FINANCIAL TRENDS IN FEDERALLY INSURED CREDIT UNIONS

January 1 – March 31, 2012

HIGHLIGHTS

This report summarizes trends for all federally insured credit unions, reporting as of March 31, 2012. Change is measured from December 31, 2011.[1]

Number of Credit Unions Reporting			
	Federal Charter	State Charter	Total
2008	4,847	2,959	7,806
2009	4,714	2,840	7,554
2010	4,589	2,750	7,339
2011	4,447	2,647	7,094
Mar-12	4,404	2,615	7,019

- **Assets** increased $40.07 billion, or 16.67% on an annualized basis. Assets of federally insured credit unions topped $1 trillion at quarter-end.

- **Net Worth** dollars climbed $2.06 billion, or 8.37% annualized, to $100.32 billion. Despite solid earnings, strong share and asset growth trimmed the net worth-to-assets ratio from 10.21% to 10.01%.

- **Earnings**, or return on average assets, rose from 0.67% to 0.84% annualized.

- **Shares** increased $38.62 billion, or 18.67% annualized. Regular shares accounted for 53% of total share growth, with robust growth also noted in share drafts and money market shares. Declines occurred in share certificates and non-member deposits.

- **Current members** increased by 667,198, or 2.91% annualized, to 92.5 million.

- **Loans** inched up $532.72 million to $572.01 billion, or 0.37% annualized. However, because of the higher share growth, the loans-to-shares ratio fell from 69.07% to 66.05%. Weak loan demand is spurring some credit unions to purchase loan participations and whole loans.

- **Investments, cash on deposit, and cash equivalents** increased by $40.25 billion, or 46.78% annualized, to $384.37 billion.

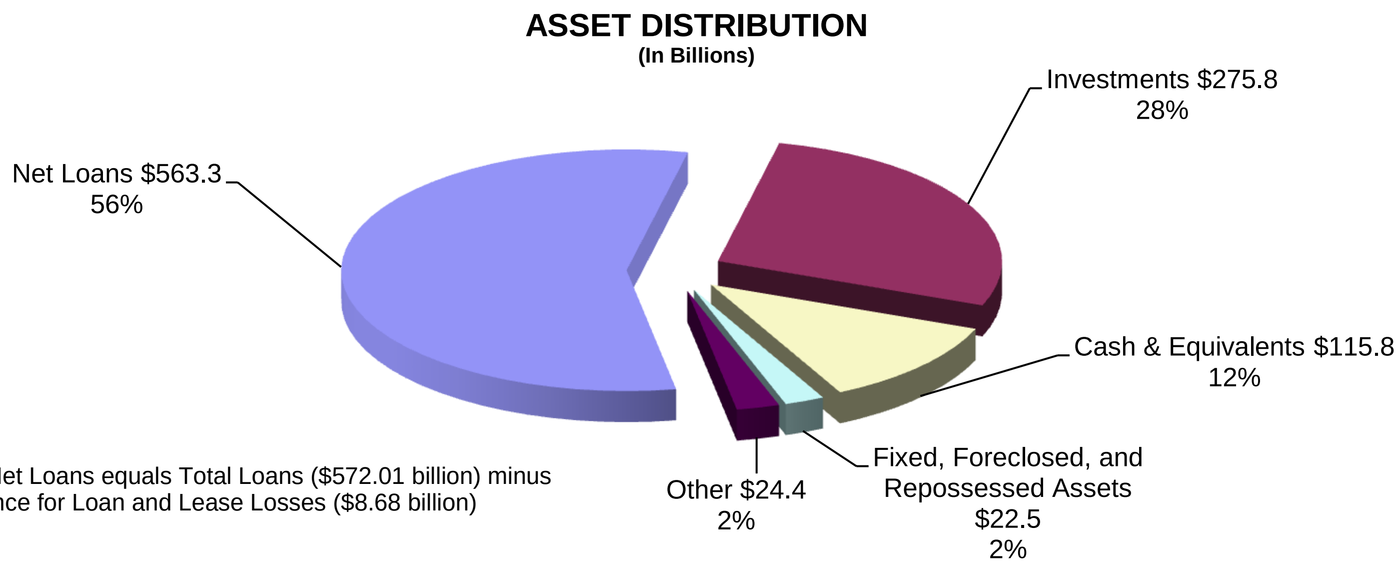
- **Delinquent Loans** as a percentage of total loans dropped from 1.60% to 1.44%. While still elevated, delinquency in specific areas similarly decreased: Delinquent real estate loans as a percentage of total real estate loans declined from 2.00% to 1.87%; delinquent business loans to total business loans (less unfunded commitments) decreased from 3.82% to 3.65%; and delinquent loan participations as a percentage of total loan participations fell from 4.16% to 3.94%.

- **Net Loan Charge-Offs** to average loans declined from 0.91% to 0.78% annualized.

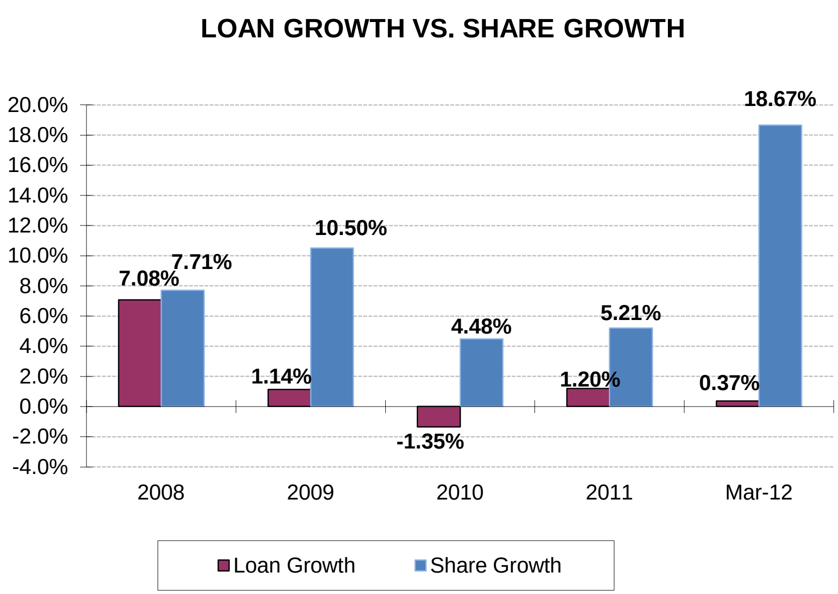
In short, credit unions reported stronger earnings, lower loan delinquency, and declining charge-offs in the first quarter. However, strong share growth - resulting in a large increase in investments and total assets – produced a decline in the aggregate net worth ratio.

