Movement Statistics

Movement Statistics

Financial highlights of credit unions in the year-ended September 2005

The consolidated assets of the credit union movement at year-end September 2005 were €13.18 billion, a figure which represents a growth of 11.11% on the previous year. The growth in savings and loans was 10.53% and 9.88% respectively.

As outlined in previous Annual Reports, there continues to be a noticeable decrease in the loan component of the consolidated balance sheet, and a corresponding increase in investments component. There was a further change in the year-ended September 2005, with 49.29% of total assets made up of loans to members (49.84% September 2004).

The average dividend paid to members at year-end 2005 was 2.33%, compared with the 2.35% paid at year-end 2004. The most popular dividend band was the 2% band favoured by almost 66% of credit unions, followed by the 3% band used by 15% of credit unions.

The percentage of reserves to assets increased slightly in 2005, with total reserves to total assets as at 30th September 2005 standing at 10.37% compared to 9.90% in 2004.

Monitoring and the PEARLS System

(**P**rotection, **E**ffective Financial Structure, **A**sset Quality, **R**ates of Return and Costs, **L**iquidity, **S**igns of Growth)

The PEARLS Monitoring System was adopted at the Biennial Delegate Meeting 2003 and the first Call Reports were returned for the quarter-ended 30th June 2003. The PEARLS ratios were revised and tailored to suit the Irish movement, and many of the duplicated or less practical ratios have been removed. The number of ratios currently used is 28, down from 42 ratios initially.

As of 30th June 2005, the Call Report was replaced by the Prudential Return. The view of the Consultative General Meeting 2004 was clear that credit unions would not fill in two different quarterly reports and therefore it was imperative that the ILCU would negotiate with the Financial Regulator in the Republic of Ireland and develop a single report.

The ILCU completed negotiations with the Registrar of Credit Unions in order to obtain a report that would satisfy the needs of the Savings Protection Scheme and the needs of the Registrar. The Prudential Report is to be completed on a quarterly basis. It provides the ILCU's Monitoring Department with all of the financial data required to calculate the PEARLS ratios, growth trends etc. and to produce the quarterly Financial Performance Reports for all credit unions.

The Registrar in the Republic of Ireland has put the Prudential Report on a statutory basis under Section 91 of the Credit Union Act 1997 and has rolled out a new electronic method of submitting the Prudential Return. This roll-out is nearly completed and ensures that all credit unions in the Republic will submit the Prudential Return electronically, via the Financial Regulator's website. As at November 2006, the Financial Regulator has rolled-out the new process to 422 credit unions.

As credit unions are enabled to submit the Prudential Report to the Registrar electronically, they will no longer need to send a separate copy to the ILCU. Arrangements have been agreed for the Regulator to forward the Prudential Return data to the ILCU, once the Regulator's office has completed its analysis. A consent form must be signed by each credit union to allow the Financial Regulator to transfer this data to the ILCU. In the vast majority of cases, these consent forms have already been signed and filed by credit unions, and the data is transferred on a timely basis for analysis by the ILCU.

The ILCU share the data on credit unions in Northern Ireland with the Registrar of credit unions in Northern Ireland on a bi-annual basis.

Results from the Prudential Reports 30th September 2006

The results and findings from the Prudential Returns and the Desk Audit are playing an ever-increasing role in the planning of the field visit schedule. This process is commonly known as risk-based scheduling and essentially means that as concerns are identified, credit unions can be prioritised for visits.

P – Protection

P1 Bad Debt Provision Requirements

This ratio measures whether a credit union is complying with its bad debt provision requirements, as per Resolution 49, of 2003. Compliance with Resolution 49 is compulsory since 1st October 2004. A result of 100% or more implies that a credit union is already meeting the requirements of the new Resolution.

If a credit union's ratio is less than 100%, the Board should give priority to increasing the provision.

The movement's result for this ratio for the quarter ended 30th September 2006 was 152.25% which implies that the vast majority of credit unions are not only compliant with Resolution 49 but indeed exceeded it. In most cases, this incorporates year-end transfers and provisions.

