The Benefits of Membership

Customized Analysis of Member Benefits For:

Kentucky

September 2014

Prepared by:

Credit Union National Association
Economics and Statistics Department

Kentucky

The Benefits of Membership

Credit unions generally provide financial benefits to members through lower loan rates, high savings rates, and fewer fees than banking institutions.

The Credit Union National Association (CUNA) estimates that Kentucky credit unions provided $35,666,994 in direct financial benefits to the state's 766,957 members during the twelve months ending September 2014.

These benefits are equivalent to $47 per member or $88 per member household [1].

Estimated total benefits of credit union membership are calculated by accounting for differences in credit union and bank pricing. Specifically, average credit union savings account yields, loan interest rates and fees are compared to average bank savings account yields, loan interest rates and fees. The interest rate differences are then applied to respective average credit union loan and savings balances. Fee differences are weighted and applied to credit union non-interest income to obtain the total estimated benefits arising from fees.

The per-member and per-household benefits delivered by Kentucky credit unions are substantial, but these benefits are *averages*. Mathematically, that means the total benefits provided are divided across all members (or all member households) - even those who conduct very little financial business with Kentucky credit unions.

Consider this:

Financing a $25,000 new automobile for 60 months at a Kentucky credit union will save members an average $62 per year in interest expense compared to what they would pay at a banking institution in the state.

Further, loyal members - those who use the credit union extensively - often receive total financial benefits that are much greater than the average.

Kentucky credit unions excel in providing member benefits on many loan and savings products. In particular, Kentucky credit unions offer lower average loan rates on the following accounts: new car loans, used car loans, first mortgage-fixed rate, home equity loans, credit cards loans.

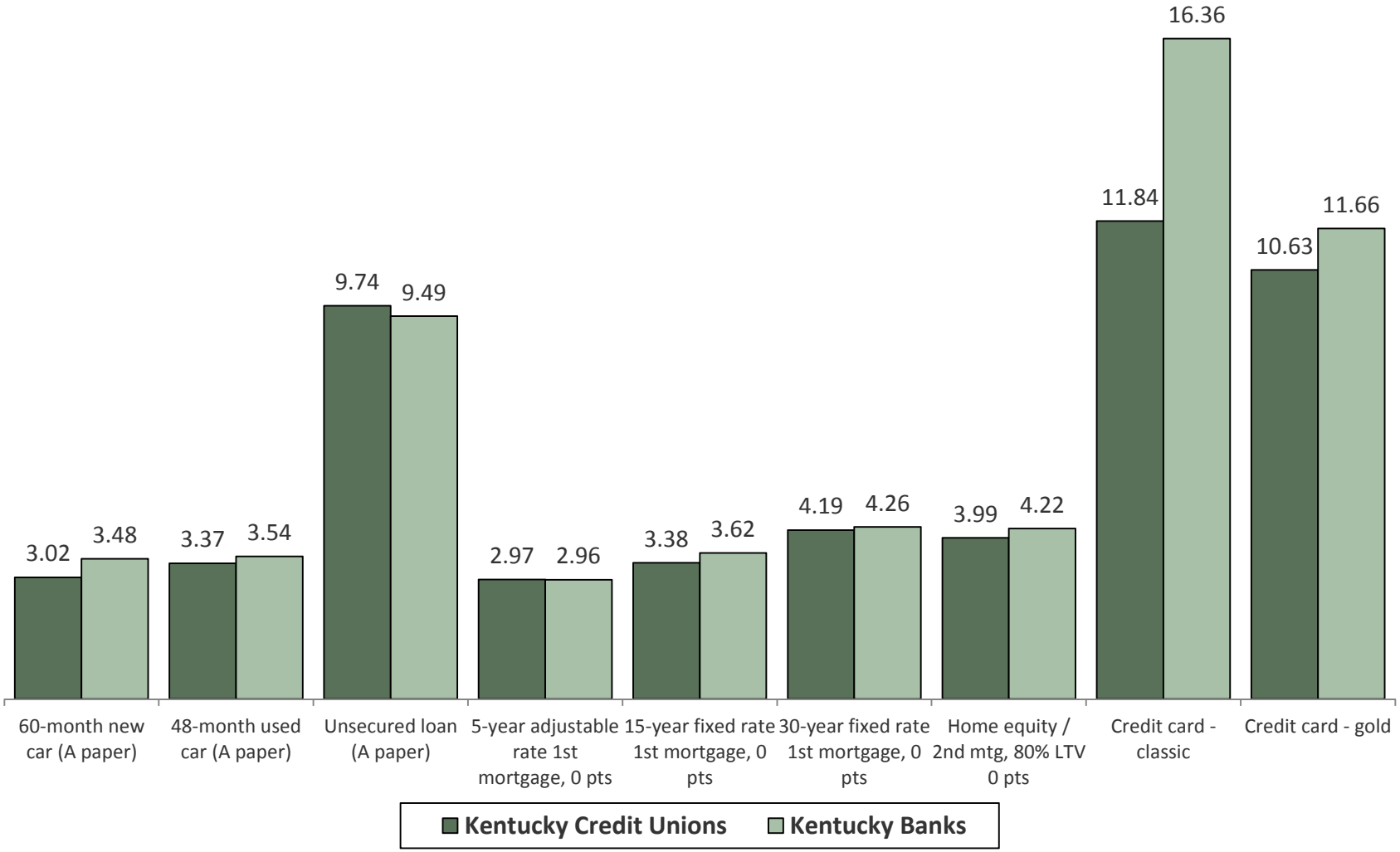
Kentucky credit unions also pay members higher average dividends on the following accounts: share draft checking, money market accounts, certificate accounts, IRAs.

