



Maine Credit Union League

Metrics that Matter



Presented By: Erin Coleman
10/25/2024





One mission.
One focus.
For nearly 40 years.



OUR MISSION

We empower credit unions to impact their members and communities in meaningful ways.

OUR VISION

We inspire credit union leaders to be **catalysts** of **hope** and **prosperity** for their communities.

CALLAHAN
ASSOCIATES
the credit union company

CALLAHAN
ASSOCIATES





What we'll discuss today

- Introductions
 - What's Going on in the US and Maine?
 - The Power of Purpose
- (Financial) Metrics that Matter
- Tying it Together



What's Going on in Credit Unions?

The latest economic news: Continued resilience

The economic “soft landing” narrative continues to gain steam

- Job growth was higher than expected in September 2024
- Unemployment is down, hourly wages are up
- Federal Reserve’s interest rate cuts are expected to continue through 2024
- Inflation is nearing the Fed’s target rate

Consumer sentiment remains cautious

- Less than ¼ of Americans rate the economy as “good” or “excellent”
- Lower and middle income families are under strain
- Consumers continue to cut back on non-essential spending



What does this mean for credit unions?

- Asset Growth is flat, share growth is up, loan growth is down
- Delinquency increases continue
- Higher provision expense means lower net income YoY

Consumers look to credit unions when the going gets tough

- A slow economic cycle allows our business model to shine
- Opportunities abound to lean into our strengths and grow impact



What do we see in Maine?



The latest economic news in Maine

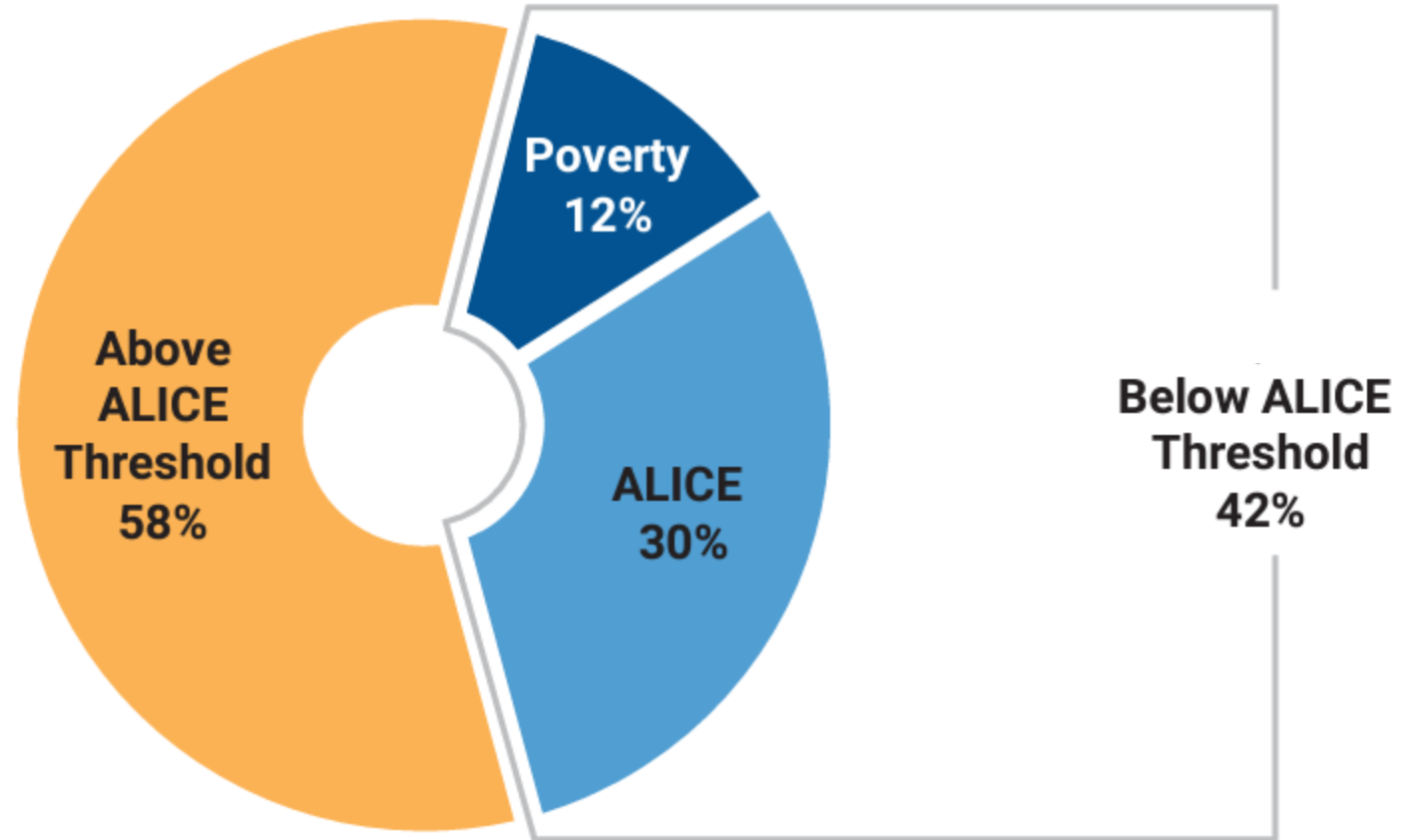
- GDP is slowing
- Housing challenges persist in both affordability and availability
- Labor market remains tight
- Federal funding has been secured for future economic and community development efforts

In Maine Credit Unions we see:

- ROA is falling due to higher operating expenses and loan loss provisions
- Strong member relationships

What does this mean for consumers in Maine?

- 49% of Mainers believe their financial condition has gotten worse since last year
- 79% of Mainers are unable to afford the median home price
- Only 41% under the Alice threshold have emergency savings





The Power of Purpose

“People don’t
buy what you
do, they buy
WHY you do it.”

- SIMON SINEK



Credit Unions are Facing Challenges

1

**Meeting Our
Mission**

2

**Differentiating
In A Crowded
Marketplace**

3

**Building
Sustainable
Relationships**

Callahan's Strategic Growth Framework





Purpose defined: the intersection of

Who are we - what are our authentic and distinctive strengths?

What human need do we fulfill in society?



Why does Purpose Matter?

1. Your **Purpose** is the foundation on which everything else in the credit union is built.
2. A **well-embedded purpose** guides long-term strategy, provides a clear context for daily decision-making, and unifies and motivates stakeholders.



Moment of Reflection

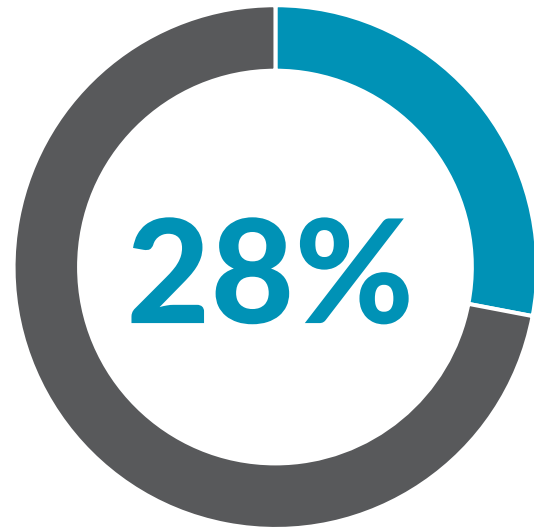
What is your credit union's why?

Employees
want
Purpose

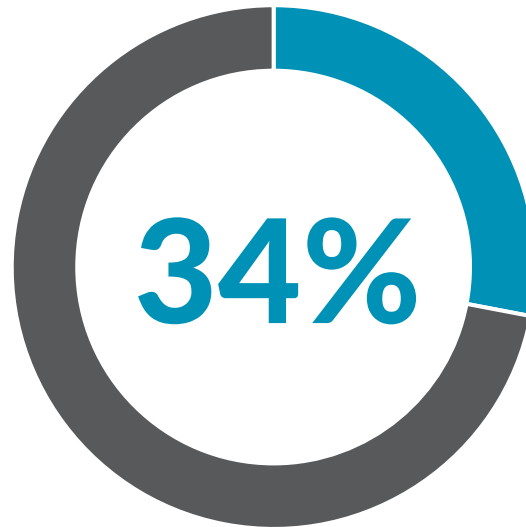


A PwC survey found that employees consider *purpose to be ~ 2 times more important* than measures like career advancement and compensation.

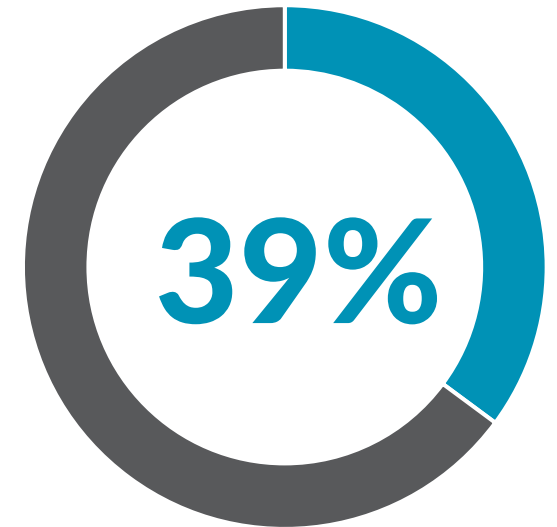
Employees Identify A Purpose Gap



Reported feeling fully connected to their company's purpose.

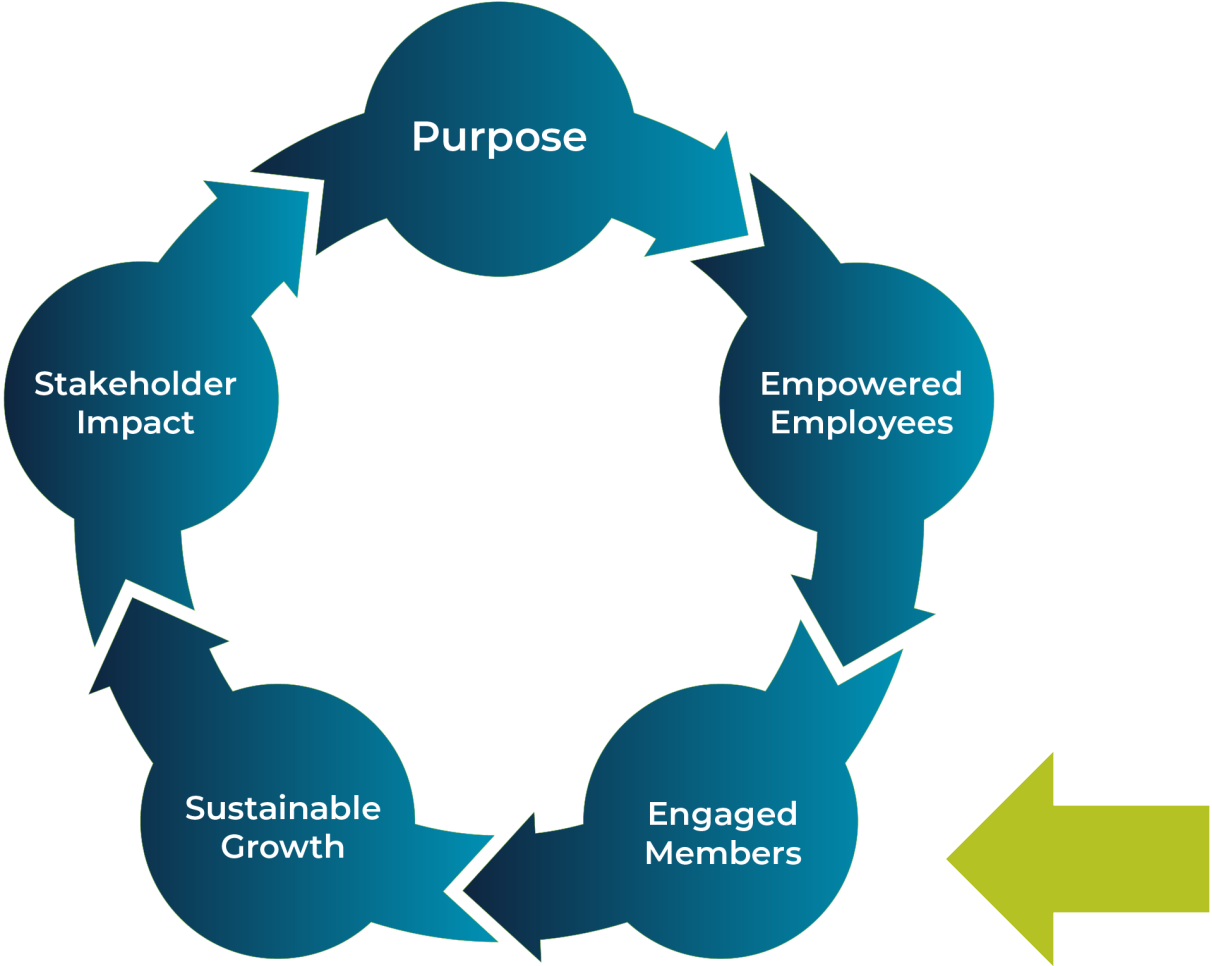


Thought they strongly contributed to their company's success.



