

The Benefits of Membership

Customized Analysis of Member Benefits For:

Arkansas

December 2011

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Arkansas

The Benefits of Membership

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

The Credit Union National Association (CUNA) estimates that Arkansas credit unions provided \$19,286,977 in direct financial benefits to the state's 323,741 members during the twelve months ending December 2011.

These benefits are equivalent to \$60 per member or \$113 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 Arkansas 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 Arkansas credit unions.

Consider this:

Financing a \$25,000 new automobile for 60 months at a Arkansas credit union will save members an average \$240 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.

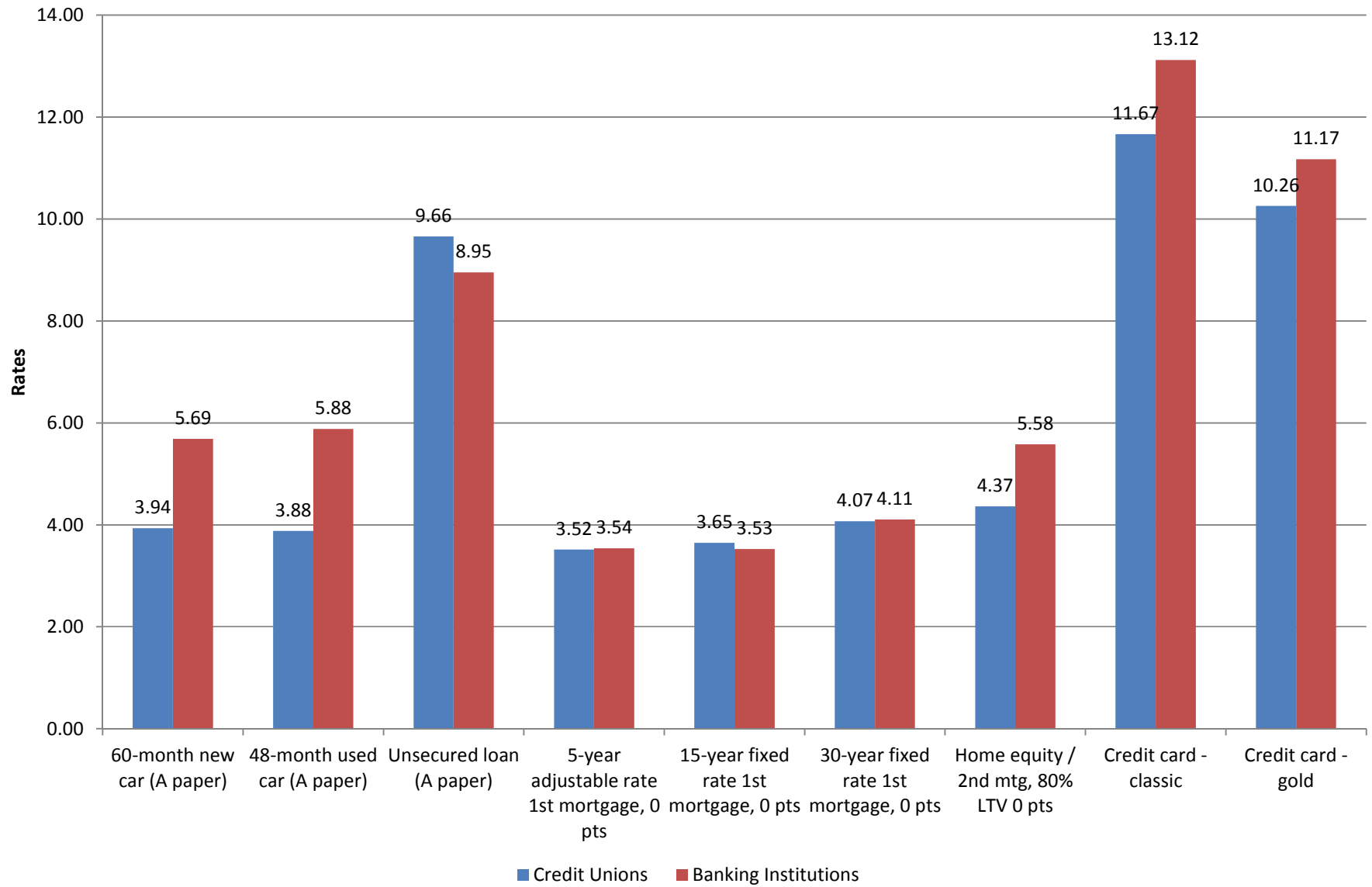
Arkansas credit unions excel in providing member benefits on many loan and saving products. In particular, Arkansas credit unions offer lower average loan rates on the following accounts: new car loans, used car loans, first mortgage-adjustable rate, home equity loans, credit cards loans.

