

The Benefits of Membership

Customized Analysis of Member Benefits For:

Tennessee

December 2011

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Tennessee

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 Tennessee credit unions provided \$128,759,125 in direct financial benefits to the state's 1,810,922 members during the twelve months ending December 2011.

These benefits are equivalent to \$71 per member or \$135 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 Tennessee 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 Tennessee credit unions.

Consider this:

Financing a \$25,000 new automobile for 60 months at a Tennessee credit union will save members an average \$196 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.

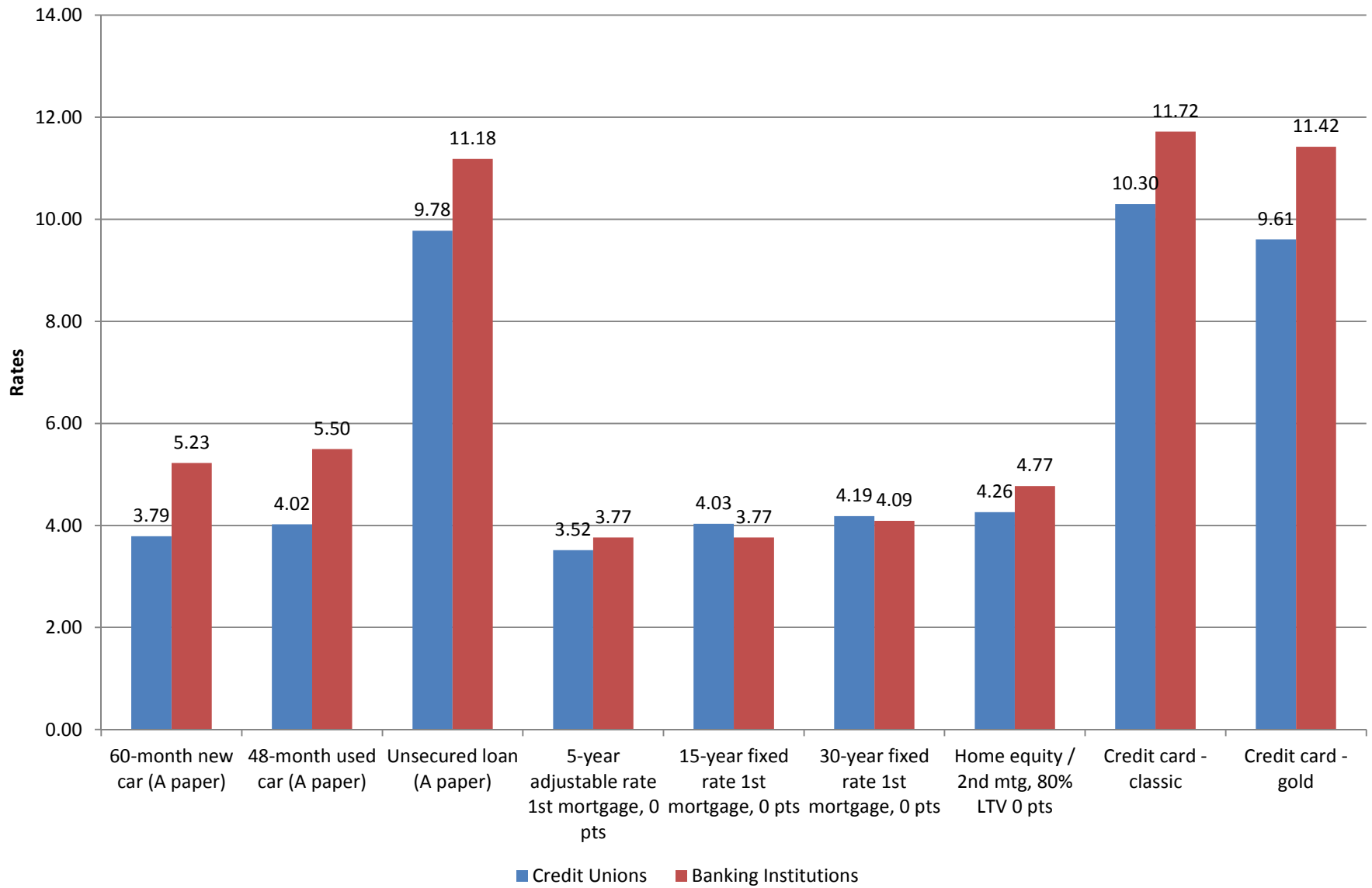
Tennessee credit unions excel in providing member benefits on many loan and saving products. In particular, Tennessee credit unions offer lower average loan rates on the following accounts: new car loans, used car loans, personal unsecured loans, first mortgage-adjustable rate, home equity loans, credit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

