

It's All About The Core

Callahan & Associates

December 2017

CALLAHAN
ASSOCIATES
the credit union company

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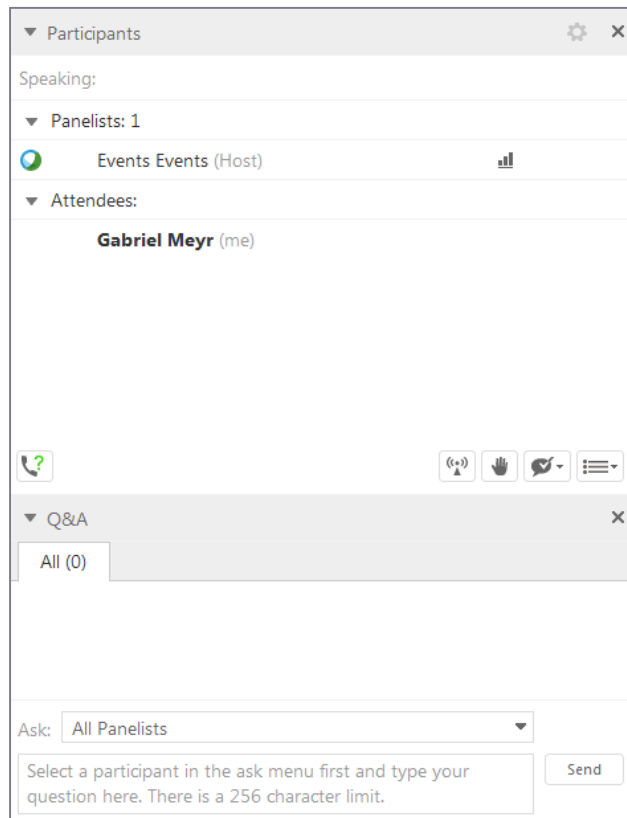
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TECHNOLOGY



EFFICIENCY



GROWTH



It's All About The Core

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Fran Kester, National Sales Manager



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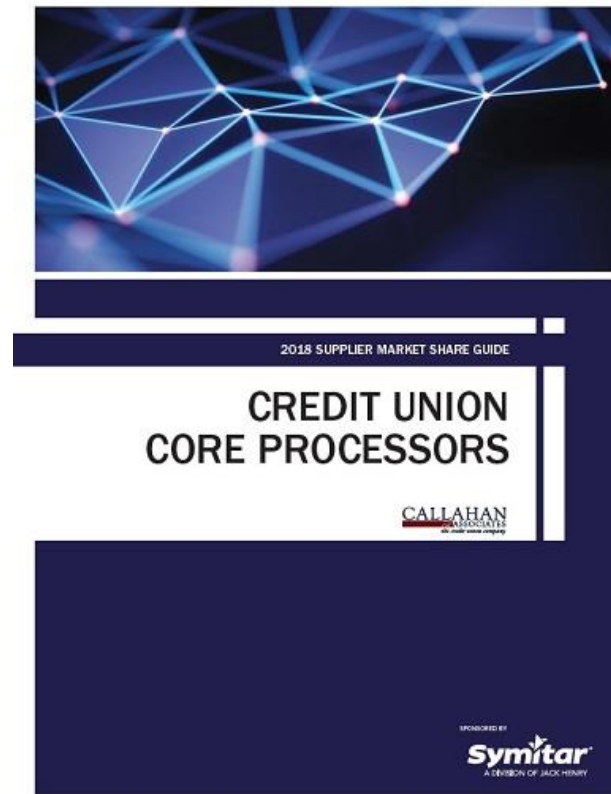
Agenda

- Supplier Trends and Market Overview.
- Tips for Undergoing a Core Conversion.
- 3 Steps for Identifying Core Players.