Said they could clearly see the value they create.

Members
want to
Feel Purpose

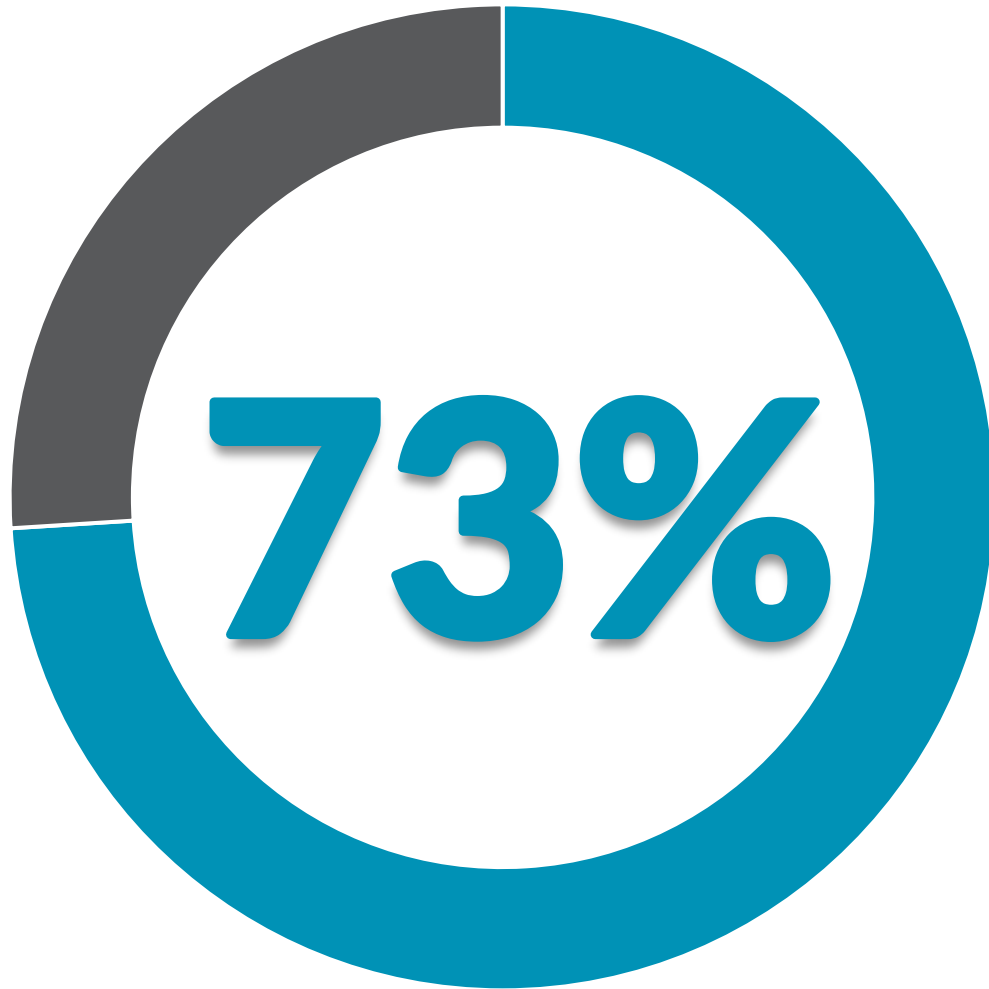


Making an Emotional Connection


70%

of consumer decisions are
based on emotions.

The Power of Emotional Connection



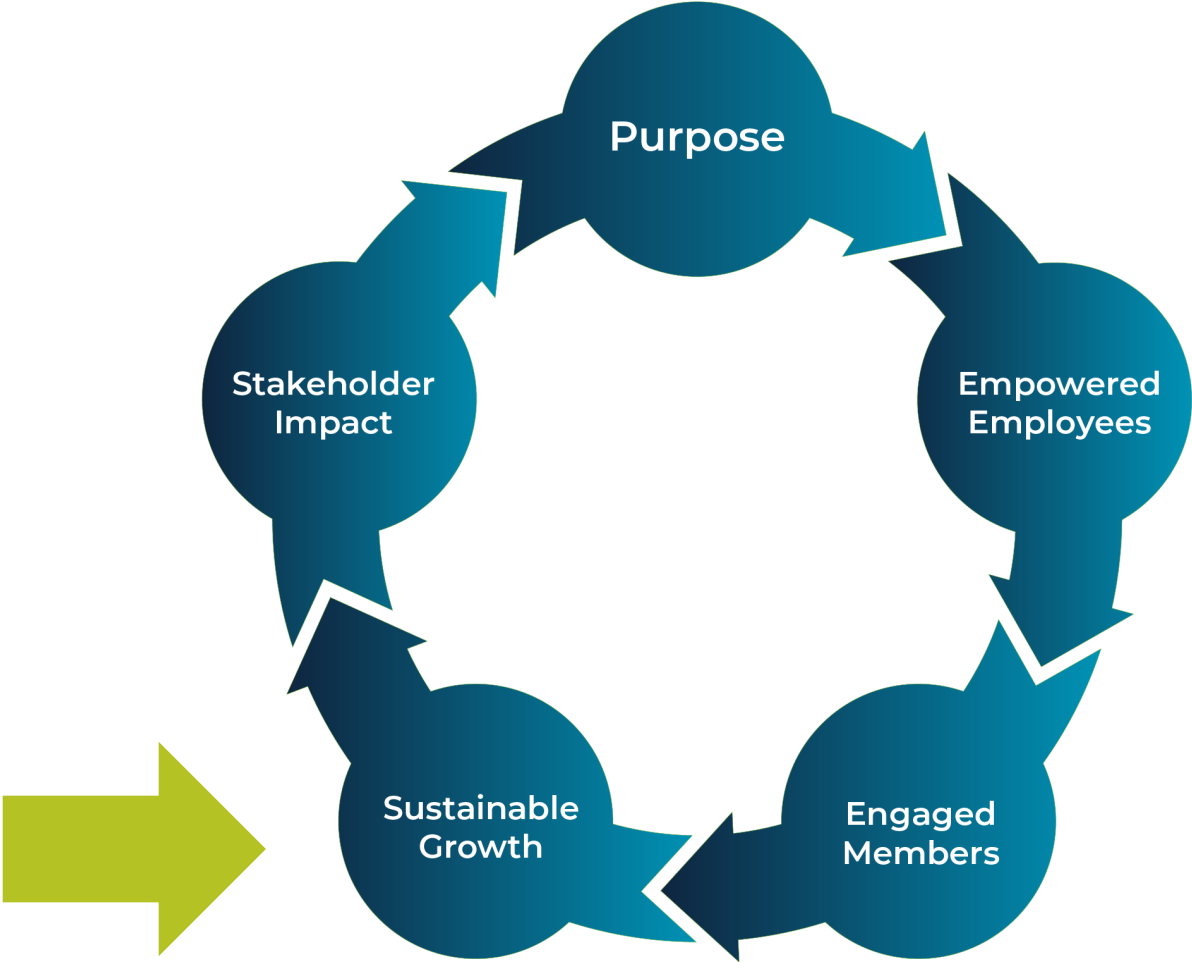
of credit union members are **fully engaged** when they strongly agree that **their credit union cares** about their financial wellbeing.

A black and white close-up portrait of Maya Angelou. She is looking slightly to the right of the camera with a gentle, thoughtful expression. Her hair is styled in braids. She is wearing a dark top and a multi-strand pearl necklace. The lighting is soft, highlighting the texture of her skin and the details of her features.

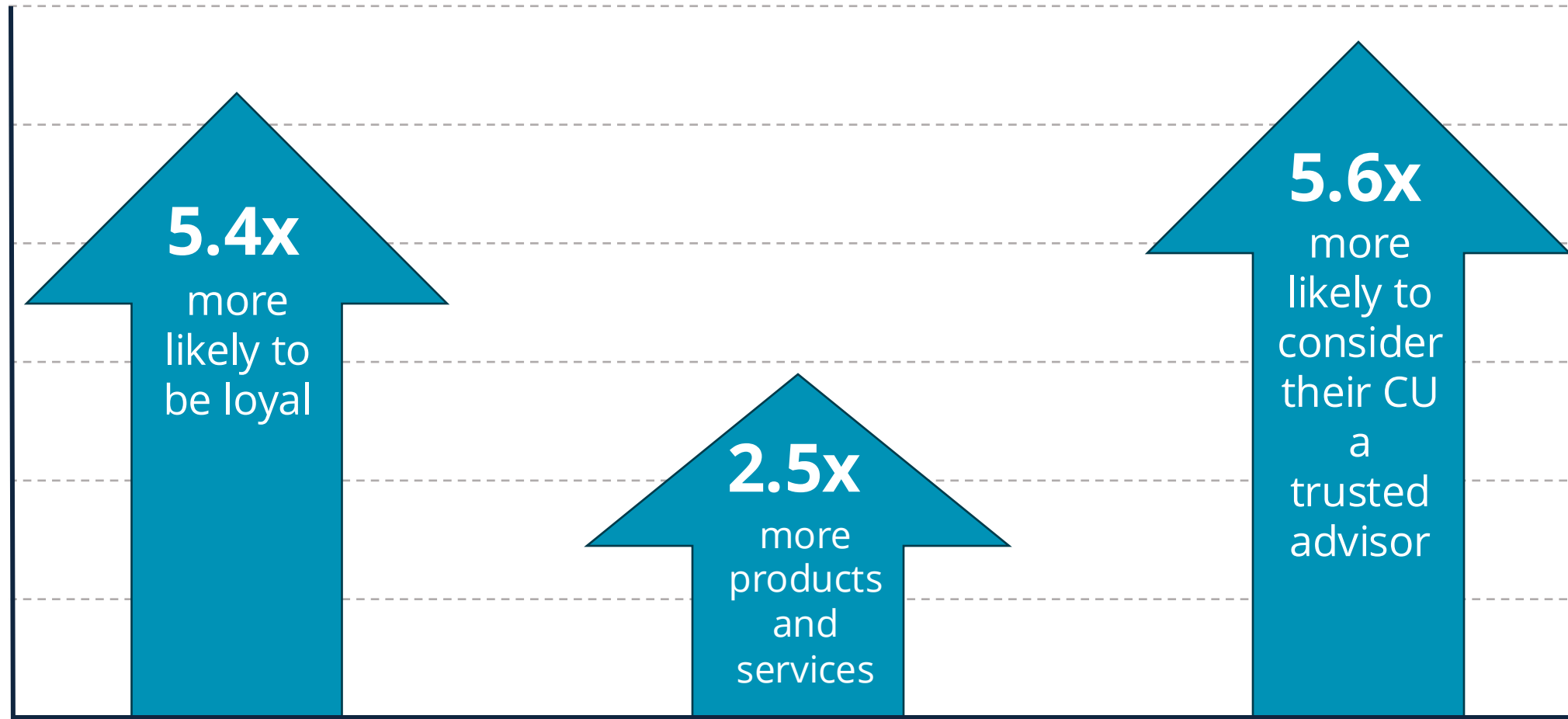
*...People will forget what you said,
people will forget what you did,
but people will never forget
how you made them feel.*

- Maya Angelou

Purpose and the Bottom Line



When members feel cared about, there is a positive financial impact



Metrics that Matter

**Begin and end
with Purpose.**



Metrics that Matter



Growth



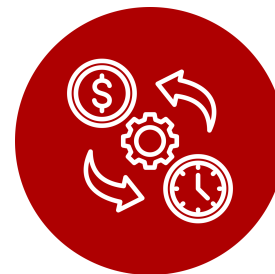
Earnings



Loans



Capital



Efficiency



Relationships

Setting the Stage: What are we looking at?

