

# An Inside Look at Current Industry Trends

Presented By

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# Learning Objectives

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- Review the financial performance and key trends for the credit union industry.
- Credit union industry forecasts.
- Understand current regulatory hot topics and how they will impact credit unions.
- Compliance issues credit unions are facing.

# Overview

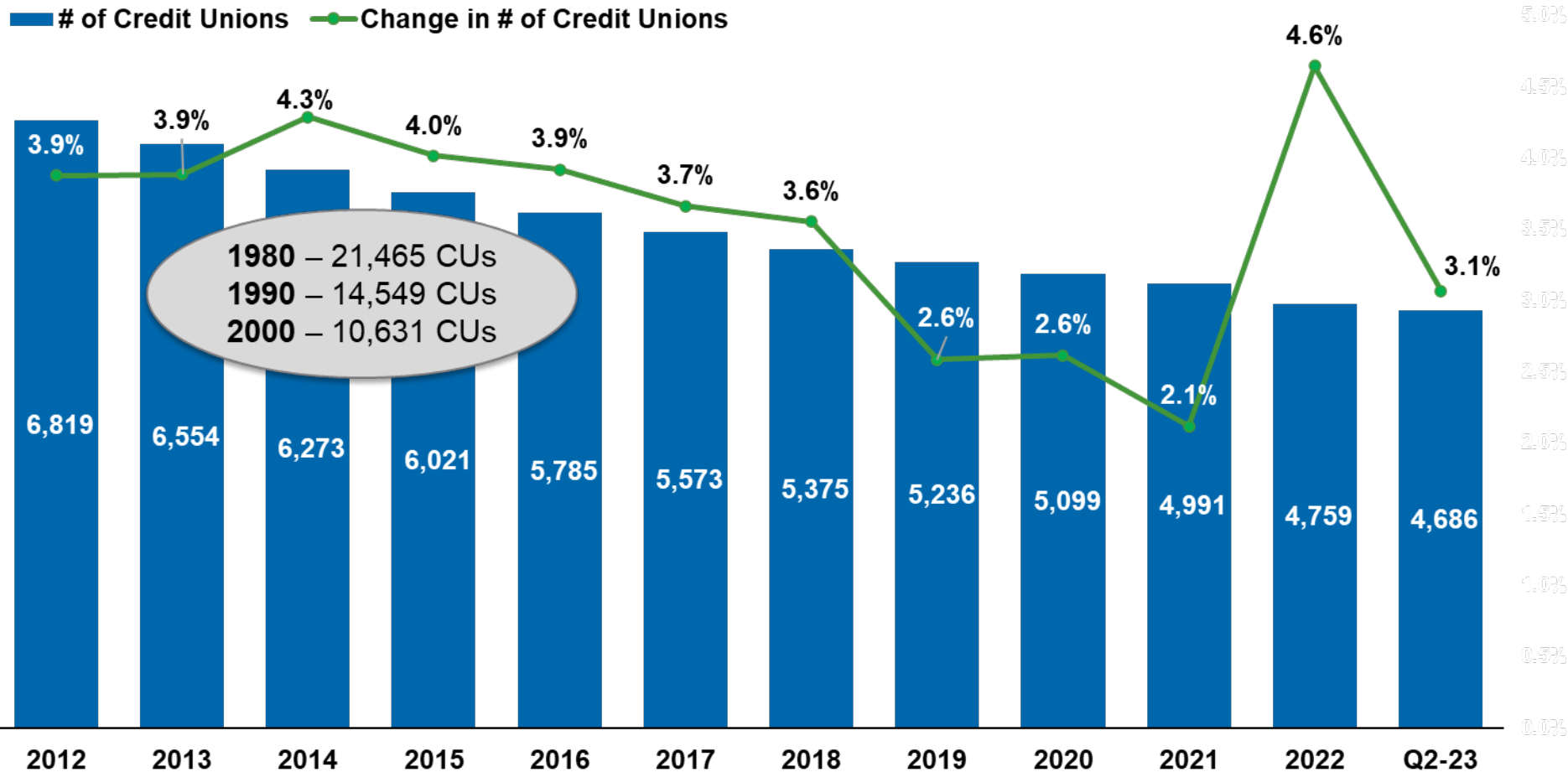
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- Financial trends and forecasts
- Regulatory focus
- Compliance focus
- Questions