Supplier Trends and Market Overview

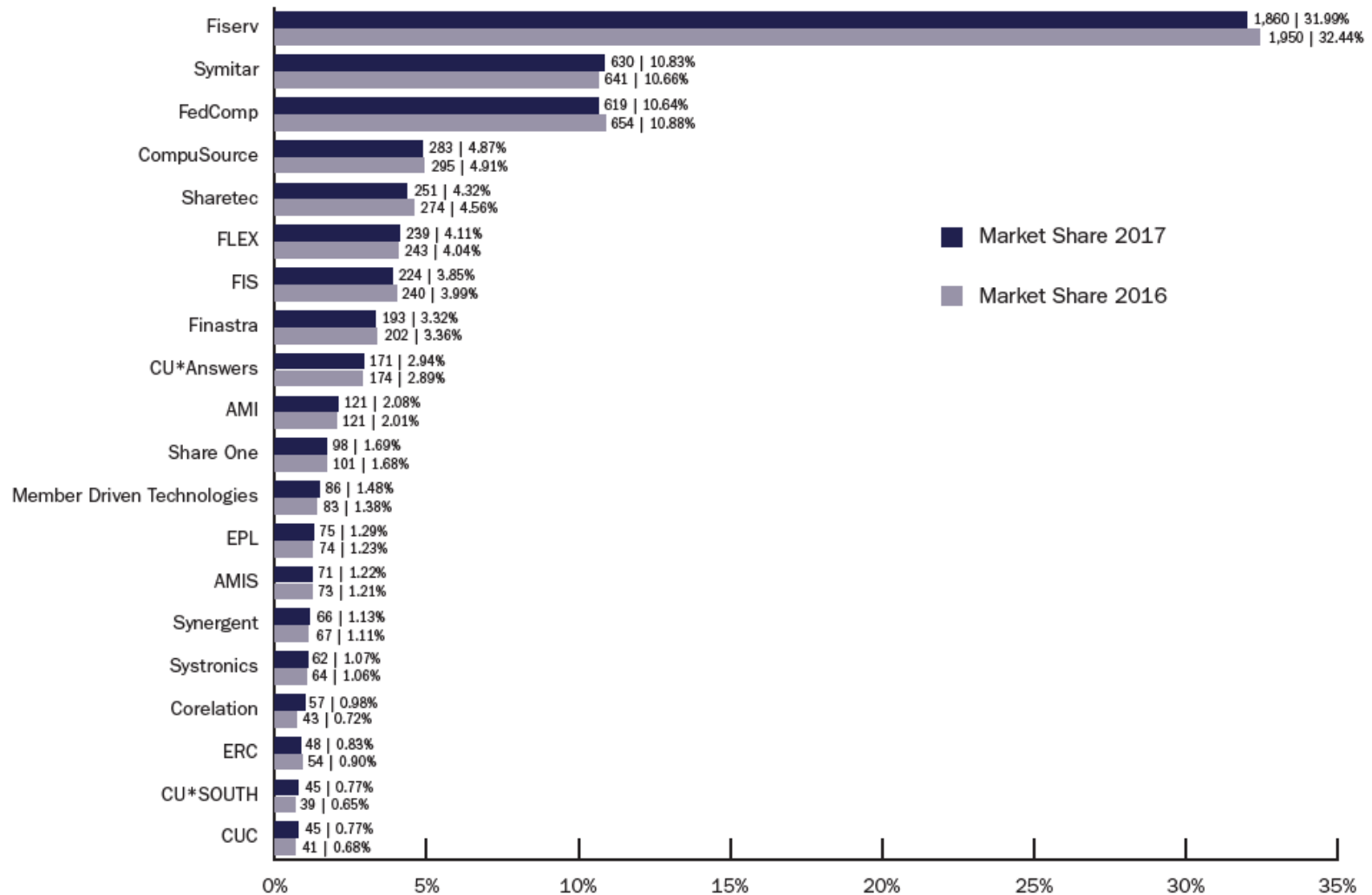
Hot Off The Press

Callahan's 2018 Market Share Guide: Core Processing



Large providers leverage offerings to serve more clients

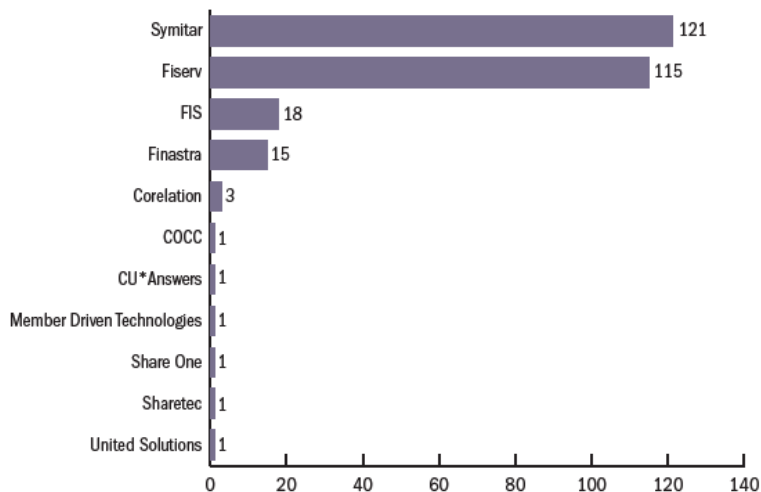
