

Industry Trends and Challenges

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Critical Categories

- **Technology**
 - Results from 2014 CU Technology Survey
- **Growth**
 - Membership
 - Lending
 - Earnings

The top three overall IT-related concerns?

- Protecting Member data
- Remaining compliant with regulations
- Keeping up with Member demand for new/additional technology services

Credit Unions budgeted an average of \$115,000 for activities geared exclusively toward data security issues. Among CU's \$500M+ the budgets jumped to almost \$640,000!

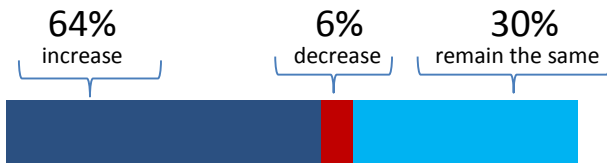
The top three “new-product” investments for the next two years

- Smartcards/EMV
- Remote deposit capture
- Person-to-person payments

Noteworthy investments – among CUs with \$200M+ – in data analytics (defined as “using member transaction data for predictive behavioral modeling).

Tech budgets at a glance

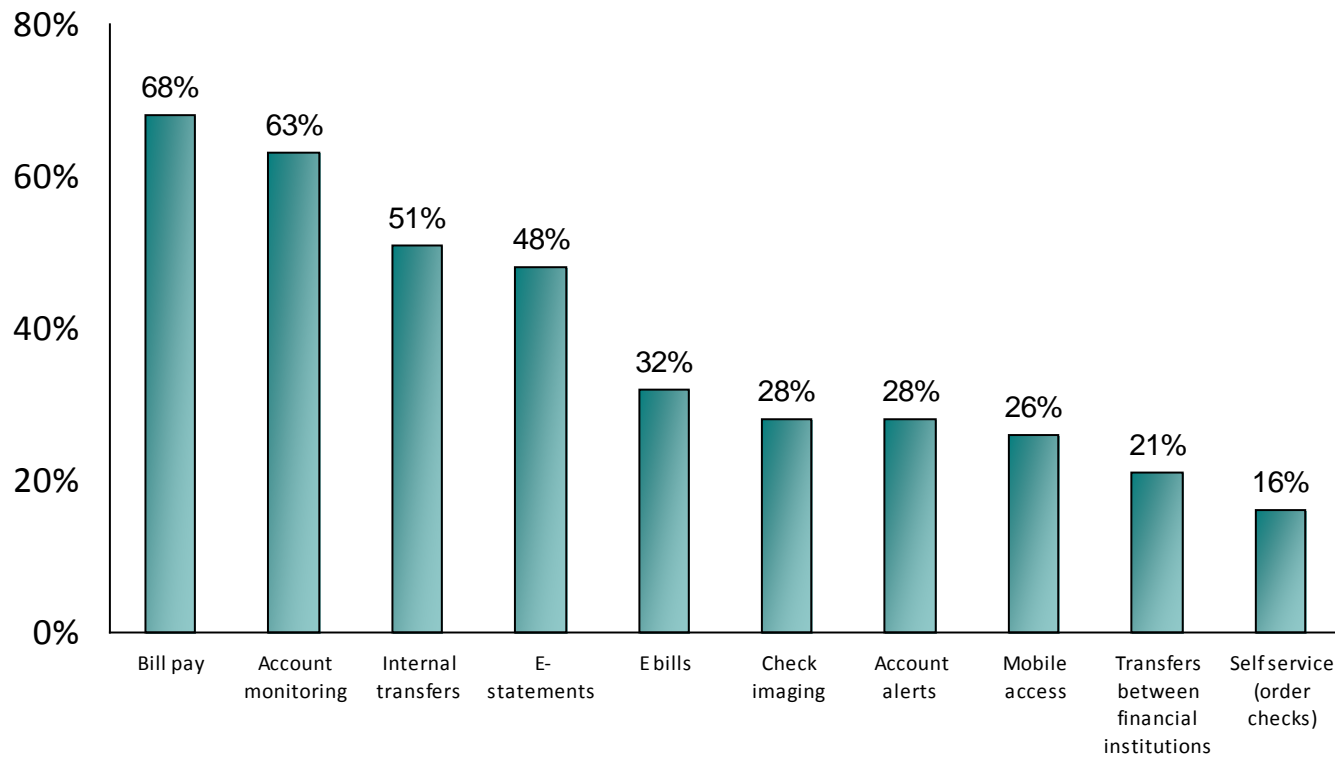
64% of CUs say their technology budgets will increase next year, **6%** say they'll decrease, and **30%** say they'll remain the same.



Nearly **30%** of CUs say more than **50%** of their checking account users are currently signed up for **online banking**.

