

The Benefits of Membership

Customized Analysis of Member Benefits For:

Kentucky

December 2011

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Kentucky

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 Kentucky credit unions provided \$46,247,586 in direct financial benefits to the state's 725,401 members during the twelve months ending December 2011.

These benefits are equivalent to \$64 per member or \$121 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 \$204 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.

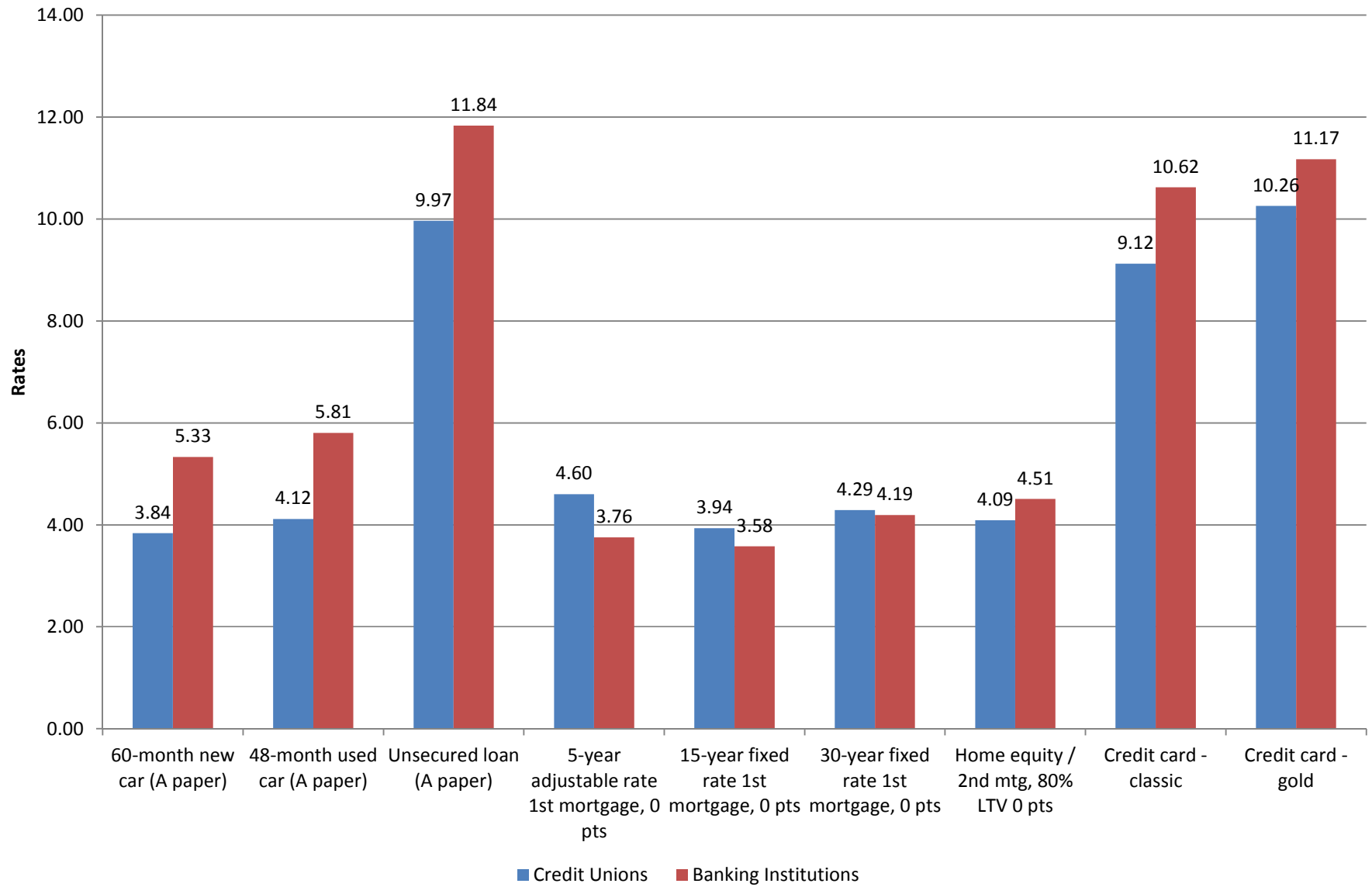
Kentucky credit unions excel in providing member benefits on many loan and saving products. In particular, Kentucky credit unions offer lower average loan rates on the following accounts: new car loans, used car loans, personal unsecured loans, home equity loans, credit cards loans.

