Maximizing Member Benefit Through Mergers

Sam Brownell, Founder & CEO
CUCollaborate

ROCHDALE + VLI

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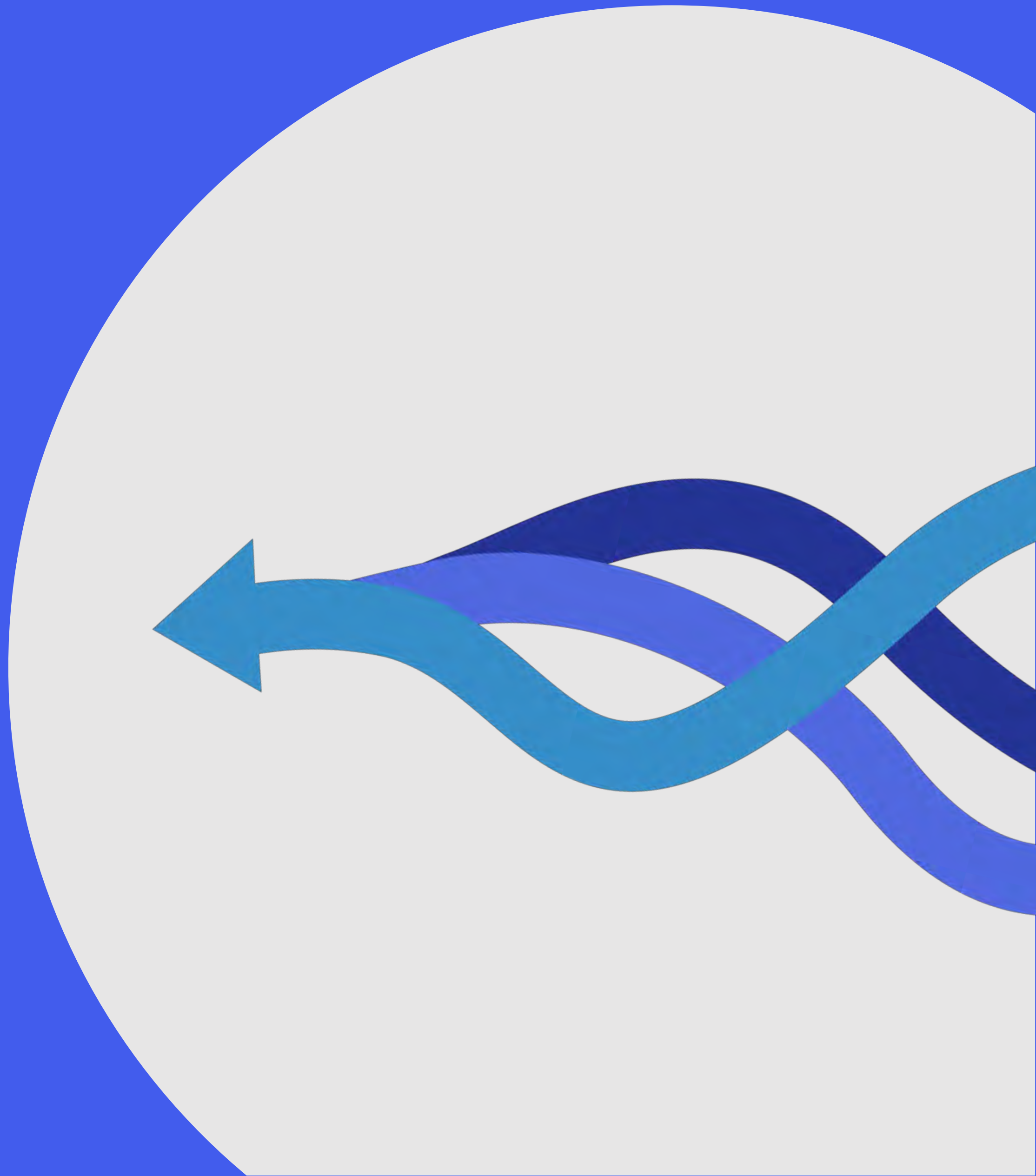

Who We Are

CUCollaborate delivers outcomes-driven analytics for credit unions by connecting **regulatory intelligence with performance and predictive insights**. We help teams understand what's changing, what it impacts, and what to do next—especially as regulation evolves and funding and operations shift.

Driven by a **data network designed exclusively for credit unions**, CUCollaborate goes beyond historical reporting to surface emerging peer, institutional, and market trends before they're obvious. Our predictive and financial intelligence helps leaders compare strengths, weaknesses, growth trajectories, and risk signals across peers—so they can act first, run stronger institutions, and deliver greater member impact.

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Powered by a Network of Non-Public CU Data and CU Expertise

- Call Report
- AIRES FILE
- Geospatial
- Loan Origination

Market Expansion & Analysis

A comprehensive approach to FOM optimization, branching and impact reporting

Membership Eligibility Engine

Data-driven platform validating eligibility and connecting consumers to credit unions

CDFI Certification & Retention

Advisory and software tools supporting certification, compliance, and grant success

LID Attainment & Retention

Expert guidance and software to achieve and maximize Low-Income Designation benefits

Merger Network

Exclusive data-driven matchmaking platform ideal for merger partners

Branching Strategy

Strategic consulting and data-driven technology optimizing branch networks and expansion

Smarter Growth. Greater Impact. Stronger Performance.

100%
Approval of regulatory applications

9 of 10
Largest Federal FOM Expansions

321%
Larger FOM expansions vs competitors

90 Seconds
The fastest membership qualification software

1st
Network to leverage data driven matchmaking for mergers

100%
CDFI Certification and Low-Income Designation Retention

Market Expansion
- FOM & Charter Optimization
- Branching Strategy

Capital & Impact Growth
- CDFI
- ECIP
- Low Income Designation

Member Growth
- Membership Eligibility Engine
- Merger Network

A Few Key Members

Sam Brownell

FOUNDER & CEO

With over a decade of experience in the credit union industry, Sam is an expert in fields of membership, technology solutions, and growth strategies. His mission is to democratize finance by making credit unions more accessible to all consumers, thereby driving membership growth.

In addition to his role at CUCollaborate, Sam serves as an advisor and investor at Credit Mountain. Sam holds a BA in Political Science, Philosophy, and Economics from Denison University and is passionate about solving complex problems to create meaningful change in the financial services industry.

Chris Tissue

CHIEF OPERATING OFFICER, HEAD OF CONSULTING

Chris has 15+ years of experience in consulting with a focus on data analytics, managerial cost accounting, workload modeling, performance and financial management.

He has led dozens of successful field of membership, Low Income Designation (LID) and CDFI engagements for CUCollaborate's credit union customers.

In addition, Chris's experience includes large consulting and credit union firms, including Deloitte, Grant Thornton, and Callahan & Associates.

Luis Dopico

CHIEF ECONOMIST

Luis has specialized in credit unions since 2001. Before joining CUCollaborate, his clients included the Filene Research Institute, the National Credit Union Administration (NCUA), the Credit Union National Association (CUNA), Opportunity Finance Network (OFN), and other research institutions, government agencies, consulting firms, and university professors.

Luis' research has been published by the Filene Research Institute, the Federal Reserve Bank of San Francisco, Opportunity Finance Network, the Journal of International Financial Markets, Institutions and Money, the International Review of Finance, the Corporate Finance Review, Essays in Economic and Business History, and the Cooperative Business Journal.

Credit Union Mergers: Characteristics and Impacts, 1980–2021

Luis G. Dopico, PhD
Partner and Chief Economist

December 30, 2025

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Outline

1) Earlier Research

2) Why is the number of credit unions falling?

3) Mergers: How many?