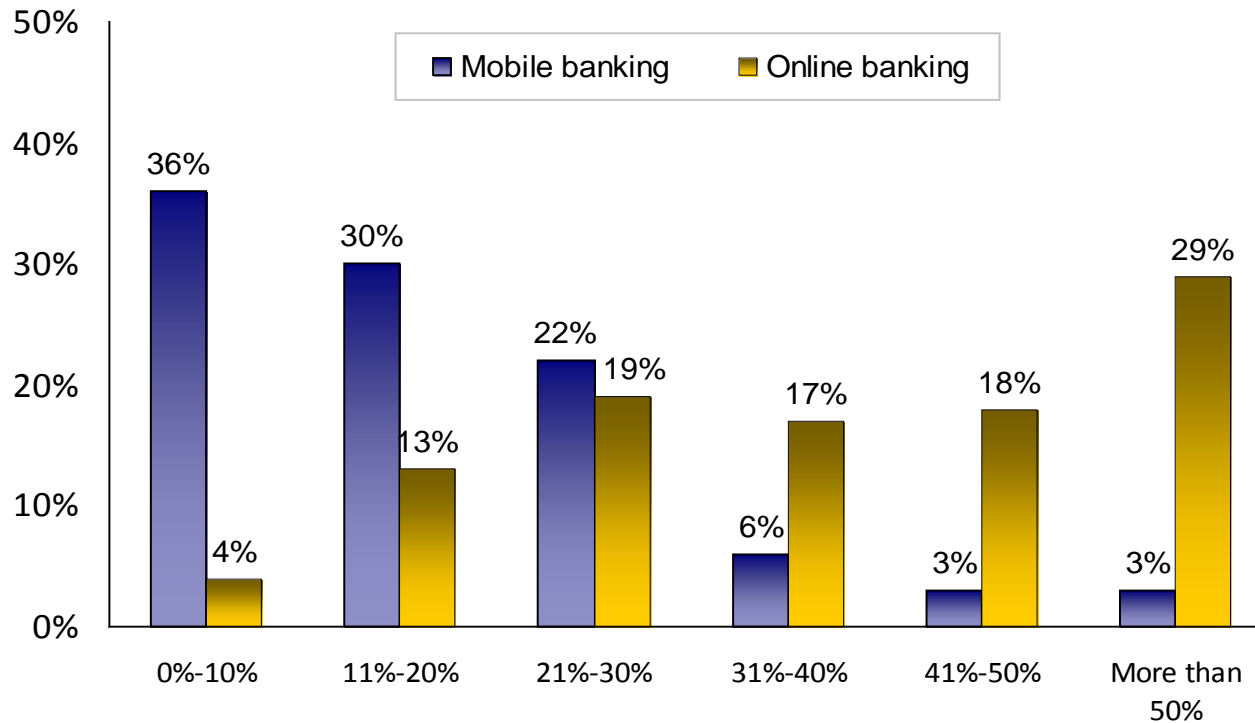
58% of CUs currently offer **mobile banking**. Another **26%** plan to **within two years**.

Most Commonly Used Online Banking Features*



*Online banking users were asked which online banking features they've used during the past month.
Source: Raddon Financial Group 2013

Members Signing Up for Mobile & Online Banking*



**Percentage of checking account members signed up for mobile and online banking
Source: CUNA's 2014 Technology Survey*

Mobile Payments Growth



Impact of Non-Traditional Competitors

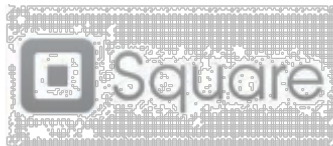
 **PayPal**[™]

Google[™]

 **MoneyPak**[®]

 **amazon.com**

 **Apple Pay**

 **Square**



 **facebook**[®]

 **Microsoft**

 **Bluebird**[®]

 **MCX** MERCHANT
CUSTOMER
EXCHANGE

 **Walmart**

Growth...nice to see you again!

Membership Growth

100 million members and growth rate is picking up

Hit a low of 0.7% in 2010, but has been bouncing back:

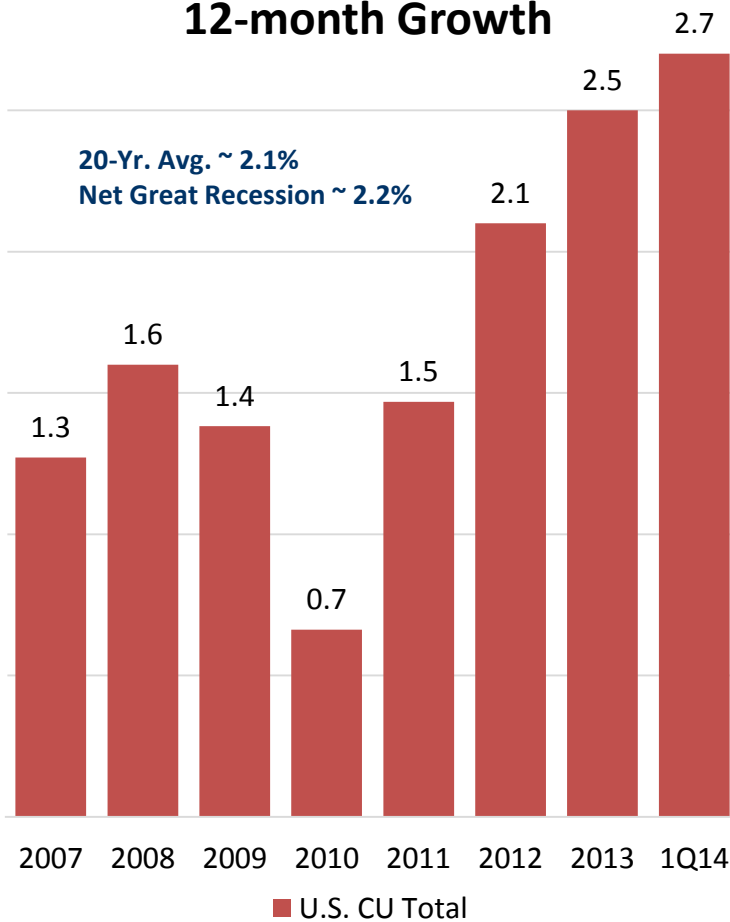
- * 1.5% in 2011
- * 2.1% in 2012
- * 2.5% in 2013
- * 2.3% projected for 2014 and 2015

