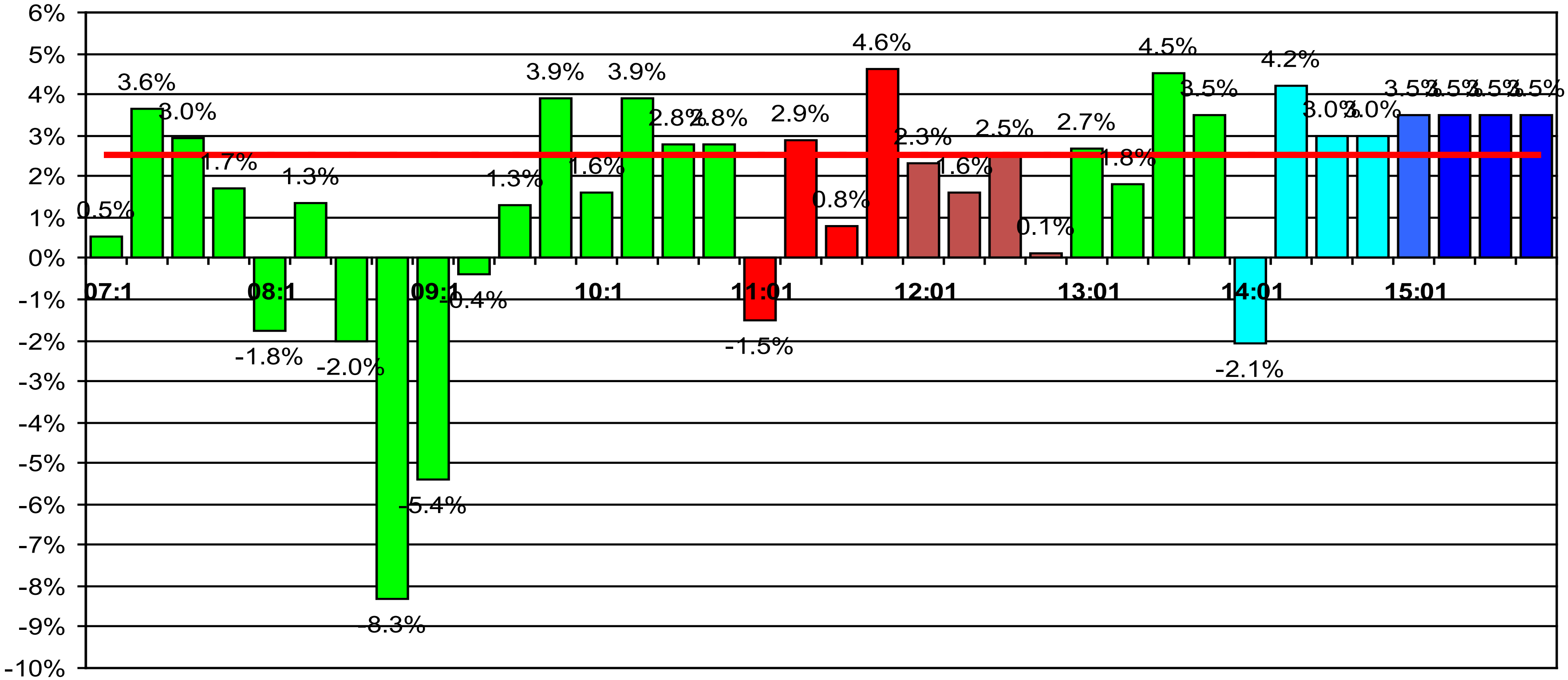
National Coalition of Firefighters Credit Unions Inc.
2014 Annual Educational Conference
Westin Gaslamp Quarters, San Diego, CA
8:00-9:00 am, Friday, October 10, 2014

U.S. Economic Outlook & the Changing Credit Union Environment

Steven W. Rick
Chief Economist
CUNA Mutual Group
Telephone: 608-665-5454
E-Mail: steve.rick@cunamutual.com

Quarterly % Change in U.S. Economic Output

(Real GDP - Chainweighted 2005$)

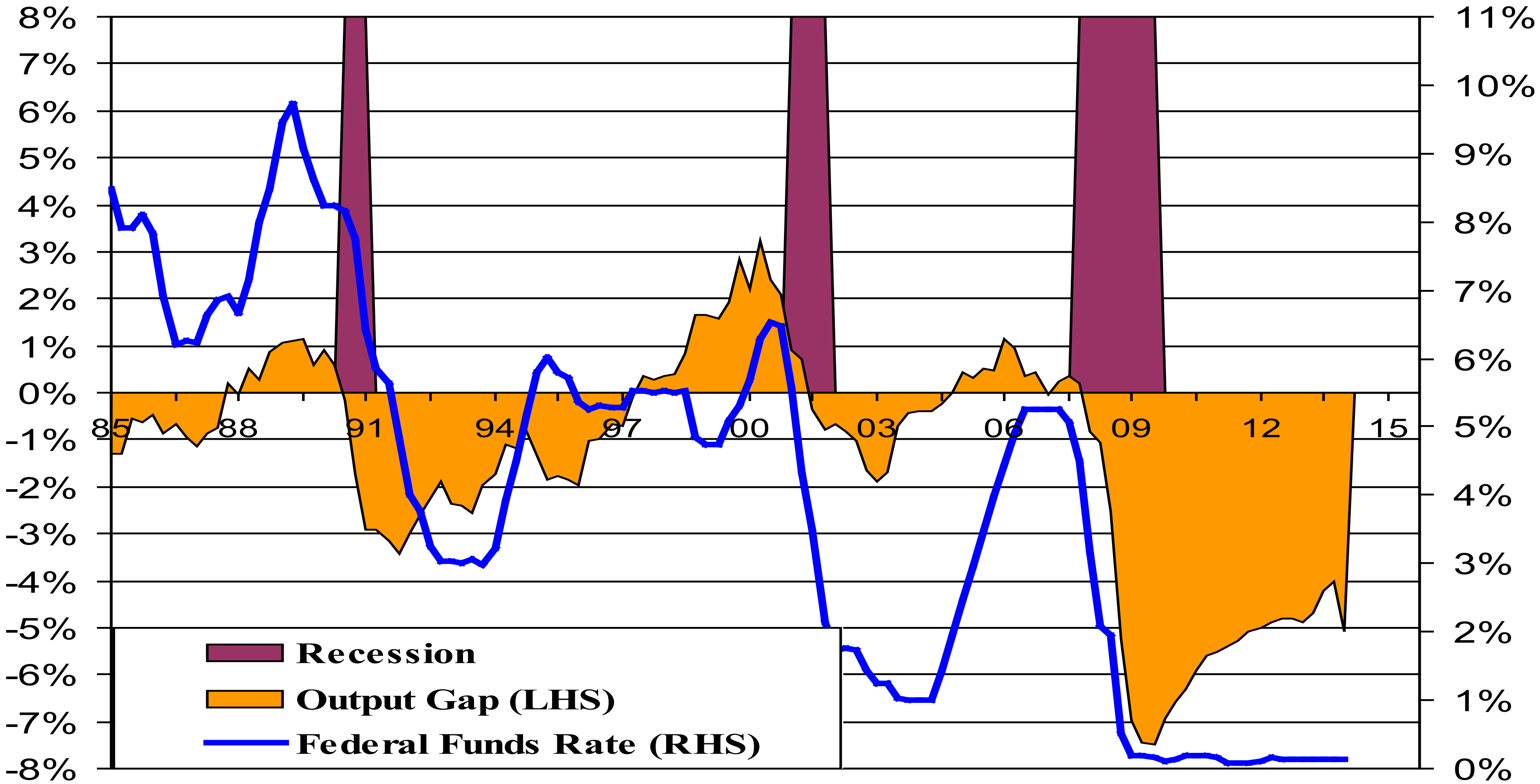


Source: Department of Commerce.

2015 Economic Growth = 3.5%, due to the following economic factors:

1. Housing market recovery (25% growth)
2. Rising home prices (5-6%)
3. Rising auto manufacturing (16.5 million units)
4. Rising business investment spending
5. Strong energy sector
6. Strong medical care sector
7. Easing credit conditions
8. Rising consumer confidence
9. End of deleveraging
10. Less imported oil will reduce current-account deficit

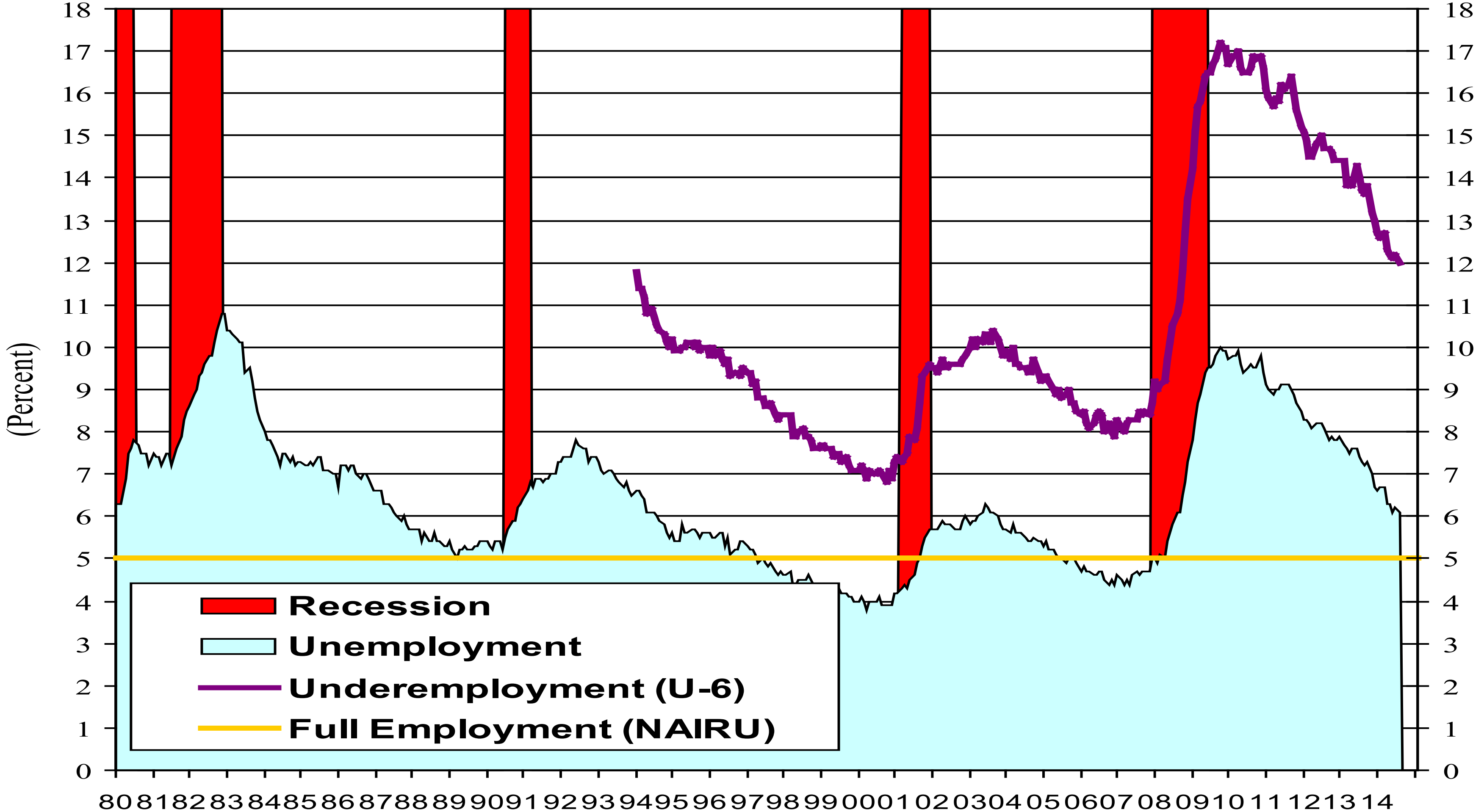
GDP Output Gap vs. Federal Funds Rate



Source: CBO & Federal Reserve.

The U.S. economy is experiencing a negative 5% output gap, allowing the Federal Reserve to maintain its zero interest rate policy. The output gap is the difference between actual GDP or actual output and potential GDP. If the output gap is positive it is called an inflationary gap and indicates the growth of aggregate demand is outpacing the growth of aggregate supply — possibly creating inflation; if the calculation yields a negative number it is called a recessionary gap—possibly signifying deflation.

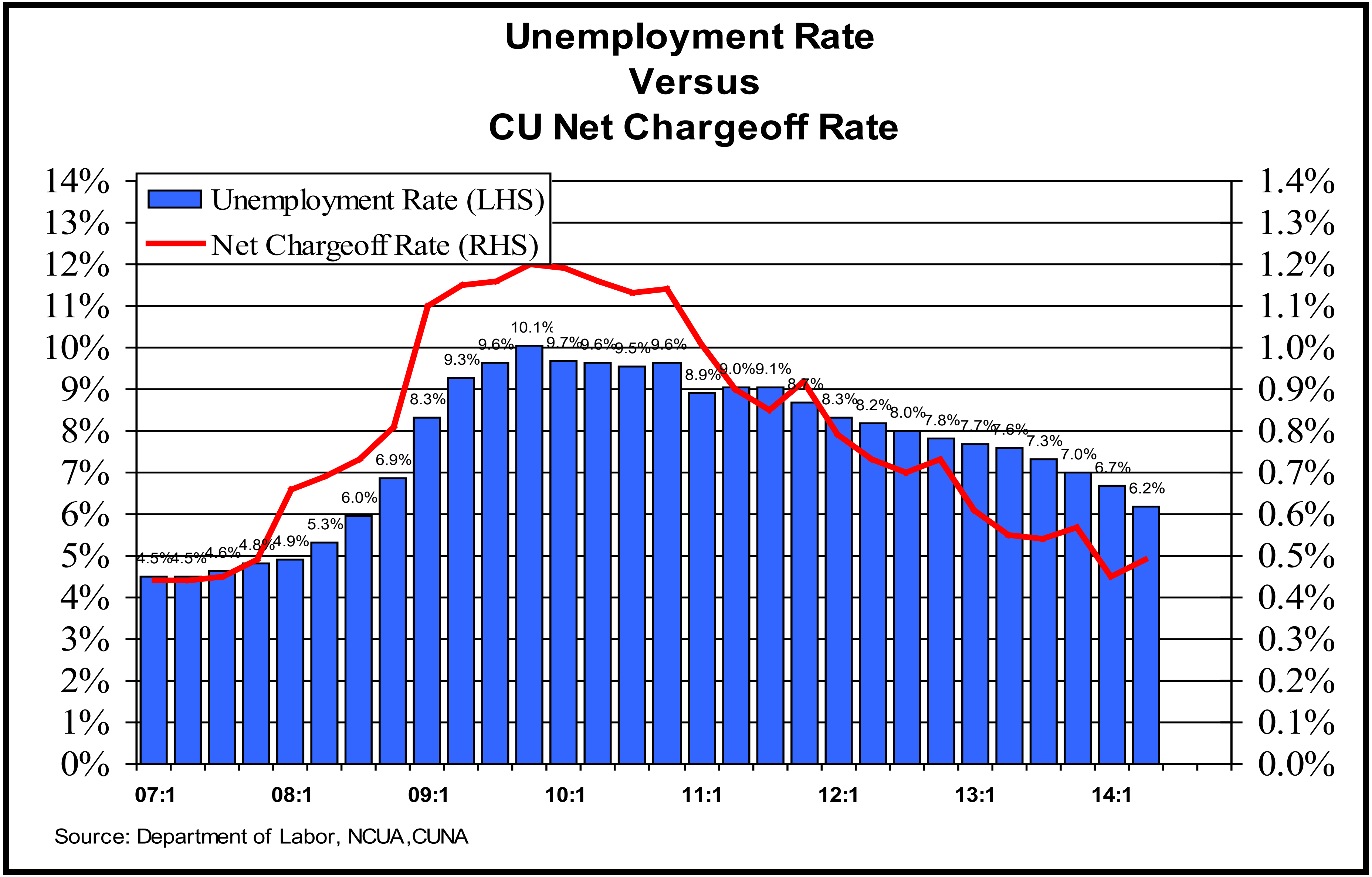
Unemployment Rate



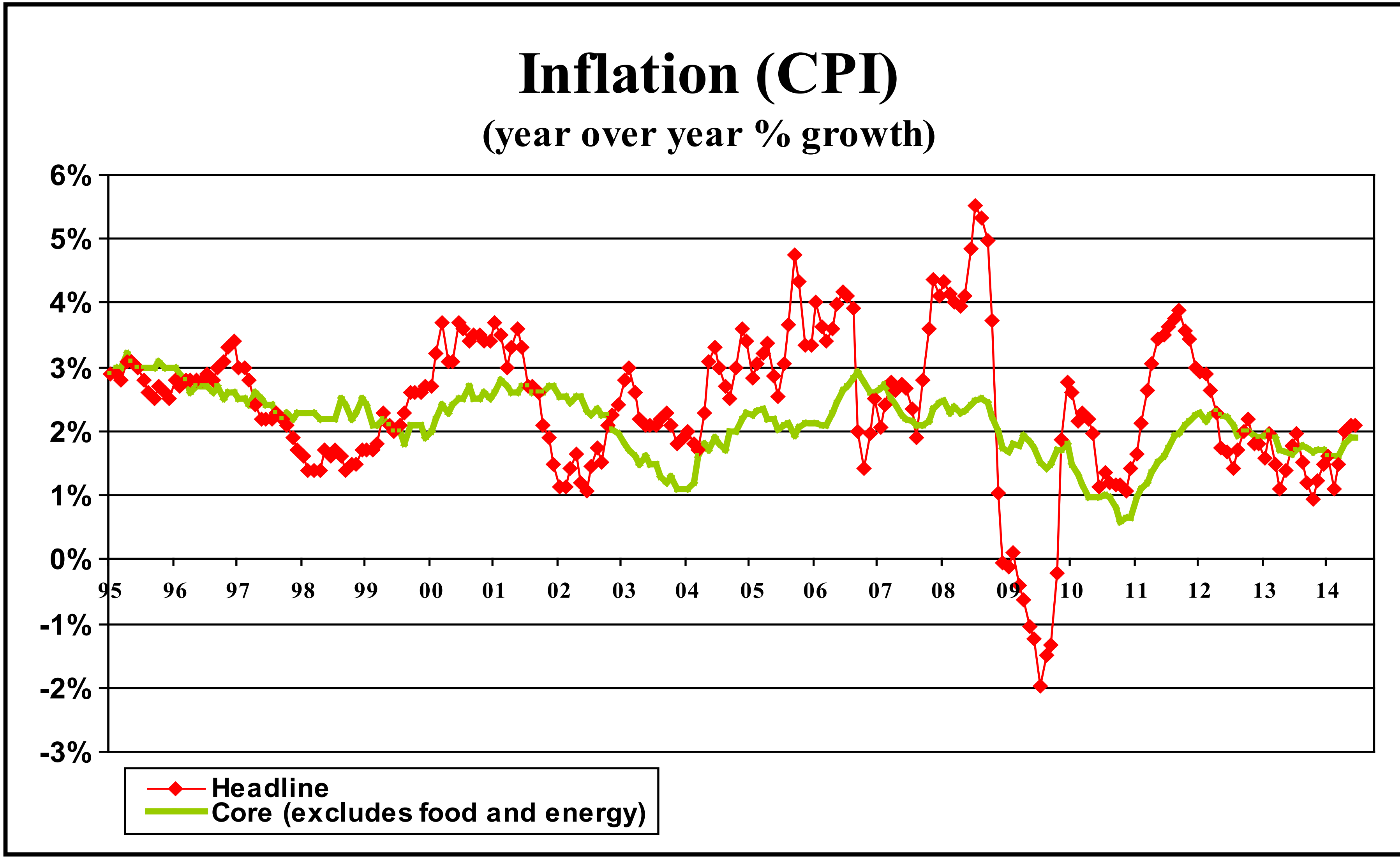
Source: Department of Labor.

