



SKYWAY
CAPITAL MARKETS

STRATEGIC CONSIDERATIONS

- Impact on:
 - Loan to Share
 - Liquidity
 - Branch Footprint
 - Product Offerings
 - Culture
- Business lending/deposits/services
- Capital ratios: PCA and Risk-Based (goodwill)

STRATEGIC CONSIDERATIONS

- People: C-suite; lending; succession planning (board/management)
- Growth: new markets; new products and services; new members
- Profitability: efficiency (elimination of redundant operations, consolidation of corporate offices, increase in critical mass which should reduce unit costs); existing branches, deposits, customers vs. de novo branching

STRATEGIC CONSIDERATIONS

- New business opportunities: consumer lending; credit cards (interchange revenue); etc.
- Pro-forma return on investment
- Impact on field of membership
- Regulatory review process
- Bank customer education about credit unions
- Cost of contract terminations

STRATEGIC CONSIDERATIONS

- Transaction form:
 - Merger
 - Tax treatment
 - Contingent liabilities
 - Definitive agreement
 - Purchase of assets & assumption of liabilities (P&A)
 - Tax treatment
 - Contingent liabilities
 - Definitive agreement

LESSONS LEARNED

- Don't assume your team knows how to perform due diligence
- Don't overly focus on the book value multiple
- Take the time to get to know the targets primary borrowers and depositors before merger date

LESSONS LEARNED

- Be prepared to implement a proactive marketing plan on merger date plus one
- Train the bank staff, especially front-line staff, on what it means to be a member of a credit union
- Don't plan for closing the merger and consolidating the core systems on the same day

LESSONS LEARNED

- Develop a public relations plan for both organization's external and internal stakeholder's
- Be careful who and how many are brought into the "circle of trust" before the public announcement of a transaction
- Focus on making the bank staff feel like they are a part of the credit union family

QUESTIONS???