

FINANCIAL TRENDS IN FEDERALLY INSURED CREDIT UNIONS

January 1 – December 31, 2007

HIGHLIGHTS

This report summarizes the trends of all federally insured credit unions that reported as of December 31, 2007. Change is measured from December 31, 2006.¹

- **Assets** increased \$43.46 billion or 6.12% to \$753.46 billion.
- **Net Worth** increased \$4.32 billion or 5.28%. The net worth to assets ratio decreased from 11.53% to 11.44%.
- **Earnings**, as measured by the return on average assets, decreased from 0.82% to 0.65%.²
- **Loans** increased \$32.54 billion or 6.58%. The loan to share ratio increased from 82.23% to 83.32%.
- **Delinquent** loans as a percentage of total loans increased from 0.68% to 0.93%. Delinquent real estate loans as a percentage of total real estate loans increased from 0.34% to 0.67%.
- **Net Loan Charge-Offs** increased \$397.86 million or 18.38%.
- **Shares** increased \$31.21 billion or 5.19%. The majority of the growth in shares continues to come from share certificates and money market accounts.
- **Current members** increased by 1.1 million or 1.27%.

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

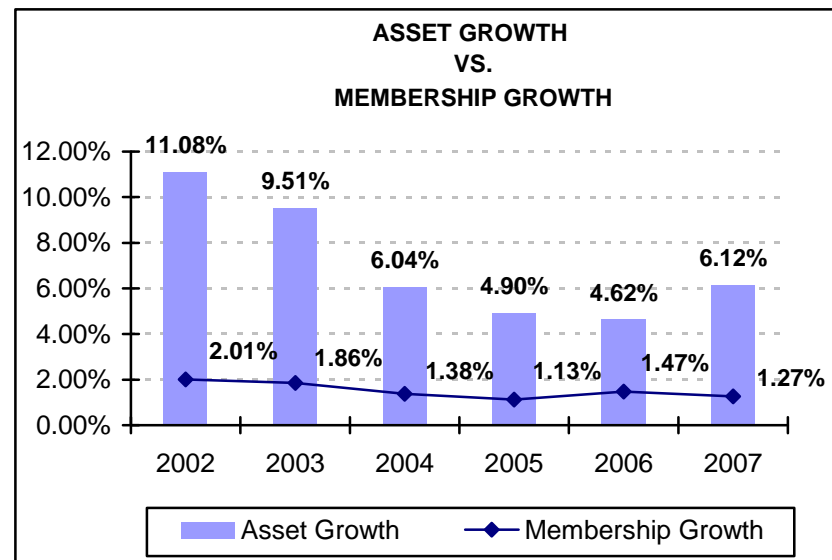
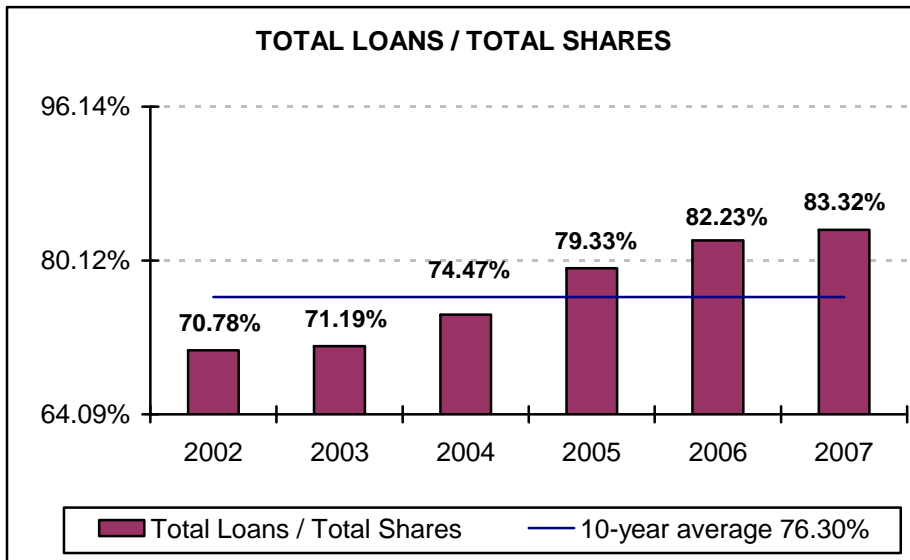
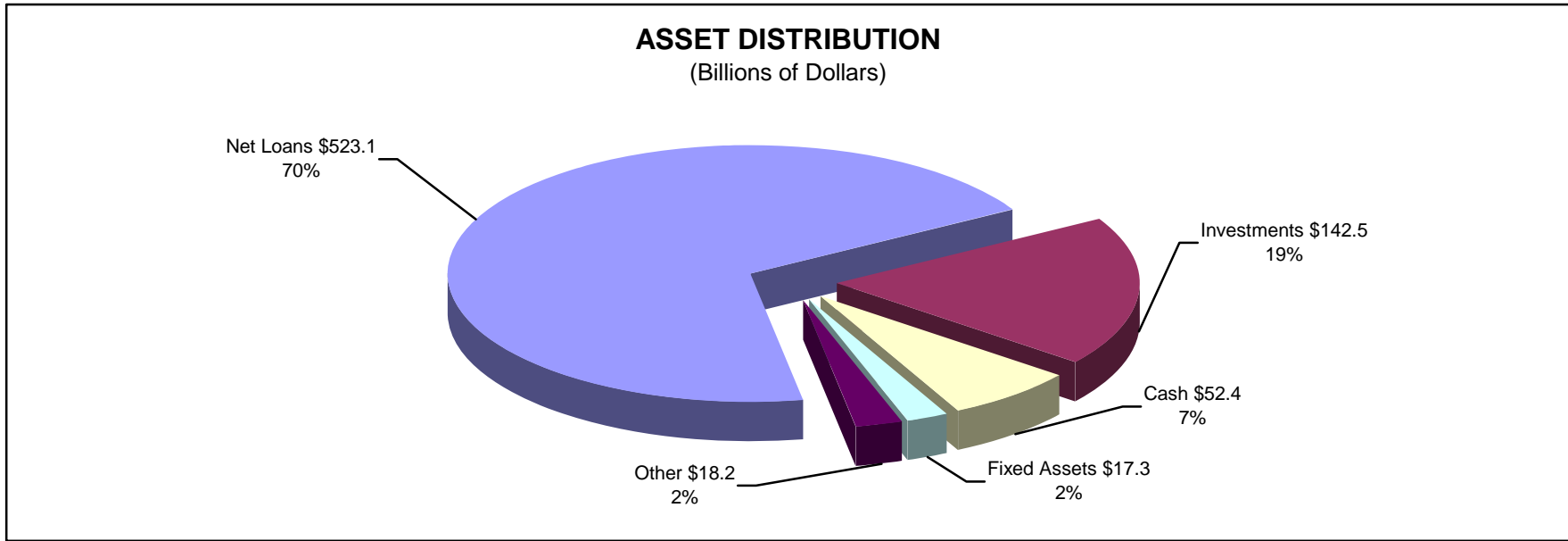
Overall, federally insured credit unions continued their solid performance in 2007. Loans, shares, and net worth grew; however, the delinquent loan ratio increased 25 basis points and the loan loss ratio increased 5 basis point indicating increasing potential concerns in credit quality of loan portfolios. 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	2006 In Billions	2007 In Billions	% Change
Insured Shares & Deposits	\$535.13	\$560.83	4.80%
Uninsured Shares & Deposits	\$66.06	\$71.57	8.34%

