CATALYST Strategic Solutions

Market Overview AND DATA REPORT

MAY 2016

KEY ECONOMIC INDICATORS	Latest Report	Current Report	Previous Report	2015
ECONOMIC GROWTH				
GDP (QoQ)	Q1	0.5%	1.4%	2.0%
EMPLOYMENT				
Non-farm Payrolls (000s)	Apr	160	208	2,650
Private Payrolls (000s)	Apr	171	184	2,551
Unemployment Rate	Apr	5.0%	5.0%	5.0%
Underemployment Rate	Apr	9.7%	9.8%	9.9%
INFLATION				
Wholesale (YoY)	Mar	-0.1%	0.0%	-1.0%
Consumer (YoY)	Mar	0.9%	1.0%	0.5%
Core Consumer (YoY)	Mar	2.2%	2.3%	2.0%
INCOME & SPENDING				
Chg in Consumer Credit ($B)	Mar	29.7	14.1	21.4
Personal Income	Mar	0.4%	0.1%	4.4%
Personal Spending	Mar	0.1%	0.1%	3.4%
AUTO & HOUSING				
Total Auto Sales (Mil Units)	Apr	17.3	16.5	17.4
New & Existing Home Sales (M)	Mar	5.84	5.58	5.99
S&P/Case Shiller HPI (YoY)	Feb	5.29%	5.34%	5.43%

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

KEY MARKET INDICATORS	Mth End	Last Mth	12 Mth Ago
	Apr-16	Mar-16	Feb-01
MONEY MARKETS			
Effective Fed Funds	0.30%	0.25%	0.08%
Prime Rate	3.50%	3.50%	3.25%
3 month LIBOR	0.64%	0.63%	0.28%
2 year UST	0.78%	0.72%	0.57%
10 year UST	1.83%	1.77%	2.03%
NATIONAL MORTGAGE RATES			
CU 15 year Mtg	3.17%	3.21%	3.22%
CU 30 year Mtg	3.74%	3.80%	3.81%
EQUITY MARKETS			
Dow Jones Industrial Average	17,773.6	17,685.1	17,840.5
NASDAQ Composite	4,775.4	4,869.8	4,941.4
S&P 500	2,065.3	2,059.7	2,085.5
OTHER COMMODITIES			
CRB Index	184.6	170.5	229.5
Crude Oil	45.9	39.8	64.1

Source: Bloomberg; RateWatch

KEY ECONOMIC AND MARKET INDICATORS

Job creation in April was the worst in seven months. Employers added 160,000 jobs and the unemployment rate remained at 5.0 percent. The retail and construction sectors were the biggest surprises, reversing strong hiring activity from the first quarter. The labor participation rate declined to 62.8 percent, falling for the first time since September. Wages rose 0.3 percent for the month and 2.5 percent over the past year.

The indices for consumer and wholesale prices are lower than a year ago. Recent increases in energy and gasoline prices have not been enough to counteract falling prices in apparel, autos and the cost of services. Rental prices remain on the rise due to a lack of homes for sale.

Retail sales declined 0.3 percent in March, bringing year-to-date sales down 0.2 percent. Auto sales fell 2.1 percent, the largest decline in a year. Sales at clothing stores and restaurants were other sectors in the red. Sales remain strong at building material and personal care stores.

The economy advanced 0.5 percent in the first quarter of 2016. Consumer spending increased 1.9 percent, the slowest pace in a year. Business investment declined for the third quarter in a row, falling 5.9 percent. A bright spot was residential investment, rising 14.8 percent. This was the strongest performance since the fourth quarter of 2012.

The Federal Reserve kept the benchmark short-term lending rate unchanged at the April Federal Open Market Committee (FOMC) meeting. In a change from past meetings, the press release contained fewer references to the effects of global issues and paid more attention to the U.S. economy. The Committee acknowledged that household spending has moderated at the same time real income and consumer sentiment have risen. Inflation levels are still expected to remain low, despite the recent increase in oil and other commodities. The move away from concern over the potential risk of global economic weakness leaves the door slightly ajar for the Federal Reserve to raise rates this year. The next scheduled meeting is June 14 -15. The two-day meeting will be followed by a press conference with Federal Reserve Chair Janet Yellen. The fed funds future market is placing very low odds on a rate move in June.