Market Share For Top 20 Core Providers By Number Of Credit Union Clients



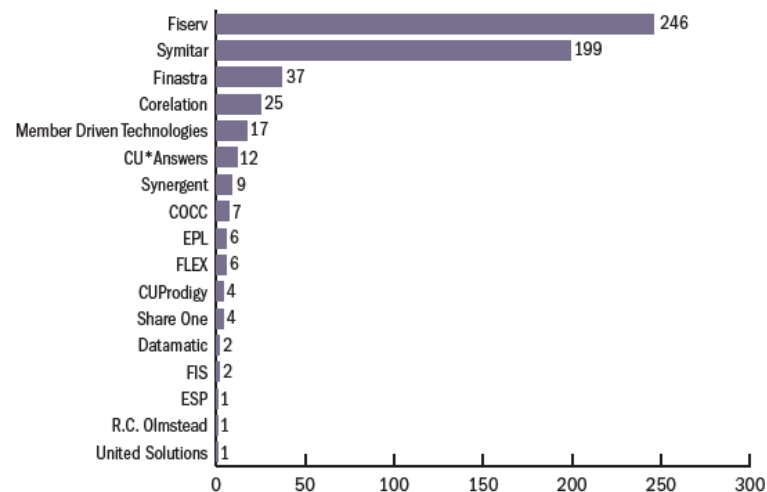
*THERE WERE 6,012 CREDIT UNIONS AS OF JUNE 30, 2016, VERSUS 5,815 AS OF JUNE 30, 2017. A CORE PROCESSOR CAN HAVE FEWER CLIENTS THIS YEAR AND STILL HAVE A HIGHER MARKET SHARE THAN LAST YEAR.