# Financial Trends

# Credit Union Market

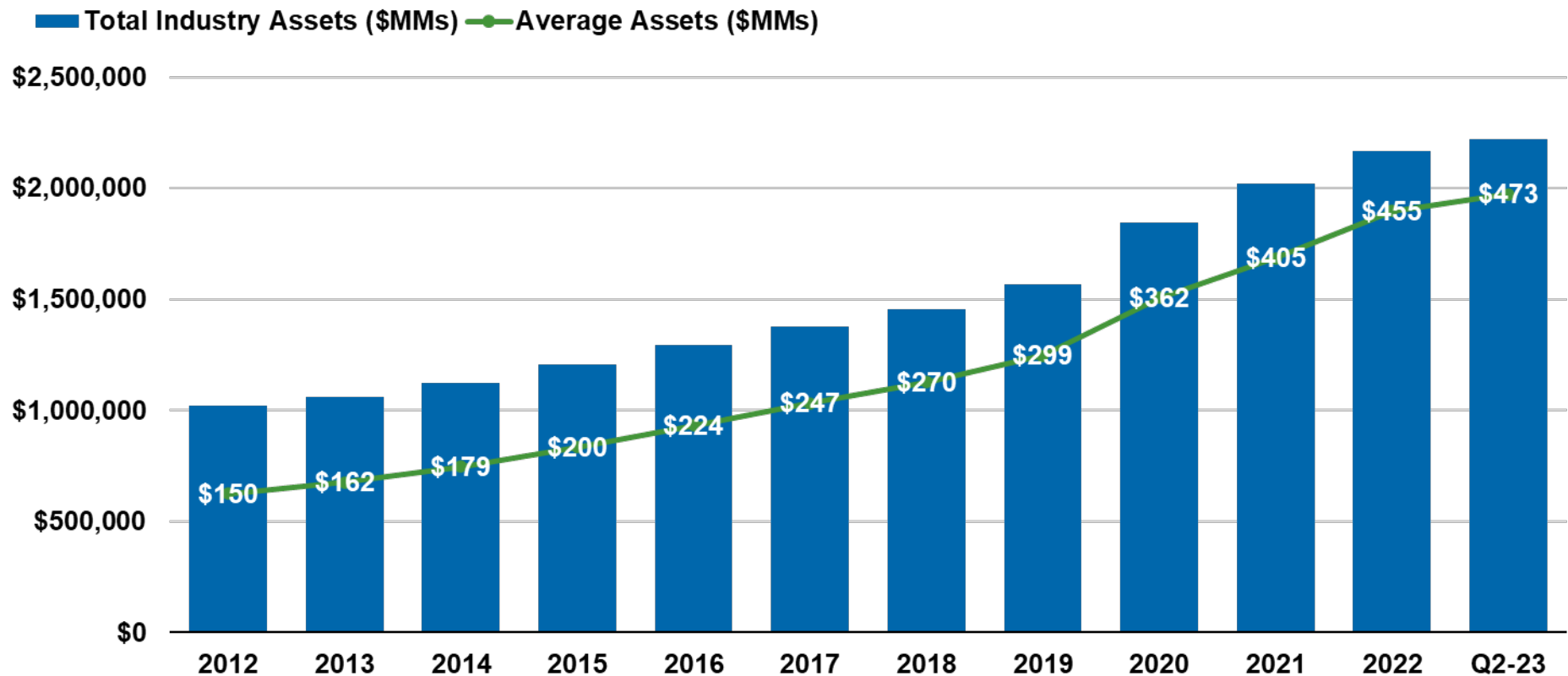


# of credit unions represents federally insured CUs as of respective period.

Decline in # of CUs includes mergers and closures.

