FINANCIAL INTELLIGENCE from FHLBank Topeka

FHLBank Tenth District Community Credit Union Trends

Quarterly Analysis / Q2 2021

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The purpose of this analysis is to provide financial and performance trend data for institutions headquartered in FHLBank's Tenth District comprised of Colorado, Kansas, Nebraska and Oklahoma.

2021 Q2 Table of Contents

Executive Summary: Where are we today?

The past 18 months can be described as anything but "normal" — substantial asset purchases by the Federal Reserve (Fed), massive spending by the federal government, labor shortages, huge payments to individuals through fiscal stimulus packages, eviction moratoriums, supply-chain bottlenecks and broad-based inflation concerns.

It has been a rollercoaster of social restrictions and reopening of the economy. The impact on individuals, businesses and the economy has been both significant and uneven.

The pace and length of the recovery remains uncertain as the emergence of COVID-19 variants put added pressure on the economy. The full impact of variants on the effectiveness of vaccines remain unknown and is still considered a risk to the economy.

Economic indicators have been mixed recently, signaling that momentum towards recovery has slowed. Fed officials have noted they are in favor of a rollback in asset purchases later this year should the economy make "substantial further progress." Until then, policy accommodation will continue.

The Fed maintains its stance on the ongoing rise in inflation as temporary. It has been noted that much of the increase in inflation is due to the comparison of current prices to very low prices during the height of the pandemic a year ago. Some price pressure is expected to dissipate through the end of the year according to Fed officials.

The employment shortfall has been attributed to ongoing COVID-19 concerns, challenges with childcare, enhanced unemployment benefits and people just reconsidering what they really would like out of a job.

Employers have offered higher wages and incentives to try and attract workers. The lack of a growing participating labor force is also reflective of labor supply constraints.

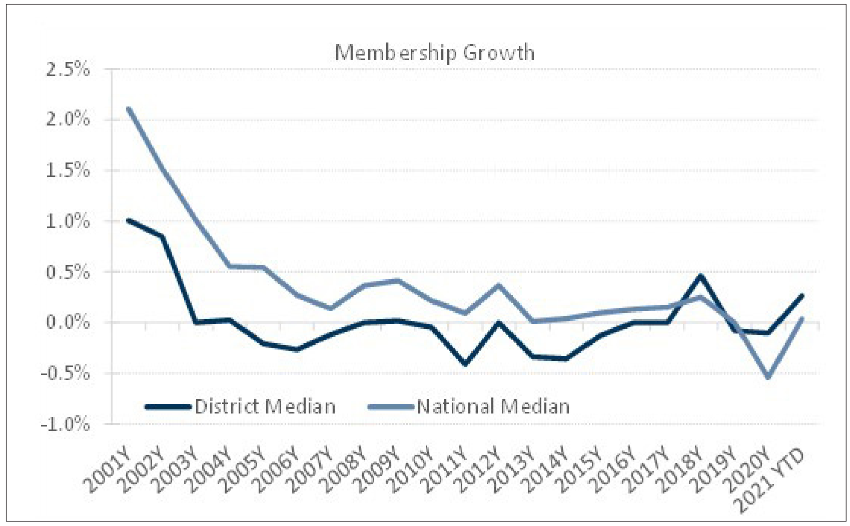
Gregory Daco, chief U.S. economist for Oxford Economics said, "The return to a pre-COVID environment won't happen overnight, and we should be prepared for labor demand and labor supply to be bumpy in the second half of the year as the economy gradually returns to a new post-pandemic normal."

Source: S&P Global Market Intelligence

Tenth District (District) membership has grown 4.3% to 5.3 million in 2021 after sliding for the past few years.

Membership growth was flat during the first quarter 2021 but improved during the second quarter with the largest credit unions experiencing the most growth.

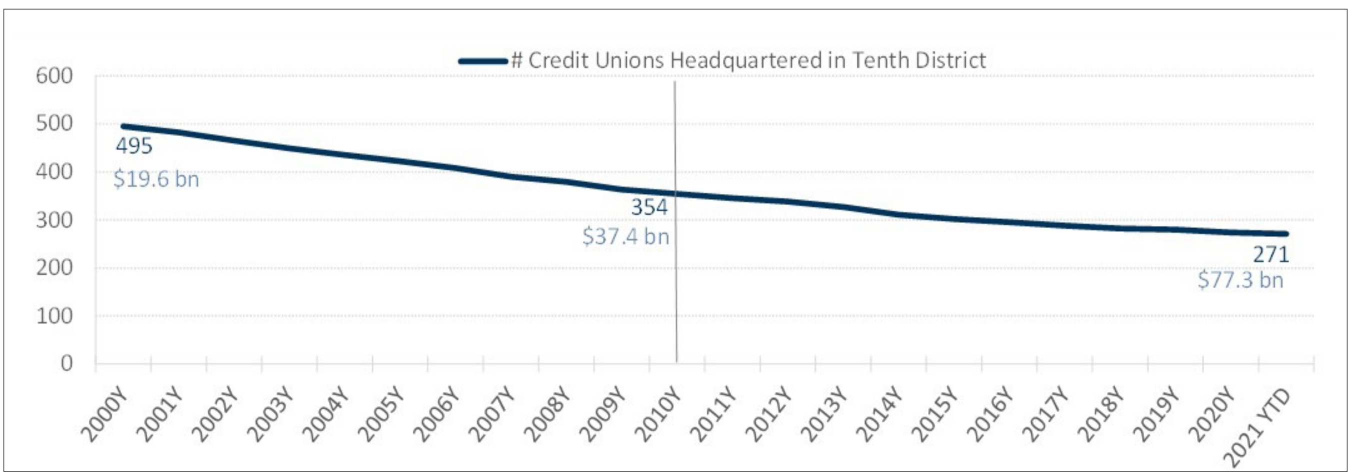
The smallest credit unions and those focused primarily on auto lending have been challenged to grow members compared to other District credit unions.



The number of credit unions headquartered in the District has declined 45% since 2000 while the amount of aggregate assets have grown by 82% or $35 billion.

Assets have increased $15 billion, or 24%, since year-end 2019. Annual average asset growth post Great Recession has been greater than the first decade of the 21st century.

Merger and acquisition (M&A) activity in the bank space has surged in 2021, this holds true in the credit union-bank arena as well. The pressure to add scale to combat



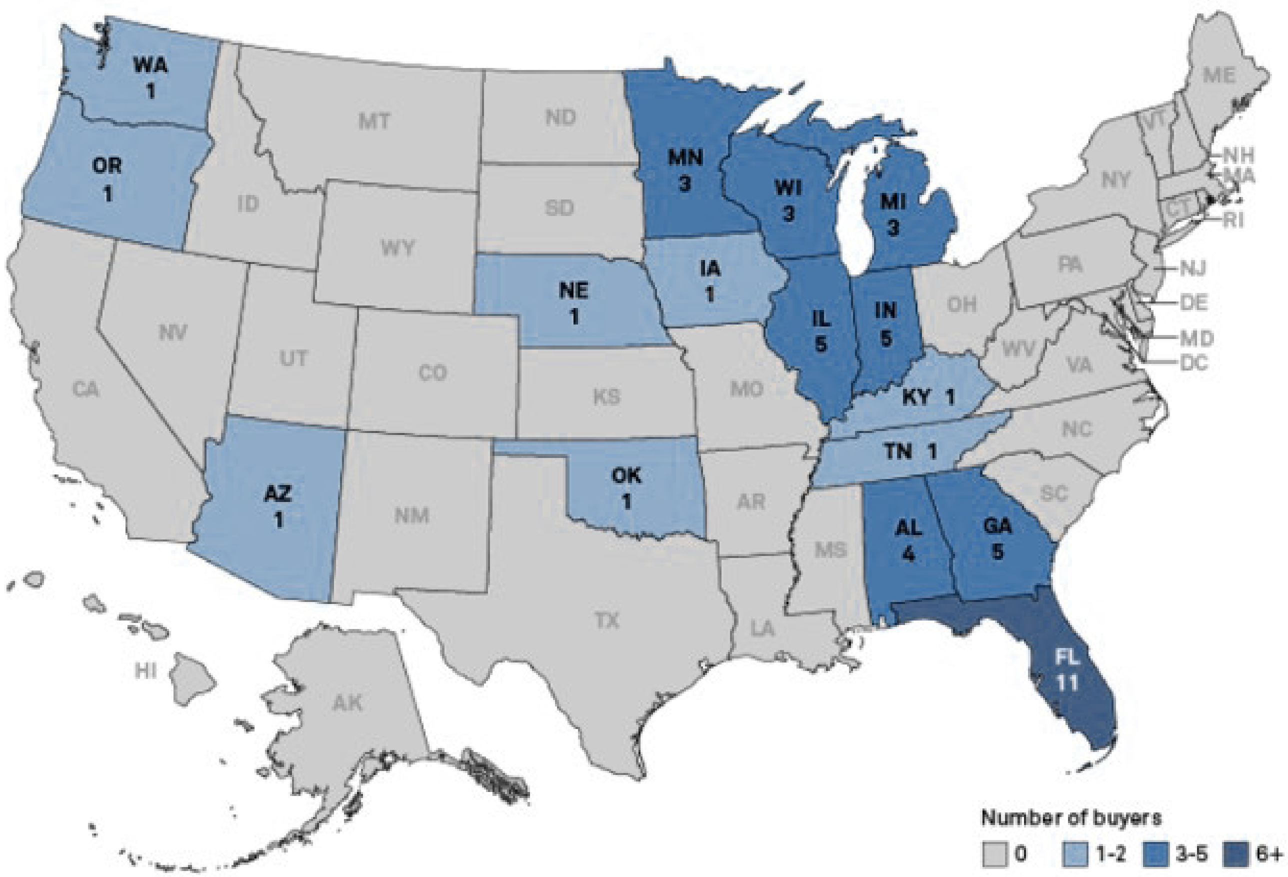
Source: S&P Global Market Intelligence.

a tough earnings environment and invest in fintech are helping drive acquisition activity. The potential increase in capital gains tax related to President Joe Biden's tax policy has also pulled forward some deals.

There have been 47 credit union acquisitions of banks announced across 16 states since 2015. Credit unions are targeting larger banks.

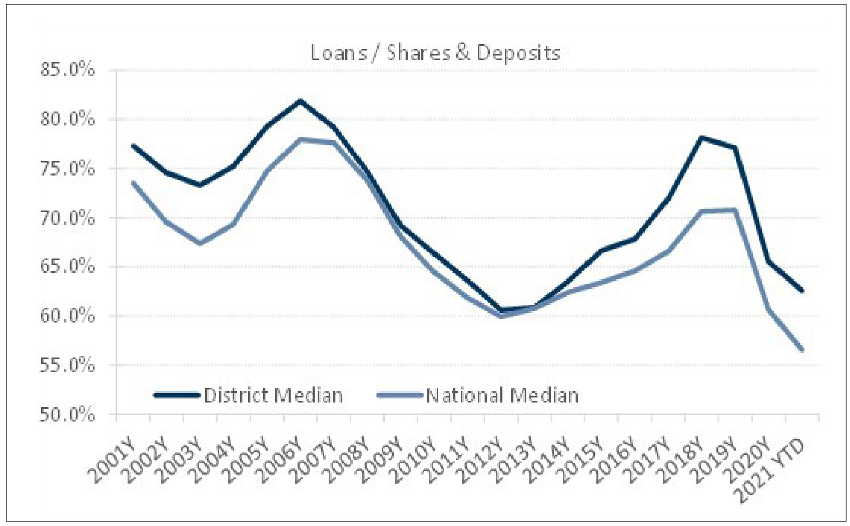
According to S&P Global Market Intelligence, the average total assets of banks acquired year-to-date is $580 million compared to $141 million in 2020 and $281 million in 2019.

Industry bank groups continue to target credit unions acquisitions of banks and have proposed a 10% exit fee on bank's asset or liabilities as well as the idea of assuming the acquired entity's tax position instead of remaining a tax-exempt entity. Increased acquisition activity is expected to continue.



Source: S&P Global Market Intelligence.

Banking Themes



And the saga continues. Excess liquidity remains on balance sheet as institutions compete to book higher earning assets. Persistent low interest rates have kept the pressure on earnings and net interest margins.

Loan demand rebounded nicely in the second quarter 2021 while share/deposit growth fell. When the pandemic began in March 2020, the two dominant downside variables were earnings and the unknown impact – magnitude and duration – of credit losses. While significant asset quality issues have been avoided, the earnings outlook remains cloudy.

Loan growth was positive during the second quarter 2021 after contracting for two consecutive quarters. Residential 1-4 family lending continues to be the primary driver of loan growth followed by commercial and used vehicle lending.

Although residential lending has led loan growth since 2019, the pace of loan growth has slowed as supply fails to keep pace with demand. Unused loan commitments have been on the rise over the past few quarters as businesses and consumers alike rest on higher cash balances.

Share/deposit balances fell for the first time in two years. Loan growth exceeded share/deposit growth for only the second time in the past eight quarters. Loan-to-share/deposit ratios are near prior cycle lows for District credit unions. Share/deposit inflows seen over the past 18 months have proven to be very sticky thus far.

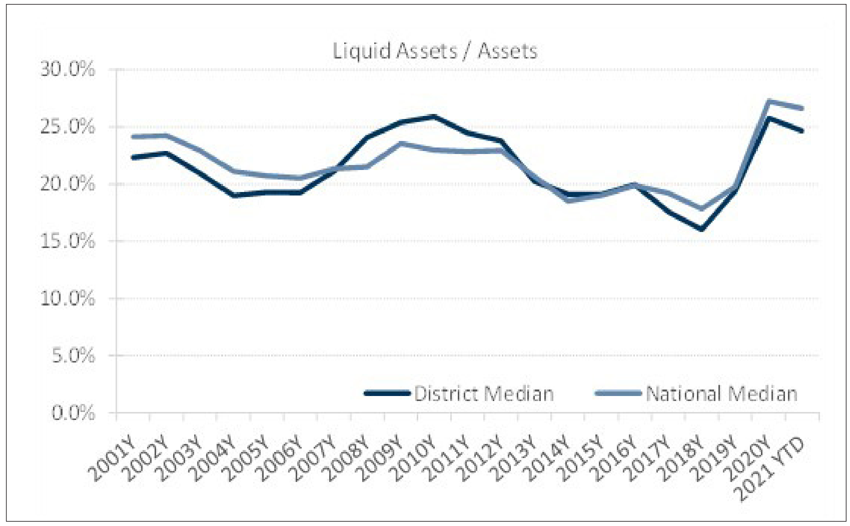
Liquidity positions remain elevated and at or near historic highs as loan demand is not high enough to absorb the excess liquidity sitting in the banking system. The environment has been characterized as "a bull market in cash for a while longer."

Source: S&P Global Market Intelligence.

Based on past economic cycles, the return of loan demand and rising loan-to-share/deposit ratios is on the horizon – assuming there is no additional influx of liquidity to the banking system and no debilitating shocks to the economy occur.

There is a ton of dry powder held by state and local governments, individual share/deposit accounts and businesses are flush with cash. At some point, the savers will become spenders – whether funds are moved elsewhere, invested in businesses or spent on goods and services.