P3 Solvency

The purpose of this ratio is to measure the degree of protection that the credit union has for members' savings in the event of liquidation of the credit union's assets and liabilities. (A result of 100% implies that for each euro/pound in members' savings held by the credit union, the credit union can realise a euro/pound to return to the members in the event of the credit union being liquidated.)

The overall solvency of credit unions remains very strong. The goal attached to this ratio is a result of 109% or greater. Again, it is encouraging that the movement average at 30th September 2006 was 114.60% for this ratio.

E – Effective Financial Structure

This section examines the structure of a credit union's assets and liabilities on the balance sheet.

The continuing trend is that there is a decrease in the loan component of the balance sheet and a corresponding increase in the investment component. This trend is a cause for concern, particularly when coupled with the longer maturity of loans being approved by credit unions.

E1 Total Loans to Total Assets
As at the quarter ended 30th September 2006, only 46.77% of total assets is made up of loans to members. This is down from 49.29% at 30th September 2005 and 49.84% at 30th September 2004.

E2 Total Investments to Total Assets
The reduction in the loan component has led to a corresponding increase in the investment component and the results for E2 show that, as at 30th September 2006, 49.50% of total assets is made up of investments. This is compared to a figure of 33% at year-end 30th September 2001. This trend will have an impact on income and continues to compress the operating margin of credit unions.

E4 Borrowed Funds to Total Assets
The movement result for this ratio for the quarter ended 30th September 2006 is very low at 0.10% which is excellent, and is consistent with the fact that credit unions have large amounts of surplus funds. This result confirms that credit unions are not borrowing to fund expansion.

E5 Total Reserves to Total Assets
The result for E5 (total reserves to total assets) for the movement, as at 30th September 2006, is 10.57%.

The ratio of total reserves to total assets for the movement had been broadly static at 11.5% up to 2001 (the figure as at 30th September 2001 was 11.46%). In the following years, a fall in reserves has been evident. Credit unions in Northern Ireland have remained closer to these levels and, as at 30th September 2006, the total reserves to total assets for credit unions in Northern Ireland was 11.73%, and for credit unions in the ROI the result was 10.53%.

A – Asset Quality
This section looks at the quality of the assets held by the credit unions. A very important asset is loans to members and, therefore, the most important ratio in this section is A1 which measures loan delinquency, and going forward, it will be a key ratio.

A1 Gross Loans in arrears (10 weeks or more) as a percentage of Gross Loans Outstanding
Again, this ratio is based on the more prudent provisioning requirements as set out in Resolution 49. The movement result for this ratio is 6.04% as at 30th September 2006 which is in excess of the goal for this ratio, which is set at 5%. It should be noted that this figure does not include the members' savings held against these loans as collateral.

A1(b) Gross Loans in arrears (18 weeks or more) as a percentage of Gross Loans Outstanding
This new ratio isolates the more long-term loan arrears. This is calculated by taking gross loans in arrears by more than 18 weeks, as a percentage of total gross loans. The movement result for this ratio is 3.8% as at 30th September 2006.

A2 Non-Earning Assets to Total Assets
The purpose of this ratio is to measure the percentage of total assets that are not producing income, e.g. cash-on-hand, floats, non-interest bearing current accounts, debtors, pre-paid expenses, fixed assets etc. The overall result for this ratio for the quarter ended 30th September 2006 was 5.17%, which is very close to the result for the previous year, which was 5.21%.

R – Rates of Return and Costs
These indicators measure the average income return for each of the most productive assets of the Balance Sheet. In addition, they measure the average cost of assets employed and the day-to-day operating expenses of the credit union.

R1 Total Loan Income/Average Gross Loan Balances
This ratio measures the return on loans.

