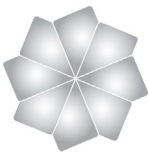




# CREDIT CARD MARKET OVERVIEW & CREDIT UNION PERFORMANCE REVIEW

Tim Kolk  
President, TRK Advisors  
[tkolk@trkadvisors.com](mailto:tkolk@trkadvisors.com)  
(603) 924-4438

April 2025



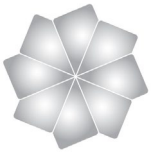
# TRK ADVISORS BACKGROUND

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- Timothy Kolk, President.
- Started in credit cards 1994.
- Advisor to credit unions across the U.S. on how to best design and manage their credit card programs: product design, profitability analysis, portfolio management, reward programs, processing platforms, brand negotiations.
- Also, deep experience in credit card agent program analysis. Have evaluated hundreds of agent program opportunities and have negotiated the establishment of more than one hundred (more than \$1 billion in portfolio sales).
- By advising on either managing the program internally or selecting an agent provider, can remain dispassionate and solve for what is best for each client's needs and situation.

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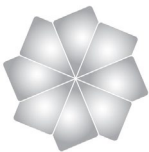
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# WHAT WE'LL TALK ABOUT TODAY

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- 1) The Story of the Card Market
  - Balance Trends
  - Credit Risk Trends
  - APR Trends
  - Purchase Trends
- 2) Market Offers: What Your Members See Every Day
- 3) Looking Ahead: Many Possibilities
- 4) What Do Successful Issuers Do?

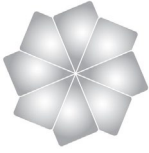


# BUT FIRST... WHY IS CARD SO FUN?

	<b>Mortgages &amp; Auto Loans</b>	<b>Credit Card</b>
<b><i>New Accounts</i></b>	Once every few years. You better find them at that moment!	Member is ready any time you are, just give them the right reason.
<b><i>Growth</i></b>	Add an account, take payments, find more accounts, rinse-lather-repeat. Demand fluctuates a lot with economy.	New accounts PLUS active portfolio management can provide growth. Lots of opportunities every day.
<b><i>Revenues</i></b>	Interest & modest fees	Highest yield & ongoing fee \$
<b><i>Credit Risk</i></b>	Underwrite well (or not). Once booked, little you can do after.	Continual monitoring, risk management strategies, grow good accts/balances...
<b><i>Profitability</i></b>	Modest. Average CU ROA < 1%; so these must be around that level.	2-6% ROA is 'normal' (but can be less...)
<b><i>Strategies</i></b>	Pretty close to a commodity.	Ubiquitous, but not a commodity
<b><i>Member Exp.</i></b>	Make payment, feel stress.	Get value, feel valued (if it's good).

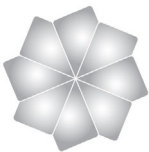
*The Most Fun ≠ The Easiest*

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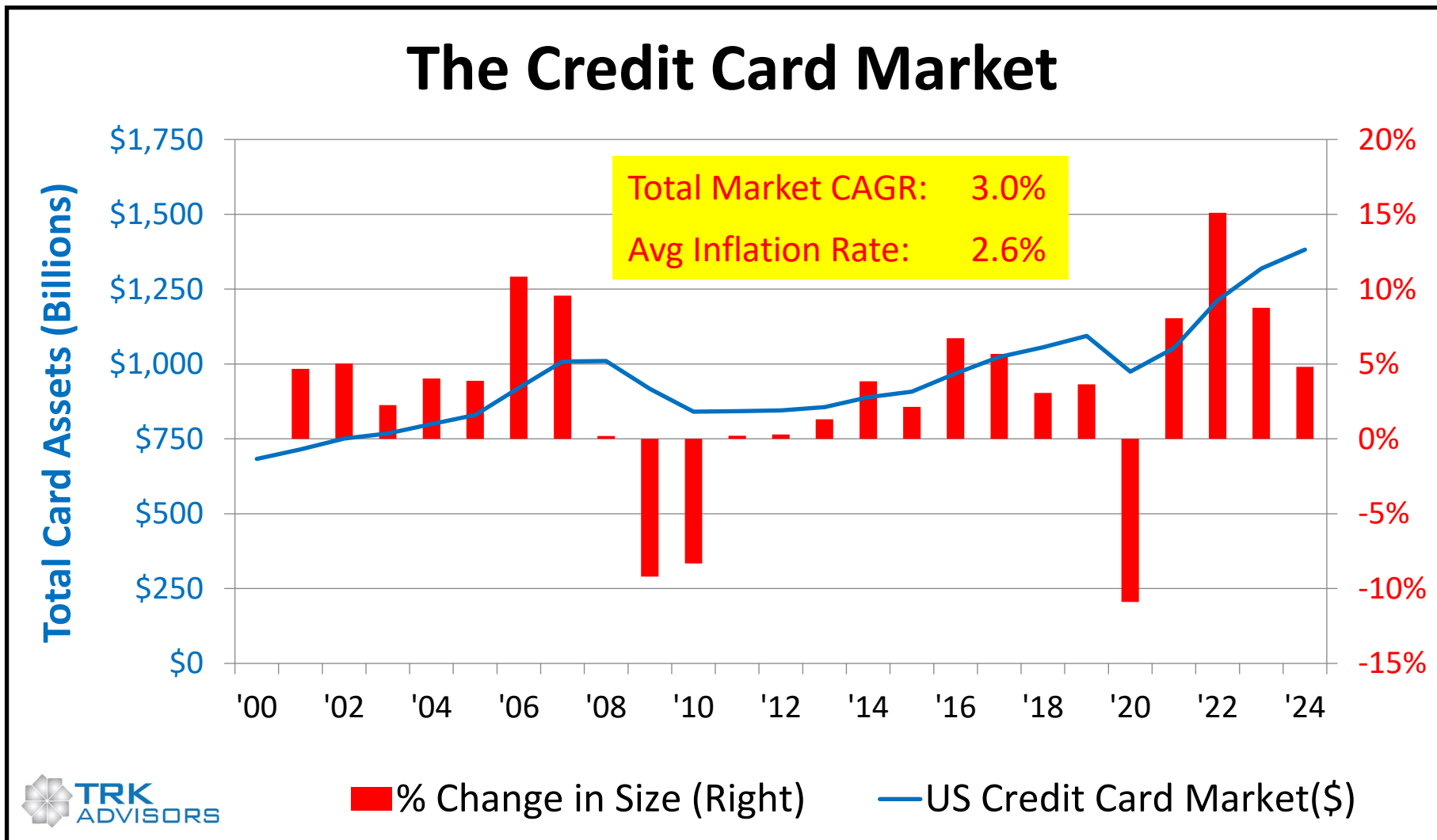


# THE EVER-EVOLVING STORY OF THE CREDIT CARD MARKET

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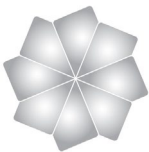


