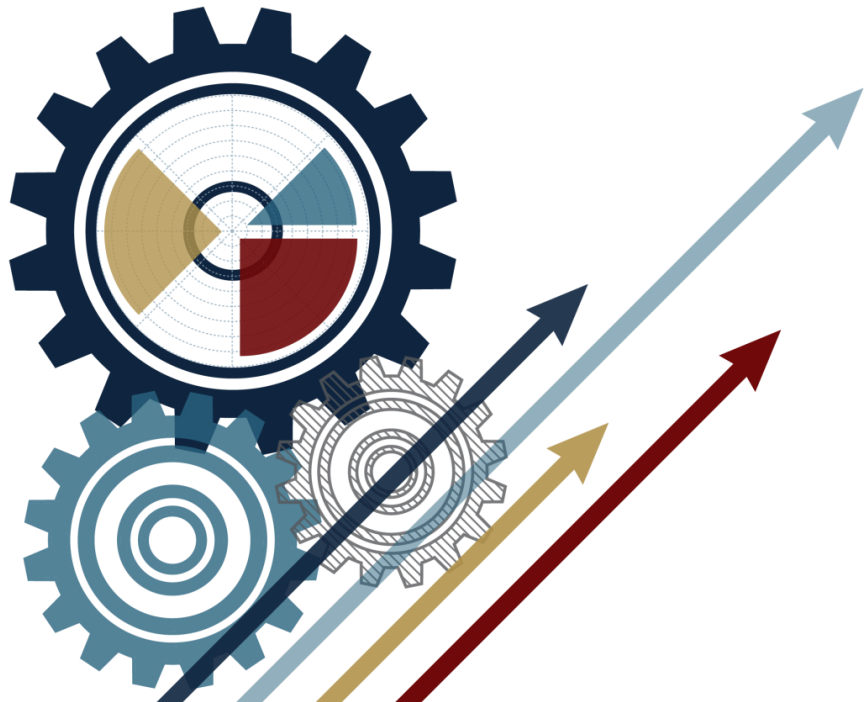


Trendwatch 3Q 2017

Data for September 30, 2017

Call Dates: November 28 & 29, 2017



Welcome!



When you join the event, you should automatically be connected to the audio broadcast with your computer. To listen by phone, please dial **+1-415-655-0003**, then input the access code **664 384 152**.



To help you follow along with TrendWatch, earlier today we sent the presentation slides for the event to the email address you used to register for TrendWatch. We will also send you a copy of slides after the event.

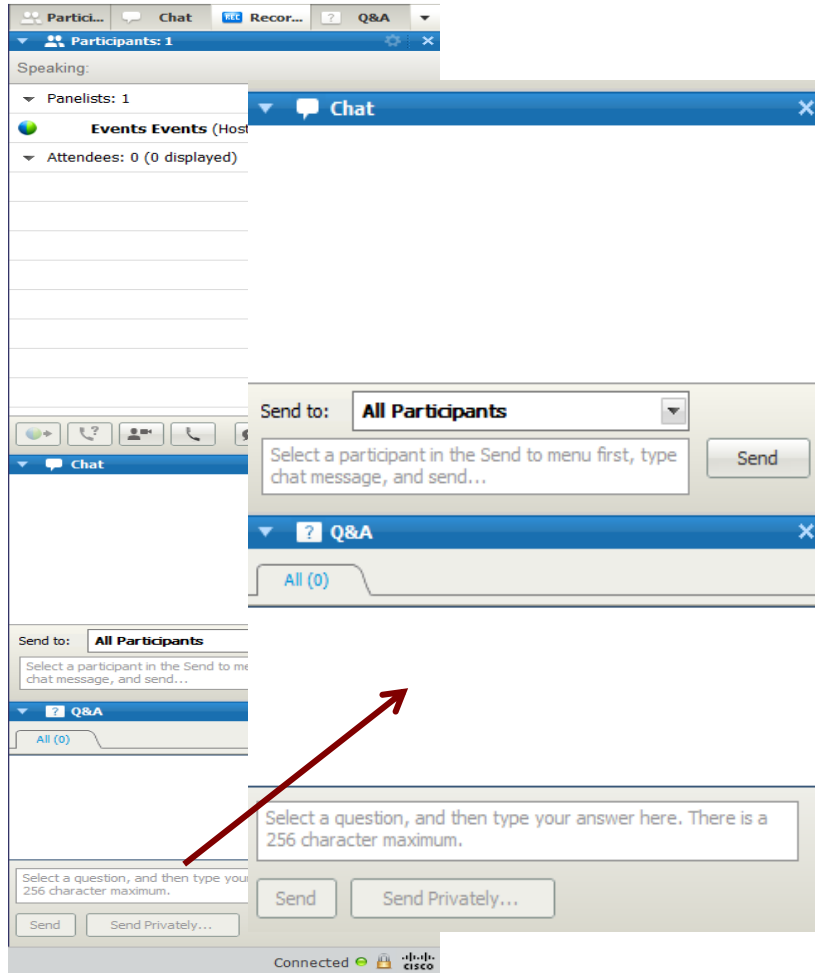
Slide Link

Today's slides can be found online at:

<http://bit.ly/3Q17-Day-2>

We Encourage Questions!!!

Use the **Q&A box** located on the right side of the screen to type your comments or questions.



You Might Also Be Interested In

[The Indirect Addiction, SEG Savings, And Millennial Homebuying](#)

Four can't-miss data points this week on Creditunions.com

[Breaking The Indirect Addiction](#)

Why Shoreline Credit Union sold its stake in indirect lending.

[The Need For Speed In Auto Lending](#)

Takeaways from CU Direct's DRIVE17 include the importance of speed, the impact of innovation, and improvements in dealer relationships.

[Is Technology Sprawl Ruining Your Member Lending Experience](#)

The right loan origination system can help ensure loan growth goals are met.

CREDITUNIONS.COM

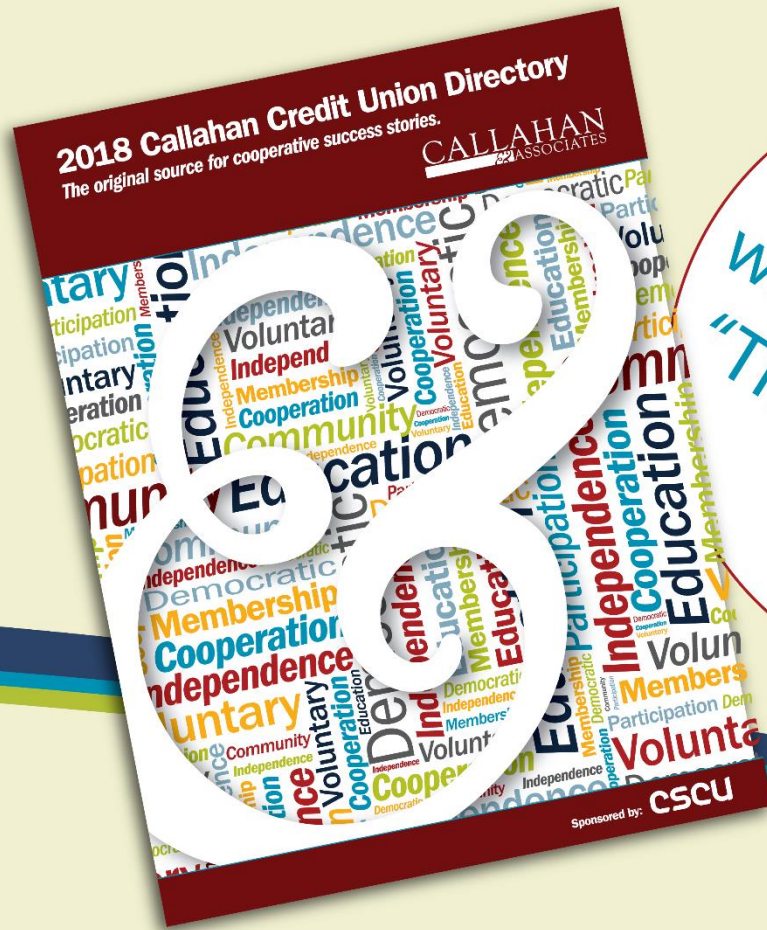
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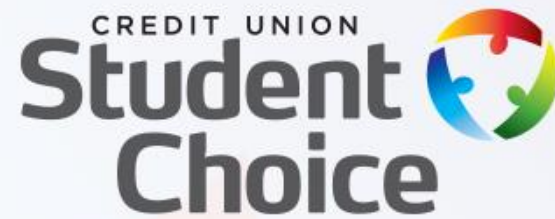
Upcoming Webinars:

Thursday, Jan. 11 at 11:00 a.m. ET

Monday, Jan. 29 at 2:00 p.m. ET

To Register:

studentchoice.org/creditunions



Tell us what you thought!



Please answer our post-event survey.

One lucky survey respondent will win a Starbucks gift card.

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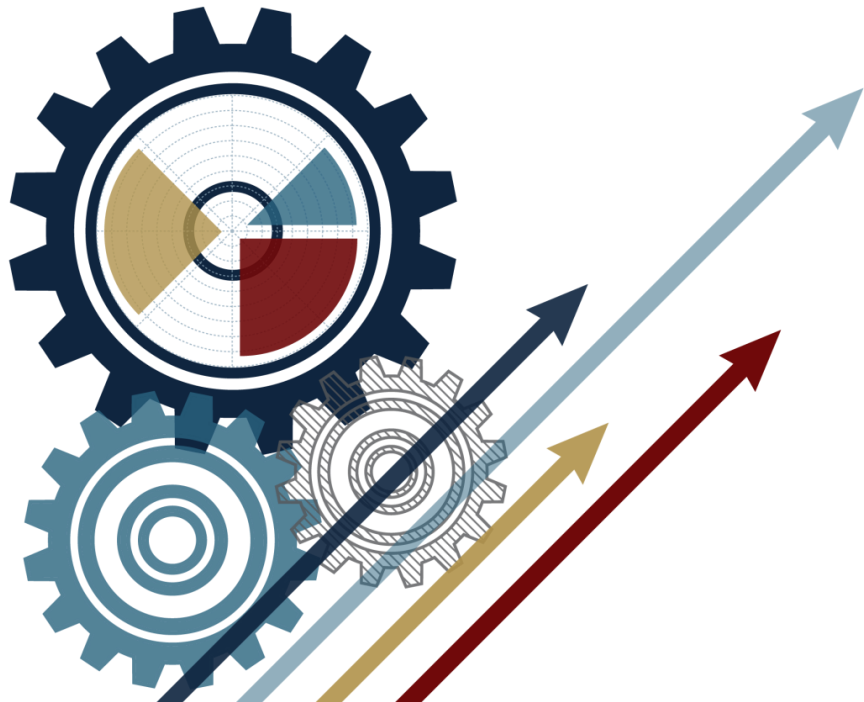


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ASSOCIATES

Trendwatch 3Q 2017

Data for September 30, 2017

Call Dates: November 28 & 29, 2017



Agenda

Market Update

*Jason Haley, Managing Director, Investment Management Group,
ALM First*

3Q 2017 Credit Union Trends & Key Issues

“Member-First, Not Bank-Lite”

Alix Patterson, Partner, Callahan & Associates

Sam Taft, Senior Director of Industry Analysis, Callahan & Associates

Minimizing Indirect Lending

Nathan Grossenbach, CEO, Shoreline CU

S&P 500, Nasdaq end at records, as stocks extend quarterly win streaks

Published: Sept 29, 2017 4:33 p.m. ET

60 inches of rain fell from Hurricane Harvey in Texas, shattering U.S. storm record

Oops, Wells Fargo Did It Again

Federal aid claims jump tenfold in 2017, after series of record-breaking natural disasters

BUSINESS DAY

Equifax Says Cyberattack May Have Affected 143 Million in the U.S.

Online Banking

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EASY MONEY

Send, request and receive money with POP Money.

COMING SOON!



Hurricane Harvey Support

In light of the recent devastating natural disaster in Texas, we as GEICO Federal Credit Union extend our most sincere feelings of empathy and compassion to those associates and families who have been affected by the destruction of Hurricane Harvey. As a credit union, GEICO FCU believes in the importance of assisting our members both in times of well-being and hardship and we stand ready to support our Texas associates and their families in this time of need.

Associates in Katy, TX who have been affected by Hurricane Harvey can take advantage of the following offers now through September 30:

- A 12 month, no interest loan – up to \$2,000 or the amount of the amount sent to GFCU, whichever is less.
- A temporary increase of the credit limit on GFCU MasterCard's amount of the current credit limit, whichever is less.
- A waiver of all ODP fees, late fees and/or foreign ATM fees from 09/30/17, if requested by the member.

To take apply for these offers, contact us at 1-800-542-7896 or email MembersService@geicofcu.org. We stand ready to serve you and your family in times of need.

DISASTER RELIEF

[Apply Now](#)

Emergency Personal Loans

Because repair and recovery plans can take time to take shape - there's nothing like the feeling of knowing what you can afford and that your funds are already waiting in your checking or savings account. We offer solutions including our [Home Advantage Personal Loans](#) up to \$35,000².

Please [apply online](#). The Home Advantage Loan can be found under "Personal Loan - Including Storm Relief".

[APPLY ONLINE](#)

Emergency Credit Card Funds

Members applying for a TDECU MasterCard® will receive 0% APR¹ on purchases for 6 Months as a way to access these funds quickly and easily.

[APPLY ONLINE](#)

Emergency Business Loans

Did you know that the Small Business Administration provides disaster loans directly to small businesses, non-profits and even homeowners and renters in areas affected by a natural disaster?

[LEARN MORE](#)

Assistance with Existing Mortgages

No matter how significant your property damage – even with a complete loss of your home – we'll work with you to review all of your options.

[LEARN MORE](#)

Assistance with Existing Business Loans

Loan extensions are available for small business and commercial loans. For assistance with business loan extensions, please apply online.

[LEARN MORE](#)

ALM First Market Update

Jason Haley

Managing Director, Investment Management Group



2911 Turtle Creek Blvd.
Suite 500
Dallas, Texas 75219
Phone: 800.752.4628
Fax: 214.987.1052
www.almfirst.com

Speaker – Jason Haley



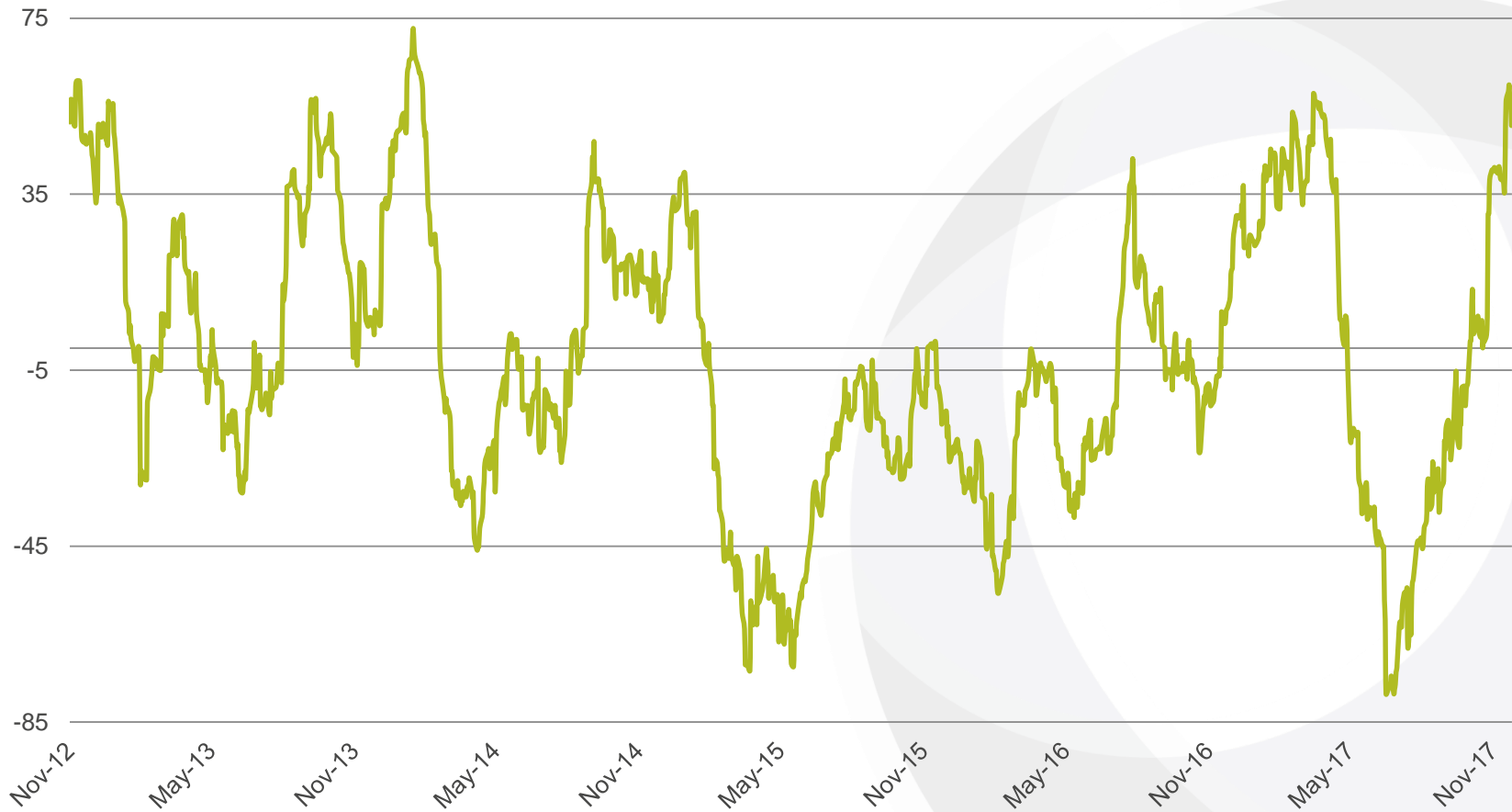
- Managing Director, Investment Management Group
- Responsible for cross-sector relative value analysis and all capital markets activities
- Oversees the development and execution of model and client-specific portfolio strategies
- Responsible for market research & commentary

Economic Update

- Tax reform progress remains the most widely discussed economic theme in recent weeks
 - Senate expected to vote on its bill this week
 - If it passes, the reconciliation process will begin, which will be the most challenging part of the overall process
 - If nothing is passed in Q1, the odds of getting something done in 2018 will likely fall precipitously
- Q3 GDP growth came in above expectations (3.0% vs 2.6%), and overall growth fundamentals remain positive
- Wage growth and overall inflation pressures have been absent in 2017 despite low unemployment and solid Q2/Q3 growth
- Trump Administration is finally beginning to fill more key positions at regulatory agencies, making deregulation a potential theme to watch in 2018

Actual vs. Expected Data Trend

Citi Economic Surprise Index



Sponsored by:



Source: Citigroup Global Markets; Bloomberg

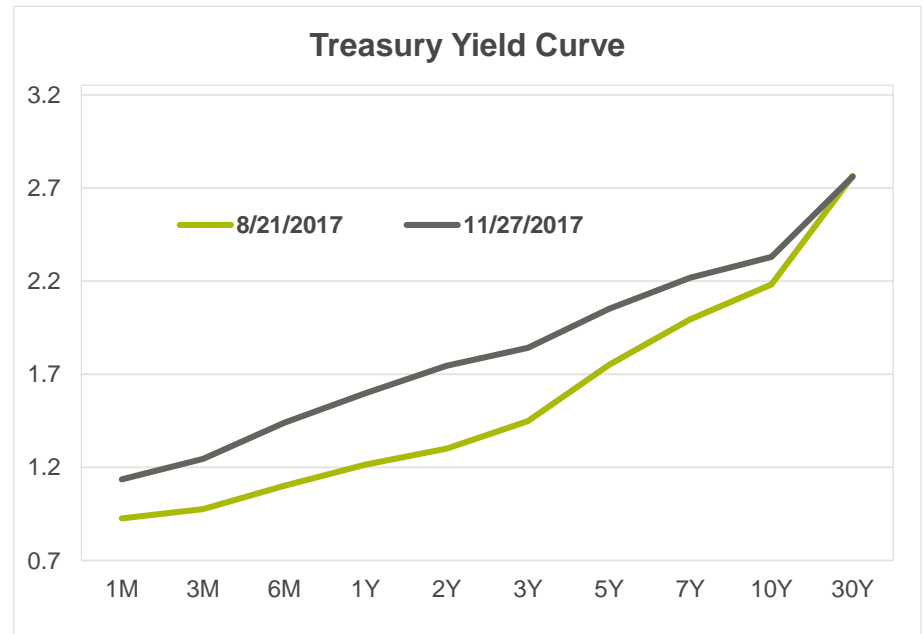


ALM FIRST

Current Market Themes

- Biggest market theme in recent weeks has been Treasury curve flattening trend
- Rate volatility (realized & implied) remains near historic lows
- 2017 fixed income performance has been strong amid firmer spreads and low volatility, particularly for barbell strategies allocated to spread sectors

	11/27/2017	8/21/2017	Change
Tenor	(%)	(%)	(bps)
3-Months	1.25	0.98	0.27
6-Months	1.44	1.10	0.34
1-Year	1.60	1.22	0.38
2-Year	1.75	1.30	0.44
5-Year	2.05	1.75	0.30
10-Year	2.33	2.18	0.15
30-Year	2.76	2.76	0.00
Curves			
2yr-5yr	0.31	0.45	-0.14
2yr-10yr	0.58	0.88	-0.30
2yr-30yr	1.02	1.46	-0.45
5yr-10yr	0.28	0.43	-0.15



Curve Flattening

- Curve is nearly 30 bps flatter over the last month to new post-crisis low
- Factors that typically explain such a move:
 1. Market is pricing for Fed policy error
 - Basically, perception that the Fed will overdo it on rate hikes and spark recession
 2. Lower inflation expectations
 3. Weaker growth expectations
- These factors don't appear to be the issue at the moment given market pricing and economic fundamental trend
- Other potential explanations include:
 1. Corporations funding pensions ahead of tax reform
 2. Supply/demand imbalances from ECB QE purchases
 3. Expectations for increased Treasury supply of front-end bills/notes

3Q in 5 Slides

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The U.S. Credit Union Industry as of September 2017

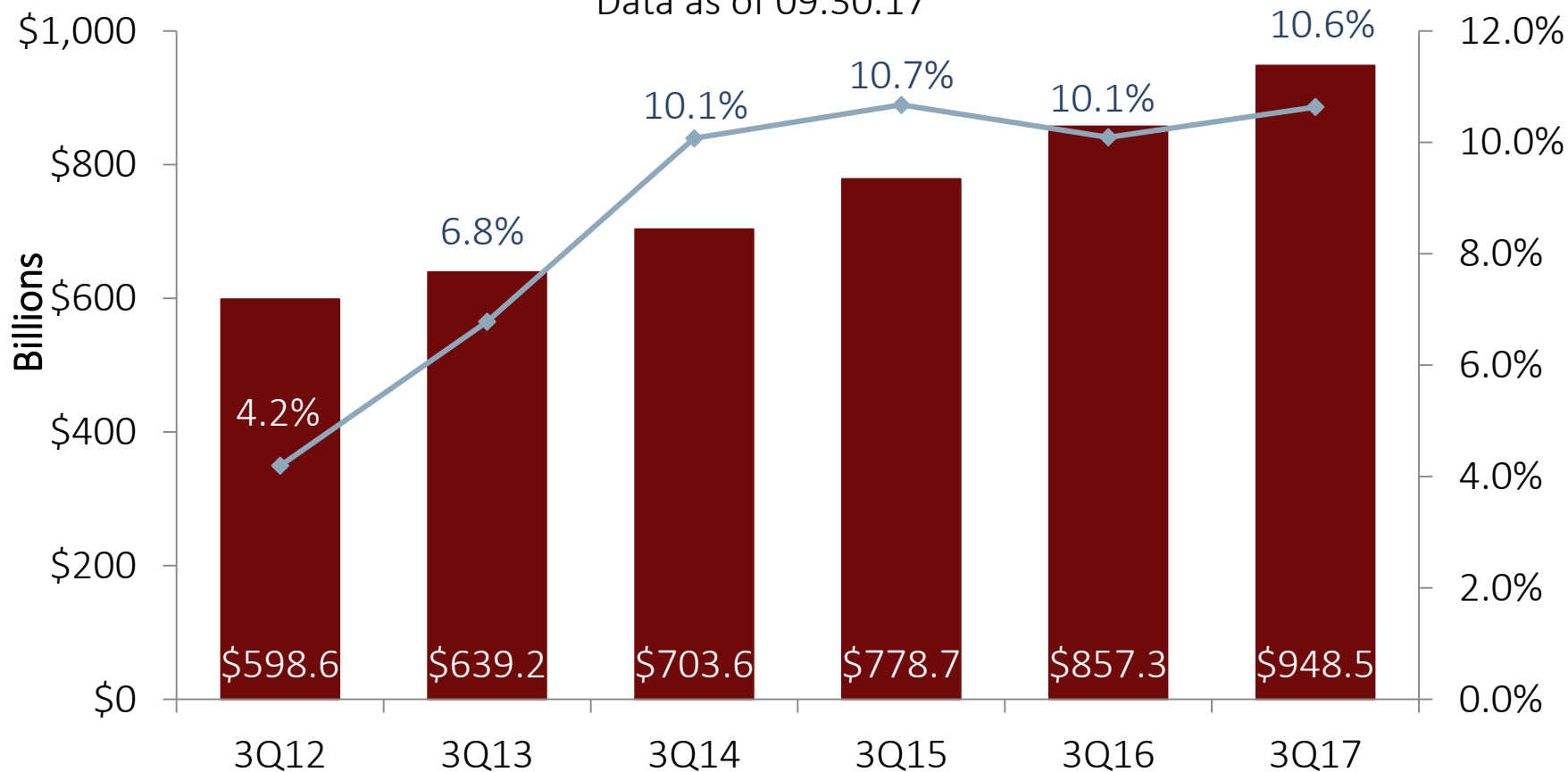
	As of 09/30/2017	12-mo. Growth 3Q 2017	12-mo. Growth 3Q 2016
Assets	\$1.4T	6.8%	8.2%
Loans	\$948.5B	10.6%	10.1%
Shares	\$1.2T	6.8%	8.6%
Investments	\$361.7B	-2.6%	5.0%
Capital	\$156.4B	6.5%	7.2%
Members	112.1M	4.2%	4.0%

Credit unions outperform for-profit financial institutions

	Credit Unions in U.S.	All Banks in U.S.	Community Banks in U.S.
Annual Loan Growth	10.6%	3.5%	7.3%
Annual Deposit Growth	6.8%	4.0%	2.5%
Delinquency Ratio	0.79%	1.20%	0.88%
Net Charge-Off Ratio	0.51%	0.46%	0.12%
Net Interest Margin	2.97%	3.30%	3.65%
ROA (after tax)	0.78%	1.10%	1.08%
Average Assets	\$242M	\$3.0B	\$420M

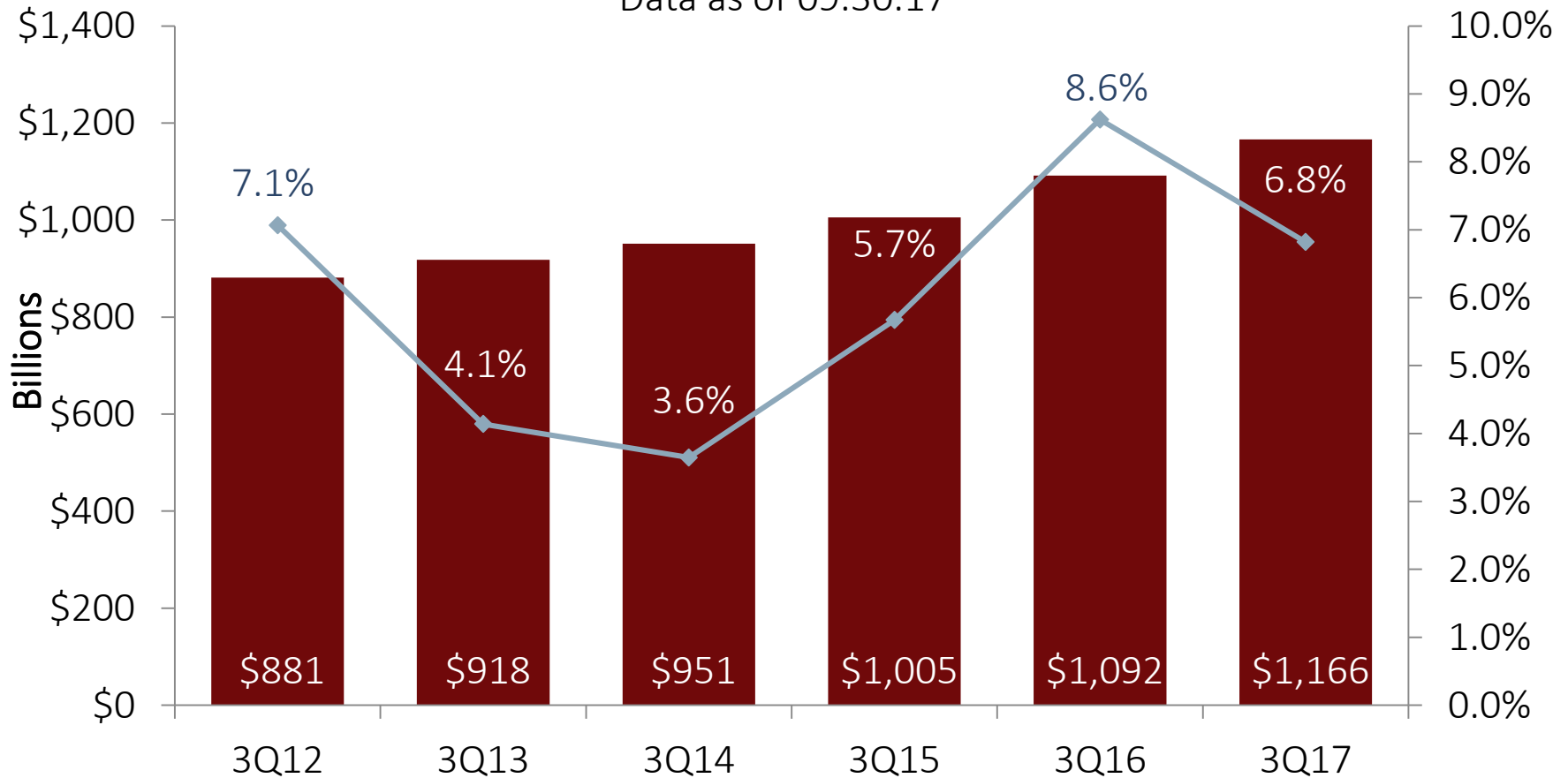
Loans post fourth year of double-digit 3Q growth

Total Loans and YOY Loan Growth
Data as of 09.30.17

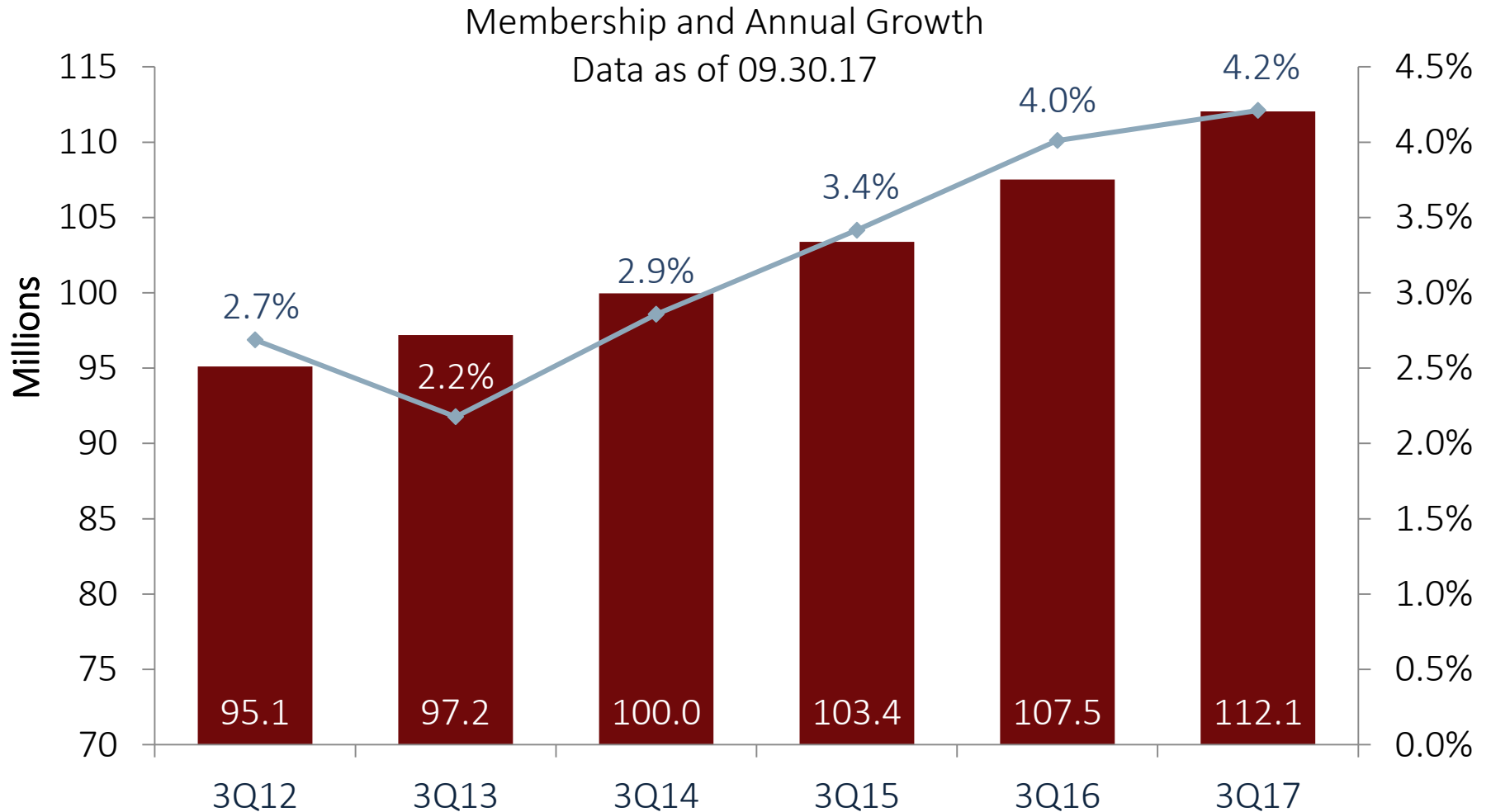


Share growth slows from peak rate in 2016

Total Share Balances and YOY Share Growth
Data as of 09.30.17



Membership growth near record highs



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Source: Callahan's Peer-to-Peer Analytics

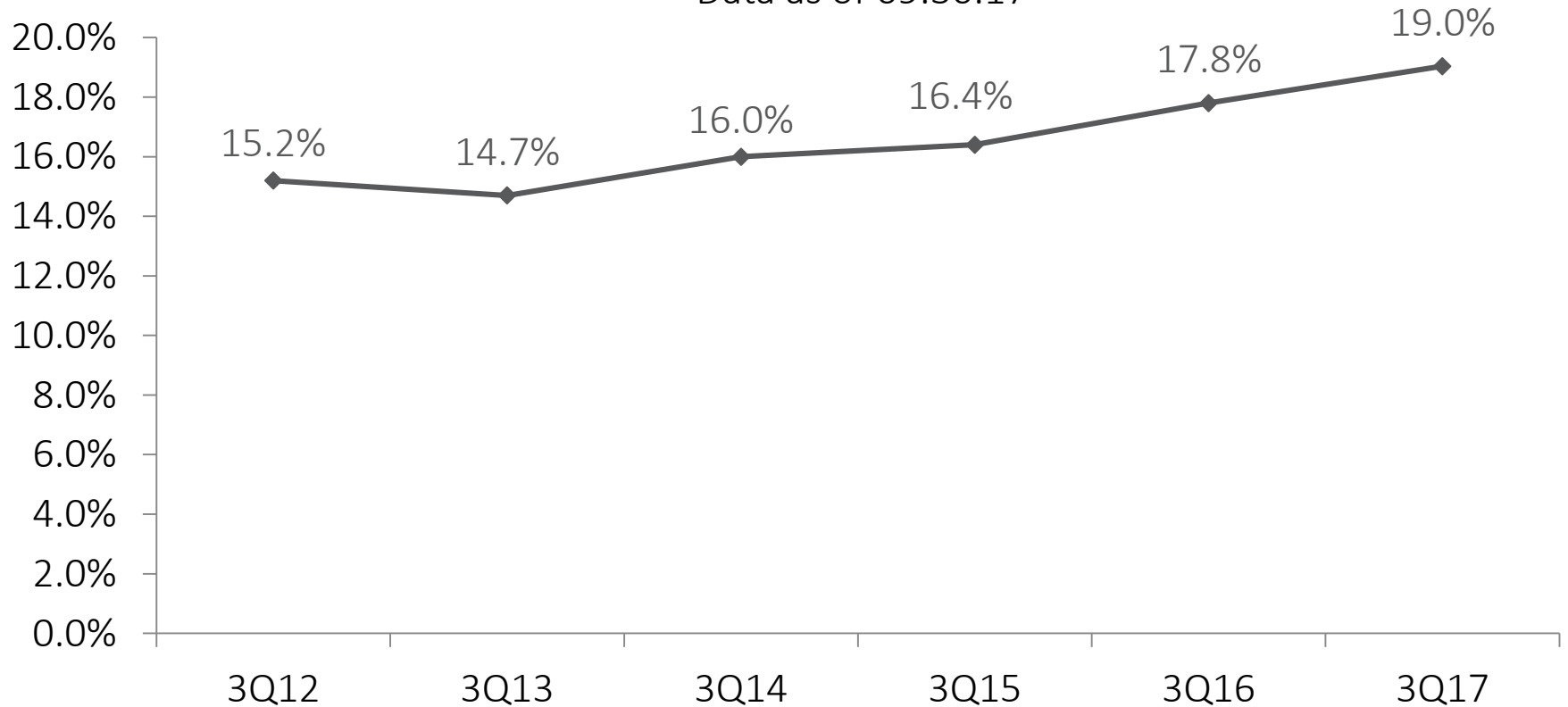
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Market Share and Member Impact



