



**CALLAHAN**  
*& ASSOCIATES*  
*presents a complimentary event*

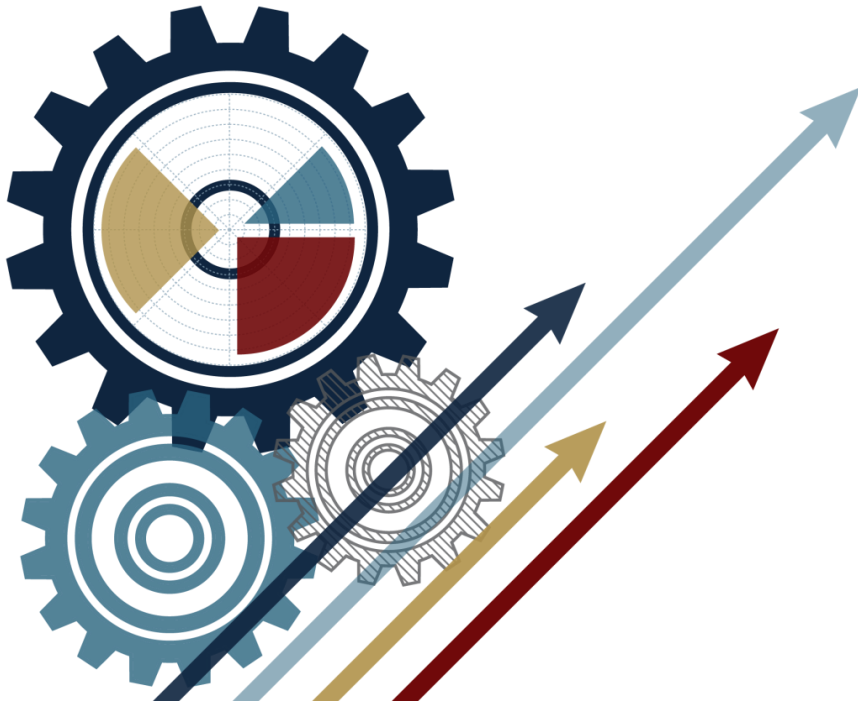


# 4th Quarter TRENDWATCH



Data for December 31, 2013

Call Dates: February 18 & 19, 2014



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# Upcoming Leadership Webinars

Callahan webinars help credit unions **build stronger strategies** based off of successful initiatives **their peers have already tried and tested.**

Visit <http://www.callahan.com/events/callahan-webinars-based-on-tried-and-true-practices/> to learn how you can register for these upcoming webinars:

- February 27<sup>th</sup> – ***Successfully Re-launching a Credit Card Portfolio***
- March 19<sup>th</sup> – ***A Customized Approach to Branch Goals & Member Solutions***
- May 20<sup>th</sup> – ***EMV: The Experiences of An Early Adopter***

# Mark Your Calendars!

## FUNDAMENTALS OF FIXED INCOME

*A complimentary investment education series brought to you by TRUST*

**Pricing a Bond-** March 11<sup>th</sup> at 1pm EST/10am PST

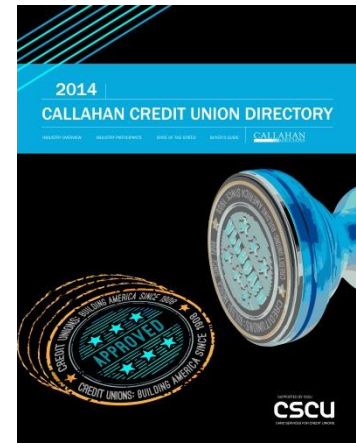
**The Importance of the Yield Curve** - April 8<sup>th</sup> at 1pm EST/10am PST

Visit [www.trustcu.com](http://www.trustcu.com) for more details or to register.



# 2014 Credit Union Directory

## The Only Comprehensive Guide To Improving Credit Union Performance



### LEADERS IN 12-MONTH GROWTH OF AVERAGE MEMBER RELATIONSHIP\*

DATA AS OF JUNE 30, 2013. \*CREDIT UNIONS OVER \$50M IN ASSETS. †MEMBERS GROWING GREATER THAN 10% YEAR-TO-DATE. ‡FOLLOWING SIGNIFICANT MERGERS

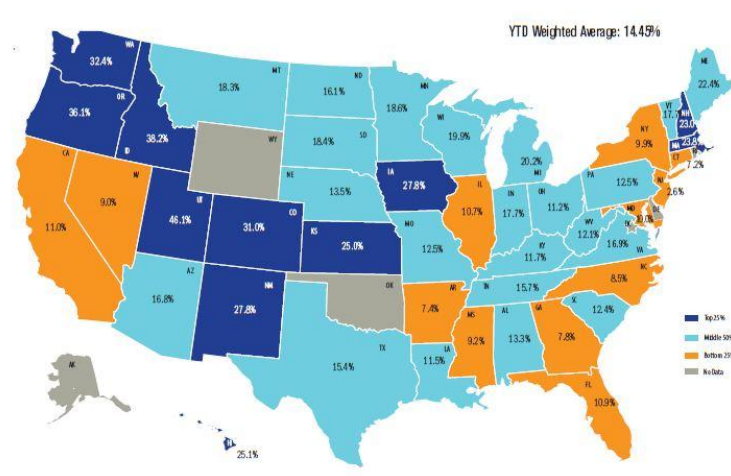
Rk	Credit Union	ST	Growth in Avg. Member Rel.†	Avg. Member Relationship‡	Avg. Loan/Member†	Avg. Share Balance	Total Assets
1	WELA	WA	19.81%	\$25,502	\$3,364	\$22,138	\$26,903,523
2	SELF-HELP	WV	18.10%	\$11,740	\$2,414	\$9,326	\$78,447,819
3	COUNTY & MUNICIPAL EMP.						
4	VUE COMMUNITY						
5	NORTHEAST COMMUNITY						
6	TEXAS TECH						
7	US EMPLOYEES OC						
8	TEXELL						
9	DAKOTA WEST						
10	MISSOURI VALLEY						
11	COASTAL COMMUNITY						
12	SOUTHLAND						
13	KENMORE N.Y. TEACHERS						
14	SERVICES CENTER						
15	DOWN EAST						
16	UNIVERSITY OF IOWA COMM						
17	PRAIRIELAND						
18	MARION FINANCIAL						
19	TRANSIT EMPLOYEES						
20	SAFEAMERICA						
21	LIMESTONE						
22	PLATINUM						
23	CATHOLIC FAMILY						
24	COOPERATIVE TEACHERS						
25	BOULDER VALLEY						
26	EVANSVILLE TEACHERS						
27	KANSAS BLUE CROSS BLUE S						
28	ONONDAGAVILLE COMMUNITY						
29	ASCENTRA						
30	TOBYHANNA						
31	RICHLAND						
32	TOLEDO HERD						
33	CITIZENS COMMUNITY						
34	MY COMMUNITY						
35	COMMUNITY 1ST						
36	TAYLORVILLE COMMUNITY						
37	ARAPAHOE						
38	ELGA						
39	AMARILLO COMMUNITY						
40	UNIVERSITY FIRST						
41	ADVANTAGE ONE						
42	ABCO						
43	G&A						
44	CLEVELAND-BRADLEY COMM						
45	CAIP						
46	ALIVE						
47	FIRST SOUTH FINANCIAL	TN	10.42%	\$10,463	\$3		
48	MIDLAND	IA	10.40%	\$13,969	\$5		
49	BAYDOR	LA	10.39%	\$10,818	\$4		
50	NOVATION	MN	10.03%	\$13,559	\$5		

**AVERAGE FOR CREDIT UNION INDUSTRY** 2.70% \$15,411 \$4.6

### AS CREDIT UNIONS ADDRESS EVOLVING CHALLENGES, CPA FIRMS VIE FOR KEY INDUSTRY PARTNERSHIPS

THREE ACCOUNTING SERVICES PROVIDERS GREW THEIR CLIENT BASE BY MORE THAN 10 COOPERATIVES IN THE LAST YEAR, ALTERING THE RANKINGS FOR THE INDUSTRY'S TOP 10 FIRMS.

### YTD AUTO LOAN ORIGATION MARKET SHARE (DATA AS OF JUNE 30, 2013)

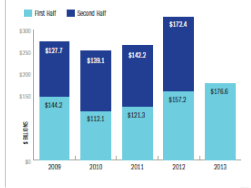


SOURCE: AUTOCREDIT DATA FROM EXPERIAN AUTOMOTIVE; CALLAHAN & ASSOCIATES. THESE ARE THE 45 STATE PARTICIPANTS FOR WHICH EXPERIAN HAS A RELATIONSHIP WITH THE STATE'S DEPT. OF MOTOR VEHICLE REGISTRATION

### Average Loan Yield



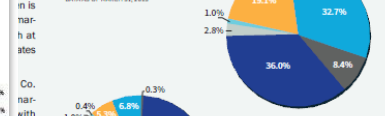
### Total Loan Originations



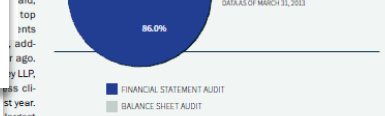
SOURCE: CALLAHAN & ASSOCIATES' PEER-TO-PEER ANALYTICS

with 110 clients over \$40 million totaling more than \$82 billion. Doeren, Mayhew & Co. continues to add credit union clients at a similar pace to last year. Overall, Doeren, Mayhew & Co. went from 32 credit union clients in 2011 to 52 in this year's survey. Over the past year, they added 12 new clients, the second largest year-over-year increase.

### TYPE OF AUDIT PERFORMED BY PERCENT OF INSTITUTIONS



### TYPE OF AUDIT PERFORMED BY PERCENT OF ASSETS



Co. nar- with s to edit and, top ints add- by LLP, with cil- largest twer.

**Trendwatch Special**  
 Order by March 1  
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**4Q13TW**

[www.callahan/directory](http://www.callahan/directory)








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performance  
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-  60 million cardholders
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-  Convenient and neutral retail locations



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info@AllpointNetwork.com

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One lucky survey respondent will win a Starbucks gift card.