AMERICA'S CREDIT UNIONS™

Source: Informa Research Services, NCUA, and CUNA.
(1)Assumes 1.9 credit union members per household.

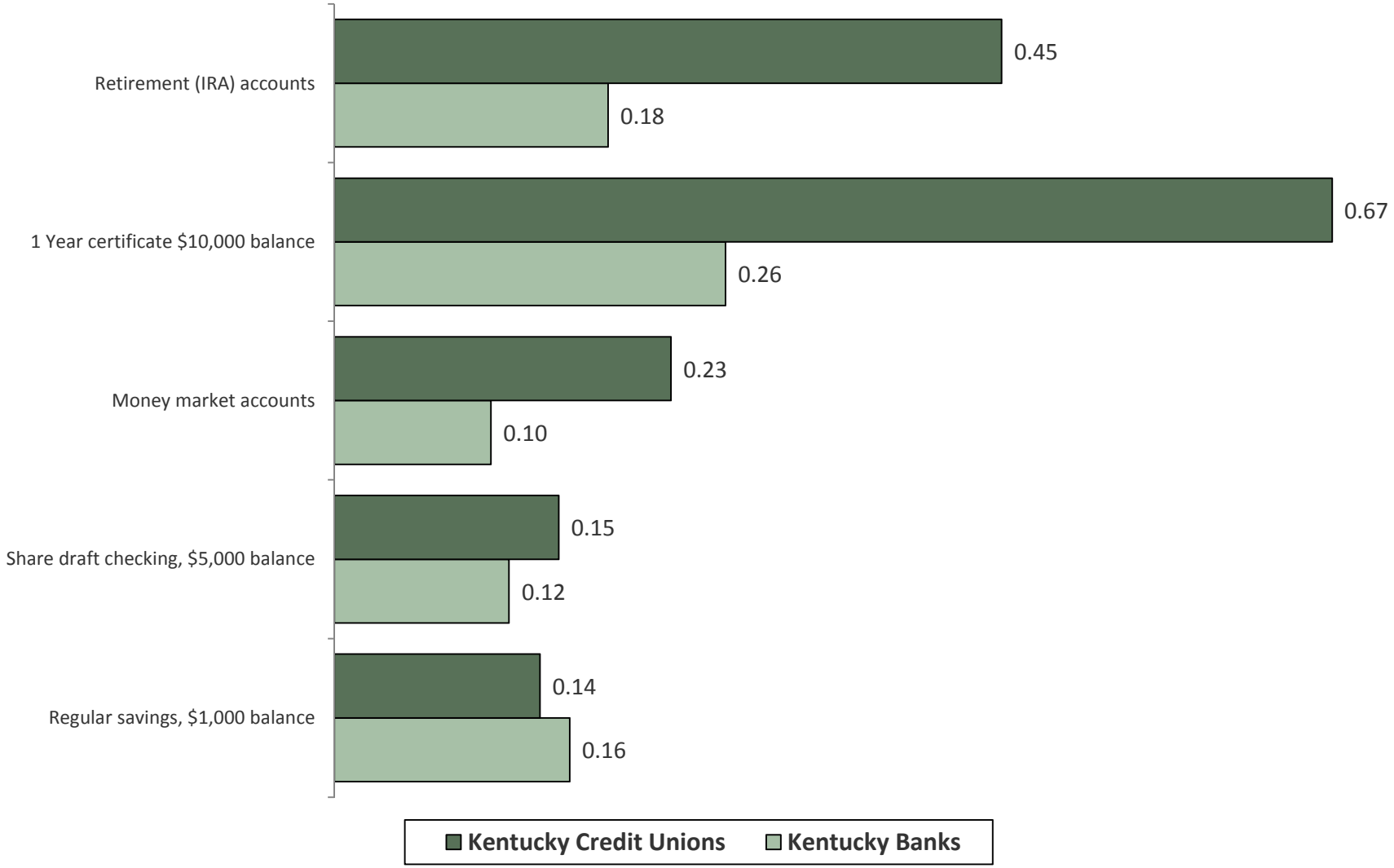
Loan Product Comparative Interest Rates (%)