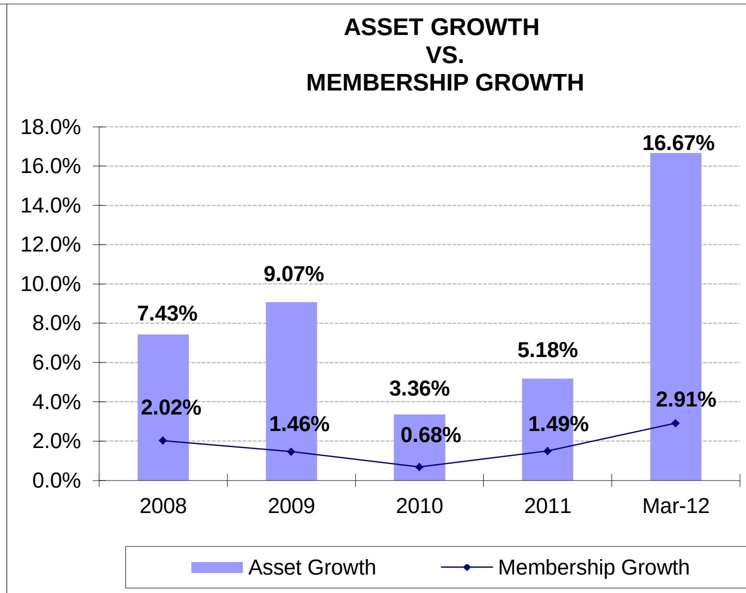
[1] The financial results for prior periods may reflect changes when compared to prior period trend letters because of subsequent Call Report modifications.

OVERALL TRENDS

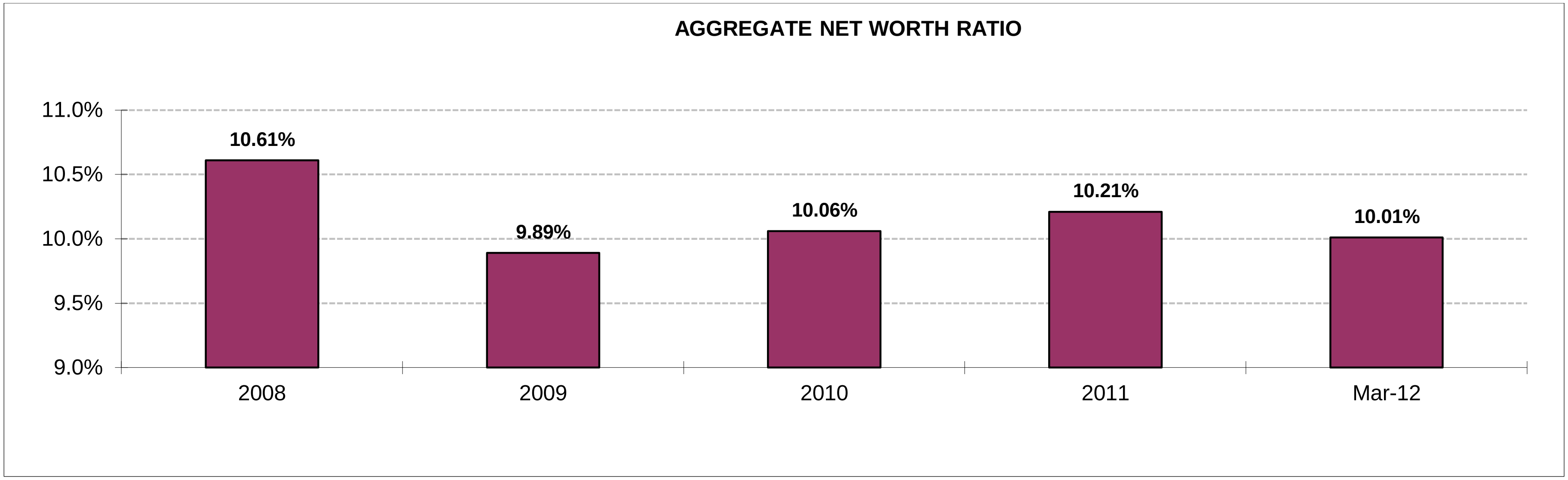


Note: Net Loans equals Total Loans ($572.01 billion) minus Allowance for Loan and Lease Losses ($8.68 billion)





NET WORTH



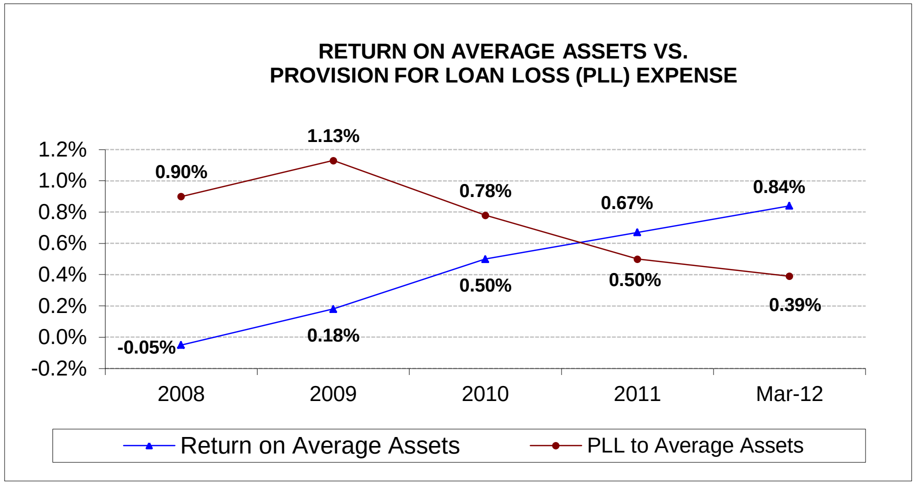
	December 2011 In Billions	March 2012 In Billions	% Change (Annualized)
Total Net Worth	$98.26	$100.32	8.37%
Secondary Capital*	$0.167	$0.167	-1.74%

