Credit Union Industry update: Navigating 2026

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Agenda

- Industry update
  - Industry trends and profitability
  - Challenges brought on in 2025
  - Trends in mergers

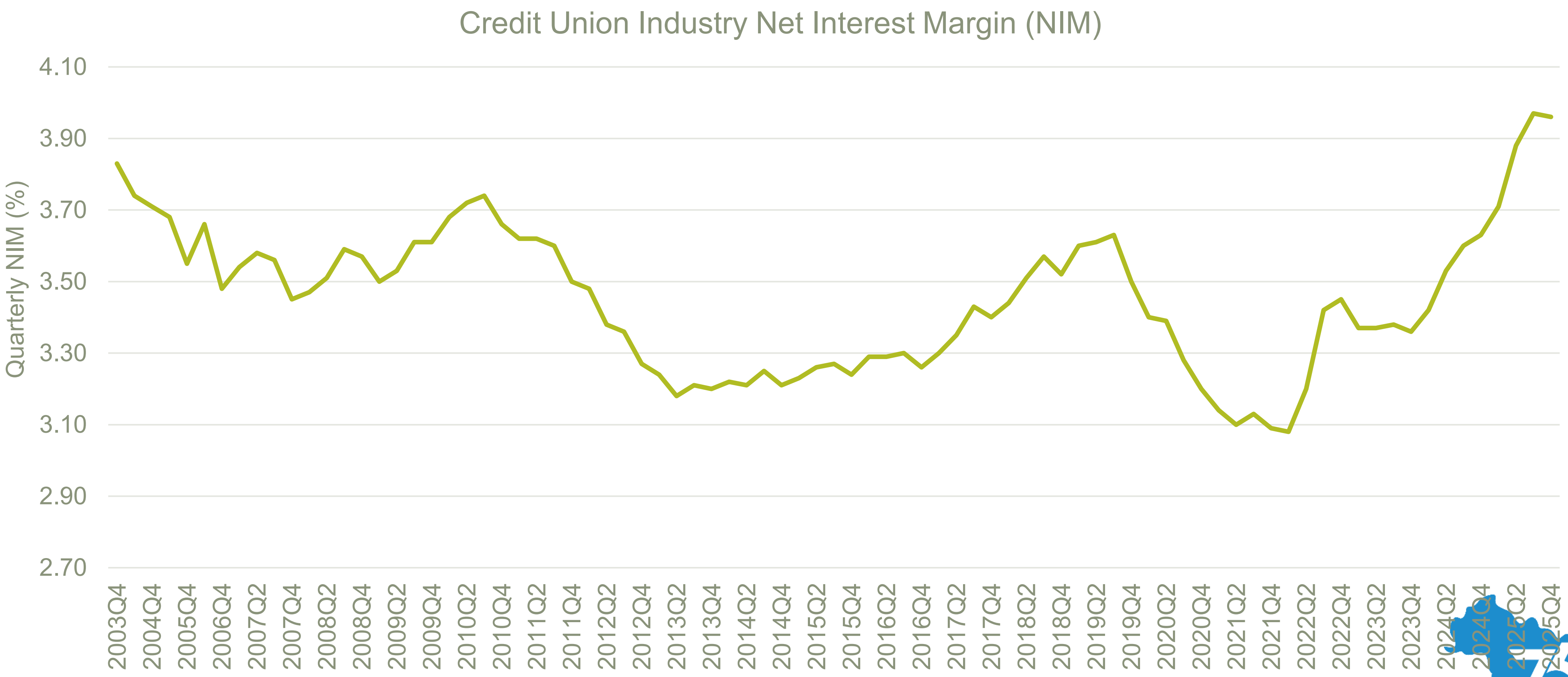
- Regulatory & governance
  - Corporate governance
    - Capital planning
    - Liquidity
  - Regulatory themes

Industry Update

Strong Earnings and NIM Expansion in 2025

Quarter Ended	Credit Unions			Commercial Banks		
Millions of $	Mar 31, 26	Dec 31, 25	Mar 31, 25	Mar 31, 26	Dec 31, 25	Mar 31, 25
Profitability Ratios						
Return on Assets (ROA)	0.83	0.73	0.67	1.38	1.39	1.19
Return on Equity (ROE)	8.03	7.06	6.94	11.77	11.99	10.64
Net Interest Margin	3.96	3.96	3.71	3.86	3.88	3.61
Earnings						
Net Interest Income	$21,370	$21,169	$19,072	$38,094	$37,962	$33,331
Operating Revenue	$27,809	$28,131	$25,264	$49,017	$49,261	$43,285
Net Income	$5,153	$4,435	$3,969	$14,434	$14,391	$11,661