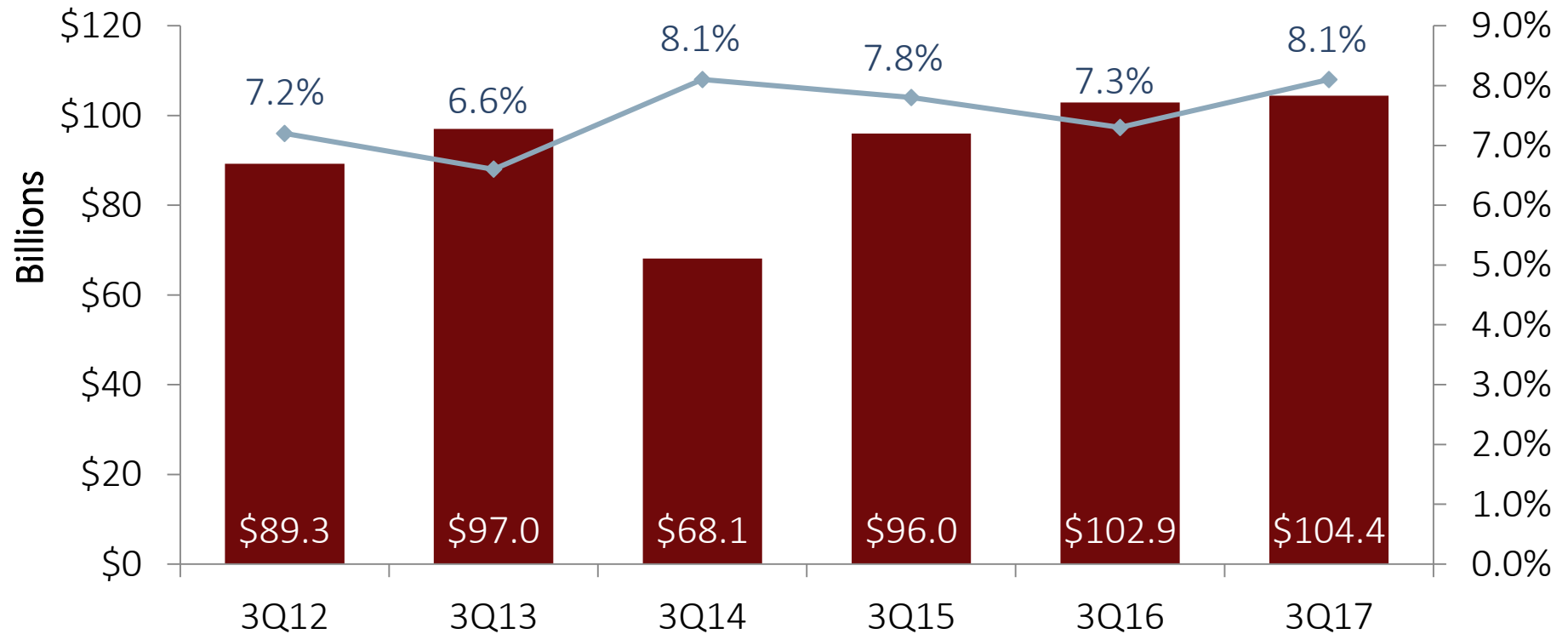
Auto finance market share nearing recession-era levels

Credit Union YTD Auto Finance Market Share
Data as of 09.30.17

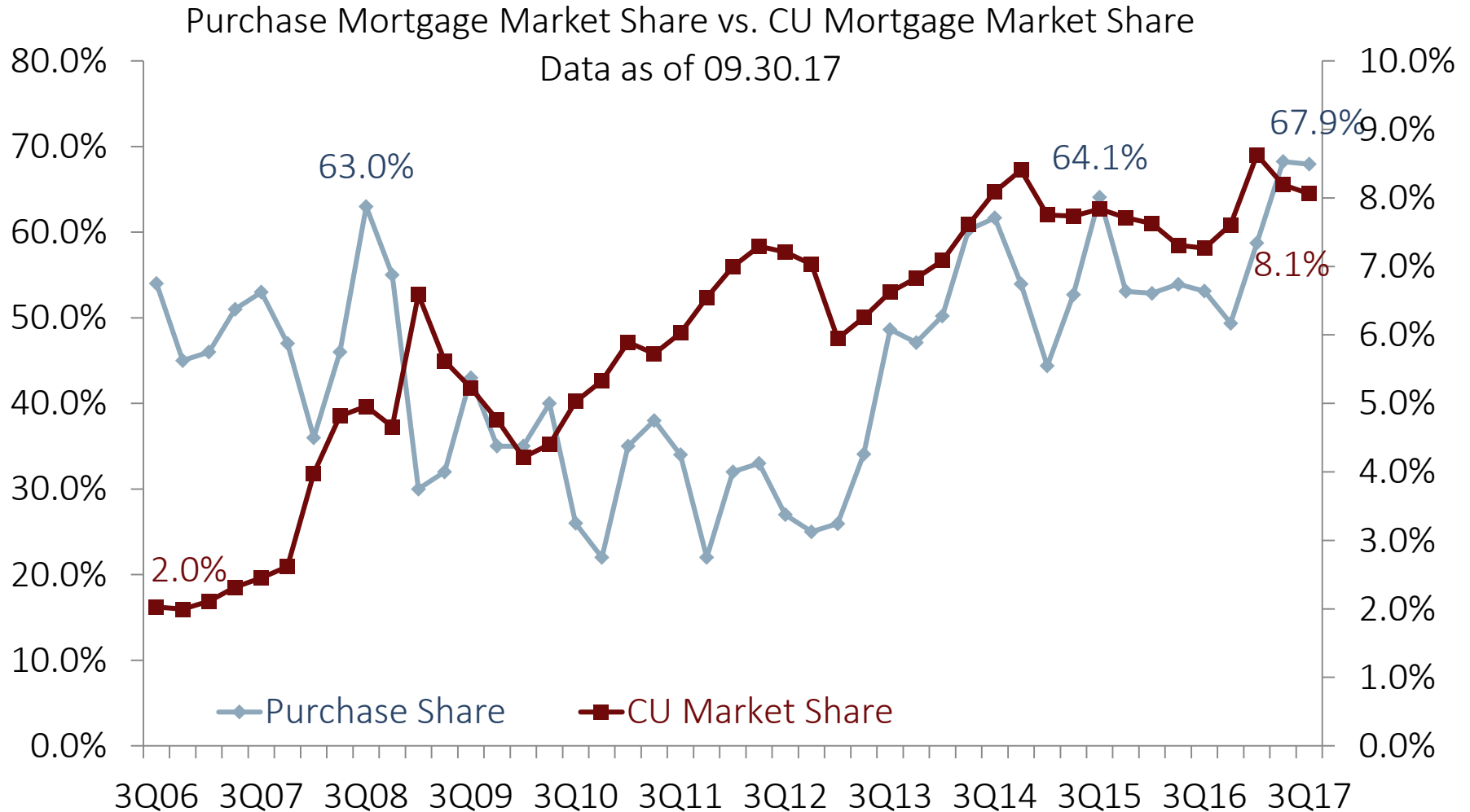


Volume up slightly; Market share jumps v. banks at 3Q 17

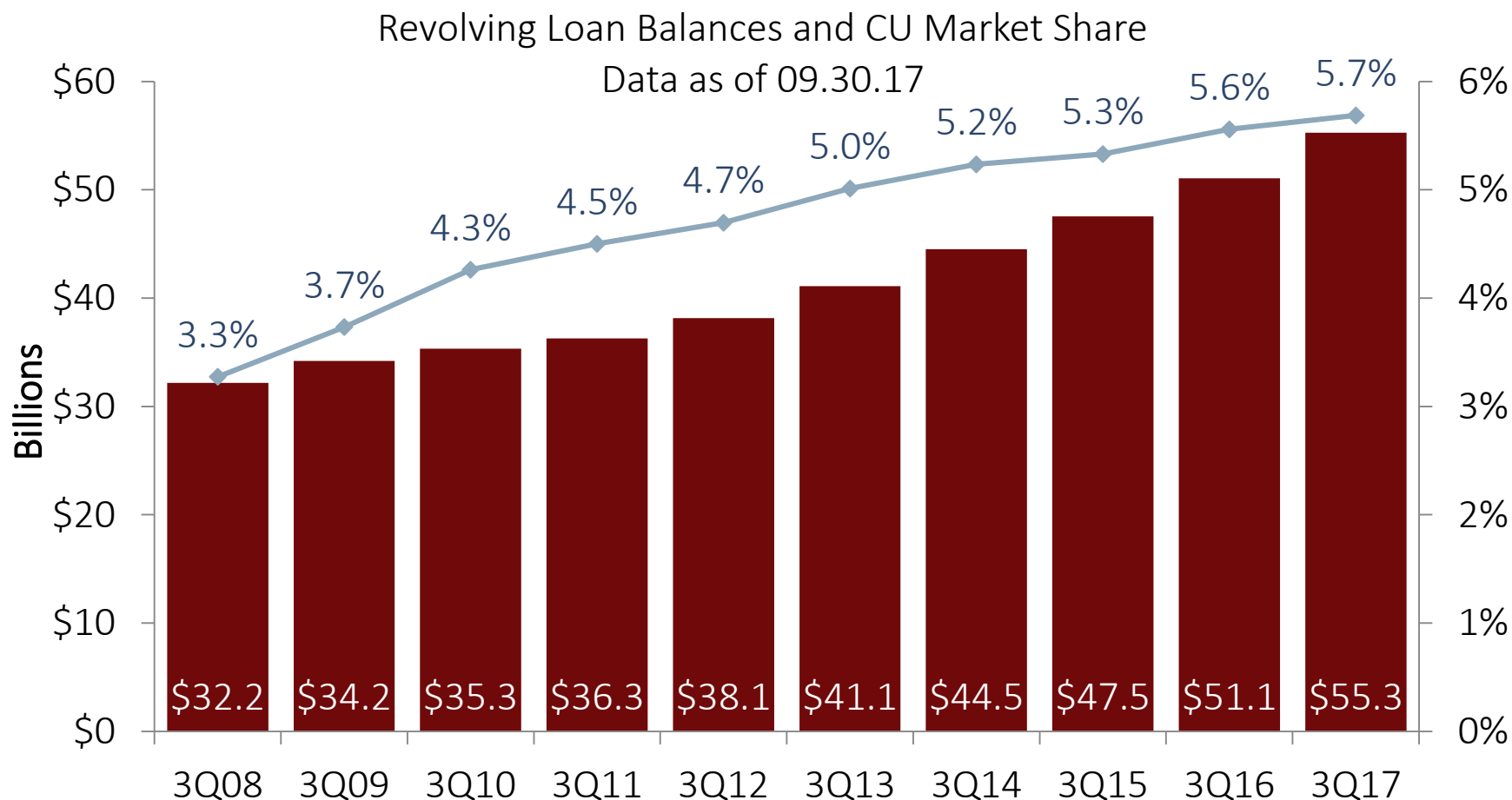
YTD First Mortgage Originations & Market Share
Data as of 09.30.17



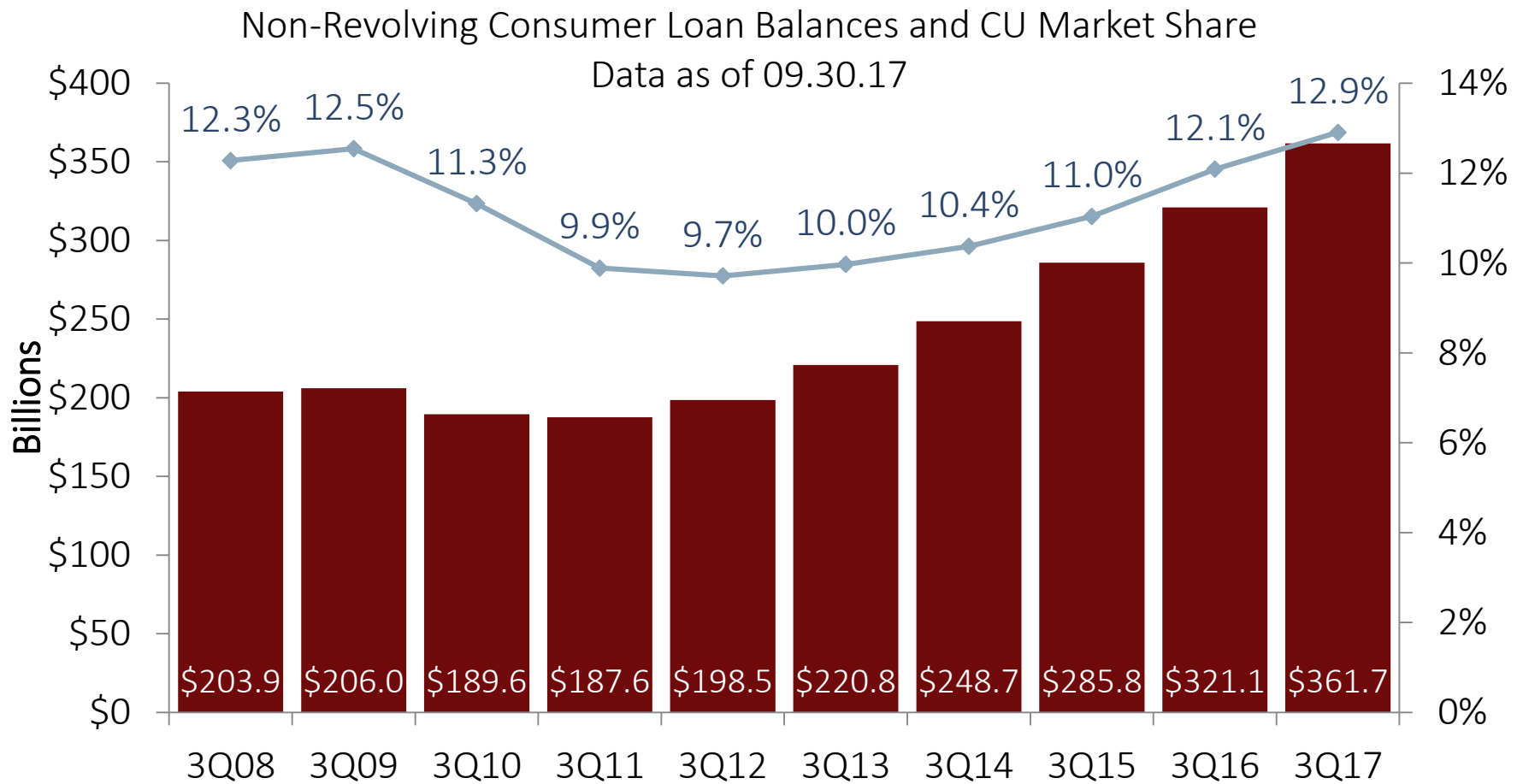
Debunking the myth: Credit unions do more than just refis



Share of revolving consumer credit continues to climb



Share of consumer loans posts fifth annual increase



Members are using more credit union products



Credit Card



Real Estate*



Share Draft



Auto

3Q17	17.3%	4.4%	57.0%	20.3%
3Q12	15.0%	4.4%	50.9%	16.0%
Change	+2.3%	0.0%	+6.1%	+4.3%

CU 1st mort. market share greater than 20% in 38 MSAs

Top 10 MSAs by Credit Union 1st Mortgage Market Share
Data as of 12.31.16

MSA	CU Mkt. Share	CU 1 st . Mort. Orig. (\$000s)	YOY Growth	Total 1 st . Mort. Orig. (\$000s)
Waterloo-Cedar Falls, IA	44.7%	\$354,663	5.3%	\$793,716
Cedar Rapids, IA	40.4%	\$592,950	38.9%	\$1,466,046
La Crosse, WI-MN	36.3%	\$250,153	5.4%	\$689,322
Utica-Rome, NY	35.8%	\$195,947	16.8%	\$547,771
Iowa City, IA	34.6%	\$389,312	13.0%	\$1,124,087
Saginaw-Saginaw Township North, MI	34.5%	\$143,617	14.4%	\$415,791
Pocatello, ID	33.9%	\$115,894	4.9%	\$341,452
Kalamazoo-Portage, MI	33.3%	\$495,810	31.8%	\$1,488,753
Ithaca, NY	31.9%	\$83,643	-0.1%	\$262,310
Burlington-South Burlington, VT	31.8%	\$492,708	11.6%	\$1,550,273

CU deposit market share greater than 10% in 30 states

Top 10 States by Credit Union Deposit Market Share
Data as of 06.30.17

State	CU Mkt. Share 2Q17	CU Mkt. Share 2Q16	CU Deposits (\$000s)	All Other Deposits (\$000s)
Alaska	29.8%	29.1%	\$5,170	\$12,169
Idaho	26.5%	25.4%	\$9,012	\$25,019
District of Columbia	24.9%	23.3%	\$15,654	\$47,136
New Mexico	24.9%	22.2%	\$10,137	\$30,559
Washington	23.9%	23.6%	\$48,323	\$153,877
Oregon	22.4%	21.5%	\$21,903	\$75,916
Hawaii	20.6%	21.5%	\$11,463	\$44,211
New Hampshire	20.0%	18.7%	\$8,278	\$33,087
Vermont	19.1%	19.4%	\$5,170	\$12,169
Michigan	19.1%	18.0%	\$9,012	\$25,019

Savings



Essential Checking

Everyone deserves a checking account.



Essential checking is perfect for people working to improve their credit score. Get started on your path to financial success.

Our Langley Essential Checking Account is designed for members who may have not qualified for checking before, or are just starting to build their credit.

