FINANCIAL TRENDS IN FEDERALLY INSURED CREDIT UNIONS

January 1, 2002 to September 30, 2002

HIGHLIGHTS

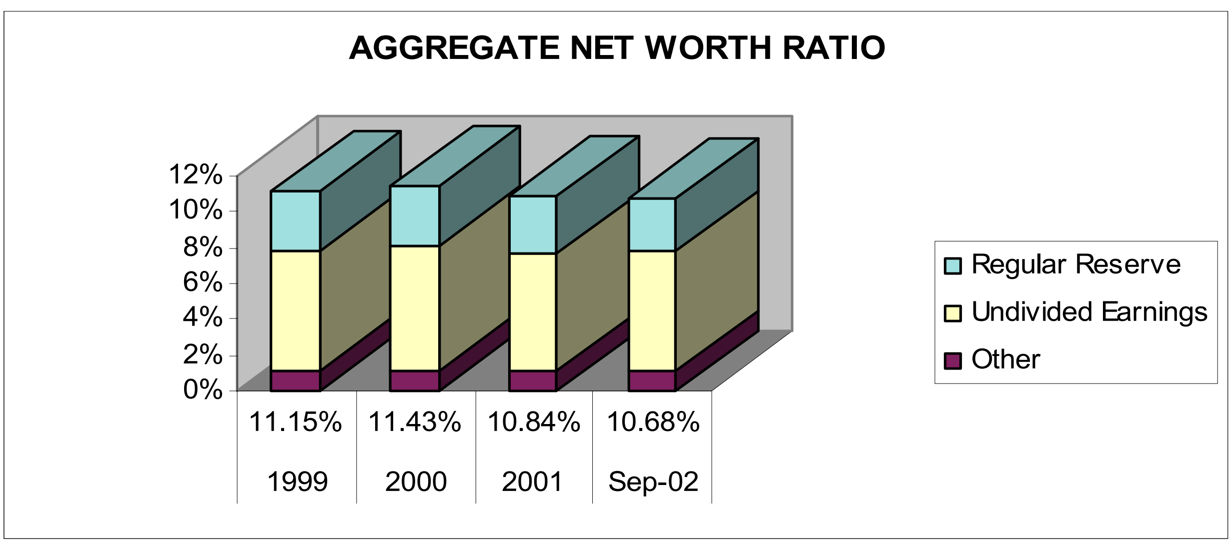
This report summarizes the trends of all federally insured credit unions that reported as of September 30, 2002. This cycle marks the first quarterly reporting of all federally insured credit unions.

Key financial indicators are noted below:[1]

- **Assets** increased $46.8 billion or 9.33%.
- **Capital:** Net worth increased $4.2 billion or 7.76%, while the net worth to assets ratio decreased to 10.68%.
- **Loans** increased $18.0 billion or 5.60%.
- **Shares** increased $40.1 billion or 9.18%. The loan-to-share ratio decreased to 71.34%.
- ***Cash management accounts***, *(cash on hand*, *cash on deposit*, *cash equivalents*,) plus short-term investments (less than 1 year) increased $11.6 billion or 12.82%.
- **Long-term investments (over 1 year)** increased $13.9 billion or 20.84%.
- **Profitability** increased with a 1.09% return on average assets ratio.
- **Delinquent** loans as a percentage of total loans declined from the year-end 2001 level of 0.82% to 0.78%, while **net charge-offs** increased from 0.46% to an annualized 0.50% of average loans.

