

FINANCIAL TRENDS IN FEDERALLY INSURED CREDIT UNIONS

January 1 – March 31, 2007

HIGHLIGHTS

This report summarizes the trends of all federally insured credit unions that reported as of March 31, 2007. Change is measured from December 31, 2006. ¹

- **Assets** increased \$24.35 billion or 3.43% to \$734.31 billion. This equates to an annualized asset growth rate of 13.72%
- **Net Worth** increased \$1.19 billion or 1.45%. The net worth to assets ratio decreased from 11.54% to 11.32%.
- **Earnings**, as measured by return on average assets, decreased from 0.82% to 0.73%.²
- **Loans** increased \$1.09 billion or 0.22% (0.88% annualized). The loan to share ratio decreased from 82.23% to 79.10%.
- **Delinquent** loans as a percentage of total loans decreased from 0.68% to 0.62%.
- **Long-term investments (over 1 year)** increased \$1.81 billion or 2.46%.
- **Cash on hand, cash on deposit, plus short-term investments (less than 1 year)** increased \$21.37 billion or 18.99%.
- **Shares** increased \$25.16 billion or 4.19%. This represents an annual share growth rate of 16.74%. Total share certificates represent 31.48% of the share portfolio and continue to exceed regular shares for the second consecutive quarter.
- **Current members** increased by 0.39 million or 0.45%.

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
Mar 2007	5,159	3,146

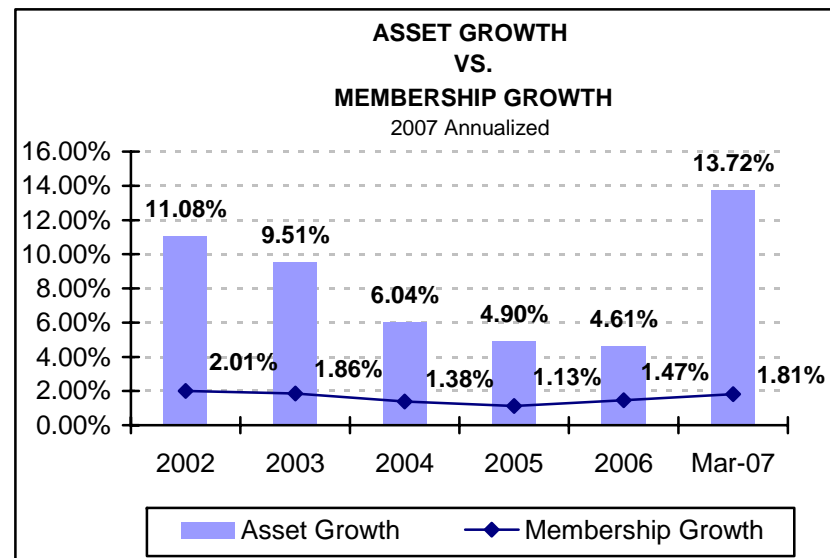
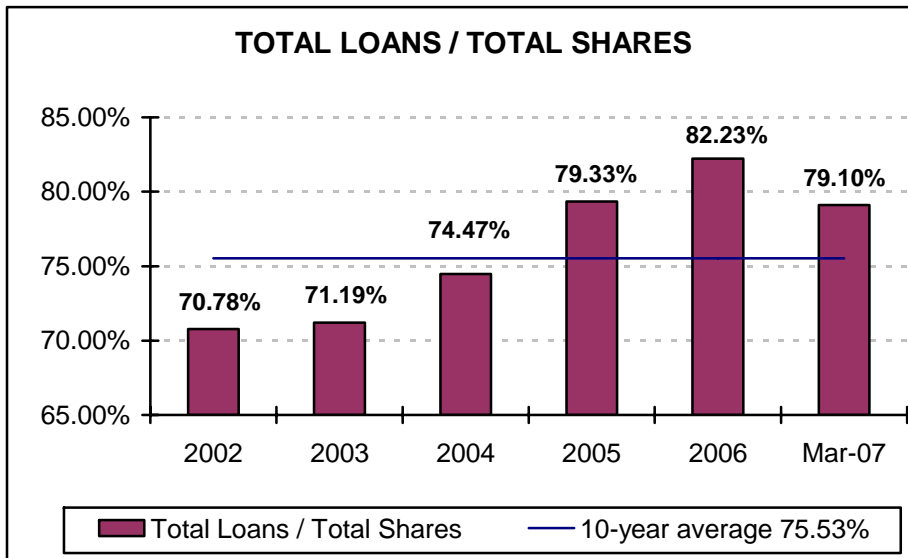
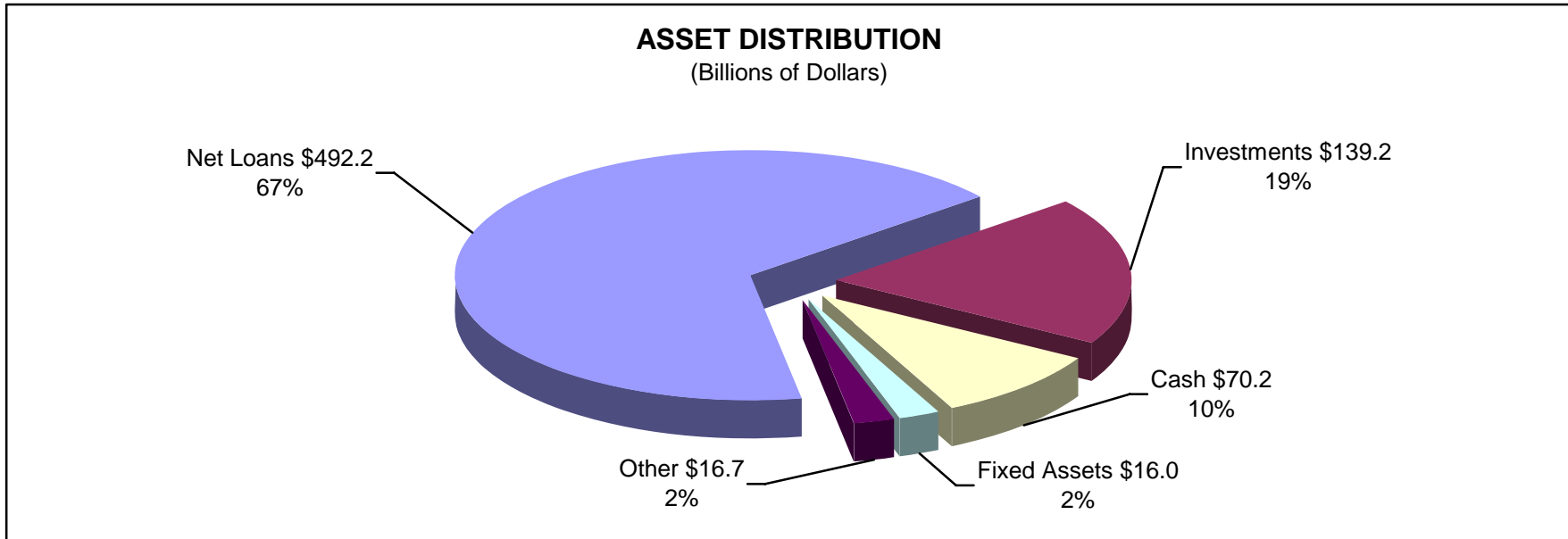
Federally insured credit unions continued solid performance in the first three months of 2007. Loans, shares, and net worth grew while the delinquent ratio, loan loss ratio, and bankruptcies declined. While net interest margins continued to decline, credit unions continued to achieve favorable operating results. Real estate loans remain the dominant loan category in credit unions, highlighting the need for continued vigilance in asset-liability management.

