



Trendwatch Deep Dive: Credit Unions vs. Banks



January 22, 2025

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Your Speakers:



Joshua McAfee

Senior Advisor



Sherry Virden

Experience Analyst

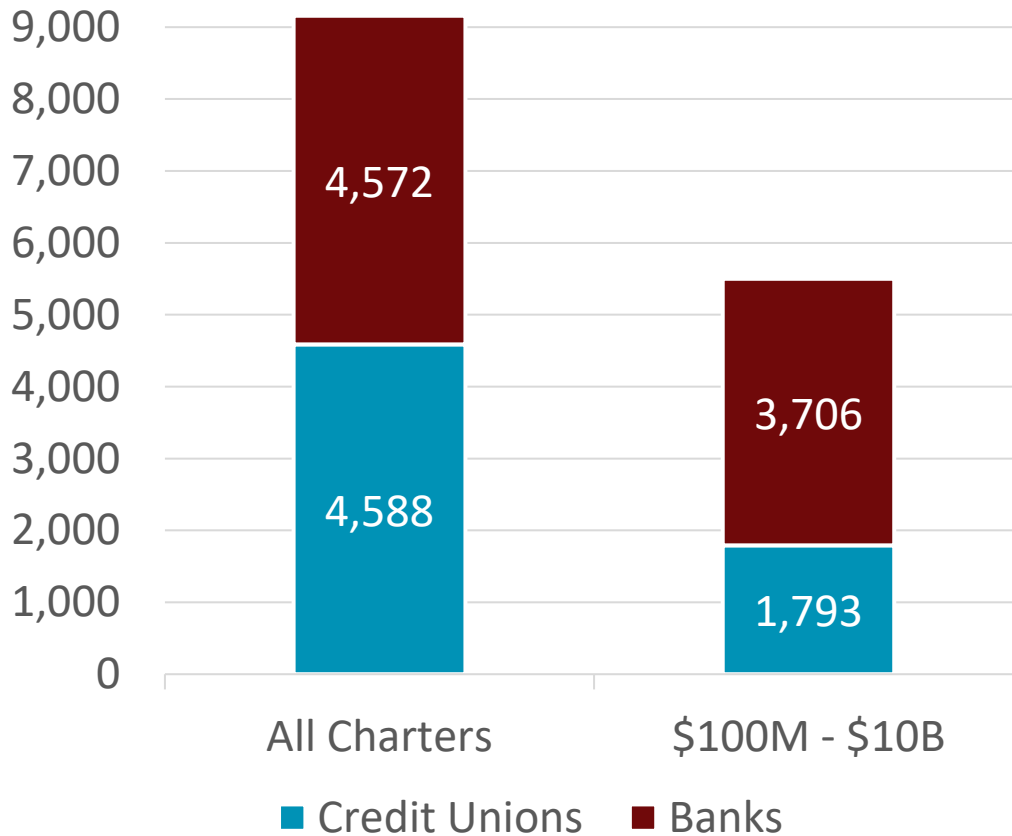
Today's Agenda

- **Credit unions vs. banks**
 - Fundamental differences: mission, markets, philosophy
 - 3Q2024 industry performance landscape
- **Comparing your performance to for-profit peers**
 - Key considerations, opportunities, pitfalls
 - Callahan's Peer Suite for bank and market analysis
- **Q&A**

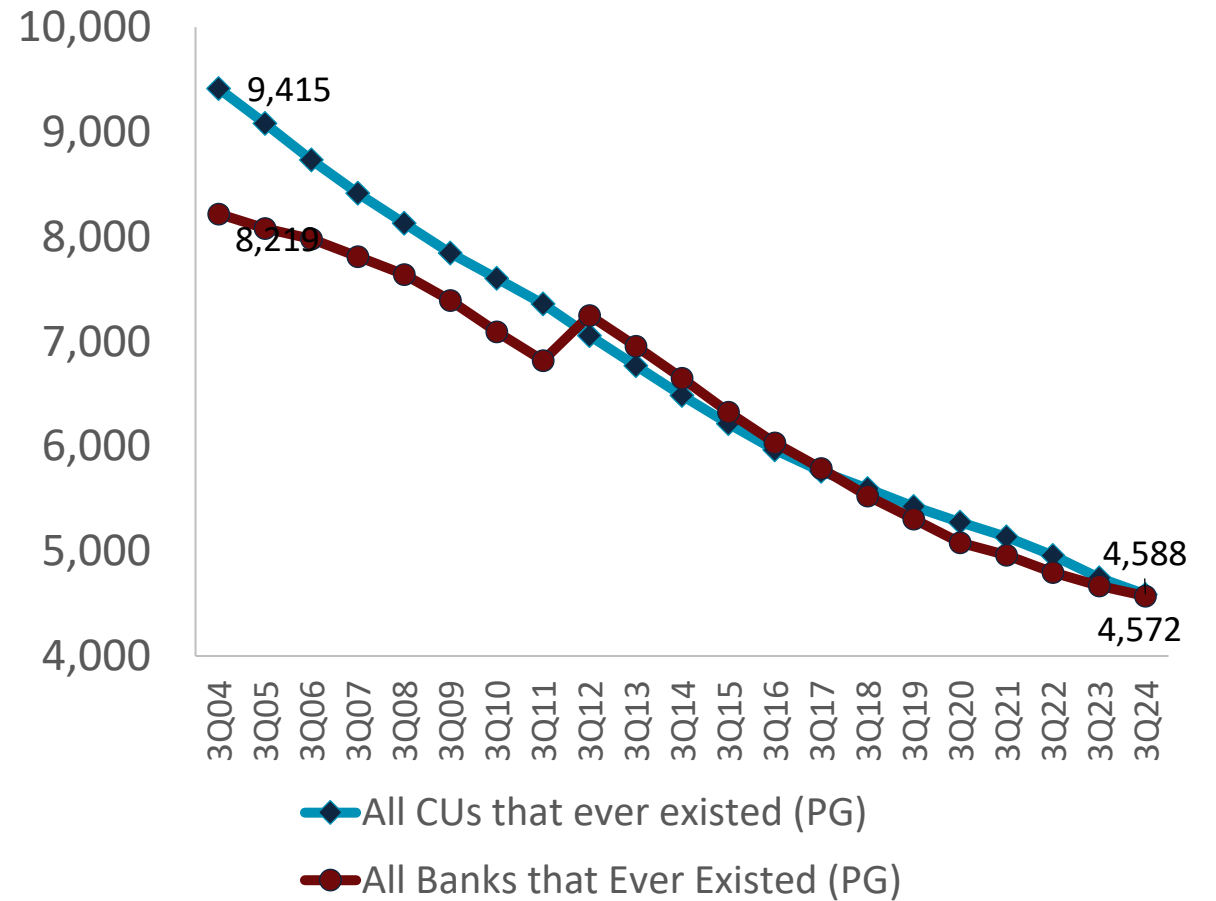


Credit Unions & Banks: The Landscape

Current Active Charters



Historic American Banking System Consolidation

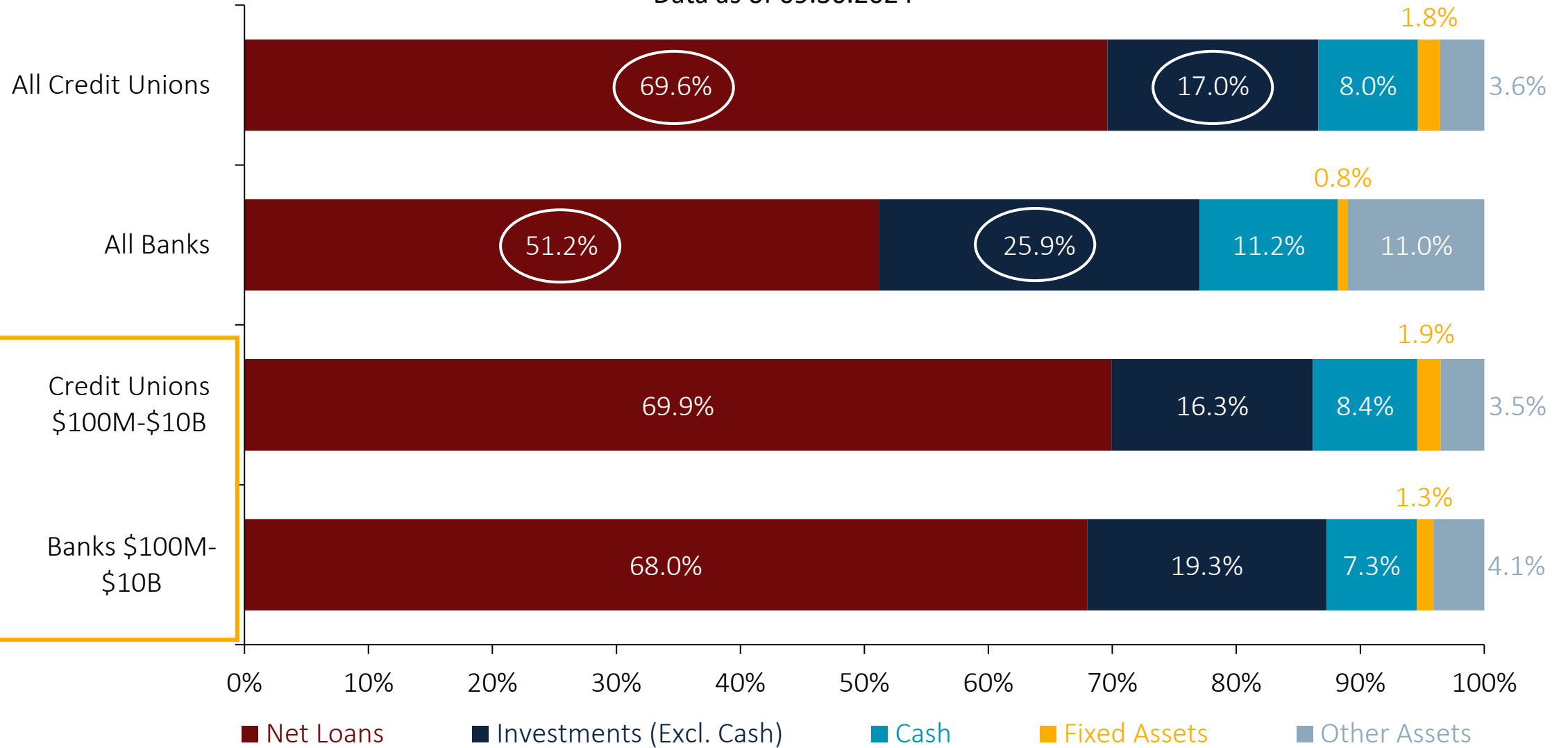


Charter Differences: Mission, Markets, Philosophy

Characteristic	Attribute	Credit Unions (generally...)	Banks (generally...)
Mission	Earnings	Capital, cooperative and community reinvestment	Capital, market valuation, and shareholder dividends
	Governance	Volunteer layperson	Compensated (often ownership)
	Taxation	Exempt from federal income tax	Subject to federal income tax
Markets	Market Presence	Tight demographic and/or geographic retail focus	Broader addressable market, larger branch networks
	Balance Sheet	Consumer competency, often fixed rate pricing	Commercial competency, often variable rate pricing
Philosophy	Enterprise Risk	For accountholder benefit	For shareholder benefit

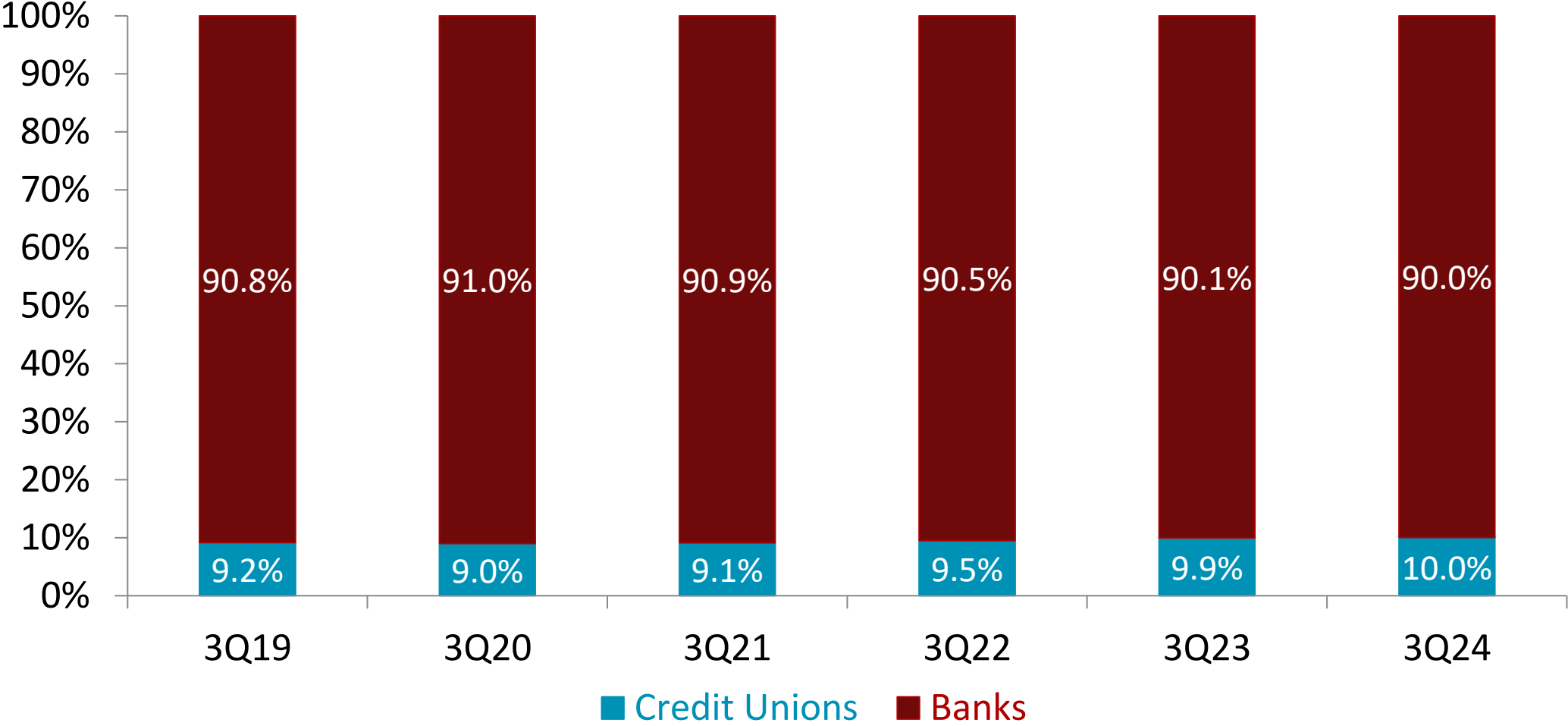
...but there are many exceptions!

