FINANCIAL TRENDS IN FEDERALLY INSURED CREDIT UNIONS
January 1 – June 30, 2010
HIGHLIGHTS

This report summarizes the trends of all federally insured credit unions that reported as of June 30, 2010. Change is measured from December 31, 2009.[1]

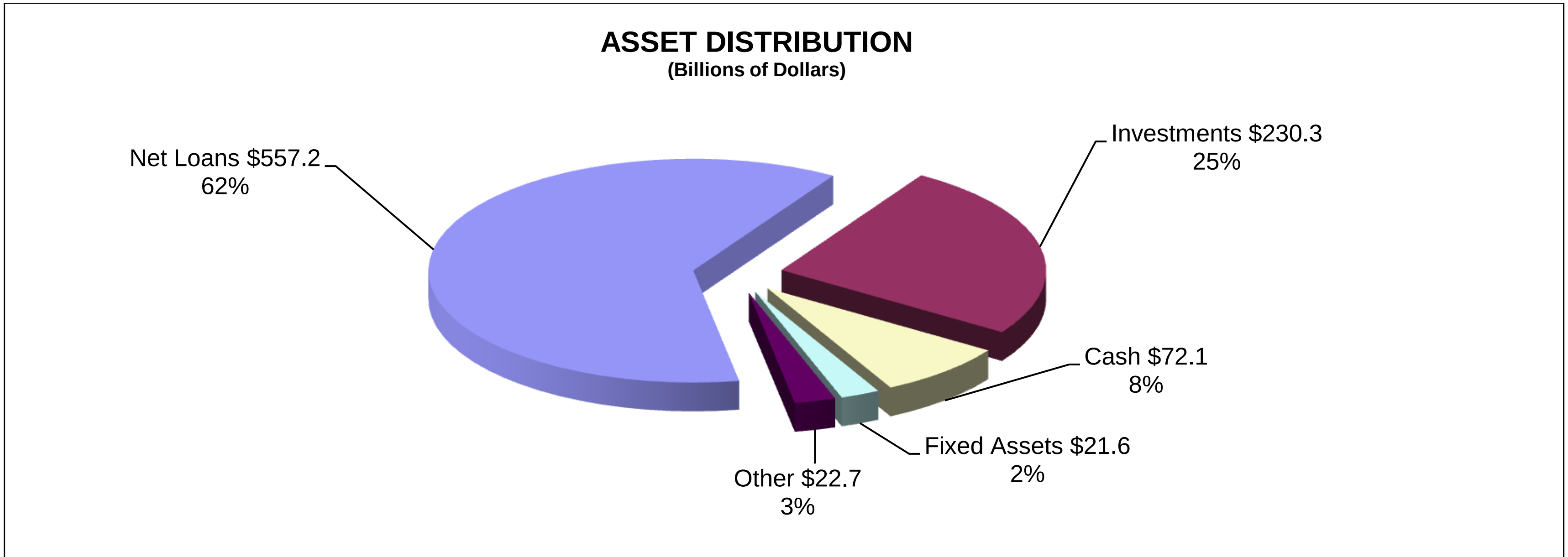
Number of Credit Unions Reporting		
	Federal CUs	State CUs
2006	5,189	3,173
2007	5,036	3,065
2008	4,847	2,959
2009	4,714	2,840
June 2010	4,650	2,795

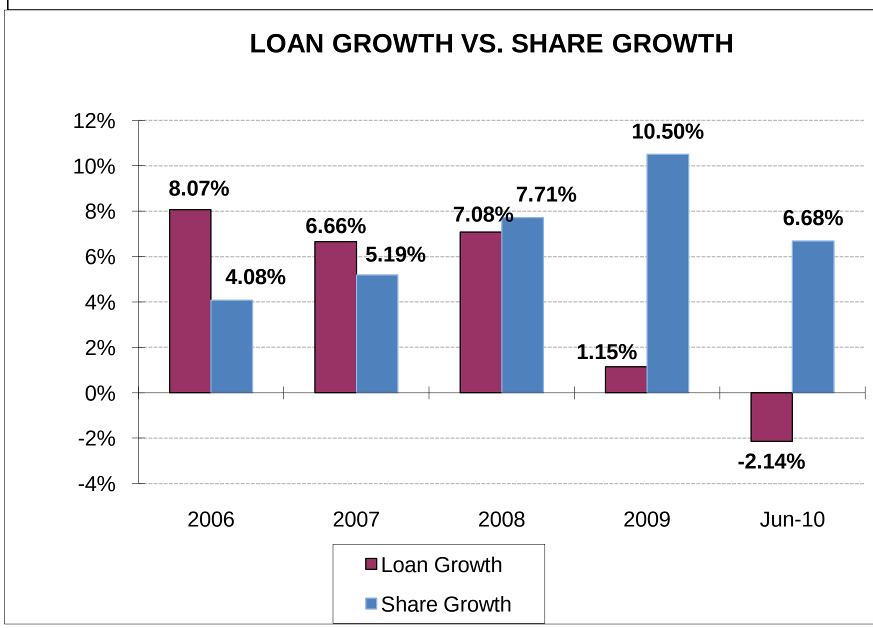
- **Assets** increased $19.31 billion, or 4.37% annualized. Total assets of federally insured credit unions totaled $903.9 billion.
- **Net Worth** dollars increased $1.76 billion, or 4.01% annualized. The net worth to assets ratio decreased slightly from 9.90% to 9.88%.
- **Earnings** as measured by the return on average assets increased from 0.18% to an annualized 0.41%.[2]
- **Loans** declined $6.11 billion, or -2.14% annualized. The loan to share ratio decreased from 76.07% to 72.82%. The new vehicle loan and leases receivable categories had the largest decline.
- **Delinquent** loans as a percentage of total loans declined from 1.83% to 1.73%. Delinquent real estate loans as a percentage of total real estate loans increased from 1.99% to 2.01%, while delinquent business loans to total business loans increased from 3.70% to 4.04%.
- **Net Loan Charge-Offs** as a percent of average loans decreased from 1.21% to 1.16%.
- **Shares** increased $25.15 billion, or 6.68% annualized. The largest growth in share dollars was in regular shares followed by money market shares.
- **Current members** increased by 0.57 million, or 1.27% annualized.

