RBK

Chartered Accountants
& Business Advisers

Credit Union

Benchmarking Survey Results

2023

Presented by: Ronan Kilbane, Partner, RBK

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This report summarises the findings of a survey of credit unions conducted in March/April 2023. It reflects survey responses from 44 credit unions and financia data used from 72 Credit Unions from published annual reports. Sample of Credit Unions represented €10.54b or 51.9% of total asset size of Credit Union movement in the State (sector asset size was approx. €20.3b across 205 Credit Unions as at 30 September 2022). Prior year data has been updated to reflect additional information that became available after our 2022 Credit Union Benchmarking Report was published. Non-financial data in this year's report refers to the current year to date and includes prior year comparisons where available.

1. Foreword

Welcome to RBK's 11th Annual Credit Union Benchmarking Survey

Welcome to RBK's 11th Annual Credit Union Benchmarking Survey.

Our latest research shows that 2022 was a broadly positive year in this sector. Assets reached a record high, reserves remained strong, average loan book growth was up and loan to asset ratios grew slightly. However, on a less positive note, the return on assets fell to 0.3% and cost to income ratios reached a five-year high. Loan book growth remains a priority and marketing spend has increased although investment in this area is still not strategically focused.

Meanwhile, staffing continues to be a pressure point with inflation driving up wages and recruitment and retention becoming increasingly difficult. 80% of credit unions who participated in this year's survey increased wages last year and 63% plan further increases in the months ahead. With inflationary pressures and challenges in the macro financial environment likely to persist for some time, careful management will be required in the months ahead.

One way to overcome the current challenges is by scaling up. Last year saw an uptick in merger activity and credit unions who enjoy the advantages of scale due to consolidation and/or collaboration will be well placed to innovate and develop new products and services where opportunities arise. The Credit Union (Amendment) Bill currently before the Dáil, which aims to help the credit union movement grow as a key provider of community banking, is a welcome development in this regard.

Our survey shows IT-related issues have moved up the agenda although online services still have some way to go to meet member expectations. Cyber risk remains high with increased reports of breaches last year. Climate change is another area where greater focus is needed as Boards need to be able to show that the associated risks and opportunities are being proactively identified and managed.

Our thanks to all of the credit unions who participated in this year's research. Without your experiences and insights, it would not be possible to produce this report. We hope you find the results thought-provoking and helpful as you devise strategies to secure your credit union's future success.

Ronan

Ronan Kilbane
Partner

Michelle

Michelle O'Donoghue
Partner

Colm

Colm O'Grady
Partner

2. The Results At a Glance

63%

Intend to increase wages in the next 12 months

48%

Plan to merge in the next 3 years

45%

Predict inflation, cost control and branch profitability will be the top challenge in the next 2 years

45%

Spend 3-5% of total income on marketing (up from 34% last year)

31%

Member shares decreased in 2022

25%

Concerned about viability in the next 12-24 months

11%

Mortgages the fastest growing loan type (up 6% on last year)

9.5%

Average loan book growth in 2022

6%

Paid a dividend in 2022

3. Executive Summary

> "A broadly positive year but key priorities remain in managing costs, strengthening marketing functions and developing IT resilience."

Ronan Kilbane

Partner - RBK Credit Unions

2022 was a broadly positive year for credit unions. Loan book growth is back at pre-pandemic levels, reserves remain stable and credit quality is improving. The inflow of members' savings, which soared during the pandemic, has slowed and more than a third of survey respondents said their credit union has recently amended its share cap. Our findings reveal a 6% increase in mortgage lending in 2022. This is likely partly due to credit unions benefitting from the demise of Ulster Bank and KBC from the Irish market.

2022 also saw a number of mergers in the sector and further consolidation appears likely with almost half of this year's survey respondents indicating plans to merge in the next three years. The trend toward consolidation has gathered pace in recent years.

Growing the loan book and developing new products and services remains a priority. Legislative changes on the horizon will potentially enable credit unions to collaborate and innovate more effectively. When enacted, the Credit Union (Amendment) Bill will enable the establishment of corporate credit unions as well as giving credit unions more scope to develop new products and services.

Key Findings:

Loan book: Average loan book growth for 2022 was approximately 9.5%, up from 4% in 2021.

Reserves: Average reserves are broadly stable at 16.2%. Strong reserves help to maintain confidence in the credit union sector.

Costs: Expense to income ratios rose significantly in community credit unions in 2022 reaching 95%. While this was largely due to some exceptional pension and SPS refund costs, it highlights the importance of maintaining adequate reserves.

Inflation: 45% of survey respondents predict inflation, cost control and branch profitability will be the top challenge in the next two years.

Marketing: 82% of survey respondents said their credit union now has a dedicated marketing function in place. However, while more is being spent on marketing, our findings suggest the investment is not necessarily sufficiently strategically focused.

Human Resources: Difficulties recruiting and retaining staff together with inflationary pressures in the economy are driving up wages. 80% of survey respondents said their credit union increased wages last year and 63% plan further wage increases in the next 12 months.

Climate Change: While 87% of survey respondents consider Environmental, Social and Governance (ESG) matters as part of their strategic planning process, almost 6 in 10 do not have a formal ESG policy in place, suggesting this is an area still lagging in terms of focus.

Mergers: Overall, 48% of survey respondents said their credit union wants to merge in the next three years—38% want to bring in another credit union, while 10% want to merge into a large credit union.

IT and Cyber Awareness: Online services still have some way to go to meet member expectations. Only 21% of this year's survey respondents have at least 25% of their members registered online. 15% of survey respondents indicated that their credit union experienced a known cyber attack in the last 12 months, up from 3% in the prior year. While staff awareness of cyber risks has improved, there is scope for further improvement.

4. Financials

> *"Overall, loan books increased by more than anticipated during 2022 with a return to pre-pandemic levels."*

Michelle O'Donoghue
Partner - RBK Credit Unions

In the current financial environment, it is not surprising that credit unions are still strongly focused on growing their loan books. Overall, loan book growth was 10% in community credit unions in 2022 and 9% in industrial credit unions, a significant recovery in both when compared to the previous year.

Our survey found gross loan book as a percentage of assets was up 2% when compared to 2021. The average interest rate on loans in both community and industrial credit unions remains unchanged from last year at 8.1% and 6.5% respectively.

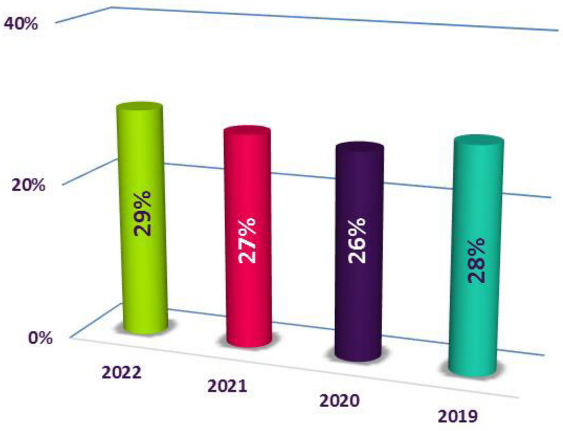


Fig. 4.1: Gross Loan Book as a Percentage of Assets

	Community		Industrial	
	2022	2021	2022	2021
Average Interest Rate	8.1%	8.1%	6.5%	6.6%
Highest Average Interest Rate	12.1%	10.1%	9.1%	9.3%
Lowest Average Interest Rate	6.2%	6.4%	4.8%	5.0%

Fig. 4.2: Average Interest Rate on Loans

Investments

While investment portfolios continue to represent the largest percentage of assets, the return on investments has trended downwards in recent years. Overall, investments as a percentage of assets were down 1% when compared to 2021, and 2% when compared to 2020. The return on investments in 2022 was just 0.62%.