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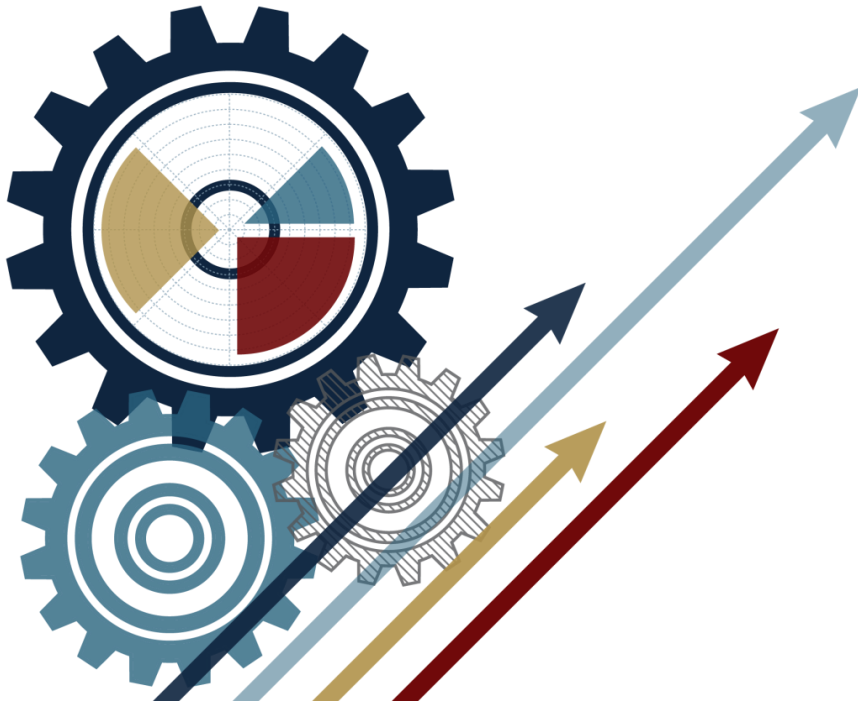


**4th Quarter**  
**TRENDWATCH**



Data for December 31, 2013

Call Dates: February 18 & 19, 2014



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# Agenda

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## **Economic Outlook**

*Scott Gilbert, Vice President, Goldman Sachs*

## **4Q 2013 Credit Union Trends & Key Issues**

### **“Refocusing on the Member-Owner”**

*Jay Johnson, Executive Vice President, Callahan & Associates*

*Alix Patterson, Chief Operating Officer, Callahan & Associates*

### **“Communicating Our Value”**

*Patti Barrow, Vice President Marketing, Suncoast Credit Union*

# Scott Gilbert, Vice President Goldman Sachs Asset Management

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Goldman  
Sachs

## Economic Outlook:

- Does recent economic data change 2014 expectations?
- How fast will the Fed taper?
- What is the forecast for interest rates?

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# The Credit Union Challenge at 100 Years

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“Young companies have...a moral certainty for being. Old companies, many with extraordinary histories and clear value, seem somehow to have lost track of their purpose. Is this about a failure of products or of articulation?”

- Michael Wolff, *USA Today*, February 10, 2014

***How should credit unions articulate their purpose and value in a new era?***

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# GoBankingRates' Best Military Credit Unions of 2014

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“It is our mission to be **the one financial institution that best understands and meets the needs of our members** wherever they are.”

*- Danny Sanchez, VP of Marketing, Air Force FCU*

# Record Performance as Members Regain Confidence

1. Record loan originations in 2013
2. Core accounts lead share growth
3. Credit union capital strong by all measures

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# The U.S. Credit Union Industry at December 2013

	As of 12/31/13	12-mo. Growth 4Q 2013	12-mo. Growth 4Q 2012
Assets	\$1.07T	3.1%	6.2%
Loans	\$647.2B	6.9%	4.5%
Shares	\$914.5B	2.8%	6.1%
Investments	\$375.6B	-2.8%	6.1%
Capital	\$119.1B	2.4%	7.1%
Members	96.6M	1.6%	2.3%

# Another record year of lending

Annual Loan Originations  
Data as of December 31



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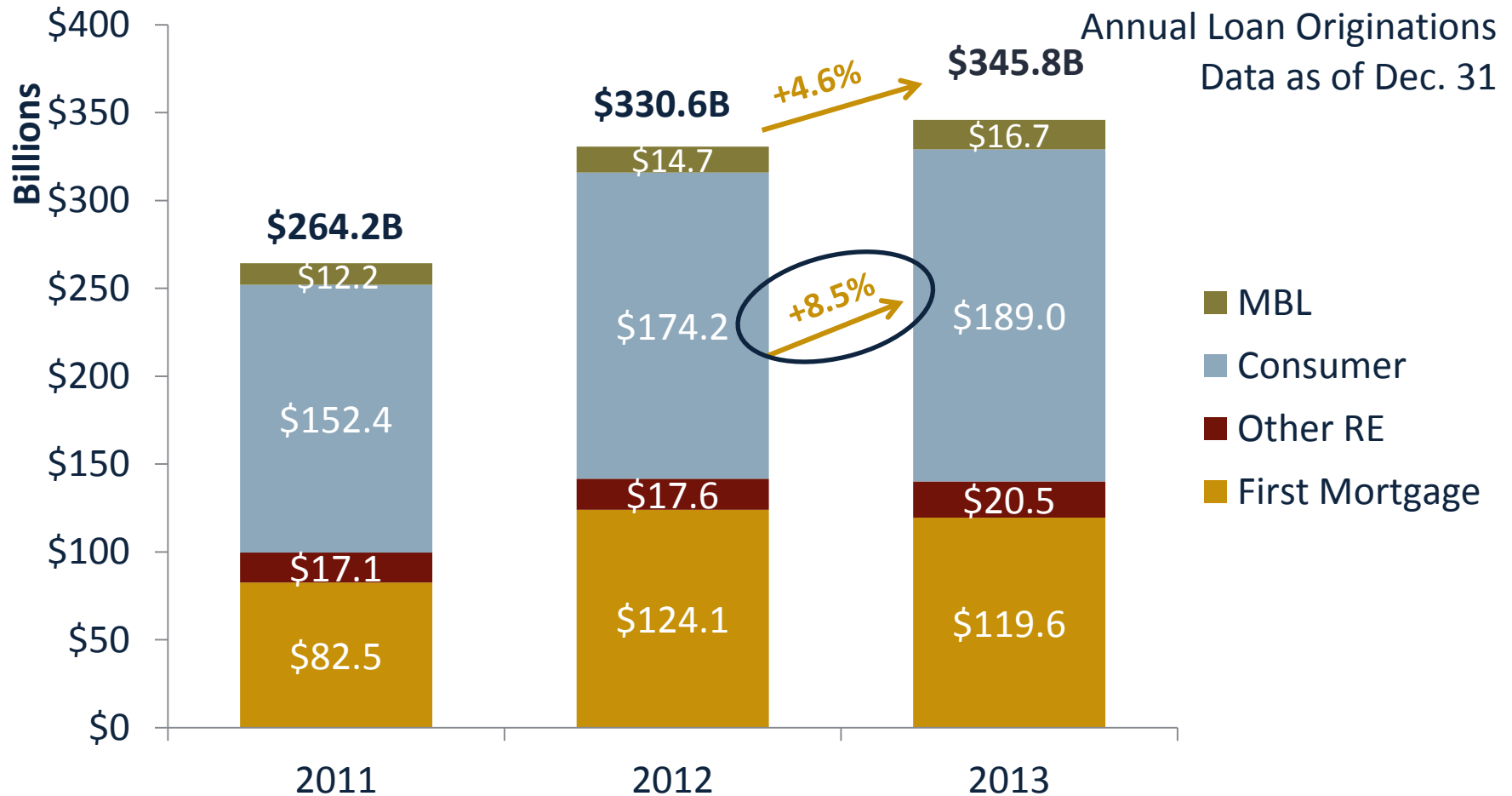