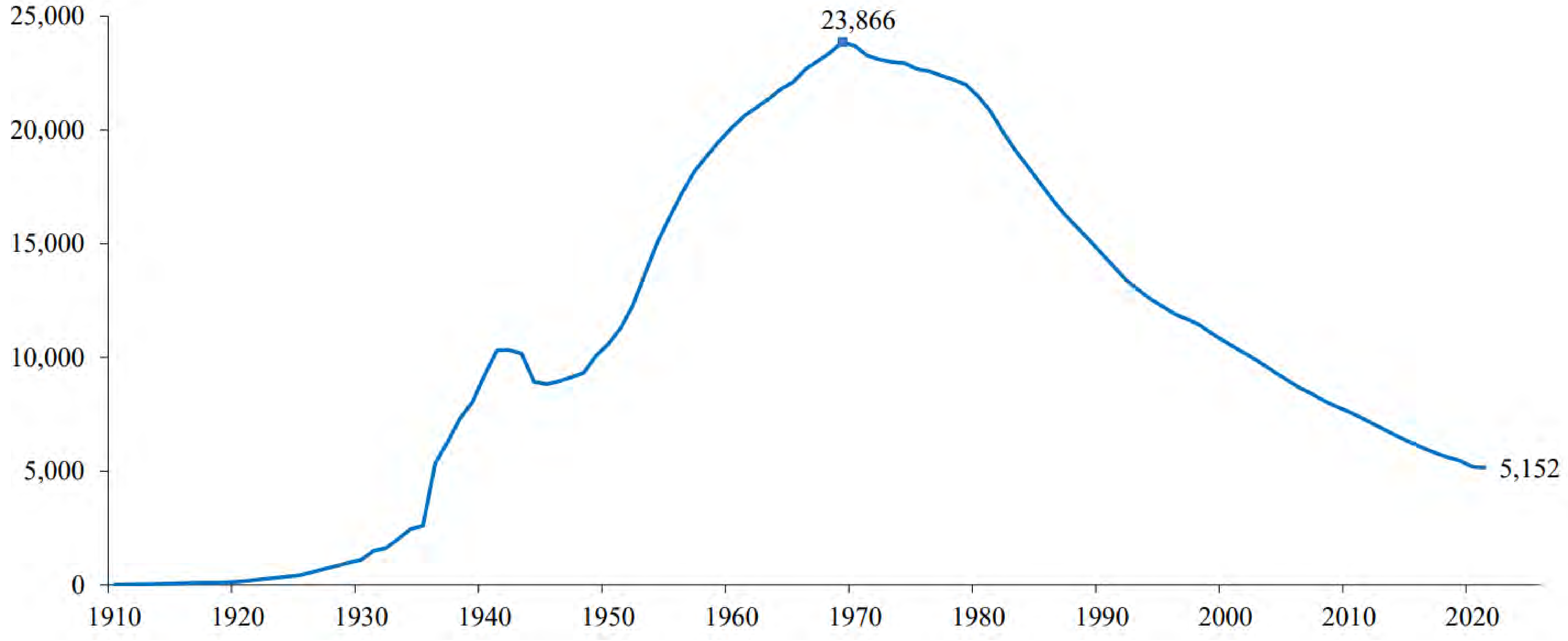
4) Characteristics of merger partners: Targets vs. Acquirers

5) Impact of mergers on targets’ and acquirers’ members

Earlier Research on Mergers and Related Topics

- Mergers
  - » Filene (2008, 2009, 2010, 2019)
  - » Federal Reserve Bank of San Francisco (2019) and Economic and Business History Process Society (2020)
- Failures
  - » Filene (2005, 2007, 2019) and Economic and Business History Process Society (2010, 2020)
- Financial sustainability
  - » Filene (2016) and Cooperative Business Journal (2019)
- Asset growth
  - » NCUA (2016) and Filene (2018 and 2020)

Number of U.S. CUs



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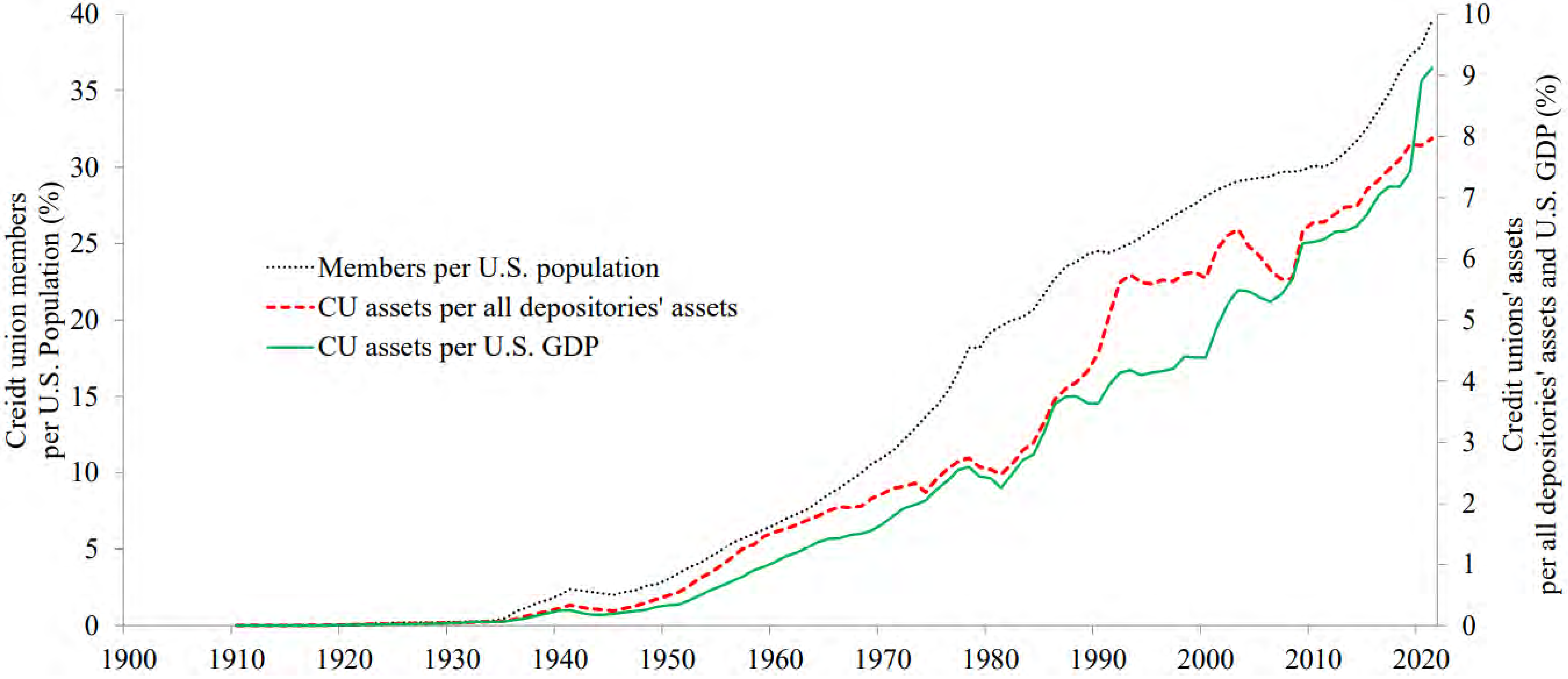
Credit Union Market Share