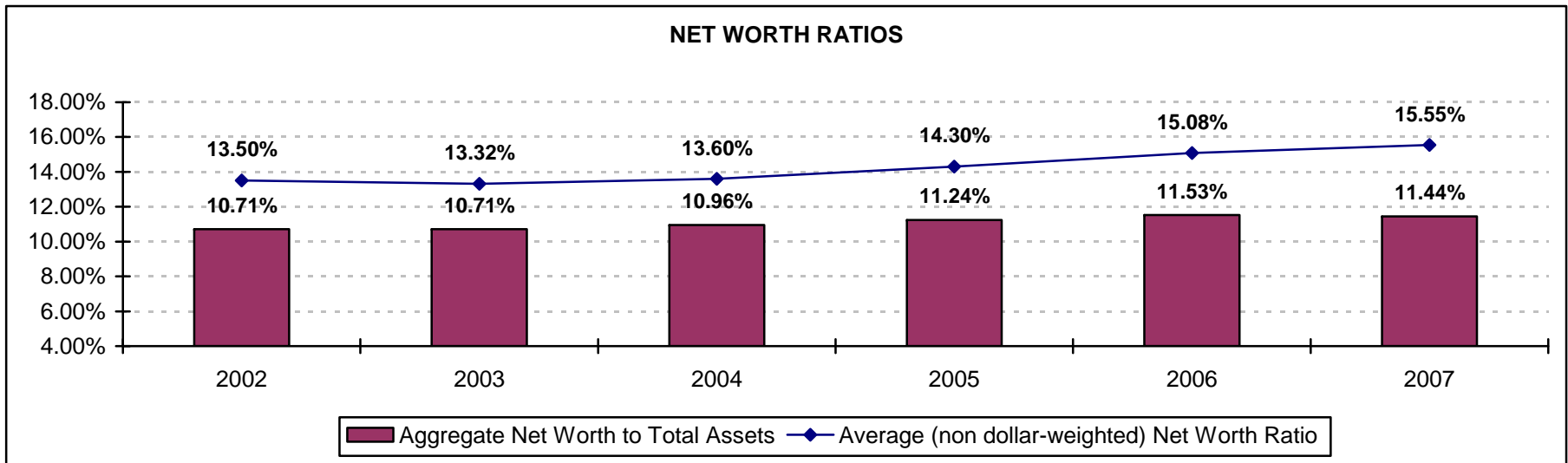
¹ The financial results for prior periods may reflect changes when compared to the prior period trend letters due to subsequent call report modifications.

