

# U.S. Credit Union Profile

## Mid-Year 2012 Summary of Credit Union Operating Results

September 18, 2012

Against a backdrop of modest and slowing economic growth, slow job gains and shaky consumer confidence credit unions reported first-half 2012 operating results that show a continuation of broad improvement in many key performance metrics.

In the aggregate, credit unions continue to report solid operating results with continued improvement in loan growth, asset quality, earnings and capital ratios. Membership growth also continues to expand at historically high rates – reflecting the public’s increasing recognition of credit unions as the best choice for consumer-friendly financial services.

The nation’s 7,100 credit unions reported \$1.02 trillion in total assets at mid-year – a \$5.9 billion, 2.3% annualized increase over first-quarter results and a \$46.5 billion 4.8% increase over mid-year 2011 levels.

Bank Transfer Day and follow-on activities made the credit union difference more obvious to more consumers and an increasing number have voted with their feet – switching accounts from banking institutions to cooperative, democratically-controlled credit unions. Indeed, total memberships increased by 0.8% (3.25% annualized) in the second quarter. Year-over-year memberships are up 2.3%. Both this percentage change and the 12-month, 2.1 million increase in memberships over the past year are the highest increases in over a decade. By way of comparison, the US population has been growing slightly less than 1% per year recently.

Credit union savings balances increased by 0.4% (1.8% annualized) in the second quarter and loan balances were up 1.8% (7.3% annualized) in the three months ending June. Collectively, credit unions granted \$157 billion in loans in the first six months of 2012 – a 29% increase over the first half 2011 results. This represents the largest dollar amount of first-half loan originations in history.

Credit union asset quality improved in the quarter with delinquencies declining from 1.45% at the end of the first quarter to 1.21% at the end of June. Net chargeoffs similarly declined from 0.77% in the first quarter to 0.70% at the end of the second quarter. Overall, credit unions reported 0.85% return on assets (i.e., net income as a percentage of average assets) in the second quarter – up marginally from 0.83% in the first quarter.

Overall, credit union operating results have generally returned “toward” – though not yet “to” normal levels. Assuming any nasty effects related to the Eurozone crisis and the US Fiscal Cliff can be contained (if not managed) recent trends will likely continue. This suggests that credit union operating results will continue to improve in the coming months, with healthy levels of lending, further improvements in asset quality and solid earnings.

**Prepared by:**

CUNA Economics & Statistics

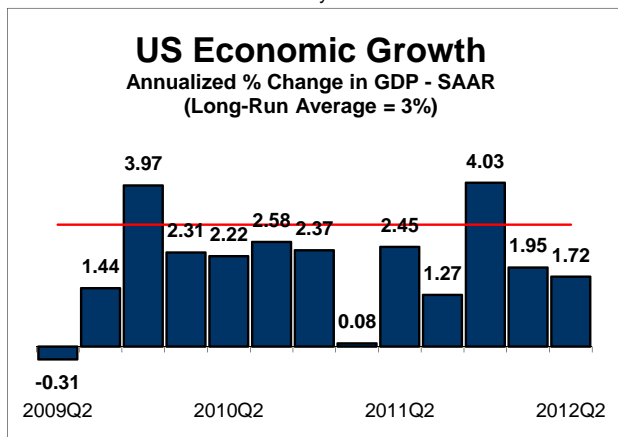


# US Economic Profile

September 18, 2012

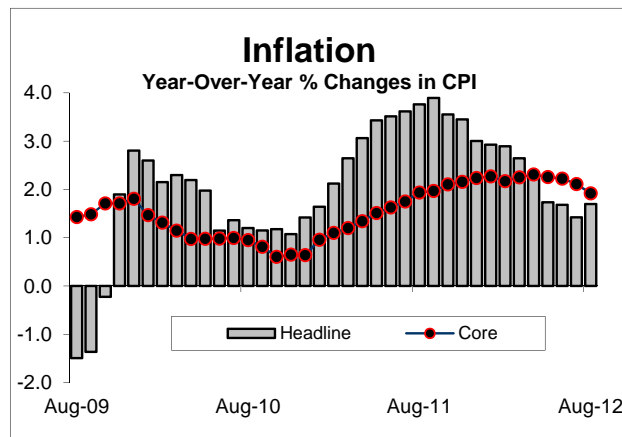
## \* Economic growth continues to disappoint

Source: Bureau of Economic Analysis



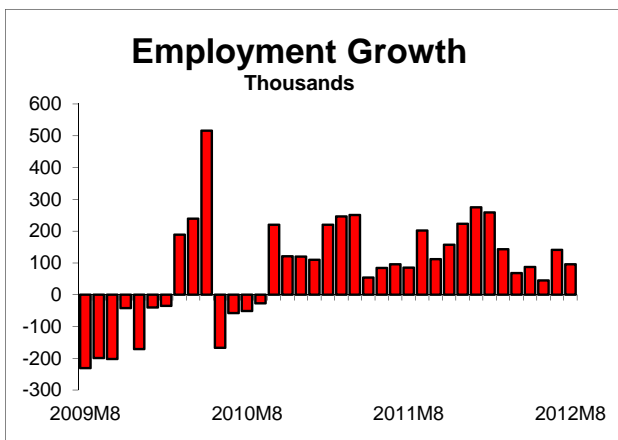
## \* Inflation remains in Fed target range

Source: Bureau of Labor Statistics



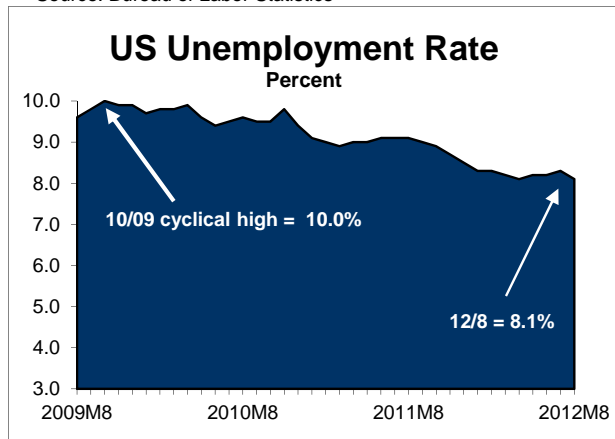
## \* Labor markets are improving but only slowly Overall 1.8 million jobs have been added in the past year.

Source: Bureau of Labor Statistics



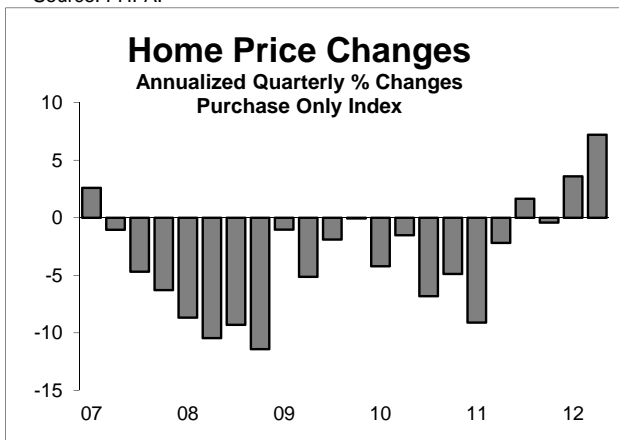
## \* The unemployment rate declined to 8.1% in August - down from 8.5% at the start of the year.

