



Summary of Key Findings
From The
2007 Callahan/SCS
Retail Investment Services
Benchmarking Study
for
Credit Unions

Today's Discussion Areas...

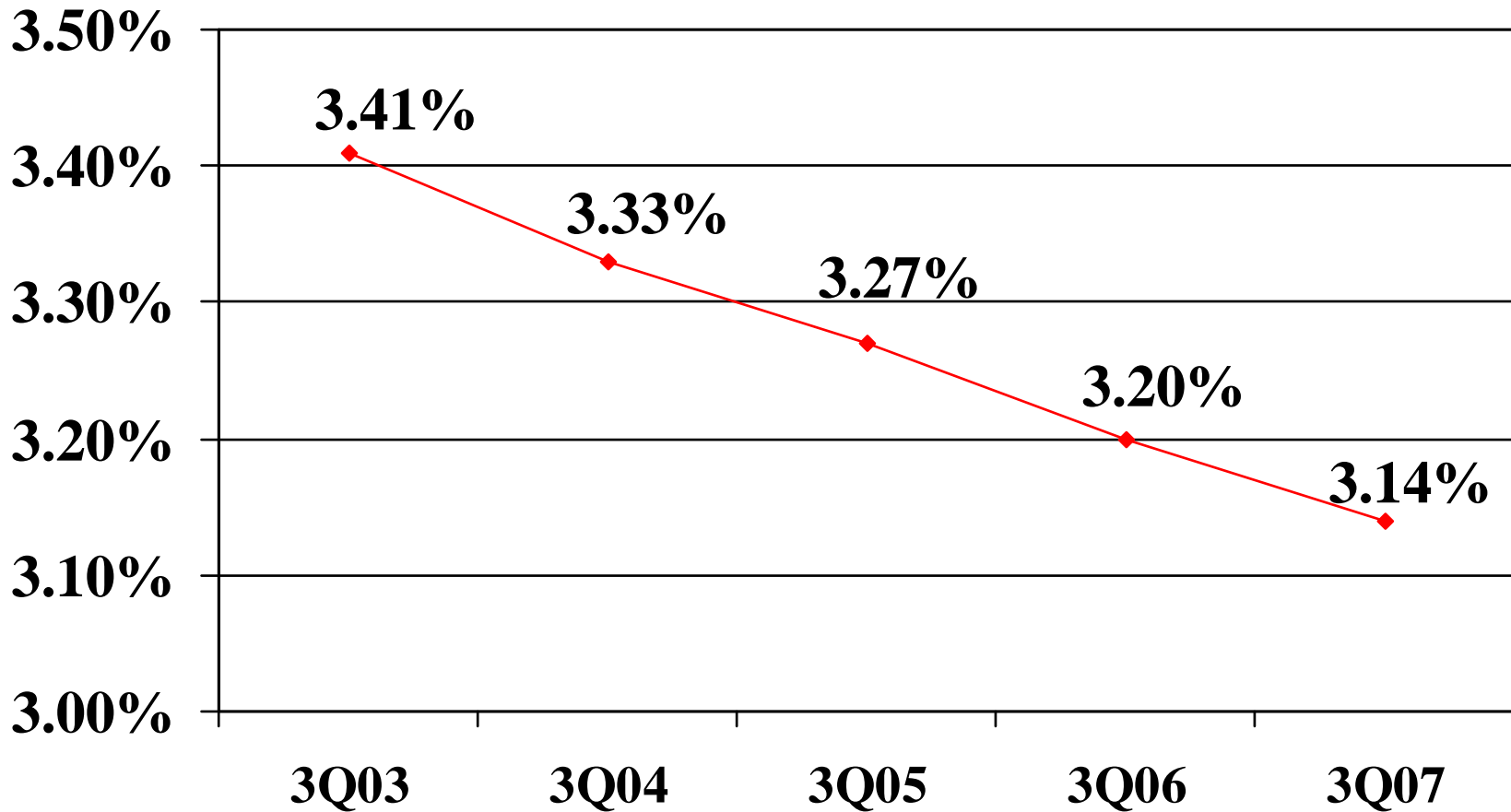
- Drivers & Methodology of Study
- The Studies Co-Sponsor Broker Dealers
- The Participating Credit Unions
- The “Global View”
- Individual Program Data and P&L's
- Top Performer Results & Best Practices

Why do We Benchmark Ourselves?

- In “credit union land” we measure, track, and monitor just about everything;
- We also compare ourselves against other credit unions within various grouping methodologies including multiple peer categories, best-in-class and top performing categories including:
 1. Our financial “key ratios;”
 2. Our Call Center’s performance and productivity;
 3. The “turn times” for our mortgage loans;
 4. Staffing models and capacities for our various functional areas;
 5. Delinquency and charge off ratios;
 6. Product profitability, penetration and wallet share assessment

