Catalyst Strategic Solutions

Market Overview AND DATA REPORT

AUGUST 2016

KEY ECONOMIC INDICATORS	Latest Report	Current Report	Previous Report	2015
ECONOMIC GROWTH				
GDP (QoQ)	Q2	1.2%	0.8%	2.0%
EMPLOYMENT				
Non-farm Payrolls (000s)	Jul	255	292	2,650
Private Payrolls (000s)	Jul	217	259	2,551
Unemployment Rate	Jul	4.9%	4.9%	5.0%
Underemployment Rate	Jul	9.7%	9.6%	9.9%
INFLATION				
Wholesale (YoY)	Jun	0.3%	-0.1%	-1.0%
Consumer (YoY)	Jun	1.0%	1.0%	0.5%
Core Consumer (YoY)	Jun	2.3%	2.2%	2.0%
INCOME & SPENDING				
Chg in Consumer Credit ($B)	Jun	12.3	17.9	21.4
Personal Income	Jun	0.2%	0.2%	4.4%
Personal Spending	Jun	0.4%	0.4%	3.4%
AUTO & HOUSING				
Total Auto Sales (Mil Units)	Jul	17.8	16.6	17.4
New & Existing Home Sales (M)	Jun	6.16	6.08	5.99
S&P/Case Shiller HPI (YoY)	May	5.05%	4.98%	5.43%

Sources:
US Labor Dept; US Commerce Dept; National Association of Realtors; Bloomberg

KEY MARKET INDICATORS	Mth End	Last Mth	12 Mth Ago
	Jul-16	Jun-16	Jul-15
MONEY MARKETS			
Effective Fed Funds	0.30%	0.29%	0.08%
Prime Rate	3.50%	3.50%	3.25%
3 month LIBOR	0.76%	0.65%	0.31%
2 year UST	0.66%	0.58%	0.66%
10 year UST	1.45%	1.47%	2.18%
NATIONAL MORTGAGE RATES			
CU 15 year Mtg	3.02%	3.09%	3.44%
CU 30 year Mtg	3.55%	3.65%	4.14%
EQUITY MARKETS			
Dow Jones Industrial Average	18,432.2	17,930.0	17,689.9
NASDAQ Composite	5,162.1	4,842.7	5,128.3
S&P 500	2,173.6	2,098.9	2,103.8
OTHER COMMODITIES			
CRB Index	181.0	192.6	202.6
Crude Oil	41.6	48.3	53.5

Source: Bloomberg; RateWatch

KEY ECONOMIC AND MARKET INDICATORS

The U.S. added over 200,000 jobs for the second month in a row. The only industry posting a decline in jobs was mining. The average increase in jobs for the past three months is 190,000. An additional 420,000 people re-entered the labor pool.

A rebound in gasoline prices pushed both wholesale and consumer prices higher in June. On the other hand, food prices rose 0.9 percent at the wholesale level but decreased 0.1 percent at the consumer level. The core rate of wholesale inflation topped 1.0 percent for the fourth month this year. Core consumer prices rose most since September 2008. Services prices continue to rise more than goods prices.

Retail sales surged 0.6 percent in June, exceeding expectations. Eleven of the 13 major categories posted increases. The biggest winners were building materials and internet sales. Auto sales rose 0.1 percent. The second quarter average monthly sales rate was the best in almost three years.

The economy grew 1.2 percent in the second quarter, much slower than expected. First quarter growth was revised lower to 0.8 percent. Personal consumption rose 4.2 percent, the strongest pace since December 2014. Business spending was negative for the third consecutive quarter, falling 2.2 percent. Inventories declined the most in five quarters. Analysts hope this will lead to future activity as stockpiles are rebuilt.

After a complete turnaround in June, the financial markets made another turn in July, albeit a bit more subtly. Concern over Brexit faded amid the realization it will take months, if not years, to sort out the intricacies of the exit strategy. Until then, other more current issues exist, including the U.S. Presidential election, economic data and the Federal Reserve. The fed fund futures market began predicting a possible rate increase as soon as March 2017, instead of December 2017. The FOMC meeting at the end of the month revealed the Fed is regaining confidence in the economy. The press release acknowledged that near-term risks (Brexit?) have diminished and the labor market has improved since May. The next FOMC meeting is scheduled for September. Some analysts believe the Fed is laying the groundwork for a rate increase this year.

