Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Financial Conditions of Credit Unions, 2020: I

Issue 7, December 2020

Welcome to 'Financial Conditions of Credit Unions' Publication – 7th Edition

Welcome to the Seventh Edition of the Statistical Information release 'Financial Conditions of Credit Unions'. The purpose of this publication is to provide an overview of the financial health and key financial trends across the sector, and to inform credit unions and stakeholders and support strategic discussions at sector and individual credit union level. It also supports the application of our statutory mandate regarding the protection by each credit union of the funds of its members, and the maintenance of the financial stability and well-being of credit unions generally.

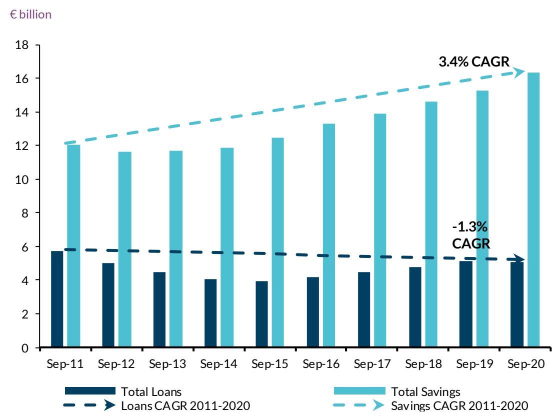
2020 has been an unprecedented year as the measures taken to protect public health in response to the COVID-19 pandemic have triggered an extraordinary economic shock. The full transmission of the shock to the Irish economy and financial system will take time. For credit unions, like other parts of the financial system, it has been a challenging year, both operationally and financially. However, credit unions came into this crisis with a strong reserves and liquidity position - with a sector average realised reserve ratio of 16.5 per cent and a sector average liquidity ratio of 36.8 per cent as at 30 September 2019.

Sector average reserve and liquidity levels have remained relatively stable so far during the pandemic period standing at 15.9 per cent and 34.4 per cent respectively at 30 September 2020. Credit unions have also been effective in maintaining continuity of services for their members during these challenging times, in large part given the hard work and commitment of volunteers and staff at individual credit union level, and effective collaboration between credit unions. However, the sector had already been facing sustainability challenges which have been further affected by COVID-19 impacts. It is important that in focussing on operational matters, that this does not distract boards from addressing the broader strategic and commercial challenges evident from the data and trends set out in this report.

Key Trends

One of the most striking features of recent trends is the growing gap between savings and loans as illustrated by the chart to the right.

Compound Annual Growth Rate of Loans and Savings



Savings - Savings growth has continued, and at more elevated levels during the pandemic period, with total sector savings increasing by 7 per cent from €15.3 billion to €16.3 billion in the twelve months to 30 September 2020.

Lending - Trends in lending and arrears have been more muted, with sector loans outstanding falling only marginally from €5.11 billion to €5.09 billion over the year to 30 September 2020. Sector average loan arrears rose slightly from 4.6 per cent to 4.8 per cent over the same period, with the composition of arrears trending towards a higher proportion of shorter-term arrears. Ongoing engagement with borrowers falling into arrears, or availing of payment breaks remains important, to ensure that the most appropriate and sustainable solutions are put in place for them, tailored to their circumstances.

Investments - As savings growth has continued to outpace the demand for credit union lending, sector investments have increased further in 2020 to c.€13 billion (up from €c.12.5 billion at 30 September 2019). Investments remain heavily weighted towards authorised credit institution deposits, generating significant concentrations in credit union investment portfolios.

In recent years, some credit unions have invested in UK credit institution deposits as they seek diversification. Forthcoming transitional changes to Central Bank investment regulations will help to address a potential Brexit impact by permitting credit unions to continue to hold such investments after 1 January 2021, if Boards choose to do so. Average return on investments declined further in the year to 30 September 2020, from 0.9 per cent to 0.7 per cent, given prevailing low interest rates.

Cost-Income Ratio - weaker cost income performance has resulted in an average sector cost-income ratio of 88 per cent at 30 September 2020 (up from 80 per cent for the prior year).Total sector reported surplus fell by c.40 per cent from €128.6 million for the year to 30 September 2019 to €74.1 million for the year to 30 September

2020, reflecting static loan interest income, declining investment returns and increasing operating costs. With retained earnings the only available source of capital for credit unions, this underlines the challenge credit unions may face in replacing capital utilised to absorb credit losses that may arise in this more challenging environment.

Overall, while the sector has shown resilience in 2020, the economic outlook is uncertain with COVID-19 and Brexit impacts potentially yet to be fully realised. A continuation of the trends identified in this report could see individual credit unions facing sustainability challenges over the medium term. Credit union boards must therefore focus on the risks that flow from the continuing balance sheet imbalances. Managing savings inflows and identifying and delivering on lending opportunities, is a core part of a broader commercial challenge for credit unions, which cannot be addressed through legislative or regulatory change. This relies on credit unions themselves.

We welcome the CEO Forum's recent publication of its workstream materials - it is a timely contribution to sector development. Now that the Forum is operationalised and functioning effectively, as planned we are stepping away from our secretariat role and we look forward to continuing our engagement with the Forum in our role as regulator of credit unions.

As thoughts turn to recovery in the economy and in communities across Ireland – now is the time for credit unions to focus on evolving the business model by using available lending capacity to serve members' needs on a safe and sound basis. This offers a path to sustainability, which puts members' savings to a productive economic use in line with the objects of credit unions, and helps ensure an ongoing funding need for growth in members' savings.

Capital requirements are not a barrier to credit union lending, and adequate levels of capital will underpin broader confidence in the sector through a period of business model change and economic uncertainty. As sustainability challenges persist, restructuring remains a key strategic option available to those credit unions where financial viability is in question.

Patrick Casey

Registrar of Credit Unions

Notes:

The data contained and presented in this publication is derived from data routinely submitted by credit unions to the Registry of Credit Unions. This data is sourced from the quarterly regulatory submissions and has been collated and consolidated by the Credit Institutions Analytics Team in the Risk Analysis, Data Analytics and Reporting Division of the Central Bank, in conjunction with the Registry of Credit Unions, to provide a sector-wide view of financial performance and position.

We hope that you will find this publication useful and informative. We welcome your comments or feedback including any suggestions on other financial analysis to be covered in future publications. Any feedback should be provided to rcuanalytics@centralbank.ie.