Source: Bureau of Labor Statistics



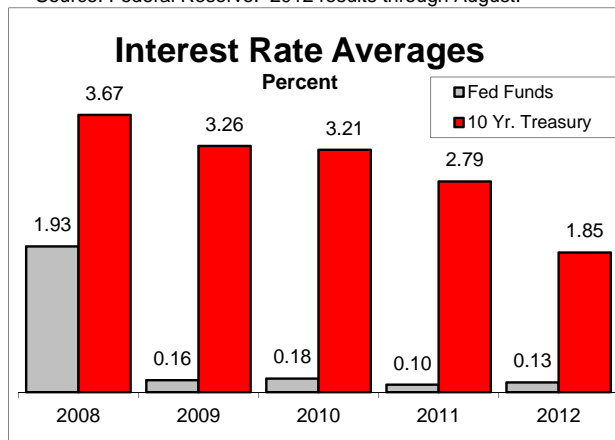
## \* Home prices have increased in two consecutive quarters The 7.2% 2Q12 increase is fastest since 4Q05.

Source: FHFA.



## \* Lower longer-term interest rates are squeezing CU net interest margins. QE3 will add to the pressure.

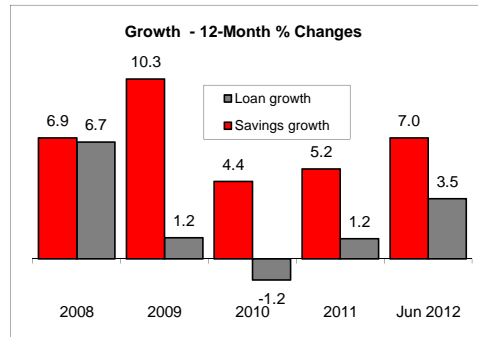
Source: Federal Reserve. 2012 results through August.



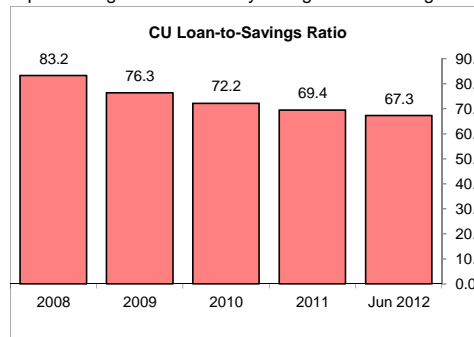
# U.S. Credit Union Profile

Mid-Year 2012 Summary of Credit Union Operating Results

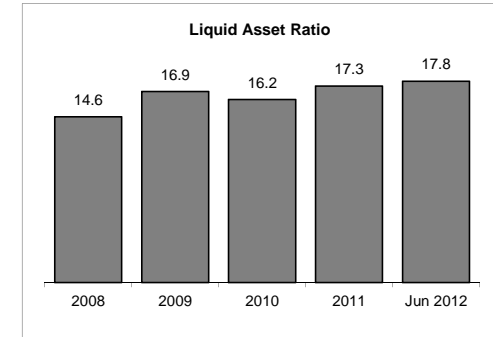
\* Both savings growth and loan growth increased.



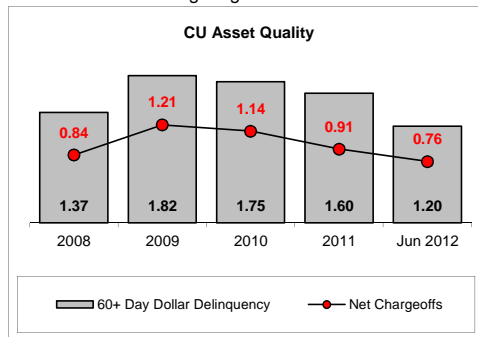
\* The aggregate LTS ratio declined marginally  
pressuring income as low-yielding investments grow



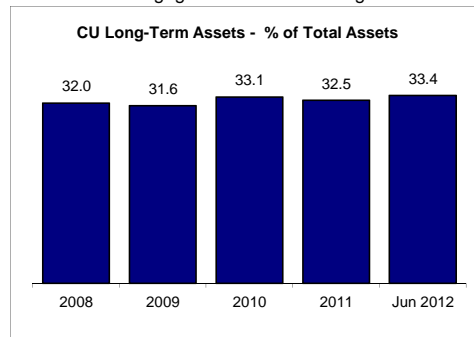
\* The liquid asset ratio is little changed.



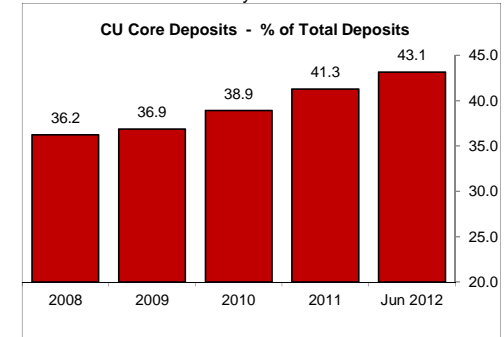
\* Delinquencies & net chargeoffs declined  
and both are nearing long-term norms.



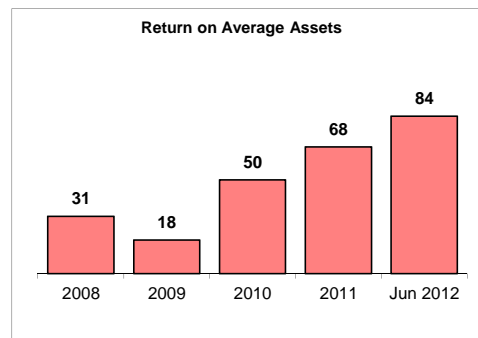
\* Interest rate risk exposure was little-changed  
Increased mortgage loan sales are a big reason



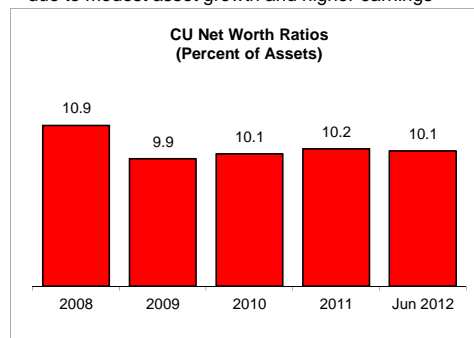
\* Liquid, low-cost deposits continue to grow  
but these balances may be sensitive to rate increases



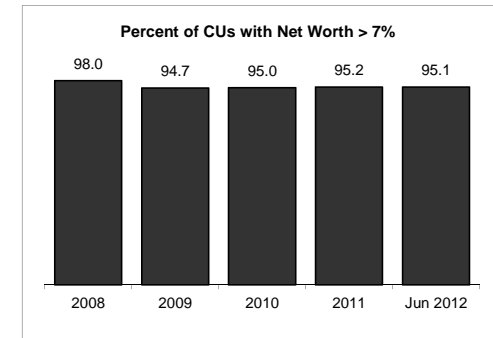
\* Earnings rates have returned to near-normal levels



\* Net worth ratios held steady  
due to modest asset growth and higher earnings



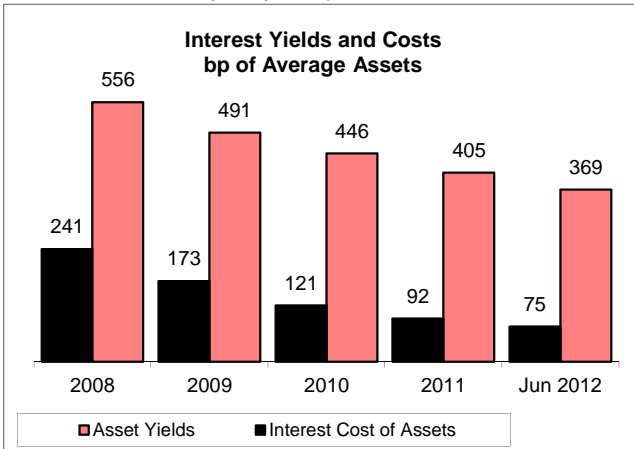
\* Nearly all credit unions remain well capitalized



