The Benefits of Membership

Customized Analysis of Member Benefits For:

Alaska

March 2014

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Economics and Statistics Department

AMERICA'S CREDIT UNIONS

Alaska

The Benefits of Membership

Credit unions generally provide financial benefits to members through lower loan rates, high saving rates, and fewer fees than banking institutions.

The Credit Union National Association (CUNA) estimates that Alaska credit unions provided $66,730,267 in direct financial benefits to the state's 708,820 members during the twelve months ending March 2014.

These benefits are equivalent to $94 per member or $179 per member household [(1)].

Estimated total benefits of credit union membership are calculated by accounting for differences in credit union and bank pricing. Specifically, average credit union savings account yields, loan interest rates and fees are compared to average bank savings account yields, loan interest rates and fees. The interest rate differences are then applied to respective average credit union loan and savings balances. Fee differences are weighted and applied to credit union non-interest income to obtain the total estimated benefits arising from fees.

The per-member and per-household benefits delivered by Alaska credit unions are substantial. But, these benefits are *averages*. Mathematically, that means the total benefits provided are divided across all members (or all member households) - even those who conduct very little financial business with Alaska credit unions.

Consider this:

Financing a $25,000 new automobile for 60 months at a Alaska credit union will save members an average $148 per year in interest expense compared to what they would pay at a banking institution in the state.

Further, loyal members - those who use the credit union extensively - often receive total financial benefits that are much greater than the average.

Alaska credit unions excel in providing member benefits on many loan and saving products. In particular, Alaska credit unions offer lower average loan rates on the following accounts: new car loans, used car loans, home equity loans, credit cards loans.

Alaska credit unions also pay members higher average dividends on the following accounts: regular savings, share draft checking, money market accounts, certificate accounts, IRAs.

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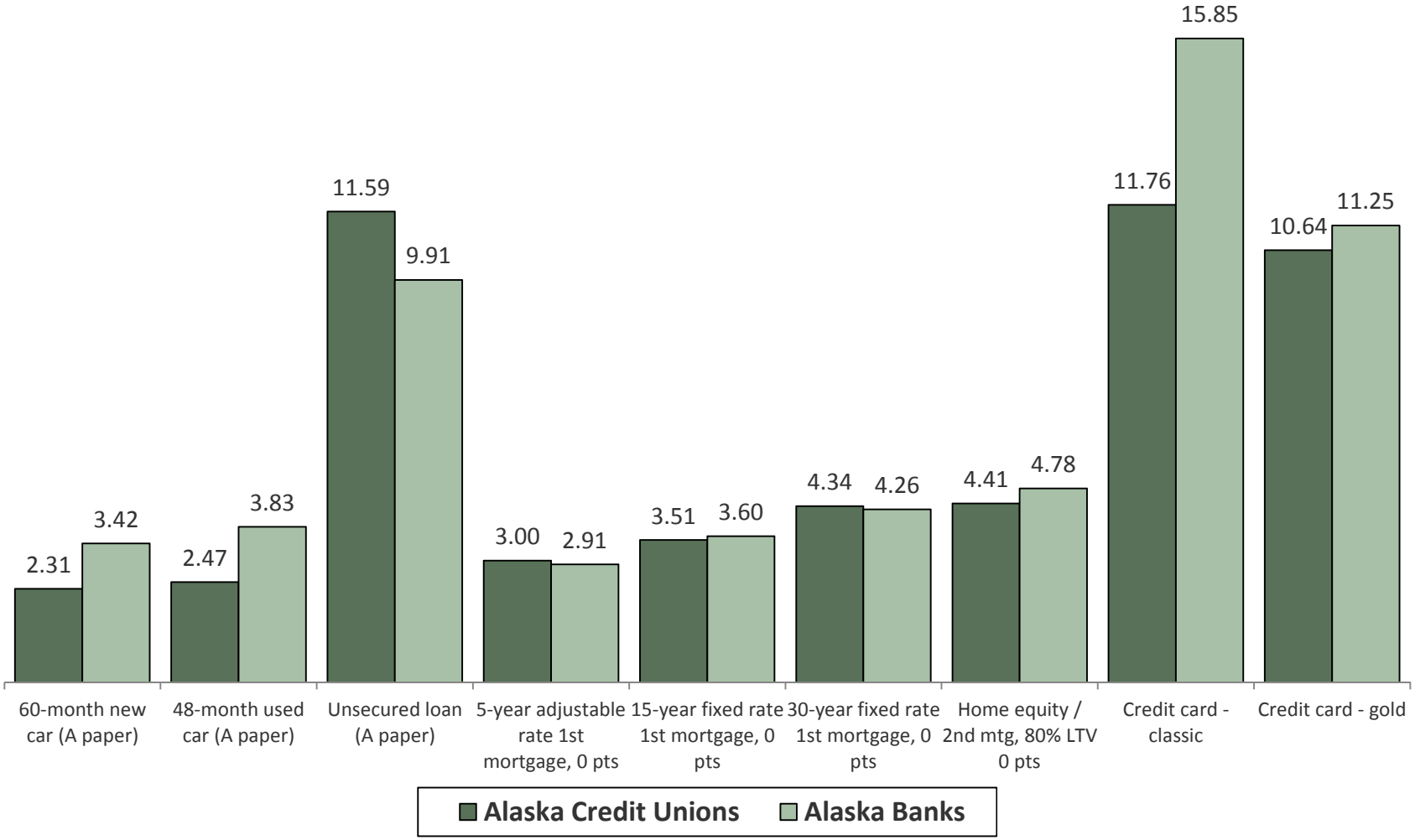
Source: Datatrac, NCUA, and CUNA.
(1)Assumes 1.9 credit union members per household.

