TruStage™

Economic & Credit Union Update

March 2025

If you have any questions or comments, please contact:
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Steve.rick@TruStage.com

Trump's Economic Policies *Economic Impact*

Trump's Economic Policies | *Economic Impact*

1. **10-20% Universal Tariffs**

Trump's Economic Policies	***Economic Impact***
1. 10-20% Universal Tariffs	**Higher Inflation / Lower GDP / Lower Deficits**

Trump's Economic Policies

Economic Impact

1. 10-20% Universal Tariffs
2. Mass Deportation

Higher Inflation / Lower GDP / Lower Deficits

Trump's Economic Policies	***Economic Impact***
1. 10-20% Universal Tariffs	**Higher Inflation / Lower GDP / Lower Deficits**
2. Mass Deportation	**Higher Inflation / Lower GDP / Higher Deficits**

Trump's Economic Policies	***Economic Impact***
1. 10-20% Universal Tariffs	**Higher Inflation / Lower GDP / Lower Deficits**
2. Mass Deportation	**Higher Inflation / Lower GDP / Higher Deficits**
3. Extend 2017 Tax Cuts and Jobs Act	

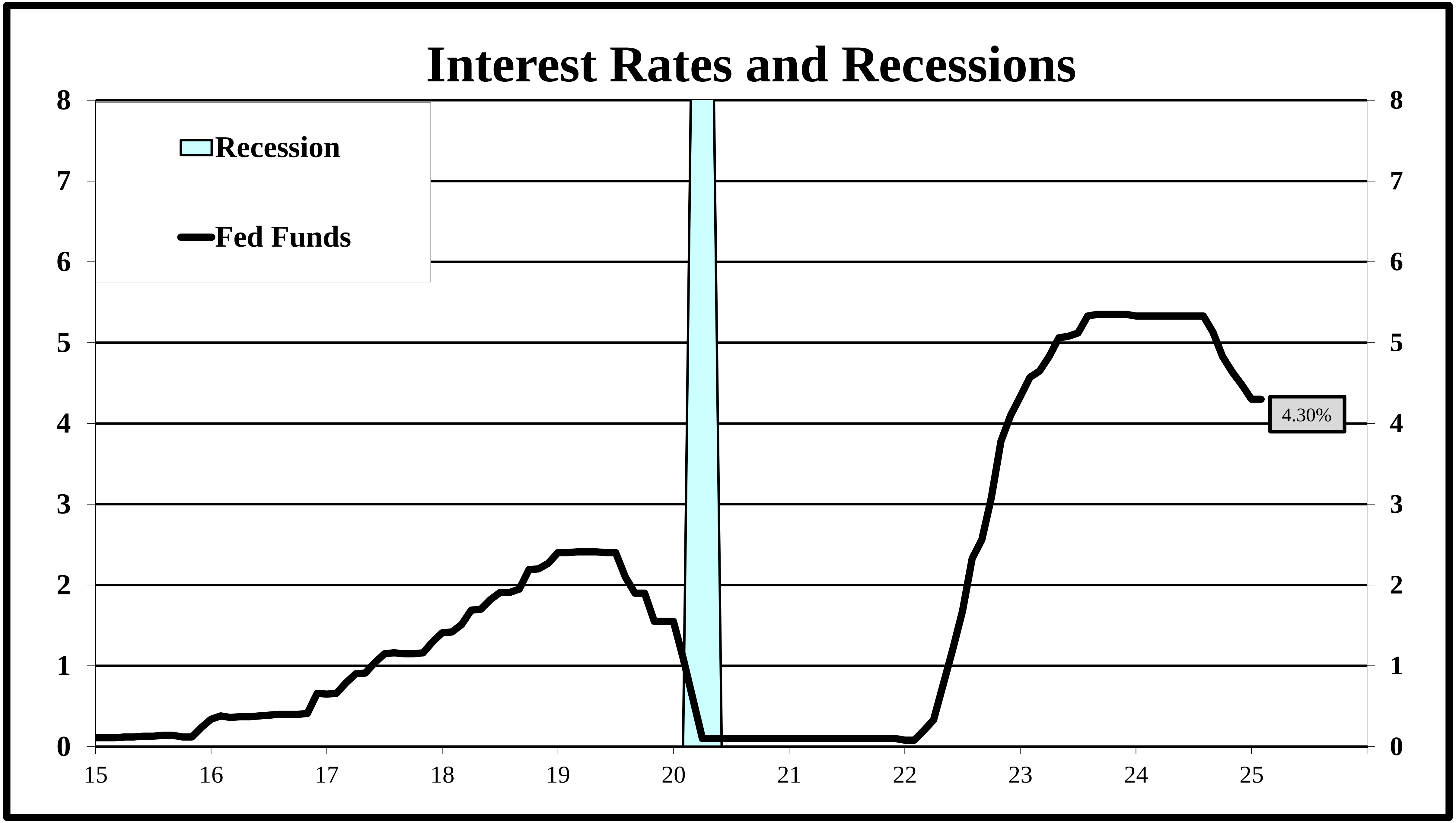
Trump's Economic Policies	***Economic Impact***
1. 10-20% Universal Tariffs	**Higher Inflation / Lower GDP / Lower Deficits**
2. Mass Deportation	**Higher Inflation / Lower GDP / Higher Deficits**
3. Extend 2017 Tax Cuts and Jobs Act	**Higher Inflation / Higher GDP / Higher Deficits**

Trump's Economic Policies	***Economic Impact***
1. 10-20% Universal Tariffs	**Higher Inflation / Lower GDP / Lower Deficits**
2. Mass Deportation	**Higher Inflation / Lower GDP / Higher Deficits**
3. Extend 2017 Tax Cuts and Jobs Act	**Higher Inflation / Higher GDP / Higher Deficits**
4. No tax on tips/overtime/Social Security	

Trump's Economic Policies	***Economic Impact***
1. 10-20% Universal Tariffs	**Higher Inflation / Lower GDP / Lower Deficits**
2. Mass Deportation	**Higher Inflation / Lower GDP / Higher Deficits**
3. Extend 2017 Tax Cuts and Jobs Act	**Higher Inflation / Higher GDP / Higher Deficits**
4. No tax on tips/overtime/Social Security	**Higher Inflation / Higher GDP / Higher Deficits**

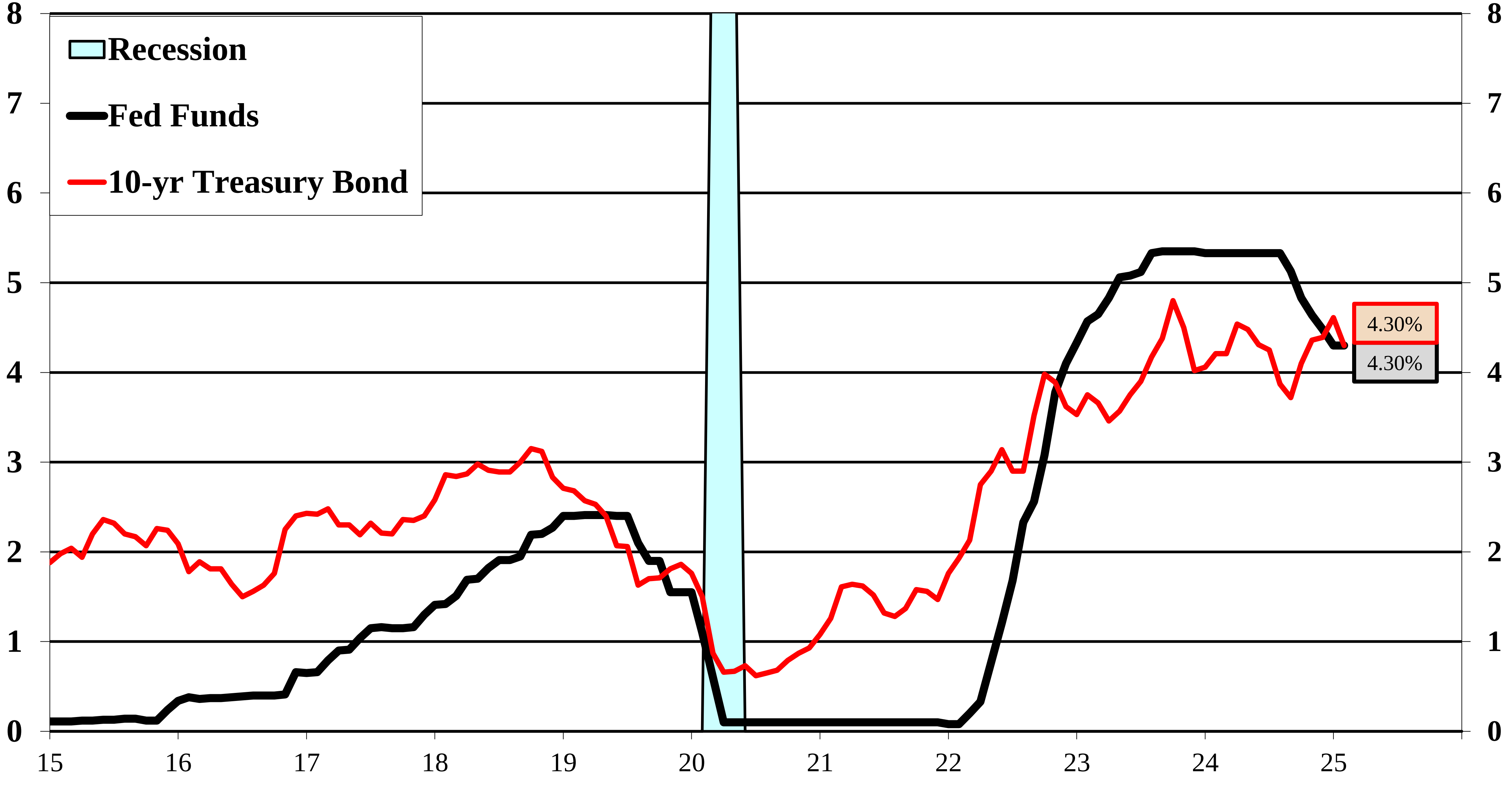
Trump's Economic Policies	***Economic Impact***
1. 10-20% Universal Tariffs	Higher Inflation / Lower GDP / Lower Deficits
2. Mass Deportation	Higher Inflation / Lower GDP / Higher Deficits
3. Extend 2017 Tax Cuts and Jobs Act	Higher Inflation / Higher GDP / Higher Deficits
4. No tax on tips/overtime/Social Security	Higher Inflation / Higher GDP / Higher Deficits
5. Deregulation/Elimination of red tape	

Trump's Economic Policies	***Economic Impact***
1. 10-20% Universal Tariffs	**Higher Inflation / Lower GDP / Lower Deficits**
2. Mass Deportation	**Higher Inflation / Lower GDP / Higher Deficits**
3. Extend 2017 Tax Cuts and Jobs Act	**Higher Inflation / Higher GDP / Higher Deficits**
4. No tax on tips/overtime/Social Security	**Higher Inflation / Higher GDP / Higher Deficits**
5. Deregulation/Elimination of red tape	**Lower Inflation / Higher GDP / Lower Deficits**

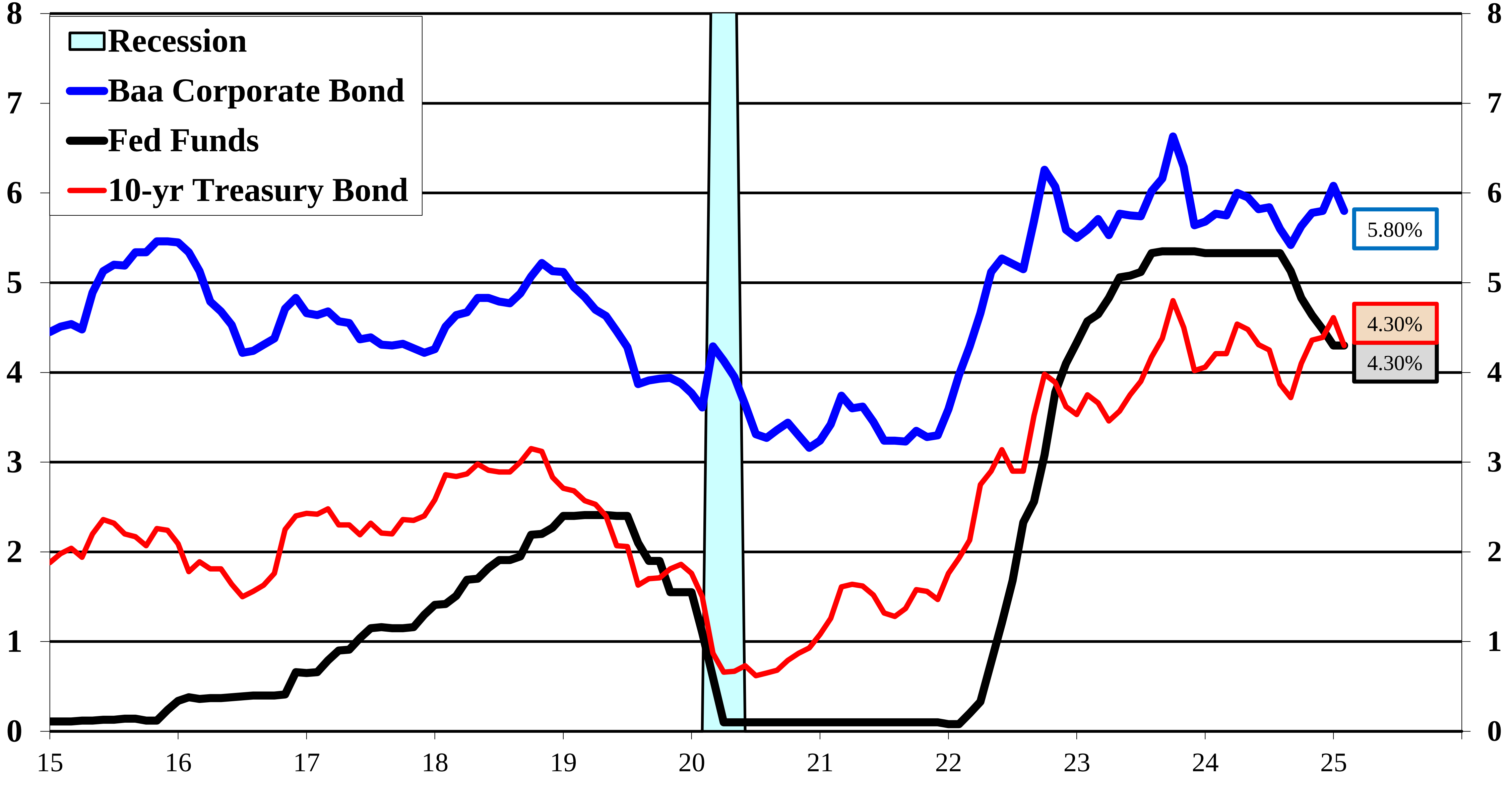


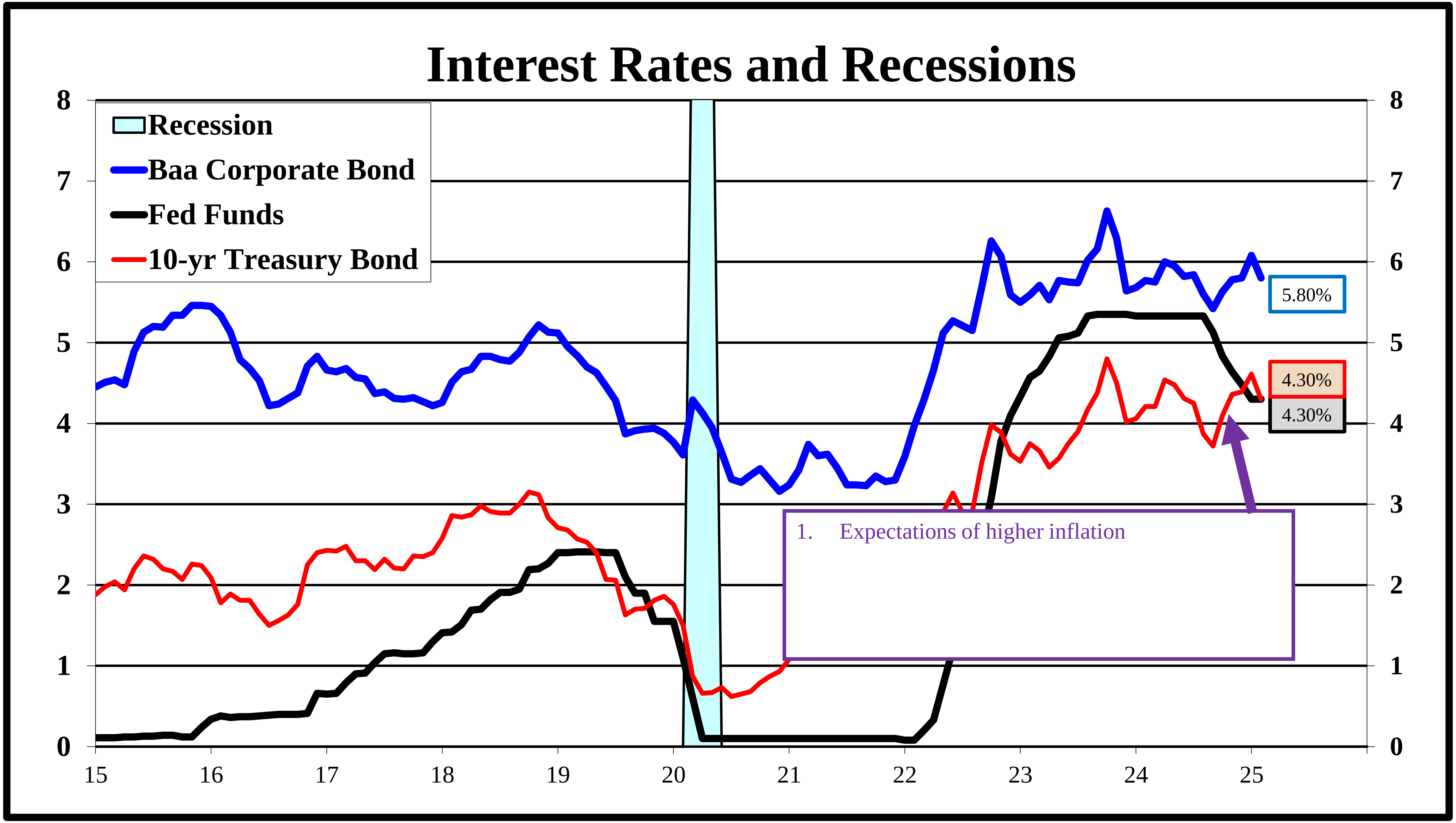
Interest Rates and Recessions
Recession
Fed Funds
4.30%
8
7
6
5
4
3
2
1
0
15
16
17
18
19
20
21
22
23
24
25

Interest Rates and Recessions



Interest Rates and Recessions




Interest Rates and Recessions
Recession
Baa Corporate Bond
Fed Funds
10-yr Treasury Bond
5.80%
4.30%
4.30%
1. Expectations of higher inflation
8
7
6
5
4
3
2
1
0
15
16
17
18
19
20
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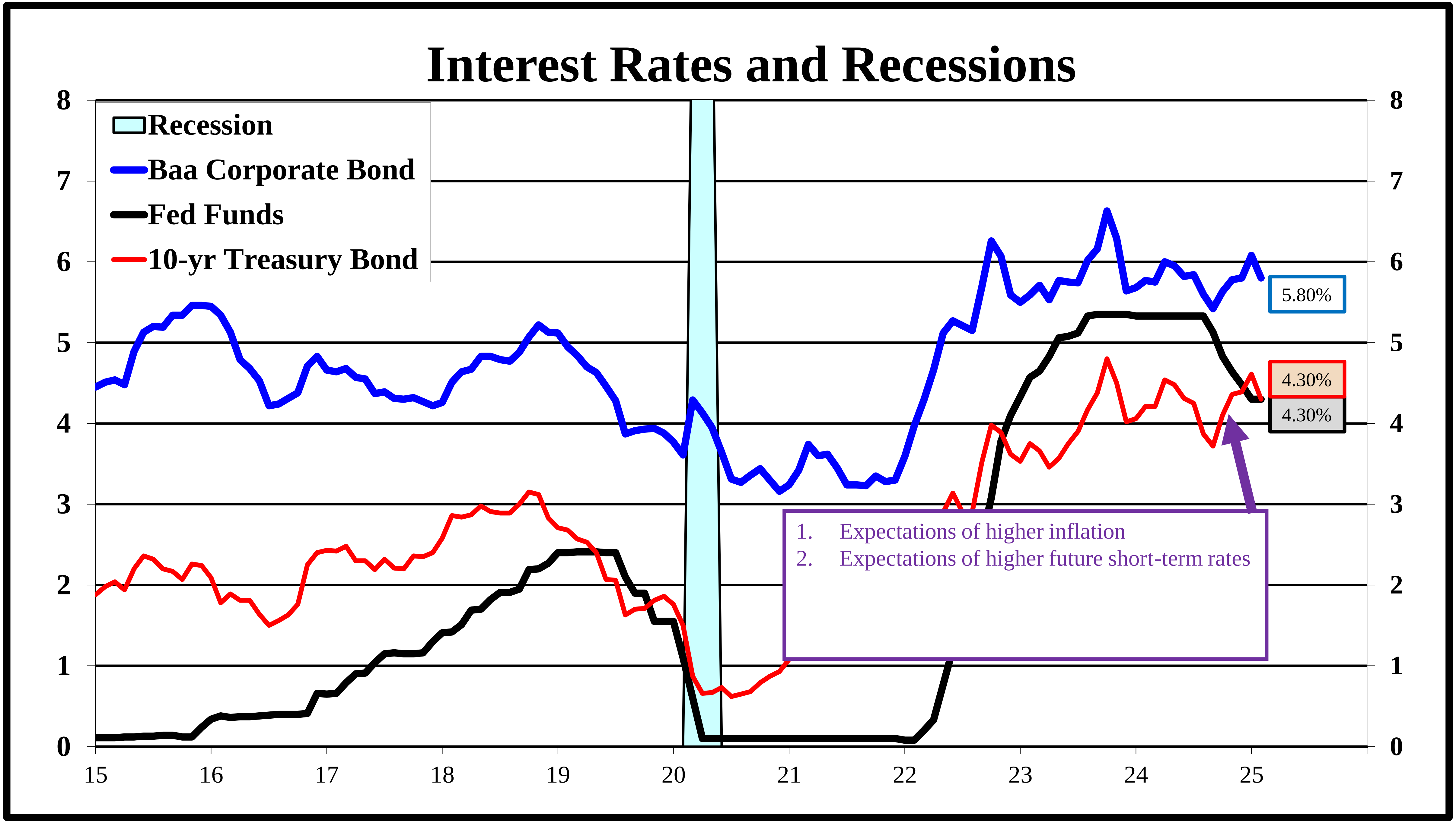
22
23
24
25



Interest Rates and Recessions
Recession
Baa Corporate Bond
Fed Funds
10-yr Treasury Bond
5.80%
4.30%
4.30%
1. Expectations of higher inflation
2. Expectations of higher future short-term rates
0
1
2
3
4
5
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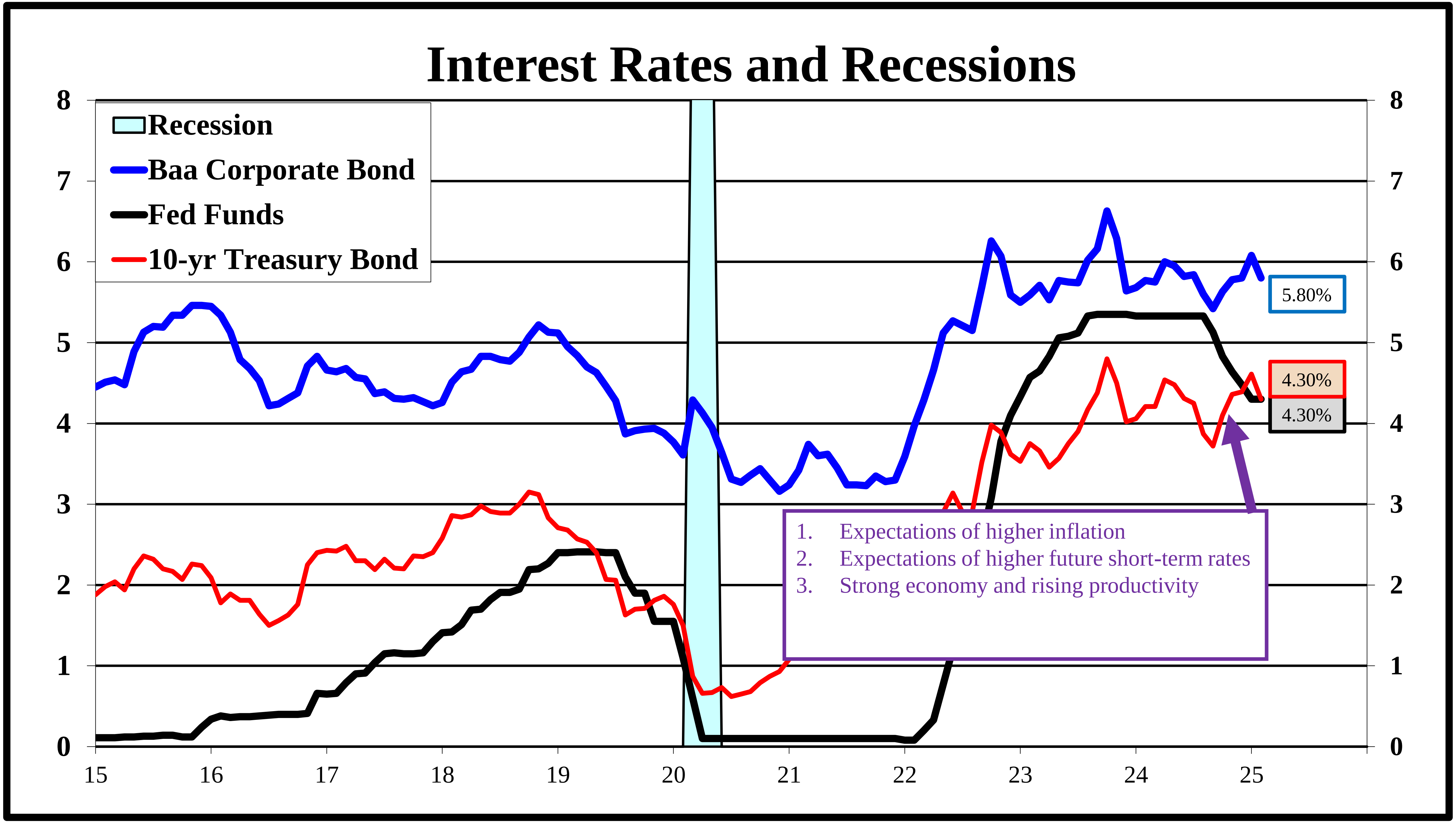

Interest Rates and Recessions
Recession
Baa Corporate Bond
Fed Funds
10-yr Treasury Bond
5.80%
4.30%
4.30%
1. Expectations of higher inflation
2. Expectations of higher future short-term rates
3. Strong economy and rising productivity
0
1
2
3
4
5
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16
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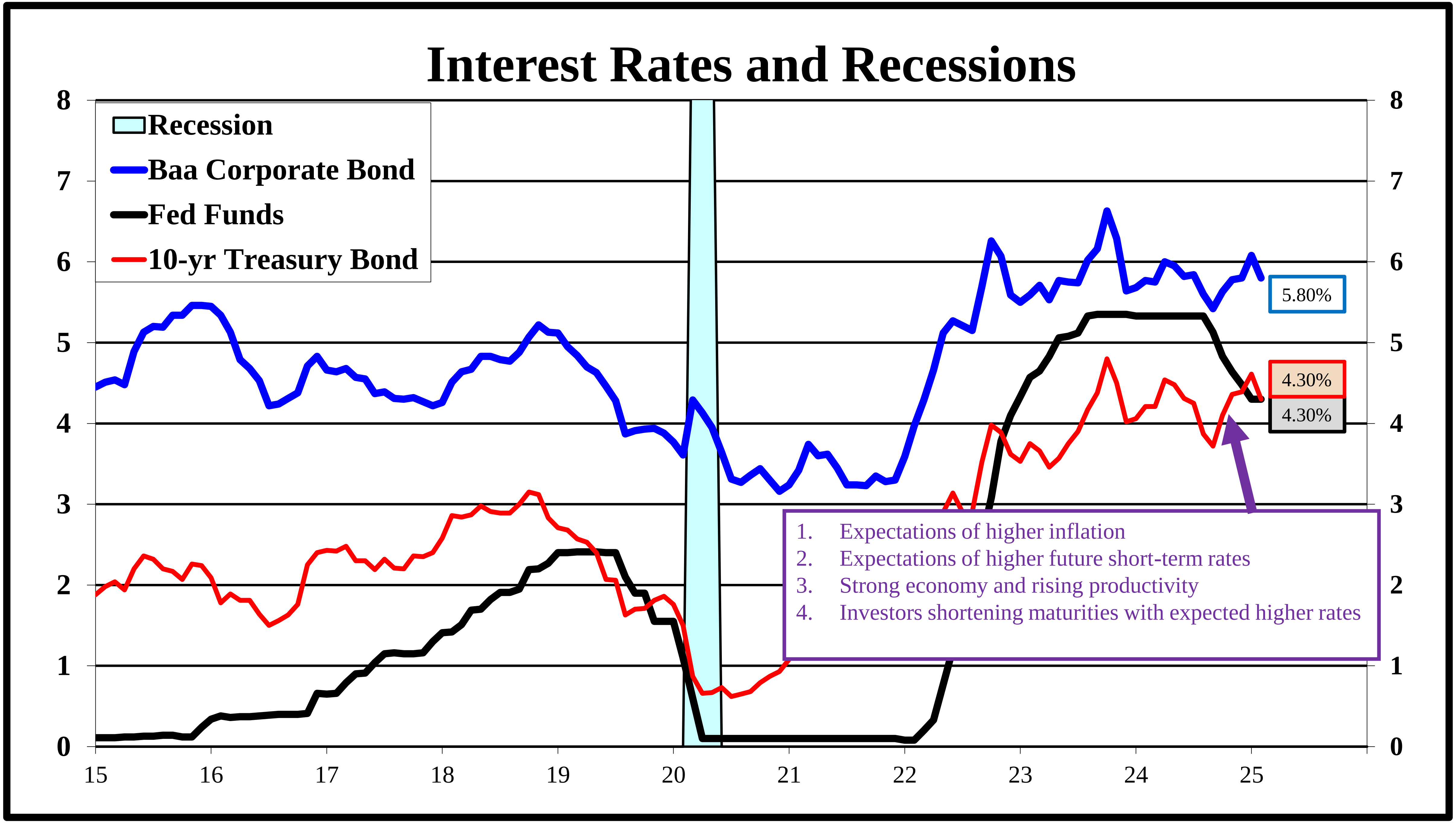
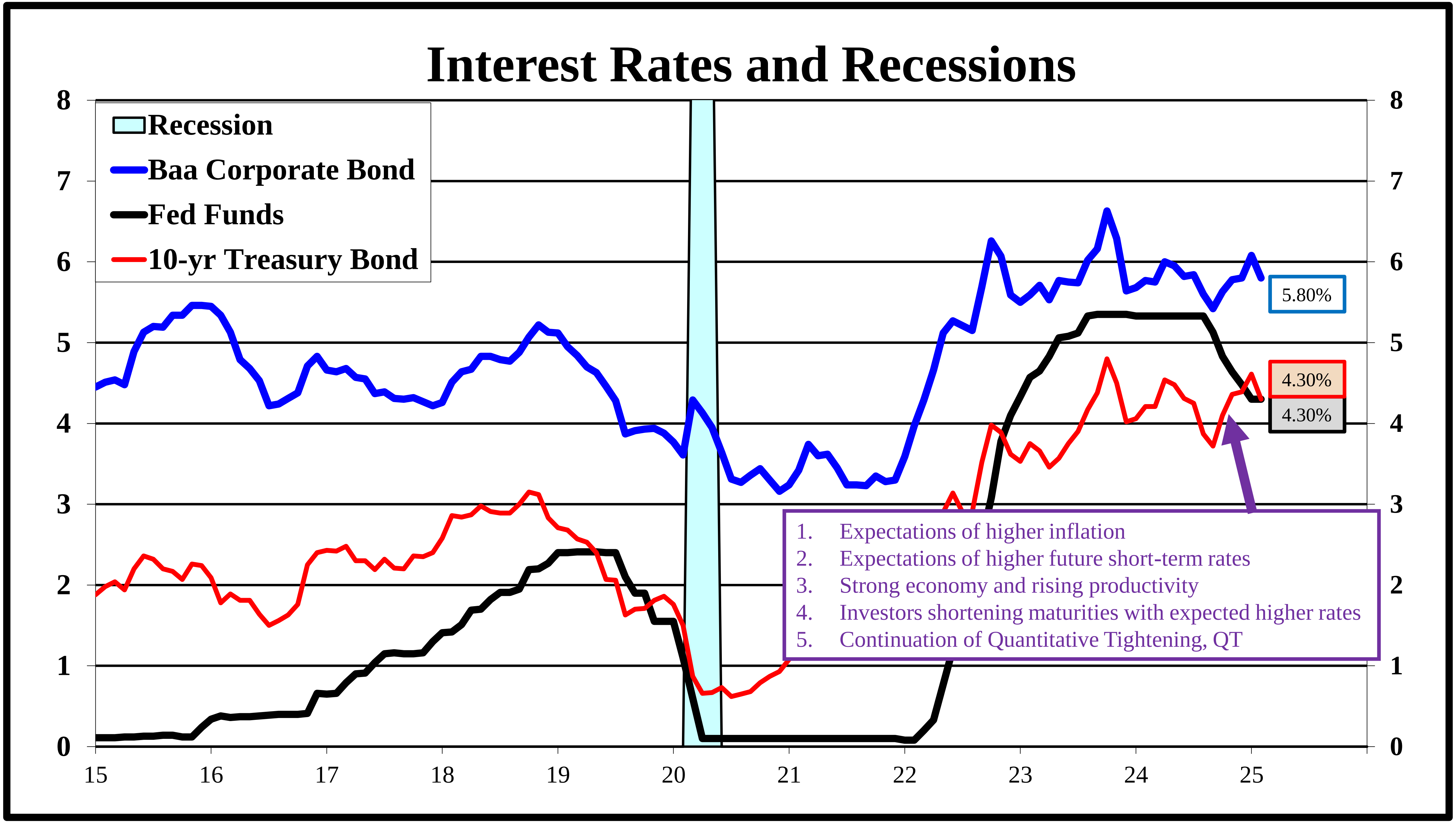
22
23
24
25


Interest Rates and Recessions
Recession
Baa Corporate Bond
Fed Funds
10-yr Treasury Bond
8
7
6
5
4
3
2
1
0
15
16
17
18
19
20
21
22
23
24
25
5.80%
4.30%
4.30%
1. Expectations of higher inflation
2. Expectations of higher future short-term rates
3. Strong economy and rising productivity
4. Investors shortening maturities with expected higher rates



Interest Rates and Recessions
Recession
Baa Corporate Bond
Fed Funds
10-yr Treasury Bond
5.80%
4.30%
4.30%
1. Expectations of higher inflation
2. Expectations of higher future short-term rates
3. Strong economy and rising productivity
4. Investors shortening maturities with expected higher rates
5. Continuation of Quantitative Tightening, QT
8
7
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16
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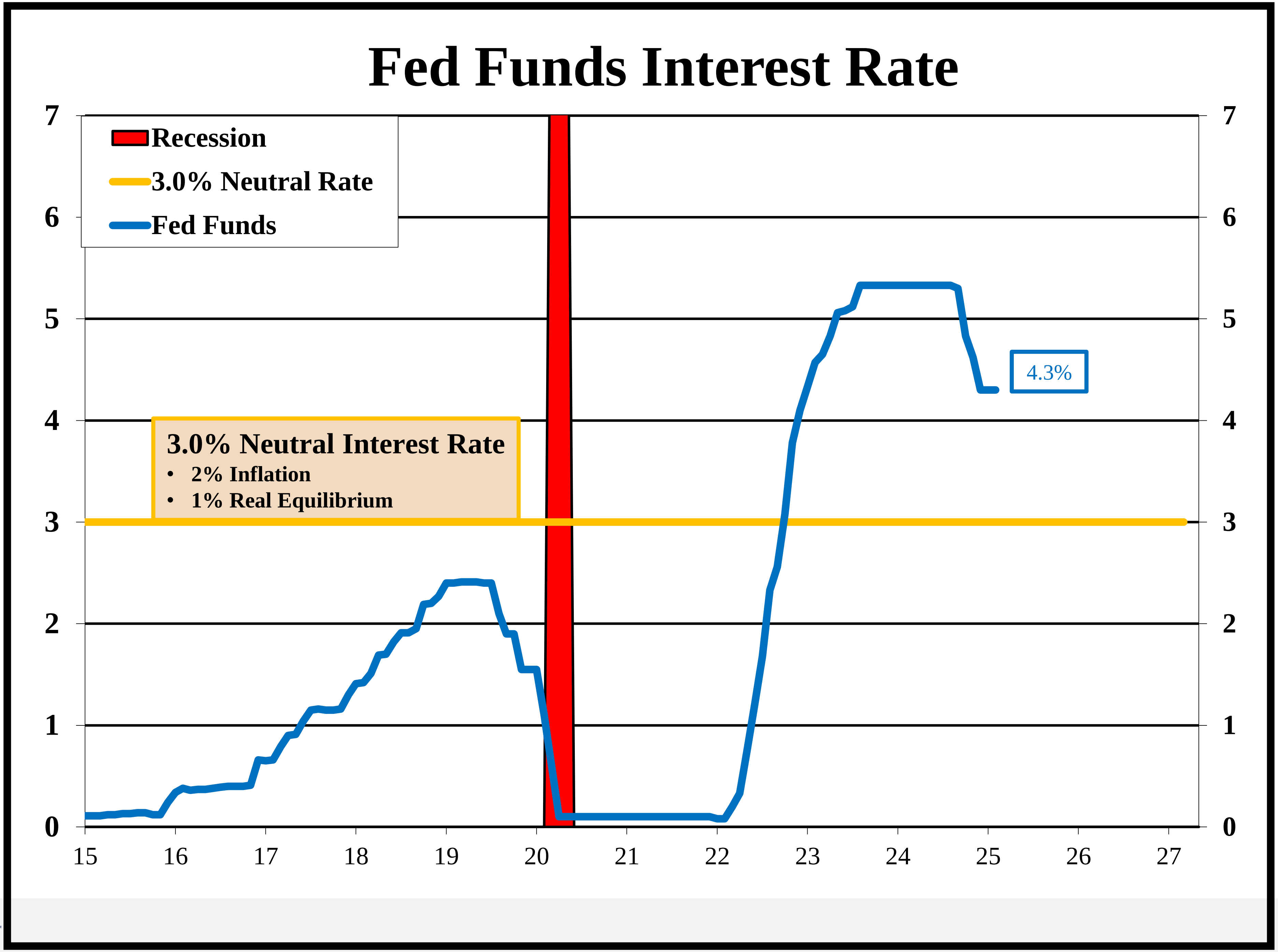

Fed Funds Interest Rate
Recession
3.0% Neutral Rate
Fed Funds
4.3%
3.0% Neutral Interest Rate
• 2% Inflation
• 1% Real Equilibrium
0 1 2 3 4 5 6 7
15 16 17 18 19 20 21 22 23 24 25 26 27

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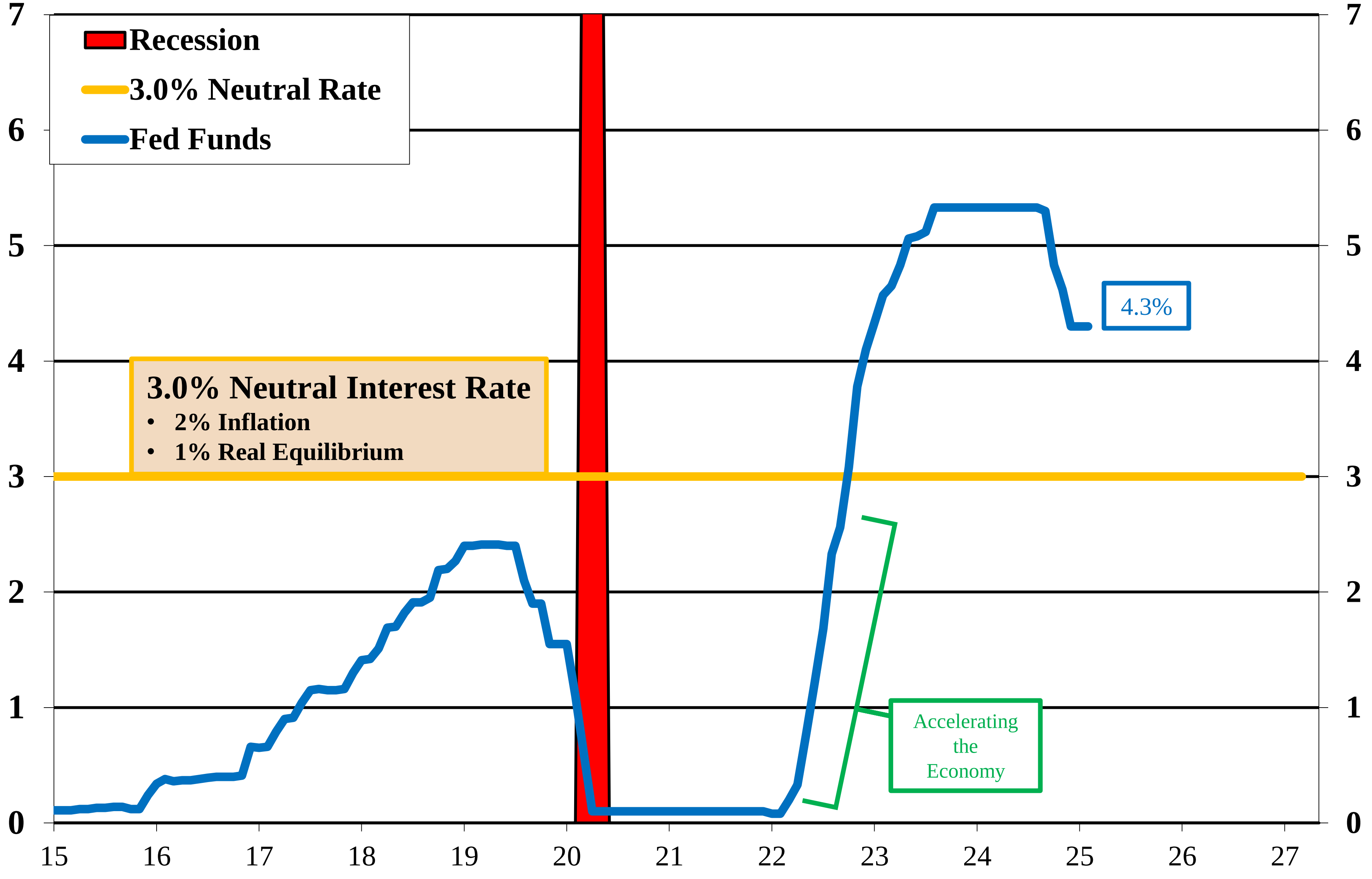
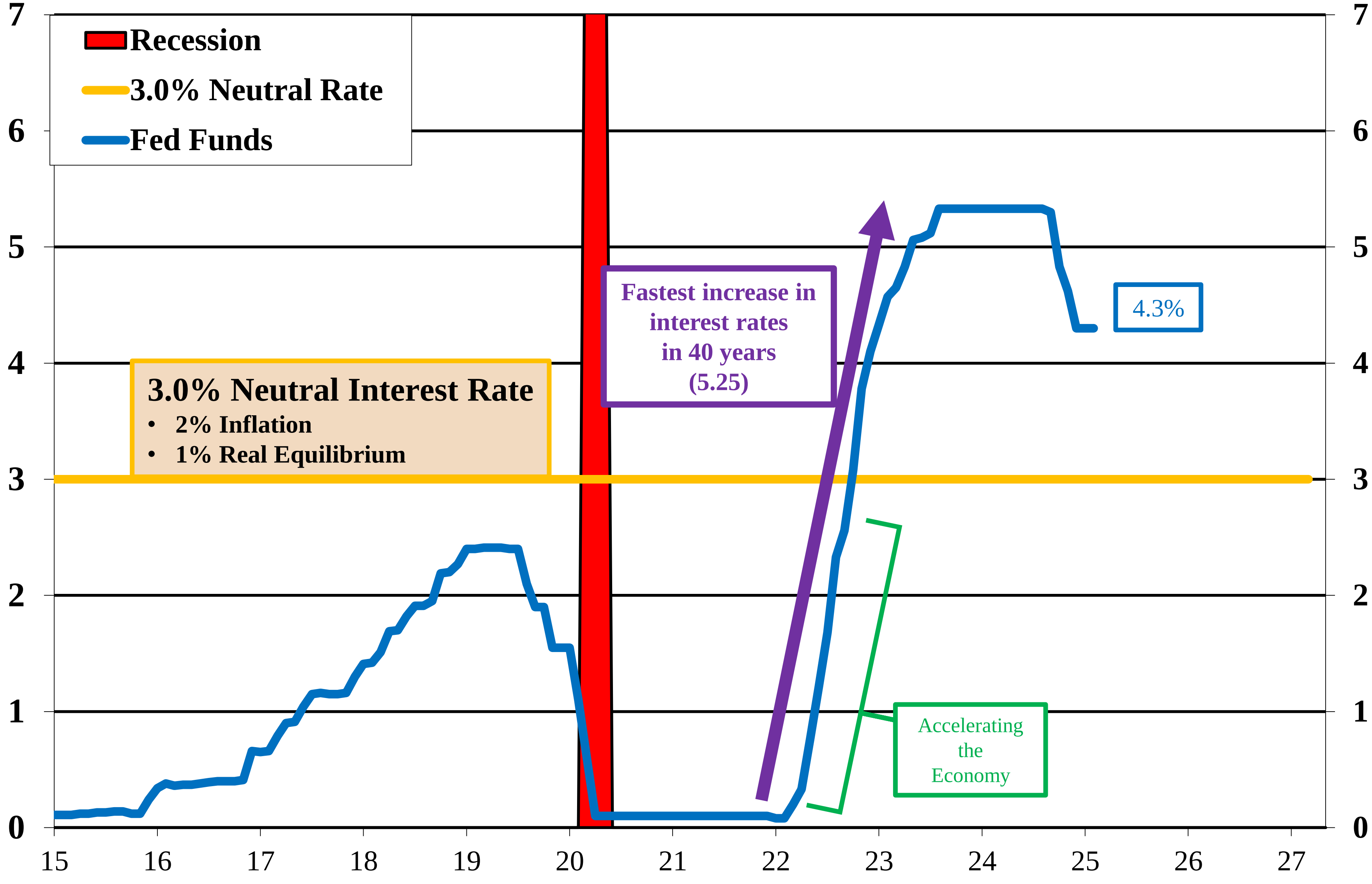
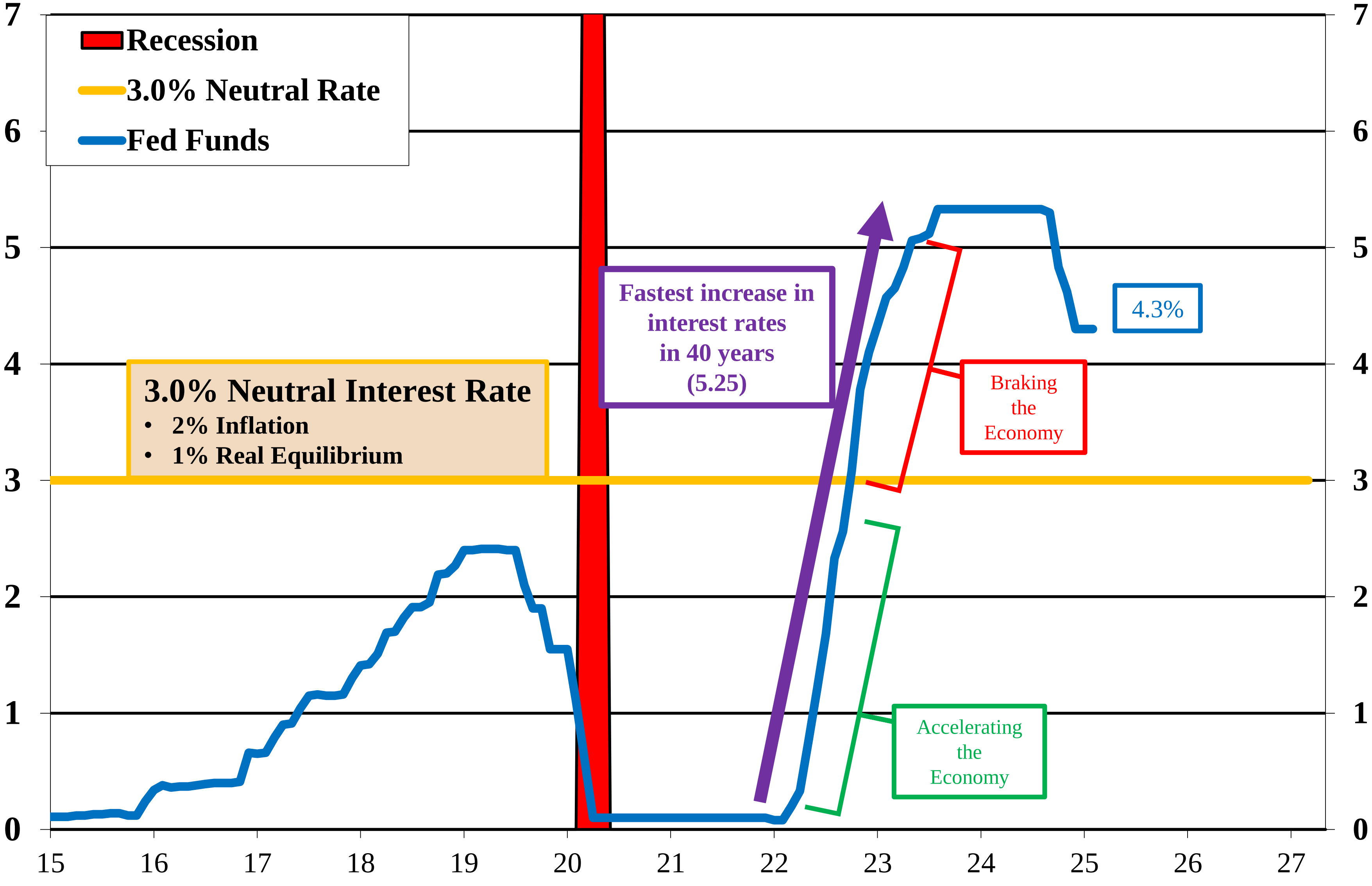
Fed Funds Interest Rate



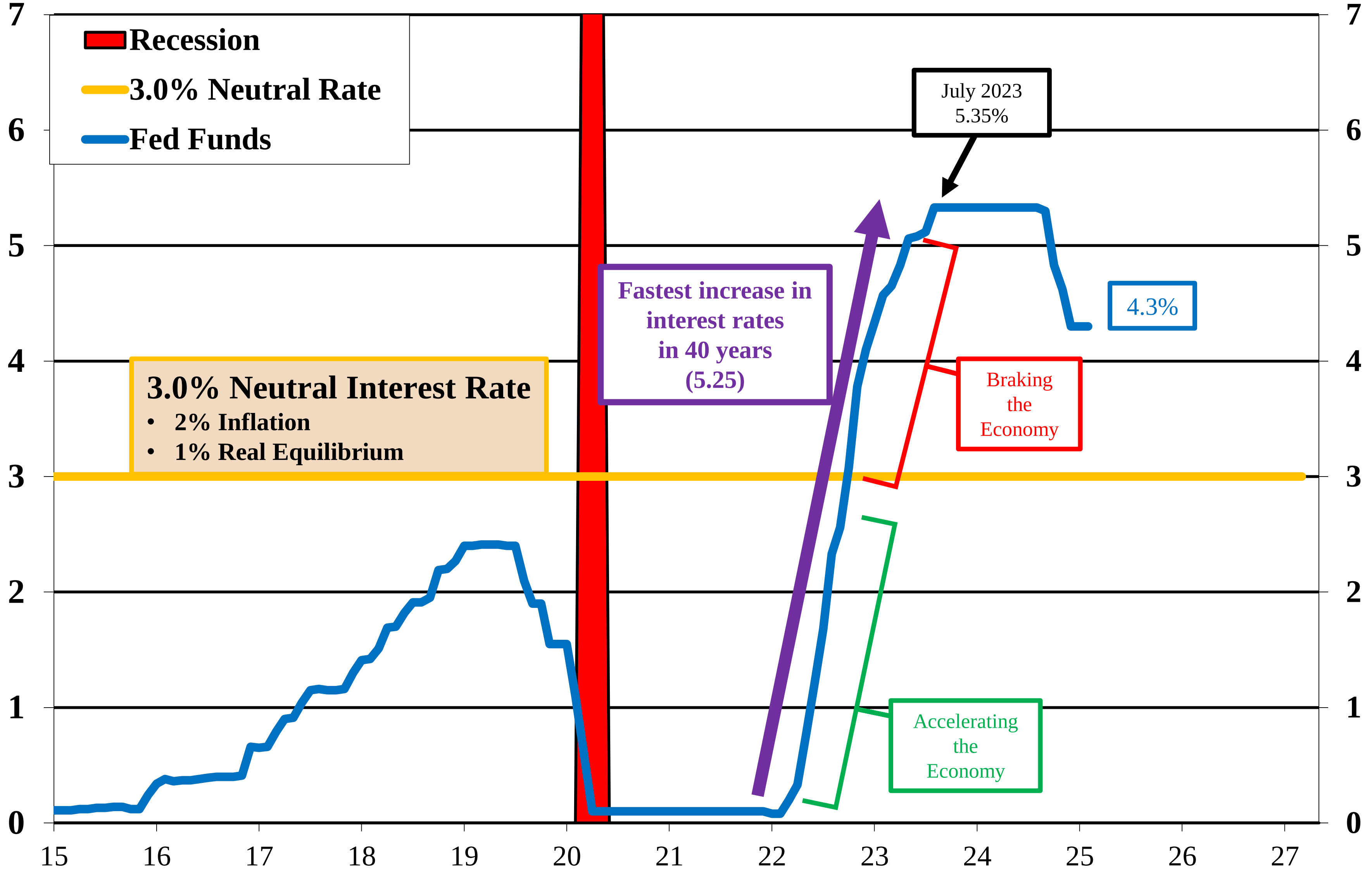
Fed Funds Interest Rate



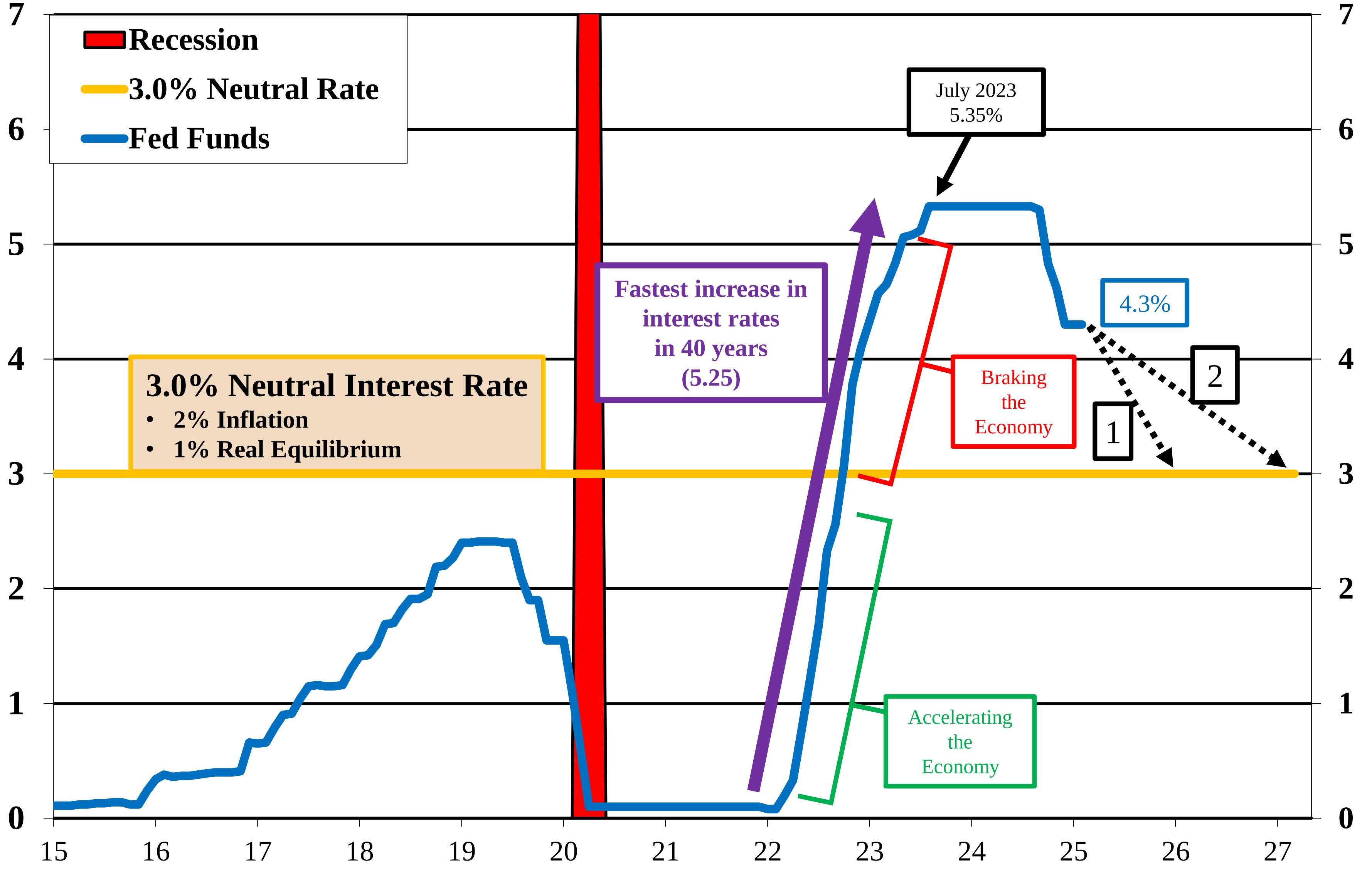
Fed Funds Interest Rate

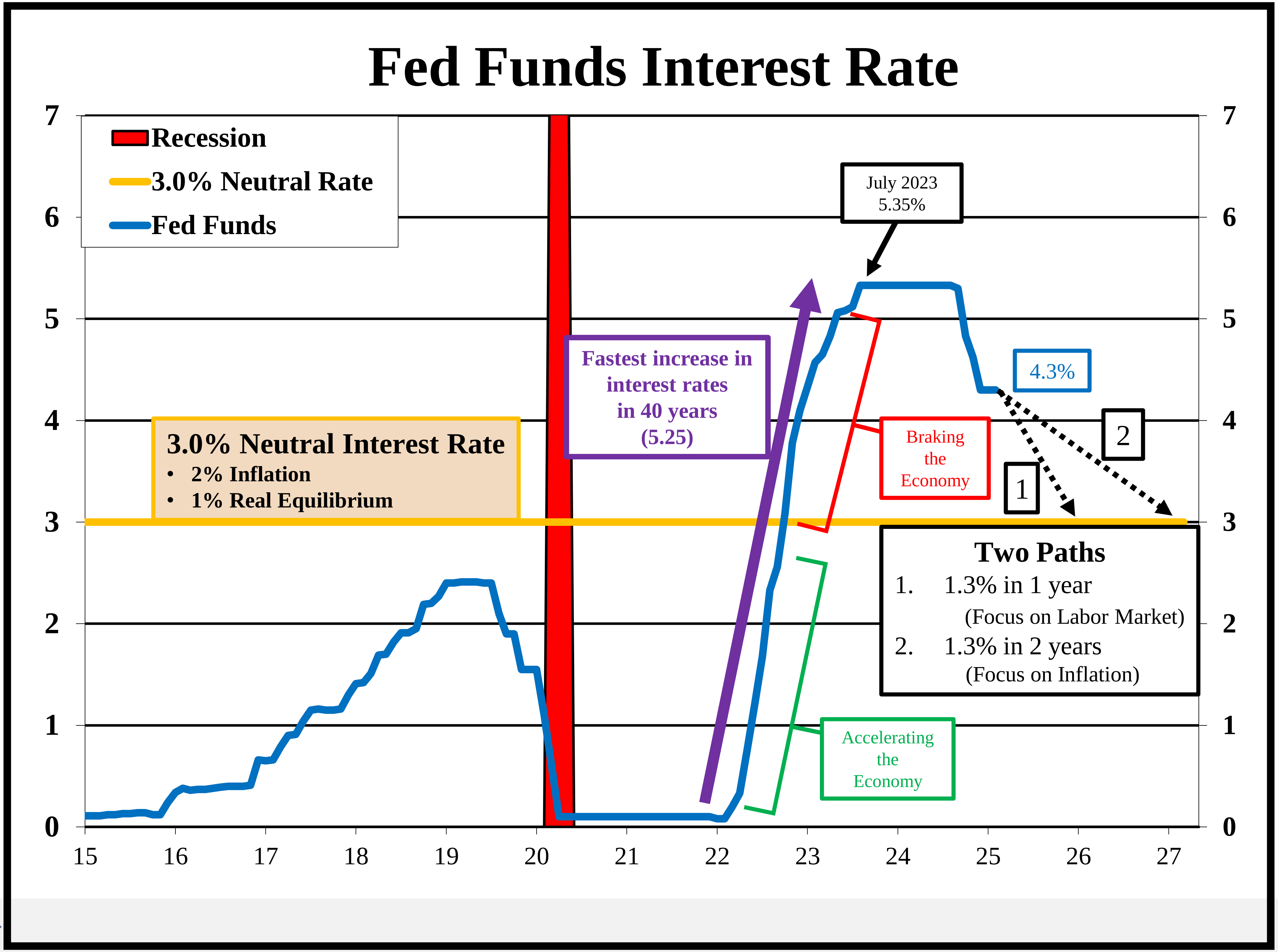


Fed Funds Interest Rate

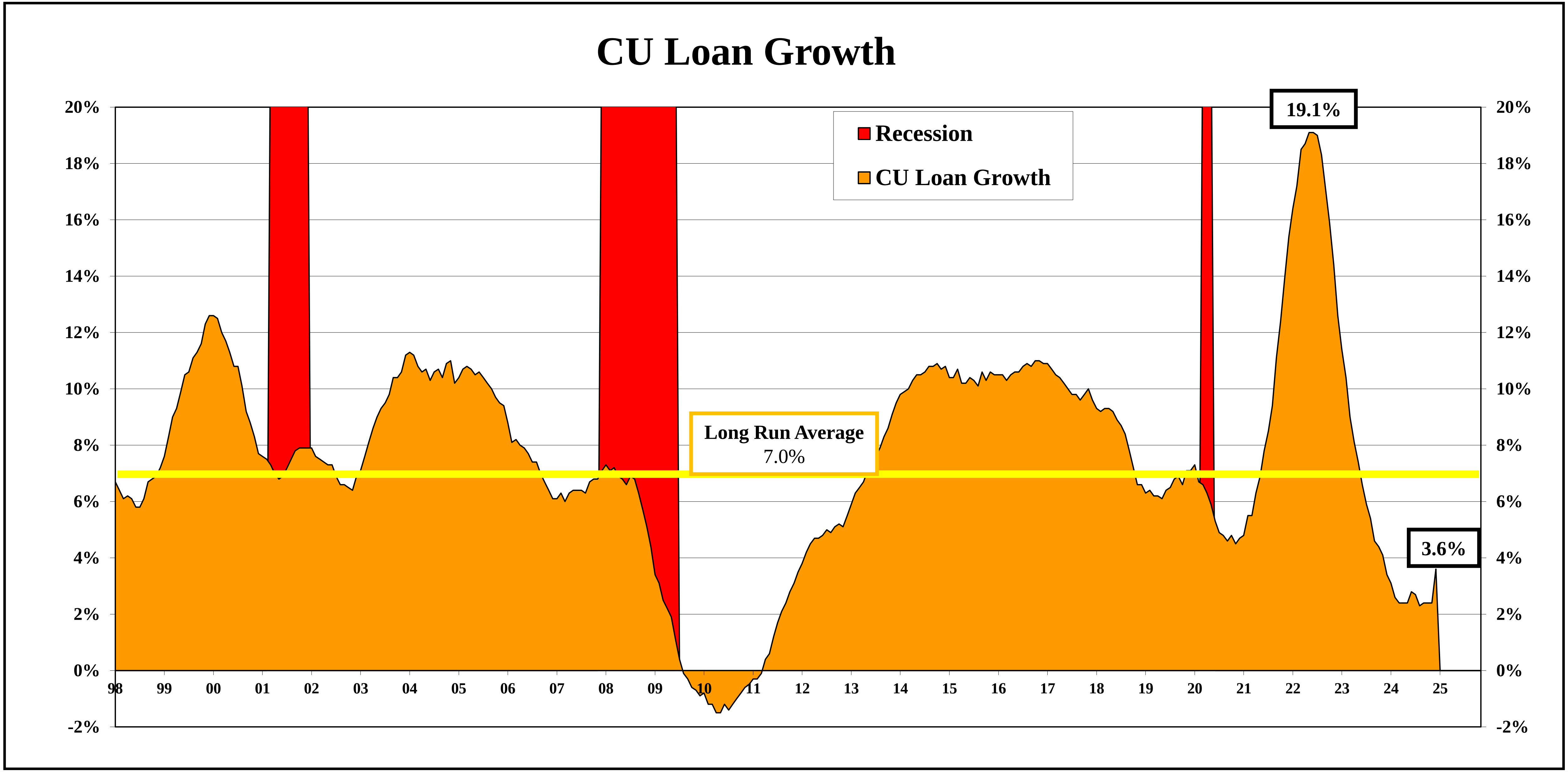


Fed Funds Interest Rate

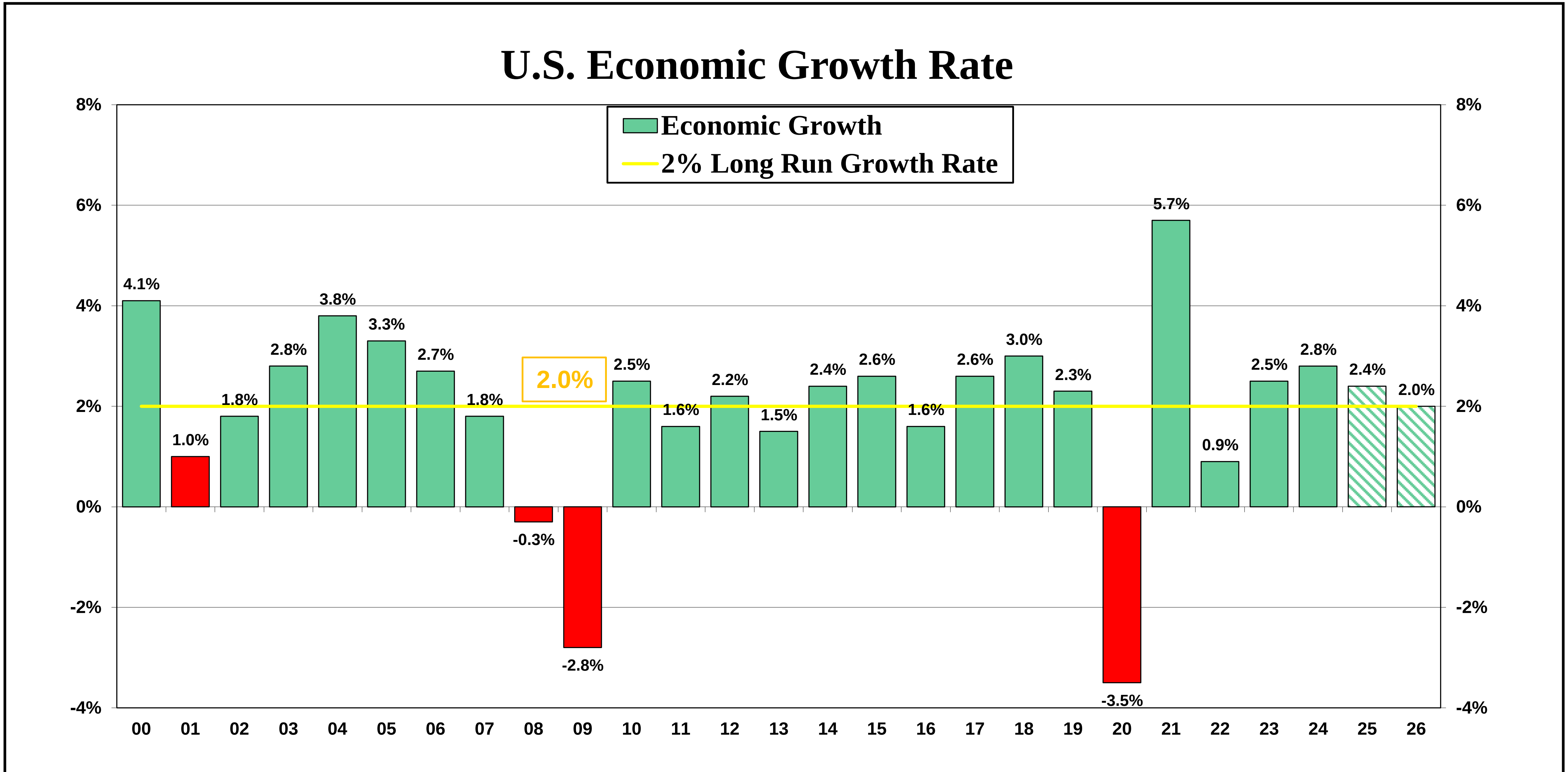



Fed Funds Interest Rate
Recession
3.0% Neutral Rate
Fed Funds
July 2023
5.35%
Fastest increase in interest rates in 40 years (5.25)
4.3%
3.0% Neutral Interest Rate
• 2% Inflation
• 1% Real Equilibrium
Braking the Economy
Accelerating the Economy
1
2
Two Paths
1. 1.3% in 1 year (Focus on Labor Market)
2. 1.3% in 2 years (Focus on Inflation)
0 1 2 3 4 5 6 7
15 16 17 18 19 20 21 22 23 24 25 26 27

