FINANCIAL TRENDS IN FEDERALLY INSURED CREDIT UNIONS

January 1 – December 31, 2006

HIGHLIGHTS

This report summarizes the trends of all federally insured credit unions that reported as of December 31, 2006. Change is measured from December 31, 2005. [1]

Number of Credit Unions Reporting		
	Federal CUs	State CUs
2002	5,953	3,735
2003	5,776	3,593
2004	5,572	3,442
2005	5,393	3,302
2006	5,189	3,173

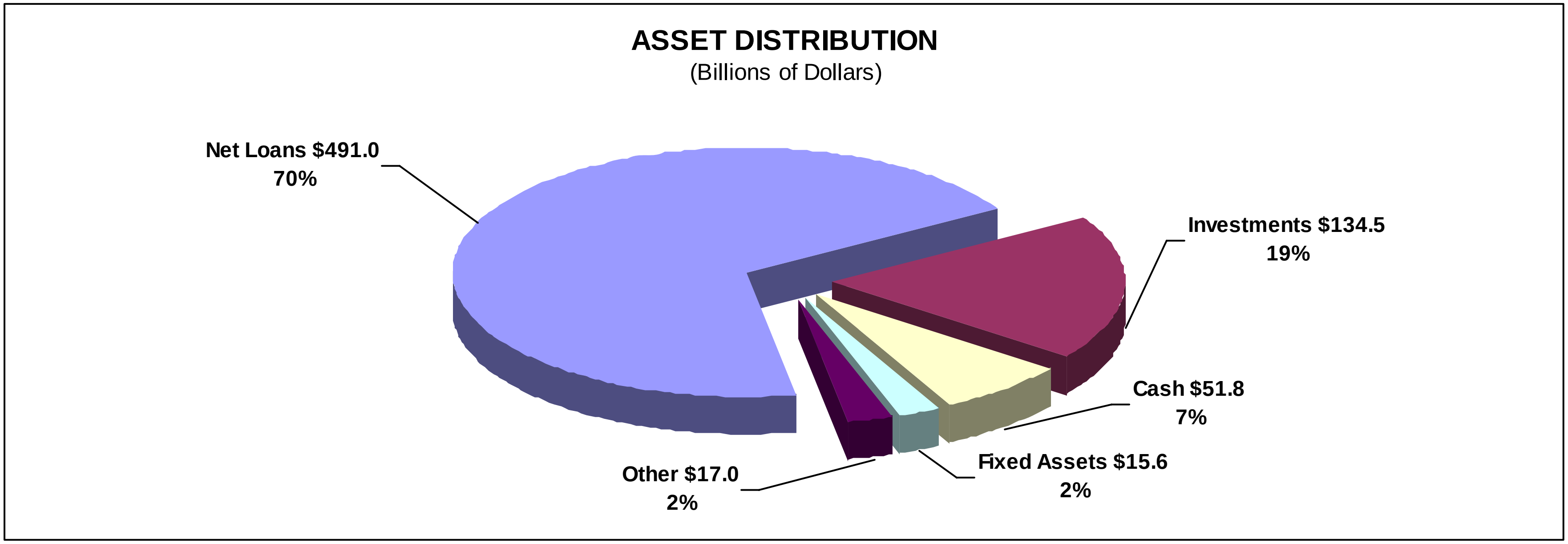
- **Assets** increased $31.28 billion or 4.61% to $709.9 billion.
- **Net Worth** increased $5.66 billion or 7.42%. The net worth to assets ratio increased from 11.24% to 11.54%.
- **Earnings,** as measured by return on average assets, decreased from 0.85% to 0.82%.
- **Loans** increased $36.10 billion or 7.88%. The loan to share ratio increased from 79.33% to 82.23%.
- **Delinquent** loans as a percentage of total loans decreased from 0.73% to 0.68%.
- **Long-term investments (over 1 year)** decreased $12.87 billion or 14.87%.
- **Cash on hand, cash on deposit, plus short-term investments (less than 1 year)** increased $5.16 billion or 4.80%.
- **Shares** increased $23.57 billion or 4.08%. Total share certificates represent 31.43% of the share portfolio and now exceed regular shares.
- **Current members** increased by 1.2 million or 1.48%.

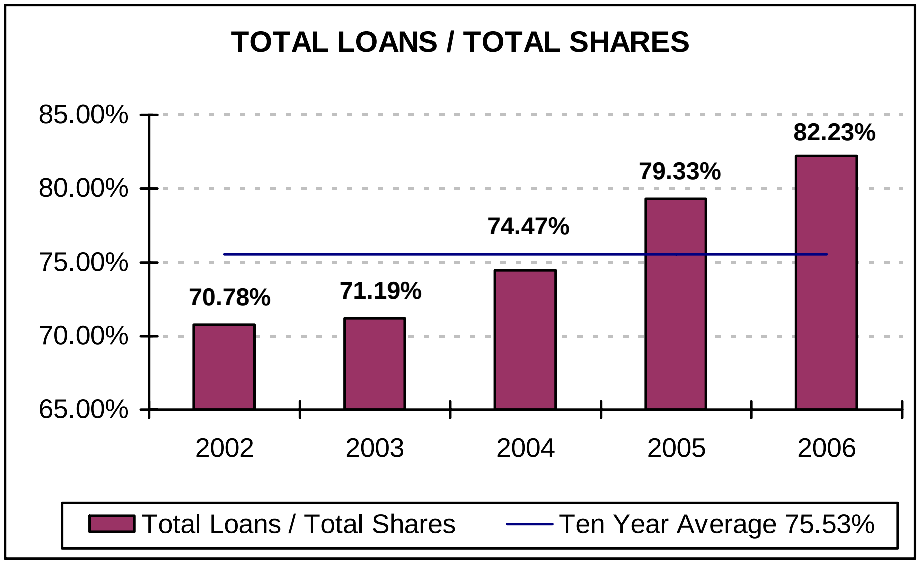
Federally insured credit unions continued strong performance in 2006. Loans, shares, and net worth grew while the delinquent ratio, loan loss ratio, and bankruptcies declined. While net interest margins continued to decline, credit unions achieved favorable operating results as the loan to share ratio grew to over 82%. Real estate loans remain the dominant loan category in credit unions and without an adequate asset-liability process; it could elevate the level of interest rate risk.

