

22 November 2019

BENCHMARK INTEREST RATES AND YIELD CURVE

US Treasury Rates-

	THIS WK	LAST MO	YR END	LAST YR	CHANGES SINCE		
	11/21/19	10/21/19	12/31/18	11/21/18	This Yr	Last Yr	Down Cycle
Fed Funds	1.55%	1.85%	2.40%	2.20%	-0.85%	-0.65%	-0.90%
3mo	1.58%	1.67%	2.45%	2.41%	-0.87%	-0.83%	-0.77%
6mo	1.59%	1.65%	2.56%	2.52%	-0.97%	-0.93%	-0.93%
1yr	1.55%	1.59%	2.63%	2.67%	-1.08%	-1.12%	-1.19%
2yr	1.60%	1.62%	2.48%	2.81%	-0.88%	-1.21%	-1.38%
3yr	1.59%	1.59%	2.46%	2.84%	-0.87%	-1.25%	-1.46%
5yr	1.62%	1.61%	2.51%	2.89%	-0.89%	-1.27%	-1.47%
7yr	1.71%	1.70%	2.59%	2.98%	-0.88%	-1.27%	-1.46%
10yr	1.77%	1.80%	2.69%	3.06%	-0.92%	-1.29%	-1.47%
30yr	2.24%	2.28%	3.02%	3.31%	-0.78%	-1.07%	0.06%

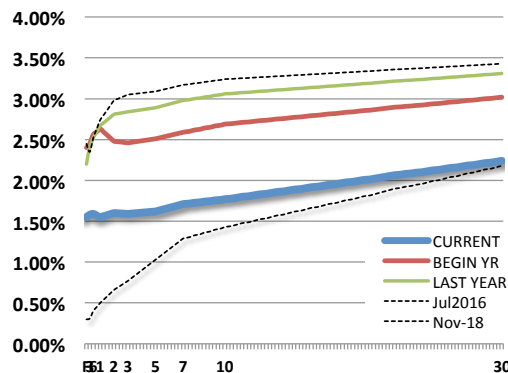
Slope of the Yield Curve-

	THIS WK	LAST MO	YR END	LAST YR	This Yr	Last Yr	Down Cycle
2yr-3mo	0.02%	-0.05%	0.03%	0.40%	-0.01%	-0.38%	-0.61%
5yr-2yr	0.02%	-0.01%	0.03%	0.08%	-0.01%	-0.06%	-0.09%
10yr-5yr	0.15%	0.19%	0.18%	0.17%	-0.03%	-0.02%	0.00%
10yr-3mo	0.19%	0.13%	0.24%	0.65%	-0.05%	-0.46%	-0.70%

Other Interest Rates-

	THIS WK	LAST MO	YR END	LAST YR	This Yr	Last Yr	Down Cycle
Prime	4.75%	5.00%	5.50%	5.25%	-0.75%	-0.50%	-0.75%
1mo LIBOR	1.70%	1.82%	2.52%	2.31%	-0.82%	-0.61%	-0.82%
6mo LIBOR	1.89%	1.93%	2.87%	2.88%	-0.98%	-0.99%	-1.02%
12mo LIBOR	1.91%	1.96%	3.01%	3.11%	-1.10%	-1.20%	-1.22%

YIELD CURVE ASSESSMENT



CYCLICAL CHANGES SUMMARY

	Jul16 Low	Nov18 High	Nov18 High-Current
Fed Funds	2.15%	-0.90%	
1year	2.24%	-1.19%	
2years	2.32%	-1.38%	
3years	2.28%	-1.46%	
5years	2.06%	-1.47%	
10years	1.81%	-1.47%	

ECONOMIC UPDATE AND ANALYSIS

FOMC MINUTES SHOWS LITTLE INTEREST IN FURTHER RATE CUTS BY FED POLICY-MAKERS

According Federal Reserve policy-makers generally agreed that they likely won't need to cut interest rates again unless economic conditions change significantly. Central bankers in late October, cut their benchmark overnight lending rates a quarter point to a range of 1.5 -1.75%, the third such move in 2019.

Most of the FOMC reported they saw moves as enough "to support the outlook of moderate growth, a strong labor market, and inflation near the Committee's symmetric 2 percent objective."

The stance of policy "likely would remain" where it is "as long as incoming information about the economy did not result in a material reassessment of the economic outlook."

