Economic & Credit Union Update

January 2025

If you have any questions or comments, please contact:
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Trump's Economic Policies ***Economic Impact***

Trump's Economic Policies *Economic Impact*

1. **10-20% Universal Tariffs**

Trump's Economic Policies	***Economic Impact***
1. 10-20% Universal Tariffs	**Higher Inflation / Lower GDP / Lower Deficits**

Trump's Economic Policies

Economic Impact

1. 10-20% Universal Tariffs
2. Mass Deportation

Higher Inflation / Lower GDP / Lower Deficits

Trump's Economic Policies	***Economic Impact***
1. 10-20% Universal Tariffs	**Higher Inflation / Lower GDP / Lower Deficits**
2. Mass Deportation	**Higher Inflation / Lower GDP / Higher Deficits**

Trump's Economic Policies | *Economic Impact*

Trump's Economic Policies	Economic Impact
1. 10-20% Universal Tariffs	Higher Inflation / Lower GDP / Lower Deficits
2. Mass Deportation	Higher Inflation / Lower GDP / Higher Deficits
3. Extend 2017 Tax Cuts and Jobs Act	

Trump's Economic Policies	***Economic Impact***
1. 10-20% Universal Tariffs	**Higher Inflation / Lower GDP / Lower Deficits**
2. Mass Deportation	**Higher Inflation / Lower GDP / Higher Deficits**
3. Extend 2017 Tax Cuts and Jobs Act	**Higher Inflation / Higher GDP / Higher Deficits**

Trump's Economic Policies	***Economic Impact***
1. 10-20% Universal Tariffs	Higher Inflation / Lower GDP / Lower Deficits
2. Mass Deportation	Higher Inflation / Lower GDP / Higher Deficits
3. Extend 2017 Tax Cuts and Jobs Act	Higher Inflation / Higher GDP / Higher Deficits
4. No tax on tips/overtime/Social Security	

Trump's Economic Policies	***Economic Impact***
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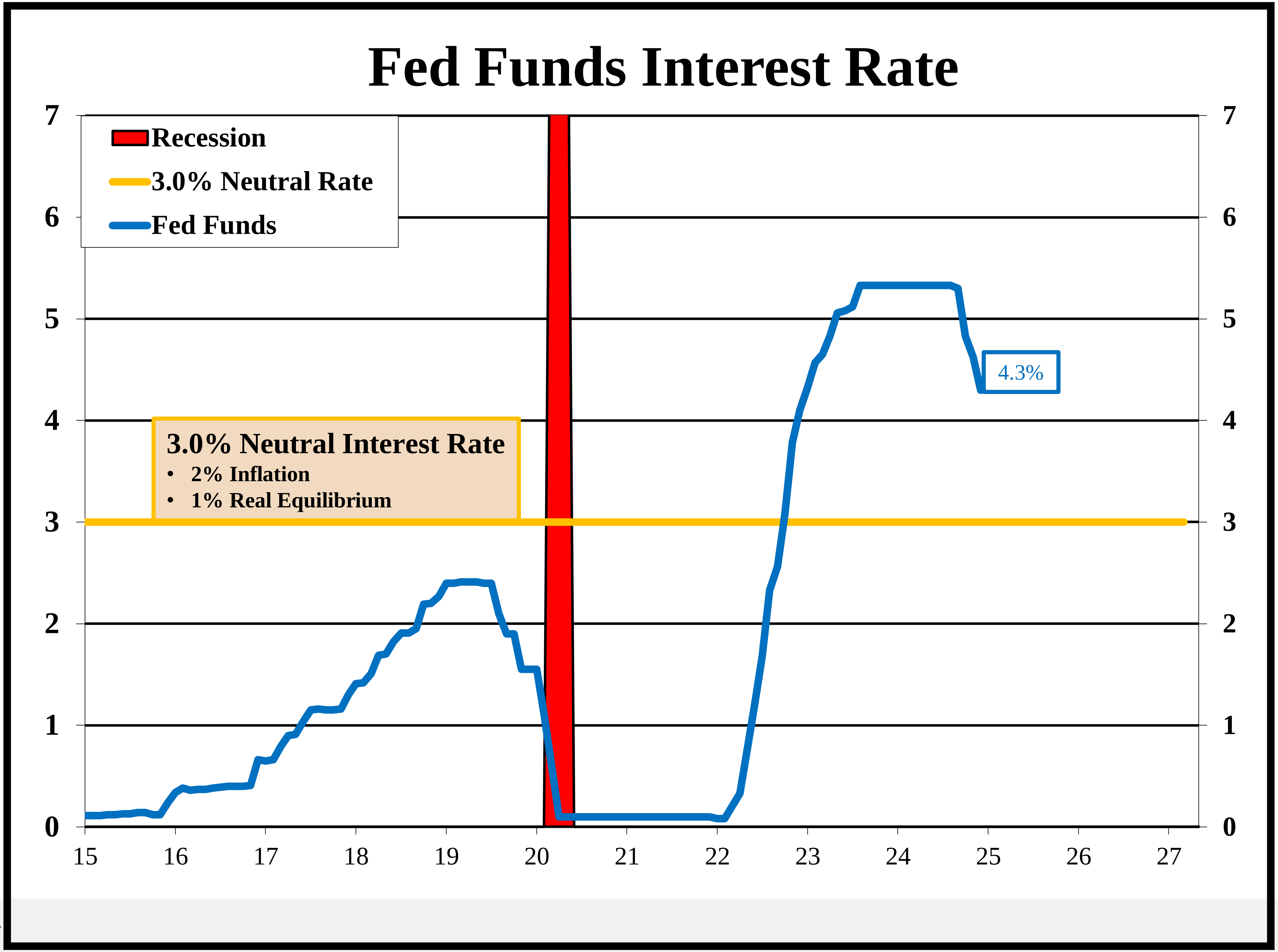
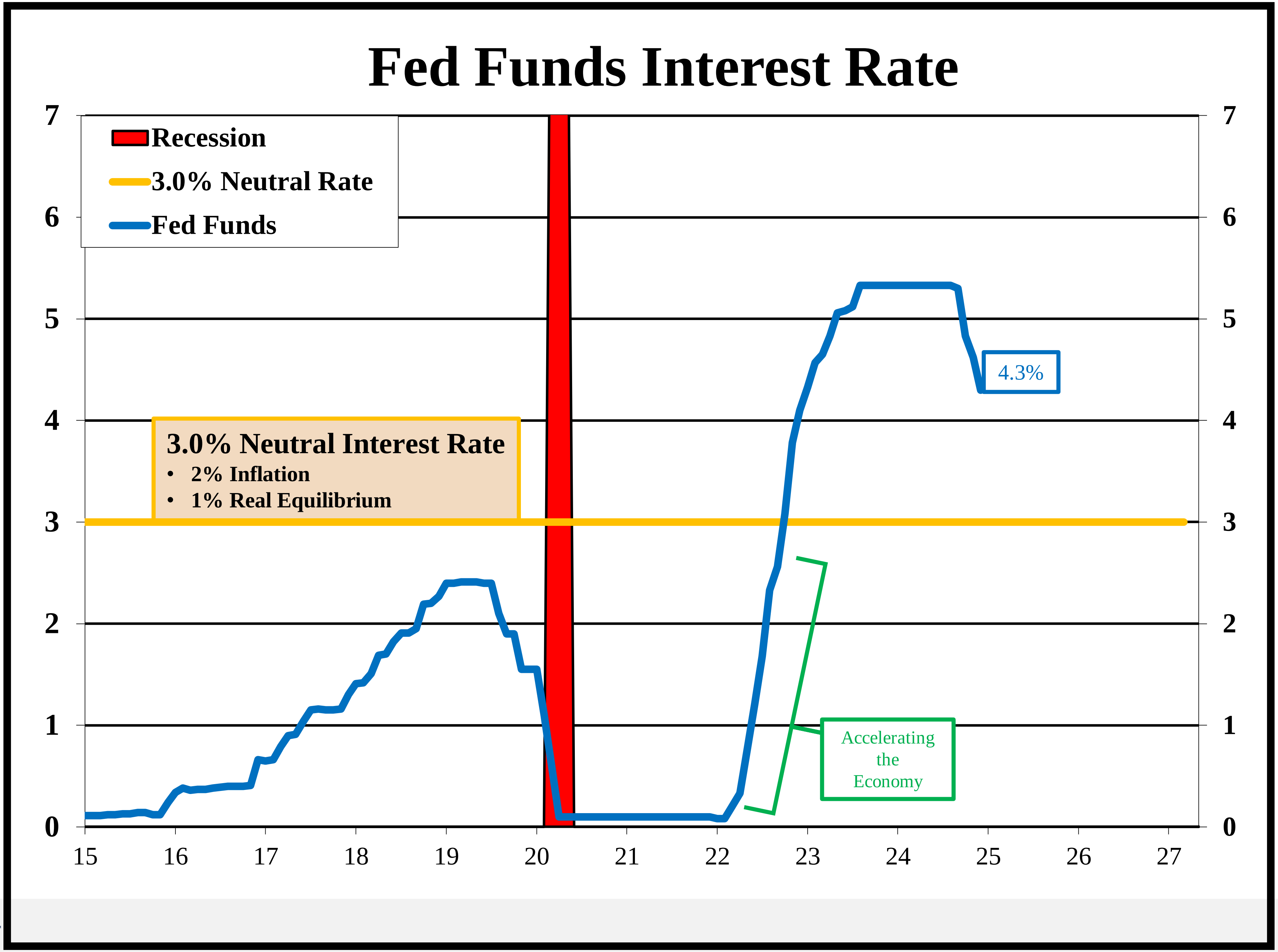
2. Mass Deportation	**Higher Inflation / Lower GDP / Higher Deficits**
3. Extend 2017 Tax Cuts and Jobs Act	**Higher Inflation / Higher GDP / Higher Deficits**
4. No tax on tips/overtime/Social Security	**Higher Inflation / Higher GDP / Higher Deficits**

Trump's Economic Policies	*Economic Impact*
1. 10-20% Universal Tariffs	Higher Inflation / Lower GDP / Lower Deficits
2. Mass Deportation	Higher Inflation / Lower GDP / Higher Deficits
3. Extend 2017 Tax Cuts and Jobs Act	Higher Inflation / Higher GDP / Higher Deficits
4. No tax on tips/overtime/Social Security	Higher Inflation / Higher GDP / Higher Deficits
5. Deregulation/Elimination of red tape	

Trump's Economic Policies	***Economic Impact***
1. 10-20% Universal Tariffs	**Higher Inflation / Lower GDP / Lower Deficits**
2. Mass Deportation	**Higher Inflation / Lower GDP / Higher Deficits**
3. Extend 2017 Tax Cuts and Jobs Act	**Higher Inflation / Higher GDP / Higher Deficits**
4. No tax on tips/overtime/Social Security	**Higher Inflation / Higher GDP / Higher Deficits**
5. Deregulation/Elimination of red tape	**Lower Inflation / Higher GDP / Lower Deficits**

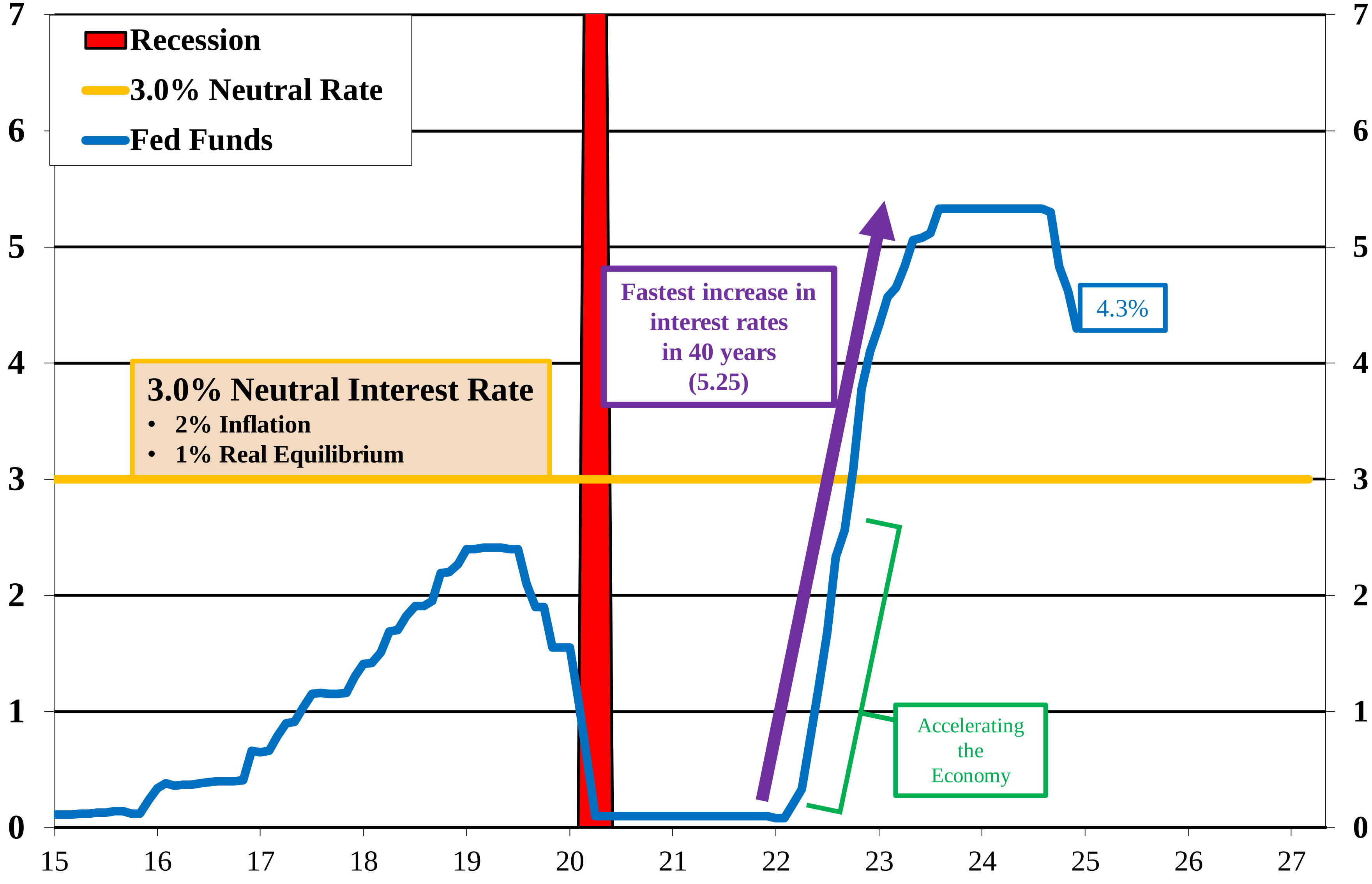


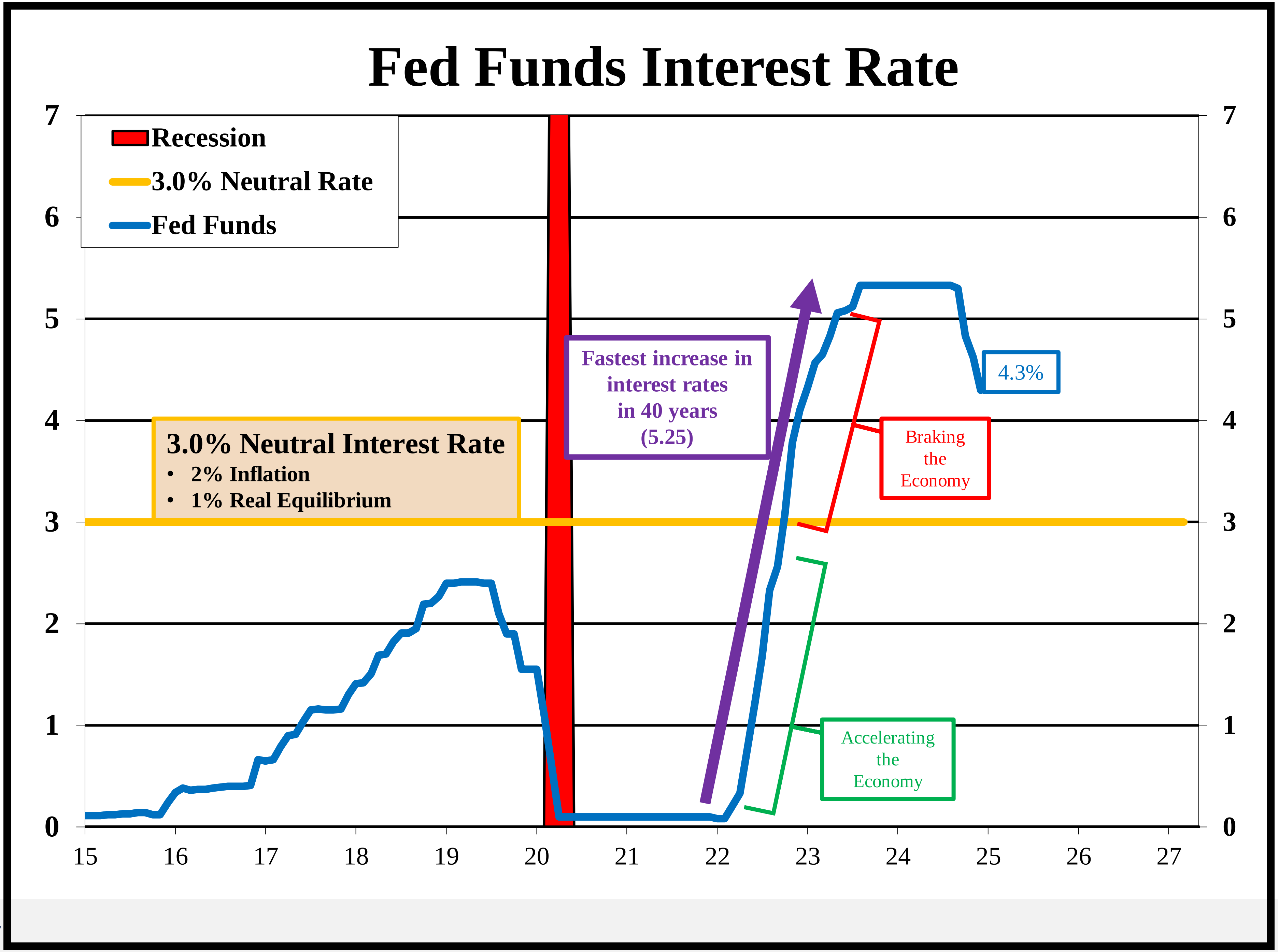
Fed Funds Interest Rate
Recession
3.0% Neutral Rate
Fed Funds
3.0% Neutral Interest Rate
• 2% Inflation
• 1% Real Equilibrium
4.3%
7
6
5
4
3
2
1
0
15
16
17
18
19
20
21
22
23
24
25
26
27



Fed Funds Interest Rate
Recession
3.0% Neutral Rate
Fed Funds
3.0% Neutral Interest Rate
• 2% Inflation
• 1% Real Equilibrium
4.3%
Accelerating the Economy
7
6
5
4
3
2
1
0
15
16
17
18
19
20
21
22
23
24
25
26
27

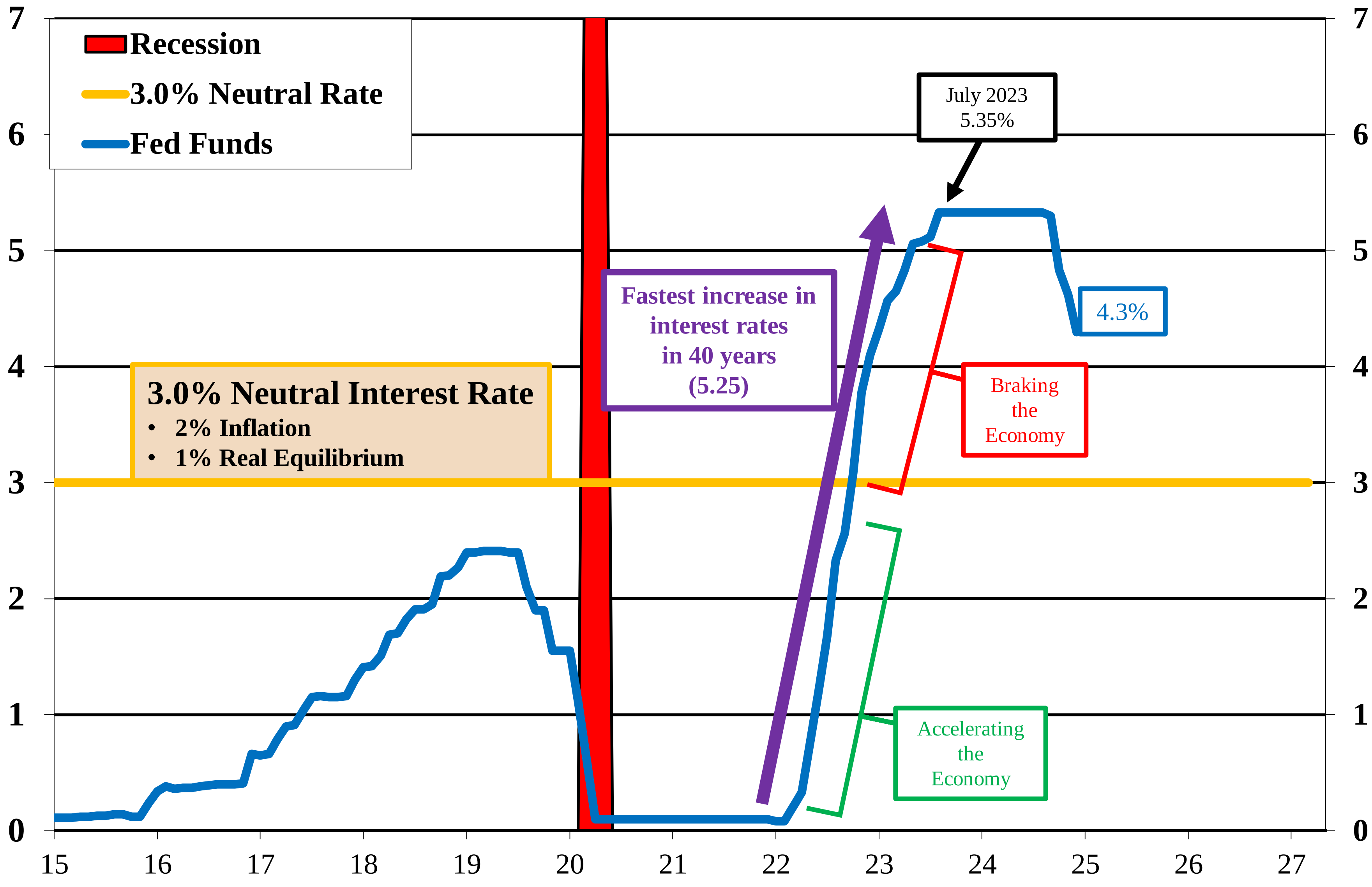
Fed Funds Interest Rate



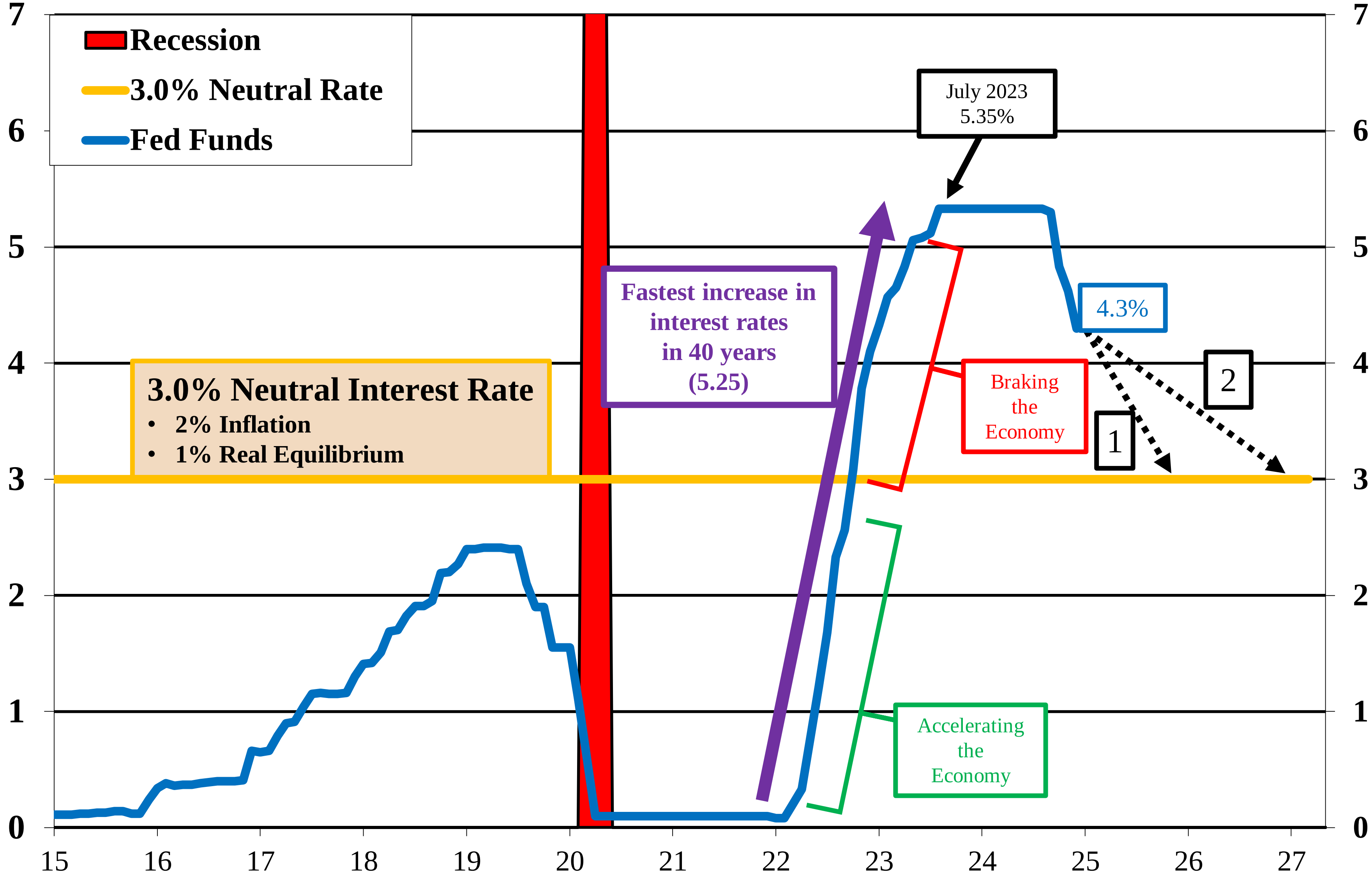


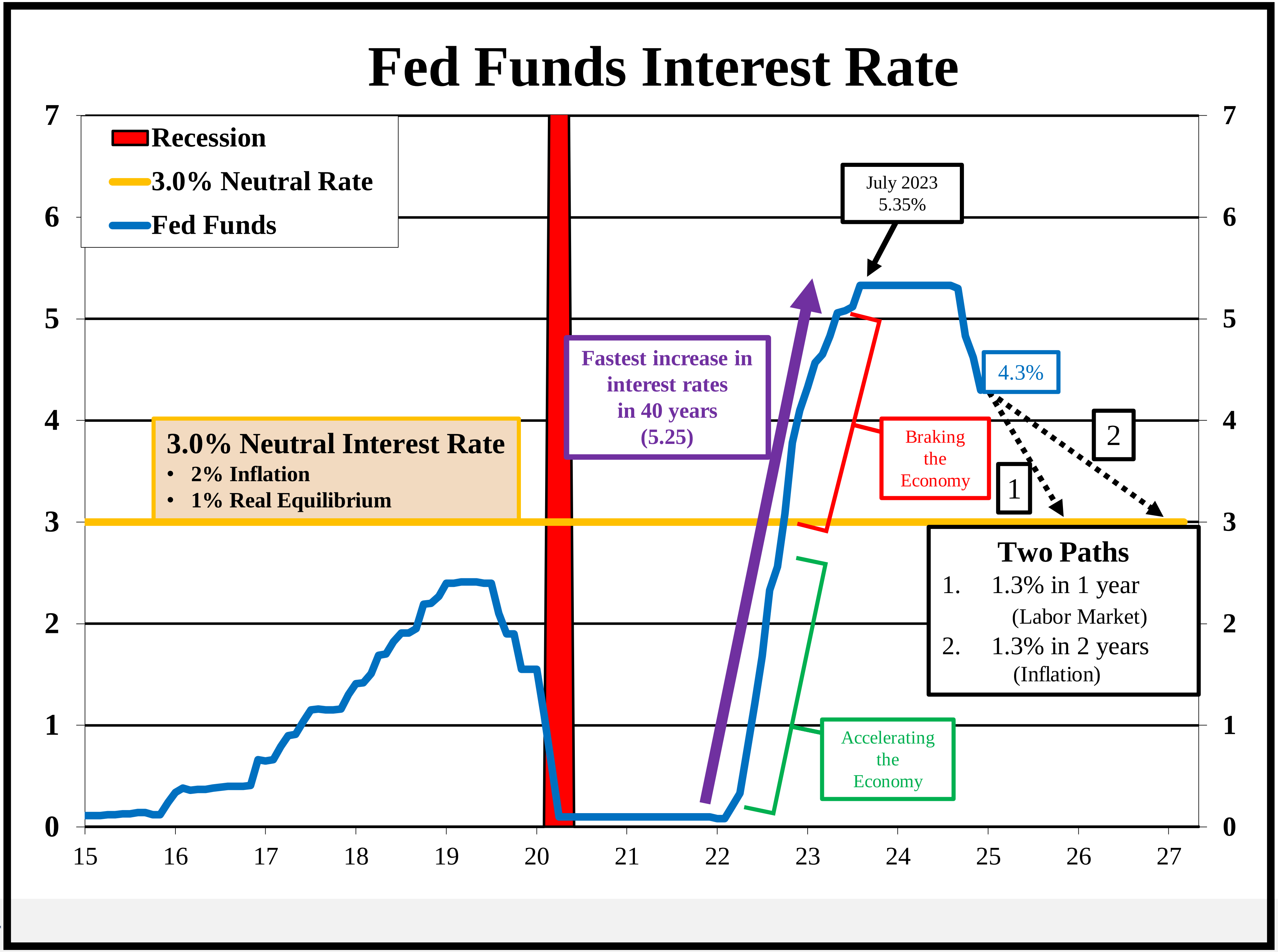
Fed Funds Interest Rate
Recession
3.0% Neutral Rate
Fed Funds
3.0% Neutral Interest Rate
• 2% Inflation
• 1% Real Equilibrium
Fastest increase in interest rates in 40 years (5.25)
4.3%
Braking the Economy
Accelerating the Economy
7
6
5
4
3
2
1
0
15
16
17
18
19
20
21
22
23
24
25
26
27

Fed Funds Interest Rate



Fed Funds Interest Rate




Fed Funds Interest Rate
Recession
3.0% Neutral Rate
Fed Funds
July 2023
5.35%
Fastest increase in interest rates in 40 years (5.25)
4.3%
Braking the Economy
1
2
3.0% Neutral Interest Rate
• 2% Inflation
• 1% Real Equilibrium
Two Paths
1. 1.3% in 1 year (Labor Market)
2. 1.3% in 2 years (Inflation)
Accelerating the Economy
0
1
2
3
4
5
6
7
15
16
17
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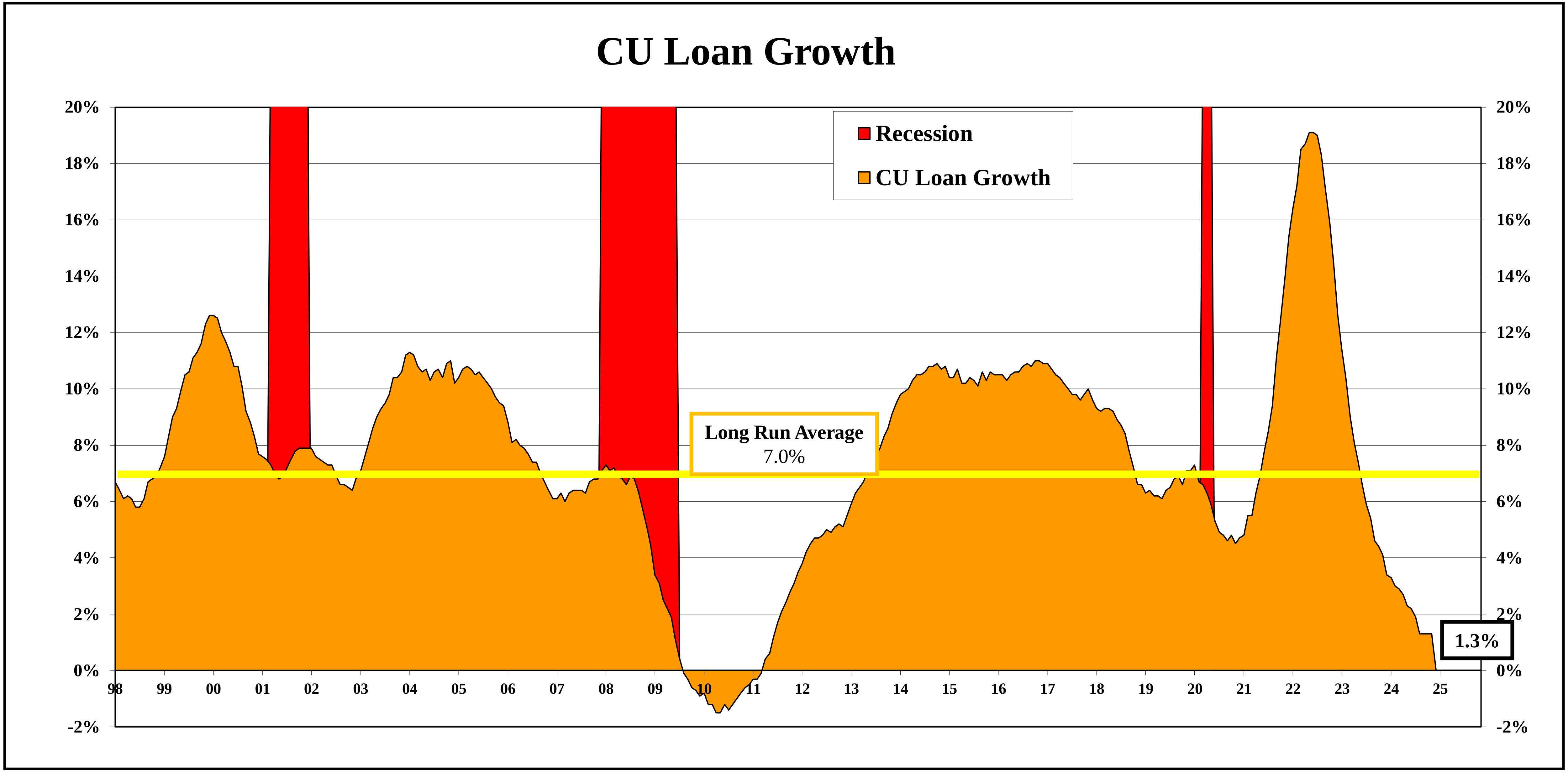
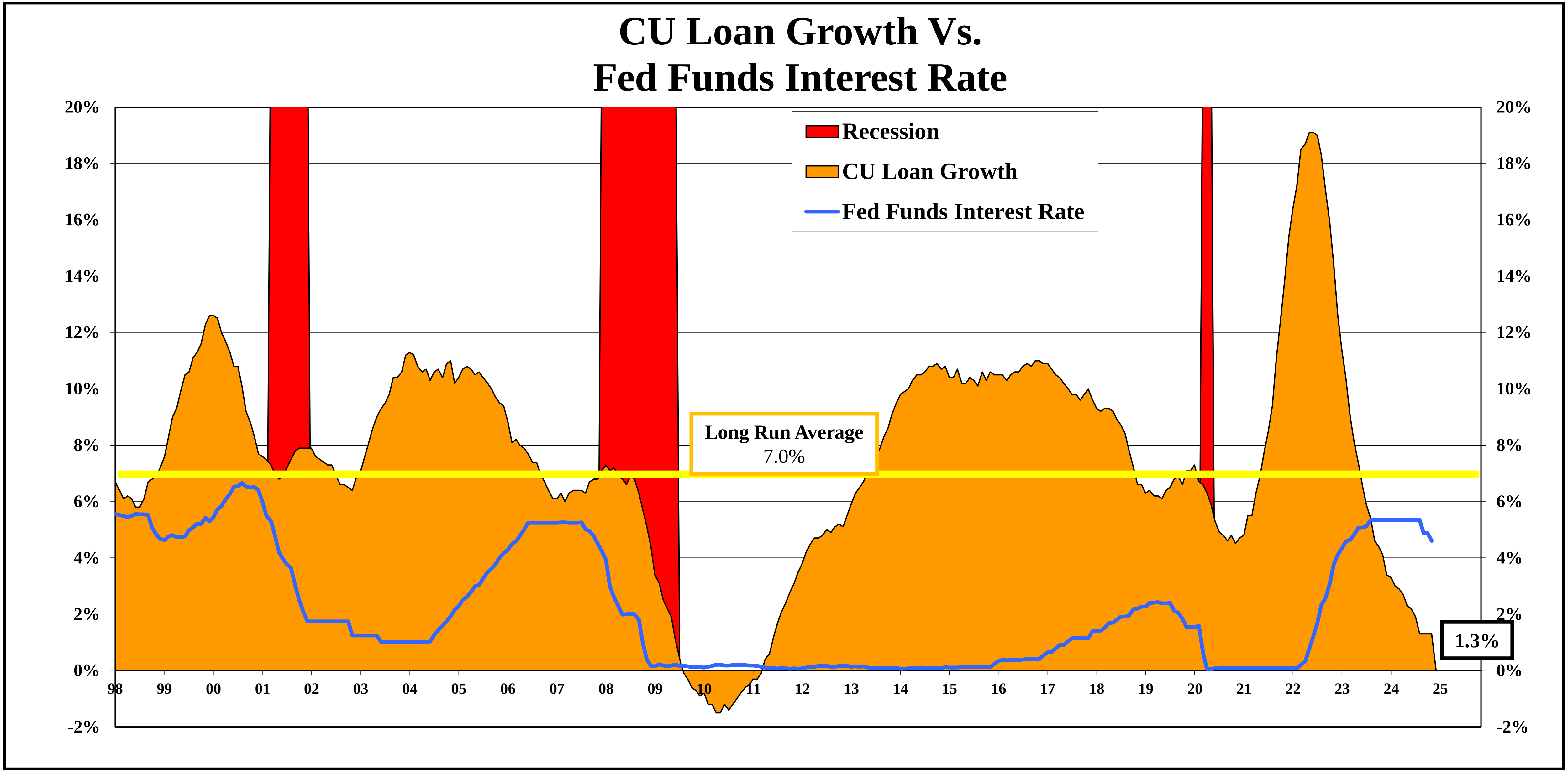
25
26
27

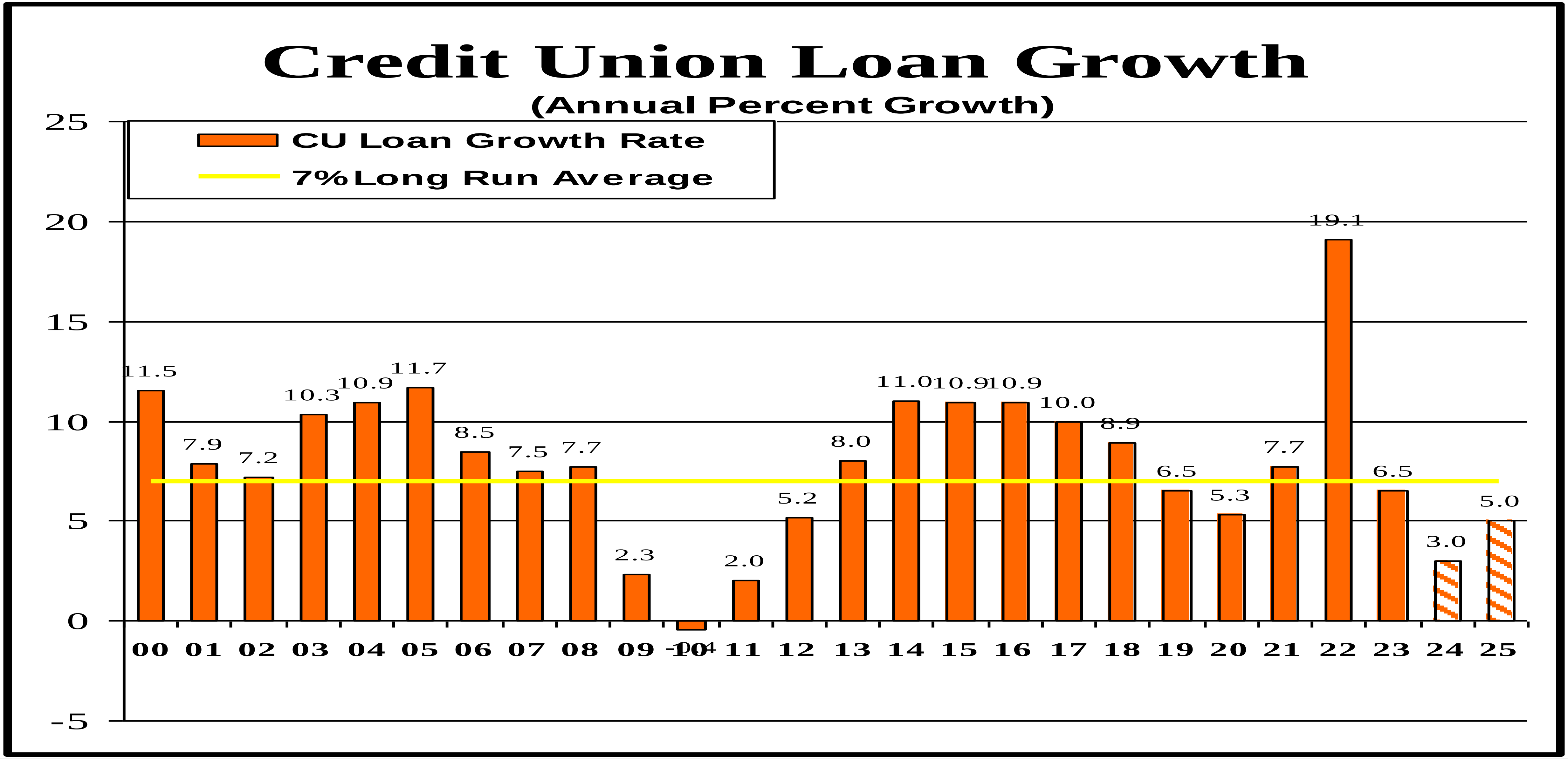
Weak Credit Union Loan Growth

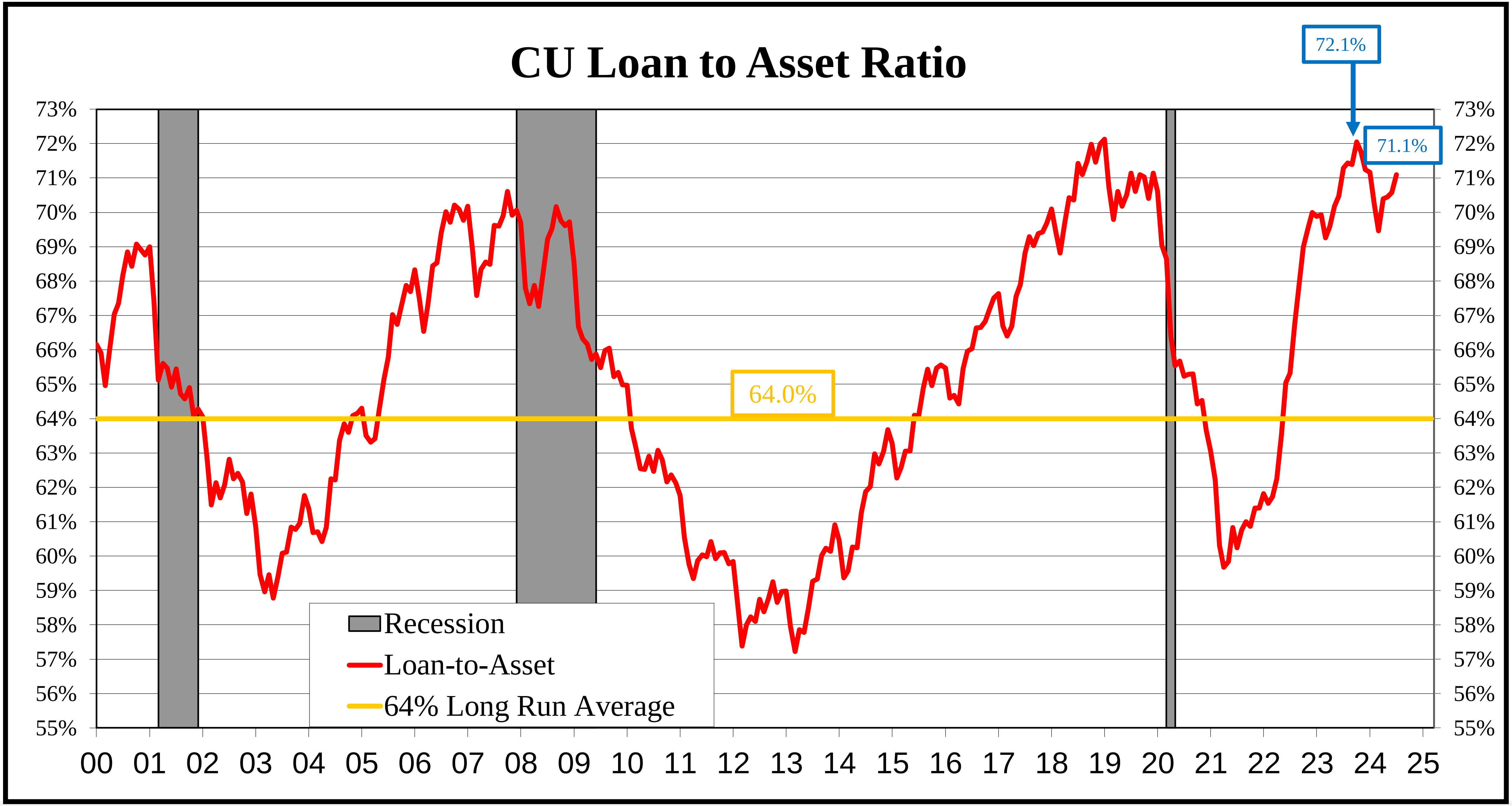


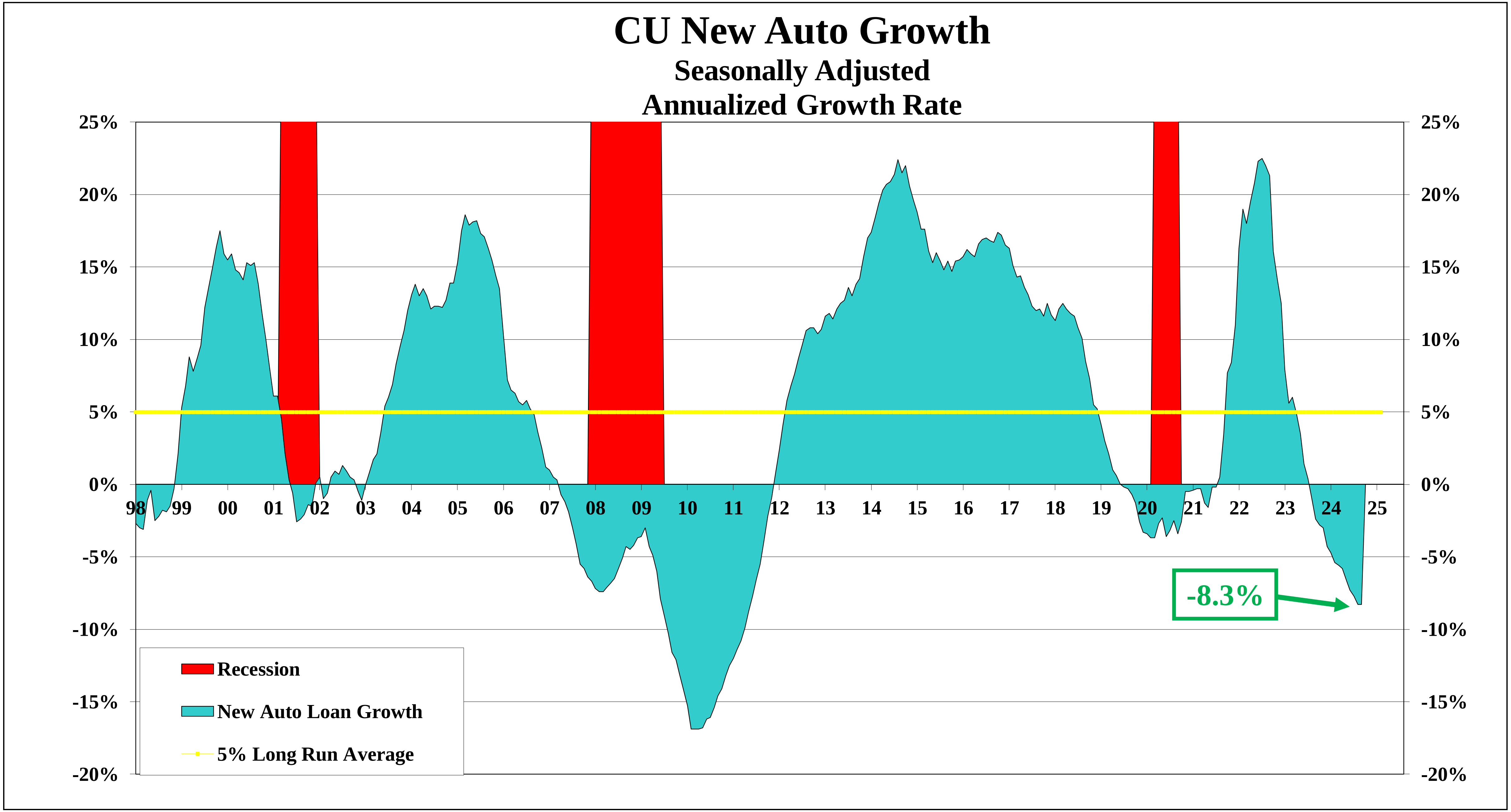
Weak Credit Union Loan Growth



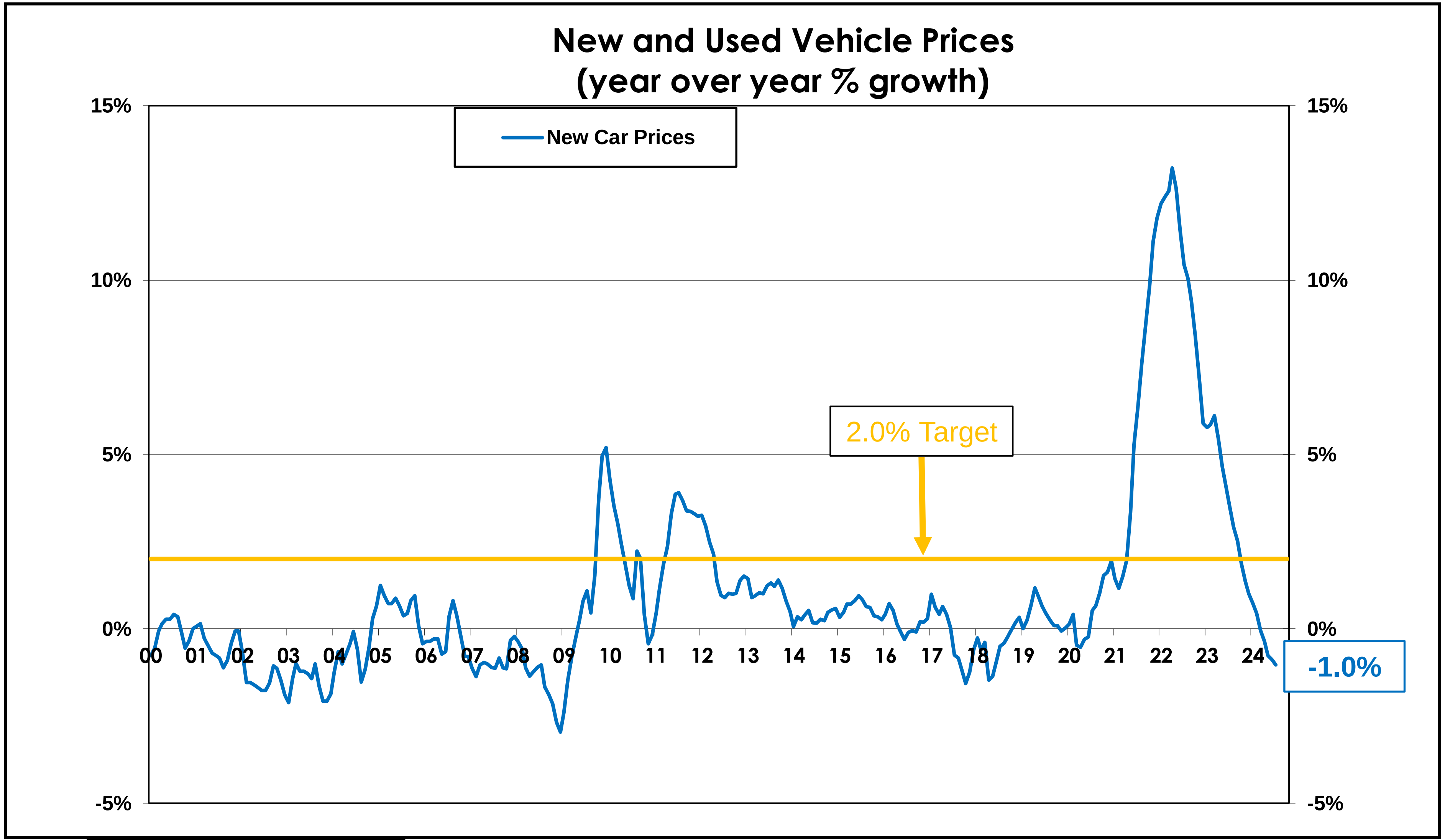
Slowing Credit Union Loan Growth




CU Loan to Asset Ratio
72.1%
71.1%
64.0%
Recession
Loan-to-Asset
64% Long Run Average
73%
72%
71%
70%
69%
68%
67%
66%
65%
64%
63%
62%
61%
60%
59%
58%
57%
56%
55%
00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25

