

**FEBRUARY 2023**

| KEY ECONOMIC INDICATORS       | Latest Report | Current Report | Previous Report | 2022   |
|-------------------------------|---------------|----------------|-----------------|--------|
| <b>ECONOMIC GROWTH</b>        |               |                |                 |        |
| GDP                           | Q1            | 2.9%           | 3.2%            | 2.1%   |
| <b>EMPLOYMENT</b>             |               |                |                 |        |
| Non-farm Payrolls (000s)      | Jan           | 517            | 260             | 4,814  |
| Private Payrolls (000s)       | Jan           | 443            | 269             | 4,555  |
| Unemployment Rate             | Jan           | 3.4%           | 3.5%            | 3.4%   |
| Avg Hourly Earnings (Y/Y)     | Jan           | 4.4%           | 4.8%            | 4.4%   |
| <b>INFLATION</b>              |               |                |                 |        |
| Wholesale (Y/Y)               | Dec           | 6.2%           | 7.3%            | 6.2%   |
| Consumer (Y/Y)                | Dec           | 6.5%           | 7.1%            | 7.1%   |
| PCE Core (Y/Y)                | Dec           | 4.4%           | 4.7%            | 4.4%   |
| <b>INCOME &amp; SPENDING</b>  |               |                |                 |        |
| Retail Sales                  | Dec           | -1.1%          | -1.0%           | 9.2%   |
| Personal Income               | Dec           | 0.2%           | 0.3%            | 2.1%   |
| Personal Spending             | Dec           | 0.2%           | 0.3%            | 9.2%   |
| <b>AUTO &amp; HOUSING</b>     |               |                |                 |        |
| Total Auto Sales (MM)         | Jan           | 15.74          | 13.31           | 13.31  |
| New/Existing Home Sales (M/M) | Nov           | -1.0%          | -6.9%           | -33.0% |
| S&P/Case Shiller HPI (Y/Y)    | Nov           | 7.7%           | 9.2%            | 18.8%  |

Sources:

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

| KEY MARKET INDICATORS         | Mth End  | Last Mth | 12 Mth Ago |
|-------------------------------|----------|----------|------------|
|                               | Jan-23   | Dec-22   | Jan-22     |
| <b>MONEY MARKETS</b>          |          |          |            |
| Effective Fed Funds           | 4.33%    | 4.33%    | 0.08%      |
| Prime Rate                    | 7.50%    | 7.50%    | 3.25%      |
| 3-month LIBOR                 | 4.81%    | 4.77%    | 0.18%      |
| 2-year UST                    | 4.20%    | 4.43%    | 1.18%      |
| 10-year UST                   | 3.51%    | 3.88%    | 1.78%      |
| <b>NATIONAL CU LOAN RATES</b> |          |          |            |
| CU 48-mth Auto                | 5.57%    | 5.43%    | 3.66%      |
| CU 60-mth Auto                | 5.67%    | 5.53%    | 3.74%      |
| CU 15-year Mtg                | 5.68%    | 5.76%    | 2.64%      |
| CU 30-year Mtg                | 6.35%    | 6.41%    | 3.33%      |
| <b>EQUITY MARKETS</b>         |          |          |            |
| Dow Jones Industrial Average  | 34,086.0 | 33,147.3 | 35,131.9   |
| NASDAQ Composite              | 11,584.6 | 10,466.5 | 14,239.8   |
| S&P 500                       | 4,076.6  | 3,839.5  | 4,515.6    |
| <b>OTHER COMMODITIES</b>      |          |          |            |
| CRB Index                     | 278.1    | 277.8    | 255.1      |
| Crude Oil                     | 78.9     | 80.4     | 76.8       |

Source: Bloomberg; S&P Global Market Intelligence

## KEY ECONOMIC AND MARKET INDICATORS

The U.S. added 517,000 jobs in January, the largest gain in six months. Hiring was broad-based with the leisure and hospitality sector topping the list at 128,000 jobs. Manufacturing added 19,000 jobs, the most in three months. Year-over-year wages were up 4.4%, the smallest change since mid-2021. Labor force participation was 62.4%, the highest level since the pandemic.