Essential Checking features:

- Online Banking
- Bill Payment
- Mobile Banking
- Debit Card
- Early Payday Deposits (With Direct Deposit)
- Over 55,000 ATMs

Best Banks for Millennials

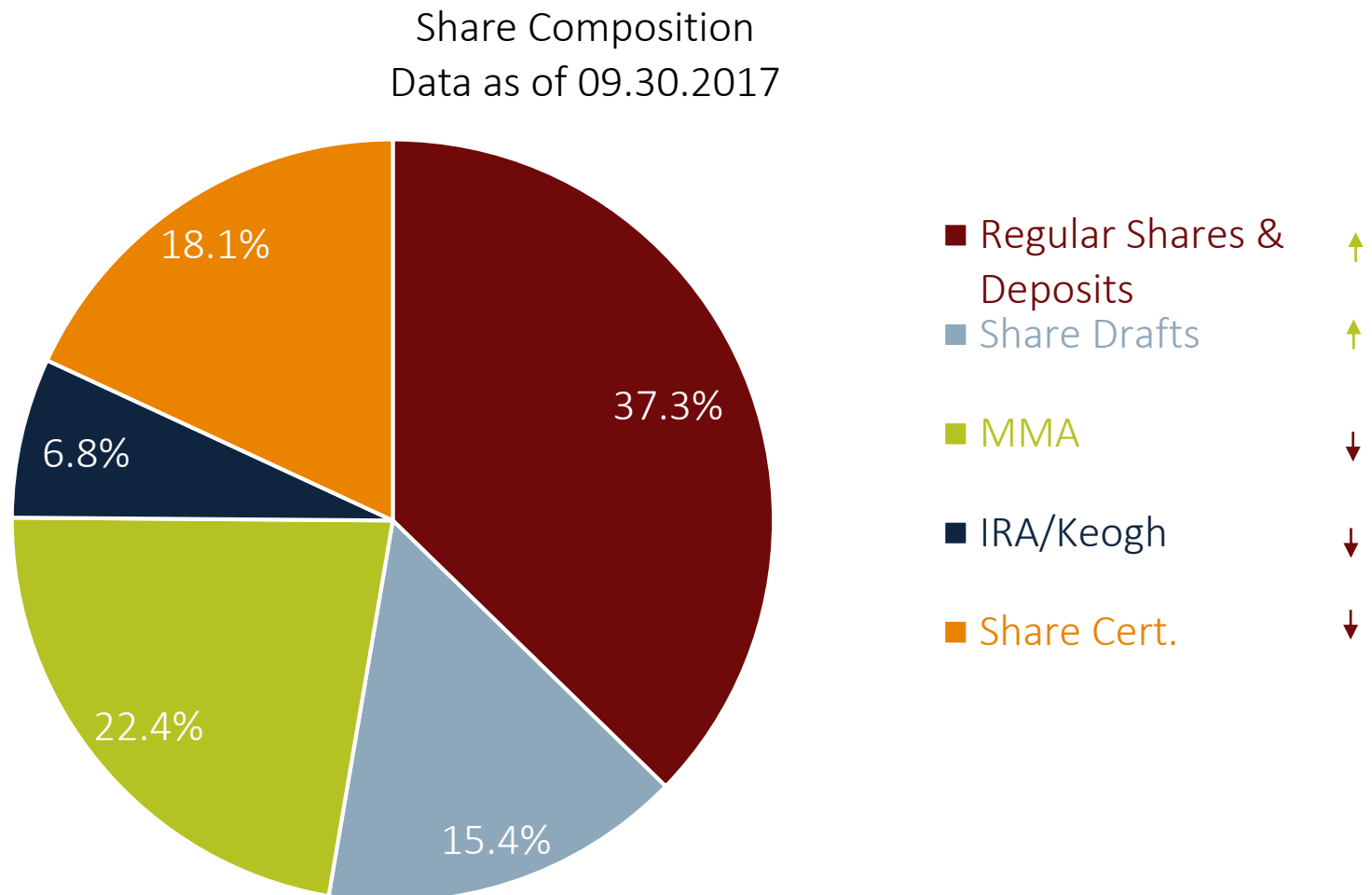
RUNNER-UP: Langley Federal Credit Union



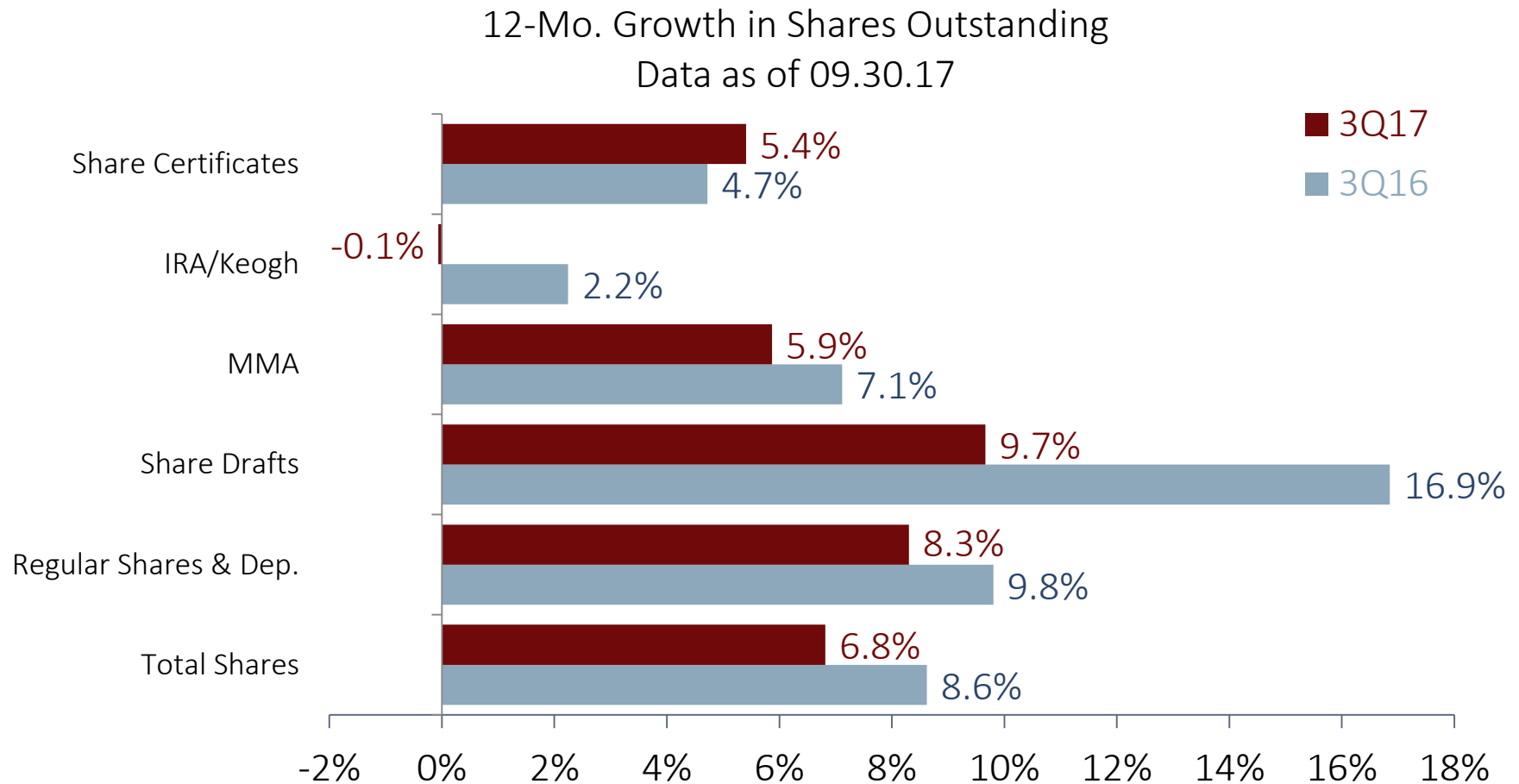
Even if you don't live or work in the Hampton Roads area of Virginia, where **Langley Federal Credit Union** is based, you can still become a member by joining one of several local associations. Langley offers a varied menu of no-fee checking accounts and savings accounts. On the checking side, if you want to earn interest on your money, the free **LangleyPays checking account** yields 1.61% on the first \$1,000 in deposits and pays 10 cents every time you swipe your debit card. On the savings side, the **Langley Saves account** earns 1.61% on the

first \$1,000 but only 0.05% on higher balances. If you'd like a stricter way to keep track of your spending, you can use **Langley's Spend Card**, a prepaid card that is completely fee-free.

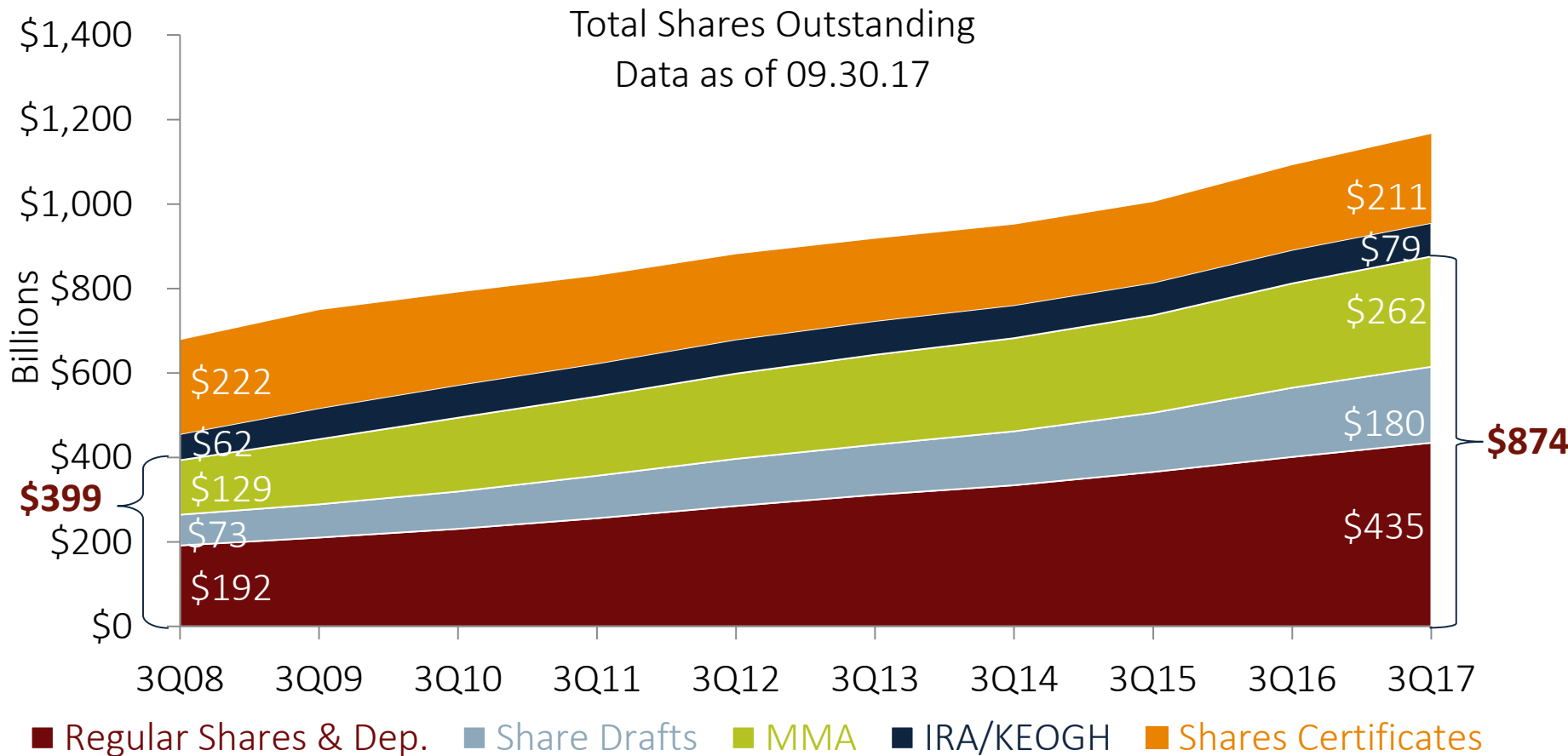
More than half of shares are in savings & checking



Pace of share growth slowing for all but Certificates



Core deposits over three-quarters of share balances



Lending



PERSONAL BUSINESS CONNECT WITH US

Credit Score Analysis

Click here to begin your FREE Credit Score Analysis!

At Pioneer FCU, our goal is to partner with all of our Club means that, with your high credit score, you rec thousands in the long run. We work together to find credit score. It's our goal to always *move your mone* Contact us at (208) 587-3304 or pfcu@pioneerfcu.c



"By refinancing their auto loan with PFCU, we were able to save our members, Douglas and Vivian, \$76.02 on their monthly payments. They will save \$5,473.44 in interest over the life of their loan!"

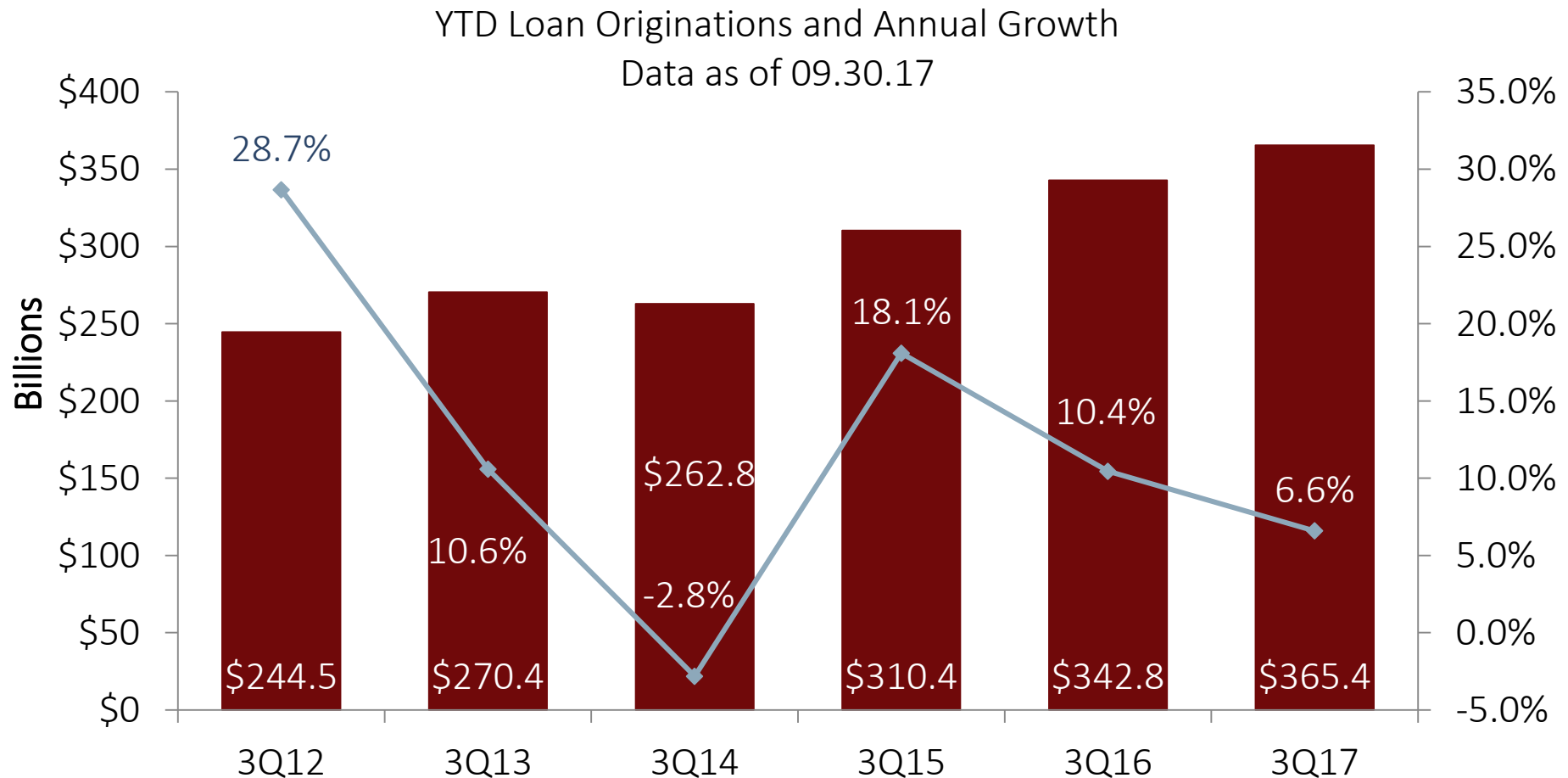
Edward R. - Financial Solutions Partner



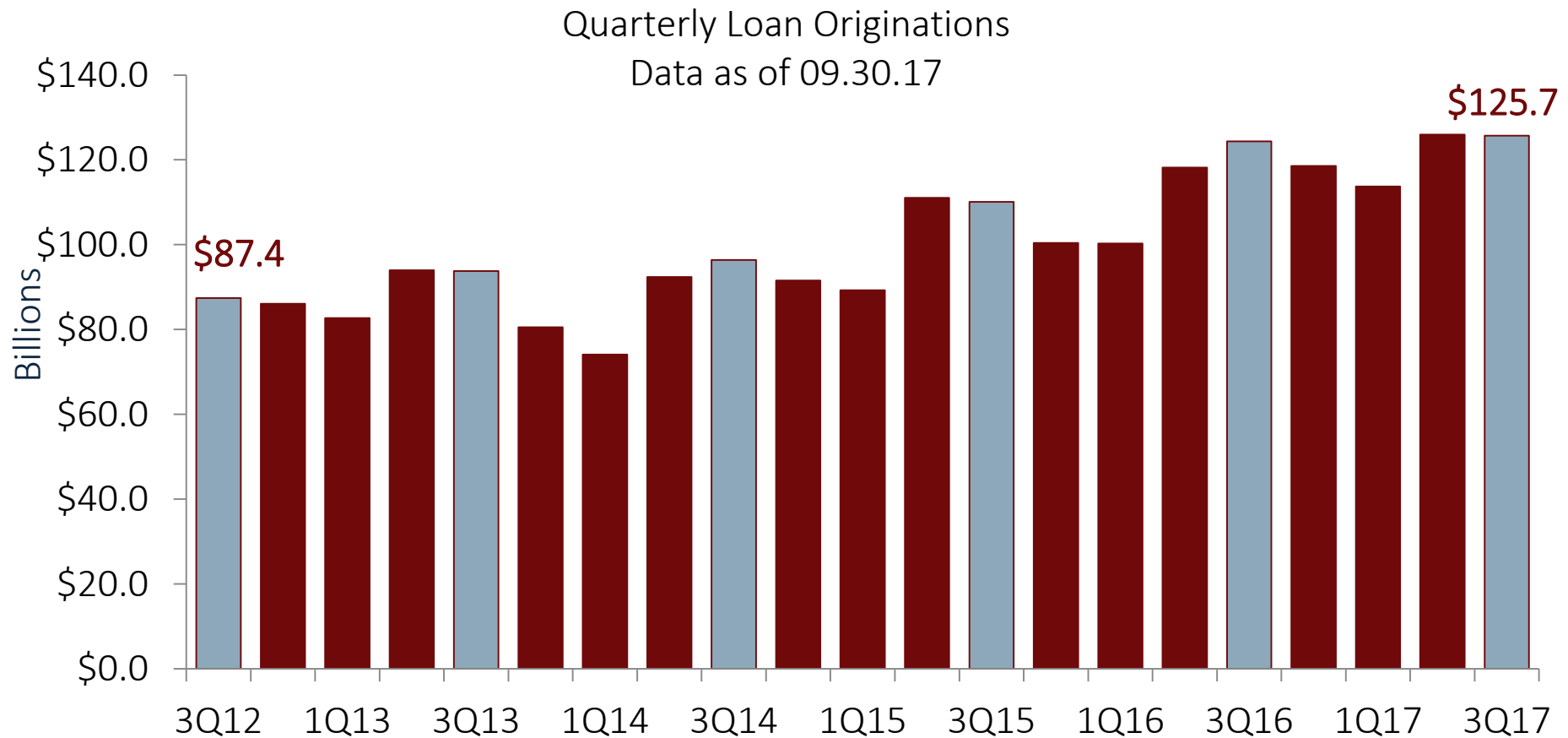
"I lowered our member Eden's monthly payment by \$98.63 and saved her \$1,940.49 in interest over the life of her loan! She went from having a 466.23% APR to a 7.49% APR."