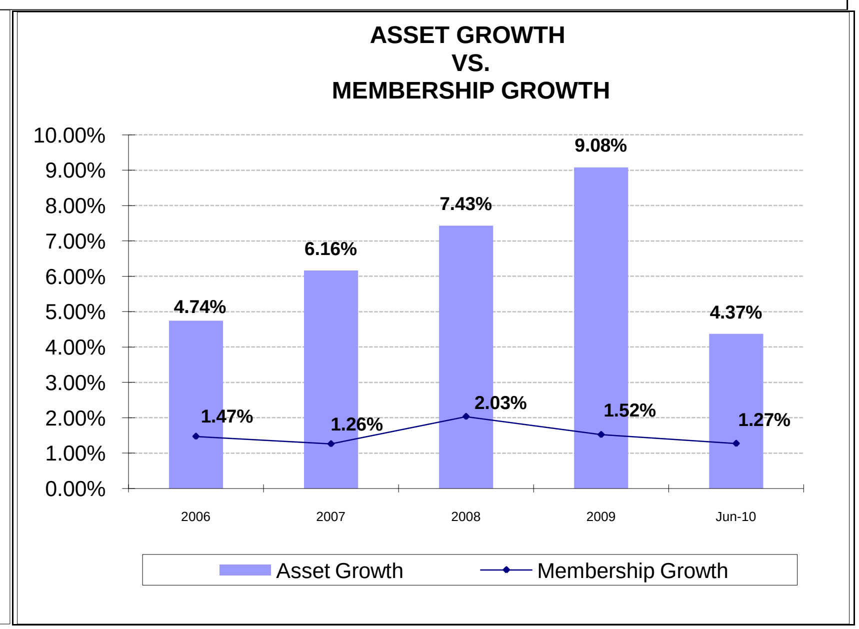
Federally insured credit unions reported improved earnings performance and overall declining loan delinquency. Continued caution will be necessary with declining loan volume and increasing foreclosures and loan modifications. Real estate delinquency and member business loan delinquency continue to be high and increasing. Persistent vigilance in underwriting and sound asset-liability management practices will be essential.

[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] Approximately 1,014 federally insured credit unions did not report the corporate stabilization assessment as a separate line item on the June 30, 2010 call report. However, the aggregate assessment was only under-reported by $2.5 million. Although individual credit union earnings may be slightly overstated if the assessment was not recognized, the aggregate return on average assets is accurate.