The **unemployment rate fell** to 6.1% in August, which corresponds to 9.6 million unemployed workers of which 3.0 million have been unemployed for more than 26 weeks. Underemployment fell to 12.0%: 7.3 million employed part time for economic reasons, 2.1 million marginally attached to the labor force of which 775,000 were discouraged workers. The labor force participation rate remained at 62.8%. Employment-to-population ratio remained at 59%.

The **labor force rose** 81,000: employed rose 407,000, unemployed fell -325,000.

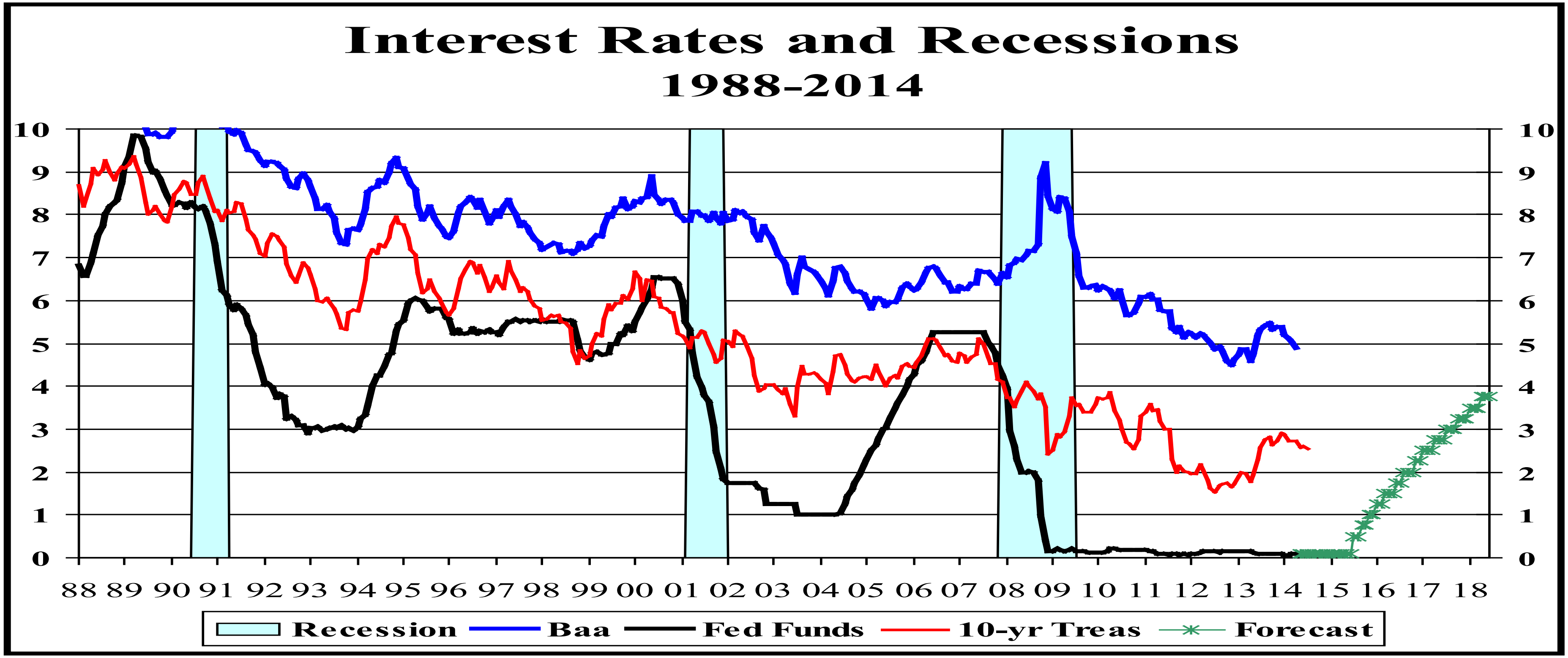


Loan charge off rates are now down to the levels seen before the Great Recession. The credit union loan delinquency rate (loans two or more months delinquent as a percent of total loans outstanding) fell to 0.78% in July, down from 1.02% in July 2013 and less than half the 1.88% reported in February 2010. Today's delinquency rate is only slightly above the 0.71% average reported for the years 2003-2007. So 5 years after the Great Recession ended there appears to be few credit problems still lingering on credit union balance sheets from that time



Forces Keeping Inflation Low:

1. Negative output gap => idle capacity => $\downarrow$ prices
2. Unemployment Rate > U.R.$_{\text{Natural}}$ => $\downarrow$ wages
3. $\uparrow$ value of \$ => $\downarrow$ import prices
4. "Commodity super cycle" => $\downarrow$ commodity prices
5. Bond markets are not *pricing in* higher inflation. (Nominal rates – TIPS rates)



Short-term Interest Rate Forecast:

When, pace, new normal?

Fed will raise short-term interest rates 1.25% per year for 3 years starting in mid 2015.

1994: 3 percentage points in first year

2004: 2 percentage points in first year

2015: 1.25 percentage points in first year

Interest rates in 2018 will "normalize" at levels below previous plateaus due to lower real interest rates and lower expected inflation.

Long-term Interest Rate Forecast: 10-year treasury below 3.5% through 2015

Lower Demand for Money (Supply of Bonds):

- Treasury issuance is below long-run average
- Deficit-to-GDP ratio = 2.8%
- Post-debt-crisis borrowing aversion
- Slow long-term economic growth 2%

Higher Supply of Money (Demand for Bonds):

Fed's "Forward Guidance"; market expects short-term rates to be lower for longer.

Trade dollars recirculated back to U.S. bond market

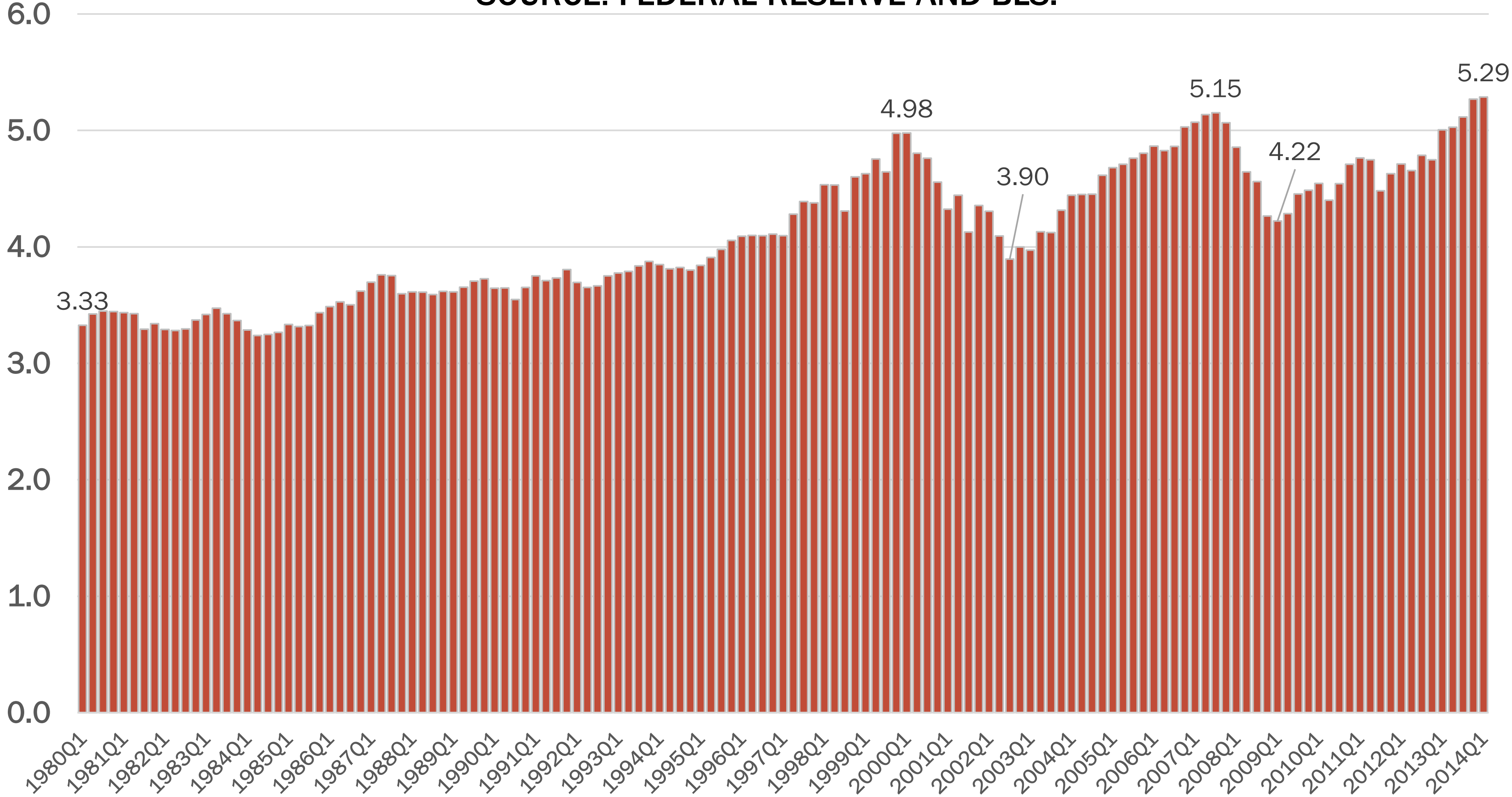
Struggling "emerging market" countries,….BRITA

Rising income inequality

HOUSEHOLD FINANCIAL ASSETS

% OF DISPOSABLE INCOME

SOURCE: FEDERAL RESERVE AND BLS.

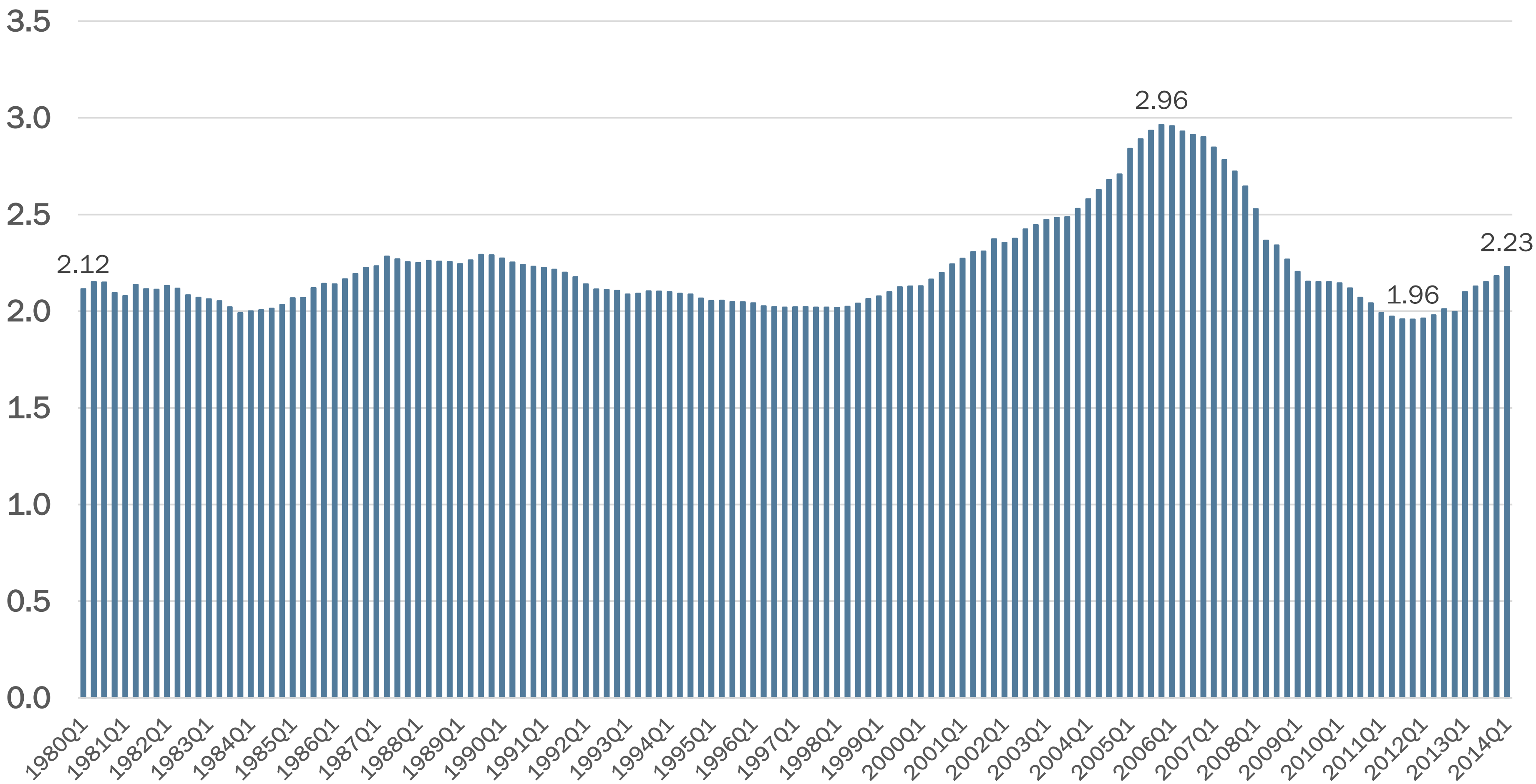


The real annual purchasing power of financial assets are the highest in U.S. history at $5.29 per dollar of disposable income (5.29 years worth of disposable income), up 25% from the cyclical low of 4.22 set back in the first quarter 2009. Rising stock prices were the major contributing factor. The Federal Reserve's quantitative easing program (printing money to buy financial assets) has led to a *balance sheet* recovery more than an *income statement* (GDP) recovery.

HOUSEHOLD NON-FINANCIAL ASSETS

% OF DISPOSABLE INCOME

SOURCE: FEDERAL RESERVE AND BLS.

