DATA DISPATCH

Credit quality improves at US credit unions YOY in Q4'21

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Market Intelligence

Credit quality improved year over year at U.S. credit unions in the fourth quarter of 2021 as net charge-offs and nonperforming assets both fell, according to S&P Global Market Intelligence data.

Credit unions vs. community banks

The credit union industry's nonperforming assets ratio and net charge-off ratio both dropped 9 basis points year over year to 0.32% and 0.26%, respectively, but were up slightly quarter over quarter following normal seasonal patterns.

Aggregate nonperforming assets at U.S. credit unions dropped 13.1% year over year to $6.59 billion, while net charge-offs fell 21.2% to $816.9 million in the fourth quarter.

Meanwhile, U.S. community banks under $10 billion in assets reported a 0.56% nonperforming assets ratio at Dec. 31, down 27 basis points year over year and 8 basis points quarter over quarter. The net charge-off ratio for U.S. community banks was 0.11% in the fourth quarter, down 10 basis points compared to the year-ago quarter, but up 3 basis points over the third quarter of 2021.

Credit quality at US credit unions and community banks, Q4'21

Aggregate balances		Q4'21 ($B)	Change (%) QOQ	Change (%) YOY
Nonperforming assets	Credit unions	6.59	8.8	-13.1
	Community banks	17.42	-9.5	-21.4
Net charge-offs	Credit unions	0.82	16.5	-21.2
	Community banks	0.53	41.8	-42.6
Loan loss reserves	Credit unions	11.07	-4.6	-15.2
	Community banks	26.18	-0.1	1.0

Aggregate ratios		Q4'21 (%)	Change (bps) QOQ	Change (bps) YOY
Nonperforming assets/total assets	Credit unions	0.32	2	-9
	Community banks	0.56	-8	-27
Texas ratio[1,2]	Credit unions	3.00	21	-68
	Community banks	5.50	-65	-222
Reserves/nonperforming assets	Credit unions	167.92	-2,358	-419
	Community banks	150.30	1,411	3,333
Reserves/total loans and leases	Credit unions	0.87	-7	-24
	Community banks	1.36	-5	-11
Net charge-offs/average loans	Credit unions	0.26	3	-9
	Community banks	0.11	3	-10

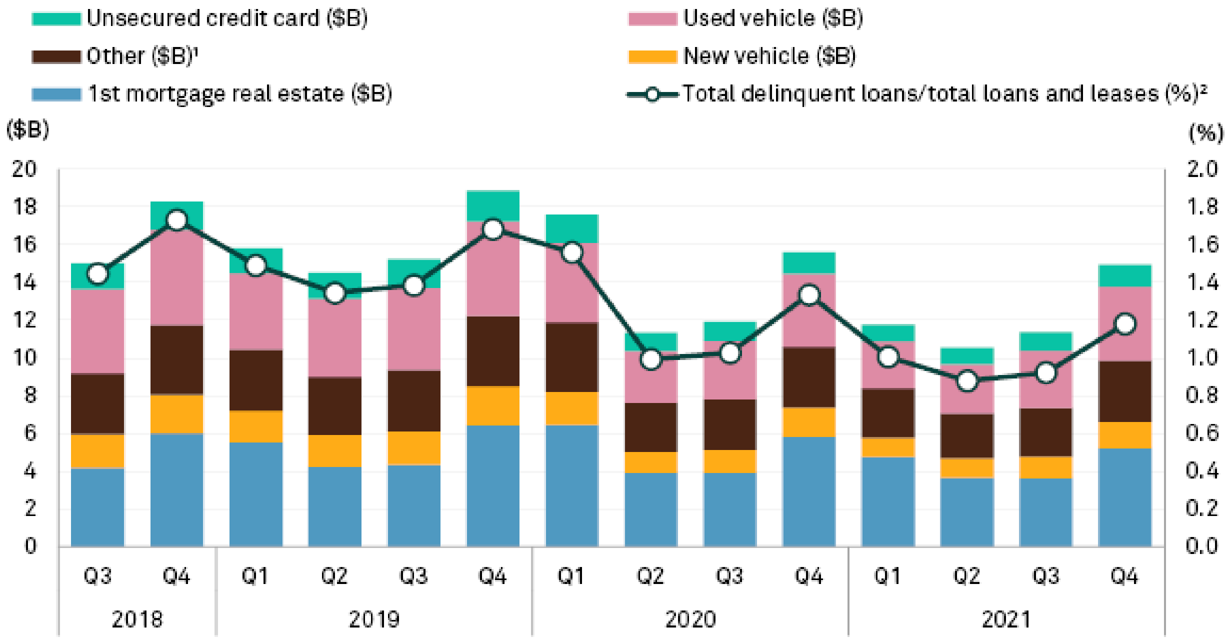
Credit unions Community banks[3]