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

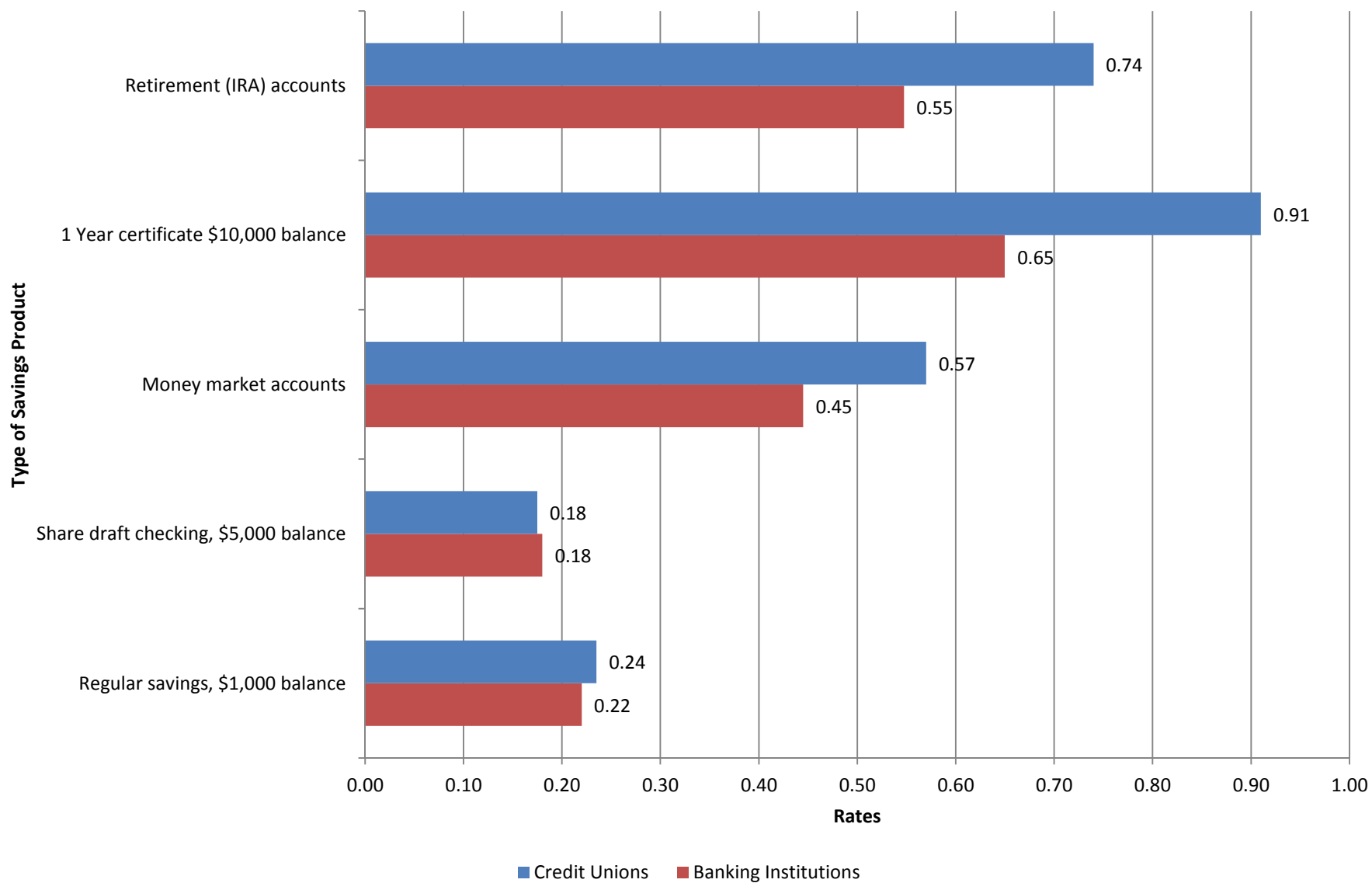


Source: Datatrac, NCUA, and CUNA.
(1) Assumes 1.9 credit union members per household.

