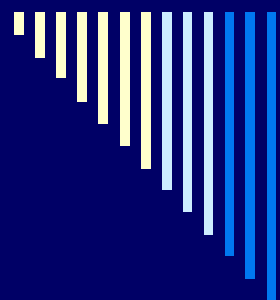


**Use Callahan's  
Peer to Peer 2.0  
to discover  
merger  
opportunities**

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**CALLAHAN**  
AND ASSOCIATES



**Spend your time on  
credit union  
strategy, let Peer to  
Peer 2.0 make the  
analysis easy**

**CALLAHAN**  
AND ASSOCIATES



# Merger Analysis Presentation:

Credit Union 1 (CU1)

merged with

Credit Union 2 (CU2)

to form a new Merged CU

# Merged CU

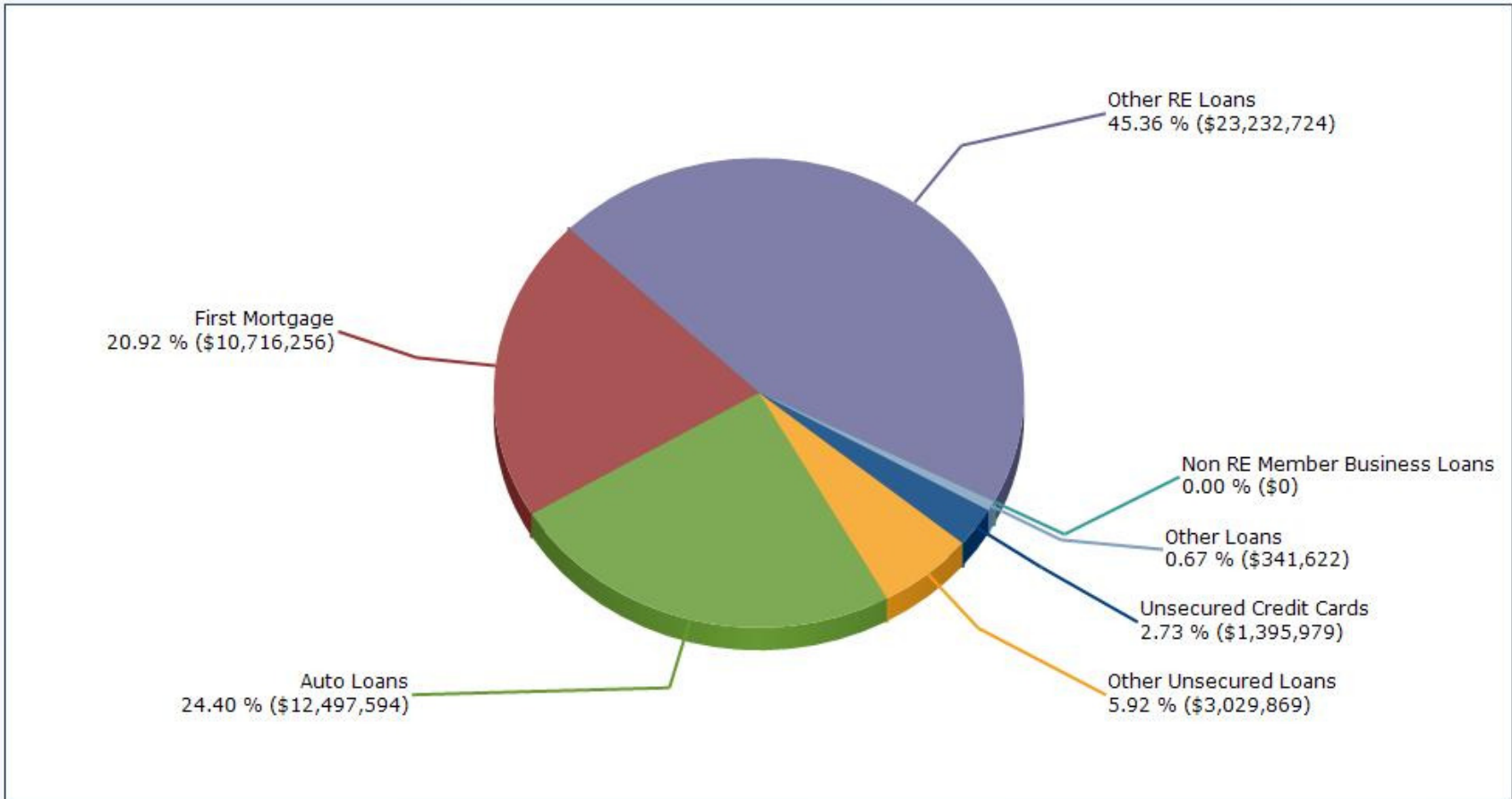
	2007	2008	%Chg		2007	2008	%Chg
<b>Assets:</b>				<b>Income:</b>			
Cash	4,368,221	6,149,743	40.8	Loans	3,276,470	3,234,922	(1.30)
Govt & Agencies	6,297,476	7,408,338	17.6	(Less Rebates)	0.00	0.00	0
Corporate CU	9,177,000	4,674,700	(49.10)	Investments	1,231,659	911,147	(26.00)
Banks and S&Ls	18,575	3,986,954	21,364.1	Fee Income	756,602	670,680	(11.40)
Mutual Funds	0	0	0	Trading+Other Operating	321,150	352,097	9.6
All Other Inv & Ins	2,376,000	2,278,000	(4.10)	<b>Total Income</b>	<b>5,585,881</b>	<b>5,168,846</b>	<b>(7.50)</b>
<b>Total Investments Cash</b>	<b>22,237,272</b>	<b>24,497,735</b>	<b>10.2</b>	<b>Expenses:</b>			
				Employee Compensation and Be...	1,505,693	1,691,383	12.3
Real Estate Loans	33,698,584	33,948,980	0.7	Travel & Conf	12,816	23,971	87.0
Auto Loans	13,299,260	12,497,594	(6.00)	Office Occupancy	198,799	212,803	7.0
All Other Loans	4,627,989	4,767,470	3.0	Office Operations	722,948	658,252	(8.90)
<b>Total Loans</b>	<b>51,625,833</b>	<b>51,214,044</b>	<b>(0.80)</b>	Education & Promo	132,213	119,691	(9.50)
(Loan Loss Allow)	(264,552)	(465,667)	76.0	Loan Servicing	202,471	110,572	(45.40)
				Prof Services	842,467	825,521	(2.00)
Foreclosed & Repossessed	1,094,200	575,000	(47.50)	Member Insurance	0.00	314,651	100.0
Land and Building	41,827	35,426	(15.30)	Operating Fees	15,724	17,083	8.6
Other Fixed Assets	417,912	429,281	2.7	Miscellaneous	31,364	102,315	226.2
All Other Assets	1,367,578	1,127,241	(17.60)	<b>Exp. Subtotal</b>	<b>3,664,495</b>	<b>4,076,242</b>	<b>11.2</b>
<b>Total Assets</b>	<b>76,520,070</b>	<b>77,413,060</b>	<b>1.2</b>				
				Prov/Invest Loss			
<b>Liabilities &amp; Capital:</b>				Prov/Loan Loss	314,641	470,577	49.6
Dividends Payable	215,466	170,506	(20.90)	<b>Subtotal</b>	<b>3,979,136</b>	<b>4,546,819</b>	<b>14.3</b>
Notes Payable	0	0	0				
Rev Repurch Agreem.	0	0	0	Non-Op Gain-Loss	1,059	(264,703)	(25.09...)
Other Liabilities	383,474	495,747	29.3	Income before Div	1,607,804	357,324	(77.80)
<b>Total Liabilities</b>	<b>383,474</b>	<b>495,747</b>	<b>29.3</b>				
				Cost Of Funds:			
Reg Shares & Deposits	57,321,398	58,633,211	2.3	Int. Borrowed Funds	56	37	(33.90)
Money Market Shares	1,416,858	1,368,078	(3.40)	Dividends	1,099,568	945,906	(14.00)
Share Drafts	2,954,922	3,450,660	16.8	<b>Net Income before NCUSIF S...</b>	<b>0.00</b>	<b>0.00</b>	<b>0</b>
IRA & Keogh	617,338	663,577	7.5				
Share Certificates	5,314,288	4,777,766	(10.10)	<b>Distribution of Net:</b>			