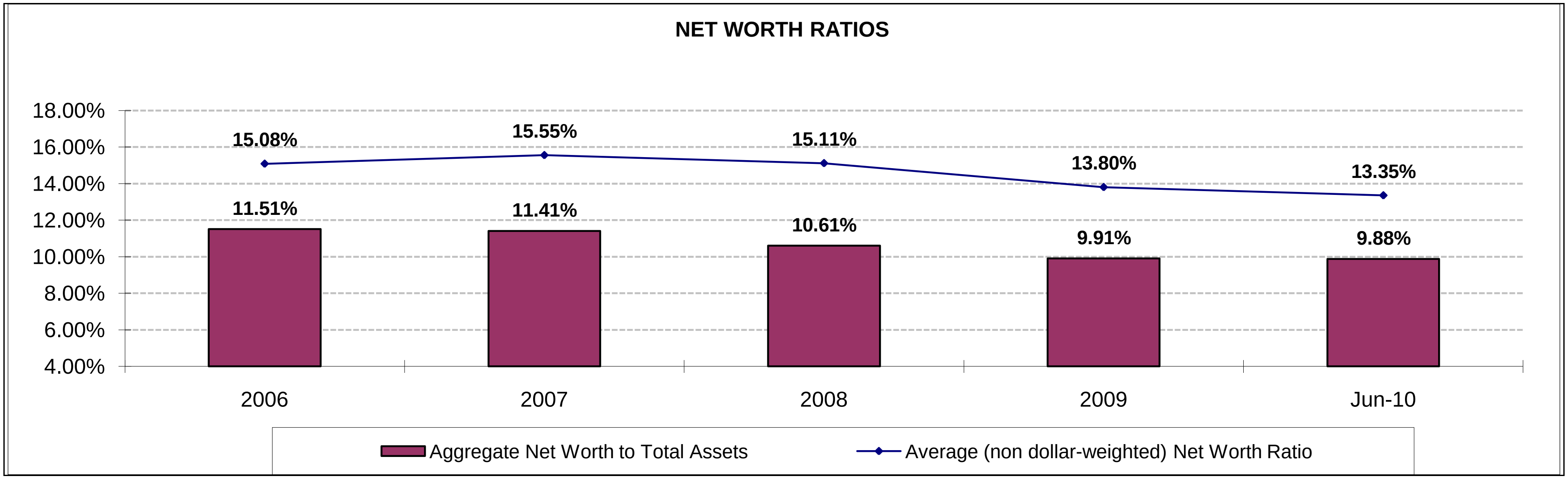
OVERALL TRENDS







NET WORTH

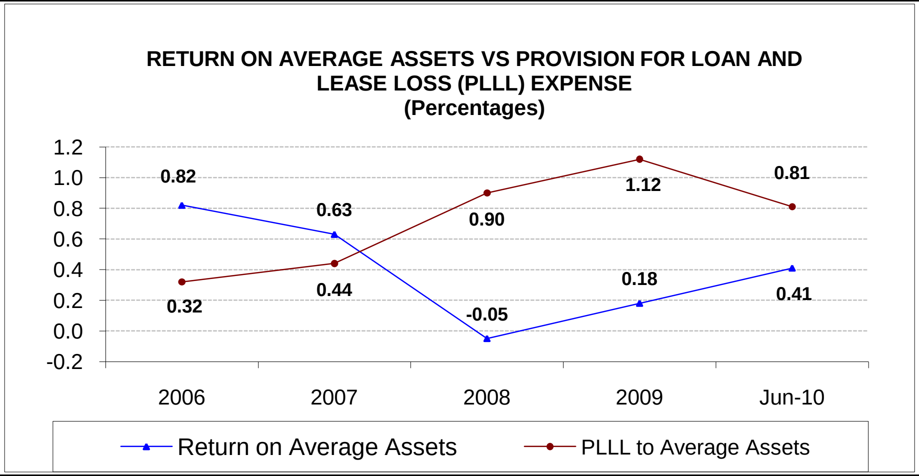


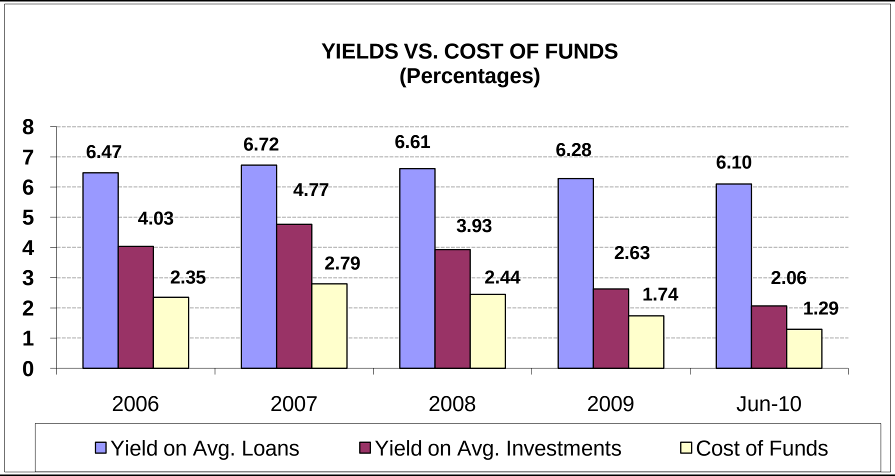
	December 2009 In Billions	**June 2010** In Billions	**% Change** (Annualized)
Total Net Worth	$87.6	$89.3	3.88%
Secondary Capital	$.079	$.088	22.78%

NET WORTH RATIOS				
Number of Credit Unions	**December 2009**	**% of Total**	**June 2010**	**% of Total**
7% or above	7,154	94.70%	6,996	93.97%
6% to 6.99%	223	2.95%	267	3.59%
4% to 5.99%	127	1.68%	135	1.81%
2% to 3.99%	33	0.44%	32	0.43%
0% to < 2.00%	8	0.11%	6	0.08%
Less than 0%	9	0.12%	9	0.12%

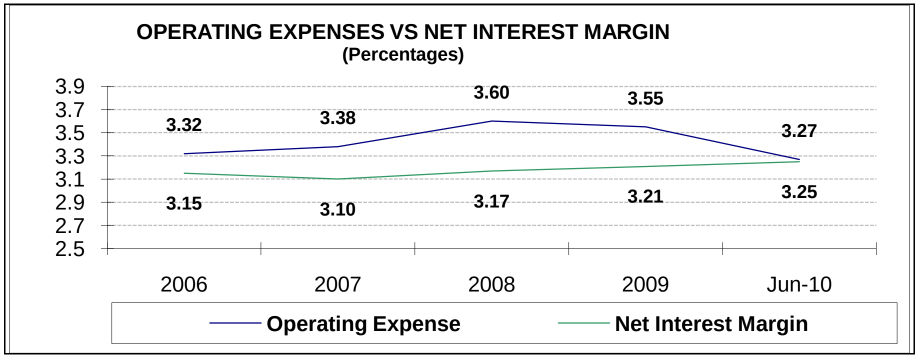
Net worth dollars increased by $1.76 billion, or 4.01% during the first six months of 2010, while the aggregate net worth ratio declined slightly to 9.88%. Increased net worth dollars did not keep pace with share growth. The number of credit unions subject to Prompt Corrective Action, as a percentage of total credit unions, increased from 5.30% as of December 31, 2009 to 6.03% as of June 30, 2010, indicating increased stress on individual credit unions from the current economic environment. At December 31, 2008, only 2% of credit unions were subject to Prompt Corrective Action.

EARNINGS





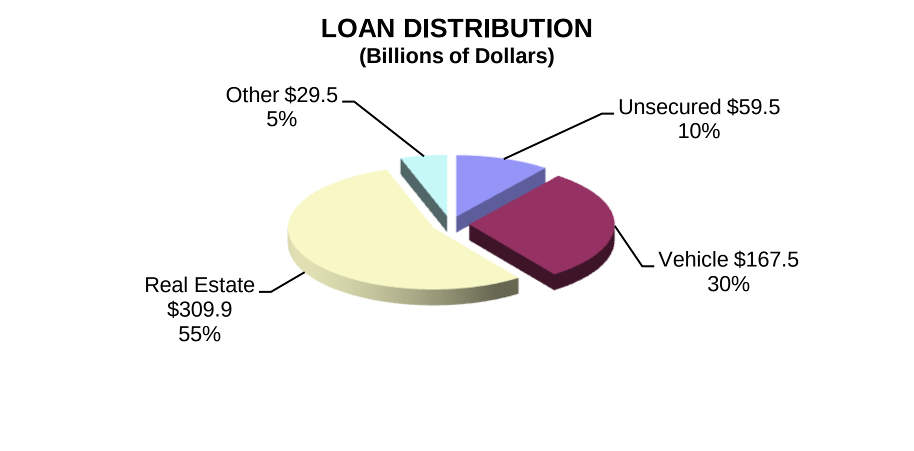
Ratio (% Average Assets)	2009	June 2010	Effect on ROA
Net Interest Margin	3.21%	3.25%	+4bp
+ Fee & Other Inc.	1.36%	1.26%	-10bp
- Operating Expenses*	3.55%	3.27%	+28bp
- PLLL	1.12%	0.81%	+31bp
+ Non-Operating Income*	0.28%	-0.02%	-30bp
= ROA	0.18%	0.41%	+23bp