Eric M. - West Regional Manager

Origination growth rate slows; volume still at record levels

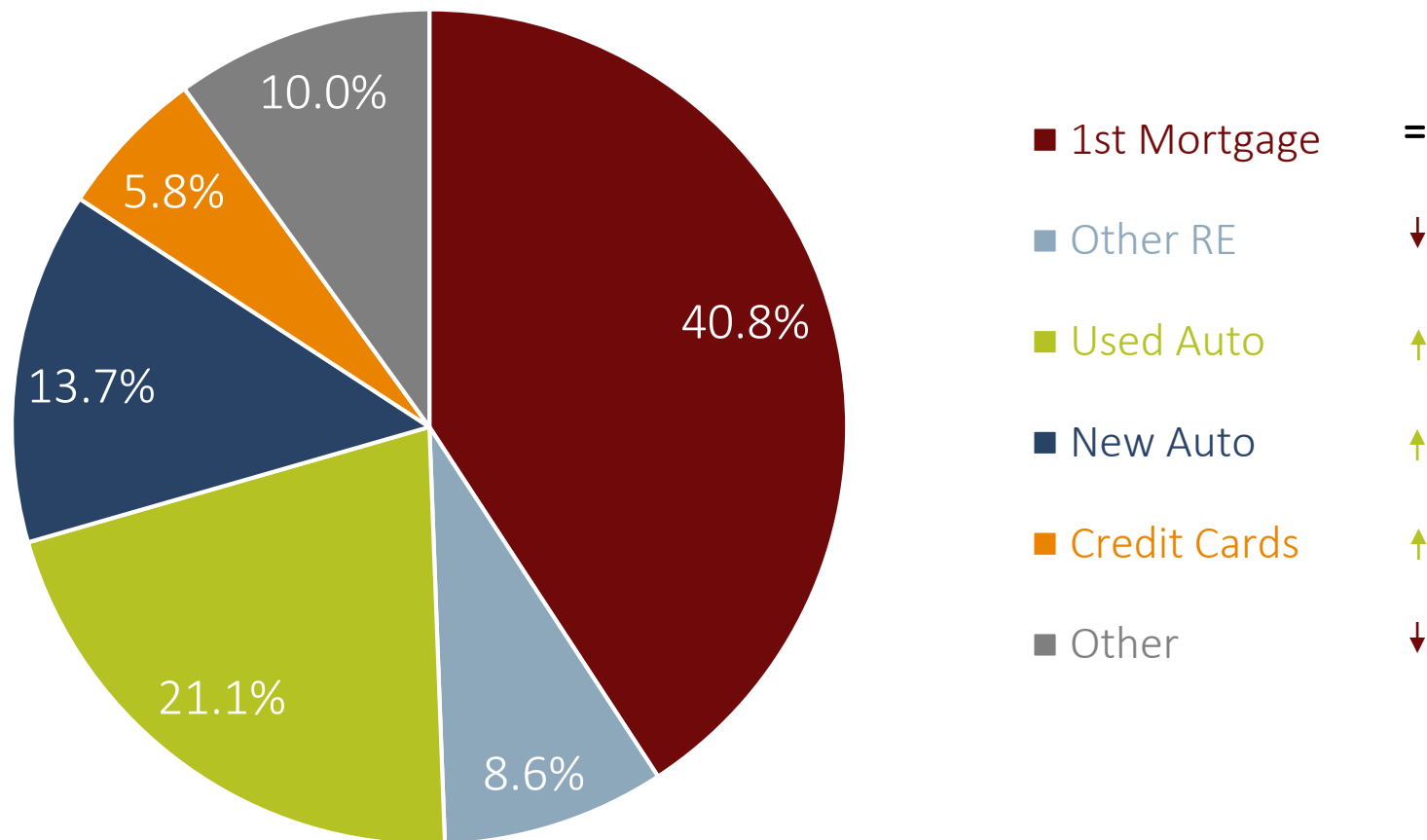


Quarterly originations at record for 3Q, but down from 2Q

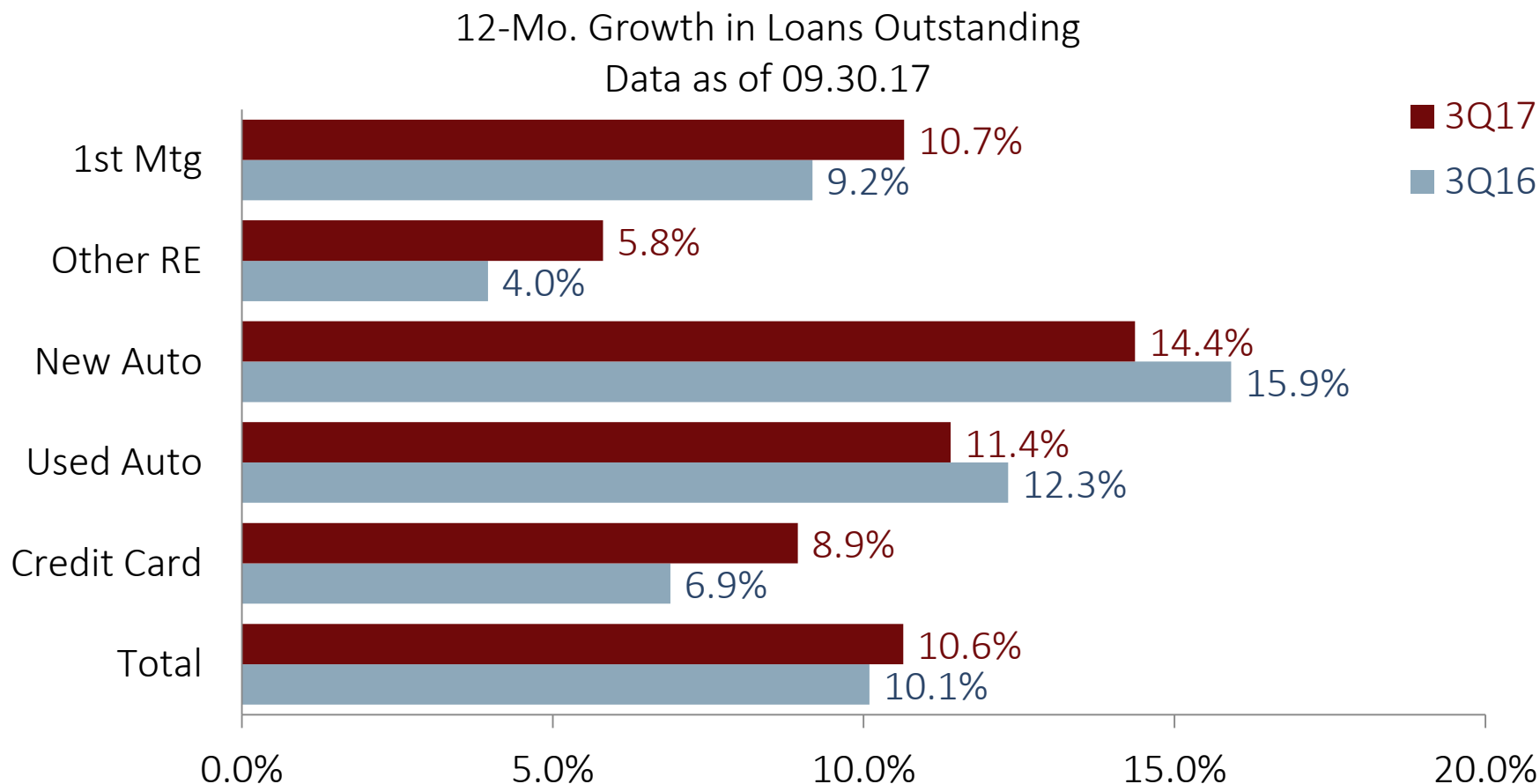


Consumer loans growing in concentration

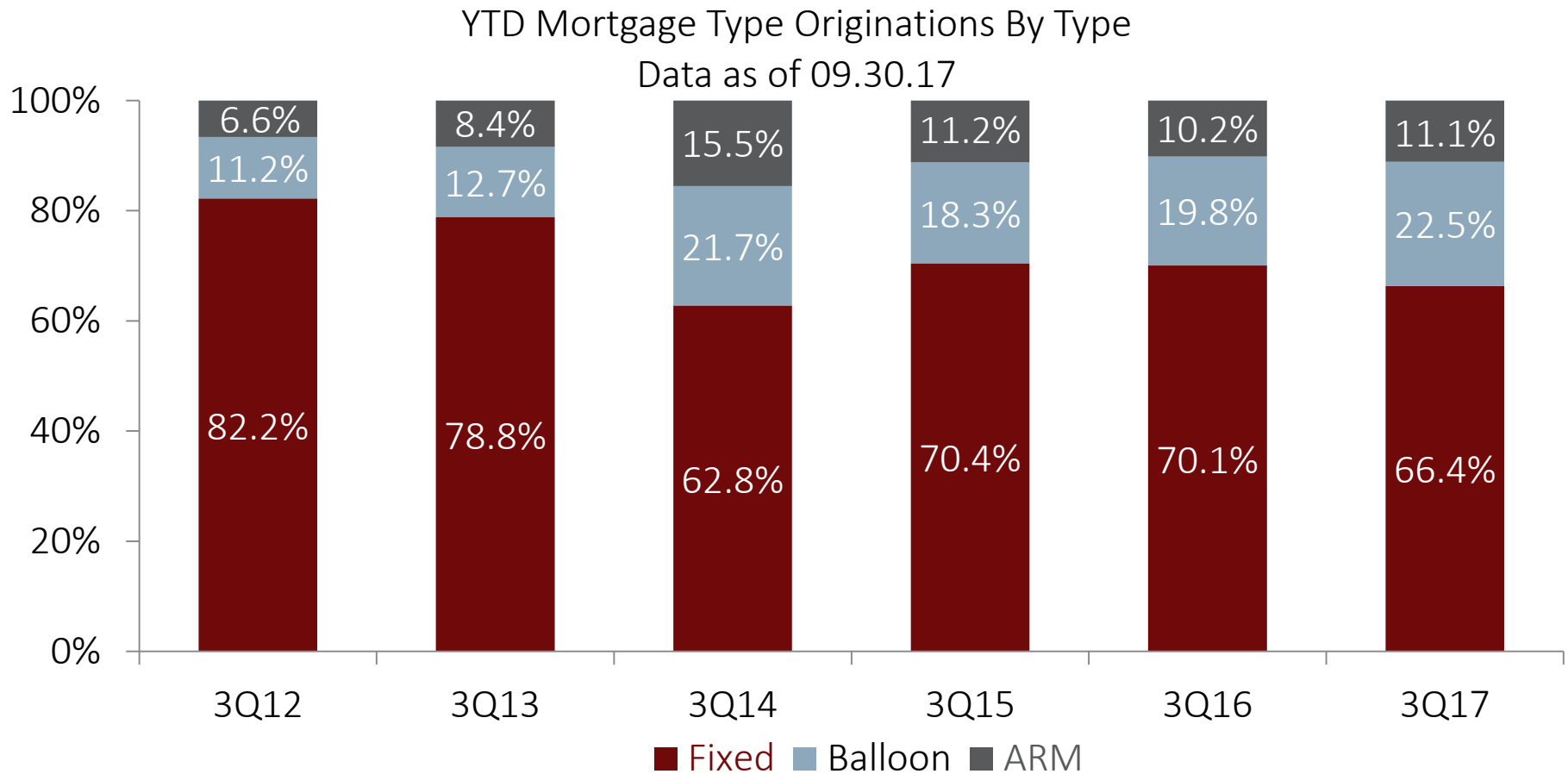
Credit Union Loan Portfolio
Data as of 09.30.17



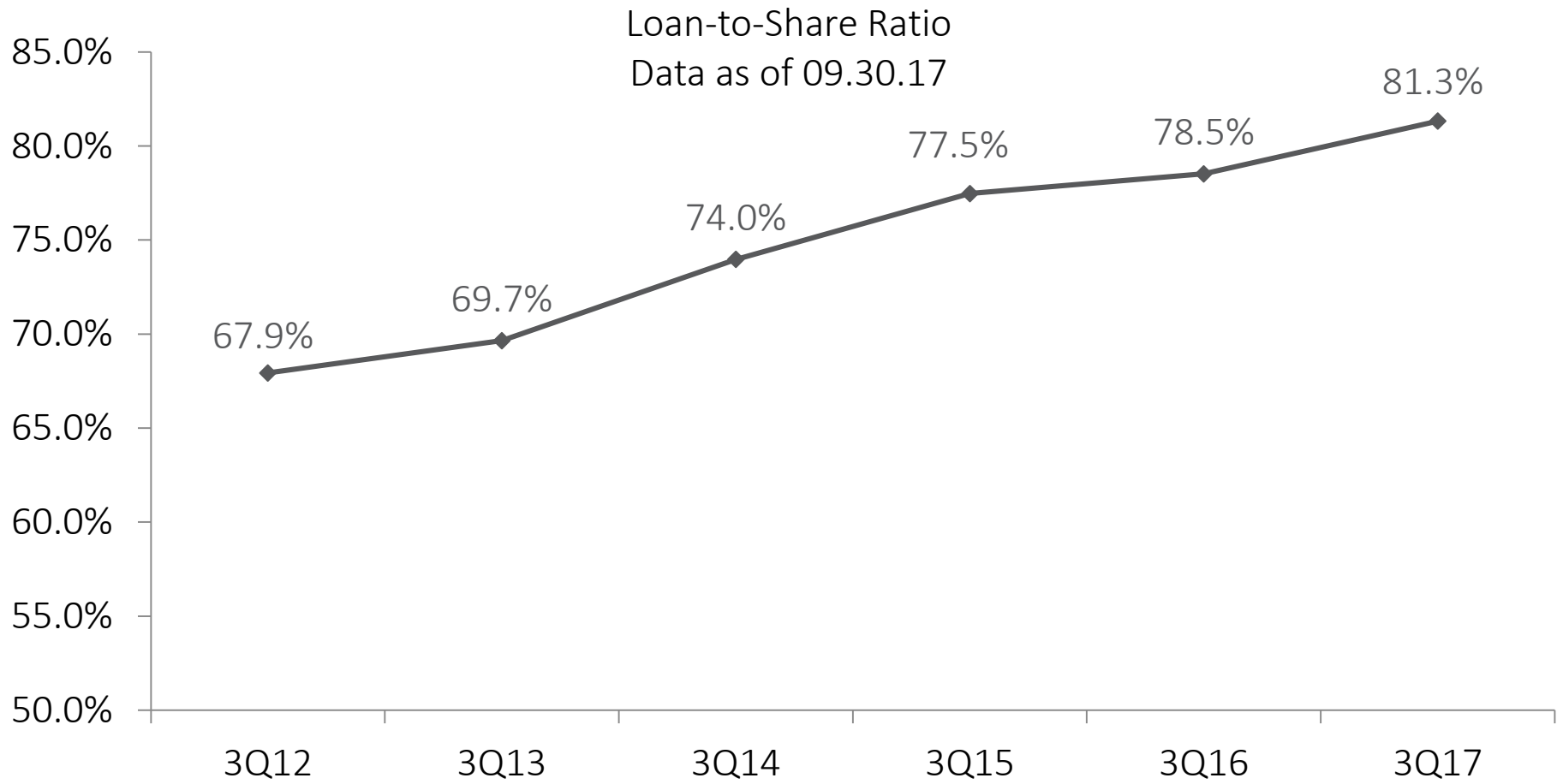
First mortgage growth drives total loan growth to 10.6%



YTD 1st mortgage originations surpass \$104.4 billion



Loan growth outpaces share growth for the sixth year



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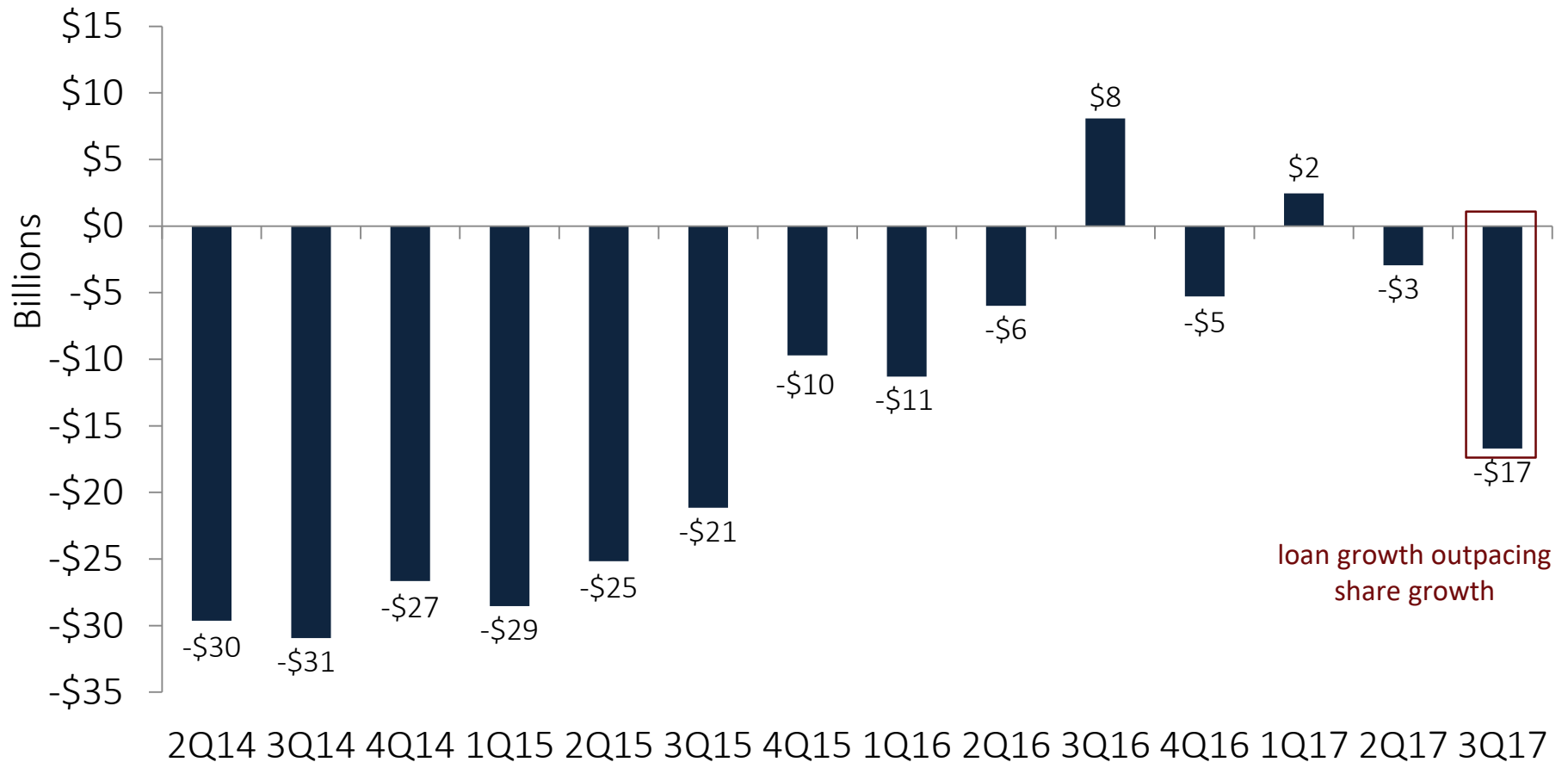
Source: Callahan's Peer-to-Peer Analytics