NIMs Hit Highest Level in over 20 Years



Capital Accretion, Consumer Lending Slowdown

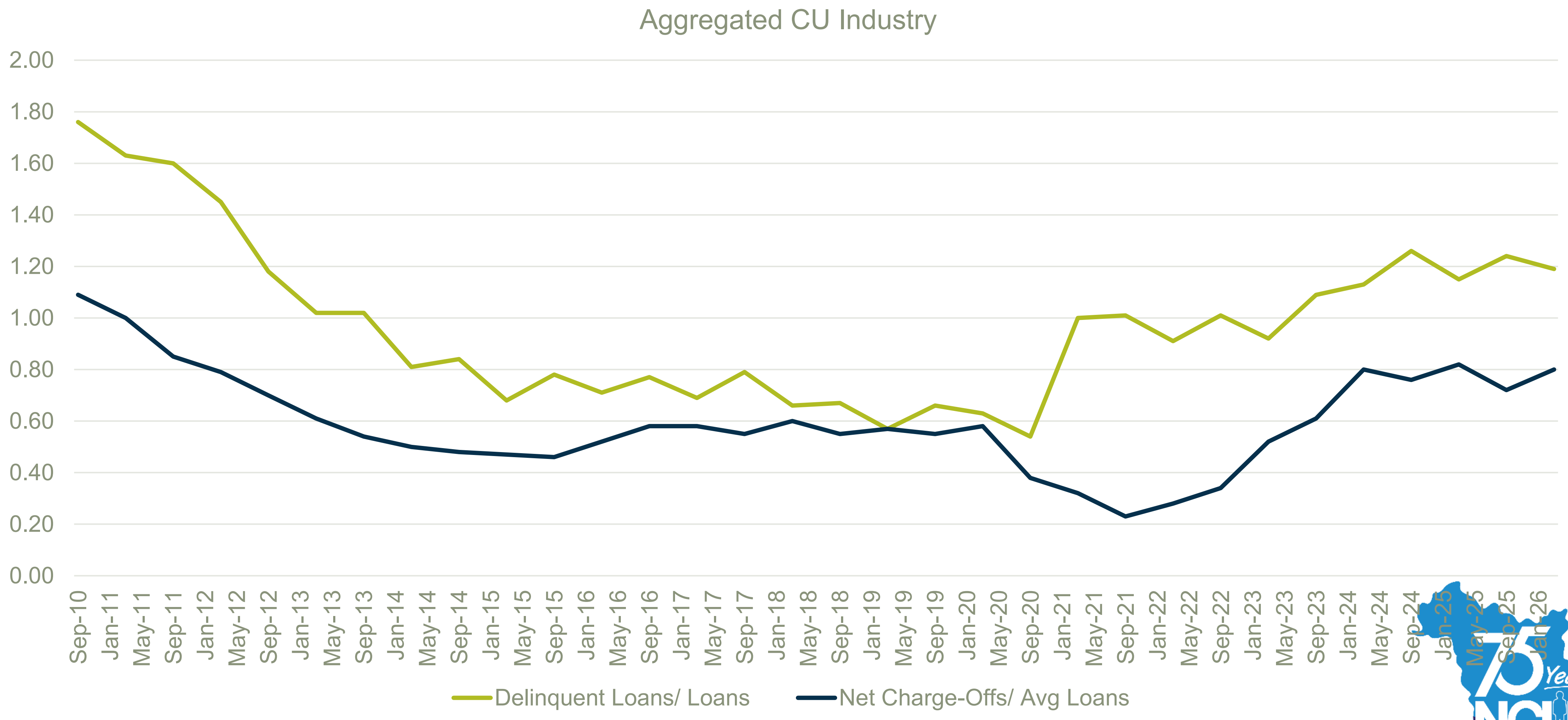
Quarter Ended	Credit Unions			Commercial Banks		
Millions of $	Mar 31, 26	Dec 31, 25	Mar 31, 25	Mar 31, 26	Dec 31, 25	Mar 31, 25
Balance Sheet						
Total Assets	$2,507,683	$2,456,417	$2,388,438	$4,242,995	$4,166,722	$3,923,569
Total Loans & Leases	$1,744,967	$1,736,443	$1,664,908	$2,929,580	$2,875,115	$2,673,021
Total Deposits	$2,143,374	$2,087,896	$2,038,998	$3,500,754	$3,441,639	$3,239,606
Total Loans/ Assets	69.58	70.69	69.71	69.08	69.04	68.11
Total Loans/ Deposits	81.41	83.17	81.65	83.62	83.47	82.43
Tangible Equity Ratio	9.97	10.05	9.46	10.20	10.20	9.92
Net Worth/ Assets	11.26	11.28	11.07	N/A	N/A	N/A
Asset Growth Rate	8.35	5.99	10.03	7.32	7.18	5.39
Loan Growth Rate	1.96	4.39	1.81	7.58	7.77	4.63
Deposit Growth Rate	10.63	6.77	11.50	6.87	7.88	6.34
Other						
Cost of Funds	1.92	2.04	2.05	1.98	2.12	2.24
Yield on Earning Assets	5.91	6.02	5.80	5.74	5.89	5.75
Uninsured Dep/ Total Dep	10.01	9.88	9.24	34.25	34.27	33.63
Efficiency Ratio	69.89	69.96	71.40	55.07	54.57	56.57
Noninterest Expense Ratio	3.13	3.23	3.06	2.69	2.69	2.58
Noninterest Income Ratio	1.04	1.14	1.05	1.08	1.12	1.04