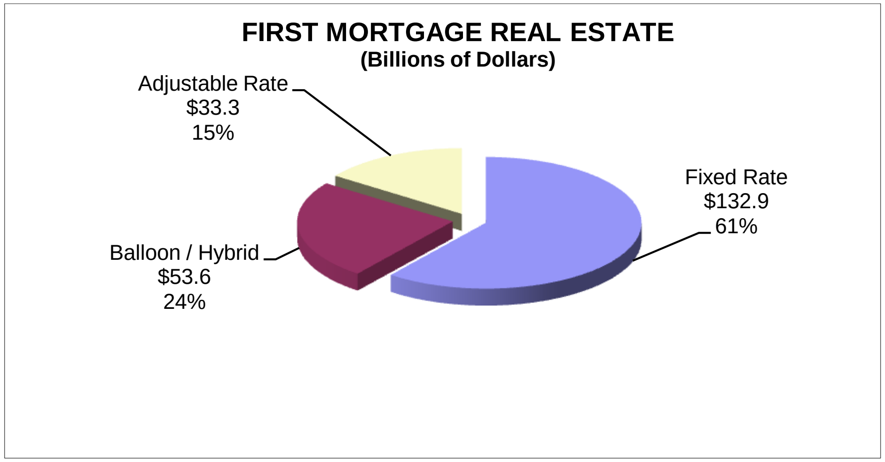


*Reflects income and expenses associated with Corporate Stabilization Efforts

A decline in Provision for Loan and Lease Loss expense largely contributed to the increase in the Return on Average Assets for the first six months of 2010. The net interest margin increased slightly as decline in the cost of funds was greater than the decline in loan yield. Operating expenses increased slightly, as this includes the effect of the Corporate Stabilization assessment approved in June 2010.

LOAN DISTRIBUTION

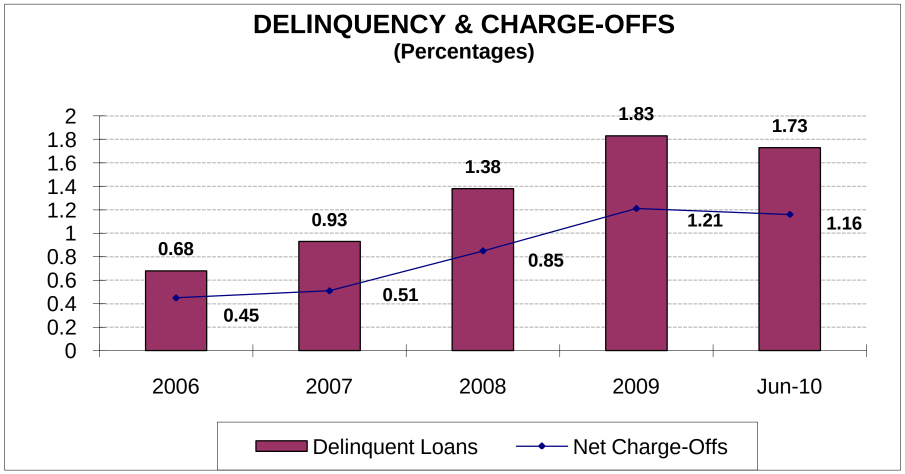


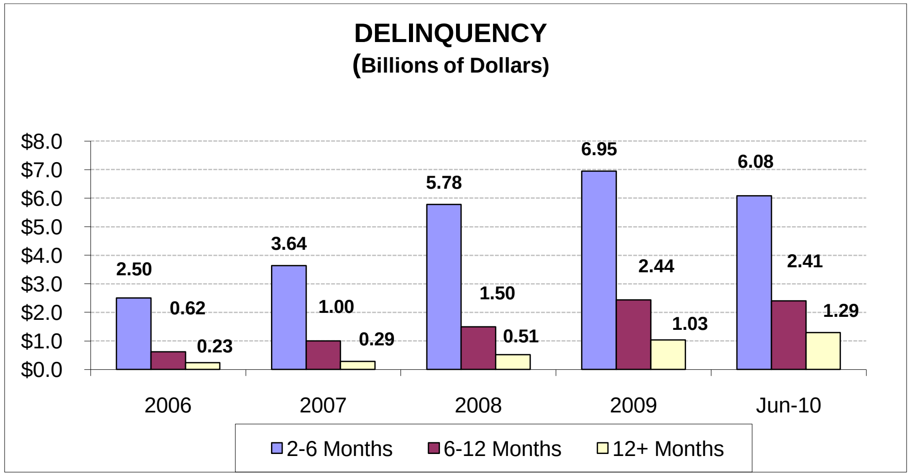


Loan Category	**December 2009 Balance** In Billions	**% of Total Loans 2009**	**June 2010 Balance** in Billions	**% of Total Loans June 2010**	**Growth** In Billions	**Growth Rate**
Unsecured Credit Card	$34.86	6.09%	$34.43	6.08%	-$0.43	-1.2%
All Other Unsecured	$25.55	4.46%	$25.01	4.42%	-$0.52	-2.1%
New Vehicle	$75.26	13.15%	$68.01	12.01%	-$7.25	-9.6%
Used Vehicle	$98.13	17.14%	$99.52	17.57%	$1.38	1.4%
First Mortgage Real Estate	$217.16	37.93%	$219.83	38.81%	$2.61	1.2%
Other Real Estate	$92.44	16.15%	$90.08	15.09%	-$2.31	-2.5%
Leases Receivable & All Other	$29.10	5.08%	$29.52	5.21%	$0.41	1.4%
Total Loans	**$572.50**		**$566.40**		**-$6.11**	**-1.07%**

Loans declined by $6.11 billion during the first half of 2010. This decline, coupled with strong share growth, resulted in a decline in the loan to share ratio to 72.82%, the lowest since 2004. Only three loan categories had positive growth and it was minimal. Real estate loans continue to comprise the largest portion of total loans at 55%, followed by vehicle loans at 30%. Maintaining positive growth while ensuring loans are granted safely and soundly will continue to be a challenge in the current economic environment.

