

INFUSED.  
INTRIGUED.  
INNOVATIVE.  
**GET INSIGHTS.**  
INVIGORATED.  
INFORMED.  
INSPIRED

# CREDIT CARD PROFITABILITY

## MIKE CHENDERLIN

Sr. Portfolio Consultant

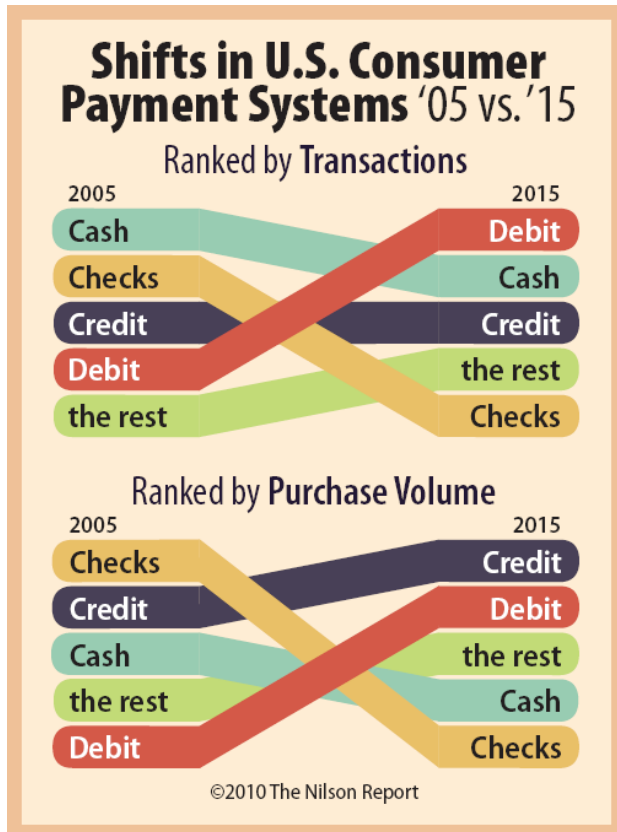
## ED JESIONOWSKI

Sr. Portfolio Consultant

## DEAN KNUDTSON

Sr. Portfolio Consultant

# CU INDUSTRY LANDSCAPE



- Spending habits of U.S. Consumers are changing
- Payment vehicles are changing
- In 2015, card-based systems are projected to have a 58.55% share

# CU INDUSTRY LANDSCAPE

## U.S. General Purpose Cards 3Q YTD '10 vs. 3Q YTD '09

Brand/Type of Card	Dollar Volume (bil)						Purch. Trans.	
	Total	Chg.	Purchases	Chg.	Cash	Chg.	(bil)	Chg.
Visa Credit	\$625.51	1.7%	\$592.79	5.3%	\$32.72	-37.1%	6.90	3.5%
MasterCard Credit	\$380.04	-3.3%	\$352.94	-0.3%	\$27.11	-30.5%	4.31	-1.9%
American Express Credit	\$348.20	12.8%	\$345.87	13.1%	\$2.33	-19.6%	2.37	11.1%
Discover Credit	\$83.86	2.8%	\$79.39	6.1%	\$4.47	-34.1%	1.19	5.9%
<b>CREDIT CARD TOTALS</b>	<b>\$1,437.62</b>	<b>2.8%</b>	<b>\$1,370.99</b>	<b>5.7%</b>	<b>\$66.62</b>	<b>-33.8%</b>	<b>14.78</b>	<b>3.1%</b>
Visa Debit & Prepaid	\$1,033.18	18.9%	\$776.25	20.3%	\$256.94	14.7%	20.94	19.4%
MasterCard Debit & Prepaid	\$339.18	1.6%	\$244.95	1.2%	\$94.23	2.4%	6.23	0.8%
<b>DEBIT CARD TOTALS</b>	<b>\$1,372.36</b>	<b>14.1%</b>	<b>\$1,021.20</b>	<b>15.1%</b>	<b>\$351.16</b>	<b>11.1%</b>	<b>27.17</b>	<b>14.6%</b>
Visa Total	\$1,658.70	11.8%	\$1,369.04	13.3%	\$289.66	4.9%	27.84	15.0%
MasterCard Total	\$719.22	-1.1%	\$597.89	0.3%	\$121.33	-7.4%	10.54	-0.3%
<b>VISA &amp; MC TOTALS</b>	<b>\$2,377.92</b>	<b>7.5%</b>	<b>\$1,966.93</b>	<b>9.0%</b>	<b>\$410.99</b>	<b>1.0%</b>	<b>38.38</b>	<b>10.4%</b>
<b>CREDIT &amp; DEBIT TOTALS</b>	<b>\$2,809.98</b>	<b>8.0%</b>	<b>\$2,392.19</b>	<b>9.5%</b>	<b>\$417.78</b>	<b>0.3%</b>	<b>41.95</b>	<b>10.3%</b>

