FINANCIAL TRENDS IN FEDERALLY INSURED CREDIT UNIONS
January 1 – December 31, 2008

HIGHLIGHTS

This report summarizes the trends of all federally insured credit unions that reported as of December 31, 2008. Change is measured from December 31, 2007.[1]

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
2008	4,847	2,959

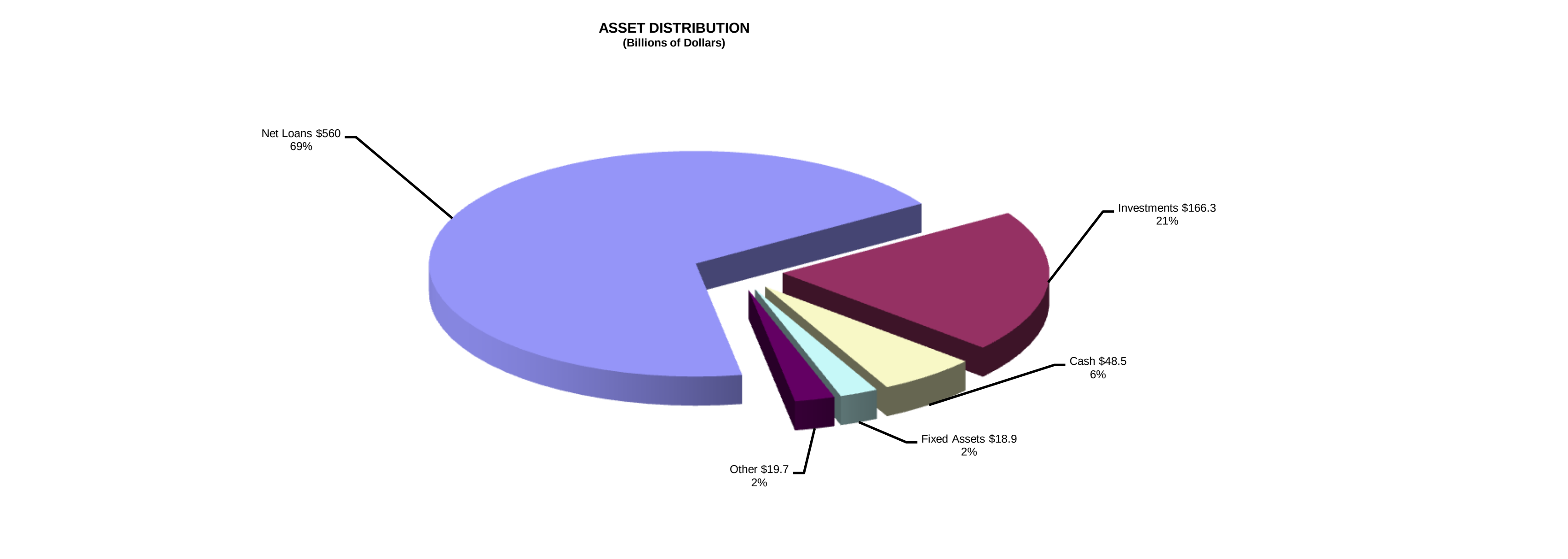
- **Assets** increased $58.45 billion or 7.74% to $813.44 billion.
- **Net Worth** increased $2.80 billion or 3.26%. The net worth to assets ratio decreased from 11.41% to 10.93%.
- **Earnings** as measured by the return on average assets, decreased from 0.63% to 0.31%.[2]
- **Loans** increased $37.43 billion or 7.08%. The loan to share ratio decreased from 83.58% to 83.10%.
- **Delinquent** loans as a percentage of total loans increased from 0.93% to 1.37%. Delinquent real estate loans as a percentage of total real estate loans increased from 0.67% to 1.19%.
- **Net Loan Charge-Offs** increased $2.01 billion or 77.90%.
- **Shares** increased $48.74 billion or 7.71%. The majority of the growth in shares continues to come from money market accounts.
- **Current members** increased by 1.74 million or 2.01%.

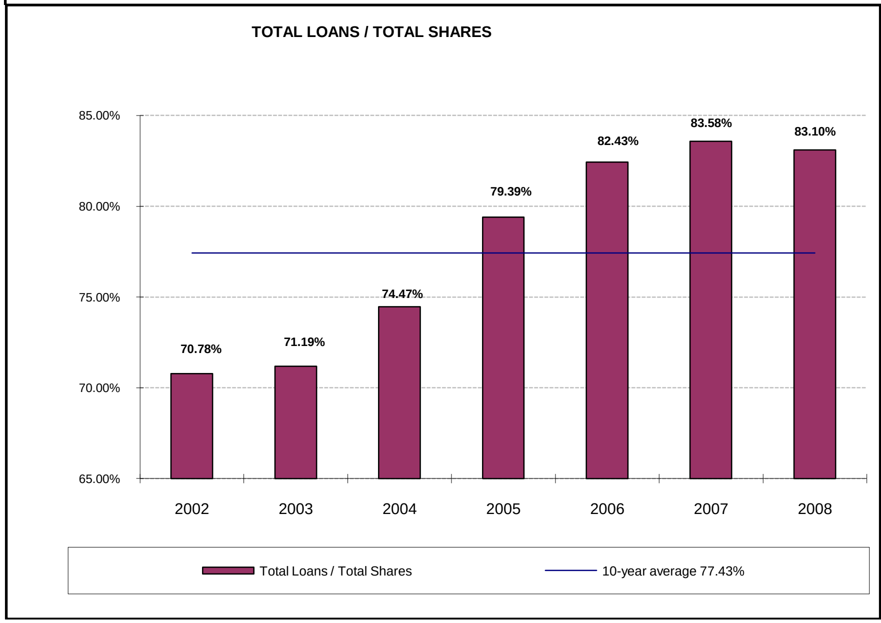
Overall, federally insured credit unions continued their solid performance in 2008. Loans, shares, and net worth grew; however, the delinquent loan ratio increased 44 basis points and the loan loss ratio increased 33 basis points indicating concerns remain in the credit quality of loan portfolios. While provision for loan and lease losses increased significantly, 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.