# DO WE CARE ABOUT GROWTH? (YES)

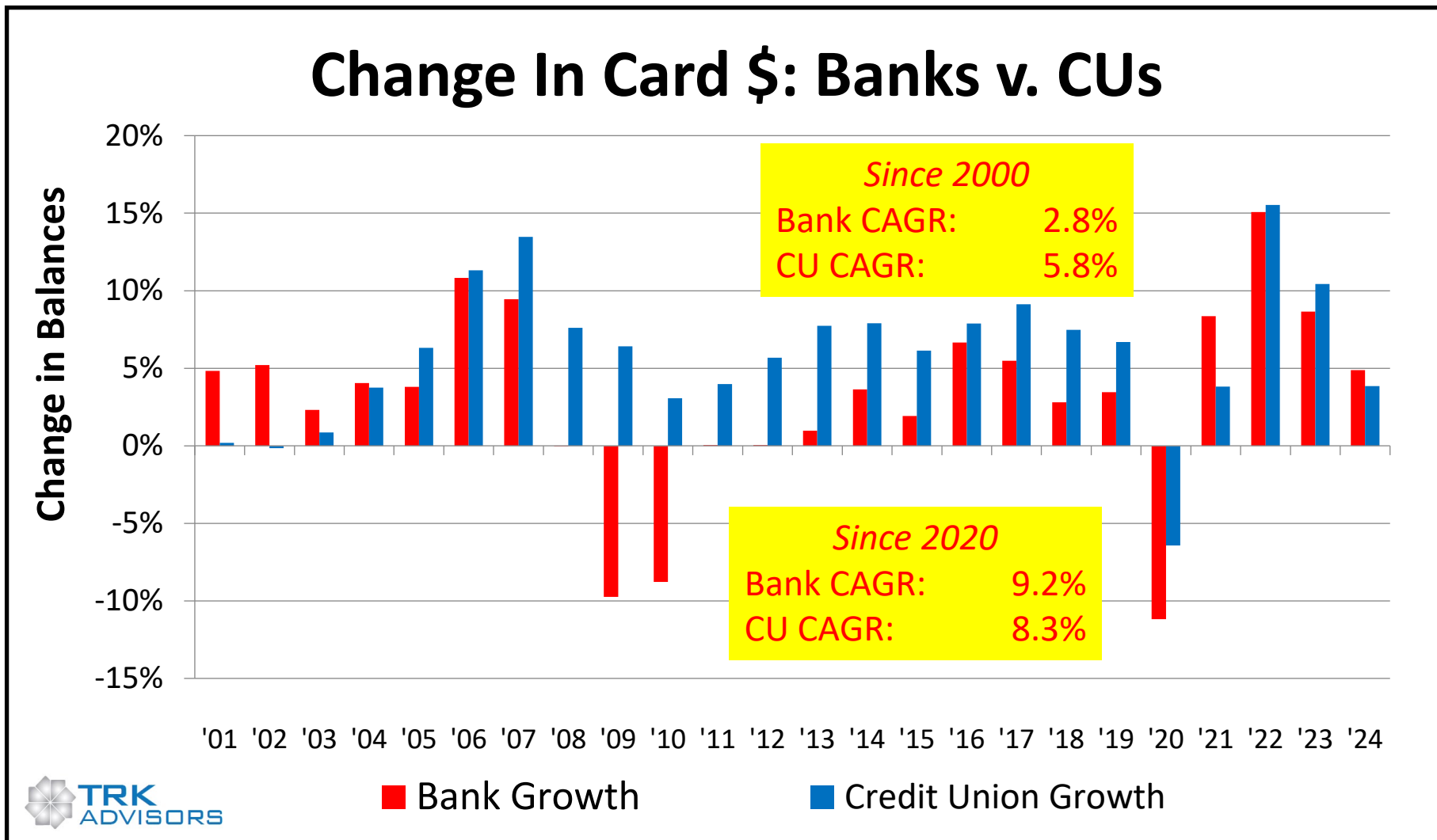


Sources: Federal Reserve G.19 Report, Total Outstanding Revolving Debt; Inflation Rates from Federal Reserve Bank of Minneapolis

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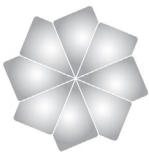


# CAN CUs COMPETE WITH BANKS? (YES)

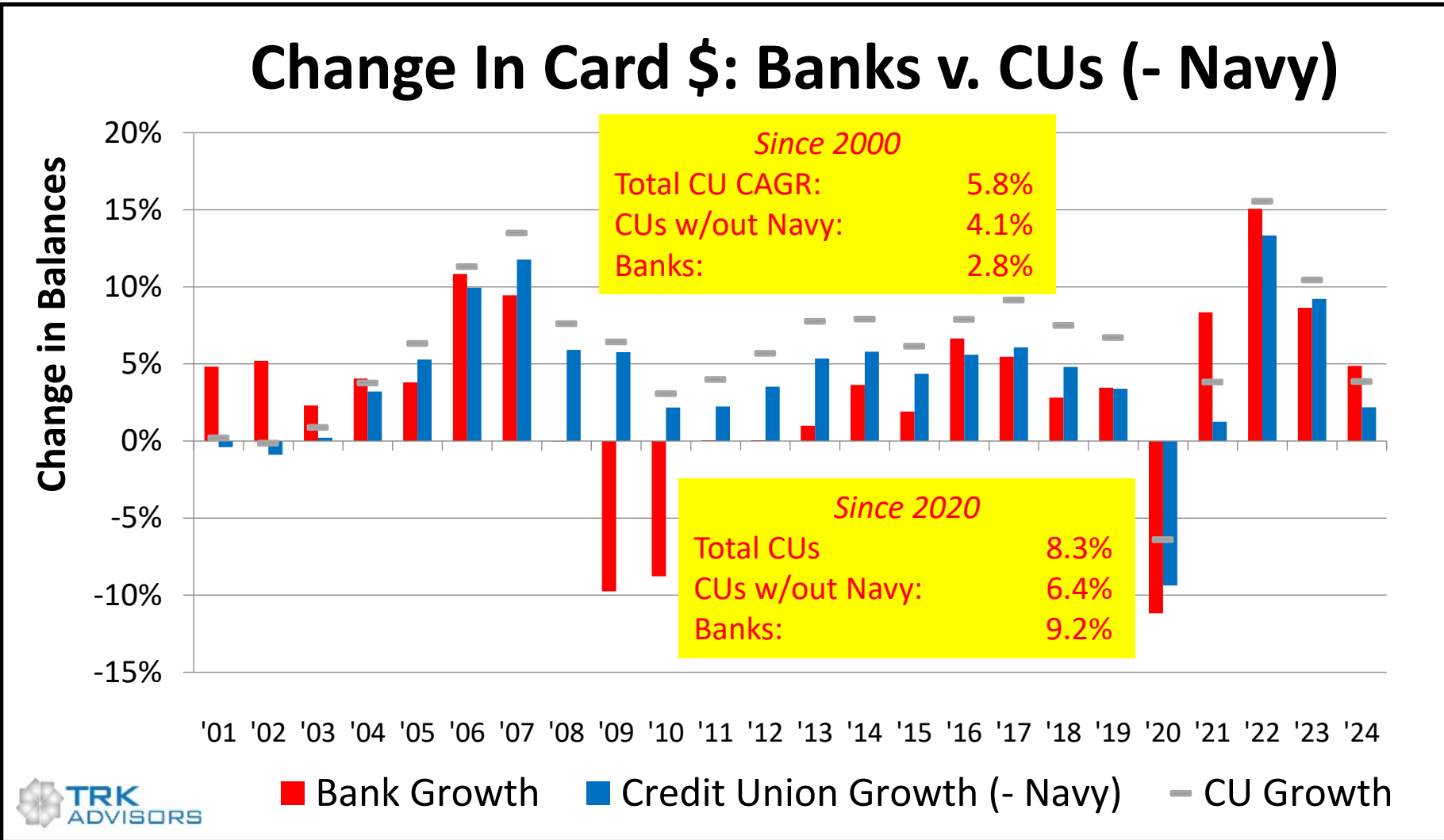


Sources: Federal Reserve G.19 Report, NCUA Call Report Data, Analysis by TRK Advisors

