



# Minnesota Membership Benefits Report

Year End 2016

## Minnesota

### *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 Minnesota credit unions provided \$130,297,632 in direct financial benefits to the state's 1,661,013 members during the twelve months ending December 2016.

**These benefits are equivalent to \$78 per member or \$149 per member household <sup>(1)</sup>.**

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 Minnesota 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 Minnesota credit unions.

Consider this:

**Financing a \$25,000 new automobile for 60 months at a Minnesota credit union will save members an average \$208 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.

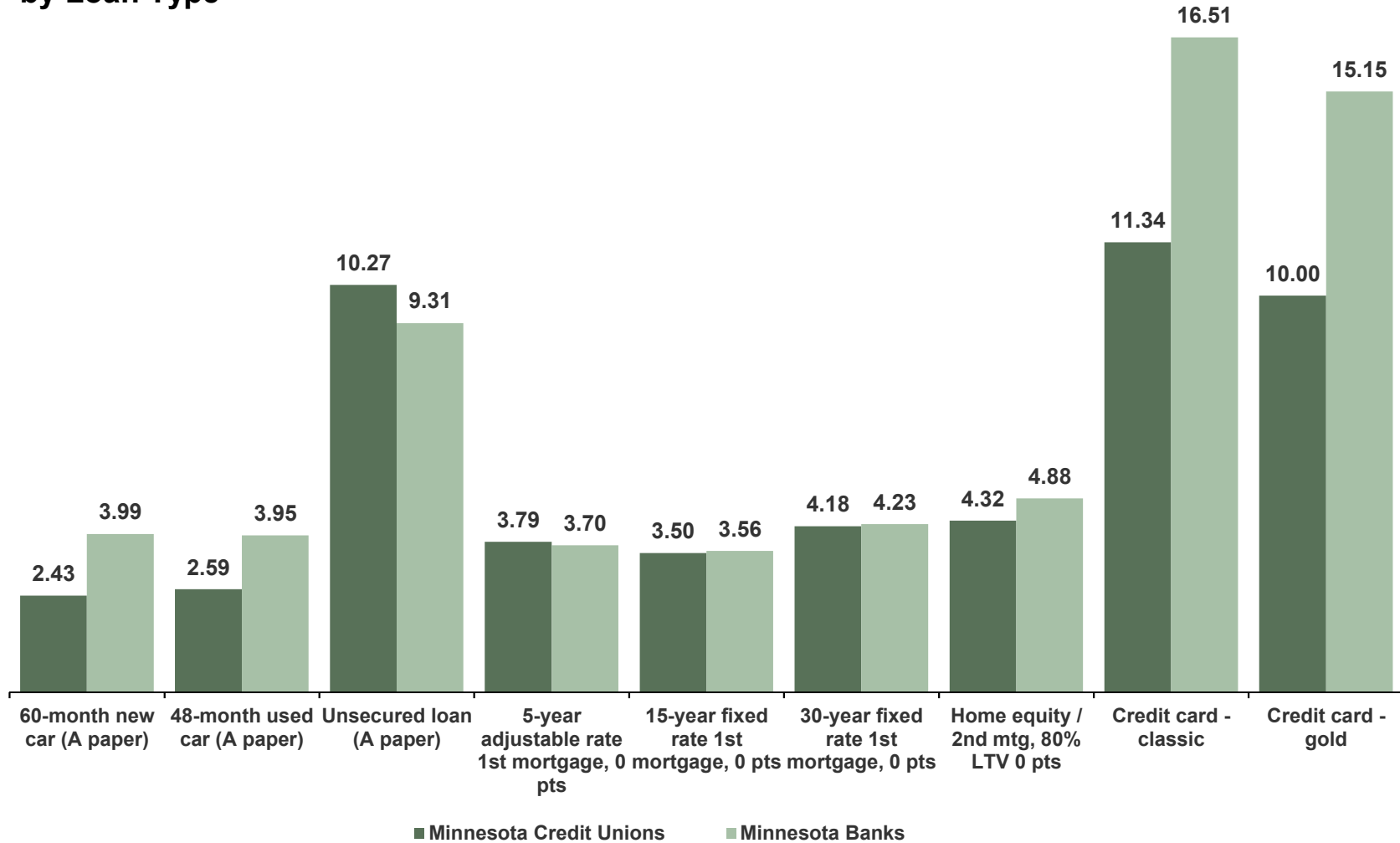
Minnesota credit unions excel in providing member benefits on many loan and savings products. In particular, Minnesota credit unions offer lower average loan rates on the following accounts: new car loans, used car loans, first mortgage-fixed rate, home equity loans, credit cards loans.