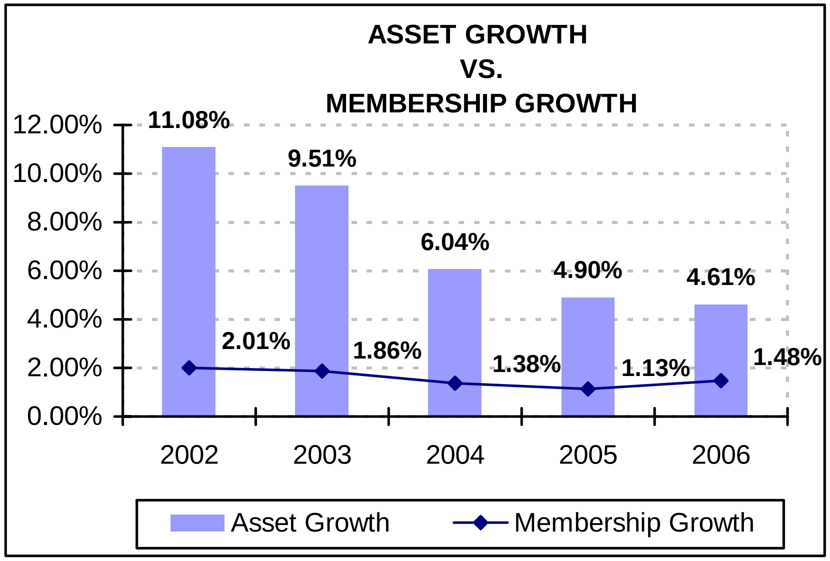
Total Shares and Deposits	**2005** In Billions	**2006** In Billions	**% Change**
Insured Shares & Deposits	$514.09	$534.23	3.92%
Uninsured Shares & Deposits	$63.54	$66.96	5.39%

[1] The financial results for prior periods may reflect changes when compared to the prior period trend letters due to subsequent call report modifications.