For perspective, U.S. population growth has been 0.9%

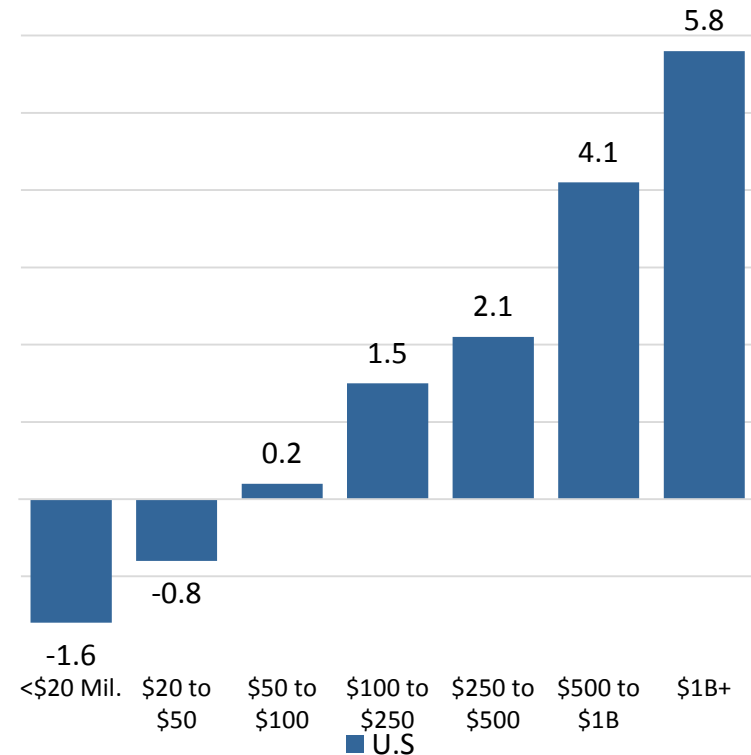
Fast Membership Growth

(Source: NCUA and CUNA)

