

STATE OF CREDIT UNIONS REPORT

Research and outlook for 2025



WIPFLI



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Executive summary

Personalized attention and friendly service. Tailored financial education. Competitive rates.

None of this is new ground for credit unions. But today, credit unions are competing on a larger playing field – and customer experience is a leading priority for nearly every type and size of financial institution.

How do credit unions plan to win and retain members in this new landscape?

Wipfli surveyed 106 C-level executives at credit unions across the U.S. to find out. Our fourth annual “State of credit unions report” covers their growth strategies, priorities and concerns heading into 2025.

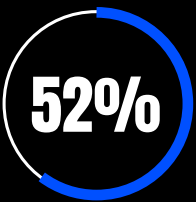
Credit unions are gaining confidence as we head into 2025. Ninety-six percent of the credit unions we surveyed expect growth in the next 12 months. Over half (52%) forecast asset growth of 5% or more – a notable jump from last year, when only 31% predicted similar gains. Likewise, 19% of the credit unions we surveyed project gains of 8% or more, compared to only 2% of credit unions last year.

Survey responses from
106 U.S. credit union executives

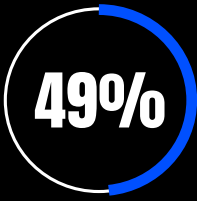
Key findings



of credit unions expect to grow in the next 12 months



of credit unions expect to grow 5% or more



of credit unions experienced an increase in fraud



of credit unions identified unauthorized access to their networks or data in the past year



of credit unions increased their investment in cybersecurity technology



of credit unions are currently using AI-based tools

Improving digital engagement is the top strategic priority in 2025.

Cybersecurity/fraud is the top concern in 2025.

Over the past three years, 47% of survey respondents added banking as a service (BaaS)/embedded banking. Sixty-two percent of credit unions told us they currently participate in BaaS/embedded banking – and 14% plan to within the next 12 months. BaaS was the most-added new service, followed by financial well-being products and wealth advisory services.

Will the BaaS trend continue? Future research will tell.

Across the industry, BaaS has been viewed as an opportunity to create new revenue streams and fight interest margin compression. Within the regulatory framework, credit unions have been able to experiment and innovate with BaaS, but as regulators push for more controls, compliance burdens could become trickier to navigate and even negate the cost benefits.

Top 3 services added in the last three years

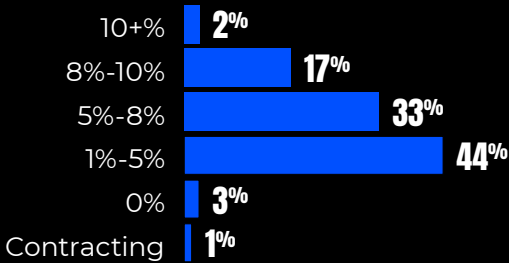
Banking as a service/embedded banking

Financial well-being products

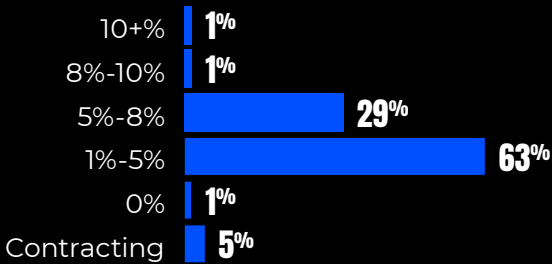
Wealth advisory services

Expected growth

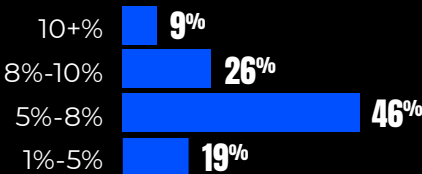
2025



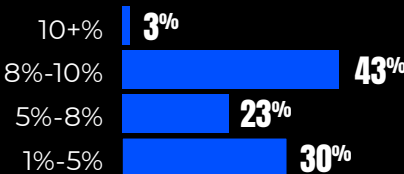
2024



2023



2022



We think credit unions' addition of financial well-being and wealth management products is well-timed — and likely to continue.

Gen Z stands to inherit enormous generational wealth — and some would argue, unprepared. Gen Z consumers engage with financial institutions differently than prior generations, and they often lack basic knowledge about financial matters and products. In the coming years, credit unions will need more products and services that match younger consumers' unique banking needs, habits and risk tolerances.

Heading into 2025, the credit unions we surveyed said their top strategic priorities are improving digital engagement, data analytics/AI and labor-replacing/staff-augmenting technologies.

Top strategies for credit unions in 2025

1

Improving digital engagement

2

Data analytics/AI

3

Labor-replacing/
staff-augmenting
technologies



Credit union leaders said the economy/regulatory environment is the factor that's most likely to affect their strategies, followed by net interest margin compression and core deposit growth. The economy and regulatory environment's impact increased significantly over the past year, according to the credit unions we surveyed. It was cited by 75% of respondents this year, compared to only 49% last year. Net interest margin compression was also felt more intensely.

In our survey, credit unions' top concerns were cybersecurity (including fraud), meeting customer needs and retaining market share. Employee recruitment and retention was a close fourth, tied with concerns about fintech competition.

An overwhelming majority of the credit unions we surveyed (81%) use an enterprise risk management (ERM) program to help them manage risk.

Credit unions' top concerns heading into 2025

Cybersecurity (including fraud)

Meeting customer needs

Retaining market share

What factors affect your ability to achieve strategic priorities?

1

Economy/regulatory environment

2

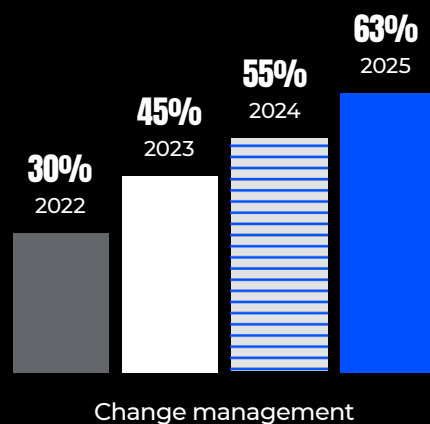
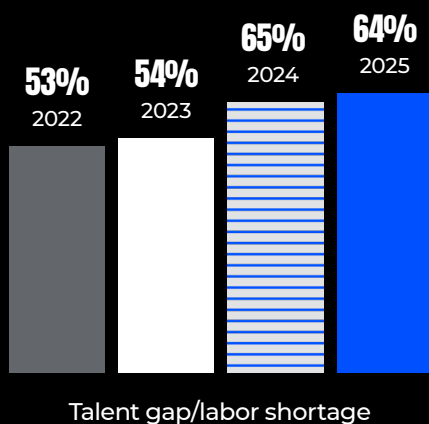
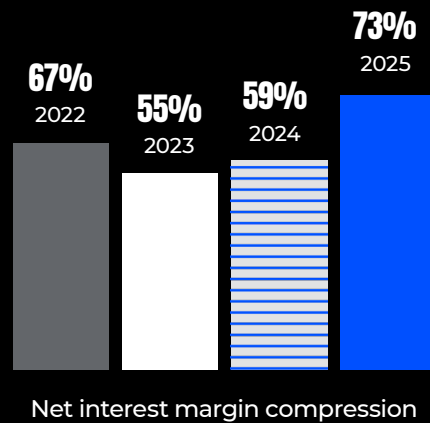
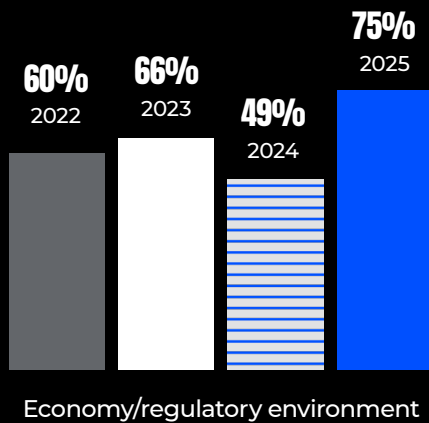
Net interest margin compression

3

Core deposit growth



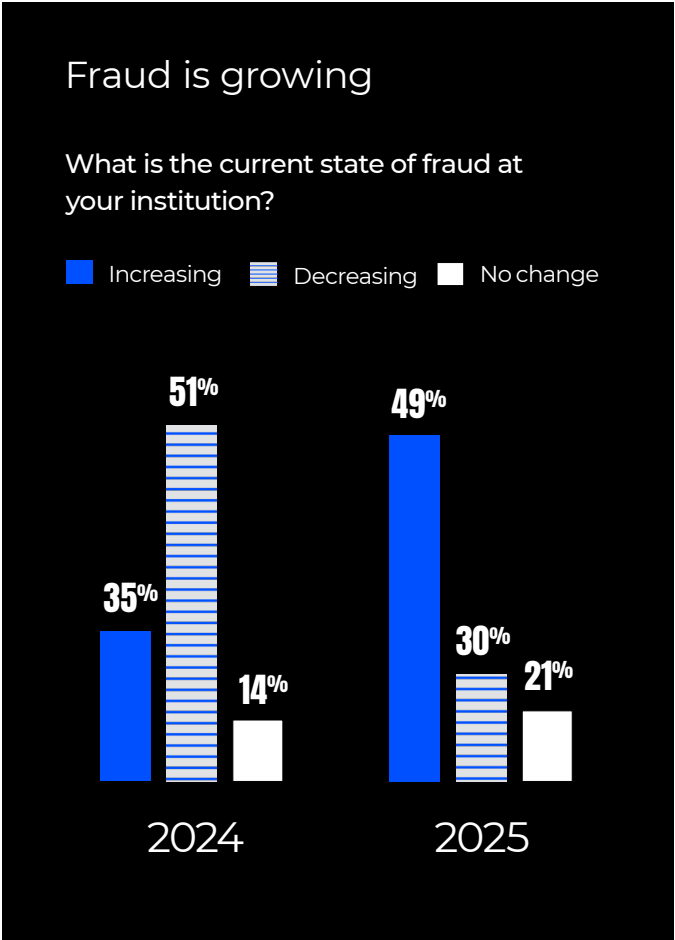
Factors that affect strategic priorities have intensified over the years



Cybersecurity

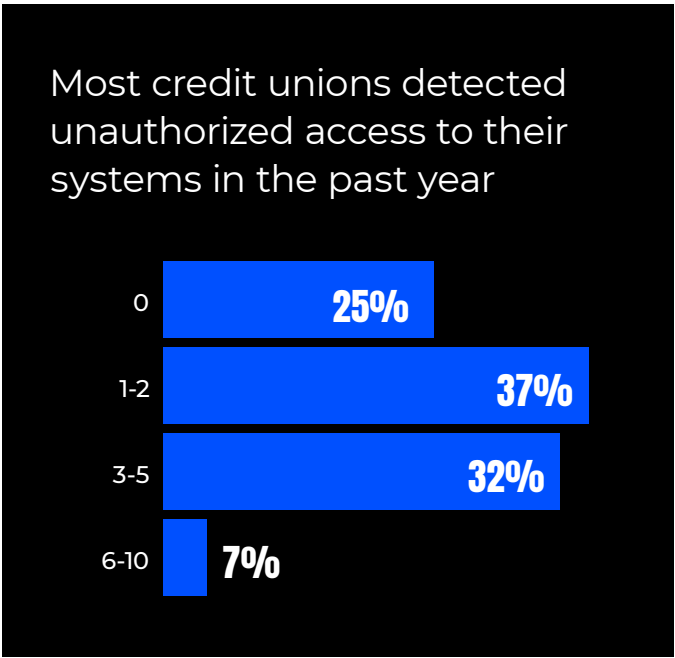
Cybersecurity (including fraud) was the leading concern for credit unions in this year’s survey — and for valid reasons:

- 49% of respondents said fraud is increasing at their credit union, up from 35% last year.
- 36% reported an increase in cyberattacks on their institutions.
- 76% detected unauthorized access to their networks and data last year — another increase over the prior year.
- 39% detected unauthorized access three or more times.



