Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Financial Conditions of Credit Unions, 2023

Issue 10, April 2024

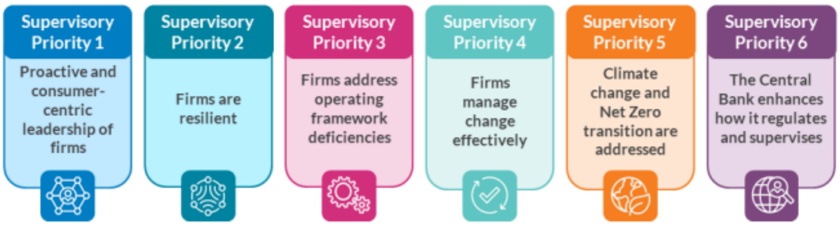
Welcome to 'Financial Conditions of Credit Unions' Publication – 10th Edition

Welcome to the tenth edition of the Statistical Information release 'Financial Conditions of Credit Unions'.

Background & Context

Regulatory & Supervisory Outlook Report

As set out in the Central Bank's Regulatory & Supervisory Outlook Report[1] the macro environment for regulated entities, including credit unions, remains challenging and the outlook uncertain. The report outlines how the macroeconomic outlook continues to be shaped by the adjustment of the global economy to higher interest rates, with tighter financial conditions leaving financial markets and asset prices vulnerable to disorderly corrections. While the financial system, overall and at a sectoral level, has shown resilience, there have been a number of notable exceptions; these exceptions have demonstrated the central importance of firms maintaining and building resilience in an increasingly volatile and uncertain operating environment. The Regulatory & Supervisory Outlook Report details eleven key risk areas across three risk themes[2]. The report includes the Central Bank's financial regulation and supervision priorities for 2024, which reflect the context of the global macro environment and risk backdrop, as set out below:



Quarterly Bulletin Q1 2024

The Central Bank's most recent Quarterly Bulletin[3] further underscored the need for resilience given the moderate forecast for growth momentum in the domestic economy out to 2026. This Bulletin highlights that domestic economic activity increased only marginally in 2023 and that global growth prospects over the medium term are uncertain and anticipated to be relatively weak. The Bulletin indicates that risks to the growth outlook are tilted to the downside, with risks to the inflation outlook broadly balanced. The realisation of several current risks (including geopolitical tensions, energy price risks, infrastructure capacity constraints and unforeseen inflation) could cause the economy to deviate from the current projected path of stable growth and lower inflation.

Financial Stability Review 2023: II

As set out in the Central Bank's Financial Stability Review 2023: II[4], the resilience of Irish household and corporate sectors continued to benefit from the strength of the labour market and low indebtedness. However, cost of living pressures remained acute with emerging tentative signs of repayment difficulties for some vulnerable borrowers.

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[1] Published in February 2024. Available at https://www.centralbank.ie/docs/default-source/publications/regulatory-and-supervisory-outlook-reports/regulatory-supervisory-outlook-report-2024.pdf#page=12. The report was accompanied by a letter to all regulated financial services providers, including credit unions, available at: https://www.centralbank.ie/docs/default-source/publications/regulatory-and-supervisory-outlook-reports/dear-ceo-letter---key-regulation-and-supervision-priorities-2024.pdf?sfvrsn=5cb9621a_4

[2] These risk themes are 1- risks predominantly driven by the macroeconomic and geopolitical environment, 2- risks predominantly driven by the way regulated entities operate and respond to the evolution of their marketplace and today's changing world and 3- risks driven by the longer term structural forces at play.

[3] Published in March 2024. Available at https://www.centralbank.ie/docs/default-source/publications/quarterly-bulletins/qb-archive/2024/quarterly-bulletin-q1-2024.pdf?sfvrsn=5777631a_8

[4] Published in November 2023. Available at: https://www.centralbank.ie/publication/financial-stability-review/financial-stability-review-2023-ii

Overall credit union sector trends for the year ended 30 September 2023

Taking note of the outlook and trends referenced above, there were some positive trends in the data reported by credit unions for the year ended 30 September 2023. Average reserves as a percentage of total assets in the credit union sector were 16.2 per cent as at September 2023, marginally up on 2022. Total loans outstanding in the sector increased to over €6 billion, a 12 per cent year-on-year increase. The average rate of loan arrears at 2.7 per cent of total loans is at the lowest level observed for many years and there was an increase in return on assets to 0.7 per cent compared to 0.3 per cent in 2022. These are welcome trends and reflective of actions taken at individual credit union level to achieve such outcomes.

Key points from analysis of reported credit union data

Key points on Lending, Investments, Savings, Asset Maturity Profile, Reserves and Return on Assets are set out below:

- Lending

Loans issued during the year totalled €3.0 billion, bringing total loans outstanding to €6.3 billion at 30 September 2023 (up from €5.6 billion in 2022) representing an increase of 12 per cent year on year[5]. House loans increased from €317 million in 2022 to €484 million in 2023 (an increase of 53 per cent, with the average loan size increasing from c.€86k to c.€105k) and business loans increased from €146 million in 2022 to €162 million in 2023 (an increase of 11 per cent, with the average loan size increasing from c.€20k to c.€22k). Notwithstanding these increases in house and business loans, significant capacity existed as at 30 September 2023 for further lending in these areas[6]. There is an increase in the reported amount of earlier stage arrears together with a decrease in the average provision coverage on gross loans in arrears.

- Investments

Total investments grew in 2023 to €13.8 billion, up from €13.1 billion in 2022, with the average level of return increasing from 0.7 per cent in 2022 to 1.2 per cent in 2023. The overall time to maturity in investments shortened in 2023. The proportion of total investments held in bank bonds has increased over the last five years, up from 14 per cent at 30 September 2018 to 25 per cent at 30 September 2023.

- Savings

Members' savings increased from €17.0 billion at 30 September 2022 to €17.5 billion at 30 September 2023. This represents an annual increase of 2.6 per cent, which is an increase on the annual growth in savings in 2022 of 1.1 per cent, although annual growth remains below the levels observed during the pandemic.

- Asset Maturity Profile

Average loan maturities have increased since 2021 and average investment maturities have decreased since 2022. These asset classes are funded by member shares, which are predominantly withdrawable on demand. Box 1 on page 11 of this report provides additional analysis of the maturity profile of loans and investments of credit unions.

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[5] Further information on non-mortgage consumer credit trends is available in the Central Bank's Financial Stability Note entitled 'An overview of the consumer credit market in Ireland' available at https://www.centralbank.ie/docs/default-source/publications/financial-stability-notes/overview-of-non-mortgage-consumer-credit-market-in-ireland.pdf

[6] There is c.€0.9 billion of unutilised capacity at 30 September 2023 for house and business lending, which increases to c.€2.1 billion if all credit unions with total assets > €100 million applied for and were approved to avail of the increased concentration limits for house and business lending

- Reserves

The average sector total realised reserves as a percentage of total assets ratio has again increased marginally – up from 16 per cent at 30 September 2022 to 16.2 per cent at 30 September 2023.