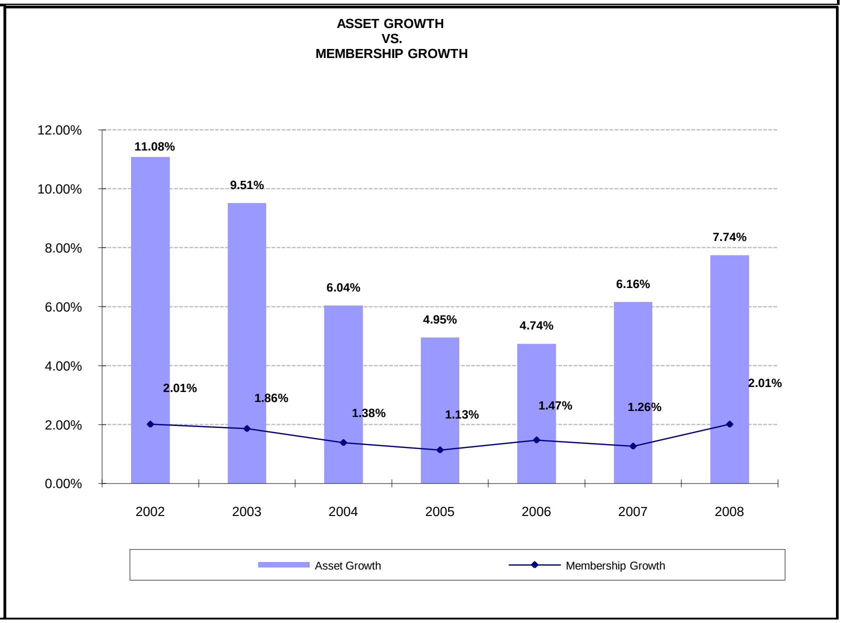
Total Shares and Deposits	**2007** In Billions	**2008** In Billions	**% Change**
Insured Shares[3] & Deposits	$561.59	$610.55	8.72%
Uninsured Shares & Deposits	$70.80	$70.58	-0.31%

[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.
[3] Insured Shares at the $100,000 limit. Insured shares at the $250,000 limit are $658.92 billion for December 31, 2008.

