



Filene Research Institute 

**COOPERATIVE CLOUT:
SOLVING THE COOPERATIVE RIDDLE
TO MAXIMIZE SUCCESS**

December 17, 2020

WELCOME

TODAY'S AGENDA



Cooperative Riddle



Member Value Added



Operating Muscle



Cooperative Clout



The Offer



WELCOME

INTRODUCTIONS



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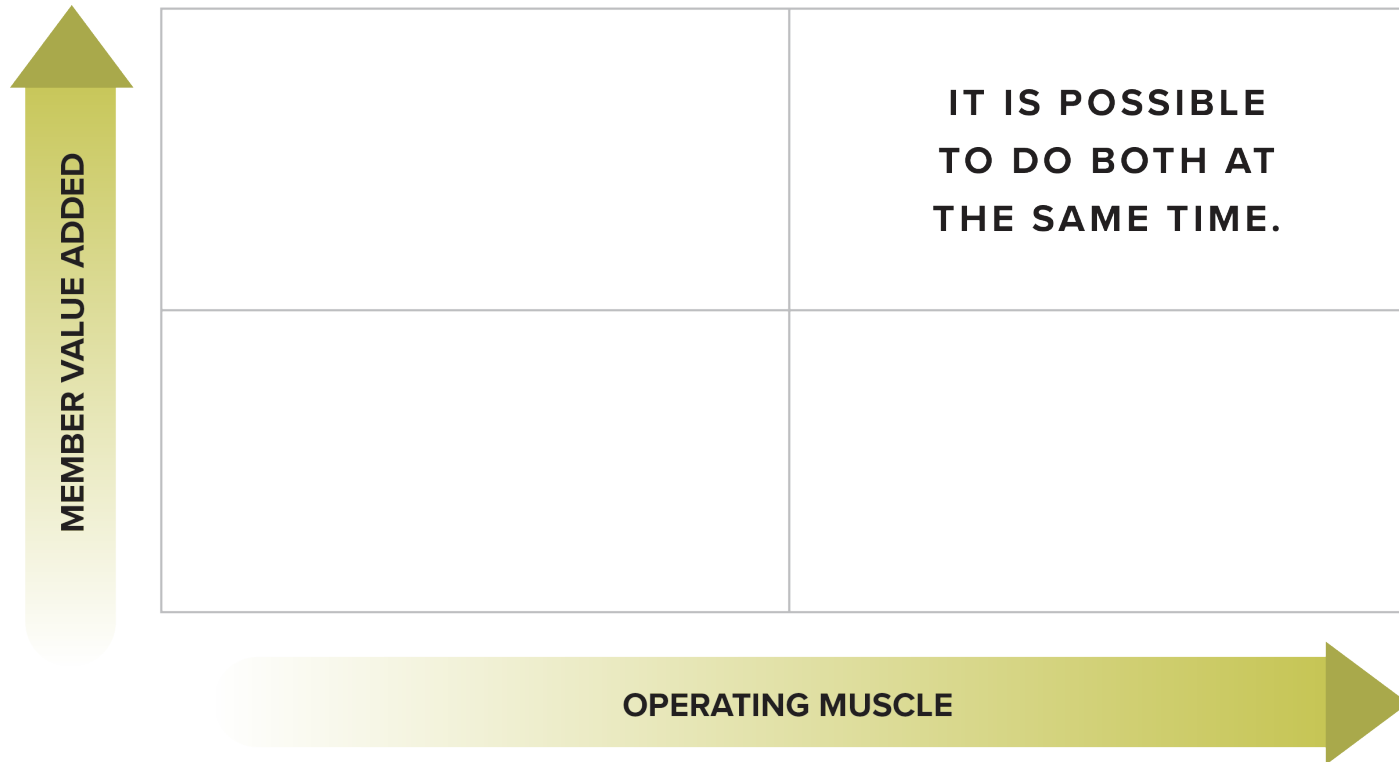


COOPERATIVE RIDDLE

THE RIDDLE



SOLVING THE RIDDLE



The background of the slide is a white canvas with a complex, abstract pattern of teal-colored geometric shapes. These shapes consist of horizontal and vertical lines of varying lengths, some of which are terminated by solid teal circles. The lines and dots are arranged in a way that suggests a network or a series of interconnected paths. The overall aesthetic is modern and minimalist.

