Banc Ceannais na hÉireann
Central Bank of Ireland
Eurosystem

Financial Conditions of Credit Unions, 2021: I

Issue 8, December 2021

Welcome to 'Financial Conditions of Credit Unions' Publication – 8th Edition

Welcome to the eighth Edition of the Statistical Information release 'Financial Conditions of Credit Unions'. While 2021 has been another challenging year, credit unions pro-actively managed the operational challenges arising from COVID-19.

As noted in the Central Bank's recently published Financial Stability Review 2021:II, the economic recovery from the pandemic shock has continued. However, uncertainty remains given the recent resurgence of the virus across Europe and more medium term vulnerabilities have been building up, stemming from developments in global financial markets, higher levels of indebtedness internationally, and growing price pressures and capacity constraints in some sectors. There are broader structural risks and challenges for credit unions, including those stemming from ongoing changes in financial services as well as climate change.

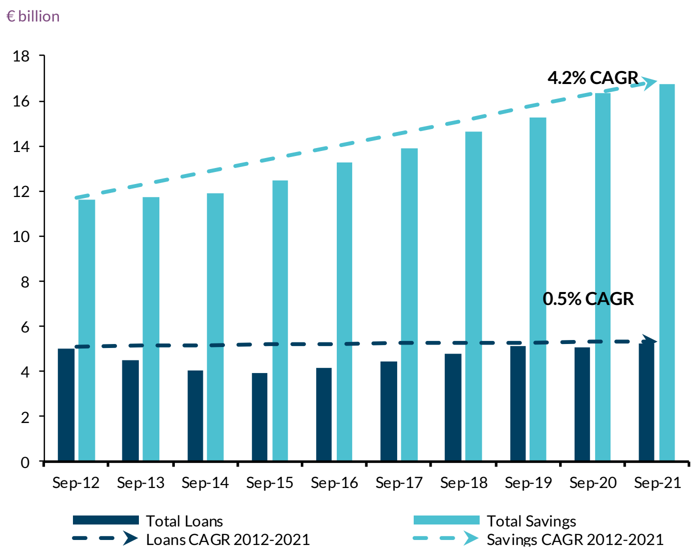
Financial services sector change is being driven by rapid technological transformation, new entrants to the market and the planned exit of some incumbent providers. If credit unions are to remain relevant to their members and leverage potential opportunities, they need to address existing challenges as a matter of priority and embrace the process of innovative business model change within existing legislative and regulatory flexibilities. In relation to climate change, as highlighted in the Governor's recent letter on Supervisory Expectations of Regulated Firms Regarding Climate and ESG Issues , regulated firms, including credit unions, need to understand the impact of climate change on their business and risk profile and enhance existing risk management frameworks to ensure robust climate risk identification, measurement, monitoring and mitigation.

Analysis of the data set out in this Statistical Information release shows some positive trends in reported sector data for the year to 30 September 2021, reflecting the reversal of some adverse COVID-19 effects during the period. The position on the key areas of lending, savings and reserves is as follows:

- **Lending -** outstanding loans increased in 2021 reflecting the recovery in credit demand, as COVID restrictions were eased. However, the overall loan to asset ratio at 27.1 per cent remains close to historically low levels. Notably, approaching two years post our provision through the regulatory framework of additional capacity for house and business lending, activity remains predominantly focused on unsecured personal lending. More detailed analysis of new lending trends and activity across loan categories is set out in Box A on page 9 and 10.
- **Savings** – while savings continued to increase year on year, now totalling €16.79 billion, the pace of growth during 2021 has slowed compared to 2020 – and savings levels reported for the quarter to September 2021 shows a small decline of 0.7 per cent. This slowdown in growth may reflect steps taken by many credit unions to manage savings inflows and also some reversal of adverse COVID-19 effects. Asset and liability management remains a key priority given balance sheet imbalances which have been growing across the sector in recent years.
- **Reserves -** average sector total realised reserves as a percentage of total assets have increased marginally from 15.9 per cent at 30 September 2020 to 16.0 per cent at 30 September 2021. This is a positive trend given the importance of reserves in underpinning member confidence, particularly at times of uncertainty, disruptive change and where sustainability challenges persist.

Notwithstanding some positive trends in the data, fundamental and pervasive sustainability challenges remain for the sector. Credit unions need to ensure that, to the extent that annual reported surpluses may have been impacted by one-off gains, this does not distract them from addressing the underlying sustainability challenge arising from the long term divergence between lending and saving growth rates – illustrated on the chart opposite.

Compound Annual Growth Rate of Loans and Savings



In conclusion, notwithstanding some emerging positive trends referenced above, the underlying trends highlighted in this report and in previous editions, remain. Credit union boards and management need to focus on addressing their sustainability challenges while ensuring that strong governance and risk management[1] are in place to support and enable them to identify and take advantage of business opportunities on a prudent basis to service their members' needs.

Patrick Casey

Registrar of Credit Unions

[1] All credit unions should consider our recently published report 'Thematic Review of Risk Management Maturity in Credit Unions' to support them in embedding a strong risk management culture in their credit union.

Notes:

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

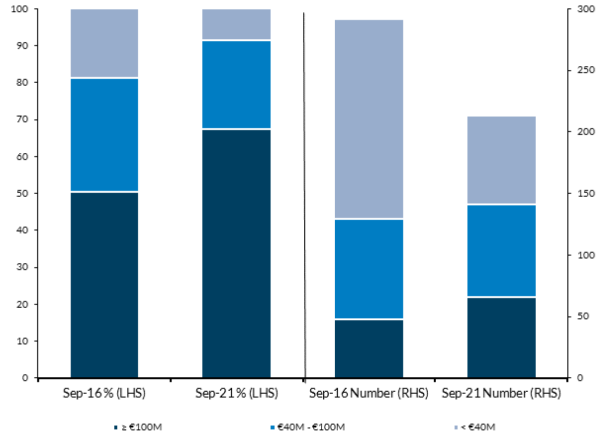
We hope that you will find this publication useful and informative. We welcome your comments or feedback including any suggestions on other financial analysis to be covered in future publications. Any feedback should be provided to rcuanalytics@centralbank.ie.

