



Banc Ceannais na hÉireann
Central Bank of Ireland

Eurosystem

Financial Conditions of Credit Unions, 2022

Issue 9, March 2023

Welcome to 'Financial Conditions of Credit Unions' Publication – 9th Edition

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

Overview

The macro-financial environment remains challenging. As outlined in the Central Bank's most recent **Quarterly Bulletin**¹, while domestic economic activity slowed in the latter part of 2022, a fall in wholesale energy prices and associated lower inflation will see the economy gradually recover this year. Uncertainty remains high, but risks to the domestic growth outlook are now less tilted to the downside than had been previously forecast. Central forecasts for the economy are contingent on geopolitical tensions not escalating and energy prices continuing on their downward trajectory. As set out in the recent letter to all firms from the Deputy Governor, Financial Regulation and the Deputy Governor, Consumer and Investor Protection², the economic context will be central to our regulatory focus in 2023. We will be focused on ensuring that the financial system and firms operate to support the interests of consumers and users as they cope with the challenges that arise, and on ensuring that the system itself remains robust and stable. There continues to be significant evolution in the domestic financial services sector including the entry of new players and the departure of two retail banks- this presents both opportunities and challenges for credit unions. In addition, with the tightening of ECB monetary policy, this has the potential to impact the financial position of credit unions- particularly in the areas of investment and interest income as well as credit quality with potential impacts on surplus generation.

Key points from analysis of reported credit union sector data

Analysis of the data set out in this Statistical Information release shows that, while there are some continued positive trends in reported sector data for the year to 30 September 2022, including growth in total loans outstanding returning to pre-pandemic levels, challenges to sector sustainability remain. There were some exceptional income and expenditure items observed in 2022, the overall impact of which, while not giving rise to broader financial stability concerns at sectoral level, nonetheless highlight the importance of maintaining adequate regulatory reserve levels to protect against unforeseen losses.

Key points to note on Lending, Savings, Reserves and Return on Assets are as follows:

- **Lending** – the sector average rate of arrears has fallen to a seven-year low of 3.0 per cent at 30 September 2022, however credit unions should be cognisant that economic headwinds and deteriorating macro conditions will likely challenge asset quality in the year ahead. While outstanding loans increased in 2022 to €5.6bn, reflecting continued recovery in credit demand as COVID restrictions were further eased in Q1 2022, the overall loan to asset ratio at 28.4 per cent is still close to historically low levels. The vast majority of credit union lending continues to be unsecured personal lending with no significant change in previously observed sectoral trends with respect to house and business lending during 2022. There remains significant unutilised capacity across the sector for house and business lending (with €1.06bn of unutilised capacity at 30 September 2022, which increases to €2.1bn if all credit unions with total assets > €100 m applied for and were approved to avail of the increased concentration limits for house and business lending). The previously identified trend towards increased duration in lending continued during 2022, with close to 32 per cent of loans now outstanding for periods of greater than 5

¹ <https://www.centralbank.ie/docs/default-source/publications/quarterly-bulletins/qb-archive/2023/quarterly-bulletin-q1-2023.pdf#page=5>

² https://www.centralbank.ie/docs/default-source/publications/correspondence/general-correspondence/dear-ceo-letter-key-regulation-and-supervision-priorities-for-2023.pdf?sfvrsn=d969991d_7

years compared with 15 per cent at the end of September 2017. More detailed analysis on lending is set out in section 3.

- **Savings** – while the rapid pace of savings inflows which was observed during Covid-19 has reduced, savings continued to increase during 2022 - up to €17.0bn at end- September 2022 (from €16.8bn at end -September 2021). More detailed analysis on savings is set out in section 6.
- **Reserves** -average sector total realised reserves as a percentage of total assets have again increased marginally – up from 16 per cent at 30 September 2021 to 16.1 per cent at 30 September 2022 , with no individual credit union reporting a regulatory reserves position below the required regulatory minimum of 10 per cent of assets. The maintenance of strong reserves is key to underpinning and maintaining member confidence, particularly in the challenging macro- financial environment and where sustainability challenges continue to persist.
- **Return on assets (ROA)** – the viability challenges being experienced by a number of credit unions are evidenced through a declining ROA, with average sector ROA for 2022 of 0.3 per cent compared to 0.6 per cent for 2021. 51 credit unions reported a negative ROA in 2022, compared with 12 credit unions in 2021. Analysis on the downward trend in ROA, together with analysis on the downward trend in operational return on assets (OROA), is set out in Box 1 on page 7.

Conclusion

Notwithstanding some continued positive trends in credit union sector data as referenced above, the challenges arising from the sectoral lending/savings imbalance and cost/income ratio trends will continue to impact on sustainability, if not addressed by credit unions. This is at a time when the macro- financial environment is challenging, with future impacts uncertain. Against this backdrop and in the context of broader trends and developments in the domestic financial landscape, it is crucial for all credit unions to consider carefully their strategic priorities, including business model development plans and related financial impacts.

Under the regulatory framework credit unions have scope to provide a range of products and services to their members. While sectoral collaborative efforts are welcomed, as are the potential opportunities arising from forthcoming legislative changes (as set out in the Credit Union (Amendment) Bill 2022), in considering the provision of any new products and services/business model development initiatives, credit unions should be pro-active in identifying their members' needs and preferences together with associated risks, mitigants and associated costs. Strategic business decisions should be informed by each credit union's capabilities, risk appetite and financial resources, including current and projected levels of regulatory reserves– with the overall objective of provision of products and services which their members want to avail of - in a manner consistent with ensuring the financial and operational resilience of the credit union.



