# Moss Adams Credit Union Conference

*Strategic Issues for Your Credit Union Franchise*

***Transitioning to Risk Based Capital, Loan Sales, Merger Activity, Alternative Capital, Commercial Lending… Are we becoming Banks?***

*Strictly Confidential*

**Spring 2017**

FIG Partners

# Dan Flaherty, CFA – Northeast Investment Banking

Mr. Flaherty joined FIG Partners in September 2011 and has 10+ years of experience in the community banking industry. Prior to joining FIG Partners, Mr. Flaherty worked in the investment banking divisions of Sterne Agee (Atlanta, GA) and the Carson Medlin Company (Tampa, FL), providing corporate finance and investment banking services to Southeast-based community financial institutions. Mr. Flaherty's experience includes advising community banks on strategic options, capital planning, sell-side mergers, buy-side mergers and provided numerous types of bank valuations including closely-held, going private, core deposit intangible and goodwill impairment valuations. Mr. Flaherty has participated in 51 M&A transactions, representing over $1.1 billion in deal value, 28 capital offerings and completed more than 150 bank valuations in his career. In April 2017, Mr. Flaherty became one of eleven partners at FIG.

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Mr. Flaherty received a B.A. in Economics from Tufts University, an M.B.A. in Accounting and Finance from the University of Tampa and is a CFA charterholder. Mr. Flaherty holds the Series 7, 24, 63 & 79 FINRA licenses. Mr. Flaherty, a New England native, grew up in Fairfield, CT and is a graduate of Fairfield Prep.

## Recent Transactions

- Common Stock follow-on of $40M by First Bank (Hamilton, NJ) as a co-manager – May 2017
- Acquisition of State Bank by Trona Valley FCU (Green River, WY) for $5.7M – April 2017
- Branch purchase of $31M in deposits by Salisbury Bancorp (Lakeville, CT) from ES Bancshares (New Paltz, NY)
- Common stock offering of $8.5M for Highlands Bancorp, Inc. (Vernon, NJ) – December 2016
- Common stock offering of $5.0M for First Colebrook Bancorp, Inc. (Colebrook, NH) – November 2016
- Sale of Island Bancorp, Inc. (Edgartown, MA) to Independent Bancorp, Inc. – October 2016
- Common stock offering of $9.5M for Gold Coast Bank (Islandia, NY) – June 2016
- Private placement of $5.0M senior/subordinated debt for First Colebrook Bancorp, Inc. (Colebrook, NH) – March 2016
- Private placement of $10.0M subordinated debt for Two River Bancorp (Tinton Falls, NJ) – December 2015
- Sale of Community Guaranty Corporation (Plymouth, NH) to BNH Financial– November 2015
- Private placement of $7.5M subordinated debt for Highlands Bancorp, Inc. (Vernon, NJ) – Sept 2015
- Sale of American Bank of Huntsville (Alabama) – August 2015
- Sale of Canon Bank Corporation (Colorado) to Glacier Bancorp – July 2015
- Sale of Lenox National Bank (Lenox, MA) to Adams Community Bank – April 2015
- Private placement of $5.0M subordinated debt for Highlands Bancorp, Inc. (Vernon, NJ) – May 2014

# Ricardo Diaz

**Ricardo Diaz**
Head of Fixed Income
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Ricardo Diaz joined FIG Partners in 2010 and has 23 years of financial services and investment banking experience. Ricardo helped launch the firm's fixed-income division and leads the FIG team responsible for fixed-income sales and trading, advisory and capital markets. Prior to joining FIG, he was a Founding Partner of Vertical Capital Solutions, a valuation and advisory firm in the structured products market. Before that, he was a Managing Partner and Founder of Angel Oak Capital Partners, a hedge fund investing in fixed-income securities. Earlier in his career, he was Managing Principal and Founder of Terminus Asset Management Company; Managing Director in the Principal Finance Group at SunTrust Robinson Humphrey; Portfolio Manager at AIG Sun America Life Insurance. He also worked in Fixed-Income Capital Markets at both Merrill Lynch and Bank of America. Ricardo received his Bachelor of Arts degree in Economics and Political Science from Northwestern University.

**<u>Recent Loan Sale Highlights:</u>**

$65.6 million in transaction value

16 transactions totaling more than $270 million since trading platform launch

FIG Partners

March 2017

FIG Partners Served As Broker For $11.3 Million Residential Mortgage Loan Sale

FIG Partners

March 2017

FIG Partners Served As Broker For $9.3 Million Residential Mortgage Loan Sale

FIG Partners

March 2017

FIG Partners Served As Broker For $20 Million Consumer Loan Sale

FIG Partners

March 2017

FIG Partners Served As Broker For $13 Million Residential Mortgage Loan Sale

FIG Partners

March 2017

FIG Partners Served As Broker For $6 Million Commercial Real Estate Loan Sale

FIG Partners

May 2017

FIG Partners Served As Broker For $6 Million Hospitality Loan Sale

# Executive Summary

- The credit union industry is trending with many new strategic initiatives:

    1. Operating environment for banks and credit unions
    2. Switch to risk based capital
    3. Balance sheet strategies
    4. M&A Activity
    5. Potential for Alternative Capital Sources
    6. Increased Commercial Lending

- If these trends continue to gain momentum, credit unions will operate more closely to that of commercial banks and it would put the long term credit union benefits in jeopardy (i.e. tax exemption)

# Table of Contents

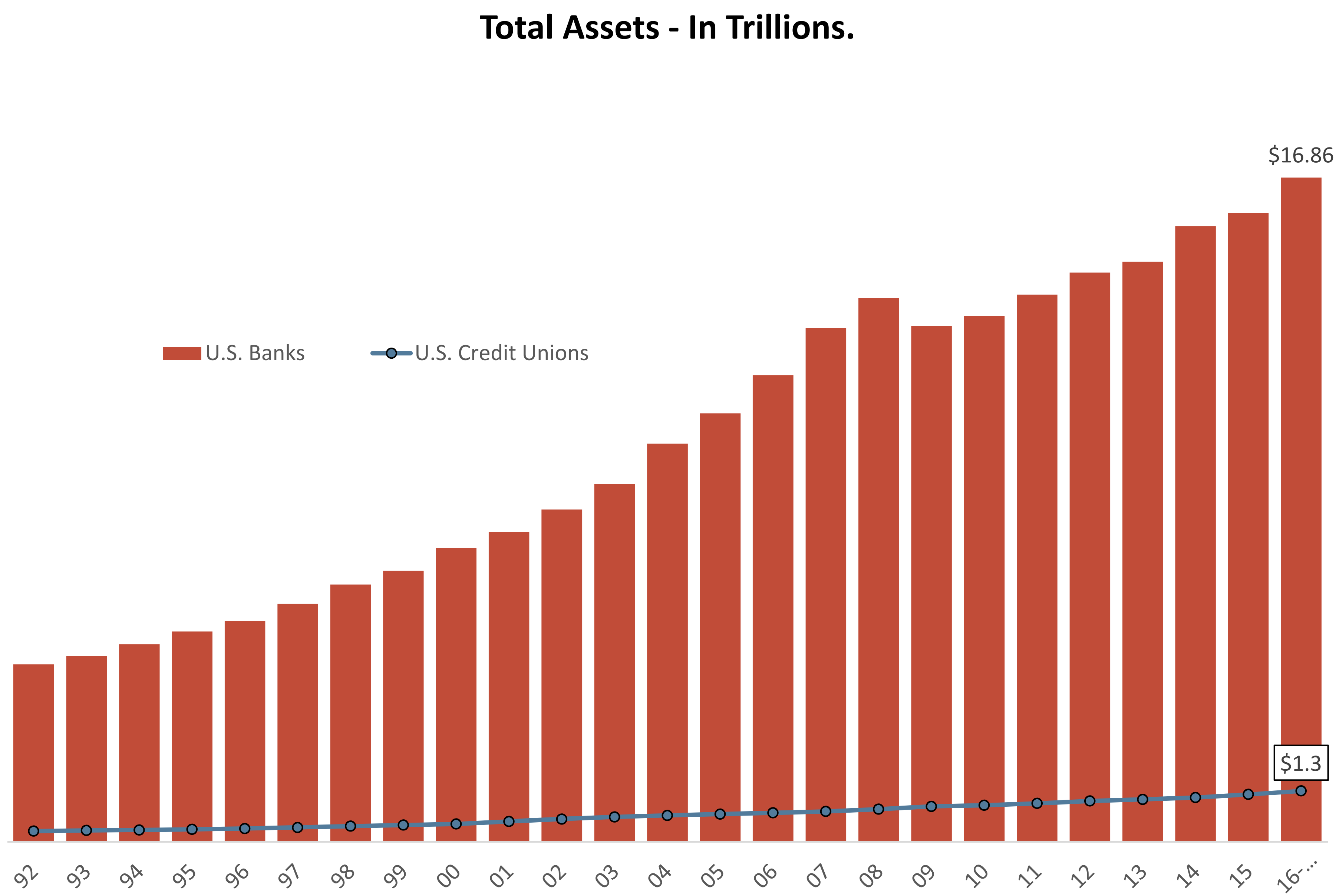
# I. Operating Environment For Banks and Credit Unions

## Looking at All Financial Institutions

### U.S. Bank and Credit Union Size Comparisons
**September 2016**

| | Banks | Credit Unions |
|---|---|---|
| Total industry assets | $16.86 trillion | $1.29 trillion |
| JP Morgan Chase total assets | $2.12 trillion | |
| Wells Fargo Bank total assets | $1.74 trillion | |
| Bank of America total assets | $1.66 trillion | |
| Citibank total assets | $1.36 trillion | |
| Average institution asset size | $2.8 billion | $217 million |
| Median institution asset size | $192 million | $27 million |
| % of institutions with $27 million or less in total assets | 3% | 50% |
| % of institutions with $100 million or more in total assets | 74% | 27% |
| Sources: FDIC, NCUA, CUNA. | | |

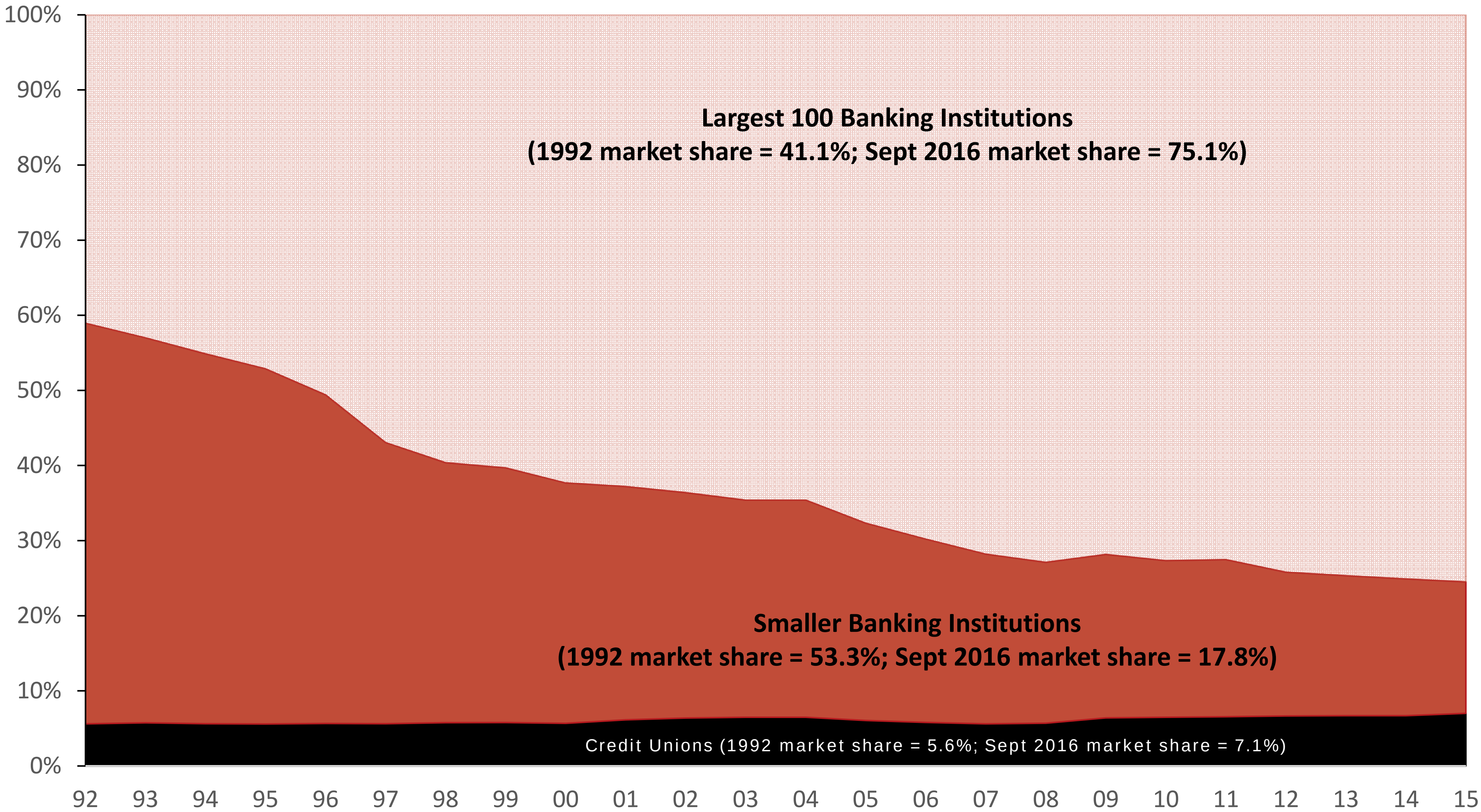
# Market Share is Growing




Sources: FDIC, NCUA and CUNA.