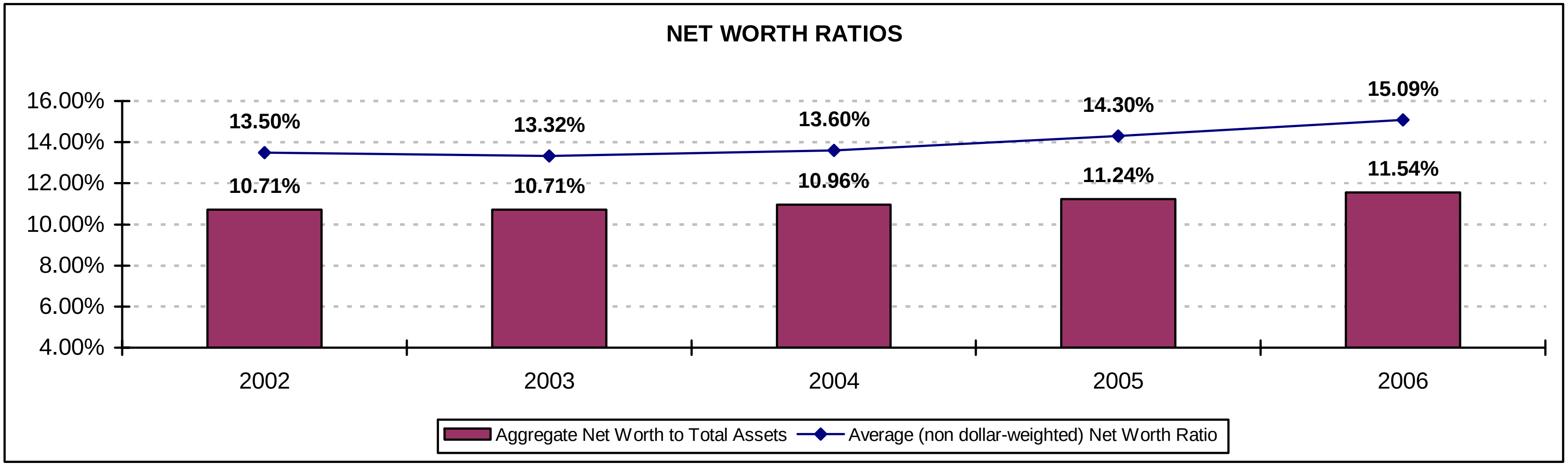
OVERALL TRENDS







NET WORTH

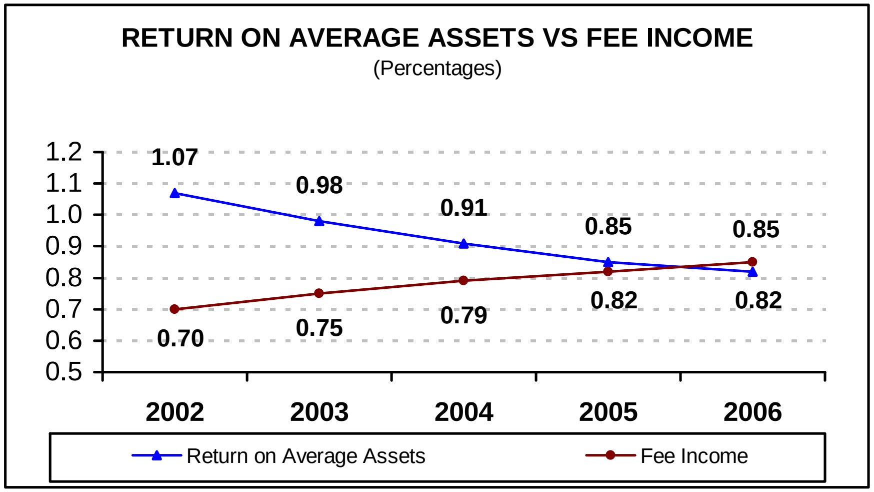


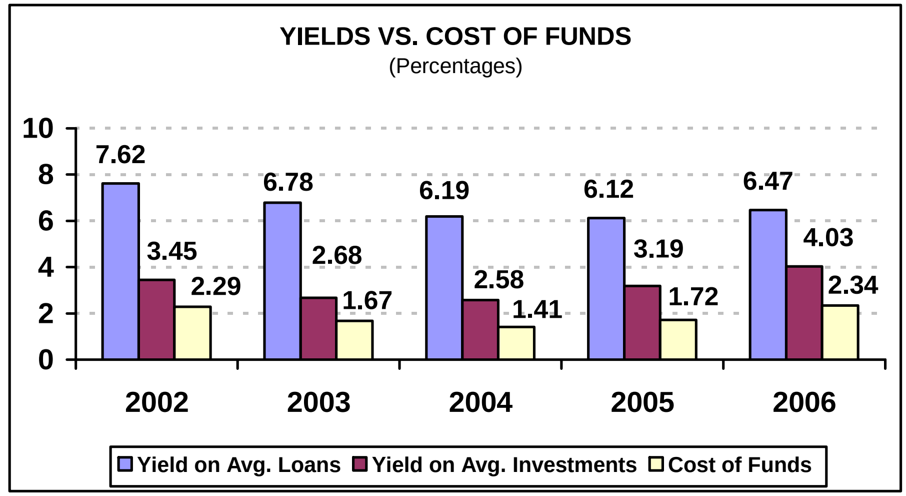
	December 2005 In Billions	**December 2006** In Billions	**% Change** Annualized
Total Net Worth	$76.29	$81.95	7.42%
Secondary Capital	$.028	$.027	-1.70%

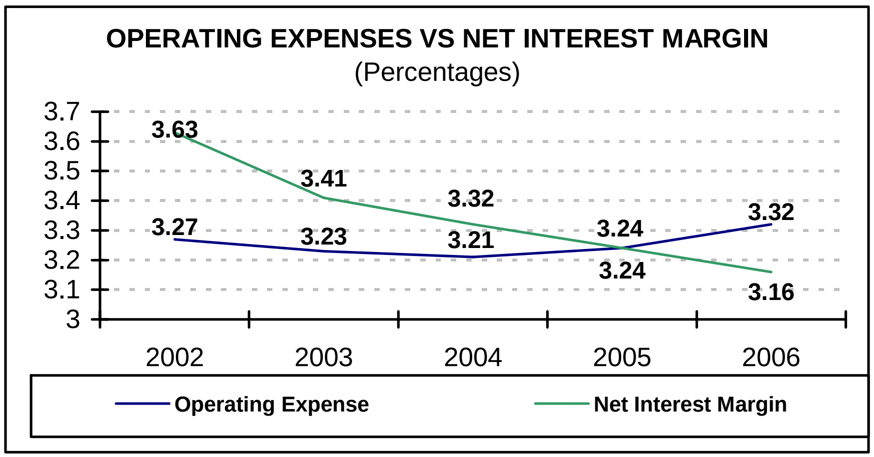
NET WORTH RATIOS				
Number of Credit Unions	**December 2005**	**% of Total**	**December 2006**	**% of Total**
7% or above	8,522	98.01%	8,235	98.48%
Net Worth Ratios				
6% to 6.99%	96	1.11%	58	.69%
4% to 5.99%	45	.52%	36	.43%
2% to 3.99%	21	.24%	20	.24%
Less than 2%	8	.09%	8	.10%
Less than 0%	3	.03%	5	.06%

Net Worth continues to be strong as total dollars increased $5.66 billion or 7.42% during 2006. The number of credit unions subject to Prompt Corrective Action, as a percentage of total credit unions, decreased from 1.99% as of December 2005, to 1.52% as of December 2006.