Weak Credit Union Loan Growth

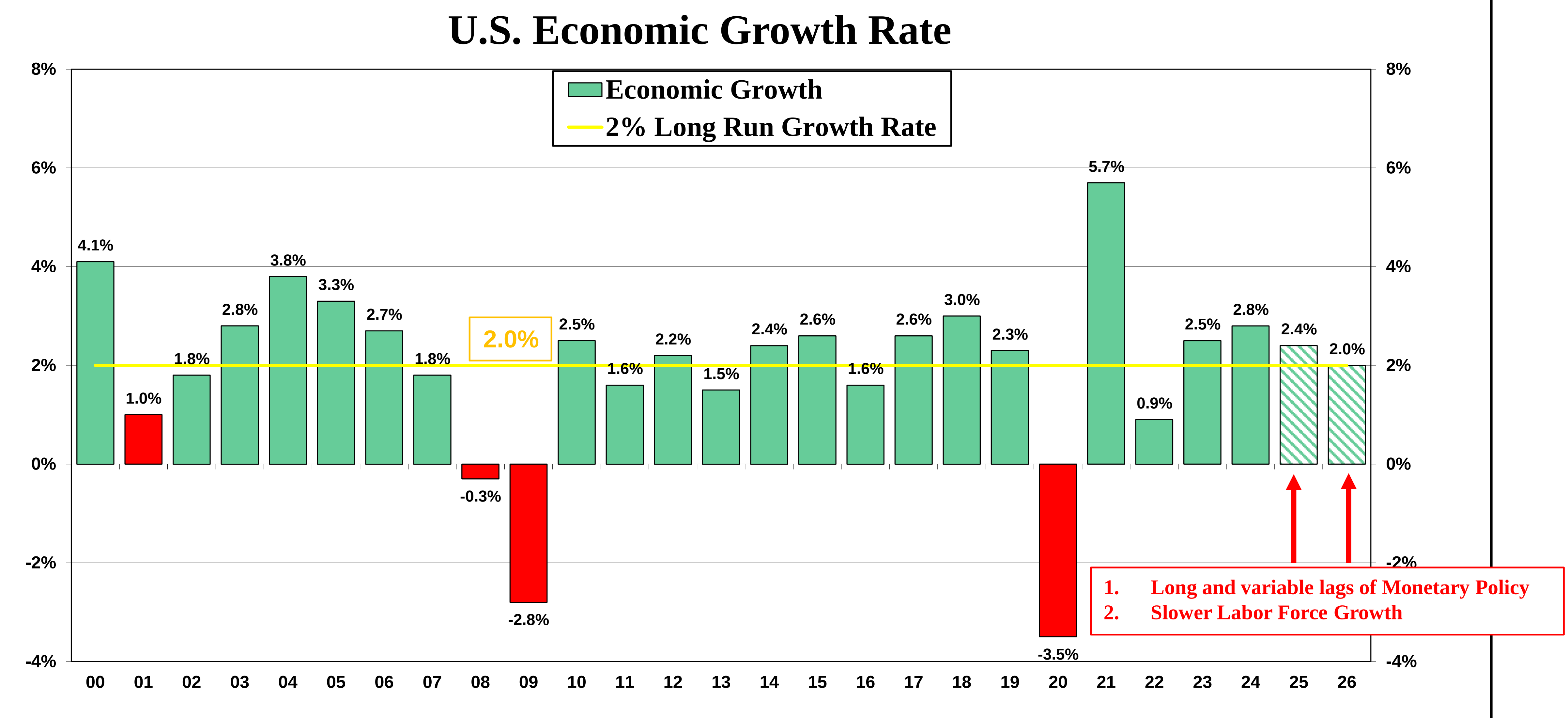


Economic Growth Above Natural Growth Rate



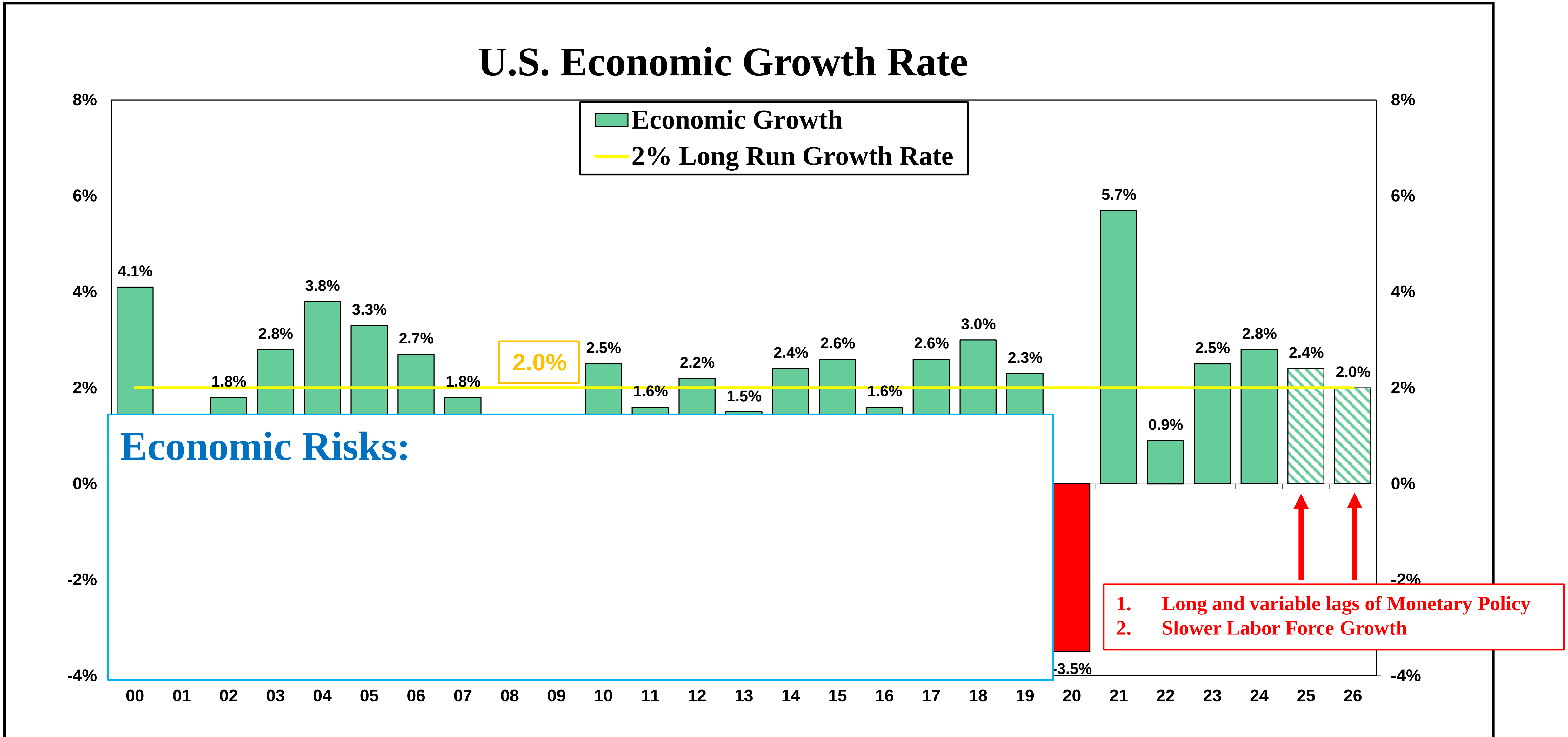
Source: Department of Commerce

Economic Growth Above Natural Growth Rate



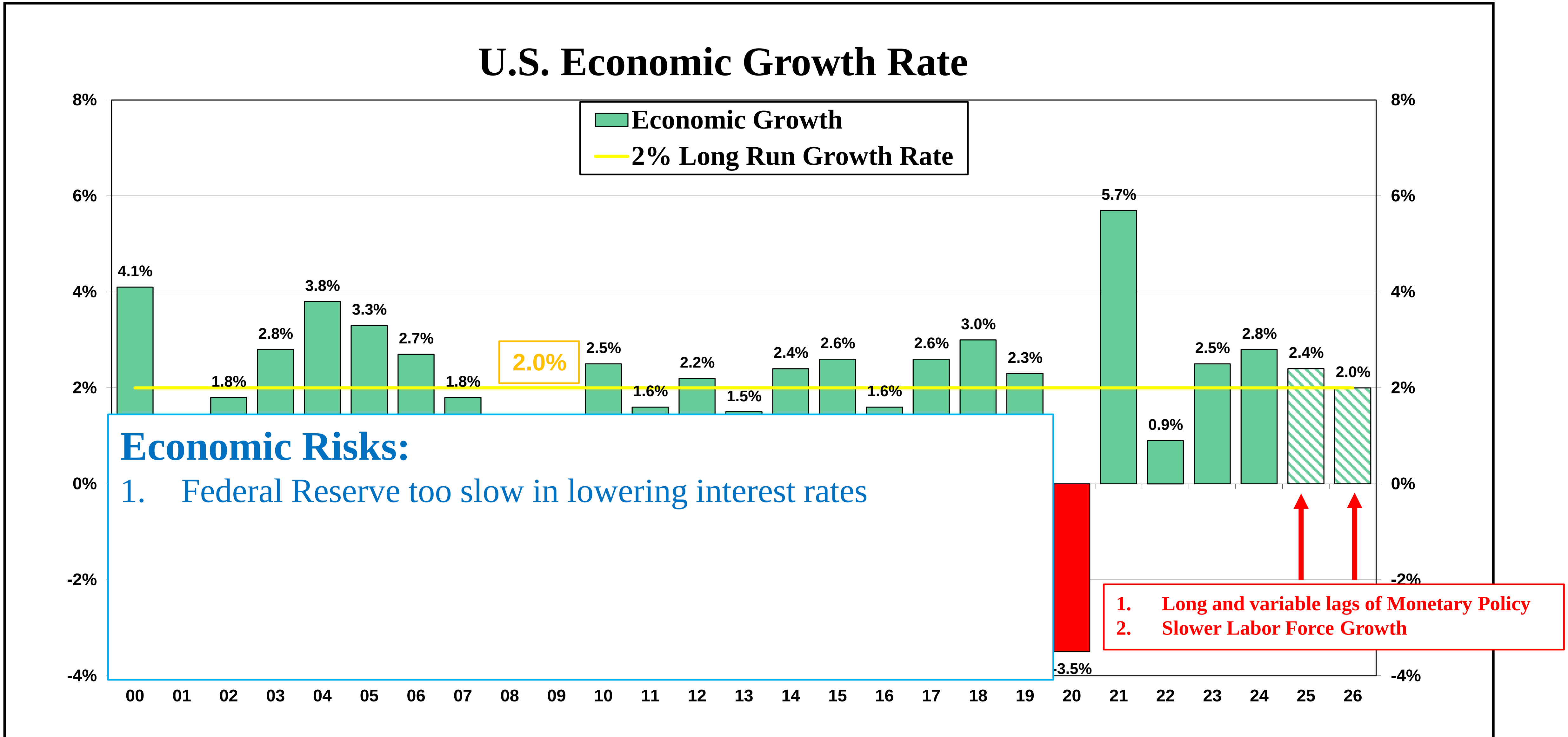
Source: Department of Commerce

Economic Growth Above Natural Growth Rate



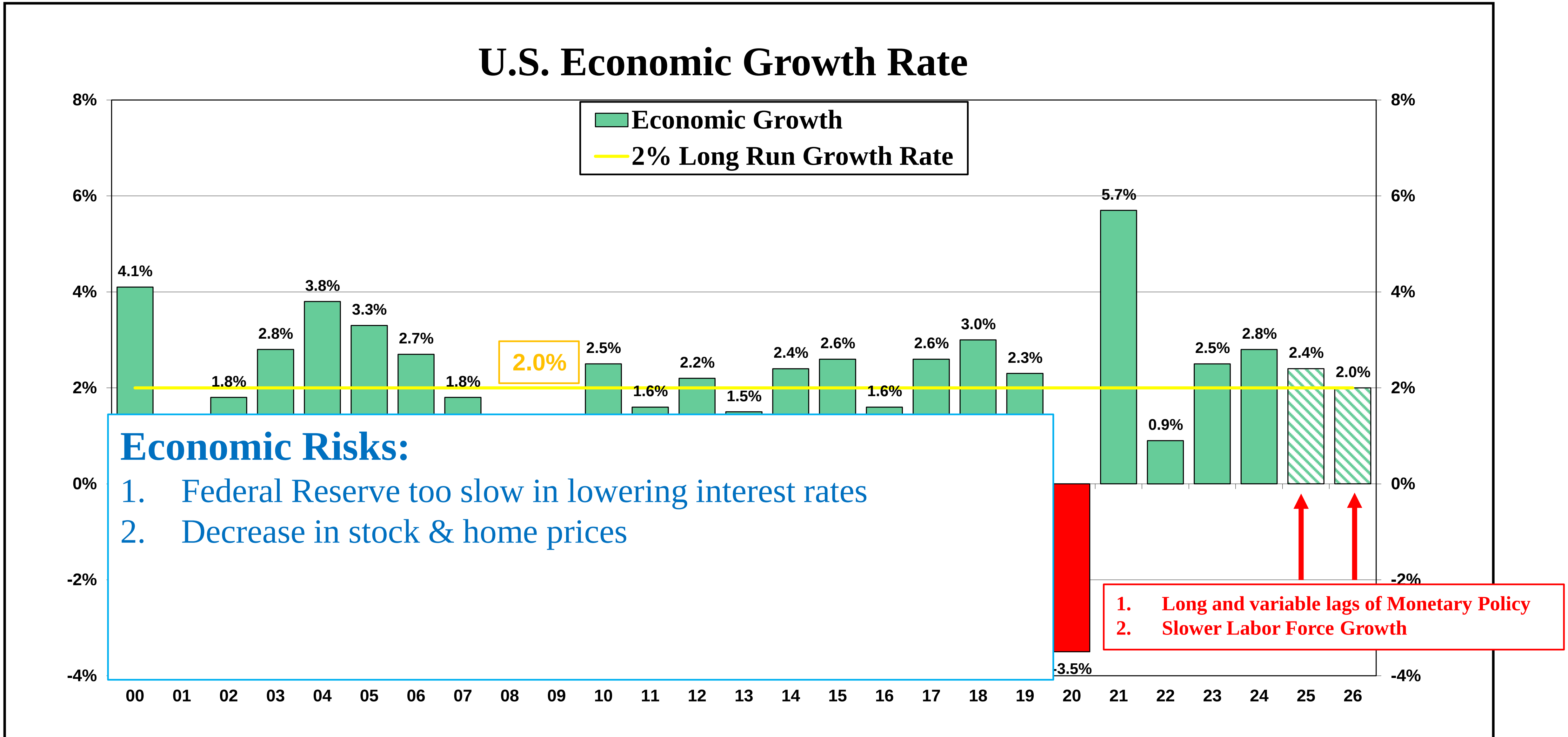
Source: Department of Commerce

Economic Growth Above Natural Growth Rate



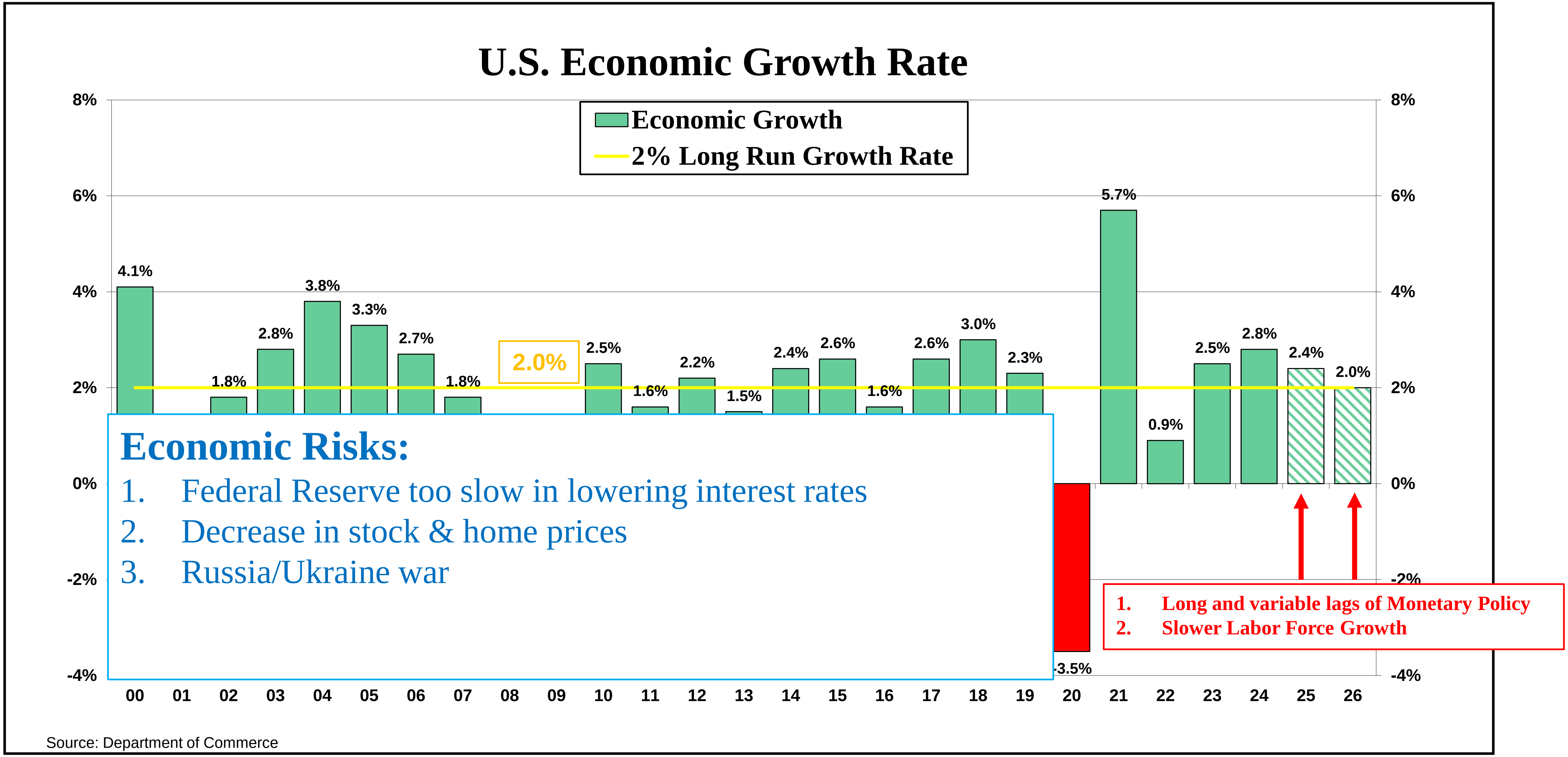
Source: Department of Commerce

Economic Growth Above Natural Growth Rate

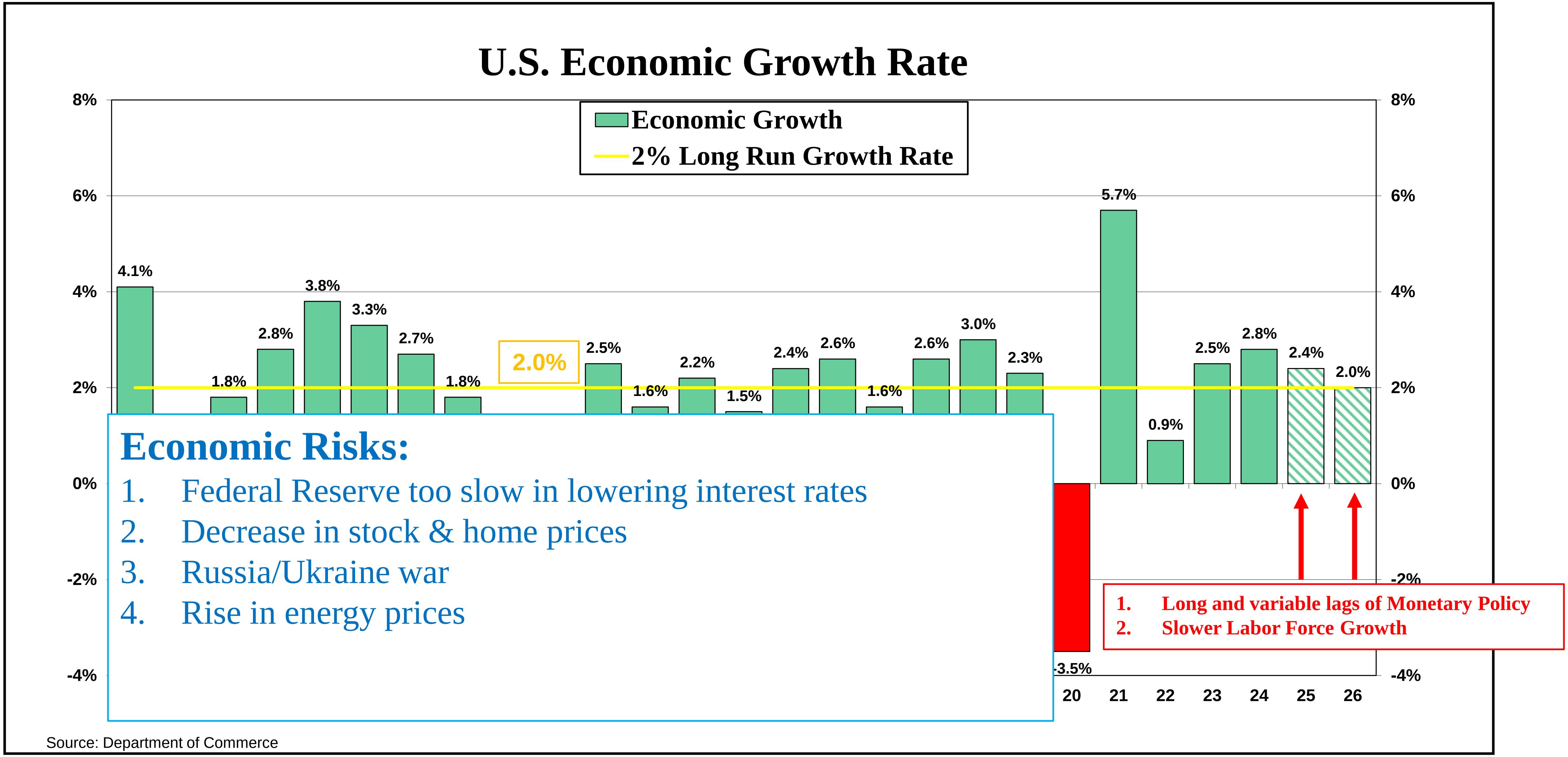


Source: Department of Commerce

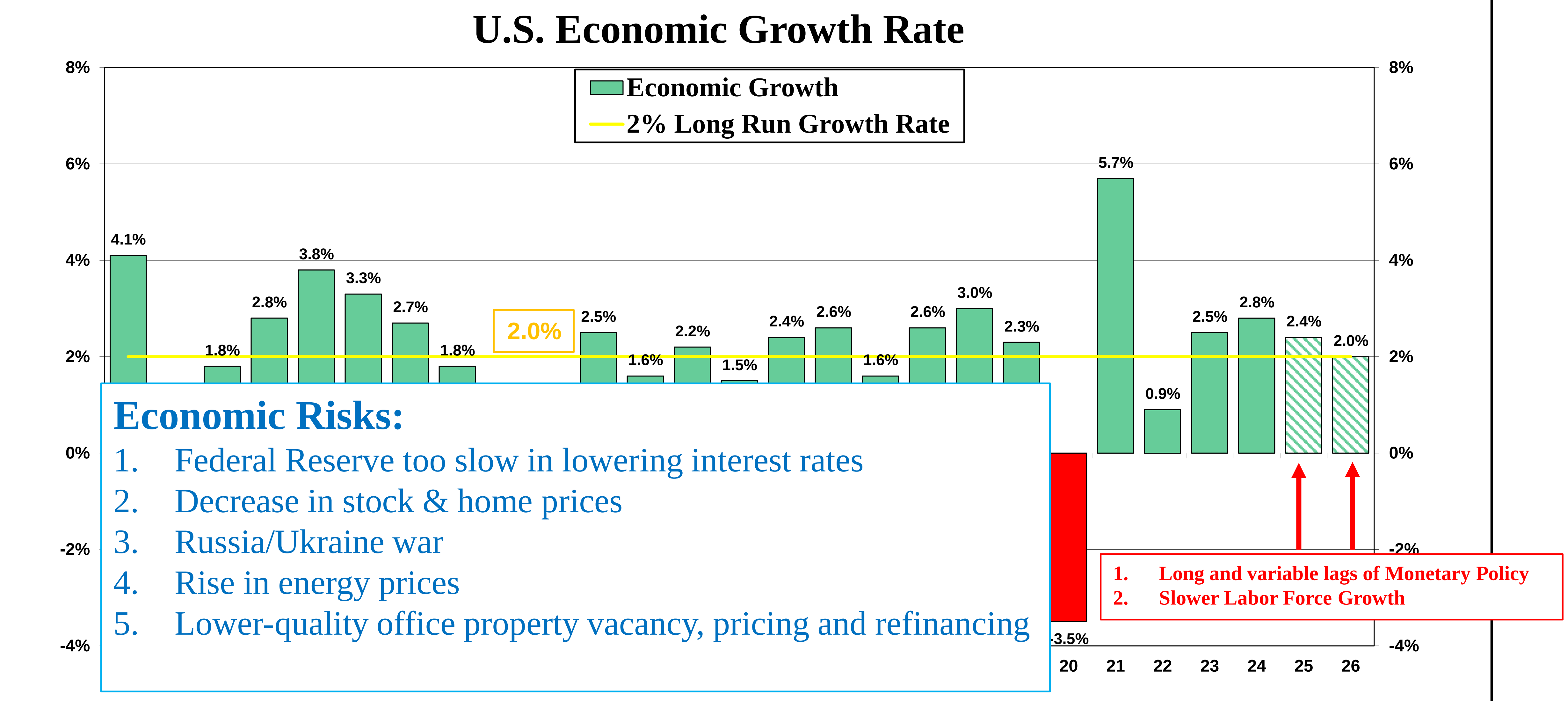
Economic Growth Above Natural Growth Rate



Economic Growth Above Natural Growth Rate



Economic Growth Above Natural Growth Rate

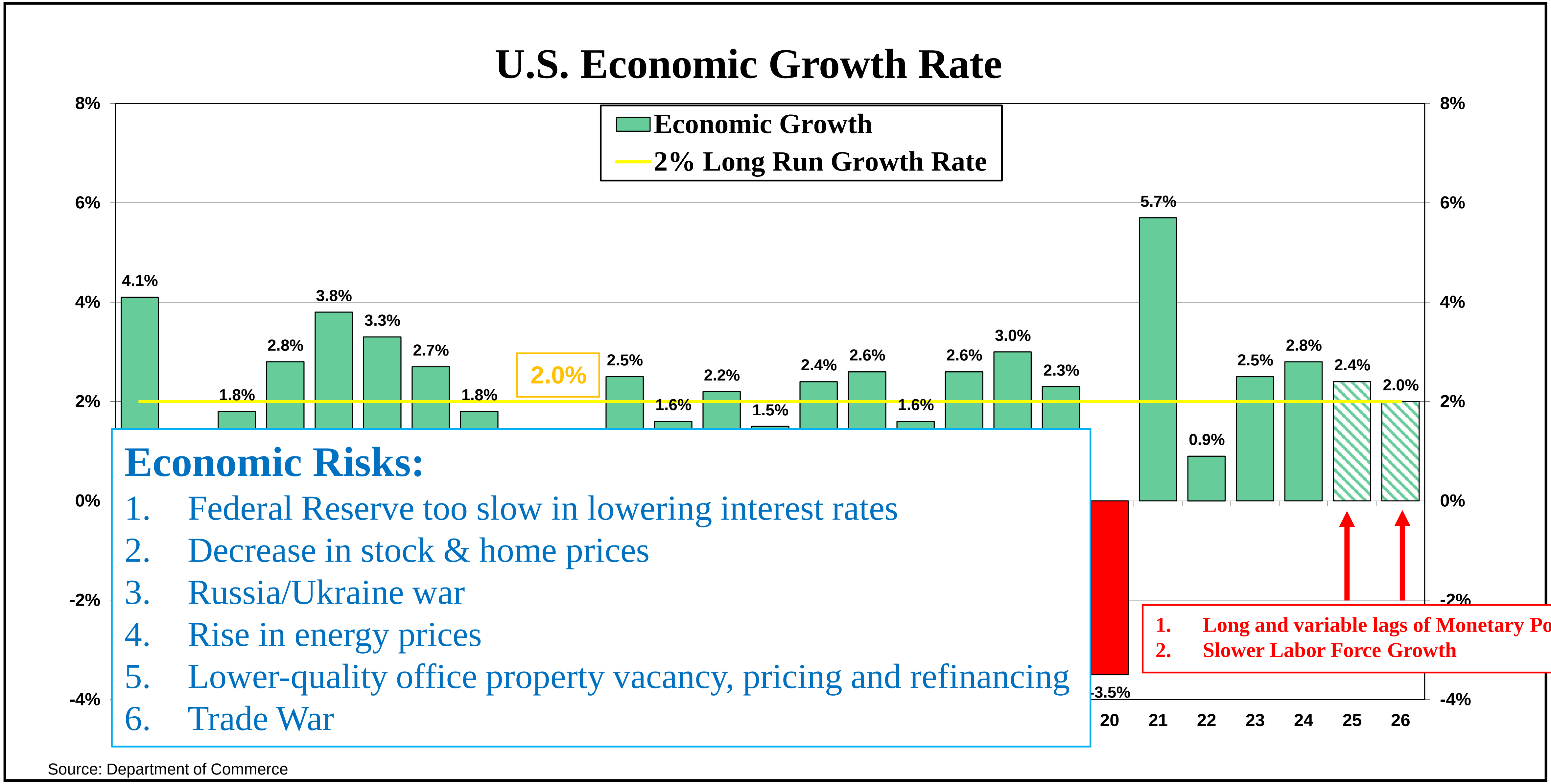


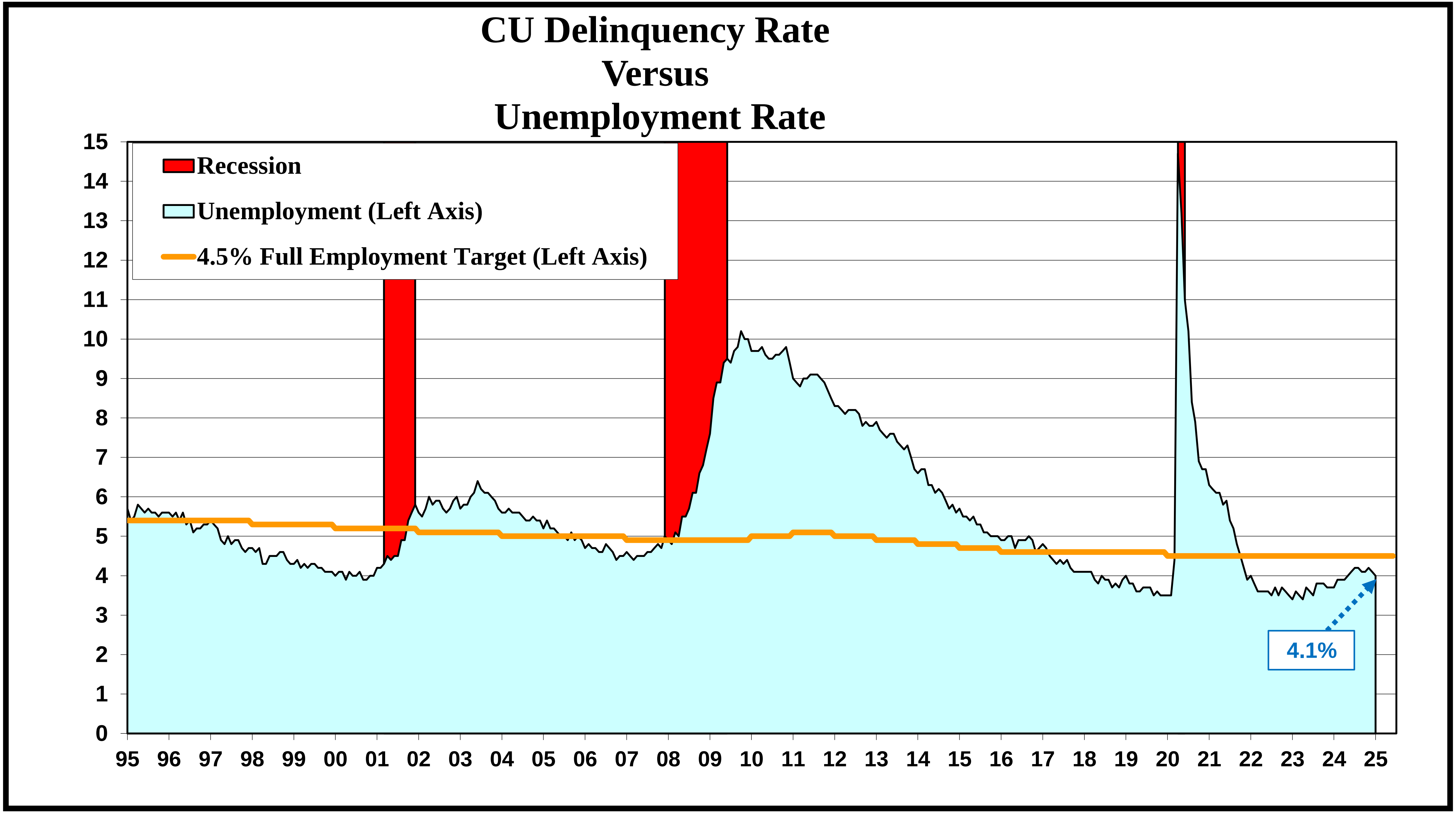
Economic Risks:

1. Federal Reserve too slow in lowering interest rates
2. Decrease in stock & home prices
3. Russia/Ukraine war
4. Rise in energy prices
5. Lower-quality office property vacancy, pricing and refinancing

Source: Department of Commerce

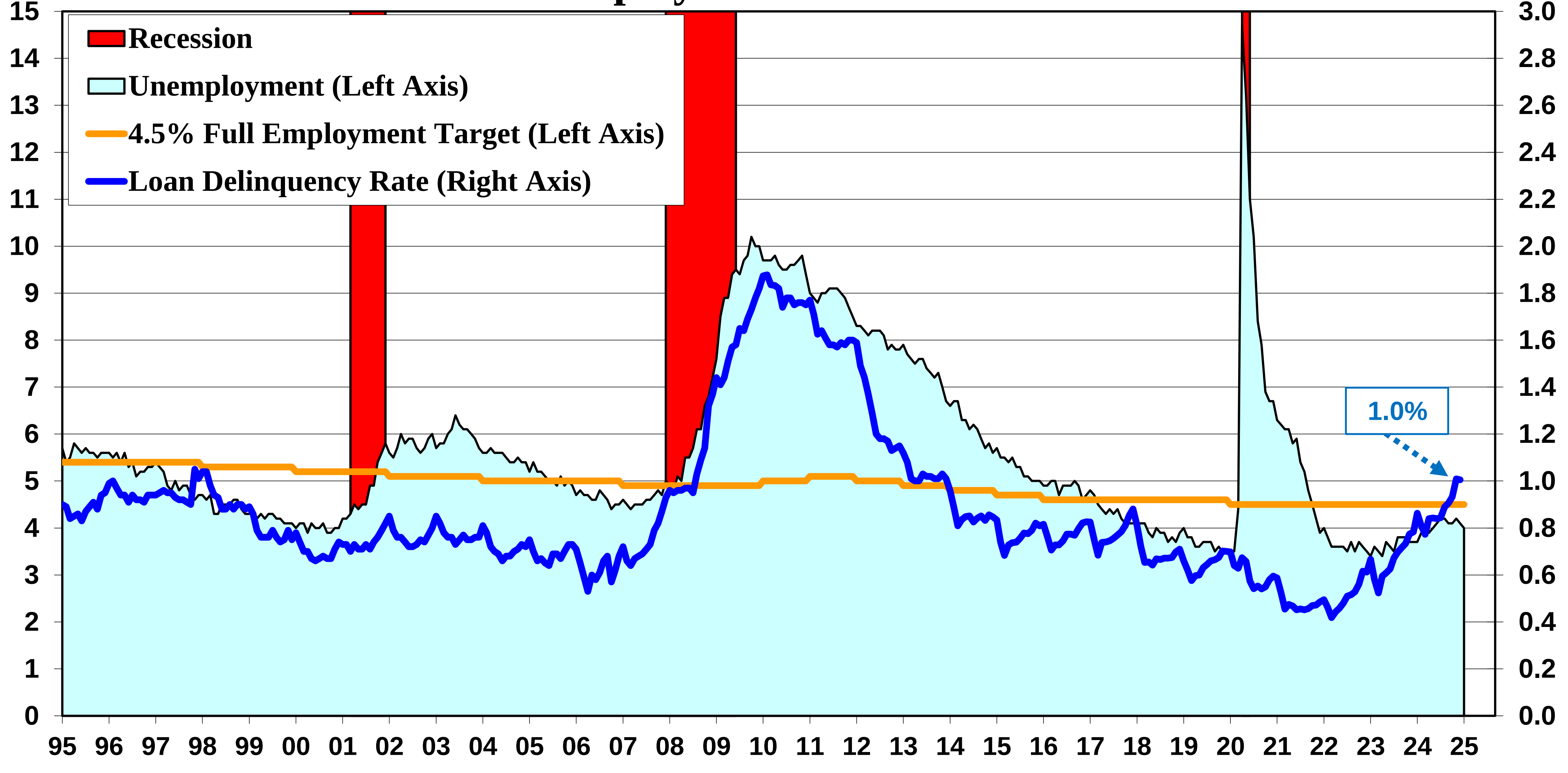
Economic Growth Above Natural Growth Rate

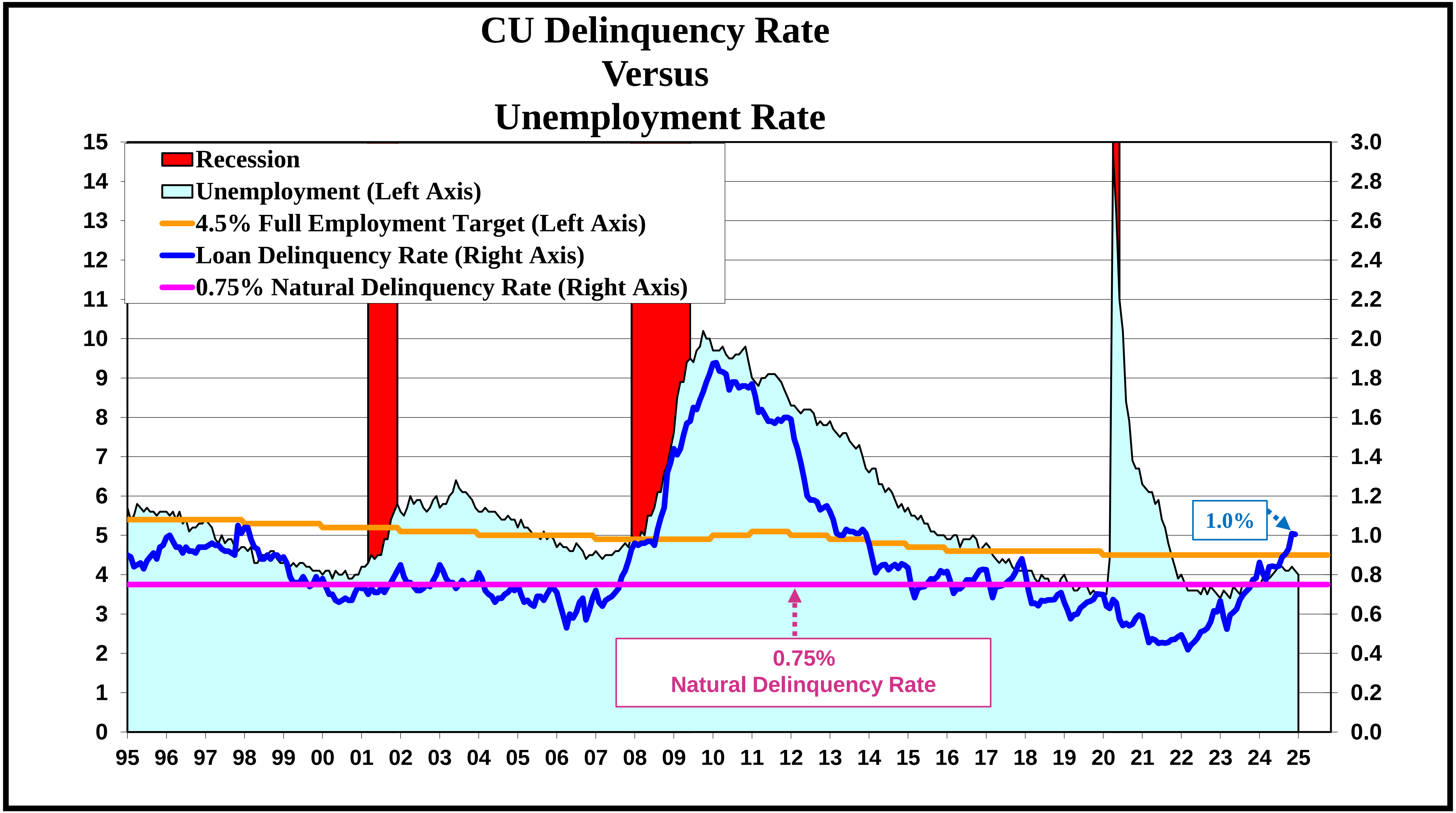




CU Delinquency Rate
Versus
Unemployment Rate
Recession
Unemployment (Left Axis)
4.5% Full Employment Target (Left Axis)
4.1%
15
14
13
12
11
10
9
8
7
6
5
4
3
2
1
0
95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25

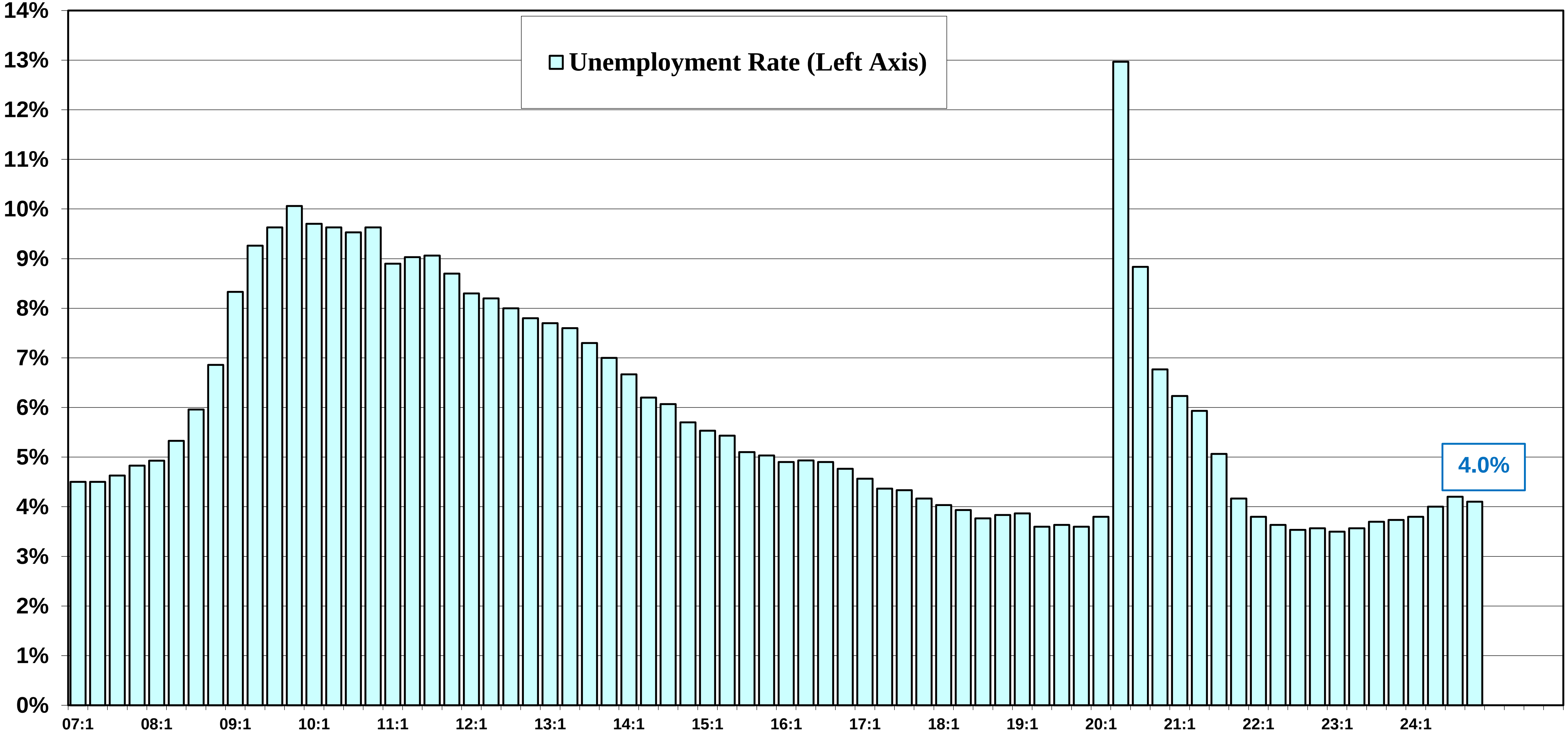
CU Delinquency Rate Versus Unemployment Rate



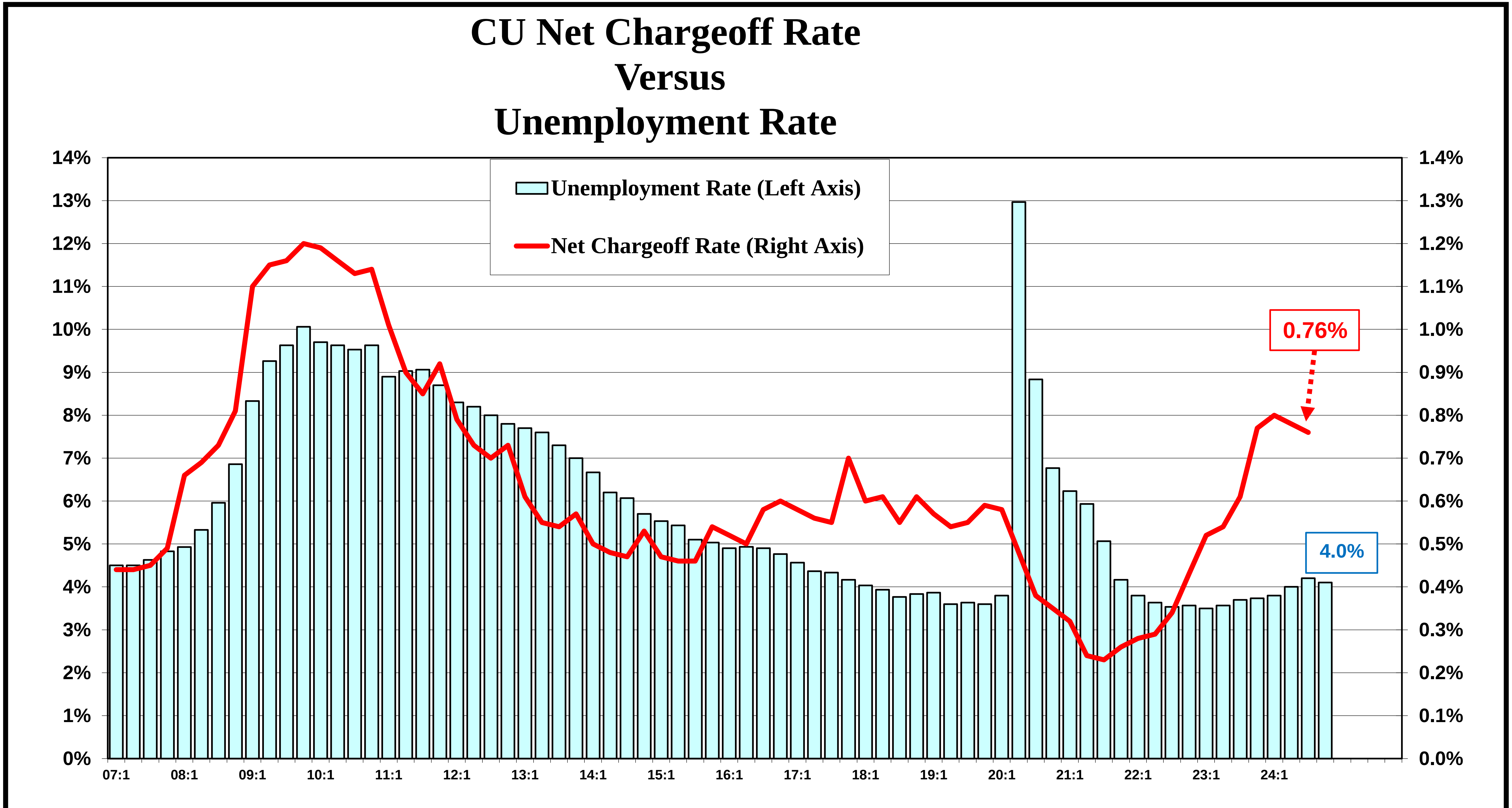


CU Delinquency Rate
Versus
Unemployment Rate
Recession
Unemployment (Left Axis)
4.5% Full Employment Target (Left Axis)
Loan Delinquency Rate (Right Axis)
0.75% Natural Delinquency Rate (Right Axis)
1.0%
0.75%
Natural Delinquency Rate
15
14
13
12
11
10
9
8
7
6
5
4
3
2
1
0
3.0
2.8
2.6
2.4
2.2
2.0
1.8
1.6
1.4
1.2
1.0
0.8
0.6
0.4
0.2
0.0
95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25

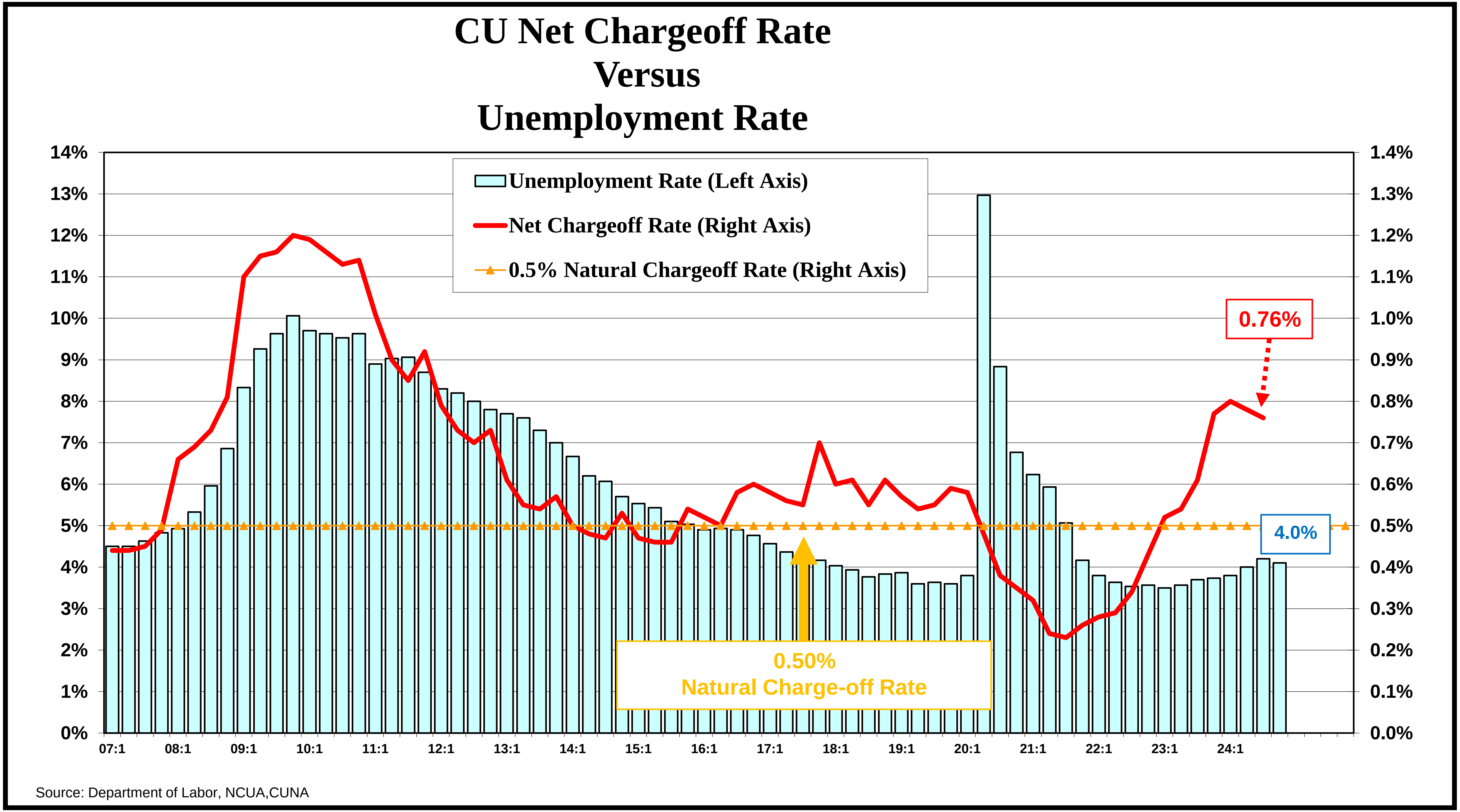
CU Net Chargeoff Rate
Versus
Unemployment Rate

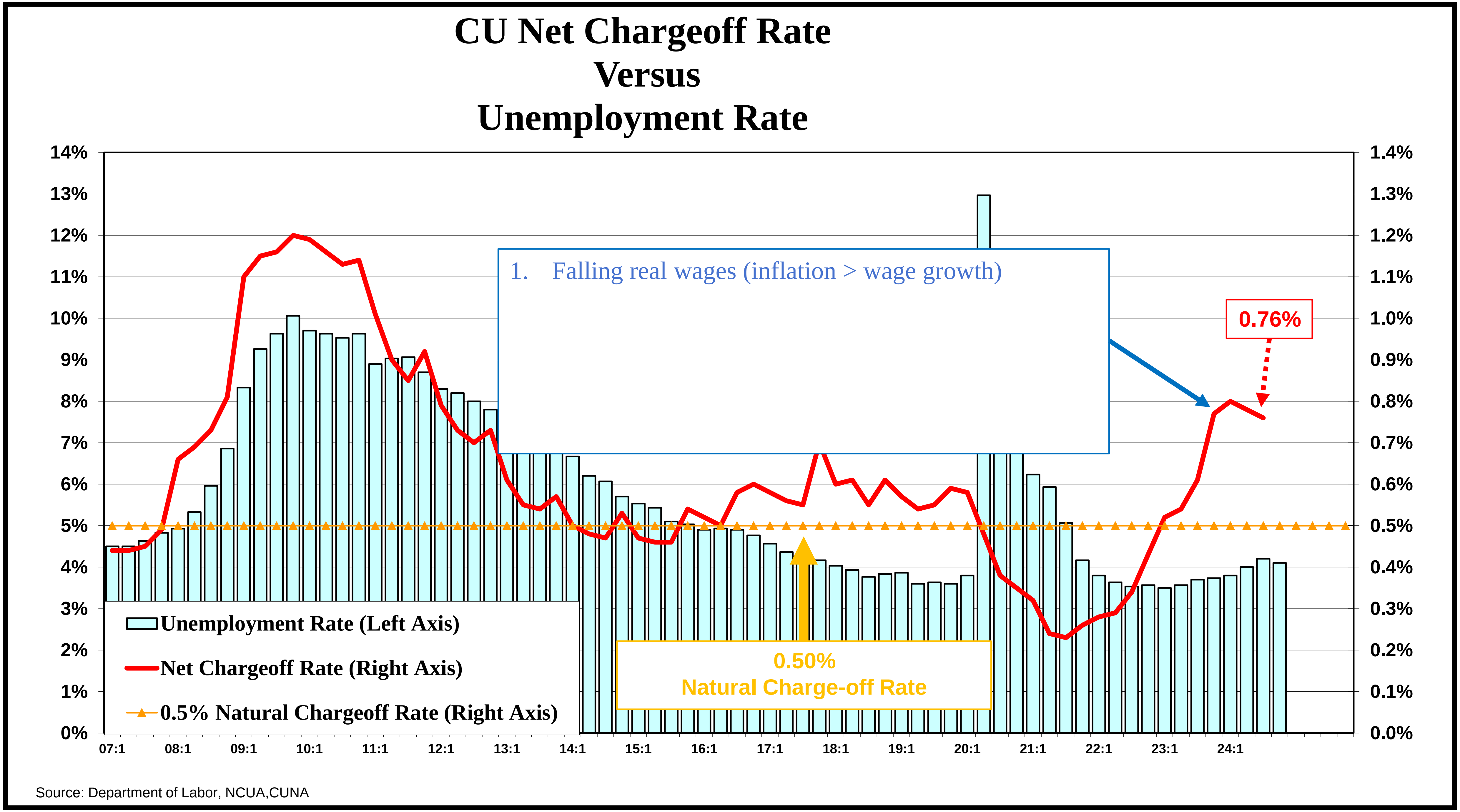


Source: Department of Labor, NCUA,CUNA

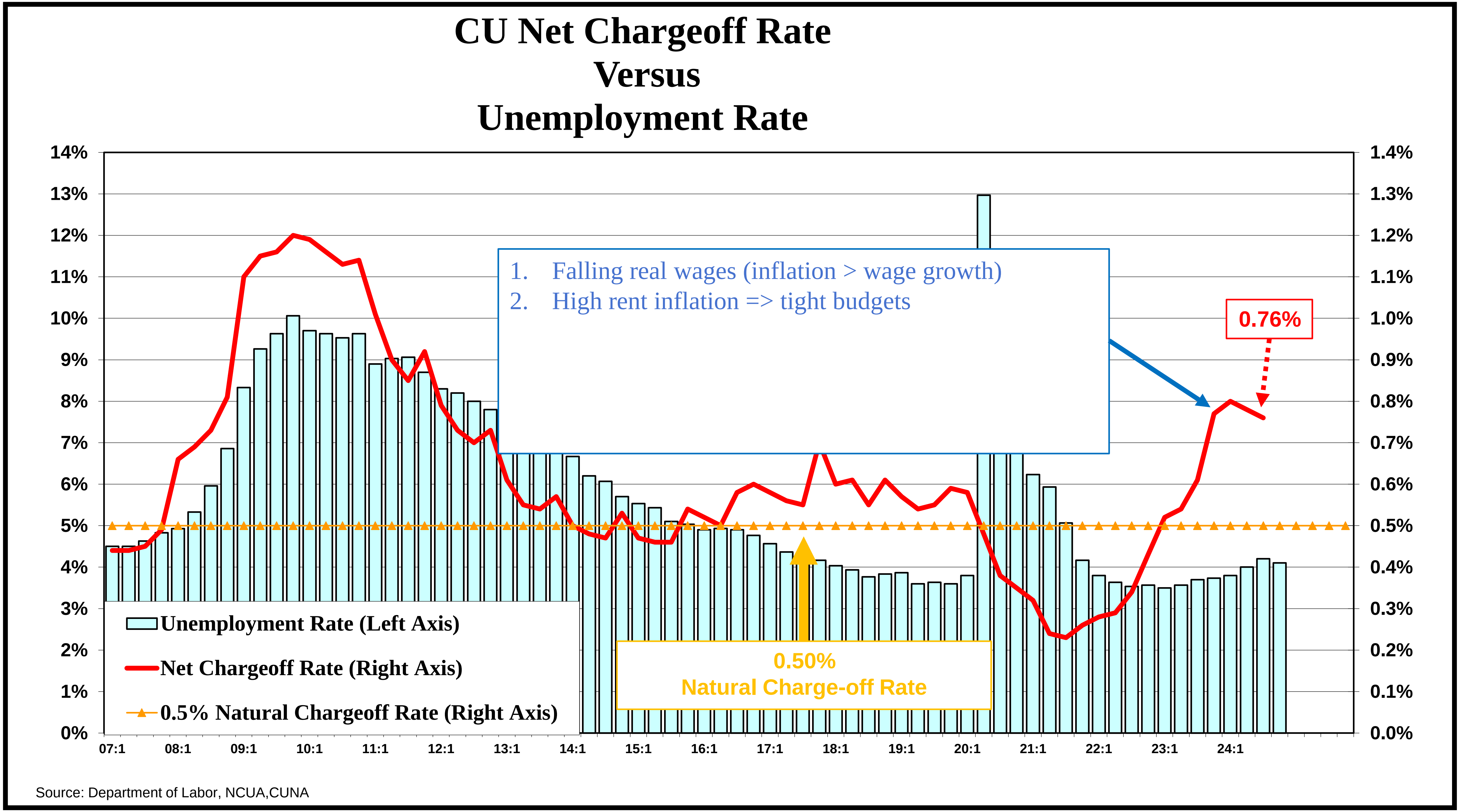


Source: Department of Labor, NCUA,CUNA


CU Net Chargeoff Rate
Versus
Unemployment Rate
Unemployment Rate (Left Axis)
Net Chargeoff Rate (Right Axis)
0.5% Natural Chargeoff Rate (Right Axis)
0.76%
4.0%
0.50%
Natural Charge-off Rate
14%
13%
12%
11%
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
1.4%
1.3%
1.2%
1.1%
1.0%
0.9%
0.8%
0.7%
0.6%
0.5%
0.4%
0.3%
0.2%
0.1%
0.0%
07:1
08:1
09:1
10:1
11:1
12:1
13:1
14:1
15:1
16:1
17:1
18:1
19:1
20:1
21:1
22:1
23:1
24:1
Source: Department of Labor, NCUA,CUNA



CU Net Chargeoff Rate
Versus
Unemployment Rate
14%
13%
12%
11%
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
1.4%
1.3%
1.2%
1.1%
1.0%
0.9%
0.8%
0.7%
0.6%
0.5%
0.4%
0.3%
0.2%
0.1%
0.0%
1. Falling real wages (inflation > wage growth)
0.76%
0.50%
Natural Charge-off Rate
Unemployment Rate (Left Axis)
Net Chargeoff Rate (Right Axis)
0.5% Natural Chargeoff Rate (Right Axis)
07:1
08:1
09:1
10:1
11:1
12:1
13:1
14:1
15:1
16:1
17:1
18:1
19:1
20:1
21:1
22:1
23:1
24:1
Source: Department of Labor, NCUA,CUNA


CU Net Chargeoff Rate
Versus
Unemployment Rate
14%
13%
12%
11%
10%
9%
8%
7%
6%
5%
4%
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2%
1%
0%
1.4%
1.3%
1.2%
1.1%
1.0%
0.9%
0.8%
0.7%
0.6%
0.5%
0.4%
0.3%
0.2%
0.1%
0.0%
07:1
08:1
09:1
10:1
11:1
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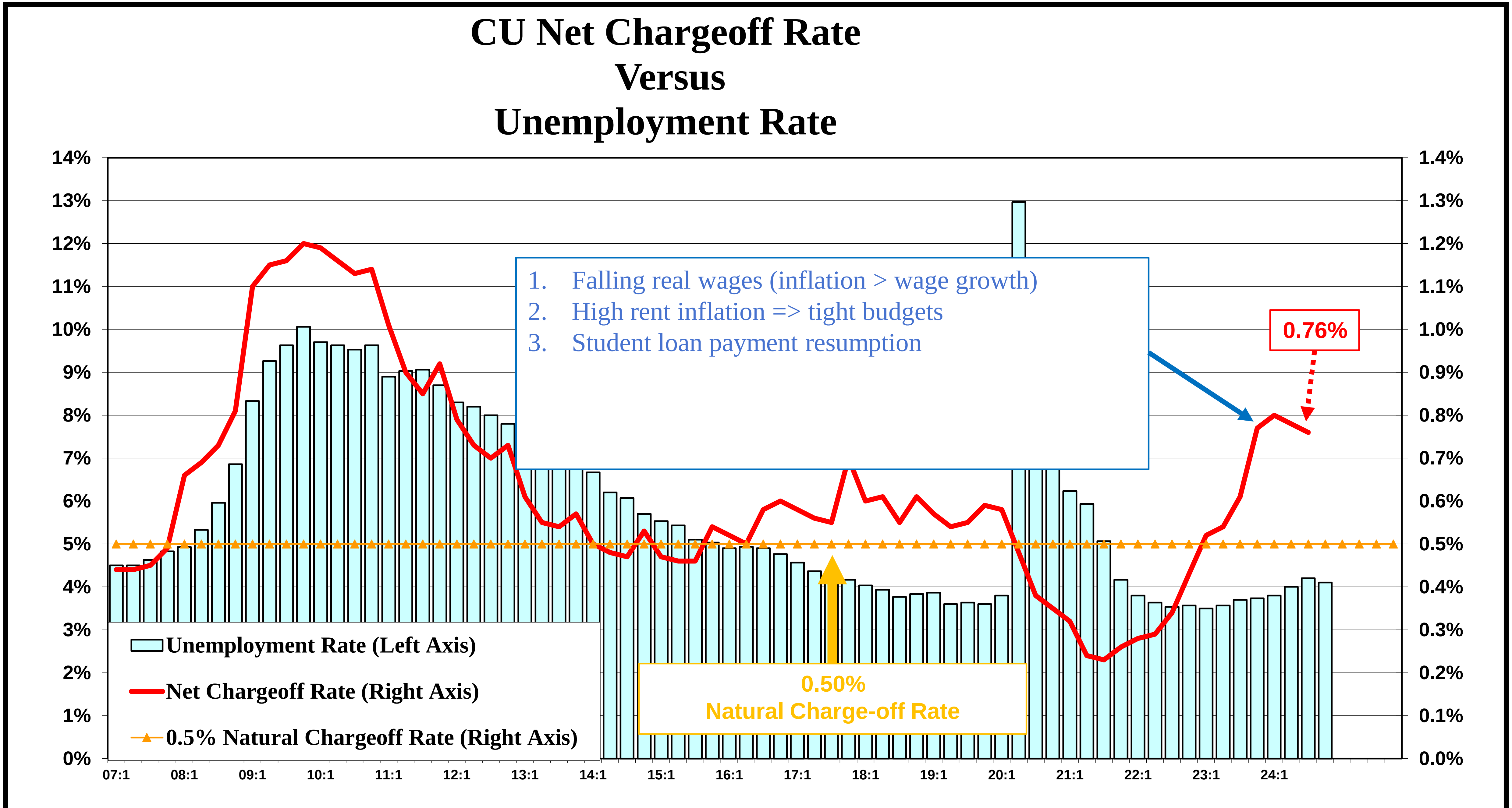
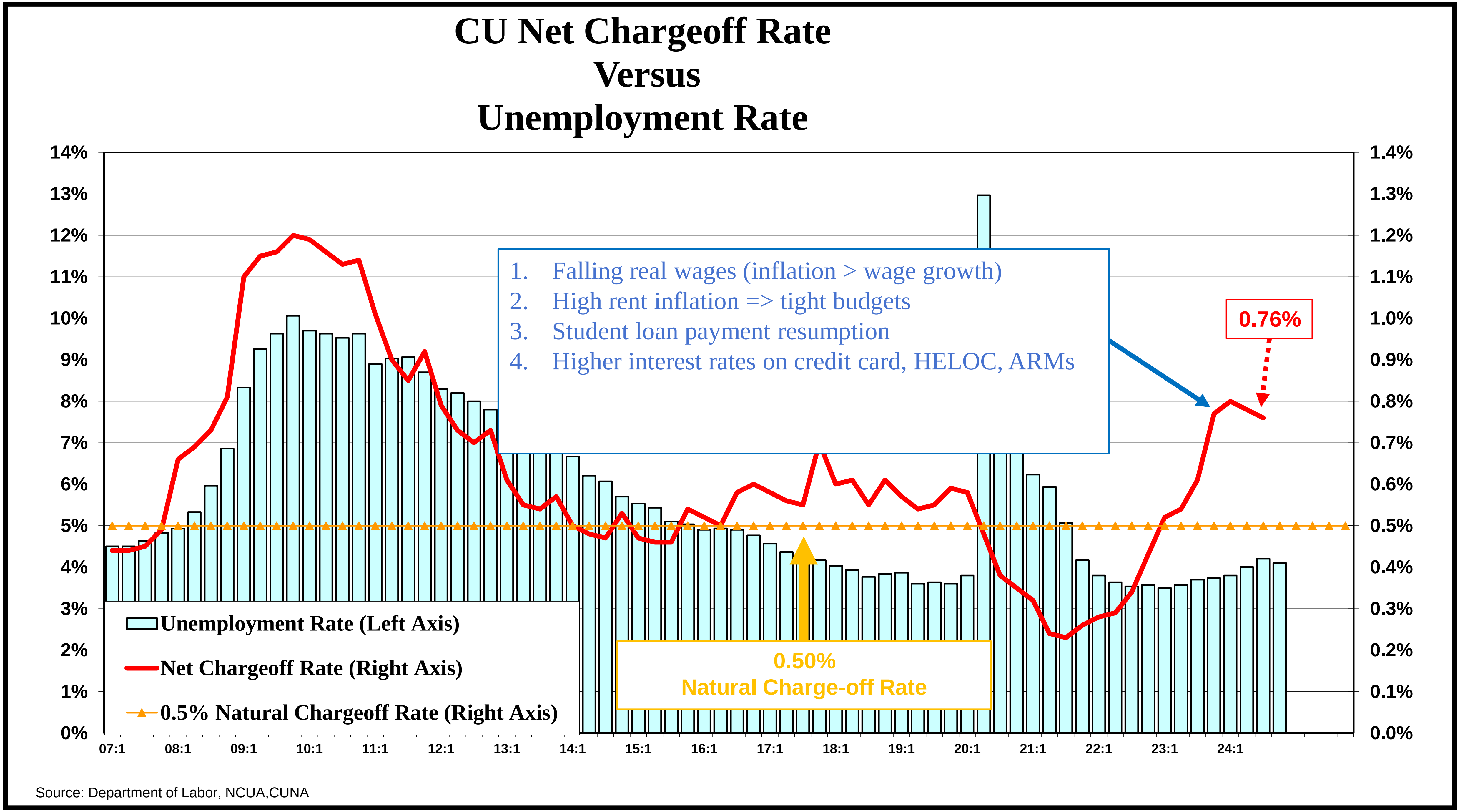
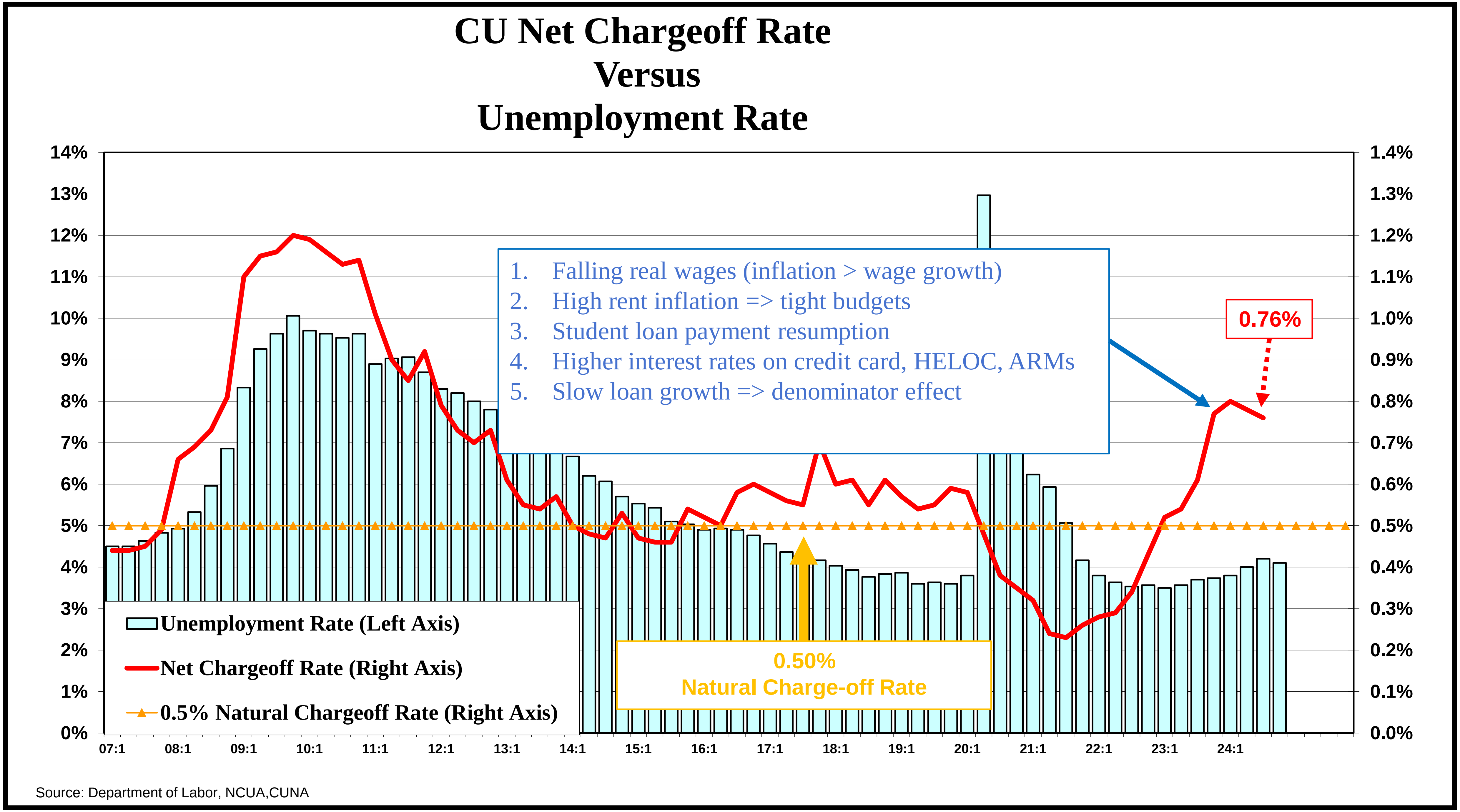
13:1
14:1
15:1
16:1
17:1
18:1
19:1
20:1
21:1
22:1
23:1
24:1
1. Falling real wages (inflation > wage growth)
2. High rent inflation => tight budgets
0.76%
0.50%
Natural Charge-off Rate
Unemployment Rate (Left Axis)
Net Chargeoff Rate (Right Axis)
0.5% Natural Chargeoff Rate (Right Axis)
Source: Department of Labor, NCUA,CUNA



