



CU INDUSTRY TRENDS

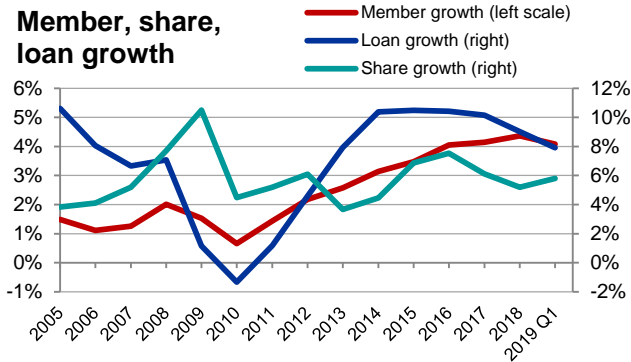
National Association of Federally-Insured Credit Unions

NAFCU's Quarterly Report on Industry Trends by Region and Asset Class

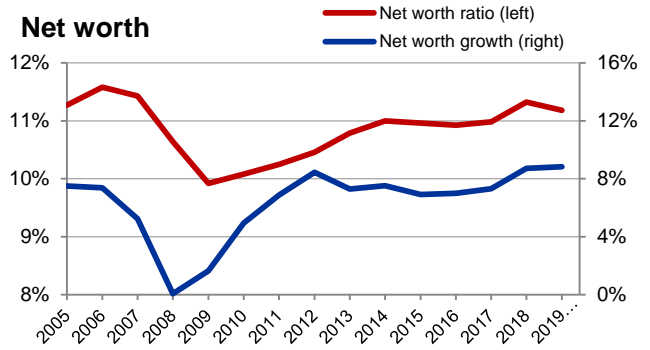
Industry Performance Measures

- Member and loan growth declined in Q1, while share growth accelerated.
- Net worth growth is comfortably above asset growth, which has propelled capital ratios back to pre-crisis levels.
- ROA has been strong recently due to increasing net interest margins, but fee income continues to decline.
- Delinquency ratios plunged in Q1, and as a result credit union coverage ratios are at historic highs.

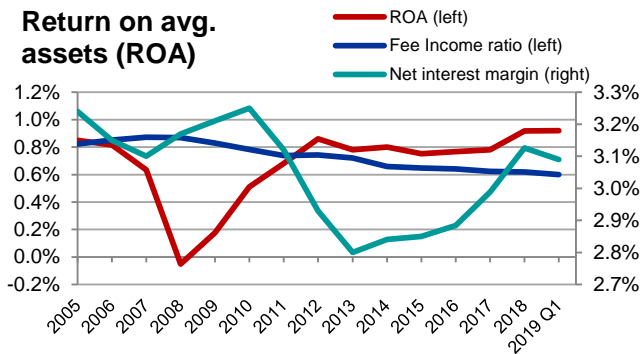
Member, share, loan growth



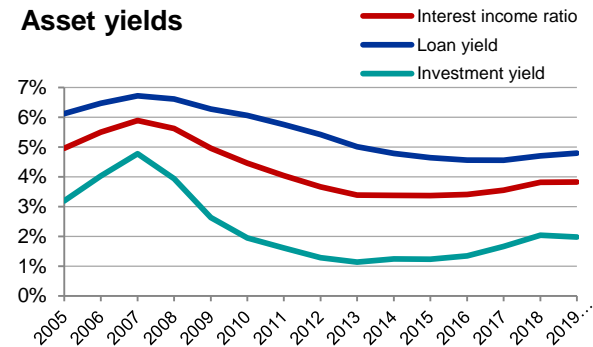
Net worth



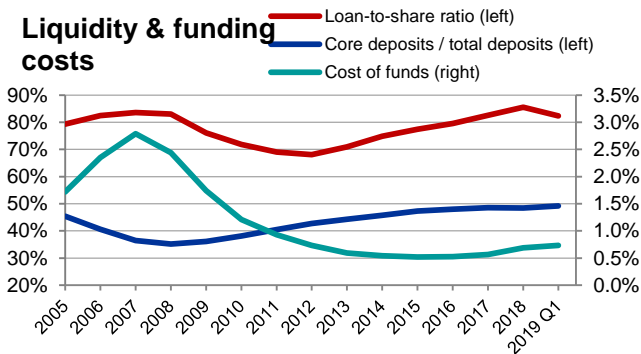
Return on avg. assets (ROA)



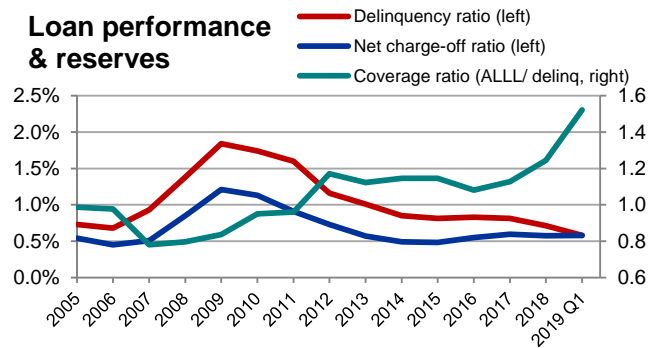
Asset yields



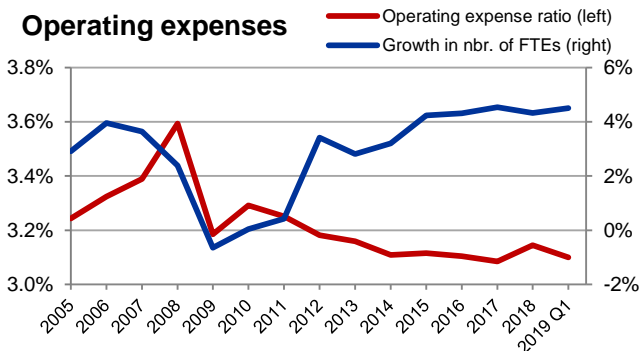
Liquidity & funding costs



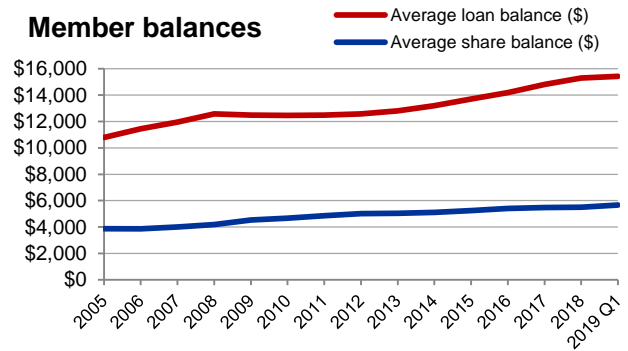
Loan performance & reserves



Operating expenses

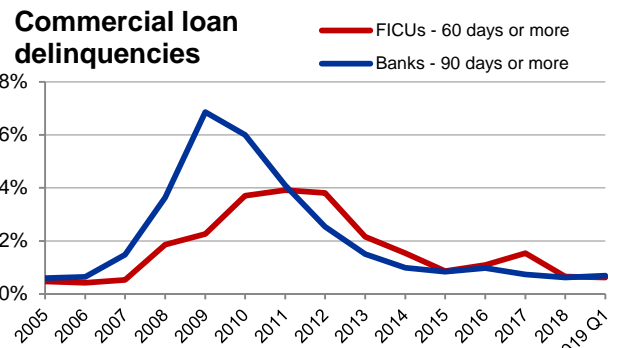
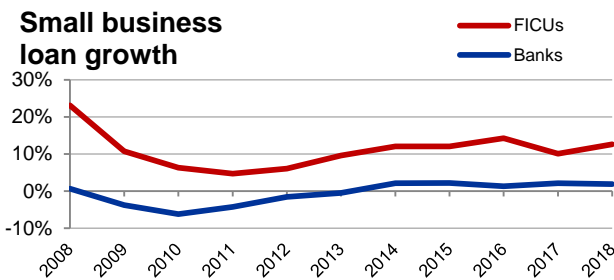
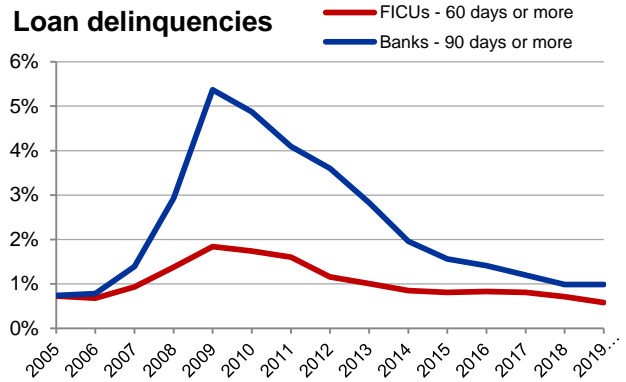
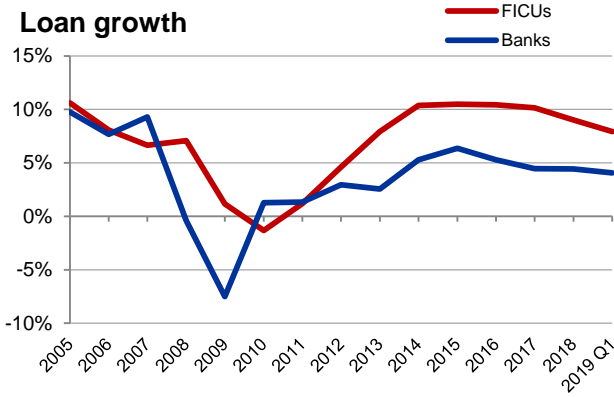


