



NCUA Media Release



Credit Union Industry Financials Improve Despite Economic Hurdles

First Quarter Strategic Indicators Reflect “Resilience” in Credit Union System

ALEXANDRIA, Va. (May 31, 2011) – Key credit union financial indicators show improvement in the first quarter of 2011, but economic conditions continue to pose a challenge for the system. Overall, earnings, shares, assets, members and investments grew over the previous quarter, according to Call Reports submitted by the nation’s 7,292 federally insured credit unions to the National Credit Union Administration (NCUA).

“The solid financial start to 2011 shows the resilience of the industry, and credit unions as a group continue to make solid progress during the economic recovery,” NCUA Board Chairman Debbie Matz noted. “Significantly, return on average assets increased by 23 basis points to 74 basis points during the most recent quarter. But challenges related to loan growth and income sources remain. As we map the road ahead, NCUA will continue its efforts to keep credit unions well positioned to serve American consumers.”

Return on Assets Shows Considerable Rise, Net Worth Ratio Falls Slightly

Credit unions’ first quarter 2011 return on average assets (ROA) grew significantly to 74 basis points, up from 51 basis points in the fourth quarter of 2010. The industry considers ROA as one of the most important indicators of performance. The recent move from 51 to 74 basis points could be construed as a positive sign that credit unions are on the road to recovery from the recent recession. Operating expenses, as well as the cost of funds and provision for loan loss expenses, declined over the prior quarter, too. Overall, the industry had net income of \$1.7 billion in the first quarter, but the net worth ratio dropped 10 basis points from the prior quarter to 9.96 percent as assets grew more rapidly than capital.

Membership and Asset Growth Continue

Credit union membership increased, growing to 90.8 million members, up from 90.5 million at the end of 2010. Credit union total assets continued to grow and stood at \$939 billion on March 31, a jump of nearly \$25 billion during the quarter.

Delinquencies, Charge-Offs and Bankruptcy Filings Decline

Delinquencies remain near historically high levels, but they continue to trend downward. In the first quarter, credit unions reported 1.62 percent of total loans as delinquent, but this statistic represents a 13 basis point improvement from the prior quarter. Similarly, the ratio of net charge-offs to average loans declined to 1.0 percent in the first quarter, a drop of 13 basis points from the 2010 year-end level.

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Further, credit unions reported 88,585 members filed bankruptcy in the first quarter of 2011, 11,391 less than the first quarter of 2010. The percentage of loans charged off due to bankruptcy, however, rose to 23.07 percent from 21.54 percent as of March 2010. The dollar amount of outstanding loans subject to bankruptcy in March 2011 was 7.9 percent lower, or \$127.6 million less than March 2010.

Shares and Deposits Expand, but Lending Lags

Credit union shares and deposits expanded again, growing 3.21 percent in the first quarter. The total amount of credit union loans fell for the second quarter in a row, an indication of sluggish consumer demand. New auto loans and other loans dropped in the quarter, but first mortgage real estate loans remain popular. Mortgage lending, however, could pose a long-term interest rate risk for credit unions.

Key Indicators Generally Improve

With rounding, key balance sheet and income statement data from federally insured credit unions representing December 2010 through March 2011 growth rates follow:

- Assets increased 2.72 percent last quarter to \$939.3 billion from \$914.4 billion;
- Shares increased 3.21 percent last quarter to \$811.7 billion from \$786.4 billion;
- Net income increased 10.55 percent last quarter adding to \$4.6 billion from year end 2010;
- Investments, not including cash on deposit or cash equivalents, increased 6.22 percent last quarter to \$253.8 billion from \$238.9 billion; and
- Net worth increased 1.77 percent last quarter to \$93.6 billion from \$92.0 billion.

Loans, the only key indicator showing a slight decline, fell 0.86 percent last quarter to \$560.0 billion from \$564.8 billion.

NCUA makes the complete details of March 2011 Call Report data available online in an Aggregate Financial Performance Report as well as a Call Report Fact Summary at: [click here](#).

NCUA is the independent federal agency created by the U.S. Congress to regulate, charter and supervise federal credit unions. With the backing of the full faith and credit of the U.S. government, NCUA operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of more than 90 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions.

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