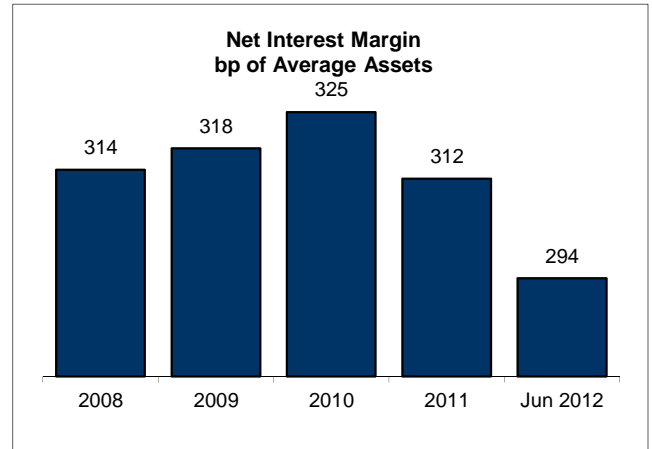
# U.S. Credit Union Profile

## Mid-Year 2012 Summary of Credit Union Operating Results

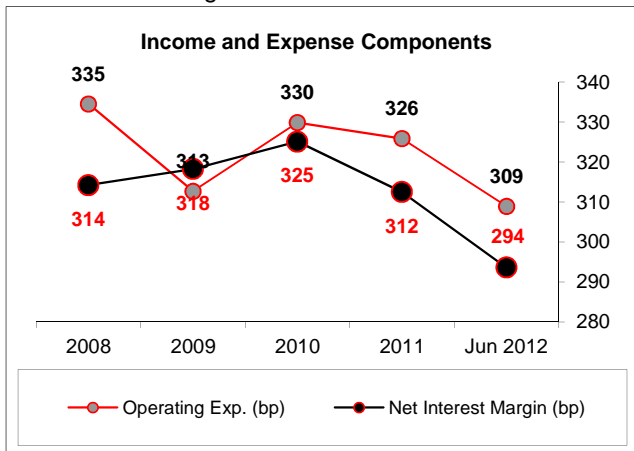
\* **Asset yields decreased by 37 bp while funding costs declined by only 17bp.**



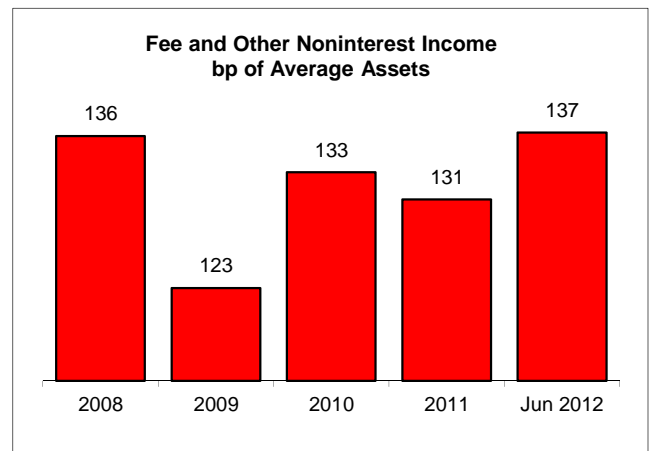
\* **Net interest margins declined to modern-day lows.**



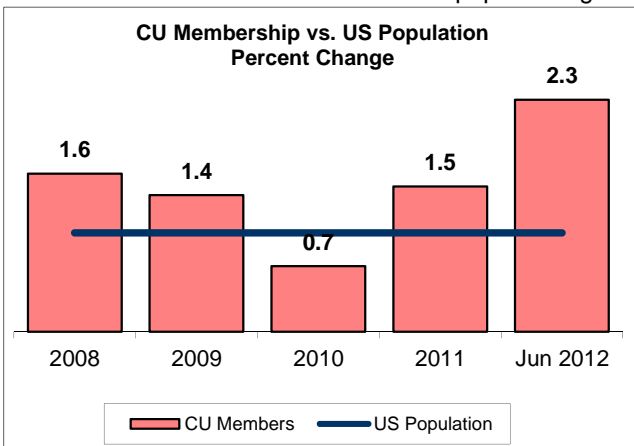
\* **CU operating expense ratios remained higher than net interest margins.**



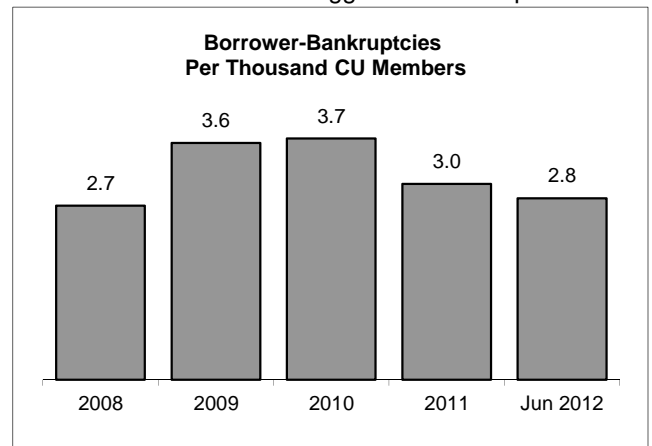
\* **Noninterest income increased 6bp vs. 2011 results**



\* **The CU memberships grew at rates not seen in a decade**  
The increase is well above the rate of population growth



\* **CU borrower-bankruptcy rates declined**  
But Weak labor markets suggest continued pressure



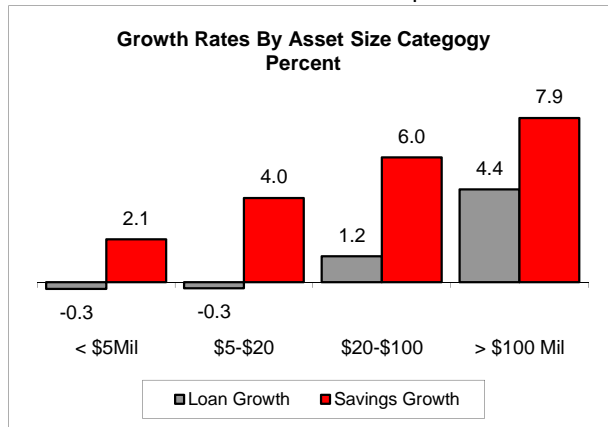
# U.S. Credit Union Profile

Mid-Year 2012 Summary of Credit Union Operating Results

By Asset Size Group

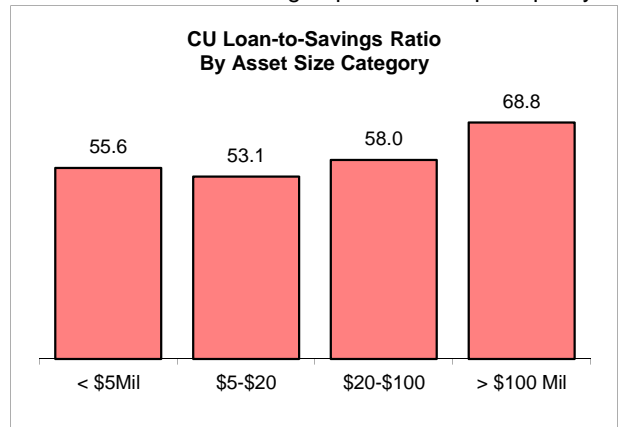
\* Larger CUs are growing relatively fast.