Member balances



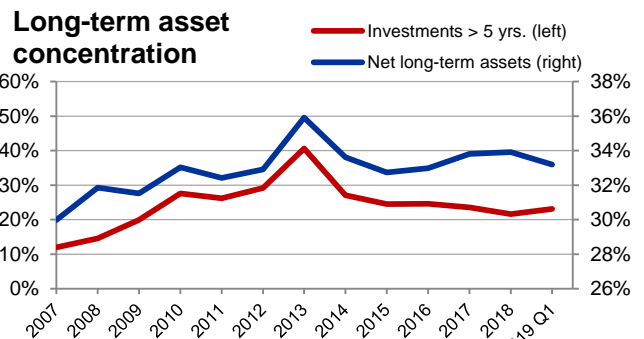
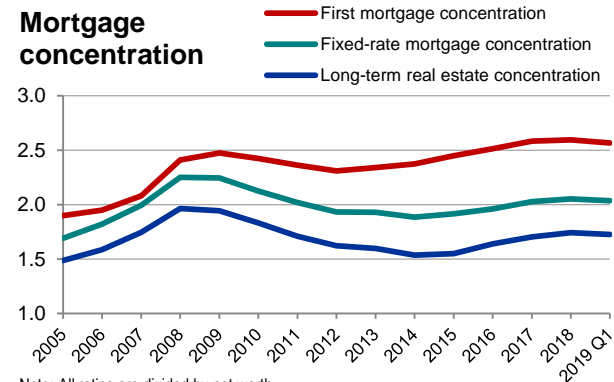
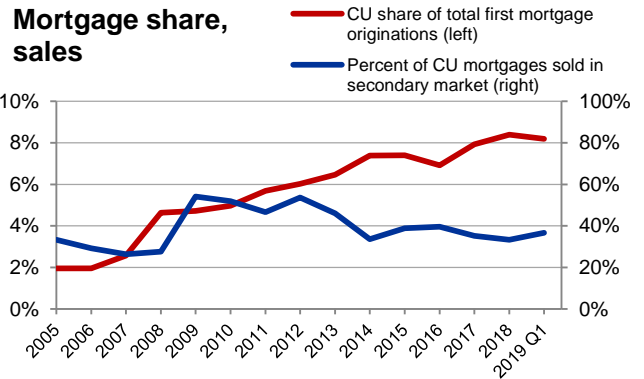
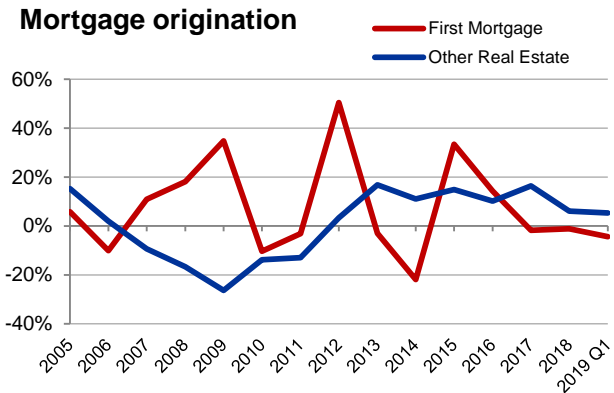
Lending

- Credit unions have stronger loan growth and performance than banks.
- Credit unions are expanding their lending to small businesses.
- First mortgage loan origination growth continues to sink further into negative territory.
- Credit unions originate over 8 percent of total first mortgage loans, but they sold more to the secondary market in Q1.
- Credit unions' net long-term asset ratio declined in Q1.



Notes: (1) Beginning in 2017q3, NCUA reports commercial loans. FICU figures for 2017/8 show annualized growth rates in comm. loans. (2) All FICU commercial loans/MBLs are assumed to be sm. bus. loans, which aligns with SBA treatment. (3) Prior to 2011 FDIC data only collected in June. Growth rates for prior years are between-year averages of June-to-June growth.

Note: Beginning in 2017q3, NCUA reports commercial loans. Figures prior to that show member business loans delinquencies.



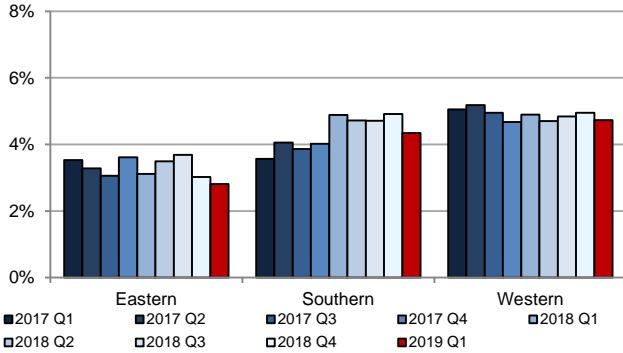
Note: All ratios are divided by net worth

Note: Investment concentration uses net worth as denominator; NLTA uses total assets as denominator

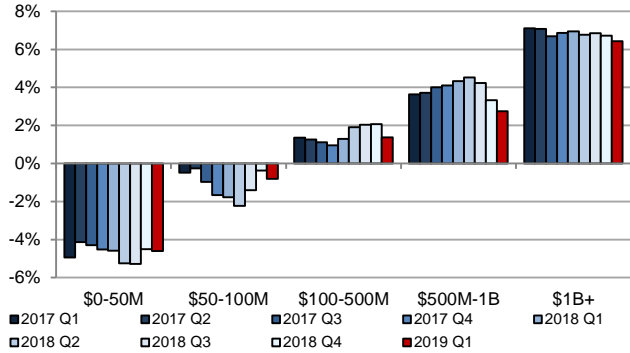
Growth

- Membership growth remains high, but sagged in the first quarter across all peer groups.
- Share growth held steady in the Eastern region, but rose in the Southern and Western regions.
- Loan growth is declining among all asset classes, but especially at large credit unions.
- Negative mortgage loan origination growth has led to slower growth in average loan balances.