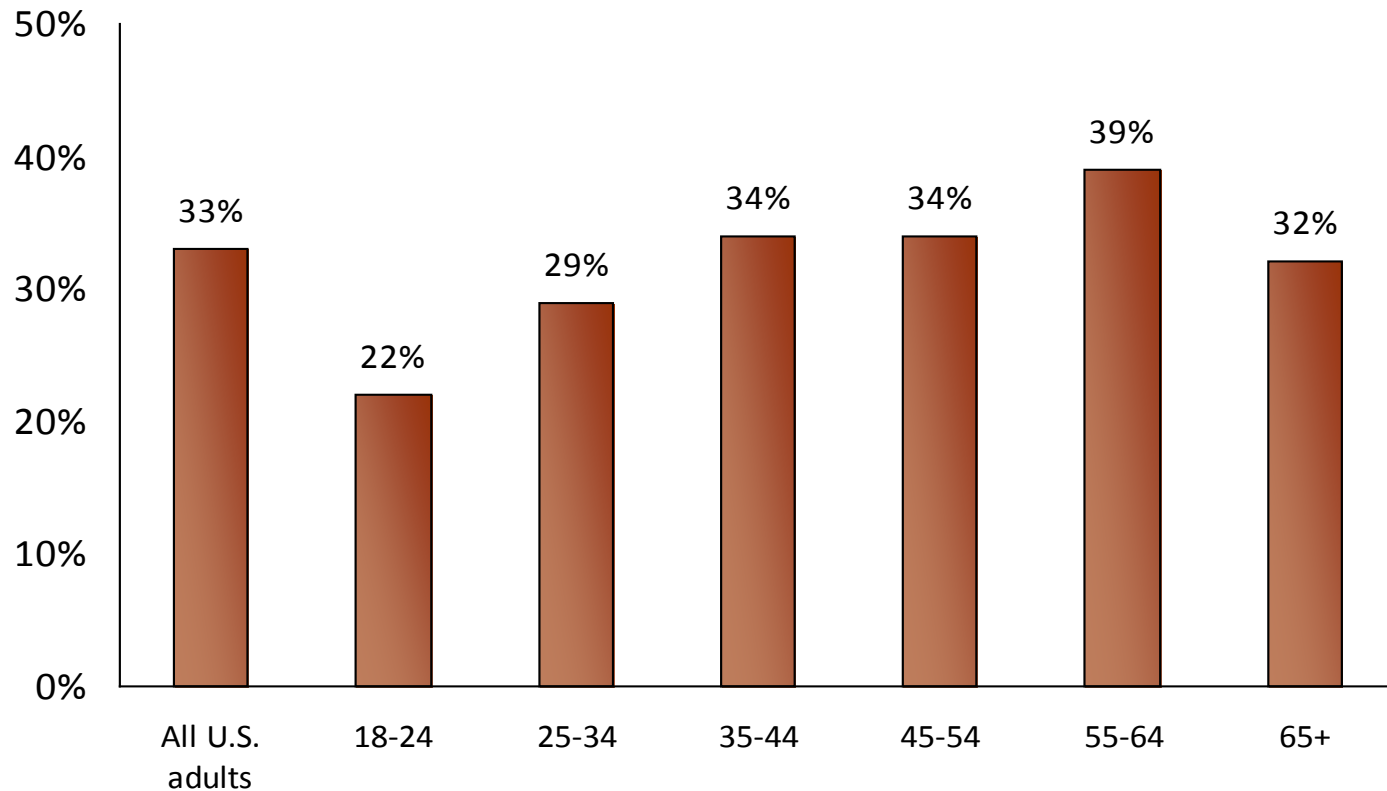
12-month Growth



Year Ending 1Q '14 By Size



Percent of Adults Who Are CU Members



Nonmember Awareness

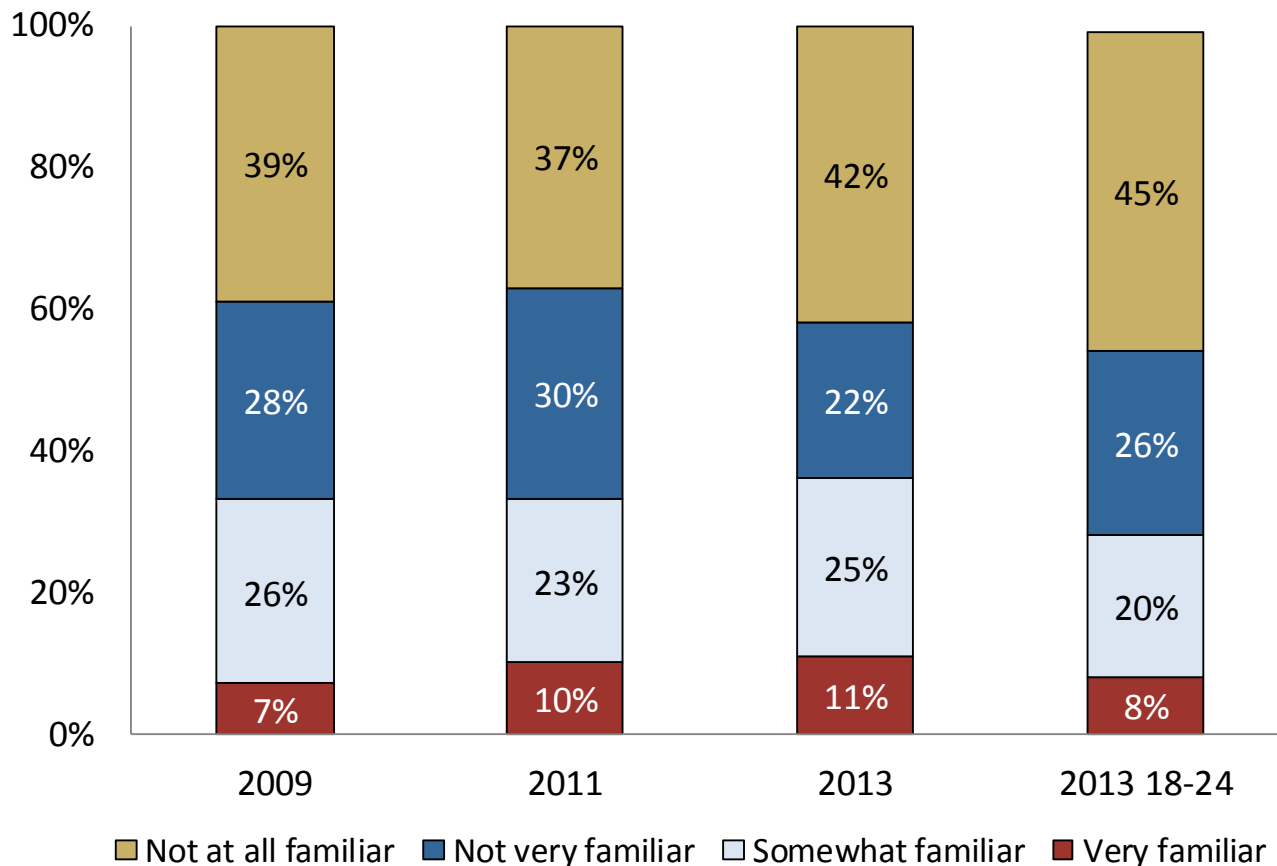
Gen Y and low awareness levels

How successfully credit unions attract the 100 million members of Generation Y will go a long way toward determining the movement's future viability.

CUNA's research shows that 45% of nonmembers ages 18 to 24 are "not at all familiar" with credit unions. Another 26% are "not very familiar"— a combined 71%.

To attract and retain Gen Y, credit unions need sophisticated mobile services and an effective social media strategy.