And smaller credit unions saw loan portfolios decline

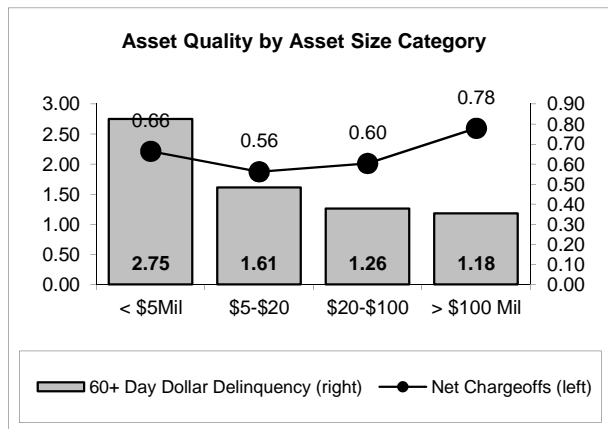


\* Larger CUs have lower liquidity profiles

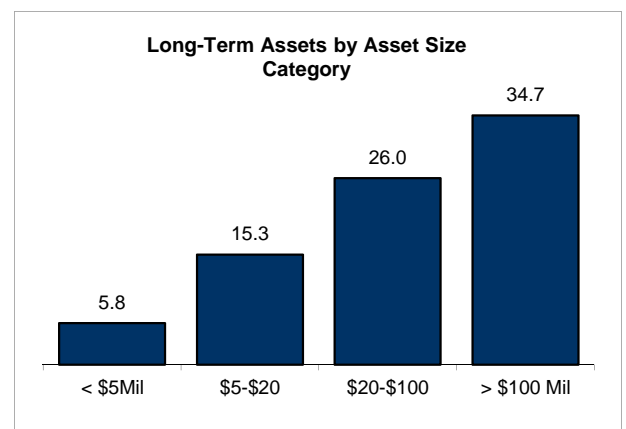
but those in all four size groups reflect ample liquidity



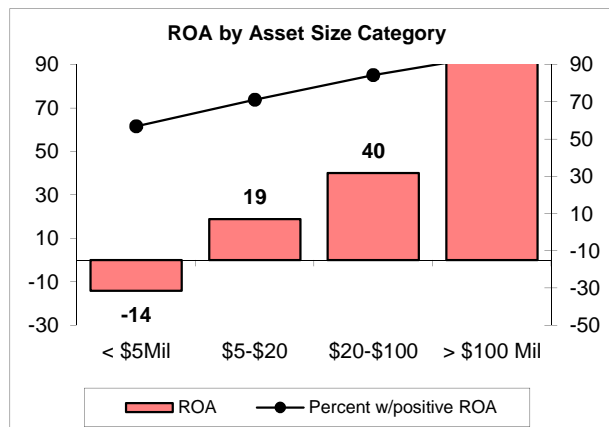
\* CU asset quality varies substantially by size



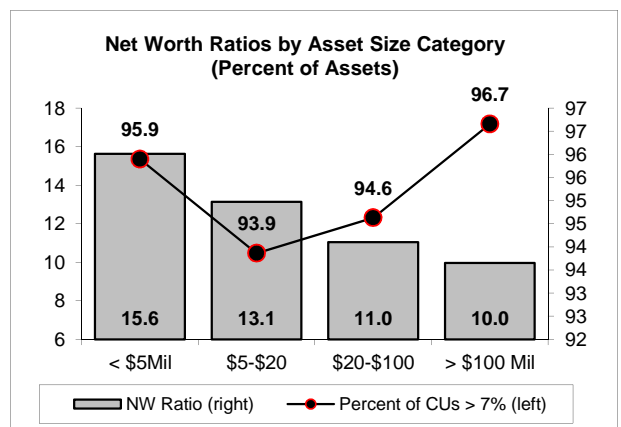
\* Smaller CUs have very little IRR exposure



\* Earnings pressures are most obvious at small CUs



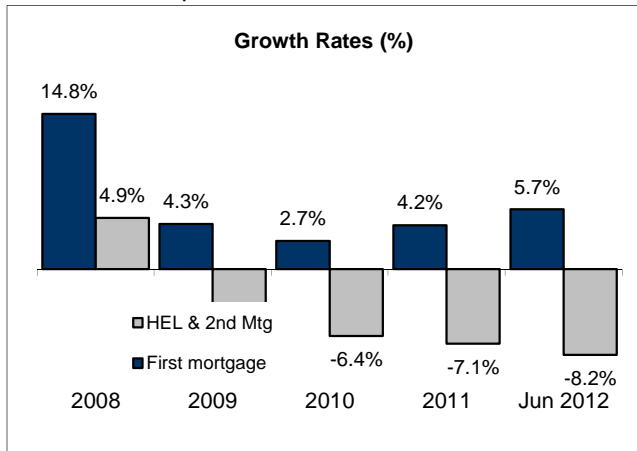
\* Nearly all CUs are very well capitalized



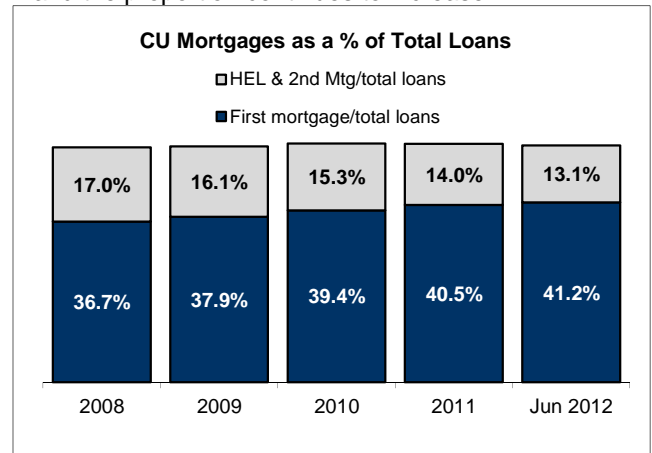
# U.S. Credit Union Profile

## Mortgage Lending Overview

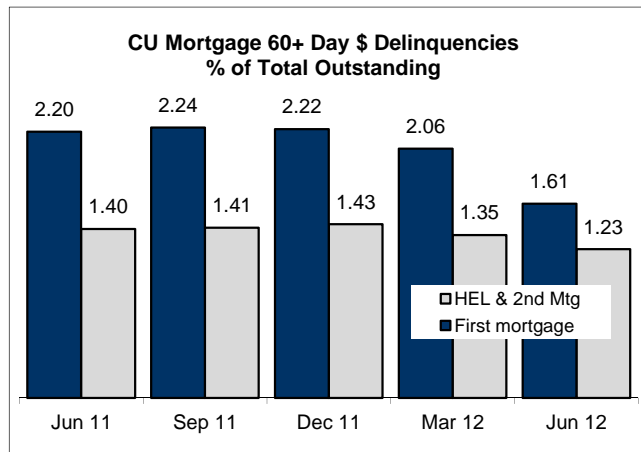
\* The pace of CU 1st mortgage growth is increasing  
But HEL/2nd portfolios continue to decline