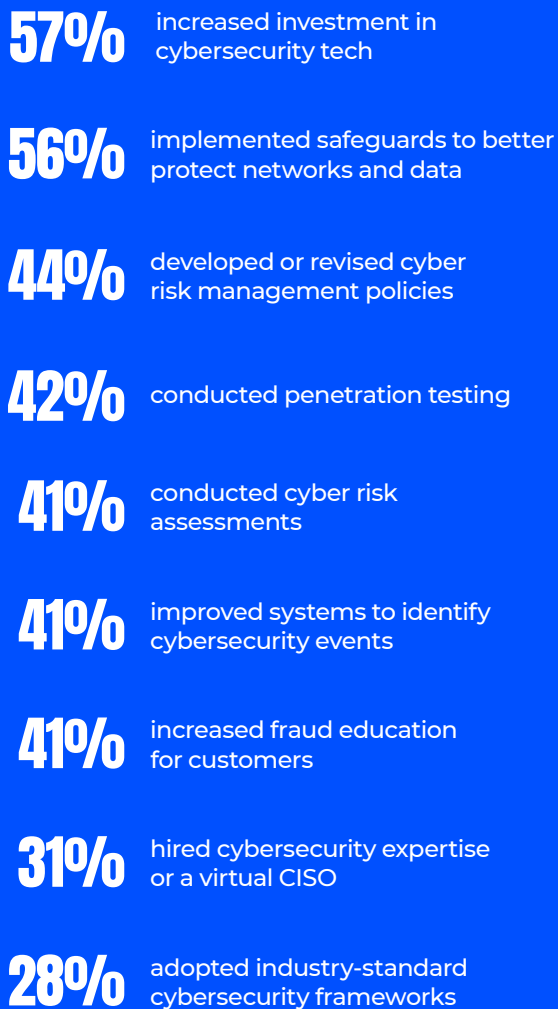
Putting more money toward the problem was the most common response. Fifty-seven percent of the credit unions we surveyed increased their investment in cybersecurity technology in the past 12 months. That’s a jump from last year, when increased investment ranked fifth and was only cited by 40% of respondents.

Forty-four percent of respondents developed or revised a cyber risk management policy in the past 12 months, and 42% conducted penetration testing. The number of credit unions that cited penetration testing dropped 10 percentage points compared to the prior year.



Among credit unions that reported concerns over cybersecurity, most have increased their cyber investment and implemented protective measures.

What cybersecurity measures have you implemented in the past 12 months?



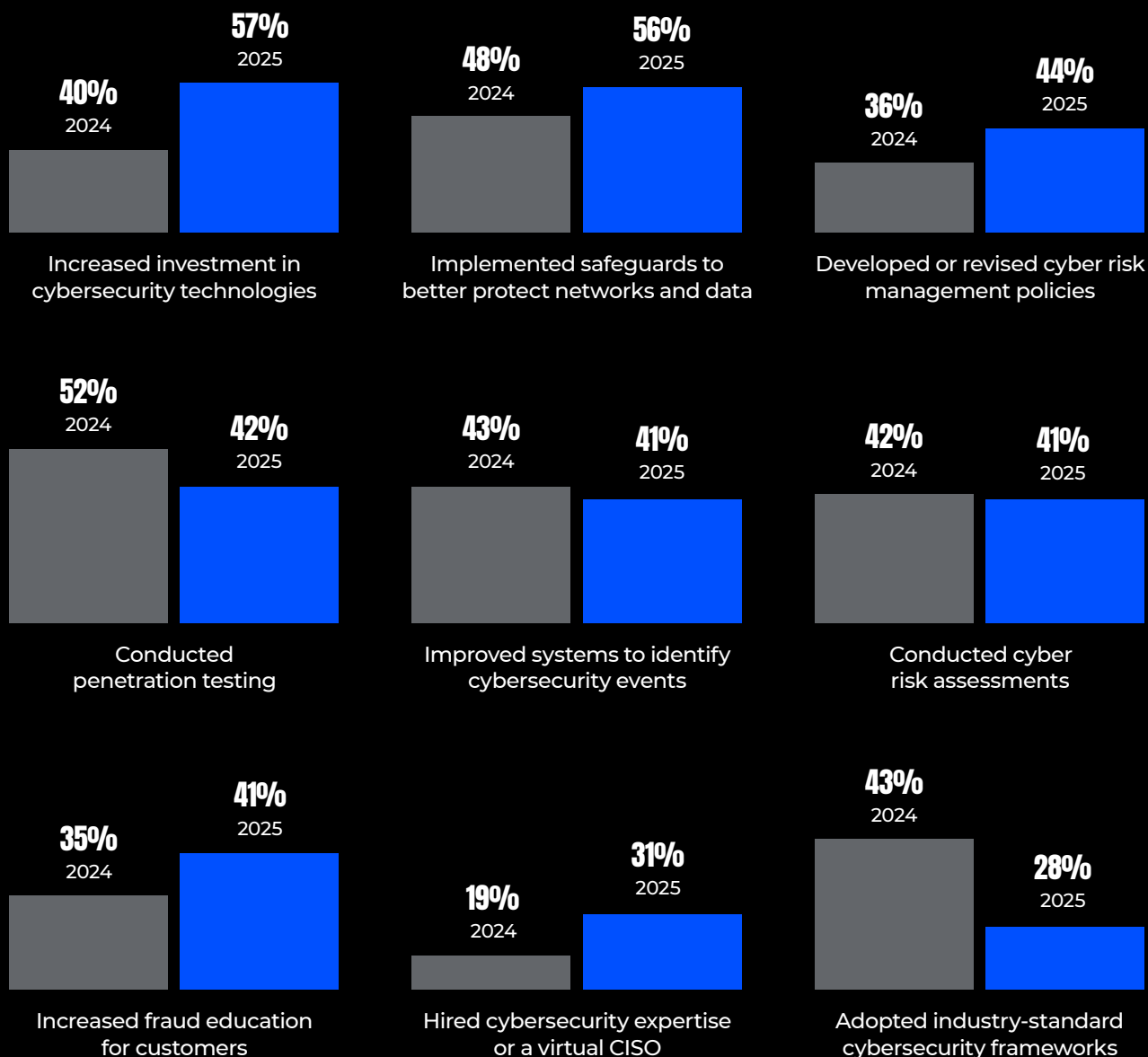
The drop in penetration testing was a surprise, given the number of banking and credit union breaches reported in the news. In many reported cases, months have passed between incident detection and response. We expected credit unions to increase efforts to speed up threat detection.

There was a big jump in hiring for cybersecurity expertise. Almost a third of credit union respondents said they hired cybersecurity expertise or added a virtual CISO, up from 19% in last year's survey. Credit unions that struggle with talent shortages said information security and IT were two of the top three functions they would consider outsourcing.

Ninety-one percent of the credit unions we surveyed reported being "very" mature in their security architecture (as a category of digital transformation), up from 60% last year.



What actions has your credit union taken in the past 12 months to ensure the security of its network and data?



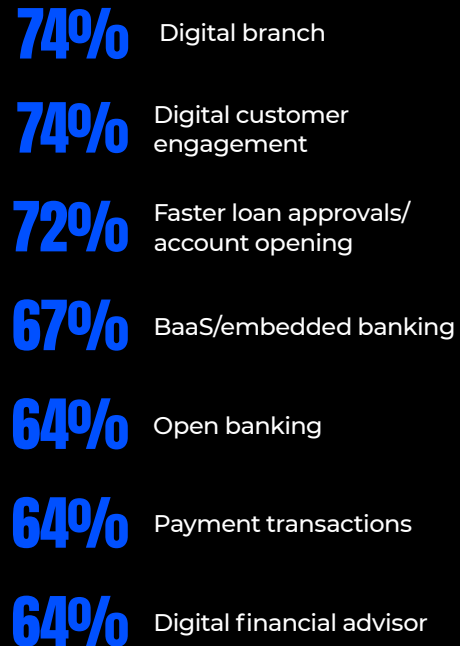
Digital transformation

We asked credit union leaders about their digital transformations — how they define them, where they rate in maturity and what's getting in the way.

About three-quarters of the credit unions we surveyed define digital transformation as “digital branch,” “digital customer engagement,” or “faster loan approvals/account opening.”

Despite its strategic importance, only half of survey respondents said they've reached a mature state of digital transformation related to digital customer experience/engagement. In fact, in our survey, it was the least mature category of digital transformation reported by credit unions.

Of the following, how do you define digital transformation?