Asset Composition Data as of 09.30.2024

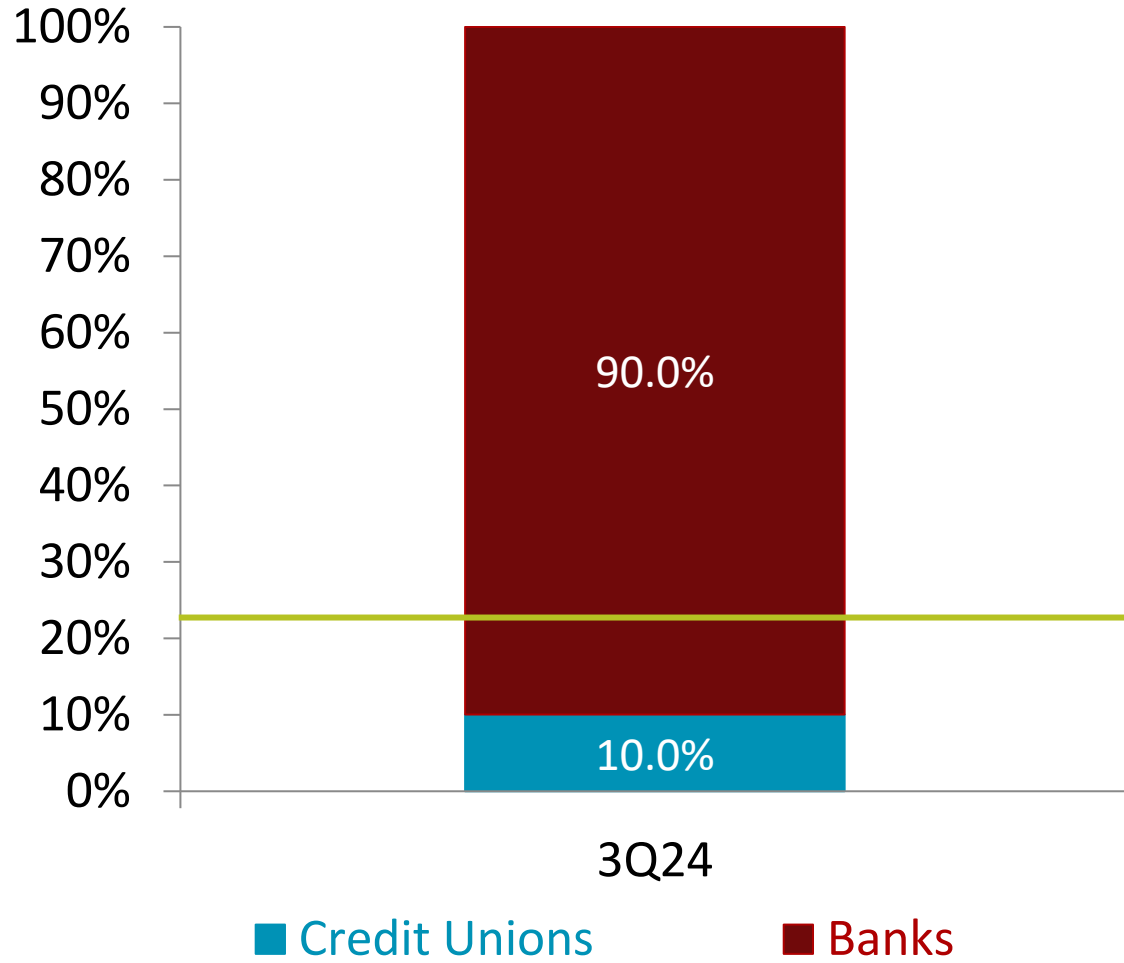


Market Share of Deposits

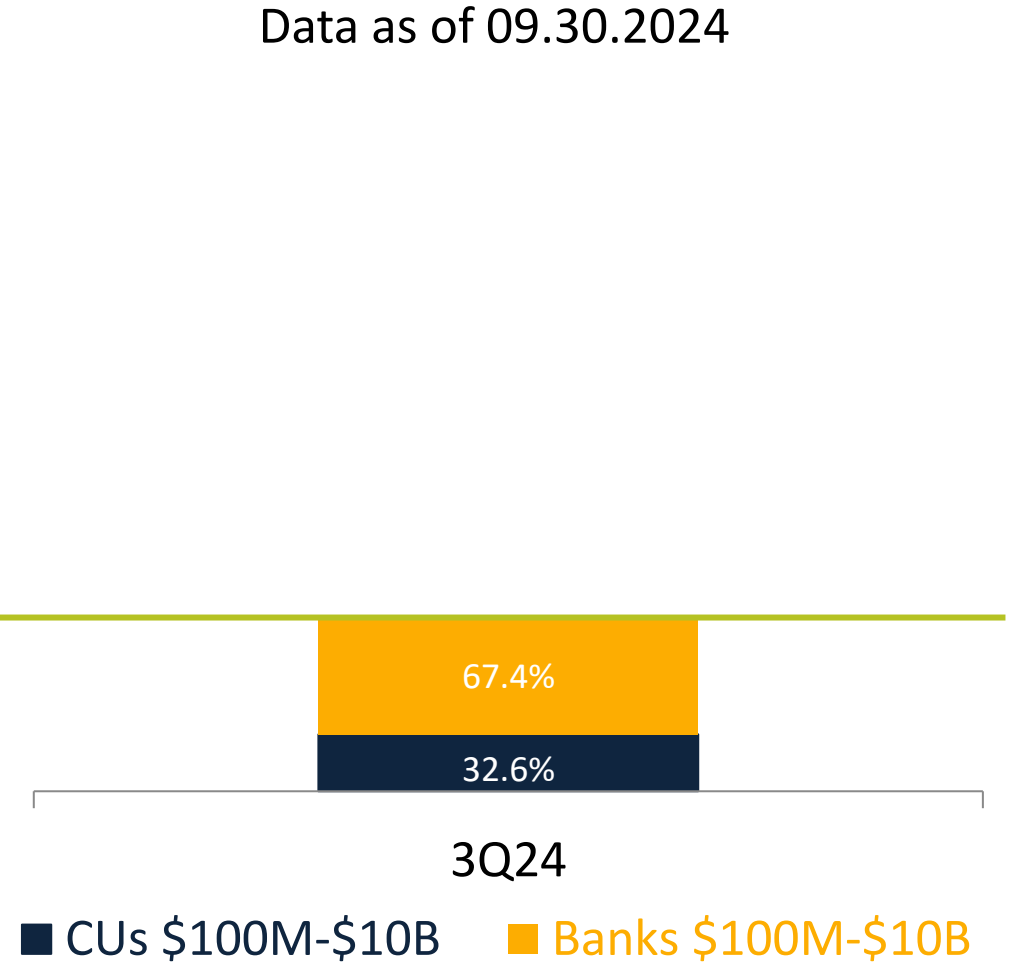
Data as of 09.30.2024



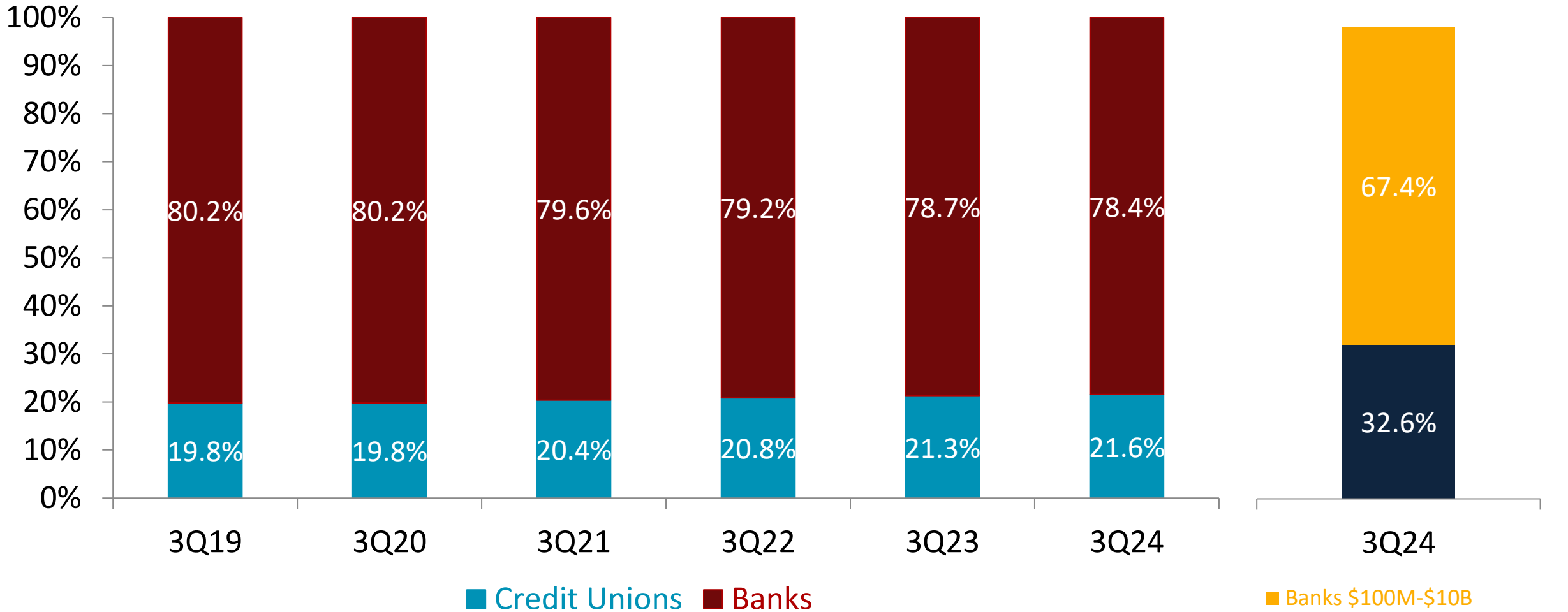
Market Share of Deposits
Data as of 09.30.2024



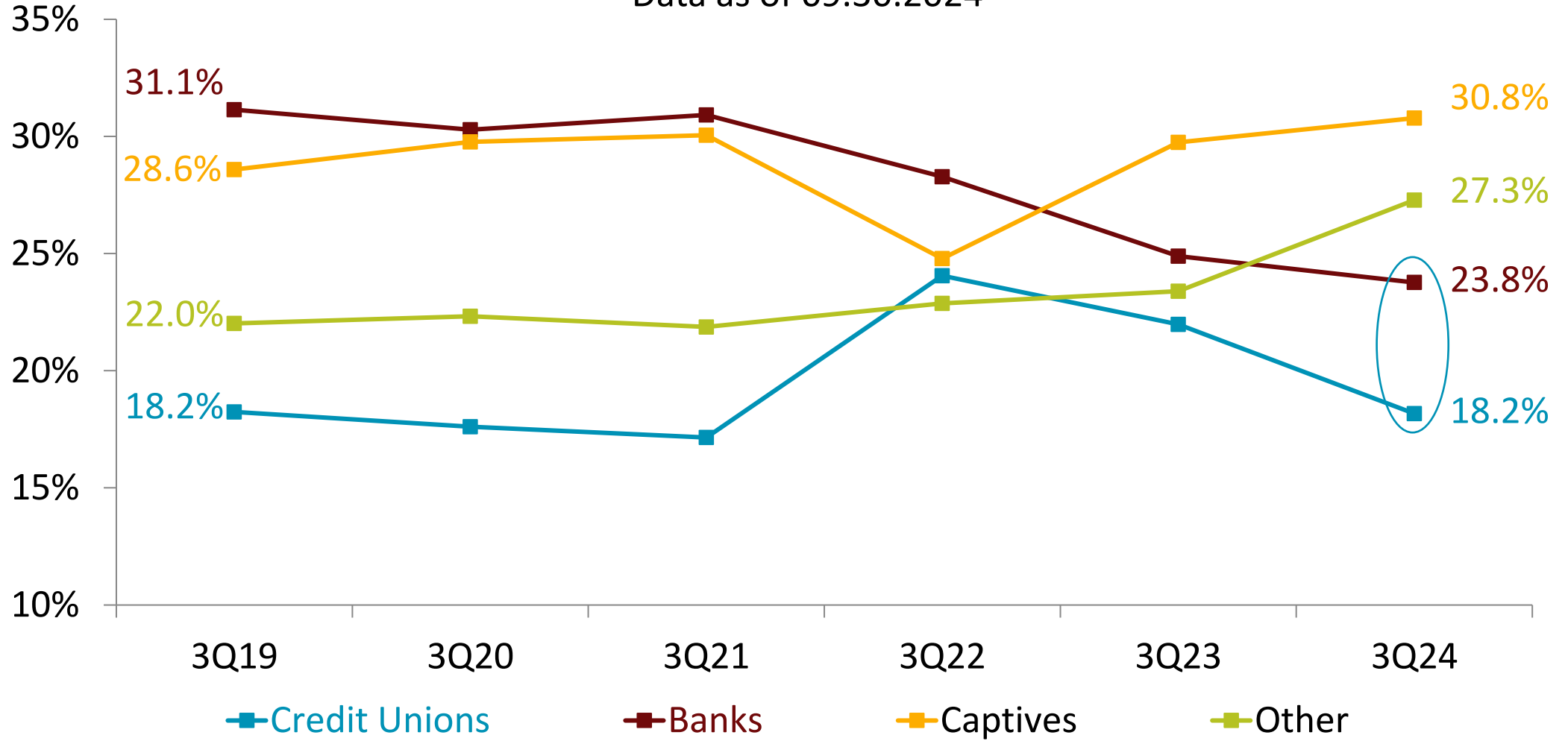
Market Share of Deposits
(Scaled for Emphasis)
Data as of 09.30.2024



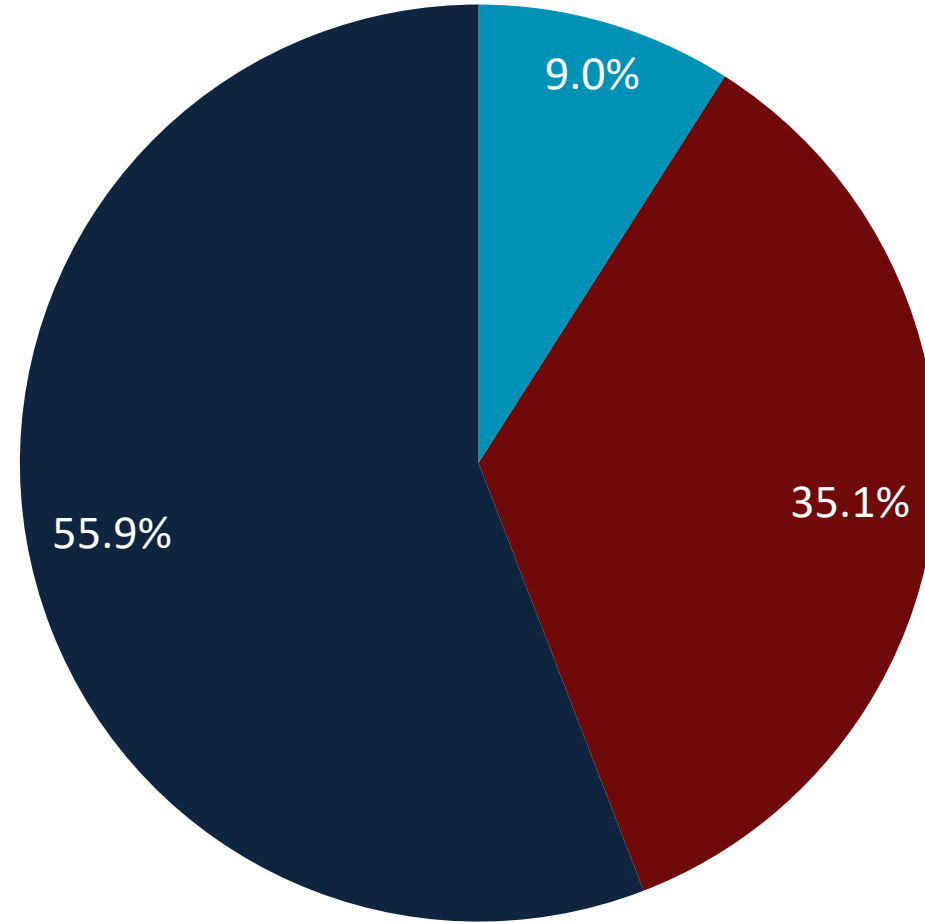
Market Share of Branches Data as of 09.30.2024