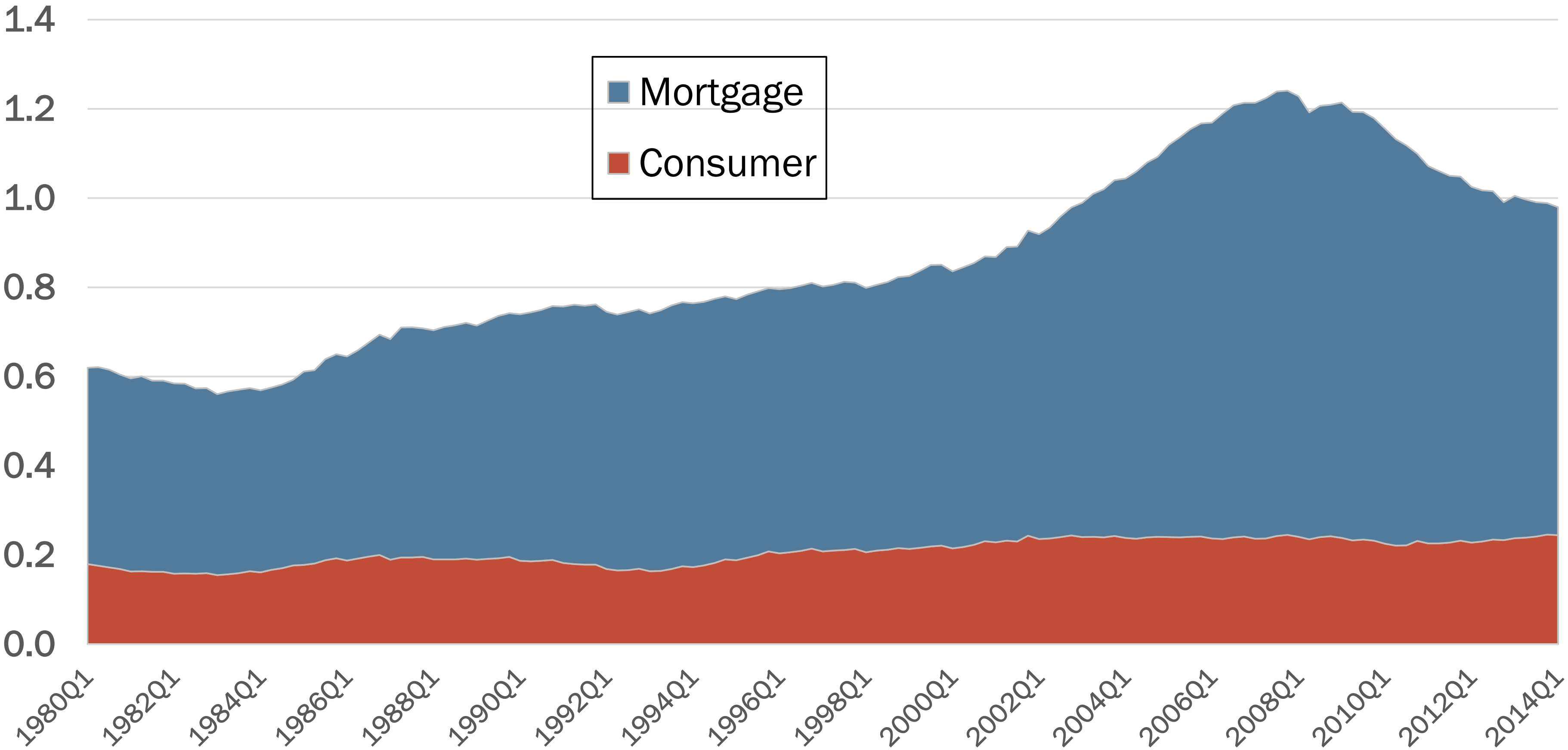


The real annual purchasing power of non-financial assets rose to $2.23 per dollar of disposable income (2.23 years worth of disposable income) in the first quarter of 2014, up 14% since the cyclical low of 1.96 set in the third quarter of 2011, due mainly to rising home prices. Non-financial assets as a percent of disposable income are down 25% from the record high of 2.96 set back in the fourth quarter of 2005

HOUSEHOLD DEBT

% OF DISPOSABLE INCOME

SOURCE: FEDERAL RESERVE AND BLS.



Households' **debt burden ratio** (debt-to-disposable-income) fell to 0.98 in the first quarter, from 1.24 in the fourth quarter of 2007. Financial institutions writing off and households paying off mortgage debt were the major contributing factors for the decline. The deleveraging phase of the business cycle has come to an end. If growth in debt equals the growth rate of disposable income over the next few years the debt burden ratio will remain around 100% which is what economists believe is sustainable in the long run.

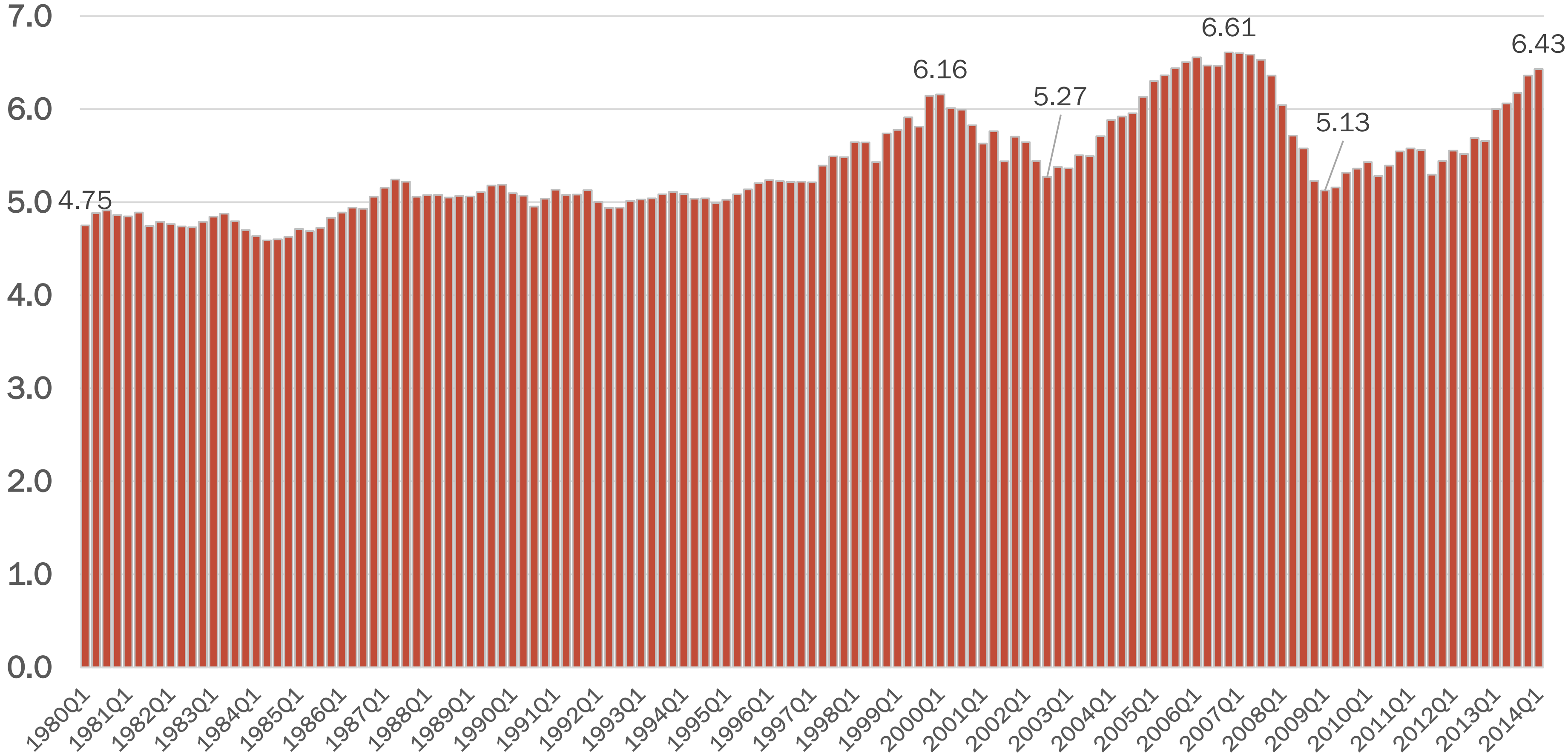
Rising debt ratios: Households using future income to fund current consumption.

Falling debt ratios: Households using current income to pay for past consumption.

HOUSEHOLD NET WORTH

% OF DISPOSABLE INCOME

SOURCE: FEDERAL RESERVE AND BLS.



The real annual purchasing power of household net worth rose to $6.43 per dollar of disposable income (or 6.43 years worth of disposable income) in the first quarter of 2014, slightly below the 6.61 record set back in the fourth quarter of 2006. The "**Great Moderation**" of the 1980s and 1990s (low inflation with stable economic growth) led to excessive risk taking in the 2000s. This led to speculative asset purchases, the debt bubble and the inevitable stock, housing and debt bust. The 20th century economist Hyman Minsky described this with the phrase "stability is destabilizing".

What is the Financial Condition of U.S. Households?

Assets	Debt + Net Worth

Non-Financial Assets / Disposable Income

- **$2.23 / $DI (or 2.23 years worth of DI)**
- Below record $2.96 set in qtr. 4, 2005

Financial Assets / Disposable Income

- **$5.29 / $DI (or 5.29 years worth of DI)**
- Record High

Debt / Disposable Income

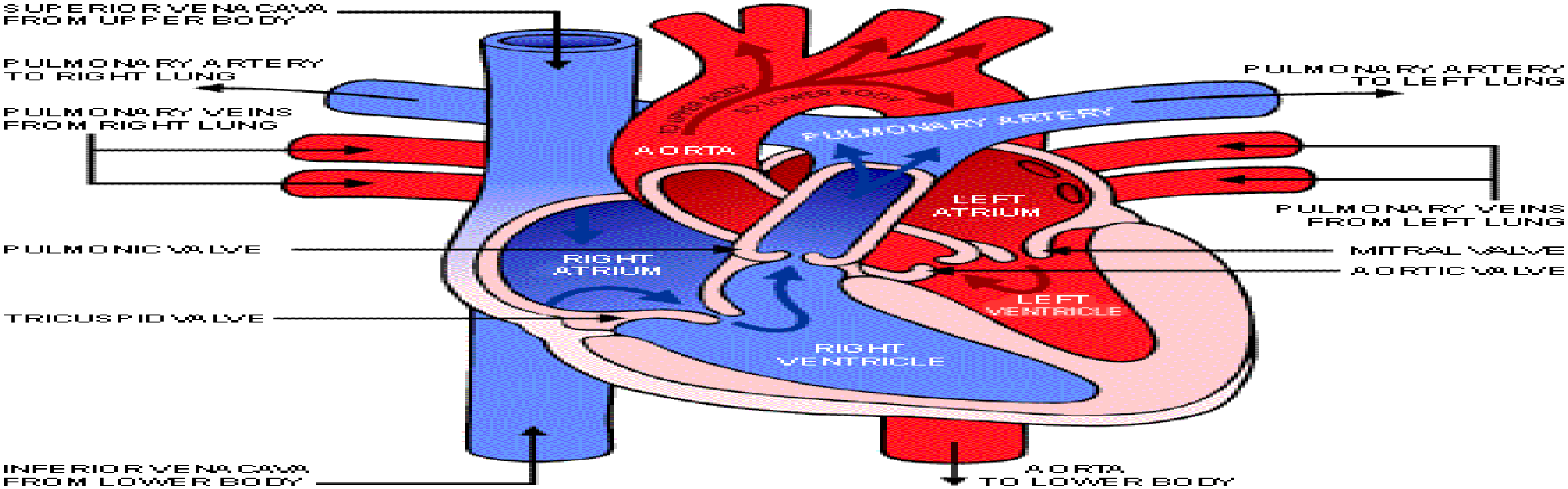
- **$0.98 / $DI (or 0.98 years worth of DI)**
- Below record $1.24 set in qtr. 4, 2007

Net Worth / Disposable Income

- **$6.43 / $DI (or 6.43 years worth of DI)**
- Below record $6.61 set in qtr.3 2006

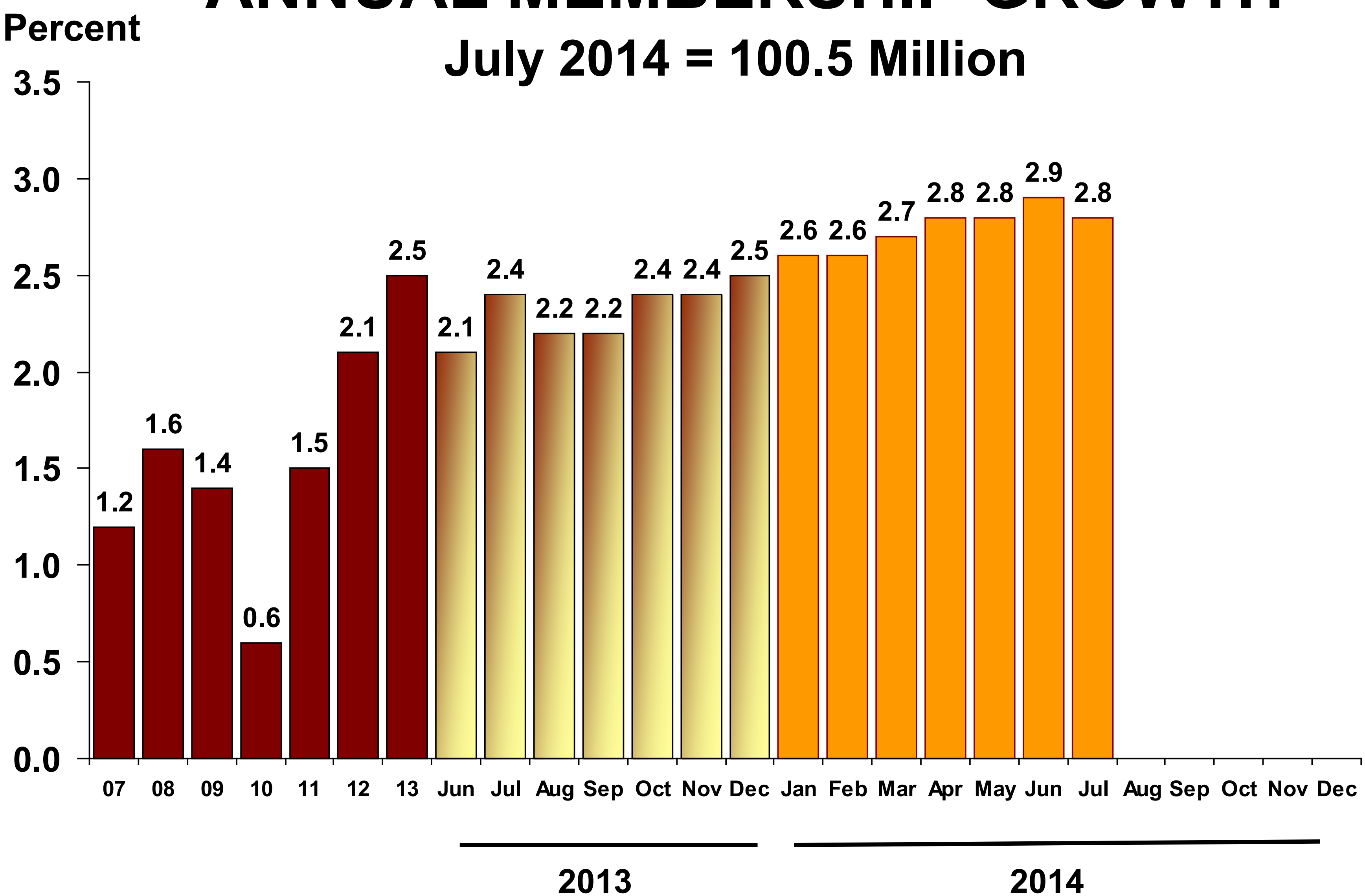
All balance sheet items calculated as a percent of disposable income, DI. Dividing financial assets by disposable income calculates the real annualized purchasing power of those funds. For example, today's financial assets are equal to 5.29 years of annually produced goods and services. The dollar value of assets are not as important as the real purchasing power of those assets.

Retirement Savings Rule of Thumb: Savings-to-income ratio should be equal to 8 at retirement. This assumes 25 years in retirement and spending 85% of ending-year salary. The savings-to-income ratio should be 5 at age 55, 3 at age 45 and 1 at 35.



Banks/CUs are to the economy
what the heart is to the body
Money ⇔ Blood
Deposits ⇔ Deoxygenated (blue) Blood
Loans ⇔ Oxygenated (red) blood
(Loans like blood lead to productive outcomes)
Loan departments collect information ⇔ Lungs collect oxygen
Capital ⇔ Heart Muscle
Aorta artery Allocates Blood ⇔ Banks/CUs Allocate Capital
(to Most Productive Use)
Toxic Assets/Loans (MBS) ⇔ Plaque
(Mortgage Backed Securities)
Banking Crisis ⇔ Heart Attack
Government Intervention ⇔ Defibrillator
$2.6 Trill Excess Reserves/Cash ⇔ Atrial Fibrillation (Atrium Blood Pooling)
(False Economic Signals ⇔ Abnormal Electrical Signals)

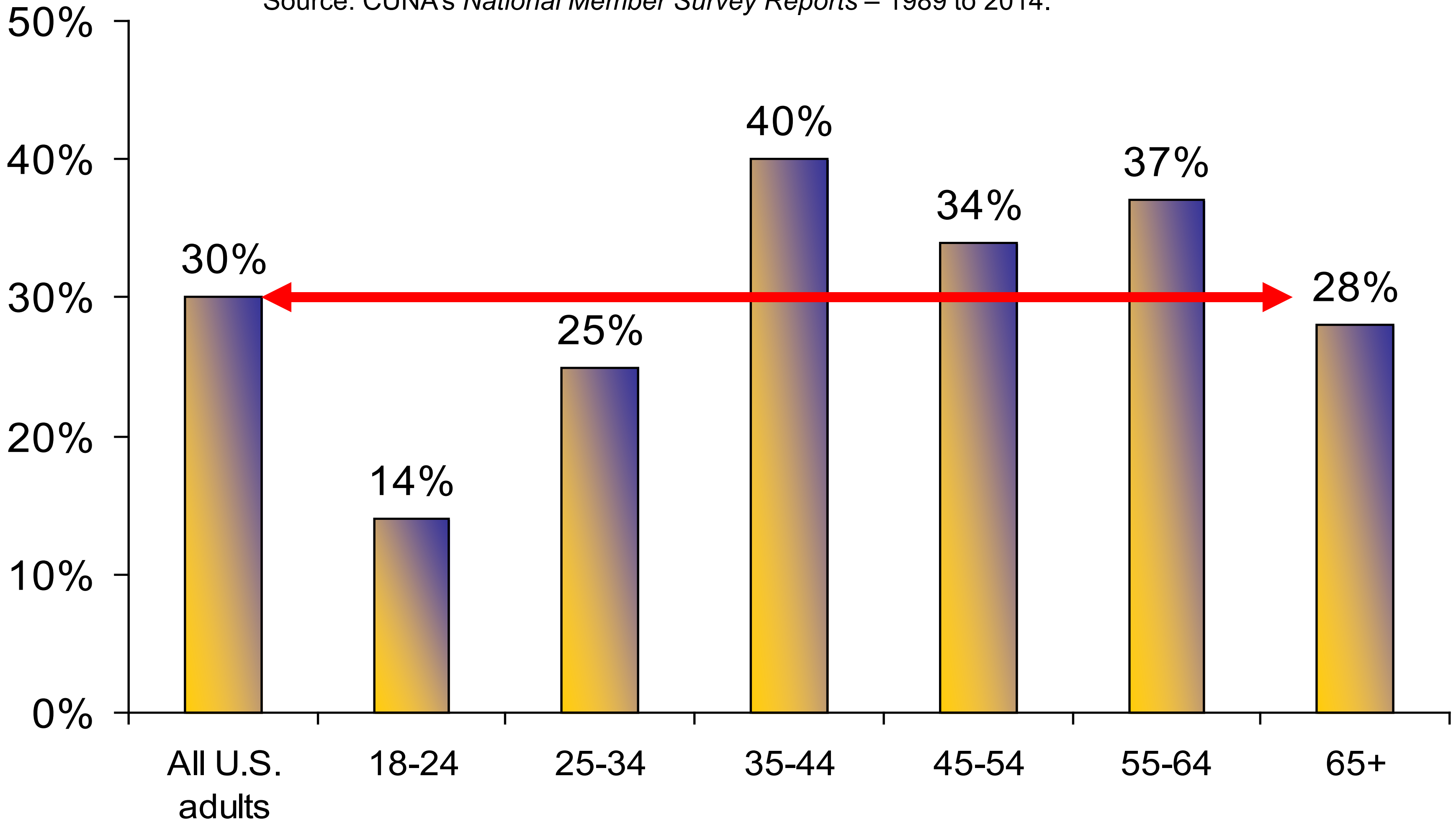
ANNUAL MEMBERSHIP GROWTH



Credit union memberships rose 0.4% in July, 2.1% year-to-date, and 2.8% year-over-year. There are several factors leading to this membership surge: aggressive credit union auto pricing relative to banks, an increase in credit demand by the general public, lingering effects of Bank Transfer Day, and relatively tight bank loan underwriting standards.