Discussion indicated that members feel the US economy is in fairly strong position, with a healthy labor market and strong spending appetite among consumers, whose activity accounts for nearly two-thirds of the nation's GDP.

They also noted that concerns over weak global growth and uncertainty regarding trade developments have "eased somewhat."

Key Economic Indicators for Banks, Thrifts & Credit Unions-

		LATEST	CURRENT	PREV
GDP	QoQ	Q3-First	1.9%	2.0%
GDP - YTD	Annl	Q3-First	2.3%	2.6%
Consumer Spending	QoQ	Q3-First	2.0%	4.6%
Consumer Spending	Annl	Q3-First	2.9%	2.9%
Unemployment	Mo	Oct	3.6%	3.5%
Consumer Inflation	YoY	Oct	1.8%	1.7%
Core Inflation	YoY	Oct	2.3%	2.4%
Consumer Credit	Annual	Sep	2.8%	5.2%
Retail Sales	YoY	Sep	3.4%	3.3%
Vehicle Sales	Annl (Mil)	Oct	17.0	17.7
Home Sales	Annl (Mil)	Oct	6.161	6.103
Home Prices	YoY	Aug	2.0%	2.0%

Key Consumer Market Data-

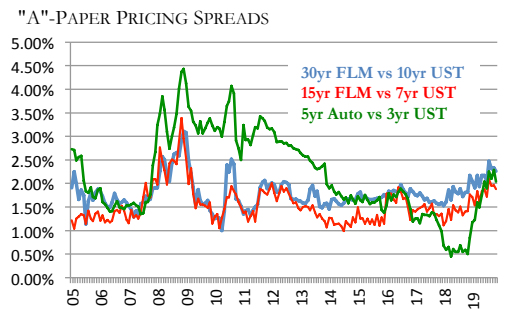
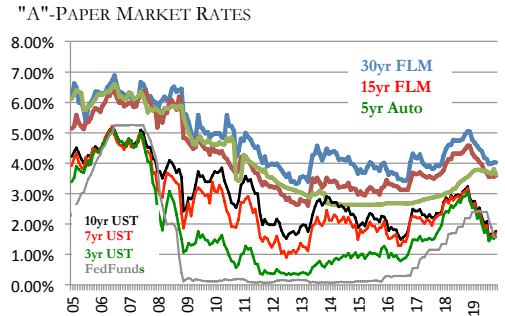
	THIS WK	YR END	PCT CHANGES	
	11/21/19	12/31/18	YTD	12Mos
DJIA	27,766	23,327	19.0%	14.5%
S&P 500	3,103	2,506	23.8%	17.9%
NASDAQ	8,506	6,635	28.2%	22.5%
Crude Oil	58.58	45.41	29.0%	14.6%
Avg Gasoline	2.59	2.27	14.4%	-0.8%
Gold	1,463.6	1,281.3	14.2%	19.8%

**AVERAGE CREDIT UNION RATES AND RATE SENSITIVITY**

	THIS WK 11/21/19	YTD Change		Chg in Current Cycle*		Rate Sensitivity	
		Rate	Benchmark	Rate	Benchmark	YTD	Cycle
Classic CC	11.52%	-0.09%	-0.75%	-0.17%	-0.75%	12%	23%
Platinum CC	9.96%	-0.21%	-0.75%	-0.31%	-0.75%	28%	41%
48mo Veh	3.51%	-0.03%	-0.88%	-0.15%	-1.38%	3%	11%
60mo Veh	3.63%	-0.03%	-0.87%	-0.14%	-1.46%	3%	10%
72mo Veh	3.94%	-0.07%	-0.88%	-0.18%	-1.47%	8%	12%
HE LOC	5.12%	-0.29%	-0.75%	-0.44%	-0.75%	39%	59%
10yr HE	5.31%	-0.16%	-0.89%	-0.21%	-1.49%	18%	14%
15yr FRM	3.59%	-0.84%	-0.91%	-0.99%	-1.51%	93%	66%
30yr FRM	4.03%	-0.83%	-0.92%	-1.03%	-1.47%	90%	70%
Sh Drafts	0.14%	0.01%	-0.85%	0.00%	-0.90%	-1%	0%
Reg Svgs	0.19%	0.01%	-0.85%	0.00%	-0.90%	-1%	0%
MMkt-10k	0.46%	0.02%	-0.85%	-0.02%	-0.90%	-2%	2%
MMkt-50k	0.62%	0.01%	-0.85%	-0.03%	-0.90%	-1%	3%
6mo CD	1.00%	0.07%	-0.97%	-0.03%	-0.93%	-7%	3%
1yr CD	1.42%	0.00%	-1.08%	-0.09%	-1.19%	0%	8%
2yr CD	1.67%	-0.09%	-0.88%	-0.18%	-1.38%	10%	13%
3yr CD	1.83%	-0.16%	-0.87%	-0.23%	-1.46%	18%	16%

