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EXECUTIVE SUMMARY

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Mapping Branch Profit Potential With GRFI's Regression Modeling

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Location Is Not the Most Important Factor in Profitable Branch Planning

Conventional wisdom supports "Location, Location, Location" as the primary key to high volume and high profitability for retail stores in general and bank or credit union branches specifically.

Unfortunately, too often the quest for a good location leads financial retailers into a poor or marginal market. If a site is good, but market potential is poor, it becomes virtually impossible to create a profitable operation.

Market Potential Must be Evaluated Prior to the Selection of a Strong Site

The evaluation of the positive strengths of a market, whether for existing or potential facilities, includes a study of various market factors. Site quality is an integral, **but not separate**, determining factor. Maximizing market potential hinges on an evaluation of the positive strengths of the consumer and retail/commercial business markets, as well as the negative impact of competition – how many and what types of competition are in the trade area.

Weighting Potential for GRFI Ltd. Regression Model

The GRFI Ltd. Regression Model is divided into four (4) factor groups as follows:

	Approximate Point Value	
Trade Area Factors	75%	
Competitive Factors	-15%	
Targeting Score		60%
Site Factors	25%	
Special Advantage Factors	15%	
Site Score		40%
TOTAL DEMAND SCORE		100%

Trade Area Factors

Trade area factors which positively or negatively affect the viability of the market include: trade area density, trade area quality, population growth, age profile, and household income factors. Logic and our regression data support the premise that population, demographics and future growth potential in a market will supersede a good location. The relative strength of the market within our regression model accounts for an estimated 75% of an existing or potential site's score.

Competitive Factors

In addition to a strong market and a good location, the extent and type of competition is extremely important when making any market/site decisions. A branch having fewer competitors will attract more customers from a simple supply and demand perspective. Therefore, the evaluation of a site must carry with it a heavily weighted evaluation of the market potential as well as the weighted negative influence of competition. On average, competition accounts for a negative 15% of the net potential determination of any new or existing financial facility.

Site and Special Advantage Factors

The remaining 40% of the evaluation score is derived from dynamic Site Factors and Special Advantage Factors. Site Factors include street placement, traffic, ingress/egress, visibility and parking. Special Advantage Factors account for a large draw potential, such as proximity to a primary or major destination, local "landmark" locational reference and/or proximity to a major traffic artery or interchange.

GRFI Ltd. Regression Model Deposit Potential Prediction

When all of the factors within the four segments of the model are determined a point score is generated. This point score is used to project potential deposits, fee income and related financial product sales and revenues for a financial institution. GRFI's projections simulate the revenues of an operating financial institution within +/- 7% accuracy.

Financial Impact of Branch Developments

With potential deposits, GRFI can then run a Breakeven, Payback and Capital Recoup Analysis to simulate branch operations and forecast revenues for the facility. Comparing up to date construction and operating expenses against projected revenues, a distribution strategy can be planned according to realistic and manageable timelines and resources.

Prioritize Development Opportunities

With the projected revenues from one or more potential sites, optimum development strategies may be implemented to maximize and prioritize profit potential. ✦