The asset mix for credit unions has evolved through the pandemic. Cash balances peaked for many institutions during the first quarter and remain historically high. Security and investment portfolios comprised a greater portion of the asset mix on balance sheets during the second quarter 2021.



Some credit unions continue to struggle with how and where to invest excess cash with limited, although seemingly growing, loan demand. Some are hesitant to extend maturities while others are more willing. Both doing "nothing" and adding duration to gain some yield entails risks and impacts earnings.

Net interest margins drifted lower for the seventh consecutive quarter amid the persistent low-rate environment and excess liquidity. The asset side of the balance sheet remains fiercely competitive, and pricing is aggressive.

With funding costs nearing a floor – how much lower can they go? – spreads are under considerable pressure. Margin stress appears to be here to stay in the near term.

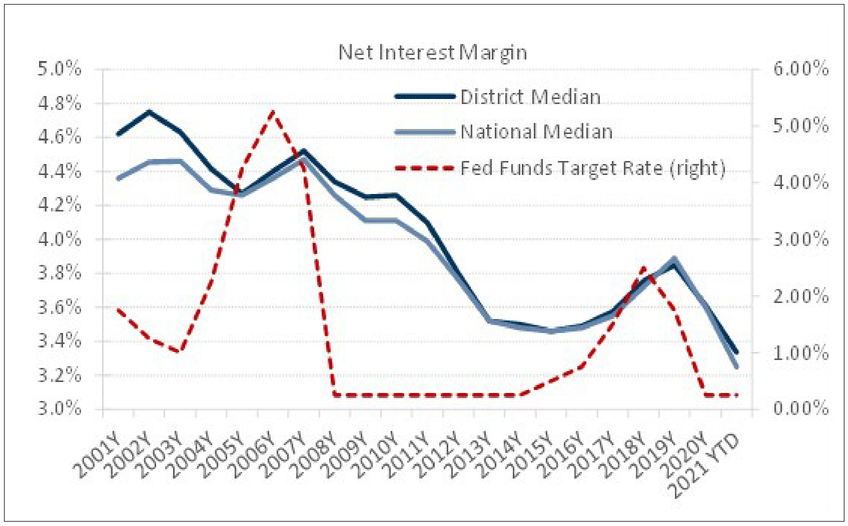
Source: S&P Global Market Intelligence.

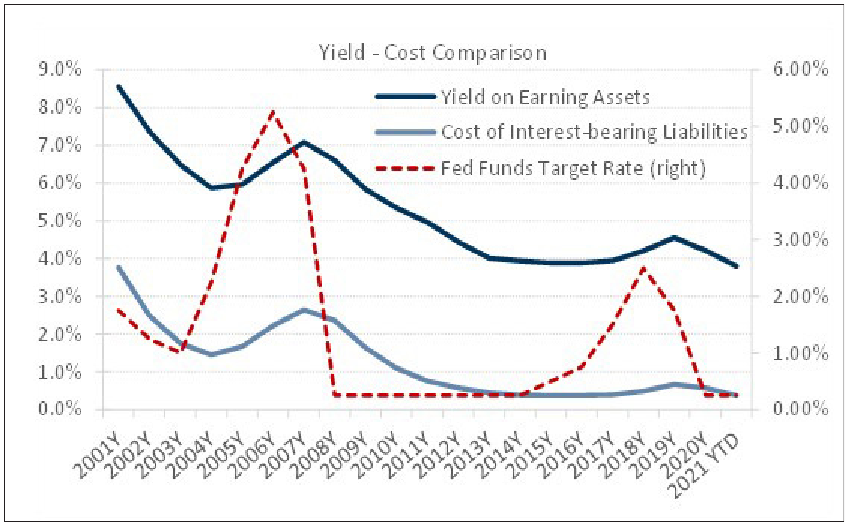
Some management teams are anticipating loan demand to pick up, or return, in the second half of 2021. And some are also expecting excess liquidity to build further and share/deposit growth to exceed loan growth.

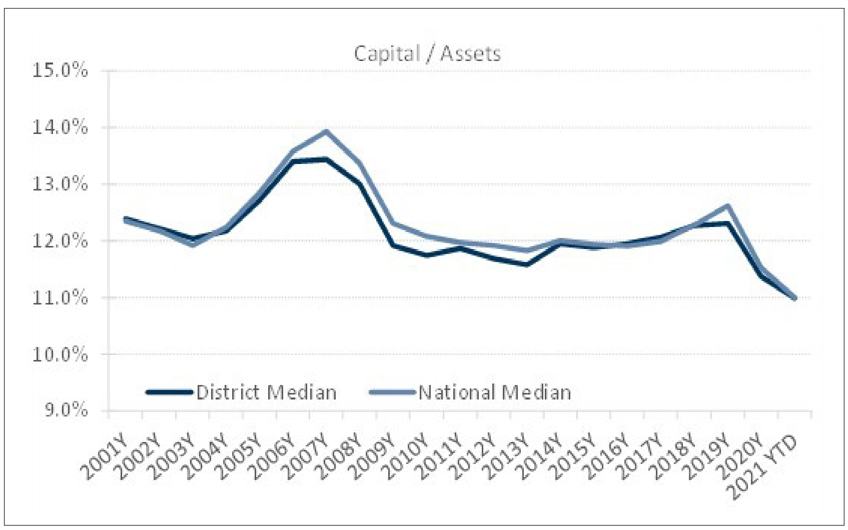
Earnings and margins in 2022 will be challenged as assets will reprice down, mortgage banking income will slow and the interest rate environment remains low. Although there is heightened competition for loans, institutions are not compromising on credit quality.

Credit loss provisions materially declined for the second consecutive quarter with numerous institutions booking no provision or a negative provision. The number of credit unions booking a negative provision during the second quarter 2021 reached a new nine-year high while the number with a zero provision reached a six-year high. Many institutions feel they are well-reserved, or over-reserved, for potential future credit stress.

Strong asset quality trends continued during the second quarter 2021. Nonperforming assets remain historically low, reserves are steady and net charge-offs are minimal. Capital ratios rebounded in the second quarter 2021 after falling in first quarter with strong asset growth due to additional stimulus payments but still remain below prior cycle lows.







Washington Update

From Ryan Gilliland | FHLBank Topeka's Government Relations Officer

The following are the key takeaways from the 2021 cycle.

- After organizing and prioritizing, President Biden and Congressional Democrats capped the traditional "First 100 Day" sprint with passage of another COVID relief package.
- A June Supreme Court ruling confirmed the President's ability to remove FHFA leadership. After exercising this authority, and removing Director Mark Calabria, Sandra Thompson was installed as acting director at the FHFA.
- Legislation significantly impacting the FHLBank System remains under active consideration, but was not included in the bi-partisan Senate-approved infrastructure bill.
- Upon their return from August recess, Congress will confront a series of time-sensitive votes on government funding, the debt ceiling, flood/highway programs, TANF assistance, and the widely publicized infrastructure and reconciliation bills.
- Democrat leadership faces increasing challenges from vulnerable members confronting new issues they didn't anticipate.

Single-party control in Washington is rare. It's also the universal goal of both parties, who assure middle-of-the-road voters that if only they didn't have to work around those (insert opposing political party) obstructionists, everything would be different.

Unfortunately, as the old adage implies, the fleeting euphoria for the dog that catches the car is quickly replaced by the panic of figuring out what to do when it happens. That's one element of the reason that the controlling party traditionally does not fare well in the first mid-term election of a new presidency.

The year 2021 started the way many expected. President Biden and Congress both had an affirmative agenda; they arrived prepared and motivated, with broad party unity. The "First 100 Days" went mostly according to script, punctuated with another round of long-promised recovery stimulus. The country and economy appeared to be emerging from the pandemic with the wind at our back.

The summer months have been unpredictable, though. The Delta variant and a subsequent series of complicating developments both international and domestic leave Democrats with a list of increasingly difficult political decisions, and a shrinking window of time to address not just must-pass measures, but any of the more grand visions that seemed more attainable just a couple months ago.

The basic political predicament here is common in our increasingly polarized environment. It's broadly the same challenge that Republicans faced the last time they enjoyed universal control in Washington.

Moderate Democrats anticipating tough challengers (either primary or general) in 2022 are already looking ahead with fear that waves of expensive and all-encompassing legislation and declining presidential approval ratings jeopardize their races, while the more progressive base of the party claims that failure to deliver on a perceived mandate from voters to enact sweeping change will doom the party in mid-terms.

This central strategic disagreement leaves party leadership little room for error in navigating the back half of 2021 and early 2022. Razor-thin margins in both chambers mean rank-and-file moderates have extraordinary control over what ultimately passes, but only if they are willing to play hardball with their own leadership.

Upon their return from an abbreviated August recess, Congress will confront a brutal to-do list. In addition to the oncoming debt ceiling crisis, government funding runs out on Sept. 30. These issues could naturally be paired together, but that increases the complexity.

Additionally, federal highway and national flood insurance program authorizations, as well as the federal TANF (Temporary Assistance for Needy Families) program authorization expires on Sept. 30. Add to all this the compounding pressure of the self-imposed Sept. 27 deadline to vote on the bi-partisan infrastructure bill, and it's clear there's just going to be a tremendous amount of pressure this fall.

From the perspective of your Federal Home Loan Banks, this has been a consequential year. The June Supreme Court ruling affirming the power of the President to remove FHFA leadership creates another vector in which regulatory risk becomes increasingly difficult to account for, given the differing priorities of any new administration and the change with which those priorities can impact our operating environment.

In addition, the entire financial services landscape faces new pressures as we endure an unpredictable and uneven economic recovery. We're also evaluating impactful legislation that could specifically alter the way FHLBanks operate in a fundamental way.

Amid those challenges, though, the FHLBanks have once again proven the value of our adaptive model, which allows us to quickly adjust with the market to remain a dependable partner during these periods of uncertainty, while helping our members sustain the communities they serve, as they've so admirably done over the past 18 months.

Defining the Credit Union Groups

At June 30, 2021, there were 271 operating credit unions headquartered in FHLBank Topeka's Tenth District of Colorado, Kansas, Nebraska, and Oklahoma.

This report displays data by three segments: asset size, primary business focus, and location of credit union headquarters.

1. Asset Size

2. Primary Business Focus

- Auto focused credit unions: new and used vehicle loans exceed 60 percent of total loans and leases
- Residential focused credit unions: 1-4 family first lien and junior lien residential loans, first mortgage construction loans, and other real estate loans above 50 percent of total loans and leases
- Other credit unions: institutions that do not have a 60 percent concentration in auto or residential related loans

3. Geographically by state (Colorado, Kansas, Nebraska, Oklahoma)

Trend data includes credit unions that have been acquired but were headquartered in the District at the time of acquisition.

	Headquarters Location					
Asset Size Range	Colorado	Kansas	Nebraska	Oklahoma	Total	
> $1bn	9	4	1	4	18	*7%*
$350mm-$1bn	6	8	3	7	24	*9%*
$100mm-$350mm	22	7	8	15	52	*19%*
< $100mm	41	58	46	32	177	*65%*
Total	78	77	58	58	271	
	29%	*28%*	*21%*	*21%*		

	Primary Business Focus			
Asset Size Range	Auto	Residential	Other	Total
> $1bn	3	6	9	18
$350mm-$1bn	5	3	16	24
$100mm-$350mm	14	10	28	52
< $100mm	98	22	57	177
Total	120	41	110	271
	44%	*15%*	*41%*	

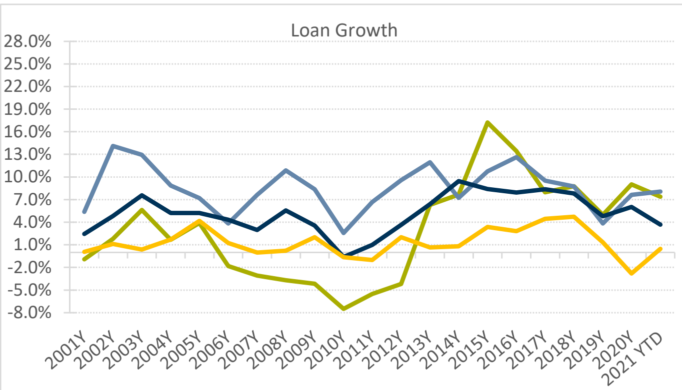
Source: S&P Global Market Intelligence.

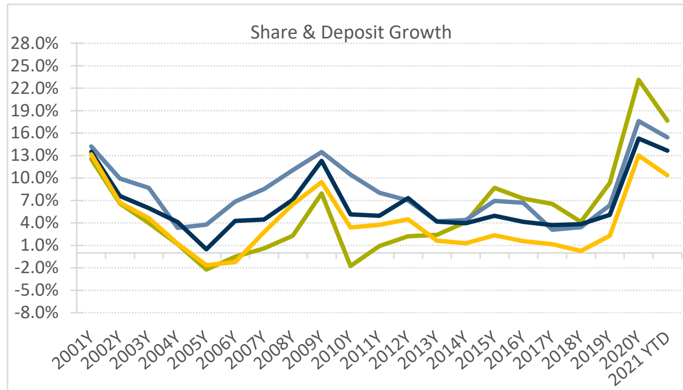
Balance Sheet

Loan & Share/Deposit Growth

by Asset Size

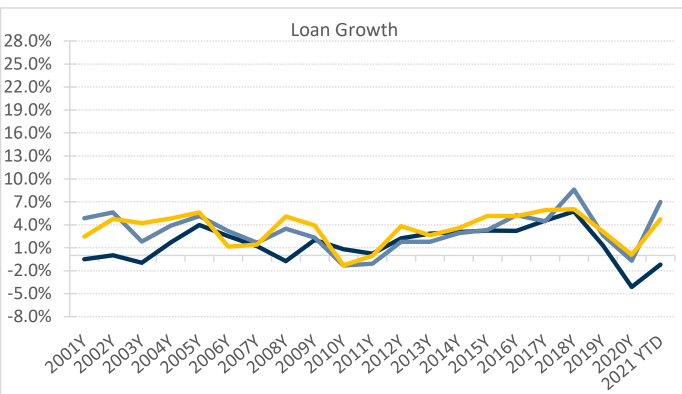
> $1 bn | $350 mm-$1 bn | $100 - $350 mm | < $100 mm