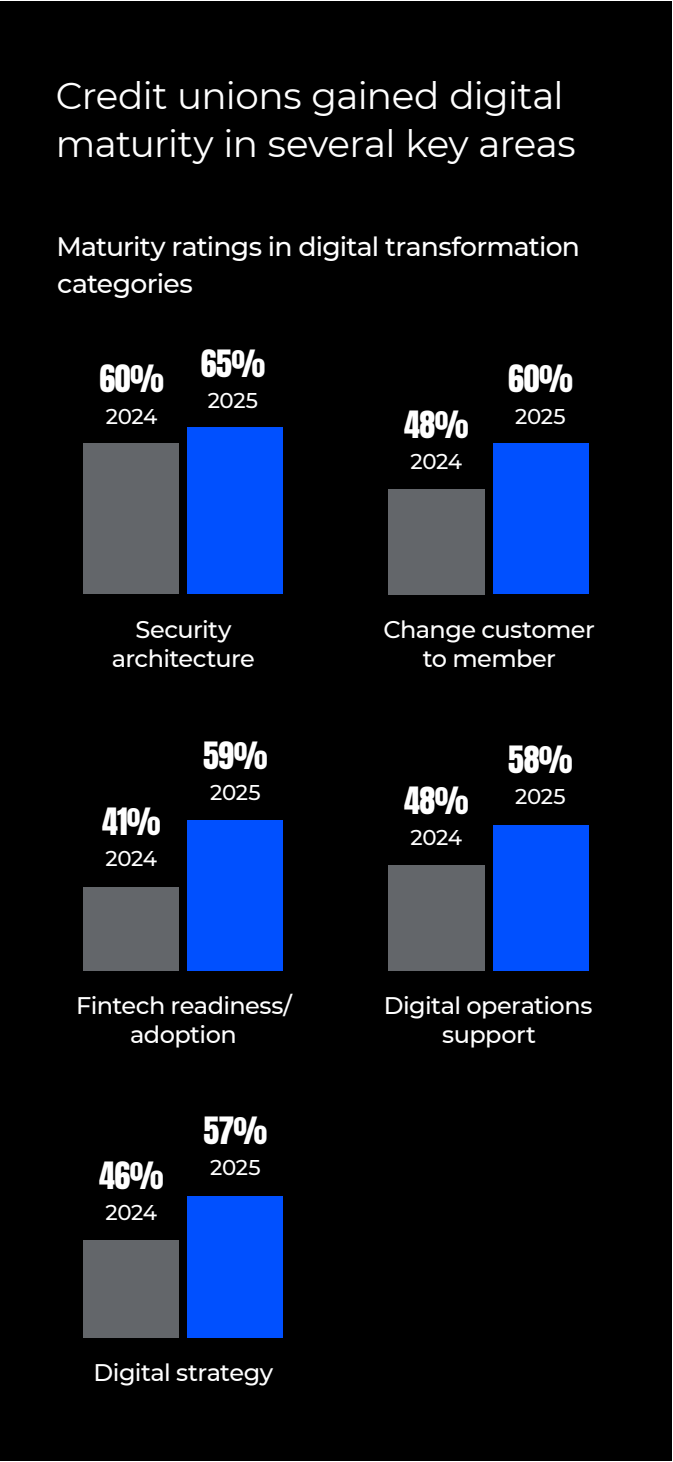
Credit unions feel most mature in their security architecture and least mature in digital customer experience/engagement.

Maturity ratings in digital transformation categories

65%	Security architecture
60%	Customer support for digital operations
59%	Fintech readiness/adoption
58%	Digital operations support
57%	Digital strategy
56%	Technical architecture
54%	Open banking
50%	Digital customer experience/engagement

Credit unions reported the highest digital maturity in security architecture, followed by customer support for digital operations and fintech readiness/adoption. In most categories, credit unions have reported maturity gains in the past year.

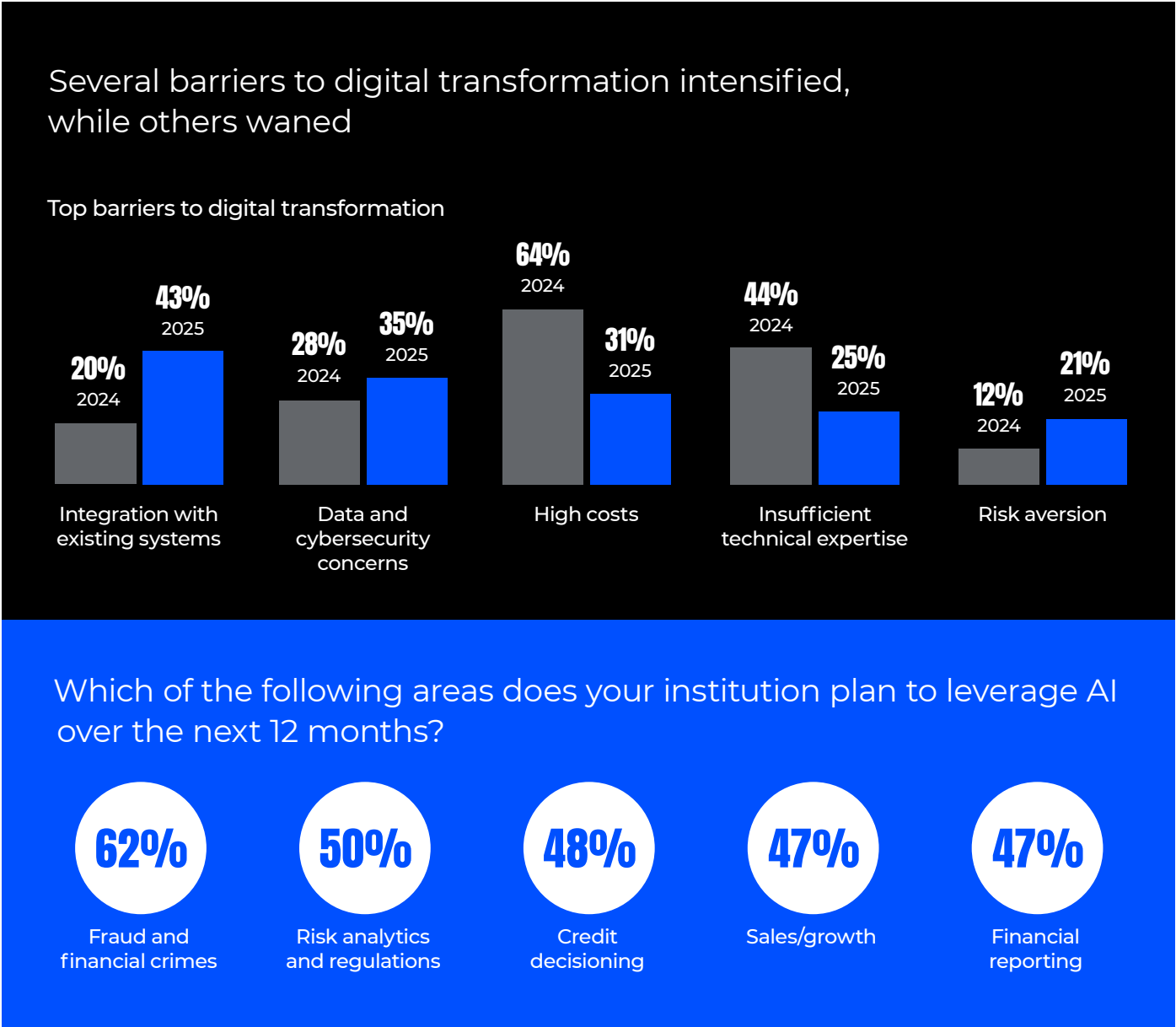
The credit unions we surveyed cited several barriers to digital transformation. Challenges integrating with existing systems topped the list, followed by data and cybersecurity concerns and high costs.



Compared to last year, several challenges intensified, such as integration challenges and cybersecurity. Respondents also cited stronger aversion to risk. Meanwhile, cost and talent became weaker barriers to digital transformation.

Ninety percent of the credit union executives we surveyed said their institutions currently use AI-based tools or plan to adopt them in the next 12 months.

Fifty-seven percent of credit union respondents said data analytics/AI was a top strategy in 2025. Among those institutions, fraud and financial crime detection was the leading use case for AI. Those respondents also plan to leverage AI for risk and regulatory analytics, as well as credit decisioning.



Thoughts on the future

Location. Location. Location.
It's less important now that
credit unions are forced to
compete on a national scale.

Fintechs and nontraditional lenders blew open the playing field, and tech giants outside financial services redefined what a “best-in-class” digital experience means for members. Credit unions are facing more competition, from further away and from bigger, digital-first players.

Open banking is likely to add additional pressure to credit unions, too. Organizations that have strong relationships can minimize churn — if they're working

toward frictionless member experiences on safe and secure digital services. Security is nonnegotiable. To retain members (and their confidence), credit unions need to keep their networks and member data safe as they innovate.

Seventy-five percent of credit union respondents said they currently use AI-based tools. In the next phase of digital transformation, “tools” aren't enough. Credit unions need to bring all their data together in intentional ways; and AI needs to become a central part of strategic plans, rather than a set of disconnected tools.



To add value across the organization with AI, credit unions need to:

- **Establish clear objectives — and stick to them:** AI adoption should start with clear objectives that are tied to overall business goals, whether that's member satisfaction, efficiency or fraud detection. As new tools and capabilities become available, credit unions should evaluate them against strategic objectives and stay committed to the bigger picture.
- **Build an AI-centric data strategy:** Effective AI relies on high-quality, connected data. Invest in a singular and secure infrastructure that can support AI-driven analysis.
- **Implement AI governance and ethical frameworks:** AI can introduce new risks in an already heavily regulated industry. Credit unions need AI guardrails that are firm, but also responsive to changing conditions and threats. Create a framework for data privacy, security and accountability from the start.
- **Use multilayered security:** Cybercriminals and fraudsters are constantly changing their attacks. A comprehensive and connected AI strategy will offer stronger defenses against threats. Credit unions can leverage AI to continuously learn from fraud attempts and analyze data across various layers.
- **Embed AI into core processes, not just surface-level functions:** Credit unions will gain more benefits by embedding AI in key processes that connect and influence the member journey than from standalone applications.
- **Invest in scalable architecture:** Build for the future and plan to expand. Make sure technology investments can adapt to changing needs and scale without major disruptions or significant added costs.

Credit unions will need AI to help them make decisions, deepen their relationships with members and create exceptional experiences. With connected technologies, they can hold onto — and advance — the levels of personalization and service they've built their legacies on.