% of Adults Who Are CU Members by Age (2014)

Source: CUNA's *National Member Survey Reports* – 1989 to 2014.



- 30% of all U.S. adults are members of a CU.
- Only 14% of all U.S. 18-24 year olds are members of a CU, below the 30% national average, indicating credit unions are having trouble attracting "millennials".
- 40% of all U.S. 35-44 year olds are members of a CU above the 30% national average, indicating CUs are doing well with this demographic segment.

Credit Union Risks

Economy

- Labor market tightens faster than expected => Federal Reserve raises interest rates sooner and faster than expected => increase household debt service costs => rising credit risk
- Falling deposit growth => falling asset growth => slowing improvement in economies of scale => falling CU competitiveness
- Rising interest rates => falling asset prices (stocks, real estate) => negative wealth effect => falling consumer confidence => falling consumer spending which makes up 68% of economy => recession
- Loss of confidence in the U.S. dollar => foreigners sell dollars => falling exchange rate => rising interest rates and rising inflation => rising CU interest rate risk

Regulation/Legislation

- Excessive regulatory burdens (Dodd-Frank Act and CFPB) => rising compliance costs => rising CU mergers
- New CFPB rules => decrease fee income: overdraft fees, courtesy pay, NSF fees.
- NCUA Risk-based-Capital rule => CU desire to boost capital-to-asset ratios => decrease asset growth or boost ROA => competitive disadvantage
- NCUA Risk-based-Capital rule => higher capital-to-asset ratio => lower asset-to-capital ratio => lower return-on-equity ratio for any given return-on-asset ratio => lower sustainable asset growth
- Retiring babyboomers => rising federal budget deficits => corporate tax reform => lower corporate tax rate and the elimination of tax loopholes to expand the tax base => credit unions lose tax exemption => credit unions covert to banks

Technology

- Merchants move customers towards alternative low-cost payment systems => falling CU interchange income
- Cyber attack/Hack/DDOS => Data breach => CU reputation risk

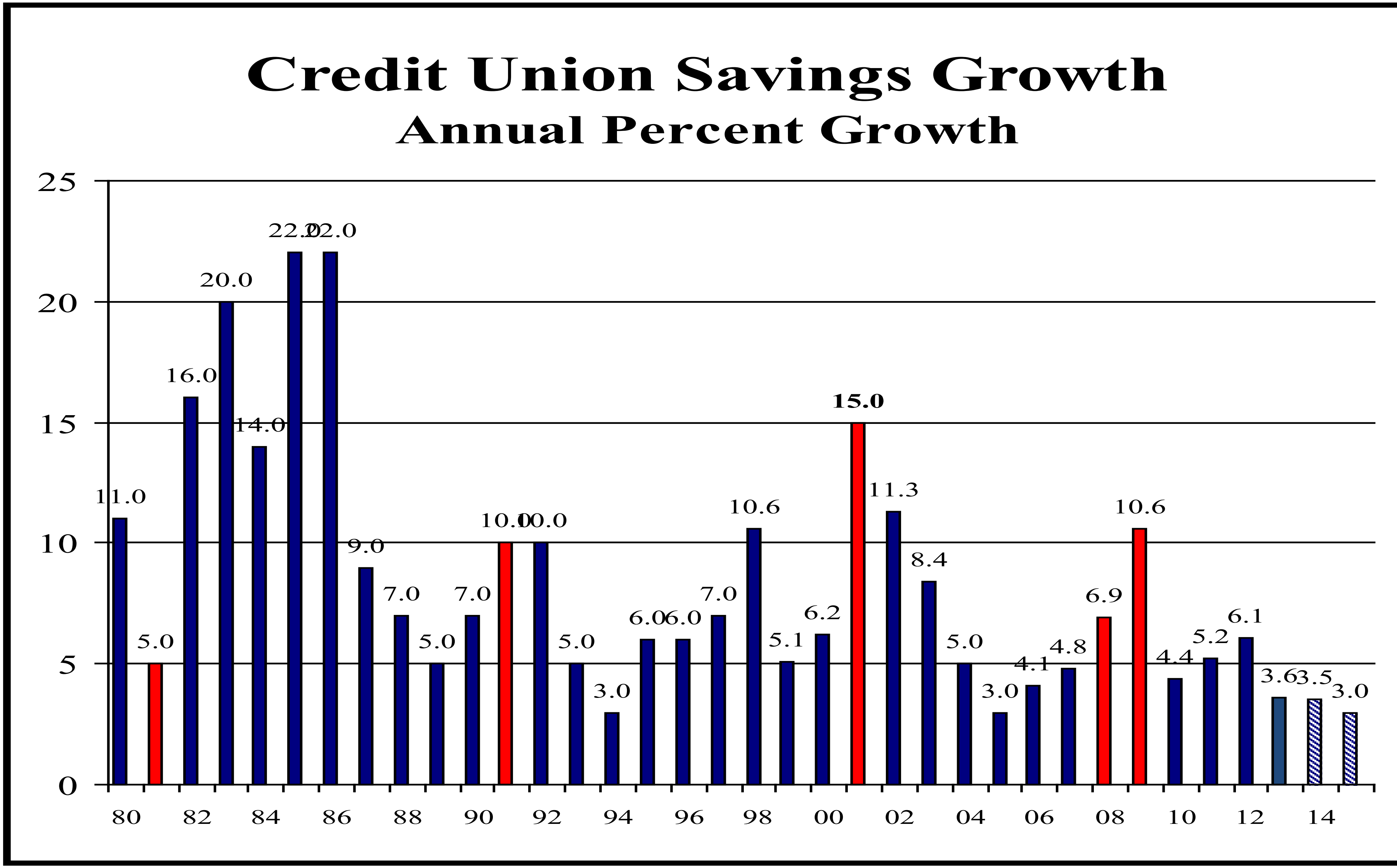
Credit Union Risks

Interest Rates

- Federal Reserve continues "Exceptionally Low interest rates for an Extended Period' for longer than expected => continued record low CU net interest margins => excessive risk taking in longer-term assets, subprime auto lending, corporate bonds, etc.
- Increase interest rates => decrease mortgage originations => falling "gains on sale of mortgages" and lower mortgage origination fees
- Rising interest rates => falling present value of assets is greater than the falling present value of liabilities => falling CU net economic values, NEV => insolvency
- Federal Reserve continues "Exceptionally Low interest rates for Extended Period' for longer than expected => continued record low net interest margins => financially strained smaller credit unions.
- Rising interest rates => falling asset prices (stocks, real estate) => negative wealth effect => falling consumer confidence => falling consumer spending which makes up 68% of economy => recession

Competition

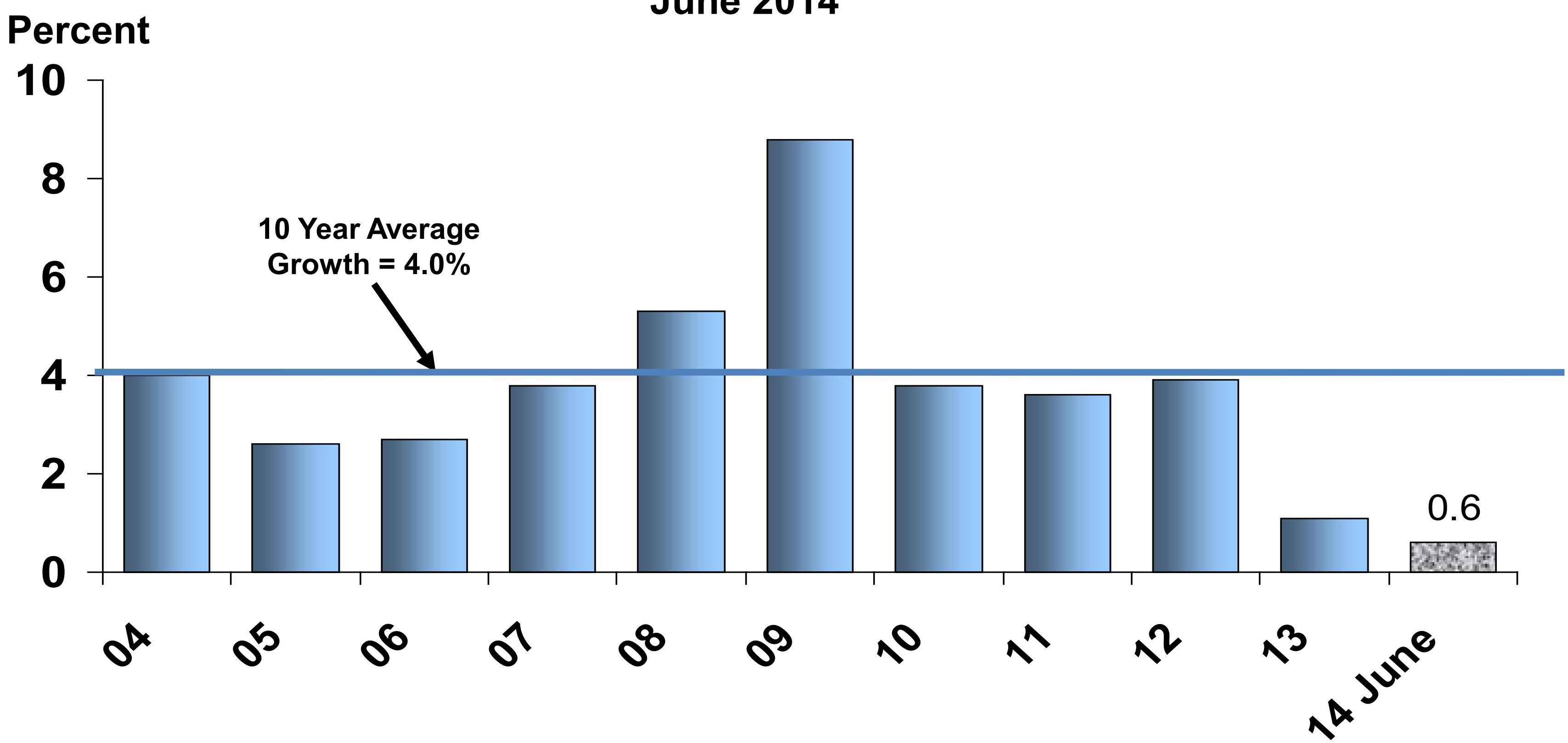
- Excess banking liquidity => hypercompetitive loan pricing => underpricing credit risk and operating expenses => negative earnings per loan (can't make it up on volume).
- Overbanked and excess liquidity environment => excessive loosening of loan underwriting standards => debt bubble
- Credit unions not winning the millennial generation => increase average age of credit union membership => decrease loan-to-savings ratios => decrease earnings => existential threat to credit unions.
- Credit unions lose out to financial "disruptors": alternate payment systems, financial intermediation and online/mobile banking
- Return-on-equity disparity between large and small credit unions => disunity in the credit union movement



A faster economic recovery in 2015 will encourage spending rather than savings, lowering credit union deposit growth to around 3% in 2015. Moreover, rising interest rate in 2015 will encourage some rate-sensitive members to move funds to money market mutual funds and other investments. CUs need to focus on sales management and programs designed to capture those deposits before they exit the credit union. For individual CUs, mergers may be a viable strategy for growth. New regulations will pressure smaller CUs to merge. Mergers can produce cost efficiencies in the long run. Large banks are driving customers to CUs.

