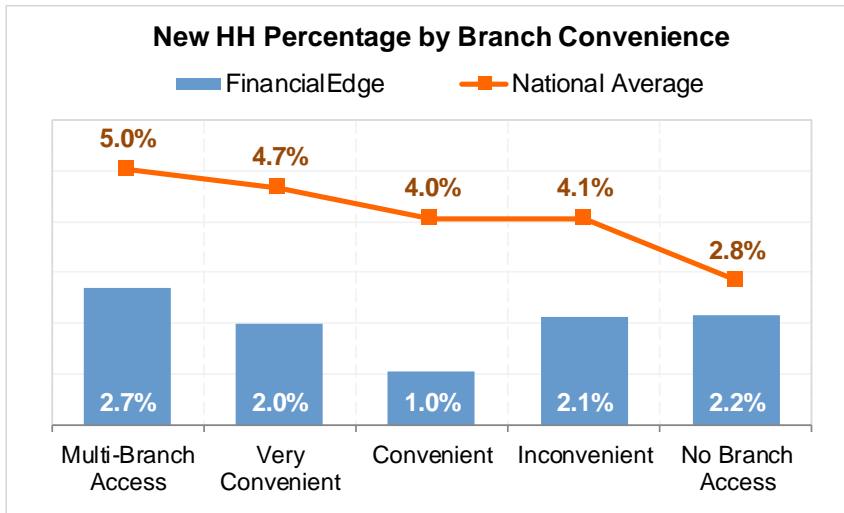
FinancialEdge Community Credit Union - Retail Households - 12/31/2016



For the typical credit union, product use is higher among households that have at least moderately convenient access to a branch.

Are you attracting more new households and selling more products to households that are in close proximity to one or more of your branches?

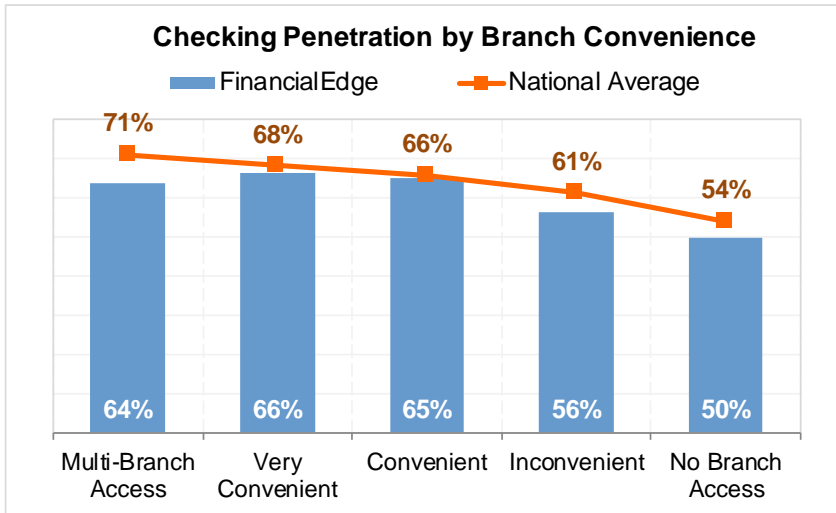
If you have strong product use among households outside your branch footprint, how well are your other channels servicing these members?



Performance Analytics Pages: 395, 396

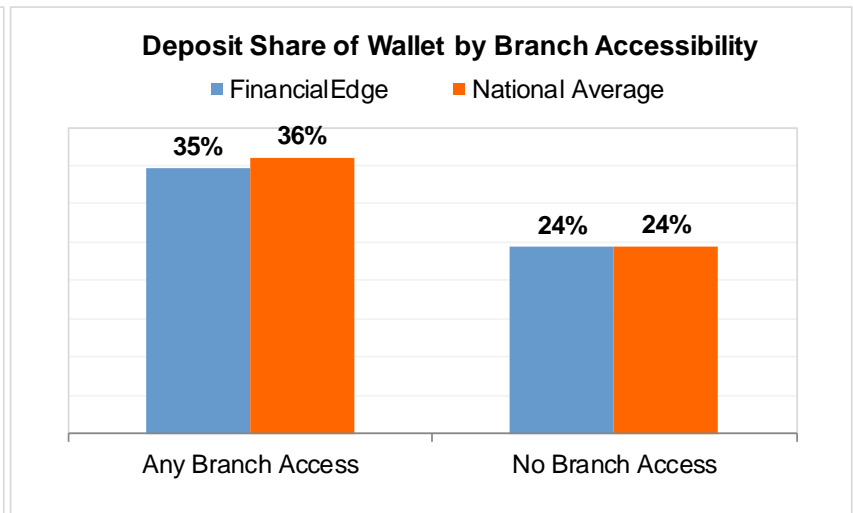
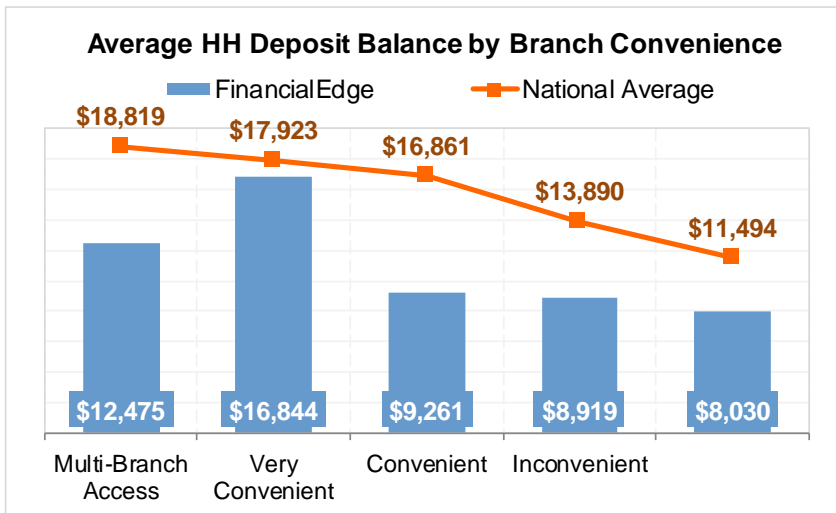
How Does Your Deposit Use by Branch Convenience Compare?

FinancialEdge Community Credit Union - Retail Households - 12/31/2016



Despite the rise of digital channels, branch convenience is still clearly a factor in household checking use. How do your checking products and promotions compare to the local competition?

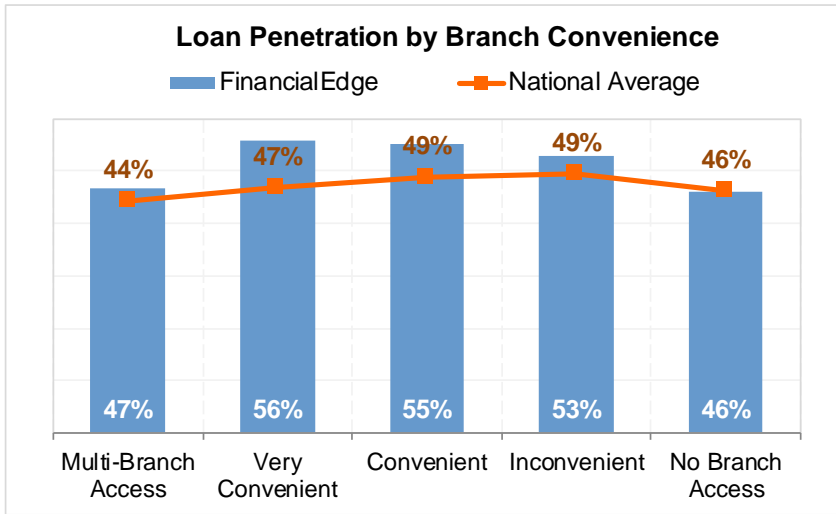
The balance and share of wallet data suggest that branches will be critical to deposit management in a rising rate environment. Is your branch staff prepared for greater deposit competition?



