FINANCIAL TRENDS IN FEDERALLY INSURED CREDIT UNIONS

January 1 – March 31, 2011

HIGHLIGHTS

This report summarizes the trends of all federally insured credit unions that reported as of March 31, 2011. Change is measured from December 31, 2010.[1]

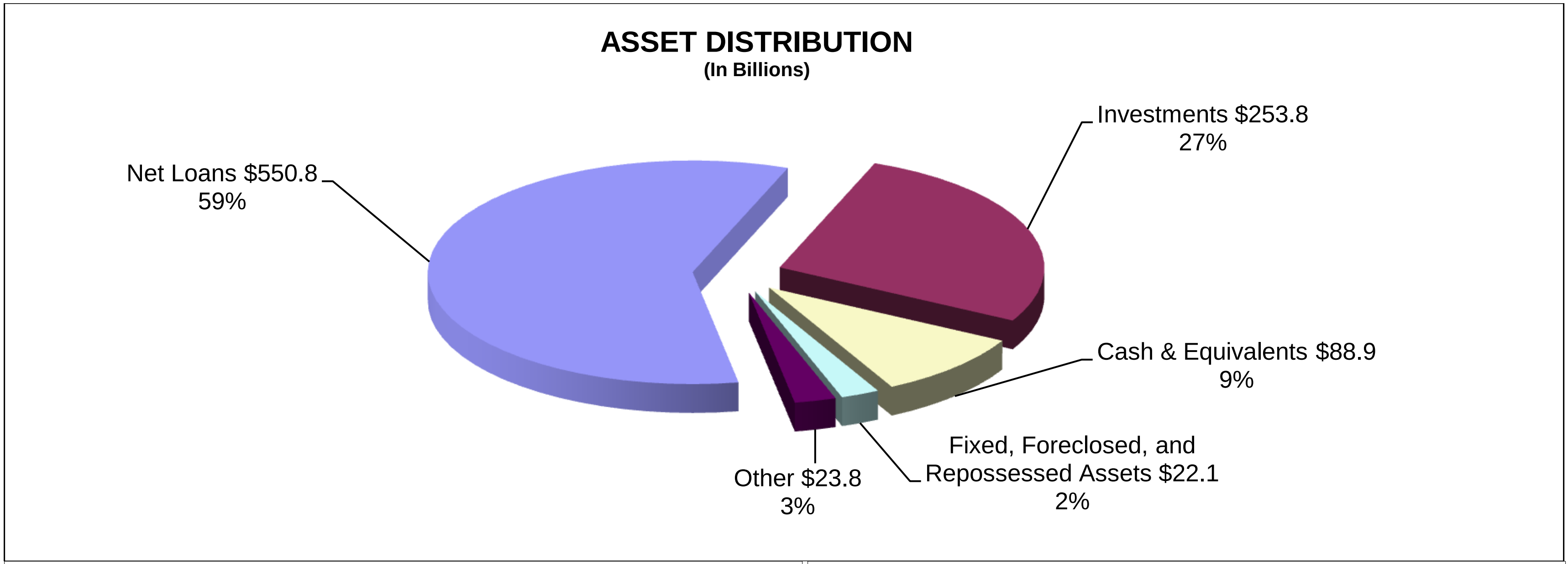
Number of Credit Unions Reporting			
	Federal Charter	State Charter	Total
2007	5,036	3,065	8,101
2008	4,847	2,959	7,806
2009	4,714	2,840	7,554
2010	4,589	2,750	7,339
Mar-11	4,563	2,729	7,292

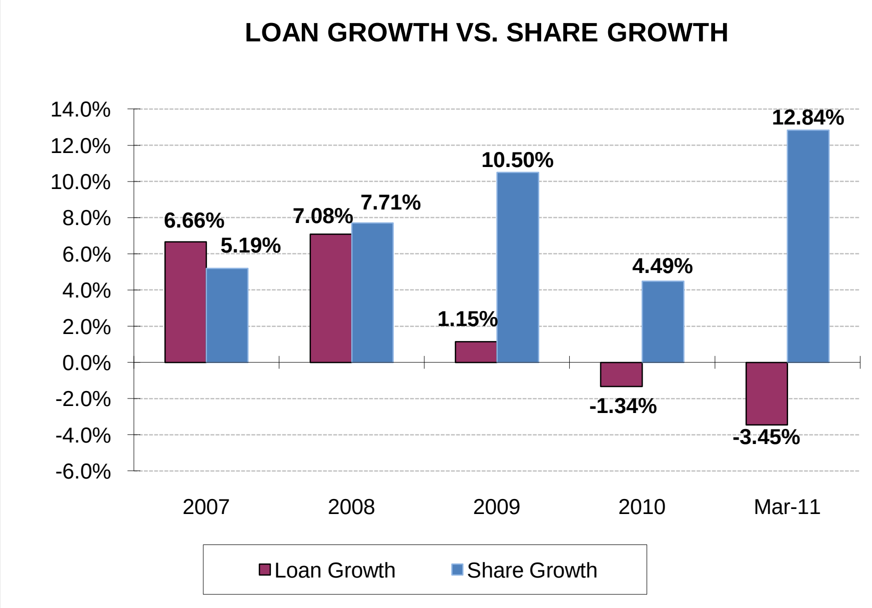
- **Assets** increased $24.86 billion, or 10.87% annualized. Assets of federally insured credit unions total $939.28 billion.
- **Net Worth** dollars increased $1.62 billion, or 7.06% annualized, to $93.64 billion. Due to strong asset growth, the net worth to assets ratio decreased from 10.06% to 9.96%.
- **Earnings**, or return on average assets, increased from 0.51% to 0.74% annualized.
- **Loans** declined $4.88 billion, or -3.45% annualized. The loans to shares ratio decreased from 71.82% to 68.99%. All loan categories declined, with the exception of first mortgage real estate loans/lines of credit and leases receivable.
- **Delinquent Loans** as a percentage of total loans declined from 1.75% to 1.62%. Delinquent real estate loans as a percentage of total real estate loans declined slightly from 2.08% to 2.00%, while delinquent business loans to total business loans (less unfunded commitments) decreased from 3.93% to 3.76%. Similarly, delinquent loan participations as a percentage of total loan participations dropped from 3.86% to 3.64%. However, delinquency for many loan types continued to increase in the 12 months and over category.
- **Net Loan Charge-Offs** to average loans decreased from 1.13% to 1.00%.
- **Shares** increased $25.24 billion, or 12.84% annualized. The largest percentage growth was in regular shares, followed closely by share drafts. Declines occurred in non-member deposits and share certificates.
- **Current members** increased by 0.26 million, or growth of 1.15% annualized.

