



TRENDWATCH 1Q24



May 14, 2024

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CU Strategic Planning
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Today's Lineup

Market Update

Andrew Kohl, Chief Investment Officer, Alloya Corporate FCU

Todd Adams, Chief Executive Officer, Alloya Corporate FCU

1Q24 Credit Union Results

Jay Johnson, Chief Collaboration Officer, Callahan & Associates

William Hunt, Director of Industry Analytics

Leaning Into Our Community, Premier America

*Marci Francisco, SVP, Chief Experience Officer, Premier America
Credit Union*



The Alloya Story

WE ARE A CREDIT UNION

A GREAT EXAMPLE OF THE POWER OF COOPERATION

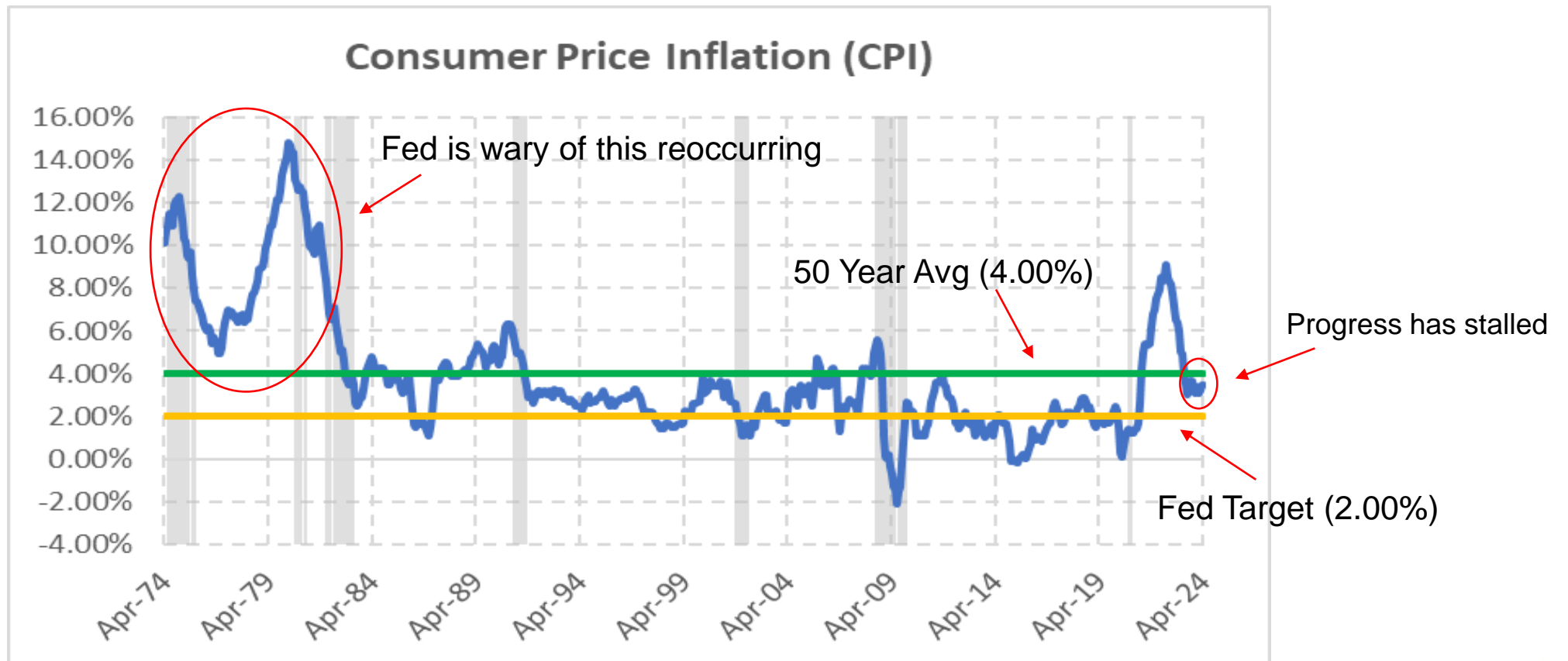
1,400 MEMBERS WORKING TOGETHER

Economic Update

Andy Kohl, Chief Investment Officer
Todd Adams, Chief Executive Officer



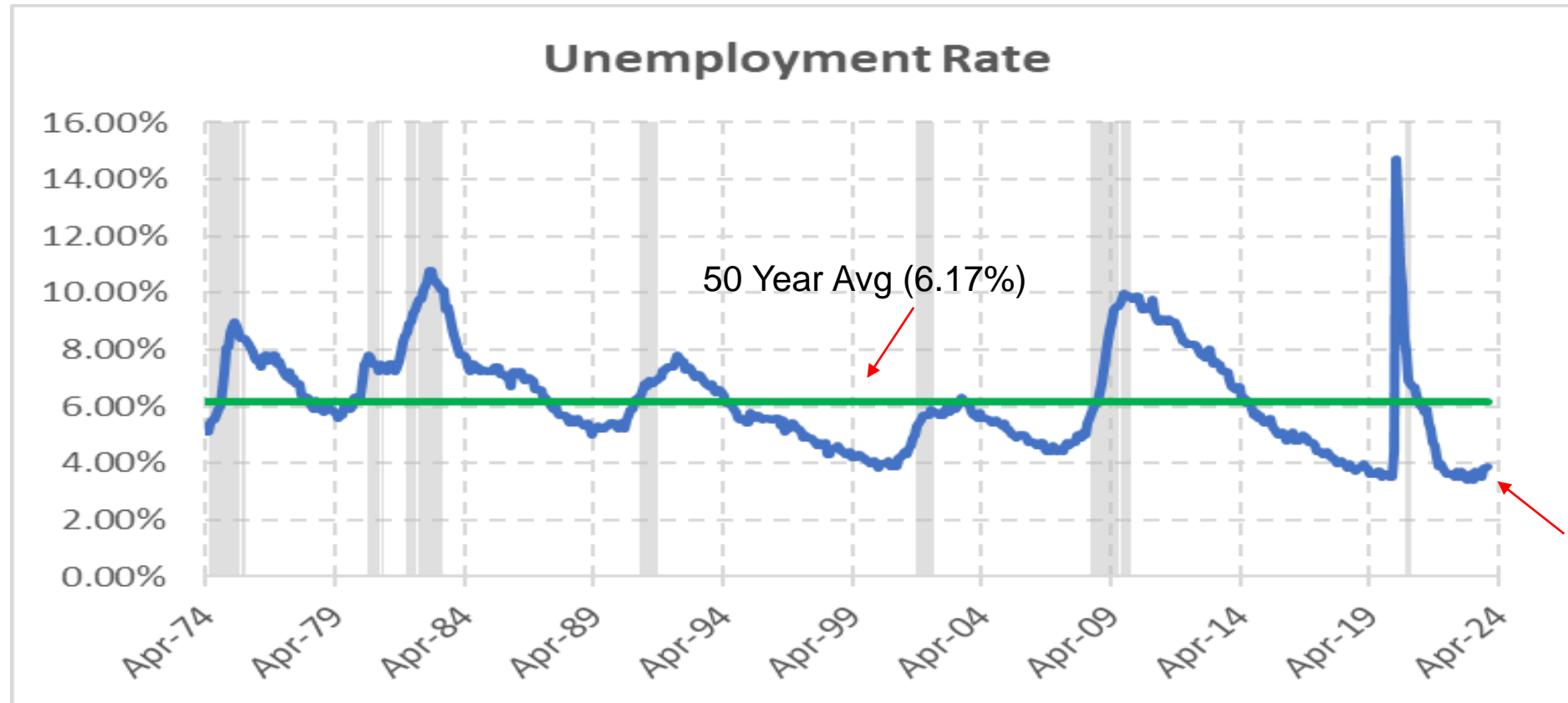
Fed's Dual Mandate – (1) Price Stability



Source: Bureau of Labor Statistics



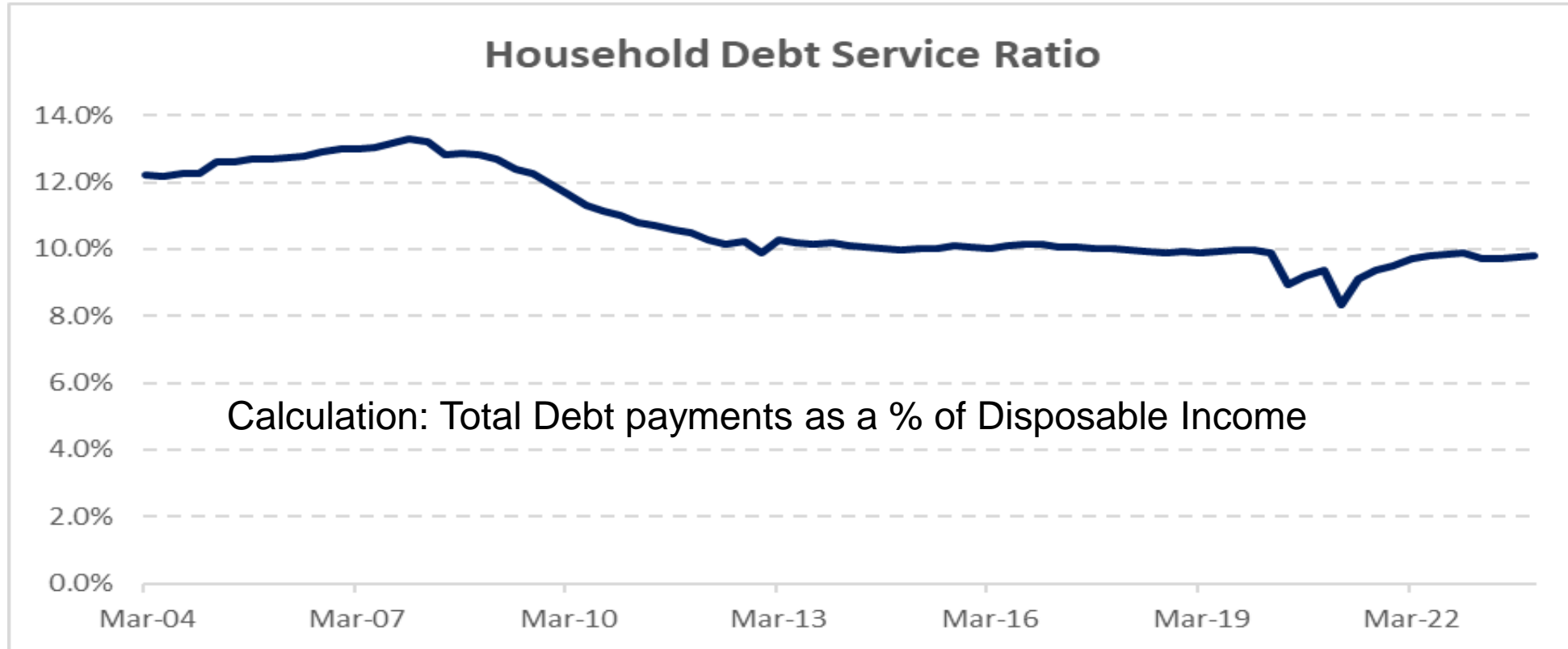
Fed's Dual Mandate – (2) Maximum Sustainable Employment



Source: Bureau of Labor Statistics



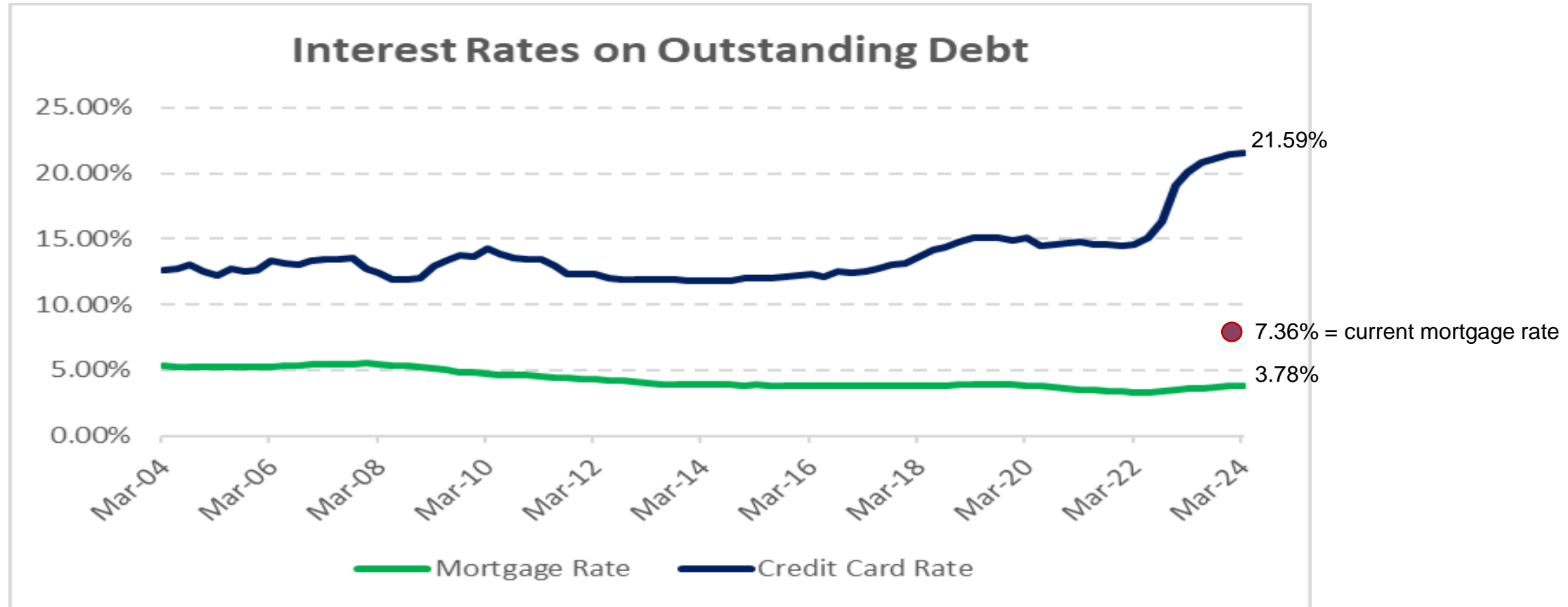
Overall Consumer Health Looks Good



Source: Federal Reserve



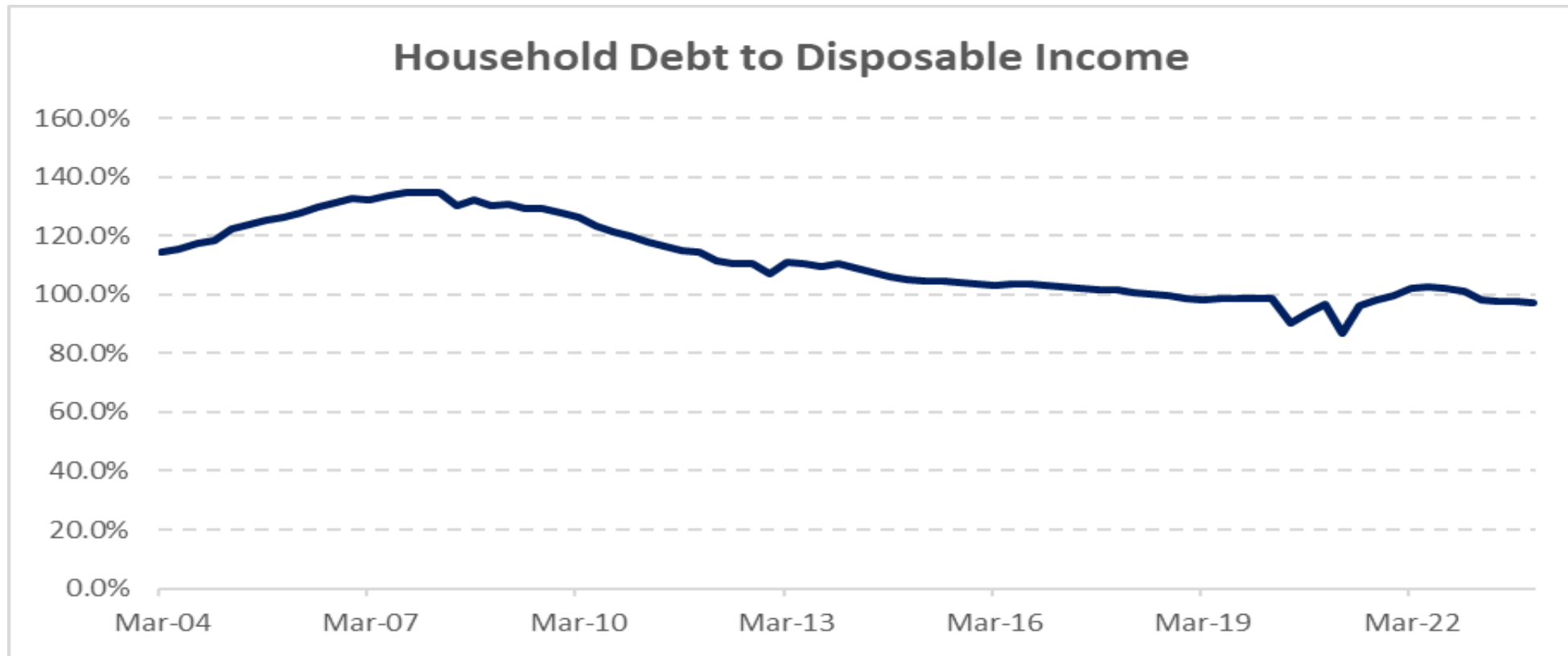
Locked-In Fixed Rate Mortgages have Helped Consumers Manage Debt