## Merged CU 2-Year Financial Comparison

Delinquent Loans	2007	2008	% change		2007	2008	
2-6 Months Delinq.	167,949	912,155	443.1	<b>Key Ratios:</b>			
6-12 Months	190,926	153,440	(19.60)		Operating Exp/Income	65.60%	78.90%
Over 12 Months	21,412	47,026	119.6		Dividends/Income	19.70%	18.30%
Total Delinq. Lns.	380,287	1,112,621	192.6		Net Income/Income	9.10%	(11.40)%
Bankruptcies	34,855	16,813	(51.80)		Fee+Other Income/Income	19.30%	19.80%
Net chargeoff-Recov	278,400	270,669	(2.80)		Return on Ave Assets	0.66%	(0.76)%
					Loans/Assets	67.50%	66.20%
					Net Worth/Assets	10.70%	9.80%
					Delinquency	0.70%	2.20%
					% Invest Over 1 yr	36.50%	29.60%
<b>Loan Portfolio Profile</b>	<b>Amount</b>	<b>% Of Total</b>		Mtg-Backed Securit./Tot	5.50%	2.00%	
- Unsecured Credit Card	1,395,979	2.7%		Yield on Investments	23.03%	16.65%	
- All Other Unsecured	3,029,869	5.9%		Yield on Loans	6.30%	6.30%	
- New Auto	5,065,527	9.9%		Ave Cost of Funds	1.61%	1.39%	
- Used Auto	7,432,067	14.5%		Gross Spread Basis Poi	463	437	
- First Mortgage Real Estate	10,716,256	20.9%		Ave Loan Balance	\$14,129	\$15,846	
- Other Real Estate	23,232,724	45.4%		Ave Share Balance	\$2,867	\$2,999	
- All Other Loans to Members	341,622	0.7%		Assets/Employee	\$2,887,550	\$2,815,020	
- 1st Mtg FxRt incl. in above	585,222	1.1%					
- Tot RE Lns Over 2 Months Del.	(228,542)						

# Merged CU

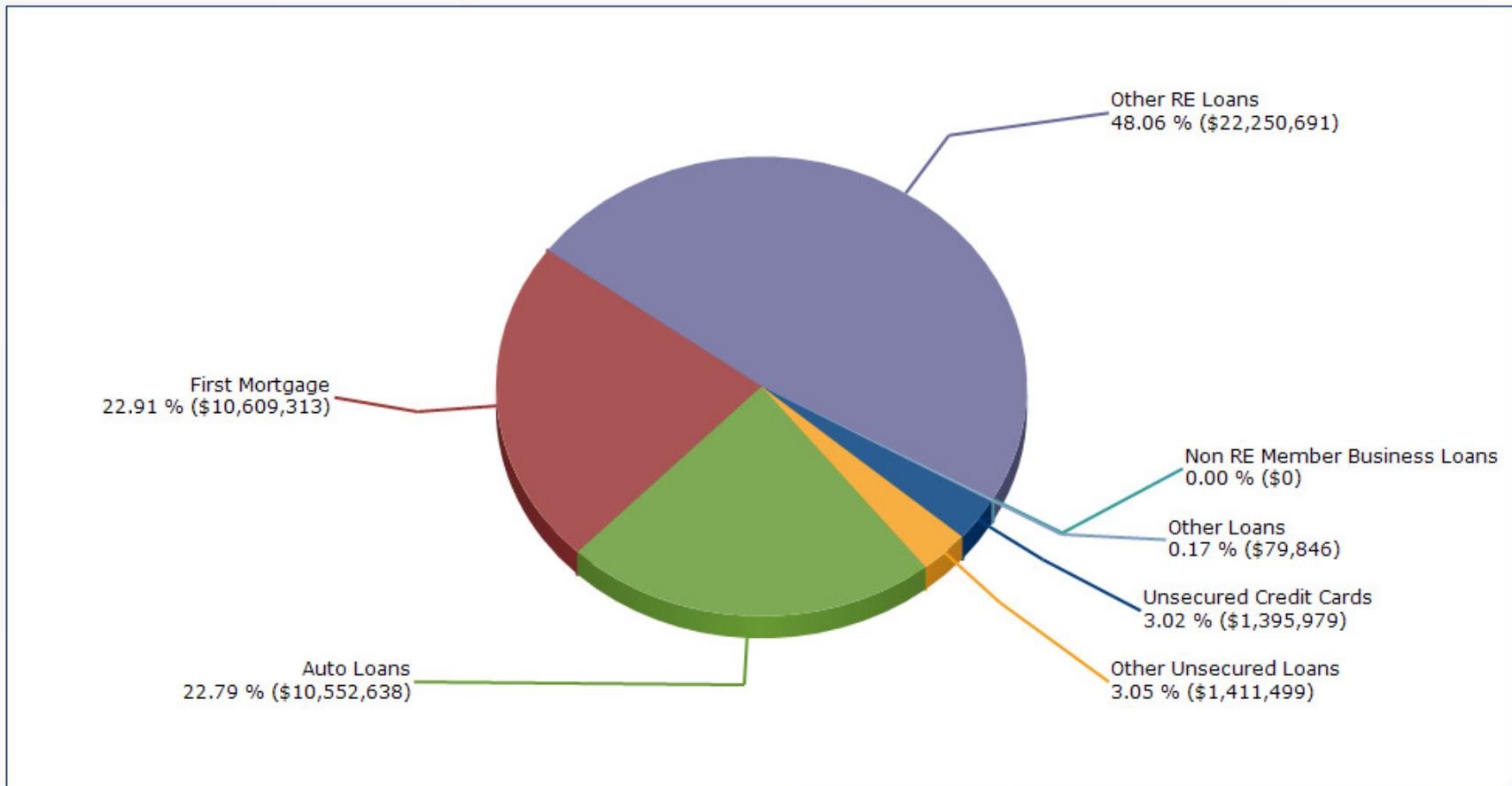
Loan Composition-Dec. 31, 2008



■ Unsecured Credit Cards   ■ Auto Loans   ■ Other RE Loans   ■ Other Loans  
■ Other Unsecured Loans   ■ First Mortgage   ■ Non RE Member Business Loans