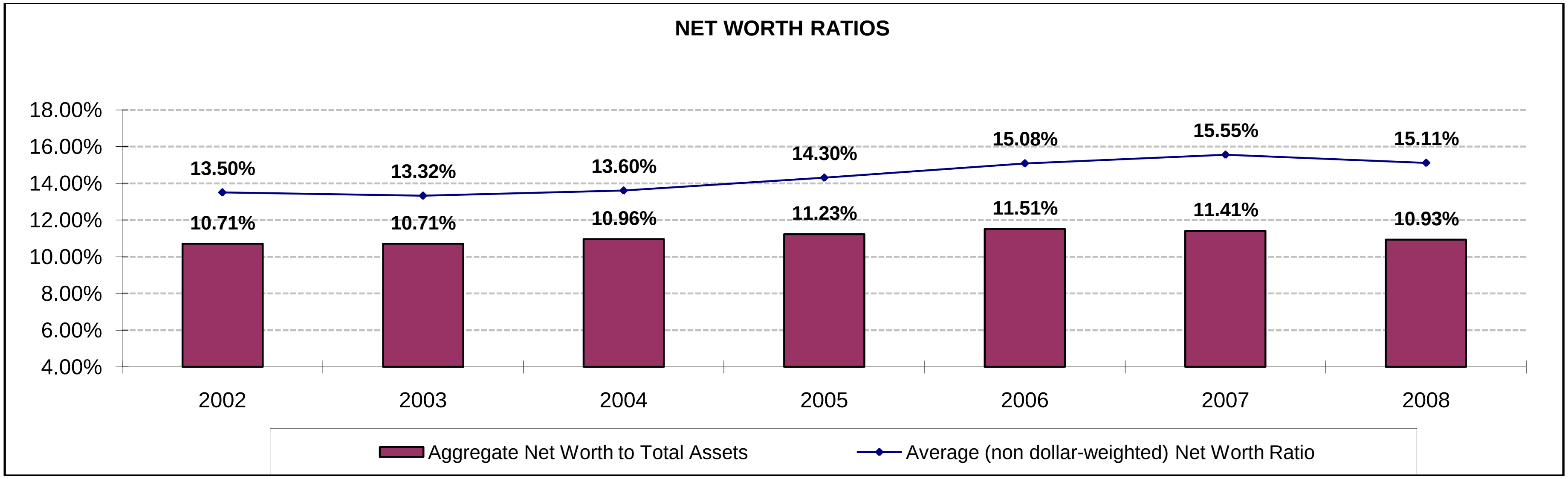
OVERALL TRENDS







NET WORTH

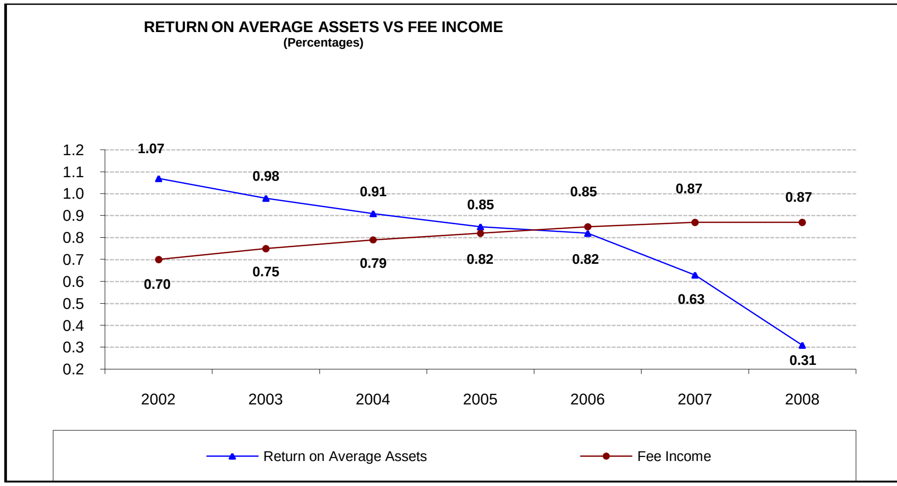


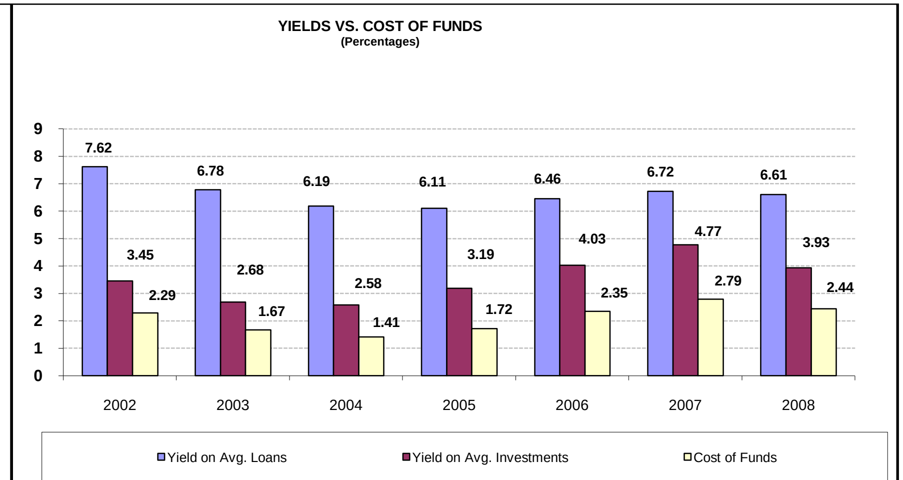
	December 2007 In Billions	**December 2008** In Billions	**% Change**
Total Net Worth	$86.15	$88.95	3.26%
Secondary Capital	$.031	$.032	3.74%

NET WORTH RATIOS				
Number of Credit Unions	**December 2007**	**% of Total**	**December 2008**	**% of Total**
7% or above	7,987	98.59%	7,649	98.00%
Net Worth Ratios				
6% to 6.99%	61	0.75%	83	1.06%
4% to 5.99%	32	0.41%	48	0.61%
2% to 3.99%	12	0.15%	8	0.10%
0% t0 2.00%	4	0.05%	15	0.19%
Less than 0%	4	0.05%	3	0.04%

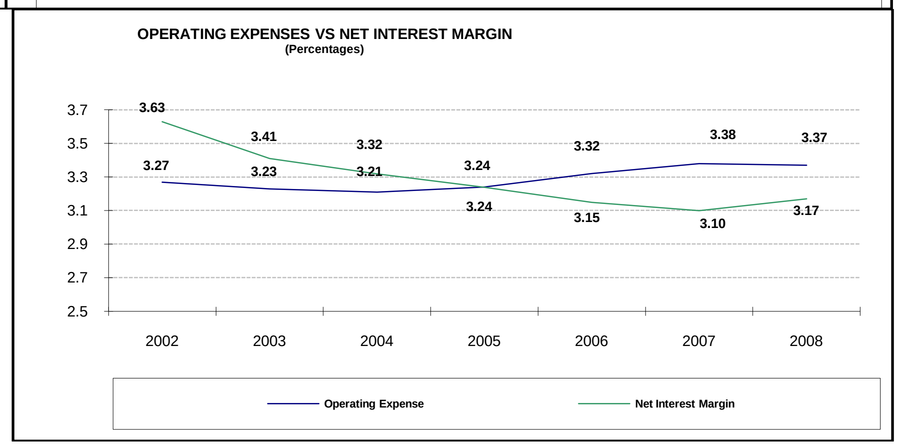
Net Worth remains strong as total dollars increased $2.80 billion or 3.26% during 2008. The Net Worth Ratio declined to 10.93% as a result of the elevated share growth during the same time period. The number of credit unions subject to Prompt Corrective Action, as a percentage of total credit unions, increased from 1.41% as of December 31, 2007, to 2.00% as of December 31, 2008.

EARNINGS



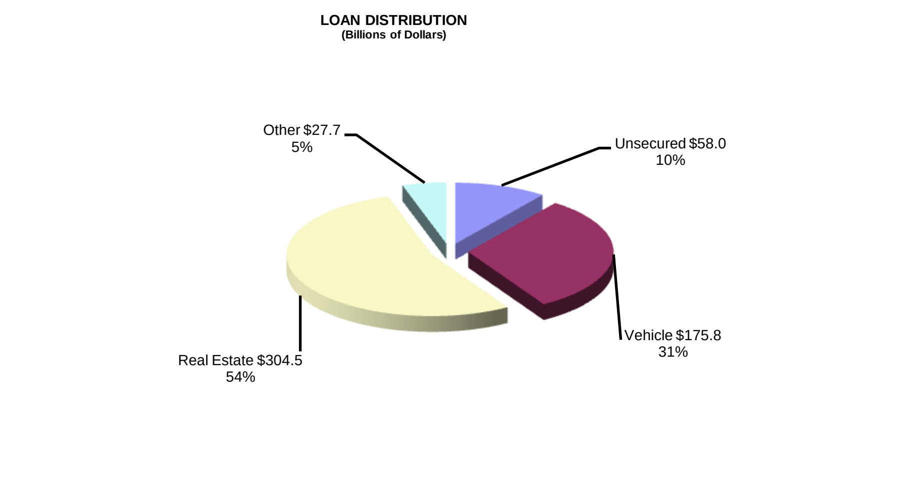


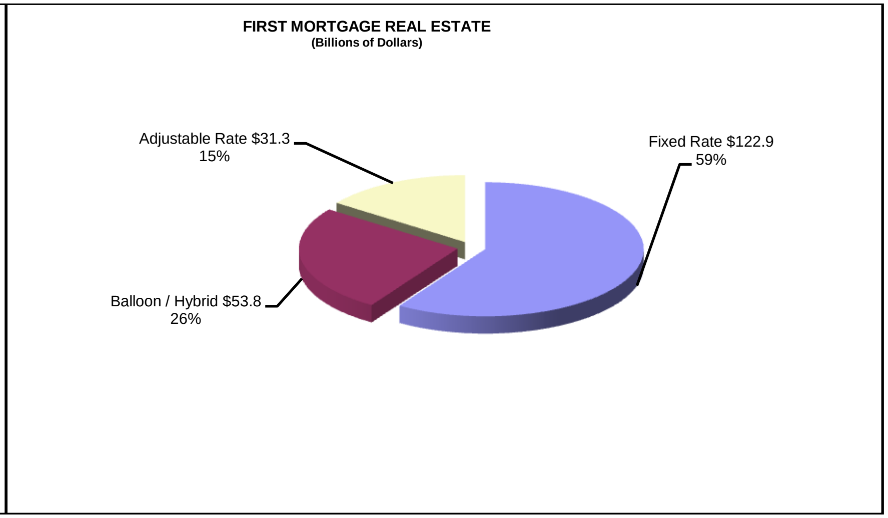
Ratio (% Average Assets)	As of 2007	As of 2008	Effect on ROA
Net Interest Margin	3.10%	3.17%	+ 7bp
+ Fee & Other Inc.	1.34%	1.35%	+ 1bp
- Operating Expenses	3.38%	3.37%	+ 1bp
- PLLL	0.44%	0.86%	- 42bp
+ Non-Opr. Income	0.01%	0.02%	+ 1bp
= ROA	0.63%	0.31%	- 32bp