Elaine Byrne
Registrar of Credit Unions

Notes:

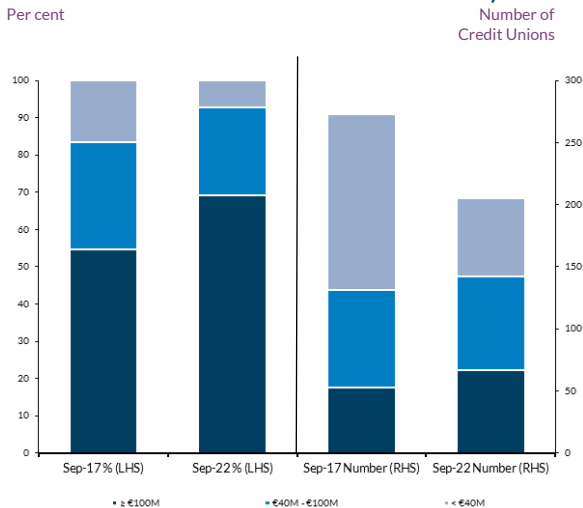
The data contained and presented in this publication is derived from data routinely submitted by credit unions to the Registry of Credit Unions. This data is sourced from the quarterly regulatory submissions and has been collated and consolidated by the Credit Institutions Analytics Team in the Risk 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 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 20 January 2023).
2. Unless otherwise stated, trends are for the period 2017 to 2022. 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.

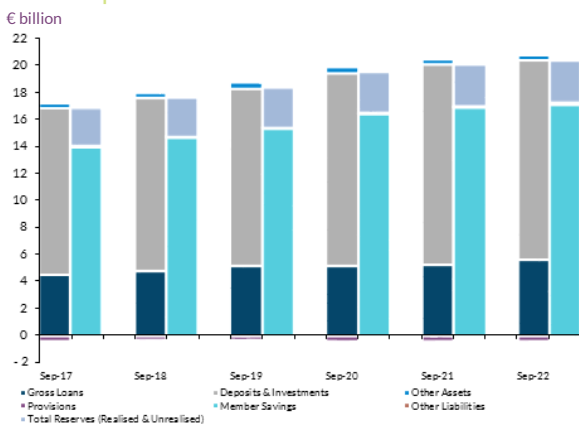
Financial Conditions of Credit Unions

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



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

1. Sector Overview

"Consolidation continues, COVID-19 impacts lessen, sector assets exceed c.€20 billion for the first time"

The profile of the sector (number of credit unions and asset size) has continued to change arising from voluntary restructuring. At 30 September 2022 there were 205 trading credit unions; down from 214 at 30 September 2021 and 274 at 30 September 2017. The number of credit unions with assets of at least €100 million has increased from 53 credit unions (representing 55 per cent of total sector assets) at 30 September 2017 to 67 credit unions (representing 69 per cent of total sector assets) at 30 September 2022. Over the period 30 September 2017 to 30 September 2022, the number of credit unions with assets of less than €40 million has fallen from 142 (representing 17 per cent of total sector assets) to 63 (representing 7 per cent of total sector assets) (Chart 1).

Total credit union assets have reached a record high of €20.31 billion at 30 September 2022, increasing from €16.78 billion at 30 September 2017 and from €19.98 billion at 30 September 2021. This represents an increase of €0.33 billion in the financial year to 30 September 2022.

Total sector savings stand at €17.03 billion at 30 September 2022 – €0.24 billion higher than the total sector value at 30 September 2021 and €3.11 billion higher than the total sector value at 30 September 2017.

Deposits and investments remain the largest component of credit union assets, accounting for 72 per cent at 30 September 2022, 74 per cent at 30 September 2021 and 73 per cent of assets at 30 September 2017. At 30 September 2022 deposits and investments stood at €14.68 billion.

Following an increase in the total sector loans outstanding, from €5.09 billion at 30 September 2020 to €5.25 billion at 30 September 2021, there has been a further increase of €0.36 billion in the year to 30 September 2022 with total sector loans standing at €5.60 billion.

Following an increase in total sector provisions to €367 million at 30 September 2020, there has been a slight decrease in the total sector provision year on year in the two years that have followed. Total sector provisions were €360 million at 30 September 2021 and €358 million at 30 September 2022. The level of provisions are still higher than the pre pandemic levels, with the total sector provisions being €329 million at 30 September 2019 (Chart 2).

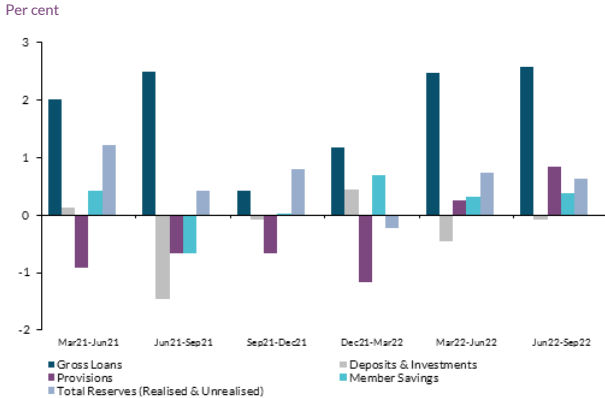
2022 Trends

In 2020 and 2021, quarter on quarter fluctuations in the balance sheet components reflecting impacts arising from COVID-19 were observed. These affects included, but were not limited to, large increases in provisions, decreases in gross loans outstanding and large increases in savings. In 2022, some reversal in these adverse effects are evident, coinciding with the lessening of COVID-19 restrictions in February 2022.