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

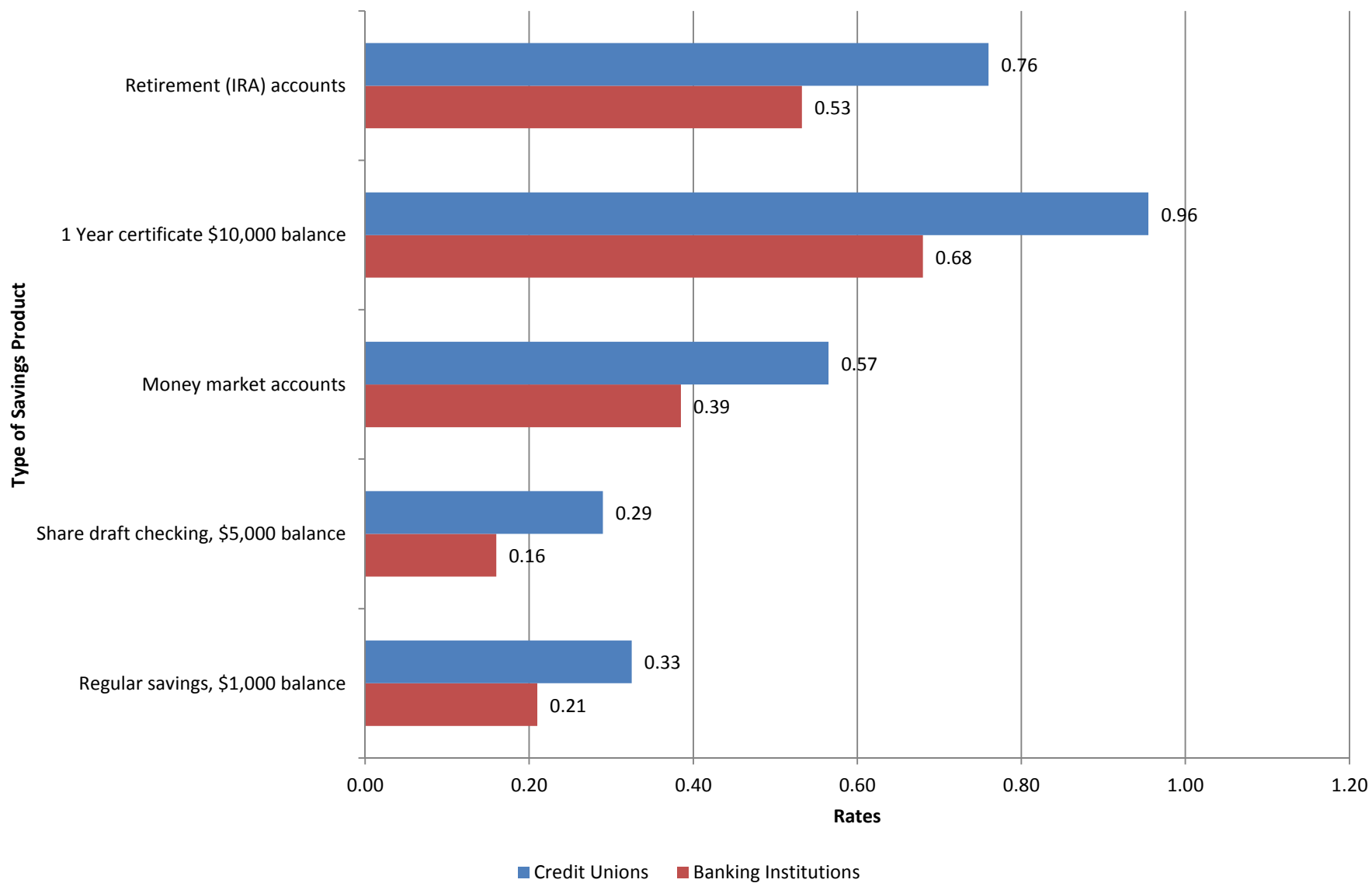


Source: Datatrac, NCUA, and CUNA.
(1) Assumes 1.9 credit union members per household.

