

FINANCIAL TRENDS IN FEDERALLY INSURED CREDIT UNIONS

January 1 – June 30, 2007

HIGHLIGHTS

This report summarizes the trends of all federally insured credit unions that reported as of June 30, 2007. Change is measured from December 31, 2006.¹

- **Assets** increased \$30.70 billion or 4.32% to \$740.67 billion. This equates to an annualized asset growth rate of 8.65%.
- **Net Worth** increased \$2.56 billion or 3.13%. The net worth to assets ratio decreased from 11.53% to 11.40%.
- **Earnings**, as measured by return on average assets, decreased from 0.82% to 0.75%.²
- **Loans** increased \$12.0 billion or 2.43% (4.86% annualized). The loan to share ratio decreased from 82.23% to 80.34%.
- **Delinquent** loans as a percentage of total loans increased from 0.68% to 0.69%.
- **Long-term investments (over 1 year)** increased \$5.1 billion or 6.87%.
- **Cash on hand, cash on deposit, plus short-term investments (less than 1 year)** increased \$12.40 billion or 11.01%.
- **Shares** increased \$29.11 billion or 4.84%. This represents an annual share growth rate of 9.68%. The majority of the growth in shares continues to come from share certificates and money market accounts.
- **Current members** increased by 0.83 million or 0.96%.

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
June 2007	5,118	3,120

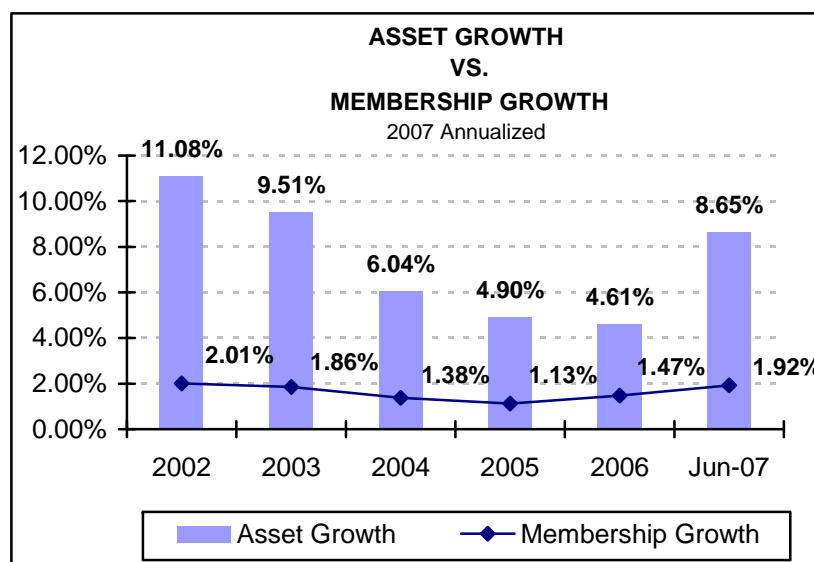
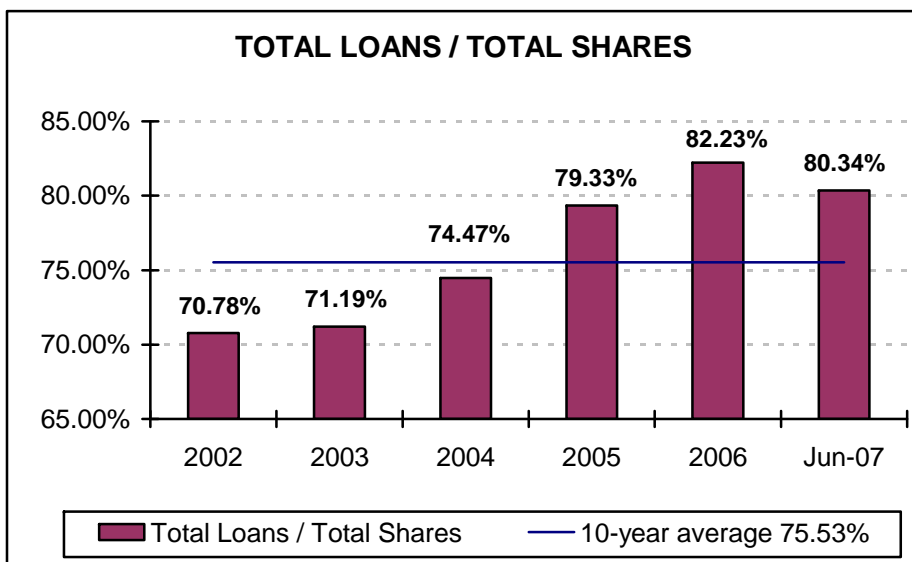
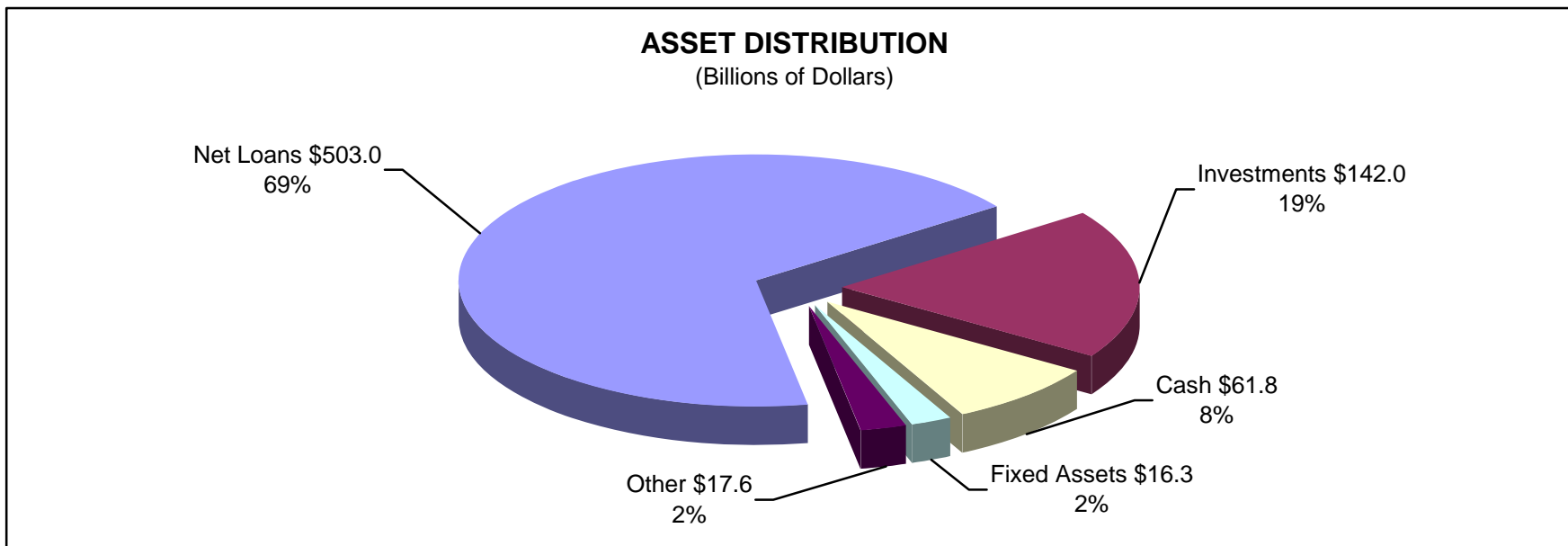
Federally insured credit unions continued their solid performance in the first half of 2007. Loans, shares, and net worth grew while the delinquent loan ratio increased only 1 basis point and the loan loss ratio remained the same. While net interest margins continued to decline, credit unions achieved 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	June 2007 In Billions	% Change
Insured Shares & Deposits	\$534.90	\$559.42	4.58%
Uninsured Shares & Deposits	\$66.29	\$70.88	6.92%