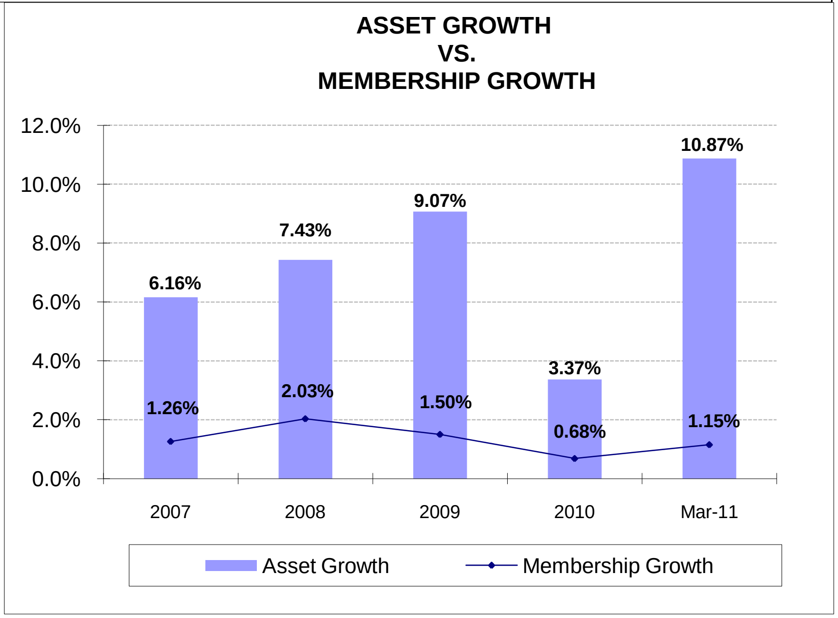
Federally insured credit unions reported improved earnings performance and lower loan delinquency and loan charge-offs overall. Sustained caution is necessary due to the declining loan volume, with simultaneous increases in total real estate loans, foreclosures, and loan modifications. Delinquency also remains high for real estate, member business, and participation loans. Continued vigilant underwriting and sound asset liability management practices are essential in the current economic environment.

[1] The financial results for prior periods may reflect changes when compared to prior period trend letters, due to subsequent Call Report modifications.

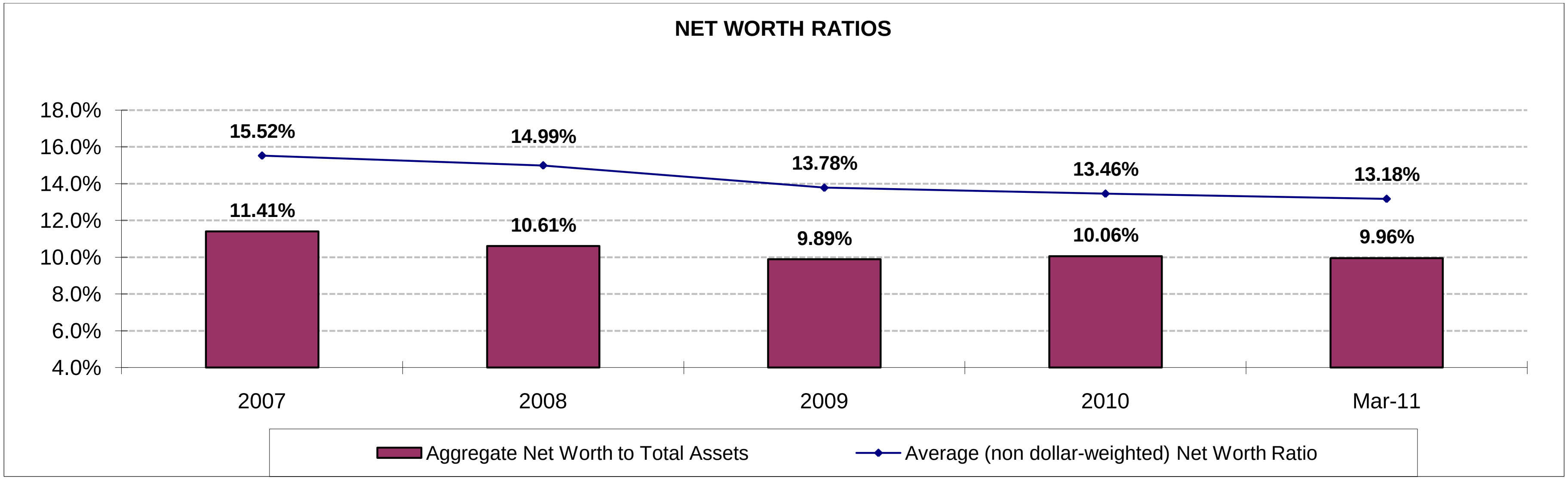
OVERALL TRENDS







NET WORTH



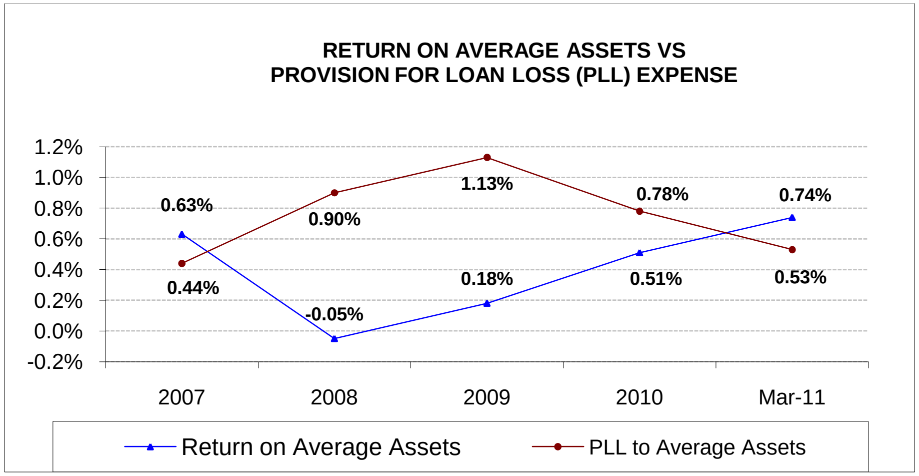
	December 2010 In Billions	**March 2011** In Billions	**% Change** (Annualized)
Total Net Worth	$92.02	$93.64	7.06%
Secondary Capital*	$0.156	$0.156	-0.32%

