

11 October 2019

BENCHMARK INTEREST RATES AND YIELD CURVE

US Treasury Rates-

	THIS WK	LAST MO	YR END	LAST YR	CHANGES SINCE		
	10/10/19	9/10/19	12/31/18	10/10/18	This Yr	Last Yr	This Cycle
Fed Funds	1.82%	2.13%	2.40%	2.18%	-0.58%	-0.36%	1.52%
3mo	1.68%	1.95%	2.45%	2.27%	-0.77%	-0.59%	1.37%
6mo	1.68%	1.89%	2.56%	2.45%	-0.88%	-0.77%	1.28%
1yr	1.63%	1.81%	2.63%	2.67%	-1.00%	-1.04%	1.13%
2yr	1.53%	1.67%	2.48%	2.88%	-0.95%	-1.35%	0.87%
3yr	1.49%	1.61%	2.46%	2.97%	-0.97%	-1.48%	0.72%
5yr	1.48%	1.58%	2.51%	3.05%	-1.03%	-1.57%	0.45%
7yr	1.57%	1.66%	2.59%	3.15%	-1.02%	-1.58%	0.28%
10yr	1.67%	1.72%	2.69%	3.22%	-1.02%	-1.55%	0.24%
30yr	2.16%	2.19%	3.02%	3.39%	-0.86%	-1.23%	-0.02%

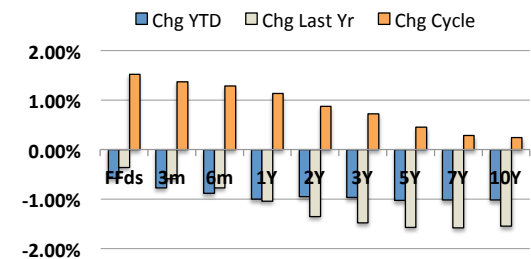
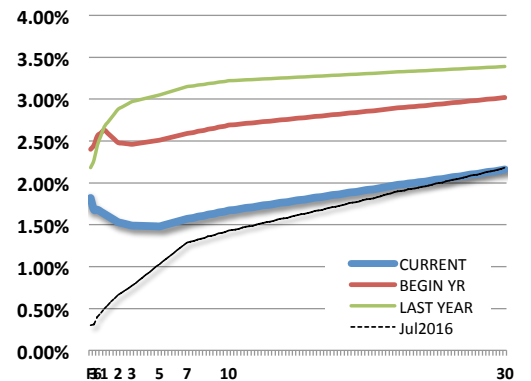
Slope of the Yield Curve-

2yr-3mo	-0.15%	-0.28%	0.03%	0.61%	-0.18%	-0.76%	-0.50%
5yr-2yr	-0.05%	-0.09%	0.03%	0.17%	-0.08%	-0.22%	-0.42%
10yr-5yr	0.19%	0.14%	0.18%	0.17%	0.01%	0.02%	-0.21%
10yr-3mo	-0.01%	-0.23%	0.24%	0.95%	-0.25%	-0.96%	-1.13%

Other Interest Rates-

Prime	5.00%	5.25%	5.50%	5.25%	-0.50%	-0.25%	1.50%
1mo LIBOR	1.97%	2.04%	2.52%	2.32%	-0.55%	-0.35%	1.48%
6mo LIBOR	1.94%	2.04%	2.87%	2.64%	-0.93%	-0.70%	0.85%
12mo LIBOR	1.90%	1.97%	3.01%	2.97%	-1.11%	-1.07%	0.48%

YIELD CURVE ASSESSMENT



US CONSUMER INFLATION COOLS IN SEPTEMBER; CORE RATE UNCHANGED

U.S. consumer prices were flat in September, as a decline in energy and used-vehicle prices held down broader inflationary pressures, after rising a seasonally adjusted 0.1% in August, the Labor Department said Thursday.

Excluding the volatile food and energy categories, so-called core prices rose 0.1%, moderating from a 0.3% increase in August.

In the 12 months through September, overall prices rose 1.7%, while core prices were up 2.4% on the year. Gasoline and used-car prices both posted large declines, though those categories can be volatile.

Recent weak inflation readings come as the Federal Reserve prepares to meet at the end of this month to deliberate the path of interest rates ahead. The central bank lowered its benchmark federal-funds rate for a second time this year in September, to its current range between 1.75% and 2%.

Thursday's consumer report showed an index of energy prices fell 1.4% in September, led by a seasonally adjusted 2.4% drop in gasoline costs.