Source: Federal Reserve & Bureau of Economic Analysis



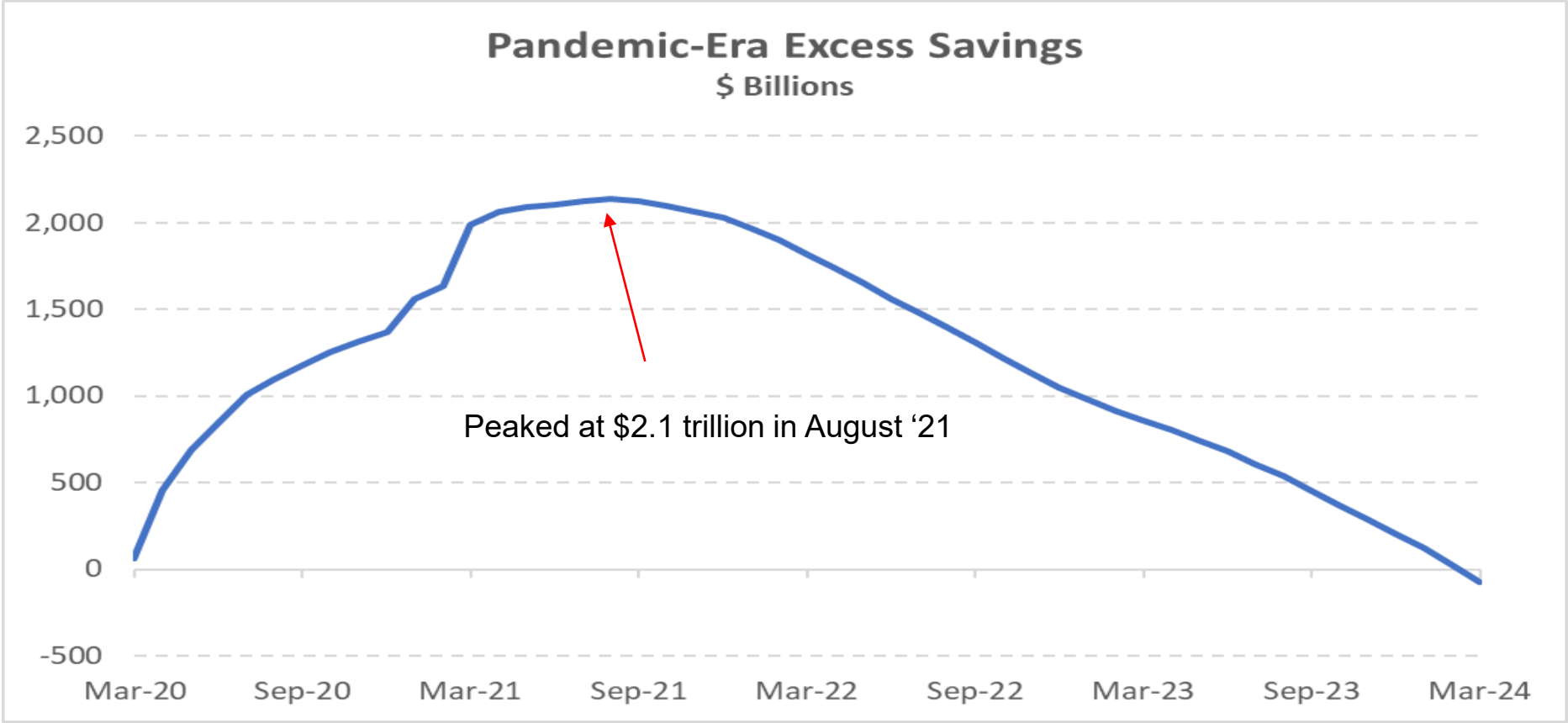
Consumer Leverage Well Below Peak



Source: Bureau of Economic Analysis



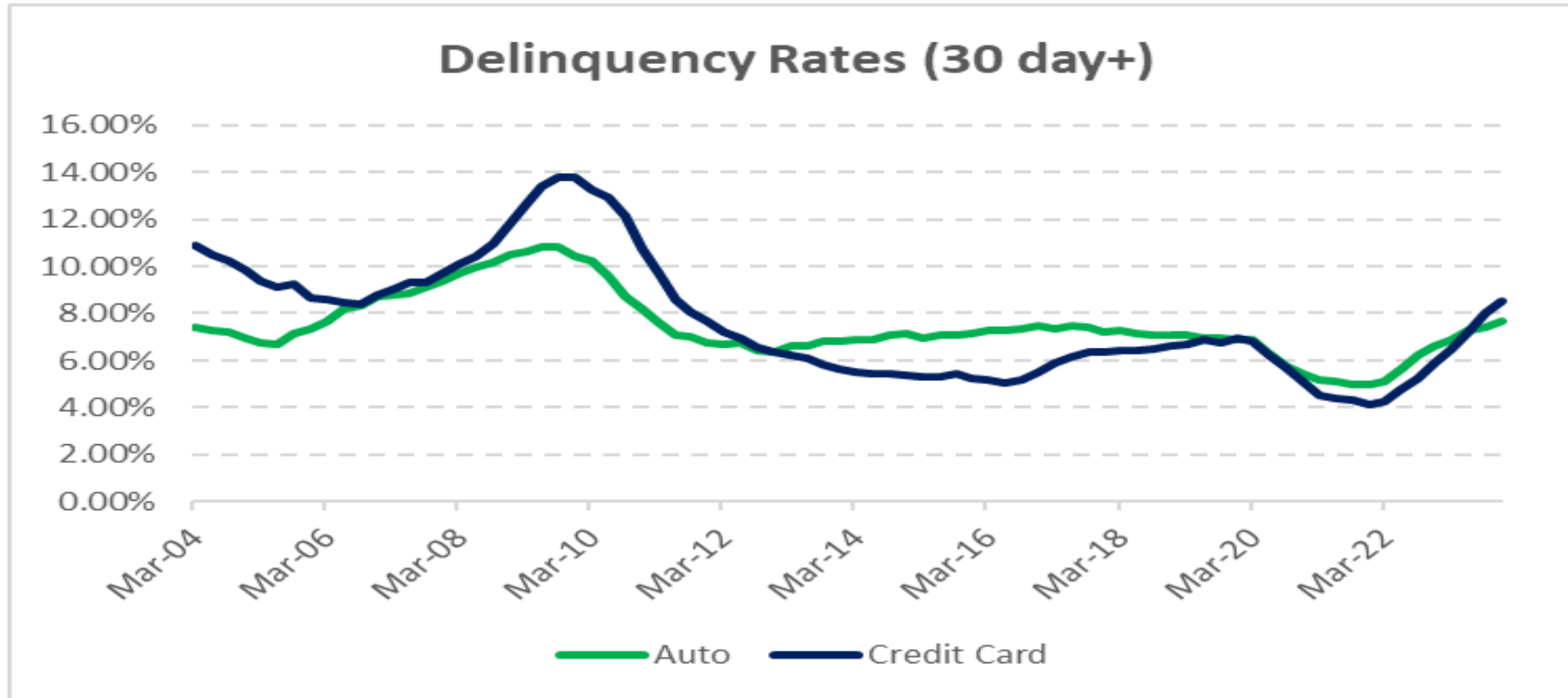
Excess Savings Cushion is Gone



Source: San Francisco Federal Reserve



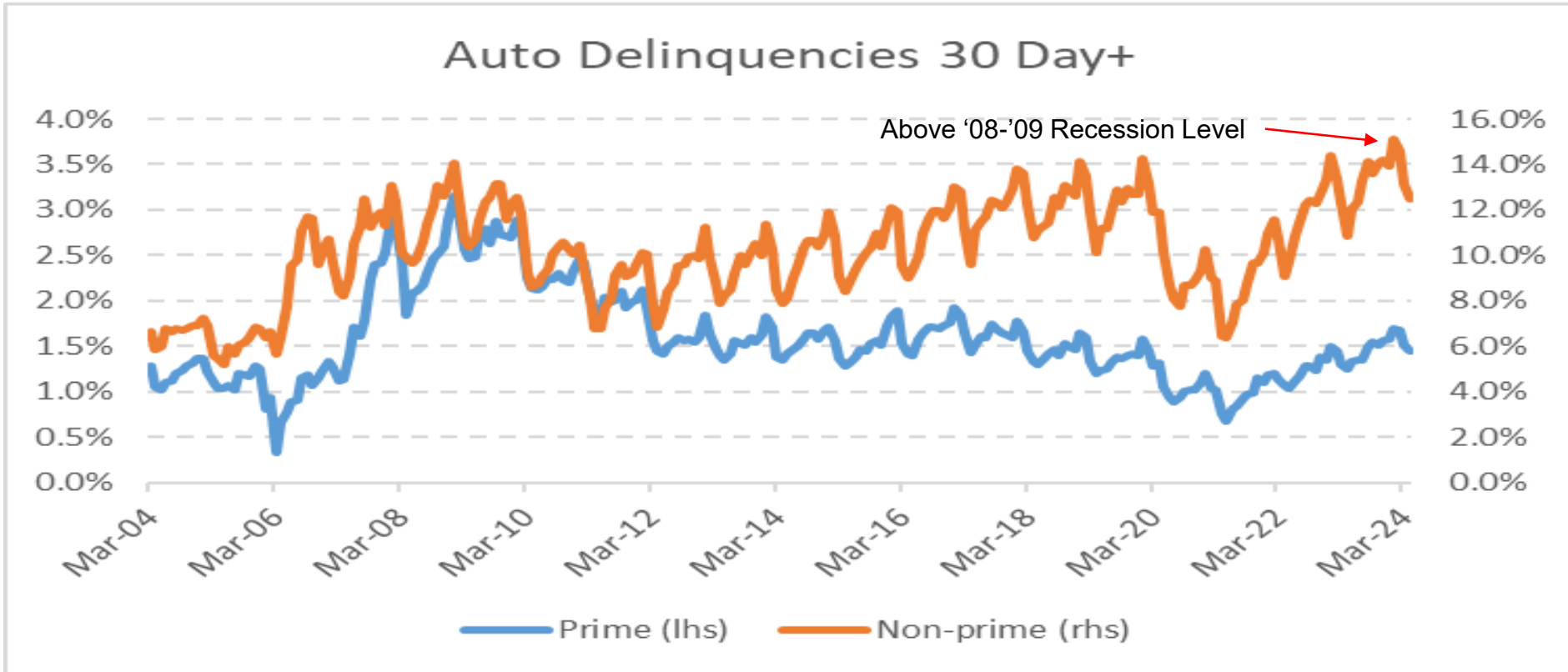
Delinquencies are on the Rise



Source: FRBNY & Equifax



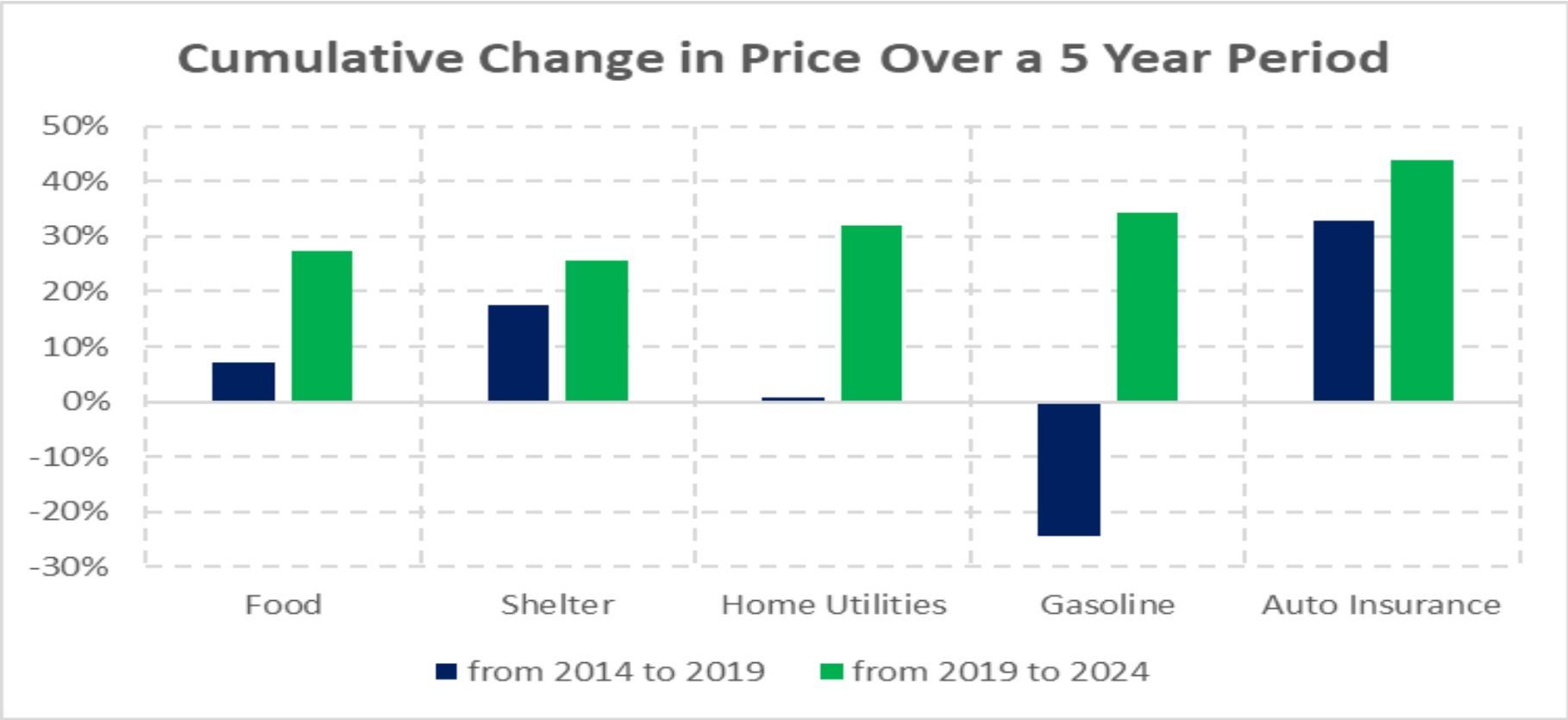
Subprime Borrowers Showing Stress



Source: JP Morgan



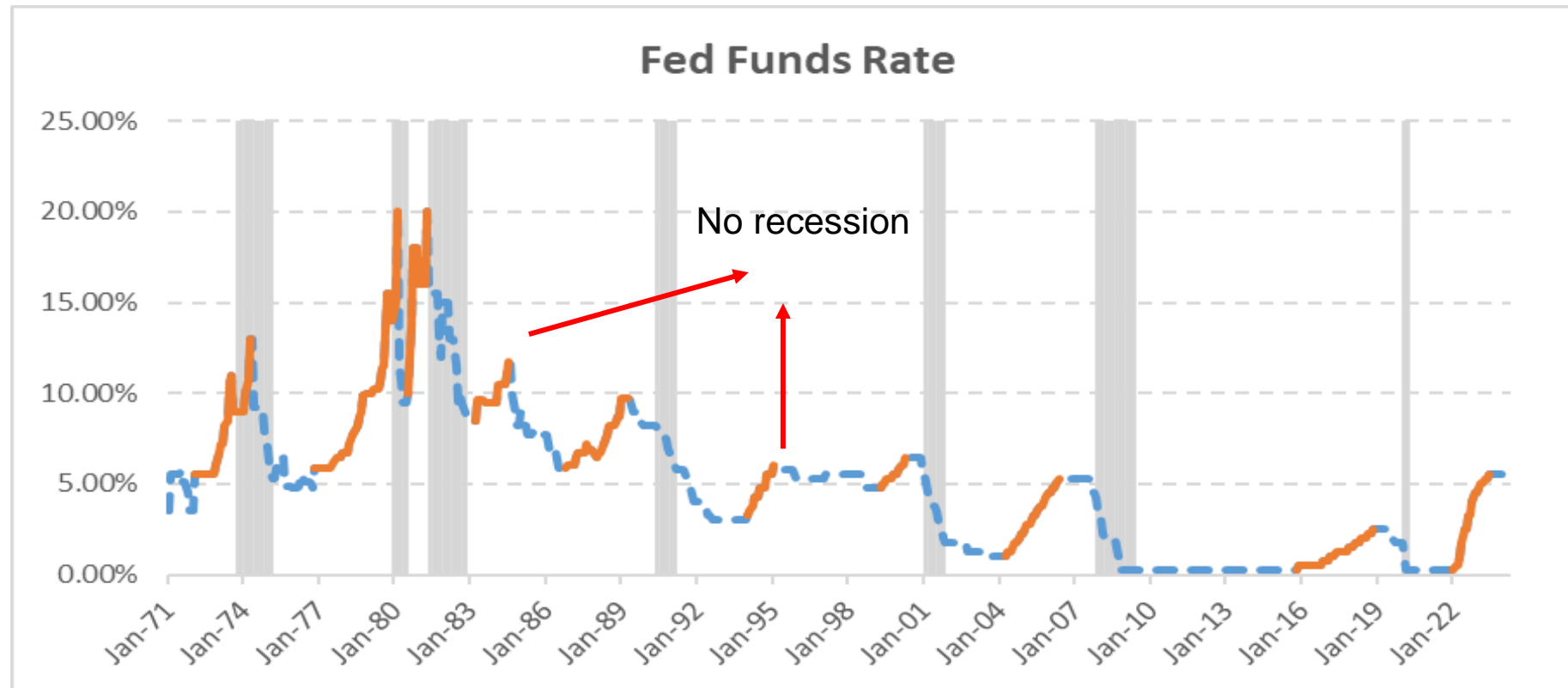
Inflation Hurting Lower Income Group More



Source: Bureau of Labor Statistics



Rate Hikes Don't Always Lead to Recession



Source: Bloomberg



Has the Risk-Free Neutral Rate Changed?

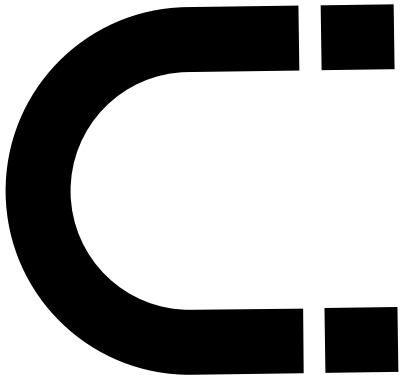
Forces that can bring it higher:

- Deglobalization
- Increased supply of Treasuries
- Lower supply of cheap labor (i.e. China effect)
- Increasing prices due to climate change policies

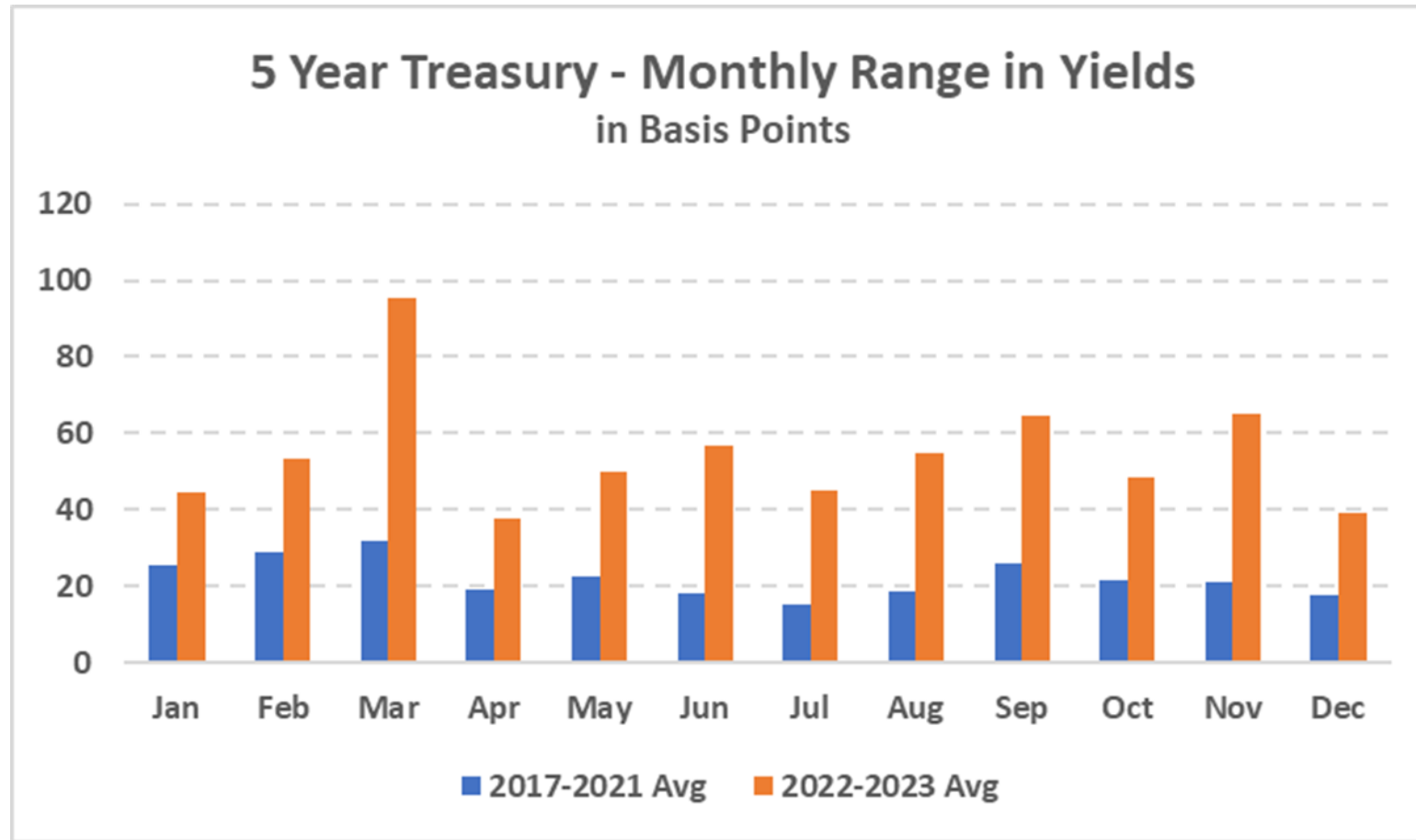
Current neutral rate = 2.50%

Forces that can bring it lower:

- Low productivity growth
- Secular stagnation
- Global savings glut
- Demographics (lower supply of overall labor)



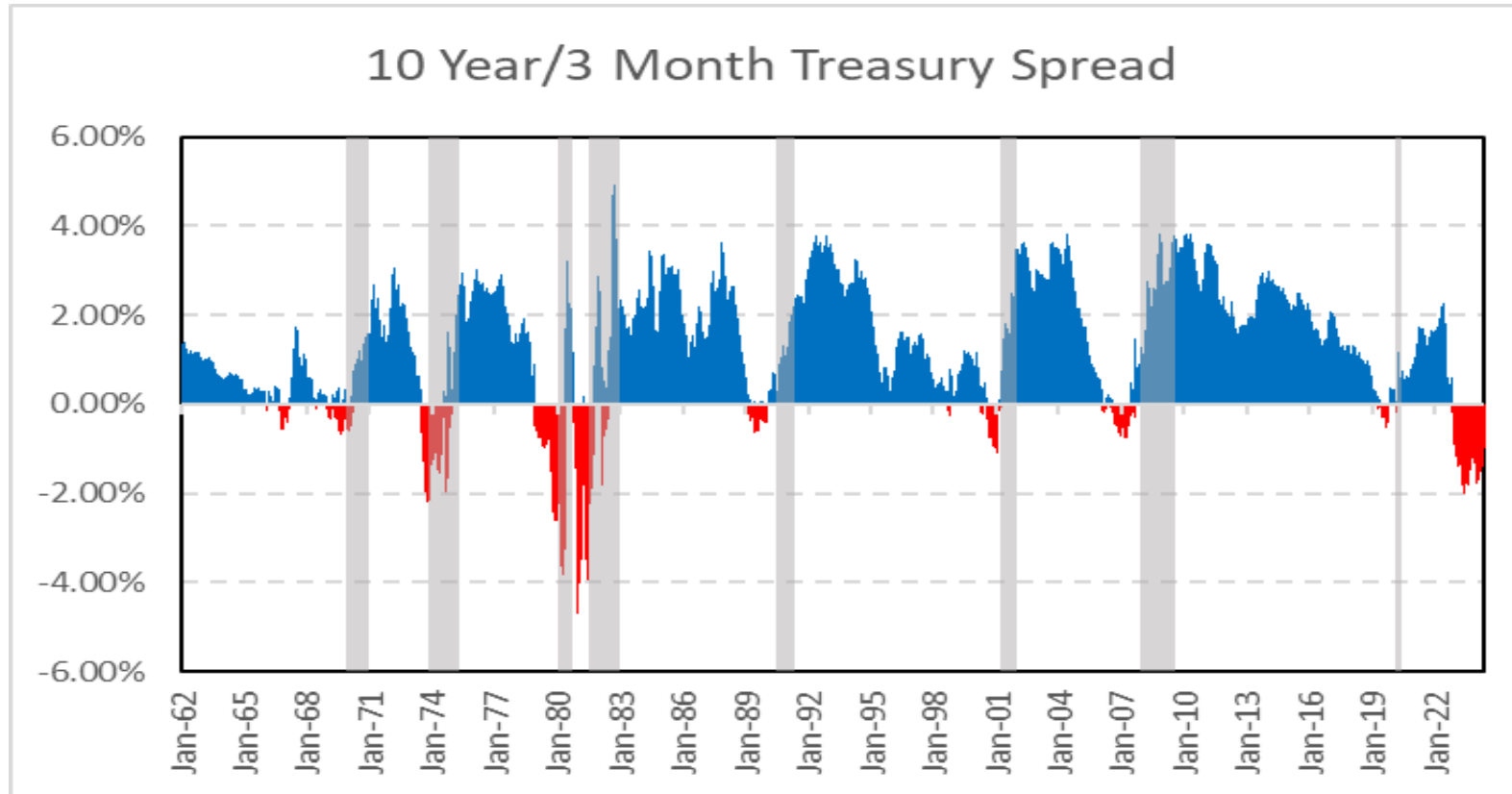
Interest Rate Volatility is Elevated



Source: Bloomberg



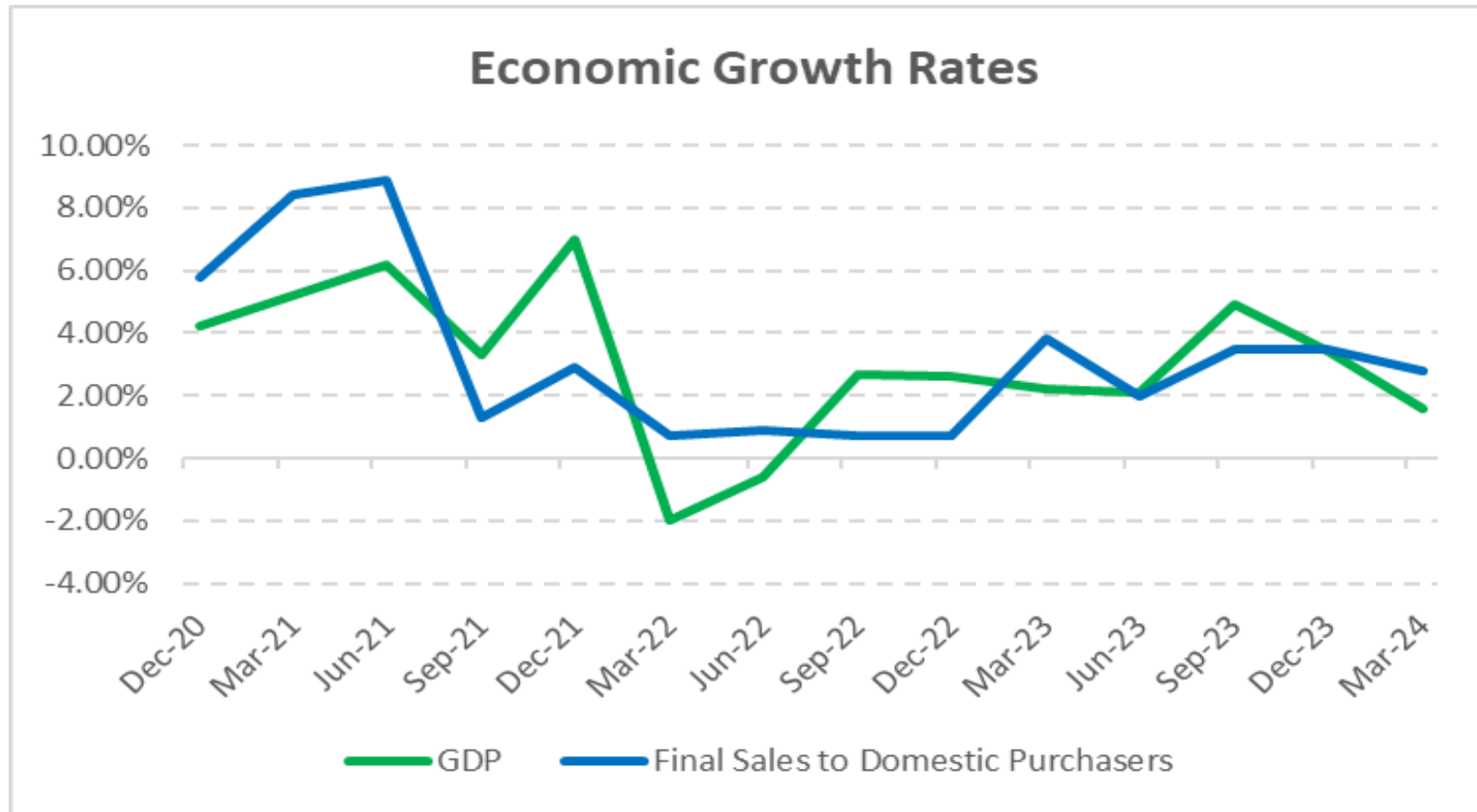
Inverted Curve Tells us a Recession is Near



Source: Bloomberg



For Now, Growth Still Relatively Strong

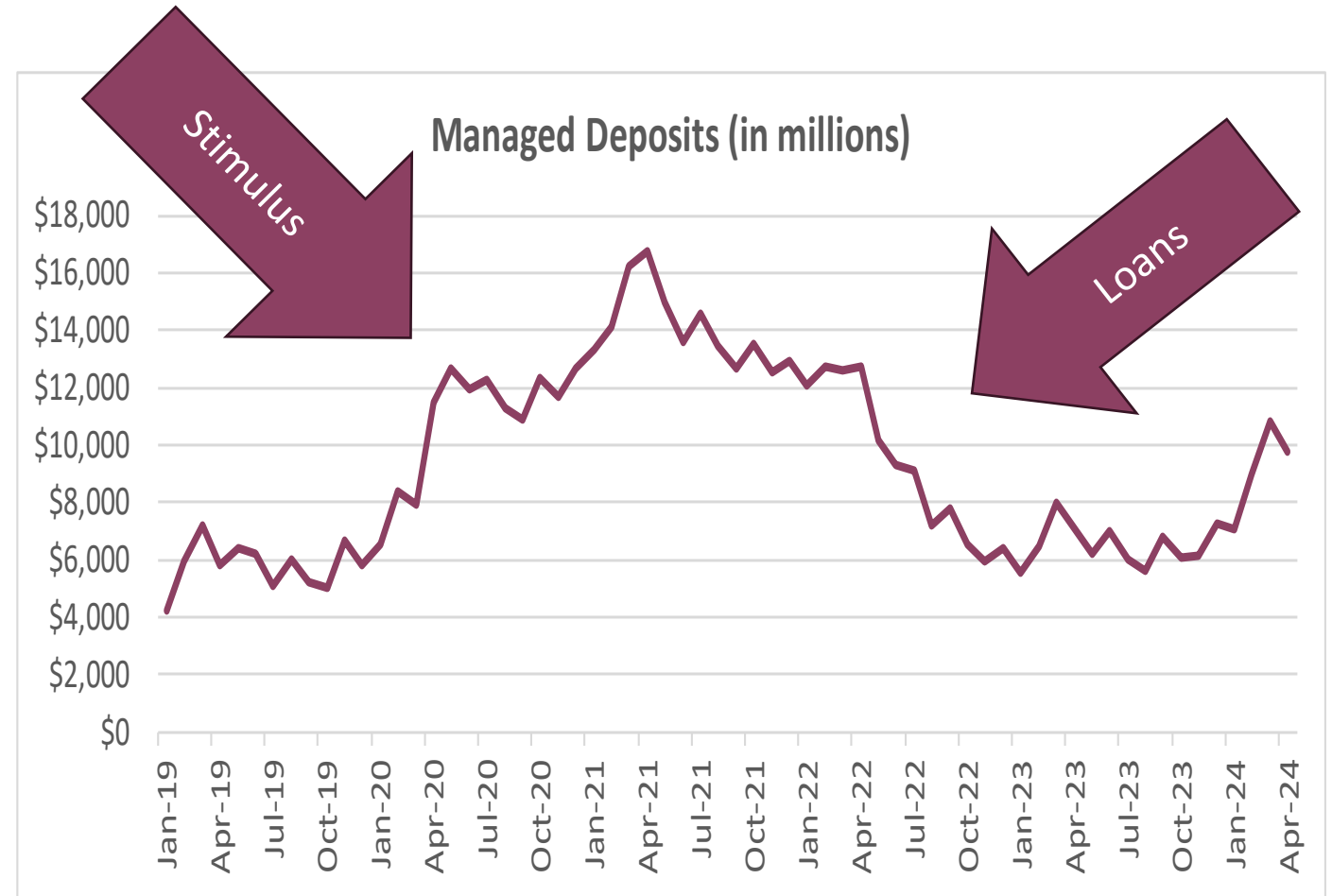


Source: Bloomberg



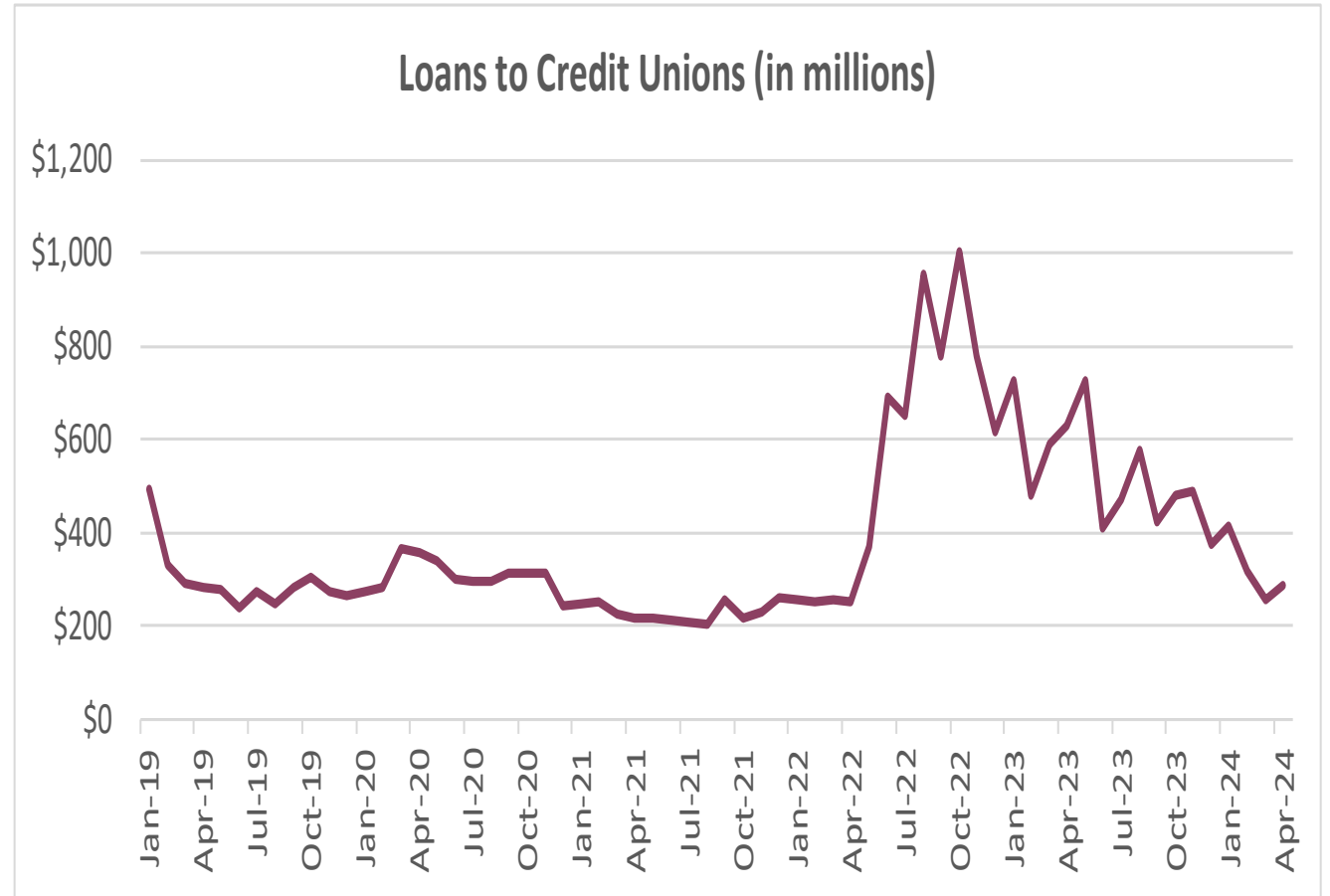
Alloya Balance Sheet Trends - Managed Deposits

- Pandemic stimulus funds flooded into credit unions in 2020/2021
- Credit unions used excess funds to support 3-years worth of loan growth in 2022/2023.
- Alloya's managed deposits went from \$6 billion to \$16 billion and then back down to \$6 billion over 3 short years.