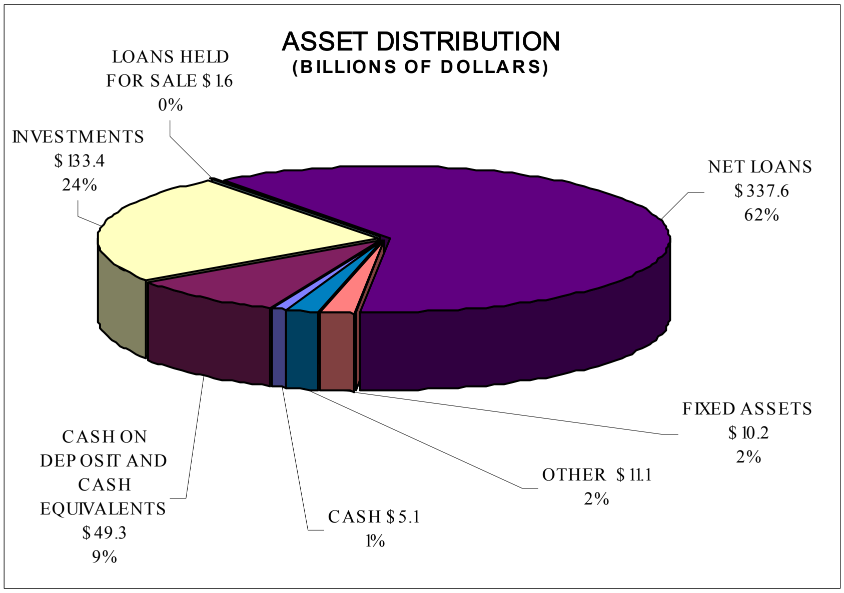
CAPITAL

Total net worth increased $4.2 billion or 7.76% during the nine months of 2002. The aggregate net worth to total assets ratio decreased from 10.84% at the end of 2001 to 10.68% as of September 30, 2002, as asset growth outpaced net worth growth. The average net worth ratio among individual credit unions decreased from 13.74% at the end of 2001 to 13.36% as of September 30, 2002.



1. *Unless otherwise indicated, all percent changes are year-to-date, and are not annualized.*

ASSET QUALITY

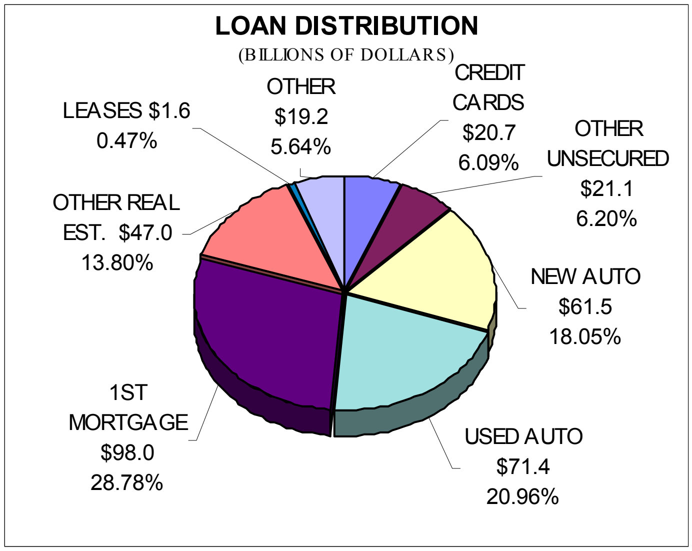


LOAN TRENDS: Total loans increased $18.0 billion or 5.60% through the third quarter of 2002. All loan categories except *Unsecured Credit Card Loans* and *All Other Unsecured Loans* increased. Growth in the various categories was as follows:

- Unsecured credit card loans decreased $0.9 billion or 4.35%;
- All other unsecured loans decreased $0.7 billion or 3.15%;
- New auto loans increased $1.2 billion or 2.01%;
- Used auto loans increased $5.0 billion or 7.56%;
- First mortgage real estate loans increased $8.9 billion or 9.93%;
- Other real estate loans increased $4.4 billion or 10.34%;
- Leases receivable increased $0.1 billion or 5.15%; and
- All other loans increased $2.0 billion or 11.56%.

