FINANCIAL TRENDS IN FEDERALLY INSURED CREDIT UNIONS

January 1 - March 31, 2006

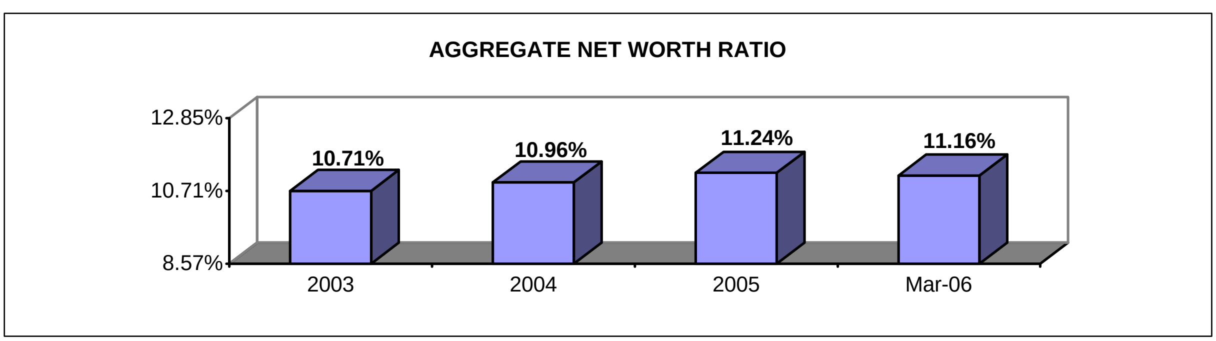
HIGHLIGHTS

This report summarizes the trends of all federally insured credit unions that reported as of March 31, 2006. Change is measured from the prior year-end (December 31, 2005).[1]

- **Assets** increased $16.69 billion, or 2.46%. This equates to an annualized asset growth rate of 9.84%.
- **Net Worth** increased $1.35 billion, or 1.77%. The Net Worth to assets ratio decreased from 11.24% to 11.16%.
- **Loans** increased $4.30 billion, or 0.94%. The loan to share ratio decreased from 79.36% to 77.78%.
- **Shares** increased $17.31 billion, or 2.91%. This equates to an annualized share growth rate of 11.99%.
- ***Cash on hand*, *cash on deposit*, plus short-term investments (less than 1 year)** increased $14.64 billion, or 13.36%.
- **Long-term investments (over 1 year)** decreased $2.44 billion, or 2.83%.
- **Profitability,** as measured by return on average assets, decreased from 0.85% to 0.81%.[2]
- **Delinquent** loans as a percentage of total loans decreased from 0.73%, to 0.59%.

CAPITAL

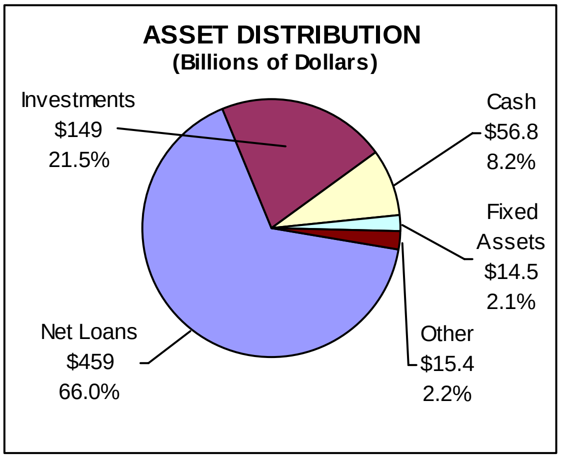
Total Net Worth increased $1.35 billion (1.77%) during the first three months of 2006. The aggregate net worth to total assets decreased from 11.24% at the end of 2005 to 11.16% as of March 31, 2006, due to the annualized asset growth of 9.84% outpacing the annualized net worth growth of 7.14%. The average (non dollar-weighted) net worth ratio for individual credit unions decreased from 14.34% at the end of 2005 to 14.30% as of March 31, 2006.



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.