\*Since Nov 2018

**RELATIVE VALUE**



**STRATEGICALLY FOR CREDIT UNIONS**

Unless we start to see a significant uptick in inflation over the next few quarters, we most likely have seen the end of current cycle cuts in benchmark overnight rates by the Federal Reserve. This of course also depend on the prevailing position on business investment and net exports - pressures which the FOMC noted had "eased somewhat."

In the October rate cut, FOMC members cited the benefits lower rates would provide as an insurance policy against trouble ahead. US economic activity likely subsided in the fourth quarter to around 1.5%.

Fed policy adjustments work in a lagging nature that can take a year or more to be felt, so they intend on watching how the switch to easier policy will impact financial conditions. The cuts started in July, just seven months after the committee approved the fourth rate hike of 2018.

This will also have an impact on short-term treasury benchmarks as well although it could spark a rise in pricing spreads on most consumer loans that will result in slightly higher rates. Inflationary pressure will impact longer-term treasury benchmarks which will put higher pressure on fixed rate mortgage rates.

As a result, the inverted yield curve has been corrected but we could be in another round of stagnant market rates on loans and shares.

Additional information and other market-related reports can be viewed at [www.Meridian-ally.com](http://www.Meridian-ally.com)

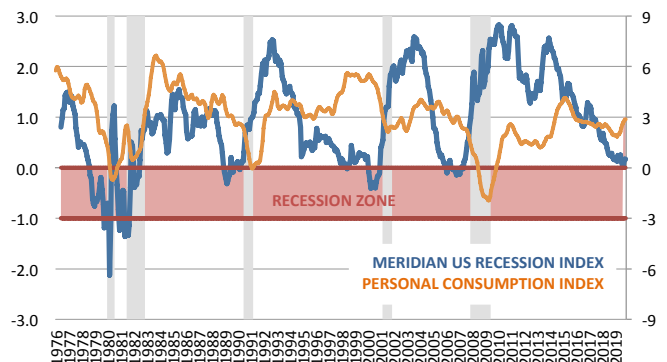
**ECONOMIC RELEASES**

RELEASES THIS WEEK:	Current	Previous
FOMC Minutes	Broad slowdown in pace of growth	
Existing Home Sales (Oct, Mil, Annl)	5.460	5.360
Leading Indicators (Oct, MoM)	-0.1%	-0.2%

RELEASES FOR UPCOMING WEEK:	Projected	Previous
Home Prices (Sep, YoY)	2.0%	2.0%
GDP (Q3, First)	1.5%	1.9%

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**MERIDIAN US RECESSION INDEX™**  
CREDIT, INTEREST RATE AND PCE COMPOSITE



ECONOMIC CALENDAR

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
Oct 28	29 Home Prices +2.0%	30 GDP (Q3-1st) 1.9% FOMC Announcement	31 Jobless Claims 219k	Nov 1 Employment Data 3.6%	2
4	5	6	7 Jobless Claims 211k Consumer Credit 2.8%	8	9
11 VETERAN'S DAY	12	13 Cons Inflation 1.8%	14 Jobless Claims 225k Wh Inflation 1.1%	15 Retail Sales 3.4%	16
18	19	20 FOMC Minutes	21 Jobless Claims 227k Ex Home Sales 5.46M	22	23
25	26 Home Prices New Home Sales	27 GDP (Q3-2nd) FRB Beige Book Jobless Claims	28 THANKSGIVING	29	30
2	3 Motor Vehicle Sales	4	5 Jobless Claims Factory Orders	6 Unemployment Consumer Credit	7
9	10	11	12 Jobless Claims	13	14
16	17	18	19 Jobless Claims	20	21