1. *Unless otherwise stated, prudential return data is as at 30 September of the relevant year (this document refers to data available on 01 December 2021).*
2. *Unless otherwise stated, trends are for the period 2016 to 2021. Some trends are varied based on the relevance and availability of the data.*
3. *Unless otherwise stated, the aggregate credit union data refers to all credit unions operating in the Republic of Ireland.*
4. *The list of registered credit unions is updated monthly and available at http://registers.centralbank.ie/.*
5. *Unless otherwise stated, "≥ €100M" relates to those credit unions with total assets of €100 million or more, "€40M - €100M" relates to credit unions with total assets between €40 million and €100 million and "<€40M" relates to credit unions with total assets of under €40 million.*

Financial Conditions of Credit Unions

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

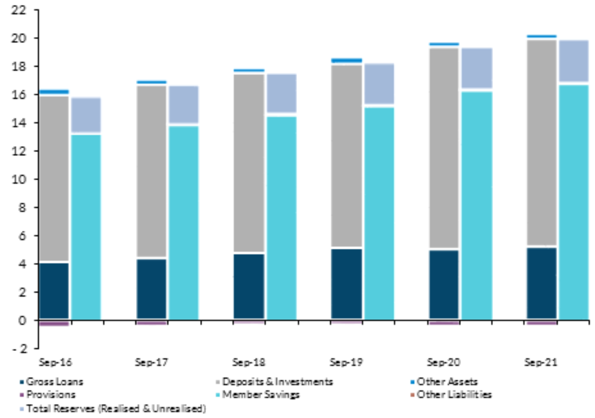
Per cent Number of credit unions



Source: Data submitted by credit unions to RCU

Chart 2 | Balance sheet structure

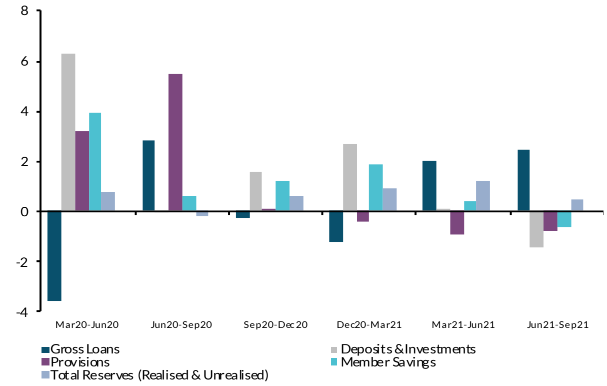
€ billion



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

Chart 3 | Balance sheet components – quarter on quarter movement

Per cent



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

1. Sector Overview

"Consolidation continues, COVID-19 impacts lessen, sector assets reach high of c.€20 billion"

The profile of the sector (number of credit unions and asset size) has continued to change arising from voluntary restructuring. At 30 September 2021 there were 214 trading credit unions; down from 229 at 30 September 2020 and 292 at 30 September 2016. The number of credit unions with assets of at least €100 million has increased from 48 credit unions (representing 50 per cent of total sector assets) at 30 September 2016 to 66 credit unions (representing 67 per cent of total sector assets) at 30 September 2021. Over the period 30 September 2016 to 30 September 2021, the number of credit unions with assets of less than €40 million has fallen from 163 (representing 19 per cent of total sector assets) to 73 (representing 9 per cent of total sector assets) (Chart 1).

Total credit union assets have reached a record high of €19.98 billion at 30 September 2021 – increasing from €15.96 billion at 30 September 2016 and from €19.42 billion at 30 September 2020. This represents an increase of €0.57 billion in the financial year.

Total sector savings stand at €16.79 billion at 30 September 2021 – €0.46 billion higher than the total sector value at 30 September 2020 and €3.50 billion higher than the total sector value at 30 September 2016.

Deposits and investments remain the largest component of credit union assets, accounting for 75 per cent of assets at 30 September 2016 and 74 per cent at 30 September 2021. At 30 September 2021, deposits and investments stood at €14.70 billion.

Following a decrease in the total sector loans outstanding, from €5.11 billion at 30 September 2019 to €5.09 billion at 30 September 2020, there has been an increase of €0.16 billion in the year to 30 September 2021 with total sector loans standing at €5.25 billion. (Chart 2)

2021 Trends

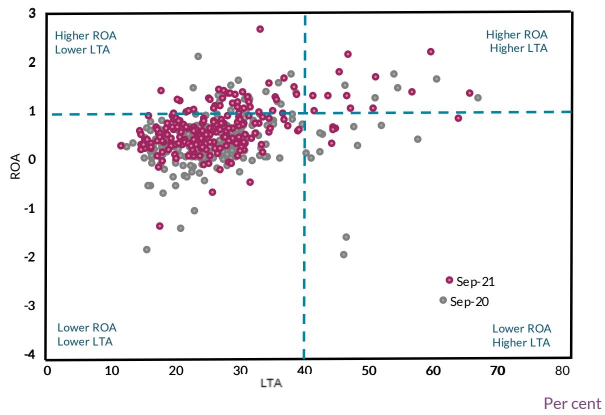
In 2020, quarter on quarter fluctuations in the balance sheet components reflecting impacts arising from COVID-19 were observed. In 2021, some reversal in these adverse effects are evident, coinciding with the easing of COVID-19 restrictions since April 2021.

Savings & Loans

Member savings reported at 30 September 2021 are higher than those reported at 30 September 2020. Following quarter on quarter growth from 30 September 2020 to €16.90 billion at 30 June 2021, member savings declined by 0.7 per cent in the quarter to 30 September 2021. Over the same period, total sector loans declined in the first half of the year, however, the year-to-date decreases observed were offset between 31 March 2021 and 30 September 2021 with total sector loans outstanding increasing by 2.0 per cent and 2.5 per cent in these quarters respectively.