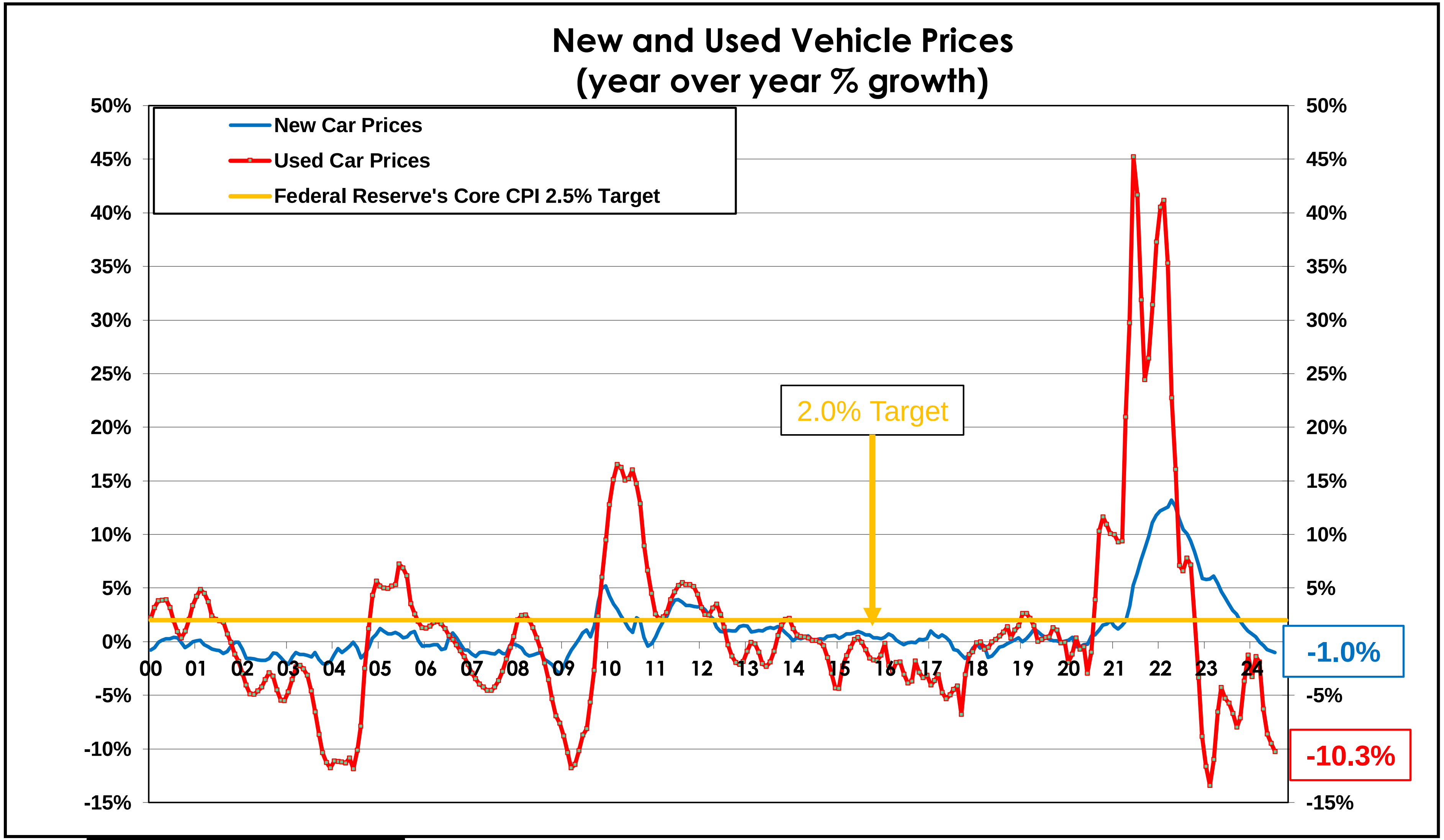

CU New Auto Growth
Seasonally Adjusted
Annualized Growth Rate
25%
20%
15%
10%
5%
0%
-5%
-10%
-15%
-20%
98
99
00
01
02
03
04
05
06
07
08
09
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
-8.3%
Recession
New Auto Loan Growth
5% Long Run Average

Vehicle Prices are Falling



Source: Bureau of Labor Statistics

Vehicle Prices are Falling



Source: Bureau of Labor Statistics

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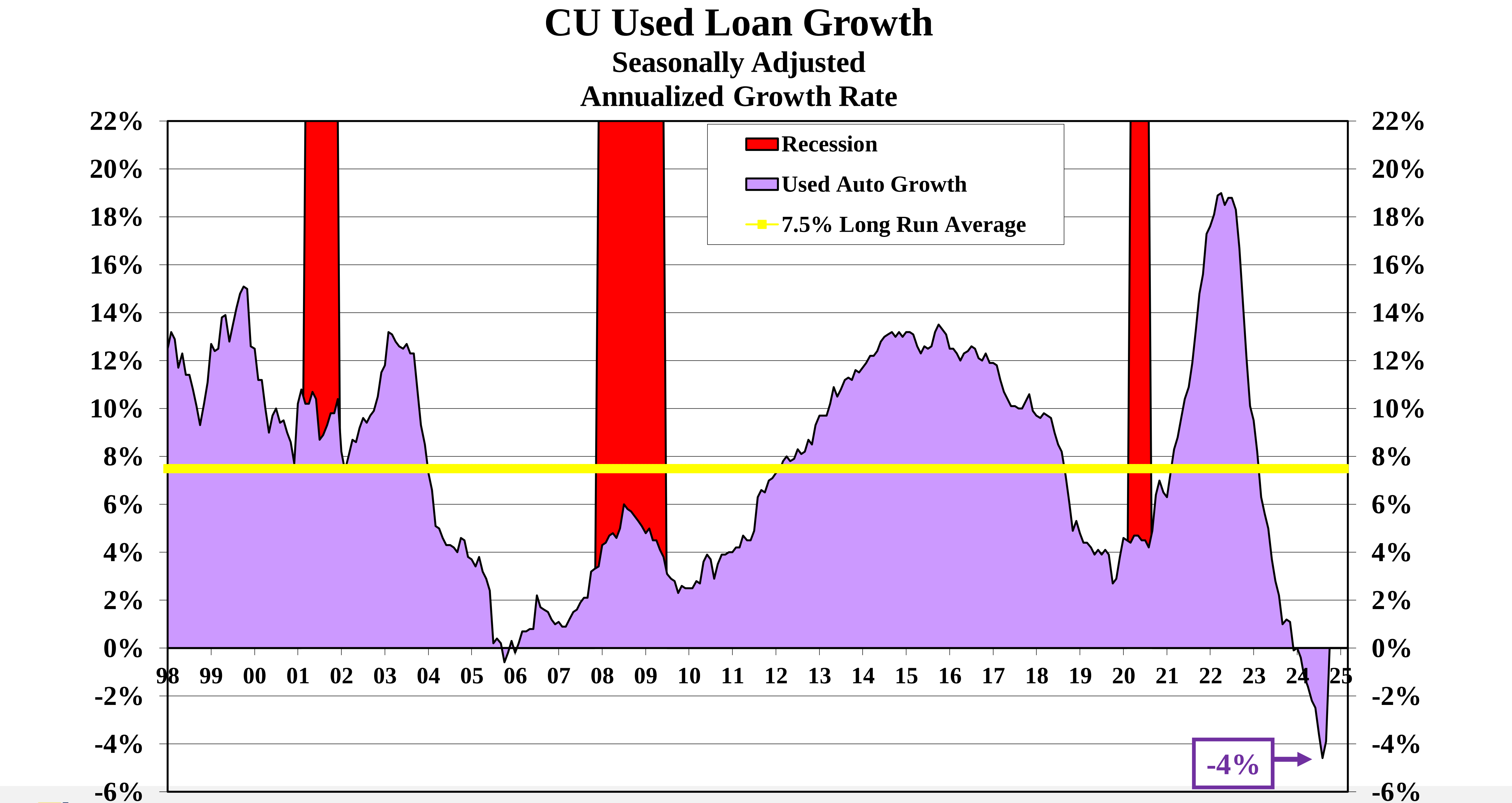

CU Used Loan Growth
Seasonally Adjusted
Annualized Growth Rate
Recession
Used Auto Growth
7.5% Long Run Average
22%
20%
18%
16%
14%
12%
10%
8%
6%
4%
2%
0%
-2%
-4%
-6%
98
99
00
01
02
03
04
05
06
07
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25
-4%

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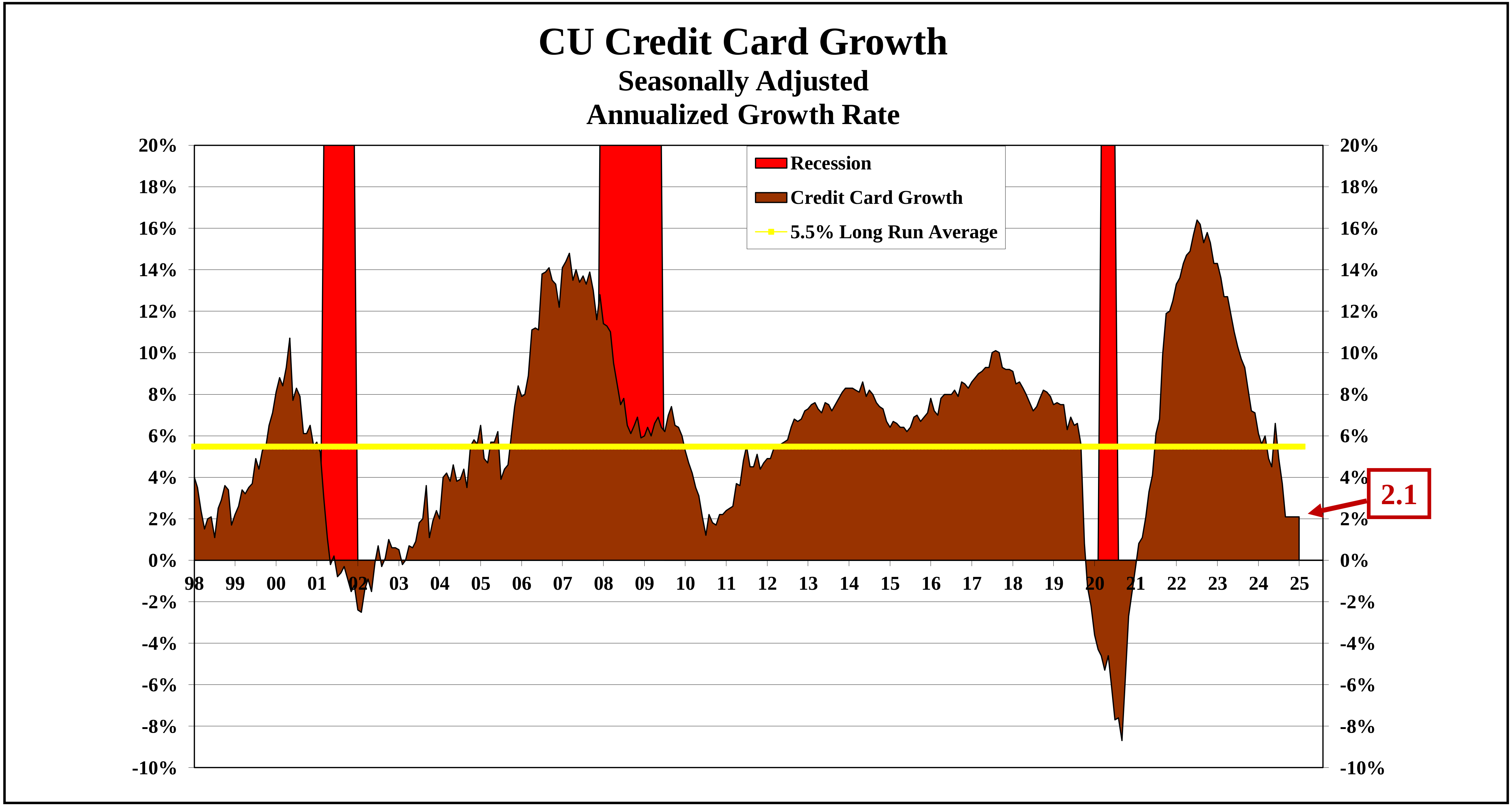
CU Credit Card Growth
Seasonally Adjusted
Annualized Growth Rate
Recession
Credit Card Growth
5.5% Long Run Average
20%
18%
16%
14%
12%
10%
8%
6%
4%
2%
0%
-2%
-4%
-6%
-8%
-10%
98
99
00
01
02
03
04
05
06
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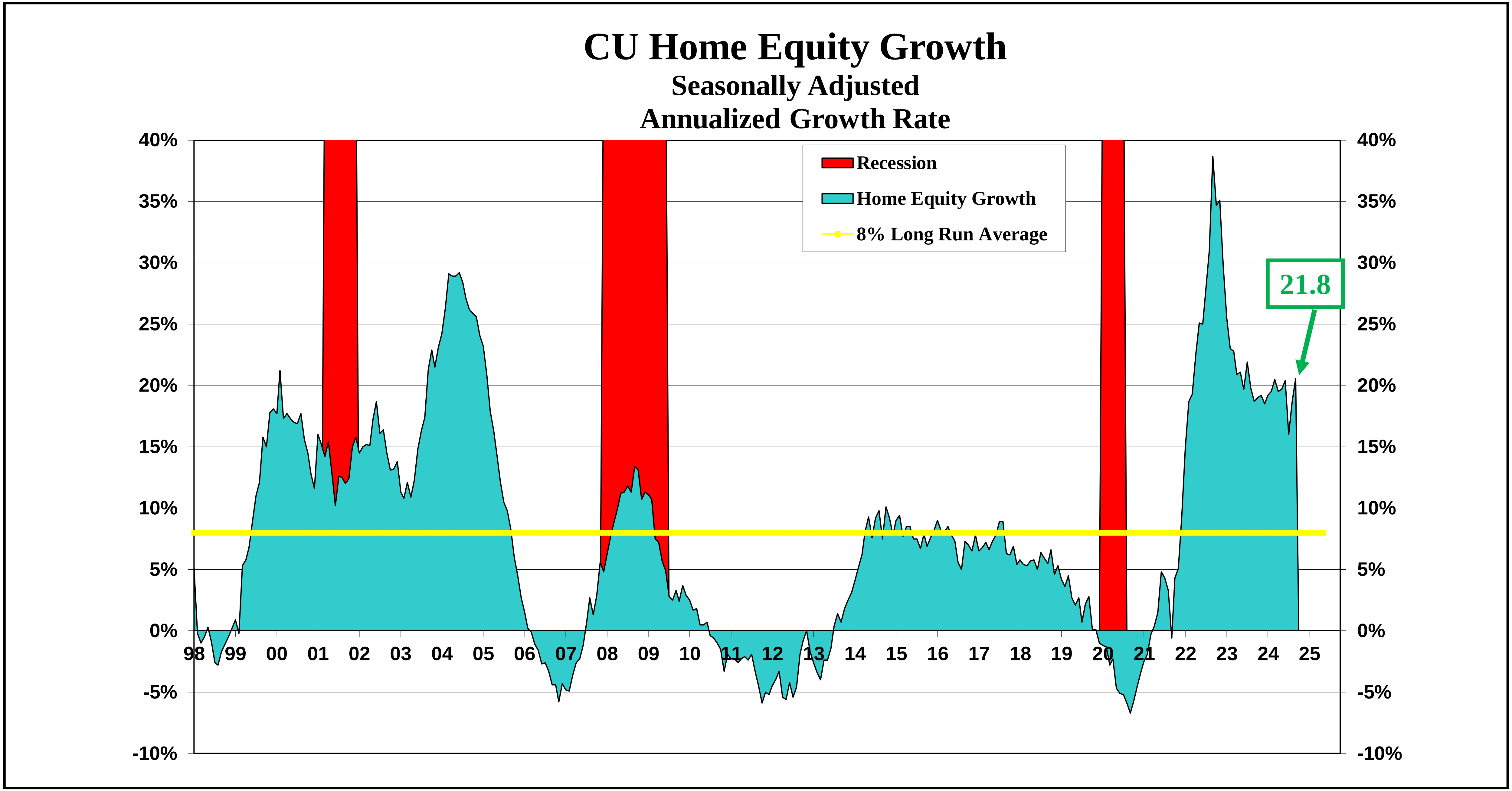
24
25
2.1



CU Home Equity Growth
Seasonally Adjusted
Annualized Growth Rate
Recession
Home Equity Growth
8% Long Run Average
21.8
40%
35%
30%
25%
20%
15%
10%
5%
0%
-5%
-10%
98
99
00
01
02
03
04
05
06
07
08
09
10
11
12
13
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21
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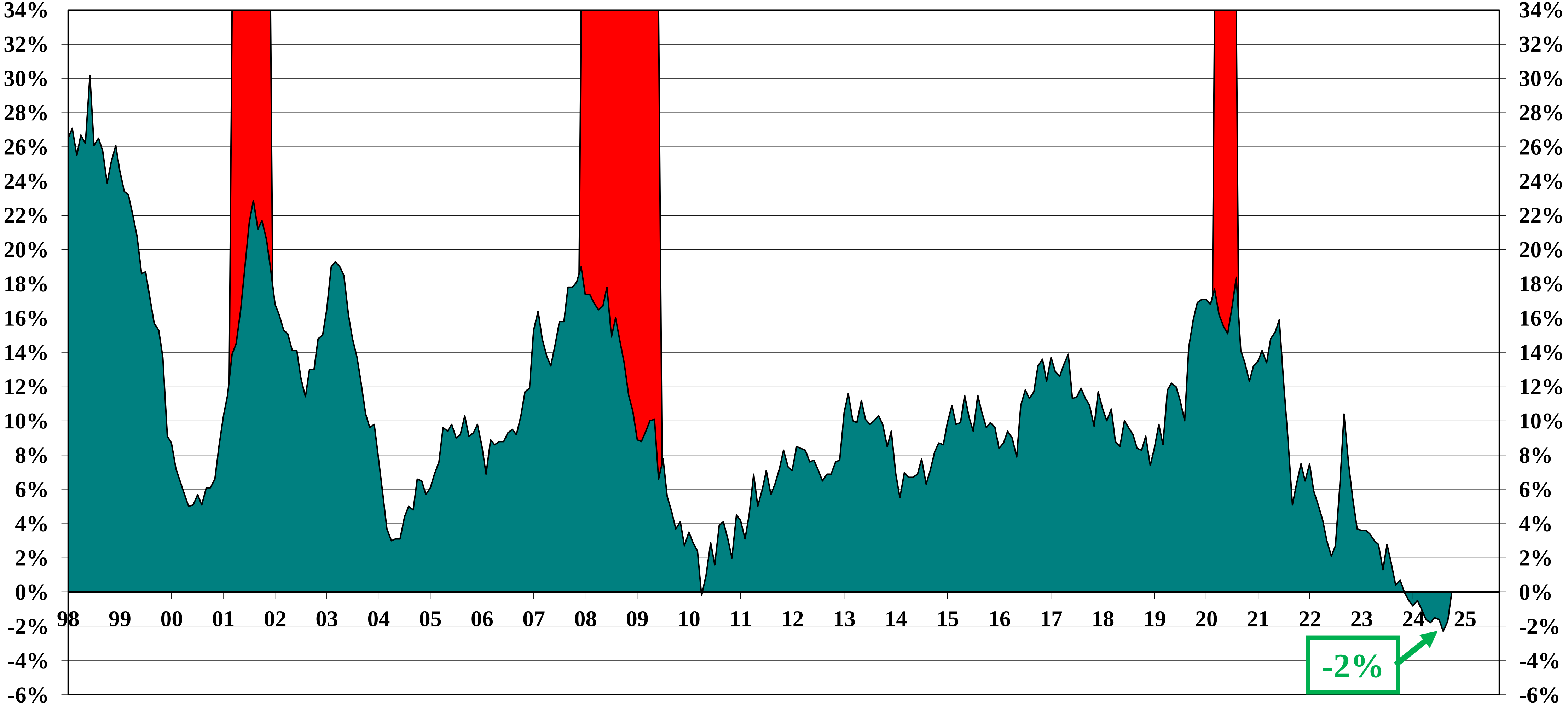
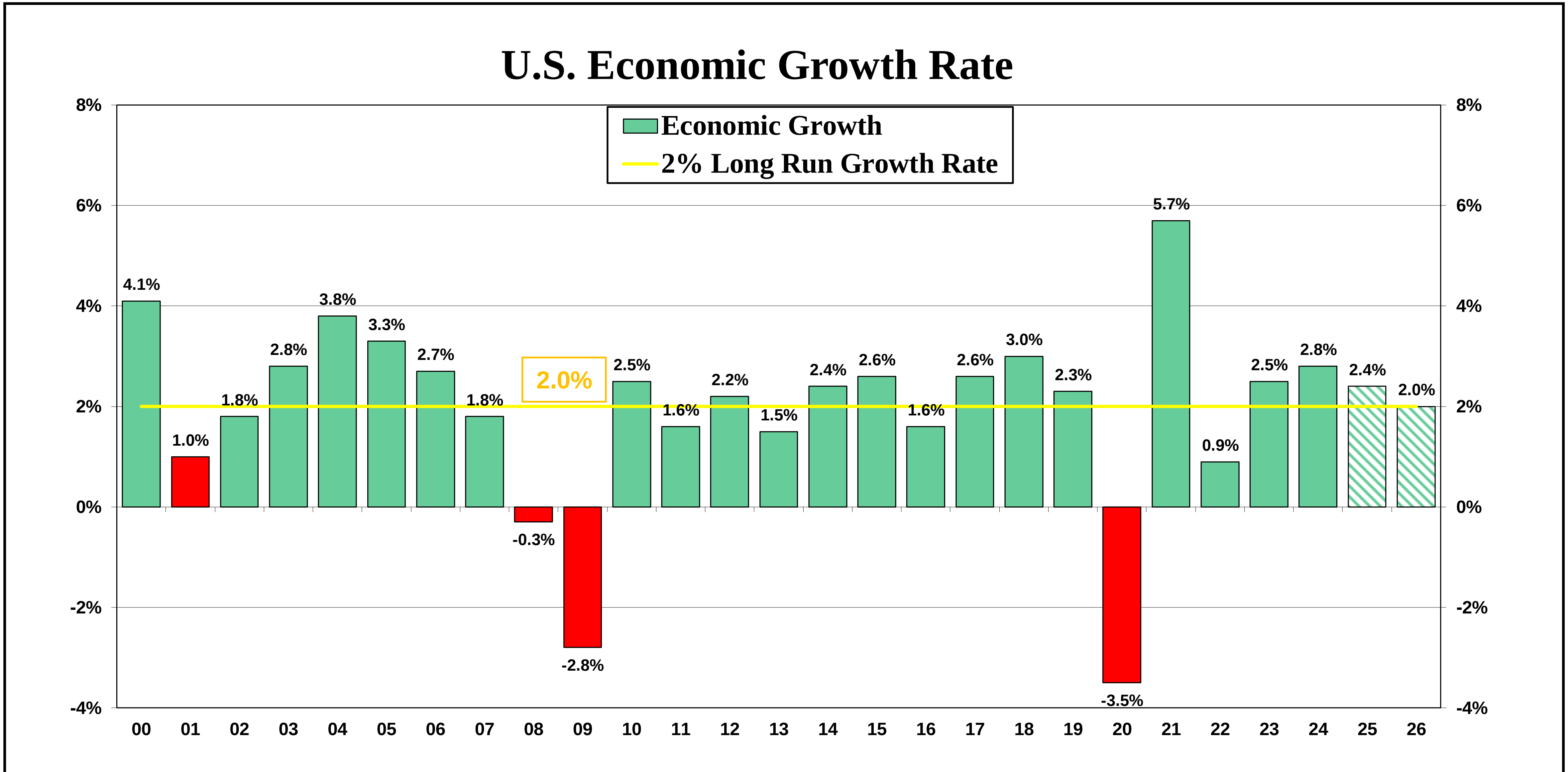
CU Fixed-Rate First Mortgage Growth