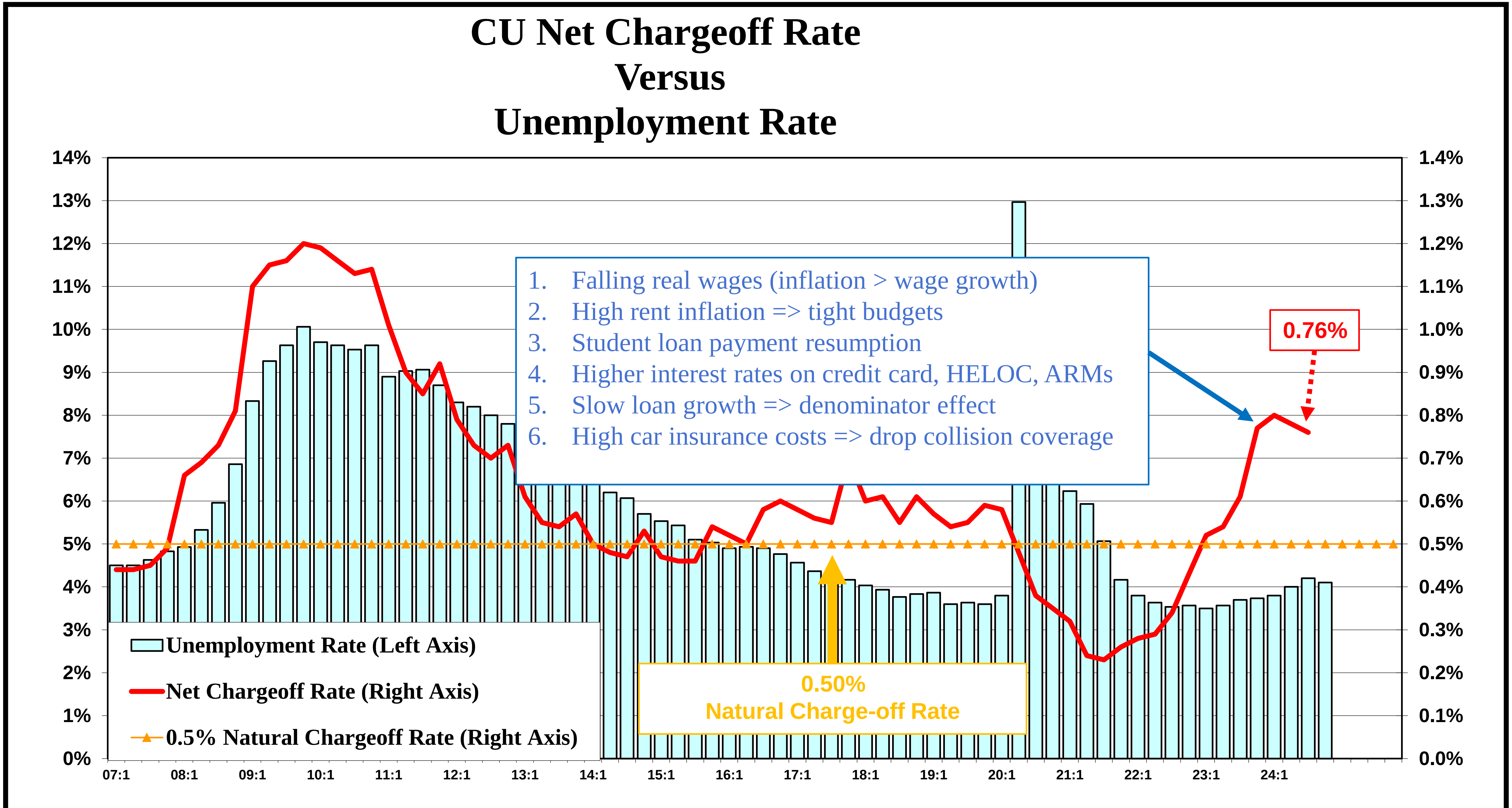
Source: Department of Labor, NCUA,CUNA



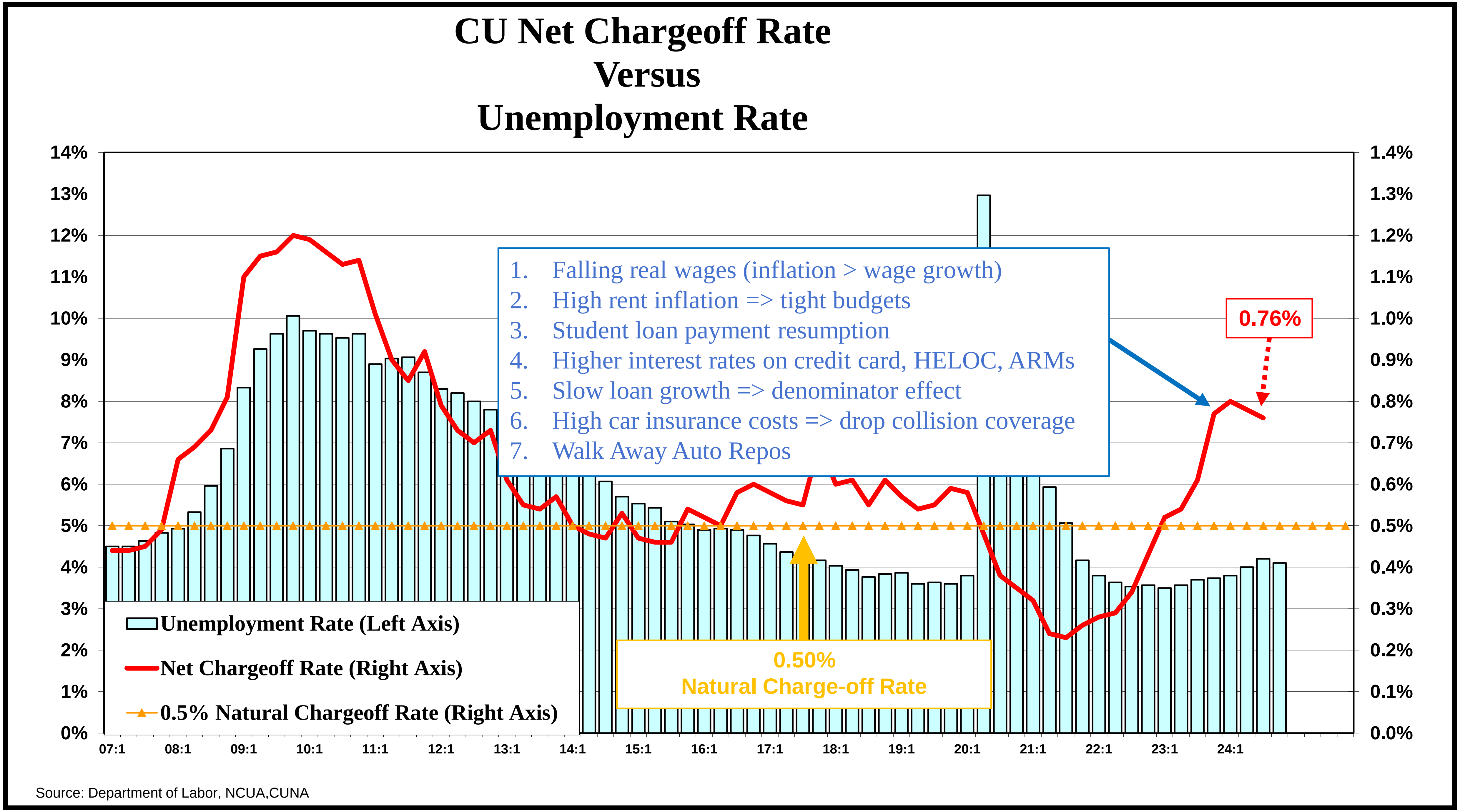
CU Net Chargeoff Rate
Versus
Unemployment Rate
14%
13%
12%
11%
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
1.4%
1.3%
1.2%
1.1%
1.0%
0.9%
0.8%
0.7%
0.6%
0.5%
0.4%
0.3%
0.2%
0.1%
0.0%
07:1
08:1
09:1
10:1
11:1
12:1
13:1
14:1
15:1
16:1
17:1
18:1
19:1
20:1
21:1
22:1
23:1
24:1
1. Falling real wages (inflation > wage growth)
2. High rent inflation => tight budgets
3. Student loan payment resumption
4. Higher interest rates on credit card, HELOC, ARMs
0.76%
0.50%
Natural Charge-off Rate
Unemployment Rate (Left Axis)
Net Chargeoff Rate (Right Axis)
0.5% Natural Chargeoff Rate (Right Axis)
Source: Department of Labor, NCUA,CUNA



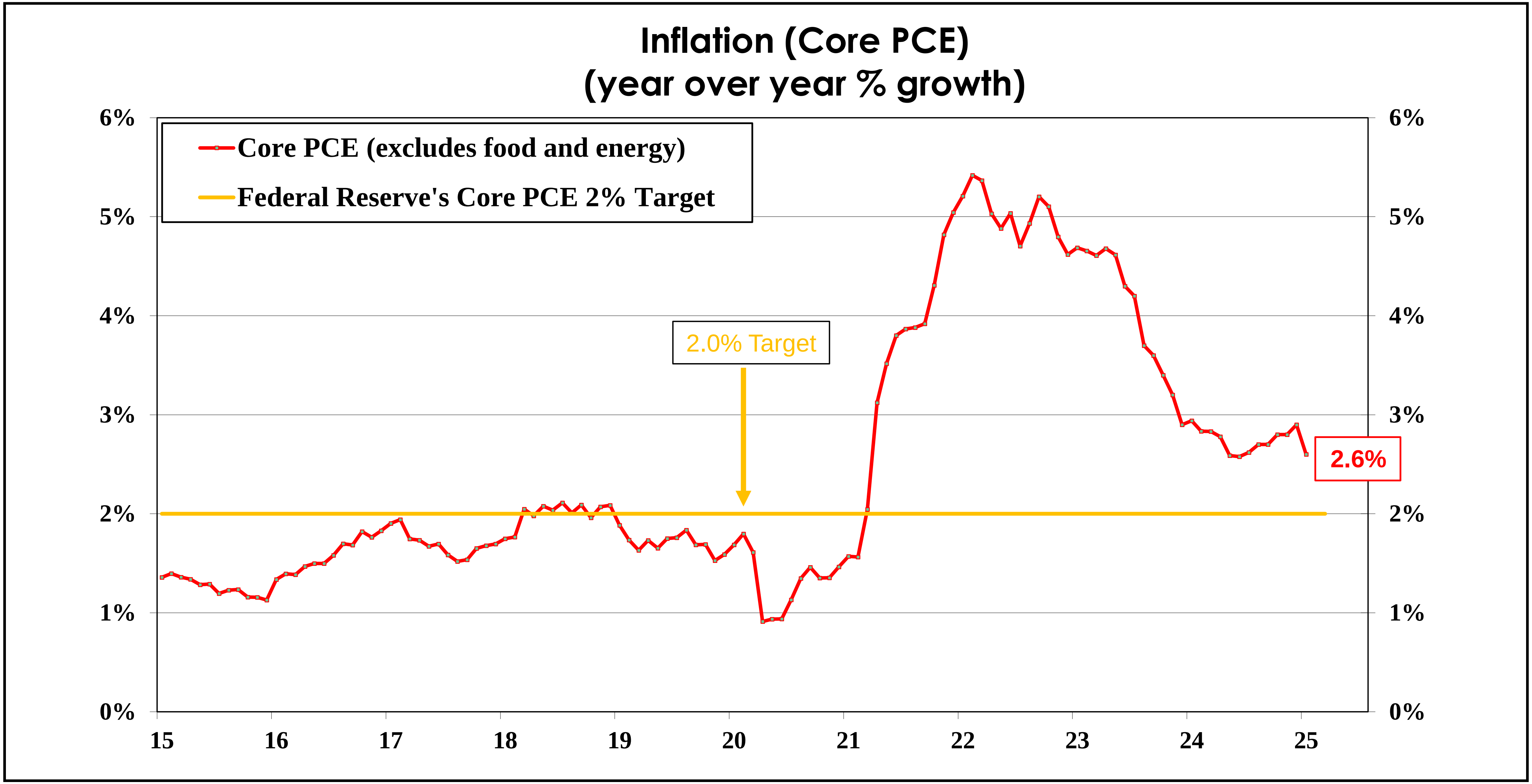
CU Net Chargeoff Rate
Versus
Unemployment Rate
14%
13%
12%
11%
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
1.4%
1.3%
1.2%
1.1%
1.0%
0.9%
0.8%
0.7%
0.6%
0.5%
0.4%
0.3%
0.2%
0.1%
0.0%
07:1
08:1
09:1
10:1
11:1
12:1
13:1
14:1
15:1
16:1
17:1
18:1
19:1
20:1
21:1
22:1
23:1
24:1
1. Falling real wages (inflation > wage growth)
2. High rent inflation => tight budgets
3. Student loan payment resumption
4. Higher interest rates on credit card, HELOC, ARMs
5. Slow loan growth => denominator effect
0.76%
0.50%
Natural Charge-off Rate
Unemployment Rate (Left Axis)
Net Chargeoff Rate (Right Axis)
0.5% Natural Chargeoff Rate (Right Axis)
Source: Department of Labor, NCUA,CUNA



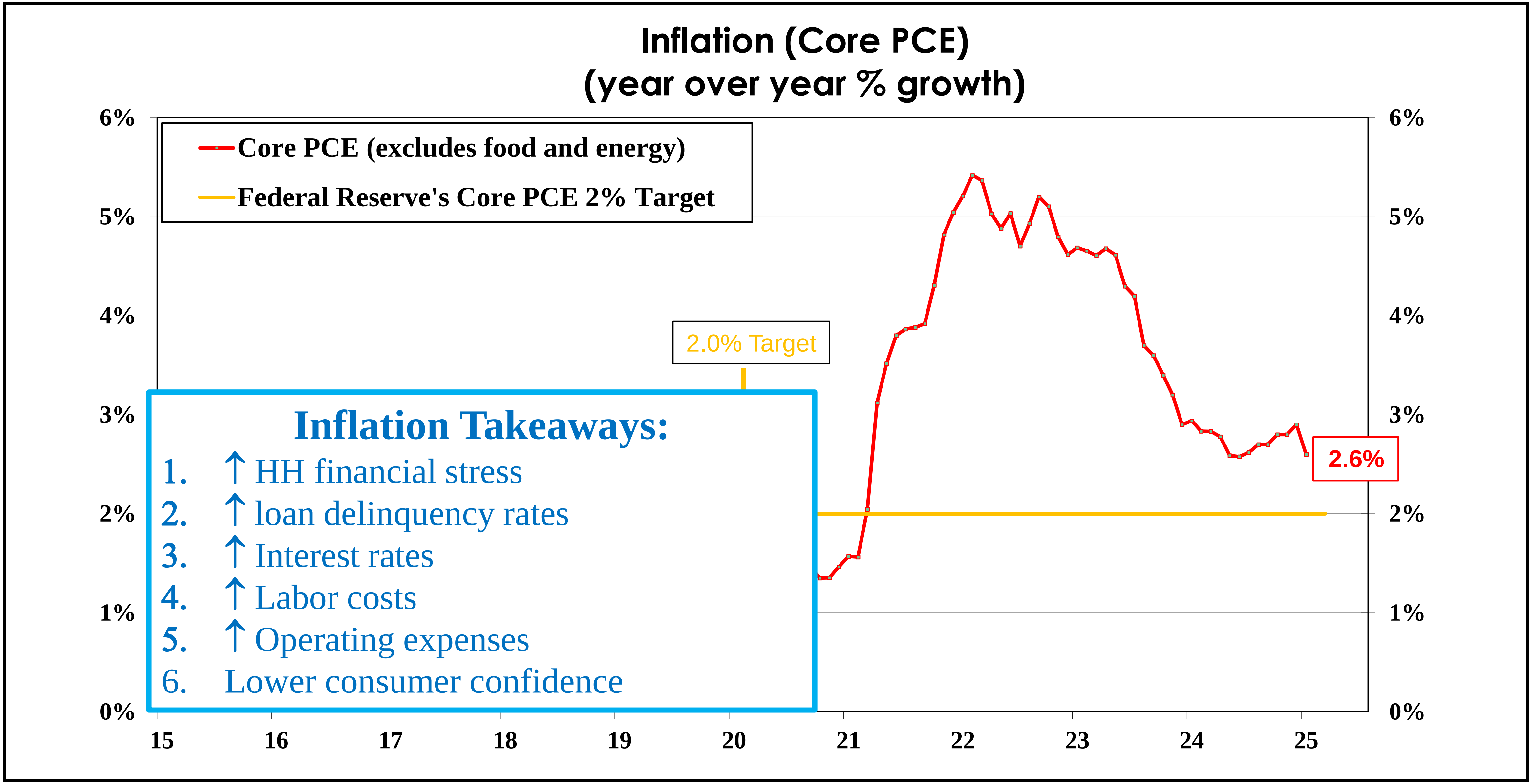
Source: Department of Labor, NCUA,CUNA


CU Net Chargeoff Rate
Versus
Unemployment Rate
14%
13%
12%
11%
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
1.4%
1.3%
1.2%
1.1%
1.0%
0.9%
0.8%
0.7%
0.6%
0.5%
0.4%
0.3%
0.2%
0.1%
0.0%
07:1
08:1
09:1
10:1
11:1
12:1
13:1
14:1
15:1
16:1
17:1
18:1
19:1
20:1
21:1
22:1
23:1
24:1
1. Falling real wages (inflation > wage growth)
2. High rent inflation => tight budgets
3. Student loan payment resumption
4. Higher interest rates on credit card, HELOC, ARMs
5. Slow loan growth => denominator effect
6. High car insurance costs => drop collision coverage
7. Walk Away Auto Repos
0.76%
0.50%
Natural Charge-off Rate
Unemployment Rate (Left Axis)
Net Chargeoff Rate (Right Axis)
0.5% Natural Chargeoff Rate (Right Axis)
Source: Department of Labor, NCUA,CUNA

Inflation Above 2% Target



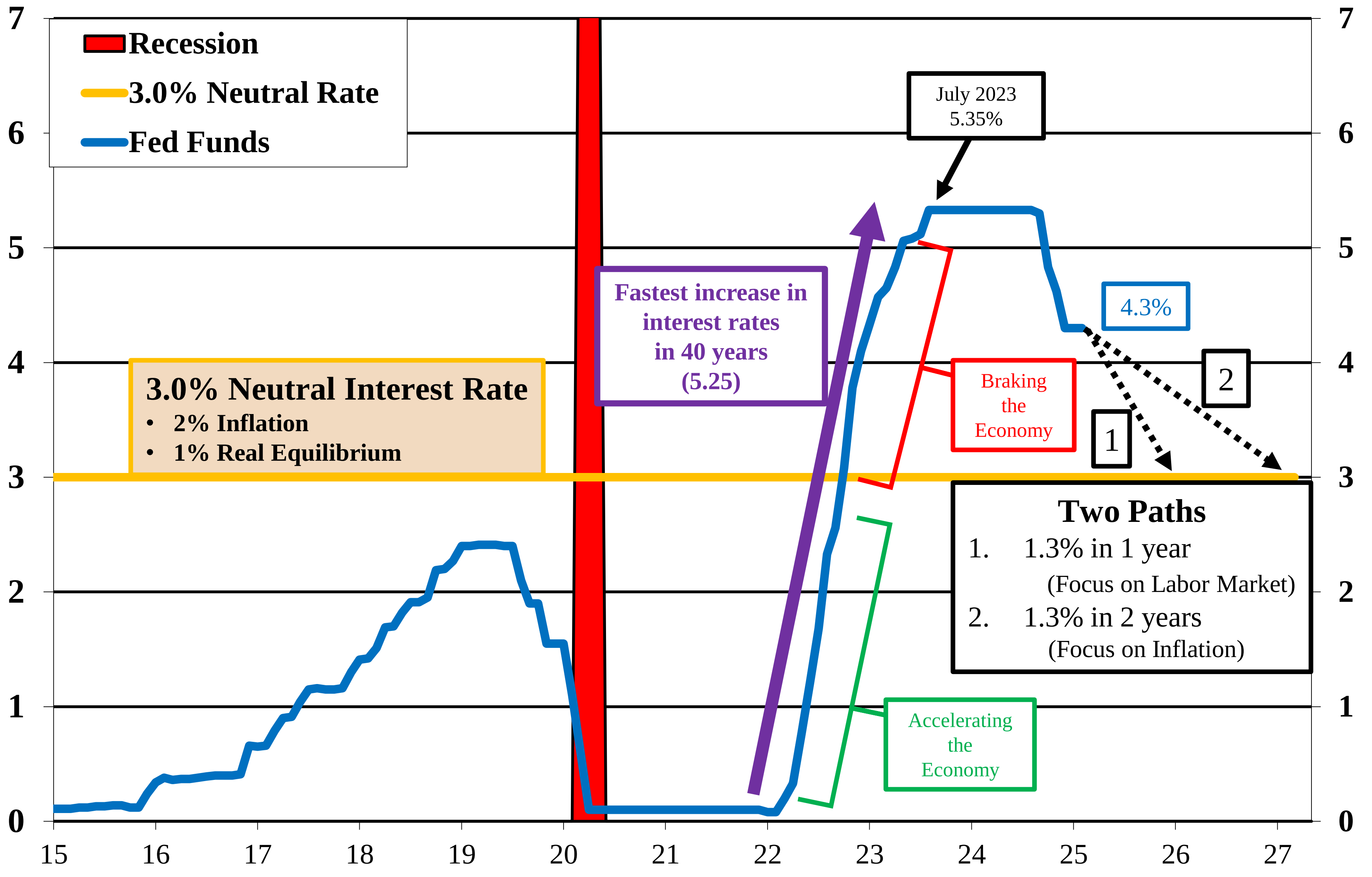
Inflation Above 2% Target

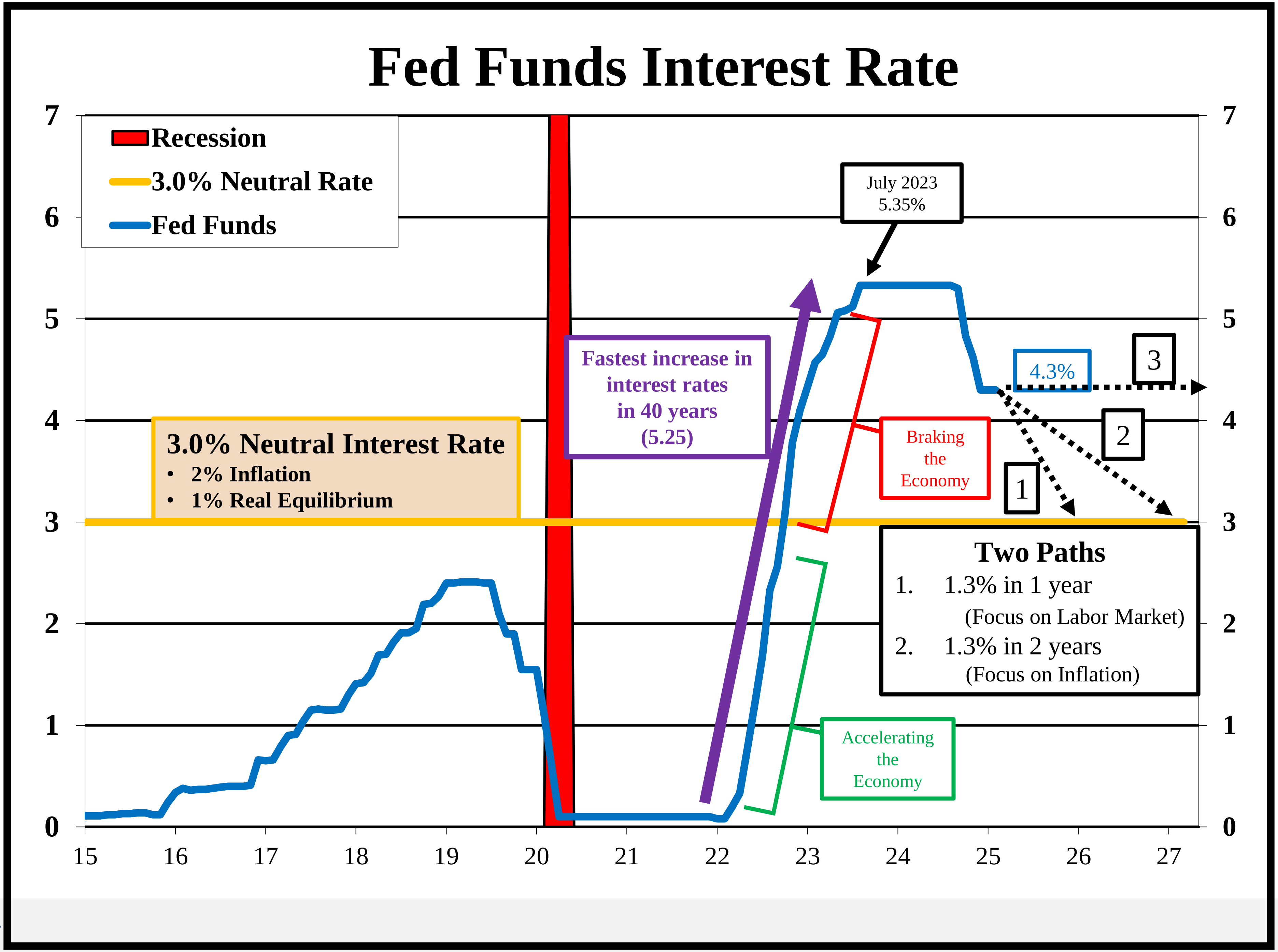


Inflation Takeaways:

1. ↑ HH financial stress
2. ↑ loan delinquency rates
3. ↑ Interest rates
4. ↑ Labor costs
5. ↑ Operating expenses
6. Lower consumer confidence

Fed Funds Interest Rate





Fed Funds Interest Rate
Recession
3.0% Neutral Rate
Fed Funds
July 2023
5.35%
Fastest increase in interest rates in 40 years (5.25)
4.3%
3
2
1
Braking the Economy
3.0% Neutral Interest Rate
• 2% Inflation
• 1% Real Equilibrium
Two Paths
1. 1.3% in 1 year (Focus on Labor Market)
2. 1.3% in 2 years (Focus on Inflation)
Accelerating the Economy
7
6
5
4
3
2
1
0
15
16
17
18
19
20
21
22
23
24
25
26
27

Credit Union Balance Sheet

Credit Union Balance Sheet

Assets

Credit Union Balance Sheet

Assets	Liabilities + Capital

Credit Union Balance Sheet

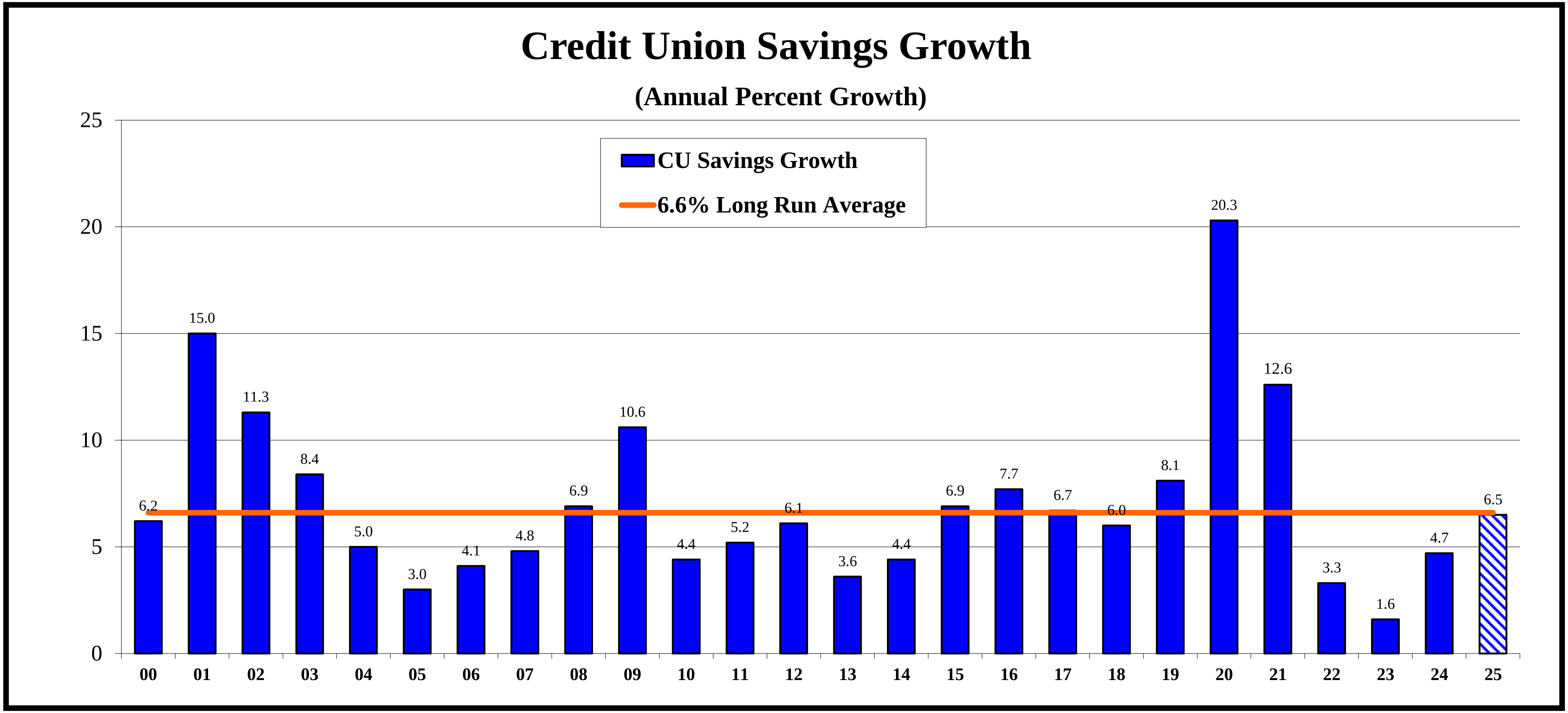
Assets

Liabilities + Capital

Deposits

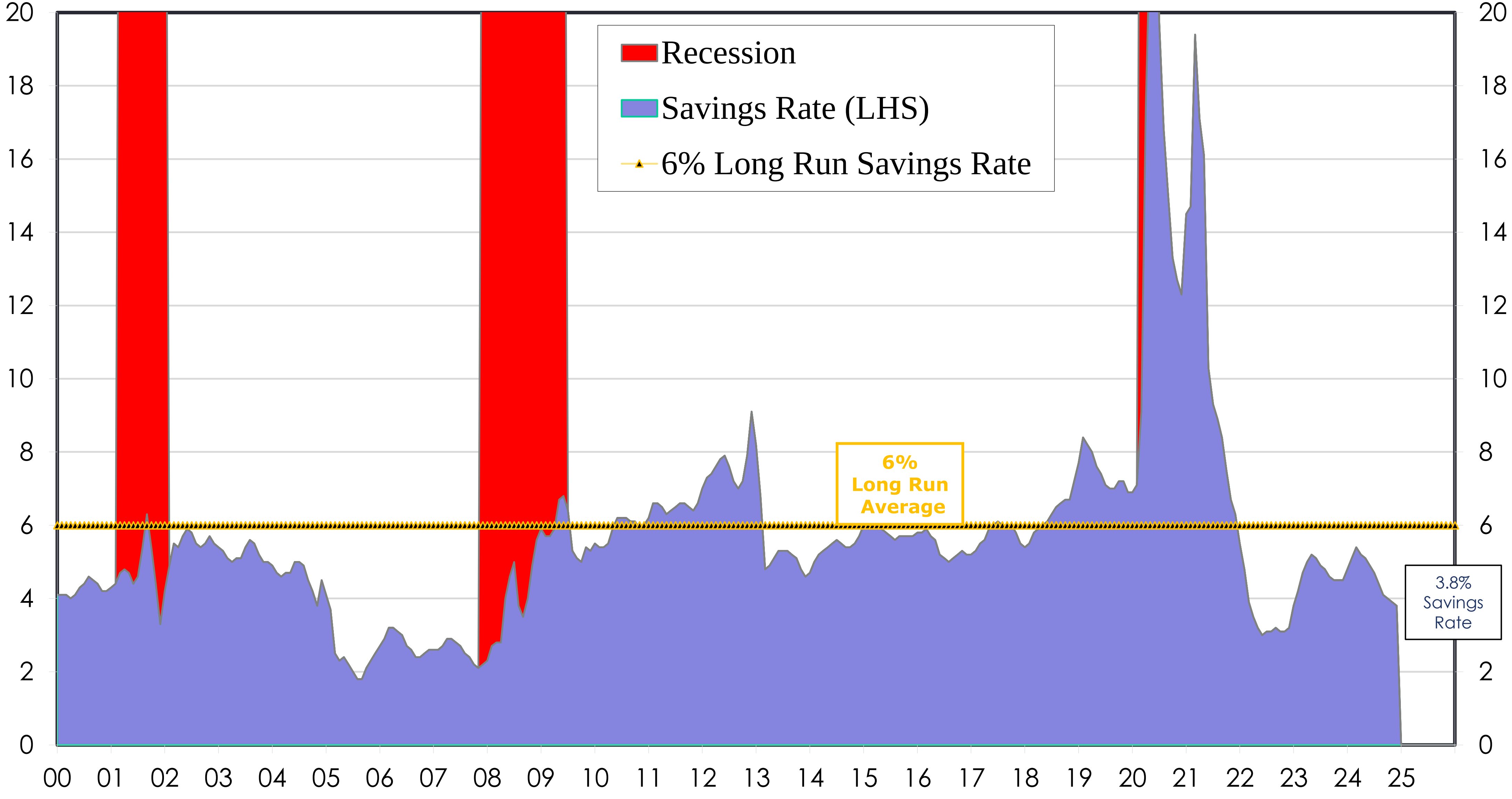
- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

Slow Credit Union Savings Growth

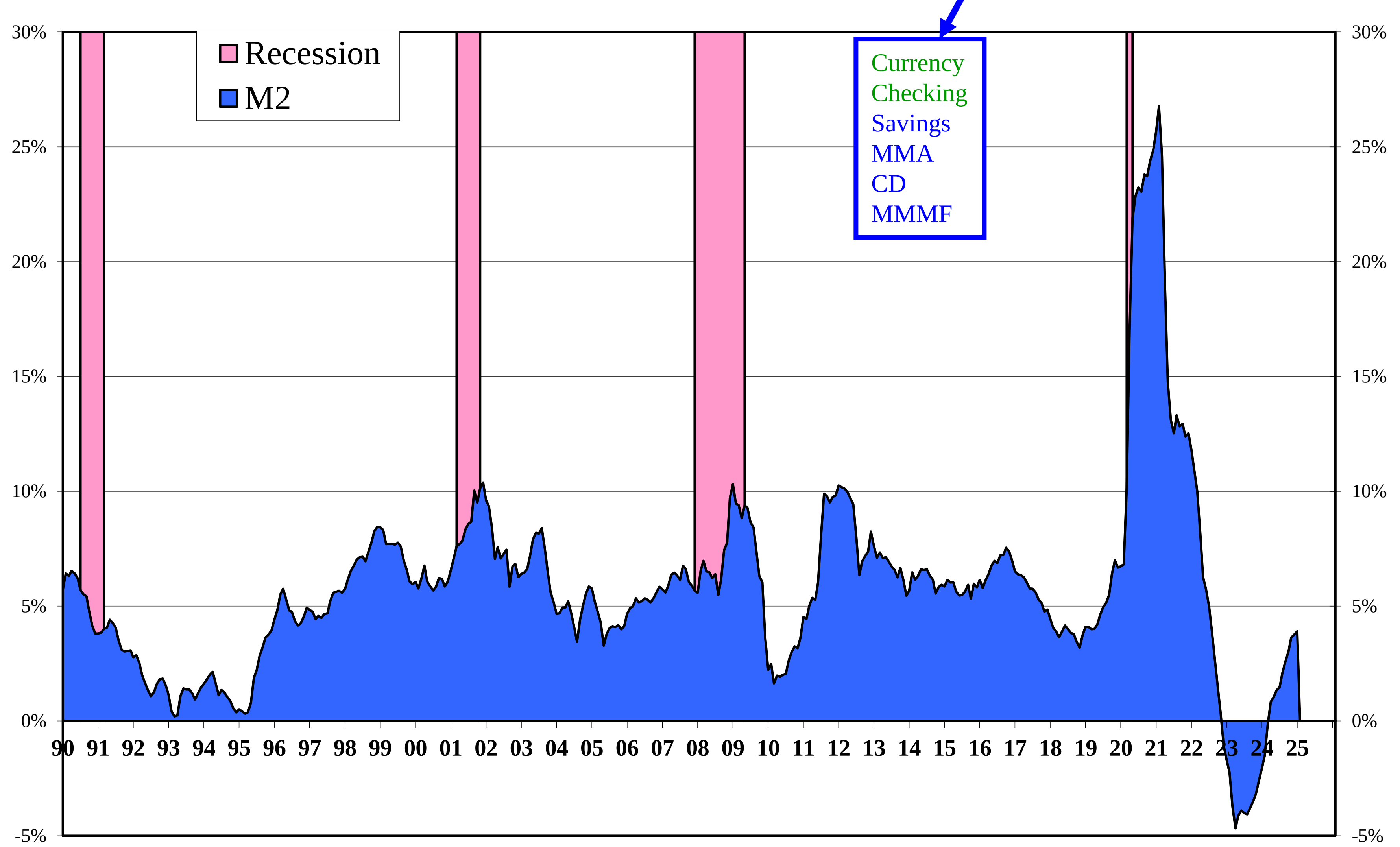


Personal Savings Rate

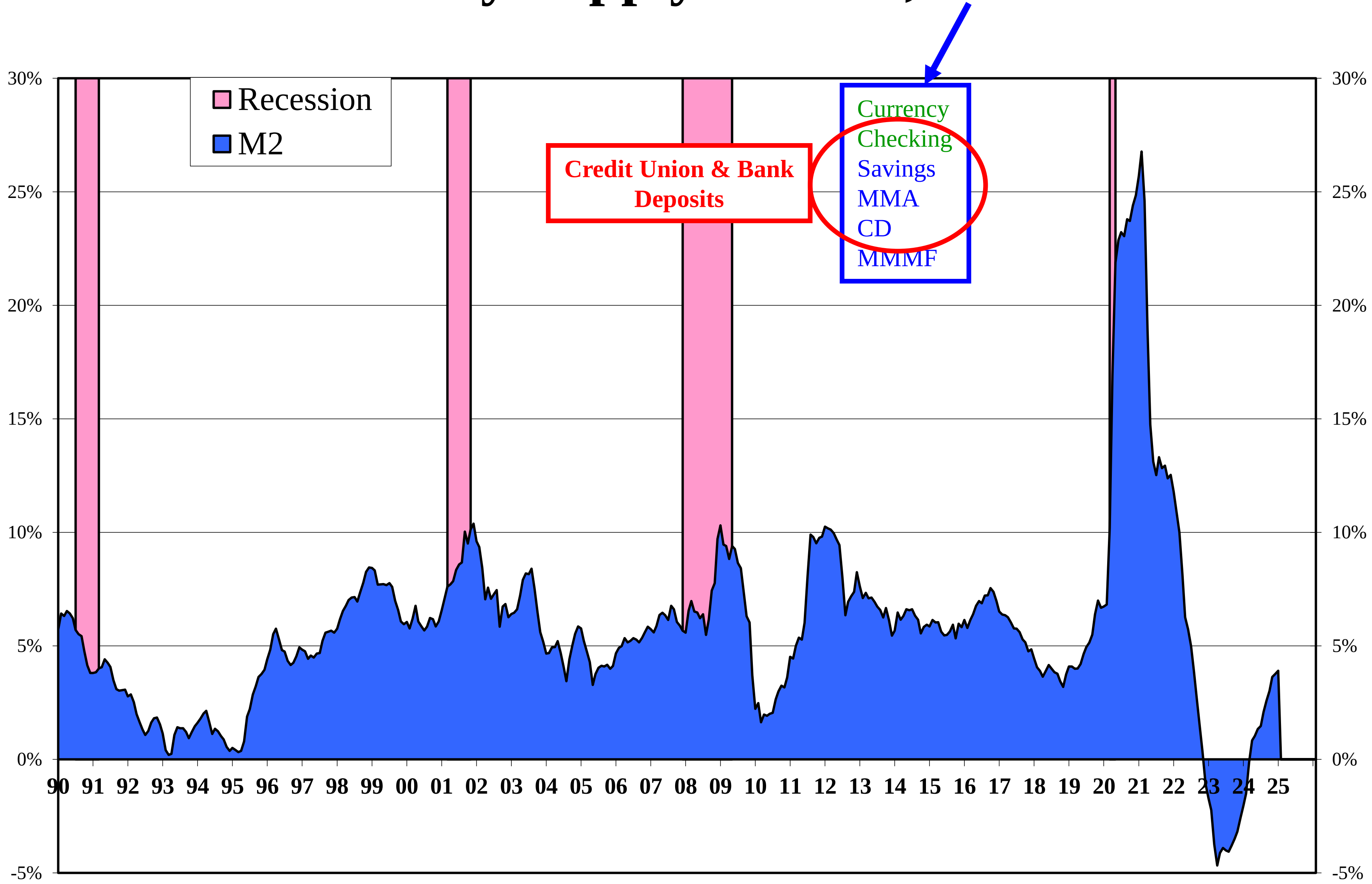
[3-month moving average (Personal Savings/DPI)]



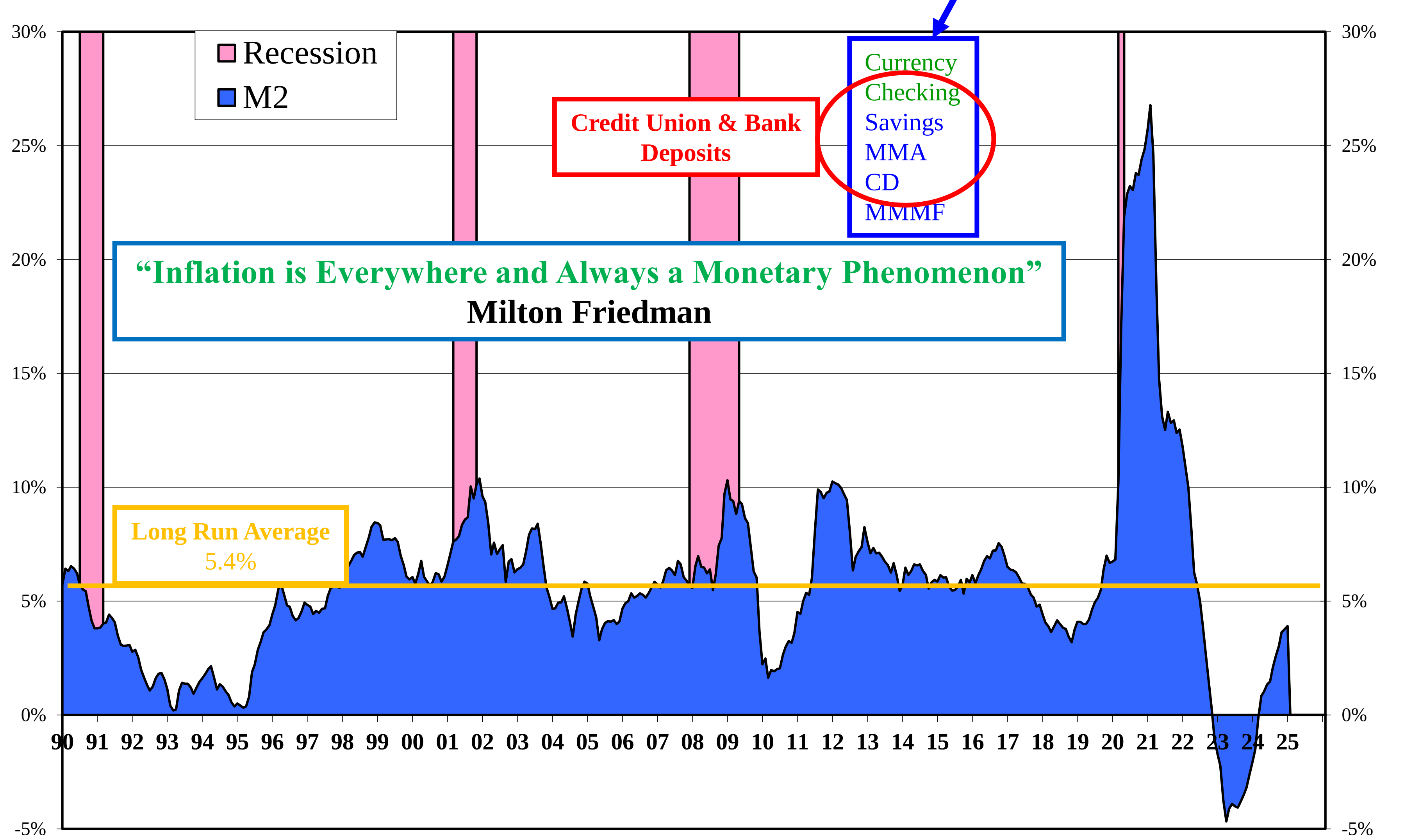
Money Supply Growth, M2



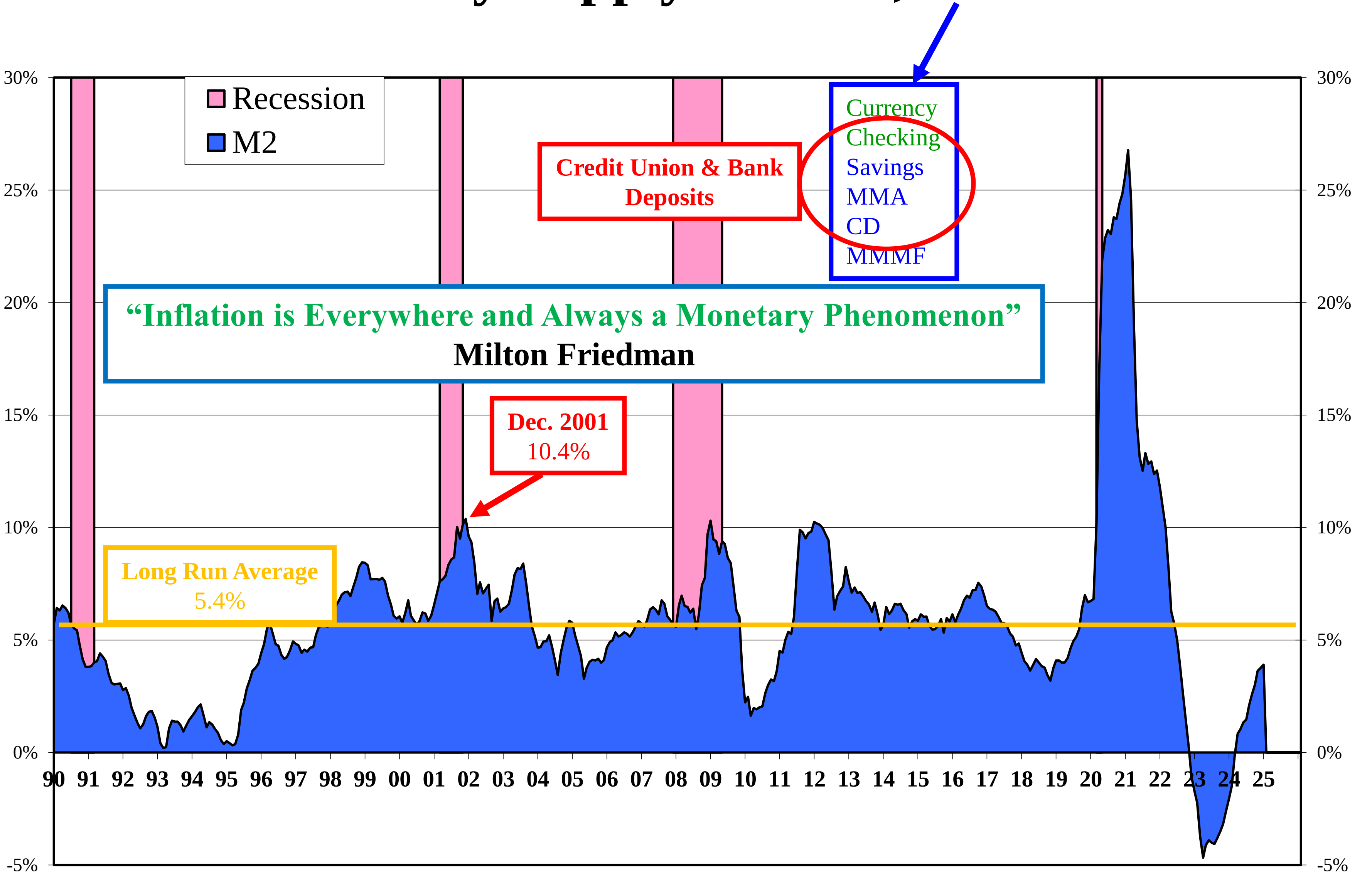
Money Supply Growth, M2

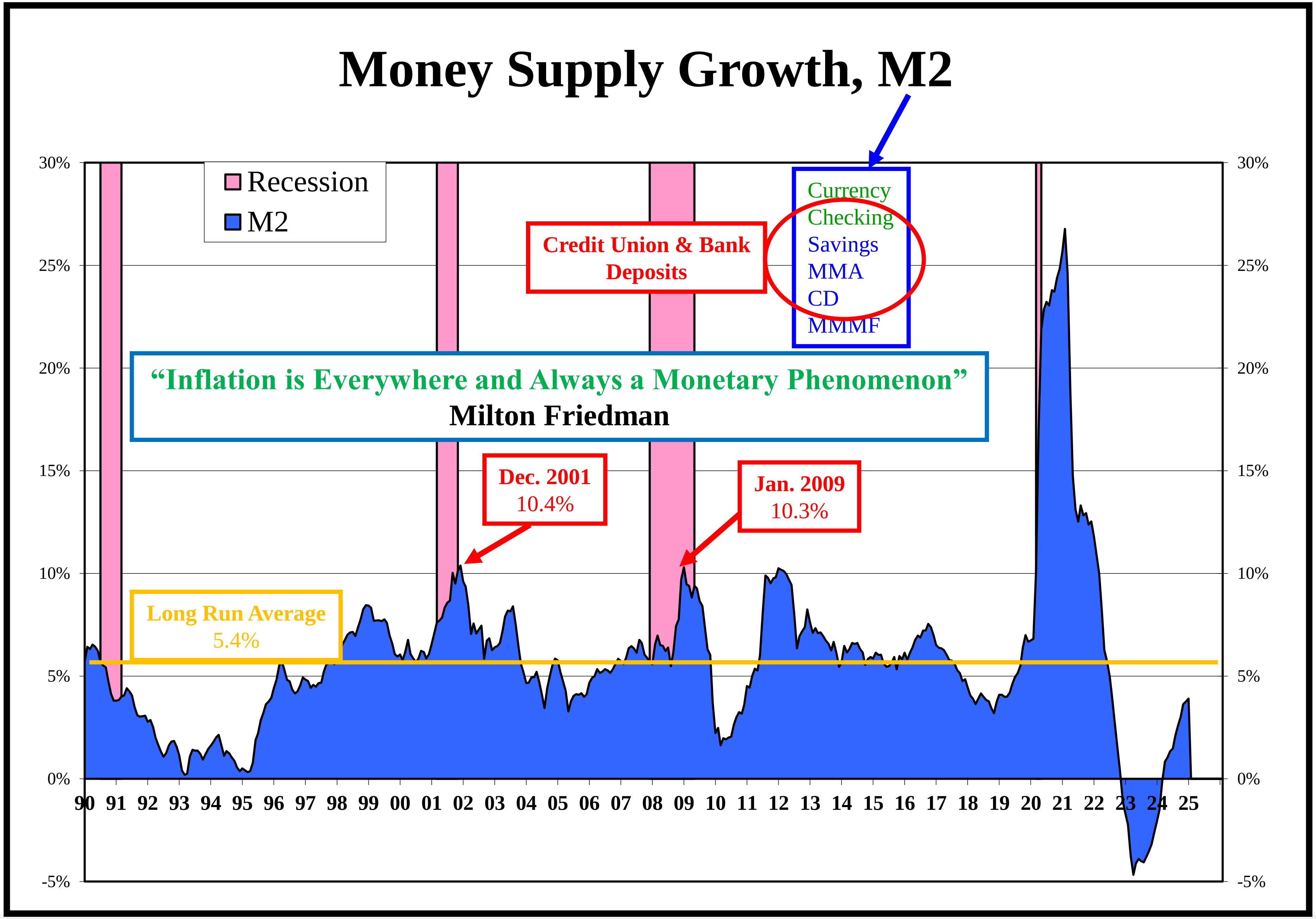


Money Supply Growth, M2



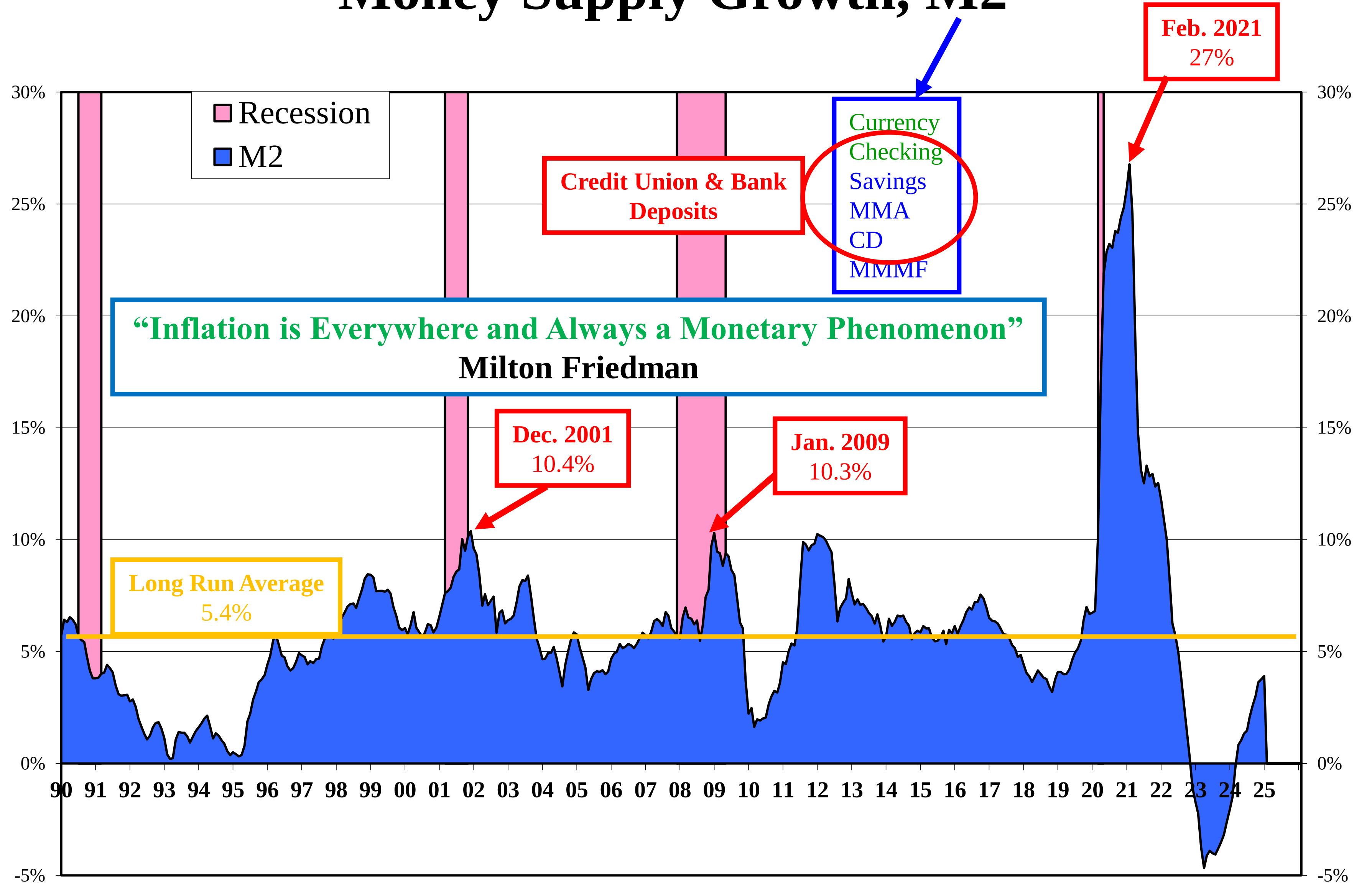
Money Supply Growth, M2

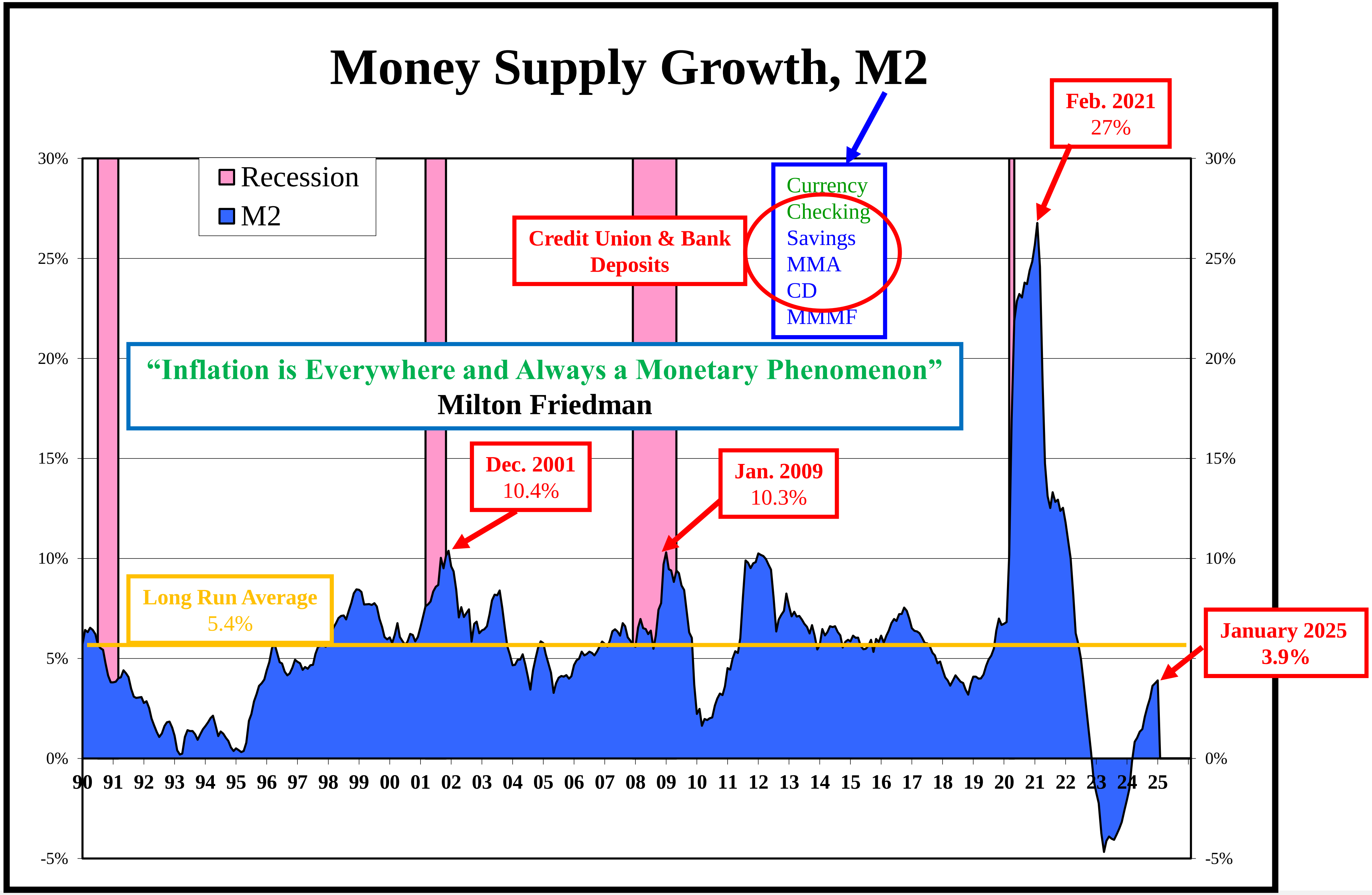


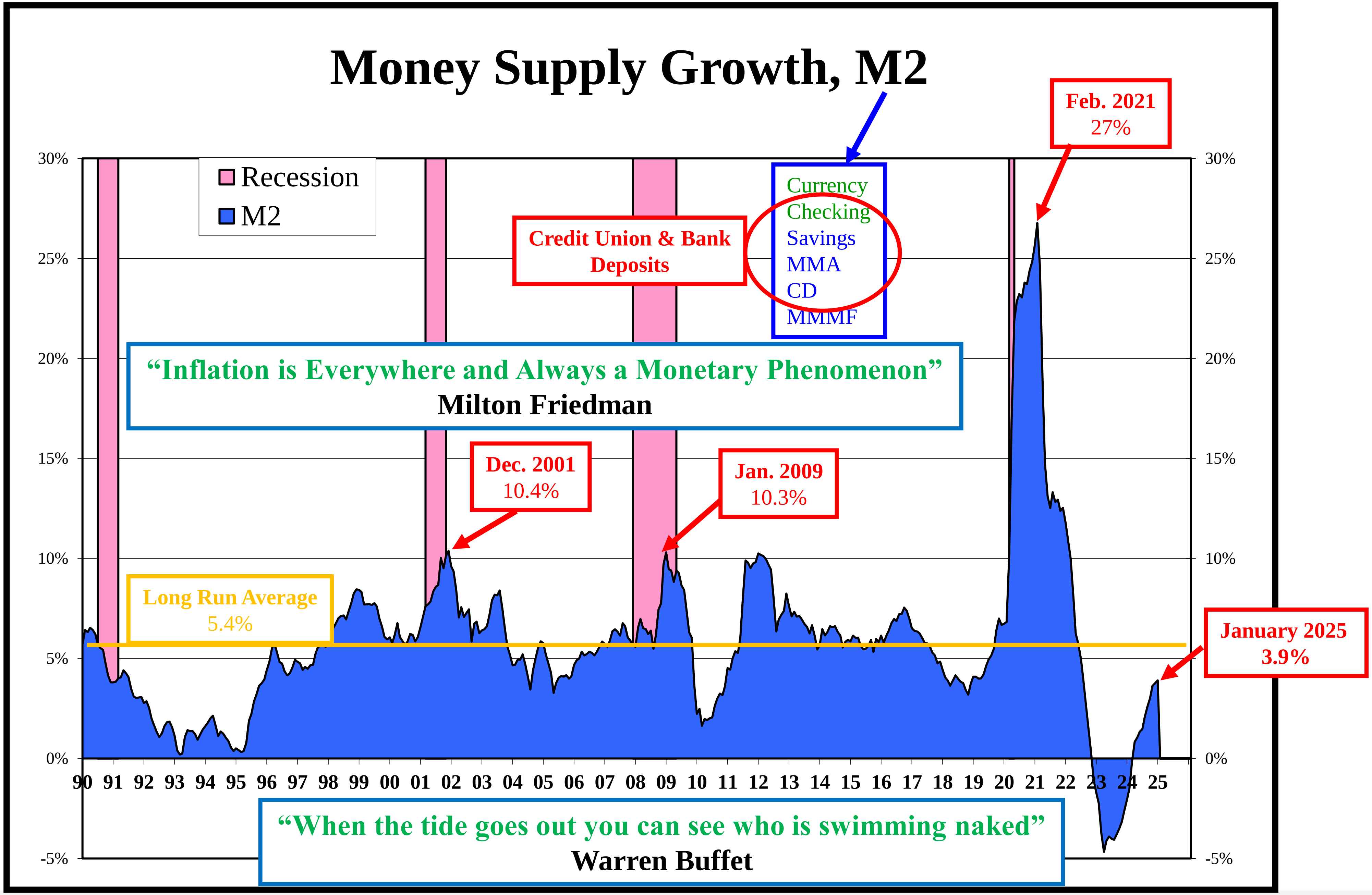


Money Supply Growth, M2
Recession
M2
Credit Union & Bank Deposits
Currency
Checking
Savings
MMA
CD
MMMF
“Inflation is Everywhere and Always a Monetary Phenomenon”
Milton Friedman
Dec. 2001
10.4%
Jan. 2009
10.3%
Long Run Average
5.4%
30%
25%
20%
15%
10%
5%
0%
-5%
90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25

Money Supply Growth, M2




Money Supply Growth, M2
Recession
M2
Credit Union & Bank Deposits
Currency
Checking
Savings
MMA
CD
MMMF
Feb. 2021
27%
"Inflation is Everywhere and Always a Monetary Phenomenon"
Milton Friedman
Dec. 2001
10.4%
Jan. 2009
10.3%
Long Run Average
5.4%
January 2025
3.9%
30%
25%
20%
15%
10%
5%
0%
-5%
90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25



Money Supply Growth, M2
Recession
M2
Credit Union & Bank Deposits
Currency
Checking
Savings
MMA
CD
MMMF
Feb. 2021
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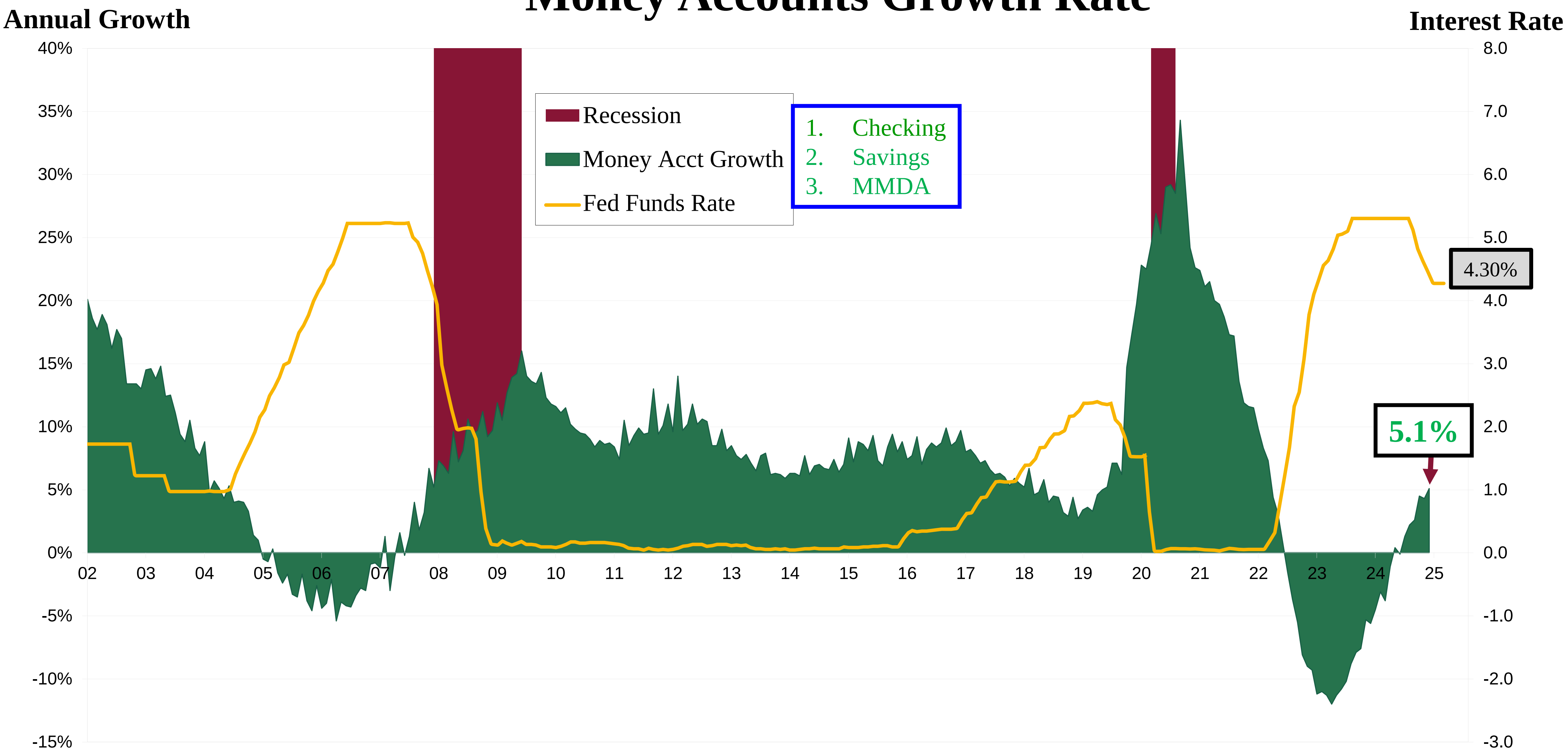
15%
10%
5%
0%
-5%
90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25
"When the tide goes out you can see who is swimming naked"
Warren Buffet

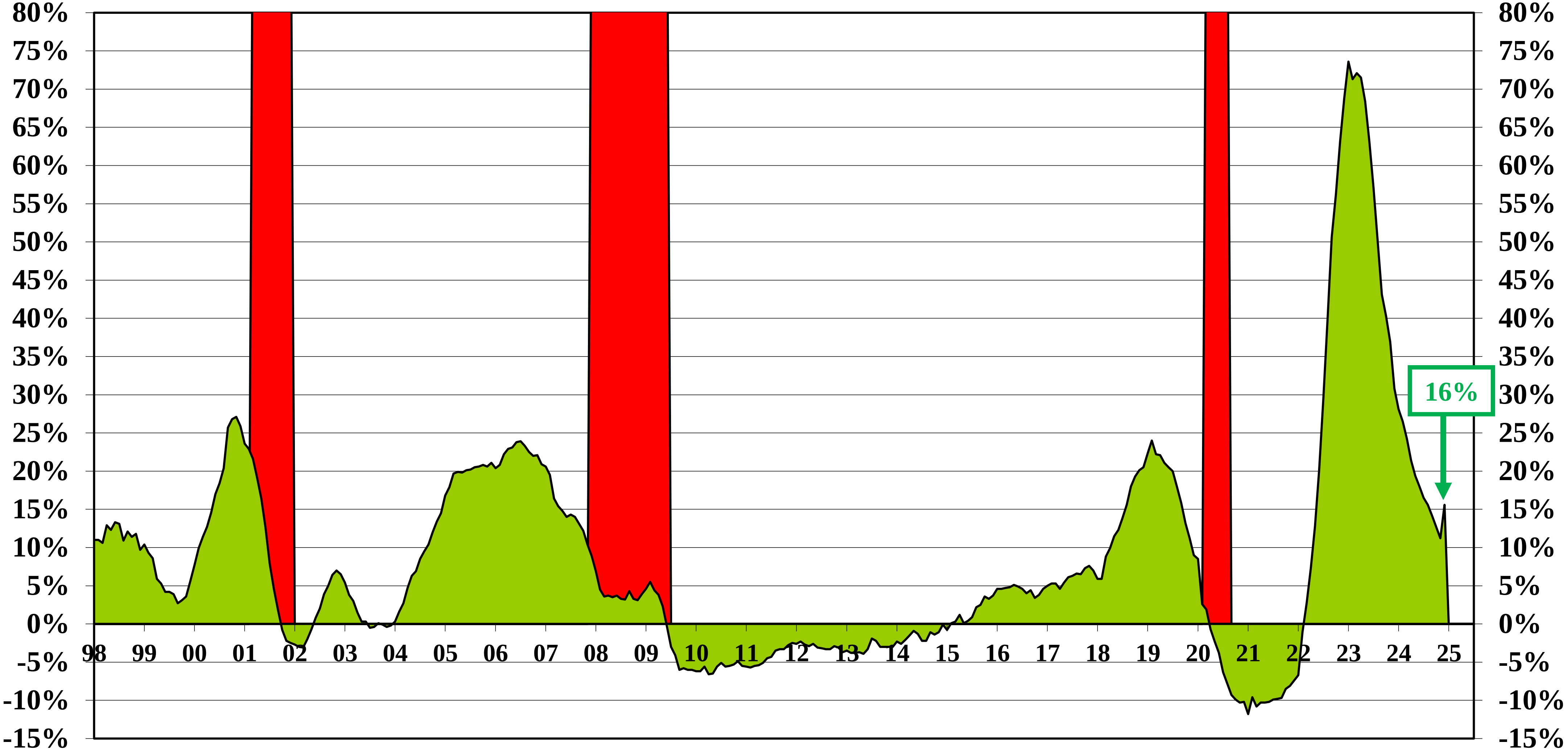
TruStage

Money Accounts Growth Rate



CU Share Certificate Growth

Seasonally Adjusted
Annualized Growth Rate



Credit Union Balance Sheet

Assets

Liabilities + Capital

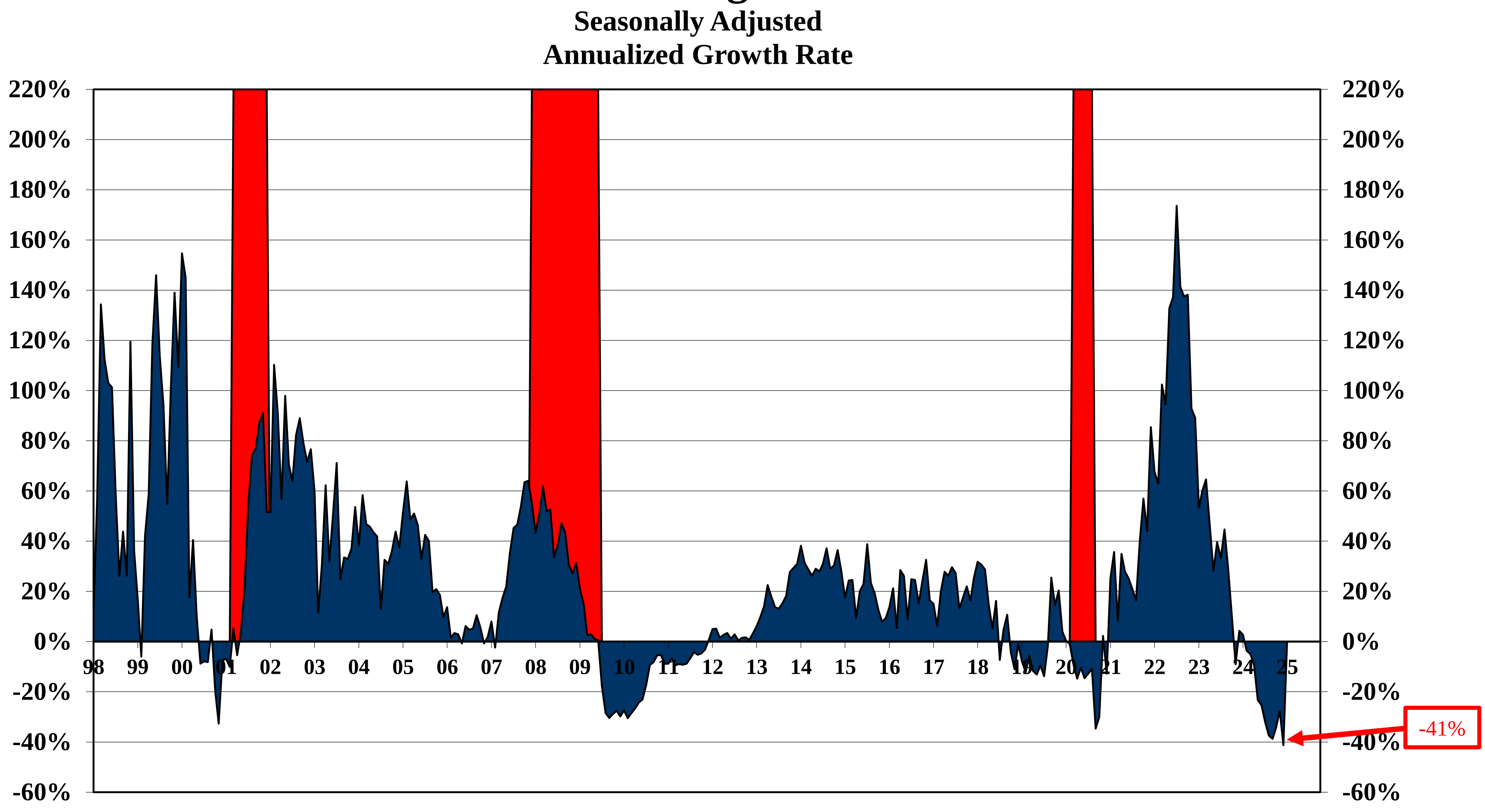
Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