# CU 1

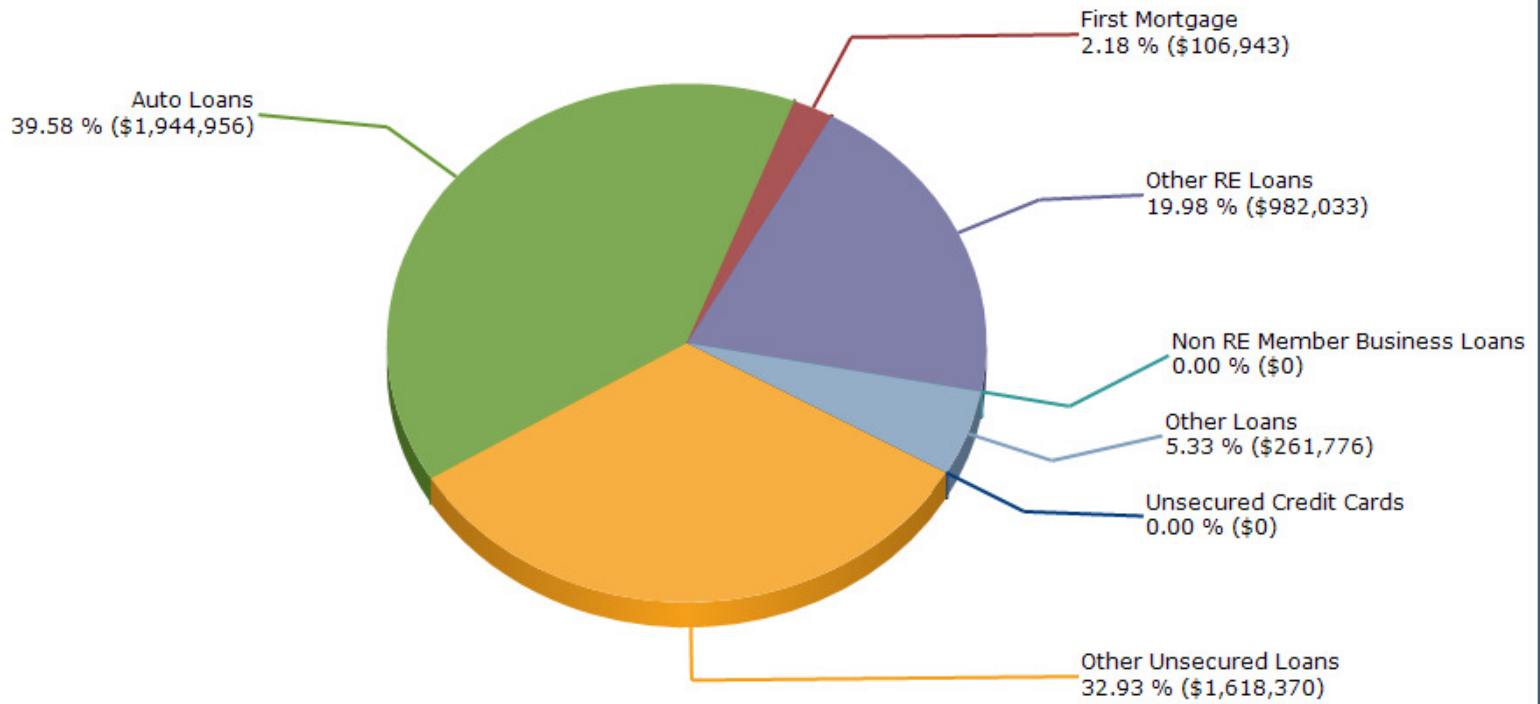
## Loan Composition-Dec. 31, 2008



- Unsecured Credit Cards
- Auto Loans
- Other RE Loans
- Other Loans
- Other Unsecured Loans
- First Mortgage
- Non RE Member Business Loans