	2006 In Billions	Mar 2007 In Billions	% Change
Total Shares and Deposits			
Insured Shares & Deposits	\$534.77	\$557.00	4.16%
Uninsured Shares & Deposits	\$66.42	\$69.36	4.42%

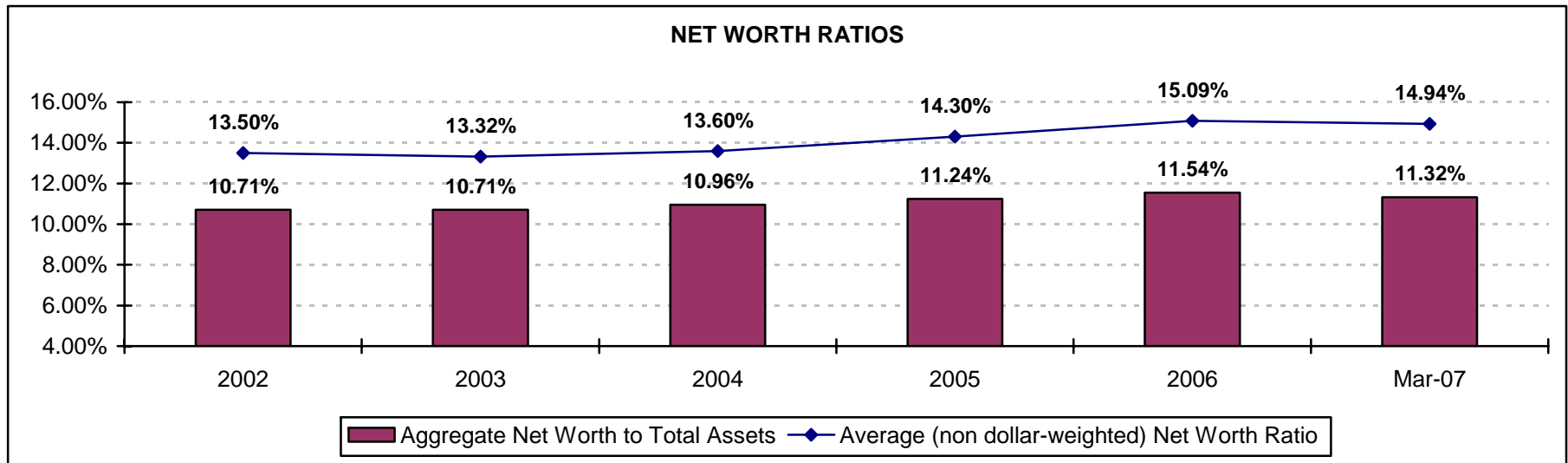
¹ The financial results for prior periods may reflect changes when compared to the prior period trend letters due to subsequent call report modifications.