Chart 4 | Return on assets vs loans to assets

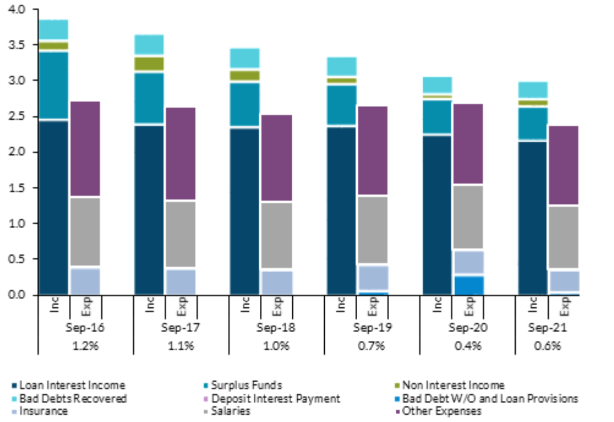
Per cent



Source: Data submitted by credit unions to RCU

Chart 5 | ROA Components

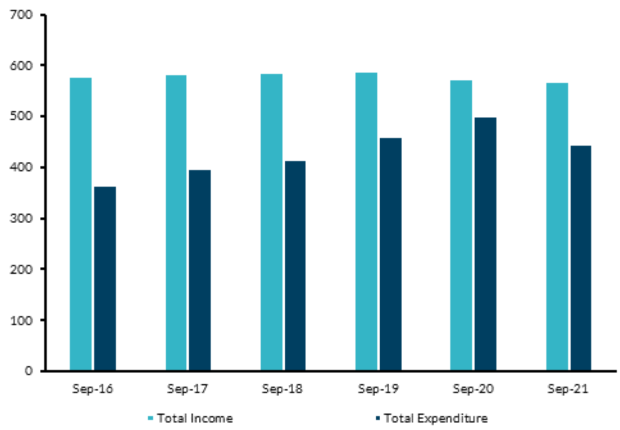
Per cent



Source: Data submitted by credit unions to RCU

Chart 6 | Income and expenditure

€ million



Source: Data submitted by credit unions to RCU

Deposits & Investments

A corresponding decrease in total credit union deposits and investments is observable over the quarter to 30 September 2021 with a decrease of 1.5 per cent reported in the quarter.

Provisions

Following a large increase in the total sector provisions resulting from the initial impact of COVID-19, total sector provisions have declined in recent quarters but have not decreased to the level observed prior to COVID-19. (Chart 3)

Loan to Asset Ratio

While the reversal of some adverse COVID-19 effects to the sector has been observed over the last year, the challenges that faced the sector prior to the onset of COVID-19 remain. At 30 September 2021, the average loan to asset ratio (LTA) stands at 27.1 per cent, a slight increase on the level of 26.7 per cent reported at 30 September 2020. The range in reported LTA has remained largely the same since 30 September 2020 with LTA ranging from 11 per cent to 66 per cent at 30 September 2021.

Return on Assets

The average return on assets (ROA) has increased from 0.4 per cent at 30 September 2020 to 0.6 per cent at 30 September 2021 with 10 credit unions reporting negative ROA at 30 September 2021 compared with 29 at 30 September 2020. The range in credit union ROA has shifted upward in 30 September 2021, showing some recovery from the impact of COVID-19, reflected in lower bad debt write offs and loan provisions which have positively impacted on credit union surpluses. However, average ROA has decreased across the five-year period from 1.2 per cent at 30 September 2016.

At 30 September 2020, 93 per cent of credit unions (211 credit unions) reported LTA less than 40 per cent and 85 per cent of credit unions (194 credit unions of these) also reported ROA less than 1 per cent. At 30 September 2021, again 92 per cent of credit unions (196 credit unions) reported LTA less than 40 per cent but the proportion of credit unions reporting both a lower LTA and ROA has decreased to 78 per cent (166 credit unions). 6 credit unions (3 per cent) reported LTA greater than 40 per cent and ROA greater than 1 per cent at 30 September 2020, compared with 11 credit unions (5 per cent) at 30 September 2021. (Chart 4 and Appendix)

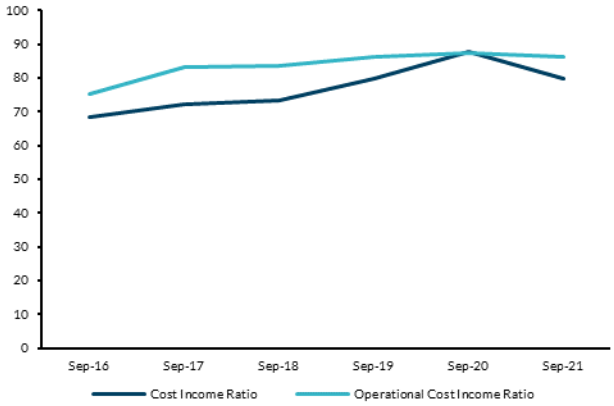
Following a decrease in the average sector return on assets (ROA), from 1.2 per cent at 30 September 2016 to 0.4 per cent at 30 September 2020, ROA increased to 0.6 per cent at 30 September 2021.

The impact of loan interest income and investment income (the principal components of credit union income) on ROA declined over the period from 3.4 per cent at 30 September 2016 to 2.8 at 30 September 2020 and 2.6 per cent at 30 September 2021, reflecting the low loan to asset ratio and the low interest rate environment. The impact of total credit union expenses on ROA stood at 2.7 per cent at 30 September 2016 and 30 September 2020, and decreased to 2.4 per cent at 30 September 2021.

At 30 September 2016, the impact of the net provisioning (including release of provisions, write-offs and bad debts recovered) was positive on ROA by 0.3 per cent. At 30 September 2020, the impact of net provisioning was neutral on ROA and it became positive again at 30 September 2021, representing a positive impact of 0.2 per cent on ROA. (Chart 5)