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



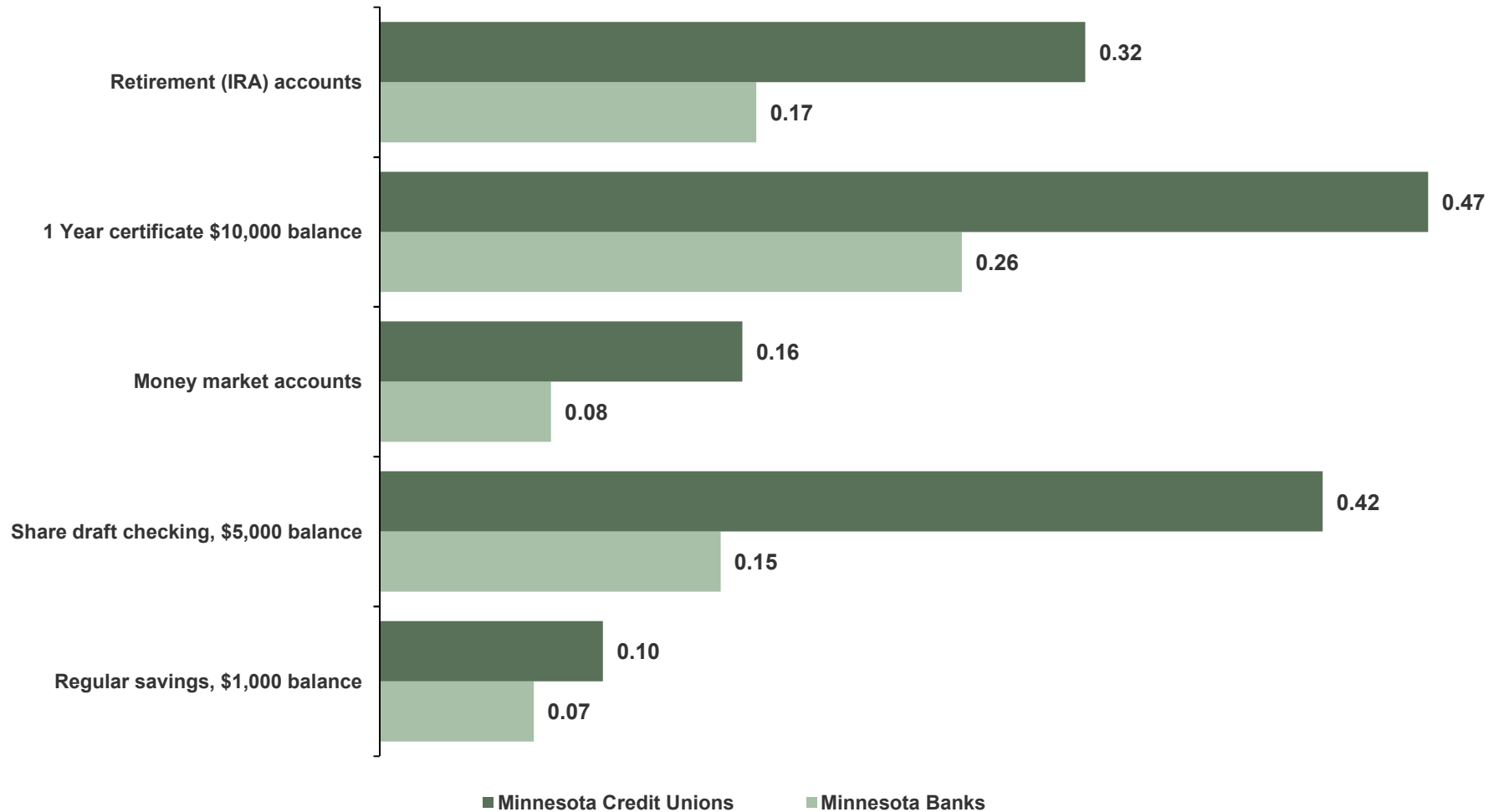
## Loan Product Comparative Interest Rates (%)