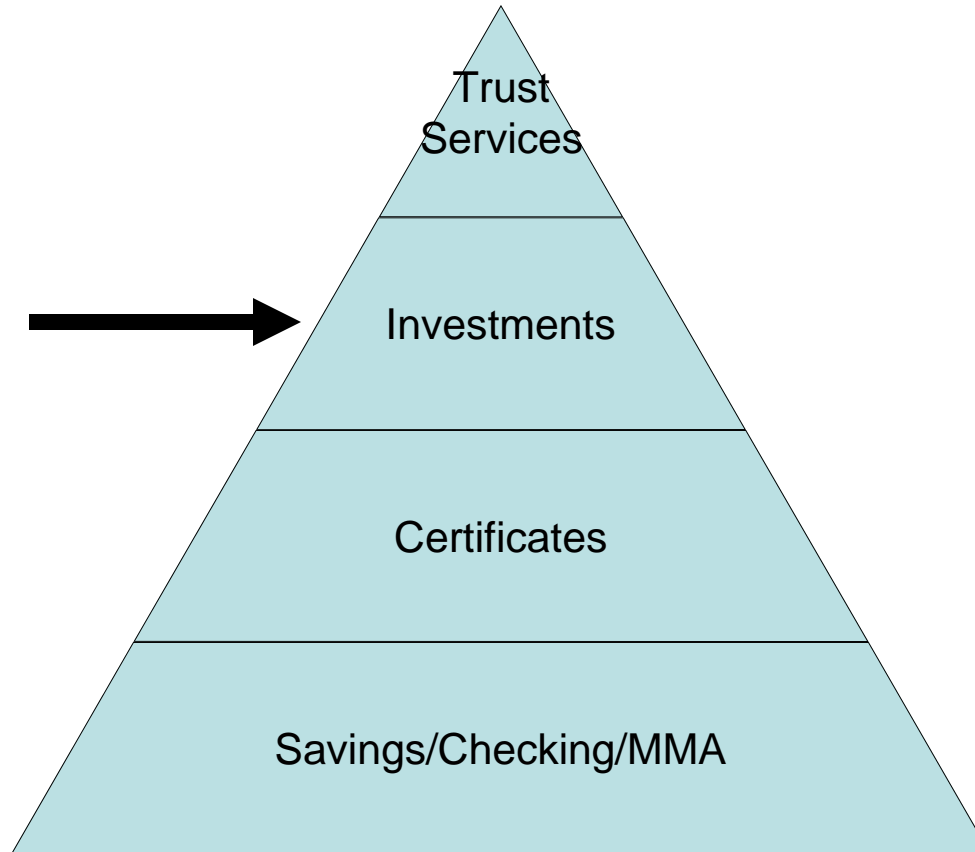
Net Interest Margin Has Tightened

Net Interest Margin for all CUs as of September 30



Source: Callahan's Peer-to-Peer Software

Investments are a Key Part of Members' Financial Profile



Positioning Statement

- The credit union industry has multiple credit union benchmarking and performance measurement tools to compare themselves against related to their loan and deposit services offered to members.
- Up until now, however, the credit union industry has not had it's own benchmarking and performance tools for their investment and insurance business channels. We have had to rely upon external banking and industry studies and surveys by adapting our models to theirs.

Positioning Statement

- It is generally recognized and accepted that a well integrated business channel within a credit union will provide both direct and indirect benefits to the organization
 1. Cross product sales synergies
 2. Increased wallet share with members
 3. Higher loan and deposit balances
 4. Increased services @ household
- It is also generally recognized and accepted that each business channel must be operate and perform as productively and efficiently as possible so as to contribute to the credit union's overall financial model.

The Proposed Solution

- That the credit union industry should collaborate together to develop their own benchmarking and performance measurement tool for the Investment and Insurance business channels;
- That Callahan & Associates and SCS will lead the collaborative effort to launch this initiative for the industry;
- That the tool will utilize web-based technology to gather data and information from participating credit unions;
- The primary Broker Dealers that serve credit unions today are supportive in providing information and data as needed.

Co-Sponsor Broker Dealers



Member FINRA/SIPC



What Are The Benchmarks?

Financial Model

- Financial Consultant Productivity
- Compensation and benefit expense ratios
- Direct program expenses
- Gross income margin
- Indirect, allocated or corporate overhead expenses
- Net income

Service and Support Model

- Accounts per Financial Consultant
- Assets per Financial Consultant
- Scope of Sales Territory
 - Members and Households
 - Transactions per branch (not including ATM)
- Referral volume (*both* directions)

Going Forward....

- 2008 Retail Investment Service Program Benchmarking Study will add a special section on:
 - Fee-Based/Advisory Programs; and
 - Platform Programs
- Callahan/SCS will introduce in 2008 the first ever “Loan Protection Product” Benchmarking Study for credit unions (Credit Insurance, Debt Cancellation, MBI, GAP, etc.)