Chart 7 | Average cost-income ratio

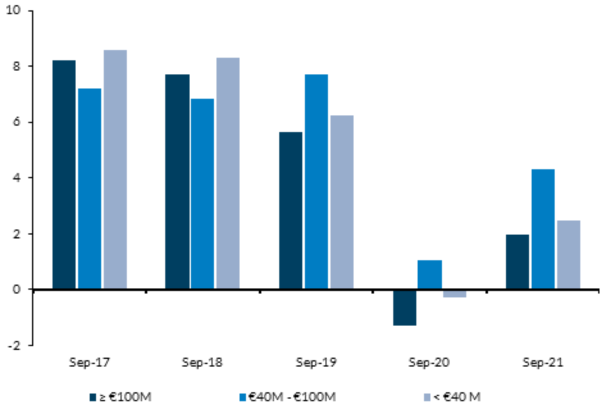
Per cent



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

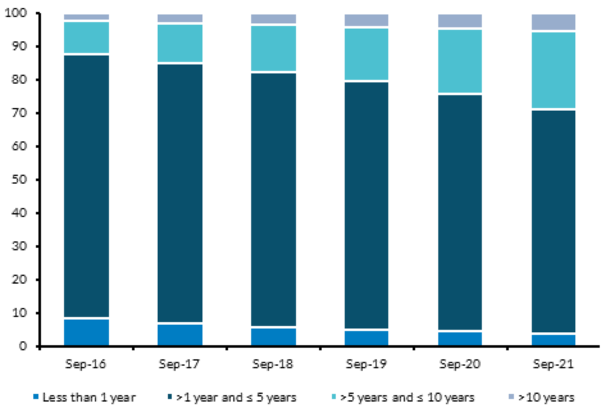
Per cent



Source: Data submitted by credit unions to RCU
Note: This graph is based on the 213 credit unions that reported for 30 September 2021 with the loans of all transferor credit unions between September 2016 and September 2021 included in the loans of their transferee credit unions for the purpose of calculating more accurate growth.

Chart 9 | Gross loans outstanding by time to maturity

Per cent



Source: Data submitted by credit unions to RCU

2. Income and Expenditure

"Small decrease in cost income ratio from a high base"

Total credit union sector annual income has fallen from €579 million at 30 September 2016 to €567 million at 30 September 2021. Following a steady increase year-on-year in total credit union sector annual expenditure from €364 million at 30 September 2016 to €500 million at 30 September 2020, total credit union sector annual expenditure has decreased to €445 million at 30 September 2021. (Chart 6)

The average sector total cost-income ratio was at a 4-year high at 30 September 2020, increasing from 69 per cent at 30 September 2016 to 88 per cent at 30 September 2020 in conjunction with the impact of COVID-19. A decrease to 80 per cent was observed in the year to 30 September 2021.

The average operational cost-income ratio (which excludes loan provisioning and non-recurring items) has remained largely unchanged since 30 September 2017. It decreased slightly in the year to 86 per cent at 30 September 2021 from 87 per cent at 30 September 2020.

Analysing this in conjunction with the total cost income ratio, at 30 September 2021 the average operational cost-income ratio again fell below the total cost-income ratio following a deviation from the observed trend in 2020. At 30 September 2021 the net effect of provisioning (primarily write-backs) was positive on credit union surpluses, reflecting the lessening impact of COVID-19 on the sector. However, the non-operational nature of this item means that it cannot be relied upon for contributing to surpluses going forward. (Chart 7)

3. Lending

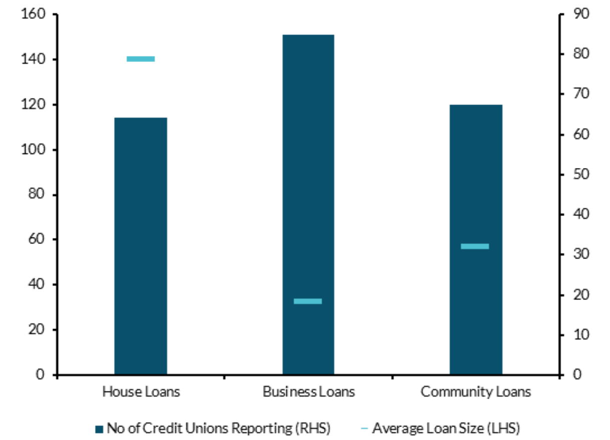
"Some reversal in COVID-19 Impact on Lending Growth– accompanied by decrease in reported arrears"

3.1. 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 growth in total gross loans outstanding in the year to 30 September 2021. Credit unions with assets of at least €100 million and credit unions with assets of less than €40 million reported an average decrease in total gross loans outstanding in the year to 30 September 2020. For the year to 30 September 2021, credit unions with assets of at least €100 million reported an average growth in total loans outstanding of 2.0 per cent and credit unions with assets of less than €40 million reported average growth of 2.5 per cent. While the average growth in total loans outstanding of credit unions with assets of between €40 million and €100 million remained positive in the year to 30 September 2020, an average growth of 4.3 per cent was reported for the year to 30 September 2021. Across each asset bucket, the average growth in total loans outstanding observed for the year to 30 September 2021 did not reach levels observed in years prior to the COVID-19 crisis. (Chart 8)

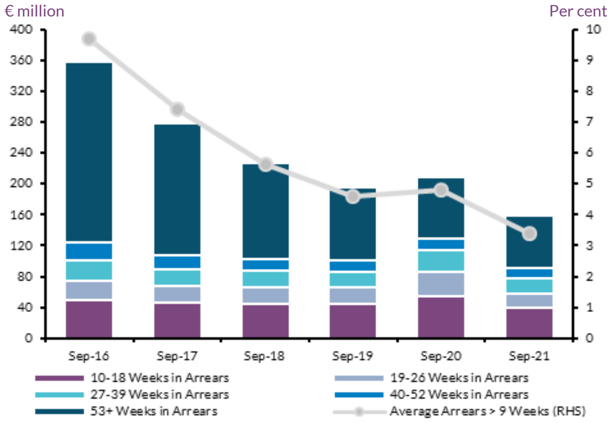
The trend towards loans with longer durations has continued over the period from 30 September 2016 to 30 September 2021. At 30 September 2016, the proportion of total sector loans outstanding with a maturity of greater than 5 years was 12.6 per cent (including 2.5 per cent with a maturity of greater than 10 years). At 30 September 2021, this proportion has

Chart 10 | Gross loans outstanding by category (excluding personal loans)– September 2021



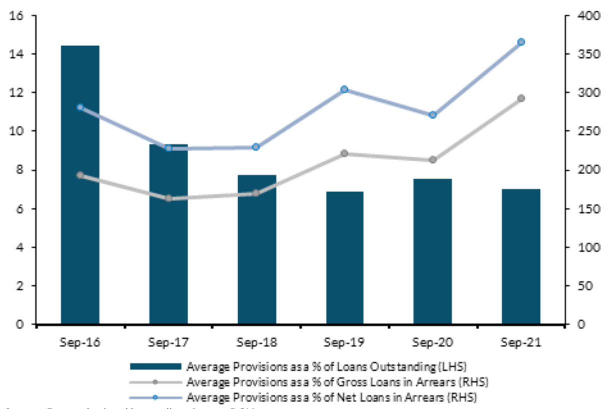
Source: Data submitted by credit unions to RCU