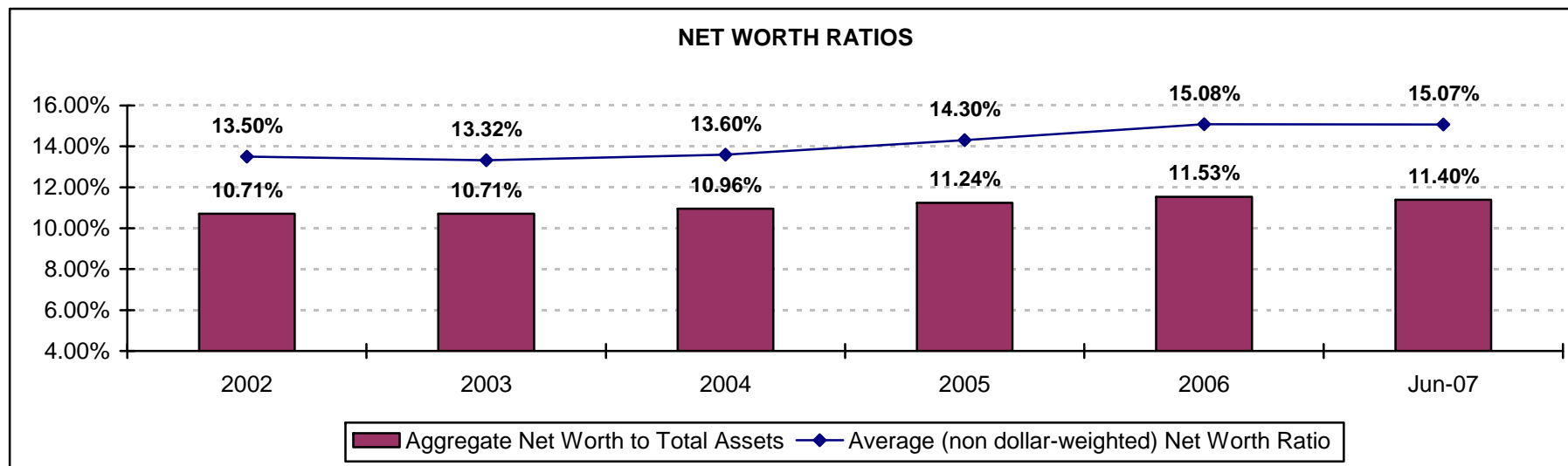
¹ The financial results for prior periods may reflect changes when compared to the prior period trend letters due to subsequent call report modifications.