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

OVERALL TRENDS



NET WORTH

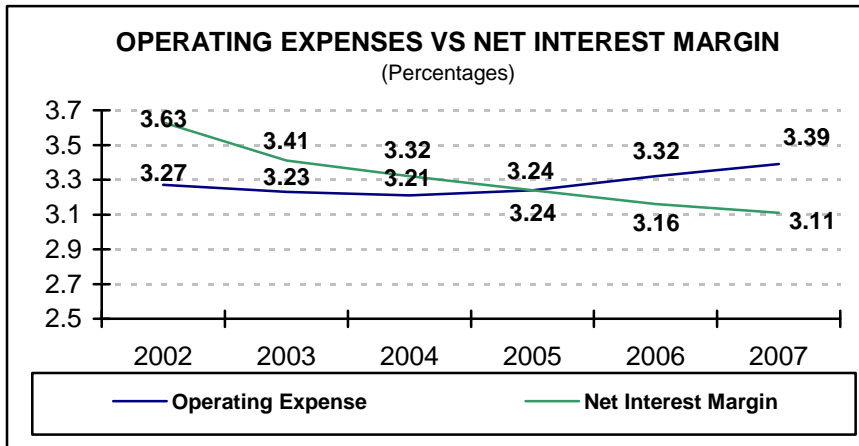
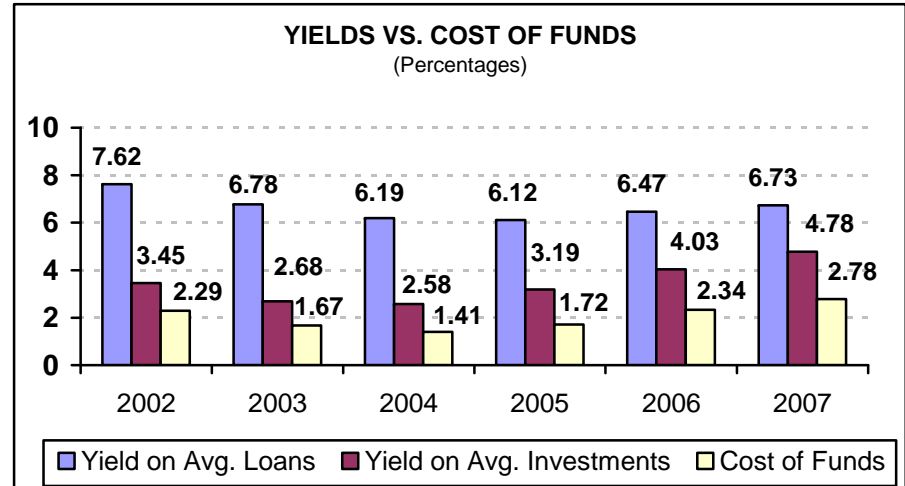
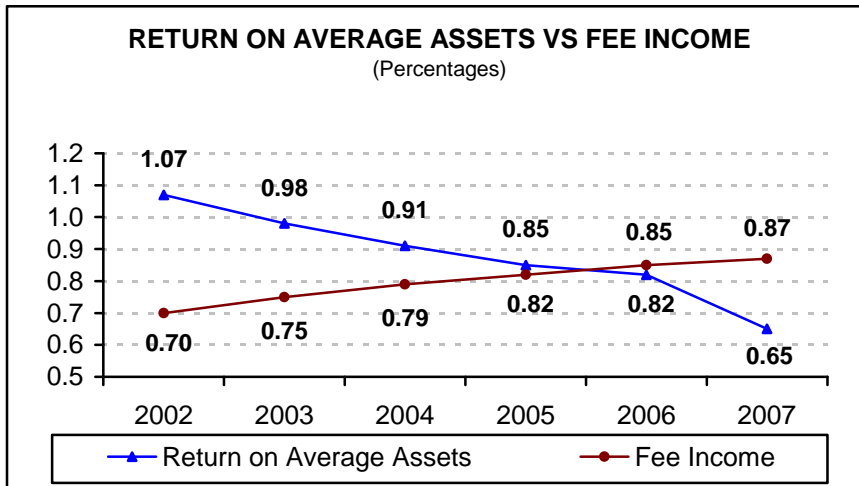


	December 2006 In Billions	December 2007 In Billions	% Change
Total Net Worth	\$81.92	\$86.25	5.28%
Secondary Capital	\$.027	\$.031	12.73%

NET WORTH RATIOS				
Number of Credit Unions	December 2006	% of Total	December 2007	% of Total
7% or above	8,235	98.48%	7,987	98.59%
Net Worth Ratios				
6% to 6.99%	58	0.69%	61	0.75%
4% to 5.99%	36	0.43%	33	0.41%
2% to 3.99%	20	0.24%	12	0.15%
0% to 2.00%	8	0.10%	4	0.05%
Less than 0%	5	0.06%	4	0.05%

Net Worth remains strong as total dollars increased \$4.32 billion or 5.28% during 2007. The number of credit unions subject to Prompt Corrective Action, as a percentage of total credit unions, decreased from 1.52% as of December 31, 2006, to 1.41% as of December 31, 2007.