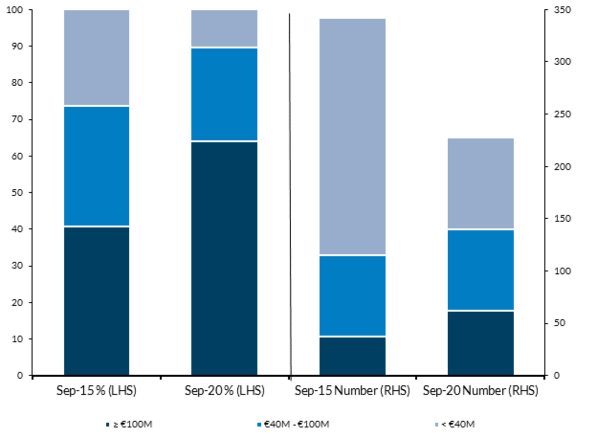
1. *Unless otherwise stated, prudential return data is as at 30 September of the relevant year (this document refers to data available on 04 December 2020).*
2. *Unless otherwise stated, trends are for the period 2015 to 2020. Some trends are varied based on the relevance and availability of the data.*
3. *Unless otherwise stated, the aggregate credit union data refers to all credit unions operating in the Republic of Ireland.*
4. *The list of registered credit unions is updated monthly and available at http://registers.centralbank.ie/.*
5. *Unless otherwise stated, "≥ €100M" relates to those credit unions with total assets of €100 million or more, "€40M - €100M" relates to credit unions with total assets between €40 million and €100 million and "<€40M" relates to credit unions with total assets of under €40 million.*

Financial Conditions of Credit Unions

Chart 1 | Sector asset buckets (by % of credit union assets and number of credit unions)

Per cent

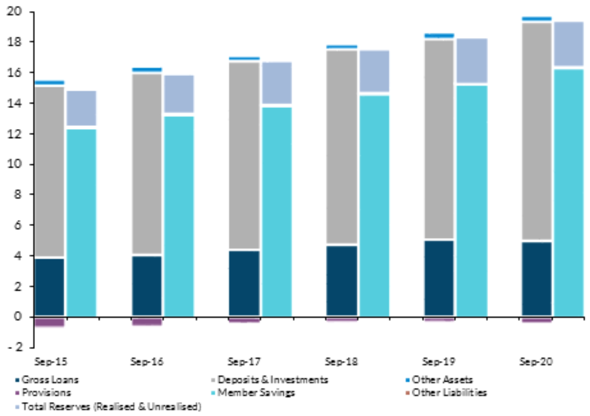
Number of credit unions



Source: Data submitted by credit unions to RCU

Chart 2 | Balance sheet structure

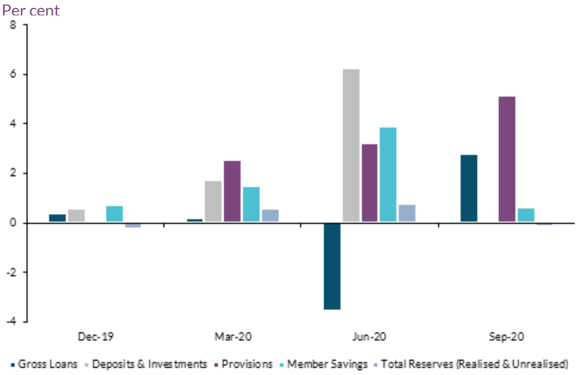
€ billion



Source: Data submitted by credit unions to RCU
Note: 'Deposits and Investments' includes cash & current accounts, deposit protection account, minimum reserve deposit held and total investments

Chart 3 | Balance sheet components – quarter on quarter movement

Per cent



Source: Data submitted by credit unions to RCU
Note: 'Deposits and Investments' includes cash & current accounts, deposit protection account, minimum reserve deposit held and total investments

1. Sector Overview

"Consolidation continues – COVID-19 impacts evident"

The profile of the sector (number of credit unions and asset size) has continued to change arising from voluntary restructuring. At 30 September 2020 there were 229 trading credit unions; down from 243 at 30 September 2019 and 343 at 30 September 2015. The number of credit unions with assets of at least €100 million has increased from 37 credit unions (representing 41 per cent of total sector assets) at 30 September 2015 to 62 credit unions (representing 64 per cent of total sector assets) at 30 September 2020. Over the period, the number of credit unions with assets of less than €40 million has fallen from 227 (representing 26 per cent of total sector assets) to 88 (representing 10 per cent of total sector assets) (Chart 1).

Total credit union assets have reached a record high of €19.42 billion at 30 September 2020 – increasing from €14.96billion at 30 September 2015 and from €18.33 billion at 30 September 2019.

Total sector savings stand at a 5-year high of €16.32 billion at 30 September 2020 – an increase of €1.05 billion on the total sector value at 30 September 2019. Deposits and investments remain the largest component of credit union assets, accounting for 74 per cent of assets at 30 September 2020 at €14.29 billion. Following a sustained year-on-year increase in the total sector loans outstanding, from €3.95 billion at 30 September 2015 to €5.11 billion at 30 September 2019, there has been a decrease to €5.09 billion at 30 September 2020. (Chart 2)

2020 Trends

Quarter on quarter fluctuations in the balance sheet components have been observed when analysing data between 30 September 2019 and 30 September 2020. These may reflect impacts arising from COVID-19 with fluctuations coinciding with the initial COVID-19 lockdown period (evident in the changes in the components between 31 March 2020 to 30 June 2020) and with the initial reopening of the country (evident in the changes in the components between 30 June 2020 to 30 September 2020).

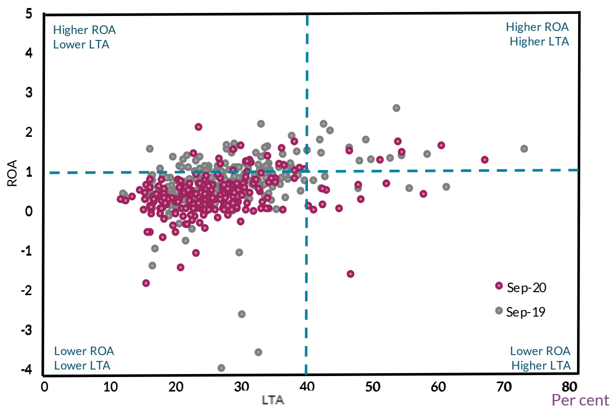
Member savings have grown quarter on quarter over the year 30 September 2019 to 30 September 2020 with the largest growth of 3.9 per cent seen from 31 March 2020 to 30 June 2020, coinciding with the initial impact of COVID-19 in Ireland. In the same period, total sector loans outstanding fell by 3.6 per cent from 31 March 2020 to 30 June 2020. This decline was partially reversed between 30 June 2020 and 30 September 2020 with total sector loans outstanding increasing by 2.8 per cent.

A corresponding increase in credit union investments is observable over the year with an increase of 6.3 per cent in the period from 31 March 2020 to 30 June 2020.