Inflation continued to decline at the end of 2022. The consumer price index (CPI) fell 0.1% in December and marked the first negative change since May 2020. On a year-over-year measure, consumer inflation dropped to 6.5%, the lowest level in a year. Lower energy, food and goods prices continue to offset stubbornly high shelter and overall services costs. Wholesale costs fell the most in a year.

Retail sales fell at the end of 2022 as consumers took advantage of generous retail discounts earlier in the holiday season. Sales were down 1.1% in December, the second monthly drop in a row. Ten of the 13 major categories posted negative sales. Gasoline sales fell 4.6%. Despite the weakness at the end of the year, sales rose 9.2% for the year, the second-best year since 1993.

The economy grew 2.9% in the fourth quarter, better than expected, but slower than the previous quarter. Consumption rose 2.1% versus 2.3% in the third quarter. The strength in GDP came from positive contributions of both inventory and trade. Economic growth for 2022 was 2.1%, the weakest annual performance since 2016, excluding the pandemic.

The new year began with the markets once again questioning the Federal Reserve's insistence that the benchmark lending rate needs to go higher. Positive inflation data provided fuel for stocks to rally and Treasury yields to fall, as investors believe the battle of inflation will be won sooner rather than later, if not already. At the same time, several Federal Reserve presidents and committee members maintained the fed funds rate needs to climb to at least 5% and stay high for some time as a guard against inflation moving higher. In the end, falling inflation levels and signs of slowing consumer demand allowed the Fed to concede that smaller rate moves may be warranted at this juncture. The Federal Open Market Committee (FOMC) voted to raise the fed funds rate by 25 basis points to a target range of 4.50% to 4.75%, the smallest increase since the current strategy began in March 2022. The committee does not feel it is time to pause yet, suggesting there is at least one more rate increase in the plan. Federal Reserve Chair Jerome Powell was pleased to say, "for the first time that the disinflationary process has started." Price pressures are abating in goods and core services, but there is "still a lot of work to be done."

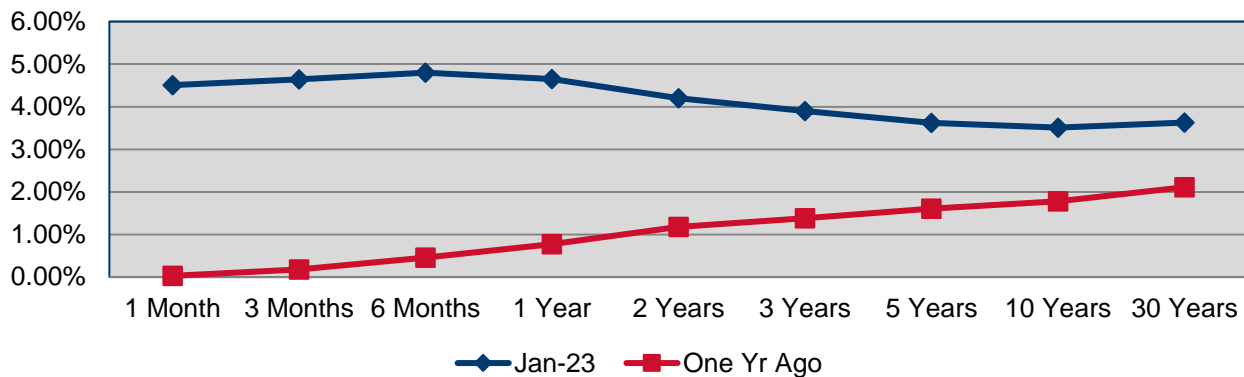
Mortgage rates followed the 10-year Treasury yield early in the month, falling 30 basis points in two weeks. The benchmark Freddie Mac 30-year mortgage rate closed the month 39 basis points lower from December and almost 100 basis points below the high level reached in October. The decline followed the drop in the 10-year Treasury yield, down 37 basis point in January. The average 30-year mortgage rate offered by a variety of financial institutions fell just six basis points to 6.35%. The average 15-year rate was eight basis points lower at 5.68%. Financial institution auto loan rates, on the other hand, rose in January in anticipation of another interest rate increase from the Federal Reserve. The average 48 and 60-month auto loan rates closed the year 14 basis points higher at 5.57% and 5.67% respectively.