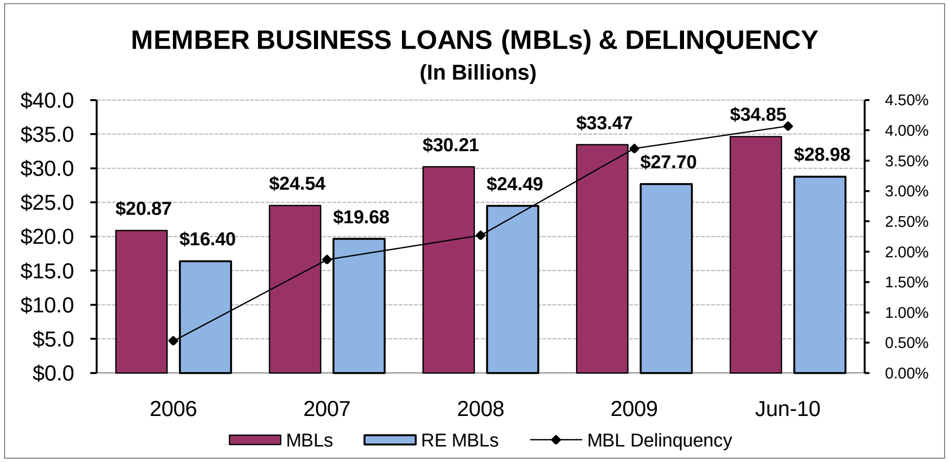
LOAN AND DELINQUENCY TRENDS





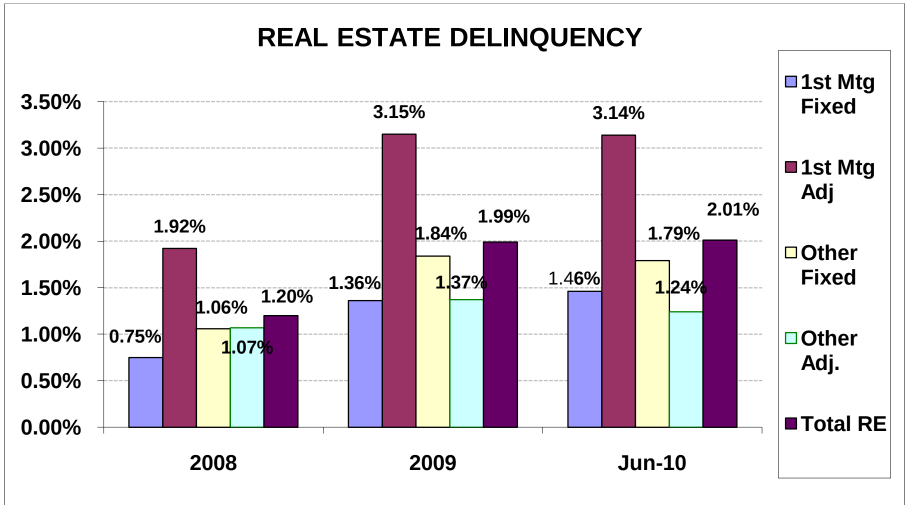
Total Loan Charge-Offs and Recoveries	December 2009 In Billions	June 2010 In Billions	% Change
Total Loans Charged Off*	$7.62	$7.43	-2.49%
Total Loan Recoveries*	$0.72	$0.86	19.44%
Total Net Charge-Offs	$6.89	$6.58	-4.50%