# Market Share of Financial Institutions – Is Bigger Better?

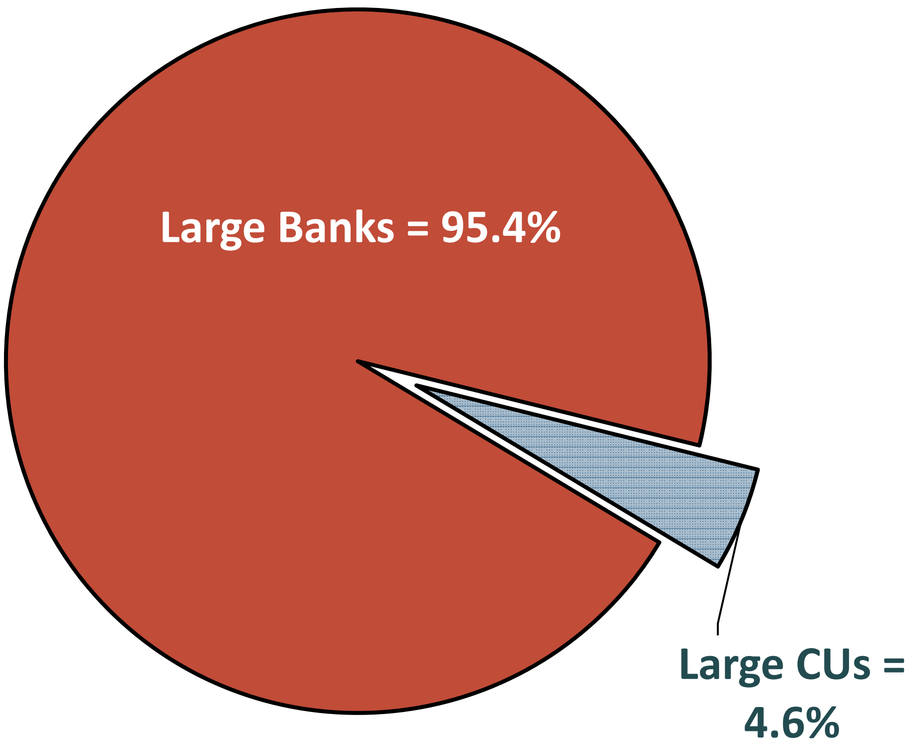
## Big Banks Increasingly Dominate
## Market Share of Total Assets




Sources: FDIC, NCUA and CUNA.

# Market Share of Financial Institutions – By the Numbers

## Market Share of Assets in Large Financial Institutions




The credit union tax exemption has nothing to do with credit union size – it is based on the credit union unique not-for-profit cooperative structure.

Nevertheless bankers urge taxation of large credit unions by describing them as growing quickly and dominating the market.

The facts however reveal another case of grossly misleading banker rhetoric:

- Billion dollar US banks now control $15.6 TRILLION in total assets – a 95% market share of large financial institution assets
- Assets in billion dollar US banks grew by $1.5 trillion in the past two years. That two-year *growth* total is 89% greater than the current total assets in all large CUs.

Sources: FDIC, NCUA and CUNA. As of September 2016. Large financial institutions are here defined as those with $1 billion or more in total assets.

# Current Credit Union Trends

## Loans

Credit union loans outstanding grew 0.9% in April 2017. Other mortgage loans led loan growth, rising 2.1%, followed by new auto loans (1.9%), home equity loans (1.6%), used auto loans (1.5%), unsecured personal loans (1.4%), adjustable-rate mortgages (0.9%), and credit card loans (0.6%). On the decline during the month were fixed-rate first mortgages (-0.7%).

## Savings

Credit union savings balances declined 0.2% in April, compared to a 2.6% increase in March. One-year certificates led savings growth, rising 0.6%, followed by share drafts (0.4%), individual retirement accounts (0.2%), and money market accounts (0.1%). On the decline during the month were regular shares (-1.3%).

## Asset quality

Credit unions' 60+ day delinquency increased from 0.7% in March to 0.8% in April.

## Liquidity

The loan-to-savings ratio increased from 78.5% in March to 79.3% in April. The liquidity ratio (the ratio of surplus funds maturing in less than one year to borrowings plus other liabilities) declined from 17.1% in March to 16.6% in April.

## Memberships

Total credit union memberships grew 0.4% during April to 111.2 million.

## Capital

The movement's overall capital-to-asset ratio remained at 10.4% during April. The total dollar amount of capital increased 1.2% to $144.3 billion.

| Period | YTD Growth | | YTD Interest Rate Averages | | |
|---|---|---|---|---|---|
| | | | Long-term | Short-term | Difference |
| | Loans | Savings | 10-yr. Treasury | Federal Funds Rate | (Long-Short) |
| Apr '17 | 3.6% | 4.2% | 2.41% | 0.75% | 1.66% |
| Apr '16 | 2.4% | 4.3% | 0.00% | 0.00% | 0.00% |
| Apr '15 | 2.4% | 3.4% | 1.96% | 0.11% | 1.85% |
| Apr '14 | 2.1% | 3.0% | 2.75% | 0.08% | 2.67% |
| Apr '13 | 0.9% | 3.1% | 1.90% | 0.15% | 1.76% |

Sources: FDIC, NCUA and CUNA.

# National Credit Union Trends – General Overview

### Overview: National Trends

| | U.S. | U.S. Credit Unions | | | | | |
|---|---|---|---|---|---|---|---|
| **Demographic Information** | **Mar 2017** | **2016** | **2015** | **2014** | **2013** | **2012** | **2011** |
| Number of CUs | 5,857 | 5,906 | 6,143 | 6,398 | 6,680 | 6,956 | 7,236 |
| Assets per CU ($ mil) | 231.4 | 221.7 | 198.5 | 177.6 | 161.0 | 148.8 | 134.6 |
| Median assets ($ mil) | 30.3 | 29.1 | 26.8 | 24.5 | 22.7 | 21.1 | 19.2 |
| Total assets ($ bil) | 1,355 | 1,309 | 1,219 | 1,136 | 1,075 | 1,035 | 974 |
| Total loans ($ bil) | 900 | 884 | 799 | 723 | 655 | 610 | 582 |
| Total surplus funds ($ bil) | 402 | 372 | 372 | 366 | 378 | 386 | 357 |
| Total savings ($ bil) | 1,153 | 1,107 | 1,029 | 963 | 922 | 890 | 839 |
| Total memberships (thousands) | 109,382 | 108,237 | 103,992 | 100,512 | 97,449 | 95,058 | 93,108 |
| **Growth Rates (%)** | | | | | | | |
| Total assets | 7.9 | 7.4 | 7.3 | 5.7 | 3.9 | 6.2 | 5.1 |
| Total loans | 10.8 | 10.6 | 10.5 | 10.4 | 7.3 | 4.8 | 1.2 |
| Total surplus funds | 2.9 | 0.0 | 1.6 | -3.1 | -2.1 | 8.3 | 12.3 |
| Total savings | 8.4 | 7.6 | 6.8 | 4.5 | 3.6 | 6.1 | 5.2 |
| Total memberships | 4.2 | 4.1 | 3.5 | 3.1 | 2.5 | 2.1 | 1.5 |
| *% CUs with increasing assets* | 76.8 | 73.8 | 73.9 | 65.6 | 63.7 | 75.5 | 71.3 |
| **Earnings - Basis Pts.** | | | | | | | |
| Yield on total assets | 341 | 340 | 336 | 336 | 336 | 362 | 405 |
| Dividend/interest cost of assets | 52 | 52 | 52 | 54 | 59 | 72 | 92 |
| Net interest margin | 289 | 287 | 285 | 283 | 278 | 290 | 312 |
| Fee & other income * | 128 | 139 | 136 | 134 | 140 | 145 | 131 |
| Operating expense | 304 | 310 | 311 | 310 | 314 | 322 | 344 |
| Loss Provisions | 42 | 40 | 34 | 28 | 26 | 35 | 50 |
| Net Income (ROA) with Stab Exp | 71 | 76 | 75 | 80 | 77 | 78 | 50 |
| Net Income (ROA) without Stab Exp | 71 | 76 | 75 | 80 | 83 | 84 | 68 |
| *% CUs with positive ROA* | 77.6 | 80.6 | 79.2 | 77.7 | 75.7 | 74.5 | 69.4 |
| **Capital Adequacy (%)** | | | | | | | |
| Net worth/assets | 10.7 | 10.9 | 10.9 | 11.0 | 10.8 | 10.4 | 10.2 |
| *% CUs with NW > 7% of assets* | 96.8 | 97.6 | 97.6 | 97.7 | 97.1 | 96.3 | 95.2 |
| **Asset Quality** | | | | | | | |
| Delinquencies (60+ day $)/loans (%) | 0.68 | 0.83 | 0.81 | 0.85 | 1.01 | 1.15 | 1.60 |
| Net chargeoffs/average loans (%) | 0.58 | 0.55 | 0.48 | 0.49 | 0.57 | 0.73 | 0.91 |
| Total borrower-bankruptcies | 218,568 | 160,694 | 166,474 | 169,396 | 185,432 | 225,987 | 278,429 |
| Bankruptcies per CU | 37.3 | 27.2 | 27.1 | 26.5 | 27.8 | 32.5 | 38.5 |
| Bankruptcies per 1000 members | 2.0 | 1.5 | 1.6 | 1.7 | 1.9 | 2.4 | 3.0 |
| **Asset/Liability Management** | | | | | | | |
| Loans/savings | 78.0 | 79.8 | 77.7 | 75.1 | 71.0 | 68.6 | 69.4 |
| Loans/assets | 66.4 | 67.5 | 65.6 | 63.7 | 60.9 | 59.0 | 59.8 |
| Net Long-term assets/assets | 33.1 | 33.0 | 32.8 | 33.7 | 36.0 | 33.0 | 32.5 |
| Liquid assets/assets | 14.9 | 13.5 | 13.5 | 13.7 | 14.9 | 17.5 | 17.3 |
| Core deposits/shares & borrowings | 50.5 | 49.4 | 48.7 | 46.9 | 45.2 | 43.6 | 41.3 |
| **Productivity** | | | | | | | |
| Members/potential members (%) | 4 | 4 | 5 | 5 | 5 | 6 | 6 |
| Borrowers/members (%) | 56 | 57 | 56 | 54 | 52 | 51 | 50 |
| Members/FTE | 385 | 385 | 384 | 385 | 384 | 385 | 388 |
| Average shares/member ($) | 10,544 | 10,229 | 9,896 | 9,582 | 9,462 | 9,358 | 9,006 |
| Average loan balance ($) | 14,580 | 14,275 | 13,770 | 13,261 | 12,870 | 12,690 | 12,576 |
| Employees per million in assets | 0.21 | 0.21 | 0.22 | 0.23 | 0.24 | 0.24 | 0.25 |
| **Structure (%)** | | | | | | | |
| Fed CUs w/ single-sponsor | 12.0 | 12.1 | 12.4 | 12.5 | 12.9 | 13.1 | 13.4 |
| Fed CUs w/ community charter | 17.8 | 17.7 | 17.5 | 17.4 | 16.9 | 16.5 | 16.1 |
| Other Fed CUs | 31.4 | 31.3 | 31.4 | 31.5 | 31.6 | 31.8 | 32.0 |
| CUs state chartered | 38.8 | 38.9 | 38.8 | 38.7 | 38.6 | 38.6 | 38.6 |