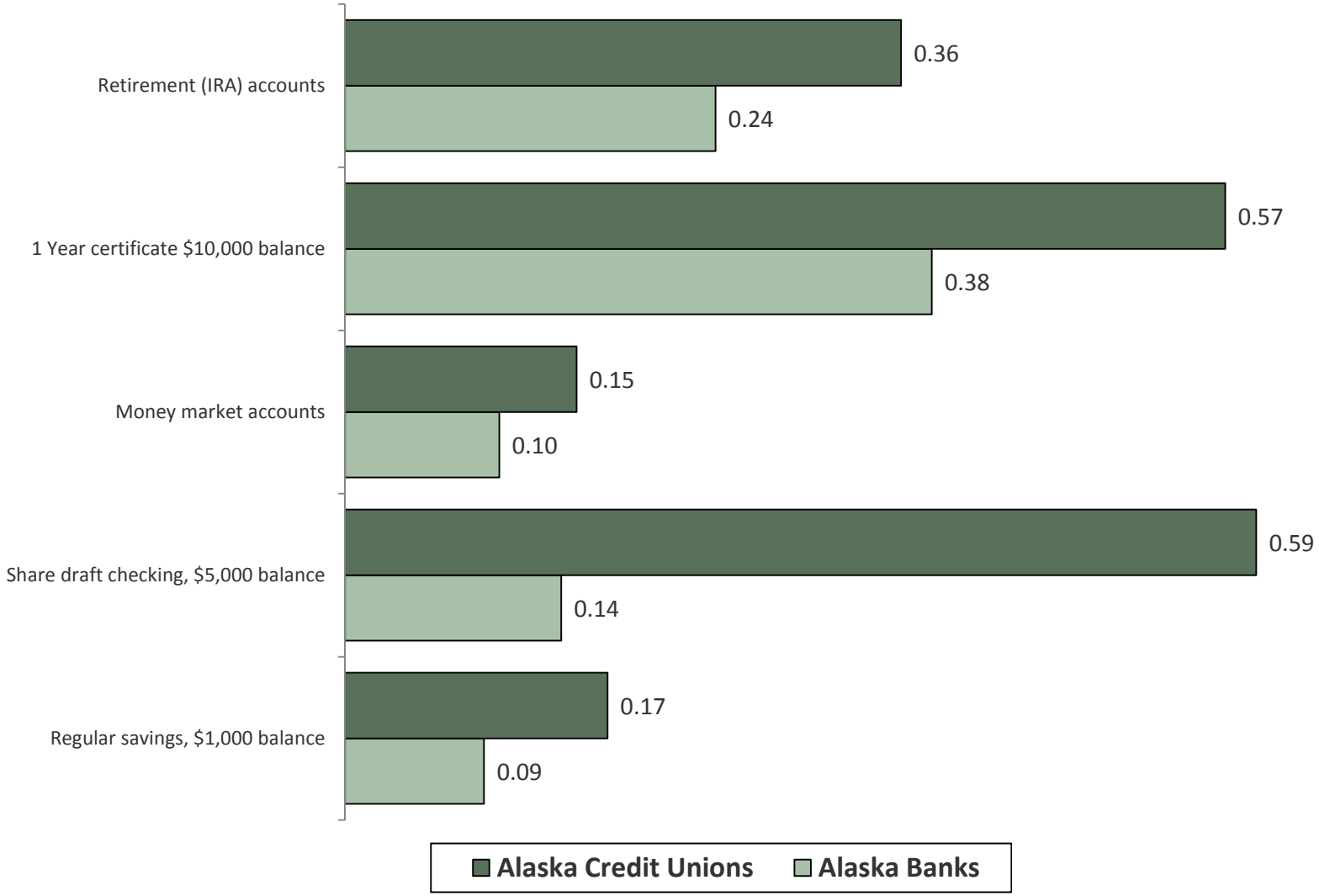
Loan Product Comparative Interest Rates (%)