Mortgage rates declined for the fourth consecutive month in July. The average 15-year mortgage rate offered by credit unions fell seven basis points to 3.02 percent. The average rate for a 30-year mortgage was 3.55 percent, 10 basis points lower than a month ago. Average mortgage rates are 42 to 59 points lower than a year ago. The spread between mortgage rates and Treasury rates decreased eight basis points.

The key U.S. equity indices posted their best monthly performance in four months. The Dow closed the month ahead 2.8 percent, the NASDAQ Composite posted a gain of 3.6 percent, and the S&P 500 was up 6.0 percent. Both the Dow and S&P reached new all-time high levels during the month. The year-to-date returns for the indices were positive across the board: Dow Jones Industrial Average: +5.8 percent, NASDAQ Composite: +3.1 percent, and S&P 500 Index: +6.3 percent.

The price of oil fell to the lowest level in three months, closing July at 41.60, down 15.1 percent from June. The decline was prompted by an increase in drilling for a fourth week, at the same time demand is starting to dwindle. The number of active rigs in the U.S. has increased by 55 since the beginning of June. The increase in supply may prompt refiners to shut down earlier than usual for normal maintenance.

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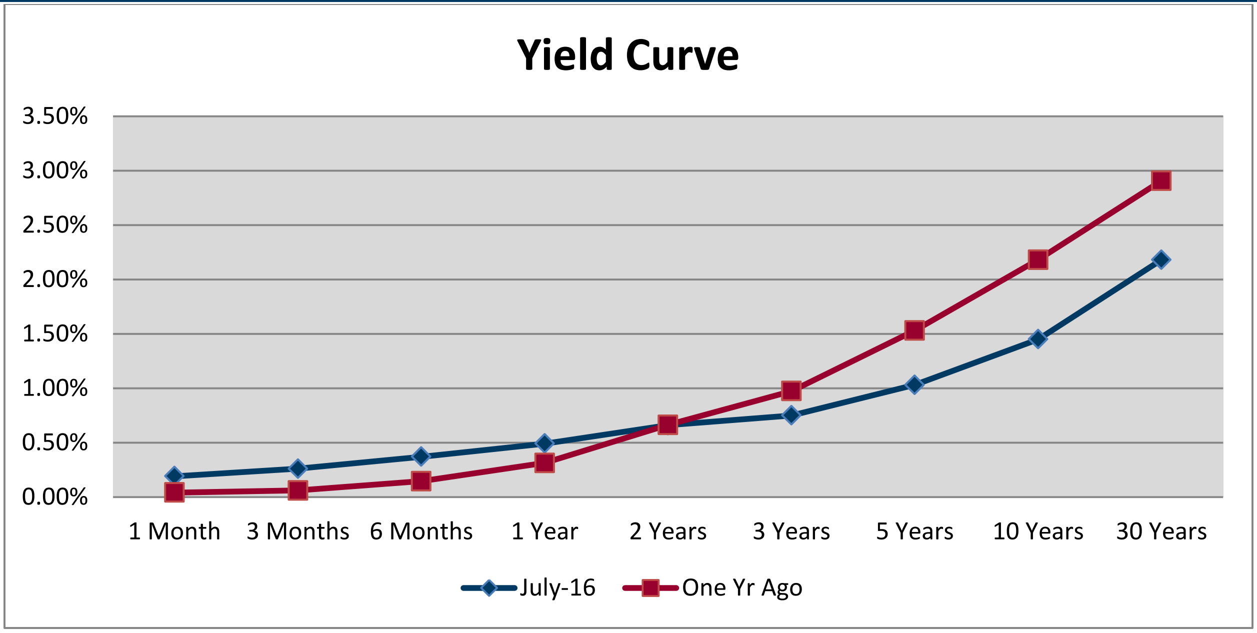
For Credit Unions:

- Consumer spending rose 0.4 percent in June. The higher-than-expected gain came from increases in non-durable goods and services. Sales of new autos were down for the month, pushing sales of durable goods down 0.3 percent. Personal income rose 0.3 percent, as gains in wages was offset by declines in dividend and interest income. The core personal consumption expenditure (PCE) rate rose 1.6 percent over a year ago.