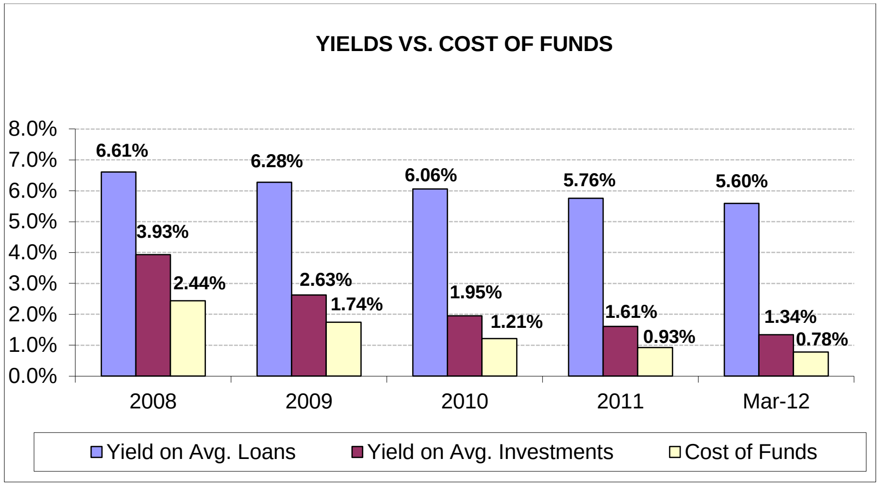
*For low-income designated credit unions, net worth includes secondary capital.

NET WORTH RATIOS				
Number of Credit Unions	December 2011	% of Total	March 2012	% of Total
7% or above	6,777	95.53%	6,685	95.24%
6% to 6.99%	184	2.60%	212	3.02%
4% to 5.99%	87	1.23%	83	1.18%
2% to 3.99%	32	0.45%	31	0.44%
0% to < 2.00%	13	0.18%	6	0.09%
Less than 0%	1	0.01%	2	0.03%

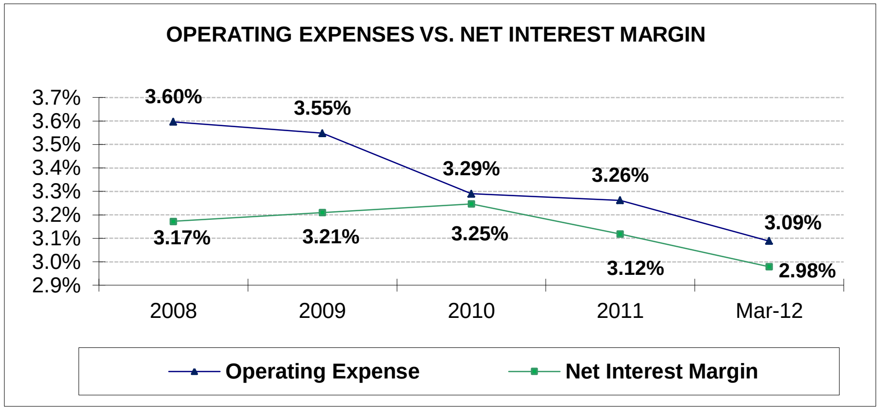
Net worth dollars increased by $2.06 billion, while secondary capital decreased by $726 thousand in the first quarter. Despite strong earnings, asset growth outpaced net worth growth, reducing the aggregate net worth ratio to 10.01%. Meanwhile, individual credit unions continue to experience financial stress: The percentage of credit unions subject to Prompt Corrective Action (PCA) rose 29 basis points to 4.76%. Further, 80.3% of federally insured credit unions saw their net worth ratios decline between year-end 2011 and March 31, 2012.

EARNINGS



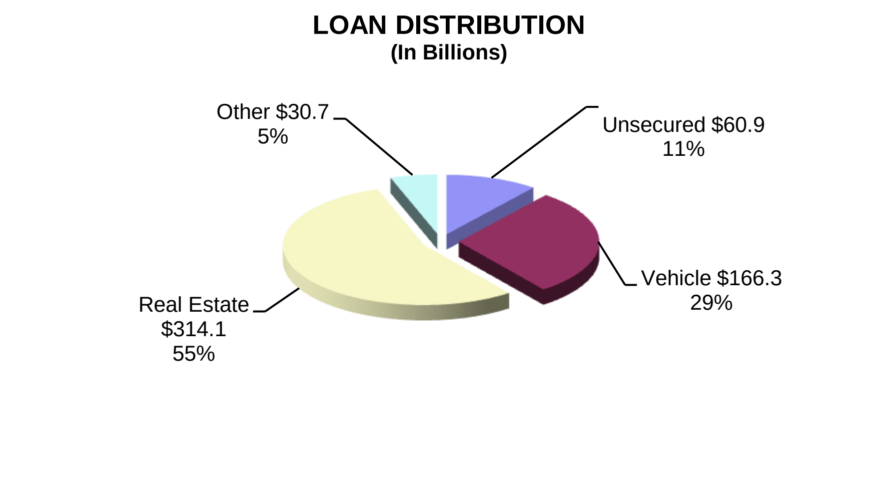


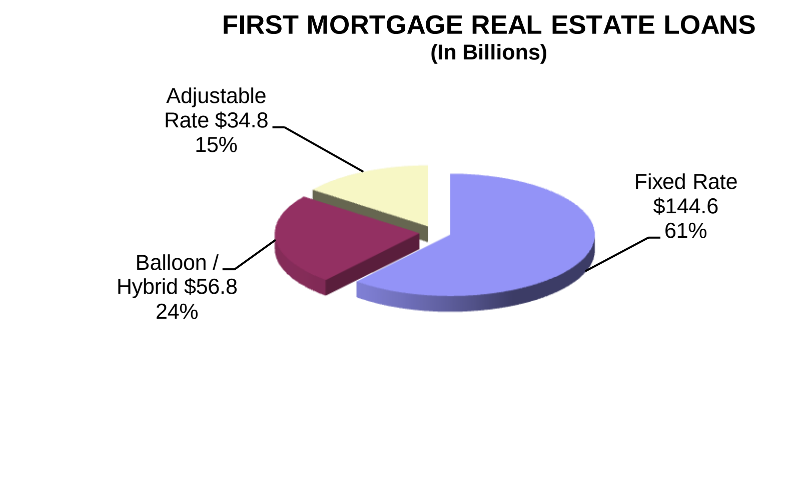
Ratio (% of Average Assets)	December 2011	March 2012	Effect on ROA
Net Interest Margin	3.12%	2.98%	-14 bp
+ Fee & Other Inc.	1.30%	1.31%	+1 bp
- Operating Expenses	3.26%	3.09%	+17 bp
- PLL	0.50%	0.39%	+11 bp
+ Non-Operating Income	0.01%	0.03%	+2 bp
= ROA*	0.67%	0.84%	+17 bp