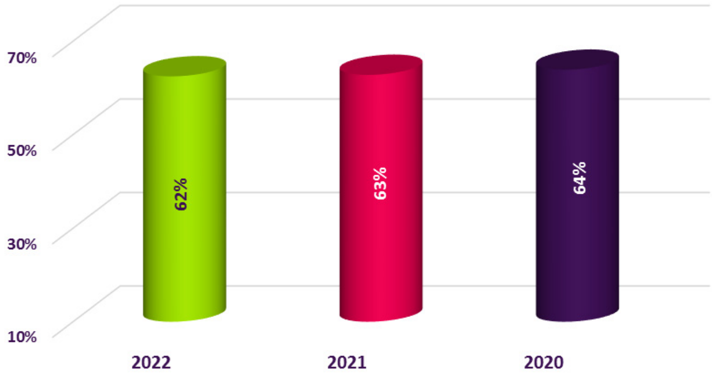


Fig. 4.3: Investment Portfolio as a % of Assets

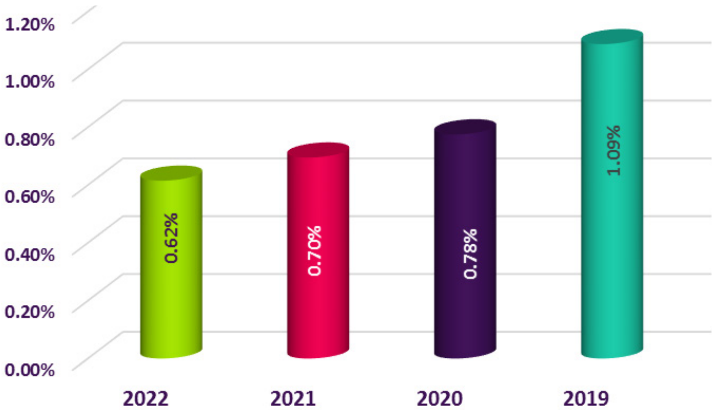


Fig. 4.4: Financials - Investment Performance

4. Financials contd.

Dividends

Consistent with our findings last year, a low return on investments and the need to preserve capital remain a barrier when it comes to paying a dividend.

Only 6% of our survey respondents said their credit union paid a dividend in 2022, compared to 84% in 2020 and 5% in 2021.

All dividends in 2022 were at the minimal level of 0.125%.

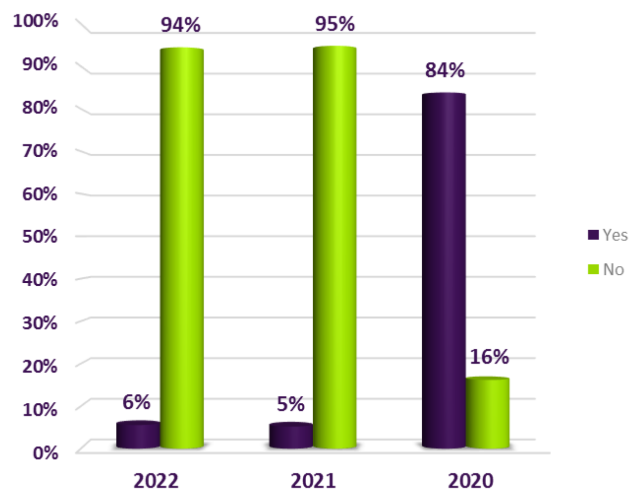


Fig. 4.5: Dividends - Did your Credit Union pay a Dividend?

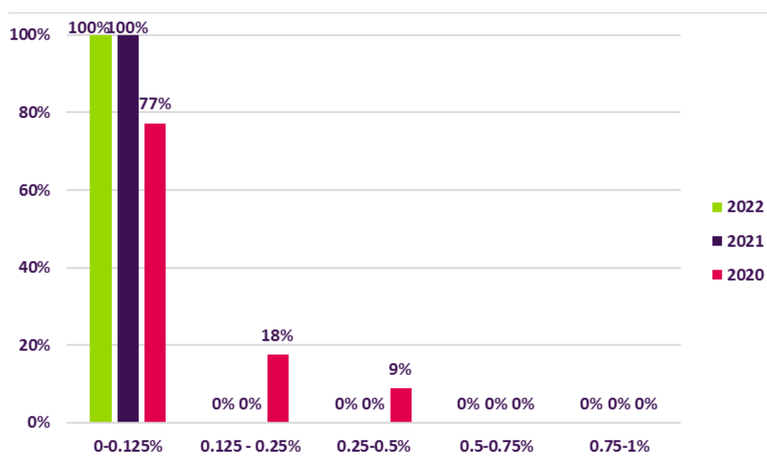
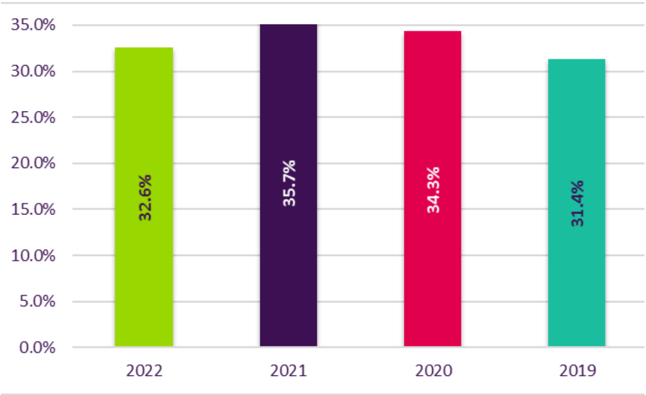


Fig. 4.6: Financials - Dividend Rates

Wages

Overall, average wages as a percentage of income were down to 32.6% in 2022 from 35.7 % in 2021.

While this is approaching the pre-pandemic rate of 31.46% , the rising cost of living along with difficulties attracting and retaining appropriately qualified, skilled staff continue put pressure on labour costs.



	Community		Industrial	
	2022	2021	2022	2021
Average Wages/Income ratio	34.3%	36.0%	25.6%	25.6%
Highest Wages/Income ratio	54.9%	52.1%	43.1%	35.7%
Lowest Wages/Income ratio	21.6%	23.1%	15.0%	14.9%

Fig. 4.7: Wages % of Income

4. Financials contd.

Reserves

Strong reserves help to maintain member confidence and are particularly important in the current uncertain financial environment. Average reserve ratios were broadly stable in 2022 at 16.2 %.

Expense to Income Ratio

Expense to income ratios in 2022 were significantly up on 2021, particularly in community credit unions. Across the sector, the ratio has reached a 5-year high.

While this was largely due to the exceptional pension and SPS refund costs incurred by some credit unions during the year, it highlights the importance of maintaining adequate reserves to protect against the impact of potentially adverse future events.

Community

Average 2022	Average 2021	Highest 2022	Highest 2021	Lowest 2022	Lowest 2021
16.2%	16.1%	24.6%	24.9%	11.5%	11.7%

Industrial

Average 2022	Average 2021	Highest 2022	Highest 2021	Lowest 2022	Lowest 2021
16.2%	15.8%	21.5%	20.8%	13.1%	11.8%

Fig. 4.8: Reserve Ratios

Community

Average 2022	Average 2021	Highest 2022	Highest 2021	Lowest 2022	Lowest 2021
95%	82%	256%	134%	54%	50%

Industrial

Average 2022	Average 2021	Highest 2022	Highest 2021	Lowest 2022	Lowest 2021
75%	72%	102%	109%	55%	57%

Fig. 4.9: Cost to Income Ratio

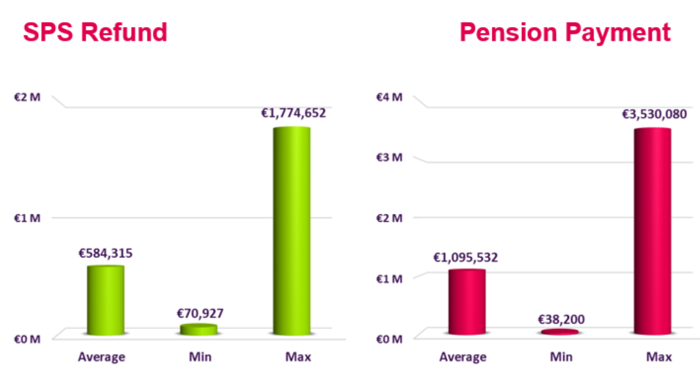


Fig. 4.10: Year Ended 30 September 2022 - Exceptional Items

"The sector remains well reserved but rising cost to income ratios may impact these if not managed properly."