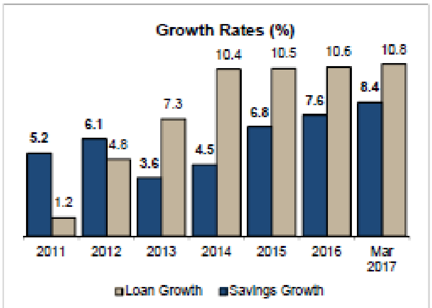
*Earnings, net chargeoffs, and bankruptcies are year-to-date numbers annualized. Due to significant seasonal variation, balance sheet growth rates are for the trailing 12 months. US Totals include only credit unions that are released on the NCUA 5300 Call Report file.*

*Source: NCUA and CUNA E&S.*

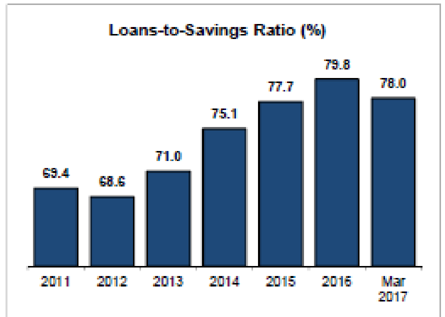
- Key Observations:
- Number of institutions is declining
- Balance sheets are growing
- Asset quality continues to improve but for how long?
- Institutions are becoming more leveraged with less liquidity
- Yet margins are declining

# Credit Union Overview – Graphical Trends

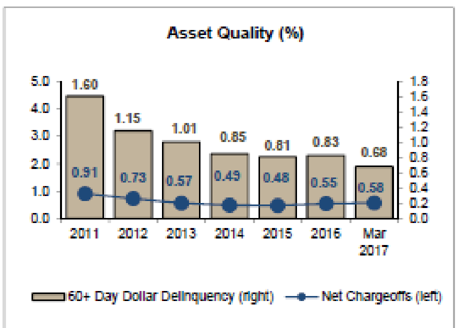
### Loan and Savings Growth Trends



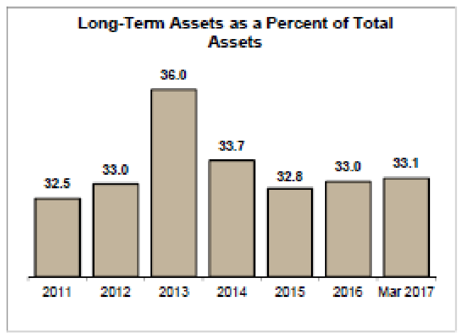

### Liquidity Trends



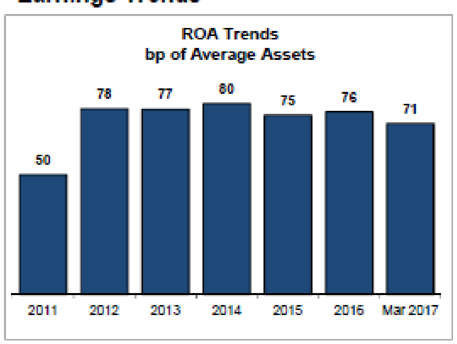

### Credit Risk Trends



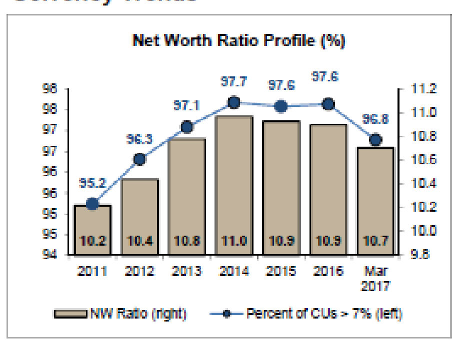

### Interest Rate Risk Trends




### Earnings Trends




### Solvency Trends

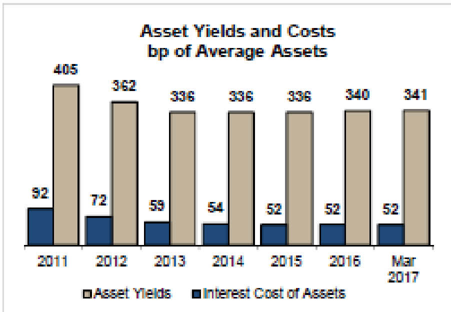



- <u>Key Observations:</u>
- Very steady growth
- What are the risk factors for credit quality going forward?
- How are institutions positioned for rising rates?
- How will institutions improve earnings?

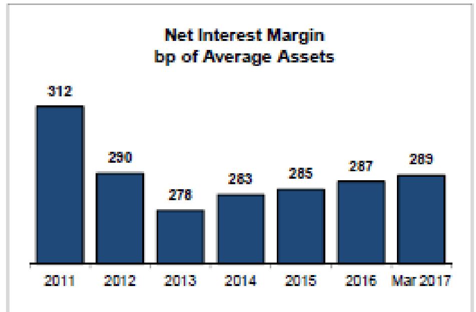
Sources: FDIC, NCUA and CUNA.

# Welcome to Risk Based Capital

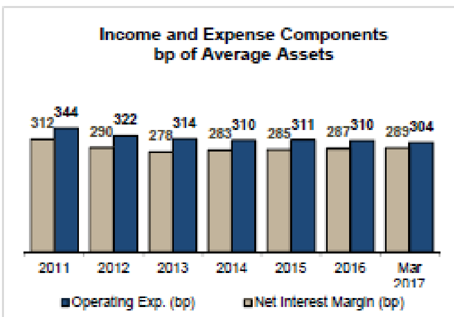
### Asset Yields and Funding Costs



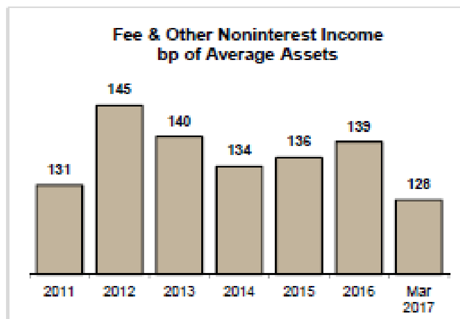

### Interest Margins



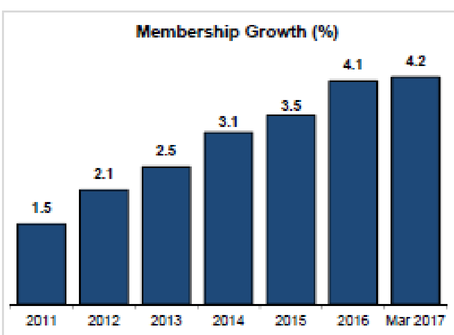

### Interest Margins & Overhead



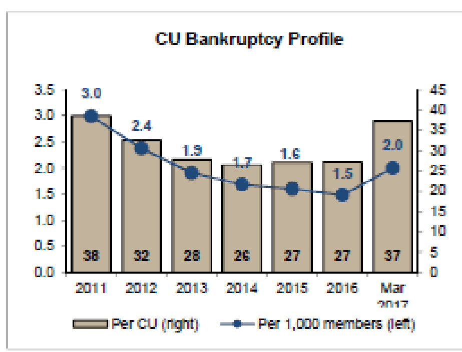

### Noninterest Income




### Membership Growth Trends




### Borrower Bankruptcies




- Key Observations:
- Margins are tight
- Consumers continue to seek credit union membership
- Fee income continues to be important
- How will interest costs respond to rising rates?

Sources: FDIC, NCUA and CUNA.

# National Results By Assets Size

**Overview: National Results by Asset Size**

| | U.S. | All U.S. Credit Unions Asset Groups - 2017 | | | | | | |
|---|---|---|---|---|---|---|---|---|
| **Demographic Information** | **Mar 2017** | **< $20Mil** | **$20-$50** | **$50-$100** | **$100-$250** | **$250-$500** | **$500-$1B** | **> $1 Bil** |
| Number of CUs | 5,857 | 2,405 | 1,093 | 754 | 732 | 346 | 246 | 281 |
| Assets per CU ($ mil) | 231.4 | 7.5 | 32.1 | 71.4 | 159.4 | 358.0 | 707.6 | 2,966.1 |
| Median assets ($ mil) | 30.3 | 6.3 | 30.8 | 70.4 | 151.6 | 347.5 | 685.4 | 1,743.2 |
| Total assets ($ bil) | 1,355 | 18 | 35 | 54 | 117 | 124 | 174 | 833 |
| Total loans ($ bil) | 900 | 8 | 17 | 29 | 71 | 79 | 119 | 575 |
| Total surplus funds ($ bil) | 402 | 9 | 17 | 22 | 40 | 38 | 47 | 230 |
| Total savings ($ bil) | 1,153 | 154 | 31 | 47 | 103 | 108 | 150 | 699 |
| Total memberships (thousands) | 109,382 | 2,865 | 4,137 | 5,821 | 11,411 | 11,462 | 14,347 | 59,338 |
| **Growth Rates (%)** | | | | | | | | |
| Total assets | 7.9 | 2.3 | 4.1 | 4.9 | 5.6 | 7.0 | 7.8 | 9.7 |
| Total loans | 10.8 | 2.5 | 4.9 | 6.2 | 7.6 | 9.3 | 10.5 | 12.7 |
| Total surplus funds | 2.9 | 2.2 | 3.1 | 3.2 | 2.3 | 2.7 | 1.4 | 4.3 |
| Total savings | 8.4 | 2.5 | 4.3 | 5.2 | 5.8 | 7.2 | 7.7 | 10.5 |
| Total memberships | 4.2 | -1.7 | -0.4 | 0.9 | 1.4 | 3.1 | 3.6 | 7.2 |
| *% CUs with increasing assets* | 76.8 | 59.0 | 82.1 | 87.4 | 91.8 | 97.1 | 97.2 | 99.3 |
| **Earnings - Basis Pts.** | | | | | | | | |
| Yield on total assets | 341 | 342 | 325 | 331 | 341 | 340 | 343 | 342 |
| Dividend/interest cost of assets | 52 | 29 | 28 | 30 | 35 | 39 | 42 | 61 |
| Net interest margin | 289 | 312 | 297 | 301 | 307 | 301 | 301 | 281 |
| Fee & other income * | 128 | 81 | 103 | 123 | 133 | 143 | 142 | 125 |
| Operating expense | 304 | 358 | 348 | 360 | 365 | 357 | 345 | 273 |
| Loss Provisions | 42 | 24 | 21 | 25 | 30 | 35 | 45 | 46 |
| Net Income (ROA) with Stab Exp | 71 | 12 | 31 | 39 | 44 | 51 | 54 | 87 |
| Net Income (ROA) without Stab Exp | 71 | 12 | 31 | 39 | 44 | 51 | 54 | 87 |
| *% CUs with positive ROA* | 77.6 | 64.6 | 78.6 | 85.8 | 87.8 | 95.7 | 94.7 | 98.9 |
| **Capital Adequacy (%)** | | | | | | | | |
| Net worth/assets | 10.7 | 13.8 | 11.8 | 11.2 | 10.7 | 10.7 | 10.7 | 10.6 |
| *% CUs with NW > 7% of assets* | 96.8 | 96.1 | 95.7 | 96.9 | 97.4 | 99.1 | 99.6 | 99.3 |
| **Asset Quality** | | | | | | | | |
| Delinquencies (60+ day $)/loans (%) | 0.68 | 1.41 | 1.02 | 0.91 | 0.85 | 0.68 | 0.63 | 0.64 |
| Net chargeoffs/average loans (%) | 0.58 | 0.53 | 0.47 | 0.49 | 0.51 | 0.54 | 0.63 | 0.59 |
| Total borrower-bankruptcies | 218,568 | 5,796 | 10,888 | 10,976 | 21,364 | 24,160 | 29,792 | 115,592 |
| Bankruptcies per CU | 37.3 | 2.4 | 10.0 | 14.6 | 29.2 | 69.8 | 121.1 | 411.4 |
| Bankruptcies per 1000 members | 2.0 | 2.0 | 2.6 | 1.9 | 1.9 | 2.1 | 2.1 | 1.9 |
| **Asset/Liability Management (%)** | | | | | | | | |
| Loans/savings | 78.0 | 54.5 | 56.5 | 61.7 | 69.6 | 73.3 | 79.4 | 82.3 |
| Loans/assets | 66.4 | 46.8 | 49.5 | 54.3 | 61.2 | 63.9 | 68.4 | 69.0 |
| Net Long-term assets/assets | 33.1 | 13.4 | 21.1 | 25.8 | 29.8 | 32.9 | 34.5 | 34.8 |
| Liquid assets/assets | 14.9 | 29.4 | 24.7 | 21.3 | 17.8 | 15.2 | 13.6 | 13.5 |
| Core deposits/shares & borrowings | 50.5 | 78.9 | 68.9 | 64.1 | 58.9 | 56.4 | 52.9 | 45.5 |
| **Productivity** | | | | | | | | |
| Members/potential members (%) | 4 | 6 | 3 | 3 | 3 | 4 | 3 | 5 |
| Borrowers/members (%) | 56 | 40 | 46 | 50 | 52 | 53 | 56 | 60 |
| Members/FTE | 385 | 423 | 409 | 375 | 344 | 348 | 342 | 413 |
| Average shares/member ($) | 10,544 | 5,372 | 7,446 | 8,145 | 8,996 | 9,427 | 10,452 | 11,781 |
| Average loan balance ($) | 14,580 | 7,324 | 9,115 | 10,084 | 12,109 | 12,951 | 14,795 | 16,109 |
| Employees per million in assets | 0.21 | 0.38 | 0.29 | 0.29 | 0.28 | 0.27 | 0.24 | 0.17 |
| **Structure (%)** | | | | | | | | |
| Fed CUs w/ single-sponsor | 12.0 | 22.7 | 8.4 | 3.3 | 2.9 | 2.3 | 2.8 | 2.1 |
| Fed CUs w/ community charter | 17.8 | 9.1 | 21.0 | 25.9 | 31.6 | 27.2 | 17.5 | 10.7 |
| Other Fed CUs | 31.4 | 36.0 | 32.8 | 29.3 | 23.4 | 22.3 | 22.8 | 31.7 |
| CUs state chartered | 38.8 | 32.2 | 37.9 | 41.5 | 42.2 | 48.3 | 56.9 | 55.5 |