Asset Quality

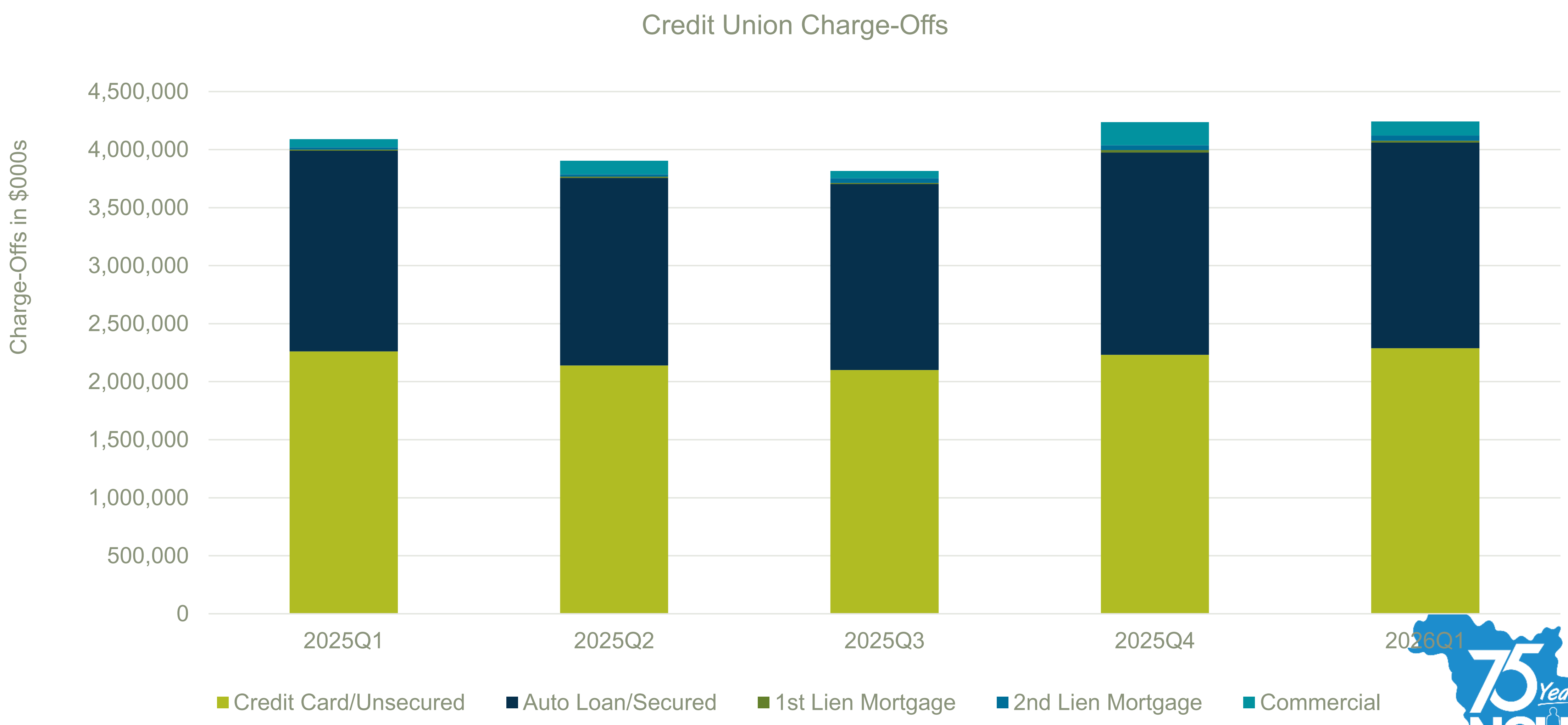
Quarter Ended	Credit Unions			Commercial Banks		
Millions of $	Mar 31, 26	Dec 31, 25	Mar 31, 25	Mar 31, 26	Dec 31, 25	Mar 31, 25
Asset Quality						
Total Delinquent Loans	$14,708	$17,748	$13,266	$24,527	$23,539	$21,747
Net Charge-Offs/ Avg Loans	0.80	0.82	0.82	0.39	0.45	0.37
Delinquent Loans/ Loans	0.84	1.02	0.80	0.84	0.82	0.81
PLL/ Avg Assets	0.52	0.66	0.56	0.25	0.30	0.30
Reserves/ Gross Loans	1.32	1.34	1.31	1.44	1.46	1.48

- "The overall delinquency rate and rolling 12-month loss rate within federally insured credit union loan portfolios is at its highest point in over a decade."
  - NCUA 2026 Supervisory Priorities