5. Loan Book

Consistent with our findings in previous research, when it comes to growing the loan book, top performing credit unions continue to significantly outperform the rest of the field in both community and industrial credit unions.

Our survey shows there is scope for some credit unions to do more in this area. While 6 in 10 of this year's survey respondents said their credit union is 'doing enough' to grow their loan book, 13% admitted their credit union could be doing more.

Community Credit Unions

In community credit unions, the lowest loan book growth rate in 2022 was -8% (compared to -12% in 2021) while the highest rate was 56% (compared to 43% in 2021). Average loan book growth for 2022 was 10%, up from 4% in 2021.

Industrial Credit Unions

There is also a significant, albeit less pronounced gap, between the lowest and highest loan book growth rate in industrial credit unions. Here, the lowest loan book growth rate was 2% in 2022 (compared to -7% in 2021) while the highest rate was 20% (compared to 13% in 2021). Overall, the average growth rate for loans issued in industrial credit unions was 9%, up 5% on 2021.

Community

	2022	2021	2022	2021	2022	2021
	Average		Highest		Lowest	
Loans Issued Growth	12%	9%	86%	86%	-15%	-21%
Loan Book Growth	10%	4%	56%	43%	-8%	-12%

Industrial

	2022	2021	2022	2021	2022	2021
	Average		Highest		Lowest	
Loans Issued Growth	9%	9%	26%	29%	-10%	-6%
Loan Book Growth	9%	4%	20%	13%	2%	-7%

Fig. 5.1: Loan Book Growth

> “Mortgage lending represents the biggest growth area but there is still significant capacity to grow this further.”

Fastest Growing Loans

Consistent with previous years, the fastest growing loan types in 2022 were home improvement and car loans, although the growth rate for both of these was slightly down when compared 2021.

Interestingly, our research shows a 6% increase for mortgages, likely partly due to credit unions benefitting from the demise of Ulster Bank and KBC from the Irish market.

However there is still significant capacity to increase mortgage and business lending.

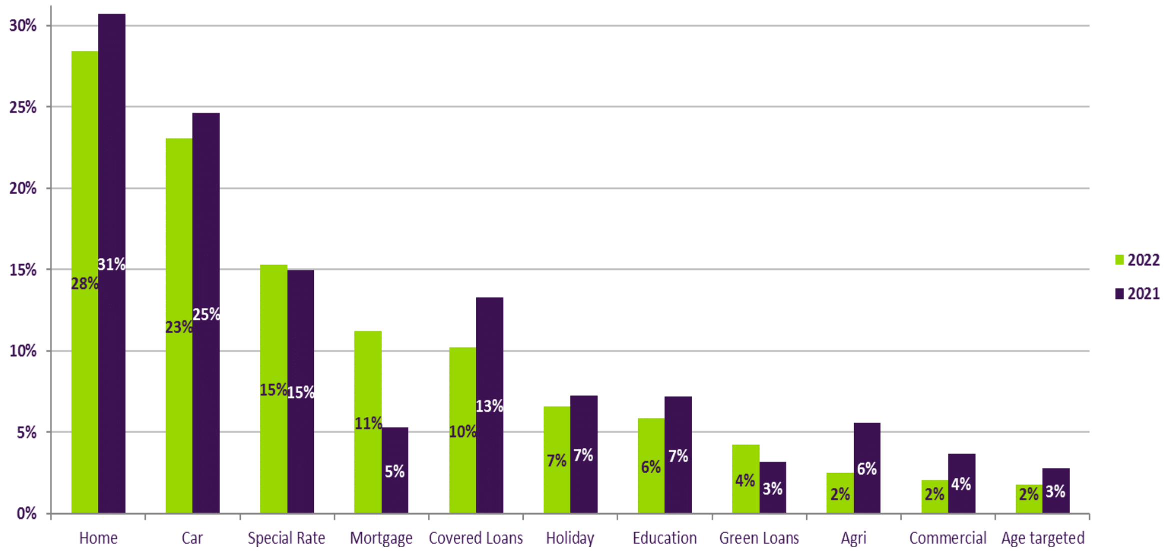


Fig. 5.2: What is the Fastest Growing Loan Type?

Loan Duration

63% of loans outstanding at 30 September 2022 were for a term of between 1 and 5 years according to our latest research while a further 28% were for between 5-10 years. The trend in recent times has been towards loans with a longer duration. However, there clearly remains significant capacity in the sector to grow long term lending.

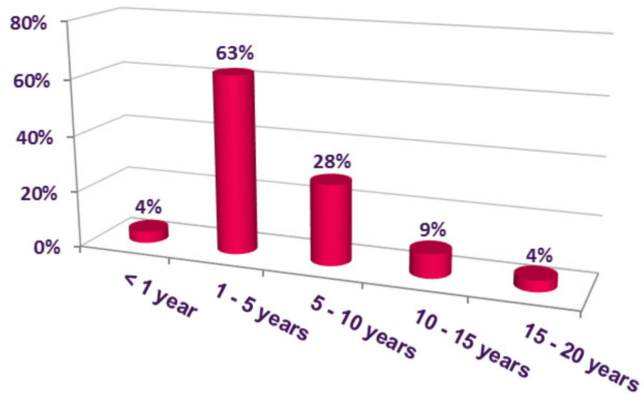


Fig. 5.3: Loan Book Duration

5. Loan Book contd.

Loan Repayment Ratio

This ratio indicates how quickly loans are being repaid. Reducing loan repayment ratios continues to be a strategic focus for most credit unions. The highest loan repayment ratio for community credit unions represented in our report was 35% in 2022, down four percentage points when compared to 2021.

The average ratio in these credit unions was 29%, down two percentage points on the previous year. Loan repayment ratios in industrial credit unions were also lower, with the average rate for 2022 standing at 28% compared to 30% in 2021.

Loan Provision

The average level of loan provision coverage was 6% for community credit unions in 2022, and 3% for industrial credit unions. In both sectors, this is down 1% on 2021.

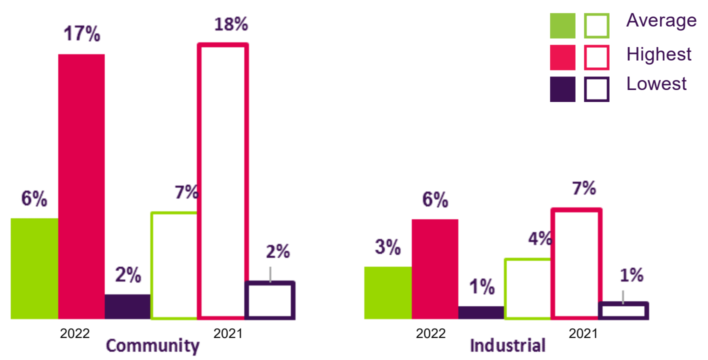


Fig. 5.4: Loan Provision

> “Loan provisions are falling slightly reflecting the lowest arrears in seven years.”

Ronan Kilbane
Partner - RBK Credit Unions

Online Loan Applications

Online services still have some way to go to meet member expectations. Just under 4 in 10 of this year’s survey respondents said that less than 25% of their loan applications are made online —only 5% of respondents said that at least half of their credit union’s loan applications are now being made online.

Interest Rate on Loans

As already covered in the financials section, the average interest rates on loans in 2022 remained broadly similar to 2021 at 8.1% for community credit unions and 6.5% for industrial. Note that a provision in the Credit Union (Amendment) Bill, which is currently before the Dáil, will increase the interest rate cap from 1% to a cap set by the Minister (likely to be 2% per month).