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

OVERALL TRENDS



NET WORTH

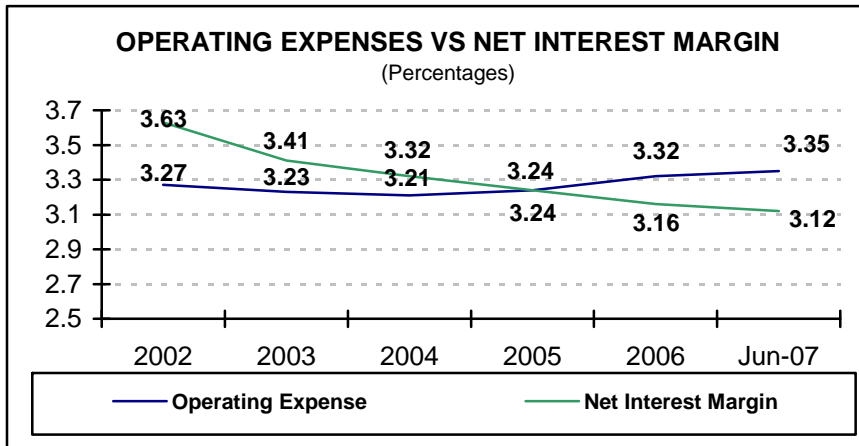
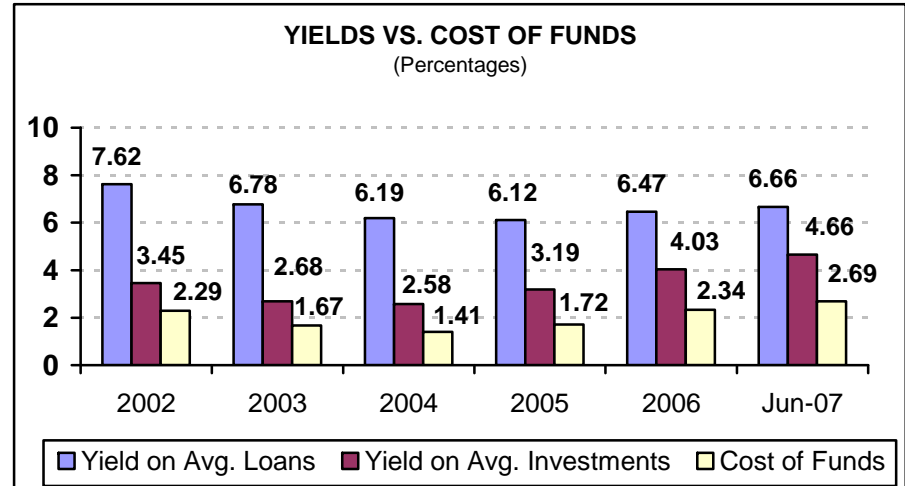
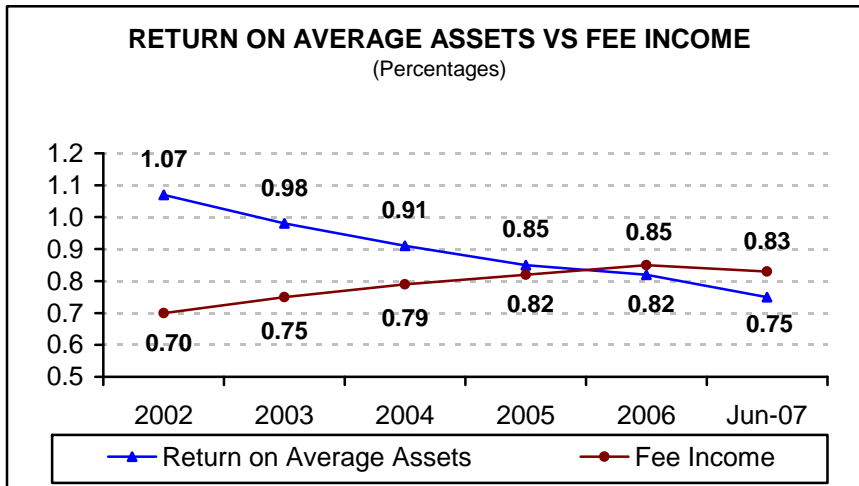


	December 2006 In Billions	June 2007 In Billions	% Change
Total Net Worth	\$81.93	\$84.49	3.13%
Secondary Capital	\$.028	\$.027	-1.66%

NET WORTH RATIOS				
Number of Credit Unions	December 2006	% of Total	June 2007	% of Total
7% or above	8,235	98.48%	8,110	98.45%
Net Worth Ratios				
6% to 6.99%	58	0.69%	65	0.79%
4% to 5.99%	36	0.43%	38	0.46%
2% to 3.99%	20	0.24%	12	0.15%
Less than 2%	8	0.10%	5	0.06%
Less than 0%	5	0.06%	8	0.10%

Net Worth remains strong as total dollars increased \$2.56 billion or 3.13% during the first six months of 2007. The number of credit unions subject to Prompt Corrective Action, as a percentage of total credit unions, increased slightly from 1.52% as of December 31, 2006, to 1.55% as of June 30, 2007.