By Loan Type



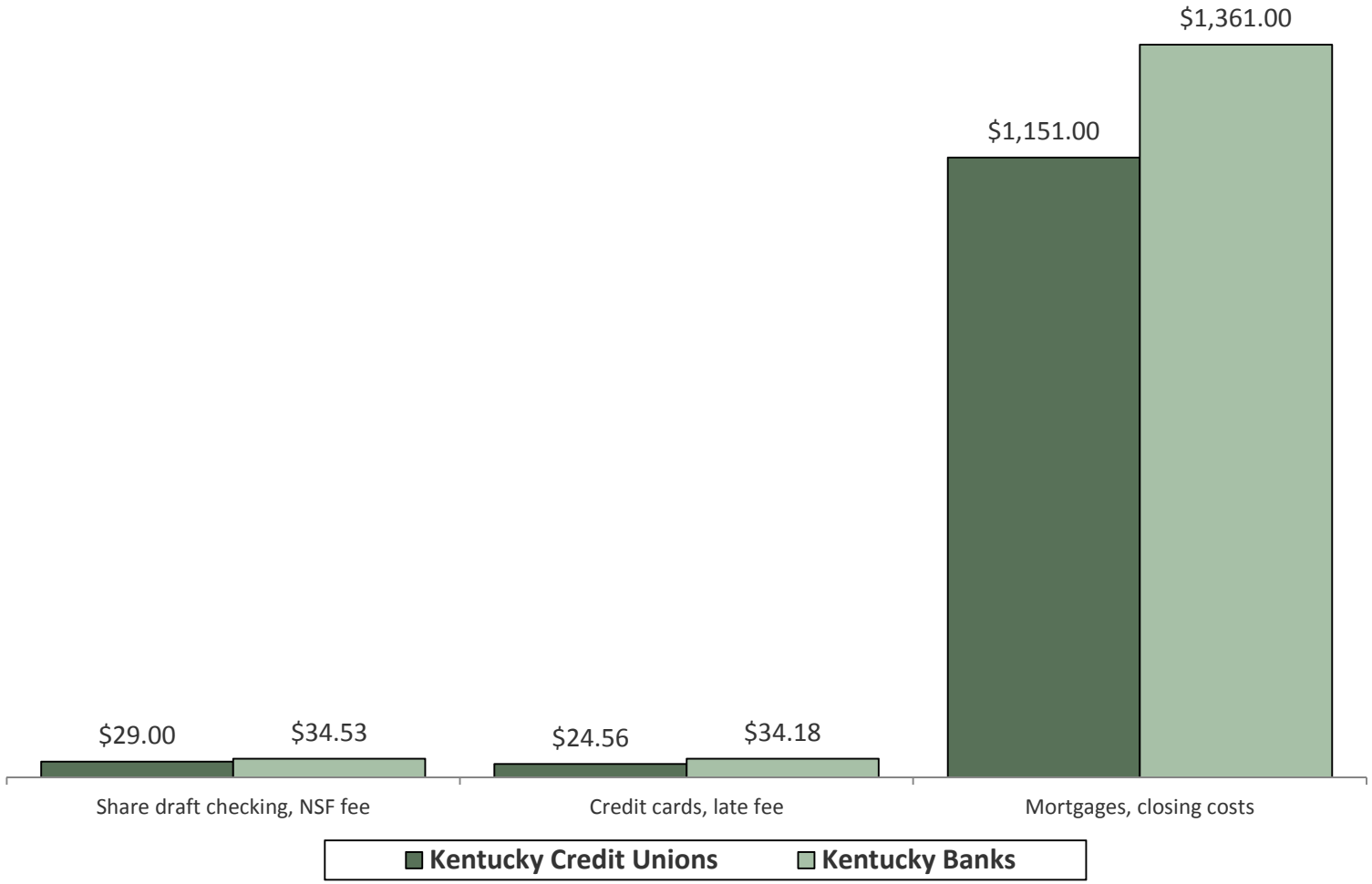
Savings Products Comparative Interest Rates(%)