Includes activity on all consumer and commercial credit, debit, and prepaid cards for January 1–September 30, 2010 vs. January 1–September 30, 2009. American Express and Discover include figures for third-party issuers.  
© 2010 The Nilson Report

# CU INDUSTRY LANDSCAPE

## CSCU Averages

Metrics	Dec-09	Dec-10	Var. #	Var. %
<b>Total Accounts</b>	2,317,001	2,268,504	(48,497)	-2.09%
<i>% Accounts Billed</i>	60.2%	60.7%	0.50%	
<b>Total Outstandings</b>	\$ 4,148,720,561	\$ 4,143,967,299	\$ (4,753,262)	<b>-0.11%</b>
<i>% Accounts with Finance Charges</i>	65.6%	65.4%	-0.25%	
<i>Average Balance</i>	\$ 3,055	\$ 3,079	\$ 24	0.79%
<b>Total Volume (YTD)</b>	\$ 6,848,160,149	\$ 7,391,221,957	\$ 543,061,808	<b>7.93%</b>
<i>Usage</i>	5.9	6.5	0.64	
<i>Volume per Billed Account</i>	\$ 4,909	\$ 5,371	\$ 462	<b>9.41%</b>
<b>Total Revenue (YTD)</b>	\$ 430,343,769	\$ 421,550,982	\$ (8,792,787)	-2.04%
<i>Finance Charge Revenue per Billed Account</i>	\$ 264	\$ 267	\$ 3	1.14%
<i>Interchange Revenue per Billed Account</i>	\$ 70	\$ 76	\$ 6	8.57%
<i>Fee Revenue per Billed Account</i>	\$ 19	\$ 16	\$ (3)	-15.79%
<i>Total Revenue per Billed Account</i>	\$ 352	\$ 359	\$ 7	<b>1.99%</b>