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

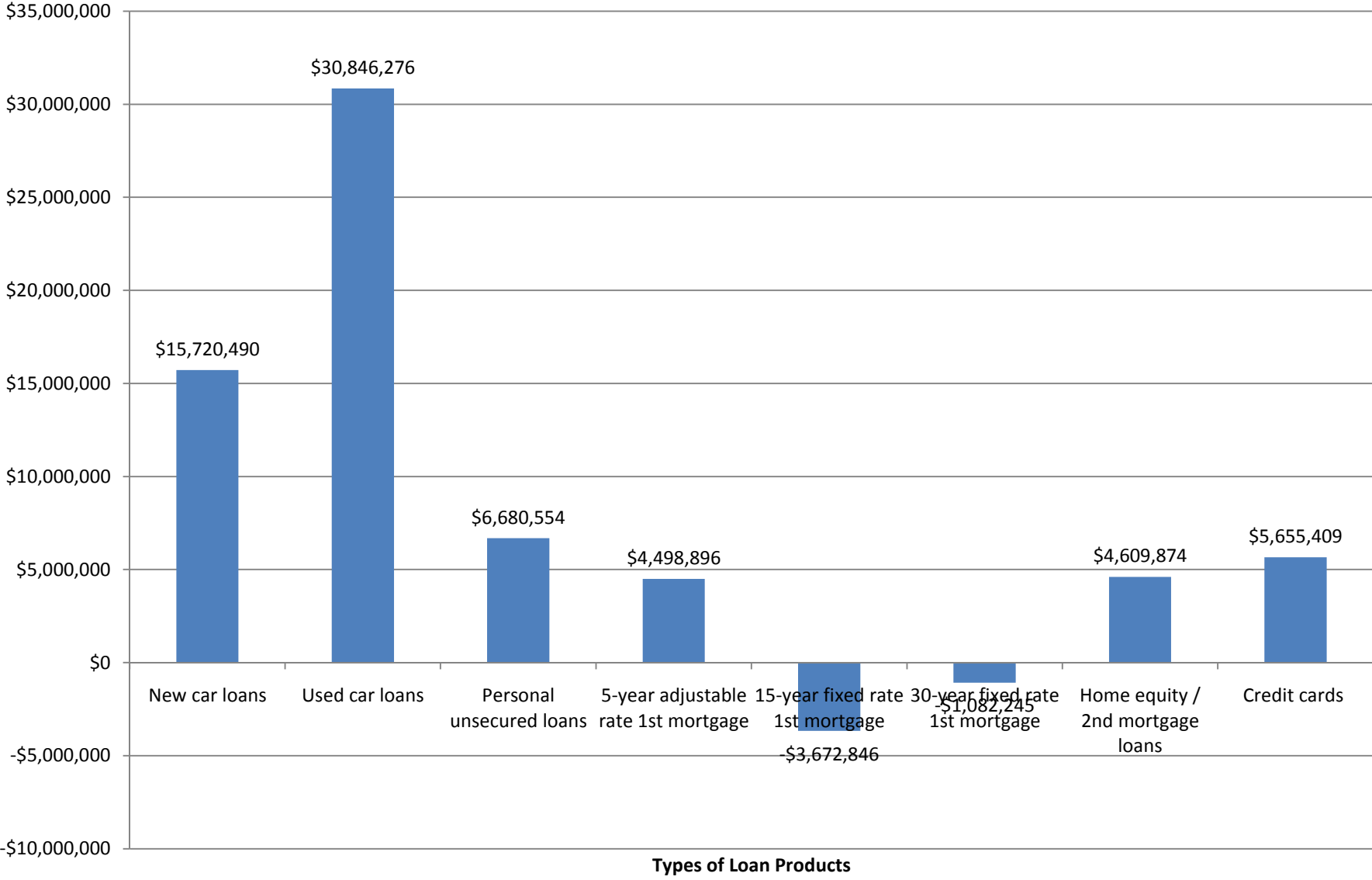


Tennessee
Credit Union and Banking Institution
Year-end 2011 Average Interest Rates and Fees