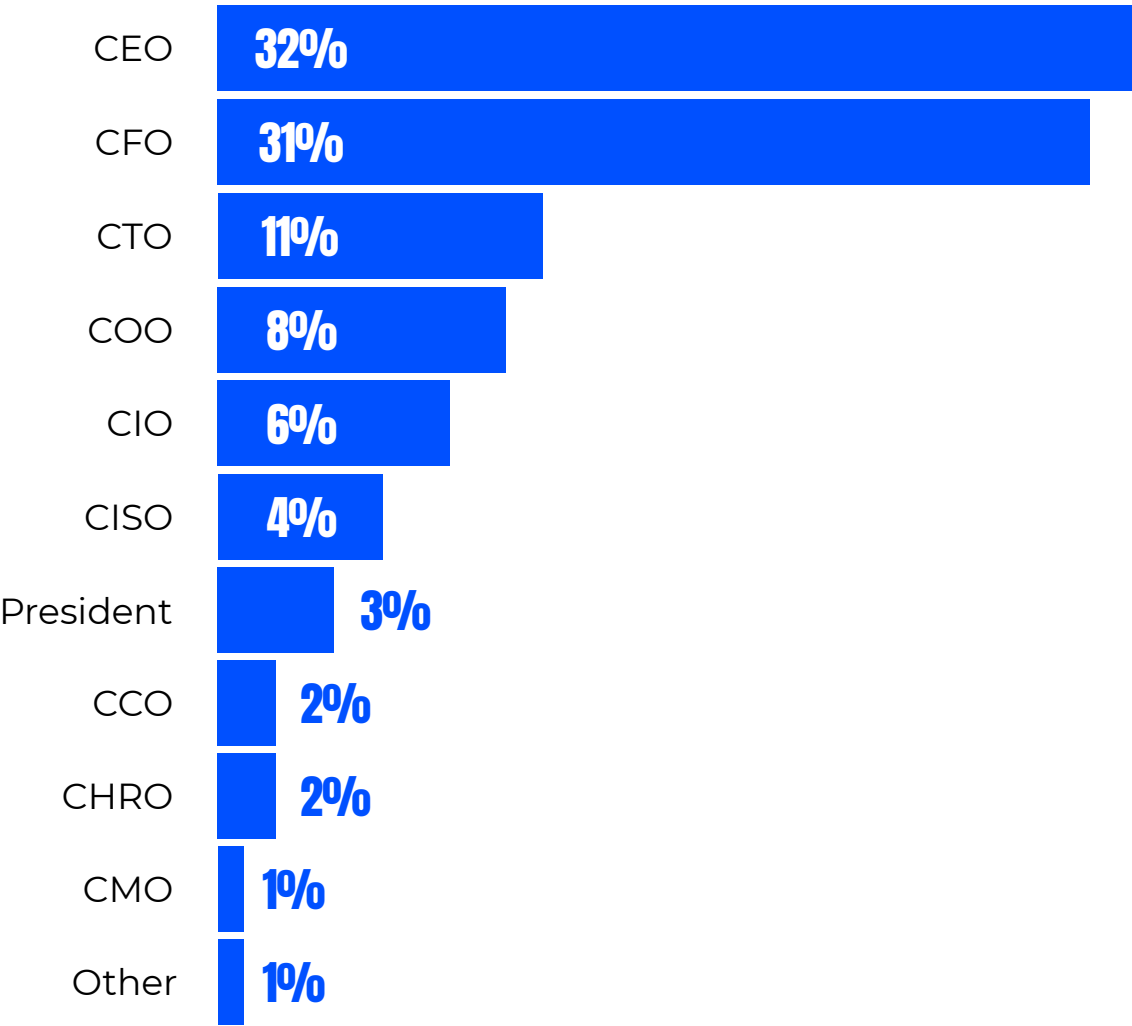


There's no room
for mistakes in this
competitive landscape.

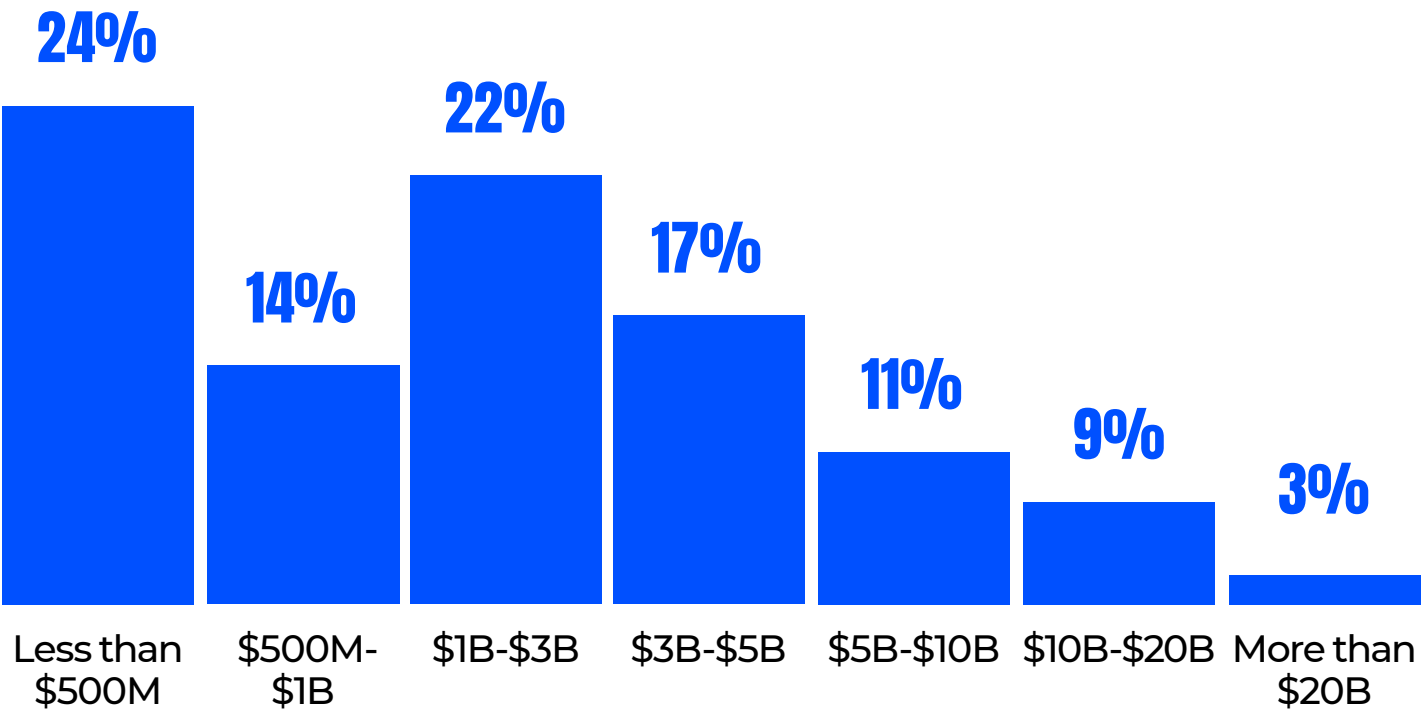
Appendix: The raw data

Wipfli received survey responses from 106 U.S. credit union leaders. The online survey responses were collected in September 2024. All responses were confidential and anonymous. Due to rounding, data may not add up to 100 in every instance.

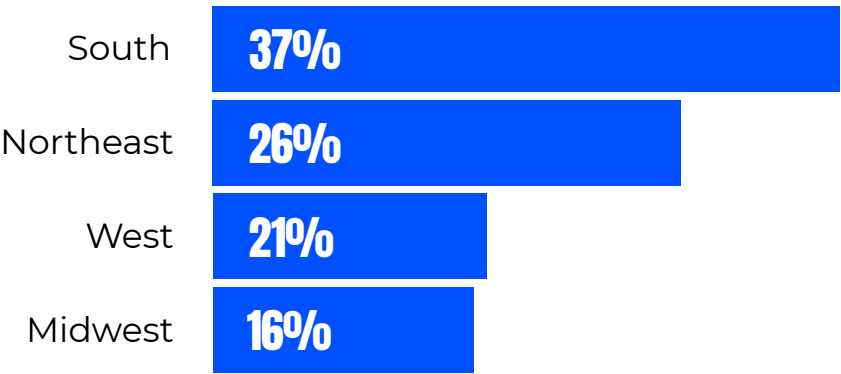
Which of the following best describes your title?



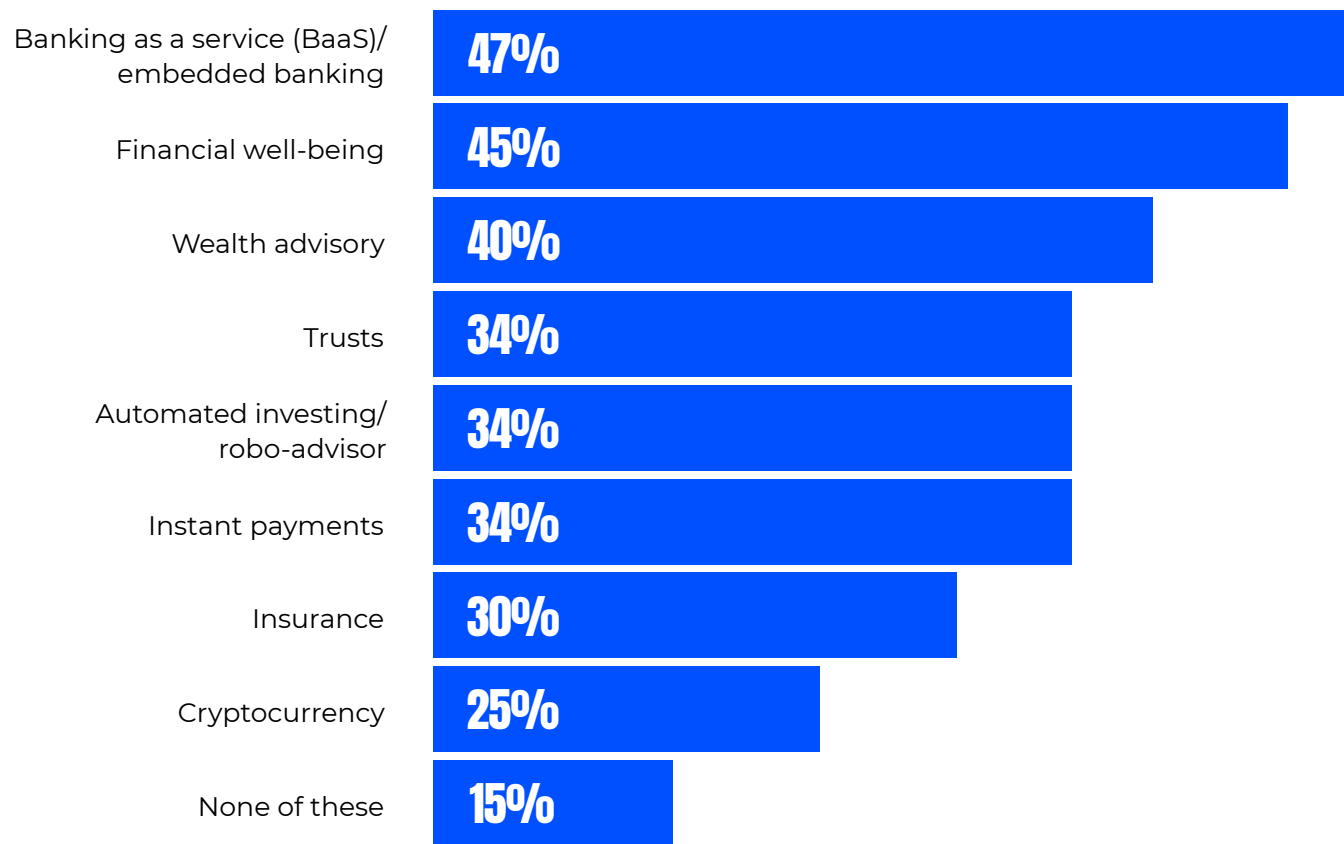
What is your current asset size?