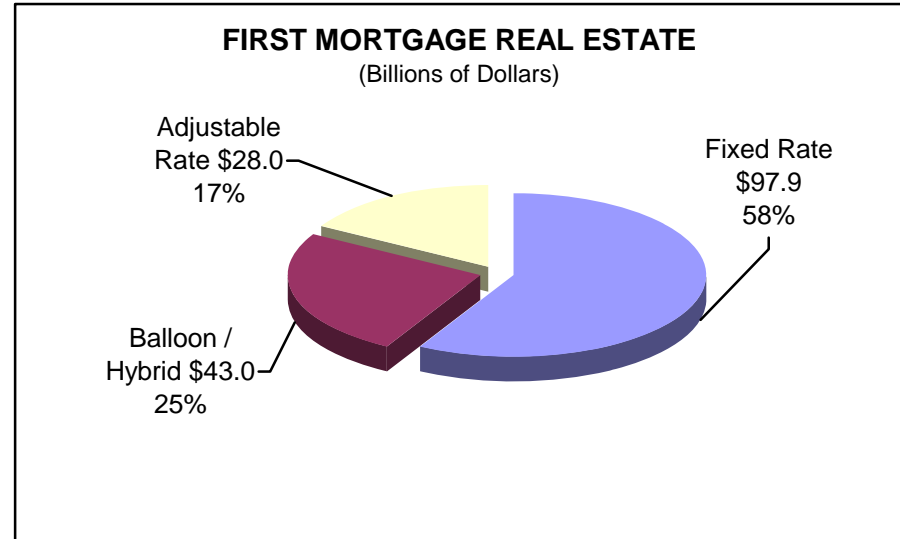
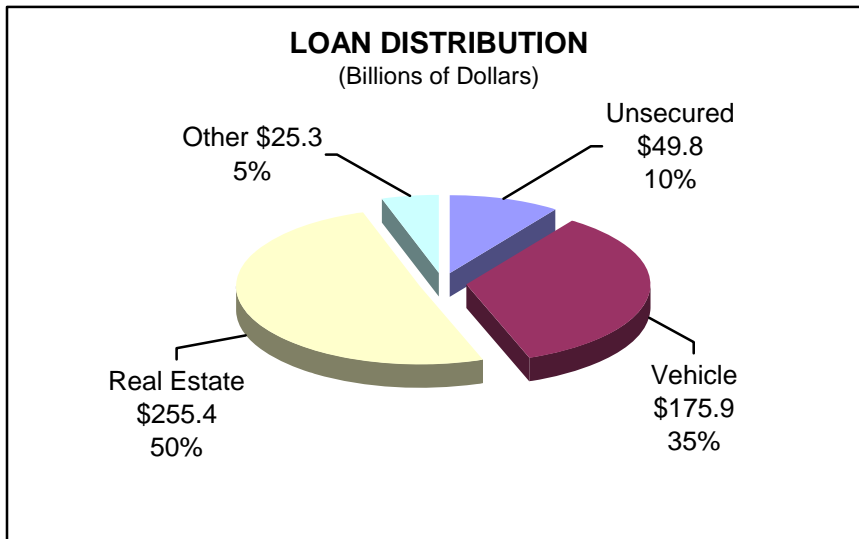
EARNINGS



Ratio (% Average Assets)	As of 2006	As of June 2007	Effect on ROA
Net Interest Margin	3.16%	3.12%	- 4bp
+ Fee & Other Inc.	1.28%	1.30%	+ 2bp
- Operating Expenses	3.32%	3.35%	- 3bp
- PLL	0.32%	0.34%	- 2bp
+ Non-Opr. Income	0.02%	0.02%	+ 0bp
= ROA	0.82%	0.75%	- 7bp

The level of earnings 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 4 basis points to 3.12% as the cost of funds increased at a faster rate than the yield on assets. Operating expenses continue to rise in relation to average assets.

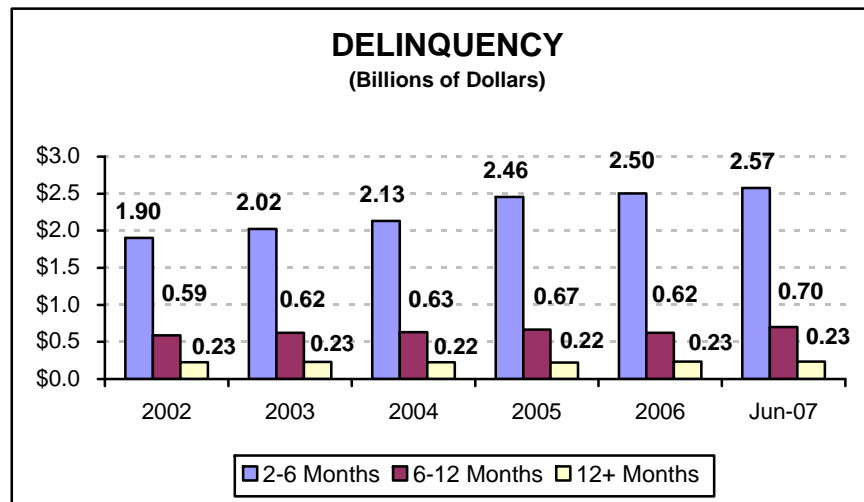
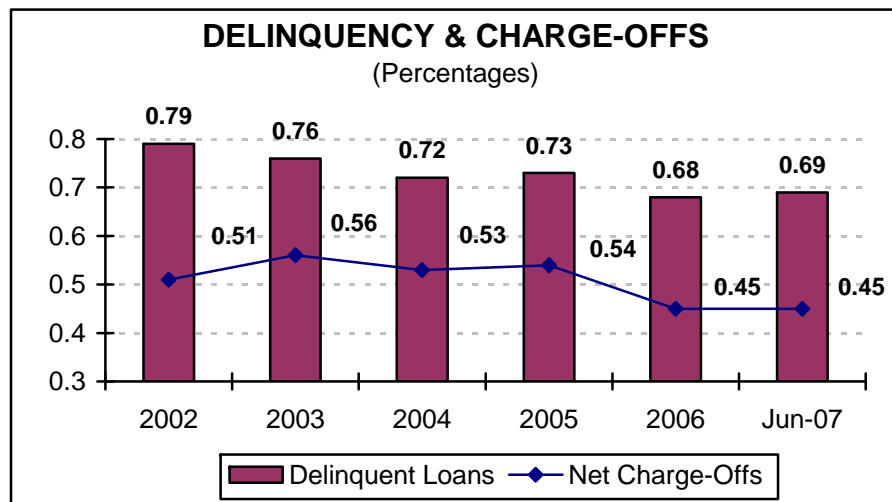
LOAN DISTRIBUTION