Nonmembers' Familiarity With CUs'



Lending

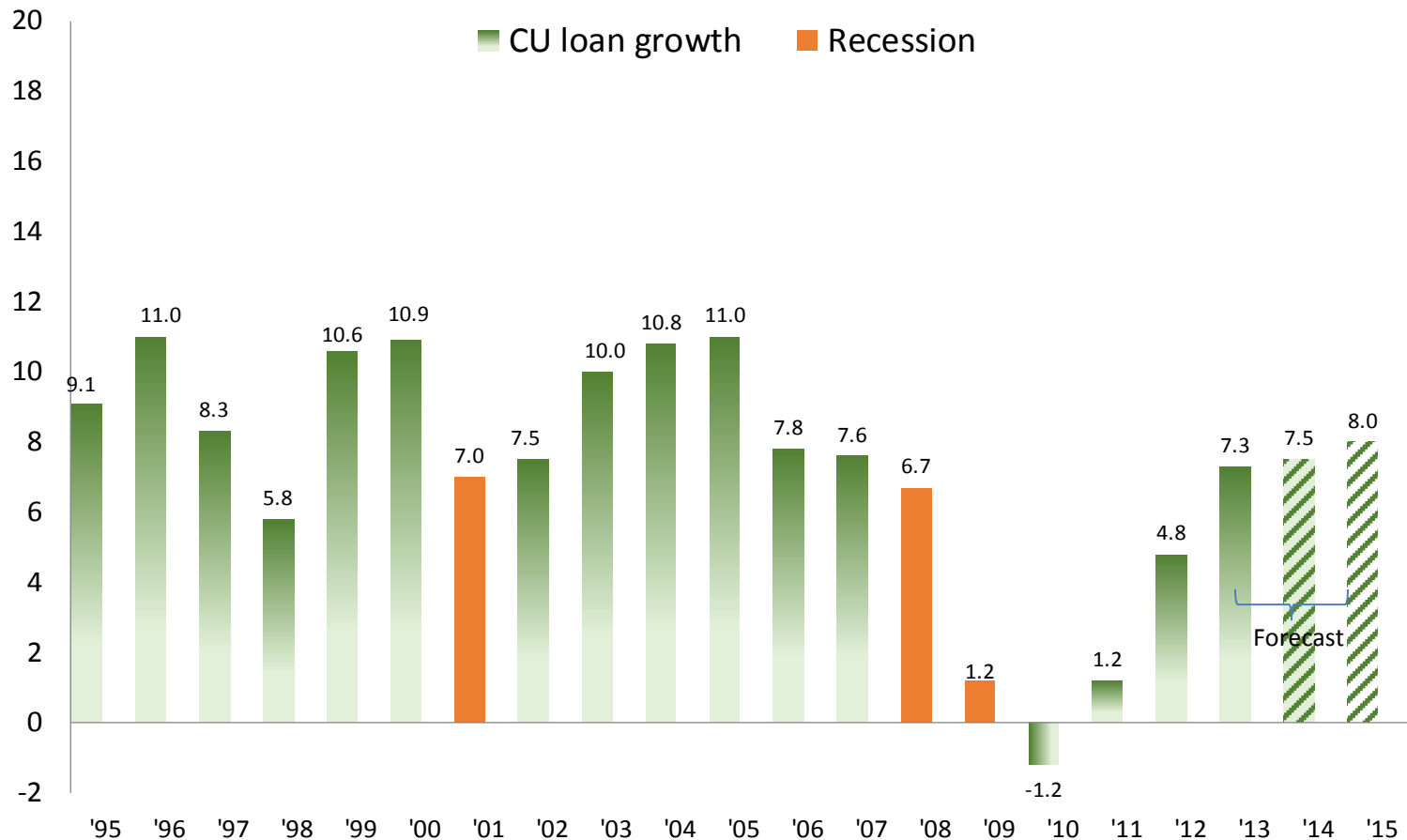
A rebound

Credit union lending is expected to increase 7.5% in 2014 and 8% in 2015 (back to its long-term average of 7.8%).

Expect growth in auto loans, credit cards, and purchase mortgage loans due to pent-up demand. Refis are drying up as rates rise.

Through April 2014, year-over-year loan balances are up 8.9% (highest since 2005) with new auto loans the most active followed by used auto loans and fixed rate first mortgages.

Credit Union Loan Growth



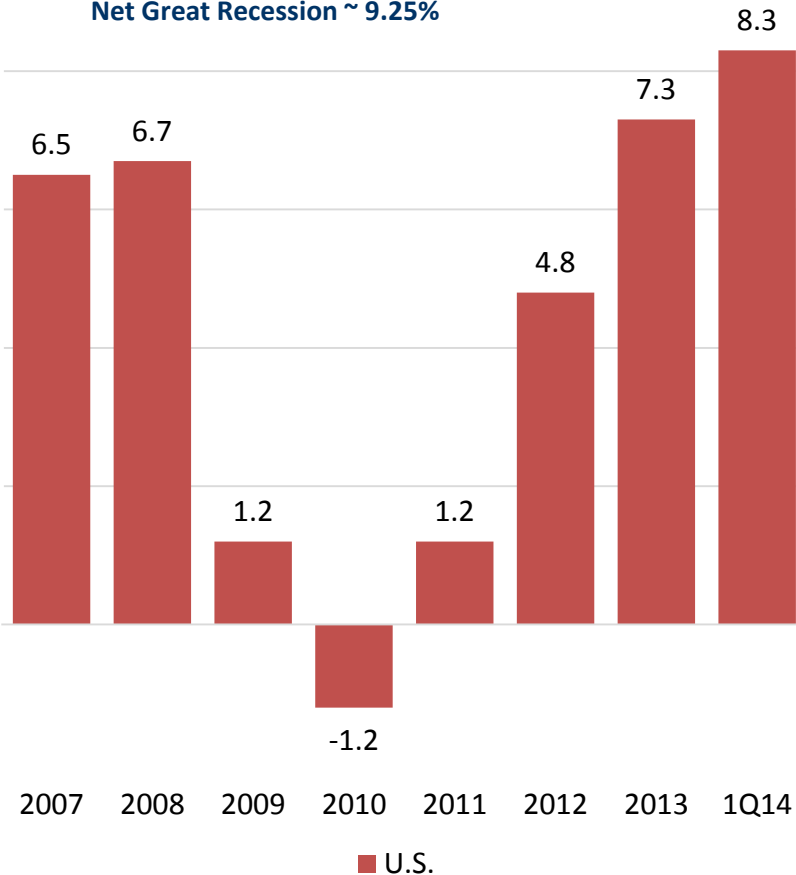
Source: CUNA's economics and statistics department (long-term loan growth average is 7.8%)