EARNINGS



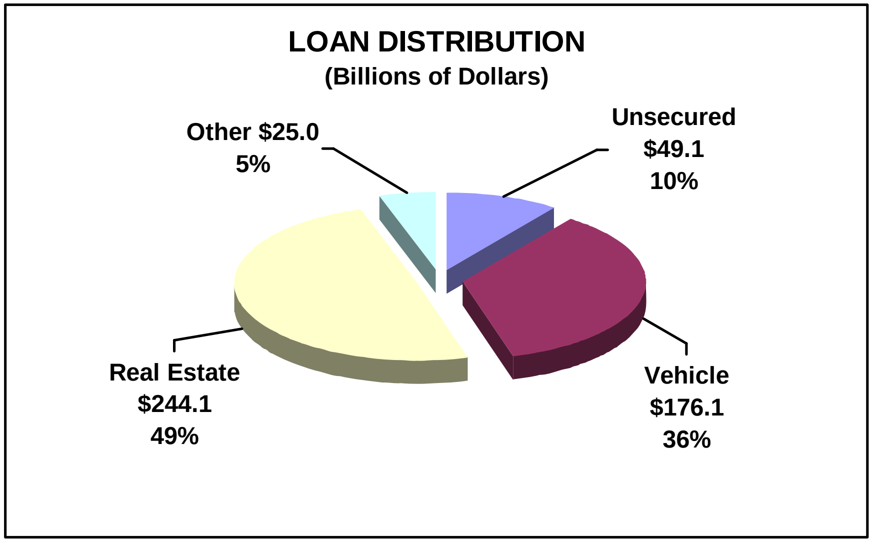


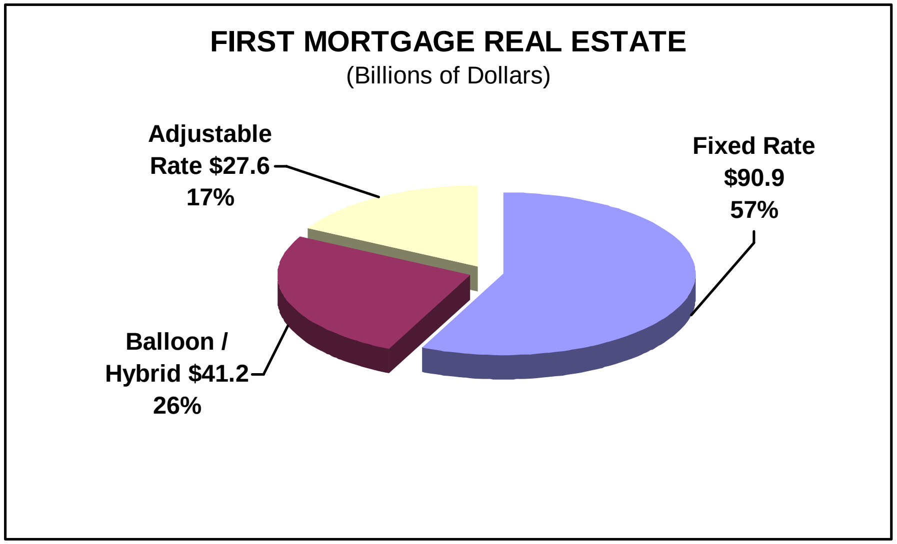


Ratio (% Average Assets)	As of 2005	As of 2006	Effect on ROA
Net Interest Margin	3.24%	3.16%	- 8bp
+ Fee & Other Inc.	1.22%	1.28%	+ 6bp
- Operating Expenses	3.24%	3.32%	- 8bp
- PLL	0.40%	0.31%	+ 9bp
+ Non-Opr. Income	0.03%	0.01%	- 2bp
= ROA	0.85%	0.82%	- 3bp

The level of earnings continues to be strong, covering the cost of operations as well as contributing to the already solid level of net worth. Net interest margin contracted 8 basis points to 3.16% as the cost of funds increased at a faster rate than the yield on assets. For the first time, fee income dollars exceeded net income dollars, which is the result of several years of fee income growth outpacing net income growth. For each year since 2003, fee income growth ranged between 8.2% and 18.2% annually, while annual net income growth during the same period has ranged from -1.7% to 1.8%.