Loan Category	2006 Balance In Billions	% of Total Loans 2006	June 2007 Balance In Billions	% of Total Loans June 2007	Growth In Billions	Growth Rate
Unsecured Credit Card	\$26.54	5.37%	\$26.87	5.31%	\$0.33	1.26%
All Other Unsecured	\$22.61	4.57%	\$22.91	4.52%	\$0.30	1.31%
New Vehicle	\$88.53	17.91%	\$87.65	17.31%	-\$0.88	-1.00%
Used Vehicle	\$87.57	17.71%	\$88.26	17.43%	\$0.70	0.79%
First Mortgage Real Estate	\$159.79	32.32%	\$168.93	33.36%	\$9.14	5.72%
Other Real Estate	\$84.37	17.07%	\$86.43	17.07%	\$2.06	2.44%
Leases Rec & All Other	\$24.95	5.05%	\$25.32	5.00%	\$0.37	1.50%
Total Loans	\$494.36		\$506.37		\$12.02	2.43%

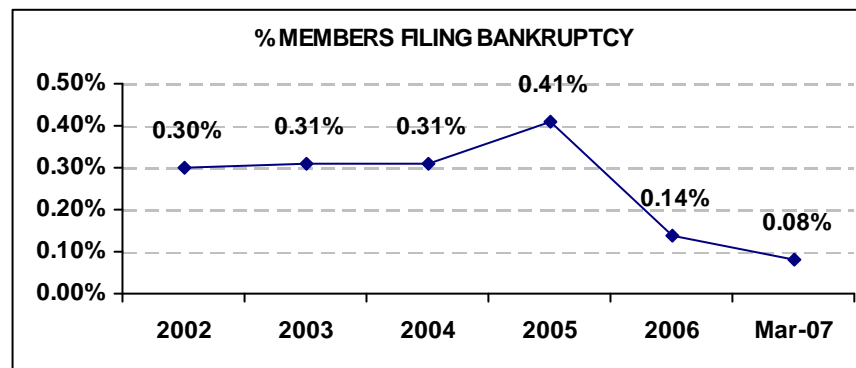
Loan demand lagged behind the strong share growth during the first half of 2007 with total loans increasing \$12.02 billion, resulting in the loan to share ratio declining from 82.23% to 80.34%. The growth was again fueled by first mortgages and other real estate loans. Real estate loans comprise the largest portion of total loans at 50.43%, followed by vehicle loans at 34.74%. Fixed rate first mortgages increased \$7.04 billion (7.75%), adjustable rate first mortgages increased \$0.34 billion (1.25%), and balloon/hybrid first mortgages increased \$1.76 billion (4.26%), during the first six months of 2007.

