

Movement Statistics



*Movement
Statistics*



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Financial highlights of credit unions in the year ended September 2002

The consolidated assets of the credit union movement at year-end September 2002 were €8.96 billion, a figure which represents a growth of 17.79% on the previous year. The growth in savings and loans was 20.03% and 6.75% respectively, representing a dramatic change on the previous year when savings grew by 15.7% and loans by 10.85%.

The breakdown of assets on the consolidated balance sheet changed considerably compared to that of previous years. As outlined in last year's report, a definite trend has emerged whereby there has been a decrease in the loan component and a corresponding increase in investments. There was a significant change in the year ended September 2002 with now only 57% of total assets made up of loans to members (63% Sep. 2001) and 39% in respect of cash and investments (33% Sep. 2001).

The average dividend paid to members at year-end 2002 was 3% down on the 3.3% paid at year-end 2001. The most popular dividend band was the 3% band used by 50%, followed by the 2% band used by 28% of credit unions. This also represents a significant shift in the percentage of credit unions' dividend band distribution over that of 2001.

The percentage of reserves to assets declined significantly, with total reserves to total assets now standing at 10.09% compared to 11.46% in 2001.

Monitoring and the PEARLS System

(Protection, Effective Financial Structure, Asset Quality, Rates of Return and Costs, Liquidity, Signs of Growth)

The PEARLS Monitoring System was adopted at the Biennial Delegate Meeting 2003 and the first Call Reports due for return were for the quarter ended June 30th 2003. At this stage, it is possible to highlight some of the emerging trends from the first Call Reports.

P – Protection

P1 Bad Debt Provision Requirements

This ratio measures whether a credit union is complying with its bad debt provision requirements. The requirements used were as per Resolution 49 of BDM 2003. While compliance with Resolution 49 is not compulsory until year-end 2004, a result of 100% or more implies that a credit union is already meeting the requirements of the new Resolution.

It was most encouraging that already over two-thirds of credit unions attained a result of 100% or over. The Boards of credit unions with a ratio less than 100% should give priority to increasing the provision.

P4 Solvency

The overall solvency of credit unions remains very strong. The goal attached to this ratio is a result of 109% or greater. Again it was most encouraging that the movement average is over 114% for this ratio. Of the processed Call Reports, only 23 credit unions had a result less than the goal of 109%.

E – Effective Financial Structure

This section examines the disposition of a credit union's assets and liabilities on the balance sheet. The continuing trend is that there is a significant decrease in the loan component of the balance sheet and a corresponding increase in the investment component.

This is a cause for concern, particularly when coupled with the longer maturity of loans being approved by credit unions and significant instances of non-compliance with Section 35(2) of the Credit Union Act 1997 (Republic of Ireland).

E1 Total Loans to Total Assets

As of the quarter ending June 30th 2003, only 55% of total assets are made up of loans to members, compared to a figure of 63% at year-end September 30th 2001.

E2 Total Investments to Total Assets

The reduction in the loan component has led to a corresponding increase in the investment component. The results for E2 show that as of June 30th 2003, over 39% of total assets are made up of investments, compared to a figure of 33% at year-end September 30th 2001. This trend will have a severe adverse impact on income and will continue to compress the operating margin of credit unions.

E3 Other Assets to Total Assets

The assets examined by this ratio are primarily non-earning/fixed assets. The movement results for this ratio are 5.18%, which is slightly higher than the recommended benchmark of 5%.

E5 Borrowed Funds to Total Assets

The movement results for this ratio are very low at 0.2%, which is excellent, and shows that credit unions are not borrowing to fund their continued expansion.

E6 Total Reserves to Total Assets and E7 Statutory Reserves to Total Assets

These ratios may not be totally reliable until the Call Report for the period ending 31/12/2003. The results will be understated at the quarter ended June, as the vast majority of credit unions do not transfer to reserves until year-end.