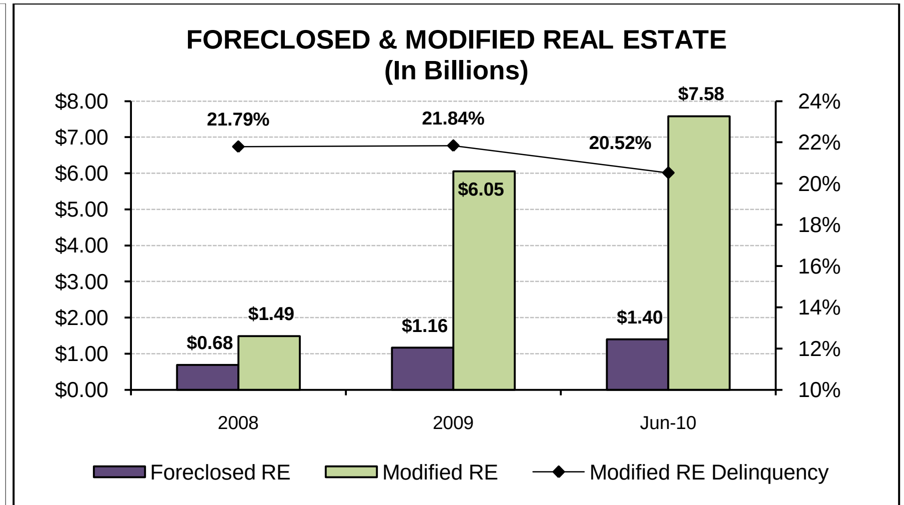
*Annualized

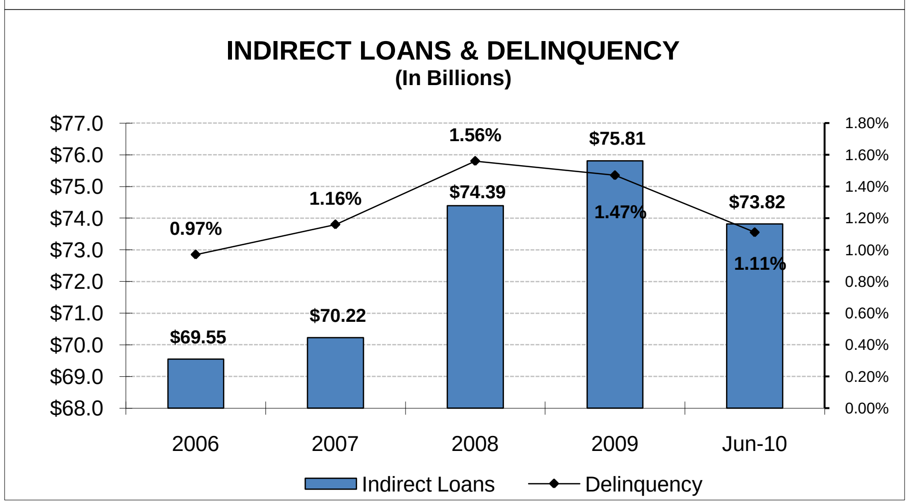


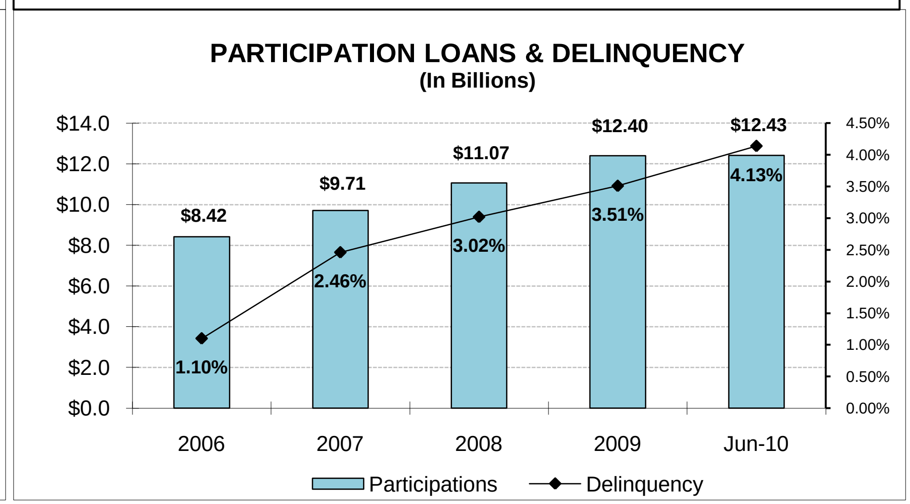
Overall delinquent dollars declined by $720 million and net charge-offs decreased by 4.5% (annualized) in the first half of 2010. This is encouraging, but it should also be noted that member business loan (MBL) delinquency has increased by $172 million, or 14%, in the first six months of 2010. This follows an 81% increase in 2009. Net charge-offs in this category have increased from 0.65% to 0.76% (annualized). Credit unions engaged in this type of lending must closely monitor these trends and employ sound risk management, underwriting and collections practices.

LOAN AND DELINQUENCY TRENDS (continued)





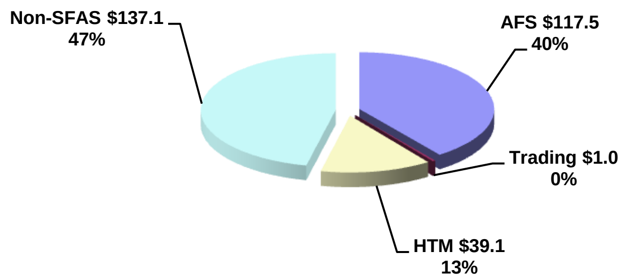




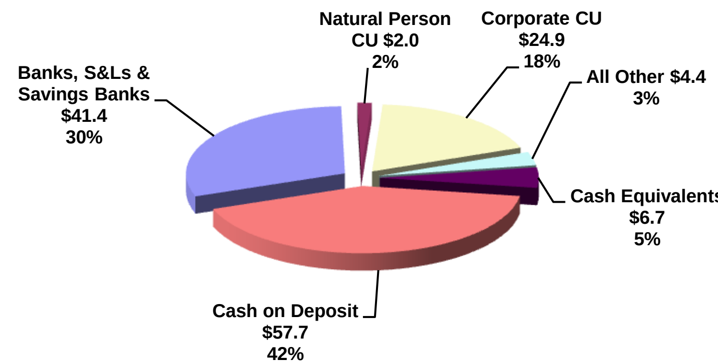
Total real estate loan delinquencies inched up slightly, from 1.99% to 2.01% in the first six months of 2010, while net charge-offs are on pace to exceed 2009 levels by 13%. Foreclosed real estate increased by $234 million and modified real estate loans increased by $1.53 billion. As of June 30, 2010, credit unions held $7.58 billion in modified real estate loans, with these loans reporting a delinquency ratio of 20.52%. In addition, participation loan delinquency increased by $80 million. All these factors indicate credit risk is still an area that requires the full attention of credit union management.

INVESTMENT TRENDS

SFAS 115 INVESTMENT CLASSIFICATION
(Billions of Dollars)



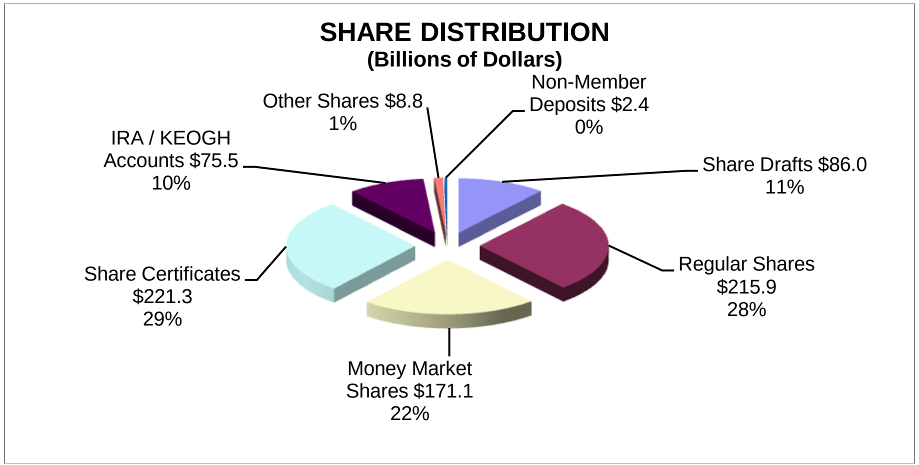
TOTAL NON-SFAS 115 INVESTMENT DISTRIBUTION
(Billions of Dollars)