Study Methodology

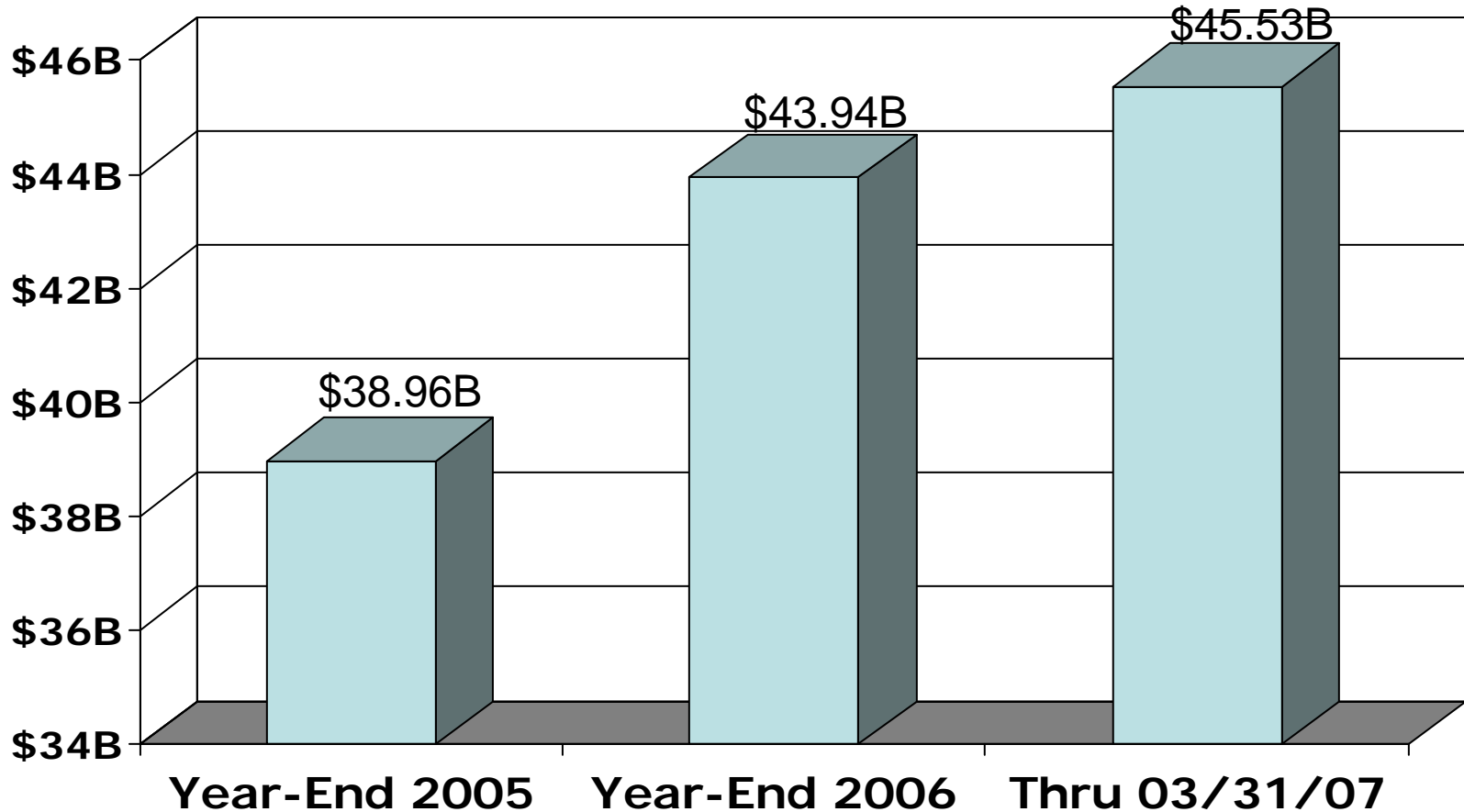
- The “Global View” data from participating broker-dealers on 1,304 credit union investment programs
 - 946 credit unions with in-person models
 - 358 credit unions with call center only models
 - Assets under management
 - # of investment accounts
 - # of Financial Consultants
 - Gross dealer concession generated
- Participating Program Performance
 - Full P&L’s from 60 individual programs