The equity market tried to find a balance between reports of weak economic activity and subtle signs that inflation may be falling faster than expected. Technology stocks staged a comeback mid-month as investors perceived layoffs as a positive move for cutting costs and improving revenue. No sooner, weak Microsoft earnings and cautious guidance caused a downturn for stock prices as investors realized the economic slowdown is beginning to impact the health of corporate America. The rollercoaster continued when it became clear the Federal Reserve was on track to slow the level of rate increases. Even Tesla, which had its worst year in 2022, surged more than 40% in January. The key indices posted positive returns: the Dow rose 2.8%, the Nasdaq climbed 10.7% and the S&P 500 finished up 6.2%.

### *For Credit Unions:*

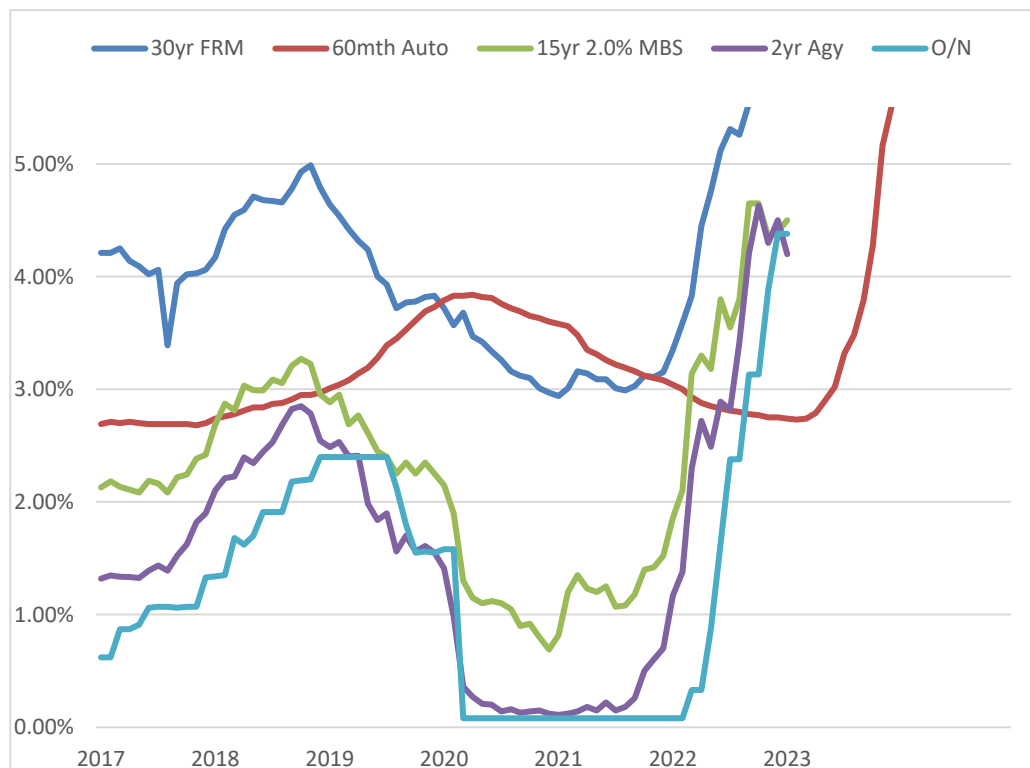
- Surging mortgage rates and escalating costs crushed the housing market in 2022. Total home sales fell 17.6% from 2021, the worst activity in more than a decade. Just over five million previously owned homes were sold in 2022. The median price of an existing home rose 2.3% from a year ago, the smallest increase since May 2020, but marks 130 consecutive months of year-over-year increases, the longest-running streak on record.
- Consumers began 2022 feeling the most optimistic about their personal finances in eight months. Expectations for the future climbed to the highest level in a year, supported by continued wage gains and easing inflation. Buying conditions for large household goods improved, though views of the housing market continued to deteriorate due to high borrowing costs.
- The auto loan market is sending warning signals. According to Cox Automotive, loans delinquent by more than two months increased 5.3% in December and were 26.7% higher from a year ago. Loan defaults, while lower in December, increased 17% from December 2021. The default rate in 2022 was 2.28%, up from 1.98% in 2021. Borrowers are generally not considered to be in default until three to four months of insufficient payments, but the increasing rate of delinquencies bears watching.