Performance Analytics Pages: 395, 396

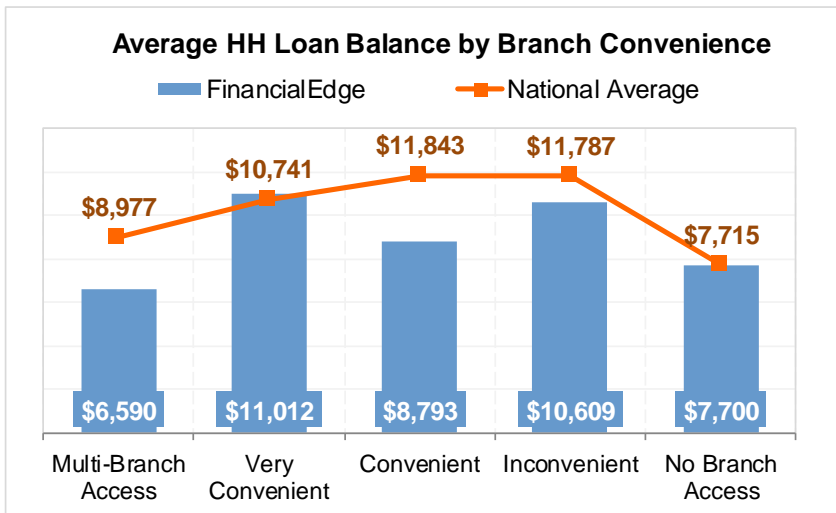
How Does Loan Use Vary by Branch Convenience?

FinancialEdge Community Credit Union - Retail Households - 12/31/2016

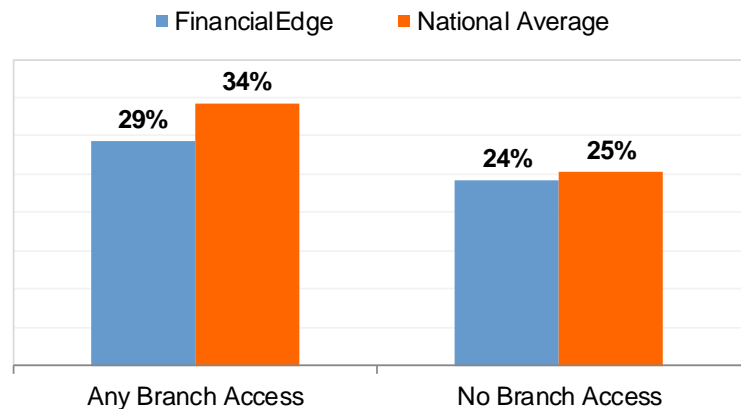


Households without access to a branch tend to be just as likely to have a loan as households within the branch footprint. But, no-branch households have lower loan balances which may indicate single loan use.

Are you leveraging your branches to gain greater share of loan wallet with households in your local markets? Is there opportunity to attract more loan business with households outside your footprint through outbound calling and online marketing?



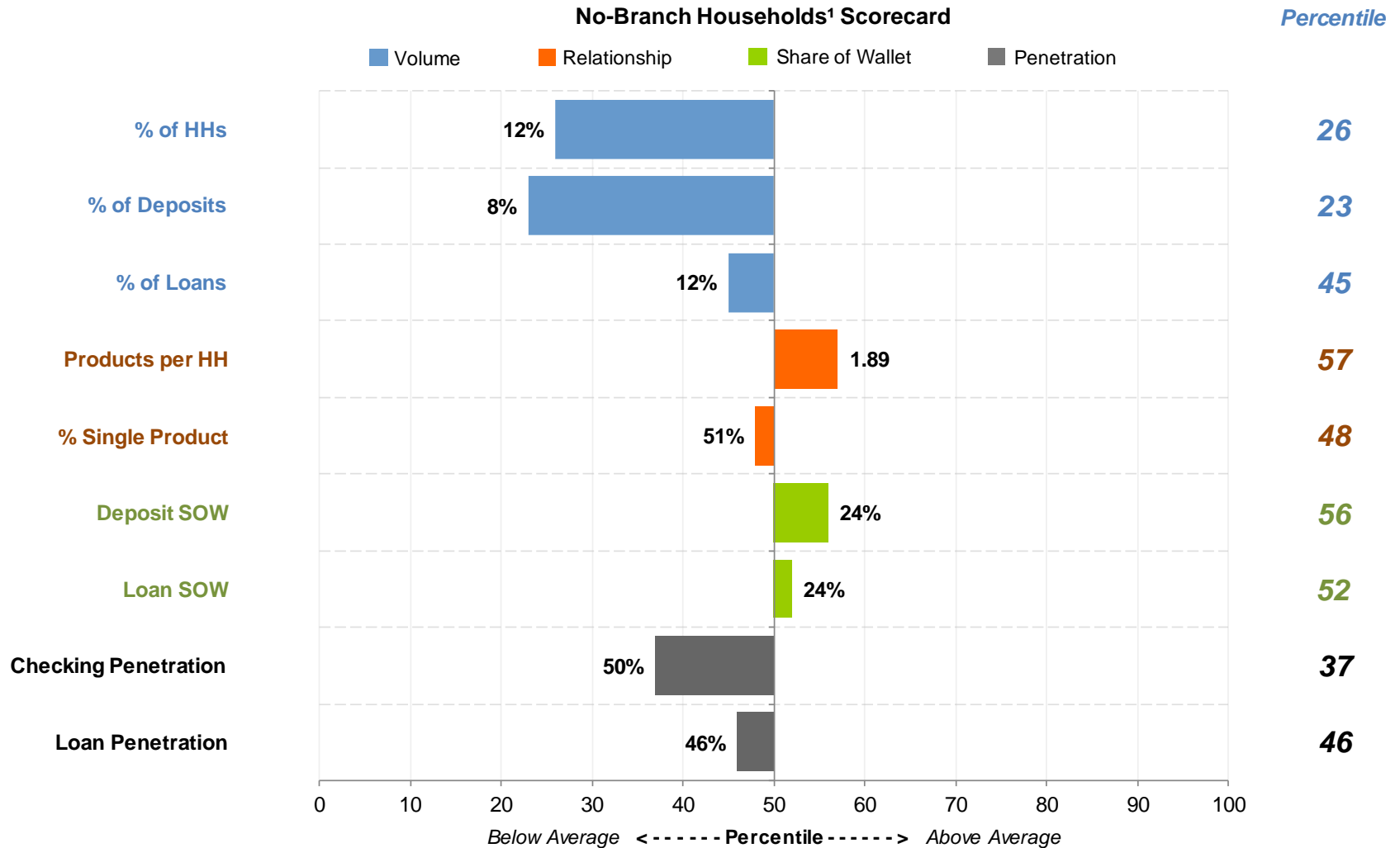
Loan Share of Wallet by Branch Accessibility



Performance Analytics Pages: 395, 396

How Do Your Households without Branch Access Compare?

FinancialEdge Community Credit Union - Retail Households - 12/31/2016



¹Data for all households not assigned to a branch in the branch analysis; no branch within 20 miles.

Strategic Implications in 2017


Growth

- Checking growth may be slowing
 - Loan share of wallet has grown from 23% to 31%
 - Deposit competition is heating up
-
- New household attraction is becoming more essential to growth
 - Deposit products are an emergent factor in consumer FI decisions
 - Do you have the brand strength to retain and attract new members?



