FINANCIAL TRENDS IN FEDERALLY INSURED CREDIT UNIONS

January 1 – June 30, 2006

HIGHLIGHTS

This report summarizes the trends of all federally insured credit unions that reported as of June 30, 2006. Change is measured from the prior year-end (December 31, 2005).[1]

- **Assets** increased $18.32 billion, or 2.70%, to $697 billion. This equates to an annualized asset growth rate of 5.40%.

- **Net Worth** increased $2.92 billion, or 3.84% (7.68% annualized). The Net Worth to assets ratio increased from 11.24% to 11.36%.

- **Loans** increased $18.12 billion, or 3.96% (7.92% annualized). The loan to share ratio increased from 79.33% to 80.24%.

- **Shares** increased $16.05 billion, or 2.78%. This represents an annualized share growth rate of 5.56%.

- ***Cash on hand*, *cash on deposit*, plus short-term investments (less than 1 year)** increased $3.72 billion, or 3.46%.

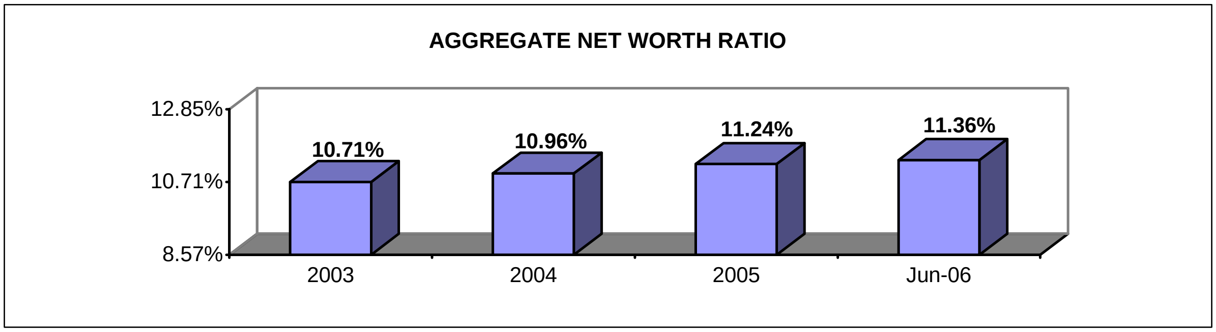
- **Long-term investments (over 1 year)** decreased $4.93 billion, or 5.70%.

- **Earnings,** as measured by return on average assets, increased from 0.85% to 0.86%.[2]

- **Delinquent** loans as a percentage of total loans decreased from 0.73%, to 0.58%.

CAPITAL

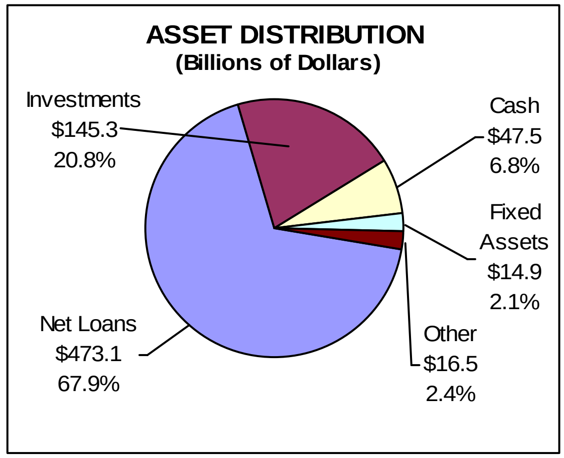
Total Net Worth increased $2.92 billion (3.84%) during the first six months of 2006. The aggregate net worth to total assets increased from 11.24% at the end of 2005 to 11.36% as of June 30, 2006. The average (non dollar-weighted) net worth ratio for individual credit unions increased from 14.30% at the end of 2005 to 14.47% as of June 30, 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 $18.12 billion (3.96%) in the first six months of 2006. Loan growth surpassed share growth, and the loan to share ratio increased from 79.33% in 2005 to 80.24% as of June 30, 2006. First Mortgage loans experienced the greatest dollar increase at $8.34 billion (5.75%), followed closely by Other Real Estate loans at $5.84 billion (7.95%). Growth in the various loan categories is as follows:

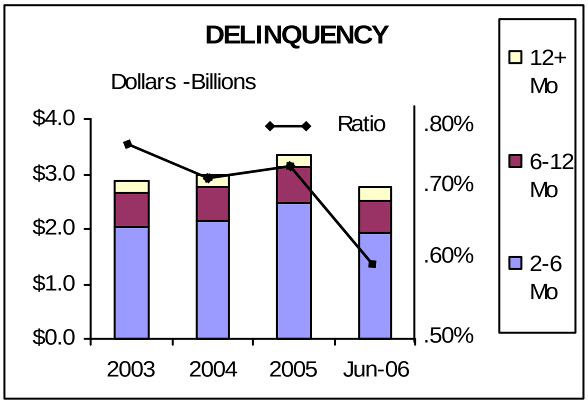


Loan Category	**2005 Balance** In Billions	**% of Total Loans 2005**	**June 2006 Balance** In Billions	**% of Total Loans 2006**	**Growth** In Billions	**Growth Rate**
Unsecured Credit Card	$23.91	5.22%	$23.93	5.02%	$0.02	0.08%
All Other Unsecured	$21.18	4.62%	$21.31	4.47%	$0.13	0.63%
New Vehicle	$83.95	18.32%	$86.56	18.17%	$2.60	3.10%
Used Vehicle	$86.60	18.90%	$87.11	18.29%	$0.51	0.59%
First Mortgage Real Estate	$145.10	31.66%	$153.44	32.21%	$8.34	5.75%
Other Real Estate	$73.42	16.03%	$79.26	16.64%	$5.84	7.95%
Leases Rec & All Other	$24.07	5.25%	$24.76	5.20%	$0.68	2.83%
Total Loans	**$458.24**		**$476.36**		**$18.12**	**3.96%**

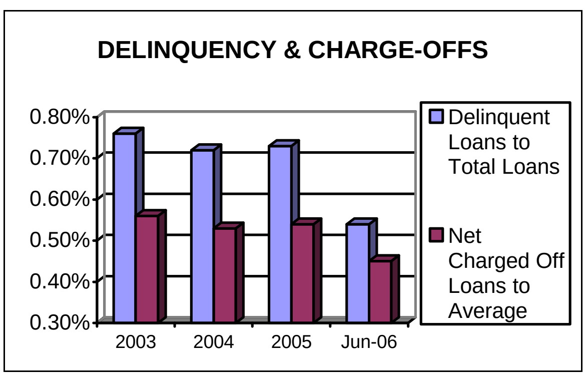
Real Estate loans were 48.85% of total loans outstanding at June 30, 2006, up from 47.69% in 2005. First Mortgages account for 32.21% ($153.44 billion) of total loans with Other Real Estate loans accounting for 16.64% ($79.26 billion).

Vehicle loans were 36.46% of total loans outstanding at June 30, 2006, down from 37.22% in 2005. Used Vehicle loans account for 18.29% ($87.1 billion) while New Vehicle loans comprise 18.17% ($86.56 billion) of the industry's loan portfolio as of June 30, 2006.

DELINQUENCY TRENDS: Delinquent loans fell by $583.7 million (17.47%) and the ratio of delinquent loans to total loans decreased from 0.73% at the end of 2005 to 0.58% as of June 30, 2006.



Compared to 2005, annualized loan charge offs decreased by $210.09 million (7.48%) and recoveries increased $65.5 million (14.58%). Annualized net charge-offs fell by $275.63 million or 11.68%. Due to sustained loan growth and lower net charge-offs the annualized average net charge-off ratio declined from 0.54% at the end of 2005 to 0.45% as of June 30, 2006.



