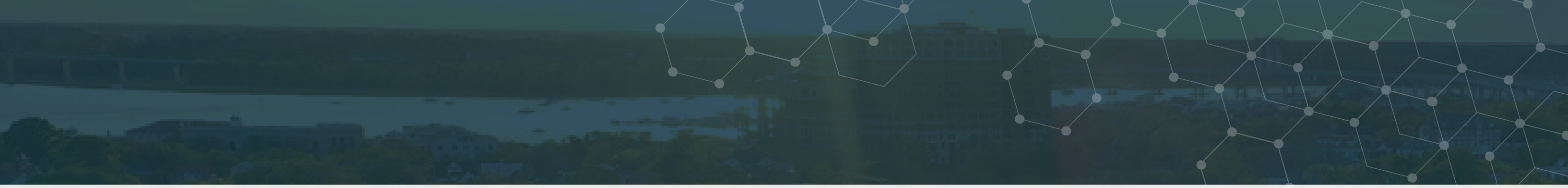
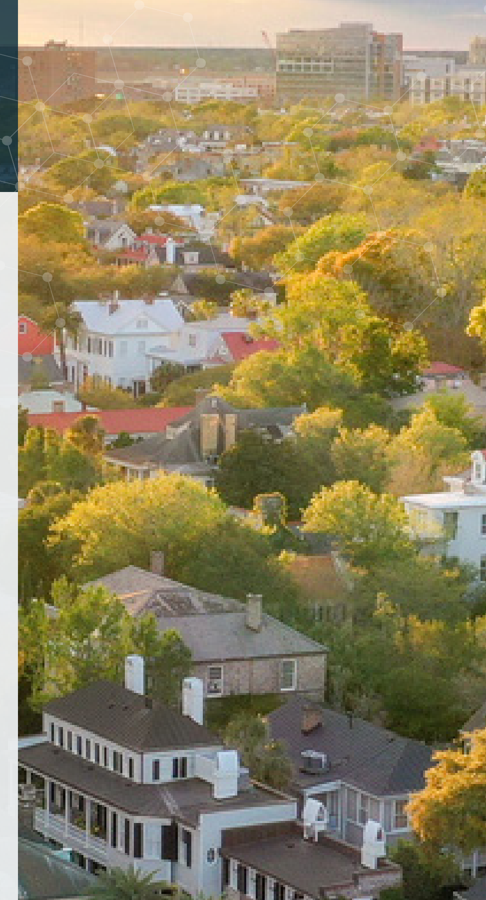
How Ceto Empowers Credit Unions

As you know, credit unions continue to experience many pressures in today's post-pandemic environment. Although rising interest rates could portend a meaningful tailwind in the future, the economy and banking industry still face many counterchallenges amidst the uncertain and shifting macroeconomic conditions, which have led some economists to forecast a possible recession on the horizon. Of course, no one knows for sure.

However, for the banking industry in particular, we can see these counterchallenges every day, which include stiff competition for consumer and household share of wallet from the national, regional, and community banks and fintech (or non-traditional financial institutions) coupled with the advancements in technology and changes in consumer choices.

Additionally, operational costs have risen as wage increases have swept across the country, impacting credit unions significantly and making it more difficult to attract the best talent. And of course, the ever-present, incessant pressure of regulation continues to increase the compliance responsibilities, staff requirements, and costs for every financial institution, although disproportionately affecting credit unions and the regional and community banks.





A Brief Look at the State of Credit Unions

Although the number of credit unions has been declining for many years, including 852 mergers and acquisitions from June 2016 to June 2021, credit unions continue to play an essential role in the American banking system, even as these many challenges and pressures mount on the industry.

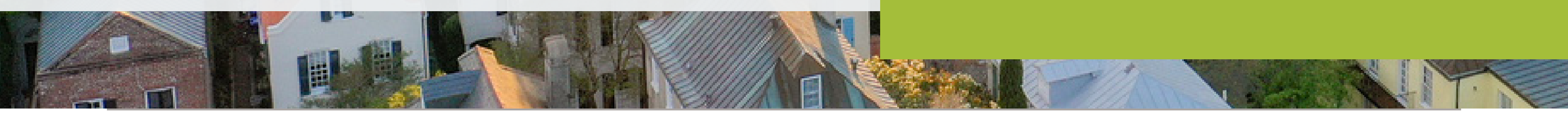
Unfortunately, median asset growth for credit unions has declined in the first quarter of 2022 — only growing by 5.2% compared to a growth rate of 17.1% experienced during Q1 2021. At the same time, the median growth in deposits/shares was 5.7% in the first quarter of 2022, compared with 19.5% during the same time the year prior.

