

FINANCIAL TRENDS IN FEDERALLY INSURED CREDIT UNIONS

January 1 – June 30, 2008

HIGHLIGHTS

This report summarizes the trends of all federally insured credit unions that reported as of June 30, 2008. Change is measured from December 31, 2007.¹

- **Assets** increased \$49.07 billion or 6.51% to \$802.47 billion. This equates to an annualized asset growth rate of 13.03%.
- **Net Worth** increased \$2.42 billion or 2.81%. The net worth to assets ratio decreased from 11.43% to 11.04%.
- **Earnings**, as measured by the return on average assets, decreased from 0.64% to 0.52%.²
- **Loans** increased \$19.45 billion or 3.69% (7.38% annualized). The loan to share ratio decreased from 83.32% to 80.72%.
- **Delinquent** loans as a percentage of total loans increased from 0.93% to 0.97%. Delinquent real estate loans as a percentage of total real estate loans increased from 0.67% to 0.78%.
- **Net Loan Charge-Offs** (annualized) increased \$1.22 billion or 47.06%.
- **Shares** increased \$44.47 billion or 7.03%. This represents an annualized share growth rate of 14.07%. The majority of the growth in shares continues to come from share certificates and money market accounts.
- **Current members** increased by 1.13 million or 1.31% (2.61% annualized).

Number of Credit Unions Reporting		
	Federal CUs	State CUs
2002	5,953	3,735
2003	5,776	3,593
2004	5,572	3,442
2005	5,393	3,302
2006	5,189	3,173
2007	5,036	3,065
June 2008	4,956	3,016

Overall, federally insured credit unions continued their solid performance in the first six months of 2008. Loans, shares, and net worth grew; however, the delinquent loan ratio increased 4 basis points and the loan loss ratio increased 20 basis points indicating concerns remain in the credit quality of loan portfolios. While net interest margins continued to decline, credit unions achieved favorable operating results. Real estate loans remain the dominant loan category in credit unions, highlighting the need for continued vigilance in underwriting and sound asset-liability management practices.

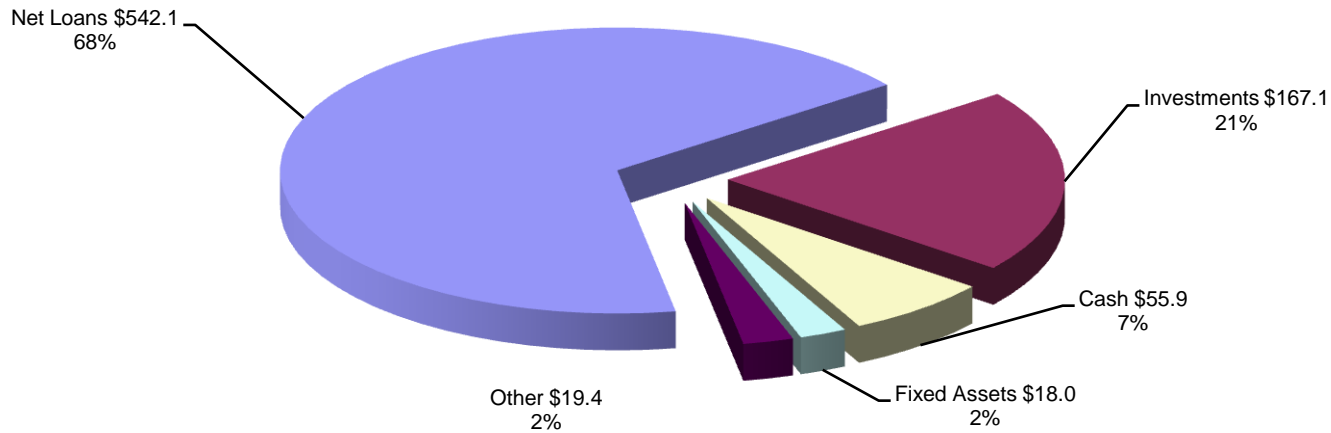
Total Shares and Deposits	2007 In Billions	Jun-08 In Billions	% Change
Insured Shares & Deposits	\$561.60	\$600.57	6.94%
Uninsured Shares & Deposits	\$70.79	\$76.30	7.78%

¹ The financial results for prior periods may reflect changes when compared to the prior period trend letters due to subsequent call report modifications.

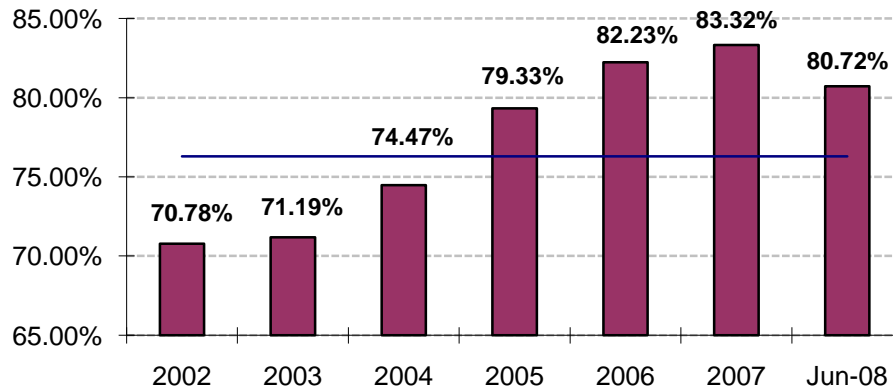
² The Return on Average Assets ratio is annualized net income divided by average assets for the period.