Seasonally Adjusted
Annualized Growth Rate

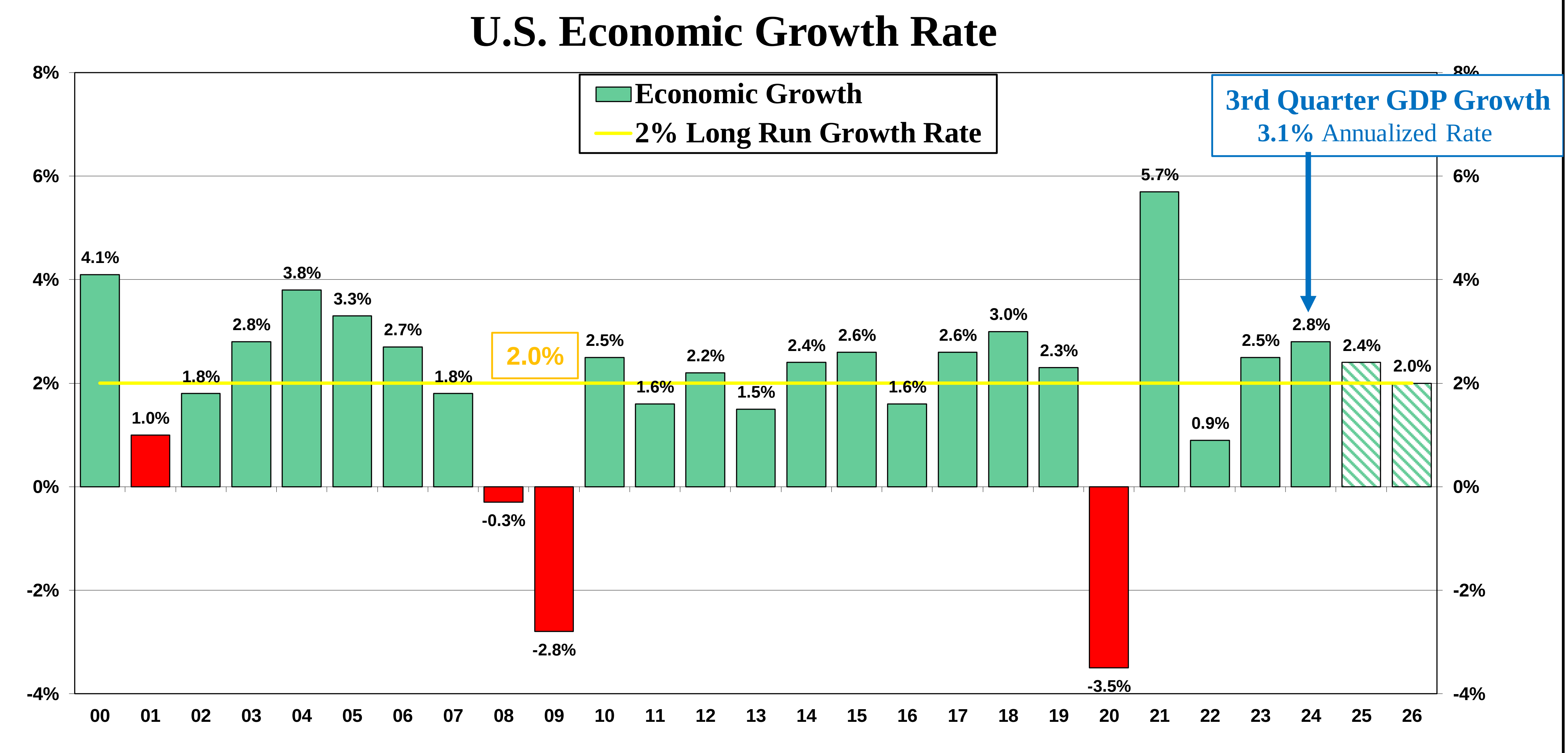


Economic Growth Above Natural Growth Rate



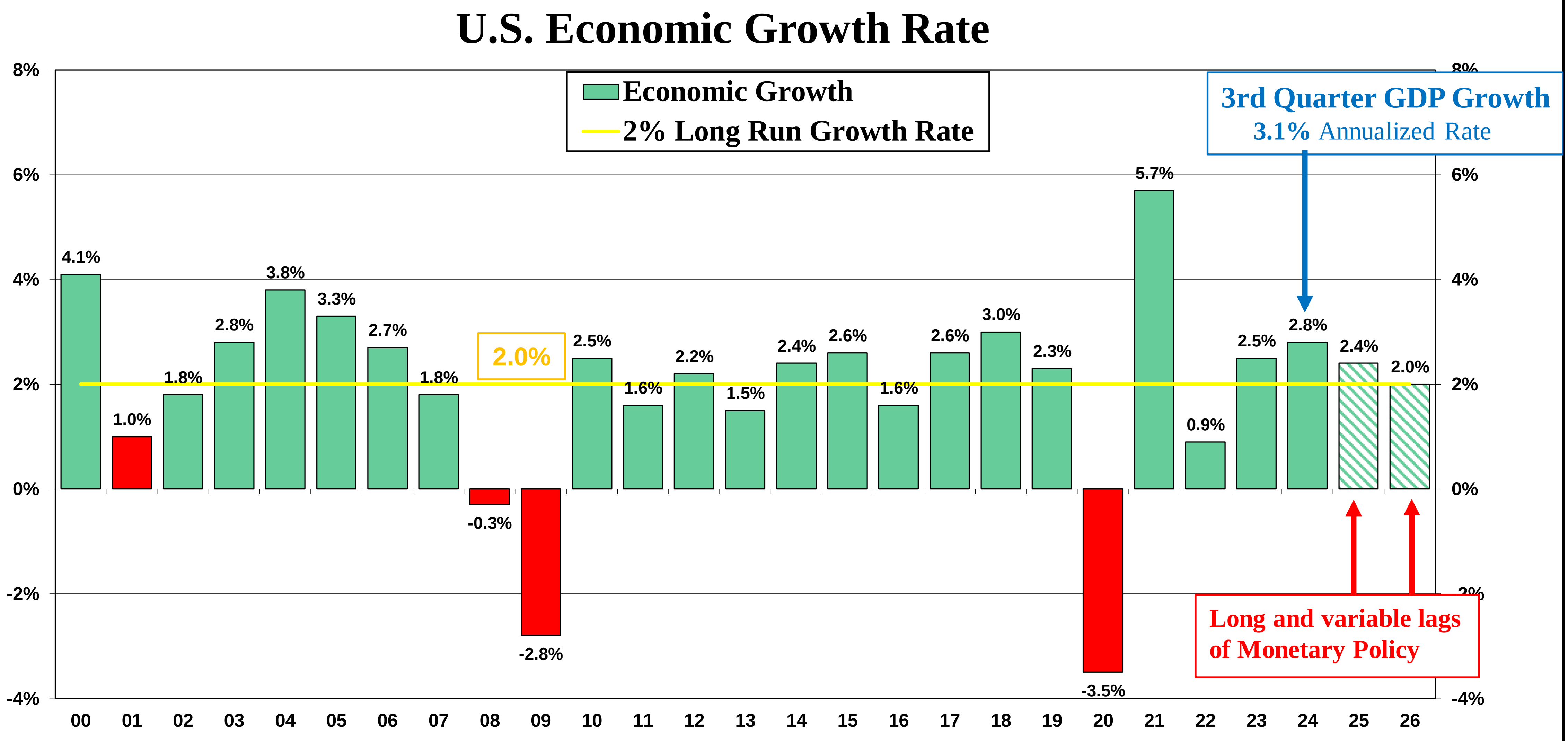
Source: Department of Commerce

Economic Growth Above Natural Growth Rate



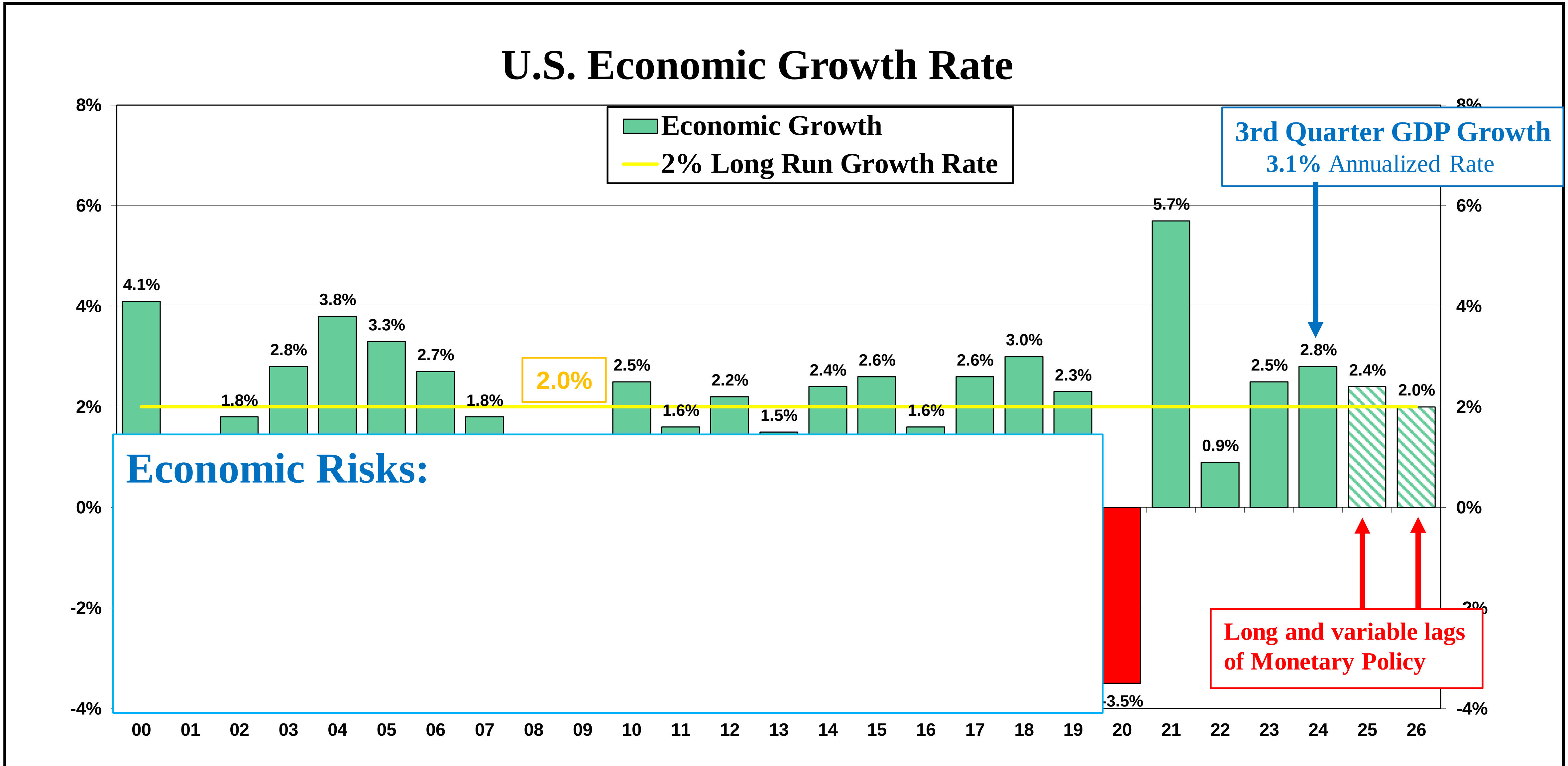
Source: Department of Commerce

Economic Growth Above Natural Growth Rate



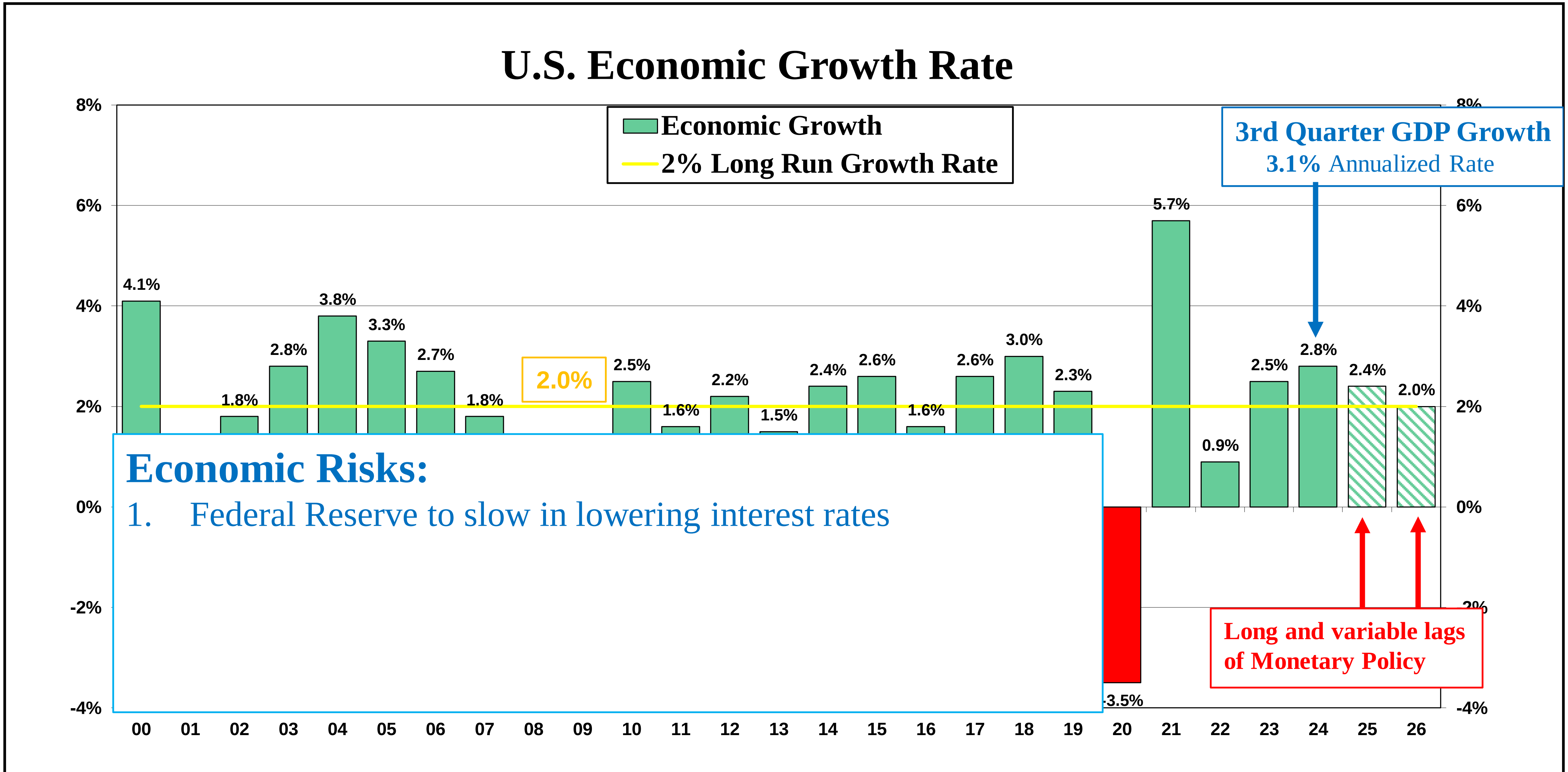
Source: Department of Commerce

Economic Growth Above Natural Growth Rate



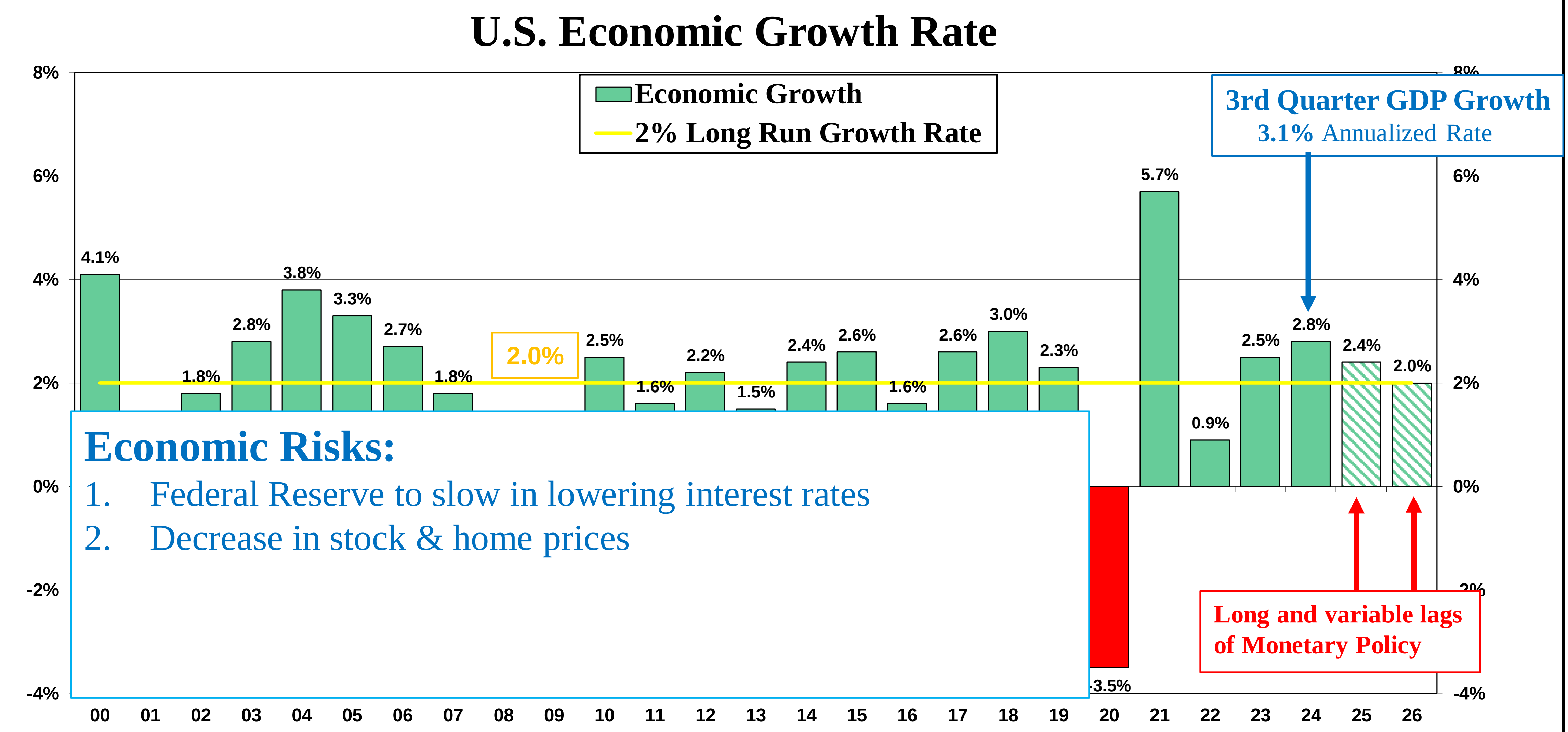
Source: Department of Commerce

Economic Growth Above Natural Growth Rate



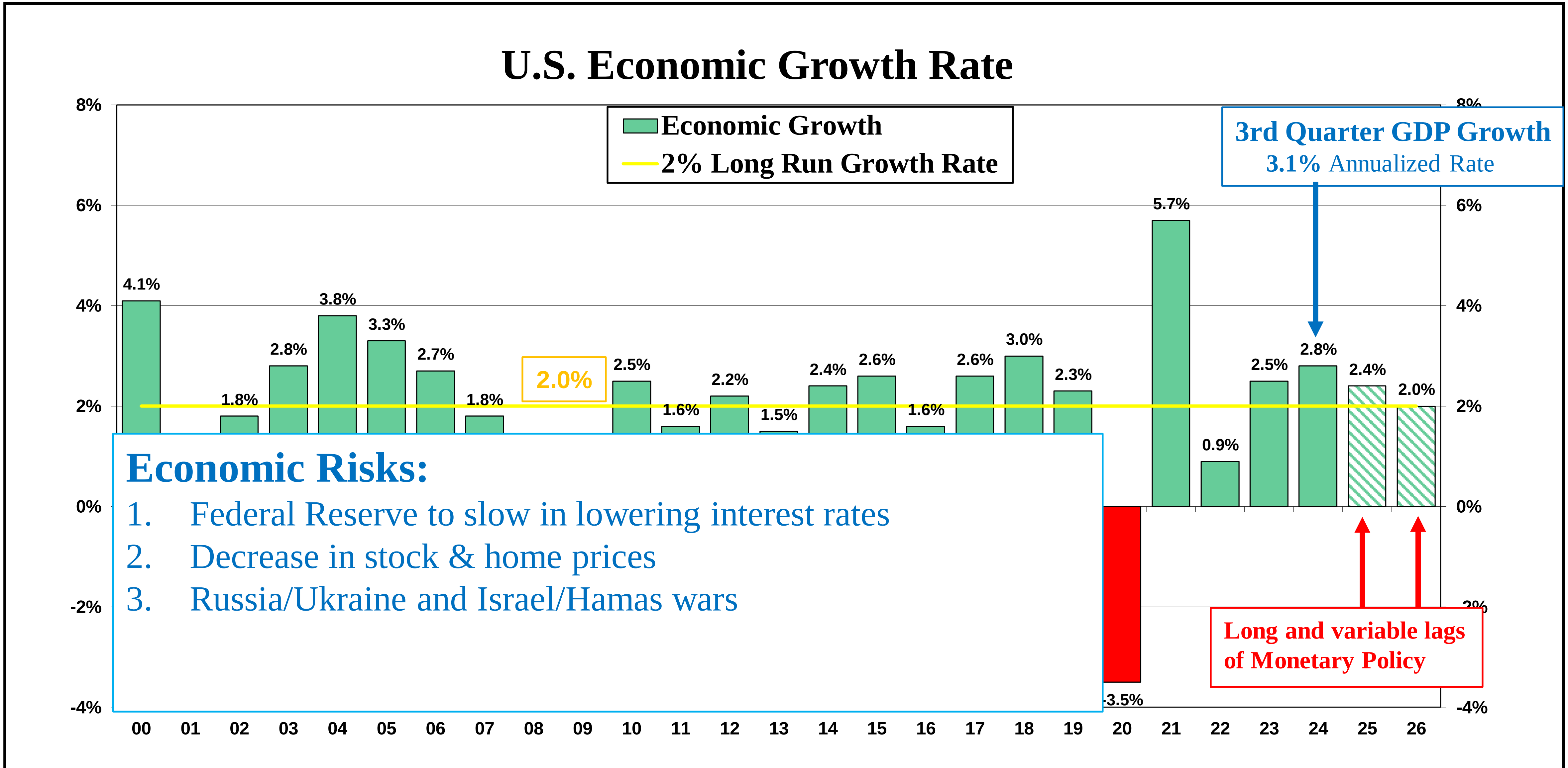
Source: Department of Commerce

Economic Growth Above Natural Growth Rate



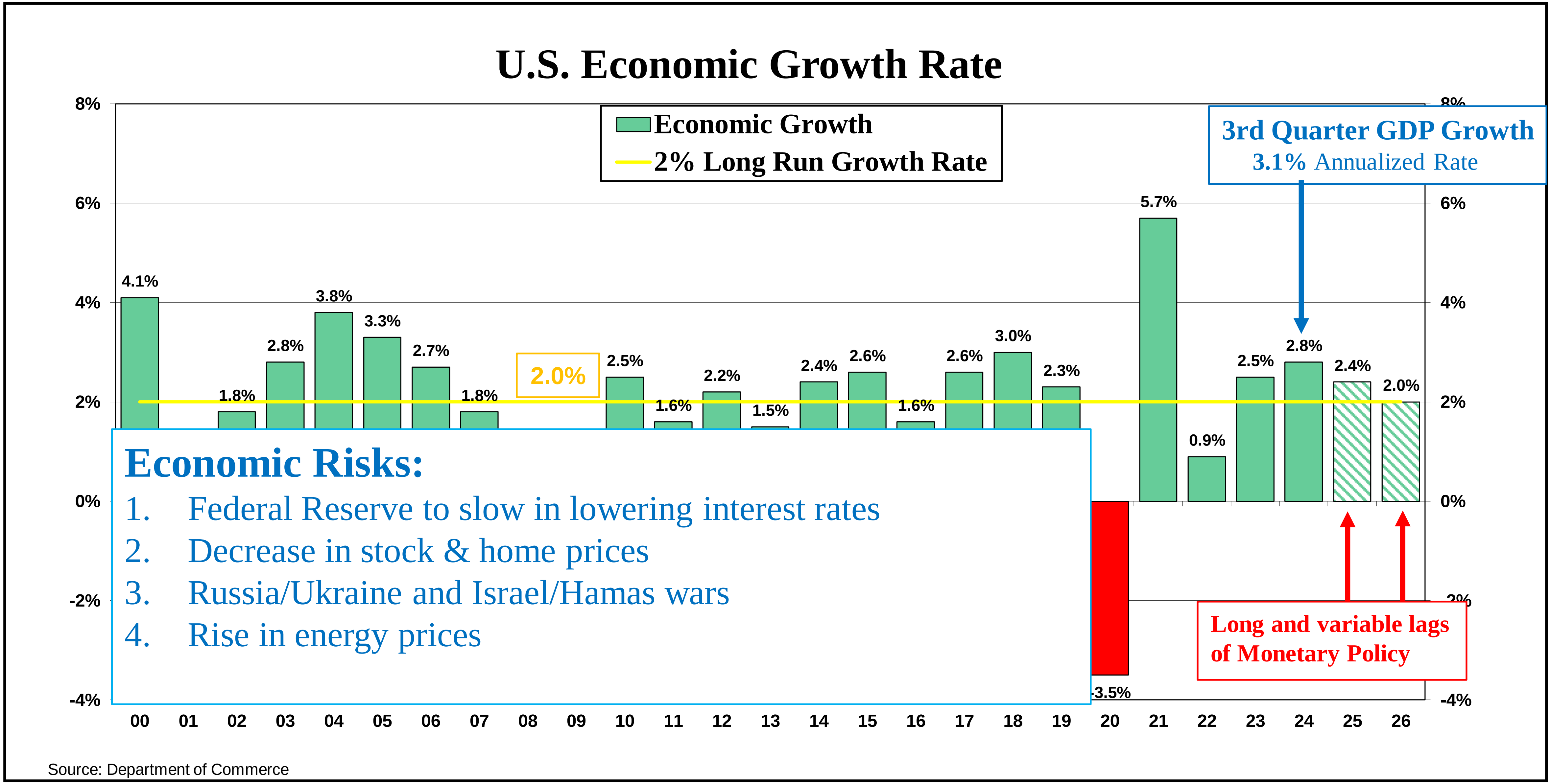
Source: Department of Commerce

Economic Growth Above Natural Growth Rate



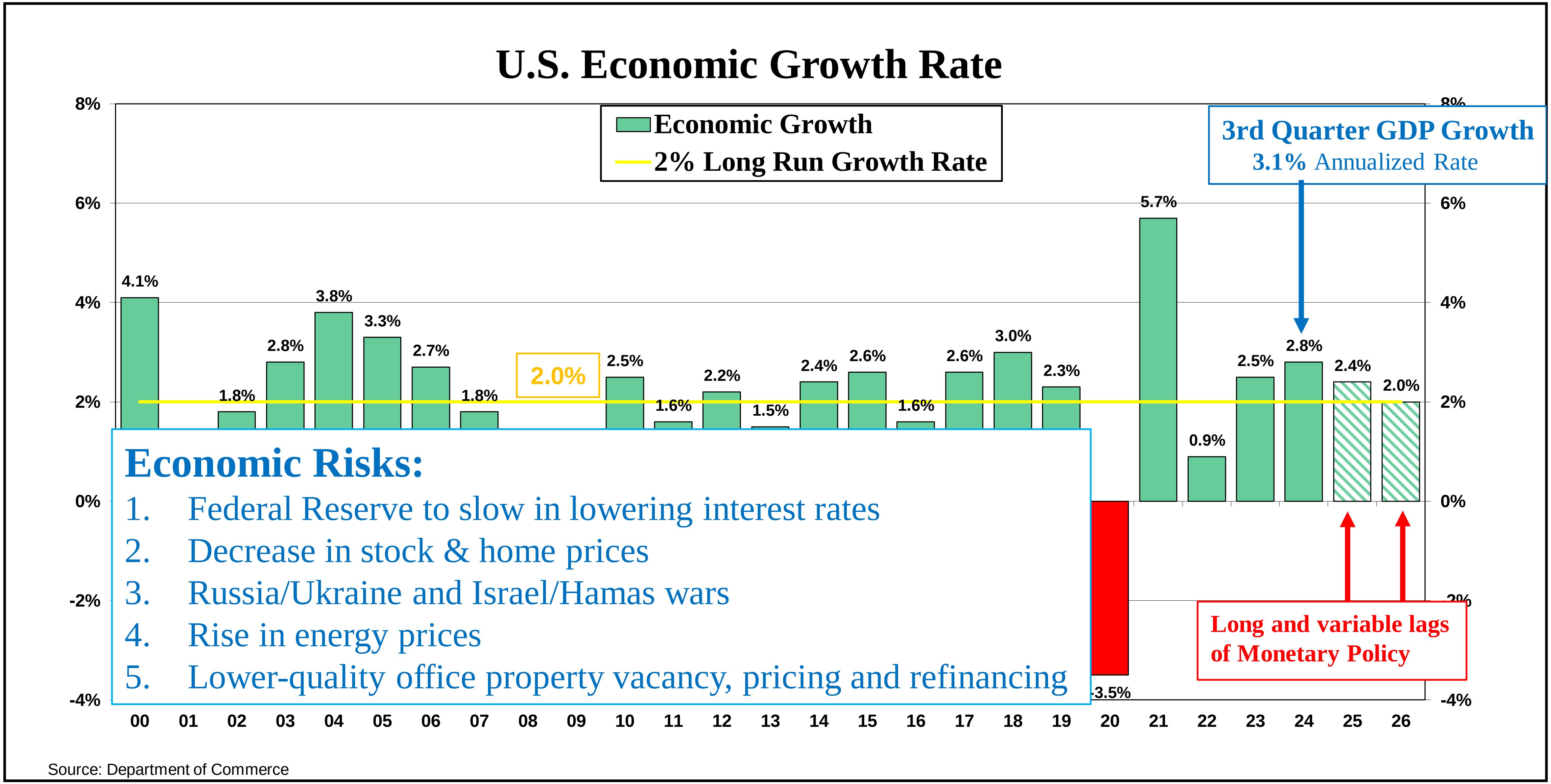
Source: Department of Commerce

Economic Growth Above Natural Growth Rate

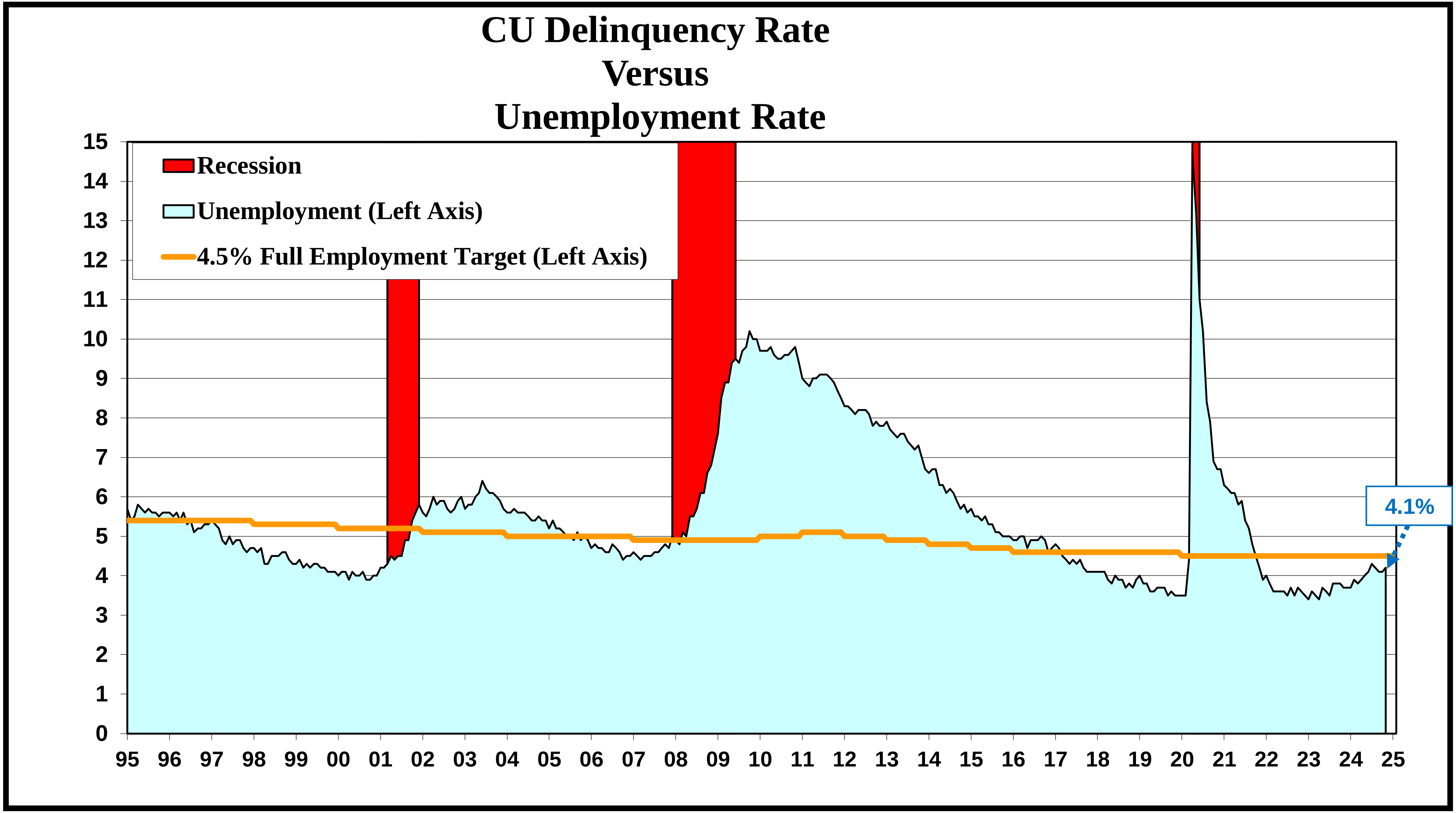


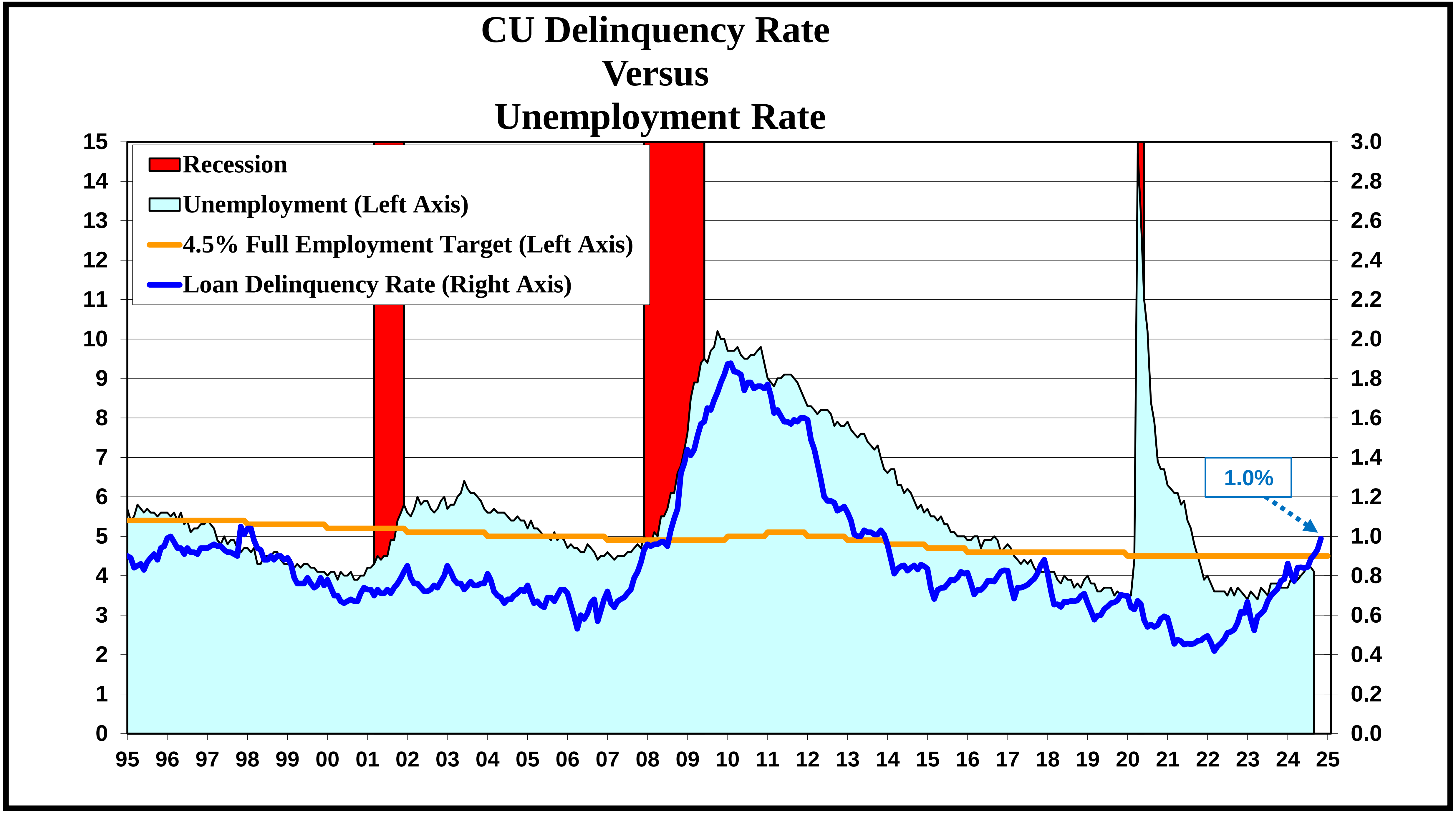
Source: Department of Commerce

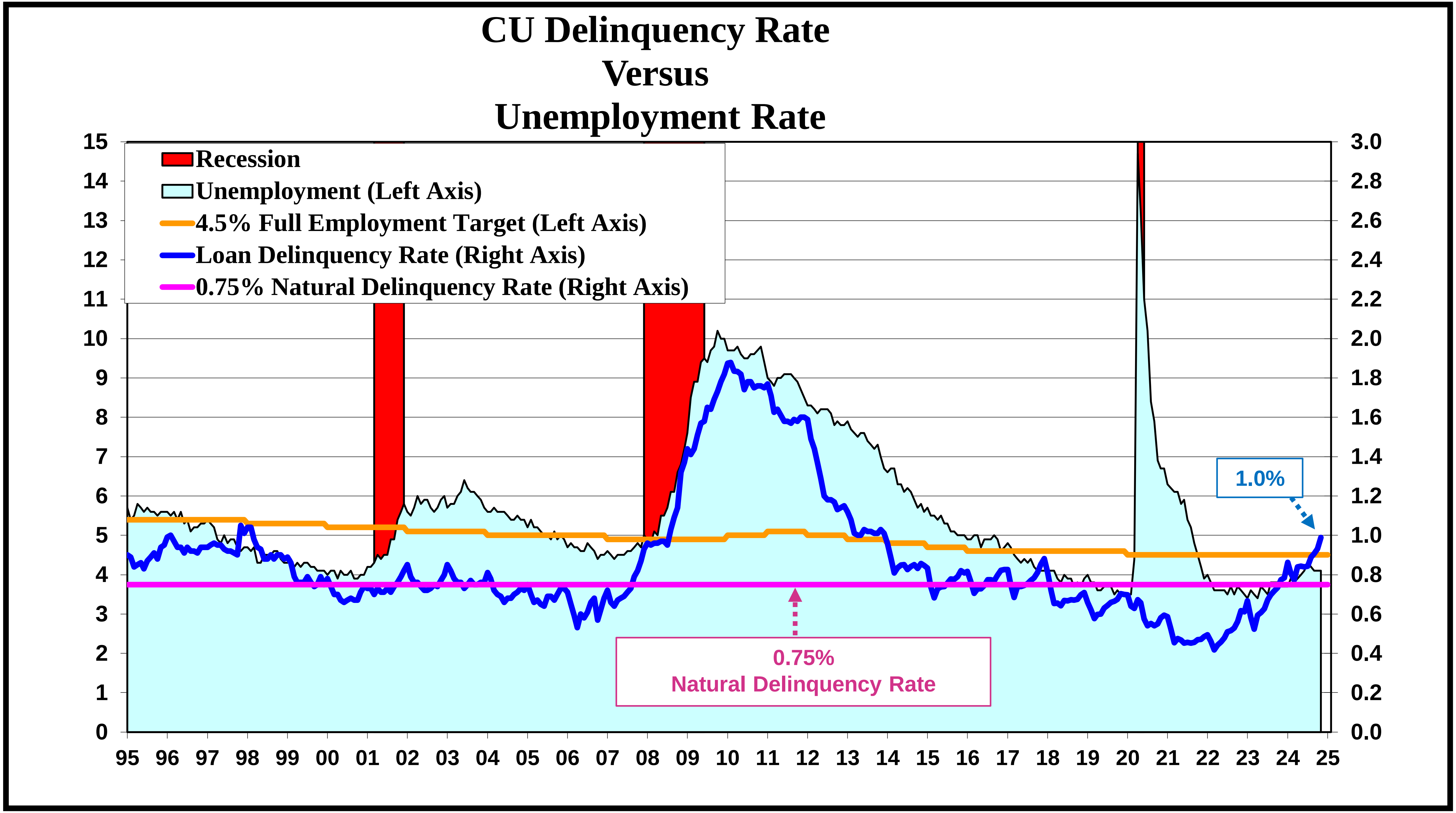
Economic Growth Above Natural Growth Rate

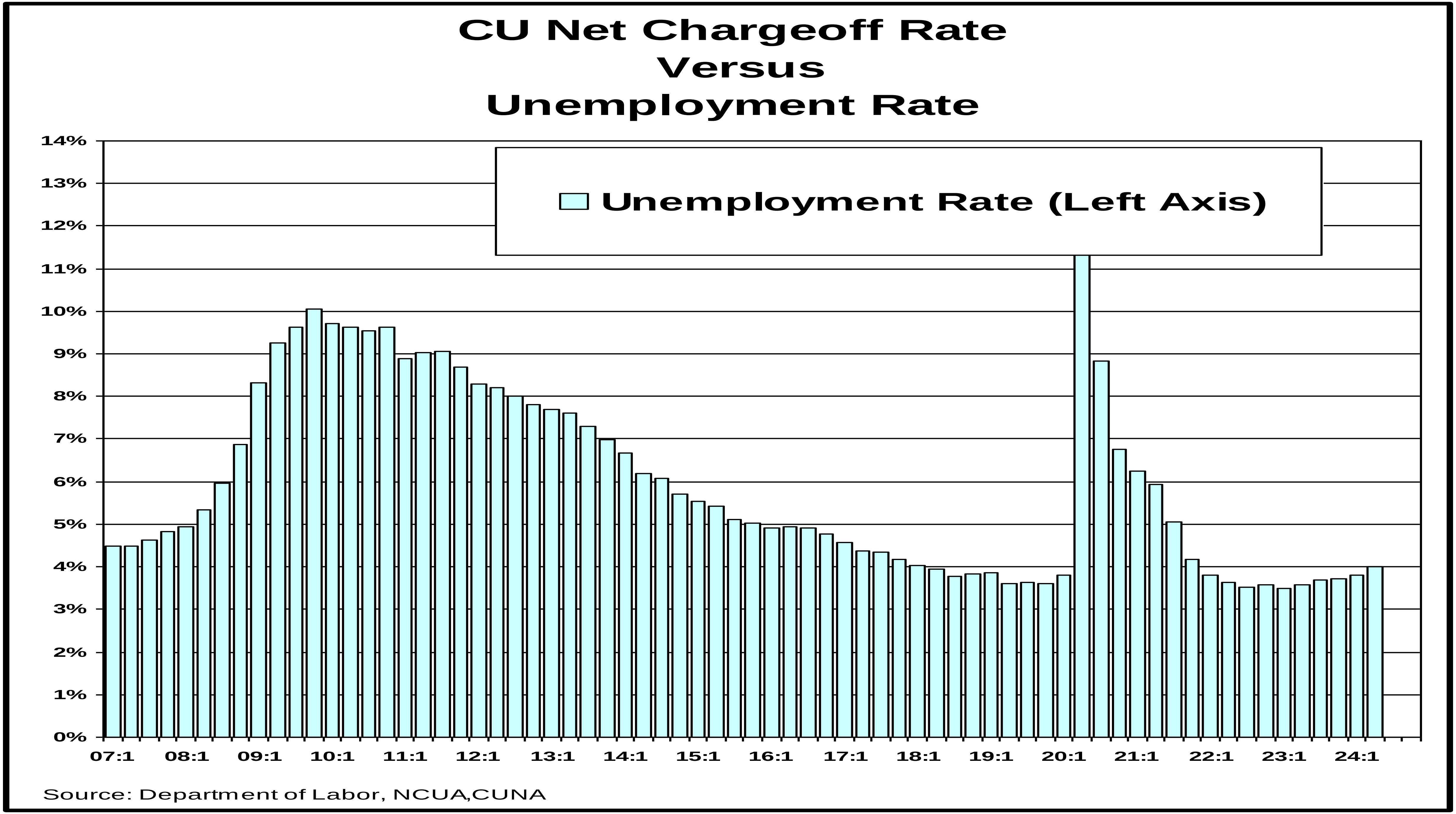


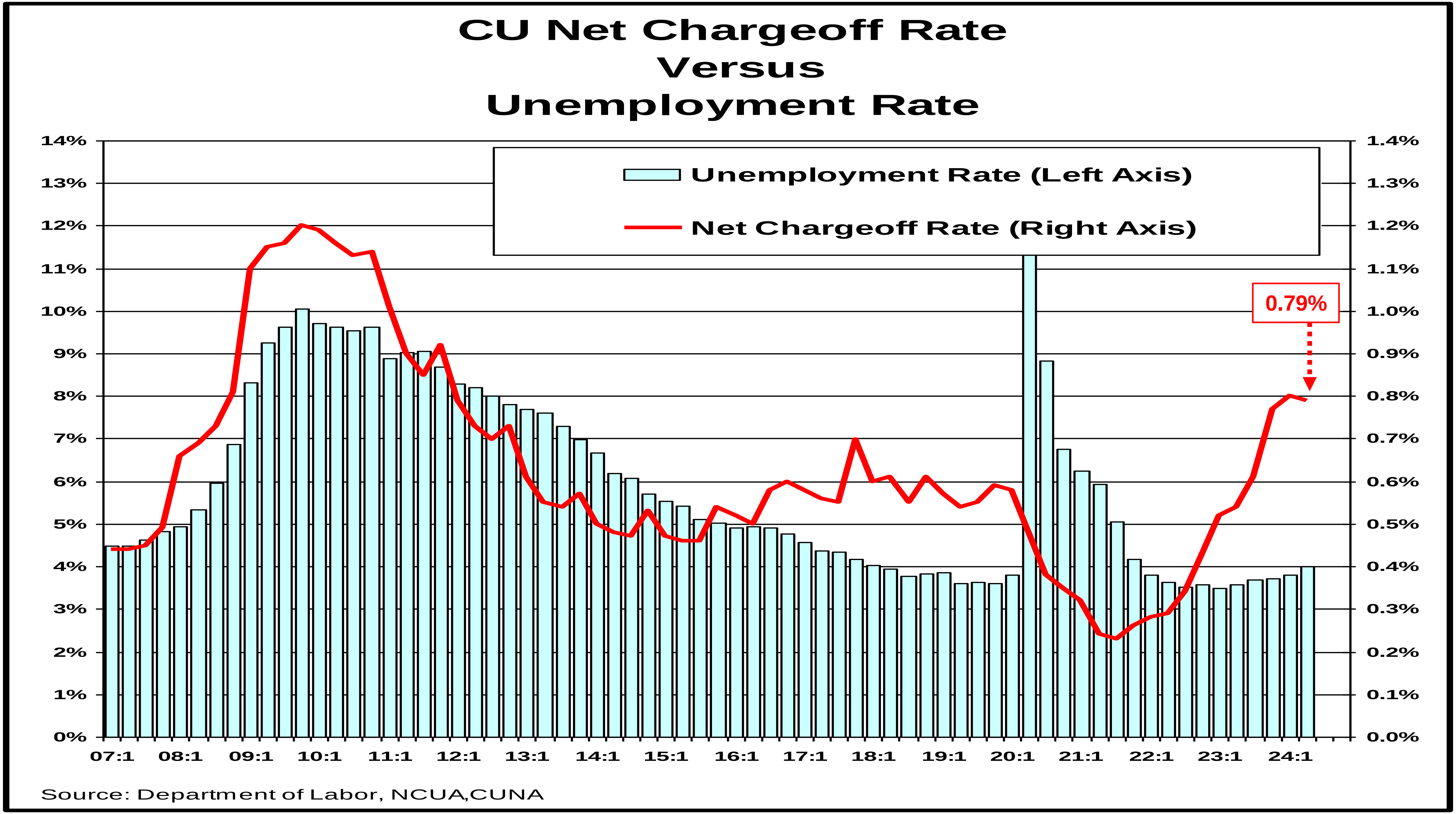
Source: Department of Commerce

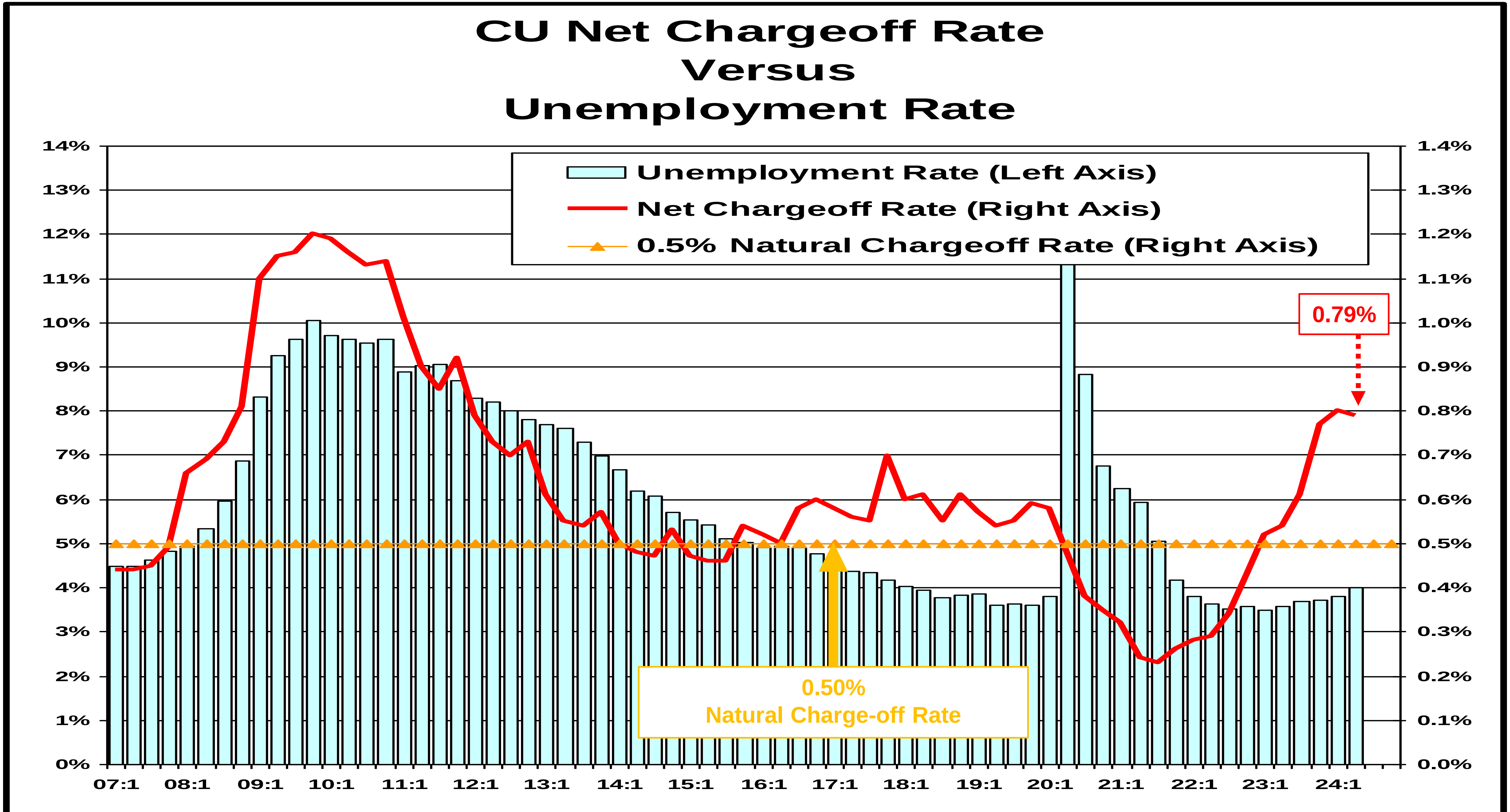

CU Delinquency Rate
Versus
Unemployment Rate
Recession
Unemployment (Left Axis)
4.5% Full Employment Target (Left Axis)
4.1%
15
14
13
12
11
10
9
8
7
6
5
4
3
2
1
0
95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25


CU Delinquency Rate
Versus
Unemployment Rate
Recession
Unemployment (Left Axis)
4.5% Full Employment Target (Left Axis)
Loan Delinquency Rate (Right Axis)
1.0%
15
14
13
12
11
10
9
8
7
6
5
4
3
2
1
0
3.0
2.8
2.6
2.4
2.2
2.0
1.8
1.6
1.4
1.2
1.0
0.8
0.6
0.4
0.2
0.0
95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25

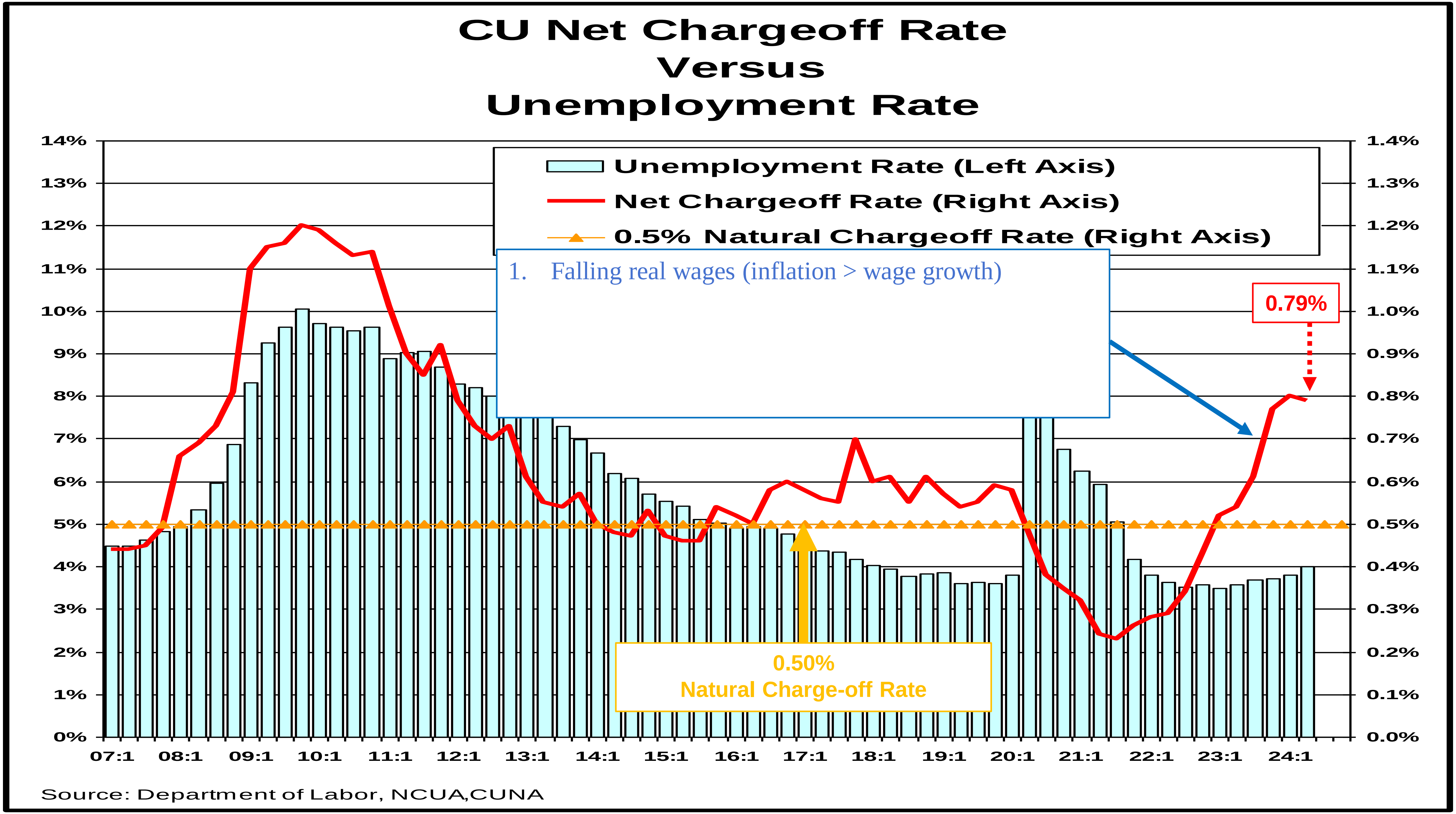

CU Delinquency Rate
Versus
Unemployment Rate
Recession
Unemployment (Left Axis)
4.5% Full Employment Target (Left Axis)
Loan Delinquency Rate (Right Axis)
0.75% Natural Delinquency Rate (Right Axis)
1.0%
0.75%
Natural Delinquency Rate
15
14
13
12
11
10
9
8
7
6
5
4
3
2
1
0
3.0
2.8
2.6
2.4
2.2
2.0
1.8
1.6
1.4
1.2
1.0
0.8
0.6
0.4
0.2
0.0
95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25

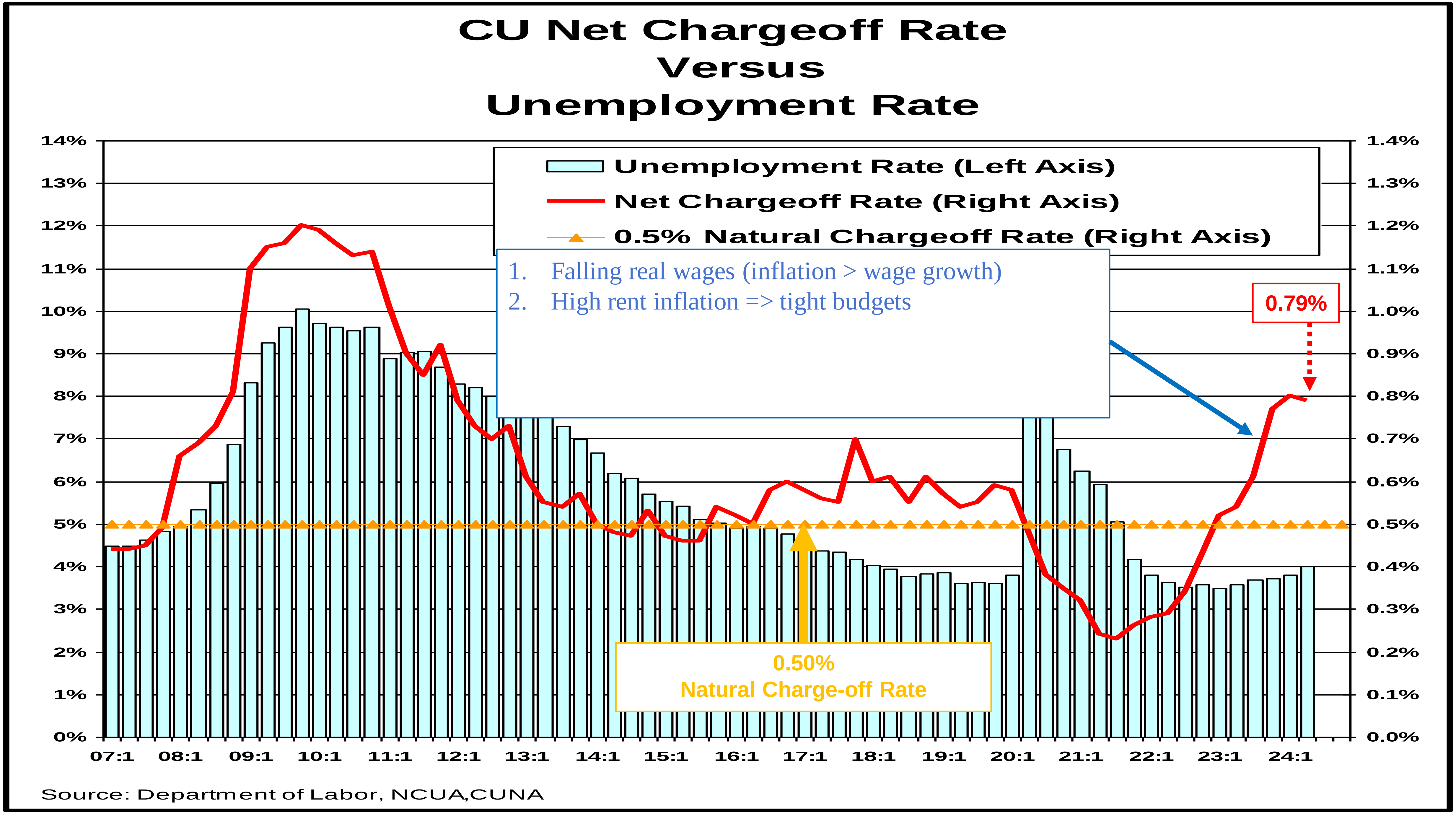

CU Net Chargeoff Rate
Versus
Unemployment Rate
Unemployment Rate (Left Axis)
14%
13%
12%
11%
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
07:1
08:1
09:1
10:1
11:1
12:1
13:1
14:1
15:1
16:1
17:1
18:1
19:1
20:1
21:1
22:1
23:1
24:1
Source: Department of Labor, NCUA,CUNA

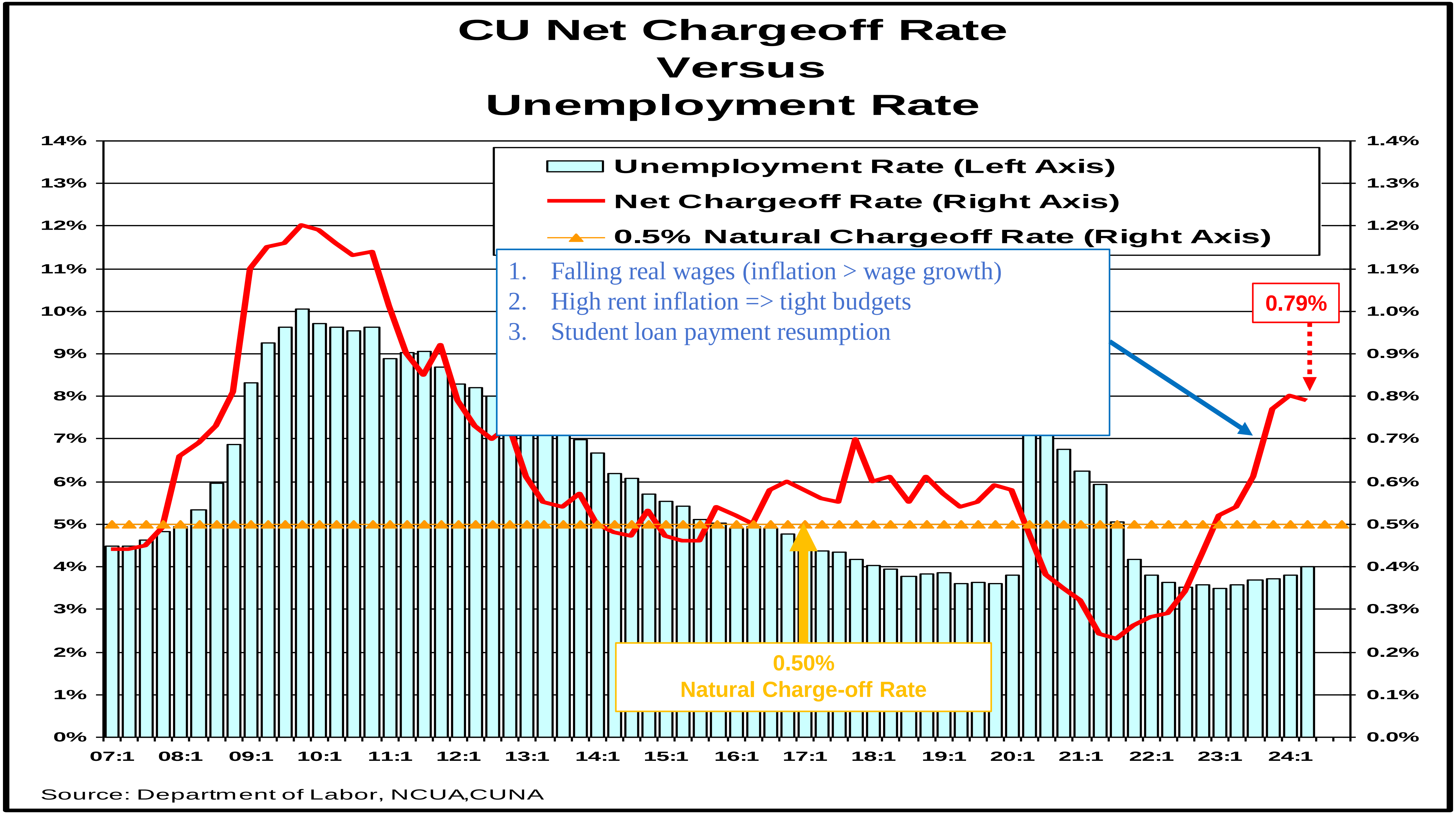

CU Net Chargeoff Rate
Versus
Unemployment Rate
Unemployment Rate (Left Axis)
Net Chargeoff Rate (Right Axis)
0.79%
14%
13%
12%
11%
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
1.4%
1.3%
1.2%
1.1%
1.0%
0.9%
0.8%
0.7%
0.6%
0.5%
0.4%
0.3%
0.2%
0.1%
0.0%
07:1
08:1
09:1
10:1
11:1
12:1
13:1
14:1
15:1
16:1
17:1
18:1
19:1
20:1
21:1
22:1
23:1
24:1
Source: Department of Labor, NCUA,CUNA

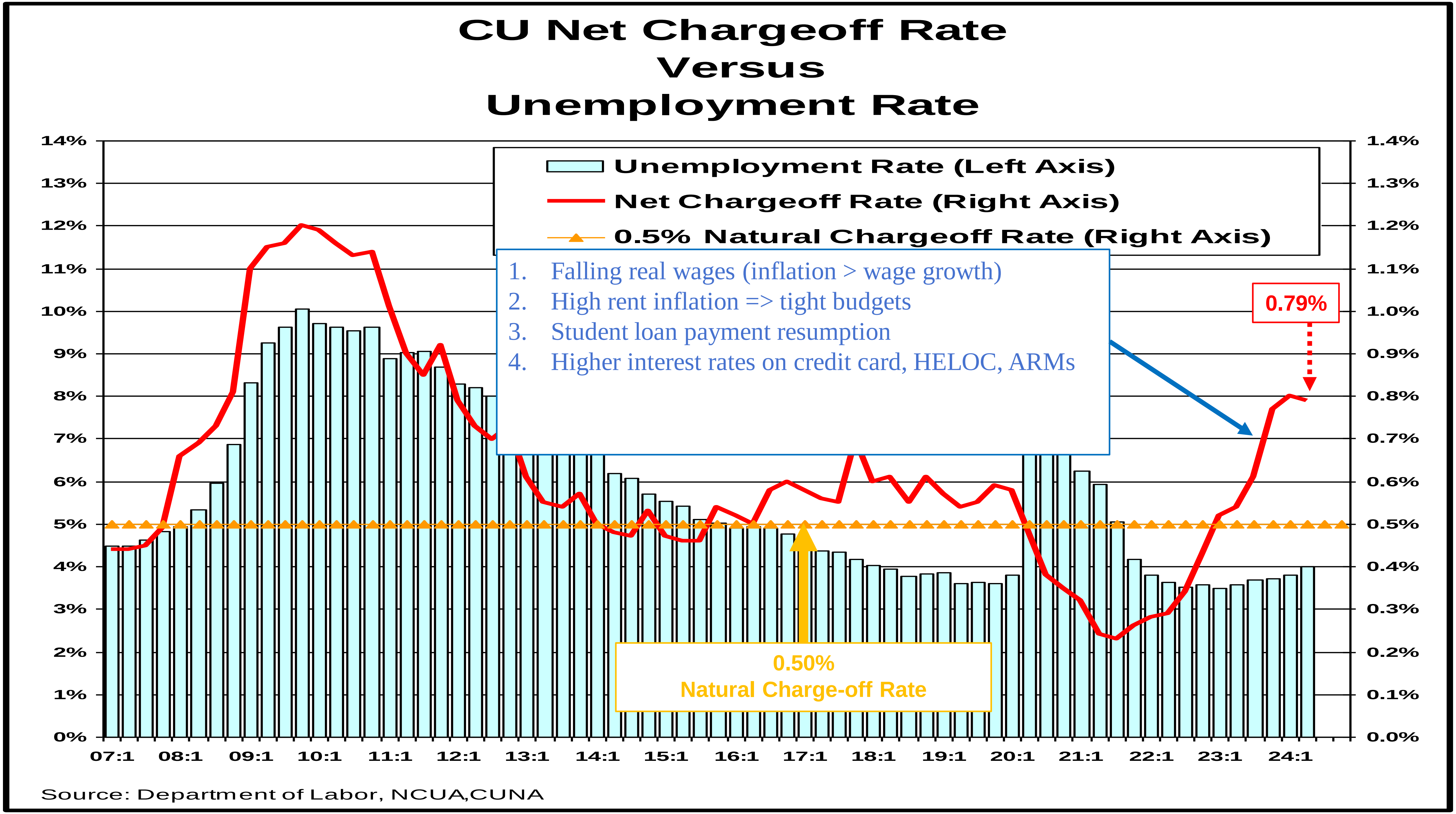


Source: Department of Labor, NCUA,CUNA

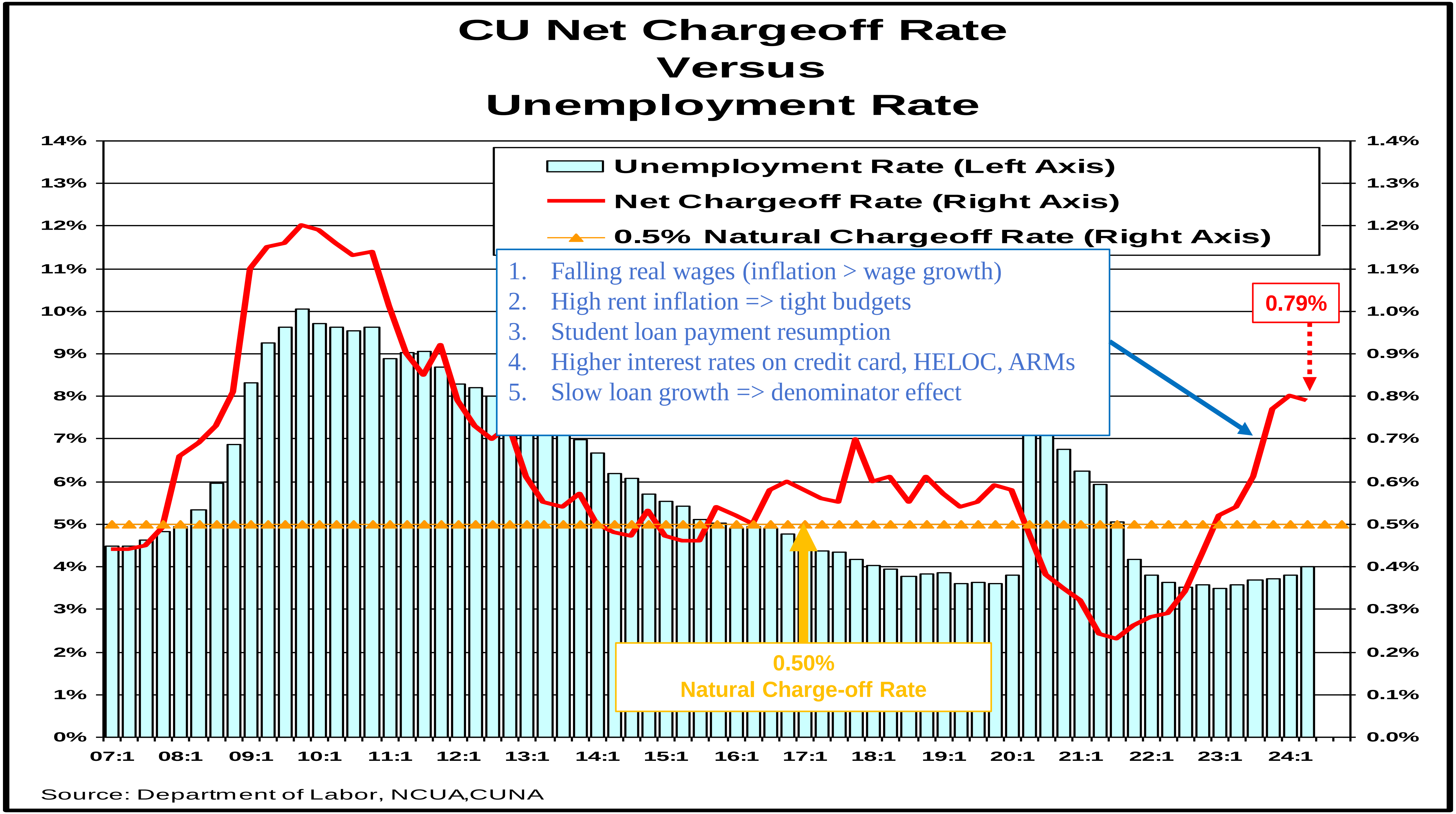

CU Net Chargeoff Rate
Versus
Unemployment Rate
Unemployment Rate (Left Axis)
Net Chargeoff Rate (Right Axis)
0.5% Natural Chargeoff Rate (Right Axis)
1. Falling real wages (inflation > wage growth)
0.79%
0.50%
Natural Charge-off Rate
14%
13%
12%
11%
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
1.4%
1.3%
1.2%
1.1%
1.0%
0.9%
0.8%
0.7%
0.6%
0.5%
0.4%
0.3%
0.2%
0.1%
0.0%
07:1 08:1 09:1 10:1 11:1 12:1 13:1 14:1 15:1 16:1 17:1 18:1 19:1 20:1 21:1 22:1 23:1 24:1
Source: Department of Labor, NCUA,CUNA