To remain competitive and profitable for the long-term, credit unions must continue to focus on offering unique products and services for their members, shoring up any revenue gaps, building a robust digital presence, maximizing technology to increase operational performance, and providing top-notch member experience.

Credit Unions that can enhance their efforts and successfully meet their objectives in these areas will be well-positioned to weather any challenges that lie ahead.

MEASURABLE IMPACT

Based on our experience, our profitability enhancement solutions collectively provide **$150,000 - $300,000 in new annual**, pre-tax earnings per $100 million dollars of assets.



Rising Costs Lead to Lower Profitability

Overall, 77% of credit unions experienced a positive net income in the first quarter of 2022, which is down for the same time period in 2021. In the last few years, credit unions have seen a significant increase in the cost of doing business. This is primarily due to three factors:

- Increased Regulatory Costs
- Increased Technology Costs
- Increased Staffing Costs

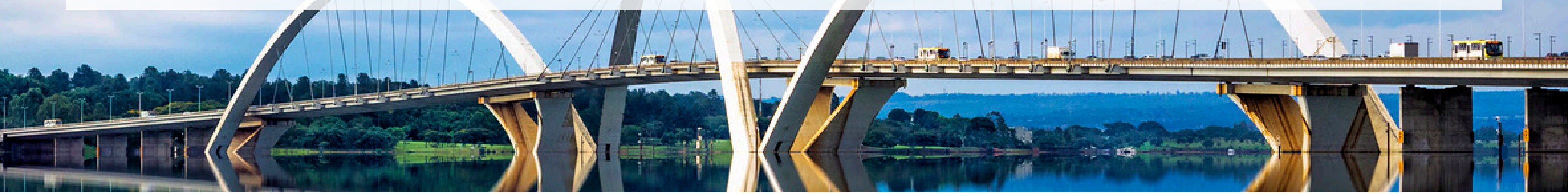
First, regulatory costs have risen since the financial crisis of 2008. While these regulations are important in protecting financial integrity across the industry, the cost to effectively implement, monitor and report to meet regulatory requirements comes with a major expense to every credit union, no matter size or geography.

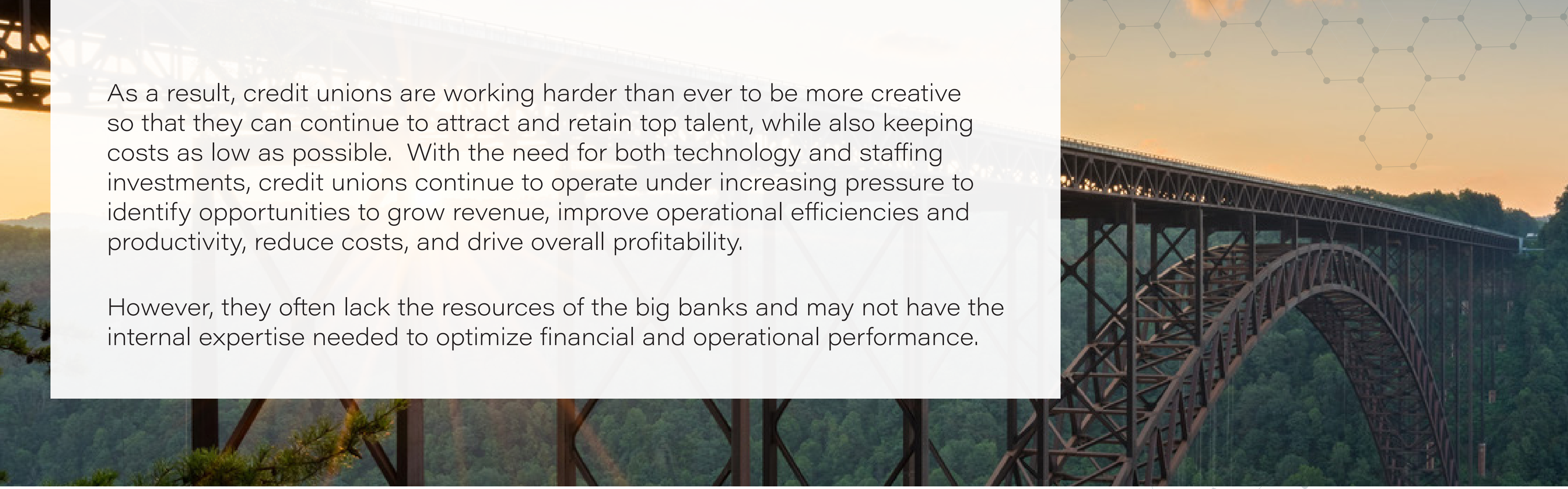
Often to comply with new rules, credit unions have had to invest in new technology and hire additional staff. These increased costs continually drag on financial performance.