## Yield Curve



Treasury yields plummeted early in January on positive inflation and job reports. Bond investors interpreted the news as signals for the Federal Reserve to reverse its tight monetary policy, despite the central bank's intention to stay the course. Yields fell 20 basis points in the first week of the month, pushing the yield curve 10 basis points more inverted. The positive economic news and the market's optimism for a lower fed funds rate by the end of the year kept Treasury yields on a downward trajectory. By the end of the month, the yield curve was inverted by 69 basis points compared to 55 basis points at year end. The two-year Treasury yield swung 37 basis points during the month before closing at 4.20%, 23 basis points lower on the month. The 10-year yield moved 36 basis points between low and high yields to finish the month at 3.51%, 37 basis points lower.

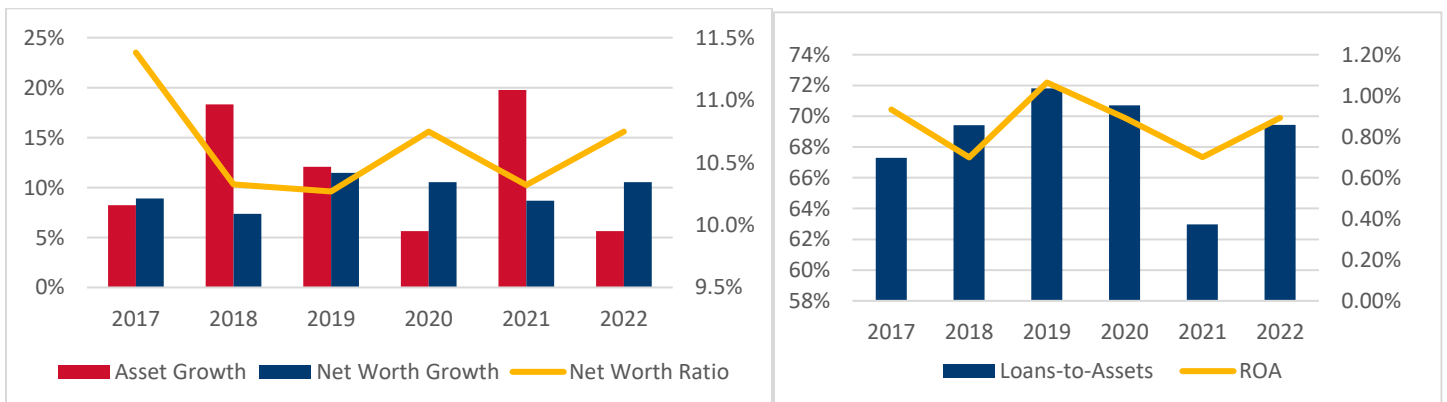
### Relative Value of Assets and Funding:



- The spread between loans and investments widened 14 basis points. Loan rates rose four basis points. Rates on investments fell 10 basis points.
- The difference between a 15-year mortgage loan and a 60-month auto loan fell 22 basis points to one basis point. Mortgage rates fell as auto loan rates increased.
- Average CD rates increased six basis points on average in January. Rates are 85 basis points higher than a year ago.