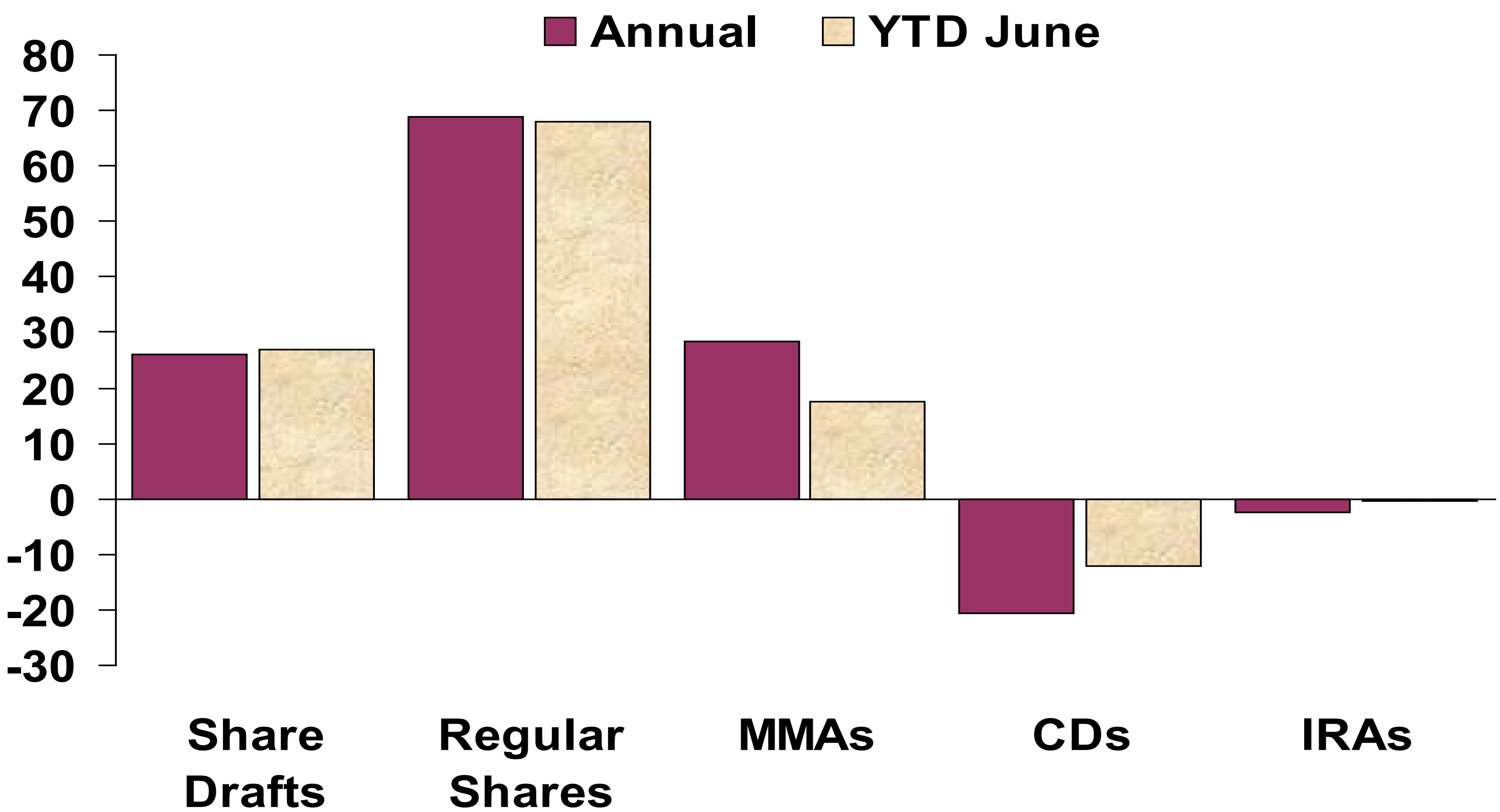
Growth in Savings Per Member

June 2014

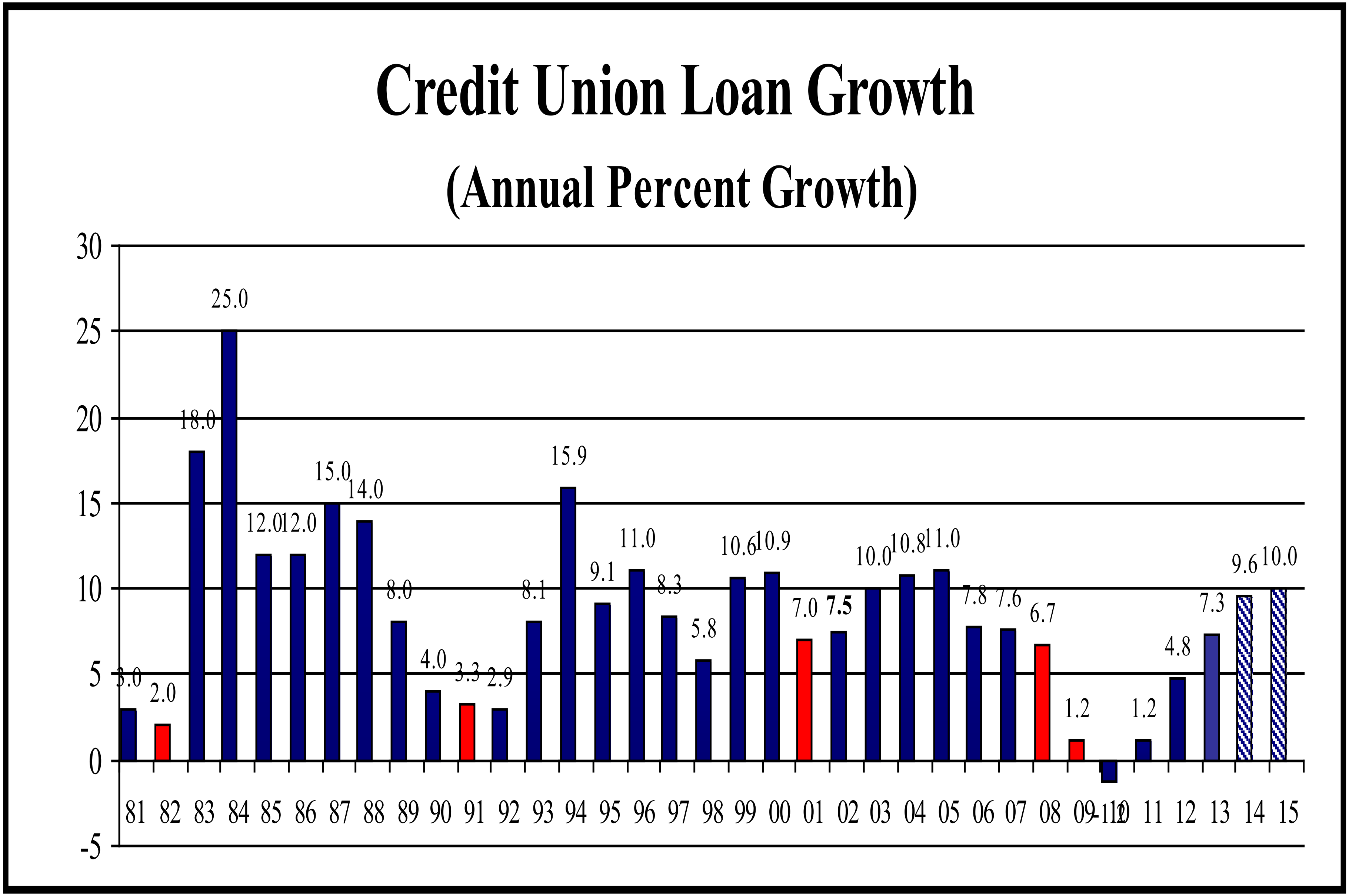


Weak savings growth coupled with fast membership growth over the last year, reduced the savings per member growth rate to 0.6%, the lowest since August 2000. With the Federal Reserve expected to raise interest rates in 2015, many credit unions are forecasting possible deposit runoff next year as some interest-rate-sensitive members look for higher returns elsewhere. Credit unions should outperform most banks when it comes to deposit retention because of the nature of our deposits: more retail and core deposits and less commercial deposits

Sources of Savings Growth

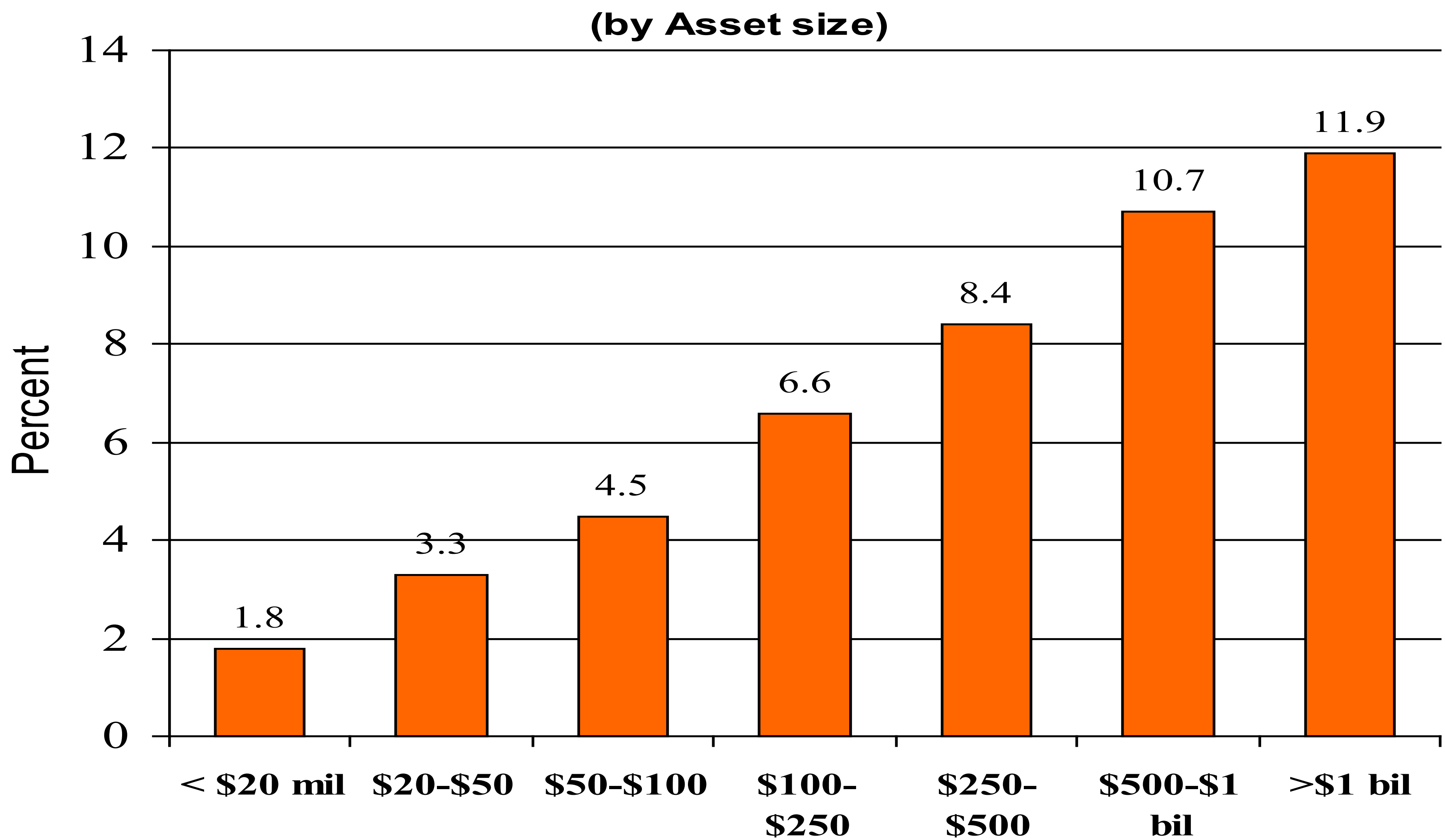


With low short-term market interest rates keeping credit union deposit interest rates at record lows, credit union members prefer to park their savings in liquid, short-term core deposits (share drafts and regular shares) in lieu of term deposits. Over the last 12 months, share draft and regular share balances rose 8.6% and 7.6%, respectively, while longer-term share certificates and IRA balances fell -3.3% and -0.8%, respectively.



Credit union loan balances are expected to rise 9.6% in 2014 and 10% in 2015, as credit unions see record loan originations (see chart). These growth rates will be the fastest pace since the 7.6% set back in 2007. Auto loans, credit card loans and purchase mortgage loans will be strong growth areas.

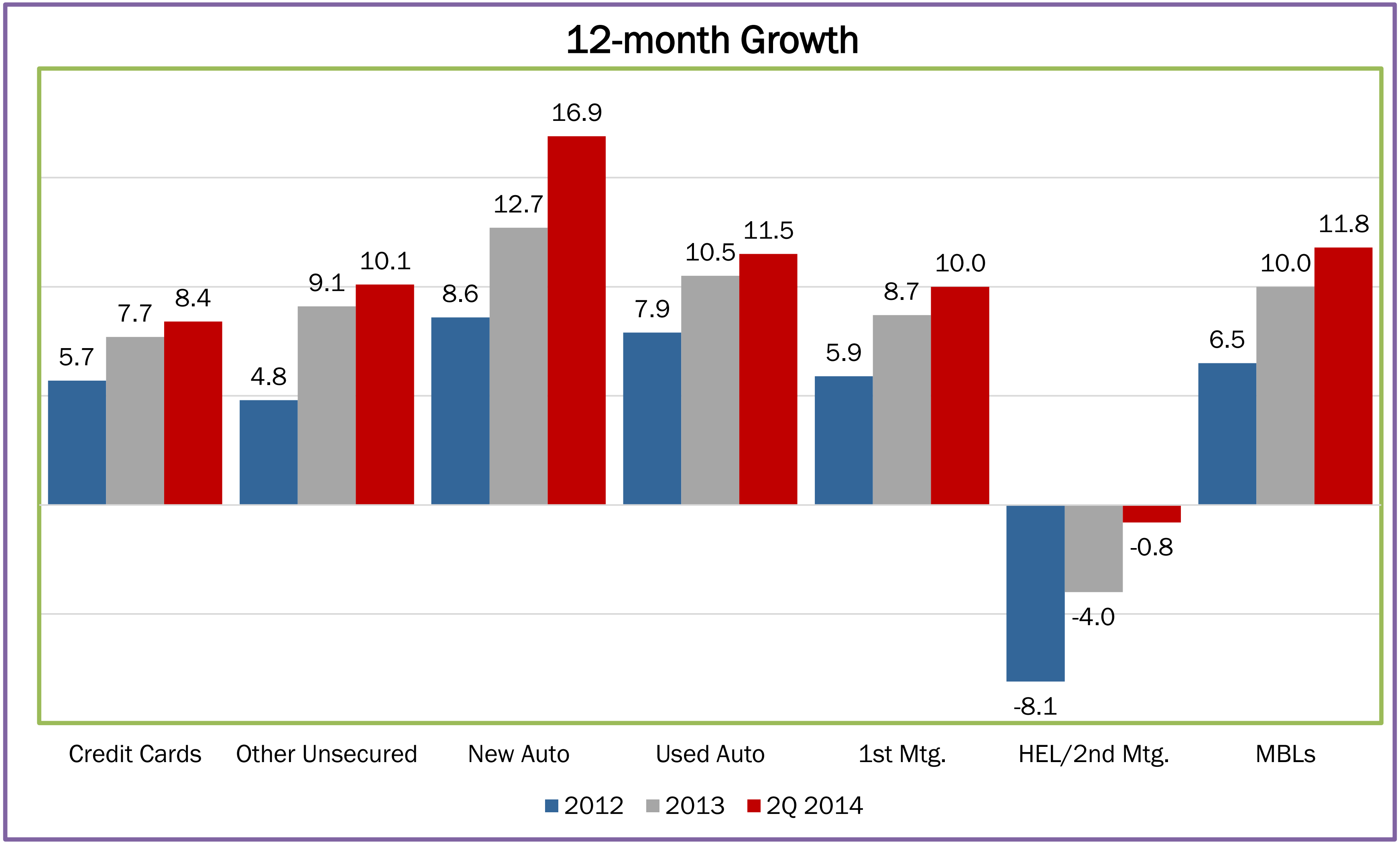
Credit Union Loan Growth



NCUA second quarter call report data shows most credit unions are now reporting positive loan growth. But the growth disparity is rather large. Over the last 12 months, credit union with assets greater than $1 billion reported an 11.9% increase in loan balances versus credit unions with assets less than $20 million reported loan growth of only 1.8%.

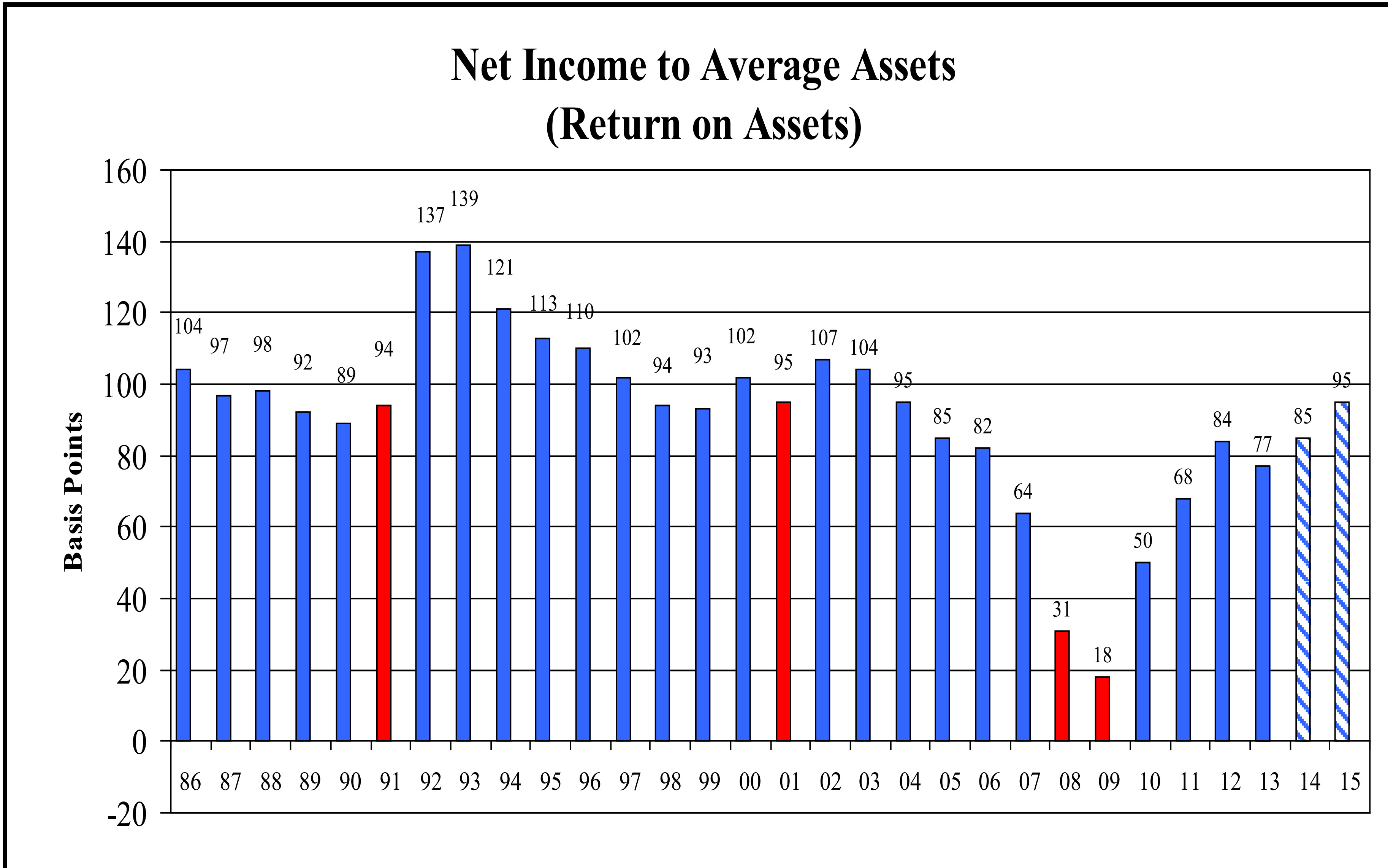
BROAD-BASED LOAN INCREASES

(SOURCE: NCUA AND CUNA)