Mortgage rates declined to the lowest rates in three years. The average 15-year mortgage rate fell four basis points to 3.17 percent. The average rate for a 30-year mortgage was 3.74 percent, six basis points higher than a month ago. Compared to a year ago, average mortgage rates are five to six points lower. The spread between mortgage rates and Treasury rates narrowed as Treasury rates finished the month higher.

The three key U.S. equity indices ended April barely positive to negative. The NASDAQ closed the month down 1.94 percent, while the Dow and S&P 500 finished under 0.5 percent. The year-to-date returns for the indices are: Dow Jones Industrial Average: +2.0 percent, NASDAQ Composite: -4.6 percent and S&P 500 Index: +1.0 percent. Oil was up 12.8 percent year-to-date. The price of oil reached the highest level since December 2015 during April.

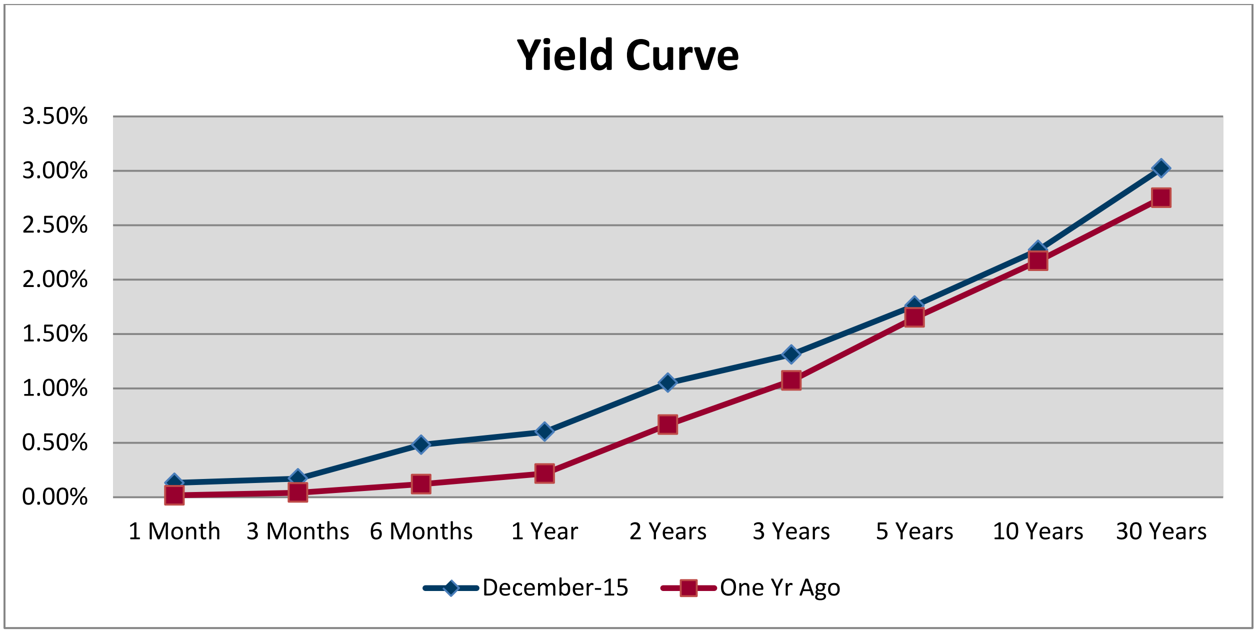
For Credit Unions:

- Consumers continue to spend carefully and slowly. Consumer spending rose 0.1 percent in March despite a 0.4 percent increase in real disposable income. The slower-than-expected spending was due in large part to a decline in auto-related spending. After a near record-breaking pace in 2015, auto sales have not kept pace so far in 2016. Spending on durable goods, items meant to last three years or more, fell 0.6 percent. The savings rate increased to 5.4 percent, the highest in a year.