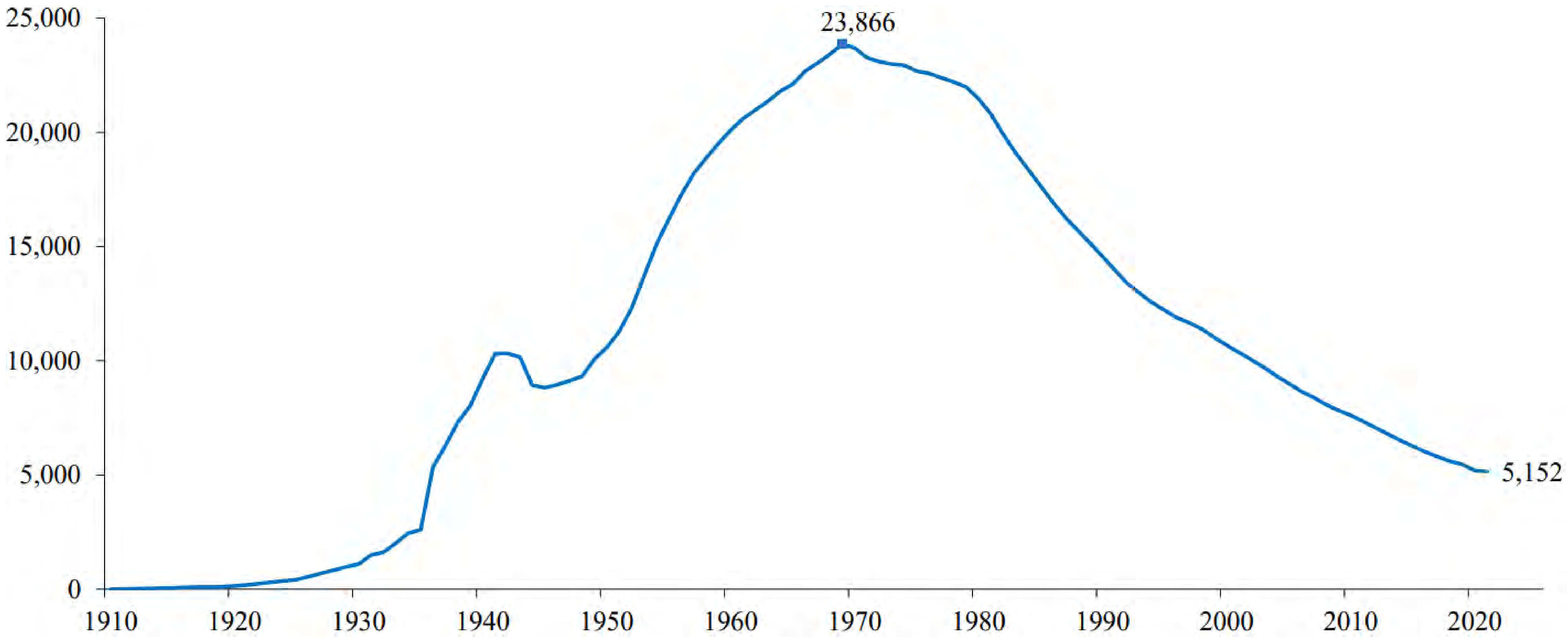
Early Steady Increase in the Number of CUs

- CUs were small, volunteer-run, shoestring-like, uninsured institutions
  - » Most CUs offered very narrow ranges of services
    - Many offered only regular shares and personal loans
  - » Very narrow FOMs
- Regulators actively promoted CU formation
  - » CUs were very easy to open: seven signatures
  - » CUs were relatively easy to close: voluntary liquidations

Latter Steady Decline in the Number of CUs

- Many CUs are becoming larger, professionally-run, insured institutions
  - » Broadening offerings of services
    - Checking, CDs, mortgages, credit cards, business loans, full-time employees, self-standing branches, ATMs, debit, online and mobile access, etc.
- Upon shares' becoming insured, CU regulators effectively shifted their focus
  - » From: promoting CU formation
  - » To: preventing insurance losses
    - By requiring far higher capital and managerial standards for existing (and new) CUs
    - By broadening FOMs to reduce geographic and industry concentration credit risk
    - By shifting away from liquidations to mergers

Number of U.S. CUs (Again)



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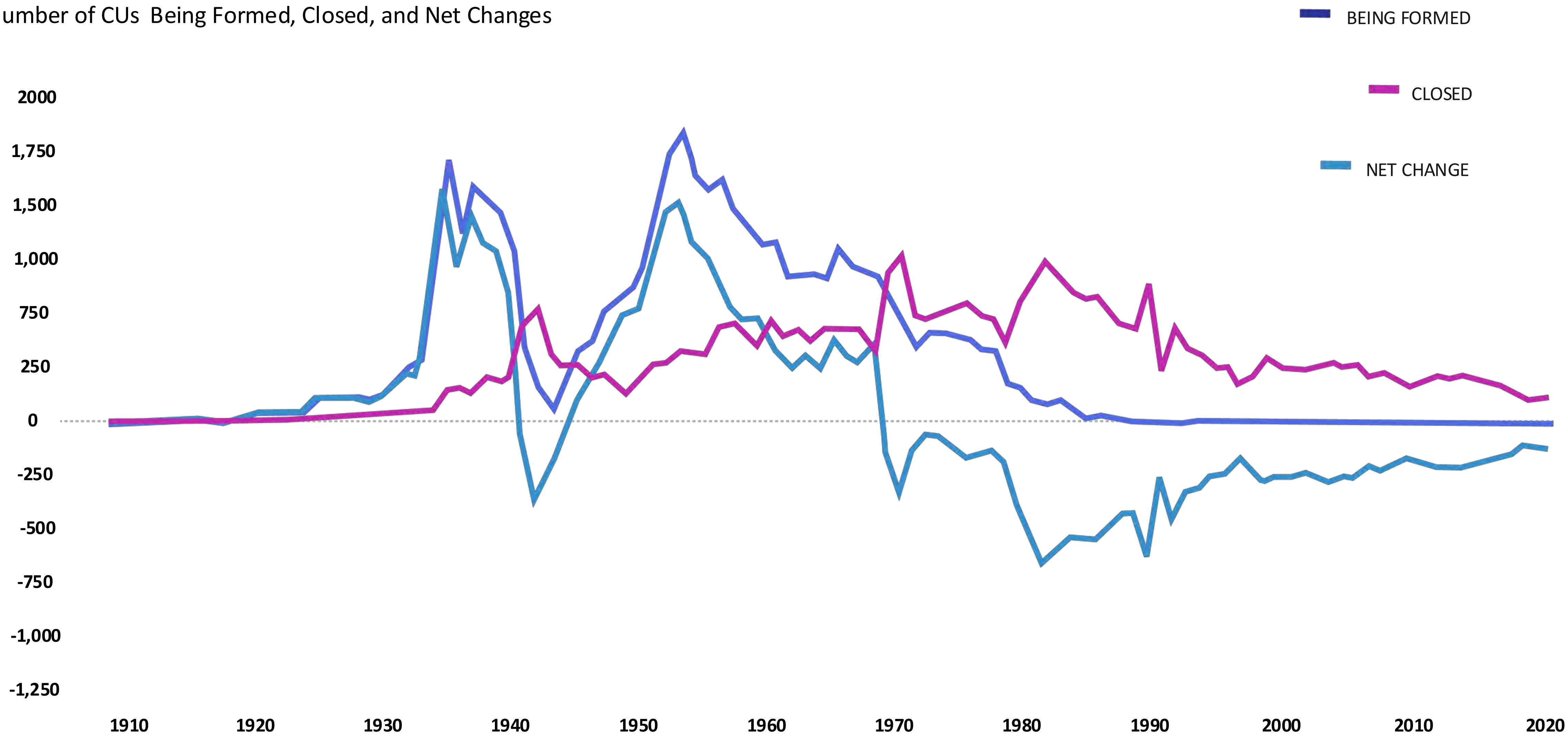
More Challenging Than Ever to Ensure the Sustainable Operation of a New Credit Union