## NCUA – December 2022

| KEY CREDIT UNION DATA              | 2017   | 2018   | 2019   | 2020   | 2021   | 2022   |
|------------------------------------|--------|--------|--------|--------|--------|--------|
| <b>GROWTH RATES</b>                |        |        |        |        |        |        |
| Total Assets                       | 7.17%  | 5.85%  | 8.22%  | 18.33% | 12.07% | 5.64%  |
| Total Loans                        | 10.56% | 9.51%  | 6.59%  | 5.46%  | 8.24%  | 20.48% |
| Total Shares                       | 6.62%  | 5.68%  | 8.63%  | 20.91% | 13.03% | 3.84%  |
| Net Worth                          | 7.79%  | 8.85%  | 8.92%  | 7.35%  | 11.48% | 10.54% |
| <b>CAPITAL ADEQUACY</b>            |        |        |        |        |        |        |
| Net Worth Ratio                    | 10.96% | 11.31% | 11.38% | 10.32% | 10.27% | 10.75% |
| Equity Capital Ratio               | 10.67% | 10.92% | 11.24% | 10.34% | 9.99%  | 8.78%  |
| Capital Ratio                      | 11.30% | 11.55% | 11.85% | 11.04% | 10.52% | 9.31%  |
| <b>BALANCE SHEET COMPOSITION</b>   |        |        |        |        |        |        |
| Loans/Assets                       | 69.37% | 71.76% | 70.69% | 62.99% | 60.88% | 69.44% |
| Vehicle Loans/Net Loans            | 35.02% | 35.35% | 34.12% | 33.04% | 32.50% | 32.48% |
| RE Loans/Net Loans                 | 49.92% | 49.80% | 50.86% | 52.25% | 52.80% | 44.22% |
| 1st Mtg Loans/Net Loans            | 41.30% | 41.27% | 42.55% | 44.90% | 45.98% | 39.22% |
| Commercial Loans/Net Loans         | 6.78%  | 6.96%  | 7.54%  | 8.29%  | 9.07%  | 9.39%  |
| <b>LIQUIDITY POSITION</b>          |        |        |        |        |        |        |
| Cash & Short-Term Invs/Assets      | 12.46% | 11.37% | 12.85% | 18.44% | 17.16% | 10.14% |
| Borr. & NM Deposits/Shares & Liab. | 5.32%  | 5.46%  | 4.75%  | 3.39%  | 2.97%  | 6.05%  |
| Net Liquid Assets/Shares & Liab.   | 22.74% | 20.68% | 22.15% | 30.36% | 33.08% | 23.82% |
| Net Long-term Assets/Assets        | 34.29% | 34.50% | 34.40% | 34.65% | 39.45% | 51.45% |
| <b>LOAN QUALITY</b>                |        |        |        |        |        |        |
| Delinquency Rate                   | 0.85%  | 0.74%  | 0.72%  | 0.62%  | 0.51%  | 0.67%  |
| Net Charge-off Rate                | 0.41%  | 0.41%  | 0.40%  | 0.30%  | 0.16%  | 0.22%  |
| <b>EARNINGS</b>                    |        |        |        |        |        |        |
| Investment Yield                   | 1.66%  | 2.04%  | 2.37%  | 1.35%  | 0.89%  | 1.63%  |
| Loan Yield                         | 4.54%  | 4.69%  | 4.90%  | 4.71%  | 4.37%  | 4.44%  |
| Asset Yield                        | 3.56%  | 3.82%  | 4.06%  | 3.53%  | 3.02%  | 3.38%  |
| Cost of Funds                      | 0.56%  | 0.69%  | 0.89%  | 0.70%  | 0.43%  | 0.52%  |
| Gross Net Margin                   | 3.00%  | 3.13%  | 3.17%  | 2.83%  | 2.59%  | 2.87%  |
| Provision Expense                  | -0.48% | -0.46% | -0.43% | -0.50% | -0.06% | -0.25% |
| Net Interest Margin                | 2.51%  | 2.67%  | 2.74%  | 2.33%  | 2.53%  | 2.62%  |
| Net Operating Expense              | 1.74%  | 1.76%  | 1.81%  | 1.63%  | 1.47%  | 1.73%  |
| Net Income (Return on Assets)      | 0.78%  | 0.92%  | 0.93%  | 0.70%  | 1.06%  | 0.89%  |