OVERALL TRENDS

ASSET DISTRIBUTION
(Billions of Dollars)

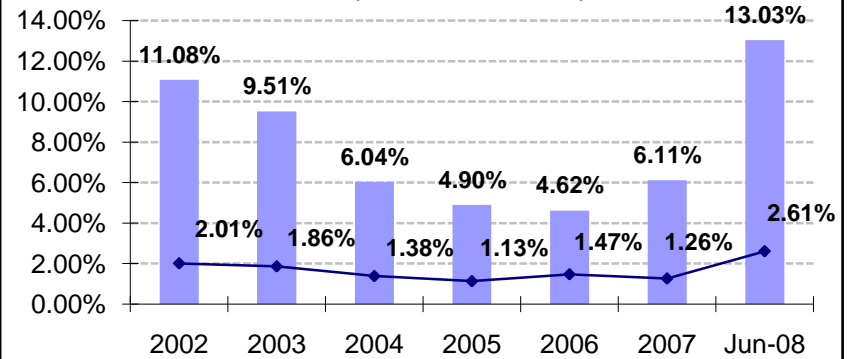


TOTAL LOANS / TOTAL SHARES



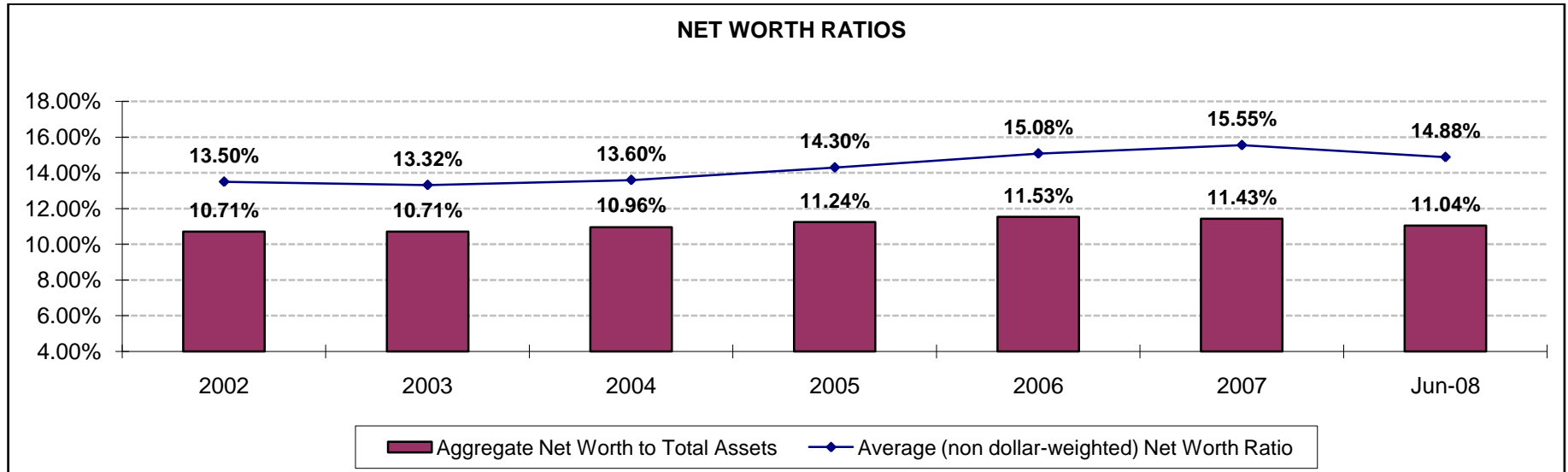
■ Total Loans / Total Shares — 10-year average 76.30%

ASSET GROWTH VS. MEMBERSHIP GROWTH
(June 2008 annualized)



■ Asset Growth ◆ Membership Growth

NET WORTH



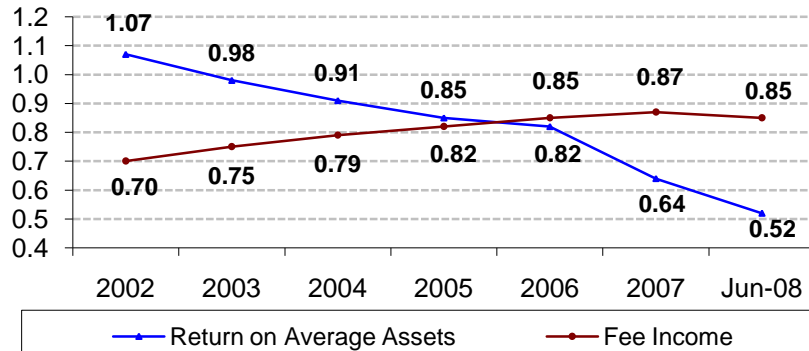
	December 2007 In Billions	June 2008 In Billions	% Change
Total Net Worth	\$86.19	\$88.60	2.81%
Secondary Capital	\$.031	\$.030	-1.58%

NET WORTH RATIOS				
Number of Credit Unions	December 2007	% of Total	June 2008	% of Total
7% or above	7,987	98.59%	7,820	98.10%
Net Worth Ratios				
6% to 6.99%	61	0.75%	76	0.95%
4% to 5.99%	32	0.41%	45	0.56%
2% to 3.99%	12	0.15%	13	0.16%
0% to 2.00%	4	0.05%	8	0.10%
Less than 0%	4	0.05%	10	0.13%