Number of CUs Being Formed, Closed, and Net Changes



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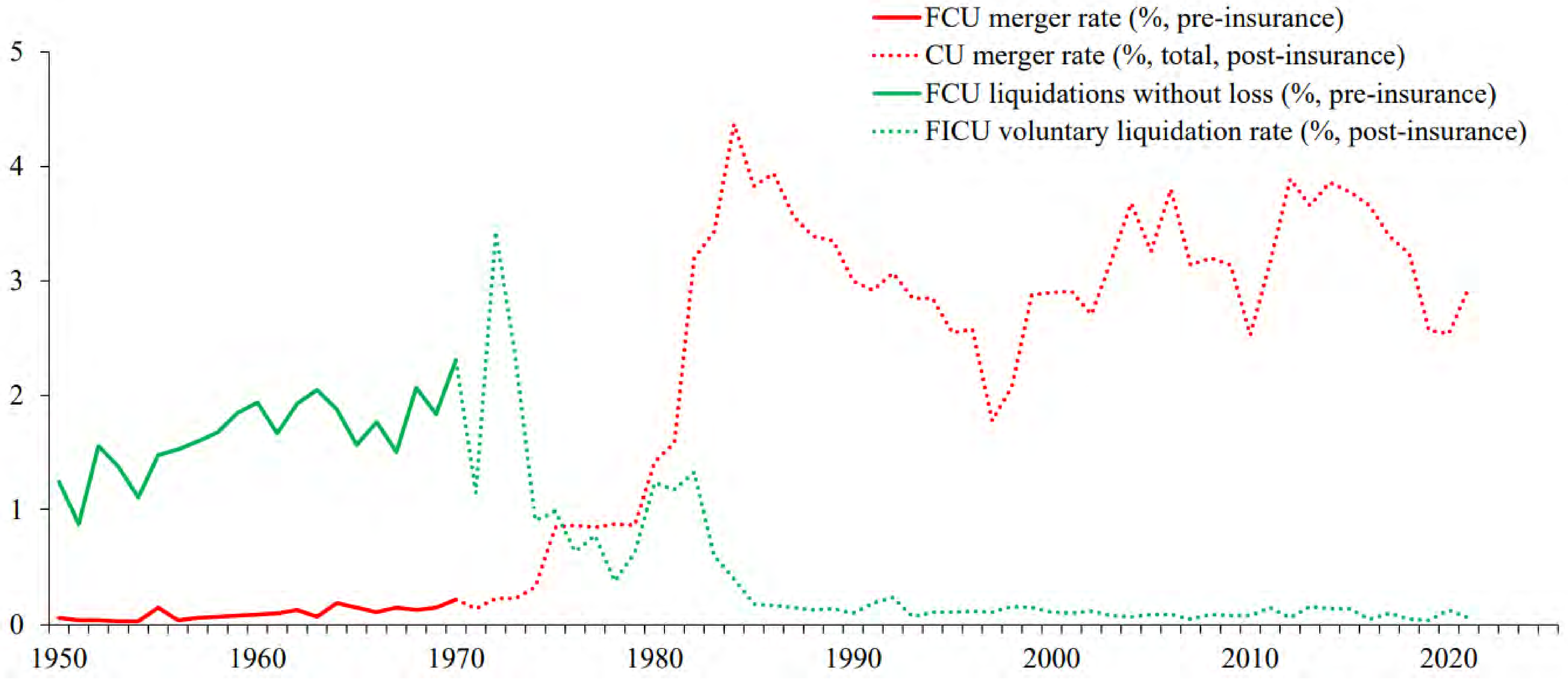
Why Are CU Numbers Shrinking?

- Not because closure rates (including mergers) increased
- But because CU formation plummeted
  - Regulators clearly "reduced the supply of charters"
  - Have consumers also "reduced their demand for shoestring institutions"
- The CU movement has effectively changed how it expands
  - From: Adding new shoestring-like CUs
  - To: Enlarging the FOMs of existing CUs and adding members to large existing CUs which have increasingly overlapping FOMs
- CU regulators have shifted how CU exits take place
  - From: voluntary liquidations, where unexpected insurance losses can surface, and member service is discontinued
  - To: mergers, where insurance losses are less likely to surface, and member service is not discontinued

Main Type of CU Exits: From Voluntary Liquidations to Mergers



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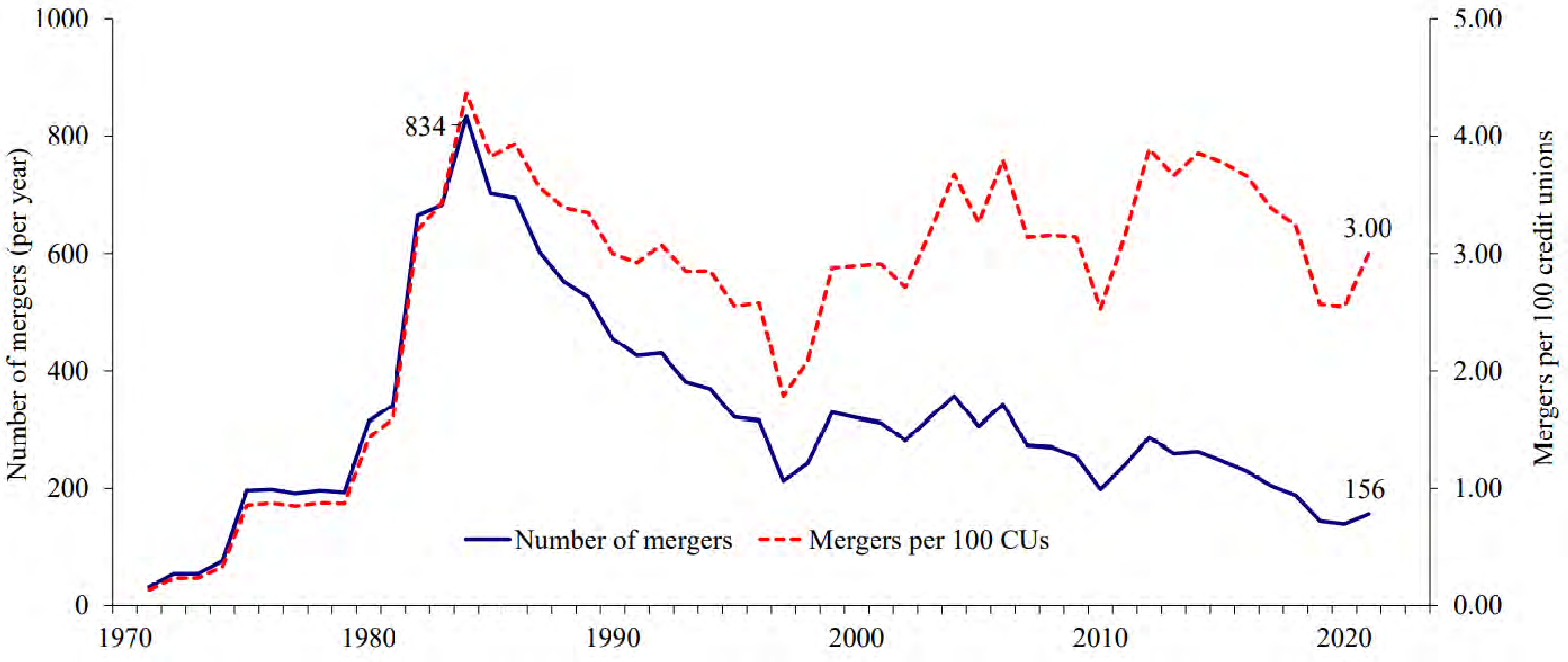
Mergers: # and % of CUs, 1971–2021



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CU Merger Targets by Asset Size Range

Targets by asset size range	Number of targets (1)	% of targets (2)	Assets ($ Million) (3)	% of assets (4)
Tiny (<$1 million, M)	18	12	9.6	0.2
Very small ($1 M - $10 M)	52	34	231	3.7
Smallish ($10 M - 100 M	68	44	2,024	32
Midsize ($100 M - $1 billion, B)	17	11	4,039	64
Large ($1 B - $10 B)	0	0	0	0
Very large (> $10 B)	0	0	0	0
Total	155		6,303	

*In each merger, we refer to the partner with fewer assets as the target, and to the one with more assets as the acquirer.