- **All credit union in Maine** are represented with a blue trend line
- **National CUs between \$150-250M** are represented with a yellow trend line



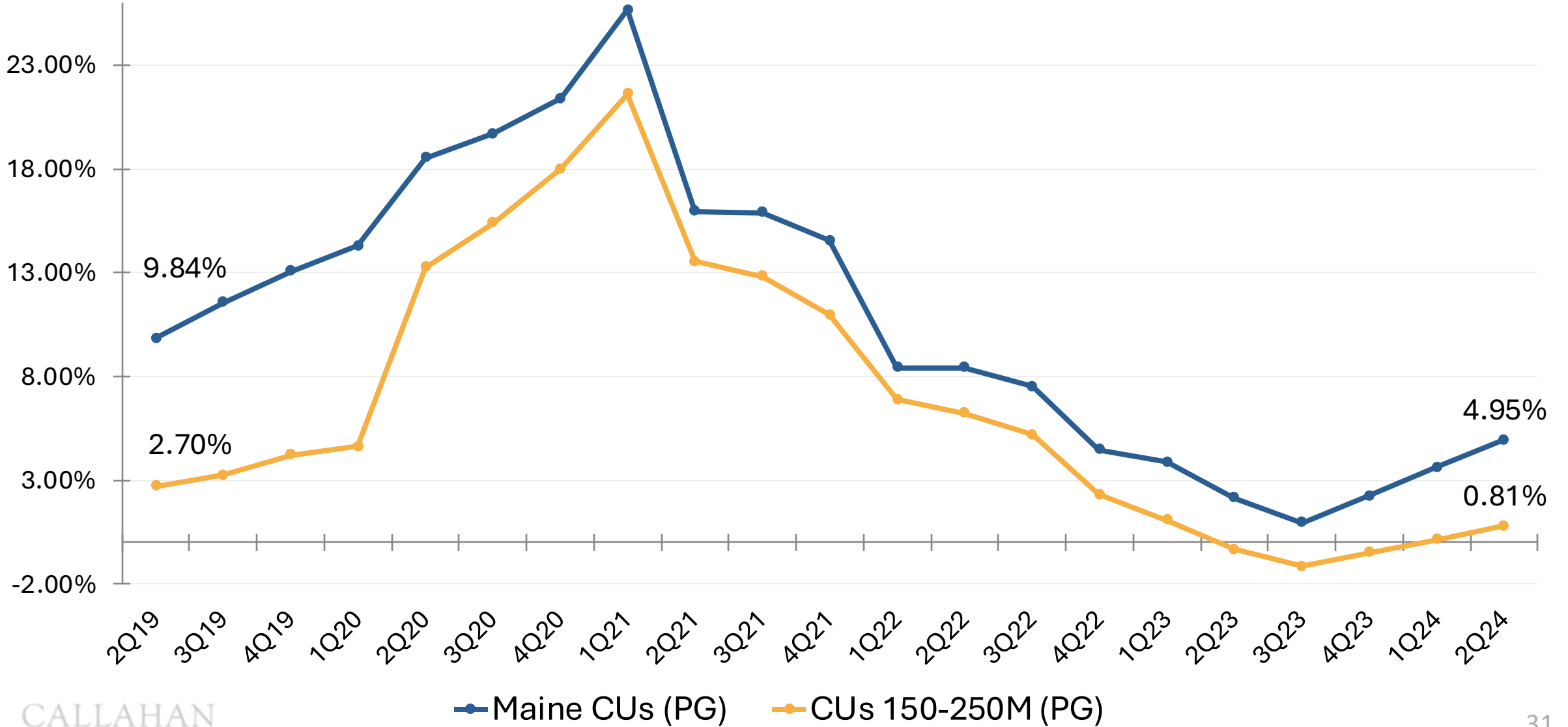
Source: Callahan's Peer-to-Peer Analytics



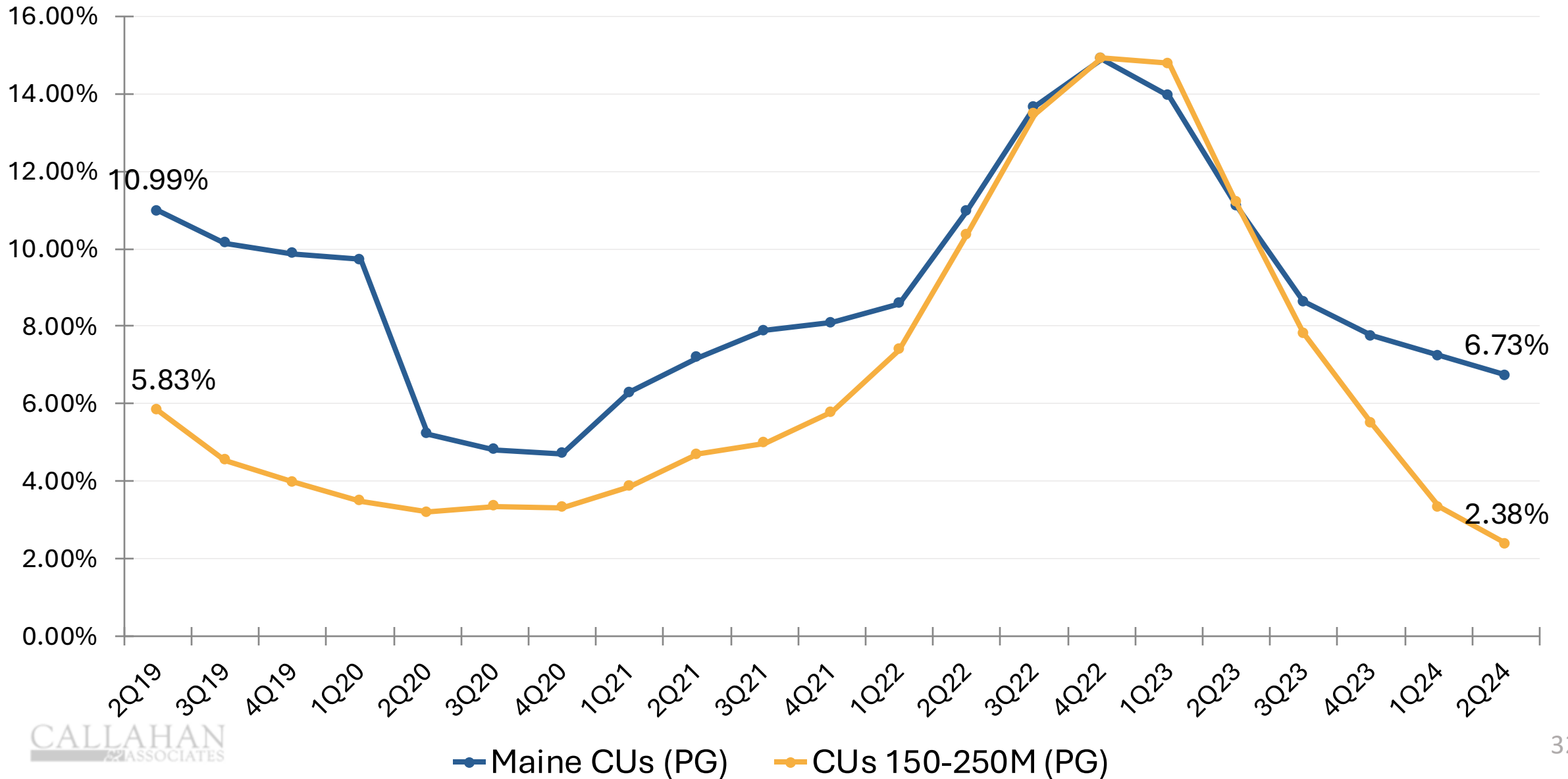
Why **Growth** Matters

- Allows us to amplify purpose
- Strengthens our financial foundation
- Increases visibility and relevance

