National Credit Union Administration
1775 Duke Street
Alexandria, VA 22314
www.ncua.gov

Office of Public &
Congressional Affairs
(703) 518-6336
jfairbanks@ncua.gov

NCUA Media Release

Credit Unions' Earnings Hit All-Time High

Asset, Membership and Loan Growth Strongest in Larger Credit Unions in 2012

ALEXANDRIA, Va. (March 1, 2013) – Earnings of $8.5 billion, the highest figure ever for the credit union industry, were among the highlights of a strong year for federally insured credit unions in 2012, the National Credit Union Administration (NCUA) reported today.

"Credit unions had a pivotal year in 2012," NCUA Board Chairman Debbie Matz said. "The industry generated record earnings; assets crossed the $1 trillion mark; and membership grew by more than 2 million. The industry net worth ratio rose to 10.44 percent, and delinquencies fell again. Credit union lending also grew by 4.6 percent, meaning more people got the loans needed to buy homes, purchase cars, and go to school.

"There are many reasons to be optimistic about the credit union industry's future. But because of today's low interest rates, we also continue to keep a close eye on fixed-rate mortgages, which remain elevated as a share of assets and could pose a long-term risk for the industry."

NCUA released new industry figures based on Call Report data submitted to and compiled by the agency for the quarter ending Dec. 31, 2012.

2012 Earnings Rise; Return on Average Assets Stays Solid

Credit unions reported $8.5 billion in net income for 2012, a 36.1 percent increase from the $6.3 billion reported in 2011. The increase came largely from reductions in loan loss reserves, a positive sign of improving economic conditions. The industry's return on average assets ratio, an important measure of industry earnings, stayed constant at 86 basis points in the fourth quarter.

Membership Growth, Industry Consolidation Continue

Membership in federal credit unions grew from 91.8 million at the end of 2011 to 93.8 million at the close of 2012, an increase of 2.2 percent for the year. Industry consolidation also continued throughout 2012. The number of federally insured credit unions fell by 275 in 2012 from 7,094 to 6,819 institutions.

Credit Union Performance Varies by Size

Growth was most robust in credit unions with assets above $250 million. This group of 751 credit unions showed the largest gains in nearly every category, including membership, net worth, market share, loans and assets. Smaller credit unions tended to have higher net worth, but showed slower growth. Credit unions with assets under $10 million had a loss of overall membership and sluggish loan growth compared to credit unions with assets above $250 million.

"The composition of the credit union industry is changing, which presents challenges," Matz added. "Small credit unions are important to their members and their local economies. It's our job to monitor their health and, to the extent possible, find ways to keep them sustainable."

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Seven Consecutive Quarters of Loan Growth

Federal credit unions reported $597.7 billion in outstanding loans at the end of the fourth quarter, an increase of $6.6 billion, or just over 1.1 percent, from the third quarter and $26.3 billion, or 4.6 percent, for the year. Credit unions' lending grew in nearly every category:

- First mortgage real estate loans increased 1.2 percent during the quarter and 5.7 percent for the year to reach $246.3 billion.
- Used auto loans rose 1.1 percent for the quarter and 7.9 percent for the year to $115.2 billion.
- New auto loans grew 2.2 percent in the quarter and 8.7 percent for the year to $63.3 billion.
- Net member business loan balances expanded by 2.1 percent in the fourth quarter and 6.5 percent for the year to $41.7 billion.
- Non-federally insured student loans jumped 35.6 percent for the year and 5.6 percent for the quarter to exceed $2 billion for the first time.
- The consumer-friendly payday alternative loans reached $21.3 million at the end of 2012, up 23.5 percent for the quarter and 15.2 percent for the year.

Total Assets, Net Worth and Total Savings Rise

Credit unions' total assets grew by $8.8 billion in the fourth quarter and $60.0 billion for the year to end 2012 at $1,021.7 billion. Industry net worth rose to $106.7 billion, up $2.2 billion for the quarter and $8.4 billion for the year. Credit unions' net worth ratio, a measure of capital strength, was 10.44 percent, up 13 basis points for the quarter and 23 basis points for the year.

Share and deposit accounts at credit unions grew by $8.1 billion overall in the fourth quarter and $50.4 billion for the year to $877.9 billion, an annual increase of 6.1 percent. Regular shares, share drafts, money market shares and non-member deposits all showed quarterly increases, while share certificates and IRA/Keogh accounts experienced nominal quarterly declines.

Delinquencies, Charge-Offs and Bankruptcies Reflect Economy's Recovery

As the economy continued to grow, delinquencies declined again in the fourth quarter, and charge-offs stayed low. The delinquency ratio fell by 2 basis points to 1.16 percent. Credit unions' net charge-off ratio remained constant at 0.73 percent.

New bankruptcy filings by members continued to decline. Credit unions reported 44,414 members filing for bankruptcy in the fourth quarter, a 10.4 percent decrease from the prior quarter. The percentage of loan charge-offs due to bankruptcy remained constant in the fourth quarter at 21.5 percent, equal to the industry's performance in the third quarter.

For more information about the performance of the credit union industry, NCUA makes the complete details of the December 2012 Call Report available here. Financial trends data for federally insured credit unions are available 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 nearly 94 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions.

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