By Loan Type



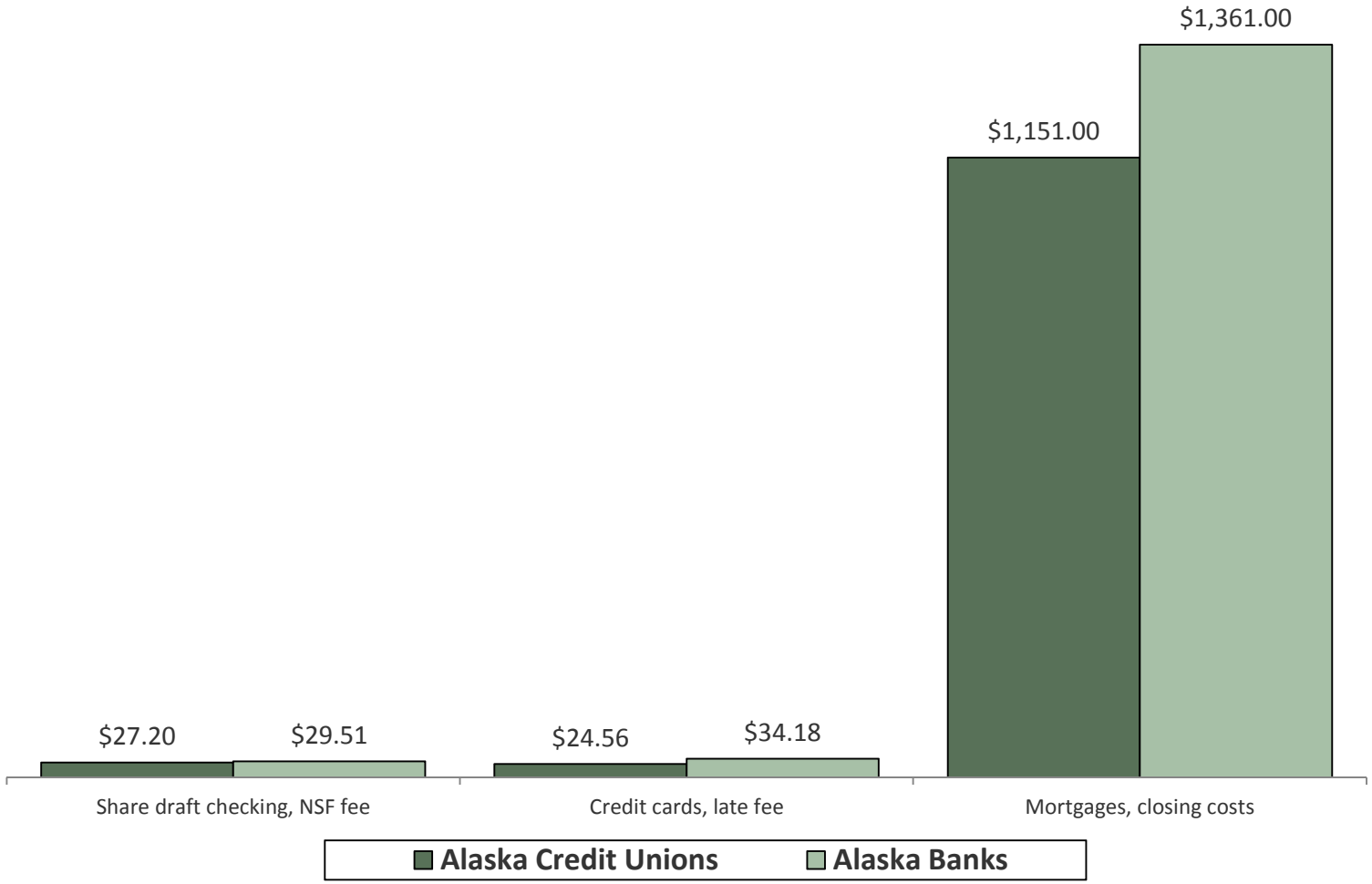
Savings Products Comparative Interest Rates(%)

