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Credit Unions

Reviewing 2011

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Last year saw significant change and big headlines. From Bank of America's highly publicized debit fee proposal to the Occupy Wall Street movement, consumers found strong motivation to reevaluate where they save and borrow. For credit unions overall, financial performance improved from 2010, while loan growth and demand remained problematic. Balance sheets are more liquid now than at any time in recent memory, and the hope is that 2012 and 2013 will bring much-needed consumer loan demand to increase loan yields.

Drawing on approximate numbers from the Credit Union National Association (CUNA) and SNL Financial LC, the last year (from December 31, 2010, to September 30, 2011) saw a lot of activity:

- The total number of credit unions decreased from approximately 7,486 to 7,321.
- Total credit union membership increased from 91.7 million to 92.7 million.
- Total assets increased from \$927 billion to \$963 billion.
- The increase in assets was driven by deposit growth. Total shares grew from \$797 billion to \$830 billion.

- With low loan demand, credit unions turned to their investment portfolios to earn at least some yield. Investment balances increased from \$240 billion to \$258 billion.
- Total loans remained relatively flat, increasing from \$576 billion to \$577 billion.
- If the fourth quarter is consistent with the previous three, annualized aggregate net income will be approximately \$6.2 billion, up from \$4.6 billion in 2010.
- From a credit quality perspective, delinquent loans to total loans improved from 1.75 percent to 1.59 percent.
- Even with the growth in assets and membership, credit unions have maintained relatively stable levels of efficiency, with median operating expenses to average assets remaining flat at 3.8 percent.
- Net worth as a percentage of total assets increased from 10.1 percent to 10.2 percent.

Regarding headlines, many of the biggest of 2011 were made in the second part of the year.

In August the National Credit Union Administration (NCUA) announced that it didn't receive sufficient pledges from credit unions to meet the minimum threshold of \$500 million to trigger the Voluntary Prepayment of Corporate Stabilization Fund assessment. In all, 799 institutions pledged approximately \$270 million. The following month it announced the 2011 Temporary Corporate Credit Union Stabilization Fund assessment. Credit unions were assessed

25 basis points based on insured shares as of June 30, 2011. The NCUA anticipates the stabilization fund assessment will be between 8 and 11 basis points in 2012 and less than 10 in the following years.



Image Zoo

Standard & Poor's ended up downgrading all US government long-term debt from the top rating of AAA to AA+ in August. The regulatory agencies issued interagency guidance indicating that the downgrade would not impact the risk weights for Treasury securities and other securities issued or guaranteed by the US government, government agencies, and government-sponsored entities for purposes of risk-based capital purposes.

And Bank Transfer Day was held on November 5. CUNA estimated that about 700,000 consumers joined credit unions between September 29 and the first week of November.

With so much change in the previous four quarters and consumers still moving their money to credit unions in large numbers, 2012 is set to be an active and interesting year.

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