Source: Callahan's Peer-to-Peer Analytics

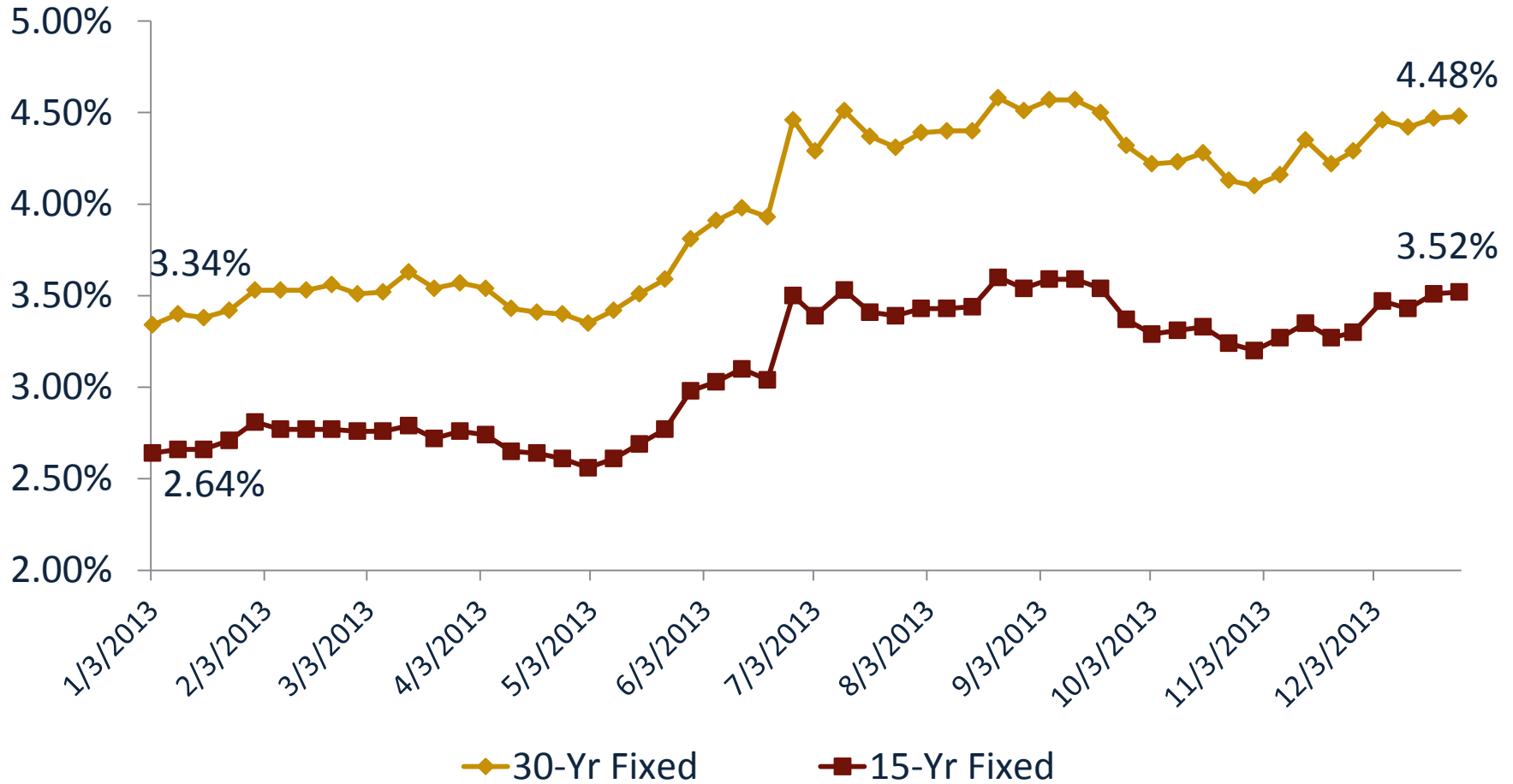




# Consumer lending leads origination increase



# Interest rates rose in 2013...



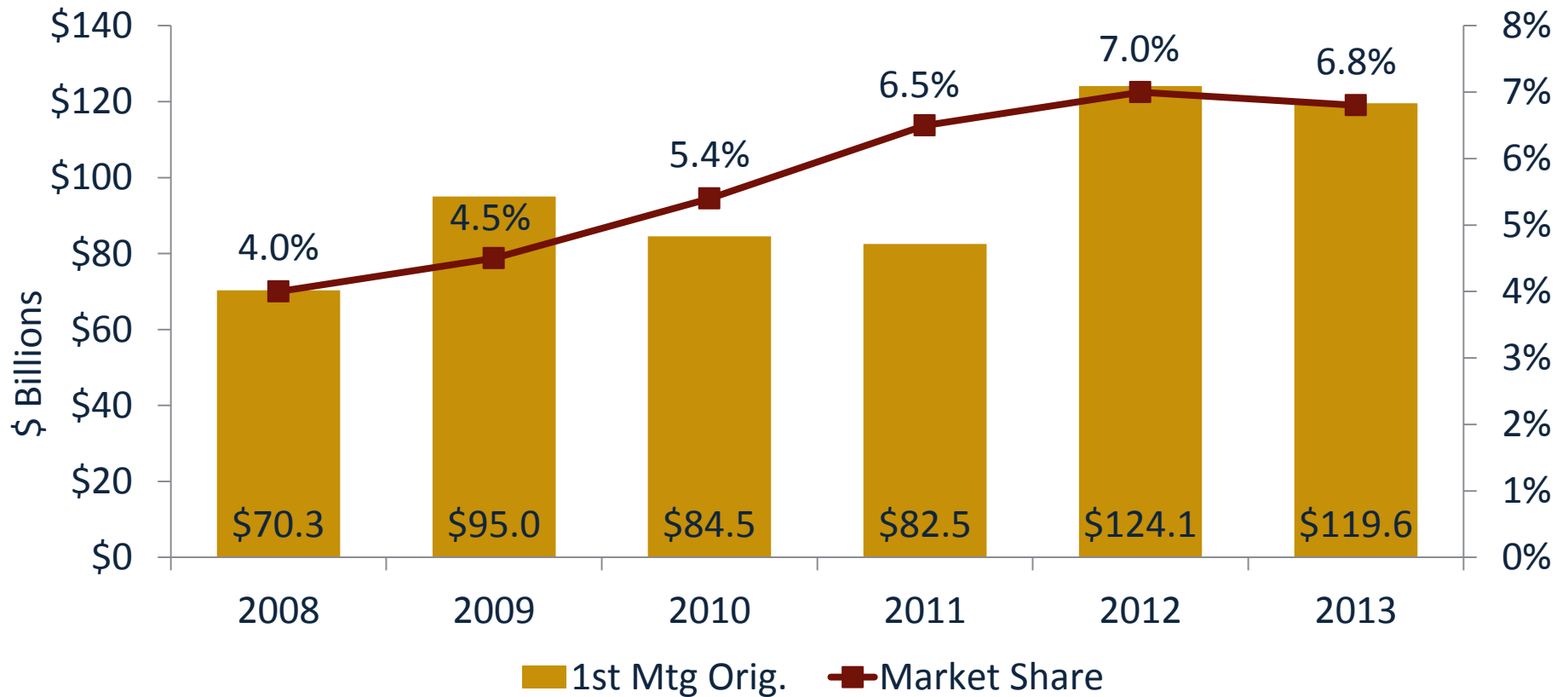
# First mortgage activity drops in 4Q

Quarterly First Mortgage Originations  
Data for all U.S. Credit Unions as of Sept. 30



# Credit union 1<sup>st</sup> mortgage market share near peak

First Mortgage Originations & Market Share  
YTD as of December 31



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Source: Callahan's Peer-to-Peer Analytics,  
Mortgage Bankers Association

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## **TDECU Real Estate Hits Record Setting Numbers and Establishes New Historic Precedent in Sales and Transactions in 2013**

During 2013, TDECU Real Estate was the market leader in the Brazoria County MLS system in Total Units Sold, Percentage of Market Share and Total Volume Sold.

**TDECU Real Estate is owned by the members of TDECU-Your Credit Union.** With offices in Lake Jackson, Missouri City, Victoria, and Baytown, the full-service real estate agency provides members with the representation and service an owner deserves.

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# Community First CU, CA *Consumer Lending Picks Up, Mortgage Slows*



On the loan side, the improving economy should spur more consumer borrowing, but higher interest rates will depress real estate borrowings. We're forecasting a 20% **rise in consumer loan production**, and a 40% **decline in real estate loan production**.

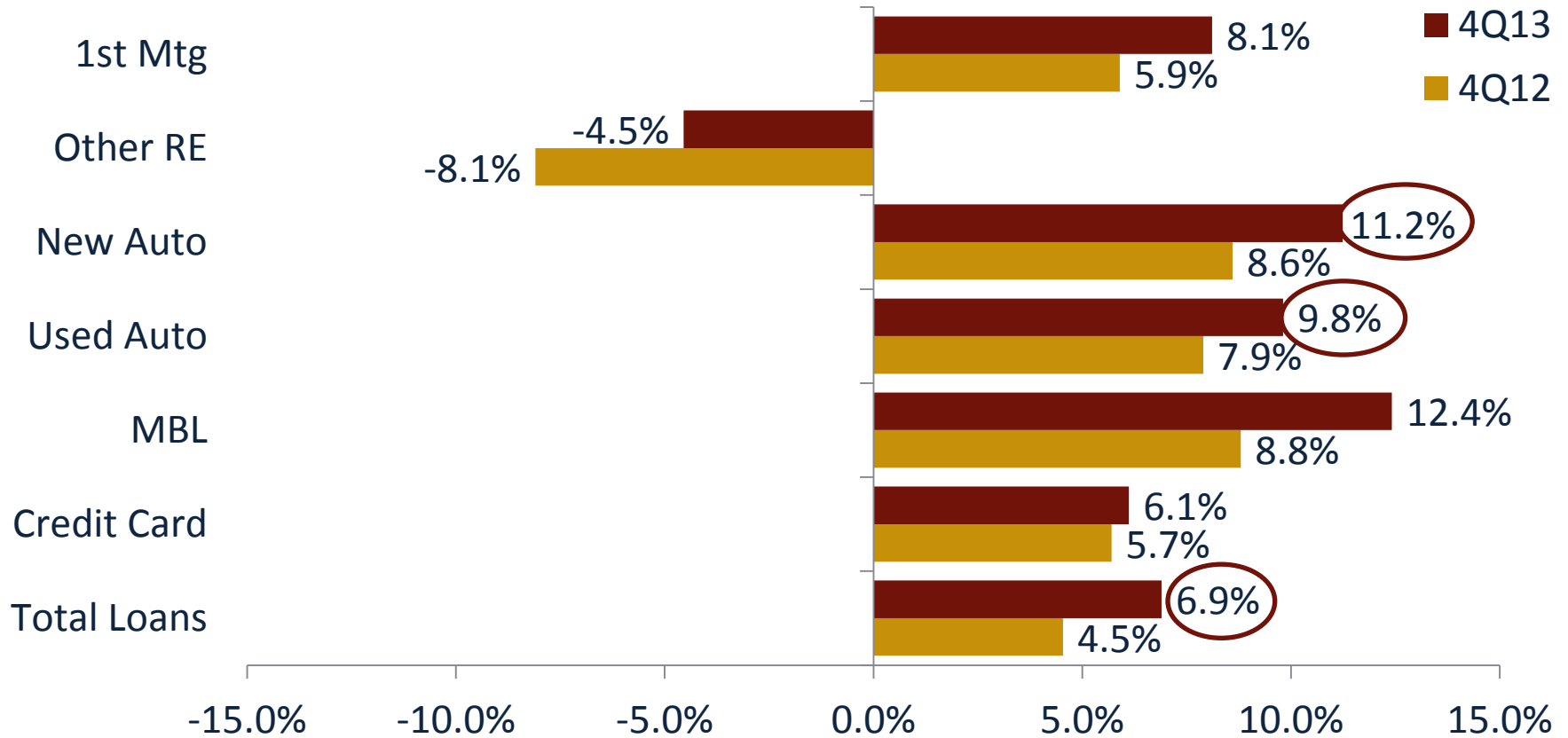
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# Consumer lending leads 2013 portfolio growth