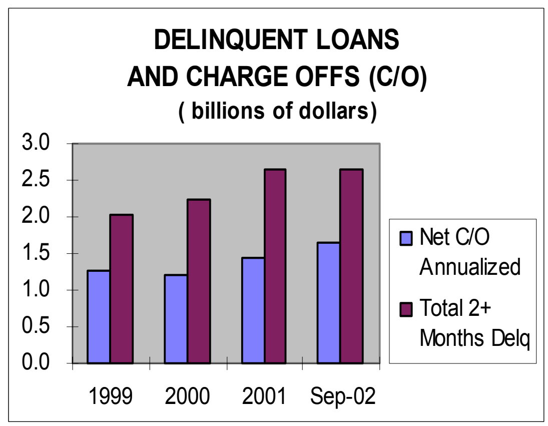
First mortgage real estate loans in the amount of $98.0 billion account for 28.78% of total loans. Used automobile loans comprise the second largest loan category with $71.4 billion or 20.96% of total loans. New automobile loans make up the third largest loan category with $61.5 billion or 18.05% of total loans. Other real estate loans are the fourth largest loan category with $47.0 billion or 13.80% of total loans. These four loan categories account for 81.60% of the total loan portfolio.

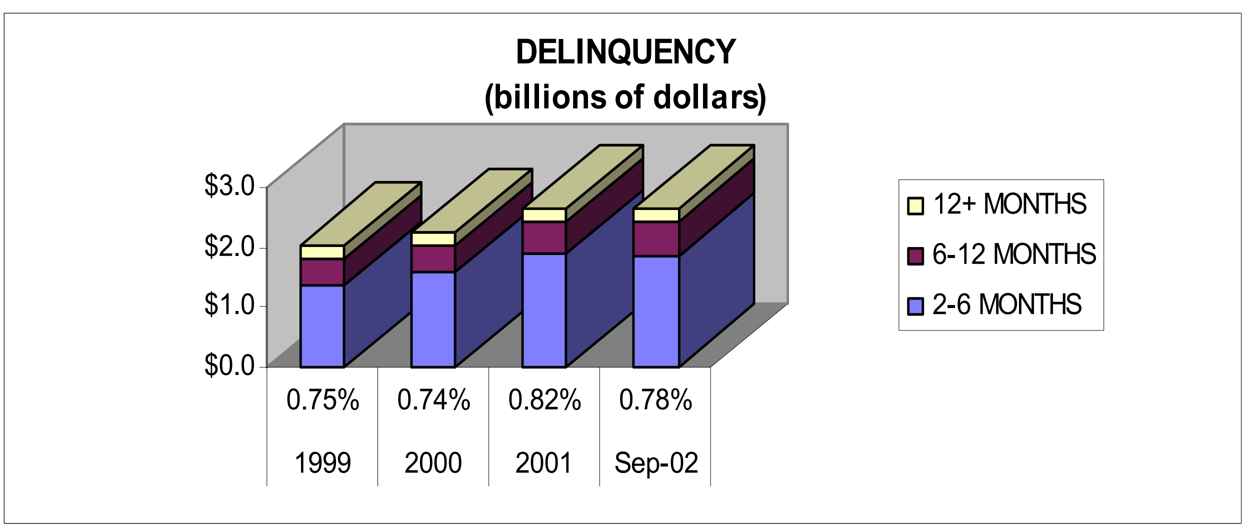
Annualized loan growth was 7.44% while shares grew at an annualized rate of 12.21%, resulting in a loan-to-share ratio of 71.34%.



DELINQUENCY TRENDS: Delinquent loans decreased $3.7 million or 0.14% through September 30, 2002, and the delinquent loans to total loans ratio declined from 0.82% at the end of 2001 to 0.78%.

The net charge-off loans to average loans ratio increased from the year-end rate of 0.46% to an annualized rate of 0.50%, compared to the same period last year. Charge-off loan dollars increased 14.42% since year-end 2001, and recoveries increased 7.51%.