MEMBER VALUE ADDED

CREATED IN TWO WAYS

PRODUCTIVITY

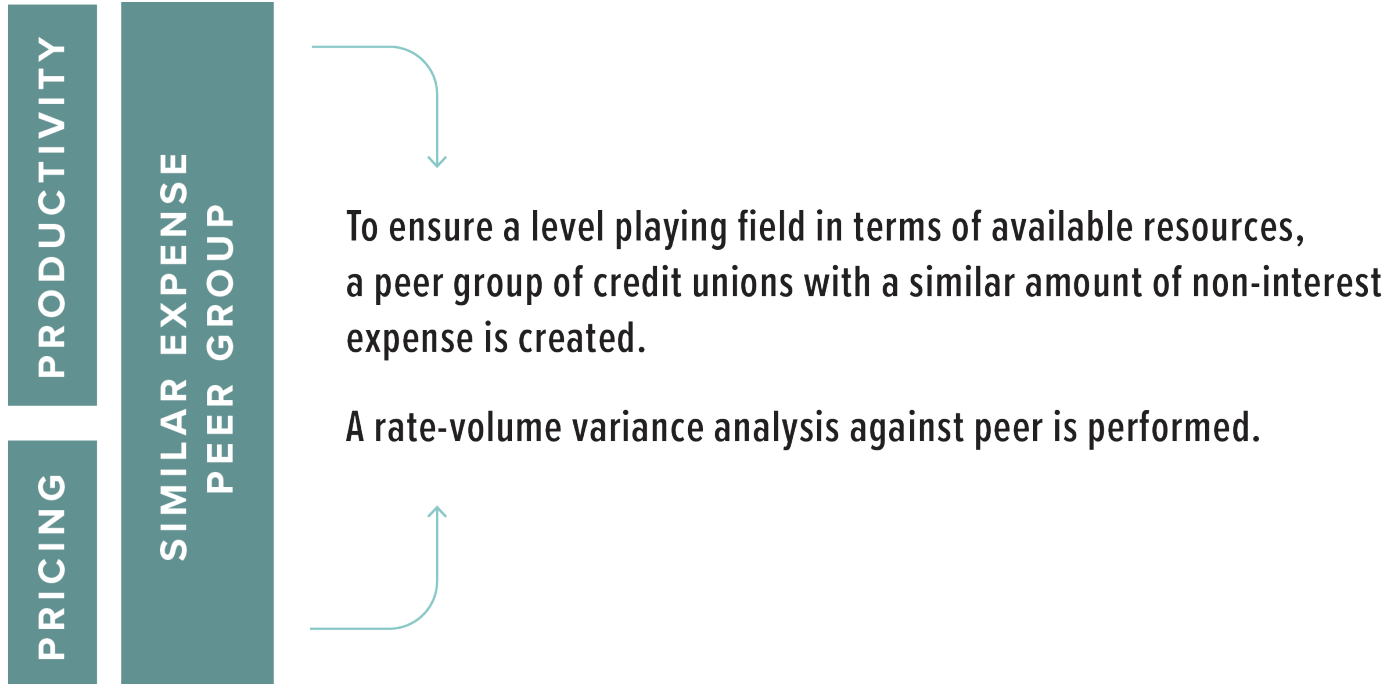
Member Value is created when the credit union is more productive than peer.*

PRICING

Member Value is created when the credit union has better pricing than peer.