The “Global View”
of the
Data/Information
from the
Co-Sponsor
Broker Dealers

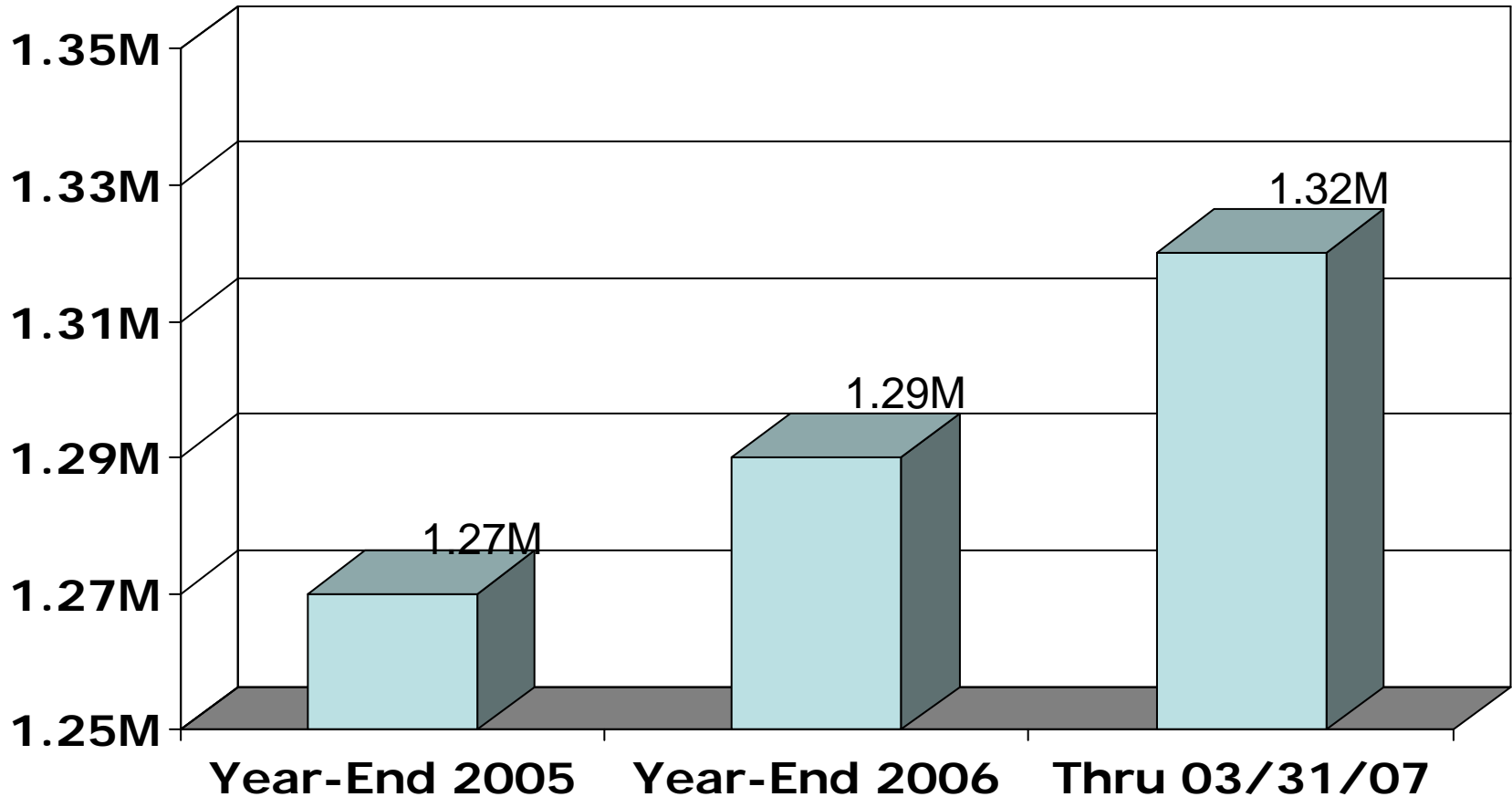
Global View: Key Indicators

- Total Value of Assets: \$45.5 billion
- Total GDC: \$336 million
- Total # of Investment Accounts: 1.3 million
- Total # of Financial Consultants (FC's): 2,006

Reported Credit Union Investment Program Assets



Reported Investment Program Accounts at Credit Unions



Global View: Key Trends

- Growth – Good News
 - AUM grew 14.5%*
 - Accounts grew by 8.1%*
 - FC growth 8.6%*
 - GDC growth 8.8%*

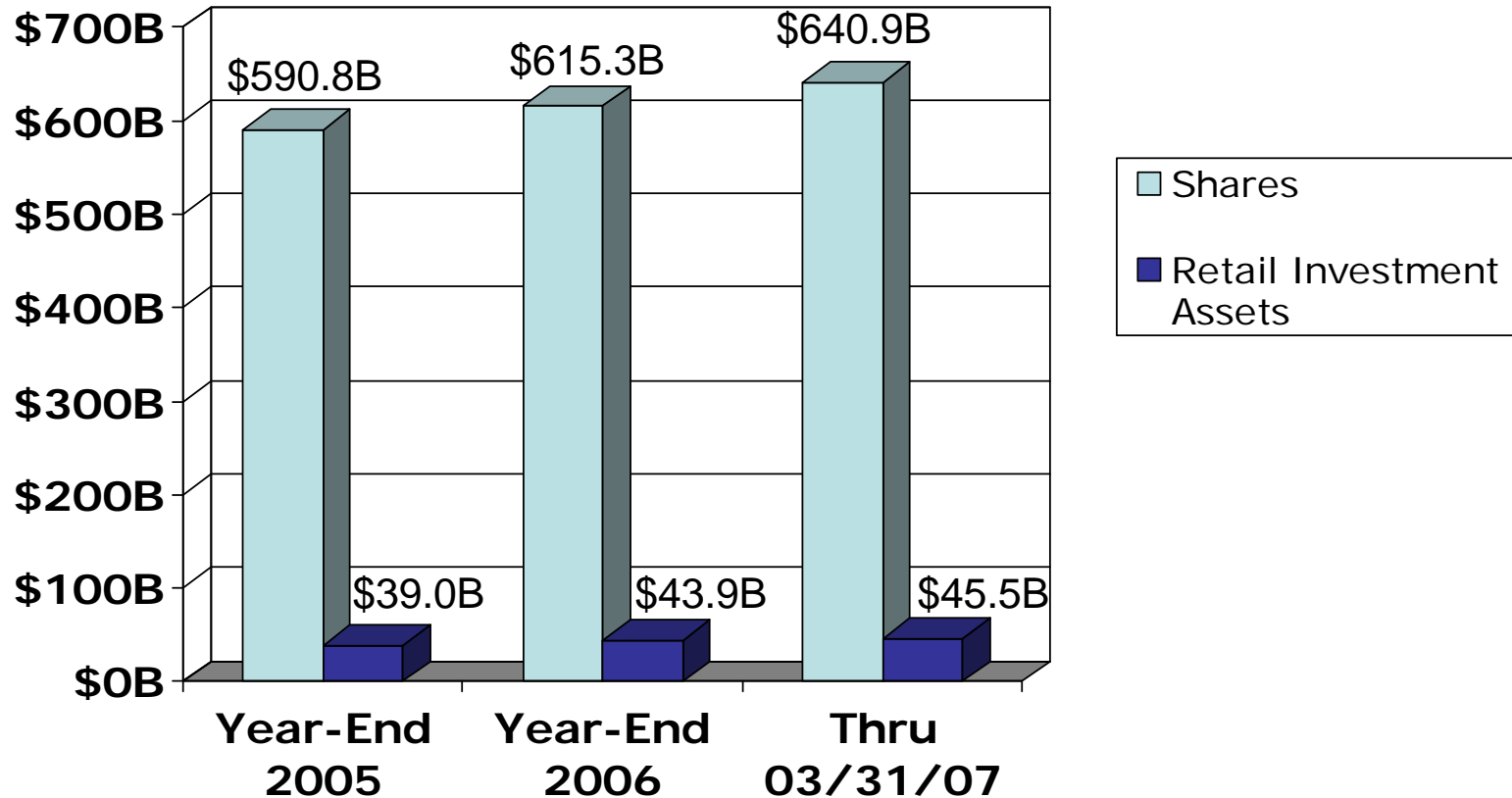
*Annualized as of 03/31/07

Global View: Productivity

- Average GDC per CU grew 7.4% - greater than the average GDC per FC*
- GDC per million of shares grew by 4.4%*
- Investment account member wallet share is 6.6% (AUM as ratio of total share deposits + AUM)