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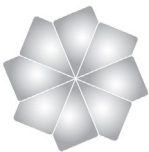
# Is CU GROWTH GUARANTEED? (NO)



Sources: Federal Reserve G.19 Report, NCUA Call Report Data, Navy FCU Call Report, Analysis by TRK Advisors

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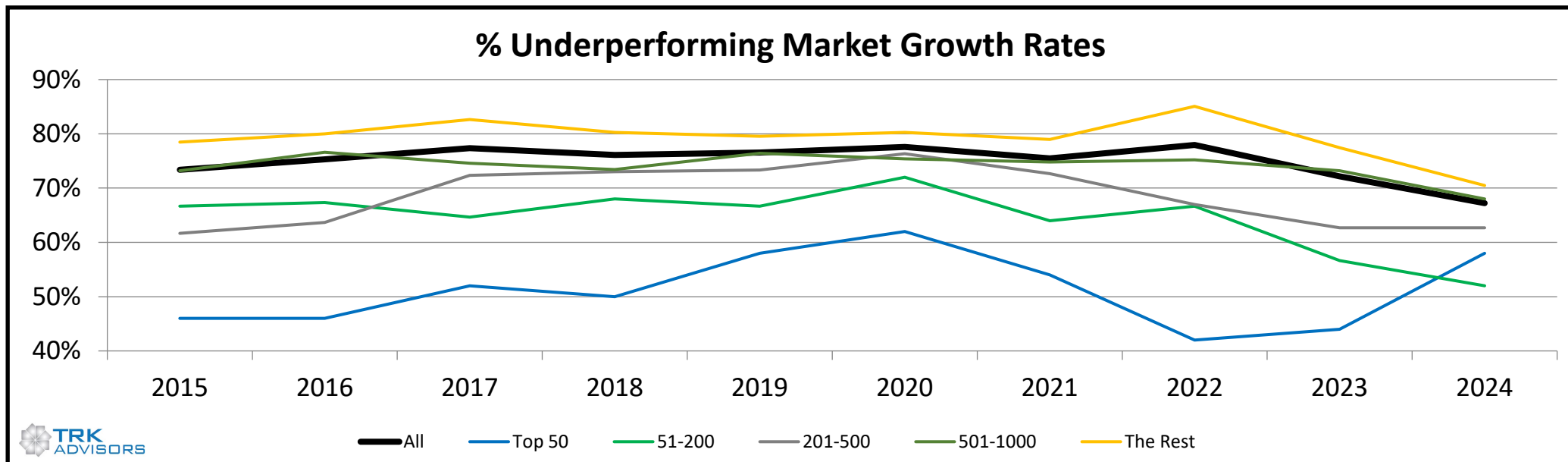


# BIGGER IS HELPFUL, BUT...

Distribution of Credit Union Card Program Growth

Size	Size	Balances (2024)		Share of 2024 Growth			% Shrinking
		\$ Bil.	% of \$	\$ Bil.	Rate	% of All	
Top 50	\$197MM-\$29.2B	\$54.3	64%	\$2.4	5%	69%	26%
51-200	\$52-\$196MM	\$15.0	18%	\$0.7	5%	19%	21%
201-500	\$16-\$52MM	\$9.2	11%	\$0.3	3%	8%	37%
501-1000	\$5-\$16MM	\$4.5	5%	\$0.1	2%	2%	48%
<u>1001-1924</u>	<u>\$1-\$5MM</u>	<u>\$2.2</u>	<u>3%</u>	<u>\$0.0</u>	<u>1%</u>	<u>1%</u>	<u>48%</u>
Total		\$85.2	100%	\$3.5	0%	100%	45%

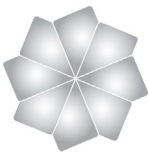
In 2023 this was 20%.  
In 2022 it was 16%.



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Sources: NCUA Call Report Data, Analysis by TRK Advisors



# LARGEST ISSUER RESULTS

*Top 10 Visa & MasterCard Issuers in the US, 2024*

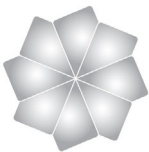
Issuer	Volume (\$MM)		Accounts (M)			Per Active		Turn Rate
	Balances	Purchases	Total	Active	% Act	Bal	Purch	
Chase	\$ 232,860	\$ 1,344,020	104,261	65,514	63%	\$3,554	\$20,515	5.8
CitiBank	146,536	610,089	68,985	44,889	65%	\$3,264	\$13,591	4.2
Capital One	144,983	609,632	100,800	55,200	55%	\$2,627	\$11,044	4.2
Bank of America	118,597	501,942	44,538	30,948	69%	\$3,832	\$16,219	4.2
U.S. Bank	51,248	210,435	33,663	13,389	40%	\$3,828	\$15,717	4.1
Wells Fargo	51,145	206,959	17,689	11,311	64%	\$4,522	\$18,297	4.0
Barclays	32,975	114,076	18,294	11,004	60%	\$2,997	\$10,367	3.5
Synchrony	29,000	78,500	26,900	15,250	57%	\$1,902	\$5,148	2.7
Navy FCU	27,928	44,969	5,618	4,019	72%	\$6,949	\$11,189	1.6
Goldman Sachs	21,429	34,468	12,200	7,600	62%	\$2,820	\$4,535	1.6
<b>Total, Top 10</b>	<b>\$ 856,702</b>	<b>\$ 3,755,090</b>	<b>432,948</b>	<b>259,124</b>	<b>60%</b>	<b>\$3,306</b>	<b>\$14,491</b>	<b>4.4</b>
<b>2024 Change</b>	<b>7%</b>	<b>6%</b>	<b>2%</b>	<b>3%</b>		<b>4%</b>	<b>2%</b>	
<b>2023 Change</b>	<b>13%</b>	<b>7%</b>	<b>7%</b>	<b>2%</b>		<b>11%</b>	<b>5%</b>	<b>4.4</b>
<b>2022 Change</b>	<b>14%</b>	<b>18%</b>	<b>9%</b>	<b>7%</b>		<b>6%</b>	<b>9%</b>	<b>4.7</b>