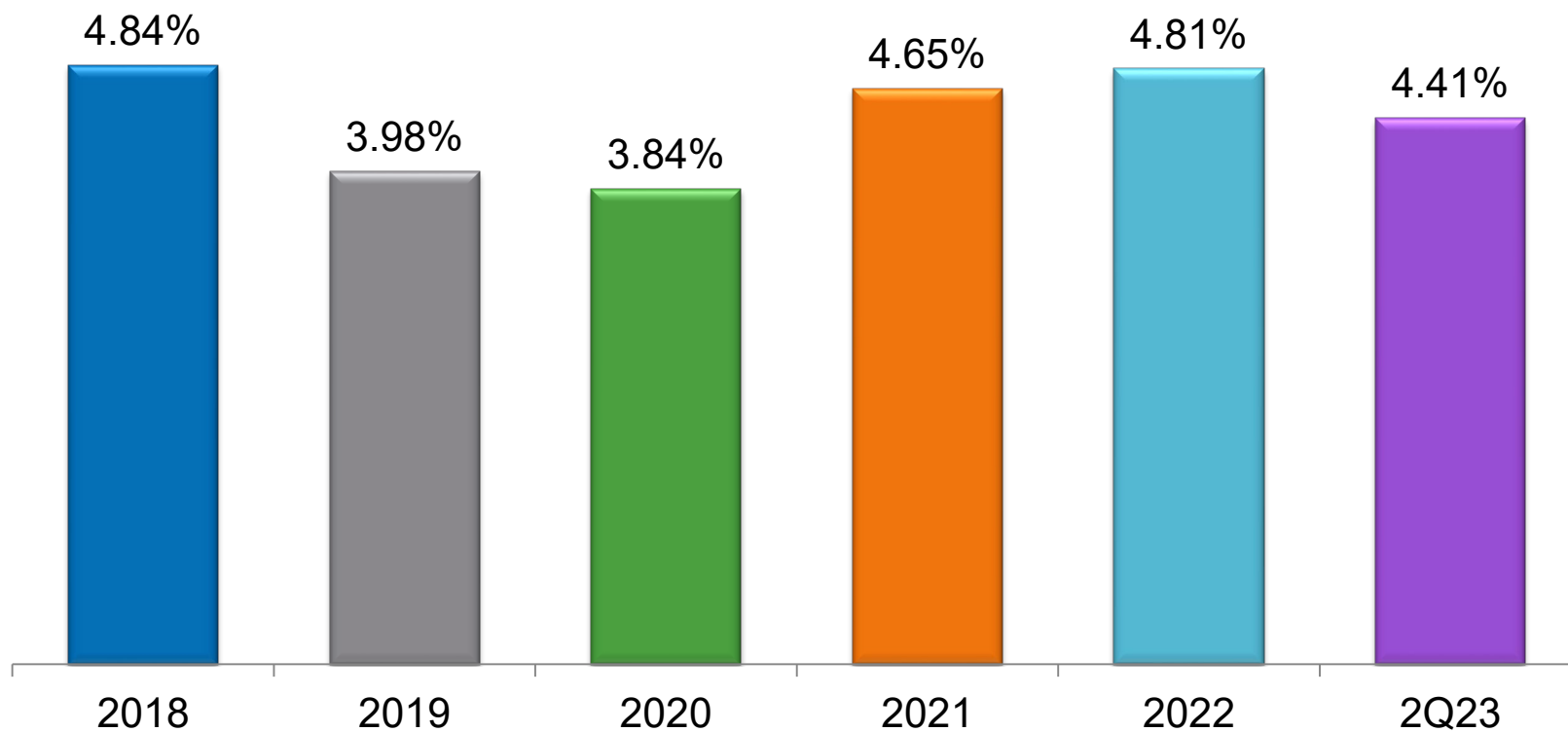
Source: NCUA

# Credit Union Asset Size



# Membership Growth

All U.S. Credit Unions



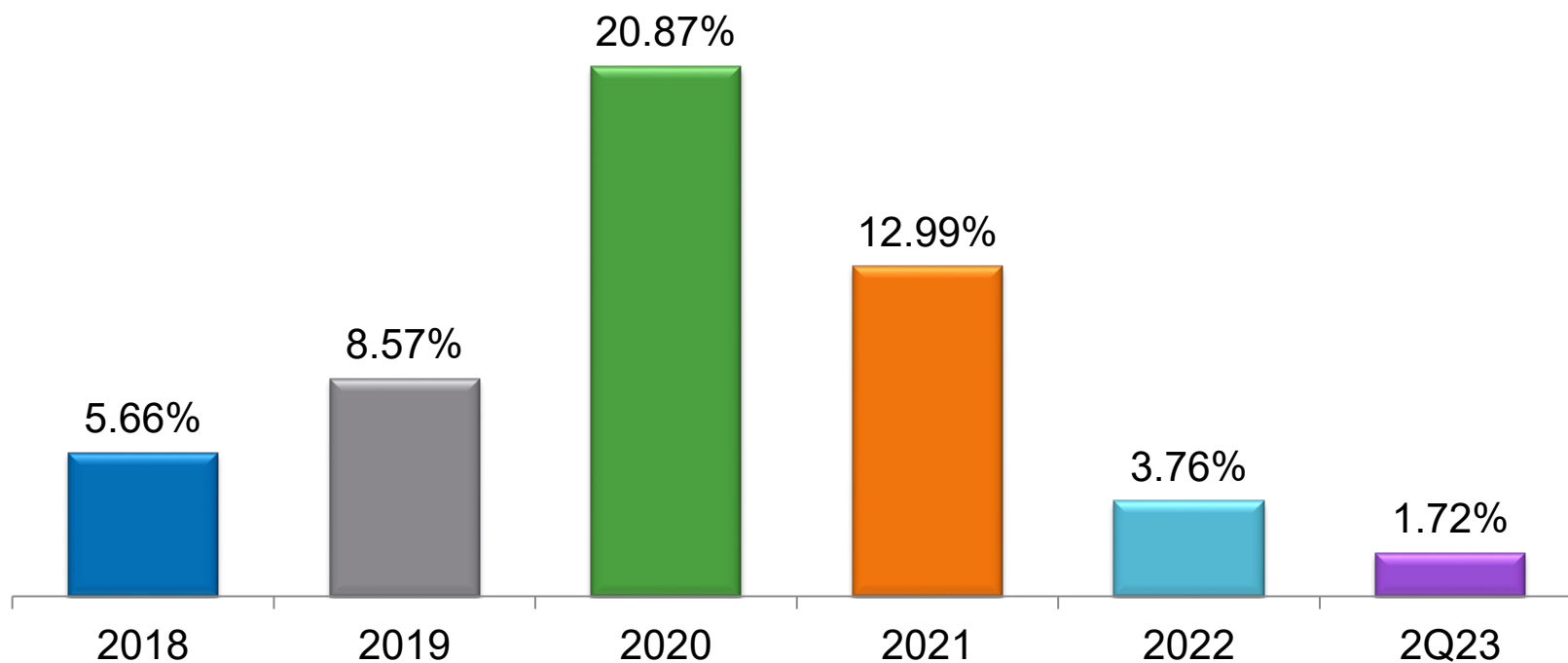
# Membership Growth

Assets	2Q23	2022	2021	2020	2019	2018
10-50m	-0.42	-0.83	-0.96	-1.17	-0.83	-0.25
50-100m	-0.10	0.02	-0.30	-0.75	-0.13	0.45
100-500m	1.98	1.56	1.32	0.72	1.58	2.60
500m-1b	2.88	3.04	2.80	2.10	2.45	3.71
1-10b	5.07	5.52	5.09	4.20	5.05	6.31



# Member Share Growth

All U.S. Credit Unions

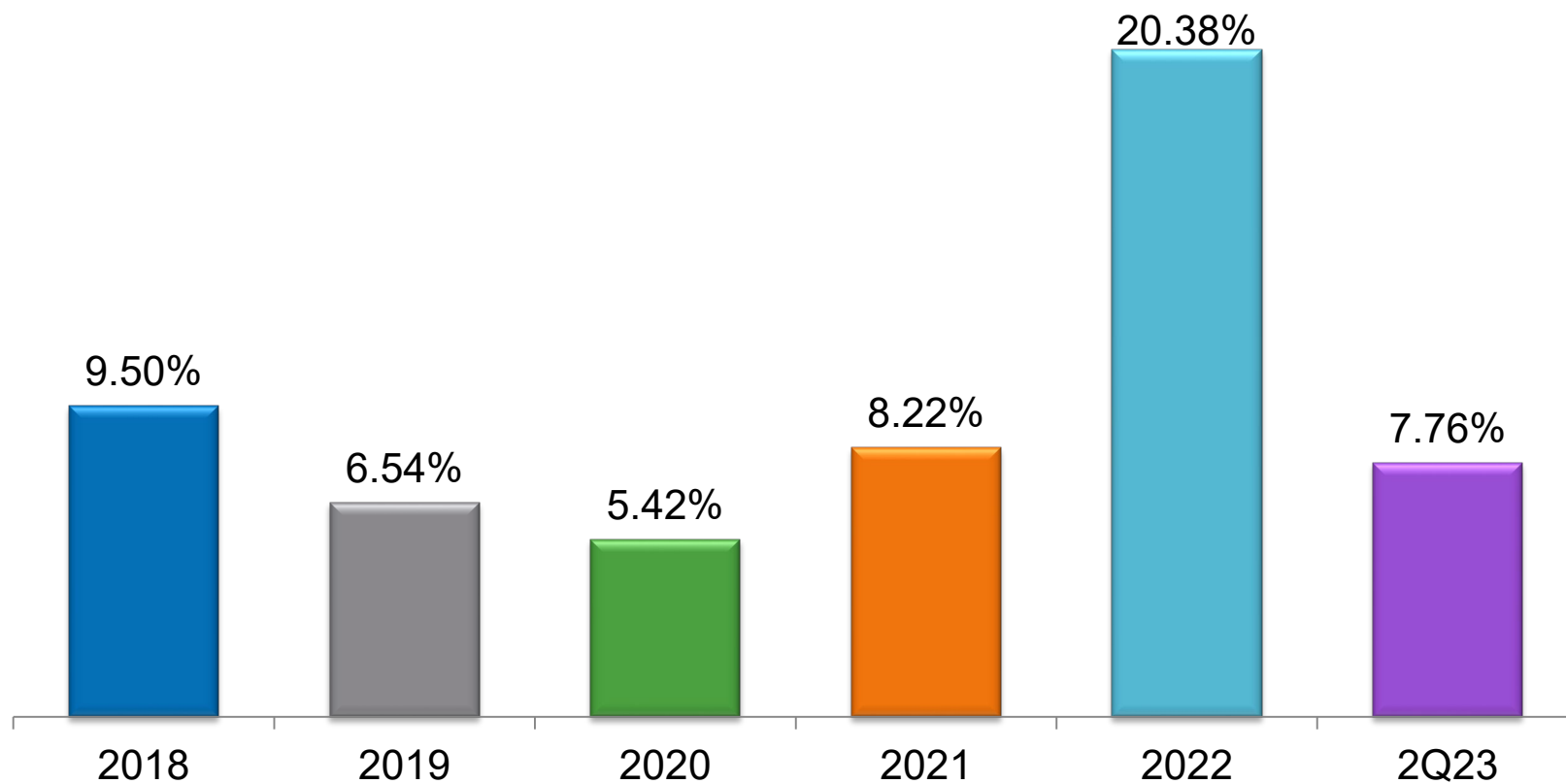


# Member Share Growth

Assets	2Q23	2022	2021	2020	2019	2018
10-50m	-3.20	0.53	9.01	15.72	2.18	0.54
50-100m	-2.05	1.73	10.06	17.11	2.95	1.75
100-500m	0.12	2.79	11.82	18.68	5.41	3.45
500m-1b	1.15	3.64	12.09	19.28	7.61	4.58
1-10b	2.30	4.14	13.35	21.37	9.47	6.64