By Savings Account Type



Comparative Fees

By Type



Kentucky
Credit Union and Banking Institution
September 2014 Average Interest Rates and Fees

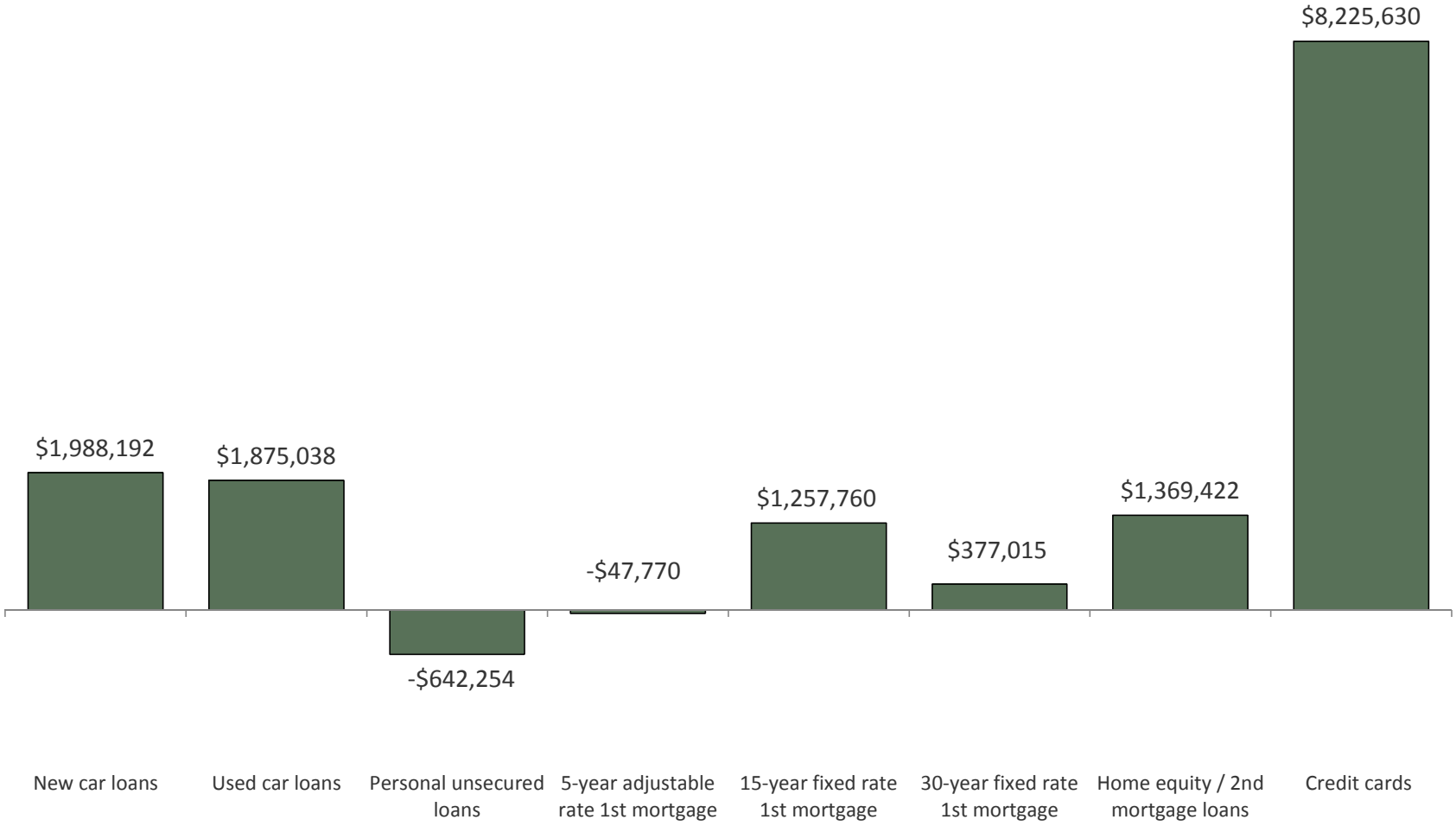
Loan Products	***Average Rate at Credit Unions (%)***	***Average Rate at Banks (%)***	***Rate Difference vs. Banks (%)***
60-month new car (A paper)	3.02	3.48	-0.46
48-month used car (A paper)	3.37	3.54	-0.17
Unsecured loan (A paper)	9.74	9.49	0.26
5-year adjustable rate 1st mortgage, 0 pts	2.97	2.96	0.01
15-year fixed rate 1st mortgage, 0 pts	3.38	3.62	-0.25
30-year fixed rate 1st mortgage, 0 pts	4.19	4.26	-0.08
Home equity / 2nd mtg, 80% LTV 0 pts	3.99	4.22	-0.23
Credit card - classic	11.84	16.36	-4.52
Credit card - gold	10.63	11.66	-1.03
Savings Products			
Regular savings, $1,000 balance	0.14	0.16	-0.02
Share draft checking, $5,000 balance	0.15	0.12	0.03
Money market accounts	0.23	0.10	0.12
1 Year certificate $10,000 balance	0.67	0.26	0.41
Retirement (IRA) accounts	0.45	0.18	0.26
Fee Income			
Share draft checking, NSF fee	$29.00	$34.53	-$5.53
Credit cards, late fee	$24.56	$34.18	-$9.62
Mortgages, closing costs	$1,151.00	$1,361.00	-$210.00