12-Mo. Growth in Loans Outstanding as of December 31



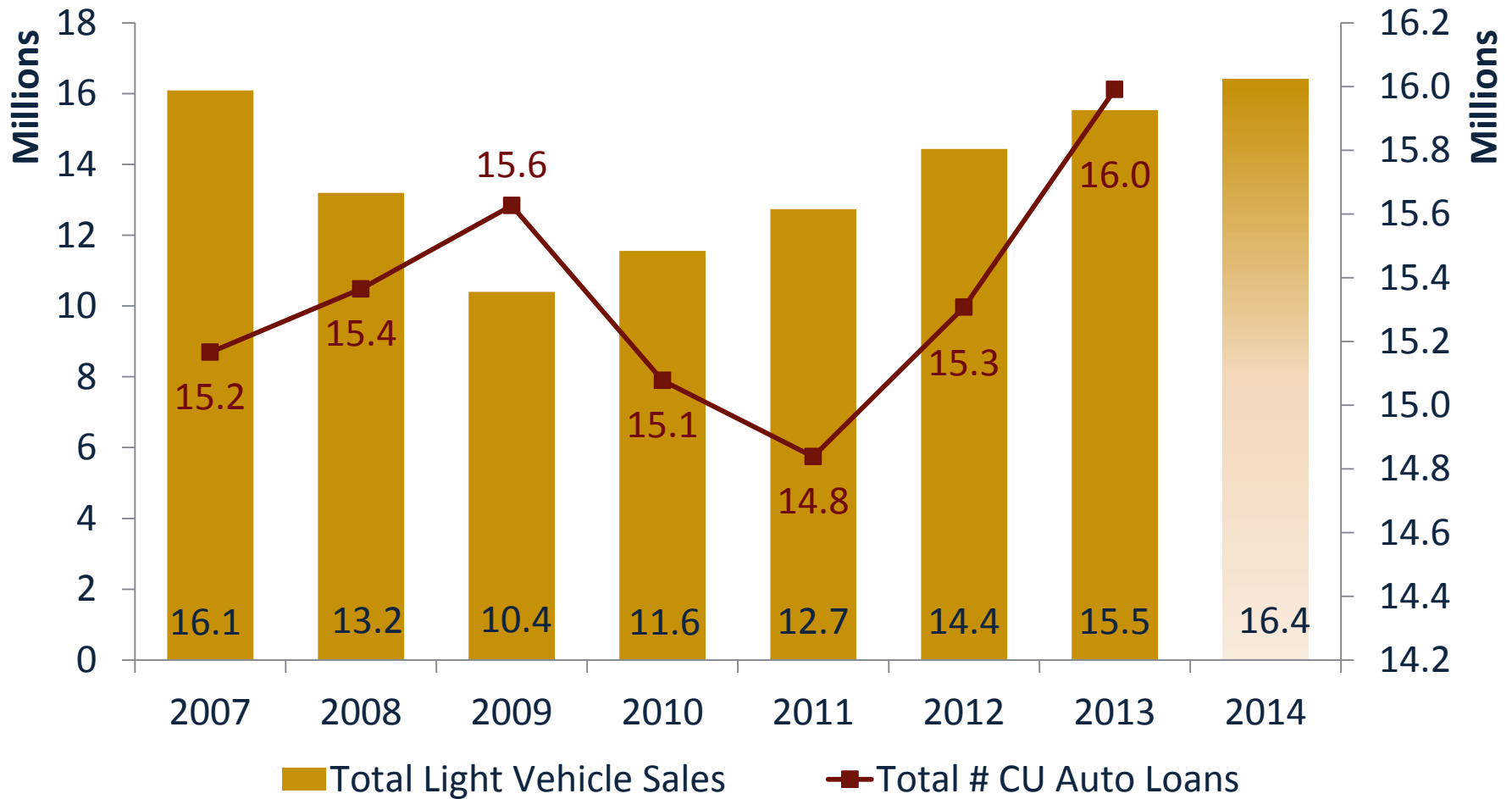
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Source: Callahan's Peer-to-Peer Analytics

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# Credit unions hold 16 million member auto loans at year-end as new car sales surge



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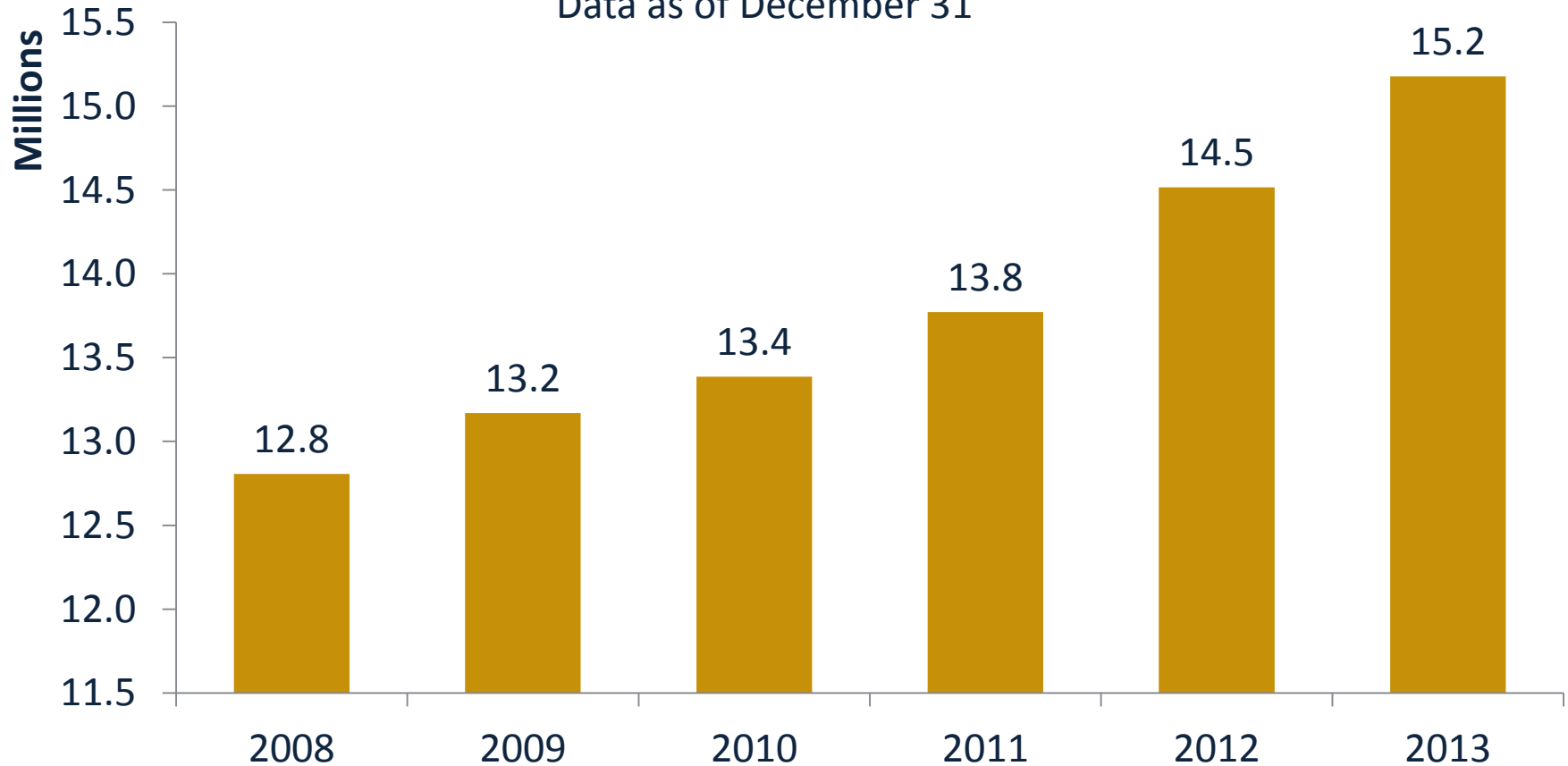
Sources: National Automobile Dealers Association (WardsAuto), AutoCount data from Experian Automotive; Callahan & Associates





# Clear value draws members to credit cards

Number of Credit Card Accounts  
Data as of December 31



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Source: Callahan's Peer-to-Peer Analytics

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# Northwest Community CU, OR *Consumer confidence=loan growth*

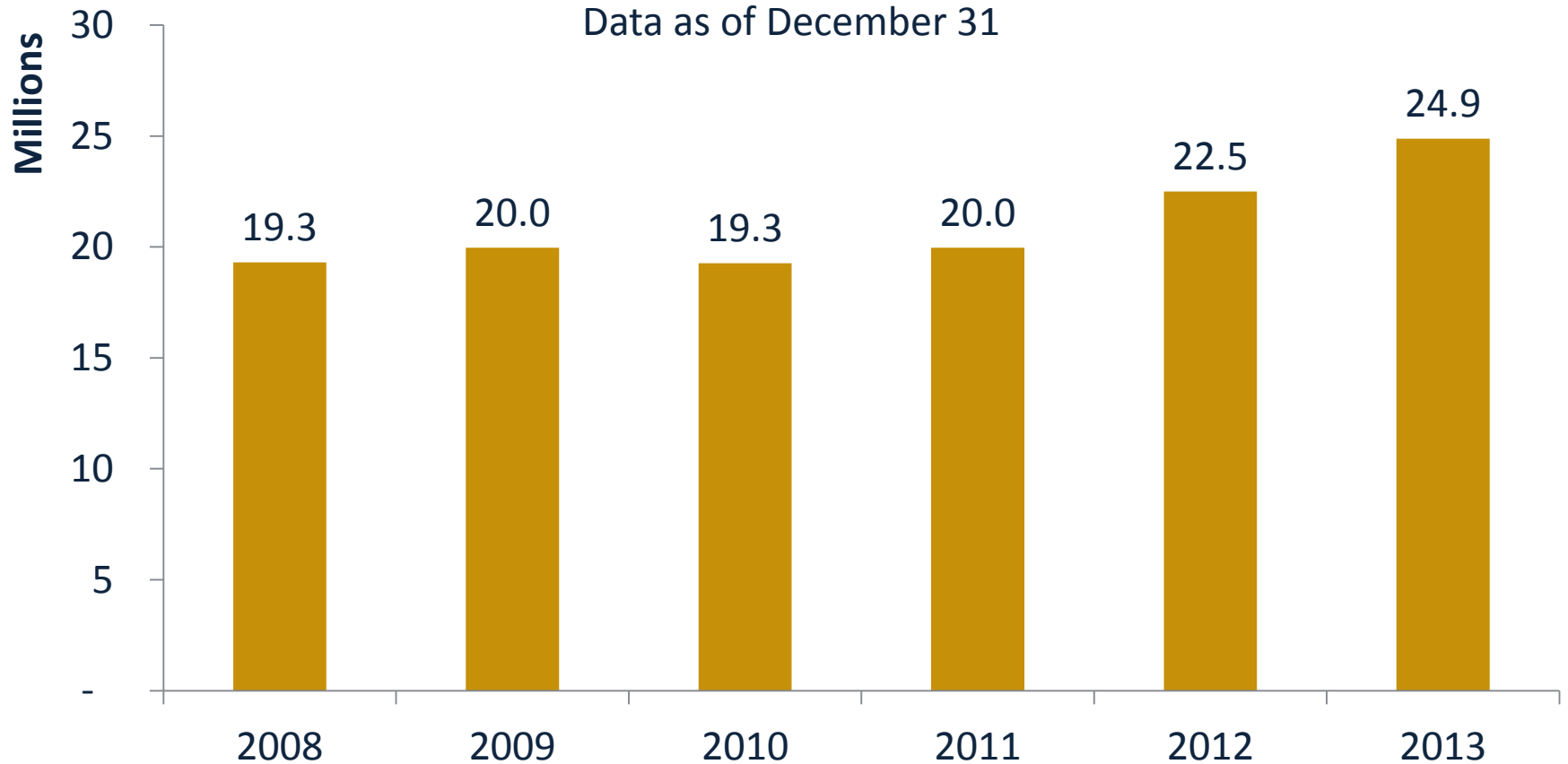


The employment picture and real estate values are improving more in the larger urban areas...**Consumer confidence is stronger, which should stimulate loan demand.** Overall, the positive economic trends should be stronger than the economic headwinds in 2014.