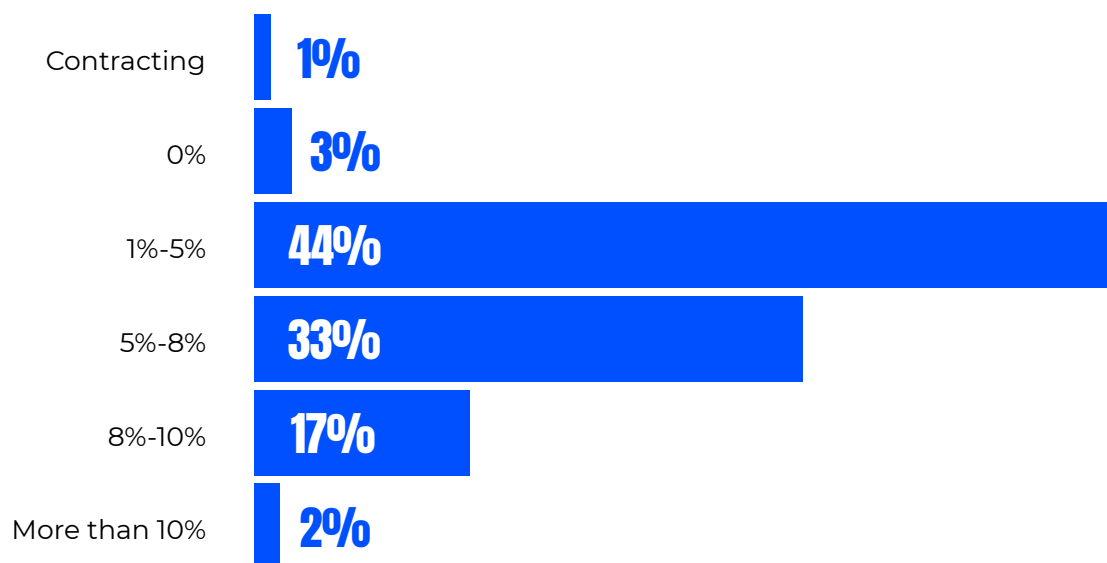
Region



**Which, if any, of the following services have you added in the last three years?
(Check all that apply.)**



Which best describes your expected asset growth over the next 12 months?



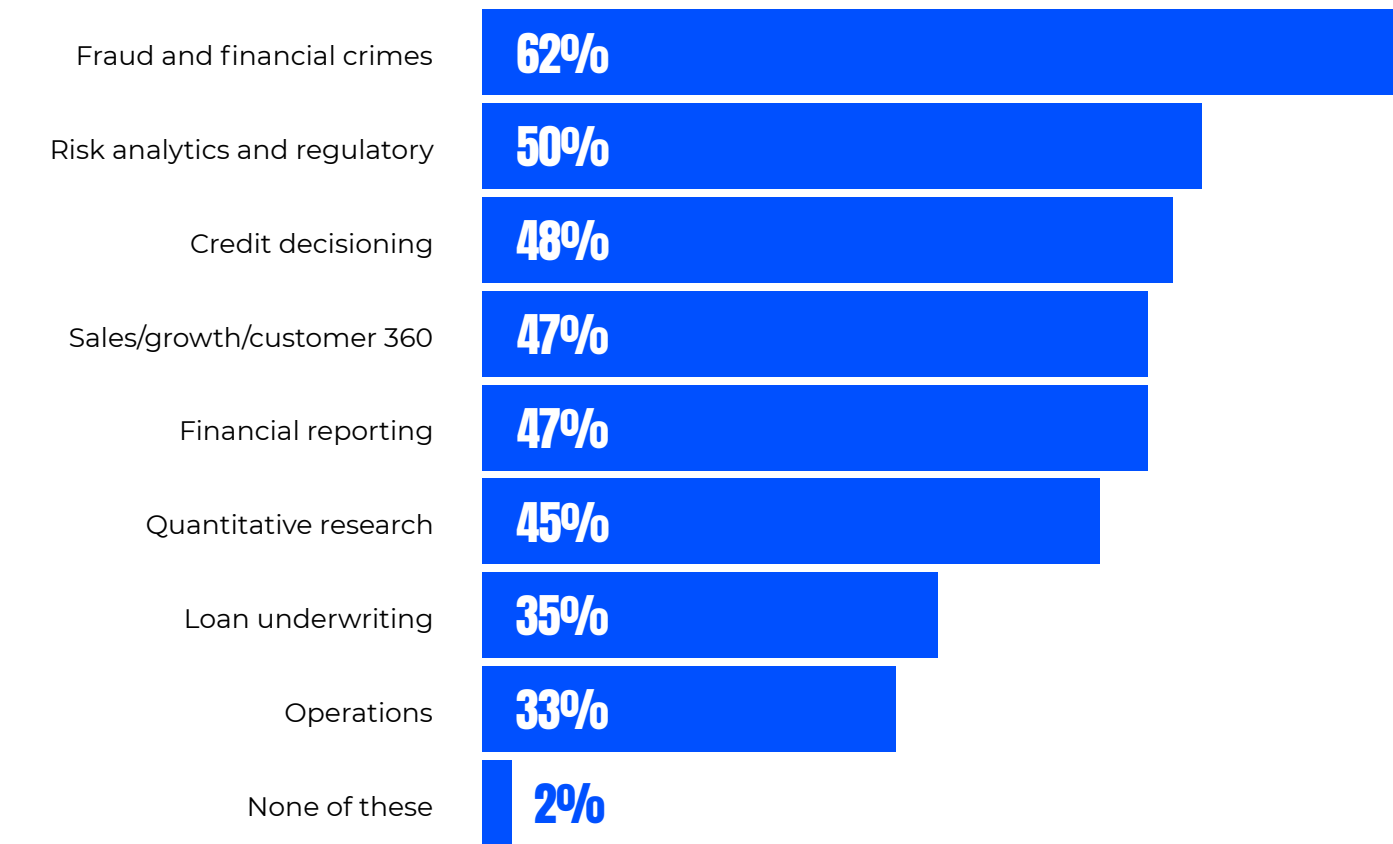
Of the following, please select the top five strategies most important to your credit union over the next 12 months.



Are you planning to buy or sell?



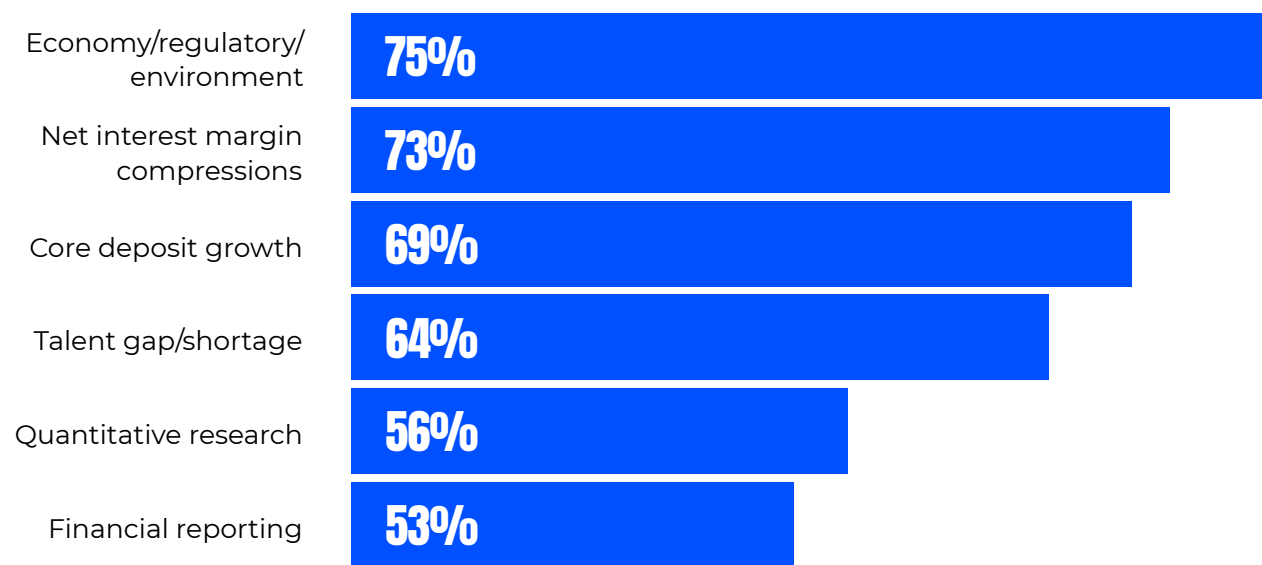
For which of the following areas does your institution plan to leverage AI over the next 12 months? (Select all that apply.)



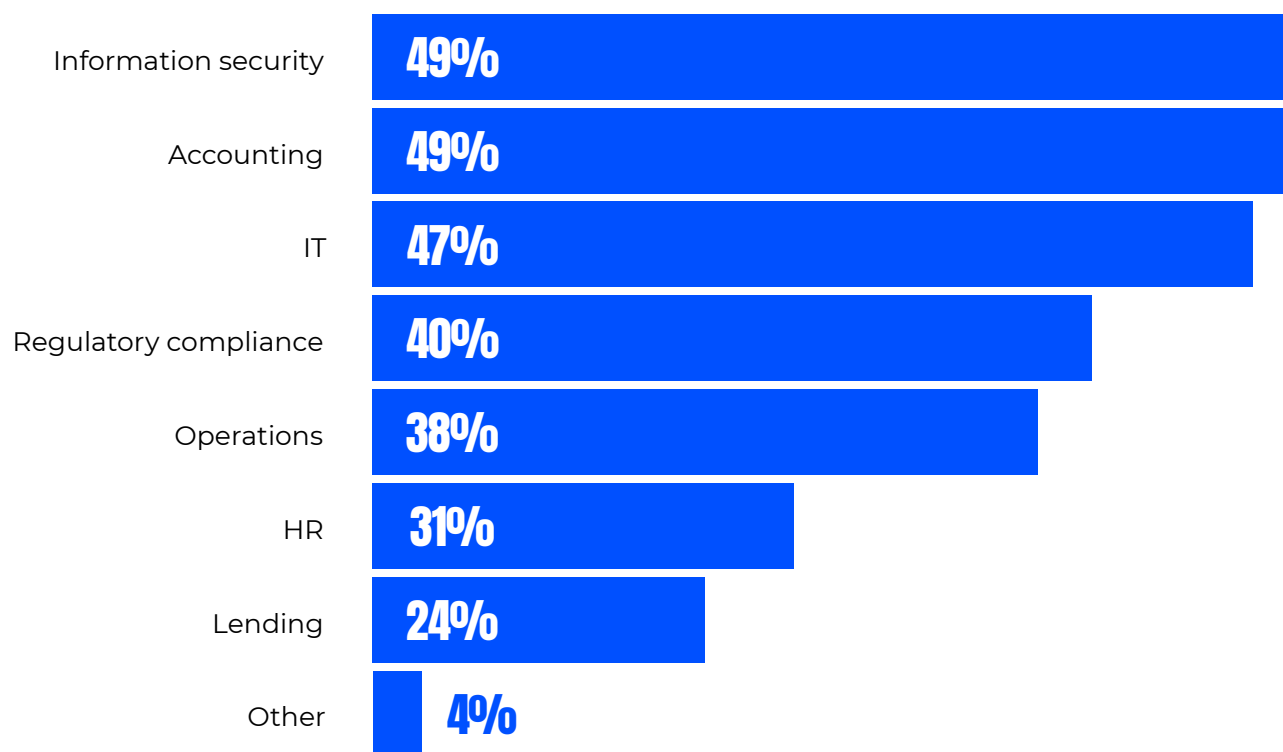
Does your institution have an enterprise risk management (ERM) program?