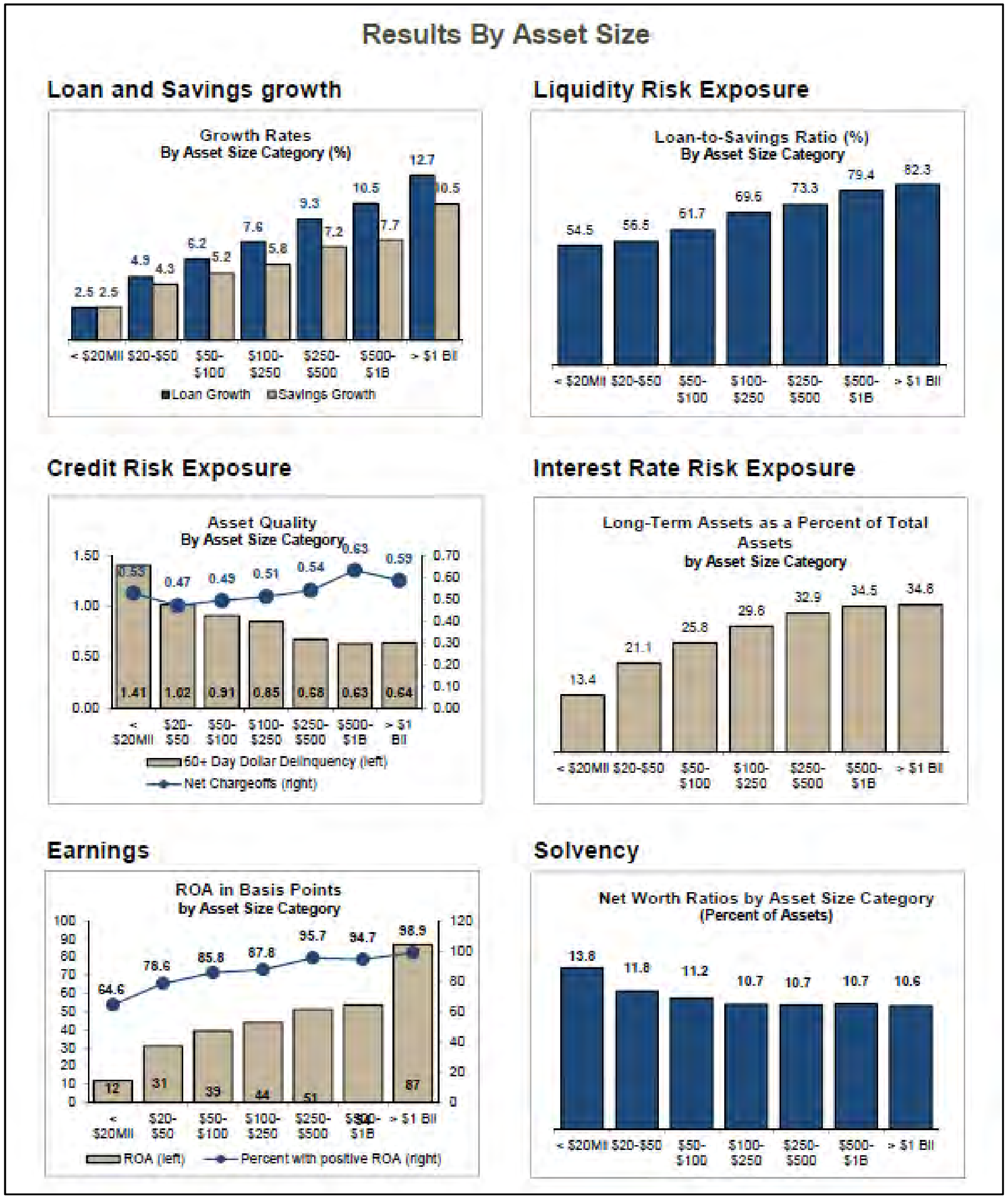
*Earnings, net chargeoffs, and bankruptcies are year-to-date numbers annualized. Due to significant seasonal variation, balance sheet growth rates are for the trailing 12 months. US Totals include only credit unions that are released on the NCUA 5300 Call Report file.*

*Source: NCUA and CUNA E&S.*

- <u>Key Observations:</u>
- Most credit unions are less $200 million
- Yet CUs >$1B control large majority of assets
- ROA improves with asset size
- All assets sizes are >10% net worth ratio

Sources: FDIC, NCUA and CUNA.

# First Quarter 2017 – Results By Asset Size




- <u>Key Observations:</u>
- All categories go up by asset size
- Bigger institutions grow faster, have higher liquidity risk exposure, better credit profiles, more interest rate risk exposure, more earnings and less solvency
- ROA trends upwards but still strong across the board

Sources: FDIC, NCUA and CUNA.