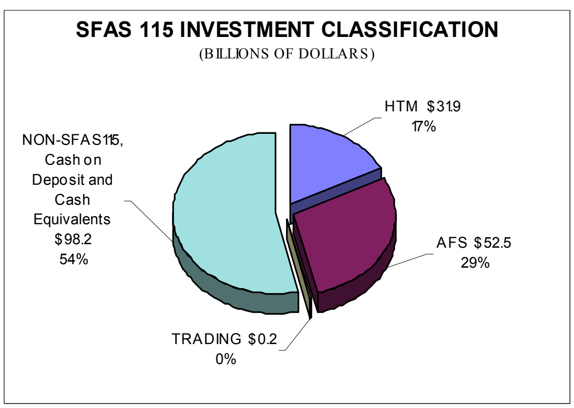
INVESTMENT TRENDS: Total investments increased $21.4 billion or 19.14% through the third quarter of 2002.

Cash management accounts increased $3.9 billion or 7.63%. The combined categories of *cash management accounts*, plus investments with maturities of less than one year increased $11.6 billion or 12.82% through the third quarter of 2002.

Investments with maturities greater than a year increased $13.9 billion or 20.84% with the majority of growth in the one-to-three year maturity range.

Investment Maturity or Repricing Interval	% of Total Investments 12/2001	% of Total Investments 09/2002
Less than 1 year	57.57%	55.89%
1 to 3 years	28.09%	31.14%
3 to 10 years	13.12%	11.93%
Greater than 10 yrs	1.23%	1.06%

The increase in investments with maturities greater than one-year is consistent with the higher increase in total investments compared to the cash management accounts.



Non-SFAS 115 Investments increased from $85.5 billion to $98.2 billion ($12.7 billion or 14.81%). *Held to Maturity* investments increased from $27.3 billion to $31.9 billion ($4.5 billion or 16.65%). *Available for Sale* investments increased from $44.1 billion to $52.5 billion ($8.3 billion or 18.91%). *Trading Securities* decreased from $294.2 million to $247.8 million ($46.5 million or 15.79%).

As of September 30, 2002, *Held to Maturity* and *Available for Sale* investments made up 46% of the investment portfolio (17% and 29%, respectively), while *non-SFAS 115 Investments, Cash on Deposit,* and *Cash Equivalents* accounted for 54% of the portfolio (a small amount was classified as *Trading*).

EARNINGS

The large growth in deposits and modest loan growth experienced since 2001, coupled with a low interest rate environment, has significantly reduced the gross income to total assets ratio. Adjustments to the cost of funds, along with a reduction in operating expenses in relation to average assets, contributed to a 15 basis point increase to the return on average assets, as noted in the following table.

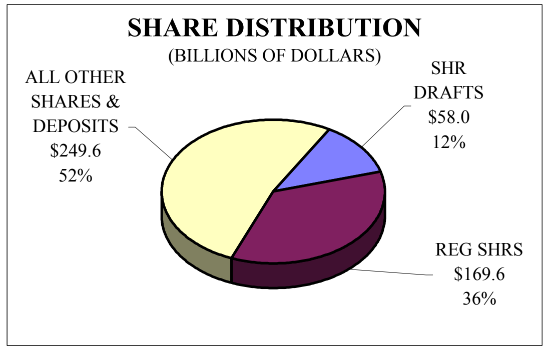
Ratio	As of 12/2001	As of 09/2002	Effect on ROA
Gross Income	7.96%	6.99%	- 97 bp
- Cost of Funds	3.36%	2.35%	+101 bp
- Operating Expenses	3.36%	3.24%	+ 12 bp
- Provision for Loan & Lease Losses	0.34%	0.34%	0 bp
+ Non-Operating Income	0.04%	0.03%	- 1 bp
= Return On Assets	0.94%	1.09%	

ASSET/LIABILITY MANAGEMENT

LONG-TERM ASSET TRENDS: Long-term assets as a percentage of total assets have reversed the upward trend noted since the end of 2001. Long-term assets, which are primarily investments having maturities or repricing intervals greater than 3 years and real estate loans having maturities or repricing intervals greater than 5 years, equaled 22.78% of total assets as of September 30, 2002, compared to 23.07% at year-end. The decrease in long-term assets is primarily due to a decrease in longer term investments.