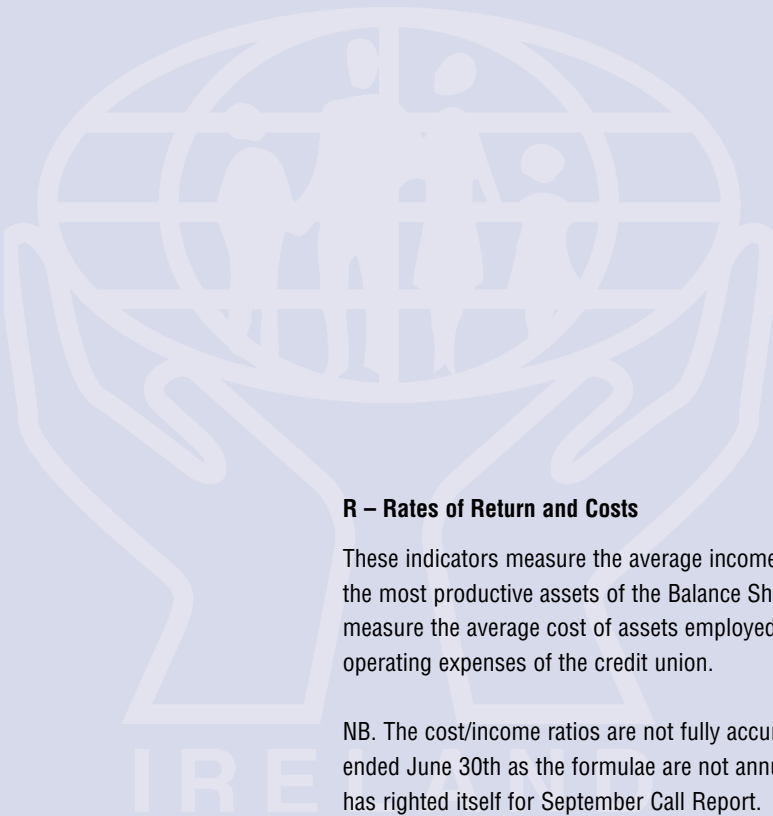
A – Asset Quality

This section looks at the quality of the assets held by the credit union. Normally the largest assets held by credit unions are loans to members and therefore the most important ratio in this section is A1 which measures delinquency.

A1 Gross Loans in arrears 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 6.82%, which is well in excess of the goal not to exceed 5%. The impact of Resolution 49 is an important factor in explaining the high result of this ratio and the trend should be downwards over time as credit unions adjust to the changes caused by Resolution 49.

However, high levels of delinquency would appear to be a major problem for many credit unions. Of the Call Reports returned to date, some 120 credit unions had a disturbing result for this ratio in excess of 10%.



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.

NB. The cost/income ratios are not fully accurate for the quarter ended June 30th as the formulae are not annualised correctly. This has righted itself for September Call Report.

L – Liquidity

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

For the purpose of the PEARLS ratios and the Call Reports, short-term liquid funds are treated as those that can be converted to cash within 30 days.

The most important ratio in this section is L2.

L2 Liquid Investments to 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.

The goal for this ratio is a minimum of 20% and the movement result was in excess of this at 22.38% which was a very satisfactory result.

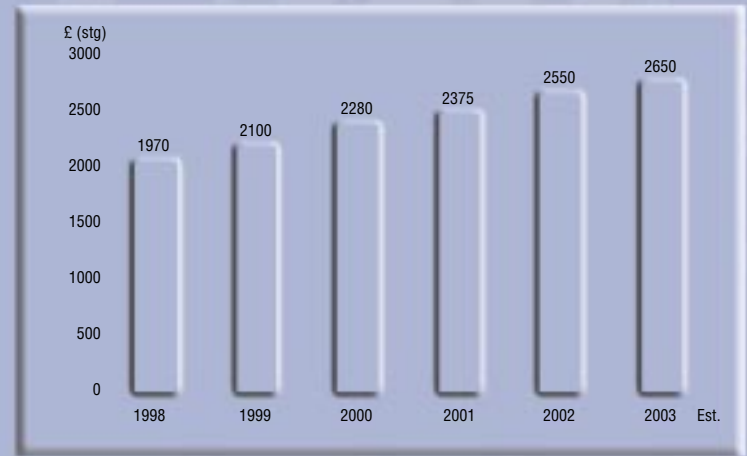
S – Signs of Growth

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

As of the quarter ended June 30th 2003 (i.e. only nine months into the financial year), credit unions had experienced strong total asset growth of over 9% and savings (members resources) growth of almost 11%. However, loan growth was less than 5% while investment growth was almost 16%. This would indicate that the changing composition of the movement's balance sheet is set to continue. The growth in membership was 2% which is in line with the last few years' experience and is comparable with other 'mature' movements.



Average Loan Size at December € (Rofl)



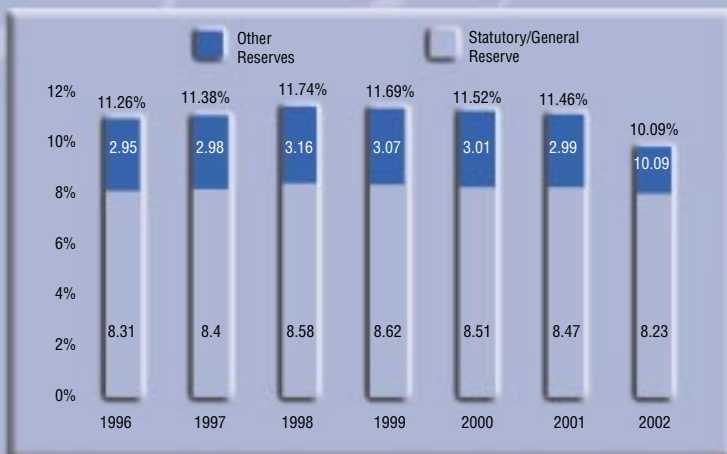
Average Loan Size at December £ (stg) (NI)