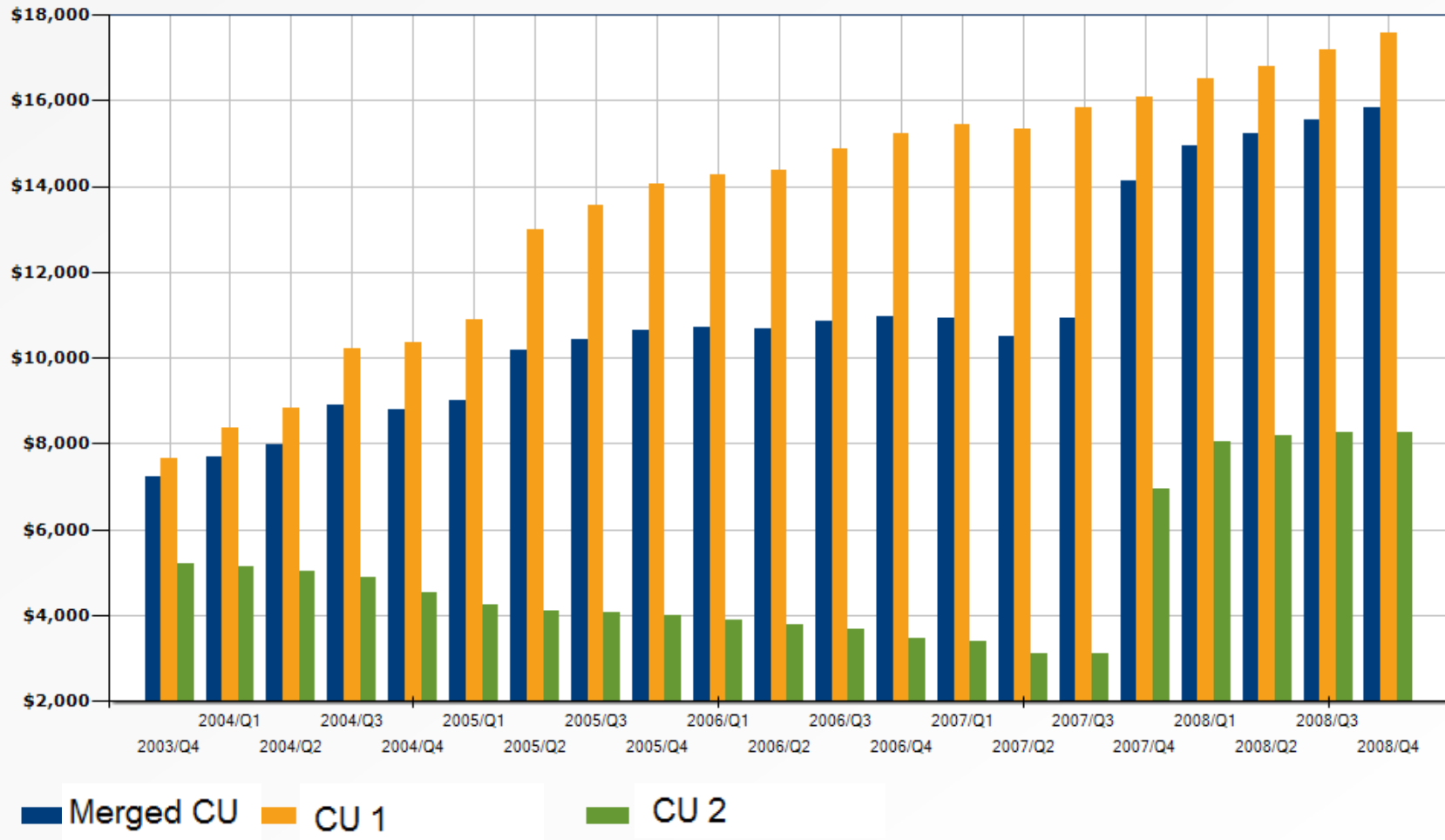
# CU 2

## Loan Composition-Dec. 31, 2008

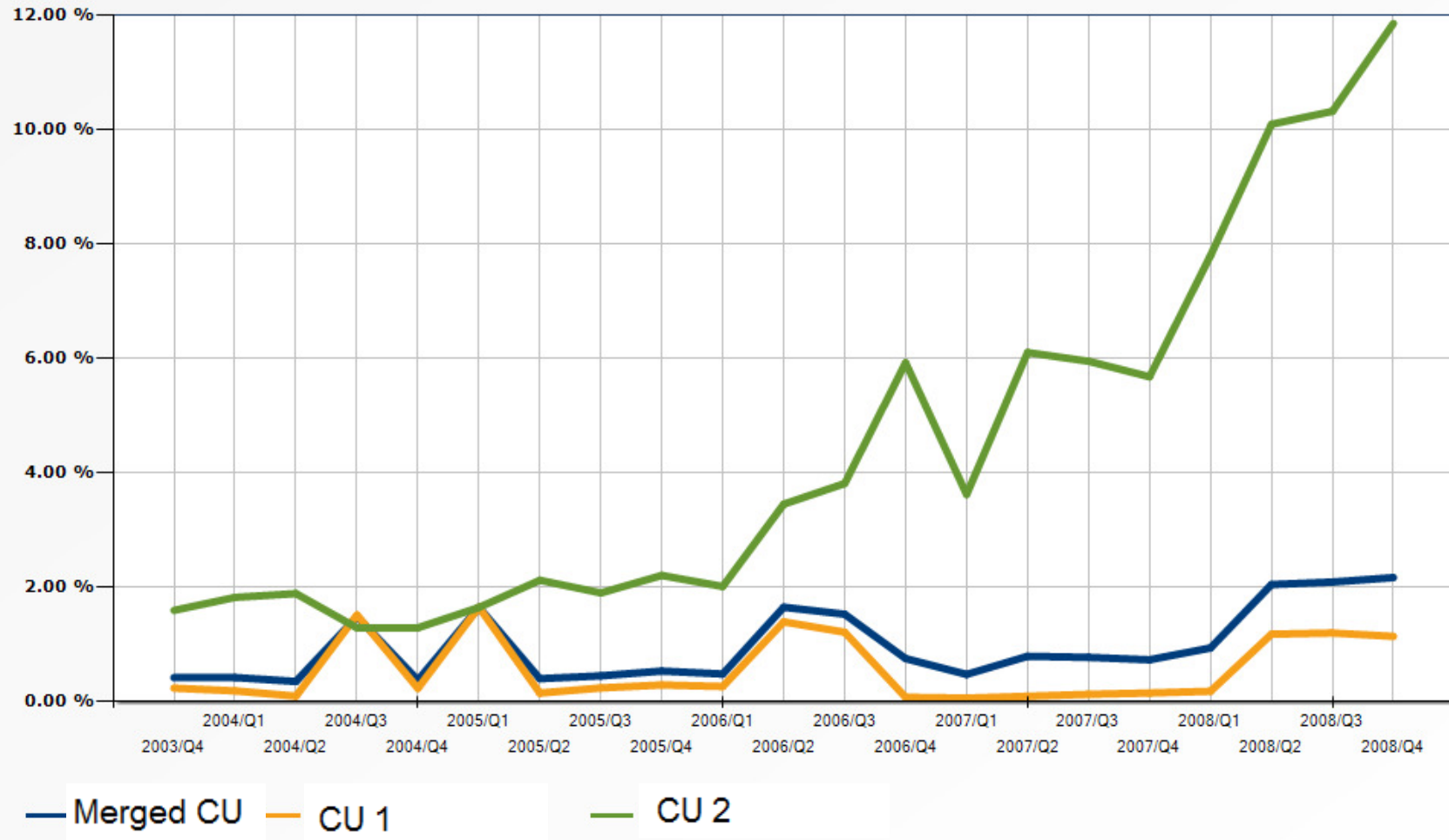


■ Unsecured Credit Cards   ■ Auto Loans   ■ Other RE Loans   ■ Other Loans  
■ Other Unsecured Loans   ■ First Mortgage   ■ Non RE Member Business Loans