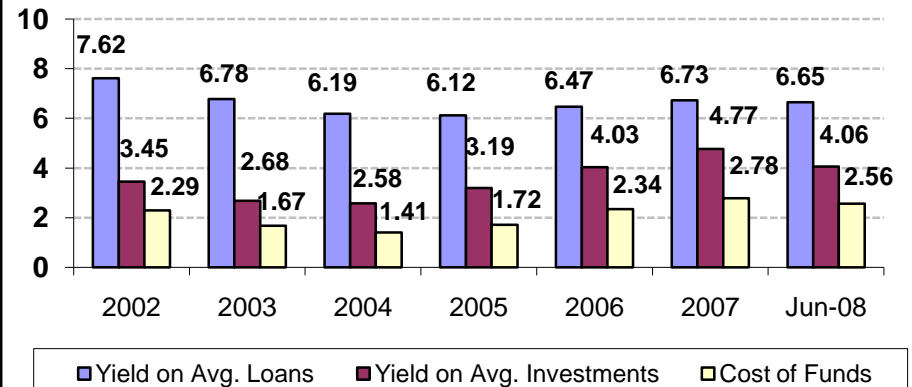
Net Worth remains strong as total dollars increased \$2.42 billion or 2.81% during the first six months of 2008. The Net Worth Ratio declined to 11.04% as a result of the elevated share growth during the same time period. The number of credit unions subject to Prompt Corrective Action, as a percentage of total credit unions, increased from 1.41% as of December 31, 2007, to 1.91% as of June 30, 2008.

EARNINGS

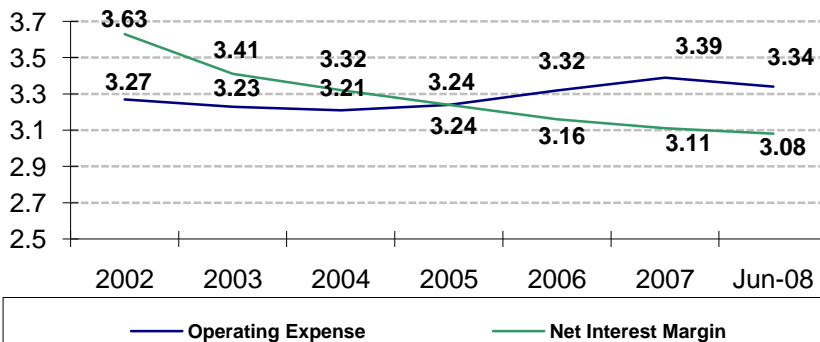
RETURN ON AVERAGE ASSETS VS FEE INCOME
(Percentages)



YIELDS VS. COST OF FUNDS
(Percentages)



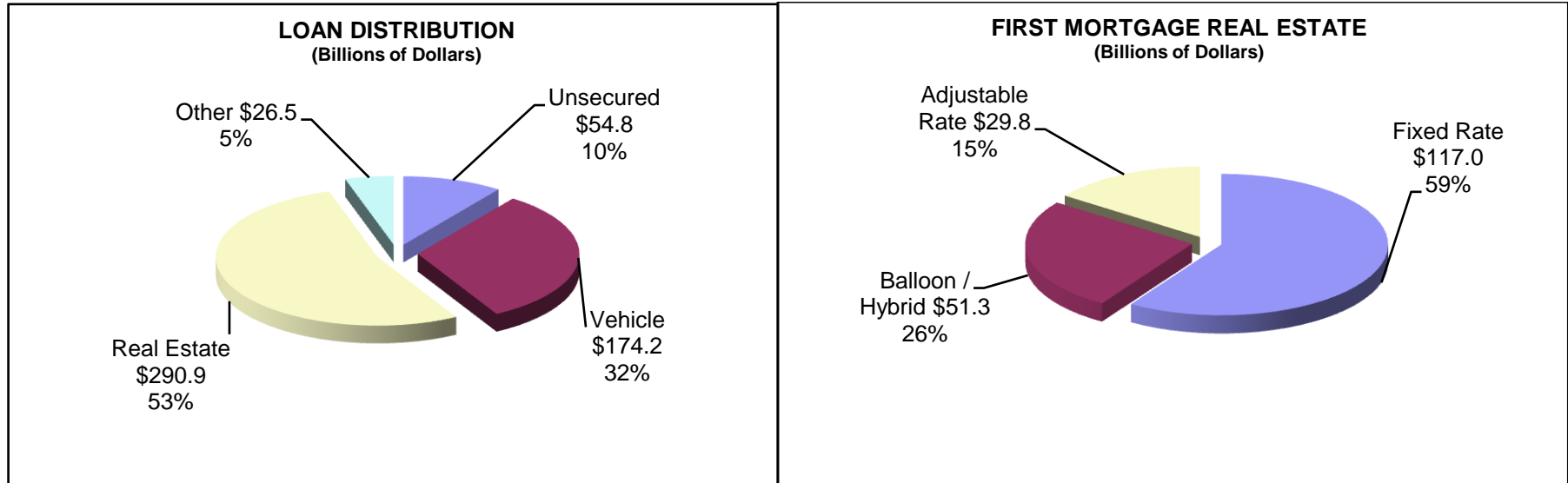
OPERATING EXPENSES VS NET INTEREST MARGIN
(Percentages)