The level of earnings declined 32 basis points during 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.

LOAN DISTRIBUTION

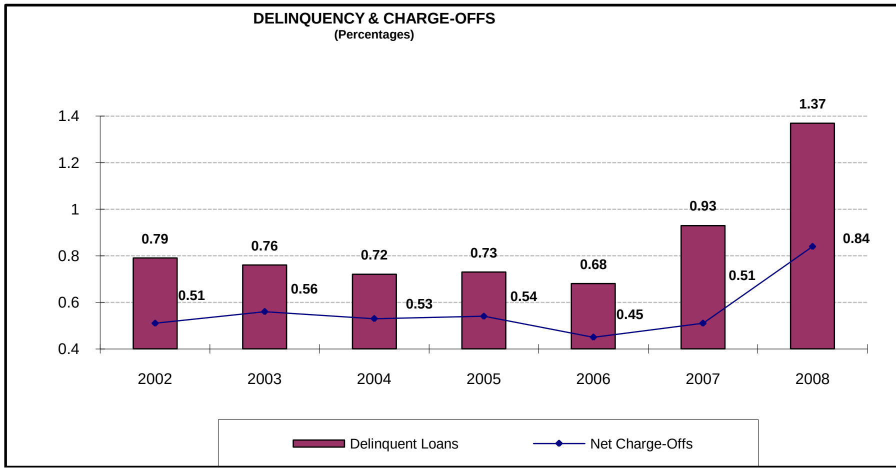


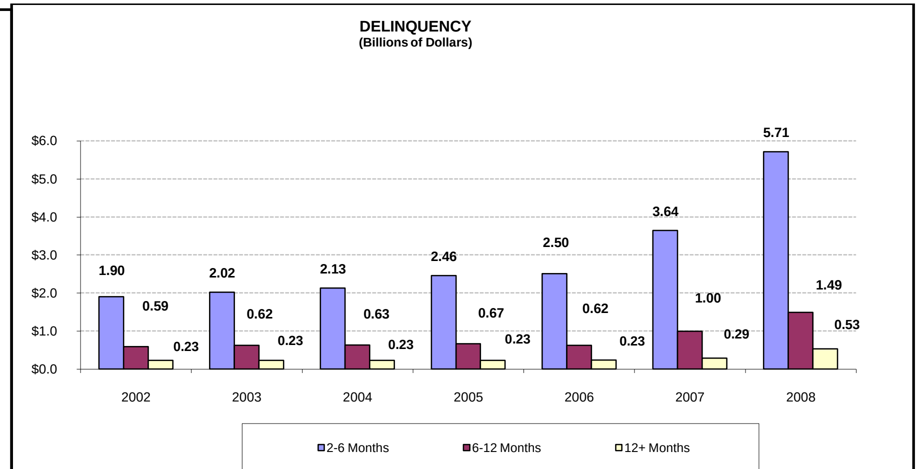


Loan Category	**December 2007 Balance** In Billions	**% of Total Loans 2007**	**December 2008 Balance** In Billions	**% of Total Loans 2008**	**Growth** In Billions	**Growth Rate**
Unsecured Credit Card	$30.12	5.70%	$32.72	5.78%	$2.60	8.62%
All Other Unsecured	$24.48	4.63%	$25.28	4.47%	$0.80	3.25%
New Vehicle	$86.90	16.44%	$81.54	14.41%	-$5.36	-6.17%
Used Vehicle	$89.11	16.86%	$94.29	16.66%	$5.18	5.82%
First Mortgage Real Estate	$181.61	34.36%	$207.92	36.74%	$26.30	14.49%
Other Real Estate	$91.31	17.28%	$96.56	17.06%	$5.25	5.75%
Leases Rec & All Other	$25.03	4.73%	$27.69	4.88%	$2.66	10.61%
Total Loans	**$528.56**		**$566.00**		**$37.43**	**7.08%**

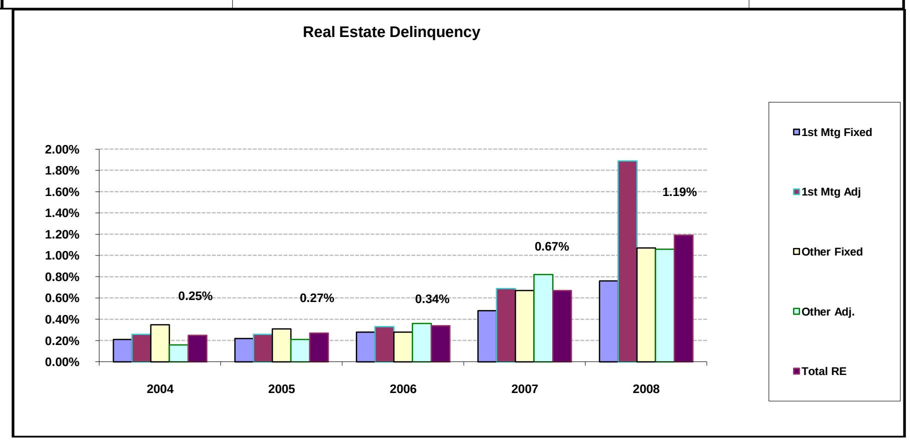
Share growth outpaced loan growth during 2008 with total loans increasing $37.43 billion, resulting in the loan to share ratio decreasing from 83.58% to 83.10%. The growth continues to be fueled by first mortgage real estate. Real estate loans comprise the largest portion of total loans at 53.80%, followed by vehicle loans at 31.07%. During 2008, fixed rate first mortgages increased $16.96 billion (16.02%), adjustable rate first mortgages increased $2.43 billion (8.41%), and balloon/hybrid first mortgages increased $6.92 billion (14.76%). Credit unions are reporting $7.39 billion or 3.55% of total first mortgage loans in Interest Only & Optional Payment First Mortgage Loans.