# Credit unions have made over 125 million loans to members since 2008

Number of Loans Originated Annually  
Data as of December 31



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Source: Callahan's Peer-to-Peer Analytics



# Saving Members Money with Better Value

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CREDIT UNION

**FAST LANE FINANCING:** \$16.4M saved by members in 2013; Over \$88M since 2008!



Credit Union

**StudentChoice**

**PLUS REFINANCE:** Refinancing PLUS federal loans from a 10-year, 7.9% fixed rate into a 5yr/10yr/15yr product at 5.99%/6.49%/7.49%.

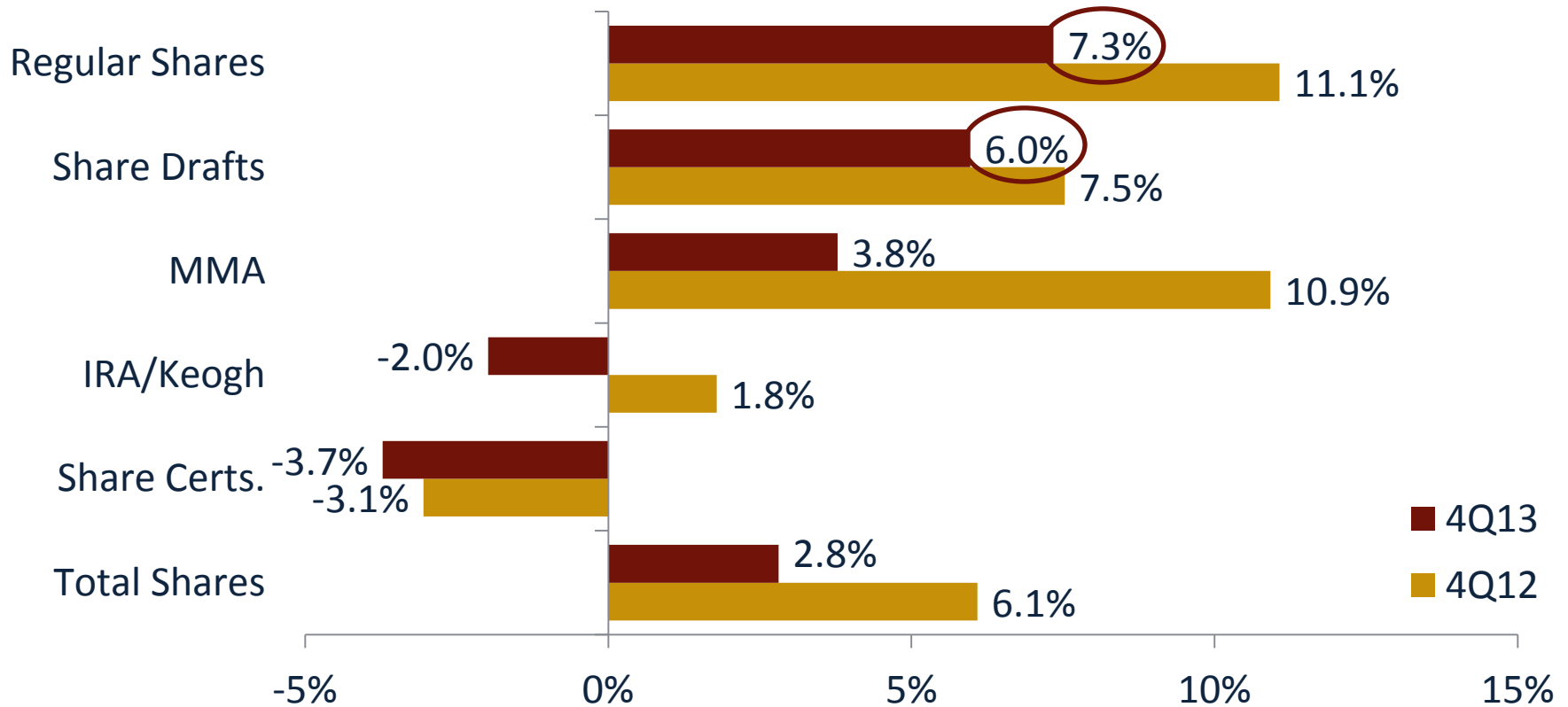
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# Core deposit growth reflects strong relationships

YOY Growth by Product Type  
Data as of December 31





# Cooperative Strong: Core Deposits & IRR Risk

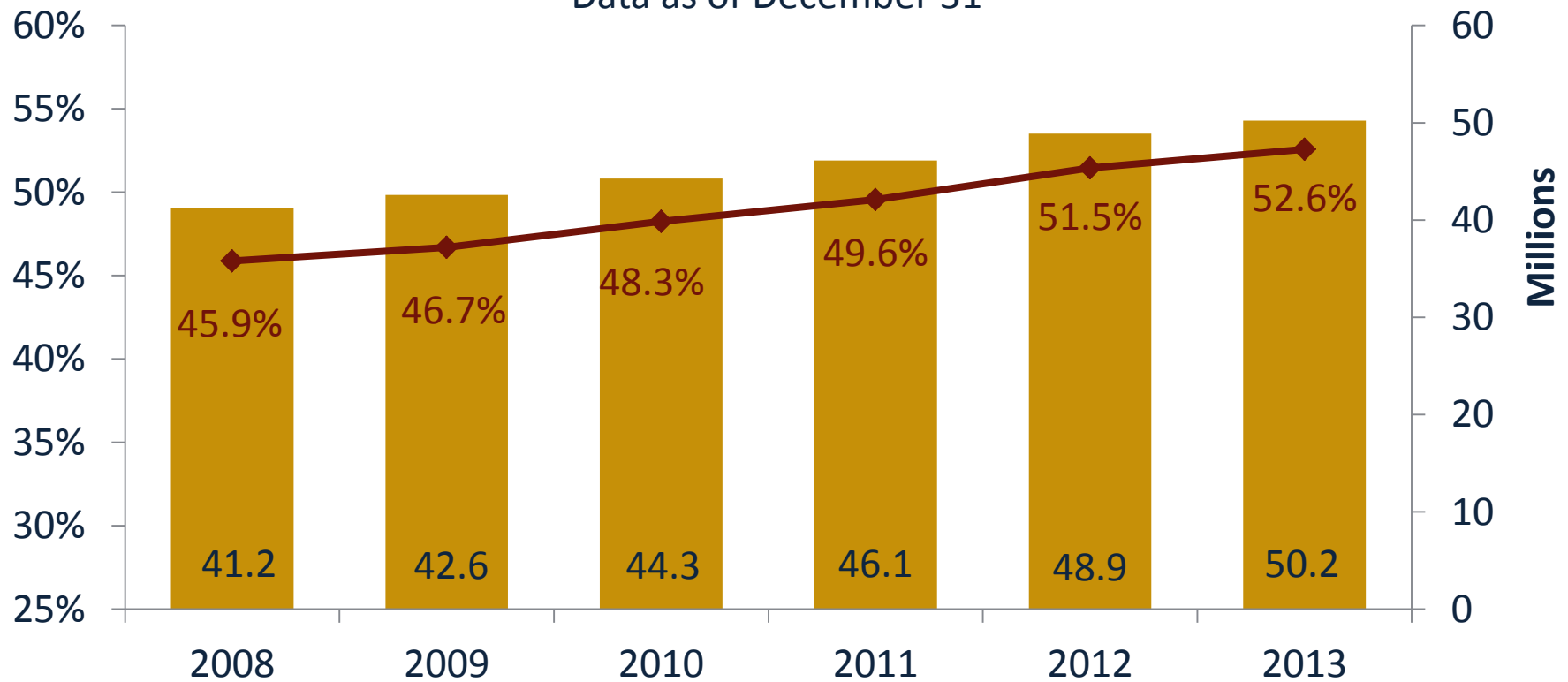
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- Federal Reserve Governor Jeremy Stein talking about the virtues of retail deposits to the American Economic Association in Philadelphia:

*“A stable deposit franchise gives a bank the ability to ride out transitory valuation changes of the sort that might come from noise-trader shocks or fire sales, without being force to liquidate assets at temporarily depressed prices. As a result, traditional banks with stable funding have an advantage relative to shadow banking counterparts where transitory repricing risk is high for a given level of underlying fundamental cash flow risk.”*

# Credit union checking account usage continues to increase

Share Draft Penetration & Number of Accounts  
Data as of December 31



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Source: Callahan's Peer-to-Peer Analytics

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# Communicating Our Value

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**Patti Barrow, VP Marketing**  
*Suncoast Credit Union*  
*Tampa, FL*

<u>As of Dec 13</u>	<u>12-mo. Growth</u>
Assets \$5.5B	5.9%
Loans \$3.8B	7.3%
Shares \$4.8B	5.1%
Members 569,737	4.5%
Loans/Shares:	79%
ROA	1.41%
Net Worth/Assets	8.5%



# Better Banking, Bigger Impact

Credit unions care about you, your future and your community. At Suncoast, we take banking seriously and we work hard to deliver the best value for every member. [See how we got our start.](#)

LOG IN >

[Forgot your member number?](#)

Not a member? [Check Eligibility >](#)



# We're Designed to Help You Save

Since we're a credit union, we put you first. We offer serious savings and better deals across the board — on everything from credit cards and auto loans to mortgages and checking accounts. [See all the other ways credit unions differ from banks.](#)



Suncoast  
1.75% APR

Avg. Bank Rate  
3.17% APR

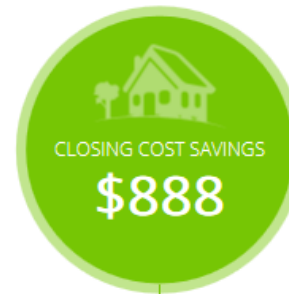
APPLY FOR A NEW CAR LOAN  
RATES AS LOW AS 1.75% APR<sup>1</sup>



Suncoast  
8.9% APR

Avg. Bank Rate  
12.13% APR

APPLY FOR A SUNCOAST VISA  
RATES AS LOW AS 8.9% APR<sup>2</sup>



Suncoast Closing Costs  
\$2,968

Avg. Bank  
\$3,846

APPLY FOR A MORTGAGE WITH  
LOWER CLOSING COSTS<sup>3</sup>

SEE HOW ▶



# We Give Generously

At Suncoast, giving back to the community is part of our DNA. Through the Suncoast Credit Union Foundation, we provide support to local schools, children and families through scholarships, education initiatives, financial literacy and programs related to health and emotional well-being.