- Home sales continue to be a tale of two markets, new and existing homes. Each sector is being constrained by higher prices and a lack of inventory, but the existing home market is starting to make some progress. Sales of previously owned homes rose 5.1 percent in March with all regions of the country posting increases. Single family homes are beginning to sell at a faster pace than condo sales. After months of steady increases, average home prices are starting to level off. Prices rose 5.3 percent on average in March.

- Auto sales rebounded in April. After a dismal March, auto sales rose to an annualized pace of 17.3 million. The renewed sales activity in April comes at a time when many analysts fear the auto market may be near a cyclical peak. Auto sales are considered a barometer of consumer spending. SUVs and trucks continue to lead in sales.

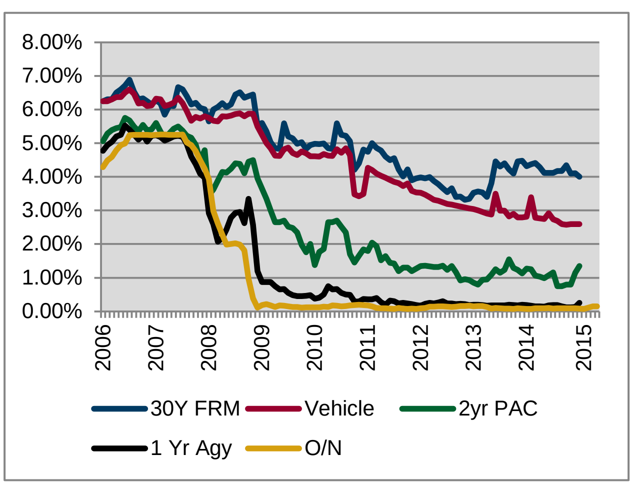
- Membership in credit unions surged in the first two months of 2016. Credit unions added 820,000 new members during January and February, almost the amount added during the same time period in 2015. CUNA Mutual is projecting that membership growth will exceed 3.0 percent in 2016. The increase would push credit union membership to one-third of total U.S. population.



The yield curve, measured between the two- and 10-year Treasury notes, was unchanged in April. Both the two- and 10-year notes increased six basis points. Compared to a year ago, the yield curve is one basis point wider.

The two and 10-year Treasury notes each finished April near the middle of the trading range. The two-year note reached a high mark of 0.86 percent and the 10-year note touched 1.93 percent. The higher yields occurred prior to the FOMC meeting as the financial markets were hoping for more clarity on future rate increases. The ambiguity brought yields lower by the end of the month.

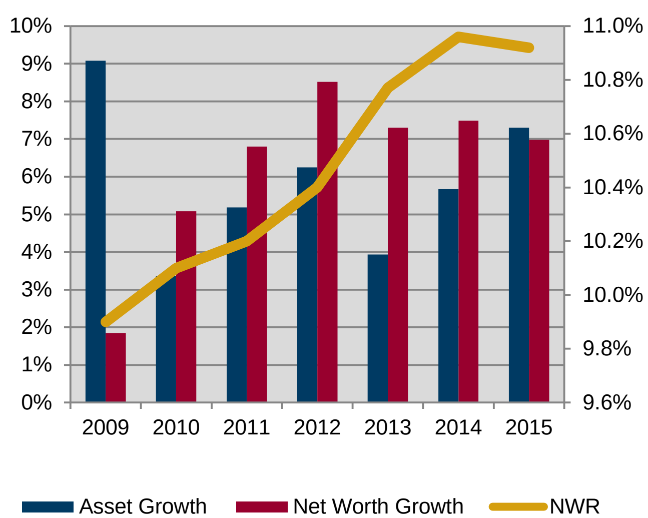
Relative Value of Assets and Funding:

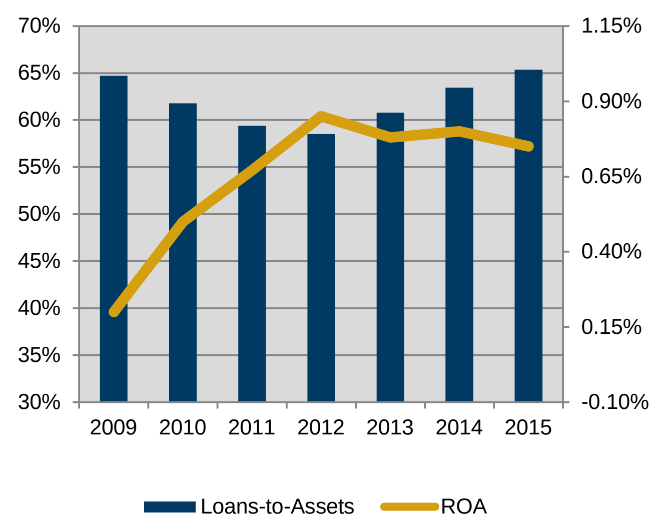


- The spread between core loan rates and investment yields continues to narrow this year. Value remains in core loan assets, but keep asset quality in mind.
- With the Fed changing its forecast for interest rate moves this year, rates will remain low. Market conditions are calling for one increase later this year.
- 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.

KEY CREDIT UNION DATA	2010	2011	2012	2013	2014	2015
GROWTH RATES						
Total Assets	3.36%	5.18%	6.25%	3.93%	5.66%	7.33%
Total Loans	-1.35%	1.20%	4.55%	7.97%	10.42%	10.49%
Total Shares	4.48%	5.21%	6.10%	3.67%	4.47%	6.86%
Net Worth	5.08%	6.81%	8.52%	7.36%	7.49%	6.98%
CAPITAL ADEQUACY						
Net Worth Ratio	10.06%	10.21%	10.43%	10.77%	10.96%	10.92%
Equity Capital Ratio	9.96%	10.19%	10.42%	10.47%	10.78%	10.66%
Capital Ratio	11.00%	11.10%	11.20%	11.10%	11.40%	11.27%
BALANCE SHEET COMPOSITION						
Cash & ST Inv to Total Assets	16.10%	17.30%	17.49%	14.87%	13.64%	13.49%
Loans-to-Total Assets	61.76%	59.42%	58.48%	60.75%	63.48%	65.35%
Vehicle-to-Total Loans	29.11%	28.88%	29.87%	30.80%	32.29%	33.30%
Real Estate-to-Total Loans	54.83%	54.78%	53.58%	52.51%	51.12%	50.41%
Delinquency Rate	1.76%	1.60%	1.16%	1.01%	0.85%	0.81%
Net Charge-off Rate	1.13%	0.91%	0.73%	0.57%	0.50%	0.48%
"Misery" Index	2.89%	2.51%	1.89%	1.58%	1.35%	1.30%
EARNINGS						
Gross Asset Yield	5.24%	4.62%	4.01%	3.65%	3.66%	3.71%
Cost of Funds	1.21%	0.93%	0.73%	0.59%	0.54%	0.52%
Gross Interest Margin	4.03%	3.69%	3.28%	3.06%	3.12%	3.20%
Less: Provision Expense	0.78%	0.50%	0.36%	0.26%	0.28%	0.34%
Net Interest Margin	3.25%	3.19%	2.92%	2.80%	2.84%	2.85%
Net Operating Expense	2.51%	2.52%	2.44%	2.45%	2.45%	2.47%
Net Income (Return on Assets)	0.50%	0.67%	0.85%	0.78%	0.80%	0.75%
Return on Equity	5.0%	6.4%	8.0%	7.3%	7.2%	6.8%

Source: NCUA (December 2015)