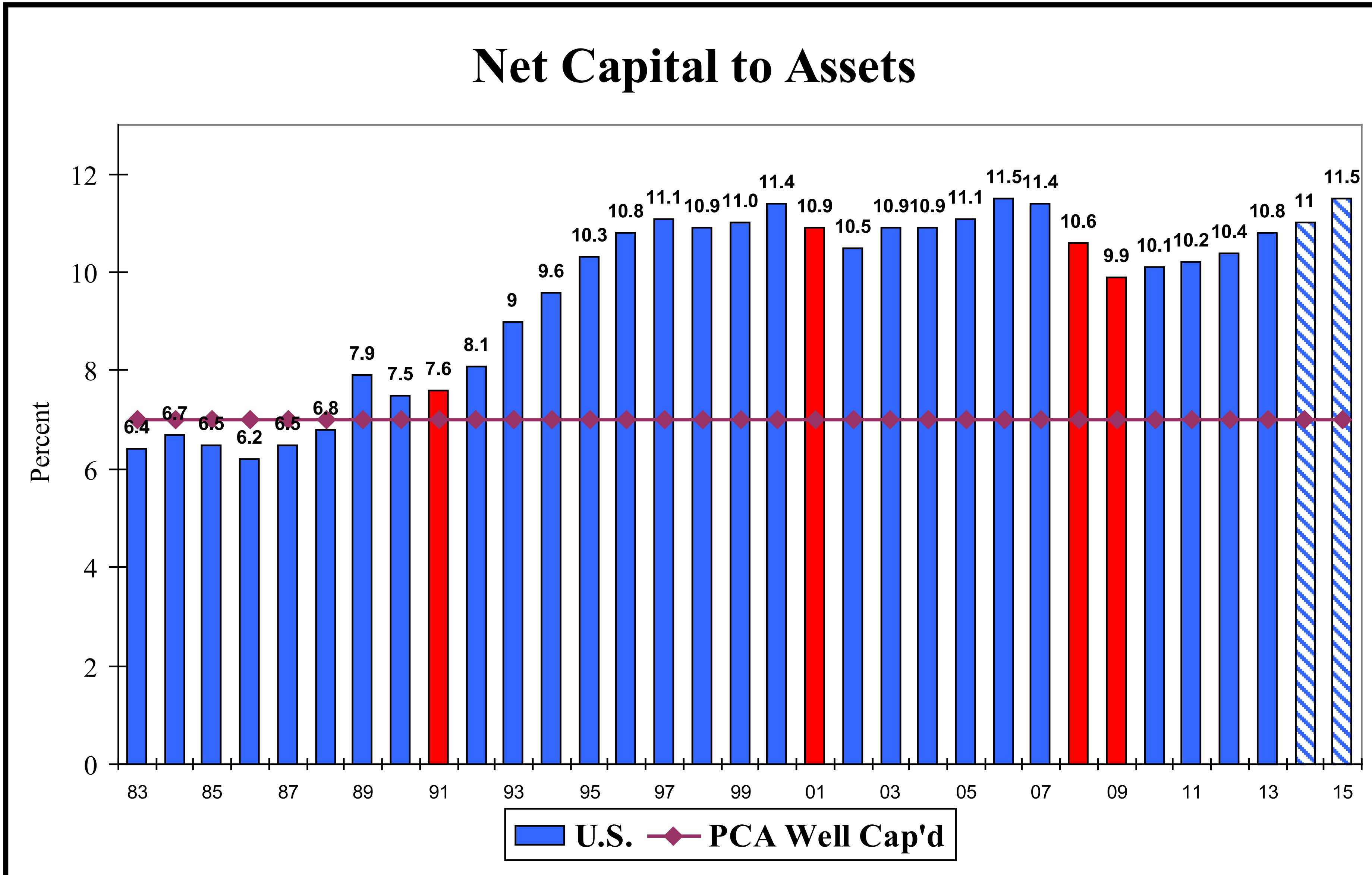


Credit union lending is growing at a pace not seen since before the Great Recession. Every loan category, except second mortgages, is reporting positive gains. So what's driving the surge in credit union lending? Five factors stand out: rising consumer confidence, rising household expectations for income growth, an improving labor market, improved consumer balance sheets, and credit unions gaining a larger piece of the consumer credit pie. The credit union share of the total U.S. consumer credit market rose over the last year, from 8.4% in May 2013 to 8.9% today

Net Income to Average Assets (Return on Assets)



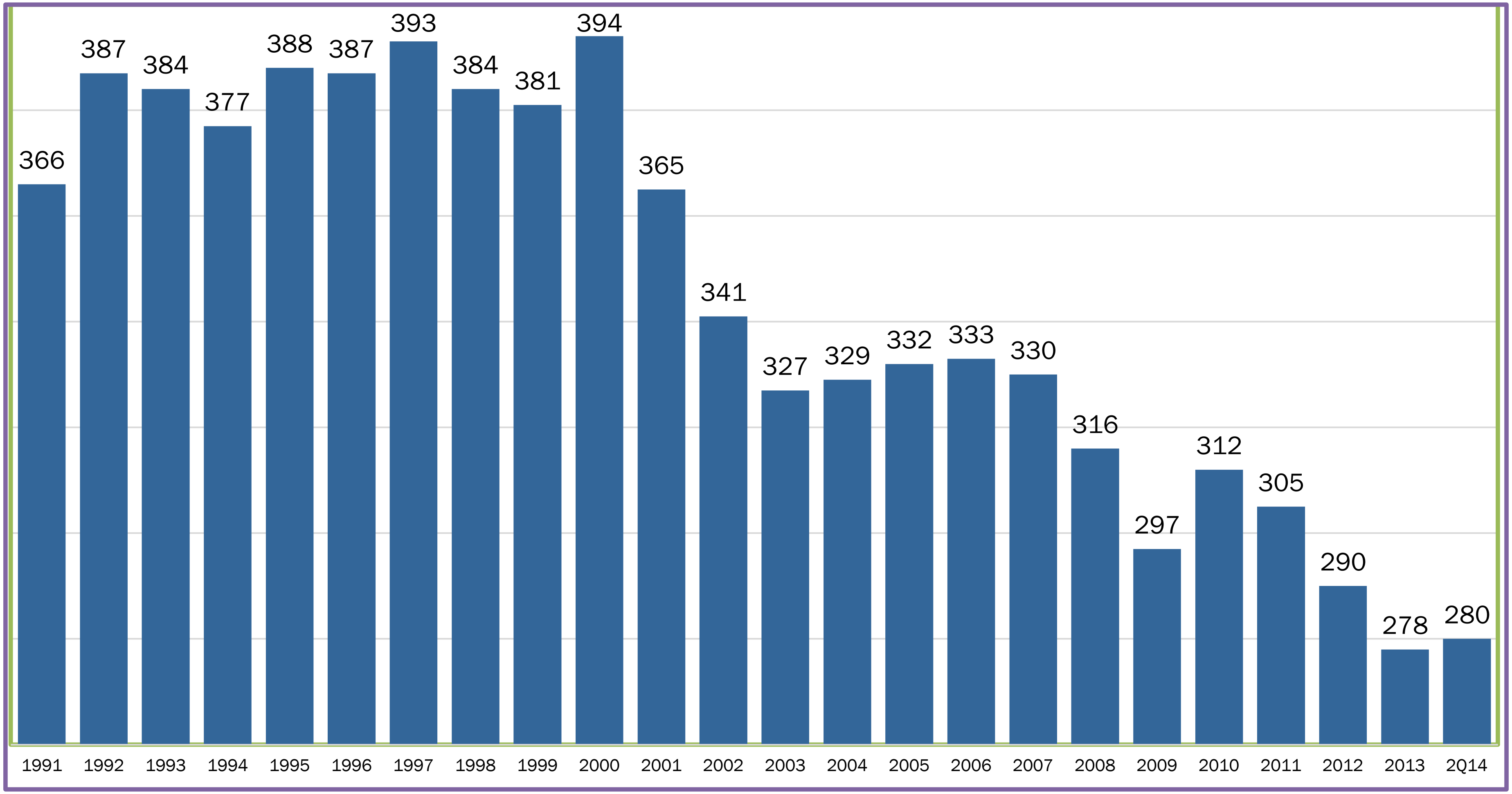
Return-on-assets ratios will reach 0.95% in 2015, the highest rate since 2004, due to rising loan growth and interest rates.
High-performing CUs are doing the following: offering competitive products for all the member's life stages in order to be the member's primary financial institution, clearly articulating the member value proposition of each financial product for each demographic segment, transforming the cost base, improving the credit portfolio, attracting more core deposits, increasing fee income, improving the risk management culture and process, aligning the operations to the strategy, improving methods to retain human capital.



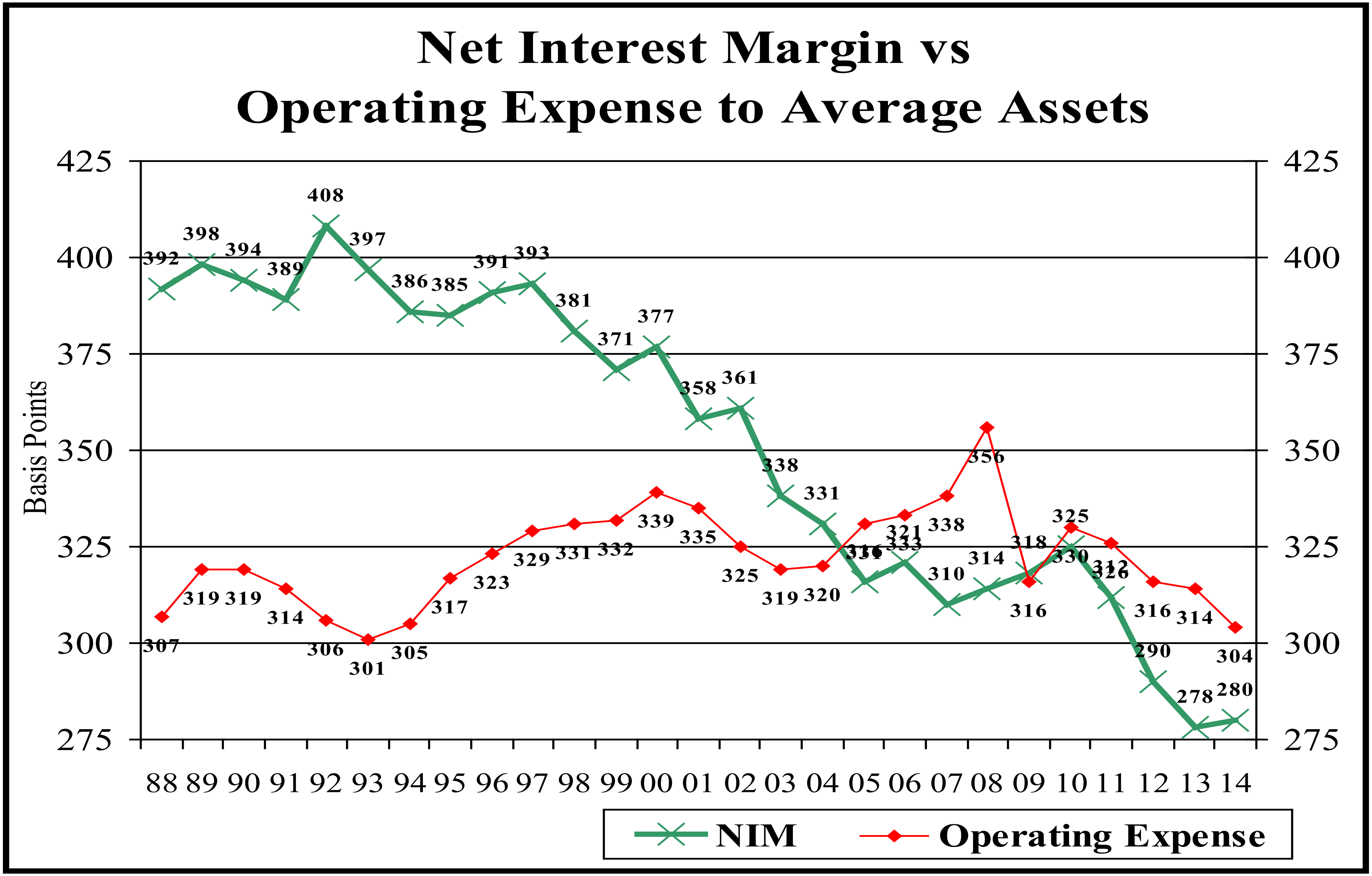
CUs are increasing their capital-to-asset ratios to absorb potential loan or investment losses. This will decrease leverage ratios (asset-to-capital) and therefore reduce return on equity ratios for any given return-on-asset ratio. This will reduce how fast CU assets can grow. Higher interest rates in "mid 2015" will reduce the value of investments and long-term loans and will cause other troubled assets to appear. This will have a negative impact on capital ratios.

NET INTEREST MARGIN

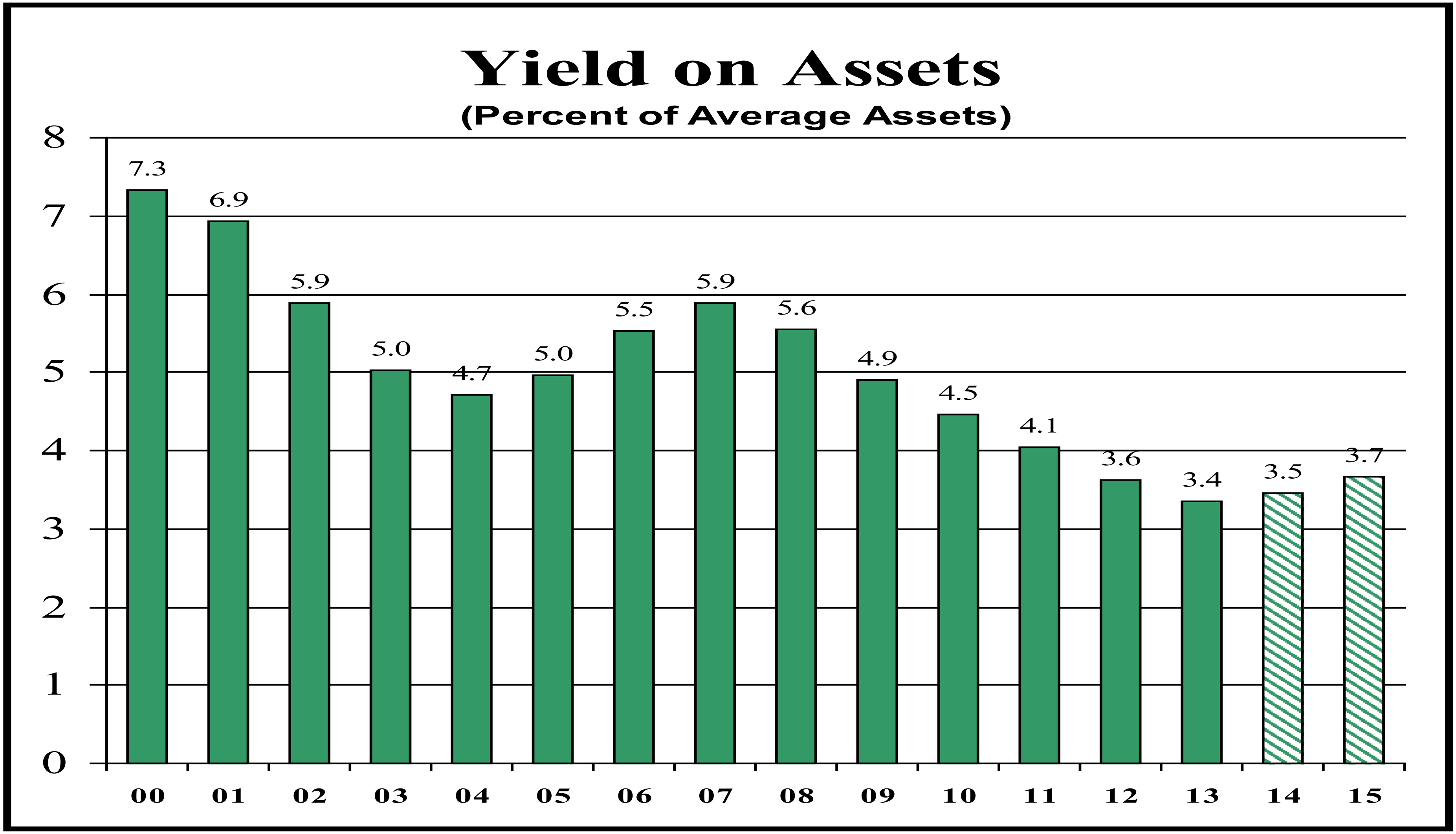
(BASIS POINTS OF AVERAGE ASSETS. SOURCE: NCUA AND CUNA)



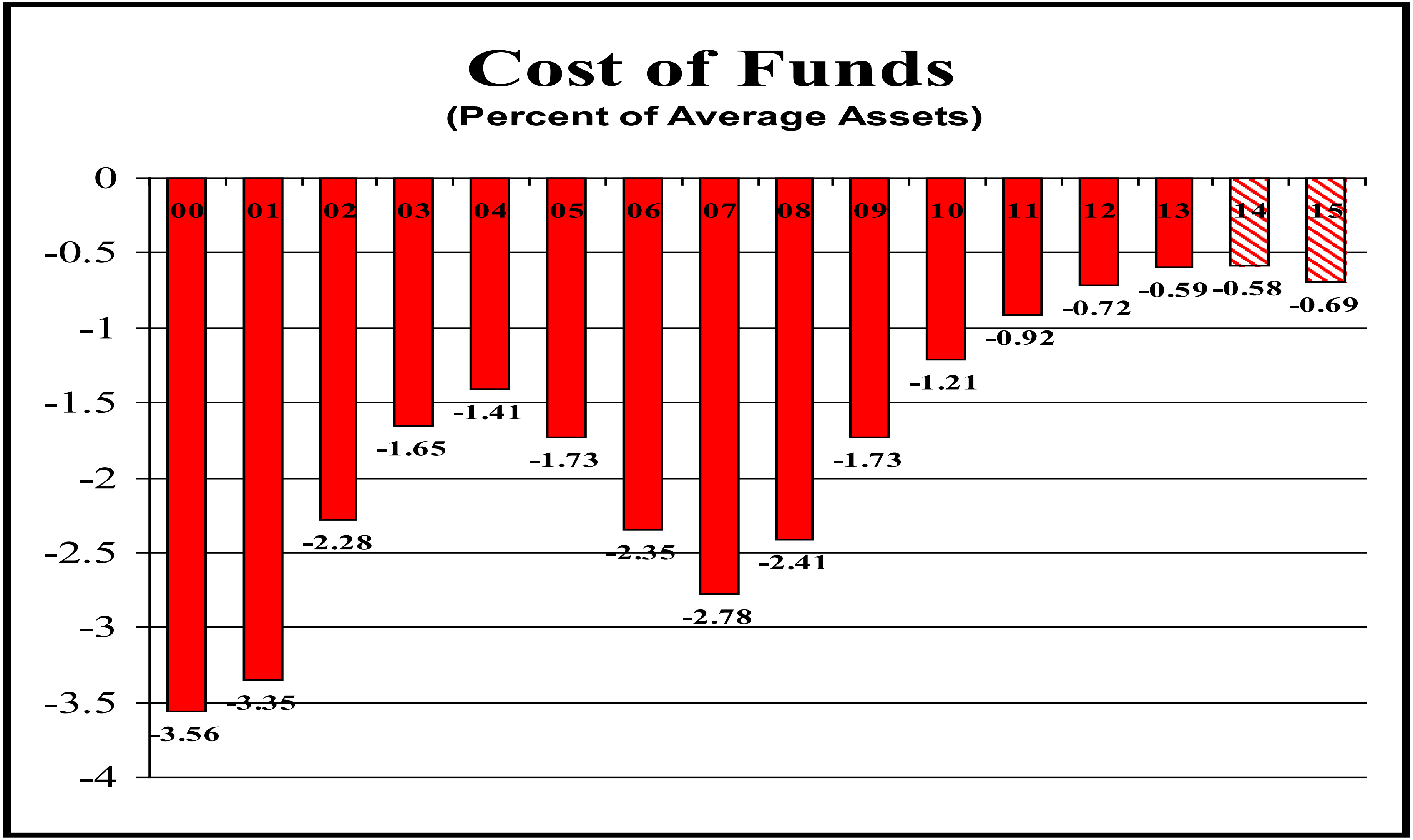
Credit union net interest margins reached the lowest in history in 2013 due to historically low interest rates and excess liquidity. "Other income" rose dramatically over the last decade to supplement and maintain credit union earnings. Deregulation over the last 30 years has increased competition in the financial services arena, resulting in lower net interest margins. Banking competition will increase as survivors of the Great Recession reduce their risk aversion. For an individual CU, margins will also be determined by local market demographics: population growth, median household income, local industry, age trends. Margin compression is forcing credit union to increase the array of financial products and services offered while at the same time boosting efficiency and productivity.