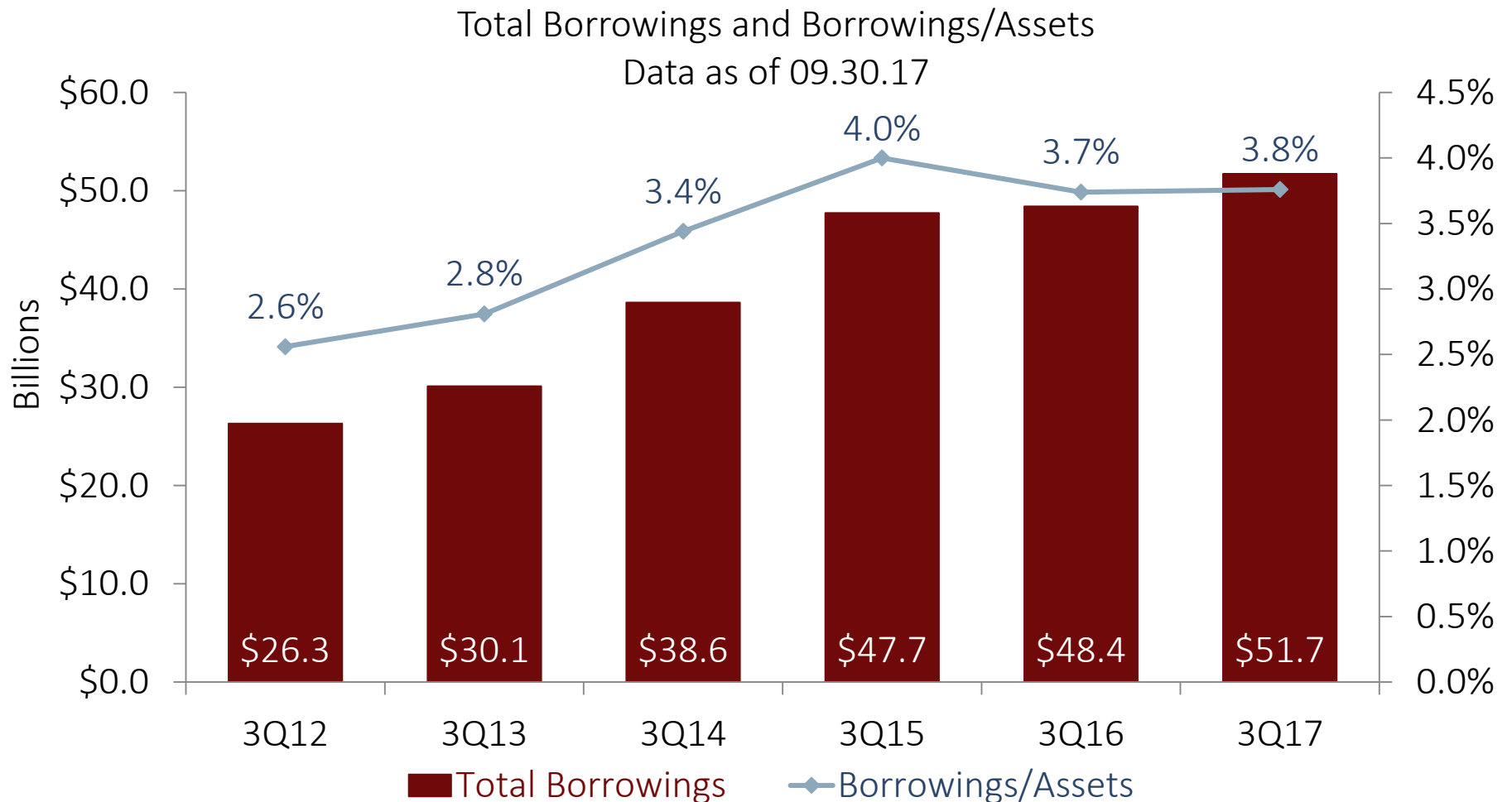
Biggest drop in net liquidity in 8 quarters

Annual Net Liquidity Change
Data as of 09.30.17

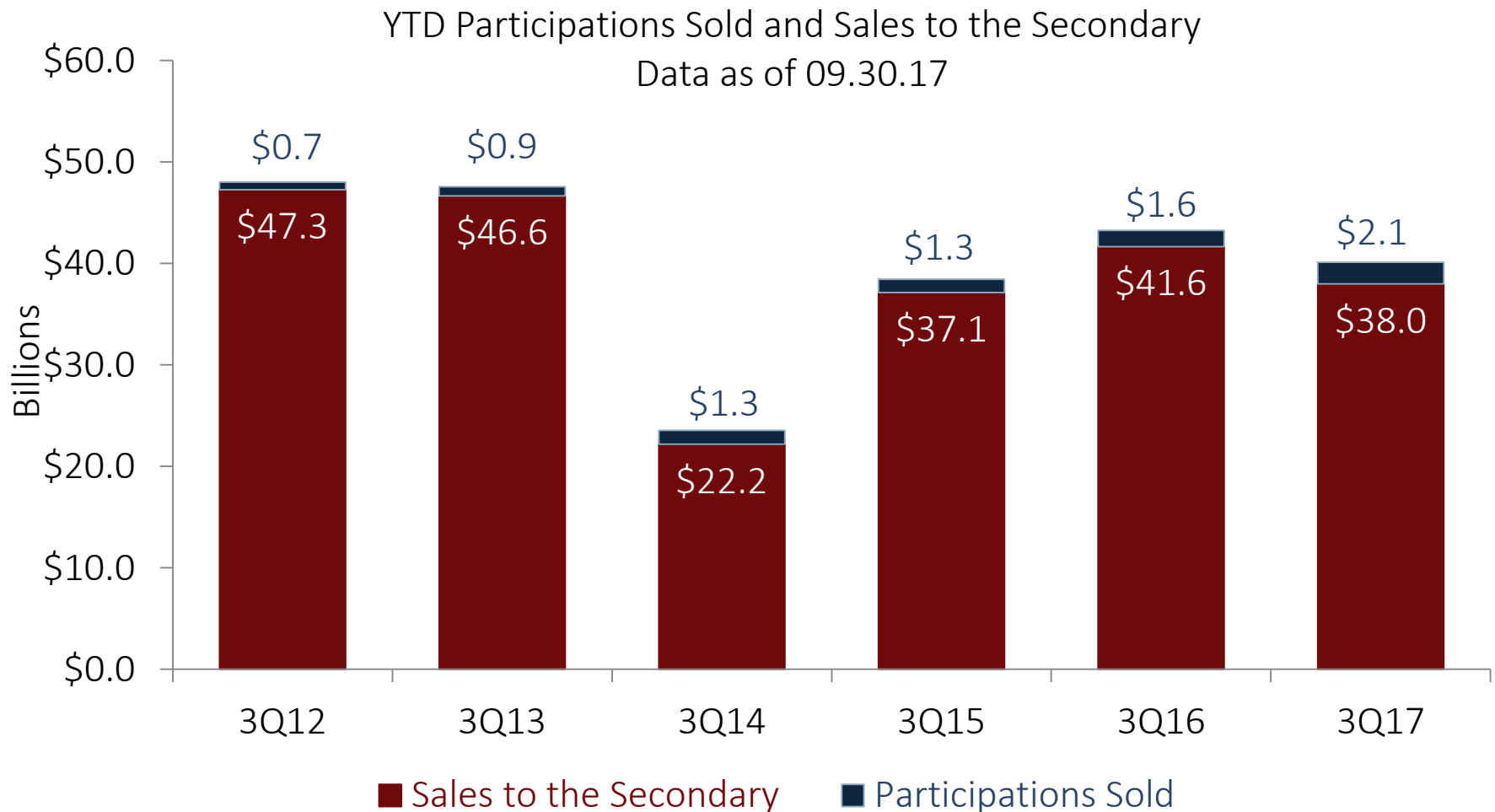
* Net liquidity from shares
= \$ share growth - \$ loan growth



As a percentage of assets, borrowings remain steady

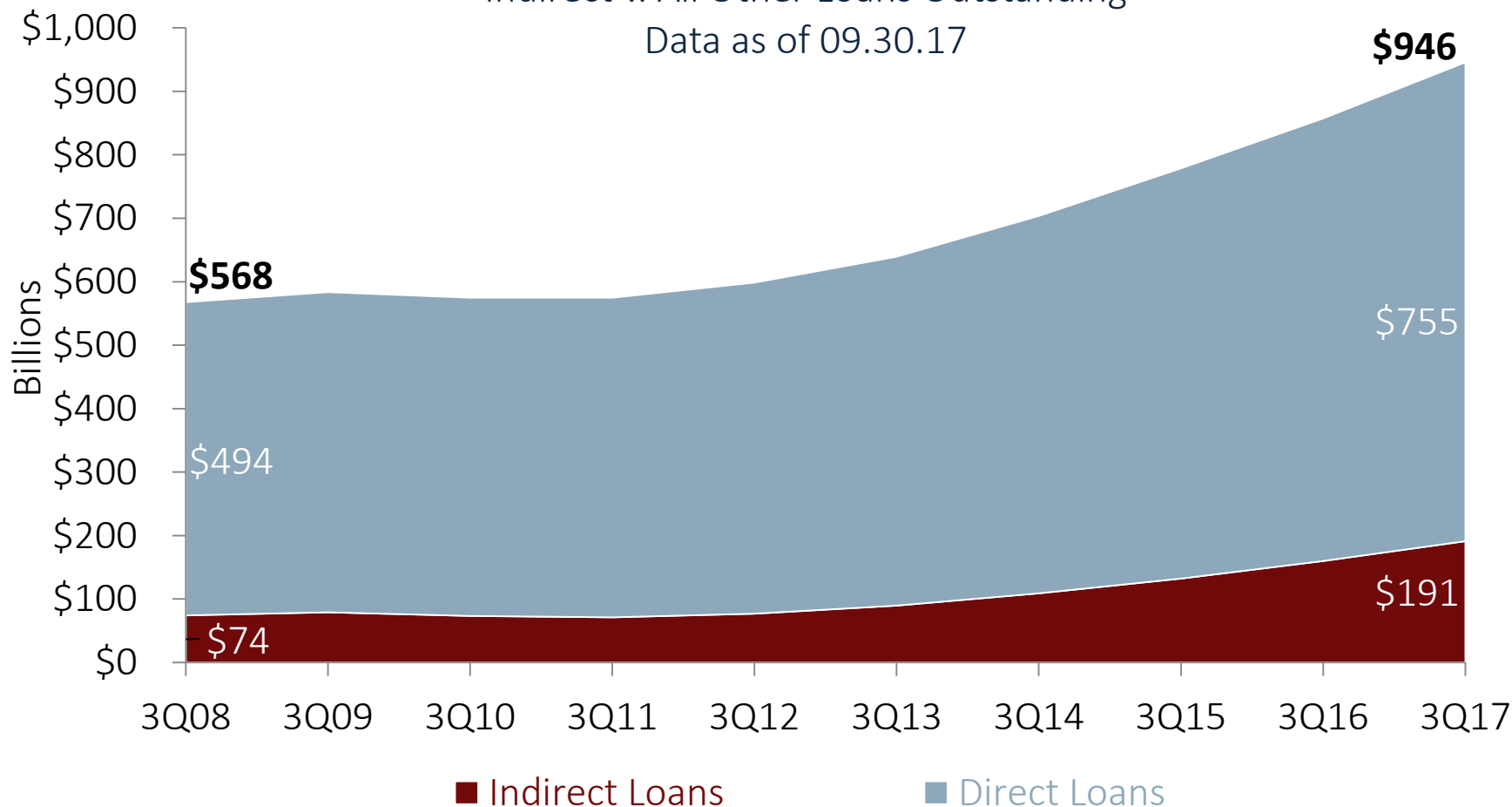


Participations are up as sales to the secondary decline



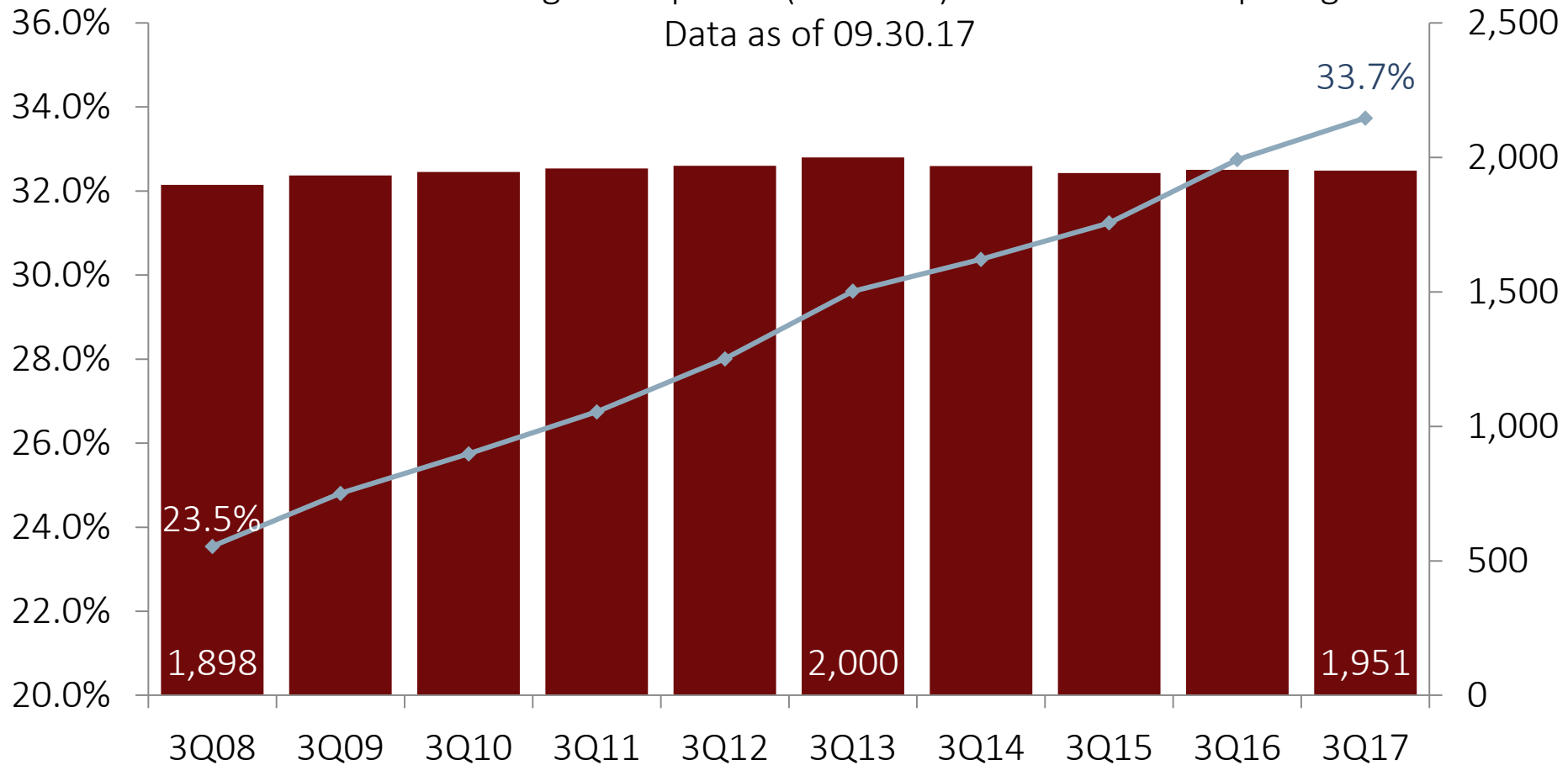
Indirect loans comprise 25.3% of the total loan portfolio

Indirect v. All Other Loans Outstanding
Data as of 09.30.17



Meeting members where they shop

Indirect Lending Participation (% of CUs) v. # of CUs Participating
Data as of 09.30.17



Minimizing Indirect Lending

Nathan Grossenbach
Chief Executive Officer



Shoreline
CREDIT UNION
\$94.6M, Two Rivers, WI

Shoreline Credit Union at a glance



Shoreline Credit Union

September 30, 2017

Assets:	\$94.6M	(+4.7%)
Loans:	\$64.5M	(-8.0%)
Shares:	\$81.1M	(+0.1%)
Members:	10,006	(-1.8%)
Loans/Shares:	79.5%	(-7.0 ppts)
ROA:	0.33%	(+38 bps)



2 Branches
35 FTE Emps.

Our Background in Indirect

- Co-founded the *Financial Institutions Lending Options* CUSO in 2007
- Through the CUSO, Shoreline expanded to \$1M+ per month in indirect loans and offered in 9 counties
- Prompted by the market & regulators to re-analyze our indirect strategy

Why Minimize Indirect?

- Capital concerns & Concentration risk
- We were making **85% percent of our loans** (40% of total loans outstanding) to people we never talk to, in counties where we had a charter but no branches, and our conversion rate (of indirect borrowers becoming full-service members) was 3%
- Market factors – *we could make as much in simple investments as we could in the profit-splitting world of indirect lending*

The Exit Process

- Our re-examination of the indirect strategy led to the sale of the CUSO in 2013.
- We began a retreat from indirect lending itself in 2015.
- Needed to prepare for the loan volume decline and income loss – *we cut expenses by 30%, turned staff from cost-centers to income-producers, and hired our first marketing manager.*

The Numbers

- The change in emphasis led to new auto loans falling **30.35%** year-over-year through Sept 2017 to \$3.6M
- Used auto loans fell **16.60%** to \$17.5 million.
- But credit card loans rose **13.01%** to \$2.7 million at the end of the third quarter and first mortgages are up **6.67%** to \$28.9 million.
- But even with that growth, it's going to take **five or six years to work off the heavy load of indirect loans on the books.**

A New Focus for the Future

- Focusing on our community brand, hometown roots
- Growing consumer loans & mortgages (by 25% and 5% respectively) over the last three years
- Raising deposit rates

Lessons Learned, Tips for Others

- Indirect lending, especially in participation loans, can be a valuable source of income and liquidity, but it's not part of our core strategy anymore.
- If you're considering an indirect exit, make sure you have a well-oiled machine to make up for that loss.
- And understand that it will take time – *Our peak in 2012 was \$33.2 million in indirect loans, all FILO. The 2013 sale of FILO cut that by half. Today, we are just over \$7.5m in FILO loans.*

Asset Quality



Money saving tips for the holidays



Dear Charles,

'Tis the season for making memories with loved ones – not for going into debt. Avoid these mistakes during the holidays for a joyous season of peace, happiness, and (you guessed it) financial health.

1

Love doesn't mean maxed out credit. Don't spend what you can't pay off.

Trust us, we know. It can be really easy to get caught up, especially around the holidays. But make it a habit to follow our golden rule – if you can't pay it off next month when the bill comes, you should probably hold off.

2

Don't buy stuff you don't need.

Organizing your home is a great way to appreciate what you already have, while identifying things you and your family could really use. By purchasing important items that you would likely buy down the line anyway – you'll eliminate wasteful spending and focus on what you need.

3

This holiday isn't all on you.

Fewer gifts, that focus on the things you and your loved ones want the most, are a great way to show your attention to detail and how much you care.

For more expensive items, opt to pitch in with a group, and for work or extended family events, encourage Secret Santa parties with a specified dollar amount.

4

Experiences matter the most.

Remember that the holidays are really about spending time with loved ones, not acquiring the latest toys or gadgets. Low-cost gifts, homemade items, or even a free day at the museum are all great ways to show you care, too.