Lower operating expenses, cost of funds, and PLL expense boosted return on average assets (ROA) ratio to 0.84%. Conversely, the net interest margin to average assets ratio declined because of lower yields on loans and investments and strong asset growth. Examiners will continue to evaluate a credit union's earnings level in relation to its overall risk profile, net worth needs, financial and operational structure, and strategic plans. Examiners will also consider the impact of any premiums/assessments and the current economic environment on earnings.

LOAN DISTRIBUTION

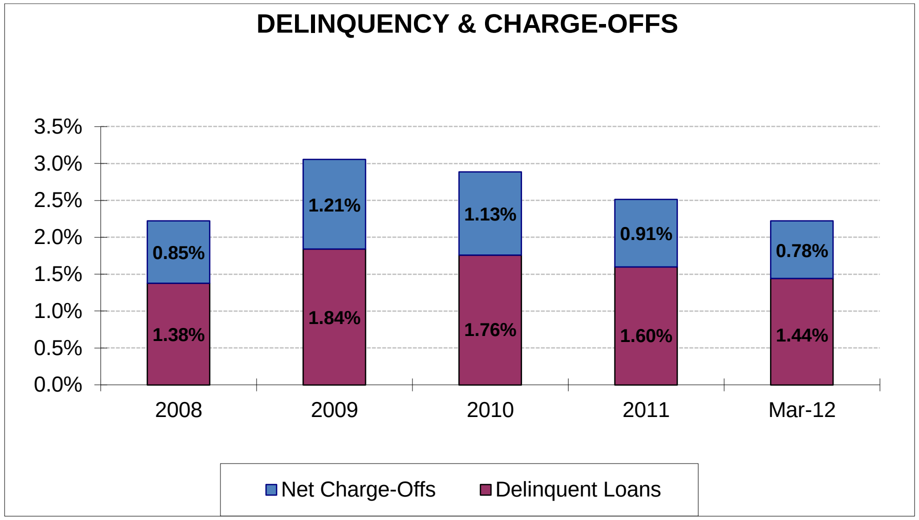


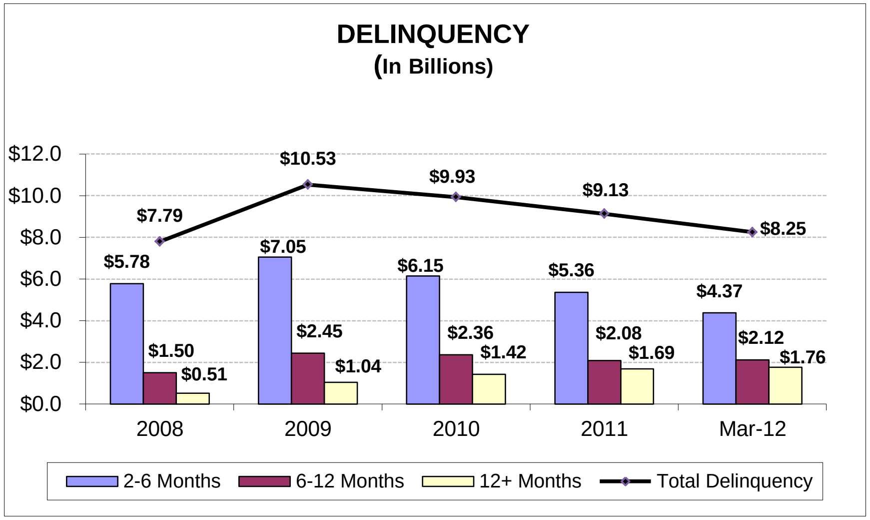


Loan Category	December 2011 Balance In Billions	% of Total Loans December 2011	March 2012 Balance In Billions	% of Total Loans March 2012	Growth In Billions	Growth Rate (Annualized)
Unsecured Credit Card	$37.38	6.54%	$36.15	6.32%	-$1.23	-13.18%
All Other Unsecured	$25.57	4.47%	$24.71	4.32%	-$0.87	-13.53%
New Vehicle	$58.27	10.20%	$58.31	10.19%	$0.04	0.27%
Used Vehicle	$106.75	18.68%	$108.01	18.88%	$1.26	4.72%
First Mortgage Real Estate	$232.71	40.72%	$236.24	41.30%	$3.53	6.07%
Other Real Estate	$80.29	14.05%	$77.85	13.61%	-$2.44	-12.16%
Leases Receivable & All Other	$30.51	5.34%	$30.74	5.38%	$0.24	3.15%
Total Loans	**$571.48**		**$572.01**		**$0.53**	**0.37%**

Total loans grew $0.53 billion in the first quarter of 2012. Real estate loans increased by $1.09 billion and continue to account for the largest concentration of total loans at 54.91%, followed by vehicle loans at 29.08% and unsecured loans at 10.64%. Unsecured non-federally guaranteed student loans experienced the highest growth, at 48.63% annualized, followed by first mortgage real estate and used vehicle loans. Unsecured loans/lines of credit, credit cards, and other real estate loans declined. Most first mortgage real estate loans (61.20%) are fixed rate. Further, total fixed rate real estate loans make up 34.98% of total loans and 19.97% of total assets.