# Loan Growth

All U.S. Credit Unions



# Polling Question #1

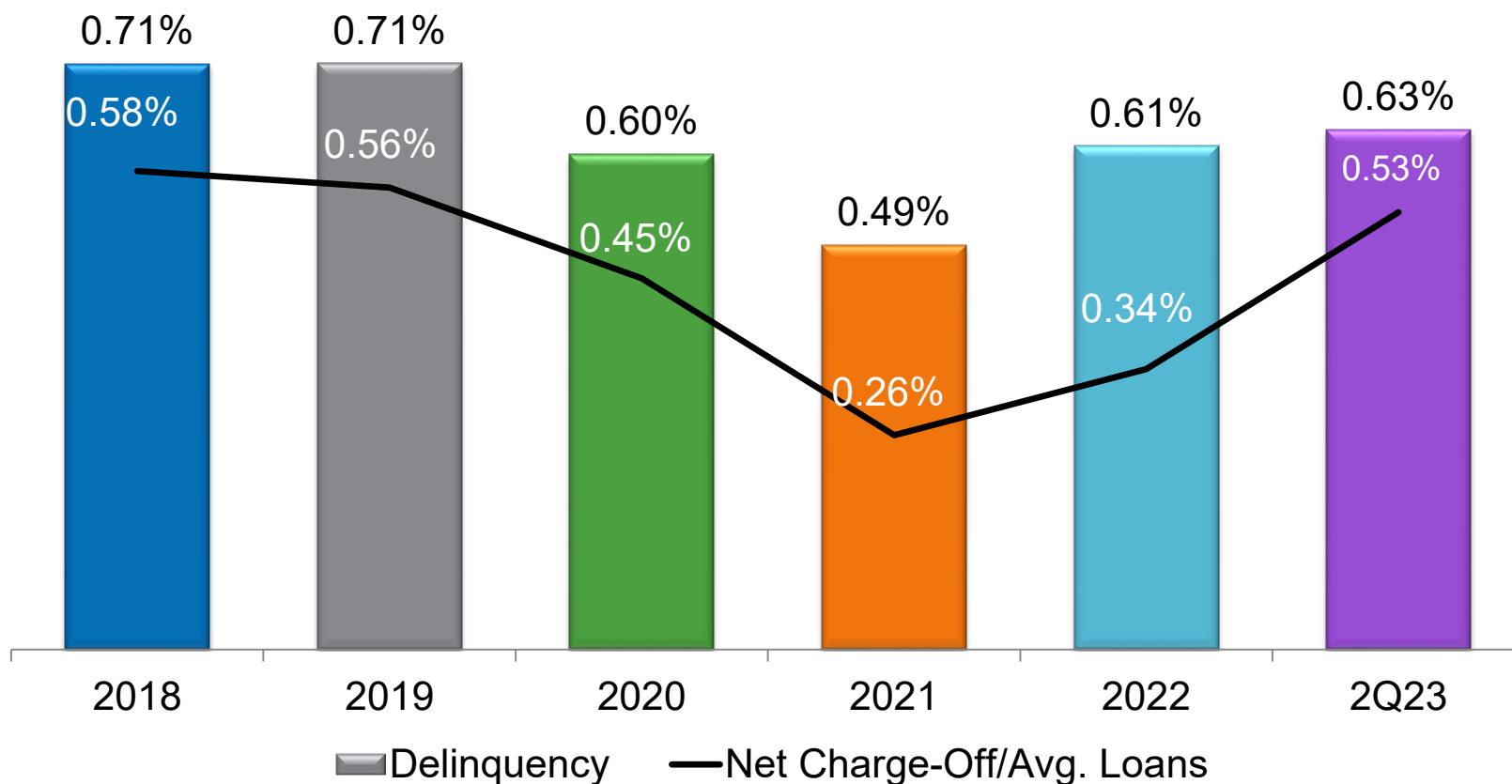
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What is your favorite college football team (and why is it Georgia)?

- a. Texas
- b. Texas A&M
- c. Oklahoma
- d. Oklahoma State
- e. Kansas
- f. Kansas State
- g. LSU
- h. Mizzou
- i. Georgia