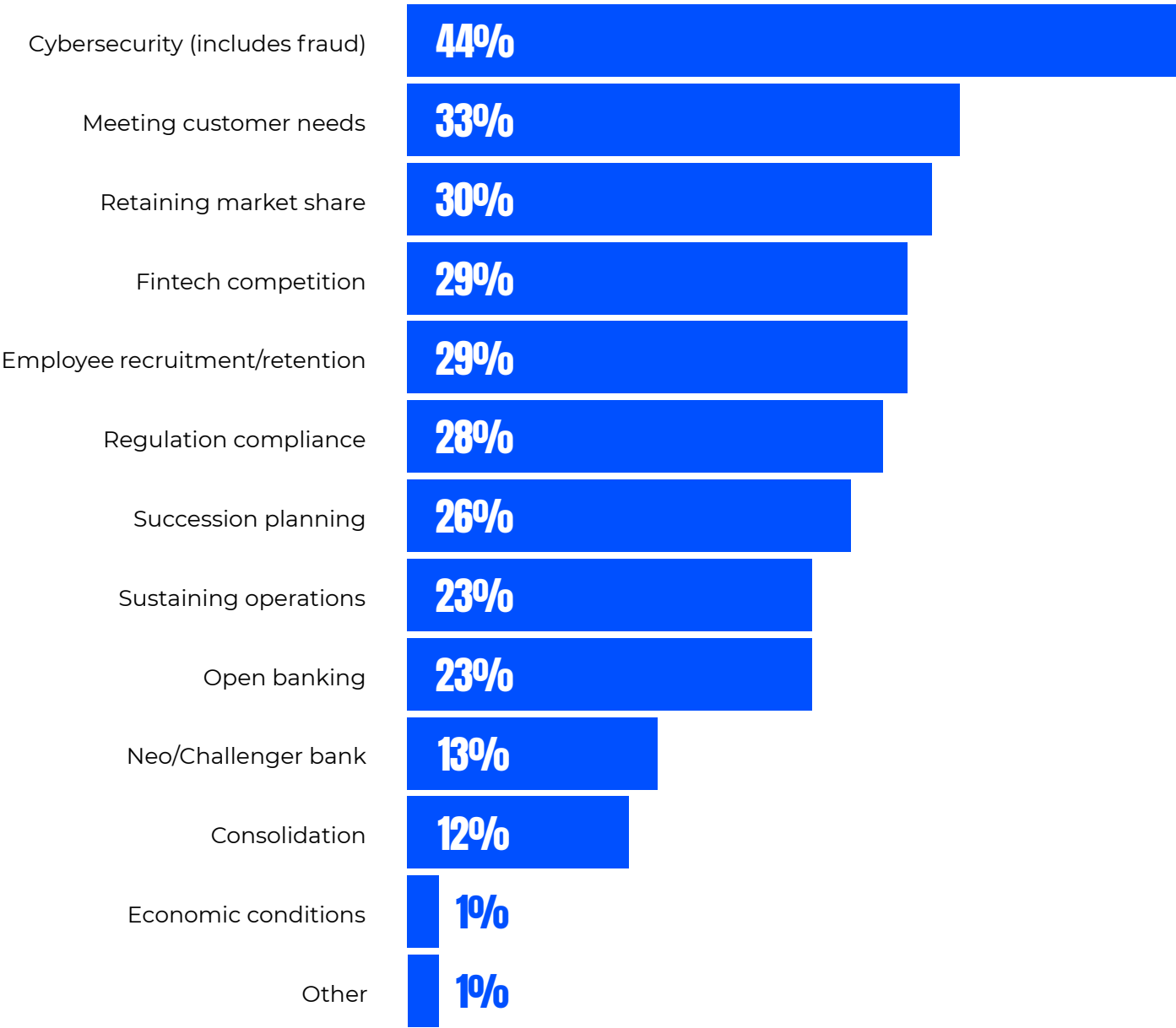
What effect do the following factors have on achieving your strategic priorities?



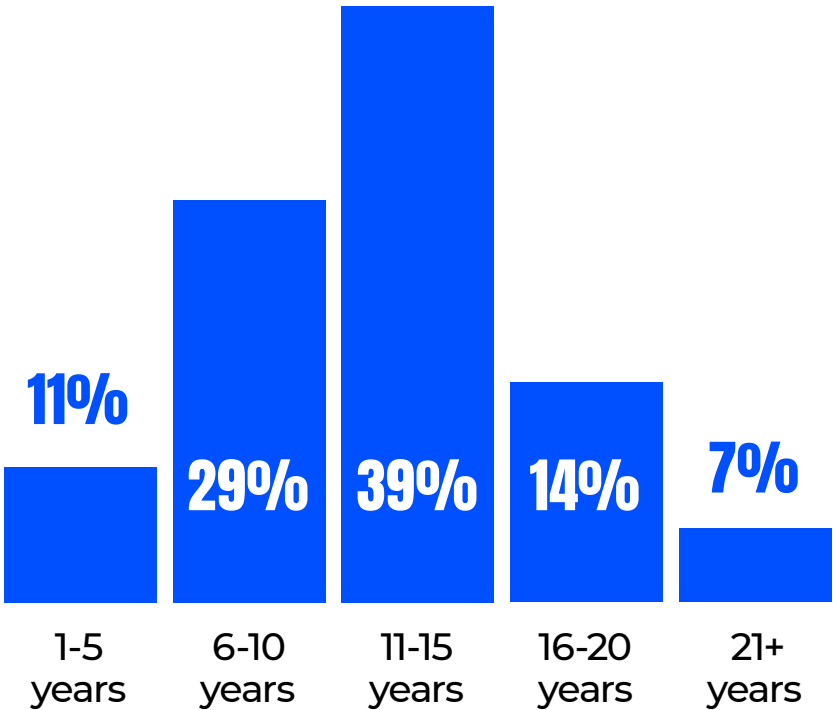
Which of the following functions have you considered outsourcing? (Select all that apply.)



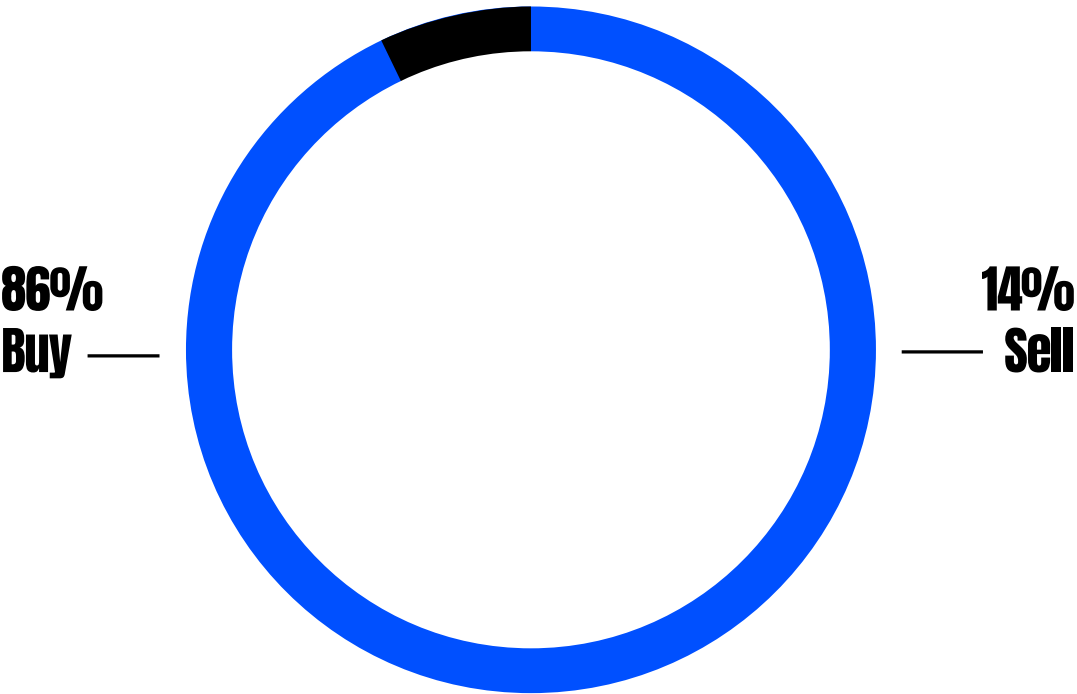
Of the following, please select your top three concerns.



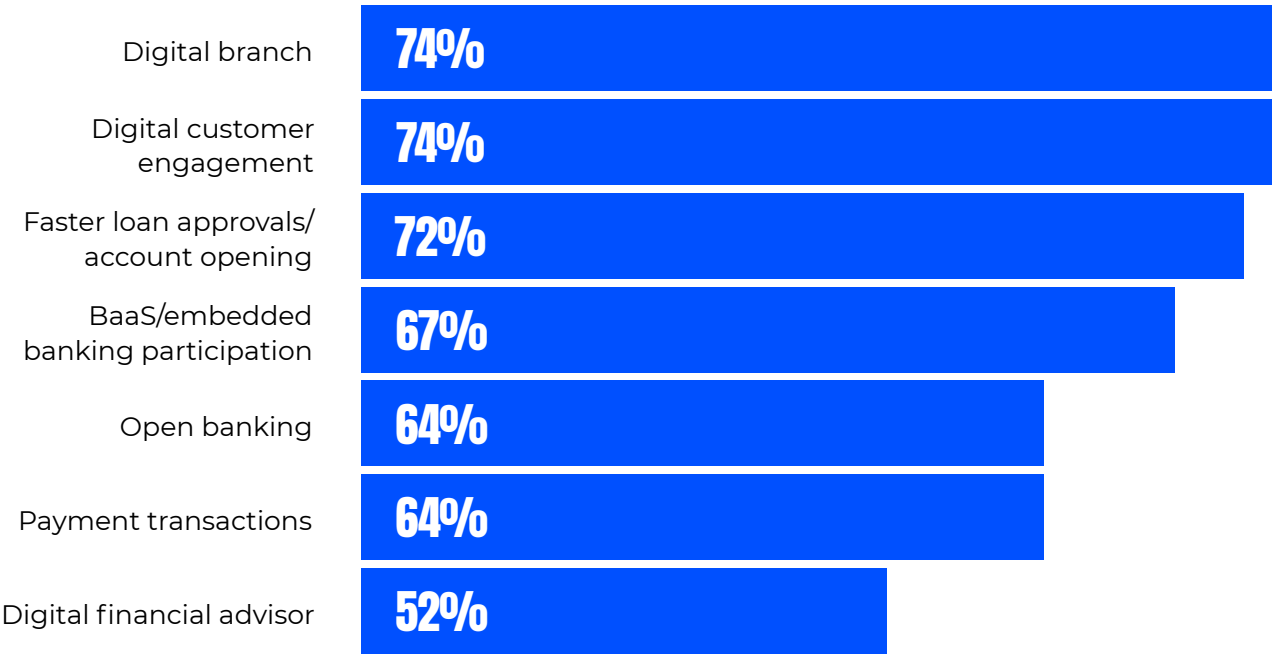
What are the average years of tenure of your executive team?