Ratio (% Average Assets)	As of 2007	As of June 2008	Effect on ROA
Net Interest Margin	3.11%	3.08%	- 3bp
+ Fee & Other Inc.	1.34%	1.28%	- 6bp
- Operating Expenses	3.39%	3.34%	+ 5bp
- PLLL	0.44%	0.60%	- 16bp
+ Non-Opr. Income	0.02%	0.10%	+ 8bp
= ROA	0.64%	0.52%	- 12bp

The level of earnings declined 12 basis points during the first six months of 2008. However, the level continues to be effective, covering the cost of operations as well as contributing to the already solid level of net worth. The increasing Provision for Loan & Lease Loss expense continued to rise in relation to average assets and had the largest impact on the reduced Return on Average Assets level. Non-Operating Income increased 8 basis points primarily due to an increase in Gains on Investments and Other Non-Operating Income.

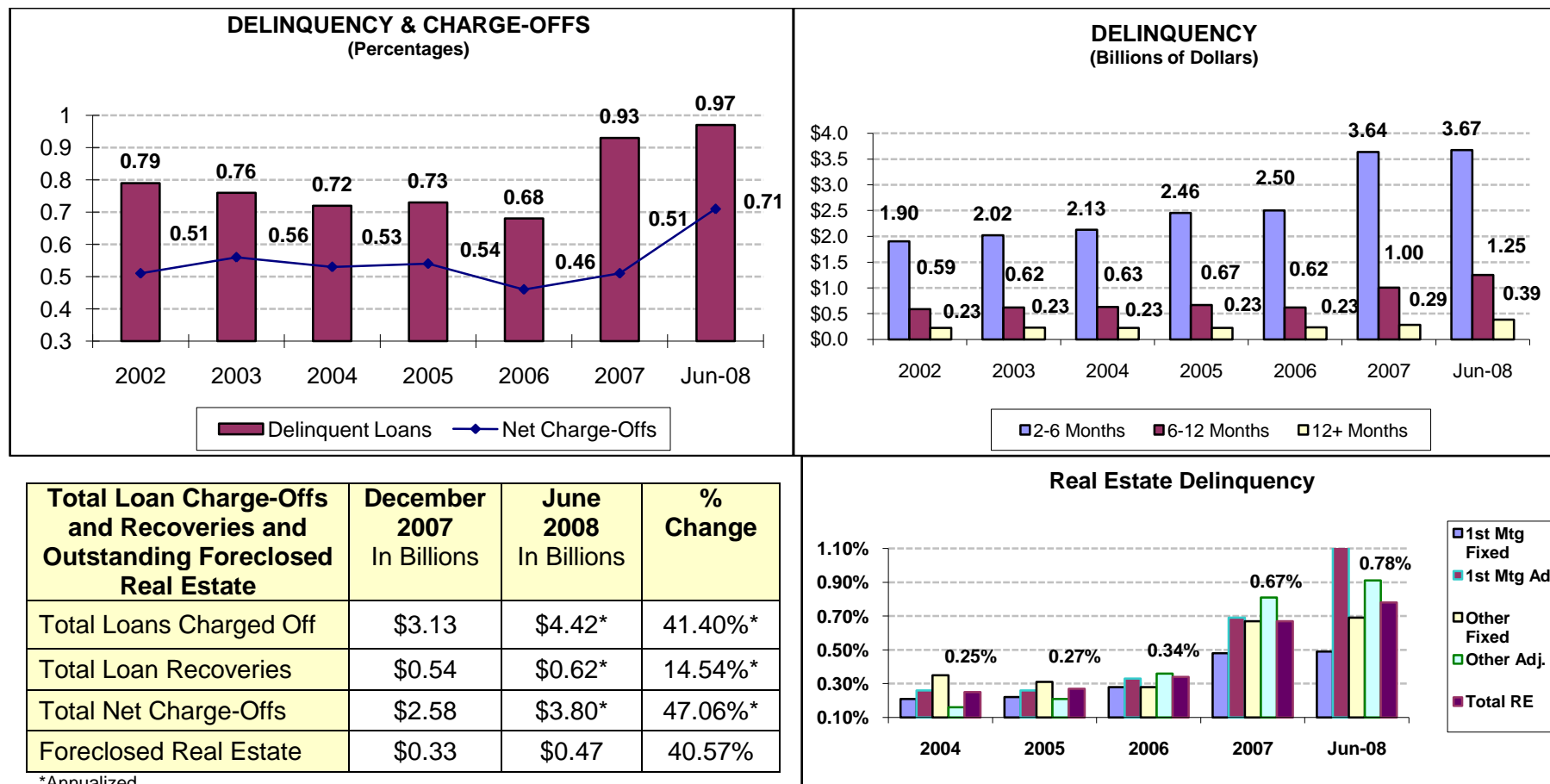
LOAN DISTRIBUTION



Loan Category	December 2007 Balance In Billions	% of Total Loans 2007	June 2008 Balance In Billions	% of Total Loans June-08	Growth In Billions	Growth Rate
Unsecured Credit Card	\$30.12	5.72%	\$30.56	5.59%	\$0.44	1.47%
All Other Unsecured	\$24.48	4.65%	\$24.25	4.44%	-\$0.23	-0.98%
New Vehicle	\$86.90	16.49%	\$82.15	15.04%	-\$4.75	-5.47%
Used Vehicle	\$89.11	16.91%	\$92.03	16.84%	\$2.93	3.28%
First Mortgage Real Estate	\$179.97	34.15%	\$198.09	36.25%	\$18.12	10.07%
Other Real Estate	\$91.32	17.33%	\$92.84	17.00%	\$1.52	1.67%
Leases Rec & All Other	\$25.04	4.75%	\$26.47	4.84%	\$1.42	5.67%
Total Loans	\$526.94		\$546.39		\$19.45	3.69%