Sponsored by:



Asset quality of core lending remains strong

Year-Over-Year Change in Delinquency
Data as of 09.30.17



Total

0.79%
+0.02%



1st Mortgage

0.57%
-0.06%



Auto

0.64%
+0.01%



Other RE

0.55%
-0.07%



Indirect

0.65%
-0.02%



Credit Card

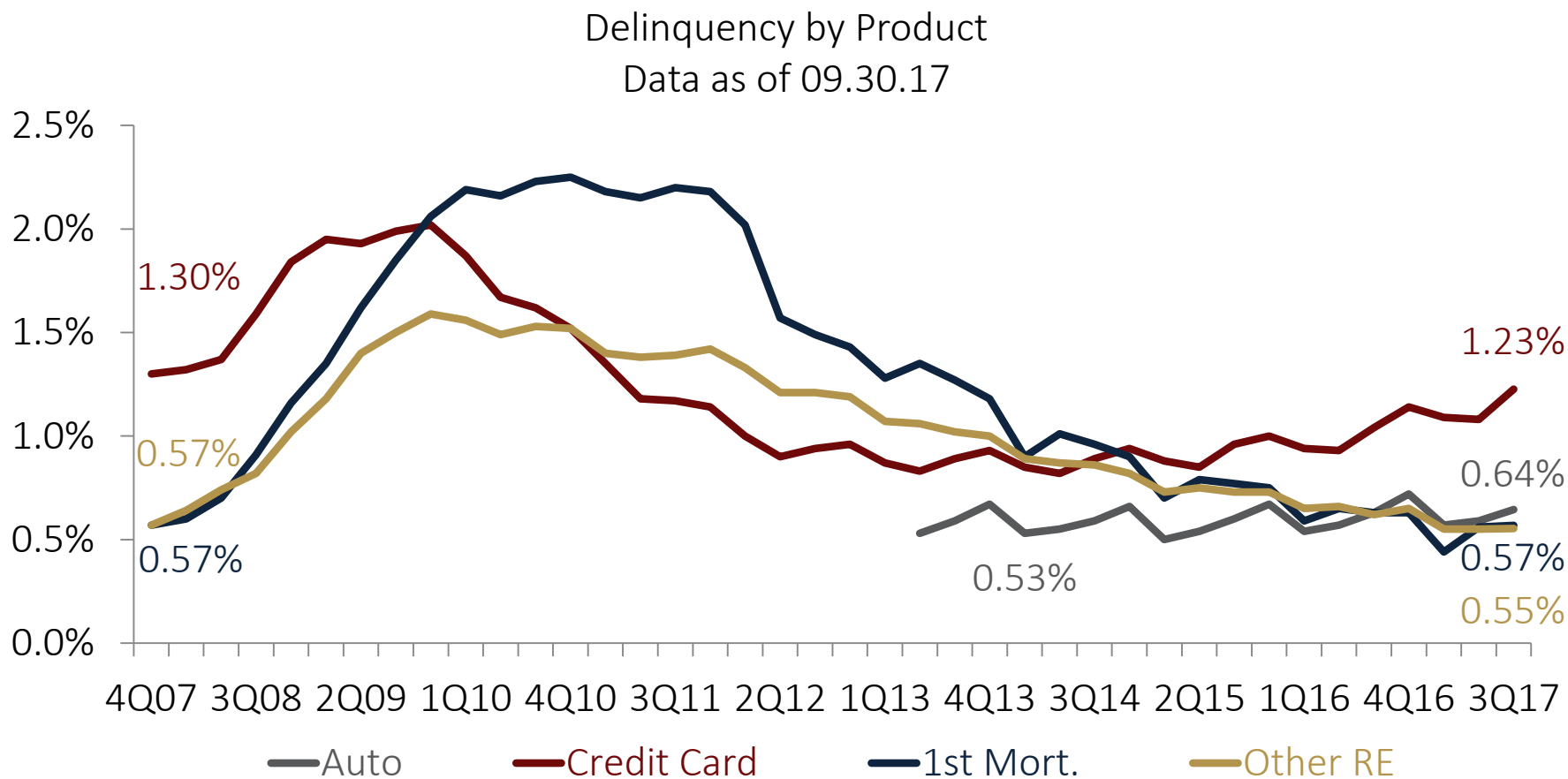
1.23%
+0.19%



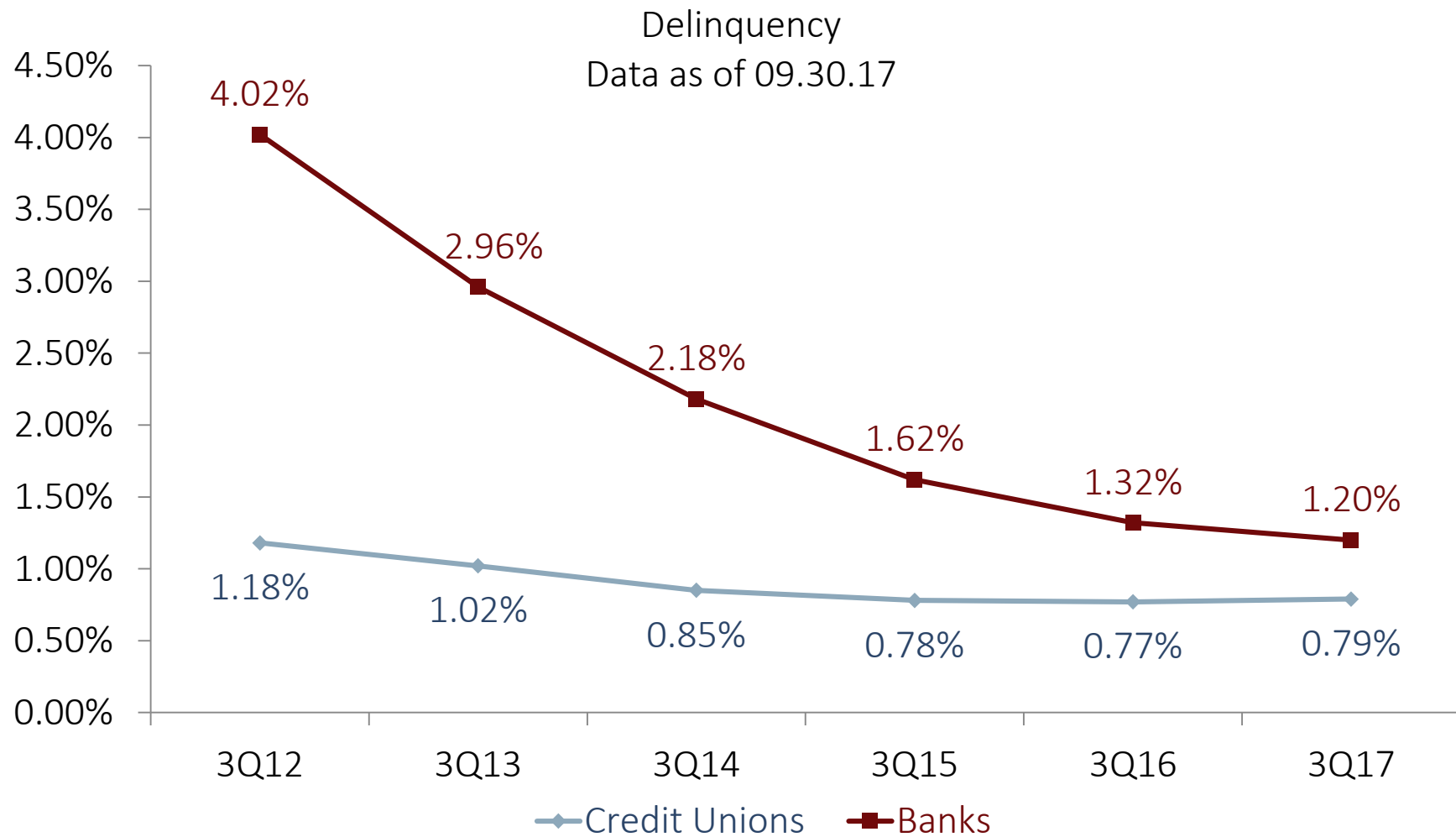
Member Commercial

1.94%

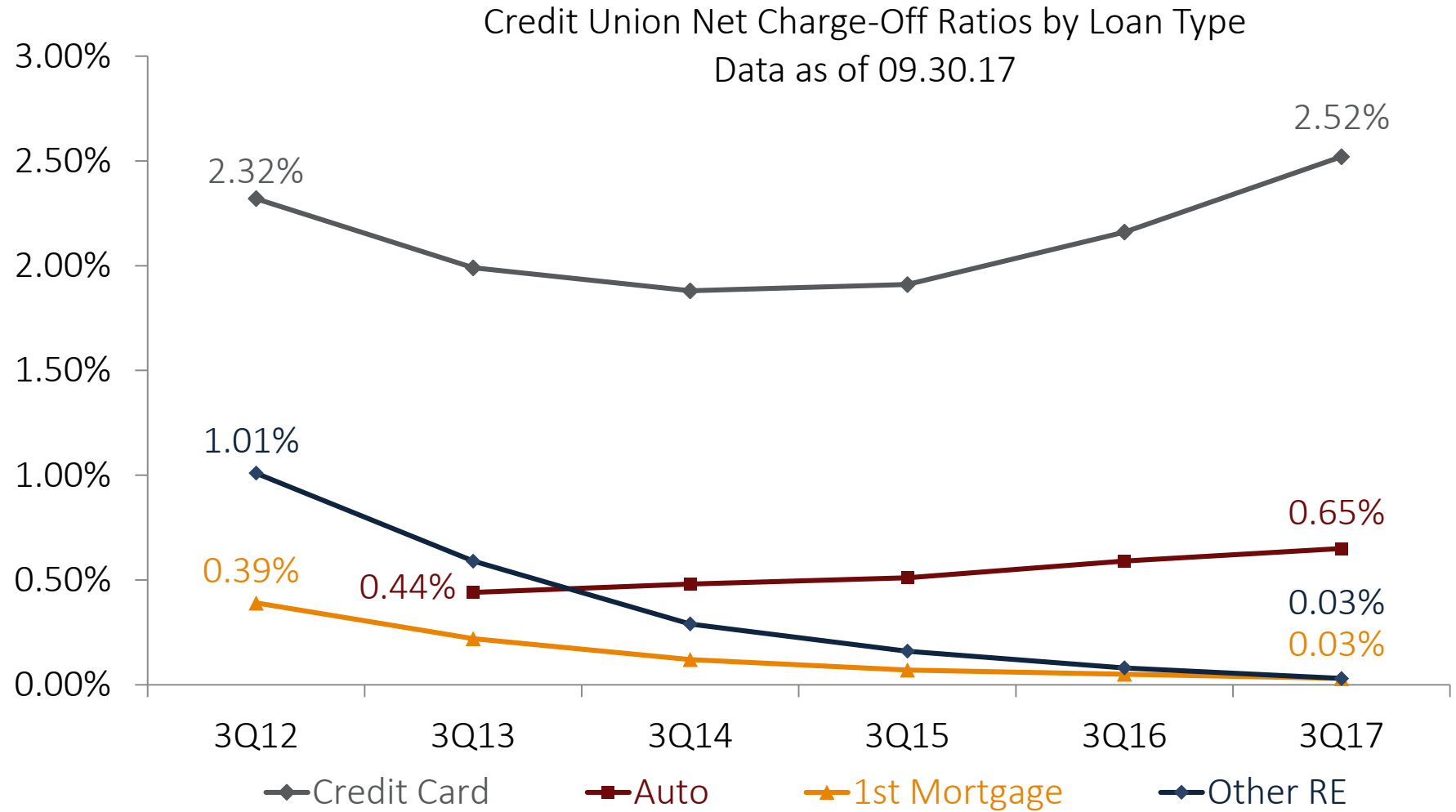
Credit card delinquency double core products' level



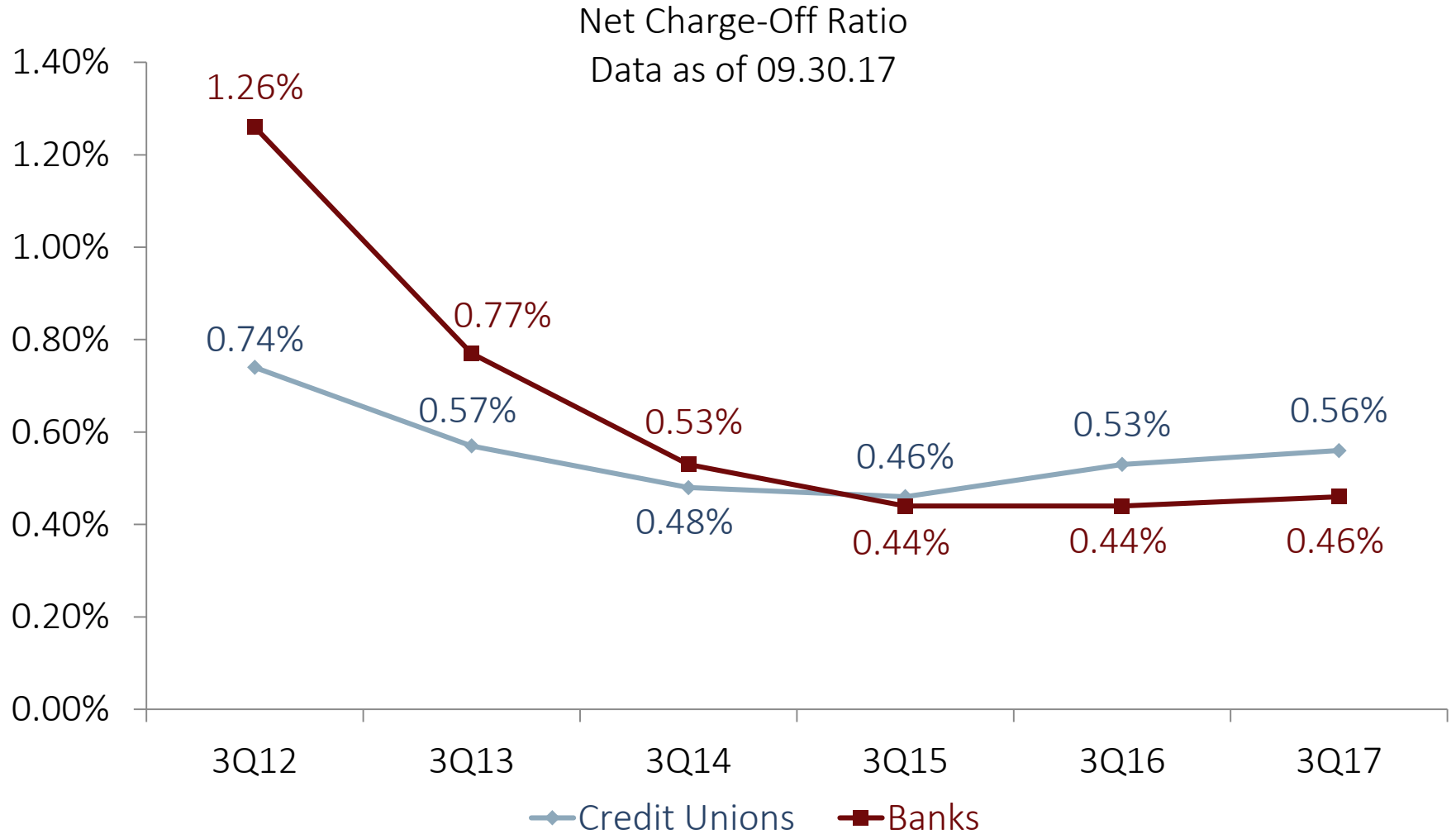
Careful underwriting leads to steady delinquency rate



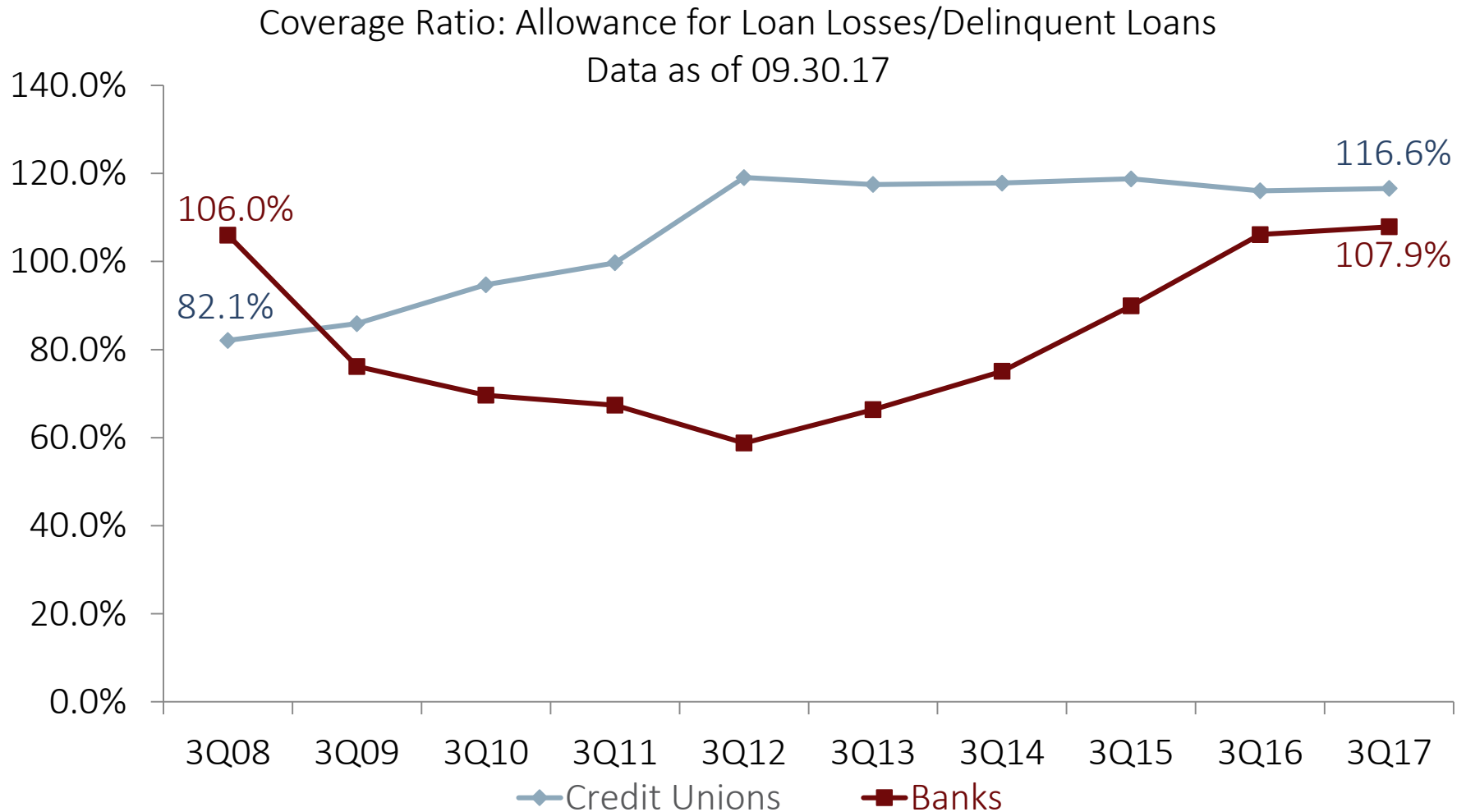
RE charge-offs near zero while auto and credit card up



Net charge-offs rise three basis points



Reserves stay steady, near post-recession highs



The Bottom Line

Congratulations

ON THIS YEAR'S **\$2.08 MILLION** CASH BOOMERANG PAYOUT

CLAIM YOUR PAYOUT TODAY!