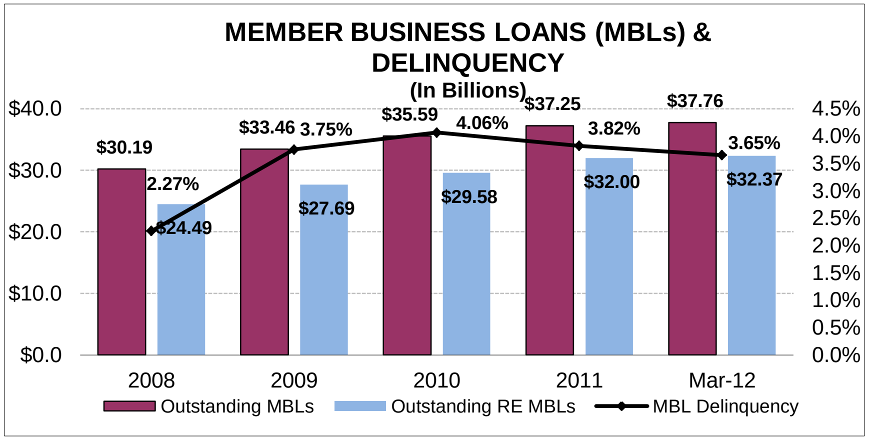
LOAN AND DELINQUENCY TRENDS





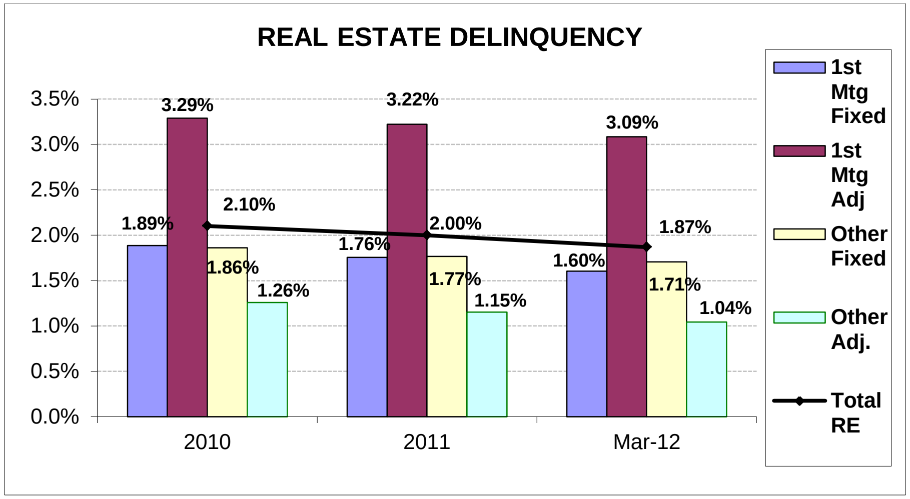
Total Loan Charge-Offs and Recoveries	December 2011 In Billions	March 2012* In Billions	% Change
Total Loans Charged Off	$6.01	$5.36	-10.67%
Total Loan Recoveries	$0.83	$0.91	9.95%
Total Net Charge-Offs	$5.18	$4.45	-13.96%