DELINQUENCY TRENDS



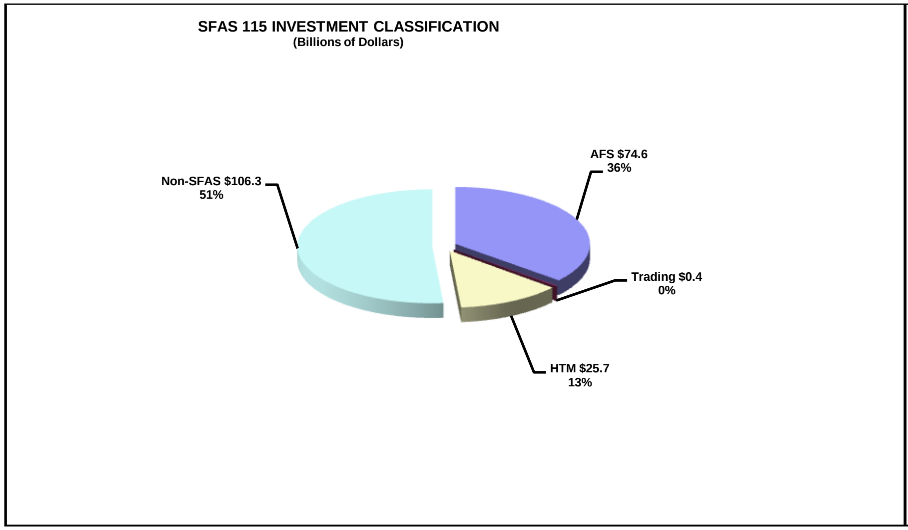


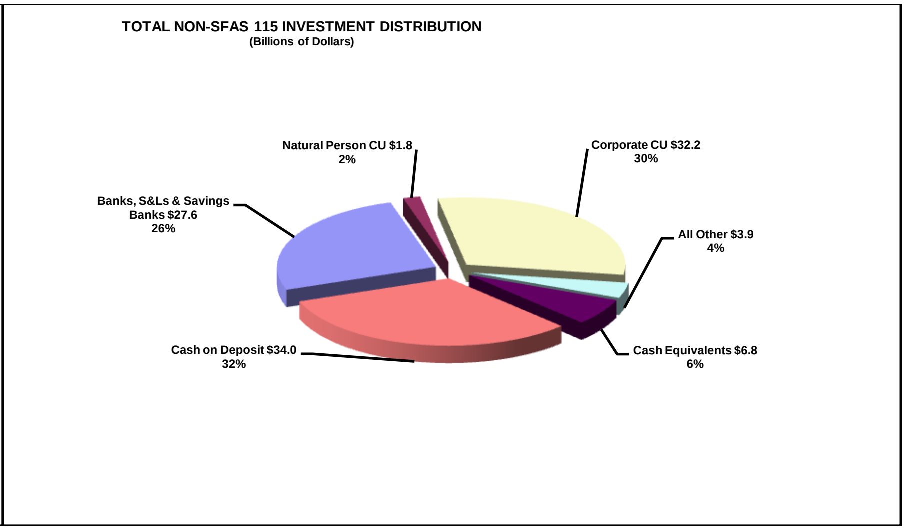
Total Loan Charge-Offs and Recoveries and Outstanding Foreclosed Real Estate	December 2007 In Billions	December 2008 In Billions	% Change
Total Loans Charged Off	$3.13	$5.19	65.66%
Total Loan Recoveries	$0.55	$0.59	7.61%
Total Net Charge-Offs	$2.59	$4.60	77.90%
Foreclosed Real Estate	$0.33	$0.71	112.41%
Repossessed Autos	$0.25	$0.31	27.79%



The quality of the loan portfolio deteriorated as noted by delinquency increasing from 0.93% to 1.37% (44 basis points) and the net charge-off ratio increasing from 0.51% to 0.84% (33 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 1.19% as of year-end 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 1.89% as of year-end 2008. Other Real Estate Adjustable Rate loans increased 40 basis points, Other Real Estate Fixed increased 25 basis points, and 1st Mortgage Fixed Rate increased 28 basis points.