*Cash
Boomerang*

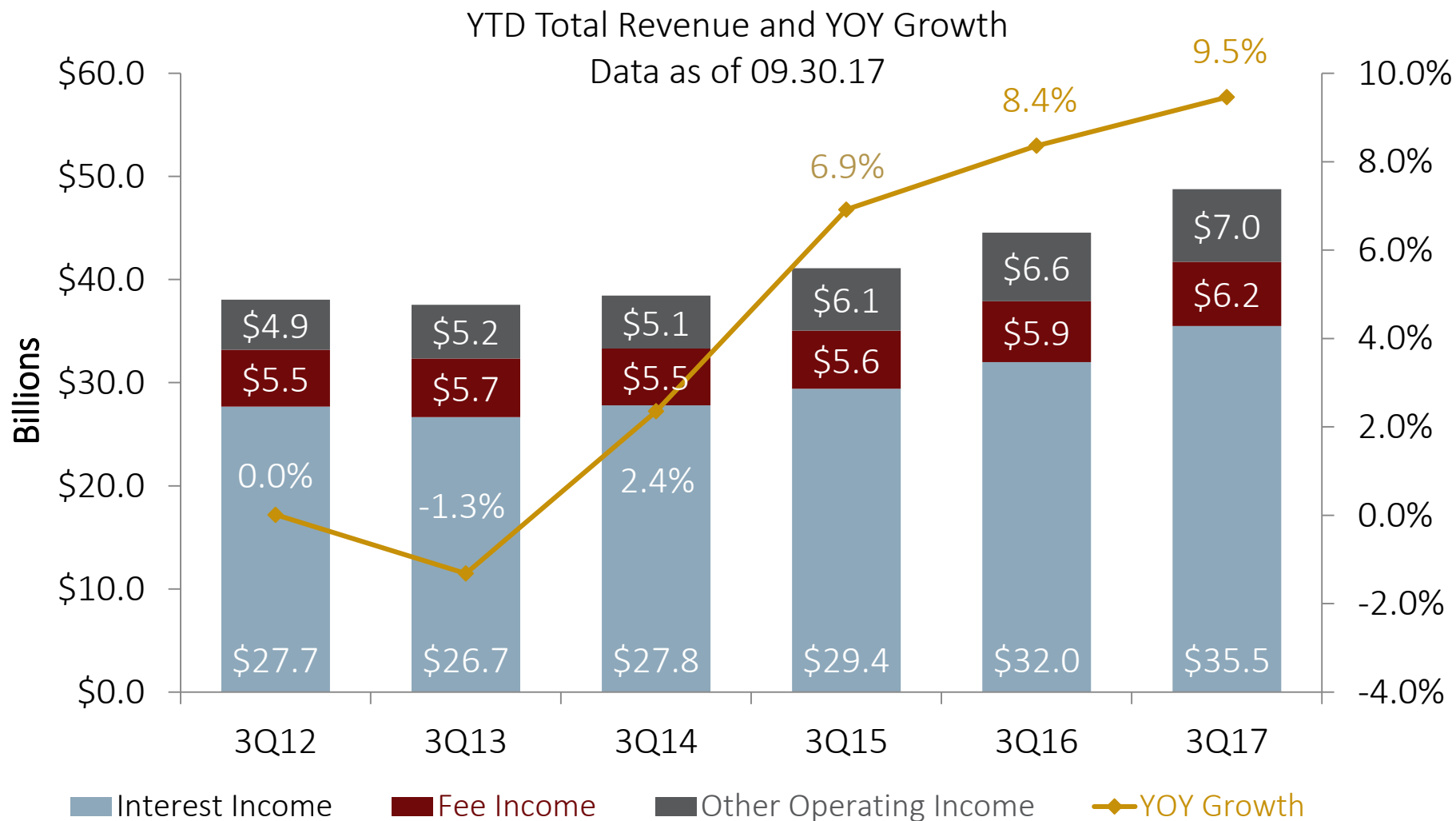


CASH BOOMERANG

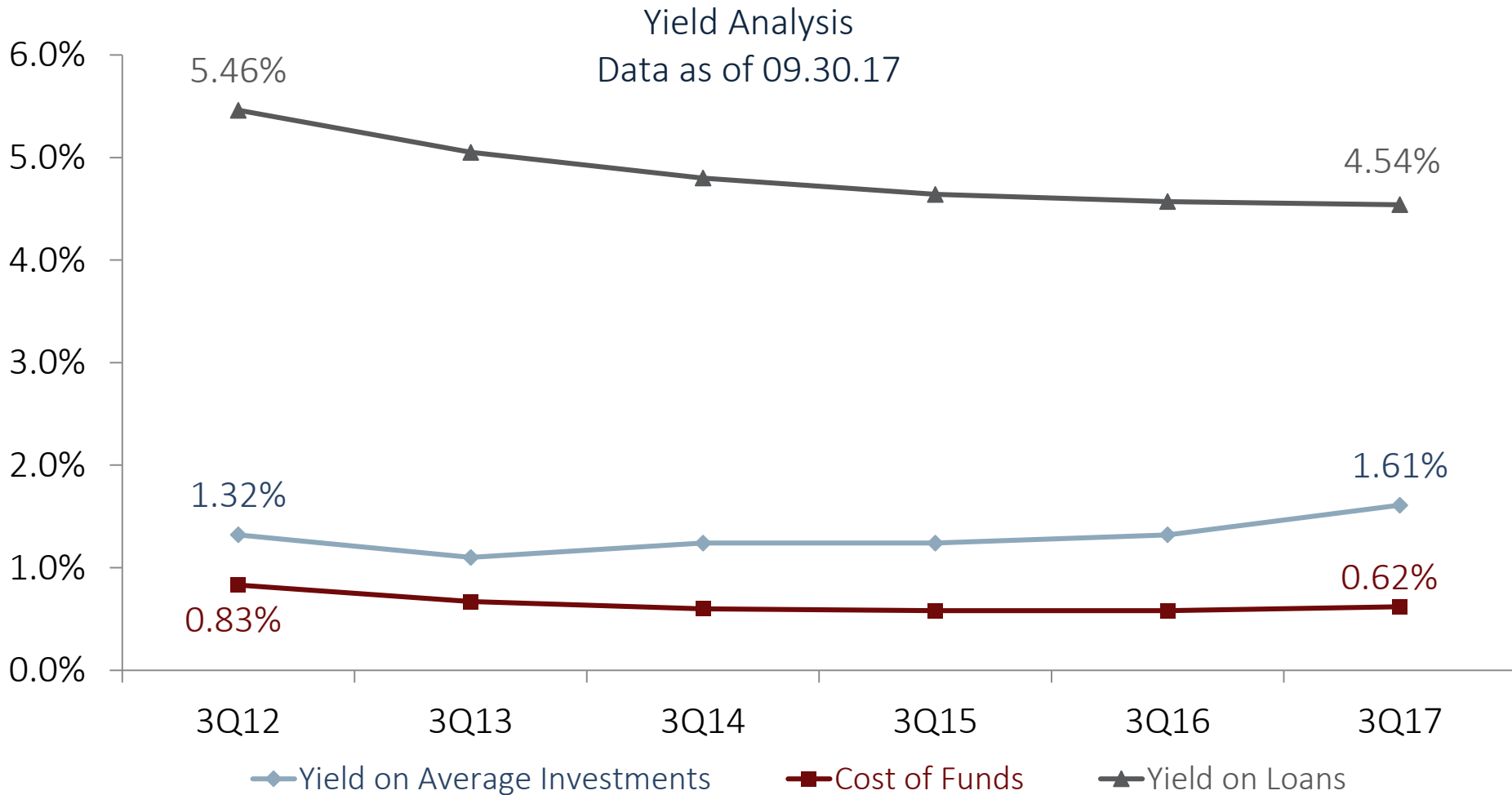
Did you know that the more you save and borrow with Summit, the more money you could get back at the end of the year? We call it Cash Boomerang, and it's a membership benefit you can only find at Summit Credit Union.

When Summit succeeds, our members succeed. This year alone Cash Boomerang members earned more than \$2.08 million. Pretty impressive huh?

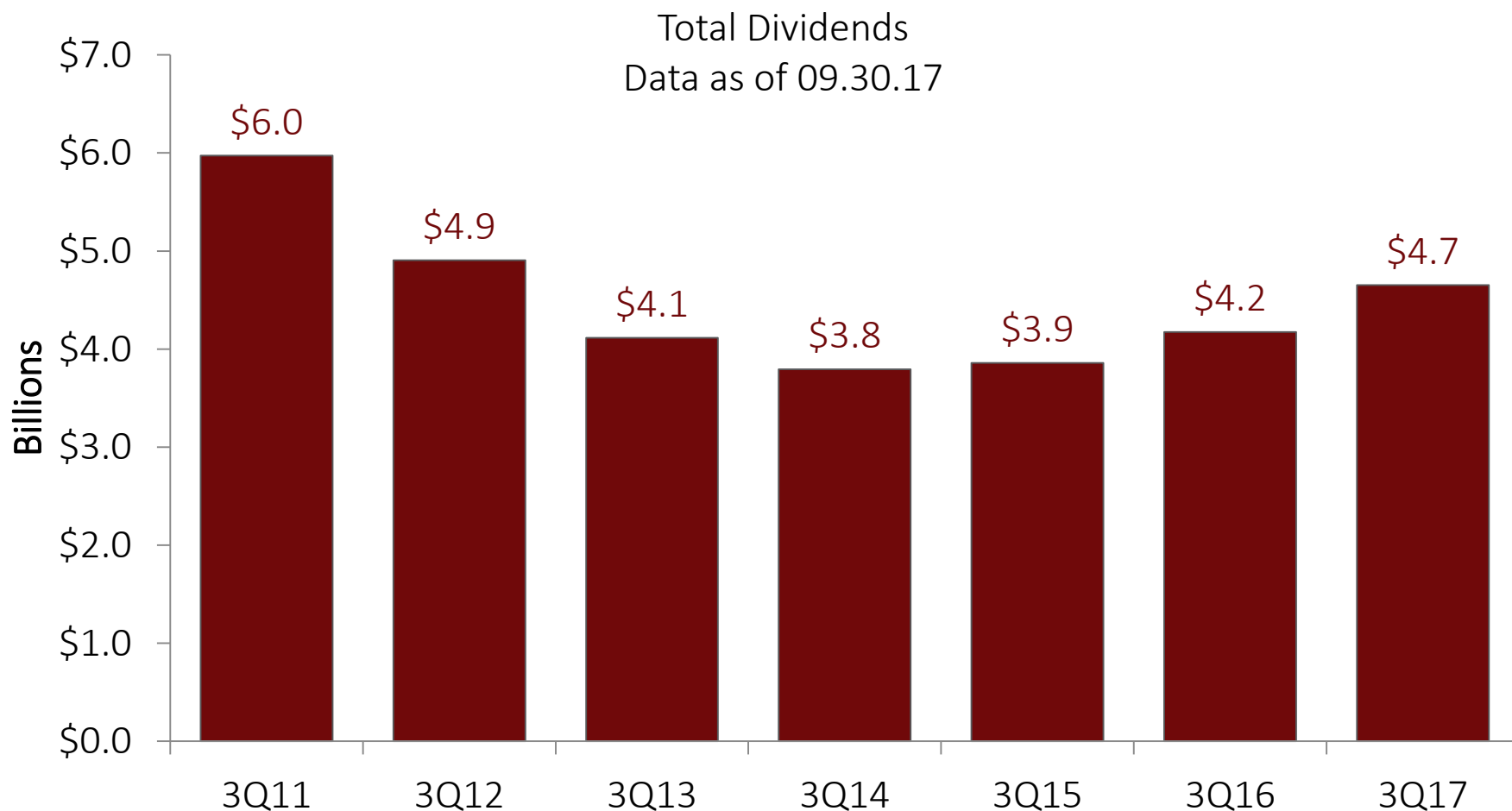
Interest income drives revenue growth



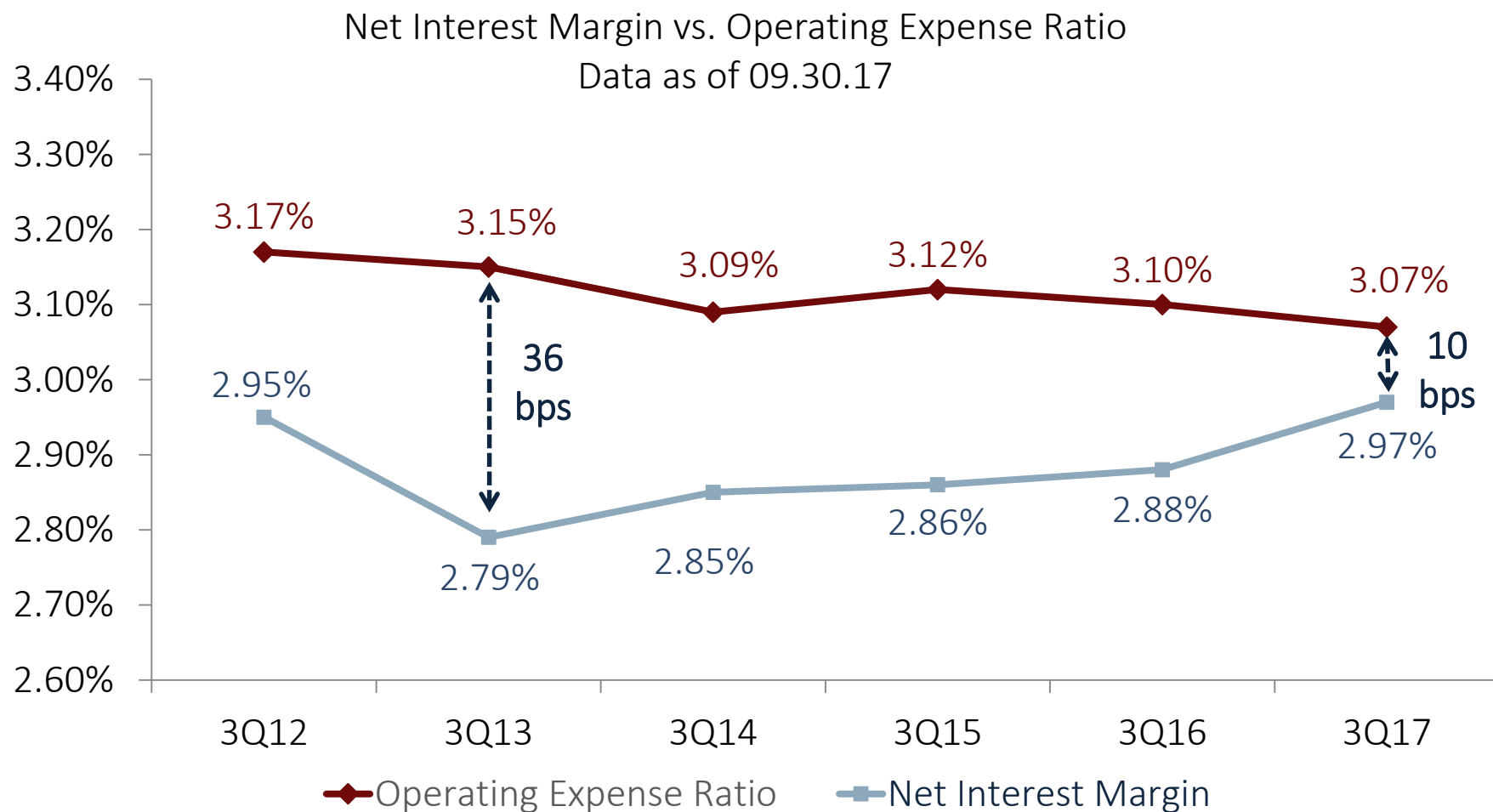
Loan yields decline as investment yields rise; CoF up



Dividend payouts increase in both volume & rate



Earnings gap shrinks to lowest margin since 2011



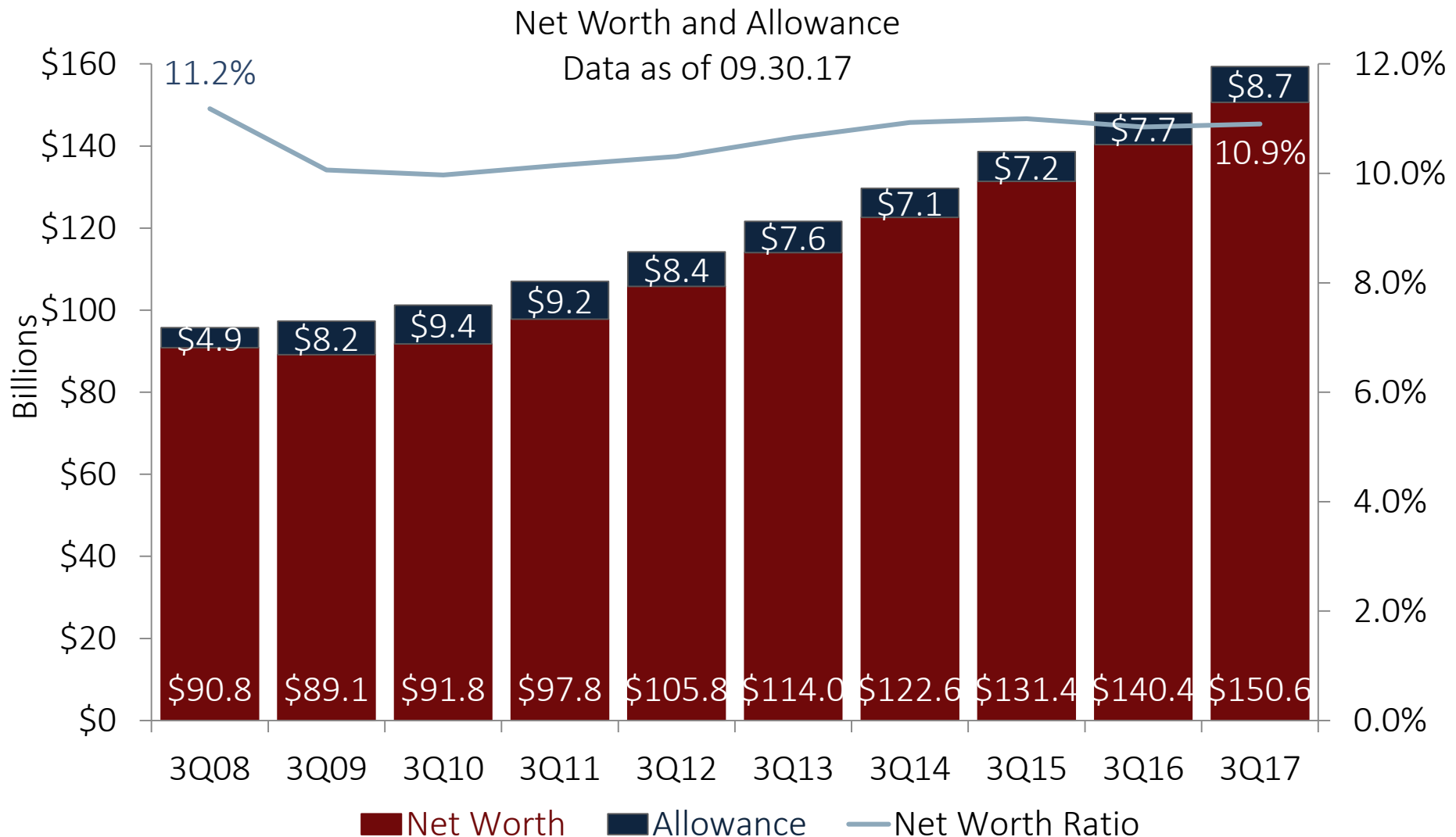
Net interest margin increases versus third quarter 2016

	As of 09.30.2017	As of 09.30.2016	12-mo. Change (bps)
Interest Income/Avg. Assets	3.51%	3.40%	+11
Interest Expense/Avg. Assets	0.54%	0.51%	+3
Net Interest Margin	2.97%	2.89%	+8
Non-Interest Income/Avg. Assets	1.34%	1.38%	-4
Non-Interest Expense/Avg. Assets	3.07%	3.10%	-3
Provision for Loan Losses	0.46%	0.38%	+8
ROA	0.78%	0.78%	0

ROA stays steady following two straight years of declines



Industry “well capitalized” with over \$150B



Sponsored by:



Source: Callahan's Peer-to-Peer Analytics

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Rebroadcast tomorrow: 11:30AM Eastern

Thank you to our guests today

Jason Haley

Nathan Grossenbach

And...

Upcoming Webinars:

Thursday, Jan. 11 at 11:00 a.m. ET

Monday, Jan. 29 at 2:00 p.m. ET

To Register:

studentchoice.org/creditunions



Tell us what you thought!



Please answer our post-event survey.

One lucky survey respondent will win a Starbucks gift card.

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