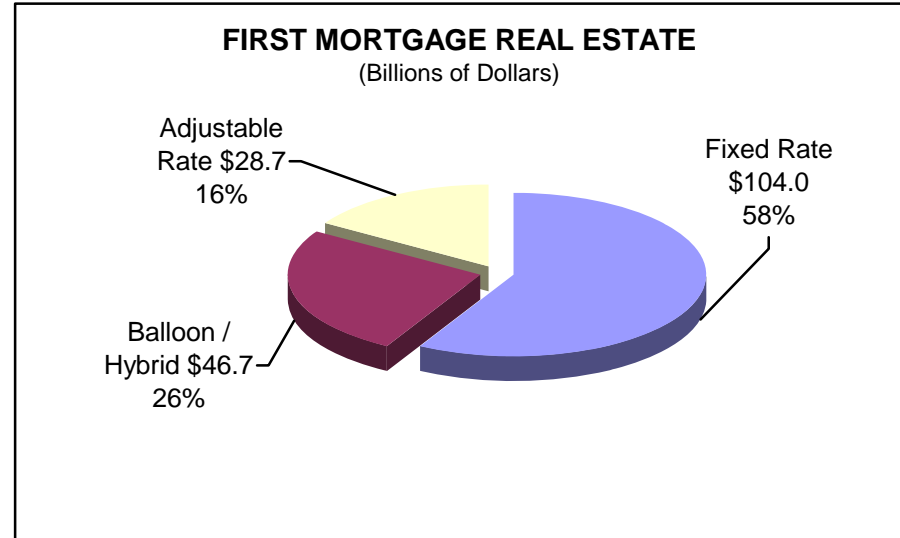
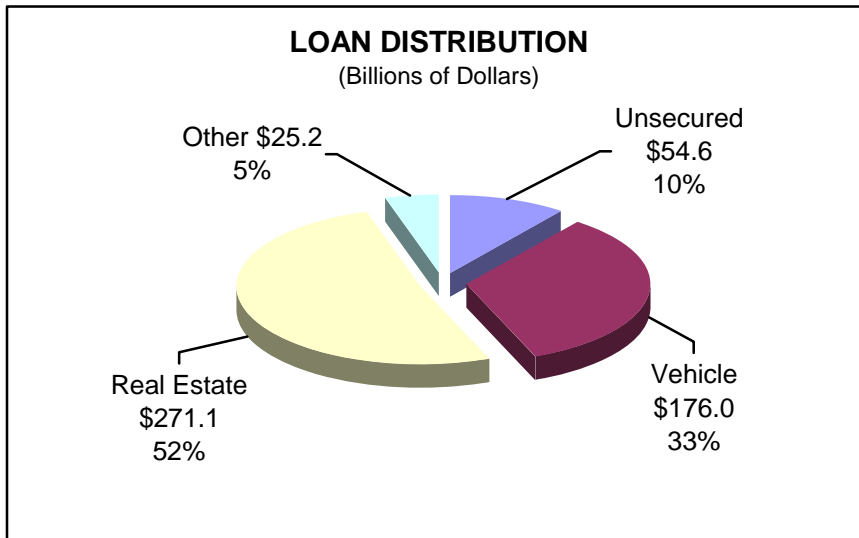
EARNINGS



Ratio (% Average Assets)	As of 2006	As of 2007	Effect on ROA
Net Interest Margin	3.16%	3.11%	- 5bp
+ Fee & Other Inc.	1.28%	1.34%	+ 6bp
- Operating Expenses	3.32%	3.39%	- 7bp
- PLLL	0.32%	0.43%	- 11bp
+ Non-Opr. Income	0.02%	0.02%	+ 0bp
= ROA	0.82%	0.65%	- 17bp

The level of earnings declined 17 basis points during 2007. However, the level continues to be effective, covering the cost of operations as well as contributing to the already solid level of net worth. Net interest margin contracted 5 basis points to 3.11% as the cost of funds increased at a faster rate than the yield on assets. Operating expenses and Provision for Loan & Lease Losses continue to rise in relation to average assets, with the increased funding of the Allowance for Loan & Lease Losses having the largest impact on the reduced Return on Average Assets level.

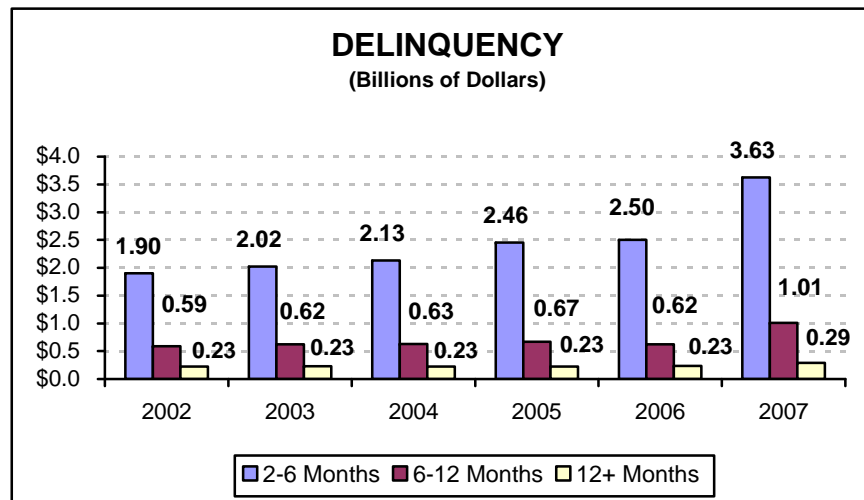
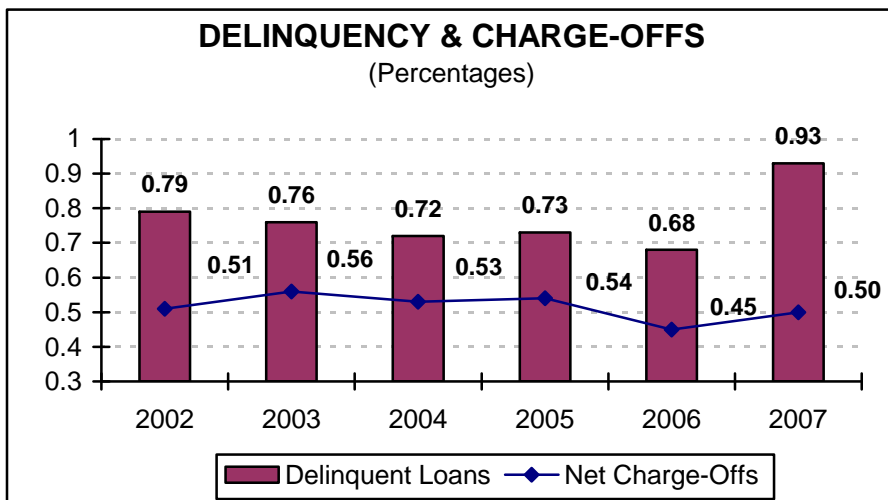
LOAN DISTRIBUTION