CU Merger Acquirers in by Asset Size Range

Acquirers by asset size range	Number of targets for acquirers in each asset size range (1)	% of targets (2)
Tiny (<$1 million, M)	0	0
Very small ($1 M - $10 M)	0	0
Smallish ($10 M - 100 M	26	17
Midsize ($100 M - $1 billion, B)	88	57
Large ($1 B - $10 B)	38	25
Very large (> $10 B)	3	2
Total	155	

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CU Merger Targets by Relative Size

	Number of targets (1)	% of targets (2)	Assets ($ million) (3)	% of assets (4)
Absorptions (target's assets < 10% of acquirer's assets)	115	74	2,376	38
Acquisitions (Target > 10% of acquirer and < 50 % of acquirer)	33	21	3,335	53
Mergers of equals (Target > 50% of acquirer	7	4.5	592	9.4
Total	155		6,303	

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Characteristics of CUs in Mergers and Impacts

	Target (Pre-merger) (1)	Acquirer (Pre-merger) (2)	Pre-merger combined CU (3)	All CU average (4)	Acquirer – Target (Difference) (5)	Impact of merger (net) (6)
Loan benefits (%)	-0.08	0.67	0.65	0.56	0.75	0.21
Deposit benefits (%)	0.15	0.28	0.27	0.30	0.13	0.09
Product breadth (0-29)	13.6	17.9	17.8	11.1	4.3	0.1
Asset growth (%, inflation adjusted)	8.1	12.2	12.1	16.0	4.1	5.6
Noninterest expenses (% of assets)	3.81	2.99	3.01	3.00	-0.82	0.14*
ROA	-0.13	0.65	0.63	0.70	0.78	-0.05*
Loans (% of assets)	51.0	66.6	66.1	62.3	15.6	1.1
Delinquencies (% of loans)	1.07	0.62	0.64	0.61	-0.45	0.13

*Impacts for noninterest expenses and ROA are computed over 2-year windows, e.g., for 2019-2021

Noninterest Expenses: Characteristics and Impacts across Types of Mergers

	Target (Pre-merger) (1)	Acquirer (Pre-merger) (2)	Pre-merger combined CU (3)	All CU average (4)	Acquirer – Target (Difference) (5)	Impact of merger (net) (6)
All mergers	3.51	3.15	3.17	3.20	-0.36	0.14
Absorptions	4.76	3.22	3.24		-1.54	0.21
Acquisitions	2.81	2.57	2.60		-0.24	-0.02
Mergers of equals	3.47	3.67	3.59		+0.20	-0.25

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Why do Credit Unions Merge?

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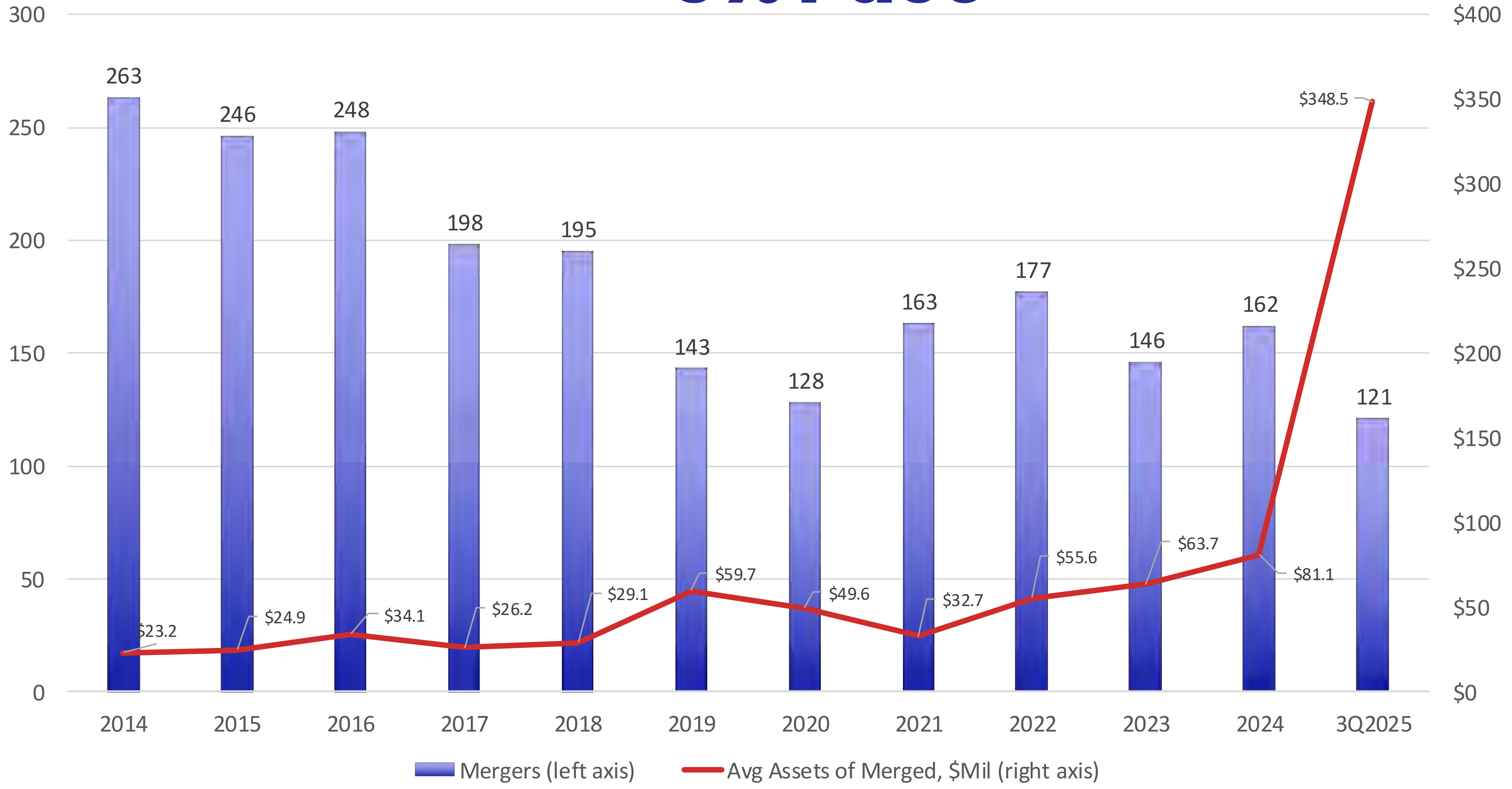
CU Mergers Most Often Benefit Members of Smaller, or Troubled, Targets

- Far larger CUs on average have better performance than far smaller CUs across most measures of member-centric and financial performance: loan and deposit rates, product breadth, loans per assets, ROA, growth, etc.
  - Members of "deeply troubled" CUs that merge benefit by continuing to belong to an ongoing CU
    - Regulatory encouragement, assisted mergers, purchase and assumption transactions (P&As)
  - Where is the boundary between a "little troubled" and "deeply troubled"?
    - CUs with retiring CEOs
    - CUs with less dynamic managers, low loan volumes, narrow offerings, poor pricing, and poor growth
- Thus, in many mergers, members of smaller targets benefit from having access to the pricing, product ranges, and technology platforms of their acquirers.