Provider competition increases for CUs <\$1B

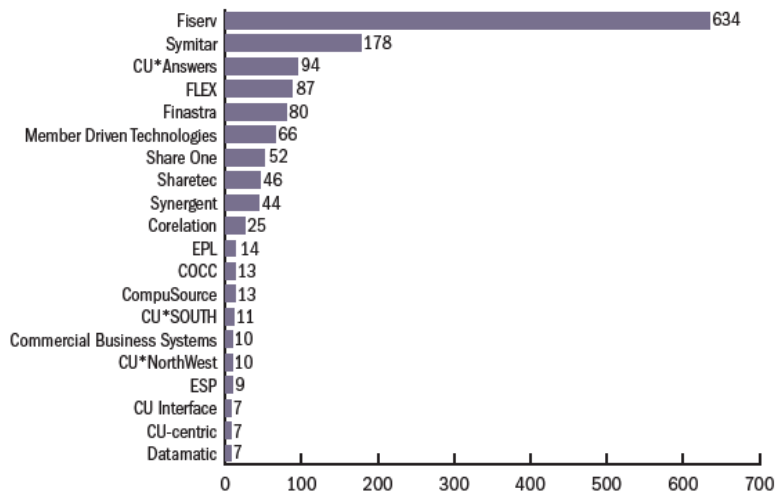
TOP PROVIDERS BY NUMBER OF CLIENTS > \$1B IN ASSETS



TOP PROVIDERS BY NUMBER OF CLIENTS \$250M-\$1B IN ASSETS

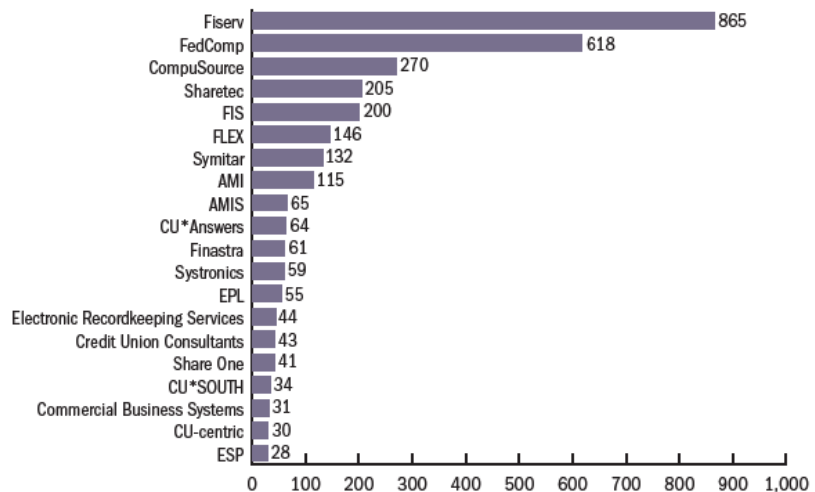


TOP PROVIDERS* BY NUMBER OF CLIENTS \$50M-\$250M IN ASSETS



* TOP 20 PROVIDERS IN RESPECTIVE ASSET BAND

TOP PROVIDERS* BY NUMBER OF CLIENTS < \$50M IN ASSETS



* TOP 20 PROVIDERS IN RESPECTIVE ASSET BAND

Tips for Undergoing a Core Conversion

Survey Says....

TOP FEATURES LOOKING FOR IN A NEW CORE PROVIDER



01

SEAMLESS INTEGRATION

The ability to seamlessly integrate with third-party vendors is the most desired feature from a new core processor.

02

USER-FRIENDLY

Executives look for intuitive end-user experience to reduce training time. They also want streamlined business processes and workflows.

03

ADAPTABILITY

The ability to grow and adapt with the credit union in a changing technological environment is key.

Survey Says....

EASE OF INTEGRATION AND USE

An easy-to-use interface takes precedence when choosing a new provider.

01

PARENT COMPANY

Executives look to establish a partnership with their core provider and value corporate philosophy along with company culture.

02

PROGRAMMING AND DATA RETRIEVAL

Simplistic coding, modern programming language, and open API are also top reasons in choosing a new processor.

03

TOP REASONS FOR SELECTING A NEW PROVIDER



Survey Says....

LIMITATIONS OF NEW PROVIDER



01

LENDING CAPABILITIES

Not all new cores provide the desired loan origination and servicing capabilities with commercial lending and other loan types.

02

DOCUMENTATION

Some survey respondents missing or minimal documentation within their new provider.

03

REPORTING

Executives want more reporting capabilities, including both standard and customized options.

Case Study: Desert Schools FCU

- Less paperwork, more focus – no formal RFP.
- Got conversation started at industry conference.
- Took conversational approach to vendor management.
- Held 3-day demonstration with two finalists.
- Documented pain points and all make a wish list.

CU QUICK FACTS

Desert Schools FCU

DATA AS OF 09.30.17

HQ: Phoenix, AZ

ASSETS: \$4.3B

MEMBERS: 317,969

BRANCHES: 45

12-MO SHARE GROWTH: 10.1%

12-MO LOAN GROWTH: 11.1%

ROA: 1.61%



Ron Amstutz, EVP, Desert Schools
FCU

Tips For Your RFP

- Make it thorough, not lengthy.
- Only ask questions about products and services you actually offer.
- Outline specific business objectives and challenges.
- Keep questions focused and specific.



Case Study: AltaOne FCU

- Start early.
- Have fun.
- Budget more.
- Clean up.