Data compiled March 1, 2022.
Analysis based on regulatory filings of U.S. credit unions and community banks as of Dec. 31, 2021. Excludes corporate credit unions.
Paycheck Protection Program loans excluded from total assets, total loans and leases, and average loans.
[1] Texas ratio for credit unions is total nonperforming assets as a percentage of total equity, loan loss reserves and uninsured secondary capital at low-income designated credit unions.
[2] Texas ratio for community banks is nonperforming assets plus loans 90 days or more past due, net of delinquent government guaranteed loans and other real estate owned covered by loss-sharing agreements with the FDIC, as a percentage of tangible equity and reserves. Allowance for credit losses on off-balance sheet credit exposures are not included in loan loss reserves.
[3] Community banks include all U.S. commercial banks, savings banks, and savings and loan associations that reported total assets of less than $10 billion for the quarter ended Dec. 31, 2021; excludes nondepository trusts and companies with a foreign banking organization charter. Parents and middle-tier parents of banks and thrifts with over $10 billion in assets are also excluded from the analysis.
Source: S&P Global Market Intelligence

Seasonal patterns drive delinquencies higher QOQ

Aggregate delinquent loans at U.S. credit unions fell to 1.18% of total loans and leases at the end of 2021, down 15 basis points since year-end 2020, but up 26 basis points compared to Sept. 2021.

Delinquencies at US credit unions by loan type



Data compiled March 1, 2022.
Analysis based on regulatory filings for U.S. credit unions. Excludes corporate credit unions.
Delinquencies include loans 30 days or more past due.
[1] Includes payday alternative loans, non-federally guaranteed student loans, other real estate loans, lease receivables, and all other loans reported by credit unions.
[2] Paycheck Protection Program loans excluded from total loans and leases.
Source: S&P Global Market Intelligence

Credit quality at the top 20 credit unions

Nonperforming loans as a percentage of total loans and leases improved year over year at 16 of the 20 largest U.S. credit unions by loans as of Dec. 31. Vienna, Va.-based Navy FCU, the U.S.'s largest credit union by loans, reported that its NPL ratio dropped to 0.91% in the fourth quarter from 0.96% at the end of 2020, but its NCO ratio rose to 1.02% from 0.83%.

Raleigh, N.C.-based State Employees CU, the country's second-largest credit union by loans, reported the highest delinquency ratio among the 20 largest credit unions at 1.39%, although that was an improvement from the 1.50% ratio reported at the end of 2020.

Asset quality at 20 largest US credit unions by loans and leases, Q4'21

Company	Total loans and leases ($B)	NPLs/loans (%)	NPLs/loans vs. Q4'20*	Reserves/NPAs (%)	Reserves/NPAs vs. Q4'20*	NCOs/average loans (%)	NCOs/average loans vs. Q4'20*
Navy FCU	93.90	0.91	▼	204.5	▼	1.02	▲
State Employees CU	25.43	1.39	▼	104.7	▼	0.22	▼
Pentagon FCU	23.75	1.22	▲	81.1	▼	0.57	▼
Boeing Employees CU	13.31	0.19	▼	404.9	▼	0.18	▼
SchoolsFirst FCU	12.88	0.35	▼	176.5	▼	0.13	▲
America First FCU	10.54	0.67	▼	212.6	▲	0.40	▼
Mountain America FCU	10.50	0.47	▼	147.7	▼	0.26	▼
Suncoast CU	10.07	0.28	▼	474.0	▲	0.29	▼
Alliant CU	10.05	0.39	▼	155.7	▼	0.37	▼
First Technology FCU	9.64	0.30	▼	236.1	▲	0.34	▼
Randolph-Brooks FCU	9.59	0.23	▼	399.9	▲	0.22	▼
Golden 1 CU	9.42	0.46	▲	180.5	▼	0.23	▲
Security Service FCU	8.93	0.53	▼	252.0	▲	0.23	▼
Alaska USA FCU	8.43	0.90	▲	62.3	▼	0.07	▼
GreenState CU	7.97	0.45	▼	134.5	▼	0.29	▲
VyStar CU	7.95	0.38	▼	175.9	▲	0.20	▼
Digital FCU	7.73	0.51	▼	366.3	▲	0.41	▼
Lake Michigan CU	7.64	0.14	▲	151.9	▼	0.02	▲
Bethpage FCU	6.69	1.37	▼	82.7	▼	0.11	▲
Ent CU	6.68	0.41	▼	37.3	▼	0.13	▼
Industry aggregate		**0.49**	▼	**167.9**	▼	**0.26**	▼

Data compiled March 1, 2022.
NCOs = net charge-offs
Analysis includes U.S. credit unions that filed call reports for the quarter ended Dec. 31, 2021. Excludes corporate credit unions.
* The year-over-year comparison represents the change in values rounded to two decimal places.
Paycheck Protection Program loans excluded from total loans and leases and average loans.
Source: S&P Global Market Intelligence

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