Key Economic Indicators for Banks, Thrifts & Credit Unions-

		LATEST	CURRENT	PREV
GDP	QoQ	Q2-Final	2.0%	3.1%
GDP - YTD	Annl	Q2-Final	2.6%	3.1%
Consumer Spending	QoQ	Q2-Final	4.6%	0.9%
Consumer Spending	Annl	Q2-Final	2.9%	1.1%
Unemployment	Mo	Sep	3.5%	3.7%
Consumer Inflation	YoY	Sep	1.7%	1.7%
Core Inflation	YoY	Sep	2.4%	2.4%
Consumer Credit	Annual	Jul	5.2%	6.7%
Retail Sales	YoY	Aug	3.3%	3.1%
Vehicle Sales	Annl (Mil)	Sep	17.7	17.5
Home Sales	Annl (Mil)	Aug	6.125	6.066
Home Prices	YoY	July	2.0%	2.0%

Key Consumer Market Data-

	THIS WK	YR END	PCT CHANGES	
	10/10/19	12/31/18	YTD	12Mos
DJIA	26,497	23,327	13.6%	6.2%
S&P 500	2,938	2,506	17.2%	7.8%
NASDAQ	7,951	6,635	19.8%	7.8%
Crude Oil	53.55	45.41	17.9%	-24.0%
Avg Gasoline	2.65	2.27	16.7%	-11.4%
Gold	1,500.9	1,281.3	17.1%	21.6%

ECONOMIC UPDATE AND ANALYSIS

AVERAGE CREDIT UNION RATES AND RATE SENSITIVITY

	THIS WK 10/10/19	YTD Change		Chg in Current Cycle*		Rate Sensitivity	
		Rate	Benchmark	Rate	Benchmark	YTD	Cycle
Classic CC	11.62%	0.01%	-0.50%	0.23%	1.50%	-2%	15%
Platinum CC	10.13%	-0.04%	-0.50%	1.04%	1.50%	8%	69%
48mo Veh	3.54%	0.00%	-0.95%	0.96%	0.81%	0%	119%
60mo Veh	3.64%	-0.02%	-0.97%	0.96%	0.67%	2%	143%
72mo Veh	3.97%	-0.04%	-1.00%	0.92%	0.53%	4%	174%
HE LOC	5.28%	-0.13%	-0.50%	1.27%	1.50%	26%	85%
10yr HE	5.36%	-0.11%	-1.03%	0.91%	0.46%	11%	200%
15yr FRM	3.57%	-0.86%	-1.03%	0.43%	0.27%	84%	159%
30yr FRM	4.00%	-0.86%	-1.02%	0.31%	0.15%	84%	207%
Sh Drafts	0.14%	0.01%	-0.58%	0.03%	1.42%	-2%	2%
Reg Svgs	0.18%	0.00%	-0.58%	0.04%	1.42%	0%	3%
MMkt-10k	0.47%	0.03%	-0.58%	0.25%	1.42%	-5%	18%
MMkt-50k	0.64%	0.03%	-0.58%	0.33%	1.42%	-5%	23%
6mo CD	1.02%	0.09%	-0.88%	0.68%	1.29%	-10%	53%
1yr CD	1.45%	0.03%	-1.00%	0.92%	1.10%	-3%	84%
2yr CD	1.72%	-0.04%	-0.95%	0.94%	0.81%	4%	116%
3yr CD	1.89%	-0.10%	-0.97%	0.85%	0.67%	10%	127%

*Since July 2016

STRATEGICALLY FOR CREDIT UNIONS

The muted gain in core consumer prices in September underlines that even after the introduction of additional tariffs on Chinese imports, inflationary pressures are still well-contained. Moreover, the data offers nothing to Fed hawks seeking to prevent another rate cut at the end of this month.

Meanwhile, wages stagnated in September. After adjusting for inflation, average hourly earnings were flat in September from the prior month and are up 1.2% from September 2018 - this after increasing at a 3.2 percent pace earlier in the year.

The trend in consumer inflation remains relatively soft with lower energy costs pulling down the CPI in September. The odds of a rate cut in October are moving up with domestic economic data turning softer in recent months.

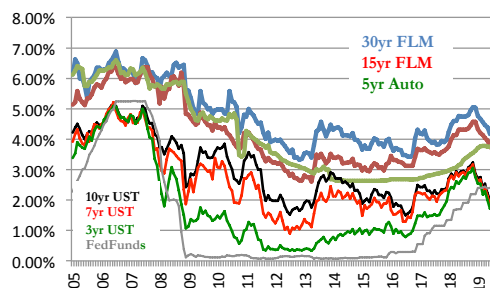
Some parts of the economy are experiencing more inflation than others, but by and large price pressures are barely causing a ripple. Slowing U.S. growth and sluggish global trade have also reduced the cost of many raw materials or partly finished goods.