**The more productive the credit union is, the better pricing it can provide.*

SIMILAR EXPENSE PEER GROUP



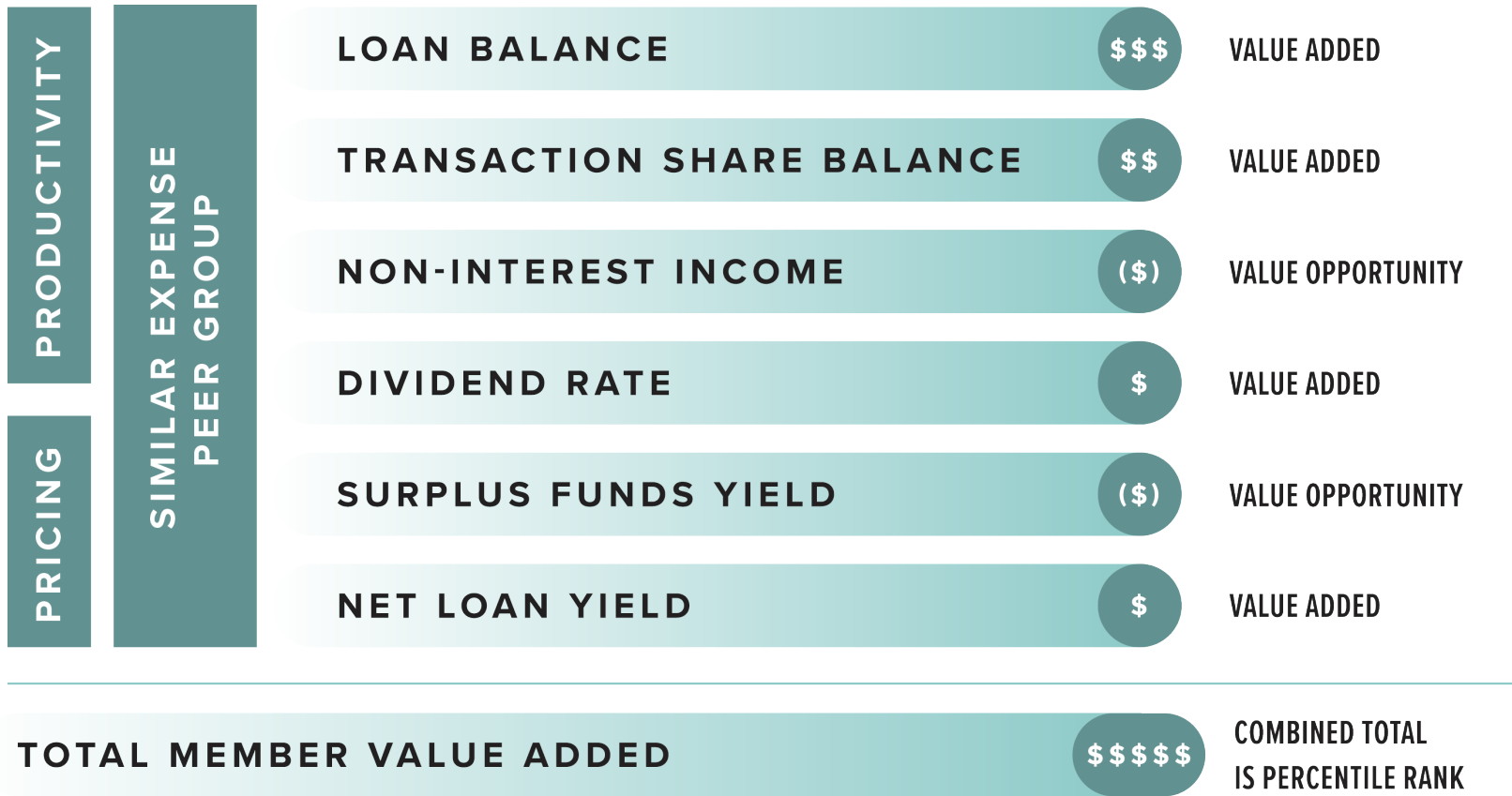
PRODUCTIVITY

| PRICING | PRODUCTIVITY | SIMILAR EXPENSE PEER GROUP | LOAN BALANCE | DIFFERENCE X PEER SPREAD |
|---------|--------------|-------------------------------|---------------------------|--------------------------|
| | | | TRANSACTION SHARE BALANCE | DIFFERENCE X PEER SPREAD |
| | | | NON-INTEREST INCOME | DIFFERENCE IN INCOME |