Q2-2019	<\$2 Million	\$2-10 Million	\$10-50 <Million	\$50-100 Million	\$100-500 Million	\$500+ Million	TOTAL	<\$10 Million	<\$50 Million	<\$100 Million	<\$500 Million
<b>DEMOGRAPHICS</b>											
Number of Credit Unions	423	940	1,677	680	1,012	576	5,308	1,363	3,040	3,720	4,732
Average Assets (\$Mil)	\$0.9	\$5.9	\$25.4	\$72.5	\$228.2	\$1,952.4	\$273.8	\$4.4	\$16.0	\$26.3	\$69.5
Pct of Credit Unions	8%	18%	32%	13%	19%	11%	100%	26%	57%	70%	89%
Pct of Industry Assets	0%	0%	3%	3%	15%	79%	100%	0%	3%	6%	21%
<b>GROWTH RATES (YTD)</b>											
Total Assets	-6.1%	-11.4%	-1.6%	-1.3%	-5.9%	13.3%	9.2%	-11.0%	-2.8%	-2.0%	-4.7%
Total Loans	-11.8%	-11.5%	-3.4%	-5.0%	-10.7%	7.9%	4.4%	-11.6%	-4.3%	-4.7%	-9.2%
Total Shares	-5.1%	-9.5%	-1.7%	-1.3%	-5.0%	11.9%	8.3%	-9.2%	-2.6%	-2.0%	-4.1%
Net Worth	-3.6%	-11.2%	-0.5%	-1.5%	-5.6%	12.6%	8.7%	-10.6%	-2.0%	-1.8%	-4.4%
<b>BALANCE SHEET ALLOCATION</b>											
Net Worth-to-Total Assets	19.0%	15.9%	13.0%	12.0%	11.4%	11.1%	11.3%	16.1%	13.3%	12.7%	11.8%
Cash & Inv-to-Total Assets	52%	46%	43%	37%	28%	24%	25%	47%	44%	41%	32%
Loans-to-Total Assets	47%	52%	53%	58%	67%	72%	70%	52%	53%	56%	64%
Vehicle-to-Total Loans	59%	62%	49%	43%	40%	33%	35%	62%	50%	46%	41%
REL-to-Total Loans	1%	8%	32%	38%	44%	51%	50%	8%	29%	34%	42%
REL-to-Net Worth	4%	28%	130%	186%	261%	332%	308%	26%	115%	149%	225%
Indirect-to-Total Loans	0%	1%	5%	12%	19%	22%	21%	0%	4%	9%	17%
Loans-to-Total Shares	59%	62%	62%	67%	77%	86%	83%	62%	62%	64%	73%
Nonterm-to-Total Shares	91%	85%	81%	78%	75%	70%	71%	85%	81%	80%	76%
Short-term Funding Ratio	40.5%	29.9%	23.8%	19.9%	15.0%	12.0%	13.1%	24.5%	22.2%	17.1%	13.1%
Net Long-term Asset Ratio	3.5%	7.8%	18.7%	24.0%	29.9%	34.7%	33.1%	17.4%	20.8%	27.2%	33.0%
<b>LOAN QUALITY</b>											
Loan Delinquency Ratio	3.36%	1.68%	0.94%	0.81%	0.68%	0.61%	0.63%	1.02%	0.91%	0.74%	0.64%
Net Charge-off Ratio	0.99%	0.67%	0.46%	0.45%	0.47%	0.58%	0.56%	0.48%	0.47%	0.47%	0.56%
