

# Total Rewards Symposium 2024



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# A Changing Landscape: The Impact of Scale

*A 40-year retrospective on merger activity  
in the credit union industry*



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**BEST BOOK**

All Things Stephen King

**BEST POD**

Bloomberg Odd Lots

**BEST BINGE**

All Things Star Wars

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BBA, Management

**SHRM**

Senior Professional in Human Resources Designation

**Licenses**

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# Growth Methods

Existing Members

New Members

Mergers



What significant event changed  
the course of history in 1985?



1985

80 Credit Unions > \$100M in assets

Today

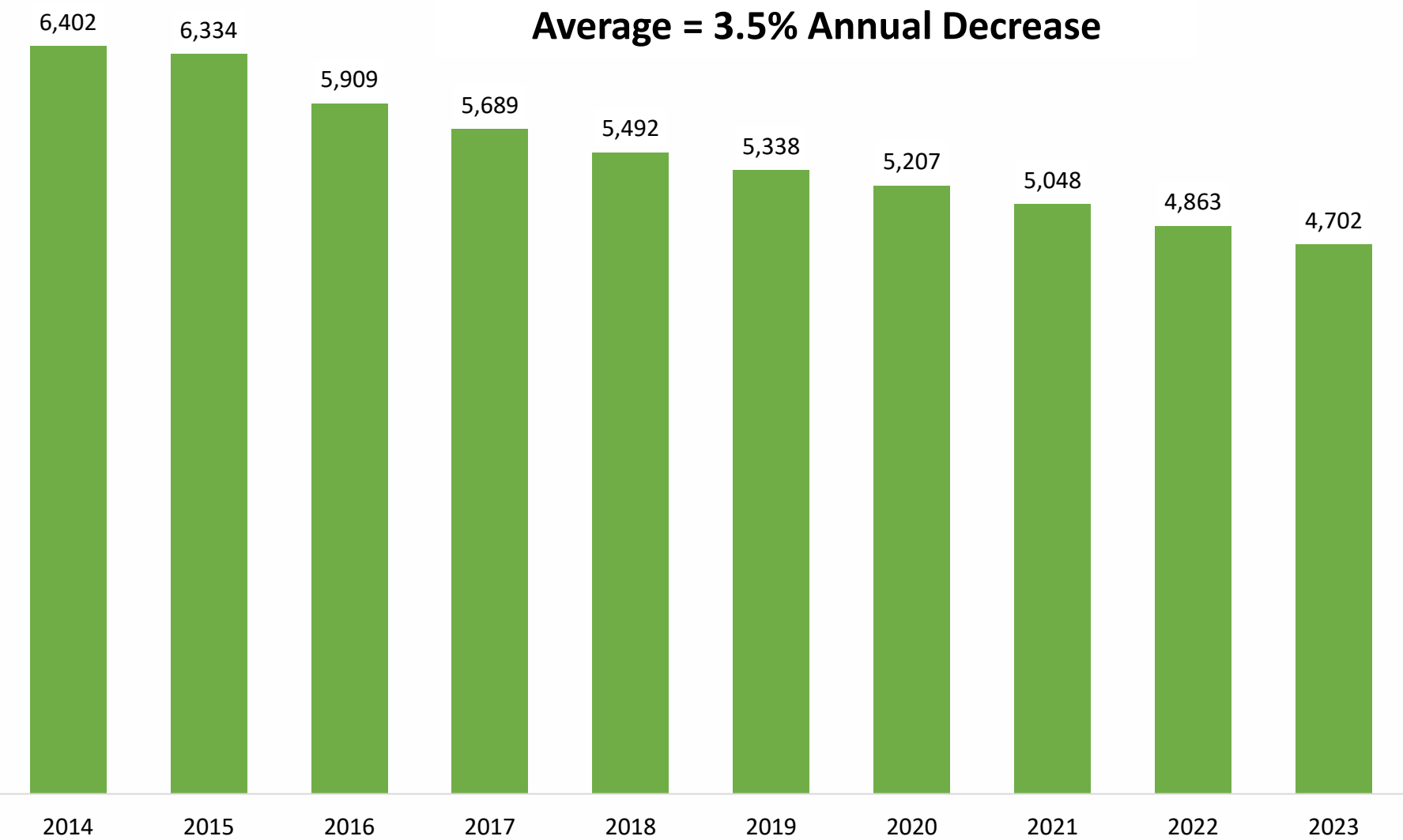
1,819 Credit Unions > \$100M in assets

438 Credit Unions > \$1B in assets

75 Credit Unions > \$5B in assets

21 Credit Unions > \$10B in assets

# The Number of Credit Unions Continues to Decline...



Year	# of CUs	Decrease
2007	8,268	-
2008	7,968	-3.6%
2009	7,710	-3.2%