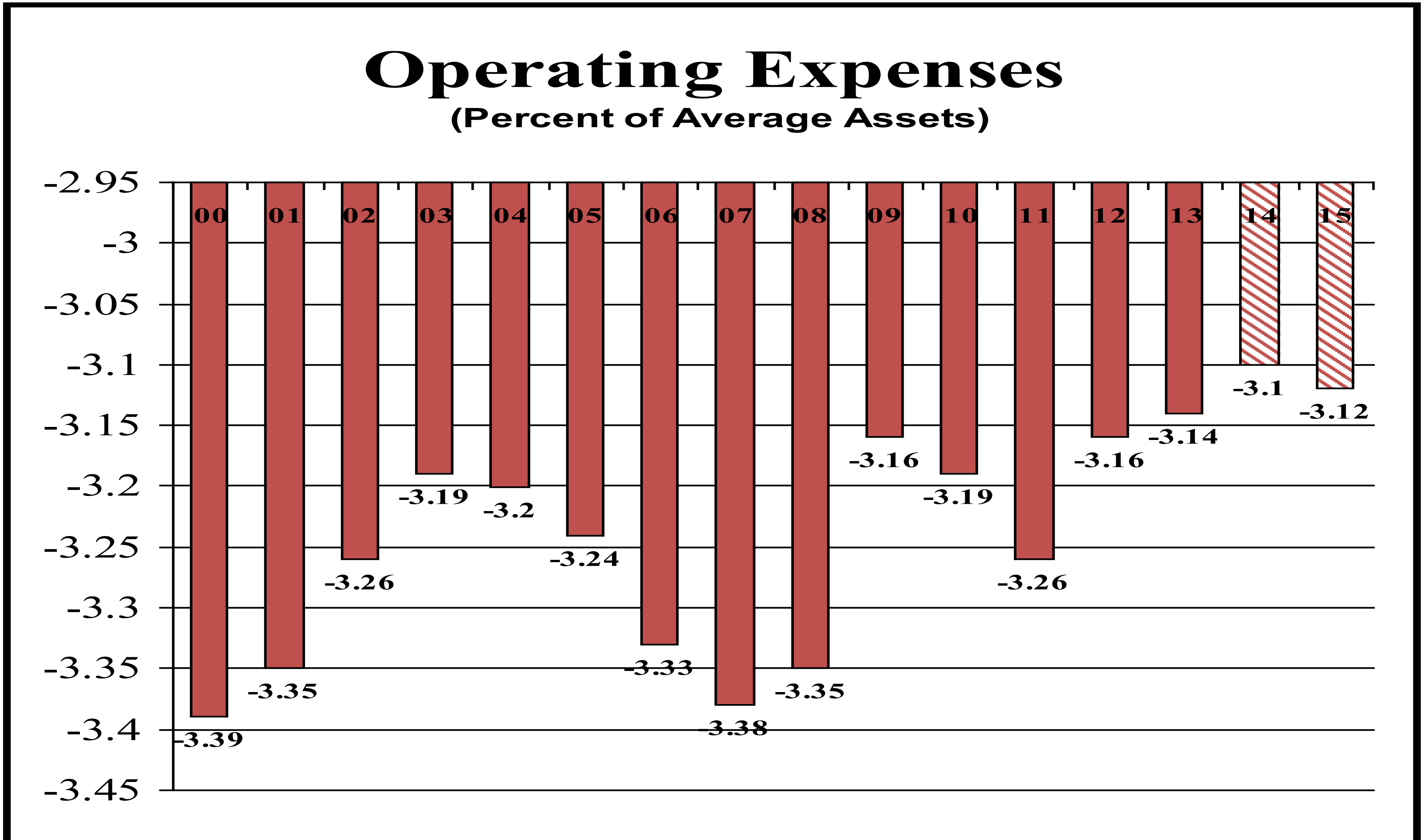
Net interest margins are falling as YOAs fall faster than COFs. Credit unions have been "underwater" for the last 8 years as operating expenses have been greater than net interest margins. Mergers will accelerate as a means to reduce operating expense ratios. Cost containment and reorganization efforts are also a high priority: enhance the distribution system, evaluate the product menu, optimize business processes, improve vendor relationships.



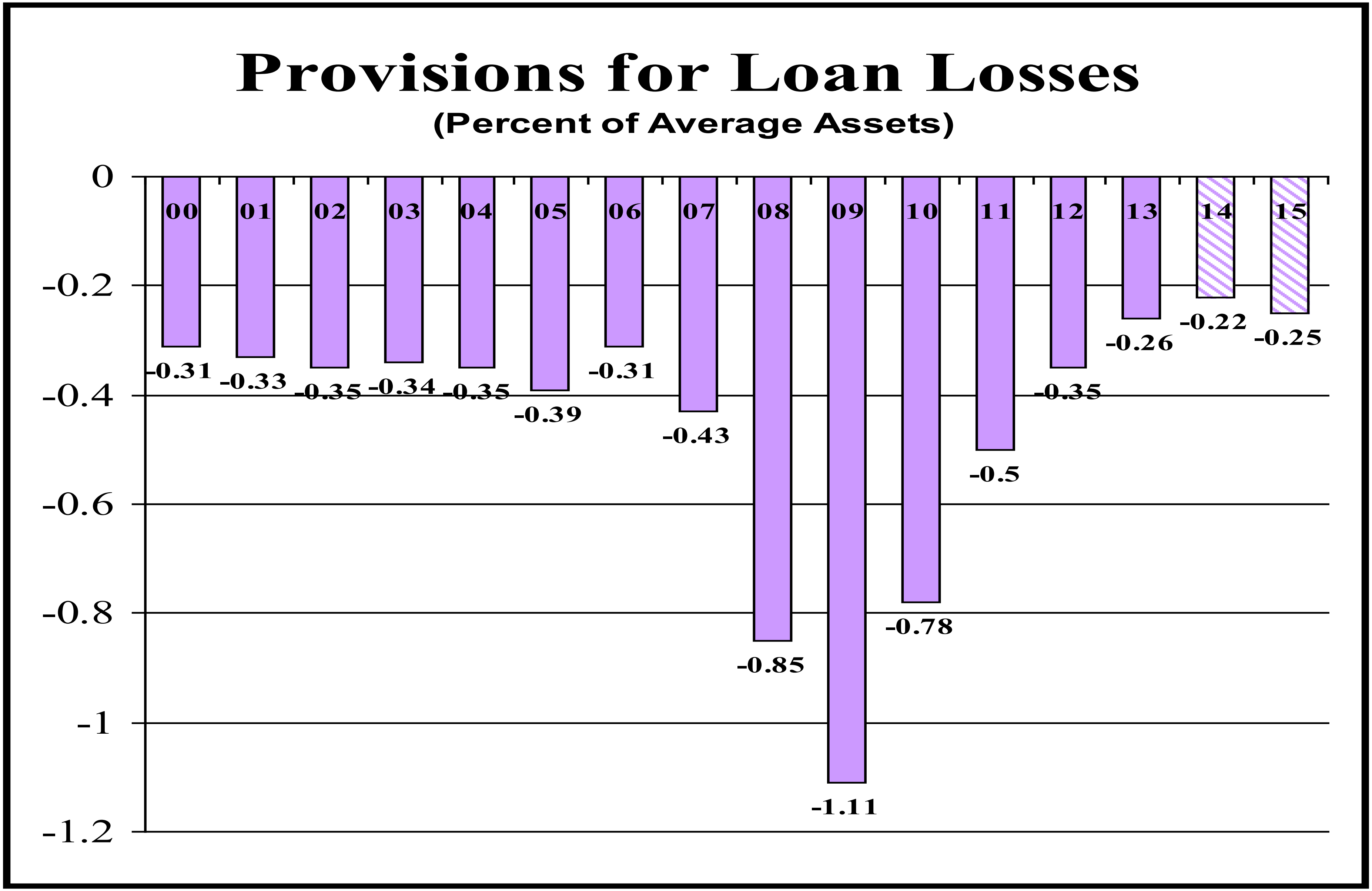
Credit union loan growth of 9-10% in 2014-15 will shift assets away from low yielding investments and into higher yielding auto and mortgage loans. This will push credit union assets yields above the record low of 3.4% set in 2013. The Federal Reserve's Quantitative Easing program (print money to buy MBS and Treasury bonds) will end at the end of 2014, pushing up longer term interest rates to 2.8% by the end of 2014. Faster economic growth in 2015 will keep the upward pressure on interest rates with the 10-year Treasury crossing over 3.25%. This will push mortgage rates up and boost earnings. The Fed will raise the fed funds interest rate in the summer of 2015 raising the yields on short-term credit union investments. Aggressive loan pricing by banks returning to the consumer lending arena will, however, lower net returns on some loans.



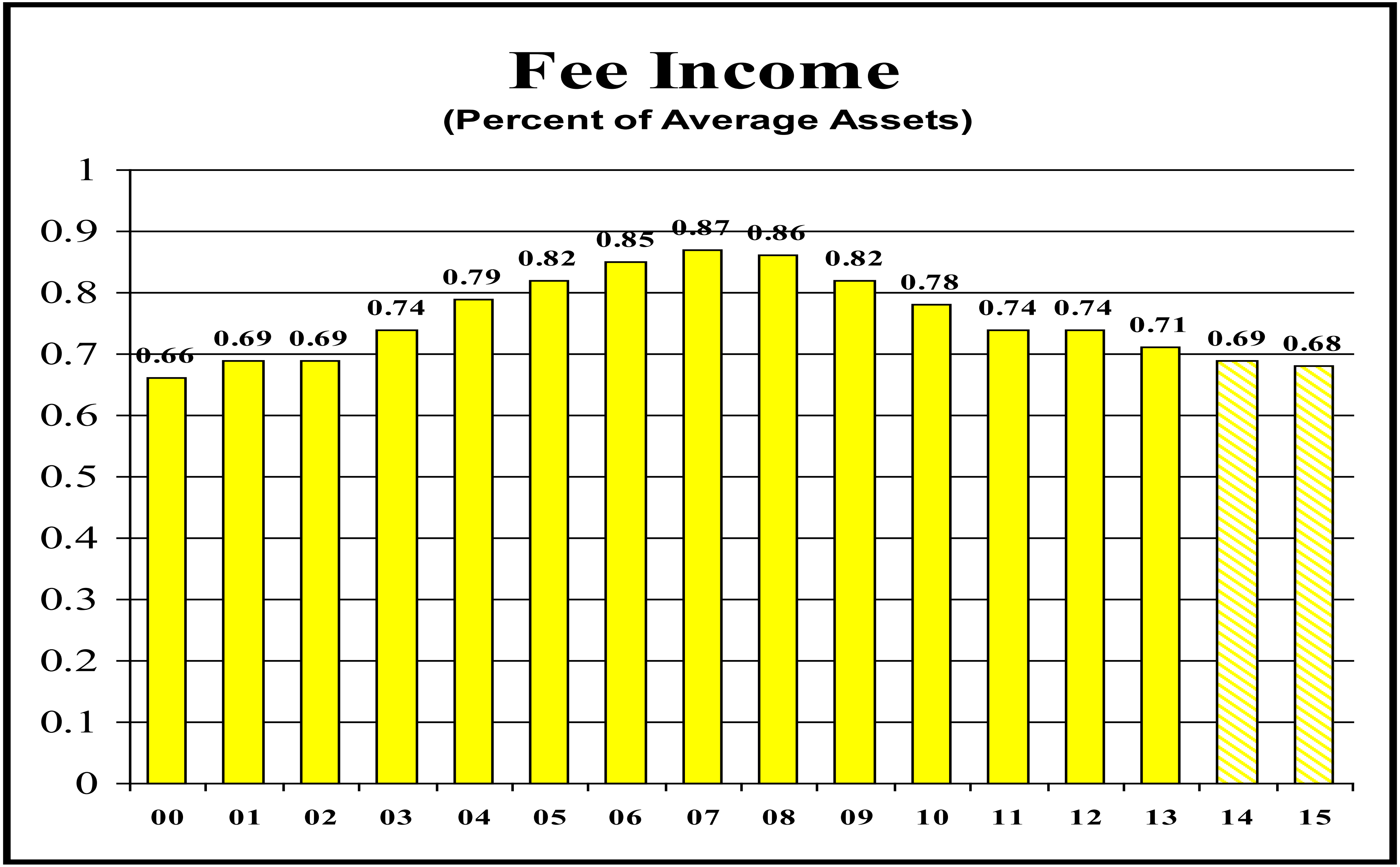
Rising short-term interest rates in 2015 will increase credit union cost of funds from the record low mark of 0.59% set in 2013 The rise will be modest as excess liquidity will allow deposit interest rates to lag increases in market interest rates. With almost all member certificate of deposits repriced to today's low interest rates, the funding cost increase will come sooner than it did during the last rising interest rate cycle of 2004. Rising interest rates will encourage members to shift funds out of core deposits and into higher yielding money market accounts, a liability mix effect. We expect the pace of interest rate increases to be slower than the last episode of rising rates in July 2014 to July 2015 when the Fed raised rates 3%.



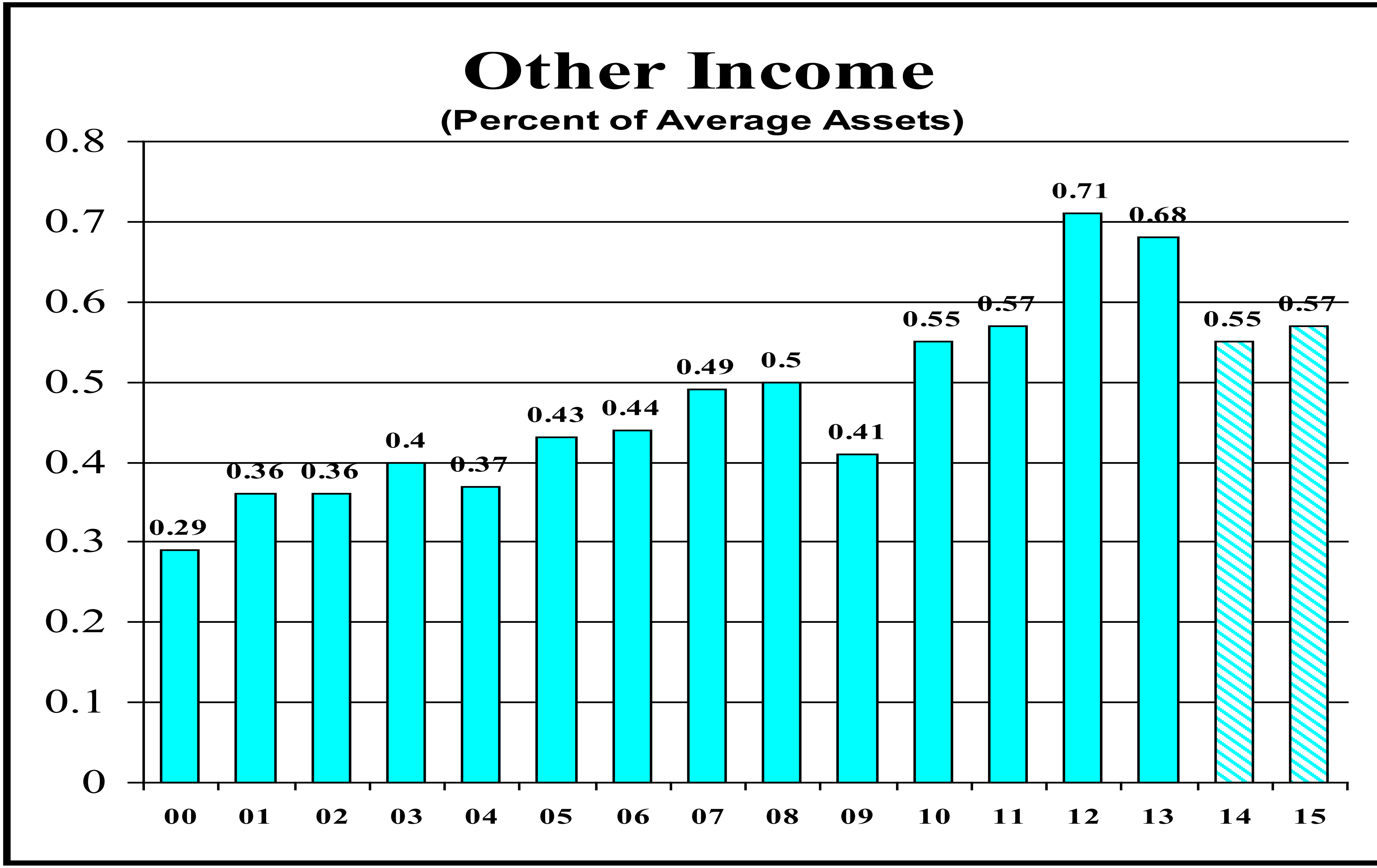
Operating expense ratios will fall over the next 2 years because the ***Corporate stabilization assessments*** are expected to be zero in 2014-15. The combination of corporate capital written off ($5.6 billion) and total assessments paid to date ($4.8 billion) is close to what the losses are likely to be. Moreover, ***NCUSIF premiums*** are expected to be zero in 2014-15 due to a build up of reserves for insurance losses and less CU failures. However, credit unions will experience rising compliance costs for new Dodd-Frank Act regulations and new Consumer Financial Protection Bureau rules. Low asset growth of around 3.5% will limit the reduction in operating expense ratios and therefore also limit the improvement in economies of scale and efficiency metrics.