There was a large divergence between credit unions in Northern Ireland and the Republic for the quarter ended 30th September 2006. The result for credit unions in Northern Ireland was 11.10% while the result in the Republic was 9.00%. The divergence is explained by the fact that virtually all credit unions in Northern Ireland charge the maximum rate allowable in the context of a higher interest rate environment in Northern Ireland, while most credit unions in the Republic have cut their interest rate. This divergence will also obviously be reflected in other ratio results such as ratio R3, total income/average total assets and ratios R5 and R6 relating to expenses and wages as a % of total income.

R2 Total Investment Income/Average Total Investments
This ratio measures the return on investments.

The return on investments is good, considering the prevailing low interest rate environment. For the quarter ended 30th September 2006, the return on investments across the movement was 2.90%. Although this is most likely below the actual figure for year-end as preappropriated (pre-audited) investment data could be included. We would expect the actual figure to be greater than 3%.

R3 Total Income/Average Total Assets
The purpose of this ratio is to measure the adequacy of earnings.
While there is no specific numerical goal attached to this ratio, the objective is to generate enough income to cover operating expenses and sufficient to build provisions and reserves to the required levels.

As loan interest income forms the largest part of credit unions' income, there was a divergence again between credit unions in Northern Ireland and the Republic. The result in Northern Ireland was 7.60% while in the Republic the result was 6.00%, this divergence is explained in note on R1 above.

R5 Expenses/Income
This ratio measures expenses as a percentage of income.

The movement average for this ratio for the quarter ended 30th September 2006 is 41.34%, which is well within the recommended guideline of 43%.

R6 Saleries/Income

This ratio measures salary costs as a percentage of income.

The movement result for this ratio is 12.97%, again well within the guideline of 15%.
As with R5, it is clear from the Prudential Returns that economies of scale emerge as credit unions grow in size as, in general, larger credit unions have a lower salary-to-income ratio despite the larger number of staff employed. There is also divergence between results in Northern Ireland and the Republic of Ireland - for Northern Ireland for September 2006 was 11.39% while the result for the Republic was 13.02%.

L – Liquidity

The liquidity indicators show whether the credit union is managing funds and liquidity requirements and checks that the credit union has enough liquid funds to meet member withdrawal demands.

L1 Liquid Investments/Uncommitted Savings

This ratio is of great importance as it measures a credit union's ability to meet the withdrawal needs of members by focusing on uncommitted/unattached savings.
This has been identified as a key liquidity ratio and includes all liquid investments. This ratio has become an even more important liquidity check in recent times as, in general, a greater proportion of members' savings is now uncommitted (unattached) than was the case in previous years.

The goal for this ratio is a minimum of 20% and the movement result for the quarter ended 30th September 2006 was 22.48% which indicates the majority of credit unions exceed the goal for this ratio. The trend on this ratio will be carefully monitored going forward.

L2 Percentage of Members who Borrow

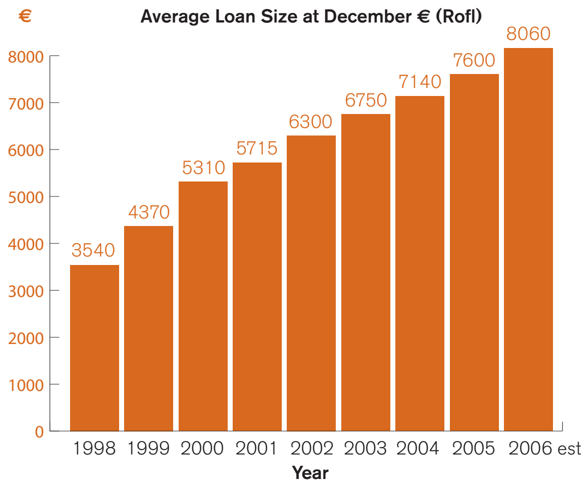
This ratio simply calculates the percentage of members who have loans outstanding at the particular point in time. The result for this ratio has remained broadly static at around 30% which implies that only a third of members are borrowing from credit unions.