*Annualized as of 03/31/07

CU Shares vs. Investment Program Assets



Individual Program Data and Their P&L Results

- Program productivity and wallet share results
- Financial performance results

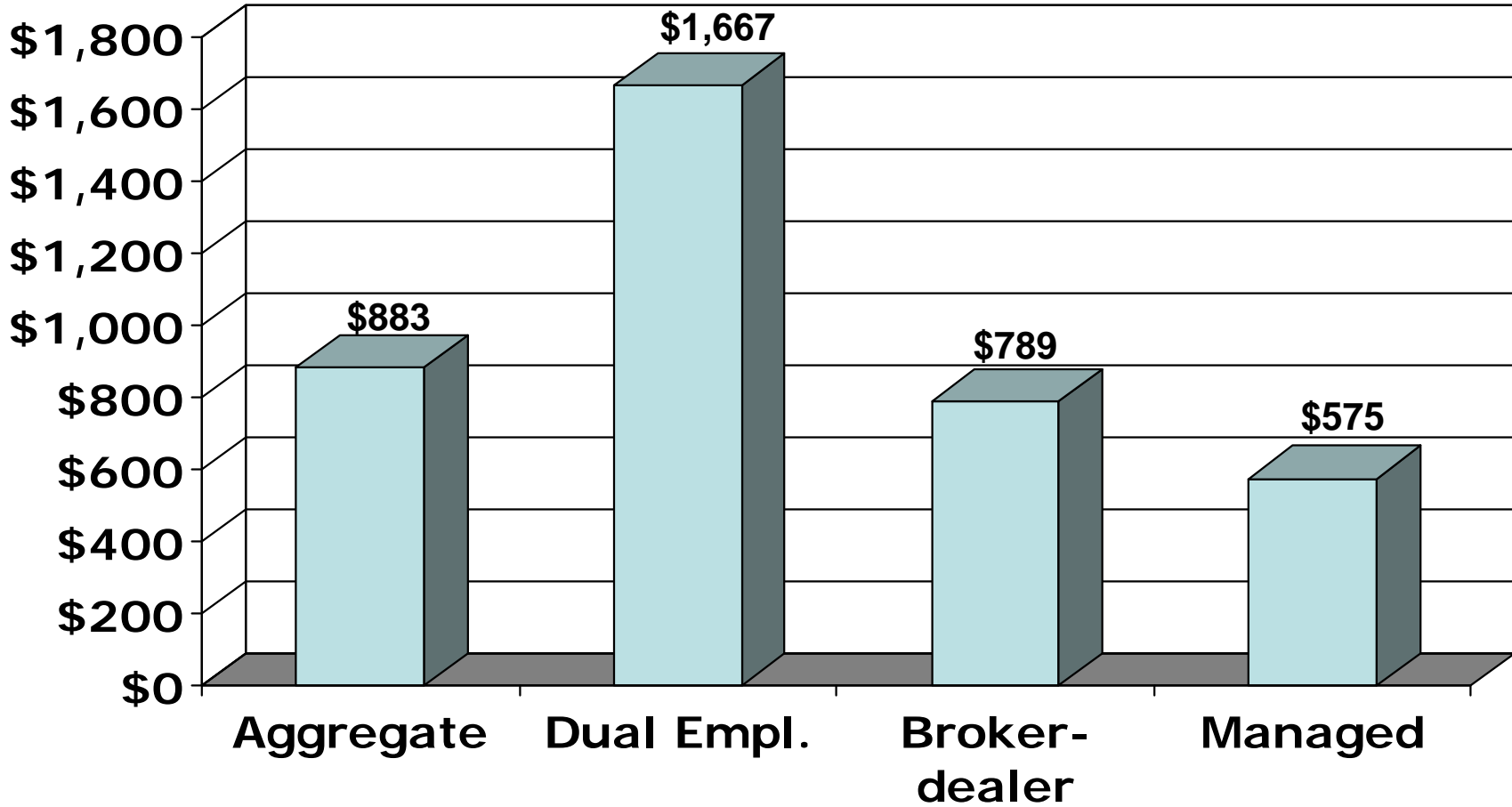
Individual Programs

- 60 credit unions with \$102 billion in assets and 8.9 million members Program Types
 - 5 broker-dealer programs
 - 41 dual employee programs
 - 14 managed programs