LOAN DISTRIBUTION

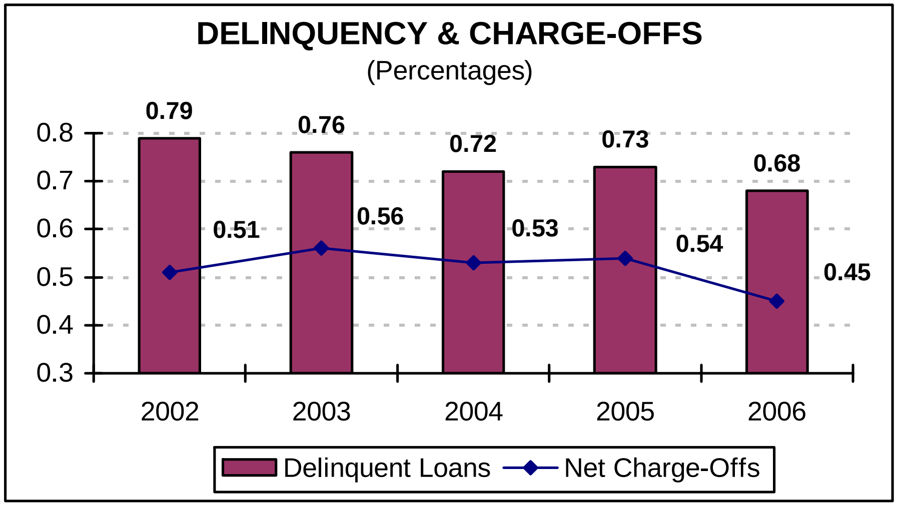


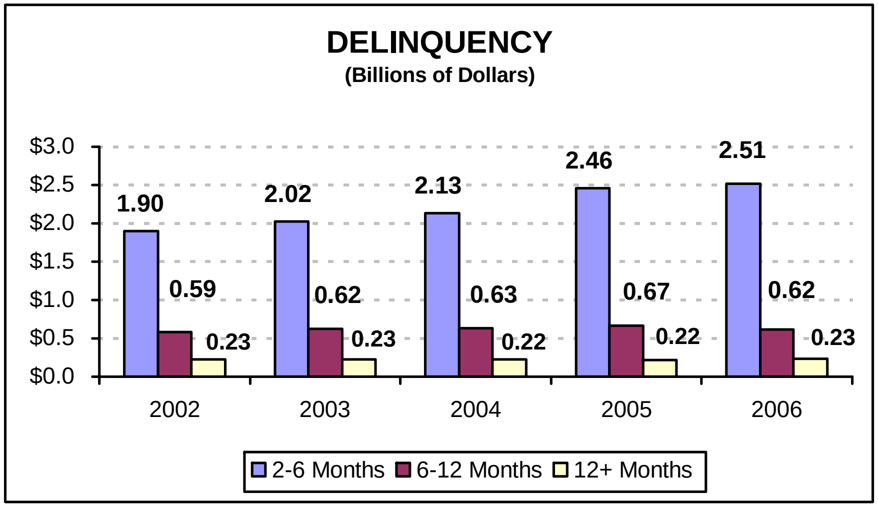


Loan Category	**2005 Balance** In Billions	**% of Total Loans 2005**	**2006 Balance** In Billions	**% of Total Loans 2006**	**Growth** In Billions	**Growth Rate**
Unsecured Credit Card	$23.91	5.22%	$26.54	5.37%	$2.63	10.98%
All Other Unsecured	$21.18	4.62%	$22.60	4.57%	$1.42	6.72%
New Vehicle	$83.96	18.32%	$88.53	17.91%	$4.57	5.44%
Used Vehicle	$86.60	18.90%	$87.56	17.71%	$0.96	1.11%
First Mortgage Real Estate	$145.11	31.67%	$159.68	32.30%	$14.57	10.04%
Other Real Estate	$73.40	16.02%	$84.44	17.08%	$11.03	15.03%
Leases Rec & All Other	$24.07	5.25%	$24.99	5.06%	$0.92	3.81%
Total Loans	**$458.23**		**$494.34**		**$36.10**	**7.88%**

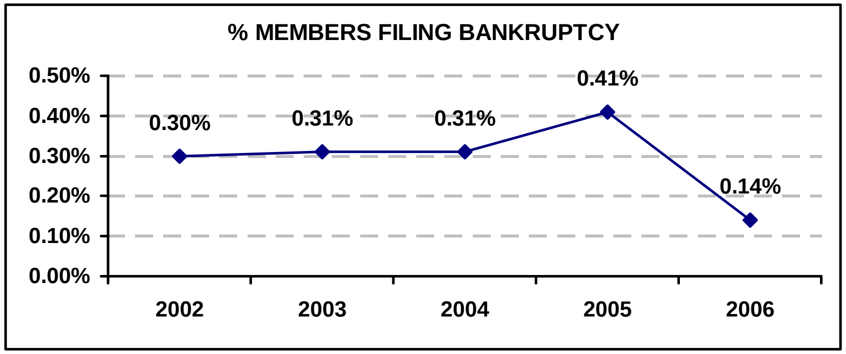
Loan demand continues to be strong with total loans increasing 7.88% in 2006, pushing the loan to share ratio to 82.23% for December 2006. Loan growth was primarily fueled again by growth in first mortgage and other real estate loans, which accounted for 70.91% of the total growth. Real estate loans comprise the largest portion of total loans at 49.38%, followed by vehicle loans at 35.62%. Fixed rate first mortgages increased $6.66 billion (7.90%), adjustable rate first mortgages $2.46 billion (9.80%), and balloon/hybrid first mortgages $5.46 billion (15.26%), during 2006.