YTD Auto Origination Market Share by Lender Type Data as of 09.30.2024



Market Share of Funded Mortgages (\$)
Data as of 12.31.2023



■ Credit Unions ■ Banks ■ NDIs

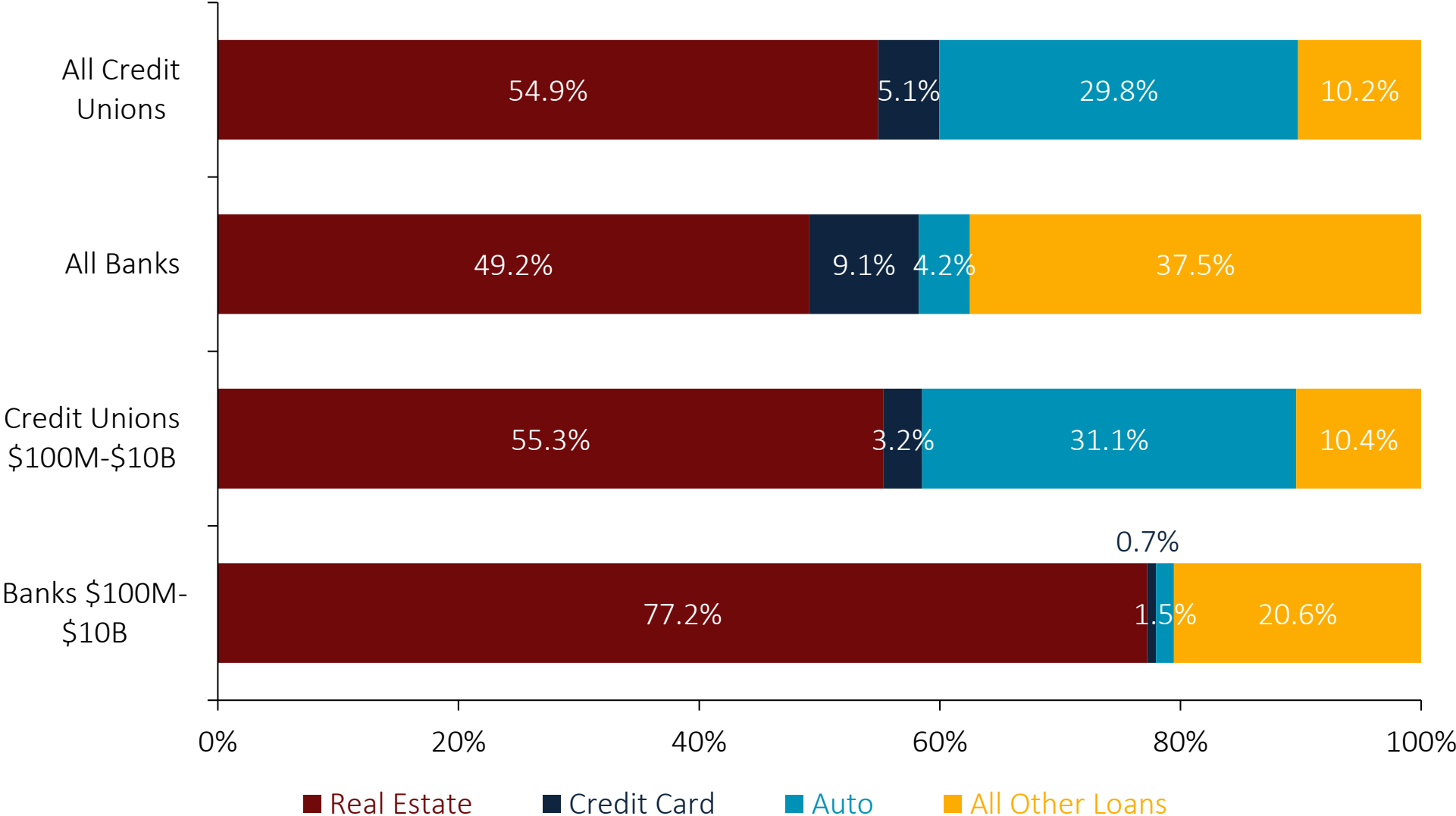
12-Month Growth of Key Metrics

Data as of 09.30.2024

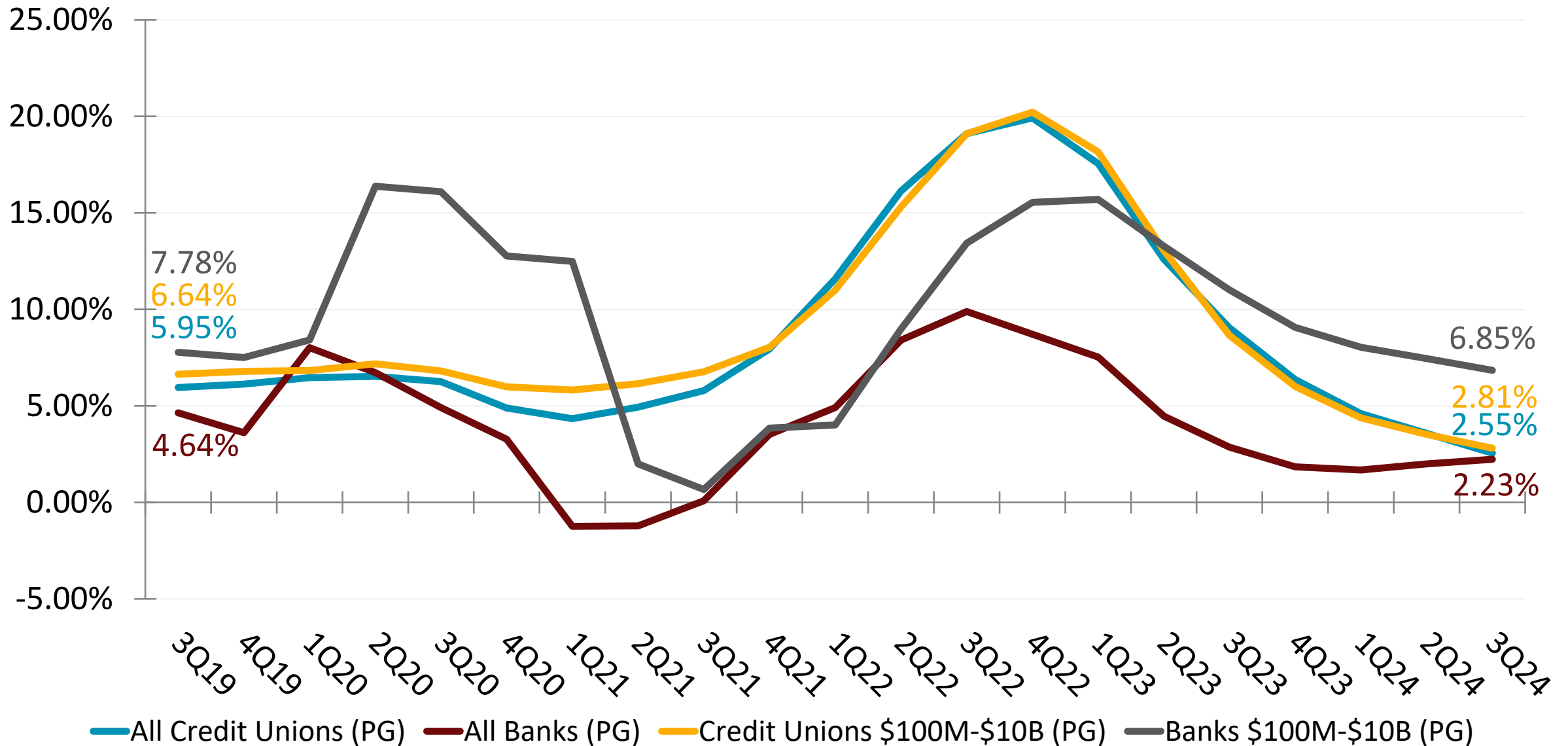
	All Credit Unions	All Banks	CUs \$100M-\$10B	Banks \$100M-\$10B
Assets	3.7%	3.4%	4.1%	5.9%
Loans	2.6%	2.2%	2.8%	6.9%
Deposits	3.2%	2.2%	3.7%	5.6%
Investments (incl. Cash)	-2.5%	5.6%	-2.5%	0.0%
Capital	15.5%	1.7%	16.3%	6.9%
Branches (#)	+31	-991	+257	+428