ASSET QUALITY

LOAN TRENDS: Loans grew $4.30 billion (0.94%) in the first three months of 2006. Share growth surpassed loan growth, causing the loan to share ratio to decrease from 79.36% in 2005 to 77.78% as of March 31, 2006. First Mortgage loans experienced the greatest dollar increase at $3.24 billion (2.23%), followed closely by Other Real Estate loans at $1.97 billion (2.68%). Growth in the various loan categories is as follows:

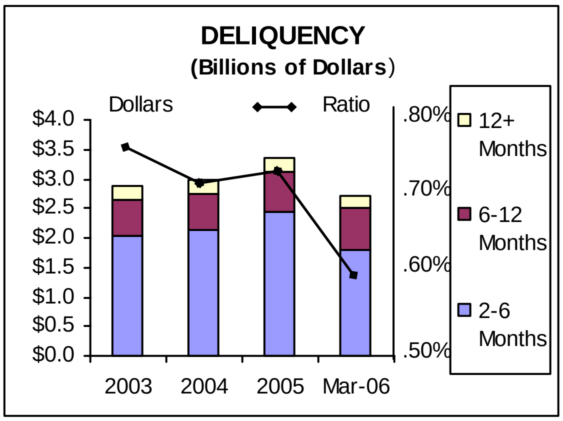


Loan Category	2005 Balance In Billions	% of Total Loans 2005	March 2006 Balance In Billions	% of Total Loans 2006	Growth In Billions	Growth Rate
Unsecured Credit Card	$23.91	5.22%	$22.98	4.97%	-$0.93	-3.90%
All Other Unsecured	$21.18	4.62%	$20.74	4.49%	-$0.44	-2.06%
New Vehicle	$83.95	18.32%	$84.69	18.31%	$0.74	0.88%
Used Vehicle	$86.60	18.90%	$86.29	18.65%	-$0.31	-0.36%
First Mortgage Real Estate	$145.08	31.66%	$148.32	32.07%	$3.24	2.23%
Other Real Estate	$73.43	16.03%	$75.40	16.30%	$1.97	2.68%
Leases Rec & All Other	$24.07	5.25%	$24.12	5.21%	$0.05	0.19%
Total Loans	$458.24		$462.54		$4.30	0.94%

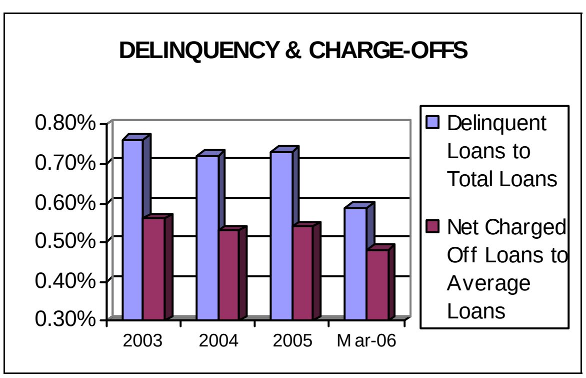
Real Estate loans were 48.37% of total loans outstanding at March 31, 2006, up from 47.69% in 2005. First Mortgages account for 32.07% ($148.3 billion) of total loans with Other Real Estate loans accounting for 16.30% ($75.4 billion).

Vehicle loans were 36.96% of total loans outstanding at March 31, 2006, down from 37.22% in 2005. Used Vehicle loans account for 18.65% ($86.2 billion) while New Vehicle loans comprise 18.31% ($84.7 billion) of the industry's loan portfolio as of March 31, 2006.

***DELINQUENCY TRENDS**:* Delinquent loans decreased $613.3 million (18.36%). The level of delinquent loans in relation to total loans declined from 0.73% at the end of 2005 to 0.59% as of March 31, 2006.



Loan dollars charged off (annualized) decreased $65.7 million (2.34%) and recoveries on charged-off loans increased $67.9 million (15.14%). This resulted in net charged-off loans decreasing by $133.7 million. Due to the sustained loan growth, the annualized average net charge-off ratio declined from 0.54% at the end of 2005 to 0.48% as of March 31, 2006.