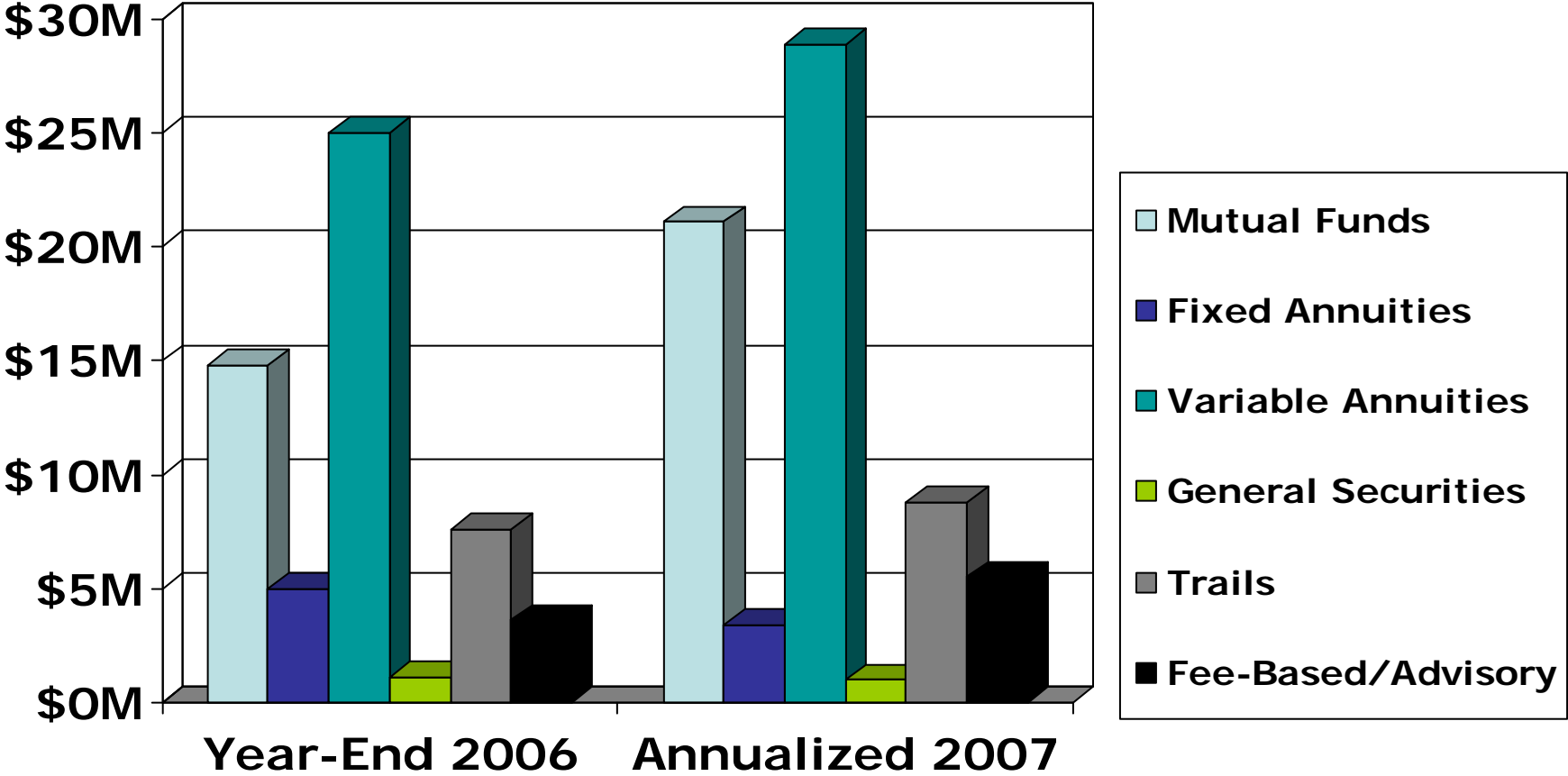
FC Productivity Benchmarks

	Aggregate	Broker-Dealer	Dual Employee	Managed
GDC/FC	\$268,296	\$294,429	\$274,439	\$134,624
FC Growth	12.2%	37.1%	5.6%	-9.5%

GDC per Million of Shares



Revenue by Product

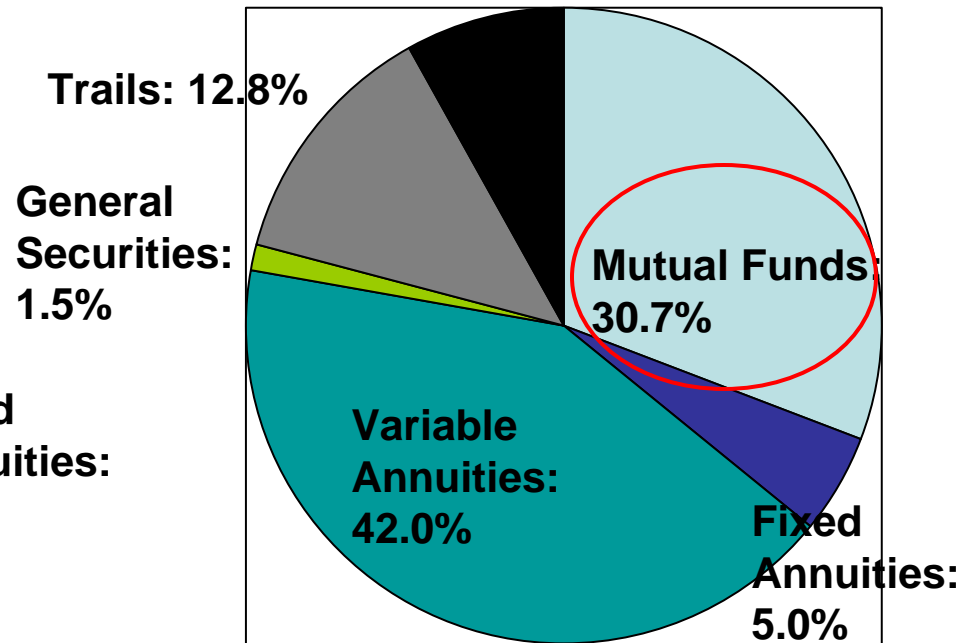
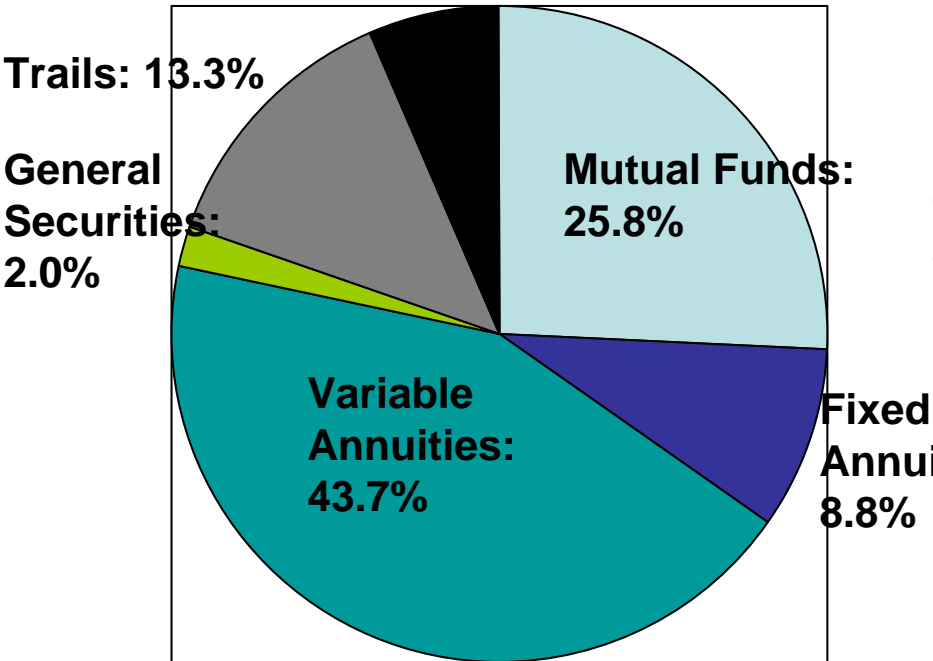