Borrowings

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

CU Borrowings Growth



Credit Union Balance Sheet

Assets	Liabilities + Capital
	Deposits • Checking Accounts • Savings • Money Market Deposits • Certificates of Deposits
	Borrowings • Federal Home Loan Bank • Corporate Line of Credit • Fed Funds Purchased • Bank Term Funding Program
	Equity (Net Capital) 1. Undivided Earnings 2. Regular Reserves 3. Gains (losses) on Available For Sale (AFS) Securities

Credit Union Balance Sheet

Assets

Liabilities + Capital

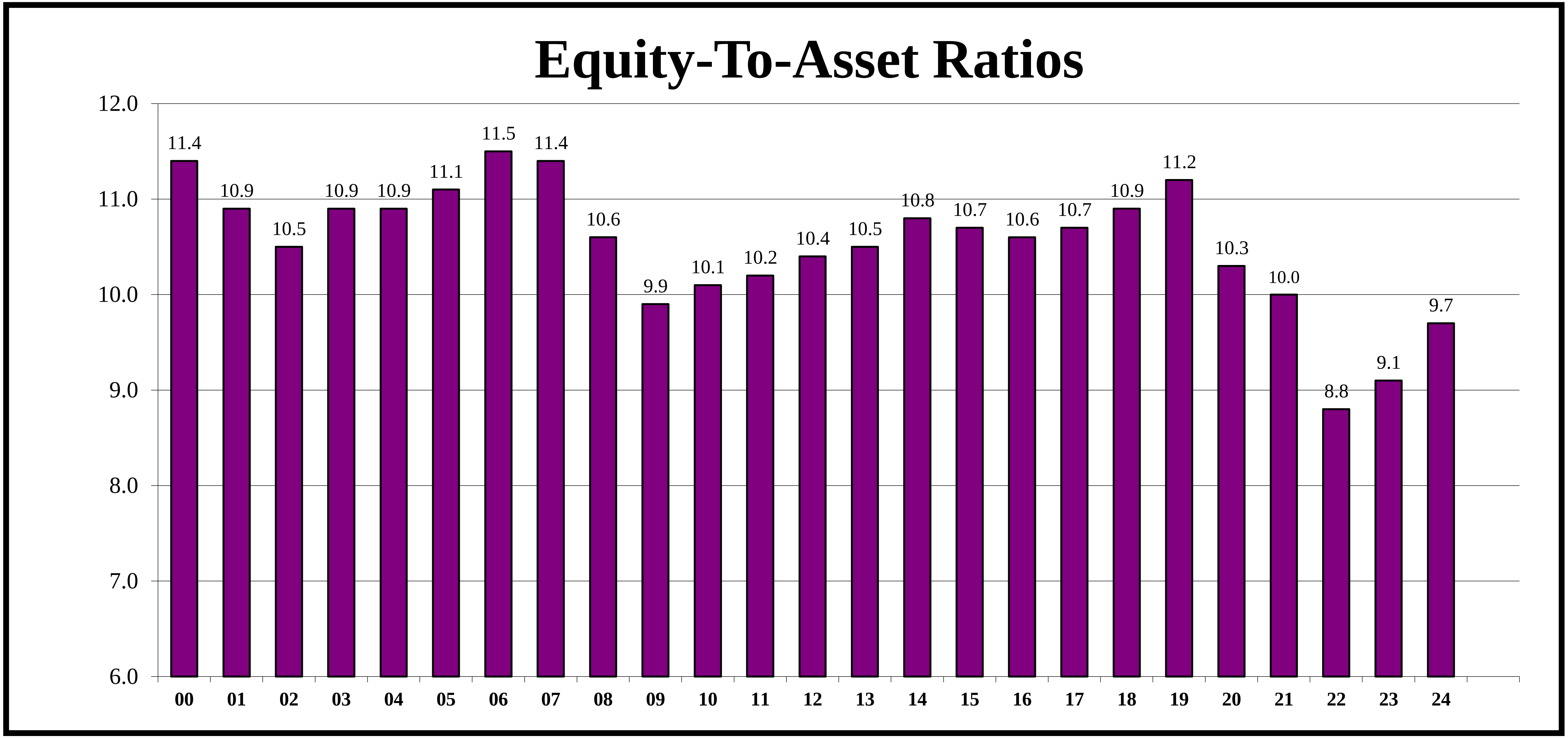
Deposits
- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

Borrowings
- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

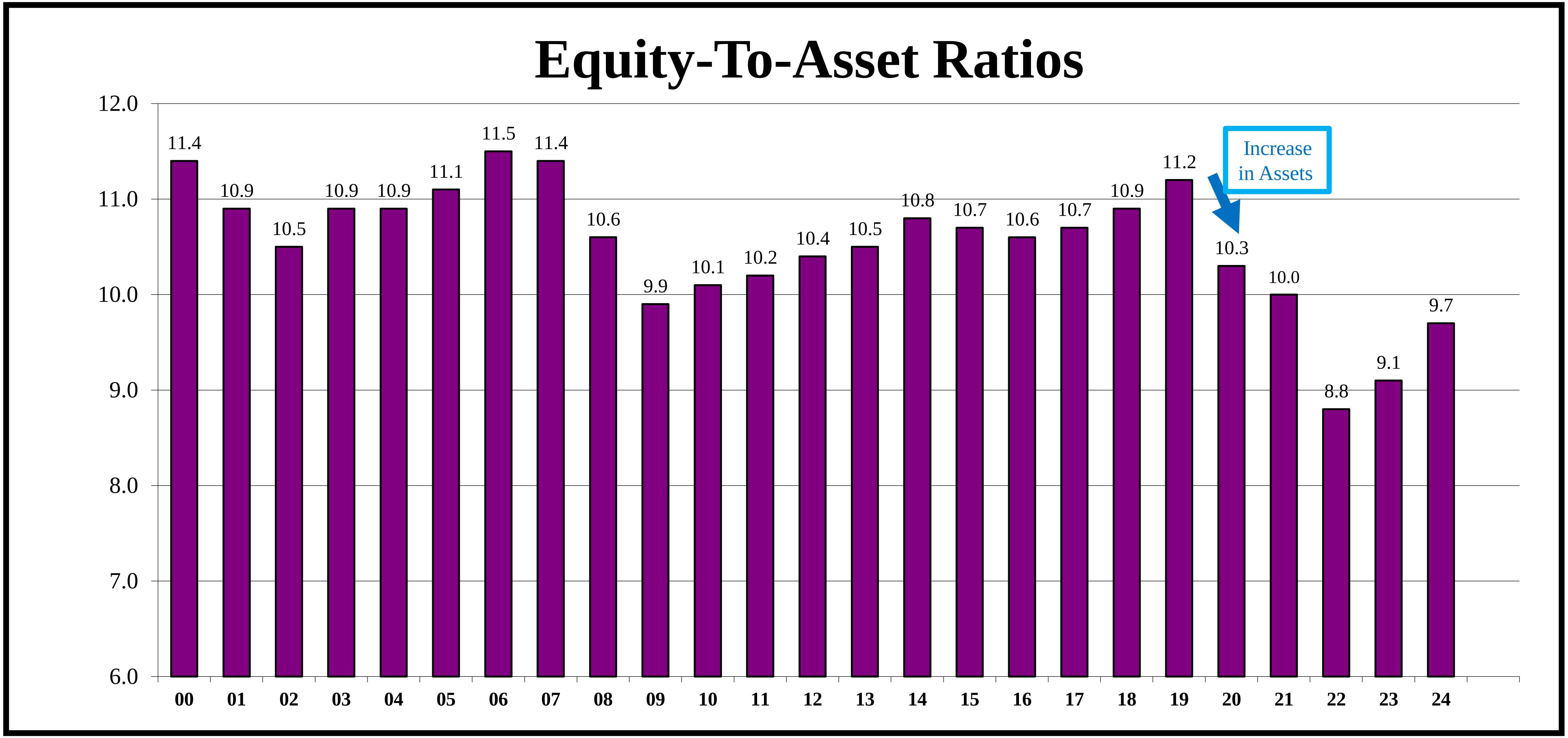
Equity (Net Capital)
1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

-4% of Investments

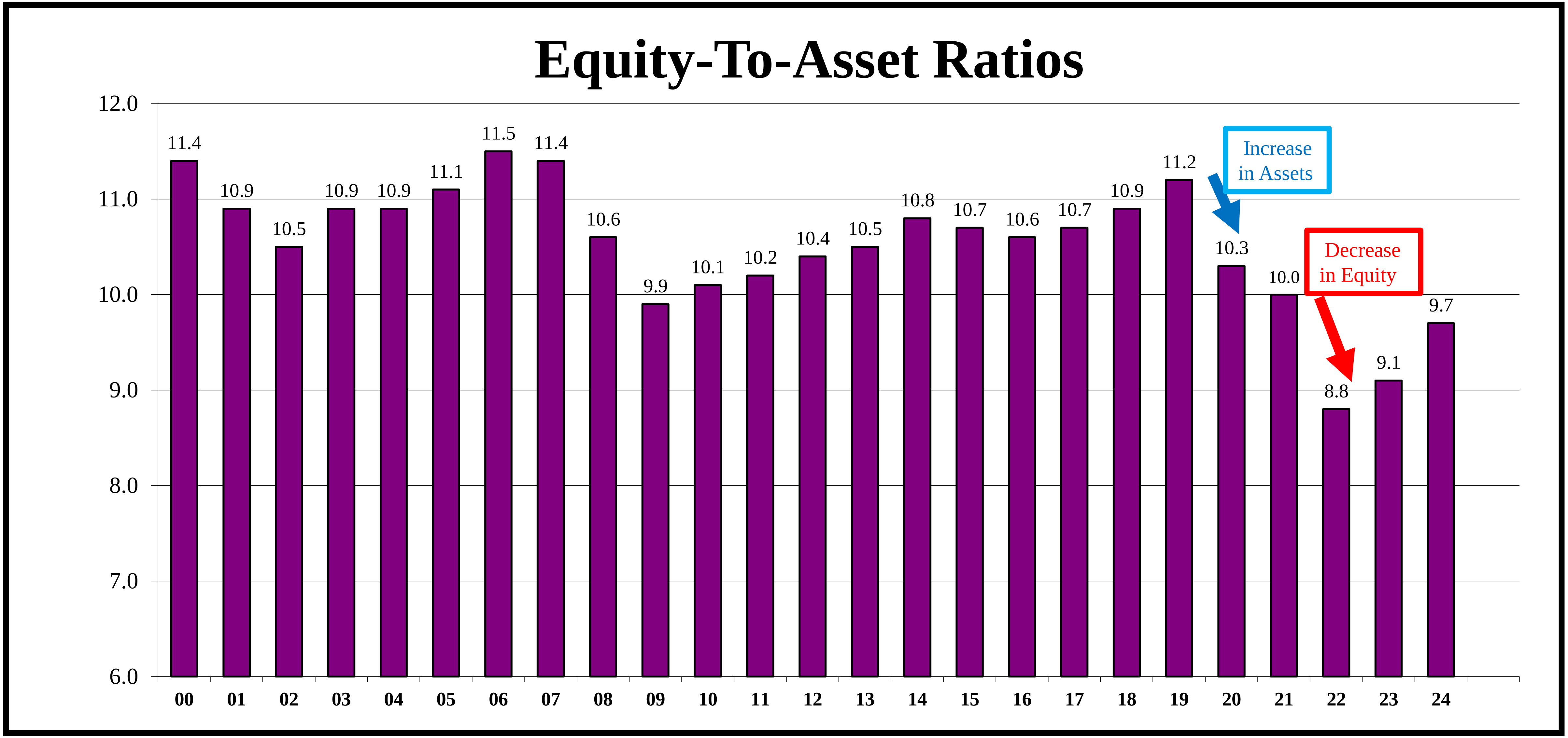
Falling Equity Ratios



Falling Equity Ratios



Falling Equity Ratios



Credit Union Balance Sheet

Assets

Liabilities + Capital

Assets	Liabilities + Capital
Cash (Reserves)	**Deposits** • Checking Accounts • Savings • Money Market Deposits • Certificates of Deposits
	Borrowings • Federal Home Loan Bank • Corporate Line of Credit • Fed Funds Purchased • Bank Term Funding Program
	Equity (Net Capital) 1. Undivided Earnings 2. Regular Reserves 3. Gains (losses) on Available For Sale (AFS) Securities

-4% of Investments

Credit Union Balance Sheet

Assets	Liabilities + Capital
Cash (Reserves)	**Deposits** • Checking Accounts • Savings • Money Market Deposits • Certificates of Deposits
Fixed Assets • Land • Building • Equipment	**Borrowings** • Federal Home Loan Bank • Corporate Line of Credit • Fed Funds Purchased • Bank Term Funding Program
	Equity (Net Capital) 1. Undivided Earnings 2. Regular Reserves 3. Gains (losses) on Available For Sale (AFS) Securities

-4% of Investments

Credit Union Balance Sheet

Assets

Cash (Reserves)

Fixed Assets
- Land
- Building
- Equipment

Investments
- < 1 year maturity 50%
- 1–3 year maturity 19%
- > 3-year maturity 31%

Liabilities + Capital

Deposits
- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

Borrowings
- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

Equity (Net Capital)
1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

-4% of Investments

Credit Union Balance Sheet

Assets

Cash (Reserves)

Fixed Assets
- Land
- Building
- Equipment

Investments
- < 1 year maturity 50%
- 1–3 year maturity 19%
- > 3-year maturity 31%

-4% of Investments

Liabilities + Capital

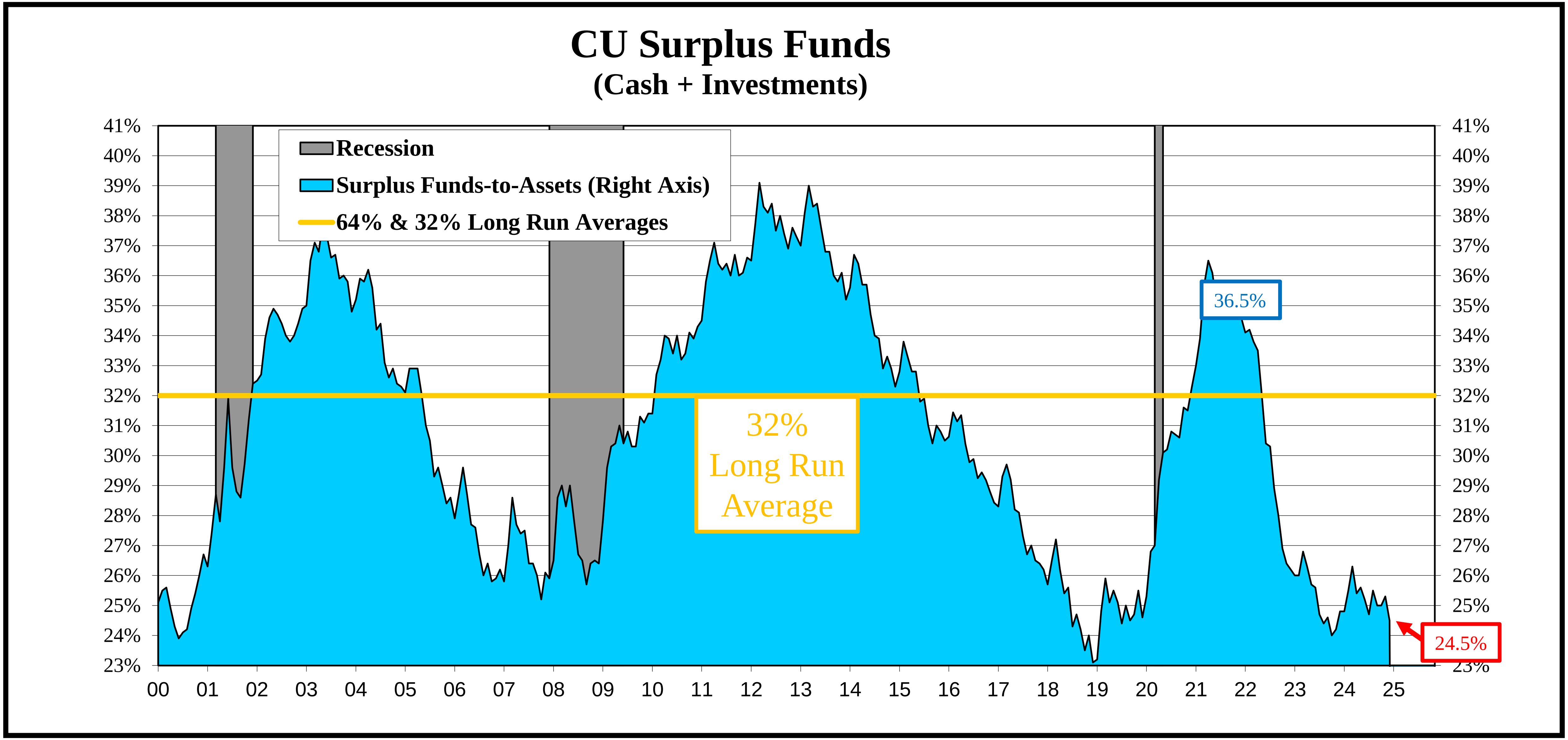
Deposits
- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

Borrowings
- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

Equity (Net Capital)
1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

-4% of Investments

Investments Are Falling and Yields Are Rising



Credit Union Balance Sheet

Assets

Cash (Reserves)

Fixed Assets
- Land
- Building
- Equipment

Investments
- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

Loans
- Commercial
- Auto
- Home
- Credit Card

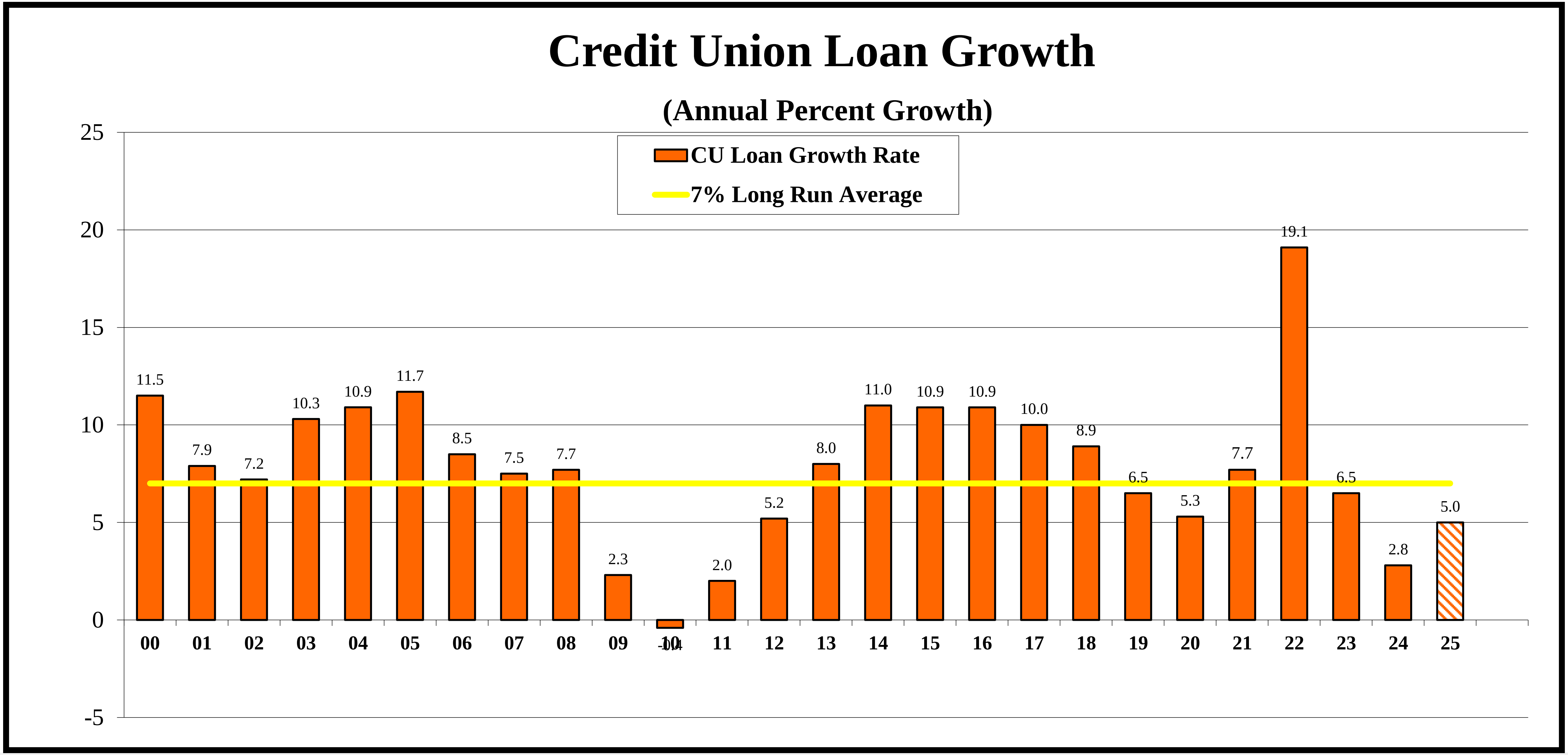
Liabilities + Capital

Deposits
- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

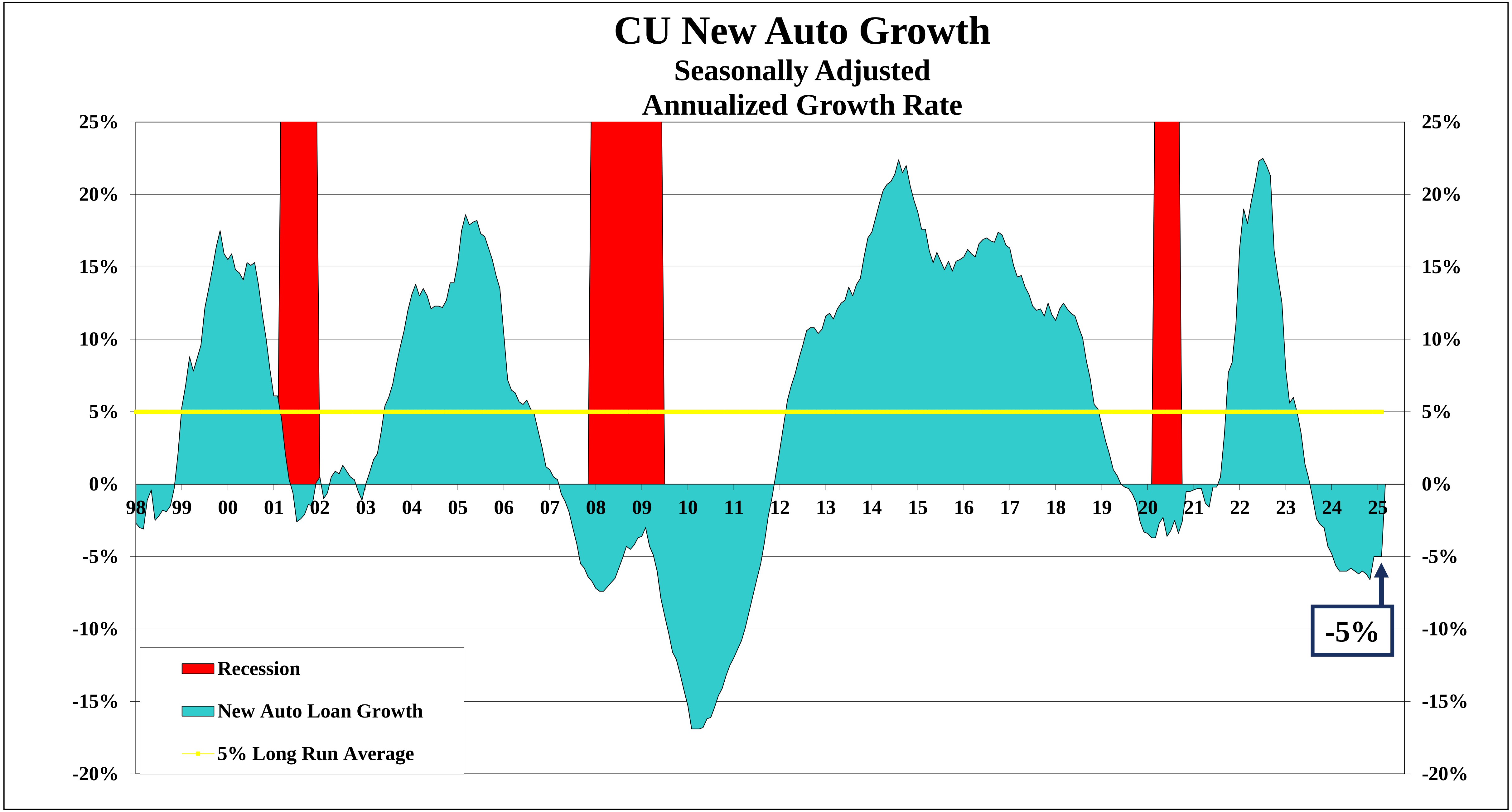
Borrowings
- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

Equity (Net Capital)
1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

Slow Credit Union Loan Growth



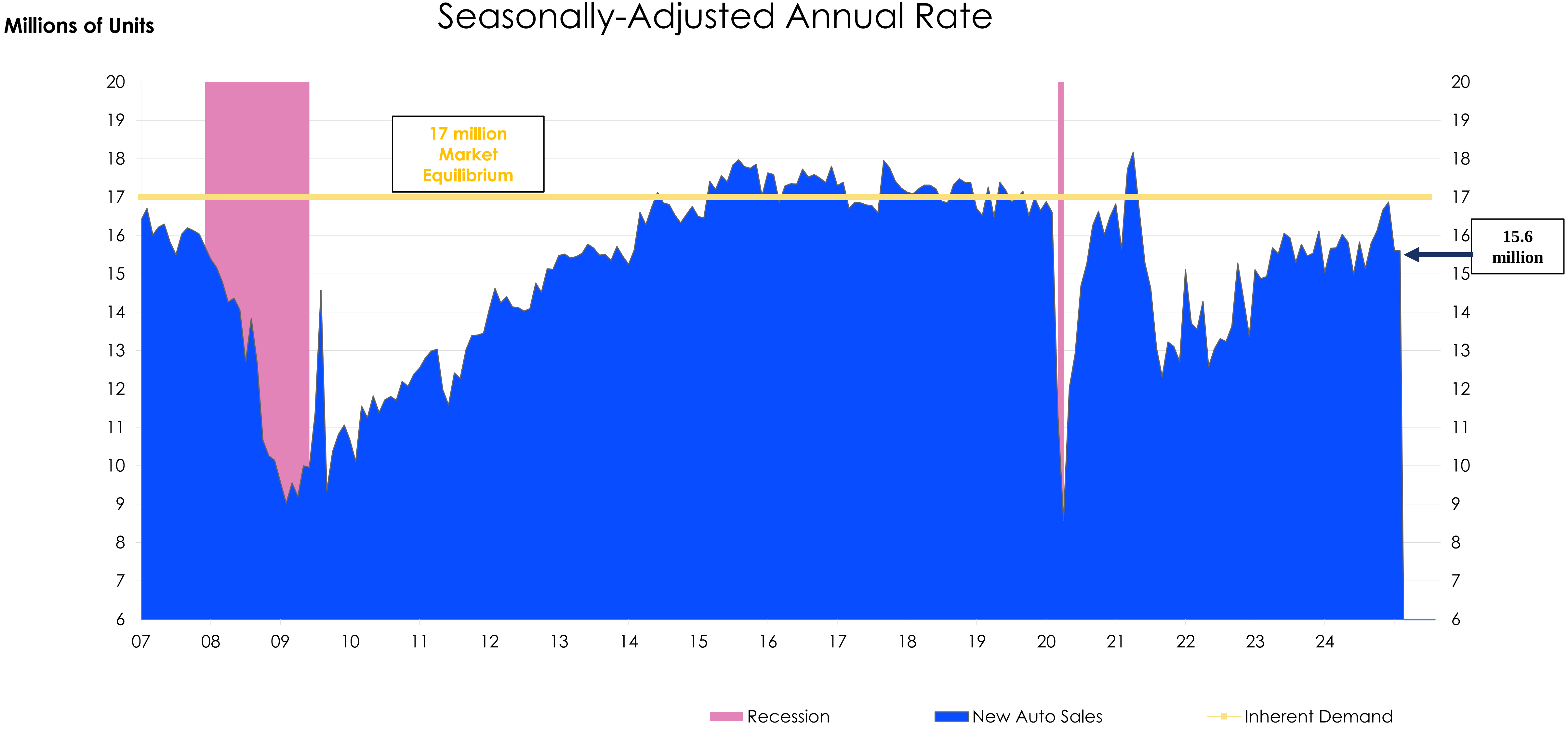
TruStage™



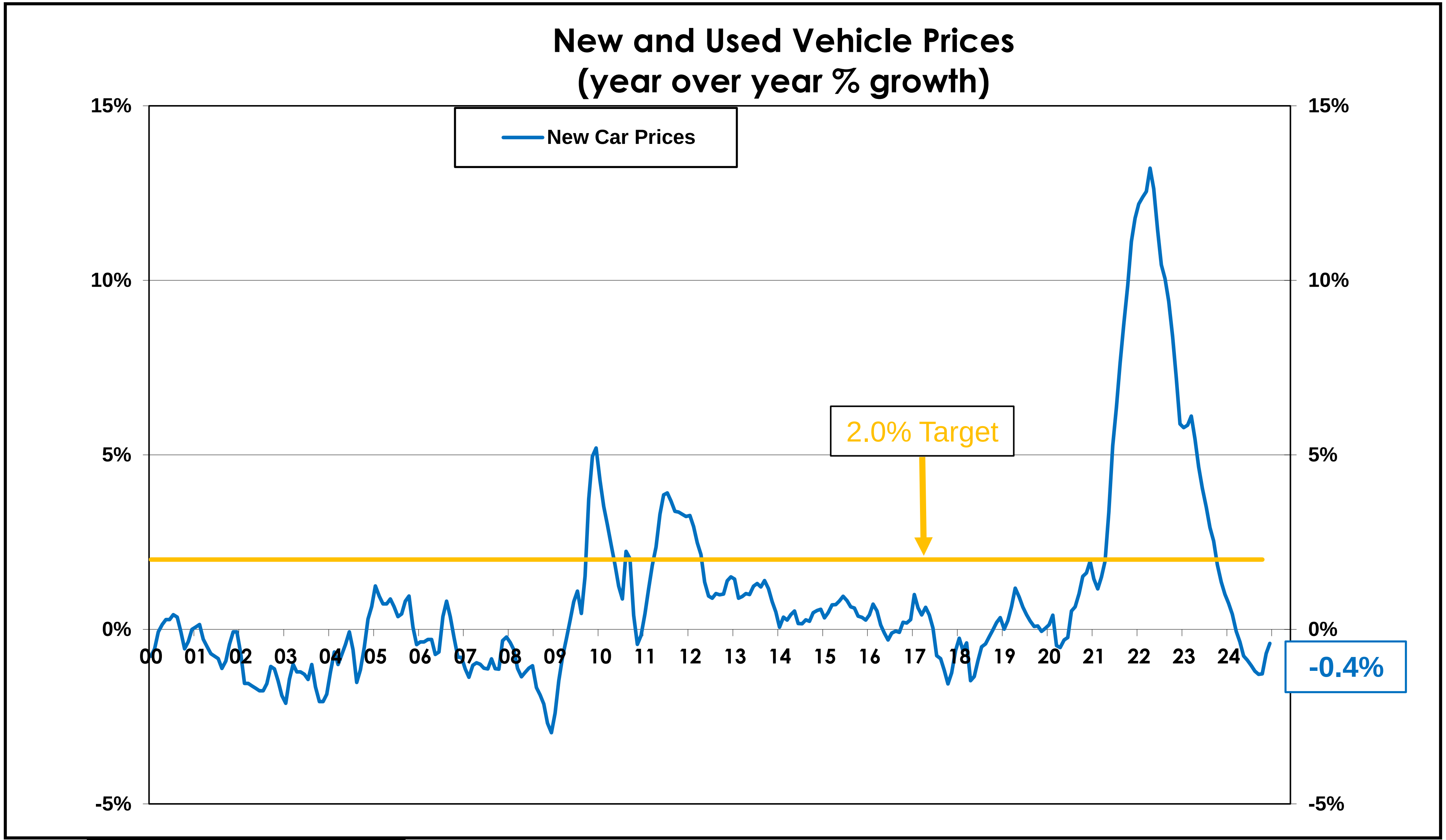
CU New Auto Growth
Seasonally Adjusted
Annualized Growth Rate
25%
20%
15%
10%
5%
0%
-5%
-10%
-15%
-20%
98
99
00
01
02
03
04
05
06
07
08
09
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
-5%
Recession
New Auto Loan Growth
5% Long Run Average

U.S. Vehicles Sales

Seasonally-Adjusted Annual Rate

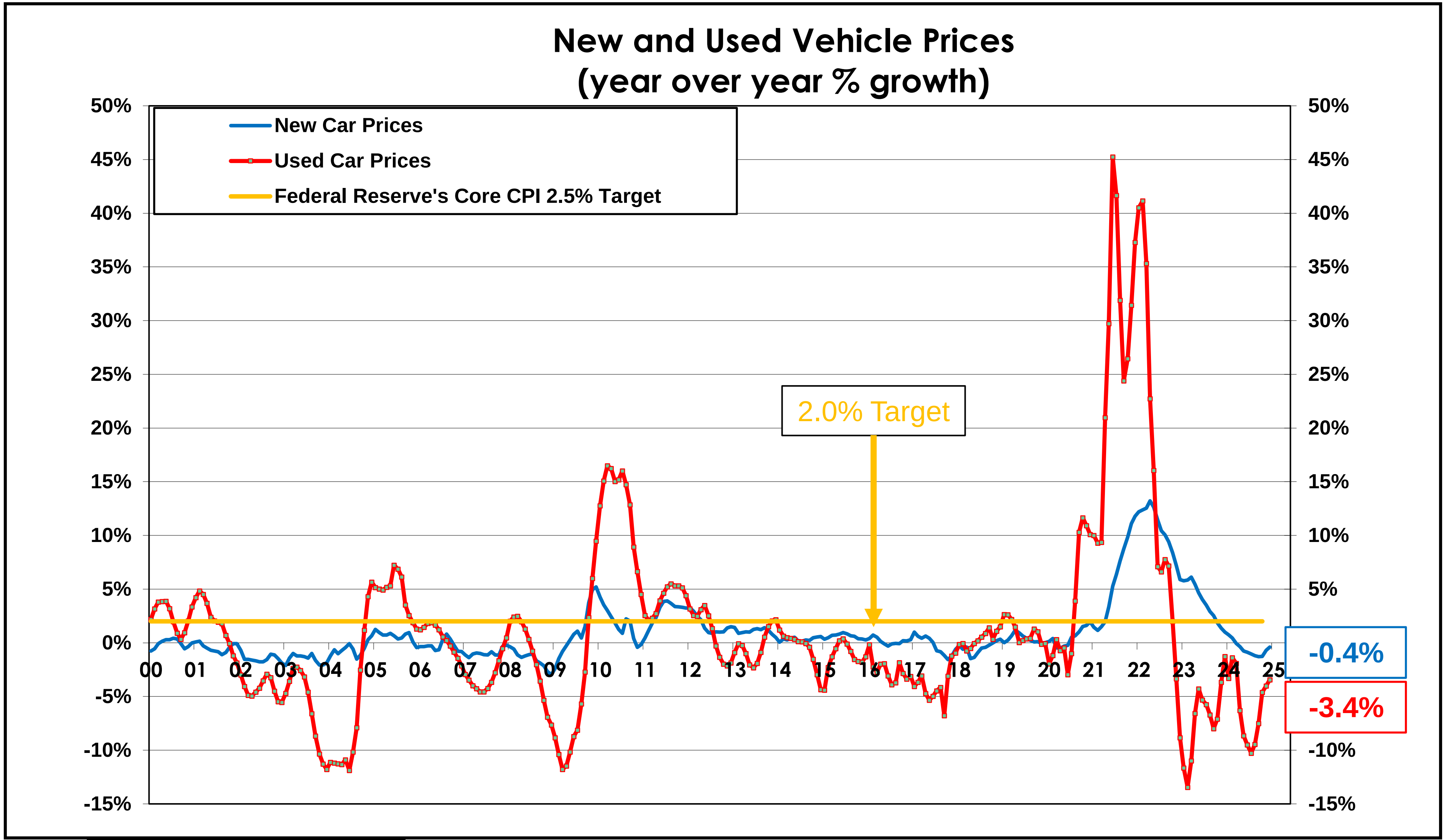


Vehicle Prices are Falling



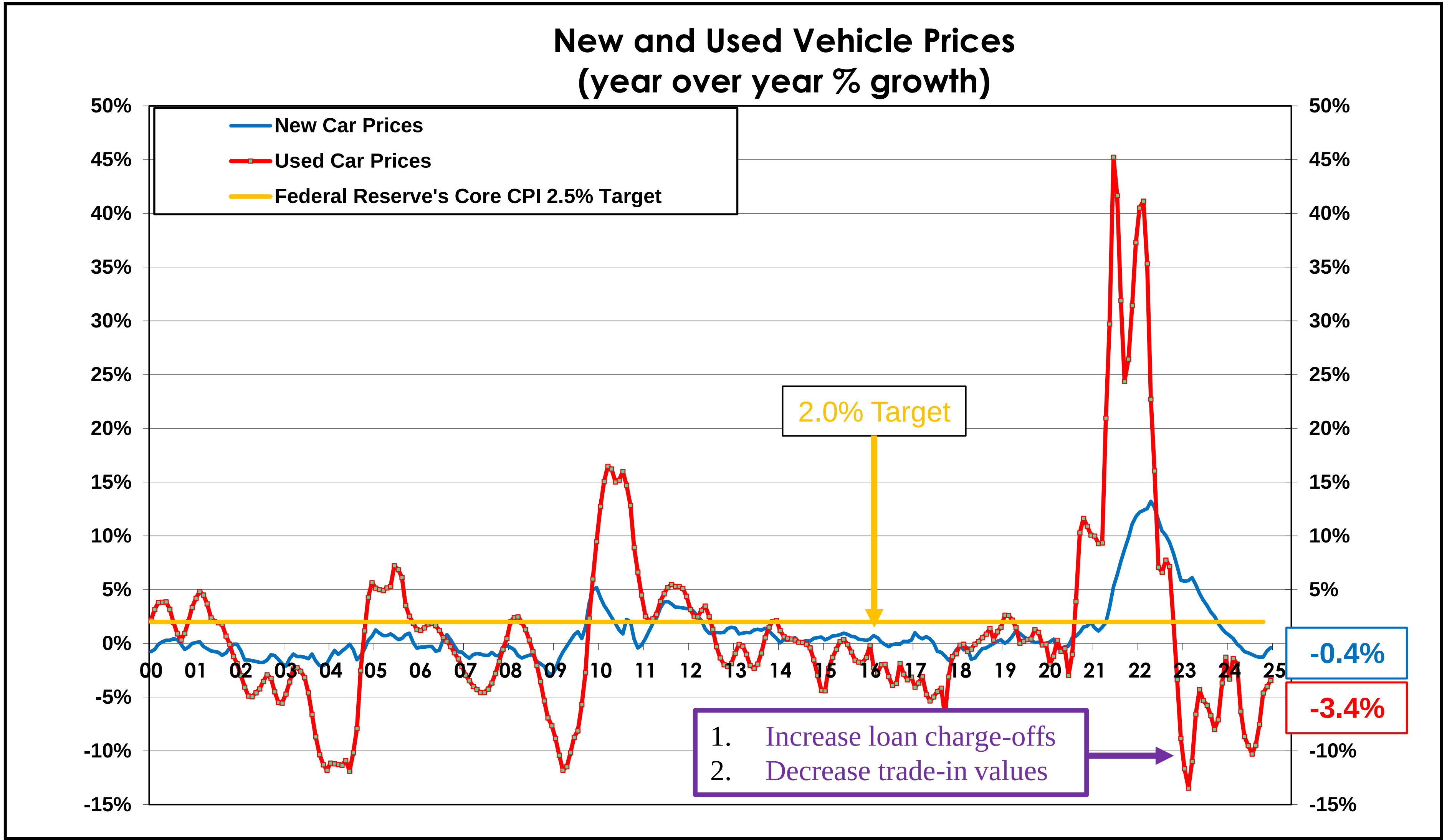
Source: Bureau of Labor Statistics

Vehicle Prices are Falling

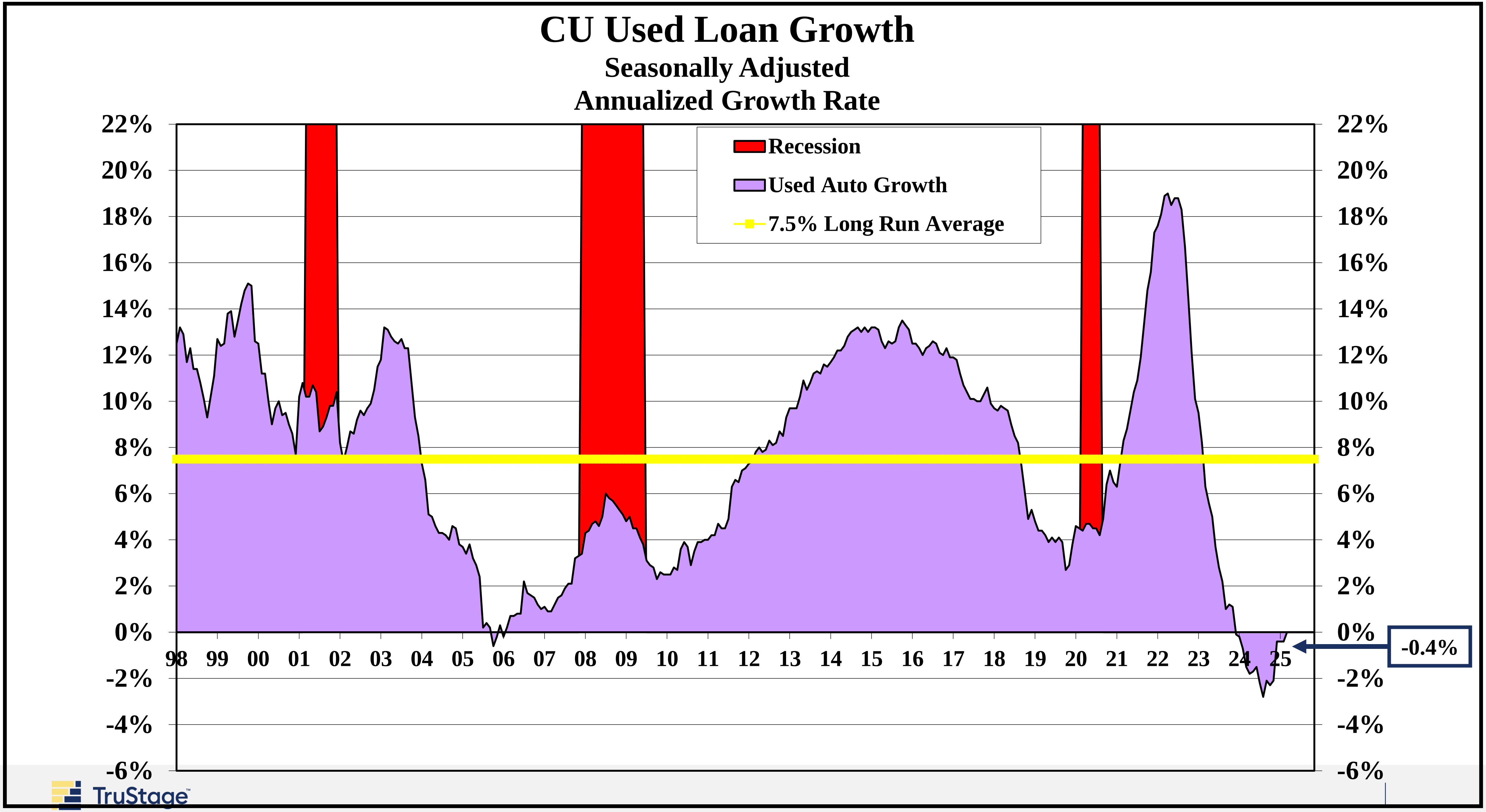


Source: Bureau of Labor Statistics

Vehicle Prices are Falling

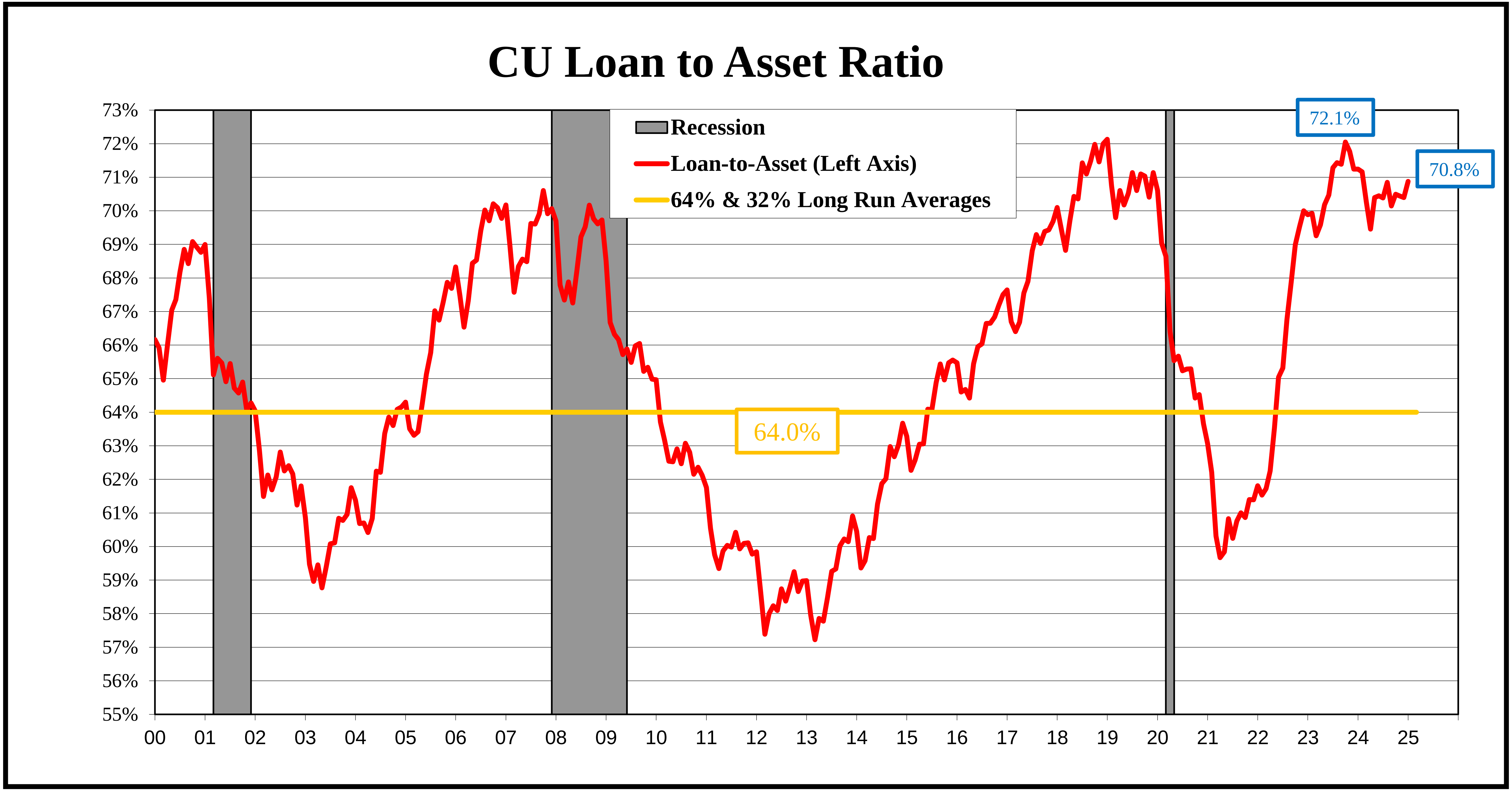


Source: Bureau of Labor Statistics



CU Used Loan Growth
Seasonally Adjusted
Annualized Growth Rate
Recession
Used Auto Growth
7.5% Long Run Average
22%
20%
18%
16%
14%
12%
10%
8%
6%
4%
2%
0%
-2%
-4%
-6%
98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25
-0.4%

TruStage™



CU Loan to Asset Ratio
Recession
Loan-to-Asset (Left Axis)
64% & 32% Long Run Averages
72.1%
70.8%
64.0%
73%
72%
71%
70%
69%
68%
67%
66%
65%
64%
63%
62%
61%
60%
59%
58%
57%
56%
55%
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21
22
23
24
25

Credit Union Balance Sheet

Assets

Cash (Reserves)

Fixed Assets
- Land
- Building
- Equipment

Investments
- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

Loans
- Commercial
- Auto
- Home
- Credit Card

Liabilities + Capital

Deposits
- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

Borrowings
- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

Equity (Net Capital)
1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

Credit Union Balance Sheet

Assets

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- Land
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- Equipment

Investments
- < 1 year maturity
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- > 3-year maturity

Loans
- Commercial
- Auto
- Home
- Credit Card

Allowance for Loan Loss

Liabilities + Capital

Deposits
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Equity (Net Capital)
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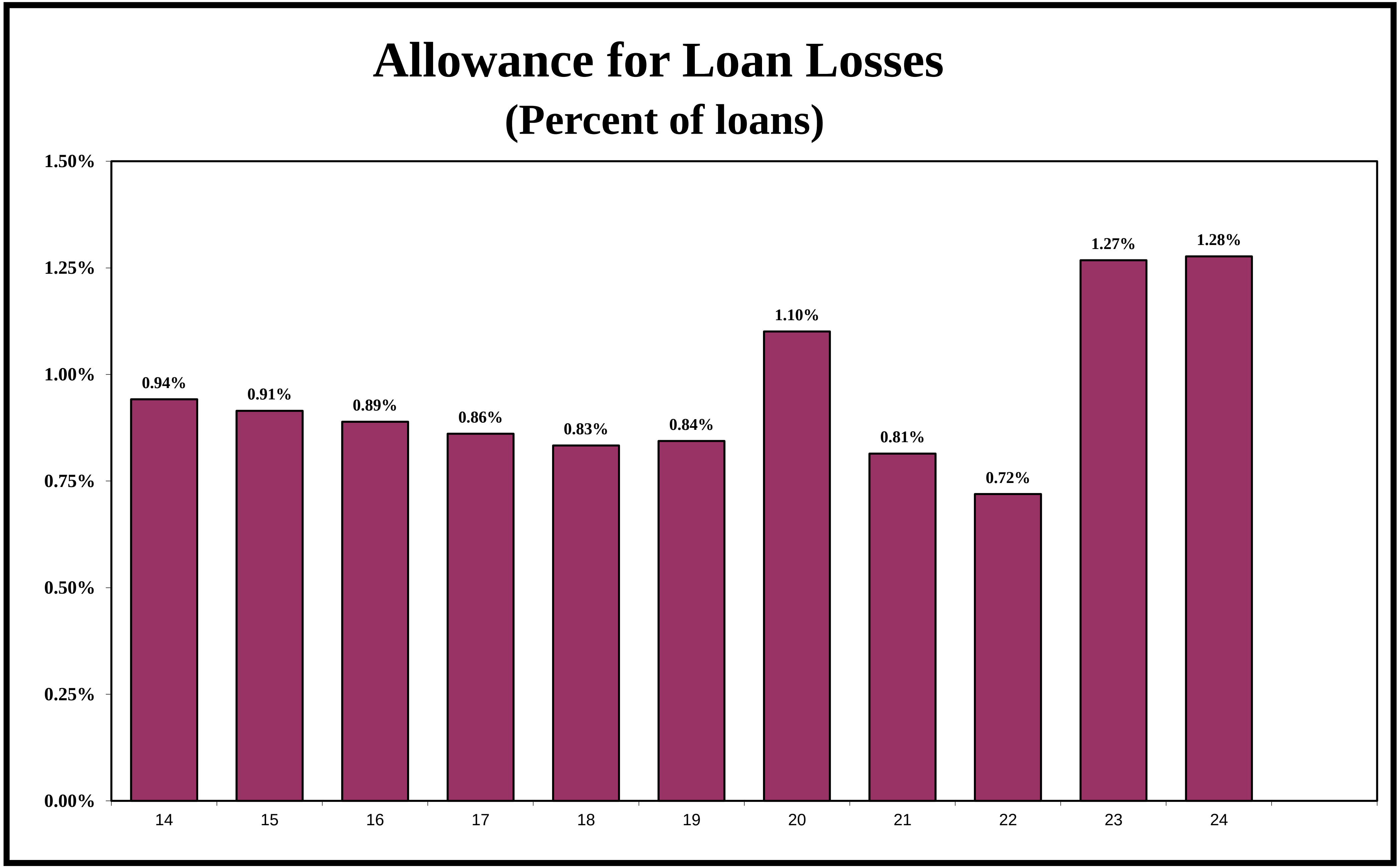

Allowance for Loan Losses
(Percent of loans)
1.50%
1.25%
1.00%
0.75%
0.50%
0.25%
0.00%
0.94%
0.91%
0.89%
0.86%
0.83%
0.84%
1.10%
0.81%
0.72%
1.27%
1.28%
14
15
16
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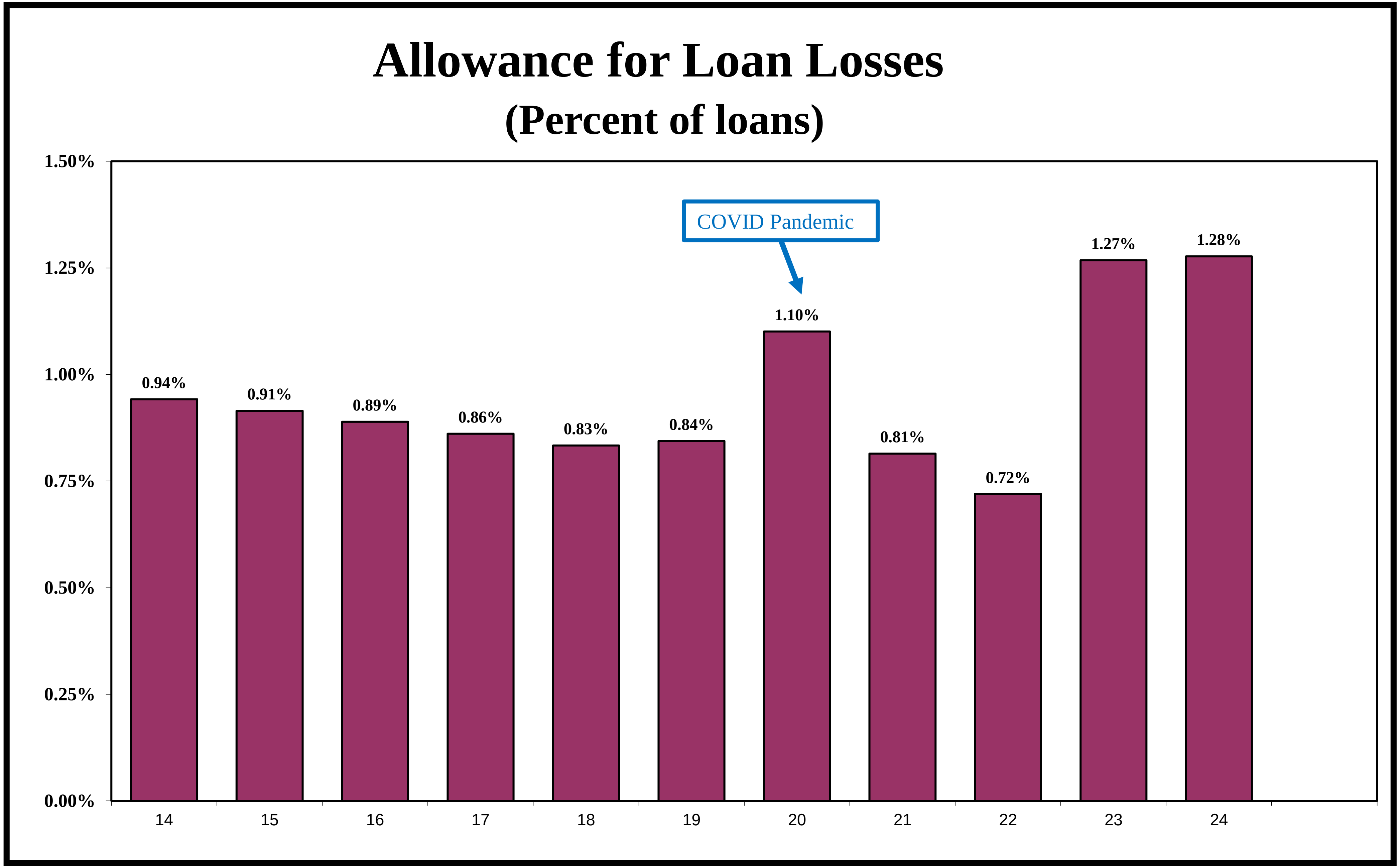
23
24



Allowance for Loan Losses
(Percent of loans)
1.50%
1.25%
1.00%
0.75%
0.50%
0.25%
0.00%
COVID Pandemic
0.94%
0.91%
0.89%
0.86%
0.83%
0.84%
1.10%
0.81%
0.72%
1.27%
1.28%
14
15
16
17
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19
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21
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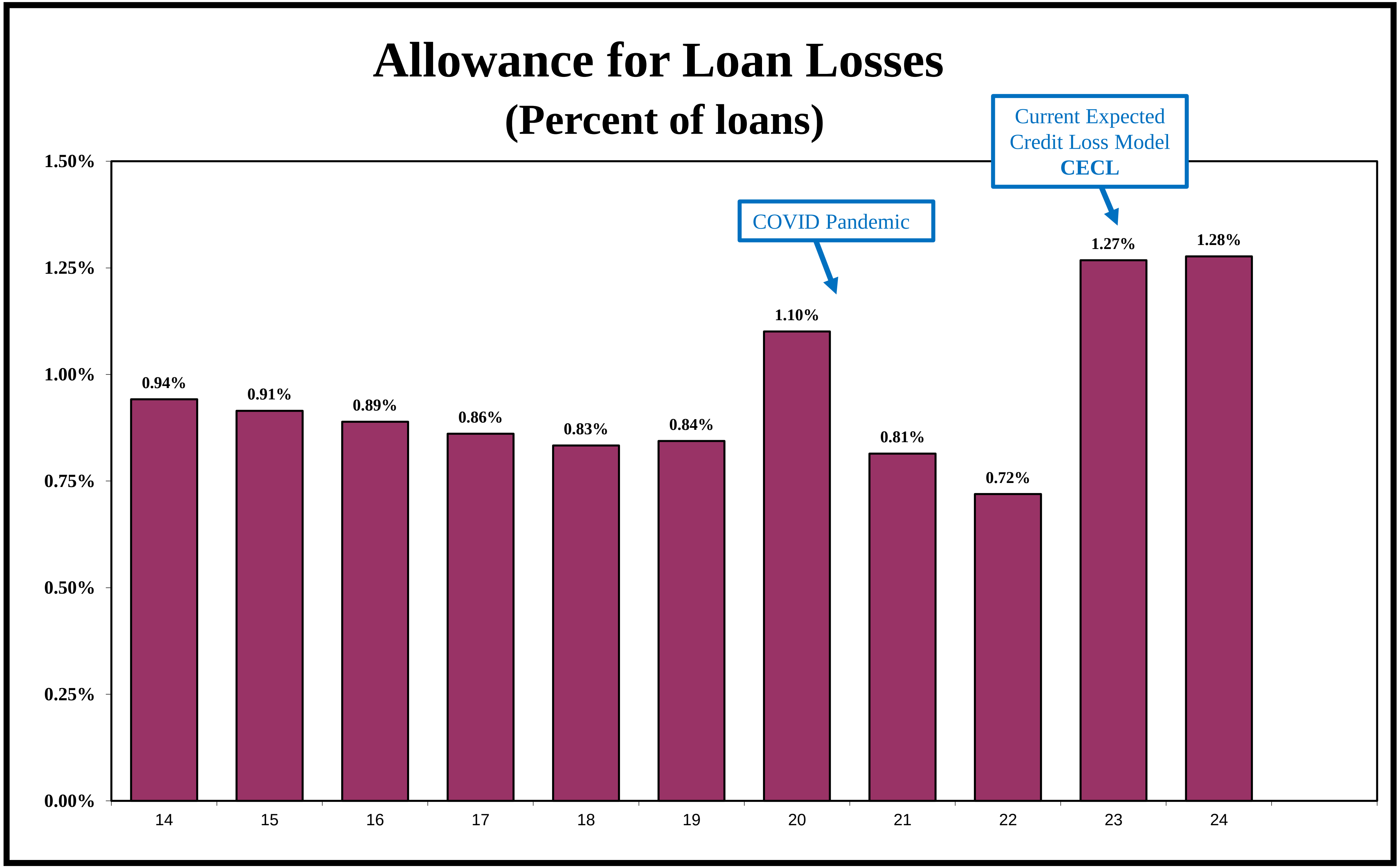
23
24


Allowance for Loan Losses
(Percent of loans)
Current Expected
Credit Loss Model
CECL
COVID Pandemic
1.50%
1.25%
1.00%
0.75%
0.50%
0.25%
0.00%
0.94%
0.91%
0.89%
0.86%
0.83%
0.84%
1.10%
0.81%
0.72%
1.27%
1.28%
14
15
16
17
18
19
20
21
22
23
24

Credit Union Balance Sheet

Assets

Cash (Reserves)

Fixed Assets
- Land
- Building
- Equipment

Investments
- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

Loans
- Commercial
- Auto
- Home
- Credit Card

Allowance for Loan Loss

$

Liabilities + Capital

Deposits
$
- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

Borrowings
- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

Equity (Net Capital)
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2. Regular Reserves
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Credit Union Balance Sheet

Assets

Liabilities + Capital

Cash (Reserves)

Fixed Assets
- Land
- Building
- Equipment

Investments
- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

Loans
- Commercial
- Auto
- Home
- Credit Card

Allowance for Loan Loss

Deposits
$

- Checking Accounts
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Borrowings
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- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

Equity (Net Capital)
1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

"Non progredi est regredi"

$

Credit Union Balance Sheet

Assets

Cash (Reserves)

Fixed Assets
- Land
- Building
- Equipment

Investments
- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

Loans
- Commercial
- Auto
- Home
- Credit Card

Allowance for Loan Loss

$

Liabilities + Capital

Deposits
$

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

Borrowings
- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

Equity (Net Capital)
1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

"Non progredi est regredi"

To not go forward is to go backward

Credit Union Balance Sheet

Assets

Liabilities + Capital

Cash (Reserves)

Fixed Assets
- Land
- Building
- Equipment

Investments
- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

Loans
- Commercial
- Auto
- Home
- Credit Card

Allowance for Loan Loss

Deposits
$
- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

Borrowings
- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

Equity (Net Capital)
1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

"Non progredi est regredi"

To not go forward is to go backward

If you're not growing, you're dying

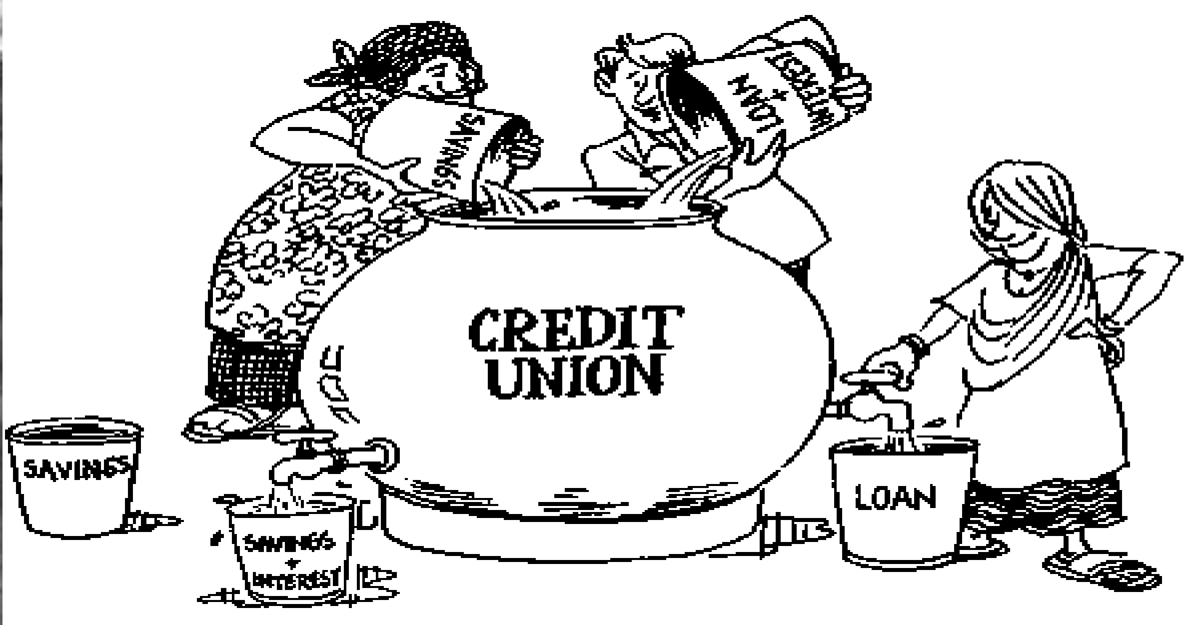
$

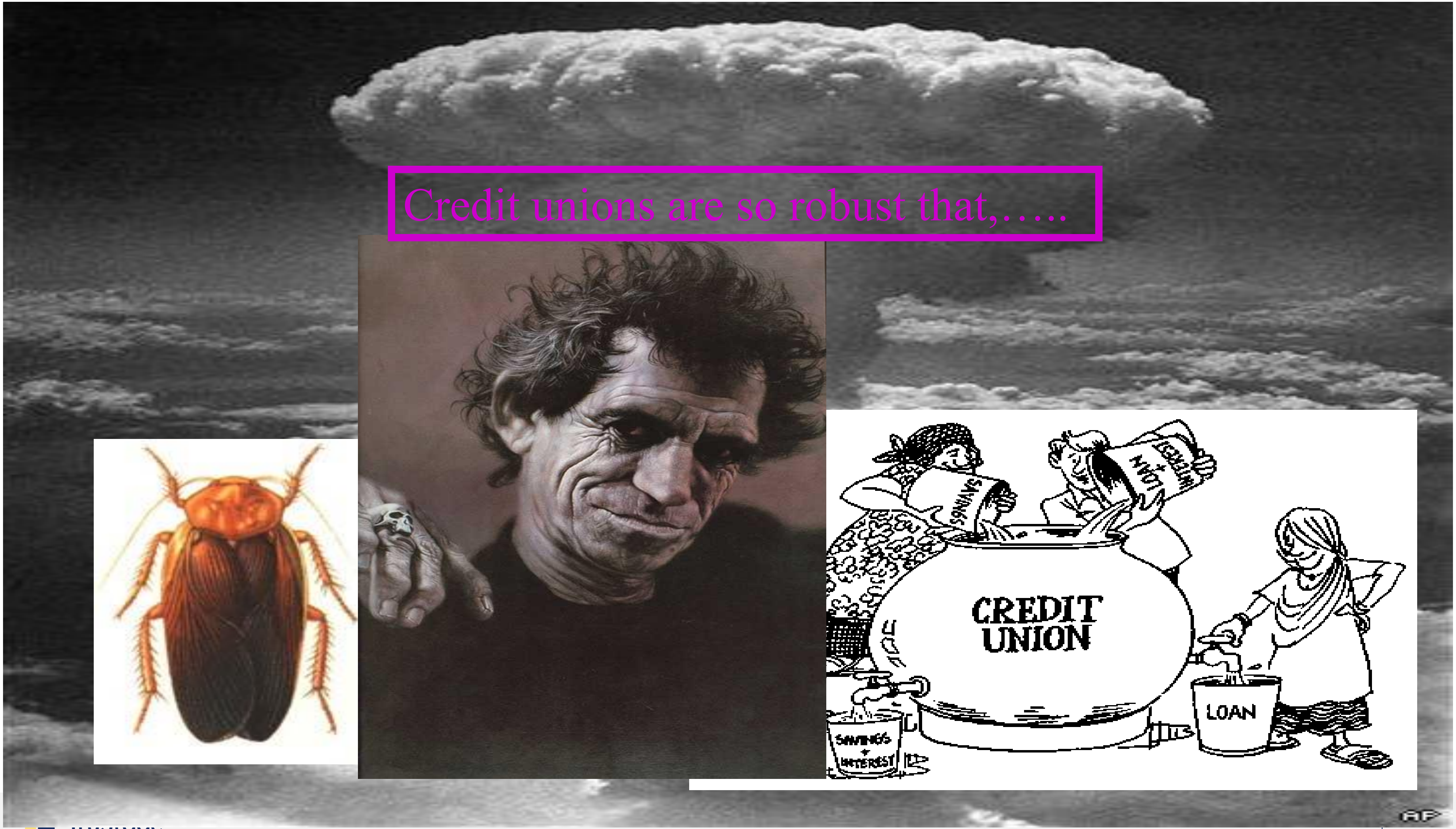
Credit unions are so robust that,…..

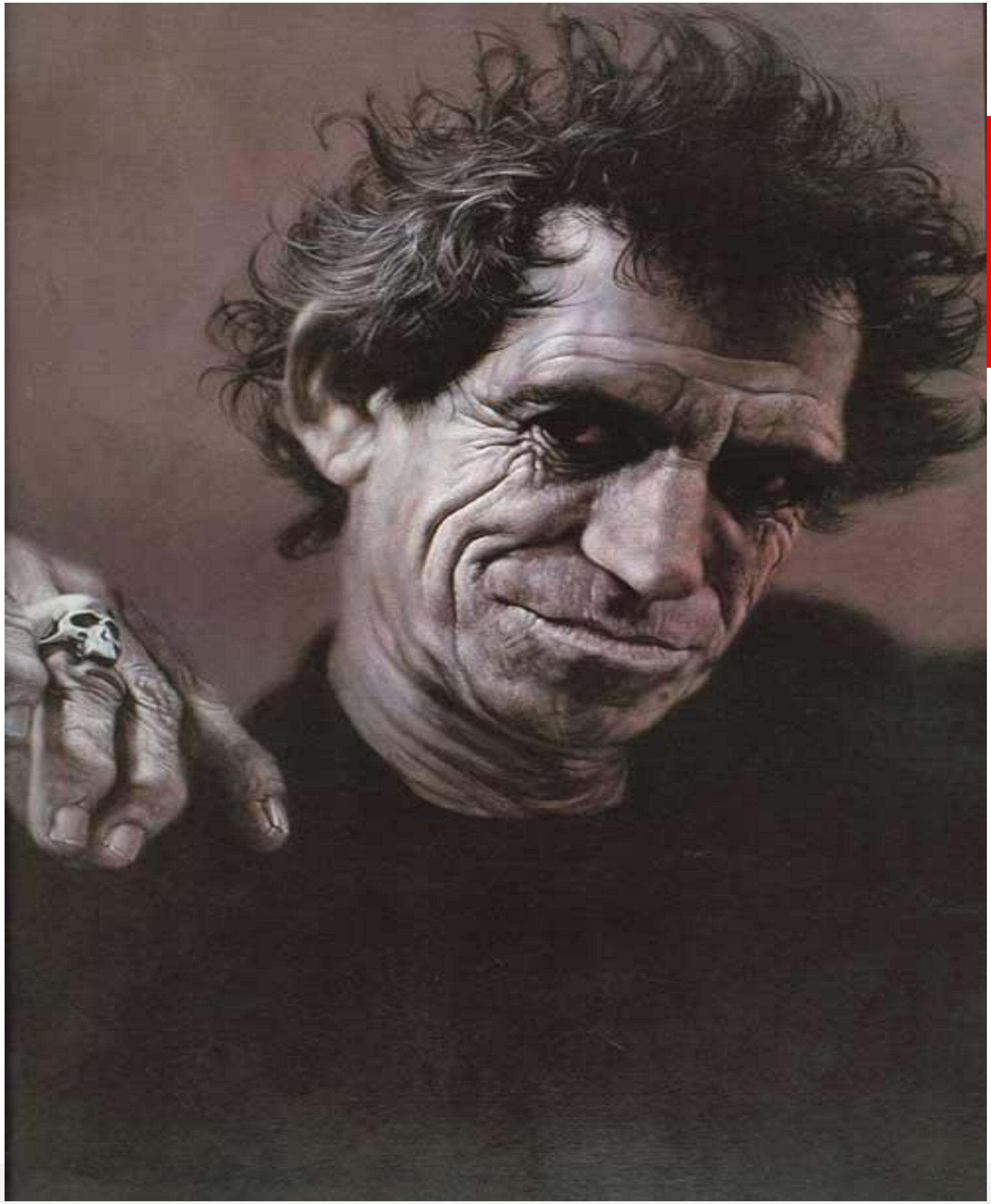

Credit unions are so robust that,…..


Credit unions are so robust that,…..

Credit unions are so robust that,…..