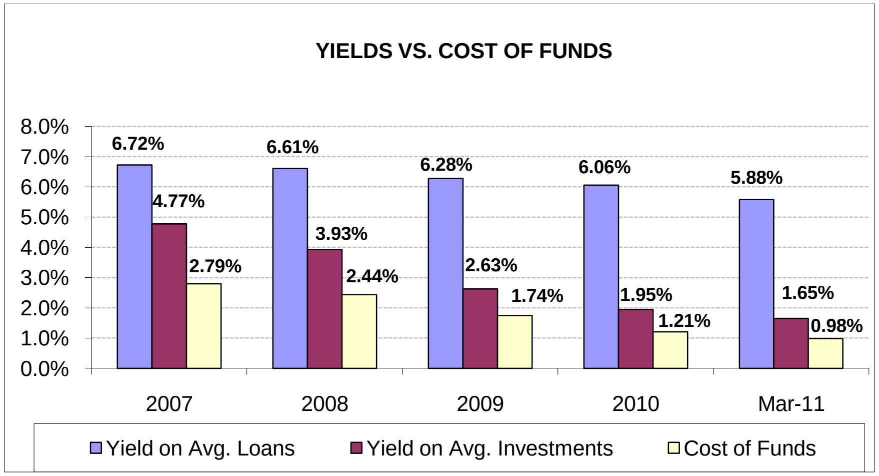
*For low-income designated credit unions, net worth includes secondary capital.

NET WORTH RATIOS				
Number of Credit Unions	**December 2010**	**% of Total**	**March 2011**	**% of Total**
7% or above	6,975	95.04%	6,862	94.10%
6% to 6.99%	199	2.71%	260	3.57%
4% to 5.99%	118	1.61%	127	1.74%
2% to 3.99%	38	0.52%	37	0.51%
0% to < 2.00%	6	0.08%	5	0.07%
Less than 0%	3	0.04%	1	0.01%

Net worth dollars increased by $1.62 billion during first quarter 2011, while the aggregate net worth ratio decreased to 9.96%, mainly due to strong share and asset growth. The number of credit unions subject to Prompt Corrective Action (PCA), as a percentage of total credit unions, increased from 4.96% as of December 31, 2010 to 5.90% as of March 31, 2011, indicating continuing stress on individual credit unions in the present economic climate.

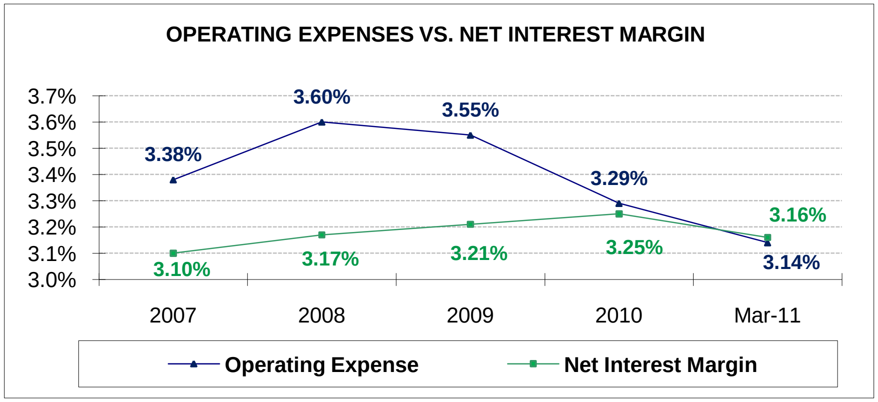
EARNINGS





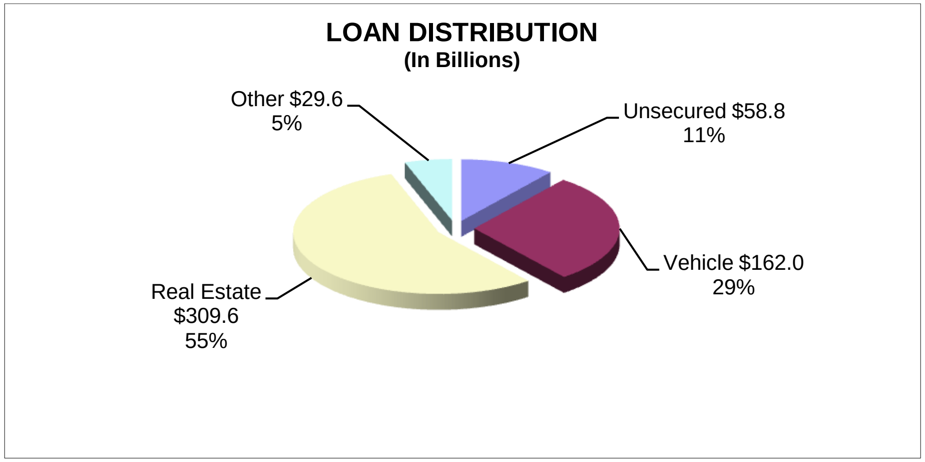
Ratio (% of Average Assets)	December 2010	March 2011	Effect on ROA
Net Interest Margin	3.25%	3.16%	-9 bp
+ Fee & Other Inc.	1.33%	1.23%	-10 bp
- Operating Expenses*	3.29%	3.13%	+16 bp
- PLL	0.78%	0.53%	+25 bp
+ Non-Operating Income*	0.00%	0.01%	+1 bp
= ROA	0.51%	0.74%	+23 bp