Credit Union Merger Activity Continues at ~3% Pace



Note: Data Based on NCUA approvals

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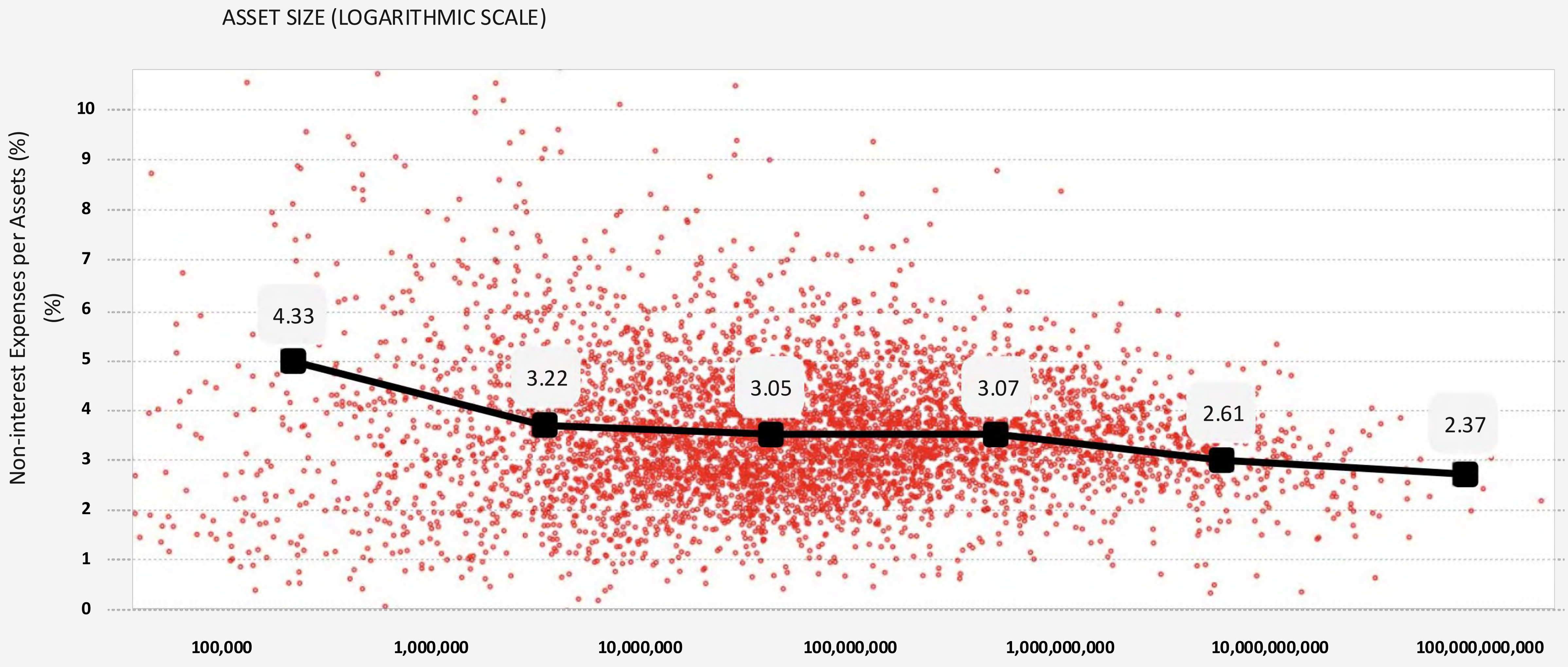
Driven by Need for Economic Scale



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CREDIT UNION MERGERS

A Game Without

"The FCCU/Valley Strong merger is a current and common example of the private, insider deal making around mergers of successful, long serving institutions. The CEO's and boards arranging these transactions put their self-interest and ambitions ahead of their member owners. Their actions are covered with rhetorical reasons about scale, technology investments and competition threats."

- Chip Filson

Do Mergers Benefit Acquirers' Members?

- Complex evidence of CU economies of scale
  - » Large cost differences across CUs with sizes that differ vastly (e.g., 100 times larger)
  - » Far smaller differences for smaller size differences (e.g., if "only" twice as large)
  - » Large dispersion within asset size ranges implies that
    - Simple cost control efforts may be more effective than attempts to add assets
    - Absorptions (the most common mergers) are highly unlikely to reduce costs substantially
    - Increasing revenues (e.g., by increasing loans per assets) may be more effective than cutting costs
- Mergers could benefit members beyond costs and pricing
  - » Adding products/skills (e.g., business loan officers, technology solutions), branch locations (for added convenience) that the target has, and that the acquirer did not have
- Managerial ego and distraction

Barriers to Finding the Best Fit

No data-driven approaches previously existed to identifying and assessing potential matches

Reliance on personal network

Difficult to determine determine who might might be interested interested

Traditionally negotiated as back room deals

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Introducing CUCollaborate's Merger Member Benefit Analysis

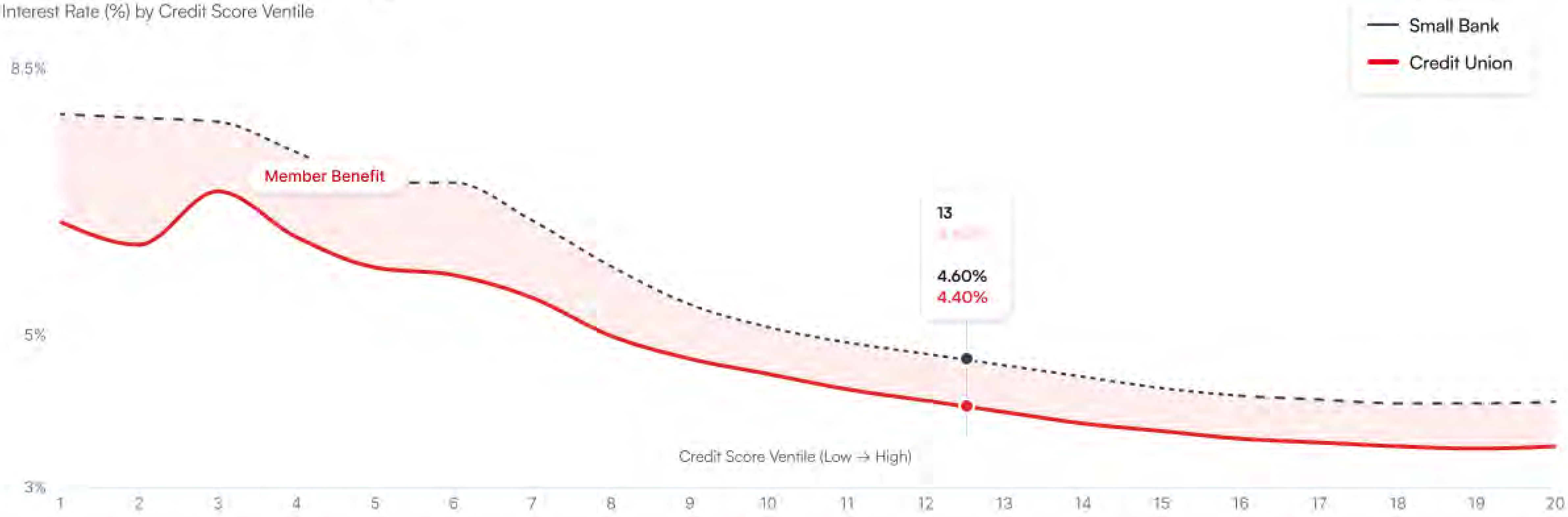
Personal Network	Merger Member Benefit
Generally consider one or two candidates	Consider hundreds of candidates
Non-competitive process	Competitive process
Non-standard process	Standard process
Lack of objective/biased advice	Objective/unbiased advice
Lack of transparency	Full Transparency