Loans & Deposits

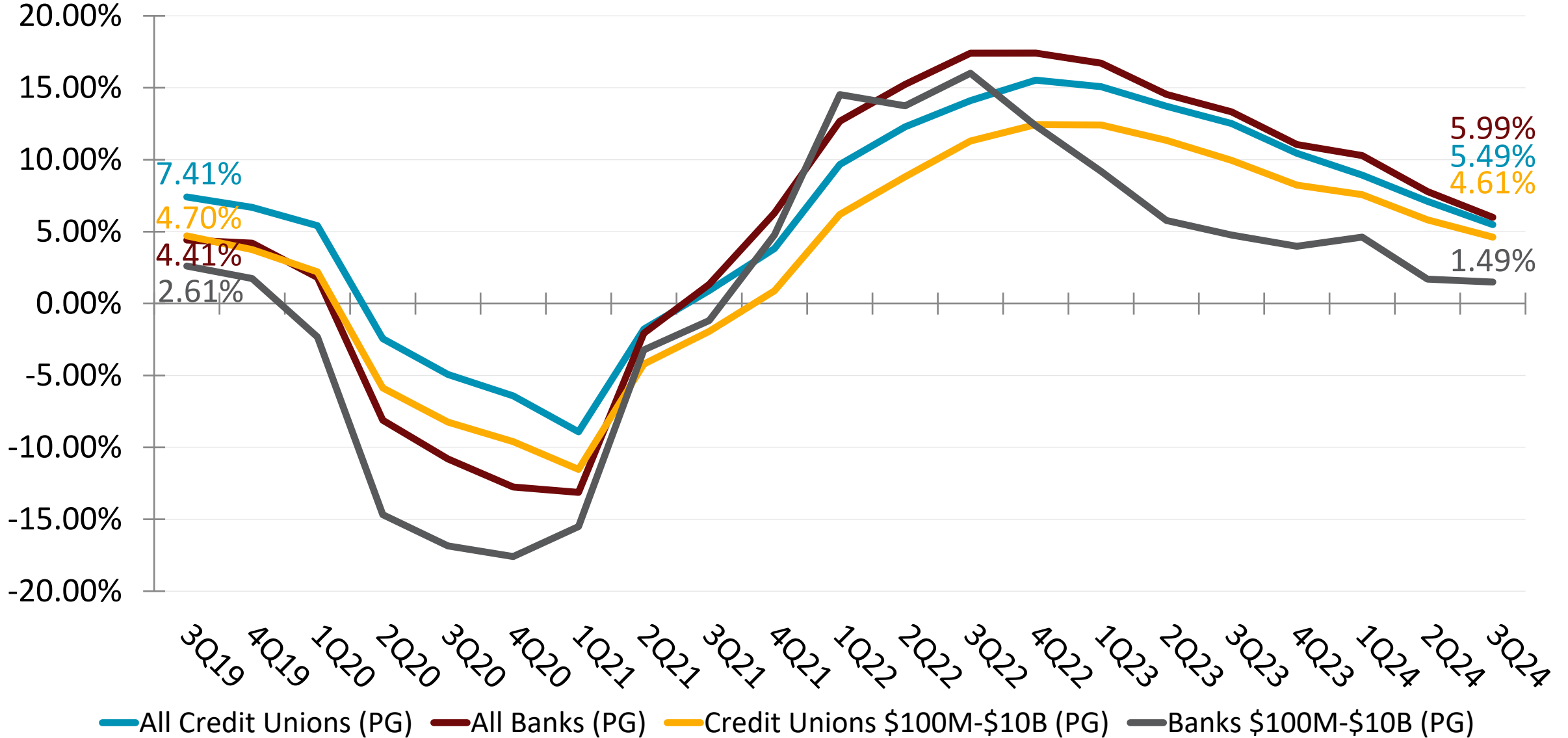
Loan Portfolio
Data as of 09.30.2024



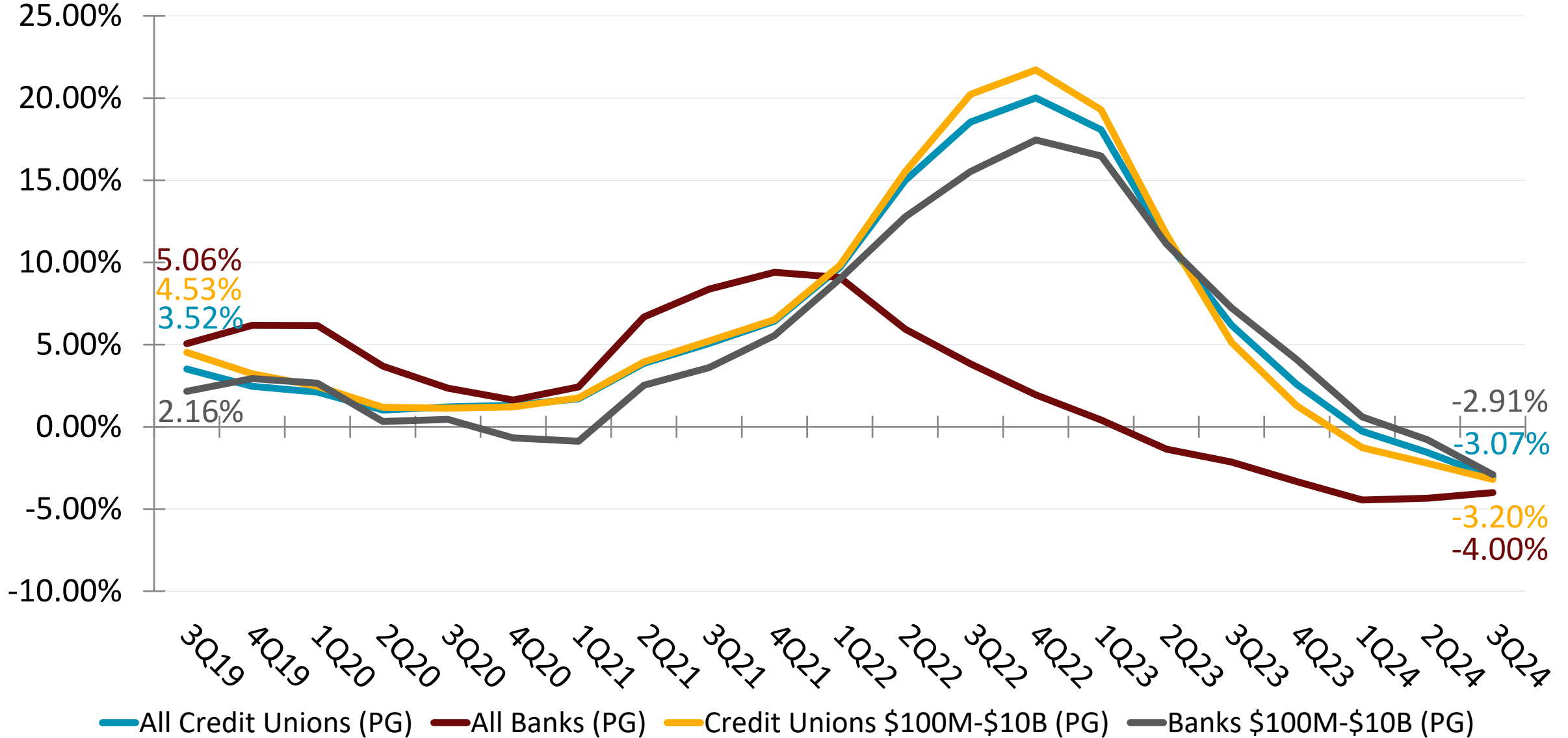
Loan Growth



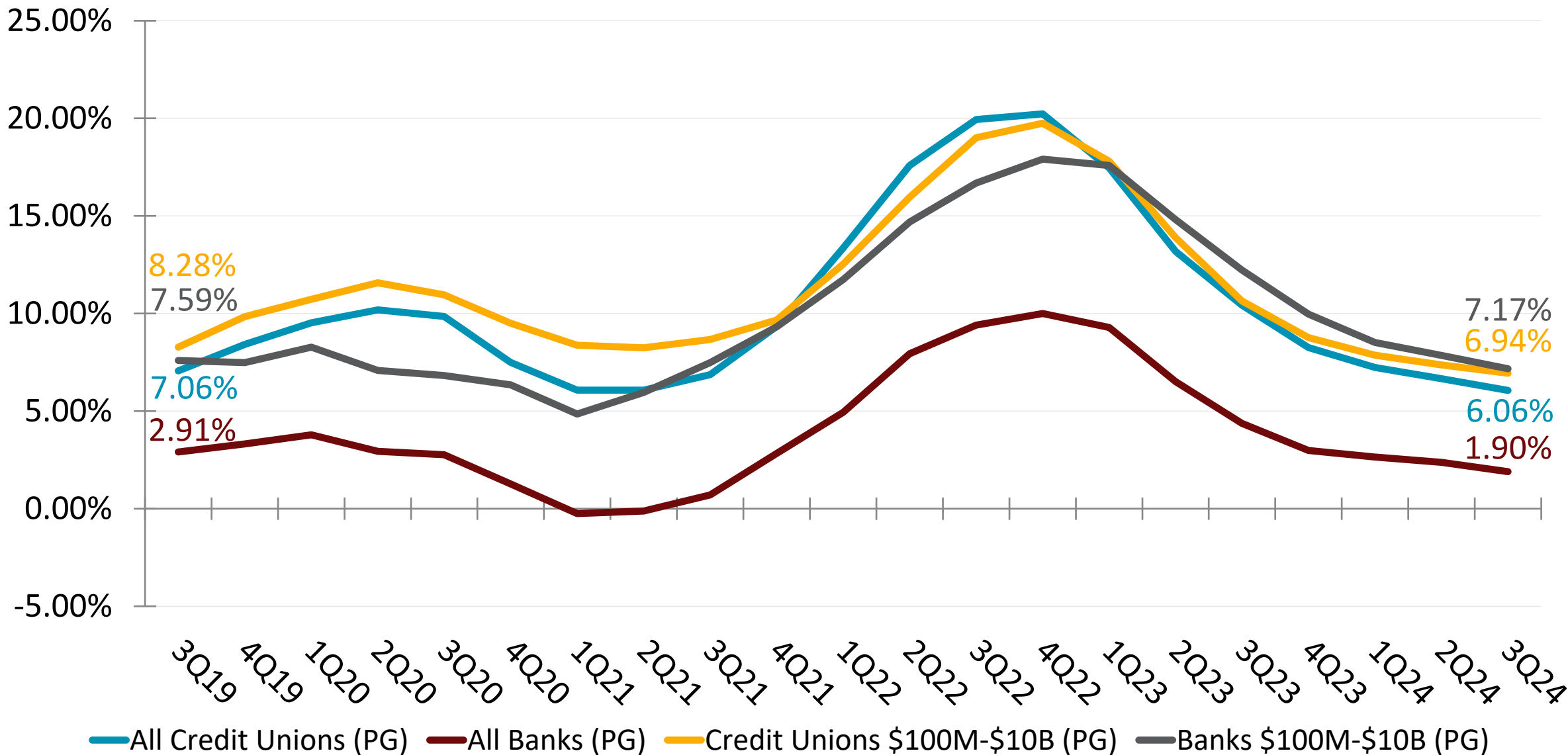
Credit Card Loan Growth



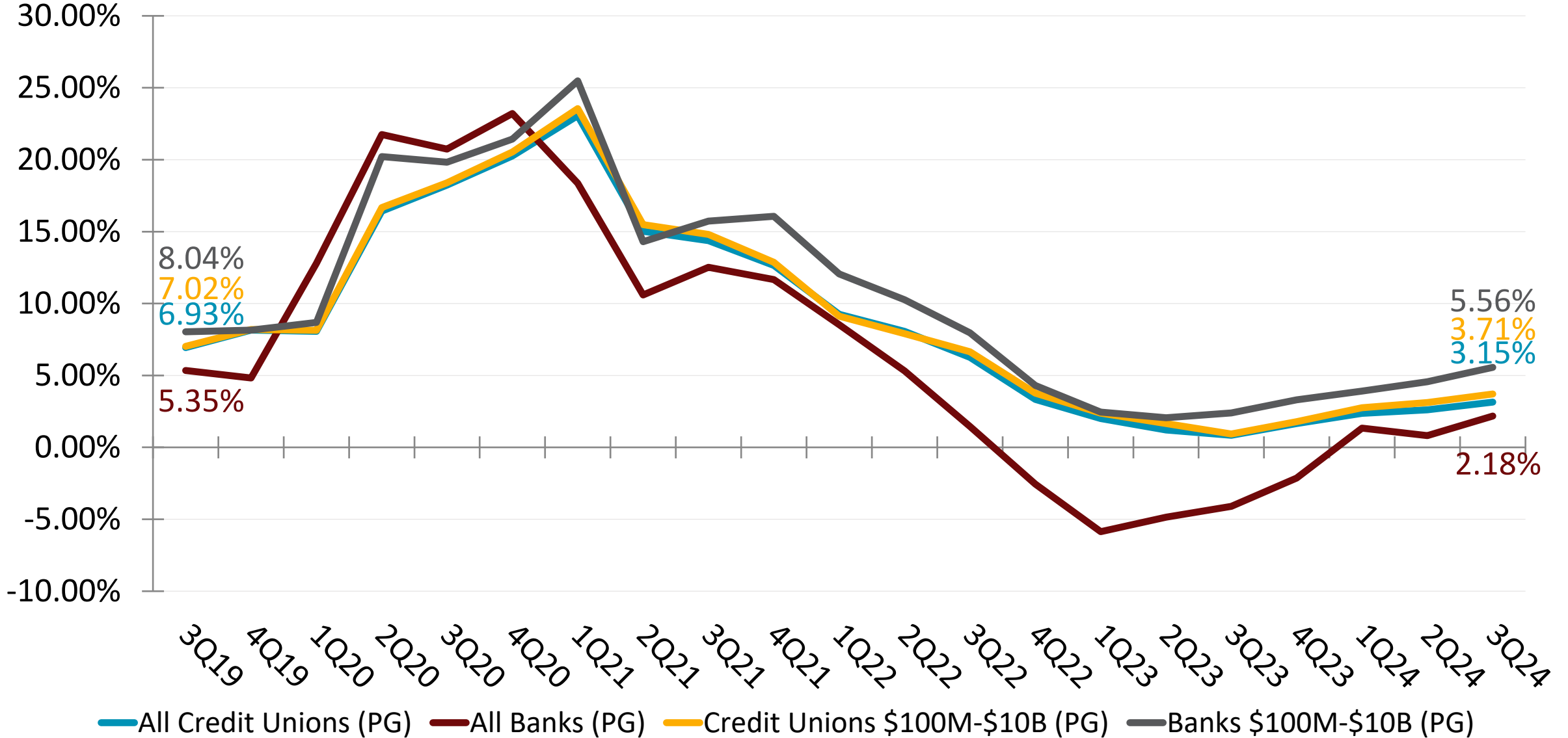
Auto Loan Growth



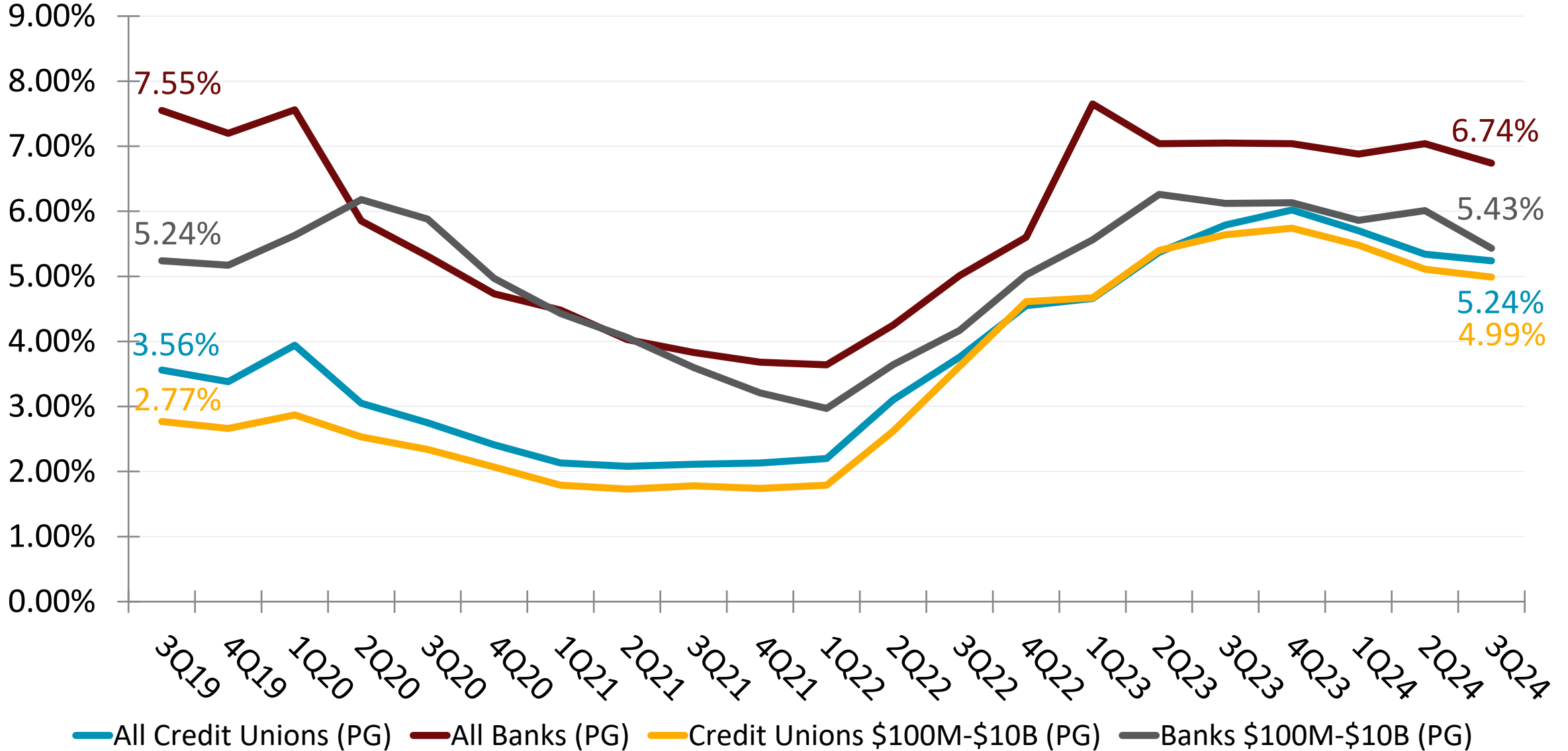
Real Estate Loan Growth



Deposit Growth

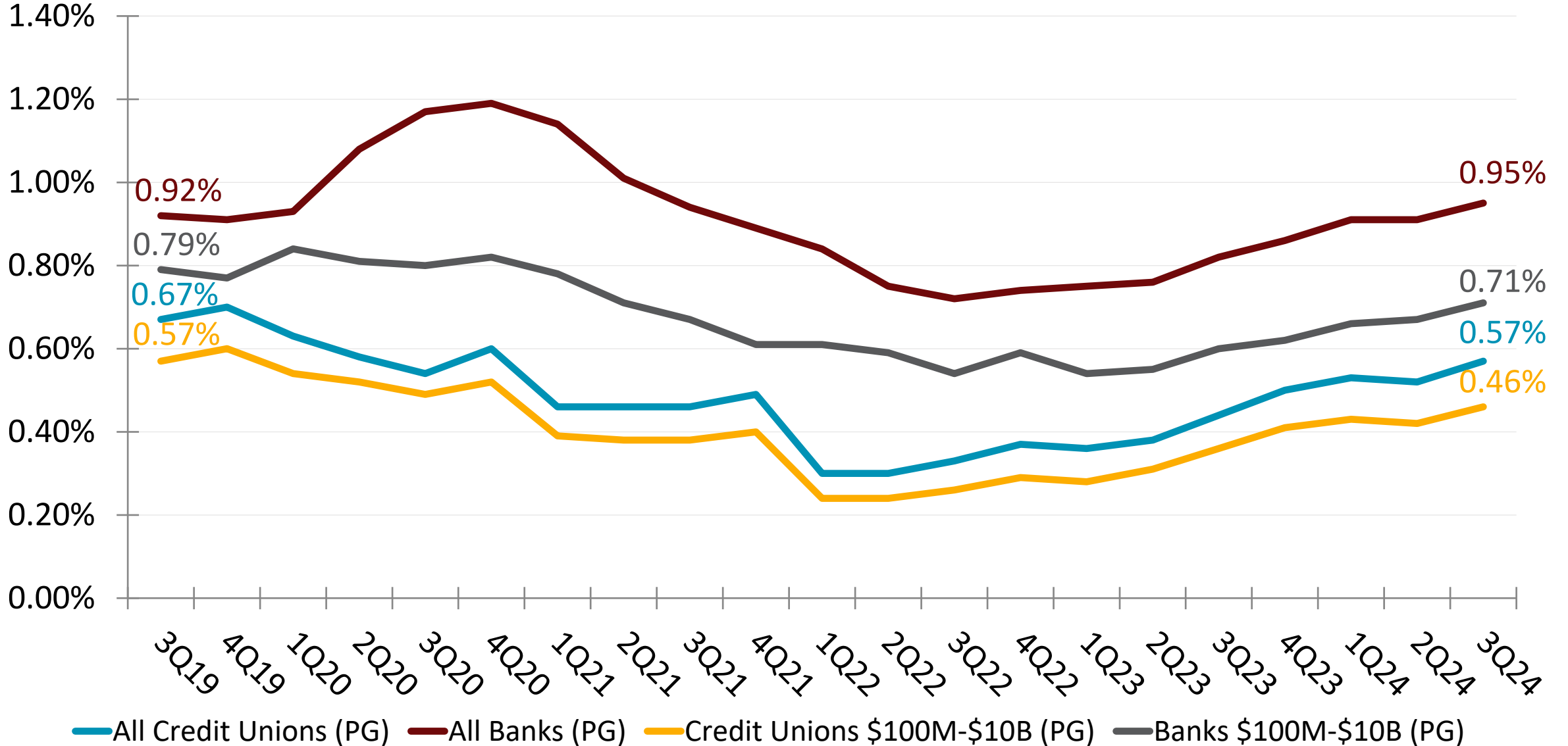