Chart 11 | Arrears greater than 9 weeks



Source: Data submitted by credit unions to RCU

Chart 12 | Provision coverage



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

increased to 28.8 per cent of total sector loans outstanding with a maturity of greater than 5 years (including 5.4 per cent with a maturity of greater than 10 years), compared with 24.3 per cent with a maturity of greater than 5 years at 30 September 2020 (including 4.7 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 8.1 per cent of total sector loans outstanding at 30 September 2016 to 4.3 per cent at 30 September 2020 and 3.8 per cent at 30 September 2021. (Chart 9)

For the year to 30 September 2021, 92 per cent of total loans outstanding were reported as personal loans. 114 credit unions reported €259.7 million house loans outstanding (representing 5.0 per cent of total loans outstanding) at 30 September 2021, with an average house loan of c€78,700 observed for those credit unions. 151 credit unions reported €127.6 million business loans outstanding (representing 2.4 per cent of total loans outstanding) at 30 September 2021, with an average business loan of c€18,400 observed for those credit unions. 120 credit unions reported €16.7 million community loans outstanding (representing 0.3 per cent of total loans outstanding) at 30 September 2021, with an average community loan of c€32,000 observed for those credit unions. (Chart 10) Further analysis on new lending is set out in Box A on page 9.

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 six-year low of 3.4 per cent at 30 September 2021. The sector average arrears stood at 9.7 per cent at 30 September 2016 and 4.8 per cent at 20 September 2020.

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 2021, the composition of arrears has remained broadly unchanged since 30 September 2020. Of total loans in arrears, the proportion in arrears between 10 and 18 weeks has increased from 14 per cent of total loans in arrears at 30 September 2016 to 24 per cent at 30 September 2021. 65 per cent of total loans in arrears at 30 September 2016 were in arrears for 53 weeks or greater. Of total loans in arrears at 30 September 2021, the proportion in arrears for 53 weeks or greater has decreased to 43 per cent. (Chart 11)

The average level of provision coverage on gross loans in arrears and on net loans in arrears (gross loans in arrears less attached savings) reported by credit unions increased in the year to 30 September 2021. This follows a decline in the average coverage reported in the year to 30 September 2020. The average provision coverage on gross loans in arrears has increased from 212 per cent at 30 September 2020 to 292 per cent at 30 September 2021 and the average provision coverage on net loans in arrears has increased from 270 per cent to 365 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 7.6 per cent at 30 September 2020 to 7.0 per cent at 30 September 2021. (Chart 12)

Box A: Credit Union Lending

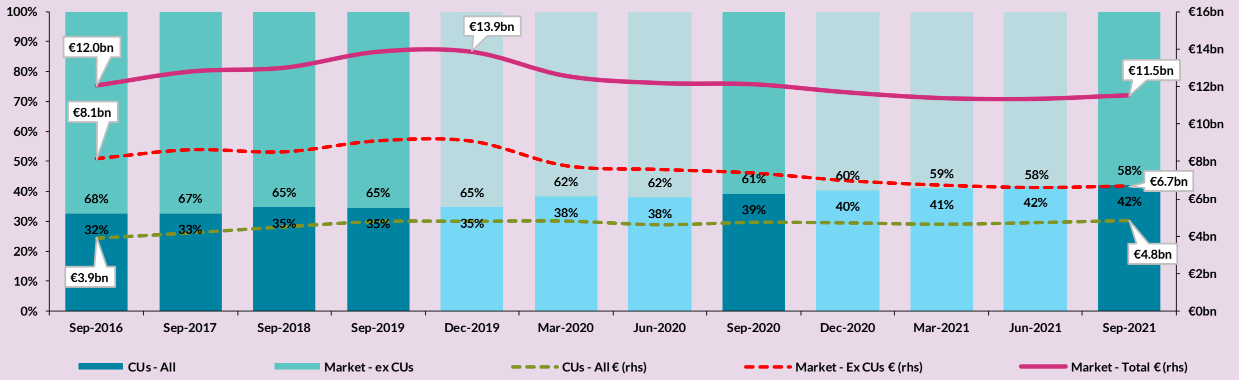
Irish Market for Household Loans

The Irish market for household credit has been changing over recent years, with new forms of finance such as Personal Contract Purchase (PCP) and store credit becoming more prevalent. This has impacted trends in the Central Bank of Ireland measure 'Loans to Irish Households', which comprises primarily traditional unsecured instalment credit and does not include loans for house purchase. The 'Loans to Irish Households' measure captures where credit unions advance the highest proportion of their lending.

Whilst 'Loans to Irish Households' had been growing in the period from 2016, there was a significant contraction in this market, coinciding with the onset of the first phase of the pandemic, as illustrated below. This contraction resulted from a decline in demand for new credit, whilst at the same time individuals and households continued to pay down existing credit facilities. Notwithstanding the overall decline over this period credit unions, in aggregate, maintained and more recently increased their share of the overall market, using this measure.

However, whilst credit union sector lending overall has recovered to pre- COVID-19 levels, some credit unions were more successful than others in maintaining and growing their lending volumes through the pandemic and during the recovery period.

Chart A: Loans to Irish Households – Consumer Credit



Source: Data submitted by credit unions to RCU and data from https://www.centralbank.ie/docs/default-source/statistics/data-and-analysis/credit-and-banking-statistics/bank-balance-sheets/bank-balance-sheets-data/ie_table_a-5-1_loans_to_irish_households_-_purpose_and_maturity.xls?sfvrsn=127

New Lending Activity

In reporting on lending, 'Financial Conditions' releases have focused primarily on the amount and changes in 'gross loans outstanding'. As this measure is impacted by a range of factors including amortisation and early repayments of loans, the analysis in this 'Box' focuses on 'new lending' activity by way of loan numbers, value, maturity and category. This provides more insight into the profile of new lending being originated by credit unions, as distinct from looking at changes in 'gross loans outstanding' where loans outstanding are based on the period remaining to maturity and are net of loans where earlier repayments (in full or part) are made.