- Return on Assets

The average return on assets increased from 0.3 per cent in the year ending 30 September 2022 to 0.7 per cent as at 30 September 2023. Sustained viability challenges are being experienced by some credit unions, including a small number of credit unions that reported a negative ROA at 30 September 2023.

Conclusion

There are positive trends in the financial conditions of credit unions in the data reported for the year ended 30 September 2023. Challenges for the sector continue to be reflected in the data reported, including the continued low loans to assets ratio, increases in the levels of reported early stage arrears with potential impacts on future provisioning and the level of return on assets. More broadly, these challenges need to be considered against the backdrop of the macro environment and how it may impact on households and businesses including on member loan demand and borrower default rates.

In light of the above outlook and trends, this is a time for credit unions to pay particular attention to:

1. Proactive asset and liability management given the changing maturity profile of their balance sheets, as credit unions seek to diversify lending. This includes maintaining sufficient liquid assets to meet business requirements and withstand liquidity stress scenarios; and
2. Proactively managing arrears including early engagement with members, in addition to ensuring adequate levels of provision coverage are in place.

Finally, the Credit Union (Amendment) Act, 2023, enacted in December last, is a significant development and provides new business opportunities for credit unions. In updating strategic plans to reflect new business opportunities, credit unions should consider how to achieve scale efficiencies, cost management within their financial capacities and greater product standardisation, while being mindful of financial system fragmentation and developments in technology. Such an approach should enable and empower credit unions to navigate disruption and market uncertainty in the delivery of products and services to their members in a prudent and sustainable manner[7].

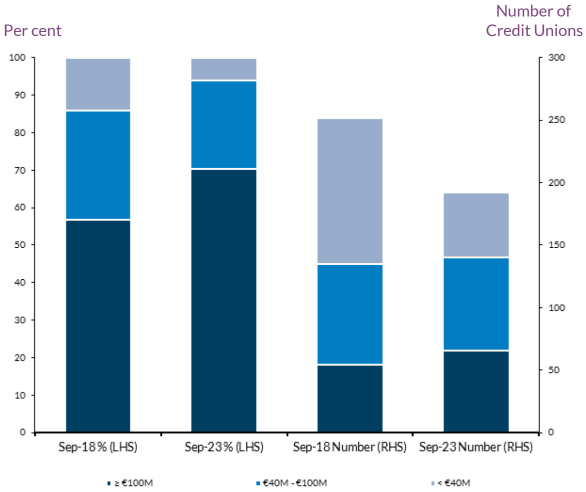
Elaine Byrne

Registrar of Credit Unions

[7] This reflects points included in an address by Governor Makhlouf on 11 November 2023: 'The changing landscape for financial services' – available at: https://www.centralbank.ie/news-media/press-releases/the-changing-landscape-for-financial-services--remarks-by-gabriel-makhlouf--governor-of-the-central-bank-of-ireland--at-the-irish-league-credit-unions-conference

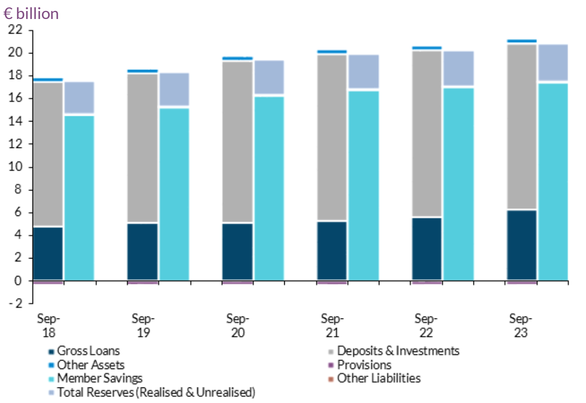
Financial Conditions of Credit Unions

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



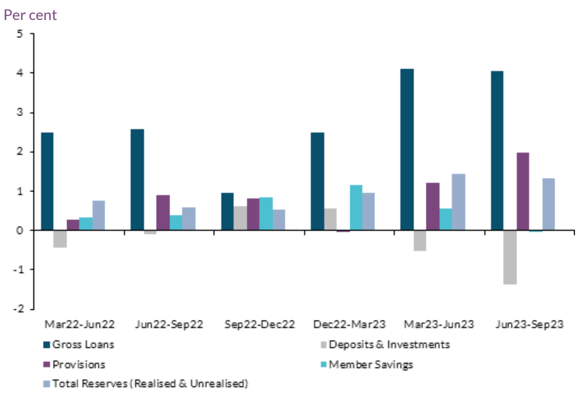
Source: Data submitted by credit unions to RCU.

Chart 2 | Balance sheet structure



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



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, sector assets, loans and savings continue to grow."

The profile of the sector (number of credit unions and asset size) has continued to change arising from voluntary restructuring. At 30 September 2023, there were 192 trading credit unions, down from 205 at 30 September 2022 and 252 at 30 September 2018. At the same time, the number of credit unions with assets of at least €100 million has increased from 54 credit unions (representing 57 per cent of total sector assets) at 30 September 2018 to 66 credit unions (representing 70 per cent of total sector assets) at 30 September 2023. Over the same five year period, the number of credit unions with assets of less than €40 million has fallen from 117 (representing 14 per cent of total sector assets) to 52 (representing 6 per cent of total sector assets). (Chart 1)

Total credit union assets have reached a record high of €20.87 billion at 30 September 2023, increasing from €17.61 billion at 30 September 2018 and from €20.31 billion at 30 September 2022. This represents an increase of 2.76 per cent in the financial year ending 30 September 2023.

Total sector savings stand at €17.46 billion at 30 September 2023 – €0.43 billion higher than the total sector value at 30 September 2022 and €2.83 billion higher than the total sector value at 30 September 2018.

Deposits and investments remain the largest component of credit union assets, accounting for 70 per cent at 30 September 2023, having previously accounted for 72 per cent at both 30 September 2022 and 30 September 2018. At 30 September 2023 deposits and investments totalled €14.58 billion.

Total sector loans outstanding continued to grow and stand at €6.28bn at 30 September 2023. This represents a 12 per cent increase compared to 30 September 2022 and a 31 per cent increase in the five year period from 30 September 2018 to 30 September 2023. Total sector provisions have increased by 4 per cent over the year ended 30 September 2023, from €358 million at 30 September 2022 to €372 million at 30 September 2023. (Chart 2)

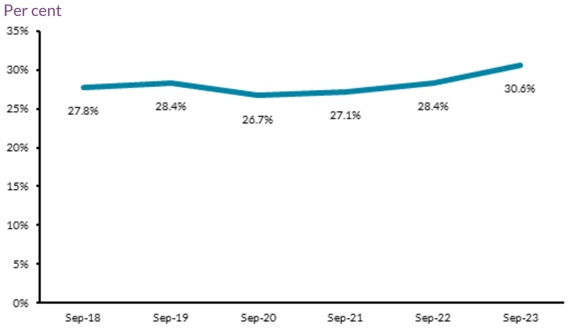
Savings & Loans

Member savings have increased in the period from March 2022 to September 2023. Over the same period, growth in total sector loans quarter on quarter has been positive and has seen an acceleration in the two last quarters of 2023, from a growth rate of 2.5 per cent in Q2 2023 to 4.1 per cent and 4 per cent in Q3 and Q4 2023 respectively.