# Credit Union / Bank Comparison

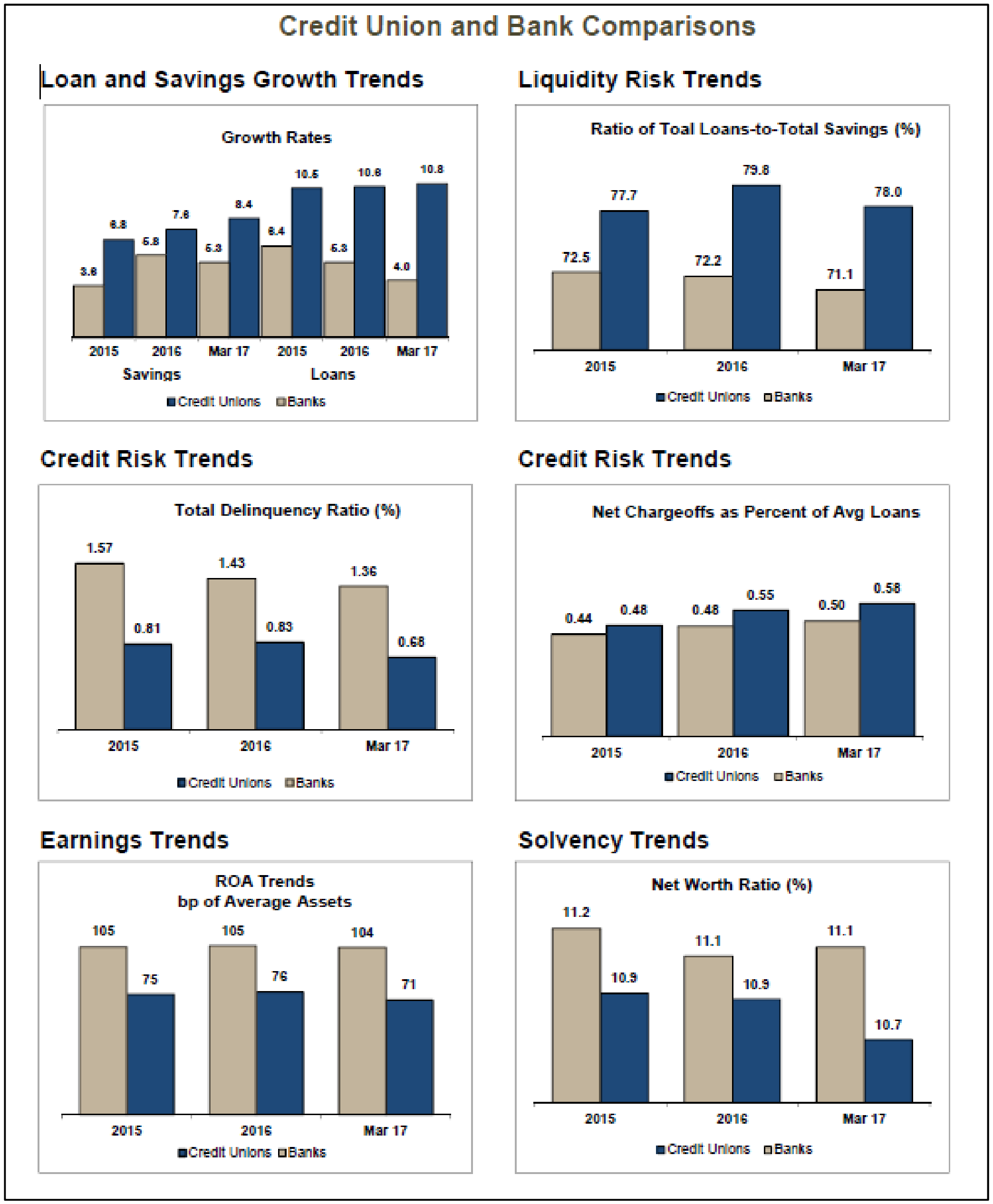
## U.S. Bank Comparisons

| | Credit Unions | | | | Banks | | | |
|---|---|---|---|---|---|---|---|---|
| **Demographic Information** | **Mar 17** | **2016** | **2015** | **3 Yr Avg** | **Mar 17** | **2016** | **2015** | **3 Yr Avg** |
| Number of Institutions | 5,857 | 5,903 | 6,138 | 5,966 | 5,855 | 5,912 | 6,180 | 5,982 |
| Assets per Institution ($ mil) | 231 | 222 | 199 | 217 | 2,898 | 2,838 | 2,584 | 2,773 |
| Total assets ($ mil) | 1,355,024 | 1,309,138 | 1,219,213 | 1,294,458 | 16,965,633 | 16,780,076 | 15,967,757 | 16,571,155 |
| Total loans ($ mil) | 899,765 | 883,761 | 799,268 | 860,931 | 9,297,126 | 9,305,313 | 8,839,504 | 9,147,314 |
| Total surplus funds ($ mil) | 402,264 | 372,138 | 372,170 | 382,191 | 5,930,685 | 5,769,872 | 5,475,856 | 5,725,471 |
| Total savings ($ mil) | 1,153,307 | 1,107,119 | 1,029,082 | 1,096,502 | 13,083,669 | 12,894,600 | 12,189,721 | 12,722,663 |
| Avg number of branches (1) | 4 | 3 | 3 | 3 | 16 | 16 | 15 | 16 |
| **12 Month Growth Rates (%)** | | | | | | | | |
| Total assets | 7.9 | 7.4 | 7.3 | 7.5 | 4.1 | 5.1 | 2.7 | 4.0 |
| Total loans | 10.8 | 10.6 | 10.5 | 10.6 | 4.0 | 5.3 | 6.4 | 5.2 |
| Real estate loans | 9.1 | 8.6 | 8.9 | 8.9 | 4.7 | 5.2 | 4.9 | 4.9 |
| Commercial loans | 15.0 | 14.4 | 12.4 | 13.9 | 2.5 | 5.1 | 7.4 | 5.0 |
| Total consumer | 11.9 | 12.2 | 12.1 | 12.1 | 4.8 | 6.1 | 5.6 | 5.5 |
| Consumer credit card | 7.8 | 7.9 | 6.1 | 7.3 | 4.5 | 5.7 | 5.3 | 5.2 |
| Other consumer | 12.6 | 13.0 | 13.1 | 12.9 | 5.1 | 6.5 | 6.0 | 5.9 |
| Total surplus funds | 2.9 | 0.0 | 1.6 | 1.5 | 5.1 | 5.4 | -0.4 | 3.3 |
| Total savings | 8.4 | 7.6 | 6.8 | 7.6 | 5.3 | 5.8 | 3.6 | 4.9 |
| **YTD Earnings Annualized (BP)** | | | | | | | | |
| Yield on Total Assets | 341 | 340 | 336 | 339 | 324 | 317 | 306 | 316 |
| Dividend/Interest cost of assets | 52 | 52 | 52 | 52 | 37 | 33 | 30 | 33 |
| Net Interest Margin | 289 | 287 | 285 | 287 | 287 | 283 | 276 | 282 |
| Fee and other income (2) | 128 | 139 | 136 | 134 | 150 | 157 | 164 | 157 |
| Operating expense | 304 | 310 | 311 | 308 | 304 | 306 | 312 | 307 |
| Loss provisions | 42 | 40 | 34 | 39 | 29 | 29 | 24 | 27 |
| Net income | 71 | 76 | 75 | 74 | 104 | 105 | 105 | 105 |
| **Capital Adequacy (%)** | | | | | | | | |
| Net worth/assets | 10.7 | 10.9 | 10.9 | 10.8 | 11.1 | 11.1 | 11.2 | 11.2 |
| **Asset Quality (%)** | | | | | | | | |
| Delinquencies/loans (3) | 0.68 | 0.83 | 0.81 | 0.77 | 1.36 | 1.43 | 1.57 | 1.45 |
| Real estate loans | 0.46 | 0.63 | 0.75 | 0.61 | 1.82 | 1.95 | 2.48 | 2.09 |
| Consumer loans | 1.52 | 1.49 | 1.06 | 1.36 | 1.21 | 1.27 | 0.78 | 1.08 |
| Total consumer | 0.79 | 0.93 | 0.83 | 0.85 | 0.91 | 0.92 | 0.85 | 0.89 |
| Consumer credit card | 1.09 | 1.14 | 1.00 | 1.08 | 1.32 | 1.27 | 1.15 | 1.24 |
| Other consumer | 0.74 | 0.89 | 0.81 | 0.81 | 0.52 | 0.56 | 0.54 | 0.54 |
| Net chargeoffs/avg loans | 0.58 | 0.55 | 0.48 | 0.54 | 0.50 | 0.48 | 0.44 | 0.47 |
| Real estate loans | 0.03 | 0.05 | 0.09 | 0.06 | 0.04 | 0.06 | 0.13 | 0.08 |
| Commercial loans | 0.30 | 0.48 | 0.14 | 0.31 | 0.32 | 0.45 | 0.26 | 0.35 |
| Total consumer | 1.25 | 1.14 | 1.02 | 1.14 | 2.34 | 1.95 | 1.77 | 2.02 |
| Consumer credit card | 2.56 | 2.20 | 1.97 | 2.25 | 3.63 | 3.08 | 2.83 | 3.18 |
| Other consumer | 1.04 | 0.96 | 0.85 | 0.95 | 1.07 | 0.79 | 0.69 | 0.85 |
| **Asset Liability Management (%)** | | | | | | | | |
| Loans/savings | 78.0 | 79.8 | 77.7 | 78.5 | 71.1 | 72.2 | 72.5 | 71.9 |
| Loans/assets | 66.4 | 67.5 | 65.6 | 66.5 | 54.1 | 54.7 | 54.6 | 54.5 |
| Core deposits/total deposits | 51.2 | 50.2 | 49.5 | 50.3 | 37.6 | 37.2 | 34.4 | 36.4 |
| **Productivity** | | | | | | | | |
| Employees per million assets | 0.21 | 0.21 | 0.22 | 0.22 | 0.12 | 0.12 | 0.13 | 0.12 |

*Source: FDIC, NCUA and CUNA E&S*

- <u>Key Observations:</u>
- There are more credit unions than banks (barely)
- Yet significantly less assets
- Much lower number of branches per CU, surprising
- CUs are growing faster (much faster)
- Asset quality is weaker at banks
- CUs have more employees

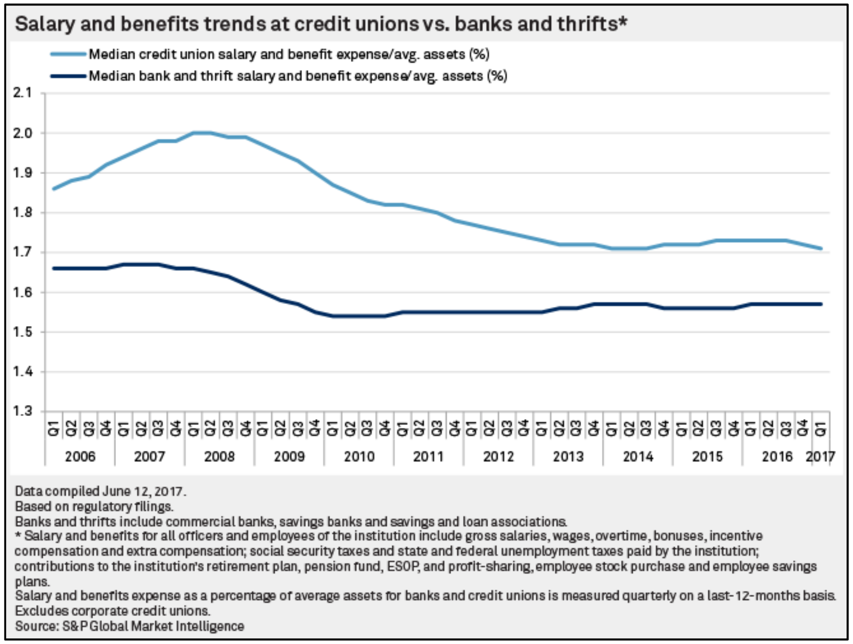
# Credit Union / Bank Comparison

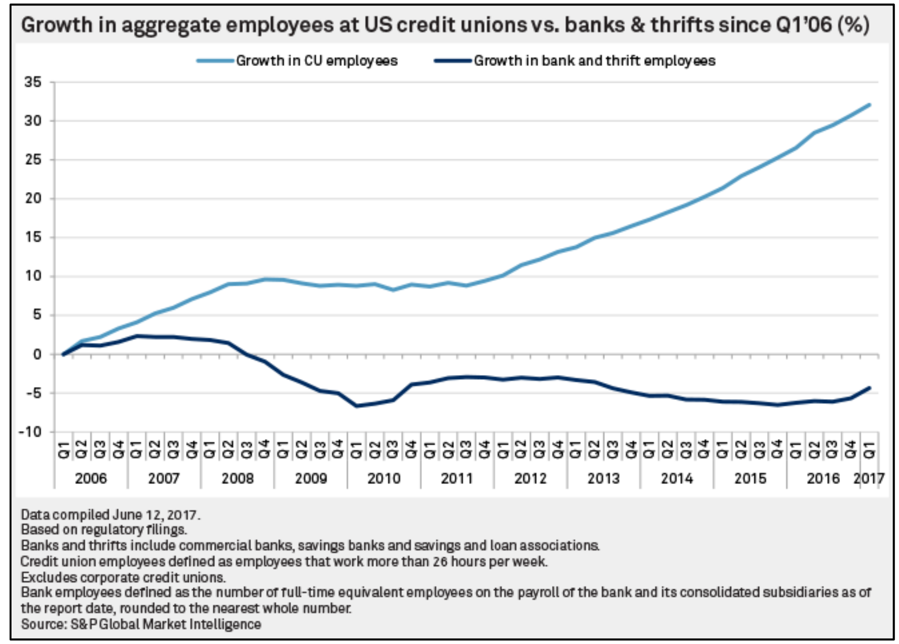



- <u>Key Observations:</u>
- Significant gap between growth rates at banks and credit unions
- Charge offs are the same but more delinquencies at bank (more risk?)
- Banks are more profitable

Sources: FDIC, NCUA and CUNA.

# Employee Trends




- Key Observations:
- Employees are gravitating toward credit unions – attracting talent?
- Expenses are declining at both

# II. Risk Based Capital

## Welcome to Risk Based Capital

**What is the Risk-Based Capital Rule?**

It is a finalized rule from NCUA that would require a second, complex calculation of the capital level of a credit union. Unlike the simple leverage ratio (net worth to assets), this new ratio involves many variables to be factored in the calculation.

**What effect does the final RBC rule have on credit unions?**

To be considered well-capitalized by the NCUA, credit unions will have to have a minimum RBC ratio of 10.5%, as well as a net worth to assets ratio of 7%. If credit unions fall below either one of these, they may be subject to regulatory action to improve the ratio which is deemed too low.

**What is the main concern with the RBC rule amongst credit unions?**

While the concept seems straightforward, these decisions made locally cannot be "scaled up" to a single national formula appropriate for every credit union. One commentator stated, "It's obvious that neither man nor model can adequately assess a given asset's risk under all circumstances before the fact." Or said more succinctly: One size does not fit all.

***It will also fundamentally change the way every credit union thinks about capital and superimpose a financial screen on every asset a credit union might consider holding, especially loans. As such, it will mean reduced value for members and impose bank-like thinking when offering products and services.***

# Financial Impact of Risk Based Capital

- Historically – a credit union's capital position was a function of earnings and size
- Now capital position should demonstrate risk within the CU
- Highest risk weighted assets – equity investments, noncurrent loans, real estate loans > 20% assets and commercial loans >20% assets
- Lowest risk weighted assets – government securities, share secure loans

| Capital Ratio Analysis | | |
|---|---|---|
| | CU #1 | CU #2 |
| Net Worth | 21,000 | 21,000 |
| Total Assets | 250,000 | 250,000 |
| Net Worth Ratio | 8.4% | 8.4% |
| Risk Based Capital | 21,000 | 21,000 |
| Risk Weight Assets | 200,000 | 230,000 |
| RBC Ratio | 10.5% | 9.1% |

CU# 2 is deemed riskier despite the same net worth

# Strategic Implications for All Credit Unions

- Should help the NCUA identify riskier institutions and provide better guidance as to which CUs may be in a position of weakness
- Allows regulators to get comfortable with diverse loan books – no longer does a CU just do auto or residential loans
- Should protect stronger credit unions from paying higher NCUA insurance fees since the new capital analysis will prevent failures
- More sophisticated regulations should protect both consumers and members
- Will create a systematic shift in 2019 – who is prepared, who will be caught in a weak capital spot and could force some mergers
- This is a capital analysis similar to banks
- Does it pave the way for robust commercial lending in the industry?
- Does it pave the way for 3rd party investment in the credit union industry?