DELINQUENCY TRENDS



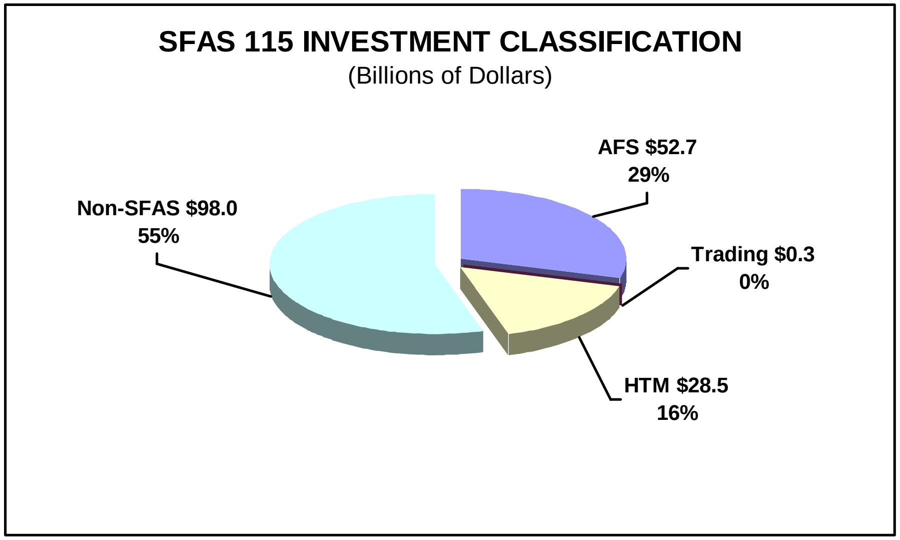


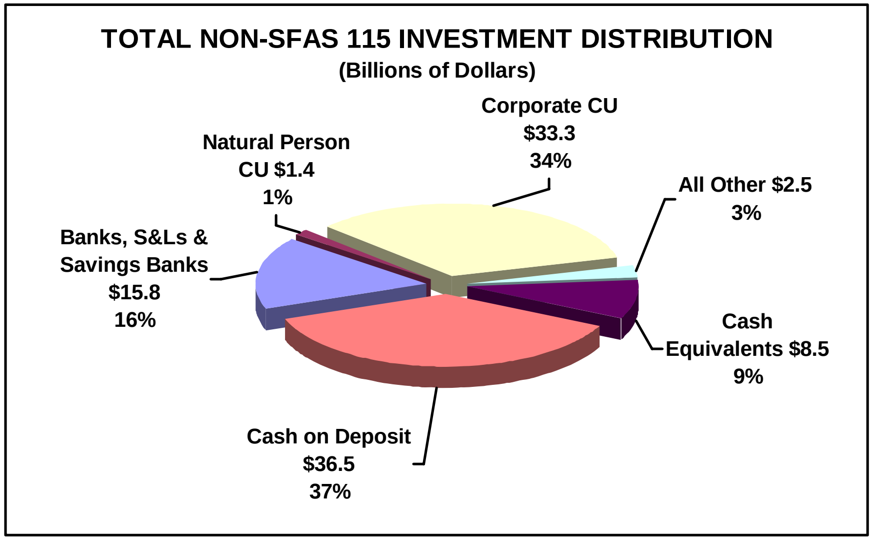
Charge-Offs and Recoveries	December 2005 In Billions	December 2006 In Billions	% Change
Loans Charged Off	$2.81	$2.67	-5.11%
Recoveries	$0.45	$0.51	13.79%
Net Charge-Offs	$2.36	$2.16	-8.71%



The quality of the loan portfolio remains strong, as reflected in the decrease in delinquent loans to total loans from 0.73% at the end of 2005 to 0.68% as of December 31, 2006. During the same period, the average net charge-off ratio declined from 0.54% to 0.45%. Not only did the ratio decline, the dollar amount of charged-off loans decreased while recoveries increased. In addition, outstanding loans subject to bankruptcy decreased 61.06% to $1.0 billion, down from $2.6 billion in 2005. The only adverse trend in loan delinquency is the increase in delinquent real estate loans of 40.31% ($241.4 million), which took the real estate delinquency ratio from 0.27% at year-end 2005 to 0.34% as of December 31, 2006.