Outstanding loans subject to bankruptcy totaled $548.3 million for the first half of 2006, down from $2.6 billion, which represents an annualized decline of 58.24%. The decline may be an after effect of the bankruptcy laws recently introduced. Bankrupt loans accounted for 28.98% of all loans charged off year-to-date as of June 2006, also down from 36.59% for 2005.

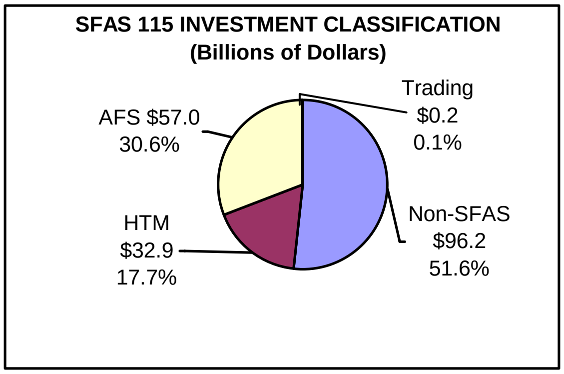
INVESTMENT TRENDS: Cash on hand and cash equivalents increased 3.38% ($1.55 billion) while investments with maturities of less than one year, increased 3.52% ($2.16 billion). The combined category increased 3.46% ($3.71 billion) for the first half of 2006.

Federally insured credit unions reduced their long-term investment portfolios resulting in investments with maturities greater than a year decreasing 5.70% ($4.93 billion).

Non-SFAS 115 investments (including cash equivalents) increased 1.64% ($1.55 billion) to $96.2 billion.

Held-to-maturity investments decreased 5.32% ($1.85 billion). Available-for-sale investments decreased 1.06% ($607.6 million). Trading securities decreased 16.51% ($45.17 million).

As of June 30, 2006, SFAS 115 investments made up 48.36% of the investment portfolio. Non-SFAS 115 investments, cash on deposit, and cash equivalents accounted for 51.64% of the portfolio.



EARNINGS

Interest on loans and income on investments increased 10.09% and 15.43%, respectively. The net interest margin declined 5 basis points to 3.19% and operating expenses increased by 5 basis points. The combination of a 10 basis point decline in the provision for loan loss expense, a 2 basis point increase in fee/other income, and slightly lower non-operating income resulted in a 1 basis point increase to the return on assets of 0.86%.

Ratio (% Average Assets)	As of 2005	As of June 2006	Effect on ROA
Net Interest Margin	3.24%	3.19%	- 5bp
+ Fee & Other Inc.	1.22%	1.24%	+ 2bp
- Operating Expenses	3.24%	3.29%	- 5bp
- PLL	0.40%	0.30%	+10bp
+ Non-Opr. Income	0.03%	0.02%	-1bp
= ROA	0.85%	0.86%	+ 1bp

ASSET/LIABILITY MANAGEMENT

SHARE TRENDS*:* Total shares grew 2.78% ($16.05 billion) in the first half of 2006. Regular shares account for 33.05% of total shares growing from $194.1 as of December 2005 to $196.2 billion, a 1.06% increase. Growth rates by share type for the first six months of 2006 were as follows:

Type of Share Account	Growth Rate
Share Drafts	-4.05%
Regular Shares	1.06%
Money Market	0.02%
Certificates	9.43%
IRA/Keogh	3.27%
Other Shares	18.43%
Non-member Deposits	1.12%
Total	2.78%

OVERALL LIQUIDITY TRENDS*:* As of June 2006, credit unions held 15.95% of total assets in cash and short-term investments, compared to 15.84% at the end of 2005. Net long-term assets were 26.30% of total assets as of June 30, 2006, compared to 25.13% as of December 31, 2005.

CONCLUSION

Federally insured credit unions continued strong performance in the second quarter of 2006. Loans, shares, and net worth grew while delinquency, loan losses and bankruptcies declined. While net interest margins remain low, credit unions achieved favorable operating results as the loan to share ratio grew to over 80%.