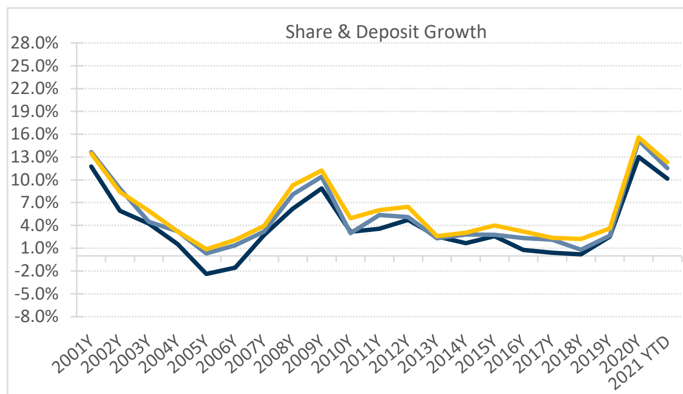




by Primary Business Focus

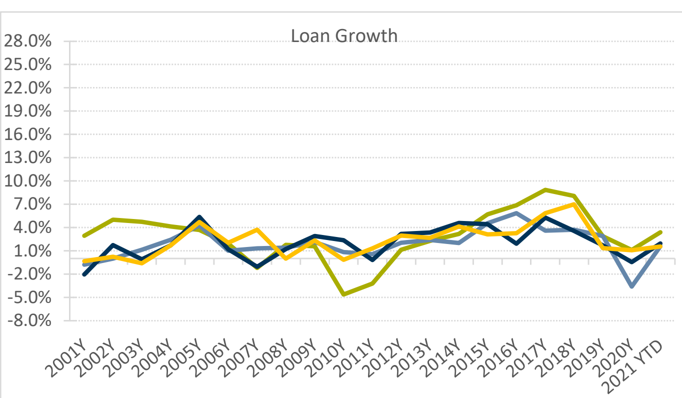
Residential | Auto | Other

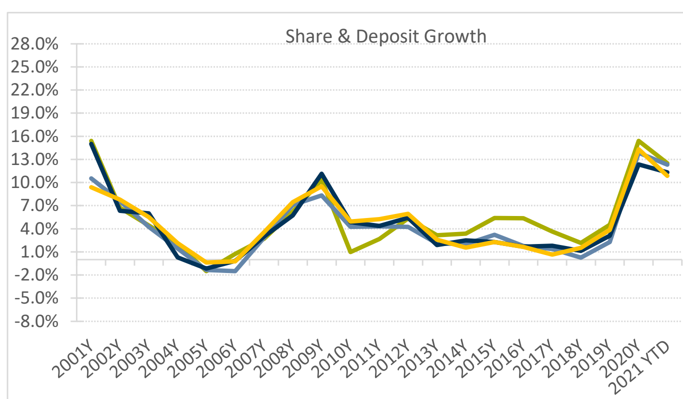




by State

Colorado | Kansas | Nebraska | Oklahoma





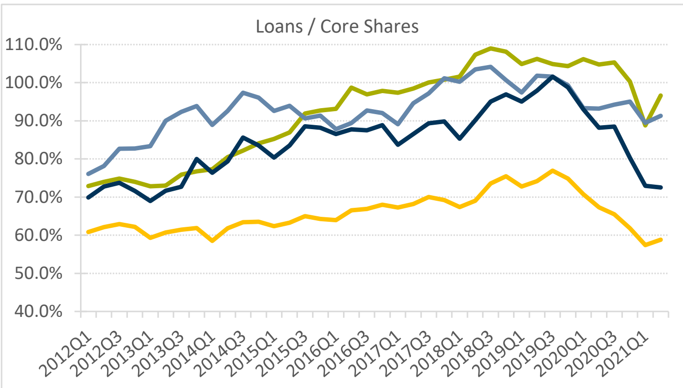
Source: S&P Global Market Intelligence.
Note: Trend data represents the median for each group.

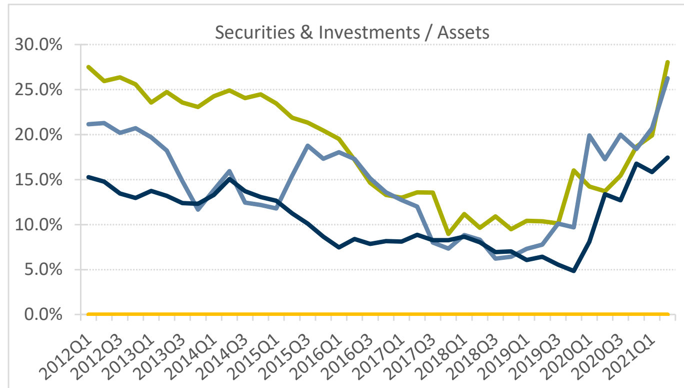
Balance Sheet

Loans / Core Shares & Securities & Investments / Assets

by Asset Size

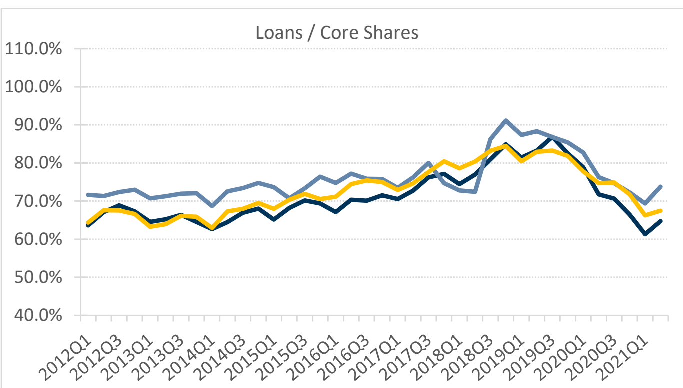
> $1 bn $350 mm-$1 bn $100 - $350 mm   < $100 mm

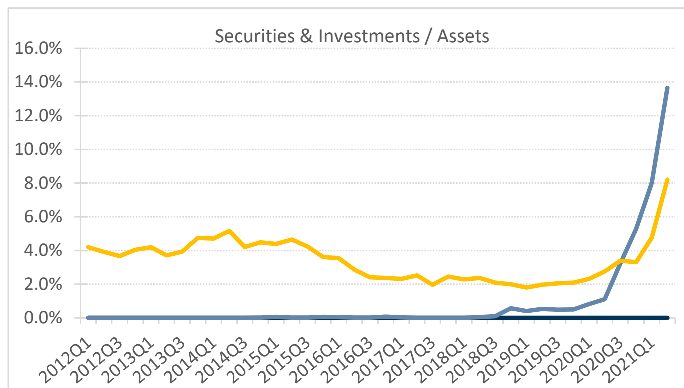




by Primary Business Focus

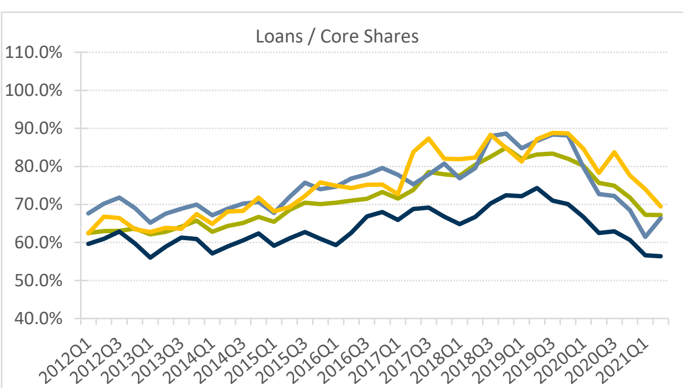
Residential   Auto   Other

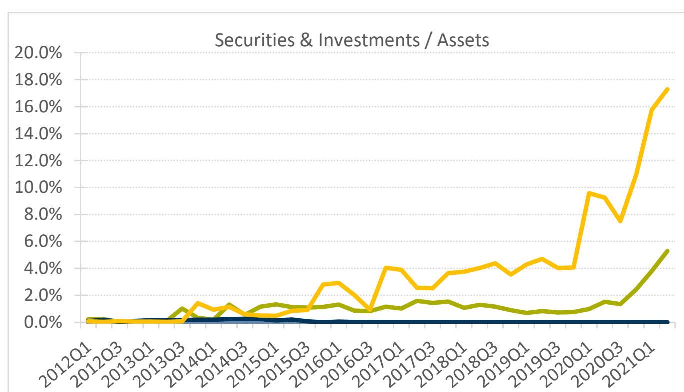




by State

Colorado   Kansas   Nebraska   Oklahoma





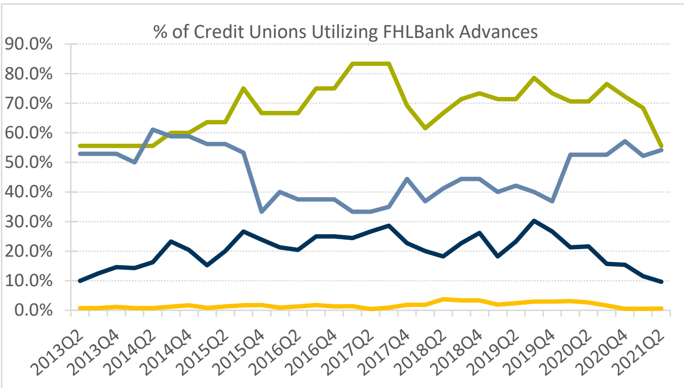
Source: S&P Global Market Intelligence.
Note: Trend data represents the median for each group.
Note: Loans / Core shares = Loans / (Total Shares & Deposits – Nonmember Deposits – Share Certificates > $100k – IRA & KEOGH Accounts > $100k)

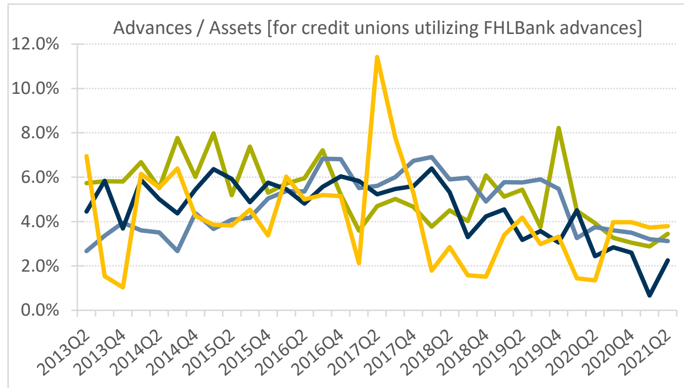
Balance Sheet

FHLBank Advance Utilization

by Asset Size

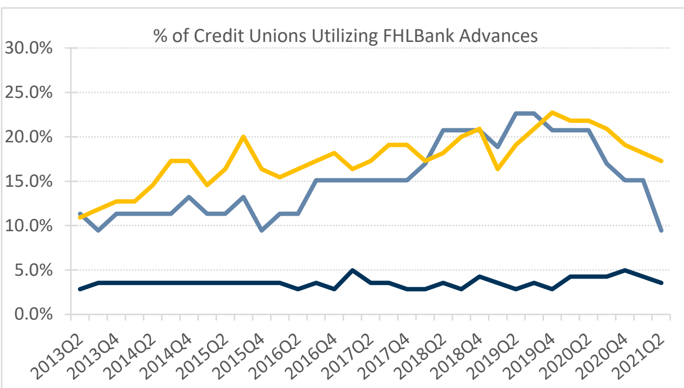
> $1 bn　$350 mm-$1 bn　$100 - $350 mm　< $100 mm

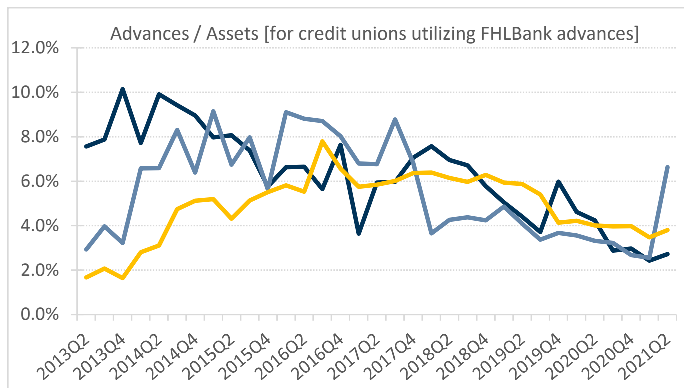




by Primary Business Focus

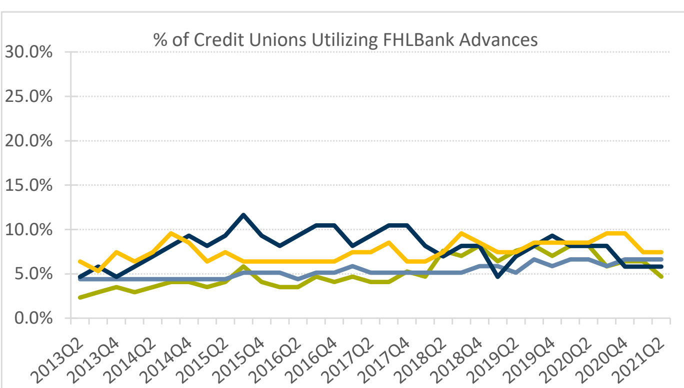
Residential　Auto　Other

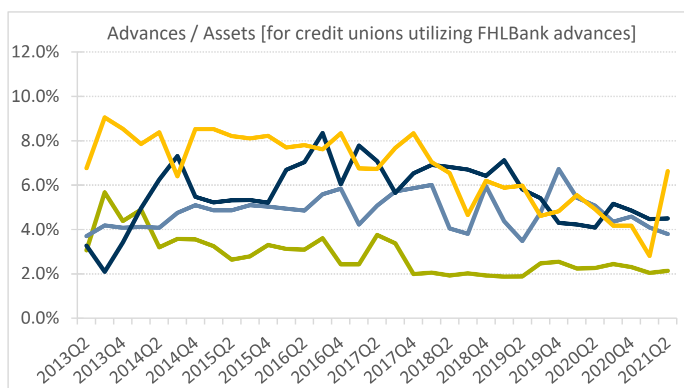




by State

Colorado　Kansas　Nebraska　Oklahoma





Source: S&P Global Market Intelligence.

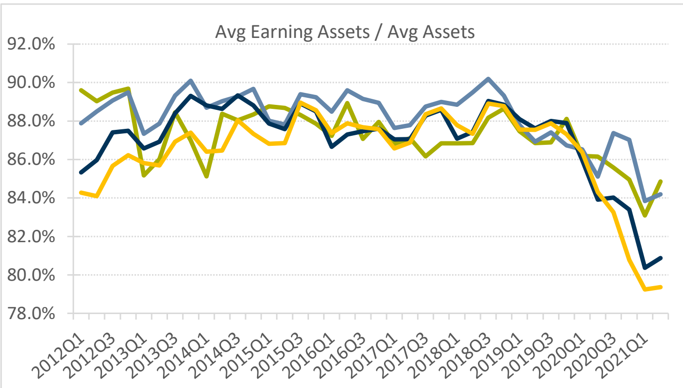
Note: Trend data represents the median for each group. FHLBank advance data not available until 2013Q2.