INVESTMENT TRENDS

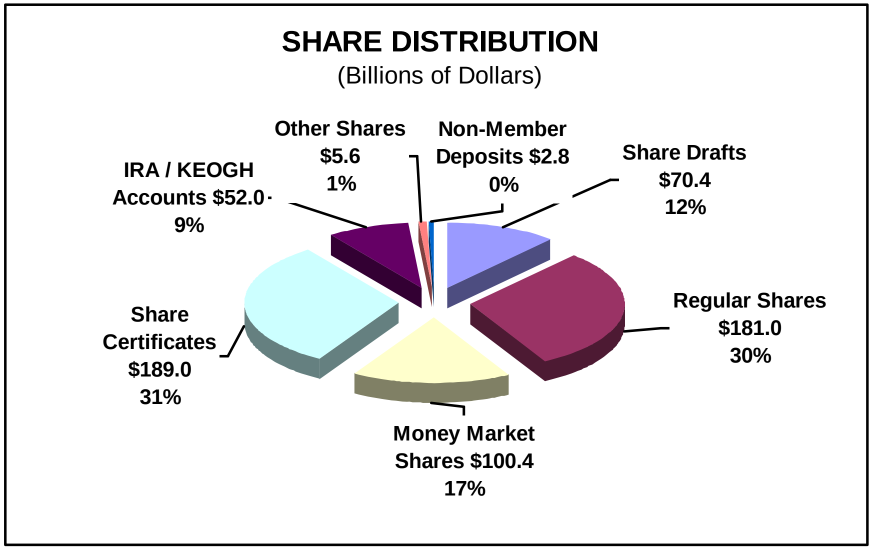


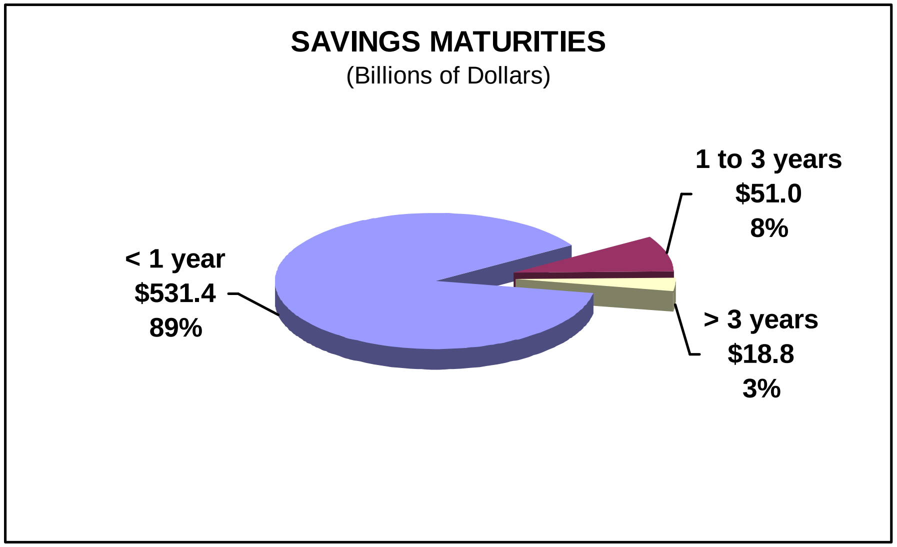


Investment Maturity or Repricing Intervals	December 2005 In Billions	% of Total Investments 2005	December 2006 In Billions	% of Total Investments 2006
Less than 1 year	$100.82	53.83%	$105.87	58.98%
1 to 3 years	$62.94	33.60%	$51.94	28.93%
3 to 5 years	$17.07	9.11%	$14.44	8.04%
5 to 10 years	$4.63	2.47%	$5.14	2.86%
Greater than 10 years	$1.86	0.99%	$2.11	1.18%
Total Investments	$187.32		$179.50	

Strong loan demand that has outpaced share growth reduced the amount of funds available for investment. 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. Currently 55% 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, nearly 86% are in U.S. Government or Federal Agency Securities.