by Loan Type



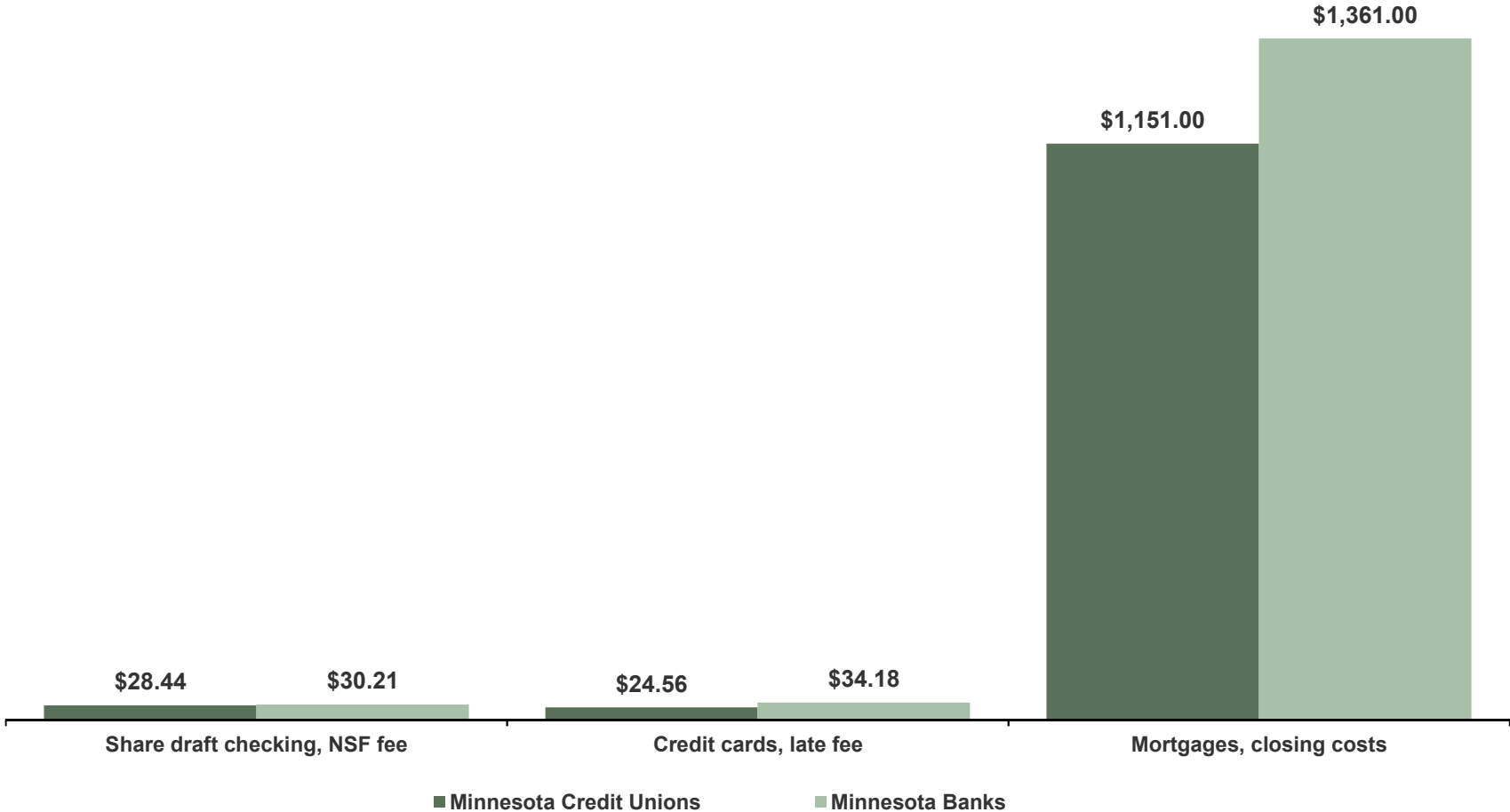
## Savings Product Comparative Interest Rates (%)