2010	7,491	-2.8%
2011	7,240	-3.4%
2012	6,960	-3.9%
2013	6,818	-2.0%
2014	6,402	-6.1%
2015	6,334	-1.1%
2016	5,909	-6.7%
2017	5,689	-3.7%
2018	5,492	-3.5%
2019	5,348	-2.6%
2020	5,207	-2.6%
2021	5,048	-3.1%
2022	4,863	-3.7%
2023	4,702	-3.3%



The declines are  
not unique to the  
Credit Union  
industry.





## The Barbell Outcome

Asset Groups	Dec-07	%	Dec-23	%	% Change
Less than \$100m	7,016	84.9%	2,883	61.3%	-58.9%
\$100m-\$249m	657	7.9%	707	15.0%	7.6%
\$250m-\$499m	286	3.5%	387	8.2%	35.3%
\$500m-\$999m	182	2.2%	287	6.1%	57.7%
\$1b+	127	1.5%	438	9.3%	244.9%
<b>Total</b>	<b>8,268</b>	<b>-</b>	<b>4,702</b>	<b>-</b>	<b>-</b>



There are 4,702  
Total Credit  
Unions with  
\$1.9 Trillion  
in Total Deposits...

## Deposit Allocation

- \$500M+ = 84.7%
- \$1.0B+ = 74.4%

# Size and Scale will continue to drive mergers.

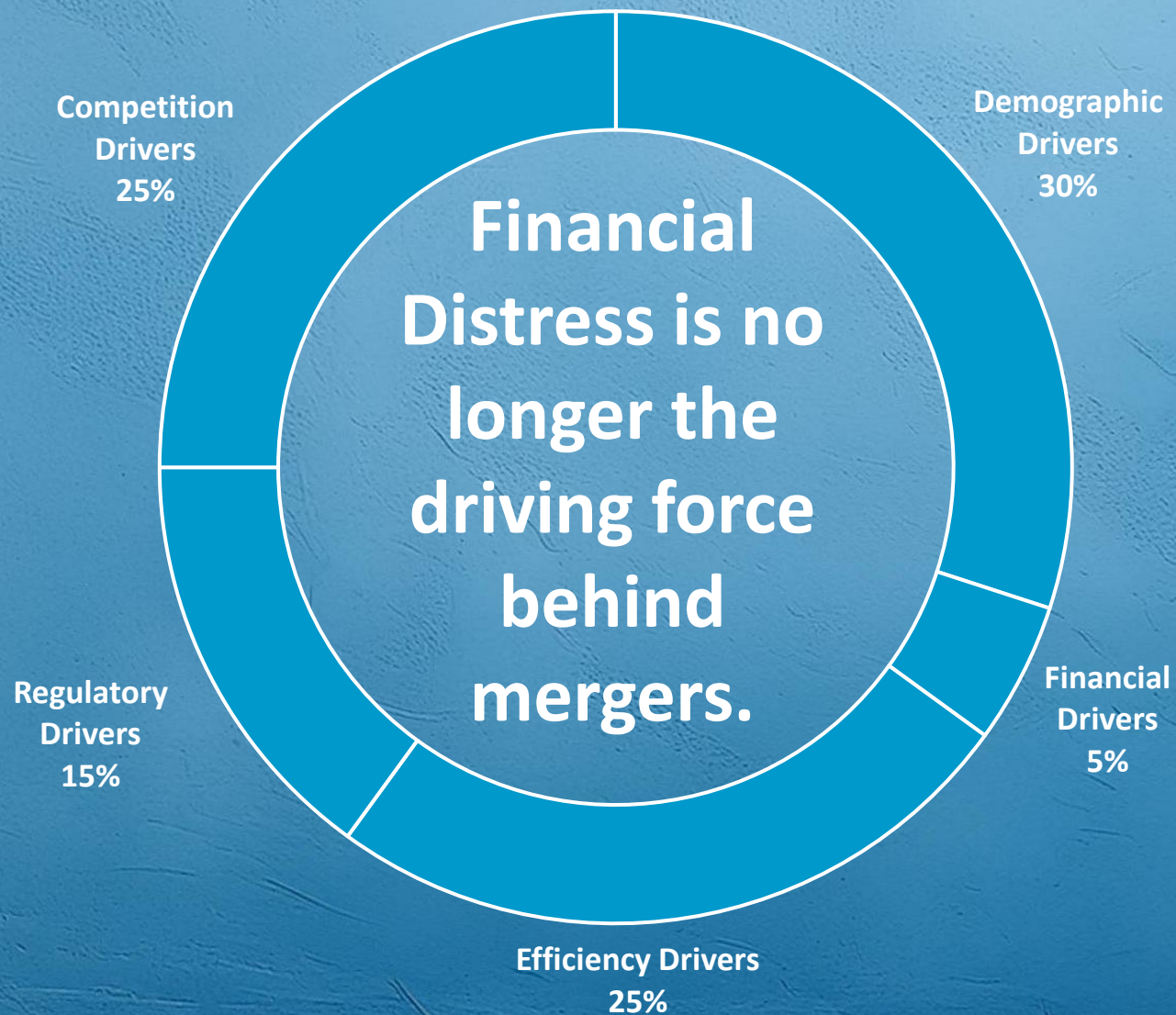
<u>Nationwide Deposits</u>	<u>\$19.2T</u>	<u>100.0%</u>
JPMorgan Chase	\$2.04T	10.6%
Bank of America	\$1.91T	9.9%
CU Industry	\$1.90T	9.9%
Wells Fargo	\$1.39T	7.2%
Citibank	\$748M	3.9%