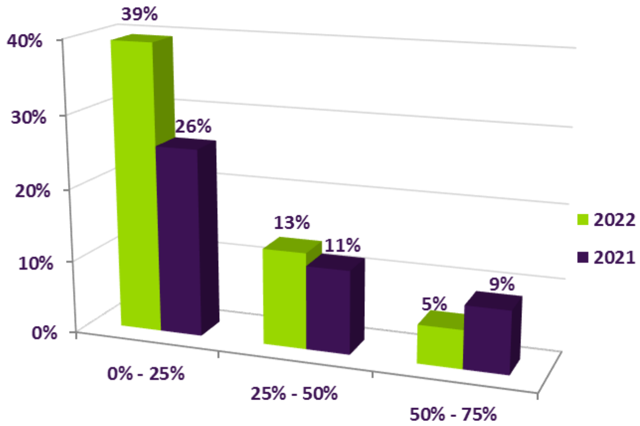


Fig. 5.5: Online Loan Application

6. Regulatory Compliance

"More regulatory functions are being resourced in house despite the fact that 27% of credit unions believe time and resources are hindering achieving embeddedness."

Michelle O'Donoghue
Partner - RBK Credit Unions

Credit unions are required to resource various functions to comply with the sector's extensive legal and regulatory obligations. Anti money laundering compliance is almost exclusively carried on in-house, however outsourcing of other regulatory functions has increased in recent years. Also, shared services for risk and compliance is a feature in the current year versus prior year.

Although our latest research suggests this trend may have peaked for functions like risk management and compliance, the trend appears to be growing in functions like human resource management and data protection.

	Current Year	Prior Year	Current Year	Prior Year	Current Year	Prior Year
Function	**In-house**		**Outsourced**		**Shared**	
Risk Management	46%	40%	52%	60%	2%	0%
Compliance	43%	45%	50%	55%	7%	0%
Data Protection	64%	70%	27%	30%	9%	0%
AML	95%	98%	5%	3%	0%	0%
Human Resources	50%	58%	36%	28%	14%	15%

Fig. 6.1: How are your Regulatory Functions Resourced?

Obstacles to Embedding Regulatory Compliance Functions

Consistent with our findings last year, lack of time and resources is perceived to be the biggest obstacle when it comes to embedding regulatory compliance. Other obstacles cited by this year's survey respondents include lack of adequate skills, knowledge and training (20%), cost (18%) and the burden of keeping up with regulatory changes (18%).

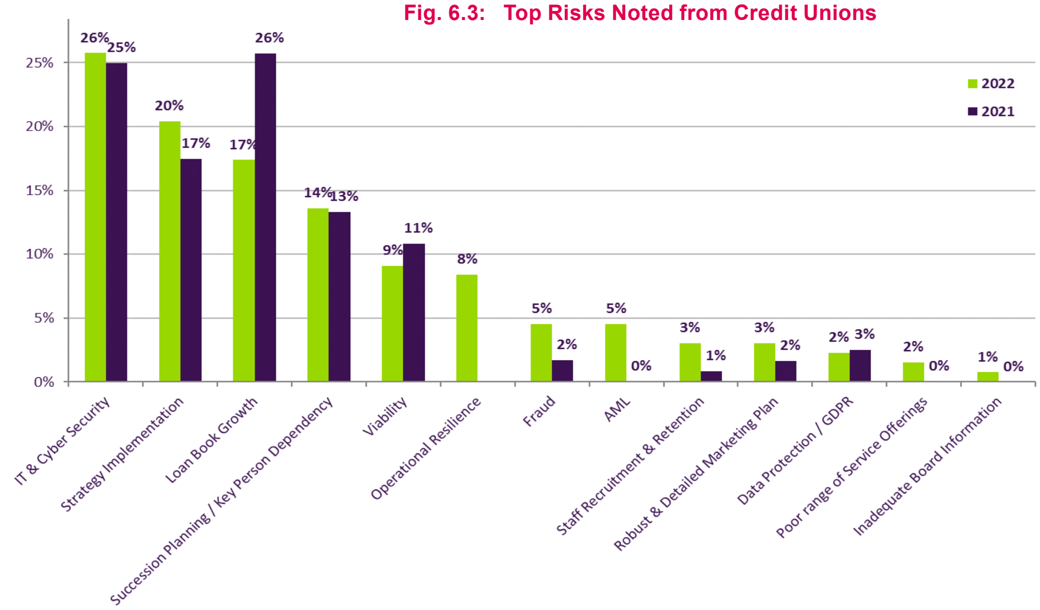
- Time and Resources rated as biggest obstacle at 27% (2021 – 29%)
- Skills, Knowledge and Training – 20% (2021 – 20%)
- Cost -18% (2021 – 19%)
- Regulatory Changes & Burden - 18% (2021 – 22%)
- Board Participation, Challenge and Contribution rated as smallest obstacle - 13% (2021 – n/a)

Fig. 6.2: Obstacles to embedding regulatory functions

Top Risks

In terms of perceived risks, IT and cybersecurity concerns have overtaken loan book growth as the top risk while concerns about strategy implementation have also increased. Operational resilience appears on our list of top risks for the first time this year, with 8% of survey respondents identifying this as an area of concern.

Fig. 6.3: Top Risks Noted from Credit Unions



Compliance Breaches

Fewer than 1 in 10 survey respondents (9%) said their credit union experienced a compliance breach in 2022, down from 20% in 2021.

Embedded Governance

Embedding a robust governance framework is a key responsibility of the board of directors who are required to ensure that appropriate processes and systems are in place to protect members and develop and grow the credit union's business. Our latest research shows a 10% decrease in survey respondents who said that effective governance is fully embedded in their credit union—18% in 2022 down from 28% in 2021 .

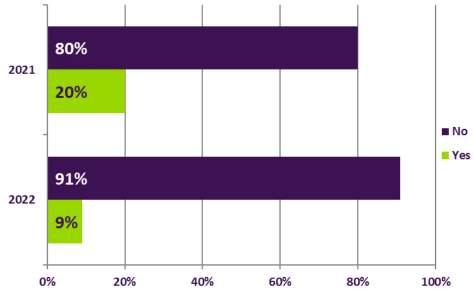


Fig. 6.4: Compliance Breaches

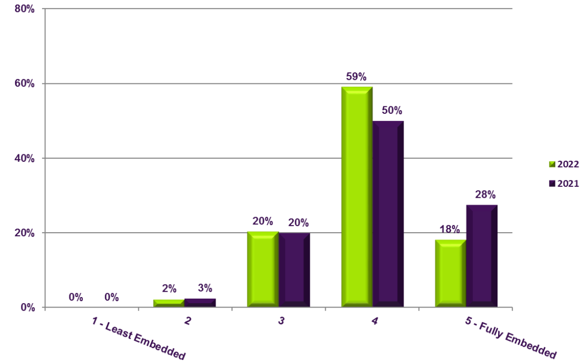


Fig. 6.5: Embedded Governance

7. Membership

Credit union savings increased during the COVID-19 pandemic. This trend now appears to be slowing.

30% of this year's survey respondents said that their member shares increased by less than 2% in 2022, while 22% reported an increase of between 2% and 5%. Just under a third of respondents (31%) said their member shares decreased last year.

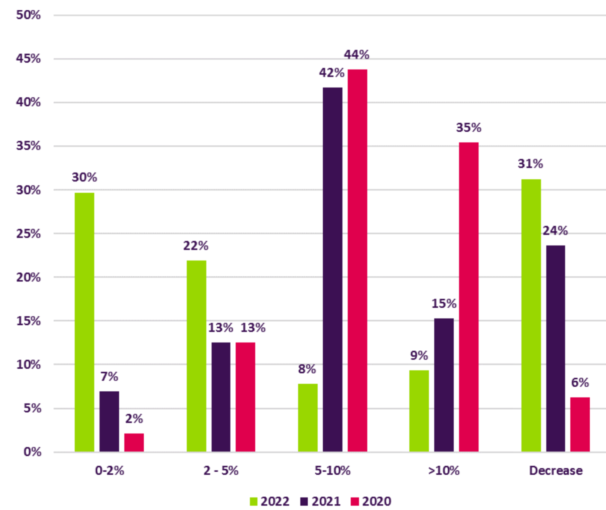


Fig. 7.1: Percentage Increase in Member Shares

Share Cap

As noted in our Credit Union Benchmarking Survey Report last year, a challenge for credit unions is that no member can have total savings which exceed €100,000.