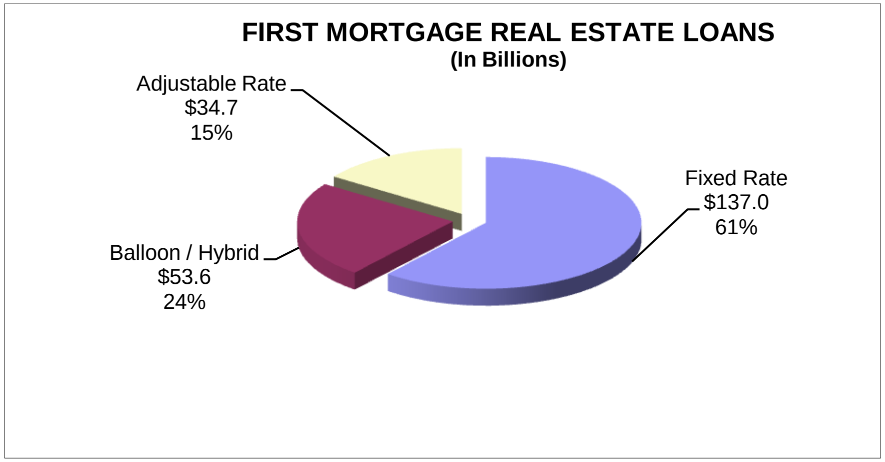
*Reflects expenses associated with Corporate Stabilization Efforts



Declines in Provision for Loan Loss expense, operating expenses, and cost of funds contributed to the increase in the return on average assets ratio to 0.74% in the first quarter. Credit unions continue to improve efficiencies and eliminate unnecessary expenses, as indicated by the lower operating expenses to average assets ratio. However, the net interest margin to average assets ratio declined as well, mainly due to the growth in assets and, to a lesser extent, lower yields on loans and investments. Examiners will continue to consider the impact of any Fund premiums and assessments when evaluating credit union earnings. A credit union's earnings level will be evaluated in relation to its overall risk profile, net worth needs, financial and operational structure, and strategic plans, within the context of the current economic climate.

LOAN DISTRIBUTION

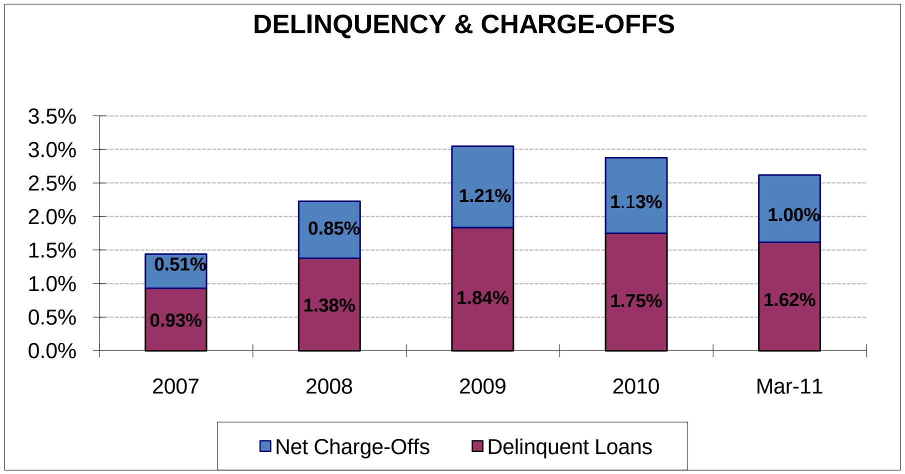


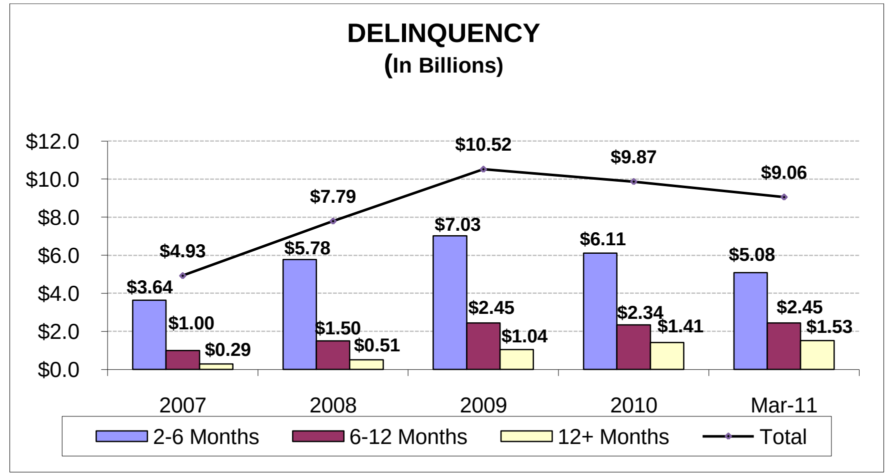


Loan Category	**December 2010 Balance** In Billions	**% of Total Loans December 2010**	**March 2011 Balance** In Billions	**% of Total Loans March 2011**	**Growth** In Billions	**Growth Rate** (Annualized)
Unsecured Credit Card	$35.96	6.37%	$34.52	6.16%	-$1.44	-16.03%
All Other Unsecured	$25.49	4.51%	$24.25	4.33%	-$1.23	-19.34%
New Vehicle	$62.89	11.13%	$60.69	10.84%	-$2.20	-13.97%
Used Vehicle	$101.52	17.98%	$101.34	18.10%	-$0.19	-0.73%
First Mortgage Real Estate	$223.09	39.50%	$225.23	40.22%	$2.14	3.83%
Other Real Estate	$86.55	15.32%	$84.33	15.06%	-$2.22	-10.28%
Leases Receivable & All Other	$29.34	5.19%	$29.60	5.29%	$0.26	3.57%
Total Loans	**$564.84**		**$559.96**		**-$4.88**	**-3.45%**