# Net Charge-off/Avg. Loans vs. Delinquency

All U.S. Credit Unions

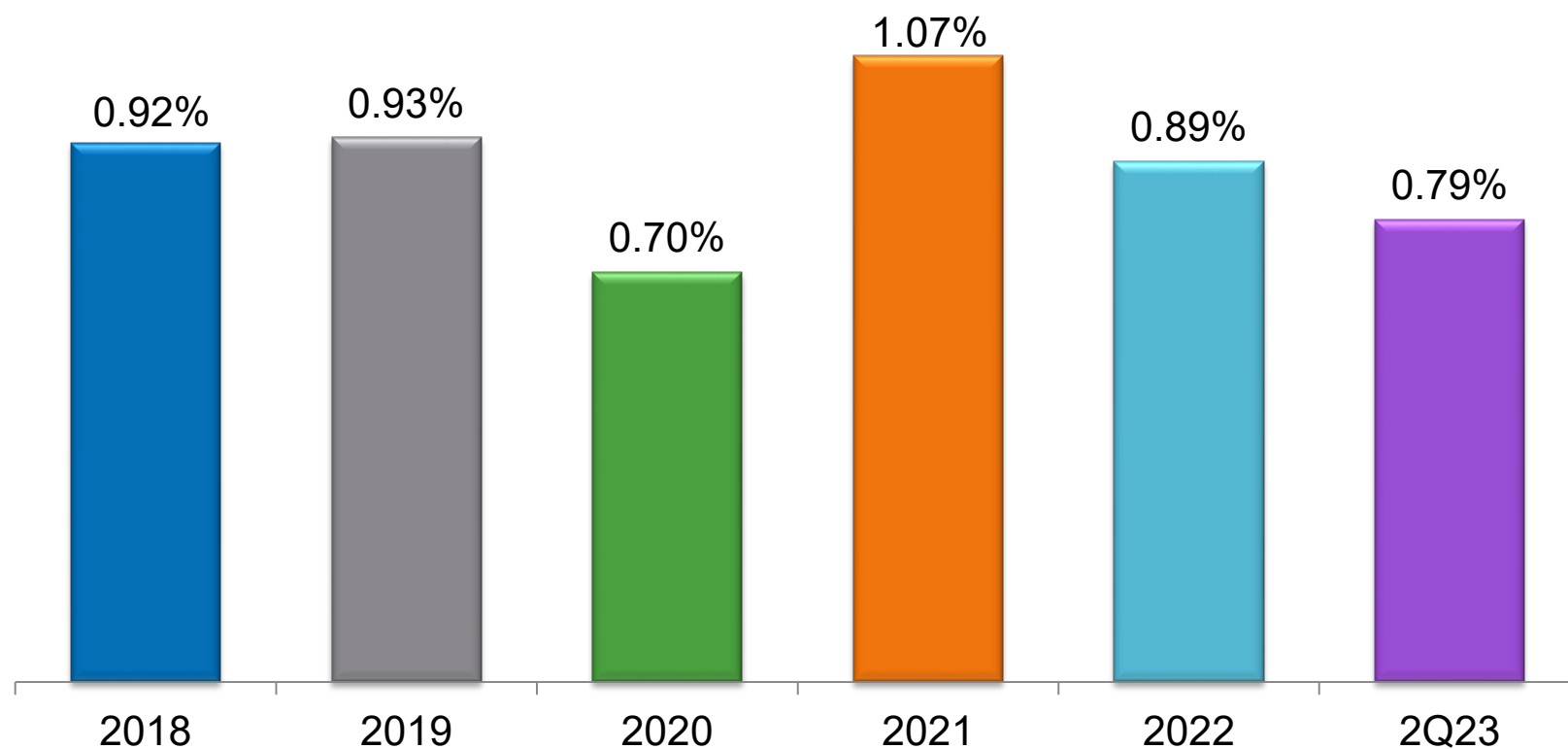


# Delinquency

Assets	2Q23	2022	2021	2020	2019	2018
10-50m	0.85	0.91	0.75	0.95	1.07	1.11
50-100m	0.68	0.69	0.62	0.71	0.84	0.91
100-500m	0.56	0.55	0.47	0.60	0.74	0.83
500m-1b	0.58	0.56	0.43	0.59	0.68	0.68
1-10b	0.51	0.48	0.39	0.49	0.56	0.56

# Return on Assets

## All U.S. Credit Unions



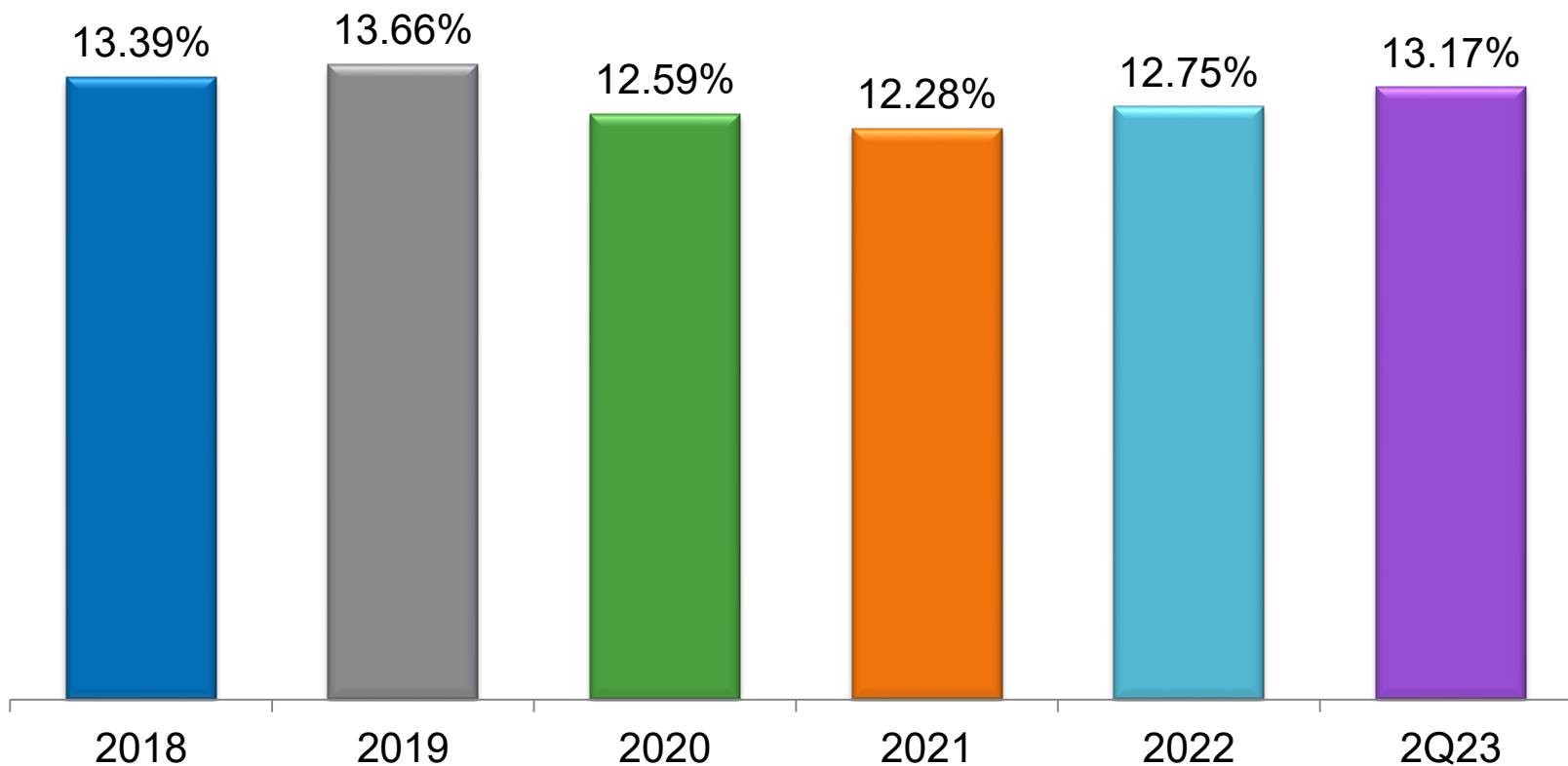
# Return on Assets

Assets	2Q23	2022	2021	2020	2019	2018
10-50m	0.66	0.43	0.45	0.34	0.58	0.51
50-100m	0.80	0.63	0.61	0.46	0.64	0.60
100-500m	0.75	0.73	0.74	0.53	0.74	0.68
500m-1b	0.67	0.82	0.87	0.62	0.81	0.81
1-10b	0.80	0.92	1.08	0.81	0.99	0.99