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

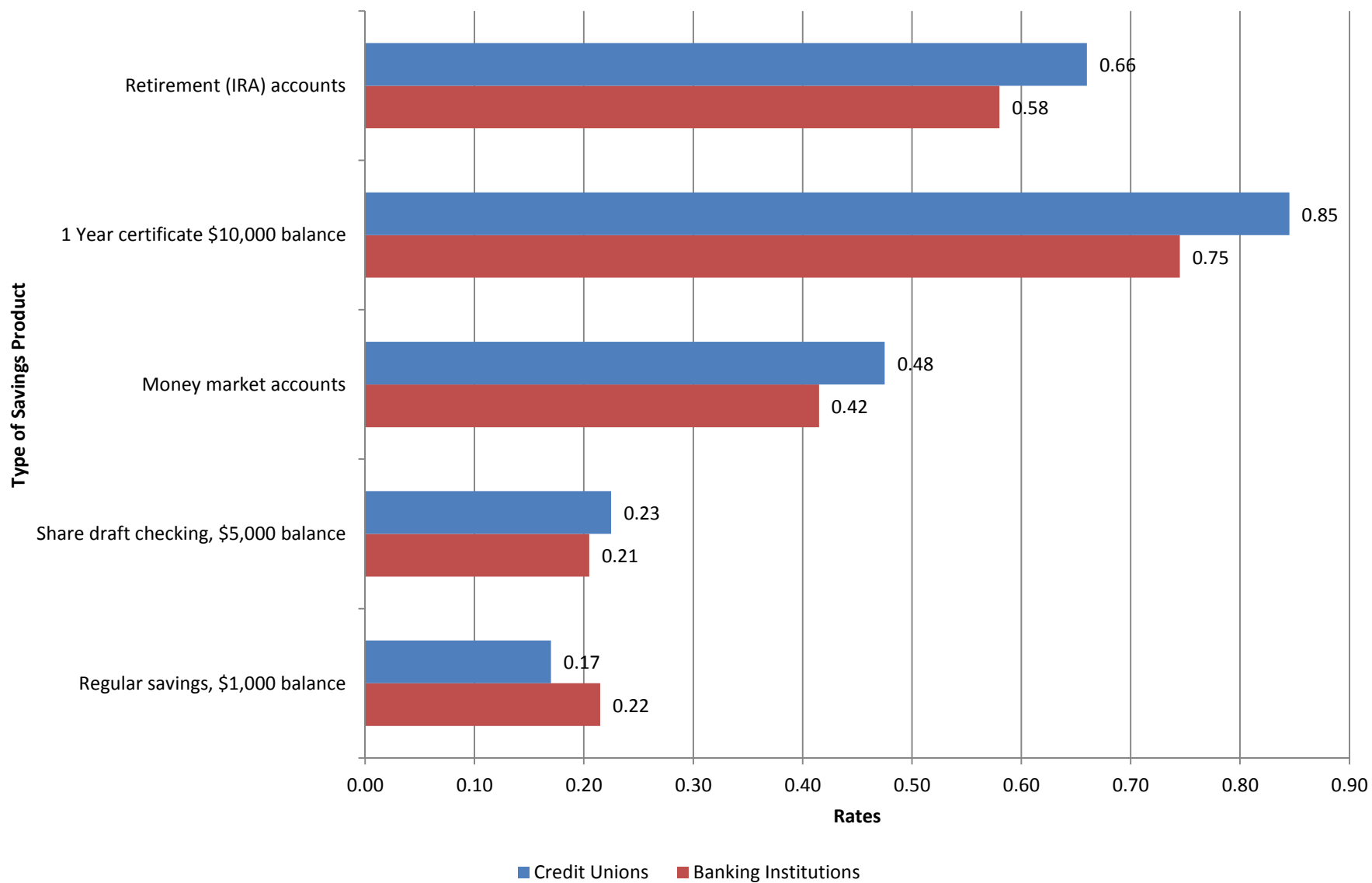


Source: Datatrac, NCUA, and CUNA.
(1) Assumes 1.9 credit union members per household.