CU QUICK FACTS

AltaOne FCU

DATA AS OF 09.30.17

HQ: Ridgecrest, CA

ASSETS: \$636.0M

MEMBERS: 53,734

BRANCHES: 11

12-MO SHARE GROWTH: -1.7%

12-MO LOAN GROWTH: -2.9%

ROA: 0.35%



Wendy Cleveland, SVP/COO,
AltaOne FCU

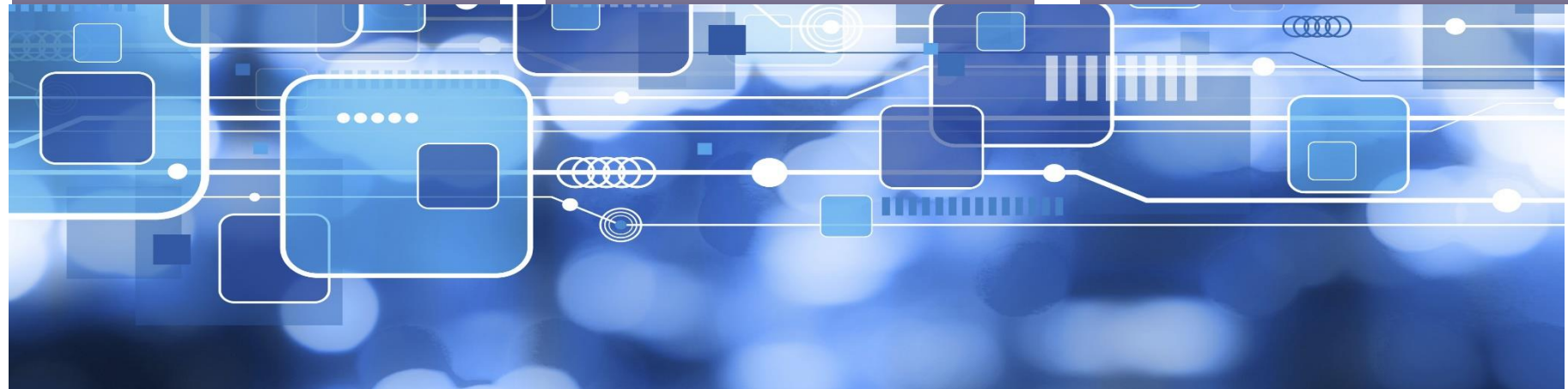
3 Steps for Identifying Core Players

3 Steps for Identifying Core Players

Step 1:
Build A List Of
Core Providers

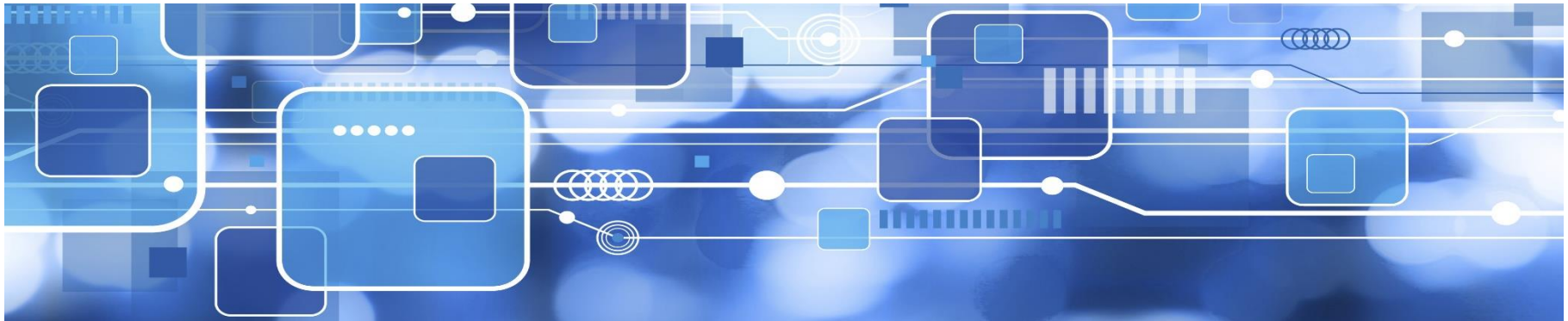
Step 2:
Analyze Credit Union
Performance