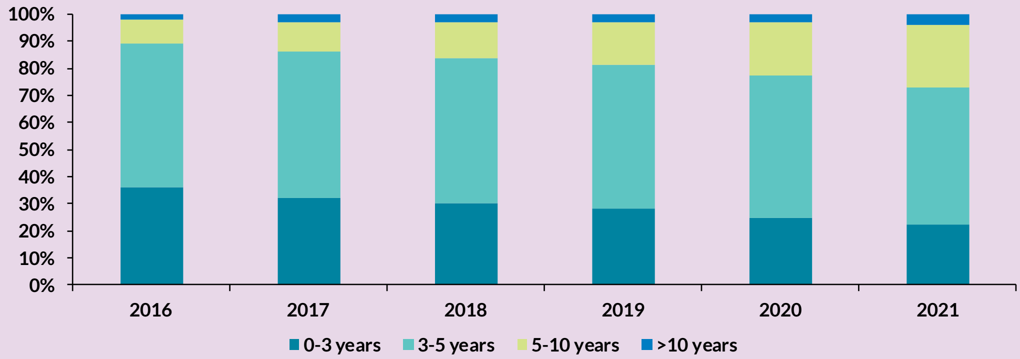
The profile of credit union lending has been changing over recent years with an increasing number of longer maturity loans (loans with a term of 5 years or longer from date of drawdown). Conversely, the number of smaller, shorter duration loans (up to 3 years), has been declining. Credit unions appear to be utilising the additional flexibility introduced in 2020 for lending up to 10 years in maturity, with a marked increase observed in new lending with maturities between 5 and 10 years. While there has also been some increase in house and business lending in 2021, this is not material in absolute terms given the low base of lending in these categories of lending prior to 2020.

Loan Maturity and Numbers

Loans with a maturity of up to 3 years comprised 36 per cent of all new lending by value in the year to September 2016. This has reduced to 23 per cent of new lending in the year to September 2021. Over the same period loans with a maturity of longer than 5 years comprised 11 per cent of all new lending by value in the year to September 2016 - increasing to 27 per cent in the year to September 2021.

The increase in longer maturity higher individual value lending compensated for a decline in overall loan numbers, a trend that was emerging prior to the onset of the pandemic. Whilst a total of just over 600k loans were advanced in the year to September 2017, this declined to c.580k in the year to September 2019. 2020 and 2021 have been adversely impacted by the pandemic, with the total number of new loans standing at 450k and 426k in the years to September 2020 and 2021 respectively. However, in value terms, total loans advanced grew over the period 2016-19, from €2.2bn in the year to September 2016 to €2.6bn in the year to September 2019. The impact from COVID-19 resulted in a decline in new loans advanced, to €2.3bn in the year to 30 September 2020 with some increase for the year to 30 September 2021 when €2.5bn was advanced.

Chart B: Credit Union Sector – New Lending by Maturity

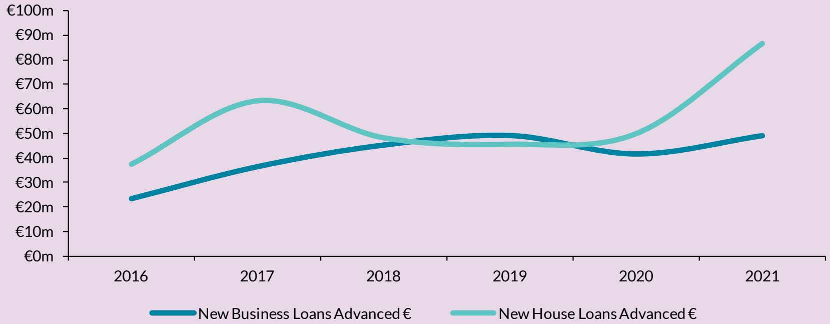


Source: Data submitted by credit unions to RCU

House loans advanced in the year to September 2021 amounted to €86.7m, which represents a material increase in activity, albeit from a low base. By way of comparison, €45.3m was advanced in the year to September 2019. The average new house loan advanced in 2021 was €99k, compared to €72k in 2019. In the year to September 2021, 20 credit unions account for 76 per cent of all new house loans advanced while 50 credit unions account for 98 per cent of all new house loans advanced.

New 'business loans' advanced in the year to September 2021 amounted to €48.9m, which is largely unchanged from the amount advanced in the year to September 2019. A smaller number of loans were advanced in the most recent year, c.2,600, compared to c.3,100 in the year to September 2019. The higher loan average of €18k in the year to September 2021 compares to €16k in the year to September 2019, compensating for the lower level of activity. Whilst a higher proportion of credit unions are active in advancing business loans, with 57 per cent reporting new business loans in the year to September 2021, 85 per cent of all new business loans were advanced by 50 credit unions.

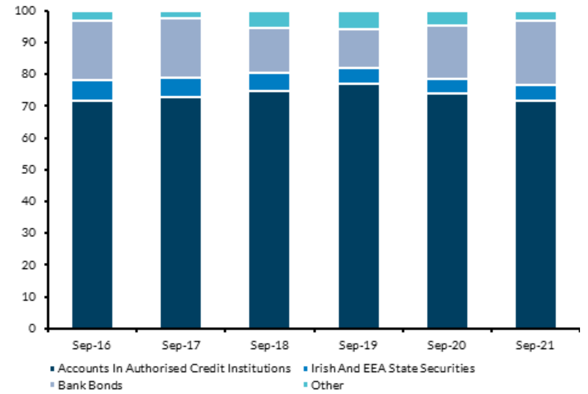
Chart C: Credit Union Sector - New Business & House Loans (€)