### Average Loan Balances-Dec. 31, 2008

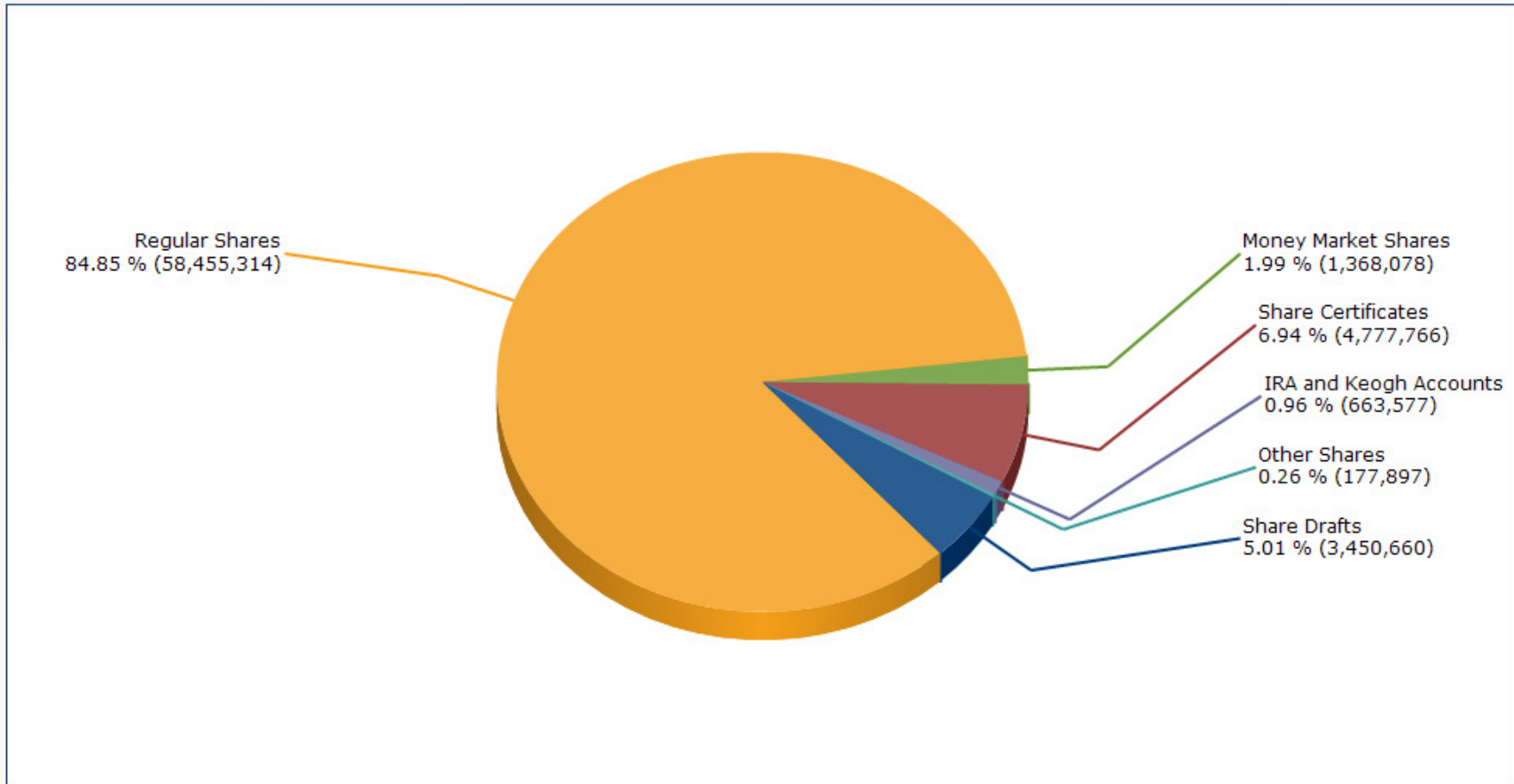


### Delinquent Loans/Loans-Dec. 31, 2008



# Merged CU

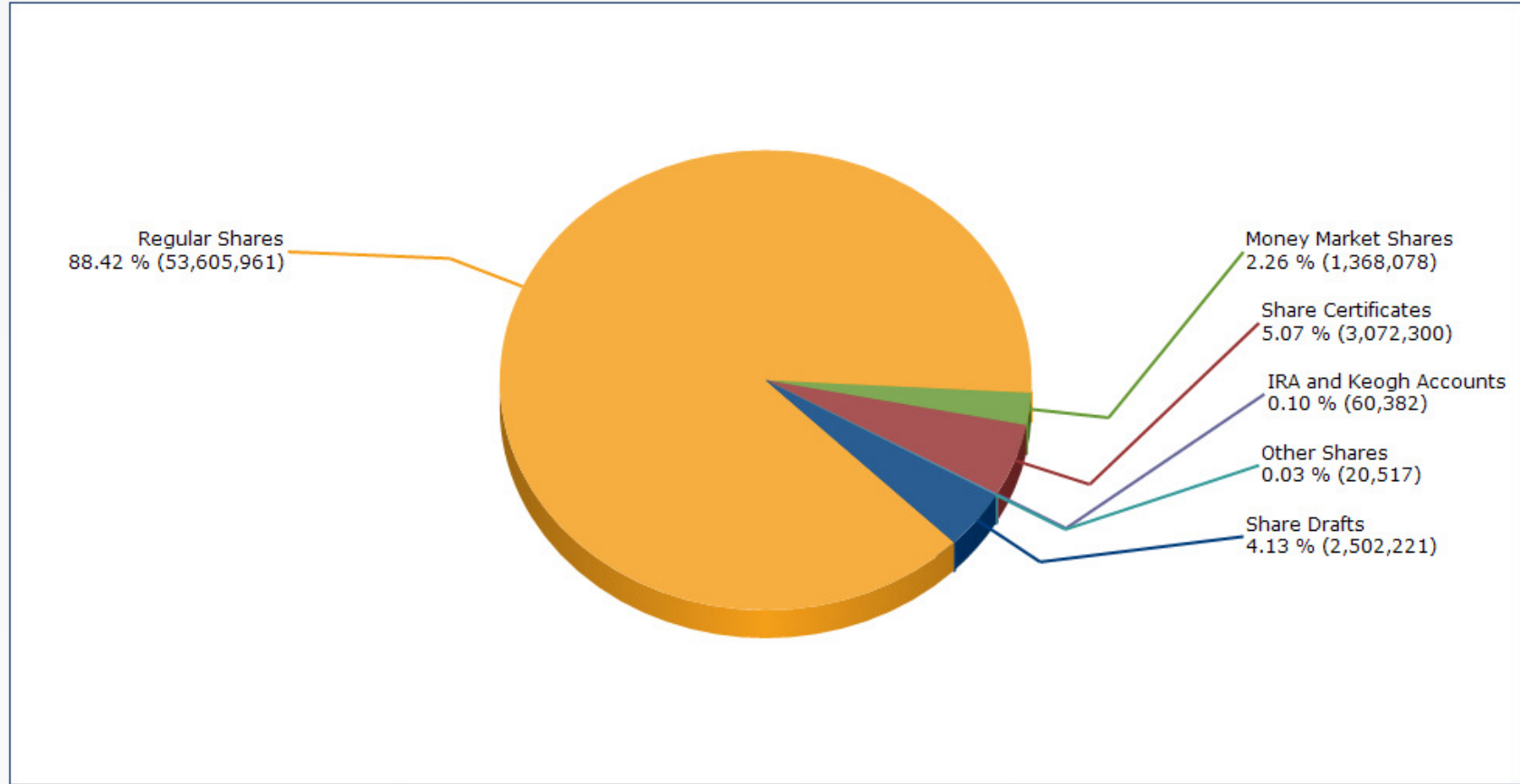
Share Composition-Dec. 31, 2008



Share Drafts    Money Market Shares    Share Certificates    IRA and Keogh Accounts    Other Shares  
Regular Shares