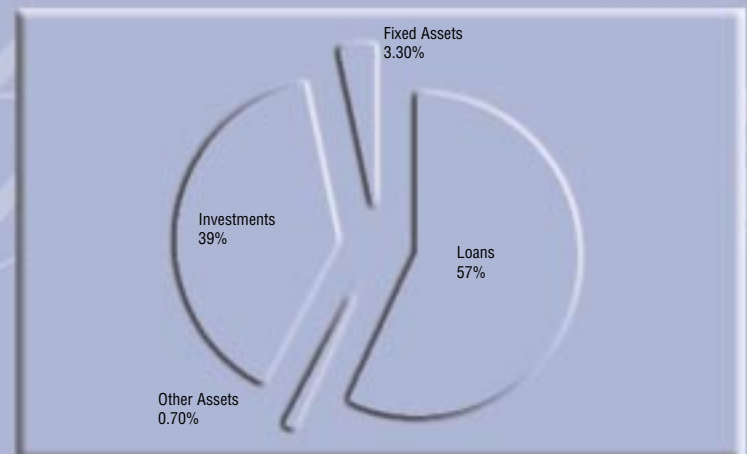
Loan Growth at December %



Annual Savings Growth at December %



Reserves to Assets (September)



Asset Distribution at September 2002

Movement Statistics

	Dec-01	Dec-02	Dec-03 (Est)
Number of credit unions	535	534	532
Membership	2.55 million	2.6 million	2.7 million
Savings	€7.7 billion	€8.6 billion	€9.7 billion
Assets	€8.9 billion	€9.8 billion	€11 billion
SPS Fund	€66.6 million	€73.5 million	€80 million

Consolidated Balance Sheet as at 30 September 2002

	Republic of Ireland 2002 €	Northern Ireland 2002 £ Sterling	Consolidated 2002 €	Consolidated 2001 €
Assets				
Members Loans	4,533,357,088	349,166,139	5,115,300,653	4,791,956,450
Cash & Investments	3,210,656,871	169,970,096	3,493,940,364	2,493,120,116
Fixed Assets	255,590,030	23,438,020	294,653,396	261,920,616
Other Assets	45,636,239	7,293,561	57,792,175	61,405,492
Total	8,045,240,228	549,867,816	8,961,686,588	7,608,402,674
Liabilities				
Members Shares	7,008,333,595	468,632,692	7,789,388,081	6,478,972,759
Members Deposits	184,625,503	0	184,625,503	164,363,202
Statutory/General Reserve	638,771,670	59,342,805	737,676,345	644,874,034
Other Reserves/Surplus	153,781,006	7,646,008	166,524,353	226,981,178
Other Liabilities	59,728,455	14,246,311	83,472,306	93,211,501
Total	8,045,240,228	549,867,816	8,961,686,588	7,608,402,674

Loans Advanced

Northern Ireland Amount and Number of Loans Advance in 2002 by Size Category

Size £stg	Total Number Advanced	%	Total Amount Advanced £stg	%
£1 - £250	44,926	19.76%	5,337,156	2%
£251 - £500	57,816	25.43%	17,821,936	8%
£501 - £750	23,655	10.41%	10,238,158	4%
£751 - £1,000	36,361	16.00%	28,861,170	12%
£1,001 - £2,000	33,959	14.94%	45,424,220	20%
£2,001 - £3,000	13,989	6.15%	29,556,143	13%
£3,001 - £5,000	10,852	4.77%	39,260,090	17%
over £5,001	5,753	2.53%	56,232,582	24%
Total	227,311	100%	232,731,455	100%

As many credit unions were unable to provide this data for the Republic of Ireland due to the changeover to new loan bands a meaningful analysis could not be produced.

Statistics

Dividend Rate paid

Dividend Rate Paid

**% of Credit Unions
paying that rate in**

**% of Credit Unions
paying that rate in**

	2001	2002	
0% to 0.99%	1.7%	1.0%	
1% to 1.99%	2.2%	4.5%	
2% to 2.99%	12.9%	28.0%	
3% to 3.99%	52%	50.0%	
4% to 4.99%	25%	15.0%	
5% to 5.99%	6%	1.50%	
6% to 6.99%	0.2%	0.0%	
7% to 7.99%	0%	0.0%	
8% to 8.99%	0%	0.0%	100.00%

Movement