Faster Loan Growth

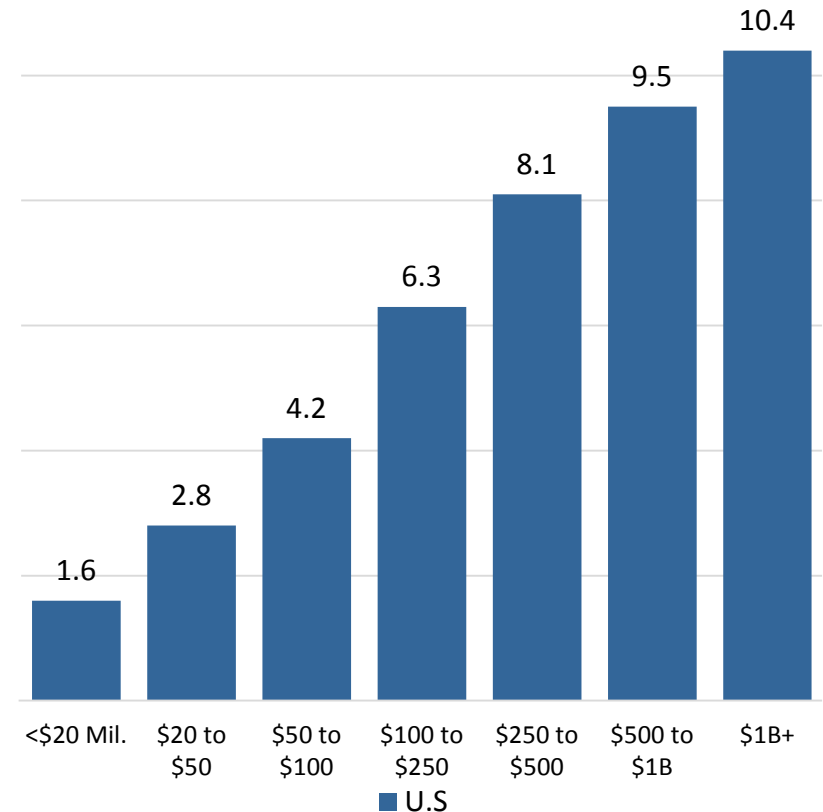
(Source: NCUA and CUNA)