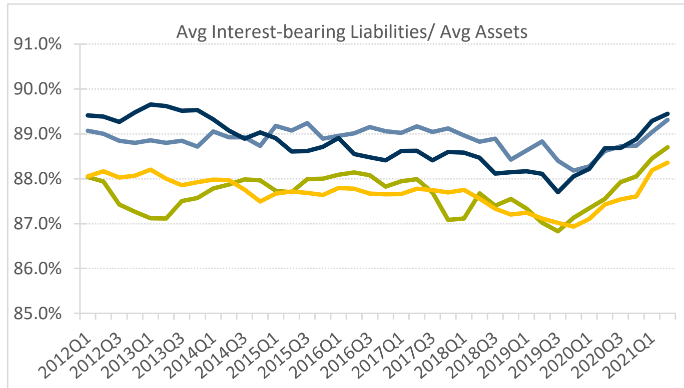
Balance Sheet

Avg Earning Assets / Avg Assets & Avg Int-bearing Liabilities / Avg Assets

by Asset Size

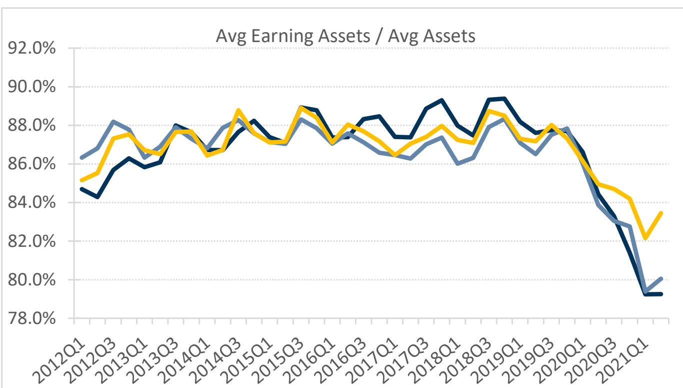
> $1 bn | $350 mm-$1 bn | $100 - $350 mm | < $100 mm

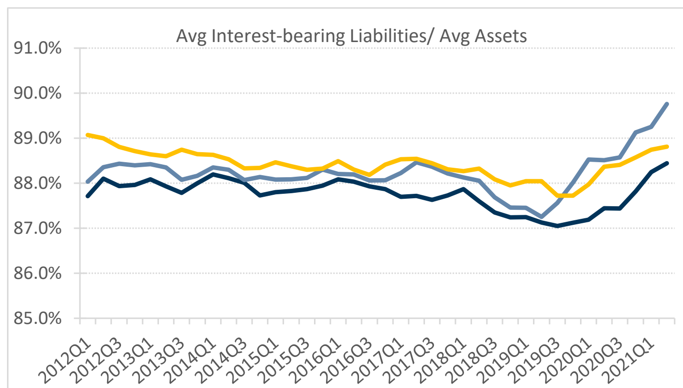




by Primary Business Focus

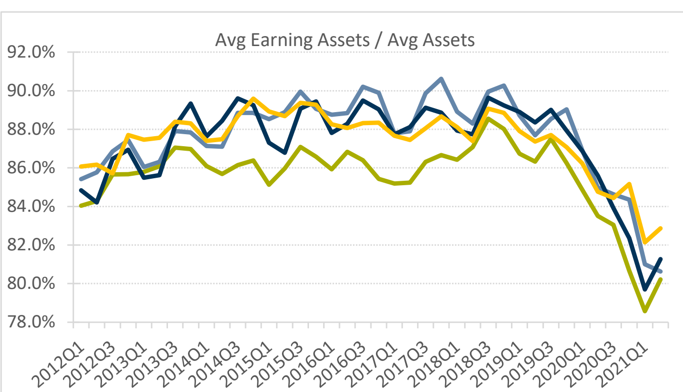
Residential | Auto | Other

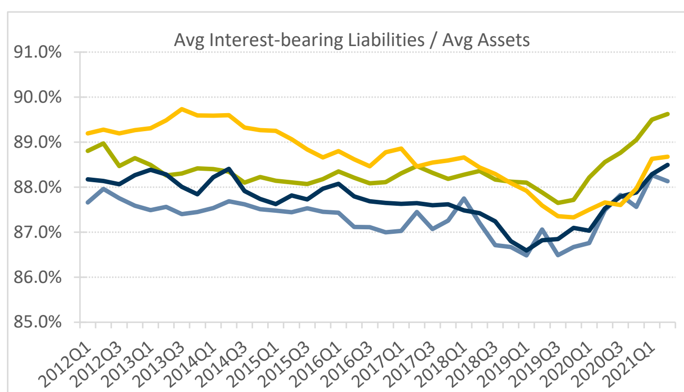




by State

Colorado | Kansas | Nebraska | Oklahoma



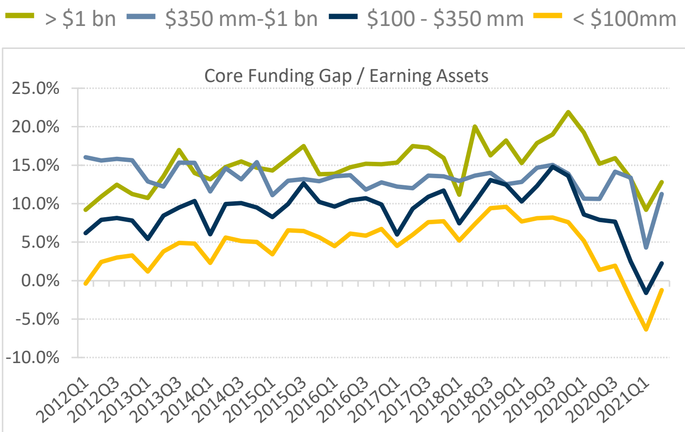


Source: S&P Global Market Intelligence.
Note: Trend data represents the median for each group.

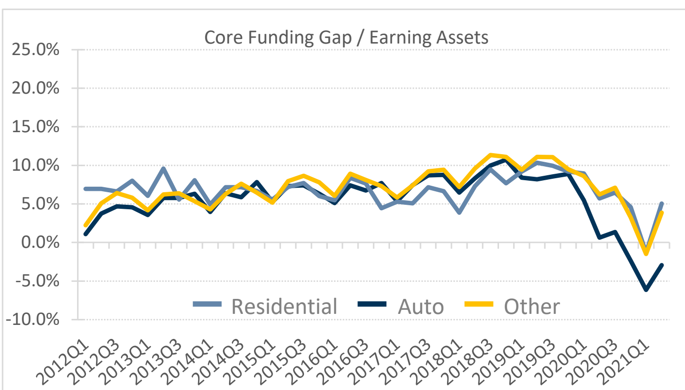
Balance Sheet

Core Funding Gap / Earning Assets & Balance Sheet Observations

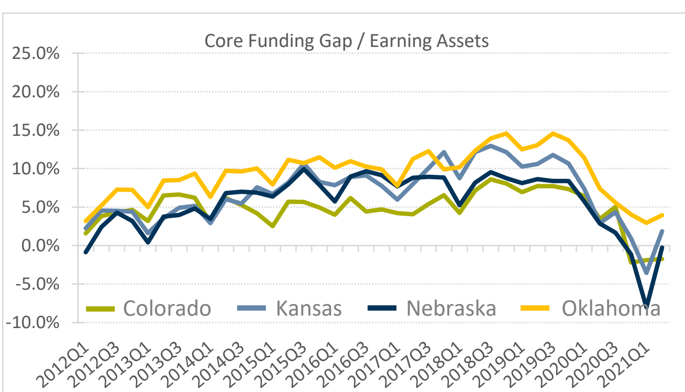
by Asset Size



by Primary Business Focus



by State



Source: S&P Global Market Intelligence.
Note: Trend data represents the median for each group.
Note: Core Funding Gap = Earning Assets Less Core Shares

Balance Sheet Observations

Loan & Share/Deposit Growth Trends

- After contracting for two consecutive quarters, median loan growth for District credit unions was 7.5% quarter-over-quarter.
  - Credit unions with assets $350 million - $1 billion were the only peer group with median loan growth during the first and second quarters this year.
  - On a year-to-date basis, only those credit unions focused on auto lending have seen a decline in loan balances since year-end 2020.
- Aggregate loans grew $1.7 billion or 3.6% or during the second quarter.
  - Aggregate PPP loan balances declined about $41 million during the second quarter to $129 million.
  - 1-4 family residential lending continues to be the primary driver of loan growth with aggregate balances growing nearly $700 million in the three months ended June 30, 2021.
- Shares and deposits were relatively flat after surging in the first quarter. Aggregate shares/deposits increased $324 million or 0.5% quarter-over-quarter.
  - Share/deposit growth slowed across all peer segments compared to the prior quarter.
  - Median share/deposit growth for the District was -0.7% for the second quarter.
- Loan growth exceeded share/deposit growth for the first time since the quarter-ended Sept. 30, 2019.

Wholesale Funding

- FHLBank advance use continues to be the primary source of wholesale funding for credit unions.
  - More than 50% of credit unions with assets greater than $350 million had FHLBank advances outstanding at quarter-end June 30, 2021.
- The median credit union in the District does not utilize wholesale funding.
- After many institutions moved into a negative funding gap position and trended downward over the past nine months, all sectors saw higher funding gaps in the second quarter.

Balance Sheet Composition

- Average earning assets as a percent of assets reversed its downward trend for all peer segments except the median for credit unions headquartered in Kansas.
  - Securities as a percent of assets continued to climb for credit unions with assets over $100 million, those located in Oklahoma and Colorado as well as auto focused and more diversified lenders.
- Interest-bearing funding continued its upward trend in the second quarter.

Capital

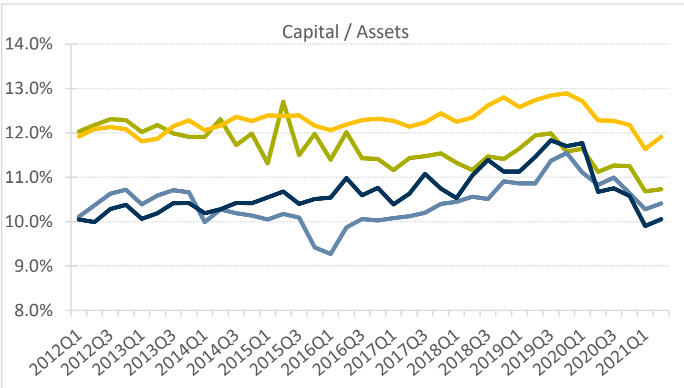
- Capital positions improved for all peer segments during the second quarter.

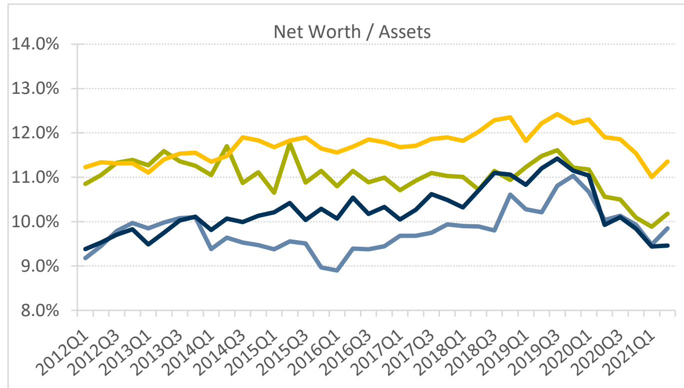
Balance Sheet

Capital: Capital / Assets & Net Worth / Assets

by Asset Size

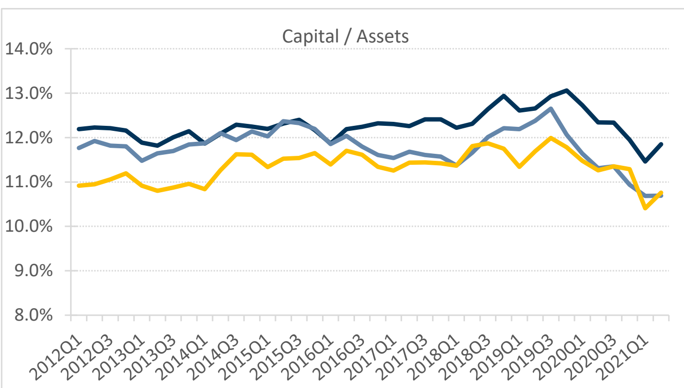
> $1 bn | $350 mm-$1 bn | $100 - $350 mm | < $100 mm

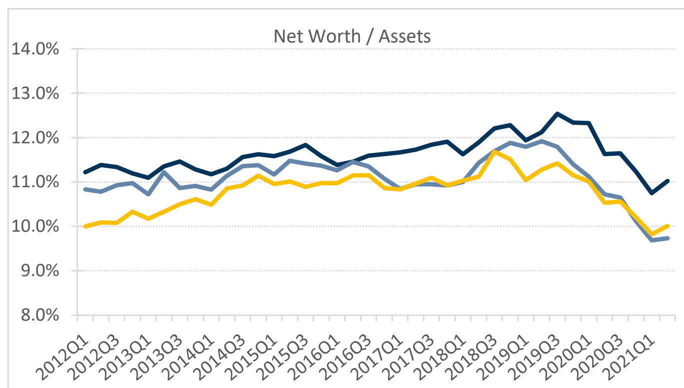




by Primary Business Focus

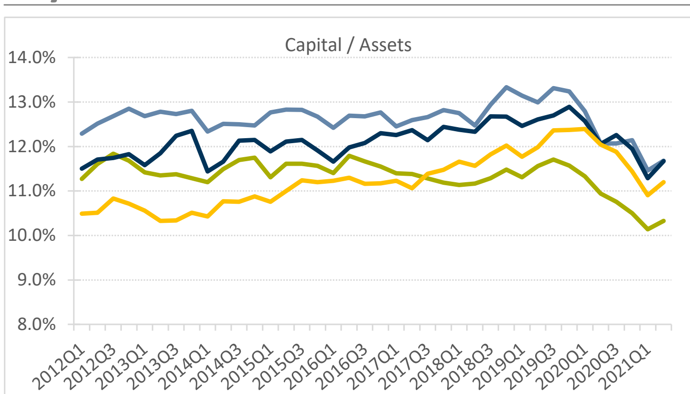
Residential | Auto | Other

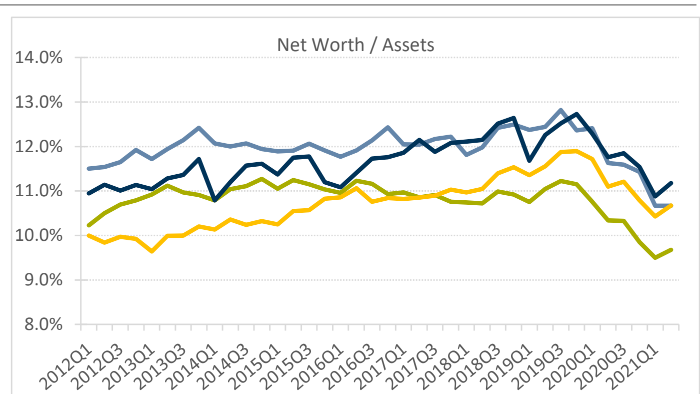




by State

Colorado | Kansas | Nebraska | Oklahoma





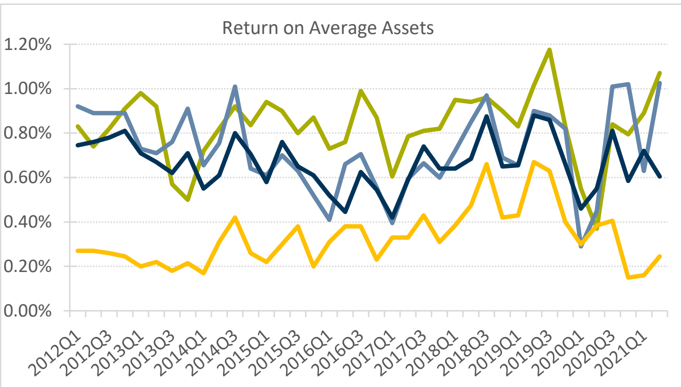
Source: S&P Global Market Intelligence.
Note: Trend data represents the median for each group.