## Peer Statistics

|                                    | <\$2M    | \$2-10M  | \$10-50M | \$50-100M | \$100-500M | \$500M+     | Total     |
|------------------------------------|----------|----------|----------|-----------|------------|-------------|-----------|
| <b>Industry Statistics</b>         |          |          |          |           |            |             |           |
| Average Asset Size (000s)          | \$906    | \$5,671  | \$26,392 | \$72,786  | \$227,820  | \$2,575,772 | \$318,067 |
| Pct of Number of Credit Unions     | 6.14%    | 13.83%   | 28.51%   | 13.87%    | 22.82%     | 14.82%      | 100.00%   |
| Pct of Industry Assets             | 0.03%    | 0.18%    | 0.82%    | 2.28%     | 7.30%      | 89.01%      | 100.00%   |
| <b>GROWTH RATES</b>                |          |          |          |           |            |             |           |
| Total Assets                       | -3.08%   | -1.54%   | 0.90%    | 1.95%     | 3.25%      | 6.19%       | 5.64%     |
| Total Loans                        | 6.78%    | 9.58%    | 12.16%   | 14.27%    | 16.06%     | 21.30%      | 20.48%    |
| Total Shares                       | -4.05%   | -2.03%   | 0.54%    | 1.72%     | 2.76%      | 4.14%       | 3.84%     |
| Net Worth                          | 0.94%    | 0.90%    | 3.92%    | 6.66%     | 8.33%      | 11.16%      | 10.54%    |
| <b>CAPITAL ADEQUACY</b>            |          |          |          |           |            |             |           |
| Net Worth Ratio                    | 18.67%   | 16.07%   | 12.17%   | 11.61%    | 10.76%     | 10.68%      | 10.96%    |
| Equity Capital Ratio               | 18.68%   | 15.89%   | 11.79%   | 10.66%    | 9.04%      | 8.61%       | 10.67%    |
| Capital Ratio                      | 19.90%   | 16.45%   | 12.16%   | 11.02%    | 9.42%      | 9.17%       | 11.30%    |
| <b>BALANCE SHEET COMPOSITION</b>   |          |          |          |           |            |             |           |
| Loans/Assets                       | 43.25%   | 47.60%   | 48.68%   | 53.91%    | 63.24%     | 71.16%      | 69.44%    |
| Vehicle Loans/Net Loans            | 65.11%   | 67.46%   | 52.27%   | 44.39%    | 39.26%     | 31.11%      | 32.48%    |
| RE Loans/Net Loans                 | 0.68%    | 6.45%    | 27.80%   | 37.34%    | 40.37%     | 45.10%      | 44.22%    |
| 1st Mtg Loans/Net Loans            | 0.62%    | 5.27%    | 24.48%   | 32.50%    | 35.36%     | 40.07%      | 39.22%    |
| Commercial Loans/Net Loans         | 0.02%    | 0.25%    | 1.38%    | 3.39%     | 7.30%      | 9.88%       | 9.39%     |
| <b>LIQUIDITY POSITION</b>          |          |          |          |           |            |             |           |
| Cash & Short-Term Invs/Assets      | 45.07%   | 30.62%   | 22.83%   | 17.85%    | 12.29%     | 9.35%       | 10.14%    |
| Borr. & NM Deposits/Shares & Liab. | 1.13%    | 1.23%    | 1.02%    | 1.57%     | 2.92%      | 6.70%       | 6.05%     |
| Net Liquid Assets/Shares & Liab.   | 52.11%   | 45.13%   | 41.80%   | 40.41%    | 32.77%     | 21.79%      | 23.82%    |
| Net Long-term Assets/Assets        | 3.64%    | 9.88%    | 26.62%   | 37.21%    | 47.18%     | 52.99%      | 51.45%    |
| <b>LOAN QUALITY</b>                |          |          |          |           |            |             |           |
|                                    | 2.92%    | 1.55%    | 1.08%    | 0.87%     | 0.73%      | 0.91%       | 0.89%     |
| Delinquency Rate                   | 2.66%    | 1.39%    | 0.96%    | 0.74%     | 0.59%      | 0.67%       | 0.67%     |
| Net Charge-off Rate                | 0.26%    | 0.16%    | 0.12%    | 0.13%     | 0.14%      | 0.24%       | 0.22%     |
| <b>EARNINGS</b>                    |          |          |          |           |            |             |           |
| Investment Yield                   | 0.73%    | 1.00%    | 1.17%    | 1.28%     | 1.42%      | 1.69%       | 1.63%     |
| Loan Yield                         | 6.63%    | 5.79%    | 5.09%    | 4.78%     | 4.51%      | 4.41%       | 4.44%     |
| Asset Yield                        | 3.17%    | 3.15%    | 2.94%    | 3.00%     | 3.18%      | 3.43%       | 3.38%     |
| Cost of Funds                      | 0.52%    | 0.31%    | 0.24%    | 0.25%     | 0.33%      | 0.55%       | 0.52%     |
| Gross Net Margin                   | 2.65%    | 2.85%    | 2.70%    | 2.75%     | 2.85%      | 2.88%       | 2.87%     |
| Provision Expense                  | -0.18%   | -0.16%   | -0.16%   | -0.13%    | -0.15%     | -0.27%      | -0.25%    |
| Net Interest Margin                | 2.47%    | 2.68%    | 2.54%    | 2.61%     | 2.70%      | 2.61%       | 2.62%     |
| Net Operating Expense              | 2.63%    | 2.54%    | 2.16%    | 1.99%     | 1.97%      | 1.68%       | 1.73%     |
| Net Income (Return on Assets)      | -0.16%   | 0.14%    | 0.38%    | 0.62%     | 0.73%      | 0.93%       | 0.89%     |
| <b>EFFICIENCY METRICS</b>          |          |          |          |           |            |             |           |
| Avg Loan Balance                   | \$5,099  | \$8,120  | \$3,774  | \$6,436   | \$10,612   | \$20,129    | \$17,011  |
| Avg Share Per Member               | \$2,460  | \$5,607  | \$9,205  | \$10,705  | \$12,395   | \$14,194    | \$13,686  |
| Avg Compensation per FTE           | \$22,144 | \$46,787 | \$65,099 | \$70,048  | \$76,485   | \$96,455    | \$91,581  |
| Comp & Benefits-to-Total Assets    | 1.70%    | 1.75%    | 1.48%    | 1.50%     | 1.63%      | 1.45%       | 1.48%     |
| Pct of Total Operating Expense     | 63.29%   | 70.32%   | 68.95%   | 70.50%    | 72.64%     | 74.49%      | 74.04%    |
| Office Occ & Ops-to-Total Assets   | 0.21%    | 0.15%    | 0.19%    | 0.21%     | 0.21%      | 0.17%       | 0.17%     |
| Pct of Total Operating Expense     | 17.91%   | 16.64%   | 21.87%   | 24.83%    | 25.51%     | 24.99%      | 24.97%    |