By Savings Account Type



Comparative Fees

By Type



Alaska

Credit Union and Banking Instituion

First-Quarter 2014 Average Interest Rates and Fees

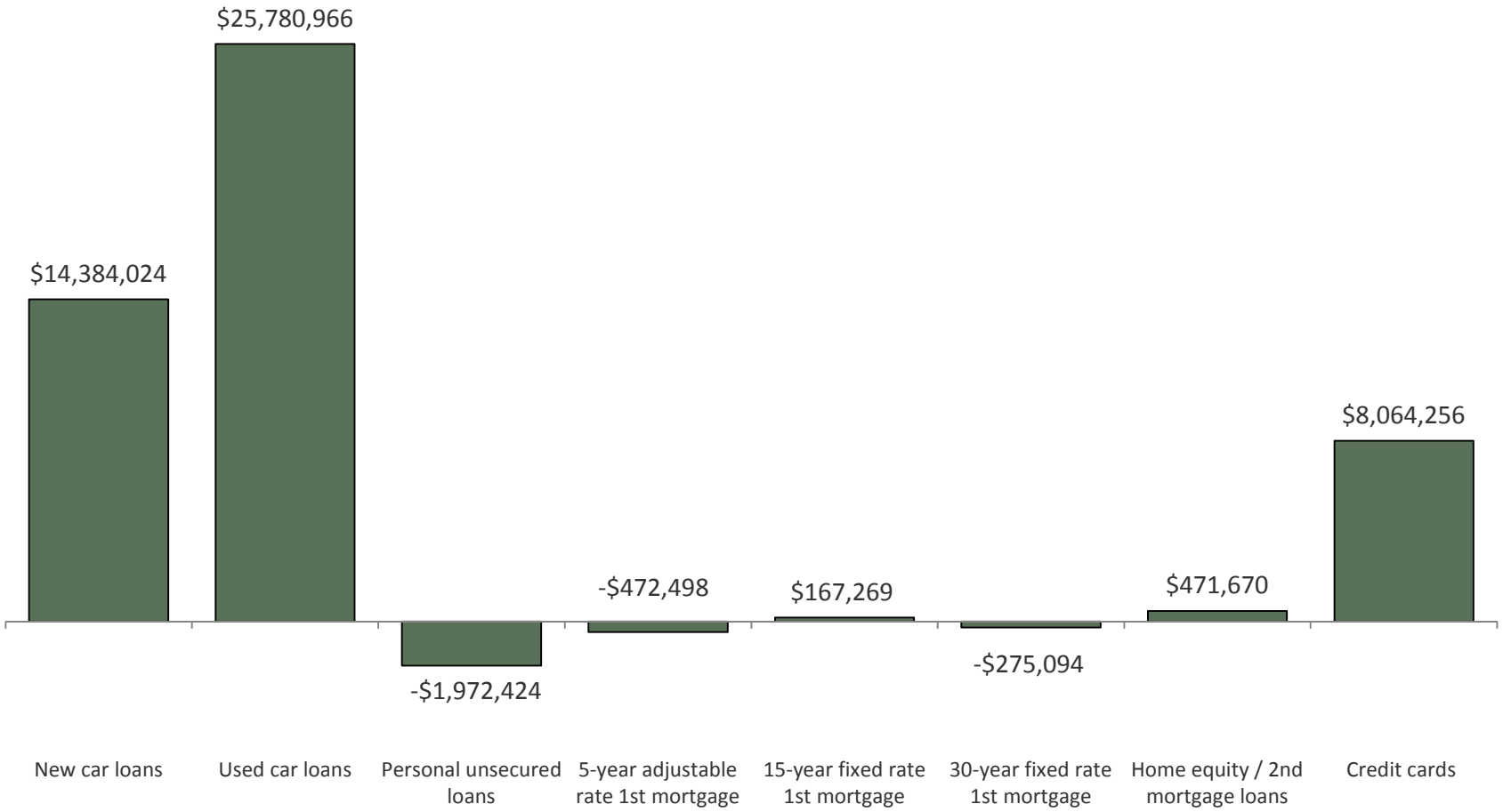
Loan Products	***Average Rate at Credit Unions (%)***	***Average Rate at Banks (%)***	***Rate Difference vs. Banks (%)***
60-month new car (A paper)	2.31	3.42	-1.11
48-month used car (A paper)	2.47	3.83	-1.36
Unsecured loan (A paper)	11.59	9.91	1.68
5-year adjustable rate 1st mortgage, 0 pts	3.00	2.91	0.09
15-year fixed rate 1st mortgage, 0 pts	3.51	3.60	-0.09
30-year fixed rate 1st mortgage, 0 pts	4.34	4.26	0.08
Home equity / 2nd mtg, 80% LTV 0 pts	4.41	4.78	-0.37
Credit card - classic	11.76	15.85	-4.09
Credit card - gold	10.64	11.25	-0.61
Savings Products			
Regular savings, $1,000 balance	0.17	0.09	0.08
Share draft checking, $5,000 balance	0.59	0.14	0.45
Money market accounts	0.15	0.10	0.05
1 Year certificate $10,000 balance	0.57	0.38	0.19
Retirement (IRA) accounts	0.36	0.24	0.12
Fee Income			
Share draft checking, NSF fee	$27.20	$29.51	-$2.31
Credit cards, late fee	$24.56	$34.18	-$9.62
Mortgages, closing costs	$1,151.00	$1,361.00	-$210.00