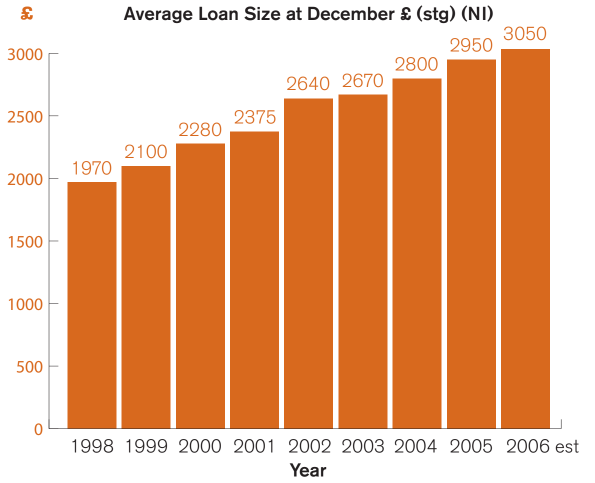
This would in part explain why the loan component of the asset side of the balance sheet has fallen, as in previous years this figure would have been closer to 40%. Northern Ireland credit unions continue to have a greater percentage of members who borrow and the result for Northern Ireland as at 30th September 2006 was 35.81%. The result for the Republic was 29.83%. (The overall result for the movement as a whole was 30.24%).

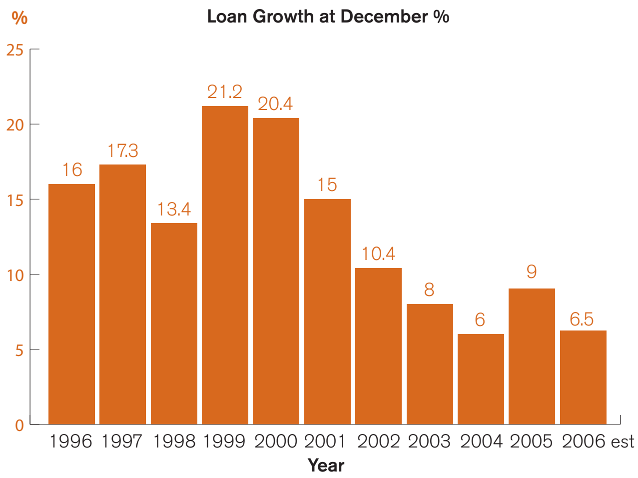
S – Signs of Growth

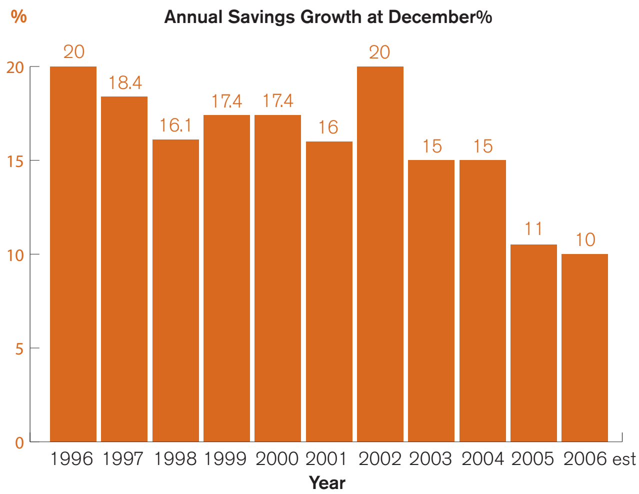
This section measures the growth of the credit union in a number of key areas such as savings, loans, membership etc.