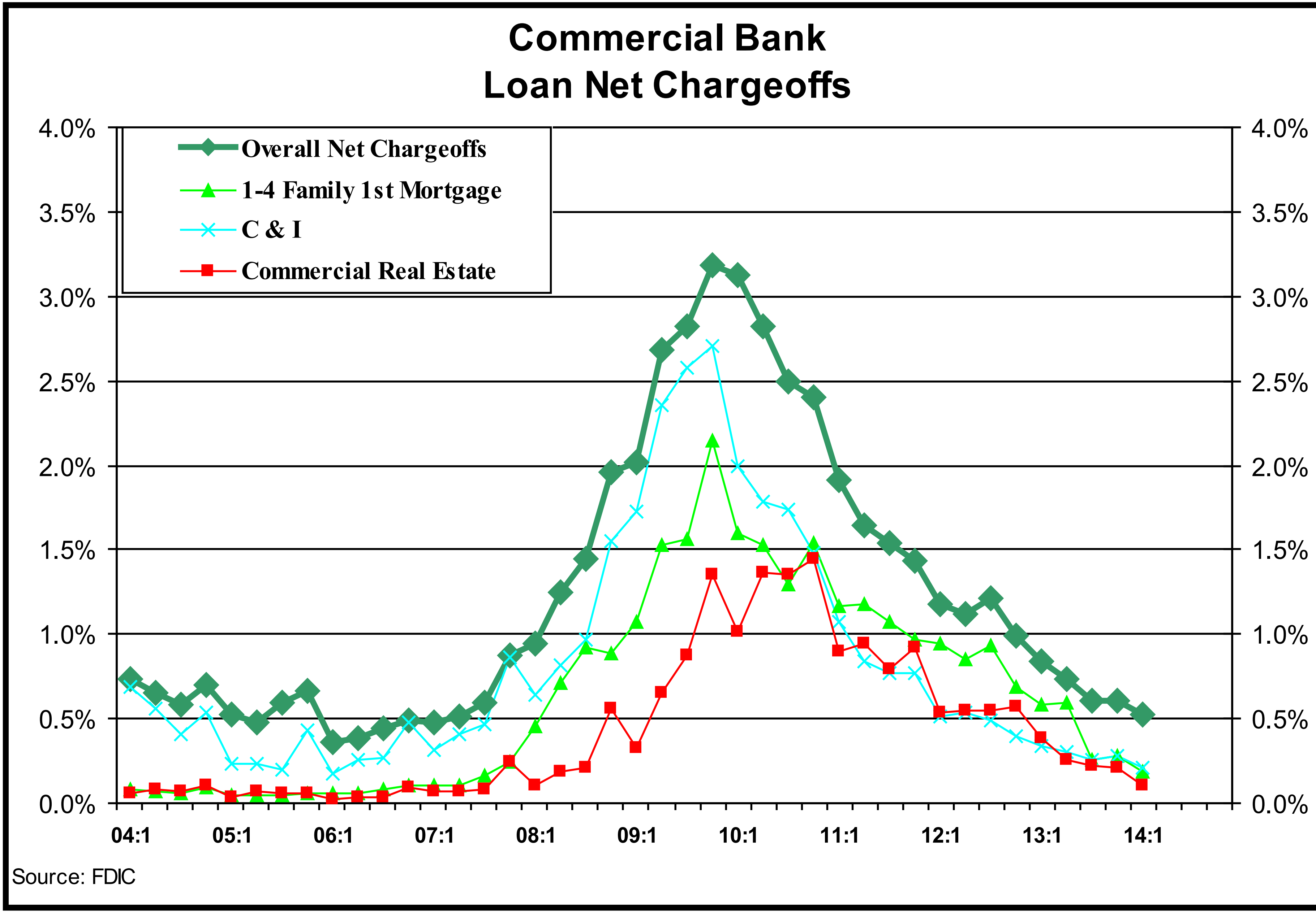
Falling loan net charge-offs, tighter underwriting standards, an improving labor market, rising home prices and a still overfunded allowance for loan loss account will keep loan loss provisions at below normal levels for 2014-2015. Many credit unions still have over-funded ***allowance for loan losses.*** leading to provisions lower than net chargeoffs over the last few years Job growth will improve ***credit quality*** and lower provisions. ***Home prices*** are expected increase 8% in 2014, reducing the number of mortgages at risk of foreclosure.



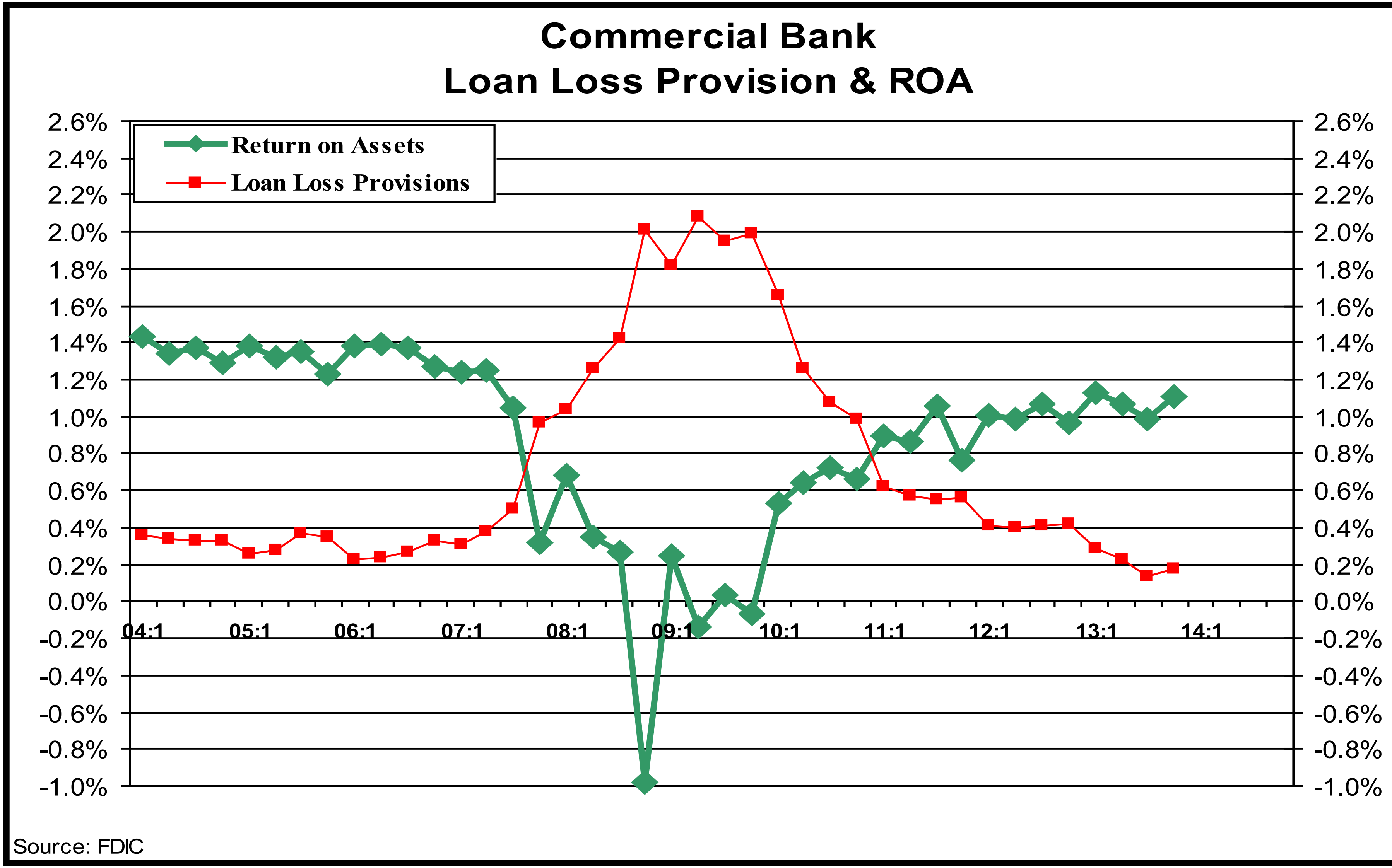
Fee income as a percent of average assets will continue its 6 year decline as the economic recovery lowers penalty fees. Fees from checking accounts serves as the single largest source of credit unions' fee income. The average percentage of fee income derived from nonsufficient funds (NSF), overdraft, and courtesy pay fell to 34% in 2013, down from 40% during the worst of the Great Recession. Credit unions continue to charge lower and fewer fees than banks for financial services. And by offering bank customers a low-fee alternative to high-fee banks, many credit unions experienced a surge in membership growth over the last few years.



The end of the mortgage refinance boom will reduce loan origination fees and **"gains on sale"** of mortgages over the next 2 years. ***Interchange income*** may decline in 2014-15 if interchange rates fall more than the increase in card transactions. Merchants have incentives to move customers to new alternate low-cost payment systems, reducing the market power of the card networks. The ***interchange fee cap rule*** (October 1, 2011) capped the maximum fee charged per debit card transaction to 21 cents (plus an additional 2-3 cents for fraud prevention) for institutions greater than $10 billion.



High unemployment and falling property prices levied a heavy toll of bad debts. Credit quality has improved leading to easier bank lending standards.



Falling provisions for loan loss has led to bank return on assets, ROA, to climb above 1% in 2014. Bank capital ratios are now some of the highest in the world over 10%.

During the boom many banks boosted earnings simply by levering up, masking poor returns on assets with the magic of debt.

New banking rules (BASEL 3) require banks to hold more capital (against potential losses) and bigger pools of liquid assets and more long-term debt (if funding markets dry up) which will depress returns on equity. New bank regulation will make banks safer at the cost of decreased supply of credit at a higher interest rate. Dodd Frank Act compliance costs will increase operating expenses.

Economic and Credit Union
2014-2015 Forecast
As of September 2014

ECONOMIC FORECAST

- **The U.S. economy is expected to grow 2.25% in 2014 and 3.5% in 2015.** The economic headwinds experienced over the last 5 years will abate and turn into tailwinds to push the economy's growth to over 3% in the second half of 2014. We expect a surge in housing construction, rising home prices, rising auto sales, stronger business investment spending and a robust energy sector.
- **Inflation will return to the Federal Reserve's inflation target of 2% in 2014 and 2015.** Core inflation (excluding food and energy prices) approach 2.0% in 2014 as the output gap closes and capacity utilization rates rise. Low core inflation will keep inflation expectations low and therefore also keep long-term interest rates low.
- The **unemployment rate will fall below 6.0% by the end of 2014.** Even so we do not expect them to raise the fed funds rate in 2014. The **fed funds interest rate will stay in the 0-0.25% range through 2014 due to the economy operating below potential.** The U.S. economy is currently producing a level of output of goods and services 4% below its potential level of output. The Federal Reserve will wait until the economy closes that gap before exiting its extraordinarily easy monetary policy.
- The **10-year Treasury interest rate will end 2014 below 3.3%.** The Federal Reserve's QE program (monthly purchases of Treasury bonds and MBSs) will end in 2014 as the Fed reduces their monthly purchases by $10 billion at each of their 8 FOMC meetings. This will cause bond investors' demand for longer-term bonds to decline, resulting in higher interest rates.
- The **Treasury yield curve will steepen in 2014 as long-term interest rates rise faster than short-term interest rates.** This will increase credit union's net interest margins as borrowing short term and lending long term becomes more lucrative. Credit union yields on assets will rise in 2014 (reversing a 6 year decline) due to rising interest rates and faster loan growth.

Economic Forecast

September, 2014

	Actual Results		Quarterly Results/Forecasts				Annual Forecasts	
	5Yr Avg	2013	2014:1	2014:2	2014:3	2014:4	2014	2015
Growth rates:								
*Economic Growth (% chg GDP)	1.24%	1.90%	-2.00%	4.20%	3.50%	3.55%	2.31%	3.50%
Inflation (% chg CPI)	1.60%	1.46%					2.00%	2.00%
Core Inflation (ex. food & energy)	1.64%	1.76%					2.00%	2.00%
Unemployment Rate	8.70%	7.40%	6.70%	6.30%	6.20%	6.10%	6.33%	5.80%
Fed Funds Rate	0.14%	0.11%	0.10%	0.10%	0.10%	0.10%	0.10%	0.75%
10-Year Treasury Rate	2.68%	2.35%	2.75%	2.65%	2.85%	3.00%	2.81%	3.40%

* Percent change, annual rate

All other numbers are averages for the period

Economic and Credit Union
2014-2015 Forecast
As of September 2014

CREDIT UNION FORECAST

- Credit union **savings balances are expected to grow 3.5% in 2014 and 3% in 2015.** Saving growth will slow to 3% in 2015 due to the Fed raising short-term interest rates which will cause some members to transfer funds to MMMFs. Nevertheless, fast membership growth of around 2.25% (twice as fast as the 1% growth in population) will help buoy savings growth.
- Credit union **loan balances are expected to rise 7.5% in 2014 and 8% in 2015**. Loan growth of 7.5% will be the fastest pace since the 7.6% rate set back in 2007. Expect households to release pent up demand for autos, furniture and appliances over the next 2 years. New auto loans, credit card loans and purchase mortgage loans will be strong growth areas.
- **Credit quality will improve in 2014 and 2015**. The overall loan delinquency rate will fall below 0.8 in 2015, but remain above the long-run average of 0.75%, as job growth continues. Provisions for loan losses as a percent of assets will rise above the 0.26% reported in 2013 as loan growth picks up.
- Credit union **return on assets will rise 0.80% in 2014 and 0.85% in 2015.** Rising yield on assets will increase net interest margins and the elimination of the corporate assessment will lower operating expenses. Nonetheless, a drop in mortgage refinancing will reduce "gains on sale of mortgage" income.
- **Capital-to-asset ratios will rise to 11% in 2014.** Capital growth will outpace asset growth over the next two years, increasing the capital-to-asset ratio. Credit union capital ratios will approach the record level of 11.5% set in 2006, the year before the beginning of the great recession.

Credit Union Forecast

September, 2014

	Actual Results		Quarterly Results/Forecasts				Annual Forecasts	
	5Yr Avg	2013	2014:1	2014:2	2014:3	2014:4	2014	2015
Growth rates:								
Savings growth	6.0%	3.6%	3.8%	-0.2%	-0.4%	0.3%	3.5%	3.0%
Loan growth	2.7%	7.3%	1.4%	3.5%	2.9%	1.8%	9.6%	10.0%
Asset growth	5.4%	3.9%	3.1%	0.0%	-0.2%	0.7%	3.6%	3.5%
Membership growth	1.6%	2.5%	0.7%	1.0%	0.4%	0.2%	2.3%	2.3%
Liquidity:								
Loan-to-share ratio**	73.9%	68.6%	67.0%	69.5%	71.8%	72.9%	72.9%	77.8%
Asset quality:								
Delinquency rate	1.46%	1.02%	0.81%	0.80%	0.80%	0.75%	0.79%	0.70%
Net chargeoff rate*	0.91%	0.57%	0.50%	0.44%	0.44%	0.46%	0.46%	0.45%
Earnings								
Return on average assets (ROA)*	0.59%	0.77%	0.77%	0.83%	0.88%	0.90%	0.85%	0.95%
Capital adequacy:								
Net worth ratio**	10.3%	10.8%	10.5%	10.7%	10.9%	11.1%	11.1%	11.6%

* Annualized Quarterly Data

**End of period ratio

See also our MCUE website

If you have any questions or comments send an email to srick@cuna.coop