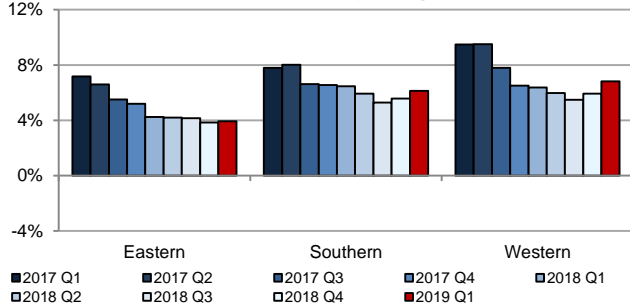
Member Growth (Y/Y) by Region



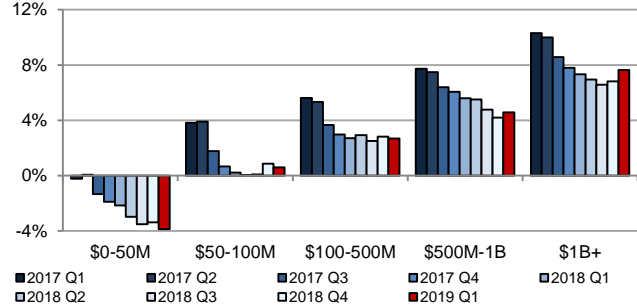
Member Growth (Y/Y) by Asset Class



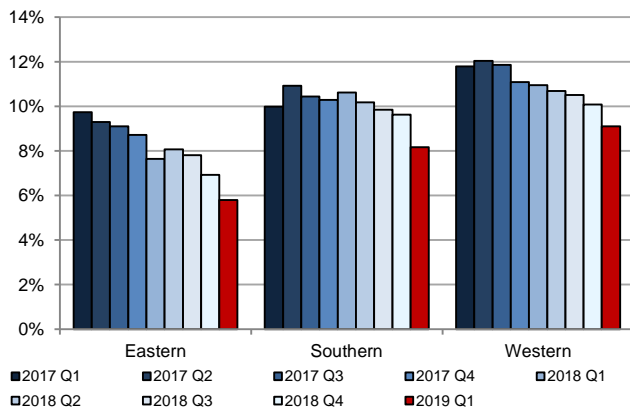
Share Growth (Y/Y) by Region



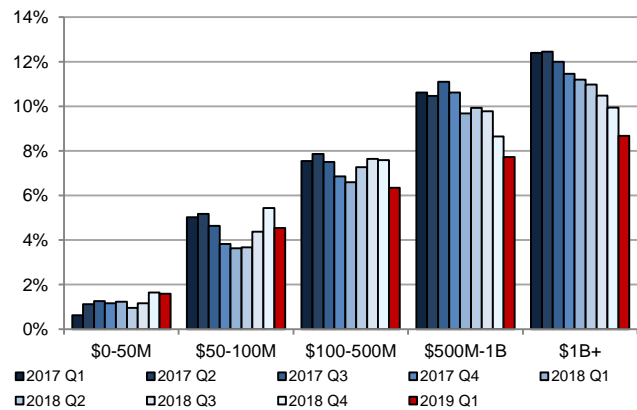
Share Growth (Y/Y) by Asset Class



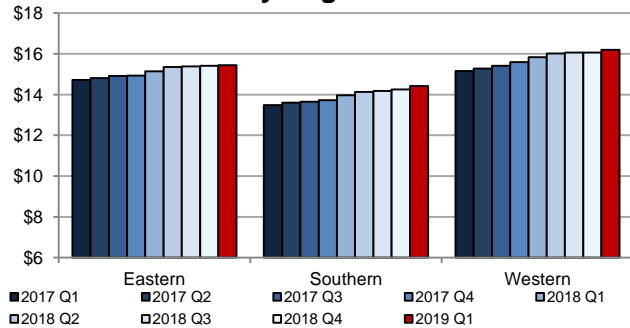
Loan Growth (Y/Y) by Region



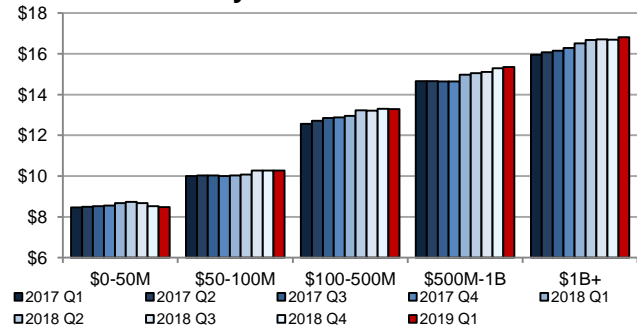
Loan Growth (Y/Y) by Asset Class



Avg. Loan Balance (\$000s) by Region



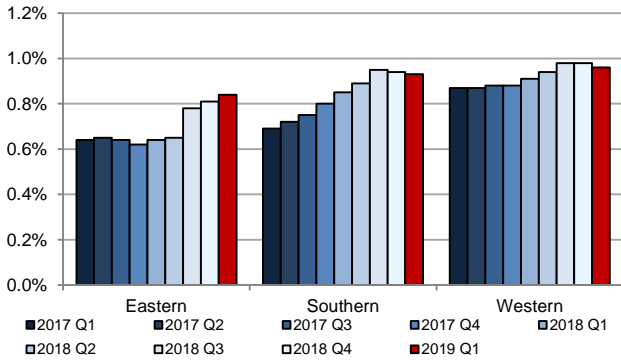
Avg. Loan Balance (\$000s) by Asset Class



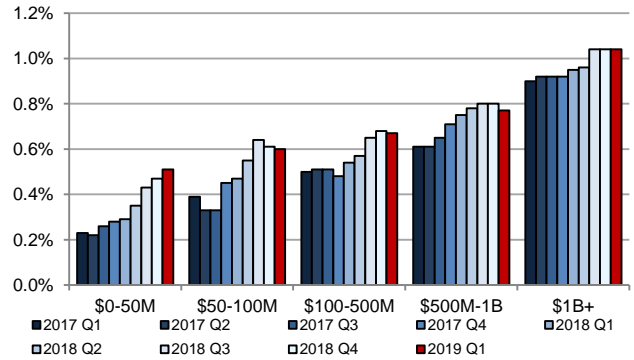
Earnings

- ROA improved in Q1 in the Eastern region, but was down slightly in the Southern and Western regions.
- Versus a year prior, net interest margins are up sharply across all peer groups.
- Loan yields continued to rise in Q1.
- As compared to a year ago, the \$500M - \$1B asset class had the largest decline in fee income.

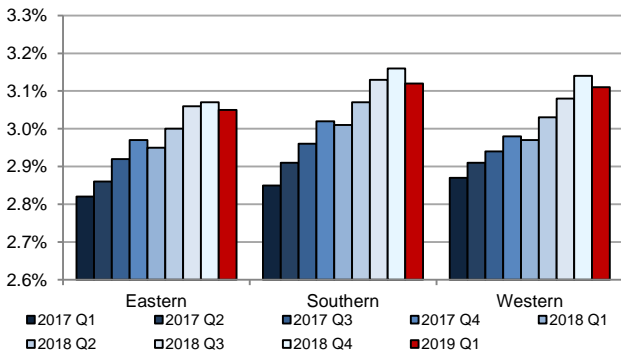
ROA by Region



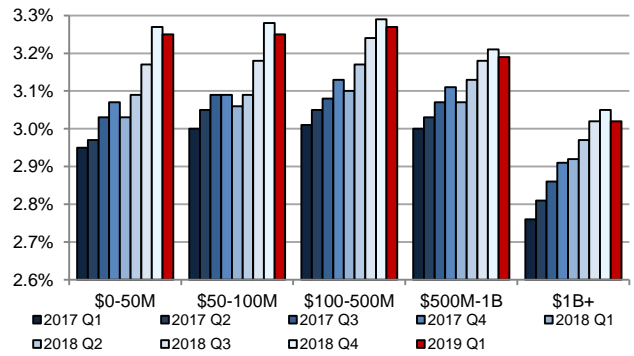
ROA by Asset Class



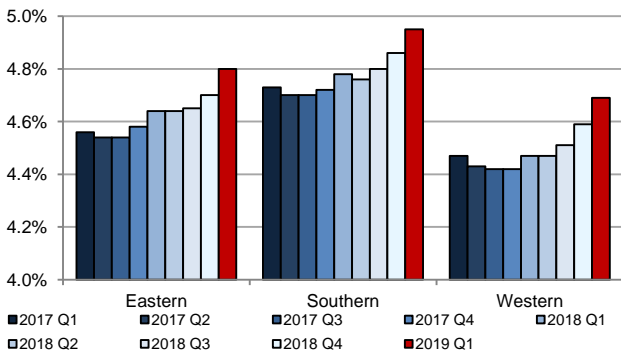
Net Interest Margin by Region



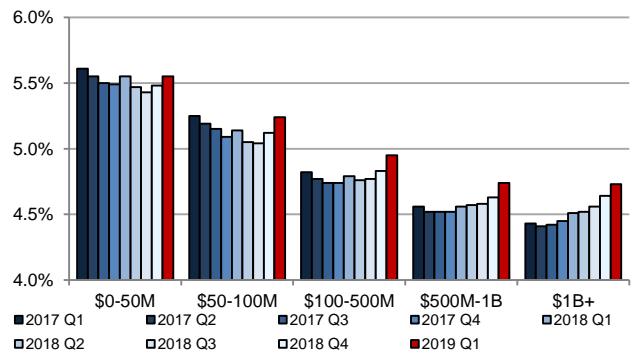
Net Interest Margin by Asset Class



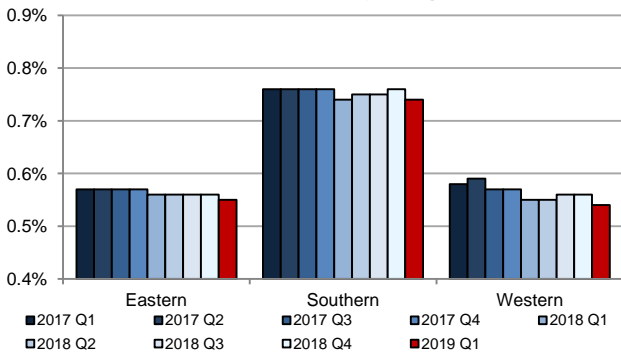
Loan Yield by Region



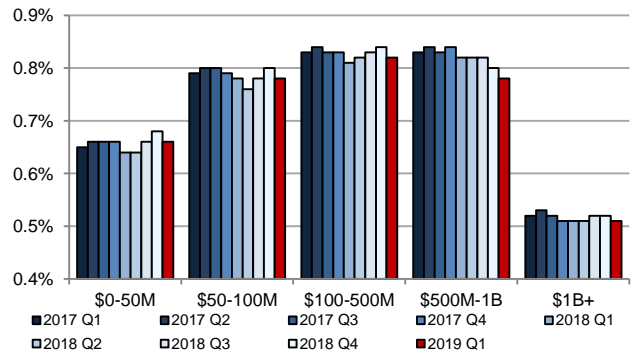
Loan Yield by Asset Class



Fee Income Ratio by Region



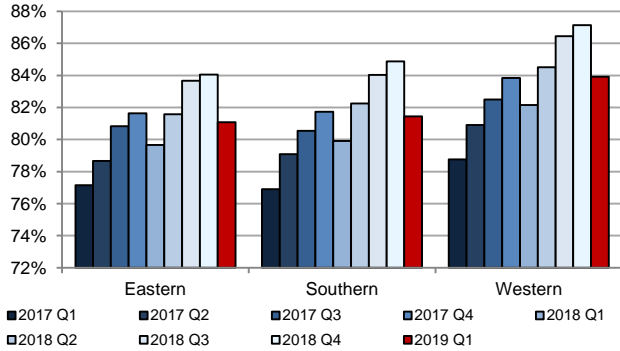
Fee Income Ratio by Asset Class



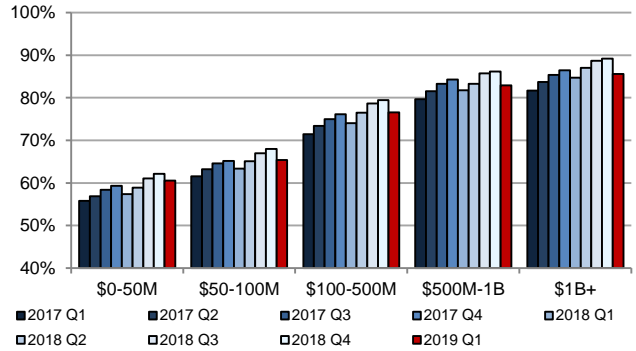
Liquidity & Funding Costs

- Despite their typical Q1 surge in share growth, credit unions' loan-to-share ratios are still well above year-ago level
- Meanwhile, core deposits are down versus a year prior at larger credit unions.
- Borrowings and non-member deposits rose over the past year for all but the largest credit unions.
- Cost of funds are rising for all peer groups.