CU Net Chargeoff Rate
Versus
Unemployment Rate
Unemployment Rate (Left Axis)
Net Chargeoff Rate (Right Axis)
0.5% Natural Chargeoff Rate (Right Axis)
1. Falling real wages (inflation > wage growth)
2. High rent inflation => tight budgets
0.79%
0.50%
Natural Charge-off Rate
14%
13%
12%
11%
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
1.4%
1.3%
1.2%
1.1%
1.0%
0.9%
0.8%
0.7%
0.6%
0.5%
0.4%
0.3%
0.2%
0.1%
0.0%
07:1 08:1 09:1 10:1 11:1 12:1 13:1 14:1 15:1 16:1 17:1 18:1 19:1 20:1 21:1 22:1 23:1 24:1
Source: Department of Labor, NCUA,CUNA

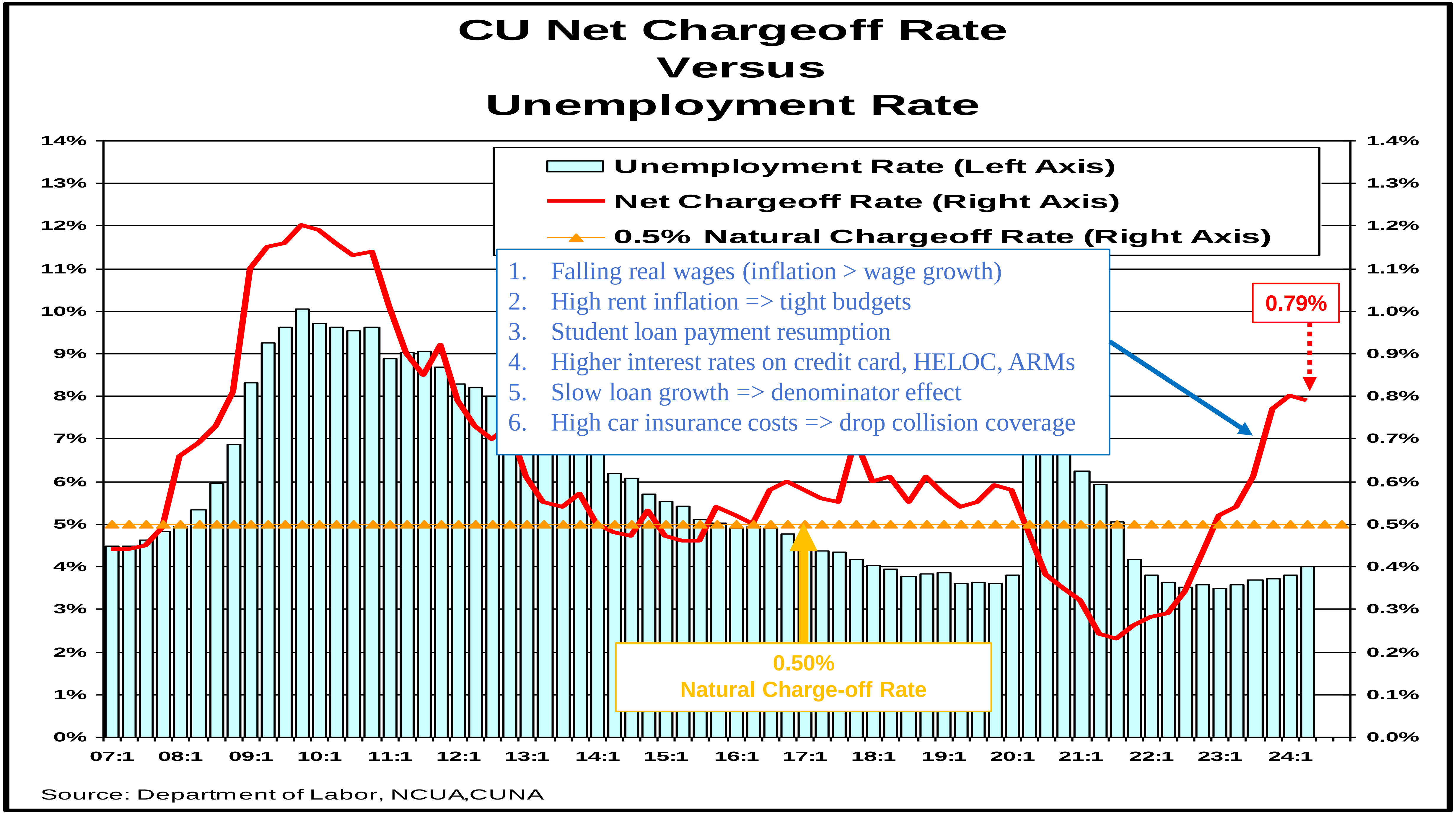

CU Net Chargeoff Rate
Versus
Unemployment Rate
Unemployment Rate (Left Axis)
Net Chargeoff Rate (Right Axis)
0.5% Natural Chargeoff Rate (Right Axis)
1. Falling real wages (inflation > wage growth)
2. High rent inflation => tight budgets
3. Student loan payment resumption
0.79%
0.50%
Natural Charge-off Rate
14%
13%
12%
11%
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
1.4%
1.3%
1.2%
1.1%
1.0%
0.9%
0.8%
0.7%
0.6%
0.5%
0.4%
0.3%
0.2%
0.1%
0.0%
07:1 08:1 09:1 10:1 11:1 12:1 13:1 14:1 15:1 16:1 17:1 18:1 19:1 20:1 21:1 22:1 23:1 24:1
Source: Department of Labor, NCUA,CUNA

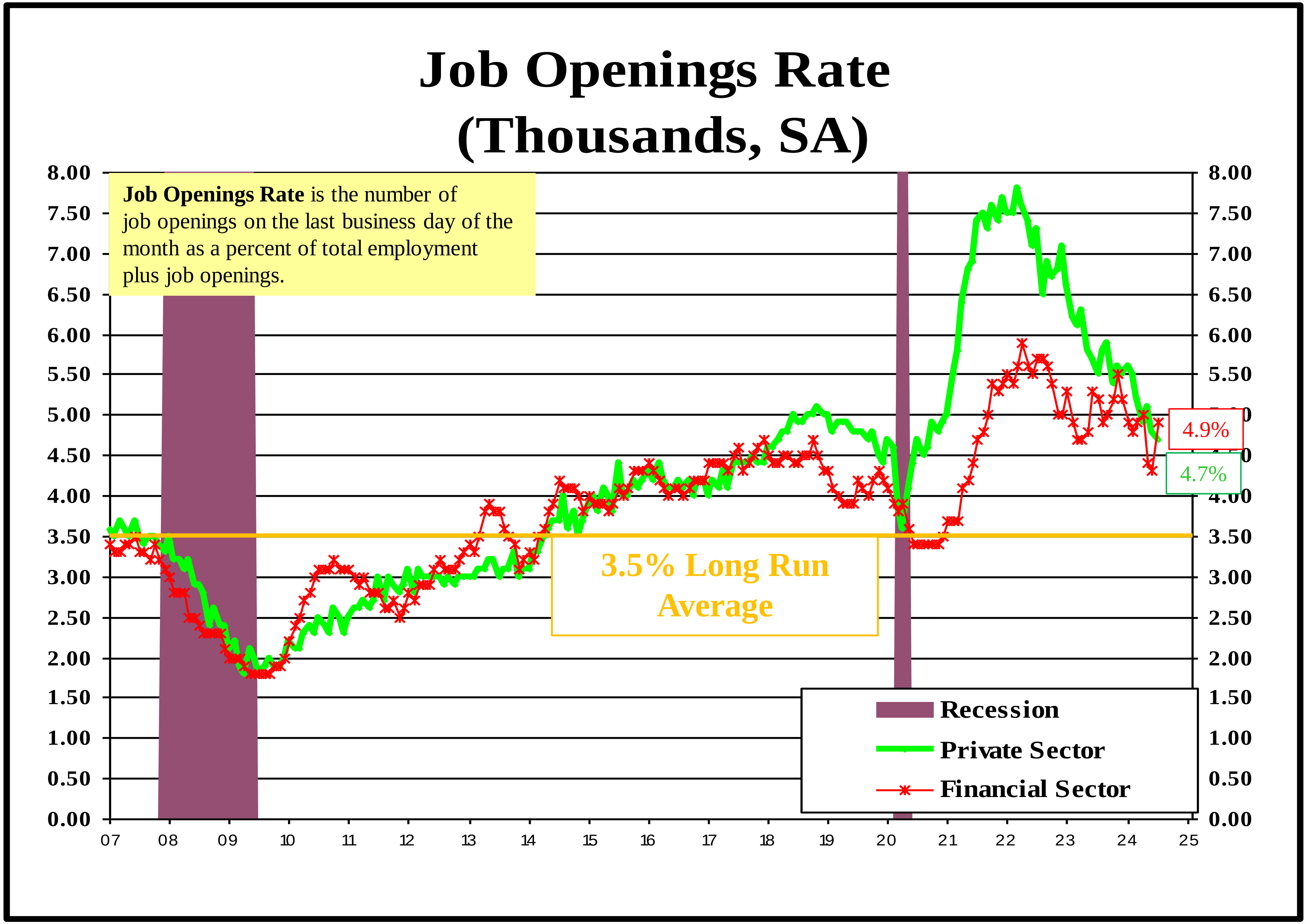


CU Net Chargeoff Rate
Versus
Unemployment Rate
14%
13%
12%
11%
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
1.4%
1.3%
1.2%
1.1%
1.0%
0.9%
0.8%
0.7%
0.6%
0.5%
0.4%
0.3%
0.2%
0.1%
0.0%
Unemployment Rate (Left Axis)
Net Chargeoff Rate (Right Axis)
0.5% Natural Chargeoff Rate (Right Axis)
1. Falling real wages (inflation > wage growth)
2. High rent inflation => tight budgets
3. Student loan payment resumption
4. Higher interest rates on credit card, HELOC, ARMs
0.79%
0.50%
Natural Charge-off Rate
07:1
08:1
09:1
10:1
11:1
12:1
13:1
14:1
15:1
16:1
17:1
18:1
19:1
20:1
21:1
22:1
23:1
24:1
Source: Department of Labor, NCUA,CUNA



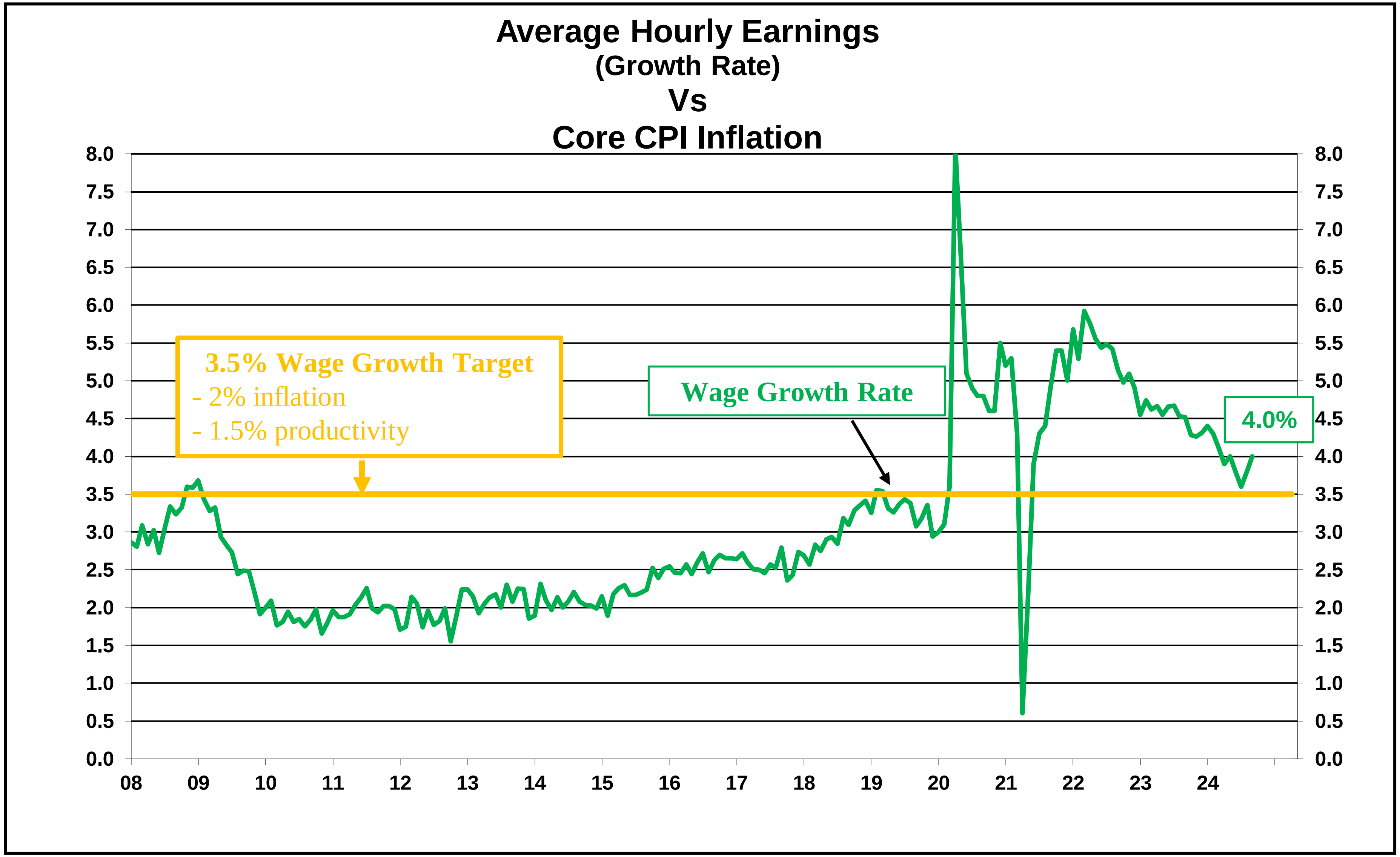
CU Net Chargeoff Rate
Versus
Unemployment Rate
Unemployment Rate (Left Axis)
Net Chargeoff Rate (Right Axis)
0.5% Natural Chargeoff Rate (Right Axis)
1. Falling real wages (inflation > wage growth)
2. High rent inflation => tight budgets
3. Student loan payment resumption
4. Higher interest rates on credit card, HELOC, ARMs
5. Slow loan growth => denominator effect
0.79%
0.50%
Natural Charge-off Rate
14%
13%
12%
11%
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
1.4%
1.3%
1.2%
1.1%
1.0%
0.9%
0.8%
0.7%
0.6%
0.5%
0.4%
0.3%
0.2%
0.1%
0.0%
07:1
08:1
09:1
10:1
11:1
12:1
13:1
14:1
15:1
16:1
17:1
18:1
19:1
20:1
21:1
22:1
23:1
24:1
Source: Department of Labor, NCUA,CUNA


CU Net Chargeoff Rate
Versus
Unemployment Rate
Unemployment Rate (Left Axis)
Net Chargeoff Rate (Right Axis)
0.5% Natural Chargeoff Rate (Right Axis)
1. Falling real wages (inflation > wage growth)
2. High rent inflation => tight budgets
3. Student loan payment resumption
4. Higher interest rates on credit card, HELOC, ARMs
5. Slow loan growth => denominator effect
6. High car insurance costs => drop collision coverage
0.79%
0.50%
Natural Charge-off Rate
14%
13%
12%
11%
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
1.4%
1.3%
1.2%
1.1%
1.0%
0.9%
0.8%
0.7%
0.6%
0.5%
0.4%
0.3%
0.2%
0.1%
0.0%
07:1
08:1
09:1
10:1
11:1
12:1
13:1
14:1
15:1
16:1
17:1
18:1
19:1
20:1
21:1
22:1
23:1
24:1
Source: Department of Labor, NCUA,CUNA

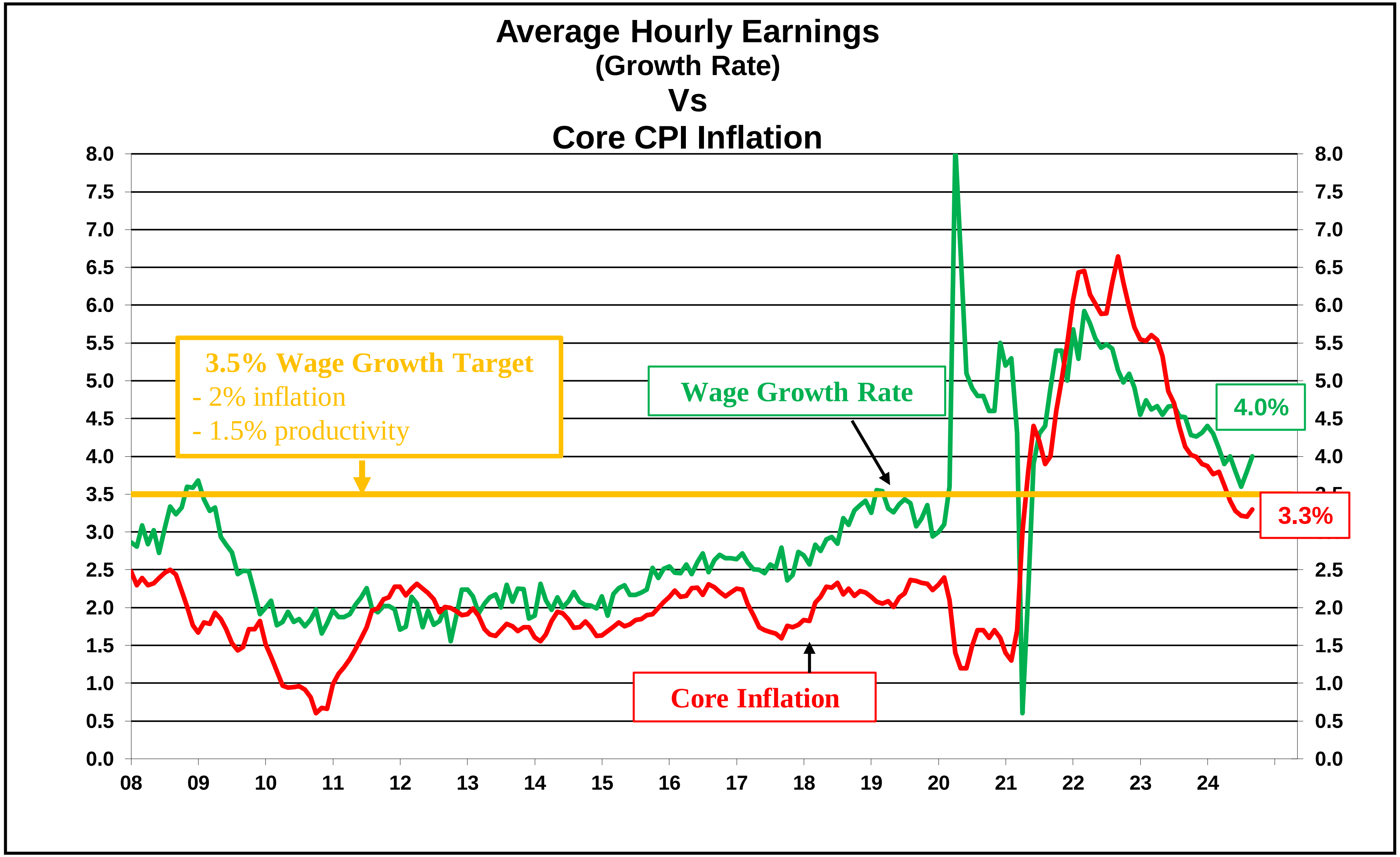


Job Openings Rate
(Thousands, SA)
Job Openings Rate is the number of job openings on the last business day of the month as a percent of total employment plus job openings.
3.5% Long Run Average
4.9%
4.7%
Recession
Private Sector
Financial Sector
8.00
7.50
7.00
6.50
6.00
5.50
5.00
4.50
4.00
3.50
3.00
2.50
2.00
1.50
1.00
0.50
0.00
07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25

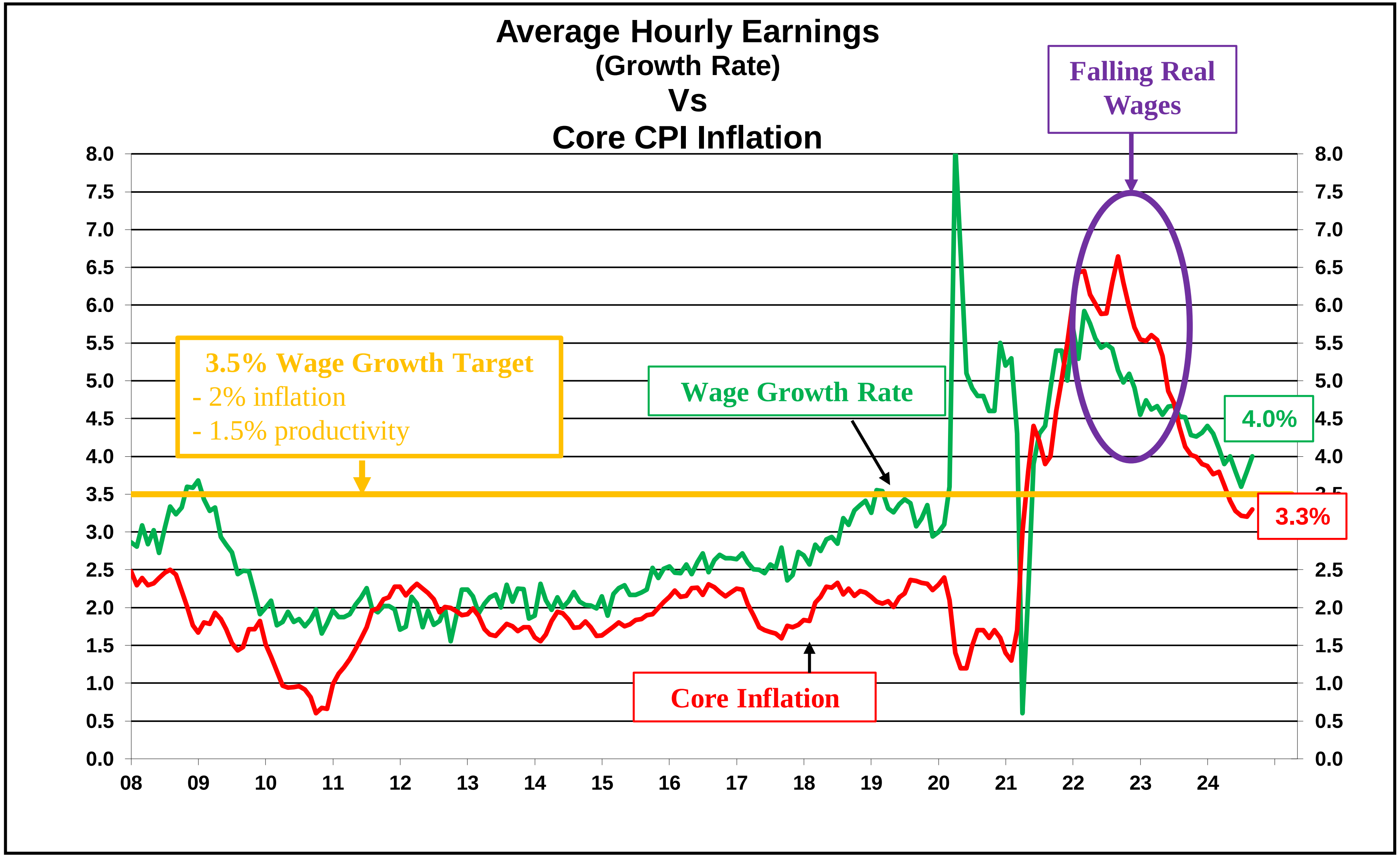
Wage Growth Slowing as Core Inflation Falls



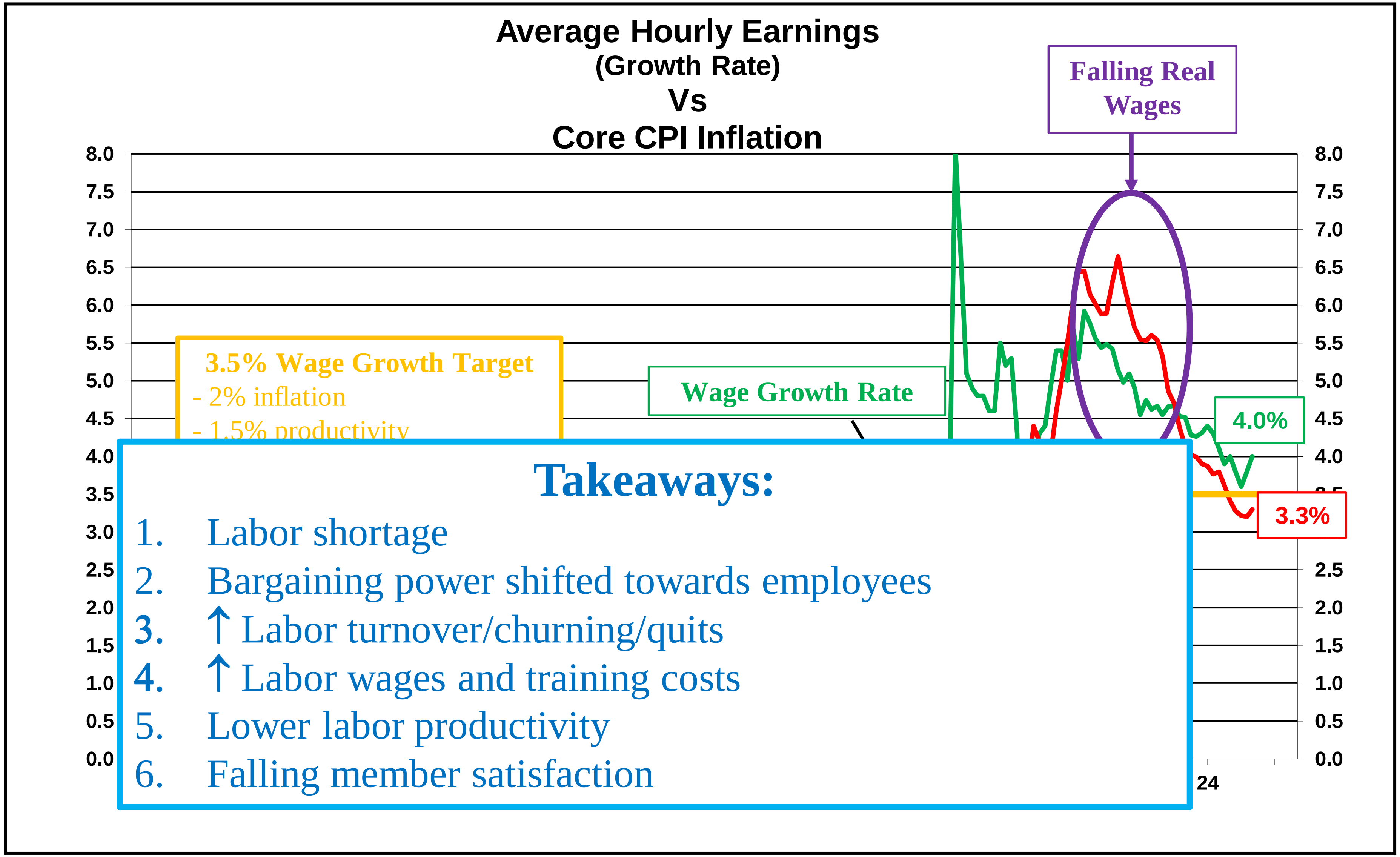
Wage Growth Slowing as Core Inflation Falls



Wage Growth Slowing as Core Inflation Falls



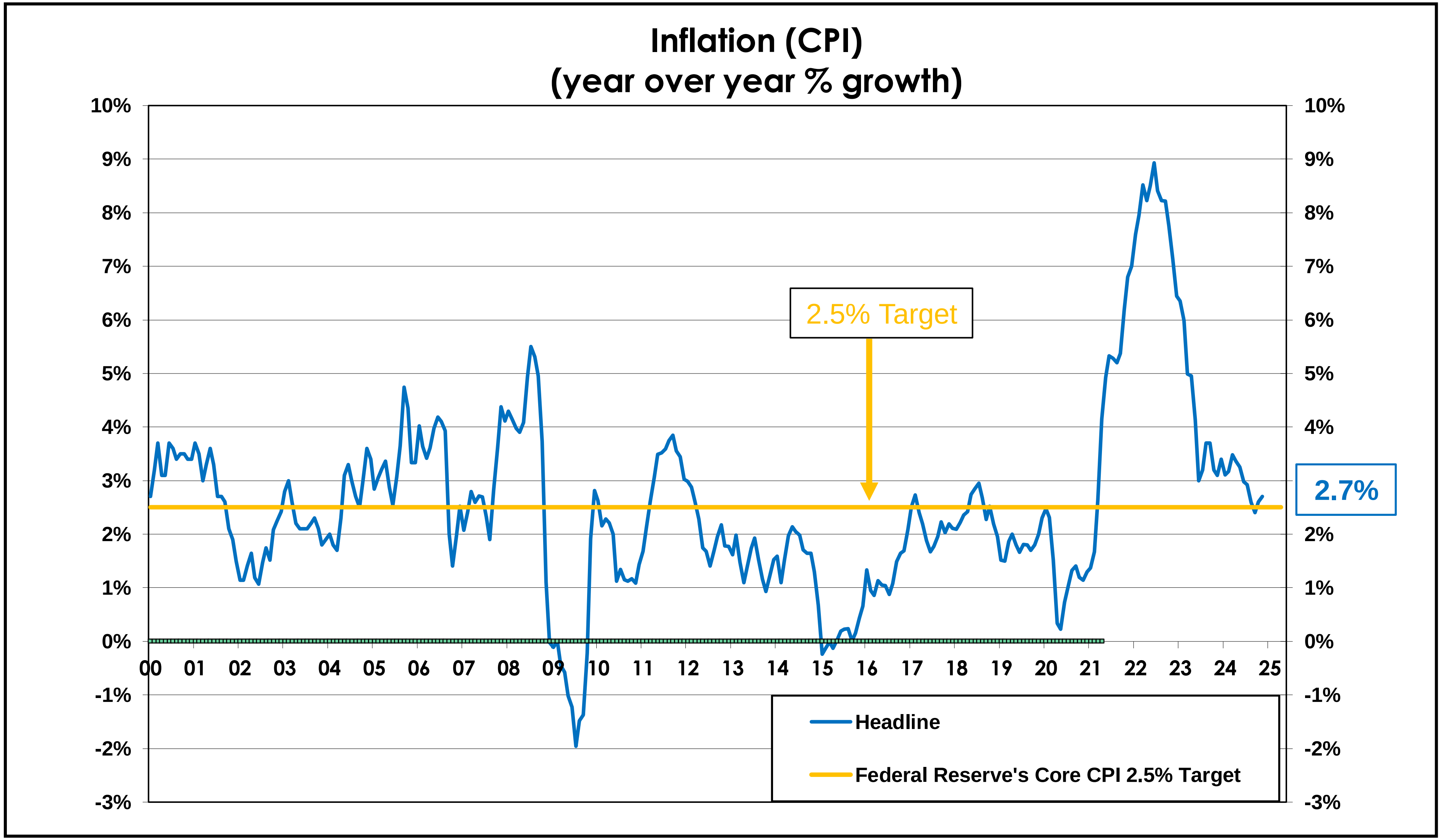
Wage Growth Slowing as Core Inflation Falls



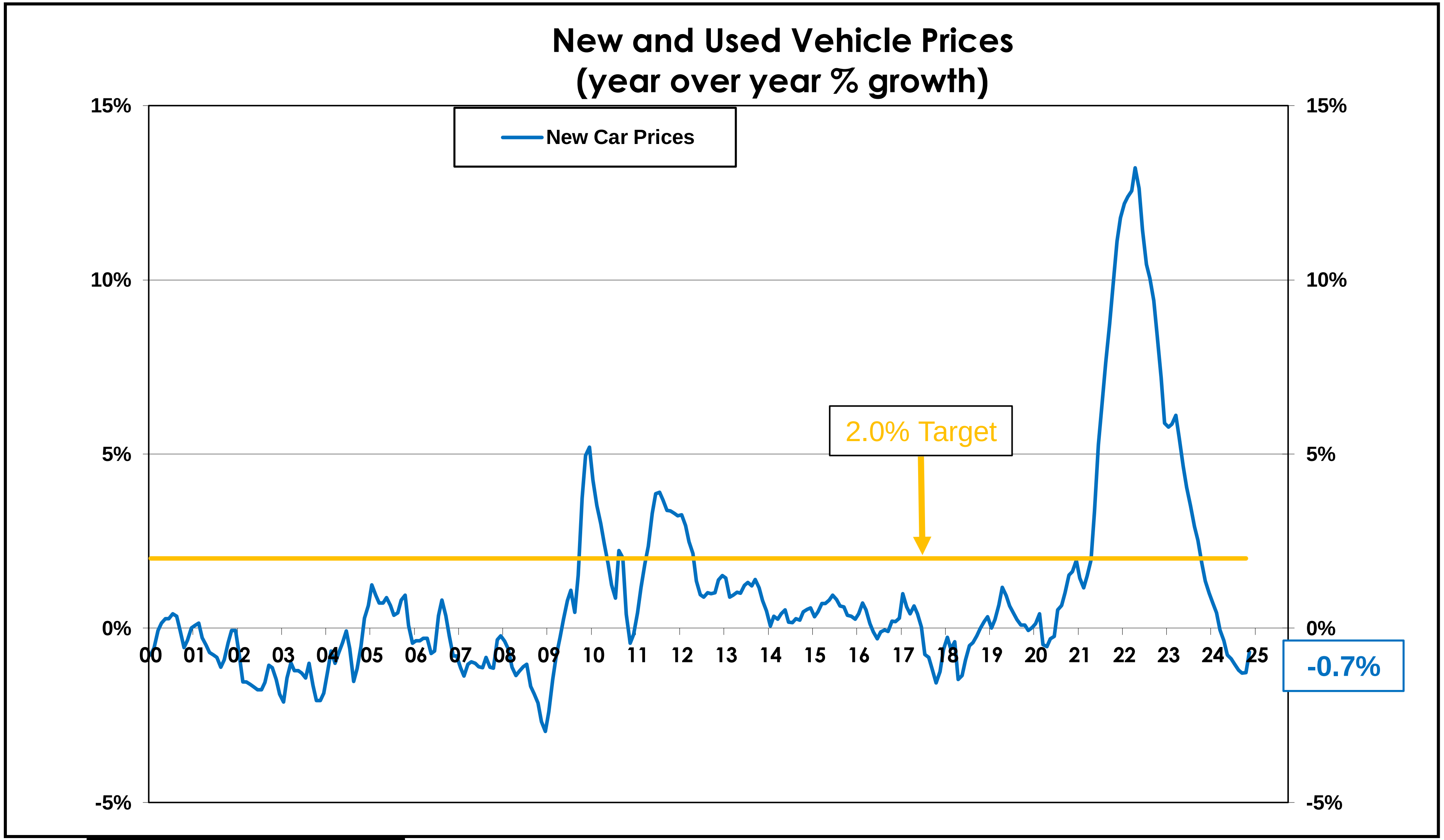
Takeaways:

1. Labor shortage
2. Bargaining power shifted towards employees
3. ↑ Labor turnover/churning/quits
4. ↑ Labor wages and training costs
5. Lower labor productivity
6. Falling member satisfaction