NCUA PEER DATA	<$10M	$10-50M	$50-100M	$100-500M	$500M+	Total
NETWORK						
Average Asset Size (000s)	$4,070	$24,809	$71,512	$220,186	$1,803,562	$200,023
Pct of Number of Credit Unions	17%	33%	12%	17%	8%	100%
Pct of Industry Assets	0%	4%	4%	19%	72%	100%
GROWTH RATES						
Total Assets	-9.1%	-4.7%	-1.2%	-0.3%	11.1%	7.33%
Total Loans	-9.4%	-4.4%	-0.1%	2.0%	14.3%	10.49%
Total Shares	-9.2%	-4.6%	-1.2%	-0.3%	10.6%	6.86%
Net Worth	-8.2%	-4.5%	-1.1%	-0.2%	10.8%	6.98%
CAPITAL ADEQUACY						
Net Worth Ratio	15.7%	12.3%	11.5%	10.9%	10.8%	10.92%
Equity Capital Ratio	15.7%	12.2%	11.3%	10.7%	10.5%	10.66%
Capital Ratio	16.5%	12.7%	11.7%	11.2%	11.1%	11.27%
BALANCE SHEET COMPOSITION						
Cash & Investments-to-Total Assets	50.9%	46.7%	40.5%	31.9%	28.5%	30.5%
Loans-to-Total Assets	47.9%	50.0%	55.2%	63.0%	67.6%	65.35%
Vehicle-to-Total Loans	56.7%	43.2%	38.7%	35.6%	31.9%	33.30%
Real Estate-to-Total Loans	8.9%	34.0%	41.1%	47.1%	52.6%	50.41%
Delinquency Rate	2.30%	1.24%	1.06%	0.93%	0.75%	0.81%
Net Charge-off Rate	0.56%	0.45%	0.46%	0.44%	0.50%	0.48%
"Misery" Index	2.86%	1.69%	1.52%	1.37%	1.24%	1.30%
Non-term Shares-to-Total Shares	84.8%	77.8%	74.8%	73.3%	71.4%	72.3%
Net Long-term Assets-to-Total Assets	9.2%	21.4%	27.0%	32.5%	34.0%	32.7%
EARNINGS						
Gross Asset Yield	3.79%	3.39%	3.56%	3.61%	3.77%	3.7%
Cost of Funds	0.39%	0.28%	0.31%	0.38%	0.59%	0.52%
Gross Interest Margin	3.41%	3.11%	3.25%	3.23%	3.18%	3.2%
Less: Provision Expense	0.28%	0.21%	0.26%	0.28%	0.38%	0.34%
Net Interest Margin	3.13%	2.90%	3.00%	2.95%	2.81%	2.9%
Net Operating Expense	3.17%	2.72%	2.79%	2.73%	2.36%	2.47%
Net Income (Return on Assets)	-0.06%	0.28%	0.40%	0.55%	0.87%	0.75%
Return on Equity	-0.2%	2.3%	3.6%	5.1%	7.8%	6.8%
COST EFFICIENCIES						
Avg Loan Balance	$5,871	$8,652	$9,576	$12,285	$14,915	$13,706
Avg Share Per Member	$3,724	$6,667	$7,718	$8,737	$10,921	$9,890
Avg Compensation per FTE	$35,561	$54,027	$56,994	$62,386	$74,491	$68,840
Comp & Benefits-to-Total Assets	1.80%	1.68%	1.74%	1.79%	1.43%	1.53%
Pct of Total Operating Expense	52%	48%	48%	50%	51%	51%
Office Occ & Ops-to-Total Assets	0.94%	0.95%	0.93%	0.94%	0.70%	0.77%
Pct of Total Operating Expense	27%	27%	26%	26%	25%	26%

Source: NCUA (December 2015)

Economic Calendar

MAY 2016

Monday	Tuesday	Wednesday	Thursday	Friday
2 ISM Manufacturing Construction Spending	**3** Auto Sales	**4** Trade Balance Factory Orders	**5** Jobless Claims	**6** Non-farm Payrolls Unemployment Rate Consumer Credit
9	**10** JOLTS Report Wholesale Inventories	**11**	**12** Jobless Claims Import Price Index	**13** PPI Retail Sales Business Inventories
16 Empire Manufacturing	**17** CPI Housing Starts Building Permits Industrial Production Capacity Utilization	**18** FOMC April Minutes	**19** Jobless Claims Leading Index	**20** Existing Home Sales
23	**24** New Home Sales	**25**	**26** Jobless Claims Durable Goods Orders Pending Home Sales	**27** GDP -1Q16
30 	**31** Personal Income Personal Spending S&P/Case-Shiller HPI Consumer Confidence			