## Blessings through Backpacking

Since 2009, Suncoast Foundation provides qualifying elementary school students a Blessings Backpack, a backpack filled with easy-to-prepare and ready-to-eat food for Saturday and Sunday. On Monday, students return the Blessings Backpack feeling nourished and prepared to start a new week of learning. [Read more](#)

## Apples Prove to be Golden

As the presenting sponsor of the Champions for Learning Golden Apple Teacher Recognition Program, Suncoast Foundation works with the Collier County School District to honor teachers who make a significant difference in the classroom. [Read more](#)

[LEARN MORE >](#)





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# QUESTIONS?

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# Member Focus Drives Results

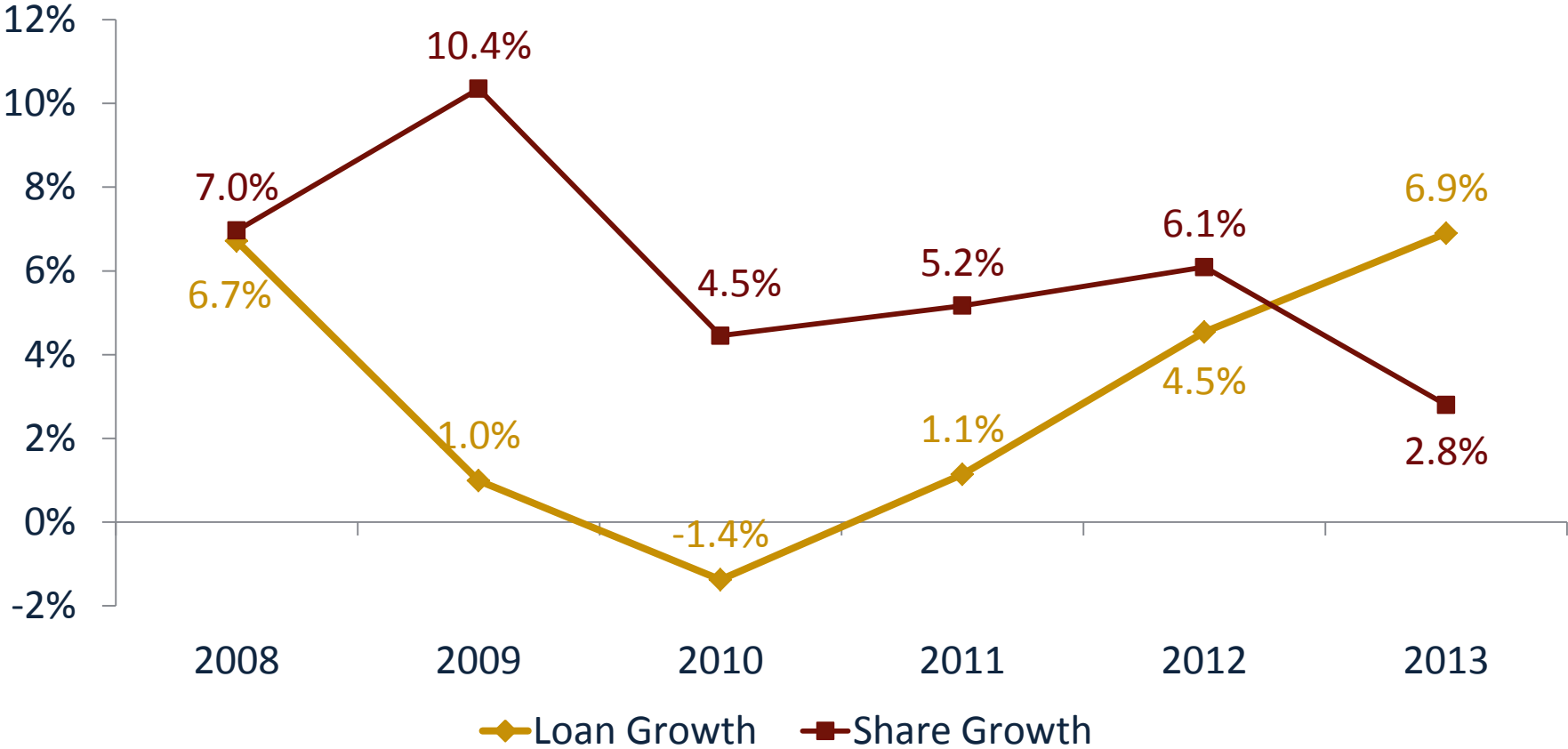
- Loan to share ratio rising
- Operating expenses well managed
- Member usage of credit union checking continues to rise

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# Loan growth surpassed share growth in 2013

Data as of December 31



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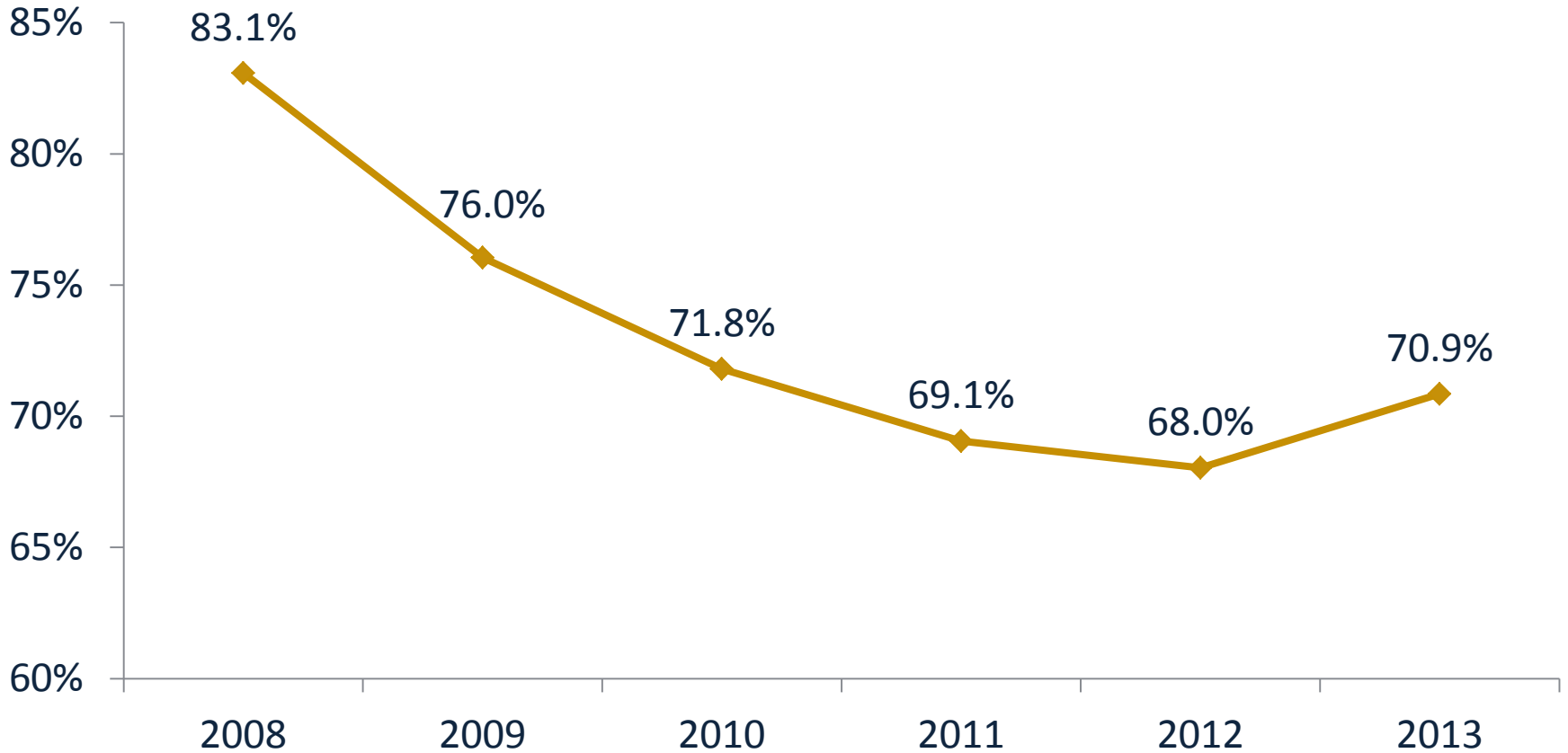


Source: Callahan's Peer-to-Peer Analytics



# Loan to share ratio at highest level since 2010

Data as of December 31



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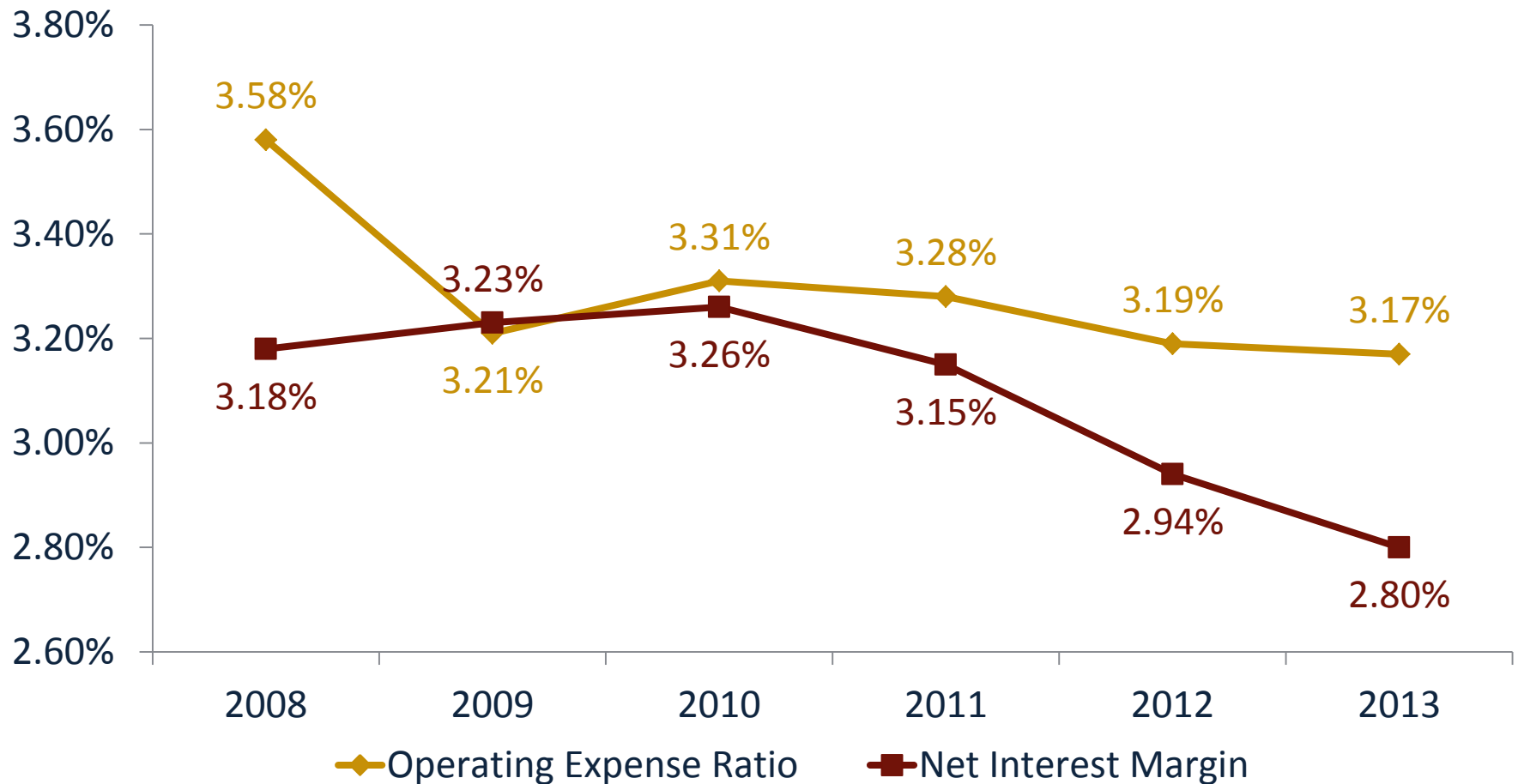