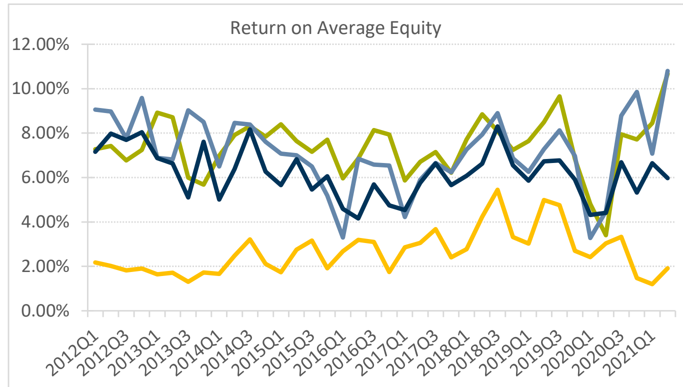
Profitability & Performance

Return on Average Assets & Return on Average Equity

by Asset Size

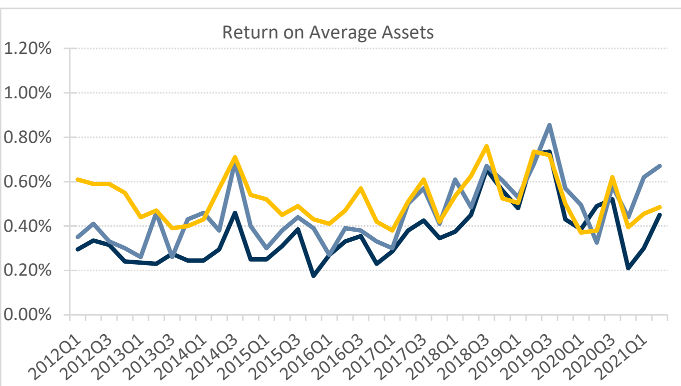
> $1 bn $350 mm-$1 bn $100 - $350 mm   < $100 mm

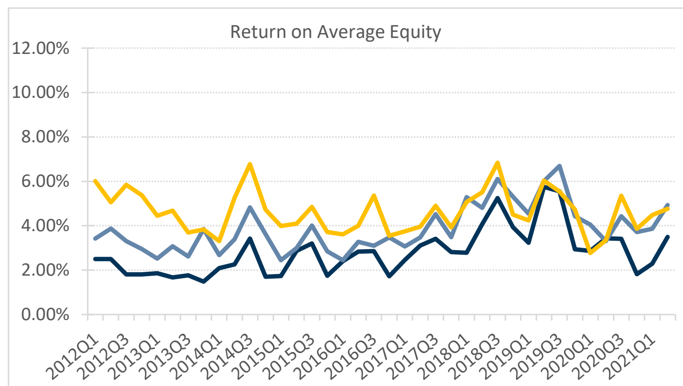




by Primary Business Focus

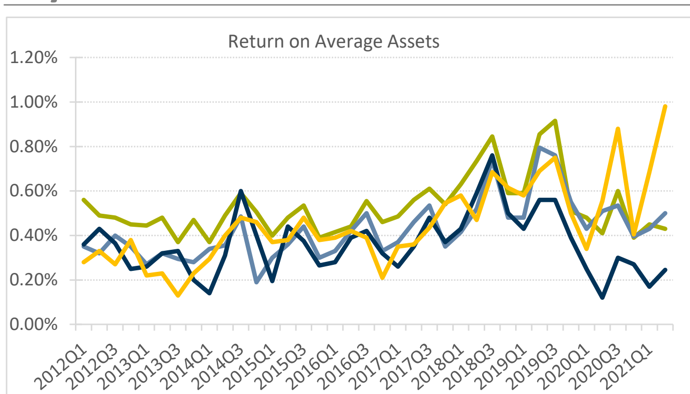
Residential   Auto   Other

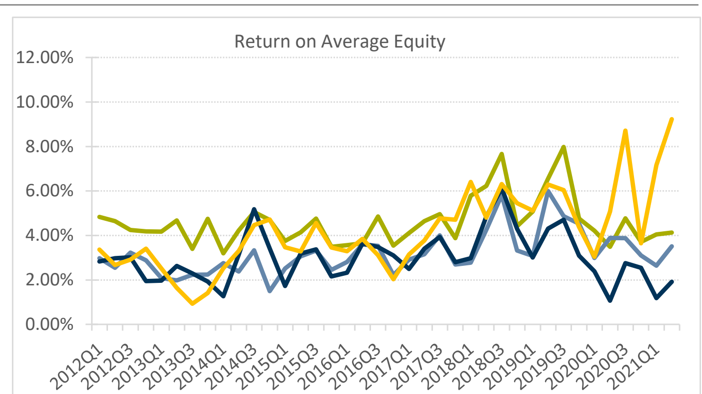




by State

Colorado   Kansas   Nebraska   Oklahoma





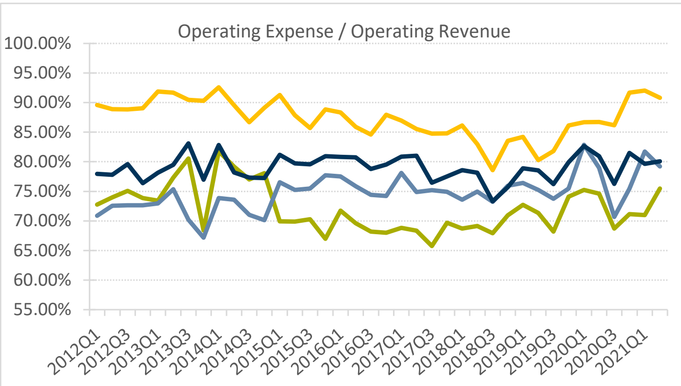
Source: S&P Global Market Intelligence.
Note: Trend data represents the median for each group.

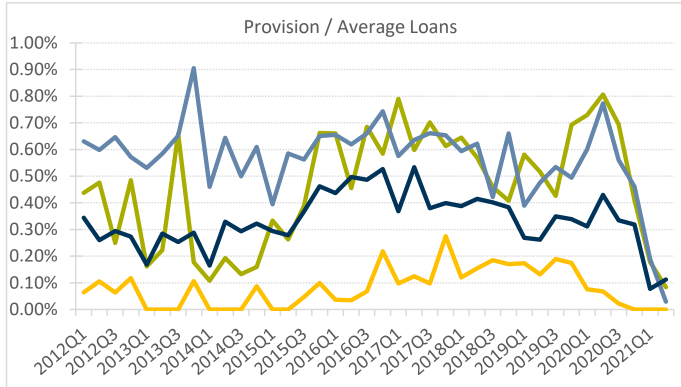
Profitability & Performance

Operating Expense / Operating Revenue & Provision / Average Loans

by Asset Size

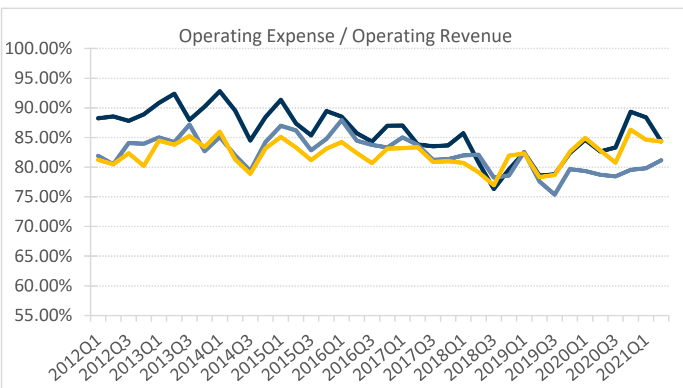
> $1 bn $350 mm-$1 bn $100 - $350 mm   < $100 mm

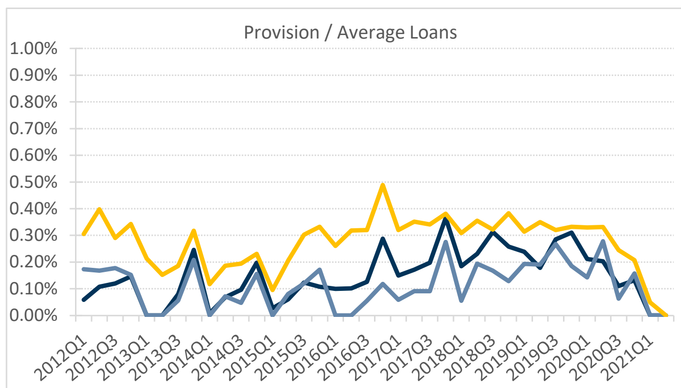




by Primary Business Focus

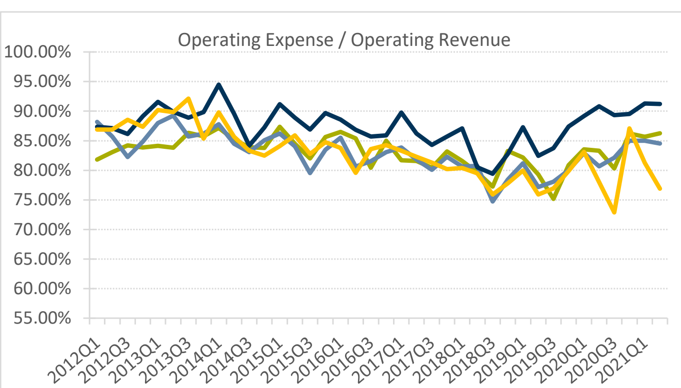
Residential   Auto   Other

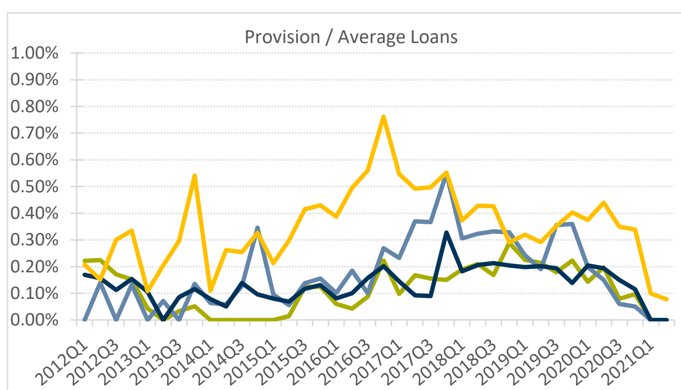




by State

Colorado   Kansas   Nebraska   Oklahoma





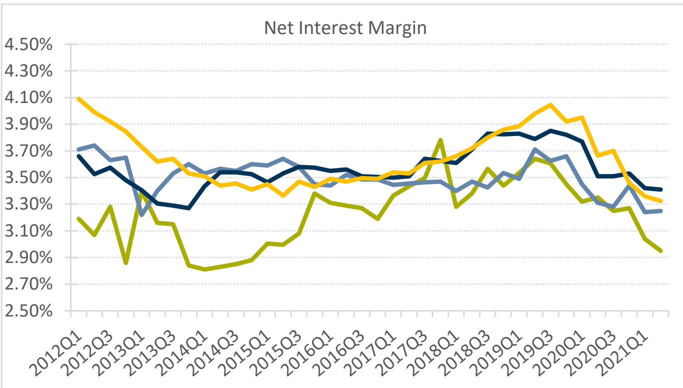
Source: S&P Global Market Intelligence.
Note: Trend data represents the median for each group.

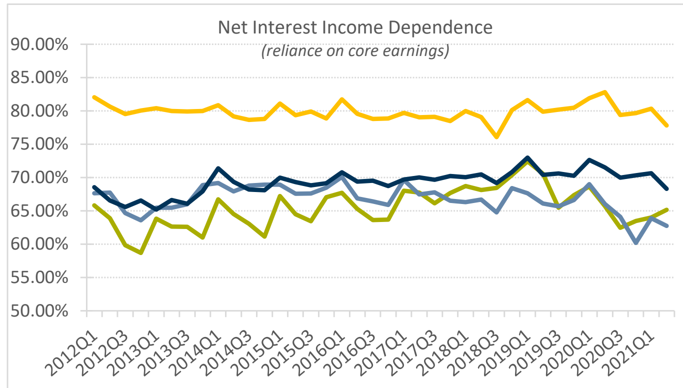
Profitability & Performance

Net Interest Margin & Net Interest Income Dependence

by Asset Size

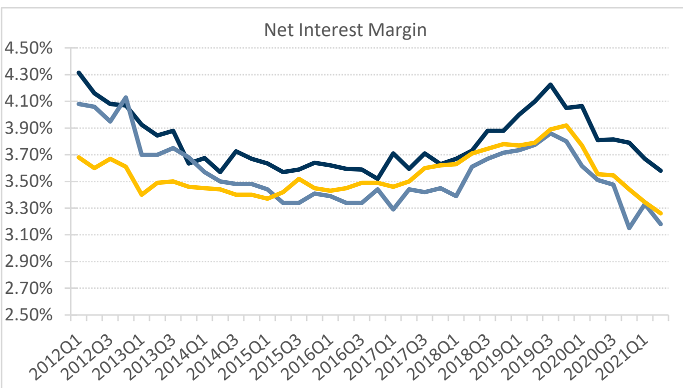
\> $1 bn | $350 mm-$1 bn | $100 - $350 mm | < $100 mm