### by Savings Account Type



## Comparative Fees

by Type



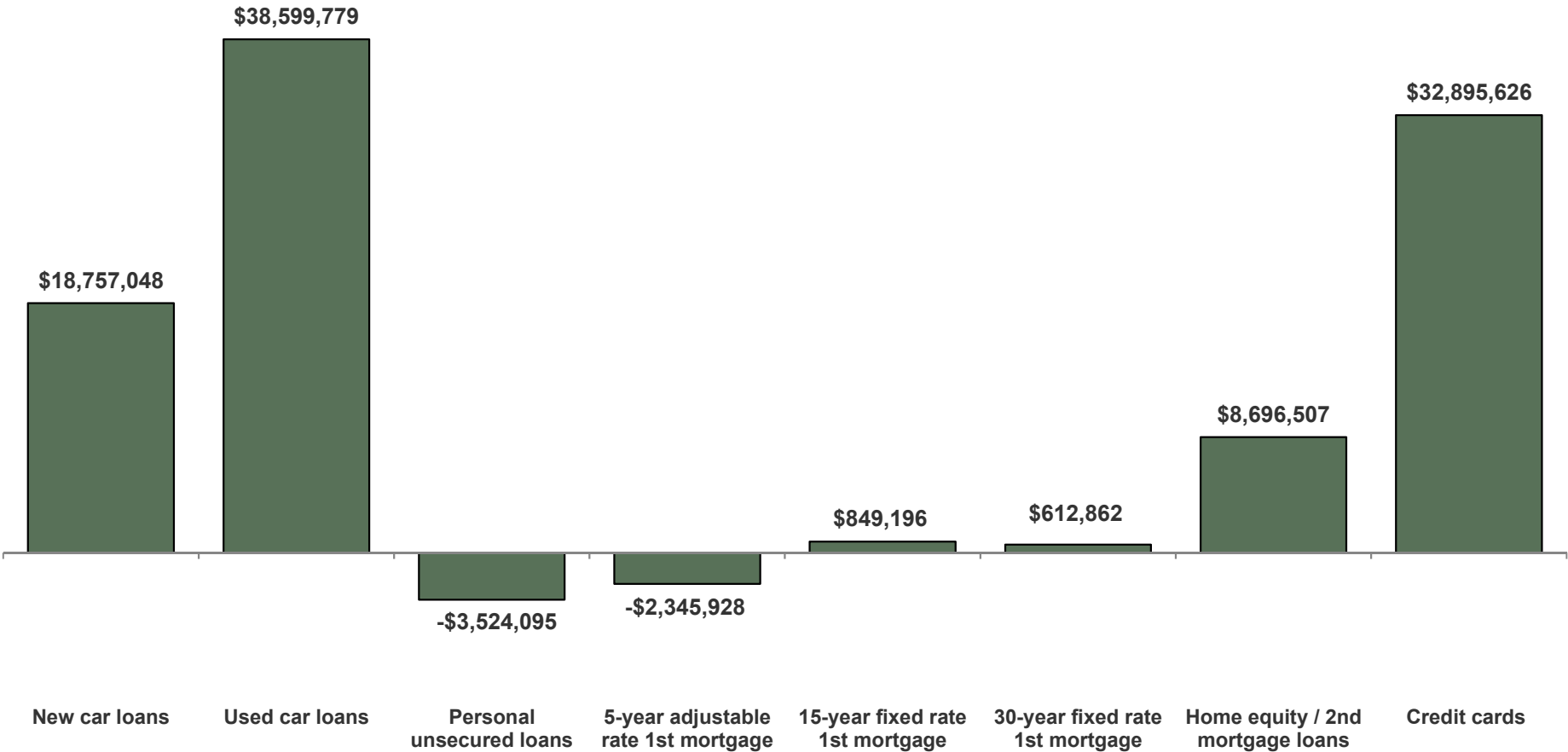
## Minnesota Credit Union and Banking Institution December 2016 Average Interest Rates and Fees