Borrowing to Assets

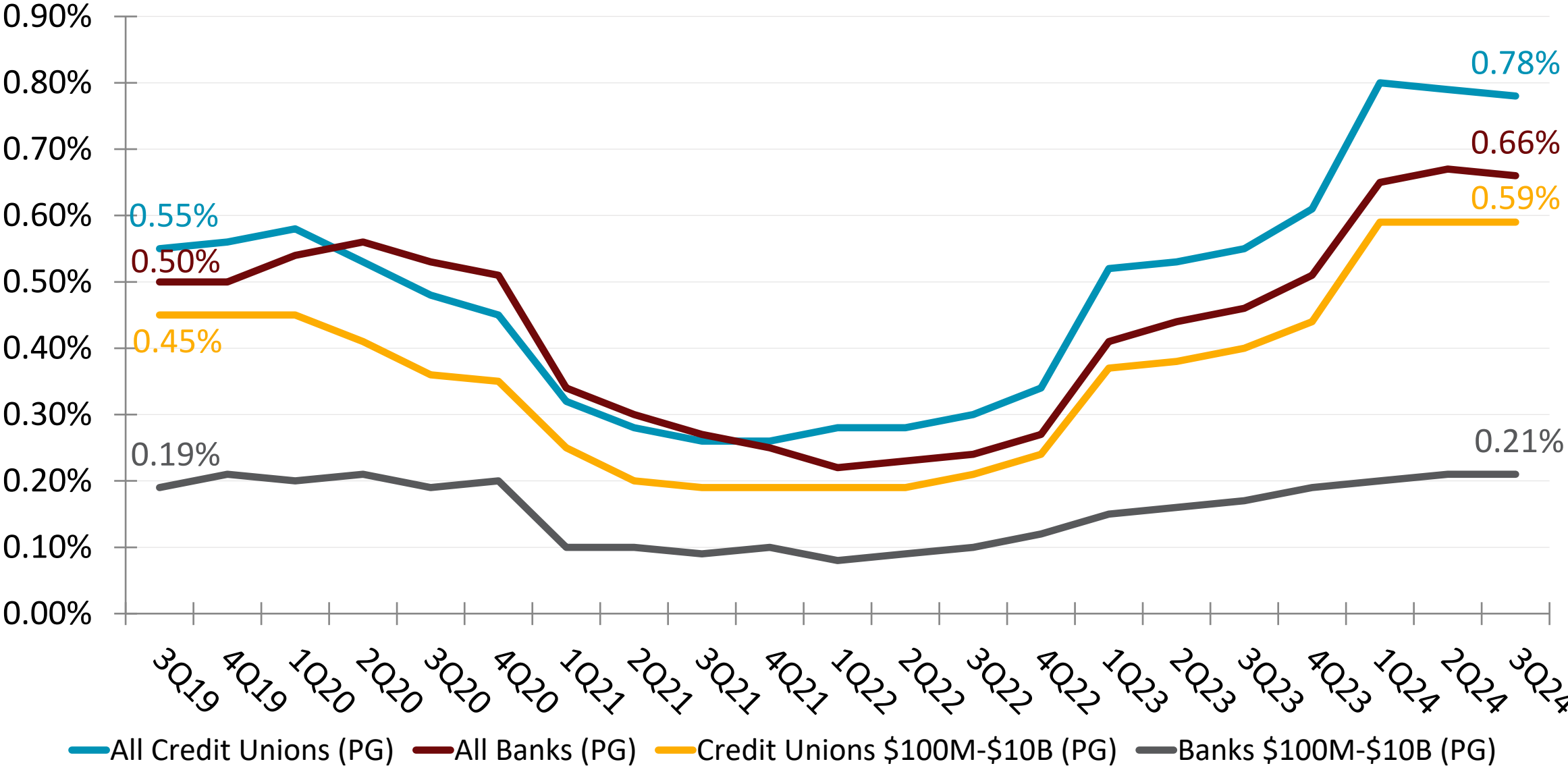


Asset Quality

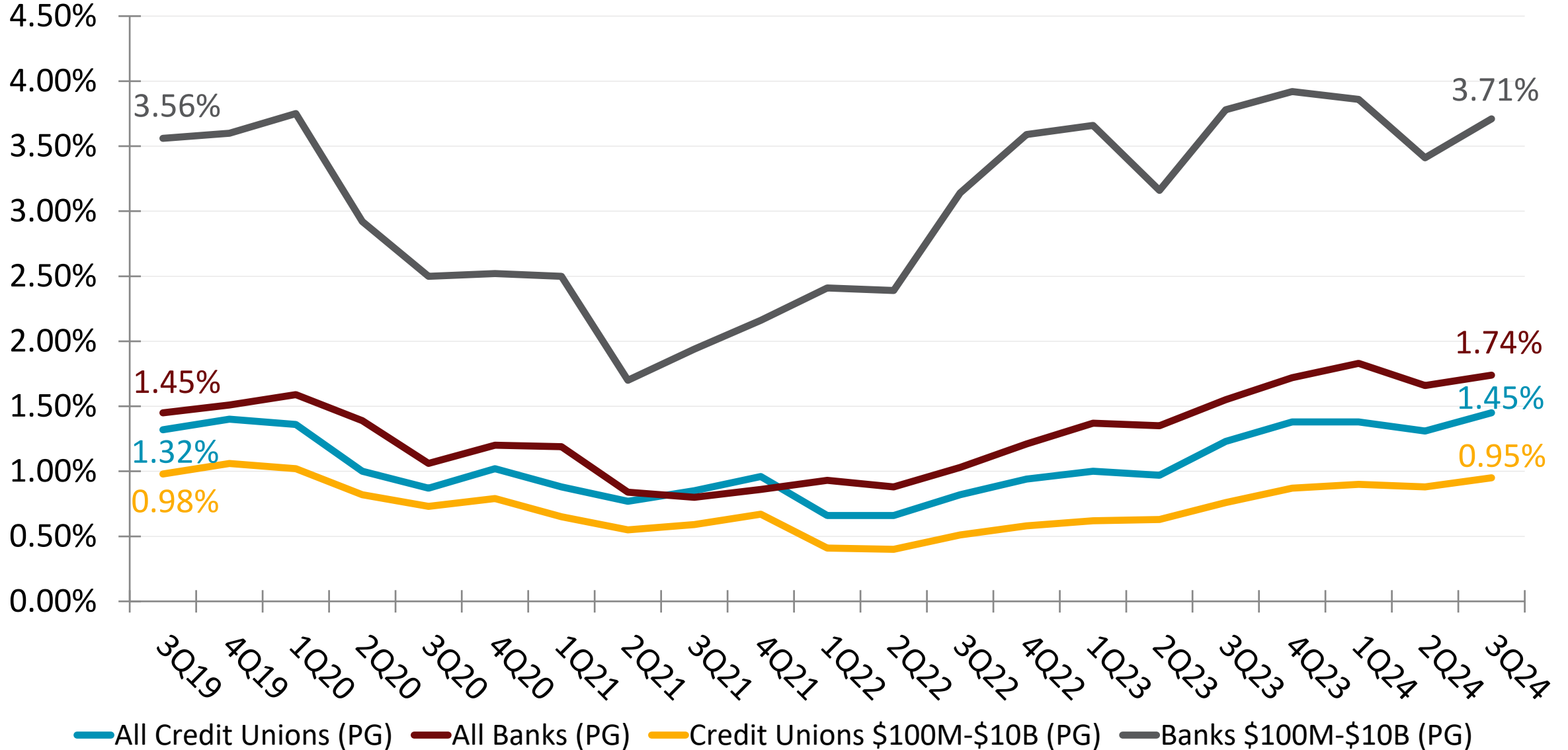
Total Delinquency (90+ Days Delinquent)



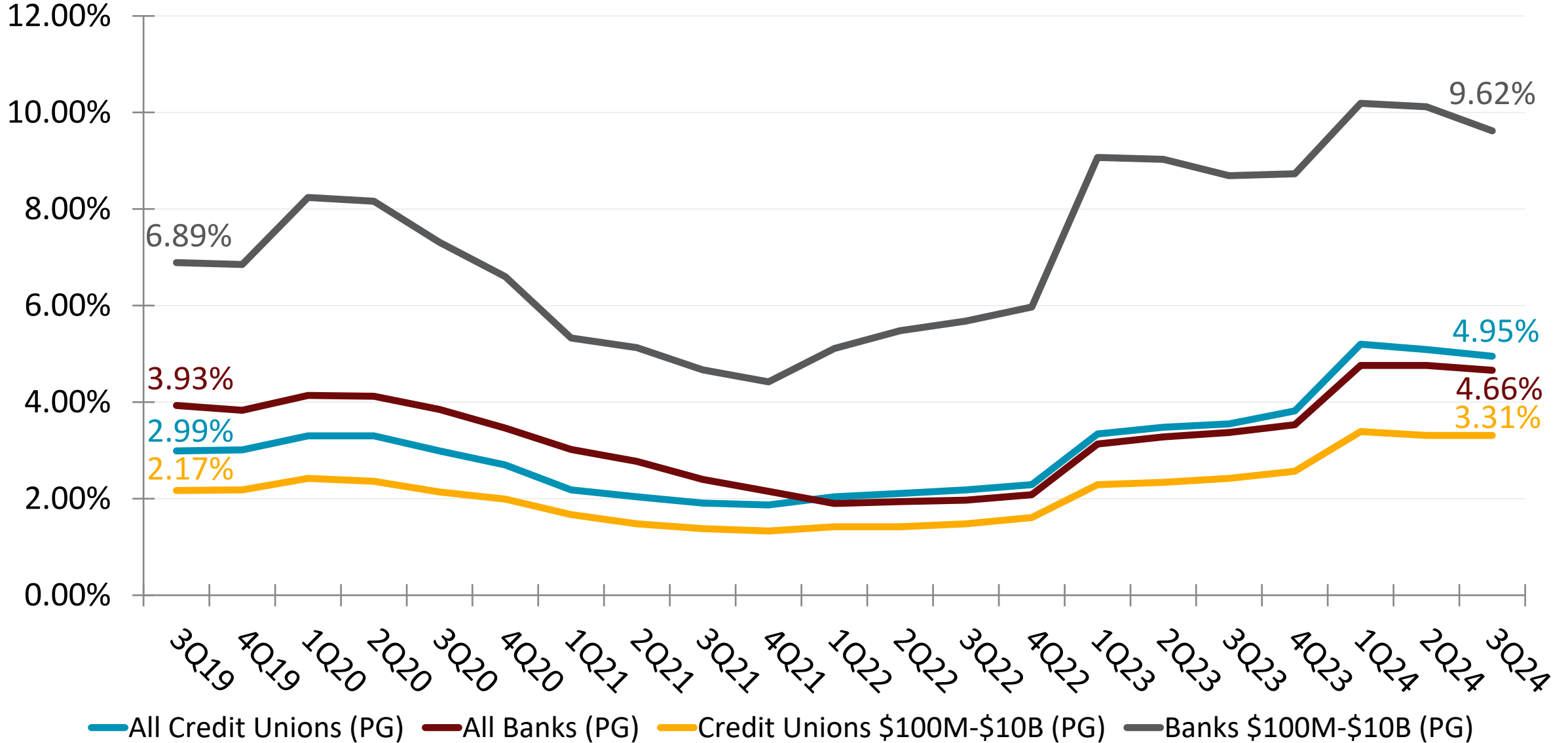
Net Charge-Off Ratio



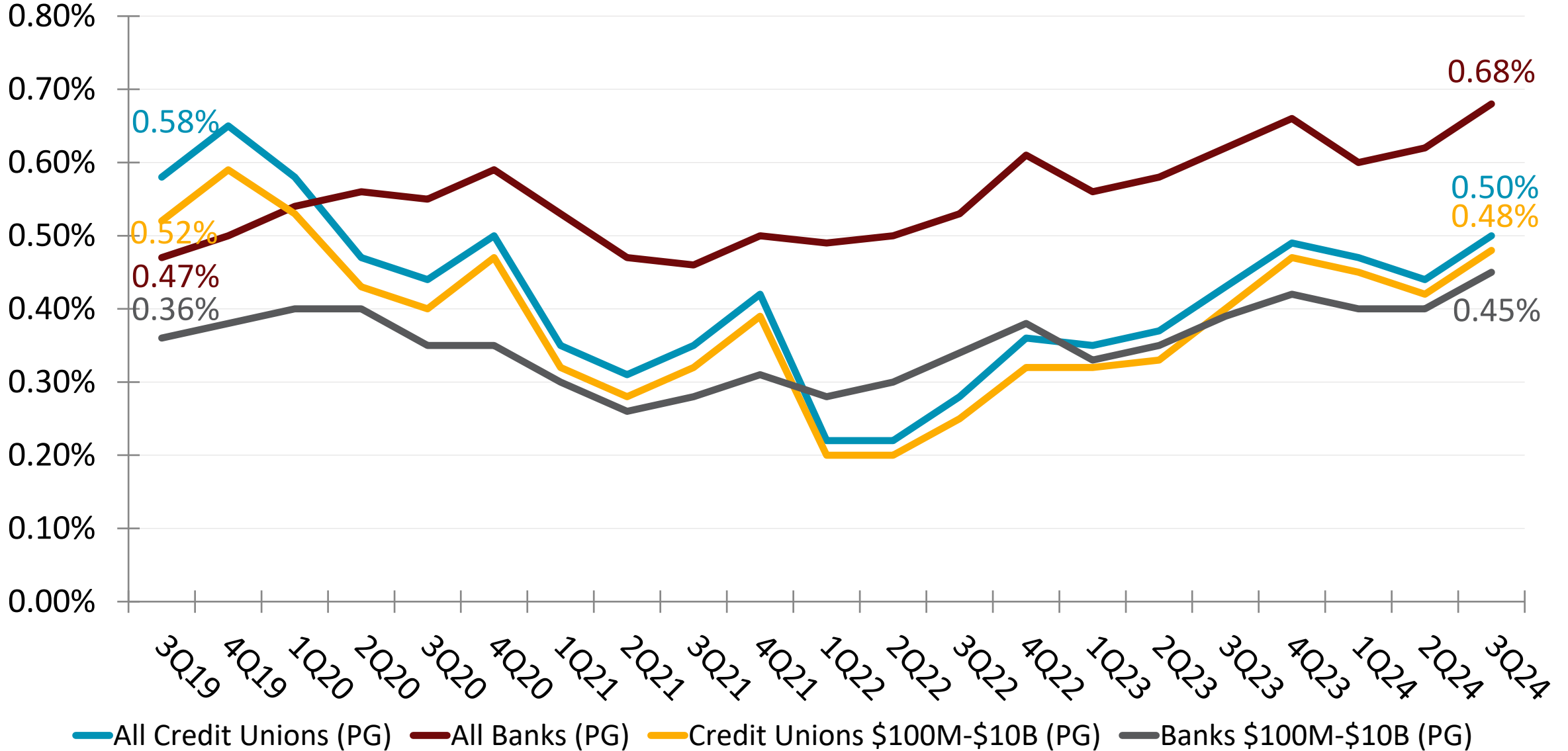
Credit Card Delinquency (90+ Days)



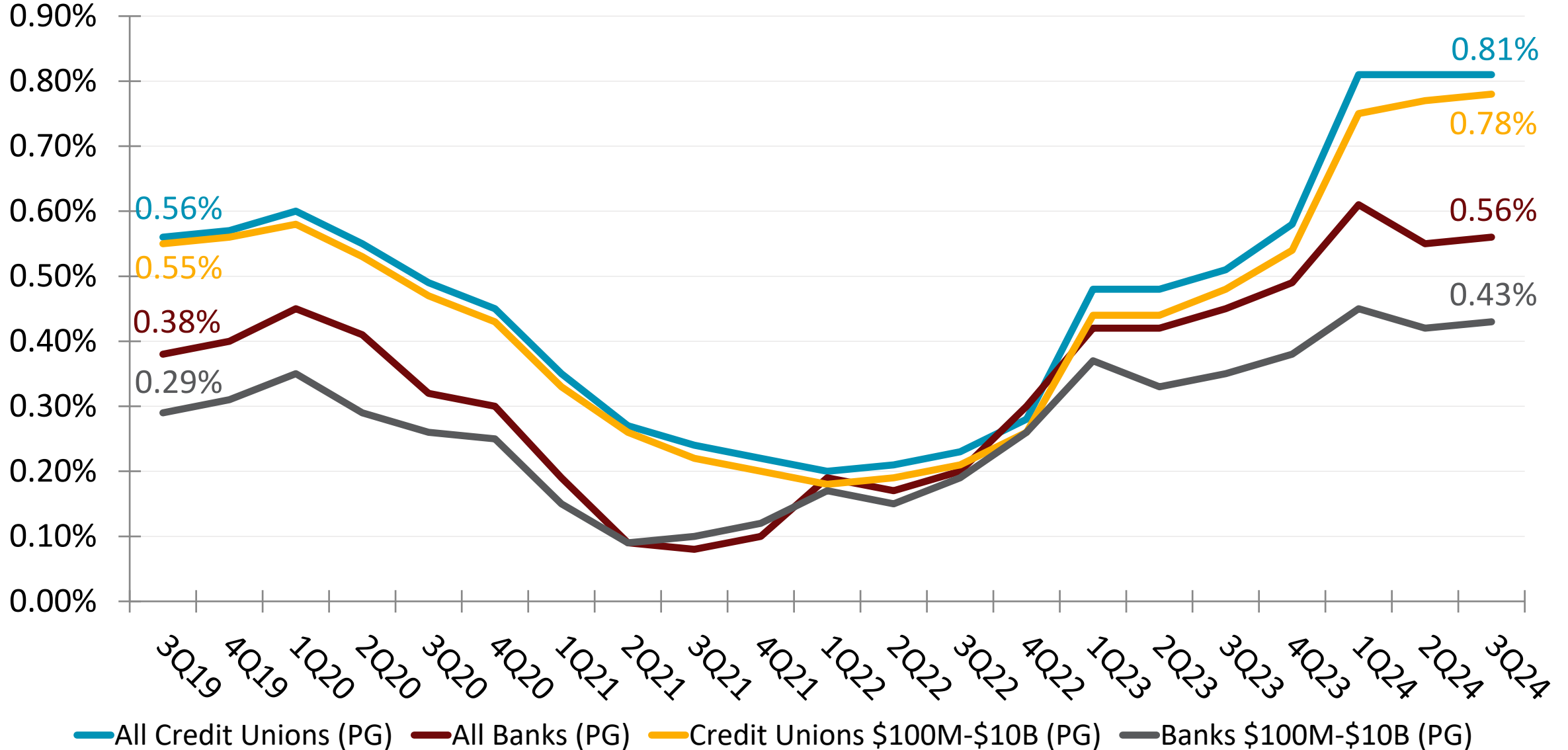
Credit Card Net Charge-Offs



Total Auto Delinquency (90+ Days)