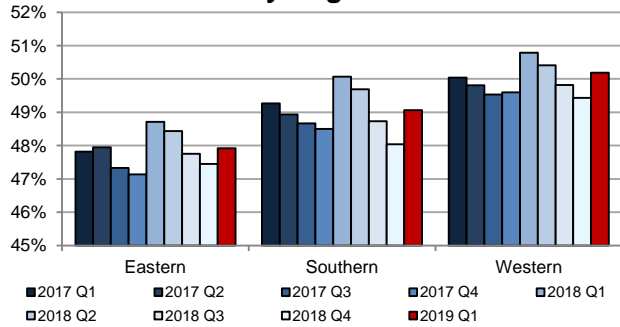
Loan-to-Share Ratio by Region



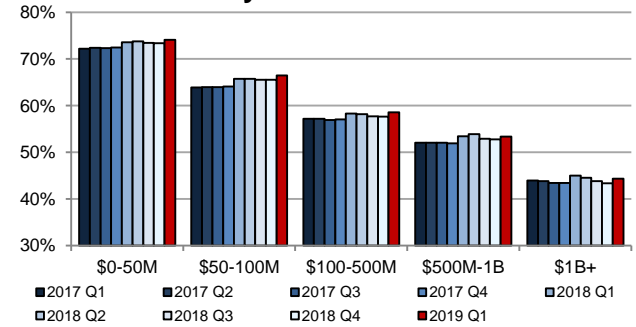
Loan-to-Share Ratio by Asset Class



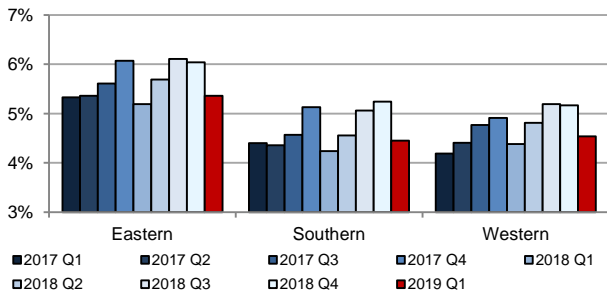
Core Deposits / Total Shares by Region



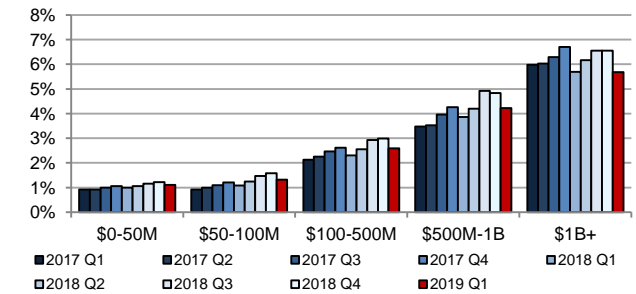
Core Deposits / Total Shares by Asset Class



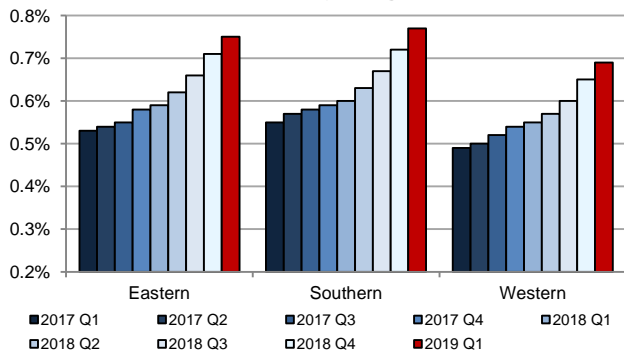
Borrowings + Non-Member Deposits / Total Shares & Liab. by Region



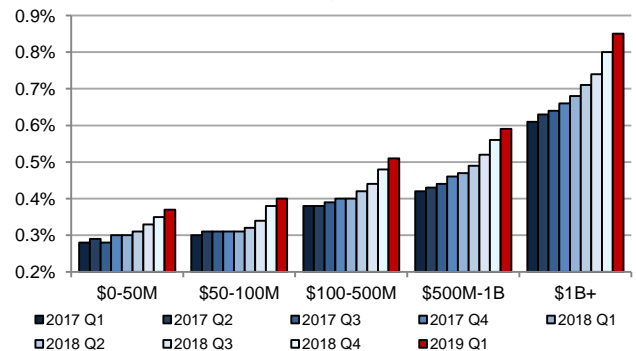
Borrowings + Non-Member Deposits / Total Shares & Liab. by Asset Class



Cost of Funds by Region



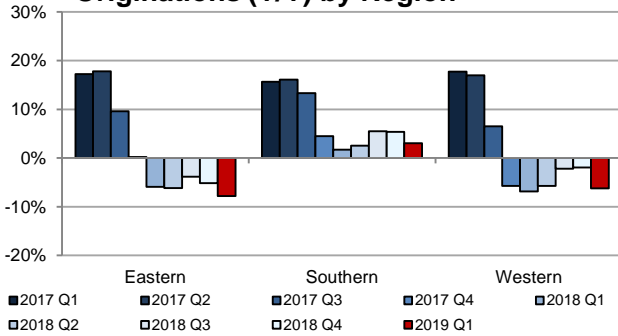
Cost of Funds by Asset Class



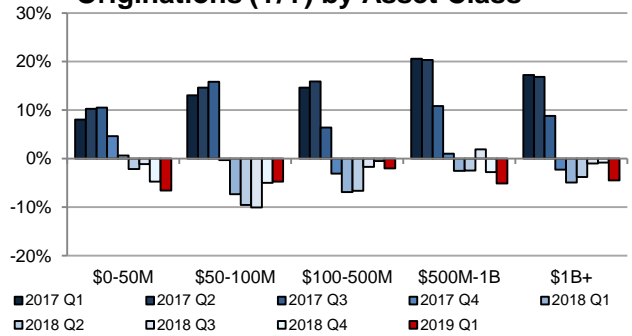
Loan Growth

- 1st mortgage originations declined across all asset peers in Q1, although the Southern region saw modest growth
- Other real estate loan growth surged in the Southern region in Q1.
- Commercial loan origination growth was positive for credit unions with \$1B+ in assets.
- Auto loan balances continue to trend down at the largest credit unions.

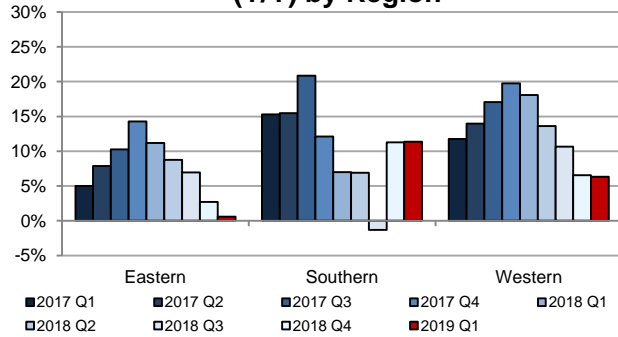
Growth in 1st Mortgage Loan Originations (Y/Y) by Region



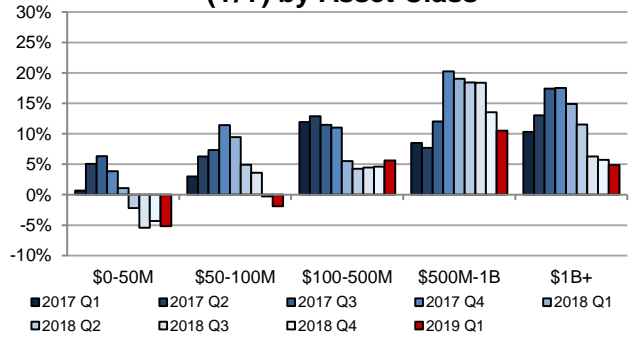
Growth in 1st Mortgage Loan Originations (Y/Y) by Asset Class



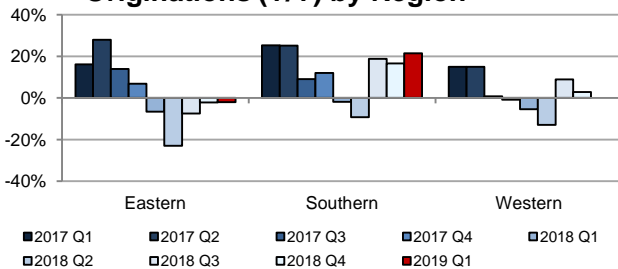
Growth in Other RE Loan Originations (Y/Y) by Region