*Growth Requires Doing All Things Well*

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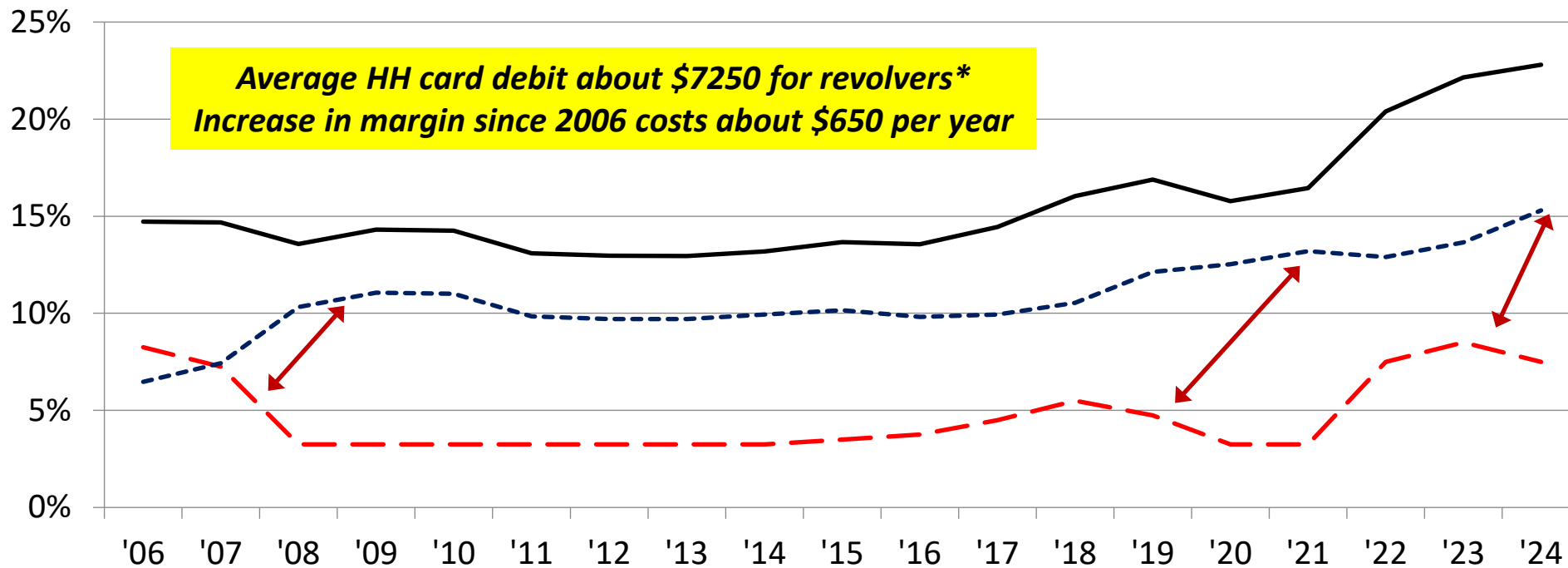


Source: Nilson Report



# DO WE LIKE INTEREST REVENUE? (YES)

## Average Credit Card APR vs. Prime



— Average Credit Card APR

- - Prime Rate

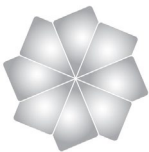
- - - APR Gap Over Prime Rate

Sources: Federal Reserve G.19 Report, Analysis by TRK Advisors

\* LendingTree; March 7, 2025

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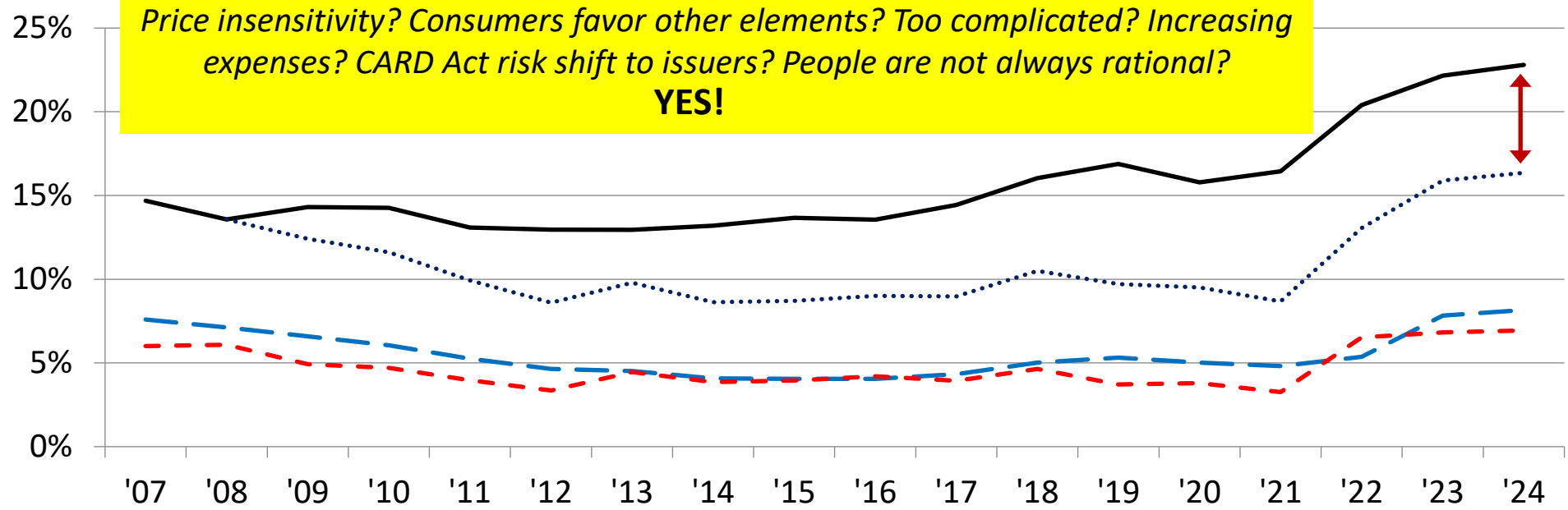




# Is CARD YIELD DOING THE BEST? (YES)

## Avg. Card APR vs Other Consumer Loans

*Price insensitivity? Consumers favor other elements? Too complicated? Increasing expenses? CARD Act risk shift to issuers? People are not always rational?*  
**YES!**

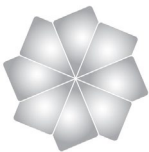


— Actual Credit Card APR (Revolving)    - - Auto Loan Rates (60M)  
 - - Mortgage Rates (30yr)    ..... Expected Credit Card Rate