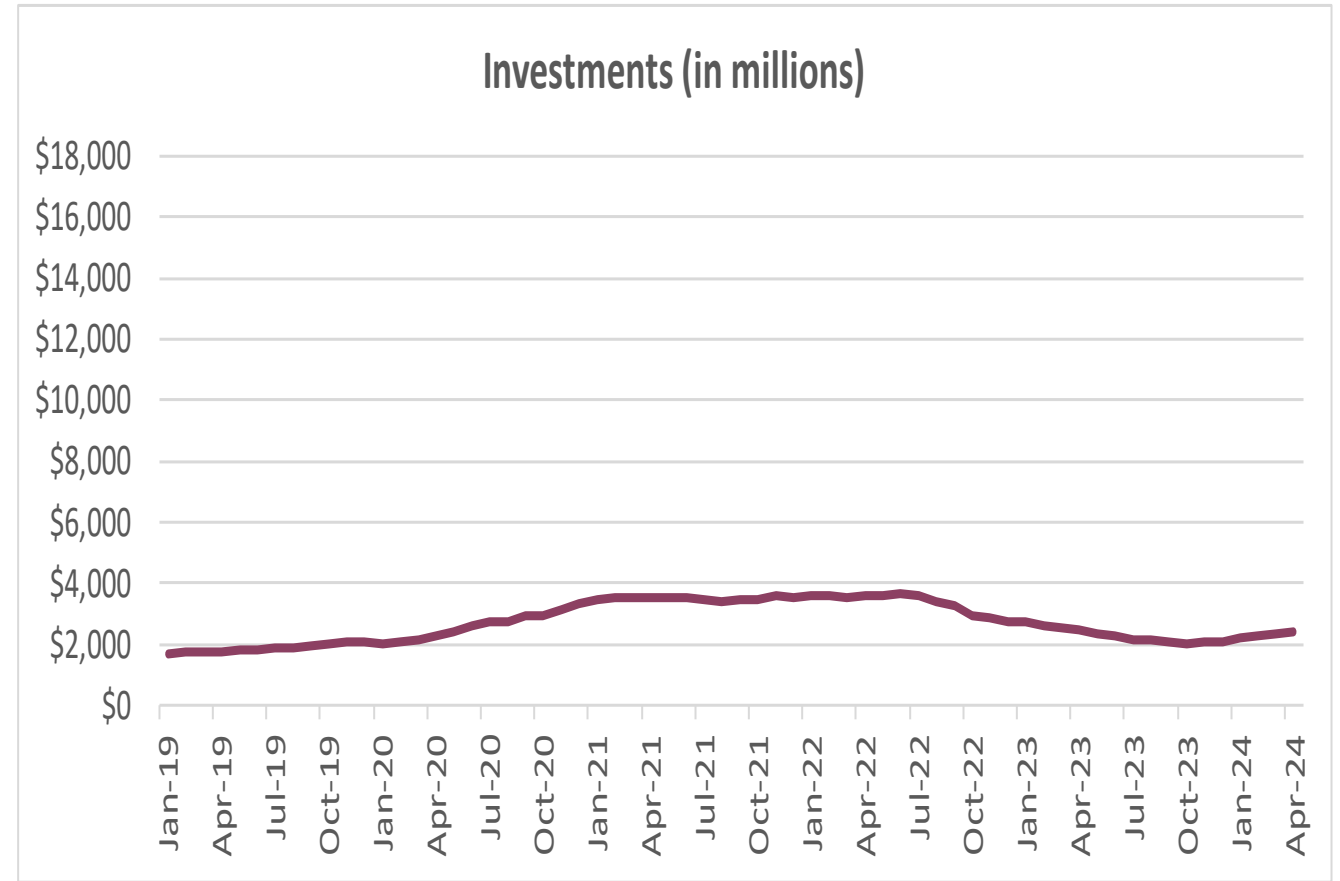
Alloya Balance Sheet Trends - Loans to Credit Unions

- Loans to credit unions that typically average \$200 million, increased to over \$1.0 billion in 2022/2023.
- Over 250 credit unions were accessing their advised lines on a daily basis in 2022/2023.



Alloya Balance Sheet Trends - Investments

- Investments were maintained at “business as usual” levels throughout.
- Throughout the historic cash inflows and cash outflows, Alloya held excess liquidity in cash.



Thank you for your continued support!



Share growth picks up slightly, loan growth slows

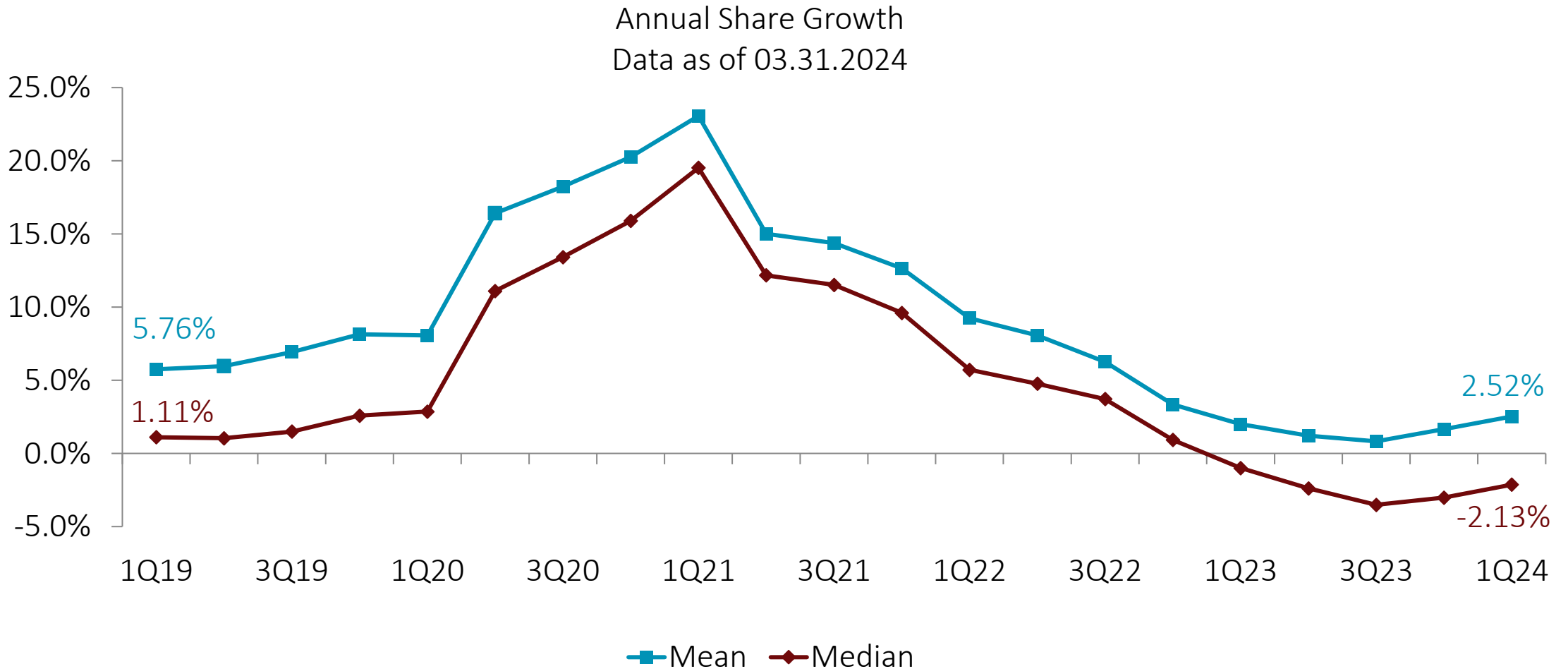
	3/31/2024	12-Mo. Growth	3/31/2023	12-Mo. Growth
Assets	\$2,334.1B	4.5%	\$2,234.0B	4.4%
Loans	\$1,618.5B	4.8%	\$1,544.9B	17.6%
Shares	\$1,957.2B	2.5%	\$1,909.2B	2.0%
Investments (incl. Cash)	\$614.3B	2.7%	\$598.3B	-17.4%
Capital	\$235.4B	8.7%	\$216.5B	3.4%
Members	142.0M	2.9%	138.0M	4.3%

Mean vs. Median Explained

- Mean = “average” credit union (\$ amount/# of credit unions)
- Industry averages are dominated by larger credit unions’ performance
 - 21 largest CUs (over \$10B in assets) hold **>25% of industry assets**
 - The mean credit union in the country has **~\$505M** in assets
- Median = “middle” credit union performance for each metric
- This is not always an accurate picture of performance for many CUs
 - There are just over **4,600 active charters** today
 - The median credit union in the country has **~\$58M** in assets

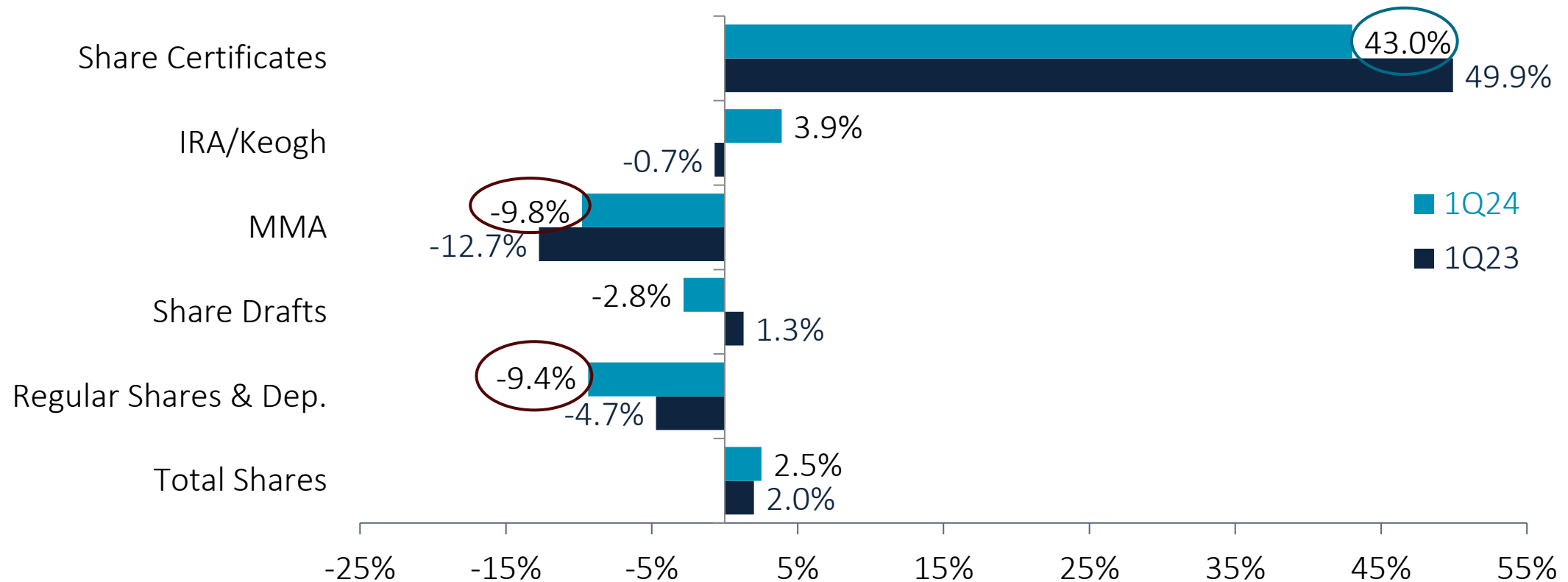
Shares

With greater liquidity needs, larger credit unions outpace the median in share growth

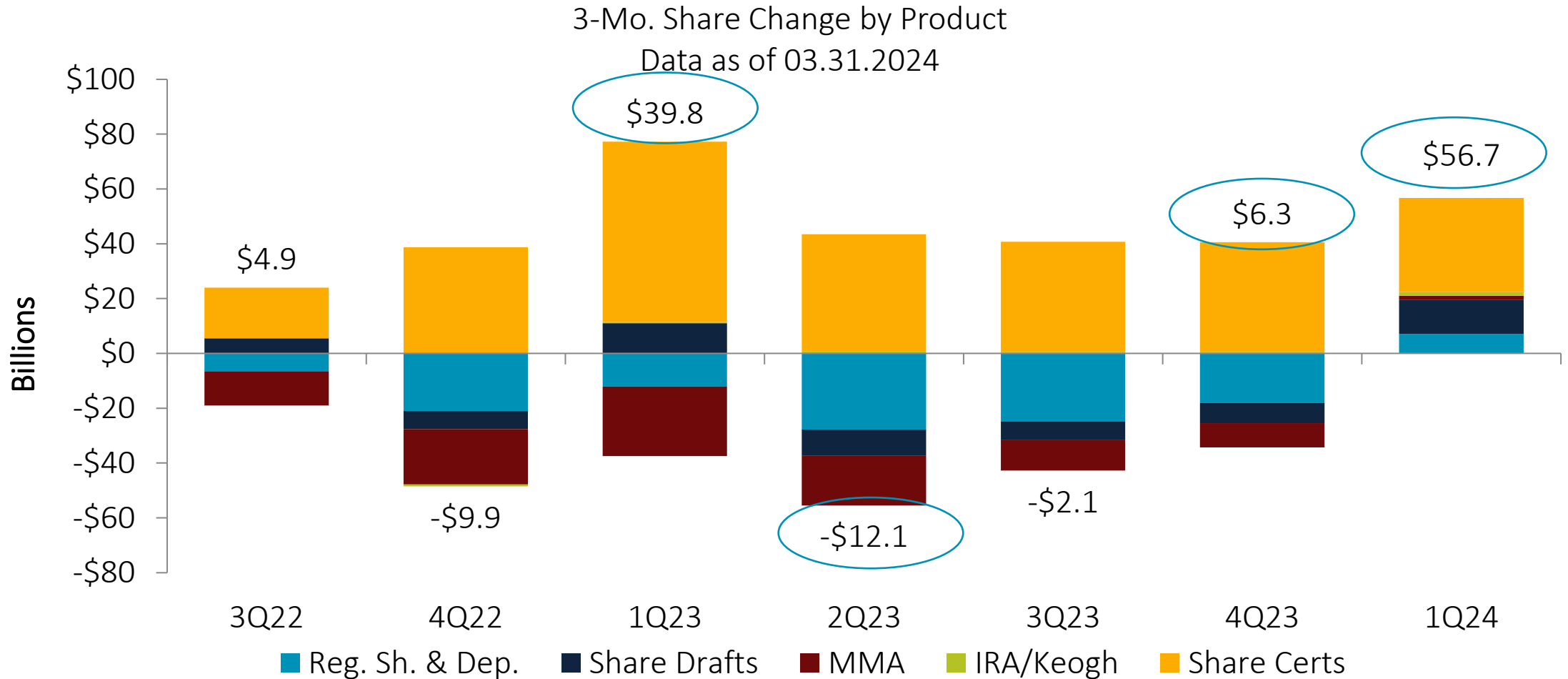


Certificates are driving credit union share growth as members are drawn to higher rates

12-Mo. Growth in Shares Segments
Data as of 03.31.2024

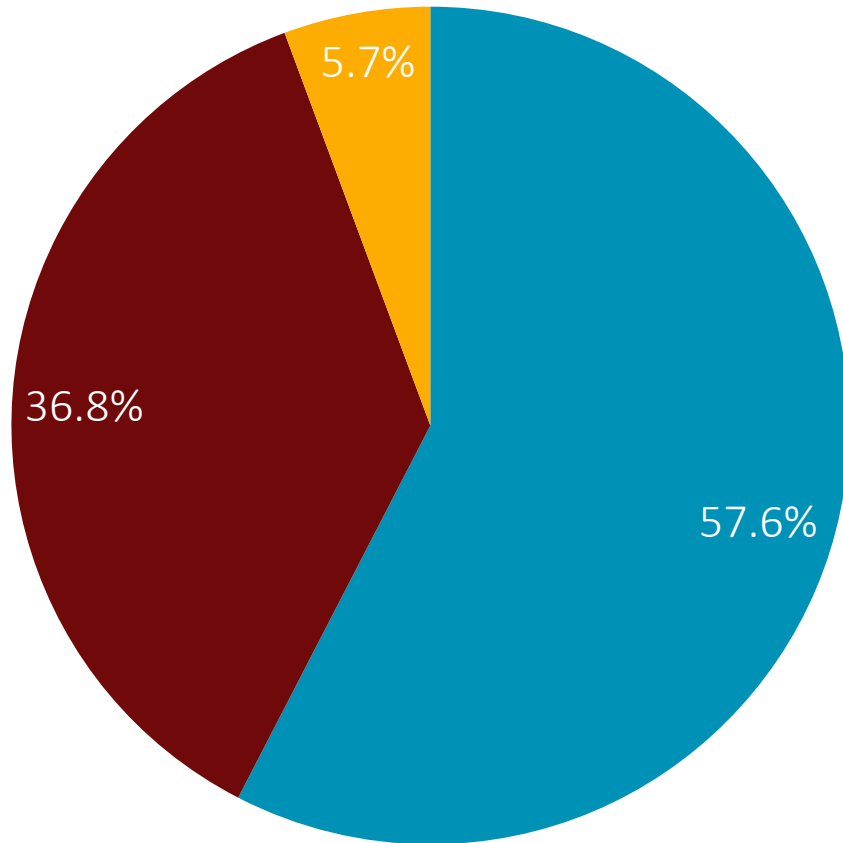


Balances in all share categories increase in first quarter 2024

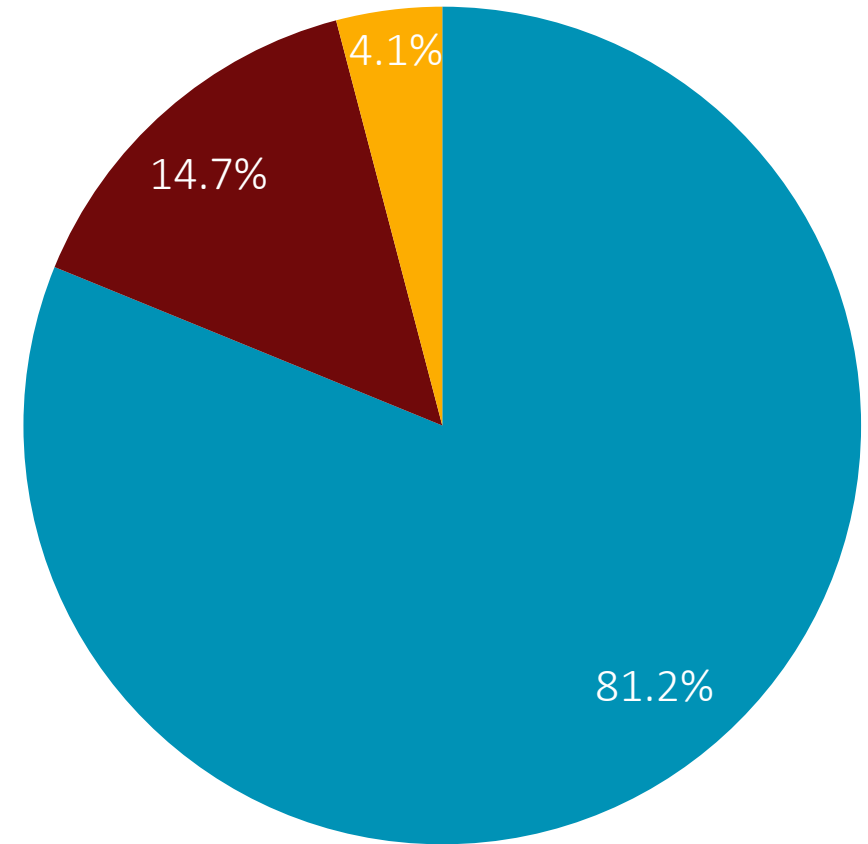


Short term certificates make up 81% of certificate balances

Share Certificate Maturity
Data as of 03.31.2023



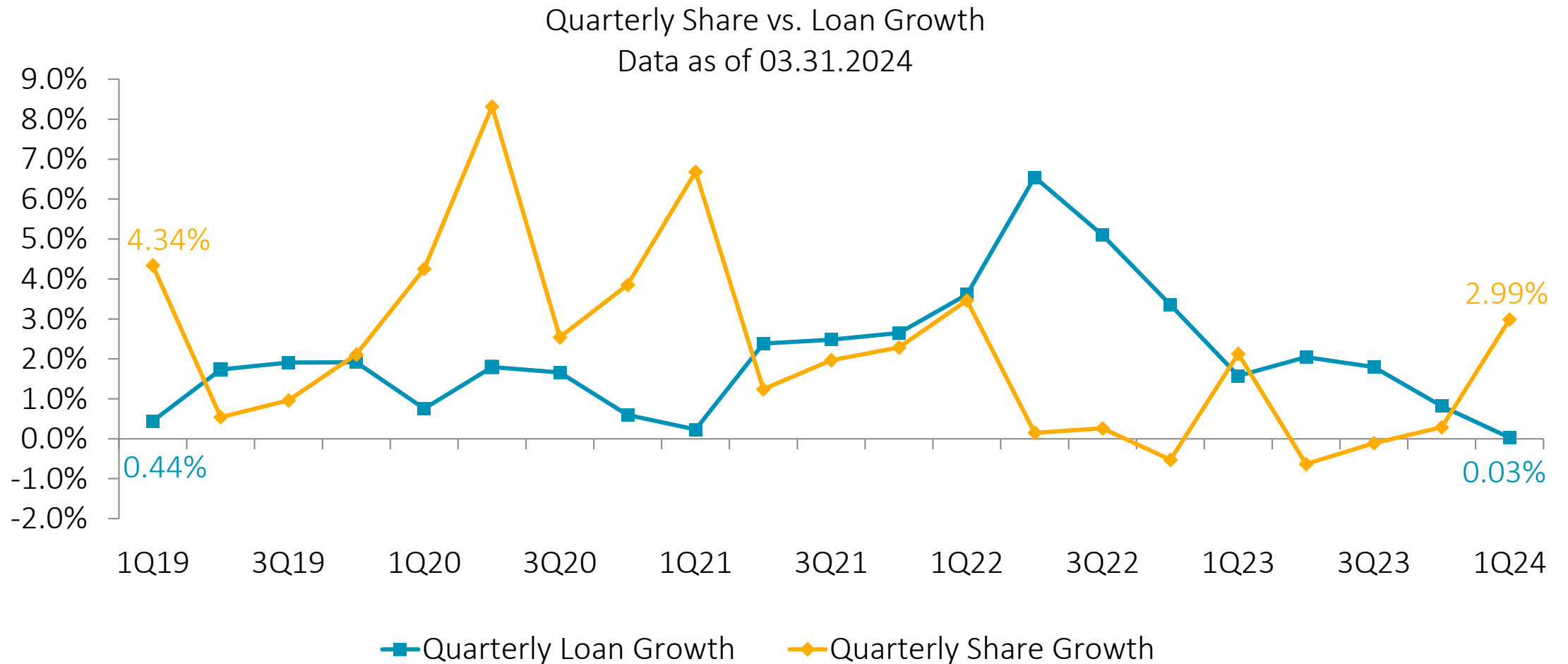
Share Certificate Maturity
Data as of 03.31.2024