Deposits & Investments

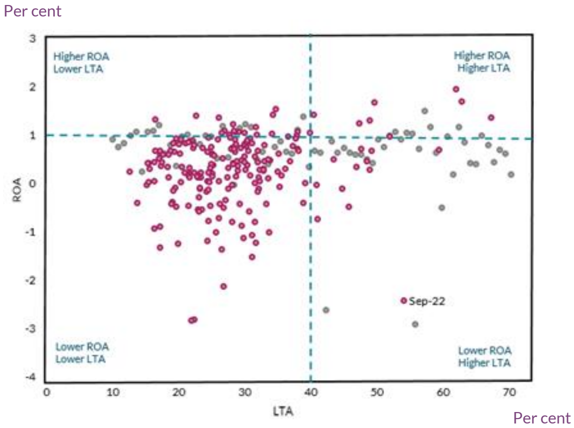
The last six quarters have seen four non-consecutive declines in total credit union deposits and investments, indicating an overall downward trend at present. The reported figures as at 30 September 2023 showed a notable quarter on quarter decrease of 1.4 per cent.

Chart 4 | Loan to assets ratio



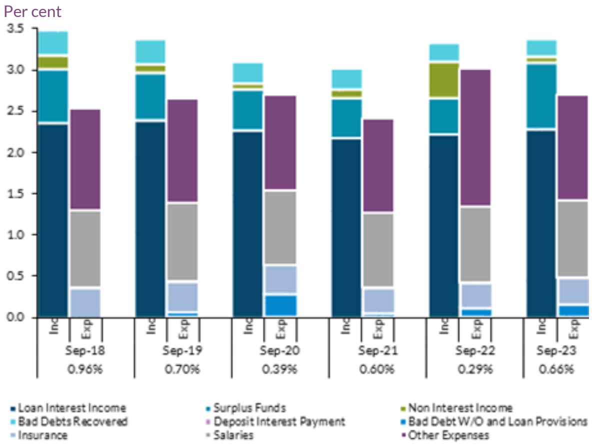
Source: Data submitted by credit unions to RCU.

Chart 5 | Return on assets vs loans to assets



Source: Data submitted by credit unions to RCU.

Chart 6 | ROA Components



Source: Data submitted by credit unions to RCU.

Provisions

An increase in total sector provisions is observable over five of the last six quarters. In the last two quarters, the total stock of provisions grew from €365 million as at 30 June 2023 to €372 million as at 30 September 2023. (Chart 3)

Loan to Asset Ratio

At 30 September 2023, the loan to asset ratio (LTA) for credit unions ranges from 13.5 per cent to 70.9 per cent. The average LTA stands at c.31 per cent, an increase on the level of c.28 per cent reported at 30 September 2022. This improvement in LTA has been experienced across the sector by 92 per cent of the credit unions, with an average increase of 2 per cent. (Chart 4)

Return on Assets

The average ROA has increased from 0.3 per cent at 30 September 2022 to 0.7 per cent at 30 September 2023, with eight credit unions reporting negative ROA at 30 September 2023 compared with 53 credit unions at 30 September 2022. However, the average ROA has decreased across the five year period from 1 per cent at 30 September 2018.

At 30 September 2023, 88 per cent of credit unions (168 credit unions) reported LTA less than 40 per cent and the proportion of credit unions reporting a lower ROA has decreased to 77 per cent (148 credit unions). At 30 September 2022, 91 per cent of credit unions (186 credit unions) reported LTA less than 40 per cent and 87 per cent of credit unions (179 credit unions) reported ROA less than 1 per cent.

At 30 September 2023, 12 credit unions (6 per cent) reported LTA greater than 40 per cent and ROA greater than 1 per cent, compared with seven credit unions (3 per cent) at 30 September 2022. (Chart 5 and Appendix).

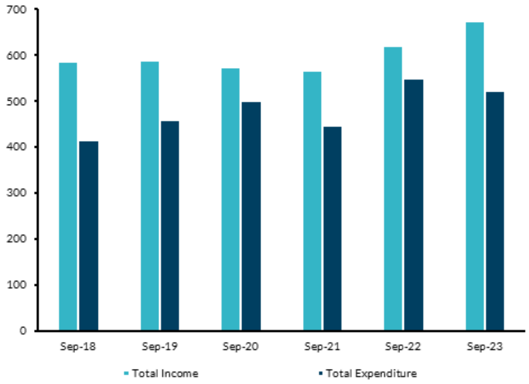
Loan interest income and investment income continue to be the principal components of credit union income. The impact of these two components on average ROA has increased over the period and stands at 3.1 per cent at 30 September 2023. This follows a decline from 3 per cent at 30 September 2018 to 2.7 per cent at 30 September 2022.

The impact of total credit unions expenses on ROA stands at 2.7 per cent at 30 September 2023. This follows a period of increase from 2.5 per cent at 30 September 2018 to 3 per cent at 30 September 2022.

The positive impact that net provisioning (including release of provisions, write-offs and bad debts recovered) is having on ROA continues to decline. At 30 September 2023, net provisioning had a positive impact of 0.03 per cent on ROA. This was down from a 0.11 per cent positive impact at 30 September 2022 and a 0.33 per cent positive impact at 30 September 2018. (Chart 6)

Chart 7 | Income and expenditure

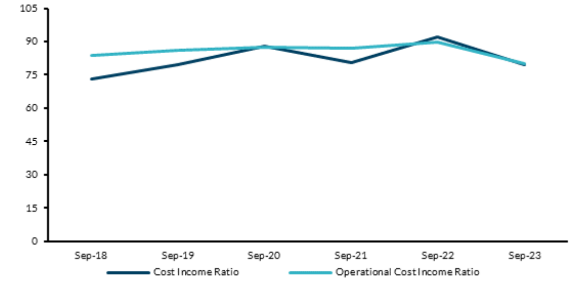
€ million



Source: Data submitted by credit unions to RCU.

Chart 8 | Average cost-income ratio

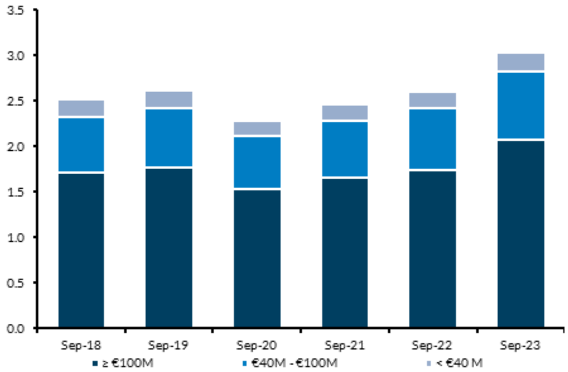
Per cent



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).