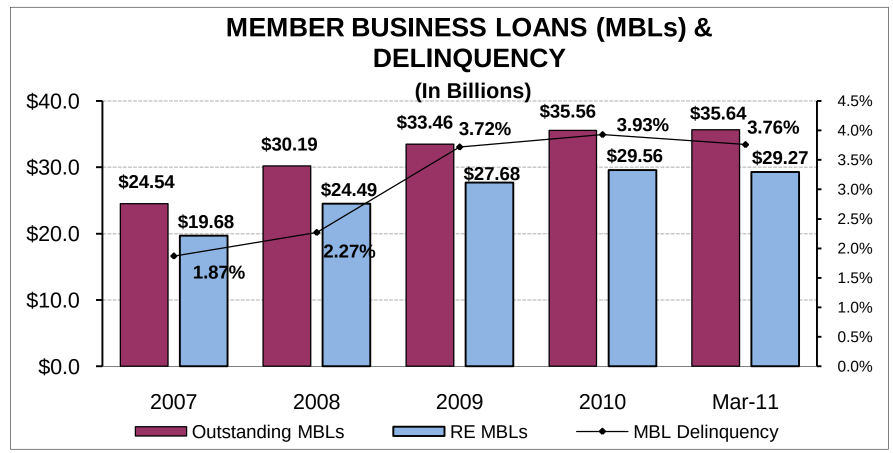
Loans declined by $4.88 billion in the first quarter of 2011. This decline, coupled with strong share growth, resulted in a decrease in the loan to share ratio to 68.99%, the lowest since 2002. Total real estate loans fell slightly by $84.71 million in early 2011 but continue to comprise the largest portion of total loans at 55.28%, followed by vehicle loans at 28.94%. Reversing the negative loan growth and originating sound loans in a safe manner will continue to be a challenge in the current economic environment.

LOAN AND DELINQUENCY TRENDS



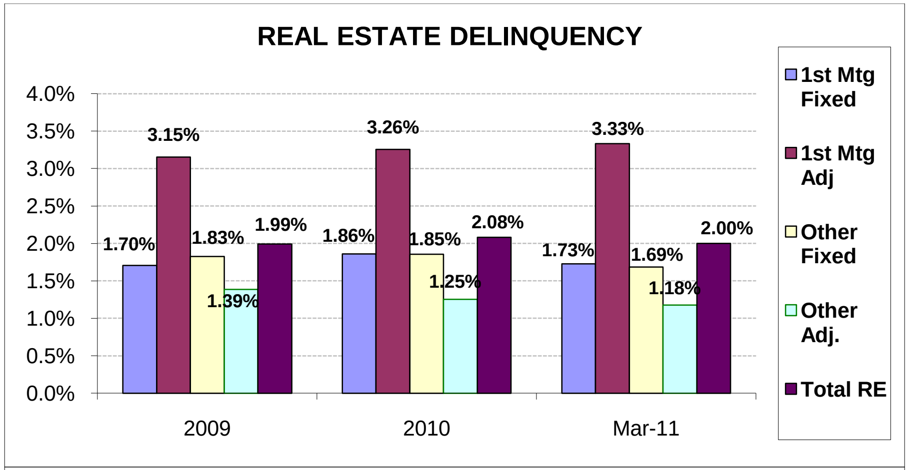


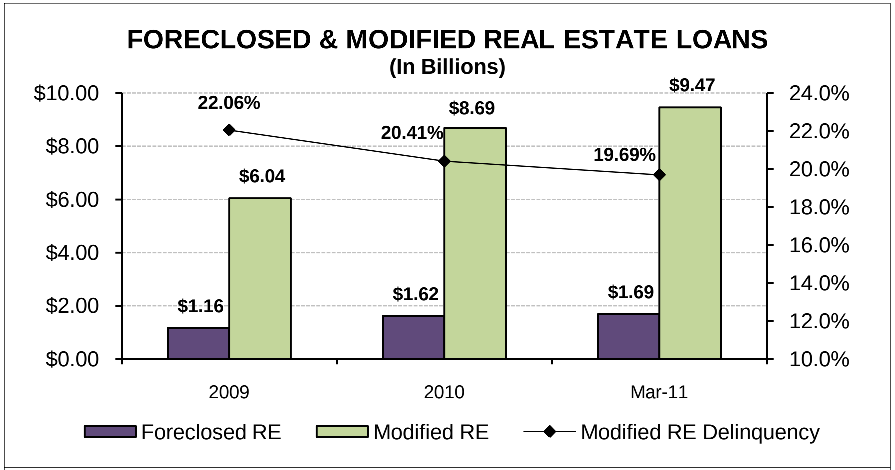
Total Loan Charge-Offs and Recoveries	December 2010 In Billions	March 2011 In Billions*	% Change
Total Loans Charged Off	$7.23	$6.46	-10.63%
Total Loan Recoveries	$0.82	$0.85	3.99%
Total Net Charge-Offs	$6.41	$5.61	-12.49%
* Annualized			