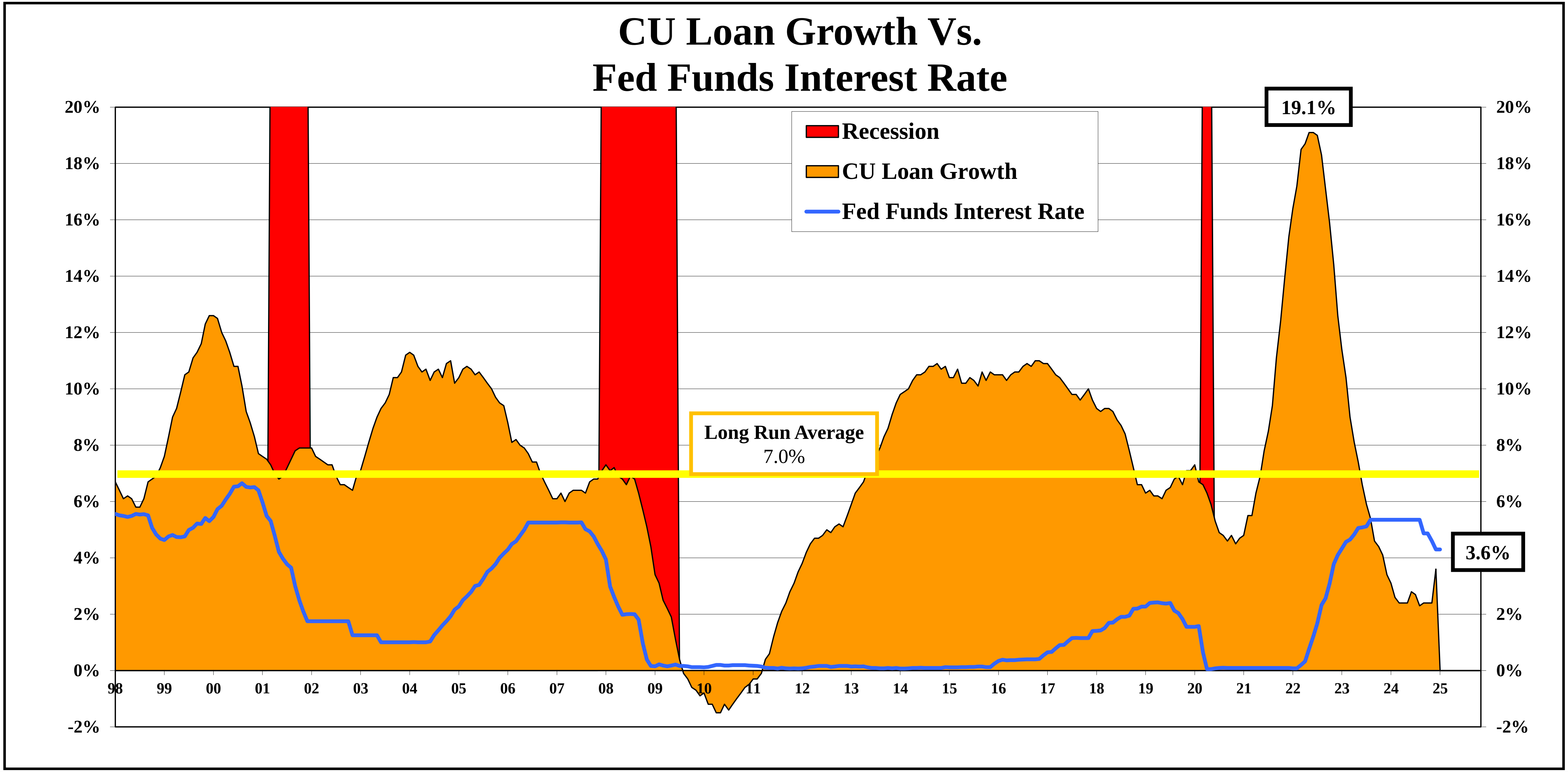

Credit unions are so robust that,…..
SAVINGS
LOAN
+
INTEREST
CREDIT
UNION
LOAN
SAVINGS
+
INTEREST



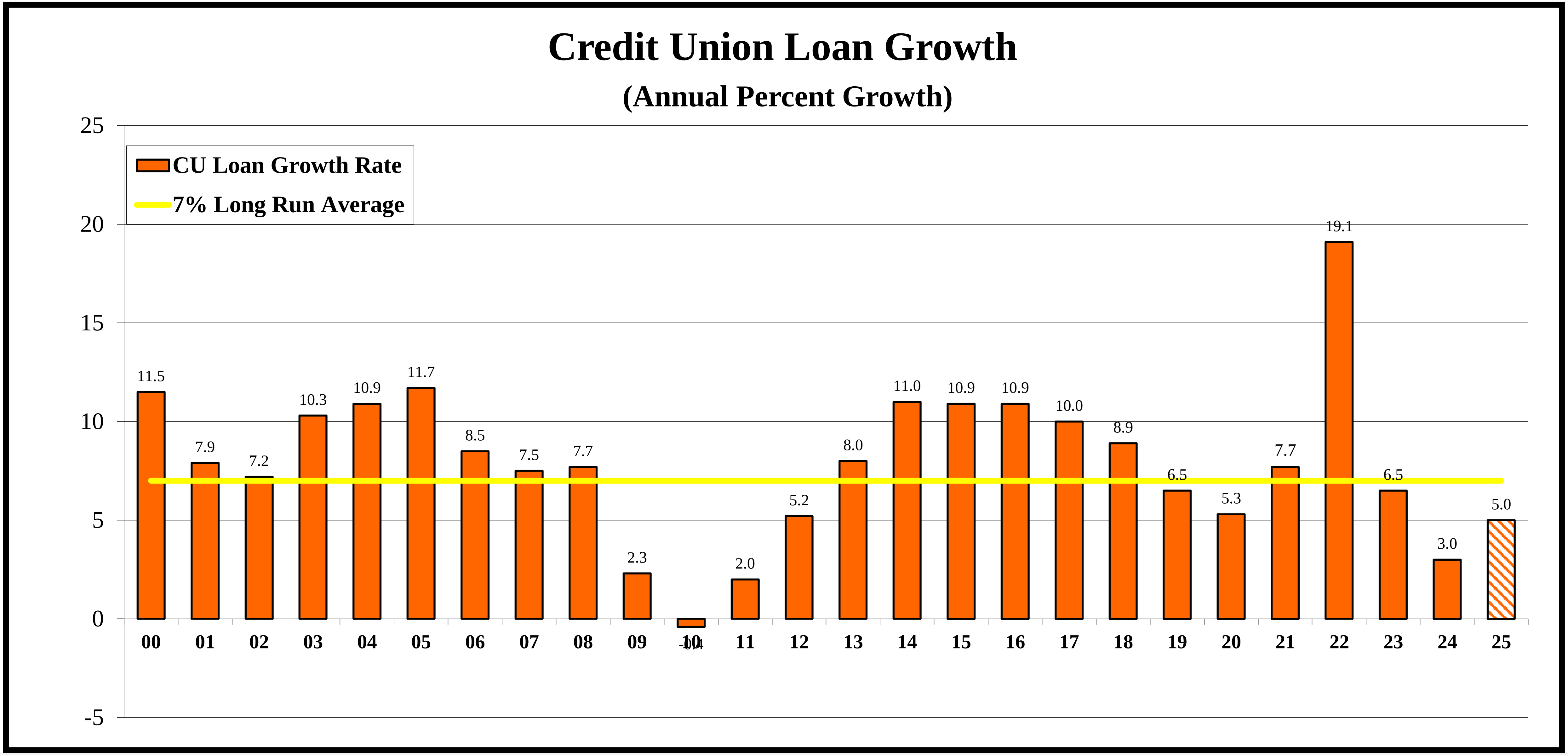
Carpe Diem
“Seize the day”

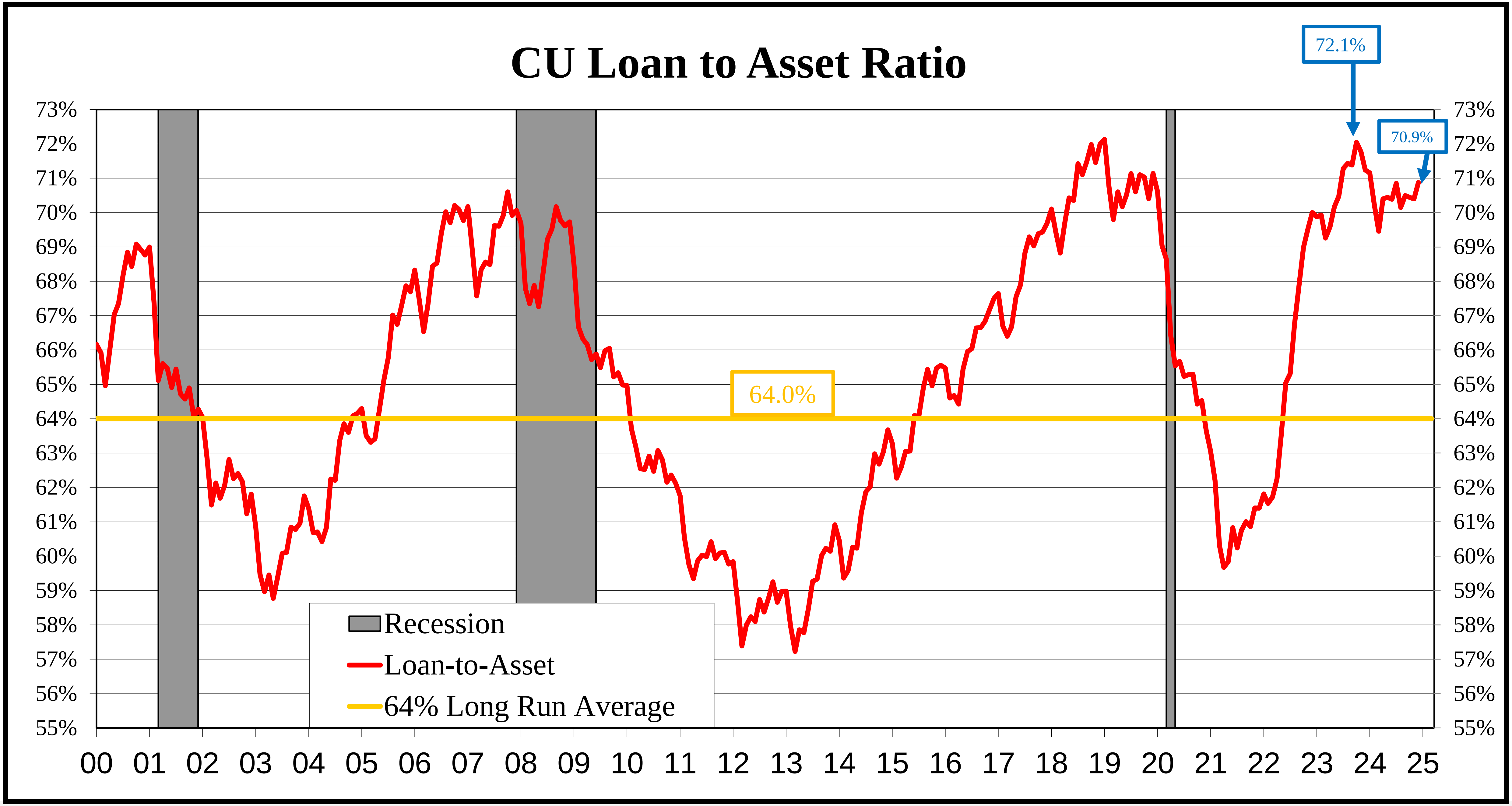
Questions?

Weak Credit Union Loan Growth



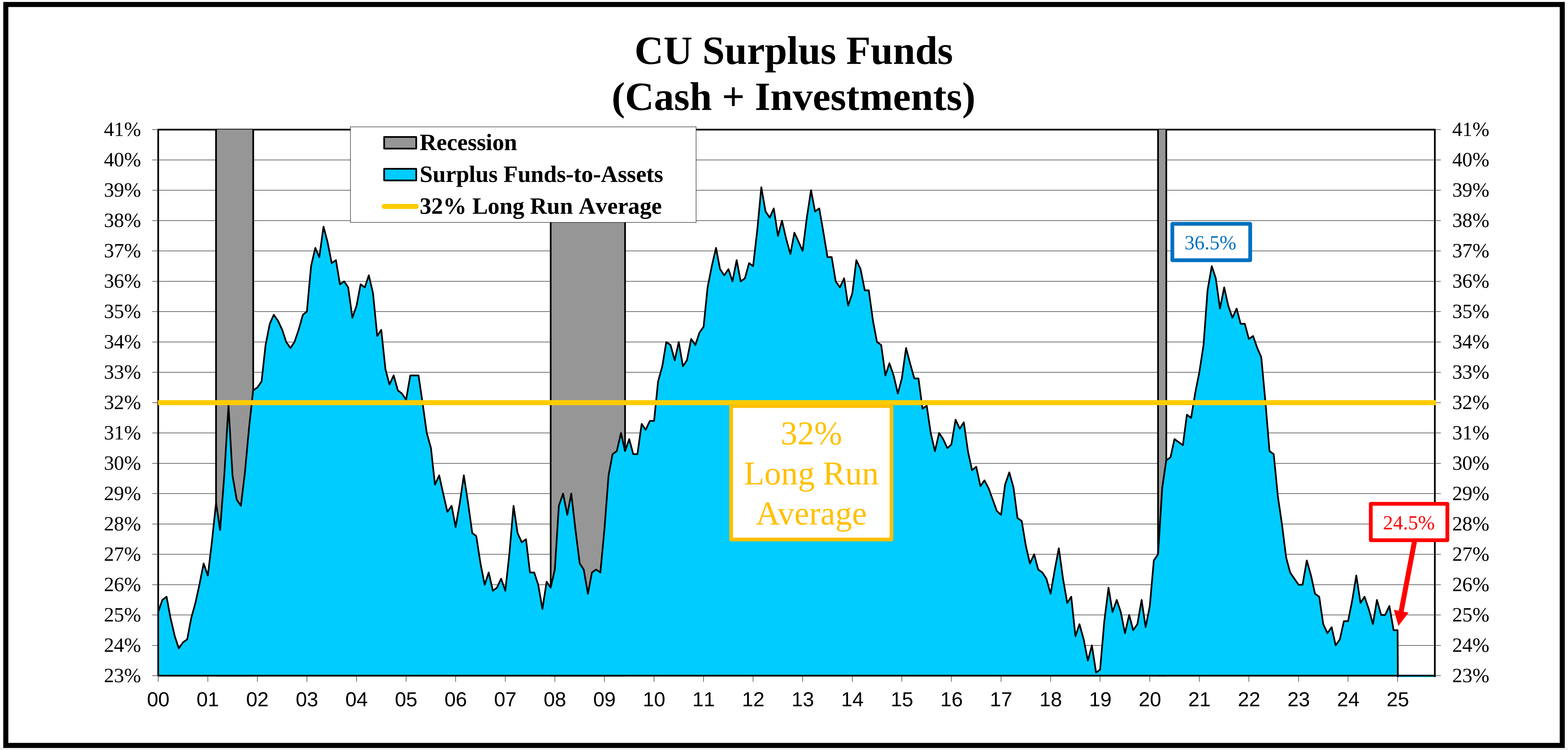
Slow Credit Union Loan Growth

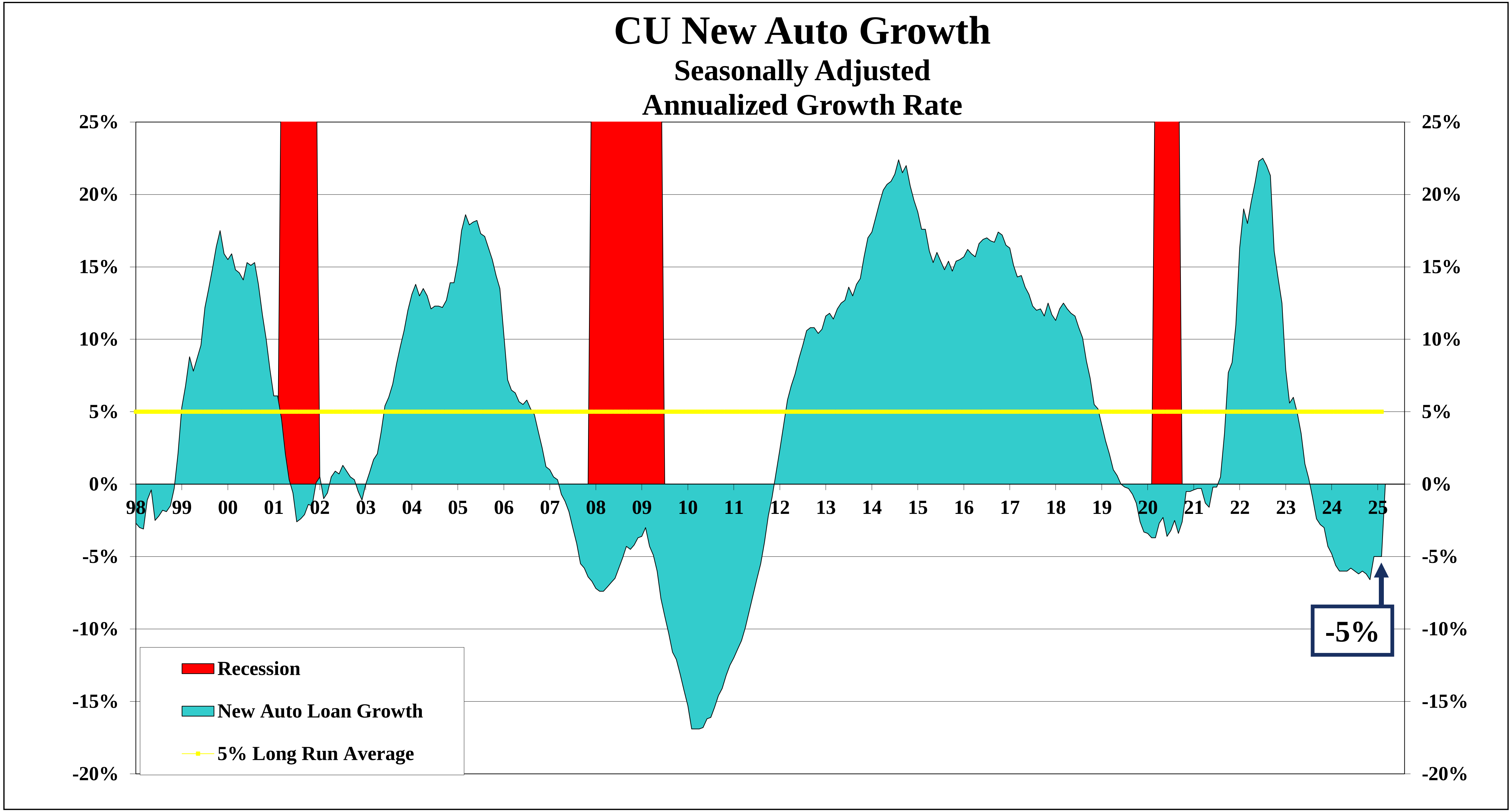




CU Loan to Asset Ratio
72.1%
70.9%
64.0%
73%
72%
71%
70%
69%
68%
67%
66%
65%
64%
63%
62%
61%
60%
59%
58%
57%
56%
55%
Recession
Loan-to-Asset
64% Long Run Average
00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25

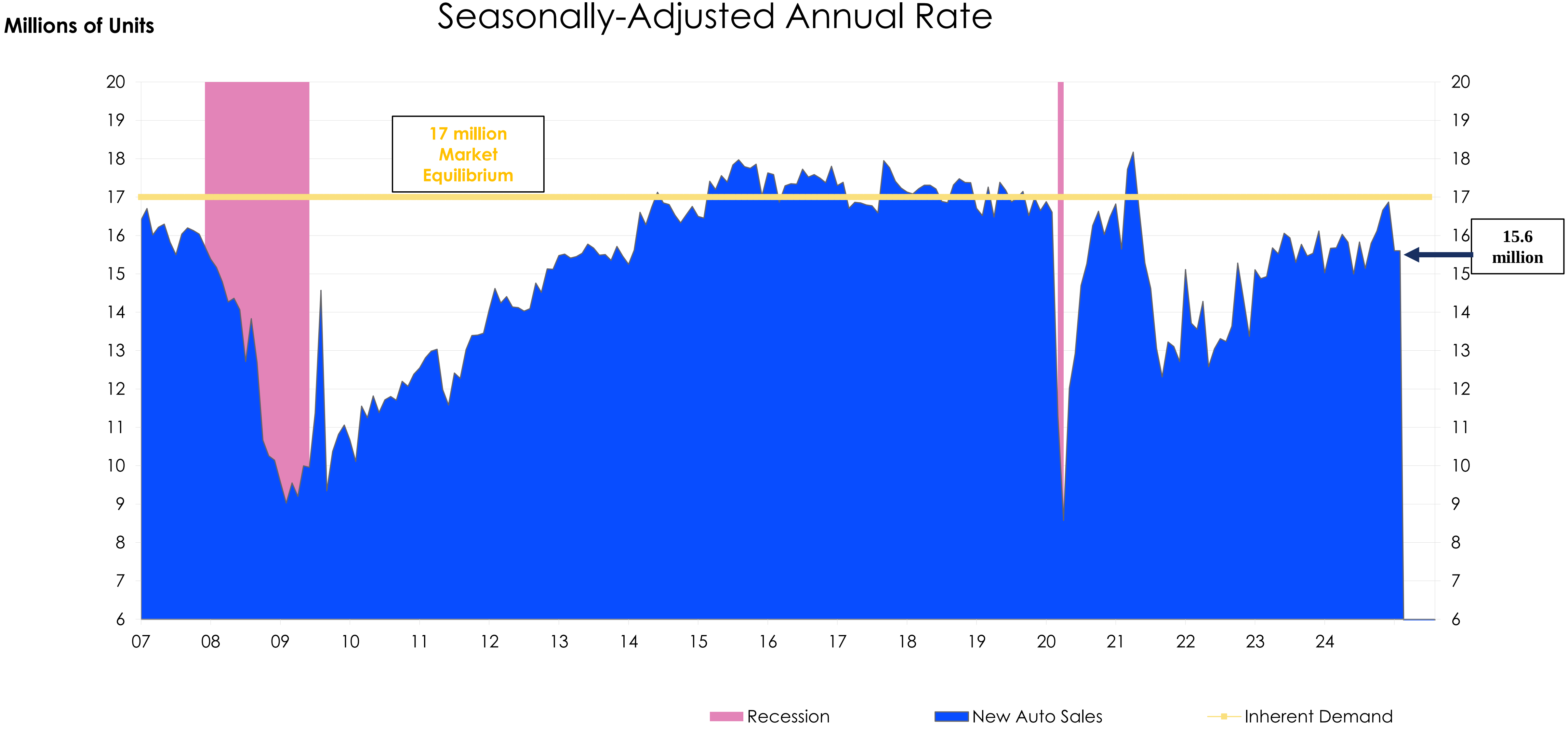
Investments Are Falling and Yields Are Rising



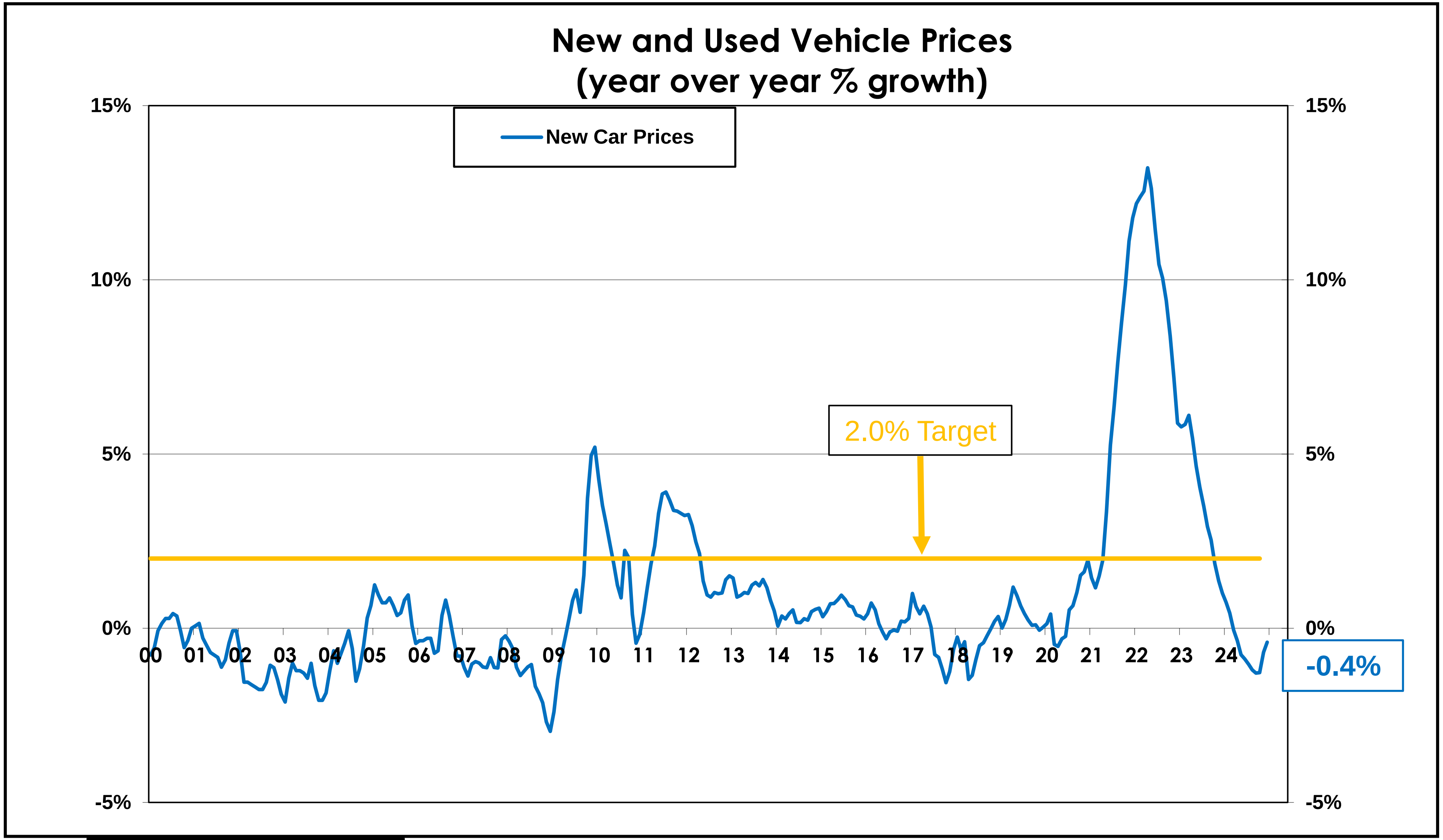

CU New Auto Growth
Seasonally Adjusted
Annualized Growth Rate
25%
20%
15%
10%
5%
0%
-5%
-10%
-15%
-20%
98
99
00
01
02
03
04
05
06
07
08
09
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
Recession
New Auto Loan Growth
5% Long Run Average
-5%

U.S. Vehicles Sales

Seasonally-Adjusted Annual Rate

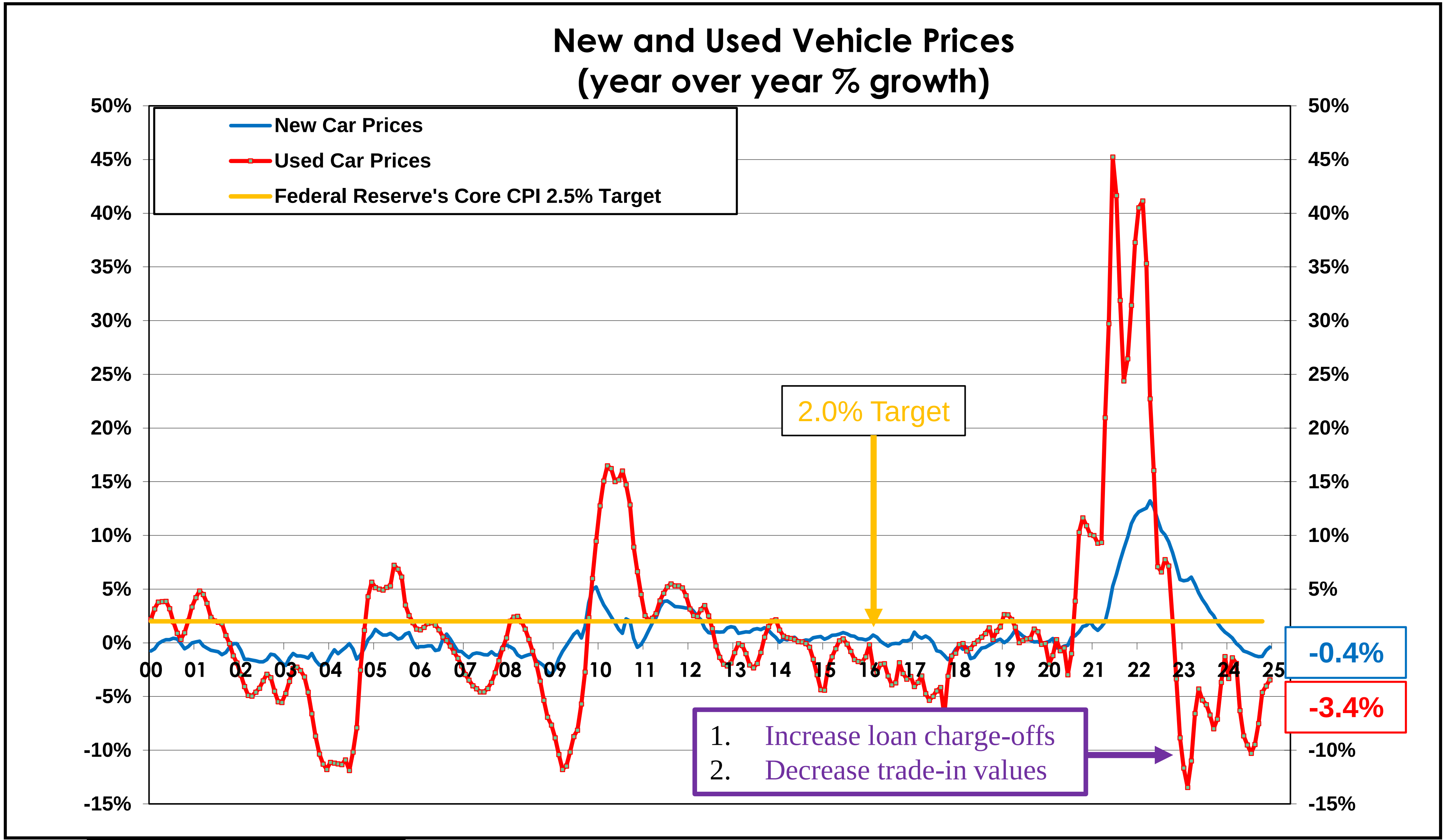


Vehicle Prices are Falling

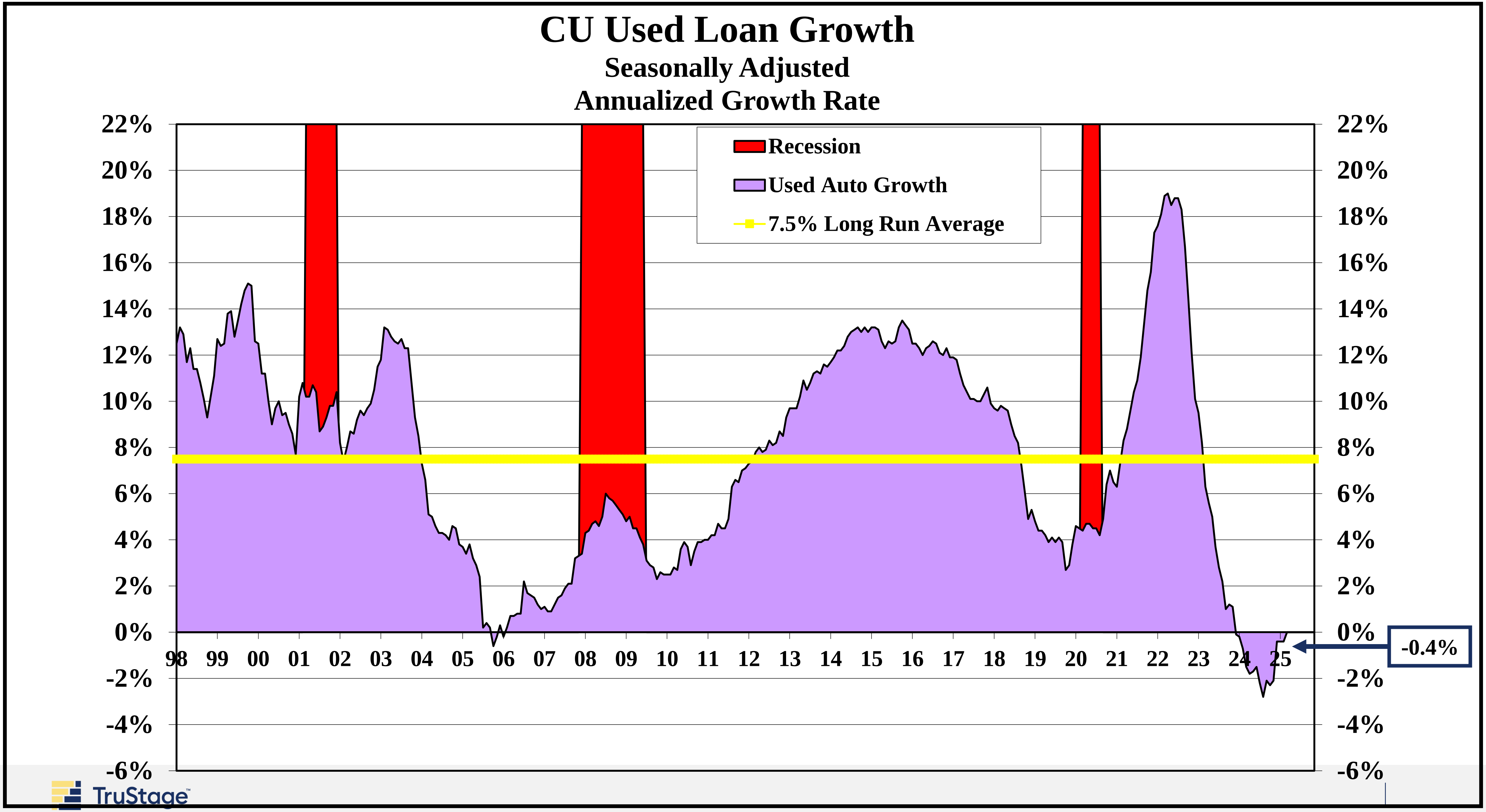


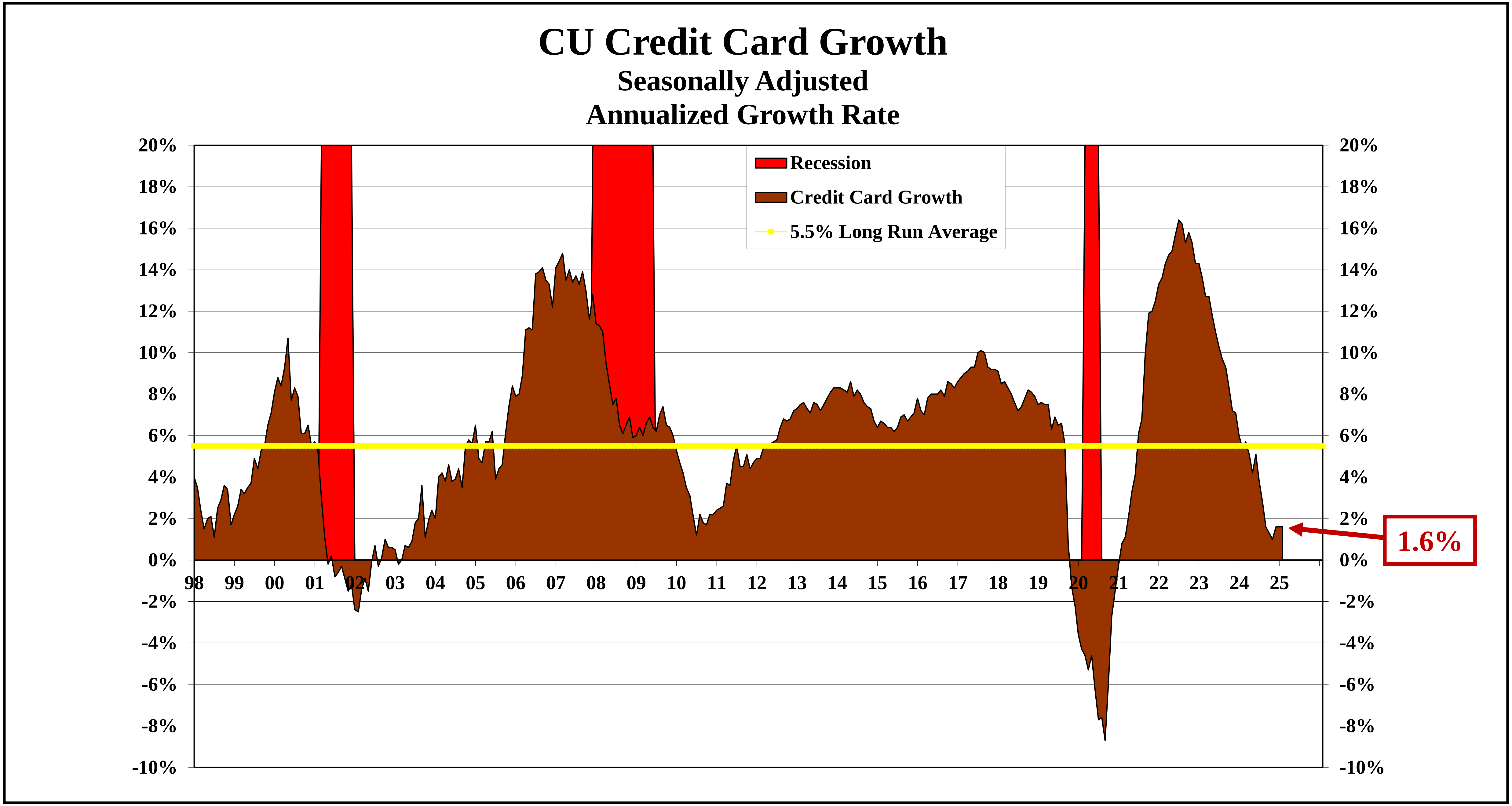
Source: Bureau of Labor Statistics

Vehicle Prices are Falling



Source: Bureau of Labor Statistics


CU Used Loan Growth
Seasonally Adjusted
Annualized Growth Rate
Recession
Used Auto Growth
7.5% Long Run Average
22%
20%
18%
16%
14%
12%
10%
8%
6%
4%
2%
0%
-2%
-4%
-6%
98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25
-0.4%
TruStage


CU Credit Card Growth
Seasonally Adjusted
Annualized Growth Rate
Recession
Credit Card Growth
5.5% Long Run Average
1.6%
20%
18%
16%
14%
12%
10%
8%
6%
4%
2%
0%
-2%
-4%
-6%
-8%
-10%
98
99
00
01
02
03
04
05
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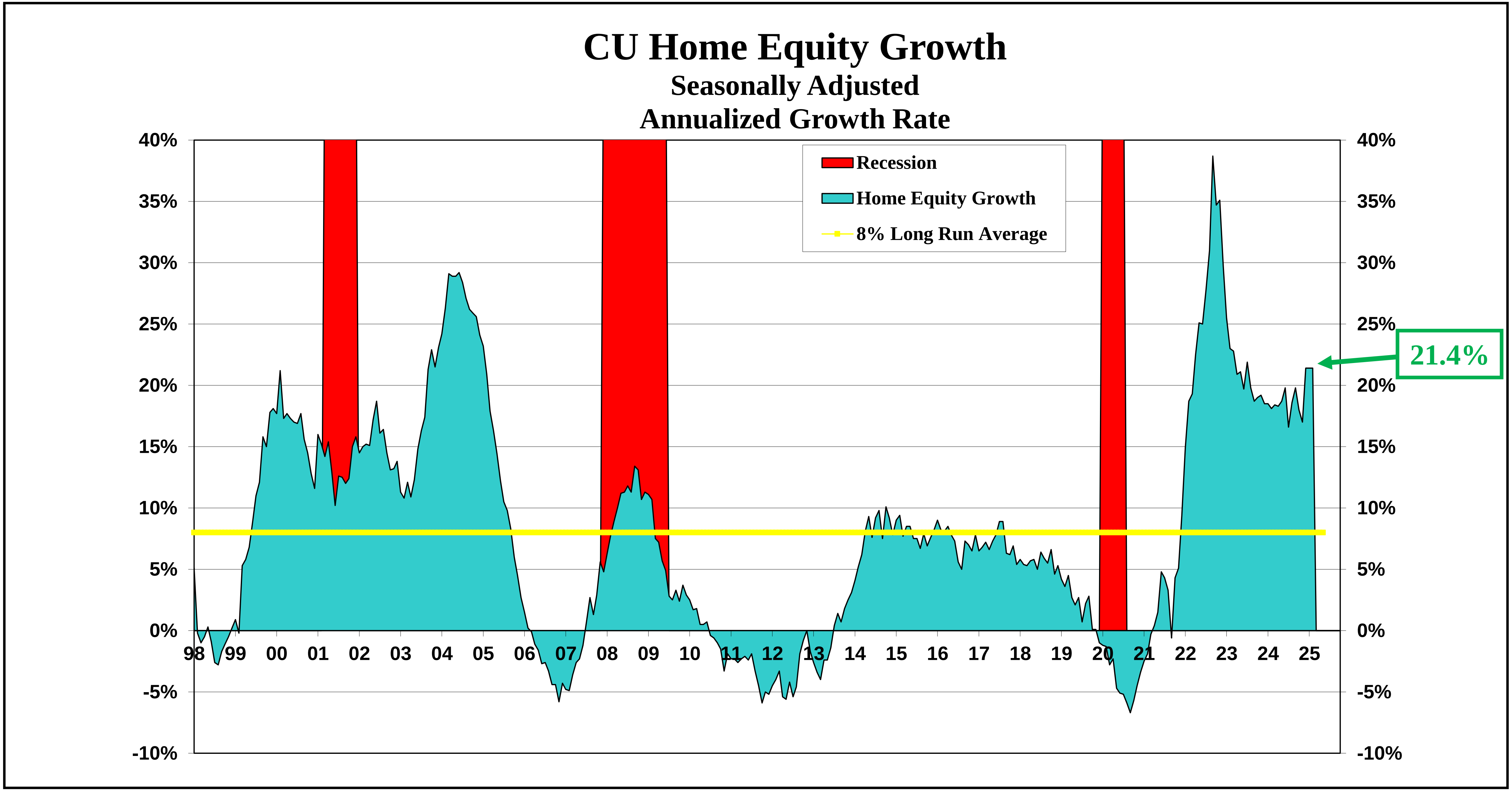
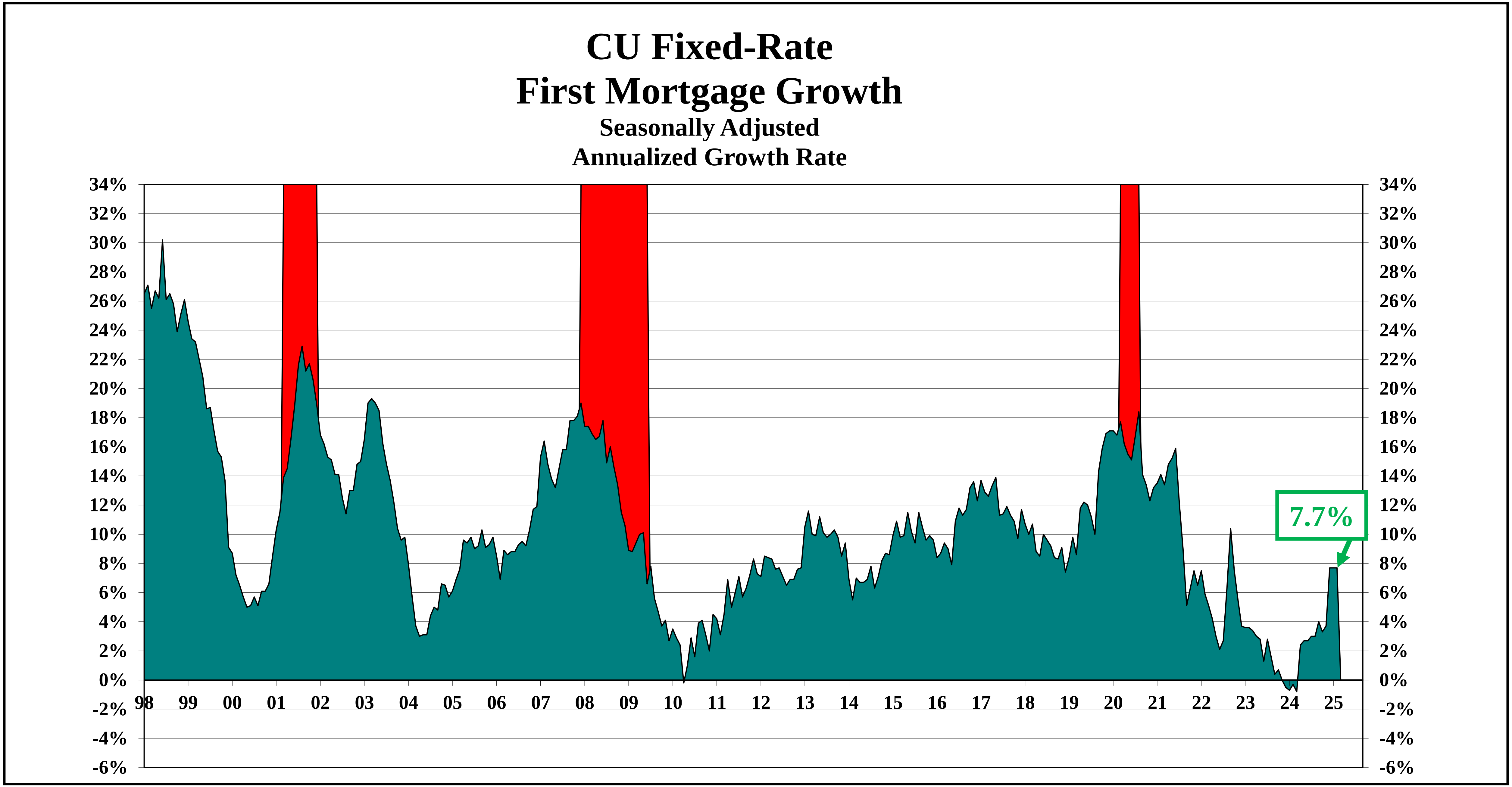
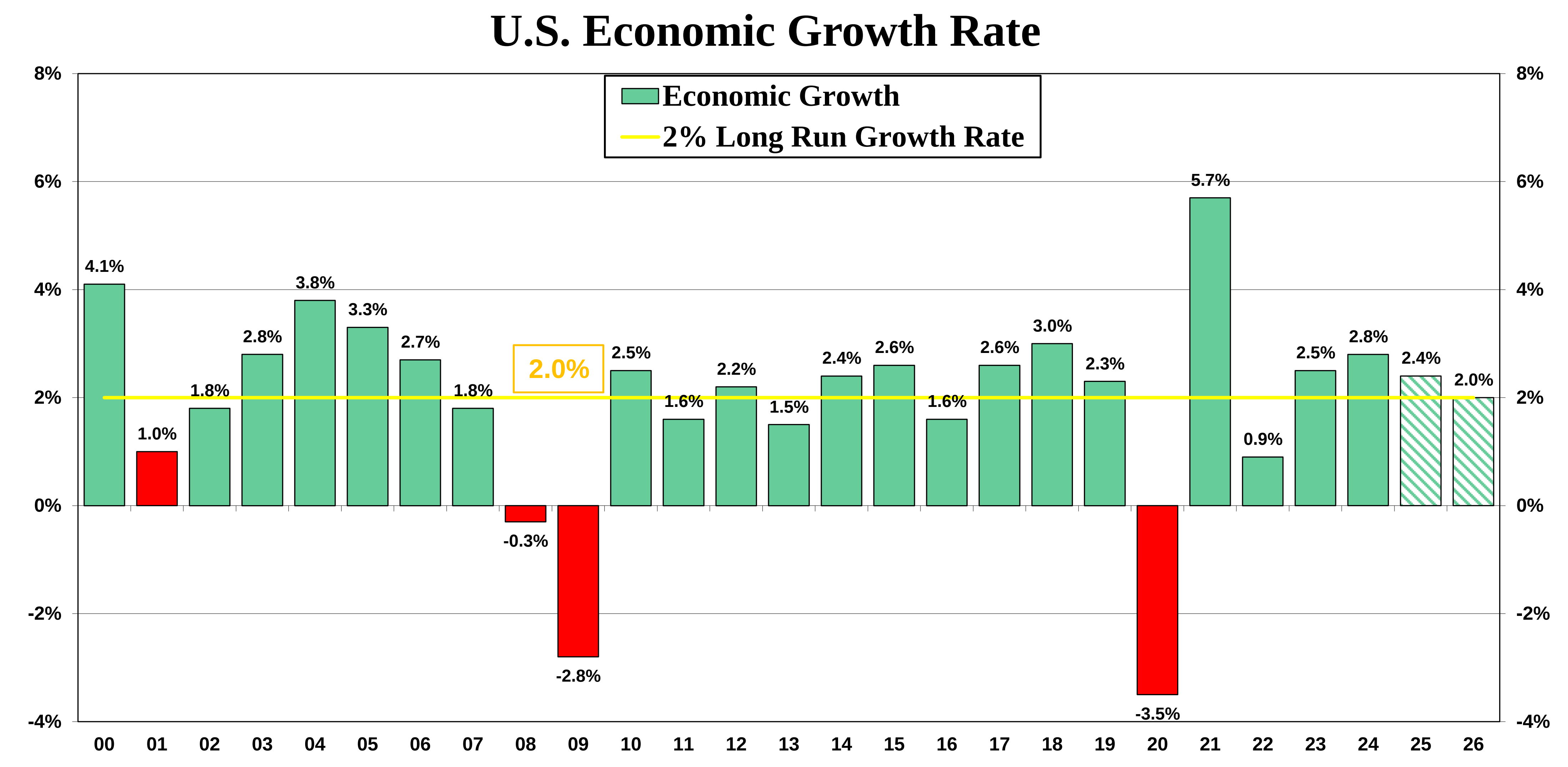


CU Home Equity Growth
Seasonally Adjusted
Annualized Growth Rate
Recession
Home Equity Growth
8% Long Run Average
21.4%
40%
35%
30%
25%
20%
15%
10%
5%
0%
-5%
-10%
98
99
00
01
02
03
04
05
06
07
08
09
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25

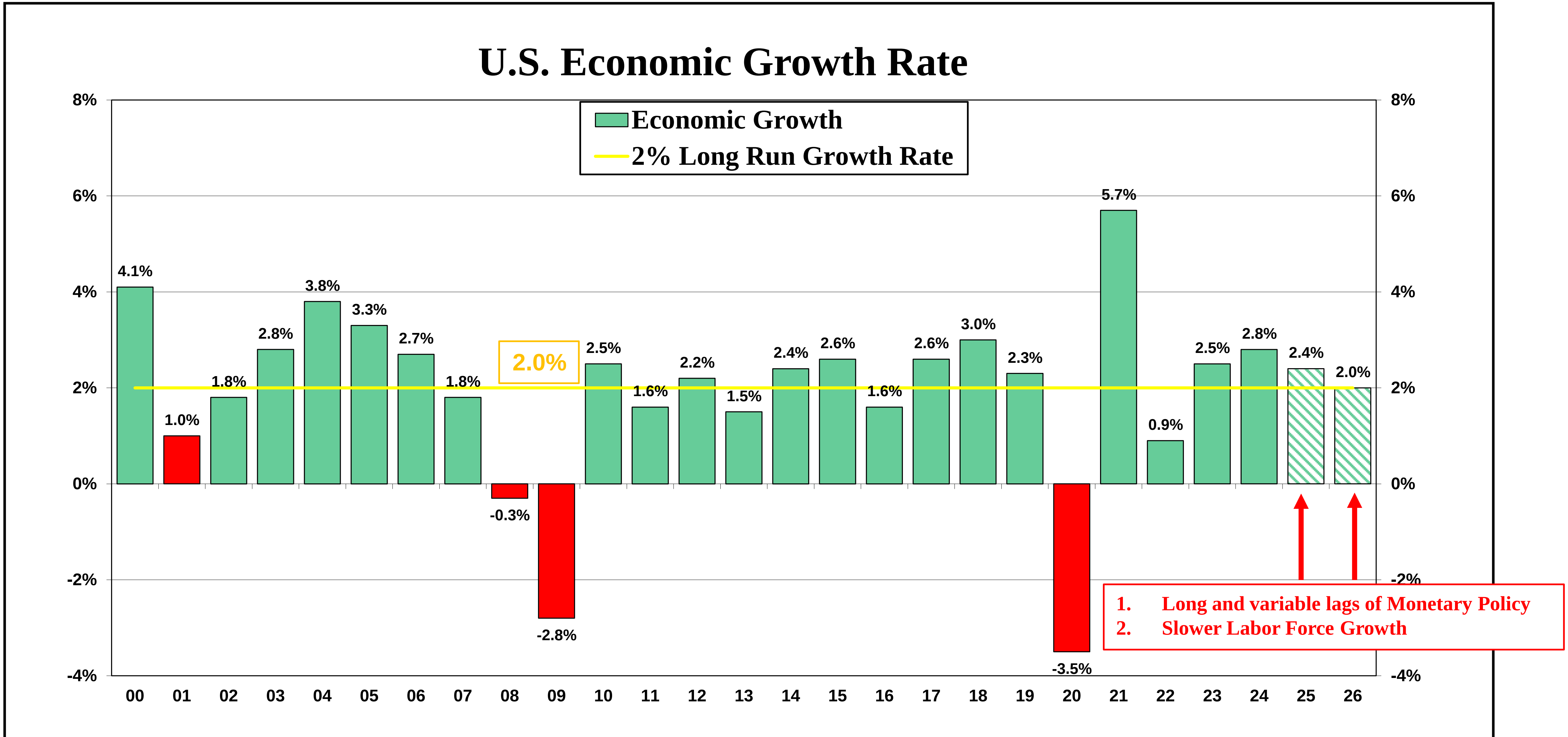

CU Fixed-Rate
First Mortgage Growth
Seasonally Adjusted
Annualized Growth Rate
34%
32%
30%
28%
26%
24%
22%
20%
18%
16%
14%
12%
10%
8%
6%
4%
2%
0%
-2%
-4%
-6%
98
99
00
01
02
03
04
05
06
07
08
09
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
7.7%

Economic Growth Above Natural Growth Rate



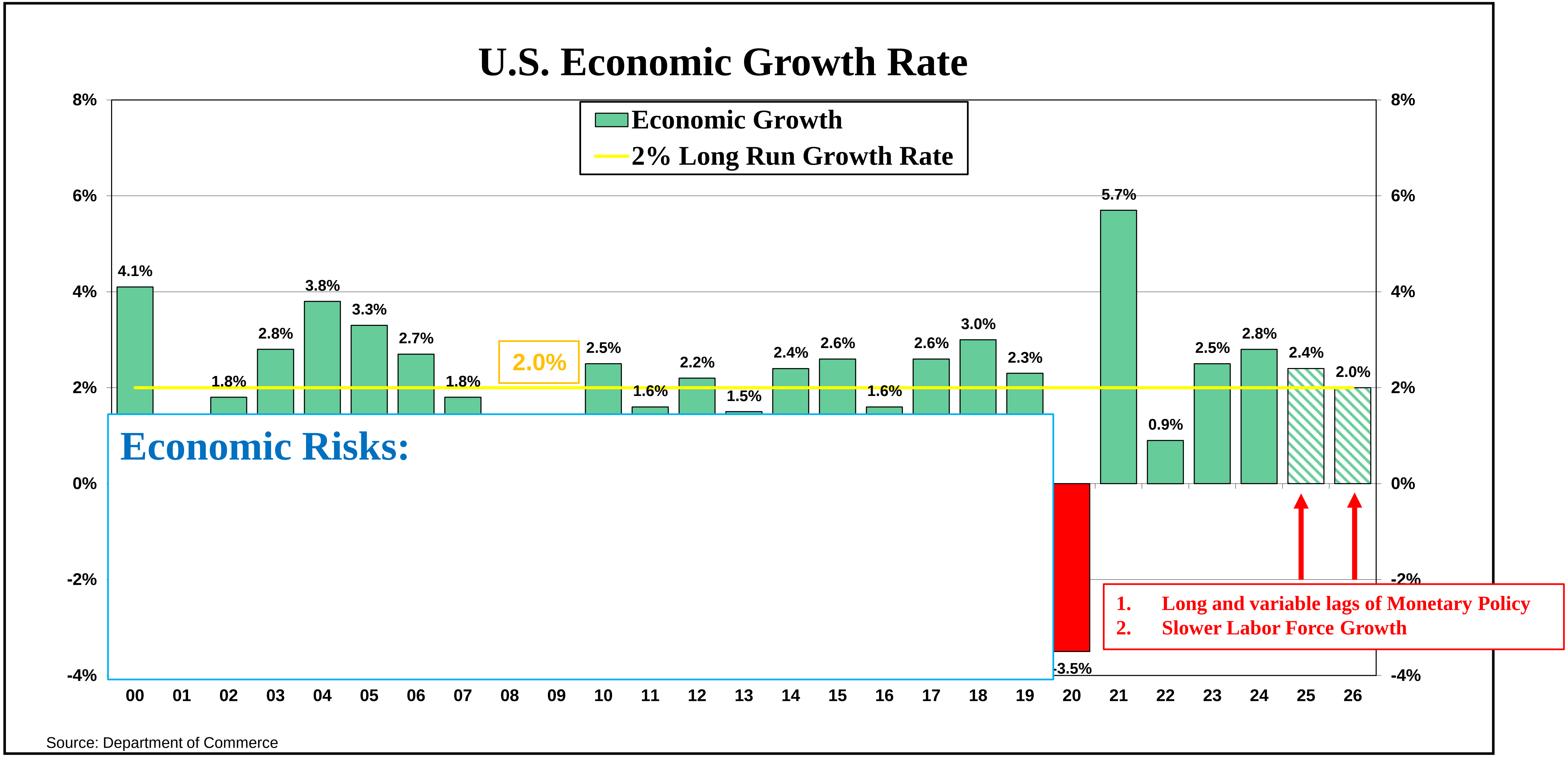
Source: Department of Commerce

Economic Growth Above Natural Growth Rate

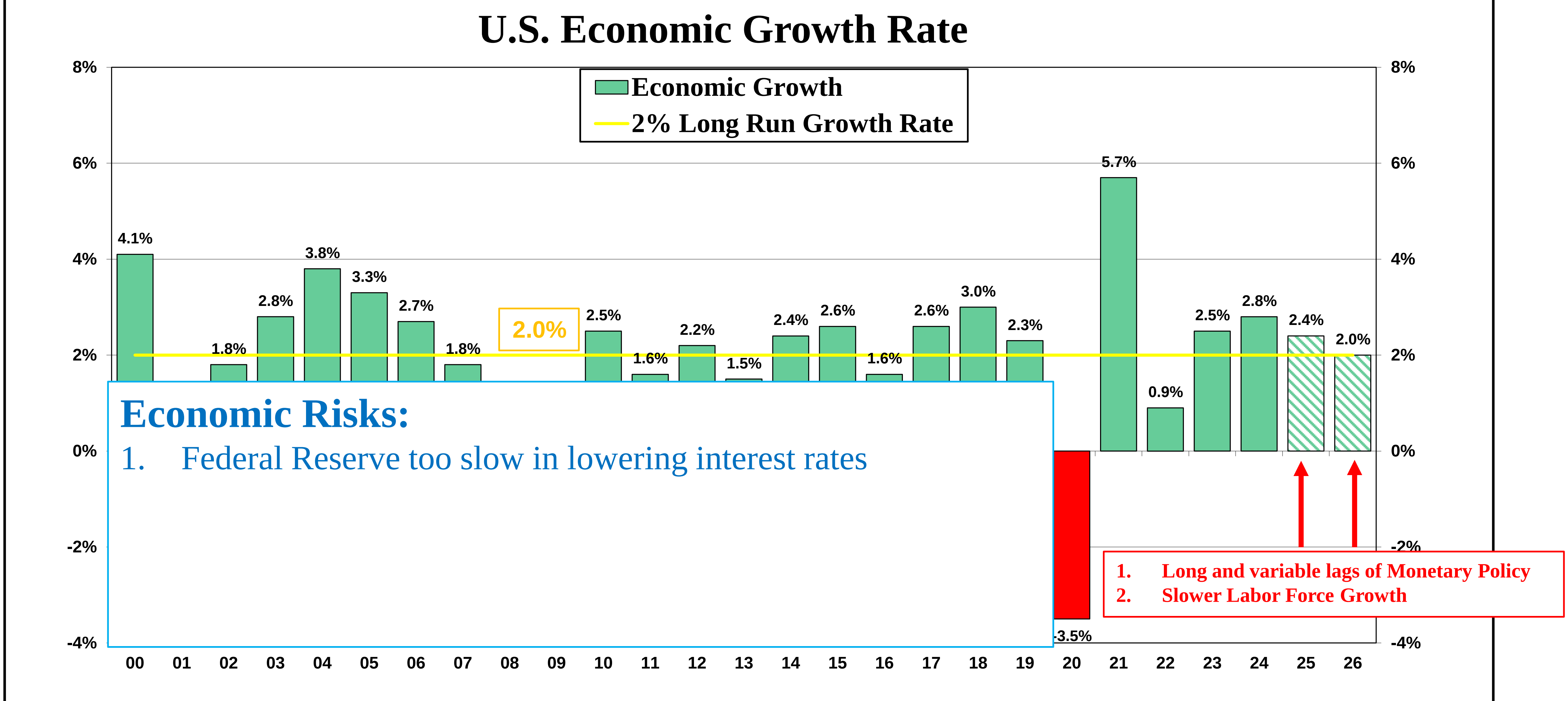


Source: Department of Commerce

Economic Growth Above Natural Growth Rate

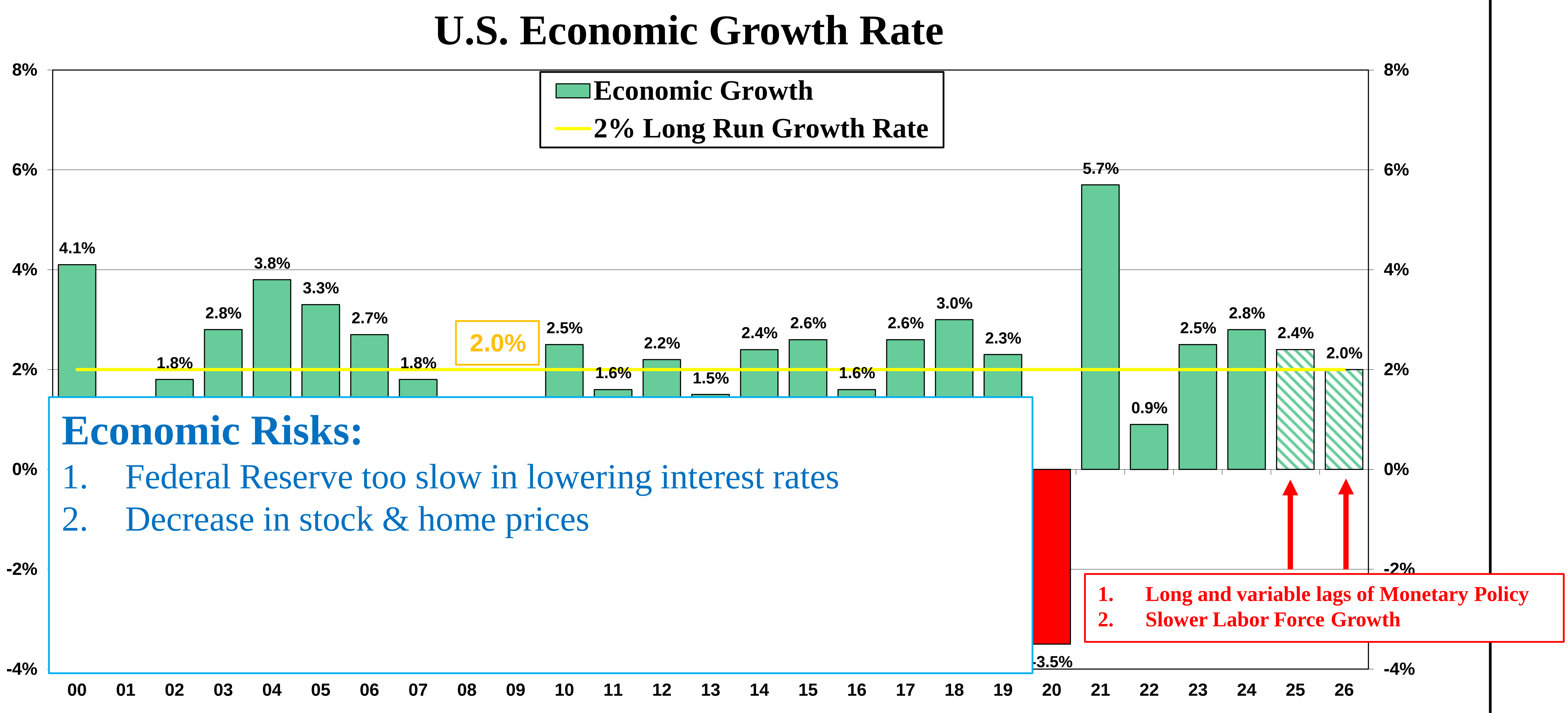


Economic Growth Above Natural Growth Rate



Source: Department of Commerce

Economic Growth Above Natural Growth Rate

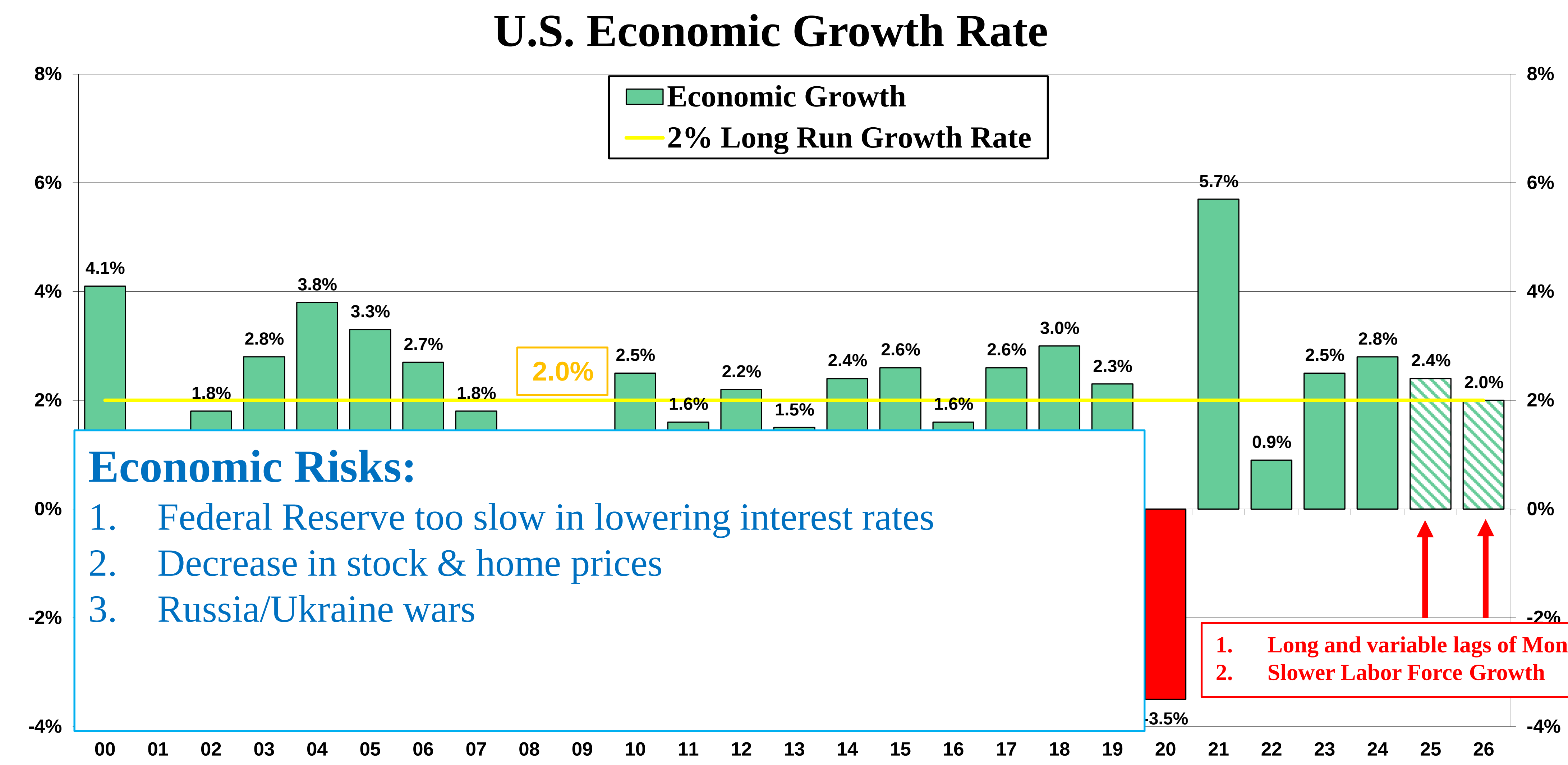


Economic Risks:

1. Federal Reserve too slow in lowering interest rates
2. Decrease in stock & home prices

Source: Department of Commerce

Economic Growth Above Natural Growth Rate



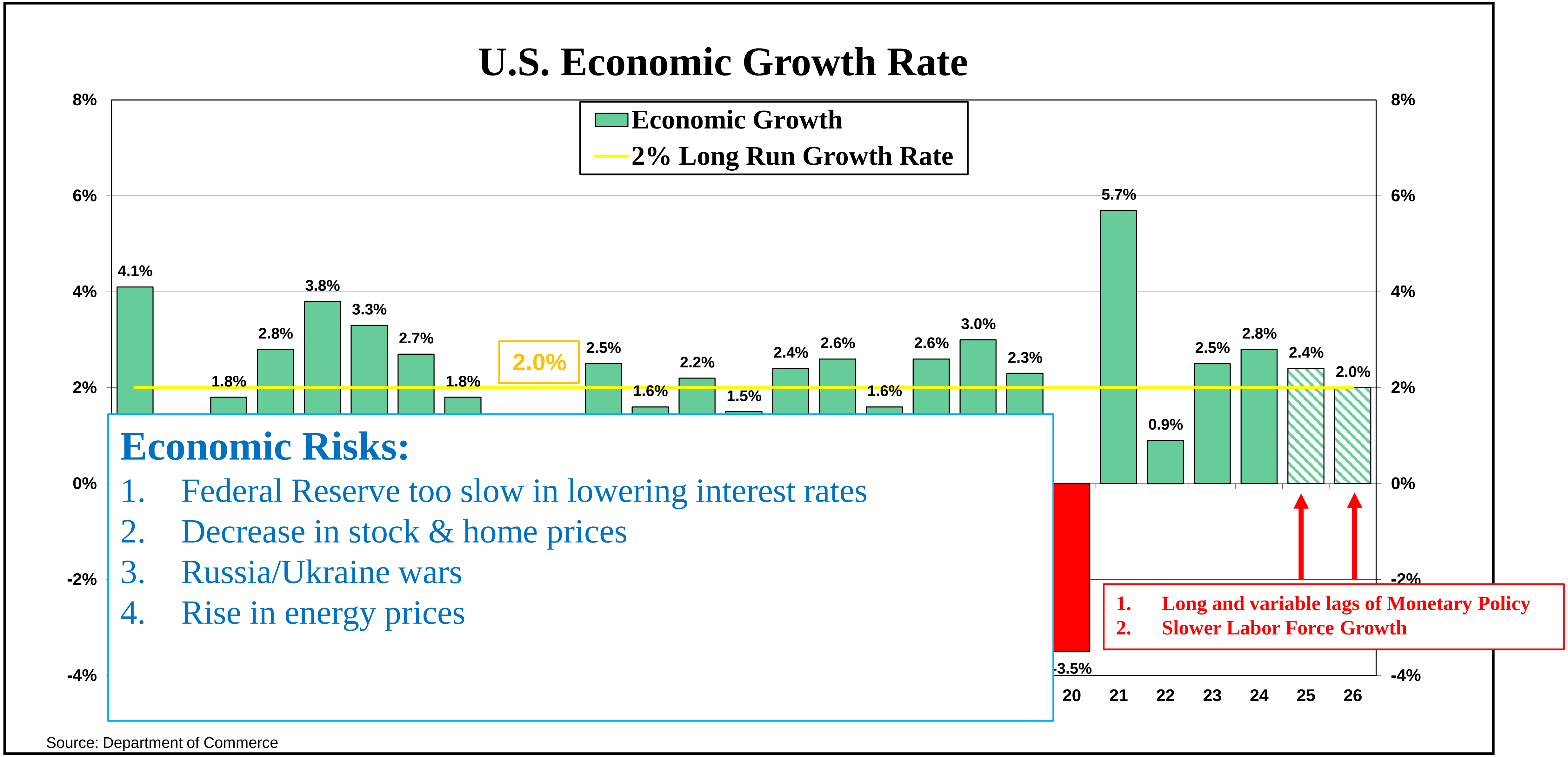
Economic Risks:

1. Federal Reserve too slow in lowering interest rates
2. Decrease in stock & home prices
3. Russia/Ukraine wars

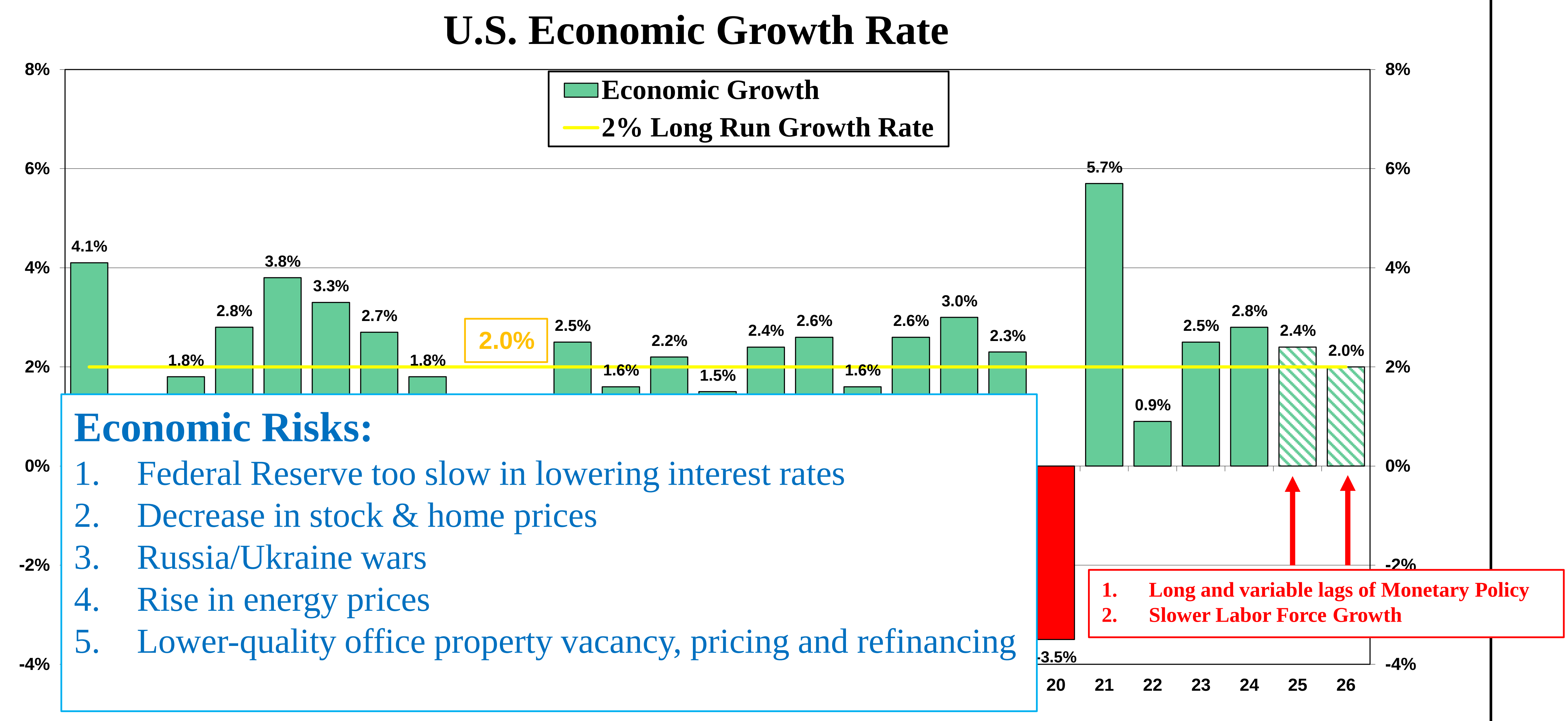
1. Long and variable lags of Monetary Policy
2. Slower Labor Force Growth

Source: Department of Commerce

Economic Growth Above Natural Growth Rate



Economic Growth Above Natural Growth Rate

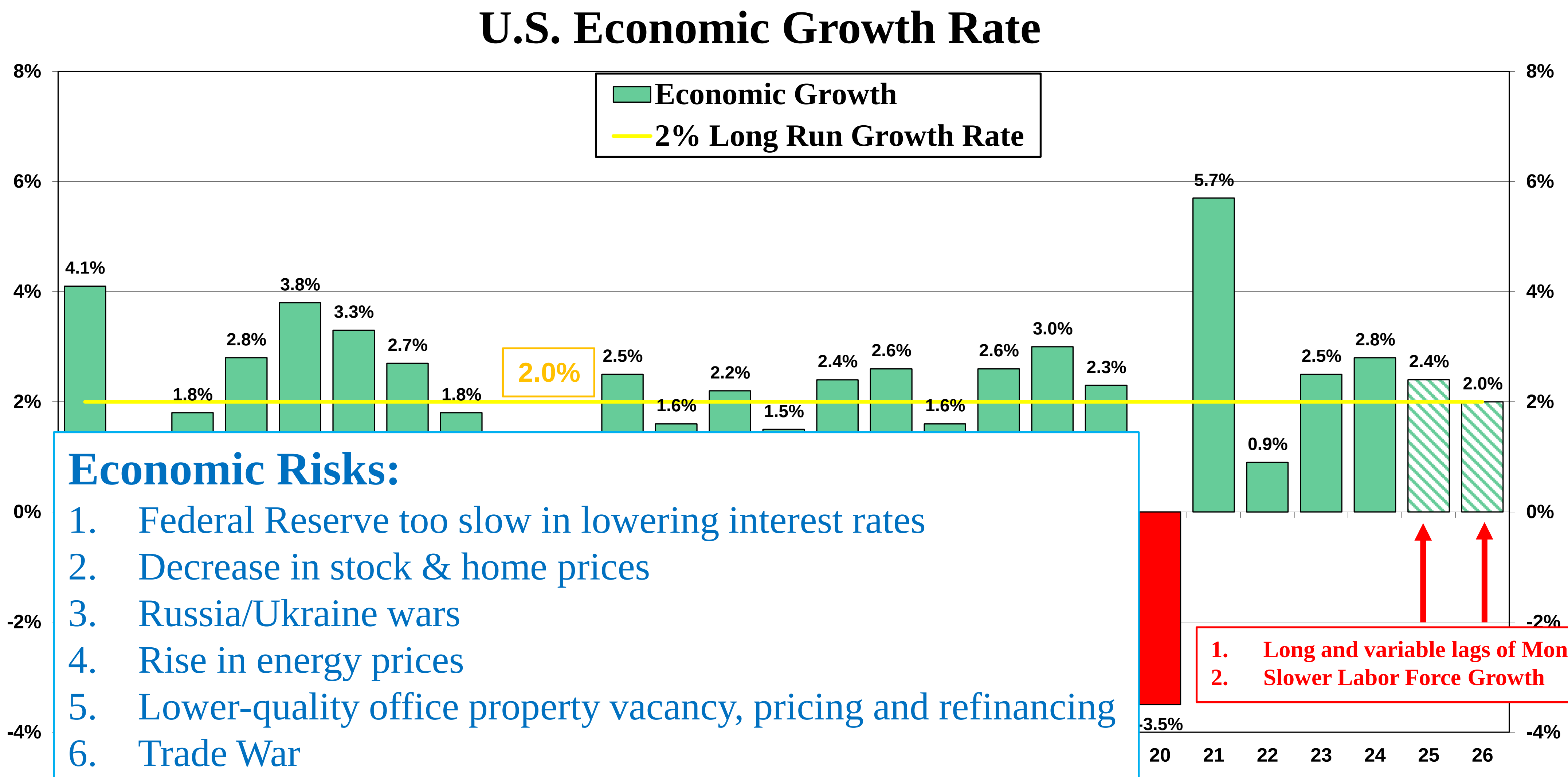


Economic Risks:

1. Federal Reserve too slow in lowering interest rates
2. Decrease in stock & home prices
3. Russia/Ukraine wars
4. Rise in energy prices
5. Lower-quality office property vacancy, pricing and refinancing

Source: Department of Commerce

Economic Growth Above Natural Growth Rate

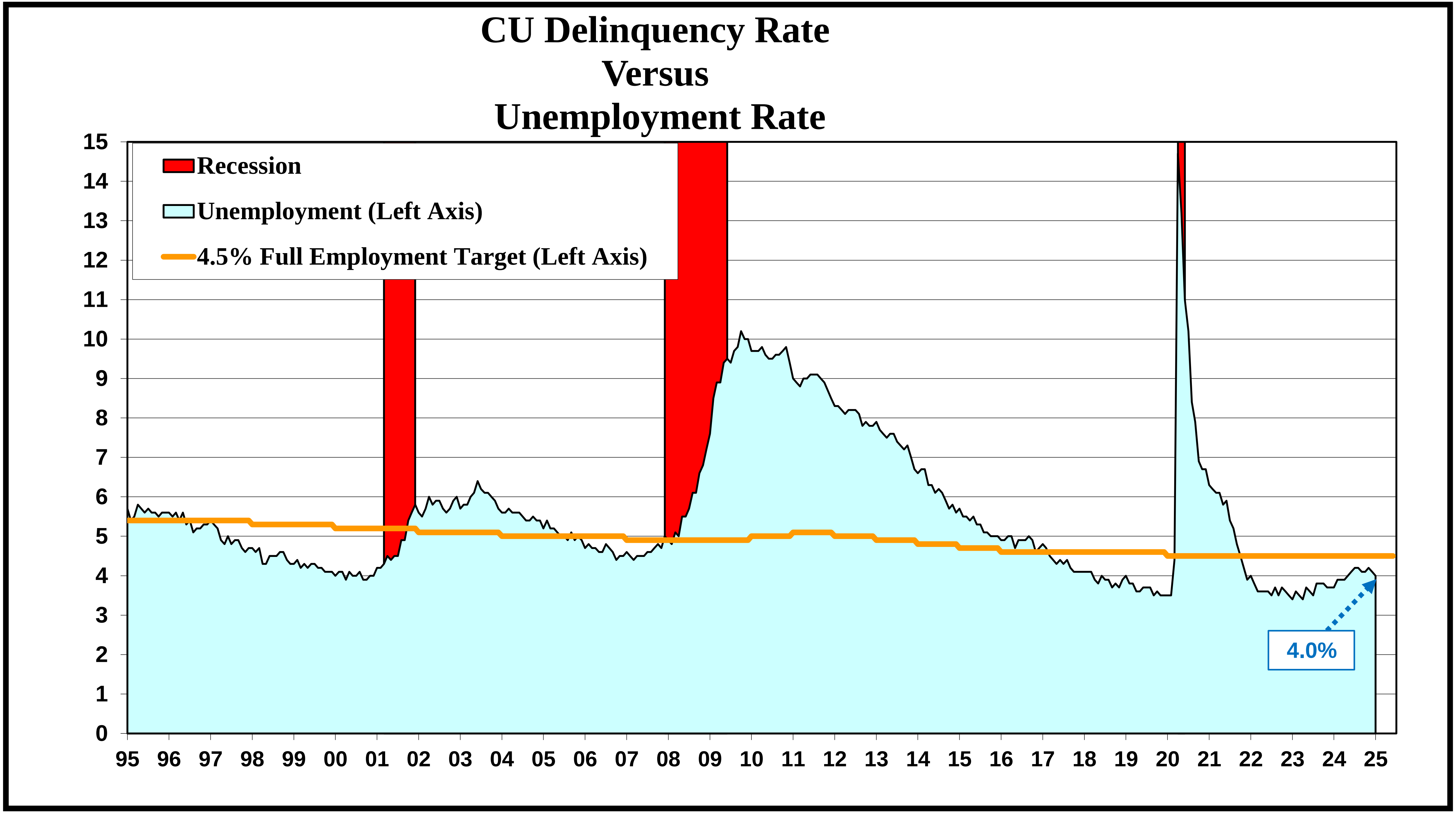


Economic Risks:

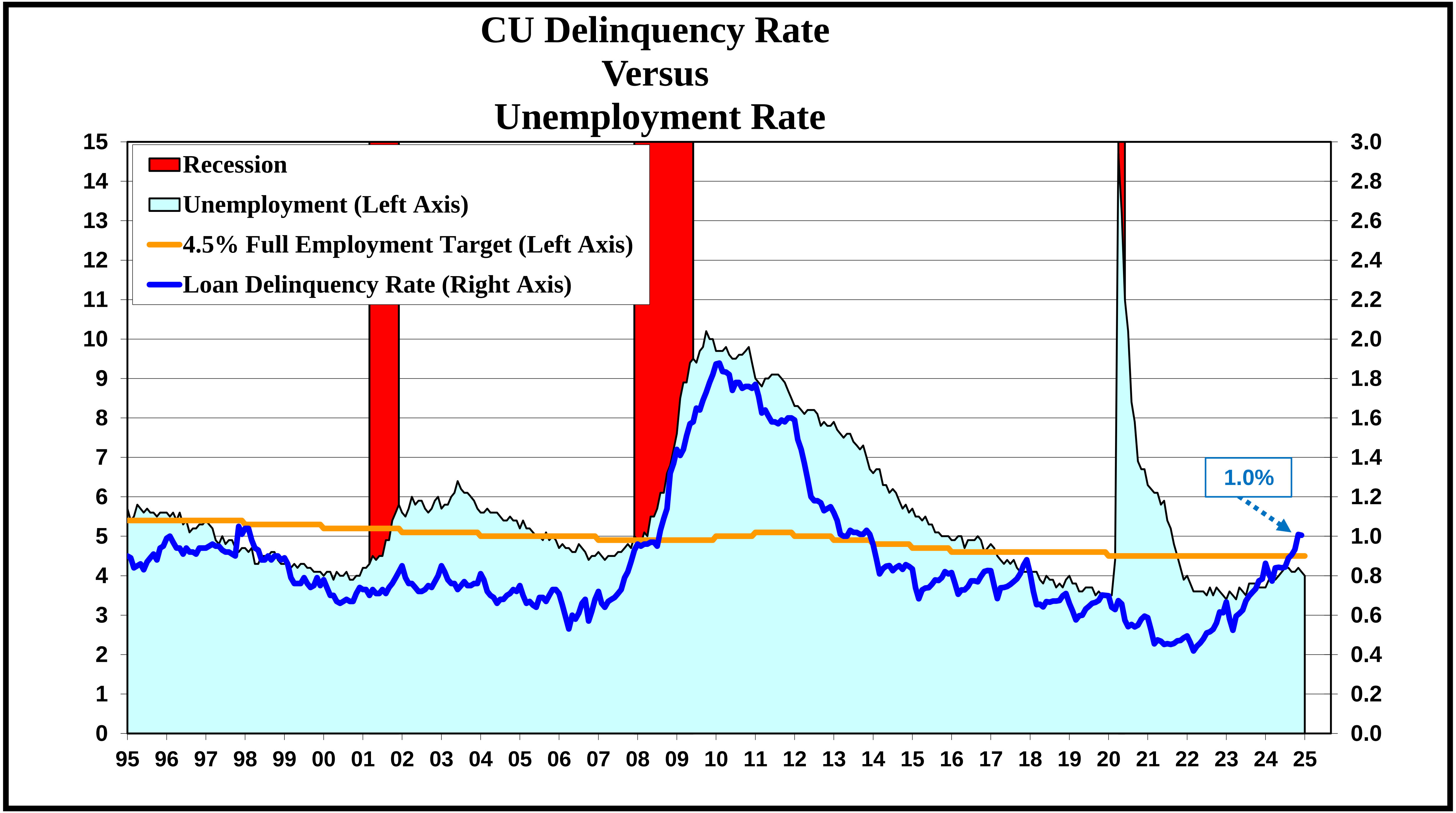
1. Federal Reserve too slow in lowering interest rates
2. Decrease in stock & home prices
3. Russia/Ukraine wars
4. Rise in energy prices
5. Lower-quality office property vacancy, pricing and refinancing
6. Trade War

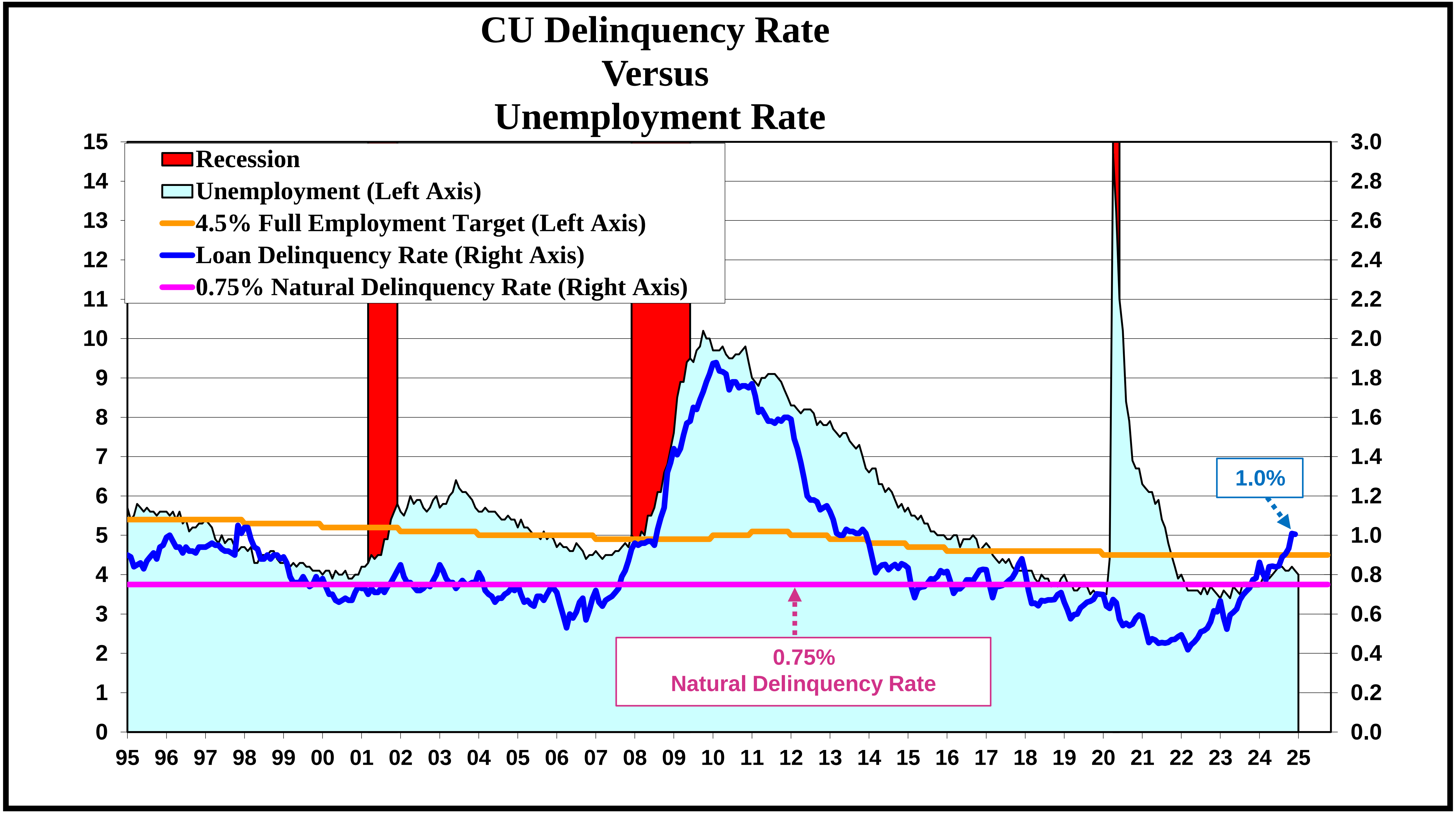
1. Long and variable lags of Monetary Policy
2. Slower Labor Force Growth

Source: Department of Commerce

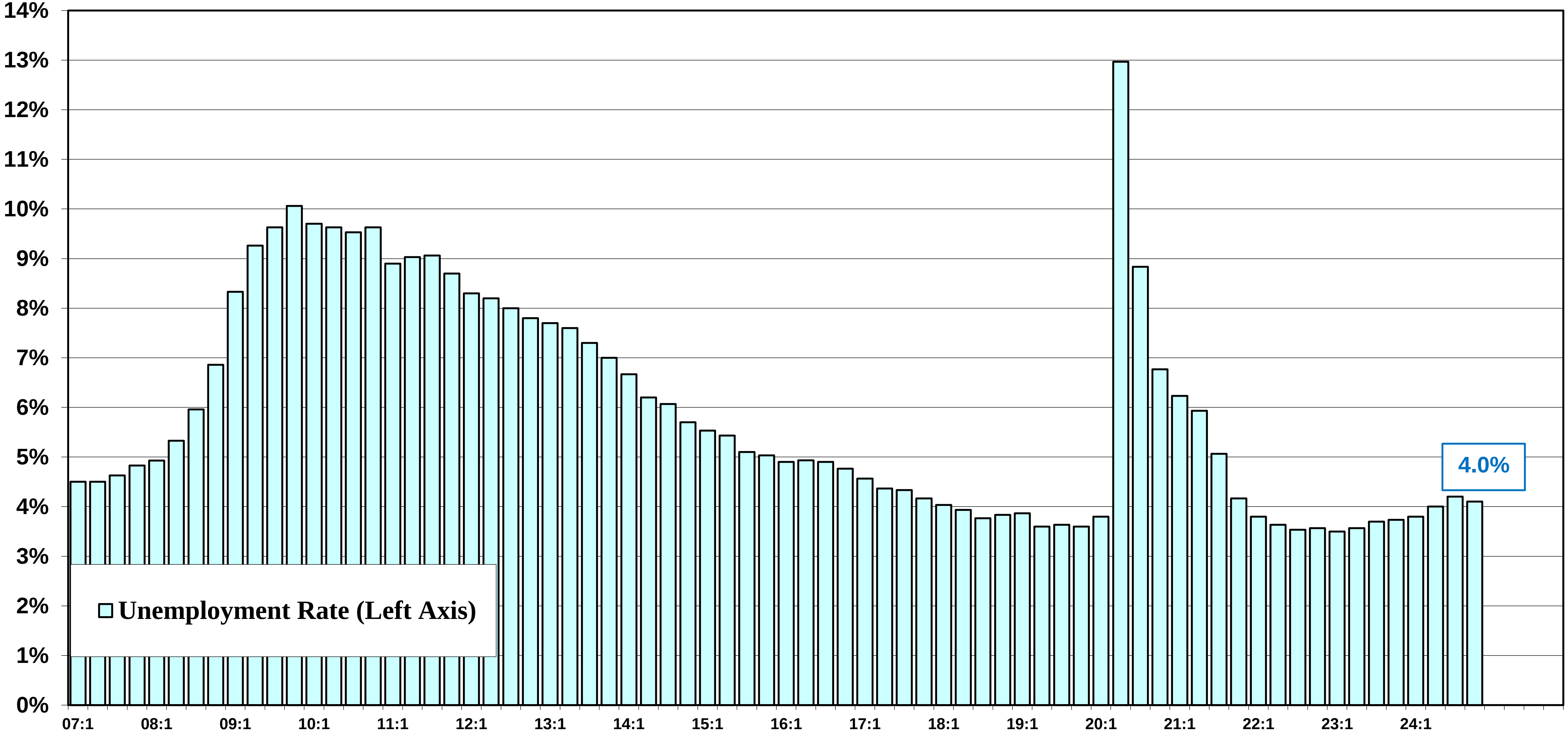


CU Delinquency Rate
Versus
Unemployment Rate
Recession
Unemployment (Left Axis)
4.5% Full Employment Target (Left Axis)
4.0%
15
14
13
12
11
10
9
8
7
6
5
4
3
2
1
0
95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25


CU Delinquency Rate
Versus
Unemployment Rate
Recession
Unemployment (Left Axis)
4.5% Full Employment Target (Left Axis)
Loan Delinquency Rate (Right Axis)
1.0%
15
14
13
12
11
10
9
8
7
6
5
4
3
2
1
0
3.0
2.8
2.6
2.4
2.2
2.0
1.8
1.6
1.4
1.2
1.0
0.8
0.6
0.4
0.2
0.0
95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25

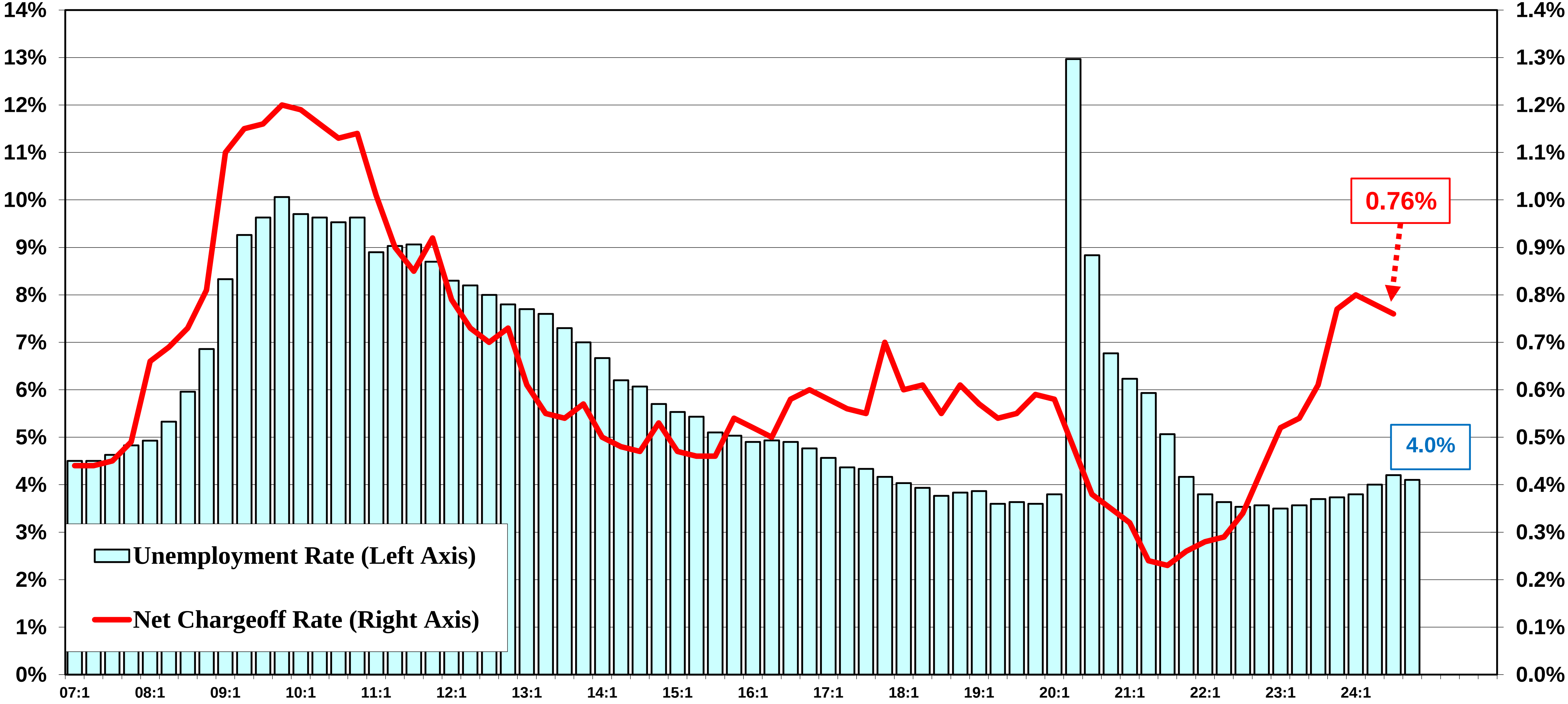

CU Delinquency Rate
Versus
Unemployment Rate
Recession
Unemployment (Left Axis)
4.5% Full Employment Target (Left Axis)
Loan Delinquency Rate (Right Axis)
0.75% Natural Delinquency Rate (Right Axis)
1.0%
0.75%
Natural Delinquency Rate
15
14
13
12
11
10
9
8
7
6
5
4
3
2
1
0
3.0
2.8
2.6
2.4
2.2
2.0
1.8
1.6
1.4
1.2
1.0
0.8
0.6
0.4
0.2
0.0
95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25

CU Net Chargeoff Rate
Versus
Unemployment Rate

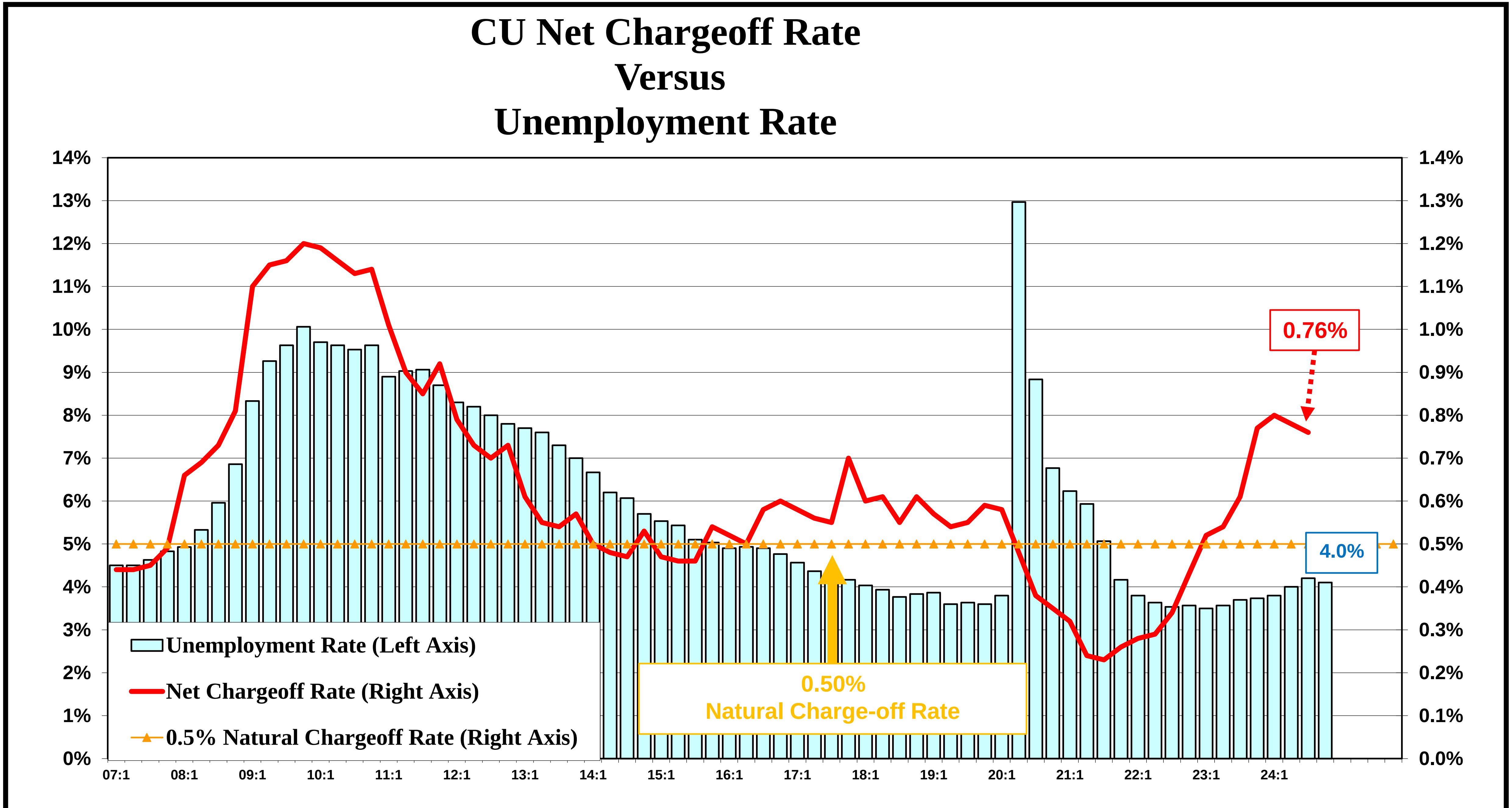


Source: Department of Labor, NCUA,CUNA

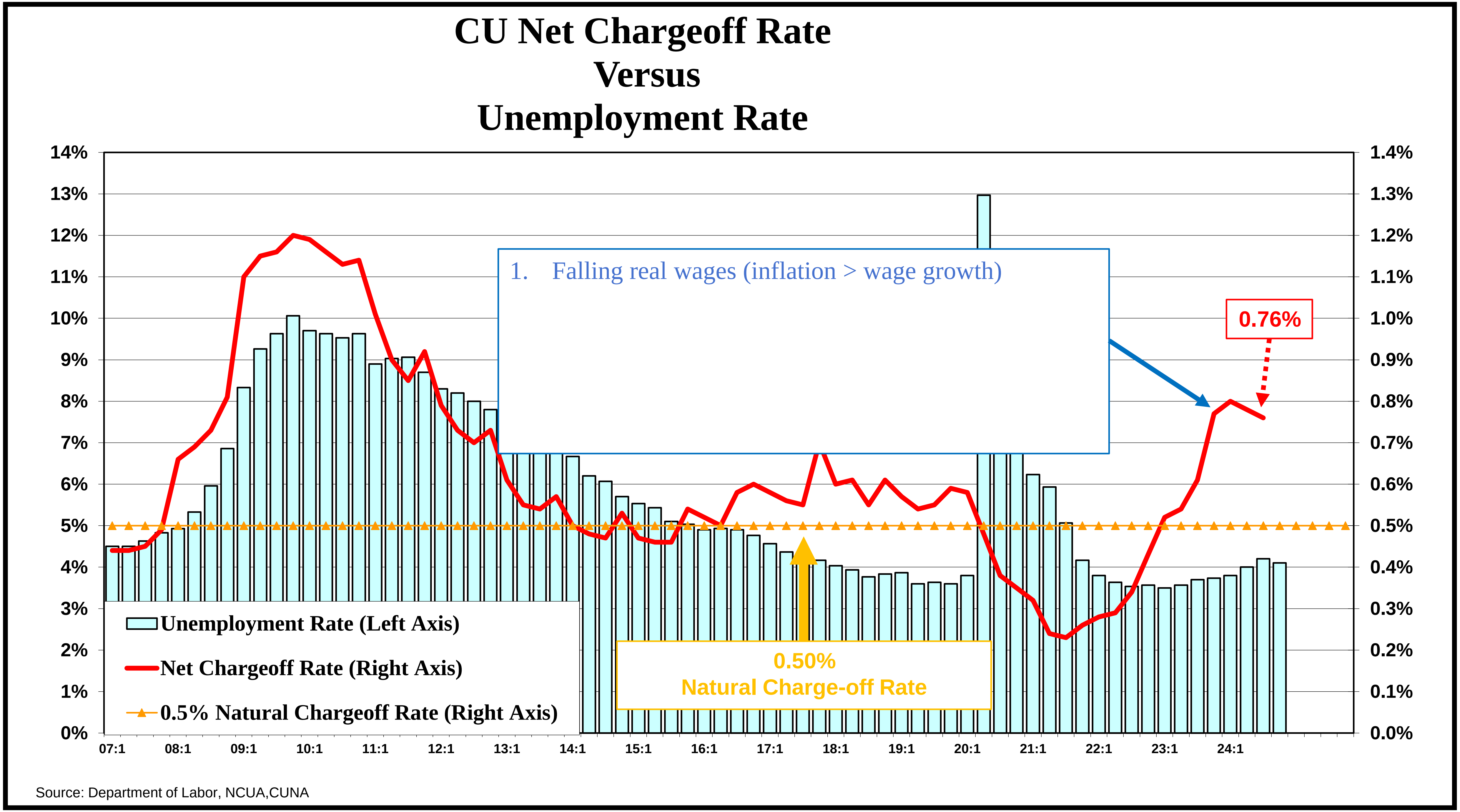
CU Net Chargeoff Rate Versus Unemployment Rate



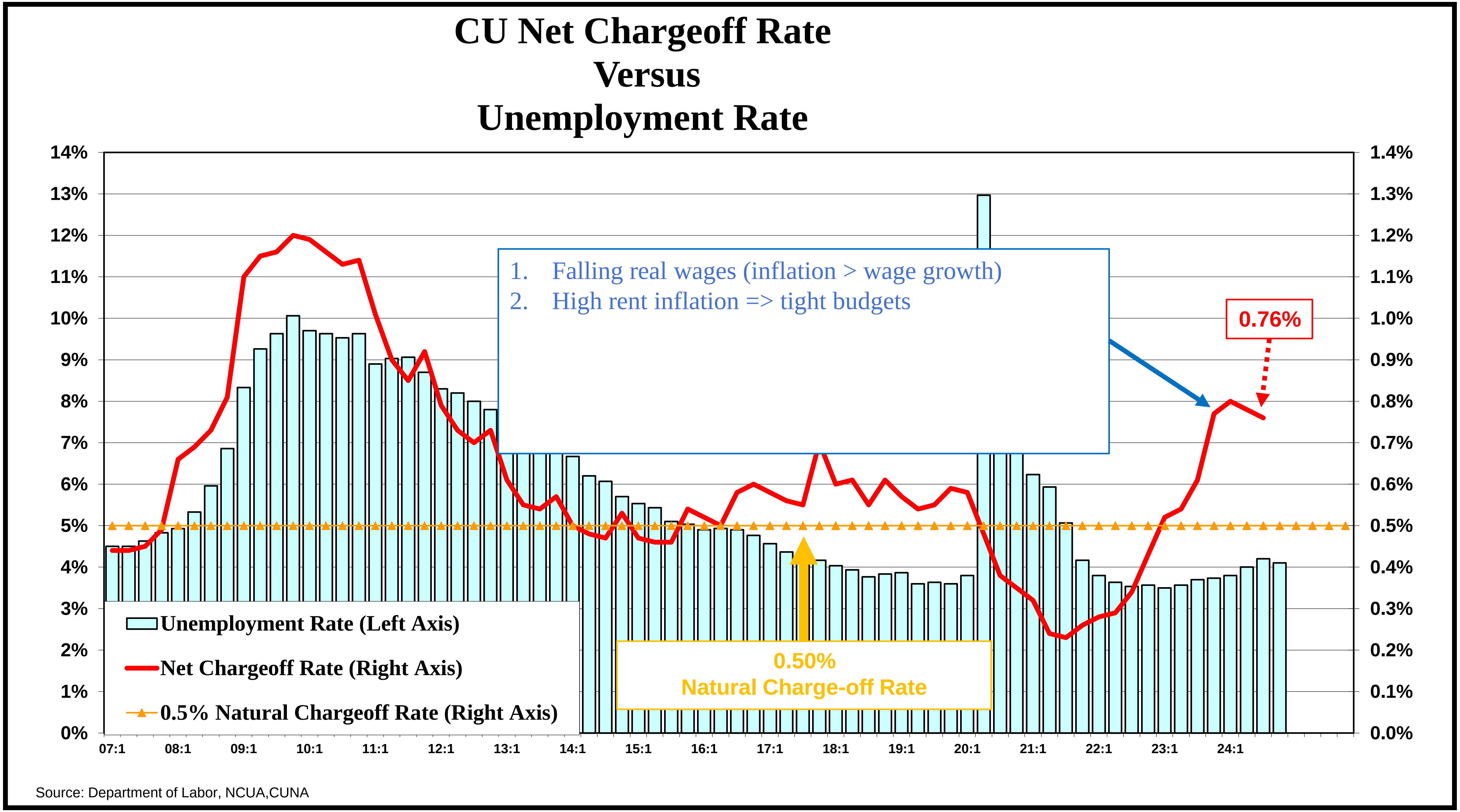
Source: Department of Labor, NCUA,CUNA



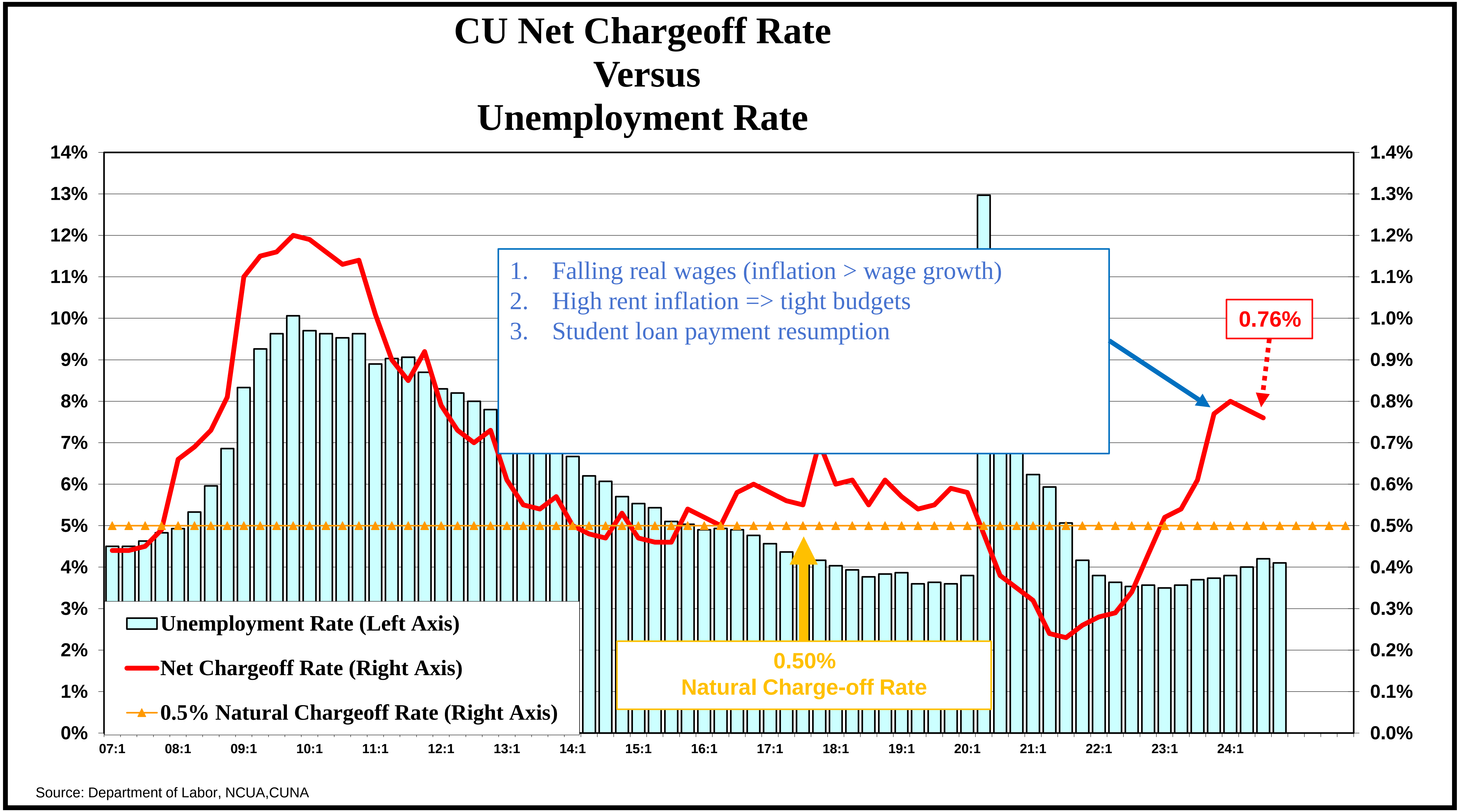
Source: Department of Labor, NCUA,CUNA



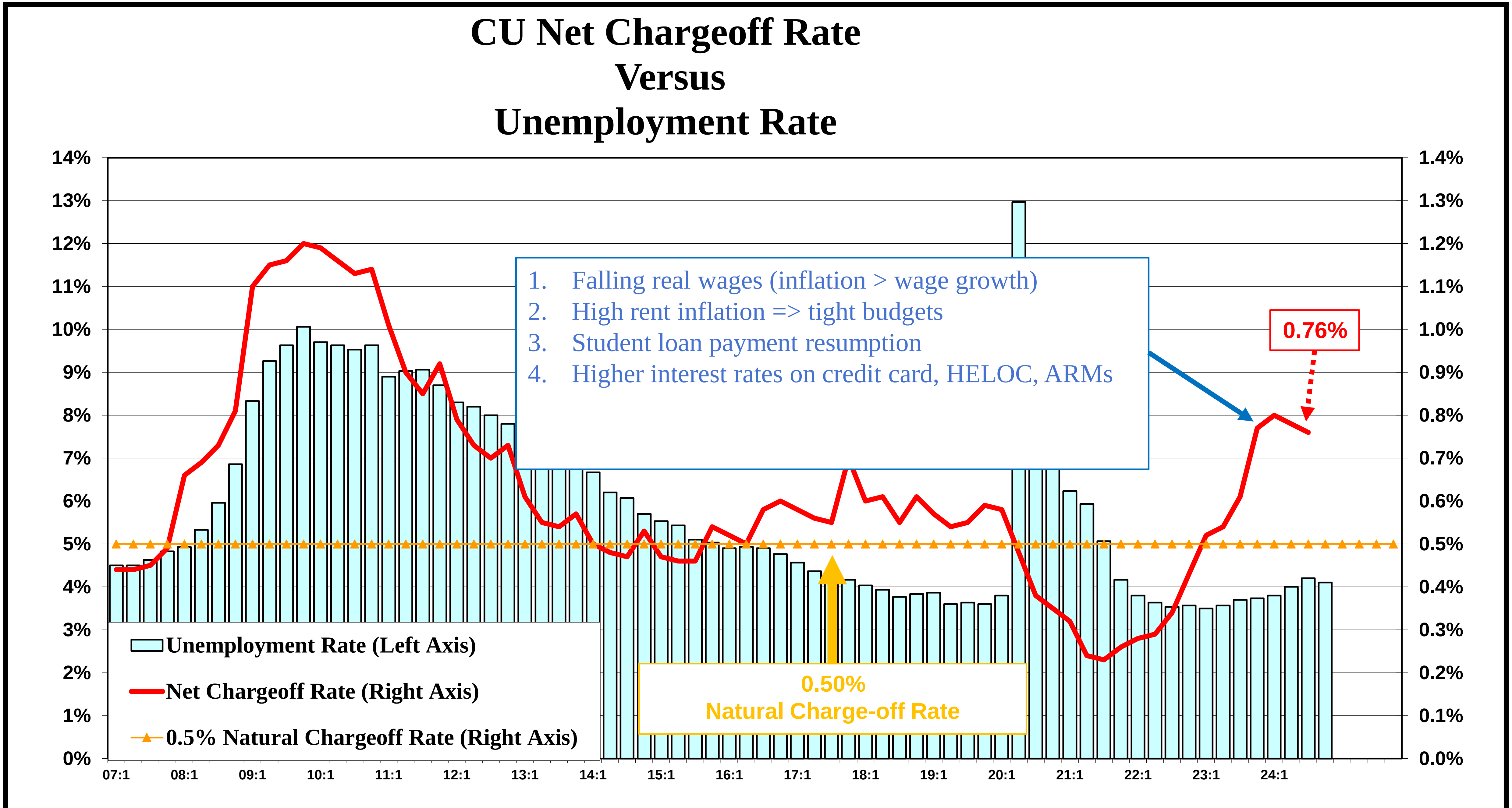
CU Net Chargeoff Rate
Versus
Unemployment Rate
14%
13%
12%
11%
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
1.4%
1.3%
1.2%
1.1%
1.0%
0.9%
0.8%
0.7%
0.6%
0.5%
0.4%
0.3%
0.2%
0.1%
0.0%
1. Falling real wages (inflation > wage growth)
0.76%
0.50%
Natural Charge-off Rate
Unemployment Rate (Left Axis)
Net Chargeoff Rate (Right Axis)
0.5% Natural Chargeoff Rate (Right Axis)
07:1
08:1
09:1
10:1
11:1
12:1
13:1
14:1
15:1
16:1
17:1
18:1
19:1
20:1
21:1
22:1
23:1
24:1
Source: Department of Labor, NCUA,CUNA



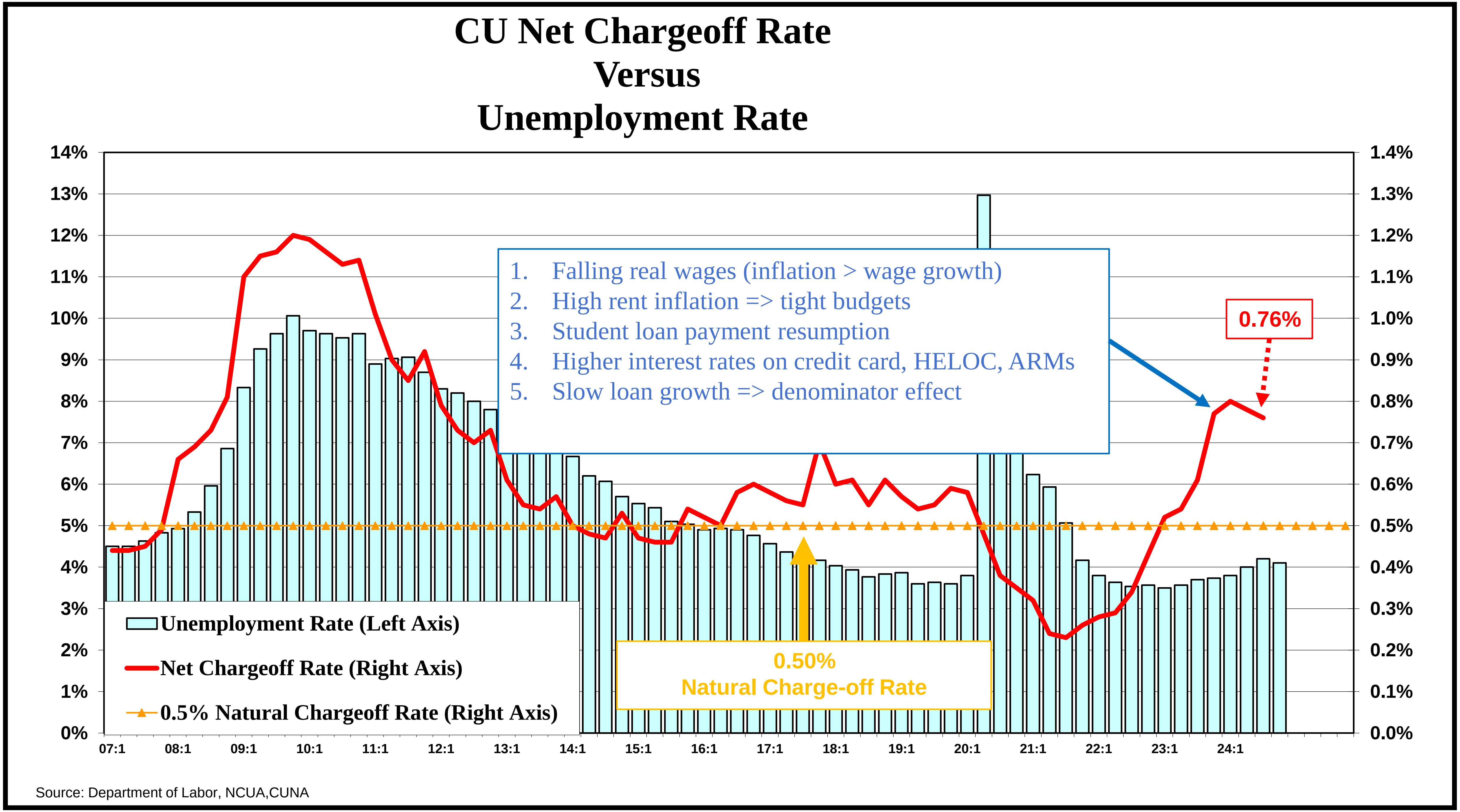
Source: Department of Labor, NCUA,CUNA

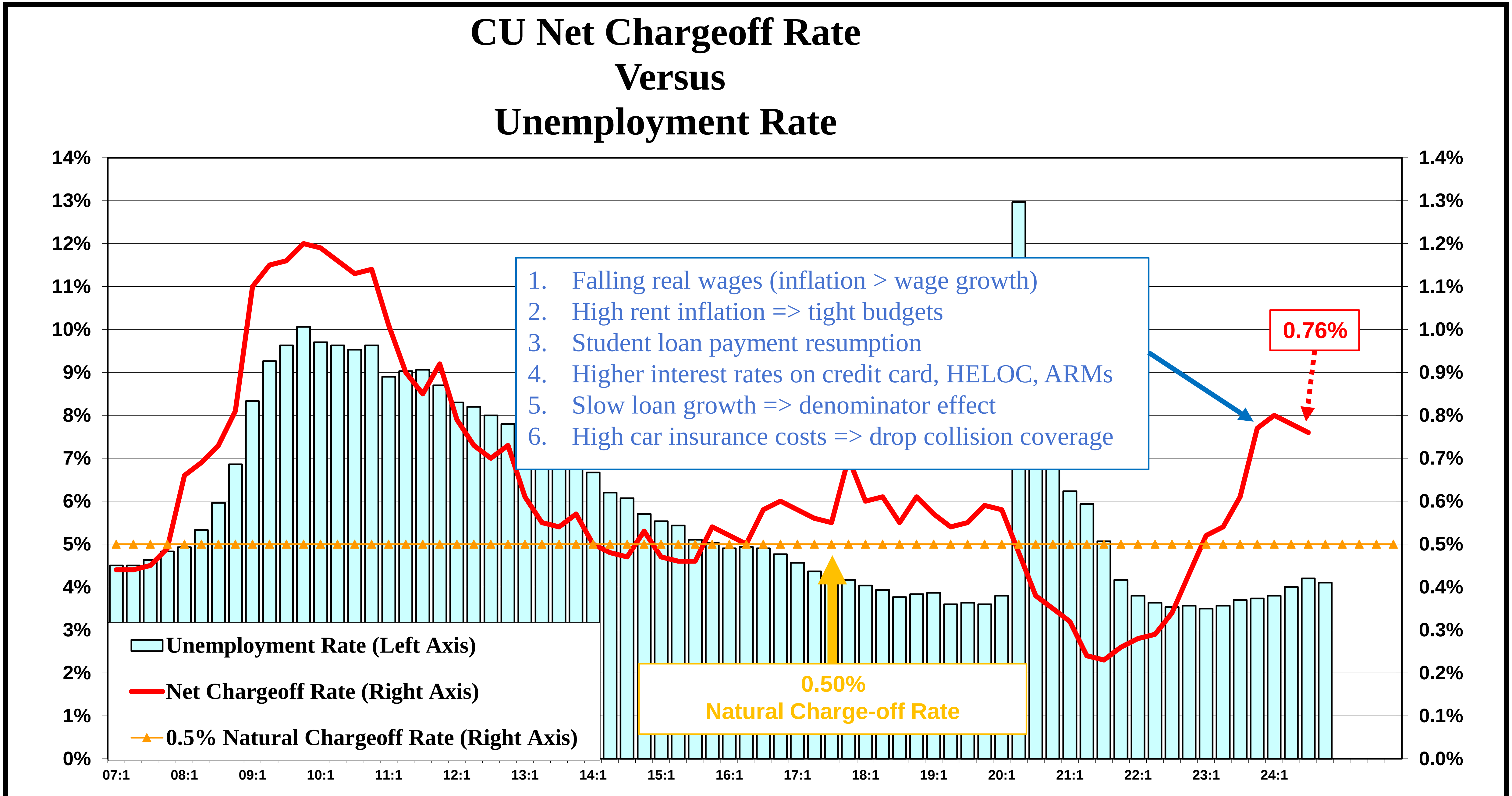


CU Net Chargeoff Rate
Versus
Unemployment Rate
14%
13%
12%
11%
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
1.4%
1.3%
1.2%
1.1%
1.0%
0.9%
0.8%
0.7%
0.6%
0.5%
0.4%
0.3%
0.2%
0.1%
0.0%
1. Falling real wages (inflation > wage growth)
2. High rent inflation => tight budgets
3. Student loan payment resumption
0.76%
0.50%
Natural Charge-off Rate
Unemployment Rate (Left Axis)
Net Chargeoff Rate (Right Axis)
0.5% Natural Chargeoff Rate (Right Axis)
07:1
08:1
09:1
10:1
11:1
12:1
13:1
14:1
15:1
16:1
17:1
18:1
19:1
20:1
21:1
22:1
23:1
24:1
Source: Department of Labor, NCUA,CUNA



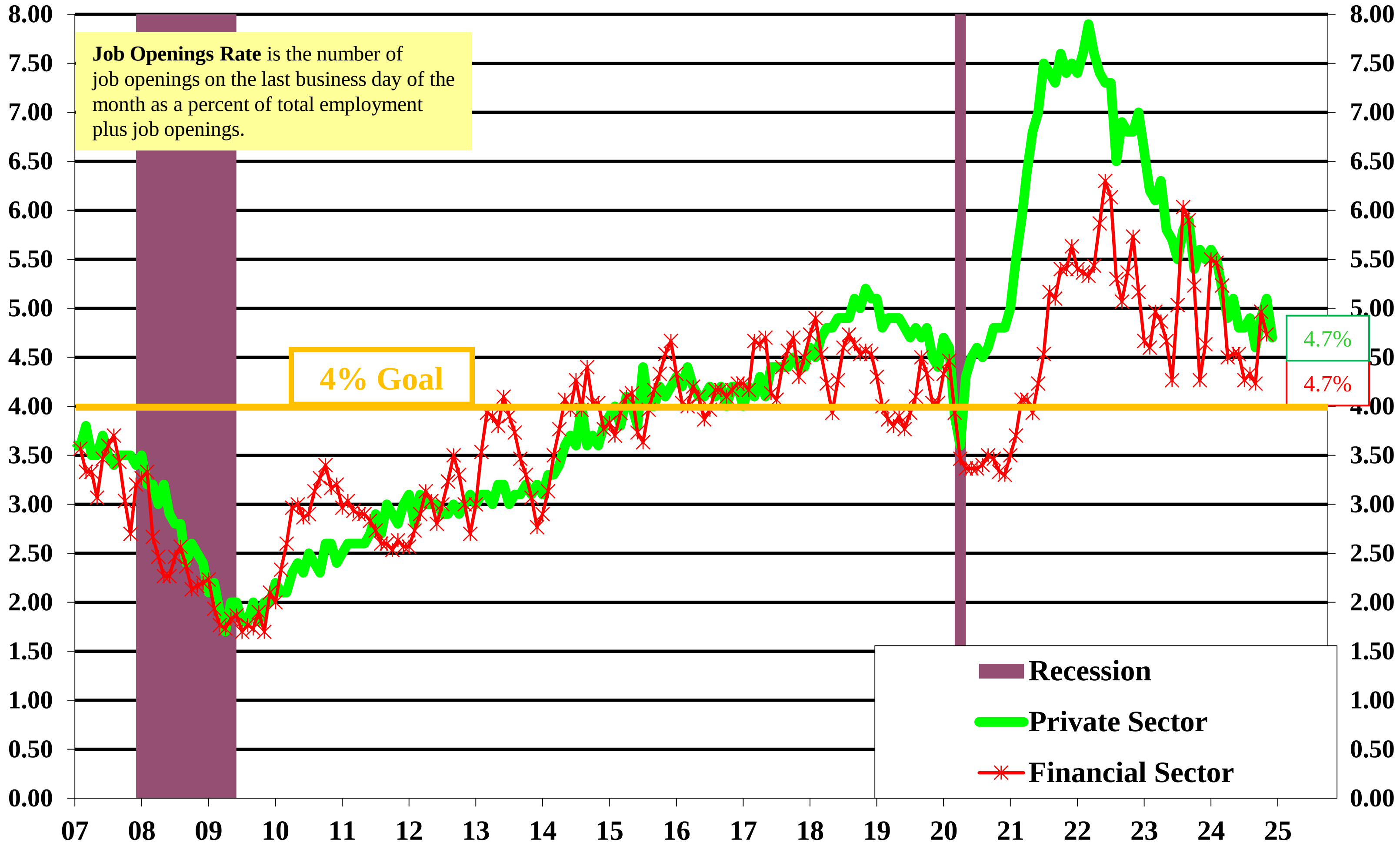
Source: Department of Labor, NCUA,CUNA


CU Net Chargeoff Rate
Versus
Unemployment Rate
14%
13%
12%
11%
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
1.4%
1.3%
1.2%
1.1%
1.0%
0.9%
0.8%
0.7%
0.6%
0.5%
0.4%
0.3%
0.2%
0.1%
0.0%
1. Falling real wages (inflation > wage growth)
2. High rent inflation => tight budgets
3. Student loan payment resumption
4. Higher interest rates on credit card, HELOC, ARMs
5. Slow loan growth => denominator effect
0.76%
0.50%
Natural Charge-off Rate
Unemployment Rate (Left Axis)
Net Chargeoff Rate (Right Axis)
0.5% Natural Chargeoff Rate (Right Axis)
07:1
08:1
09:1
10:1
11:1
12:1
13:1
14:1
15:1
16:1
17:1
18:1
19:1
20:1
21:1
22:1
23:1
24:1
Source: Department of Labor, NCUA,CUNA

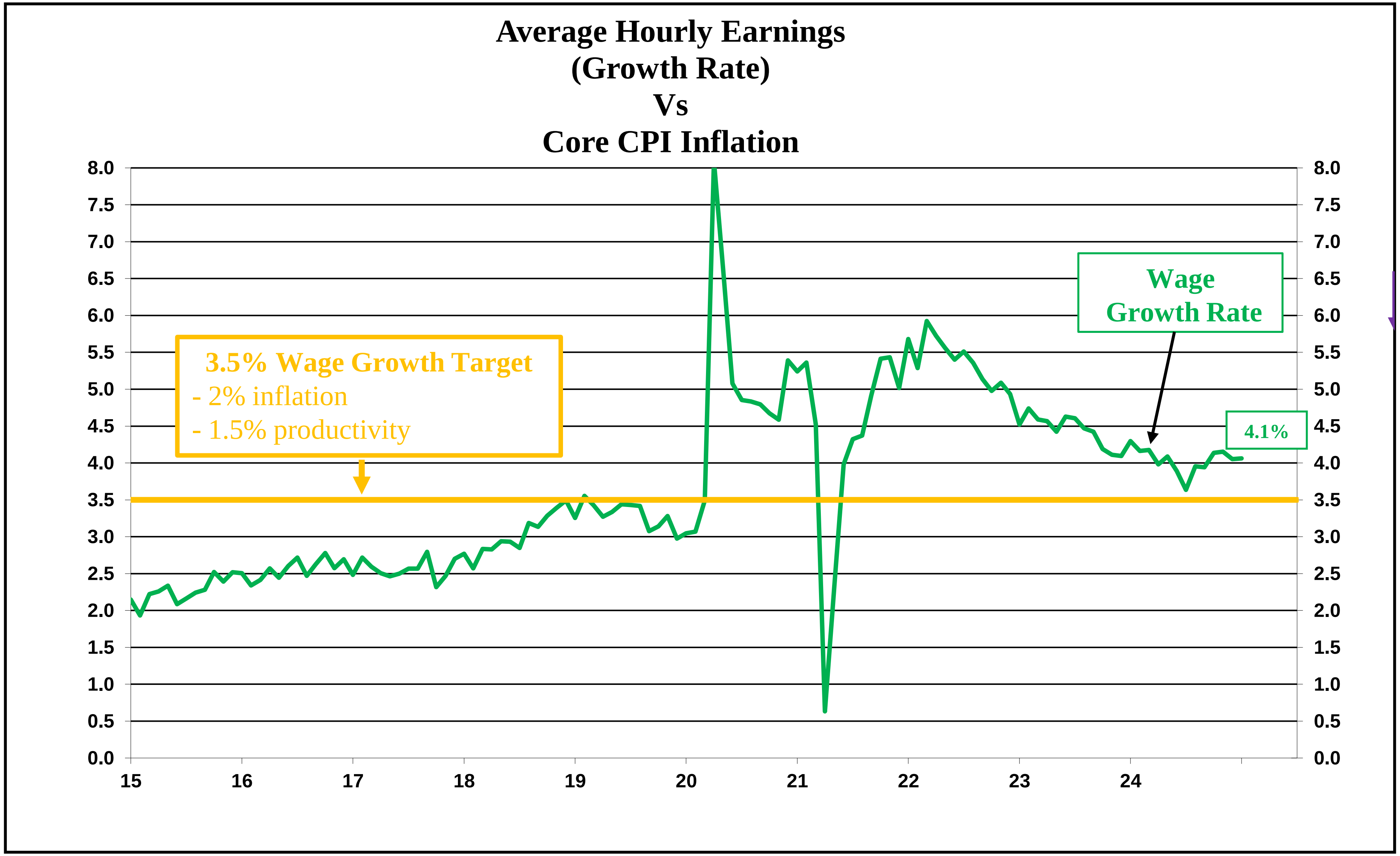


Source: Department of Labor, NCUA,CUNA

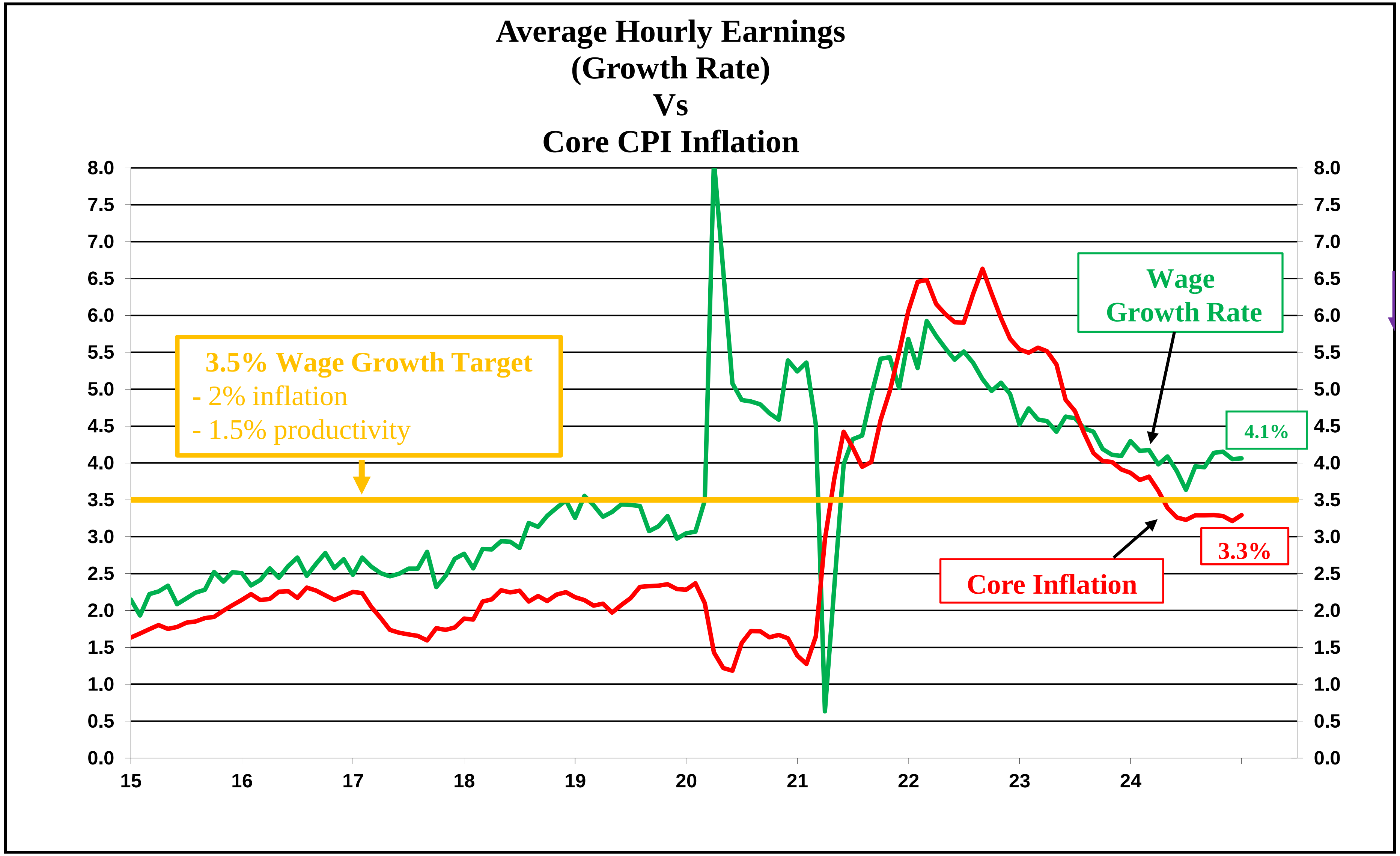
Job Openings Rate
(Thousands, SA)