## Economic Calendar FEBRUARY 2023

| Monday   | Tuesday   | Wednesday  | Thursday   | Friday   |
|--|---|--|--|--|
|  |   | <b>1</b><br>ISM Manufacturing<br>ADP Employment<br>Auto Sales<br><b>FOMC Rate Decision</b><br>Construction Spending<br>JOLTS | <b>2</b><br>Jobless Claims<br>Factory Orders<br> | <b>3</b><br>Nonfarm Payrolls<br>Unemployment Rate<br>ISM Services  |
| <b>6</b>   | <b>7</b><br>Consumer Credit<br>Trade Balance  | <b>8</b>   | <b>9</b><br>Jobless Claims   | <b>10</b><br>U. of Mich. Sentiment (P)   |
| <b>13</b>  | <b>14</b><br>CPI<br> | <b>15</b><br>Empire Manufacturing<br>Retail Sales<br>Industrial Production<br>Capacity Utilization                           | <b>16</b><br>Jobless Claims<br>PPI<br>Housing Starts<br>Building Permits   | <b>17</b><br>Leading Indicators  |
| <b>20</b><br> | <b>21</b><br>Existing Home Sales  | <b>22</b><br>FOMC Minutes  | <b>23</b><br>Jobless Claims<br>GDP 4Q22  | <b>24</b><br>Personal Income<br>Personal Spending<br>PCE Core Y/Y<br>U. of Mich. Sentiment (F)<br>New Home Sales |
| <b>27</b><br>Durable Goods (Jan)<br>Pending Home Sales   | <b>28</b><br>Consumer Confidence<br>S&P CL Home Prices  |  |  |  |

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