Source: Datatrac

State Credit Unions' Total Loan Rate Benefits

Compared to State Banking Institutions

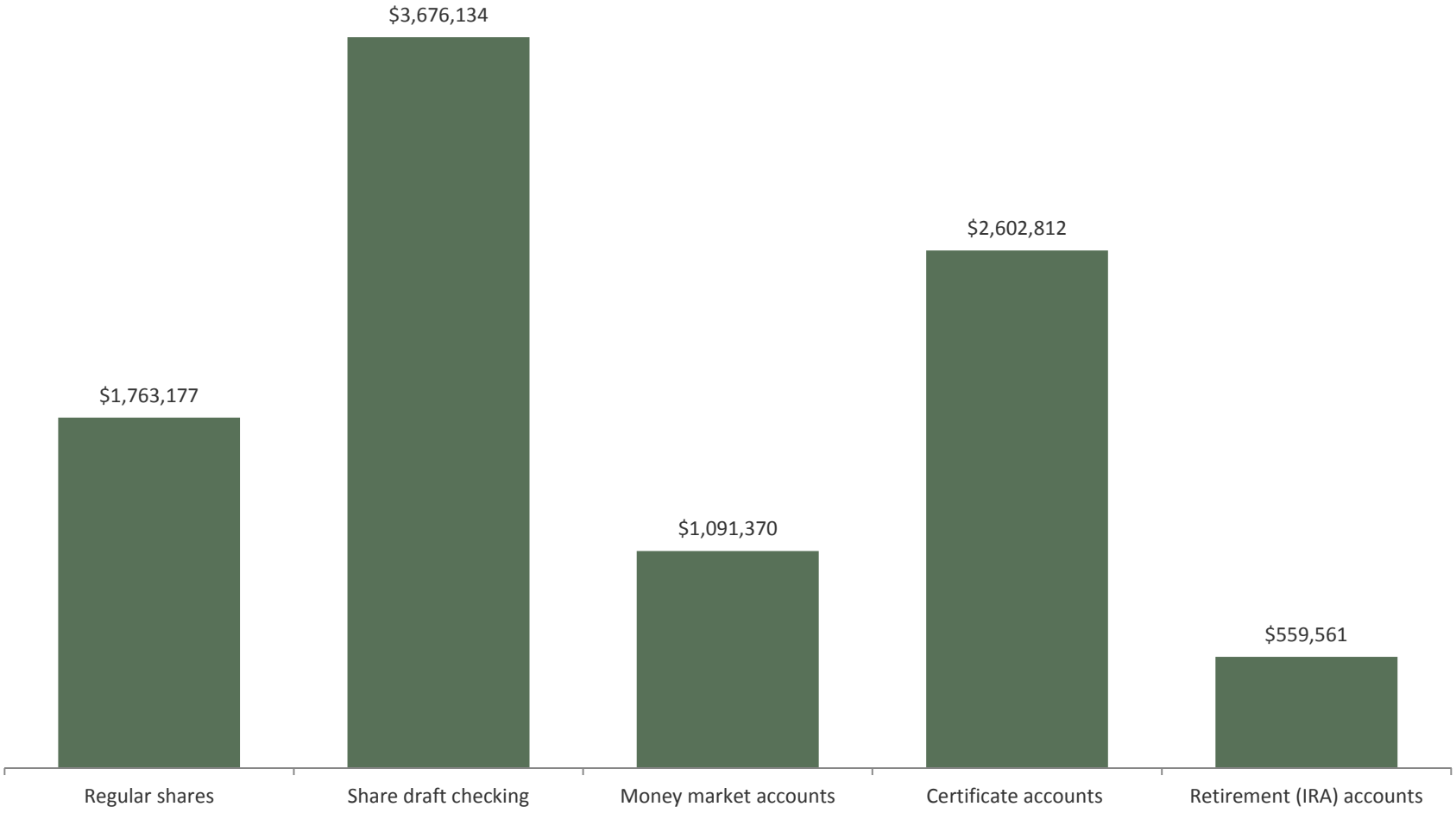
by Loan Type



State Credit Unions' Total Savings Dividend Benefits

Compared to State Banking Institutions

by Account Type



Estimated Financial Benefits for Alaska Credit Unions

First-Quarter 2014

Loans	Avg. Balance at Credit Unions (1)	Rate Difference vs. Alaska Banks (%) (2)	Total Financial Benefit to Your Members
New car loans	1,295,857,995	-1.11	$14,384,024
Used car loans	1,895,659,294	-1.36	$25,780,966
Personal unsecured loans	117,406,207	1.68	-$1,972,424
5-year adjustable rate 1st mortgage	524,997,748	0.09	-$472,498
15-year fixed rate 1st mortgage	185,854,806	-0.09	$167,269
30-year fixed rate 1st mortgage	343,867,327	0.08	-$275,094
Home equity / 2nd mortgage loans	127,478,502	-0.37	$471,670
Credit cards	250,442,748	-4.09	$8,064,256
Interest rebates in period			$571
Total CU member benefits arising from lower interest rates on loan products:			$46,148,741
Savings			
Regular shares	2,203,971,644	0.08	$1,763,177
Share draft checking	816,918,704	0.45	$3,676,134
Money market accounts	2,182,739,451	0.05	$1,091,370
Certificate accounts	1,369,901,283	0.19	$2,602,812
Retirement (IRA) accounts	466,301,171	0.12	$559,561
Bonus dividends in period			$0
Total CU member benefit arising from higher interest rates on saving products:			$9,693,055
Fee Income			
Total CU member benefit arising from fewer/lower fees:			$10,888,470
Total CU member benefit arising from interest rates on loan and savings products and lower fees:			$66,730,267