Savings & Loans

Member savings totalled €17.03 billion at 30 September 2022, showing an increase from the €16.79 billion reported at 30 September 2021. Over the same period, total sector loans increased to €5.6 billion reflecting quarter on quarter growth, with a lower rate of growth of 1.6 per cent from 30 September 2021 to 31 March 2022,

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

compared to a higher growth rate of 5.1 per cent in the period from 31 March 2022 to 30 September 2022.

Deposits & Investments

A slight decrease in total credit union deposits and investments is observable over the year to 30 September 2022 with deposits and investments at €14.68 billion at 30 September 2022 down from €14.70 billion at 30 September 2021.

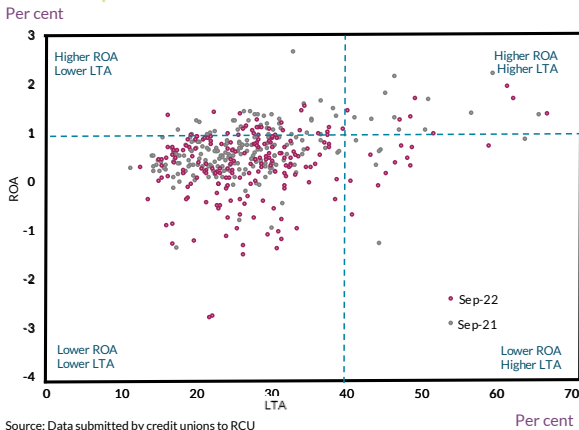
Provisions

A decrease in total sector provisions is observable in the period from 30 September 2021 to 31 March 2022. However, total sector provisions have increased in the period from 31 March 2022 to 30 September 2022. (Chart 3).

Loan to Asset Ratio

While the reversal of some adverse COVID-19 effects related to savings growth has been observed over the last two years, the challenges that faced the sector prior to the onset of COVID-19 remain. At 30 September 2022, the average loan to asset ratio (LTA) stands at 28.4 per cent, a slight increase on the level of 27.1 per cent reported at 30 September 2021. The range in reported LTA across individual credit unions has remained largely the same since 30 September 2021 with LTA ranging from 13 per cent to 67 per cent at 30 September 2022.

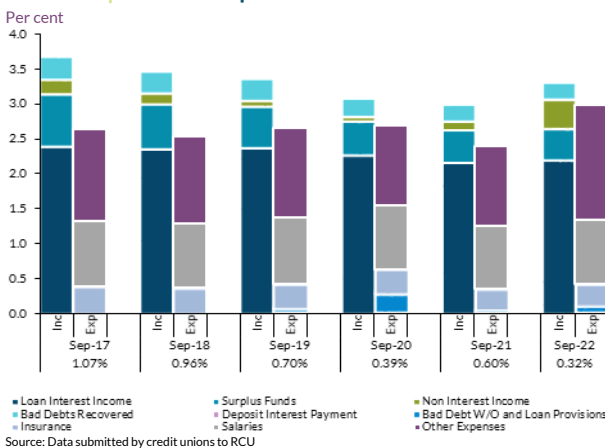
Chart 4 | Return on assets vs loans to assets



Return on Assets

The range in credit union average return on assets (ROA) has shifted downward in 30 September 2022, following some recovery from the impact of COVID-19 at 30 September 2021. The average ROA has decreased from 0.6 per cent at 30 September 2021 to 0.3 per cent at 30 September 2022 with 51 credit unions reporting negative ROA at 30 September 2022 compared with 12 at 30 September 2021. Average ROA has decreased across the five-year period from 1.1 per cent at 30 September 2017. Further analysis on ROA is contained in the focus box on page 7.

Chart 5 | ROA Components

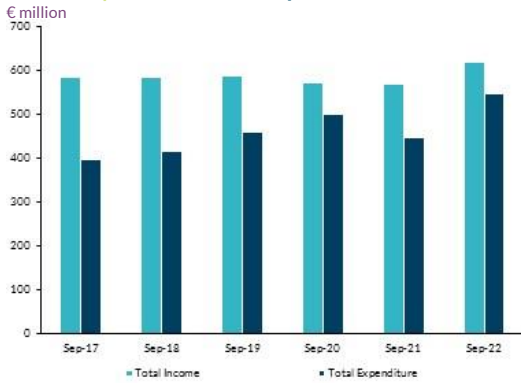


At 30 September 2021, 92 per cent of credit unions (196 credit unions) reported LTA less than 40 per cent and 81 per cent of credit unions (172 credit unions) reported ROA less than 1 per cent. At 30 September 2022, 91 per cent of credit unions (186 credit unions) reported LTA less than 40 per cent and the proportion of credit unions reporting a lower ROA has increased to 87 per cent (179 credit unions). At 30 September 2021, 11 credit unions (5 per cent) reported LTA greater than 40 per cent and ROA greater than 1 per cent, compared with 7 credit unions (3 per cent) at 30 September 2022. (Chart 4 and Appendix).

The impact of loan interest income and investment income (the principal components of credit union income) on average ROA declined over the period from 3.1 per cent at 30 September 2017 to 2.7 per cent at 30 September 2021 and 30 September 2022, reflecting the low loan to asset ratio and the low interest rate environment. The impact of total credit union expenses on ROA stood at 2.6 per cent at 30 September 2017, decreasing to 2.4 per cent at 30 September 2021, and increasing to 3.0 per cent at 30 September 2022.