- < 1 Year
- 1-3 Years
- > 3 Years

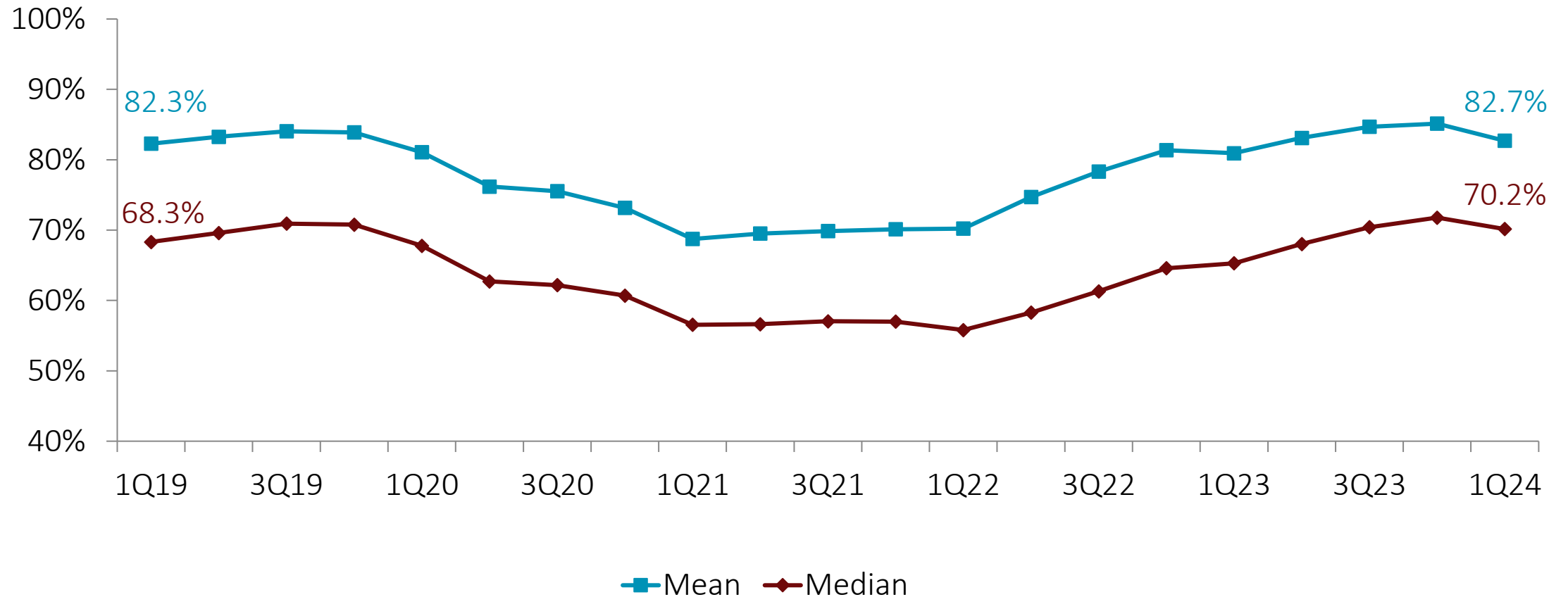
Liquidity

Quarterly share growth exceeds quarterly loan growth in 1Q24



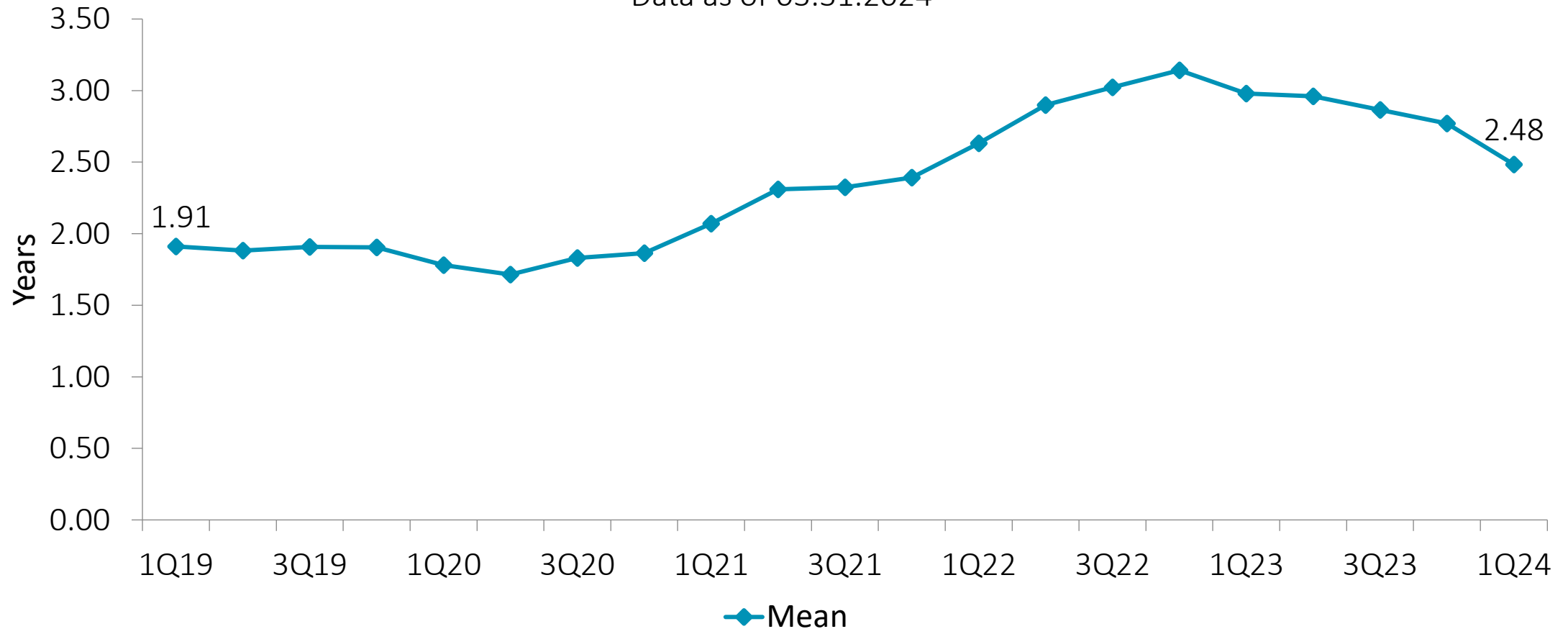
Loan to share ratio dips slightly in first quarter across credit unions

Loan-to-Share Ratio
Data as of 03.31.2024

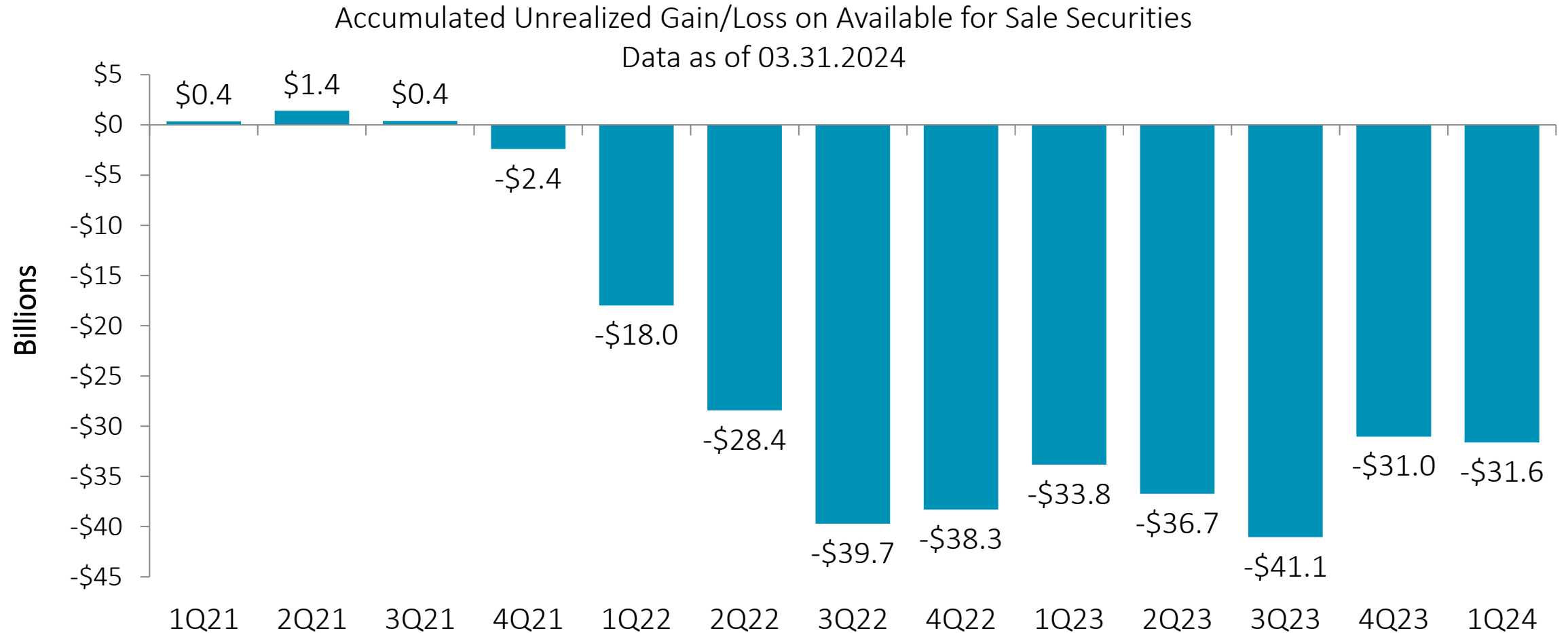


Average life of CU investment portfolio continues to shorten

Weighted Avg Life of Investment Portfolio (incl. Cash)
Data as of 03.31.2024

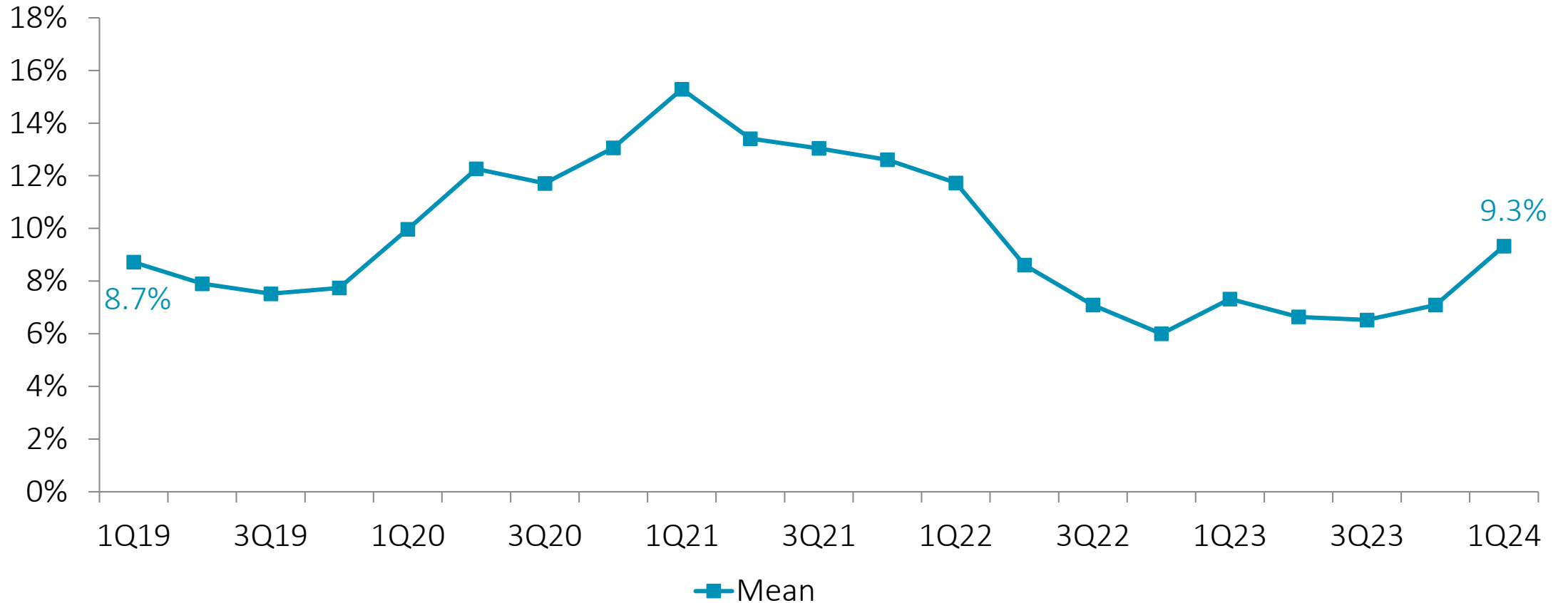


Unrealized losses constrain investment portfolios in larger CUs



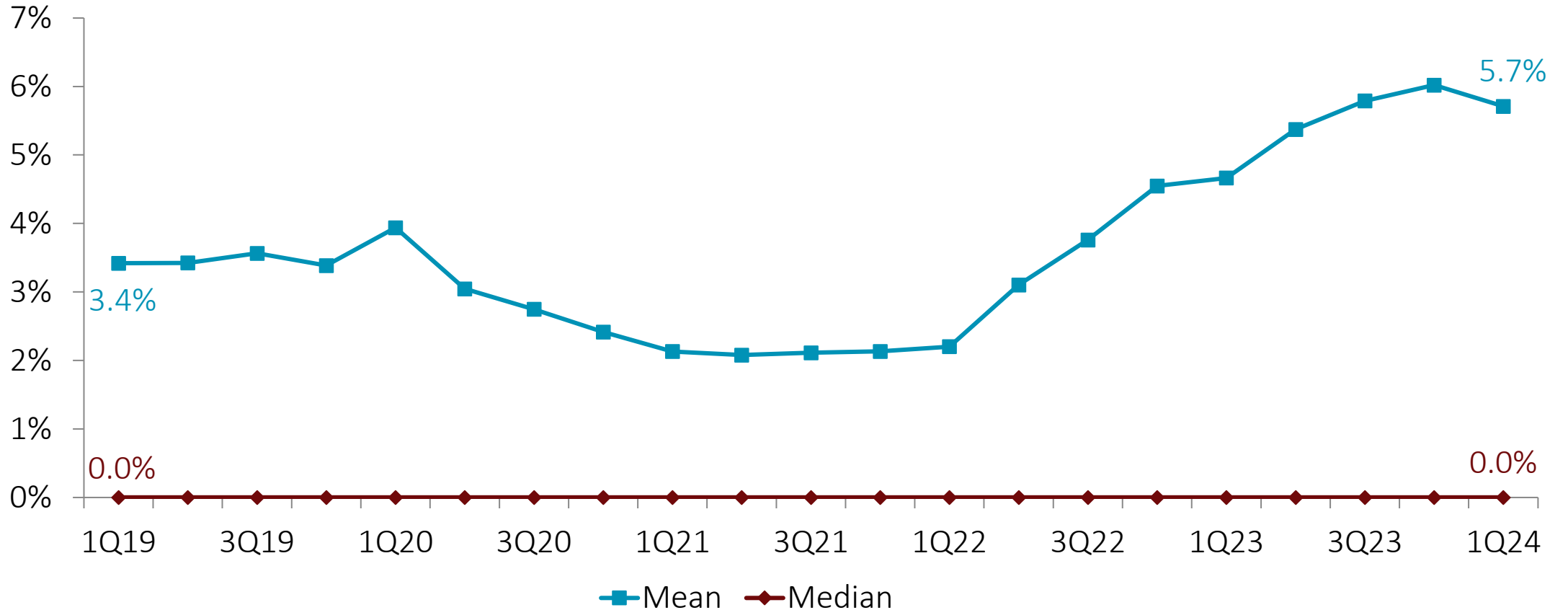
New shares and maturing investments provide cash...

Cash Balances and % of Assets
Data as of 03.31.2024

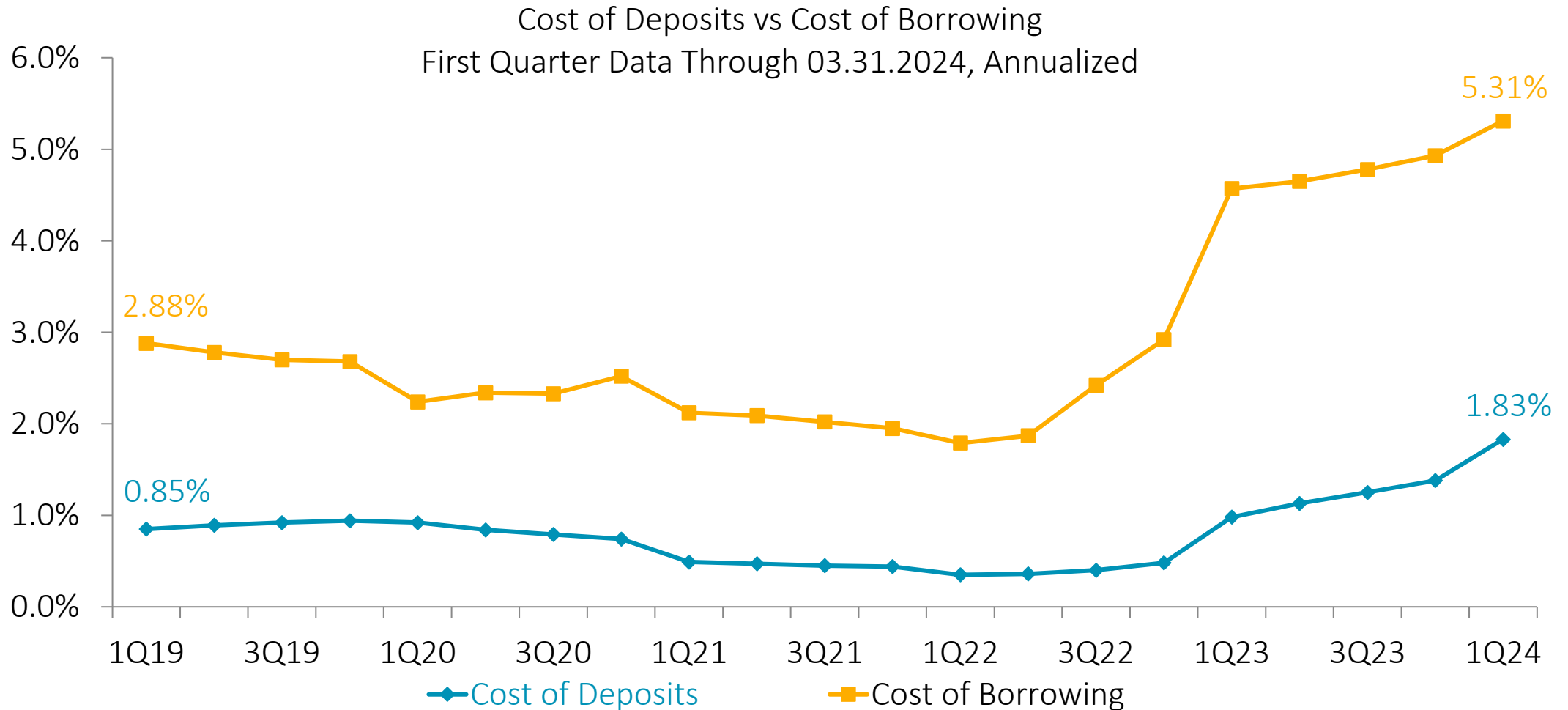


... and credit unions reduce borrowings in the first quarter

Borrowings to Assets
Data as of 03.31.2024



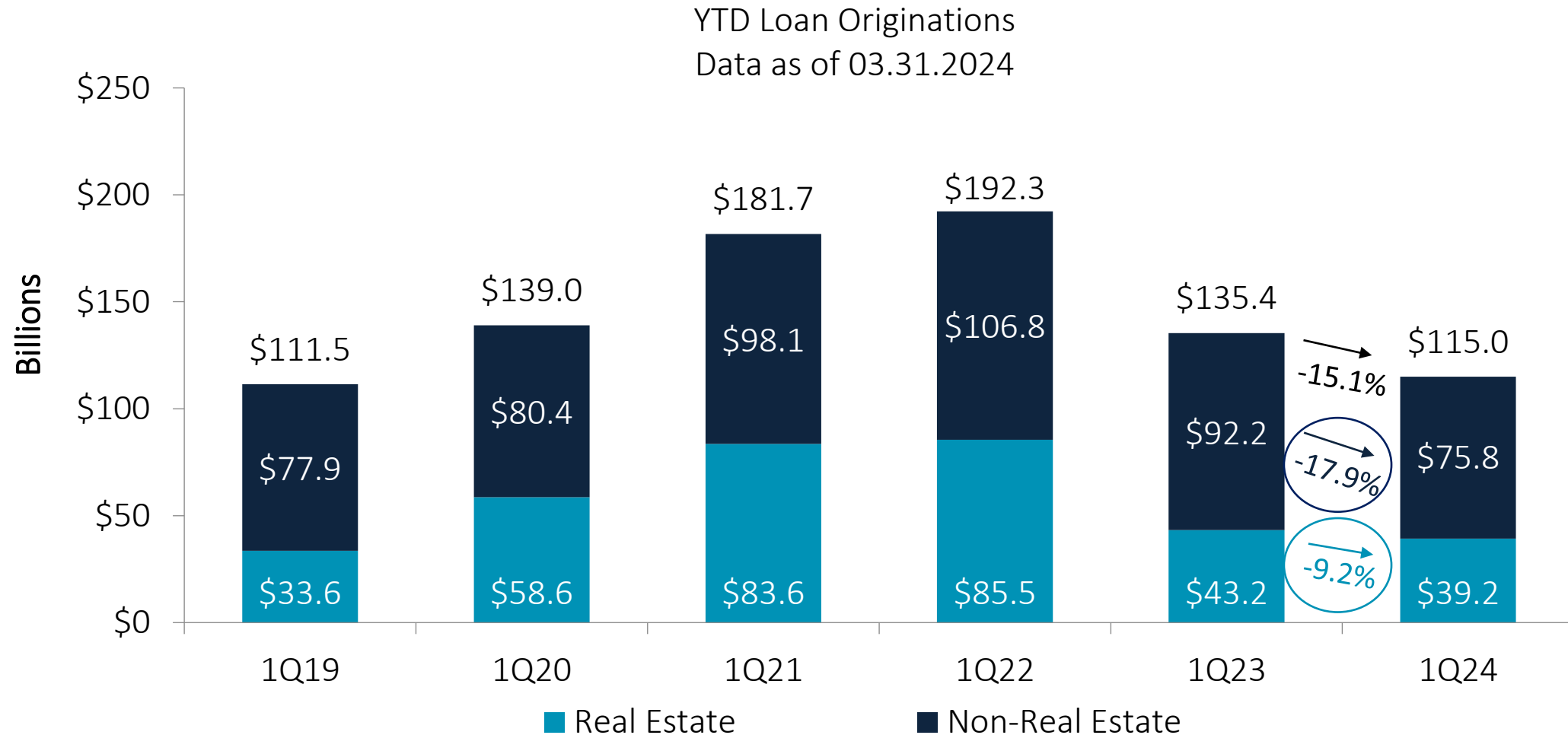
Both borrowing and deposit costs are rising