Furthermore, regulatory requirements oblige credit unions to hold reserves of a minimum of 10% of the value of all members savings. This has resulted in many credit unions introducing limits on how much members can have in savings.

Various share cap levels are in place ranging from €10,000-€100,000. Our survey found that a cap of between €25,000 and €35,000 was the most common in 2022. More than a third (36%) of survey respondents said their credit union recently amended its share cap.

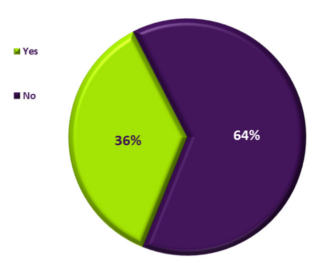


Fig. 7.2: Recently Amended Share Cap

Fig. 7.3: Levels of Caps on Shares

8. Human Resources

Skills shortages and the rising cost of living continue to drive up inflation when it comes to staff wages.

Most of the credit unions (80%) who participated in our latest research said they increased wages in the last 12 months and 63% plan to increase wages in the next 12 months—up 10% when compared to this time last year.

28% of survey respondents predicted that difficulties attracting and retaining staff will be a challenge over the next 24 months. This is a 12% increase when compared to the previous year .

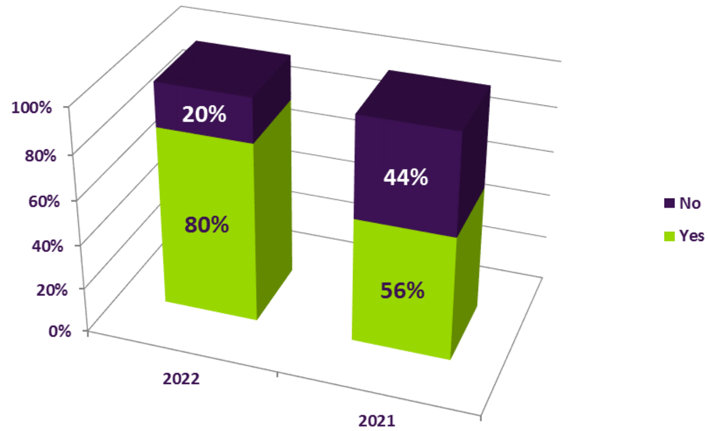


Fig. 8.1: Has there been a wage increase in the last 12 months?

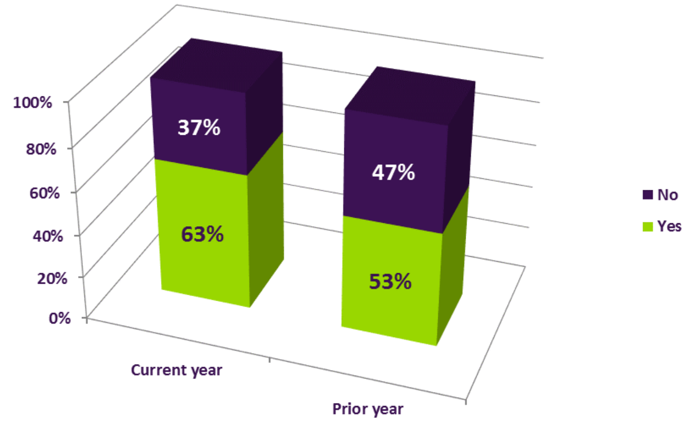


Fig. 8.2: Does your Credit Union intend to increase wages in the next 12 months?

8. Human Resources contd.

Top Priorities

Performance management and staff skills and training continue to be top priorities however the focus on employee health and wellbeing and flexible working appears to fallen back when compared to the prior year, probably reflecting a return to normality following the COVID-19 restrictions.

Most of this year's survey respondents have a formal performance management framework in place for their CEO, management team and staff.

Access to adequate resources along with management capability, skills and knowledge continue to be the most frequently cited obstacles when it comes to embedding the HR framework.

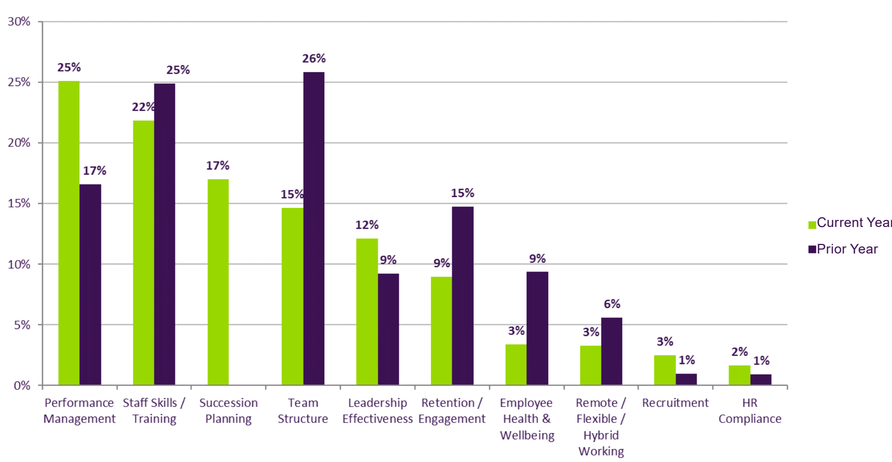


Fig. 8.3: Top HR Priorities

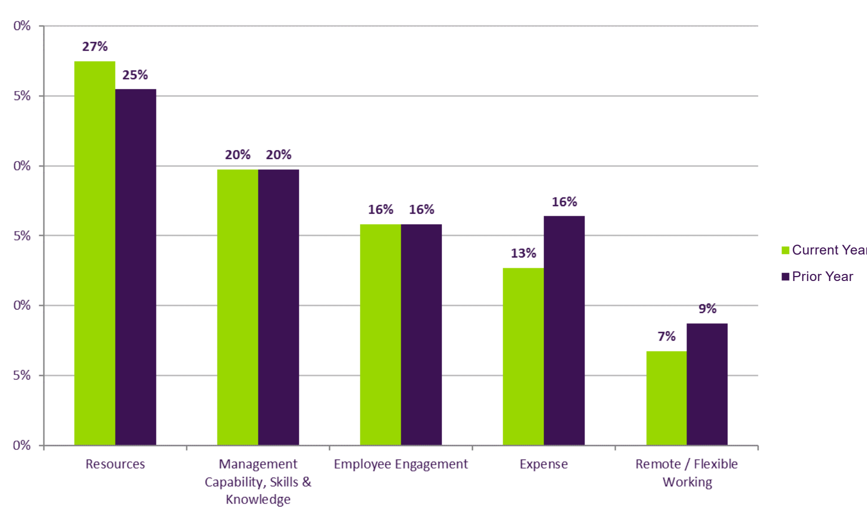


Fig. 8.4: Biggest Obstacles in Embedding HR Framework

> "Inflationary pressure on wage costs are likely to impact on recruitment and retention at a time when skills and resources are at their scarcest."

Yvonne Clarke
HR Solutions Manager - RBK

Management Resources

Almost three quarters (71%) have reviewed their management team resources in the last two years.

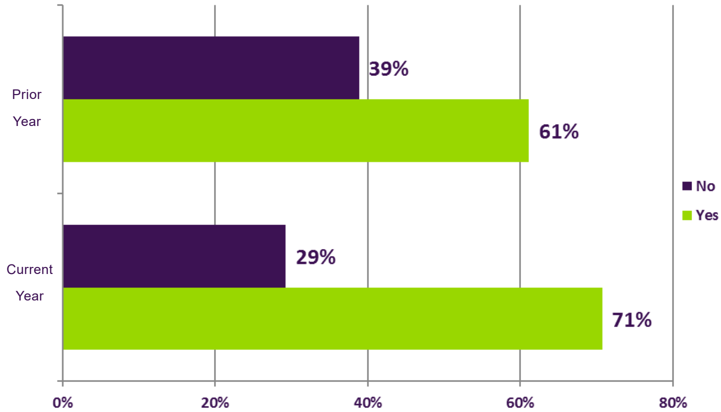


Fig. 8.5: Management Resources
Have you completed a Review of the appropriateness of the Resources with your Management Team in the last 2 years?