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

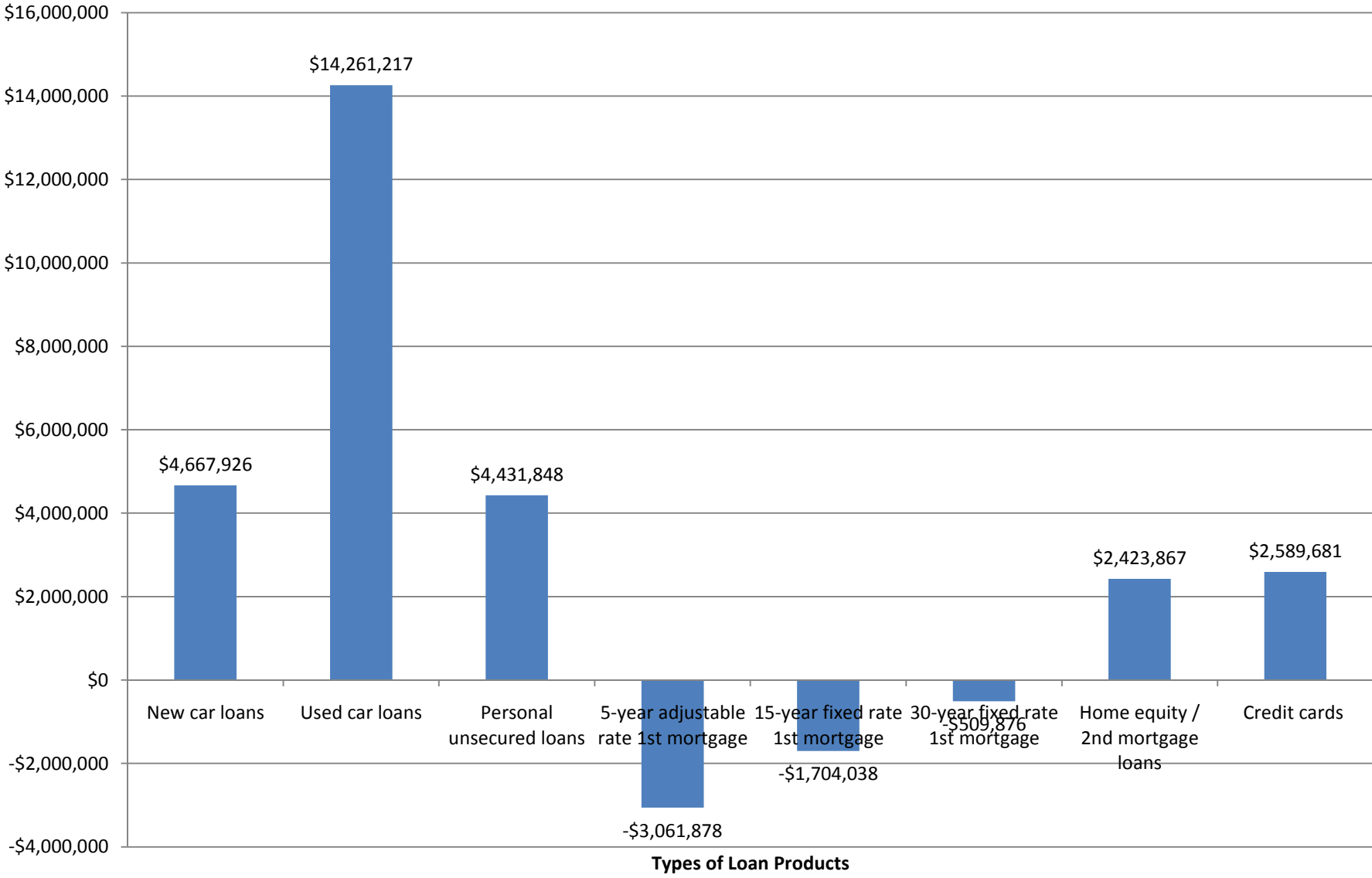


Kentucky
Credit Union and Banking Institution
Year-end 2011 Average Interest Rates and Fees