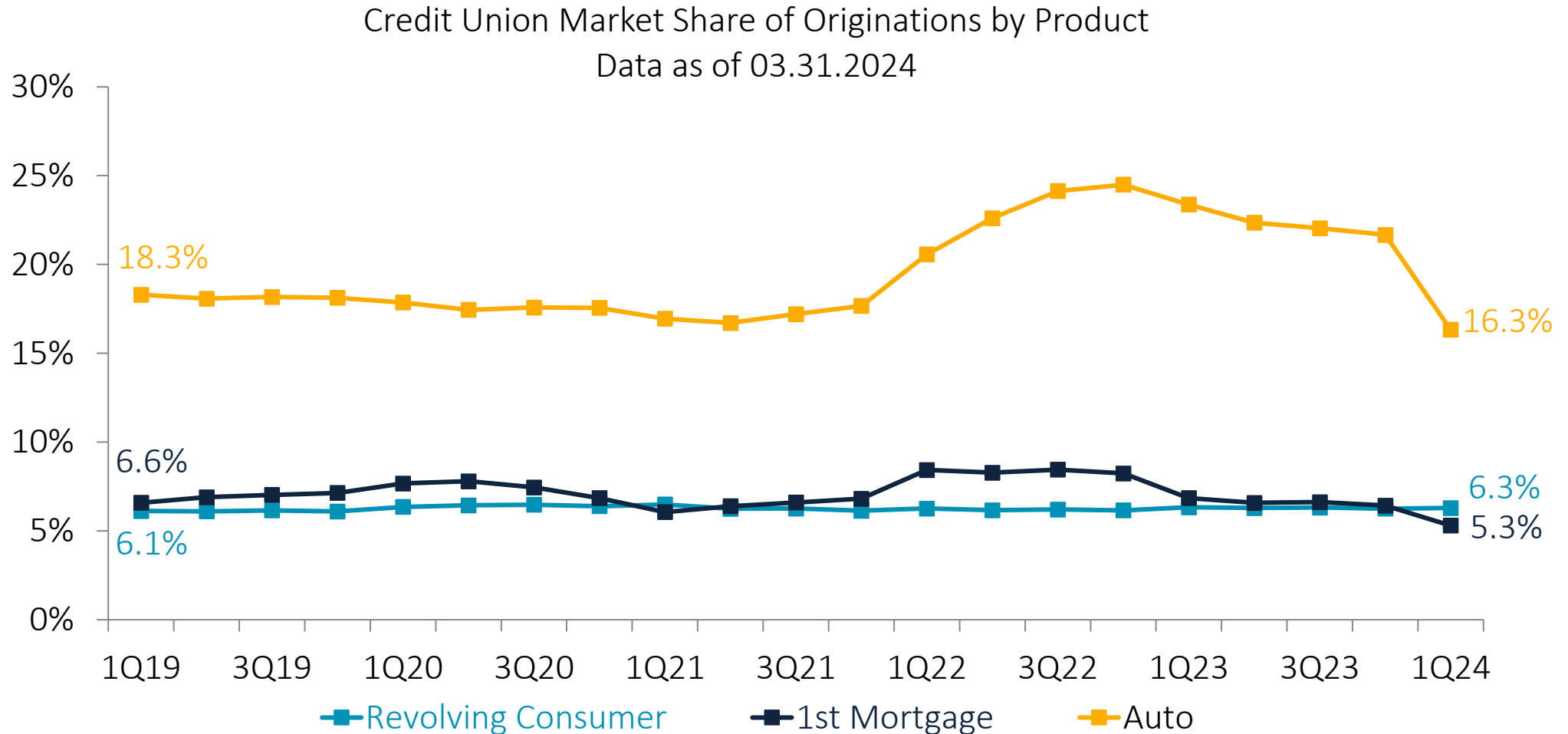


Lending

Credit union loan originations decline 15% from the first quarter of 2023

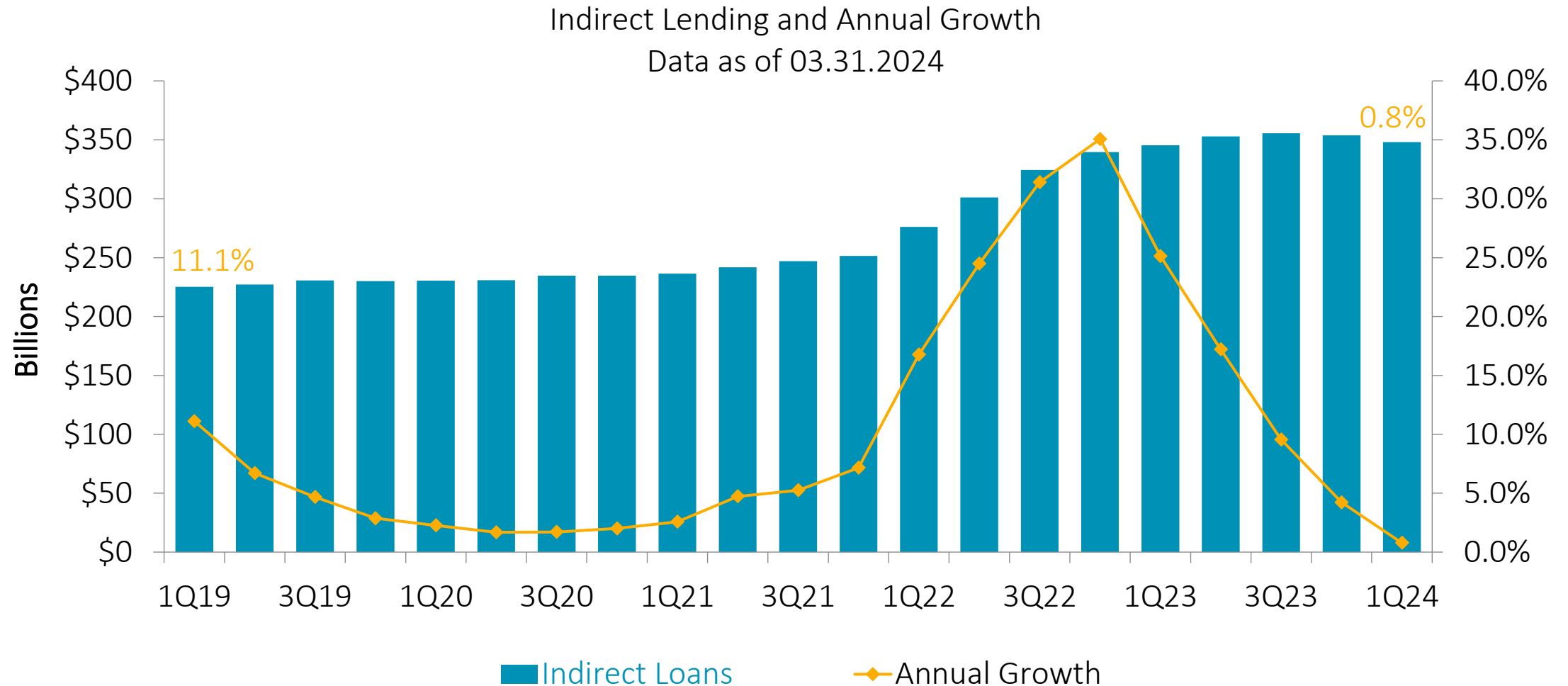


Credit unions' share of auto and mortgage loans fall in 1Q24



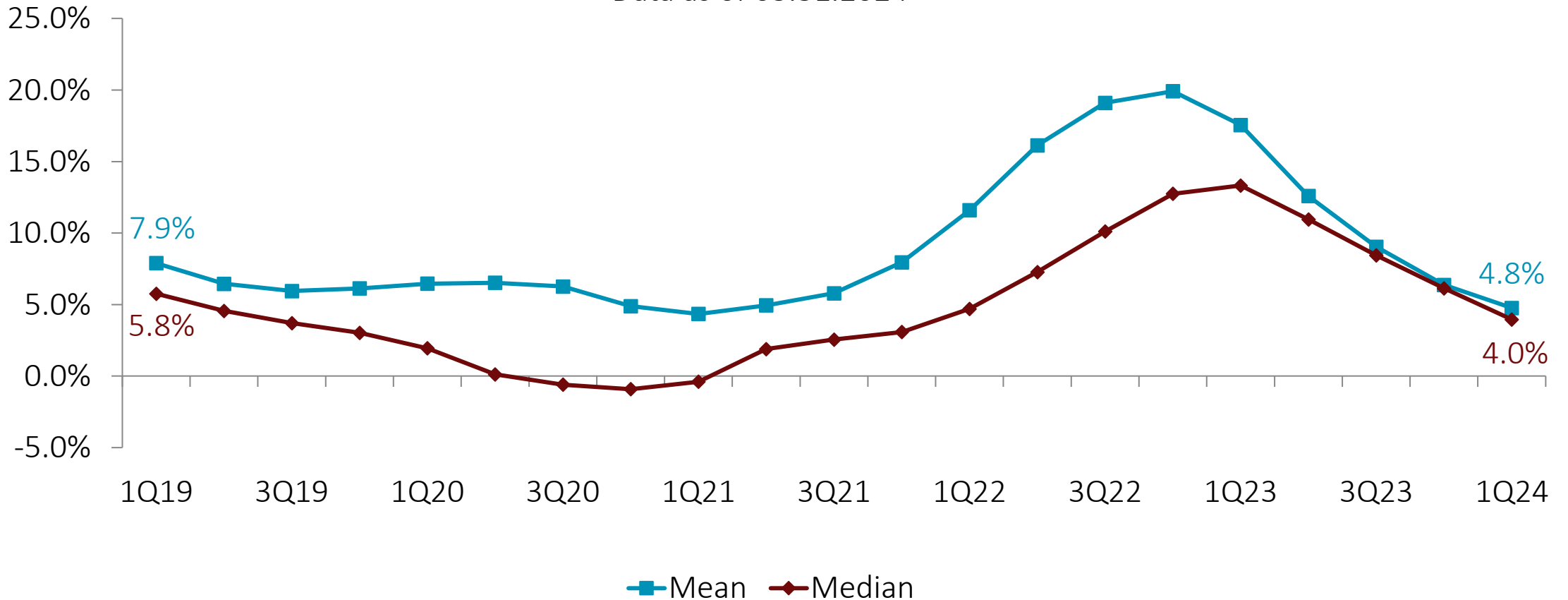
Source: The Federal Reserve, Mortgage Bankers Association, Experian

Indirect lending continues to slow



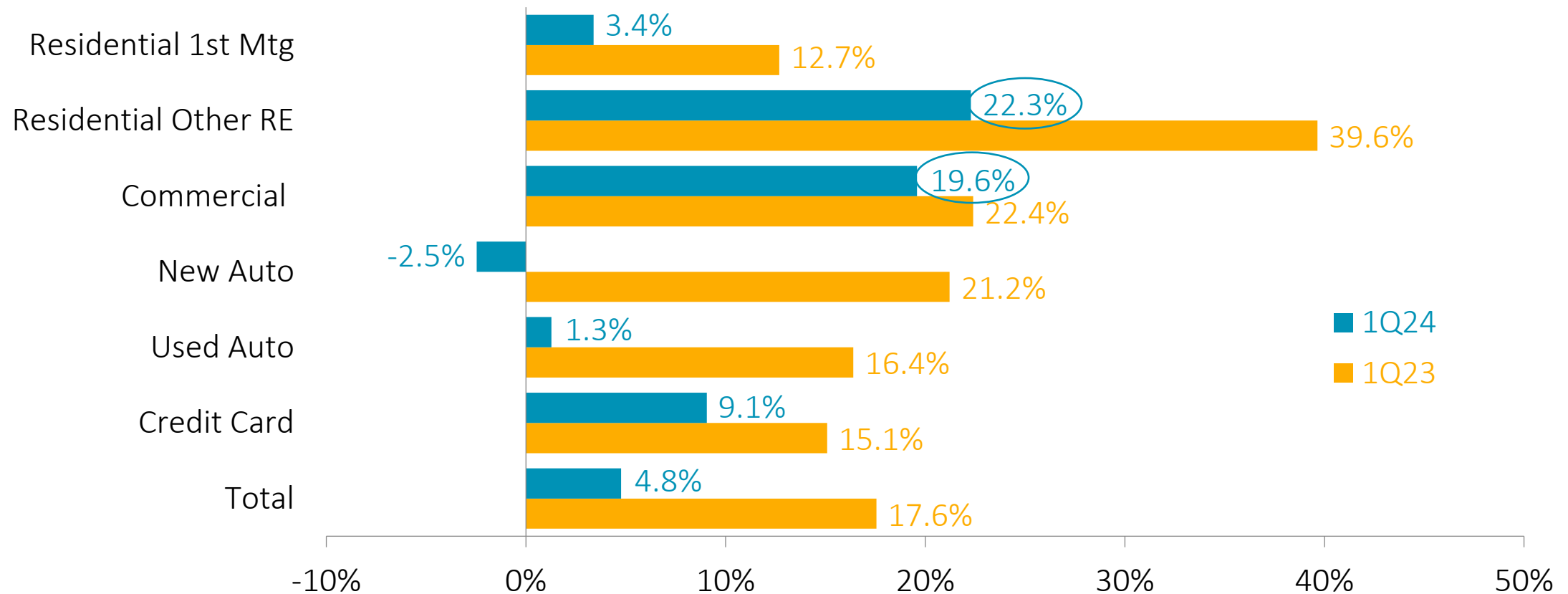
Both large and small credit unions are growing loans at a similar pace

Loan Growth
Data as of 03.31.2024

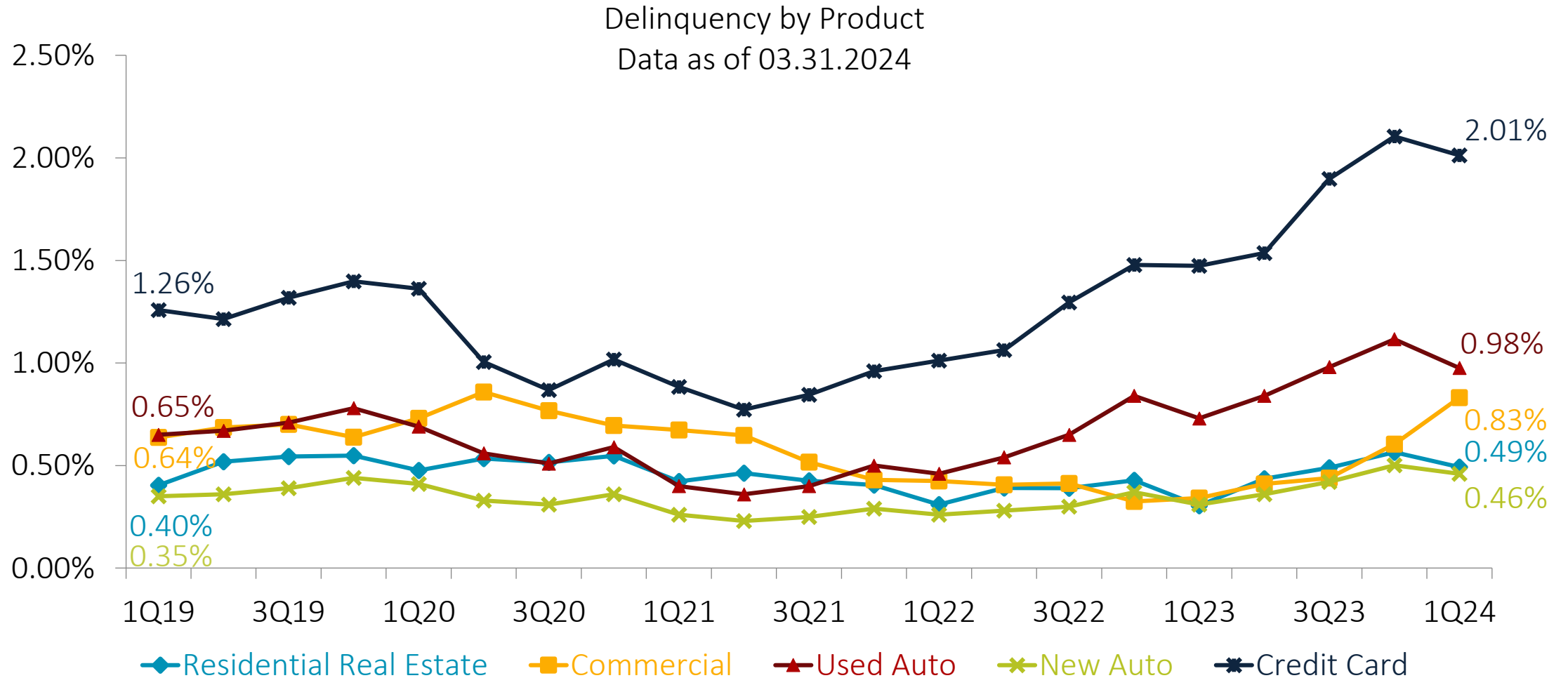


Growth slows across the loan portfolio but HELOCs and commercial balances are growing at a double-digit pace

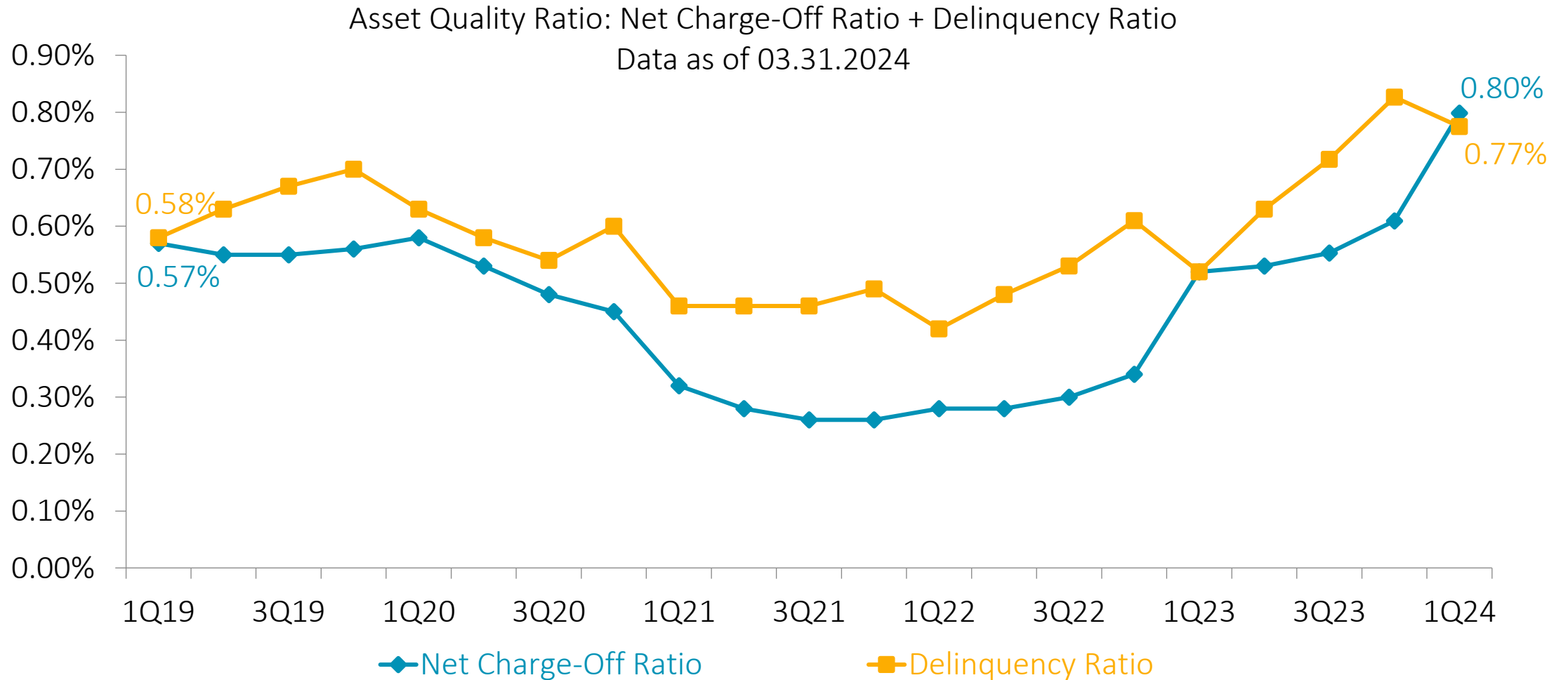
Annual Growth in Loans Outstanding
Data as of 03.31.2024



Except for commercial loans, delinquency improved across the board

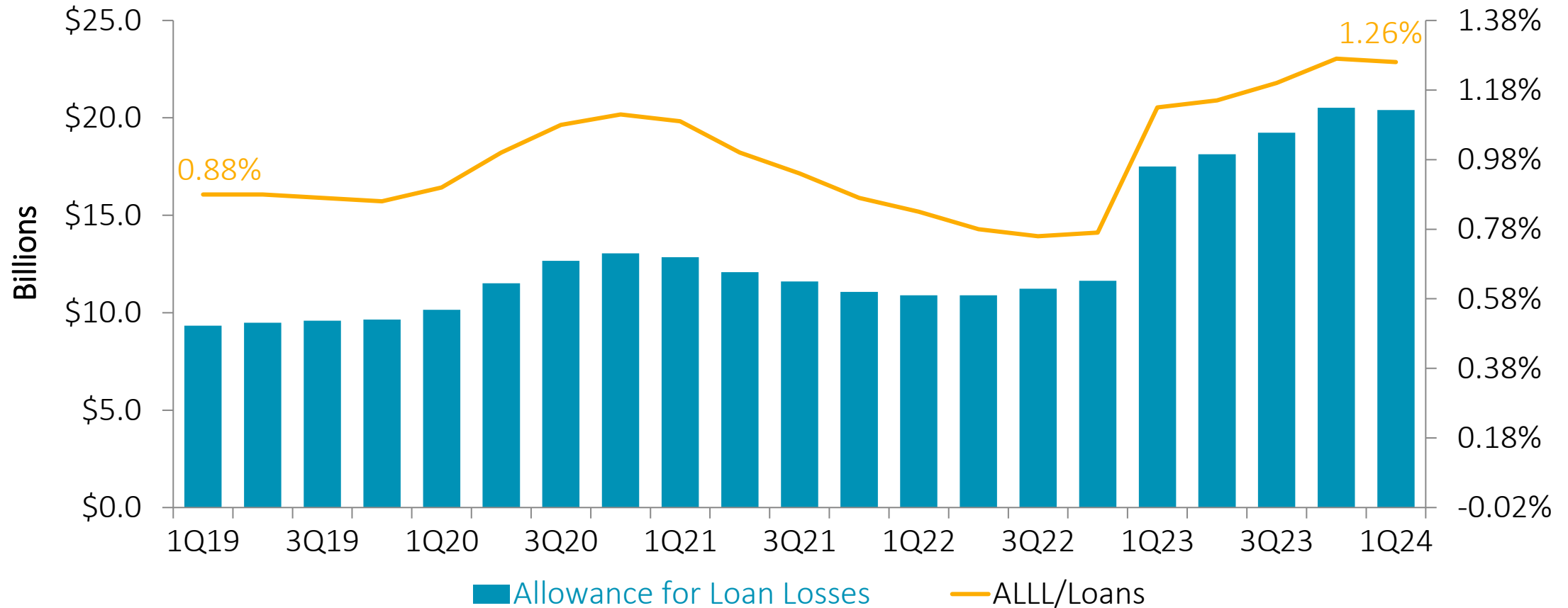


Net charge-offs jump in the first quarter

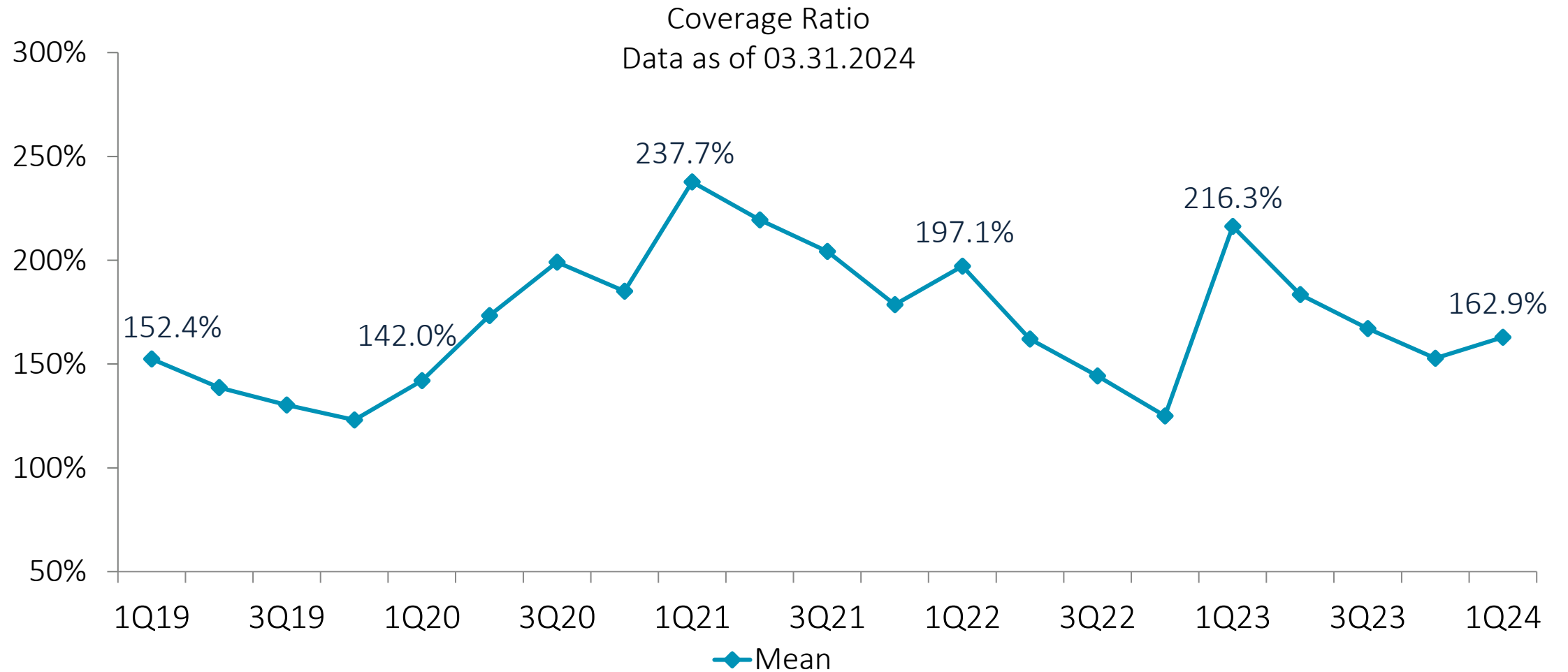


CECL's impact is seen in higher allowance for loan losses

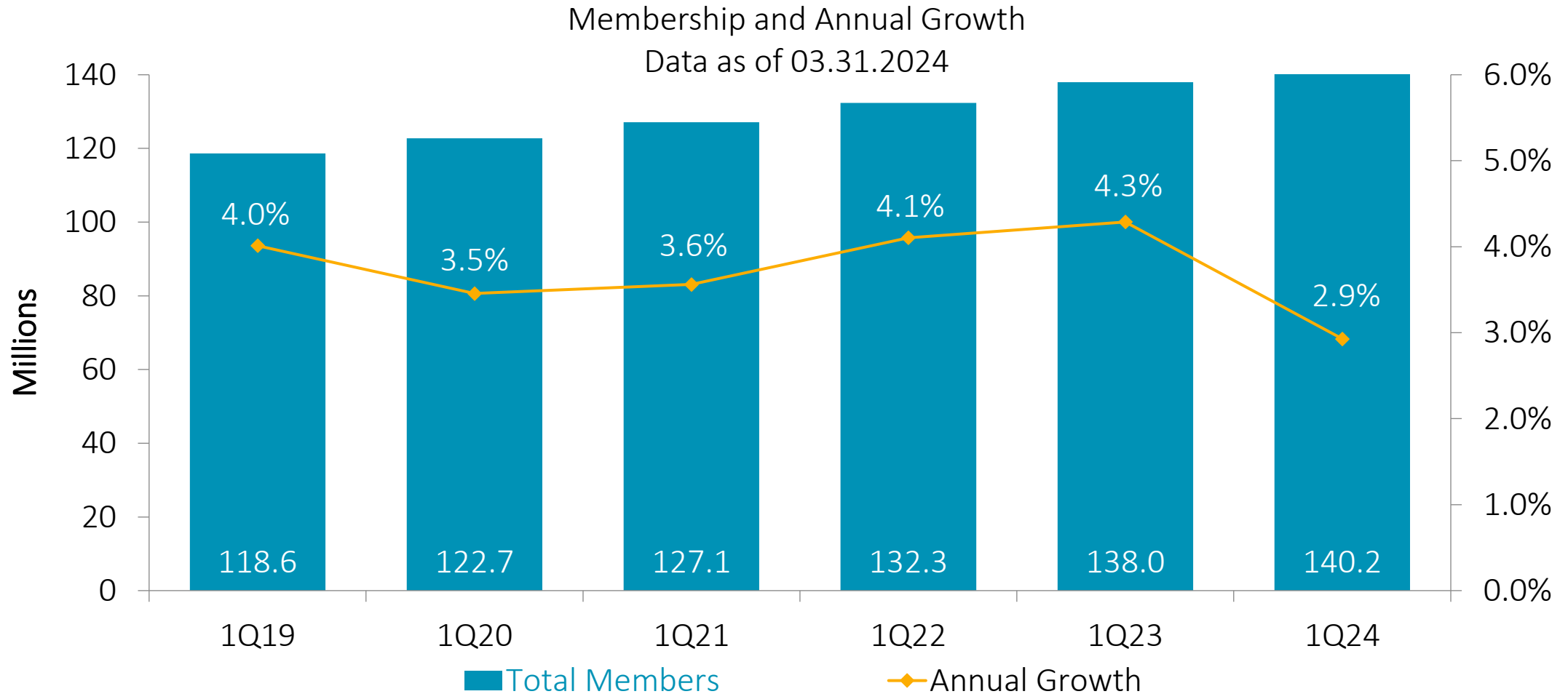
Allowance for Loan Losses and % of Total Loans
Data as of 03.31.2024