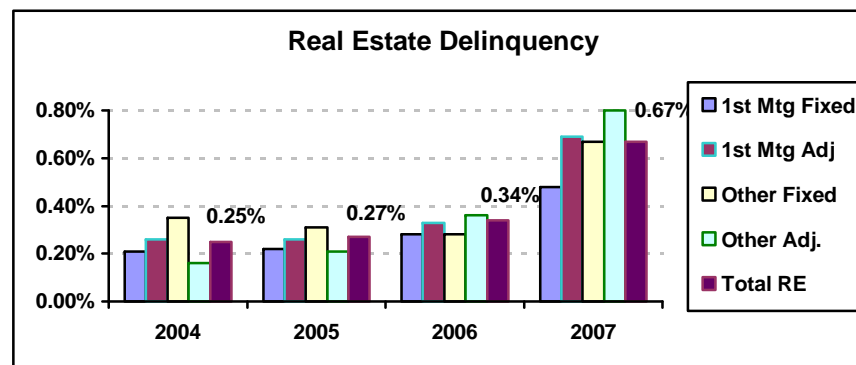
Loan Category	2006 Balance In Billions	% of Total Loans 2006	2007 Balance In Billions	% of Total Loans 2007	Growth In Billions	Growth Rate
Unsecured Credit Card	\$26.57	5.37%	\$30.12	5.72%	\$3.55	13.37%
All Other Unsecured	\$22.62	4.58%	\$24.47	4.64%	\$1.85	8.17%
New Vehicle	\$88.53	17.91%	\$86.90	16.49%	-\$1.63	-1.84%
Used Vehicle	\$87.58	17.71%	\$89.10	16.91%	\$1.53	1.75%
First Mortgage Real Estate	\$159.81	32.33%	\$179.44	34.05%	\$19.63	12.28%
Other Real Estate	\$84.36	17.06%	\$91.67	17.40%	\$7.30	8.66%
Leases Rec & All Other	\$24.92	5.04%	\$25.22	4.79%	\$0.31	1.23%
Total Loans	\$494.39		\$526.92		\$32.54	6.58%

Loan growth outpaced share growth during 2007 with total loans increasing \$32.54 billion, resulting in the loan to share ratio increasing from 82.23% to 83.32%. The growth was again fueled by first mortgages and other real estate loans. Real estate loans comprise the largest portion of total loans at 51.45%, followed by vehicle loans at 33.40%. During 2007, fixed rate first mortgages increased \$13.08 billion (14.40%), adjustable rate first mortgages increased \$1.08 billion (3.90%), and balloon/hybrid first mortgages increased \$5.46 billion (13.23%). Credit unions are reporting \$6.25 billion or 3.48% of total first mortgage loans in Interest Only & Optional Payment First Mortgage Loans.

DELINQUENCY TRENDS

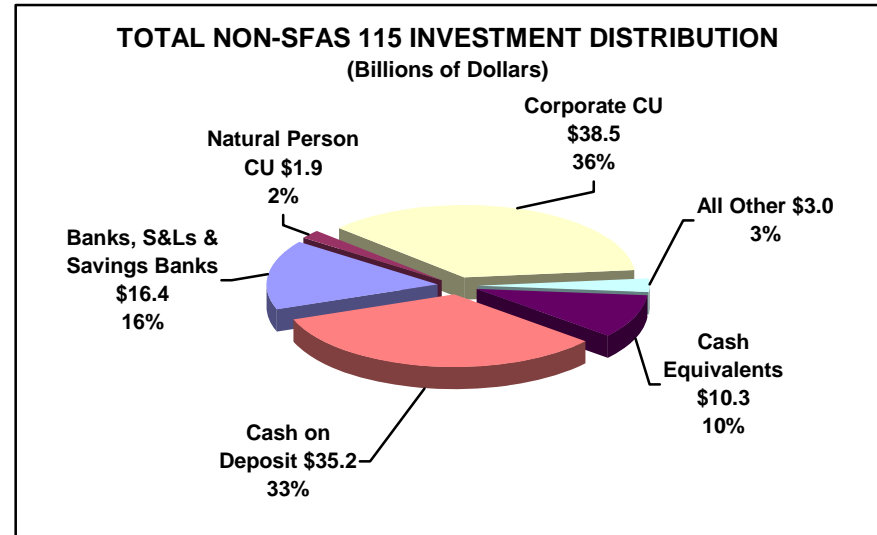
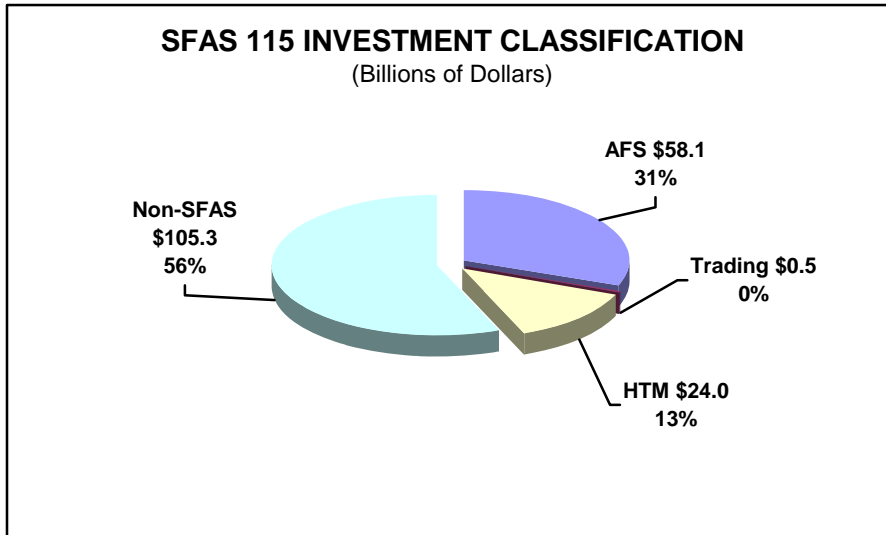