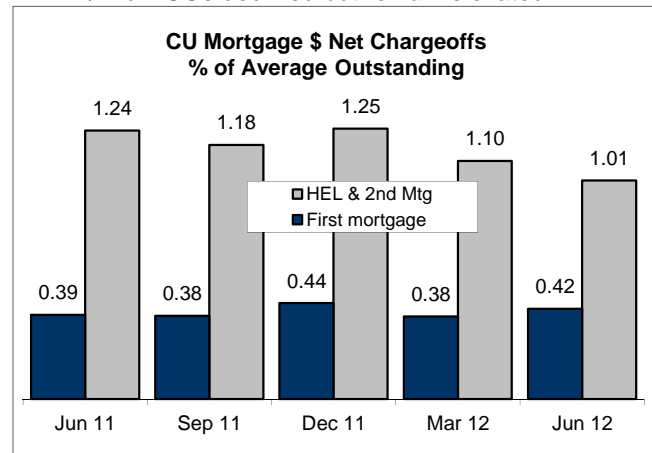
\* 1st mortgages account for more than 40% of CU loans  
and the proportion continues to increase



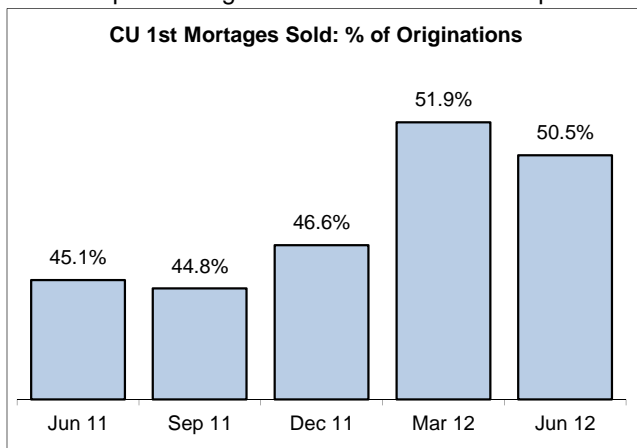
\* CU mortgage delinquency rates continue to decline



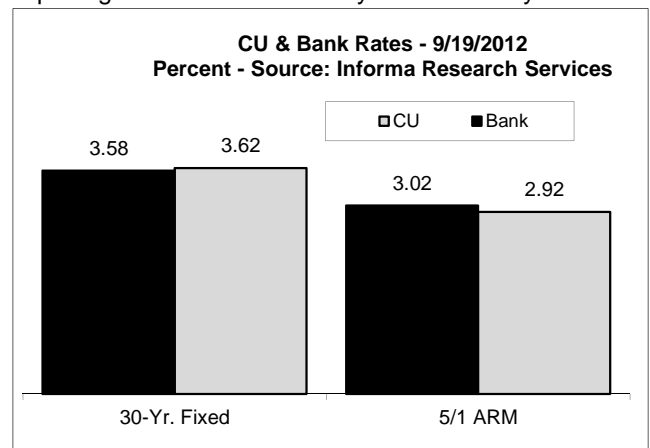
\* CU 1st mortgage loan chargeoffs remain low  
HEL/2nd NCOs declined but remain elevated



\* CUs are selling mortgages to avoid the  
assumption of significant interest rate risk exposures



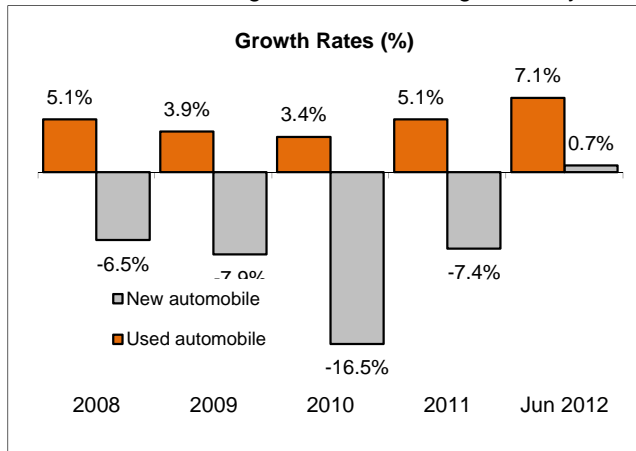
\* CU/bank pricing differences are small because  
pricing on these are driven by the secondary market



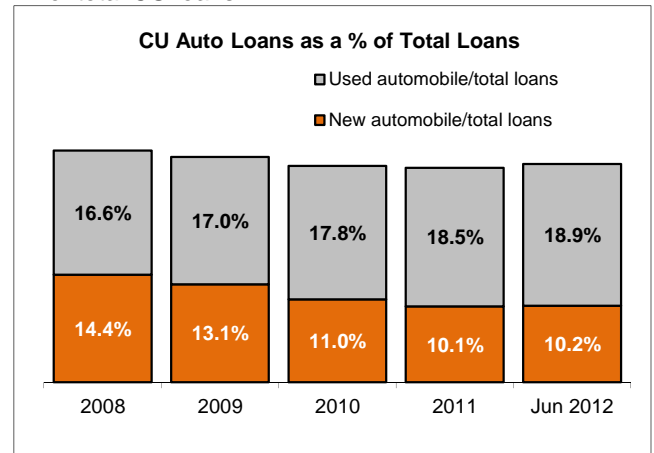
# U.S. Credit Union Profile

## Consumer Lending Overview

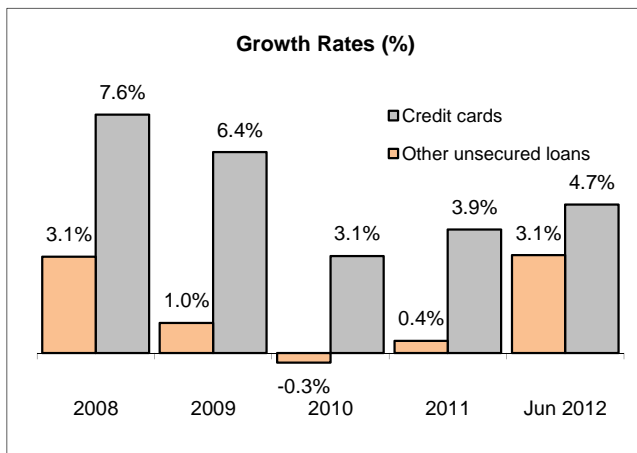
\* **CU new auto loan balances are declining** but used auto loan growth is increasing modestly.



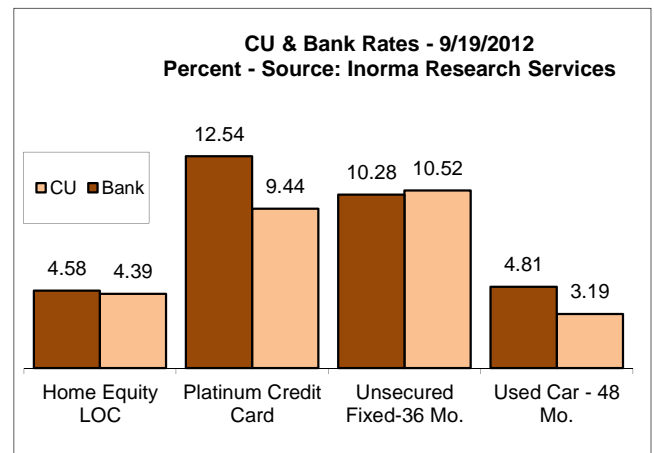
\* **Automobile loans account for a declining share** of total CU loans.