Credit union coverage ratio remains strong



Members joined at slowest pace since 2015





LEANING IN TO OUR COMMUNITY
PREMIER AMERICA CREDIT UNION

14 MAY 2024

PREMIER AMERICA CREDIT UNION OVERVIEW

- Headquartered in Chatsworth, CA
- Los Angeles / Ventura counties, CA & Harris County, TX
- \$3.5 Billion, 112K members, 22 branches
- Full-service, Insurance Services, Wealth Management, Premier America Foundation, 501(c)(3) non-profit



**Making it easier to meet today's needs
and reach tomorrow's dreams**

LOS ANGELES COUNTY OVERVIEW



Total Population: 10,004,009



Total Housing Units: 3,591,981



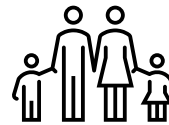
Median HH Income: \$82,516



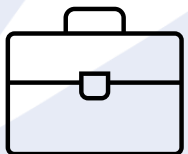
13.1% Live in Poverty (SFV, CCD), including
16.5% of those under 18



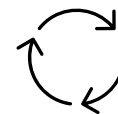
Bachelor's Degree+: 35.6%



Total Households: 3,415,726



Employment Rate: 61.2%

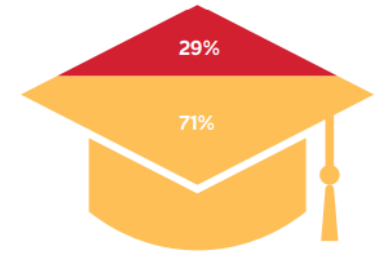


Hispanic / Latino: 4,804,763 (47.98%)
African American/Black: 794,364 (7.93%)
Multi-racial: 1,488,068 (14.86%)

CSU NORTHRIDGE INTRODUCTION



Generation Status



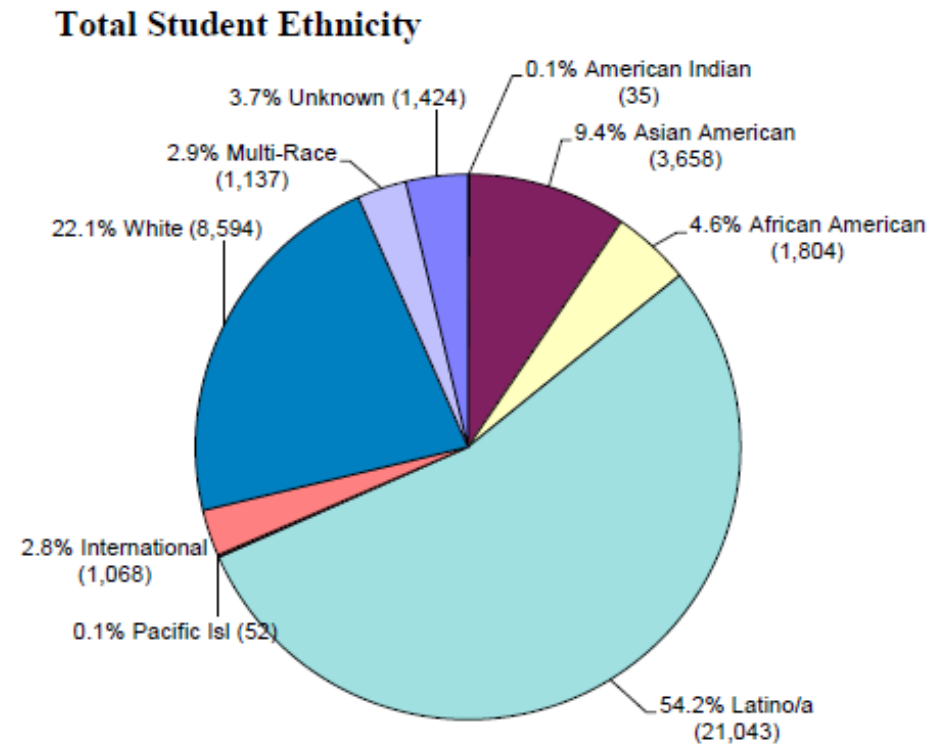
Continuing Generation - 11,331
First Generation - 27,484



CALIFORNIA STATE UNIVERSITY, NORTHRIDGE

CLEAR ALIGNMENT

- Second largest public master's university in the nation
- 71% of students are first-gen college students
- Second largest master's level international student population
- Enrollment
 - Students: **38,815**
 - Avg. Age – All Students – 23.6 (UG22.7/G30.4)
 - Faculty & Staff: **3,933**
 - **150,000** local Alumni
- Aligns with our mission of serving a diverse & inclusive community

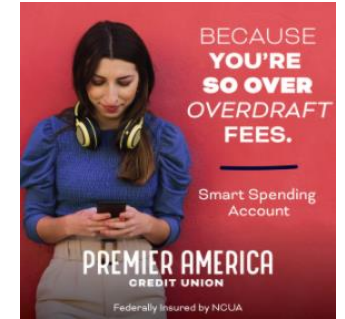


LOOKING TO THE FUTURE PATH TO SERVICE

- Campus presence
- Low to no fees, high value
- Serving International Students & DREAM Center
- Inclusive lending solutions
- Enhance financial wellness



SMART SPENDING ACCOUNT OVERVIEW



Safe and affordable checking & savings bundle, that does social good.

\$0

Opening Deposit Amount
Monthly Service Fee
Minimum Balance Requirement
Overdraft, NSF, and No Deposit Fees
Out-of-network ATM fees

Free

OOPS Protection
OD account transfers, Debit Card, Online Banking, Telephone Banking, Deposits, e-Statements, and Bill Pay, Debit Card & Fraud Protection Alerts

America savings account.

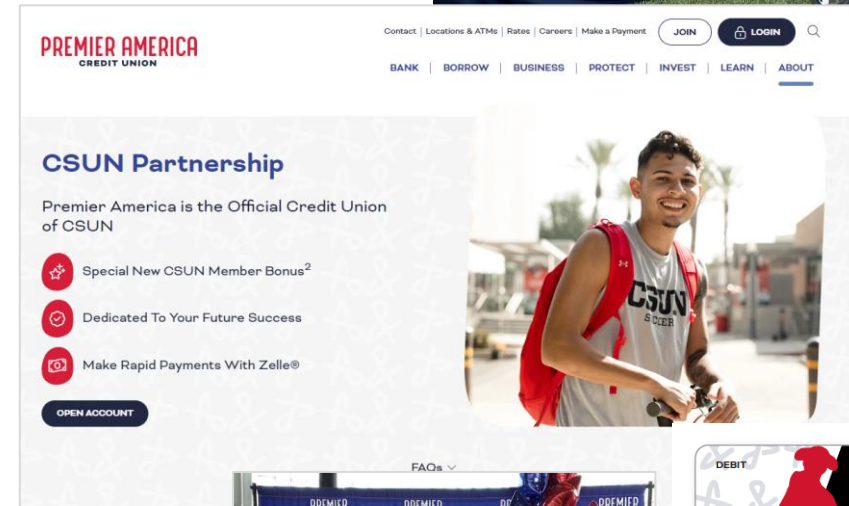
A portion of every debit card purchase goes to help local students and fight hunger in your community!

PARTNERSHIP HIGHLIGHTS

BUILDING CONNECTIONS

- On campus branch, arena & ATM
- Cobranded debit & credit cards
- Branded online account opening & microsite
- Campus partnerships & integration
- ID requirements
- ITIN lending

Third busiest branch for membership growth from 1/1/23 – 3/31/24



PREMIER AMERICA CREDIT UNION

COMMUNITY HIGHLIGHTS

FINANCIAL WELL-BEING

- Addition of Financial Education & Inclusion Officer
- Layered learning, with events in English & Spanish
- Integration in University 100 and 400 level classes
- Faculty, staff, housing
- Partnered with local schools & community groups
- Pilot program with the Juvenile Justice System in Oxnard



WHAT'S NEXT SERVING OUR COMMUNITY

Financial Wellness

Launch new resources;
Expand partnerships;
Measure improvement



DEI & Inclusive Products

Continued evolution in
deposit & lending
products, underwriting
standards, advocacy



Community Impact

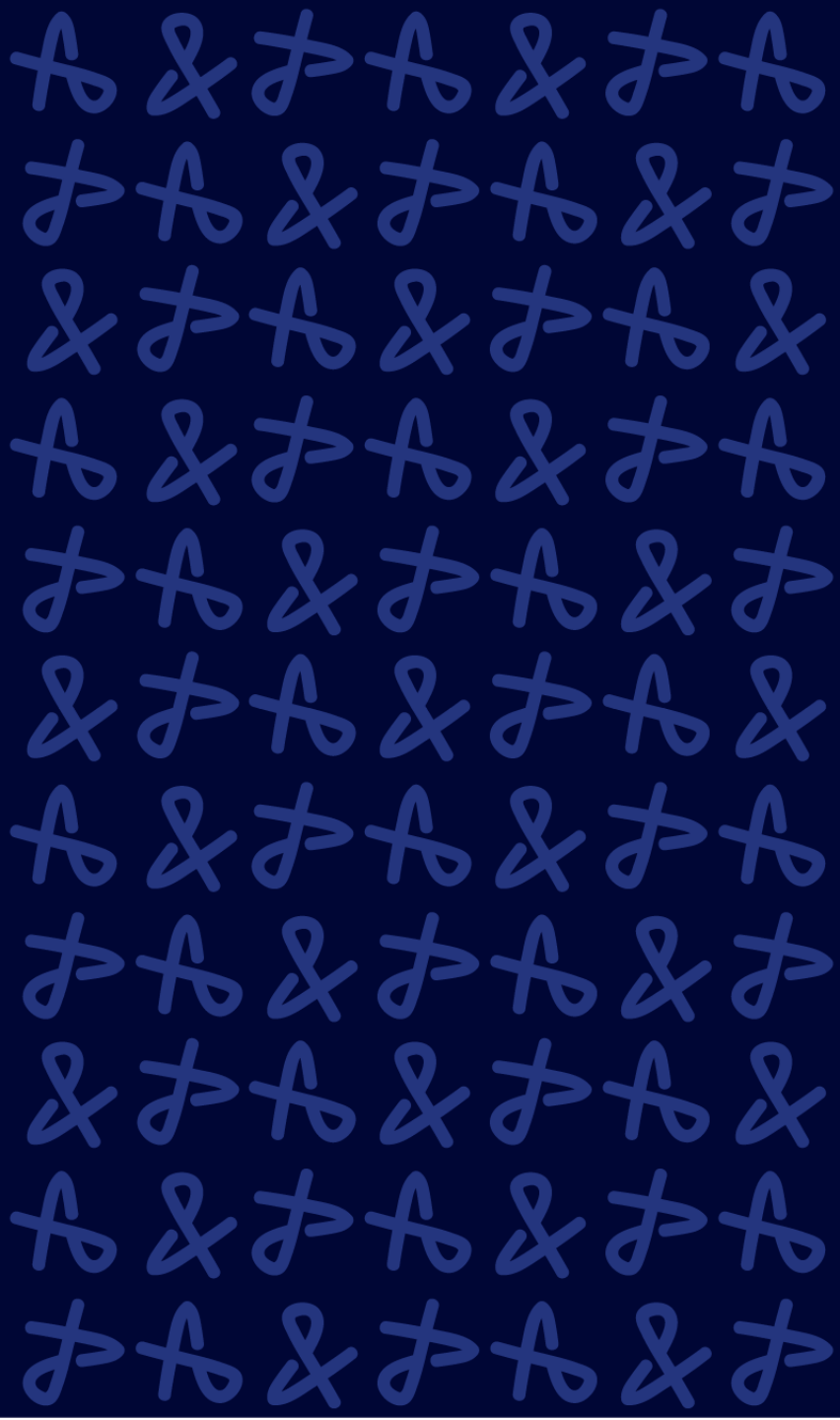
Expand our Foundation,
impact projects, community
engagement & giving back



Innovation

Invest in technology,
Remain efficient, increase
value, drive growth





QUESTIONS?
THANK YOU

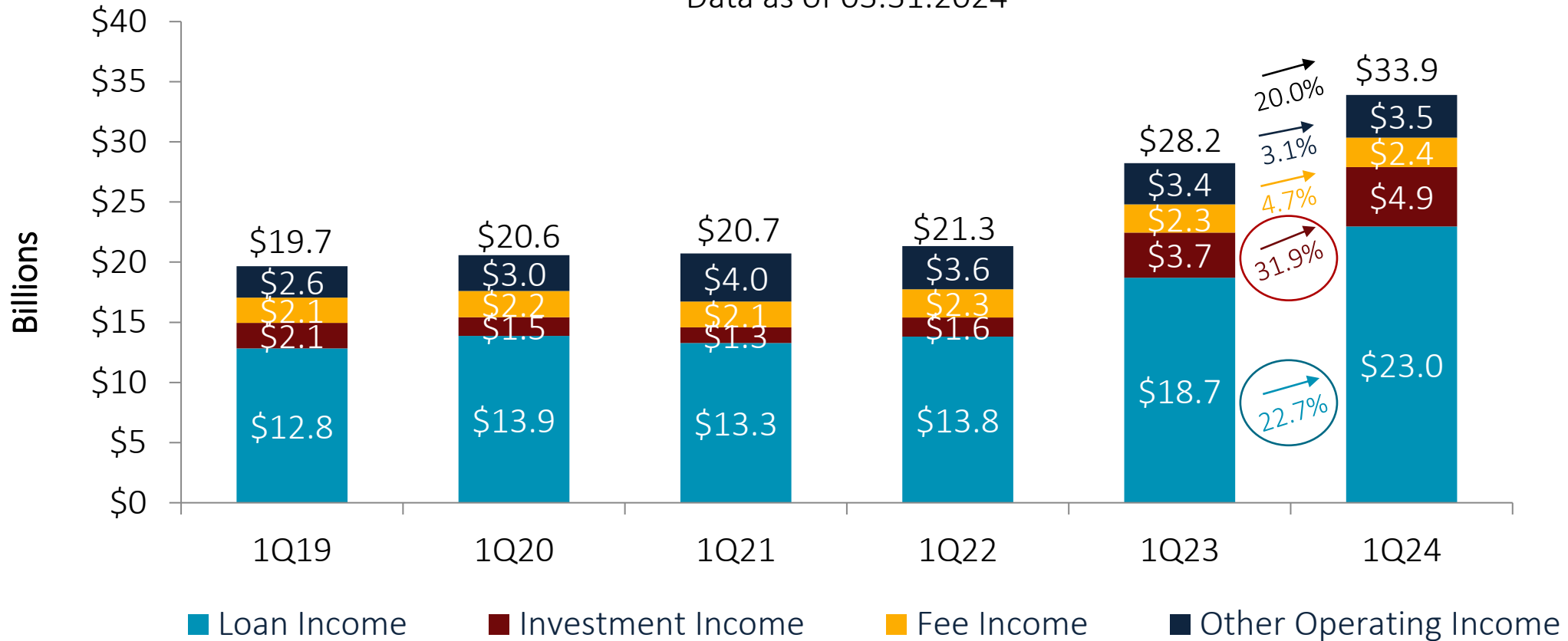


Earnings & Capital

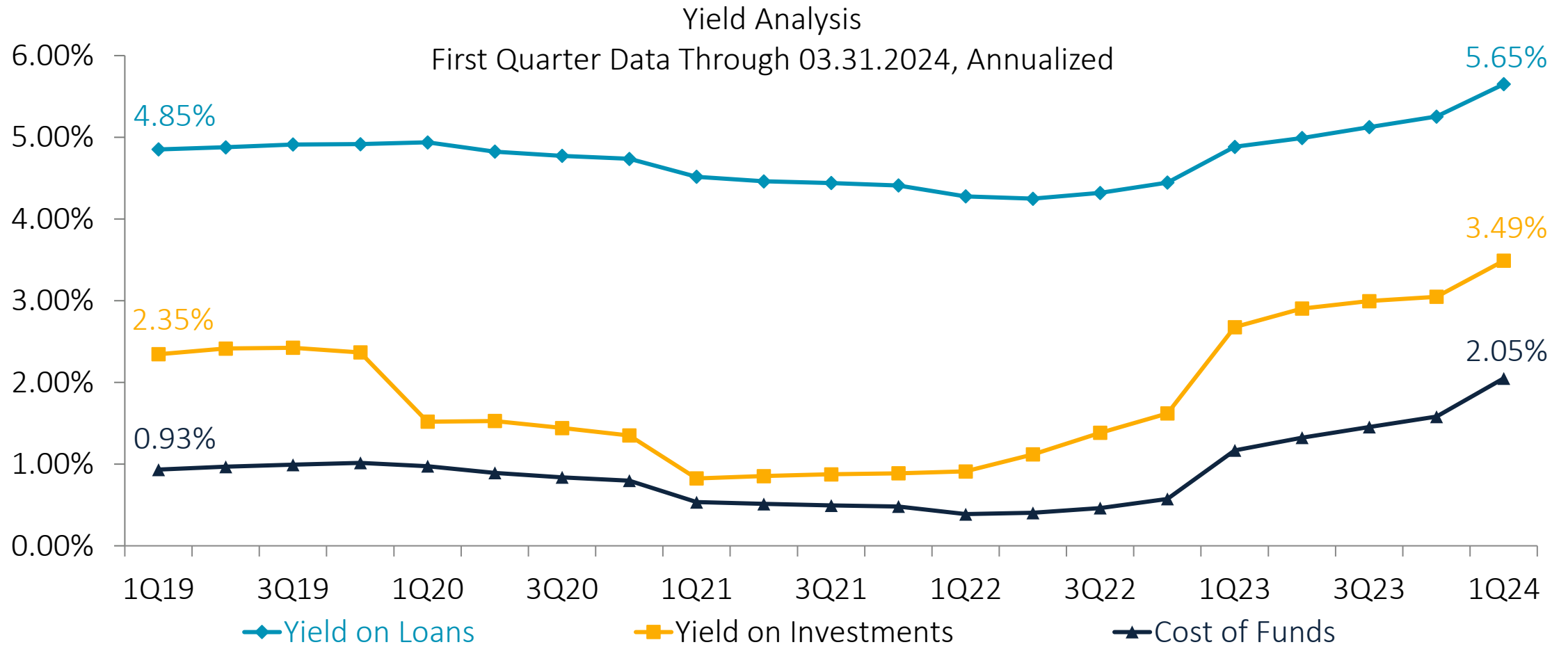


Revenue is up 20% annually, fueled by higher interest income

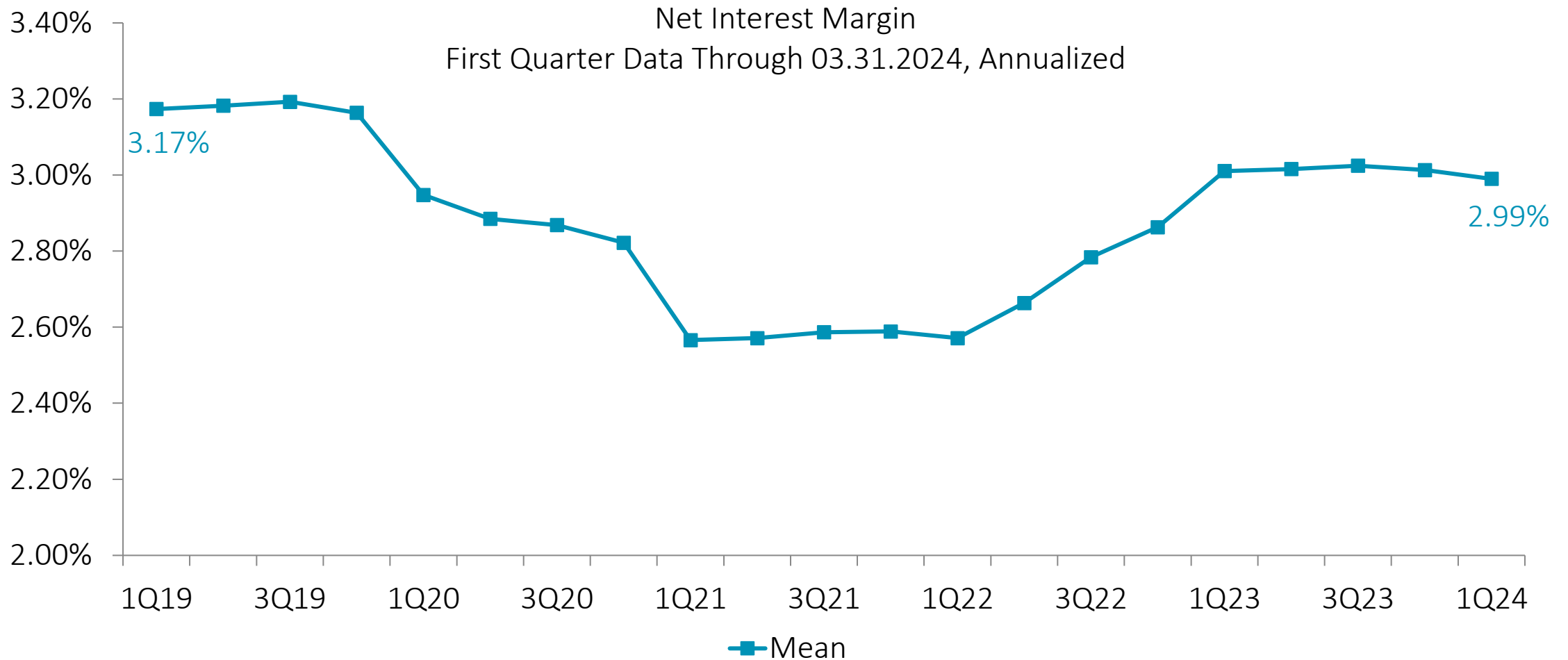
YTD Total Revenue
Data as of 03.31.2024



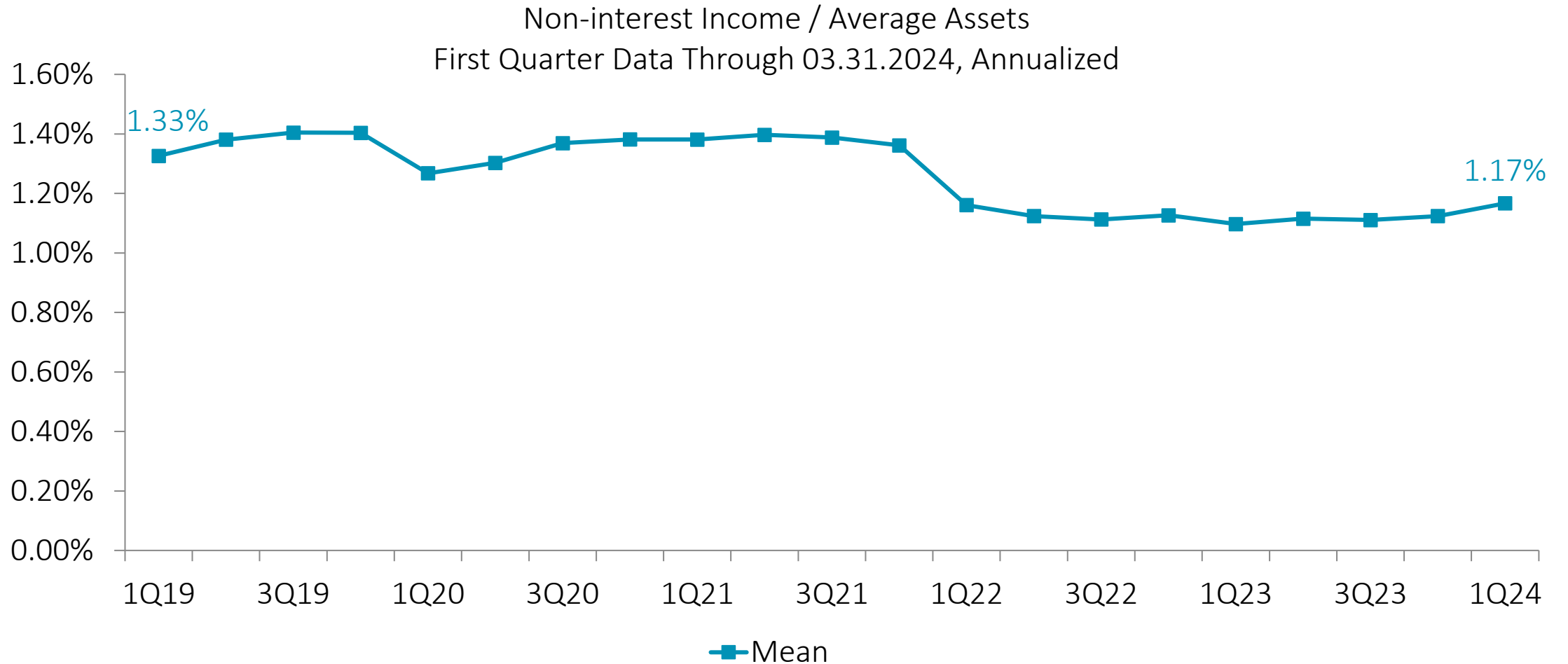
Both asset yields and funding costs are rising