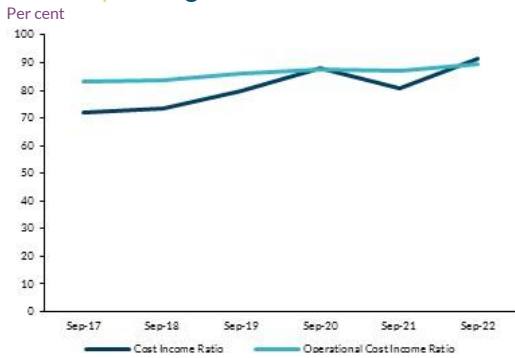
At 30 September 2017, the impact of the net provisioning (including release of provisions, write-offs and bad debts recovered) was positive on ROA by 0.4 per cent. At 30 September 2021, the impact of net provisioning was positive on ROA by 0.2 per cent. It decreased at 30 September 2022, representing a positive impact of 0.1 per cent on ROA. (Chart 5).

Chart 6 | Income and expenditure



Source: Data submitted by credit unions to RCU

Chart 7 | Average cost-income ratio



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).

2. Income and Expenditure

“Small increase in cost income ratio from a high base”

Total credit union sector annual income has increased from €583 million at 30 September 2017 to €620 million at 30 September 2022. Following a steady increase year-on-year in total credit union sector annual expenditure from €398 million at 30 September 2017 to €446 million at 30 September 2021, credit union expenditure has increased to €549 million at 30 September 2022. (Chart 6)

The average sector total cost-income ratio was at a 5-year high at 30 September 2022, increasing from 72 per cent at 30 September 2017 to 92 per cent at 30 September 2022.

The average operational cost-income ratio (which excludes loan provisioning and non-recurring items) has increased since 30 September 2017 - from 83 per cent to 89 per cent at 30 September 2022.

There was a reversal to the previously observed trend of the Cost Income Ratio being below the Operational Cost Income ratio at 30 September 2021. This was partly due to the net effect of provisioning being positive on credit union surpluses, reflecting the lessening impact of COVID-19 on the sector. Analysing Operational Cost Income Ratio in conjunction with Cost Income Ratio, at 30 September 2022 shows the Cost-Income Ratio once again rose above the Operational Cost-Income Ratio as the net effect of non-operational items resulted in an overall decrease in annual surpluses reported. (Chart 7)

Box 1 - Return on Assets (ROA)/Operational Return on Assets (OROA) Analysis



The above two graphs compare the sector average ROA to the sector average OROA over the years September 2014 to September 2022. The ROA is calculated taking the net Surplus/Deficit using all the Income and Expenditure line items as a percentage of Total Assets. The OROA is calculated taking the net Surplus/Deficit using the Operational Income and Expenditure line items (*i.e. excluding items such as exceptional gains/losses, bad debt provisions/write offs and investment gains/losses*) as a percentage of Total Assets.

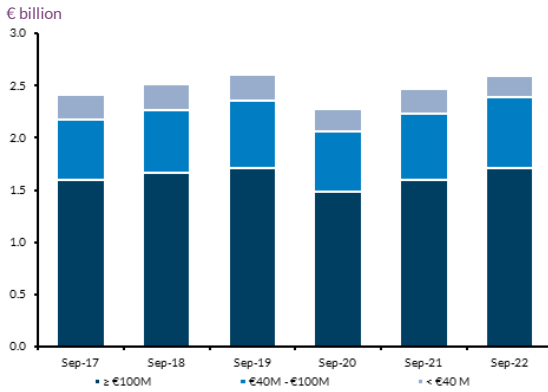
(In the above graphs, the right hand bar represents income, the left hand bar represents expenses and the red dot shows the average ROA/OROA for each year.)

As can be seen from the graphs, both average ROA and average OROA have trended downwards over the last 9 years with declining investment income and increases in operational costs the primary drivers. In 2022 there were also significant fluctuations in ROA for a number of individual credit unions - due to exceptional items being reported (as described below).

Average ROA has decreased from 0.6 per cent at 30 September 2021 to 0.3 per cent at 30 September 2022, with 51 credit unions reporting negative ROA at 30 September 2022 compared with 12 at 30 September 2021. This decline in ROA over the year has largely been driven by additional costs relating to a funding deficit arising from the closure of the ILCU Defined Benefit Pension Scheme which has impacted a significant number of individual credit unions. This additional cost has been partially offset by some additional income relating to refunds from the ILCU stabilisation protection scheme to applicable affiliated credit unions. There have also been investment losses reported by 59 individual credit unions that has impacted the 2022 reported ROA.

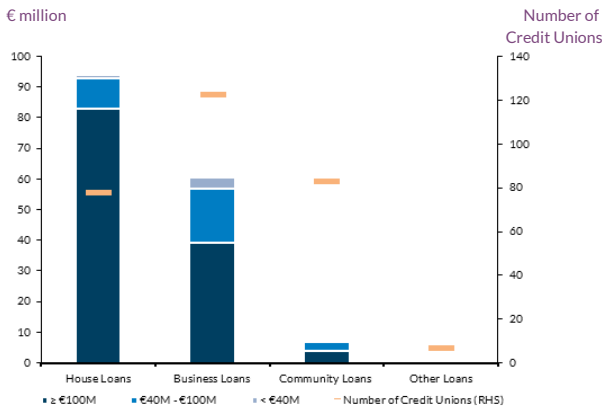
Average OROA has also dropped over the 9 year period - from 1.8% in 2014 to 0.3% in 2022 - primarily as a result of reducing returns on investments connected to decreasing interest rates over those years. Total sector investment income earned dropped from €249m on investments of €10.1bn in 2014 to €94m on investments of €13.1bn in 2022. Operational costs increased year on year during this period (€352m in 2014 to €454m in 2022) which also had a downward impact on this ratio.