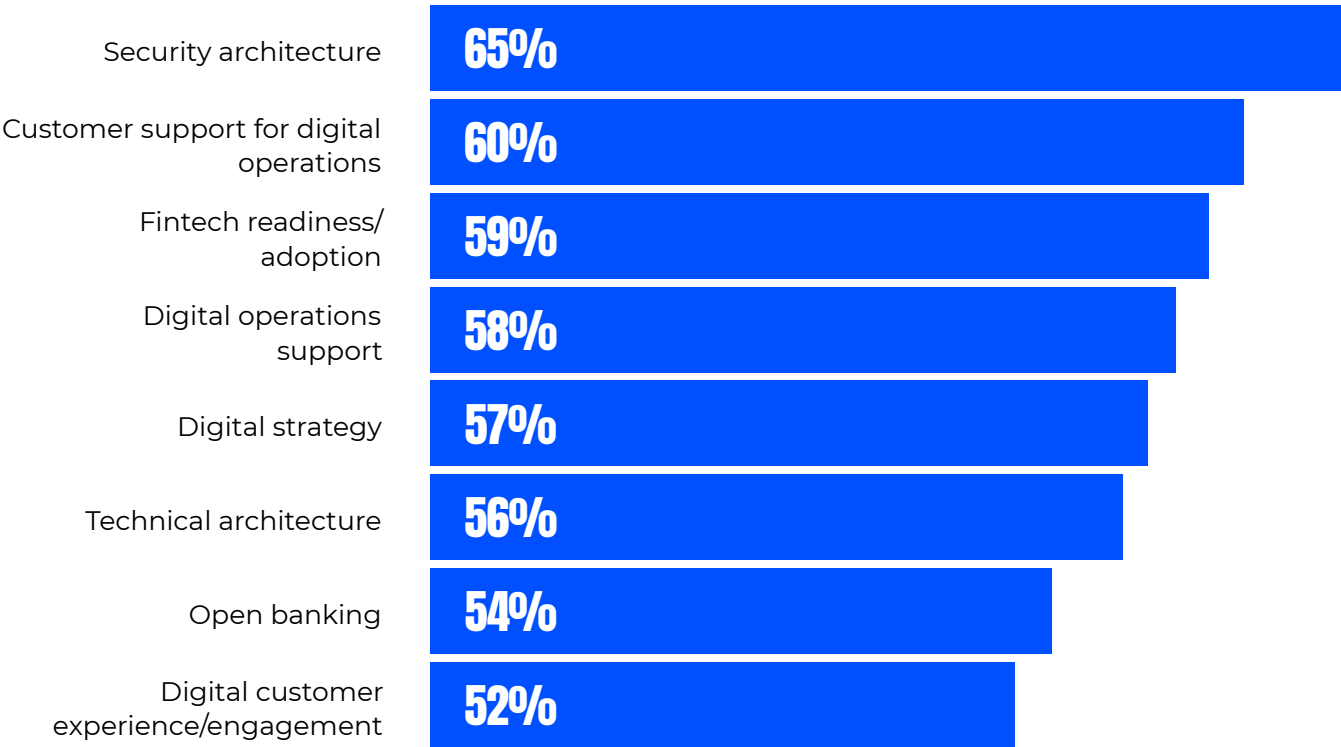
Are you planning to buy or sell?



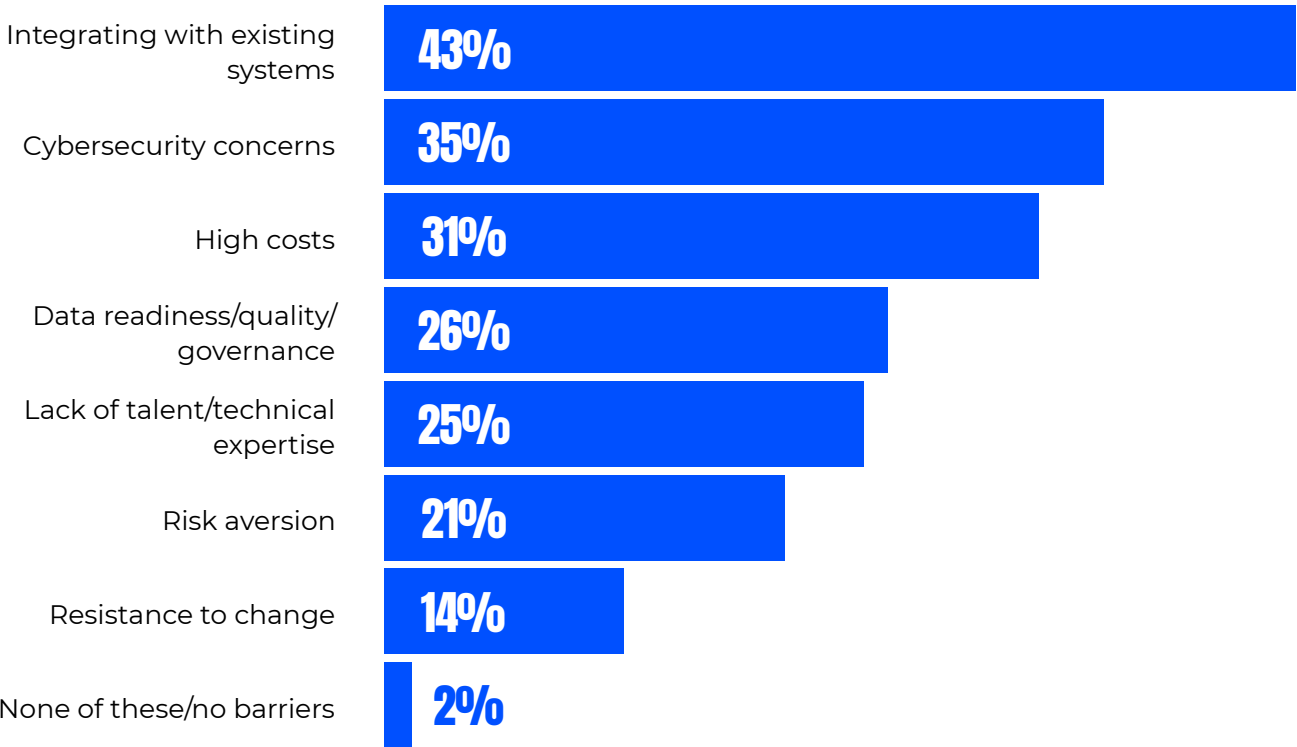
Of the following, which most closely defines digital transformation to you?



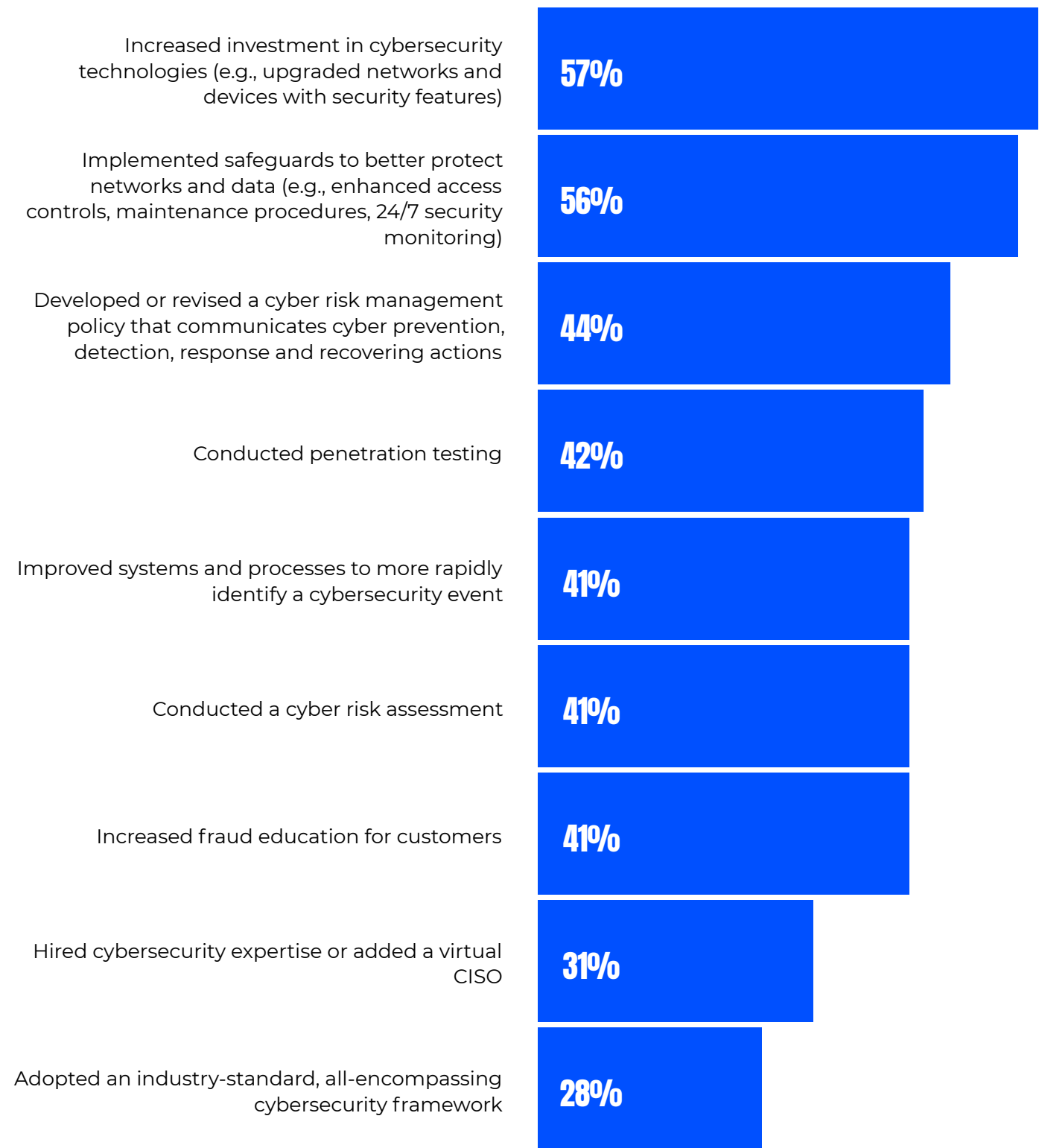
Please rate your institution's maturity level in the following digital transformation.