# Net Worth Ratios

## All U.S. Credit Unions



# Net Worth Ratios (# of Credit Unions)

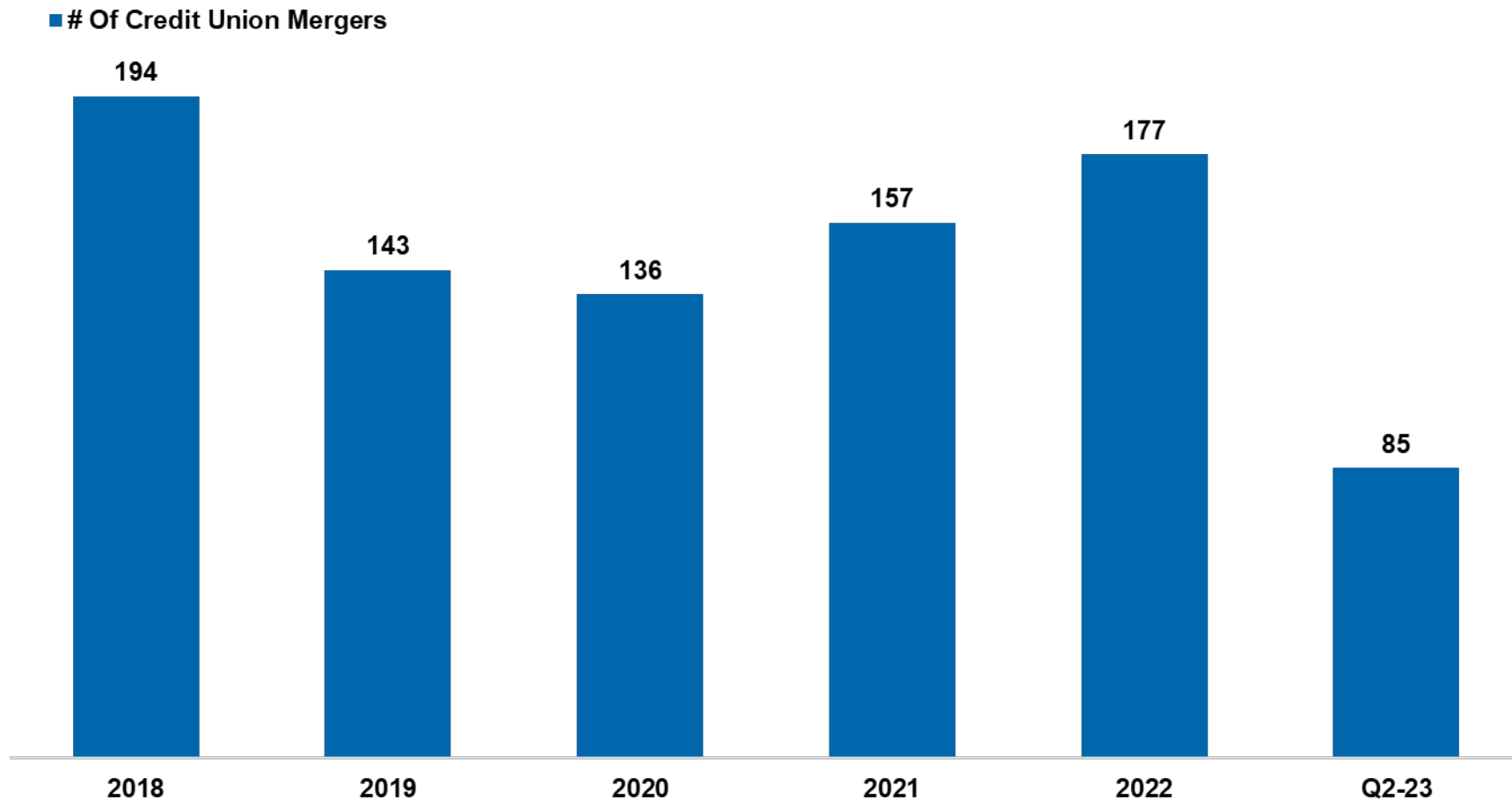
	2018	% of Total	2019	% of Total	2020	% of Total	2021	% of Total	2022	% of Total	2Q 2023	% of Total
<b>7% or above</b>	5,411	98.5	5,271	98.6	5,021	96.4	4,850	95.2	4,711	96.9	4,679	97.7
<b>6% to 6.99%</b>	50	0.9	40	0.7	125	2.4	184	3.6	114	2.3	80	1.7
<b>4% to 5.99%</b>	25	0.5	31	0.6	50	1	53	1.0	33	0.7	24	0.5
<b>2% to 3.99%</b>	3	0.1	4	0.1	8	0.1	5	0.1	3	0.1	3	0.1
<b>0% to 1.99%</b>	1	-	1	-	3	0.1	4	0.1	2	-	1	-
<b>Less than 0%</b>	2	-	2	-	1	-	1	-	-	-	-	-