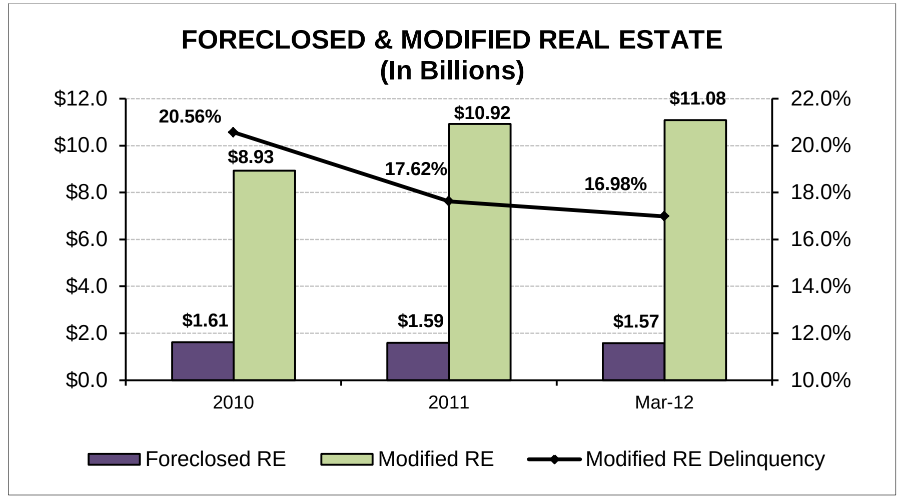
* Annualized

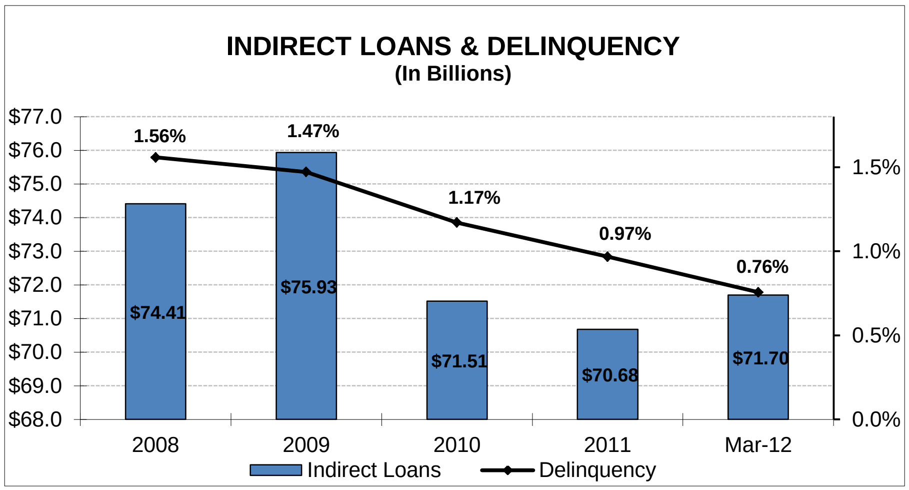


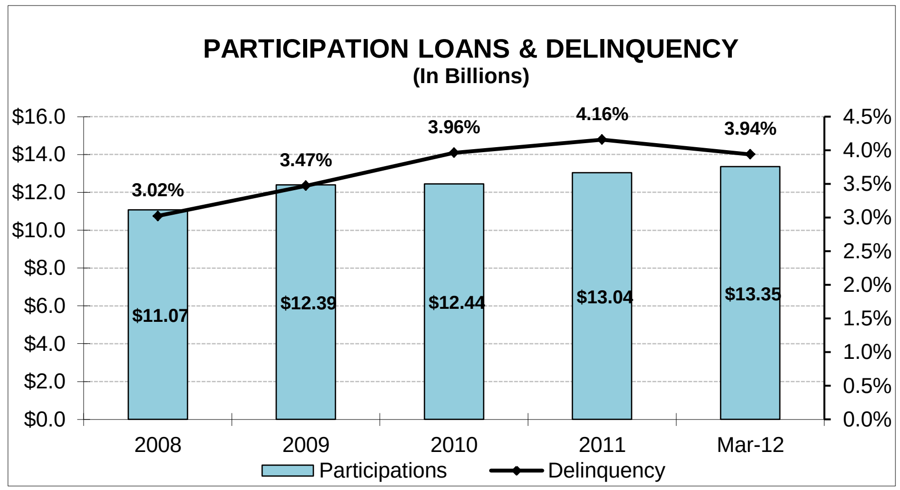
Overall, the dollar value of delinquencies fell $885.56 million to end the quarter at 1.44% of total loans. The combined total loan delinquency and net charge-off ratio similarly declined from 2.51% to 2.22%. These trends are encouraging, but loans delinquent in excess of 12 months rose $69.03 million or 4.09%. Delinquent MBLs continued their downward trend, falling by $44.91 million. However, MBL delinquency remains elevated at 3.65% of total MBLs (less unfunded commitments). At the same time, modified business loans fell by $18.35 million. Credit unions engaged in business lending must continue to closely monitor portfolio trends and employ sound underwriting, risk management, and collection practices.

LOAN AND DELINQUENCY TRENDS (continued)



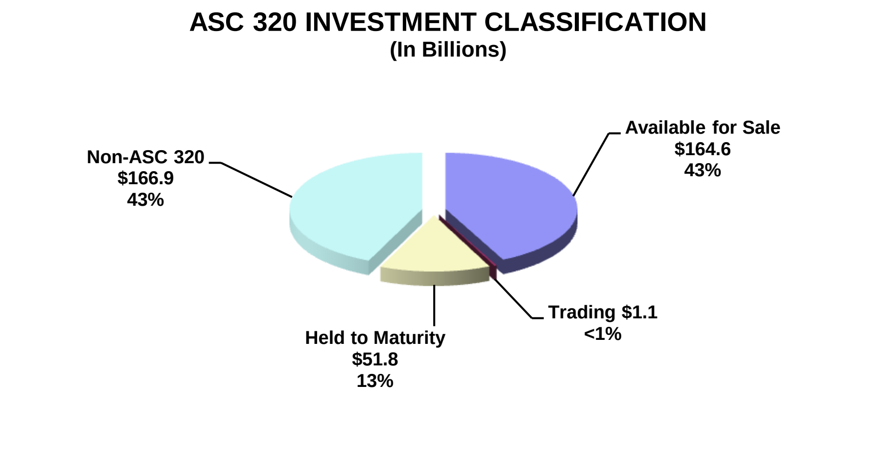


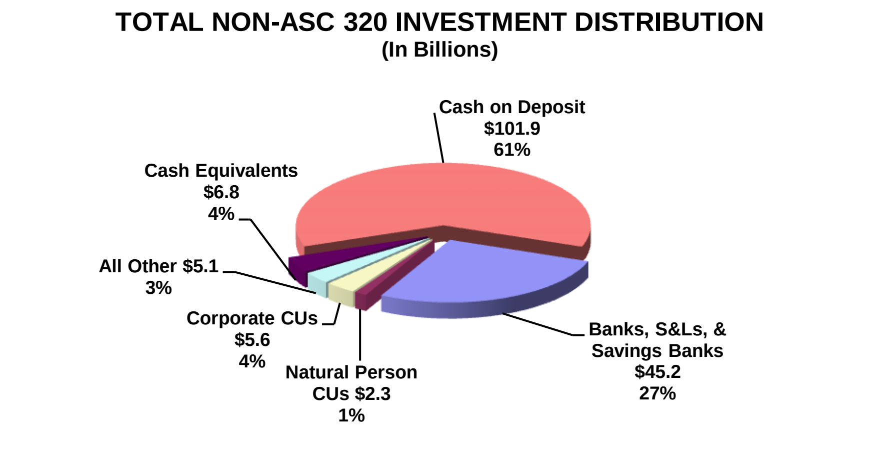




In the first quarter, delinquent real estate loans as a percentage of total real estate loans dropped 13 basis points to 1.87%, and net real estate loan charge-offs to average real estate loans fell 8 basis points to 0.54%. Foreclosed real estate declined $16.15 million; however, modified real estate loans rose by $164.94 million. As of March 31, 2012, credit unions held $11.08 billion in modified real estate loans, with 16.98% of these reported as delinquent. Participation loan delinquency fell $16.11 million to 3.94% of total participation loans, a large majority of which are business and/or real estate loans. While first quarter 2012 showed continuing improvements in overall delinquency and net charge-offs, credit risk remains an area requiring the attention of credit union management.