Source: Informa Research Services

State Credit Unions' Total Loan Rate Benefits

Compared to State Banking Institutions

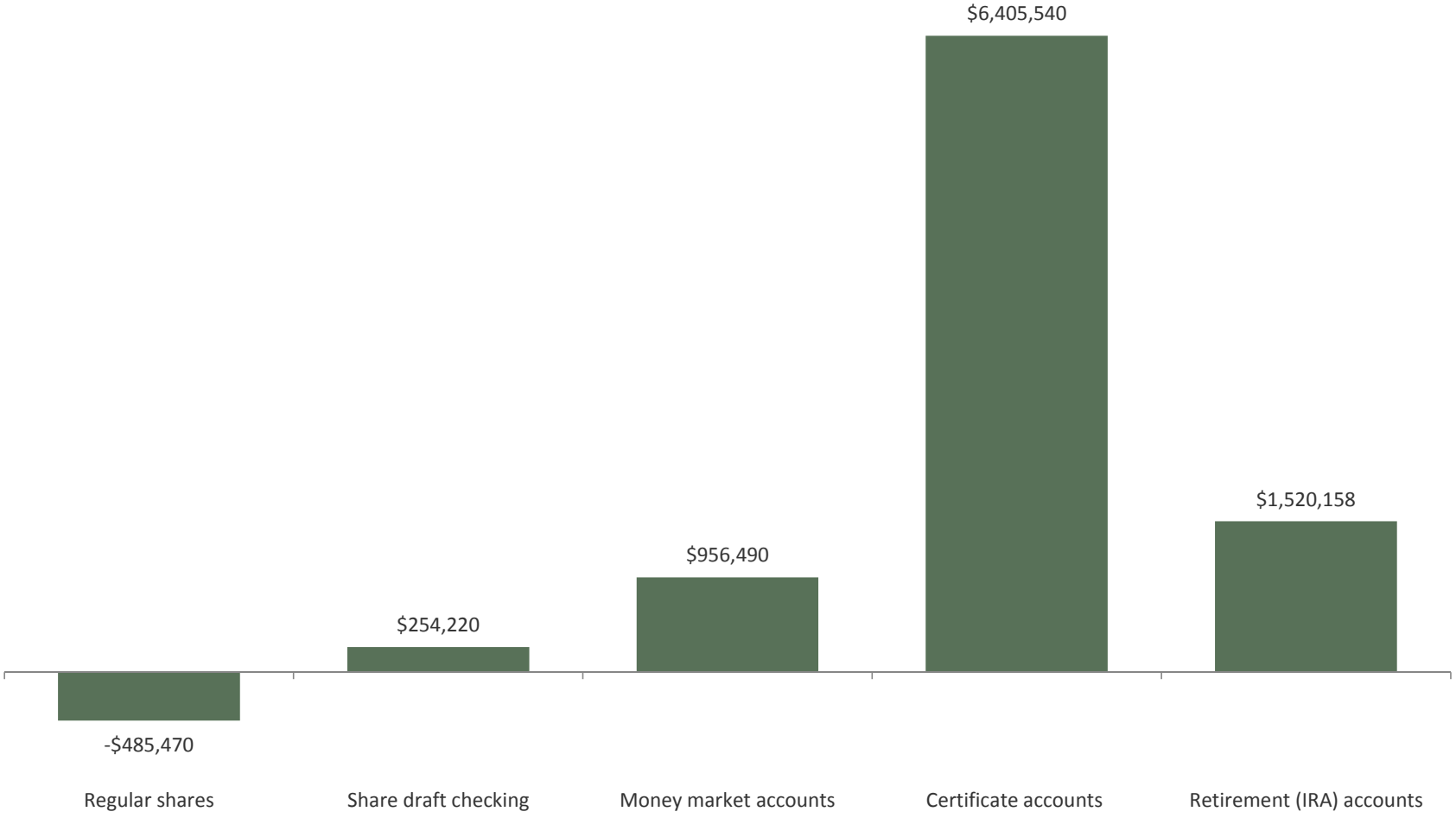
by Loan Type



State Credit Unions' Total Savings Dividend Benefits

Compared to State Banking Institutions

by Account Type



Estimated Financial Benefits for Kentucky Credit Unions

September 2014

Loans	Avg. Balance at Credit Unions (1)	Rate Difference vs. Kentucky Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	431,278,186	-0.46	$1,988,192
Used car loans	1,102,963,277	-0.17	$1,875,038
Personal unsecured loans	251,864,428	0.26	-$642,254
5-year adjustable rate 1st mortgage	530,778,572	0.01	-$47,770
15-year fixed rate 1st mortgage	511,284,717	-0.25	$1,257,760
30-year fixed rate 1st mortgage	489,630,445	-0.08	$377,015
Home equity / 2nd mortgage loans	592,823,277	-0.23	$1,369,422
Credit cards	225,514,188	-4.52	$8,225,630
Interest rebates in period			$0
Total CU member benefits arising from lower interest rates on loan products:			$14,403,033
Savings			
Regular shares	2,459,716,054	-0.02	-$485,470
Share draft checking	765,392,338	0.03	$254,220
Money market accounts	794,528,294	0.12	$956,490
Certificate accounts	1,580,530,758	0.41	$6,405,540
Retirement (IRA) accounts	578,377,978	0.26	$1,520,158
Bonus dividends in period			$0
Total CU member benefit arising from higher interest rates on savings products:			$8,650,937
Fee Income			
Total CU member benefit arising from fewer / lower fees:			$12,613,024
Total CU member benefit arising from interest rates on loans, savings products and lower fees:			$35,666,994
Total CU member benefit / member:			$47
Total CU member benefit / member household:			$88