Chart 8 | New lending volume by asset buckets



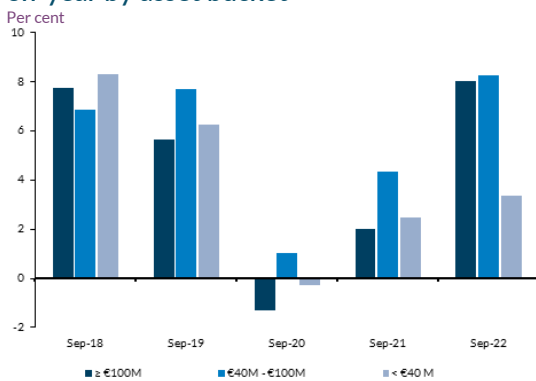
Source: Data submitted by credit unions to RCU
 Note: This graph is based on the 205 credit unions that reported for 30 September 2022 with the loans of all transferee credit unions between September 2017 and September 2022 included in the loans of their transferee credit unions for the purpose of calculating more accurate growth.

Chart 9 | New lending volume by category (excluding personal loans)



Source: Data submitted by credit unions to RCU

Chart 10 | 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 the 205 credit unions that reported for 30 September 2022 with the loans of all

3. Lending

“Reversal in COVID-19 Impact on Lending Growth– accompanied by slight decrease in reported arrears”

3.1. New lending

Following an increase in the total value of new loans advanced for the year since 2020, in 2022 the total value of new lending is in line with the trend observed prior to the onset of COVID-19. New loans advanced in sector were €2.3 billion for the year to 30 September 2020, €2.5 billion for the year to 30 September 2021, and €2.6 billion for the year to 30 September 2022. For credit unions with assets of at least €100 million new loans increased from €1.6 billion to €1.7 billion and accounted for 66 per cent of total new loans advanced for the year to 30 September 2022. The new loans advanced by credit unions with assets of between €40 million and €100 million increased from €0.6 billion to €0.7 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 three year period 2020-2022 at €0.2 billion each year. For the year to 30 September 2022, the value of new loans advanced by credit unions with assets of less than €40 million accounted for 8 per cent of new loans advanced. (Chart 8)

For the year to 30 September 2022, 94 per cent of total new loans advanced were reported as personal loans. 78 credit unions reported €93.9 million new house loans advanced (representing 3.6 per cent of total new loans advanced) for the year to 30 September 2022. 88 per cent of new house loans reported were reported by credit unions with assets of at least €100 million.

123 credit unions reported €60.5 million new business loans advanced (representing 2.3 per cent of total new loans advanced) for the year to 30 September 2022. 65 per cent of new business loans advanced were reported by credit unions with assets of at least €100 million, 29 per cent were reported by credit unions with assets of between €40 million and €100 million and 6 per cent by credit unions with assets of less than €40 million. (Chart 9)

3.2. Gross Loans Outstanding

The onset of COVID-19 resulted in a decrease in total gross loans outstanding in the year to 30 September 2020. As the initial impact of COVID-19 reduced, the sector experienced a partial recovery in total gross loans outstanding in the year to 30 September 2021. This recovery continued in the year to 30 September 2022, with growth in gross loans outstanding returning to pre-pandemic levels. For the year to 30 September 2022, credit unions with assets of at least €100 million reported an average growth in total loans outstanding of 6.4 per cent, credit unions with assets of between €40 million and €100 million had an average growth of 7.6 per cent and credit unions with assets of less than €40 million reported average growth of 3.4 per cent. While total loan growth in credit unions with assets less than €40 million was lower than pre-pandemic levels, the average growth in total loans outstanding, for the whole sector, observed for the year to 30 September 2022 has returned to levels observed in years prior to the COVID-19 crisis with average growth being 5.9 per cent for the year to 30 September 2022. (Chart 10)

The trend towards loans with longer durations has continued over the period from 30 September 2017 to 30 September 2022. At 30 September 2017, the proportion of total sector loans outstanding with a maturity of greater than 5 years was 15.0 per cent (including 3.3 per cent with a maturity of greater than 10 years). At 30

Chart 11 | Gross loans outstanding by time to maturity

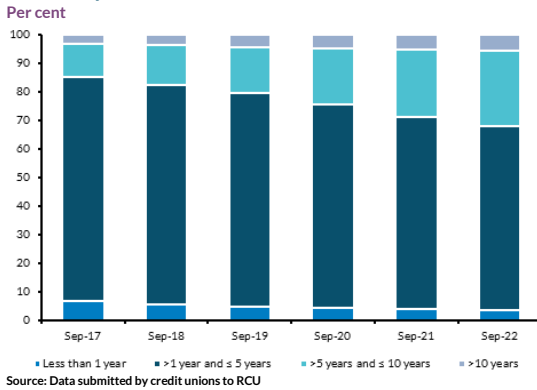


Chart 12 | Gross loans outstanding by category (excluding personal loans)– September 2022