Total Loan Charge-Offs and Recoveries and Outstanding Foreclosed Real Estate	2006 In Billions	2007 In Billions	% Change
Total Loans Charged Off	\$2.67	\$3.10	15.85%
Total Loan Recoveries	\$0.51	\$0.54	5.20%
Total Net Charge-Offs	\$2.16	\$2.56	18.38%
Foreclosed Real Estate	\$0.16	\$0.33	102.20%



The quality of the loan portfolio deteriorated as noted by a 25 basis point increase in delinquent loans to total loans during 2007, while the average net charge-off ratio increased 5 basis points. There are signs of stress in the performance of real estate loans, and the increasing real estate delinquency and loan losses are starting to impact the performance of the overall loan portfolio, as noted in the total delinquency and net charge-off numbers. Total delinquent real estate loans greater than 2 months increased from 0.34% at year-end 2006 to 0.67% as of year-end 2007. All real estate delinquency categories increased with the largest being in Other Real Estate Adjustable Rate loans which increased from 0.36% as of year-end 2006 to 0.80% as of year-end 2007.

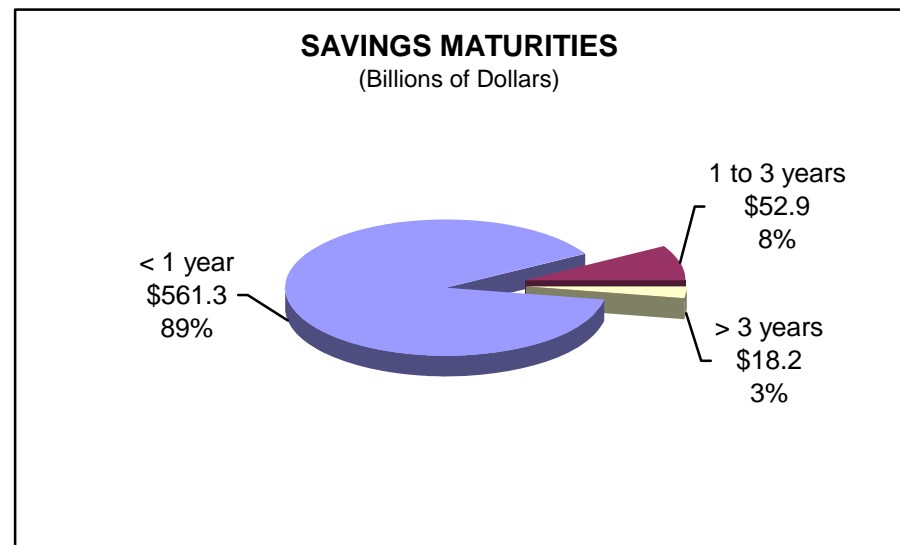
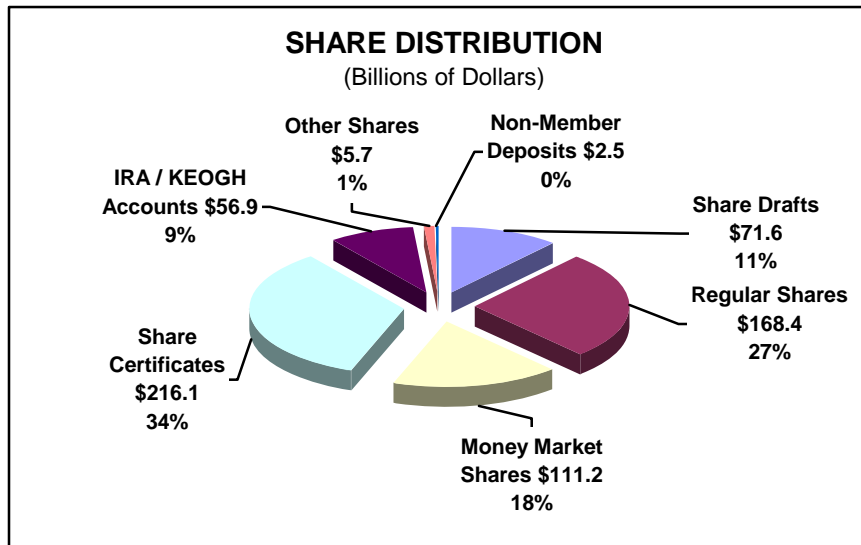
INVESTMENT TRENDS