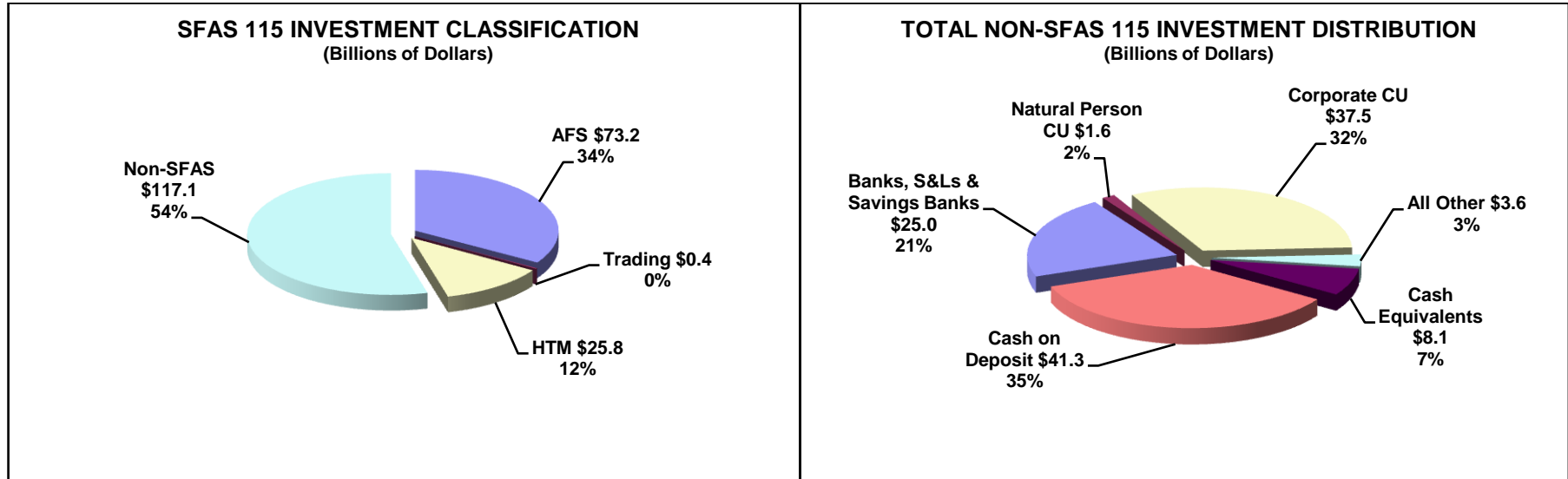
Share growth outpaced loan growth during the first six months of 2008 with total loans increasing \$19.45 billion, resulting in the loan to share ratio decreasing from 83.32% to 80.72%. The growth was again fueled by first mortgage real estate. Real estate loans comprise the largest portion of total loans at 53.25%, followed by vehicle loans at 31.88%. During the first six months, fixed rate first mortgages increased \$12.77 billion (12.25%), adjustable rate first mortgages increased \$0.97 billion (3.38%), and balloon/hybrid first mortgages increased \$4.38 billion (9.34%). Credit unions are reporting \$7.23 billion or 3.65% of total first mortgage loans in Interest Only & Optional Payment First Mortgage Loans.

DELINQUENCY TRENDS



The quality of the loan portfolio deteriorated as noted by delinquency increasing from 0.93% to 0.97% (4 basis points) and the average net charge-off ratio increasing from 0.51% to 0.71% (20 basis points). There are continued signs of stress in the performance of real estate loans, and the increasing real estate delinquency and loan losses are continuing to impact the performance of the overall loan portfolio. Total delinquent real estate loans greater than 2 months increased from 0.67% at year-end 2007 to 0.78% as of June 30, 2008. All real estate delinquency categories increased with the largest being in 1st Mortgage Adjustable Rate and Hybrid/Balloon loans which increased from 0.69% as of year-end 2007 to 1.12% (43 basis points) as of June 30, 2008. Other Real Estate Adjustable Rate loans increased 10 basis points, while both 1st Mortgage Fixed Rate and Other Real Estate Fixed increased 1 basis point.