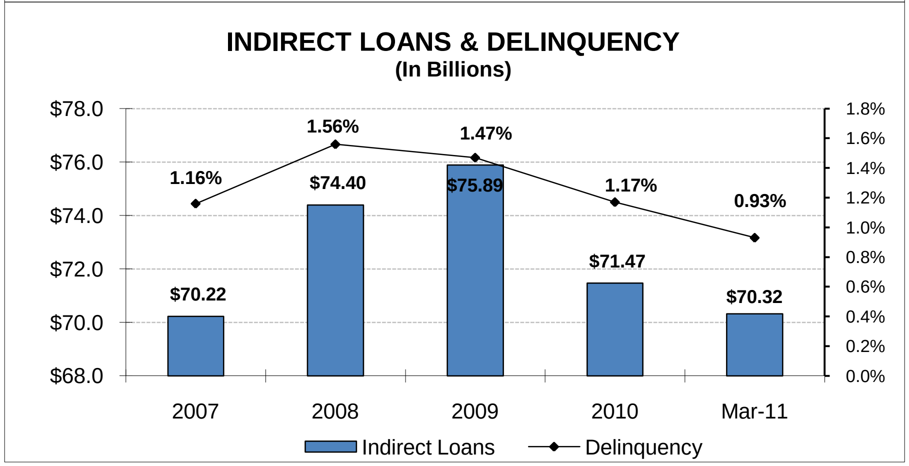


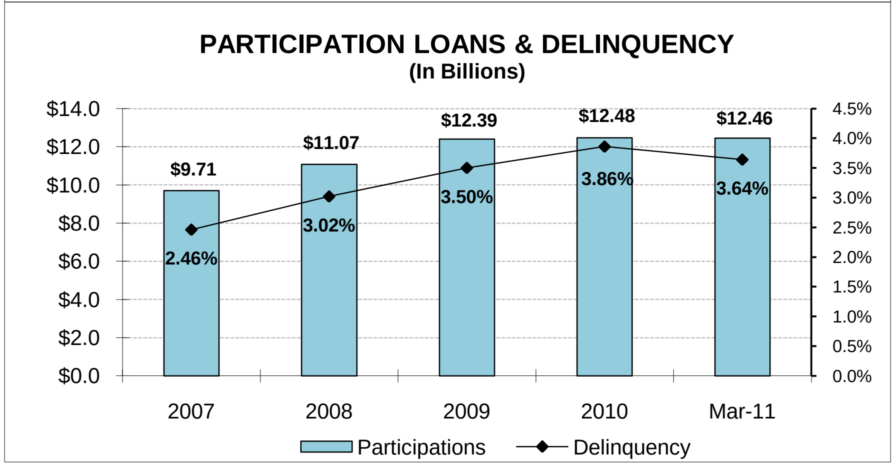
Overall, delinquent dollars declined by $811.07 million and ended the quarter at 1.62% of total loans. This trend is encouraging, but loans delinquent in excess of 6 months have increased, rising 5.84% in the first quarter of 2011. The largest portion of this increase was in the 12 months and over category. Member business loan (MBL) delinquency decreased by $59 million, but remains elevated at 3.76% of total MBLs, less unfunded commitments. The combined delinquency and net charge-off ratio similarly declined, from 2.88% to 2.62% in the first quarter. Credit unions engaged in commercial lending must closely monitor these trends and employ sound underwriting, risk management, and collection practices.

LOAN AND DELINQUENCY TRENDS (continued)





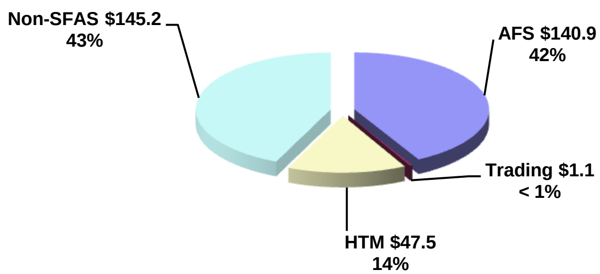




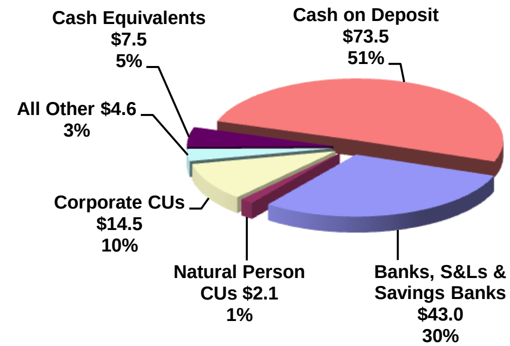
Total real estate loan delinquencies declined from 2.08% to 2.00%, and net real estate loan charge-offs to average real estate loans decreased from 0.64% to 0.62%, annualized, in the first quarter of 2011. In addition, foreclosed real estate increased by $71.16 million, while modified real estate loans increased by $775.52 million. As of March 31, 2011, credit unions held $9.47 billion in modified real estate loans, with 19.69% of these loans reported as delinquent. Participation loan delinquency decreased by $26.99 million to 3.64% of total participation loans. While the first quarter of 2011 indicates modest improvements, credit risk remains an area that requires the full attention of credit union management.

INVESTMENT TRENDS

SFAS 115 INVESTMENT CLASSIFICATION
(In Billions)



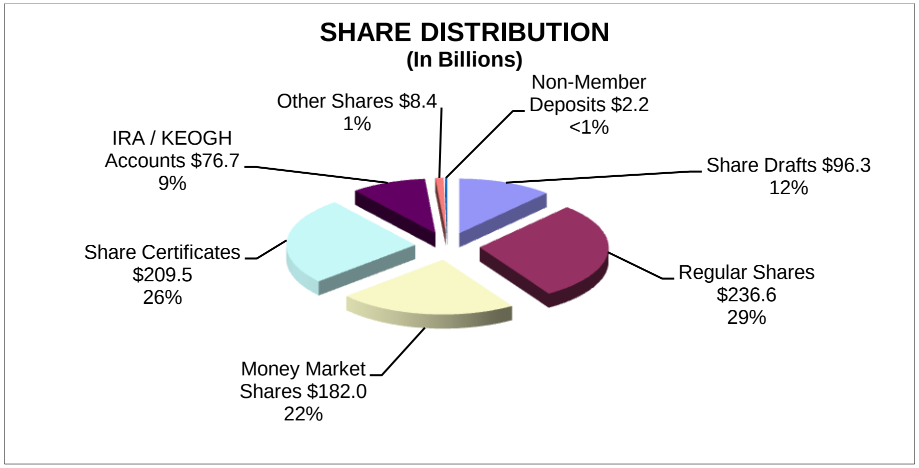
TOTAL NON-SFAS 115 INVESTMENT DISTRIBUTION
(In Billions)