Recent Comparative Interest Rates for Loan Products Credit Unions vs. Banking Institutions



Recent Comparative Interest Rates for Savings Products Credit Unions vs. Banking Institutions



Selected December 2011 Fees Credit Unions vs Banking Institutions

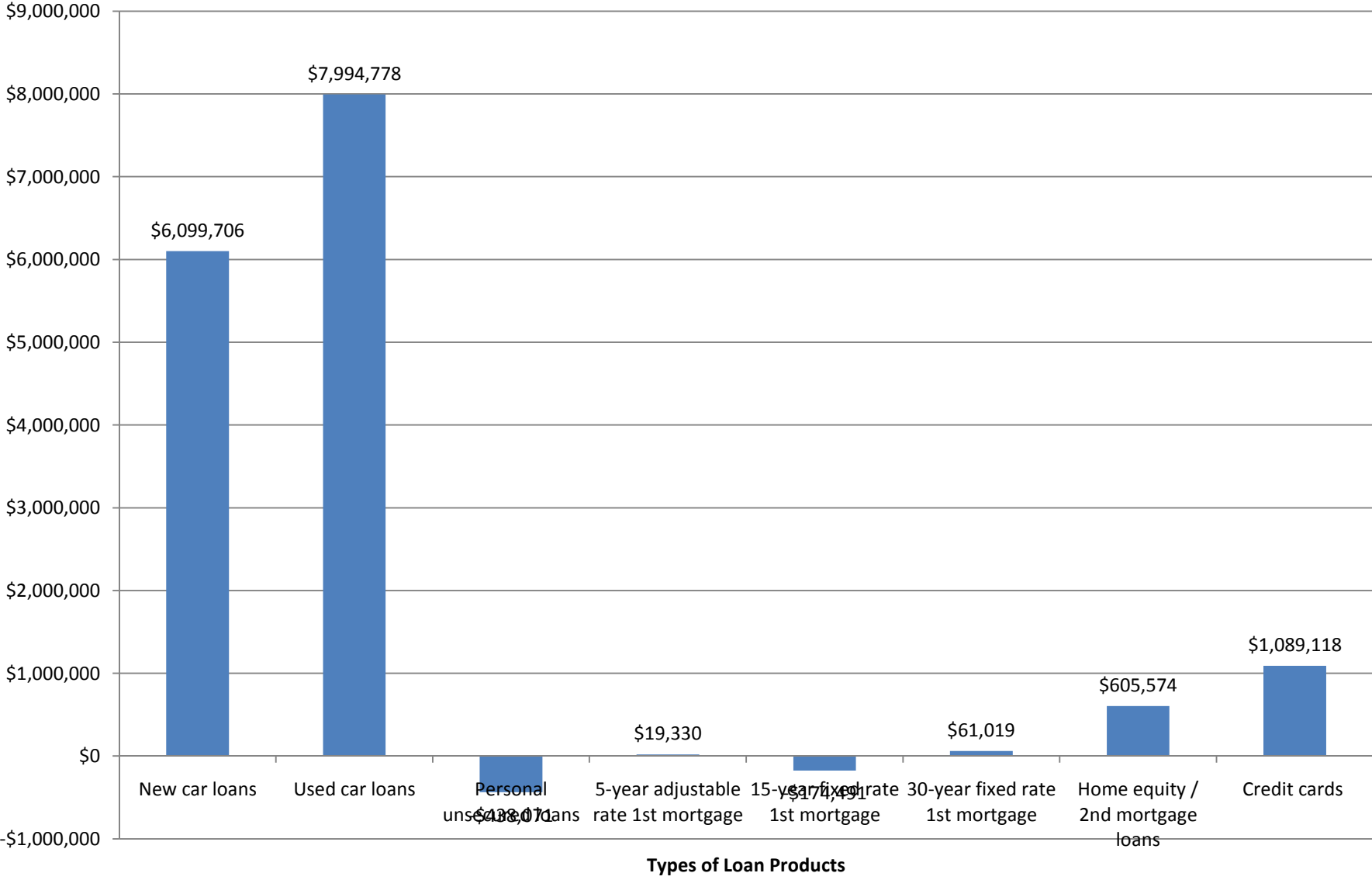


Arkansas
Credit Union and Banking Institution
Year-end 2011 Average Interest Rates and Fees