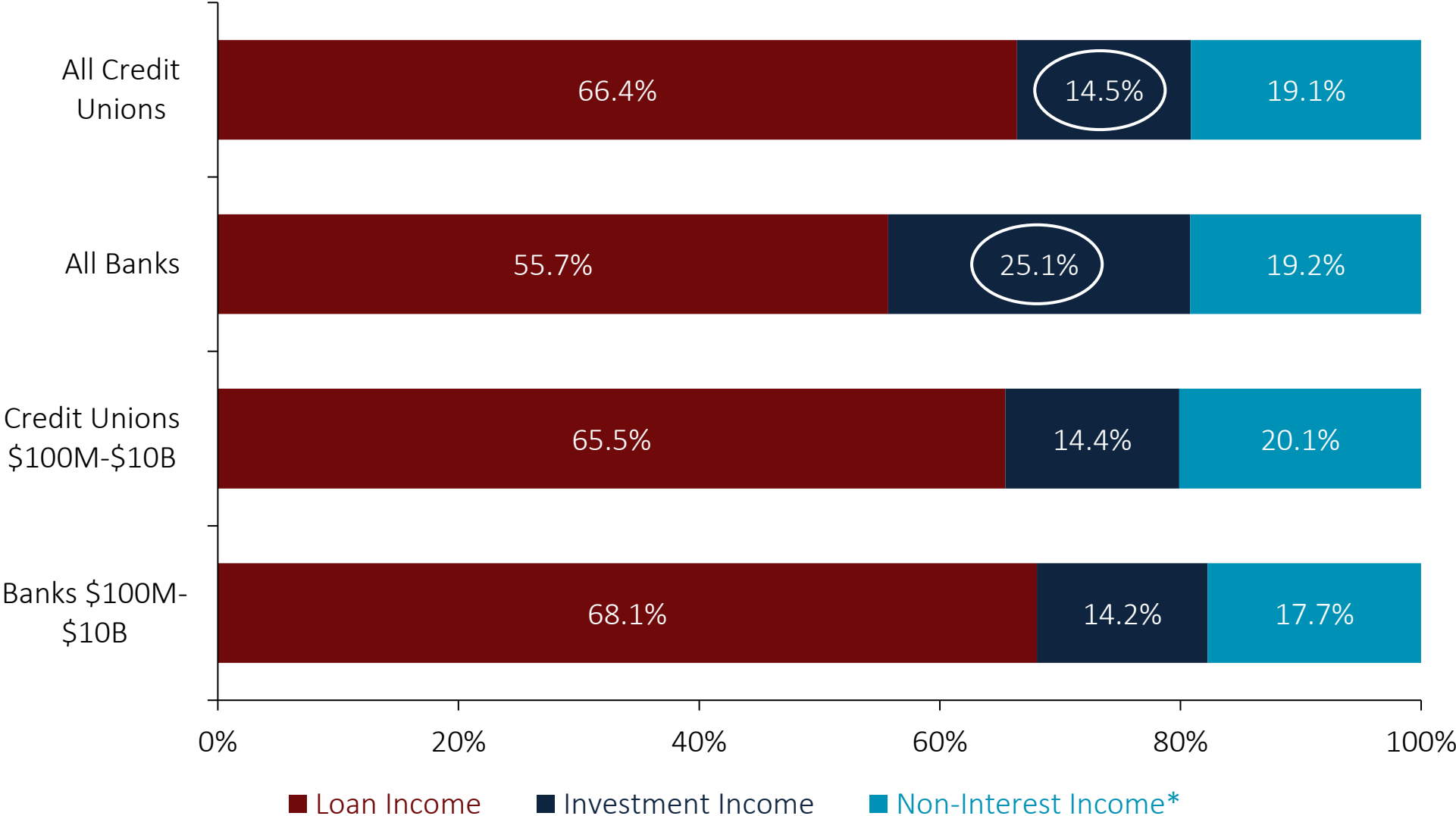


Total Auto Net Charge-Offs



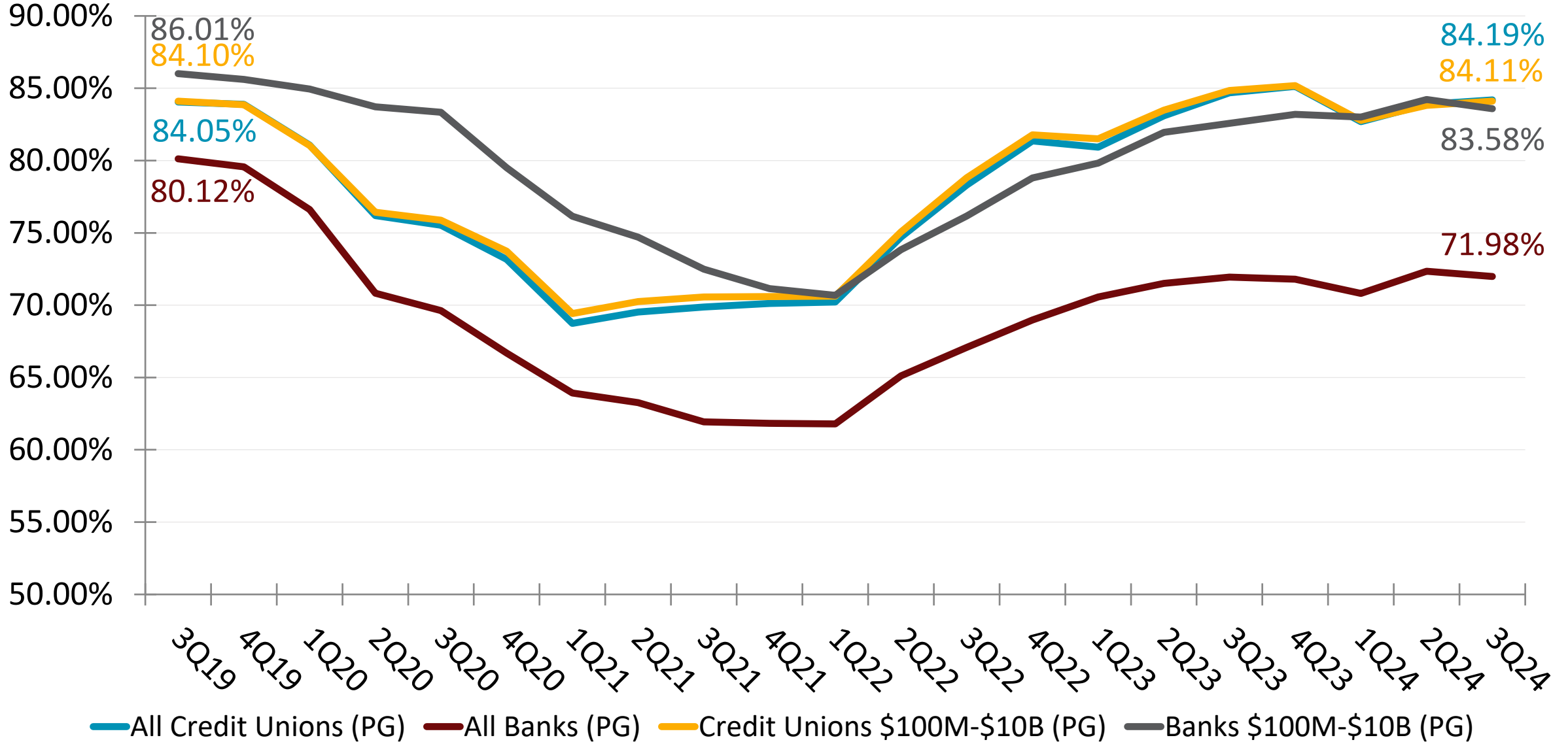
Earnings & Capital

Income Composition
Data as of 09.30.2024

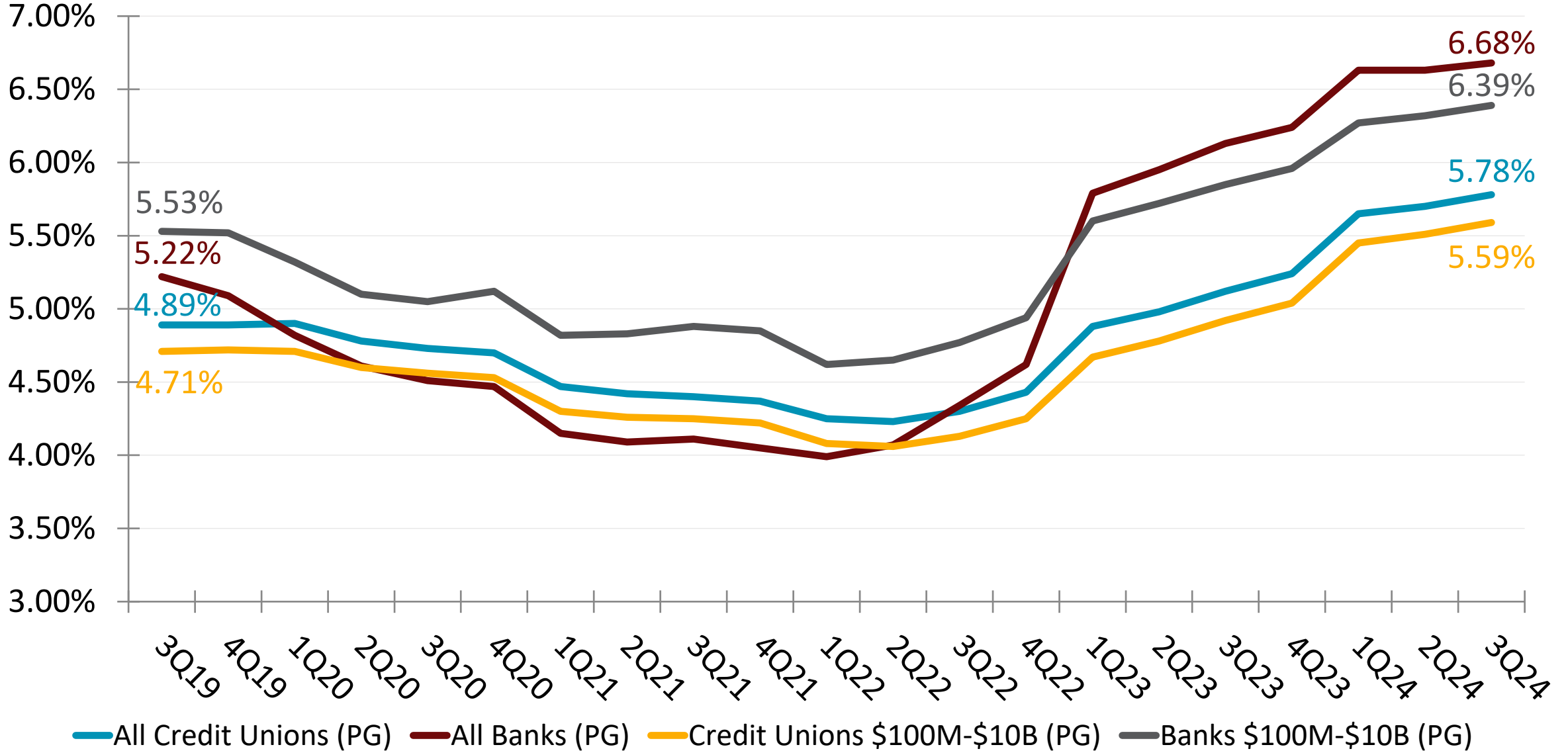


*Includes Realized Gains (Losses) on HTM & AFS Securities

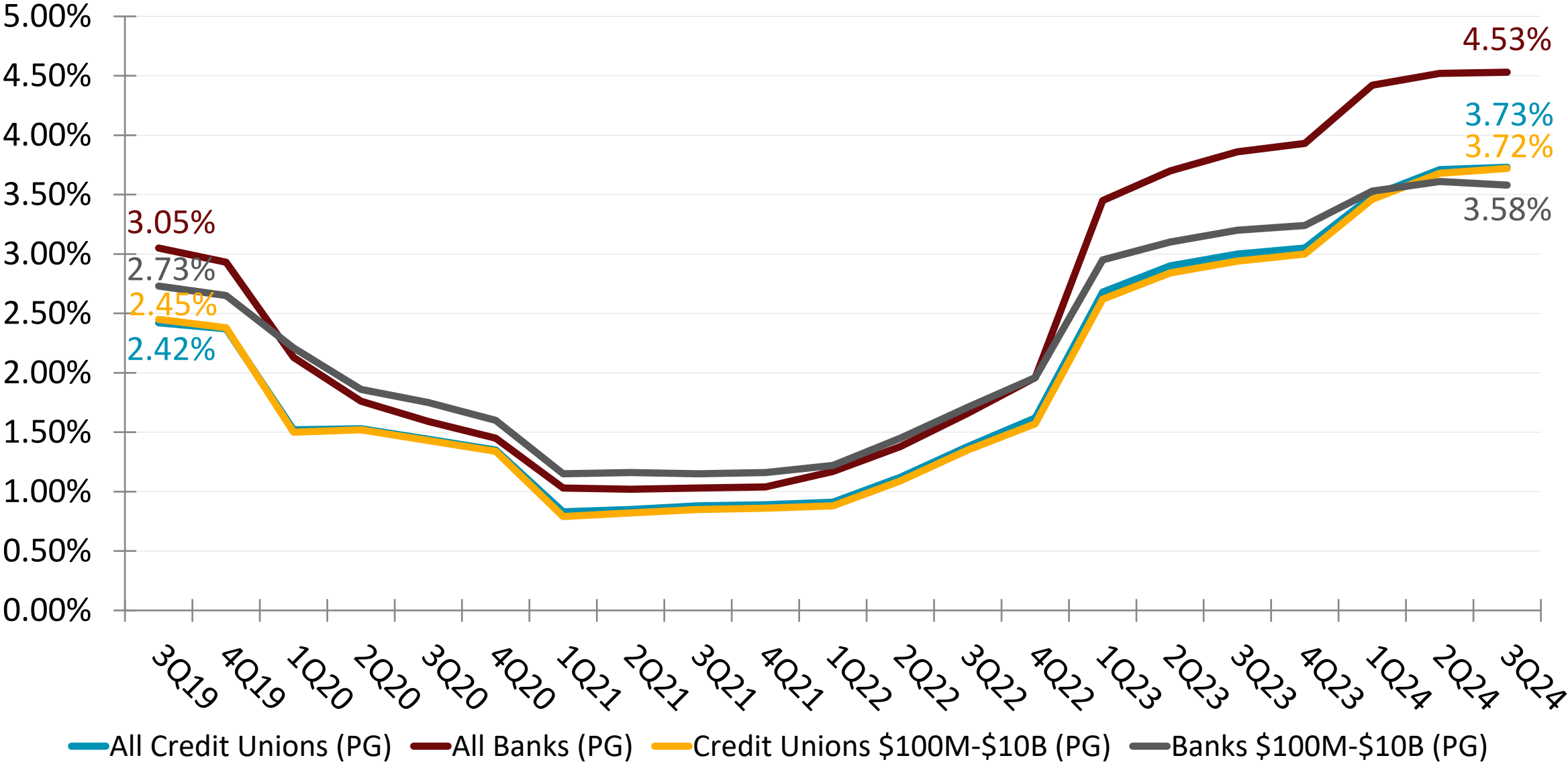
Loans/Shares



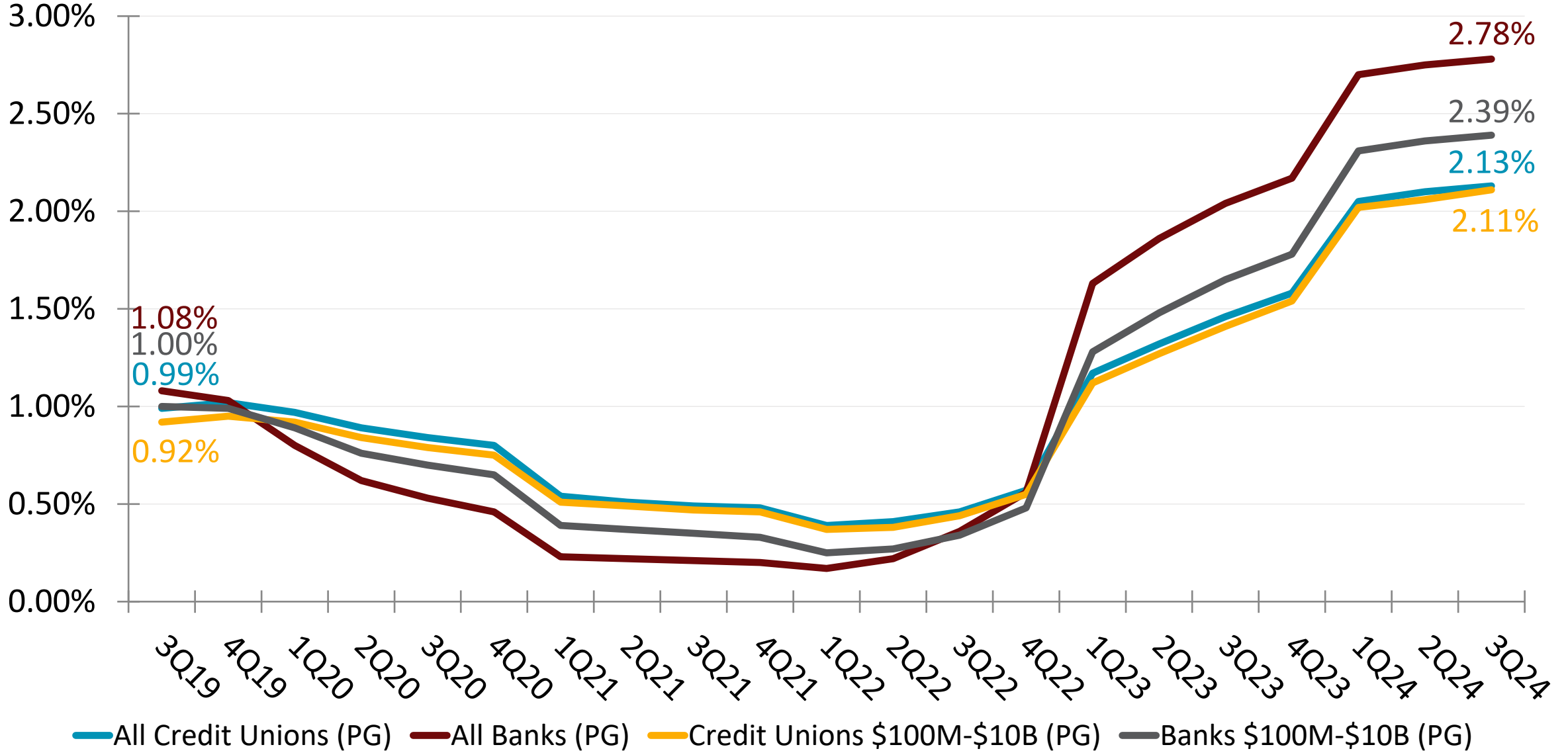
Yield on Loans



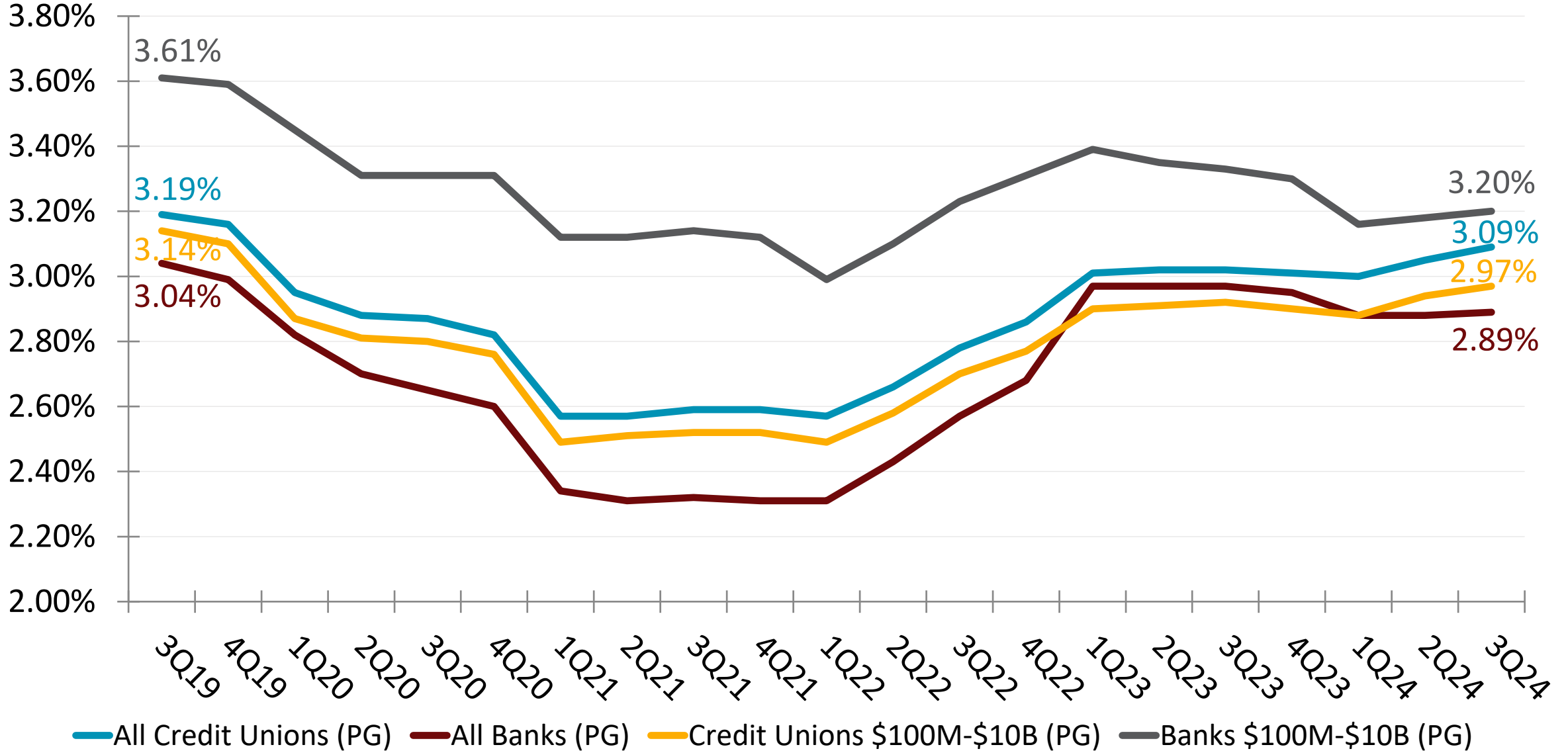
Yield on Investments



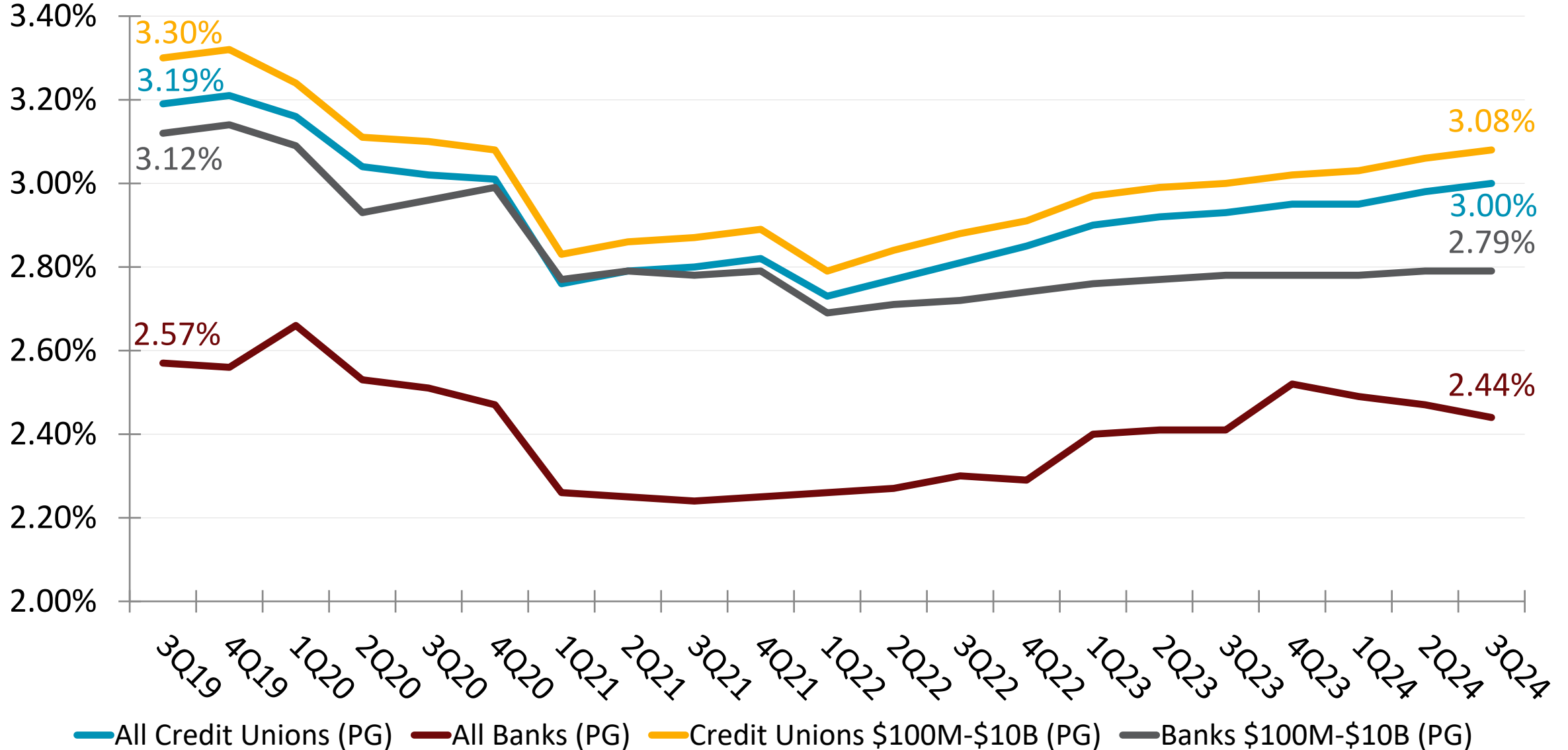
Average Cost of Funds



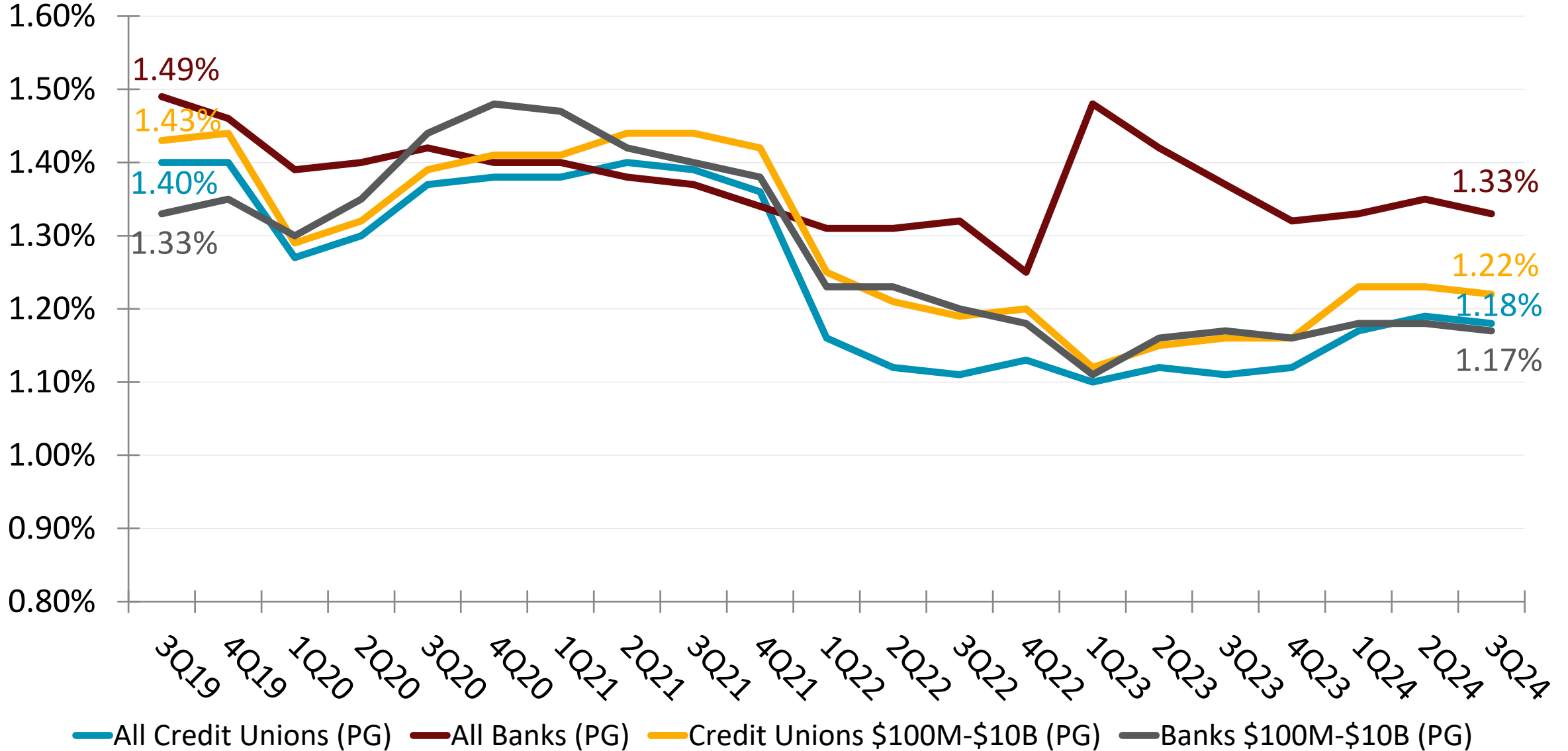
Net Interest Margin



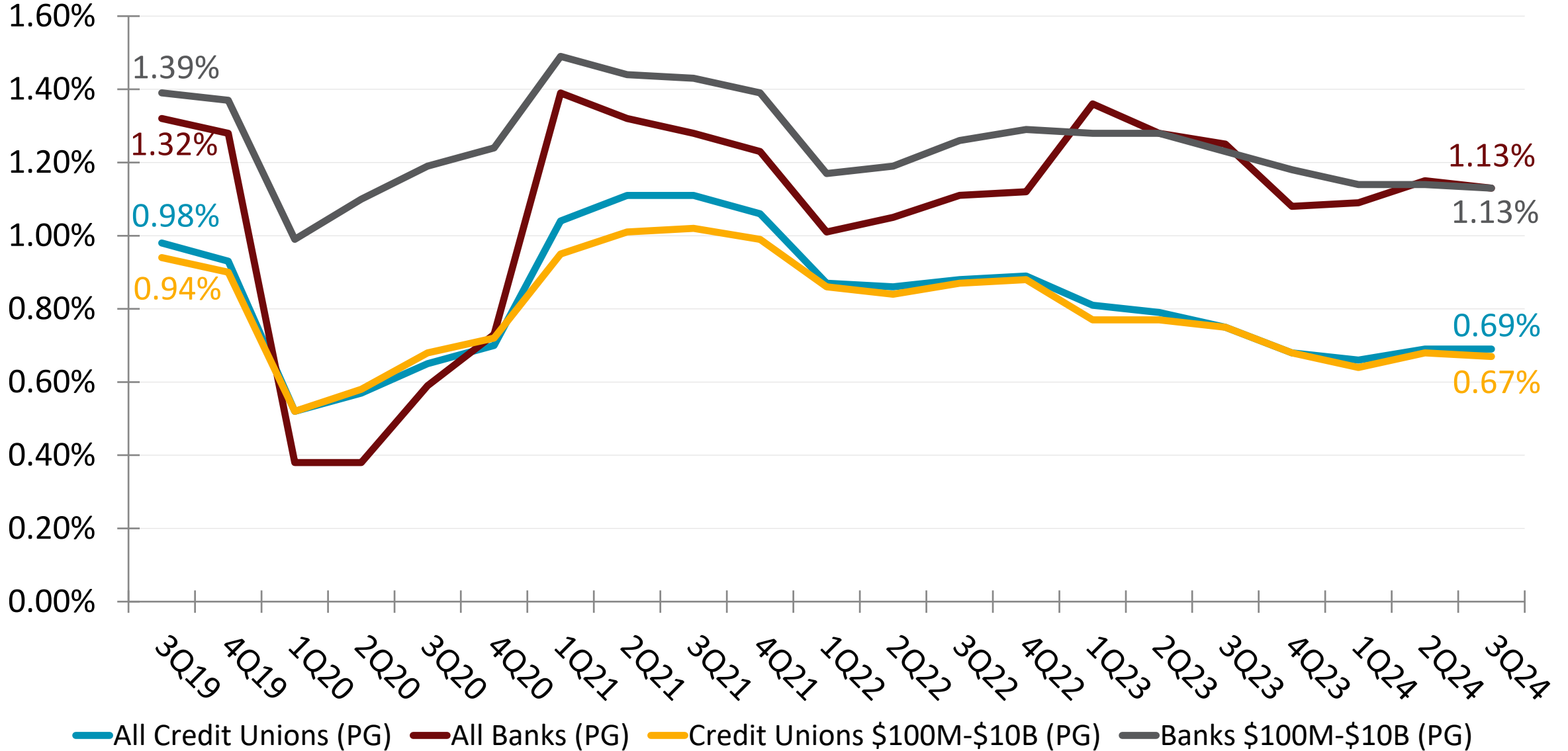
Operating Expense/Average Assets



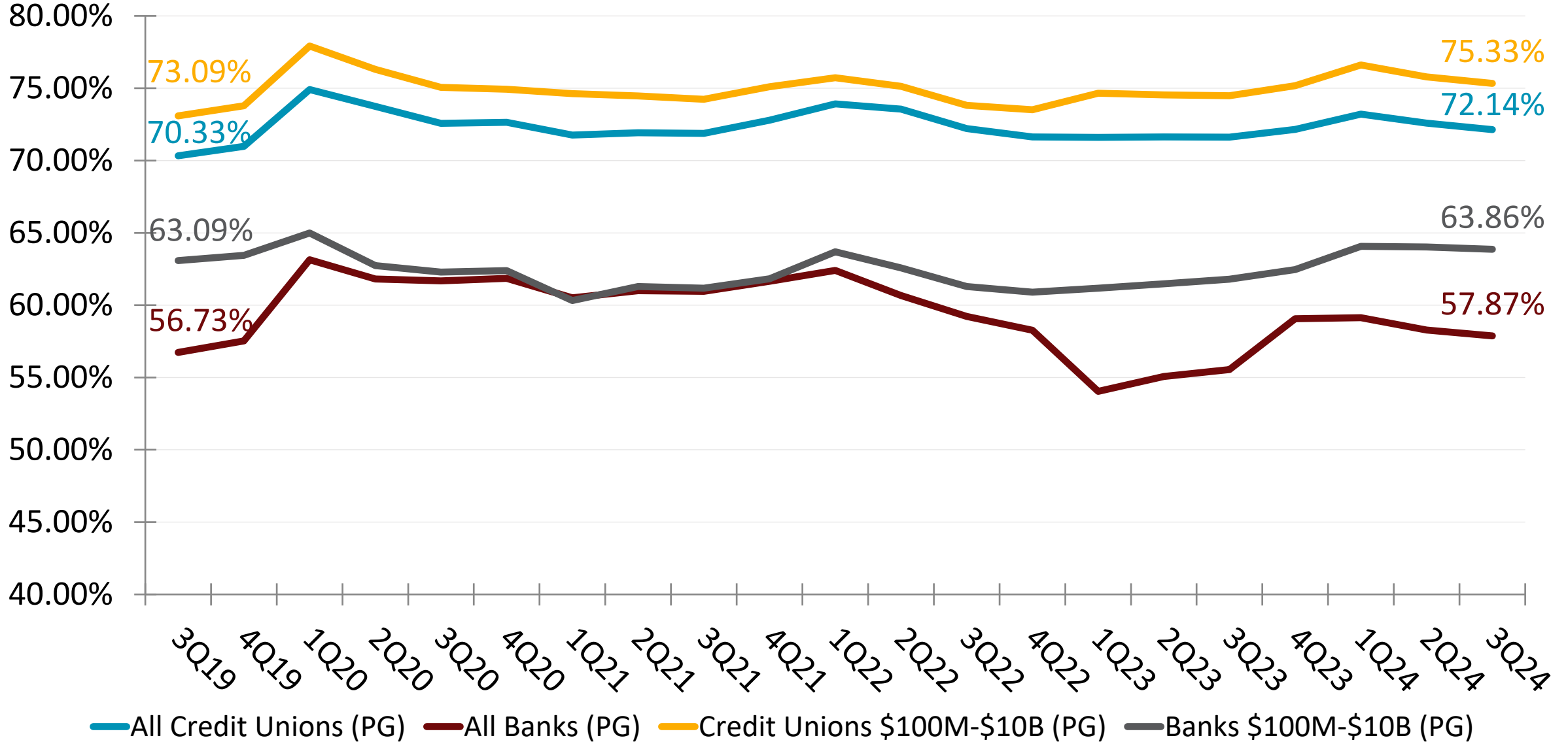
Non-Interest Income/Average Assets



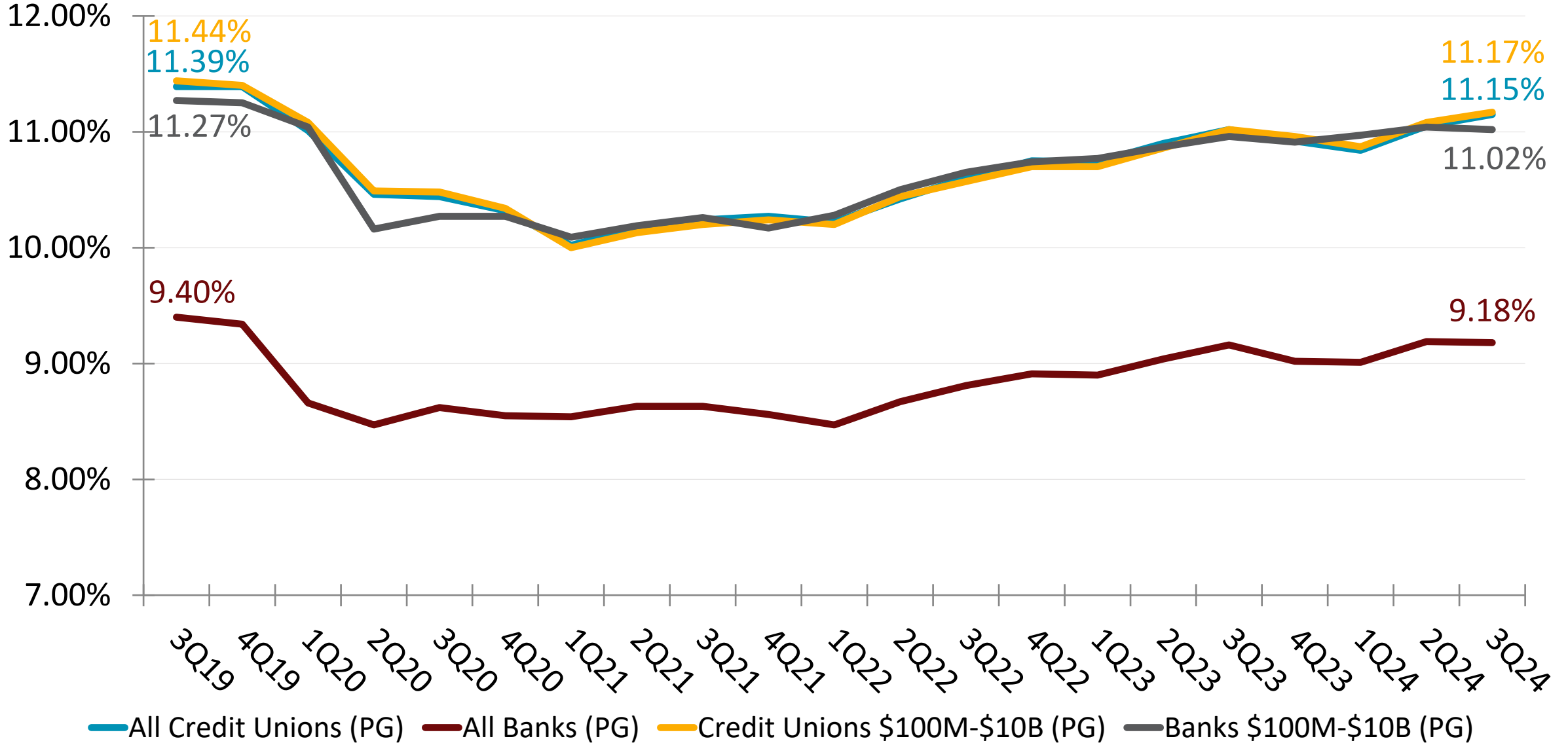
Return on Assets



Efficiency Ratio (Excluding PLL)



Net Worth/Assets



Earnings Model Comparisons

Data as of 09.30.2024

	All Credit Unions	CUs \$100M-\$10B	Banks \$100M-\$10B	All Banks
Interest Income	4.99%	4.85%	5.31%	5.30%
Interest Expense	1.90%	1.88%	2.11%	2.41%
Net Interest Margin	3.09%	2.97%	3.20%	2.89%
Non-interest Income	1.18%	1.22%	1.14%	1.26%
Operating Expenses	3.00%	3.08%	2.79%	2.44%
Provision for Loan Losses	0.58%	0.45%	0.18%	0.38%
Taxes and Adjustments	NA	NA	0.23%	0.20%
ROA	0.69%	0.67%	1.13%	1.13%

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

Earnings Model: Including NSF/OD

	Credit Unions >\$1B	Banks >\$1B