Provisions across the sector have increased by 11 per cent over the year 30 September 2019 to 30 September 2020

Chart 4 | Return on assets vs loans to assets

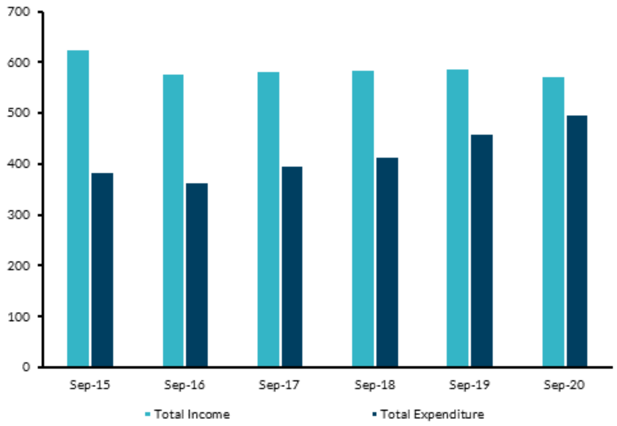
Per cent



Source: Data submitted by credit unions to RCU

Chart 5 | Income and expenditure

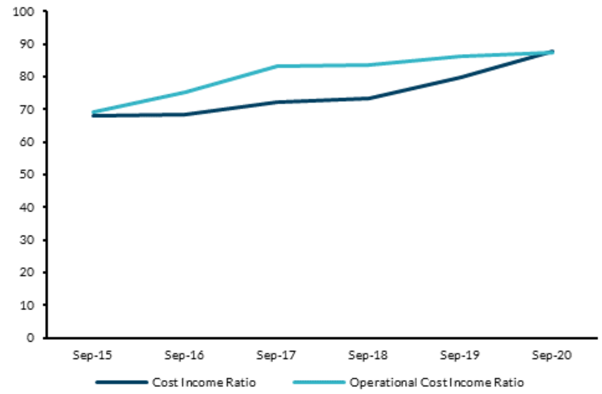
€ million



Source: Data submitted by credit unions to RCU

Chart 6 | Average cost-income ratio

Per cent



Source: Data submitted by credit unions to RCU
Note: Operational income includes interest income, investment income, financial support and other income (as reported by credit unions in the PR). Operational costs include net loan protection life savings insurance, salaries and related expenses, interest on borrowings, interest on deposits and other expenses (as reported in the PR).

and reserves have remained relatively static, increasing by 1 per cent over the year. (Chart 3)

The sector average loan to asset ratio (LTA) has decreased from 28 per cent at 30 September 2019 to 27 per cent at 30 September 2020. The range in reported LTA has remained largely unchanged since 30 September 2019 with LTA ranging from 12 per cent to 67 per cent at 30 September 2020.

The average return on assets (ROA) has fallen from 0.7 per cent at 30 September 2019 to 0.4 per cent at 30 September 2020 with 28 credit unions reporting negative ROA at 30 September 2020. The range in credit union ROA has shifted downward since 30 September 2019.

At 30 September 2019, 221 credit unions (92 per cent of credit unions) reported LTA less than 40 per cent and 169 of these (70 per cent of credit unions) also reported ROA less than 1 per cent. At 30 September 2020, 211 credit unions (93 per cent) reported LTA less than 40 per cent and 192 of these (84 per cent of credit unions) also reported ROA less than 1 per cent. 14 credit unions (6 per cent) reported LTA greater than 40 per cent and ROA greater than 1 per cent at 30 September 2019, compared with 6 credit unions (3 per cent) at 30 September 2020. (Chart 4)

2. Income and Expenditure

"Adverse cost-income ratio trends continue"

Total credit union sector annual income has fallen from €626 million at 30 September 2015 to €573 million at 30 September 2020. Following a decline from €384 million at 30 September 2015 to €364 million at 30 September 2016, total credit union sector annual expenditure has increased steadily year-on-year to €499 million at 30 September 2020. (Chart 5)

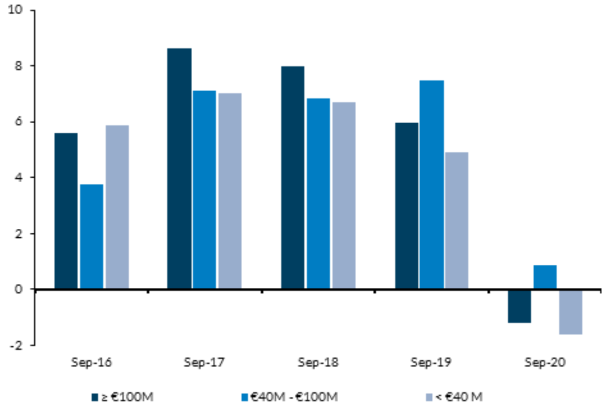
The average sector total cost-income ratio is at a 5-year high, increasing from 68 per cent at 30 September 2015 to 88 per cent at 30 September 2020.

The operational cost-income ratio (which excludes loan provisioning and non-recurring items) also increased over the period, from 69 per cent at 30 September 2015 to 87 per cent at 30 September 2020. However, from 30 September 2015 to 30 September 2019 it was higher than the total cost-income ratio as the net effect of provisioning (primarily write-backs) was positive and contributed to credit union surpluses.

In light of the COVID-19 crisis, this non-operational income buffer has declined and at 30 September 2020 the average total cost-income ratio has surpassed the average operational cost-income ratio again as non-operational items no longer contributed to annual surpluses. (Chart 6)

Chart 7 | Growth in gross loans outstanding year-on-year by asset bucket

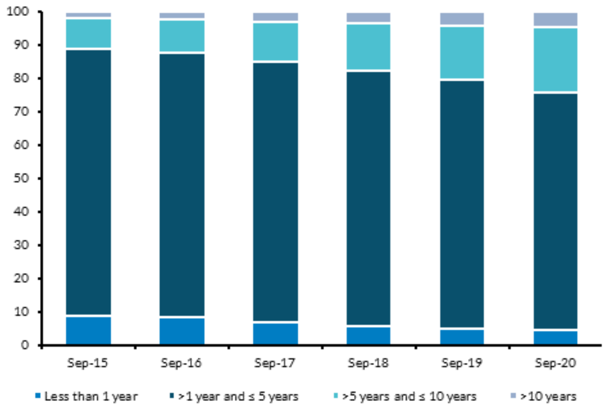
Per cent



Source: Data submitted by credit unions to RCU
Note: This graph is based on the 228 credit unions that reported for 30 September 2020 with the new loans of all transferor credit unions between September 2015 and September 2020 included in the new loans of their transferee credit unions for the purpose of calculating more accurate growth.

Chart 8 | Gross loans outstanding by time to maturity

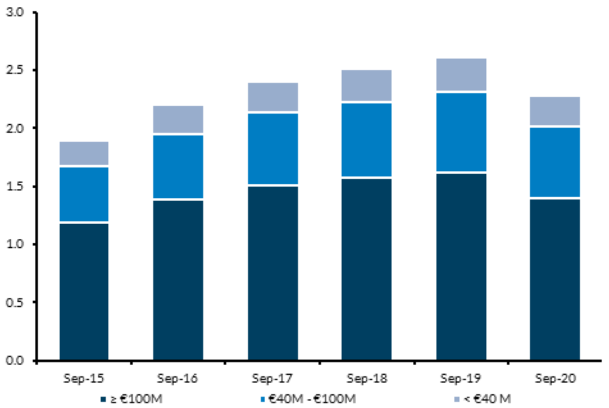
Per cent



Source: Data submitted by credit unions to RCU

Chart 9 | New lending amount

€ billion



Source: Data submitted by credit unions to RCU
Note: This graph is based on the 228 credit unions that reported for 30 September 2020 with the new loans of all transferor credit unions between September 2015 and September 2020 included in the new loans of their transferee credit unions for the purpose of calculating more accurate growth.

3. Lending

"COVID-19 Impacting Lending Growth- Credit quality a growing concern – marginal increase in reported arrears"

3.1. Gross Loans Outstanding

Following a period of growth in total loans outstanding across all asset buckets from 30 September 2015 to 30 September 2019, as a result of the onset of the COVID-19 crisis, there has been a reversal in this trend in the year to 30 September 2020. Credit unions with assets of at least €100 million and credit unions with assets of less than €40 million experienced a decline in their total loans outstanding while the total loans outstanding of credit unions with assets of between €40 million and €100 million grew at a much lower rate than preceding years.