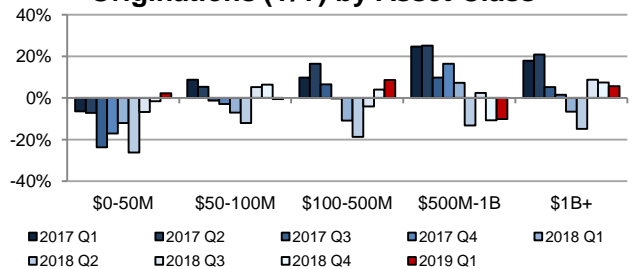
Growth in Other RE Loan Originations (Y/Y) by Asset Class



Growth in Commercial Loan Originations (Y/Y) by Region



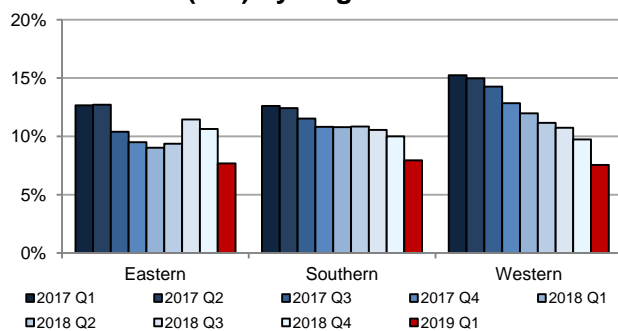
Growth in Commercial Loan Originations (Y/Y) by Asset Class



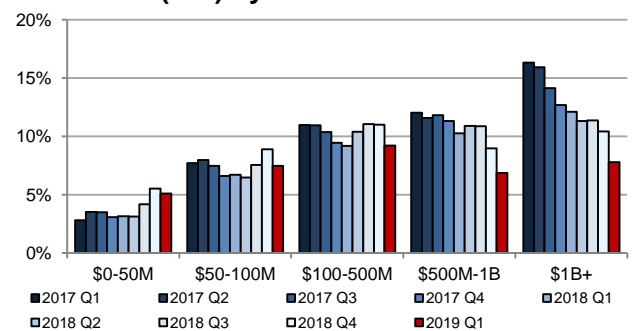
Note: Beginning in 2017q3, NCUA changed reporting of originations from MBLs to commercial loans. Growth rates are likely to be distorted over subsequent quarters.

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Growth in Auto Loans Outstanding (Y/Y) by Region



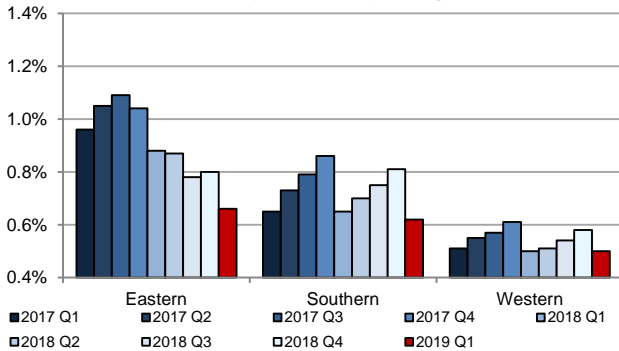
Growth in Auto Loans Outstanding (Y/Y) by Asset Class



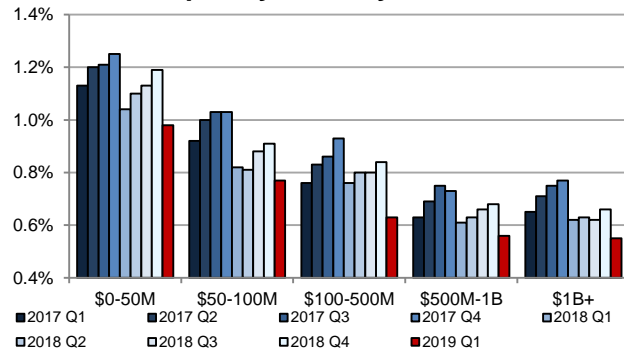
Loan Performance & Reserves

- Versus a year ago, delinquencies plummeted in the Eastern region and were flat in the Western region.
- Charge-offs rose slightly for the smallest credit unions, but were down from a year prior for other asset peers.
- Loan loss provision expense is trending downward among large credit unions.
- Reserves as a percent of total loans were well above their year-ago levels for every peer group in Q1.

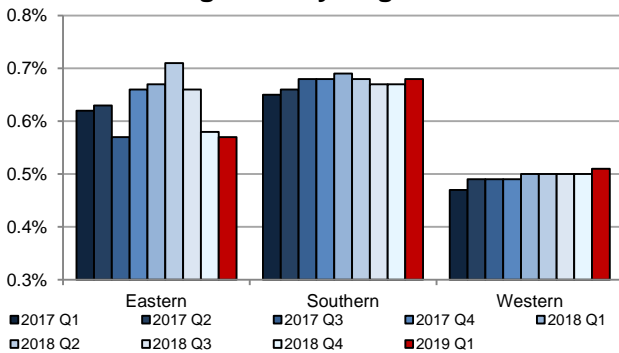
Delinquency Ratio by Region



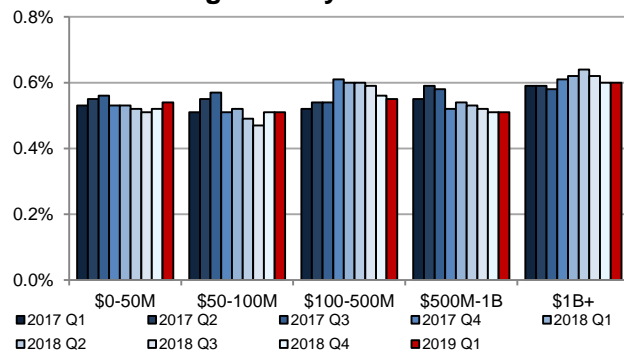
Delinquency Ratio by Asset Class



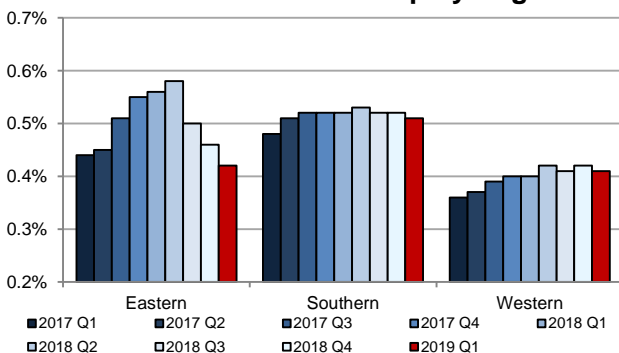
Charge-offs by Region



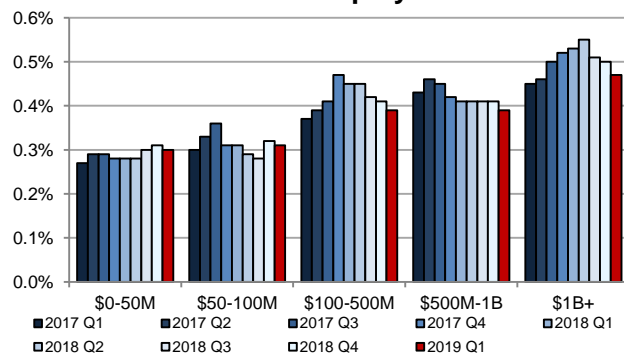
Charge-offs by Asset Class



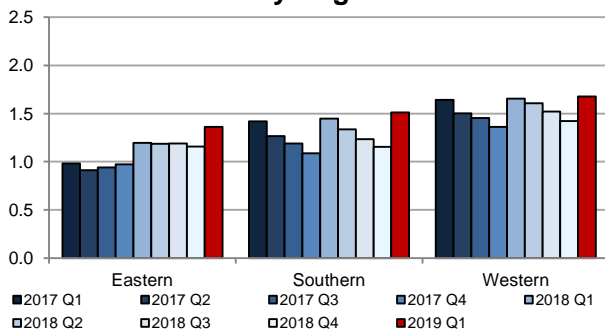
Loan Loss Provision Exp by Region



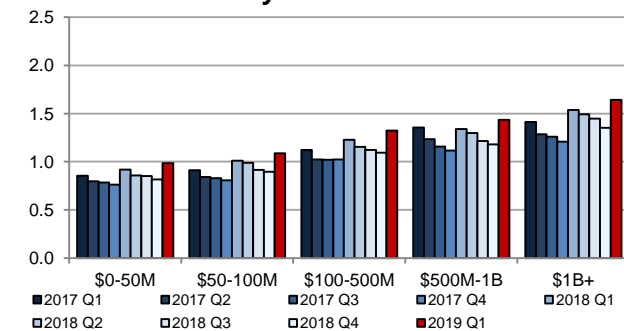
Loan Loss Prov Exp by Asset Class



Coverage Ratio (ALLL/ Delinq) by Region



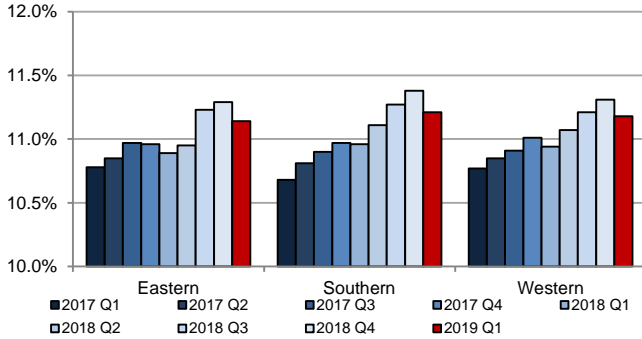
Coverage Ratio (ALLL/ Delinq) by Asset Class