Source: Callahan's Peer-to-Peer Analytics



# Although down from 2012, net interest margin rose during 2013 as loan growth picked up

Data as of December 31



# Triangle CU, NH

## *Looking for Interest Rate Rise*



Things are much improved. Loan growth was double-digit. Profitability was mediocre. We expect the same or better performance in 2014 with the exception of net income. For us, **net income will improve when rates begin to increase**, which is forecasted in 2015.

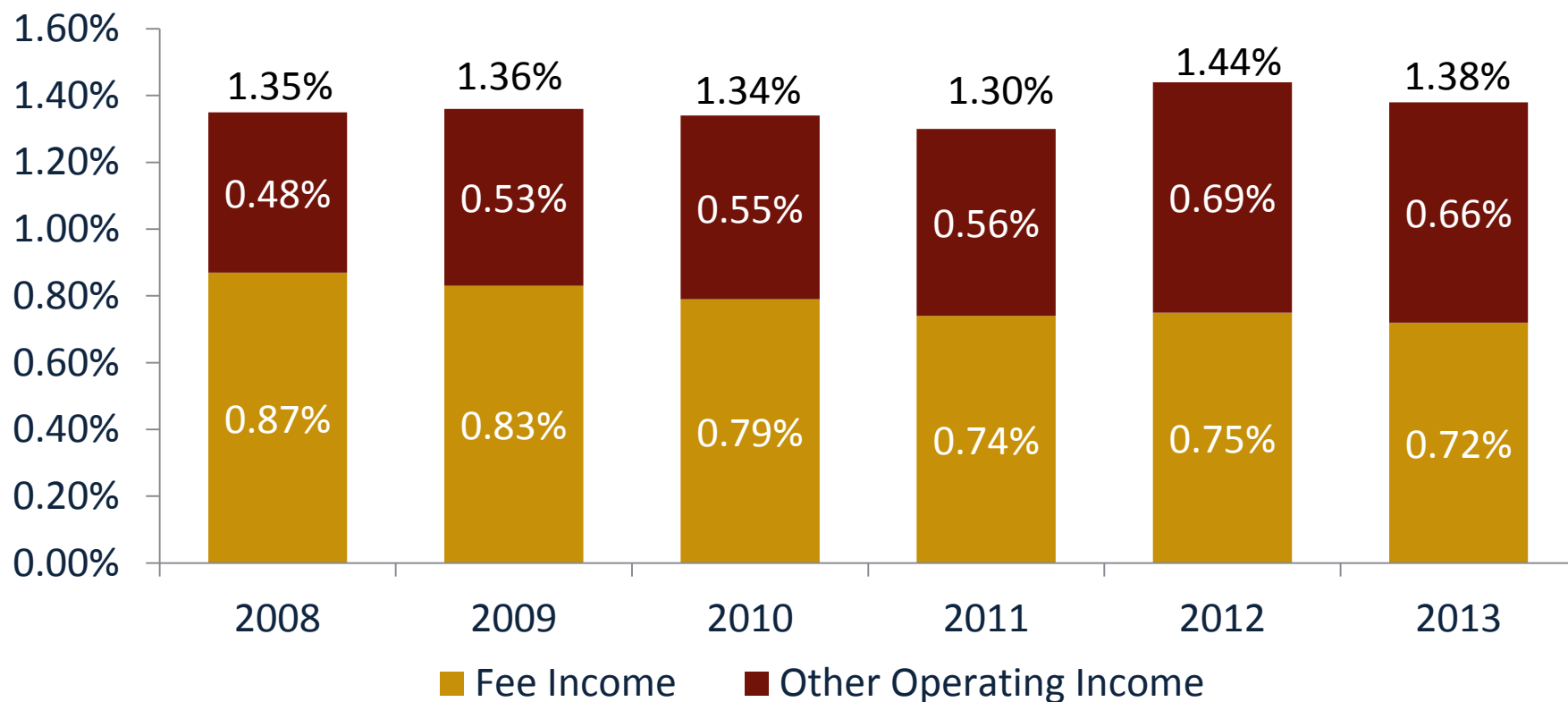




# Non-interest income down slightly in 2013

## Non-Interest Income as a % of Avg. Assets

Data as of December 31



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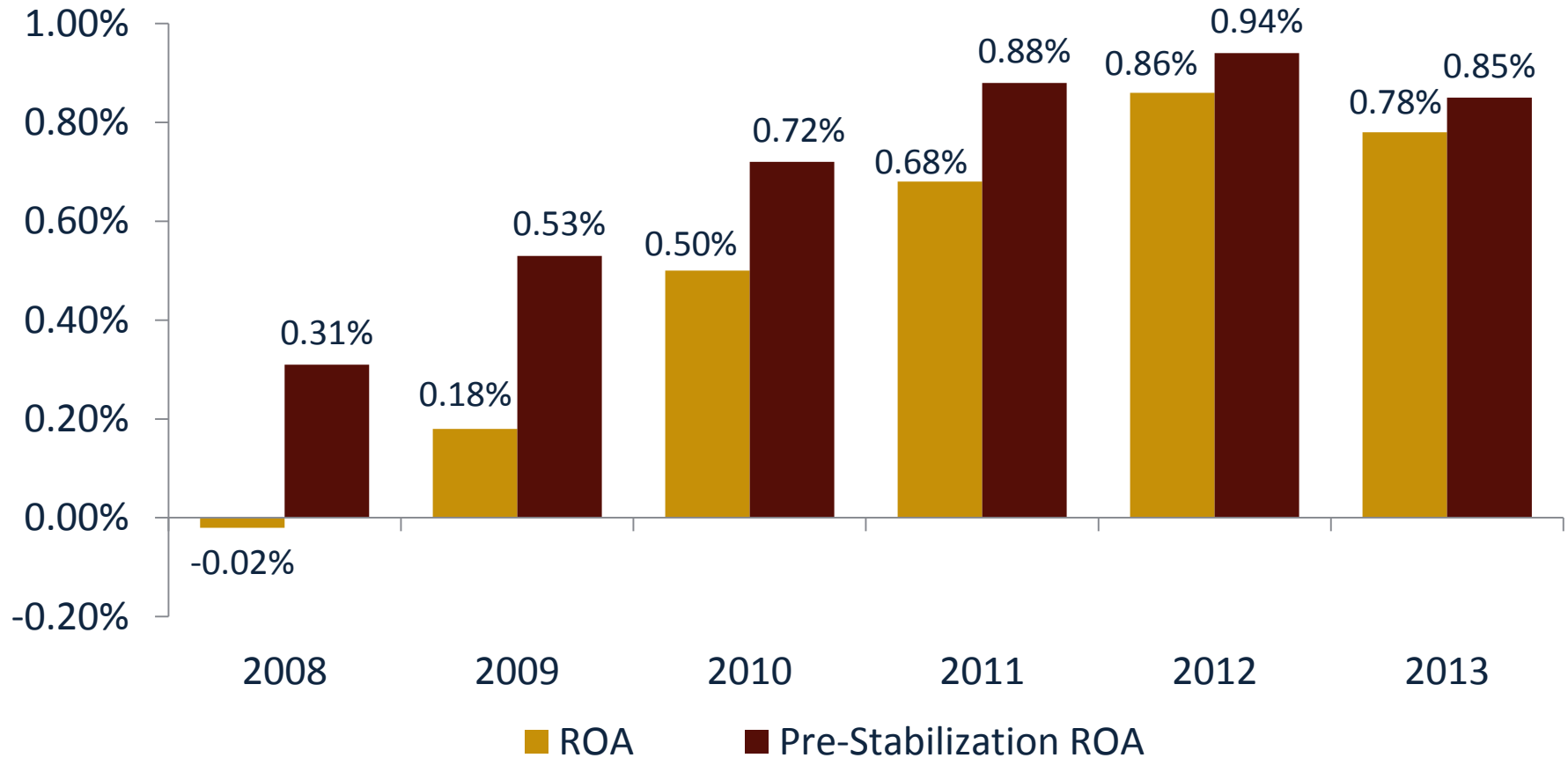


Source: Callahan's Peer-to-Peer Analytics

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# Credit unions add \$8B to capital through ROA