| Loan Products                              | Average Rate at Credit Unions (%) | Average Rate at Banks (%) | Rate Difference vs. Banks (%) |
|--|-----------------------------------|---------------------------|-------------------------------|
| 60-month new car (A paper)                 | 2.43                              | 3.99                      | -1.56                         |
| 48-month used car (A paper)                | 2.59                              | 3.95                      | -1.36                         |
| Unsecured loan (A paper)                   | 10.27                             | 9.31                      | 0.96                          |
| 5-year adjustable rate 1st mortgage, 0 pts | 3.79                              | 3.70                      | 0.09                          |
| 15-year fixed rate 1st mortgage, 0 pts     | 3.50                              | 3.56                      | -0.06                         |
| 30-year fixed rate 1st mortgage, 0 pts     | 4.18                              | 4.23                      | -0.05                         |
| Home equity / 2nd mtg, 80% LTV 0 pts       | 4.32                              | 4.88                      | -0.56                         |
| Credit card - classic                      | 11.34                             | 16.51                     | -5.17                         |
| Credit card - gold                         | 10.00                             | 15.15                     | -5.15                         |
| Savings Products                           |                                   |                           |                               |
| Regular savings, \$1,000 balance           | 0.10                              | 0.07                      | 0.03                          |
| Share draft checking, \$5,000 balance      | 0.42                              | 0.15                      | 0.27                          |
| Money market accounts                      | 0.16                              | 0.08                      | 0.09                          |
| 1 Year certificate \$10,000 balance        | 0.47                              | 0.26                      | 0.21                          |
| Retirement (IRA) accounts                  | 0.32                              | 0.17                      | 0.15                          |
| Fee Income                                 |                                   |                           |                               |
| Share draft checking, NSF fee              | \$28.44                           | \$30.21                   | -\$1.77                       |
| 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