Source: Data submitted by credit unions to RCU

Chart 13 | Composition of credit union investments

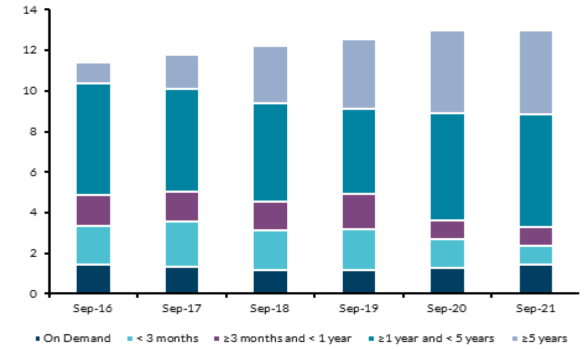
Per cent



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

Chart 14 | Investments by duration

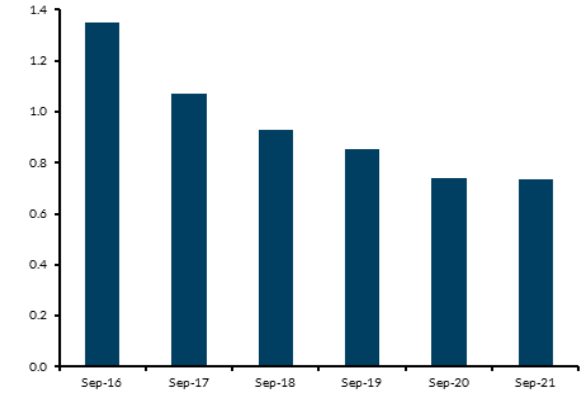
€ billion



Source: Data submitted by credit unions to RCU

Chart 15 | Average return on investments

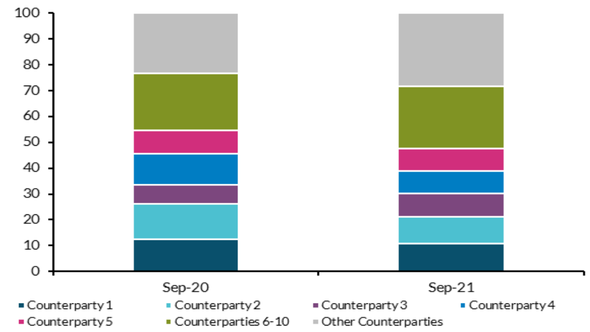
Per cent



Source: Data submitted by credit unions to RCU

Chart 16 | Top counterparties 2021 - exposure 2020 vs 2021

Per cent



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

4. Investments

"Investments continue to shift longer with increased weighting to bank bonds"

The total value of credit union investments increased from €11.4 billion at 30 September 2016, to €12.97 billion at 30 September 2020 and decreased slightly to €12.96 billion at 30 September 2021.

Accounts in authorised credit institutions remain the largest single component of credit union investments, accounting for more than 70 per cent of investments throughout the period. Over the last 2 years, a decrease in the proportion of investments in this category has been observed year-on-year. At 30 September 2019, 77 per cent of total credit union investments were in accounts in authorised credit institutions, compared with 74 per cent at 30 September 2020, and 72 per cent at 30 September 2021. There has been an increase in the proportion of total credit union investments in bank bonds from 12 per cent at 30 September 2019 compared with 17 per cent at 30 September 2020 and 20 per cent at 30 September 2021. (Chart 13)

There has been a continued trend towards more investments with longer maturities over the period. The proportion of investments with a maturity of greater than 5 years has increased from 9 per cent of total investments (€1.1 billion) at 30 September 2016 to 32 per cent (€4.1 billion) at 30 September 2021.

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 2016 to 30 September 2019, the proportion of investments less than one year has fallen to 25 per cent of total investments (€3.3 billion) at 30 September 2021 from 42 per cent (€4.8 billion) at 30 September 2016. (Chart 14)

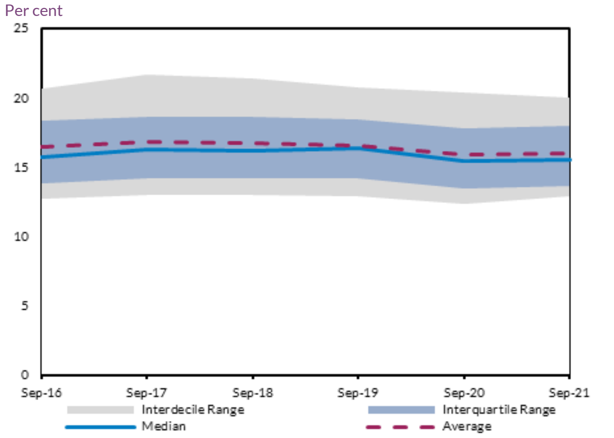
Following a period of steady decline, the average return on investments reported at 30 September 2021 remained unchanged from the 30 September 2020 level of 0.7 per cent. This is a decrease from 1.3 per cent at 30 September 2016, reflecting the prevailing low interest rate environment. (Chart 15)

Credit unions invest in a wide range of counterparties. However, while levels of diversification have increased over the period, a relatively large proportion of their overall investments continue to be held with a relatively small number of counterparties. As at 30 September 2021, 48 per cent of credit union investments were held across 5 counterparties and 72 per cent of credit union investments were held across 10 counterparties.

At 30 September 2020, 55 per cent of investments were reported as being held across the top 5 counterparties and 77 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 5 counterparties, however, the rank of exposure has varied in the year. (Chart 16)

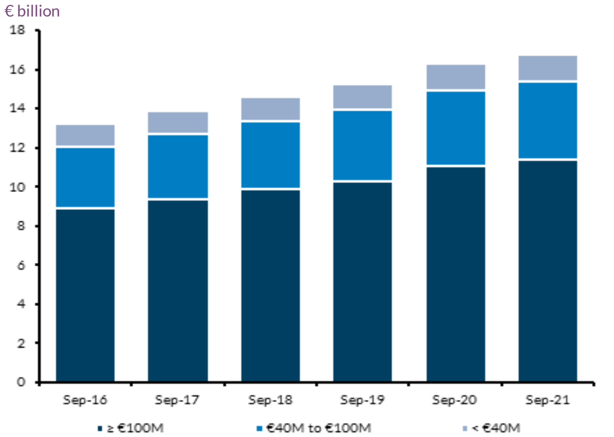
While the announcements by Ulster Bank Ireland DAC and KBC Bank Ireland of their intention to withdraw from Ireland will potentially reduce the number of available investment counterparties for credit unions, data provided by credit unions indicates that they invest with over 70 different investment