Investment Maturity or Repricing Intervals	2006 In Billions	% of Total Investments 2006	2007 In Billions	% of Total Investments 2007
Less than 1 year	\$105.83	58.96%	\$111.66	59.41%
1 to 3 years	\$51.95	28.94%	\$46.92	24.97%
3 to 5 years	\$14.45	8.05%	\$19.04	10.13%
5 to 10 years	\$5.17	2.88%	\$7.58	4.03%
Greater than 10 years	\$2.11	1.17%	\$2.74	1.46%
Total Investments	\$179.51		\$187.94	

Strong loan demand outpaced share growth, decreasing the amount of funds available for investment in 2007. 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. Credit unions maintain their investments in high quality, safe instruments. Almost 56% 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, 83.42% are in U.S. Government or Federal Agency Securities.

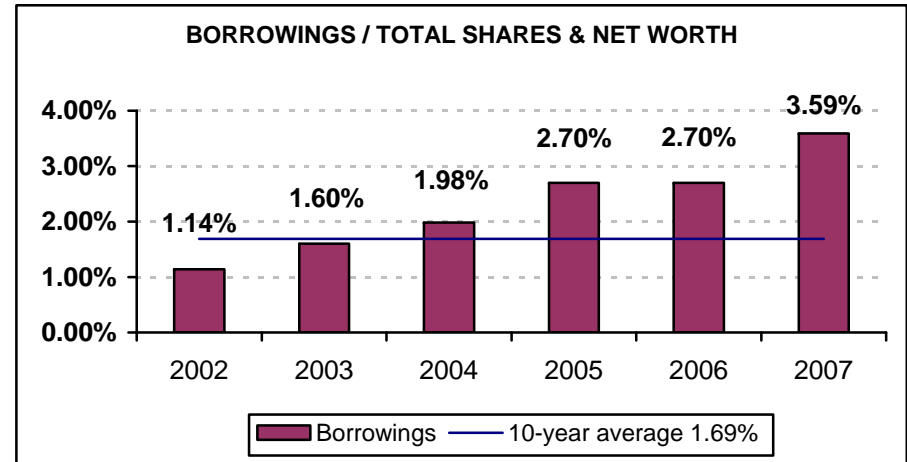
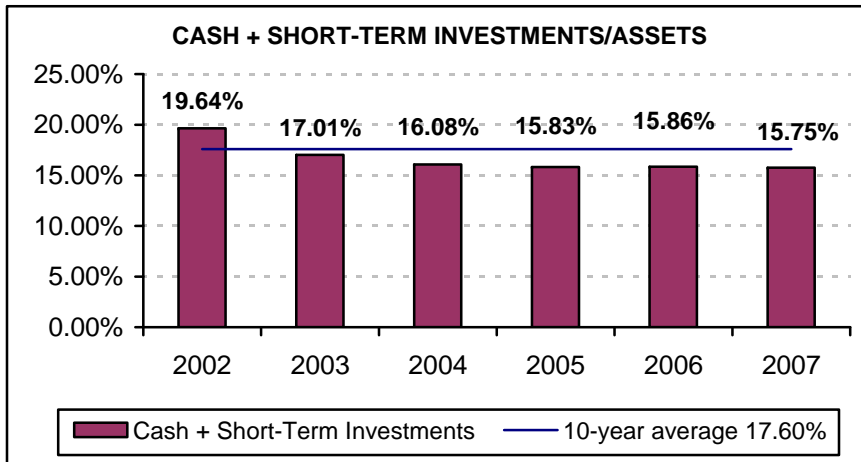
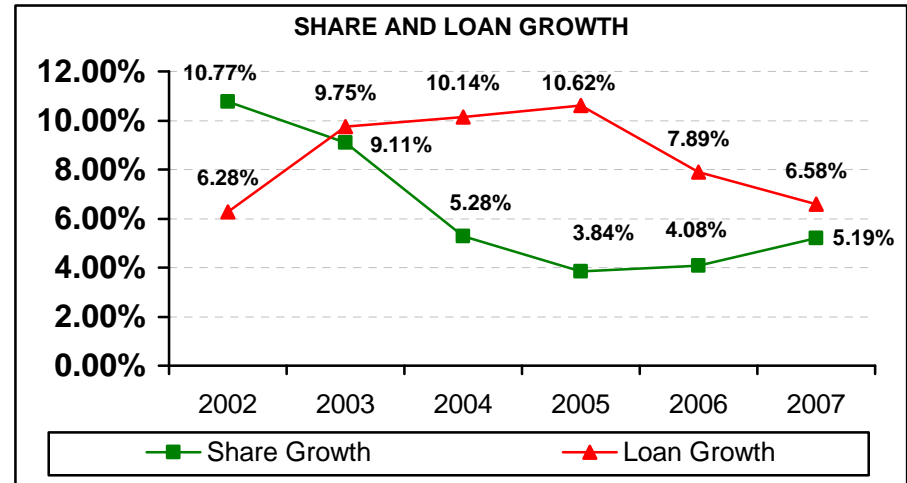
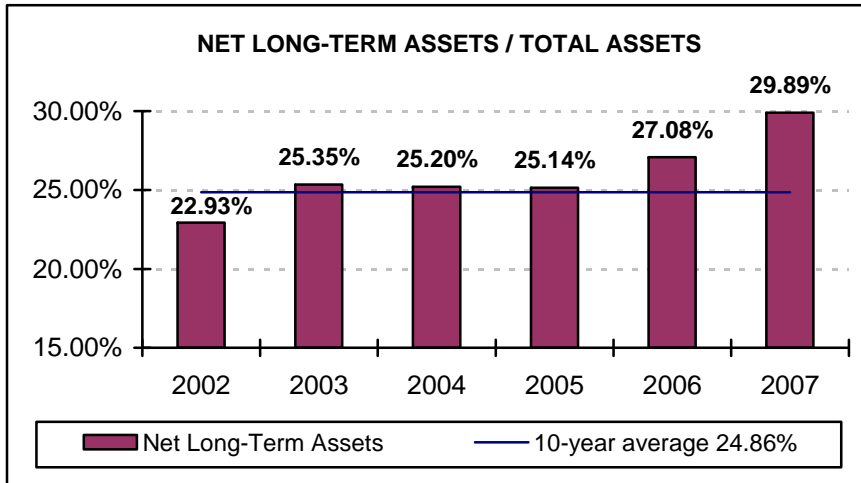
SHARE TRENDS