Net interest margin has tightened slightly down over the past year

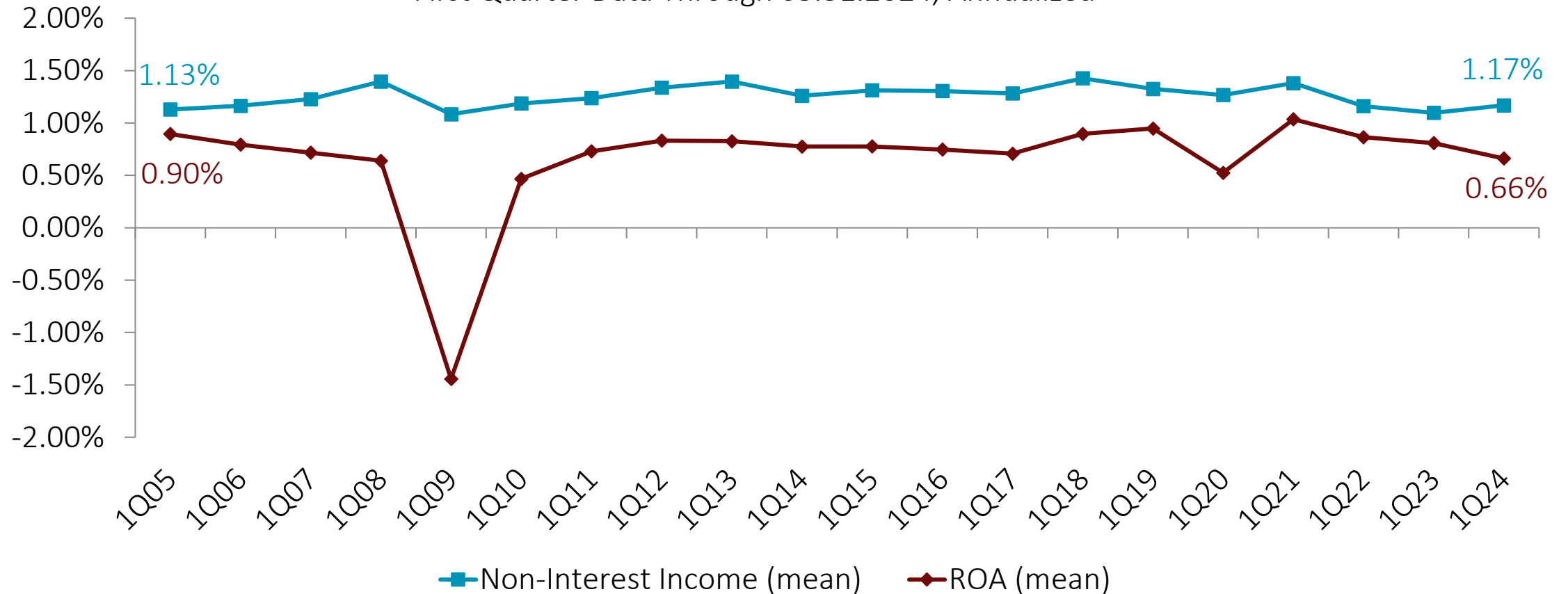


Non-interest income is up slightly over the past year

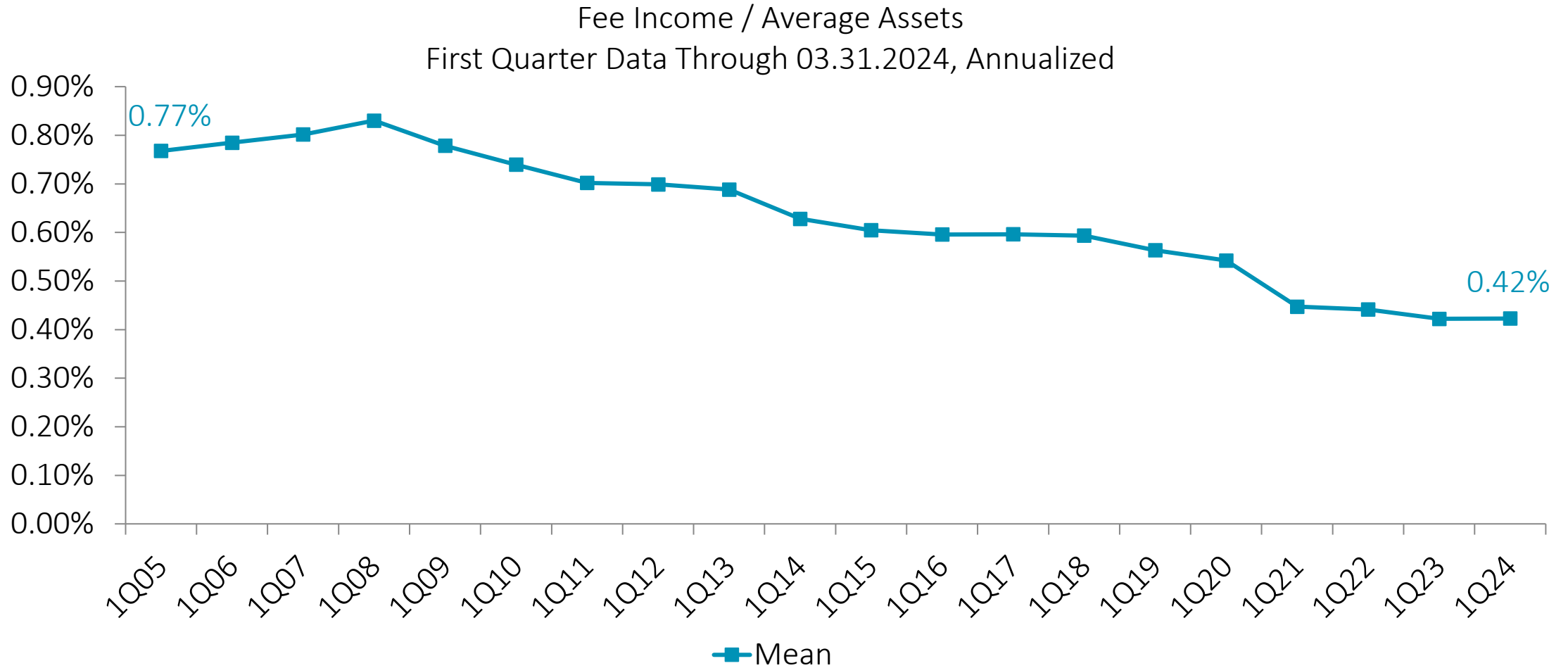


Non-interest income exceeds net income at the average credit union

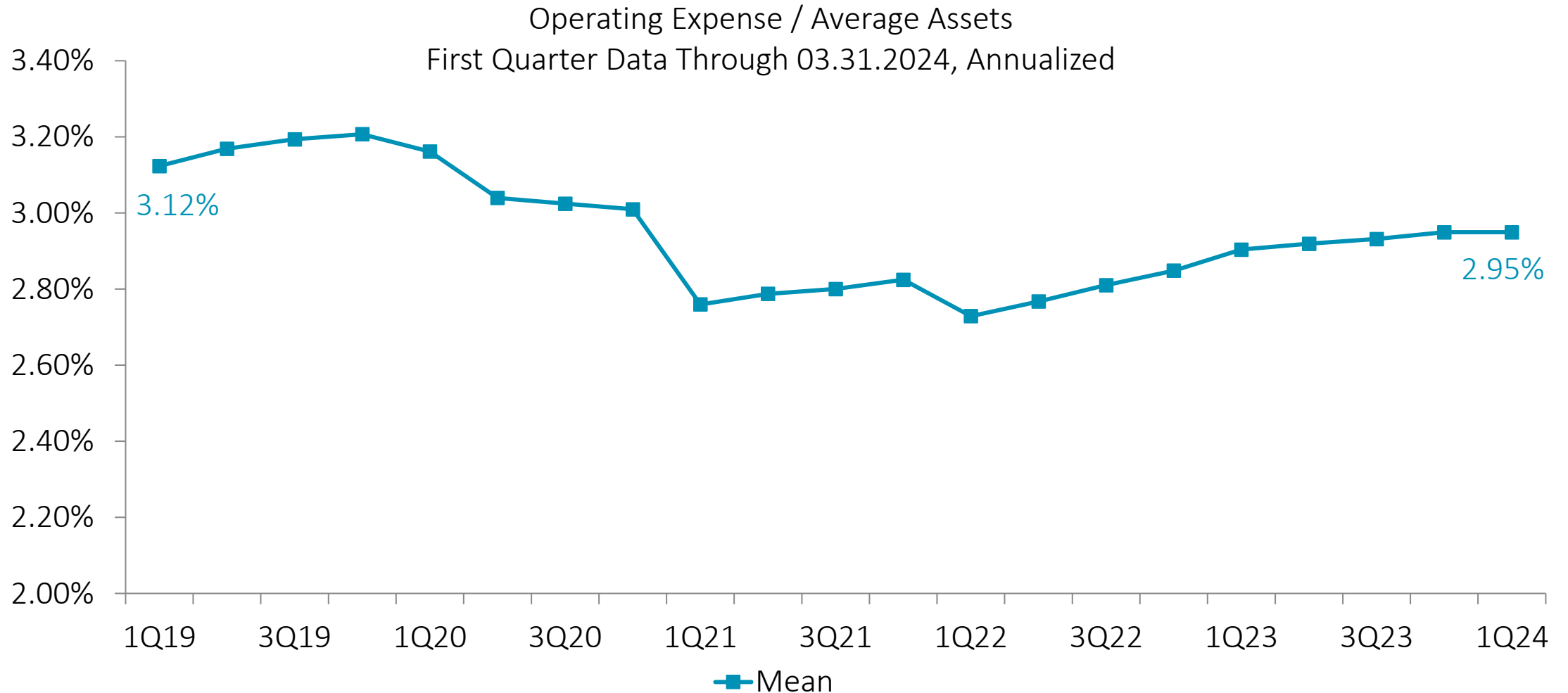
Non-interest Income / Average Assets (mean) vs. Return on Assets (mean)
First Quarter Data Through 03.31.2024, Annualized



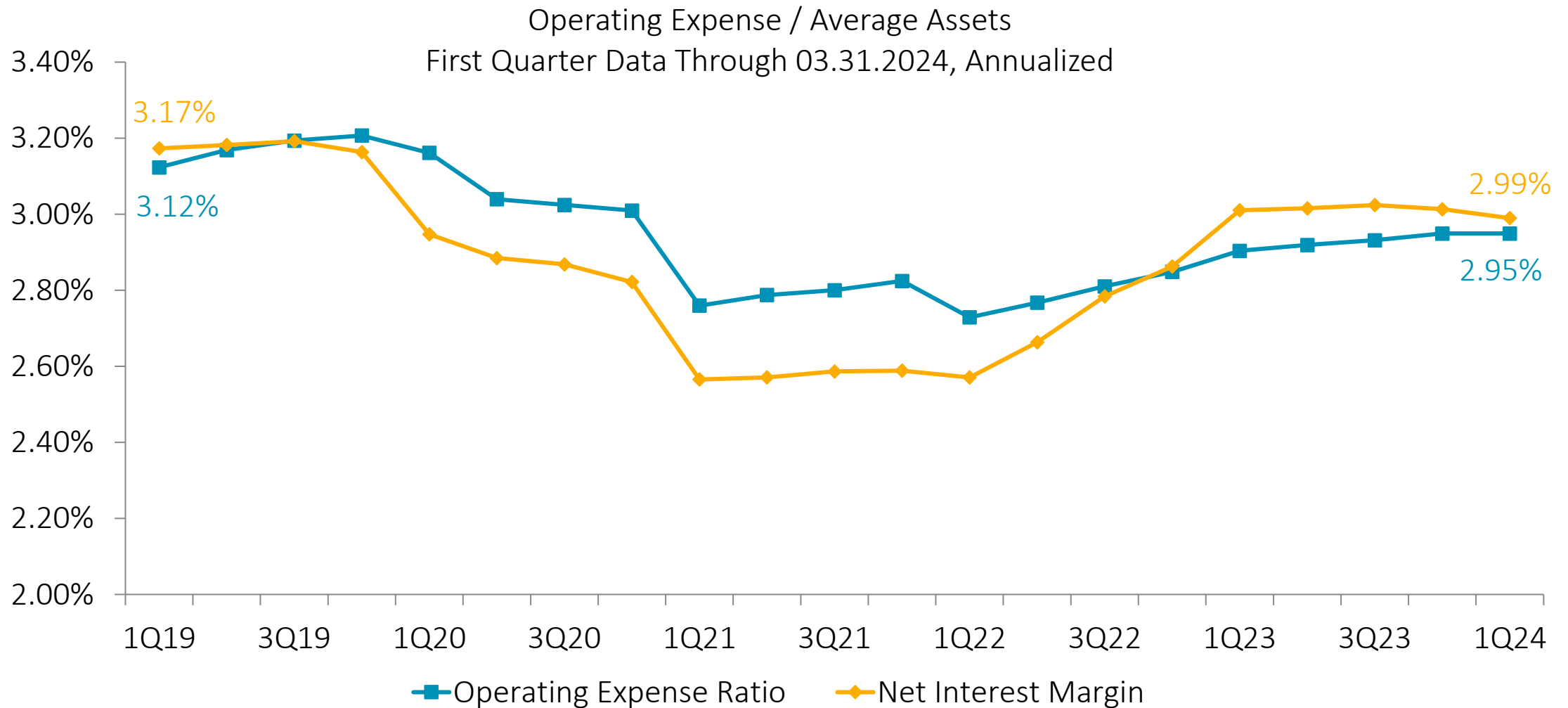
Fee income has trended down across CUs, especially since 2019



Operating expenses rise 6.2%, faster than asset growth

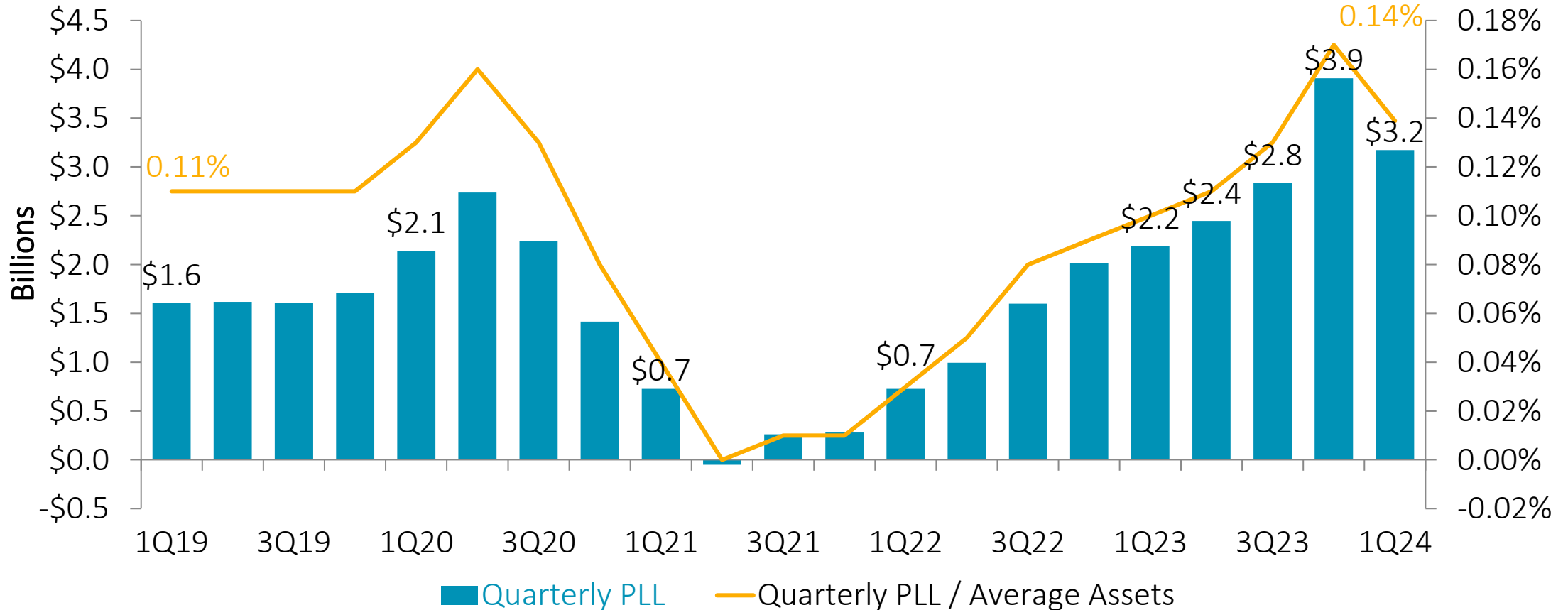


Operating expenses rise 6.2%, faster than asset growth

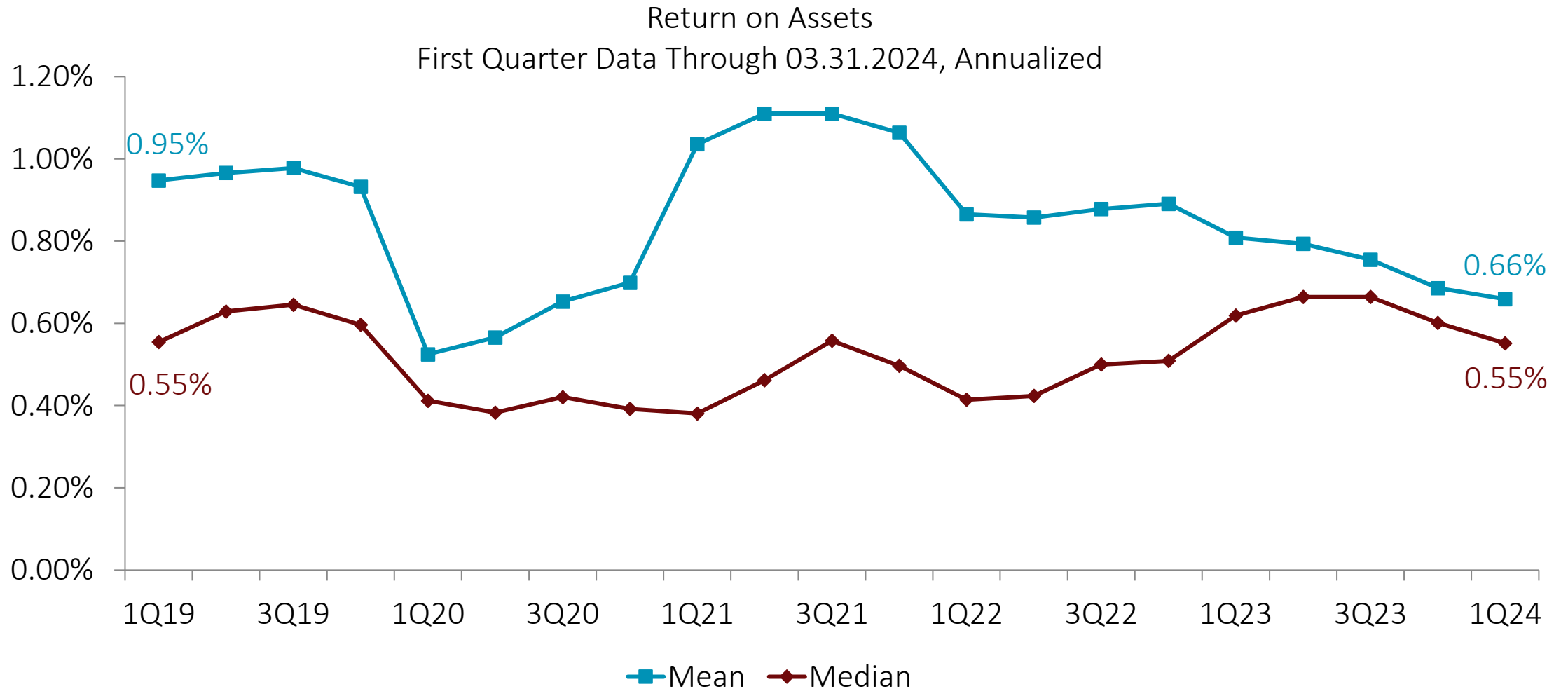


Credit union provision expenses decline from 4Q23 but are up 45% versus 1Q23

Quarterly Provision for Loan & Lease Losses and % of Avg Assets
Data as of 3.31.2024



Higher operating and provision expenses result in lower ROA

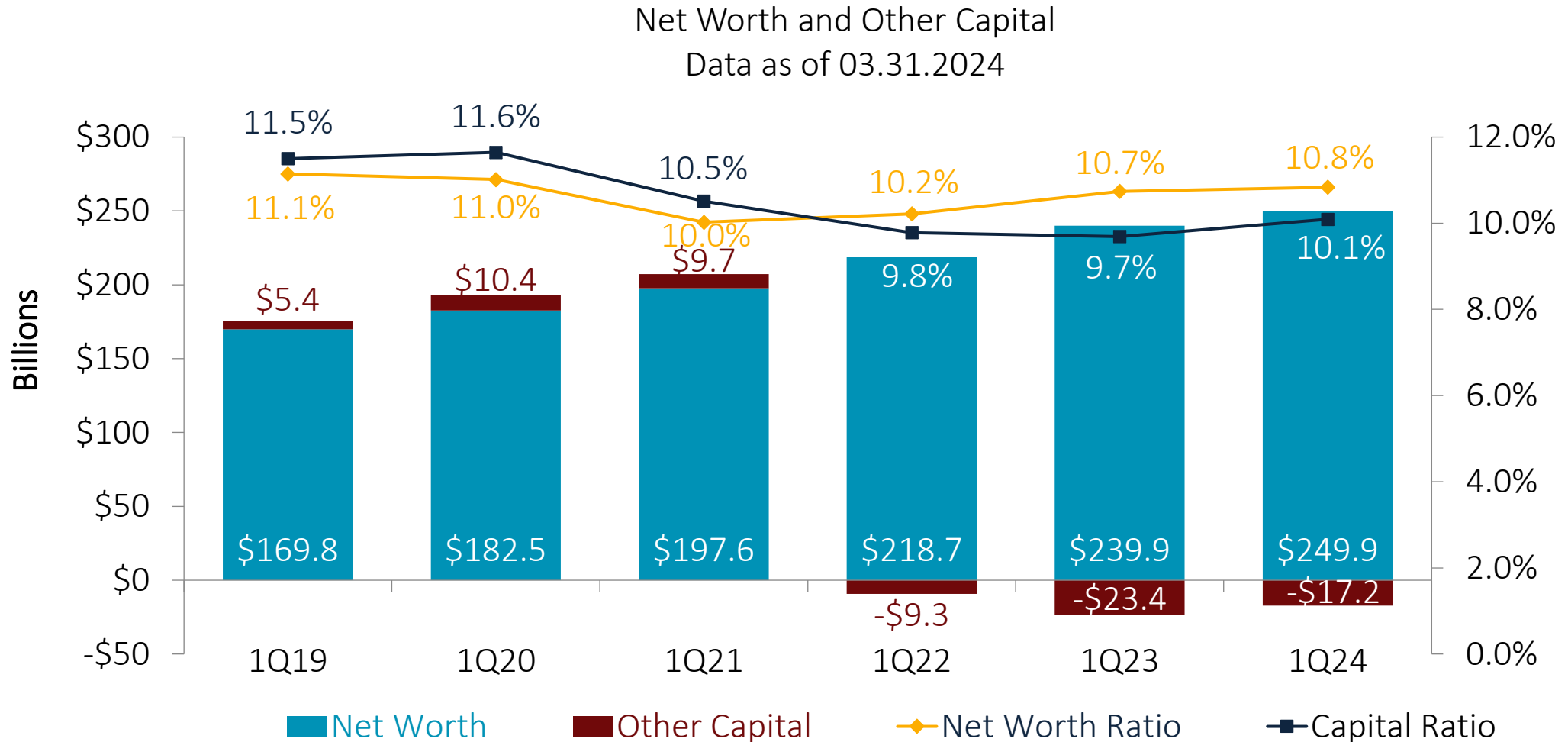


ROA is lower for the average credit union versus 1Q23

	3/31/2024	3/31/2023
Interest Income	4.83%	4.06%
Interest Expense	1.83%	1.05%
Net Interest Margin	2.99%	3.01%
Non-interest Income	1.17%	1.10%
Operating Expenses	2.95%	2.90%
Provision for Loan Losses	0.55%	0.40%
ROA	0.66%	0.81%

Data is annualized
Expressed as a % of Avg. Assets
May not sum due to rounding

Net worth and capital ratios rise



Takeaways and Closing Thoughts

- 2024 is a year of uncertainty for credit unions regarding the economy, interest rates, regulation, and growth opportunities.
- While navigating near-term pressures will be a top of mind for many, credit unions need to continue to look for opportunities to evolve their business and create long-term member value.
- The credit union difference comes through most during uncertain times. American households are looking for the help, guidance and hope that credit unions are designed to deliver. Being there for them now will pay dividends over time.