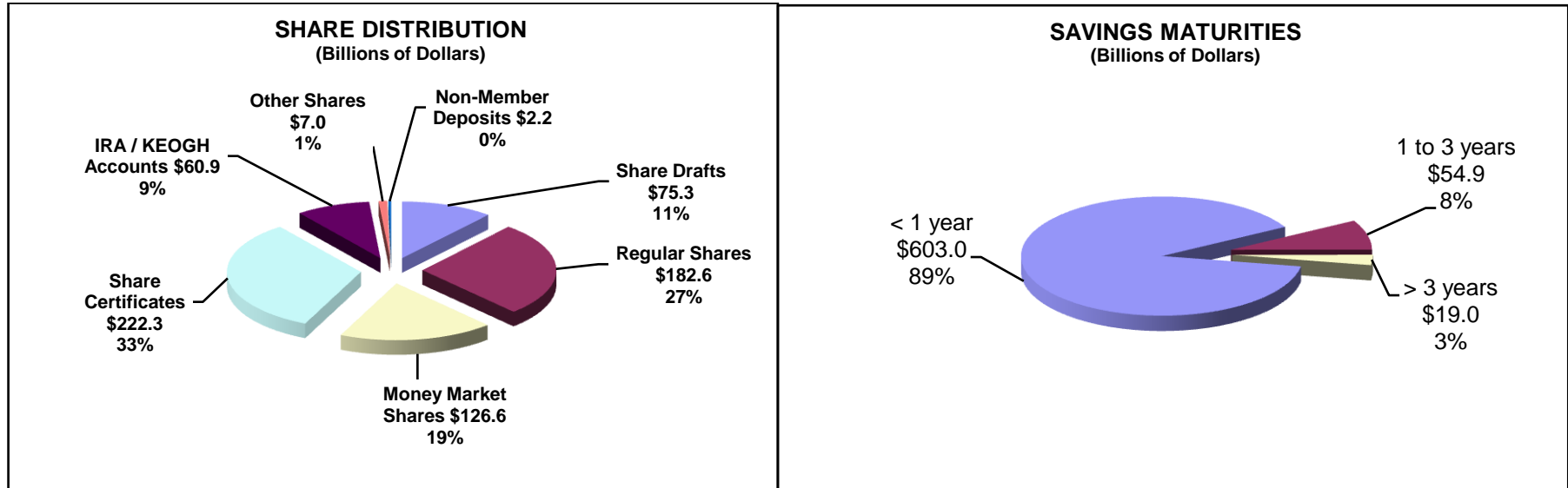
INVESTMENT TRENDS



Investment Maturity or Repricing Intervals	December 2007 In Billions	% of Total Investments 2007	June 2008 In Billions	% of Total Investments 2008
Less than 1 year	\$111.65	59.40%	\$114.72	52.98%
1 to 3 years	\$46.94	24.97%	\$57.20	26.42%
3 to 5 years	\$19.05	10.14%	\$30.62	14.14%
5 to 10 years	\$7.57	4.03%	\$10.51	4.86%
Greater than 10 years	\$2.75	1.46%	\$3.47	1.60%
Total Investments	\$187.96		\$216.52	

Strong share demand outpaced loan growth increasing the amount of funds available for investment in the first six months of 2008. The maturity structure of the investment portfolio remains very short, resulting in a low interest rate risk profile for this portion of the balance sheet. However, it was noted credit unions started to lengthen the maturity structure in this low interest rate environment. Credit unions maintain their investments in high quality, safe instruments. Almost 55% of investments are in cash or equivalents, deposits in corporate credit unions, and deposits in other financial institutions. These provide liquidity and are generally not vulnerable to changing market values. Of the remaining investments, which are subject to SFAS 115 classification, 81.20% are in U.S. Government or Federal Agency Securities.