PRICING

| PRODUCTIVITY | SIMILAR EXPENSE PEER GROUP | LOAN BALANCE | |
|--------------|-------------------------------|---------------------------|----------------------------|
| | | TRANSACTION SHARE BALANCE | |
| | | NON-INTEREST INCOME | |
| PRICING | | DIVIDEND RATE | DIFFERENCE X SHARE BALANCE |
| | | SURPLUS FUNDS YIELD | DIFFERENCE X FUNDS BALANCE |
| | | NET LOAN YIELD | DIFFERENCE X LOAN BALANCE |

TOTAL VALUE



The background of the slide is a white canvas filled with a complex, abstract pattern of green geometric shapes. These shapes include vertical and horizontal bars of varying lengths, some with rounded ends, and solid green circles. The shapes are arranged in a way that suggests movement and interconnectedness, with some elements overlapping. The overall aesthetic is clean, modern, and tech-oriented.

OPERATING MUSCLE

RETURN ON ASSETS

OPERATING MUSCLE TRAITS

OPERATING RETURN ON ASSETS

%

PERCENTILE RANK

Operating ROA excludes extraordinary items and replaces provision for loan loss expense with actual net loan charge-offs. It's the truth about performance.

TOP LINE SALES GROWTH

TOP LINE SALES GROWTH

\$

PERCENTILE RANK

Top Line Sales is net interest income plus non-interest income.
The first sign of trouble shows up here.

ECONOMY OF SCALE RATIO

ECONOMY OF SCALE RATIO

%

PERCENTILE RANK

Economy of Scale is Net Cost of Operations divided by Activity Balance. The lowest cost to support a dollar of activity balance is the most productive.

Expense to Asset Ratio is not productivity. It is a financial measure. It ignores non-interest income.

Efficiency Ratio is not productivity. It is a financial measure. Interest rates are not productivity.

MEMBER PARTICIPATION

MEMBER PARTICIPATION

\$

PERCENTILE RANK

Member Participation is Net Revenue per Member with interest rates held constant to provide a true picture of relationship value over time.

Share of wallet is a good start, but it treats all balances with equal value and ignores non-interest income.

PRODUCT KNOWLEDGE, SKILL, ABILITY

PRODUCT KNOWLEDGE, SKILL, ABILITY

%

PERCENTILE RANK

A Product Mix score is derived by combined rank of:

- Loan to Asset Ratio
- Transaction Balance to Asset Ratio
- Non-Interest Income to Non-Interest Expense Ratio

CAPITAL ADEQUACY

OPERATING MUSCLE TRAITS

CAPITAL ADEQUACY

YEARS

PERCENTILE RANK

Prompt Corrective Action (PCA) Coverage Ratio. Demonstrates years of reserve sitting on balance sheet to protect against PCA.