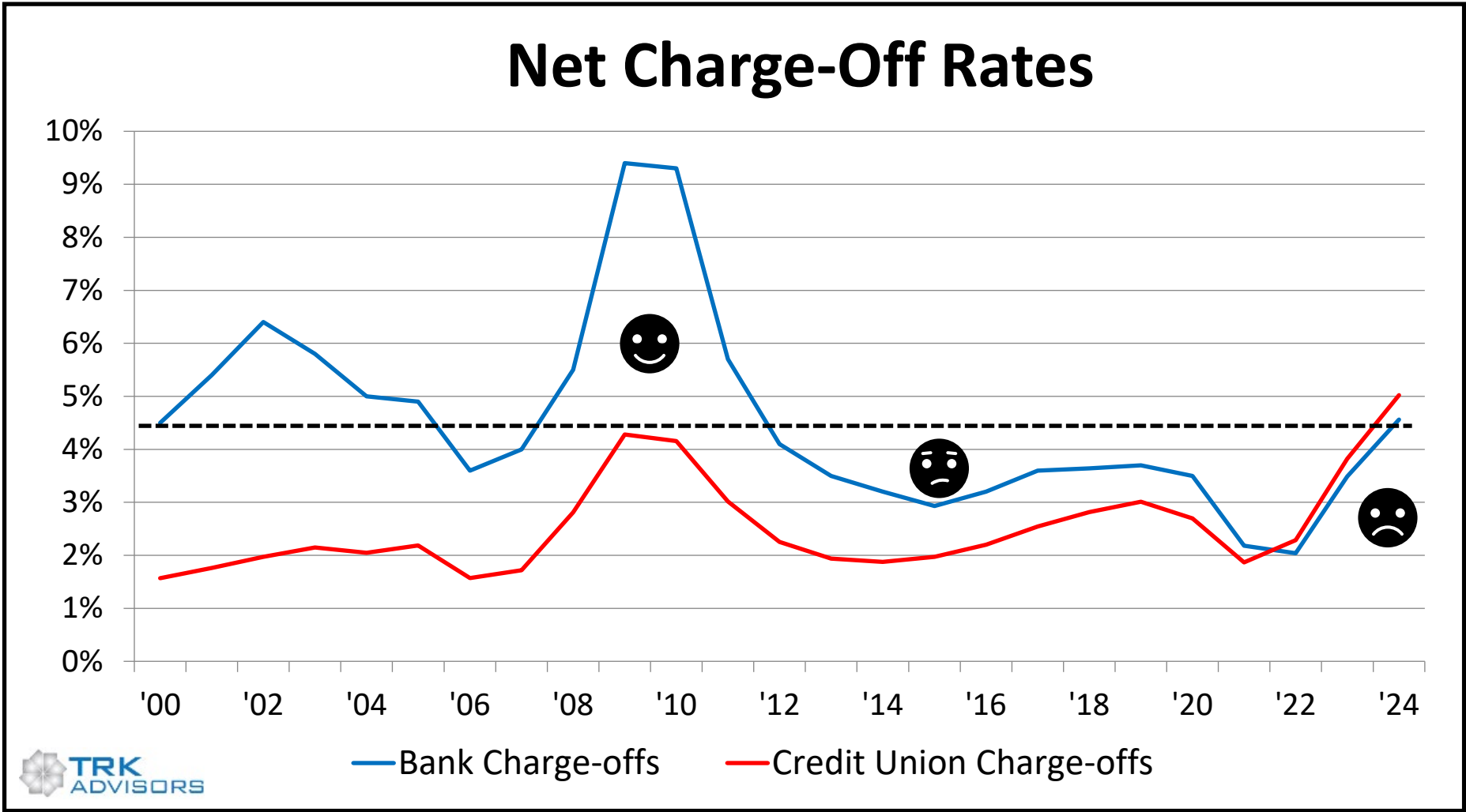


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Sources: Federal Reserve G.19 Report, Mortgage News Daily, Analysis by TRK Advisors



# CREDIT RISK: YECH (MORESO NOW)



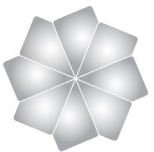
**CU Advantage**

2017 =	106 bp
2018 =	82 bp
2019 =	69 bp
2020 =	80 bp
2021 =	31 bp
2022 =	-25 bp
2023 =	-33 bp
2024 =	-46 bp

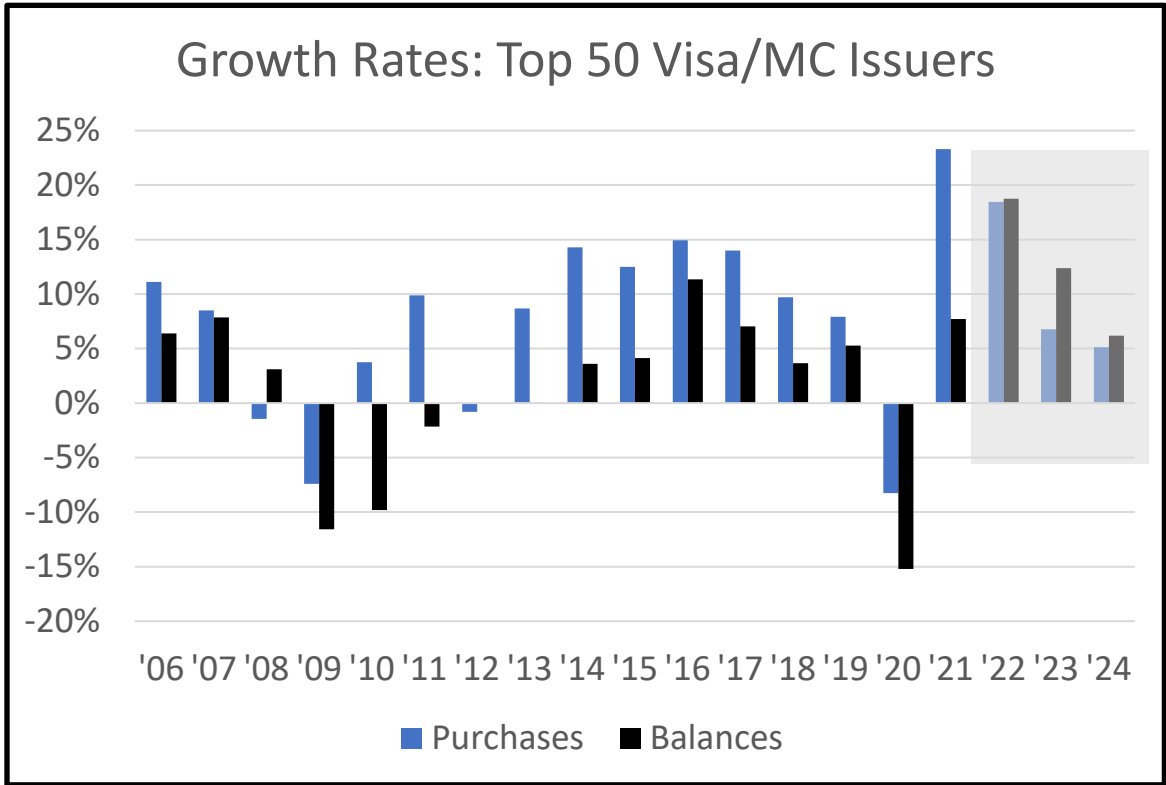
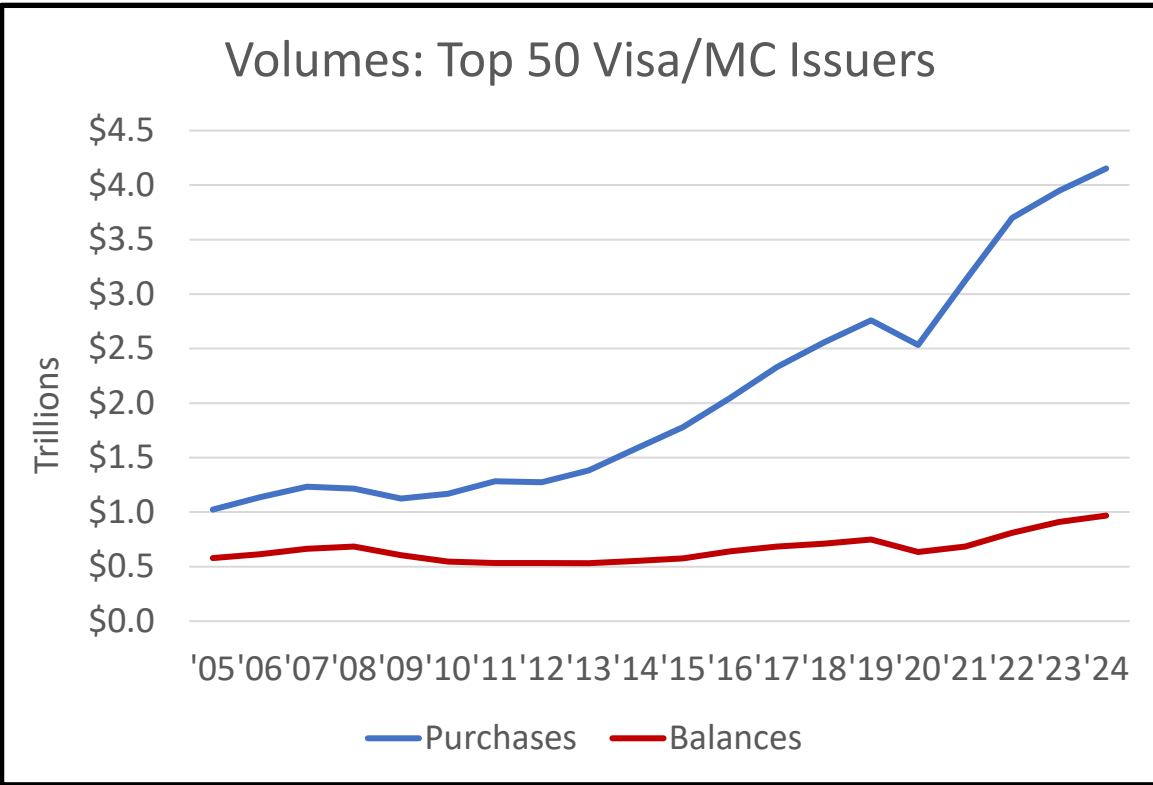
**CU GCL %**