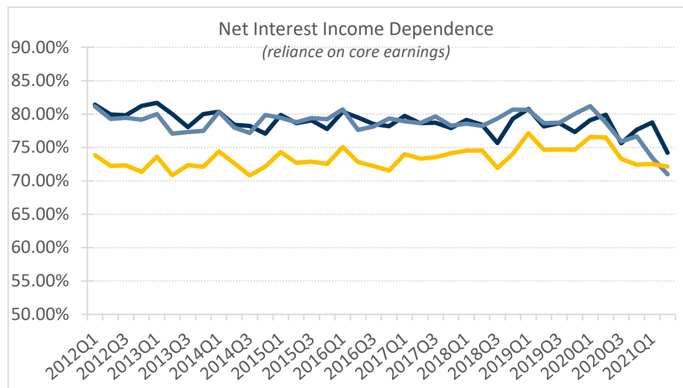




by Primary Business Focus

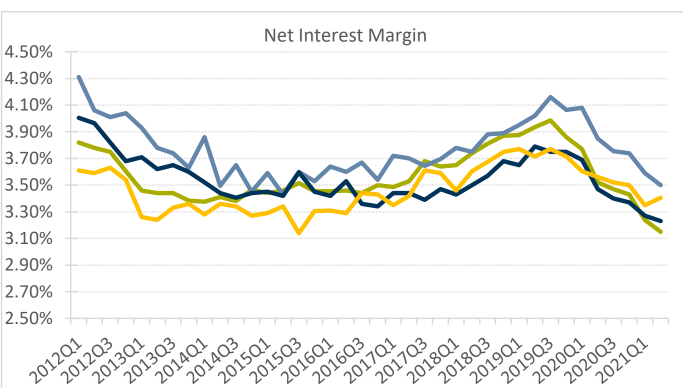
Residential | Auto | Other

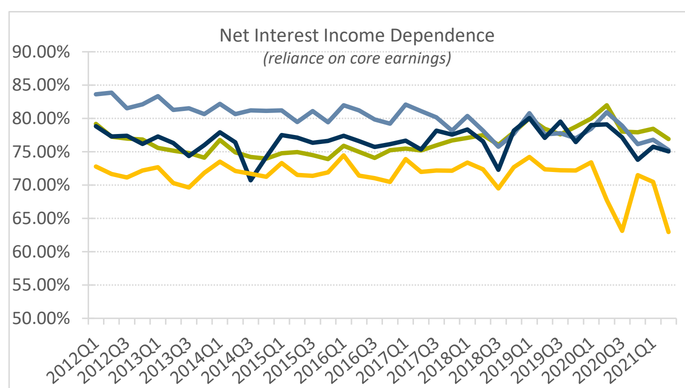




by State

Colorado | Kansas | Nebraska | Oklahoma





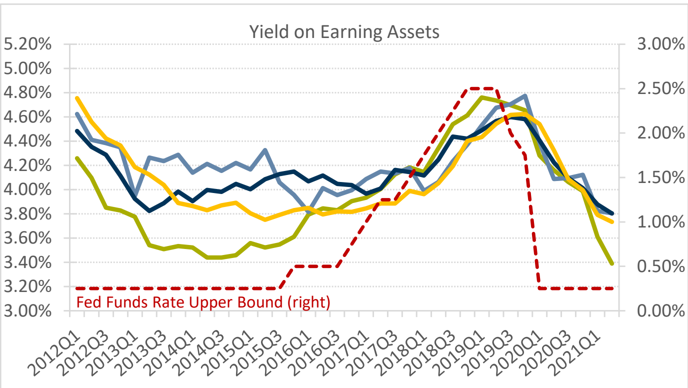
Source: S&P Global Market Intelligence.
Note: Trend data represents the median for each group.
Note: Net Interest Income Dependence = Net Interest Income / (Net Interest Income + Noninterest Income)

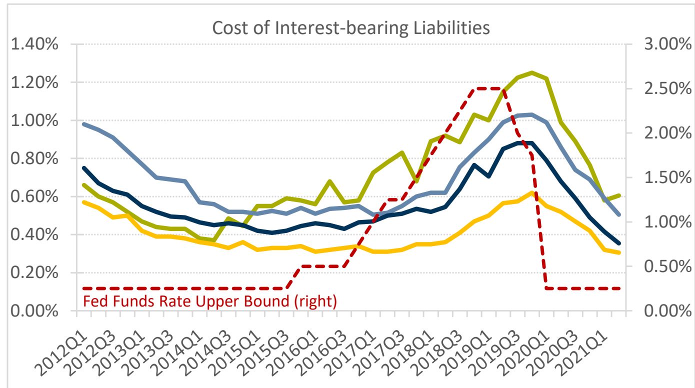
Profitability & Performance

Yield on Earning Assets & Cost of Interest-bearing Liabilities

by Asset Size

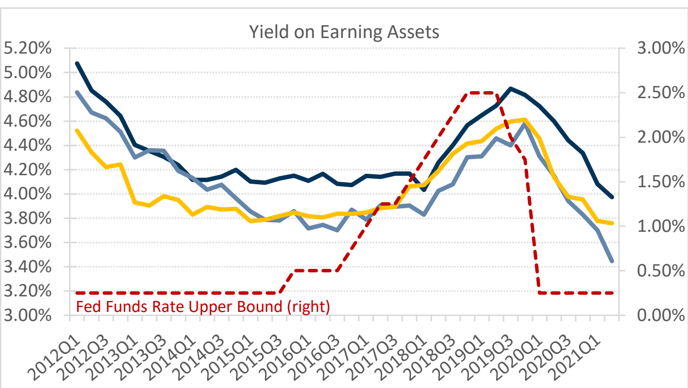
> $1 bn $350 mm-$1 bn $100 - $350 mm   < $100 mm

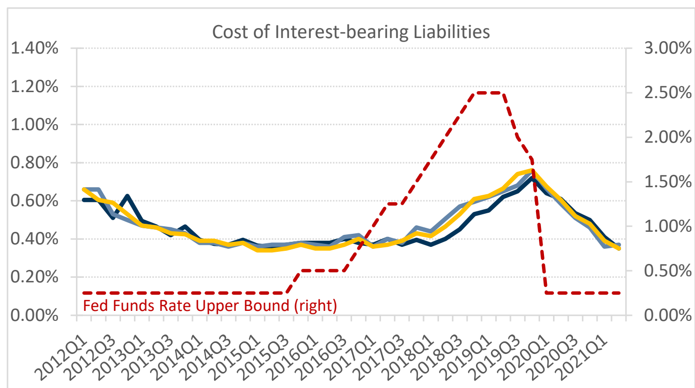




by Primary Business Focus

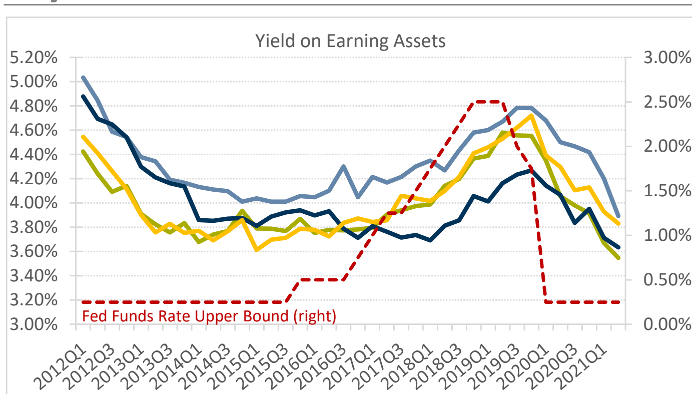
Residential   Auto   Other

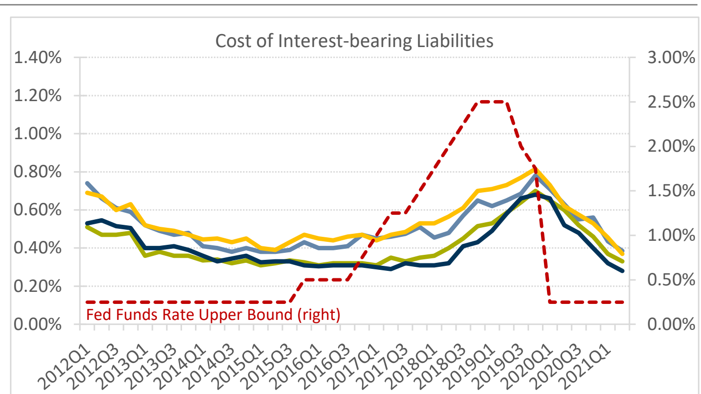




by State

Colorado   Kansas   Nebraska   Oklahoma





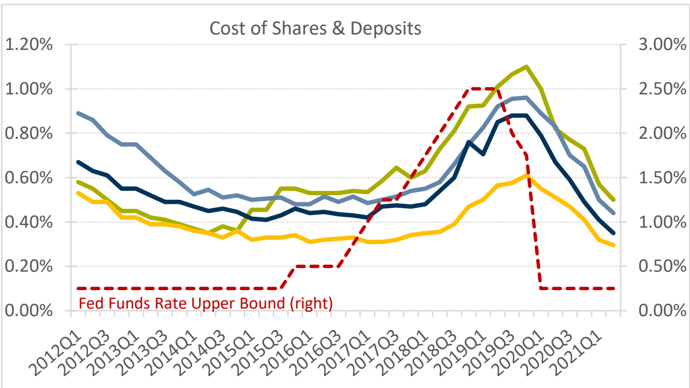
Source: S&P Global Market Intelligence.
Note: Trend data represents the median for each group.

Profitability & Performance

Cost of Shares/Deposits & Observations

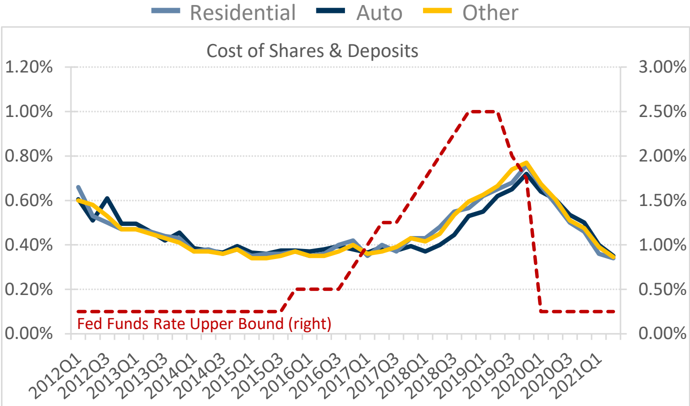
by Asset Size

> $1 bn $350 mm-$1 bn $100 - $350 mm   < $100mm



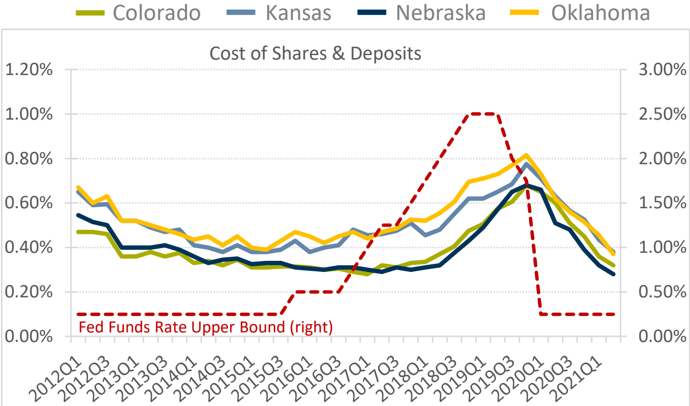
by Primary Business Focus

Residential   Auto   Other



by State

Colorado   Kansas   Nebraska   Oklahoma



Source: S&P Global Market Intelligence.
Note: Trend data represents the median for each group.

Observations

Earnings Metrics

- Median second quarter ROAA and ROAE improved on quarterly basis except among credit unions with assets of $100 million - $350 million.
  - Throughout the pandemic, auto lending focused institutions and credit unions in Nebraska have underperformed their peers.
- The number of institutions booking a negative provision during the second quarter reached a new nine-year high while the number with a zero provision reached a six-year high.
  - Provisions as a percent of loans have remained below pre-pandemic levels for nearly all peer sectors.
- The District median net interest margin fell 6 bps in the second quarter, falling to a another new low of 3.30%.
  - Margins have shrunk for seven straight quarters.
  - The median net interest margin for credit unions with assets $350 million - $1 billion have had the least amount of margin compression since Sept. 30, 2019, falling 38 bps compared to the District median of 62 bps.
- Net interest income dependence or reliance on core earnings declined across all peers except credit unions with assets greater than $1 billion.
  - Residential focused institutions have seen the largest drop in reliance on net interest income as a percent of revenue since year-end 2019.
- Expense control was mixed in the second quarter with some sectors weakening and others improving on a quarterly basis.

Yields & Costs

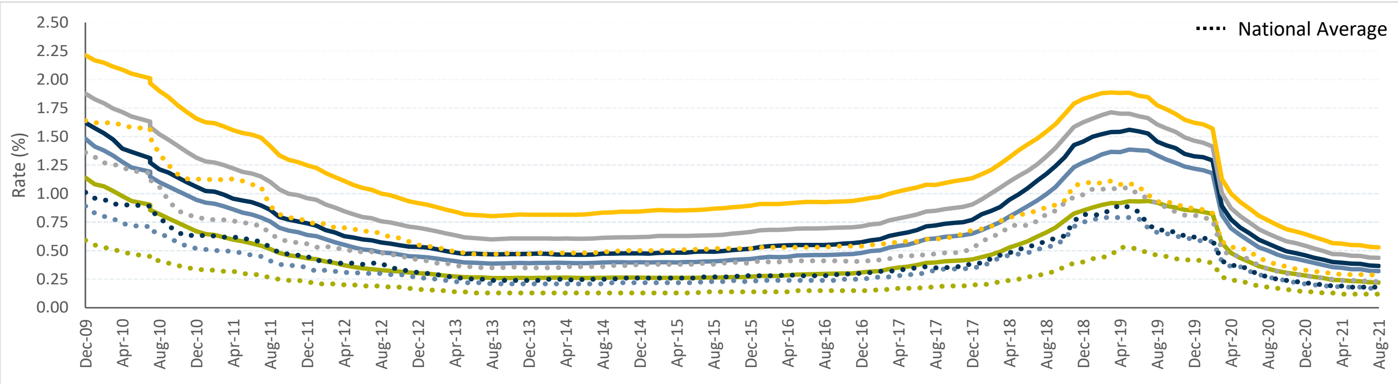
- Yields on earning assets again fell at a faster pace than the cost of interest-bearing liabilities (for the sixth consecutive quarter), but the margin was narrower.
  - The median yield on earning assets is now down 86 bps since Sept. 30, 2019, while the median cost of interest-bearing liabilities has only declined 34 bps.
  - The median yield on loans fell to a new nine-year low of 4.93% for the three months ended June 30, 2021.
- The floor for cost of shares/deposits continues to push lower for nearly all peer segments. Most credit unions have now gone below Great Recession lows.
  - The institutions with the largest drops in share/deposit costs are credit unions with assets greater than $100 million.
- The average rates offered on both share certificates and non-maturity accounts within our four-state region continue to remain above the national average, although the gap has narrowed.
  - Nebraska and Kansas continue to offer slightly higher rates on deposit products compared to Colorado and Oklahoma.