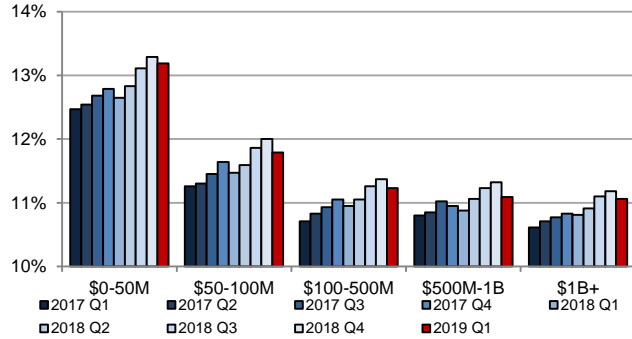
Net Worth & Asset Concentration

- From a year prior, net worth is up across all regions and asset classes.
- 1st mortgage concentrations declined in Q1, partly due to a rise in the share sold to the secondary market.
- Concentrations of long-term investments were down from a year prior for nearly every peer group.
- The net long-term assets ratio declined in Q1.

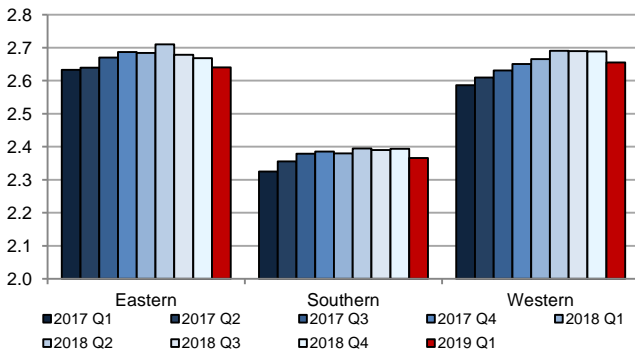
Net Worth Ratio by Region



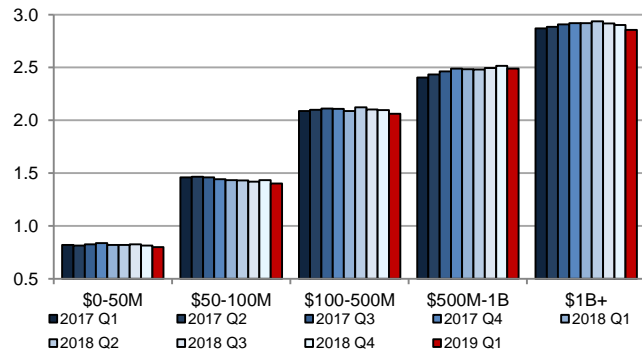
Net Worth Ratio by Asset Class



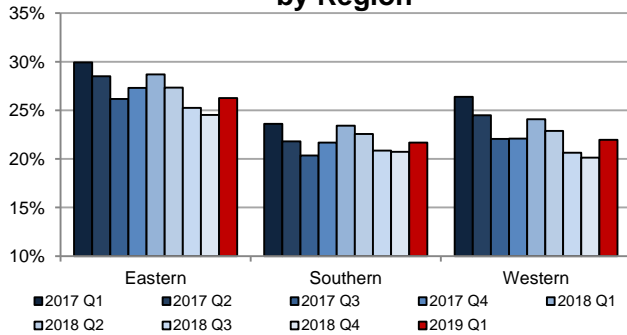
First Mortgage Concentration by Region



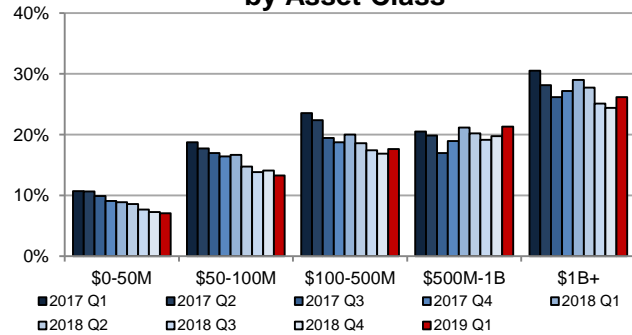
First Mortgage Concentration by Asset Class



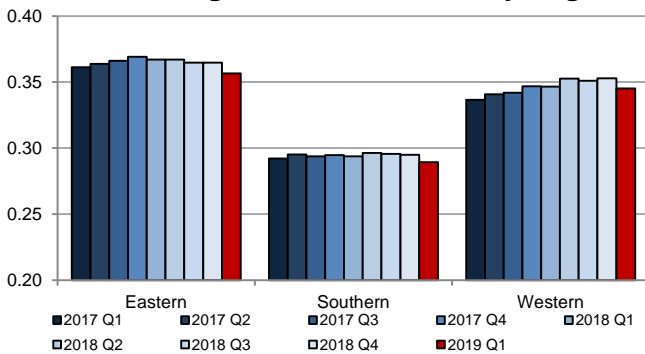
LT (>5 Yrs) Investment Concentration by Region



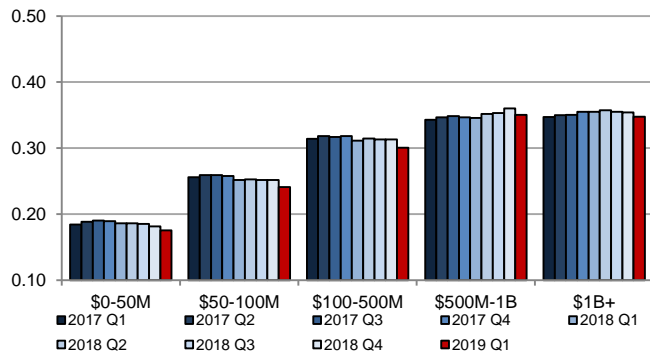
LT (>5 Yrs) Investment Concentration by Asset Class



Net Long Term Assets Ratio by Region

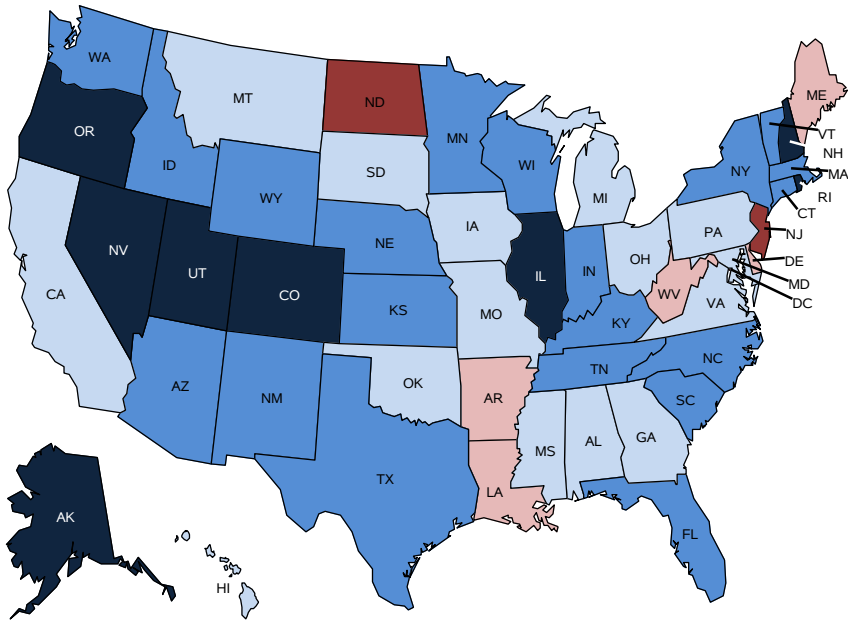


Net Long Term Assets Ratio by Asset Class

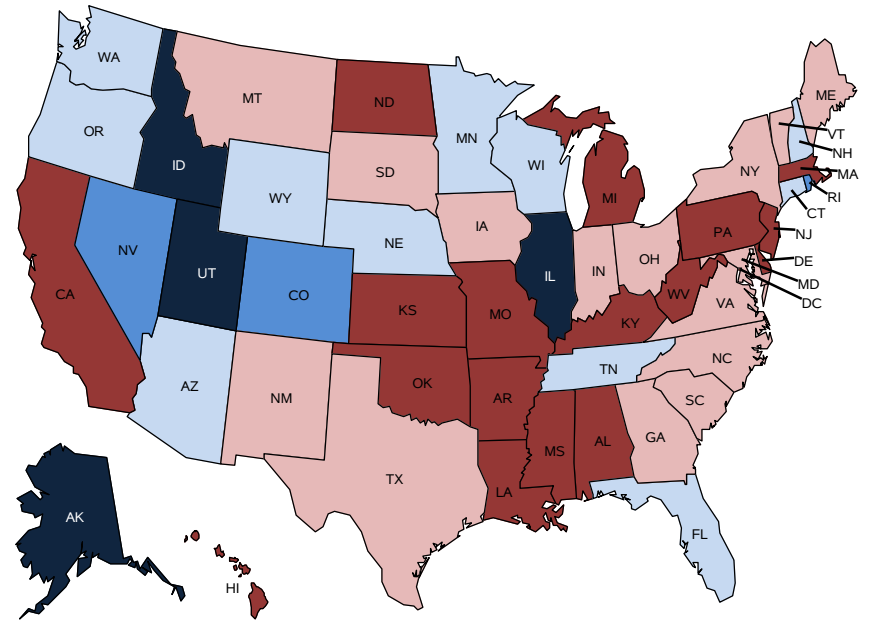
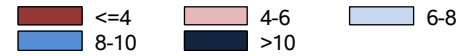