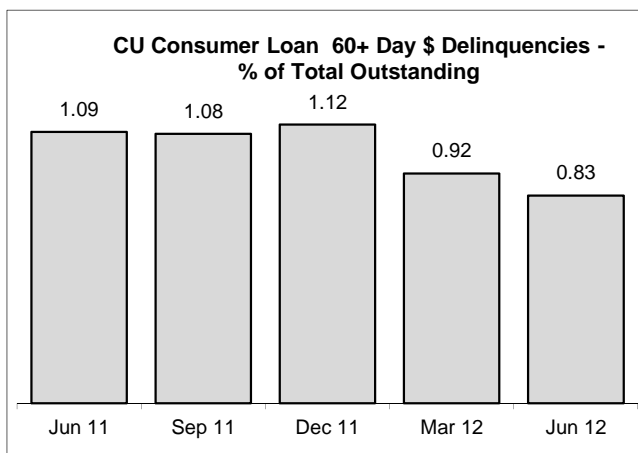
\* **CU unsecured loan growth is increasing**



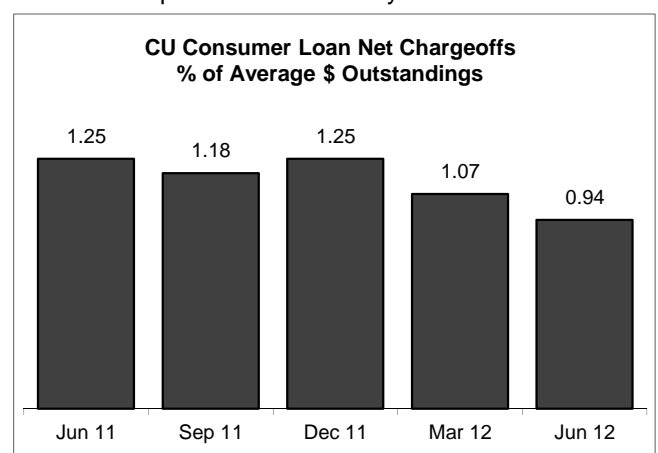
\* **Large CU pricing advantages on most consumer loans**



\* **CU consumer loan delinquencies continue to** inch down but remain at elevated levels.



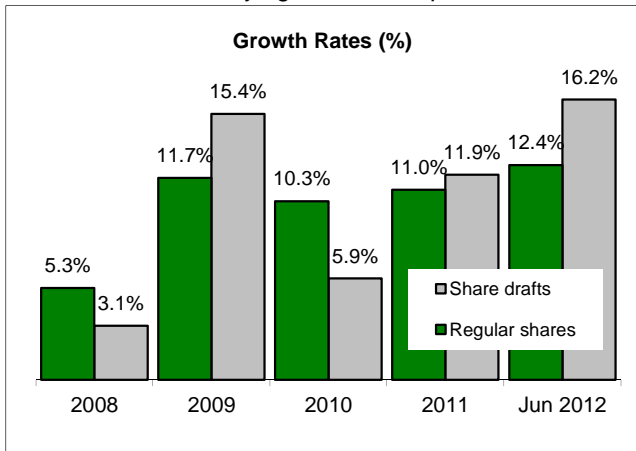
\* **CU Consumer loan net chargeoffs also declined.** Further improvements are likely as labor markets heal.



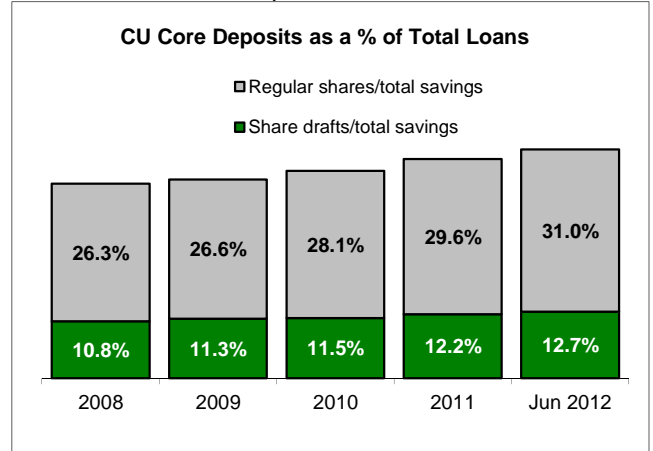
# U.S. Credit Union Profile

## Share/Deposit Overview

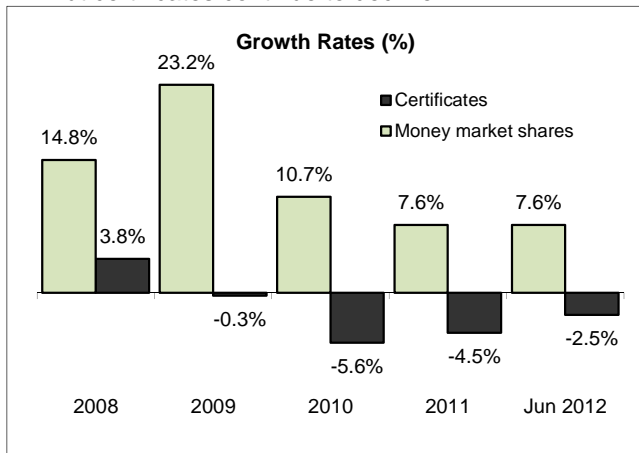
**\* 12-Month growth in CU core deposits is strong.**  
Consumers are staying short and liquid.



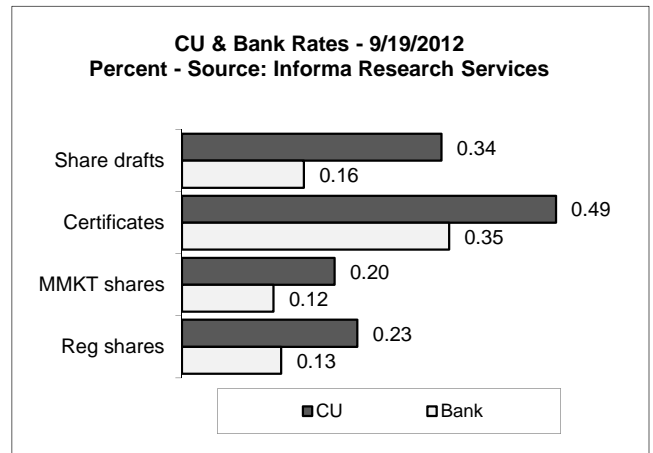
**\* Core deposits accounted for a marginally higher share of total CU deposits.**



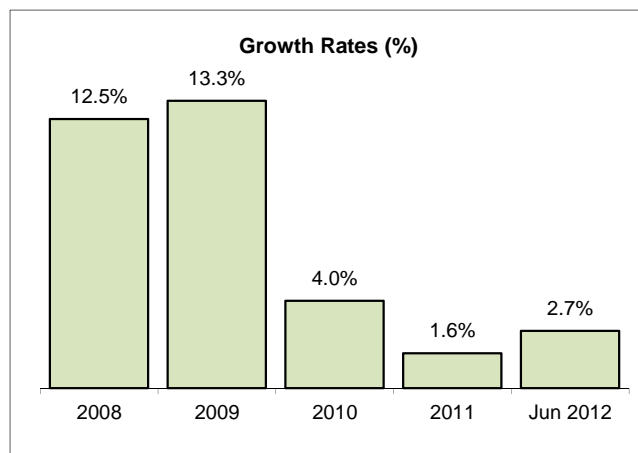
**\* Higher-yielding liquid deposits are growing rapidly**  
But certificates continue to decline.