2006 Revenue by Product

2007 Revenue by Product

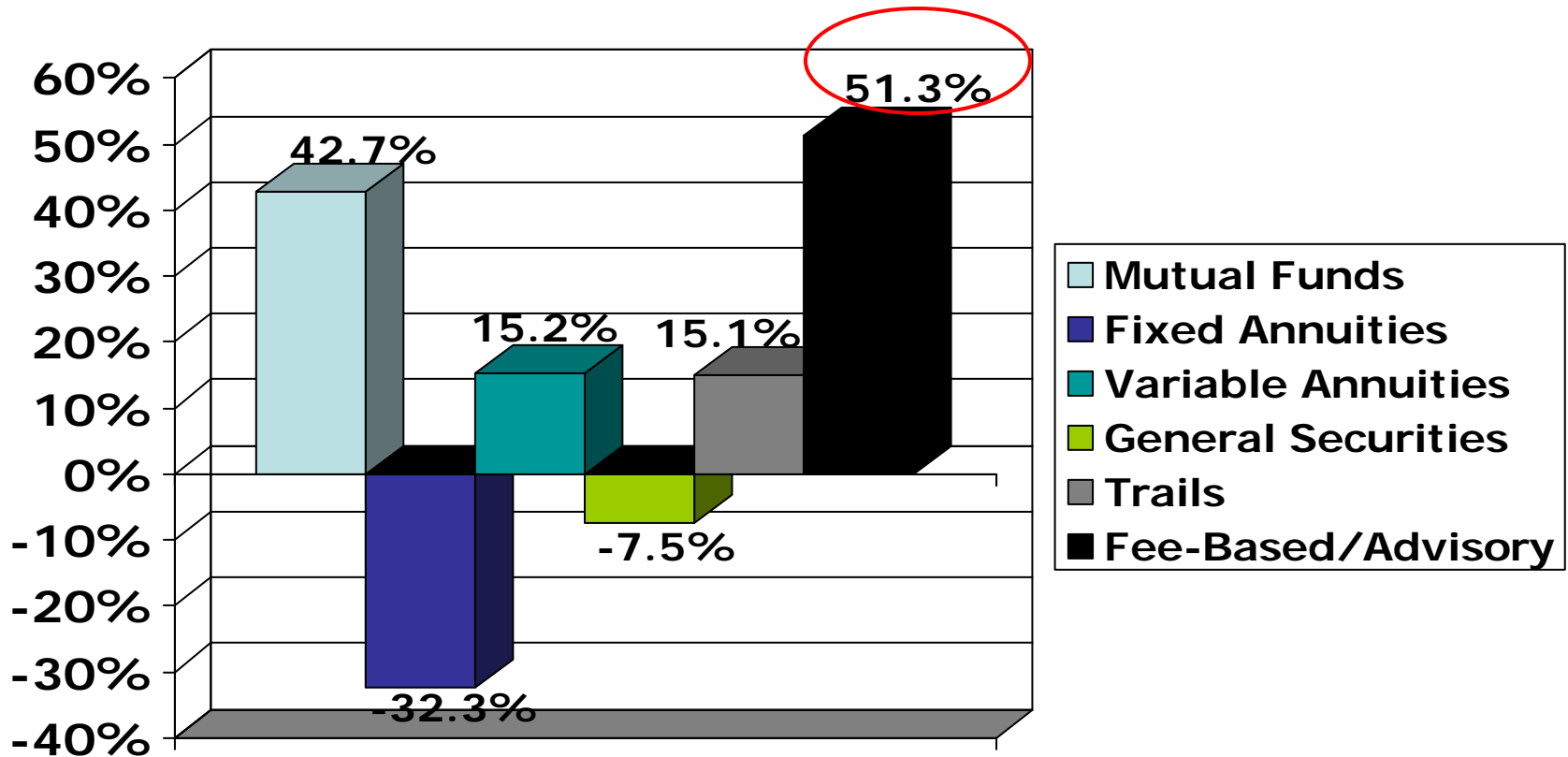
**Fee Based/
Advisory: 6.4%**

**Fee Based/
Advisory: 8.0%**



Growth by Product Type

(from Year-End 2006 through Annualized June 30, 2007)



GDC Growth? Key Success Factors

- Expansion of the Financial Consultant sales force
- Effective Service and Support Staffing Models
 - Addition of “Associate” financial consultants to the sales team (“Jr. Rep Models”); and
 - Licensed and unlicensed administrative support
- Needs based sales approach vs. product/transactional focus
- Entrance into the Fee-Based Channel

Wallet Share

- AUM = 9.97% of combined AUM + Share Deposits
- Increased since 2004 by 18.7%
 - Raddon 2004 CIIP data reported 8.4% wallet share