Step 3:
Gather Feedback



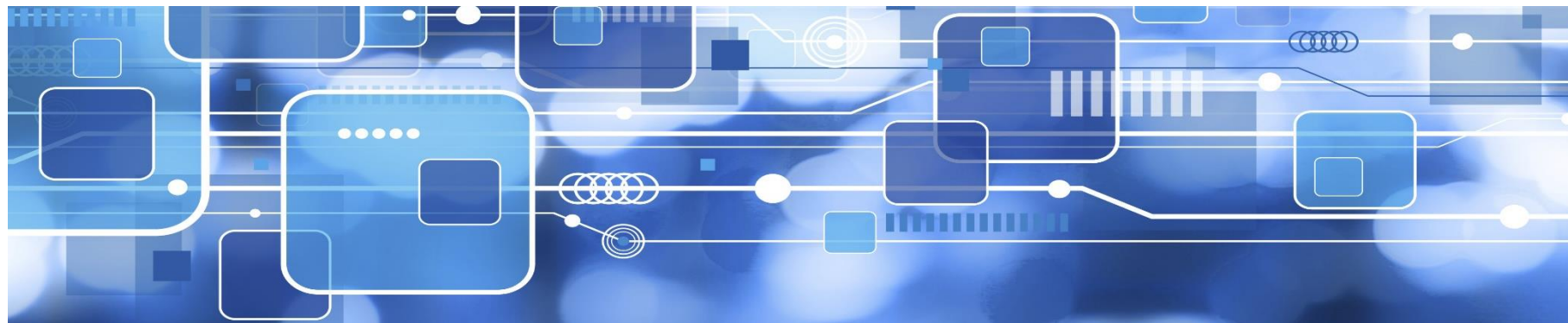
Step 1: Build A List Of Core Providers

- Make a list of the credit unions that have recently switched core providers.
- Use CreditUnions.com Search & Analyze tool to determine assets and other key information, such as number of branches or location.
- Note which core processors those credit unions use currently