Chart 17 | Total Realised Reserves



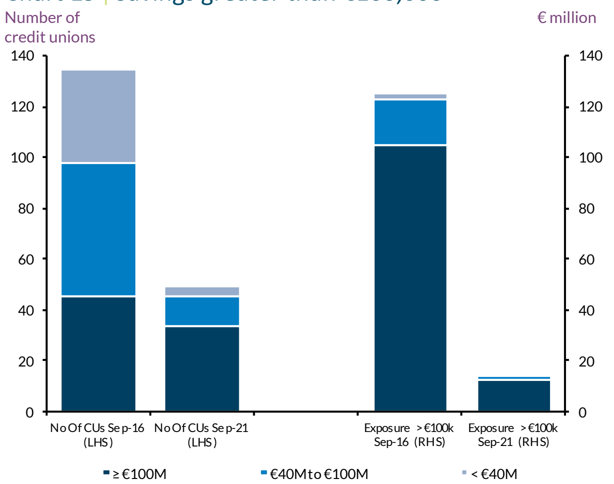
Source: Data submitted by credit unions to RCU
Note: The interquartile and interdecile ranges are measures of dispersion of the values in the dataset – the interquartile range shows the difference between the 75th percentile (the value below which 75 per cent of values were reported) and the 25th percentile (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 18 | Total sector savings by asset bucket



Source: Data submitted by credit unions to RCU
Note: This graph is based on the 213 credit unions that reported for 30 September 2021 with the savings of all transferor credit unions between September 2016 and September 2021 included in the savings of their transferee credit unions for the purpose of calculating more accurate growth.

Chart 19 | Savings greater than €100,000



Source: Data submitted by credit unions to RCU

counterparties[2]. Further information on credit union investments is set out in our '[Credit Union Investment Report](https://www.centralbank.ie/docs/default-source/regulation/industry-market-sectors/credit-unions/communications/reports/credit-union-investments.pdf)' which was published in September of this year.

5. Reserves

"Reserves remain stable"

Total realised reserves (TRR) have increased over the period 30 September 2016 to 30 September 2021 but remained largely unchanged over the year to 30 September 2021, with TRR increasing from €3 billion to €3.1 billion between September 2020 and September 2021.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 15.9 per cent at 30 September 2020 to 16.0 per cent at 30 September 2021 and the median remained unchanged in the same period, standing at 15.5 per cent.

At 30 September 2021, the 10th percentile remains above the 10 per cent minimum regulatory reserve requirement – with 90 per cent of credit unions reporting higher than 12.9 per cent at 30 September 2021. (Chart 17)

1 credit union reported TRR below 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.

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 68 per cent of total credit union savings (€11.4 billion) held with credit unions with assets of at least €100 million, 24 per cent (€4.0 billion) with credit unions with assets of between €40 million and €100 million and 9 per cent (€1.4 billion) with credit unions with assets of less than €40 million at 30 September 2021. (Chart 18)

Credit unions are permitted to hold a maximum of savings of €100,000 per member[3]. 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 €124.9 million reported by 135 credit unions at 30 September 2016, to €14.4 million reported by 49 credit unions at 30 September 2021. At 30 September 2021, 34 credit unions with assets of at least €100 million reported a €12.9 million exposure above €100,000 per member. 11 credit unions with assets between €40 million and €100 million reported a €1.4 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 19)

[2] https://www.centralbank.ie/docs/default-source/regulation/industry-market-sectors/credit-unions/communications/reports/credit-union-investments.pdf
[3] 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 | 2016 to 2021 Credit Union Sector Data Tables

Sep-21				
		Asset Bucket		Total Sector
	< €40M	€40M - €100M	≥ €100M	
No. Credit Unions that have Submitted Returns	**72**	**75**	**66**	**213**
Average Surplus / Deficit	€0.14M	€0.45M	€1.18M	€0.57M
Total Surplus / Deficit	€10.43M	€34.10M	€77.63M	€122.16M
Average Assets	€23.81M	€63.94M	€204.10M	€93.81M
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	€3.11BN
Average ROA	0.60%	0.72%	0.55%	0.63%
Average Liquidity	38.62%	35.89%	33.90%	36.20%
Average Arrears > 9 weeks	3.86%	3.17%	3.09%	3.38%
Average Realised Reserves	16.32%	16.32%	15.36%	16.02%
Lending > 5 Years	22.72%	27.04%	28.48%	26.03%
Lending > 10 Years	1.21%	2.92%	5.87%	3.26%
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	€4,354	€5,178	€4,832

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

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

Definitions	
Average Surplus / Deficit	Average of all 'Year to Date Surplus (Deficit)' reported by individual credit unions in the quarterly prudential returns
Total Surplus / Deficit	Sum of all 'Year to Date Surplus (Deficit)' reported by individual credit unions in the quarterly prudential returns
Average Assets	Average of 'Total Assets' reported by individual credit unions in the quarterly prudential returns
Total Assets	Sum of 'Total Assets' reported by individual credit unions in the quarterly prudential returns
Total Loans	Sum of total gross loans outstanding reported by individual credit unions in the quarterly prudential returns
Total Investments	Sum of 'Total Investments' reported by individual credit unions in the quarterly prudential returns
Total Savings	Sum of 'Members' Shares Regular', 'Members' Shares Term', 'Members' Shares Special', 'Members' Deposits' and 'Other Members' Funds' reported by individual credit unions in the quarterly prudential returns
Total Reserves	Sum of 'Total Reserves' reported by individual credit unions in the quarterly prudential returns
Average Annualised ROA	ROA (Return on Assets): Average of annualised credit union ROA as calculated from data points reported by individual credit unions in the quarterly prudential returns. ROA calculation is annualised 'Year to Date Surplus (Deficit)' divided by 'Total Assets'
Average Liquidity	Average of credit union liquidity as calculated from data points reported by individual credit unions in the quarterly prudential returns. Liquidity calculation is currently the sum of: • cash and current accounts; • total investments maturing in less than 3 months; • total investments in Irish and EEA State Securities, bank bonds and supranational bonds, held directly or through a UCITS, with a maturity of greater than 3 months after application of relevant discounts[4]; • balances held in the minimum reserve deposit account in excess of the minimum required reserve deposit; divided by total unattached savings.
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

[4] Maturity > 3 months and < 1 year: 10% discount, Maturity >=1 year but < 5 years : 30% discount, Maturity of 5 years or more : 50% discount

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