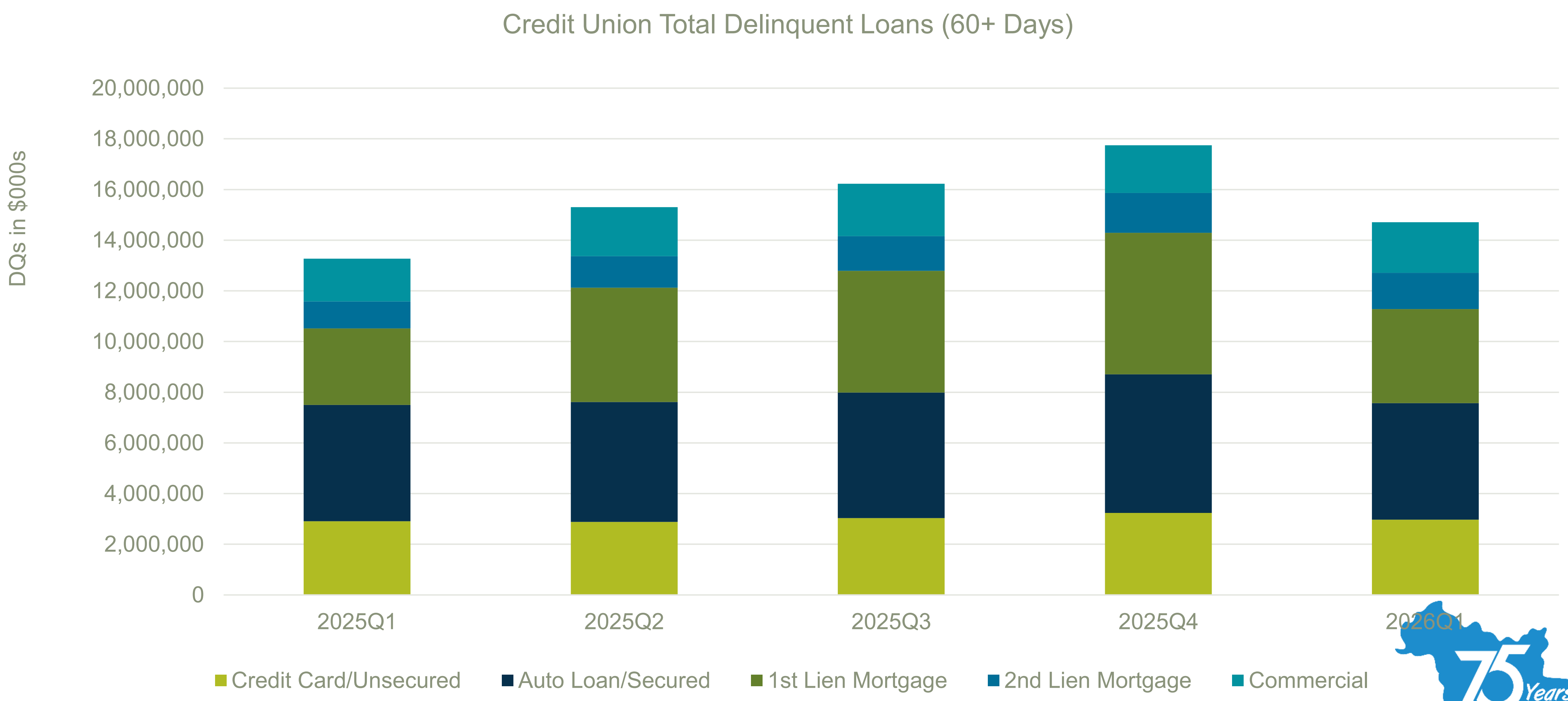
Delinquent Loans & Charge Offs



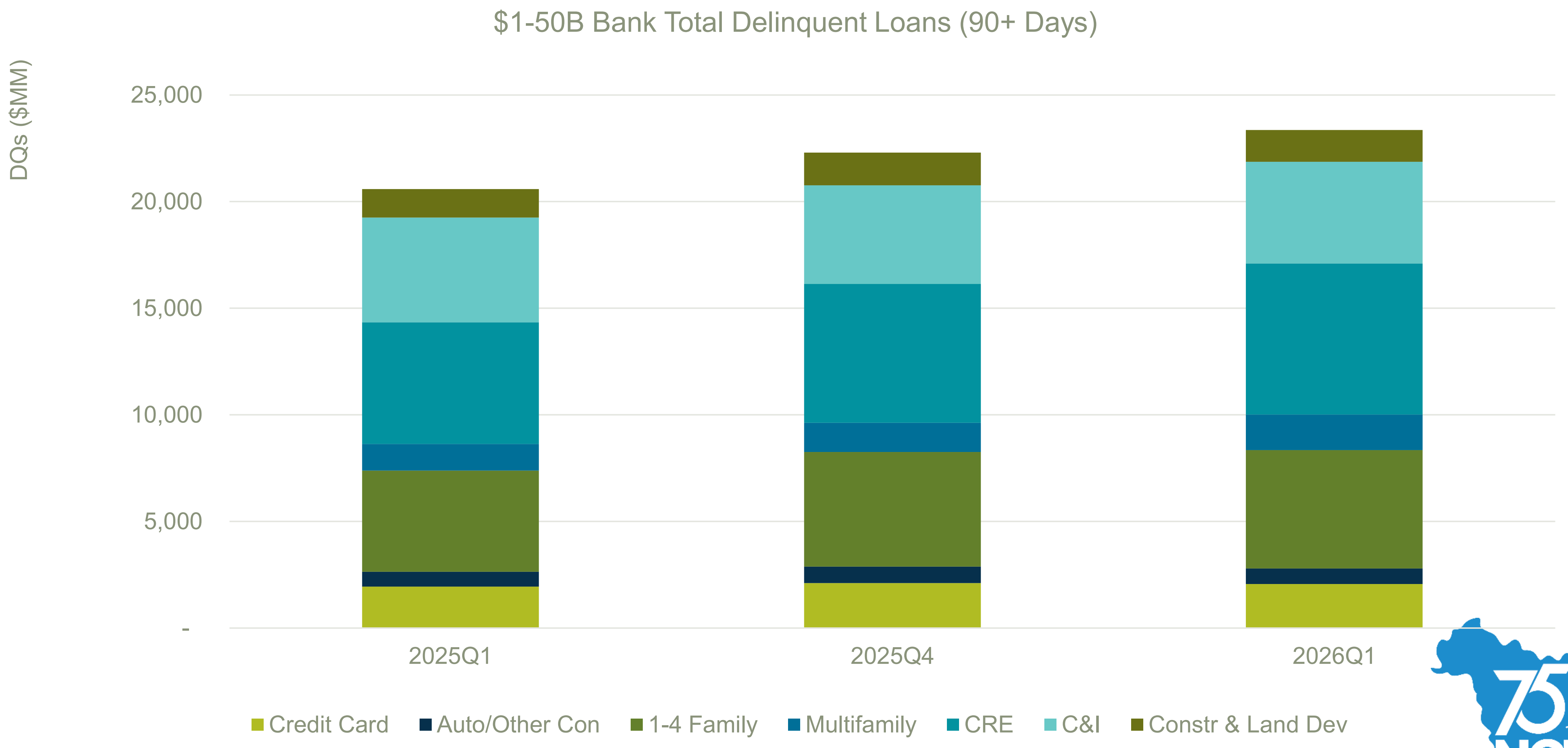
Charge-Offs Have Been Almost Exclusively Consumer