Chart 9 | New lending volume by asset buckets

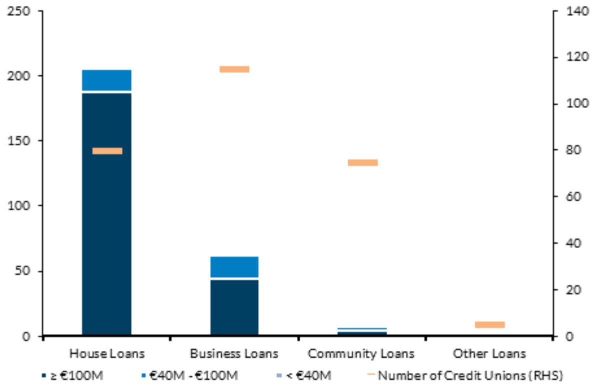
€ billion



Source: Data submitted by credit unions to RCU.
Note: This graph is based on the192 credit unions that reported for 30 September 2023 with the loans of all transferor credit unions between September 2018 and September 2023 included in the loans of their transferee credit unions for the purpose of calculating more accurate growth.

Chart 10 | New lending volume by category (excluding personal loans)

€ million | Number of Credit Unions



Source: Data submitted by credit unions to RCU.

2. Income and Expenditure

"Both the operational cost-income ratio and the cost-income ratio converged to 80 per cent"

Total credit union sector income stands at €673 million at 30 September 2023. This represents an increase of 9 per cent over the one year period between 2022 (€620 million) and 2023 and an increase of 15 per cent over the five year period between 2018 (€586 million) and 2023. Total credit union expenditure stands at €521 million at 30 September 2023. This represents a decrease of 5 per cent over the one year period between 2022 (€549 million) and 2023. However this is an increase of 26 per cent over the five year period between 2018 (€415 million) and 2023. (Chart 7)

The average sector total cost-income ratio stands at 80 per cent at 30 September 2023. This represents a decrease from the five year high level of 92 per cent reached at 30 September 2022, which was driven in part by exceptional cost items reported for that year.

The average operational cost-income ratio (which excludes loan provisioning and non-recurring items) also stands at 80 per cent at 30 September 2023. This represents a reduction from 90 per cent at 30 September 2022 and a reduction from 84 per cent at 30 September 2018. (Chart 8)

3. Lending

"Lending saw sustained growth over 2023, surpassing pre-pandemic levels in gross loans outstanding. The trend continues towards loans with longer durations"

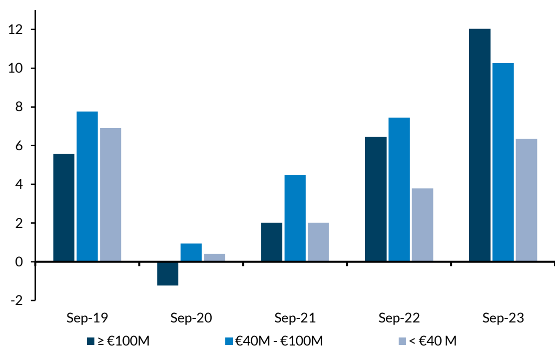
3.1. New lending

The level of new loans advanced continue to grow in the sector and has now surpassed pre-pandemic levels. New lending issued in the year ending 30 September 2023 was €3.0 billion, up from €2.6 billion in 2022. For credit unions with assets of at least €100 million, new loans increased from €1.7 billion in 2022 to €2.1 billion in 2023 and accounted for 68 per cent of total new loans advanced for the year ended 30 September 2023. The new loans advanced by credit unions with assets of between €40 million and €100 million increased from €0.7 billion to €0.8 billion over the same period. The total value of new loans advanced by credit unions with assets of less than €40 million has remained unchanged over the five years from 2018 to 2023 at €0.2 billion each year. However, there has been a marginal dillution of this cohort's percentage of new loans advanced as a percentage of the total sector from 7.4 per cent to 6.7 per cent. (Chart 9)

For the year ending 30 September 2023, 90.8 per cent of total new loans advanced were reported as personal loans. New house loans advanced represented 6.8 per cent (€206 million) of new lending and were reported by 42 per cent of the sector (80 credit unions). Credit unions with assets of at least €100 million issued 91 per cent of total new house loans in the year ending 30 September 2023.

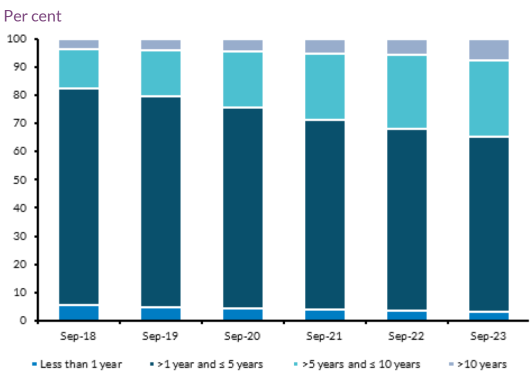
115 credit unions reported €64 million in new business loans advanced (representing 23 per cent of total new loans advanced excluding personal lending) for the year ended 30 September 2023. 68 per cent of new business loans advanced were reported by credit unions with assets of at least €100 million, 28 per cent were reported by credit unions with assets of between €40 million and €100 million and 4 per cent by credit unions with assets of less than €40 million. (Chart 10)

Chart 11 | Growth in gross loans outstanding year-on-year by asset bucket



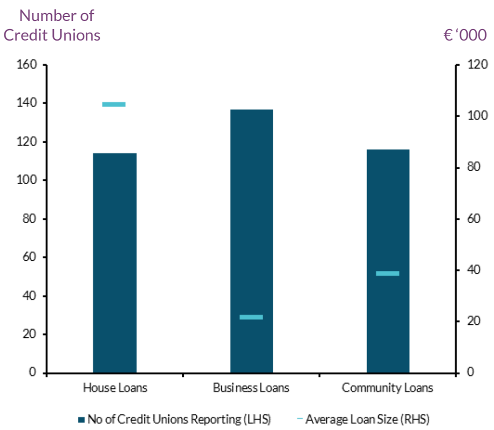
Source: Data submitted by credit unions to RCU.
Note: This graph is based on the192 credit unions that reported for 30 September 2023 with the loans of all transferor credit unions between September 2018 and September 2023 included in the loans of their transferee credit unions for the purpose of calculating more accurate growth.

Chart 12 | Gross loans outstanding by time to maturity



Source: Data submitted by credit unions to RCU.

Chart 13 | Gross loans outstanding by category (excluding personal loans) – September 2023



Source: Data submitted by credit unions to RCU.