OVERALL OPERATING MUSCLE

OPERATING MUSCLE TRAITS

OPERATING RETURN ON ASSETS % PERCENTILE RANK

TOP LINE SALES GROWTH \$ PERCENTILE RANK

ECONOMY OF SCALE RATIO % PERCENTILE RANK

MEMBER PARTICIPATION \$ PERCENTILE RANK

PRODUCT KNOWLEDGE, SKILL, ABILITY % PERCENTILE RANK

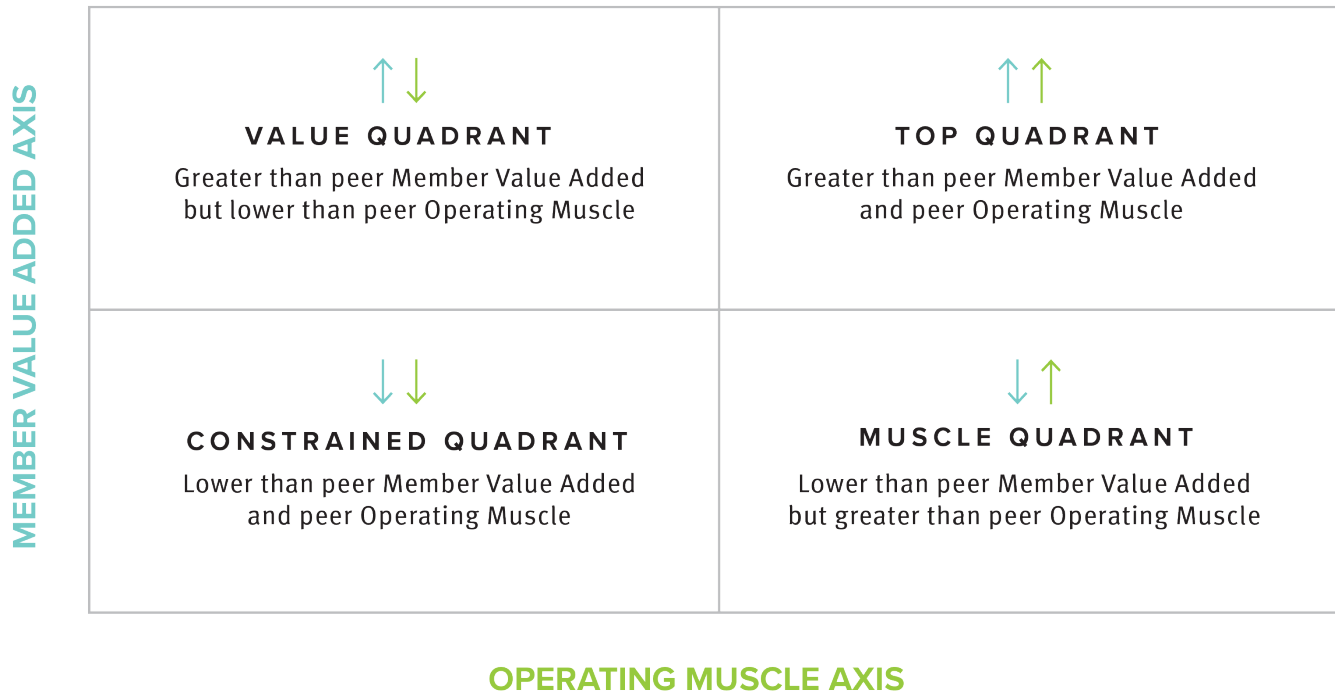
CAPITAL ADEQUACY YEARS PERCENTILE RANK

OVERALL OPERATING MUSCLE #