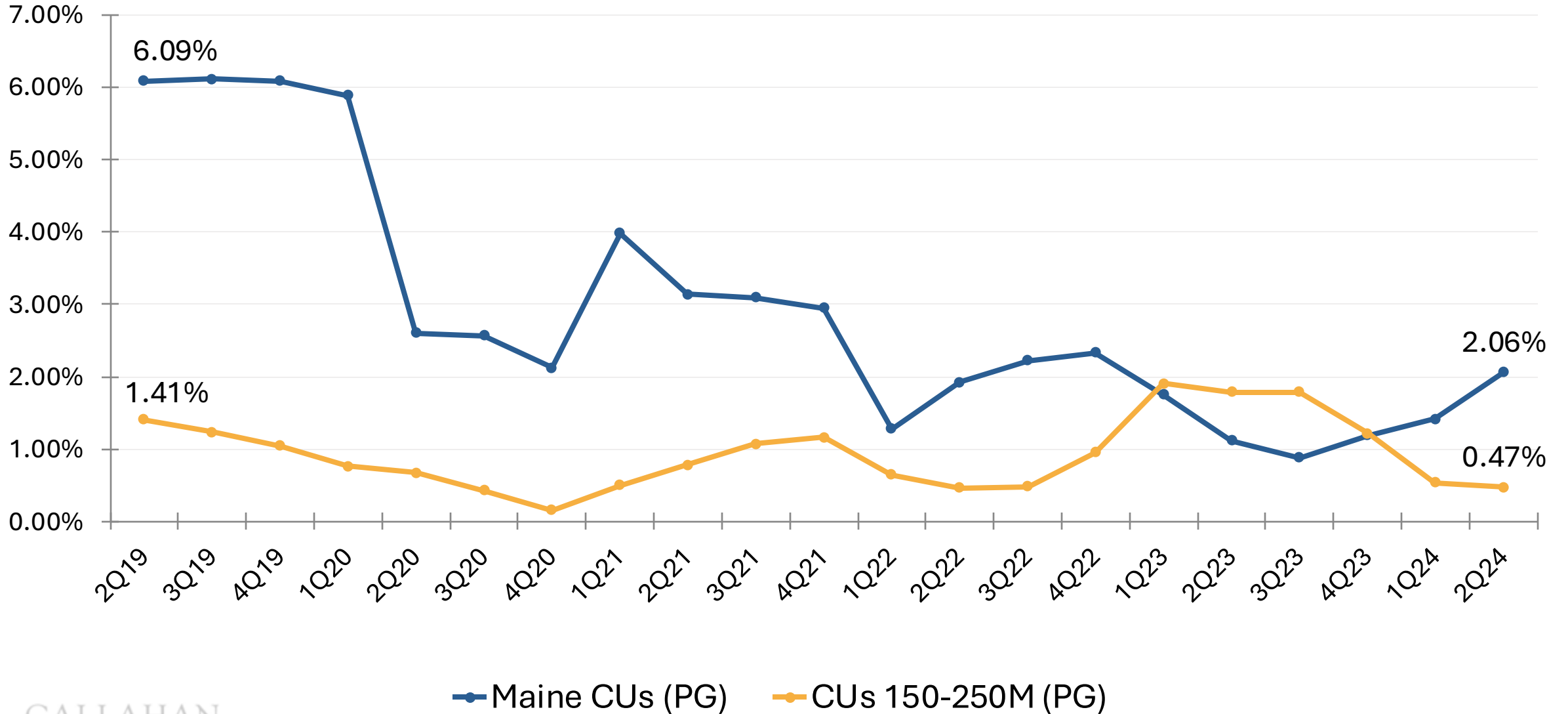
Share Growth



Loan Growth



Member Growth

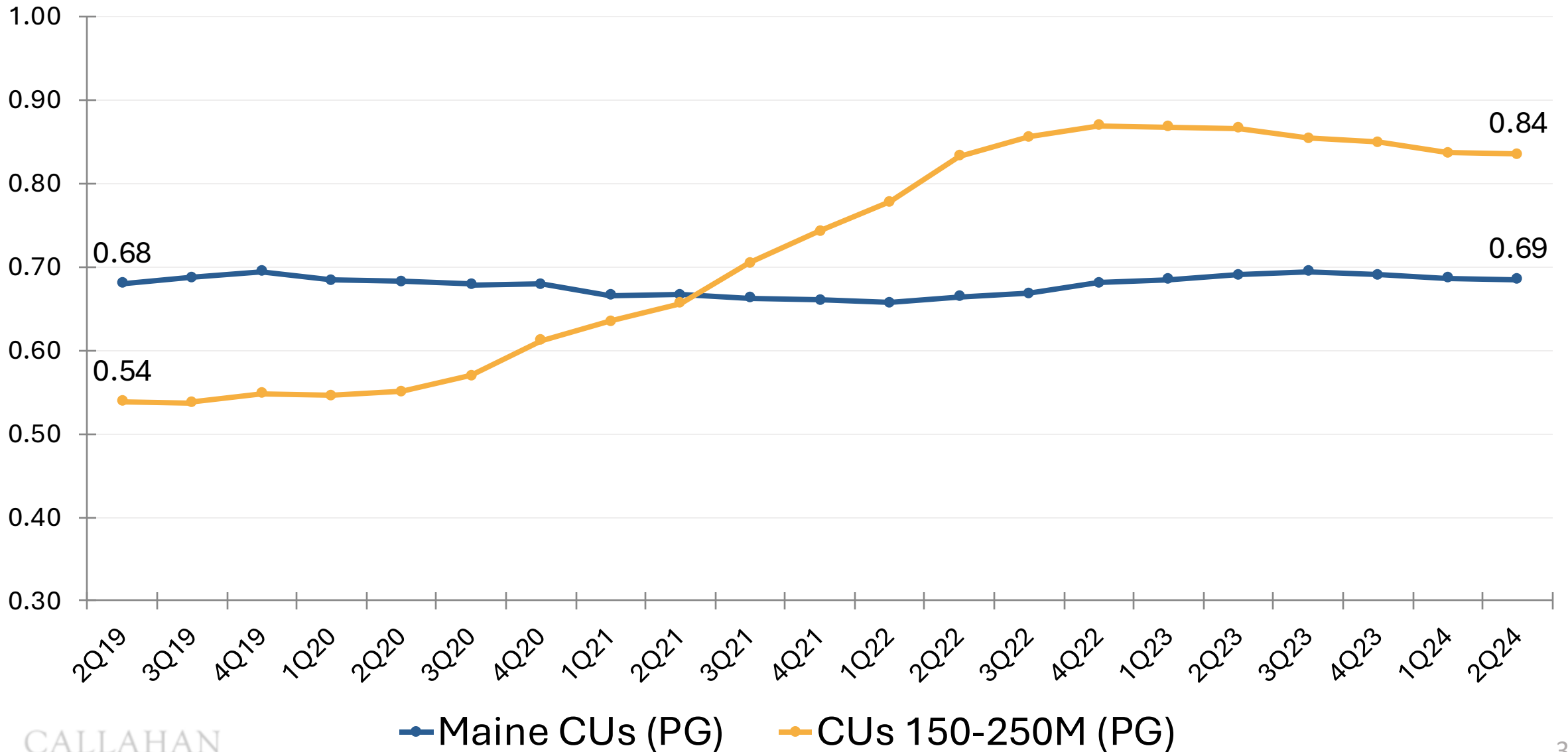




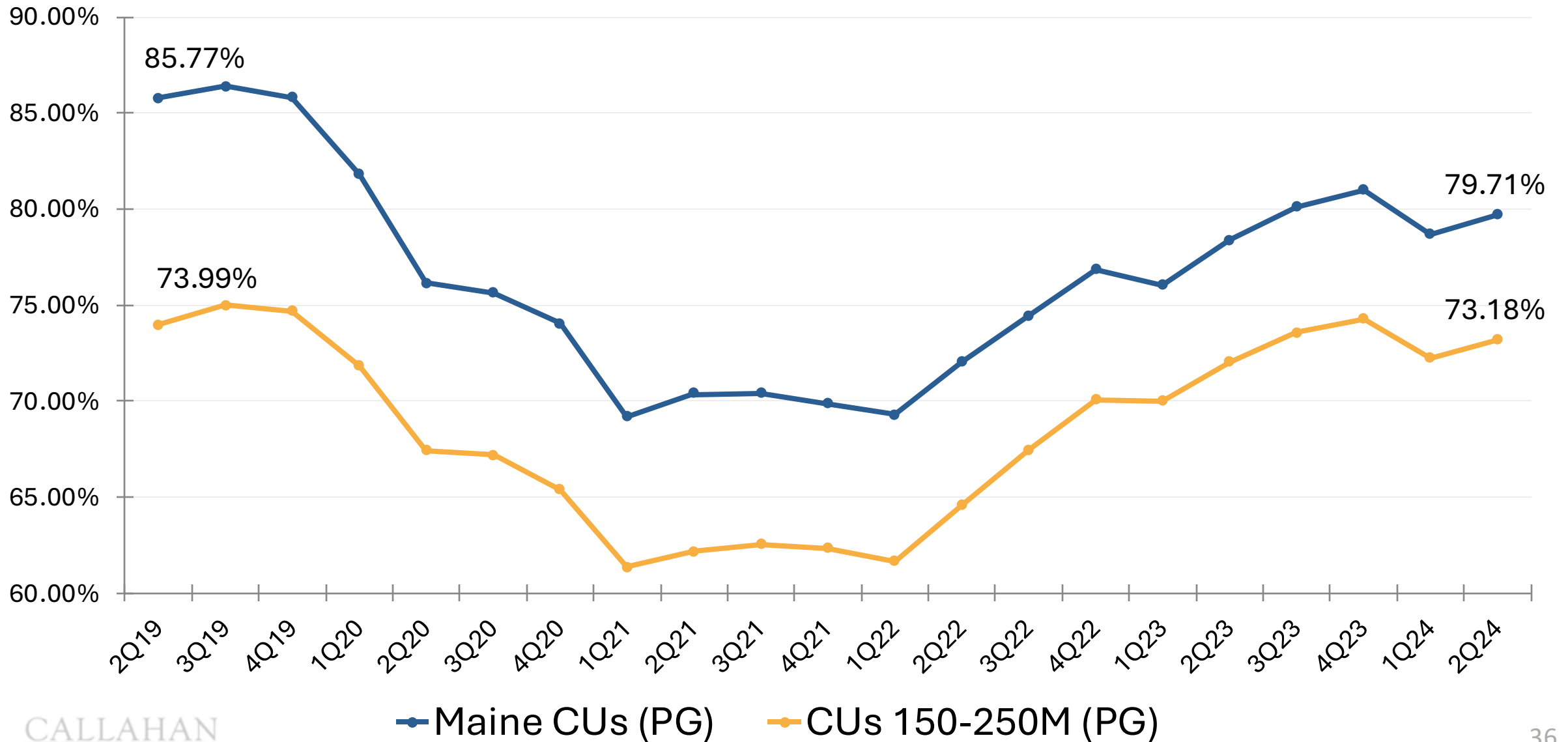
Why Lending Matters

- Indicator of member engagement
- Supports financial inclusion
- Generates revenue