3.2. Gross Loans Outstanding

Annual growth in gross loans outstanding has continued to accelerate post the pandemic and now exceeds pre-pandemic levels across all credit union size cohorts. For the year ended 30 September 2023, credit unions with assets of at least €100 million reported an average growth in total loans outstanding of 12 per cent, credit unions with assets of between €40 million and €100 million had an average growth of 10.3 per cent and credit unions with assets of less than €40 million reported average growth of 6.4 per cent. (Chart 11)

At 30 September 2023, the proportion of total sector loans outstanding with a maturity of greater than five years was 34.7 per cent (including 7.6 per cent with a maturity of greater than 10 years). This compared with 31.9 per cent with a maturity of greater than five years at 30 September 2022 (including 5.8 per cent with a maturity of greater than 10 years). A trend towards loans with longer durations has emerged since 30 September 2018, when the proportion of total sector loans outstanding with a maturity of greater than five years was 17.8 per cent (including 3.8 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 5.7 per cent of total sector loans outstanding at 30 September 2018 to 3.6 per cent at 30 September 2022 and 3.2 per cent at 30 September 2023. (Chart 12)

For the year ending 30 September 2023, 89.4 per cent of total loans outstanding were reported as personal loans. At that date, 114 credit unions reported €483.6 million of house loans outstanding (representing 7.7 per cent of total loans outstanding), while 137 credit unions reported €161.5 million of business loans outstanding (representing 2.6 per cent of total loans outstanding) and 116 credit unions reported €18.2 million of community loans outstanding (representing 0.3 per cent of total loans outstanding). For credit unions reporting house loans, the average house loan was c.€104,500 at 30 September 2023 up from c.€86,000 as at 30 September 2022. For credit unions reporting business loans, the average business loan was c.€21,500 at 30 September 2023, up from c.€19,800 as at 30 September 2022. For credit unions reporting community loans, the average community loan was c.€38,500 at 30 September 2023, up from c.€33,700 as at 30 September 2022. (Chart 13)

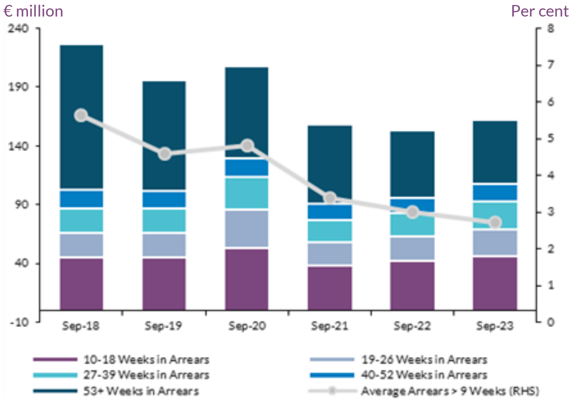
3.3 Credit Quality

The sector average arrears ratio continues to trend downwards post pandemic. At 30 September 2023, the sector average arrears dropped to 2.7 per cent from 3 per cent at 30 September 2022. At September 2018, the sector average arrears stood at 5.6 per cent.

The total amount of reported arrears increased in the year ended 30 September 2023. Of total loans in arrears, the proportion in arrears between 10 and 18 weeks has increased from 20 per cent of total loans in arrears at 30 September 2018 to 28 per cent at 30 September 2023. 55 per cent of total loans in arrears at 30 September 2018 were in arrears for 53 weeks or greater. Of total loans in arrears at 30 September 2023, the proportion in arrears for 53 weeks or greater has decreased to 33 per cent from 37 per cent in 2022. (Chart 14)

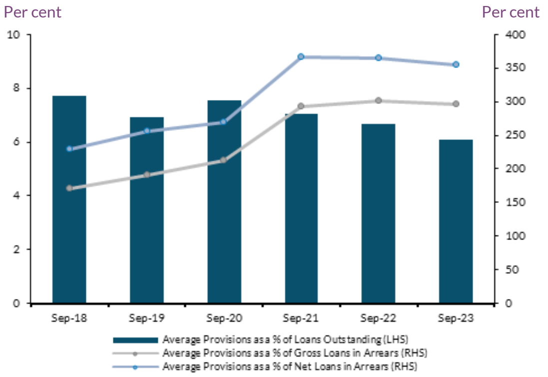
The average level of provision coverage on gross loans in arrears reported by credit unions decreased marginally in the year to 30

Chart 14 | Arrears greater than 9 weeks



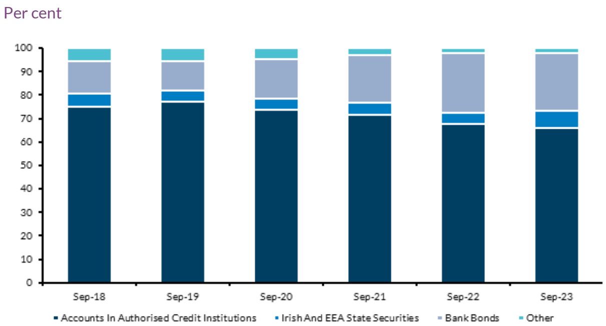
Source: Data submitted by credit unions to RCU.

Chart 15 | Provision coverage



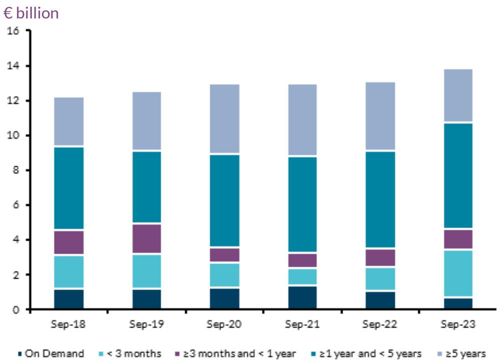
Source: Data submitted by credit unions to RCU
Note: Net loans in arrears represents gross loans in arrears less attached savings.

Chart 16 | Composition of credit union investments



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 17 | Investments by duration



Source-: Data submitted by credit unions to RCU.

September 2023. The average provision coverage on gross loans in arrears has decreased from 301 per cent at 30 September 2022 to 298 per cent at 30 September 2023; the average provision coverage on net loans in arrears has decreased from 364 per cent to 355 per cent over the same period. The average level of bad debt provisions to total sector loans outstanding has decreased from 6.7 per cent at 30 September 2022 to 6.1 per cent at 30 September 2023. (Chart 15)

4. Investments

"Overall investment duration has decreased, with increased investment returns reflecting the overall interest rate environment"

The total value of credit union investments increased to €13.8 billion at 30 September 2023 from €13.1 billion at 30 September 2022 and €12.2 billion at 30 September 2018.

The proportion of total credit union investments in accounts in authorised credit institutions peaked at 30 September 2019 (77 per cent). Since then, the total of investments in accounts in authorised credit institutions has been decreasing. At 30 September 2022, this category represented 68 per cent of total investments, compared with 66 per cent at 30 September 2023.