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

OVERALL TRENDS



NET WORTH

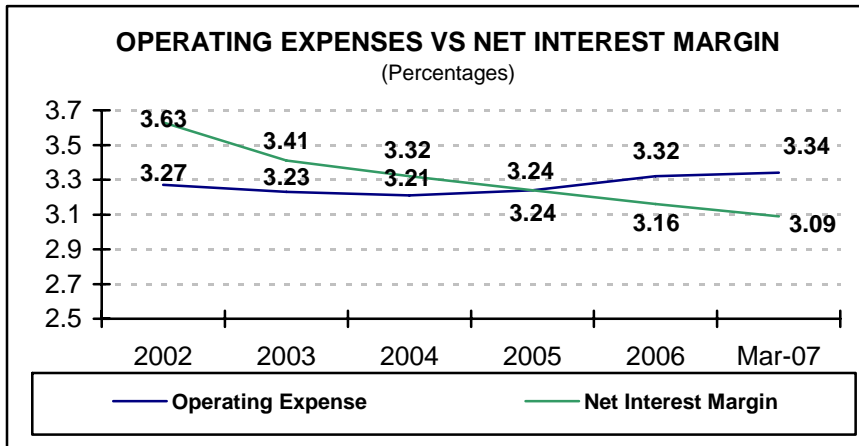
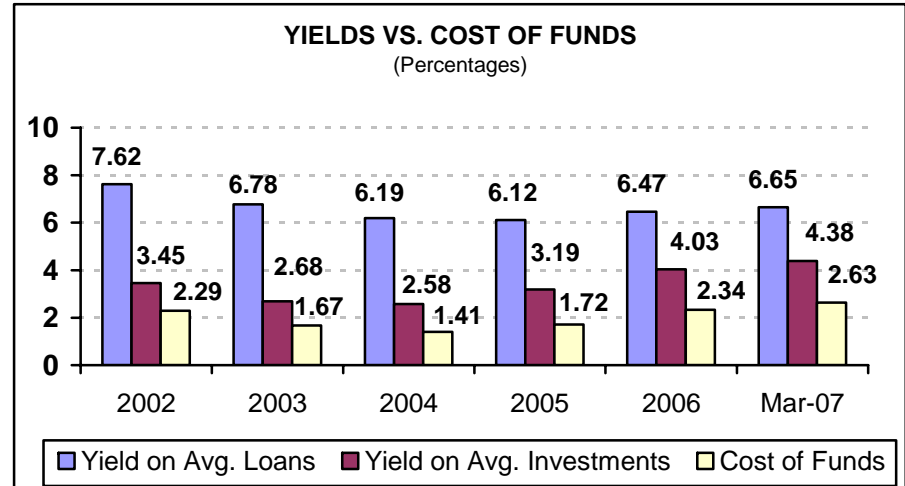
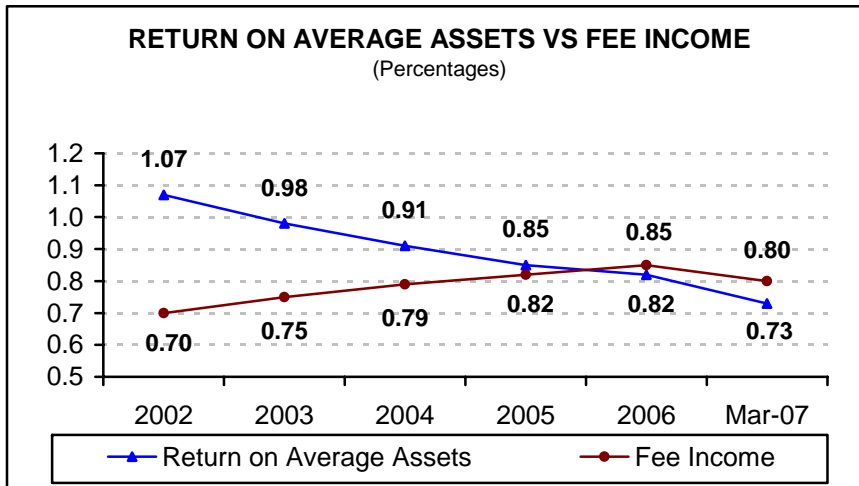


	December 2006 In Billions	March 2007 In Billions	% Change
Total Net Worth	\$81.94	\$83.13	1.45%
Secondary Capital	\$.028	\$.028	-0.81%

NET WORTH RATIOS				
Number of Credit Unions	December 2006	% of Total	March 2007	% of Total
7% or above	8,235	98.48%	8,169	98.36%
Net Worth Ratios				
6% to 6.99%	58	.69%	70	.84%
4% to 5.99%	36	.43%	39	.47%
2% to 3.99%	20	.24%	13	.16%
Less than 2%	8	.10%	9	.11%
Less than 0%	5	.06%	5	.06%

Net Worth continues to be strong as total dollars increased \$1.19 billion or 1.45% during the first three 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 1.64% as of March 31, 2007.