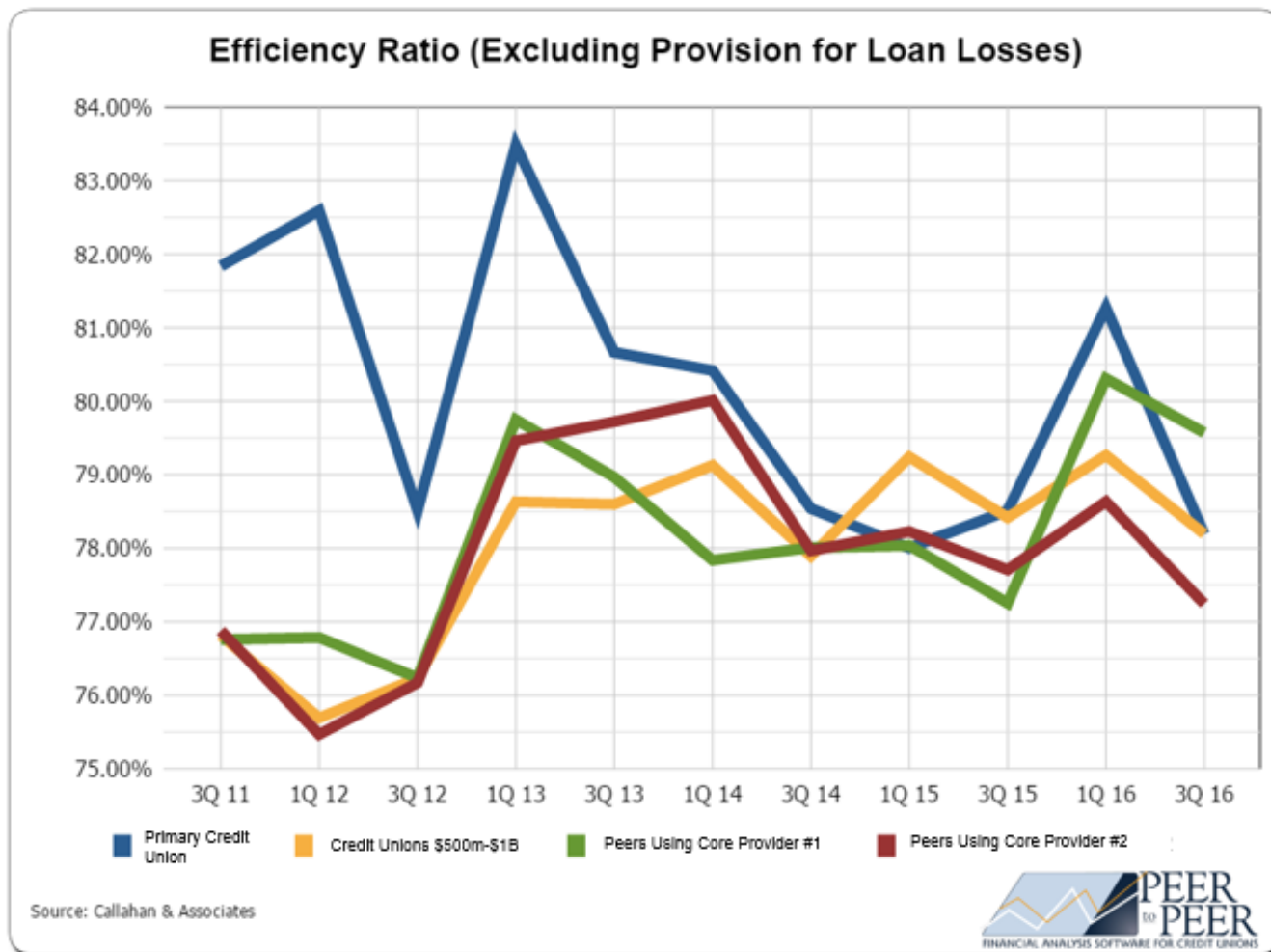


Step 2: Analyze Credit Union Performance

- Identify the core processors that appear to best support similar credit unions
- Use 5300 Call Report data to evaluate performance
- Consider efficiency, loan, and member growth
- Filter peer group based on operational criteria

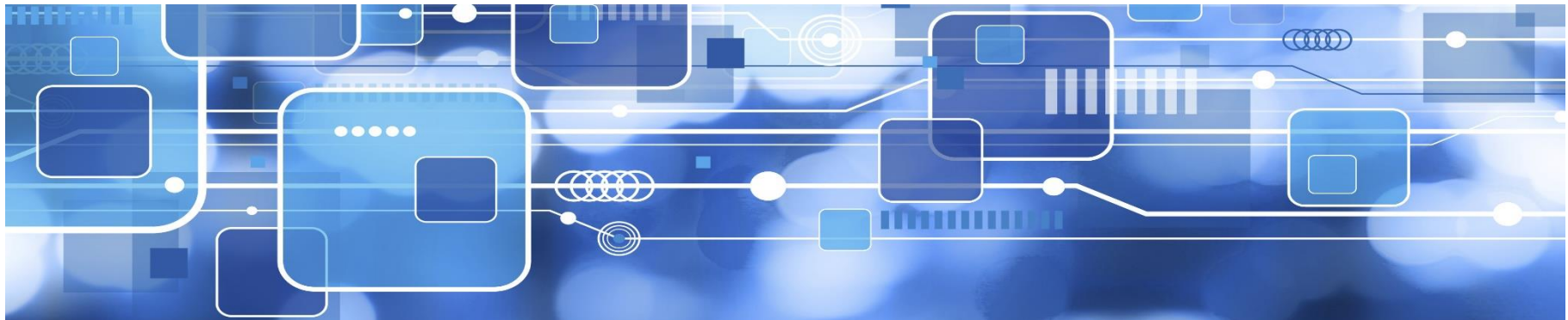


Step 2: Analyze Credit Union Performance



Step 3: Gather Feedback

- Make a list of executive contacts for credit unions that use the providers
- Ask those contacts about their conversion experience. How was it? What do they wish they knew before the conversion? Are they satisfied? Do they have advice to share?
- Find credit unions that have been with the core provider for several years to get a better understanding of what a long-term relationship will look like.



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& IDEAS IN ACTION



TECHNOLOGY



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Fran Kester, National Sales Manager



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