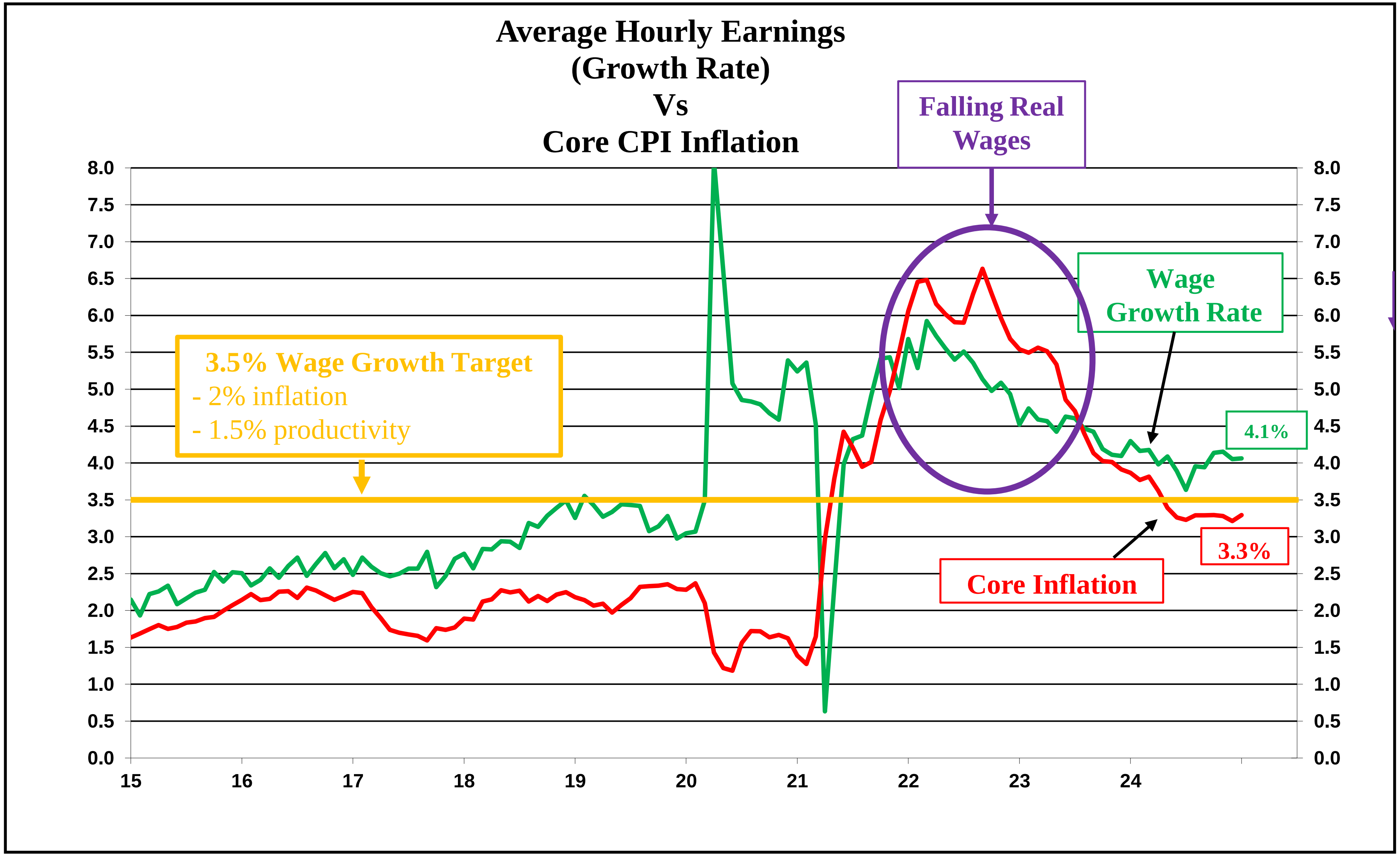
Wage Growth Slowing But Still High



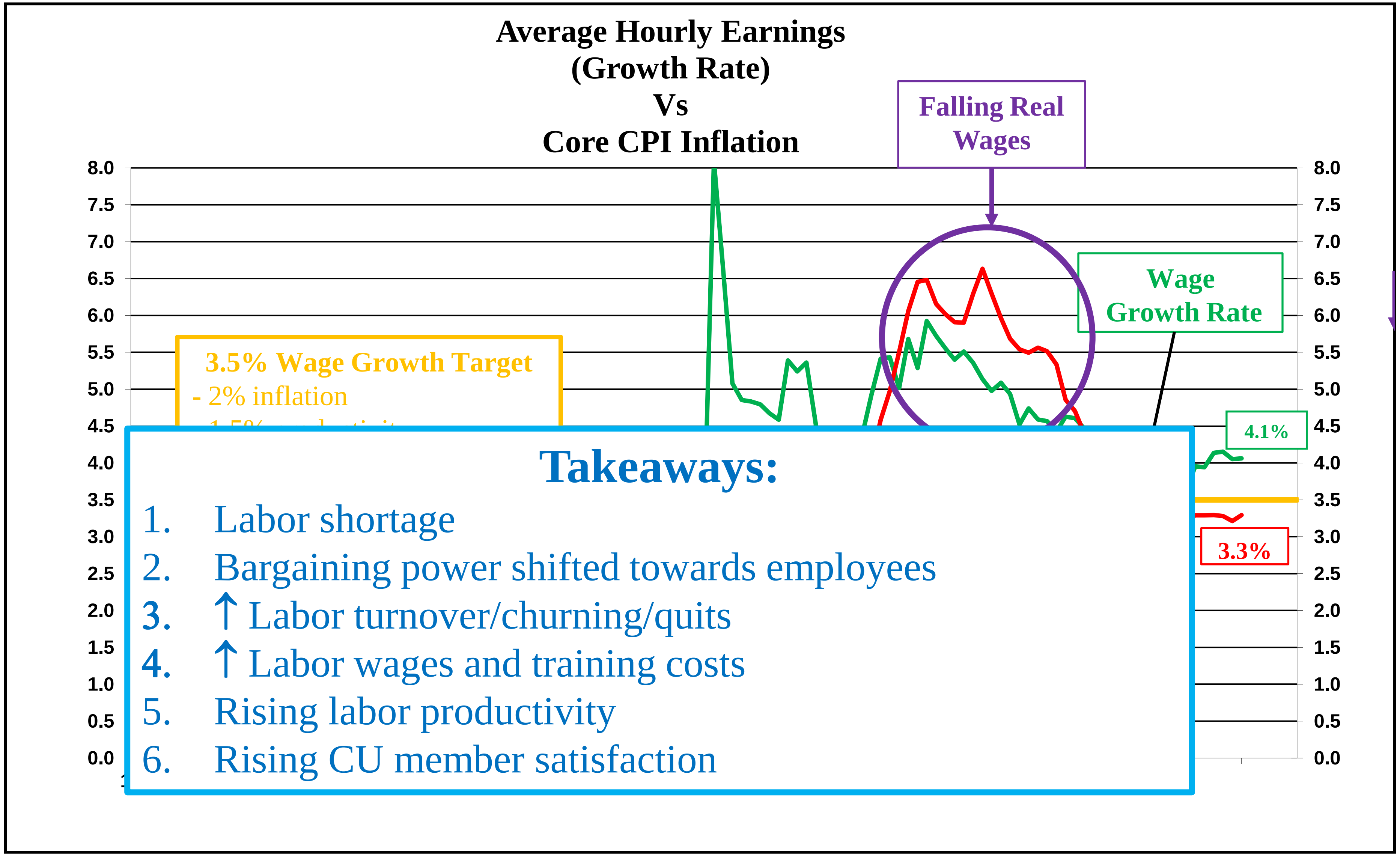
Wage Growth Slowing But Still High



Wage Growth Slowing But Still High



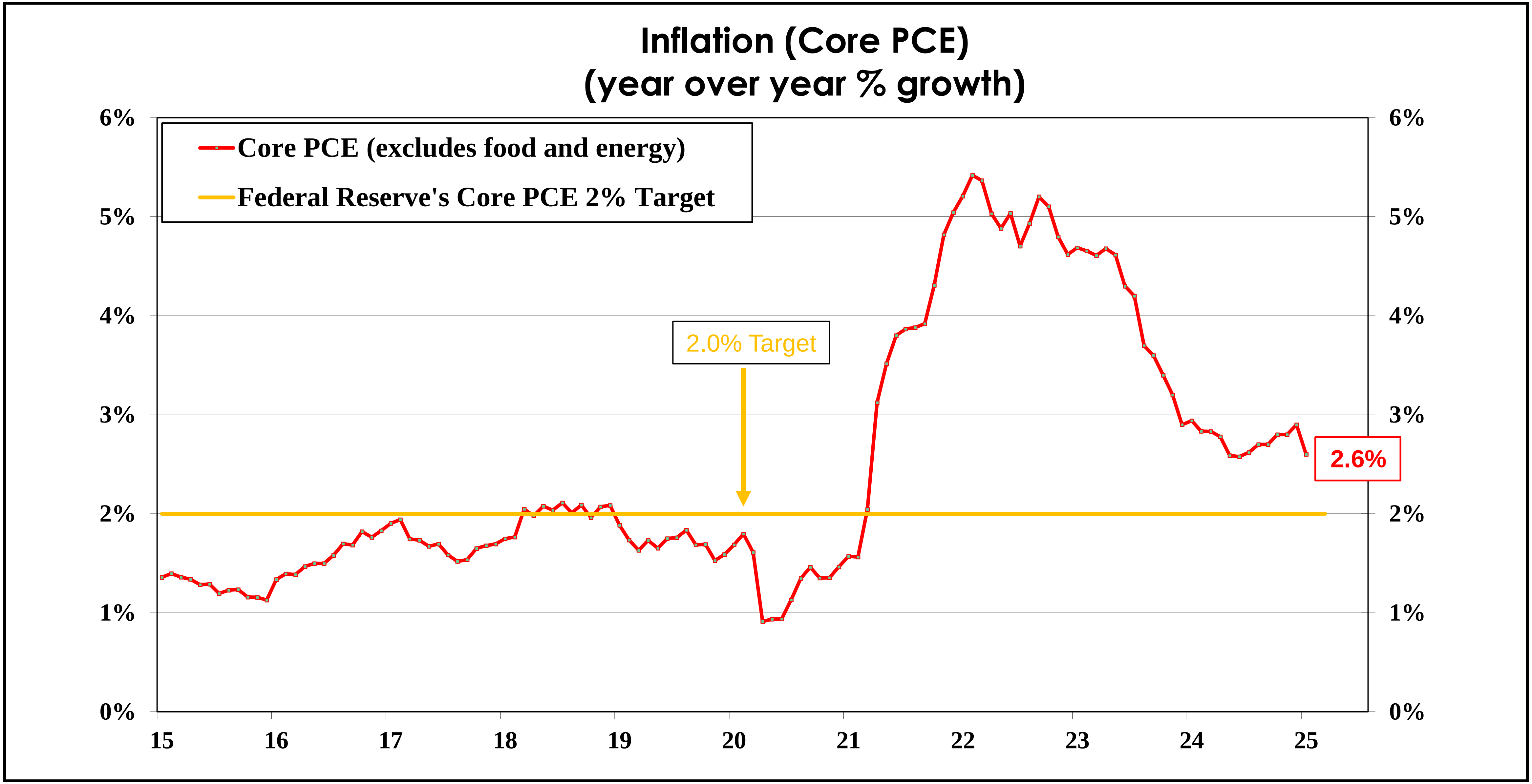
Wage Growth Slowing But Still High



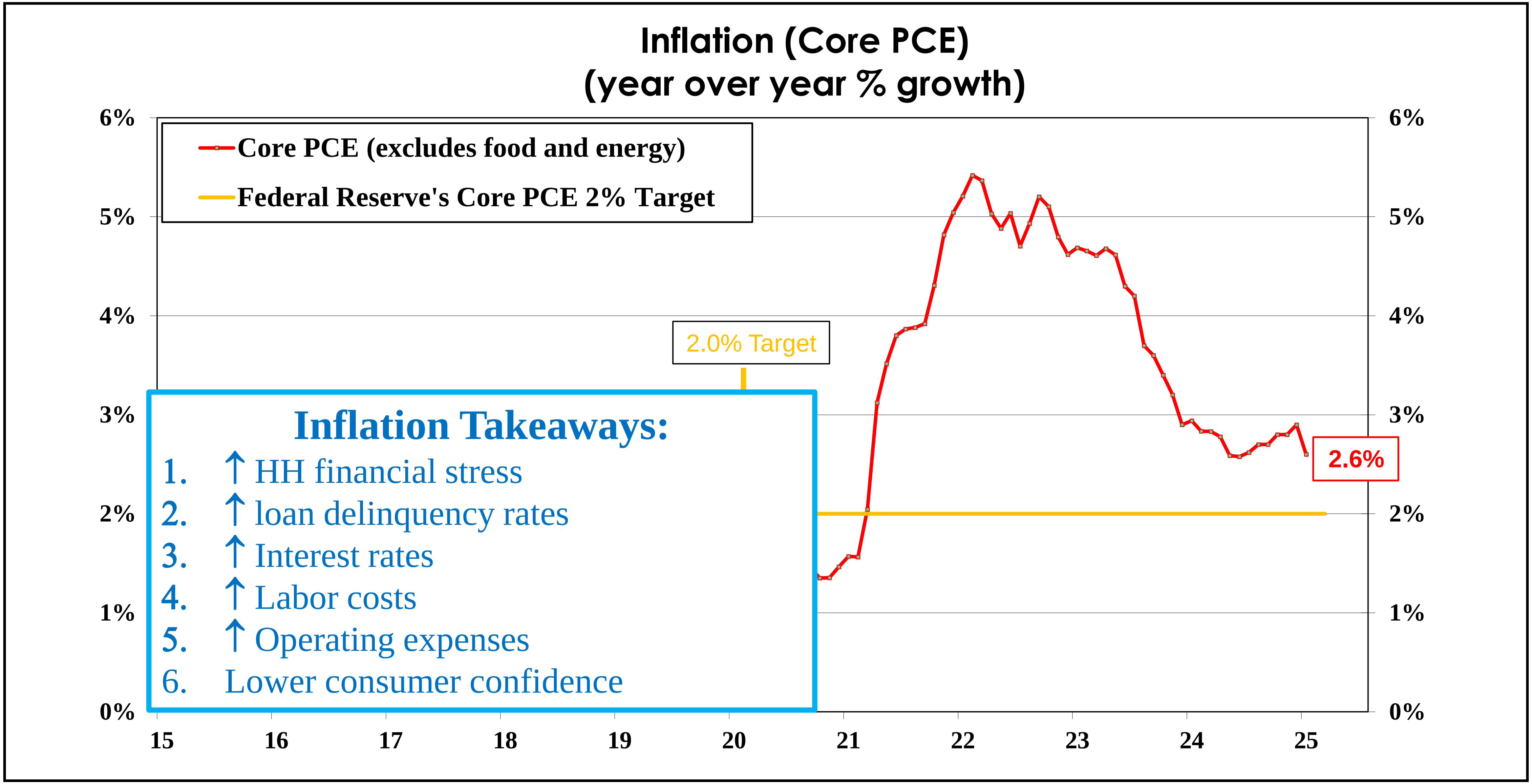
Takeaways:

1. Labor shortage
2. Bargaining power shifted towards employees
3. ↑ Labor turnover/churning/quits
4. ↑ Labor wages and training costs
5. Rising labor productivity
6. Rising CU member satisfaction

Inflation Above 2% Target

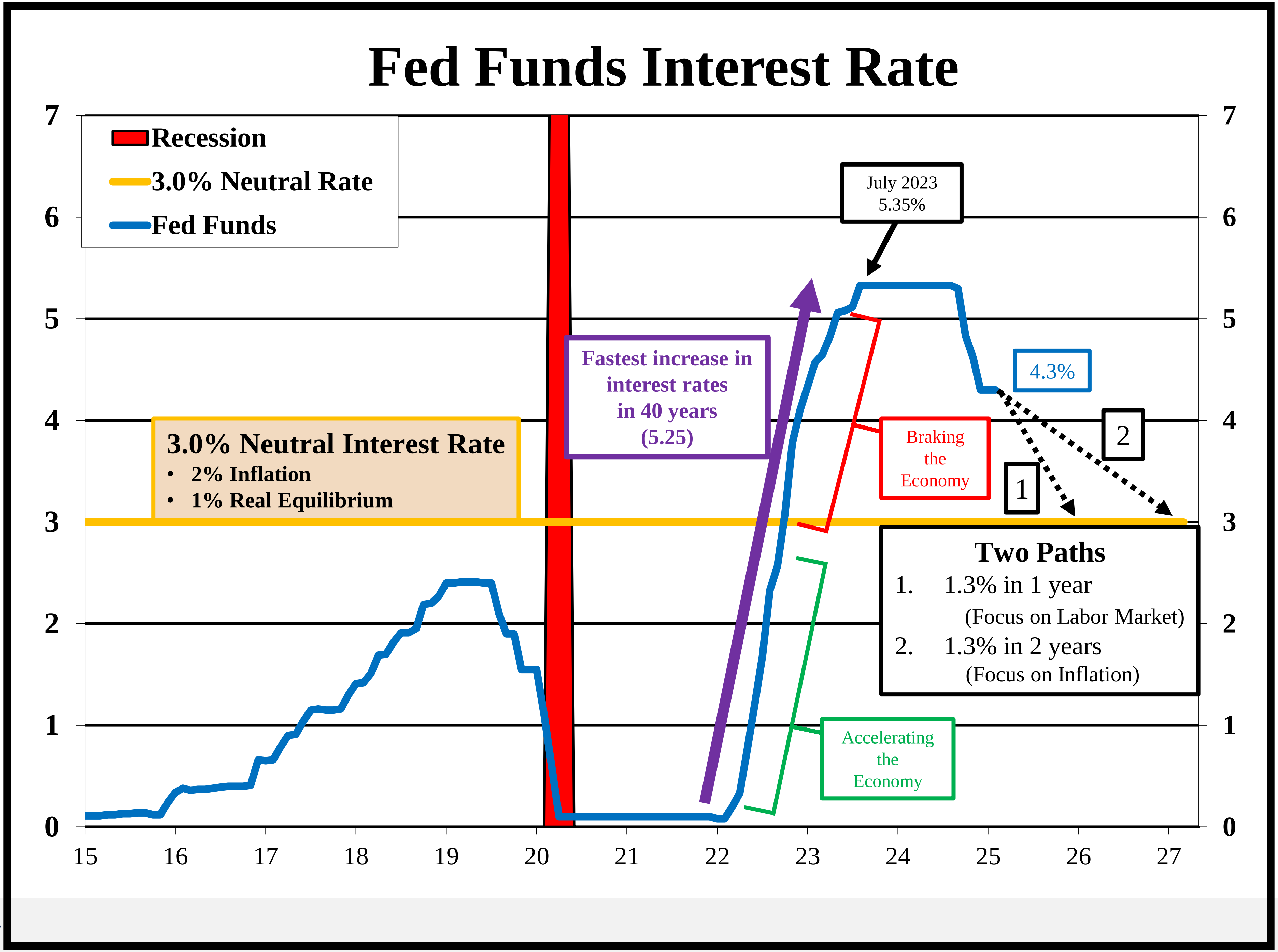


Inflation Above 2% Target

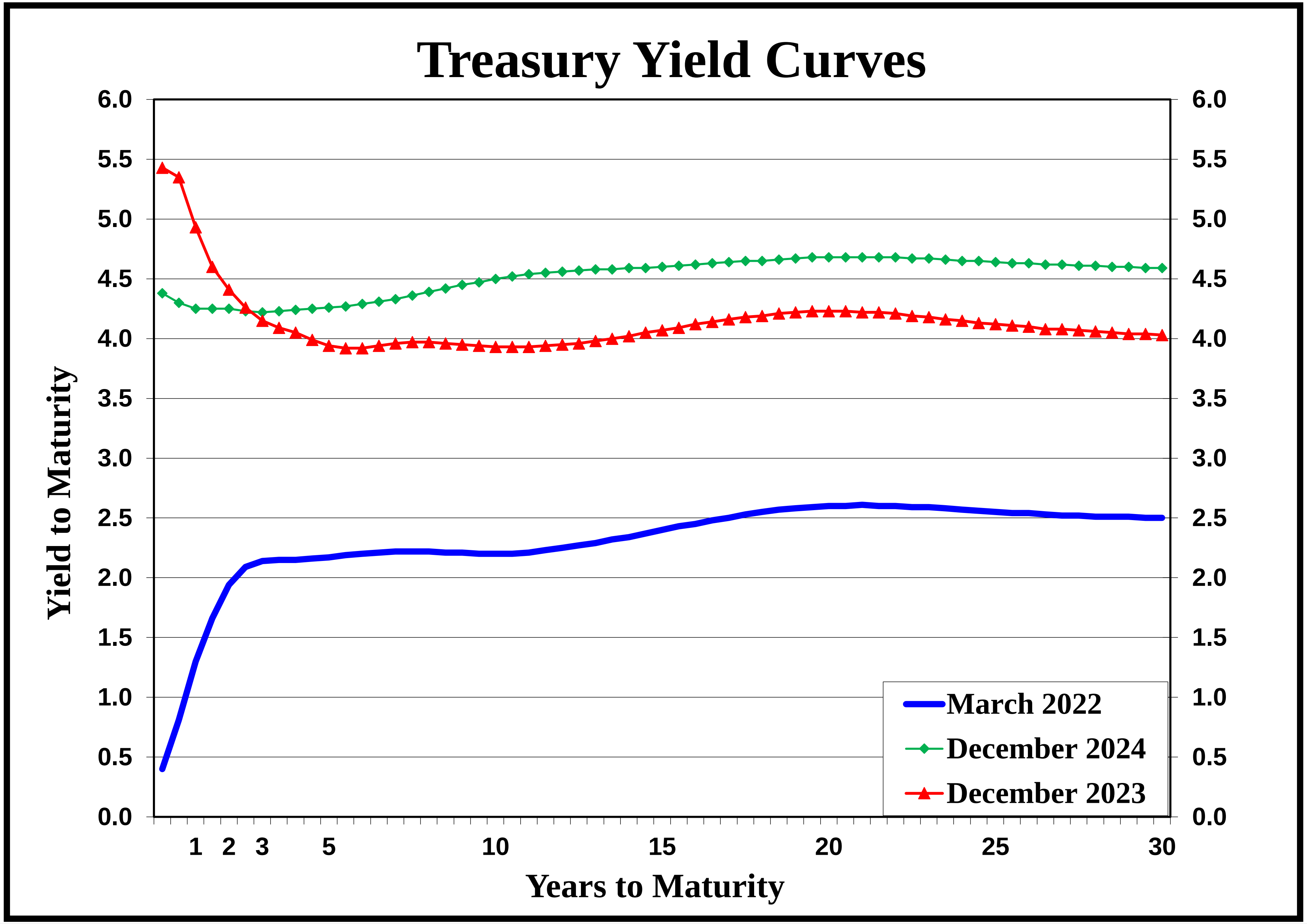


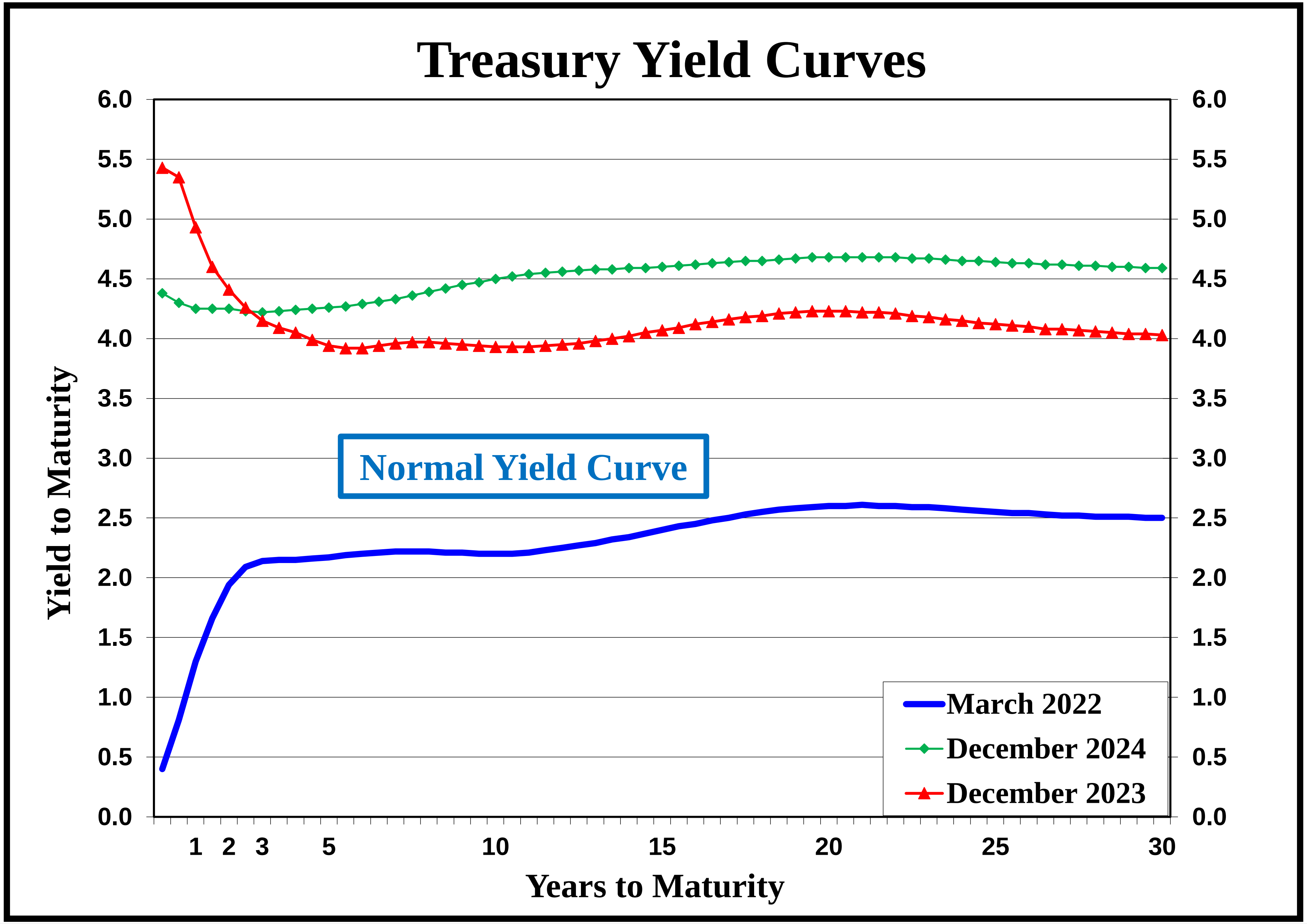
Inflation Takeaways:

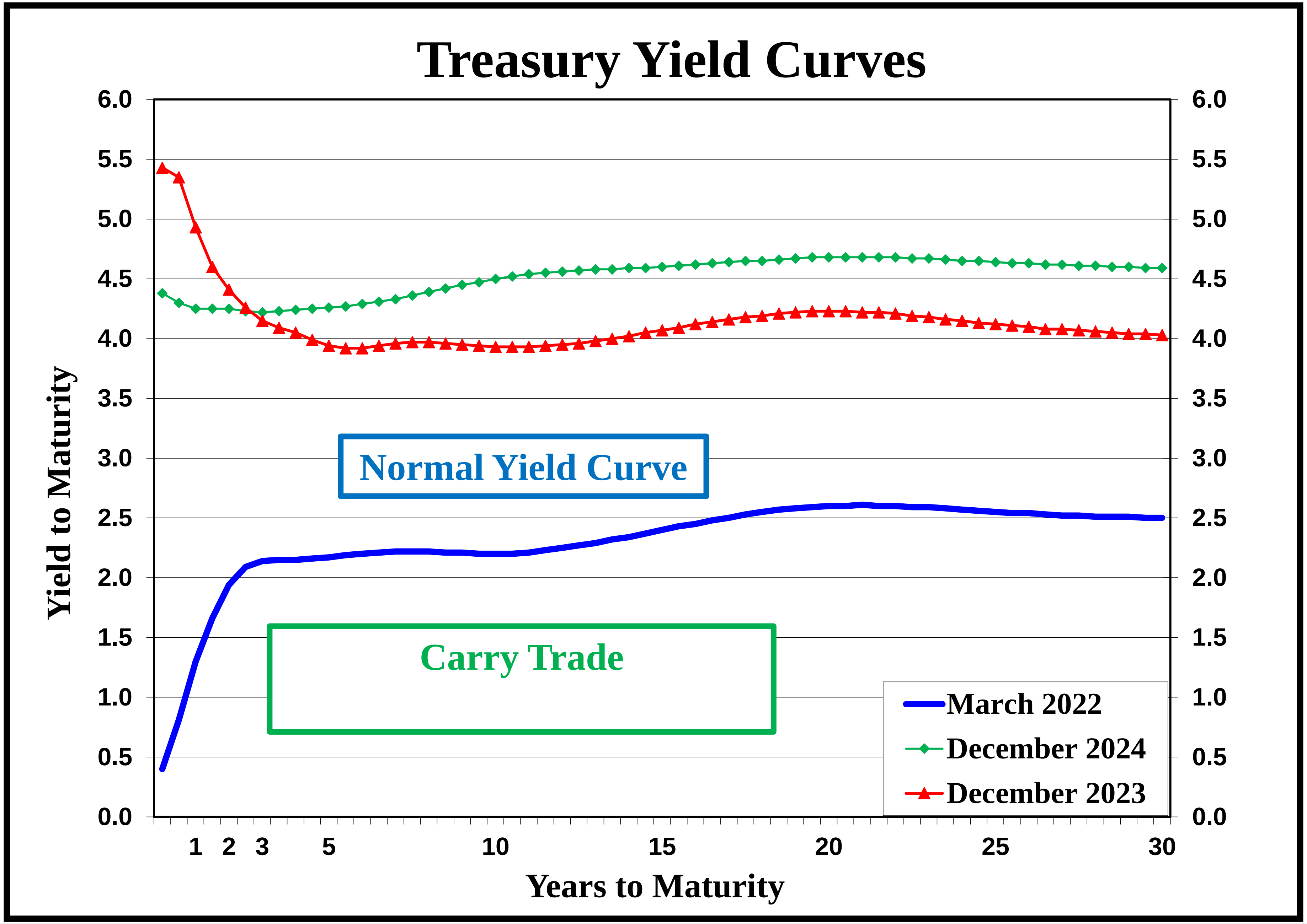
1. ↑ HH financial stress
2. ↑ loan delinquency rates
3. ↑ Interest rates
4. ↑ Labor costs
5. ↑ Operating expenses
6. Lower consumer confidence

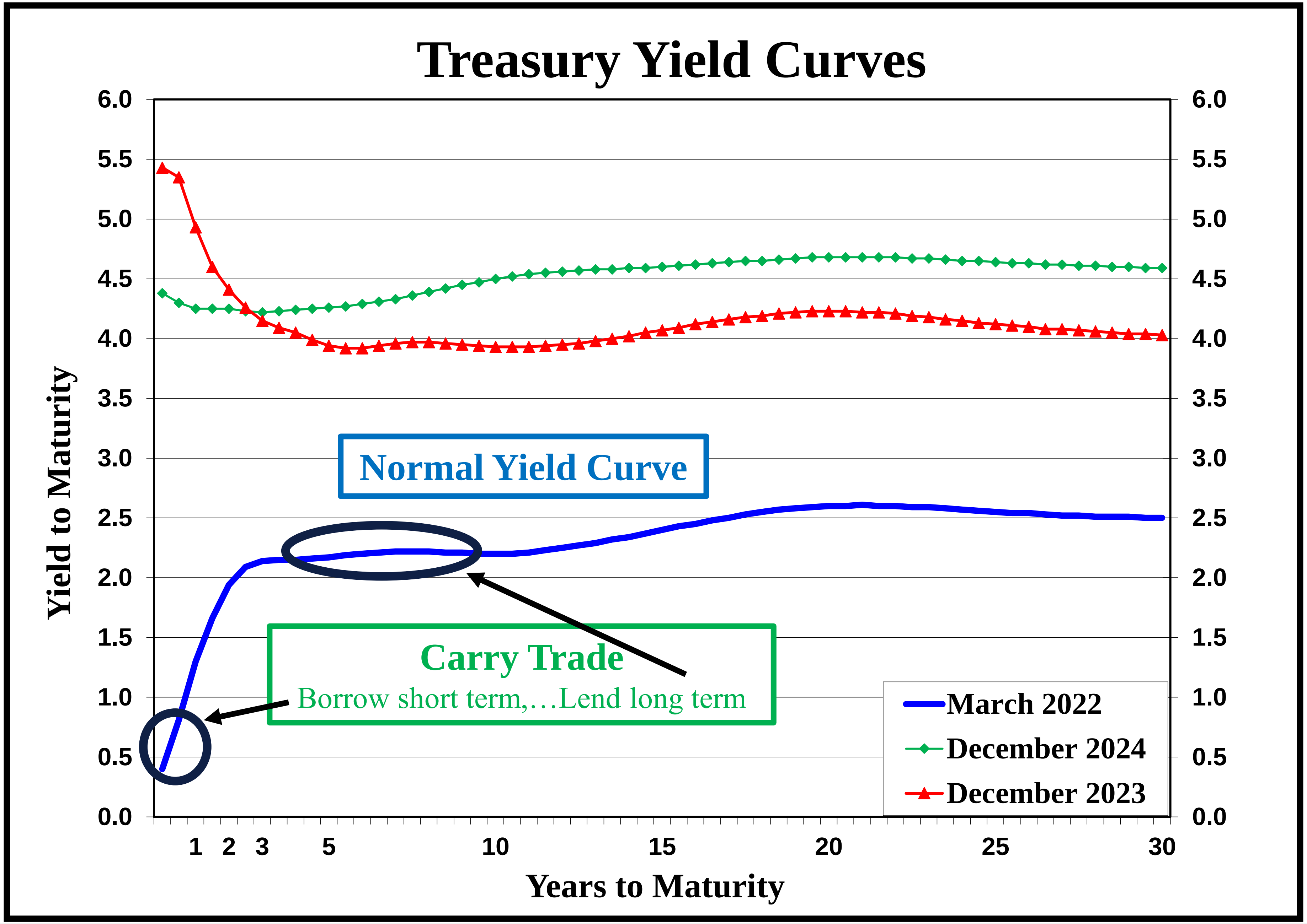


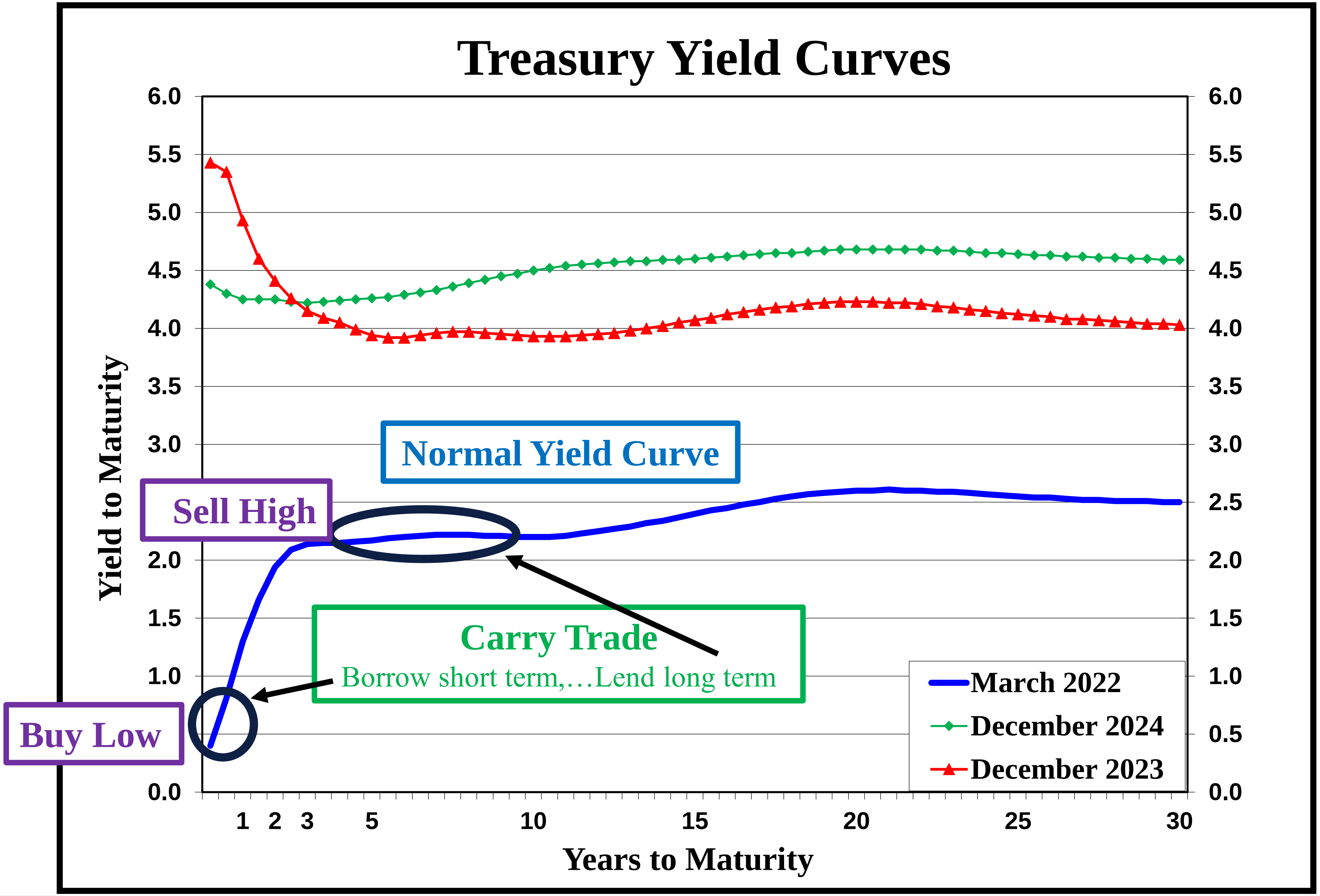
Fed Funds Interest Rate
Recession
3.0% Neutral Rate
Fed Funds
July 2023
5.35%
Fastest increase in interest rates in 40 years (5.25)
4.3%
3.0% Neutral Interest Rate
• 2% Inflation
• 1% Real Equilibrium
Braking the Economy
2
1
Two Paths
1. 1.3% in 1 year (Focus on Labor Market)
2. 1.3% in 2 years (Focus on Inflation)
Accelerating the Economy
0
1
2
3
4
5
6
7
15
16
17
18
19
20
21
22
23
24
25
26
27


Treasury Yield Curves
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
Yield to Maturity
1
2
3
5
10
15
20
25
30
Years to Maturity
March 2022
December 2024
December 2023

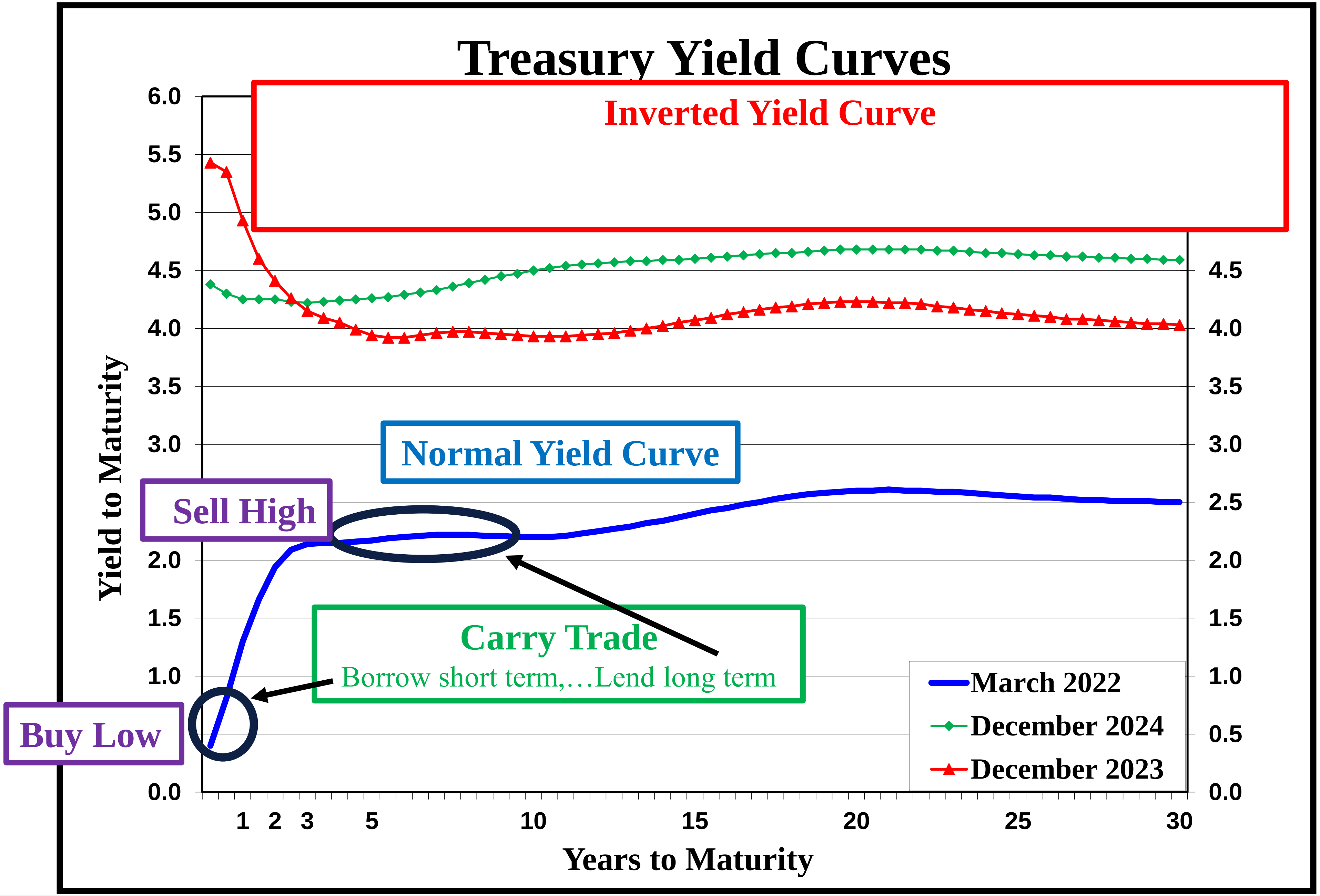

Treasury Yield Curves
Yield to Maturity
Years to Maturity
Normal Yield Curve
March 2022
December 2024
December 2023
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
1
2
3
5
10
15
20
25
30


Treasury Yield Curves
Yield to Maturity
Years to Maturity
Normal Yield Curve
Carry Trade
March 2022
December 2024
December 2023
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
1
2
3
5
10
15
20
25
30


Treasury Yield Curves
Yield to Maturity
Years to Maturity
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
1
2
3
5
10
15
20
25
30
Normal Yield Curve
Carry Trade
Borrow short term,…Lend long term
March 2022
December 2024
December 2023



Treasury Yield Curves
Yield to Maturity
Years to Maturity
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
1
2
3
5
10
15
20
25
30
Normal Yield Curve
Sell High
Buy Low
Carry Trade
Borrow short term,…Lend long term
March 2022
December 2024
December 2023



Treasury Yield Curves
Inverted Yield Curve
Normal Yield Curve
Sell High
Buy Low
Carry Trade
Borrow short term,…Lend long term
Yield to Maturity
Years to Maturity
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
1
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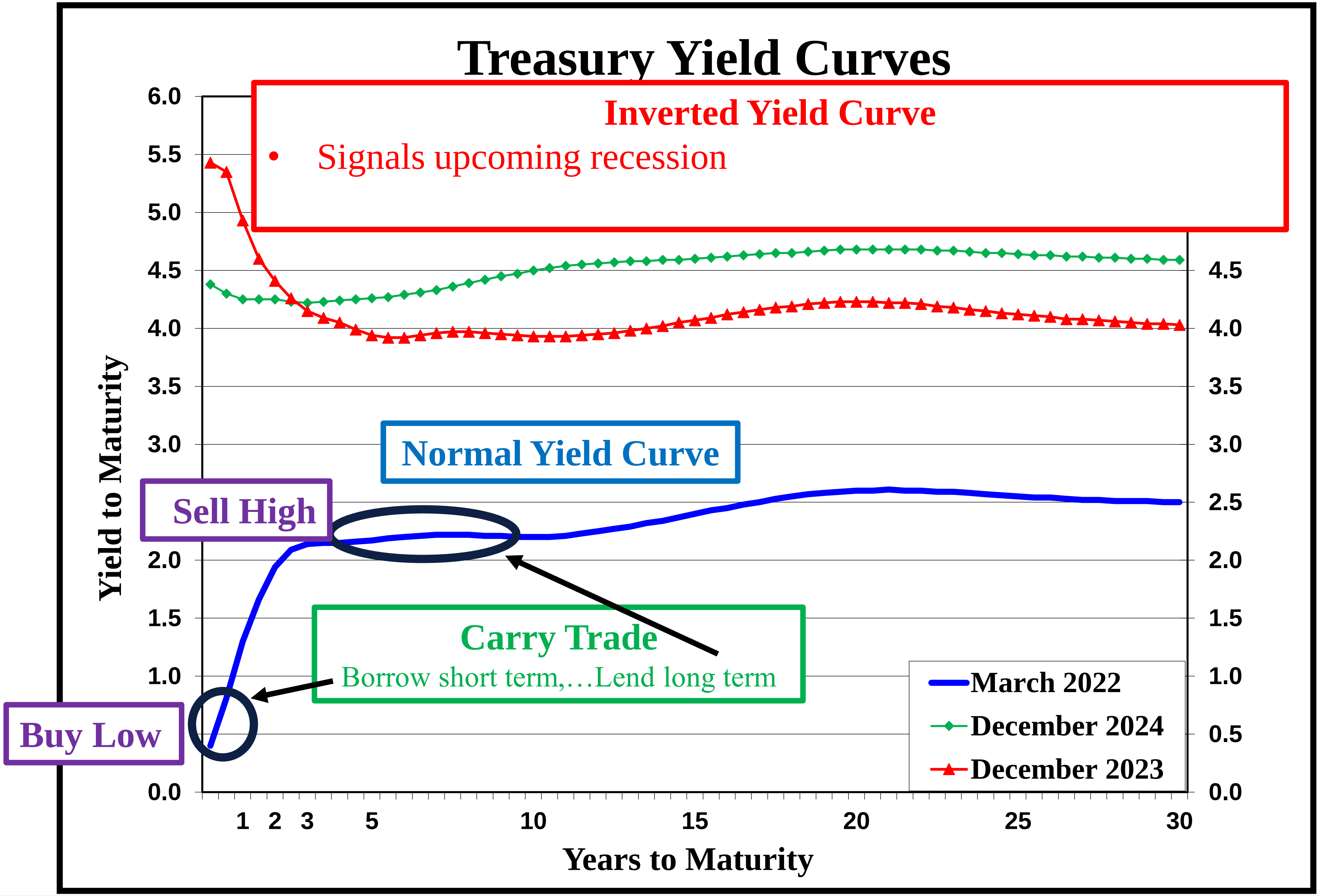
3
5
10
15
20
25
30
March 2022
December 2024
December 2023



Treasury Yield Curves
Inverted Yield Curve
• Signals upcoming recession
Normal Yield Curve
Sell High
Buy Low
Carry Trade
Borrow short term,…Lend long term
Yield to Maturity
Years to Maturity
March 2022
December 2024
December 2023
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
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2
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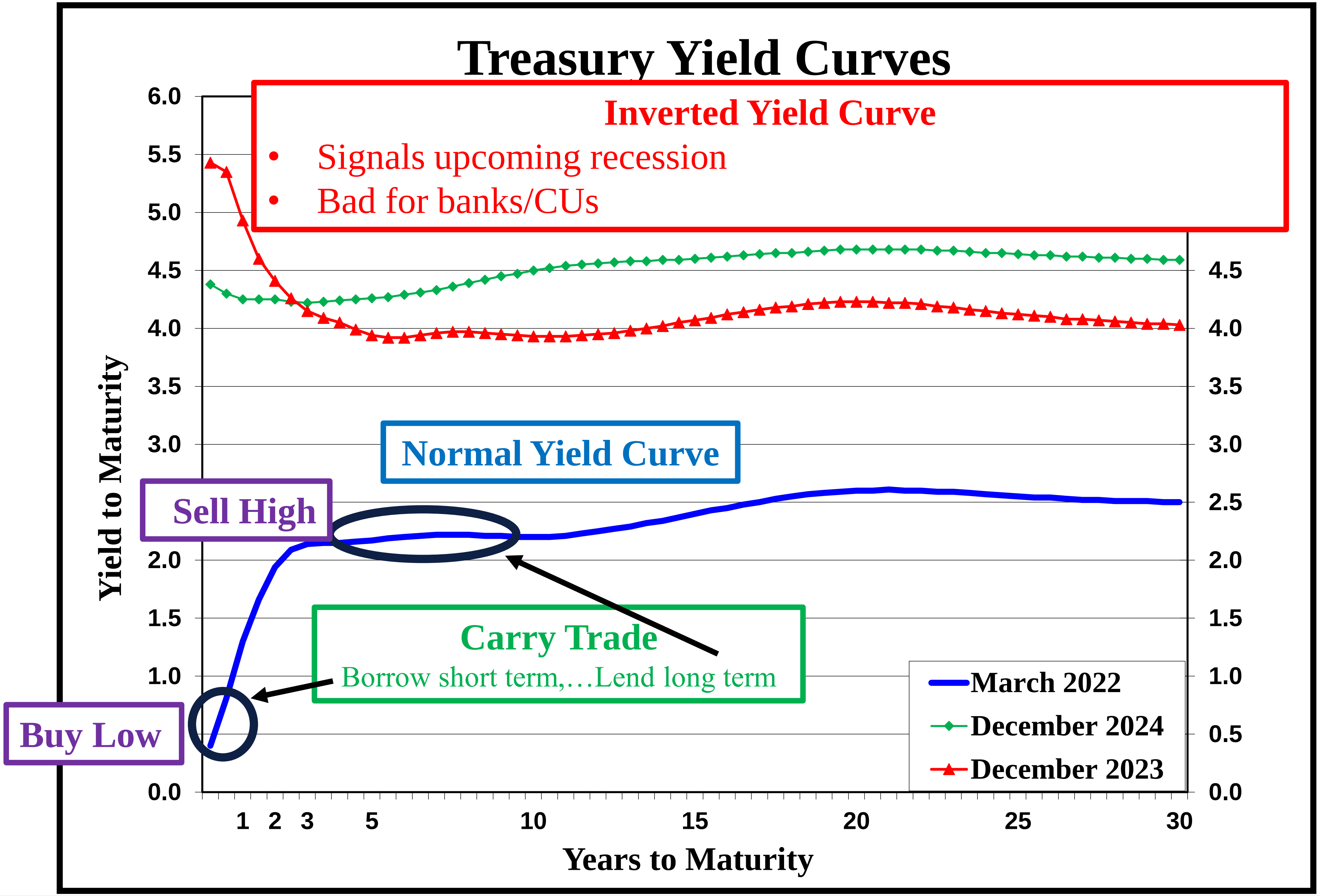
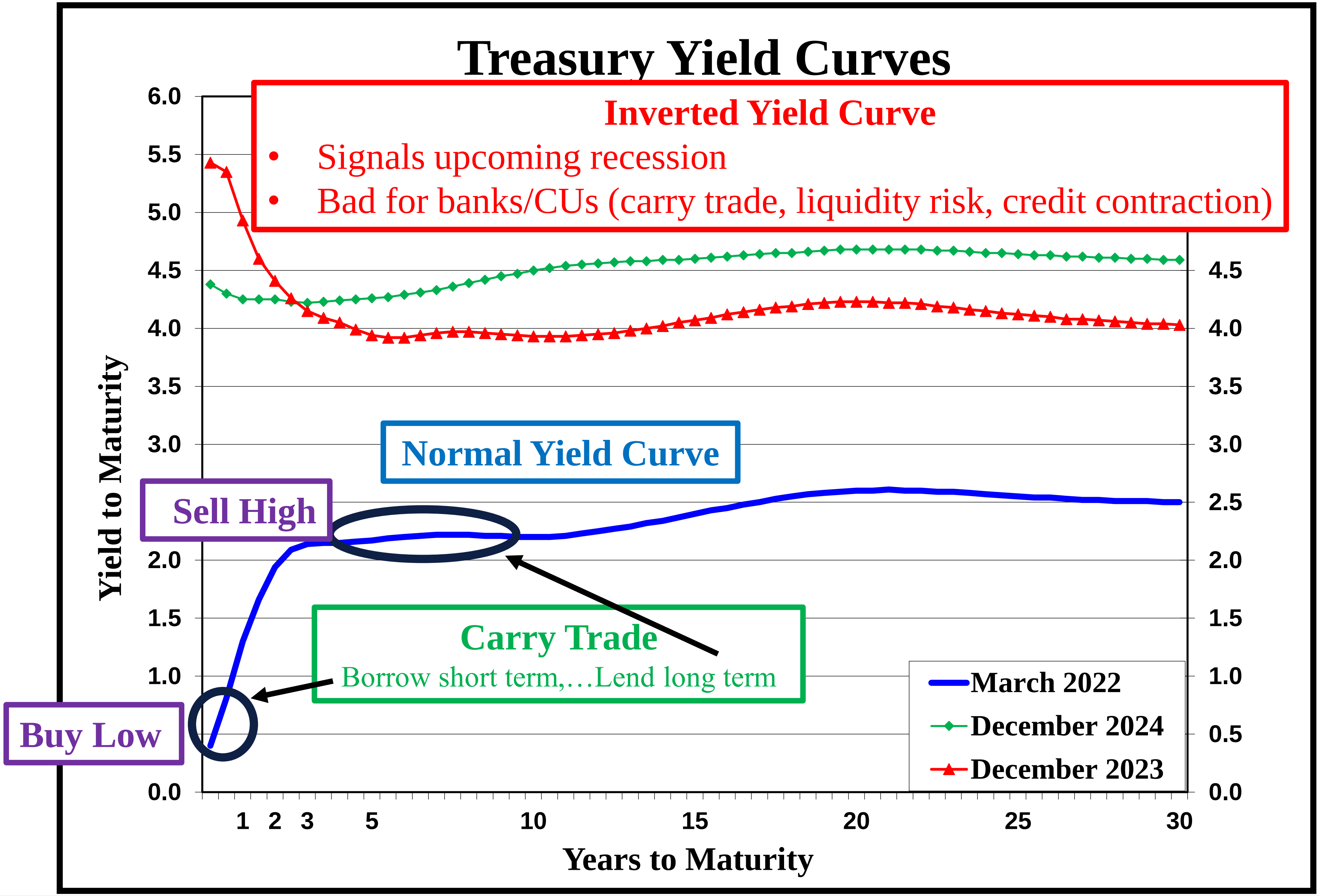
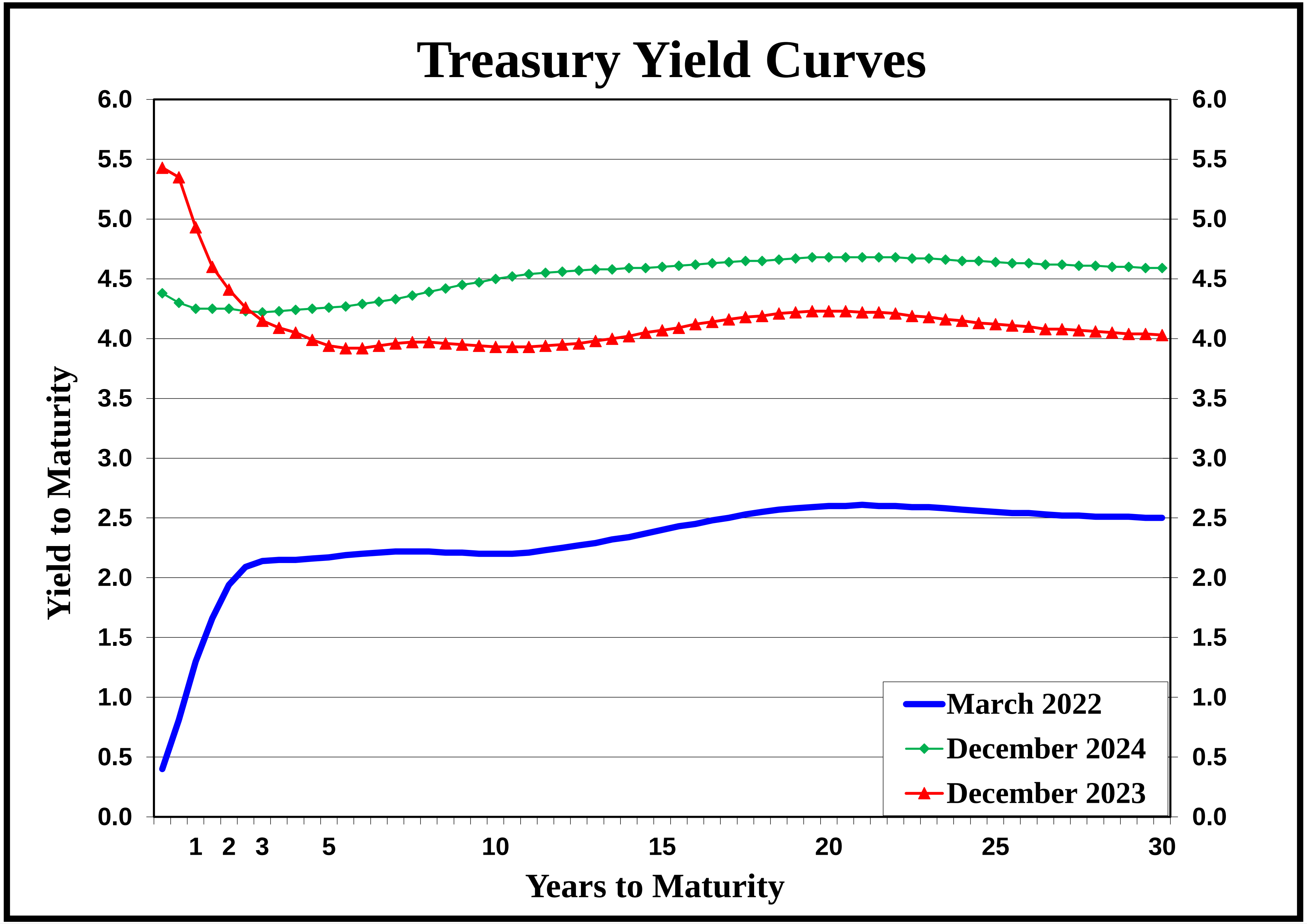
10
15
20
25
30

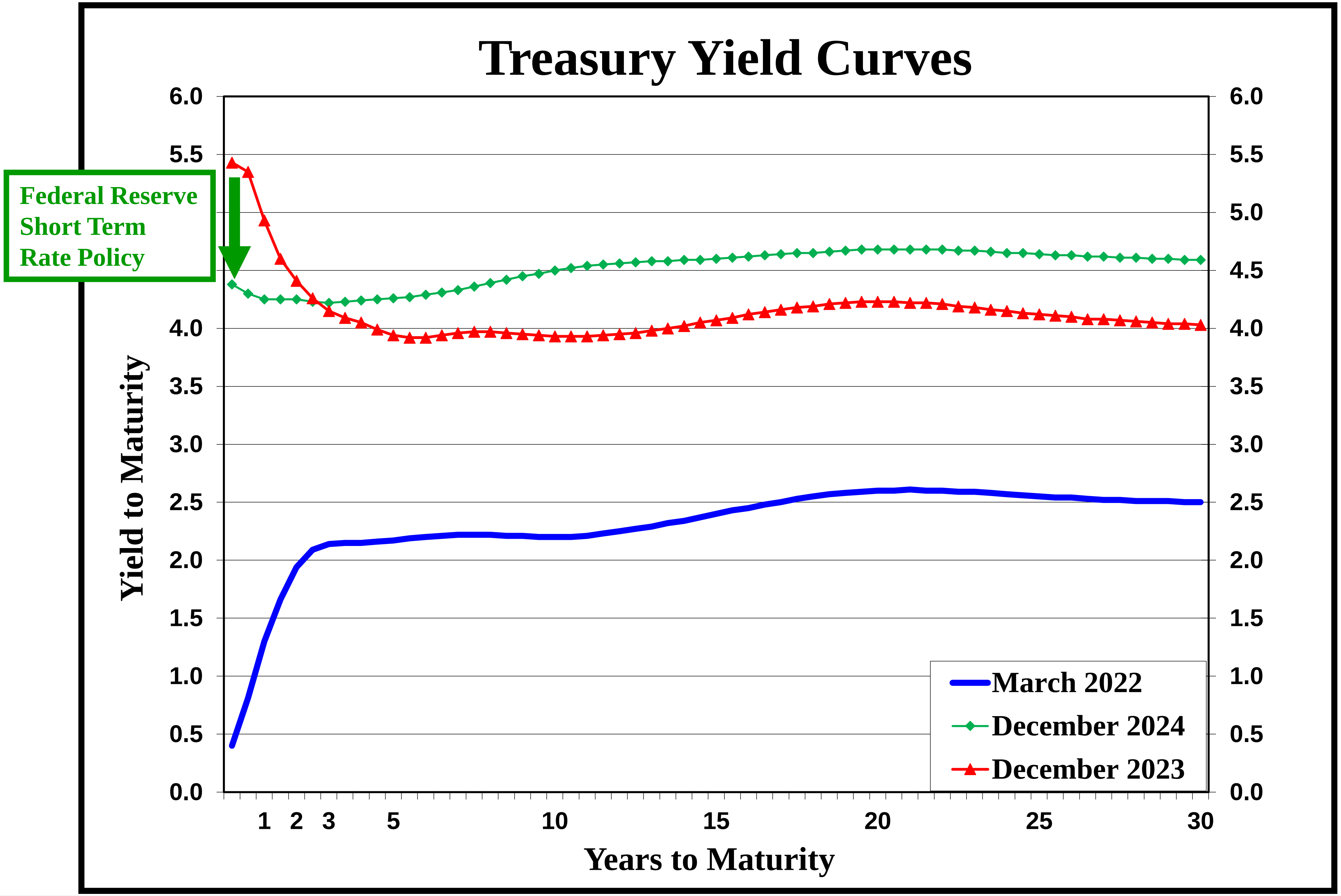

Treasury Yield Curves
Inverted Yield Curve
• Signals upcoming recession
• Bad for banks/CUs
Normal Yield Curve
Sell High
Buy Low
Carry Trade
Borrow short term,…Lend long term
March 2022
December 2024
December 2023
Yield to Maturity
Years to Maturity
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
1 2 3 5 10 15 20 25 30



Treasury Yield Curves
Inverted Yield Curve
• Signals upcoming recession
• Bad for banks/CUs (carry trade, liquidity risk, credit contraction)
Normal Yield Curve
Sell High
Buy Low
Carry Trade
Borrow short term,…Lend long term
March 2022
December 2024
December 2023
Yield to Maturity
Years to Maturity
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
1
2
3
5
10
15
20
25
30



Treasury Yield Curves
Yield to Maturity
Years to Maturity
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
1
2
3
5
10
15
20
25
30
March 2022
December 2024
December 2023


Treasury Yield Curves
Federal Reserve
Short Term
Rate Policy
Yield to Maturity
Years to Maturity
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
1
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3
5
10
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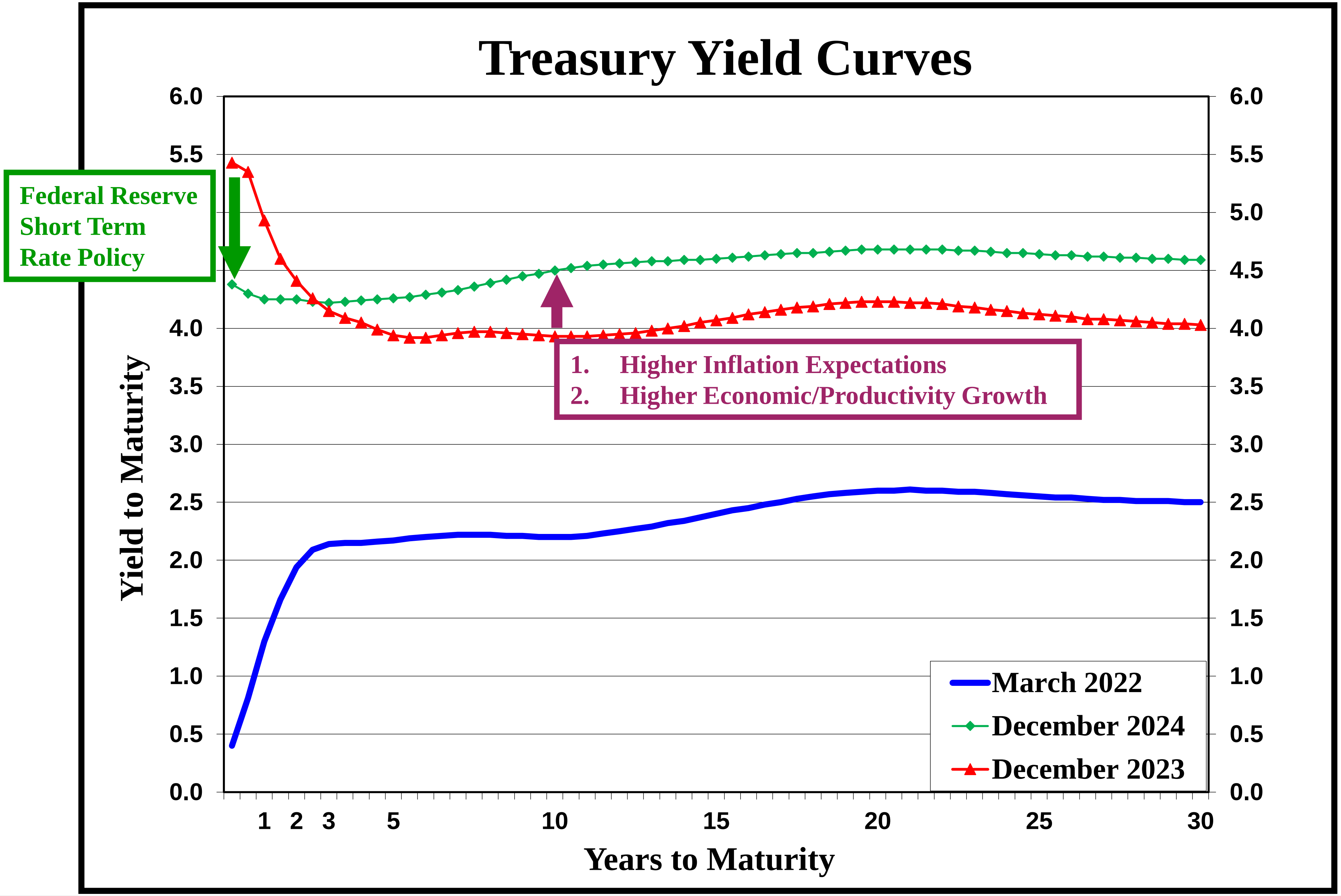
20
25
30
March 2022
December 2024
December 2023



Treasury Yield Curves
Federal Reserve
Short Term
Rate Policy
1. Higher Inflation Expectations
2. Higher Economic/Productivity Growth
Yield to Maturity
Years to Maturity
March 2022
December 2024
December 2023
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
1
2
3
5
10
15
20
25
30

TruStage

Credit Union Balance Sheet

Credit Union Balance Sheet

Assets

Credit Union Balance Sheet

Assets

Liabilities + Capital

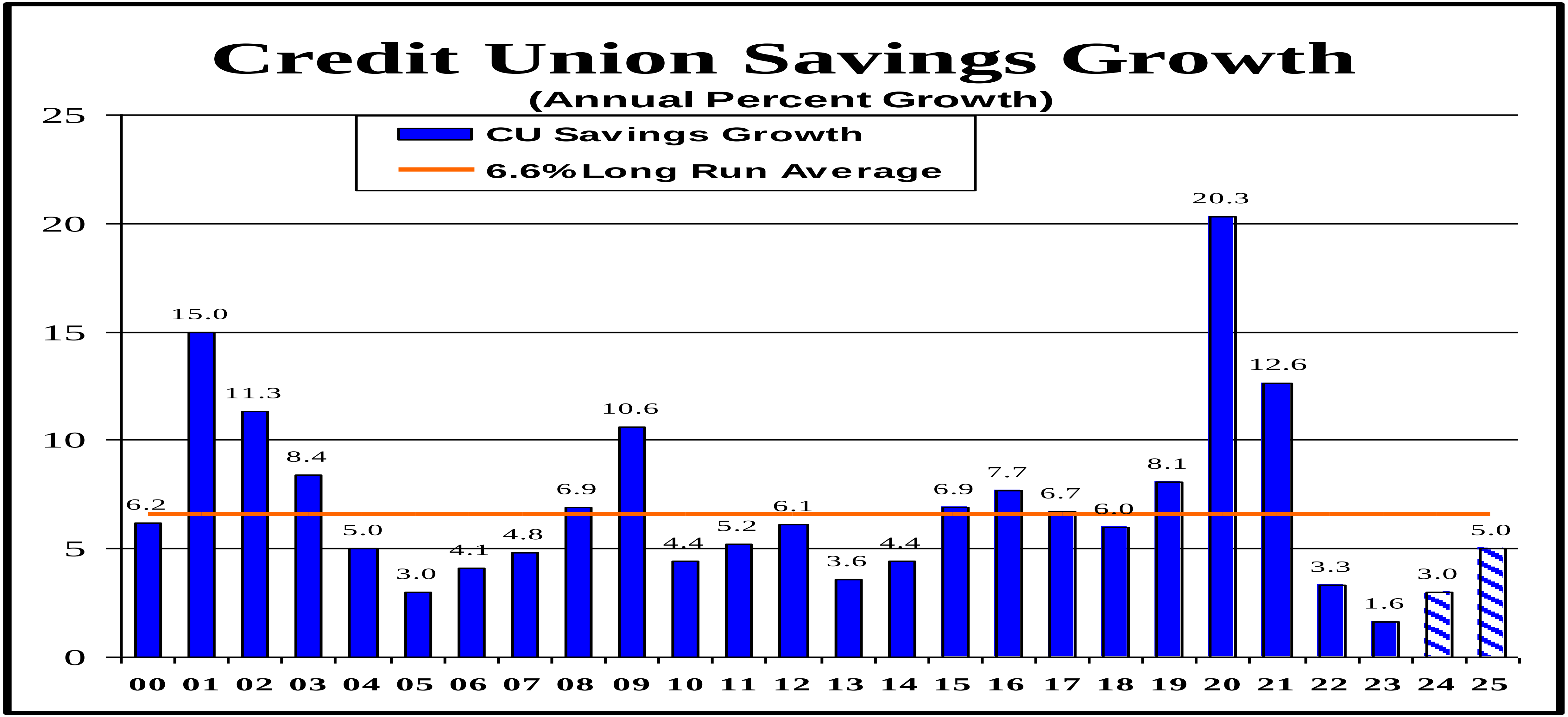
Credit Union Balance Sheet

Assets

Liabilities + Capital

Deposits
- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

Slowing Credit Union Savings Growth



Credit Union Balance Sheet

Assets

Liabilities + Capital

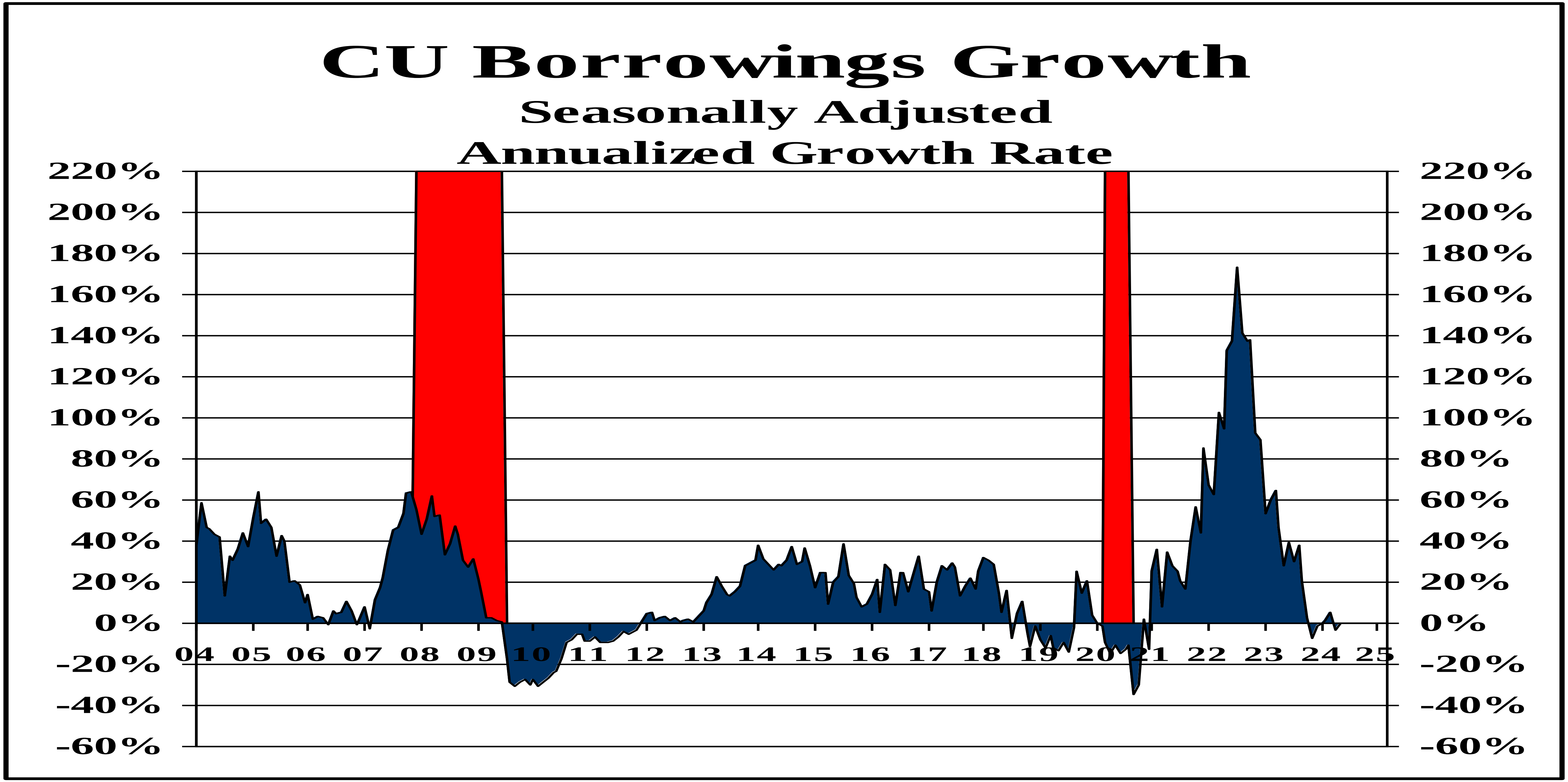
Deposits

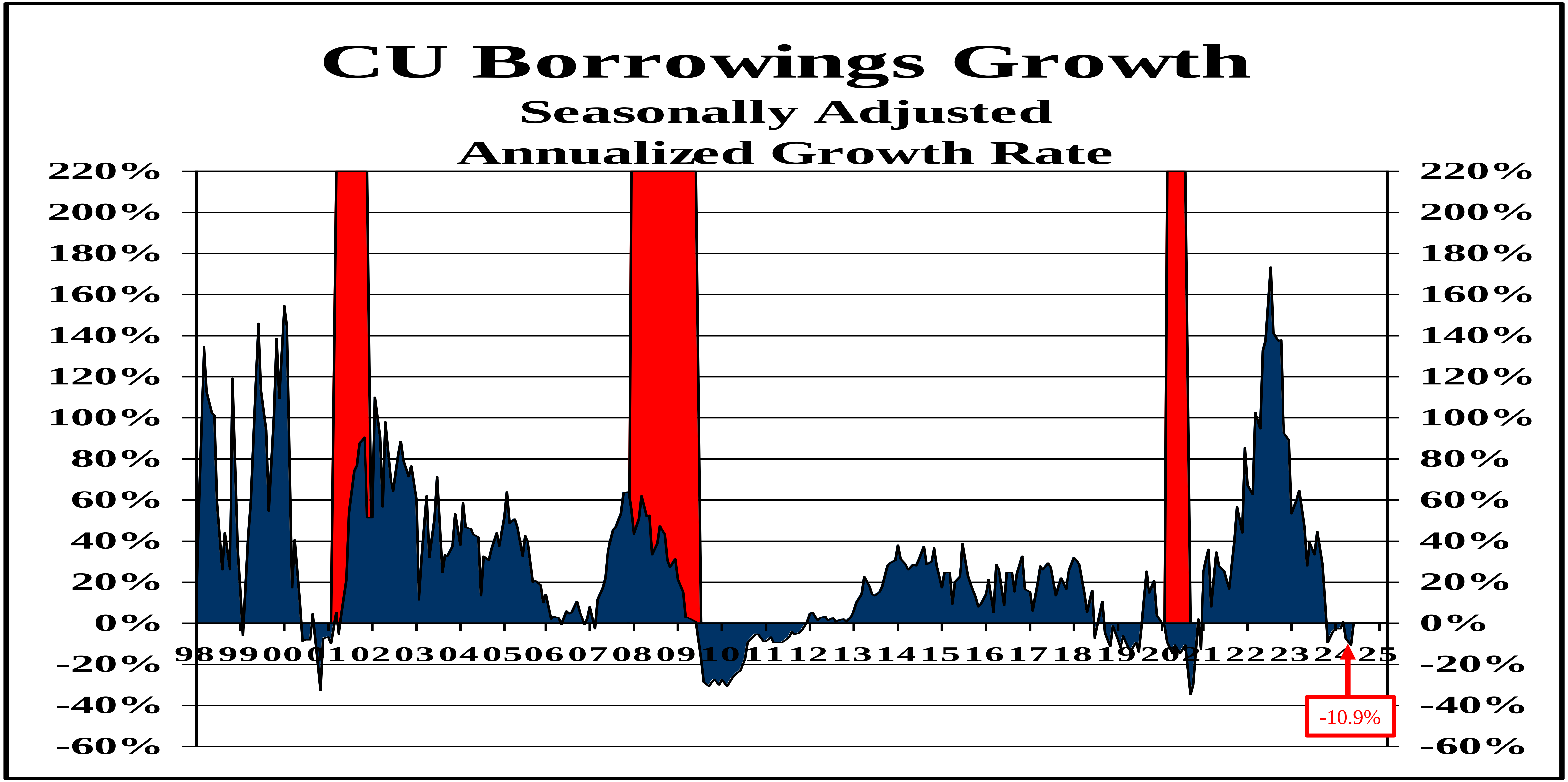
- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

Borrowings

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

Slowdown in Borrowings




CU Borrowings Growth
Seasonally Adjusted
Annualized Growth Rate
220%
200%
180%
160%
140%
120%
100%
80%
60%
40%
20%
0%
-20%
-40%
-60%
98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25
-10.9%

Limerick of the Day

There once was a credit union that had quite a scare

Limerick of the Day

There once was a credit union that had quite a scare
For their liquidity seemed quite rare

Limerick of the Day

There once was a credit union that had quite a scare
For their liquidity seemed quite rare
But with some quick loans

Limerick of the Day

There once was a credit union that had quite a scare
For their liquidity seemed quite rare
But with some quick loans
And more cash in their bones

Limerick of the Day

There once was a credit union that had quite a scare
For their liquidity seemed quite rare
But with some quick loans
And more cash in their bones
They managed to keep their head above the despair.