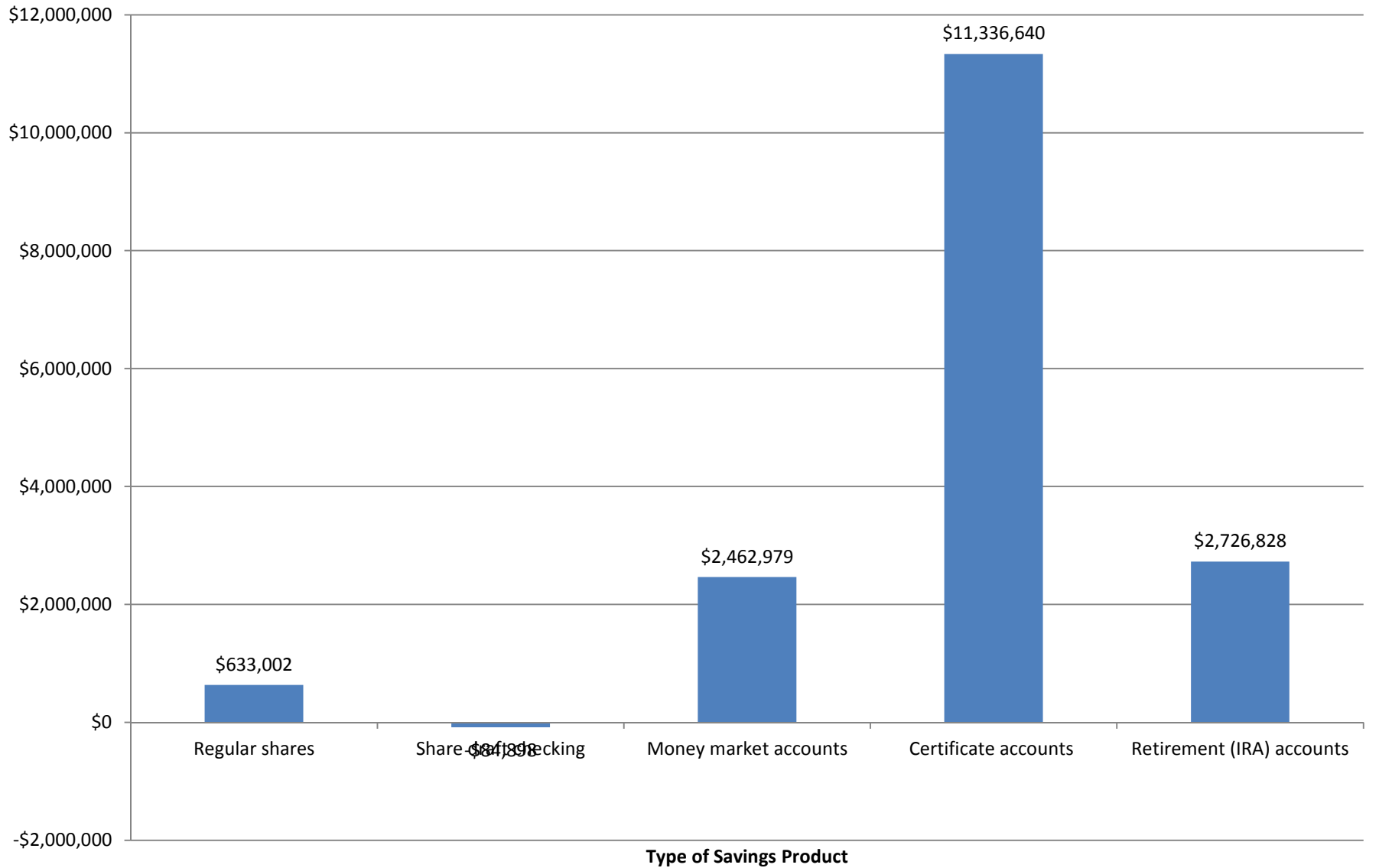
| Loan Products | Average Rate at Credit Unions (%) | Average Rate at Banks (%) | Rate Difference vs. Banks (%) |
|--|--|----------------------------------|--------------------------------------|
| 60-month new car (A paper) | 3.79 | 5.23 | -1.44 |
| 48-month used car (A paper) | 4.02 | 5.50 | -1.48 |
| Unsecured loan (A paper) | 9.78 | 11.18 | -1.41 |
| 5-year adjustable rate 1st mortgage, 0 pts | 3.52 | 3.77 | -0.25 |
| 15-year fixed rate 1st mortgage, 0 pts | 4.03 | 3.77 | 0.27 |
| 30-year fixed rate 1st mortgage, 0 pts | 4.19 | 4.09 | 0.10 |
| Home equity / 2nd mtg, 80% LTV 0 pts | 4.26 | 4.77 | -0.51 |
| Credit card - classic | 10.30 | 11.72 | -1.42 |
| Credit card - gold | 9.61 | 11.42 | -1.82 |
| Savings Products | | | |
| Regular savings, \$1,000 balance | 0.24 | 0.22 | 0.02 |
| Share draft checking, \$5,000 balance | 0.18 | 0.18 | -0.01 |
| Money market accounts | 0.57 | 0.45 | 0.13 |
| 1 Year certificate \$10,000 balance | 0.91 | 0.65 | 0.26 |
| Retirement (IRA) accounts | 0.74 | 0.55 | 0.19 |
| 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 Tennessee Credit Unions Financial Benefits Year-end 2011