When it comes to digital transformation, what are the top two barriers (if any) holding you back? (Select up to two.)



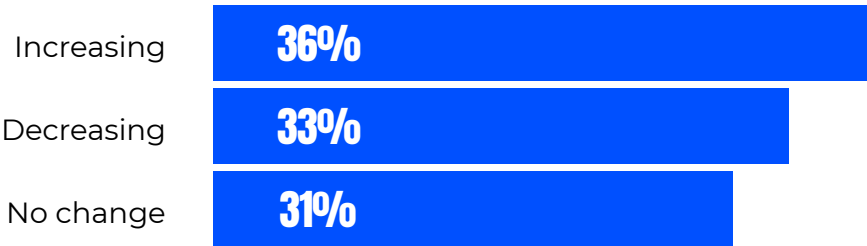
What actions has your credit union taken in the past 12 months to ensure the security of its network and data? (Select all that apply.)



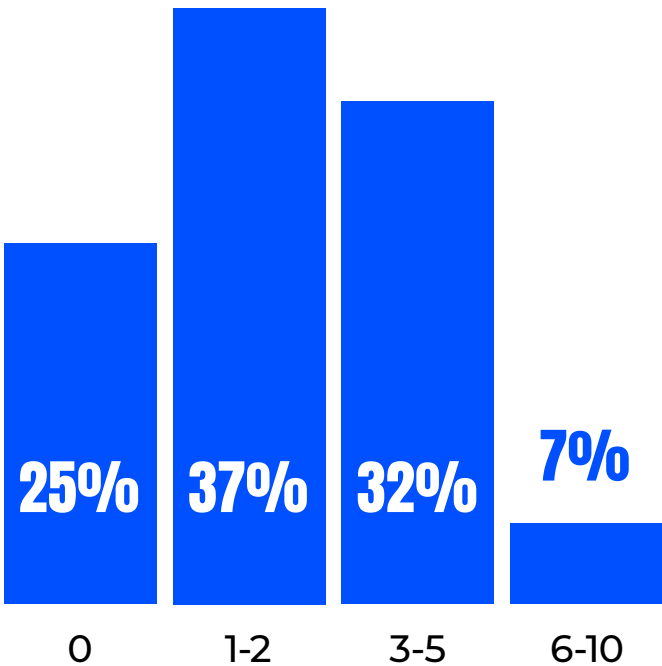
Which best describes the current level of fraud at your institution?



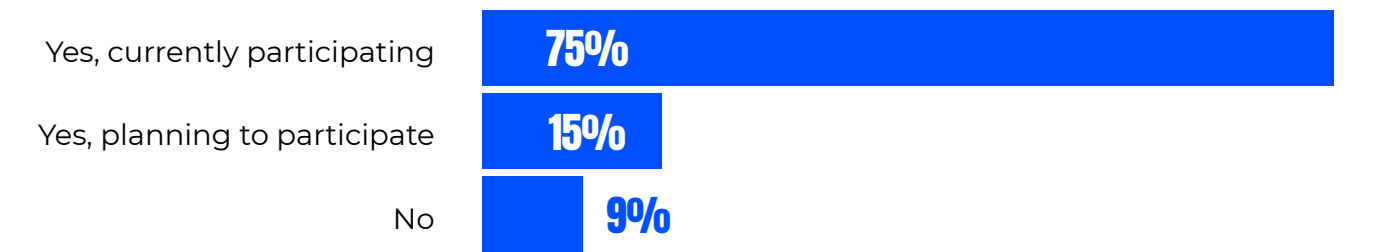
Which best describes the current level of cyberattacks on your institution?



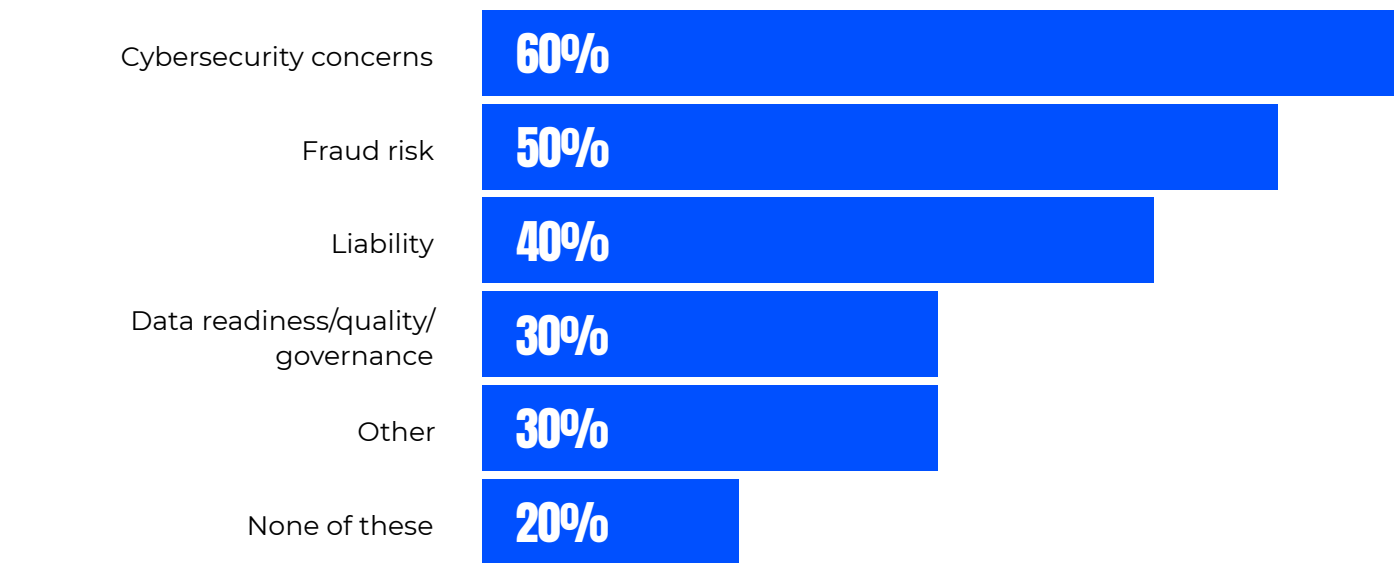
How many times in the past year has your credit union identified unauthorized access to networks and data?



Is your institution currently using or planning to use AI-based tools in the next 12 months?



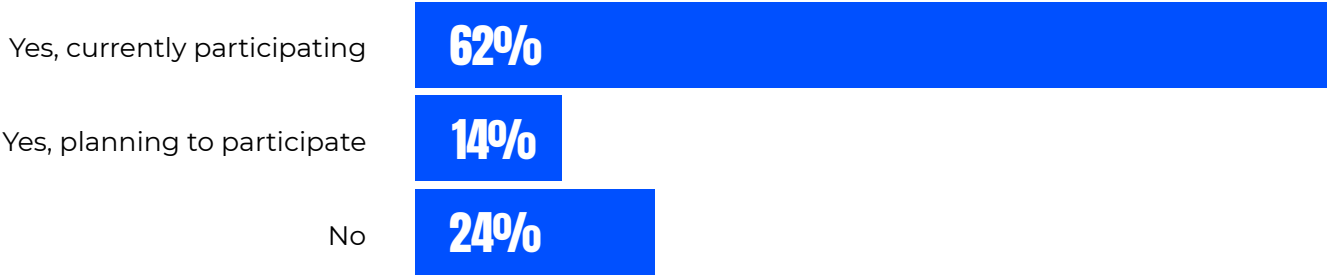
What are the top barriers (if any) preventing your institution from implementing AI-based tools? (Select all that apply.)



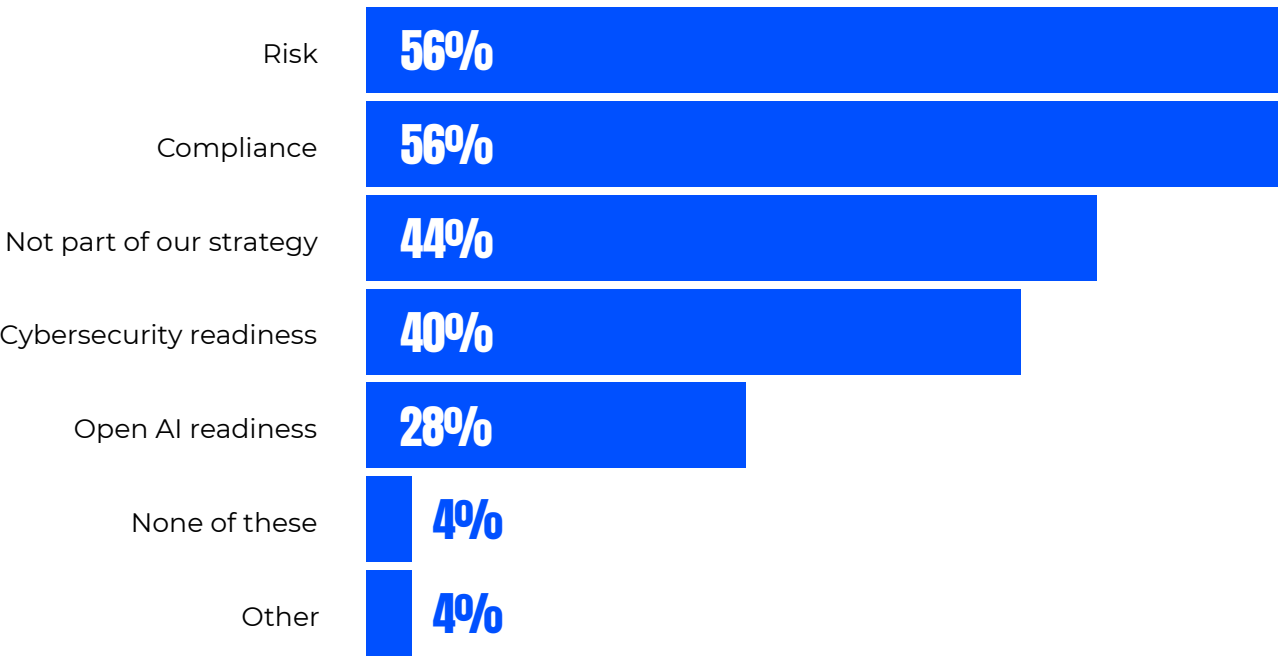
Other

- Implementation and understanding the limitations and benefits of AI
- Regulatory
- Unproven technology
- Expensive and limited usefulness for a small bank our size
- Cost

Is your institution currently participating or planning to participate in banking as a service (BaaS)/embedded banking or open AI services in the next 12 months?



What are the top barriers (if any) preventing your institution from participating in banking as a service (BaaS)/embedded banking or open AI services in the next 12 months? (Select all that apply.)



THEIR FUTURE DEPENDS ON YOUR PRESENT.

Your credit union needs to be as resilient as the members you serve. We can help.

Visit wipfli.com/credit-unions to learn more.