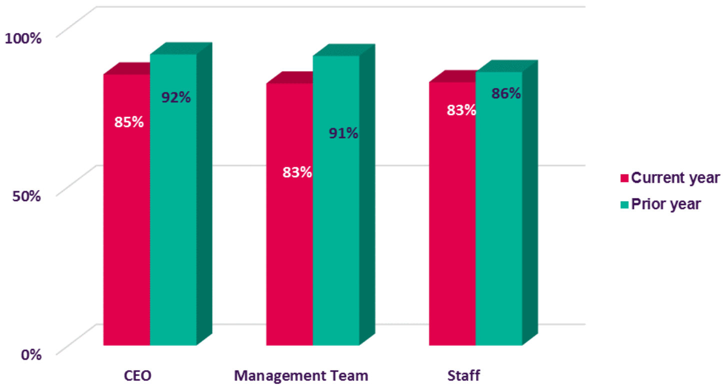


Fig. 8.6: Performance Reviews
Yes, there is a formal performance management frame work in place for the above.

9. Mergers

> *"Further consolidation in the sector is likely given the challenge to remain relevant as community banks."*

Colm O'Grady

Partner - RBK Credit Unions

Our survey also shows further consolidation is likely as 38% of survey respondents want to merge in the next three years by bringing in another credit union, while 10% want to merge into a larger credit union.

Consolidation in the credit union sector has led to a number of mergers in recent years. Central Bank statistics show that at 30 September 2022 there were 205 trading credit unions, down from 214 at 30 September 2021 and 274 at 30 September 2017. Reflecting this activity, our latest research found 13% of survey respondents plan to consolidate an existing merger over the next three years, up from 6% in 2021.

At a policy level, Government would like to see credit unions develop a wider range of products and become a key provider of community banking services. The Credit Union (Amendment) Bill 2022, which is currently before the Dáil, aims to enable the establishment of corporate credit unions and give credit unions more scope to develop new products and services and take advantage of opportunities arising from the withdrawal of Ulster Bank and KBC from the Irish market.

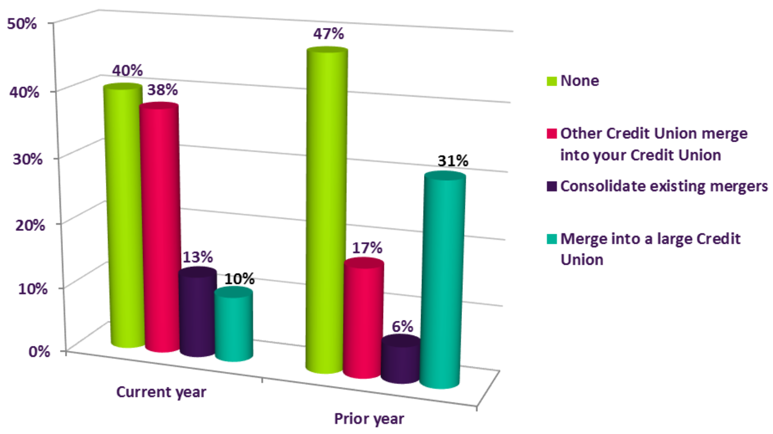


Fig. 9.1: Credit Union's Merger plans for the next 3 years

Planning Checklist

- Does the planned merger align with your credit union's overall strategic direction?
- Have you prepared a High Level Business Case and a detailed plan?
- Have you identified suitable merger candidates?
- Who is responsible for governance?
- Who will manage the merger project?
- Have you conducted a comprehensive asset review?
- Have you prepared financial projections?
- Have you planned how to manage the human resource changes that will be required?
- Have you included an assessment of the transfer in your due diligence?
- Have you decided which credit union will act as the anchor organisation post merger?
- Have you prepared a communications plan?

10. Strategy & Board

> *"Effective and frequent monitoring of strategic plans is required to ensure future challenges are being appropriately addressed."*

While this year's survey findings are generally positive, it is important that boards maintain a sharp focus on the potential impact of developments in the macro-financial environment. Strategy and business plans need to be kept up to date and mitigations put in place to protect against the financial impact of potentially adverse future events.

As we predicted in our report last year, the number of credit unions taking an away-day to review and update their strategic plan returned to pre-pandemic rates in the current year with 68% of survey respondents indicating that their credit union had an away day. However when it comes to monitoring strategic plans, the focus appears slightly weaker. This reflects what our teams are observing in recent interactions with credit unions.

Effectiveness of Board

Most of this year's survey respondents (82%) rated their board effectiveness as just 3 or 4 out of 5 and almost a third (32%) expect board effectiveness to be a challenge over the next 24 months. Only 15% rated their board as very effective with a score of 5. Activities that help to enhance board effectiveness include board members attending Government and Central Bank credit union workshops as well as undertaking training and skills development and implementing better management reporting.

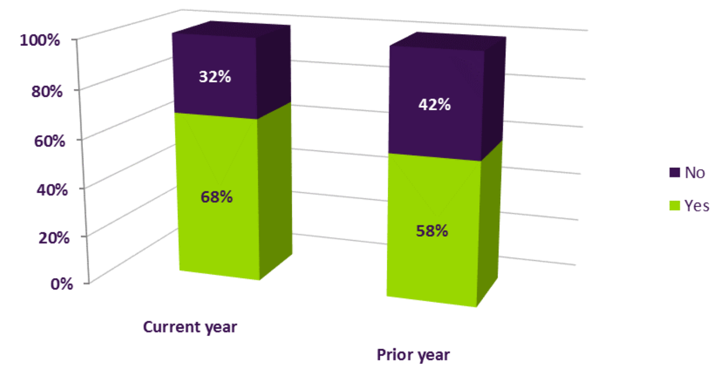


Fig. 10.1: Strategic Planning Day - Day taken to review and update plan

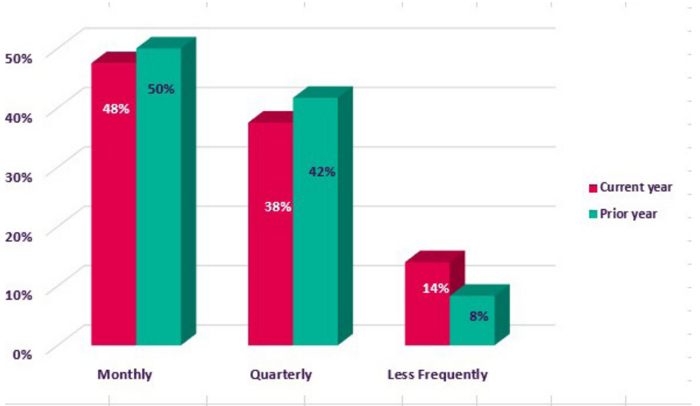


Fig. 10.2: Monitoring of Strategic Plan

Viability

The concerns over viability revealed in our latest research are broadly in line with our findings last year. Cost cutting, share caps and new products and services are among the actions being taken to address these concerns.

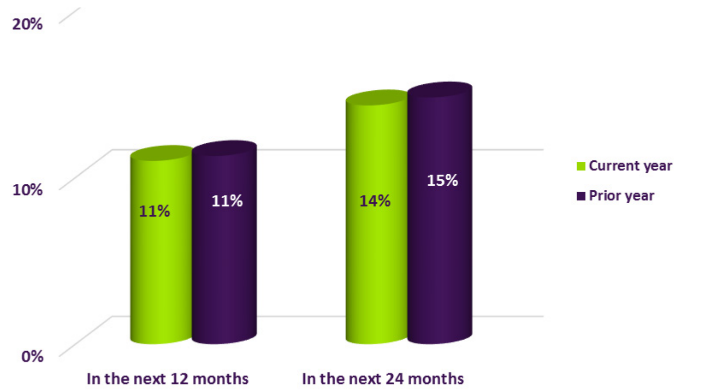


Fig. 10.3: Concerns over viability in the next 12 months and 24 months

Future Challenges

Inflation, cost control and branch profitability emerged as the top challenge survey respondents expect to face in the next 24 months. IT infrastructure, growing the loan book, board effectiveness, organisation structure and staffing issues are also expected to prove challenging.