DELINQUENCY TRENDS



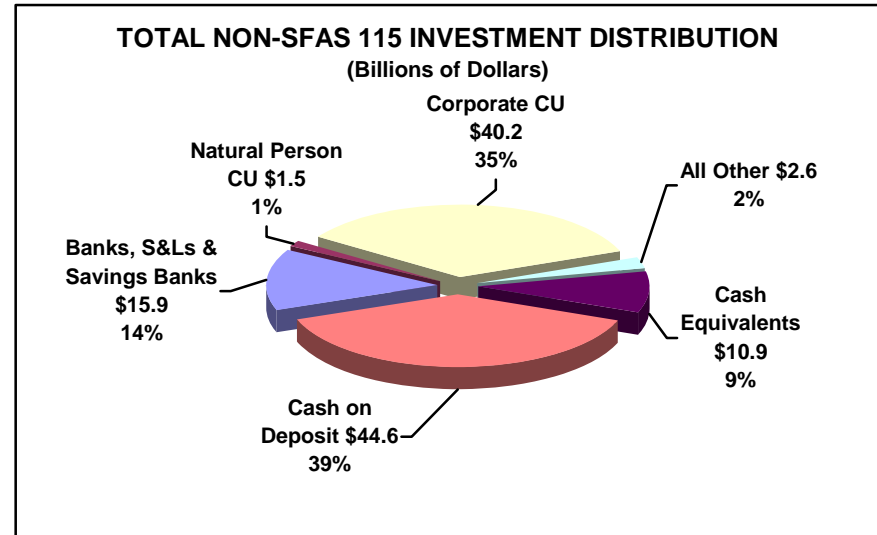
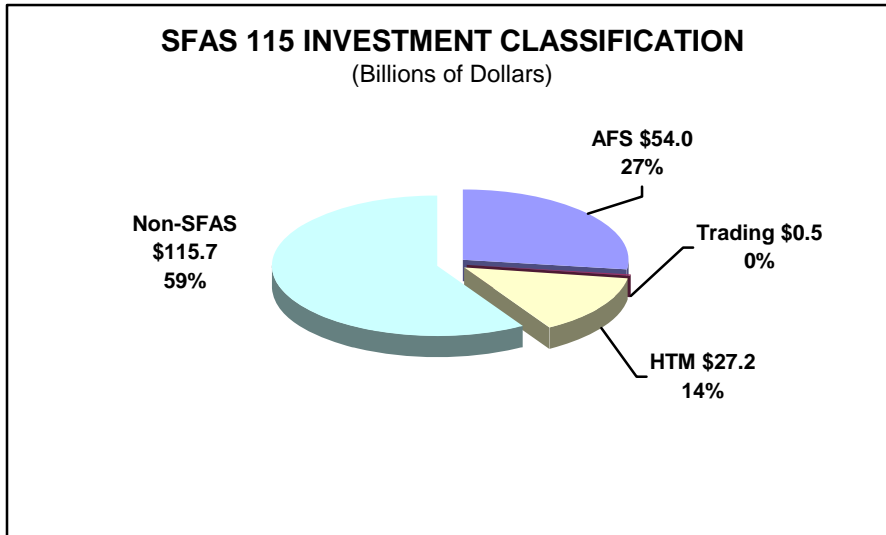
Total Loan Charge-Offs and Recoveries and Outstanding Foreclosed Real Estate	December 2006 In Billions	June 2007 In Billions	% Change
Total Loans Charged Off	\$2.67	\$2.80*	4.82%*
Total Loan Recoveries	\$0.51	\$0.55*	7.96%*
Total Net Charge-Offs	\$2.16	\$2.25*	4.08%*
Foreclosed Real Estate	\$0.16	\$0.21	29.92%

*Annualized



The quality of the loan portfolio remains strong with only a 1 basis point increase in delinquent loans to total loans during the first six months of 2007 to 0.69%, while the average net charge-off ratio remained at 0.45%. There are some signs of stress in the performance of real estate loans, but the increasing real estate delinquency and loan losses have not materially impacted 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 0.44% as of June 30, 2007. All real estate delinquency categories increased with the largest being in Other Real Estate Fixed/Hybrid/Balloon loans which increased from 0.28% as of year-end 2006 to 0.51% as of June 30, 2007.

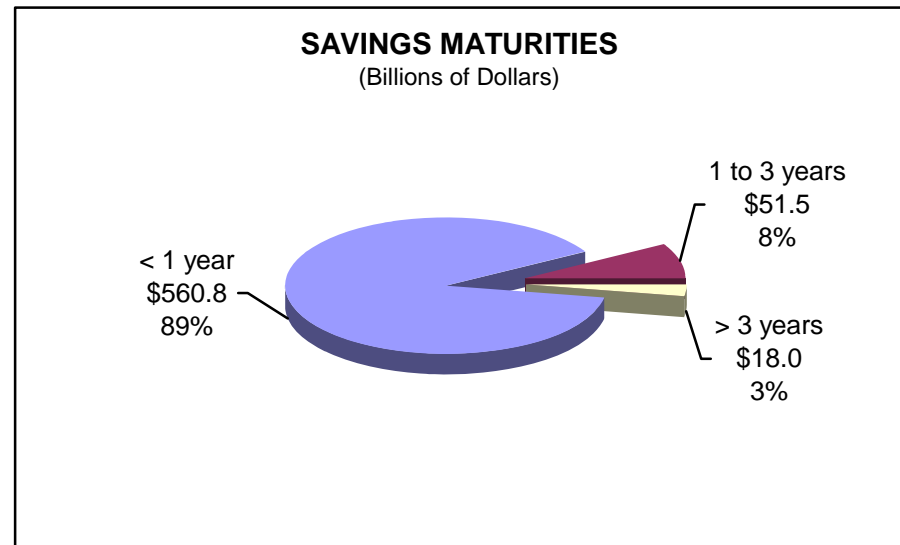
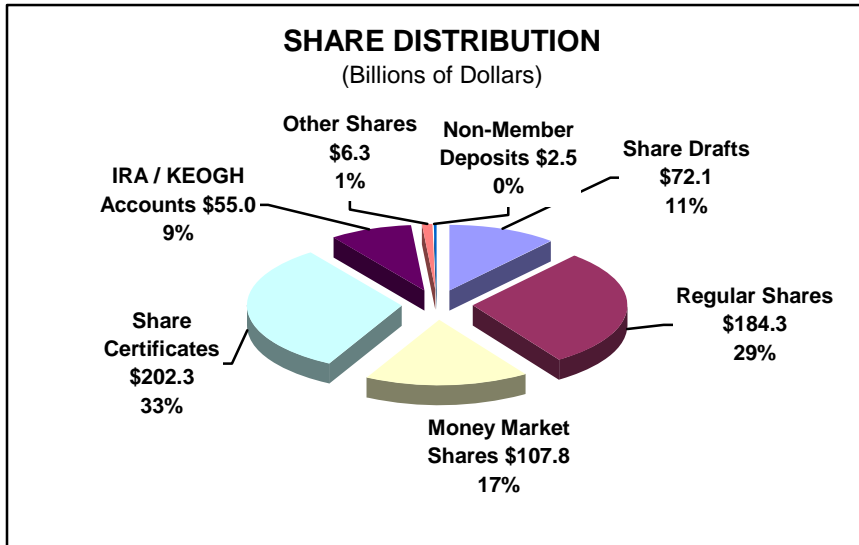
INVESTMENT TRENDS