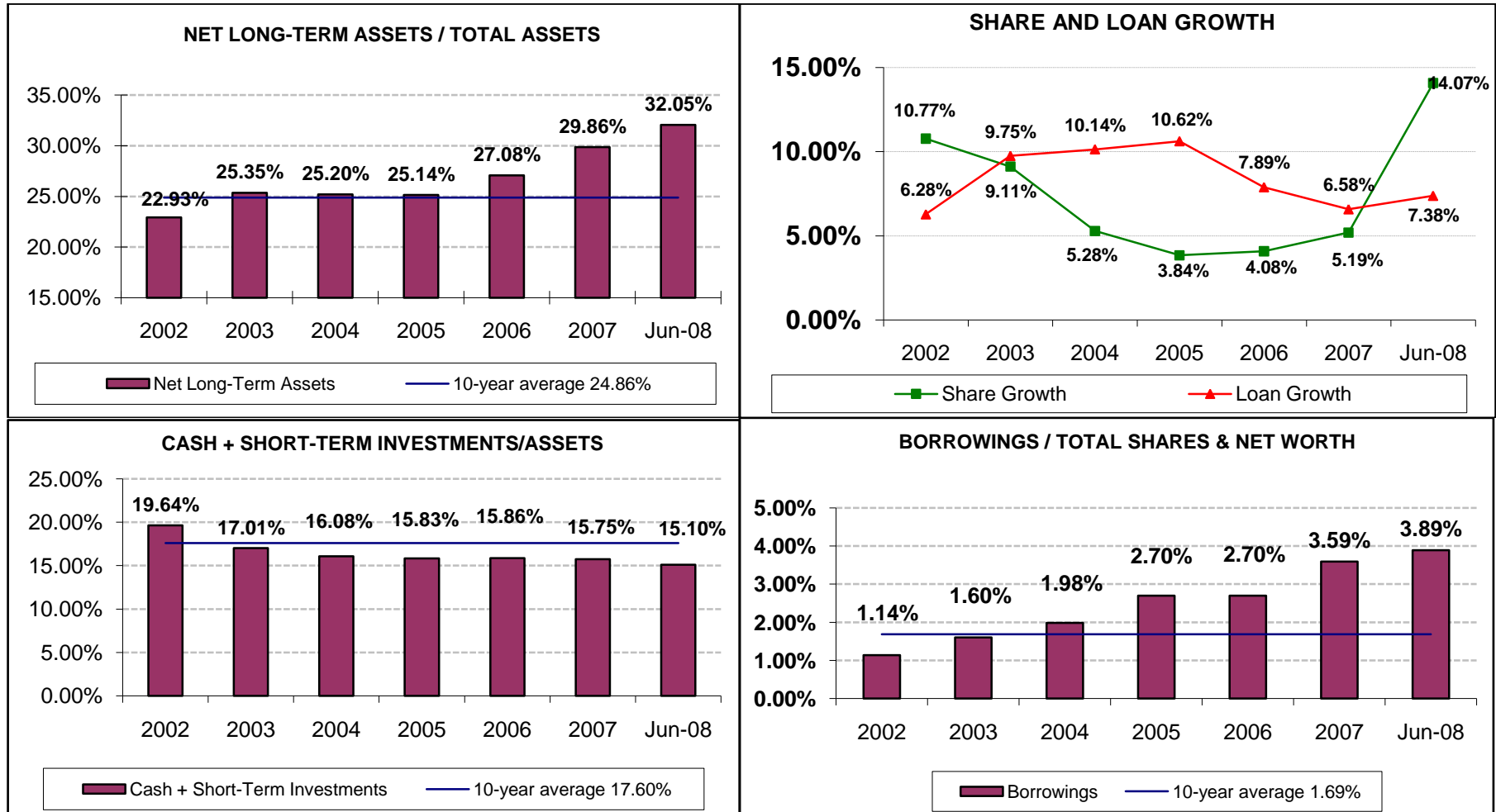
SHARE TRENDS



Share Category	December 2007 Balance In Billions	% of Total Shares 2007	June 2008 Balance In Billions	% of Total Shares 2008	Growth In Billions	Growth Rate
Share Drafts	\$70.95	11.22%	\$75.34	11.13%	\$4.39	6.19%
Regular Shares	\$169.04	26.73%	\$182.64	26.98%	\$13.59	8.04%
Money Market Shares	\$111.16	17.58%	\$126.56	18.70%	\$15.40	13.86%
Share Certificates	\$216.12	34.17%	\$222.28	32.84%	\$6.17	2.85%
IRA / KEOGH Accounts	\$56.91	9.00%	\$60.89	9.00%	\$3.98	6.99%
All Other Shares	\$5.72	0.91%	\$6.96	1.02%	\$1.23	21.50%
Non-Member Deposits	\$2.50	0.39%	\$2.20	0.33%	-\$0.29	-11.63%
Total Shares	\$632.40		\$676.87		\$44.47	7.03%

Total shares grew 7.03% or \$44.47 billion in the first six months of 2008. The trend of the movement to rate-sensitive shares continues in 2008 with strong growth in money market shares, IRA/KEOGH accounts and certificates accounting for the majority of the growth. Regular shares increased as normally noted in the first half of the year. Total share certificates remain the largest category since first exceeding regular shares in 2006.

ASSET LIABILITY MANAGEMENT TRENDS



Credit unions hold adequate levels of liquidity; however, in a rising interest rate environment the potential for increasing interest rate and liquidity risk exists. The decrease in cash and short-term investments during the first six months is due to movement to longer term investments and increased loan growth. The Net Long-term Asset Ratio of 32.05% presents potential interest rate risk exposure, particularly since the majority of the funding for the growth in long-term loans is coming from rate sensitive shares. Credit unions with higher levels of liquidity risk or interest rate risk must maintain diligent risk management procedures.