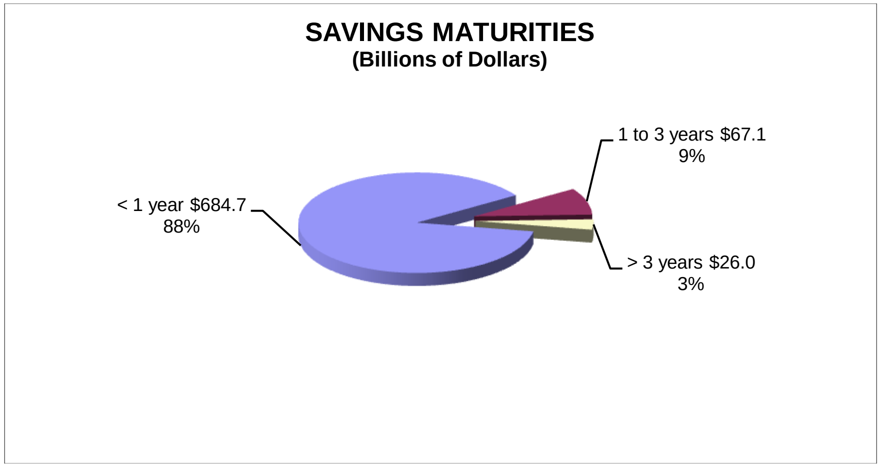


Investment Maturity or Repricing Intervals	December 2009 In Billions	% of Total Investments 2009	June 2010 In Billions	% of Total Investments June 2010
Less than 1 year	$141.06	52.09%	$139.68	47.39%
1 to 3 years	$79.57	29.39%	$96.29	32.67%
3 to 5 years	$32.74	12.09%	$38.45	13.05%
5 to 10 years	$13.05	4.82%	$15.58	5.29%
Greater than 10 years	$4.36	1.61%	$4.74	1.61%
Total Investments	$270.78		$294.74	

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. Fifty-eight percent 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, 89% are held in U.S. Government or Federal Agency Securities.