Loans

| | Avg. Balance at Credit Unions (1) | Rate Difference vs. Tennessee Banks (%) (2) | Total Financial Benefit to Your Members |
|---|---|--|--|
| New car loans | 1,095,504,515 | -1.44 | \$15,720,490 |
| Used car loans | 2,091,272,926 | -1.48 | \$30,846,276 |
| Personal unsecured loans | 475,484,259 | -1.41 | \$6,680,554 |
| 5-year adjustable rate 1st mortgage | 1,799,558,523 | -0.25 | \$4,498,896 |
| 15-year fixed rate 1st mortgage | 1,385,979,459 | 0.27 | -\$3,672,846 |
| 30-year fixed rate 1st mortgage | 1,139,205,562 | 0.10 | -\$1,082,245 |
| Home equity / 2nd mortgage loans | 903,896,946 | -0.51 | \$4,609,874 |
| Credit cards | 372,372,614 | -1.42 | \$5,655,409 |
| Interest rebates in period | | | \$10,872,881 |
| Total CU member benefits arising from lower interest rates on loan products: | | | \$74,129,289 |

Savings

| | | | |
|---|---------------|-------|---------------------|
| Regular shares | 4,220,015,724 | 0.02 | \$633,002 |
| Share draft checking | 1,697,968,255 | -0.01 | -\$84,898 |
| Money market accounts | 1,970,382,990 | 0.13 | \$2,462,979 |
| Certificate accounts | 4,360,246,119 | 0.26 | \$11,336,640 |
| Retirement (IRA) accounts | 1,416,533,990 | 0.19 | \$2,726,828 |
| Bonus dividends in period | | | \$0 |
| Total CU member benefit arising from higher interest rates on saving products: | | | \$17,074,551 |

Fee Income

Total CU member benefit arising from fewer/lower fees: \$37,555,285

Total CU member benefit arising from interest rates on loan and savings products and lower fees: \$128,759,125

Total CU member benefit / member: \$71

Total CU member benefit / member household: \$135

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;

Tennessee
Performance Profile

| Demographic Information | Dec 11 | Dec 10 |
|--|---------------|---------------|
| Number of branches | 540 | 526 |
| Total assets (\$ mil) | 16,693 | 15,672 |
| Total loans (\$ mil) | 10,013 | 9,709 |
| Total surplus funds (\$ mil) | 5,948 | 5,261 |
| Total savings (\$ mil) | 14,287 | 13,390 |
| Total members (thousands) | 1,820 | 1,811 |
| Growth Rates (Trailing 12 months) * | | |
| Total assets | 6.5 % | 1.2 % |
| Total loans | 3.1 % | 1.7 % |
| Total surplus funds | 13.1 % | -0.6 % |
| Total savings | 6.7 % | 5.6 % |
| Total members | 0.5 % | 0.6 % |
| Earnings - Basis Pts. * | | |
| Yield on total assets | 395 | 436 |
| Dividend/interest cost of assets | 84 | 115 |
| Fee & other income | 135 | 136 |
| Operating expense | 349 | 348 |
| Loss Provisions | 31 | 43 |
| Net Income (ROA) after stabilization exp | 66 | 65 |
| Capital adequacy | | |
| Net worth / assets | 12.3 | 12.4 |
| Asset quality * | | |
| Delinquencies / loans | 0.8 | 1.1 |
| Net chargeoffs / average loans | 0.5 | 0.6 |
| Total borrower-bankruptcies | 36 | 40 |
| Bankruptcies per 1000 members | 3.5 | 4.0 |
| Asset/Liability Management | | |
| Loans / savings | 70.1 | 72.5 |
| Loans / assets | 60.0 | 62.0 |
| Long-term assets / assets | 34.1 | 32.7 |
| Core deposits/shares & borrowings | 43.9 | 41.0 |
| Productivity | | |
| Members/potential members | 8.5 | 8.9 |
| Borrowers/members | 46.3 | 46.3 |
| Members/FTE | 365 | 370 |
| Average shares/members (\$) | 7,848 | 7,395 |
| Average loan balances (\$) | 11,871 | 11,589 |
| Salary & Benefits/FTE | 55,790 | 54,584 |

* 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.