Selected FICU Statistics: State Averages

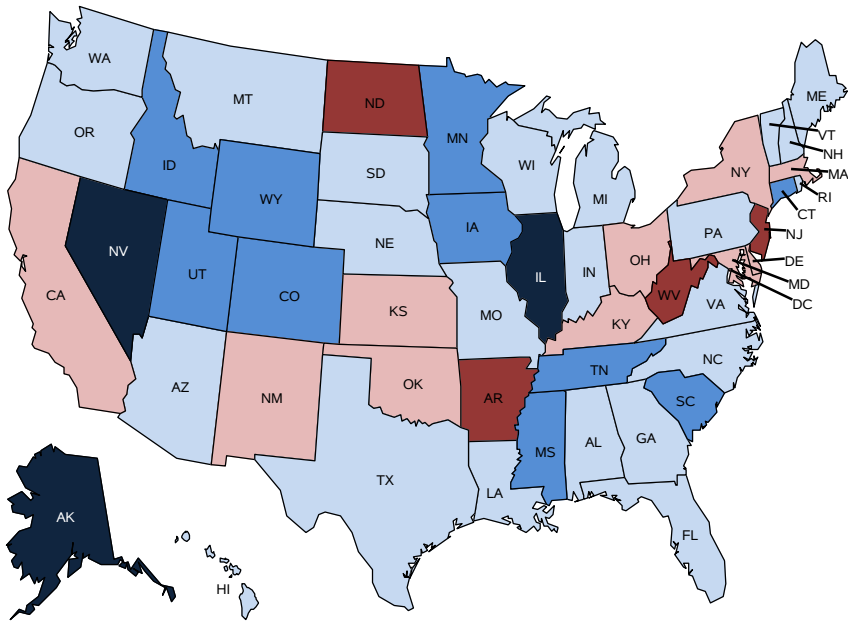
Membership Growth (%)



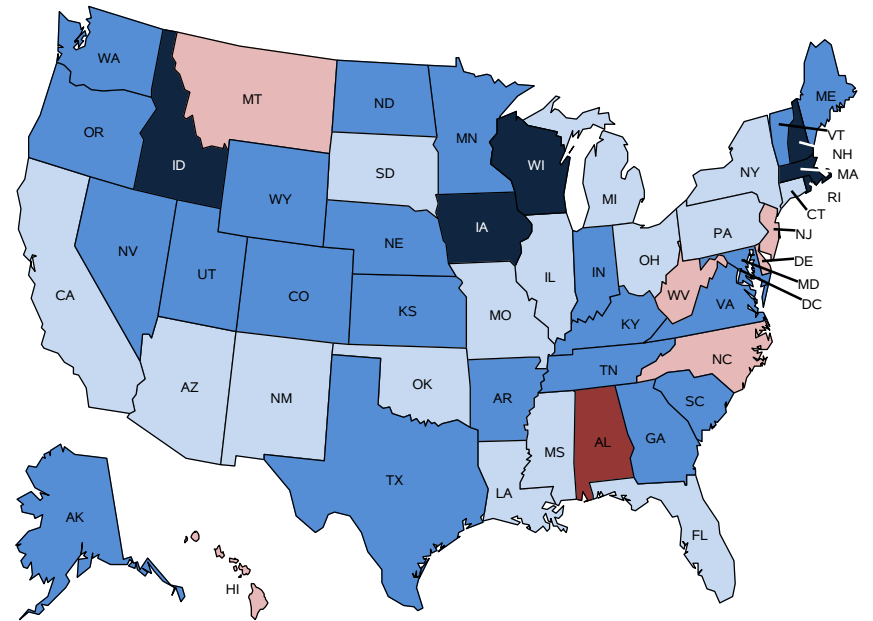
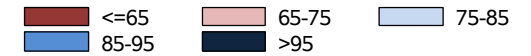
Share Growth (%)



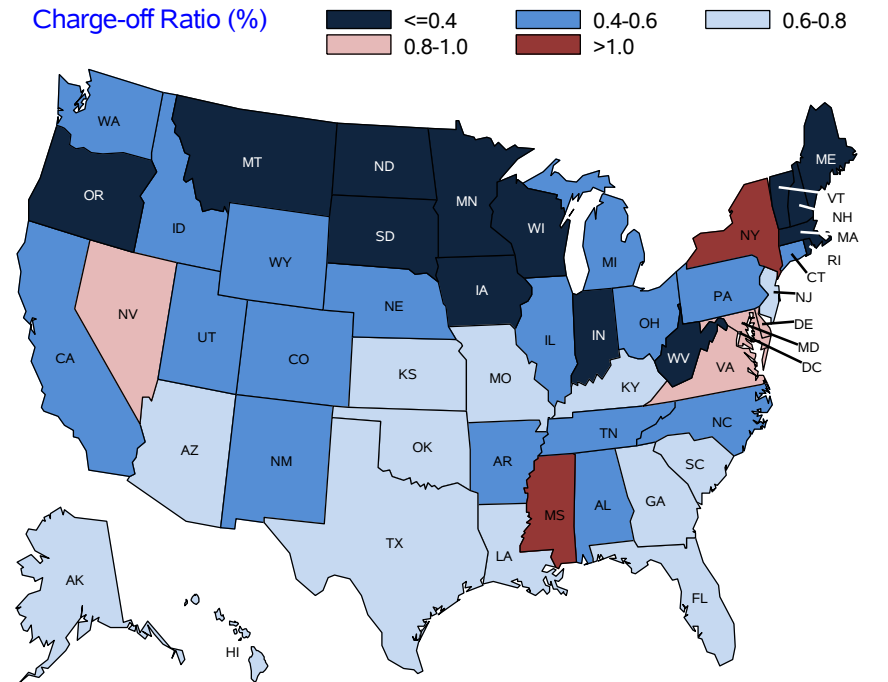
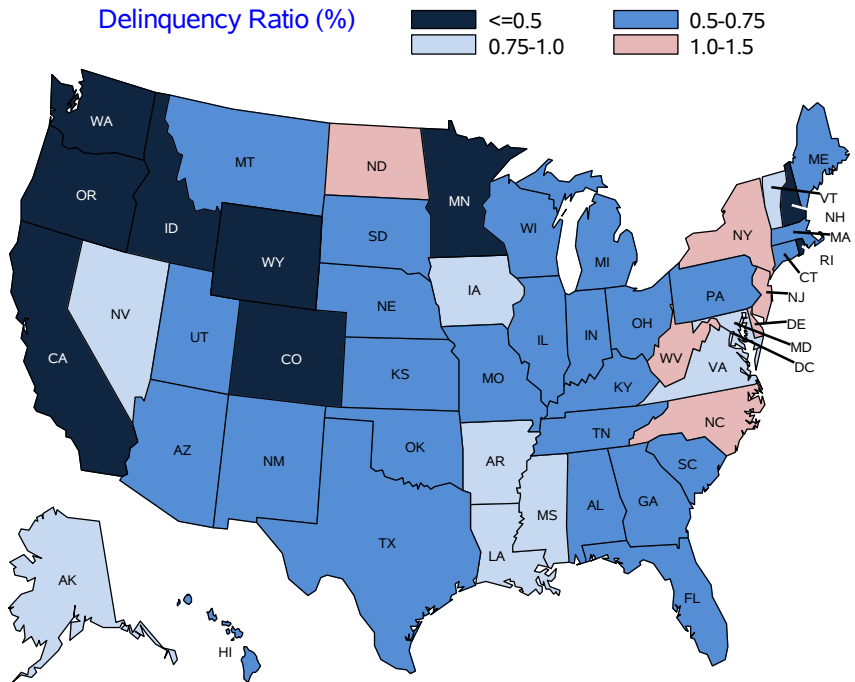
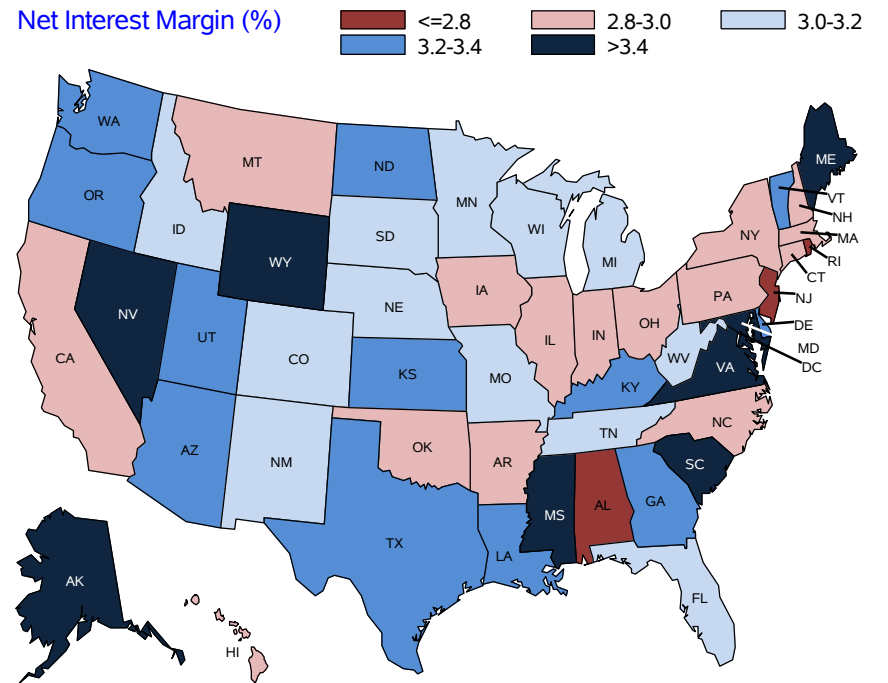
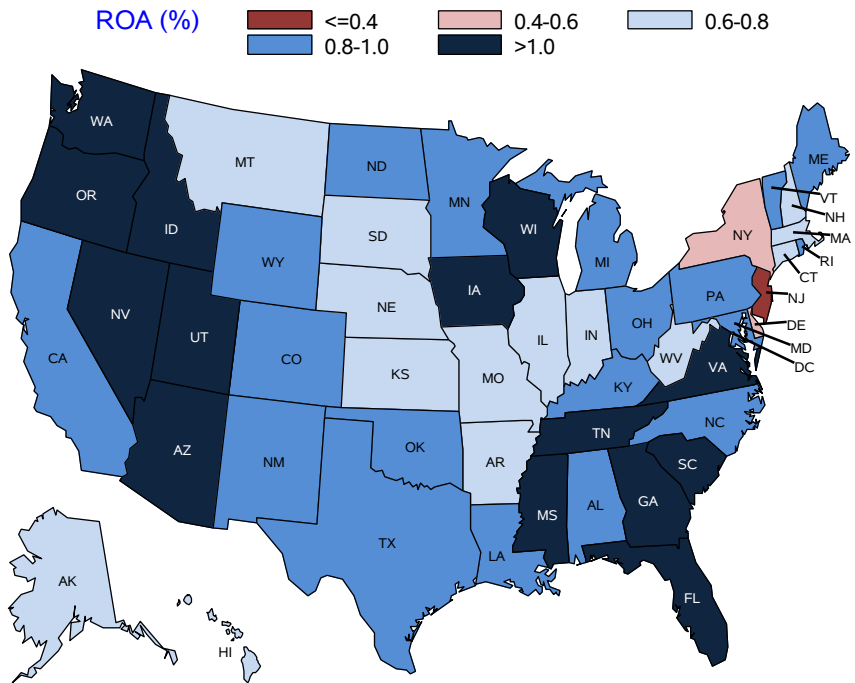
Loan Growth (%)