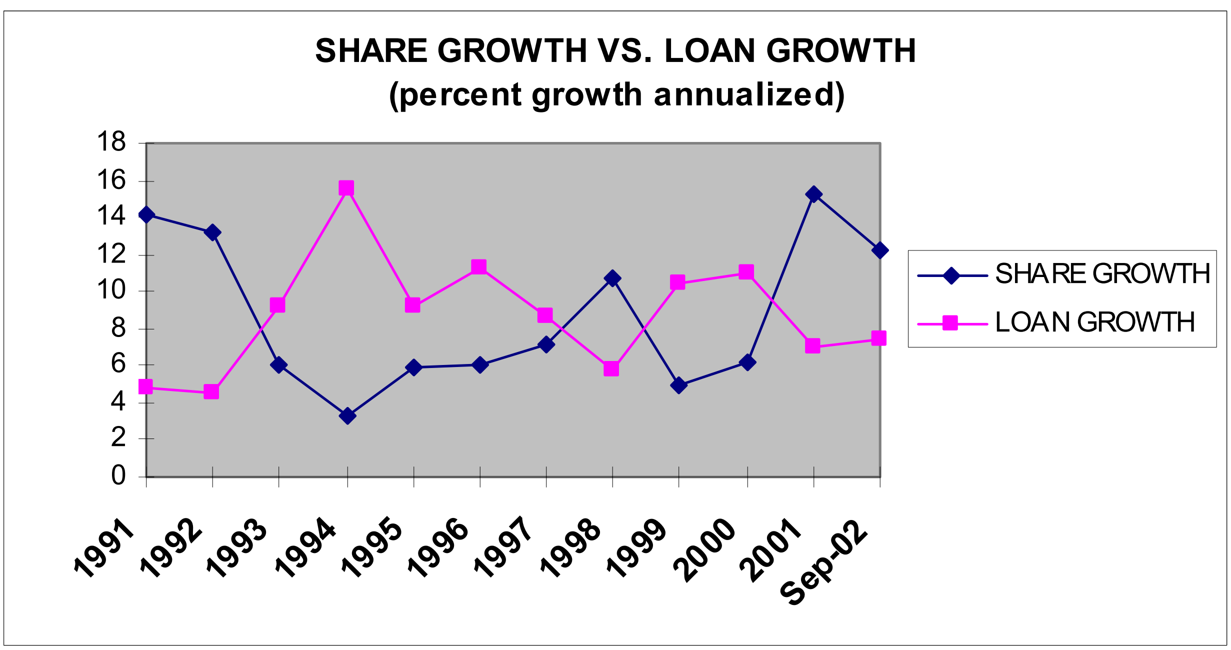
SHARE TRENDS: Total shares increased $40.1 billion or 9.18% through the third quarter of 2002. Growth rates for the various share categories are as follows:

- Share drafts -- increased $3.8 billion or 7.10%;
- Regular shares -- increased $20.2 billion or 13.53%;
- All other shares and deposits -- increased $16.1 billion or 6.88%.



OVERALL LIQUIDITY TRENDS: At the end of the third quarter of 2002, credit unions held 19.56% of total assets in cash and short-term investments. This is consistent with the credit unions' average historic level of approximately 20% of assets. Borrowings increased from $5.1 billion at the end of 2001 to $6.8 billion at September 2002.

Annualized Share growth of 12.21% remained higher than the annualized loan growth of 7.44%. This continues the reversal noted last year when the rate of loan growth exceeded the rate of share growth. However, the difference between the rates of growth has decreased.



The trends for the first nine months of 2002 exhibit the significant share growth as noted throughout 2001. Loan growth remains modest in comparison resulting in increased levels of cash and investments. Liquidity has increased as evidenced by the decline in the loan-to-share ratio from 73.77% at year-end to 71.34%.

Credit union trends are beginning to indicate a change as the rate of growth in shares is slowing and the rate of growth in loans is increasing, possibly moving towards a reversal of current trends. The credit union industry has adjusted over the past year to address the inflow of shares and declining yield on assets and is encouraged to remain vigilant for changing economic conditions.