12-month Growth

20-Yr. Avg. ~ 7.75%
Net Great Recession ~ 9.25%

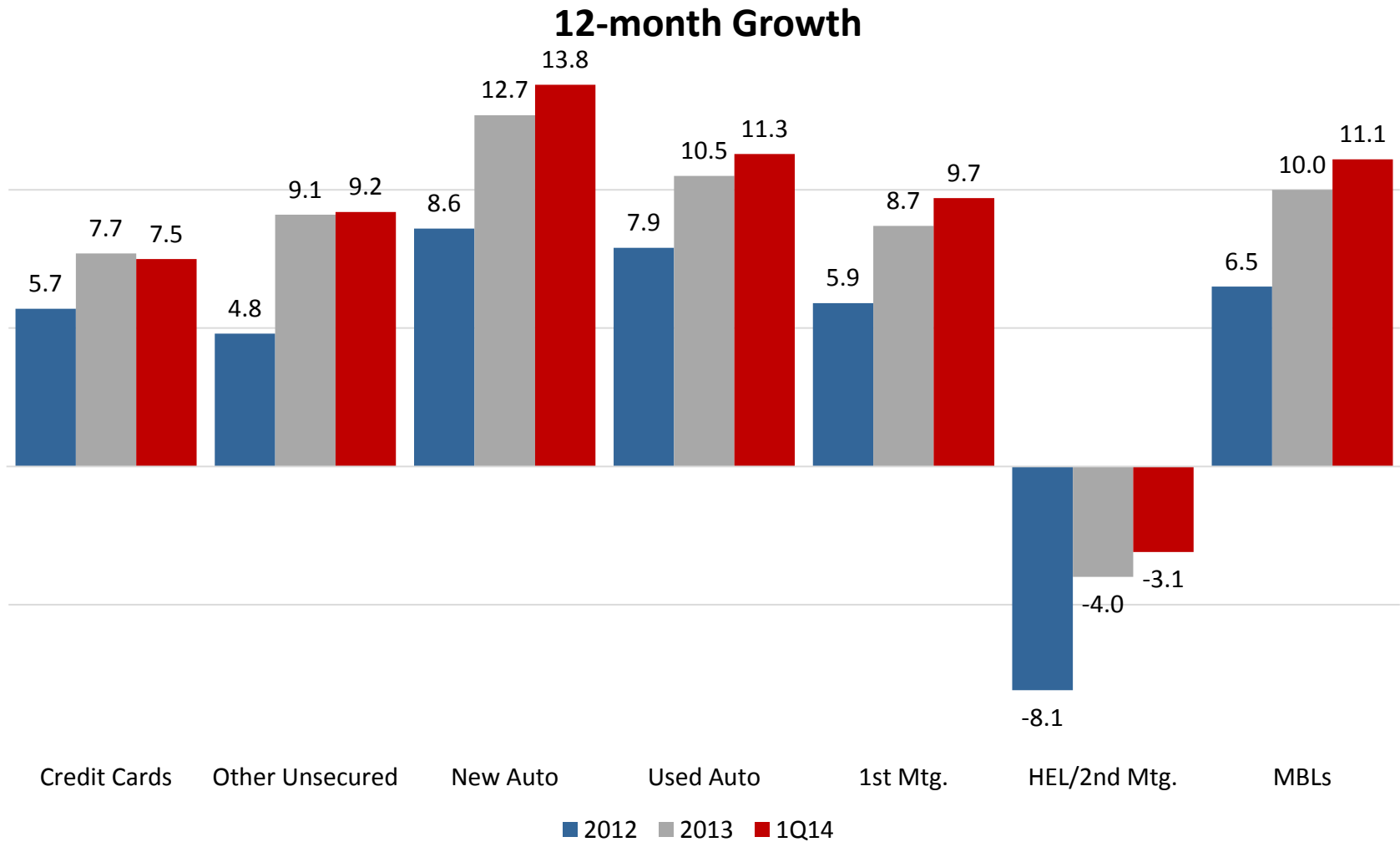


Year Ending 1Q'14 By Size

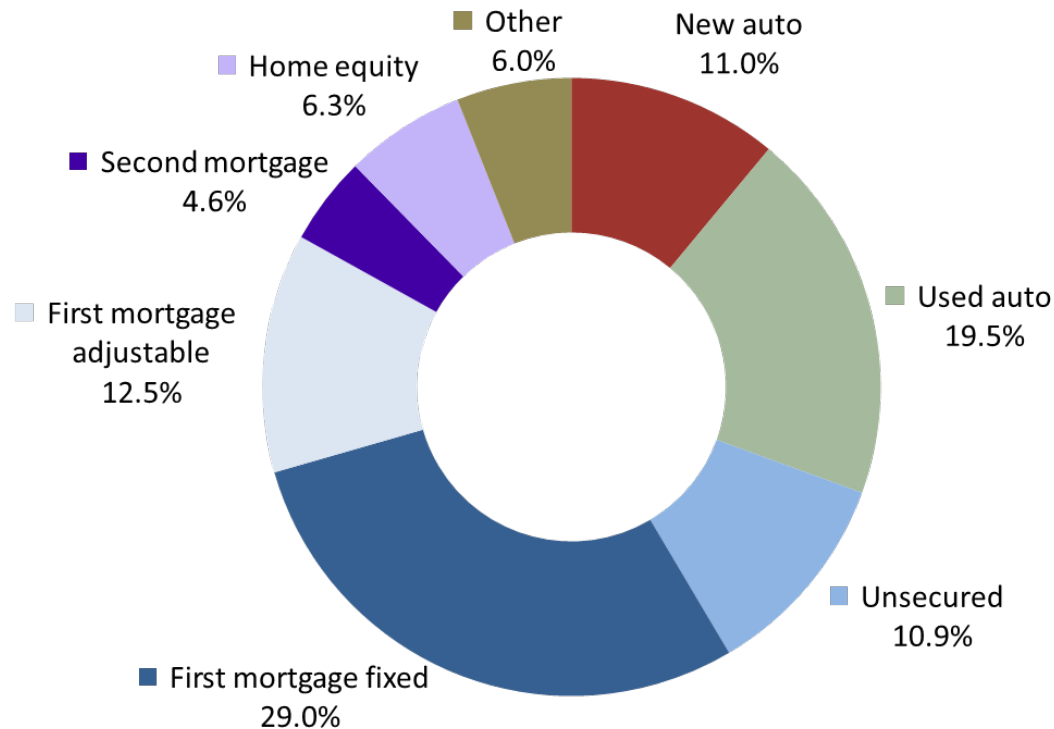


Broad-Based Loan Increases

(Source: NCUA and CUNA)