'22	FY	2.5%
'23	Q1	3.8%
	Q2	4.2%
	Q3	4.2%
	Q4	5.2%
'24	Q1	5.7%
	Q2	5.6%
	Q3	5.4%
	Q4	5.9%

Sources: NCUA Call Report Data, Federal Reserve Charge-off and Delinquency Rates Report



# HUH, THIS IS INTERESTING...

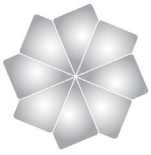


**Turn Rate (Purchases / Balances) Over Time**

2005 = 1.8x    2010 = 2.1x    2015 = 3.1x    2020 = 4.0x    2024 = 4.3x

Sources: NCUA Call Report Data, Nilson Report, Analysis by TRK Advisors

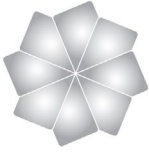




# WHEW, ONE MORE TIME PLEASE

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- Credit unions have competed effectively for balance growth over the last 20 years.
- But recent years suggest that is harder than it used to be.
- The largest issuers work on every lever: add accounts, activate accounts, grow active account balances, incent active account spend.
- Falling behind can lead to an un-virtuous cycle.
- Are cardholders irrational? Should we care?
- The CU segment's performance is now very much parallel to the banks.
- But banks can charge more than most CUs.
- CU's disadvantages (APR limits, scale/skill, higher Opex and now higher charge-offs) are making strong analytics more important than ever. Resource decisions are made every day.
- It's all good until it's not.

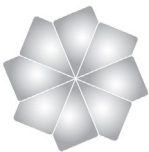


# *MARKET OFFERS*

WHAT DO YOUR MEMBERS SEE  
AND HOW ARE THEY CHANGING?

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# TOP THREE: CHASE (NO FEE)



### NEW CARDMEMBER OFFER Earn a \$200 bonus

Earn a \$200 bonus after you spend \$500 on purchases in the first 3 months from account opening.\*

### Unlimited 1.5% cash back is just the beginning

Earn 3% on dining at restaurants, including takeout and eligible delivery services\*

Earn 3% on drugstore purchases\*

Earn 5% on travel purchased through Chase Travel<sup>SM</sup>.\*

### Low intro APR

0% intro APR for 15 months from account opening on purchases and balance transfers.<sup>‡</sup> After the intro period, a variable APR of 20.49%–29.24%.<sup>‡</sup> Balance transfer fee applies, see pricing and terms for more details.<sup>‡</sup>

Unchanged from this time last year

### Save on interest with a low intro APR for 18 months

Purchases and balance transfers are interest free with 0% intro APR for 18 months, after that a variable APR of 20.49%–29.24%.<sup>‡</sup> Balance transfer fee applies, see pricing and terms for more details.

### Lower your interest rate by 2% each year

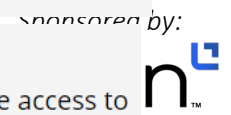
You will automatically be considered for an APR reduction by 2% when you pay on time, and spend at least \$1,000 on your card by your next account anniversary, until your APR reaches the Prime Rate plus 9.74% (currently 18.24% variable APR based on the Prime Rate of 8.50% as of 08/01/2023).<sup>‡\*</sup> Your final APR reduction could be less than 2% depending on the APR you receive with your card.

### Raise your credit limit

Special welcome offer: Get an automatic, one-time review for a higher credit limit when you pay on time, and spend \$500 in your first six months.\*

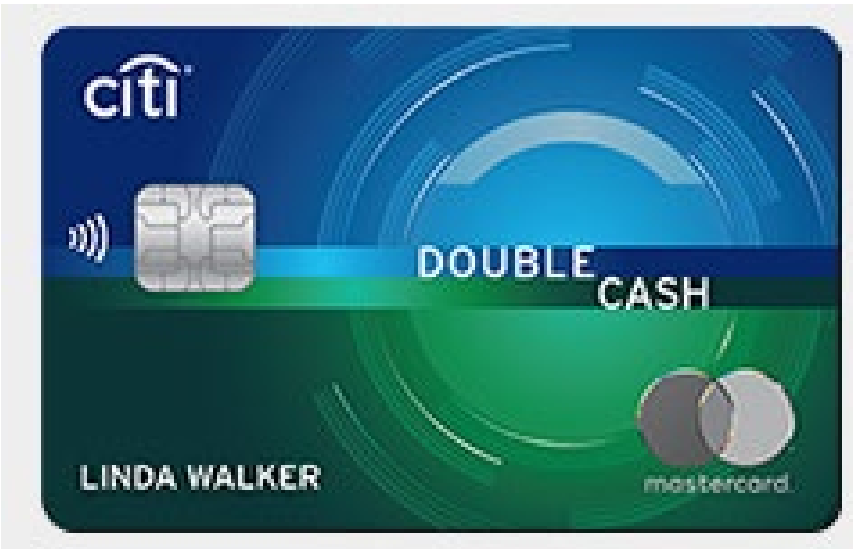
### Keep tabs on your credit health

Chase Credit Journey helps you monitor your credit with free access to your latest score, real-time alerts,\* and more.