Rise in DQs is Broad-Based

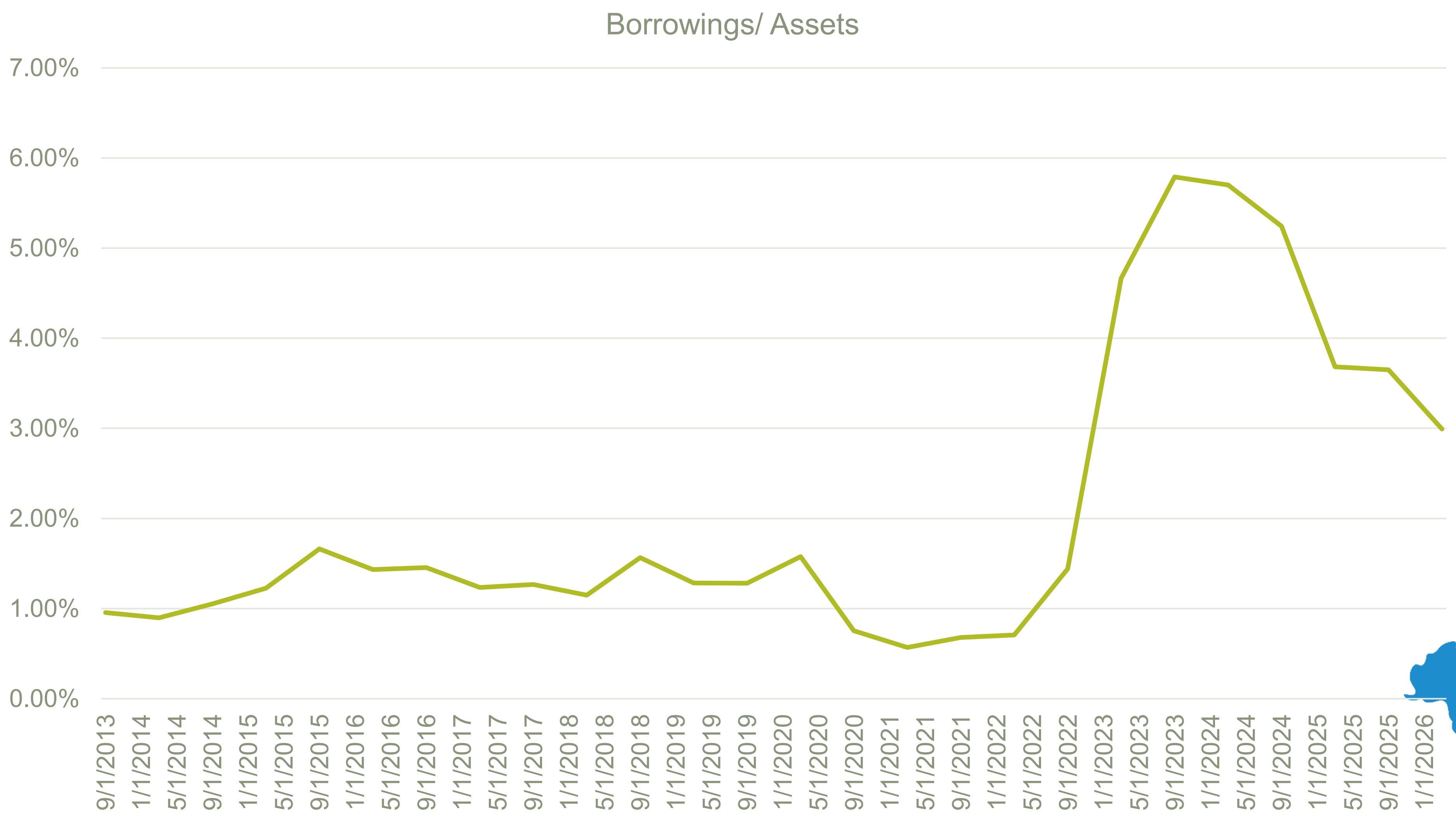


Bank DQ Increase is CRE and Mortgage-Driven

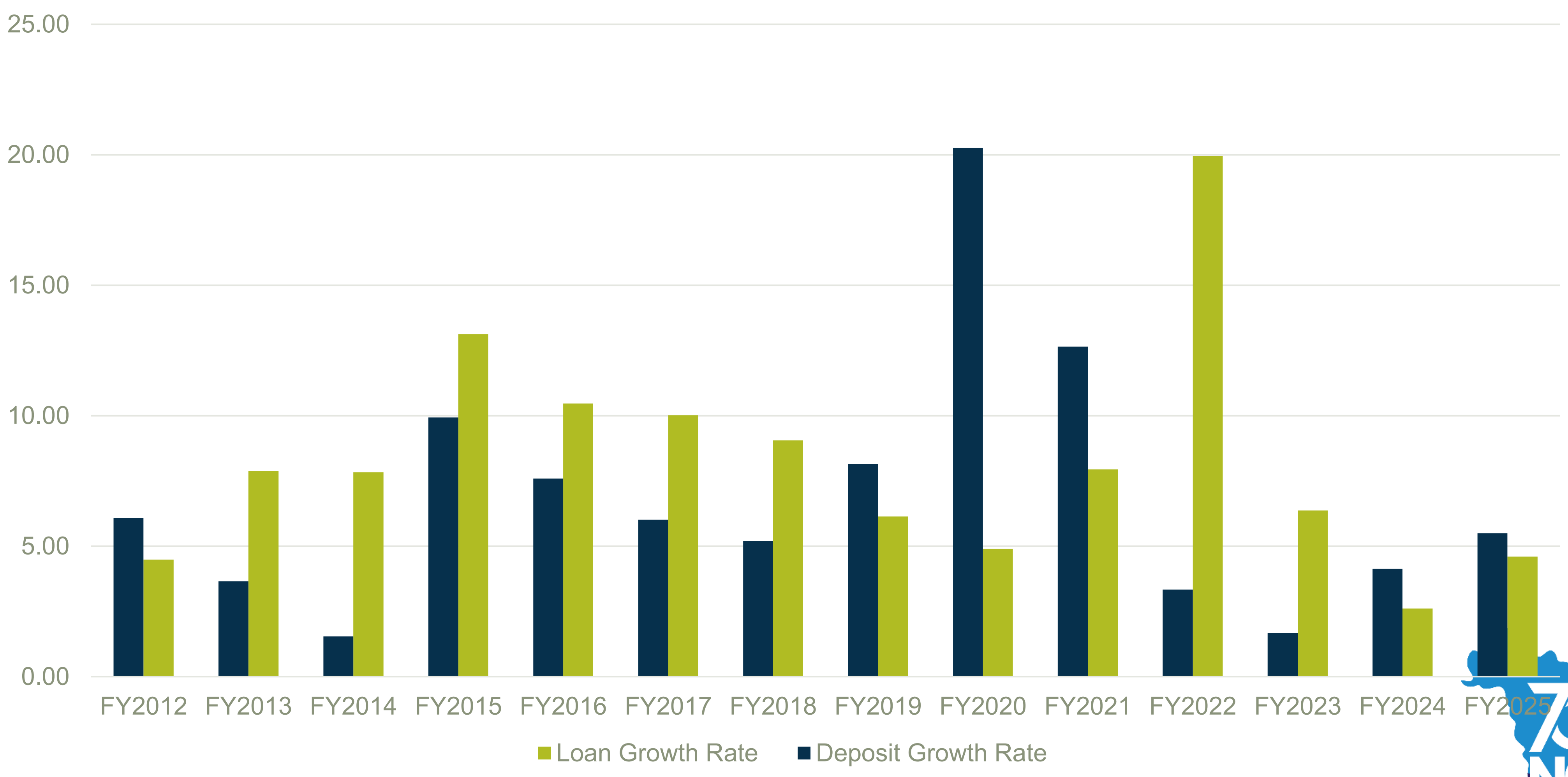


Deposits & Funding

Borrowing/Assets Are Rapidly Normalizing for the Industry



Loan & Deposit Growth Rates (Funding Gap)