Profitability & Performance

Historical Average Rate Trends: Share Certificates & Non-Maturity Accounts

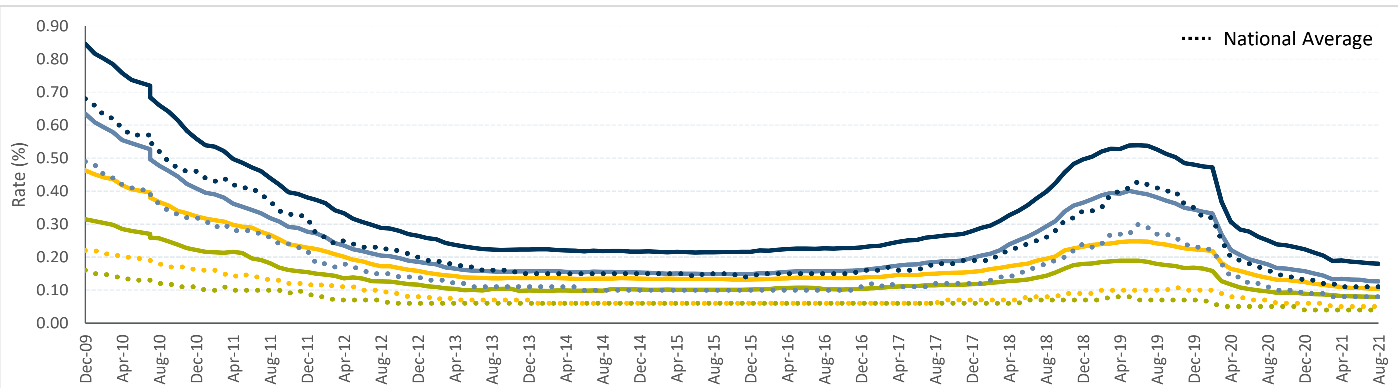
Tenth District vs. National Average

6 Mo | 12 Mo | 18 Mo | 24 Mo | 36 Mo



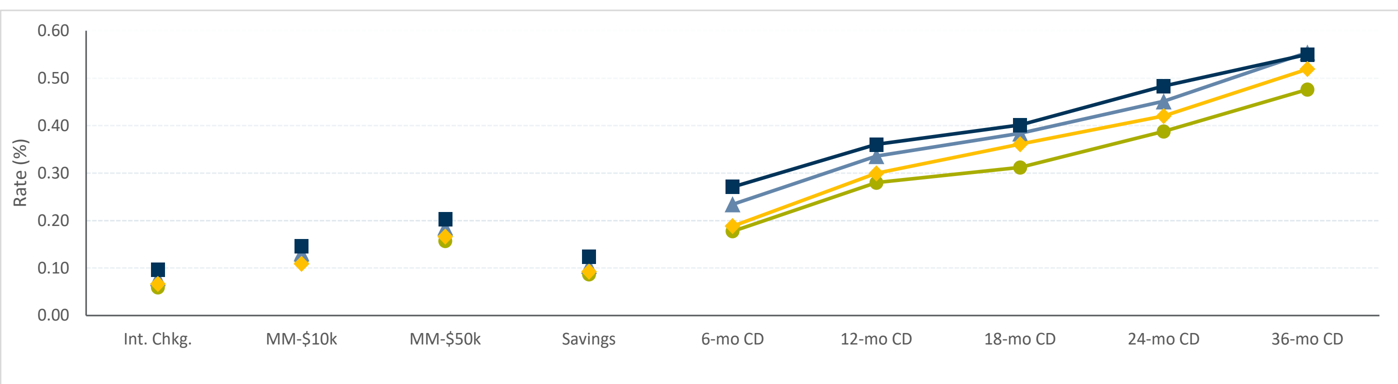
Tenth District vs. National Average

Int. Checking | Money Mkt $10k | Money Mkt $50k | Savings



by State – Current Offering Rates *(as of 8/13/2021)*

Colorado | Kansas | Nebraska | Oklahoma



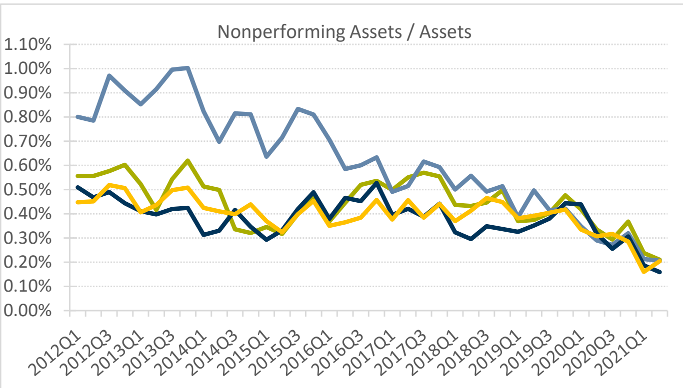
Source: S&P Global Market Intelligence. Rates through 8/13/2021.
Note: Includes banks and credit unions that report deposit rates to the RateWatch service.

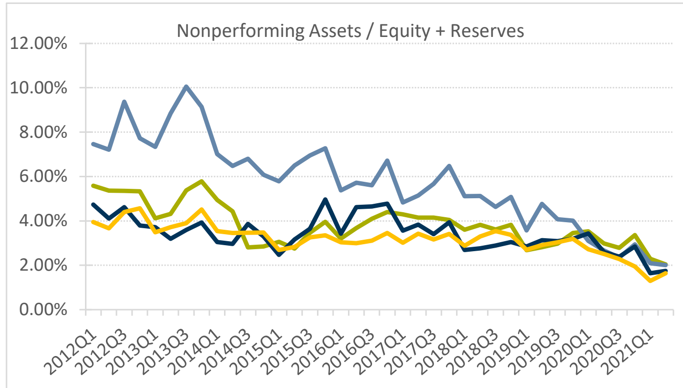
Asset Quality

Nonperforming Assets (NPAs) / Assets & NPAs / Equity + Reserves

by Asset Size

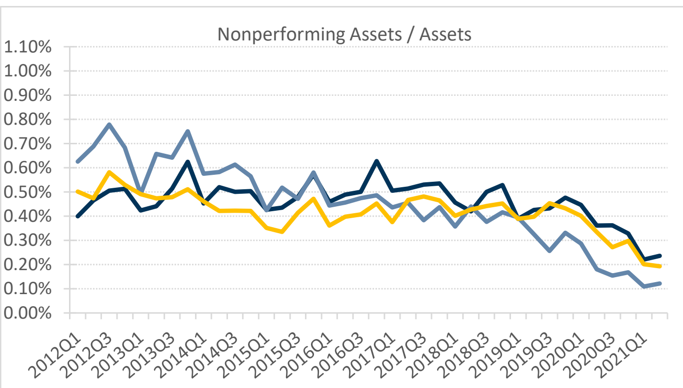
> $1 bn | $350 mm-$1 bn | $100 - $350 mm | < $100 mm

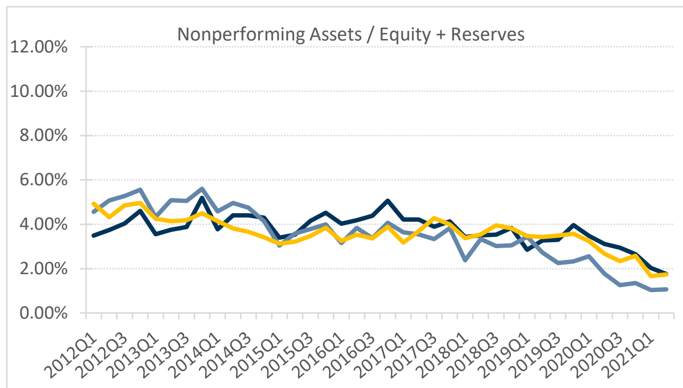




by Primary Business Focus

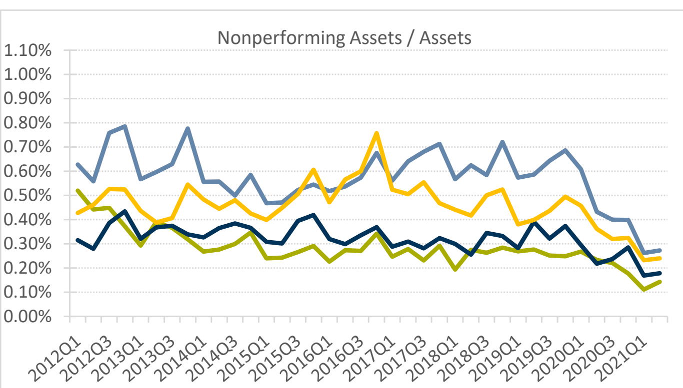
Residential | Auto | Other

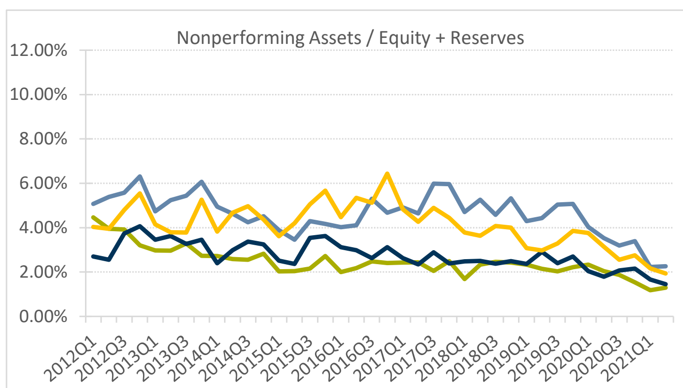




by State

Colorado | Kansas | Nebraska | Oklahoma





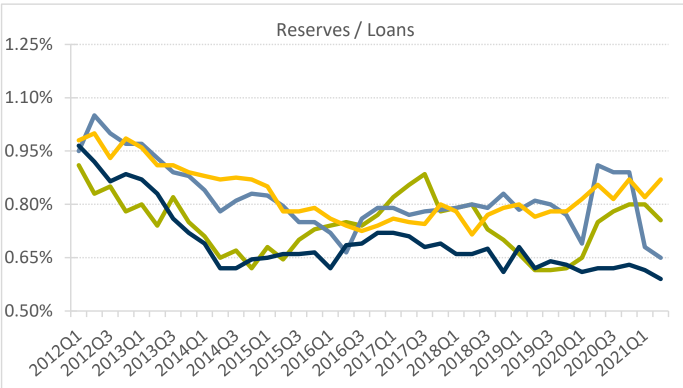
Source: S&P Global Market Intelligence.
Note: Trend data represents the median for each group.

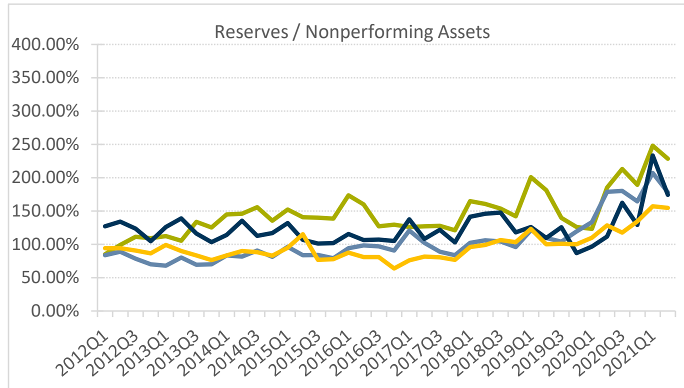
Asset Quality

Reserves / Loans & Reserves / Nonperforming Assets

by Asset Size

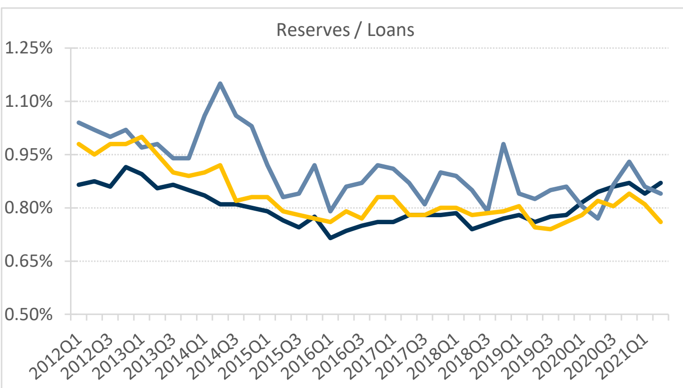
> $1 bn | $350 mm-$1 bn | $100 - $350 mm | < $100 mm

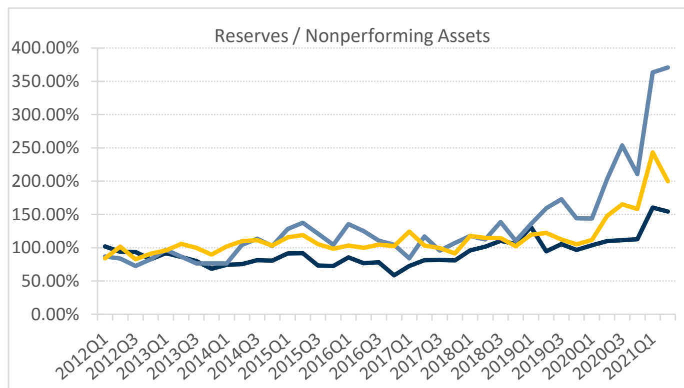




by Primary Business Focus

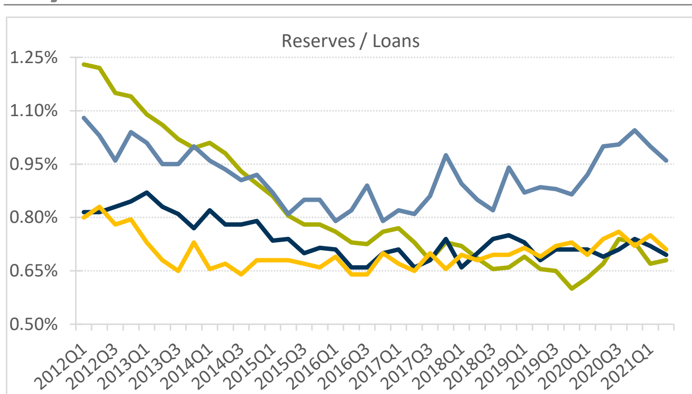
Residential | Auto | Other

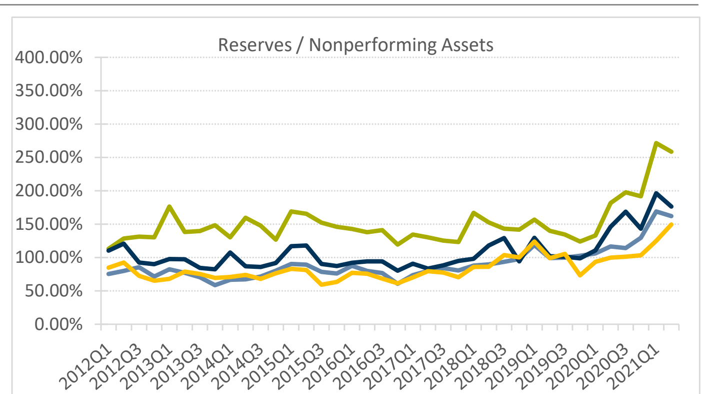




by State

Colorado | Kansas | Nebraska | Oklahoma





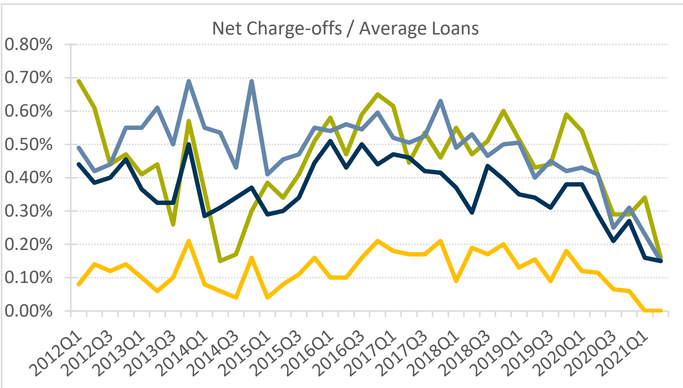
Source: S&P Global Market Intelligence.
Note: Trend data represents the median for each group.