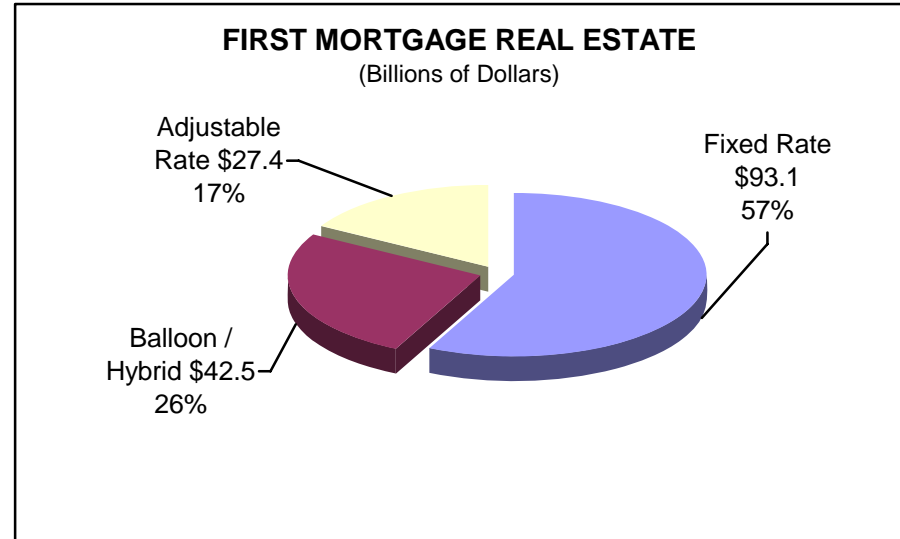
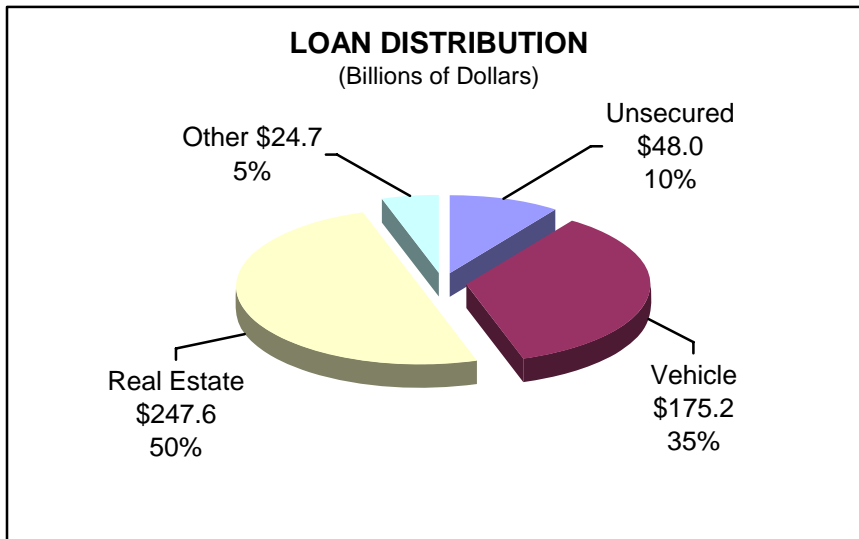
EARNINGS



Ratio (% Average Assets)	As of 2006	As of Mar 2007	Effect on ROA
Net Interest Margin	3.16%	3.09%	- 7bp
+ Fee & Other Inc.	1.28%	1.25%	- 3bp
- Operating Expenses	3.32%	3.34%	- 2bp
- PLL	0.31%	0.30%	+ 1bp
+ Non-Opr. Income	0.01%	0.03%	+ 2bp
= ROA	0.82%	0.73%	- 9bp

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 7 basis points to 3.09% as the cost of funds increased at a faster rate than the yield on assets. Fee income continues to exceed net income for the second consecutive reporting period.

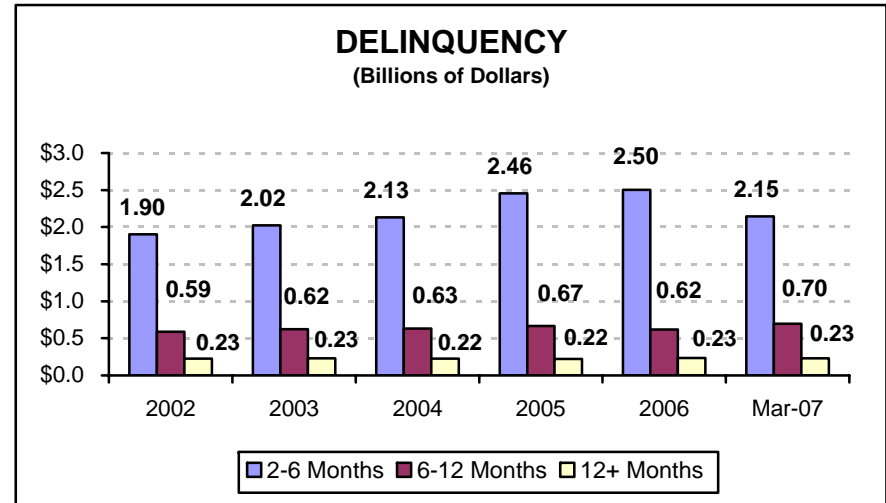
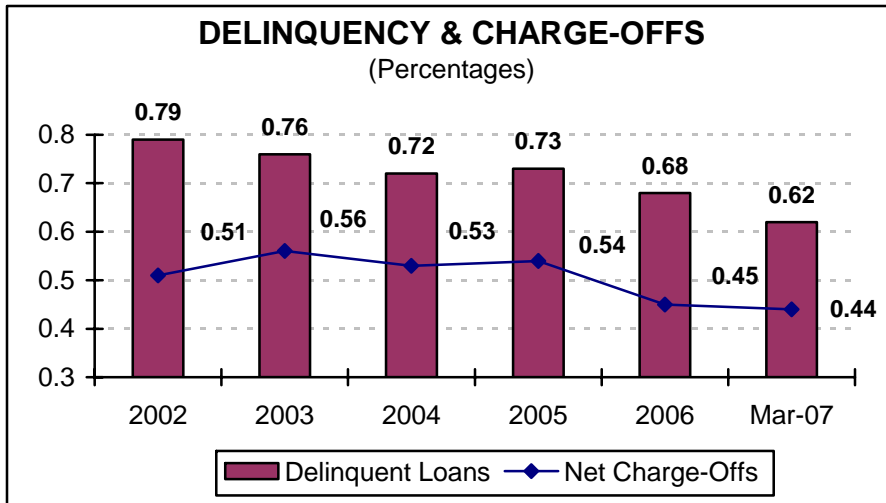
LOAN DISTRIBUTION