# CU 1

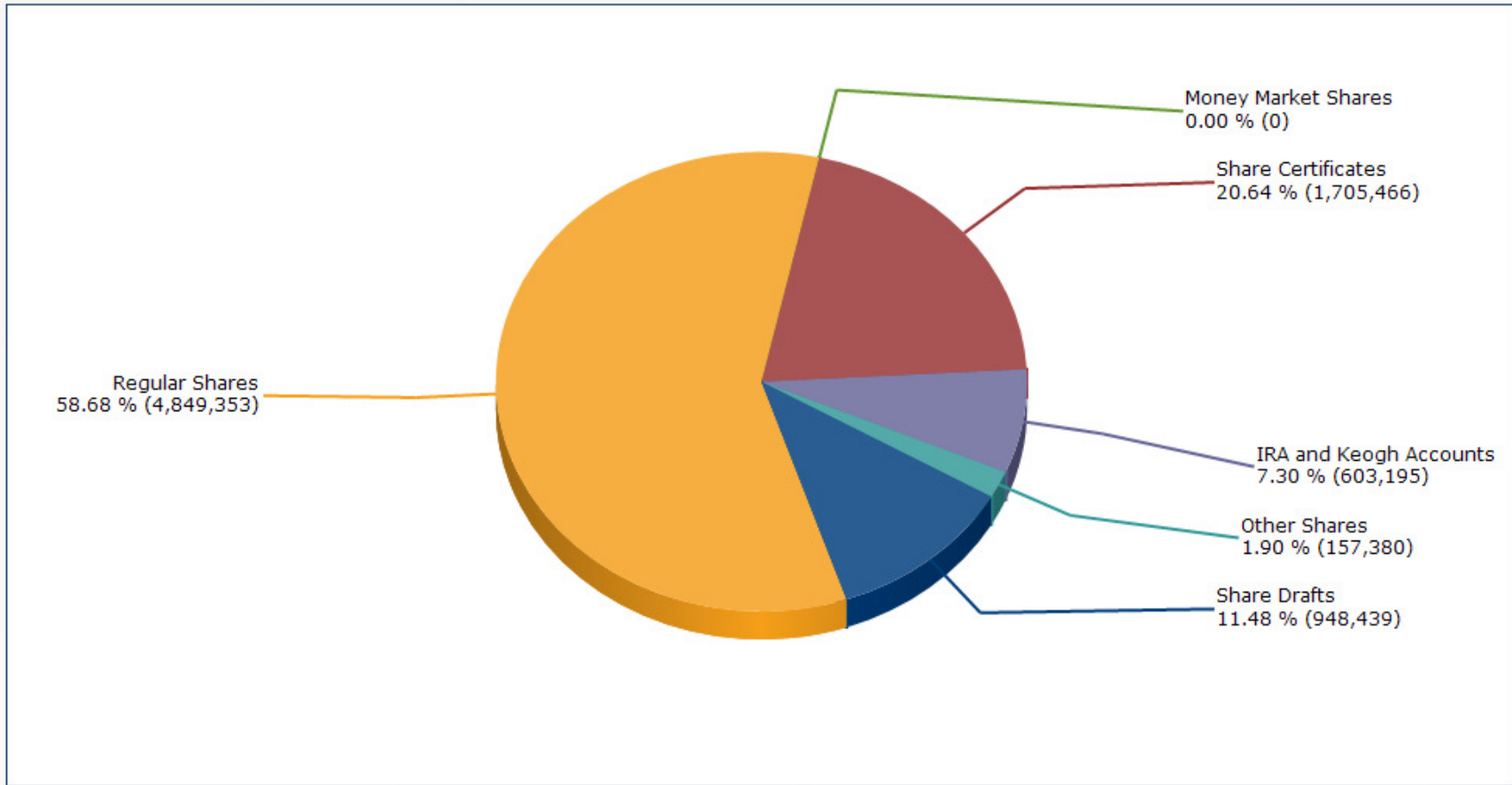
## Share Composition-Dec. 31, 2008



■ Share Drafts   ■ Money Market Shares   ■ Share Certificates   ■ IRA and Keogh Accounts   ■ Other Shares  
■ Regular Shares