Inflation Approaching 2% Target

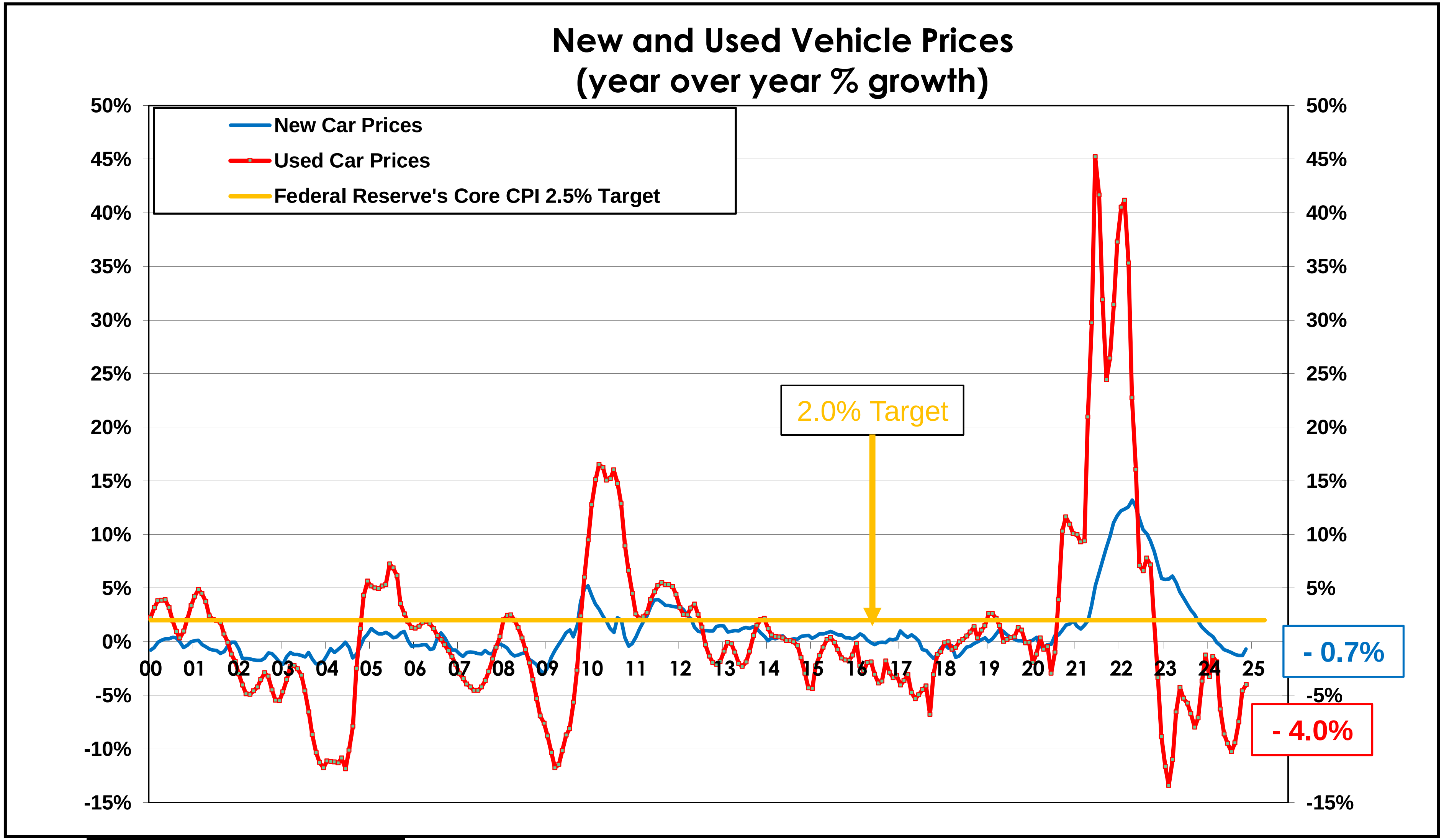


Vehicle Prices are Falling



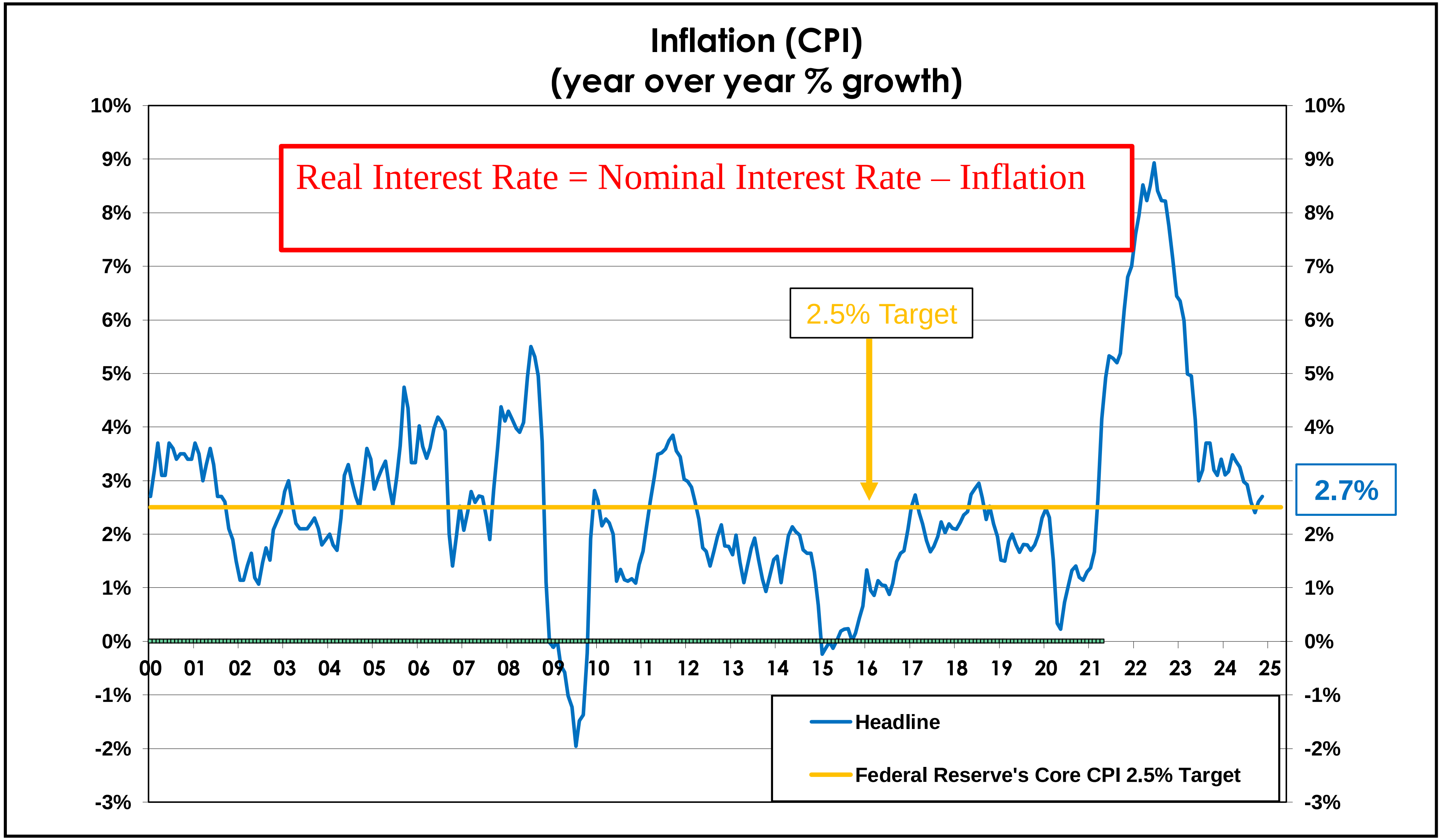
Source: Bureau of Labor Statistics

Vehicle Prices are Falling

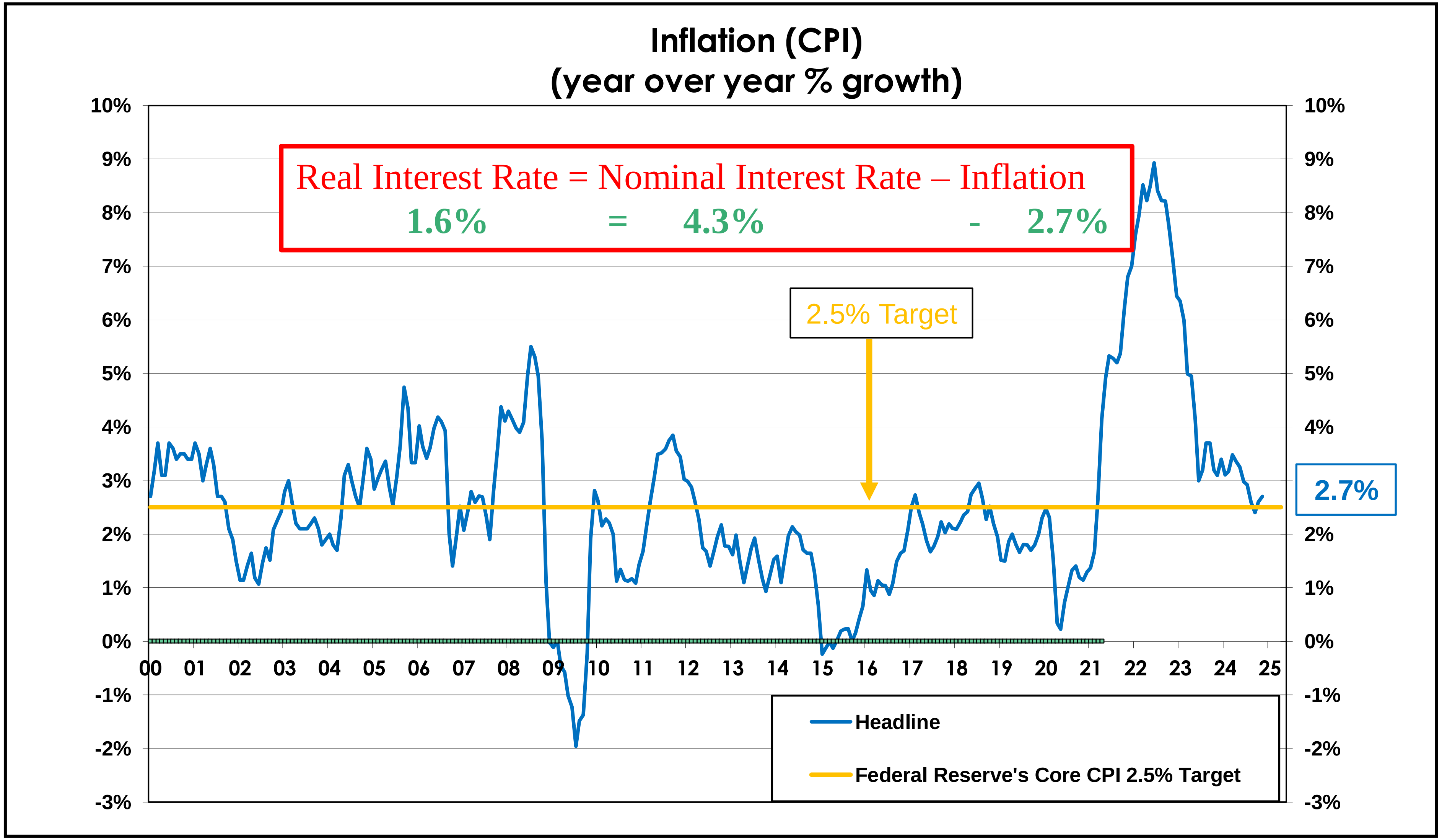


Source: Bureau of Labor Statistics

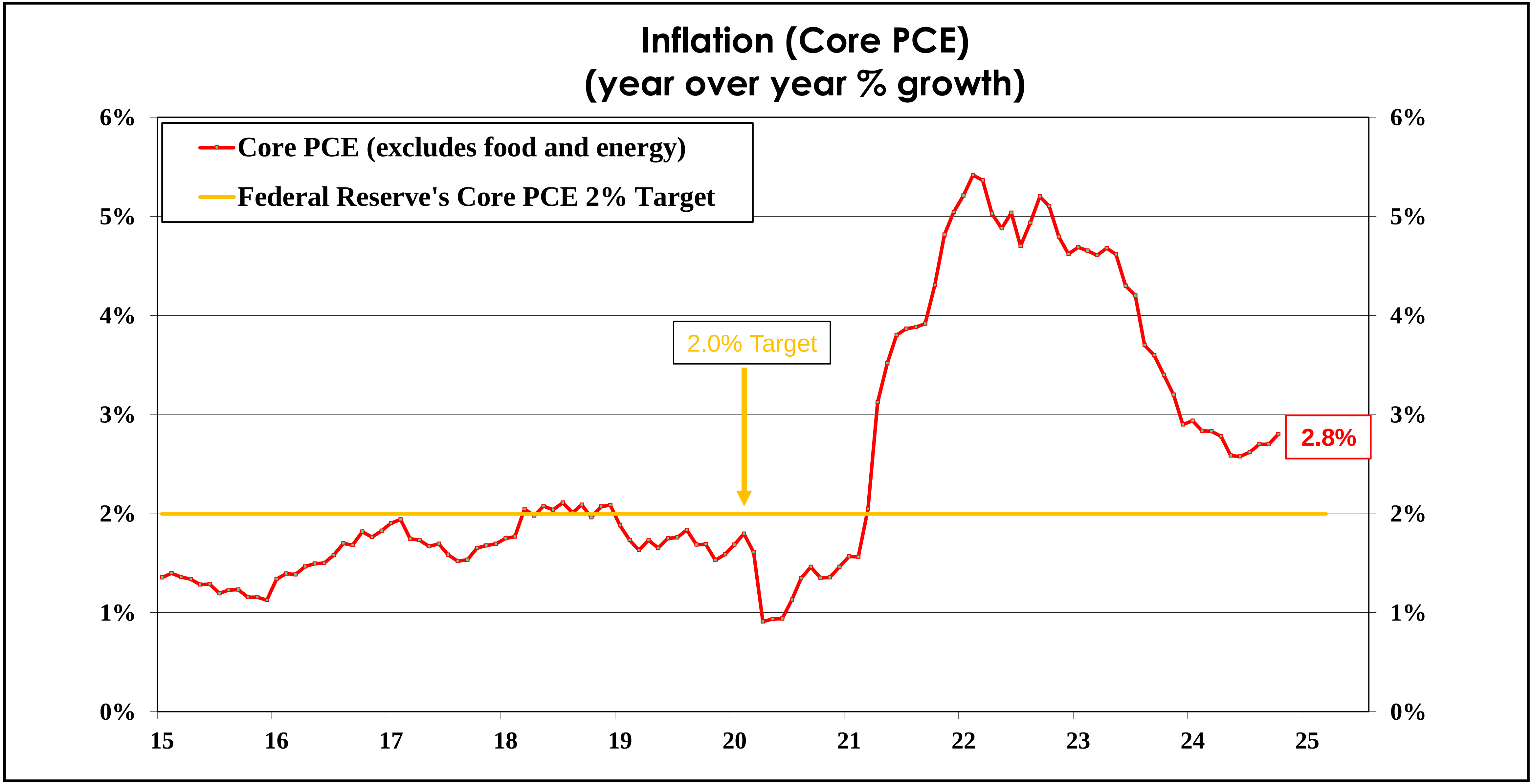
Inflation Approaching 2% Target



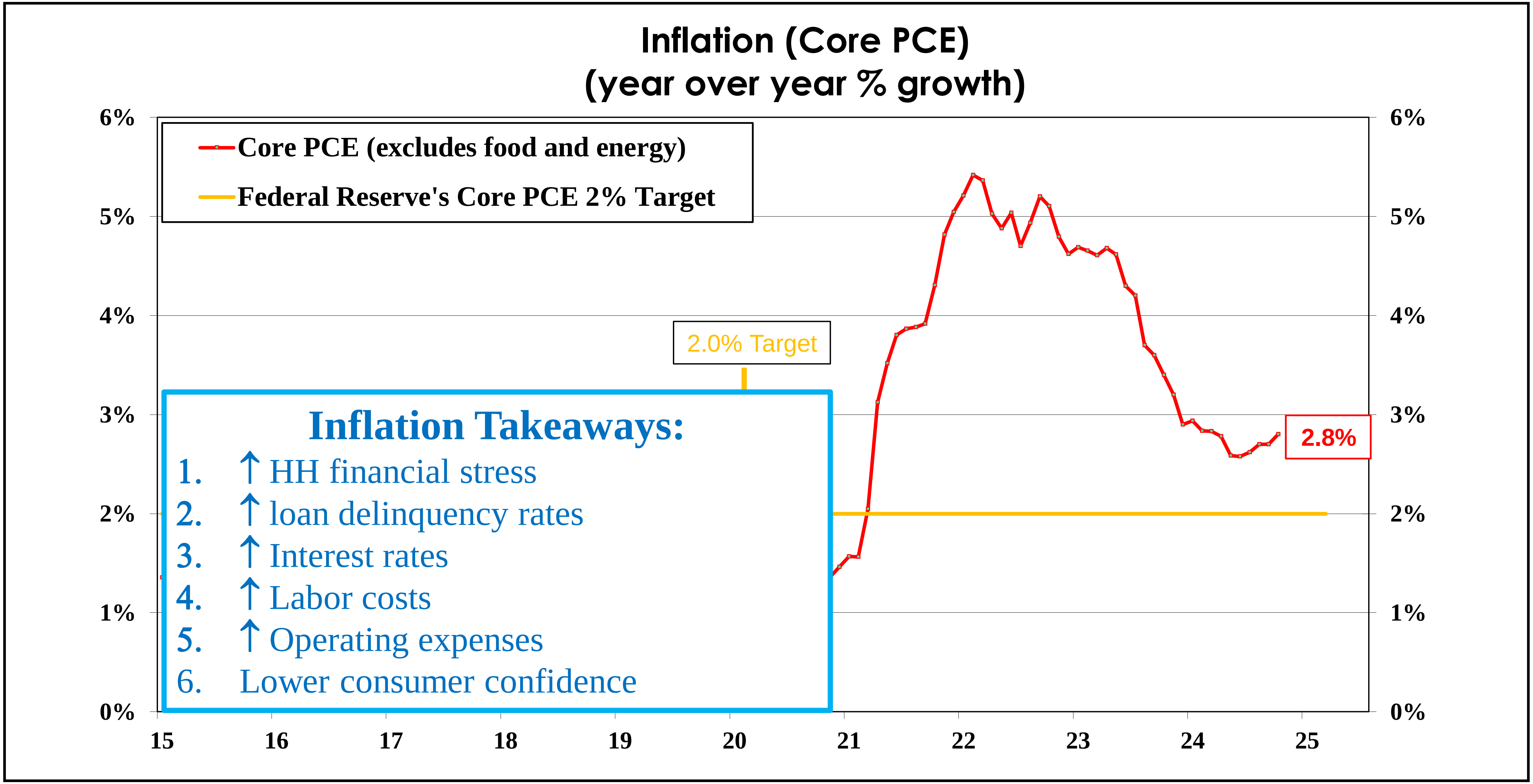
Inflation Approaching 2% Target



Inflation Above 2% Target

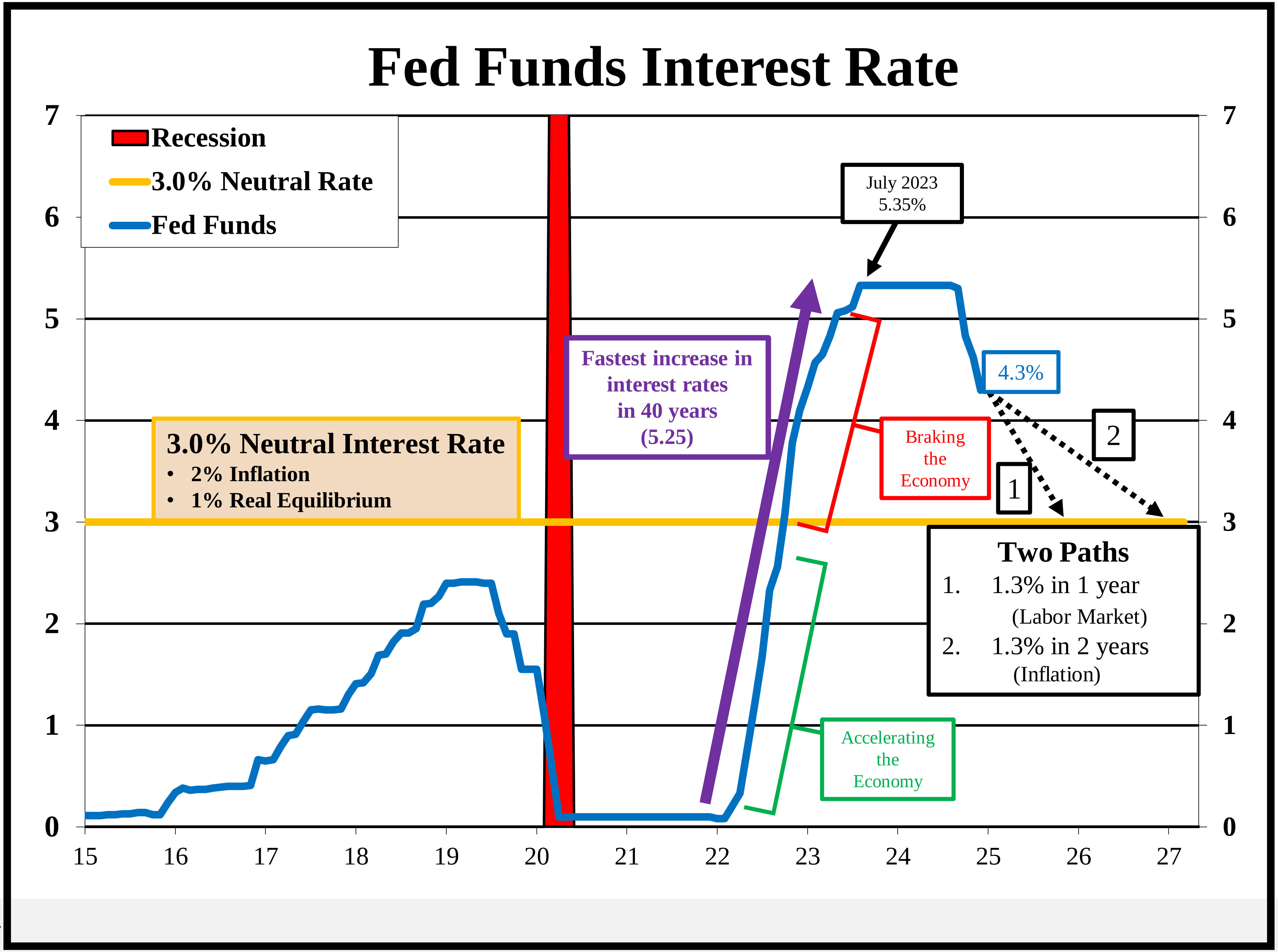


Inflation Above 2% Target



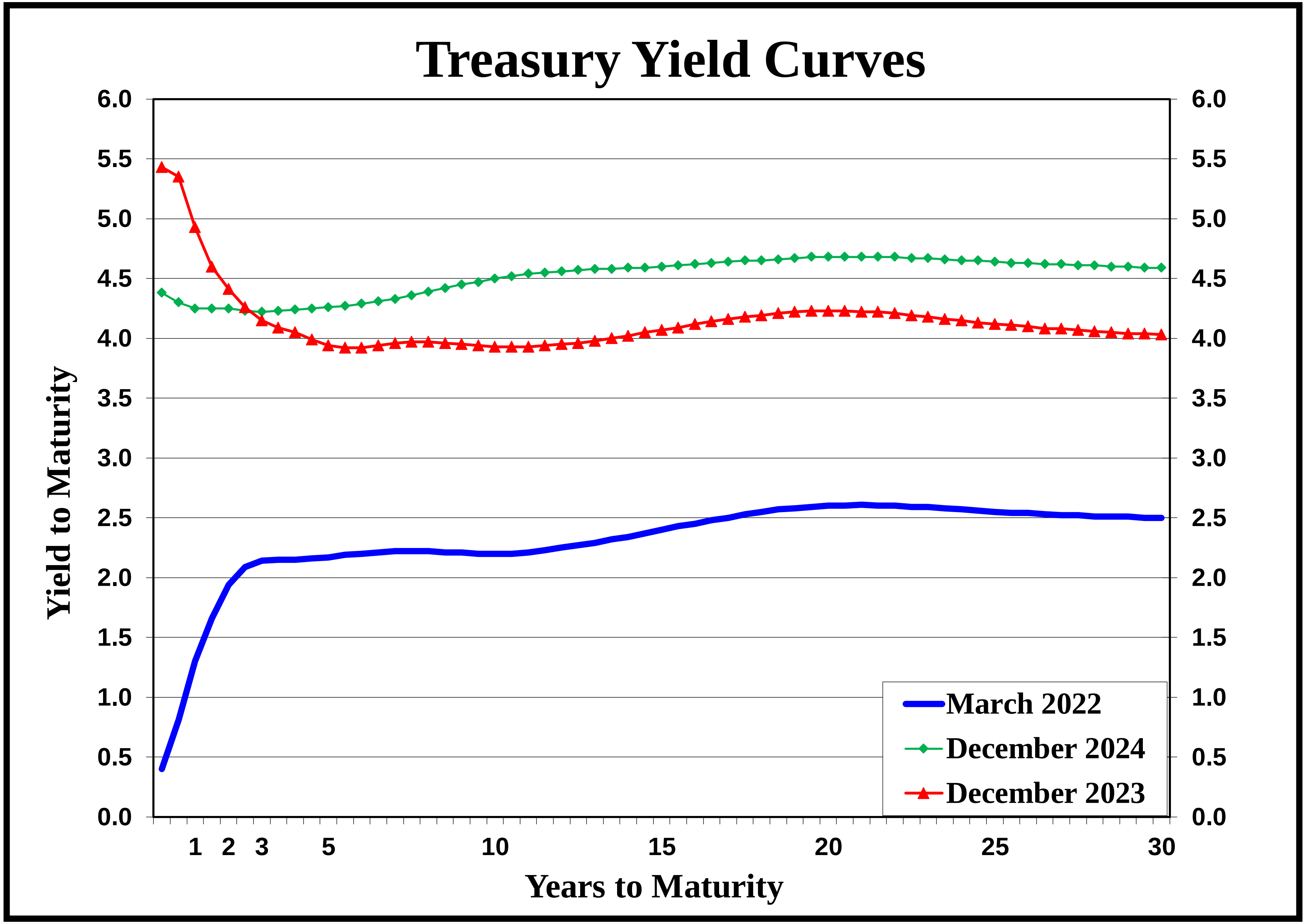
Inflation Takeaways:

1. ↑ HH financial stress
2. ↑ loan delinquency rates
3. ↑ Interest rates
4. ↑ Labor costs
5. ↑ Operating expenses
6. Lower consumer confidence

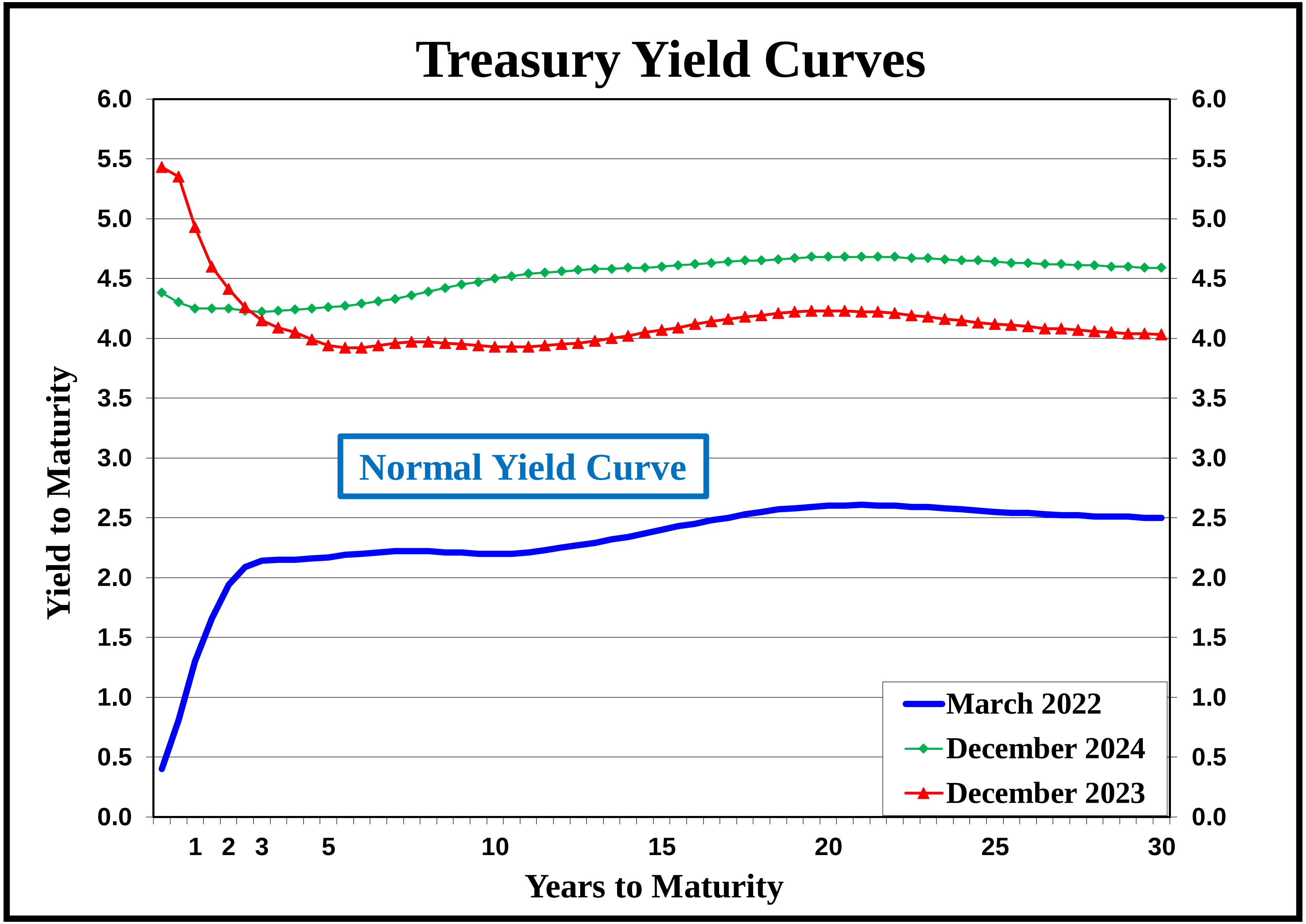


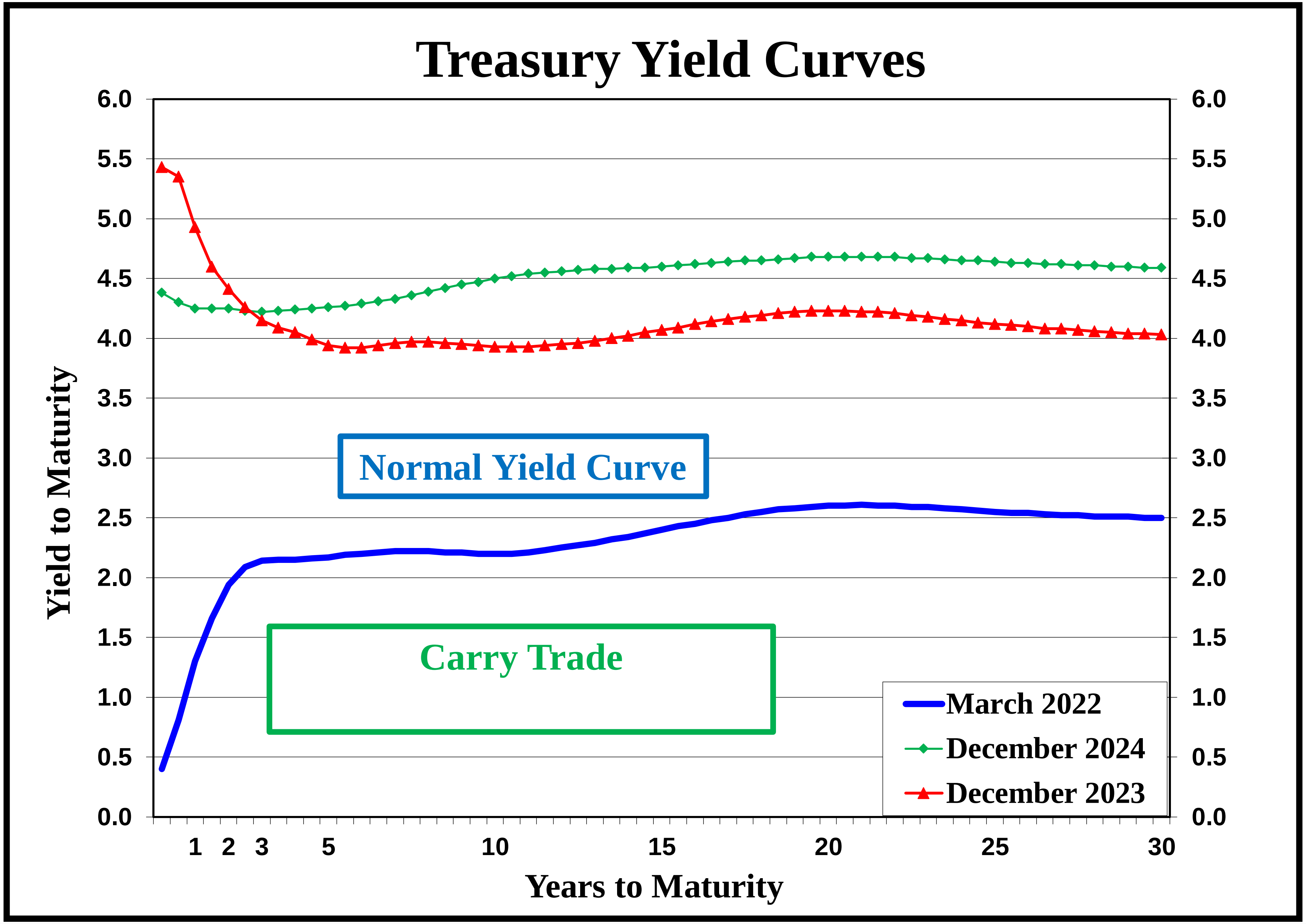
Fed Funds Interest Rate
Recession
3.0% Neutral Rate
Fed Funds
July 2023
5.35%
Fastest increase in interest rates in 40 years (5.25)
4.3%
3.0% Neutral Interest Rate
• 2% Inflation
• 1% Real Equilibrium
Braking the Economy
Accelerating the Economy
1
2
Two Paths
1. 1.3% in 1 year (Labor Market)
2. 1.3% in 2 years (Inflation)
7
6
5
4
3
2
1
0
15
16
17
18
19
20
21
22
23
24
25
26
27

TruStage™

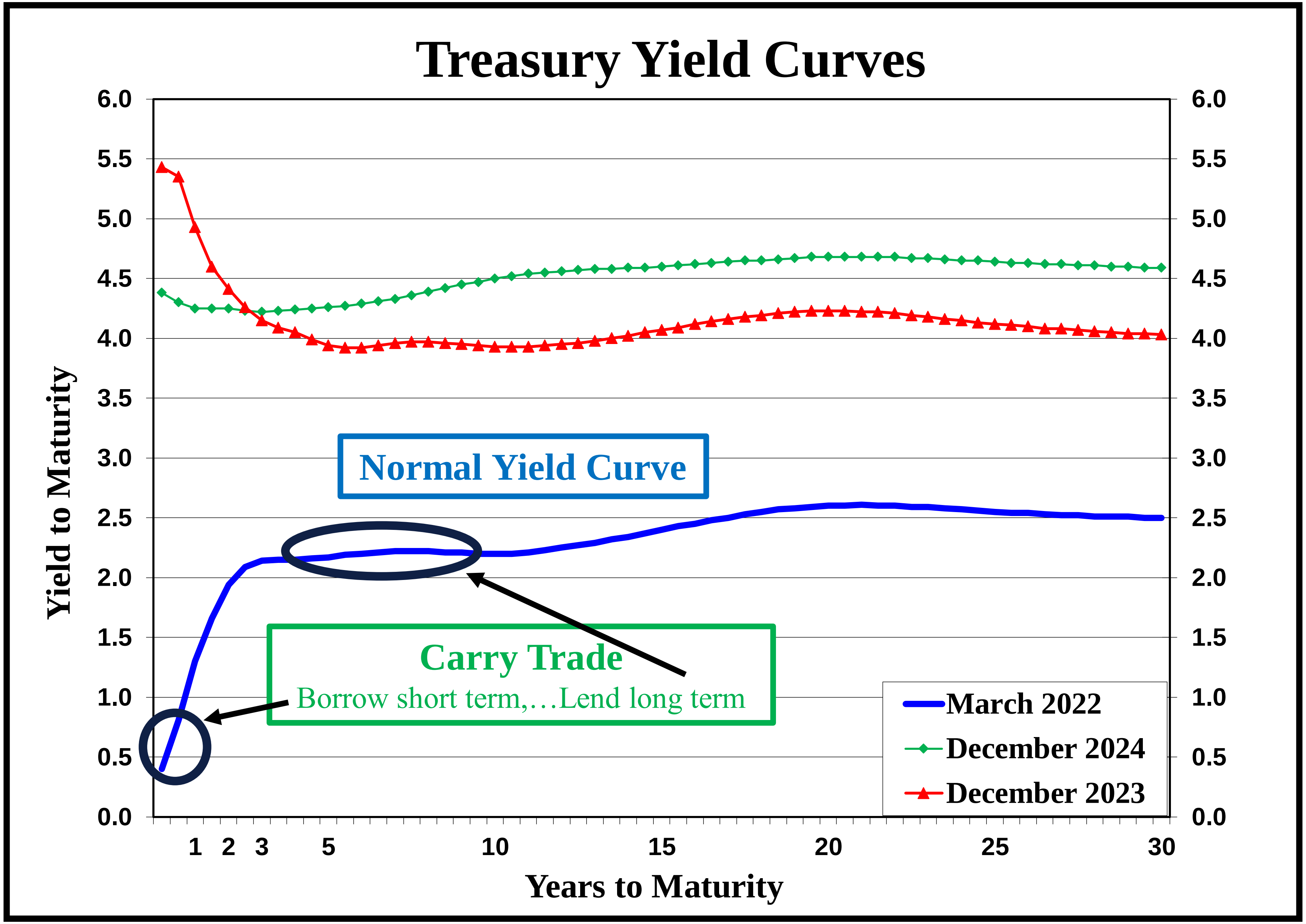


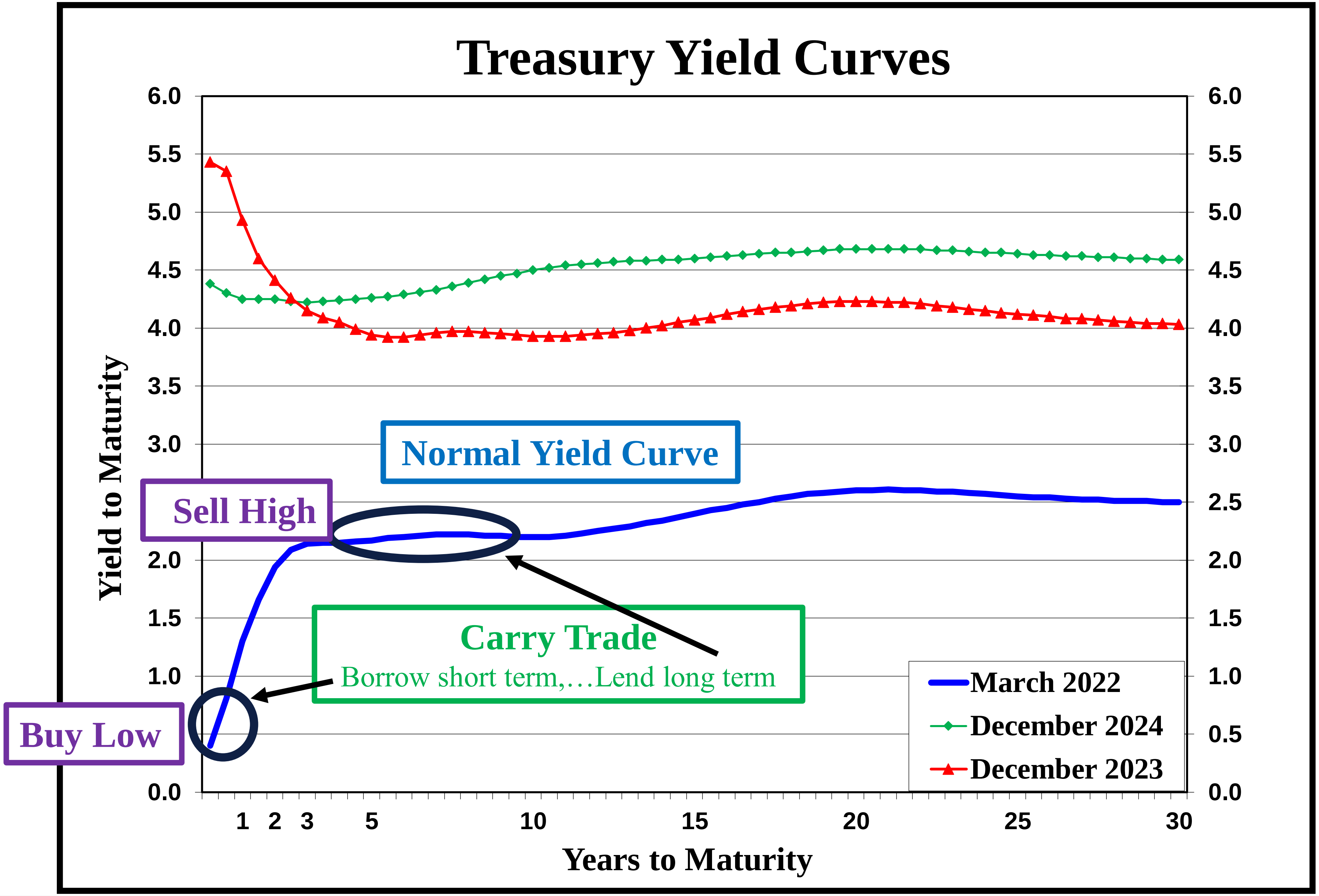
Treasury Yield Curves
Yield to Maturity
Years to Maturity
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
1
2
3
5
10
15
20
25
30
March 2022
December 2024
December 2023


Treasury Yield Curves
Yield to Maturity
Years to Maturity
Normal Yield Curve
March 2022
December 2024
December 2023
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
1 2 3 5 10 15 20 25 30

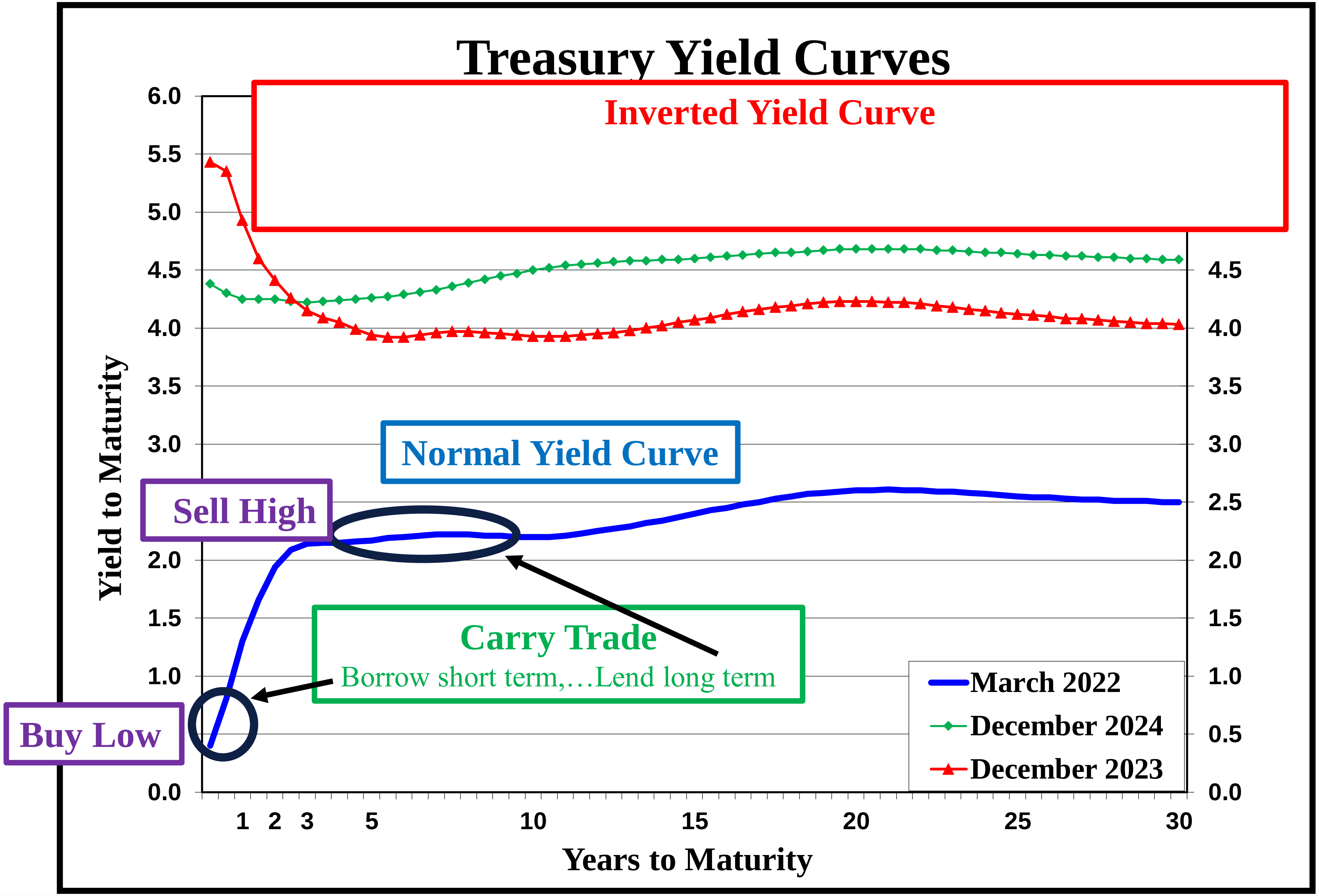


Treasury Yield Curves
Yield to Maturity
Years to Maturity
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
1
2
3
5
10
15
20
25
30
Normal Yield Curve
Carry Trade
March 2022
December 2024
December 2023

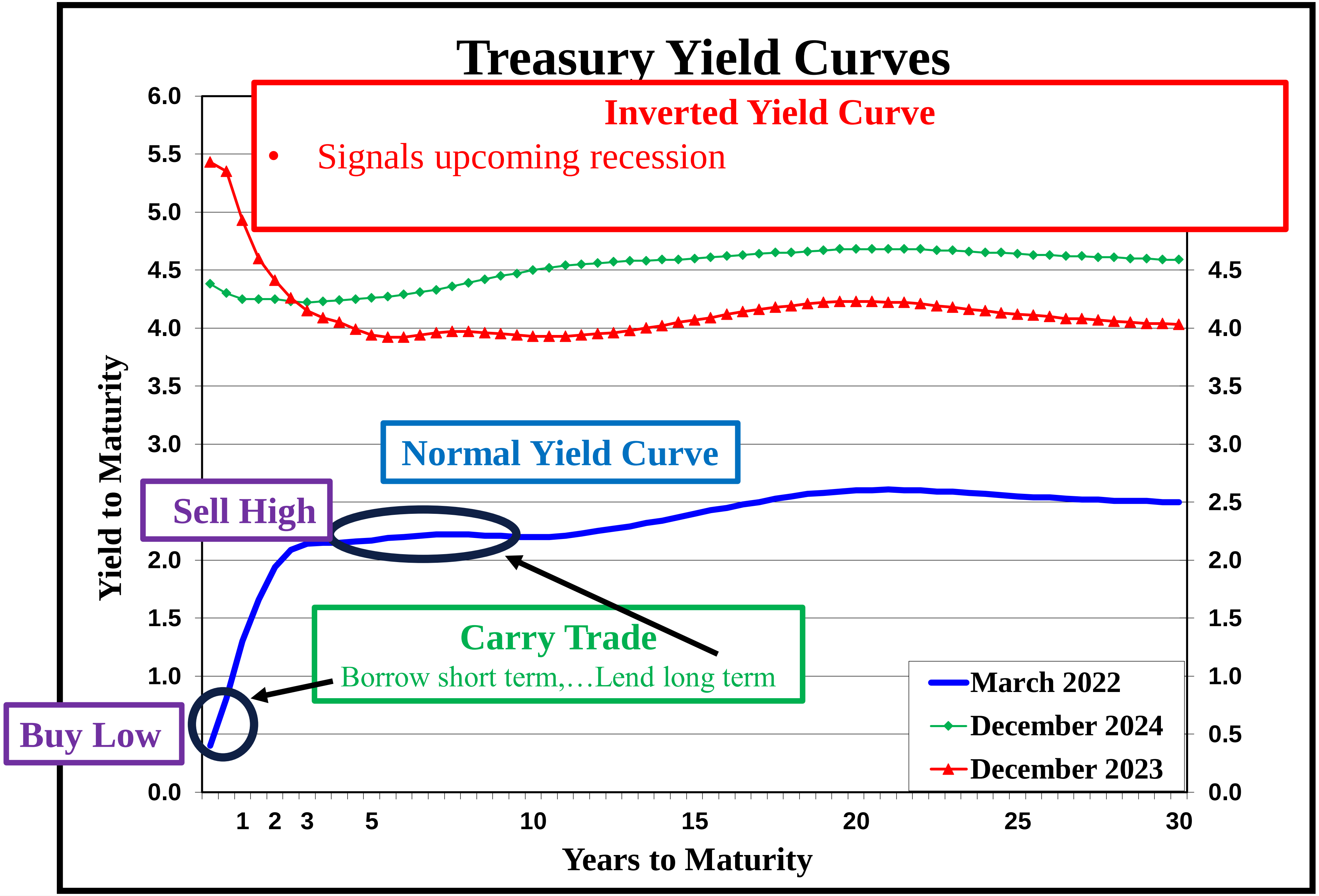

Treasury Yield Curves
Yield to Maturity
Years to Maturity
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
1
2
3
5
10
15
20
25
30
Normal Yield Curve
Carry Trade
Borrow short term,…Lend long term
March 2022
December 2024
December 2023



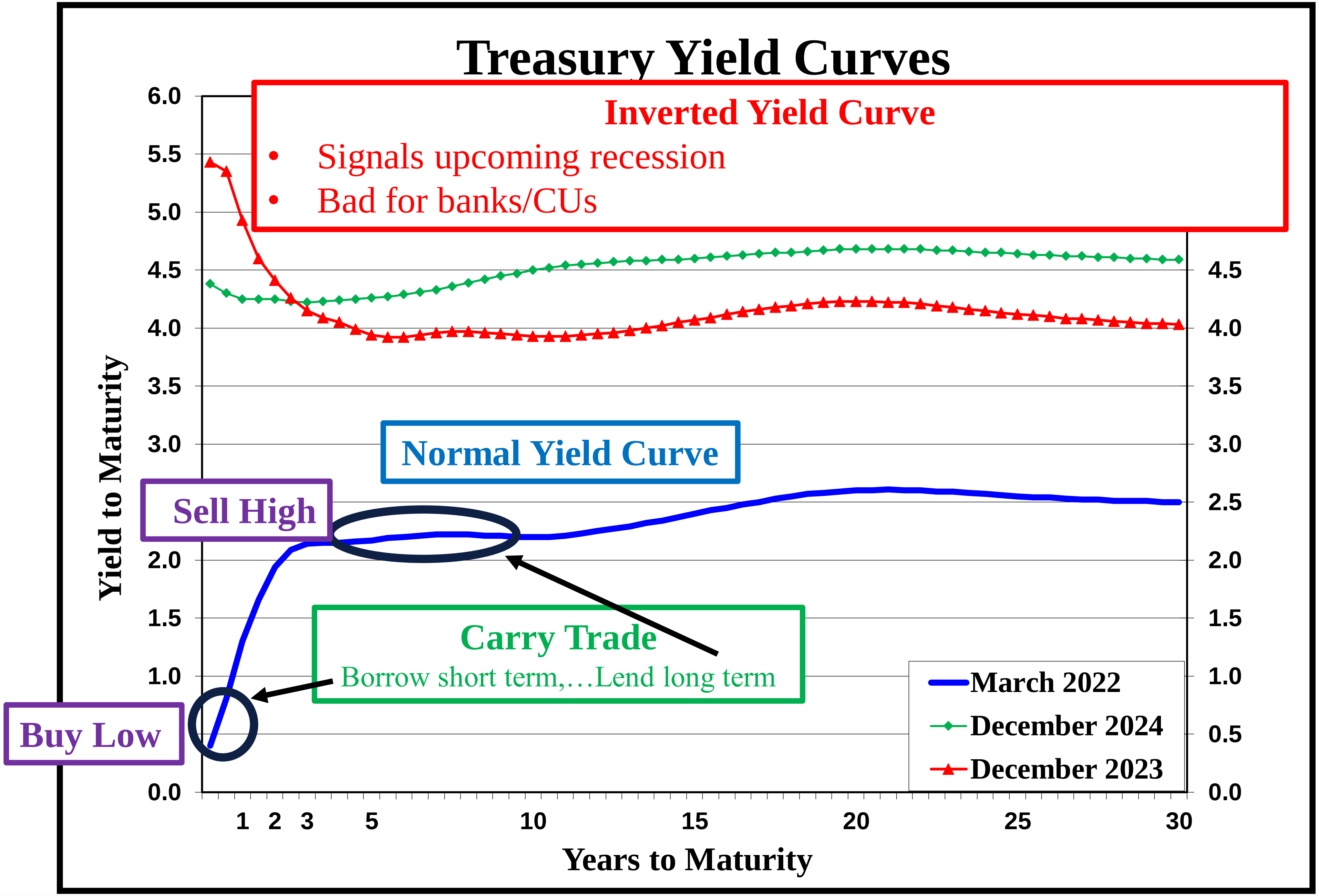
Treasury Yield Curves
Yield to Maturity
Years to Maturity
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
1 2 3 5 10 15 20 25 30
Normal Yield Curve
Sell High
Buy Low
Carry Trade
Borrow short term,…Lend long term
March 2022
December 2024
December 2023

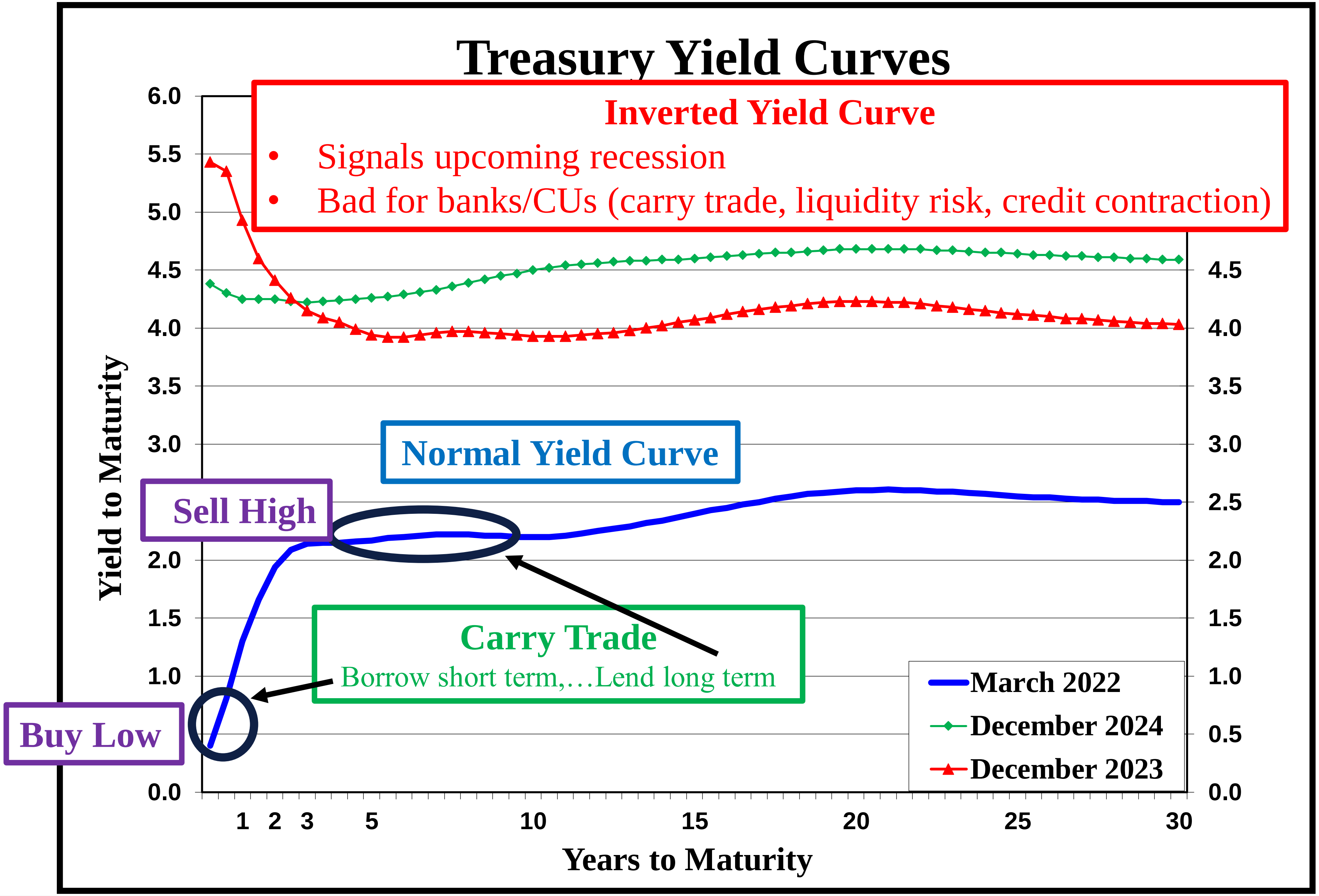


Treasury Yield Curves
Inverted Yield Curve
Normal Yield Curve
Sell High
Buy Low
Carry Trade
Borrow short term,…Lend long term
Yield to Maturity
Years to Maturity
March 2022
December 2024
December 2023
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
1
2
3
5
10
15
20
25
30

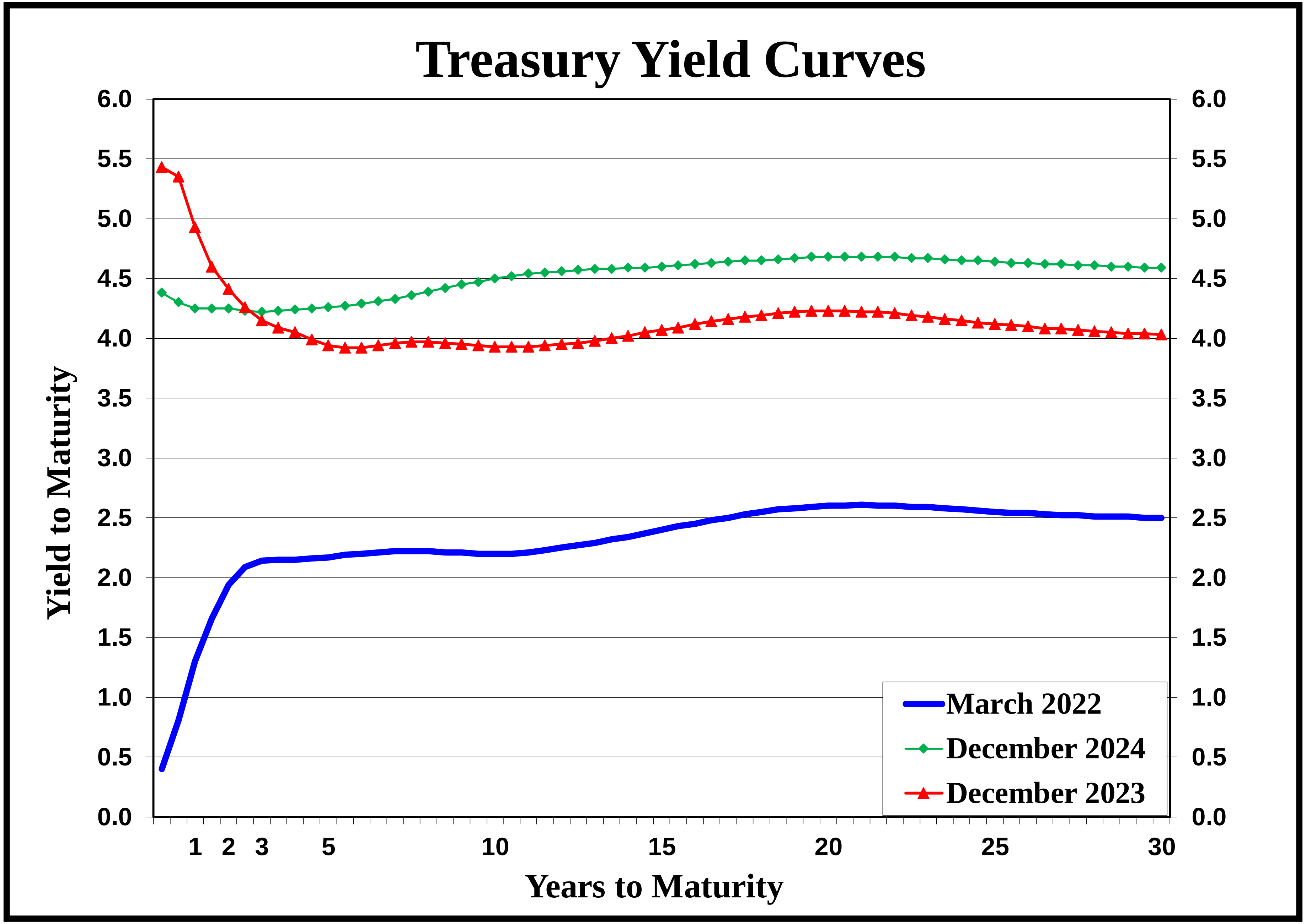


Treasury Yield Curves
Inverted Yield Curve
• Signals upcoming recession
Normal Yield Curve
Sell High
Buy Low
Carry Trade
Borrow short term,…Lend long term
March 2022
December 2024
December 2023
Yield to Maturity
Years to Maturity
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
1 2 3 5 10 15 20 25 30