There has been an increase in the proportion of total credit union investments in bank bonds in the last five years, from 14 per cent at 30 September 2018 to 25 per cent at 30 September 2022 and at 30 September 2023 (Chart 16). Depending on the characteristics of an individual investment, the market valuation of these bonds can be impacted by movements in interest rates.

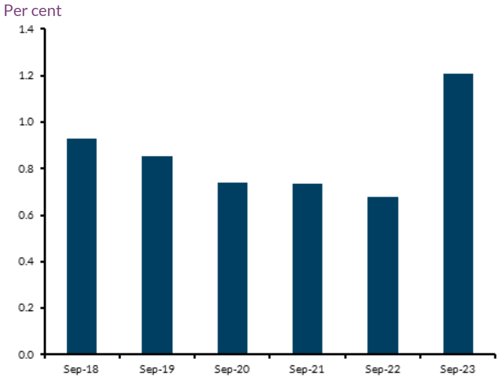
There has been a reversal of trend towards investments with a maturity of greater than five years, while investments with a maturity of less than three months have been increasing, based on figures reported from 30 September 2022 to 30 September 2023 when compared to 30 September 2021.

Analysing investments with a maturity less than three months, after remaining broadly unchanged from 30 September 2018 to 30 September 2019 (16 per cent), the proportion of investments in this category fell to 11 per cent of total investments (€1.45 billion) at 30 September 2020 and to 7 per cent (€946 million) at 30 September 2021. At 30 September 2022, the proportion of investments with a maturity of less than three months increased to 11 per cent (€1.38 billion) and continued to increase in the year ended 30 September 2023, when the proportion of this category of investments reached 20 per cent (€2.76 billion). (Chart 17)

At 30 September 2023, the average return on investments has reached 1.21 per cent, influenced by the rise of ECB interest rates during the year. This represents a change in the direction of the trend between 30 September 2018 and 30 September 2022, when the average return on investment decreased from 0.93 per cent to 0.68 per cent, reflecting the prevailing low interest rate environment in this period. (Chart 18)

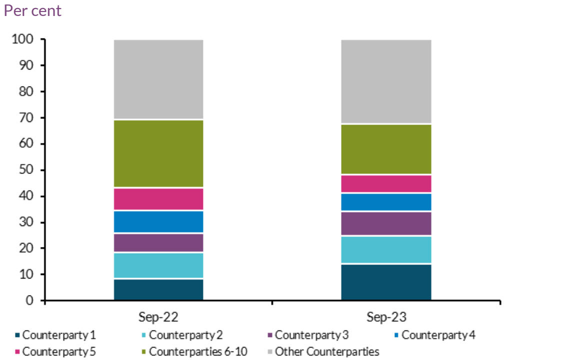
Credit union investments continue to be held with a wide range of counterparties. However, while levels of diversification have increased over the period, a relatively large proportion of overall investments continue to be held with a relatively small number of counterparties. This concentration is a consistent trend over recent years.

Chart 18 | Average return on investments



Source: Data submitted by credit unions to RCU.

Chart 19 | Top counterparties 2023 - exposure 2022 vs 2023



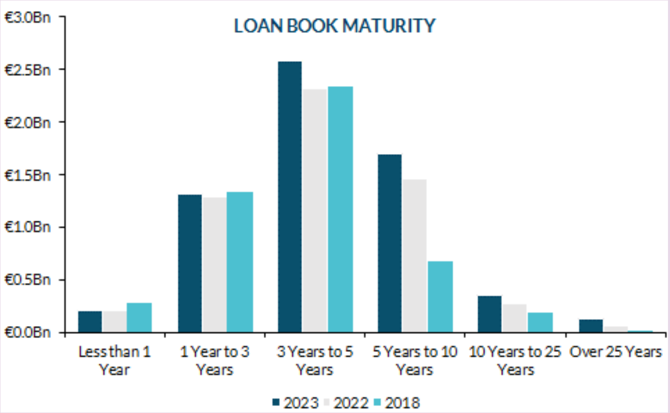
Source: Data submitted by credit unions to RCU.
Note: Analysis of counterparties 1-10 is based on the named counterparties reported by credit unions in the prudential return. Irish and EEA State securities are included in other.
Note: Credit unions do not report a definitive list of all counterparties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

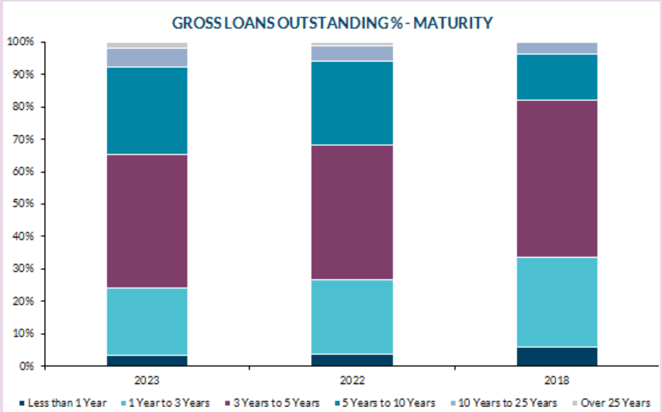
At 30 September 2023, 49 per cent of investments were reported as being held across the top five counterparties and 68 per cent of investments were reported as being held across the top 10 counterparties. Over the year, there has been no change in the identity of the top 10 counterparties, however, the ranking of exposure has varied in the year. (Chart 19)

Box 1 – Changing mix of Assets and related time to maturity

As outlined in Chart 2 and Chart 3 above, the mix of assets held by credit unions has continued to change over the last number of years with notable loan growth of 12 per cent in the year ended 30 September 2023 and a 31 per cent increase in the five year period between 30 September 2018 and 30 September 2023. In parallel, there have also been some significant changes in the maturity profile of the two main credit union assets (loans and investments) with a related change in the amounts held in both 'Cash and Current accounts' and the 'Minimum Reserve Requirement accounts' over the same period. The analysis below outlines the shifting asset maturity profile from 2018 to 2022 to 2023.