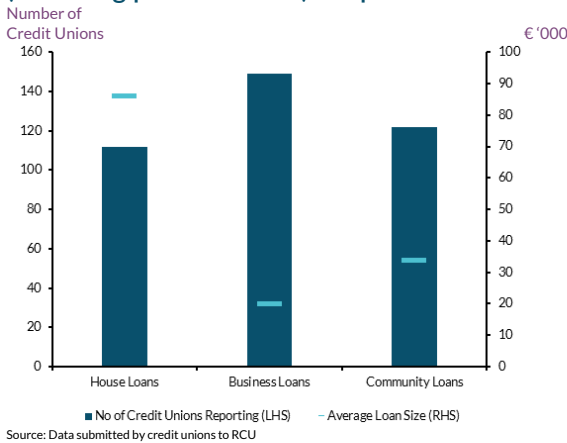


Chart 13 | Arrears greater than 9 weeks

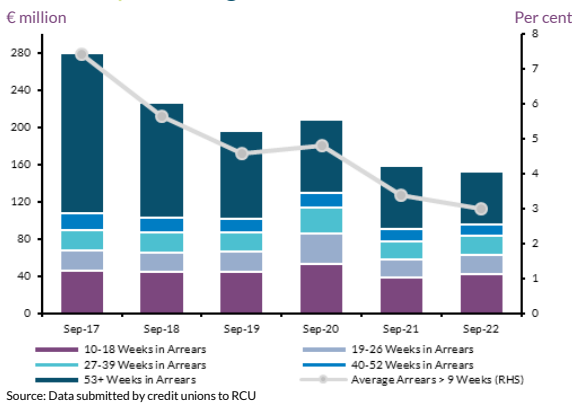
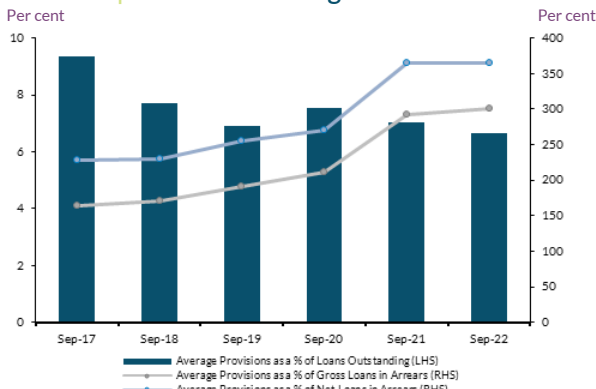


Chart 14 | Provision coverage



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

September 2022, this proportion has more than doubled to 31.9 per cent of total sector loans outstanding with a maturity of greater than 5 years (including 5.8 per cent with a maturity of greater than 10 years), compared with 28.8 per cent with a maturity of greater than 5 years at 30 September 2021 (including 5.4 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 6.7 per cent of total sector loans outstanding at 30 September 2017 to 3.8 per cent at 30 September 2021 and 3.6 per cent at 30 September 2022. (Chart 11)

For the year to 30 September 2022, 91.4 per cent of total loans outstanding were reported as personal loans. 112 credit unions reported €317.1 million house loans outstanding (representing 5.7 per cent of total loans outstanding) at 30 September 2022, an average house loan of c€86,000, up from c€78,700 as at 30 September 2021, was observed for credit unions reporting house loans. 149 credit unions reported €145.6 million business loans outstanding (representing 2.6 per cent of total loans outstanding) at 30 September 2022, an average business loan of c€19,800, up from c€18,400 as at 30 September 2021, was observed for credit unions reporting business loans. 122 credit unions reported €18.2 million community loans outstanding (representing 0.3 per cent of total loans outstanding) at 30 September 2022, an average community loan of c€33,700, up from c€32,000 as at September 2021, was observed for credit unions reporting community loans. (Chart 12)

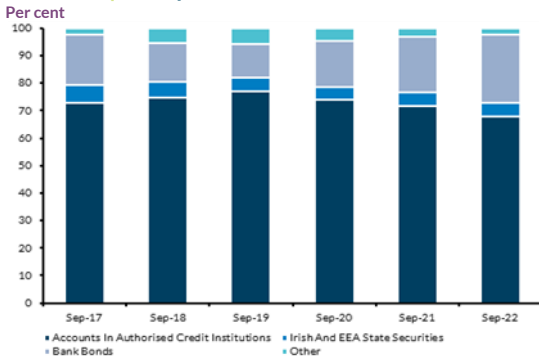
3.2 Credit Quality

Following an increase in the average level of arrears reported at 30 September 2020 (corresponding with the onset of the COVID-19 pandemic), the sector average rate of arrears has fallen to a seven-year low of 3.0 per cent at 30 September 2022. The sector average arrears stood at 7.4 per cent at 30 September 2017 and 3.4 per cent at 30 September 2021.

A trend towards a higher proportion of shorter-term arrears has emerged over the period and though the level of arrears reported decreased in the year to 30 September 2022, the composition of arrears has remained broadly unchanged since 30 September 2021. Of total loans in arrears, the proportion in arrears between 10 and 18 weeks has increased from 16 per cent of total loans in arrears at 30 September 2017 to 28 per cent at 30 September 2022. 62 per cent of total loans in arrears at 30 September 2017 were in arrears for 53 weeks or greater. Of total loans in arrears at 30 September 2022, the proportion in arrears for 53 weeks or greater has decreased to 37 per cent from 43 per cent in 2021. (Chart 13)