Credit unions also have been at the forefront of investing in technology. They're investing in digital capabilities, such as online and mobile banking, and using data analytics to understand their members better. AI technology and machine learning are becoming more common among community financial institutions as they aim to create efficiencies.

Credit unions also must look for opportunities to differentiate themselves within a crowded marketplace — either through streamlining their product offerings or providing a more user-centric member experience.

At the same time, staffing remains problematic, as it has become more costly across the industry, especially if specific skillsets and/or experience is required. Additionally, turnover at different levels within organizations have led to short- and long-term loss of productivity and performance, both operationally and financially.





As a result, credit unions are working harder than ever to be more creative so that they can continue to attract and retain top talent, while also keeping costs as low as possible. With the need for both technology and staffing investments, credit unions continue to operate under increasing pressure to identify opportunities to grow revenue, improve operational efficiencies and productivity, reduce costs, and drive overall profitability.

However, they often lack the resources of the big banks and may not have the internal expertise needed to optimize financial and operational performance.

Growing Profitability with Ceto

Every credit union wants to optimize its profitability to ensure both member experience and satisfaction. Through our vast experience working with 2,000+ financial institutions over the past 27 years, Ceto has developed a three-pronged approach to improving a credit union's profitability and performance capabilities.

Market View

A competitive intelligence and income optimization solution that focuses on product pricing and design, with a review of more than 360 revenue areas across both sides of the balance while providing customized local market insights and competitive analysis to make data-driven decisions.

Vendor Link

A vendor management and cost reduction solution that focuses on contract management and negotiation, and compliance for vendor risk mitigation, with a review of more than 185 vendor contract cost areas while providing insights to optimize vendor performance.

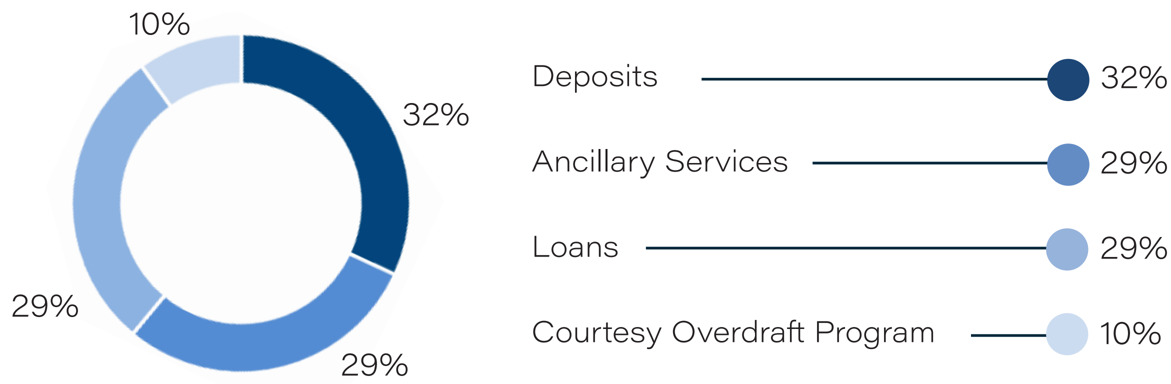
Clear Point

A business intelligence and performance enhancement solution that focuses on benchmarking, process design, and operational efficiency and productivity, with a review of more than 390 process areas while providing strategic insights to optimize costs and improve organizational performance.