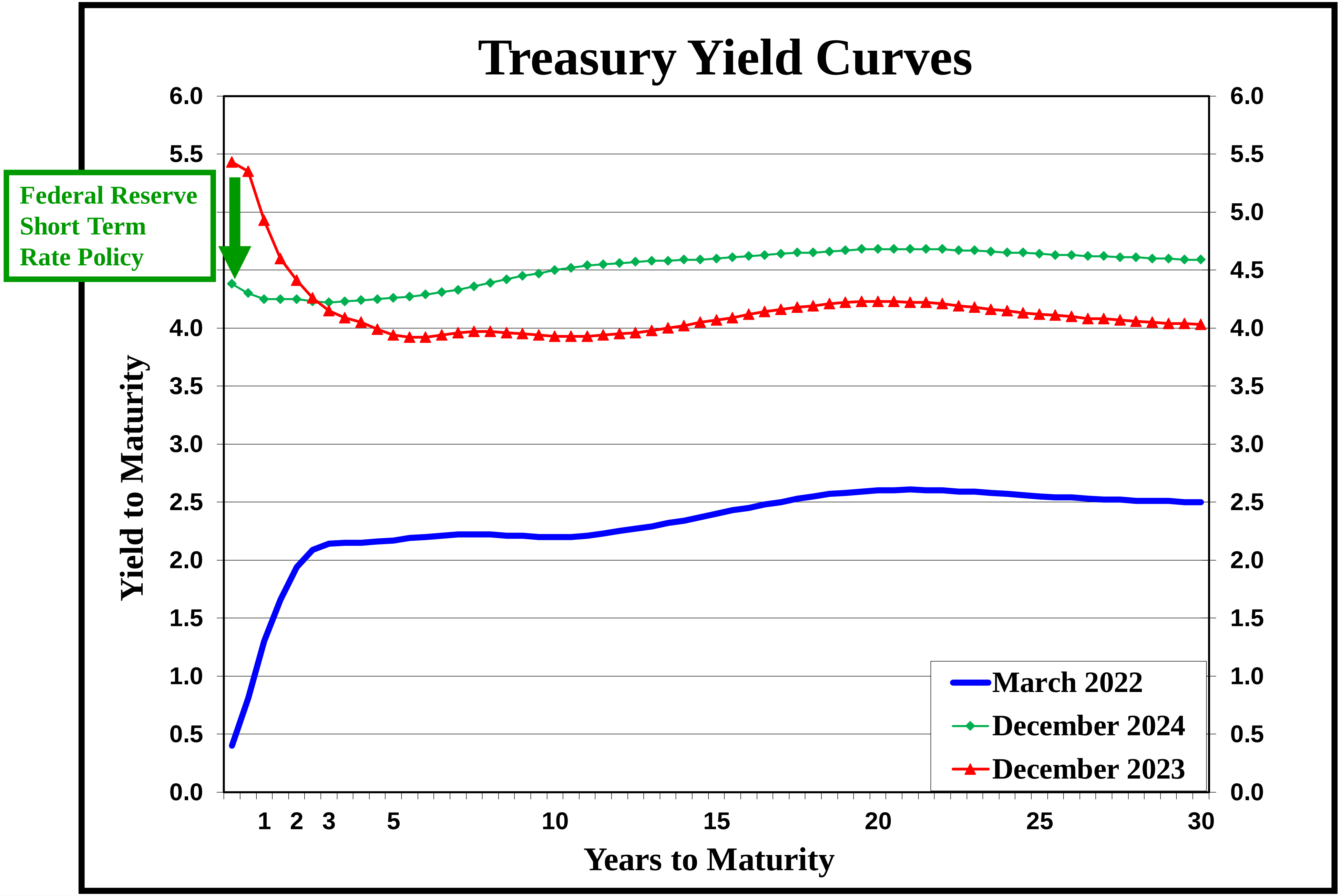

Treasury Yield Curves
Inverted Yield Curve
• Signals upcoming recession
• Bad for banks/CUs
Normal Yield Curve
Sell High
Buy Low
Carry Trade
Borrow short term,…Lend long term
March 2022
December 2024
December 2023
Yield to Maturity
Years to Maturity



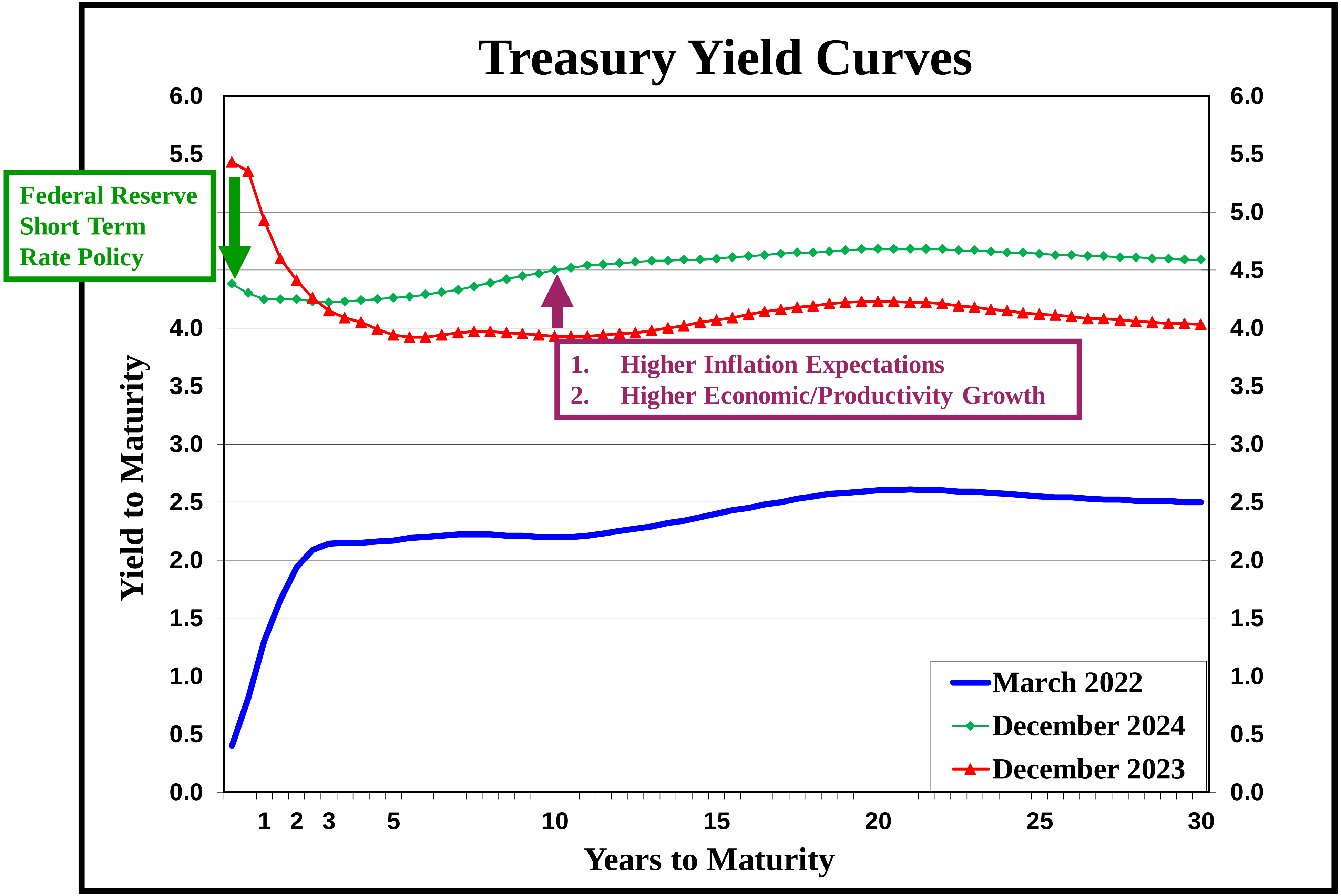
Treasury Yield Curves
Inverted Yield Curve
• Signals upcoming recession
• Bad for banks/CUs (carry trade, liquidity risk, credit contraction)
Normal Yield Curve
Sell High
Buy Low
Carry Trade
Borrow short term,…Lend long term
Yield to Maturity
Years to Maturity
March 2022
December 2024
December 2023
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
1
2
3
5
10
15
20
25
30



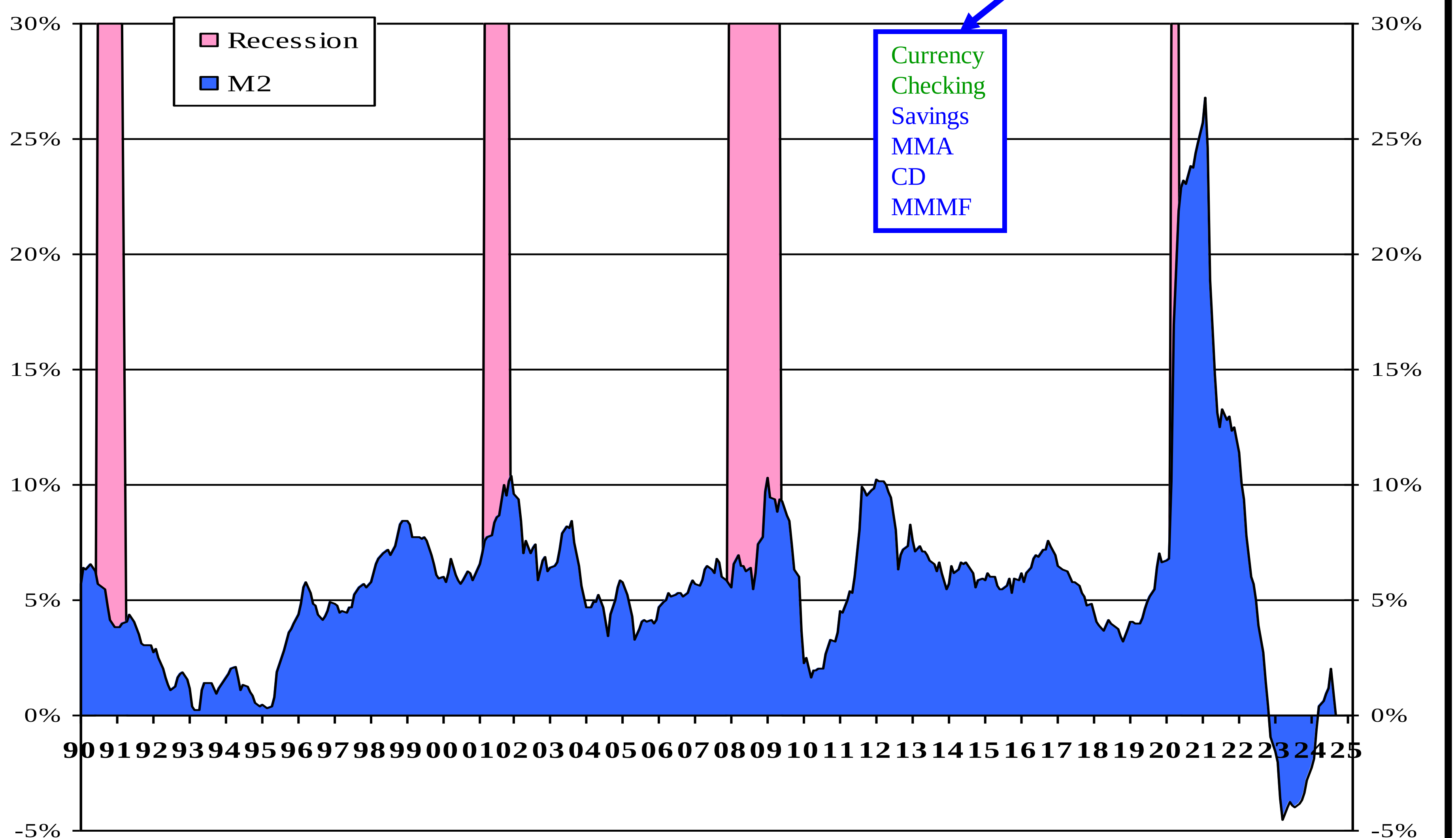
Treasury Yield Curves
Yield to Maturity
Years to Maturity
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
1
2
3
5
10
15
20
25
30
March 2022
December 2024
December 2023

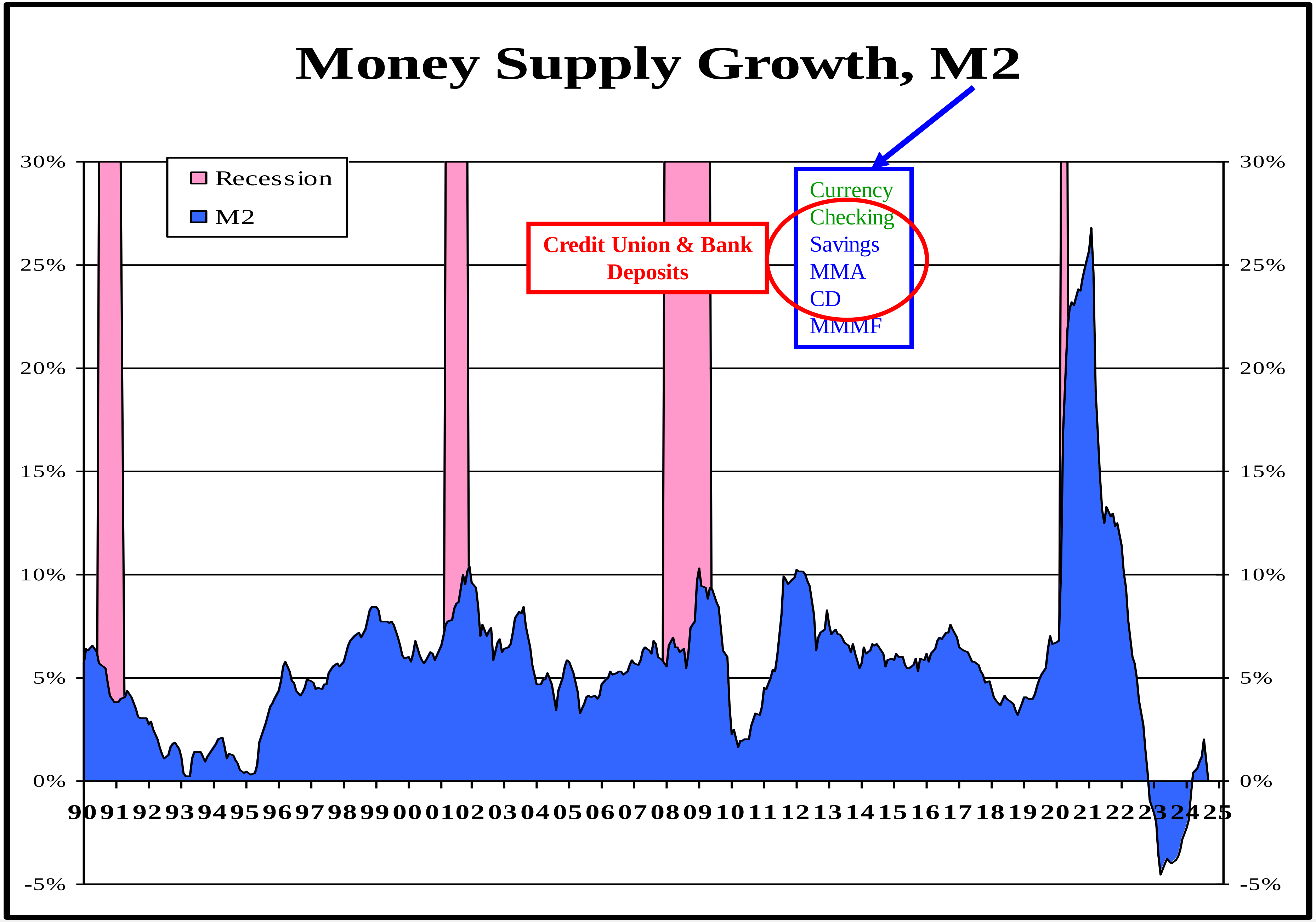


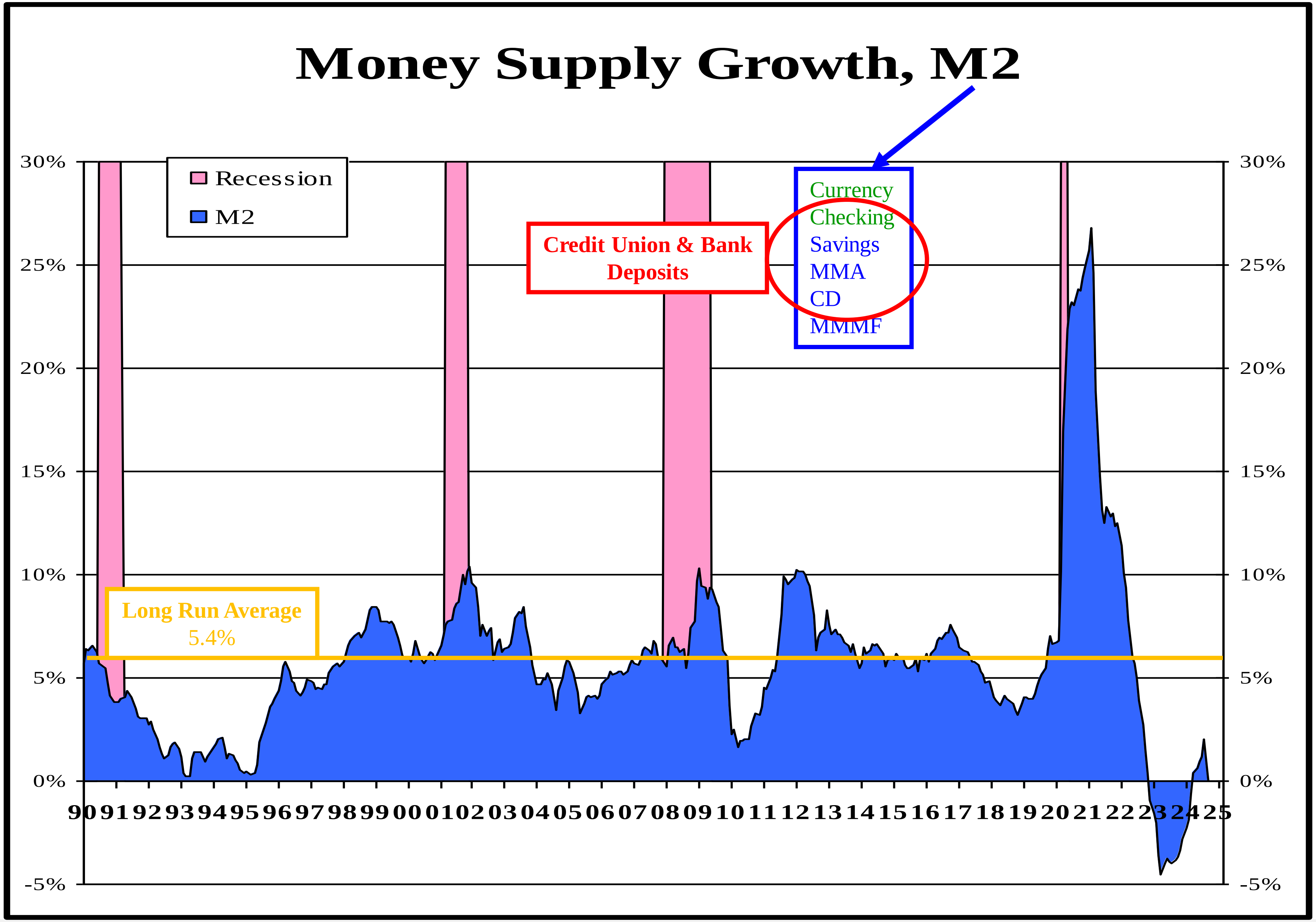
Treasury Yield Curves
Federal Reserve
Short Term
Rate Policy
Yield to Maturity
Years to Maturity
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
1
2
3
5
10
15
20
25
30
March 2022
December 2024
December 2023

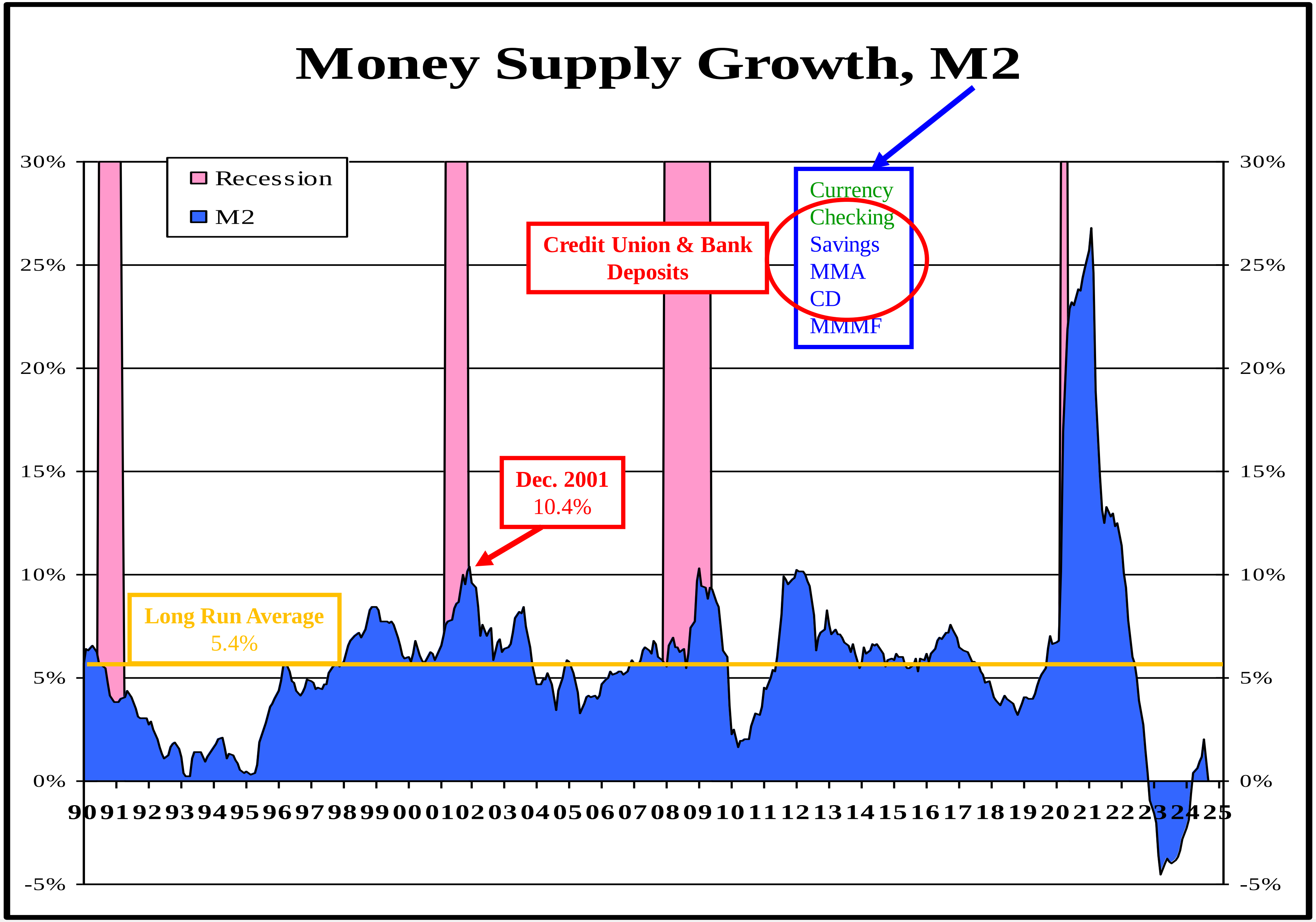

Treasury Yield Curves
6.0
5.5
5.0
4.5
4.0
3.5
3.0
2.5
2.0
1.5
1.0
0.5
0.0
Yield to Maturity
1
2
3
5
10
15
20
25
30
Years to Maturity
Federal Reserve Short Term Rate Policy
1. Higher Inflation Expectations
2. Higher Economic/Productivity Growth
March 2022
December 2024
December 2023

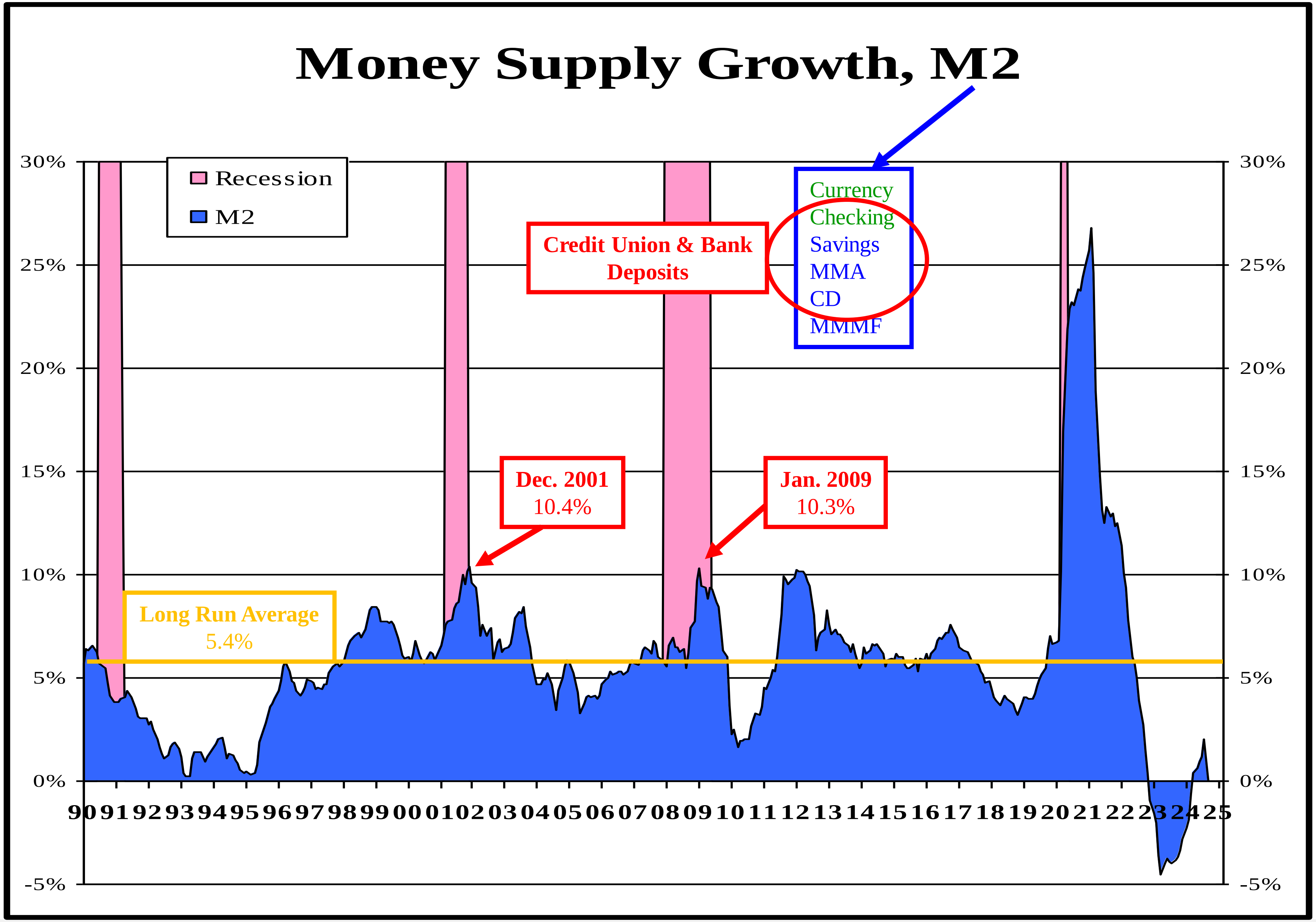
Money Supply Growth, M2

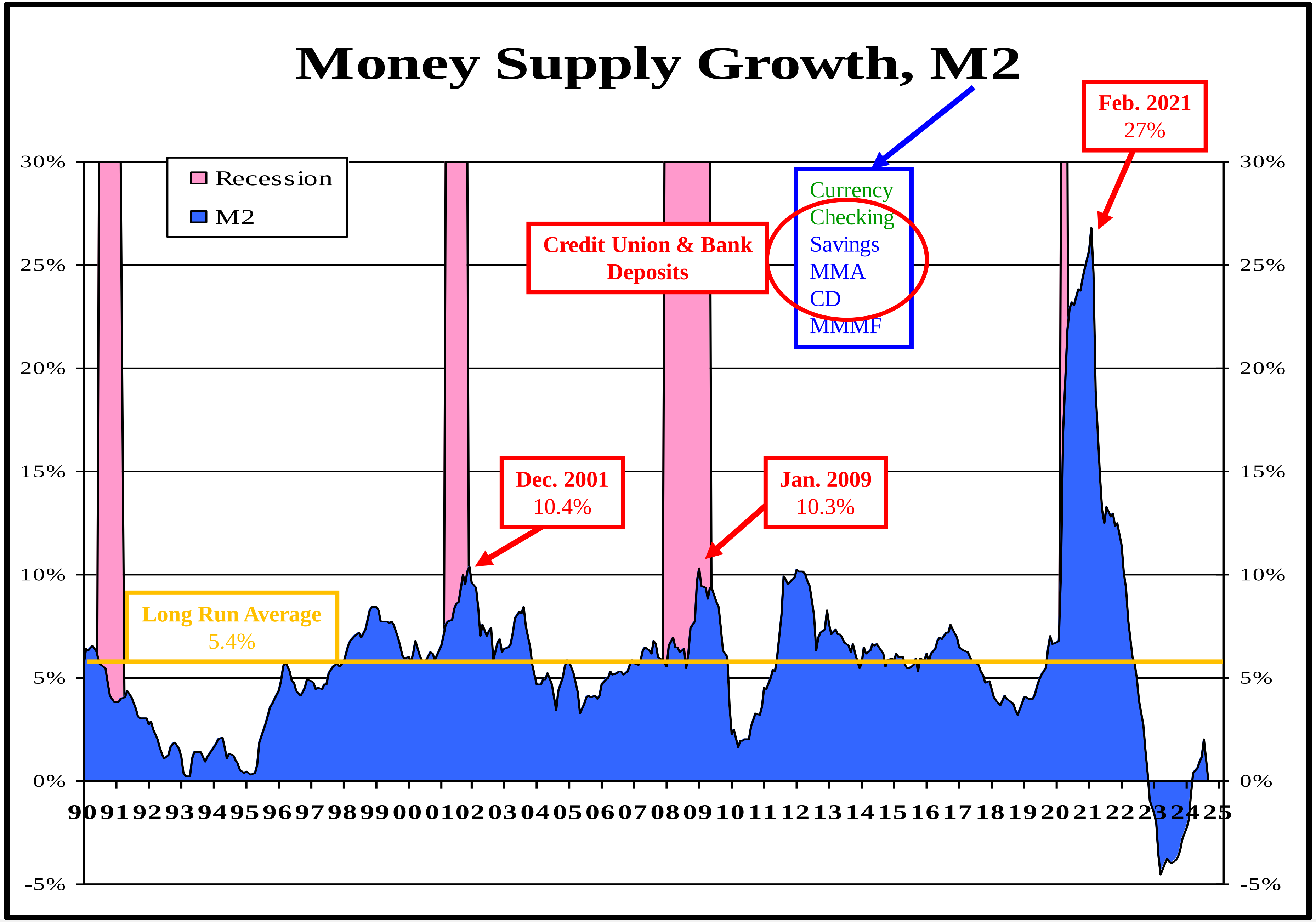



Money Supply Growth, M2
Recession
M2
Credit Union & Bank Deposits
Currency
Checking
Savings
MMA
CD
MMMF
30%
25%
20%
15%
10%
5%
0%
-5%
90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25

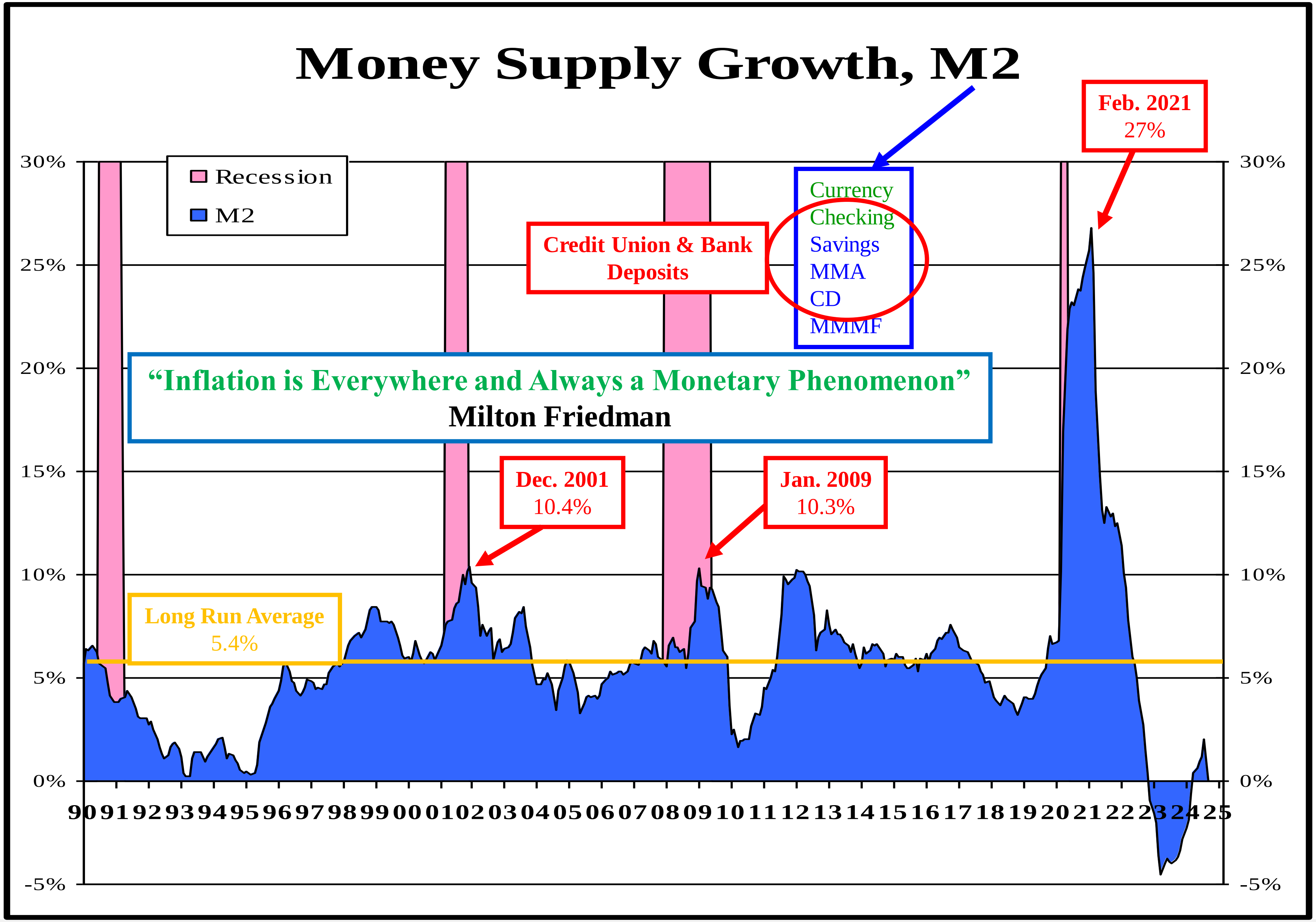

Money Supply Growth, M2
Recession
M2
Credit Union & Bank Deposits
Currency
Checking
Savings
MMA
CD
MMMF
Long Run Average
5.4%
30%
25%
20%
15%
10%
5%
0%
-5%
90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25


Money Supply Growth, M2
Recession
M2
Credit Union & Bank Deposits
Currency
Checking
Savings
MMA
CD
MMMF
Dec. 2001
10.4%
Long Run Average
5.4%
30%
25%
20%
15%
10%
5%
0%
-5%
90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25

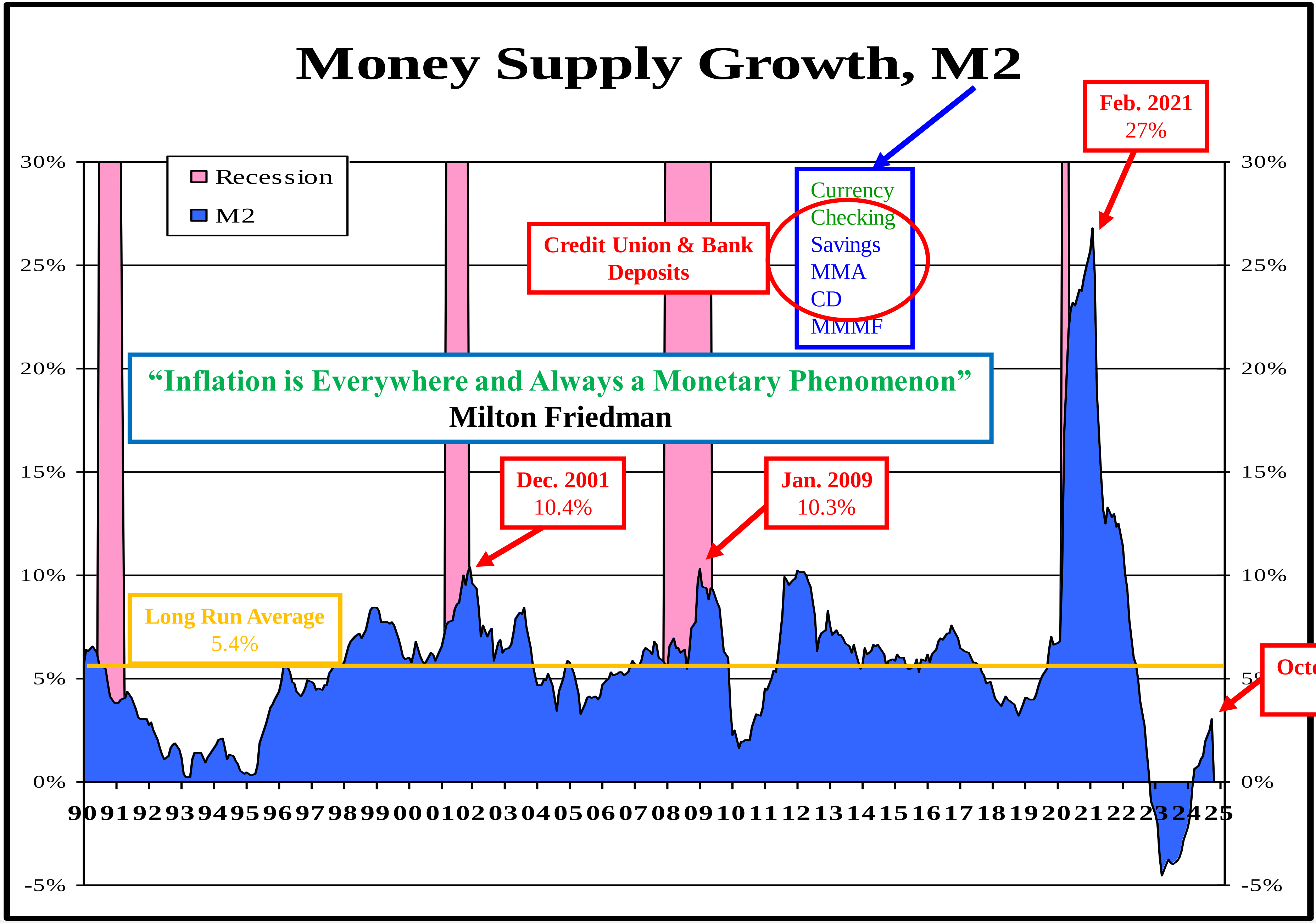

Money Supply Growth, M2
Recession
M2
Credit Union & Bank Deposits
Currency
Checking
Savings
MMA
CD
MMMF
Dec. 2001 10.4%
Jan. 2009 10.3%
Long Run Average 5.4%
30%
25%
20%
15%
10%
5%
0%
-5%
90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25



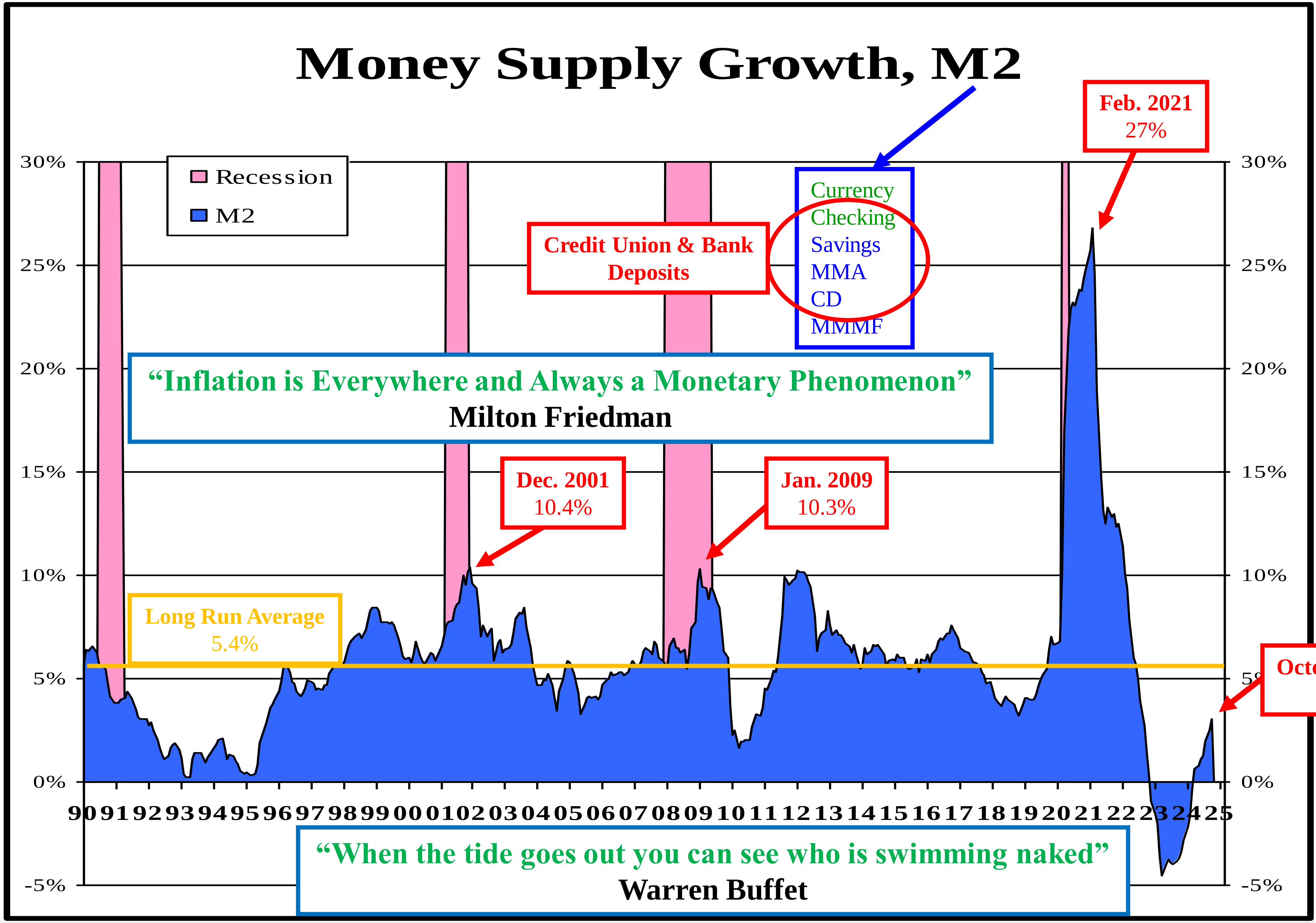
Money Supply Growth, M2
Recession
M2
Credit Union & Bank Deposits
Currency
Checking
Savings
MMA
CD
MMMF
Feb. 2021
27%
Dec. 2001
10.4%
Jan. 2009
10.3%
Long Run Average
5.4%
30%
25%
20%
15%
10%
5%
0%
-5%
90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25



Money Supply Growth, M2
Recession
M2
Credit Union & Bank Deposits
Currency
Checking
Savings
MMA
CD
MMMF
Feb. 2021 27%
"Inflation is Everywhere and Always a Monetary Phenomenon"
Milton Friedman
Dec. 2001 10.4%
Jan. 2009 10.3%
Long Run Average 5.4%
30%
25%
20%
15%
10%
5%
0%
-5%
90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25



Money Supply Growth, M2
Recession
M2
Currency
Checking
Savings
MMA
CD
MMMF
Credit Union & Bank Deposits
Feb. 2021 27%
“Inflation is Everywhere and Always a Monetary Phenomenon”
Milton Friedman
Dec. 2001 10.4%
Jan. 2009 10.3%
Long Run Average 5.4%
October 2024 3%
30%
25%
20%
15%
10%
5%
0%
-5%
90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25



Money Supply Growth, M2
Recession
M2
Credit Union & Bank Deposits
Currency
Checking
Savings
MMA
CD
MMMF
Feb. 2021
27%
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Dec. 2001
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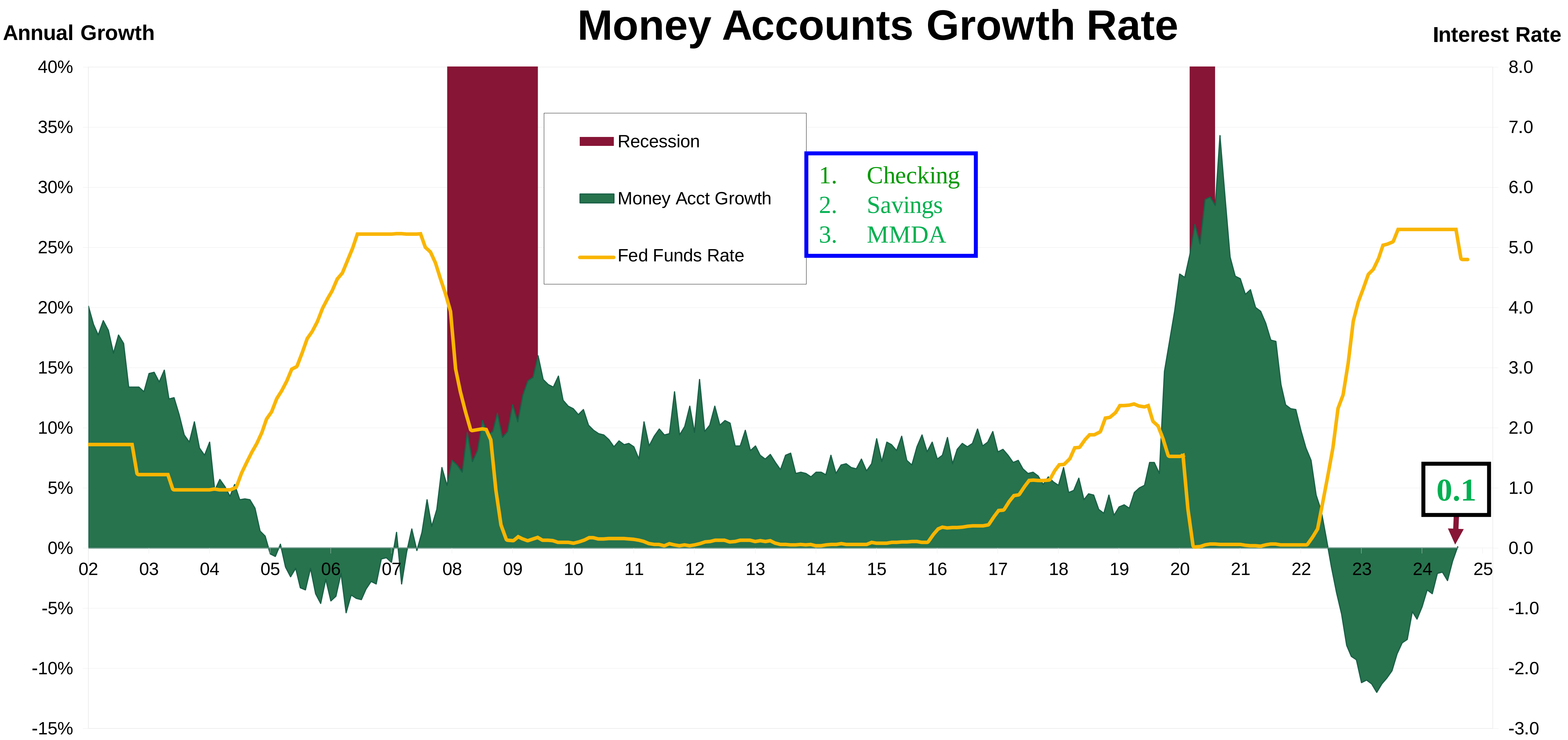
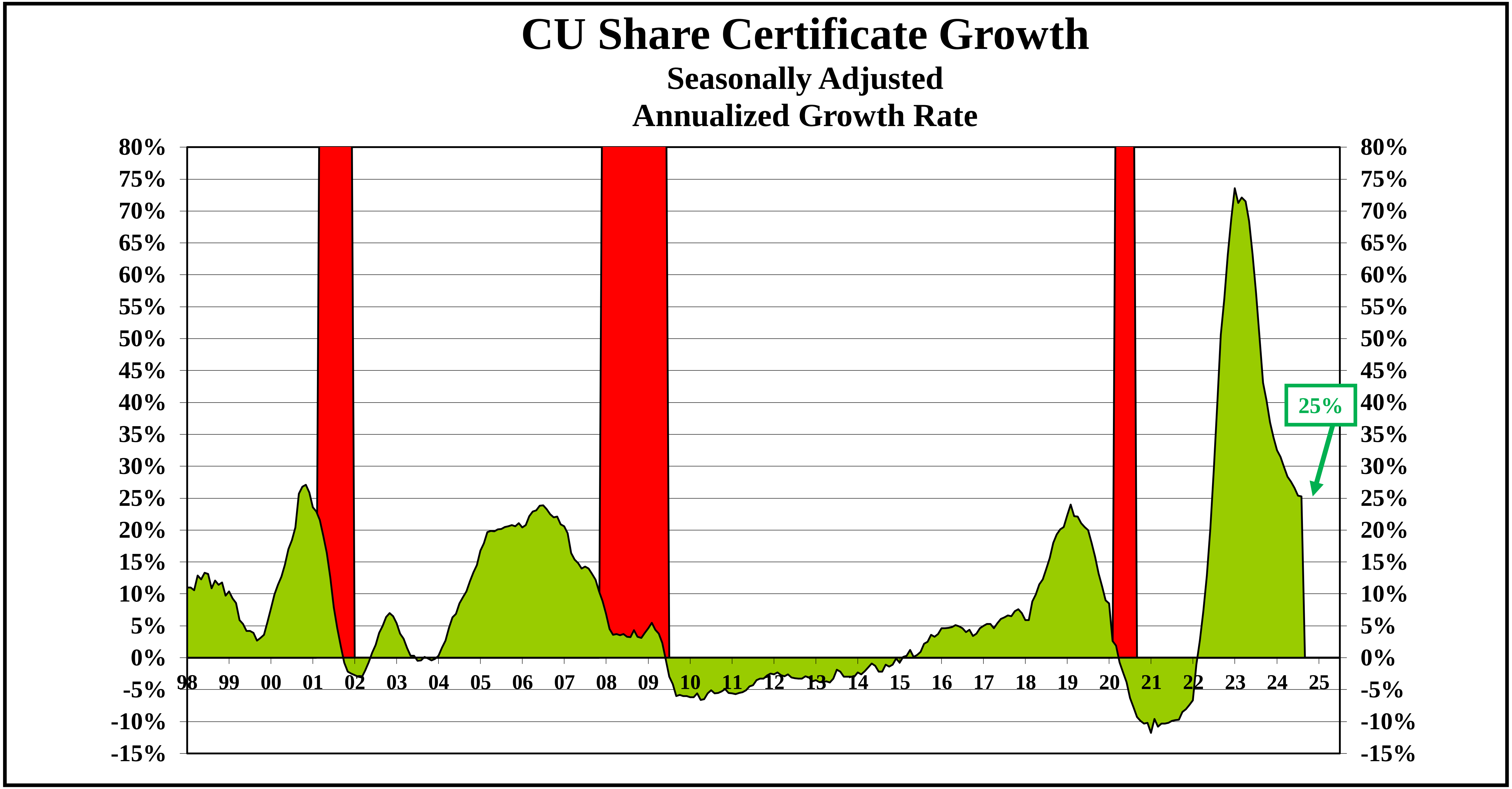
Long Run Average
5.4%
October 2024
3%
30%
25%
20%
15%
10%
5%
0%
-5%
90 91 92 93 94 95 96 97 98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25
"When the tide goes out you can see who is swimming naked"
Warren Buffet