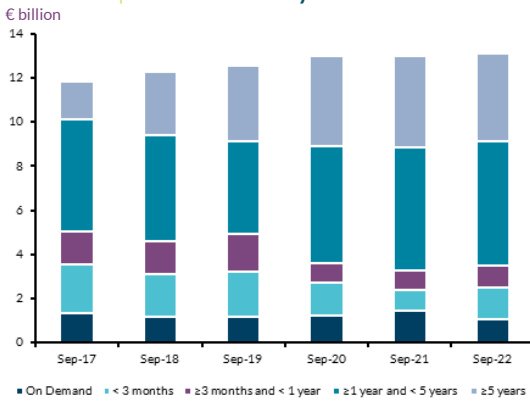
The average level of provision coverage on gross loans in arrears reported by credit unions increased in the year to 30 September 2022. The average provision coverage on gross loans in arrears has increased from 292 per cent at 30 September 2021 to 301 per cent at 30 September 2022 and the average provision coverage on net loans in arrears has decreased from 365 per cent to 364 per cent over the same period. The average level of provision coverage on arrears now stands higher than that reported prior to the onset of COVID-19. The average level of bad debt provisions to total sector loans outstanding has decreased from 7.0 per cent at 30 September 2021 to 6.7 per cent at 30 September 2022. (Chart 14)

Chart 15 | Composition of credit union investments



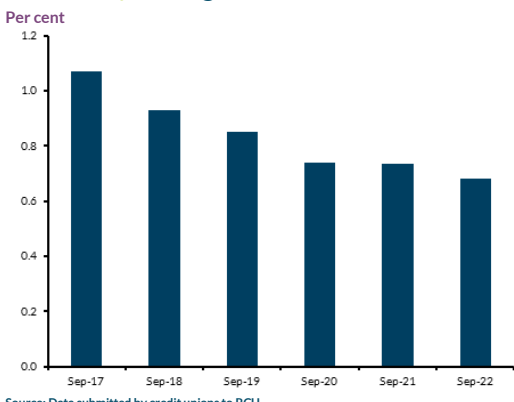
Source: Data submitted by credit unions to RCU
 Note: From March-18 onwards credit unions report supranational bonds with Irish and EEA State Securities
 Note: Other incorporates all other investments reported by credit unions in the PR

Chart 16 | Investments by duration



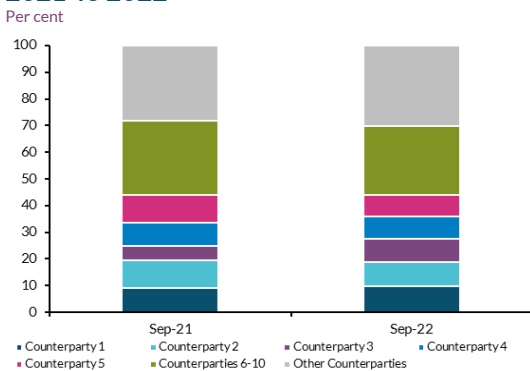
Source: Data submitted by credit unions to RCU

Chart 17 | Average return on investments



Source: Data submitted by credit unions to RCU

Chart 18 | Top counterparties 2022 - exposure 2021 vs 2022



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.

4. Investments

“Investments have slowed their shift to longer term holdings but maintained their increased weighting to bank bonds”

The total value of credit union investments increased from €11.8 billion at 30 September 2017, to €12.96 billion at 30 September 2021 and further increased to €13.1 billion at 30 September 2022

Accounts in authorised credit institutions remain the largest single component of credit union investments, accounting for more than 65 per cent of investments throughout the period. Over the last 3 years, a decrease in the proportion of investments in this category has been observed year-on-year. At 30 September 2020, 74 per cent of total credit union investments were in accounts in authorised credit institutions, compared with 72 per cent at 30 September 2021, and 68 per cent at 30 September 2022. There has been an increase in the proportion of total credit union investments in bank bonds from 17 per cent at 30 September 2020 compared with 20 per cent at 30 September 2021 and 25 per cent at 30 September 2022. (Chart 15)

There has been a slight reversal of trend towards investments with longer maturities based on figures reported at 30 September 2022 when compared to 30 September 2021. However, the proportion of investments with a maturity of greater than 5 years has increased from 14 per cent of total investments (€1.7 billion) at 30 September 2017 to 31 per cent (€4.0 billion) at 30 September 2022.

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 2017 to 30 September 2019, the proportion of investments less than one year has fallen to 27 per cent of total investments (€3.5 billion) at 30 September 2022 from 43 per cent (€5.0 billion) at 30 September 2017. (Chart 16)

Following a brief plateau from 30 September 2020 to 30 September 2021, the average return on investments reverted to a downward trend in 2022. Average return on investment decreased from 1.1 per cent at 30 September 2017, to 0.7 at 30 September 2022 reflecting the prevailing low interest rate environment in this period. (Chart 17)

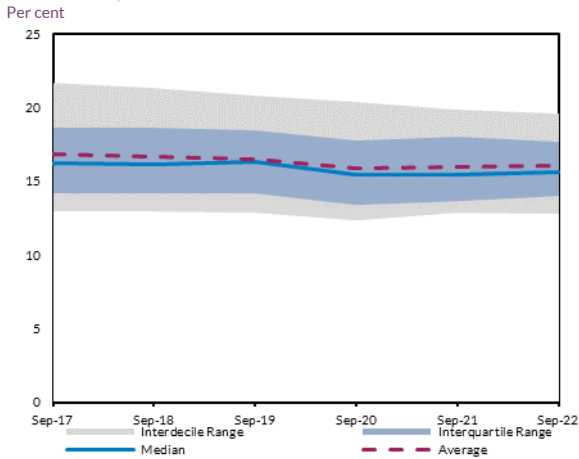
Credit union investments are held with a wide range of counterparties. However, while levels of diversification have increased over the period, a relatively large proportion of overall investments continue to be held with a relatively small number of counterparties. As at 30 September 2022, 44 per cent of credit union investments were held across 5 counterparties and 70 per cent of credit union investments were held across 10 counterparties.

