

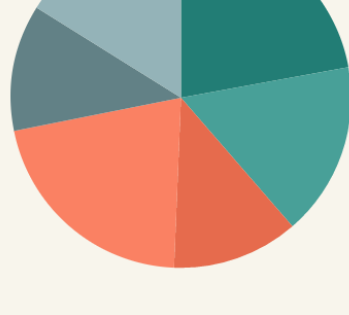
Patronage Dividends

A Callahan Study

A 2015 Callahan & Associates survey of 466 credit union CEOs and CFOs reveals attitudes and activity surrounding patronage dividends.

A Mixed Bag

Survey Participants By Asset Size



■ \$1B+ (22%) ■ \$500M - \$1B (17%) ■ \$250M - \$500M (12%) ■ \$100M - \$250M (21%) ■ \$50M - \$100M (12%)
■ < \$50M (16%)

Not A Mixed Bag

Do You Offer Patronage Dividends?



■ Yes (11%) ■ No (89%)

Pro\$ And Con\$ To Paying A Patronage Dividend



- Builds loyalty
- Promotes value of cooperative
- Good publicity and marketing
- Members feel like they're getting something valuable for their membership
- Good way to manage net worth without embedding cost to members
- Great way to equitably return excess capital
- Rewards savers



- Members start to expect it
- Difficult to track return on the investment
- Capital not available to support future growth
- Difficult to make it fair for borrowers and savers
- Members can misinterpret how it is calculated
- Some members feel it is insignificant



Benchmarks For Issuing A Patronage Dividend



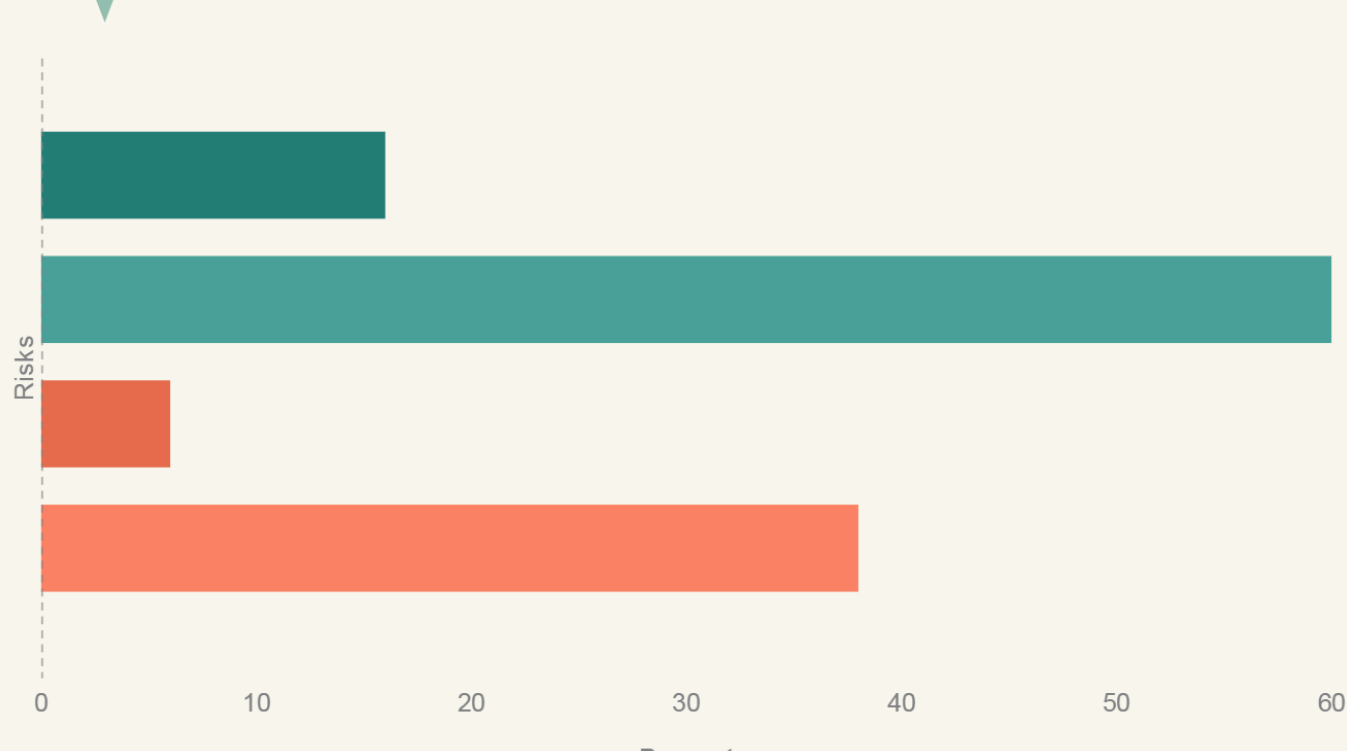
■ Share Growth ■ Competition/Peers Issuing ■ Budget Indicators ■ Regulators ■ Other

"Other" Includes ...