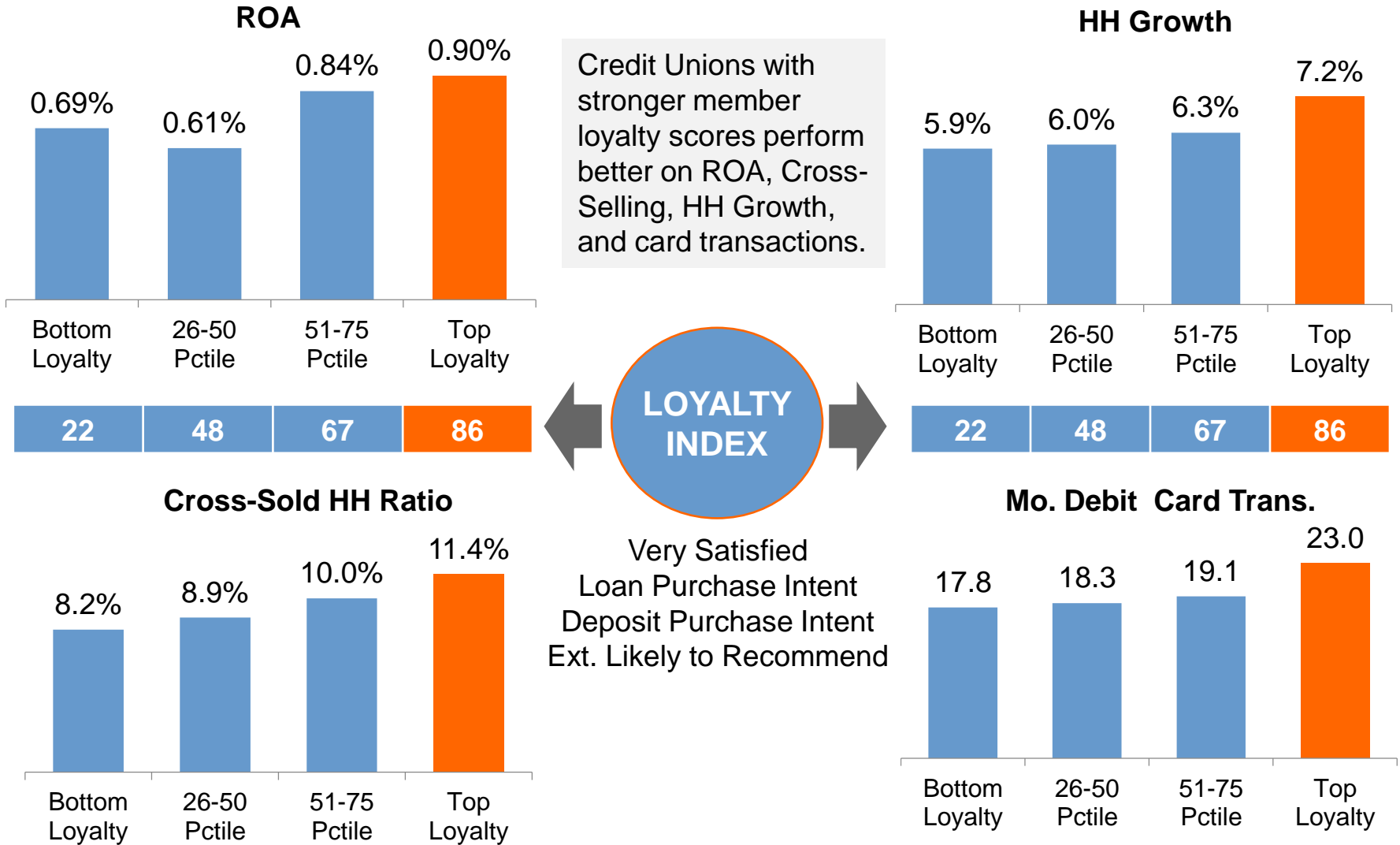
Relationship Development

Brand Awareness v. Brand Equity

Brand Awareness  **Brand Equity**

Brand Awareness	Brand Equity
Measures ability to identify the brand under different circumstances	Consumer holds strong beliefs about the brand
Recall and recognition tests	Consistently prefer the brand
Measures strength of the brand in consumers' memory	Brand awareness is a necessary component to build brand equity
No affective component	Brand equity nurtures loyalty