Anticipate lower overnight investment rates but lower term CD rates in the near future. Non-term share rates will remain relatively unchanged.

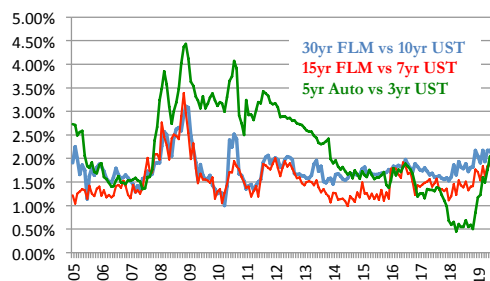
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RELATIVE VALUE

"A"-PAPER MARKET RATES



"A"-PAPER PRICING SPREADS



ECONOMIC RELEASES

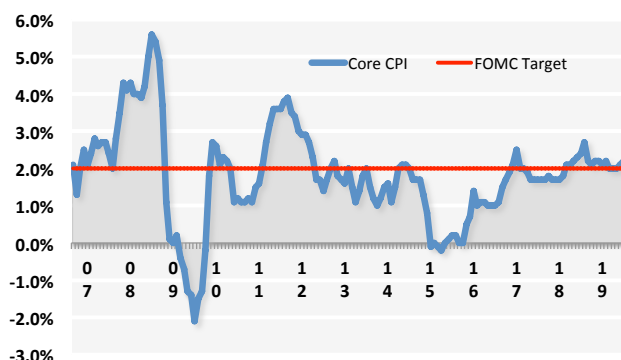
RELEASES THIS WEEK:	Current	Previous
Consumer Credit (Aug)	5.2%	6.8%
Wholesale Inflation	1.4%	1.8%
Consumer Inflation	1.7%	1.7%

RELEASES FOR UPCOMING WEEK:	Projected	Previous
FRB Beige Book	Regional Pockets of Slow Growth	
Leading Indicators	0.5%	0.0%

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CORE CONSUMER INFLATION

CORE INFLATION versus FOMC TARGET, Monthly Year-over-Year



ECONOMIC CALENDAR

MONDAY	TUESDAY	WEDNESDAY	THURSDAY	FRIDAY	SATURDAY
Sep16	17	18 FOMC Announcement Ind Production +0.6% Cap Utilization 77.9%	19 Jobless Claims 208k Ex Home Sales 5.49M Leading Indicators 0.0%	20 QUADRUPLE WITCHING	21
23	24 Home Prices 2.0% Cons Confid 125.1	25 New Home Sales 713k	26 Jobless Claims 213k GDP (Q2-Final) 2.0%	27 Personal Income 0.4% Personal Spending 0.1%	28
30	1-Oct	2	3 Jobless Claims 219k	4 Employment Data 3.5%	5
7 Consumer Credit 5.2%	8 Whls Inflation 1.4%	9 FOMC Minutes	10 Jobless Claims 210k Cons Inflation 1.7%	11	12
14 COLUMBUS DAY HOLIDAY	15	16 Retail Sales FRB Beige Book	17 Jobless Claims Industrial Production	18 Leading Indicators	19
21	22 Existing Home Sales	23	24 Jobless Claims New Home Sales	25 Consumer Sentiment	26
28	29 Home Prices Consumer Confidence	30 GDP (Q3-1st) FOMC Announcement	31 Jobless Claims	Nov 1 Employment Data	2
4	5	6	7 Jobless Claims Consumer Credit	8	9

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
DEMOGRAPHICS											
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%
GROWTH RATES (YTD)											
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%
BALANCE SHEET ALLOCATION											
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%
LOAN QUALITY											
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%
EARNINGS											
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%
Net Operating Return	-0.40%	0.23%	0.57%	0.63%	0.69%	0.97%	0.90%	0.19%	0.52%	0.57%	0.66%
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%
Net Income	-0.27%	0.30%	0.59%	0.64%	0.71%	1.01%	0.94%	0.26%	0.55%	0.59%	0.68%
Return on Net Worth	-0.7%	2.4%	4.7%	5.4%	6.5%	9.1%	8.4%	2.1%	4.4%	4.9%	6.0%

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
OPERATING EFFICIENCIES:											
Loans & Shares-											
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%
Net Operating Profitability-											
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%
Operating Revenue-											
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
Operating Expenses-											
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
Average Margin per Account-											
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
Staffing-											
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
Membership Outreach-											
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