Data as of December 31



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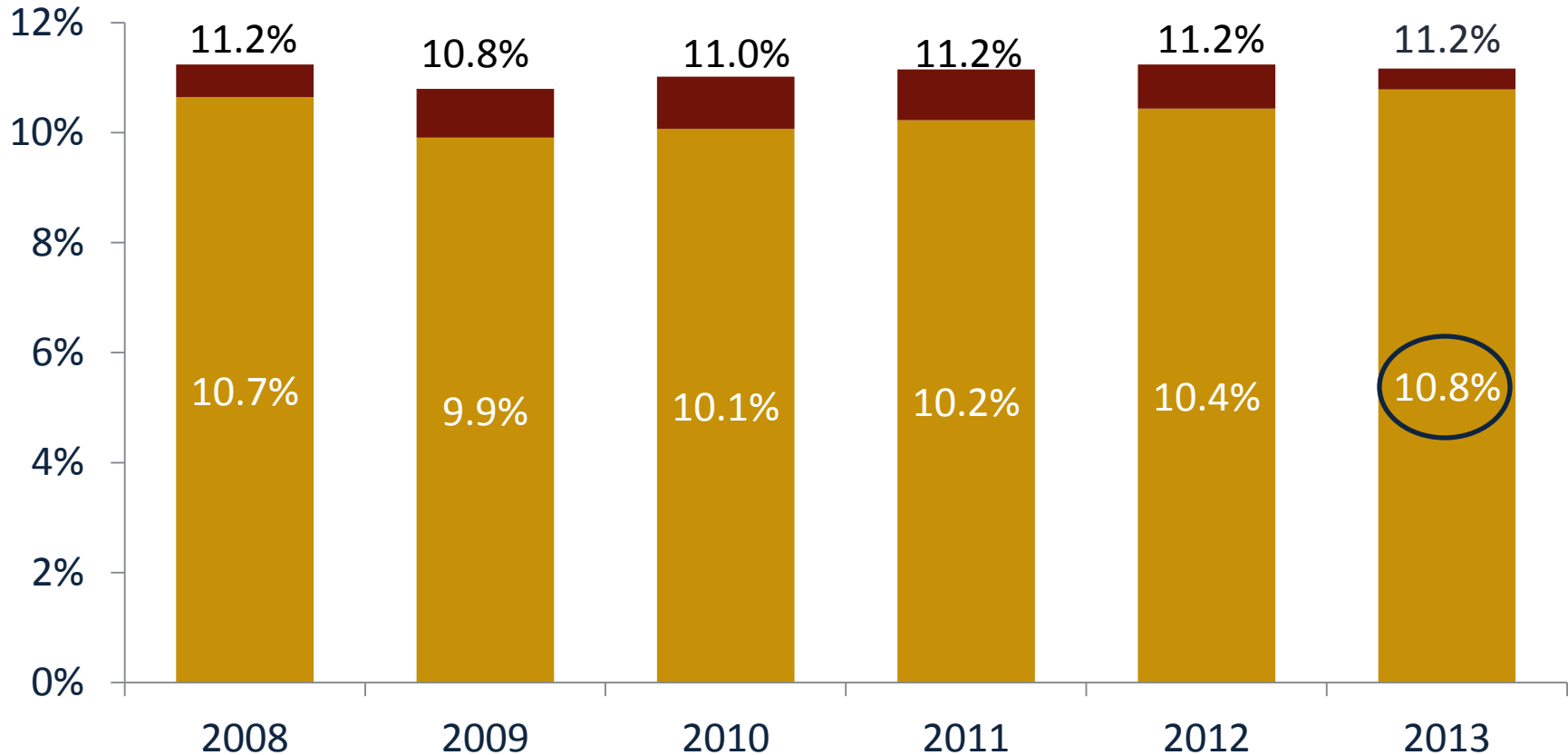


Source: Callahan's Peer-to-Peer Analytics

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# Credit union capital tops \$117 billion

Data as of December 31



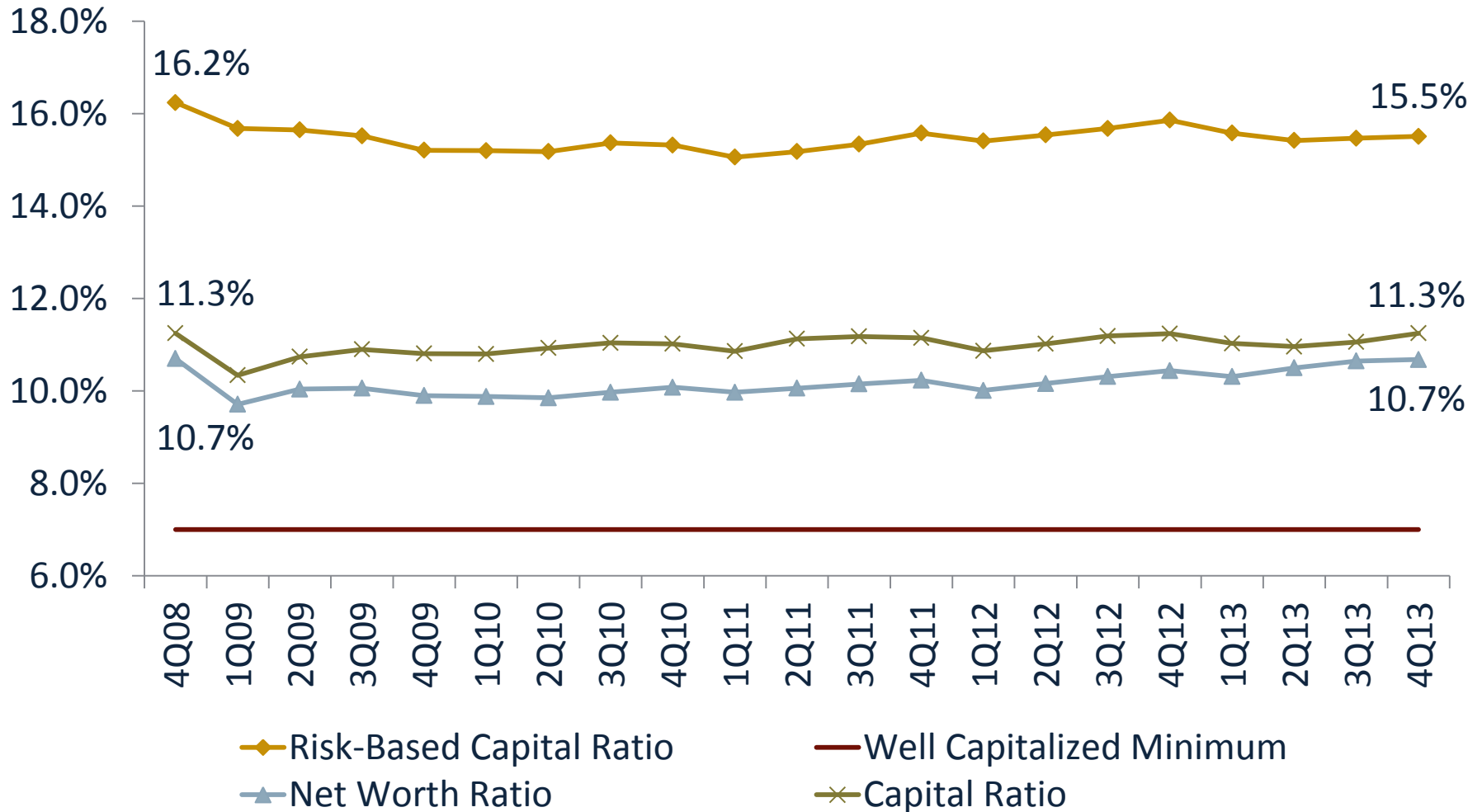
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Source: Callahan's Peer-to-Peer Analytics



# Credit unions financially strong by any objective measure



# What NCUA's Proposed 702 Capital Rule Rewrite is Really About: Unilateral Authority to Set Your Credit Union's Capital Level

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- Proposed section 702.105 Individual Minimum Capital requirements
  - (b). . . NCUA may established increased individual minimum capital requirements upon its determination that the credit union's capital is or may become inadequate in view of the credit union's circumstance. . . (underlining added)
  - (c) . . .The appropriate minimum capital levels for an individual credit union cannot be determined solely through the application of a rigid mathematical formula or wholly objective criteria. The decision is necessarily based, in part, on subjective judgment grounded in agency expertise. . ." (underlining added)

HOPE Credit Union  
Jackson, MS  
Assets: \$187M  
Members: 28,134



# 2012 Impact Report

Strengthening  
Communities.  
Building  
Assets.  
Improving  
Lives.



Arkansas • Louisiana • Mississippi • Tennessee



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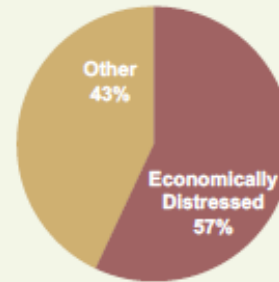


# HOPE reaches those who need it most

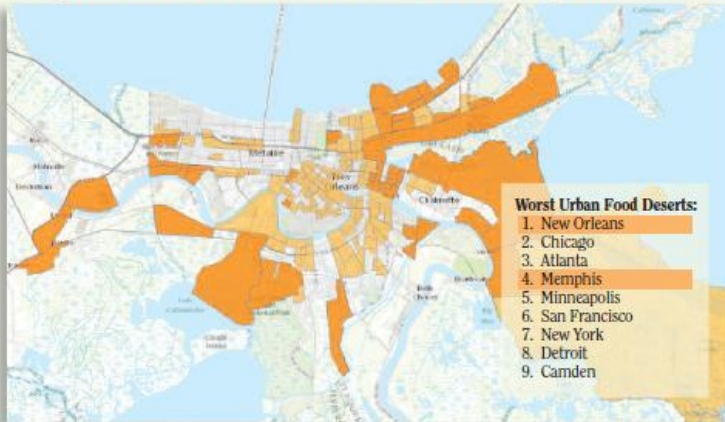


**A Fresh Start For A New Orleans Icon**  
 Incorporated in 1938, Circle Foods was New Orleans' first black-owned and -operated grocery, founded at a time when African Americans were not allowed to shop in other parts of the city. The community gathering place housed a pharmacy.

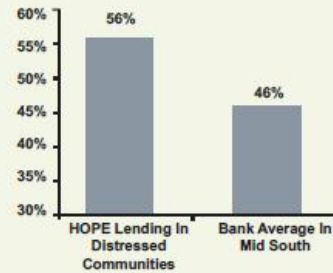
## 2012 Consumer Loans By Economic Distress



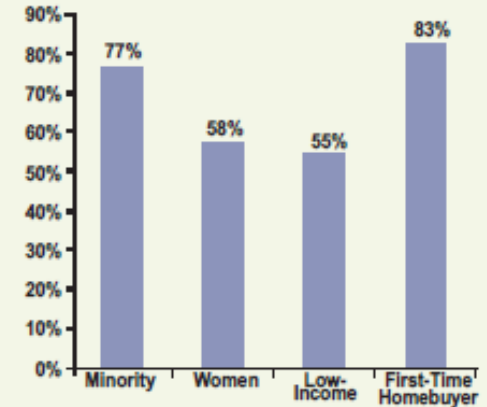
## Many New Orleans Residents Lack Access To Healthy Foods



## 2012 Commercial Lending In Economically Distressed Communities



## 2012 HOPE Mortgage Borrower Demographics



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# *A Valentine's Day message for members....*



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For all the hometown folks  
working in our schools...



inspiring  
encouraging  
guiding our students' future  
our State's future

**Thank You!**

From your co-workers, neighbors and friends,  
all members of State Employees' Credit Union.

State Employees' Credit Union  
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# Tell us what you thought!

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