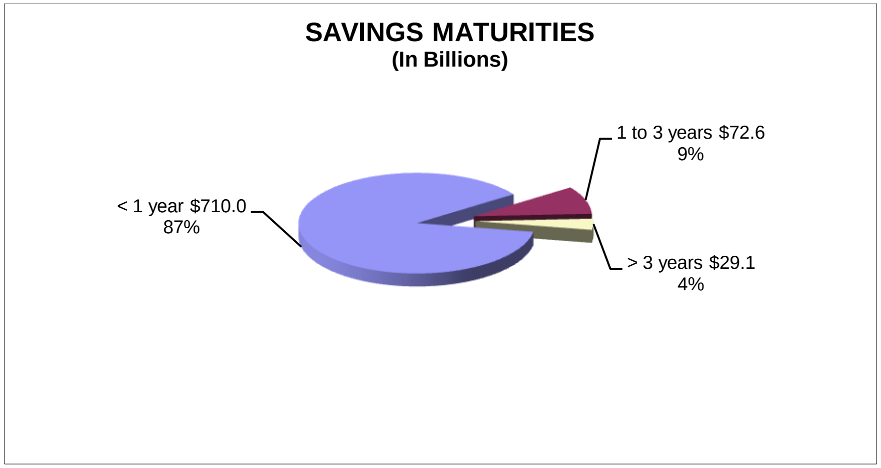


Maturity or Repricing Intervals for Investments and Cash Deposits & Equivalents	December 2010 In Billions	% of Total Investments December 2010	March 2011 In Billions	% of Total Investments March 2011
Less than 1 year	$139.55	45.65%	$152.91	45.68%
1 to 3 years	$94.00	30.75%	$97.30	29.07%
3 to 5 years	$46.73	15.29%	$55.73	16.65%
5 to 10 years	$20.23	6.62%	$23.05	6.89%
Greater than 10 years	$5.18	1.69%	$5.71	1.71%
Total Investments	**$305.69**		**$334.70**	

Credit union investment holdings have increased in the first quarter of 2011, due to positive share growth and declining loans. The maturity structure of the investment portfolio remains short-term, resulting in a low interest rate risk profile for this portion of the balance sheet. However, investments with maturities greater than three years continue to grow. Natural person credit unions maintain their investments in high quality, safe instruments: Forty-two percent of all investments are in cash deposits or cash equivalents, deposits in corporate credit unions, and deposits in other financial institutions. These investments provide liquidity and are generally not vulnerable to changing market values. Of the remaining investments, which are subject to Statement of Financial Accounting Standards (SFAS) 115 classification, 90% are in U.S. Government or Federal Agency Securities.