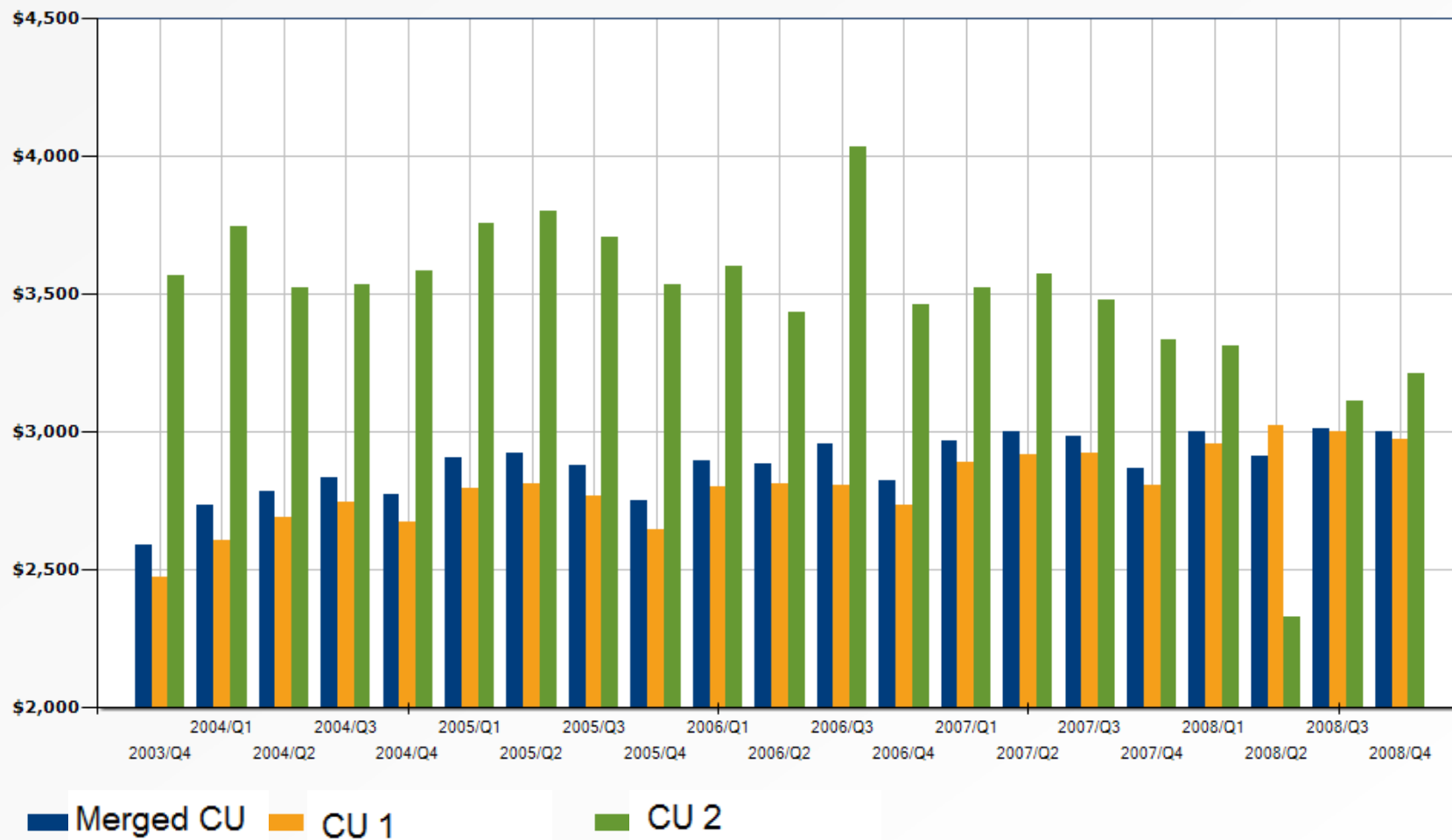
# CU 2

## Share Composition-Dec. 31, 2008

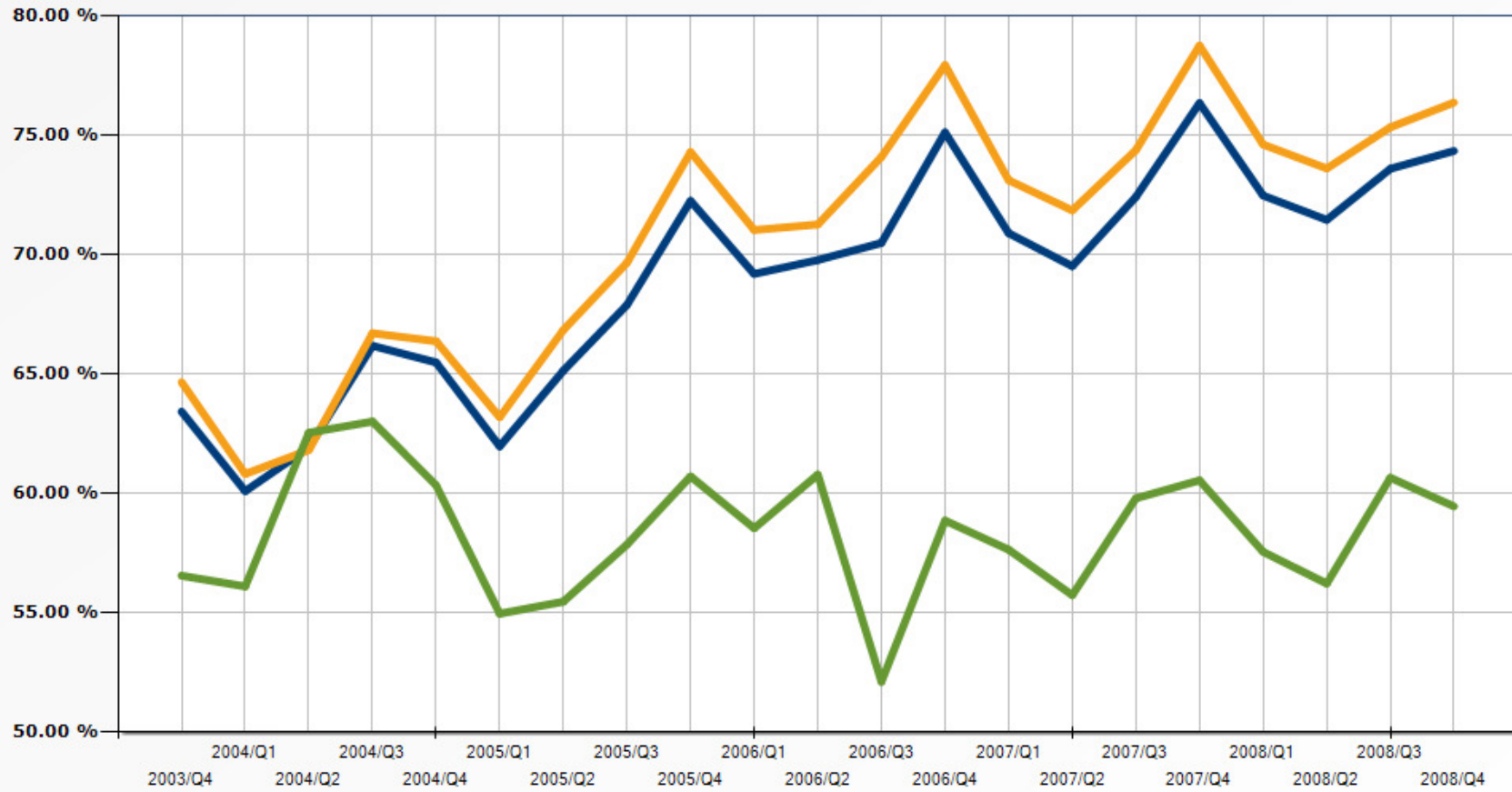


■ Share Drafts   ■ Money Market Shares   ■ Share Certificates   ■ IRA and Keogh Accounts   ■ Other Shares  
■ Regular Shares