INVESTMENT TRENDS



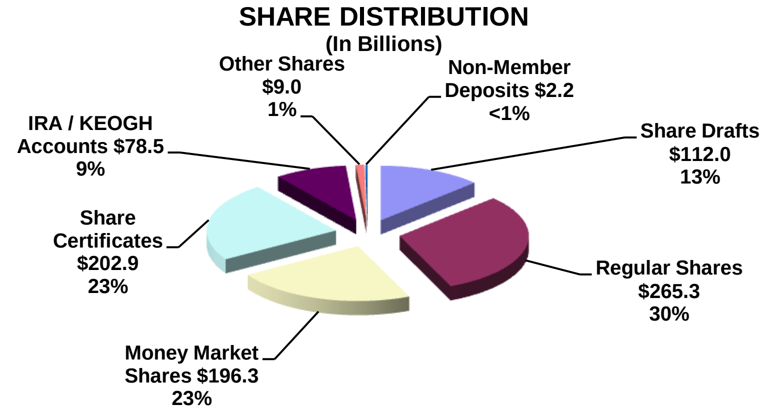


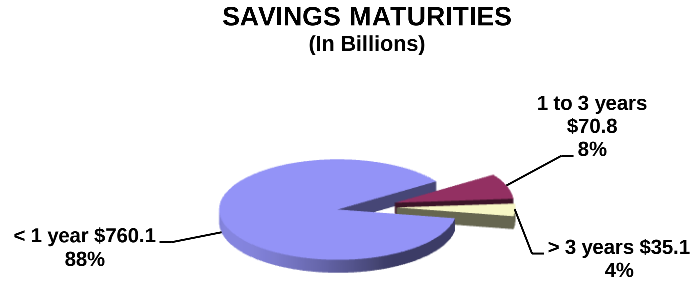
Maturity or Repricing Intervals for Investments and Cash on Deposit & Equivalents	December 2011 In Billions	% of Total Investments December 2011	March 2012 In Billions	% of Total Investments March 2012	Growth in Billions	Growth Rate (Annualized)
Less than 1 year	$158.60	46.09%	$181.63	47.25%	$23.03	58.09%
1 to 3 years	$105.86	30.76%	$106.14	27.62%	$0.28	1.05%
3 to 5 years	$54.35	15.80%	$64.69	16.83%	$10.34	76.06%
5 to 10 years	$19.35	5.62%	$25.92	6.74%	$6.57	135.90%
Greater than 10 years	$5.96	1.73%	$5.99	1.56%	$0.03	1.79%
Total Investments*	**$344.12**		**$384.37**		**$40.25**	**46.78%**

*Includes borrowing repurchase agreements placed in investments for positive arbitrage

Credit union investment holdings jumped nearly 47% (annualized) in early 2012 because of strong share growth combined with weak loan demand. Growth was the greatest in the less than 1, 3 to 5, and 5 to 10 year categories. Consumer credit unions continue to hold high quality, safe instruments: Forty-two percent of all investments are in cash on deposit 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 rates. Of the investments subject to Accounting Standards Codification (ASC) 320, formerly Statement of Financial Accounting Standards 115, a stable 91% are in U.S. Government or Federal Agency Securities. Contributing to higher levels of concentration risk, mortgage backed securities (most of which are Federal Agency Securities) grew $8.57 billion to $95.63 billion in the first three months of 2012, or 39.40% annualized.