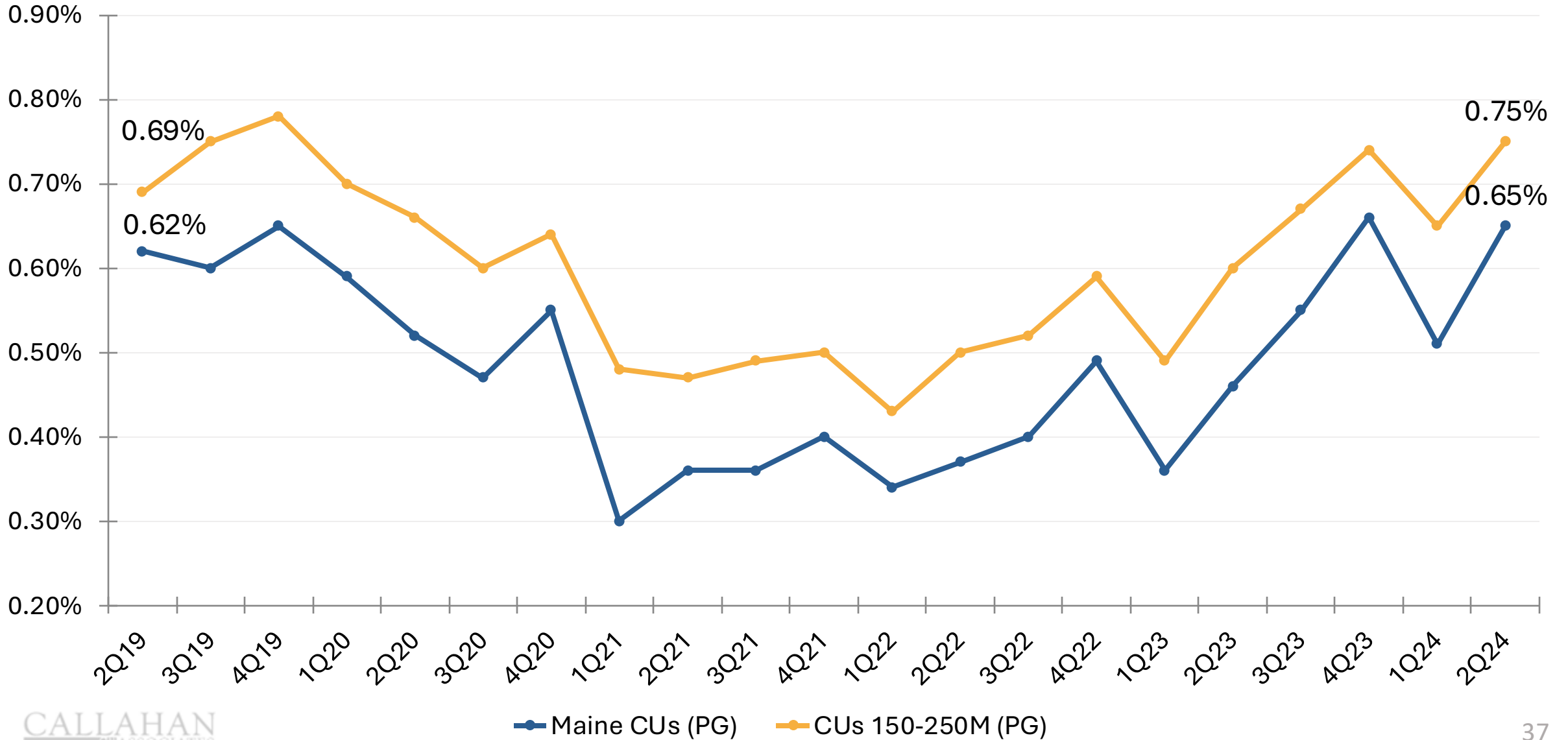
Loans per Member



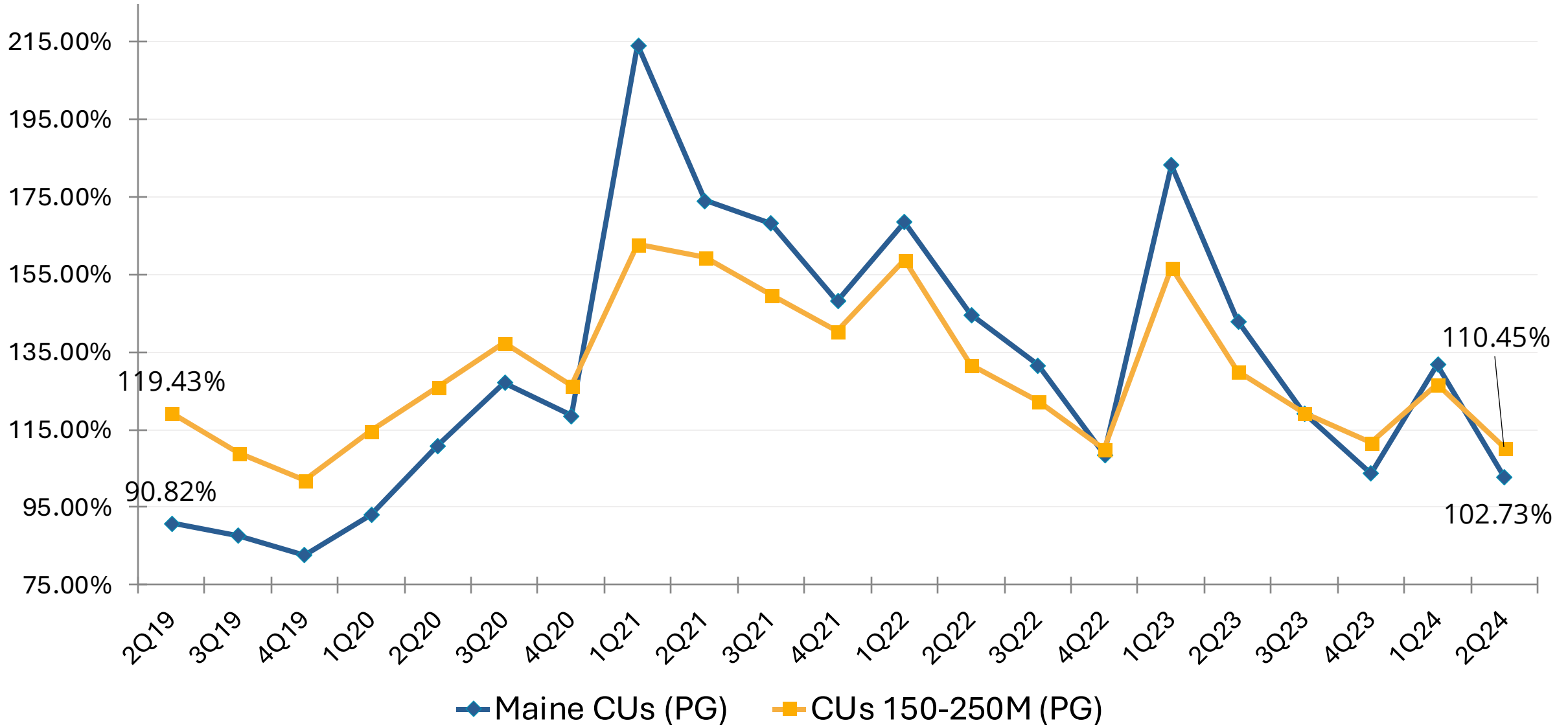
Loans-to-Shares



Delinquency Ratio



Coverage Ratio: allowance / delinquent loans

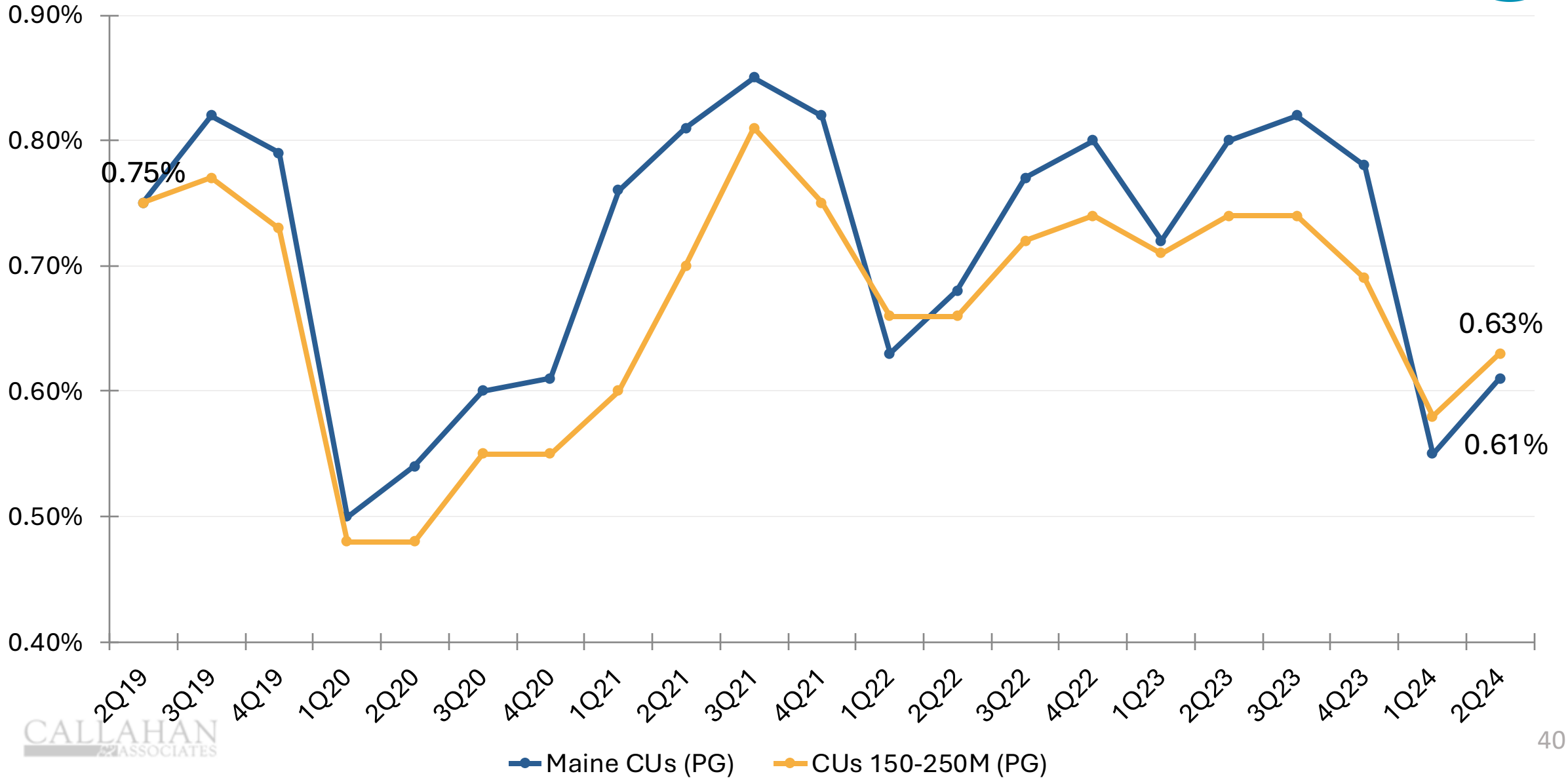




Why Earnings Matter







- Aligns with purpose
- Indicator of financial health
- Demonstrates financial resilience

Return on Assets (ROA)