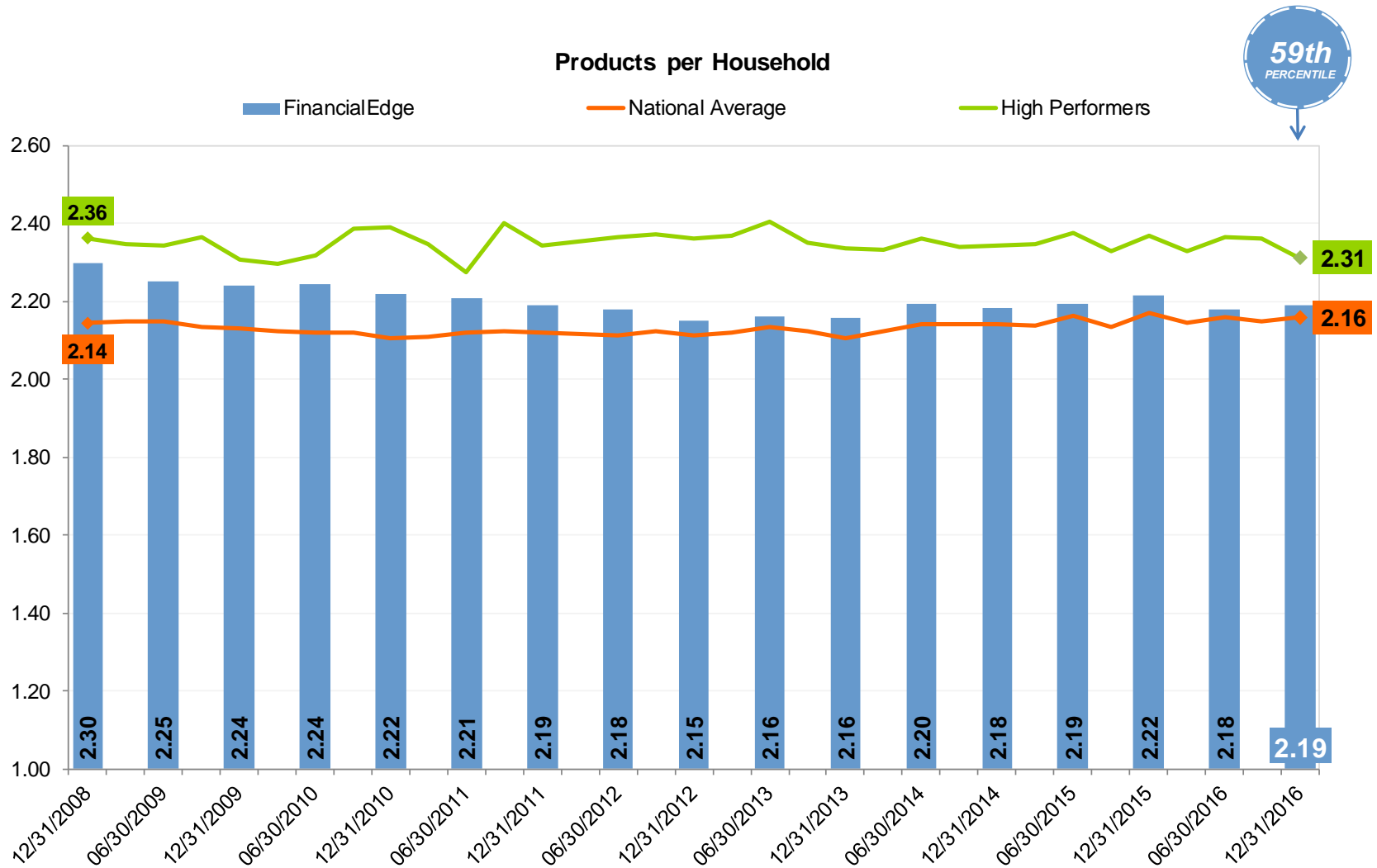
Loyalty Correlates With Performance



Source: Raddon Performance Analytics & Member Relationship Survey

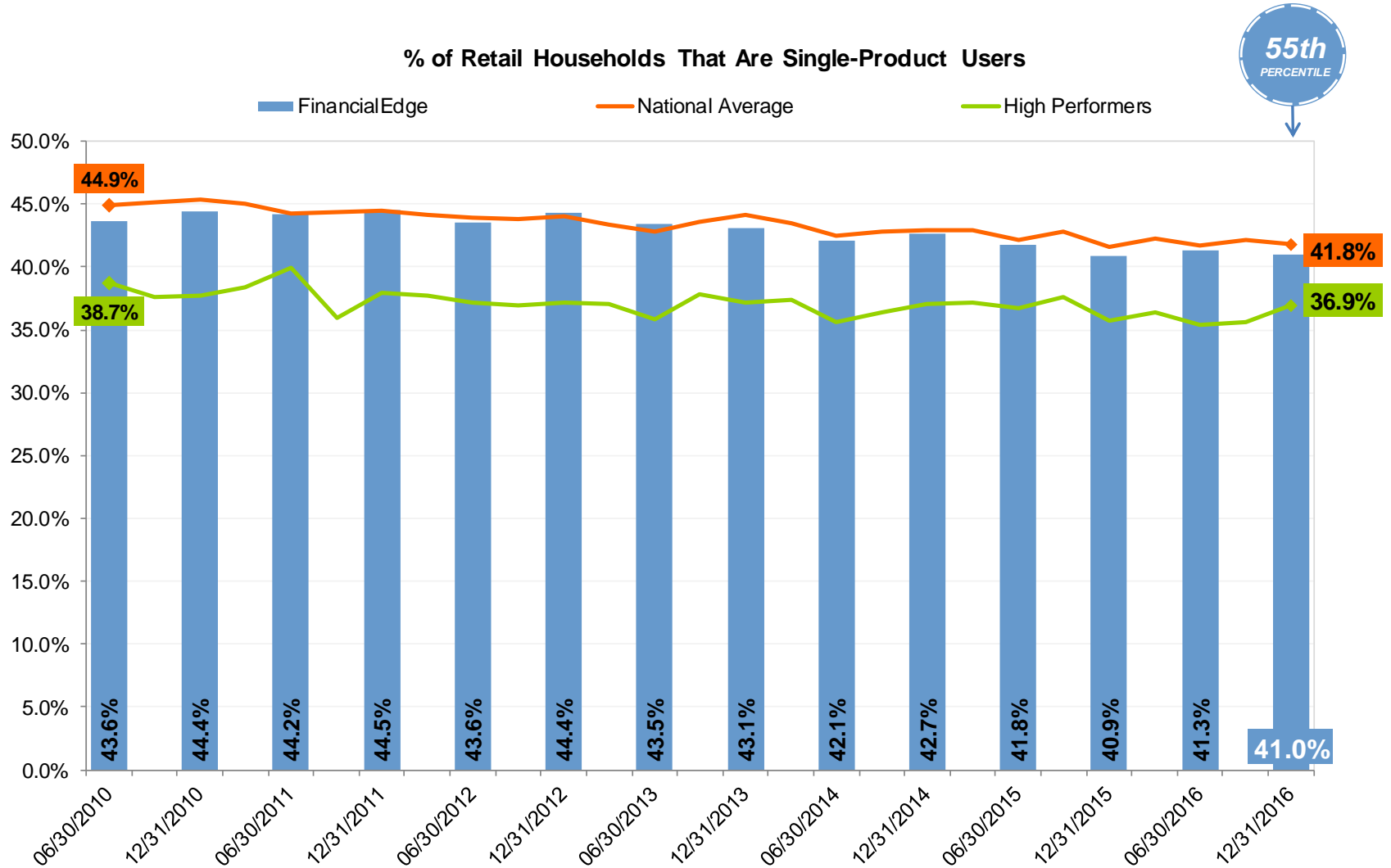
Have You Increased Your Products per Household?

FinancialEdge Community Credit Union - Retail Households



Have You Reduced Your Percentage of Single-Product Households?

FinancialEdge Community Credit Union - Retail Households



Performance Analytics Pages: 122, 123

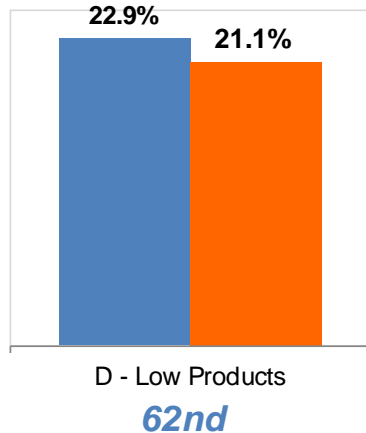
What Is the Profile of Your Profit 15 'D-Low Products' Households?

FinancialEdge Community Credit Union - Retail Households - 12/31/2016

At FinancialEdge, 1,390 retail households currently fall into the 'D-Low Products' Profit 15 Segment. These households contribute an annual loss of up to \$100 due to their minimal relationship with the CU. On a percentage basis, how does your volume of 'D-Low Products' households compare to the average below?"

Percentage of Retail HHs in Profit 15 Segment

■ FinancialEdge ■ National Average




FinancialEdge: Household Comparison

■ D - Low Product HHs ■ All Retail HHs



Performance Analytics Pages: N/A



Case Study Update: Mobiloil FCU

Case Study Update: Mobiloil Federal Credit Union

Tracking the Credit Union's Continued Success

In 2013, Raddon's Performance Workshop Report featured a case study on Mobiloil FCU's performance improvement since joining the program in 2009.

Mobiloil FCU is a community-based credit union in eastern Texas and is now over \$600M in total assets.

This case study revisits some of the key details behind their improved performance and provides an update on what's transpired and changed since 2013.

Case Study Update: Mobiloil Federal Credit Union

Revisiting the 2013 Case Study

2009-2013: Recap

Challenges:

- 1) Could not survive on loan-to-deposit ratio of 65%-70%
- 2) Lack of engagement from membership
- 3) Lack of commitment from staff

Response:

- 1) Overhaul organization culture
- 2) Educate, develop and empower staff
- 3) Member relationship development, not HH growth; “up or out” for non-participants
- 4) Focus on lending, sales and service

Strategies and Tactics:

- 1) Develop and **commit** to plan
- 2) Nurture positive, “family” and team-oriented culture
- 3) Invest in perpetual training
- 4) Create seasonal, small-dollar, “express” loan program for existing members
- 5) Expand business lending

Results:

- 1) Improved from below average to High Performer on Raddon Performance Index in 3 years
- 2) Grew loans by 40% and assets by 87%, while total households declined by 6%
- 3) Staff: motivated, competitive and committed to team and organization goals

Case Study Update: Mobiloil Federal Credit Union

Performance Improvement Gains Momentum, Creates New Challenges

2013-2016: What's New and What's Next?

Challenges:

- 1) Differences in managing larger organization – maintaining efficiencies, layers of management required, jobs get bigger → more specialization required
- 2) Share/deposit growth keeping up with loan growth – borrowing for now
- 3) Keeping up with growth, churn

Response:

- 1) Upgrade internal and member-facing technology
- 2) Update product offerings
- 3) Promote from within
- 4) Expand charter, footprint

Strategies and Tactics:

- 1) Made express loan program a permanent online offering
- 2) Opened 2 branches; building e-branch with higher-skilled, service-oriented staff + 2 more
- 3) Creating relationship products/pricing around checking, deposits
- 4) Adhere to the plan – consistency, predictability

Results:

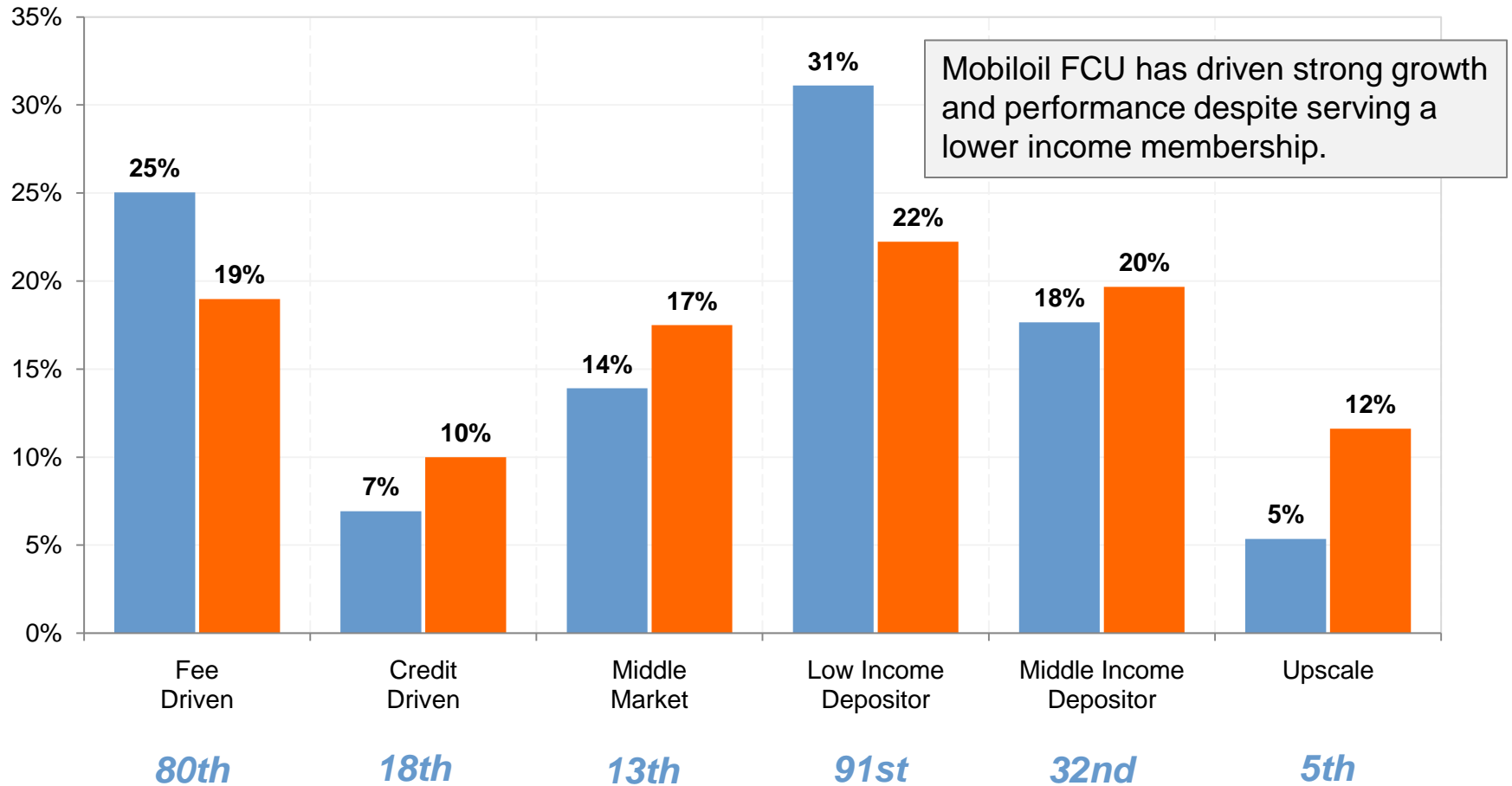
- 1) Staff: Low turnover ratio; promoted 46 employees in 2016; attract new FTE because of reputation for advancement; current FTE are sought after → talent retention is growing challenge
- 2) Strong momentum for sustained growth; plans for continued expansion