At 30 September 2021, 48 per cent of investments were reported as being held across the top 5 counterparties and 72 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 top 10 counterparties, however, the ranking of exposure has varied in the year. (Chart 18)

While the announcements by Ulster Bank Ireland DAC and KBC Bank Ireland of their intention to withdraw from Ireland will impact the number of available investment counterparties for credit unions, data provided by credit unions, at September 2021, indicates that they invest with over 70 different investment counterparties³.

³ <https://www.centralbank.ie/docs/default-source/regulation/industry-market-sectors/credit-unions/communications/reports/credit-union-investments.pdf>

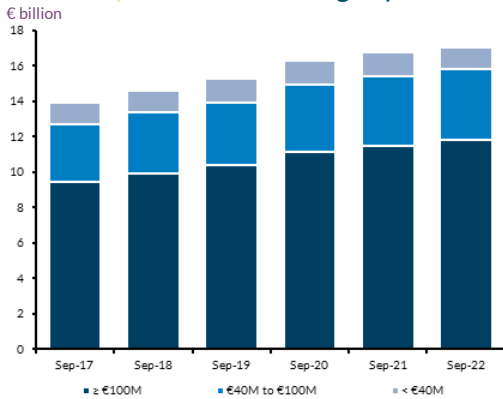
Chart 19 | Total Realised Reserves



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)

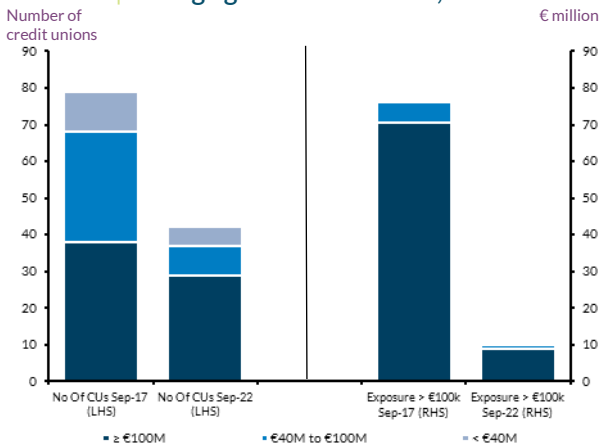
Chart 20 | Total sector savings by asset bucket



Source: Data submitted by credit unions to RCU

Note: This graph is based on the 205 credit unions that reported for 30 September 2022 with the savings of all transferor credit unions between September 2017 and September 2022 included in the savings of their transferee credit unions for the purpose of calculating more accurate growth.

Chart 21 | Savings greater than €100,000



Source: Data submitted by credit unions to RCU

5. Reserves

“Notwithstanding exceptional income and expenditure items reserves remain stable”

Total realised reserves (TRR) have increased over the period 30 September 2017 to 30 September 2022 but remained largely unchanged over the year to 30 September 2022, with TRR increasing from €3.1 billion to €3.15 billion between September 2021 and September 2022. 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 showed a slight increase from 16.0 per cent at 30 September 2021 to 16.1 per cent at 30 September 2022 and the median increased slightly in the same period, from 15.5 per cent to 15.6 per cent.

At 30 September 2022, 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 12.8 per cent at 30 September 2022. (Chart 19)

All credit unions reported TRR above the 10 per cent minimum regulatory requirement.

6. Savings

“Continued growth but slowdown in inflows”

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 pandemic, however, the rapid pace of savings inflows has reduced which may reflect steps taken by many credit unions to manage savings inflows and the reversal of some adverse COVID-19 effects which has seen nominal savings growth across the economy return to pre-pandemic levels during 2022.

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 69 per cent of total credit union savings (€11.8 billion) held with credit unions with assets of at least €100 million, 23 per cent (€4.0 billion) with credit unions with assets of between €40 million and €100 million and 7 per cent (€1.2 billion) with credit unions with assets of less than €40 million at 30 September 2022. (Chart 20)

Credit unions are permitted to hold a maximum of savings of €100,000 per member⁴. 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 €76.6 million reported by 79 credit unions at 30 September 2017, to €10.1 million reported by 41 credit unions at 30 September 2022. At 30 September 2022, 29 credit unions with assets of at least €100 million reported an €8.8 million exposure above €100,000 per member. 8 credit unions with assets between €40 million and €100 million reported a €1.2 million exposure above €100,000 per member and 4 credit unions with assets of less than €40 million reported a €0.1 million exposure above €100,000 per member. (Chart 21)

⁴ 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 | 2017 to 2022 Credit Union Sector Data Tables

Sep-22				
	Asset Bucket			Total Sector
	< €40M	€40M - €100M	≥ €100M	
No. Credit Unions that have Submitted Returns	63	75	67	205
Average Surplus / Deficit	€0.09M	€0.15M	€0.80M	€0.35M
Total Surplus / Deficit	€5.84M	€11.25M	€53.87M	€70.96M
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	0.39%	0.24%	0.30%	0.31%
Average Liquidity	35.90%	34.27%	33.65%	34.57%
Average Arrears > 9 weeks	3.34%	2.85%	2.81%	2.99%
Average Realised Reserves	16.54%	16.32%	15.30%	16.05%
Lending > 5 Years	25.31%	30.08%	31.35%	29.03%
Lending > 10 Years	0.96%	2.46%	6.39%	3.28%
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	€3,962	€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	38.69%	35.88%	33.90%	36.21%
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	€7,825	€8,228	€8,756	€8,527
Average New Loan	€5,546	€5,613	€5,902	€5,789
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	39.24%	32.28%	30.09%	34.37%
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	€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

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.
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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