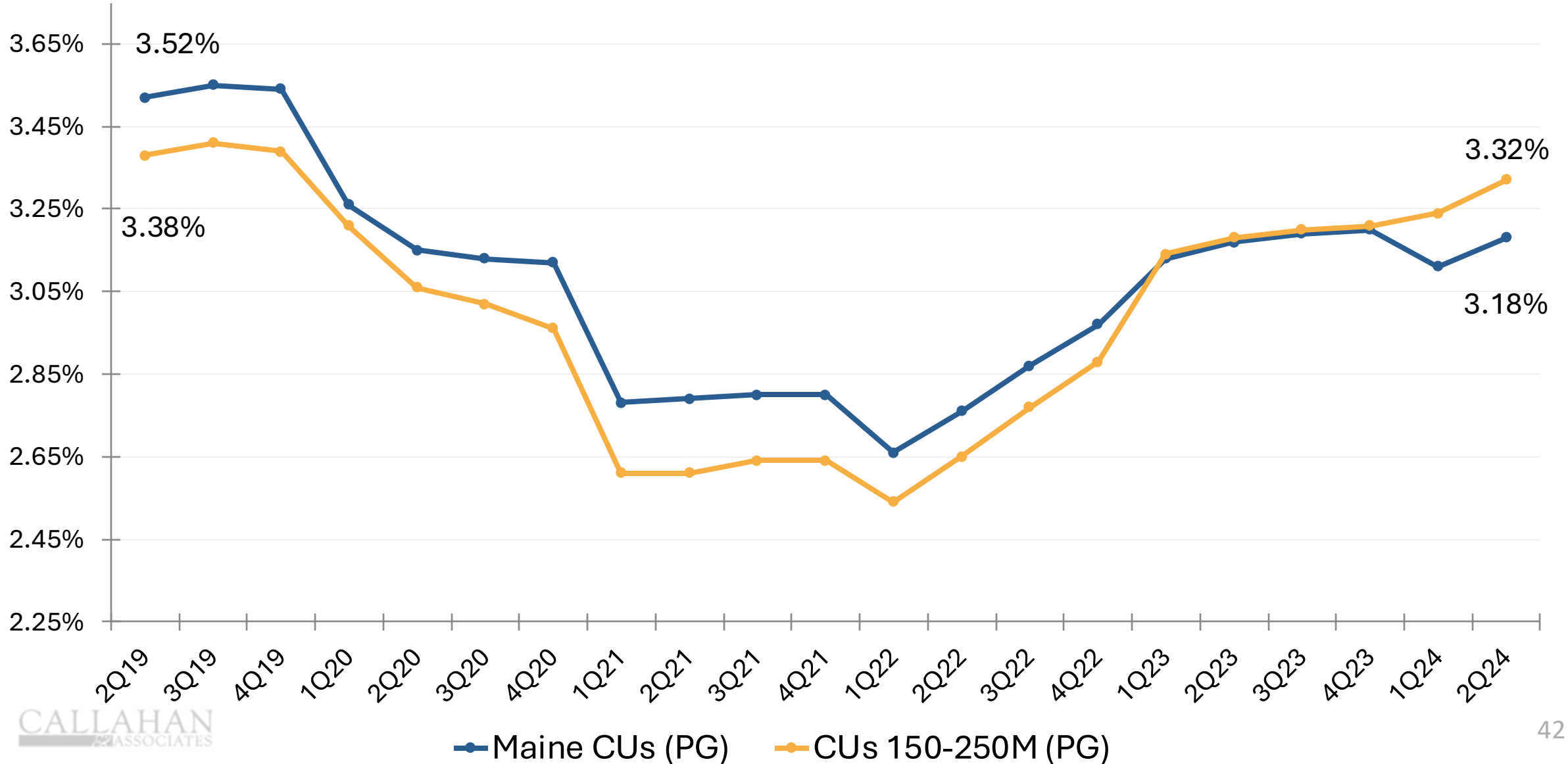
Earnings Model Comparisons

Data as of 6.30.2024

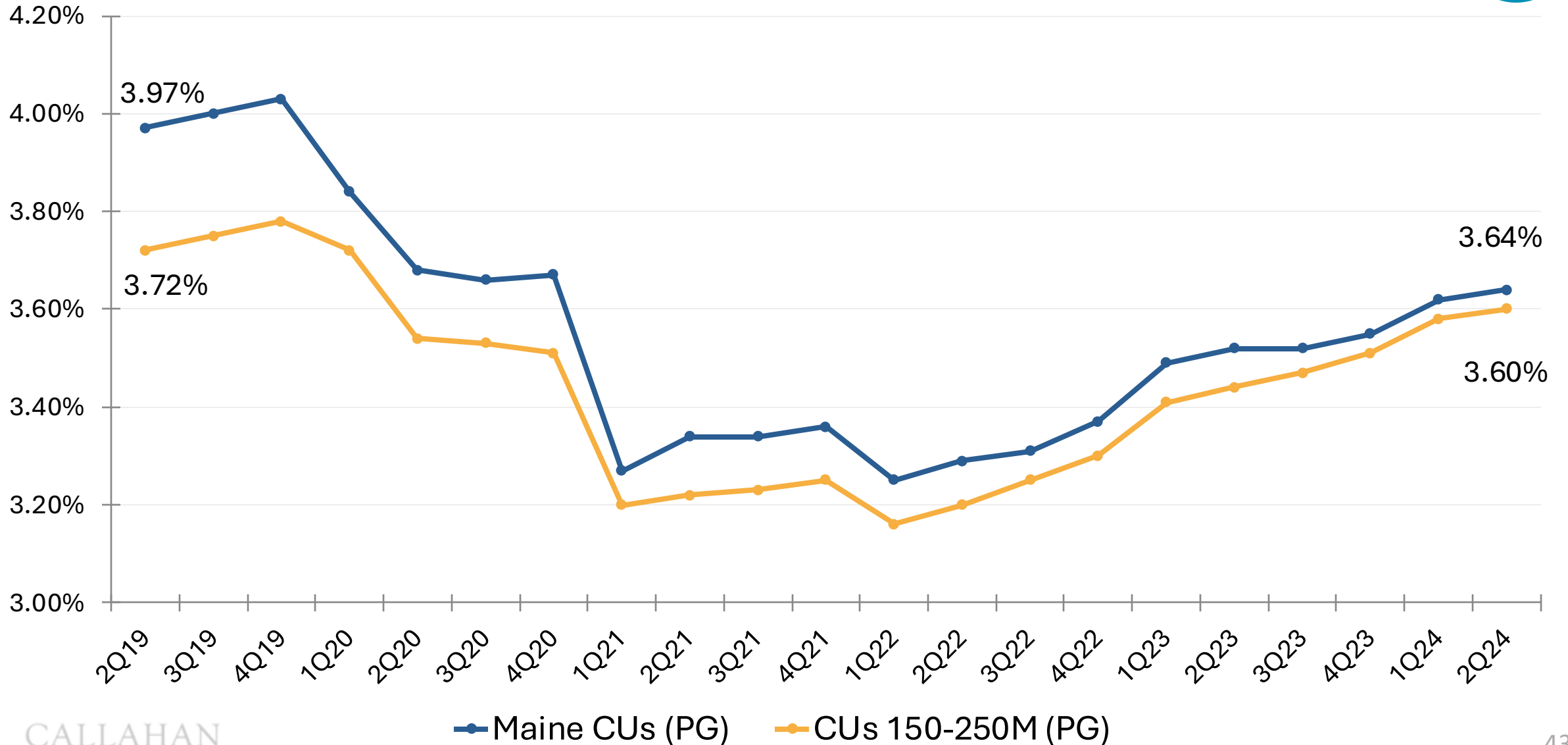
	Maine CUs	National CUs \$150- \$250M
Interest Income	4.84%	4.60%
 Interest Expense	1.66%	1.28%
 Net Interest Margin	3.18%	3.32%
 Non-interest Income	1.25%	1.20%
 Operating Expenses	3.64%	3.60%
 Provision for Loan Losses	0.19%	0.29%
 ROA	0.61%	0.63%

Expressed as a % of Avg. Assets
May not sum due to rounding

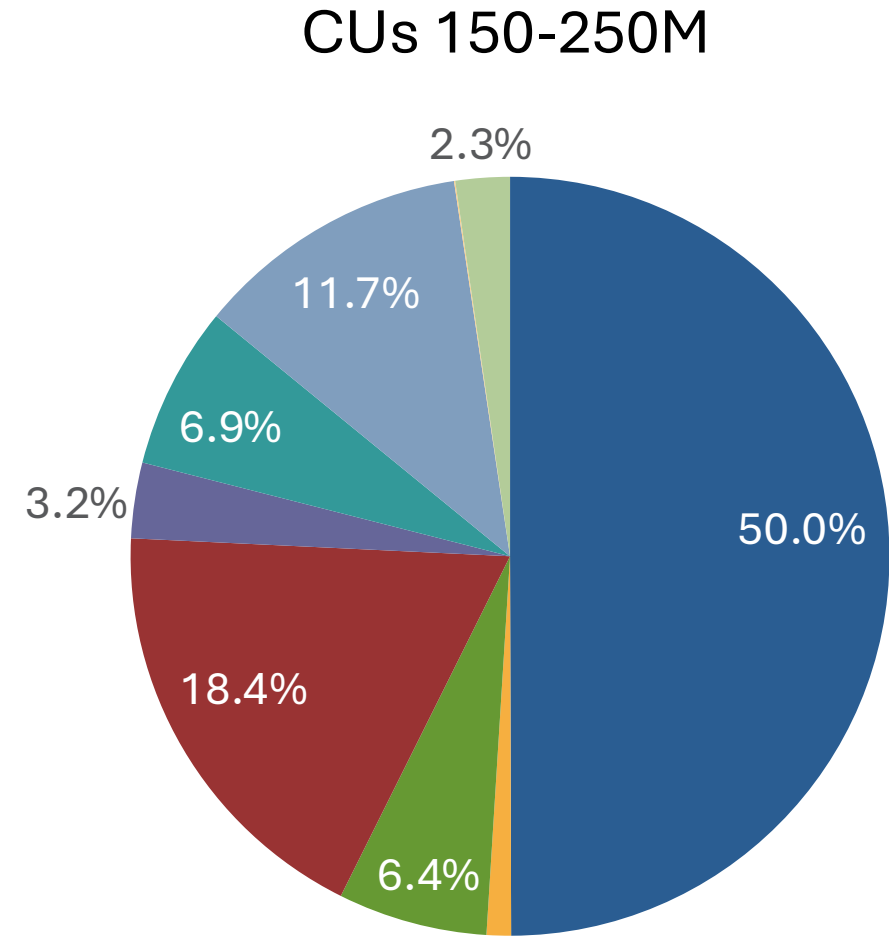
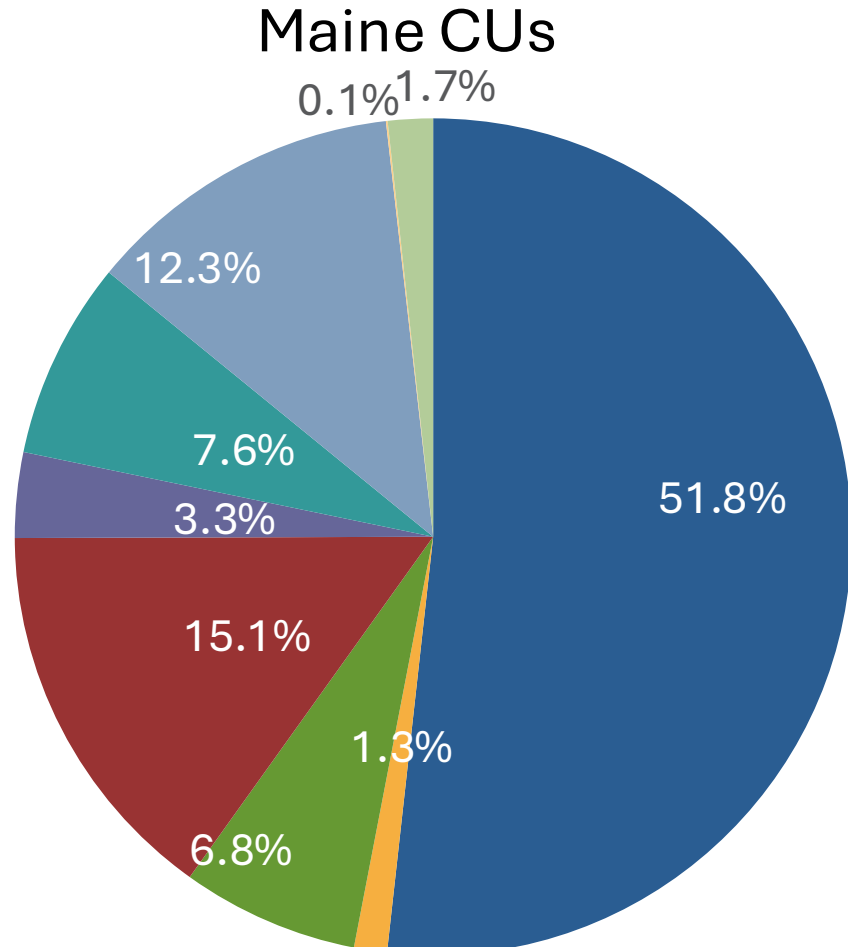
Net Interest Margin



Operating Expense Ratio

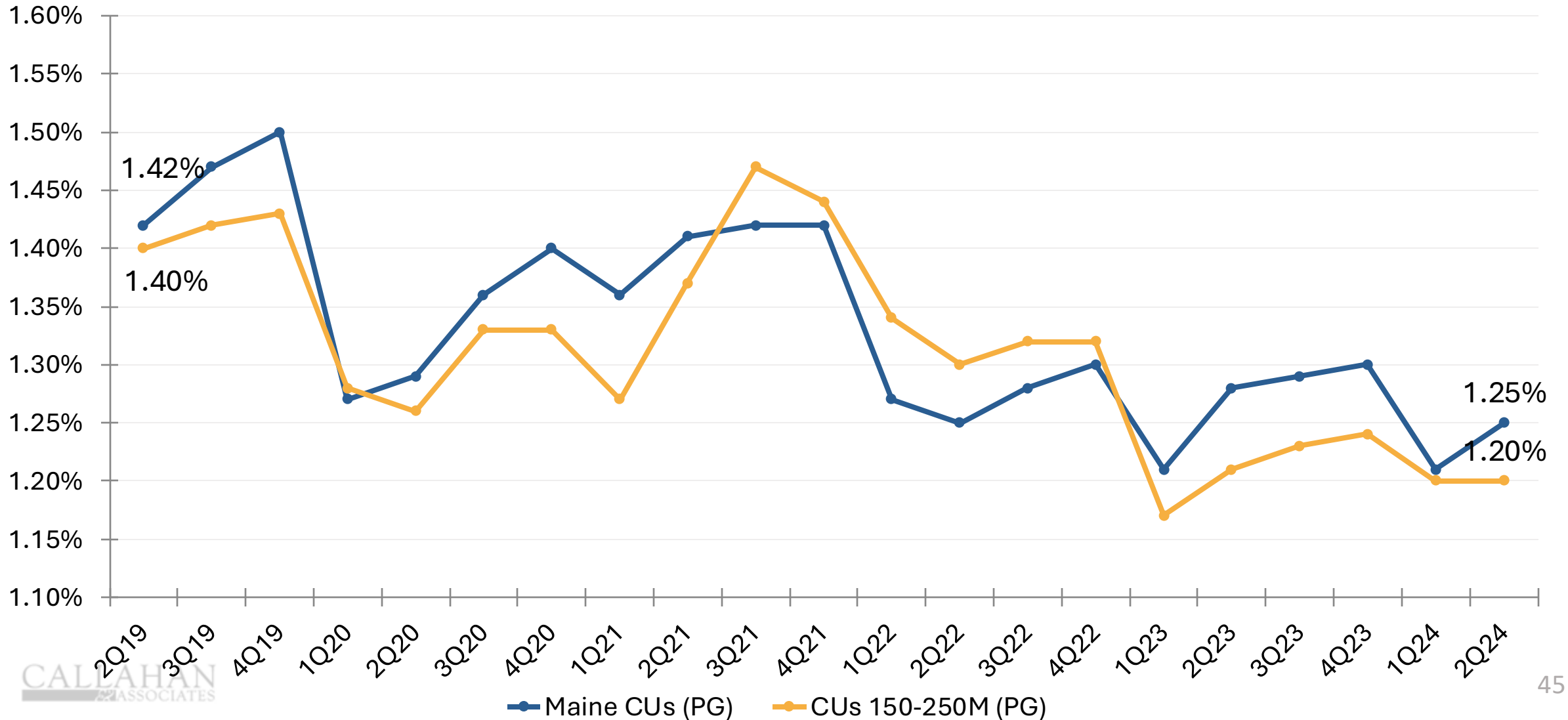


Operating Expense Composition



- Employee Compensation
- Office Operations
- Professional Services
- Travel and Conference
- Educ. & Promotional
- Member Insurance
- Office Occupancy
- Loan Servicing
- Operating Fees + Misc.