# III. Balance Sheet Management – Whole Loan Sales

## Whole Loan Sales

- Whole loan trading volume continues to grow for residential mortgage, small balance commercial and consumer loans
- Loan portfolio sales amongst banks, credit union, lending institutions, principal real estate companies, insurance companies and money managers
- Buyers and sellers include financial institutions of all sizes
- Increasing amount of volume over the last 3 years
- Most trades happen through brokers and generally trade at a premium
- Management of risk exposure
- Nothing in banking happens quickly

# Reasons to Pursue Whole Loan Sales

- **Reasons to Sell Loans:**
  - Concentration issues related to CRE and increased regulatory scrutiny
  - Robust origination platforms that generate more loans than a bank can hold on balance sheet
  - Acquired undesired loans in a merger transaction
  - Not enough capital on the balance sheet and inability to access capital
  - Exit a market that may not be performing up to expectation or outside of existing footprint
  - Clean up the portfolio in anticipation of a sale of the Company
  - Generate fee income

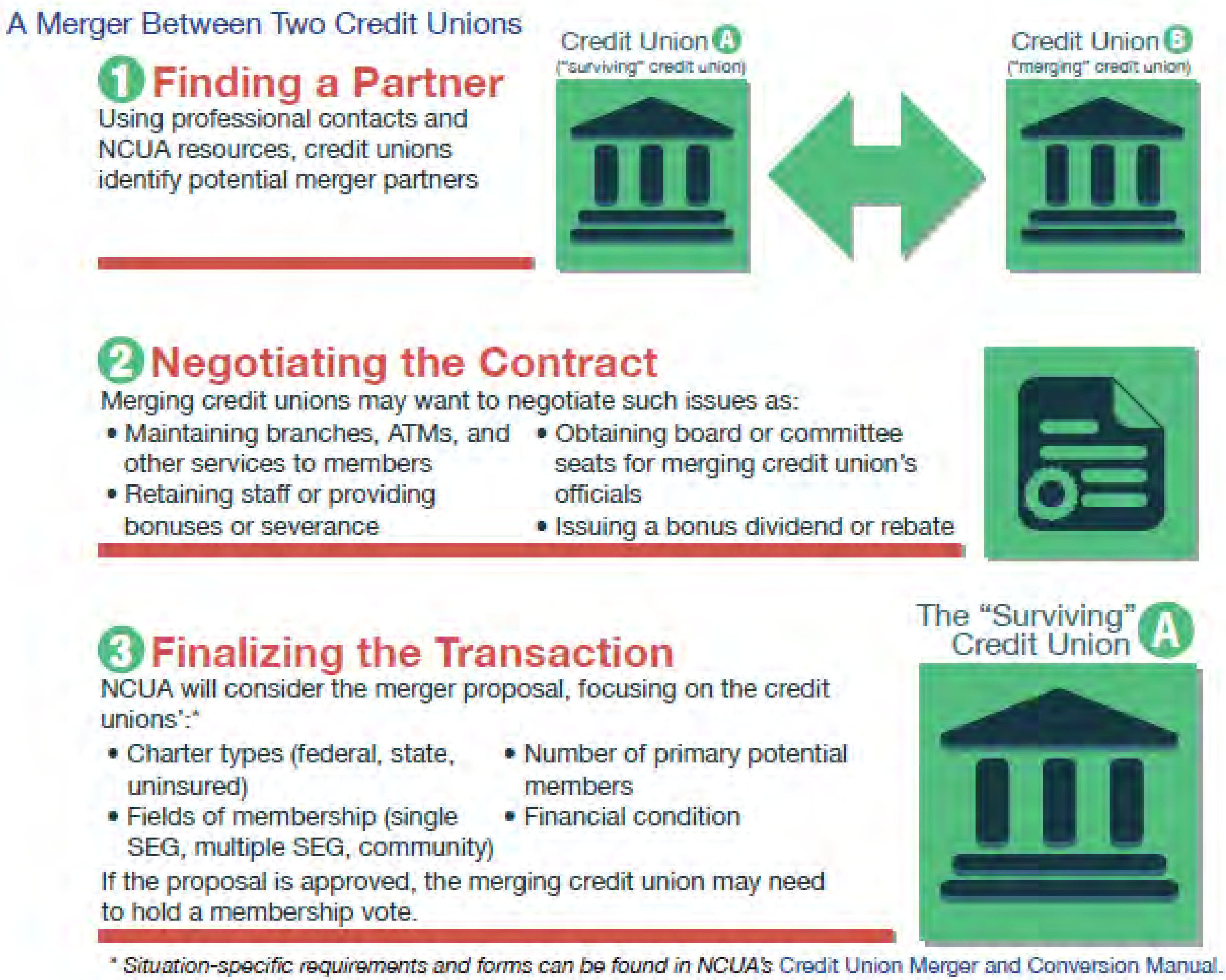
- **Reasons to Buy Loans:**
  - Low loan demand and low-loan-to-deposit ratios
  - Enhanced yield targets may be achieved through purchasing loans rather than incurring the cost of origination (i.e. mortgage)
  - Excess capital that needs to be leveraged
  - Entrance into a new market
  - Diversification

# Examples of Whole Loan Sales

| Loan Type | Seller State | Buyer State | Trade Amount |
|---|---|---|---|
| Residential Jumbo ARMs | WA | TX | 9,500,000 |
| Construction Loan Participation | CA | CA | 3,000,000 |
| Residential Second Liens | MD | MI | 4,900,000 |
| Auto Loans | TX | WA | 25,000,000 |
| Residential Jumbo ARMs | NY | GA | 83,000,000 |
| Residential Conforming Loans | OH | IL | 19,200,000 |
| Residential Jumbo ARMs | GA | TX | 12,700,000 |
| CRE Whole Loan | CA | CA | 9,000,000 |
| Residential Conforming Loans | OH | MI | 15,000,000 |
| CRE Participation | MA | NJ | 25,000,000 |
| Residential Mortgage Loans | GA | GA | 11,000,000 |
| Residential Mortgage Loans | GA | GA | 10,000,000 |
| Residential Mortgage Loans | GA | FL | 13,000,000 |
| CRE Whole Loans | CA | CA | 6,000,000 |
| Consumer Solar Loans | UT | GA | 23,000,000 |
| CRE Participation | MA | NJ | 5,000,000 |
| CRE Whole Loan | CA | CA | 6,000,000 |