Case Study Update: Mobiloil Federal Credit Union

Demographics

Mobiloil FCU: Percentage of Households by Consumer Segment¹

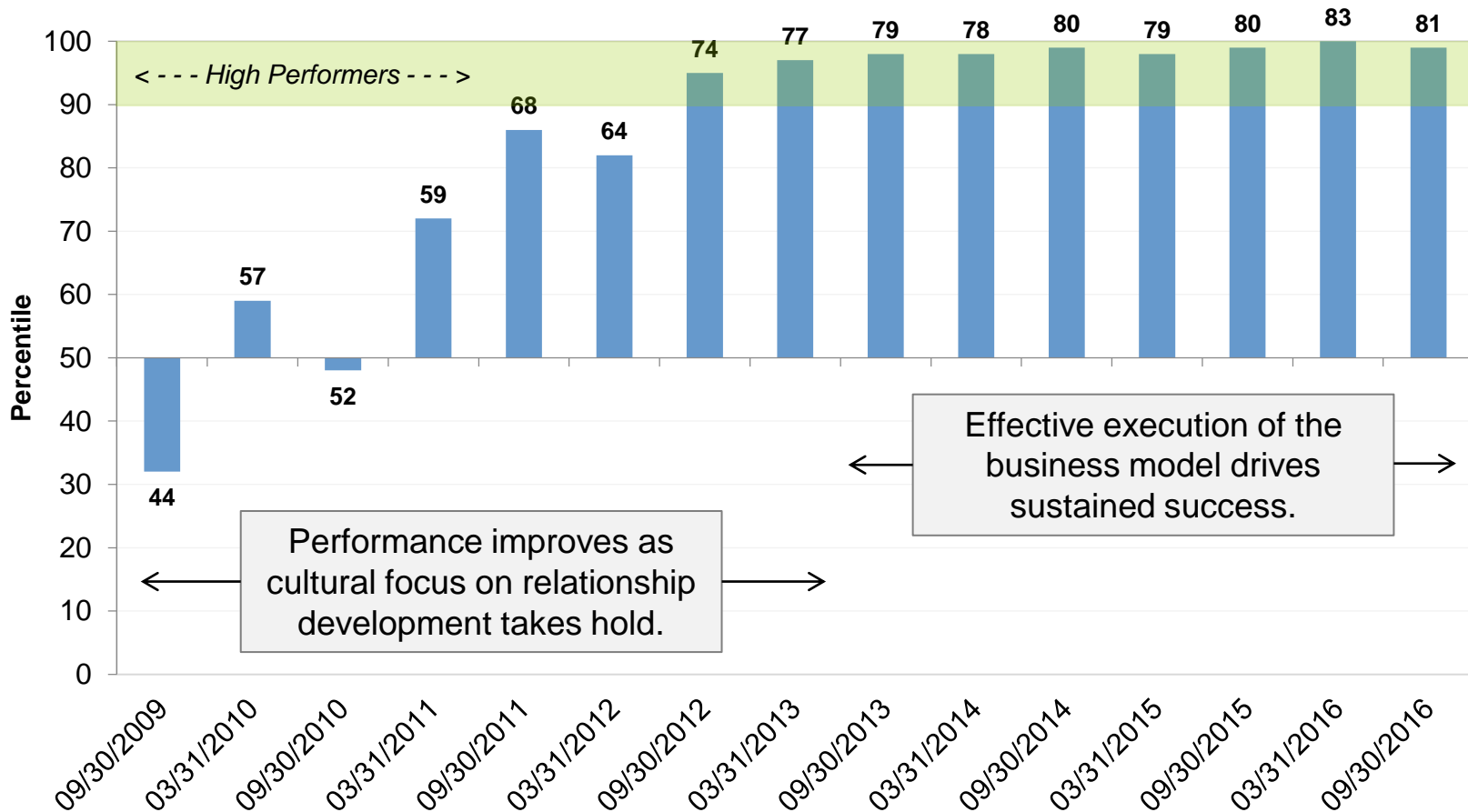
■ Mobiloil FCU ■ National Average



Case Study Update: Mobiloil Federal Credit Union

Sustaining Improved Performance

Mobiloil FCU: Raddon Performance Index Trend

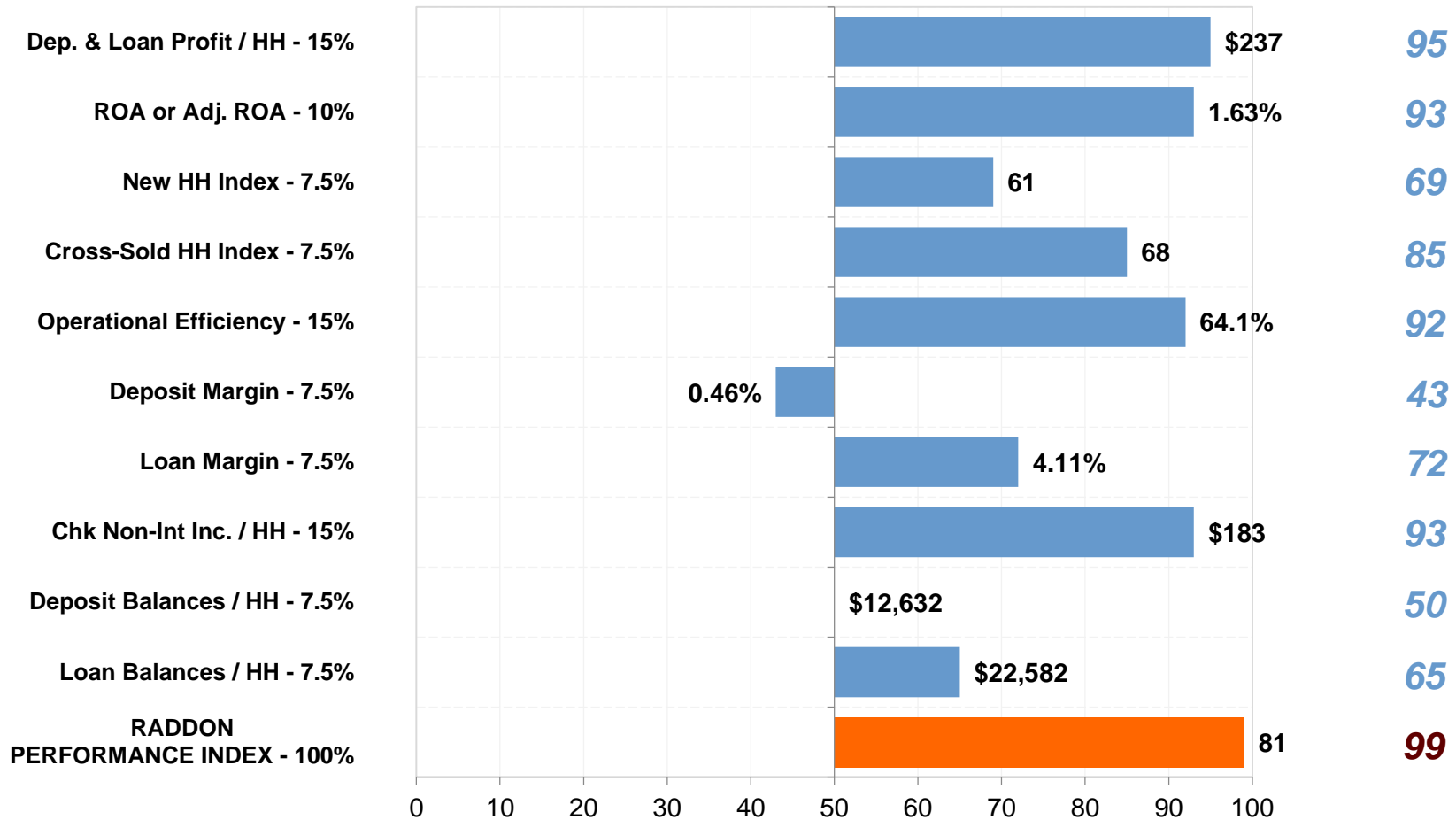


Case Study Update: Mobiloil Federal Credit Union

Raddon Performance Index – 09/30/2016

Mobiloil FCU: Raddon Performance Index

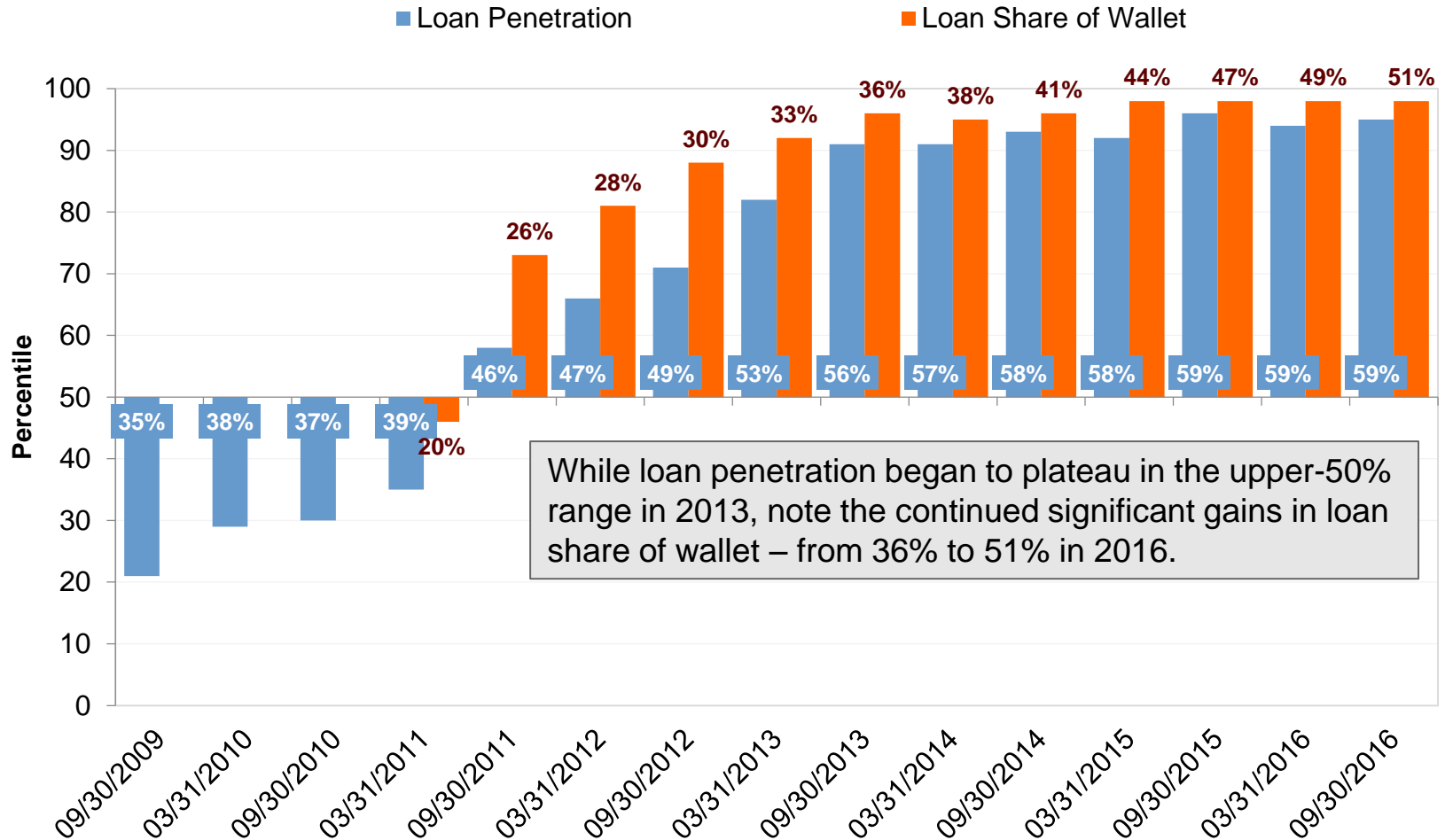
Percentile



Case Study Update: Mobiloil Federal Credit Union

Substantial Growth in Lending, Largely through Relationship Deepening

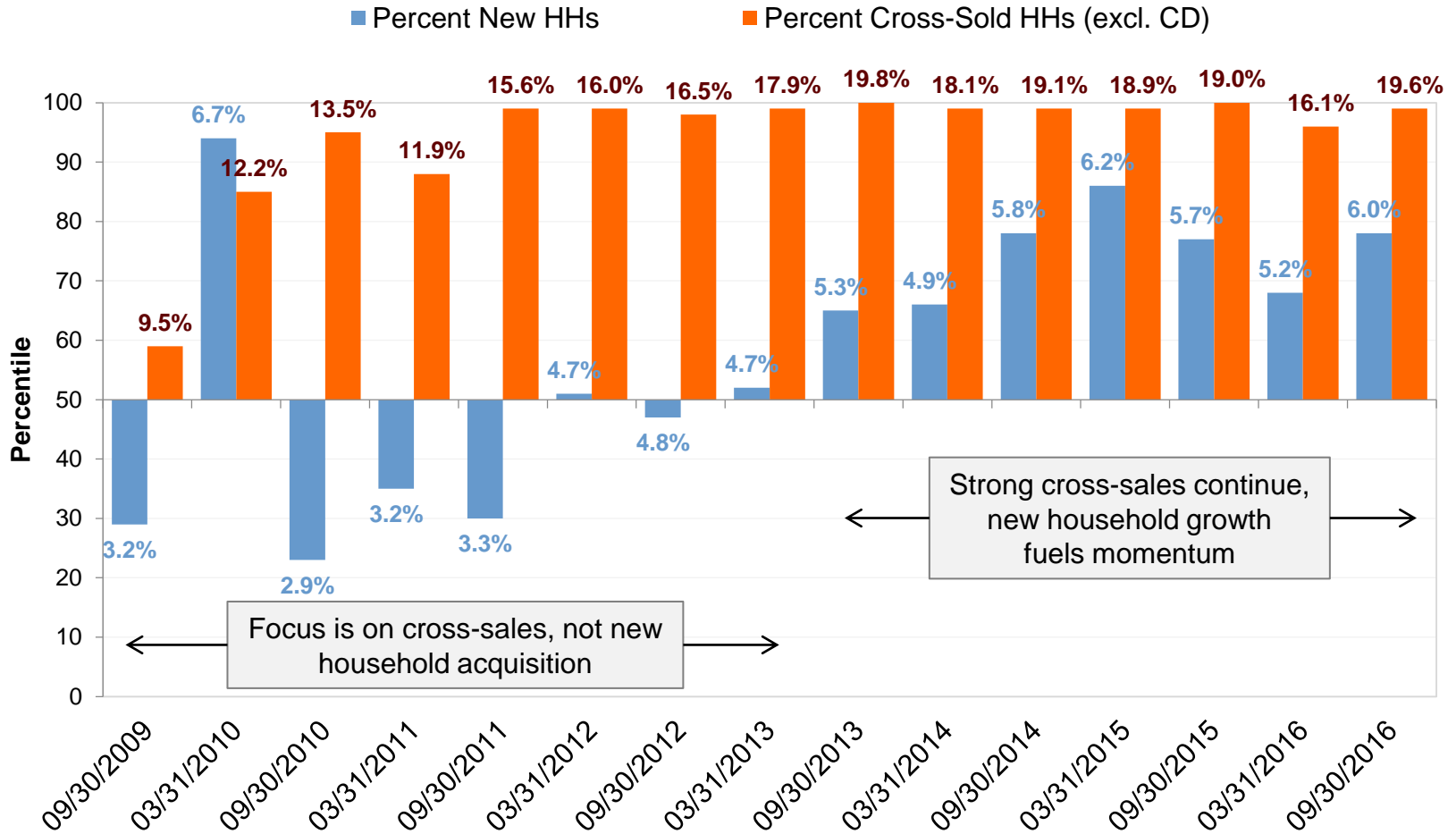
Mobiloil FCU: Member Loan Relationships



Case Study Update: Mobiloil Federal Credit Union

Focus on Cross Sales and Service Helps Build Momentum

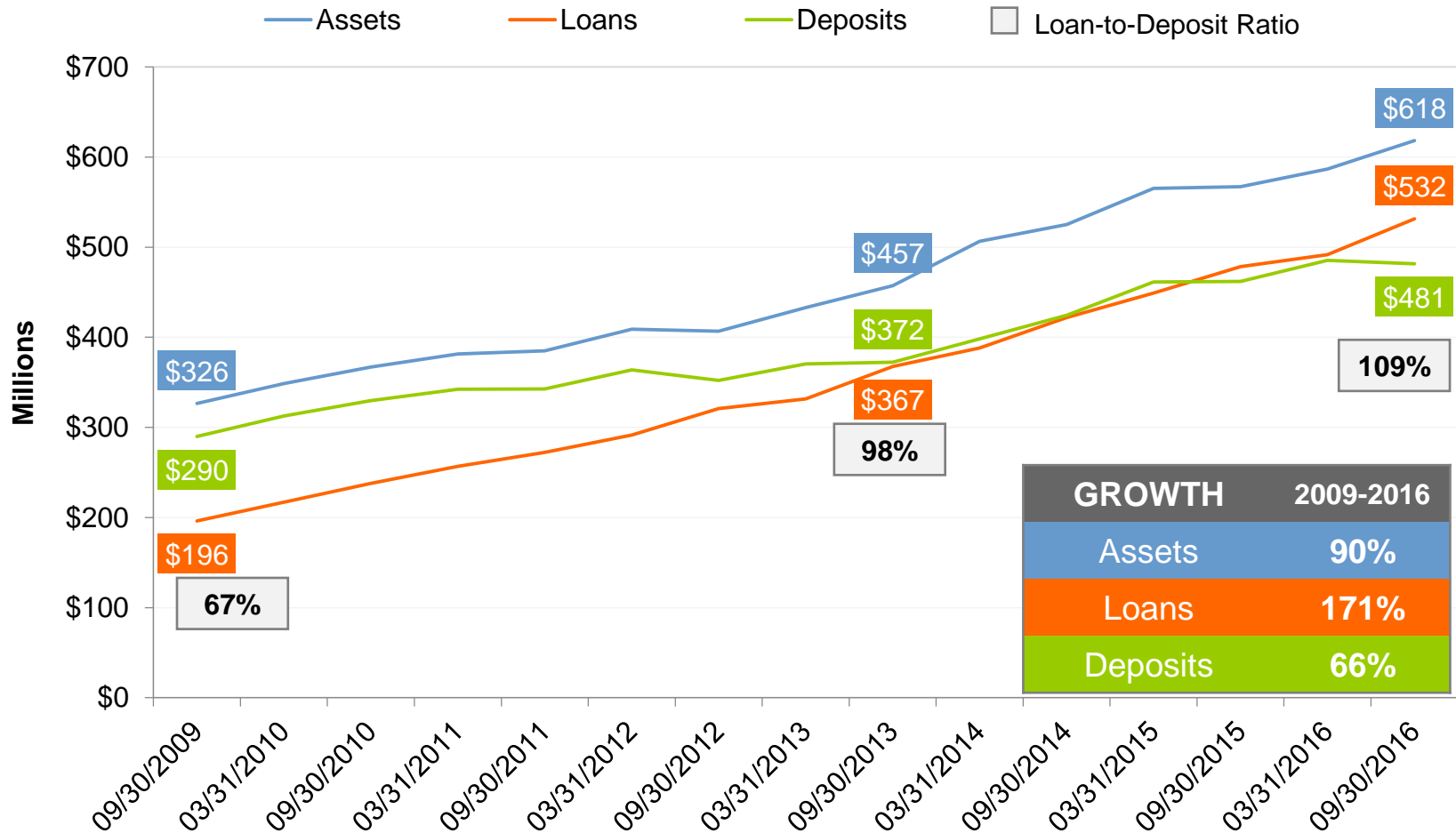
Mobiloil FCU: Household Activity



Case Study Update: Mobiloil Federal Credit Union

Growth: Credit Union Nearly Doubles in Size in Seven Years

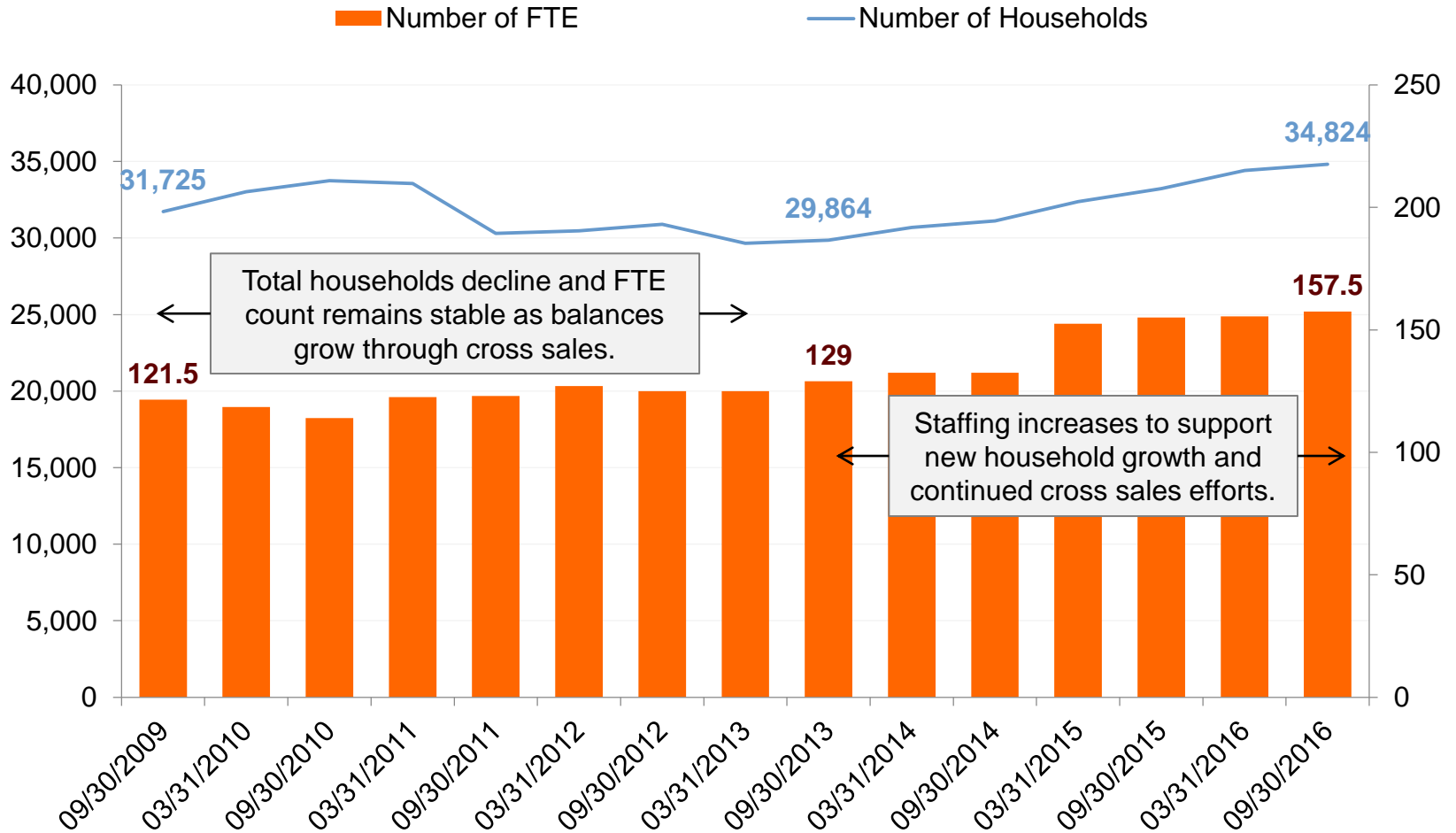
Mobiloil FCU: 7 Years of Strong Growth



Case Study Update: Mobiloil Federal Credit Union

Initial Growth without Adding Households or Staff; Staffing Increased as Momentum Builds