- The housing industry showed signs of renewed strength in June. Both new and existing home sales reached the highest pace in over eight years. The demand for homes pushed the current inventory below five months in both categories of housing, signaling a tight market. Prices increased the most for a new home, rising 6.1 percent. The median price of an existing home rose 4.8 percent. Construction of single family homes increased 4.4 percent, the fastest pace since February. Industry analysts fear the housing market may have reached a peak, as foot traffic is beginning to slow due to higher prices and lack of inventory.

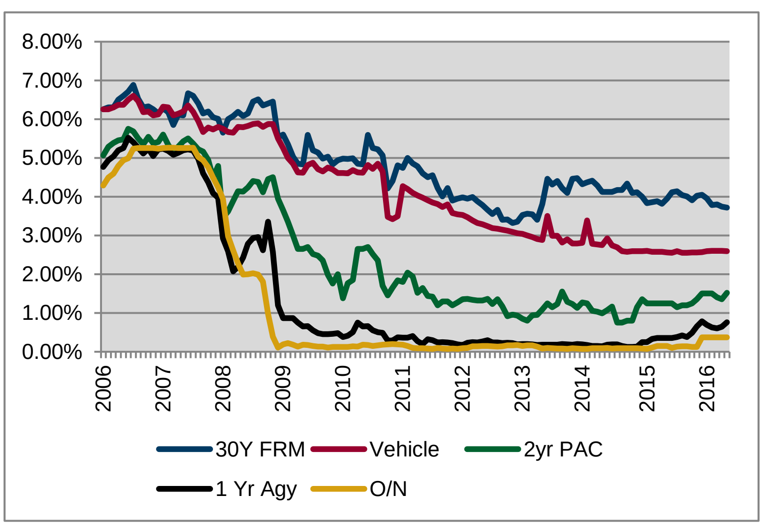
- Total auto sales increased 0.5 percent in July to an annualized pace of 17.8 percent. This was the best annualized pace in eight months. Even with the strong activity, industry analysts warn of an eventual slowdown this year. TrueCar Inc. estimates car buyers spent $49 billion on light vehicles in July. Sales of light trucks rose 7.6 percent, while car sales declined 9.0 percent.



The yield curve, measured between the two- and 10-year Treasury notes, flattened by 10 basis points to 79 basis points in July. The two-year Treasury note closed eight basis points higher, while the 10-year note declined by two basis points. Compared to a year ago, the yield curve is 73 basis points flatter.

The two- and 10-year Treasury note yields traded in a 22 basis point-range during July, both ending near the mid-point. The two-year note reached a high mark of 0.76 percent, and the 10-year note touched 1.58 percent. The short end of the yield curve moved higher as concerns over Brexit diminished and the Federal Reserve hinted at future rate increases. Yields on the longer end remain held down by a demand for securities from foreign buyers and pension funds.

Relative Value of Assets and Funding:

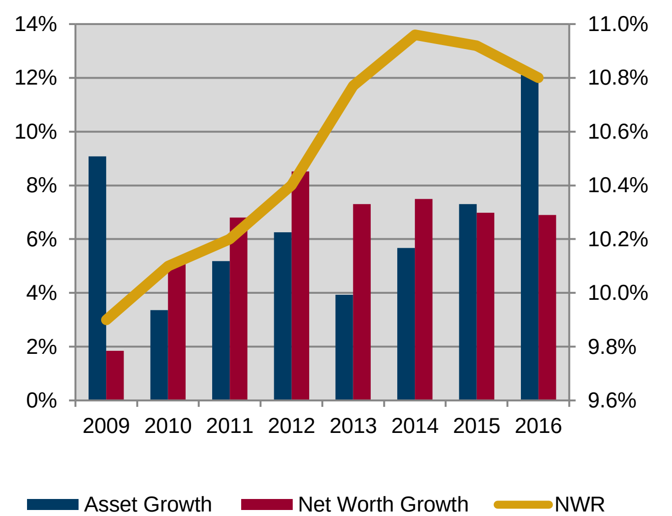


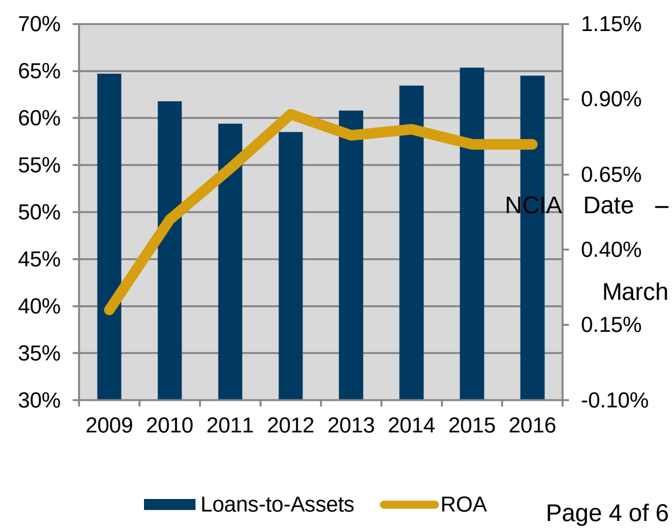
- The spread between core loan rates and investment yields continues to narrow this year. Value remains in core loan assets, but keep asset quality in mind.
- Interest rates are projected to remain low for an extended period of time. Market conditions do not forecast a move by the Federal Reserve until mid-2017.
- Credit unions should continue to borrow at historically low rates to fund growing loan demand. The spread between borrowing and lending will narrow over time.

NCUA – March 2016

KEY CREDIT UNION DATA	2011	2012	2013	2014	2015	2016
GROWTH RATES						
Total Assets	5.18%	6.25%	3.93%	5.66%	7.33%	12.06%
Total Loans	1.20%	4.55%	7.97%	10.42%	10.49%	6.35%
Total Shares	5.21%	6.10%	3.67%	4.47%	6.86%	13.76%
Net Worth	6.81%	8.52%	7.36%	7.49%	6.98%	6.94%
CAPITAL ADEQUACY						
Net Worth Ratio	10.21%	10.43%	10.77%	10.96%	10.92%	10.78%
Equity Capital Ratio	10.19%	10.42%	10.47%	10.78%	10.66%	10.65%
Capital Ratio	11.10%	11.20%	11.10%	11.40%	11.27%	11.24%
BALANCE SHEET COMPOSITION						
Cash & ST Inv to Total Assets	17.30%	17.49%	14.87%	13.64%	13.49%	14.82%
Loans-to-Total Assets	59.42%	58.48%	60.75%	63.48%	65.35%	64.45%
Vehicle-to-Total Loans	28.88%	29.87%	30.80%	32.29%	33.30%	33.75%
Real Estate-to-Total Loans	54.78%	53.58%	52.51%	51.12%	50.41%	50.31%
Delinquency Rate	1.60%	1.16%	1.01%	0.85%	0.81%	0.71%
Net Charge-off Rate	0.91%	0.73%	0.57%	0.50%	0.48%	0.52%
"Misery" Index	2.51%	1.89%	1.58%	1.35%	1.30%	1.23%
EARNINGS						
Gross Asset Yield	4.62%	4.01%	3.65%	3.66%	3.71%	3.71%
Cost of Funds	0.93%	0.73%	0.59%	0.54%	0.52%	0.52%
Gross Interest Margin	3.69%	3.28%	3.06%	3.12%	3.20%	3.20%
Less: Provision Expense	0.50%	0.36%	0.26%	0.28%	0.34%	0.34%
Net Interest Margin	3.19%	2.92%	2.80%	2.84%	2.85%	2.85%
Net Operating Expense	2.52%	2.44%	2.45%	2.45%	2.47%	2.47%
Net Income (Return on Assets)	0.67%	0.85%	0.78%	0.80%	0.75%	0.75%

Source: NCUA (March 2016)