THANK YOU FOR WATCHING



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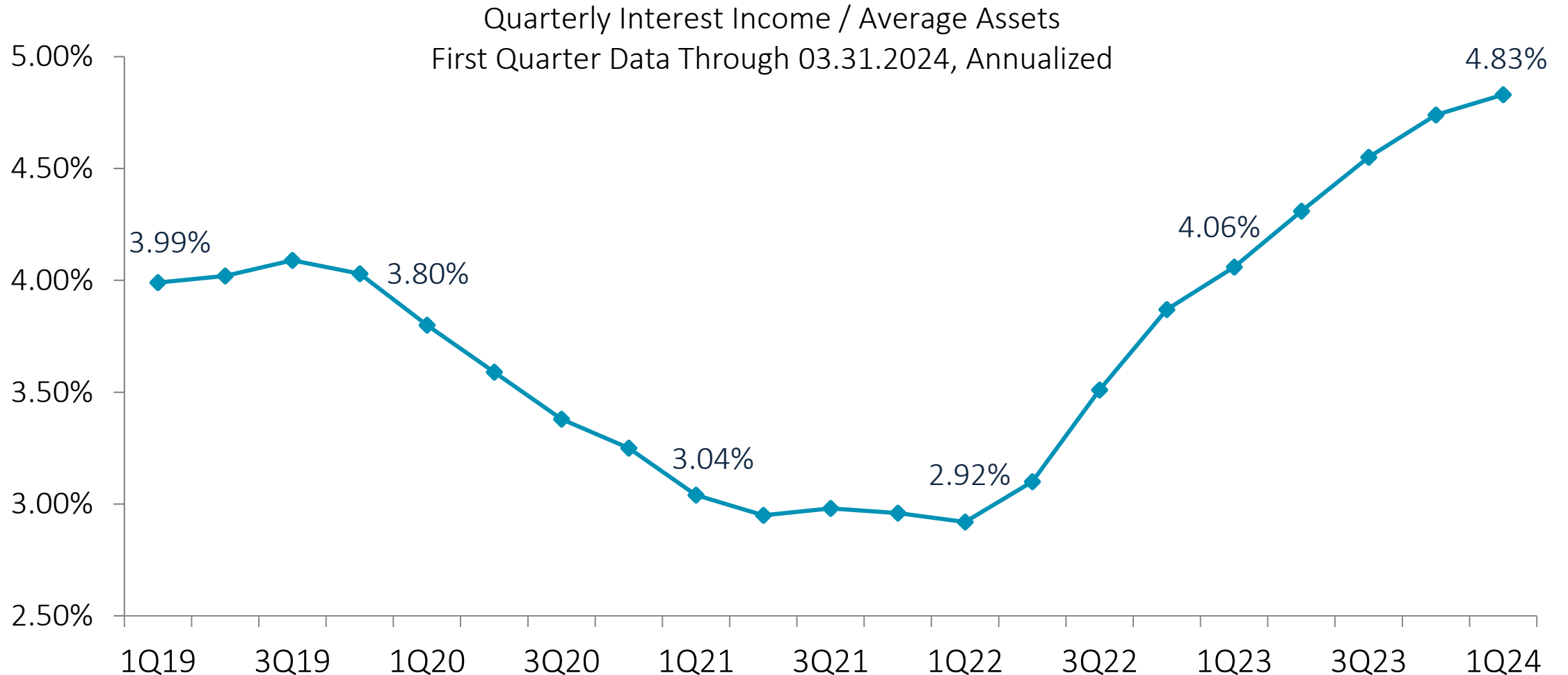


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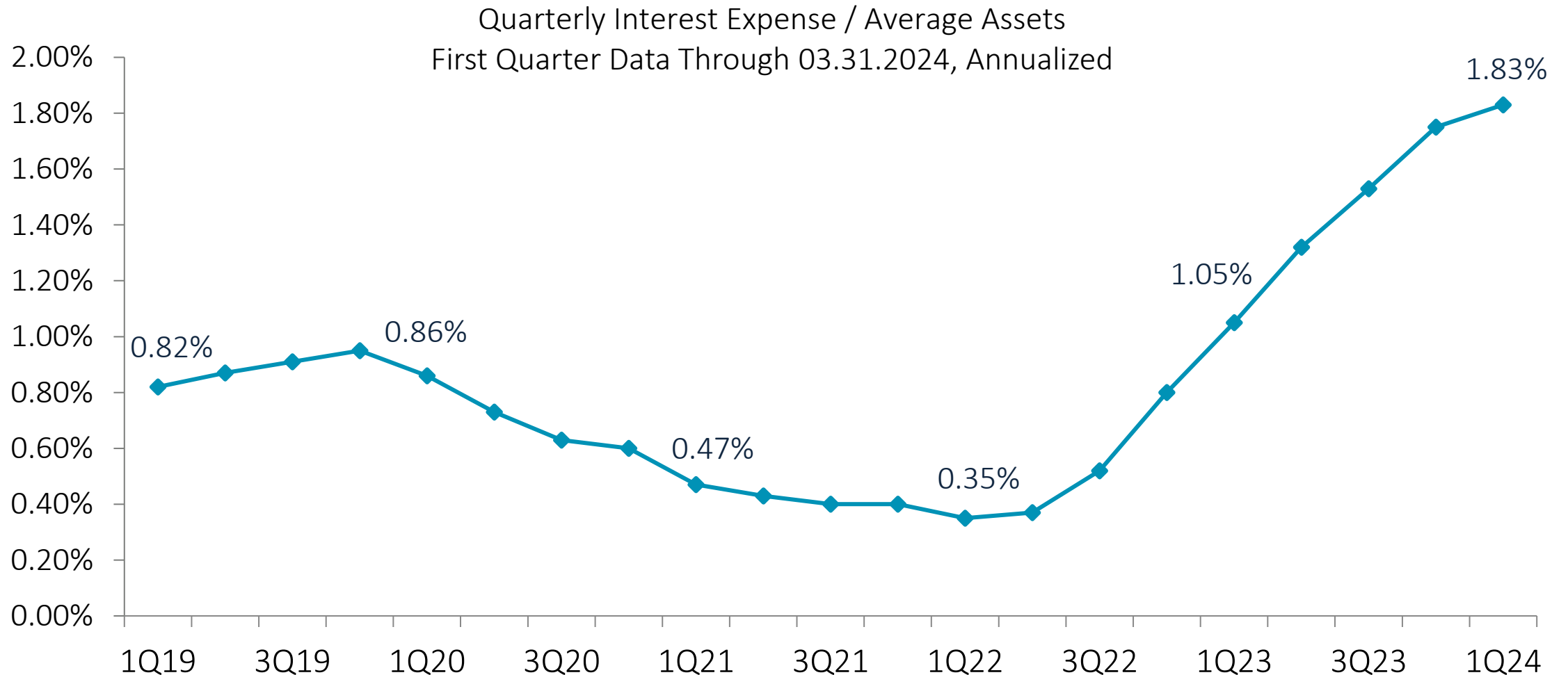


Appendix: Quarterly Earnings Model

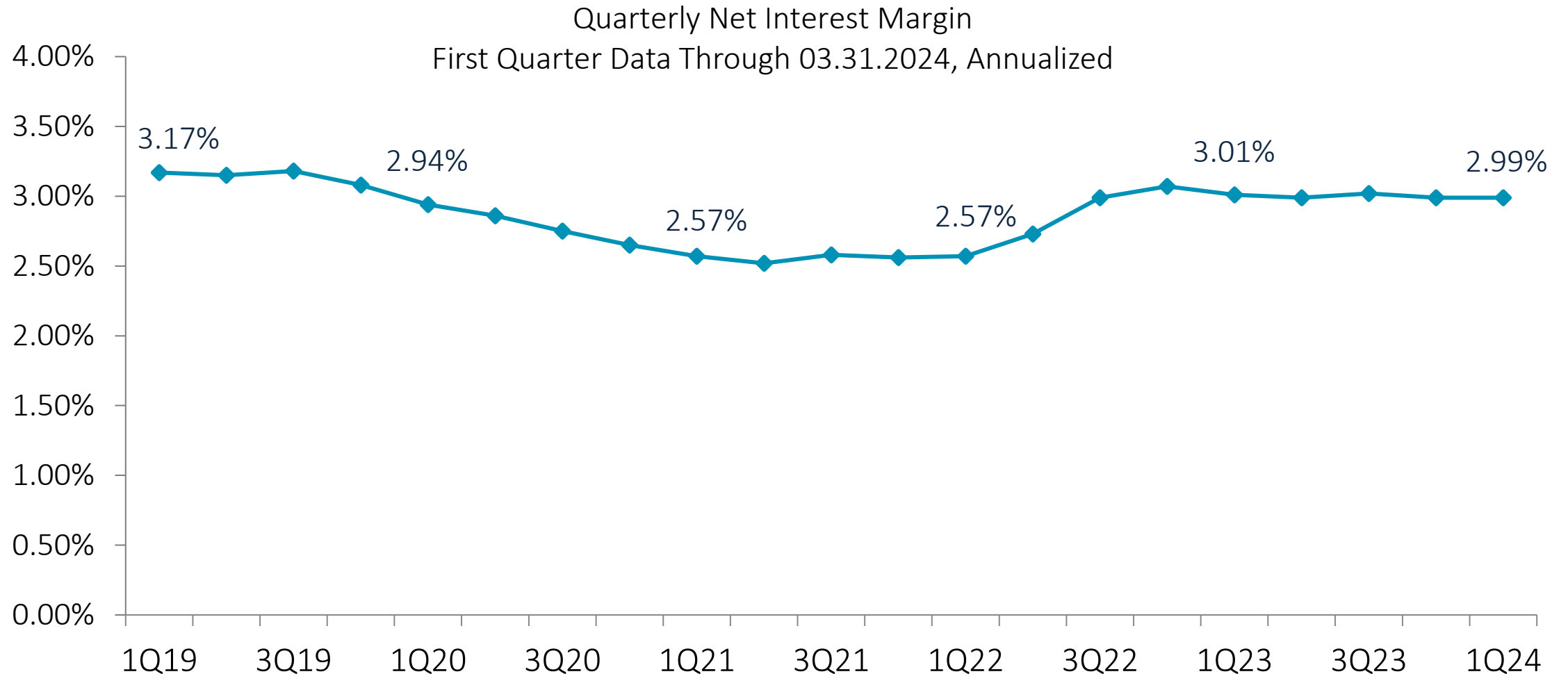
Quarterly interest income increases 9 basis points since last quarter



Quarterly interest expense rises alongside interest income

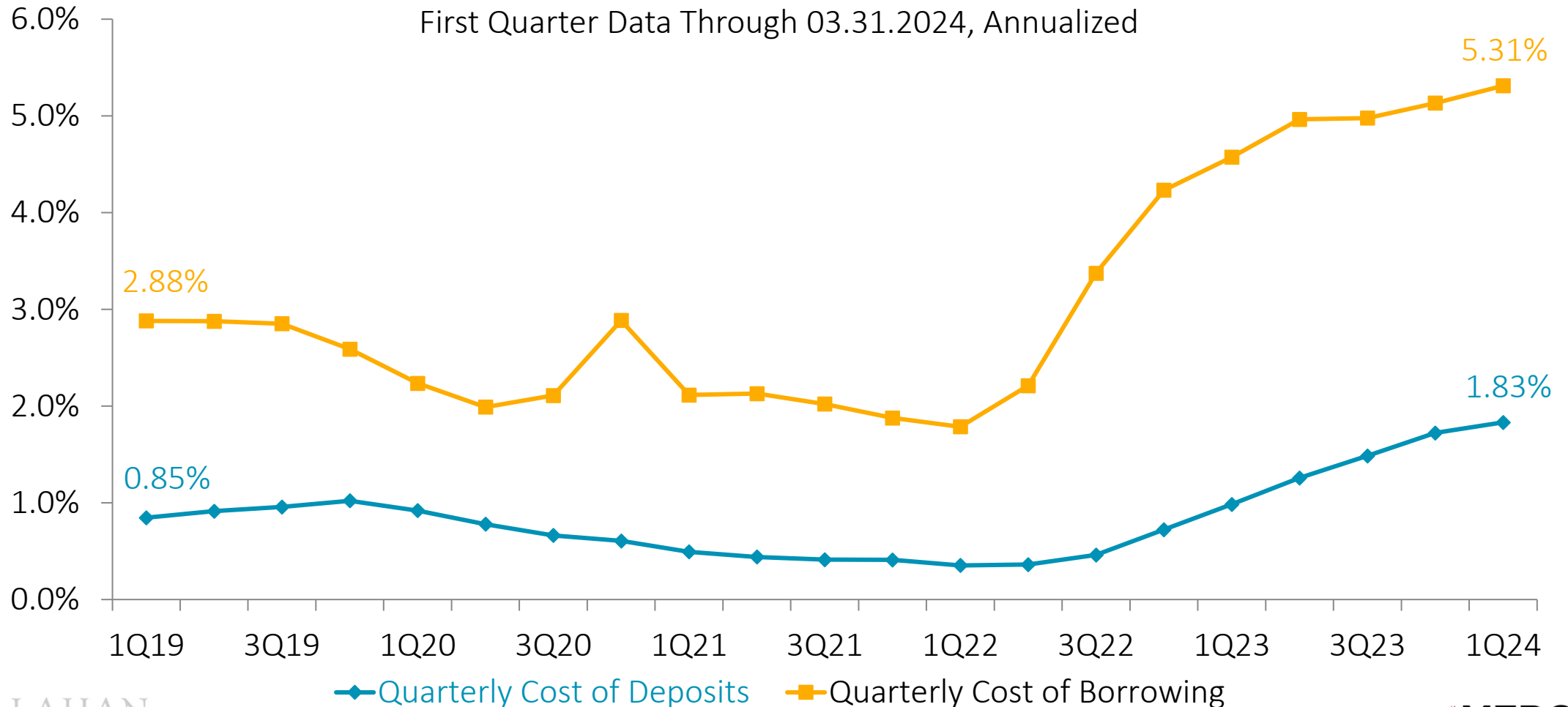


Quarterly net interest margin remains flat for seventh straight quarter

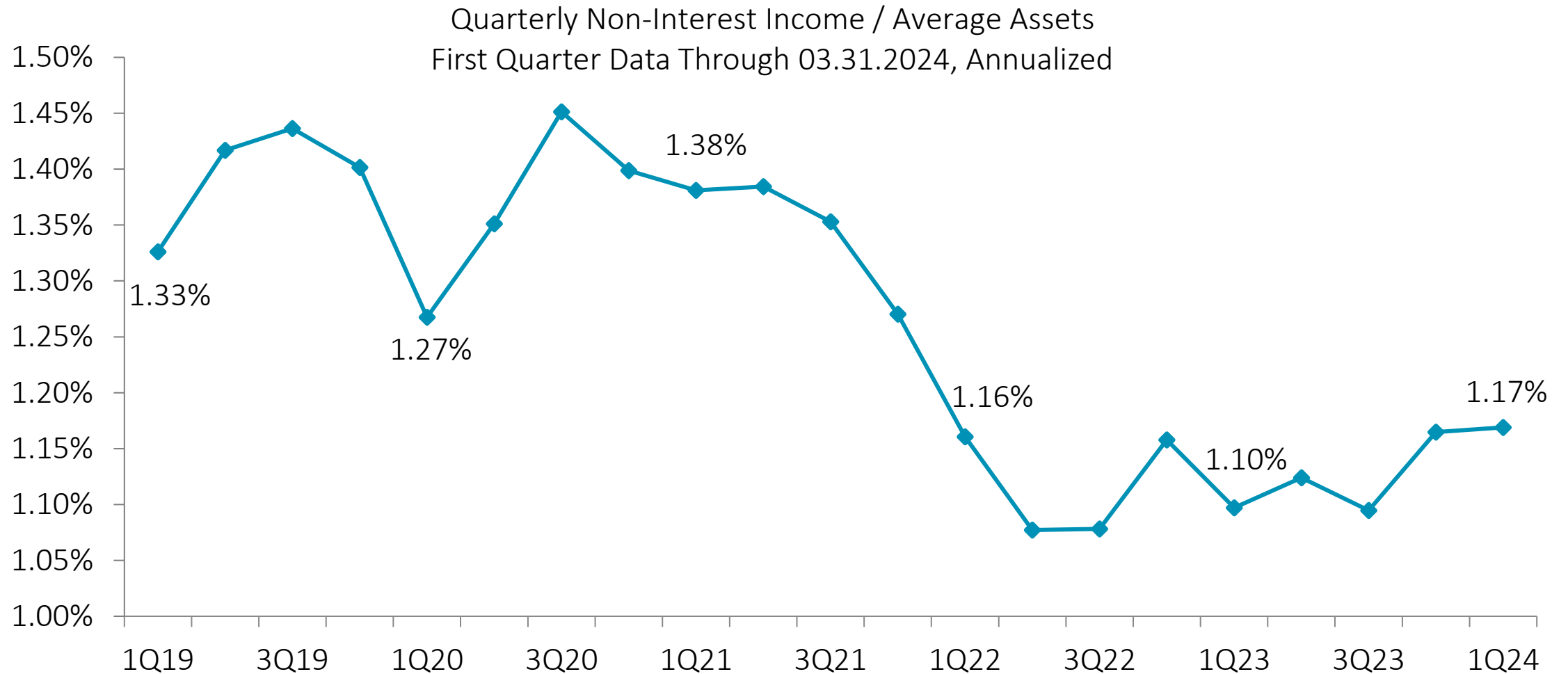


The cost of borrowing should plateau now that rates are steady

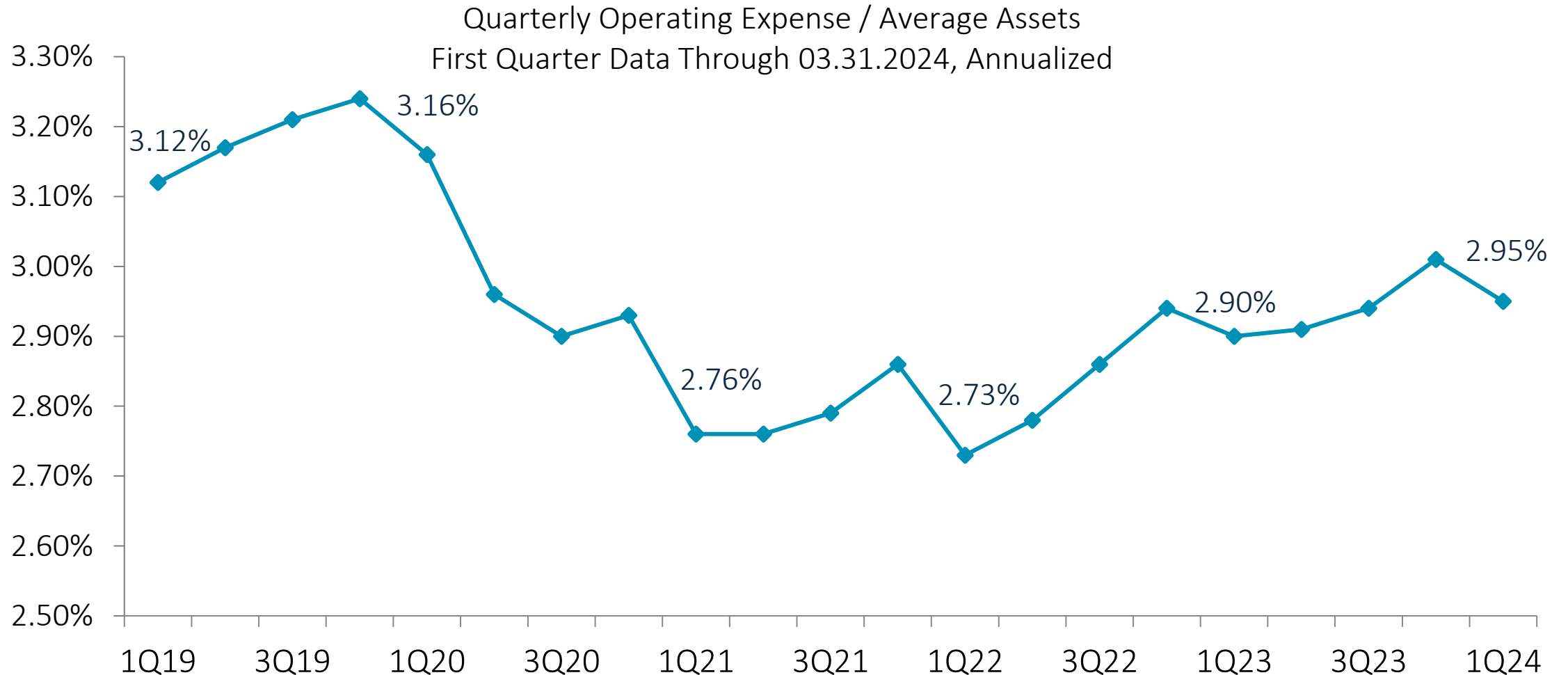
Quarterly Cost of Deposits vs Quarterly Cost of Borrowing
First Quarter Data Through 03.31.2024, Annualized



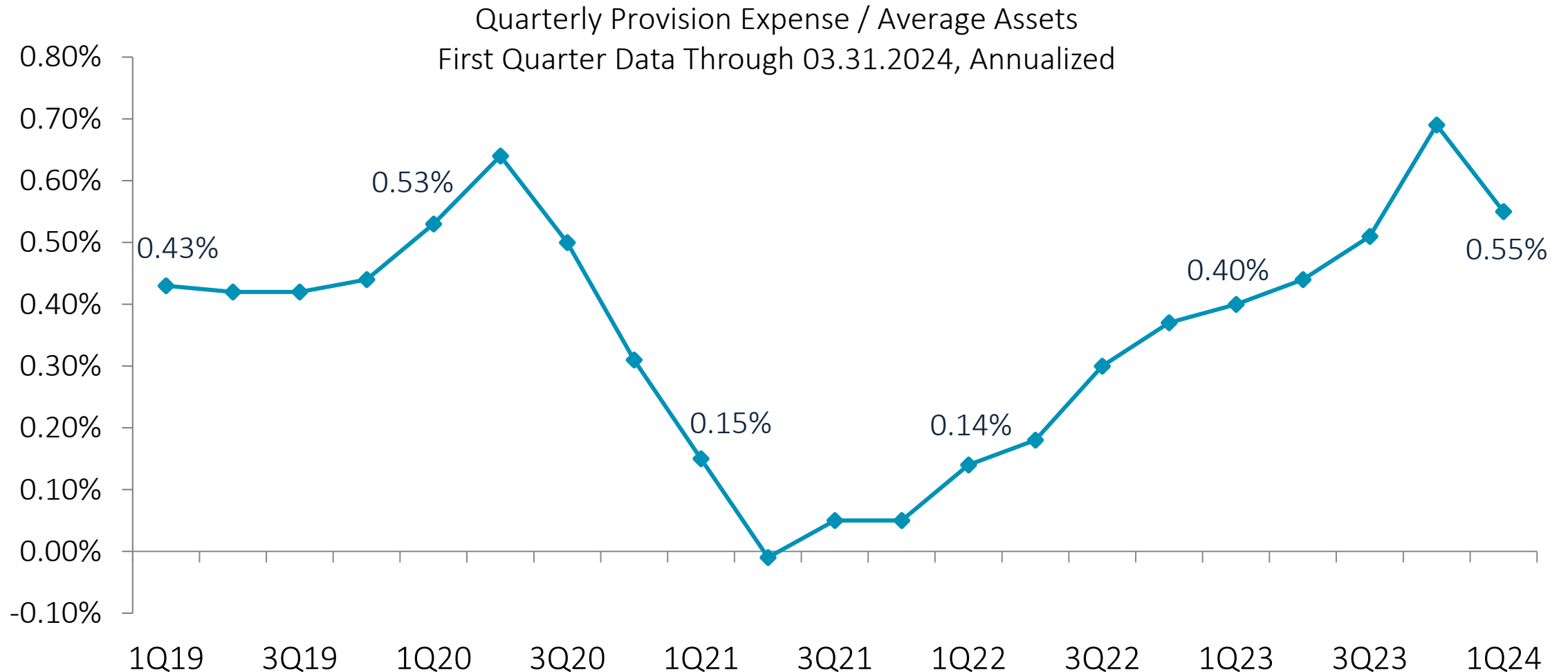
NII drops 6 basis points quarterly, the lowest it's been in 20 years since 1Q04



Operating Expenses are up 5 basis points annually but down 6 quarterly



Provisions dipped 14 basis points quarterly



ROA increased 21 basis points quarterly but is down 14 basis points annually