Mobiloil FCU: Trend in FTE and HH Counts



Case Study Update: Mobiloil Federal Credit Union

Other Info: Challenges, Keys to Success, Future Plans

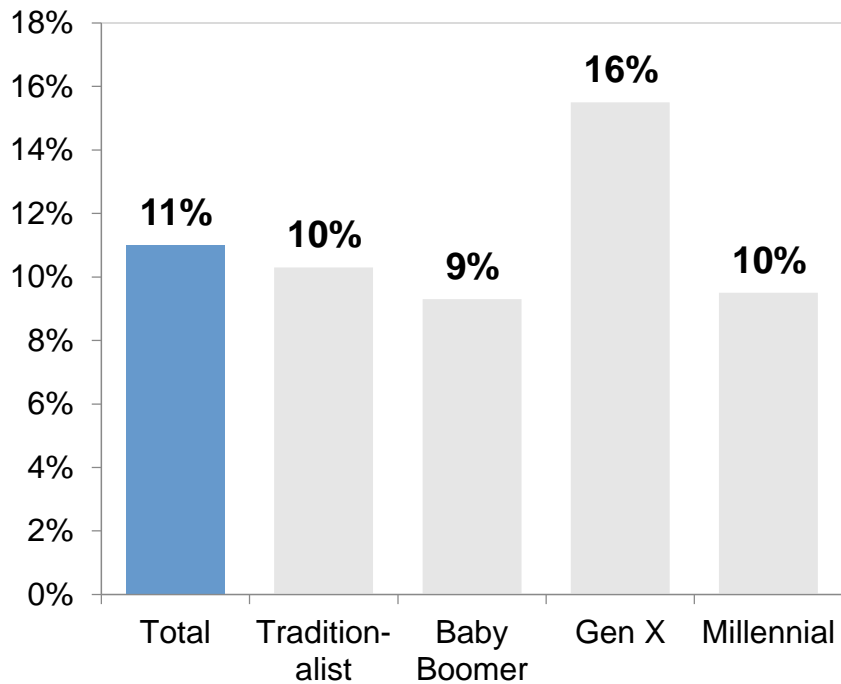
- Other Info

- Express Loan Program did not drive significant loan volume, but was a catalyst for members and marketplace to associate Mobiloil brand as a place to borrow
- Applied for Low Income Designation - Sept. 10, 2012
- Attracting better quality employees – better fit, inventiveness; maintain succession planning for smooth transitions into new roles and backfill
- Board is engaged – periodically attend Performance Analytics workshops
- In 2015, conducted 10-year forecast of positions, FTE counts and size
 - Determined they would need 20,000 sq/ft space in 5-10 years
 - Purchased former bank location instead of building new office
 - Expanded charter to 3 more counties, increasing from 5 to 8 total counties served.
 - Anticipate they eventually will not have tellers – new branches staffed by CSRs/FSRs with universal-employee type role

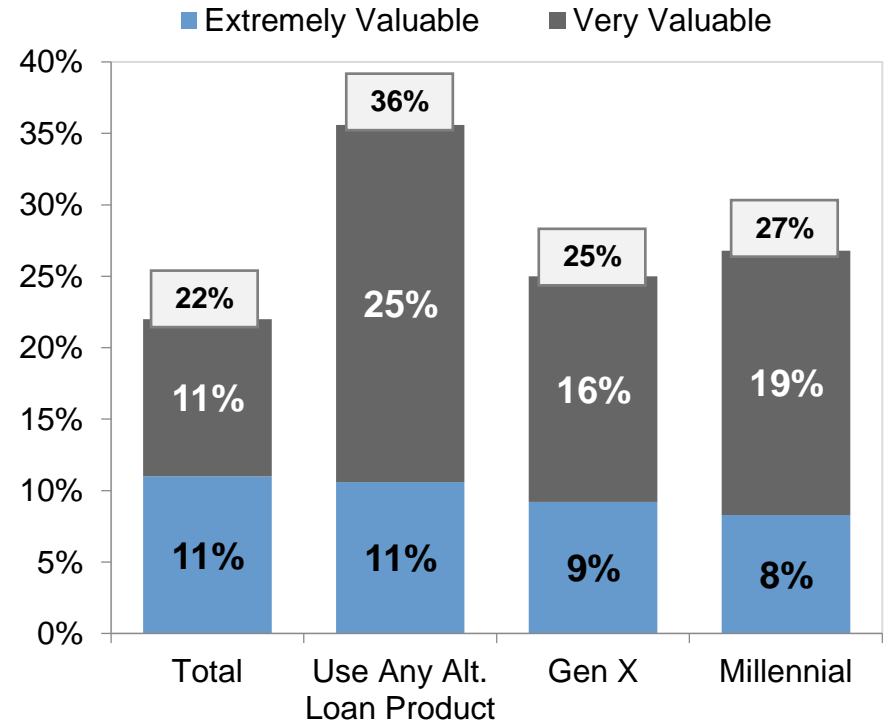
Value of Small Dollar Loan Program from PFI

Raddon Research Insights – Survey of 1,200 Nationally Representative Consumers

Use of Any Small Dollar / Alternative Loan Product



Value in PFI Offering Small Dollar Loan Product



Source: Raddon Research Insights, 2016



Conclusion

Conclusions

Growth

- Industry must shift to an external growth focus
- Building your “Brand Equity” is essential
- We must critically examine some of our traditional growth engines
- Emerging generations (Y and Z) represent a risk
- Technology AND Culture will both be critical to success

Performance

- Encourage shift of basic transactions to technology
- Continue the branch evolution to sales and service center
- Cultivate new sources of non-interest income
- Manage deposit costs effectively in this rising rate environment
- Maintain focus on key relationship products: checking, credit cards, equity lines

How Raddon Can Assist You

Raddon Research Insights

Understand key consumer behaviors and trends

Brand Benchmarking Study

What is your Brand Equity within your markets

Member Survey

Perceived strength and weakness within the membership

Thank You

Please provide us with feedback on today's workshop:



Paper
evaluation

or



Click for
online
evaluation

(tinyurl.com/RaddonMar17)

Five CPE credits available for today's workshop.

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**Thank you for your participation today
and continued support of Raddon.**