NCUA PEER DATA	<$10M	$10-50M	$50-100M	$100-500M	$500M+	Total
NETWORK						
Average Asset Size (000s)	$4,105	$24,699	$71,333	$220,752	$1,830,580	$208,367
Pct of Number of Credit Unions	17%	32%	12%	18%	8%	100%
Pct of Industry Assets	0%	4%	4%	19%	73%	100%
GROWTH RATES						
Total Assets	-11.5%	-8.3%	2.9%	3.7%	16.1%	12.06%
Total Loans	-24.5%	-18.3%	-6.1%	-4.1%	10.7%	6.35%
Total Shares	-10.6%	-7.7%	3.9%	4.7%	18.3%	13.76%
Net Worth	-14.1%	-11.4%	-2.9%	-0.4%	11.0%	6.94%
CAPITAL ADEQUACY						
Net Worth Ratio	15.6%	12.2%	11.3%	10.8%	10.6%	10.78%
Equity Capital Ratio	15.6%	12.2%	11.2%	10.7%	10.5%	10.65%
Capital Ratio	16.4%	12.6%	11.6%	11.2%	11.1%	11.24%
BALANCE SHEET COMPOSITION						
Cash & Investments-to-Total Assets	51.9%	48.0%	41.7%	33.1%	28.9%	31.1%
Loans-to-Total Assets	46.8%	48.7%	54.0%	61.8%	66.7%	64.45%
Vehicle-to-Total Loans	57.7%	43.8%	39.1%	36.3%	32.4%	33.75%
Real Estate-to-Total Loans	8.1%	33.9%	41.1%	46.7%	52.5%	50.31%
Delinquency Rate	2.14%	1.10%	0.91%	0.78%	0.66%	0.71%
Net Charge-off Rate	0.63%	0.44%	0.54%	0.47%	0.54%	0.52%
"Misery" Index	2.77%	1.54%	1.45%	1.24%	1.20%	1.23%
Non-term Shares-to-Total Shares	85.3%	78.3%	75.5%	74.0%	71.8%	72.7%
Net Long-term Assets-to-Total Assets	8.9%	20.8%	26.1%	31.6%	32.8%	31.7%
EARNINGS						
Gross Asset Yield	3.86%	3.41%	3.60%	3.66%	3.78%	3.7%
Cost of Funds	0.35%	0.28%	0.31%	0.37%	0.57%	0.51%
Gross Interest Margin	3.51%	3.14%	3.29%	3.29%	3.21%	3.2%
Less: Provision Expense	0.24%	0.22%	0.25%	0.29%	0.39%	0.36%
Net Interest Margin	3.27%	2.92%	3.04%	3.00%	2.82%	2.9%
Net Operating Expense	3.29%	2.77%	2.87%	2.81%	2.35%	2.48%
Net Income (Return on Assets)	0.13%	0.25%	0.38%	0.51%	0.87%	0.75%
COST EFFICIENCIES						
Avg Loan Balance	$5,805	$8,785	$9,586	$12,280	$15,006	$13,818
Avg Share Per Member	$3,795	$6,836	$7,833	$8,907	$11,158	$10,130
Avg Compensation per FTE	$35,505	$54,519	$58,548	$64,381	$77,947	$71,774
Comp & Benefits-to-Total Assets	0.49%	0.41%	0.44%	0.45%	0.37%	0.39%
Pct of Total Operating Expense	51%	48%	48%	51%	52%	51%
Office Occ & Ops-to-Total Assets	0.27%	0.24%	0.23%	0.24%	0.18%	0.19%
Pct of Total Operating Expense	28%	27%	25%	26%	25%	25%

Source: NCUA (March 2016)

Economic Calendar

AUGUST 2016

Monday	Tuesday	Wednesday	Thursday	Friday
1 ISM Manufacturing Construction Spending	**2** Personal Spending (June) Personal Income (June) Auto Sales	**3** ADP Payroll	**4** Initial Claims Factory Orders	**5** Non-Farm Payrolls Unemployment Rate Trade Balance Consumer Credit
8	**9** Wholesale Inventories	**10** JOLTS	**11** Jobless Claims	**12** PPI Retail Sales Business Inventories
15	**16** CPI Housing Starts Building Permits Industrial Production Capacity Utilization	**17** FOMC July minutes	**18** Jobless Claims Leading Indicators	**19**
22	**23** New Home Sales	**24** Existing Home Sales	**25** Jobless Claims Durable Goods Orders	**26** GDP 2Q
29 Personal Spending (July) Personal Income (July)	**30** S&P/Case-Shiller HPI Consumer Confidence	**31** Pending Home Sales ADP Payroll		