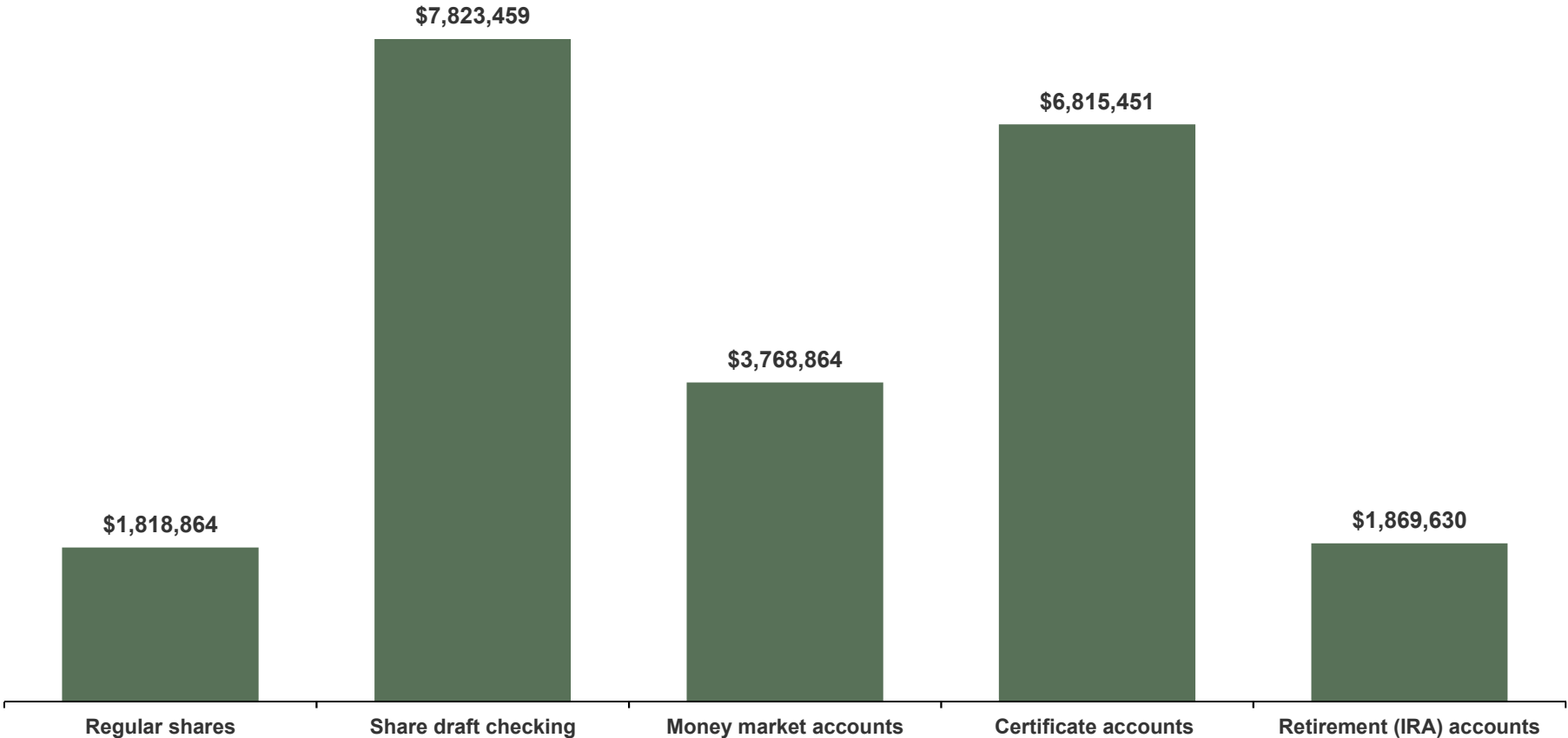
### State Credit Union's Total Loan Rate Benefits