Distribution of CU Loans

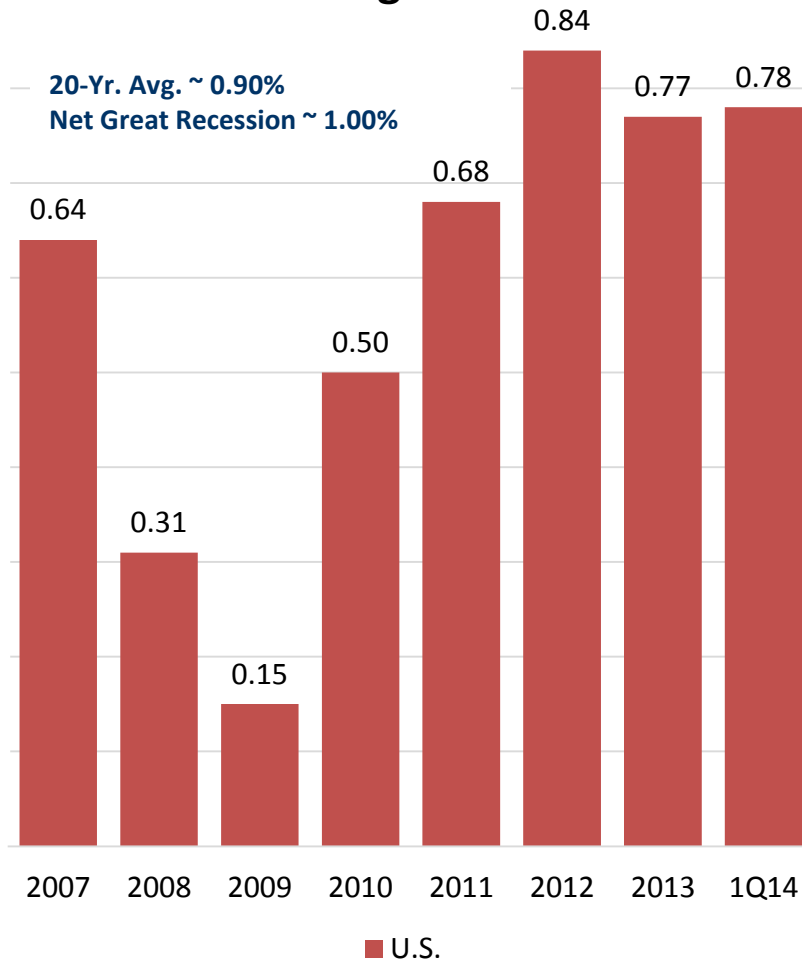


Total CU loan portfolio (as of April 2014) = \$676 billion

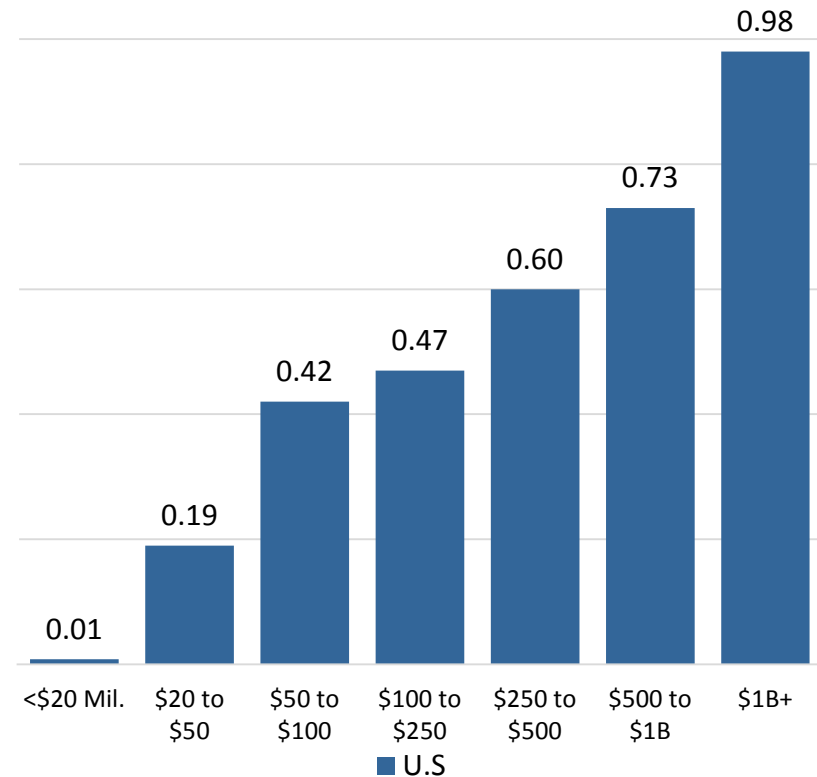
High Earnings

(Percent of Average Assets. Source: NCUA and CUNA)

Total During Period Annualized



1Q'14 Annualized



Credit Union Forecast

June, 2014

	Actual Results		Quarterly Results/Forecasts				Annual Forecasts	
	5Yr Avg	2013	2014:1	2014:2	2014:3	2014:4	2014	2015
Growth rates:								
Savings growth	6.0%	3.6%	3.8%	-0.2%	-0.4%	0.3%	3.5%	3.0%
Loan growth	2.7%	7.3%	1.4%	3.5%	2.9%	1.8%	9.6%	10.0%
Asset growth	5.4%	3.9%	3.1%	0.0%	-0.2%	0.7%	3.6%	3.5%
Membership growth	1.6%	2.5%	0.7%	1.0%	0.4%	0.2%	2.3%	2.3%
Liquidity:								
Loan-to-share ratio**	73.9%	68.6%	67.0%	69.5%	71.8%	72.9%	72.9%	77.8%
Asset quality:								
Delinquency rate	1.46%	1.02%	0.81%	0.80%	0.80%	0.75%	0.79%	0.70%
Net chargeoff rate*	0.91%	0.57%	0.50%	0.44%	0.44%	0.46%	0.46%	0.45%
Earnings								
Return on average assets (ROA)*	0.59%	0.77%	0.77%	0.83%	0.88%	0.90%	0.85%	0.95%
Capital adequacy:								
Net worth ratio**	10.3%	10.8%	10.5%	10.7%	10.9%	11.1%	11.1%	11.6%

* Annualized Quarterly Data

**End of period ratio

See also our MCUE website

If you have any questions or comments send an email to srick@cuna.coop

For More Information

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