Interest Income	5.09%	5.31%
Interest Expense	2.06%	2.43%
Net Interest Margin	3.03%	2.88%
Operating Expenses	2.85%	2.41%
Provision for Loan Losses	0.64%	0.39%
Non-interest Income	1.17%	1.25%
NSF/OD Fees	0.22%	0.02%
Taxes and Adjustments	NA	0.20%
ROA	0.72%	1.13%

Data is annualized as of 09.30.2024

Expressed as a % of Avg. Assets

May not sum due to rounding

Context: Consumer Demand Deposits

	Credit Unions >\$1B	Banks >\$1B
\$ NSF & OD Income / Average Assets	0.22%	0.02%
	<i>\$3.9B Avg. Assets</i>	<i>\$22.4B Avg. Assets</i>
Proportional \$ Consumer DDA to Total Balance Sheet	15.8%	6.0%
\$ NSF & OD Income / \$ Consumer DDA	1.35%	0.40%

Fee income is annualized as of 09.30.2024

Industry Performance Landscape: Summary

For banks AND credit unions, size changes the game

- Stakeholder expectations and regulatory scrutiny force business model evolutions and balance sheet structure change.
- A smaller credit union and community bank may at times look (and think) more like one another than they do with their larger counterparts.

Growth, liquidity, asset quality... shared circumstance

- Banks seeing extended repayment trends, also higher yields from variable loan pricing.
- Despite highest interest expense, banks also continue to struggle gathering deposits.

Balance sheet convergence will likely continue

- Consumers choosing national banks + fintechs for household transactional account.