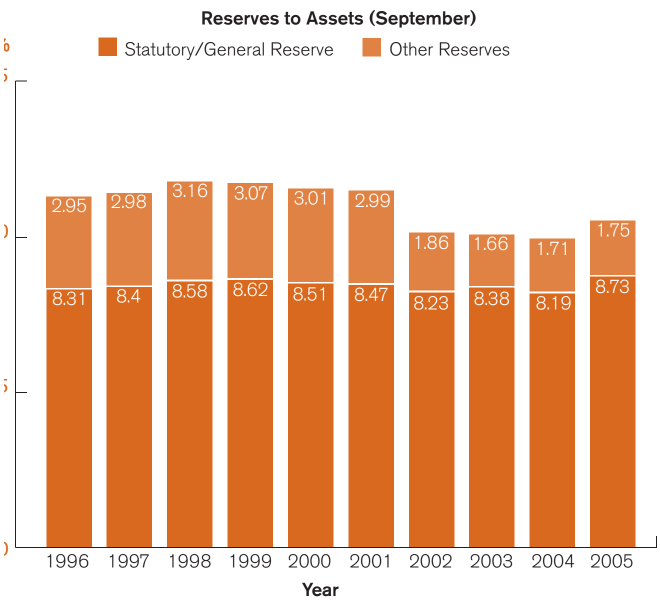
For the quarter ended 30th September 2006, total assets grew by 10%, while Savings (Member Resources) grew by 9.60%. Loans grew by 6:40%. Total investments grew by 13.50%.

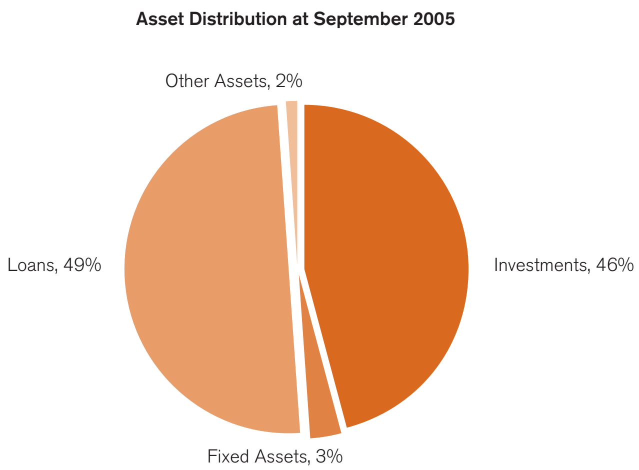

€
Average Loan Size at December € (RofI)
8000
7000
6000
5000
4000
3000
2000
1000
0
3540
4370
5310
5715
6300
6750
7140
7600
8060
1998 1999 2000 2001 2002 2003 2004 2005 2006 est
Year


£
Average Loan Size at December £ (stg) (NI)
3000
2500
2000
1500
1000
500
0
1970
2100
2280
2375
2640
2670
2800
2950
3050
1998 1999 2000 2001 2002 2003 2004 2005 2006 est
Year


%
Loan Growth at December %
25
20
15
10
5
0
16
17.3
13.4
21.2
20.4
15
10.4
8
6
9
6.5
1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 est
Year


%
Annual Savings Growth at December%
20
15
10
5
0
20
18.4
16.1
17.4
17.4
16
20
15
15
11
10
1996 1997 1998 1999 2000 2001 2002 2003 2004 2005 2006 est
Year


Reserves to Assets (September)
Statutory/General Reserve
Other Reserves
2.95
2.98
3.16
3.07
3.01
2.99
1.86
1.66
1.71
1.75
8.31
8.4
8.58
8.62
8.51
8.47
8.23
8.38
8.19
8.73
1996 1997 1998 1999 2000 2001 2002 2003 2004 2005
Year


Asset Distribution at September 2005
Other Assets, 2%
Loans, 49%
Investments, 46%
Fixed Assets, 3%

Movement Statistics	Dec-02	Dec-03	Dec-04	Dec-05	Dec-06
Number of credit unions	534	532	531	530	525*
Membership	2.6 million	2.8 million	2.9 million	3.0million	3.05 million*
Savings	€8.6 billion	€9.5 bilion	€10.9 billion	€12.6 billion	€13.3 billion*
Assets	€9.8 billion	€10.8 billion	€12.3 billion	€13.8 billion	€15.1 billion*
SPS Fund	€73.5 million	€80.0 million	€85.5 million	€92.0 million	€96.0 million*

*These are estimated figures
Estimated movement figures include only ILCU affiliated credit unions in Northern Ireland and the Republic of Ireland and excludes 6 non affiliated credit unions in the Republic.