Total CU member benefit / member:			$94
Total CU member benefit / member household:			$179

Source: Datatrac, NCUA, and CUNA

(1) Average balance as of first-quarter 2014 and first-quarter 2013, according to the NCUA call report.; (2) Source for rates and fees: Datatrac;

Alaska
Performance Profile

Demographic Information	Mar 14	Mar 13
Number of branches	136	131
Total assets ($ mil)	7,955	7,635
Total loans ($ mil)	5,484	5,072
Total surplus funds ($ mil)	1,850	2,042
Total savings ($ mil)	7,194	6,920
Total members (thousands)	726	692
Growth Rates (Trailing 12 months) *		
Total assets	4.2 %	8.1 %
Total loans	8.1 %	8.0 %
Total surplus funds	-9.4 %	4.9 %
Total savings	4.0 %	7.1 %
Total members	4.9 %	4.4 %
Earnings - Basis Pts. *		
Yield on total assets	364	402
Dividend/interest cost of assets	40	47
Fee & other income	221	249
Operating expense	453	494
Loss Provisions	36	55
Net Income (ROA) after stabilization exp	57	55
Capital adequacy		
Net worth / assets	9.5	9.1
Asset quality *		
Delinquencies / loans	1.0	1.0
Net chargeoffs / average loans	0.5	0.8
Total borrower-bankruptcies	40	34
Bankruptcies per 1000 members	0.7	0.6
Asset/Liability Management		
Loans / savings	76.2	73.3
Loans / assets	68.9	66.4
Long-term assets / assets	16.9	16.3
Core deposits/shares & borrowings	43.3	42.1
Productivity		
Members/potential members	6.5	6.4
Borrowers/members	64.3	61.1
Members/FTE	263	253
Average shares/members ($)	9,912	10,001
Average loan balances ($)	11,754	11,990
Salary & Benefits/FTE	77,328	81,902

*** 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.**