Source: Issuer web site as of 2/27/25

# TOP THREE: CITI (NO FEE)



## 2% Cash Back

Unlimited 1% cash back when you buy, plus an additional 1% as you pay, on every purchase.

+ No category restrictions or enrollment needed.<sup>2</sup> No limit on the amount of cash back you can earn.<sup>2</sup>

Limited time offer: **Earn 5% total cash back on hotel and car rentals** booked on the Citi Travel<sup>SM</sup> portal through 12/31/24.<sup>2</sup>

Unchanged from this time last year

## Low Intro APR on balance transfers for 18 months

0% Intro APR for 18 months on balance transfers; after that, the variable APR will be 19.24% - 29.24%, based on your creditworthiness.<sup>1</sup>

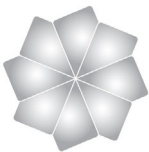
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## \$200 Cash Back

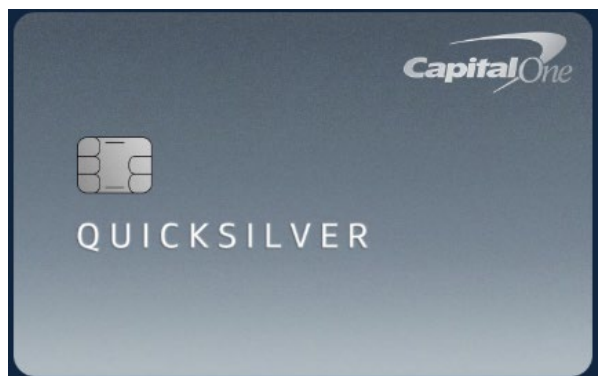
Earn \$200 cash back after you spend \$1,500 on purchases in the first 6 months of your Citi Double Cash<sup>®</sup> card account opening.<sup>2</sup>

Source: Issuer web site as of 2/27/25

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# TOP THREE: CAPITAL ONE (NO FEE)



## Earn \$200

Earn a one-time \$200 cash bonus once you spend \$500 on purchases within 3 months from account opening.<sup>1</sup>

## Earn 1.5% cash back

Earn unlimited 1.5% cash back on every purchase, every day.

### Unlimited Rewards

Earn unlimited 1.25 miles per dollar on every purchase

Earn unlimited 5 miles per dollar on hotels and rental cars booked through Capital One Travel

### New Cardmember Offer

Earn 20,000 bonus miles once you spend \$500 on purchases within the first 3 months from account opening<sup>1</sup>

## Low intro APR

0% intro APR for 15 months on purchases and balance transfers; 19.99% - 29.99% variable APR after that; Balance transfer fee applies. See rates and fees for details.

**This is Prime+12.49%.  
Last year was Prime+11.49%**

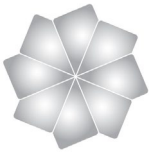
**Was 12 months last year**

**This is Prime+11.74%.  
Last year was Prime+7.49%!**

### Low Intro APR

0% intro APR for 15 months on purchases and balance transfers; 19.24% - 29.24% variable APR after that; Balance transfer fee applies. See pricing and terms for details

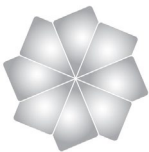
Source: Issuer web site as of 2/27/25



# KEY TAKEAWAYS

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1. Products have been mostly stable for the past year
2. Up-front elements and rewards remain critical
3. Intro rates are important on all products
4. Reward value remains 1.5% baseline (but really, higher)
5. Low-rate products are not part of big bank offerings
6. Success in 2024 was about operating well



# PROFITABILITY MOVEMENT IN 2025

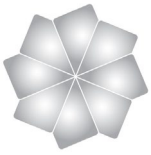
## *The Good Parts*

- Interest Yield:** Will decline. Prime down 100bp in 2024, but late in the year. Will be fully felt in 2025. Expect about 80bp decline (unless more rate changes come through)
- Interchange:** No changes expected this year. Only up if you get spend growing faster than balances.
- Other Fees:** Up only for unpleasant reasons.

## *The Unavoidable Other Stuff*

- Cost of Funds:** It depends\*.
- Charge-offs:** Well, umm, hopefully they stop going up. But, really, they're gonna get worse.
- Reward Expenses:** Investment, not an expense. And will go up if you are below market and want to be successful.
- Association Costs:** What do you think?
- Marketing Costs:** Depends on how much you want to grow. They are easy to decrease, but only if you want to lose steam and maybe even decline.
- Processing Costs:** Consolidation never lowers costs (for the customer).
- Internal Expenses:** Y'all know the answer to this.

\* Aren't consultants annoying? Just give an answer!



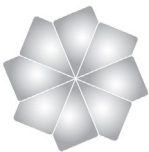
# DISRUPTIONS? MAYBE

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1. Market-wide rate constraints
2. Interchange regulation
3. Processor consolidation
4. New payment network competition
5. Economic uncertainty (always some, but...)

*Still, this is a much more stable business than most others. We're lucky people!*