Share Category	2006 Balance In Billions	% of Total Shares 2006	2007 Balance In Billions	% of Total Shares 2007	Growth In Billions	Growth Rate
Share Drafts	\$70.29	11.69%	\$71.62	11.33%	\$1.33	1.89%
Regular Shares	\$181.12	30.13%	\$168.38	26.63%	-\$12.74	-7.03%
Money Market Shares	\$100.46	16.71%	\$111.15	17.58%	\$10.69	10.65%
Share Certificates	\$188.89	31.42%	\$216.12	34.17%	\$27.23	14.42%
IRA / KEOGH Accounts	\$52.04	8.66%	\$56.90	9.00%	\$4.86	9.34%
All Other Shares	\$5.55	0.92%	\$5.73	0.91%	\$0.18	3.33%
Non-Member Deposits	\$2.84	0.47%	\$2.50	0.39%	-\$0.34	-12.13%
Total Shares	\$601.19		\$632.40		\$31.21	5.19%

Total shares grew 5.19% or \$31.21 billion in 2007. The trend of the movement to rate-sensitive shares continued in 2007 with strong growth in money market shares, IRA/KEOGH accounts and certificates accounting for the majority of the growth. During the period, regular shares declined overall. Total share certificates continue to be the largest category exceeding regular shares since it first occurred on December 31, 2006.

ASSET LIABILITY MANAGEMENT TRENDS



Credit unions continue to hold adequate levels of liquidity; however, trends are showing tightening liquidity. The decline in cash and short-term investments during 2007 is due to the strong loan growth outpacing share growth. The net long-term asset ratio of 29.89% presents potential interest rate risk exposure. 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	3,599	3,283	915	304
Total Assets	\$13.45 billion	\$113.48 billion	\$197.87 billion	\$428.66 billion
Average Assets	\$3.74 million	\$34.56 million	\$216.26 million	\$1.41 billion
Net Worth/Total Assets	16.89%	13.37%	11.89%	10.56%
Average Net Worth (non dollar-weighted)	18.25%	14.02%	11.91%	11.11%
Net Worth Growth	3.36%	5.06%	5.95%	6.98%
Return on Average Assets	0.52%	0.60%	0.61%	0.68%
Net Interest Margin/Average Assets	4.26%	3.76%	3.34%	2.77%
Fee & Other Income/Average Assets	0.74%	1.27%	1.50%	1.30%
Operating Expense/Average Assets	4.17%	4.12%	3.84%	2.94%
Members / Full-Time Employees	440.54	392.74	344.75	381.37
Provision for LLL/Average Assets	0.36%	0.33%	0.42%	0.46%
Loans/Shares	72.83%	74.68%	82.01%	86.62%
Delinquent Loans/Total Loans	2.23%	1.25%	1.03%	0.78%
% of Real Estate Lns Delinquent > 2 Mths	1.00%	0.90%	0.89%	0.54%
Net Charge-Offs/Average Loans	0.60%	0.49%	0.50%	0.50%
Share Growth	-0.95%	2.99%	4.69%	8.03%
Loan Growth	-0.72%	2.66%	5.06%	10.33%
Asset Growth	-0.36%	3.15%	5.00%	9.51%
Membership Growth	-1.50%	-0.03%	1.28%	4.73%
Net Long-Term Assets/Total Assets	8.31%	22.29%	30.55%	32.27%
Cash + Short-Term Invest./Assets	30.78%	21.32%	15.17%	14.06%
Borrowings/Shares & Net Worth	0.22%	0.57%	2.13%	5.25%

Note: The growth trends are based on the same FICUs reporting 12/31/06 and 12/31/07 using assets as of 12/31/07.

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, share growth, membership growth, and loan to share ratio is noted in the over \$500 million asset group.