**\* CU pricing advantages on deposits are obvious.**



**\* CU IRA balances continue to grow slowly.**





## U.S. CU Profile

	U.S. Credit Unions					Asset Groups - Jun 2010				
	Jun 2012	2011	2010	2009	2008	< \$5Mil	\$5-\$20	\$20-\$100	> \$100 Mil	
<b>Demographic Information</b>										
Number of CUs	7,103	7,236	7,486	7,708	7,966	1,608	1,890	2,140	1,465	
Assets per CU (\$ mil)	143.7	134.6	123.8	116.3	103.7	2.1	11.2	47.1	611.1	
Median assets (\$ mil)	20.6	19.2	17.6	16.5	14.5	1.9	10.6	41.5	260.9	
Total assets (\$ mil)	1,020,635	974,186	926,610	896,824	825,802	3,394	21,099	100,837	895,305	
Total loans (\$ mil)	592,956	582,288	575,664	582,791	575,814	1,584	9,682	51,492	530,199	
Total surplus funds (\$ mil)	391,463	356,551	317,415	282,027	217,870	1,779	10,901	45,459	333,324	
Total savings (\$ mil)	880,410	838,505	797,303	763,341	691,766	2,848	18,223	88,847	770,491	
Total members (thousands)	94,372	93,108	91,760	91,157	89,914	918	3,607	12,986	76,860	
<b>Growth Rates</b>										
Total assets	6.9	5.1	3.3	8.6	7.2	1.4	3.5	5.6	7.8	
Total loans	3.5	1.2	-1.2	1.2	6.7	-0.3	-0.3	1.2	4.4	
Total surplus funds	13.3	12.3	12.5	29.4	9.3	3.0	7.2	11.3	14.5	
Total savings	7.0	5.2	4.4	10.3	6.9	2.1	4.0	6.0	7.9	
Total members	2.3	1.5	0.7	1.4	1.6	-1.1	-1.0	0.6	4.0	
% CUs with increasing assets	76.2	71.3	67.5	80.8	75.1	53.5	73.2	84.7	92.8	
<b>Earnings - Basis Pts.</b>										
Yield on total assets	369	405	446	491	556	405	371	373	368	
Dividend/interest cost of assets	75	92	121	173	241	47	44	54	78	
Fee & other income *	137	131	133	123	136	61	84	116	141	
Operating expense	309	326	330	313	335	397	369	368	301	
Loss Provisions	37	50	78	111	85	35	23	27	38	
Net Income (ROA) without Stab Exp	88	86	61	15	31	-11	23	44	95	
Net Income (ROA) with Stab Exp	84	68	50	18	31	-14	19	40	91	
% CUs with positive ROA	76.7	76.3	64.1	61.6	76.4	56.7	71.0	84.3	94.9	
<b>Capital adequacy</b>										
Net worth/assets	10.1	10.2	10.1	9.9	10.9	15.6	13.1	11.0	10.0	
% CUs with NW > 7% of assets	95.1	95.2	95.0	94.7	98.0	95.9	93.9	94.6	96.7	
<b>Asset quality</b>										
Delinquencies (60+ day \$)/loans (%)	1.20	1.60	1.75	1.82	1.37	2.75	1.61	1.26	1.18	
Net chargeoffs/average loans	0.76	0.91	1.14	1.21	0.84	0.66	0.56	0.60	0.78	
Total borrower-bankruptcies	261,354	278,429	337,957	329,656	239,028	1,574	7,750	30,486	221,544	
Bankruptcies per CU	36.8	38.5	45.1	42.8	30.0	1.0	4.1	14.2	151.2	
Bankruptcies per 1000 members	2.8	3.0	3.7	3.6	2.7	1.7	2.1	2.3	2.9	
<b>Asset/Liability Management</b>										
Loans/savings	67.3	69.4	72.2	76.3	83.2	55.6	53.1	58.0	68.8	
Loans/assets	58.1	59.8	62.1	65.0	69.7	46.7	45.9	51.1	59.2	
Net Long-term assets/assets	33.4	32.5	33.1	31.6	32.0	5.8	15.3	26.0	34.7	
Liquid assets/assets	17.8	17.3	16.2	16.9	14.6	38.0	30.1	23.6	16.7	
Core deposits/shares & borrowings	43.1	41.3	38.9	36.9	36.2	81.8	70.4	55.5	41.0	
<b>Productivity</b>										
Members/potential members	6	6	6	7	7	5	9	5	6	
Borrowers/members	49	50	50	51	51	33	37	43	51	
Members/FTE	387	388	386	381	372	410	431	397	383	
Average shares/member (\$)	9,329	9,006	8,689	8,374	7,694	3,102	5,052	6,842	10,025	
Average loan balance (\$)	12,741	12,576	12,562	12,617	12,624	5,282	7,160	9,214	13,491	
Employees per million in assets	0.24	0.25	0.26	0.27	0.29	0.66	0.40	0.32	0.22	
<b>Structure</b>										
Fed CUs w/ single-sponsor	13.2	13.4	13.6	13.8	14.1	27.3	16.8	6.4	3.1	
Fed CUs w/ community charter	16.4	16.1	15.5	15.2	14.8	5.5	12.0	22.7	24.8	
Other Fed CUs	31.9	32.0	32.2	32.1	32.0	33.8	36.0	31.2	25.3	
CUs state chartered	38.5	38.6	38.8	38.9	39.2	33.4	35.2	39.7	46.8	

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 Source: NCUA and CUNA E&S.