Credit unions with assets of at least €100 million experienced a decline of 1.2 per cent in total loans outstanding for the year to 30 September 2020. For credit unions with assets of between €40 million and €100 million, after experiencing the largest growth in total loans outstanding for the year to 30 September 2019 of 7.5 per cent, loans continued to grow in the year to 30 September 2020, albeit at a significantly lower rate of 0.9 per cent. Credit unions with assets of less than €40 million experienced the largest decline in loans of 1.6 per cent for the year to 30 September 2020. Credit unions in this asset bucket also experienced the smallest growth in the previous year of 4.9 per cent. (Chart 7)

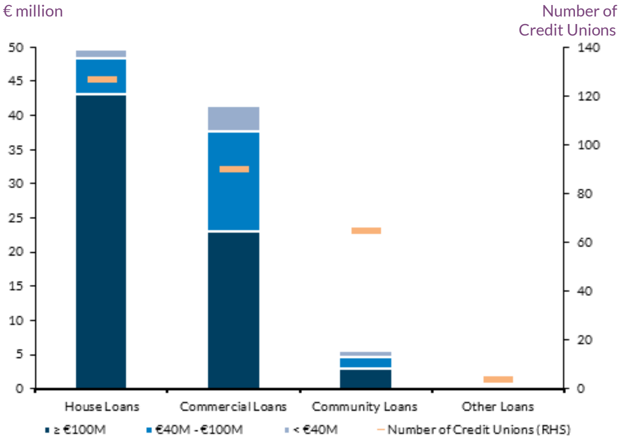
While total sector loans outstanding have declined over the last year, the trend towards loans with longer durations has continued. At 30 September 2015, the proportion of total sector loans outstanding with a maturity of greater than 5 years was 11 per cent (including 2 per cent with a maturity of greater than 10 years). At 30 September 2020, this proportion had increased to 24 per cent of total sector loans outstanding with a maturity of greater than 5 years (including 5 per cent with a maturity of greater than 10 years), compared with 21 per cent with a maturity of greater than 5 years at 30 September 2019 (including 4 per cent with a maturity of greater than 10 years). Correspondingly, the proportion of total sector loans with a maturity of less than one year has decreased from 9 per cent of total sector loans outstanding at 30 September 2015 to 5 per cent at 30 September 2019 and 4 per cent at 30 September 2020. (Chart 8)

This trend in loan duration is also reflected in new lending. The proportion of new loans advanced in the sector with a maturity greater than 5 years was 23 per cent for the year to 30 September 2020, up from 8 per cent for the year to 30 September 2015.

3.2. New Lending

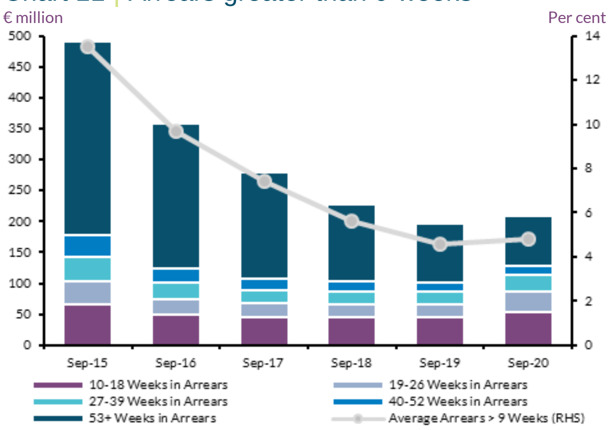
At 30 September 2019, the total value of new loans advanced was at a 4-year high with €2.6 billion new loans advanced reported by credit unions for the year to 30 September 2019. This upward trend that was emerging for new loans advanced in the sector has since reversed with a decrease to €2.3 billion new loans advanced

Chart 10| New lending by category (excluding personal lending) - September 2020



Source: Data submitted by credit unions to RCU
Note: The total value of new loans advanced reported as personal loans for the year to 30 September 2020 is €2.18 billion.

Chart 11 | Arrears greater than 9 weeks



Source: Data submitted by credit unions to RCU

reported by credit unions for the year to 30 September 2020, potentially reflecting impacts resulting from COVID-19.

Analysing the decrease in new loans advanced by credit union asset bucket, the value of new loans advanced by credit unions with assets of at least €100 million decreased from €1.6 billion for the year to 30 September 2019 to €1.4 billion for the year to 30 September 2020. The new loans of credit unions in this asset bucket accounted for 61 per cent of total new loans advanced for the year to 30 September 2020. The new loans advanced by credit unions with assets of between €40 million and €100 million decreased from €0.7 billion to €0.6 billion in the same period and the total value of new loans advanced by credit unions with assets of less than €40 million has remained largely unchanged over the period at €0.3 billion each year since 30 September 2016. For the year to 30 September 2020, the value of new loans advanced by credit unions with assets of less than €40 million accounted for 11 per cent of new loans advanced. (Chart 9)

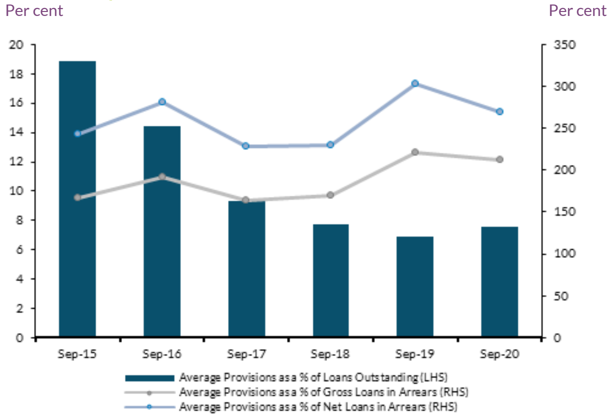
For the year to 30 September 2020, 96 per cent of total new loans advanced were reported as personal loans. 127 credit unions reported €49.7 million new house loans advanced (representing 2.2 per cent of total new loans advanced) for the year to 30 September 2020. 87 per cent of new house loans reported were reported by credit unions with assets of at least €100 million. 90 credit unions reported €41.5 million new commercial loans advanced (representing 1.8 per cent of total new loans advanced) for the year to 30 September 2020. 56 per cent of new commercial loans advanced were reported by credit unions with assets of at least €100 million, 35 per cent were reported by credit unions with assets of between €40 million and €100 million and 9 per cent by credit unions with assets of less than €40 million. (Chart 10)

3.3 Credit Quality

Following a period of decline in the level of arrears reported by credit unions, a slight increase can be observed during the year to 30 September 2020, corresponding with the onset of the COVID-19 crisis. The sector average rate of arrears has fallen from 13.5 per cent (€491 million) at 30 September 2015 to 4.6 per cent (€196 million) at 30 September 2019, with a slight increase in percentage and absolute amount to 4.8 per cent (€208 million) at 30 September 2020.