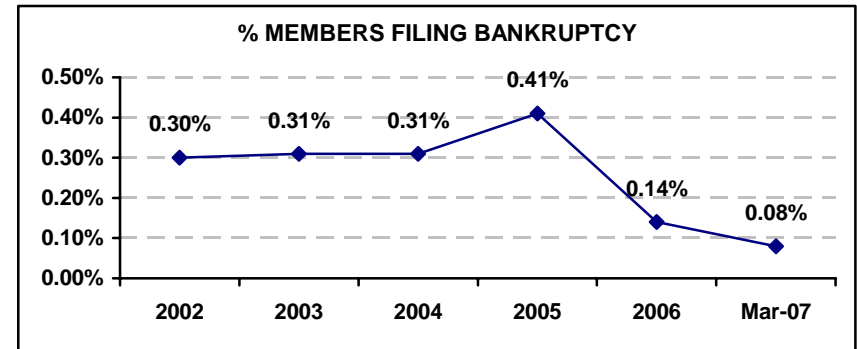
Loan Category	2006 Balance In Billions	% of Total Loans 2006	Mar 2007 Balance In Billions	% of Total Loans Mar 2007	Growth In Billions	Growth Rate
Unsecured Credit Card	\$26.54	5.37%	\$25.78	5.20%	-\$0.75	-2.84%
All Other Unsecured	\$22.61	4.57%	\$22.20	4.48%	-\$0.42	-1.84%
New Vehicle	\$88.53	17.91%	\$87.80	17.72%	-\$0.73	-0.82%
Used Vehicle	\$87.57	17.71%	\$87.40	17.64%	-\$0.16	-0.19%
First Mortgage Real Estate	\$159.77	32.32%	\$162.92	32.88%	\$3.14	1.97%
Other Real Estate	\$84.37	17.07%	\$84.67	17.09%	\$0.30	0.35%
Leases Rec & All Other	\$24.96	5.05%	\$24.67	4.99%	-\$0.29	-1.15%
Total Loans	\$494.35		\$495.44		\$1.09	0.22%

Loan demand slowed for the first quarter of 2007 with total loans increasing only \$1.09 billion, causing the loan to share ratio to decline to 79.10% for March 31, 2007. The growth was again fueled by first mortgages and other real estate loans. Real estate loans comprise the largest portion of total loans at 49.97%, followed by vehicle loans at 35.36%. Fixed rate first mortgages increased \$2.25 billion (2.48%), adjustable rate first mortgages decreased \$0.28 billion (-1.03%), and balloon/hybrid first mortgages increased \$1.18 billion (2.85%), during the first three months of 2007.