"Misery" Index	4.35%	2.35%	1.40%	1.26%	1.15%	1.19%	1.19%	1.51%	1.38%	1.21%	1.19%
RE Loan Delinquency	3.00%	2.18%	0.90%	0.75%	0.62%	0.49%	0.52%	2.19%	0.94%	0.83%	0.66%
Vehicle Loan Delinquency	2.83%	1.52%	0.85%	0.73%	0.61%	0.51%	0.55%	1.60%	0.96%	0.85%	0.68%
Direct Loans	2.83%	1.52%	0.82%	0.70%	0.56%	0.47%	0.55%	1.60%	0.94%	0.84%	0.67%
Indirect Loans	0.00%	1.37%	1.13%	0.81%	0.66%	0.53%	0.55%	1.37%	1.13%	0.89%	0.69%
Loss Allow as % of Loans	2.78%	1.27%	0.90%	0.82%	0.82%	0.89%	0.88%	1.36%	0.95%	0.88%	0.84%
Current Loss Exposure	1.51%	0.83%	0.52%	0.49%	0.43%	0.36%	0.38%	0.87%	0.56%	0.52%	0.45%
<b>EARNINGS</b>											
Gross Asset Yield	4.11%	3.99%	3.77%	3.79%	3.82%	4.10%	4.03%	4.00%	3.80%	3.79%	3.81%
Cost of Funds	0.35%	0.42%	0.41%	0.46%	0.58%	0.94%	0.85%	0.41%	0.41%	0.43%	0.54%
Gross Interest Margin	3.76%	3.57%	3.37%	3.33%	3.24%	3.15%	3.18%	3.58%	3.39%	3.36%	3.28%
Provision Expense	0.39%	0.34%	0.23%	0.27%	0.31%	0.47%	0.43%	0.35%	0.25%	0.26%	0.29%
Net Interest Margin	3.37%	3.23%	3.13%	3.06%	2.93%	2.68%	2.75%	3.24%	3.14%	3.10%	2.98%
Non-Interest Income	0.52%	0.65%	1.01%	1.25%	1.39%	1.32%	1.32%	0.64%	0.97%	1.11%	1.31%
Non-Interest Expense	4.29%	3.65%	3.58%	3.68%	3.64%	3.03%	3.16%	3.69%	3.59%	3.64%	3.64%
Net Operating Expense	3.77%	3.00%	2.57%	2.44%	2.24%	1.71%	1.85%	3.05%	2.62%	2.53%	2.33%
<b>Net Operating Return</b>	<b>-0.40%</b>	<b>0.23%</b>	<b>0.57%</b>	<b>0.63%</b>	<b>0.69%</b>	<b>0.97%</b>	<b>0.90%</b>	<b>0.19%</b>	<b>0.52%</b>	<b>0.57%</b>	<b>0.66%</b>
Non-recurring Inc(Exp)	0.13%	0.07%	0.02%	0.01%	0.02%	0.04%	0.03%	0.07%	0.03%	0.02%	0.02%
<b>Net Income</b>	<b>-0.27%</b>	<b>0.30%</b>	<b>0.59%</b>	<b>0.64%</b>	<b>0.71%</b>	<b>1.01%</b>	<b>0.94%</b>	<b>0.26%</b>	<b>0.55%</b>	<b>0.59%</b>	<b>0.68%</b>
<b>Return on Net Worth</b>	<b>-0.7%</b>	<b>2.4%</b>	<b>4.7%</b>	<b>5.4%</b>	<b>6.5%</b>	<b>9.1%</b>	<b>8.4%</b>	<b>2.1%</b>	<b>4.4%</b>	<b>4.9%</b>	<b>6.0%</b>