A trend in the composition of arrears towards a higher proportion of shorter-term arrears can also be observed, which again corresponds with the onset of the COVID-19 crisis. Of total loans in arrears, the proportion in arrears between 10 and 18 weeks has increased from 13 per cent of total loans in arrears at 30 September 2015 to 26 per cent at 30 September 2020. 64 per cent of total loans in arrears at 30 September 2015 were in arrears for 53 weeks or greater. Of total loans in arrears at 30 September

Chart 12| Provision coverage



Source: Data submitted by credit unions to RCU
Note: Net loans in arrears represents gross loans in arrears less attached savings

2020, the proportion in arrears for 53 weeks or greater has decreased to 38 per cent. (Chart 11)

An increase in provision coverage on total loans can be observed over the last year. The average level of bad debt provisions to total sector loans outstanding has increased from 6.9 per cent at 30 September 2019 to 7.5 per cent at 30 September 2020. The average provision coverage on gross loans in arrears has decreased from 221 per cent at 30 September 2019 to 212 per cent at 30 September 2020 and the average provision coverage on net loans in arrears (gross loans in arrears less attached savings) has decreased from 304 per cent to 270 per cent over the same period. (Chart 12)

Box A: Update on Credit Union Payment Breaks

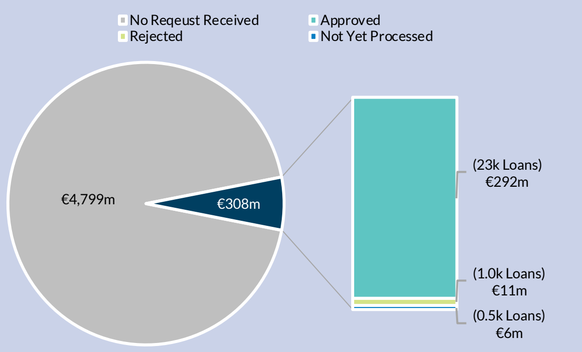
In response to the COVID-19 pandemic, individual credit unions, in line with other financial services firms in Ireland (including retail banks, retail credit firms, credit servicing firms), took the decision to provide loan payment break arrangements to their members affected by the crisis across all major loan categories (including personal, house and commercial loans) to provide breathing space to those impacted by COVID-19. A payment break is an agreement between a borrower and a firm to postpone all or part of the loan repayments for an agreed period of time.

Engagement with individual credit unions[1] indicates that the total level of such requests by number and by value, is not substantial in the context of total credit union sector lending. Overall, the reported level of payment break requests of €308 million (relating to c.24,700 loans) represented c.6 per cent of gross loans outstanding at end-October 2020. Unlike retail banking, the nature of payment breaks offered by credit unions indicates a variety of different approaches / practices tailored for the borrower. These short term loan arrangements include, covering interest only, part capital and interest reductions and savings to loan transfers. For house loans, the majority of arrangements relate to full moratorium payment break requests.

The value of payment breaks active in the sector initially peaked in June reflecting the impacts of the first national lockdown – as of the end of June 2020, credit unions reported €182 million active payment breaks (representing 4 per cent of gross loans outstanding), relating to c.14,000 loans. This has fallen to €47 million active payment breaks (representing 1 per cent of gross loans outstanding) and relating to c.3,500 loans at end-October 2020. This represents a 74 per cent decrease in the value of active payment breaks in the sector between end-June and end-October as the majority of payment breaks have now expired. Future 'lockdown' events may require further payment breaks and engagement with borrowers who experience difficulties.

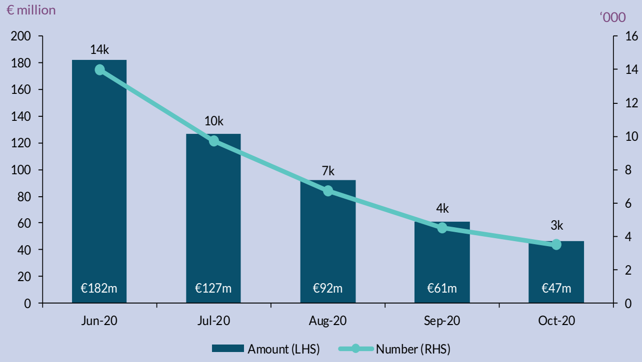
At end-October 2020, personal loans account for 86 per cent of active payment breaks outstanding, with house loans accounting for 10 per cent of active payment breaks outstanding and commercial loans accounting for 3 per cent of active payment breaks outstanding.

Chart A | Request Status of Sector End-October



Source: Monthly Loan data submitted to RCU

Chart B | Active Loan Payment Breaks End-October

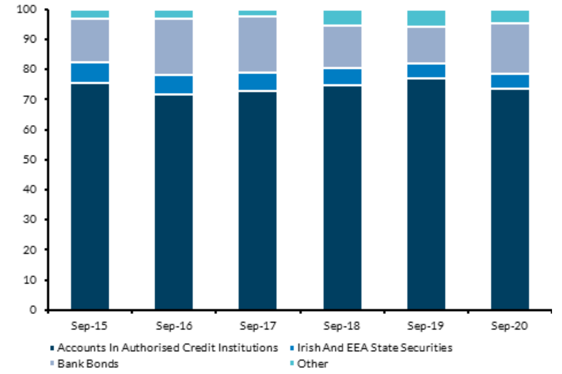


Source: Monthly Loan data submitted to RCU

[1]Credit unions have been providing additional monthly data on payment breaks related to the impact of COVID-19 to The Registry of Credit Unions since April 2020

Chart 13 | Composition of credit union investments

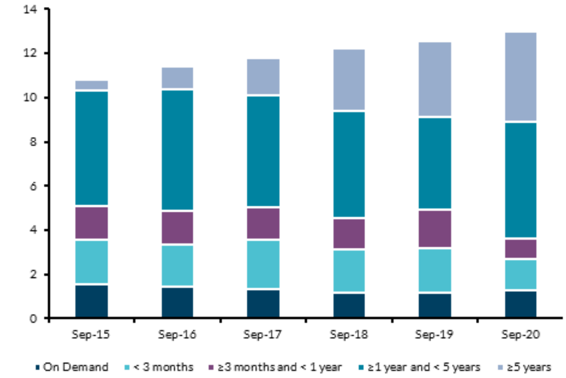
Per cent



Source: Data submitted by credit unions to RCU
Note: From March-18 onwards credit unions report supranational bonds with Irish and EEA State Securities
Note: Other incorporates all other investments reported by credit unions in the PR