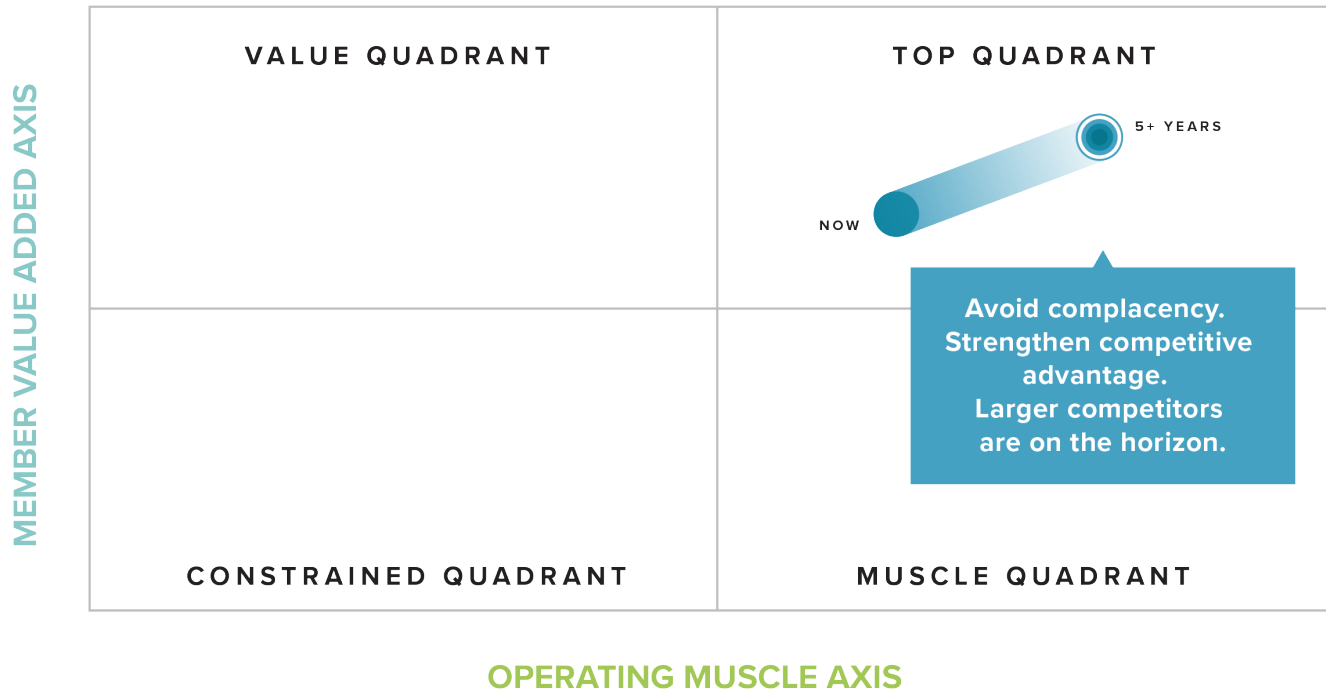
The background of the slide is white, featuring a pattern of abstract blue geometric shapes. These include vertical and horizontal bars of varying lengths, some with rounded ends, and solid blue circles. The shapes are arranged in a way that suggests movement or connectivity, with some elements overlapping. The overall aesthetic is clean and modern.