- Positive net income
- Parameters set by board
- Exceeding budget goals/capital threshold
- Strategic net worth calculation
- ROA
- Net worth ratio
- Set PCA floor to 7%, calculate risk to set net worth minimum
- Competitiveness of deposit rates

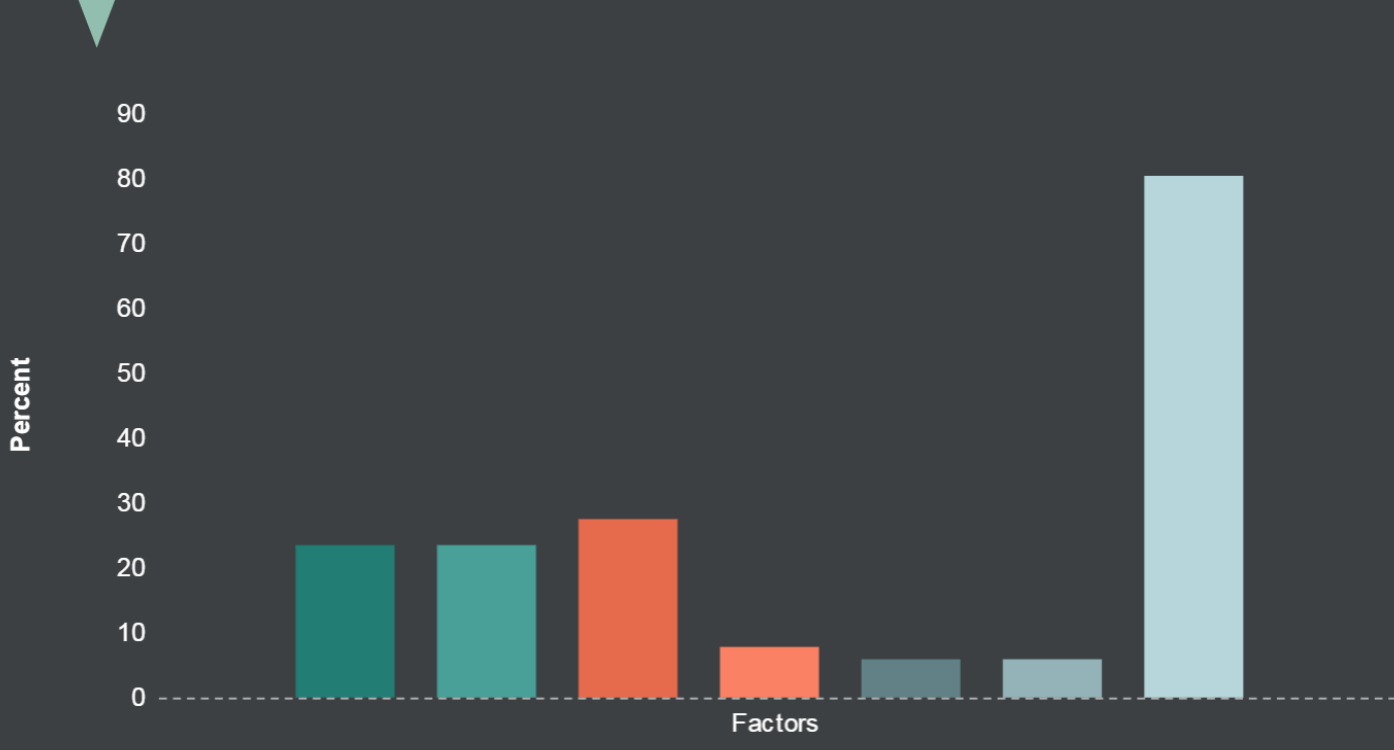


Risks Assessed When Paying A Patronage Dividend



■ IRR ■ Capital ■ Allowance for Loan Loss ■ Other

Factors To Calculate A Patronage Dividend



■ First Mortgages ■ Auto Loans ■ Percentage of Daily Share B. ■ Business Loan Relationship ■ E-Statement Enrollment ■ Active Online and/or Mobile ■ Other

Reporting The Patronage Dividend To Members



■ Marketing Campaign ■ Monthly Statement ■ E-mail Notification ■ Other ■ Call Center Campaigns