Chart 14 | Investments by duration

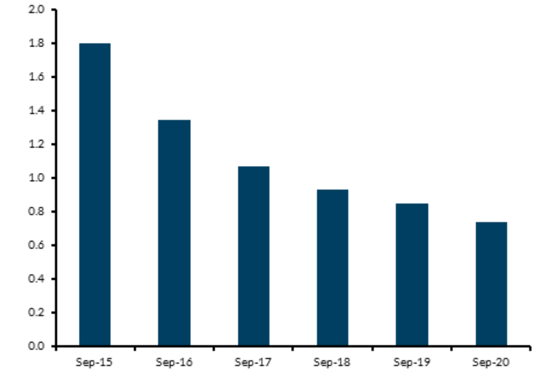
€ billion



Source: Data submitted by credit unions to RCU

Chart 15 | Average return on investments

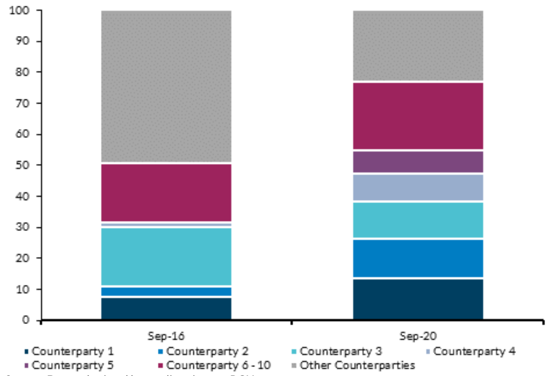
Per cent



Source: Data submitted by credit unions to RCU

Chart 16 | Top counterparties 2020 - exposure 2016 vs 2020

Per cent



Source: Data submitted by credit unions to RCU
Note: Analysis of counterparties 1-10 is based on the named counterparties reported by credit unions in the prudential return. Irish and EEA State securities are included in other.
Note: Credit unions do not report a definitive list of all counterparties in their prudential return.
Note: Data analysed from 2016 onwards for consistency of data due to reporting change in 2016

4. Investments

"Investments continue to shift longer"

The total value of credit union investments has increased each year over the period, from €10.8 billion at 30 September 2015, to €13 billion at 30 September 2020.

Accounts in authorised credit institutions remain the largest single component of credit union investments, accounting for more than 70 per cent of investments throughout the period. Over the last year, a small decrease in the proportion of investments in this category has been observed. At 30 September 2019, 77 per cent of total credit union investments were in accounts in authorised credit institutions, compared with 74 per cent at 30 September 2020. There has been an increase in the proportion of total credit union investments in bank bonds from 12 per cent at 30 September 2019 compared with 17 per cent at 30 September 2020. (Chart 13)

There has also been a continued trend towards more investments with longer maturities. The amount of investments with a maturity of greater than 5 years has increased from €0.5 billion at 30 September 2015 to €4.05 billion at 30 September 2020.

Analysing investments with maturity less than one year (on demand, less than three months, three months to one year), after remaining broadly unchanged from 30 September 2015 to 30 September 2019, the total value of investments less than one year has fallen to €3.6 billion at 30 September 2020 from €5.1 billion at 30 September 2015. (Chart 14)

While the total value of credit union investments continues to grow, there has been a steady decline in the average return on investments over the period. At 30 September 2015, the average sector return on investments stood at 1.8 per cent. This has decreased to 0.7 per cent at 30 September 2020. This reflects the prevailing low interest rate environment. (Chart 15)

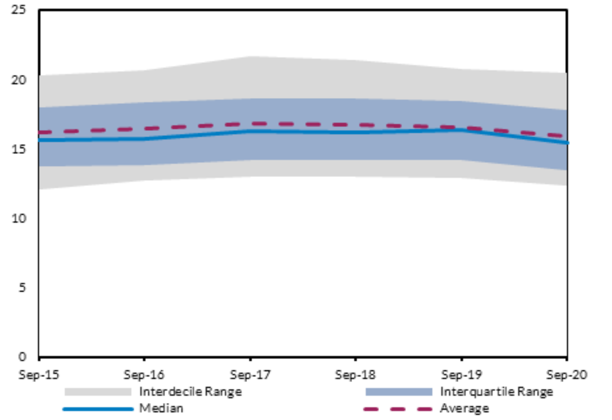
Credit unions invest in a wide range of counterparties. However, a large proportion of their overall investments are held with a relatively small number of counterparties. As at 30 September 2020, 55 per cent of credit union investments were held across 5 counterparties and 77 per cent of credit union investments were held across 10 counterparties.

The level of counterparty concentration has fallen since 30 September 2016 when 66 per cent of investments were reported as being held across the top 5 counterparties and 84 per cent of investments were reported as being held across the top 10 counterparties.

Over the four years, there have been changes in the top 5 counterparties with 3 different counterparties falling within the top 5 counterparties at 30 September 2020 compared with 30 September 2016. Investments with these top 5 counterparties (at 30 September 2020) accounted for 55 per cent of investments at 30 September 2020 and 32 per cent at 30 September 2016. (Chart 16)

Chart 17 | Total Realised Reserves

Per cent

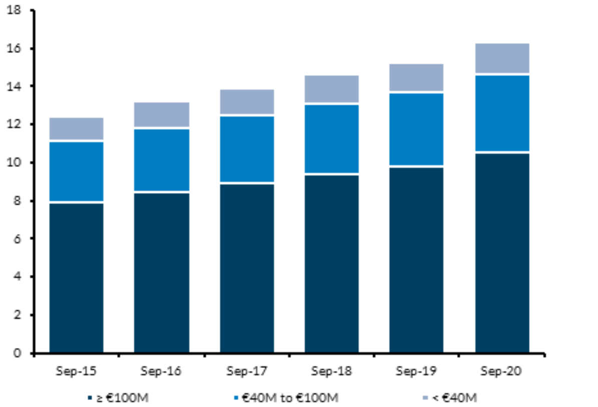


Source: Data submitted by credit unions to RCU

Note: The interquartile and interdecile ranges are measures of dispersion of the values in the dataset – the interquartile range shows the difference between the 75th percentile (the value below which 75 per cent of values were reported) and the 25th percentile (the value below which 25 per cent of values were reported) and the interdecile range shows the difference between the 90th percentile (the value below which 90 per cent of values were reported) and the 10th percentile (the value below which 10 per cent of values were reported

Chart 18 | Total sector savings by asset bucket

€ billion

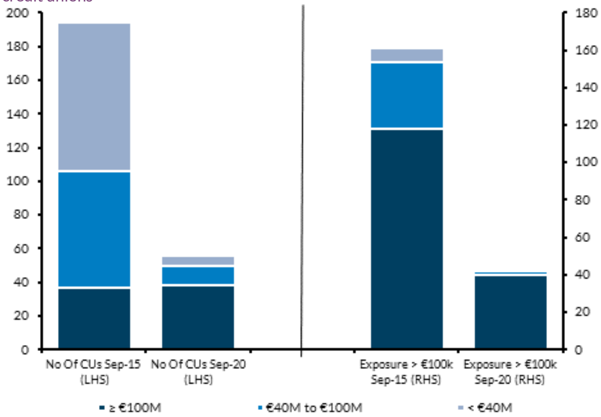


Source: Data submitted by credit unions to RCU

Note: This graph is based on the 228 credit unions that reported for 30 September 2020 with the savings of all transferor credit unions between September 2015 and September 2020 included in the savings of their transferee credit unions for the purpose of calculating more accurate growth.

Chart 19 | Savings greater than €100,000

Number of credit unions | € million



Source: Data submitted by credit unions to RCU

5. Reserves and Savings

"COVID-19 drives saving inflows – Reserves remain relatively flat"

5.1. Reserves

Total realised reserves (TRR) have increased over the period 30 September 2015 to 30 September 2020 but remained largely unchanged over the year to 30 September 2020, with TRR increasing from €2.97bn to €3bn between September 2019 and September 2020.The range in the TRR ratio across the sector has remained largely the same throughout the period. The sector average and median – which have been broadly in line with each other over the period – both showed a decrease with the average TRR falling from 16.5 per cent at 30 September 2019 to 15.9 per cent at 30 September 2020 and the median TRR falling from 16.3 per cent to 15.5 per cent over the year.