Investment Maturity or Repricing Intervals	December 2006 In Billions	% of Total Investments 2006	June 2007 In Billions	% of Total Investments June 2007
Less than 1 year	\$105.83	58.95%	\$118.63	60.10%
1 to 3 years	\$51.96	28.94%	\$52.06	26.38%
3 to 5 years	\$14.45	8.05%	\$17.67	8.95%
5 to 10 years	\$5.17	2.88%	\$6.60	3.35%
Greater than 10 years	\$2.10	1.17%	\$2.42	1.23%
Total Investments	\$179.51		\$197.38	

Strong share demand outpaced loan growth, increasing 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 60% 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, 85.8% are in U.S. Government or Federal Agency Securities.

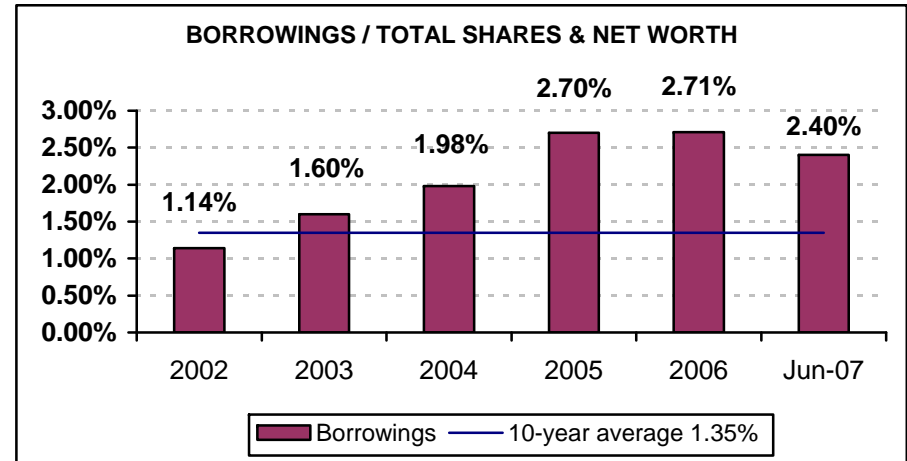
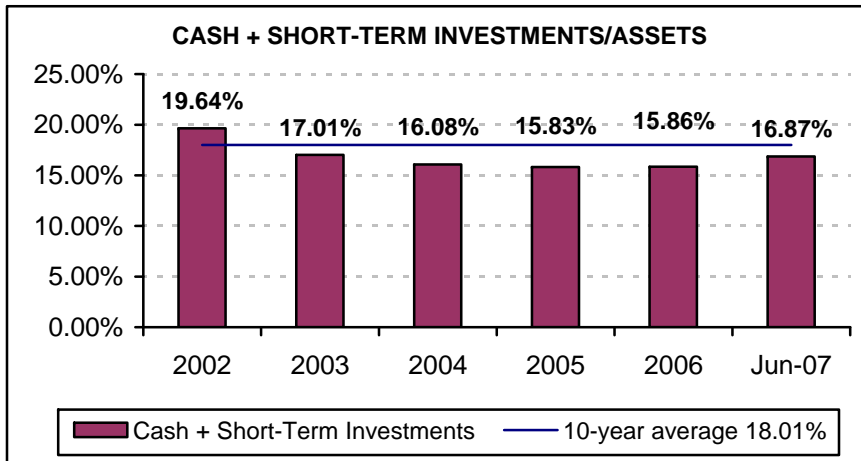
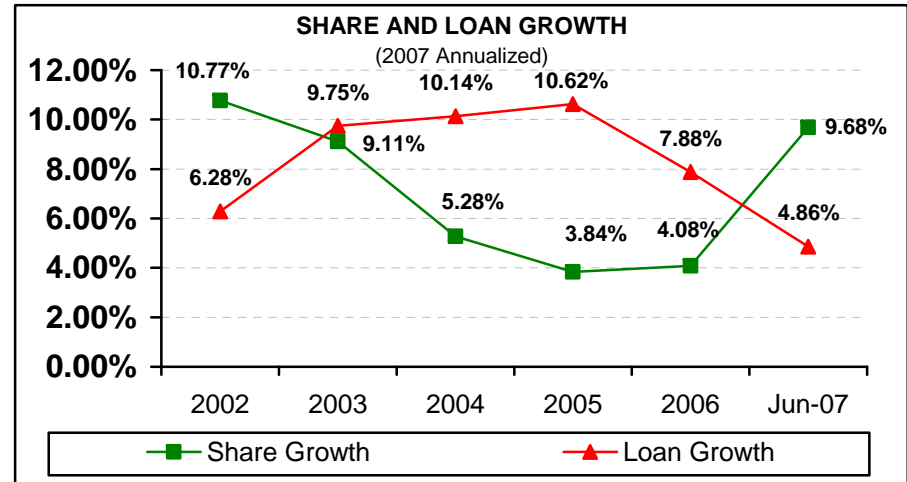
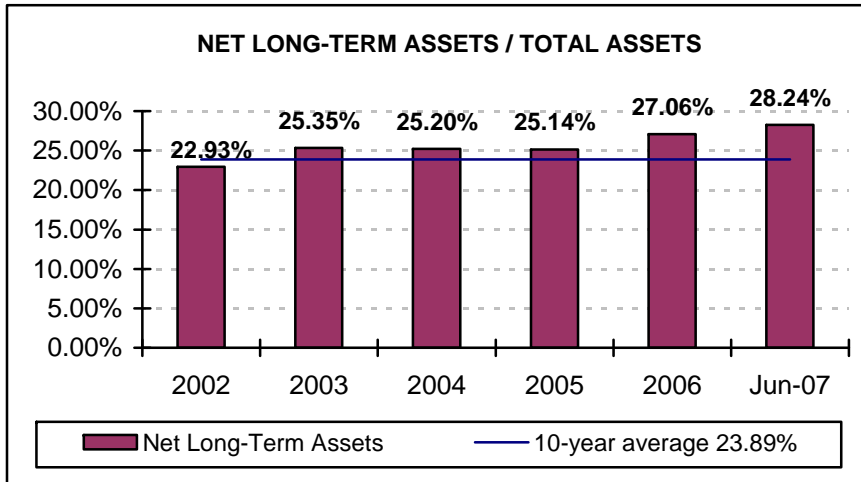
SHARE TRENDS