Credit Union Value Story

Strategic Overview: Q4 2024

Credit Union vs. Bank Pricing

Interest Rate (%) by Credit Score Ventile



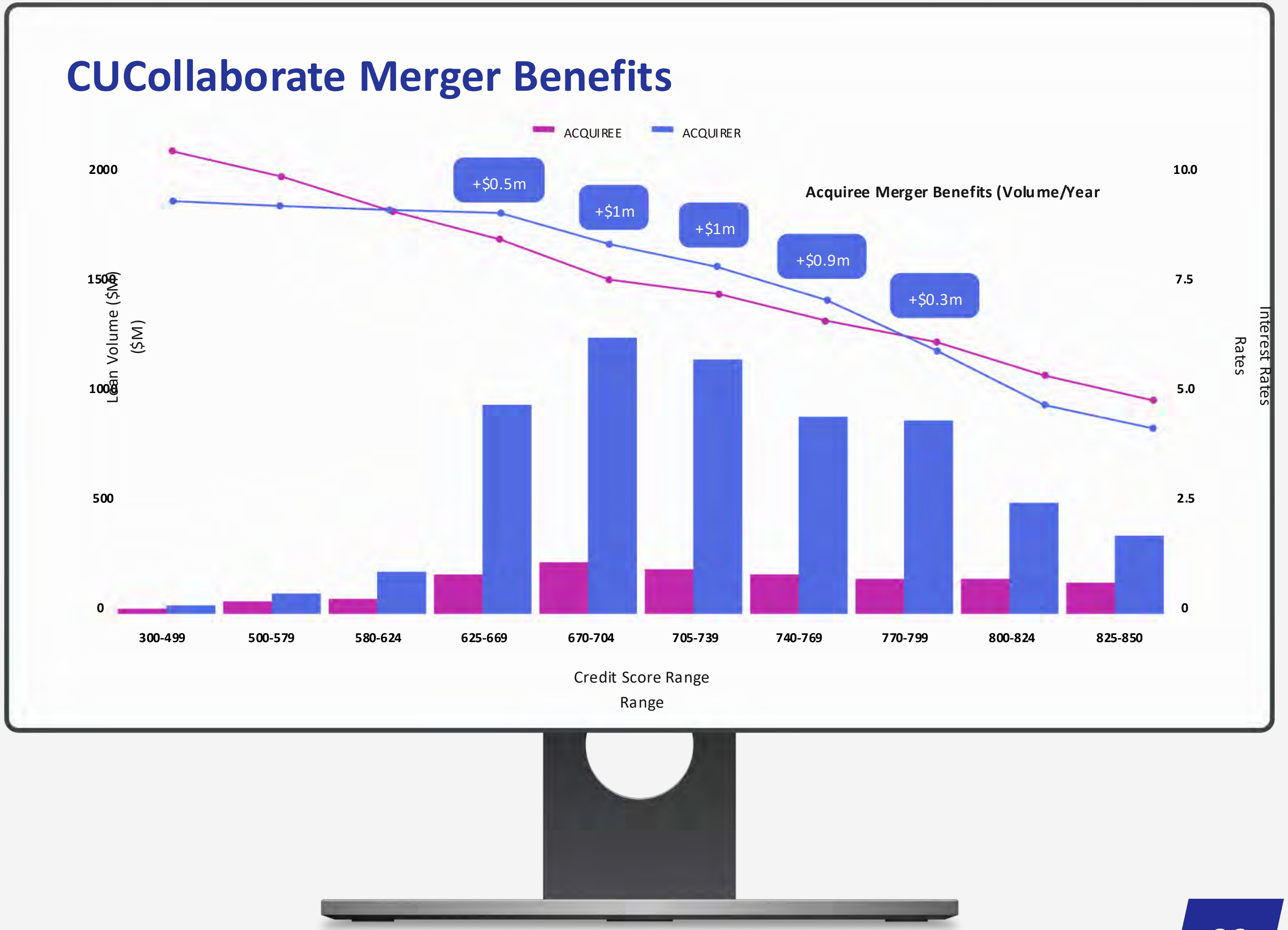
Delivering Direct Member Value

This chart illustrates our competitive advantage. By maintaining pricing (solid red line) consistently below the market average for small banks (dashed line), we return significant value directly to our members. The shaded region represents this tangible "Member Benefit"—the money our members save by choosing us ove[r] a traditional bank.

A Risk-Based Member Analysis to Better Assess Fit

Leverage **nonpublic AIRES data** to identify identify the credit unions with business business models that would best serve serve and support the members of a potential merger partner.

This guarantees the best results for the the members of the credit union being being absorbed, AND the surviving credit credit union. The members of the absorbed credit union now has access to access to superior pricing, meaning they they are much less likely to attrit.



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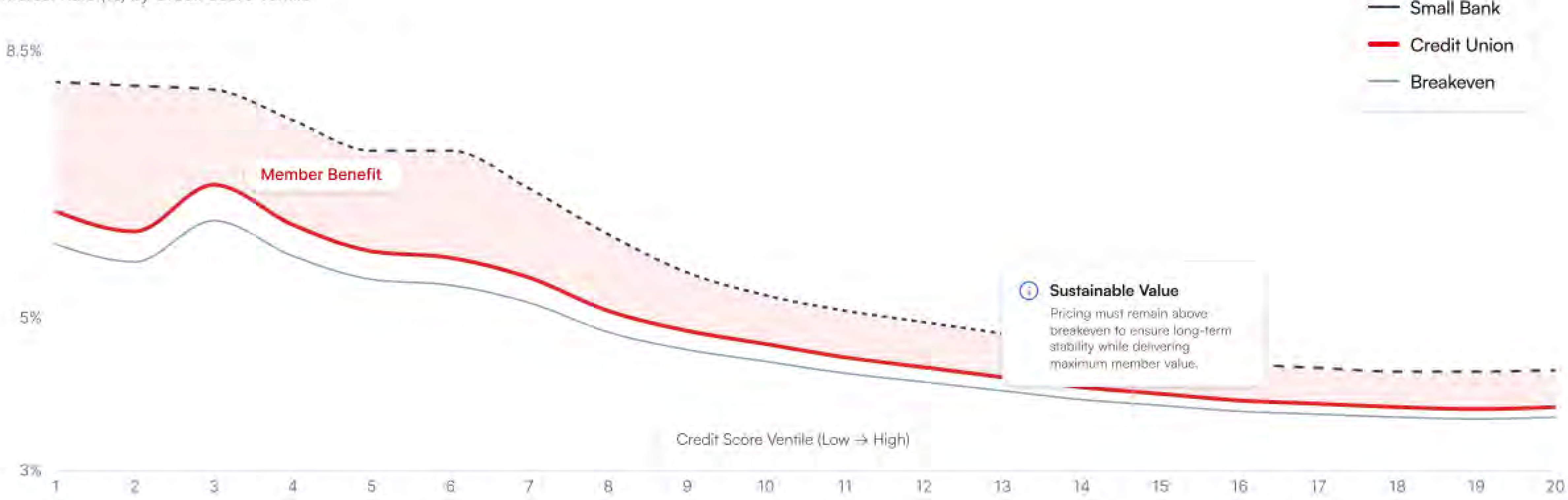
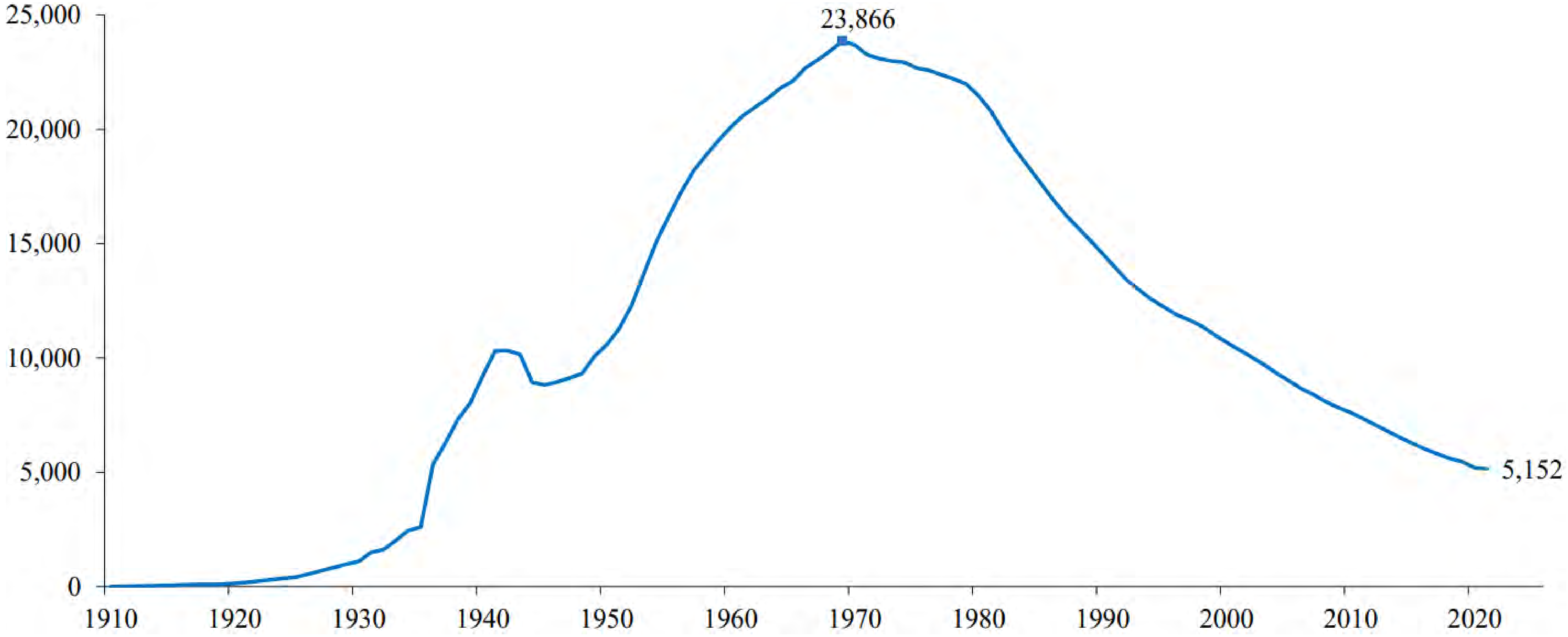