Concerns about banking and online services have eased when compared to last year, down from 30% to 19% in our latest research.

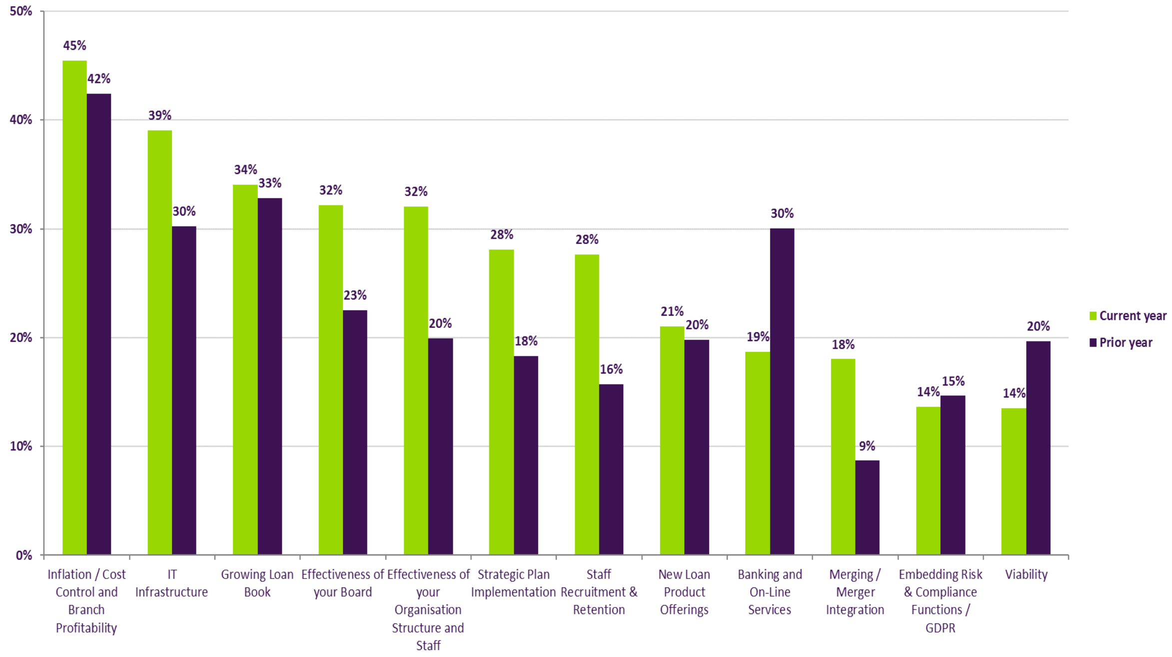


Fig. 10.4: Challenges over the next 24 months

11. Marketing

Last year, we expressed concern that over a third of survey respondents did not have a separate marketing/ business development function. It is pleasing to see that the picture has significantly improved in the last 12 months.

Our latest research shows 82% now have a dedicated marketing function in place.

Marketing spend has also increased with 45% of this year's survey respondents indicating that their marketing budget as a percentage of total income now stands at 3–5%, up 11% when compared to last year.

Unfortunately, although marketing is getting more money, the investment is not strategically focused—for example, while growing the loan book continues to be a key strategic priority, only 53% of this year's respondents said their credit union has a strategic marketing plan for loan book growth, down from 66% last year.

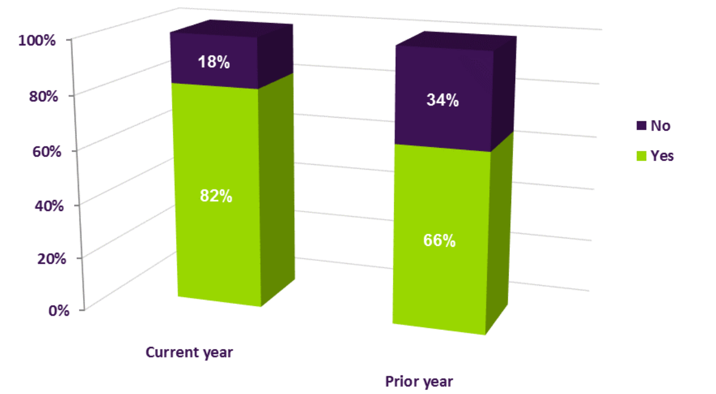


Fig. 11.1: Do you have a specific and seperate Marketing / Business Development Function?

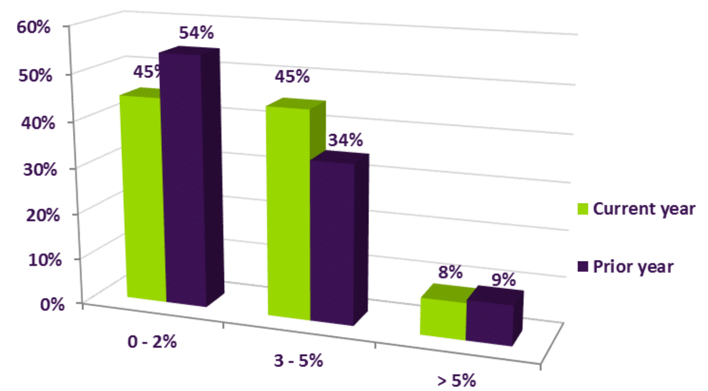


Fig. 11.2: Marketing Budget as a % of total income

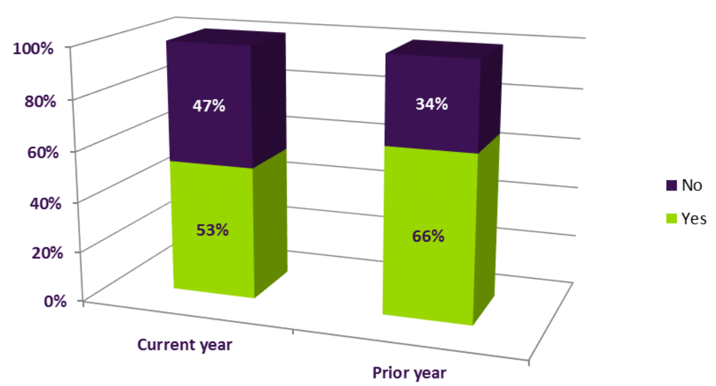


Fig. 11.3: Resondents with a Strategic Marketing Plan for growing the loan book

> *Marketing plans need to be more strategically focused to ensure value for money and delivery of the key priority in growing the loan book.*

Colm O'Grady

Partner - RBK Credit Unions

Marketing Effectiveness

Overall, 61% of survey respondents scored their marketing effectiveness at 3 or 4 out of 5. Only 13% of respondents rated their marketing effectiveness 5 out of 5. In our report last year, we listed some examples of the initiatives being undertaken to grow loan books. These range from employing dedicated staff members for marketing and business development, to use of social media, special purpose loans, radio and print advertising, interactions with local businesses, sponsorship, targeted circulars to members and member research.

Collaboration

There is widespread consensus across the financial services sector that collaboration is necessary for product innovation. Our survey found a majority of this year's respondents (61%) already collaborate with other credit unions to develop new products and innovate . This represents a 7% improvement on last year.

Members Registered Online

As with online loan applications, other online services still have some way to go to meet member expectations.

Only 21% of this year's survey respondents have at least 25% of their members registered online. 50% still have less than a quarter of members registered.