Credit Union Balance Sheet

Assets

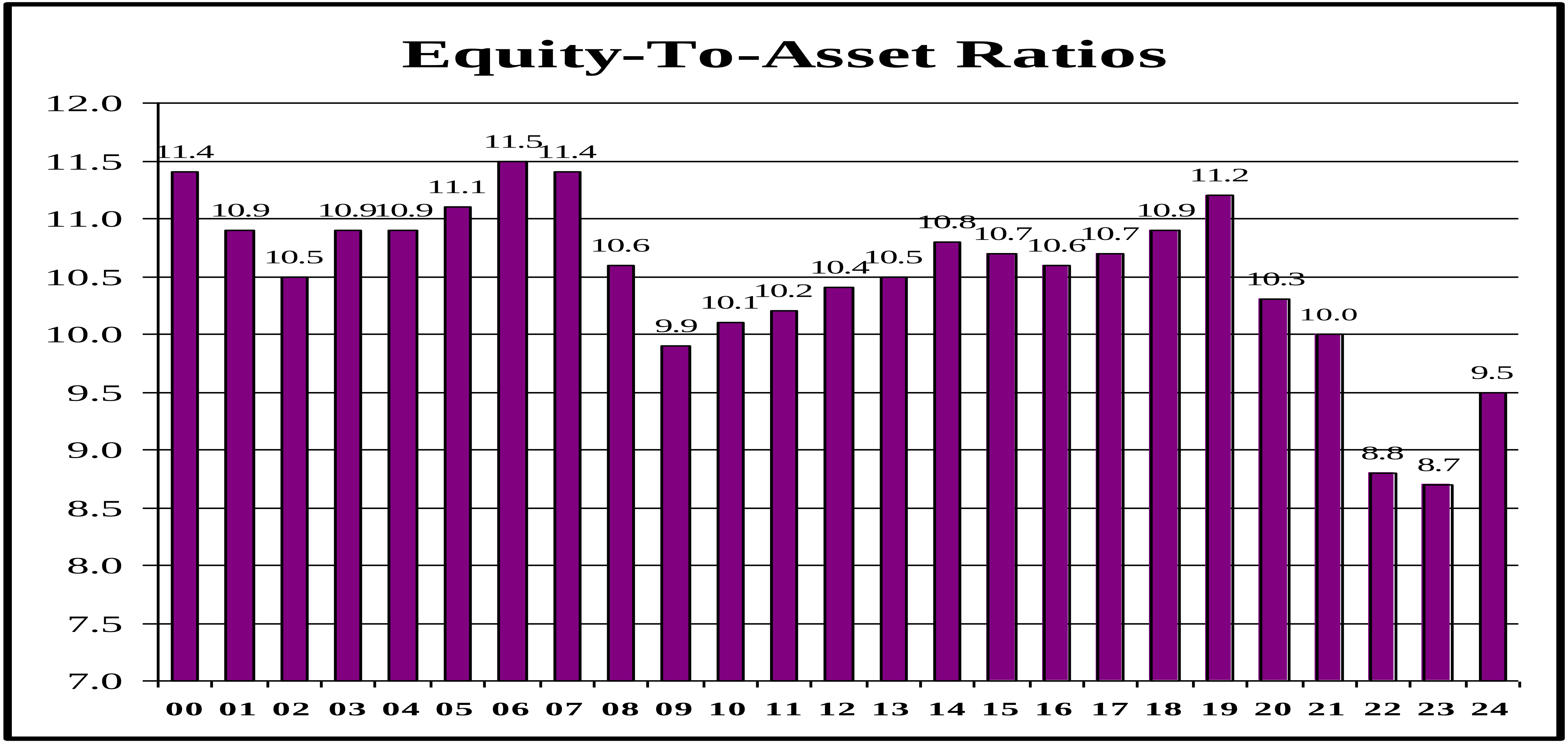
Liabilities + Capital

Deposits
- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

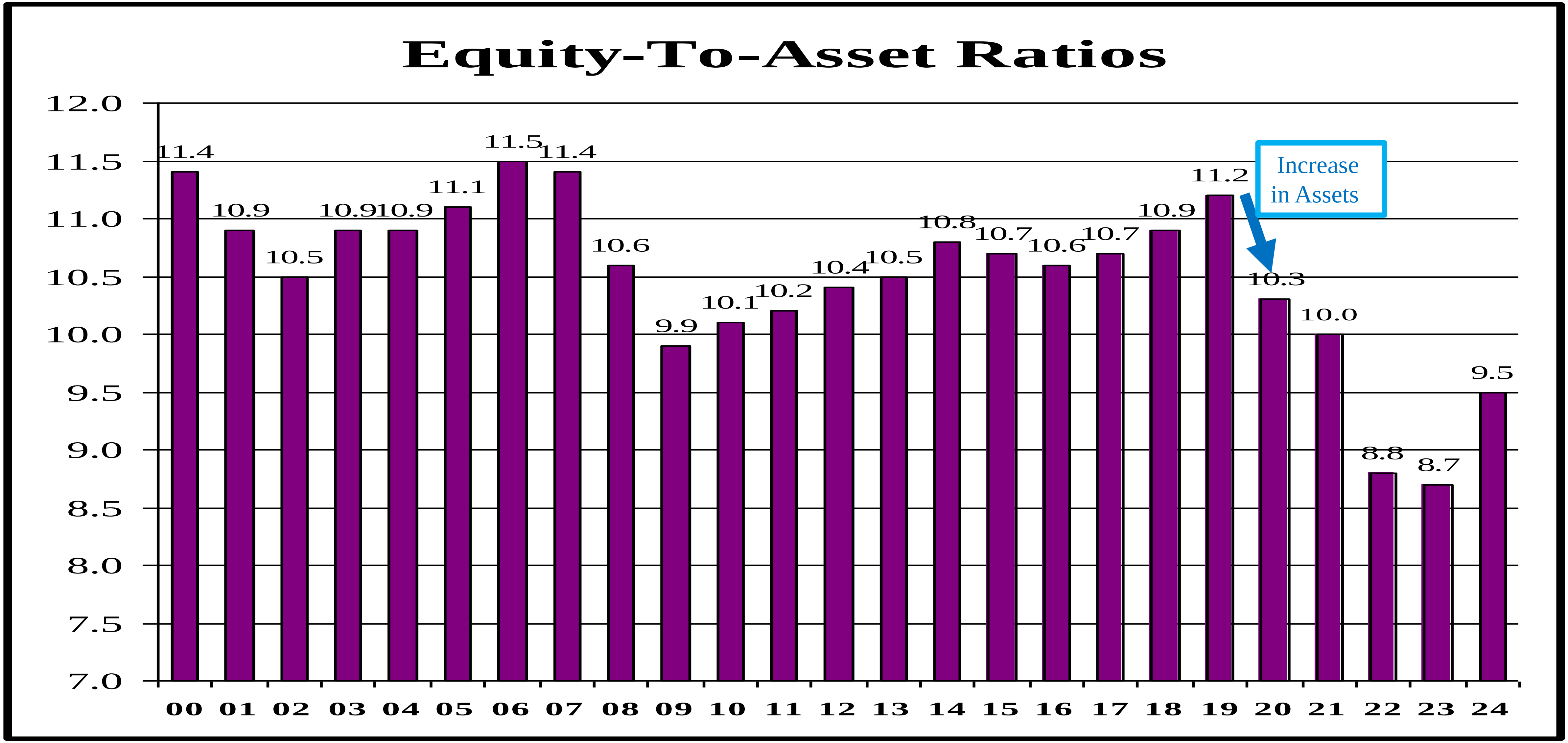
Borrowings
- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

Equity (Net Capital)
1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

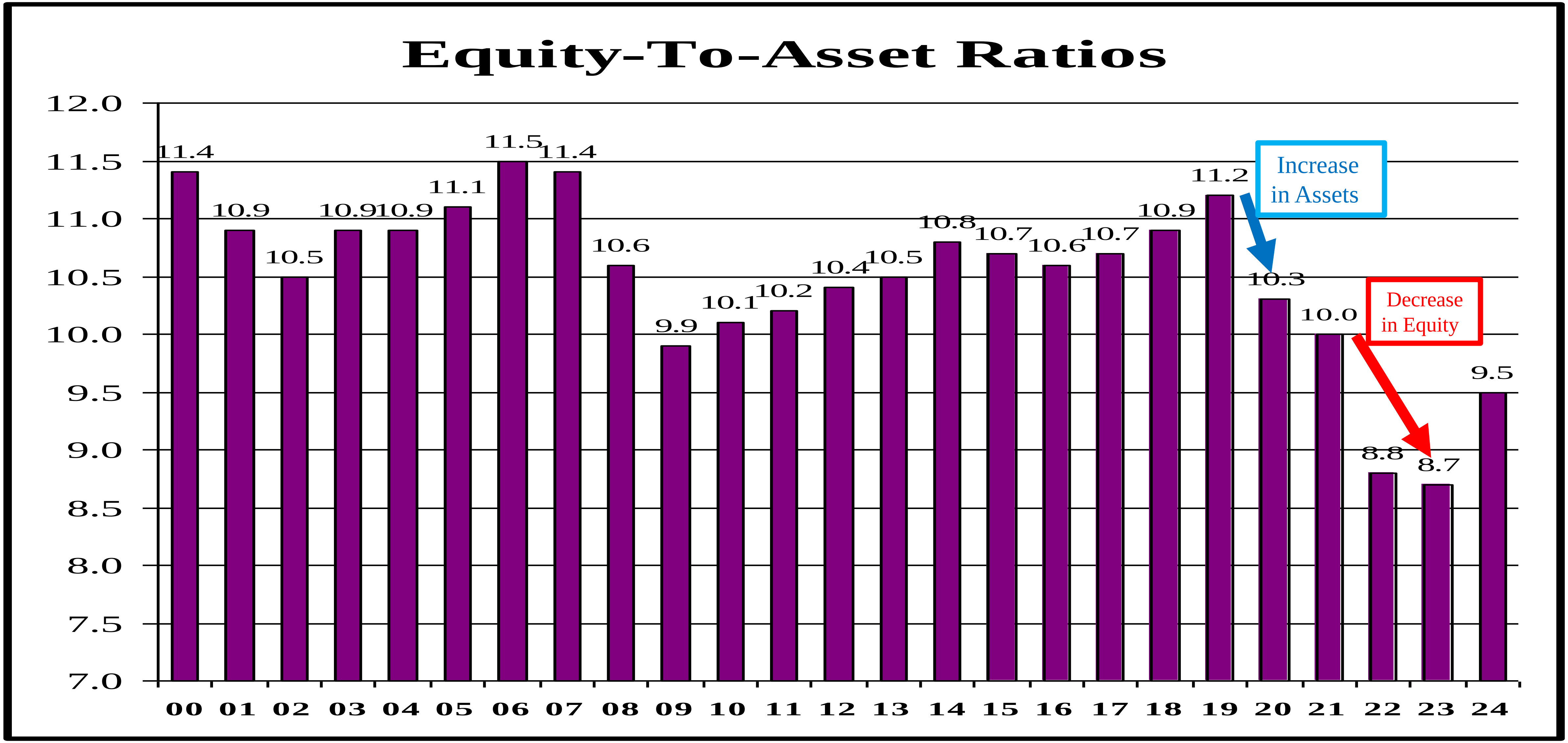
Falling Equity Ratios



Falling Equity Ratios



Falling Equity Ratios



Credit Union Balance Sheet

Assets

Liabilities + Capital

Cash (Reserves)

Deposits
- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

Borrowings
- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

Equity (Net Capital)
1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

Credit Union Balance Sheet

Assets

Cash (Reserves)

Fixed Assets
- Land
- Building
- Equipment

Liabilities + Capital

Deposits
- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

Borrowings
- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

Equity (Net Capital)
1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

Credit Union Balance Sheet

Assets

Cash (Reserves)

Fixed Assets
- Land
- Building
- Equipment

Investments
- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

Liabilities + Capital

Deposits
- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

Borrowings
- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

Equity (Net Capital)
1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

Credit Union Balance Sheet

Assets

Cash (Reserves)

Fixed Assets
- Land
- Building
- Equipment

Investments
- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

Loans
- Commercial
- Auto
- Home
- Credit Card

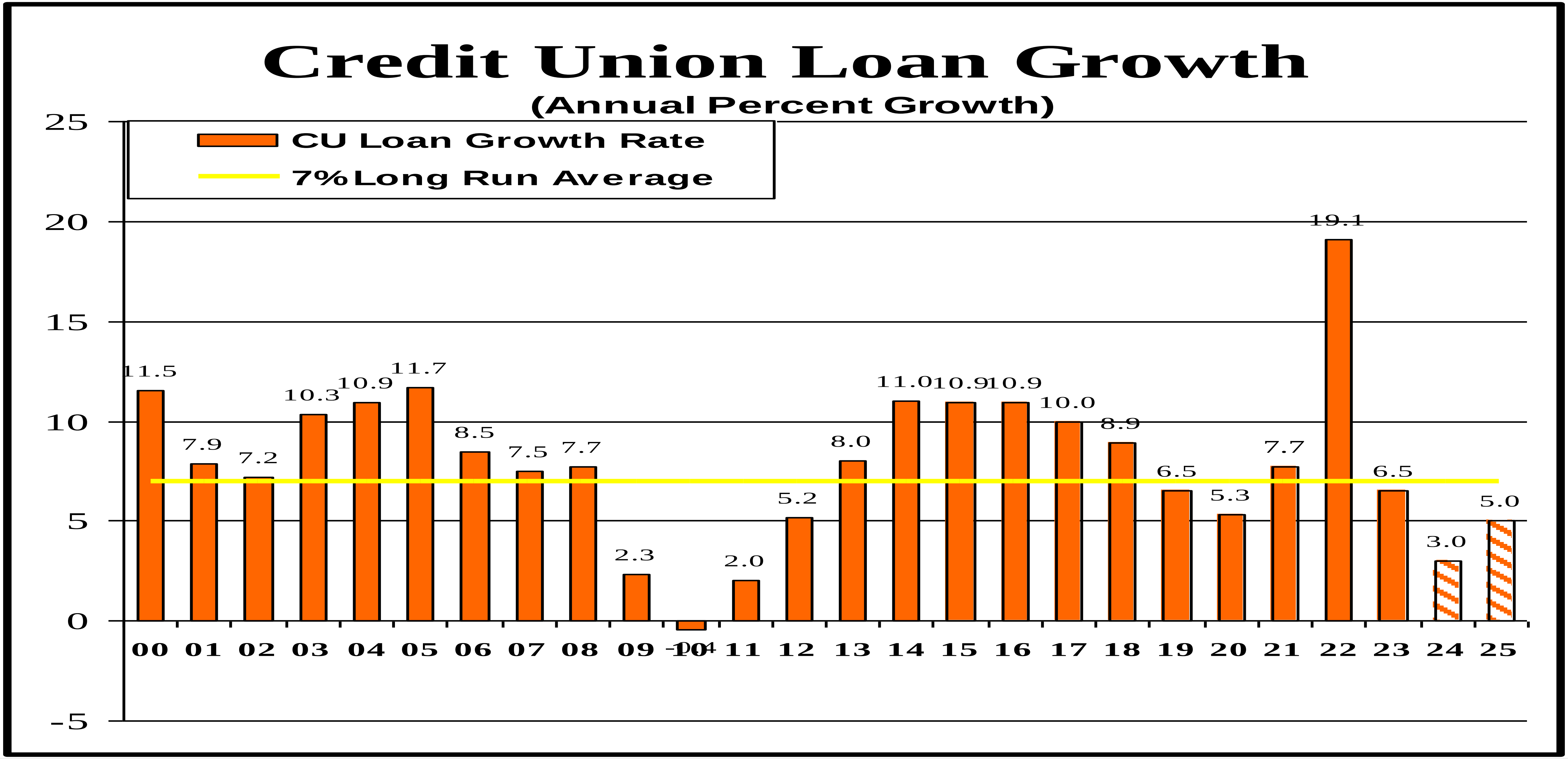
Liabilities + Capital

Deposits
- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

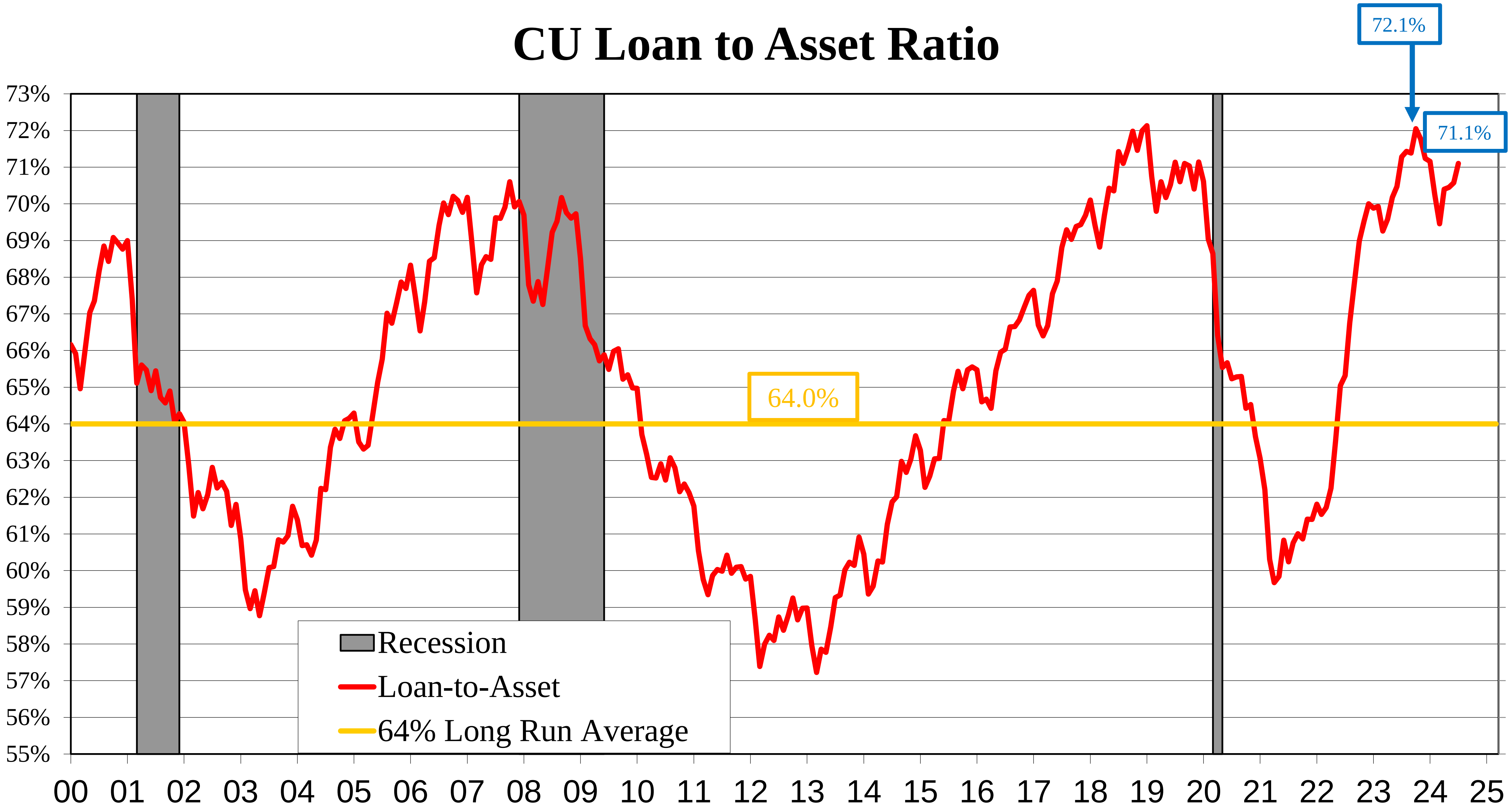
Borrowings
- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

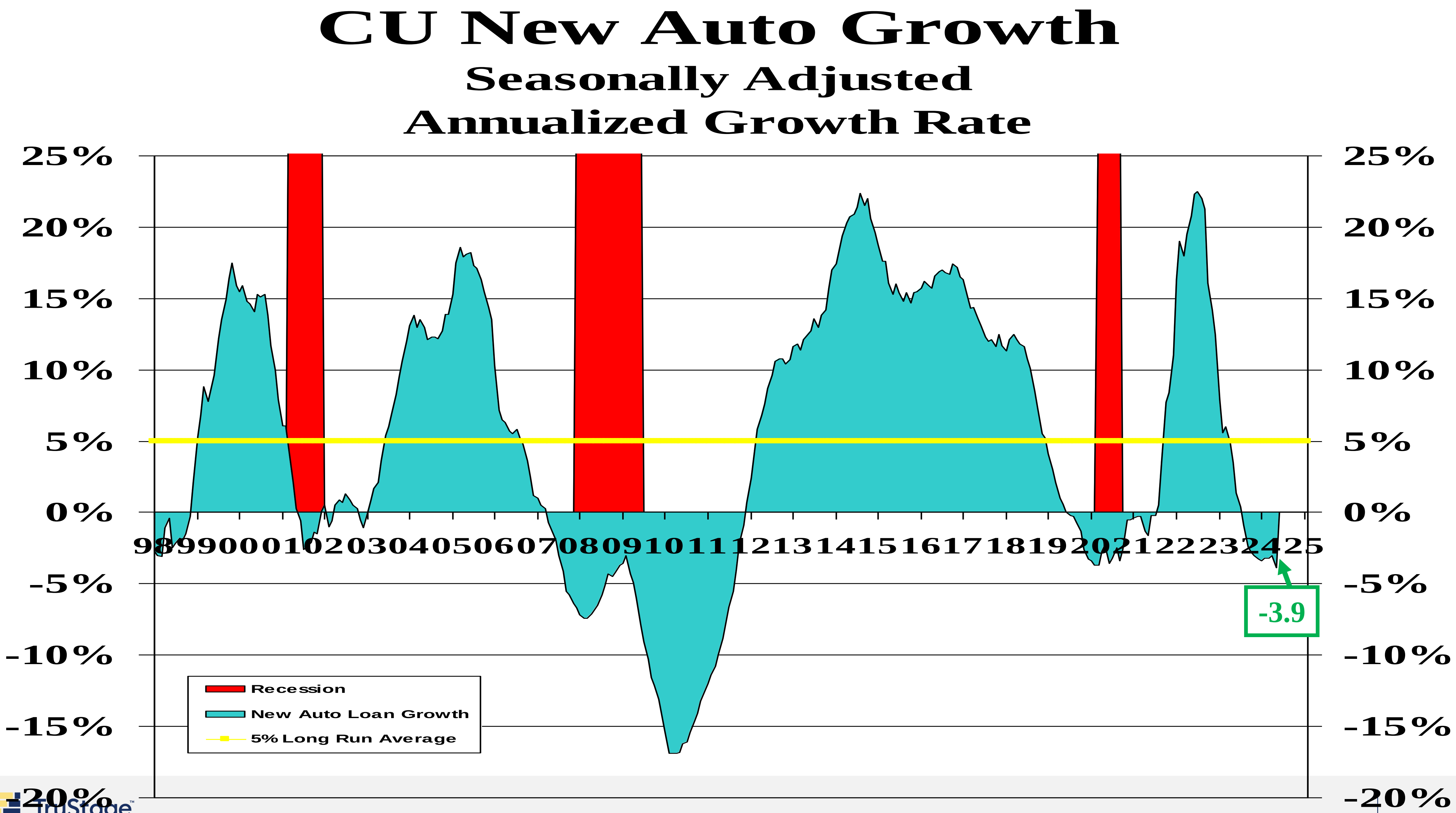
Equity (Net Capital)
1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

Slowing Credit Union Loan Growth



CU Loan to Asset Ratio

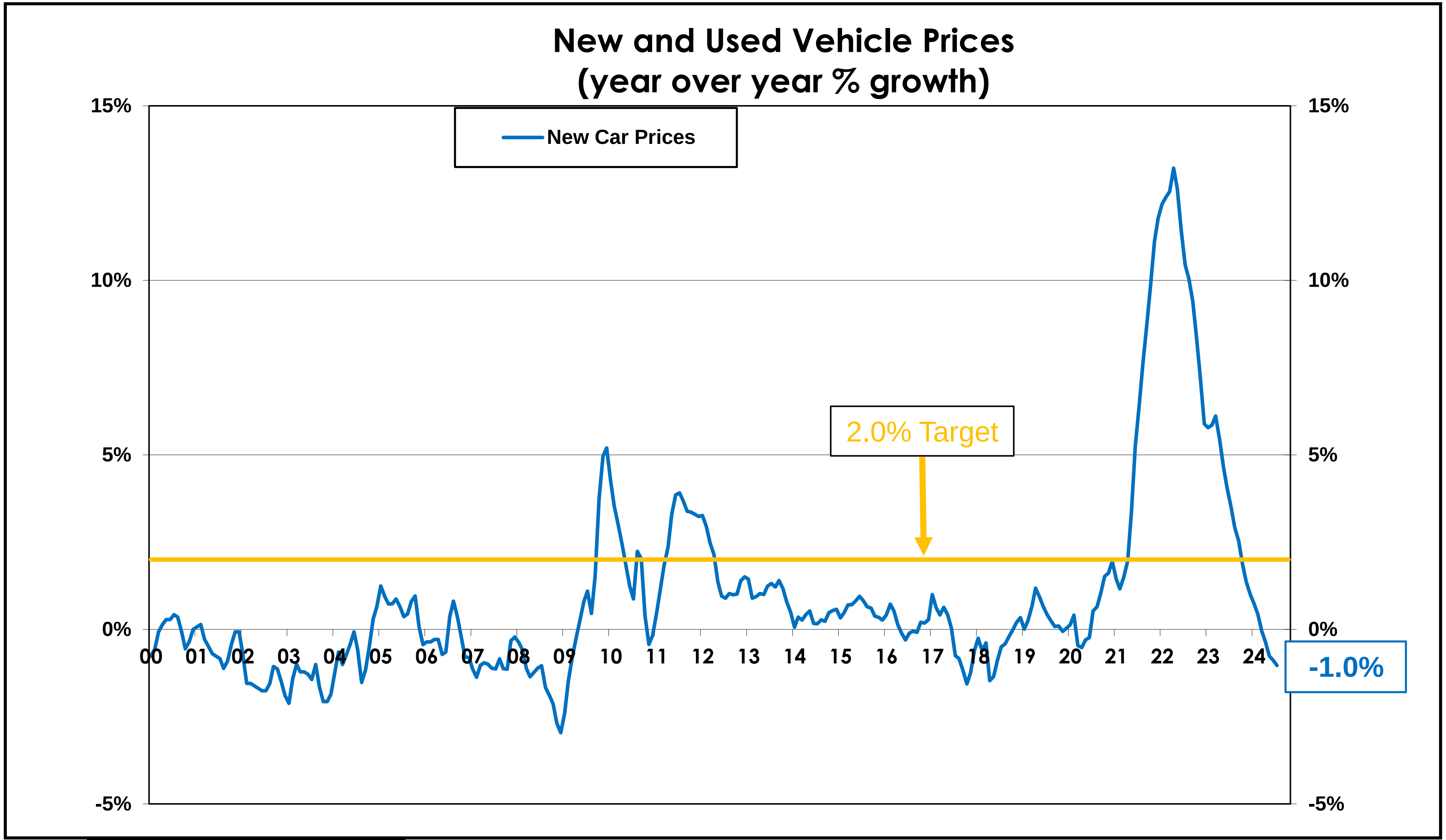




CU New Auto Growth
Seasonally Adjusted
Annualized Growth Rate
25%
20%
15%
10%
5%
0%
-5%
-10%
-15%
-20%
98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25
-3.9
Recession
New Auto Loan Growth
5% Long Run Average

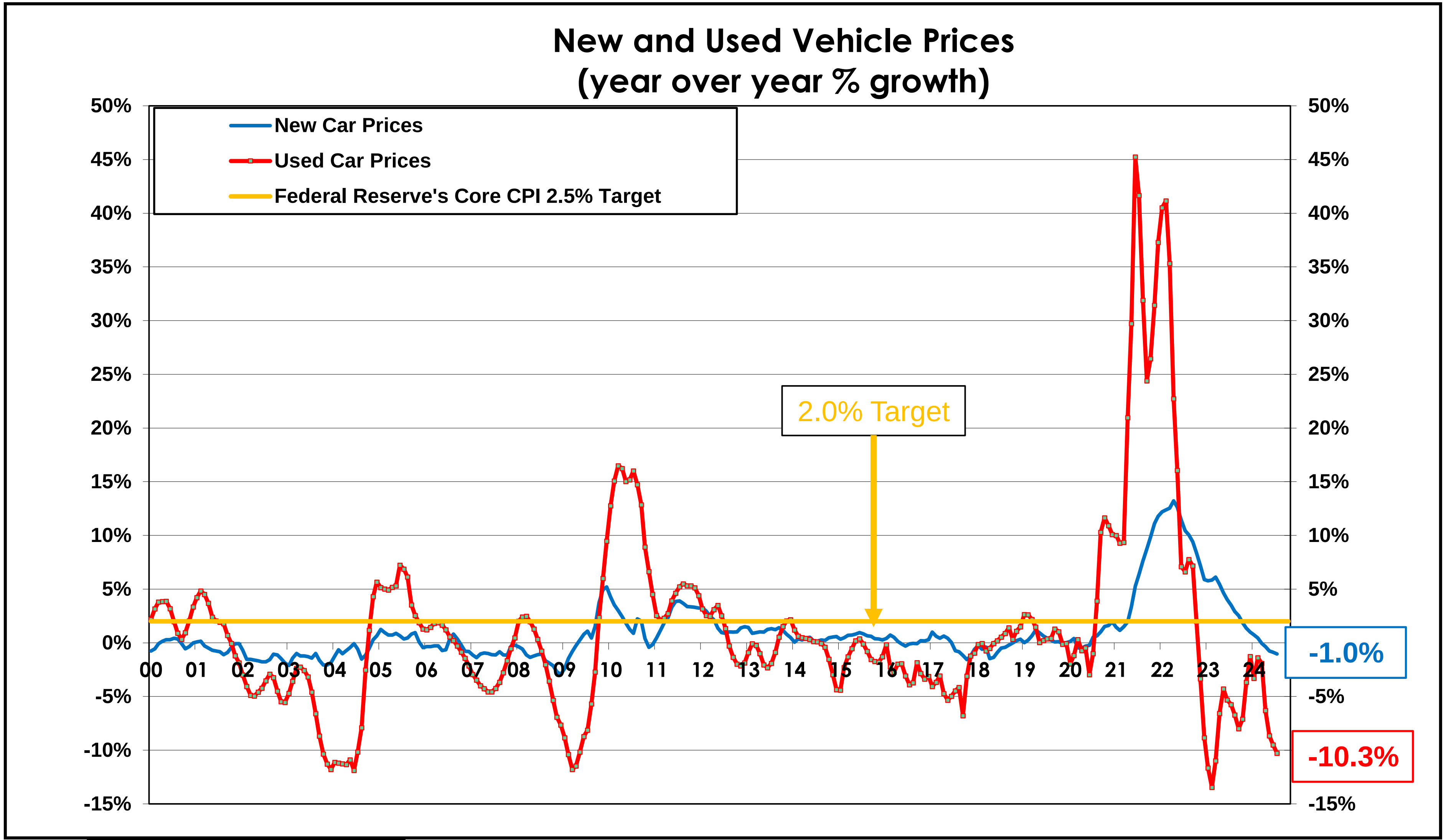
TruStage

Vehicle Prices are Falling



Source: Bureau of Labor Statistics

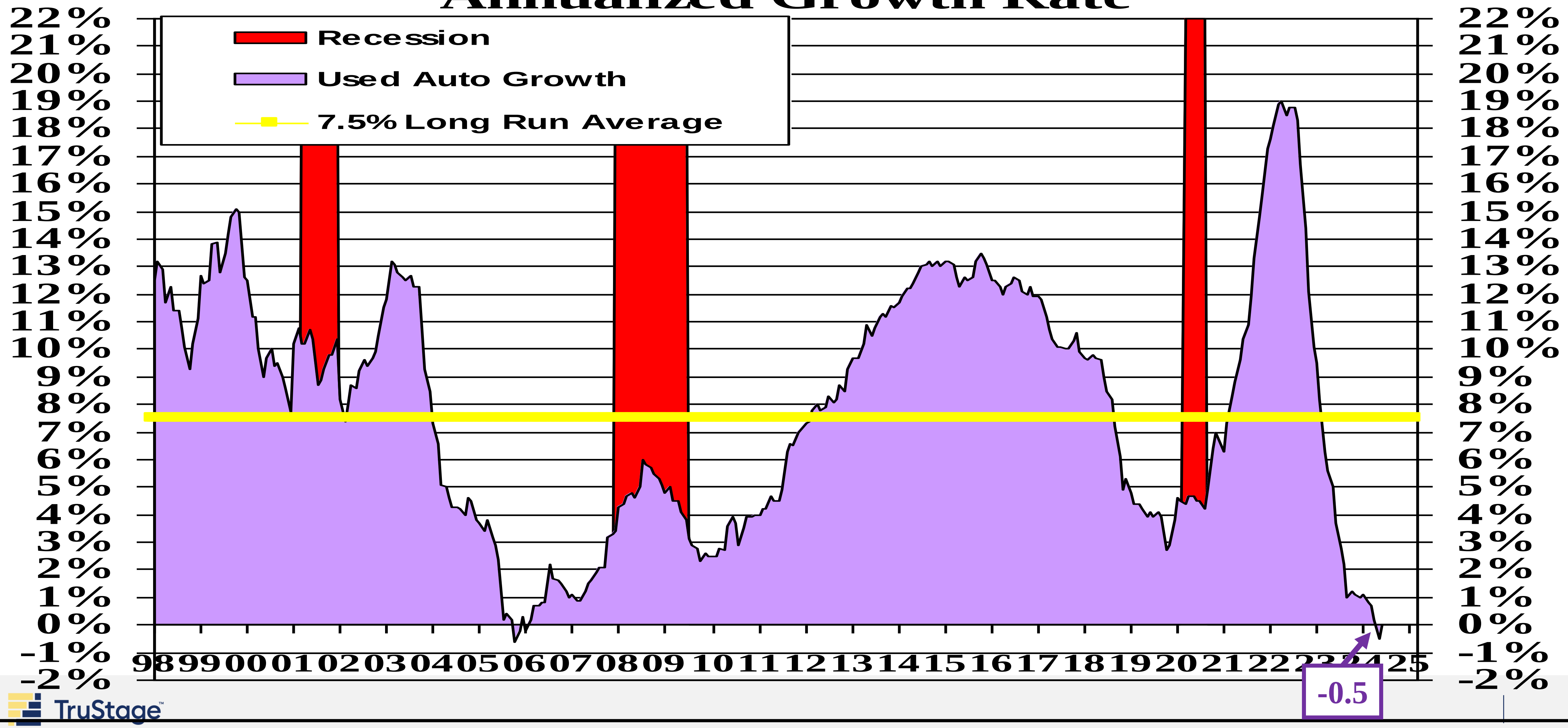
Vehicle Prices are Falling



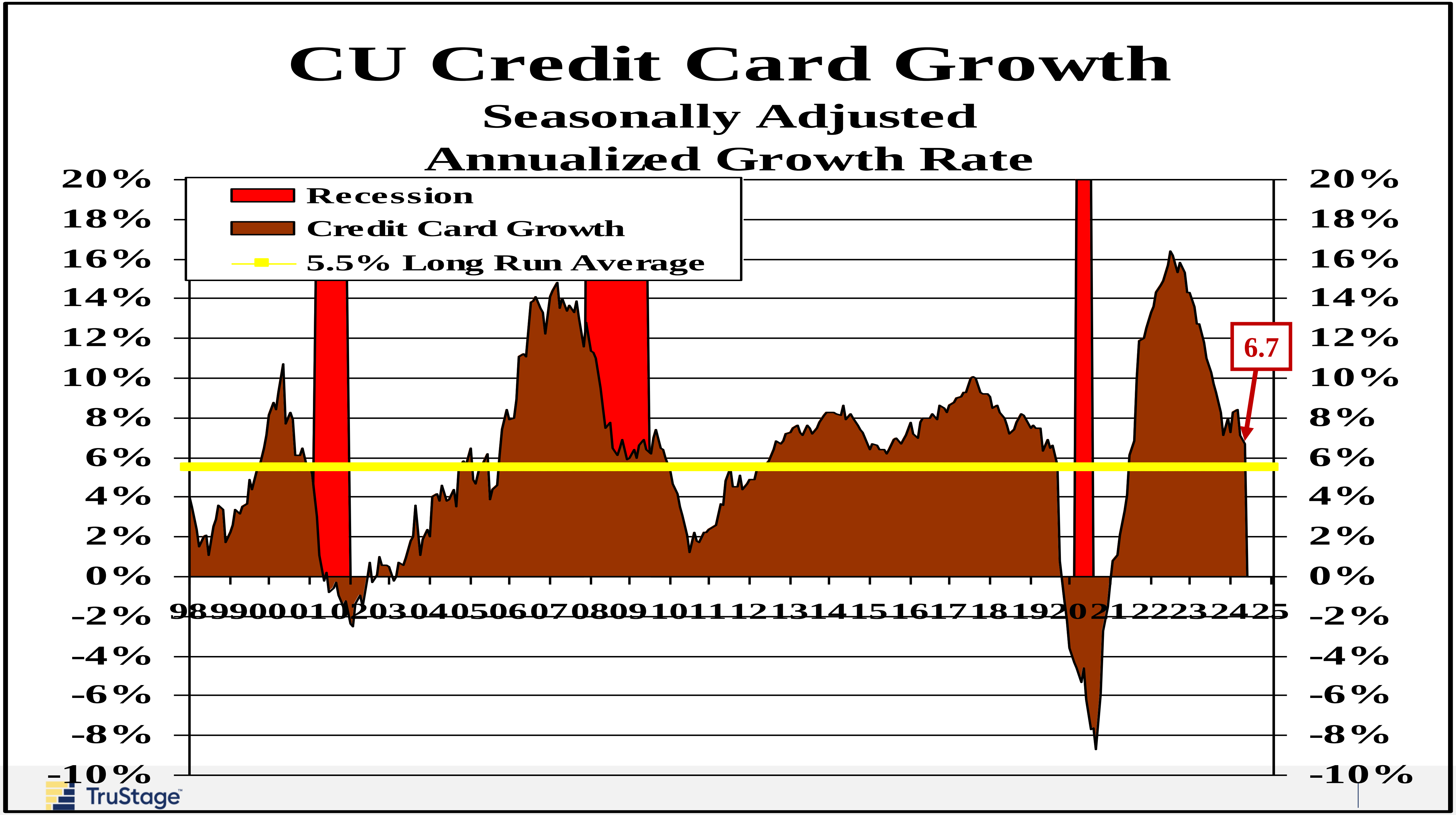
Source: Bureau of Labor Statistics

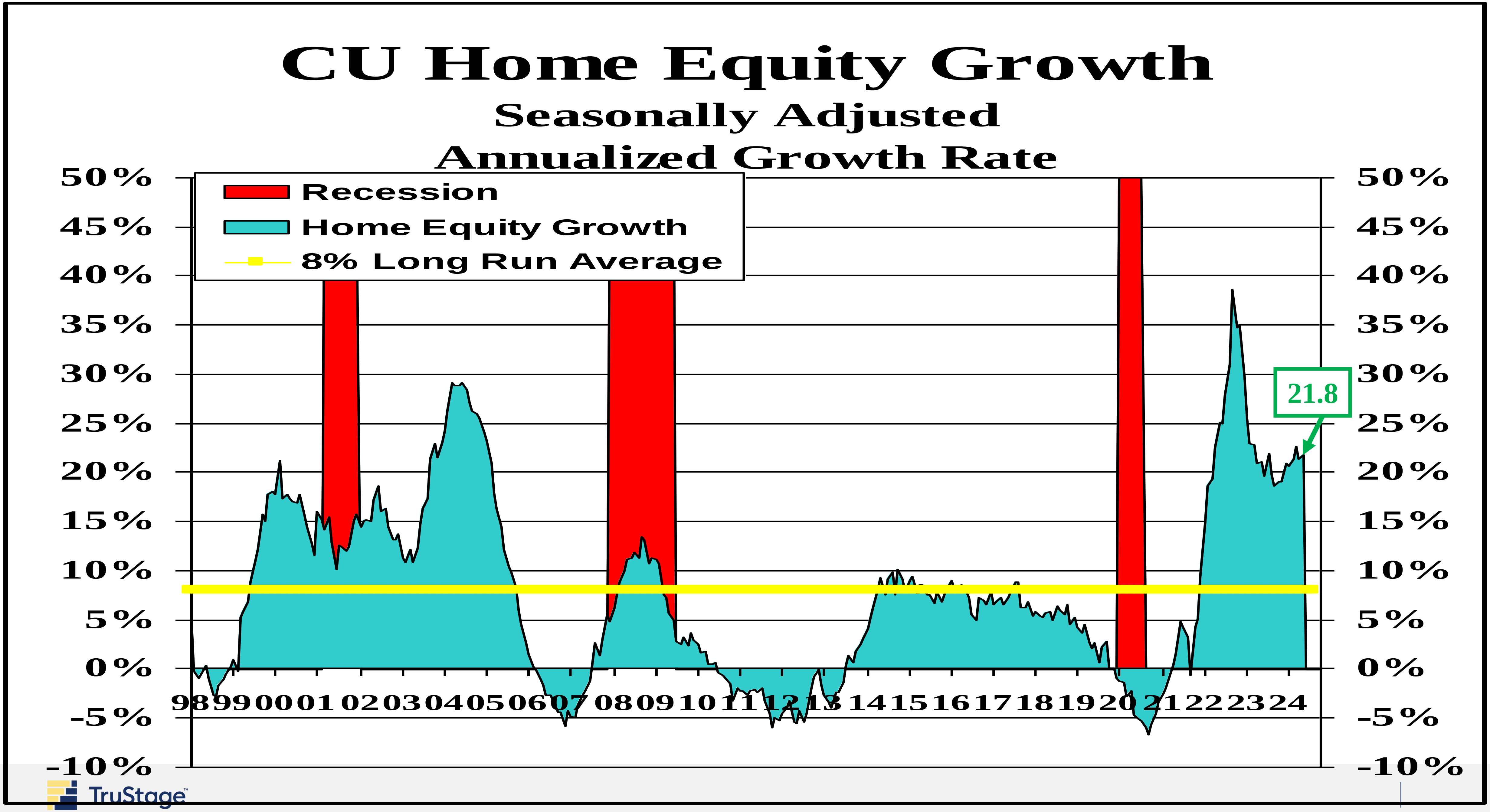
CU Used Loan Growth

Seasonally Adjusted
Annualized Growth Rate



TruStage™


CU Credit Card Growth
Seasonally Adjusted
Annualized Growth Rate
Recession
Credit Card Growth
5.5% Long Run Average
6.7
20%
18%
16%
14%
12%
10%
8%
6%
4%
2%
0%
-2%
-4%
-6%
-8%
-10%
98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25
TruStage



CU Home Equity Growth
Seasonally Adjusted
Annualized Growth Rate
Recession
Home Equity Growth
8% Long Run Average
21.8
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
-5%
-10%
98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

TruStage™

Credit Union Balance Sheet

Assets

Cash (Reserves)

Fixed Assets
- Land
- Building
- Equipment

Investments
- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

Loans
- Commercial
- Auto
- Home
- Credit Card

Liabilities + Capital

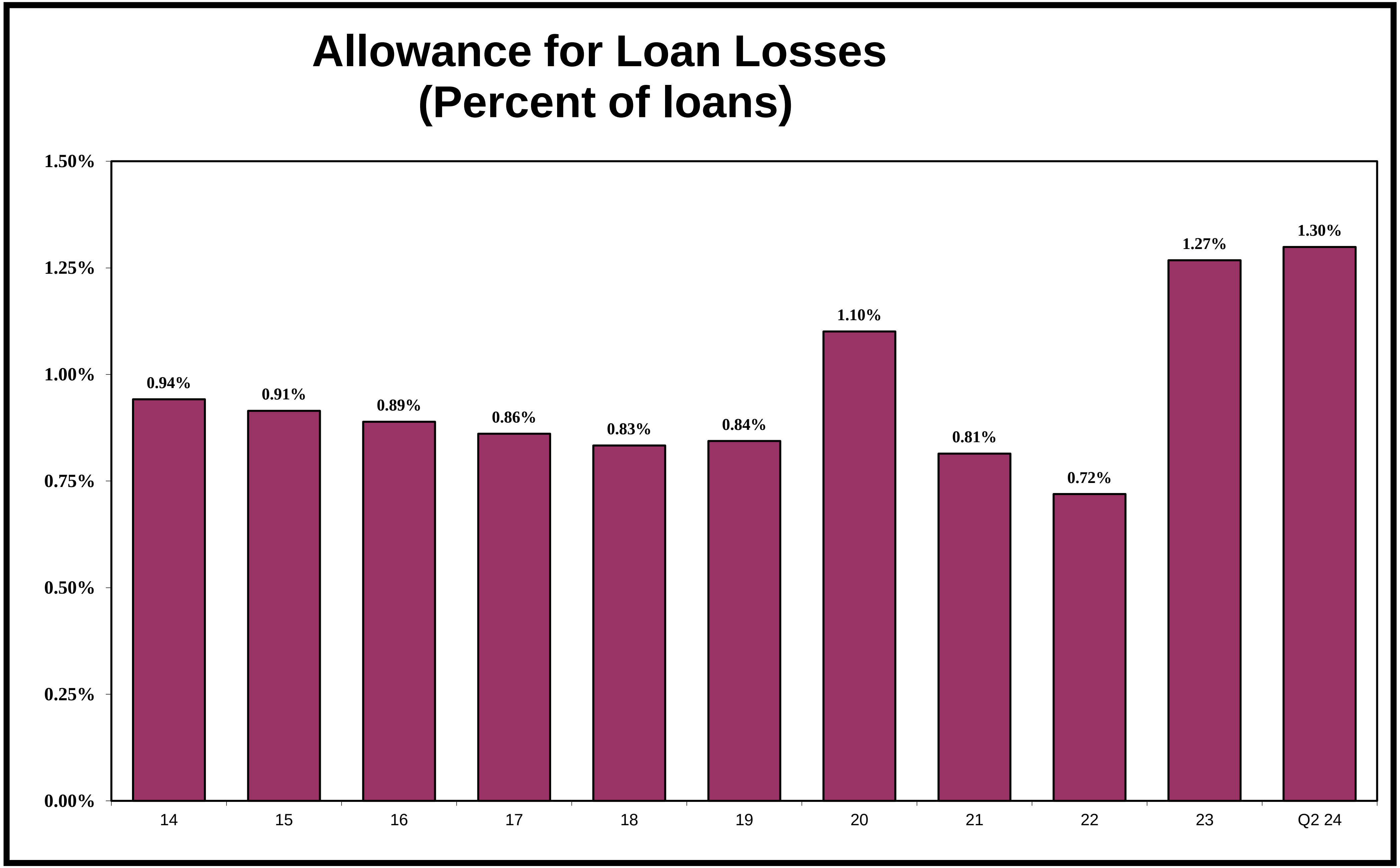
Deposits
- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

Borrowings
- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

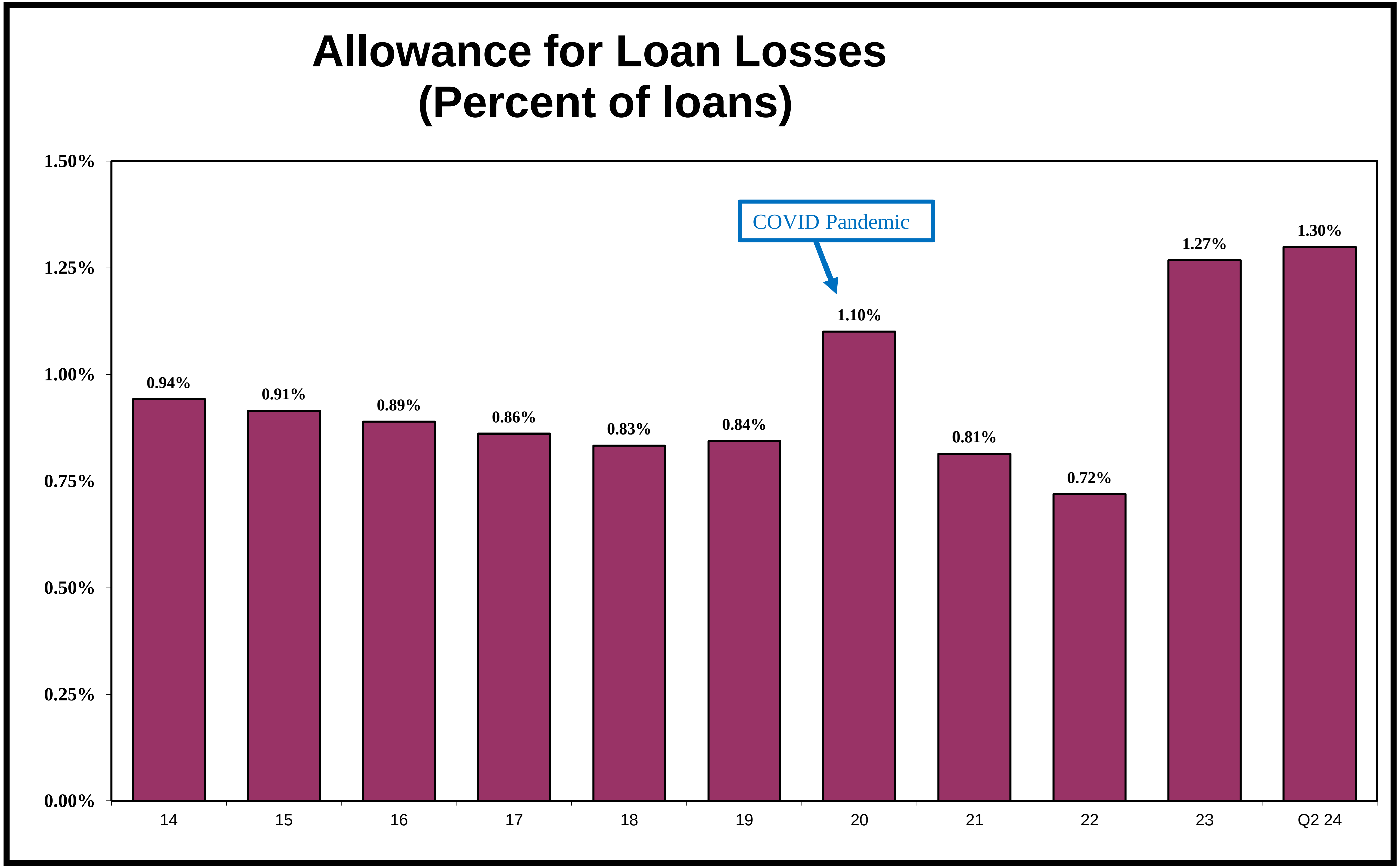
Equity (Net Capital)
1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

Credit Union Balance Sheet

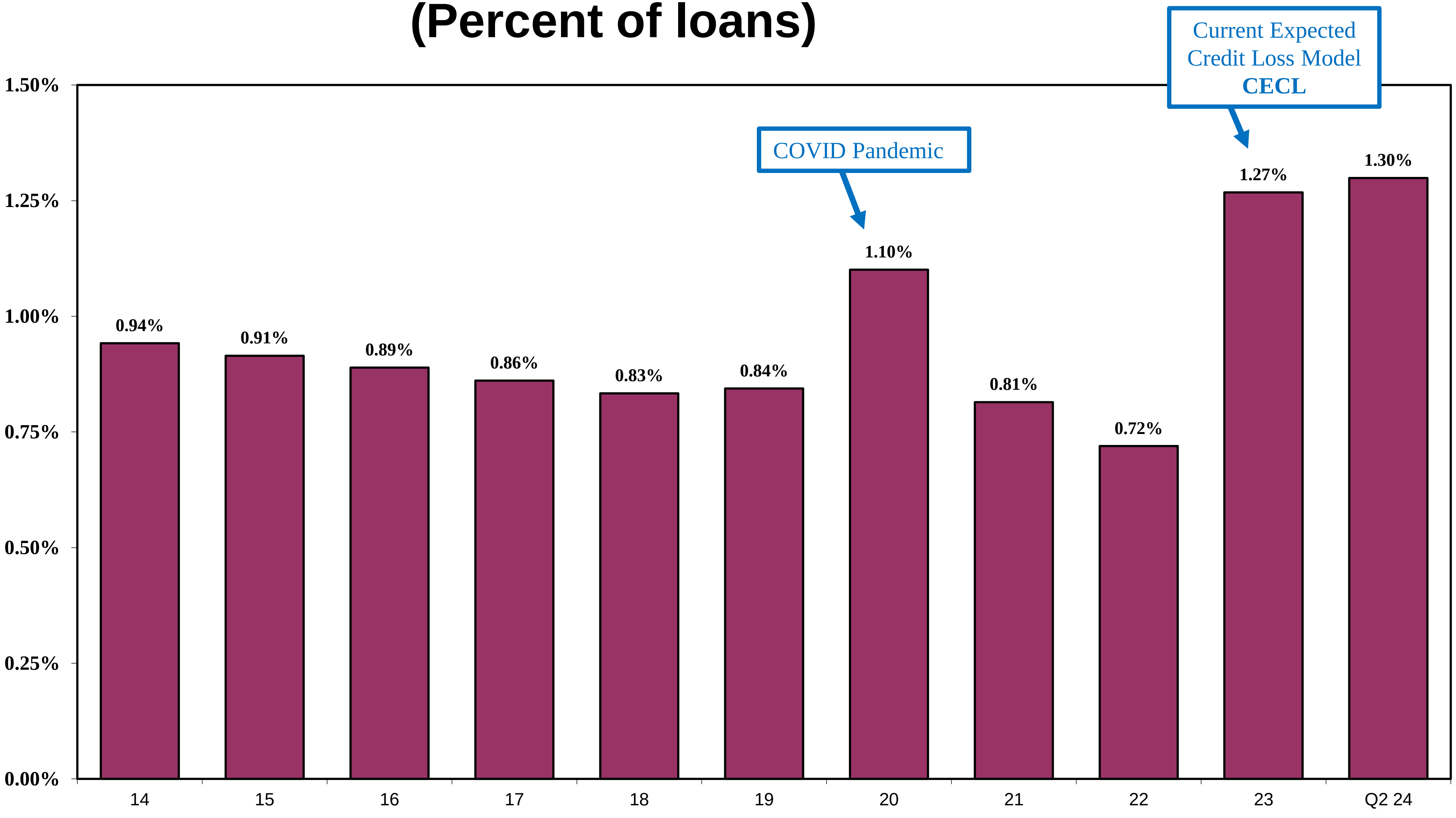
Assets	**Liabilities + Capital**
Cash (Reserves)	**Deposits** • Checking Accounts • Savings • Money Market Deposits • Certificates of Deposits
Fixed Assets • Land • Building • Equipment	**Borrowings** • Federal Home Loan Bank • Corporate Line of Credit • Fed Funds Purchased • Bank Term Funding Program
Investments • < 1 year maturity • 1–3-year maturity • > 3-year maturity	**Equity** (Net Capital) 1. Undivided Earnings 2. Regular Reserves 3. Gains (losses) on Available For Sale (AFS) Securities
Loans • Commercial • Auto • Home • Credit Card **Allowance for Loan Loss**	


Allowance for Loan Losses
(Percent of loans)
1.50%
1.25%
1.00%
0.75%
0.50%
0.25%
0.00%
0.94%
0.91%
0.89%
0.86%
0.83%
0.84%
1.10%
0.81%
0.72%
1.27%
1.30%
14
15
16
17
18
19
20
21
22
23
Q2 24

TruStage™


Allowance for Loan Losses
(Percent of loans)
1.50%
1.25%
1.00%
0.75%
0.50%
0.25%
0.00%
COVID Pandemic
0.94%
0.91%
0.89%
0.86%
0.83%
0.84%
1.10%
0.81%
0.72%
1.27%
1.30%
14
15
16
17
18
19
20
21
22
23
Q2 24

Allowance for Loan Losses
(Percent of loans)



TruStage™

Credit Union Balance Sheet

Assets

Cash (Reserves)

Fixed Assets
- Land
- Building
- Equipment

Investments
- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

Loans
- Commercial
- Auto
- Home
- Credit Card

Allowance for Loan Loss

$

Liabilities + Capital

Deposits
$
- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

Borrowings
- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

Equity (Net Capital)
1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

Credit Union Balance Sheet

Assets

Liabilities + Capital

Cash (Reserves)

Fixed Assets
- Land
- Building
- Equipment

Investments
- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

Loans
- Commercial
- Auto
- Home
- Credit Card

Allowance for Loan Loss

$

Deposits
$
- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

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"Non progredi est regredi"

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"Non progredi est regredi"

To not go forward is to go backward

Credit Union Balance Sheet

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“Non progredi est regredi”

To not go forward is to go backward

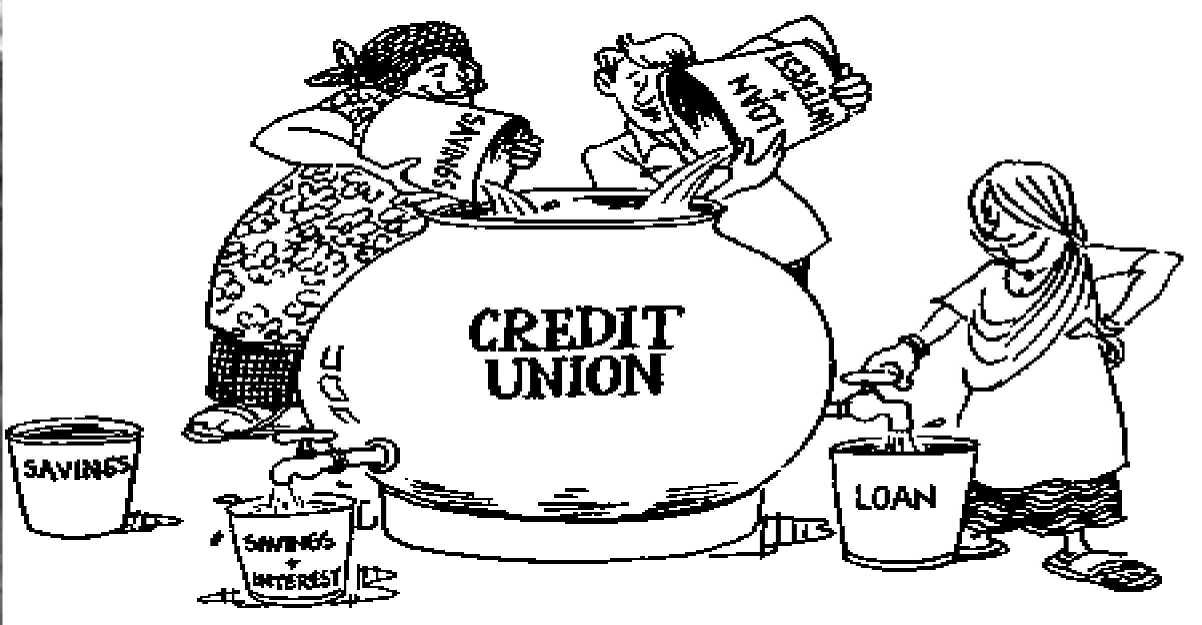
If you’re not growing, you’re dying

Credit unions are so robust that,…..


Credit unions are so robust that,…..


Credit unions are so robust that,…..

Credit unions are so robust that,…..



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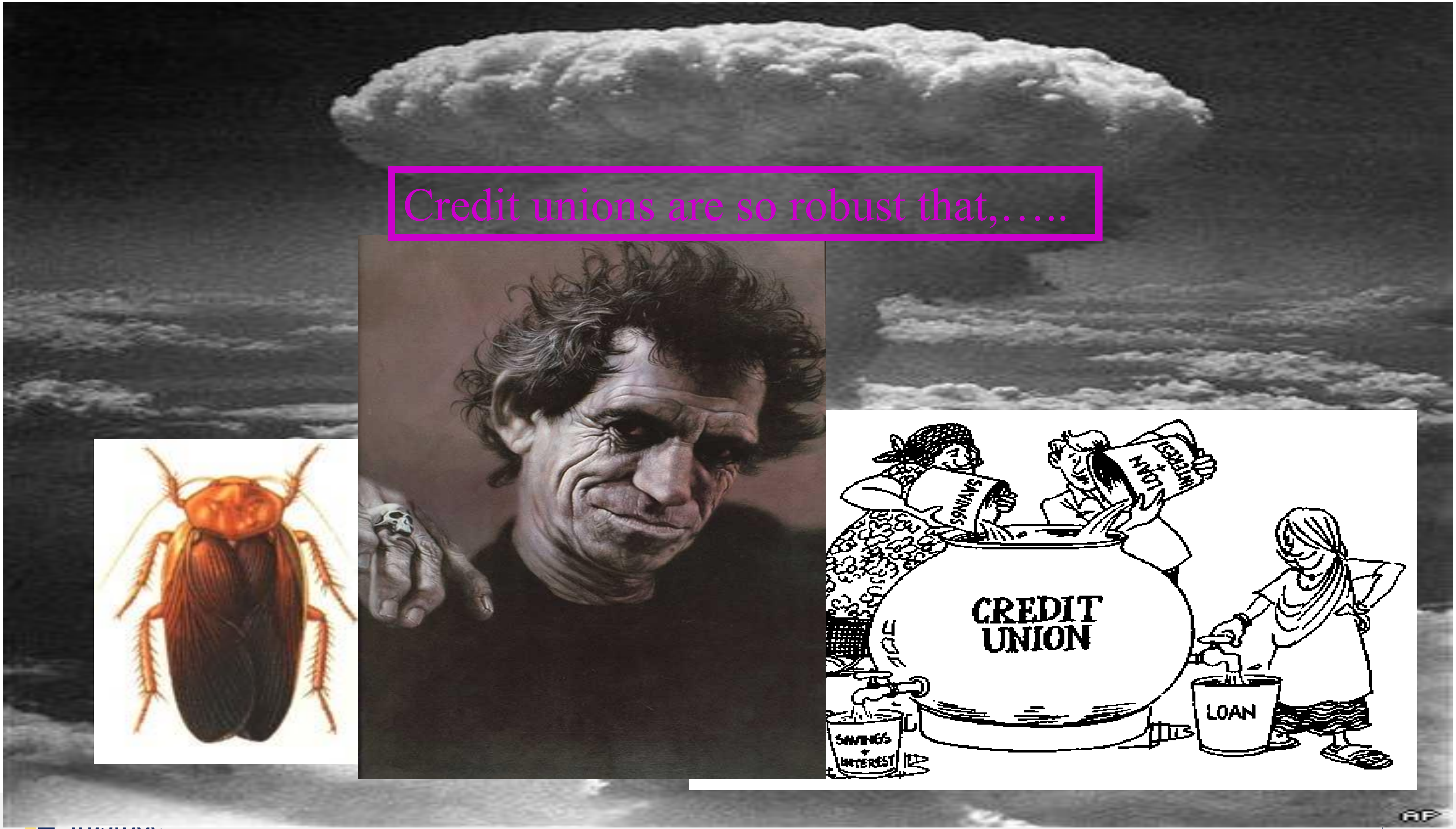

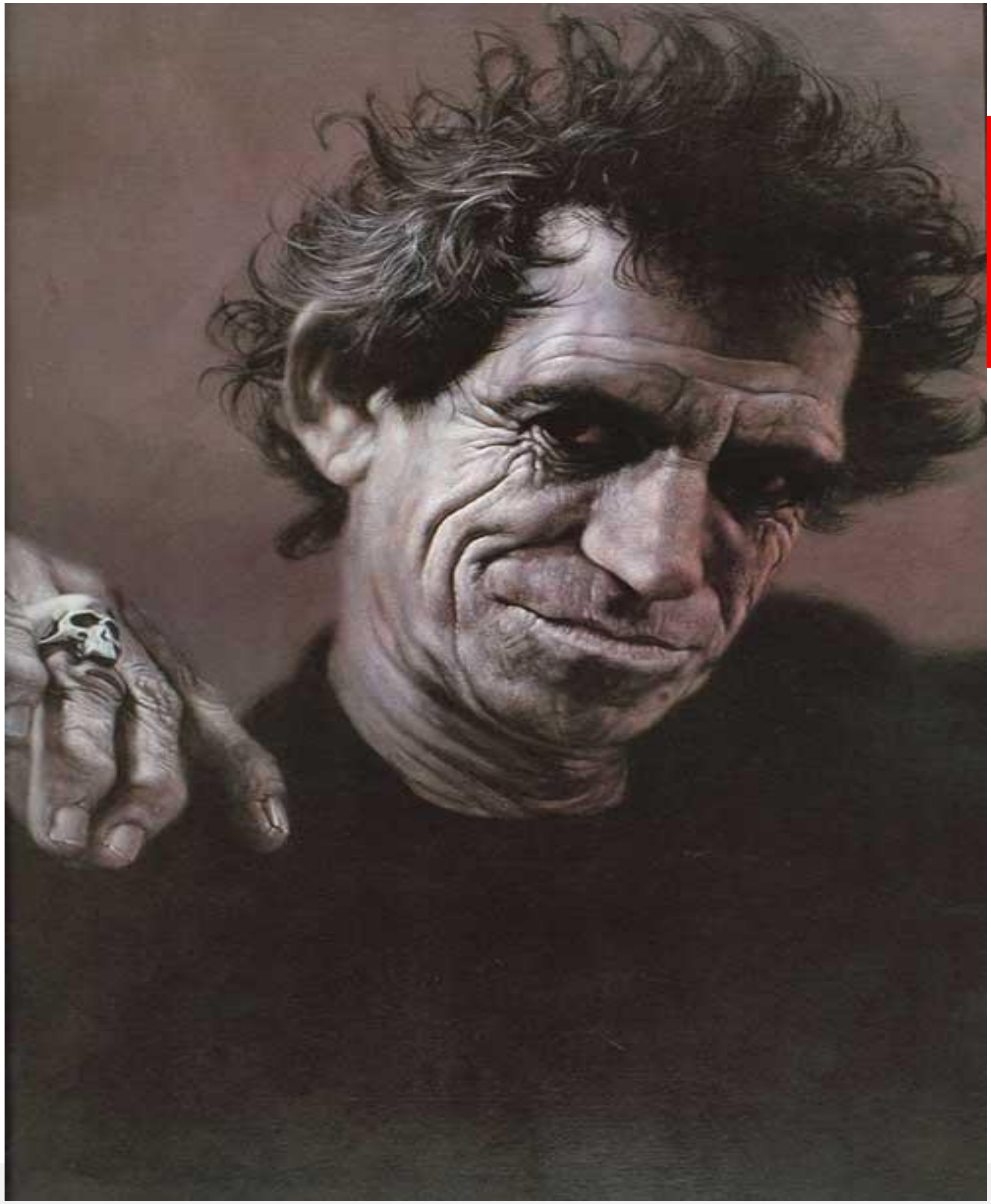

Carpe Diem
“Seize the day”

Questions?

Economic Forecast

January 2025

The economy enters 2025 on solid footing. Real GDP growth surprised to the upside in the third quarter and is expected to post another strong figure in the fourth quarter. The forecast group was concerned about rising unemployment three months ago, but the labor market has since stabilized. Nevertheless, President Trump takes office after making some bold economic proposals on the campaign trail which, should they come to pass, could have important consequences for labor supply, inflation, and deficit spending. Policy uncertainty was foremost in the minds of the members of the forecast group as they placed a probability of recession in 2025 at **20 percent**. Other sources of uncertainty discussed by the group included geopolitical risks and the possibility that the FOMC could make a monetary policy error.

In January the Congressional Budget Office estimated 2.3 percent potential real GDP growth for the economy in 2025, which aligns with the level of growth our forecast group anticipates. An economy growing in line with its potential should deliver low unemployment without elevated price pressures. While that makes for a nice story, reality is always more complicated than theory. Furthermore, the forecast group believes the risks to our baseline growth outlook are weighted to the downside.

Over the 12 months ending last July, the unemployment rate rose from 3.5 percent to 4.2 percent. However, by December the unemployment rate had fallen slightly to end the year at 4.1 percent. There are still pockets of concern: job-to-job movement of workers is low and falling, the employment-to-population ratio for prime-age workers declined over the fourth quarter, and the median duration of unemployment has been ticking upward. But the balance of evidence suggests that risks to the labor market have receded in recent months.

Economic Forecast

January 2025

On the other hand, the latest news on inflation has been less encouraging. Following a sustained drop, the year-over-year change in core CPI trended sideways over the second half of 2024. But with GDP growth expected to slow modestly and some additional disinflation in the shelter index, our forecast group expects headline CPI inflation to fall to 2.6 percent by year end. The FOMC targets a different inflation index (PCE), which tends to run 0.3 to 0.4 percentage points below CPI. If our outlook comes to pass, it would likely mean that inflation closes the year very close to the FOMC's 2-percent inflation target.

Sturdier inflation readings over the second half of 2024 led to a rethink of the path for future FOMC interest rate cuts. Our forecast group now expects a single 0.25 percent rate cut this year versus the four quarter-point cuts we had penciled in just three months ago. Should the forecast group's downside risk concerns be realized with a significant growth scare or even a recession, the FOMC would have scope to address it with stimulative rate cuts.

Finally, the forecast group expects long-term Treasury rates to end 2025 at 4.5 percent. While easing inflation would ordinarily provide room for nominal rates to drop, persistent government deficits will keep rates elevated. The forecast group discussed some of the uncertain net effects on business investment of, on the one hand, an administration committed to deregulation and the ongoing AI boom, and high borrowing costs on the other. One thing we are more confident in is that the yield curve will remain relatively flat through 2025.

Economic Forecast

January 2025

	Past results		Actual/Forecasts				Actual/Forecasts	
	Previous 10 Yr. Avg	2023	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2024	2025
Growth rates:								
Economic Growth (% chg GDP)*	2.5%	3.2%	1.6%	3.0%	3.1%	2.6%	2.6%	2.3%
Inflation (CPI, 12 mth % chg)	2.9%	3.3%	3.5%	3.0%	2.4%	2.9%	2.9%	2.6%
Unemployment Rate (BLS)	4.6%	3.8%	3.8%	4.1%	4.1%	4.1%	4.1%	4.1%
Federal Funds Rate (effective)	1.82%	5.33%	5.33%	5.33%	4.83%	4.33%	4.33%	4.08%
10-Year Treasury Rate	2.49%	3.88%	4.20%	4.36%	3.81%	4.58%	4.58%	4.50%
10-Year-Fed Funds Spread	0.67%	-1.45%	-1.13%	-0.97%	-1.02%	0.33%	0.25%	0.42%

*Percent change, annualized rate for quarterly and Q4-to-Q4 change for annual. All other numbers are end-of-period values.

Credit Union Forecast

January 2025

Our outlook for credit unions in 2025 is positive but more mixed than for the broader economy. Among the key challenges credit unions have been grappling with since the pandemic, liquidity and credit quality are poised to improve this year. However, high interest rates will prevent a more robust improvement in share growth and will also suppress loan demand.

Credit unions spent much of 2024 fighting for deposits in a highly competitive environment. While that has led to sharply higher cost of funds, share growth has improved. The forecast group expects year-over-year growth to reach 6.5 percent in 2025, close to the long-run average. But with interest rates remaining high, much of that growth will continue to come from share certificates.

Loan growth will improve as well, but more slowly than share growth, as higher interest rates are likely to weigh on loan demand. One reason for a somewhat better outlook for loan growth in 2025 than last year is that liquidity constraints are slowly easing. We expect the loan-to-share ratio to drop to 82 percent by the end of 2025, compared to a pre-COVID level of 84.4 percent.

The sustained pressure on delinquency and charge-off ratios is beginning to ease. As long as the labor market holds up, we expect modest improvement in 2025. Credit unions are historically prudent lenders and are highly attentive to credit quality metrics.

Partly as a result of our expectation of higher interest rates and slower loan growth in 2025, we lowered our outlook for credit union earnings. Nevertheless, at 75 basis points, our forecast for ROA provides enough fuel for credit unions to grow net worth faster than assets. Our forecast calls for the credit union net worth ratio to reach 11.2 percent by year end, in line with the pre-COVID level.

Credit Union Forecast

January 2025

	Past Results		Actual/forecasts				Annual forecasts	
	10 Yr Average	2023	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2024	2025
Growth rates:								
Savings growth	7.6%	1.6%	3.0%	-0.3%	0.5%	2.2%	5.5%	6.5%
Loan growth	9.5%	6.2%	0.0%	1.0%	0.9%	1.0%	2.9%	5.0%
Asset growth	7.9%	4.0%	2.3%	-0.4%	0.6%	1.0%	3.5%	6.0%
Membership growth	3.7%	2.9%	1.0%	0.6%	0.9%	0.2%	2.7%	3.0%
Liquidity:								
Loan-to-share ratio**	79.7%	85.1%	82.7%	83.9%	84.2%	83.2%	83.2%	82.0%
Asset quality:								
Delinquency rate**	0.72%	0.83%	0.77%	0.84%	0.91%	0.95%	0.95%	0.90%
Net charge-off rate*	0.49%	0.61%	0.80%	0.78%	0.76%	0.80%	0.79%	0.75%
Earnings:								
Return on average assets (ROA)*	0.83%	0.68%	0.66%	0.71%	0.70%	0.70%	0.69%	0.75%
Capital adequacy:								
Net worth ratio**	10.9%	10.7%	10.6%	10.8%	10.9%	11.0%	11.0%	11.1%

*Quarterly data, annualized. **End of period ratio. Net worth forecast does not account for CECL Provision

Economic Update Summary For 2025

1. Trend economic growth in 2025, (2.0%)
2. Inflation rate approaching 2% target
3. Unemployment rate rising to natural rate of 4.5%
4. Yield curve normalizing as short-term interest rates fall faster than long term