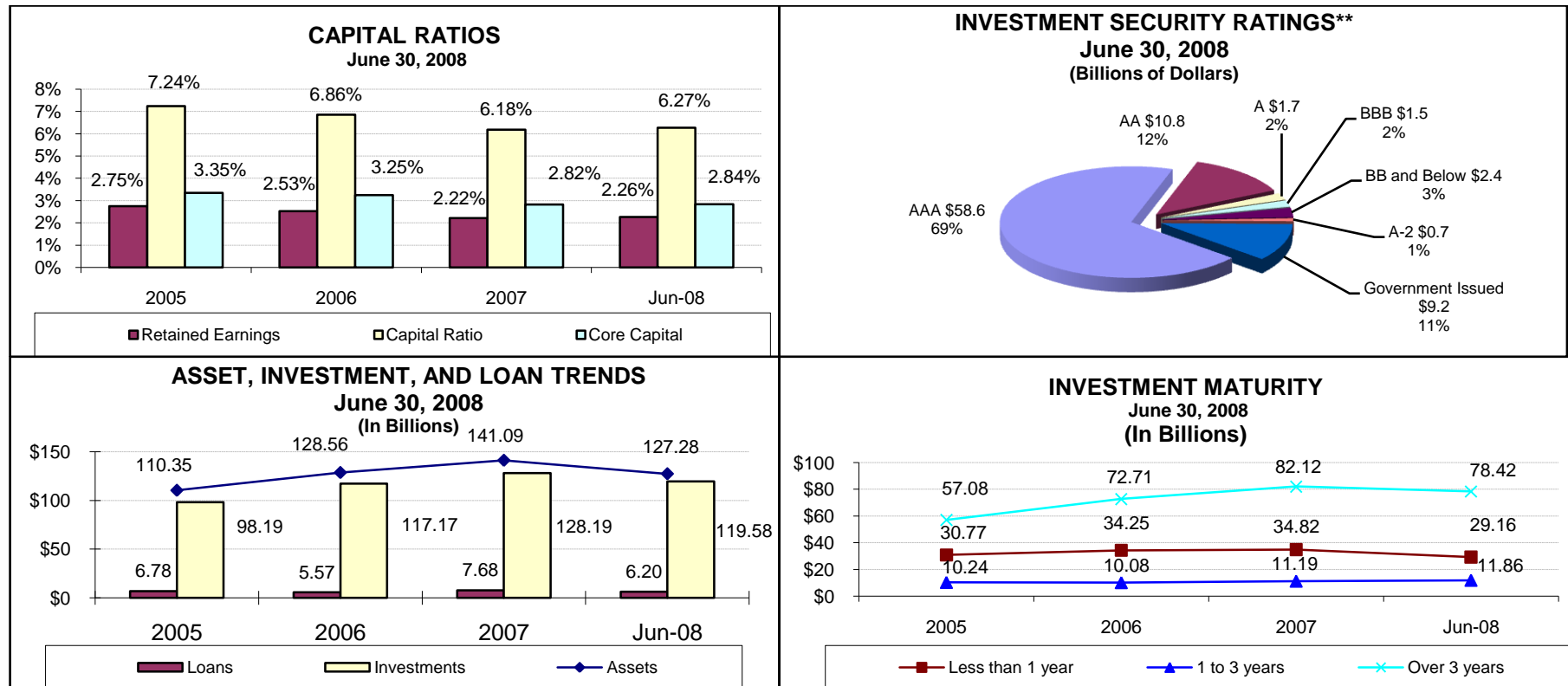
SUMMARY OF TRENDS BY ASSET GROUP

	Asset Group Under \$10 million	Asset Group \$10 million to \$100 million	Asset Group \$100 million to \$500 million	Asset Group Over \$500 million
# of Credit Unions	3,393	3,299	953	327
Total Assets	\$12.87 billion	\$114.70 billion	\$204.36 billion	\$470.55 billion
Average Assets	\$3.79 million	\$34.77 million	\$214.44 million	\$1.44 billion
Net Worth/Total Assets	16.22%	12.85%	11.41%	10.29%
Average Net Worth (non dollar-weighted)	17.64%	13.48%	11.28%	10.80%
Net Worth Growth*	1.18%	3.58%	3.16%	6.94%
Return on Average Assets	0.20%	0.41%	0.32%	0.65%
Net Interest Margin/Average Assets	3.88%	3.55%	3.26%	2.86%
Fee & Other Income/Average Assets	0.67%	1.22%	1.27%	1.32%
Operating Expense/Average Assets	3.99%	4.03%	3.82%	2.92%
Members / Full-Time Employees	441.09	391.71	342.33	378.89
Provision for LLL/Average Assets	0.35%	0.37%	0.47%	0.72%
Loans/Shares	66.10%	69.63%	78.02%	85.11%
Delinquent Loans/Total Loans	2.21%	1.24%	1.00%	0.88%
% of Real Estate Lns Delinquent > 2 Mths	1.13%	0.97%	0.86%	0.73%
Net Charge-Offs/Average Loans	0.60%	0.56%	0.64%	0.77%
Share Growth*	13.96%	14.90%	13.94%	13.06%
Loan Growth*	-5.65%	0.97%	4.48%	9.60%
Asset Growth*	11.42%	13.24%	12.38%	12.52%
Membership Growth*	-0.91%	0.21%	2.16%	4.78%
Net Long-Term Assets/Total Assets	8.05%	23.11%	32.84%	34.55%
Cash + Short-Term Invest./Assets	34.51%	22.57%	14.63%	12.95%
Borrowings/Shares & Net Worth	0.11%	0.54%	2.13%	5.66%

*Note: The growth trends are based on the same FICUs reporting 12/31/07 and 6/30/08 using assets as of 6/30/08.

There is a distinct difference in the performance among the different asset groups. Net worth ratios are solid among all asset groups with the largest percentages being reported in the under \$10 million category. The highest return on average assets, loan growth, membership growth, loan to share ratio, and net charge-offs is noted in the over \$500 million asset group.

CORPORATE CREDIT UNIONS



**Ratings listed are from Standards & Poor's.

System assets decreased by \$13.8 billion or -9.79% (19.57% annualized) during the first half of 2008. Capital ratios have increased from the previous year-end due to positive earnings ratios and the decline in assets. Investments accounted for 93.96% of the assets in the corporate system and mortgage-backed securities made up 44.98% of the total investment portfolio. The market for mortgage-backed securities has been less liquid since July 2007 and the estimated fair value of these securities has declined resulting in higher unrealized losses on available for sale securities (AFS). Corporates are required to comply with generally accepted accounting principles in the Call Reports they file with NCUA and must report and disclose unrealized gains and losses on AFS securities.

As of June 30, 2008, 96% of the securities held in the corporate system were rated investment grade and are performing. The securities rated less than investment grade also continue to perform, with interest and principal payments continuing to be received. The corporate credit union system continues to have a strong liquidity position and currently demonstrates the ability to hold investment securities to maturity while continuing to meet anticipated member liquidity, product, and service demands.