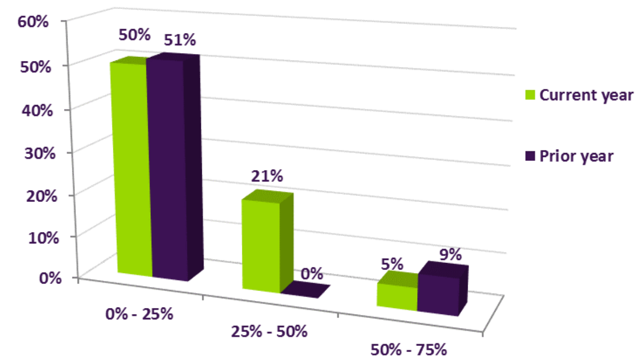


Fig. 11.4 Members Registered Online

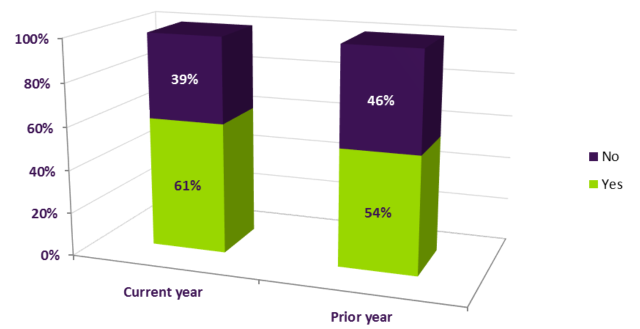


Fig. 11.5: Has your Credit Union collaborated with other Credit Unions on Innovative Products?

12. Cyber Security

> *Cyber security is now the top risk with cyber attacks increasing by a multiple of 5 times from 3% to 15% in one year. Improvements are needed to enhance employee awareness in this area.*

Like other financial service providers, credit unions are a potentially lucrative target for cybercriminals who may attempt to steal data, access accounts or hold a credit union to ransom. IT security risks require constant monitoring of the evolving threat landscape which includes network security vulnerabilities and compromised devices, targeted cyber attacks, data breaches, malware, ransomware and phishing. 15% of our survey respondents indicated that their credit union experienced a known cyber attack in the last 12 months, up from 3% since our survey last year.

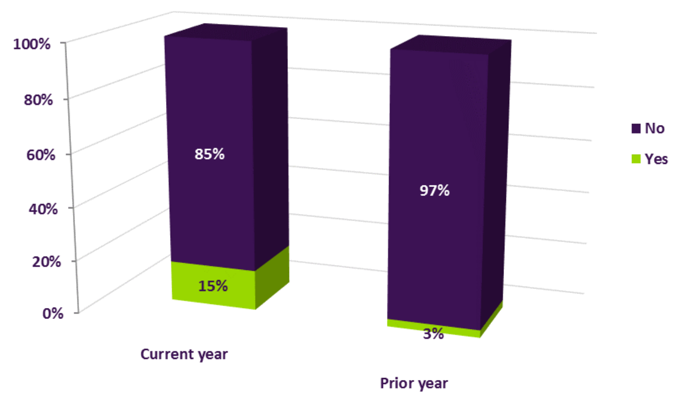


Fig. 12.1: Have you had any known cyber attack in the last 12 months?

While staff awareness of cyber risks has improved with 30% of survey respondents said that their staff are very cyber aware compared to 19% last year. 1 in 5 rated their staff as only moderately cyber aware, suggesting there is still work to be done to improve staff awareness of the risks in this area.

15% of this year's survey respondents said their credit union provides cyber training for staff twice a year, up from 8% last year, however close to half (45%) said their credit union still only provides cyber training once a year .

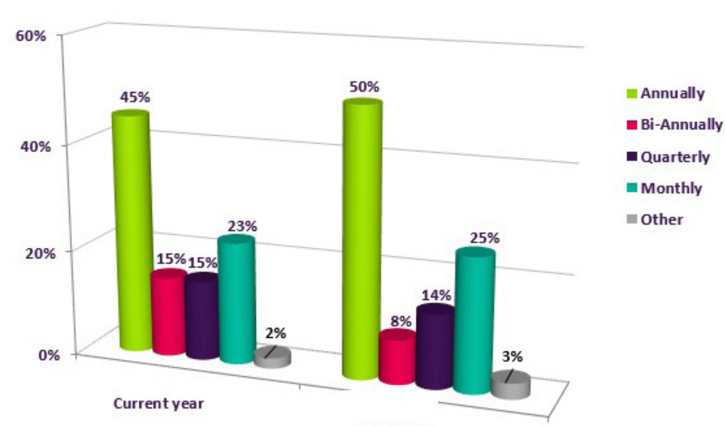


Fig. 12.2: How often do you do Cyber Awareness training?

13. Climate Change

Environmental, Social and Governance matters (ESG) are increasingly important not just to policy makers and regulators but also to credit union members, employees and other stakeholders.

Boards need to be able to show that the risks and opportunities associated with ESG and climate change are being identified and are feeding into risk management and strategic planning processes.

The majority (87%) of this year's survey respondents already consider ESG as part of their strategic planning process and various ESG initiatives are being implemented including reducing paper use, issuing electronic AGM notices and improved recycling facilities, however almost 6 in 10 survey respondents do not have a formal ESG policy in place, suggesting this is an area still perhaps lagging in terms of focus.

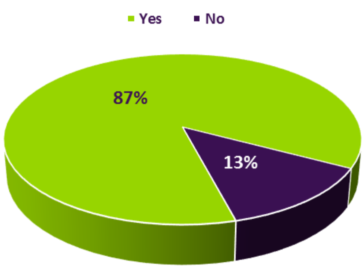


Fig. 13.1 Have you considered climate change / ESG as part of the strategic planning process?

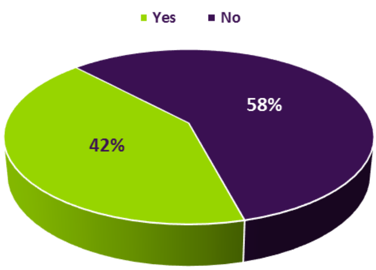


Fig. 13.2 Do you have a climate change / ESG policy?

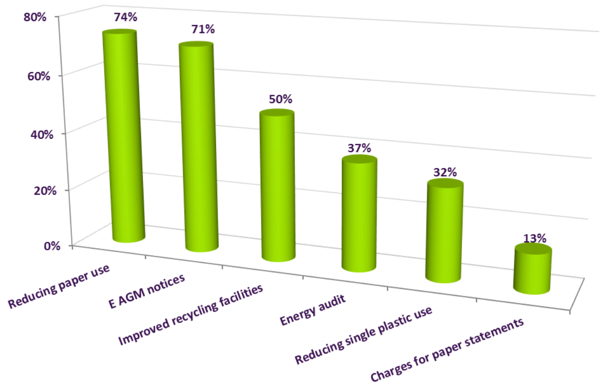


Fig. 13.3: Types of ESG / Climate Change iniatives implemented

14. Conclusions

Our latest research shows that credit unions are continuing to build on the achievements of recent years.

Loan book growth and loan to asset ratios have returned to pre-COVID pandemic levels and reserves remain stable and strong. Bad debt provision ratios are falling, suggesting credit quality is improving.

However, as the Central Bank pointed out in their recent report on the Financial Conditions of Credit Unions, overall loan to asset ratios are still close to historically low levels and there is significant under-utilised capacity in the credit union sector for increased mortgage and business lending.

With multiple challenges ahead and the current macro financial environment leaving no room for complacency, key priorities for the months ahead should include:

> Monitoring and implementation of the Strategic Plan

> Bring a strategic dimension to business development and marketing

> Stronger focus on IT systems and cyber awareness

> Ongoing performance management of staff

> Reducing cost to income ratios

> Identifying and pursing opportunities to collaborate

> Greater focus on ESG framework and policy

Our thanks once again to everyone who participated in our survey. If you would like more information and/or advice on any of the matters discussed, please contact a member of our team.

15. RBK Team

RBK have over 50 years experience working with Credit Unions and continue to offer a range of comprehensive services to meet Credit Union's needs.

Our experience in working with Credit Unions has been diverse. The challenges faced by all our Credit Union clients are individual to their circumstances. The breadth of our experience ranges from strategic direction review and auditing, to day-to-day operations.

Our specialist committment to the Credit Union sector also includes the completion of an annual Credit Union benchmarking survey as well as hosting regular Credit Union seminars on topical issues.

We know Credit Unions, their ethos and have a specialist team dedicated to the sector. We work to your requirements.

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