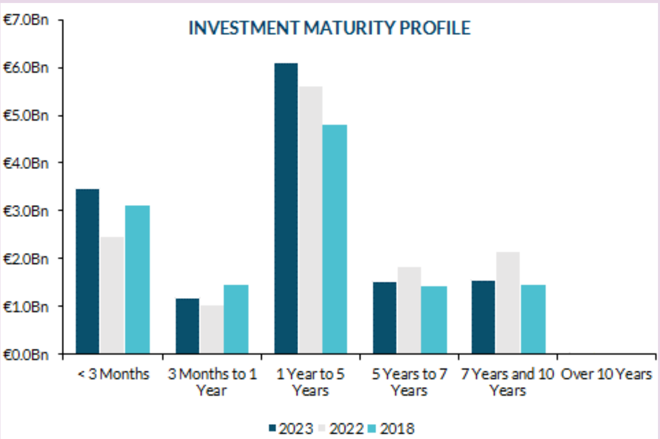
Loans

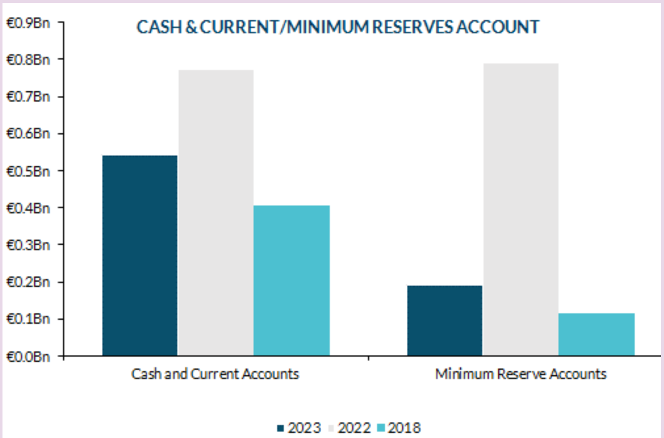




In terms of the sector loan profile, a change is observed in terms of loans ***shifting out to longer term maturities*** as evidenced by the following percentages of the loan book – 5 Year to 10 Year Maturity (**2018** – 14%, **2022** – 26%, **2023** – 27%) and Greater than 10 Year Maturity (**2018** – 4%, **2022** – 6%, **2023** – 8%).

Investments





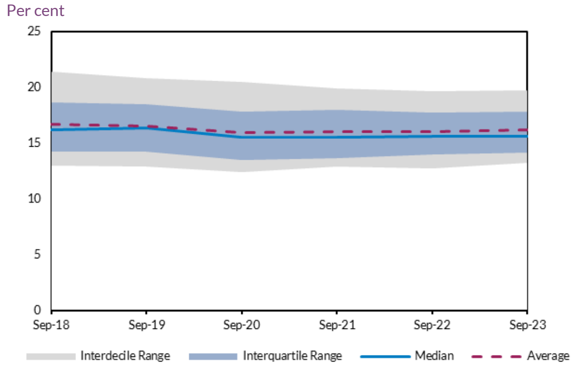
In terms of investments, the maturity profile of investments has seen notable movements ***from longer-term to shorter-term maturities***. Focusing on the movements between 2022 and 2023, 'Less than 3 Month Maturity' has increased (**2022** – 19%, **2023** – 25%) and 'Greater than 5 Years' has decreased (**2022** – 31%, **2023** – 22%). These changes have occurred during a period of an upward trend in interest rates.

Over the same period the minimum reserve deposit holdings have fallen 76 per cent from €0.8bn to €0.2bn while cash and current account holdings have dropped 30 per cent from €0.8bn to €0.5bn.

Liquidity Management

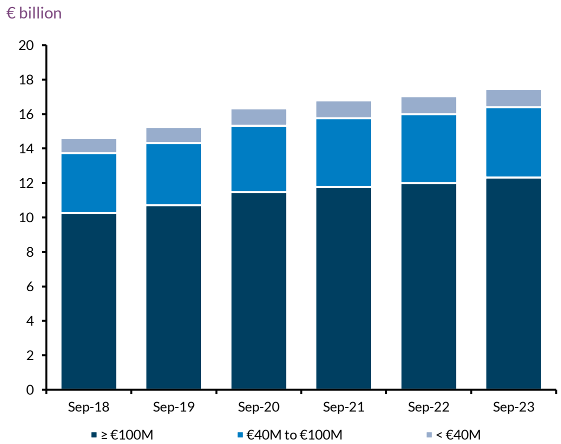
Noting the above changes in maturity profile of loans and investments, together with the short term nature of credit union funding (members' savings), it is prudent for credit unions to ensure active management and monitoring of liquidity, to ensure that sufficient liquid assets are maintained to meet business requirements and withstand liquidity stress scenarios.

Chart 20 | Total Realised Reserves



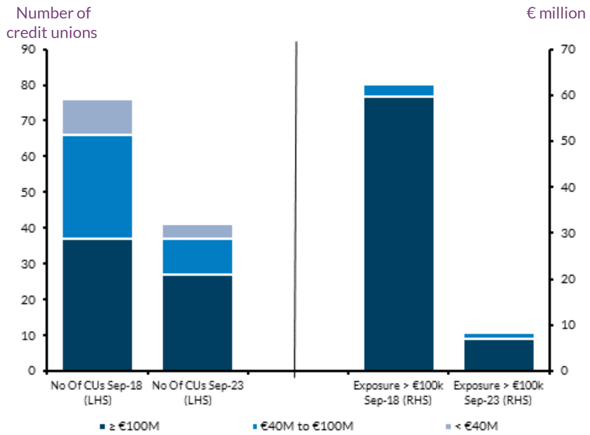
Source: Data submitted by credit unions to RCU.
Note: The interquartile and interdecile ranges are measures of dispersion of the values in the dataset – the interquartile range shows the difference between the 75th percentile (the value below which 75 per cent of values were reported) and the 25th percentile (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 21 | Total sector savings by asset bucket



Source: Data submitted by credit unions to RCU.
Note: This graph is based on the 192 credit unions that reported for 30 September 2023 with the loans of all transferor credit unions between September 2018 and September 2023 included in the loans of their transferee credit unions for the purpose of calculating more accurate growth.

Chart 22 | Savings greater than €100,000



Source: Data submitted by credit unions to RCU.

5. Reserves

"Reserves remain stable, with sustained buffers above regulatory reserve requirements"

Total realised reserves (TRR) have increased over the period 30 September 2018 to 30 September 2023. Over the period 30 September 2022 to 30 September 2023, the TRR has increased from €3.15 billion to €3.28 billion. The range in the TRR ratio across the sector has remained largely the same throughout the period and the sector average and median are broadly in line with each other. The average sector TRR ratio showed a slight increase from 16.0 per cent at 30 September 2022 to 16.2 per cent at 30 September 2023 and the median remains unchanged at 15.6 per cent.

At 30 September 2023, the 10th percentile (which represents the value above which 90 per cent of values were reported) remains above the 10 per cent minimum regulatory reserve requirement – with 90 per cent of credit unions reporting higher than 13.2 per cent at 30 September 2023. (Chart 20)

6. Savings

"Stock of savings continued to increase, albeit at lower levels than observed during the pandemic "

Credit union savings have continued to increase since 30 September 2018. However, the rapid pace of this increase has slowed since 30 September 2021, which may reflect steps taken by many credit unions to manage savings inflows as well as the increased cost of living. Total savings growth of 2.6 per cent was observed in the sector between 30 September 2022 and 30 September 2023.