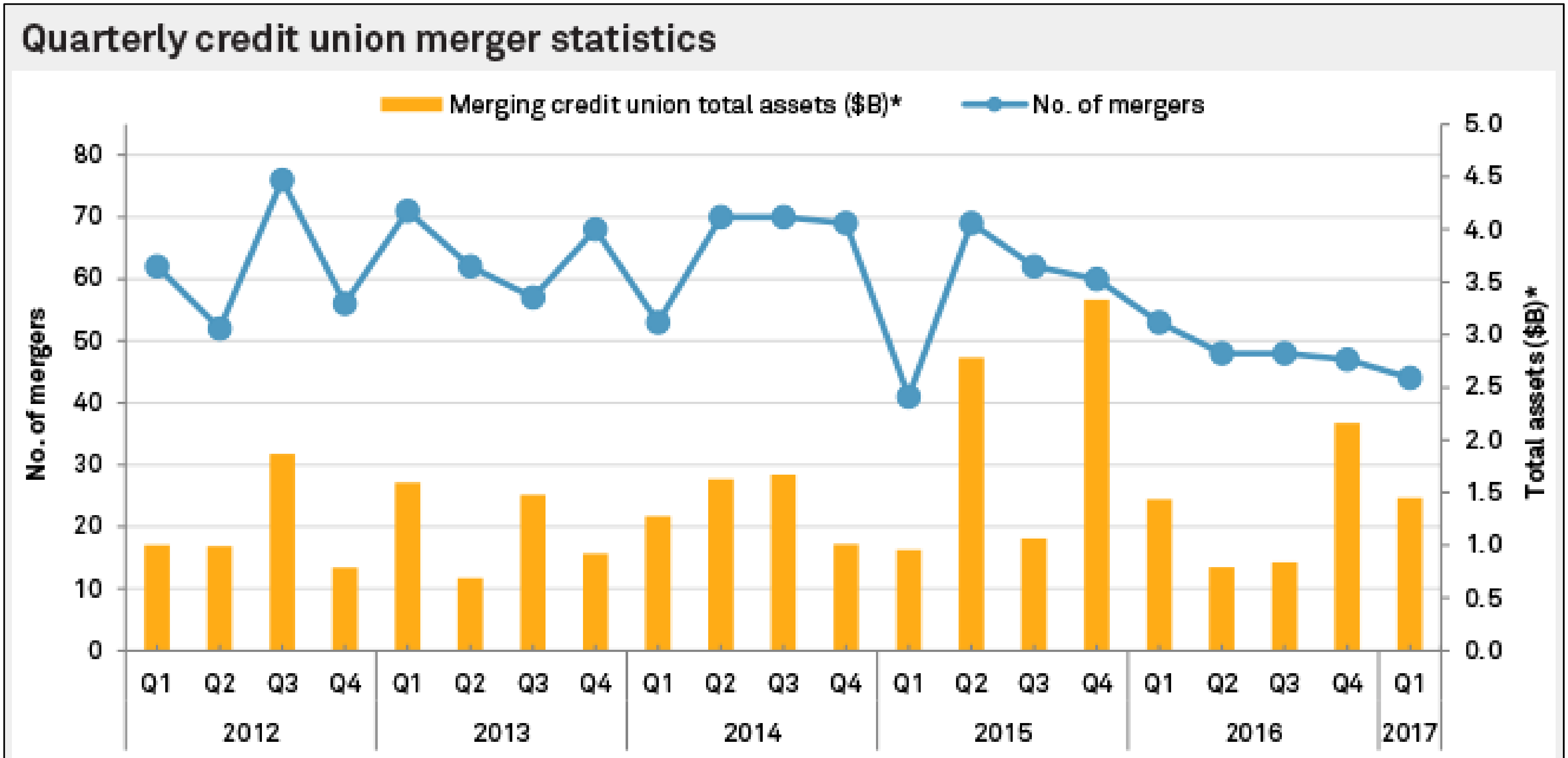
# IV. Credit Union M&A Update

# Highlighted Credit Union Mergers




Source: NCUA

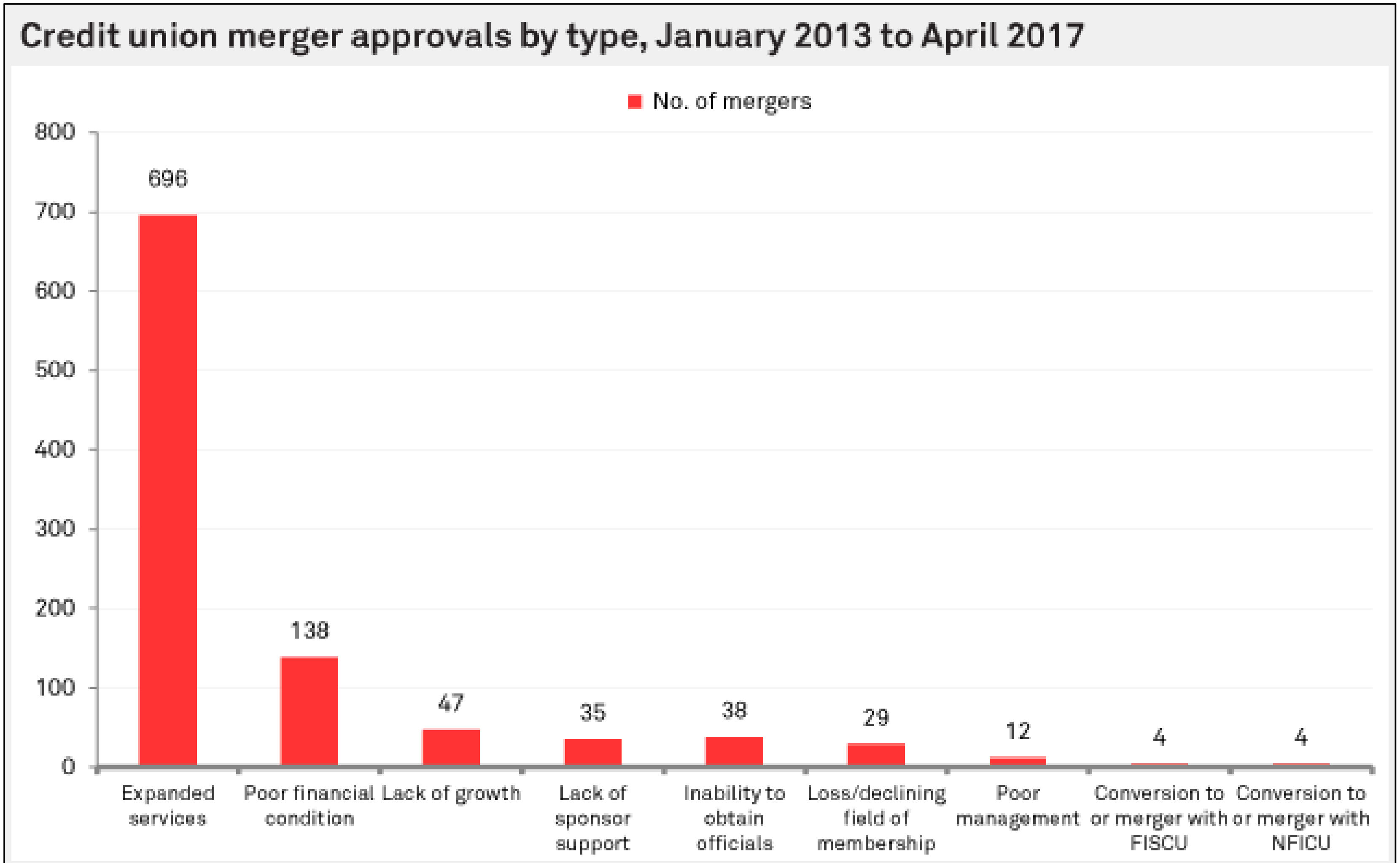
# Recent Credit Union Merger Activity




Data compiled May 3, 2017.
Includes mergers approved from Jan. 1, 2012, through March 31, 2017.
* As of merger approval.
Sources: S&P Global Market Intelligence; National Credit Union Administration

Source: SNL Financial

# Why Do Credit Unions Merger?




Data compiled May 25, 2017.
Analysis includes credit union mergers approved by the NCUA from Jan. 1, 2013, through April 30, 2017.
FISCU = federally insured state-chartered credit union
NFICU = non-federally insured credit union
NCUA = National Credit Union Administration
Source: S&P Global Market Intelligence; NCUA

Source: SNL Financial

# Largest Recent Credit Union Mergers

## Largest credit union mergers

Ranked by merging credit union's total assets

| Surviving credit union | City, state | Total assets ($M)* | Merging credit union | City, state | Total assets ($000)* | Combined assets ($000)^ | Merger approval period |
|---|---|---|---|---|---|---|---|
| **Mergers approved in Q1'17** | | | | | | | |
| Pentagon FCU | Tysons, VA | 20,655.7 | Valor FCU | Scranton, PA | 227.6 | 20,883,276 | January 2017 |
| Northeast CU | Portsmouth, NH | 1,111.4 | Ocean Communities FCU | Biddeford, ME | 169.1 | 1,280,514 | January 2017 |
| Community Choice CU | Farmington Hills, MI | 855.1 | Michigan Community CU | Jackson, MI | 166.8 | 1,021,894 | January 2017 |
| MIDFLORIDA CU | Lakeland, FL | 2,646.8 | Martin FCU | Orlando, FL | 120.0 | 2,766,880 | January 2017 |
| Pentagon FCU | Tysons, VA | 20,655.7 | Augusta Metro FCU | Augusta, GA | 114.8 | 20,770,441 | January 2017 |
| **Mergers approved in 2016** | | | | | | | |
| California CU | Glendale, CA | 1,605.7 | North Island Financial CU | San Diego, CA | 1,245.3 | 2,851,025 | December 2016 |
| Pentagon FCU | Alexandria, VA | 19,460.4 | Belvoir Federal CU | Woodbridge, VA | 324.0 | 19,784,475 | February 2016 |
| Warren FCU | Cheyenne, WY | 573.2 | Community Financial CU | Broomfield, CO | 229.2 | 802,392 | January 2016 |
| Telhio CU | Columbus, OH | 585.5 | Chaco Credit Union Inc. | Hamilton, OH | 180.3 | 765,817 | August 2016 |
| Pentagon FCU | Tysons, VA | 20,655.7 | Miramar FCU | San Diego, CA | 173.6 | 20,829,278 | December 2016 |

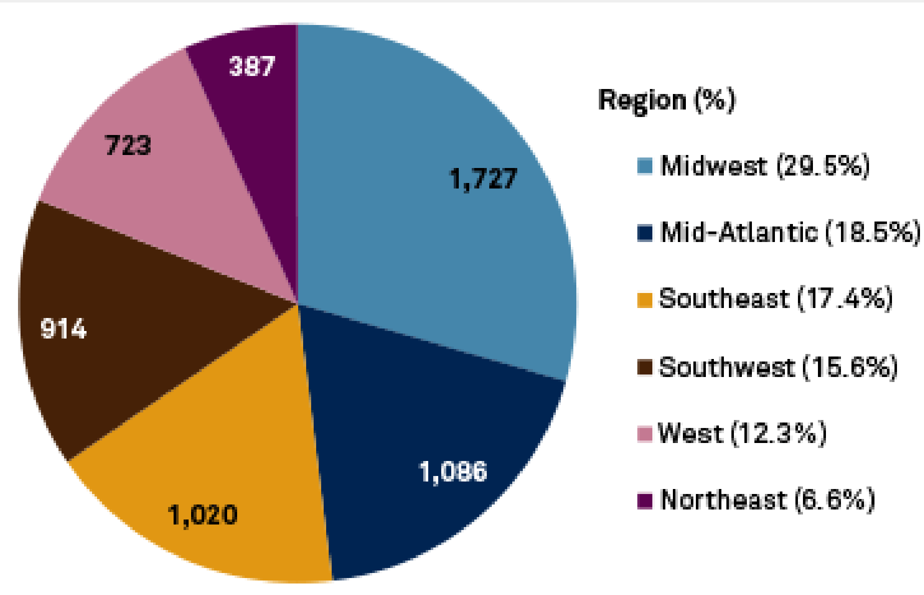
Data compiled May 3, 2017.
* At merger approval.
^ Sum of surviving credit union and merging credit union total assets.
Sources: S&P Global Market Intelligence; National Credit Union Administration

Source: SNL Financial

# Recent Credit Union Merger Activity

## Operating credit unions by region

No. of credit unions




Data compiled May 3, 2017.
Includes operating credit unions as of March 31, 2017, within S&P Global Market Intelligence's coverage.
Sources: S&P Global Market Intelligence

- Midwest largest CU presence and represented in merger activity

## Number of credit union mergers by region

| | 2012 | 2013 | 2014 | 2015 | 2016 | 2017 | Total |
|---|---|---|---|---|---|---|---|
| Midwest | 78 | 88 | 99 | 87 | 52 | 15 | 419 |
| Mid-Atlantic | 45 | 48 | 44 | 44 | 44 | 9 | 234 |
| Southeast | 46 | 34 | 43 | 33 | 33 | 6 | 195 |
| West | 35 | 37 | 34 | 32 | 33 | 2 | 173 |
| Southwest | 25 | 32 | 29 | 21 | 18 | 6 | 131 |
| Northeast | 17 | 19 | 13 | 15 | 16 | 6 | 86 |
| **Total** | **246** | **258** | **262** | **232** | **196** | **44** | **1,238** |

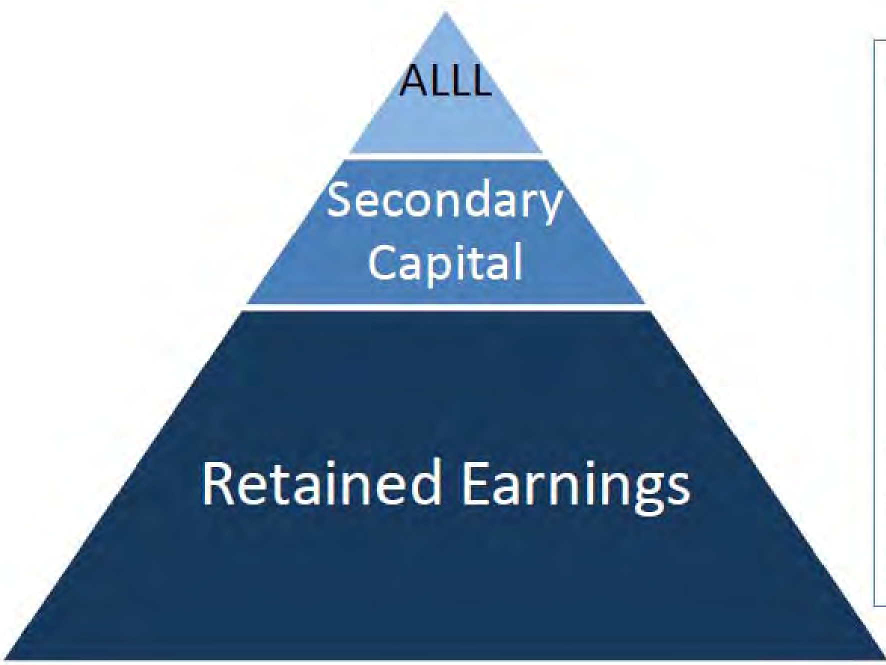
Data compiled May 3, 2017.
Based on merging credit union region.
Sources: S&P Global Market Intelligence; National Credit Union Administration

- Number of mergers has declined since 2014

Source: SNL Financial

# V. Alternative Capital Sources

# Credit Union Capital Structure




No limit on ALLL (RBC %)

No Limit on Secondary Capital – generally not prudent to be primary capital source

No minimum requirement for retained earnings

Total capital of 10% to be well capitalized (RBC %)
Total net worth of 7% of assets to be well capitalized (leverage ratio)

- Capital for credit unions is driven by profitability as retained earnings and ALL are the primary pieces of capital
- Creates a difficult dynamic for credit union – if a CU gets in trouble, it can't raise capital but rather it must merge with a stronger CU or receive help from the NCUA
- No ability to fix itself or improve circumstances quickly **= risk for the industry**

# Alternative Sources of Capital

- Common equity – unlikely to work for credit union and would have to come from members
- Preferred Equity – also unlikely (consider that preferred equity is available to mutual banks which are often compared to credit union in ownership structure)
- Trust Preferred Securities – unlikely since we haven't seen these since the mid-2000s
- Debt Instrument – most likely solution if alternative capital opened up
    - Unlikely to be convertible
    - Must be subordinate to all other forms
    - Uncertainty around all terms (coupon, maturity, etc.) since no precedents
    - Would sacrifice some retained earnings through coupon payment – 6-10%

# Alternative Sources of Capital - Principles

**Cooperative Ownership Structure:**

Alternate capital must have no effect or potential effect on the cooperative ownership structure of credit unions. The ownership of the credit union must remain in the hands of the members of the credit union, regardless of whether they have provided any alternate capital. In the event alternate capital is provided by nonmembers, it can confer no ownership rights. Thus, common stock must be ruled out as a source of alternate capital for credit unions. And of course, without common stock, no debt or hybrid instrument could be convertible to common stock.

**Governance:**

Alternate capital must have no effect or potential effect on the ability of member-elected boards to govern their credit unions. Governance must continue to be driven by one member, one vote with no special or additional voting rights for providers of alternate capital. In the event alternate capital is issued to nonmembers, it can confer no governance or voting privileges, either at the time or issuance or conditional on the future operations of the credit union. Thus, covenants in subordinated debt or hybrid agreements that provide governance rights to investors in certain situations (such as a deterioration of the financial condition of the credit union) cannot be permitted.

**Tax Exempt Status:**

Alternate capital would need to be authorized and implemented in a way that has no adverse effect on the tax exempt status of credit unions. This would in part be accomplished by meeting the previous two criteria on ownership and governance. The preservation of the tax exemption would best be reinforced by a statement in the enabling legislation that such capital does not in any way change the tax exempt status of credit unions.

# Alternative Sources of Capital – Required Characteristics

**Protection**

Alternate capital must provide real protection to the National Credit Union Share Insurance Fund (NCUSIF). Any source of alternate capital must be unambiguously junior to the claims of the share insurance fund. It must also be of sufficient maturity to serve as capital. Finally, to achieve the highest status as capital, some forms may need to have non-cumulative dividends.