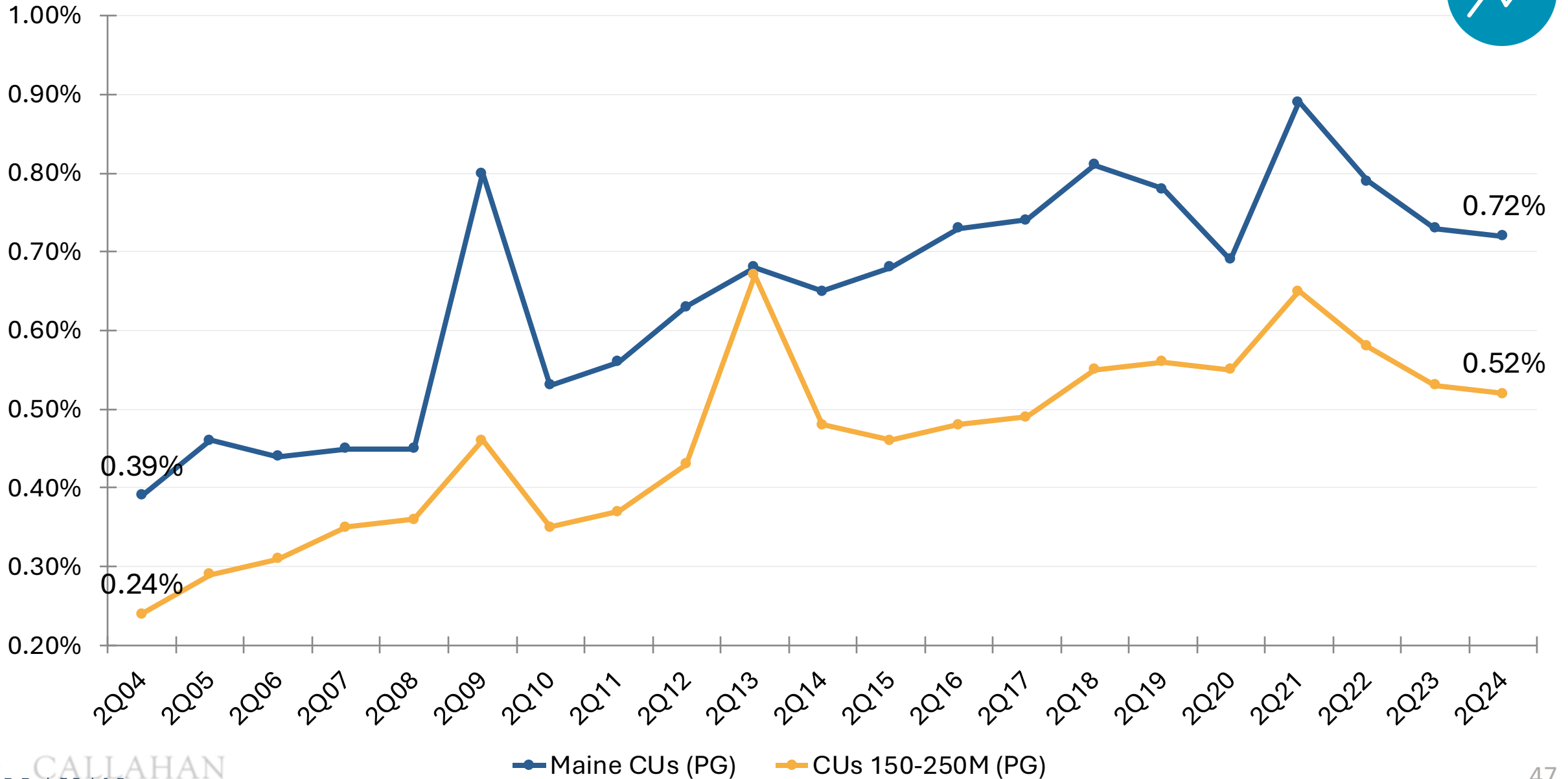
Non-interest income



Fee Income/Average Assets



Other Operating Income/Average Assets

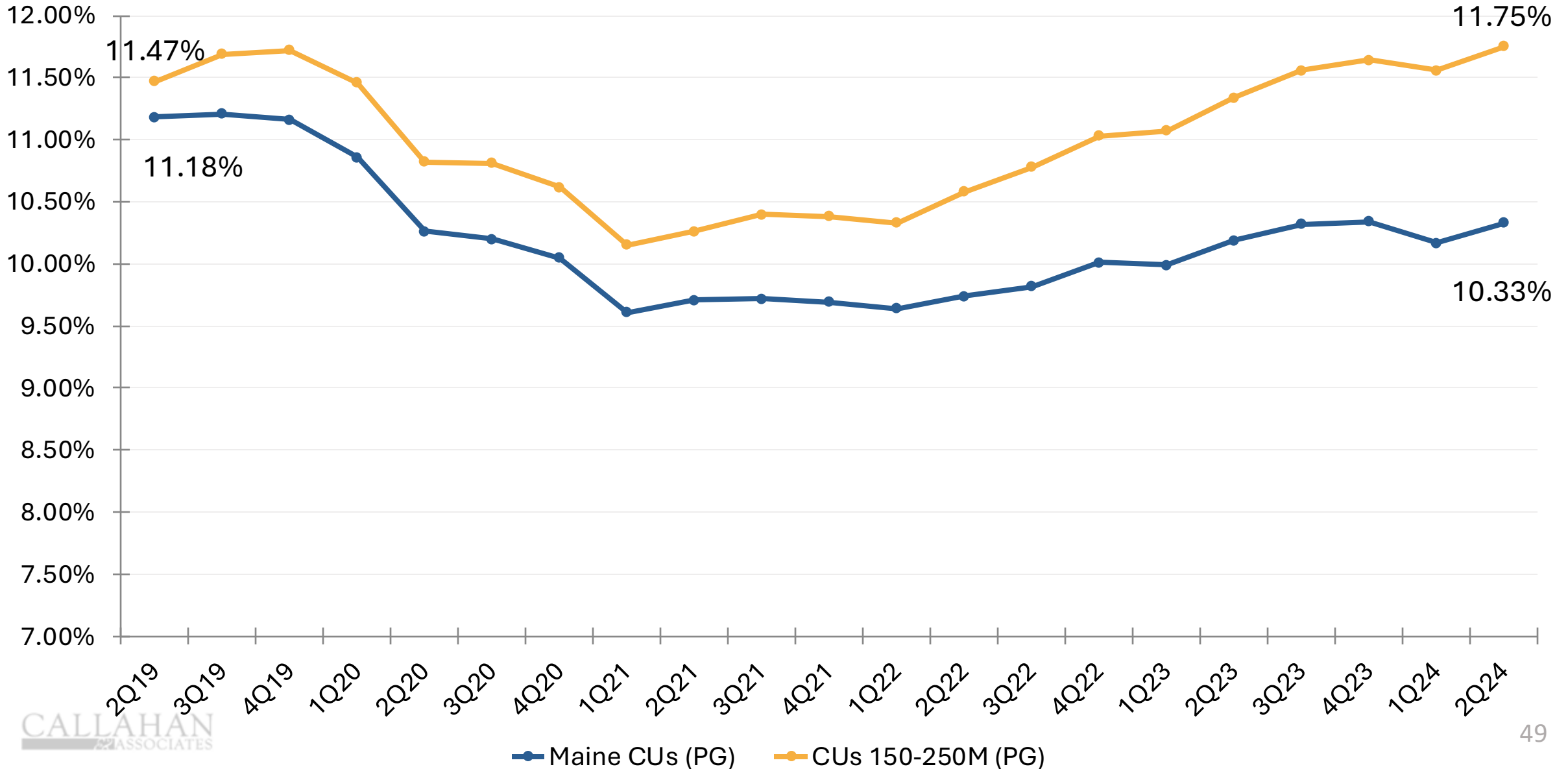




Why Capital Matters

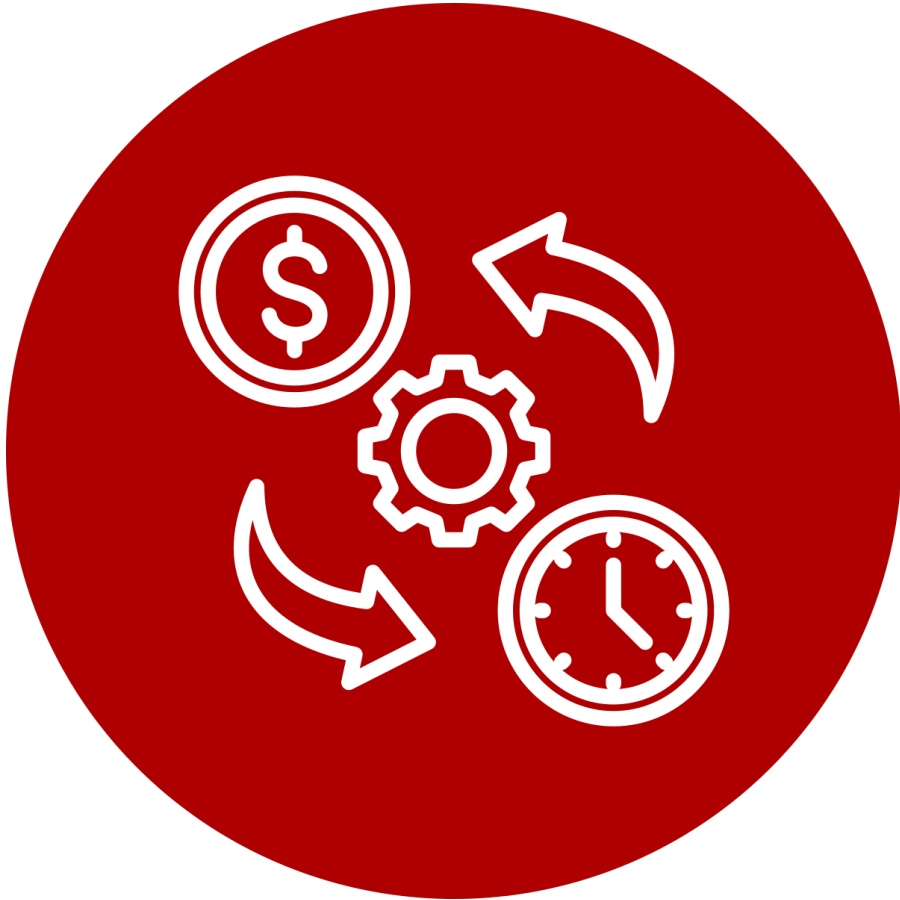
- Supports our purpose
- Provides a financial buffer
- Offers flexibility for calculated risks