INVESTMENT TRENDS

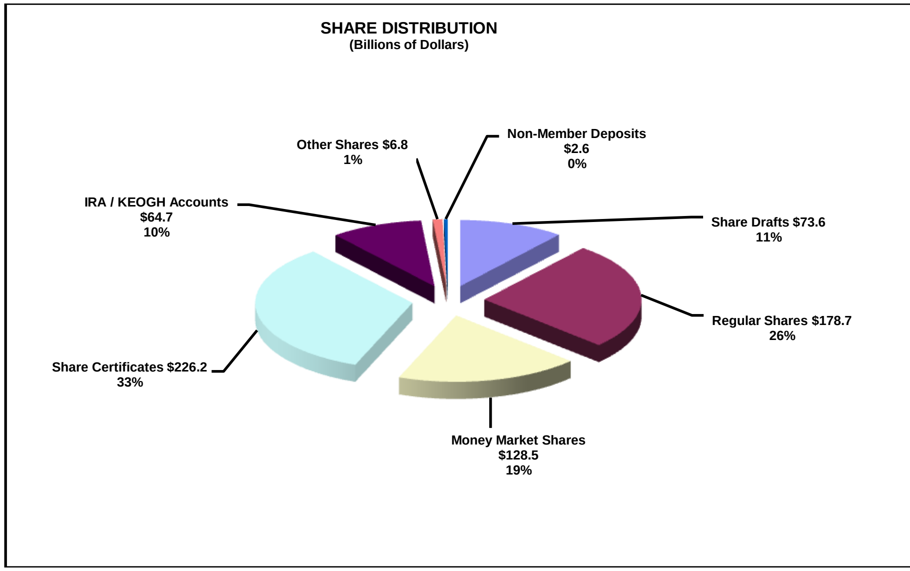


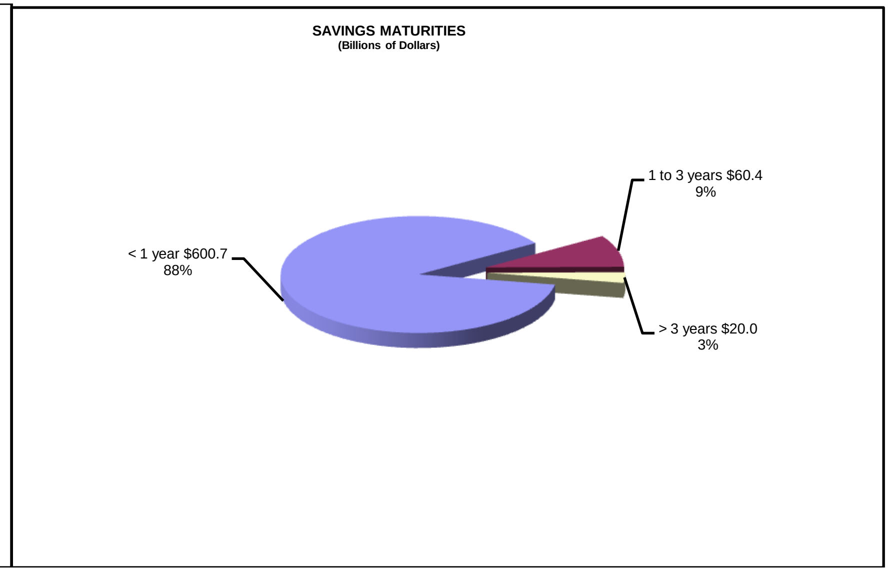


Investment Maturity or Repricing Intervals	December 2007 In Billions	% of Total Investments 2007	December 2008 In Billions	% of Total Investments 2008
Less than 1 year	$111.62	59.39%	$111.12	53.68%
1 to 3 years	$46.94	24.97%	$58.13	28.08%
3 to 5 years	$19.08	10.15%	$25.09	12.12%
5 to 10 years	$7.57	4.03%	$9.27	4.48%
Greater than 10 years	$2.75	1.46%	$3.40	1.64%
Total Investments	$187.96		$207.01	

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 and purchased more mortgage related securities. Collateralized Mortgage Obligations increased 62.16% during 2008 while investments which mature or reprice in less than 1 year decreased to 53.68% of the total portfolio.