SHARE TRENDS

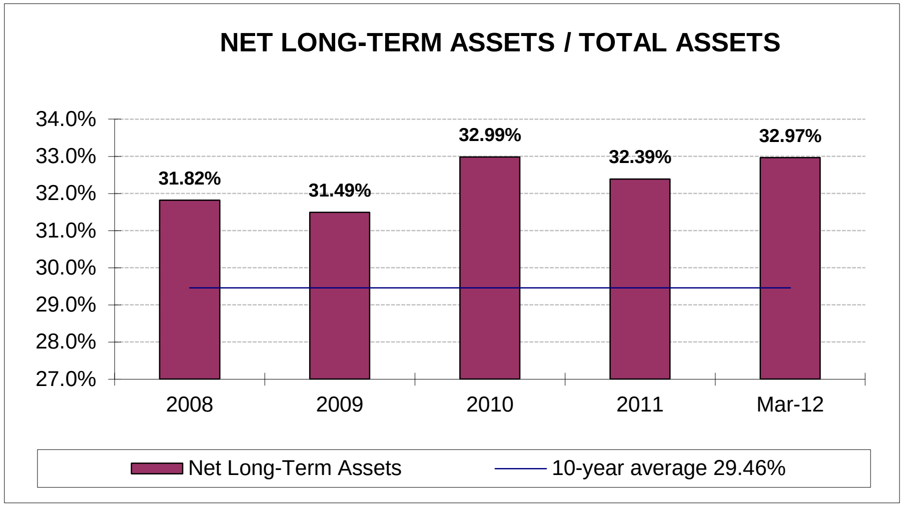


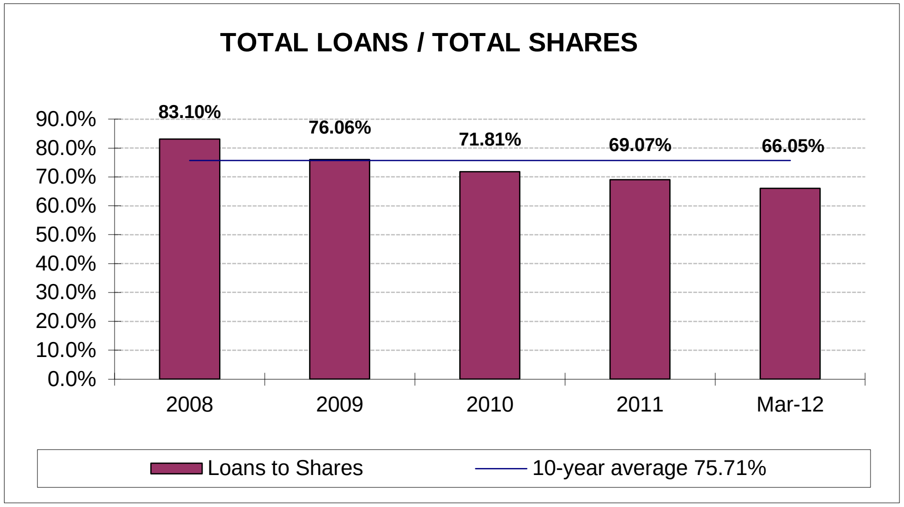


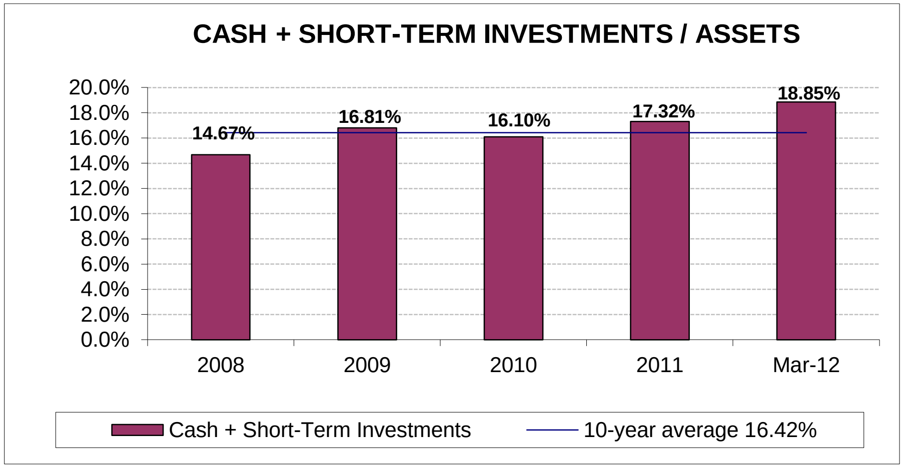
Share Category	December 2011 Balance In Billions	% of Total Shares December 2011	March 2012 Balance In Billions	% of Total Shares March 2012	Growth In Billions	Growth Rate
Share Drafts	$100.64	12.16%	$111.95	12.93%	$11.31	44.95%
Regular Shares	$244.87	29.59%	$265.27	30.63%	$20.40	33.32%
Money Market Shares	$189.14	22.86%	$196.27	22.66%	$7.13	15.09%
Share Certificates	$204.10	24.67%	$202.90	23.43%	-$1.20	-2.35%
IRA / KEOGH Accounts	$77.64	9.38%	$78.45	9.06%	$0.81	4.18%
All Other Shares	$8.82	1.07%	$9.04	1.04%	$0.22	9.89%
Non-Member Deposits	$2.20	0.27%	$2.15	0.25%	-$.05	-8.72%
Total Shares and Deposits	**$827.41**		**$866.03**		**$38.62**	**18.67%**

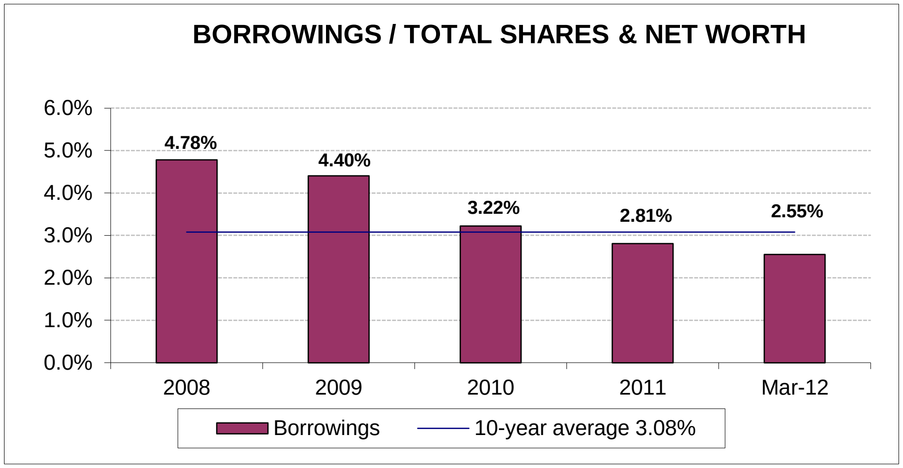
Total shares increased $38.62 billion in the first quarter, compared to just over $41 billion for all of 2011. The largest dollar growth was in regular share accounts, while the largest percentage growth was in share drafts. Although the growth in regular shares and share drafts reflects in part continuing member loyalty, over 55% of total shares are in rate-sensitive accounts. Share certificates continued to decline, dropping 0.59% through March 31st, or 2.35% annualized. That said, share certificates still account for 23.43% of total shares and deposits, second only to regular shares. Share maturities remain short-term overall, with 88% of total shares maturing within one year.

ASSET-LIABILITY MANAGEMENT TRENDS









Credit union liquidity positions continued to strengthen, further reducing the need for borrowed funds. The $20.06 billion jump in cash on deposit accounted for almost 90% of the total increase in cash and short-term investments. Share growth outpaced loan growth, dropping the loans-to-shares ratio to 66.05%. The net long-term assets ratio of 32.97% remains elevated and represents potential interest rate risk exposure in a rising interest rate environment. Credit unions with higher levels of interest rate or liquidity risk must demonstrate strong asset liability management practices - such as proactively structuring the balance sheet and appropriately pricing loan and share products - 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	2,475	3,110	1,033	401
Total Assets	$9.75 billion	$113.55 billion	$228.96 billion	$649.53 billion
Average Assets/CU	$3.94 million	$36.51 million	$221.64 million	$1.62 billion
Net Worth / Total Assets	14.37%	11.20%	10.09%	9.71%
Average Net Worth (non-dollar weighted)	15.83%	11.73%	10.14%	9.94%
Net Worth Growth*	0.29%	3.95%	6.37%	10.63%
Return on Average Assets (ROA)	0.01%	0.39%	0.61%	1.01%
Net Interest Margin/Average Assets	3.56%	3.25%	3.15%	2.87%
Fee & Other Income/Average Assets	0.61%	1.10%	1.42%	1.32%
Operating Expense/Average Assets	3.86%	3.71%	3.61%	2.79%
Members / Full-Time Employees	435.83	404.50	351.55	403.48
Provision for Loan Loss/Average Assets	0.31%	0.25%	0.36%	0.43%
Loans / Shares	53.51%	56.63%	64.13%	68.63%
Delinquent Loans / Total Loans	2.22%	1.32%	1.36%	1.48%
% of Real Estate Loans Delinquent > 2 Months	2.01%	1.60%	1.75%	1.93%
% of Member Business Loans Delinquent > 2 Mos.	2.34%	2.16%	3.26%	3.86%
Net Charge-Offs/Average Loans	0.64%	0.61%	0.71%	0.83%
Share Growth*	15.04%	19.07%	19.09%	19.12%
Loan Growth*	-6.84%	-2.80%	-0.50%	1.74%
Asset Growth*	12.68%	17.30%	17.41%	16.93%
Membership Growth*	-2.45%	1.72%	2.15%	5.01%
Net Long-Term Assets / Total Assets	9.58%	23.84%	32.73%	35.00%
Cash + Short-Term Investments / Assets	35.05%	25.92%	19.43%	17.17%
Borrowings / Shares & Net Worth	0.05%	0.19%	0.98%	3.59%

***Note: The growth trends are based on the same federally insured credit unions reporting at 12/31/11 and 3/31/12, based on 3/31/12 assets.**

Net worth ratios remain strong for all four asset groups, particularly in the under $10 million category. However, smaller credit unions continue to face the greatest challenge with earnings because of declining loan volume and members (potential borrowers), diminished opportunities for charging fee income on limited product and service offerings, and higher operating expenses. These small credit unions also face higher loan delinquency. Credit unions in the largest asset group benefit from economies of scale, resulting in greater net income.