Balancing Value with Sustainability

While our mission is to maximize member benefit, we operate with financial discipline. The "Breakeven" threshold (gray line) illustrates our operational floor. Our strategy is to price as clos floor as safely possible—maximizing the spread of member value while ensuring the long-term solvency and growth of the credit union.

A Tangent

Number of U.S. CUs (Again)



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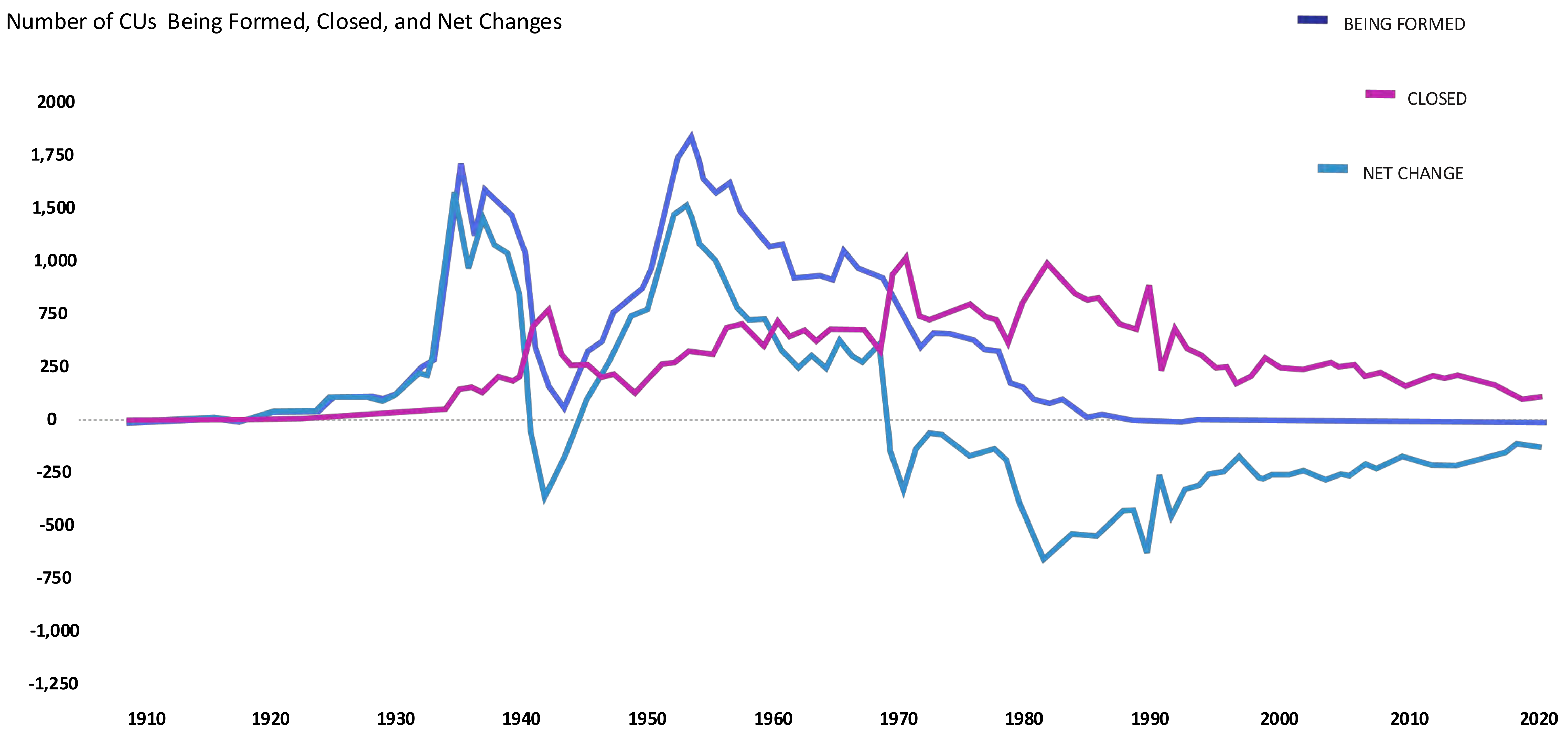
More Challenging Than Ever to Ensure the Sustainable Operation of a New Credit Union



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Participant Level

Movement Donation

To promote the continual growth of the Credit Union movement, a fee equal to two basis points (0.02%) of the acquired credit union’s assets must be donated to help charter new charter new credit unions.

Summary, Thanks, and Questions?

- CUs' growing market presence
  - » Served by a shrinking number of larger CUs with expanding FOMs
- During the last five decades
  - » The number of credit unions is falling largely due to a dearth of new CUs
  - » Mergers transfer members from worse to better performing CUs
  - » The impacts of mergers on acquirers' members are complex and limited
- During the decades ahead
  - » Current patterns are very likely to continue
    - Large numbers of smaller CUs with worse performance will continue to merge into large ones
    - Mergers of large equals will both continue to attract attention and be rare

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