SHARE TRENDS

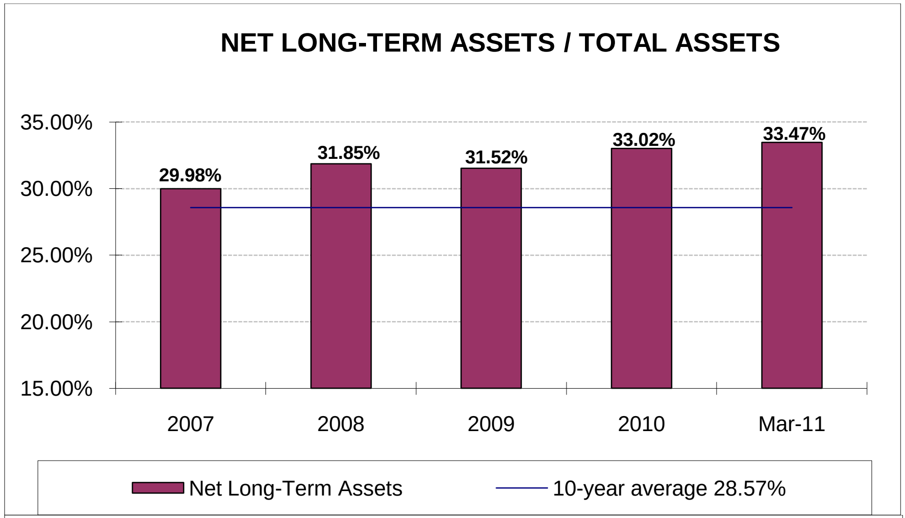


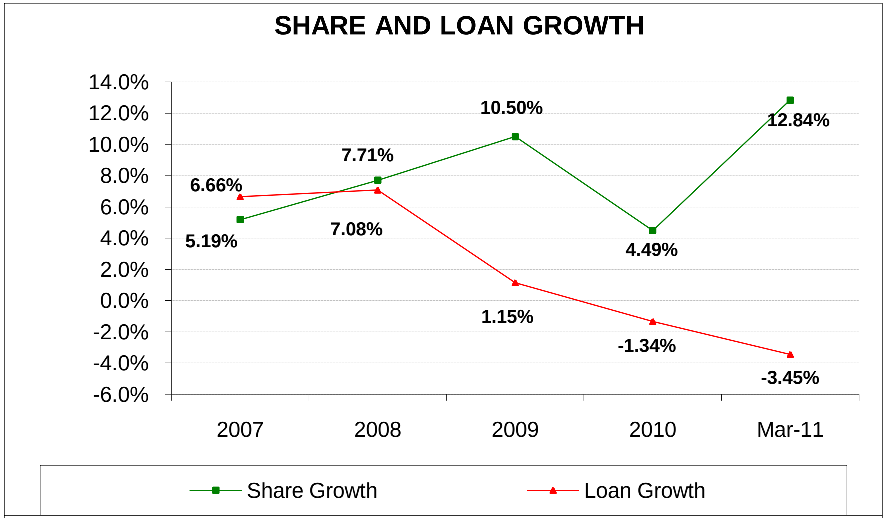


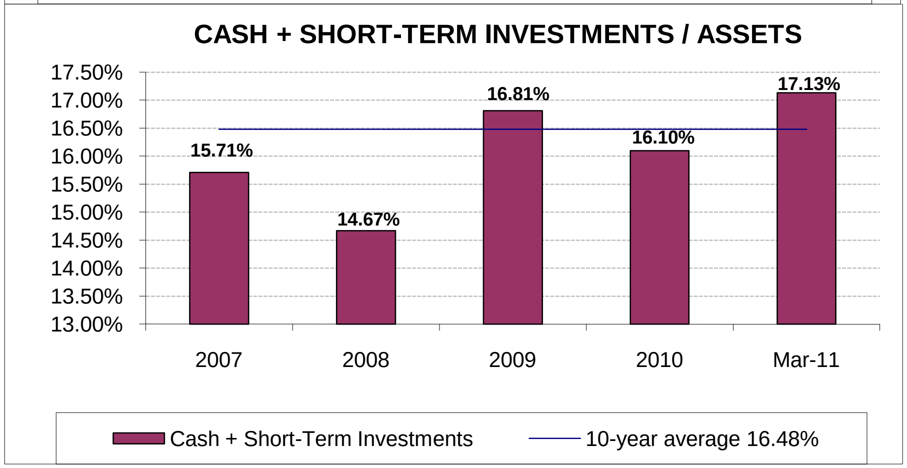
Share Category	**December 2010 Balance** In Billions	**% of Total Shares December 2010**	**March 2011 Balance** In Billions	**% of Total Shares March 2011**	**Growth** In Billions	**Growth Rate** (Annualized)
Share Drafts	$89.95	11.44%	$96.32	11.87%	$6.38	28.34%
Regular Shares	$220.51	28.04%	$236.57	29.15%	$16.07	29.14%
Money Market Shares	$175.75	22.35%	$181.98	22.42%	$6.23	14.18%
Share Certificates	$213.43	27.14%	$209.49	25.81%	-$3.93	-7.37%
IRA / KEOGH Accounts	$76.40	9.71%	$76.69	9.45%	$0.29	1.51%
All Other Shares	$8.00	1.02%	$8.38	1.03%	$0.37	18.73%
Non-Member Deposits	$2.41	0.30%	$2.25	0.27%	-$0.17	-27.38%
Total Shares and Deposits	**$786.45**		**$811.68**		**$25.24**	**12.84%**

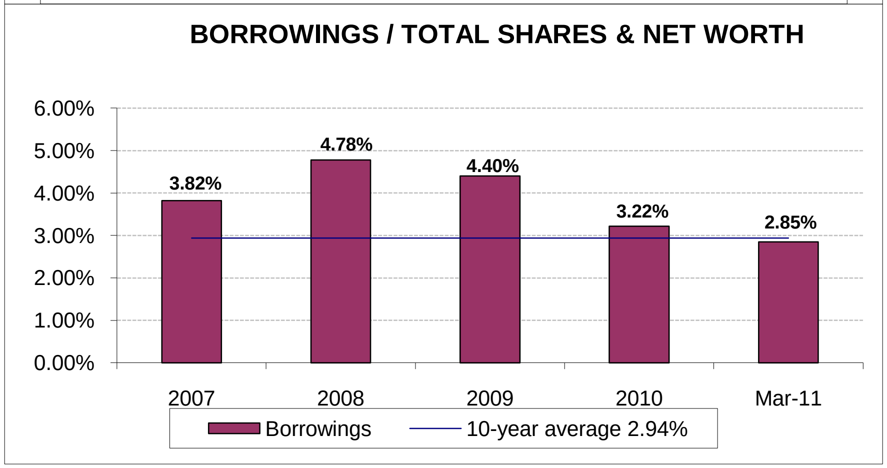
Total shares increased $25.24 billion in the first quarter of 2011. The largest percentage growth was in regular share and share draft accounts. While the growth in regular shares reflects continued member loyalty, 58% of total shares are in rate-sensitive accounts. Share certificates declined 7.37% annualized, continuing a trend which started in the second quarter of 2009. However, share certificates still comprise more than a quarter of total shares and deposits. Despite the growth in the 1 to 3 year savings maturity category, share maturities remain short-term overall, with 87% of total shares maturing within one year.

ASSET LIABILITY MANAGEMENT TRENDS









Due to the influx in shares, credit unions were able to improve their liquidity positions and reduced their reliance on borrowings. The increase in the cash and short-term investments to assets ratio is mainly due to an increase in cash on deposit and cash equivalents. The higher net long-term assets ratio of 33.47% represents potential interest rate risk exposure in a rising interest rate environment. Credit unions with higher levels of interest rate or liquidity risk must continue to demonstrate diligent asset liability management practices to control these risks.

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	2,704	3,199	1,009	380
Total Assets	$10.53 billion	$114.57 billion	$222.37 billion	$591.82 billion
Average Assets/CU	$3.89 million	$35.81 million	$220.39 million	$1.56 billion
Net Worth / Total Assets	14.53%	11.38%	10.09%	9.56%
Average Net Worth (non dollar-weighted)	16.27%	11.92%	10.11%	9.82%
Net Worth Growth*	-0.25%	2.97%	5.88%	10.29%
Return on Average Assets (ROA)	-0.01%	0.34%	0.57%	0.89%
Net Interest Margin/Average Assets	3.67%	3.43%	3.31%	3.05%
Fee & Other Income/Average Assets	0.62%	1.08%	1.35%	1.22%
Operating Expense/Average Assets	3.96%	3.84%	3.66%	2.80%
Members / Full-Time Employees	439.04	399.75	352.70	401.77
Provision for Loan Loss/Average Assets	0.37%	0.33%	0.45%	0.60%
Loans / Shares	55.57%	59.96%	66.96%	71.80%
Delinquent Loans / Total Loans	2.38%	1.46%	1.53%	1.66%
% of Real Estate Loans Delinquent > 2 Months	1.83%	1.67%	1.87%	2.08%
% of Member Business Loans Delinquent > 2 Mths	1.31%	2.80%	4.01%	3.75%
Net Charge-Offs/Average Loans	0.65%	0.69%	0.90%	1.09%
Share Growth*	12.83%	13.41%	13.28%	14.86%
Loan Growth*	-10.11%	-5.77%	-3.76%	-0.89%
Asset Growth*	10.73%	12.13%	12.12%	12.41%
Membership Growth*	-3.60%	0.58%	1.24%	4.16%
Net Long-Term Assets / Total Assets	9.11%	23.64%	32.74%	36.08%
Cash + Short-Term Investments / Assets	36.03%	25.08%	18.24%	14.83%
Borrowings / Shares & Net Worth	0.05%	0.24%	1.16%	4.08%

***Note: The growth trends are based on the same FICUs reporting at 12/31/10 and 3/31/11, based on 3/31/11 assets.**

A distinct difference exists in the performance among the different asset groups. Net worth ratios remain strong in all four asset groups, particularly in the under $10 million category. However, these smaller credit unions are having the greatest challenge with earnings, loan growth, overall delinquency, and membership growth. The larger credit union categories benefit from their economies of scale, as reflected in lower operating expense ratios, generating greater net income due to these efficiencies.