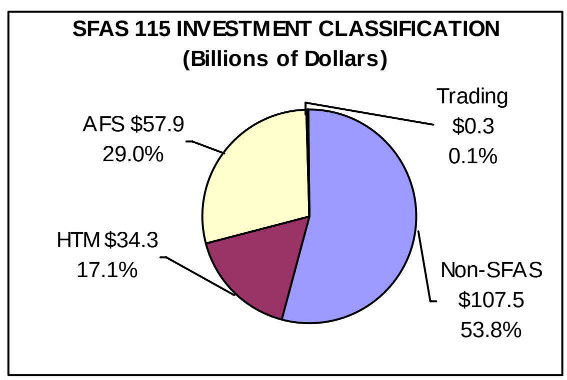
***INVESTMENT TRENDS**:* Cash on hand and cash equivalents decreased 7.10% ($471 million) while investments with maturities of less than one year, increased 14.99% ($15.12 billion). The combined category increased 13.63% ($14.64 billion) for the first quarter of 2006.

Federally insured credit unions reduced their long-term investment portfolios resulting in investments with maturities greater than a year decreasing 2.83% ($2.44 billion).

Non-SFAS 115 investments (including cash equivalents) increased 13.53% ($12.81 billion) to $107.5 billion.

Held-to-maturity investments decreased 1.45% ($503 million). Available-for-sale investments increased 0.62% ($357 million). Trading securities increased 3.76% ($10.2 million).

As of March 31, 2006, SFAS 115 investments made up 46.10% of the investment portfolio. Non-SFAS 115 investments, cash on deposit, and cash equivalents accounted for 53.75% of the portfolio.



The following table compares the changes in the maturity structure of the investment portfolio during the first quarter of 2006.

Investment Maturity or Repricing Interval	% of Total Investments 2005	% of Total Investments March 2006
Less than 1 year	53.83%	57.98%
1 to 3 years	33.60%	30.02%
3 to 5 years	9.11%	8.43%
3 to 10 years	2.47%	2.50%
Greater than 10 yrs	0.99%	1.07%

EARNINGS

Interest on loans and income on investments increased 7.93% and 10.43%, respectively. The net interest margin declined 6 basis points to 3.18% due to the cost of funds to average assets increasing 30 basis points. Operating expenses increased by 4 basis points and provision for loan loss expenses decreased by 10 basis points. Lower net interest margin, lower fee income and higher operating expenses contributed to the return on average assets decreasing 4 basis points to 0.81%.

Ratio (% Average Assets)	As of 2005	As of March 2006	Effect on ROA
Net Interest Margin	3.24%	3.18%	- 6bp
+ Fee & Other Inc.	1.22%	1.19%	- 3bp
- Operating Expenses	3.24%	3.28%	- 4bp
- PLL	0.40%	0.30%	+10bp
+ Non-Opr. Income	0.03%	0.02%	- 1bp
= ROA	0.85%	0.81%	- 4bp

ASSET/LIABILITY MANAGEMENT

SHARE TRENDS: Total shares increased 2.91% ($17.3 billion) in the first quarter of 2006. Regular shares account for 33.95% of total shares with $201.9 billion on deposit up from $194.1 billion in 2005, a 4.0% increase.

Shares	% of Total Shares 2005	% of Total Shares March 2006
Regular Shares	33.62%	33.95%
Share Drafts	13.08%	12.68%
All Other Shares	53.30%	53.37%

OVERALL LIQUIDITY TRENDS: In the first three months of 2006, credit unions had approximately 17.56% of total assets in cash and short-term investments, compared to 15.84% at the end of 2005. Net long-term assets equaled 25.35% of total assets as of March 31, 2006, compared to 25.12% as of December 31, 2005.

CONCLUSION

Federally insured credit unions continued their strong performance in the first quarter of 2006 with adequate net worth levels and acceptable earnings. Credit unions achieved favorable operating results despite a flattened yield curve, which reduced the net interest margin.