At 30 September 2020, the 10th percentile remains above the 10 per cent minimum regulatory reserve requirement – with 90 per cent of credit unions reporting higher than 12.4 per cent at 30 September 2020. (Chart 17)

3 credit unions reported TRR below the 10 per cent minimum regulatory requirement – none of which were below 7.5 per cent.

5.2. Savings

There has been an inflow in credit union savings over the period with a large increase observed since 30 September 2019 reflecting trends associated with the COVID-19 crisis.

At the same time the proportion of member savings with credit unions in each of the asset buckets has remained unchanged throughout the period with 64 per cent of total credit union savings (€10.5 billion) held with credit unions with assets of at least €100 million, 25 per cent (€4.1 billion) with credit unions with assets of between €40 million and €100 million and 10 per cent (€1.7 billion) with credit unions with savings of less than €40 million at 30 September 2020. (Chart 18)

Credit unions are permitted to hold a maximum of savings of €100,000 per member[1]. Following the introduction of the €100,000 individual member savings limit regulation in the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016, the sectoral exposure to savings over €100,000 has reduced significantly – down from €160.9 million reported by 194 credit unions at 30 September 2015, to €41.9 million reported by 56 credit unions at 30 September 2020.

At 30 September 2020, 38 credit unions with assets of at least €100 million reported a €40.1 million exposure above €100,000 per member. 12 credit unions with assets between €40 million and €100 million reported a €1.7 million exposure above €100,000 per member and 6 credit unions with assets of less than €40 million reported a €0.1 million exposure above €100,000 per member. (Chart 19)

[1] Credit unions with assets of at least €100 million may seek approval from the Central Bank to accept individual member savings greater than €100,000 and credit unions where individual members' savings exceeded €100,000 on commencement of the regulations were allowed to apply to the Central Bank for approval to continue to retain these savings.

Appendix | 2015 to 2020 Credit Union Sector Data Tables

Sep-20				
		Asset Bucket		Total Sector
	< €40M	€40M - €100M	≥ €100M	
No. Credit Unions that have Submitted Returns	**88**	**78**	**62**	**228**
Average Surplus / Deficit	€0.11M	€0.27M	€0.70M	€0.32M
Total Surplus / Deficit	€9.70M	€20.68M	€43.71M	€74.09M
Average Assets	€22.65M	€63.80M	€200.75M	€85.16M
Total Assets	€1.99BN	€4.98BN	€12.45BN	€19.42BN
Total Loans	€0.54BN	€1.33BN	€3.22BN	€5.09BN
Total Investments	€1.28BN	€3.33BN	€8.36BN	€12.97BN
Total Savings	€1.67BN	€4.15BN	€10.51BN	€16.32BN
Total Reserves	€0.32BN	€0.80BN	€1.88BN	€3.01BN
Average ROA	0.44%	0.43%	0.32%	0.40%
Average Liquidity	39.31%	32.22%	30.09%	34.38%
Average Arrears > 9 weeks	5.68%	4.40%	4.10%	4.81%
Average Realised Reserves	16.11%	16.18%	15.30%	15.91%
Lending > 5 Years	17.95%	23.20%	24.17%	21.44%
Lending > 10 Years	1.52%	2.88%	5.33%	3.02%
Average Loan	€7,041	€7,559	€8,202	€7,889
Average New Loan	€4,738	€4,976	€5,168	€5,063
Average Savings per Member	€3,881	€4,210	€5,163	€4,731

Sep-19				
		Asset Bucket		Total Sector
	< €40M	€40M - €100M	≥ €100M	
No. Credit Unions that have Submitted Returns	**103**	**83**	**55**	**241**
Average Surplus / Deficit	€0.14M	€0.52M	€1.29M	€0.53M
Total Surplus / Deficit	€14.79M	€43.06M	€70.77M	€128.62M
Average Assets	€21.58M	€64.64M	€195.27M	€76.05M
Total Assets	€2.22BN	€5.37BN	€10.74BN	€18.33BN
Total Loans	€0.64BN	€1.48BN	€2.99BN	€5.11BN
Total Investments	€1.45BN	€3.69BN	€7.39BN	€12.53BN
Total Savings	€1.85BN	€4.44BN	€8.99BN	€15.27BN
Total Reserves	€0.37BN	€0.90BN	€1.71BN	€2.98BN
Average ROA	0.62%	0.83%	0.65%	0.70%
Average Liquidity	39.71%	34.84%	34.16%	36.76%
Average Arrears > 9 weeks	5.45%	3.97%	3.89%	4.59%
Average Realised Reserves	16.62%	16.77%	16.00%	16.53%
Lending > 5 Years	14.42%	18.48%	21.78%	17.50%
Lending > 10 Years	1.46%	2.55%	5.38%	2.73%
Average Loan	€6,615	€6,937	€7,905	€7,424
Average New Loan	€4,243	€4,272	€4,700	€4,502
Average Savings per Member	€3,615	€4,041	€4,897	€4,434

Sep-18				
		Asset Bucket		Total Sector
	< €40M	€40M - €100M	≥ €100M	
No. Credit Unions that have Submitted Returns	**117**	**81**	**54**	**252**
Average Surplus / Deficit	€0.20M	€0.65M	€1.77M	€0.68M
Total Surplus / Deficit	€22.85M	€52.39M	€95.59M	€170.84M
Average Assets	€21.09M	€63.49M	€185.15M	€69.88M
Total Assets	€2.47BN	€5.14BN	€10.00BN	€17.61BN
Total Loans	€0.70BN	€1.36BN	€2.73BN	€4.79BN
Total Investments	€1.65BN	€3.62BN	€6.97BN	€12.24BN
Total Savings	€2.05BN	€4.24BN	€8.34BN	€14.63BN
Total Reserves	€0.41BN	€0.88BN	€1.61BN	€2.91BN
Average ROA	0.92%	1.04%	0.95%	0.96%
Average Liquidity	40.96%	33.89%	34.49%	37.30%
Average Arrears > 9 weeks	6.45%	5.05%	4.81%	5.65%
Average Realised Reserves	16.78%	17.02%	16.17%	16.72%
Lending > 5 Years	11.93%	15.38%	19.21%	14.60%
Lending > 10 Years	1.40%	2.02%	4.66%	2.30%
Average Loan	€6,362	€6,566	€7,549	€7,057
Average New Loan	€4,054	€3,996	€4,494	€4,269
Average Savings per Member	€3,561	€4,010	€4,777	€4,330