Source: Informa Research Services, NCUA, and CUNA

(1) Average balance as of September 2014 and September 2013, according to the NCUA call report.; (2) Source for rates and fees: Informa Research Services;

Kentucky
Performance Profile

Demographic Information	Sep 14	Sep 13
Number of branches	192	193
Total assets ($ mil)	7,413	7,075
Total loans ($ mil)	4,579	4,175
Total surplus funds ($ mil)	2,507	2,595
Total savings ($ mil)	6,341	6,095
Total members (thousands)	772	767
Growth Rates (Trailing 12 months) *		
Total assets	5.1 %	4.5 %
Total loans	10.0 %	8.2 %
Total surplus funds	-2.9 %	-1.2 %
Total savings	4.4 %	4.3 %
Total members	1.2 %	2.3 %
Earnings - Basis Pts. *		
Yield on total assets	349	353
Dividend / interest cost of assets	52	55
Fee & other income	145	146
Operating expense	317	322
Loss Provisions	36	36
Net Income (ROA) after stabilization exp	90	85
Capital adequacy		
Net worth / assets	13.0	12.8
Asset quality *		
Delinquencies / loans	0.8	0.9
Net chargeoffs / average loans	0.5	0.6
Total borrower-bankruptcies	25	23
Bankruptcies per 1000 members	2.4	2.4
Asset/Liability Management		
Loans / savings	72.2	68.5
Loans / assets	61.8	59.0
Long-term assets / assets	28.5	30.2
Core deposits/shares & borrowings	52.0	51.7
Productivity		
Members / potential members	5.0	5.2
Borrowers / members	52.5	49.6
Members / FTE	396	401
Average shares / members ($)	8,219	7,949
Average loan balances ($)	11,305	10,969
Salary & Benefits / FTE	59,444	58,530

*** Earnings, net chargeoffs, and bankruptcies are year-to-date numbers annualized. Due to significant seasonal variation, balance sheet growth rates are for the trailing 12 months.**