SHARE TRENDS

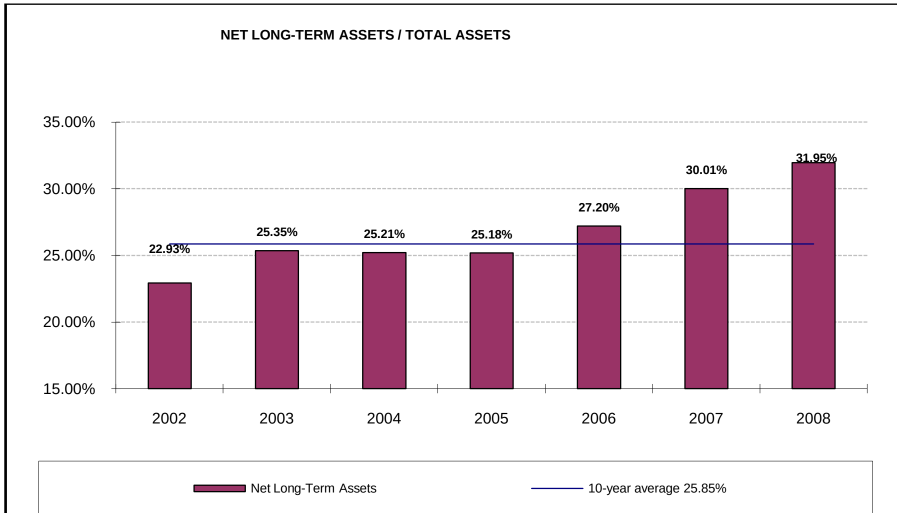


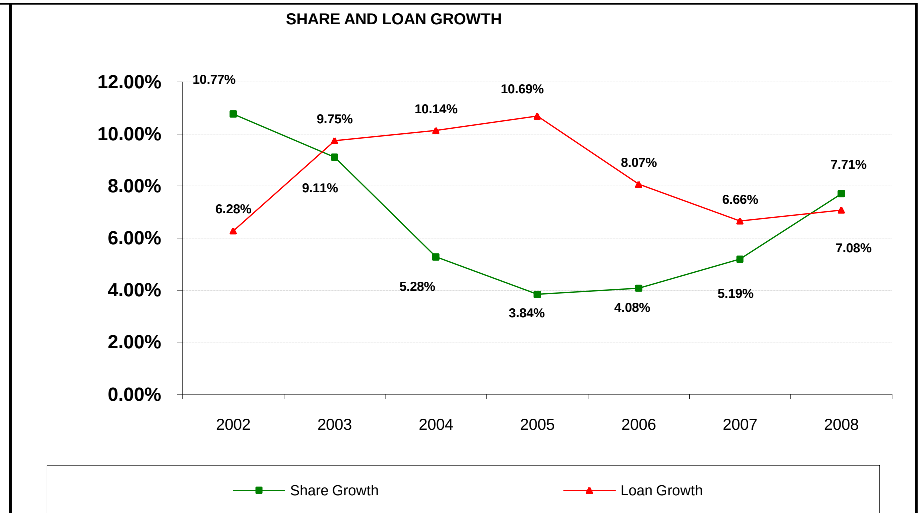


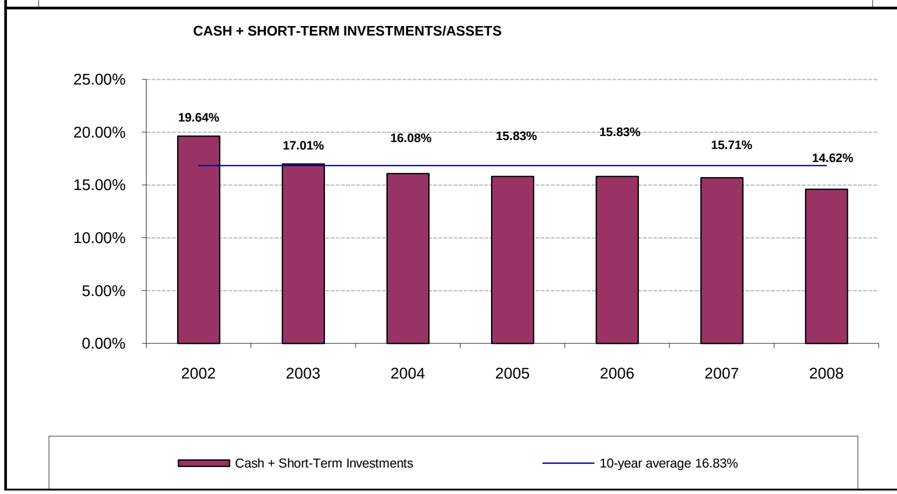
Share Category	**December 2007 Balance** In Billions	**% of Total Shares 2007**	**December 2008 Balance** In Billions	**% of Total Shares 2008**	**Growth** In Billions	**Growth Rate**
Share Drafts	$70.95	11.22%	$73.65	10.81%	$2.70	3.80%
Regular Shares	$169.04	26.73%	$178.69	26.23%	$9.64	5.71%
Money Market Shares	$111.16	17.58%	$128.50	18.87%	$17.34	15.60%
Share Certificates	$216.12	34.17%	$226.22	33.21%	$10.11	4.68%
IRA / KEOGH Accounts	$56.91	9.00%	$64.69	9.50%	$7.78	13.67%
All Other Shares	$5.72	0.91%	$6.78	1.00%	$1.06	18.56%
Non-Member Deposits	$2.50	0.39%	$2.60	0.38%	$0.11	4.50%
Total Shares	**$632.40**		**$681.13**		**$48.74**	**7.71%**

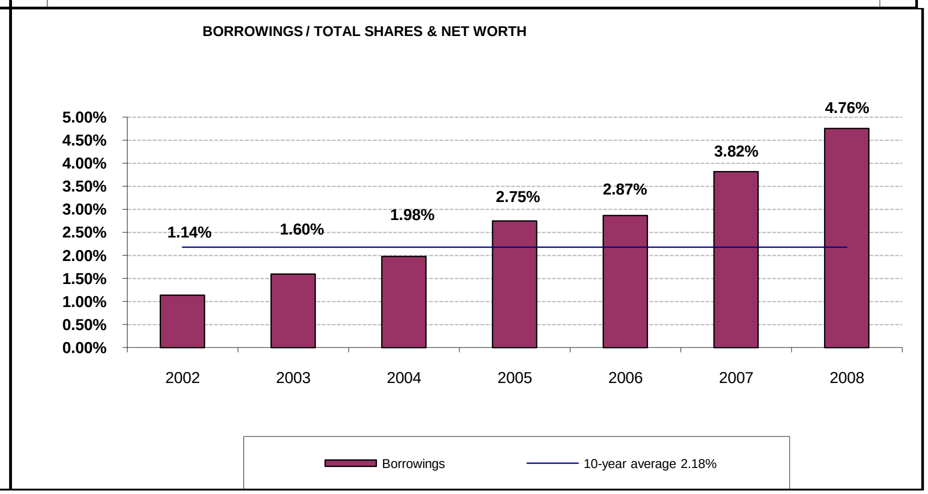
Total shares grew 7.71% or $48.74 billion in 2008. The trend of the movement to rate-sensitive shares continued in 2008 with strong growth in money market shares and IRA/KEOGH accounts accounting for the majority of the growth. Total share certificates remain the largest category since first exceeding regular shares in 2006.

ASSET LIABILITY MANAGEMENT TRENDS









Credit unions' level of liquidity is tight and 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 2008 is due to movement to longer term investments and increased loan growth. The Net Long-Term Asset Ratio of 31.95% 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.