Sep-17				
	Asset Bucket			Total Sector
	< €40M	€40M - €100M	≥ €100M	
No. Credit Unions that have Submitted Returns	**142**	**78**	**53**	**273**
Average Surplus / Deficit	€0.20M	€0.70M	€1.94M	€0.68M
Total Surplus / Deficit	€27.97M	€54.52M	€102.62M	€185.11M
Average Assets	€19.73M	€61.66M	€173.05M	€61.47M
Total Assets	€2.80BN	€4.81BN	€9.17BN	€16.78BN
Total Loans	€0.78BN	€1.24BN	€2.43BN	€4.46BN
Total Investments	€1.88BN	€3.42BN	€6.50BN	€11.81BN
Total Savings	€2.32BN	€3.96BN	€7.63BN	€13.92BN
Total Reserves	€0.47BN	€0.83BN	€1.50BN	€2.80BN
Average ROA	1.02%	1.15%	1.07%	1.07%
Average Liquidity	41.07%	32.29%	31.09%	36.62%
Average Arrears > 9 weeks	8.36%	6.42%	6.31%	7.41%
Average Realised Reserves	16.92%	17.16%	16.21%	16.85%
Lending > 5 Years	9.74%	12.91%	16.17%	11.89%
Lending > 10 Years	1.28%	1.67%	4.00%	1.92%
Average Loan	€6,022	€6,263	€7,198	€6,691
Average New Loan	€3,738	€3,740	€4,263	€4,004
Average Savings per Member	€3,474	€3,900	€4,680	€4,198

Sep-16				
	Asset Bucket			Total Sector
	< €40M	€40M - €100M	≥ €100M	
No. Credit Unions that have Submitted Returns	**163**	**81**	**48**	**292**
Average Surplus / Deficit	€0.22M	€0.77M	€2.44M	€0.73M
Total Surplus / Deficit	€35.38M	€62.05M	€116.93M	€214.37M
Average Assets	€18.45M	€60.57M	€167.56M	€54.65M
Total Assets	€3.01BN	€4.91BN	€8.04BN	€15.96BN
Total Loans	€0.87BN	€1.24BN	€2.04BN	€4.15BN
Total Investments	€2.04BN	€3.58BN	€5.81BN	€11.43BN
Total Savings	€2.51BN	€4.08BN	€6.69BN	€13.29BN
Total Reserves	€0.48BN	€0.80BN	€1.32BN	€2.60BN
Average ROA	1.04%	1.24%	1.43%	1.16%
Average Liquidity	39.30%	32.03%	30.64%	35.85%
Average Arrears > 9 weeks	10.30%	9.39%	8.20%	9.70%
Average Realised Reserves	16.64%	16.31%	16.27%	16.49%
Lending > 5 Years	8.37%	10.50%	13.97%	9.88%
Lending > 10 Years	1.08%	1.74%	3.06%	1.59%
Average Loan	€5,963	€5,981	€6,988	€6,432
Average New Loan	€3,515	€3,515	€4,068	€3,765
Average Savings per Member	€3,364	€3,688	€4,738	€4,068

Sep-15				
	Asset Bucket			Total Sector
	< €40M	€40M - €100M	≥ €100M	
No. Credit Unions that have Submitted Returns	**227**	**78**	**37**	**342**
Average Surplus / Deficit	€0.25M	€0.99M	€2.93M	€0.71M
Total Surplus / Deficit	€56.01M	€77.45M	€108.24M	€241.70M
Average Assets	€17.26M	€63.23M	€165.08M	€43.74M
Total Assets	€3.92BN	€4.93BN	€6.11BN	€14.96BN
Total Loans	€1.12BN	€1.23BN	€1.61BN	€3.95BN
Total Investments	€2.73BN	€3.65BN	€4.44BN	€10.82BN
Total Savings	€3.28BN	€4.11BN	€5.09BN	€12.49BN
Total Reserves	€0.62BN	€0.80BN	€0.99BN	€2.42BN
Average ROA	1.31%	1.50%	1.80%	1.40%
Average Liquidity	44.40%	35.39%	34.76%	41.27%
Average Arrears > 9 weeks	13.81%	13.54%	11.86%	13.54%
Average Realised Reserves	16.32%	15.99%	16.02%	16.21%
Lending > 5 Years	8.72%	10.27%	13.27%	9.56%
Lending > 10 Years	1.28%	2.20%	2.67%	1.64%
Average Loan	€5,773	€5,857	€7,090	€6,275
Average New Loan	€3,228	€3,243	€3,767	€3,430
Average Savings per Member	€3,215	€3,680	€4,976	€3,949

Definitions	
Average Surplus / Deficit	Average of all 'Year to Date Surplus (Deficit)' reported by individual credit unions in the quarterly prudential returns
Total Surplus / Deficit	Sum of all 'Year to Date Surplus (Deficit)' reported by individual credit unions in the quarterly prudential returns
Average Assets	Average of 'Total Assets' reported by individual credit unions in the quarterly prudential returns
Total Assets	Sum of 'Total Assets' reported by individual credit unions in the quarterly prudential returns
Total Loans	Sum of total gross loans outstanding reported by individual credit unions in the quarterly prudential returns
Total Investments	Sum of 'Total Investments' reported by individual credit unions in the quarterly prudential returns
Total Savings	Sum of 'Members' Shares Regular', 'Members' Shares Term', 'Members' Shares Special', 'Members' Deposits' and 'Other Members' Funds' reported by individual credit unions in the quarterly prudential returns
Total Reserves	Sum of 'Total Reserves' reported by individual credit unions in the quarterly prudential returns
Average Annualised ROA	ROA (Return on Assets): Average of annualised credit union ROA as calculated from data points reported by individual credit unions in the quarterly prudential returns. ROA calculation is annualised 'Year to Date Surplus (Deficit)' divided by 'Total Assets'
Average Liquidity	Average of credit union liquidity as calculated from data points reported by individual credit unions in the quarterly prudential returns. Liquidity calculation is the sum of investments maturing in less than 3 months and cash and current accounts divided by total unattached savings. *Following the commencement of the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016 (as amended) on 1 March 2018, Irish and EEA state securities, bank bonds and supranational bonds with a maturity of greater than 3 months (with discounts applied to the current market value) are now included within the definition of relevant liquid assets.
Average Arrears	Average of credit union arrears as calculated from data points reported by individual credit unions in the quarterly prudential returns. Arrears calculation is 'Gross Loans in Arrears > 9 weeks' divided by total gross loans outstanding.
Average Realised Reserves	Average of total realised reserves ratios as calculated from data points reported by individual credit unions in the quarterly prudential returns
Lending > 5 Years	Average of gross loans outstanding greater than 5 years maturity as a percentage of total gross loans outstanding as calculated from data points reported by individual credit unions in the prudential returns
Lending > 10 Years	Average of gross loans outstanding greater than 10 years maturity as a percentage of total gross loans outstanding as calculated from data points reported by individual credit unions in the prudential returns
Average Loan	Sum of total gross loans outstanding divided by the sum of total number of loans outstanding reported by individual credit unions in the quarterly prudential returns
Average New Loan	Sum of total amount of new loans advanced (year-to-date) divided by sum of total of number of new loans advanced (year-to-date) reported by individual credit unions in the quarterly prudential returns
Average Savings per Member	Sum of total of 'Members' Shares Regular', 'Members' Shares Term', 'Members' Shares Special', 'Members' Deposits' and 'Other Members' Funds' divided by sum of total of 'Total Membership' reported by individual credit unions in the quarterly prudential returns

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