# U.S. CU Profile

	U.S. Credit Unions					Asset Groups - Jun 2010			
Growth Rates	Jun 2012	2011	2010	2009	2008	< \$5Mil	\$5-\$20	\$20-\$100	> \$100 Mil
Credit cards	4.7%	3.9%	3.1%	6.4%	7.6%	2.7%	1.8%	2.0%	5.6%
Other unsecured loans	3.1%	0.4%	-0.3%	1.0%	3.1%	-1.0%	0.3%	2.9%	4.4%
New automobile	0.7%	-7.4%	-16.5%	-7.9%	-6.5%	-4.5%	-5.4%	-6.0%	2.2%
Used automobile	7.1%	5.1%	3.4%	3.9%	5.1%	1.6%	2.7%	5.0%	8.6%
First mortgage	5.7%	4.2%	2.7%	4.3%	14.8%	4.2%	5.0%	3.7%	6.4%
HEL & 2nd Mtg	-8.2%	-7.1%	-6.4%	-4.5%	4.9%	-7.7%	-9.4%	-7.3%	-7.5%
Member business loans	6.0%	5.1%	6.2%	10.0%	18.0%	0.7%	-6.8%	8.9%	6.9%
Share drafts	16.2%	11.9%	5.9%	15.4%	3.1%	15.9%	15.4%	15.3%	17.3%
Certificates	-2.5%	-4.5%	-5.6%	-0.3%	3.8%	-4.7%	-6.2%	-4.4%	-1.6%
IRAs	2.7%	1.6%	4.0%	13.3%	12.5%	-12.1%	-0.8%	2.1%	3.4%
Money market shares	7.6%	7.6%	10.7%	23.2%	14.8%	1.7%	2.8%	7.8%	8.1%
Regular shares	12.4%	11.0%	10.3%	11.7%	5.3%	3.1%	6.1%	9.4%	14.4%
<b>Portfolio \$ Distribution</b>									
Credit cards/total loans	6.3%	6.5%	6.3%	6.1%	5.8%	1.2%	3.7%	5.0%	6.5%
Other unsecured loans/total loans	4.3%	4.4%	4.5%	4.4%	4.4%	21.9%	13.7%	7.1%	3.8%
New automobile/total loans	10.2%	10.1%	11.0%	13.1%	14.4%	21.5%	16.3%	10.9%	10.0%
Used automobile/total loans	18.9%	18.5%	17.8%	17.0%	16.6%	38.2%	32.1%	26.3%	17.9%
First mortgage/total loans	41.2%	40.5%	39.4%	37.9%	36.7%	3.2%	15.3%	29.4%	42.9%
HEL & 2nd Mtg/total loans	13.1%	14.0%	15.3%	16.1%	17.0%	3.4%	9.8%	13.6%	13.1%
Member business loans/total loans	7.02%	6.96%	6.7%	6.2%	5.7%	0.4%	1.2%	3.5%	7.5%
Share drafts/total savings	12.7%	12.2%	11.5%	11.3%	10.8%	3.2%	9.4%	13.2%	12.7%
Certificates/total savings	23.2%	24.6%	27.1%	30.0%	33.2%	12.1%	16.7%	21.5%	23.6%
IRAs/total savings	9.1%	9.4%	9.7%	9.7%	9.5%	2.1%	5.2%	8.1%	9.3%
Money market shares/total savings	22.8%	22.8%	22.3%	21.0%	18.9%	1.5%	5.5%	13.3%	24.3%
Regular shares/total savings	31.0%	29.6%	28.1%	26.6%	26.3%	78.5%	61.1%	42.3%	28.8%
<b>Percent of CUs Offering</b>									
Credit cards	54.2%	53.4%	52.2%	51.5%	51.0%	7.4%	43.2%	78.1%	84.7%
Other unsecured loans	98.0%	98.0%	98.0%	97.9%	97.9%	93.5%	98.6%	99.6%	99.9%
New automobile	94.8%	94.7%	94.7%	94.7%	94.7%	78.7%	98.8%	99.9%	99.7%
Used automobile	95.9%	95.8%	95.7%	95.6%	95.6%	84.2%	98.8%	99.7%	99.6%
First mortgage	61.6%	61.1%	60.0%	59.0%	57.9%	10.0%	47.1%	87.4%	99.5%
HEL & 2nd Mtg	59.3%	59.3%	58.5%	58.1%	57.4%	11.4%	47.8%	80.1%	96.1%
Member business loans	31.6%	31.0%	30.2%	28.6%	27.1%	1.9%	11.6%	39.0%	79.5%
Share drafts	76.0%	75.6%	74.9%	74.2%	73.5%	22.5%	79.1%	97.5%	99.3%
Certificates	78.1%	77.9%	77.6%	77.3%	77.2%	36.3%	78.4%	95.0%	98.8%
IRAs	65.9%	65.5%	65.3%	64.7%	67.4%	15.6%	55.7%	90.4%	98.7%
Money market shares	45.6%	45.1%	44.5%	43.7%	42.8%	4.1%	24.2%	65.2%	90.1%
<b>Penetration</b>									
Credit cards	14.9%	14.8%	14.6%	14.4%	14.2%	1.2%	5.7%	10.8%	16.2%
Other unsecured loans	10.6%	10.9%	11.0%	11.0%	11.3%	16.5%	13.4%	10.8%	10.4%
New automobile	4.2%	4.4%	5.0%	5.9%	6.3%	2.9%	3.2%	3.1%	4.5%
Used automobile	11.6%	11.6%	11.4%	11.2%	10.8%	8.4%	10.2%	11.3%	11.8%
First mortgage	2.0%	2.0%	1.9%	1.8%	1.8%	0.1%	0.6%	1.5%	2.2%
HEL & 2nd Mtg	2.4%	2.6%	2.8%	2.9%	3.1%	0.2%	0.9%	1.7%	2.6%
Member business loans	0.203%	0.198%	0.2%	0.2%	0.2%	0.0%	0.1%	0.1%	0.2%
Share drafts	50.5%	49.5%	48.1%	46.7%	45.9%	7.6%	25.7%	40.4%	53.9%
Certificates	10.6%	11.0%	12.0%	13.1%	13.9%	3.2%	5.7%	8.2%	11.3%
IRAs	5.6%	5.9%	5.9%	5.9%	5.7%	0.5%	1.9%	3.8%	6.2%
Money market shares	7.6%	7.6%	7.7%	7.6%	7.4%	0.3%	1.2%	3.3%	8.7%

\* Current period flow statistics are trailing four quarters.

Source: NCUA and CUNA E&S.



# U.S. CU Profile - Quarterly Results

U.S. Credit Unions					
Demographic Information	Jun 12	Mar 12	Dec 11	Sep 11	Jun 11
Number CUs	7,103	7,164	7,239	7,320	7,380
<b>Growth Rates (Quarterly % Change)</b>					
<b>Total loans</b>	1.8	0.2	1.0	0.7	0.8
Credit cards	2.2	-3.3	4.5	1.9	2.2
Other unsecured loans	2.8	-3.3	2.4	2.2	1.5
New automobile	2.8	0.1	-0.2	-1.5	-1.8
Used automobile	2.9	1.3	1.3	2.2	2.4
First mortgage	1.9	1.7	1.6	0.9	1.0
HEL & 2nd Mtg	-1.7	-3.2	-1.7	-1.1	-1.2
Member business loans	1.7	1.6	2.0	1.4	1.6
<b>Total savings</b>	0.4	4.8	1.2	1.0	0.2
Share drafts	-1.6	11.1	1.7	5.2	-1.6
Certificates	-0.6	-0.5	-0.1	-0.8	-1.3
IRAs	0.8	1.1	0.4	0.8	0.4
Money market shares	1.1	3.8	2.3	0.7	1.2
Regular shares	1.5	8.6	1.8	1.0	1.2
<b>Total members</b>	0.8	0.9	0.8	0.7	0.4
<b>Earnings (basis points)</b>					
Yield on total assets	362	376	391	402	408
Dividend/interest cost of assets	73	77	88	90	93
Fee & other income *	140	134	135	137	127
Operating expense	309	309	316	346	320
Loss Provisions	35	40	48	49	50
Net Income (ROA) *	85	83	74	43	79
% CUs with positive ROA *	74	74	68	65	72
<b>Capital adequacy (%)</b>					
Net worth/assets	10.1	9.9	10.1	10.1	10.1
% CUs with NW > 7% of assets	94.7	93.9	94.9	94.4	94.4
<b>Asset quality (%)</b>					
<b>Loan delinquency rate - Total loans</b>	1.21	1.45	1.61	1.60	1.58
Total Consumer	0.83	0.92	1.12	1.08	1.09
Credit Cards	0.91	1.01	1.15	1.18	1.19
All Other Consumer	0.82	0.91	1.11	1.06	1.07
Total Mortgages	1.51	1.88	2.02	2.02	1.98
First Mortgages	1.61	2.06	2.22	2.24	2.20
All Other Mortgages	1.23	1.35	1.43	1.41	1.40
Total MBLs	2.63	3.18	3.35	3.49	3.34
Ag MBLs	0.75	0.77	0.87	0.86	1.31
All Other MBLs	2.73	3.30	3.48	3.63	3.44
<b>Net chargeoffs/average loans</b>	0.73	0.79	0.92	0.86	0.90
Total Consumer	0.94	1.07	1.25	1.18	1.25
Credit Cards	2.33	2.59	2.79	2.81	3.17
All Other Consumer	0.72	0.83	0.99	0.91	0.94
Total Mortgages	0.56	0.56	0.65	0.59	0.62
First Mortgages	0.42	0.38	0.44	0.38	0.39
All Other Mortgages	1.01	1.10	1.25	1.18	1.24
Total MBLs	0.77	-0.39	1.38	0.65	1.00
Ag MBLs	0.05	0.02	0.05	-0.09	0.17
All Other MBLs	0.81	-0.41	1.45	0.69	1.04
<b>Asset/Liability Management</b>					
Loans/savings	66.9	66.0	69.0	69.2	69.4

Earnings & net chargeoffs are annualized quarterly results not seasonally adjusted. Growth rates are not

\*Credit Unions did not uniformly report stabilization expense or reversals of the expense.

Source: NCUA and CUNA E&S.