Loan-to-share Ratio (%)



Selected FICU Statistics: State Averages



Growth trends (y/y percent change)	Description	Definition- 5300 Account Number
Members		Acct_083
Shares		Acct_018
Loans		Acct_025b
Net worth	Reserves + retained earnings + net income + subordinated debt	Acct_997
Financial performance		
ROA including stab exp*	Net income/avg assets	(Acct_661a)***
ROA excluding stab exp*	Net income excl TCCU stabilization and NCUSIF premiums/avg assets	(Acct_660a)***
Net worth ratio	Net worth/avg assets	Acct_998/10000
Loan to share ratio	Total loans/total shares	Acct_998/10000
Avg Loan Balance	Total Amount of Loans & Leases/Number of Total Loans and Leases	Acct_025b/Acct_025a
Avg Share/ Deposit Balance	Total Amount of Shares/Number of Accounts for Total Shares	Acct_018/Acct_460
Loan Originations: First Mortgage	Year-over-year growth in 1st mortgage loan originations	
Loan Originations: Other Real Estate	Year-over-year growth in other real estate loan originations	
Loan Originations: MBLs	Year-over-year growth in MBL originations	
Loan Growth: Auto	Year-over-year growth in outstanding auto loans	(Acct_385 + Acct_370)**
Borrowings & NMDs	Borrowings & Non-member deposits/ Total shares & liabilities	(Acct_860c - Acct_781 + Acct_880)/(Acct_018 + Acct_860c + Acct_825a + Acct_a820a + Acct_825)
Core deposits	Regular shares and share drafts (core deposits)/ Total shares & borrowings	(Acct_902 + Acct_657)/(Acct_018 + Acct_860c - Acct_781)
Income & expense		
** SPLY= Same period, last year		
Net interest margin*	(interest income - interest expense)/avg assets	(Acct_115-Acct_350)***
Loan yield*	interest income/average loans	(Acct_110-Acct_119)*2/(Acct_025b+Acct_025b(SPLY**))
Investment Yield*	(Investments Income+Trading Profits and Losses)/(Total Investments+Total Cash on Deposit+Cash Equivalents)	(Acct_120+Acct_124)*2/((Acct_799I+Acct_730B+Acct_730C+Acct_799I(SPLY**)+Acct_730B(SPLY**)+Acct_730C(SPLY**)))
Interest Income*	Interest income/avg assets	Acct_115***
Cost of funds*	Interest expense/avg assets	Acct_350***
Fee income ratio*	Fee income/avg assets	Acct_131***
Loan loss provision*	Provision for loan loss expense/avg assets	Acct_300***
Loan quality & risk		
*** all over Avg assets = (Acct_010+Acct_010(SPLY**))/2		
Delinquency ratio	Delinquent Loans/Total Loans	Acct_041b/Acct_025b
Delinquency ratio: MBLs/ Commercial Loans	Prior to Sep 2017: Delinquent MBLs/Total MBLs outstanding; after: Delinquent commercial loans/Total commercial loans outstanding	Prior to Sep 2017: (Acct_041g1+Acct_041g2+Acct_041p1+Acct_041p2)/(Acct_400t-Acct_814e); after: (Acct_041g3+Acct_041g4+Acct_041p3+Acct_041p4)/Acct_400t1
Charge-off ratio*	Chargeoffs-Recoveries/Average Loans	(Acct_550-Acct_551)*2/(Acct_025b+Acct_025b(SPLY**))
Loan loss coverage ratio	Allowance for loan losses/ delinquent loans	Acct_719/ Acct_041b
Loan loss reserves	Allowance for loan & lease loss/total loans	Acct_719/Acct_025b
First mortgage concentration	Total first mortgage loans/net worth	Acct_703a /Acct_997
Fixed-rate mortgage concentration	Total fixed-rate mortgage loans/net worth	(Acct_704a+Acct_704b+Acct_704c+Acct_704e)/Acct_997
Long-term real estate concentration	Long-term real estate mortgage loans/net worth	(Acct_710-Acct_718-Acct_712) /Acct_997
Long-term investment (>5 yrs) concen.	Investments with maturities over 5 years/net worth	(Acct_799c2 + Acct_799d) /Acct_997
Net long-term assets ratio	Net long-term assets/Total assets	Prior to Sep 2017: (703+386-712+400T-814E+799C1+799C2+799D+007+008-718A+794)/010; after: (703A+386A+386B-712+400T1+799C1+799C2+799D+007+008+794)/010

*Ratio uses rolling 12-month sum in numerator

NAFCU's CU Industry Trends Report is available free to NAFCU members and trial members: www.nafcu.org/data-tool

Data Source: NCUA quarterly call report data from <http://www.ncua.gov/DataApps/QCallRptData/Pages/default.aspx>
 NCUA and NAFCU compute growth rates differently. NAFCU uses a four-quarter moving average to reduce seasonality.
 NAFCU distributes state and regional data by branch locations. NCUA uses headquarters location.

NAFCU peer group averages in this report will not match those found in NAFCU's Benchmark Report. The latter uses only those credit unions still in existence in the formation of region and asset class averages, while this report includes data from credit unions that have merged or been liquidated.

Net Income Components:

Interest Income	-	Interest Expense	+	Operating Income	-	Operating Expense	-	Provision for Loan & Lease Loss	=	Net Income
Loan Interest Investment Income		Dividends on Shares Interest on Deposits Interest on Borrowings		Fee Income Other Operating Income		Employee Compensation Travel Office Occupancy Office Operations Educational/Promotional Loan Servicing Professional & Outside Member Insurance Exam & Supervision Miscellaneous				

Performance ratios when divided by average assets:

Interest Yield on Assets	-	Cost of Funds	+	Operating Income Ratio	-	Operating Expense Ratio	-	PLLL Ratio	=	ROA
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