Increasing Wallet Share: Key Success Factors

- Program positioning within the credit union as a core offering
- Expanded sales force and service/support staffing models
- Established goals and expectations for “*to and from*” referral programs
- “Associate” FC’s in place that reaches multiple member segments

Accounts and Branch Coverage

- Average accounts per FC = 760 Branch to FC ratio
 - Total = 3.26
 - B/D programs = 2.58
 - Dual employee programs = 3.51
 - Managed programs = 4.11

Considerations for Branch Coverage

- Increased productivity comes with lower branch to FC ratios
 - Builds stronger branch relationships
 - Increased member awareness/Household penetration
 - Reduced travel time for FC's
- Top performing programs have the investment services program built into their credit union's overall branch design strategy

Summary of Takeaways

- Top-performers have been expanding FC sales force and support staff
- Room for significant growth
- All programs track referrals at least one way
- Top performing programs track referrals both ways
- Regardless of FOM, you can have a productive program

**Individual Program
Financial Performance
From the
Participating Credit
Unions**

Compensation and Benefit Expenses

- FC Compensation
 - 34% of GDC (38.8% of dual employee gross revenue. Average dual employee payout = 88.3%)
- Benefits Expense
 - 5.9% of GDC (21.6% of compensation)
 - Method of reporting this metric varied widely amongst dual employee programs and included as a direct and/or allocated type expense.

Operating Expenses

- Broker Dealer fees, clearing charges, etc.
 - 6.2% of GDC/7.00% of Revenue Rec'd.
- Direct expenses
 - 5.10% of GDC/5.80% of Revenue Rec'd.
- Allocated expenses
 - 3.02% of GDC/3.42% of Revenue Rec'd.

***Example: \$1,000 GDC/\$883 Revenue to CU

\$100 = 10% \$100 = 11.33%

Gross and Net Income Margins

- Gross income margin (GDC – Compensation, Benefits and broker-dealer Clearing and Brokerage fees)
 - 31.40% for B/D programs
 - 31.25% for Dual Employee programs
 - As percentage of revenue rec'd (average GDC share = 88.30%) the GIM for D/E programs was 21.90%
- GDC Net Income Margin
 - B/D programs: 14.1%
 - Dual Employee programs: 23.13% of GDC and 12.68% as percentage of revenue rec'd.
 - Managed programs: 8.05% of GDC

Top Performing Program Results

Top Performing Comparison.....

Scorecard Benchmarks, Metrics & Ratios	Top Performing Programs	Combined Programs	Broker Dealer Programs	Dual Employee Programs	Managed Programs	
Productivity/Performance Benchmarks						
*Program GDC/Share Deposits	\$2,400 - \$6,101	\$883	\$789	\$1,667	\$575	
*GDC per FC	\$327k-\$534k	\$268,539	\$294,428	\$274,439	\$134,627	
AUM per FC	\$33m-\$55m	\$33,666,648	\$34,257,604	\$35,860,806	\$11,275,473	
AUM to AUM+Shares Ratio	20%-55%	10.00%	8.60%	11.00%	4.40%	
FC to Branch Ratio	1.25 to 2.45	3.3	2.6	3.5	4.1	
Member to FC Ratio	6,870 - 16.664	32,599	43,004	28,225	25,427	
Shares to FC Ratio (millions)	\$138m-\$225m	\$303.9	\$364.5	\$281.5	\$234.2	
Accounts per FC	550-775	760	742	801	109	
*Program Referrals Per Credit Union	2,000-3,800	1,028	2,258	1,102	370	
*Referrals per FC	190-240	224	133	264	273	
*Annualized						
Scorecard Benchmarks, Metrics & Ratios	Top Performing Programs	Peer Group I Up to \$500 M	Peer Group II \$500 M - \$1 B	Peer Group III \$1 B - \$2 B	Peer Group IV \$2 B - \$5 B	Peer Group V \$5 B and Up
Productivity/Performance Benchmarks						
*Program GDC/Share Deposits	\$2,400 - \$6,101	\$870.05	\$895.11	\$1,457.39	\$1,420.64	\$314.50
*GDC per FC	\$327k-\$534k	\$137,735	\$232,075	\$304,301	\$349,122	\$222,969
AUM per FC	\$33m-\$55m	\$14,533,156	\$25,727,403	\$35,753,765	\$49,885,054	\$28,777,327
AUM to AUM+Shares Ratio	20%-55%	8.41%	9.03%	14.62%	16.87%	3.90%
FC to Branch Ratio	1.25 to 2.45	3.58	4.64	3.02	2.71	4.38
Member to FC Ratio	6,870 - 16.664	19,036	31,259	26,219	21,596	50,162
Shares to FC Ratio (millions)	\$138m-\$225m	\$158.3	\$259.3	\$208.8	\$245.7	\$708.9
Accounts per FC	550-775	356	833	895	904	429
*Program Referrals Per Credit Union	2,000-3,800	150	801	1,312	1,535	6,648
*Referrals per FC	190-240	127	329	238	158	831
*Annualized						

Top Performing Program Best Practices

- Increasing FC sales force
- Lower branch to FC ratio
- Productivity focused service and support staffing models
 - Licensed assistants
 - Associate FC's in place (“Jr. Reps”)
- Expansion into the Fee-Based/Advisory Channel
- Formal Referral Tracking – Both Ways!

Productivity & Performance Talking Points

- Utilizing productivity metrics in your organizations
 - Who sets them? How are they tracked? What are they?
- Challenges in measuring profitability of investment program throughout your organizations
 - Apples v. Oranges relative to other core products?
- What are the growth/profitability expectations for your programs?
 - What contribution do you expect investments to make to non-interest income? At what growth rate per year?
- Accountability for achieving goals
 - Who is accountable and to what extent?
- What growth barriers are you facing?