Deposits reflect domestic consumer and commercial deposits  
Source: December 2023 NCUA 5300 Call Report and FDIC



**Size and Scale are not just  
for financial services.**







The background of the slide is a photograph of a modern interior. It features a teal-colored wall, a light-colored wooden floor, and a potted plant in the bottom left corner. The lighting is soft, creating a calm and professional atmosphere.

## Potential Advantages

- Increased Market Share.
- Decreased Operational Expense.
- Greater Lending Leverage.
- Better Rates.
- Marketing.
- More Branches / ATMs.
- Employee Growth.
- Better Employee Comp & Benefits.
- Senior Management Gaps/Succession.
- Decreased Technology Expenses.
- Greater Credit Union Scale.
- Member Growth.
- More Volunteers.

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## Potential Challenges

- Member Duplication.
- Facilities Duplication.
- Loan Portfolio.
- Vendor Contracts.
- Board Seats.
- Merging of Cultures.
- Employee Duplication.
- Employee Contracts.



The background of the slide is a 3D-rendered room. It features a light green wall, a wooden floor with a visible grain, and a dark brown baseboard. In the bottom-left corner, there is a potted plant with green leaves in a grey, textured pot. Sunlight streams in from the left, creating a bright area on the wall and floor.

## Potential Deal Breakers

- Board Related Issues (e.g., board seats, committees, education, etc.)
- Manager Related Issues (e.g., severance, authority, compensation, etc.)
- Operational Disagreements (e.g., branch closings, layoffs, cultural, etc.)
- Not Best For The Members

# 10 Steps to Successful Credit Union Mergers.

1. Cultural Due Diligence
2. Board Decision to Explore Deeper
3. Letter of Intent
4. Due Diligence
5. Negotiation / Agreement to Merge
6. Merger Announcement
7. Merger Application
8. Member Vote Process
9. Final Regulatory Approval
10. Integration





- Financial services is a **low-margin, high-volume** business.
- Mergers can add **scale** and **diversification** to the credit union.
- Mergers require an **open mindset** and a **willingness to compromise**.



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