Net Worth Ratio

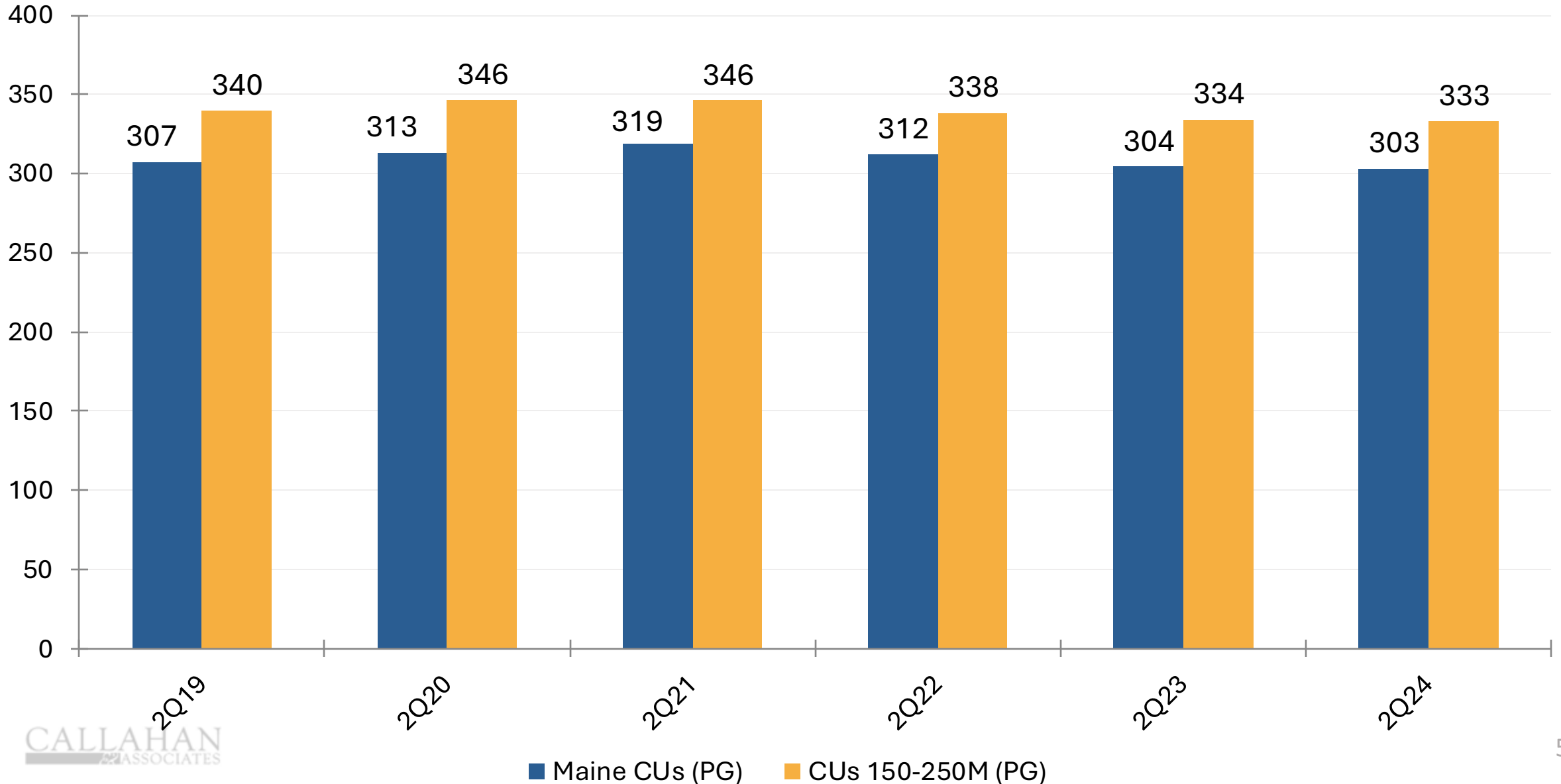


Why Efficiency Matters

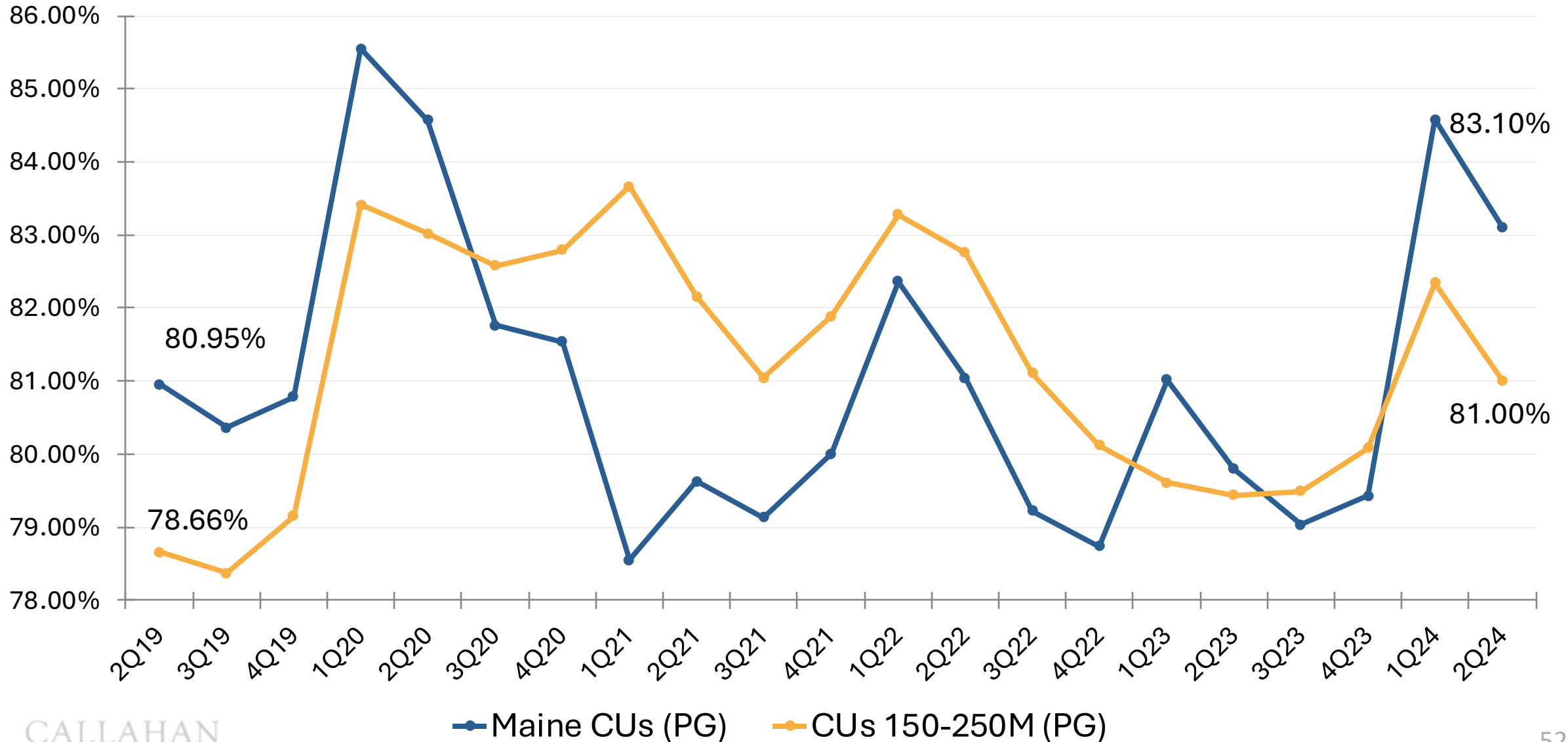
- Enables Purpose
- Improves member value
- Supports community impact



Members per Employee



Efficiency Ratio (excl. PLL)

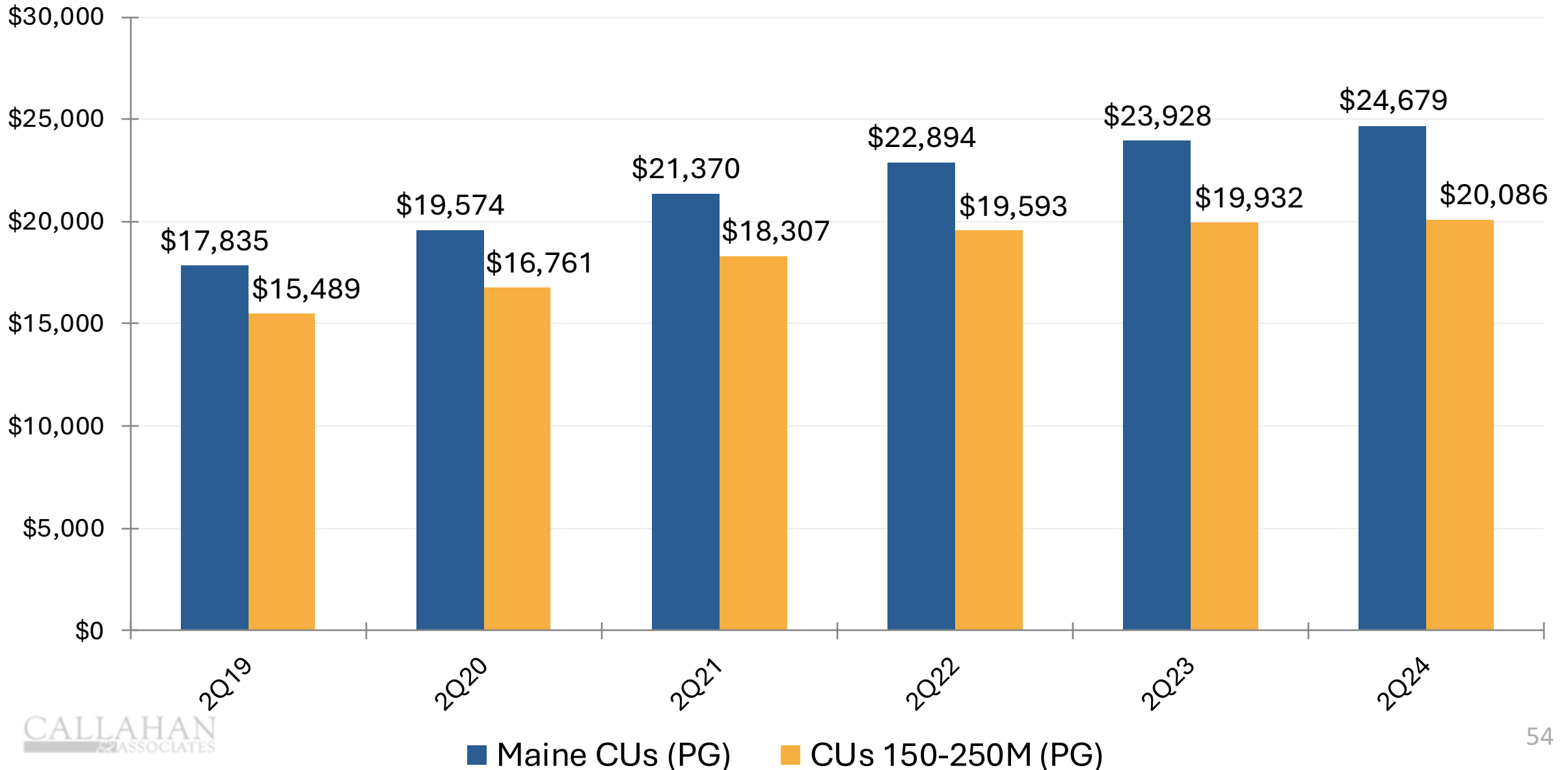




Why Relationships Matters

- Drives Purpose
- Builds trust and credibility
- Supports community impact

Average Member Relationship (excl. Commercial)





Moment of Reflection

What metrics strike you?

A rustic gift wrapped in brown paper, tied with twine, and adorned with lavender sprigs and a red heart sticker. The gift is placed on a light blue wooden surface. The text "Tying it Together" is overlaid in white on the gift.

Tying it Together

Purpose Matters



Metrics also Matter



Growth



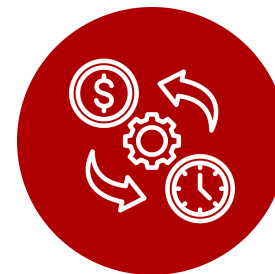
Earnings



Loans



Capital



Efficiency



Relationships

It is not only possible to do **well**, while doing **good** – in fact, **it's an imperative to do both.**



Metrics that Matter

**Begin and end
with Purpose.**



Thank You!

15 Key Ratios
Reference guide