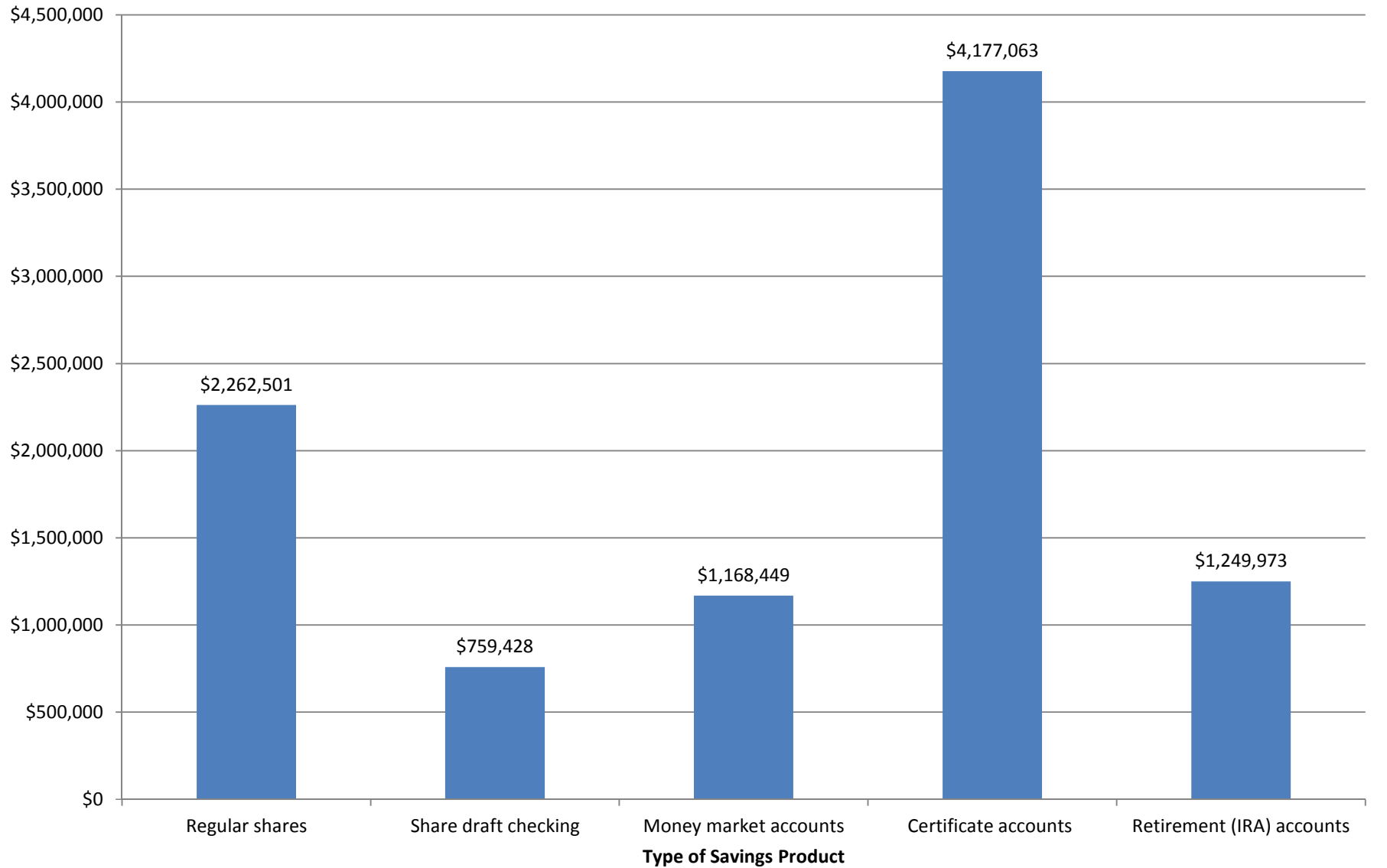
Loan Products	Average Rate at Credit Unions (%)	Average Rate at Banks (%)	Rate Difference vs. Banks (%)
60-month new car (A paper)	3.84	5.33	-1.50
48-month used car (A paper)	4.12	5.81	-1.69
Unsecured loan (A paper)	9.97	11.84	-1.87
5-year adjustable rate 1st mortgage, 0 pts	4.60	3.76	0.85
15-year fixed rate 1st mortgage, 0 pts	3.94	3.58	0.36
30-year fixed rate 1st mortgage, 0 pts	4.29	4.19	0.10
Home equity / 2nd mtg, 80% LTV 0 pts	4.09	4.51	-0.42
Credit card - classic	9.12	10.62	-1.50
Credit card - gold	10.26	11.17	-0.92
Savings Products			
Regular savings, \$1,000 balance	0.33	0.21	0.12
Share draft checking, \$5,000 balance	0.29	0.16	0.13
Money market accounts	0.57	0.39	0.18
1 Year certificate \$10,000 balance	0.96	0.68	0.28
Retirement (IRA) accounts	0.76	0.53	0.23
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 Kentucky Credit Unions Financial Benefits Year-end 2011