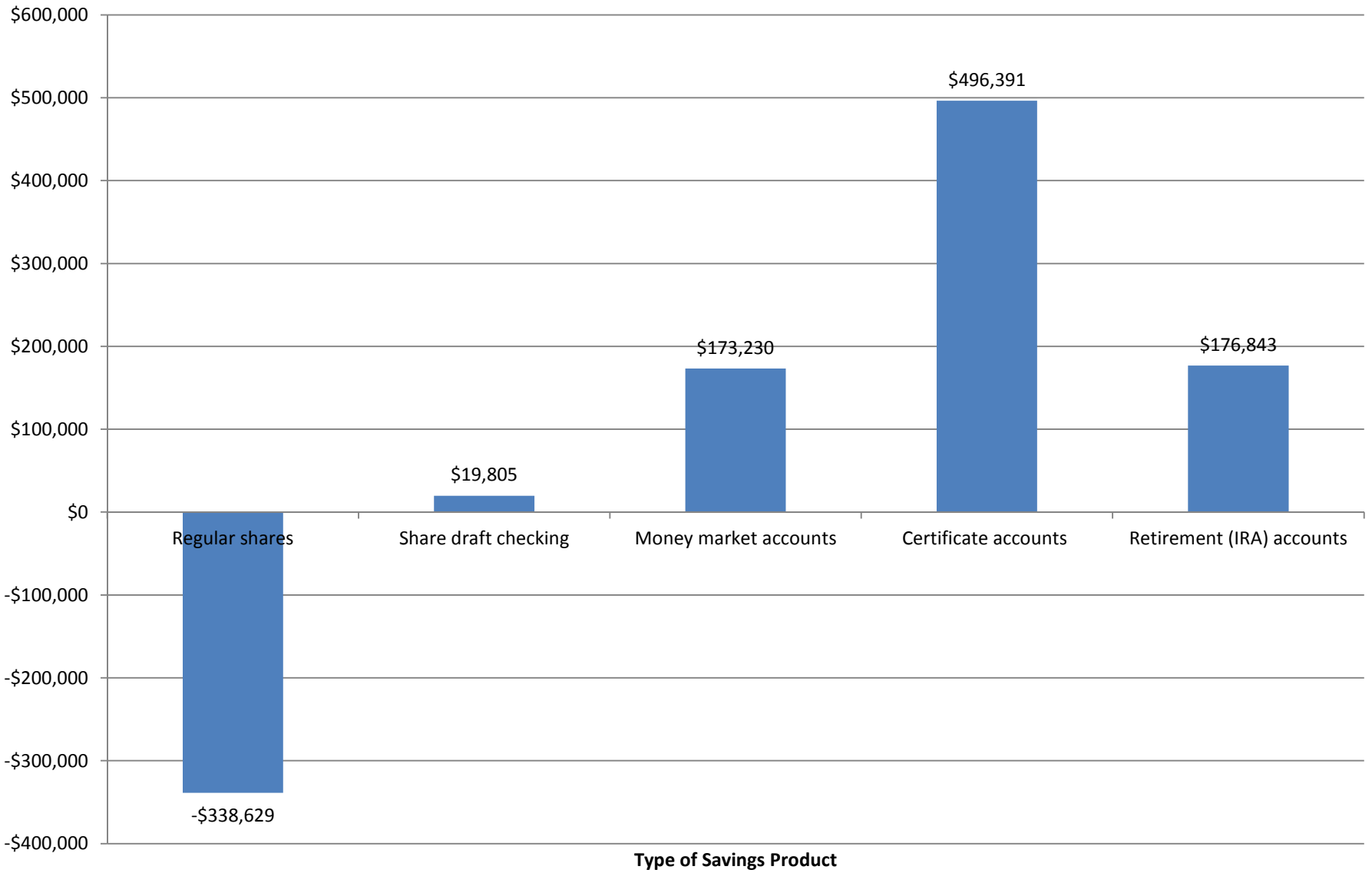
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	3.94	5.69	-1.75
48-month used car (A paper)	3.88	5.88	-2.00
Unsecured loan (A paper)	9.66	8.95	0.71
5-year adjustable rate 1st mortgage, 0 pts	3.52	3.54	-0.02
15-year fixed rate 1st mortgage, 0 pts	3.65	3.53	0.12
30-year fixed rate 1st mortgage, 0 pts	4.07	4.11	-0.03
Home equity / 2nd mtg, 80% LTV 0 pts	4.37	5.58	-1.22
Credit card - classic	11.67	13.12	-1.46
Credit card - gold	10.26	11.17	-0.92
Savings Products			
Regular savings, \$1,000 balance	0.17	0.22	-0.05
Share draft checking, \$5,000 balance	0.23	0.21	0.02
Money market accounts	0.48	0.42	0.06
1 Year certificate \$10,000 balance	0.85	0.75	0.10
Retirement (IRA) accounts	0.66	0.58	0.08
Fee Income			
Share draft checking, NSF fee	\$25.00	\$30.00	-\$5.00
Credit cards, late fee	\$20.00	\$35.00	-\$15.00
Mortgages, closing costs	\$2,280.00	\$2,309.00	-\$29.00