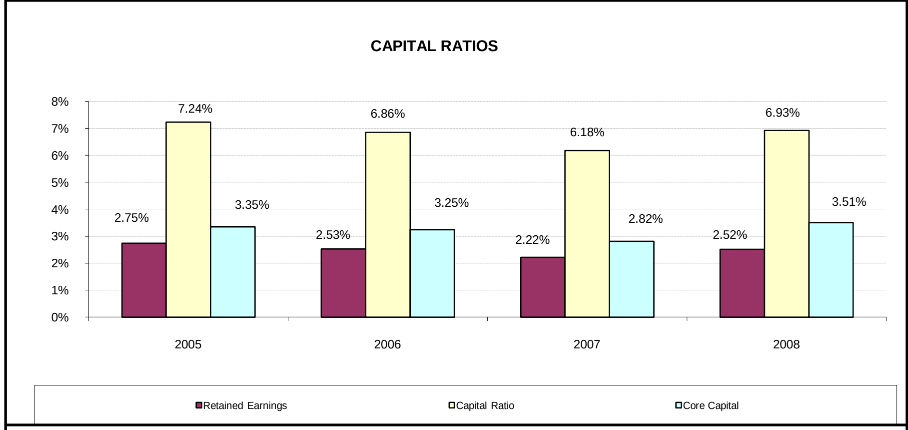
SUMMARY OF TRENDS BY ASSET GROUP

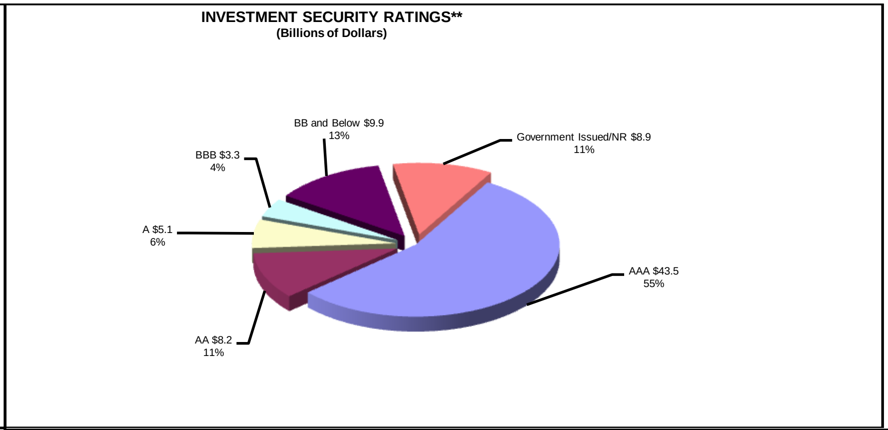
	Asset Group Under $10 million	**Asset Group** $10 million to $100 million	**Asset Group** $100 million to $500 million	**Asset Group** Over $500 million
# of Credit Unions	3,274	3,249	954	329
Total Assets	$12.37 billion	$112.53 billion	$205.93 billion	$482.61 billion
Average Assets	$3.78 million	$34.64 million	$215.86 million	$1.47 billion
Net Worth/Total Assets	16.60%	13.04%	11.32%	10.13%
Average Net Worth (non dollar-weighted)	18.05%	13.70%	11.39%	10.75%
Net Worth Growth*	0.70%	2.79%	3.09%	3.99%
Return on Average Assets	0.13%	0.29%	0.27%	0.34%
Net Interest Margin/Average Assets	3.84%	3.59%	3.34%	2.97%
Fee & Other Income/Average Assets	0.71%	1.26%	1.52%	1.31%
Operating Expense/Average Assets	4.02%	4.06%	3.87%	2.96%
Members / Full-Time Employees	418.70	389.54	341.84	382.90
Provision for LLL/Average Assets	0.44%	0.51%	0.73%	1.02%
Loans/Shares	67.42%	71.90%	80.48%	87.35%
Delinquent Loans/Total Loans	2.50%	1.53%	1.39%	1.30%
% of Real Estate Lns Delinquent > 2 Mths	1.35%	1.31%	1.31%	1.13%
Net Charge-Offs/Average Loans	0.69%	0.66%	0.75%	0.92%
Share Growth*	4.68%	6.61%	8.12%	8.32%
Loan Growth*	-3.14%	3.09%	6.74%	8.79%
Asset Growth*	3.88%	6.32%	7.97%	8.57%
Membership Growth*	-0.93%	0.27%	1.93%	4.65%
Net Long-Term Assets/Total Assets	8.62%	23.55%	32.27%	34.36%
Cash + Short-Term Invest./Assets	32.82%	21.00%	14.05%	12.90%
Borrowings/Shares & Net Worth	0.16%	0.85%	2.65%	6.79%

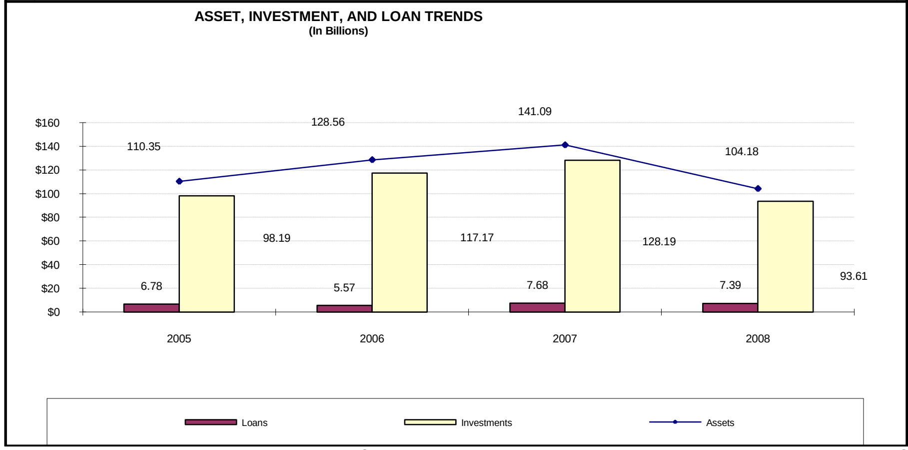
***Note: The growth trends are based on the same FICUs reporting 12/31/07 and 12/31/08 using assets as of 12/31/08.**

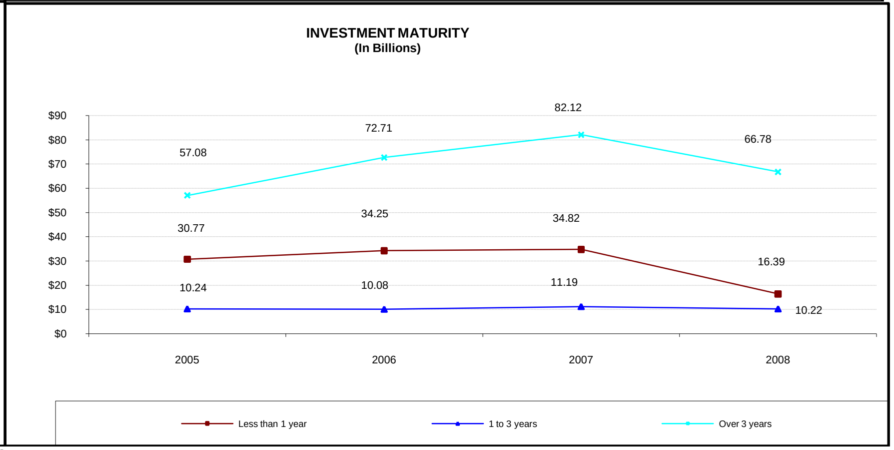
There is a distinct difference in the performance among the different asset groups. Net worth ratios are solid among all asset groups with the largest percentages being reported in the under $10 million category. The highest return on average assets, loan growth, membership growth, loan to share ratio,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

CORPORATE CREDIT UNIONS









**Ratings listed are from Standard & Poor's. NR means not currently rated by Standard & Poor's.

Corporate system assets decreased by $36.5 billion or -25.94% during 2008. Capital ratios have increased from the previous year-end due to positive system earnings ratios and the decline in assets. Investments accounted for 89.86% of the assets in the corporate system and mortgage-backed securities made up 49.75% 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. Corporate credit unions are in the process of issuing their 2008 audited financial statements and it is expected there will be an impact on the capital and earnings of a number of corporate credit unions when the other than temporary impairment (OTTI) charge on the securities is finalized.