Share Category	2006 Balance In Billions	% of Total Shares 2006	June 2007 Balance In Billions	% of Total Shares Mar 2007	Growth In Billions	Growth Rate
Share Drafts	\$70.15	11.67%	\$72.05	11.43%	\$1.90	2.71%
Regular Shares	\$181.26	30.15%	\$184.34	29.25%	\$3.08	1.70%
Money Market Shares	\$100.46	16.71%	\$107.80	17.10%	\$7.34	7.31%
Share Certificates	\$188.89	31.42%	\$202.27	32.09%	\$13.38	7.08%
IRA / KEOGH Accounts	\$52.04	8.66%	\$55.02	8.73%	\$2.98	5.74%
All Other Shares	\$5.56	0.92%	\$6.27	0.99%	\$0.71	12.79%
Non-Member Deposits	\$2.83	0.47%	\$2.55	0.40%	-\$0.29	-10.26%
Total Shares	\$601.19		\$630.30		\$29.10	4.84%

Total shares grew 4.84% (\$29.10 billion) in the first six months of 2007. Strong growth in money market shares, IRA/KEOGH accounts and certificates accounted for the majority of the growth. Total share certificates continue to be the largest category exceeding regular shares for the third consecutive quarter.

ASSET LIABILITY MANAGEMENT TRENDS



Credit unions continue to hold adequate levels of liquidity. The rise in cash and short-term investments during the first half of 2007 is due to the strong share growth outpacing loan growth. The net long-term asset ratio of 28.24% presents potential interest rate risk exposure. Credit unions with higher levels of liquidity risk or interest rate risk should maintain diligent liquidity and interest rate 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	3,657	3,350	929	302
Total Assets	\$13.68 billion	\$115.31 billion	\$199.35 billion	\$412.34 billion
Average Assets (non dollar-weighted)	\$3.74 million	\$34.42 million	\$214.58 million	\$1.37 billion
Net Worth/Total Assets	16.24%	12.97%	11.65%	10.69%
Average Net Worth (non dollar-weighted)	17.62%	13.59%	11.65%	11.13%
Net Worth Growth	-6.60%	-0.20%	0.76%	12.37%
Return on Average Assets	0.60%	0.64%	0.65%	0.84%
Net Interest Margin/Average Assets	4.18%	3.74%	3.35%	2.78%
Fee & Other Income/Average Assets	0.69%	1.21%	1.45%	1.27%
Operating Expense/Average Assets	4.02%	4.07%	3.81%	2.90%
Members / Full-Time Employees	442.49	397.48	348.97	387.77
Provision for LLL/Average Assets	0.29%	0.27%	0.38%	0.34%
Loans/Shares	70.49%	72.31%	79.60%	83.30%
Delinquent Loans/Total Loans	2.07%	1.04%	0.83%	0.51%
% of Real Estate Lns Delinquent > 2 Mths	1.08%	0.68%	0.72%	0.27%
Net Charge-Offs/Average Loans	0.48%	0.44%	0.45%	0.45%
Share Growth	-6.73%	2.38%	4.11%	15.37%
Loan Growth	-13.18%	-5.55%	-1.69%	11.49%
Asset Growth	-7.04%	1.50%	2.65%	14.42%
Membership Growth	-12.16%	-5.25%	-2.13%	10.31%
Net Long-Term Assets/Total Assets	8.02%	21.13%	29.01%	30.52%
Cash + Short-Term Invest./Assets	31.55%	22.40%	16.18%	15.18%
Borrowings/Shares & Net Worth	0.17%	0.45%	1.62%	3.43%

Note: The growth trends are an aggregate figure and do not account for the credit unions which moved into or out of adjoining asset groups.

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, and loan to share ratio is noted in the over \$500 million asset group, with this group being the only one to report positive loan and membership growth for the first six months of 2007.