> We were very happy with the results of Ceto's Market View solution. They introduced many new ideas and recommendations, while leveraging competitive intelligence from our marketplace. The engagement was risk-free from the outset, and we realized the initial benefits within a short time after beginning the project."

Alan Watson
President & CEO
Jolt Credit Union – Saginaw, MI

AVERAGE BENEFITS BY PRODUCT AREA

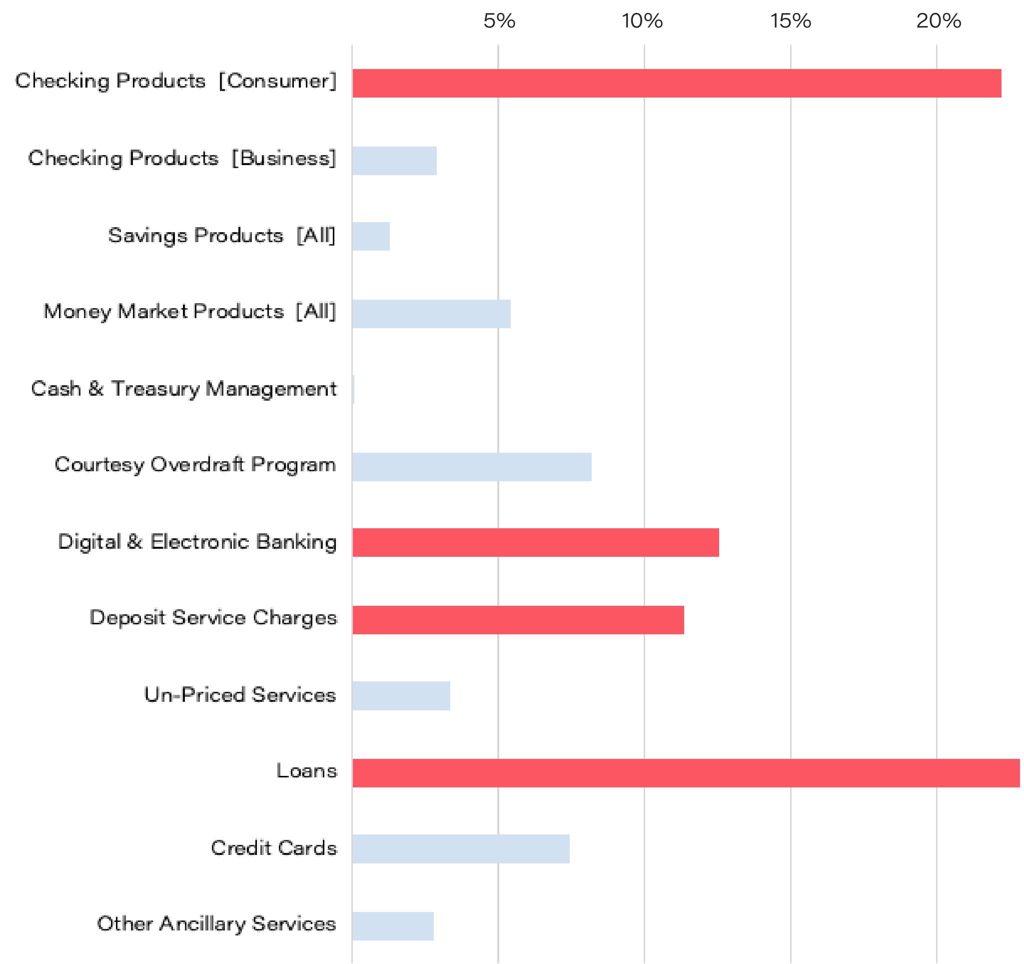


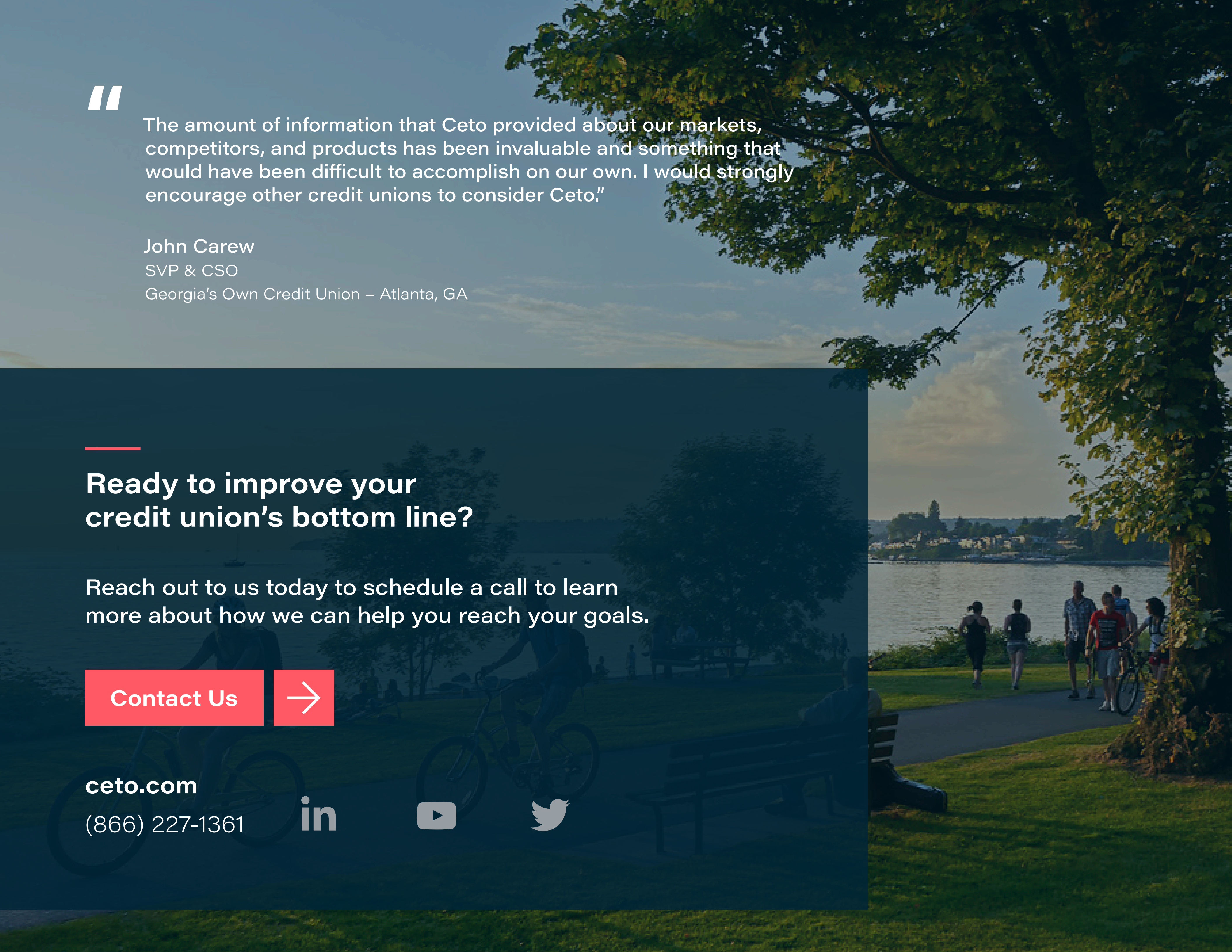
AVERAGE NEW INCOME

	Low	Average	High
New Income per $100 Million of Total Assets	$123,886	$175,453	$227,020
Percent of New Income to Total Assets	0.12%	0.18%	0.23%

Average Benefits by Product Areas

	Low %	Average %	High %
Checking Products [Consumer]	21.4%	23.0%	22.2%
Checking Products [Business]	3.3%	2.4%	2.9%
Savings Products [All]	1.1%	1.4%	1.2%
Money Market Products [All]	6.1%	4.7%	5.4%
Cash & Treasury Management	0.1%	0.0%	0.1%
Courtesy Overdraft Program	9.7%	6.6%	8.1%
Digital & Electronic Banking	12.8%	12.2%	12.5%
Deposit Service Charges	9.5%	13.1%	11.3%
Un-Priced Services	3.6%	3.1%	3.3%
Loans	21.6%	24.0%	22.8%
Credit Cards	7.7%	7.1%	7.4%
Other Ancillary Services	3.1%	2.4%	2.7%





"The amount of information that Ceto provided about our markets, competitors, and products has been invaluable and something that would have been difficult to accomplish on our own. I would strongly encourage other credit unions to consider Ceto."