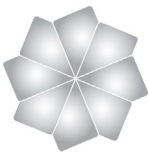


# ARE YOU NERVOUS? CONSIDER...

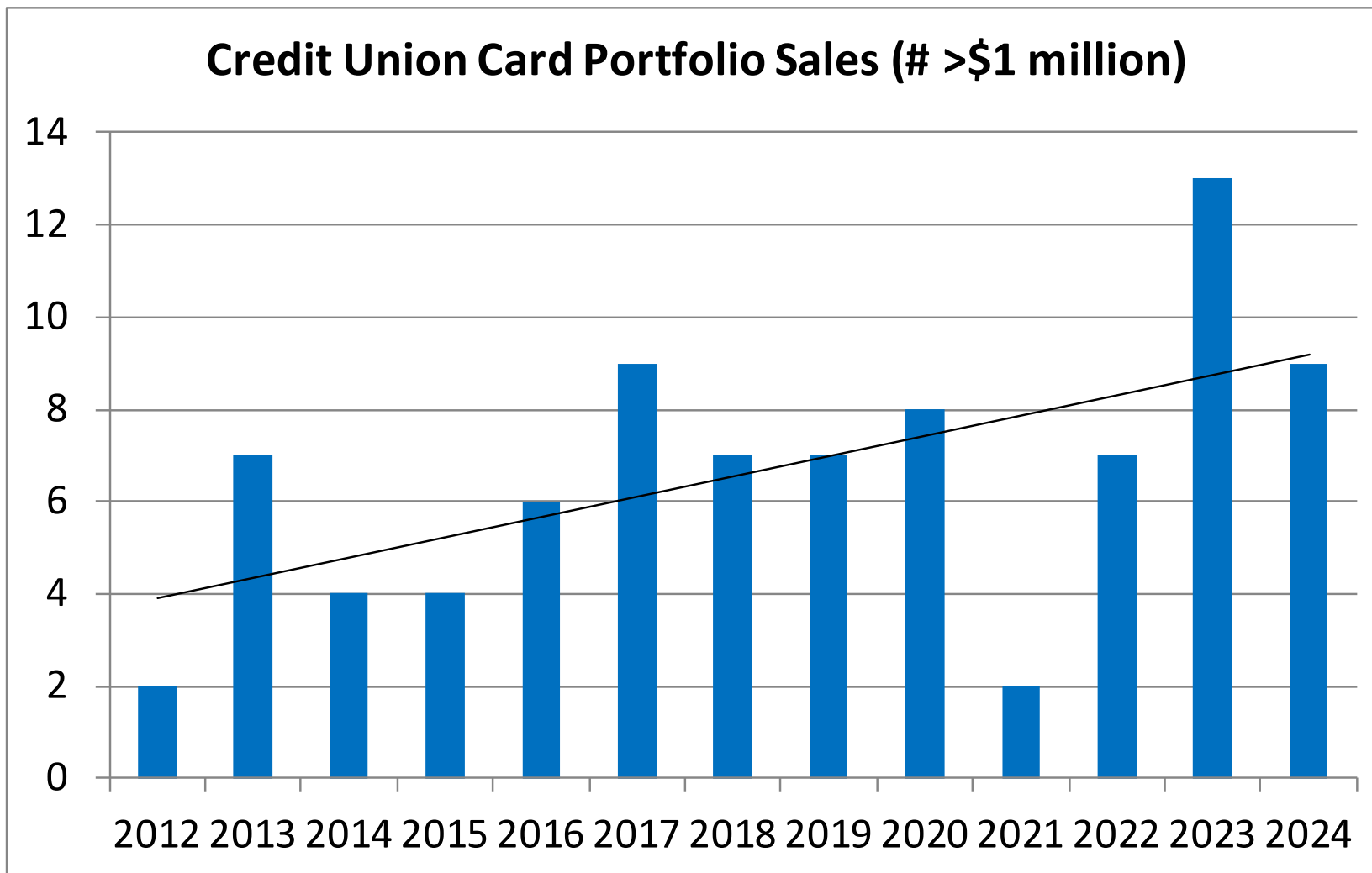
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- Limiting down-market approvals
- Reducing lines/closing inactive accounts
- Focusing marketing on long-term, known members
- Watch for behavior changes. Transactor-to-Revolver
- Secured cards? Sure, but not profitable without a fee
- The pie is mostly baked. Have to think long-term

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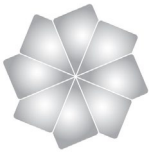
# SOME ARE MOVING AGENT PROGRAMS



- Prior to the Great Recession, 40-80 made this decision every year (when there were 9000 credit unions).
- After the great recession everyone had excess liquidity and card profitability was at all time highs. It's different today.
- Interest in other issuance options has increased.
- Values go up in good times and can decrease in hard times. There is no free lunch.
- Requires careful evaluation (expertise, even).
- As much a strategy decision as a financial one.
- A damaged portfolio or a trouble institution may find no option.

Source: TRK Analysis of NCUA Call Report Data

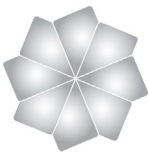




**OK, SO HOW DO WE  
STAY ON TRACK? WHAT'S THE  
SECRET SAUCE?  
SILVER BULLET?  
PATH TO VICTORY?**

*Hold your hats....*

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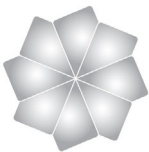
# THE KEYS TO A SUCCESSFUL PROGRAM

## It's a Mature Operating Business. Manage it that way.

- ❑ Maintain monthly comprehensive product-level portfolio reporting; including Full P&L, growth KPIs around accounts (total, active, new), growth trends around balances and transaction \$, risk elements.
- ❑ Quarterly product benchmarking against the large bank competitors around the above measures and member-facing product propositions.
- ❑ 2x (at least) comprehensive reviews with processing partner and brand. Do not just sit and listen. (In-process projects require active management)
- ❑ Build an evergreen annual marketing plan around portfolio management and new account disciplines with specific start dates to initiate the work. Match to YOUR member segments. Do not simply recycle last year's.
- ❑ Build an annual card business plan integrating all these elements, ultimately flowing to balances, transactions, accounts and net income elements. Include product set term review and updates against market levels.
- ❑ Card Manager development plan with annual goals for performance and skill enhancement.
- ❑ Identify renewal dates for all related vendor agreements and build schedule for renewal/renegotiation projects. Allow ample time for all. Build your 'wish list' before you start conversations.
- ❑ Card-specific staff education and advocacy training for new hires as well as ongoing refreshers for others (including senior management!)

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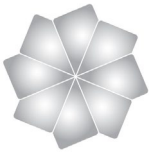


# BUT IT IS STILL THE BEST PRODUCT

	<b>Mortgages &amp; Auto Loans</b>	<b>Credit Card</b>
<b><i>New Accounts</i></b>	Once every few years. You better find them at that moment!	Member is ready any time you are, just give them the right reason.
<b><i>Growth</i></b>	Add an account, take payments, find more accounts, rinse-lather-repeat. Demand fluctuates a lot with economy.	New accounts PLUS active portfolio management can provide growth. Lots of opportunities every day.
<b><i>Revenues</i></b>	Interest & modest fees	Highest yield & ongoing fees \$
<b><i>Credit Risk</i></b>	Underwrite well (or not). Once booked, little you can do after.	Continual monitoring, risk management strategies, grow good accts/balances...
<b><i>Profitability</i></b>	Modest. Average CU ROA < 1%; so these must be around that level.	2-6% ROA is 'normal' (but can be less...)
<b><i>Strategies</i></b>	Pretty close to a commodity.	Ubiquitous, but not a commodity
<b><i>Member Exp.</i></b>	Make payment, feel stress.	Get value, feel valued (if it's good).

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# THANK YOU

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## About TRK Advisors:

Having analyzed hundreds of credit card programs we can bring an unrivaled experience and value to your program no matter your needs. Our work focuses on developing specific tactical plans to help your program reach its goals, whether they be improving financial performance, redeveloping your products, generating marketing plans that work, improving your portfolio management techniques, looking to buy or sell credit card accounts, develop co-branded or affinity programs, begin issuing anew, or evaluating agent program options.

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## About Elan Credit Card:

Elan partners with credit unions through our turnkey credit card program, mortgage solutions, and all-in-one merchant processing platform, talech®. Our dedication to our partners, growth philosophy, and investment in technology has made us a leader in the industry since 1968. Learn more about our innovative solutions for consumer and business accounts of all sizes.

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