Money Accounts Growth Rate
Annual Growth
Interest Rate
40%
35%
30%
25%
20%
15%
10%
5%
0%
-5%
-10%
-15%
8.0
7.0
6.0
5.0
4.0
3.0
2.0
1.0
0.0
-1.0
-2.0
-3.0
02
03
04
05
06
07
08
09
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
Recession
Money Acct Growth
Fed Funds Rate
1. Checking
2. Savings
3. MMDA
0.1


CU Share Certificate Growth
Seasonally Adjusted
Annualized Growth Rate
80%
75%
70%
65%
60%
55%
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
-5%
-10%
-15%
98
99
00
01
02
03
04
05
06
07
08
09
10
11
12
13
14
15
16
17
18
19
20
21
22
23
24
25
25%

TruStage™

Credit Union Balance Sheet

Credit Union Balance Sheet

Assets

Credit Union Balance Sheet

Assets	Liabilities + Capital

Credit Union Balance Sheet

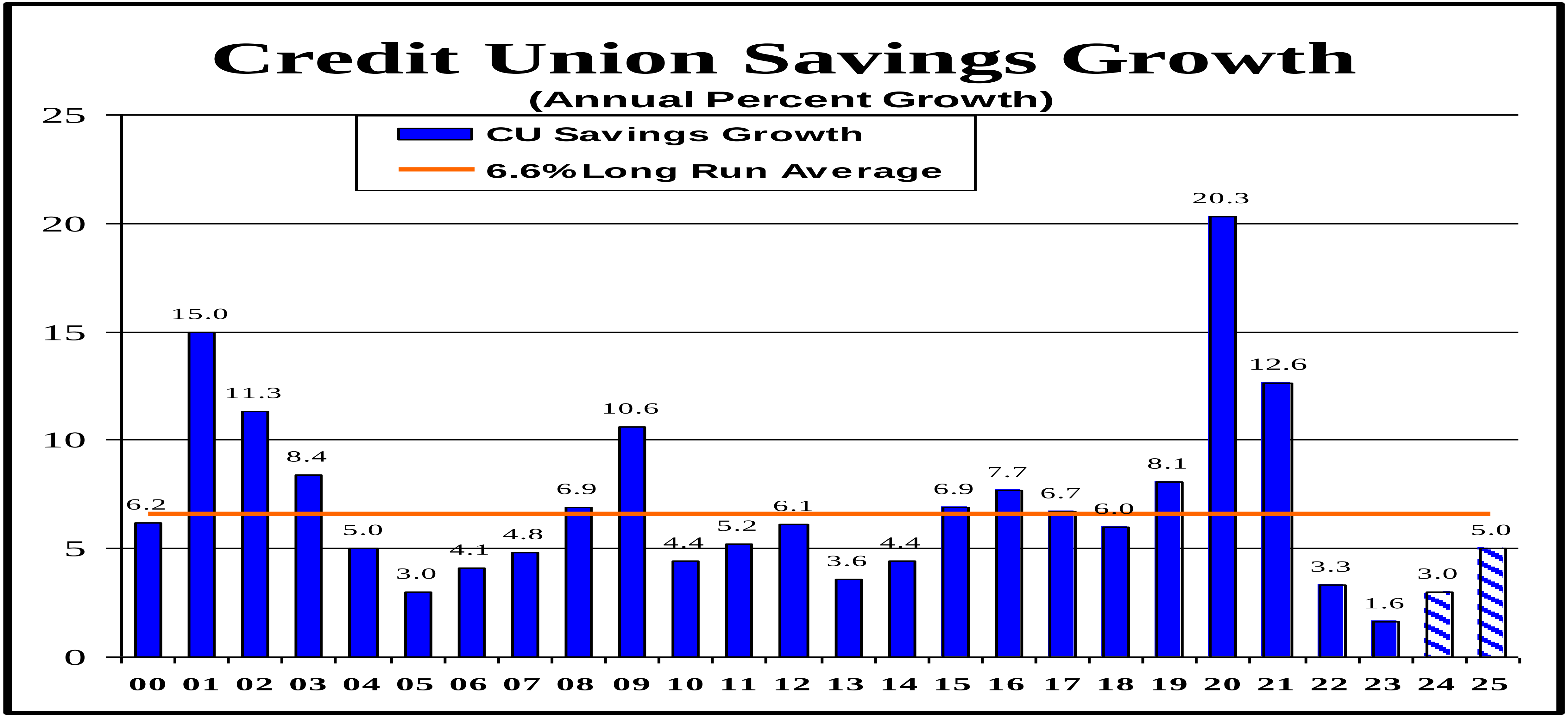
Assets

Liabilities + Capital

Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

Slowing Credit Union Savings Growth



Credit Union Balance Sheet

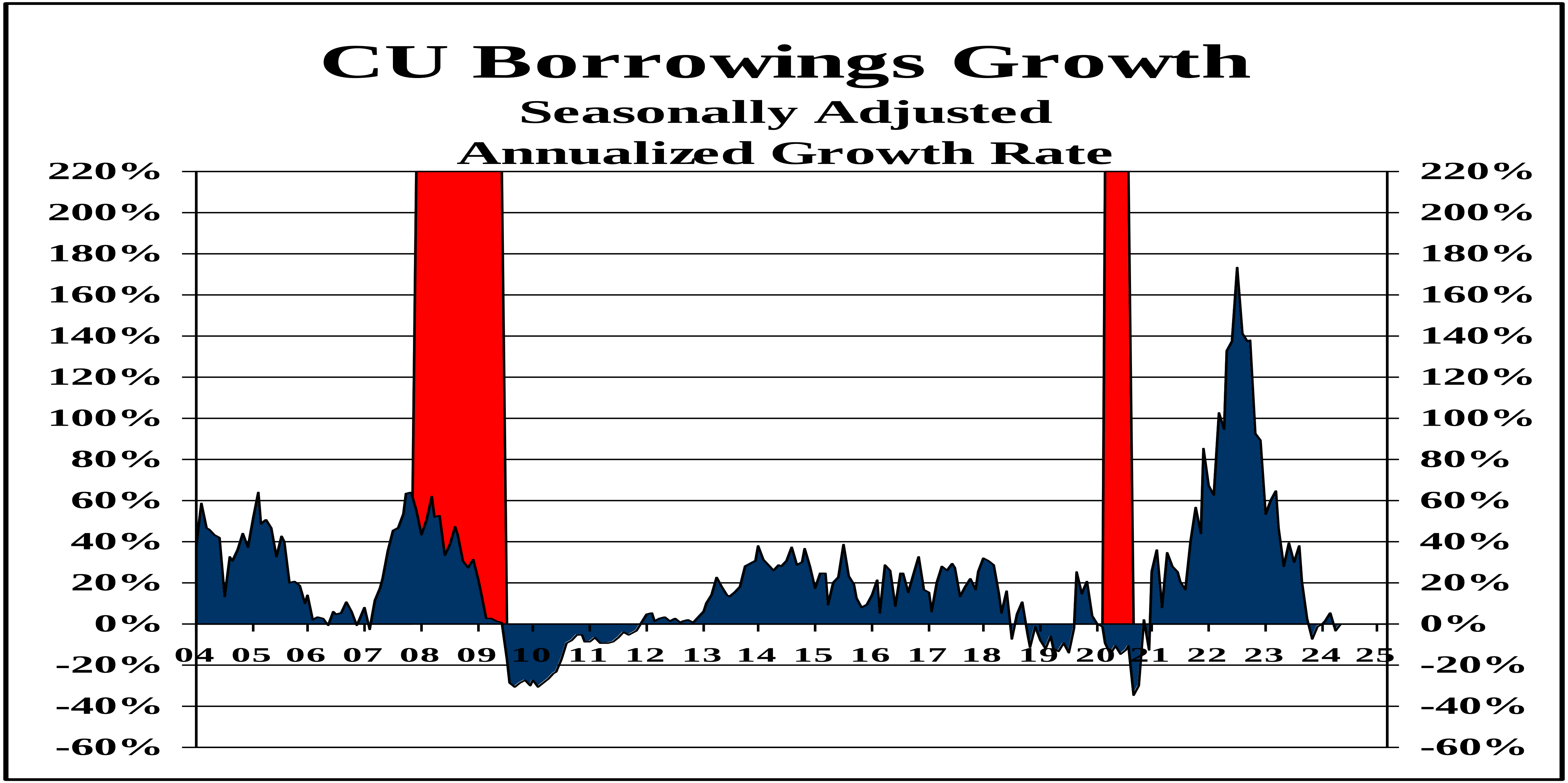
Assets

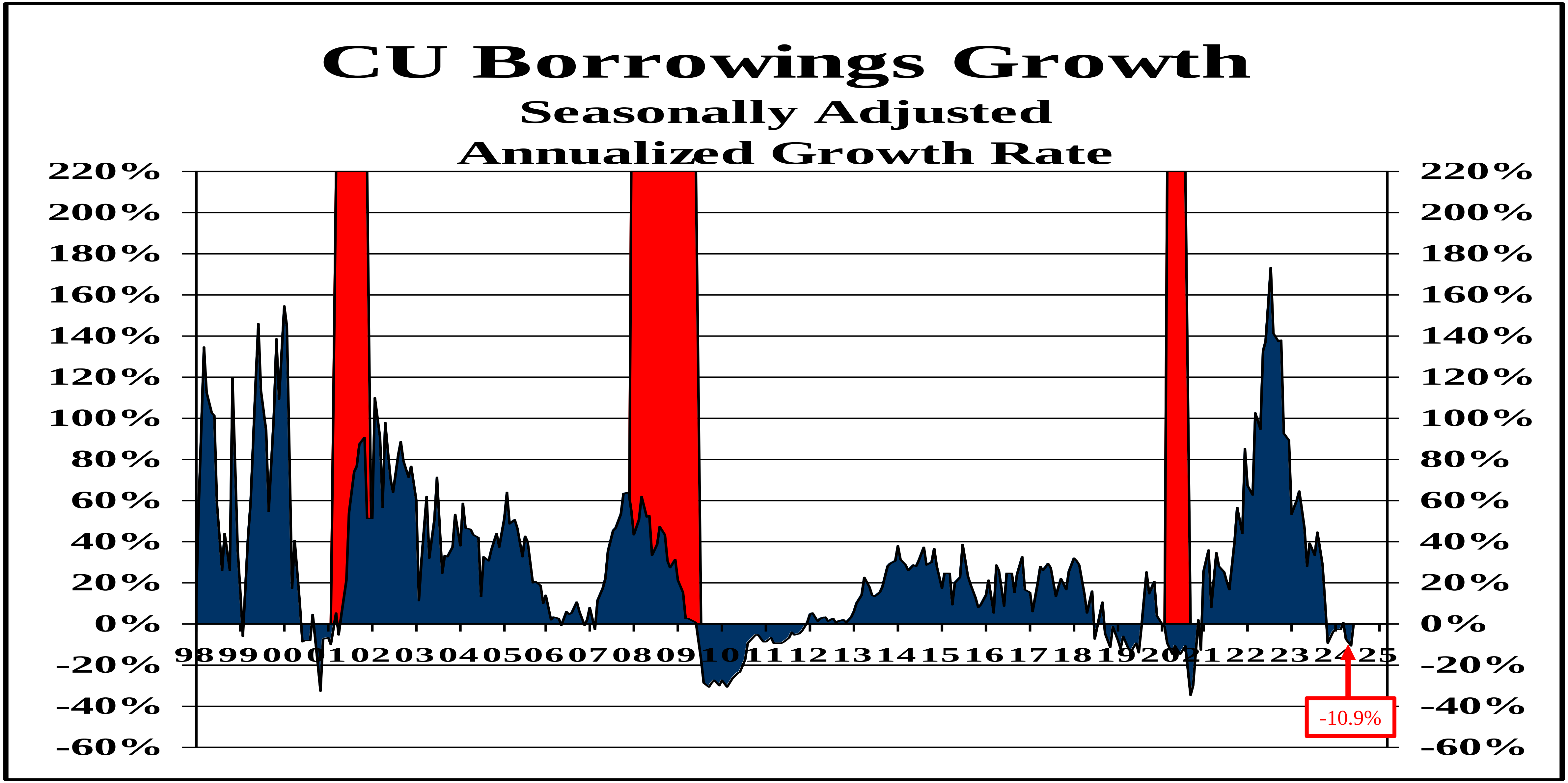
Liabilities + Capital

Deposits
- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

Borrowings
- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

Slowdown in Borrowings





CU Borrowings Growth
Seasonally Adjusted
Annualized Growth Rate
220%
200%
180%
160%
140%
120%
100%
80%
60%
40%
20%
0%
-20%
-40%
-60%
98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25
-10.9%

TruStage™

Limerick of the Day

There once was a credit union that had quite a scare

Limerick of the Day

There once was a credit union that had quite a scare
For their liquidity seemed quite rare

Limerick of the Day

There once was a credit union that had quite a scare
For their liquidity seemed quite rare
But with some quick loans

Limerick of the Day

There once was a credit union that had quite a scare
For their liquidity seemed quite rare
But with some quick loans
And more cash in their bones

Limerick of the Day

There once was a credit union that had quite a scare
For their liquidity seemed quite rare
But with some quick loans
And more cash in their bones
They managed to keep their head above the despair.

Credit Union Balance Sheet

Assets

Liabilities + Capital

Deposits

- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

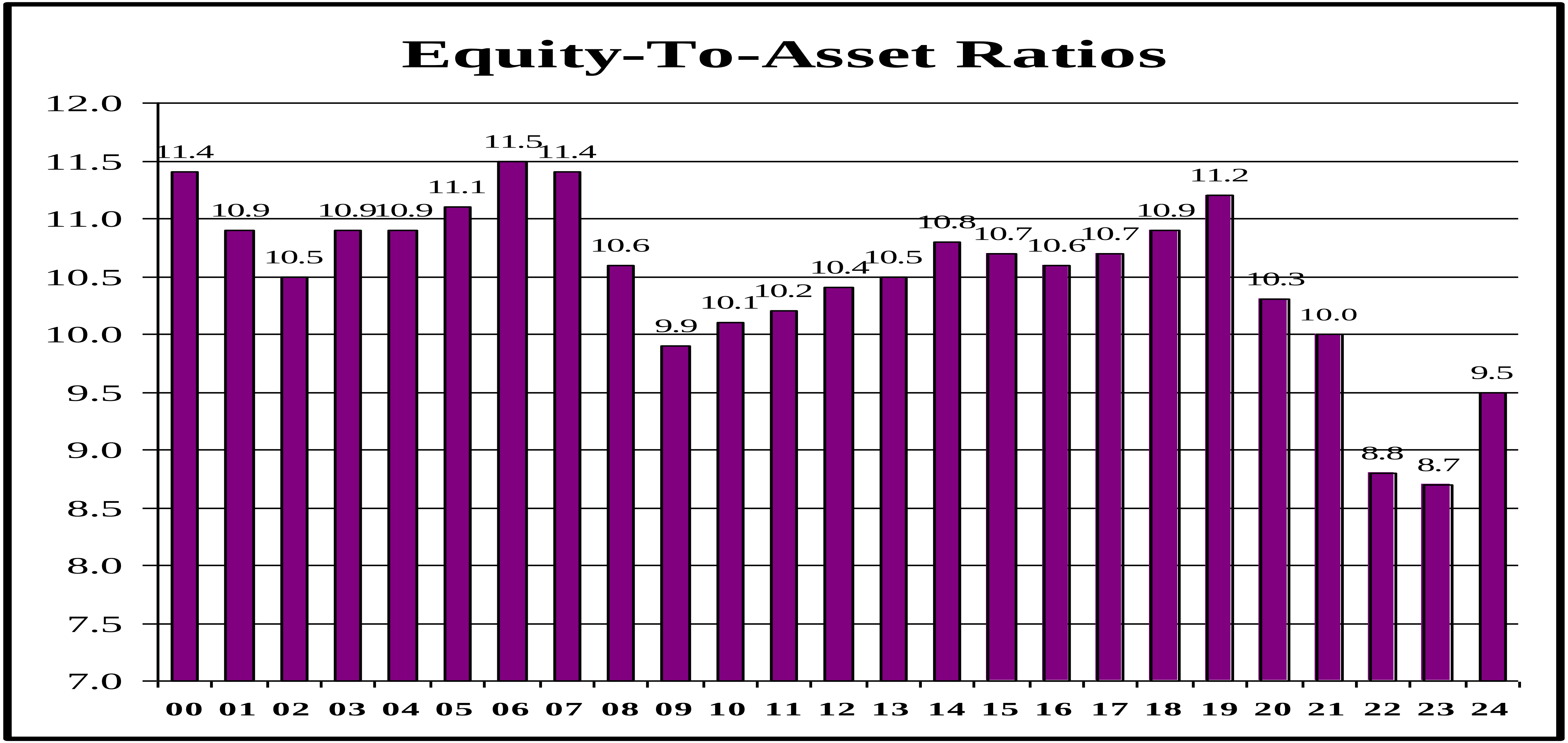
Borrowings

- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

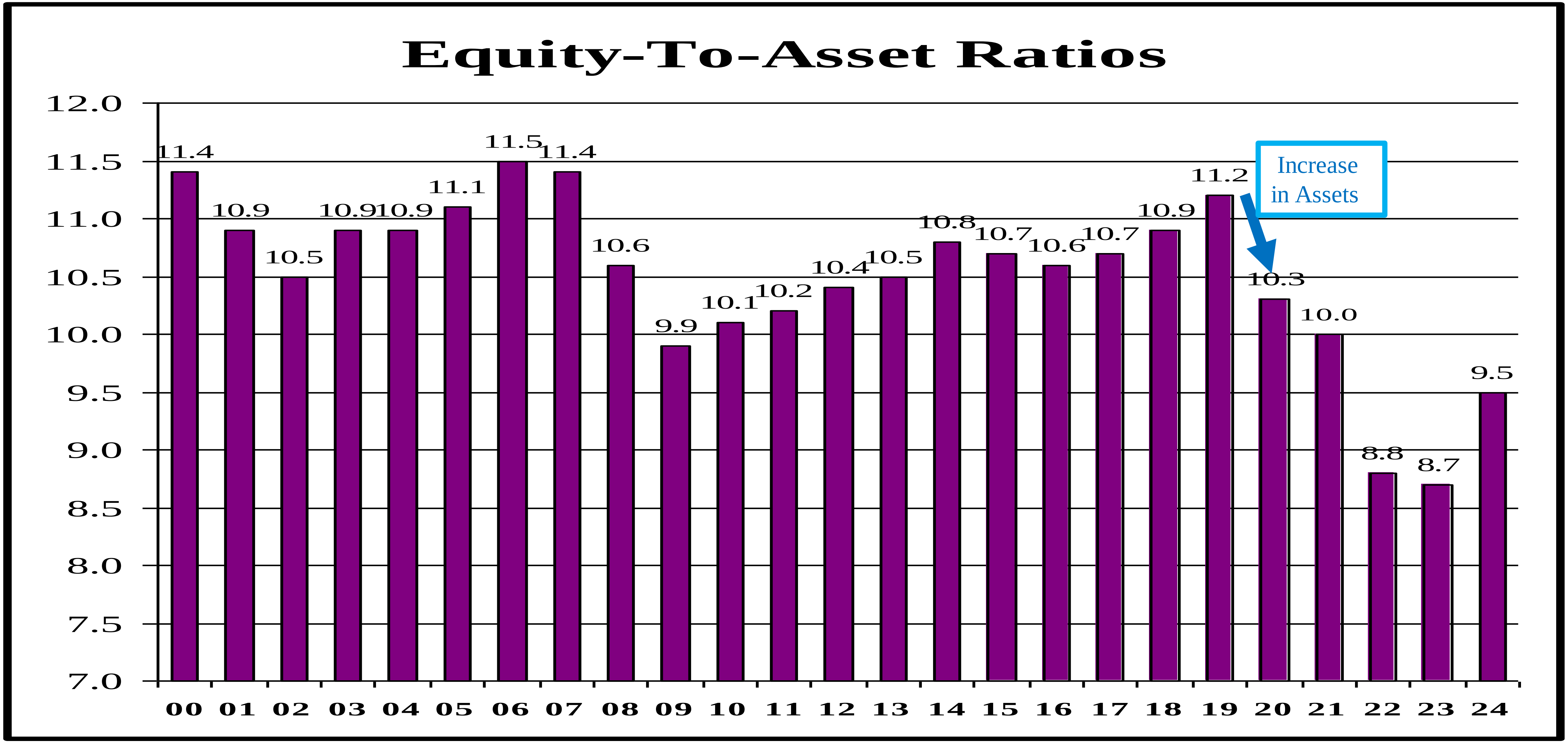
Equity (Net Capital)

1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

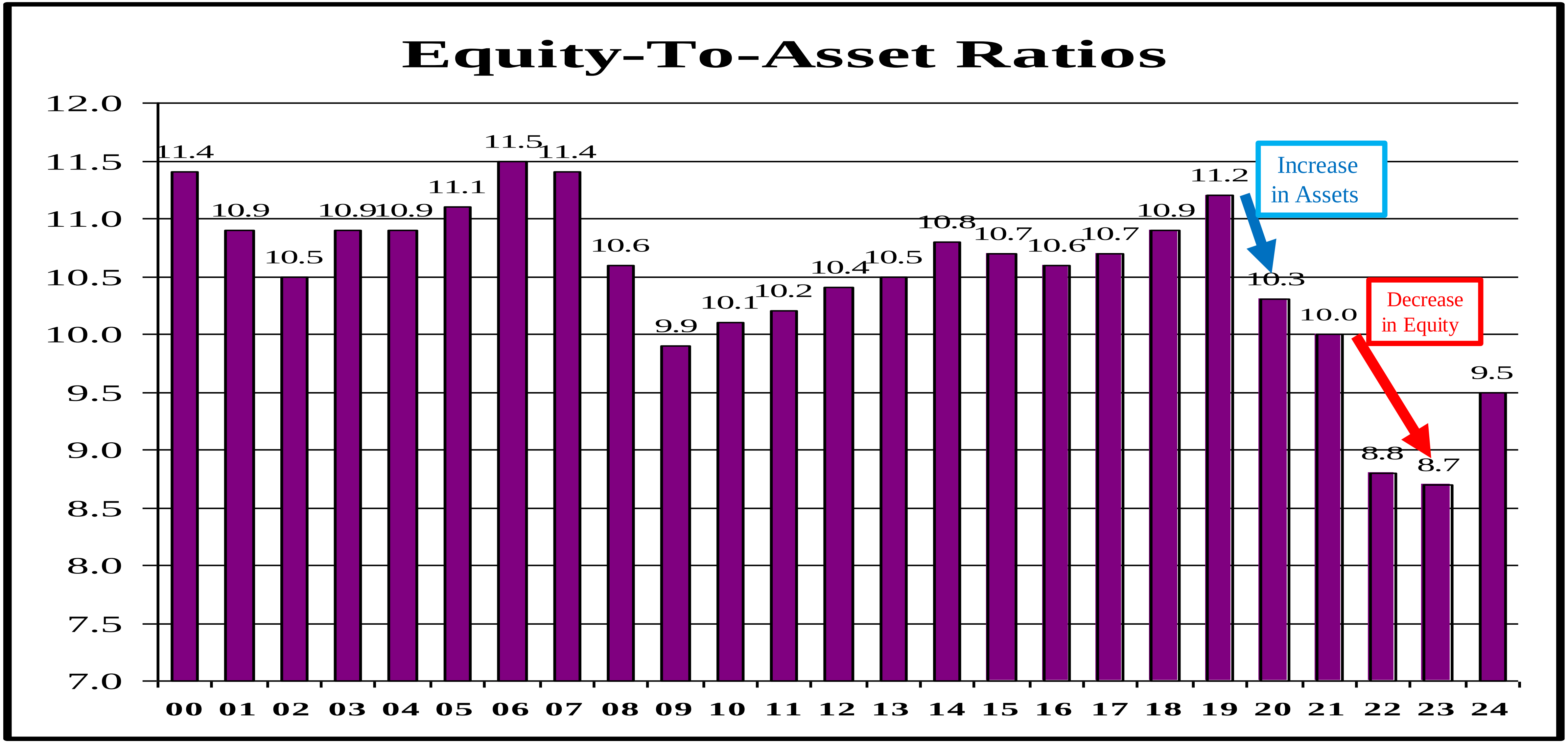
Falling Equity Ratios



Falling Equity Ratios



Falling Equity Ratios



Credit Union Balance Sheet

Assets

Liabilities + **Capital**

Cash (Reserves)

Deposits
- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

Borrowings
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Equity (Net Capital)
1. Undivided Earnings
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Credit Union Balance Sheet

Assets

Cash (Reserves)

Fixed Assets
- Land
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Liabilities + Capital

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Credit Union Balance Sheet

Assets

Cash (Reserves)

Fixed Assets
- Land
- Building
- Equipment

Investments
- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

Liabilities + Capital

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Equity (Net Capital)
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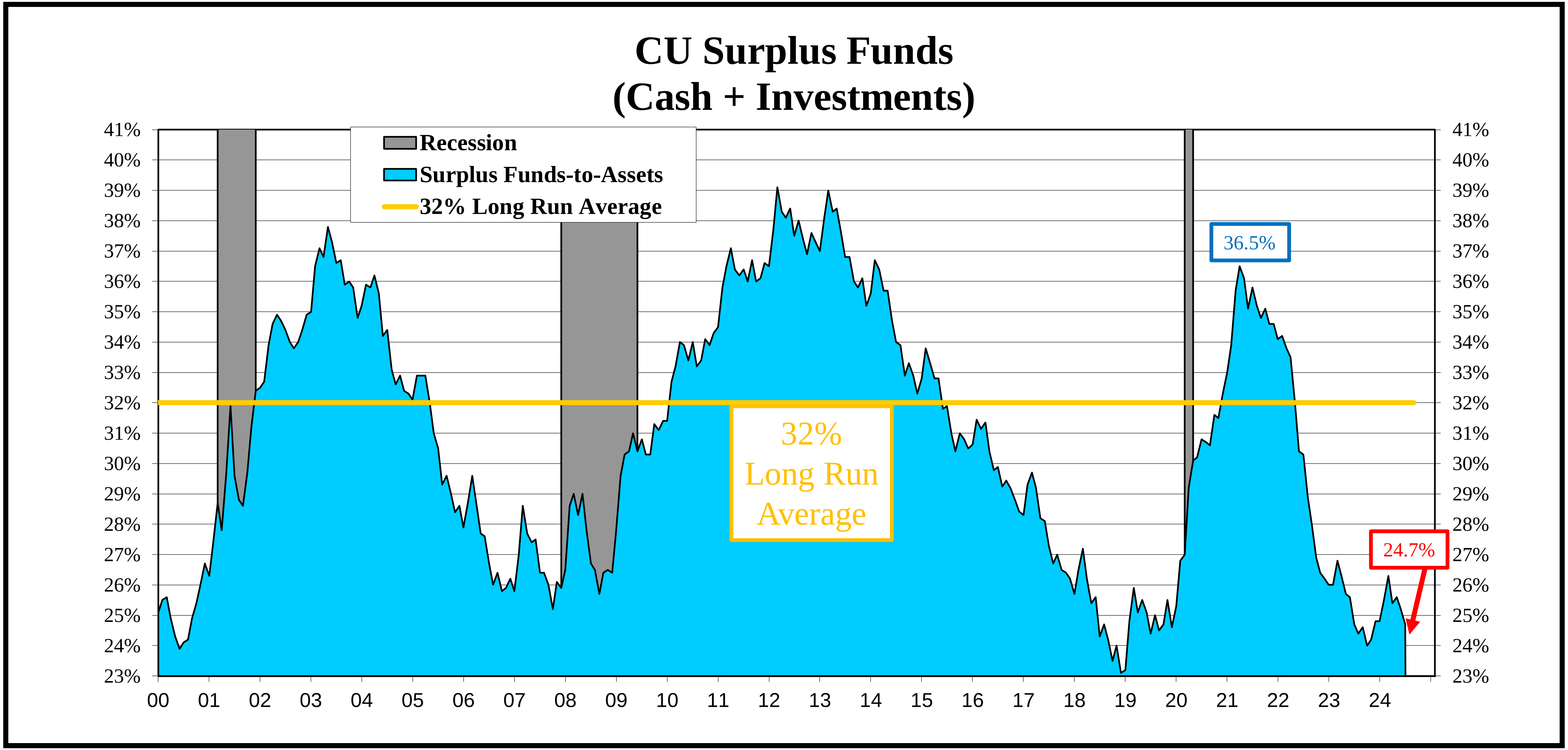
Investments Are Falling and Yields Are Rising



Credit Union Balance Sheet

Assets

Liabilities + Capital

Cash (Reserves)

Fixed Assets
- Land
- Building
- Equipment

Investments
- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

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- Auto
- Home
- Credit Card

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Equity (Net Capital)
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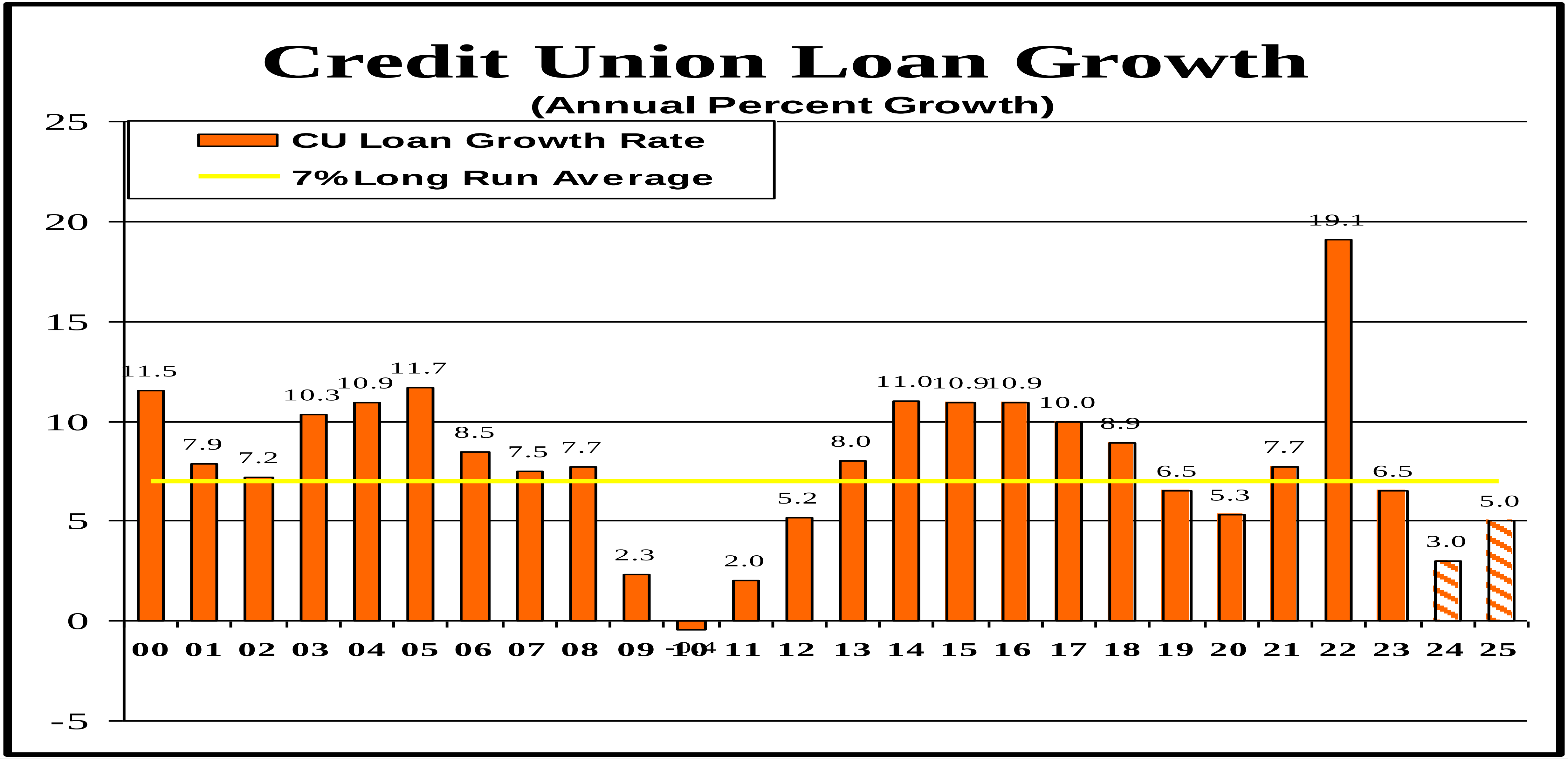
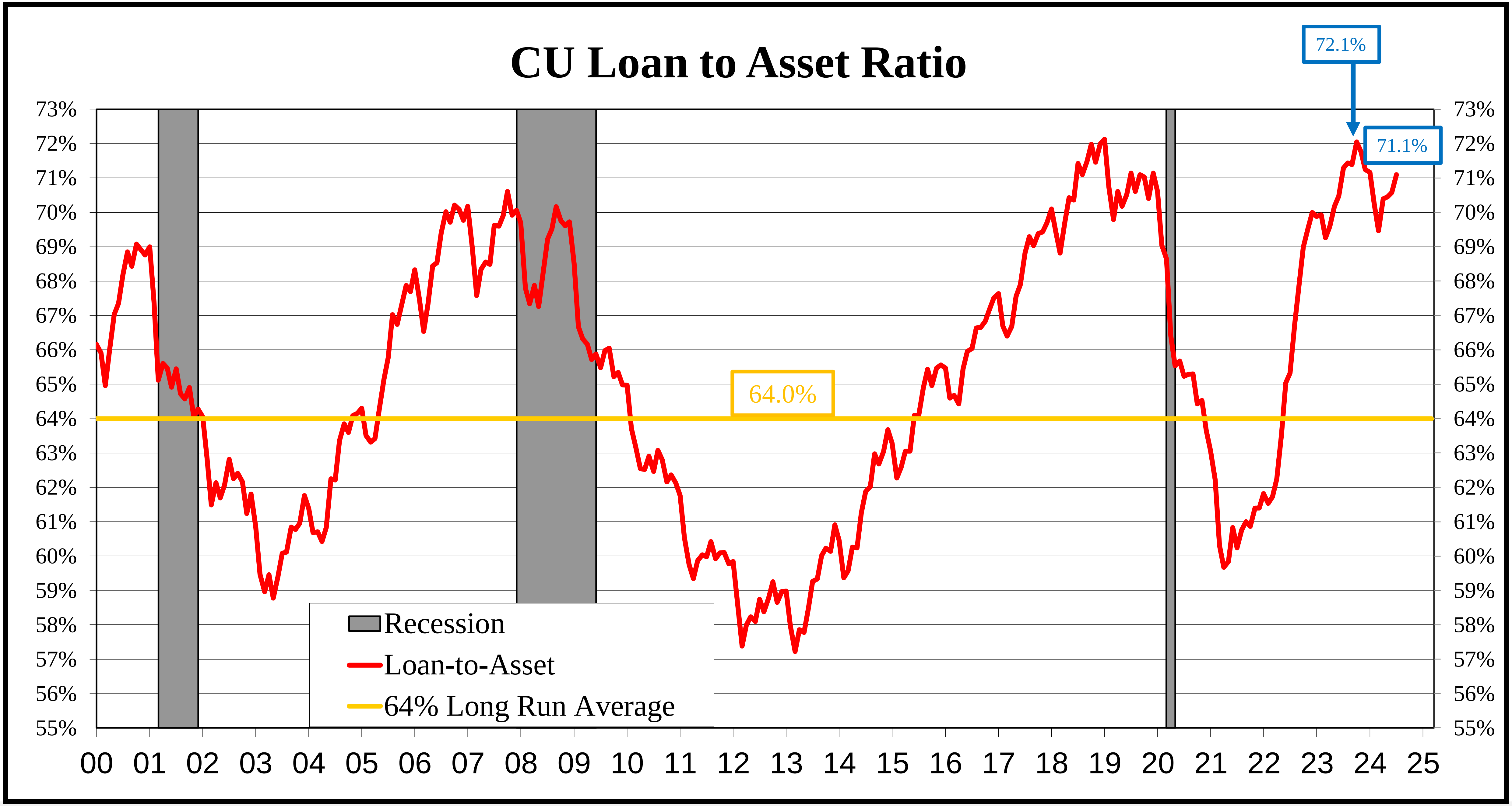
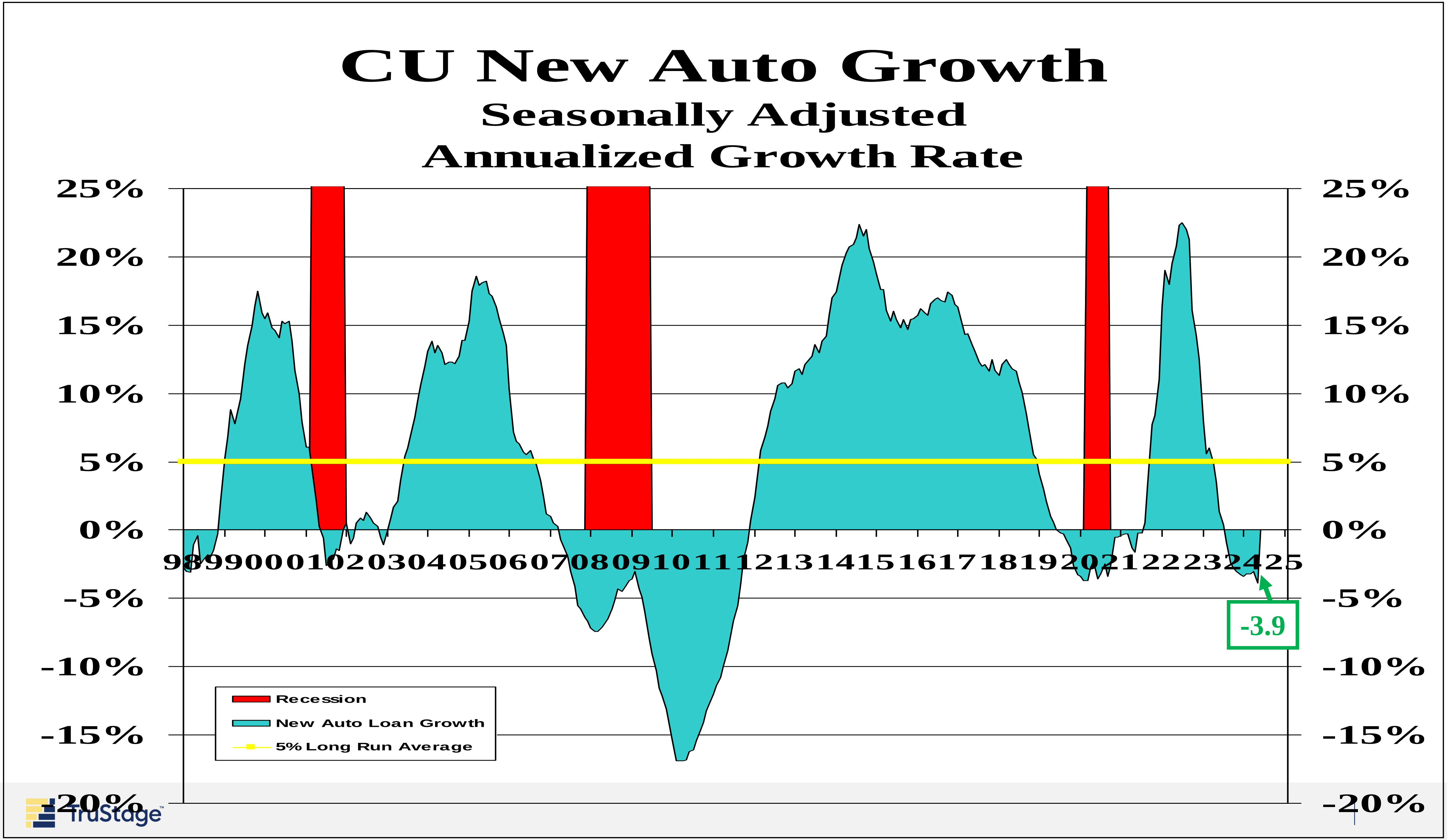
Slowing Credit Union Loan Growth



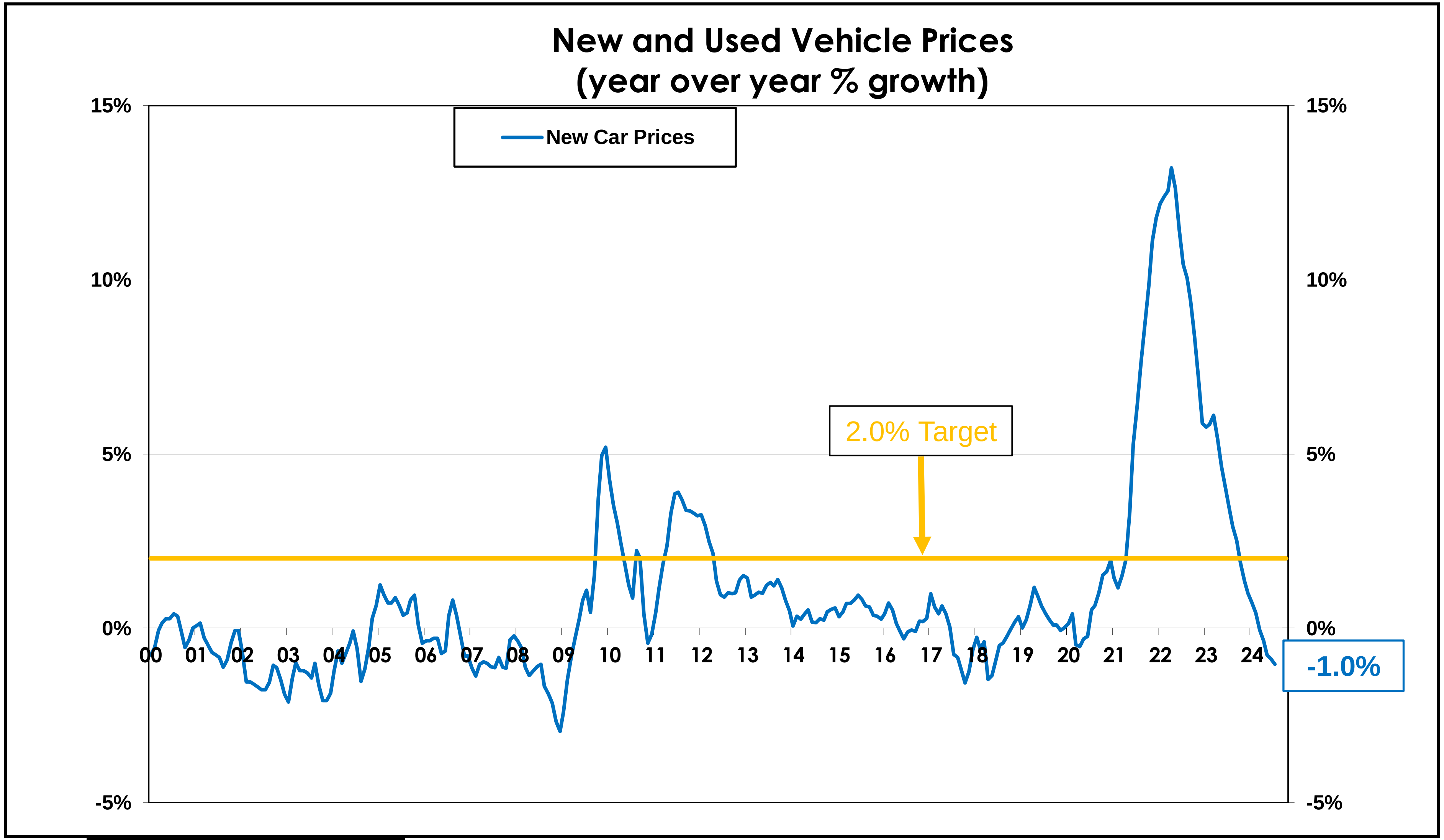
TruStage™



CU Loan to Asset Ratio
72.1%
71.1%
64.0%
73%
72%
71%
70%
69%
68%
67%
66%
65%
64%
63%
62%
61%
60%
59%
58%
57%
56%
55%
00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25
Recession
Loan-to-Asset
64% Long Run Average

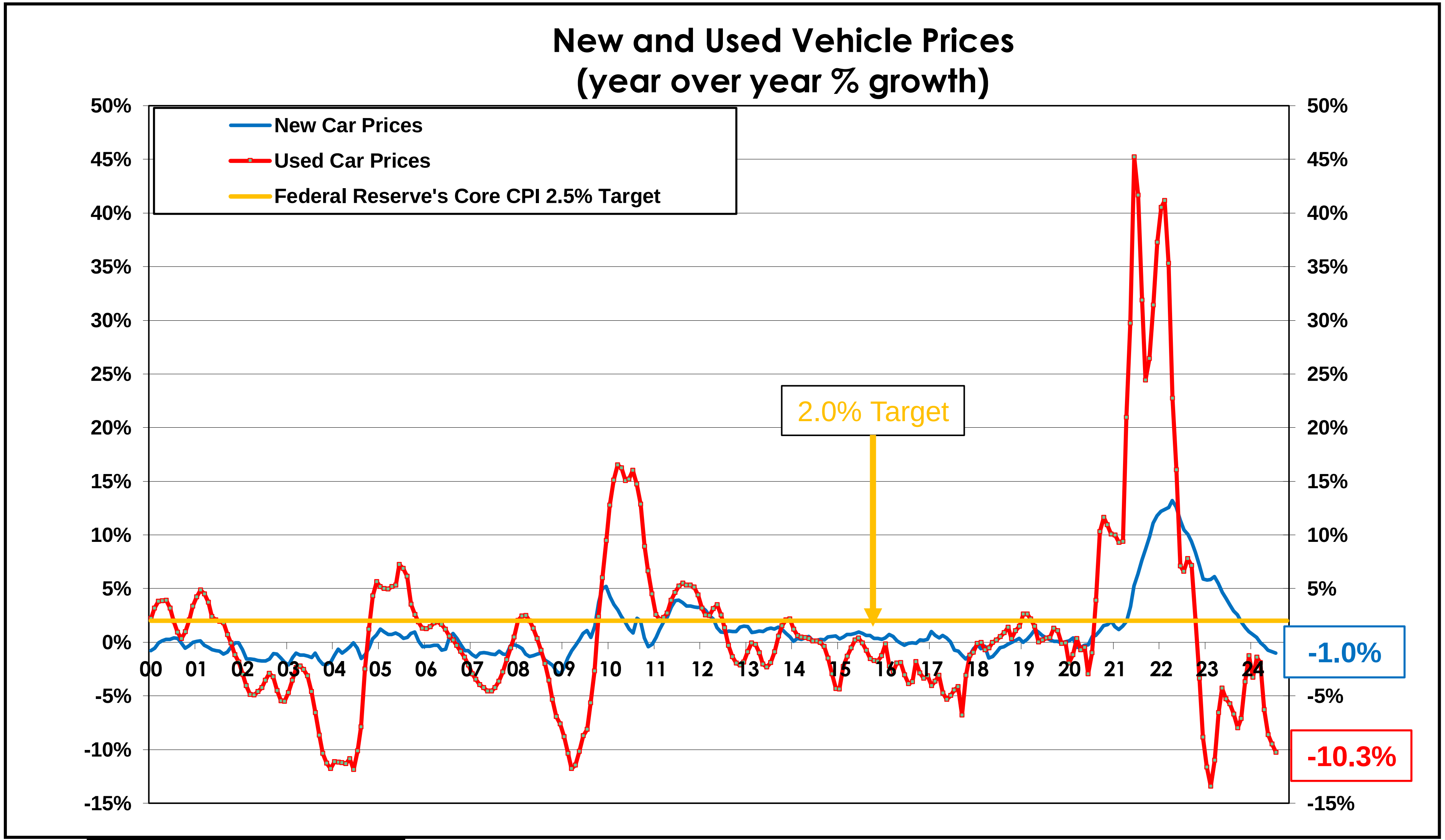

CU New Auto Growth
Seasonally Adjusted
Annualized Growth Rate
25%
20%
15%
10%
5%
0%
-5%
-10%
-15%
-20%
98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25
-3.9
Recession
New Auto Loan Growth
5% Long Run Average
TruStage