The proportion of total member savings with credit unions in each of the asset buckets has remained relatively unchanged throughout the last five years with 71 per cent of total credit union savings (€12.3 billion) held with credit unions with assets of at least €100 million, 23 per cent (€4.1 billion) with credit unions with assets of between €40 million and €100 million and 6 per cent (€1.1 billion) with credit unions with assets of less than €40 million at 30 September 2023. (Chart 21)

Credit unions are permitted to hold a maximum of savings of €100,000 per member[8]. 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 €62.5 million reported by 76 credit unions at 30 September 2018, to €8.4 million reported by 41 credit unions at 30 September 2023. At 30 September 2023, 27 credit unions with assets of at least €100 million reported a €7.2 million exposure above €100,000 per member. 10 credit unions with assets between €40 million and €100 million reported a €1.1 million exposure above €100,000 per member and four credit unions with assets of less than €40 million reported a €0.1 million exposure above €100,000 per member. (Chart 22)

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[8] 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.

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 CreditInstitutionsAnalytics@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 30 November 2023).***
2. ***Unless otherwise stated, trends are for the period 2018 to 2023. 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.***

Appendix | 2018 to 2023 Credit Union Sector Data Tables

Sep-23				
		Asset Bucket		Total Sector
	< €40M	€40M - €100M	≥ €100M	
No. Credit Unions that have Submitted Returns	**52**	**74**	**66**	**192**
Average Surplus / Deficit	€0.14M	€0.48M	€1.65M	€0.79M
Total Surplus / Deficit	€7.22M	€35.48M	€108.69M	€151.40M
Average Assets	€24.62M	€66.70M	€221.98M	€108.68M
Total Assets	€1.28BN	€4.94BN	€14.65BN	€20.87BN
Total Loans	€0.41BN	€1.55BN	€4.32BN	€6.28BN
Total Investments	€0.81BN	€3.20BN	€9.84BN	€13.84BN
Total Savings	€1.06BN	€4.09BN	€12.31BN	€17.46BN
Total Reserves	€0.22BN	€0.83BN	€2.26BN	€3.30BN
Average ROA	0.53%	0.70%	0.72%	0.66%
Average Liquidity	35.92%	34.27%	33.59%	34.56%
Average Arrears > 9 weeks	2.78%	2.74%	2.67%	2.73%
Average Realised Reserves	16.59%	16.61%	15.49%	16.22%
Lending > 5 Years	26.87%	31.06%	34.56%	31.13%
Lending > 10 Years	0.90%	2.64%	8.14%	4.06%
Average Loan	€8,211	€8,683	€9,105	€8,921
Average New Loan	€5,359	€5,286	€5,483	€5,420
Average Savings per Member	€3,951	€4,361	€5,130	€4,843

Sep-22				
		Asset Bucket		Total Sector
	< €40M	€40M - €100M	≥ €100M	
No. Credit Unions that have Submitted Returns	**63**	**75**	**67**	**205**
Average Surplus / Deficit	€0.08M	€0.15M	€0.80M	€0.34M
Total Surplus / Deficit	€5.22M	€11.25M	€53.87M	€70.34M
Average Assets	€23.62M	€63.83M	€209.42M	€99.05M
Total Assets	€1.49BN	€4.79BN	€14.03BN	€20.31BN
Total Loans	€0.44BN	€1.40BN	€3.77BN	€5.60BN
Total Investments	€0.93BN	€3.02BN	€9.16BN	€13.11BN
Total Savings	€1.23BN	€3.98BN	€11.82BN	€17.03BN
Total Reserves	€0.25BN	€0.78BN	€2.13BN	€3.16BN
Average ROA	0.35%	0.24%	0.30%	0.29%
Average Liquidity	38.71%	35.90%	33.87%	36.22%
Average Arrears > 9 weeks	3.34%	2.85%	2.81%	2.99%
Average Realised Reserves	16.48%	16.32%	15.30%	16.04%
Lending > 5 Years	25.31%	30.08%	31.35%	29.03%
Lending > 10 Years	0.96%	2.46%	6.39%	3.28%
Average Loan	€7,825	€8,228	€8,756	€8,527
Average New Loan	€5,546	€5,613	€5,902	€5,789
Average Savings per Member	€3,963	€4,319	€5,103	€4,800

Sep-21				
		Asset Bucket		Total Sector
	< €40M	€40M - €100M	≥ €100M	
No. Credit Unions that have Submitted Returns	**72**	**75**	**66**	**213**
Average Surplus / Deficit	€0.13M	€0.45M	€1.18M	€0.57M
Total Surplus / Deficit	€9.57M	€33.80M	€77.63M	€121.00M
Average Assets	€23.80M	€63.94M	€204.10M	€93.80M
Total Assets	€1.71BN	€4.80BN	€13.47BN	€19.98BN
Total Loans	€0.48BN	€1.30BN	€3.46BN	€5.25BN
Total Investments	€1.07BN	€3.09BN	€8.80BN	€12.96BN
Total Savings	€1.43BN	€3.99BN	€11.37BN	€16.79BN
Total Reserves	€0.28BN	€0.78BN	€2.04BN	€3.10BN
Average ROA	0.54%	0.72%	0.55%	0.60%
Average Liquidity	39.24%	32.28%	30.09%	34.37%
Average Arrears > 9 weeks	3.86%	3.17%	3.09%	3.38%
Average Realised Reserves	16.22%	16.29%	15.36%	15.98%
Lending > 5 Years	22.72%	27.05%	28.48%	26.03%
Lending > 10 Years	1.21%	2.68%	5.87%	3.17%
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	€3,946	€4,353	€5,181	€4,834

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	€0.25M	€0.71M	€0.32M
Total Surplus / Deficit	€9.69M	€19.38M	€43.79M	€72.87M
Average Assets	€22.66M	€63.78M	€200.75M	€85.16M
Total Assets	€1.99BN	€4.97BN	€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%	0.40%	0.32%	0.39%
Average Liquidity	39.71%	34.84%	34.16%	36.76%
Average Arrears > 9 weeks	5.67%	4.40%	4.10%	4.81%
Average Realised Reserves	16.08%	16.16%	15.30%	15.89%
Lending > 5 Years	18.02%	23.20%	24.17%	21.46%
Lending > 10 Years	1.52%	2.89%	5.33%	3.02%
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	€3,881	€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	40.96%	33.89%	34.49%	37.30%
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	€6,362	€6,566	€7,549	€7,057
Average New Loan	€4,054	€3,996	€4,494	€4,269
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	36.61%	26.81%	26.51%	31.30%
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	€6,022	€6,263	€7,198	€6,691
Average New Loan	€3,738	€3,740	€4,263	€4,004
Average Savings per Member	€3,561	€4,010	€4,777	€4,330

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 liquidity is calculated based on relevant liquid assets, as reported by individual credit unions in the quarterly prudential returns, as a percentage of unattached savings. Relevant liquid assets are prescribed in the Credit Union Act 1997 (Regulatory Requirements) Regulations 2016 and amendments.
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 five 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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