John Carew
SVP & CSO
Georgia's Own Credit Union – Atlanta, GA

Ready to improve your credit union's bottom line?

Reach out to us today to schedule a call to learn more about how we can help you reach your goals.

Contact Us

ceto.com
(866) 227-1361

DATA SOURCES

REGION TOTAL ASSETS	Credit Union Profile 1 – Northeast $5,351,000,000				Credit Union Profile 2 – Midwest $1,972,000,000			
Area	Benefit (Low $)		Benefit (High $)		Benefit (Low $)		Benefit (High $)	
Checking Products [Consumer]	$927,946	20.8%	$1,354,643	14.7%	$679,342	34.5%	$1,484,808	43.6%
Checking Products [Business]	$463,903	10.4%	$661,977	7.2%	$51,708	2.6%	$69,423	2.0%
Savings Products [All]								
Money Market Products [All]					$240,875	12.2%	$327,926	9.6%
Cash & Treasury Management	$9,420	0.2%	$14,130	0.2%	$3,750	0.2%	$5,250	0.2%
Courtesy Overdraft Program	$1,261,663	28.2%	$1,749,682	19.0%				
Digital & Electronic Banking	$259,740	5.8%	$950,687	10.3%	$306,156	15.6%	$461,604	13.5%
Deposit Service Charges	$136,434	3.1%	$188,464	2.0%	$146,328	7.4%	$199,754	5.9%
Un-Priced Services	$205,567	4.6%	$304,756	3.3%				
Loans	$581,632	13.0%	$3,031,540	33.0%	$526,912	26.8%	$843,398	24.7%
Credit Cards	$253,653	5.7%	$399,908	4.3%				
Other Ancillary Services	$368,068	8.2%	$552,102	6.0%	$12,927	0.7%	$17,235	0.5%
TOTAL CETO BENEFITS	$4,468,026	100%	$9,193,759	100%	$1,967,998	100%	$3,409,398	100%
NEW INCOME per $100 MILLION of TOTAL ASSETS	$83,499 per $100 million		$171,814 per $100 million		$99,797 per $100 million		$172,890 per $100 million	
% NEW INCOME to TOTAL ASSETS	0.08%		0.17%		0.10%		0.17%	

DATA SOURCES

REGION TOTAL ASSETS	Credit Union Profile 3 – South $3,429,000,000				Credit Union Profile 4 – West $664,833,000			
Area	Benefit (Low $)		Benefit (High $)		Benefit (Low $)		Benefit (High $)	
Checking Products [Consumer]	$673,426	9.2%	$906,801	6.5%	$137,196	21.0%	$283,278	27.2%
Checking Products [Business]	$23,566	0.3%	$32,568	0.2%				
Savings Products [All]	$315,687	4.3%	$783,269	5.6%				
Money Market Products [All]	$878,128	12.0%	$1,280,456	9.2%				
Cash & Treasury Management								
Courtesy Overdraft Program	$766,236	10.4%	$1,019,472	7.3%				
Digital & Electronic Banking	$1,037,364	14.1%	$1,556,046	11.2%	$103,401	15.8%	$144,136	13.8%
Deposit Service Charges	$1,262,992	17.2%	$4,831,239	34.7%	$67,468	10.3%	$104,331	10.0%
Un-Priced Services					$63,340	9.7%	$94,540	9.1%
Loans	$1,858,136	25.3%	$2,659,424	19.1%	$140,273	21.5%	$201,005	19.3%
Credit Cards	$494,076	6.7%	$827,596	5.9%	$121,182	18.6%	$188,238	18.0%
Other Ancillary Services	$30,620	0.4%	$40,825	0.3%	$19,911	3.1%	$27,660	2.7%
TOTAL CETO BENEFITS	$7,340,231	100%	$13,937,696	100%	$652,771	100%	$1,043,188	100%
NEW INCOME per $100 MILLION of TOTAL ASSETS	$214,063 per $100 million		$406,465 per $100 million		$98,186 per $100 million		$156,910 per $100 million	
% NEW INCOME to TOTAL ASSETS	0.21%		0.41%		0.10%		0.16%	