DELINQUENCY TRENDS

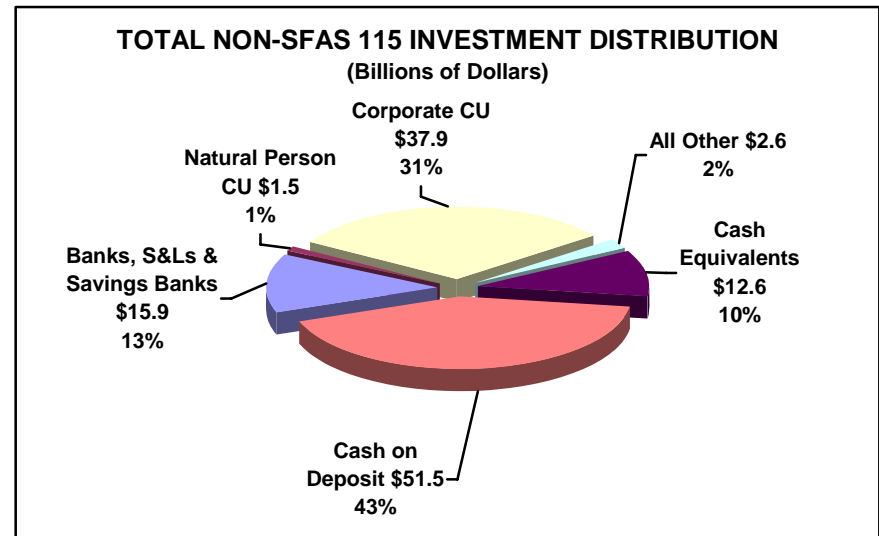
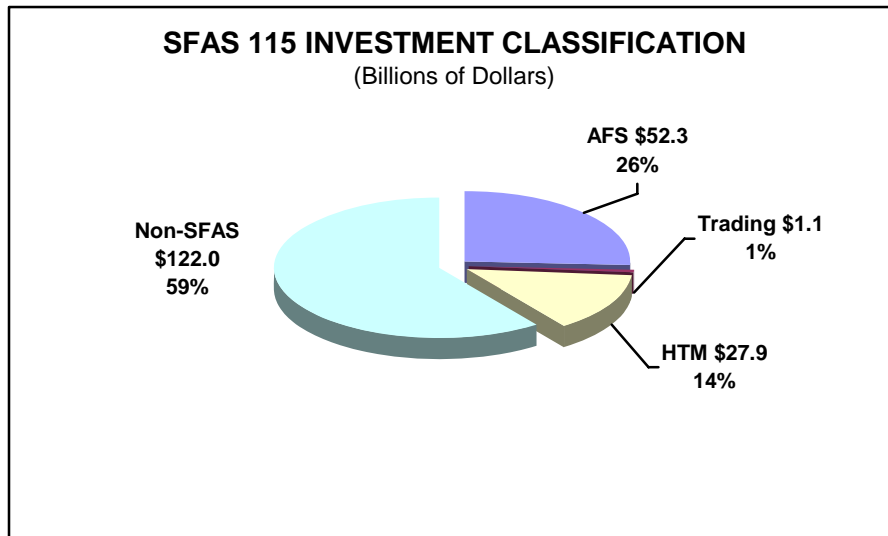


Charge-Offs and Recoveries	December 2006 In Billions	March 2007 In Billions (Annualized)	% Change Annualized
Loans Charged Off	\$2.68	\$2.75	2.84%
Recoveries	\$0.51	\$0.56	10.10%
Net Charge-Offs	\$2.16	\$2.19	1.11%



The quality of the loan portfolio remains strong, as reflected in the decrease in delinquent loans to total loans from 0.68% at the end of 2006 to 0.62% as of March 31, 2007. During the same period, the average net charge-off ratio declined from 0.45% to 0.44%. Total delinquent real estate loans greater than 1 month declined 5.35% (\$129.3 million) allowing the real estate delinquency ratio greater than 1 month to decline from 0.99% at year-end 2006 to 0.92% as of March 31, 2007.

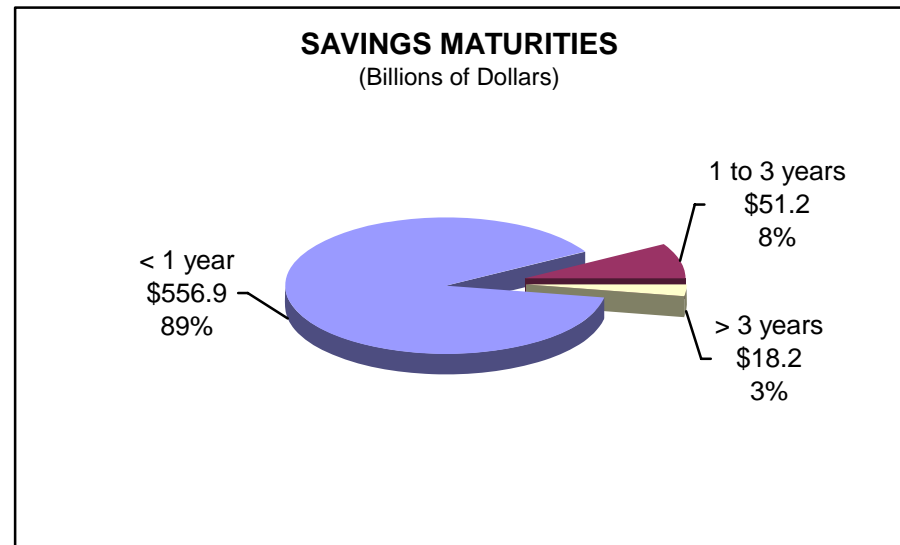
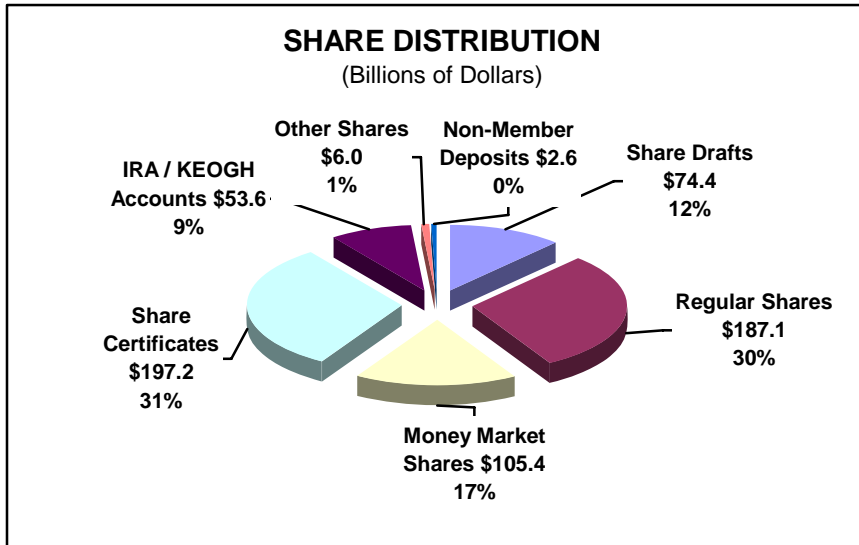
INVESTMENT TRENDS