# Credit Union Forecast

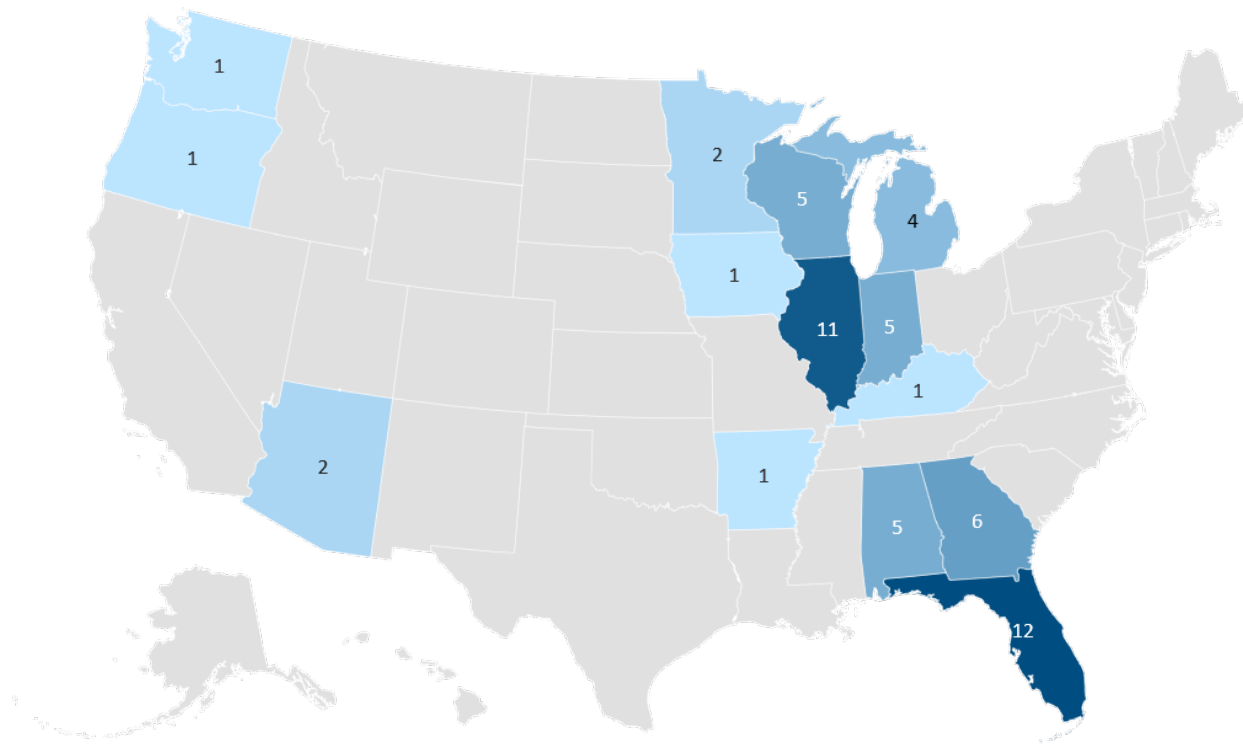
	Past Results		Quarterly results/forecasts				Annual forecasts	
	10 Yr Average	2022	2023 Q1	2023 Q2	2023 Q4	2023 Q4	2023	2024
<b>Growth rates:</b>								
Savings growth	7.7%	3.3%	2.3%	-1.2%	-0.6%	-0.5%	0.0%	3.0%
Loan growth	9.20%	19.10%	1.7%	2.0%	2.0%	1.3%	7.0%	4.0%
Asset growth	7.70%	5.10%	2.0%	0.4%	0.4%	0.2%	3.0%	3.5%
Membership growth	3.55%	4.30%	1.2%	0.6%	0.8%	0.4%	3.0%	2.5%
<b>Liquidity:</b>								
Loan-to-share ratio**	79.5%	81.5%	80.9%	83.7%	85.9%	87.4%	87.4%	88.1%
<b>Asset quality:</b>								
Delinquency rate**	0.66%	0.61%	0.52%	0.70%	0.75%	0.80%	0.80%	1.00%
Net charge-off rate*	0.48%	0.34%	0.52%	0.55%	0.60%	0.65%	0.60%	0.70%
<b>Earnings:</b>								
Return on average assets (ROA)*	0.88%	0.88%	0.81%	0.75%	0.70%	0.65%	0.65%	0.65%
<b>Capital adequacy:</b>								
Net worth ratio**	10.9%	10.7%	10.8%	10.9%	11.1%	11.0%	11.0%	11.2%

\*Quarterly data, annualized. \*\* End of period ratio.

# Credit Union Mergers



# Bank Acquisitions by Credit Unions



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	2018	2019	2020	2021	2022	2023
# Completed	7	10	8	6	12	6
# Announced	0	0	0	1	4	4
<b>Total</b>	<b>7</b>	<b>10</b>	<b>8</b>	<b>7</b>	<b>16</b>	<b>10</b>

# Polling Question #2

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What night of the week is Sunday Night Football aired on NBC?

- a. Thursday
- b. Saturday
- c. Sunday
- d. Monday



# Examiner Hot Topics

# NCUA 2023 Hot Topics

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- The following are supervisory priorities for 2023:
  - Interest Rate Risk
  - Liquidity Risk
  - Credit Risk
  - Fraud Prevention and Detection
  - Cybersecurity
  - Overdraft programs