**Disclosure**.

Investors in credit union alternate capital must be completely and totally aware of the risks of the instrument. This is not only fair to investors, but also it strengthens the value of the capital in protecting the NCUSIF. To the extent investors are not really aware of their risks, the more difficult it is to pass losses on to the instrument, i.e., the less protection would it provide to the insurance fund. Any loss to an investor in an alternate capital instrument might come as a major disappointment, but it should not come as a total surprise. This requires simple and clear disclosures to investors of the risks of investing in alternate capital, with particular care to distinguish between uninsured alternate capital and insured share certificates.

**Suitability**

Credit union alternate capital must be “suitable” to the investors that purchase it in the case that the investor is not an institutional investor, for example a member. Suitability requirements go beyond disclosure. An investment is suitable to an investor if he or she has sophisticated investment knowledge, and/or experience investing in similar types of instruments and/or sufficient net worth so that a substantial loss on the investment would not unduly harm the investor. A suitability requirement might obligate a credit union to determine whether the purchase of a subordinated capital certificate is appropriate for a member.

**Practical.**

Alternate capital must be practical for credit unions to acquire. Some of the capital instruments currently available to depository institutions are only appropriate for very large firms. There must be vehicles for smaller credit unions to reasonably gain access to alternate capital if they wish to. This could take the form either of offering “retail” capital instruments to members, or conducting joint offerings in the capital markets in partnership with other credit unions.

**Optional**

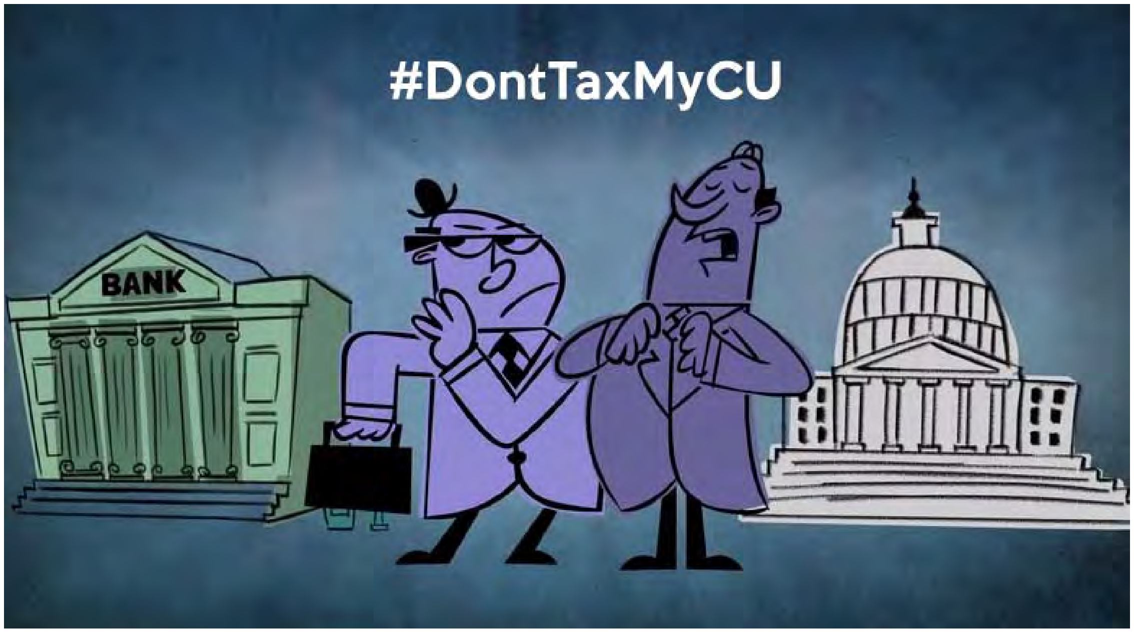
Alternate capital should be optional for credit unions. For those credit unions willing and able to operate with only retained earnings, there should be no requirement that they also acquire alternate capital.

# Financial Impact of Alternative Sources of Capital

- Increased growth for credit unions
- More protection for the NCUA insurance fund
- Likely more services for customers as CUs become larger
- More industry risk as credit unions stretch to leverage capital
- Less CU to CU mergers
- More bank acquisitions
- Better capital ratios

# Strategic Impact of Alternative Sources of Capital

- Non-members now have ownership
- Debt servicing issues in times or hardships – could see forced bankruptcies or CUs diminish retained earnings capital in order to service debt
- Does this put tax exempt status in jeopardy since CUs would now have access to capital markets??



## V. Commercial Lending

# Commercial Lending Rules Easing For Credit Unions

**NCUA Amends MBL & Commercial Lending Rule**

On February 19, 2016, the NCUA Board unanimously approved a final member business lending rule that amends Part 723 of NCUA's Rules and Regulations regarding the ability of federally-insured credit unions to make Member Business Loans (MBLs). **The majority of the rule is effective January 1, 2017, while the personal guarantee requirement is eliminated 60 days after the rule's publication in the *Federal Register*.**

The rule removes the prescriptive underwriting criteria and personal guarantee requirements of the current regulation, thereby eliminating the current waiver process. Instead, the rule allows credit unions to implement a principle-based risk management policy related to its commercial and business lending activities. Addressed as part of NCUA's regulatory modernization initiative, the final rule:

1. gives credit union loan officers the ability, under certain circumstances, to not require a personal guarantee;
2. replaces explicit loan-to-value limits with the principle of appropriate collateral and eliminating the need for a waiver;
3. lifts limits on construction and development loans;
4. exempts credit unions with assets under $250 million and small commercial loan portfolios from certain requirements; and
5. affirms that non-member loan participations do not count against the statutory MBL cap.

This rule comprehensively overhauls the way that NCUA approaches commercial lending, from both a regulatory and supervisory perspective. Currently, Part 723 considers commercial lending as synonymous with the member business lending definition under the *Federal Credit Union Act* (FCU Act). The final rule, however, will expand Part 723's scope to apply to commercial loans as newly defined under the proposal. The rule will also delineate which loans are subject to the statutory MBL cap and those which are subject to certain safety and soundness policy and infrastructure requirements.

# NAFCU Position on Member Business Lending

*"While recovery from the financial crisis remains fragile, credit unions have the capital to help America's small businesses thrive. However, due to the outdated member business lending cap, their ability to help stimulate the economy by providing credit to small businesses is hampered. Removing or modifying the credit union member business lending cap would help provide economic stimulus without costing the taxpayer a dime. In addition, it is worth noting that officials at the Treasury Department and NCUA have expressed support for lifting the MBL cap. Several outside groups from all sides of the political spectrum have also endorsed the legislation including the Consumer Federation of America (CFA) and Americans for Tax Reform (ATR).*

*NAFCU has a strong history of supporting credit union member business lending and has testified before the Senate Banking and House Financial Services Committees on the importance of this issue. NAFCU would also support alternatives to a straight member business lending cap lift such as raising the minimum loan amount that would count against the member business lending cap.*

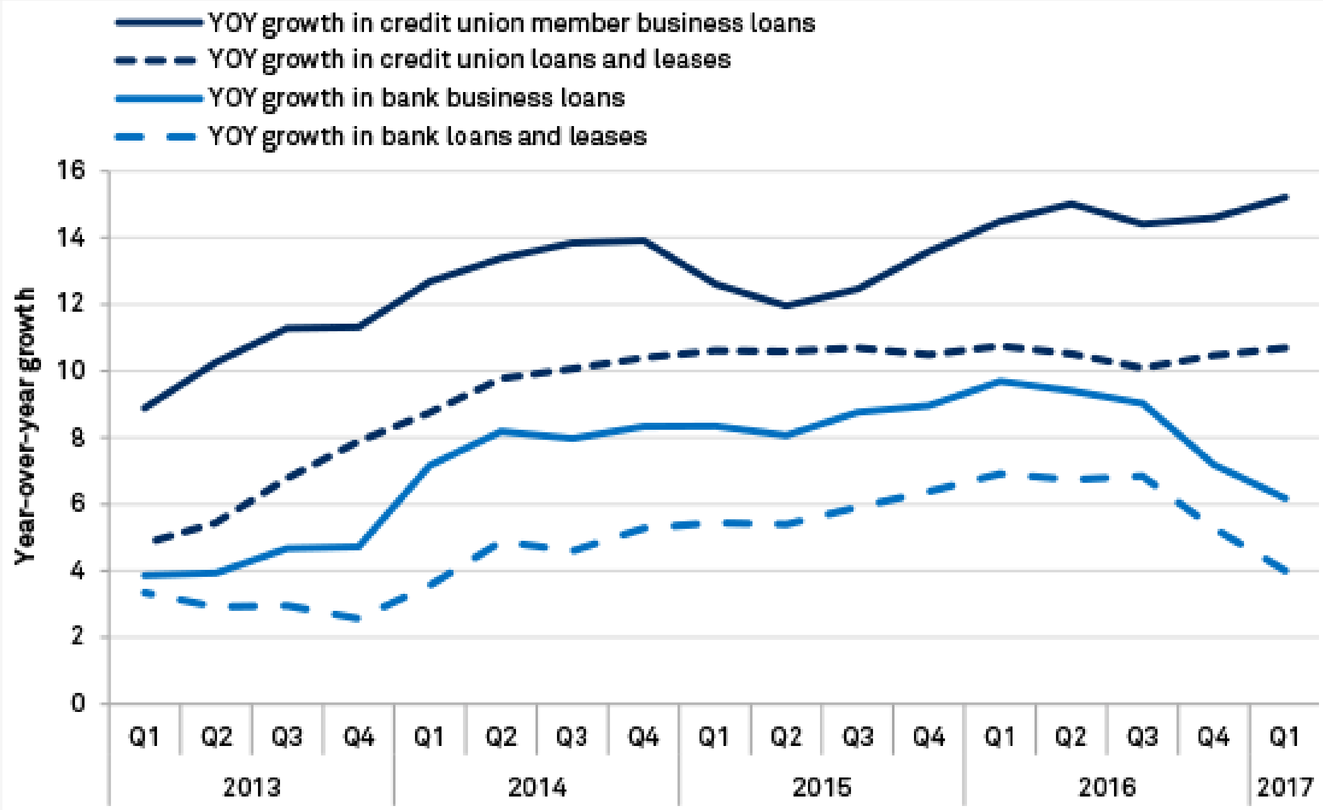
*We are committed to pursuing all legislative avenues to maximize the possibility of this issue being considered moving forward."*

# Impact of Revised Commercial Lending Rules

- Continued growth for credit unions
- Credit unions with existing commercial lending expertise are positioned to outperform peers under the new regulations
- Buying a bank for commercial lending expertise has become more attractive
- Credit unions can attract a new pool of human resource talent
- Credit unions can market to a new pool of customers
- Management of commercial lending concentrations
- Increased risk for credit unions

# Impact of Revised Commercial Lending Rules

Credit unions outpacing banks in business loan growth (%)




Data compiled May 31, 2017.
Based on regulatory filings.
Bank business loans and bank total loans include commercial banks, savings banks, and savings and loan associations.
Total bank and thrift business loans = the sum of commercial real estate loans secured by nonfarm, nonresidential properties, construction and development loans, multifamily loans, commercial and industrial loans, agricultural production loans and farm loans
Credit union member business loans = loans, lines of credit or letters of credit, including any unfunded commitments, where the borrower uses the proceeds for commercial, corporate, business investment property or venture or agricultural purposes
YOY = year-over-year
Source: S&P Global Market Intelligence

At the end of the first quarter of 2017, U.S. credit unions had a total of $62.72 billion in business loans outstanding. That represented 15.2% year-over-year growth. By comparison, banks grew business loans by 6.2% but had nearly $3.92 trillion at the end of the most recent quarter.

# Conclusion

# Concluding Thoughts

- The credit union industry is evolving and becoming more sophisticated
- Credit unions continue to be an integral part within the US financial systems
- Recent initiatives are present some fairly major changes within the industry
- What is the consensus amongst peers – are these events outliers or is there a uniform belief to trend this way
- Are we risking our identify by acting more like banks?
- Could the credit union industry merge with the banking industry?

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Research ● Investment Banking ● Advisory ● Fixed-Income ● Sales ● Trading

## INVESTMENT BANKING GROUP


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