Consolidated Balance Sheet as at 30 September 2005

Assets	ROI 2005 €	NI 2005 £*	NI 2005 € @ .6816	Consolidated 2005 €	Consolidated 2004 €
Members Loans	5,881,735,925	417,328,240	612,277,347	6,494,013,272	5,910,224,654
Cash & Investments	5,733,509,911	258,906,297	379,850,787	6,113,360,698	5,477,323,904
Fixed Assets	399,637,785	29,435,846	43,186,394	442,824,179	366,490,779
Other Assets	96,256,158	19,730,276	28,947,001	125,203,159	104,170,313
Total	**12,111,139,779**	**725,400,659**	**1,064,261,529**	**13,175,401,308**	**11,858,209,650**
Liabilities					
Members Shares	10,300,723,143	591,868,587	868,351,800	11,169,074,943	10,100,849,098
Members Deposits	521,502,007	0		521,502,007	475,597,198
Statutory/General Reserve	1,016,755,028	82,342,180	120,807,189	1,137,562,217	970,583,547
Other Reserves/Surplus	228,087,382	483,027	708,667	228,796,049	203,204,912
Other Liabilities	44,072,219	50,706,864	74,393,873	118,466,092	107,974,895
Total	**12,111,139,779**	**725,400,658**	**1,064,261,529**	**13,175,401,308**	**11,858,209,650**

** Please note that the Northern Ireland Sterling amounts were converted at a rate of 0.6816*

Dividend Rate Paid	% of Credit Unions paying that rate in 2003	% of Credit Unions paying that rate in 2004	% of Credit Unions paying that rate in 2005
0% to 0.99%	1.00%	2.60%	0.21%
1% to 1.99%	8.30%	10.40%	13.68%
2% to 2.99%	60.00%	63.80%	66.11%
3% to 3.99%	24.30%	19.00%	15.37%
4% to 4.99%	6.00%	4.00%	4.42%
5% to 5.99%	0.40%	0.20%	0.21%
	100.00%	**100.00%**	**100.00%**

Northern Ireland				
Amount and Number of Loans Advanced in 2005 by Size Category				
Size £stg	**Total Number Advanced**	**%**	**Total Amount Advanced**	**£stg%**
£1 - £250	30,819	15.39%	4,934,338	1.91%
£251 - £500	44,431	22.19%	18,358,276	7.13%
£501 - £750	16,668	8.33%	10,972,885	4.26%
£751 - £1,000	41,939	20.95%	32,885,556	12.77%
£1,001 - £2,000	34,441	17.20%	52,603,042	20.42%
£2,001 - £3,000	13,321	6.65%	35,935,257	13.95%
£3,001 - £5,000	10,672	5.33%	44,971,470	17.46%
over £5,001	7,916	3.96%	56,928,191	22.10%
Total	**200,207**	**100.00%**	**257,589,015**	**100.00%**

Republic of Ireland				
Amount and Number of Loans Advanced in 2004 by Size Category				
Size €	**Total Number Advanced**	**%**	**Total Amount Advanced**	**€%**
€1 - €1000	443,959	45.31%	271,818,873	8.75%
€1,001 - €5,000	386,575	39.44%	1,023,765,877	33.02%
€5,oo1 - €10,00	96,160	9.81%	771,417,074	24.88%
€10,001 - €25,000	45,823	4.68%	703,220,101	22,68%
€25,001 - €50,000	6,305	0.64%	217,298,120	7.01%
€50,001 - €100,000	914	0.09%	61,978,063	2.00%
over €100,000	303	0.03%	51,351,948	1.66%
Total	**980,039**	**100.00%**	**3,100,850,056**	**100.00%**

*Note: Due to a change in the format of the Annual Return by the Financial Regulator in early 2005, figures for the Republic are for loans advanced during 2004. (This change to the data included in the Annual Return is under discussion with the Financial Regulator).