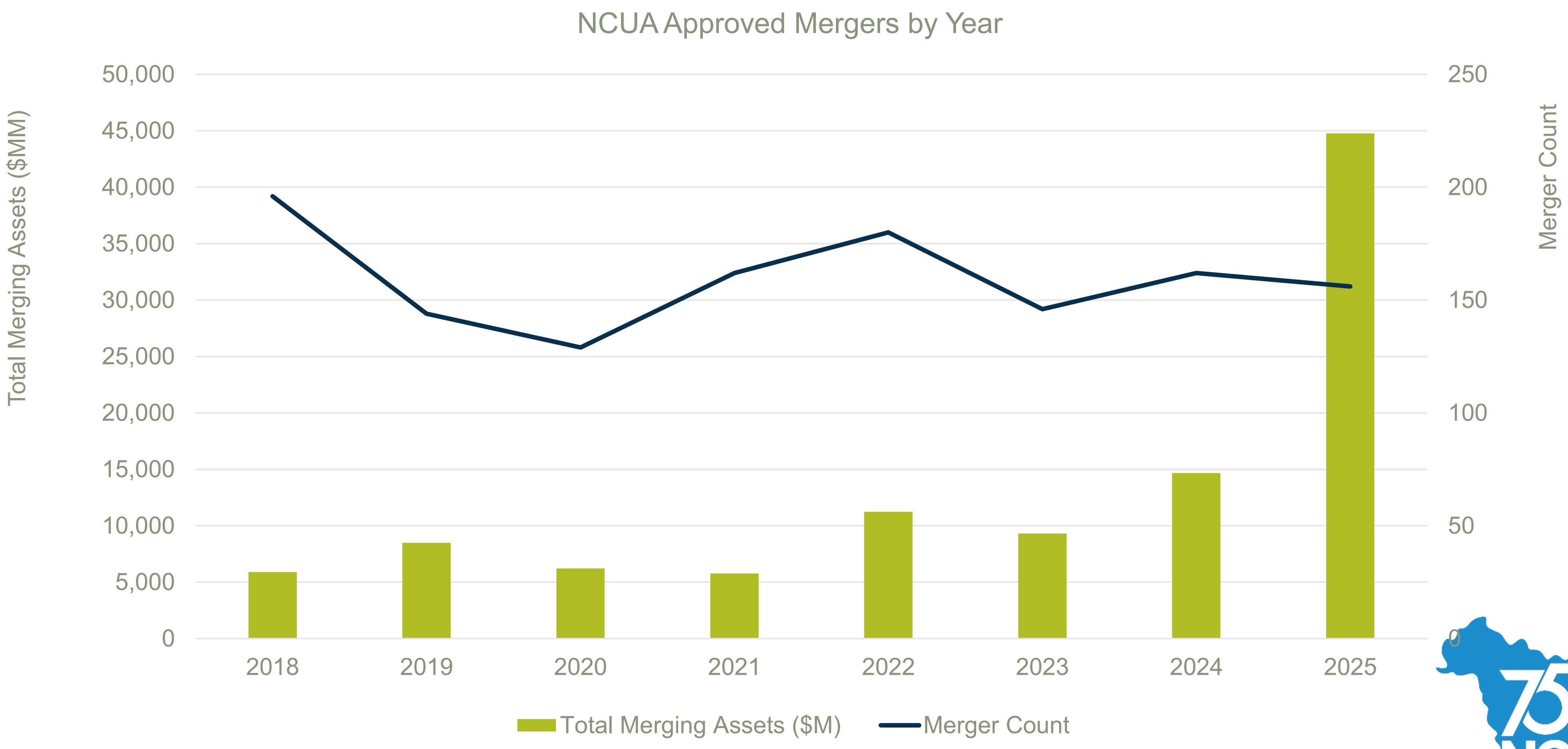
Trends in Mergers

2025: The Year of the Mega Deal

Metric	Banks 2025	Credit Unions 2025
Total deal count vs. prior year	Up 44% (180 deals)	Down ~4% (156 deals)
Megadeals (target assets ≥ $9B)	7	3
Largest target	Comerica ($77B assets)	First Technology ($17B assets)

- Mega deal consolidation was a 2025 phenomenon across both credit unions and banks

NCUA Approved Mergers by Year



What Lies Ahead For Bank Mergers

- As per JPMorgan, pertaining to 2025 and beyond:
  - **Fragmentation**: structural force driving consolidation. Over 4,000 banks with roughly 700 publicly traded
  - **Regulatory tailwind**: the current administration provides "as good of a window as we have seen in a very long time"
  - **Test-kitchen effect**: recent large deals have demonstrated positive investor reception, paving the way for a continued mega merger trend

The Credit Union Spin

- About 20-30% of merger count (10% of merging assets) are distressed
  - The distressed share has trended up over the 8-year window
  - This is driven by operation/governance failures (poor management, inability find board officials) rather than financial distress

- Unlike banks, CU mergers require a member vote at the disappearing CU
  - Member opposition can have real teeth

- Charter “arbitrage” is a unique and big part of the merger math
  - UNIFY/CommunityAmerica: smaller charter survived to unlock nationwide FOM
  - Ent/Wings: larger charter survived, but smaller brand kept for member identity
  - NCUA's merger record often differs from what members experience

- The 2025 megadeals all passed member votes
  - Preserving brands, branches, and leadership
  - This may serve as the template

What is Your Merger Defense?