Q2-2019	<\$2 Million	\$2-10 Million	\$10-50 <Million	\$50-100 Million	\$100-500 Million	\$500> Million	TOTAL	<\$10 Million	<\$50 Million	<\$100 Million	<\$500 Million
<b>OPERATING EFFICIENCIES:</b>											
<b>Loans &amp; Shares-</b>											
Avg Loan Balance	\$4,579	\$7,480	\$8,648	\$10,300	\$13,310	\$16,604	\$15,457	\$7,305	\$8,488	\$9,445	\$12,313
Avg Loan Rate	7%	6%	5%	5%	5%	5%	5%	6%	5%	5%	5%
Avg Loan Yield, net	7%	6%	5%	5%	4%	4%	4%	6%	5%	5%	5%
Avg Share Balance	\$2,238	\$4,767	\$7,285	\$8,280	\$9,430	\$11,580	\$10,817	\$4,447	\$6,791	\$7,473	\$8,740
Avg Share Rate	0.44%	0.50%	0.47%	0.52%	0.67%	1.13%	1.02%	0.49%	0.47%	0.50%	0.62%
NM Deposit Ratio	1.9%	1.1%	1.0%	0.9%	1.1%	0.9%	1.0%	1.2%	1.0%	0.9%	1.1%
<b>Net Operating Profitability-</b>											
Earning Asset/Funding	124%	118%	112%	109%	108%	109%	109%	118%	112%	111%	109%
Avg Revenue per FTE	\$48,115	\$109,745	\$163,984	\$177,942	\$195,786	\$290,899	\$260,141	\$101,300	\$152,928	\$164,932	\$185,808
Avg OpExpense per FTE	\$44,582	\$86,359	\$122,665	\$130,200	\$136,528	\$162,825	\$153,794	\$80,635	\$115,252	\$122,425	\$131,967
Avg Int & Prov Exp per FTE	\$7,720	\$17,963	\$21,923	\$25,555	\$33,315	\$75,887	\$62,468	\$16,559	\$20,977	\$23,174	\$30,035
Avg OpReturn per FTE	-\$4,187	\$5,423	\$19,396	\$22,187	\$25,944	\$52,186	\$43,879	\$4,106	\$16,699	\$19,332	\$23,806
Net OpExp-to-Total Exp	88%	82%	72%	66%	62%	56%	58%	83%	73%	70%	64%
<b>Operating Revenue-</b>											
Non-Int Inc-to-Total Rev	11%	14%	21%	25%	27%	24%	25%	14%	20%	23%	26%
Interest Inc per FTE	\$35,016	\$76,432	\$107,299	\$108,330	\$110,172	\$144,081	\$133,614	\$70,757	\$100,854	\$104,441	\$108,319
Non-Int Inc per FTE	\$5,379	\$15,350	\$34,762	\$44,057	\$52,300	\$70,931	\$64,059	\$13,984	\$31,097	\$37,316	\$47,454
<b>Operating Expenses-</b>											
C&B Expense Ratio	2.11%	1.90%	1.71%	1.76%	1.83%	1.59%	1.63%	1.91%	1.74%	1.75%	1.80%
Pct of Total Op Exp	49%	52%	48%	48%	50%	52%	52%	52%	48%	48%	50%
Avg C&B per FTE	\$21,951	\$44,929	\$58,737	\$62,351	\$68,577	\$85,153	\$79,387	\$41,781	\$55,746	\$58,916	\$65,453
Occ & Ops Exp Ratio	1.29%	0.97%	0.95%	0.93%	0.93%	0.74%	0.79%	0.99%	0.96%	0.94%	0.94%
Pct of Total Op Exp	30%	27%	27%	25%	26%	25%	25%	27%	27%	26%	26%
Avg O&O per FTE	\$13,412	\$22,944	\$32,698	\$32,759	\$35,012	\$39,993	\$38,223	\$21,638	\$30,747	\$31,712	\$33,945
All Other Exp Ratio	0.31%	0.32%	0.43%	0.49%	0.42%	0.32%	0.34%	0.32%	0.42%	0.45%	0.43%
Pct of Total Op Exp	15%	18%	24%	27%	23%	21%	21%	18%	23%	25%	24%
Avg AOE per FTE	\$9,220	\$18,485	\$31,231	\$35,090	\$32,939	\$37,679	\$36,184	\$17,216	\$28,759	\$31,797	\$32,569
<b>Average Margin per Account-</b>											
Avg Int Inc per Loan	\$304	\$424	\$447	\$501	\$594	\$731	\$687	\$418	\$444	\$476	\$568
Avg Int Exp per Share	\$10	\$24	\$34	\$43	\$63	\$131	\$110	\$22	\$32	\$37	\$54
Avg Return	\$295	\$400	\$413	\$458	\$531	\$600	\$578	\$396	\$412	\$439	\$514
<b>Staffing-</b>											
Full-time Equivalents	364	2,293	12,405	13,896	60,586	216,403	305,945	2,657	15,061	28,957	89,542
Pct PT Employees	78%	41%	16%	12%	8%	6%	8%	48%	22%	17%	11%
FTE-to-Ops (Staffing)	2.04	0.75	0.44	0.38	0.32	0.22	0.24	0.82	0.48	0.43	0.35
<b>Membership Outreach-</b>											
Members-to-Potential	8.6%	7.7%	2.9%	2.7%	2.7%	3.1%	3.0%	7.8%	3.3%	3.0%	2.8%
Members-to-FTEs	368	403	404	370	340	400	387	398	403	387	355
Branches	414	971	2,463	1,782	5,135	10,246	21,011	1,385	3,848	5,630	10,765
Members per Branch	323	952	2,036	2,885	4,007	8,444	5,631	764	1,578	1,992	2,953