Compared to State Banking Institutions  
by Loan Type



State Credit Union's Total Savings Dividend Benefits

Compared to State Banking Institutions  
by Account Type





## Estimated Financial Benefits for Minnesota Credit Unions December 2016

| <b>Loans</b>  | <b>Avg. Balance at Credit Unions (1)</b> | <b>Rate Difference vs. Minnesota Banks (%) (2)</b> | <b>Total Financial Benefit to Your Members</b> |
|---|--|--|--|
| New car loans   | 1,205,465,827                            | -1.56  | \$18,757,048                                   |
| Used car loans  | 2,844,493,694                            | -1.36  | \$38,599,779                                   |
| Personal unsecured loans  | 365,570,014                              | 0.96   | -\$3,524,095                                   |
| 5-year adjustable rate 1st mortgage   | 2,727,823,647                            | 0.09   | -\$2,345,928                                   |
| 15-year fixed rate 1st mortgage   | 1,543,991,857                            | -0.06  | \$849,196                                      |
| 30-year fixed rate 1st mortgage   | 1,178,581,085                            | -0.05  | \$612,862                                      |
| Home equity / 2nd mortgage loans  | 1,550,179,554                            | -0.56  | \$8,696,507                                    |
| Credit cards  | 636,894,990                              | -5.17  | \$32,895,626                                   |
| Interest rebates  |  |  | \$174,102                                      |
| <b>Total CU member benefits arising from lower interest rates on loan products:</b>                   |  |  | <b>\$94,715,098</b>                            |
| <b>Savings</b>  |  |  |  |
| Regular shares  | 5,880,992,622                            | 0.03   | \$1,818,864                                    |
| Share draft checking  | 2,902,177,948                            | 0.27   | \$7,823,459                                    |
| Money market accounts   | 4,395,258,006                            | 0.09   | \$3,768,864                                    |
| Certificate accounts  | 3,264,937,104                            | 0.21   | \$6,815,451                                    |
| Retirement (IRA) accounts   | 1,269,718,583                            | 0.15   | \$1,869,630                                    |
| Bonus dividends in period   |  |  | \$0  |
| <b>Total CU member benefit arising from higher interest rates on savings products:</b>                |  |  | <b>\$22,096,267</b>                            |
| <b>Fee Income</b>   |  |  |  |
| <b>Total CU member benefit arising from fewer / lower fees:</b>                                       |  |  | <b>\$13,486,267</b>                            |
| <b>Total CU member benefit arising from interest rates on loans, savings products and lower fees:</b> |  |  | <b>\$130,297,632</b>                           |
| <b>Total CU member benefit / member:</b>  |  |  | <b>\$78</b>                                    |
| <b>Total CU member benefit / member household:</b>  |  |  | <b>\$149</b>                                   |

Source: Informa Research Services, NCUA, and CUNA

(1) Average balance as of December 2015 and December 2016, according to the NCUA call report.; (2) Source for rates and fees: Informa Research Services;

## Minnesota Credit Union Performance Profile

| Demographic Information                  | Dec 16 | Dec 15 |
|--|--------|--------|
| Number of branches                       | 384    | 380    |
| Total assets (\$ mil)                    | 21,292 | 20,099 |
| Total loans (\$ mil)                     | 14,202 | 12,783 |
| Total surplus funds (\$ mil)             | 6,134  | 6,466  |
| Total savings (\$ mil)                   | 18,486 | 17,443 |
| Total members (thousands)                | 1,681  | 1,645  |
| Growth Rates (Trailing 12 months) *      |        |        |
| Total assets                             | 6.1 %  | 7.2 %  |
| Total loans                              | 11.2 % | 12.2 % |
| Total surplus funds                      | -4.9 % | -2.0 % |
| Total savings                            | 6.1 %  | 7.1 %  |
| Total members                            | 2.5 %  | 3.0 %  |
| Earnings - Basis Pts. *                  |        |        |
| Yield on total assets                    | 324    | 322    |
| Dividend / interest cost of assets       | 41     | 45     |
| Fee & other income                       | 128    | 126    |
| Operating expense                        | 318    | 312    |
| Loss Provisions                          | 17     | 15     |
| Net Income (ROA) after stabilization exp | 76     | 76     |
| Capital Adequacy                         |        |        |
| Net worth / assets                       | 11.0   | 10.9   |
| Asset Quality *                          |        |        |
| Delinquencies / loans                    | 0.6    | 0.7    |
| Net chargeoffs / average loans           | 0.3    | 0.3    |
| Total borrower-bankruptcies              | 17     | 17     |
| Bankruptcies per 1000 members            | 1.2    | 1.3    |
| Asset/Liability Management               |        |        |
| Loans / savings                          | 76.8   | 73.3   |
| Loans / assets                           | 66.7   | 63.6   |
| Long-term assets / assets                | 38.0   | 37.0   |
| Core deposits/shares & borrowings        | 49.5   | 47.6   |
| Productivity                             |        |        |
| Members / potential members              | 4.0    | 4.0    |
| Borrowers / members                      | 63.9   | 61.7   |
| Members / FTE                            | 362    | 367    |
| Average shares / members (\$)            | 10,995 | 10,602 |
| Average loan balances (\$)               | 13,221 | 12,589 |
| Salary & Benefits / FTE                  | 71,908 | 68,674 |

\* 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.