- "Merger readiness is increasingly integral to enterprise governance, strategic planning, and institutional resilience, while regulatory proposals signal a more amicable attitude toward tactical mergers"

- Merger defense is about pursuing one **thoughtfully** or know how to **hold the line when one would erode member value**

- Have a stance
  - Articulate your mission before you need to defend it
  - Define your "organic crossover" test (e.g., geography, SEG/charter arb, member demo, product gaps)
  - Decide your role in the consolidation wave
  - Invest in succession planning before it becomes a merger trigger
  - Remove "acquisition" and "hostile" from the vernacular – the cooperative principle is the brand

Regulatory & Governance

What is Corporate Governance?

Corporate governance is the system of rules, practices, and processes that drive the direction and control of a firm.

Regulation Quick Reference

- Liquidity standards
  - Part 741.12
    - Liquidity and contingency funding plans
    - https://www.ecfr.gov/current/title-12/chapter-VII/subchapter-A/part-741/subpart-A/section-741.12
  - SR letter 10-6 (interagency)
    - https://www.federalreserve.gov/boarddocs/srletters/2010/sr1006.htm
  - NCUA adopted SR 10-6 in 10-CU-14

- NCUA capital standards
  - Part 702—Capital Adequacy
  - NCUA capital planning and stress testing (CPST)
    - Part 702 Subpart C
    - Applies to credit unions >$10B in assets
    - https://www.ecfr.gov/current/title-12/chapter-VII/subchapter-A/part-702/subpart-C

Liquidity risk management and CFP

Tier	Key Requirement
< $50MM in Assets	basic written liquidity policy + list of contingent liquidity sources
≥ $50MM in Assets	+ formal written CFP meeting the six elements in §741.12(d)
≥ $250MM in Assets	+ documented access to a contingent federal liquidity source (CLF membership, CLF agent membership, or Federal Reserve Discount Window), with advance planning and periodic testing

- Notice FHLB is conspicuously missing in “documented access”
- CLF/Fed are the lender of last (LOLR) resort by design
- Post-SVB 2023 guidance reinforces this point: contingency lines very much can become unavailable (23-CU-06)
- Exams may highlight you have CLF/Fed access **on paper** but have not pre-positioned collateral, no operational tests completed, or legal docs executed

Capital (Shock Absorber)

WHEN UNCERTAINTY INCREASES, CAPITAL BECOMES THE PRIMARY RESILIENCE MECHANISM.

CAPITAL PLANNING MUST BE INTEGRATED WITH STRATEGY, NOT COMPLIANCE.

NCUA Capital Planning and Stress Testing (CPST)

Tier	Credit Union	Key Requirement
I	$10-15 Billion in total assets.	Annual capital plan + policy (held internally)
II	$15 billion or more in total assets but less than $20 billion in total assets, or is otherwise designated as a tier II credit union by NCUA.	+ Supervisory stress test (NCUA scenarios)
III	$20 billion or more in total assets, or is otherwise designated as a tier III credit union by NCUA.	+ Plan submission, formal NCUA acceptance, 5% capital floor

- NCUA Part 702 Subpart C
- Rigor scales with complexity not asset size

Capital Policy Requirement (702.303)

- Goals and limits for capital levels and risk exposure
- Reporting requirements of capital levels and breach contingency plans
- Stated governance over the capital analysis process
- Specify roles and responsibilities over capital analysis, including over external resources used
- Specify internal controls, including internal audit and change control
- Frequency of analysis
- How results are used and by whom
- Annual review and update

Three Takeaways

Risk-focused supervision means exams will become more targeted.

"Doing more with less" shifts responsibility toward credit unions.

Resilience depends on capital, liquidity, and governance discipline.

The Strategic Question

If an exam began tomorrow, would your capital and liquidity framework demonstrate resilience?

Or would it require explanation?

Opportunities and Risks for 2026

Margin Relief

- Substantial margin relief has occurred over the last 1-2 years
- Depending on your balance sheet, this trend may have played out

Selective Lending

- Auto and credit card lending has tightened substantially and continues to show flat to no growth
- Asset pricing discipline is a must

Fee Income and Operations

- Overhead expenses have continued higher and are pressuring profitability
- Fee income has been flat but other operating income (loan sales) has increased, which helps offset

Consumer Credit Vulnerability

- Delinquencies are at or above crisis-era levels
- Labor market softening could accelerate losses materially
- Develop and understand your plan for capital

Code: GEN002

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