<u>Loans</u>	Avg. Balance at Credit Unions (1)	Rate Difference vs. Kentucky Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	312,235,835	-1.50	\$4,667,926
Used car loans	843,859,020	-1.69	\$14,261,217
Personal unsecured loans	236,997,232	-1.87	\$4,431,848
5-year adjustable rate 1st mortgage	362,352,377	0.85	-\$3,061,878
15-year fixed rate 1st mortgage	480,010,718	0.36	-\$1,704,038
30-year fixed rate 1st mortgage	509,875,526	0.10	-\$509,876
Home equity / 2nd mortgage loans	577,111,262	-0.42	\$2,423,867
Credit cards	191,296,863	-1.50	\$2,589,681
Interest rebates in period			\$51,188
Total CU member benefits arising from lower interest rates on loan products:			\$23,149,937
 <u>Savings</u>			
Regular shares	1,967,391,821	0.12	\$2,262,501
Share draft checking	584,175,035	0.13	\$759,428
Money market accounts	649,138,113	0.18	\$1,168,449
Certificate accounts	1,518,931,871	0.28	\$4,177,063
Retirement (IRA) accounts	549,438,868	0.23	\$1,249,973
Bonus dividends in period			\$0
Total CU member benefit arising from higher interest rates on saving products:			\$9,617,413
 <u>Fee Income</u>			
Total CU member benefit arising from fewer/lower fees:			\$13,480,236
 Total CU member benefit arising from interest rates on loan and savings products and lower fees:			\$46,247,586
Total CU member benefit / member:			\$64
Total CU member benefit / member household:			\$121

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;

Kentucky
Performance Profile

Demographic Information	Dec 11	Dec 10
Number of branches	196	190
Total assets (\$ mil)	6,350	6,031
Total loans (\$ mil)	3,718	3,679
Total surplus funds (\$ mil)	2,359	2,093
Total savings (\$ mil)	5,478	5,201
Total members (thousands)	729	723
Growth Rates (Trailing 12 months) *		
Total assets	5.3 %	4.1 %
Total loans	1.1 %	2.8 %
Total surplus funds	12.7 %	5.3 %
Total savings	5.3 %	6.4 %
Total members	0.8 %	0.4 %
Earnings - Basis Pts. *		
Yield on total assets	409	447
Dividend/interest cost of assets	91	121
Fee & other income	146	142
Operating expense	340	347
Loss Provisions	36	47
Net Income (ROA) after stabilization exp	88	73
Capital adequacy		
Net worth / assets	12.7	12.4
Asset quality *		
Delinquencies / loans	1.0	0.9
Net chargeoffs / average loans	0.6	0.7
Total borrower-bankruptcies	29	32
Bankruptcies per 1000 members	3.3	3.8
Asset/Liability Management		
Loans / savings	67.9	70.7
Loans / assets	58.6	61.0
Long-term assets / assets	26.9	26.5
Core deposits/shares & borrowings	48.3	46.8
Productivity		
Members/potential members	7.7	11.0
Borrowers/members	48.9	49.9
Members/FTE	399	387
Average shares/members (\$)	7,515	7,194
Average loan balances (\$)	10,429	10,195
Salary & Benefits/FTE	56,421	54,139

* 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.