

How Do Return on Assets Leaders' Strategic Choices Differ?



ROA for the Credit Union System slipped

23
BASIS POINTS

Between 2019-2020, the lowest mark since 2011.



40%
of 2018-2020 ROA Growth Leaders
ARE PLANNING TO IMPLEMENT END TO END DIGITAL ACCOUNT OPENING IN 2020

Top Performers Choices for 2022

- 1** Top performers in terms of 2020 ROA performance were **significantly less likely to have plans to merge by 2022** compared to credit unions whose 2020 ROA fell in the lowest one-third of all credit unions.

Mergers and Aquisitions	ROA Growth 2018-2020		2020 ROA	
	Negative	Positive	Bottom 1/3 of CUs	Top 1/3 of CUs
Merged pre-pandemic or during pandemic	20%	38%	25%	31%
Plan to expand into new counties / states by 2022	15%	15%	23%	7%

- 2** Top performers whose ROA improved between 2018 and 2020 were **significantly more likely to expect call centers to be a Top 3 distribution channel in 2022**.

TOP 3 DISTRIBUTION CHANNELS IN 2022 (Pct. of respondents assigning 1,2,3 rank)	ROA Growth 2018-2020		2020 ROA	
	Negative	Positive	Bottom 1/3 of CUs	Top 1/3 of CUs
Branches	52%	48%	53%	46%
Call Center	45%	68%	46%	57%
Online via a Computer	42%	23%	51%	30%

- 3** In 2022, top performers whose ROA improved between 2018 and 2020 are **significantly more likely to expect debit card interchange income and unsecured personal loans to be Top 3 revenue drivers**. Top performers in terms of 2020 ROA were also more likely to expect debit card interchange income to be a Top 3 revenue driver in 2022.

EXPECTED TOP 3 REVENUE DRIVERS IN 2022 (Pct. of respondents assigning 1,2,3 rank)	ROA Growth 2018-2020		2020 ROA	
	Negative	Positive	Bottom 1/3 of CUs	Top 1/3 of CUs
Used vehicle loans	51%	48%	48%	57%
Debit card interchange income	27%	48%	25%	43%
Home equity / HELOC	19%	5%	23%	10%
Investment Income	14%	5%	13%	3%
Unsecured personal loans	4%	10%	7%	8%

- 4** Top performers in terms of ROA growth were more likely to have adopted digital personal, auto and mortgage loans in the pre-pandemic era. Top performers in terms of 2020 ROA were more likely to have adopted digital mortgage loans, advanced data & analytics and APIs. **So many other credit unions are planning to acquire these capabilities in 2022 that they will approach top performers' level of adoption of these technologies.**

DIGITAL CAPABILITIES ACQUIRED PRIOR TO THE PANDEMIC (Pct. of respondents assigning 1,2,3 rank)	ROA Growth 2018-2020		2020 ROA	
	Negative	Positive	Bottom 1/3 of CUs	Top 1/3 of CUs
Digital Personal Loans	25%	40%	34%	31%
Digital Auto Loans	24%	43%	31%	36%
Digital Mortgage Loans	22%	43%	23%	41%
Advanced data and analytics	29%	33%	21%	39%
APIs to facilitate vendor relationships & partnering	48%	55%	41%	59%
Robotic process automation (RPA)	14%	8%	8%	16%

- 5** Top performers whose ROA improved between 2018 and 2020 were more likely to cite **"organizational culture" and "strong community presence" as top differentiators, but less likely to cite member service**. 2020 ROA leaders were more likely to say "easy to do business" is a Top 3 source of competitive advantage.

TOP 3 SOURCES OF COMPETITIVE ADVANTAGE (Pct. of respondents assigning 1,2,3 rank)	ROA Growth 2018-2020		2020 ROA	
	Negative	Positive	Bottom 1/3 of CUs	Top 1/3 of CUs
Member service with a personal touch	48%	18%	39%	34%
Ability of serve members in the channel of their choice	36%	30%	43%	33%
Organizational culture	27%	45%	30%	38%
Strong community presence	27%	43%	31%	30%
Easy to do business with	16%	18%	10%	23%
Low fees	17%	5%	20%	7%

*ROA growth leaders are defined falling in the top 1/3 of credit unions with total assets > \$250M in terms of their 2020 ROA growth rate.

Note: Significant differences at a 90% level of confidence identified with **blue / red** font.



P.O. Box 391 | 5910 Mineral Point Road | Madison, WI 53701-0391 | cunamutual.com

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Report Sources: 2021 CUNA Mutual Group internal data