Investment Maturity or Repricing Intervals	December 2006 In Billions	% of Total Investments 2006	March 2007 In Billions	% of Total Investments March 2007
Less than 1 year	\$105.81	58.94%	\$127.80	62.86%
1 to 3 years	\$51.97	28.95%	\$52.48	25.81%
3 to 5 years	\$14.44	8.05%	\$15.31	7.53%
5 to 10 years	\$5.17	2.88%	\$5.49	2.70%
Greater than 10 years	\$2.11	1.18%	\$2.23	1.10%
Total Investments	\$179.50		\$203.31	

Strong share demand which outpaced loan growth increased the amount of funds available for investment. 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. Currently 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, 85.3% are in U.S. Government or Federal Agency Securities.

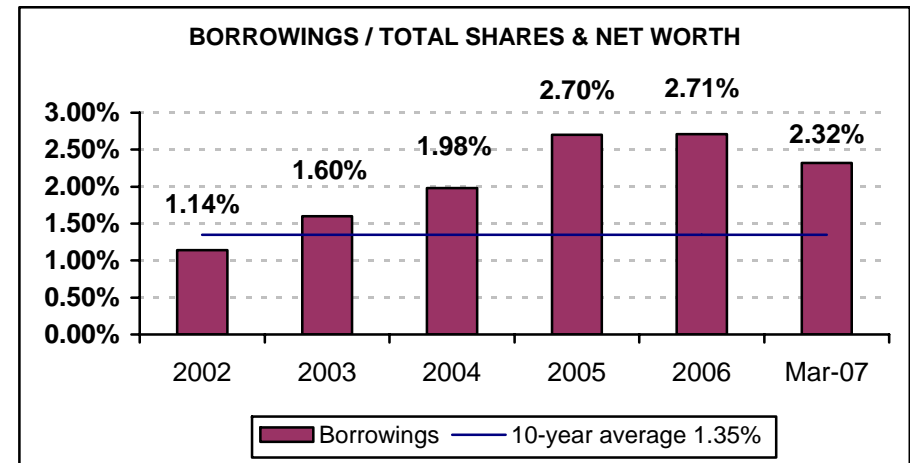
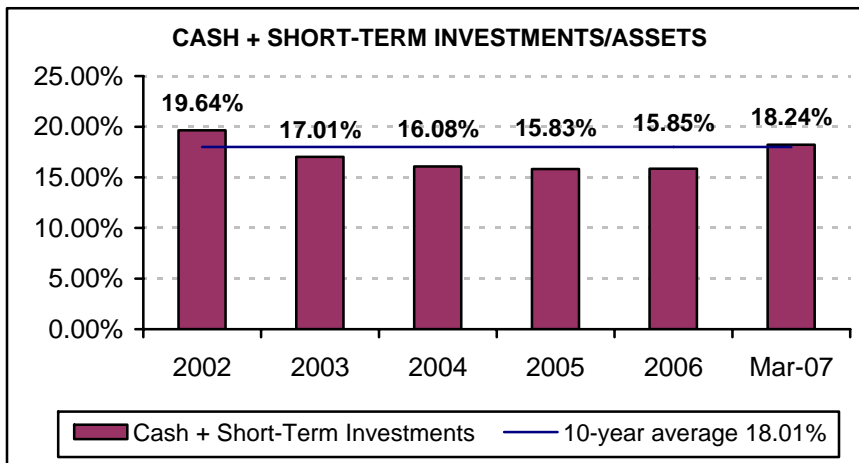
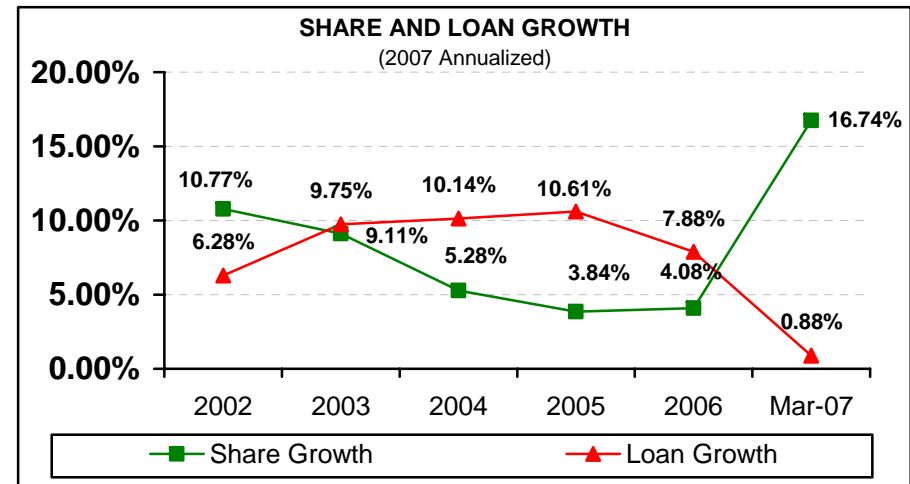
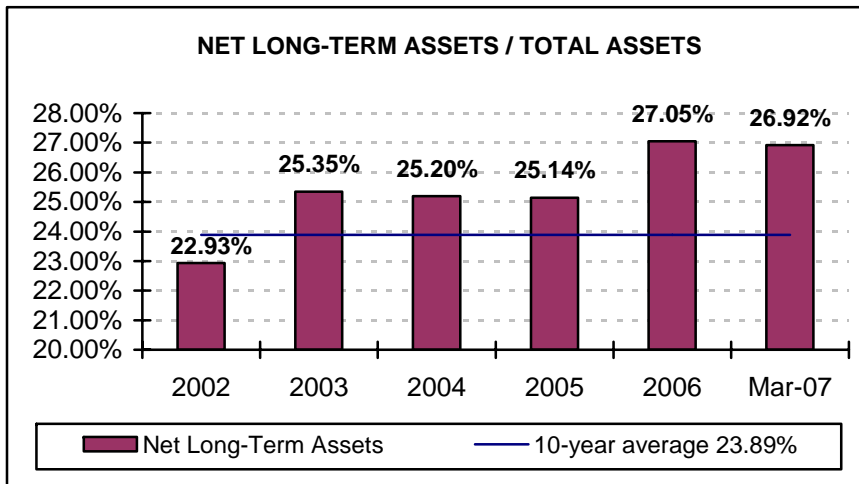
SHARE TRENDS