Vehicle Prices are Falling

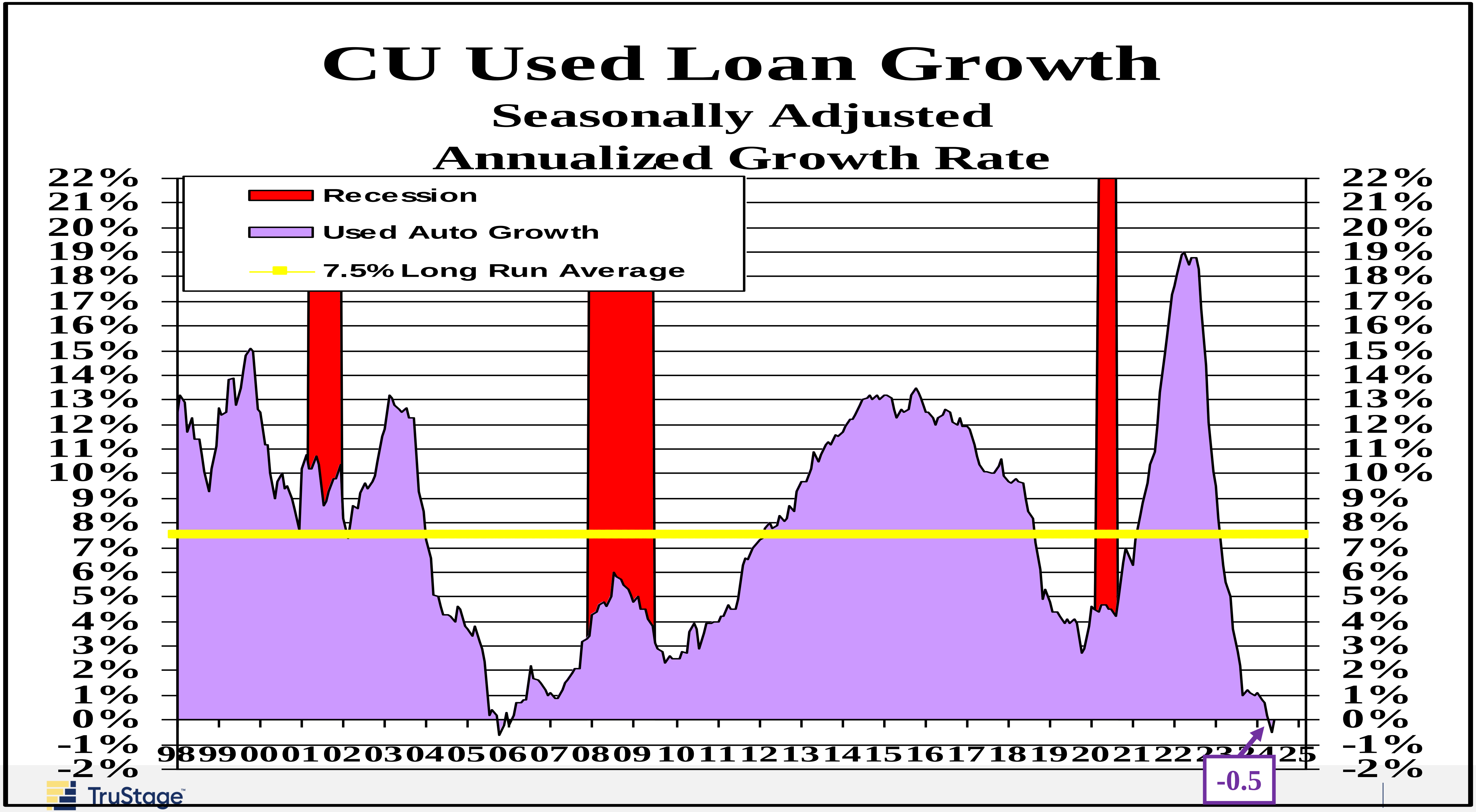


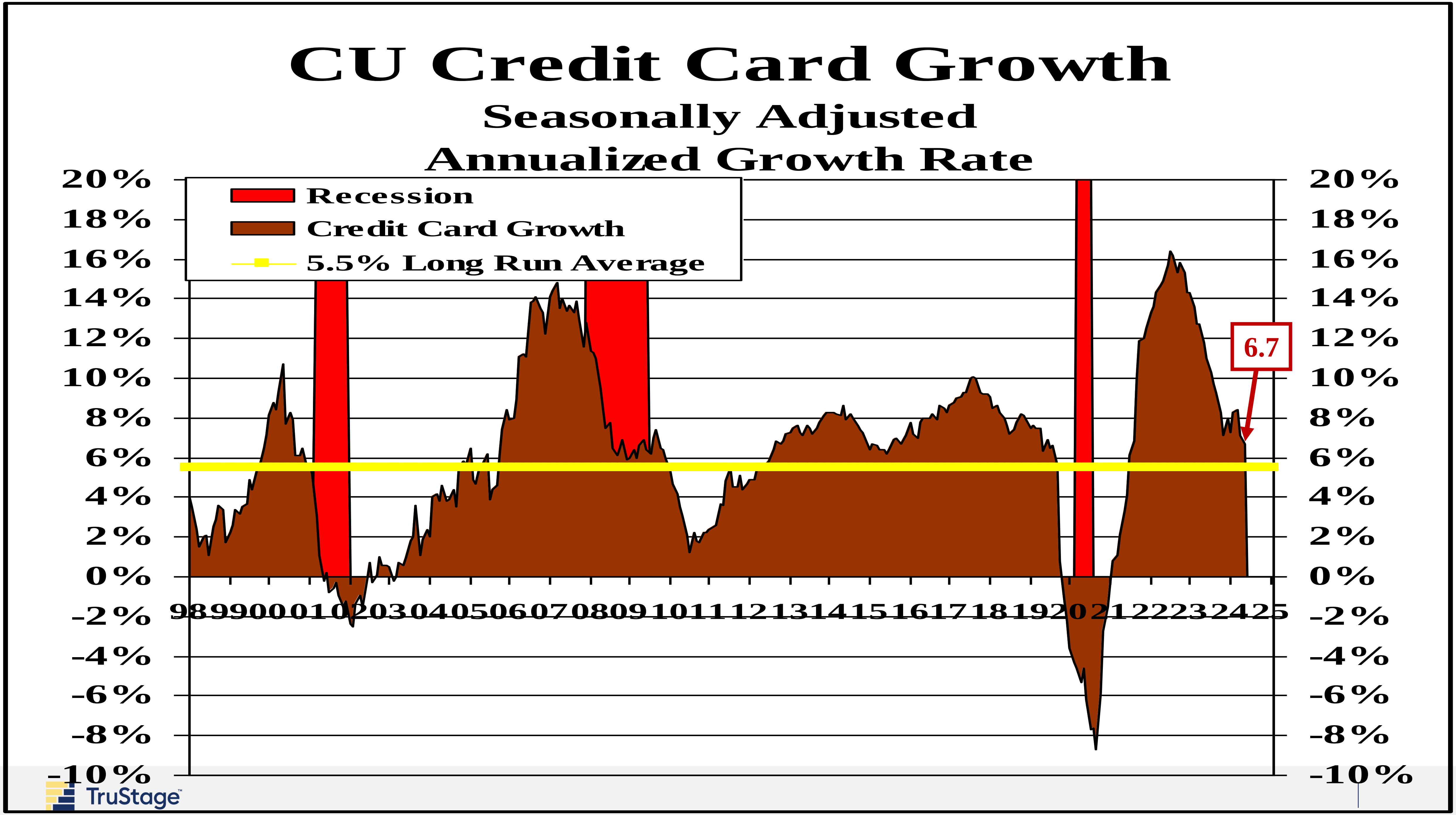
Source: Bureau of Labor Statistics

Vehicle Prices are Falling

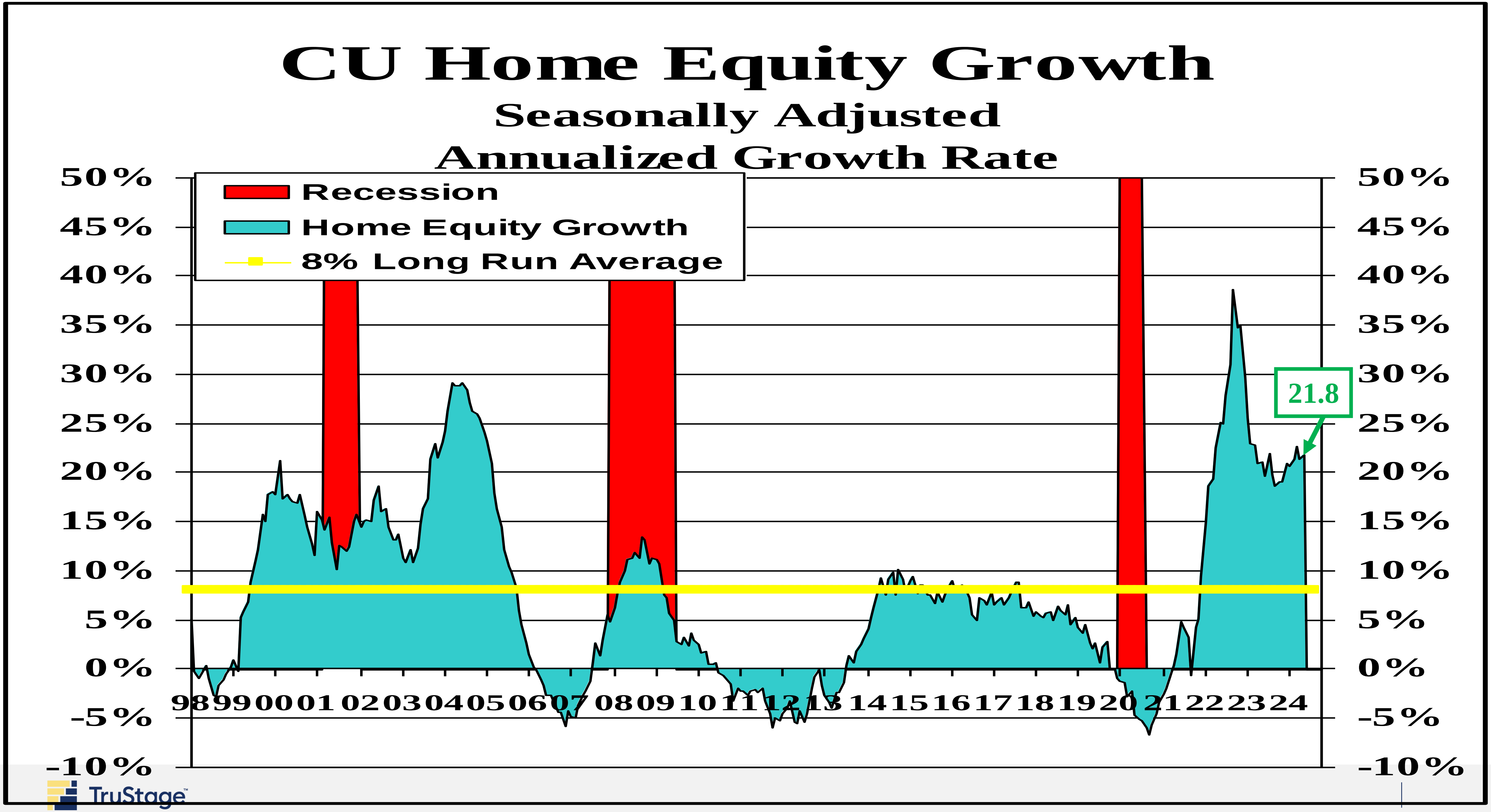


Source: Bureau of Labor Statistics


CU Used Loan Growth
Seasonally Adjusted
Annualized Growth Rate
Recession
Used Auto Growth
7.5% Long Run Average
22%
21%
20%
19%
18%
17%
16%
15%
14%
13%
12%
11%
10%
9%
8%
7%
6%
5%
4%
3%
2%
1%
0%
-1%
-2%
98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24 25
-0.5
TruStage™



CU Credit Card Growth
Seasonally Adjusted
Annualized Growth Rate
Recession
Credit Card Growth
5.5% Long Run Average
6.7
20%
18%
16%
14%
12%
10%
8%
6%
4%
2%
0%
-2%
-4%
-6%
-8%
-10%
98990001020304050607080910111213141516171819202122232425



CU Home Equity Growth
Seasonally Adjusted
Annualized Growth Rate
Recession
Home Equity Growth
8% Long Run Average
21.8
50%
45%
40%
35%
30%
25%
20%
15%
10%
5%
0%
-5%
-10%
98 99 00 01 02 03 04 05 06 07 08 09 10 11 12 13 14 15 16 17 18 19 20 21 22 23 24

Credit Union Balance Sheet

Assets

Cash (Reserves)

Fixed Assets
- Land
- Building
- Equipment

Investments
- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

Loans
- Commercial
- Auto
- Home
- Credit Card

Liabilities + Capital

Deposits
- Checking Accounts
- Savings
- Money Market Deposits
- Certificates of Deposits

Borrowings
- Federal Home Loan Bank
- Corporate Line of Credit
- Fed Funds Purchased
- Bank Term Funding Program

Equity (Net Capital)
1. Undivided Earnings
2. Regular Reserves
3. Gains (losses) on Available For Sale (AFS) Securities

Credit Union Balance Sheet

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- > 3-year maturity

Loans
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- Auto
- Home
- Credit Card

Allowance for Loan Loss

Liabilities + Capital

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Equity (Net Capital)
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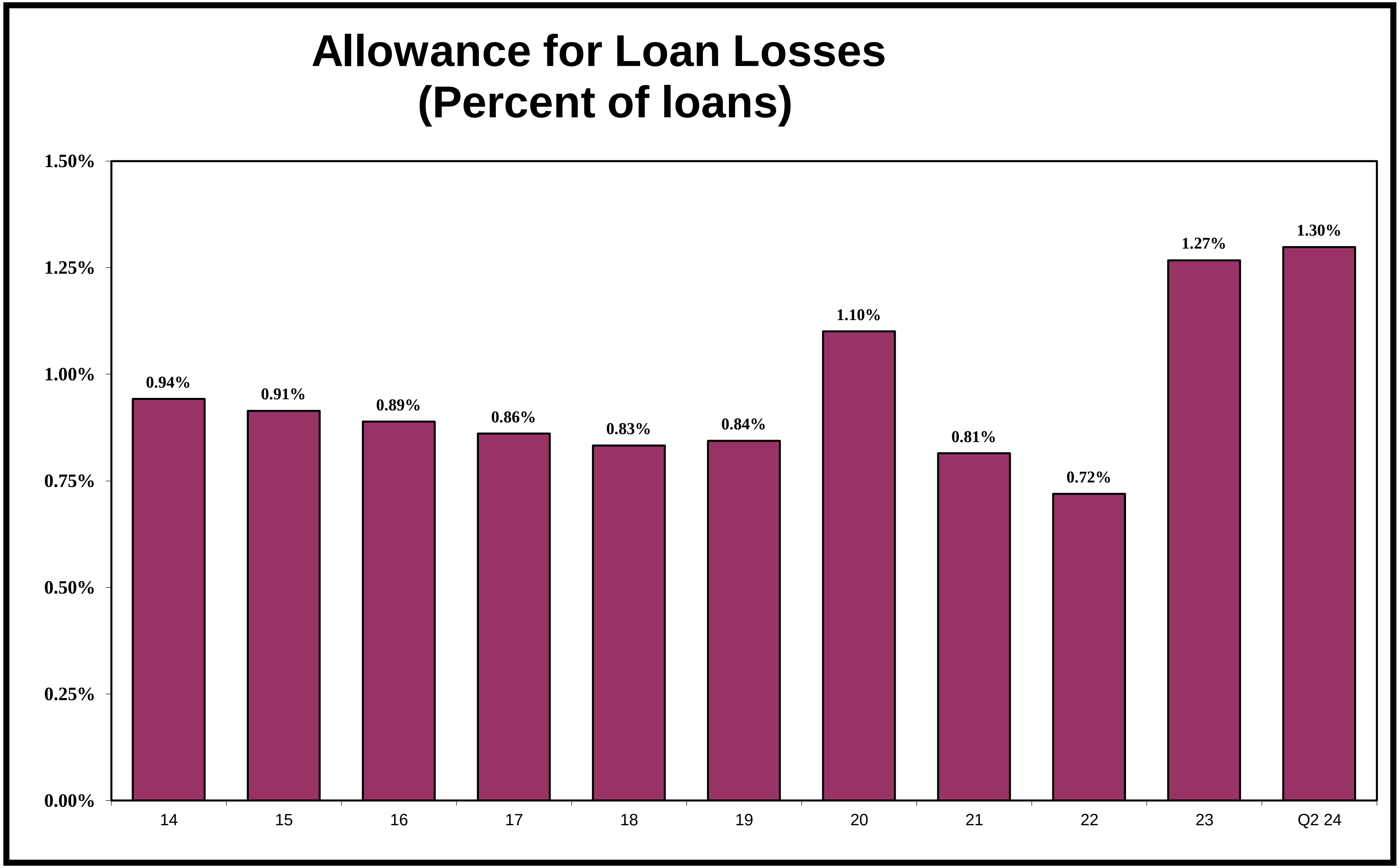
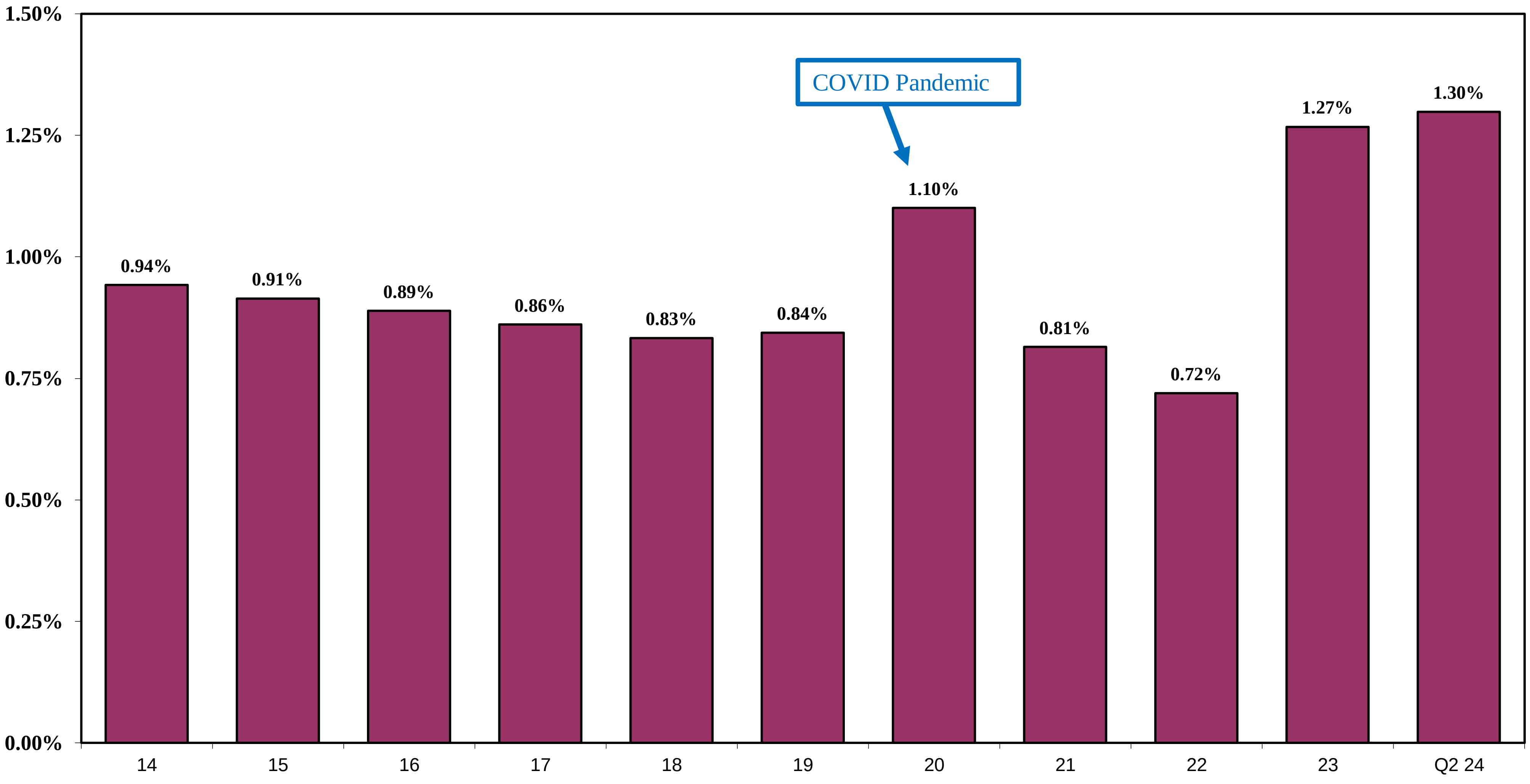
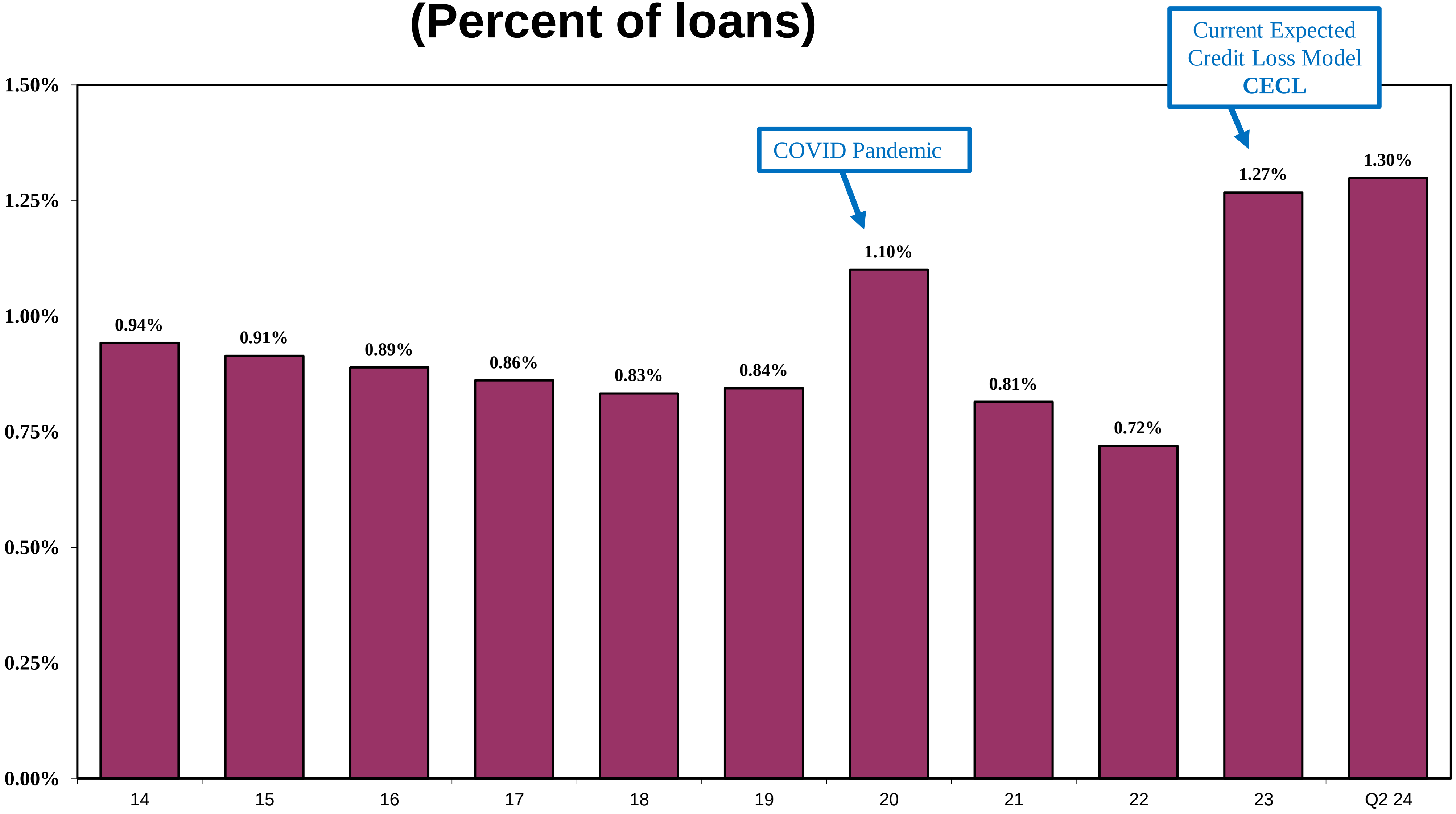

Allowance for Loan Losses
(Percent of loans)
1.50%
1.25%
1.00%
0.75%
0.50%
0.25%
0.00%
0.94%
0.91%
0.89%
0.86%
0.83%
0.84%
1.10%
0.81%
0.72%
1.27%
1.30%
14
15
16
17
18
19
20
21
22
23
Q2 24

Allowance for Loan Losses
(Percent of loans)



Allowance for Loan Losses
(Percent of loans)



Credit Union Balance Sheet

Assets | **Liabilities + Capital**

Cash (Reserves)

Fixed Assets
- Land
- Building
- Equipment

Investments
- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

Loans
- Commercial
- Auto
- Home
- Credit Card

Allowance for Loan Loss

$

Deposits

$

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- Credit Card

Allowance for Loan Loss

Liabilities + Capital

Deposits

$

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Equity (Net Capital)
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2. Regular Reserves
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"Non progredi est regredi"

$

Credit Union Balance Sheet

Assets

Cash (Reserves)

Fixed Assets
- Land
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Investments
- < 1 year maturity
- 1–3-year maturity
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- Commercial
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Allowance for Loan Loss

$

Liabilities + Capital

Deposits
$
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Equity (Net Capital)
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3. Gains (losses) on Available For Sale (AFS) Securities

"Non progredi est regredi"

To not go forward is to go backward

Credit Union Balance Sheet

Assets

Cash (Reserves)

Fixed Assets
- Land
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Investments
- < 1 year maturity
- 1–3-year maturity
- > 3-year maturity

Loans
- Commercial
- Auto
- Home
- Credit Card

Allowance for Loan Loss

$

Liabilities + Capital

Deposits

$

- Checking Accounts
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Equity (Net Capital)
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"Non progredi est regredi"

To not go forward is to go backward

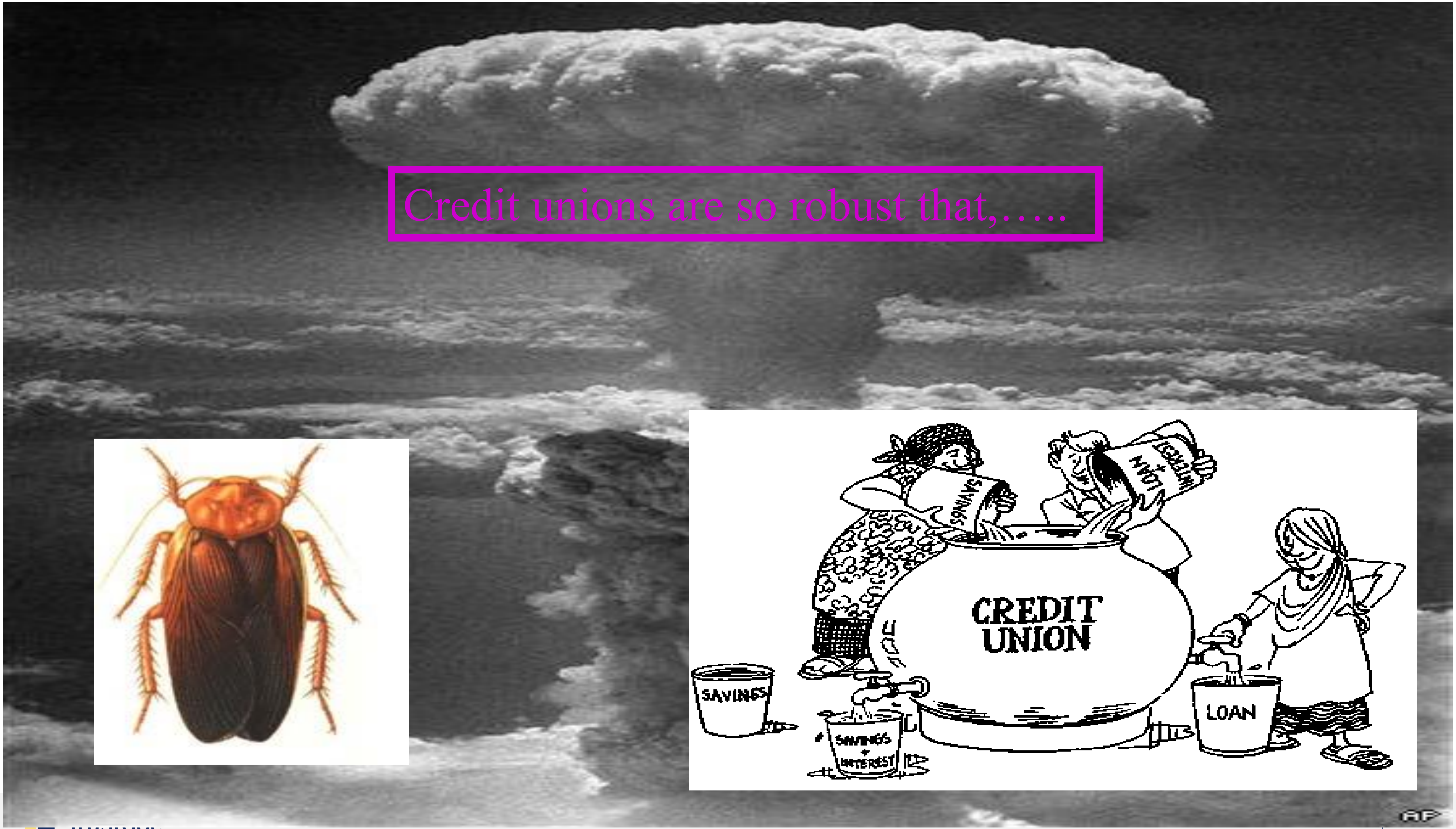
If you're not growing, you're dying

Credit unions are so robust that,…..

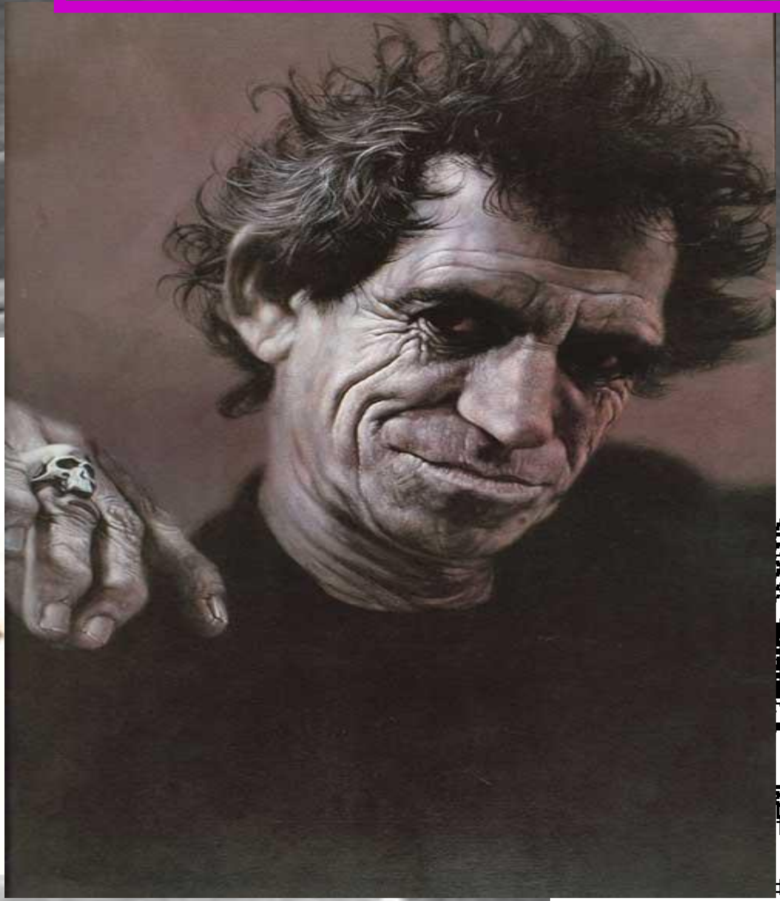

Credit unions are so robust that,…..

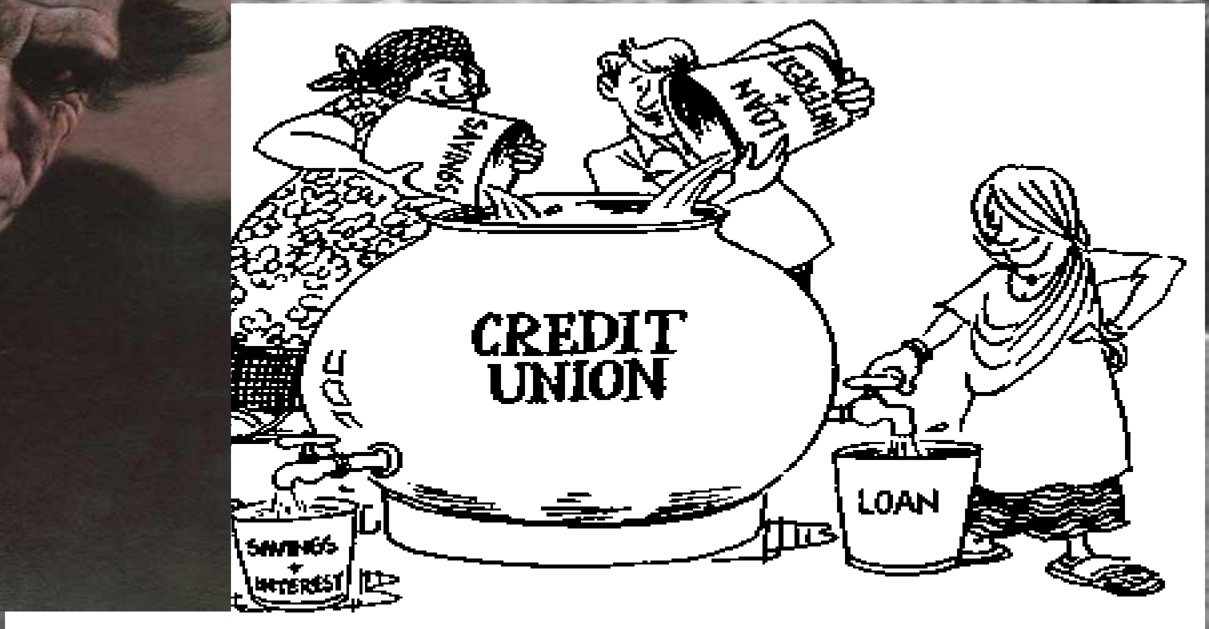
Credit unions are so robust that,…..

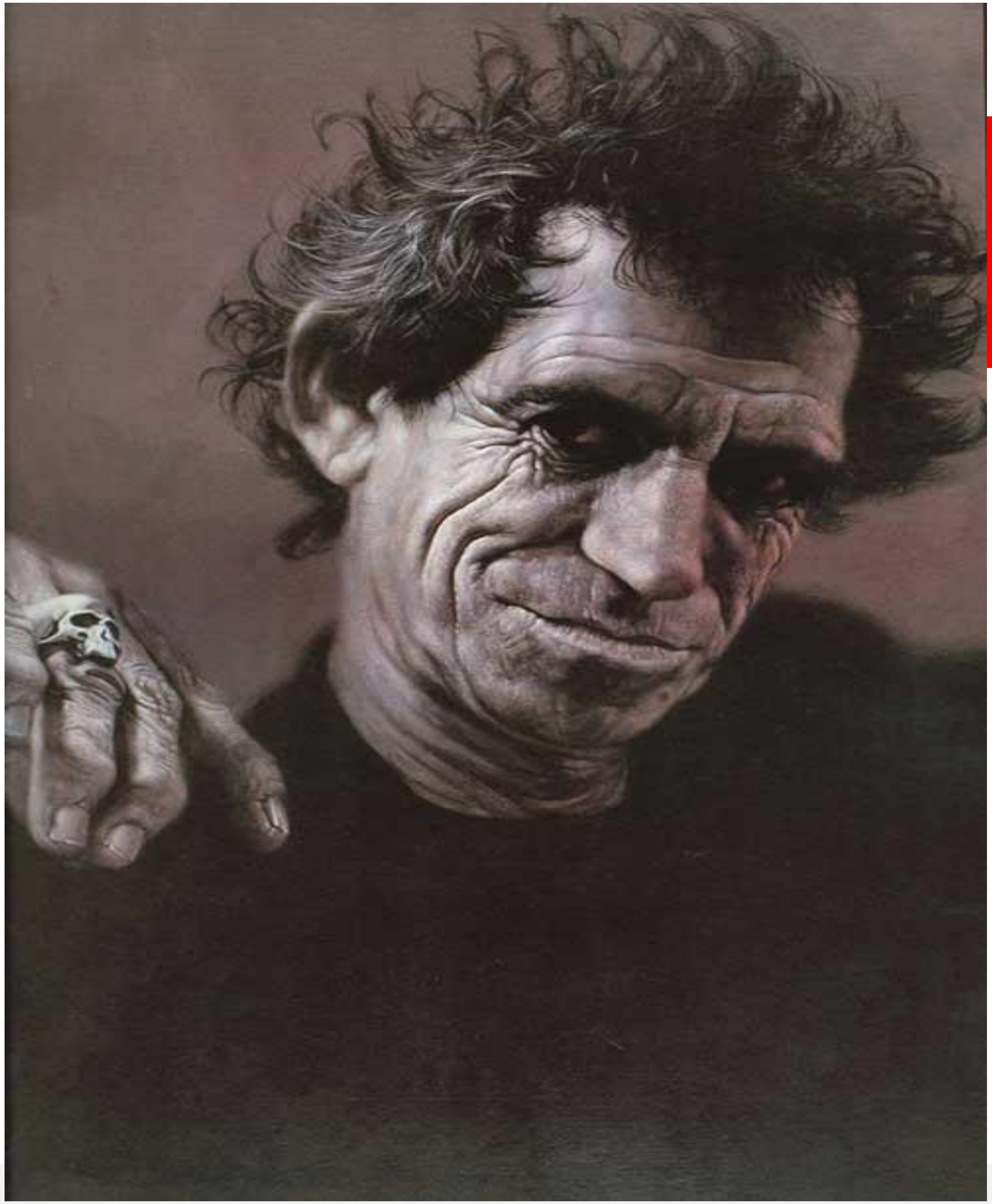
Credit unions are so robust that,…..



Credit unions are so robust that,…..







Carpe Diem
“Seize the day”

Questions?

Forecast Overview

October 2024

The Federal Reserve's bid to normalize interest rates is underway, and the America's Credit Unions forecast group anticipates a broader normalizing of conditions, both for the broader economy and for credit unions. Although there are important downside risks to the forecast, including the possibility that the recent rise in unemployment will continue and geopolitical risks, economic data has generally surprised to the upside and a strong September jobs report is reassuring.

Our fourth-quarter baseline economic forecast reflects the following minor changes:

- We raised our expectation for GDP growth in 2024, measured on a q4-to-q4 basis, from 1.9% to 2.4%. Our outlook for 2025 increased slightly from 1.8% to 2%.
- We revised down our year-end 2024 baseline unemployment rate forecast from 4.3% to 4.2%, holding the year-end 2025 figure at 4.5%.
- We lowered our outlook for over-the-year headline inflation, from 2.8% in 2024 and 2.5% in 2025 in our prior forecast to 2.5% and 2.3%, respectively, in the current forecast.
- Our outlook calls for two additional quarter-point cuts by year end, which will reduce the fed funds rate to 4.3%. We continue to expect 4 cuts in 2025, but that now reduces the fed funds rate to 3.3% by December 2025.

Our credit union forecast also changed modestly:

- We revised down our outlook for 2024 share growth by one percentage point to 4% due to a miss to the downside in the second quarter. But with rates dropping, we held our forecast for 2025 at 6%.
- With the fed funds rate expected to drop to 3.3% by the end of next year, we revised our 2025 loan growth forecast up by one percentage point to 6%, and our 2025 membership growth forecast from 1.8% to 2.2%.
- We see credit unions prioritizing loan performance next year. As a result, we revised down our delinquency ratio forecast for next year from 0.90% to 0.85%. We made a similar-sized adjustment to our outlook for net charge-offs, lowering it to 0.70% in 2025.
- A more comfortable rate environment alongside a better outlook for loan performance should lead to improved earnings, and we increased our ROA forecast by 10 basis points in 2024 (to 0.70%) and in 2025 (to 0.80%).

Economic Forecast

October 2024

Our baseline economic forecast calls for the continuation of the economic expansion, albeit at a moderating pace, through the 2025 forecast window. We do see important risks which, if realized, could precipitate a recession. Those risks include the possibility that recent weakness in the labor market could continue or even accelerate and geopolitical uncertainty, especially with respect to unrest on the Middle East. We also view the outcome of the November elections as potentially being highly impactful. But given the uncertainty of the results as well as the policy initiatives that could proceed from those results, we do not consider the potential impact of the wide range of possibilities in our forecast. With the fed funds rate still elevated and inflation subsiding, the FOMC is equipped to address any serious growth scare by hastening the pace of rate cuts. We place the odds of a recession through year-end 2025 at **25 percent**.

Real GDP continues to surprise to the upside, highlighted by a 3% annualized growth rate in the second quarter. However, much of that growth occurred in inventories and may be given back in future quarters. More generally, we believe nominal GDP is returning to its pre-COVID pattern of 4% to 4.5% annual growth. With inflation stabilizing near the Fed's 2% target, that suggests a sustainable level of real GDP growth around 2% to 2.5%.

Year-over-year inflation as measured by CPI has fallen to just 2.4%, while the Federal Reserve's preferred index (PCE) is running at 2.2%. That latter figure is just slightly above the FOMC's target of 2%. Despite the FOMC's 50-basis point interest rate cut in September, rates remain in restrictive territory, acting to slow the economy. This should permit the further easing of those excess price pressures that remain.

Labor markets remain an area of concern. On the bright side, the unemployment rate fell for the second straight month in September, and data suggests that layoffs remain relatively rare. However, hiring is also extremely low while two reliable gauges of labor market tightness—the rate of voluntary quits and job openings per unemployed worker—are falling and now sit below their pre-COVID levels. The forecast group viewed this low-hiring/low-firing dynamic as part of a necessary process in transitioning from the overheated conditions of 2022 to a more normal labor market. But the rise in unemployment nevertheless carries the potential to damage business and consumer confidence, which would threaten the economic expansion.

With the risks to the FOMC's dual mandate shifting from excessive inflation to excessive unemployment, the Committee opted for an outsized 50-basis point rate cut in September. The forecast group believes that two more 25-basis point rate cuts are forthcoming in 2024, followed by four cuts in 2025. We see this as a process whereby the FOMC will gradually return the fed funds rate to a neutral setting.

Long-term rates have been volatile, particularly when the labor market appears to weaken. But we note that the 10-year Treasury rate is currently near its 3-year average of 3.8%, and we expect it to remain just above that level through 2025. While we expect the Fed to announce more rate cuts in 2025, markets do as well, and so this may not necessarily impact longer-term rates. The growth in federal deficit spending and the accompanying surge in Treasury issuance places some upward pressure on rates.

Economic Forecast

October 2024

	Past results		Actual/forecasts				Annual forecasts	
	Previous 10 Yr. Avg	2023	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2024	2025
Growth rates:								
Economic Growth (% chg GDP)*	2.5%	2.9%	1.6%	3.0%	2.4%	2.1%	2.4%	2.0%
Inflation (CPI, 12 mth % chg)	2.8%	3.3%	3.5%	3.0%	2.4%	2.5%	2.5%	2.3%
Unemployment Rate (BLS)	4.5%	3.7%	3.8%	4.1%	4.1%	4.2%	4.2%	4.5%
Federal Funds Rate (effective)	1.45%	5.33%	5.33%	5.33%	4.83%	4.33%	4.33%	3.33%
10-Year Treasury Rate	2.41%	3.88%	4.20%	4.36%	3.81%	4.00%	4.00%	4.00%
10-Year-Fed Funds Spread	0.96%	-1.45%	-1.13%	-0.97%	-1.02%	-0.33%	-0.33%	0.67%

*Percent change, annualized rate for quarterly and Q4-to-Q4 change for annual. All other numbers are end-of-period values.

Credit Union Forecast

October 2024

Our credit union outlook anticipates the return of more normal conditions in 2025, tracking with the overall economy. Certain challenges remain, chief among them weak growth and poor loan performance. This will result in uneven performances throughout the industry as credit unions with ample liquidity and stable delinquencies capitalize on the loan demand that should follow from a solid economy and declining interest rates. However, other credit unions will be focused on shoring up liquidity or reining in loan losses in 2025. But the forecast group is optimistic that even where these challenges persist, they should subside over the course of next year.

Credit union liquidity remains relatively tight, as evidenced by a loan-to-share ratio that we project to end this year just slightly lower than the year prior. Lending froze in 2024 as high rates sapped loan demand, but also because many credit unions struggled to grow deposits. In September, the Bureau of Economic Analysis made a significant upward revision to its estimates for personal income and consumption. These adjustments raised the personal saving rate from 3.6 percent of disposable income over the prior 12 months to over 5 percent, against a 5-year pre-COVID average of 6.2 percent. The revision supports the view that the primary cause of slow deposit growth at credit unions and banks is not deficient household savings but rather where households are choosing to save. With the FOMC's interest rate normalization process underway, we expect that households will begin redirecting a larger share of savings toward credit union and bank non-maturity deposits in 2025. We forecast 6% share growth in 2025, which is close to the 10-year average for credit unions.

Loan delinquencies continued to rise in the second quarter and are drawing increased supervisory scrutiny. Given credit unions' history of prudent lending and the attention they are paying to the issue, we expect loan performance to stabilize and begin improving in 2025. We suspect that much of the recent rise in delinquencies is the residue of the strong loan growth from 2022 and early 2023, and that it will simply take some time to clear through the pipeline. However, we note that delinquencies tend to track with the unemployment rate, and we expect the latter to continue to drift upward next year.

For those credit unions with the wherewithal to resume lending in 2025, we expect conditions to be much improved. We acknowledge some uncertainty around the timing of loan demand. As we noted in our economic outlook, we do not expect a major decline in long-term rates next year. It could take some time for households to accept that despite reductions in the Federal Reserve's policy rate, longer-term borrowing rates may not return to COVID era lows or even pre-COVID levels any time in the near future.

Finally, we modified our earnings outlook, raising our projected ROA by 10 basis points each in 2024 and 2025. Those adjustments are due to several factors. First, second quarter earnings came in stronger than expected, which led us to raise our forecast for the current year. For 2025, the higher ROA projection stems from a slightly better outlook for loan growth and charge-offs than in our prior forecast. If it all comes together in the way we anticipate, by the end of next year credit unions should see conditions that are far more typical to those of the pre-COVID years than to the rollercoaster of the past four years.

Credit Union Forecast

October 2024

	Past Results		Actual/forecasts				Annual forecasts	
	10 Yr Average	2023	2024 Q1	2024 Q2	2024 Q3	2024 Q4	2024	2025
Growth rates:								
Savings growth	7.6%	1.6%	3.0%	-0.3%	0.0%	1.3%	4.0%	6.0%
Loan growth	9.5%	6.2%	0.0%	1.0%	1.2%	0.8%	3.0%	6.0%
Asset growth	7.9%	4.0%	2.3%	-0.4%	0.3%	1.3%	3.5%	5.5%
Membership growth	3.7%	2.9%	1.0%	0.6%	0.2%	-0.3%	1.5%	2.2%
Liquidity:								
Loan-to-share ratio**	79.7%	85.1%	82.7%	83.9%	85.0%	84.6%	84.6%	84.6%
Asset quality:								
Delinquency rate**	0.72%	0.83%	0.77%	0.84%	0.88%	0.90%	0.90%	0.85%
Net charge-off rate*	0.49%	0.61%	0.80%	0.78%	0.71%	0.73%	0.75%	0.70%
Earnings:								
Return on average assets (ROA)*	0.83%	0.68%	0.66%	0.71%	0.73%	0.68%	0.70%	0.80%
Capital adequacy:								
Net worth ratio**	10.9%	10.7%	10.6%	10.8%	11.0%	11.0%	11.0%	11.2%

*Quarterly data, annualized. **End of period ratio. Net worth forecast does not account for CECL Provision

Economic Update Summary For 2025

1. Trend economic growth in 2025, (2.0%)
2. Inflation rate approaching 2% target
3. Unemployment rate rising to natural rate of 4.5%
4. Yield curve normalizing as short-term interest rates fall faster than long term

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