Source: Datatrac

Estimated Total Loan Rate Benefit Credit Unions vs Banking Institutions



Estimated Total Savings Dividend Benefit Credit Unions vs. Banking Institutions



Estimated Arkansas Credit Unions Financial Benefits Year-end 2011

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Arkansas Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	348,554,631	-1.75	\$6,099,706
Used car loans	399,738,901	-2.00	\$7,994,778
Personal unsecured loans	61,700,093	0.71	-\$438,071
5-year adjustable rate 1st mortgage	77,318,651	-0.02	\$19,330
15-year fixed rate 1st mortgage	145,409,007	0.12	-\$174,491
30-year fixed rate 1st mortgage	174,341,220	-0.03	\$61,019
Home equity / 2nd mortgage loans	49,841,518	-1.22	\$605,574
Credit cards	82,508,955	-1.46	\$1,089,118
Interest rebates in period			\$75,263
Total CU member benefits arising from lower interest rates on loan products:			\$15,332,227
<u>Savings</u>			
Regular shares	752,507,781	-0.05	-\$338,629
Share draft checking	99,025,076	0.02	\$19,805
Money market accounts	288,716,637	0.06	\$173,230
Certificate accounts	496,391,272	0.10	\$496,391
Retirement (IRA) accounts	221,054,292	0.08	\$176,843
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on saving products:			\$527,641
<u>Fee Income</u>			
Total CU member benefit arising from fewer/lower fees:			\$3,427,109
Total CU member benefit arising from interest rates on loan and savings products and lower fees:			\$19,286,977
Total CU member benefit / member:			\$60
Total CU member benefit / member household:			\$113

Source: Datatrac, NCUA, and CUNA

(1) Average balance as of September 2011 and September 2010, according to the NCUA call report.; (2) Source for rates and fees: Datatrac;

Arkansas
Performance Profile

Demographic Information	Dec 11	Dec 10
Number of branches	104	104
Total assets (\$ mil)	2,394	2,307
Total loans (\$ mil)	1,454	1,427
Total surplus funds (\$ mil)	835	763
Total savings (\$ mil)	1,946	1,863
Total members (thousands)	326	322
Growth Rates (Trailing 12 months) *		
Total assets	3.8 %	4.9 %
Total loans	1.9 %	2.4 %
Total surplus funds	9.5 %	7.8 %
Total savings	4.4 %	5.1 %
Total members	1.1 %	2.4 %
Earnings - Basis Pts. *		
Yield on total assets	408	452
Dividend/interest cost of assets	98	129
Fee & other income	104	82
Operating expense	328	333
Loss Provisions	23	29
Net Income (ROA) after stabilization exp	63	42
Capital adequacy		
Net worth / assets	12.9	12.7
Asset quality *		
Delinquencies / loans	1.1	1.2
Net chargeoffs / average loans	0.4	0.5
Total borrower-bankruptcies	16	17
Bankruptcies per 1000 members	3.1	3.2
Asset/Liability Management		
Loans / savings	74.7	76.6
Loans / assets	60.7	61.9
Long-term assets / assets	23.3	23.4
Core deposits/shares & borrowings	43.3	40.4
Productivity		
Members/potential members	14.5	14.2
Borrowers/members	43.0	43.4
Members/FTE	436	442
Average shares/members (\$)	5,978	5,788
Average loan balances (\$)	10,382	10,206
Salary & Benefits/FTE	44,616	45,196

* 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.