Share Category	2006 Balance In Billions	% of Total Shares 2006	March 2007 Balance In Billions	% of Total Shares Mar 2007	Growth In Billions	Growth Rate
Share Drafts	\$70.15	11.67%	\$74.42	11.88%	\$4.26	6.08%
Regular Shares	\$181.25	30.15%	\$187.14	29.88%	\$5.88	3.24%
Money Market Shares	\$100.46	16.71%	\$105.40	16.83%	\$4.94	4.92%
Share Certificates	\$188.91	31.42%	\$197.20	31.48%	\$8.30	4.39%
IRA / KEOGH Accounts	\$52.03	8.65%	\$53.58	8.55%	\$1.55	2.98%
All Other Shares	\$5.56	0.93%	\$6.00	0.96%	\$0.45	8.01%
Non-Member Deposits	\$2.83	0.47%	\$2.61	0.42%	-\$0.22	-7.70%
Total Shares	\$601.19		\$626.35		\$25.16	4.19%

Total shares grew 4.19% (\$25.16 billion) in the first three months of 2007. Strong growth in share drafts, money market shares, and certificates accounted for the majority of the growth. Total share certificates continue to be the largest category exceeding regular shares for the second consecutive quarter.

ASSET LIABILITY MANAGEMENT TRENDS



Credit unions hold adequate levels of liquidity and the 18.24% of total assets held in cash and short-term investments is above the 10-year average of 18.01%. When combined with the decrease in the loan to share ratio, this may indicate decreasing liquidity pressure for individual credit unions. Net long-term assets of 26.92% are above the 10-year average of 23.89%, due to the strong real estate loan growth. Credit unions with higher levels of liquidity risk or interest rate risk should continue to 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	3713	3373	923	296
Total Assets	\$13.86 billion	\$116.25 billion	\$200.48 billion	\$403.72 billion
Average Assets (non dollar-weighted)	\$3.73 million	\$34.47 million	\$217.20 million	\$1.36 billion
Net Worth/Total Assets	16.11%	12.85%	11.55%	10.60%
Average Net Worth (non dollar-weighted)	17.46%	13.44%	11.53%	10.99%
Net Worth Growth	-11.00%	-1.12%	0.12%	12.40%
Return on Average Assets	0.61%	0.59%	0.71%	0.79%
Net Interest Margin/Average Assets	4.23%	3.72%	3.33%	2.75%
Fee & Other Income/Average Assets	0.66%	1.17%	1.41%	1.21%
Operating Expense/Average Assets	4.07%	4.08%	3.79%	2.87%
Members / Full-Time Employees	443.43	400.63	350.70	390.49
Provision for LLL/Average Assets	0.26%	0.25%	0.28%	0.32%
Loans/Shares	70.09%	71.54%	78.52%	81.90%
Delinquent Loans/Total Loans	2.03%	0.97%	0.66%	0.47%
% of Real Estate Lns Delinquent > 2 Mths	0.98%	0.59%	0.44%	0.24%
Net Charge-Offs/Average Loans	0.45%	0.43%	0.44%	0.45%
Share Growth	-7.57%	8.86%	10.74%	23.11%
Loan Growth	-22.82%	-11.34%	-6.30%	8.49%
Asset Growth	-8.94%	6.28%	7.59%	19.90%
Membership Growth (not annualized)	-4.47%	-1.50%	-0.86%	3.00%
Net Long-Term Assets/Total Assets	7.96%	20.61%	27.69%	29.00%
Cash + Short-Term Invest./Assets	31.79%	23.34%	17.56%	16.64%
Borrowings/Shares & Net Worth	0.17%	0.45%	1.71%	3.26%

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 asset group. 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 three months of 2007.