### Average Share Balances-Dec. 31, 2008

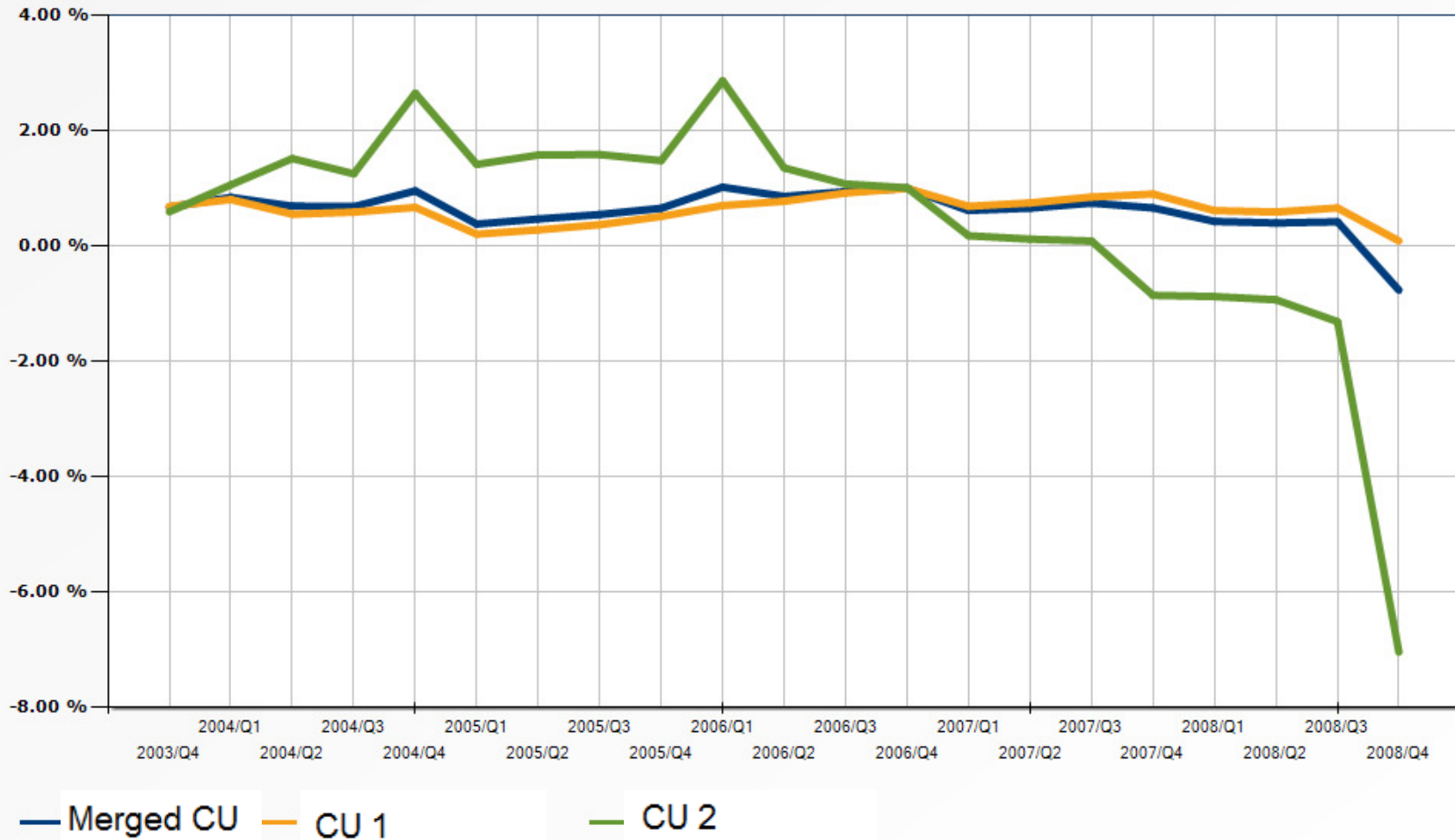


### Loans/Shares-Dec. 31, 2008

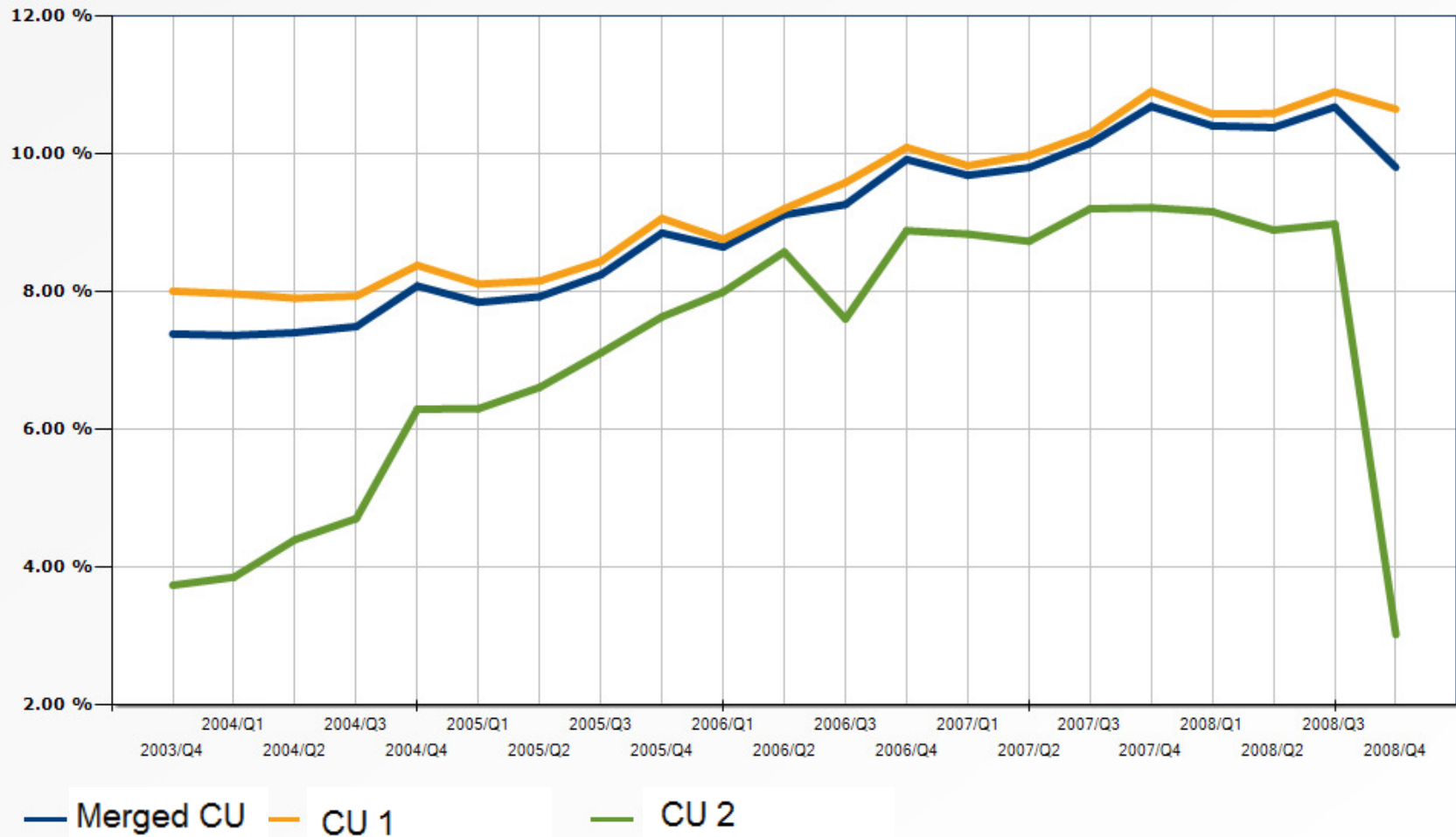


— Merged CU — CU 1 — CU 2

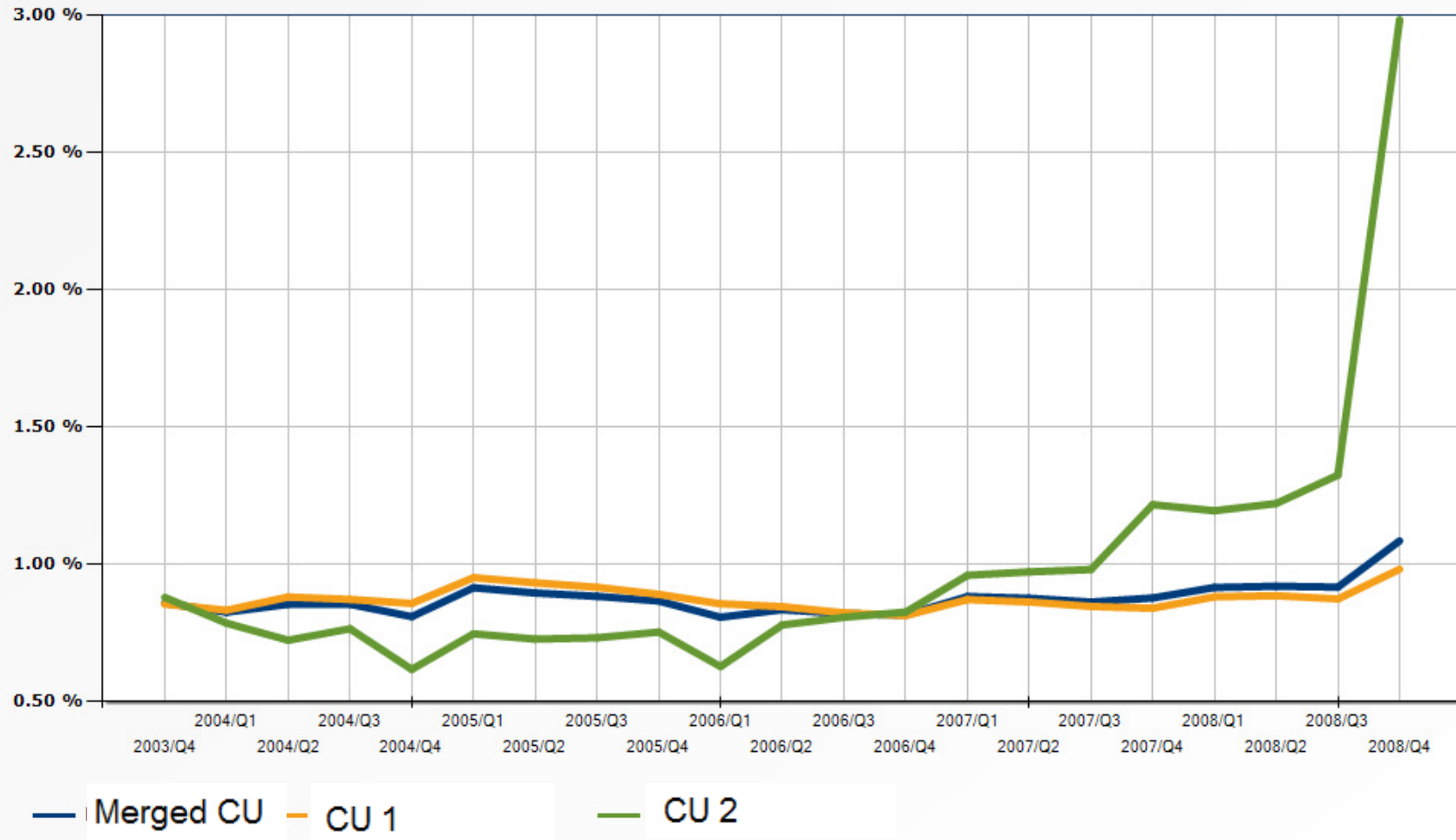
### Return on Assets-Dec. 31, 2008

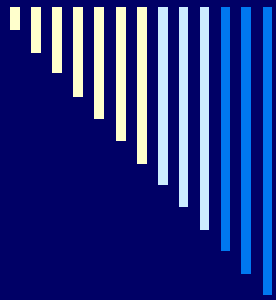


### Net Worth/Assets-Dec. 31, 2008



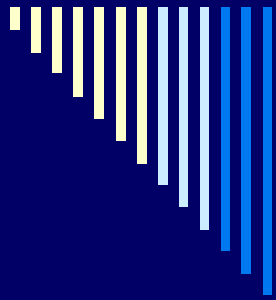
### Efficiency Ratio- Dec. 31, 2008





## Sample Questions:

- **What credit unions show merger potential?  
What does the data look like?**
- **What impact will a merger have on the credit union?**
  - **How will we measure success?**



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