COOPERATIVE CLOUD

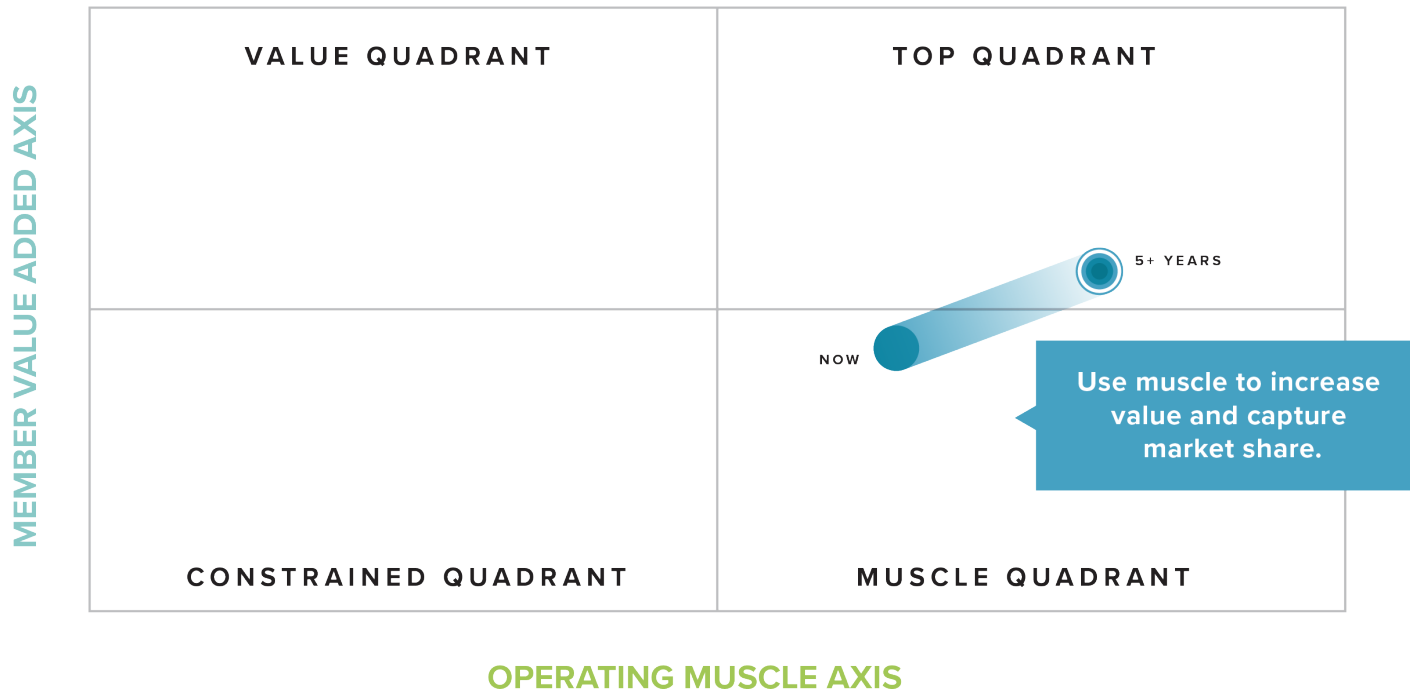
COOPERATIVE CLOUT MATRIX



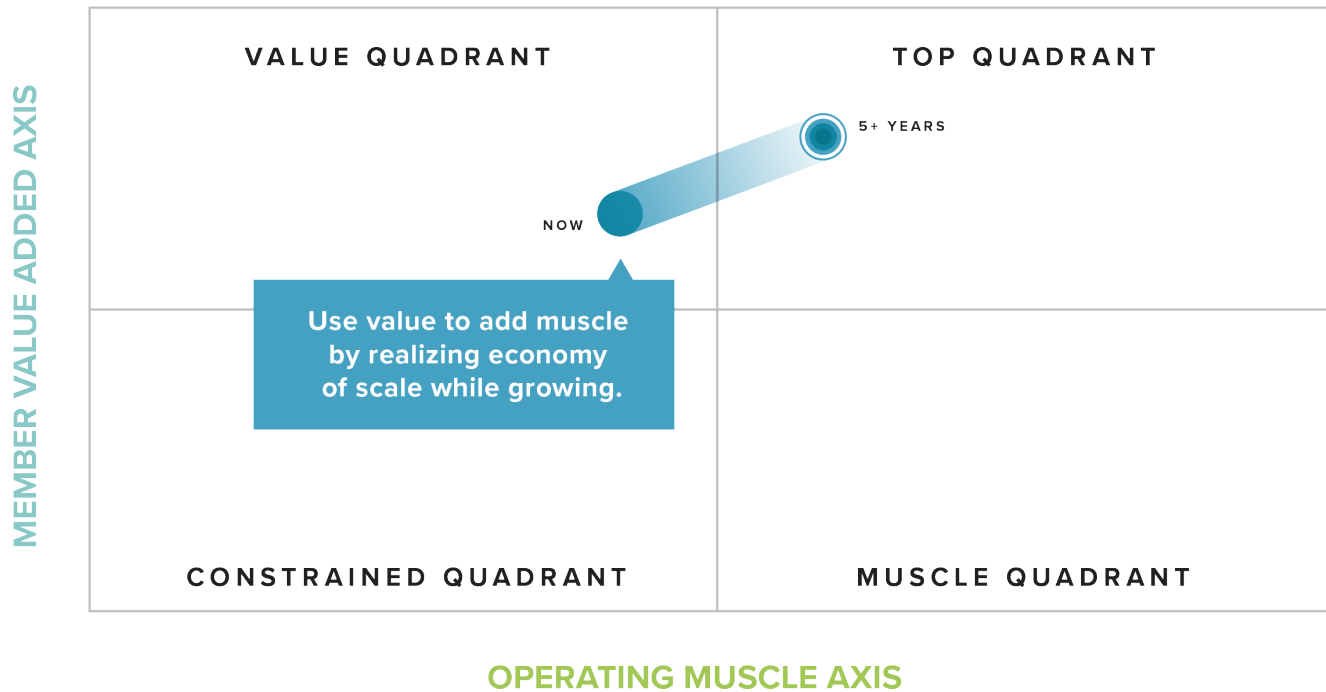
TOP QUADRANT



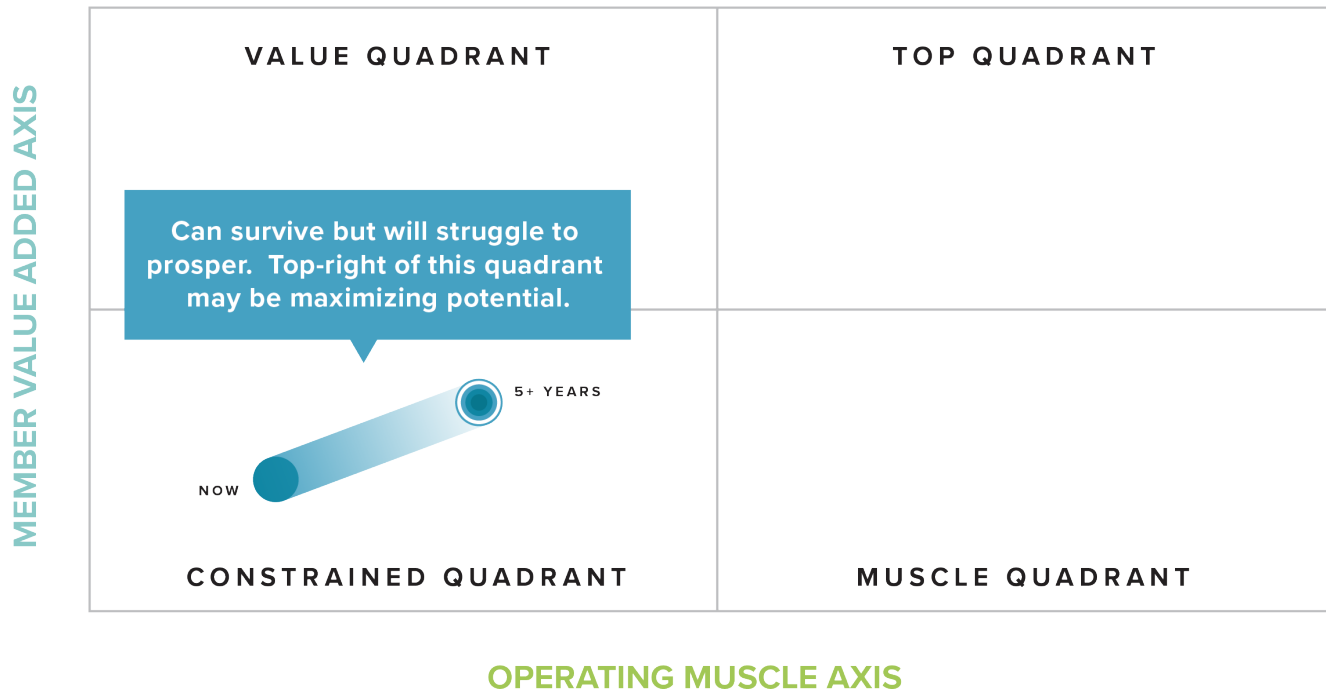
MUSCLE QUADRANT



VALUE QUADRANT



CONTRAINED QUADRANT



The background of the slide is a white canvas filled with a complex, abstract pattern of teal-colored geometric elements. These elements include horizontal and vertical bars of varying lengths, some with rounded ends, and solid teal circles. The shapes are arranged in a way that suggests a network or a maze, with some elements overlapping. The overall aesthetic is modern and technical.

THE OFFER

THE OFFER

THE OFFER



**SEE YOUR OWN
MEMBER VALUE ADDED
AND OPERATING
MUSCLE PLOTTED ON
THE COOPERATIVE
CLOUT MATRIX.**

ACKNOWLEDGEMENTS

THANK YOU



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