SHARE TRENDS

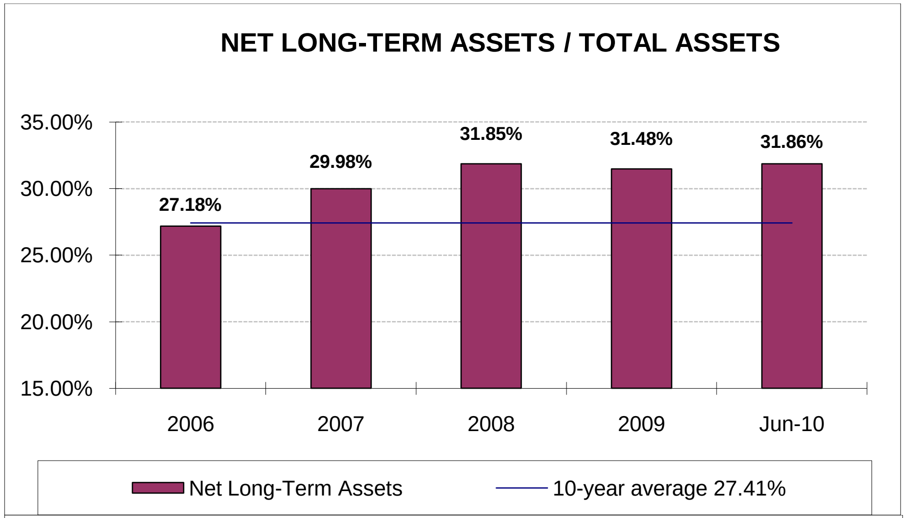


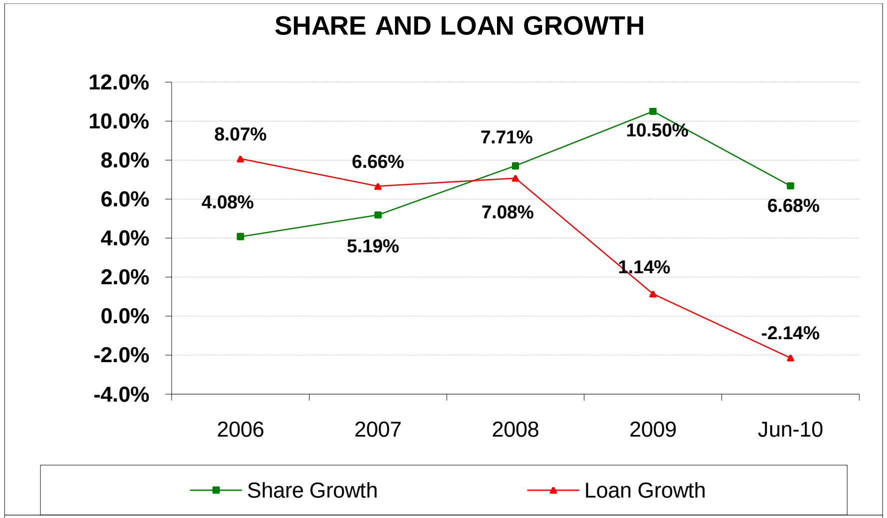


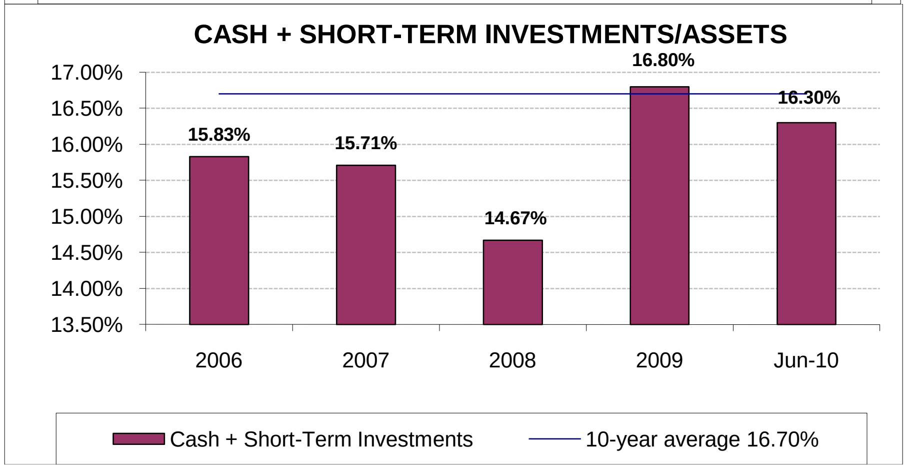
Share Category	December 2009 Balance In Billions	% of Total Shares 2009	June 2010 Balance In Billions	% of Total Shares June 2010	Growth In Billions	Growth Rate
Share Drafts	$85.23	11.32%	$85.99	11.05%	$0.68	0.8%
Regular Shares	$199.79	26.55%	$215.86	27.75%	$15.96	8.0%
Money Market Shares	$158.51	21.06%	$171.08	21.99%	$12.76	8.1%
Share Certificates	$225.77	30.00%	$218.19	28.05%	$-7.37	-3.3%
IRA / KEOGH Accounts	$73.39	9.75%	$75.52	9.71%	$2.13	2.9%
All Other Shares	$7.71	1.02%	$8.76	1.13%	$1.05	13.6%
Non-Member Deposits	$2.27	0.30%	$2.42	0.31%	$-0.06	-2.3%
Total Shares	**$752.67**		**$777.82**		**$25.15**	

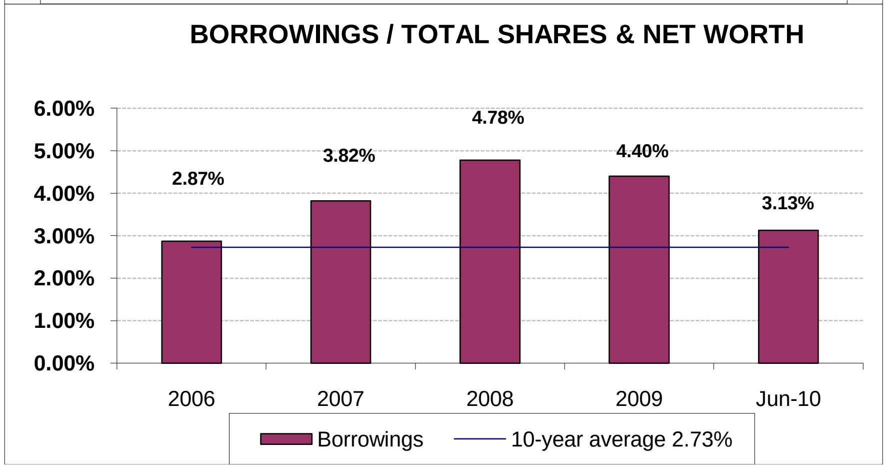
Total shares increased $25.2 billion or 6.68% (annualized). Share certificates declined 6% annualized, continuing a trend which started in the second quarter of 2009. The largest dollar growth is seen in regular shares and money market accounts. While the growth in regular shares reflects member confidence in credit unions, more than 60% of total shares continue to be held in rate-sensitive accounts while 88% of shares mature in less than one year.

ASSET LIABILITY MANAGEMENT TRENDS









Credit unions hold adequate levels of liquidity; however, in a rising interest rate environment the potential for increasing interest rate and liquidity risk exists. The decrease in cash and short-term investments is due to an upward movement in longer-term investments. The net long-term asset ratio of 31.85% presents potential interest rate risk exposure. Credit unions with higher levels of liquidity risk or interest rate risk must continue to demonstrate 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	2,850	3,220	1,015	360
Total Assets	$11.07 billion	$114.36 billion	$223.78 billion	$554.73 billion
Average Assets	$3.88 million	$35.51 million	$220.47 million	$1.54 billion
Net Worth/Total Assets	14.78%	11.54%	10.08%	9.41%
Average Net Worth (non dollar-weighted)	16.38%	12.10%	10.08%	9.68%
Net Worth Growth*	-5.97%	0.40%	2.98%	6.56%
Return on Average Assets (ROA)	-0.31%	0.02%	0.26%	0.57%
Net Interest Margin/Average Assets	3.68%	3.52%	3.38%	3.14%
Fee & Other Income/Average Assets	0.66%	1.14%	1.42%	1.24%
Operating Expense/Average Assets	4.11%	4.01%	3.79%	2.91%
Members / Full-Time Employees	382.76	396.84	350.38	401.12
Provision for LLL/Average Assets	0.43%	0.49%	0.72%	0.92%
Loans/Shares	58.85%	63.44%	70.90%	75.88%
Delinquent Loans/Total Loans	2.48%	1.60%	1.70%	1.75%
% of Real Estate Lns Delinquent > 2 Mths	1.67%	1.72%	1.94%	2.07%
% of Member Business Loans Delinquent > 2 Mths	1.36%	2.66%	4.12%	4.11%
Net Charge-Offs/Average Loans	0.80%	0.79%	1.03%	1.28%
Share Growth*	7.40%	7.88%	7.36%	7.23%
Loan Growth*	-3.68%	-1.18%	-0.81%	-1.70%
Asset Growth*	5.04%	5.23%	4.06%	5.34%
Membership Growth*	2.22%	-0.45%	1.19%	3.60%
Net Long-Term Assets/Total Assets	8.77%	23.07%	31.53%	34.26%
Cash + Short-Term Invest./Assets	33.86%	23.42%	17.17%	14.14%
Borrowings/Shares & Net Worth	0.08%	0.31%	1.39%	4.53%

***Note: The growth trends are based on the same FICUs reporting 12/31/09 and 6/30/10 using assets as of 6/30/10.**

A distinct difference exists in the performance among the different asset groups. Net worth ratios are solid among all asset groups, particularly in the under $10 million category. However, the under $10 million category numbers indicate these credit unions are having the greatest challenge with earnings and loan growth. The larger credit union categories are able to benefit from their economies of scale, and generate greater net income due that efficiency.