- Meanwhile, credit unions scaling business banking loan and share balances.
- *Credit unions' continued acquisition of bank assets will amplify this trend.*

Credit Unions vs. Banks: “What can I benchmark?”

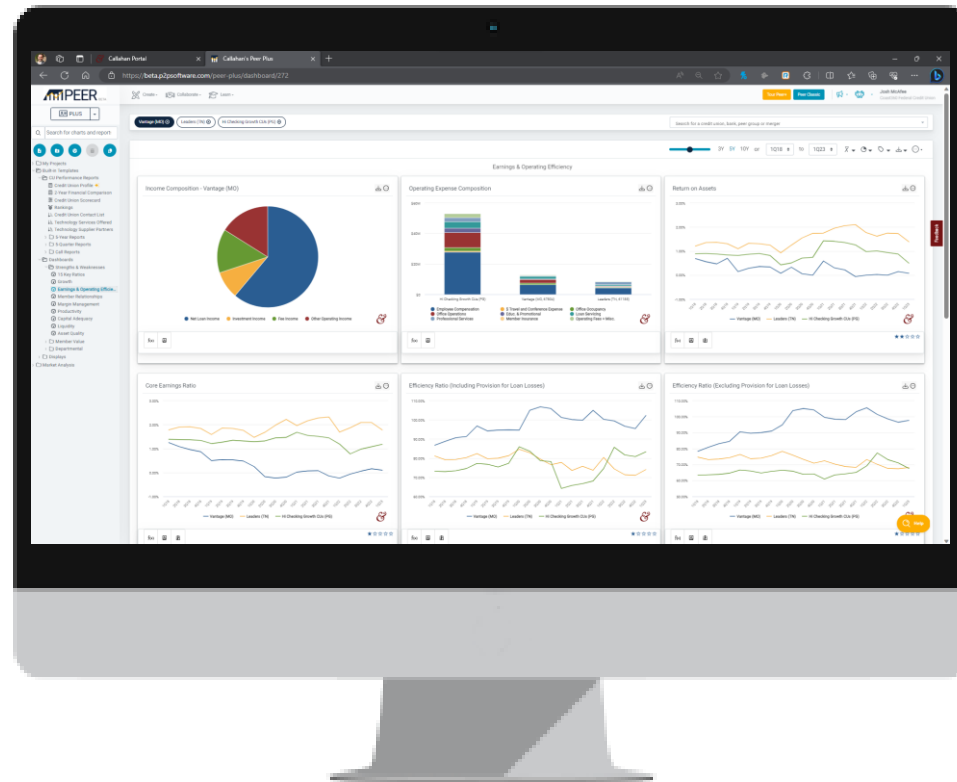


- **Charter type**
- **Retail locations**
- **Growth rates**
 - Assets, Deposits, Loans, Revenue, Expense, Staff, Branches
- **Balances: broad-based**
 - Deposits: Savings, Checking, MMA, CD, IRA
 - Loans: Auto, CC, 1st & 2nd RE, Unsecured, Commercial RE & C&I, Student
- **Revenue & expense**
 - Interest & non-interest income
 - Interest & non-interest expense (OpEx)
 - Efficiency ratio
- **Earnings & capitalization**
 - ROA, core earnings, net worth, capital

Credit Unions vs. Banks: “What can’t I benchmark?”

- **Consumer relationships**
 - *Banks don’t count warm bodies*
 - No “per-member” ratios like credit unions
- **Loan collateralizations**
 - Credit unions specify consumer subtypes
 - Banks specify non-consumer subtypes
- **Market share**
 - Credit unions don’t report any balances at branch-level
 - Banks report branch deposits 1x/yr @ 2Q FDIC report





Callahan's Peer Suite:

- U.S. credit unions & banks
- 20 years of trend history
- 300+ reports
- Unlimited customization
- Enterprise licensing
- Display & segment sharing
- Executive networking
- Industry technographics
- Microsoft Excel connector

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