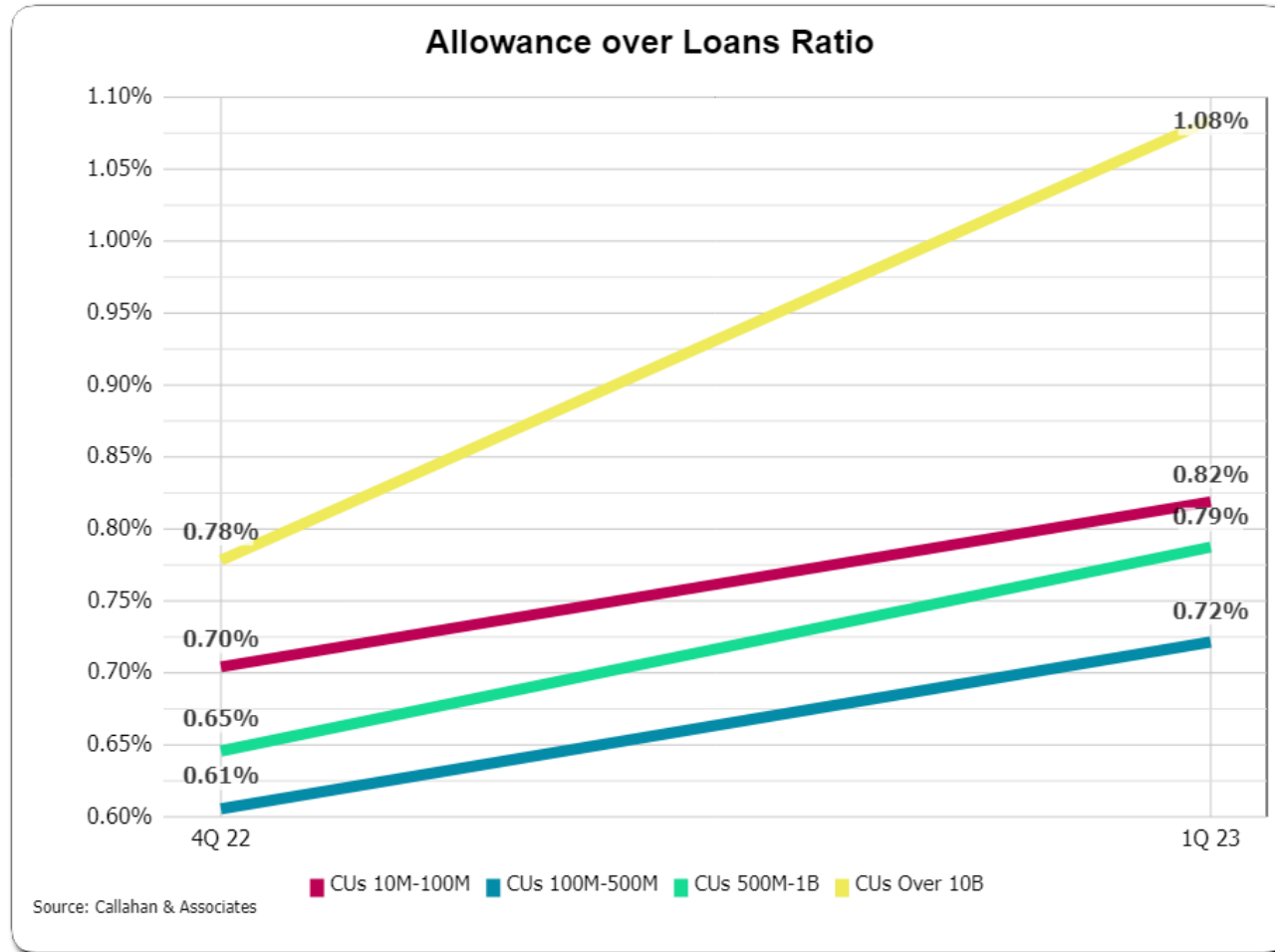


# NCUA 2023 Hot Topics

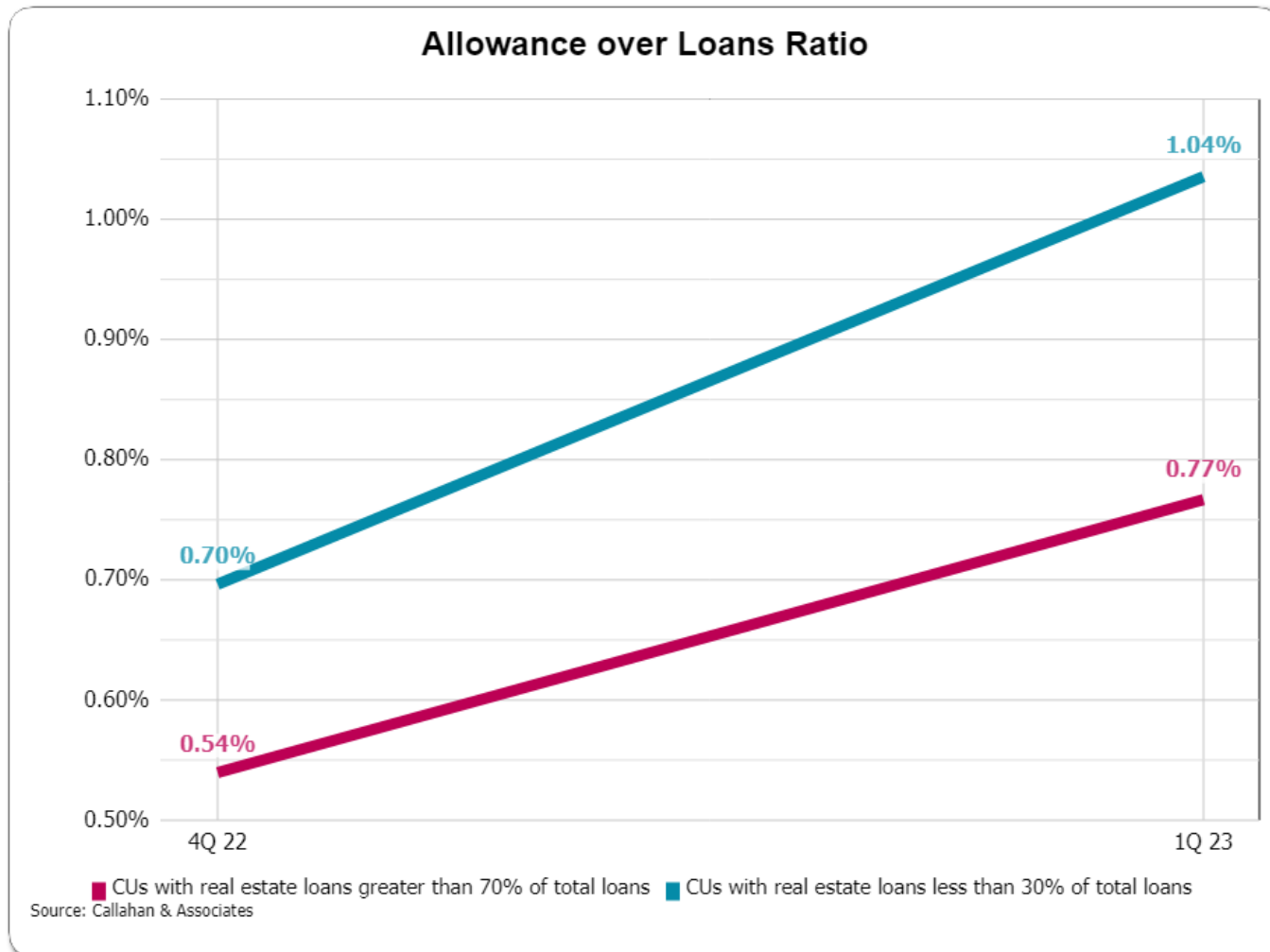
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- The following additional items are areas they will be addressing:
  - Succession Planning
  - Support for Small Credit Union's and MDI's
  - Fair lending, including review of residential real estate appraisals for any bias
  - Truth in Lending Act
  - Fair Credit Reporting Act
  - One item that is not mentioned – but should be – BSA

# CECL Implementation



# CECL Implementation



# Polling Question #3

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Who will win the 2023 World Series?

- a. Texas Rangers
- b. Arizona Diamondbacks



# Compliance Focus

# CFPB Rulemaking Agenda

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- Overdraft fees – Pre-rule stage
- Fair Credit Reporting Act – Pre-rule stage
- Fees for insufficient funds – Pre-rule stage
- Personal financial data rights – Proposed rule issued stage
- Credit card penalty fees – Proposed rule issued stage
- Reg B small business lending data collection – final rule stage

# GAC Remarks from Todd Harper on Compliance

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- Reiterates the need for equal compliance testing of banks and credit unions
- Stated that currently credit union members have less protection than bank customers
- Creating a consumer compliance specialist in the field
- Building enhanced consumer compliance exam programs
- Reviewing websites for compliance, including ODP
- Credit unions > \$500M will be examined for authorize positive, settle negative overdraft features, and other “problematic fees”

# Polling Question #4

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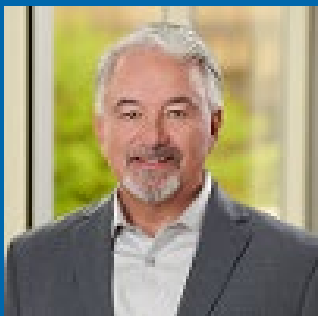
Who do you think will win the 2024 Stanley Cup?

- a. Vegas Golden Knights
- b. Detroit Red Wings
- c. Carolina Hurricanes
- d. Toronto Maple Leafs
- e. Dallas Stars
- f. Edmonton Oilers

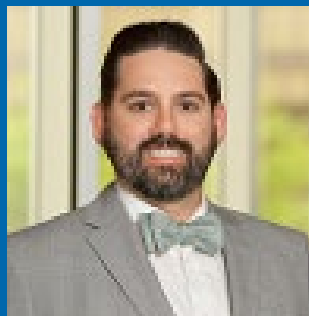




# Questions



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**Thank You!**