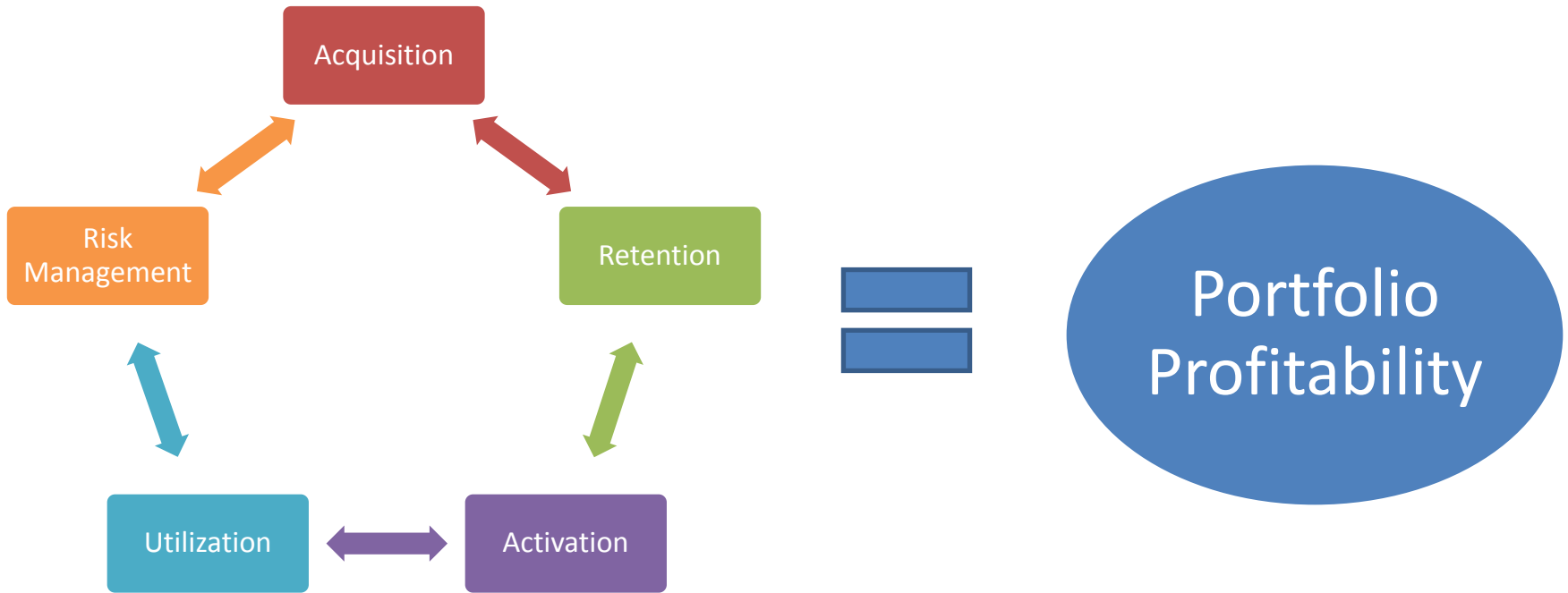
Credit Unions are starting to see some recovery!

# CU INDUSTRY LANDSCAPE

- **Added pressure from regulatory reform**
  - A direct hit to Non-interest Income
- **Larger issuers are back on the prowl**
  - 2Q2010 – solicitations were up 83% (838M) from the offer volumes a year ago
  - Only 9% don't offer rewards
  - Their target.....higher quality borrowers
- **Historic opportunity with increased publicity!**

“ ...I THINK THE UNITED STATES  
OF AMERICA – ALL OF YOU  
SHOULD START LOOKING INTO  
CREDIT UNION CREDIT CARDS  
AND DO A BALANCE TRANSFER.”

*A QUOTE FROM SUZE ORMAN,  
FINANCE GURU, DURING HER  
PERSONAL APPEARANCE ON  
THE LARRY KING LIVE TELEVISION  
SHOW LAST DECEMBER*







# Competitive Product

- **A competitive program is a pre-requisite for a strong penetration**
  - ✓ Know your local and regional competition's product
    - Your member's credit files help you identify your real competition
    - Review solicitations
  - ✓ Rewards
    - Travel Point Redemption Level
    - Points Expiration?
  - ✓ Competitive APR

# Penetration

- **How many of your members carry your card?**  
(does your BOARD carry your card?)
  - ✓ Average credit union penetration = 14%
  - ✓ CSCU top average 27.6%
  - ✓ Well trained staff that know your product features inside and out are crucial
  - ✓ Implement pre-approval strategies across all other loan requests
  - ✓ Competition for members...solicitations are on the rise!

# Rewards

- **Rewards programs are crucial to Competitive Product**
  - ✓ Statistics show that issuers can achieve an additional 2.5 - 3 transactions a month more per active account with rewards
  - ✓ ScoreCard study showed impressive results when comparing programs with rewards vs. programs without:
    - ✓ 17% higher average account growth
    - ✓ 37% higher volume per account
    - ✓ 20% higher average balance
    - ✓ 18% higher total revenue per account
  - ✓ According to a recent VISA study, Reward programs drive increased usage and volume

Card Type	Average Ticket	Monthly Transactions	Monthly Avg Spend
Non-rewards	\$72	6.5	\$446
Rewards	\$78	11.3	\$886

# OPEN GROUP DISCUSSION