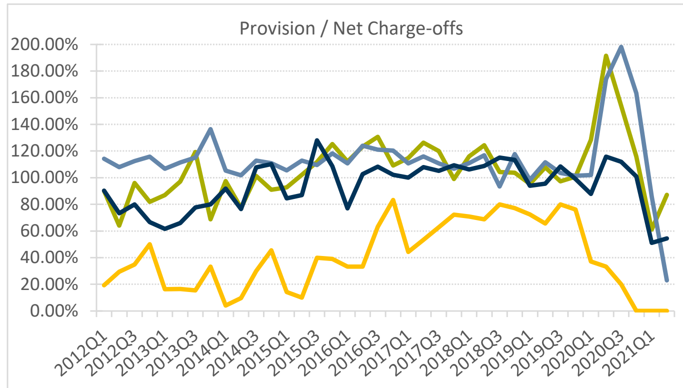
Asset Quality

Net Charge-offs / Average Loans & Provision / Net Charge-offs

by Asset Size

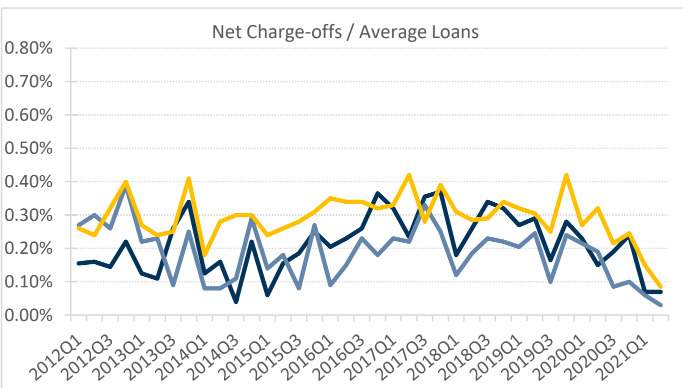
> $1 bn $350 mm-$1 bn $100 - $350 mm   < $100 mm

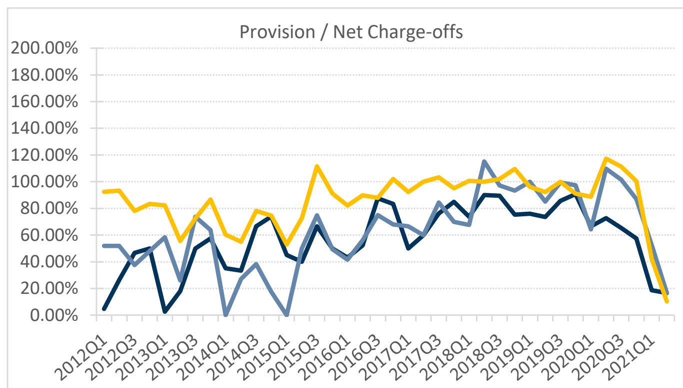




by Primary Business Focus

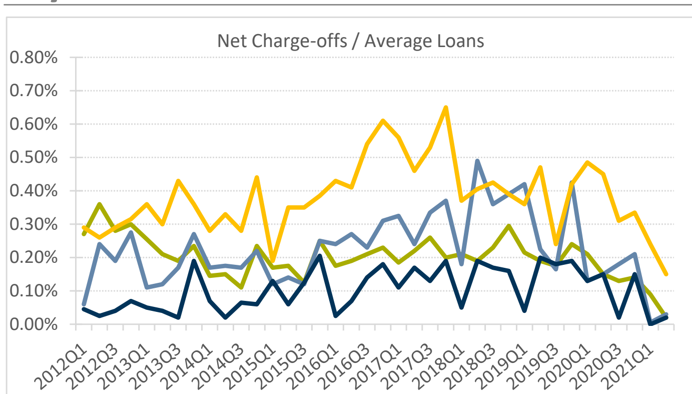
Residential   Auto   Other

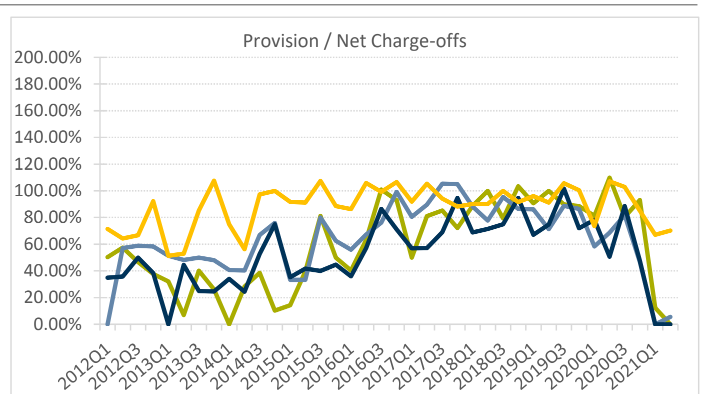




by State

Colorado   Kansas   Nebraska   Oklahoma



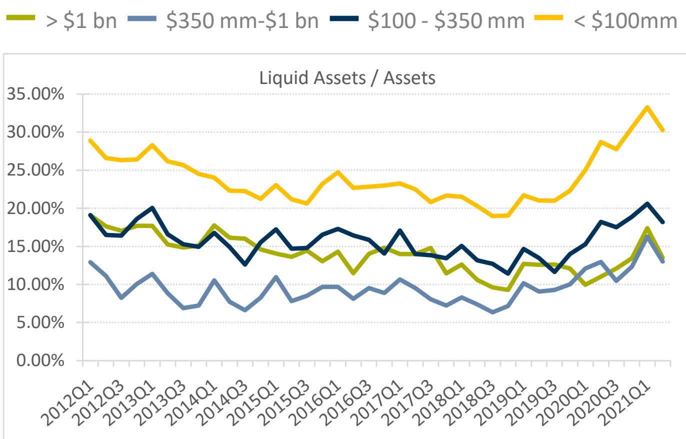


Source: S&P Global Market Intelligence.
Note: Trend data represents the median for each group.

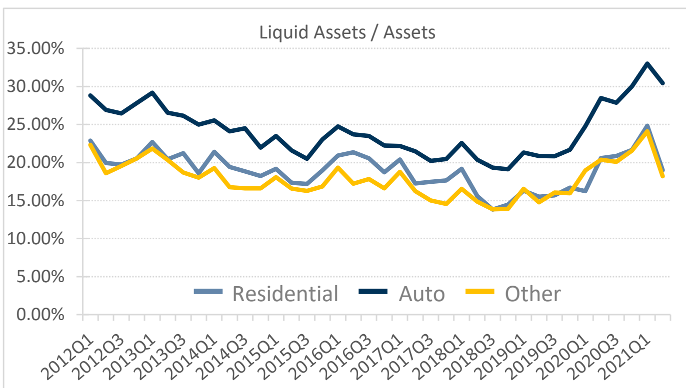
Liquidity

Liquid Assets / Assets & Observations

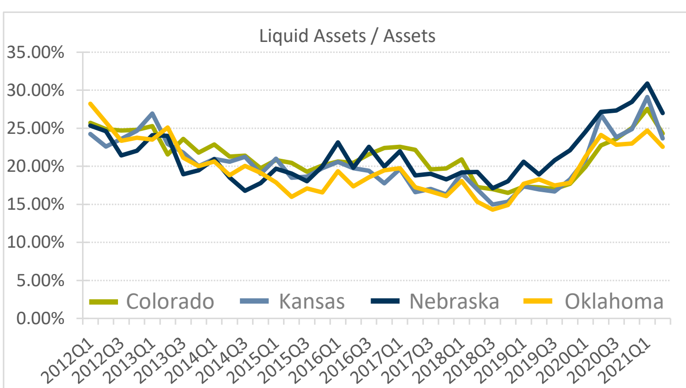
by Asset Size



by Primary Business Focus



by State



Asset Quality & Liquidity Observations

Asset Quality

- Solid asset quality trends continued during the second quarter.
- Nonperforming assets as a percent of assets ticked up slightly for all peer segments except credit unions with assets greater than $100 million in the second quarter but remain historically low.
  - The District median ratio declined 1 bps in the second quarter.
- Reserve levels moved down for some sectors during the second quarter and up for others. On a year-over-year basis, reserve trends are mixed.
  - The peer groups with the highest reserve positions are credit unions with assets less than $100 million, those located in Kansas and those focused on auto lending at 0.87%, 0.96% and 0.87%, respectively.
- Net charge-offs as a percent of average loans trended lower for nearly all credit union peer segments during the second quarter.

Liquidity

- After accelerating to new highs in the first quarter, liquid assets retreated during the second quarter as credit union balance sheets shrunk their cash and cash equivalent balances with a return of some loan growth and movement into securities and investments.
- Liquidity positions remain historically high for most sectors.
- The amount of assets pledged as collateral (loans and securities) generally remains flat across the District, however residential institutions and those headquartered in Colorado have notably increased throughout the pandemic.
- Reliance on short-term non-core funding remains down on a year-over-year for all peer segments, while some increased on a quarter-over-quarter basis.
  - The need for non-core funding continues to be low.
  - The aggregate amount of short-term non-core funding outstanding in the District declined $284 million to $7.1 billion at of June 30, 2021, compared to the peak of $8.7 billion as of Dec. 31, 2019.

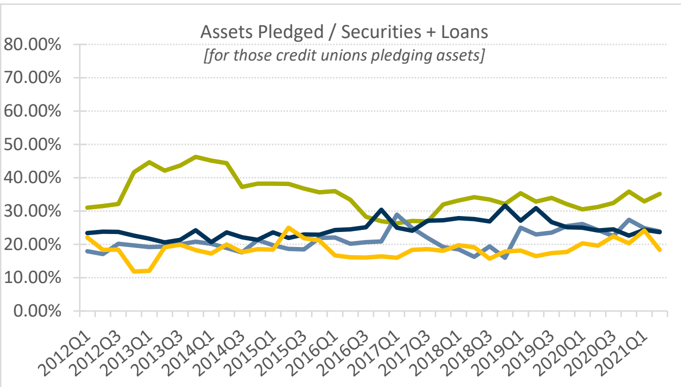
Source: S&P Global Market Intelligence.
Note: Trend data represents the median for each group.
Note: Liquid Assets = Cash on Hand + Cash on Deposit + Cash Equivalents + Investments Maturing < = 1 Year

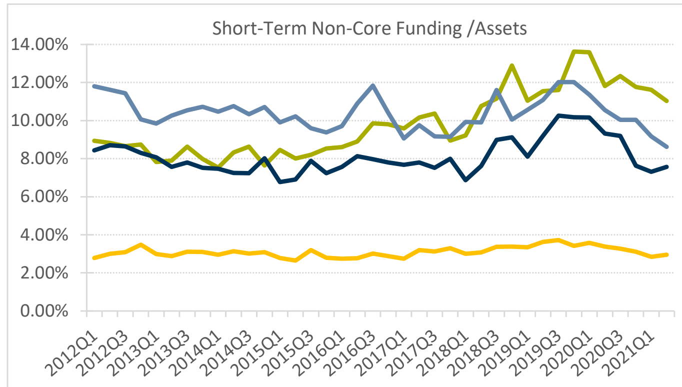
Liquidity

Assets Pledged / Securities + Loans & Short-Term Non-Core Funding / Assets

by Asset Size

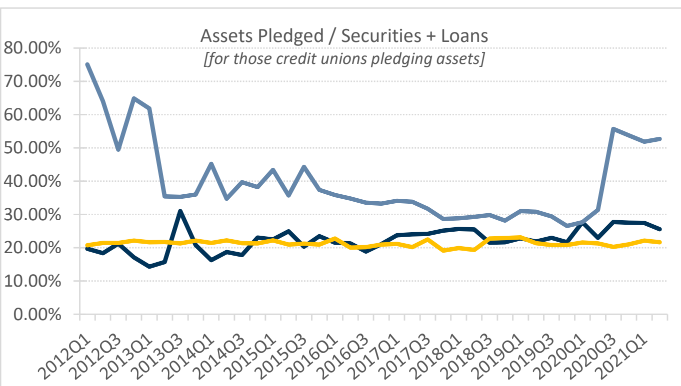
> $1 bn · $350 mm-$1 bn · $100 - $350 mm · < $100 mm

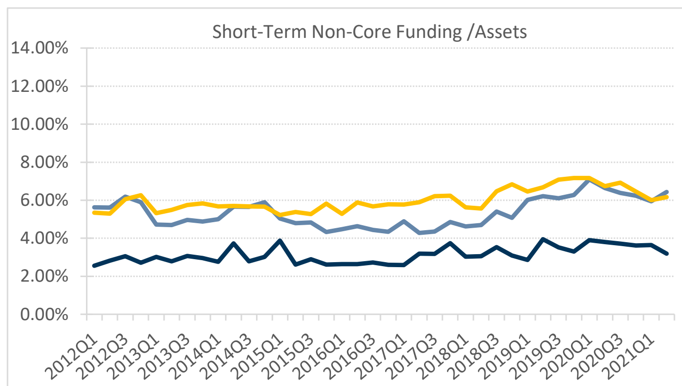




by Primary Business Focus

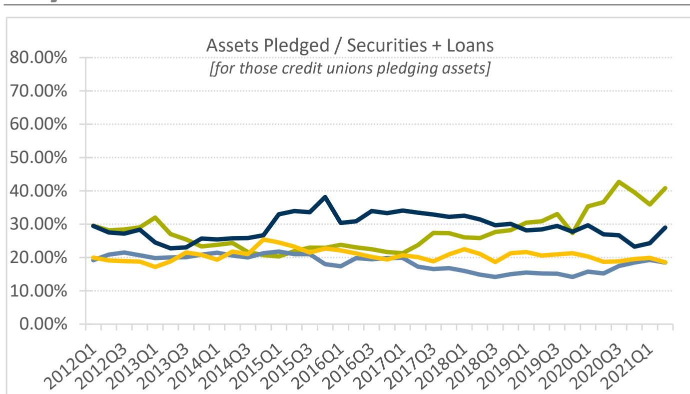
Residential · Auto · Other

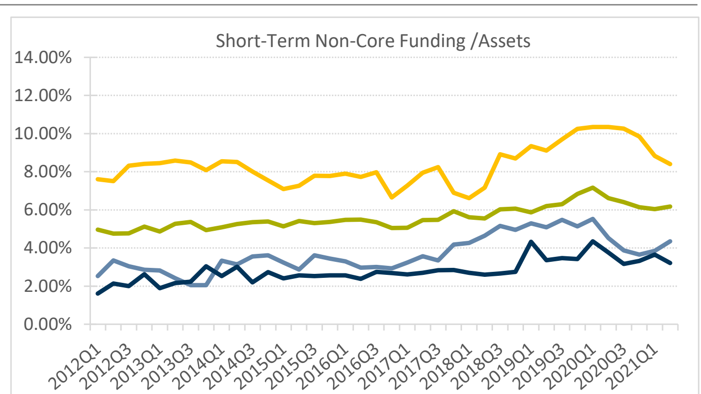




by State

Colorado · Kansas · Nebraska · Oklahoma





Source: S&P Global Market Intelligence.
Note: Trend data represents the median for each group.
Note: Short-term Non-Core Funding = Borrowings Maturing < 1 Year + Nonmember Deposits Maturing < 1 Year + Share Certificates > $100k + IRA & KEOGH Shares > $100k