SHARE TRENDS

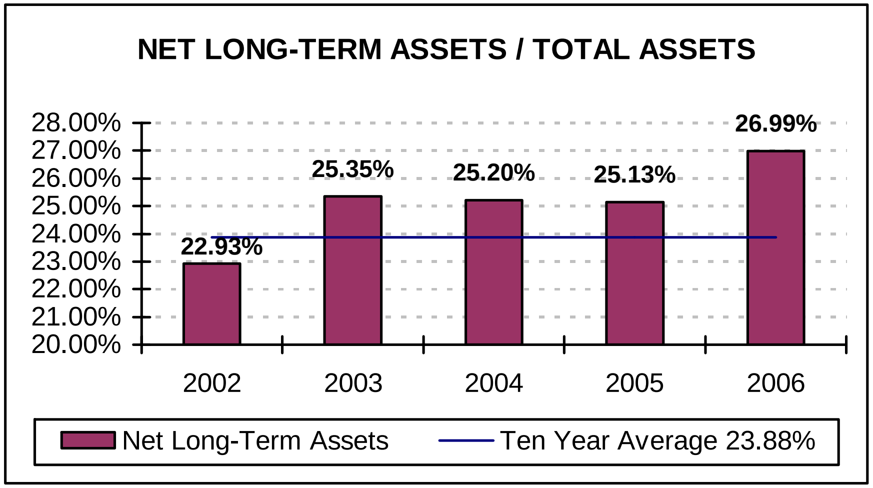


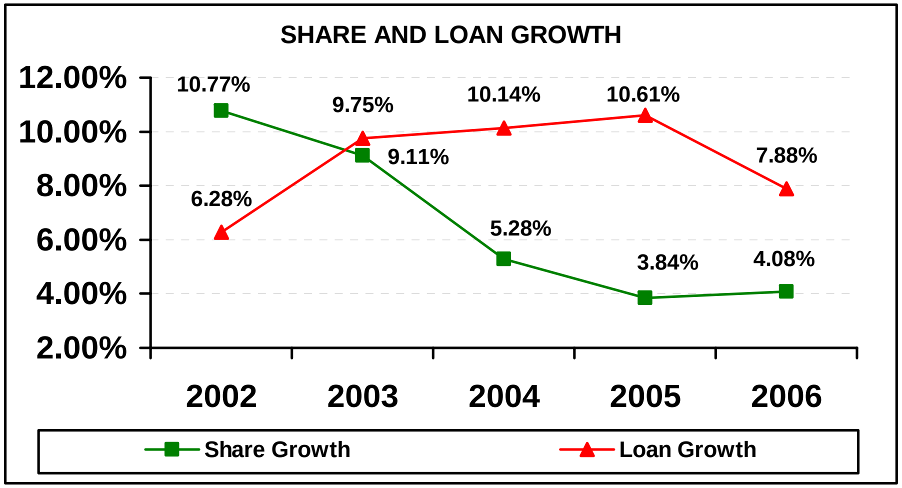


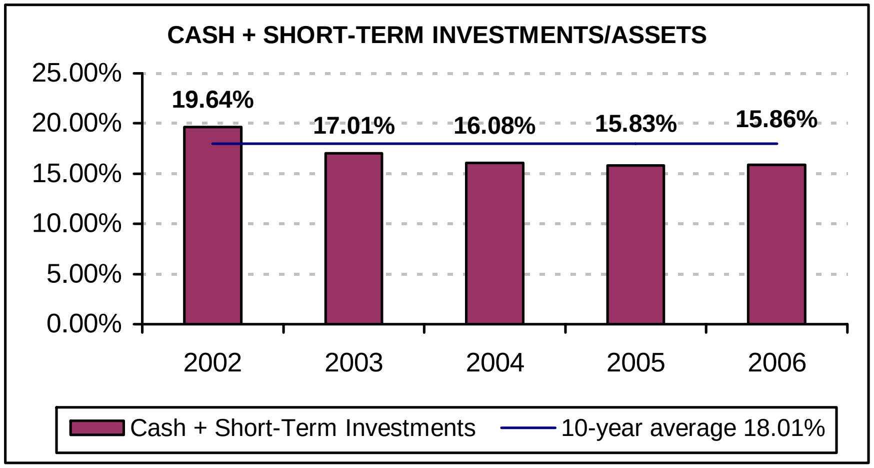
Share Category	**2005 Balance** In Billions	**% of Total Shares 2005**	**2006 Balance** In Billions	**% of Total Shares 2006**	**Growth** In Billions	**Growth Rate**
Share Drafts	$75.47	13.07%	$70.38	11.71%	-$5.09	-6.75%
Regular Shares	$194.16	33.61%	$181.03	30.11%	-$13.13	-6.76%
Money Market Shares	$99.02	17.14%	$100.45	16.71%	$1.43	1.44%
Share Certificates	$152.63	26.42%	$188.97	31.43%	$36.34	23.81%
IRA / KEOGH Accounts	$48.28	8.36%	$51.98	8.65%	$3.70	7.67%
All Other Shares	$5.57	0.97%	$5.58	0.93%	$0.01	0.13%
Non-Member Deposits	$2.49	0.43%	$2.80	0.47%	$0.31	12.52%
Total Shares	**$577.62**		**$601.19**		**$23.57**	**4.08%**

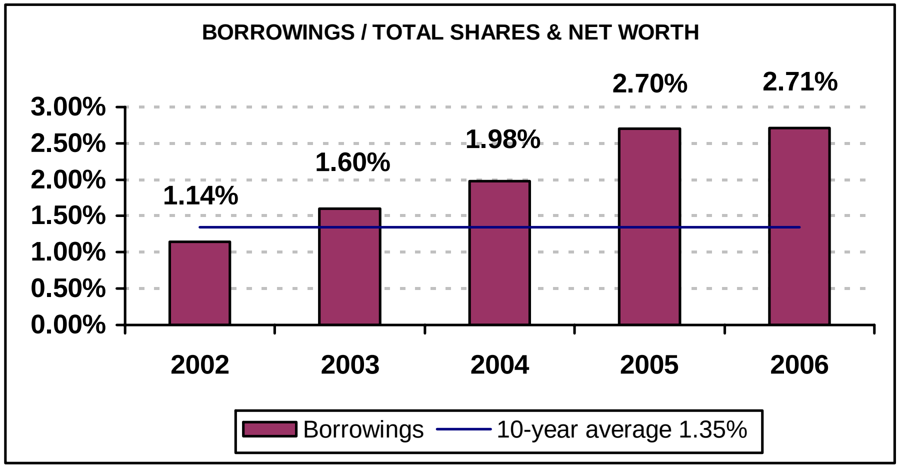
Total shares grew 4.08% ($23.57 billion) in 2006. The strong growth in certificates and IRAs accounted for the majority of the growth in shares, offsetting declines in other share types. Total share certificates is the largest category exceeding regular shares for the first time.

ASSET LIABILITY MANAGEMENT TRENDS









Credit unions hold adequate levels of liquidity, although the 15.86% of total assets held in cash and short-term investments is below the 10-year average of 18.01%. When combined with the increase in the loan to share ratio this may indicate increasing liquidity pressure for individual credit unions. Net long-term assets of 26.99% are above the 10-year average of 23.88%, due to the strong real estate loan growth. Credit unions with higher levels of liquidity risk or interest rate risk should continue to maintain diligent liquidity and interest rate 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	3805	3357	913	287
Total Assets	$14.18 billion	$114.46 billion	$196.74 billion	$384.58 billion
Average Assets (non dollar-weighted)	$3.73 million	$34.09 million	$215.48 million	$1.40 billion
Net Worth/Total Assets	16.20%	13.09%	11.76%	10.79%
Average Net Worth (non dollar-weighted)	17.45%	13.66%	11.76%	11.16%
Net Worth Growth	1.60%	1.16%	2.74%	13.17%
Return on Average Assets	0.56%	0.65%	0.78%	0.91%
Net Interest Margin/Average Assets	4.20%	3.74%	3.35%	2.83%
Fee & Other Income/Average Assets	0.69%	1.20%	1.43%	1.24%
Operating Expense/Average Assets	3.98%	3.99%	3.72%	2.87%
Provision for LLL/Average Assets	0.38%	0.31%	0.32%	0.31%
Loans/Shares	72.92%	75.26%	81.92%	84.83%
Delinquent Loans/Total Loans	2.14%	1.06%	0.73%	0.51%
% of Real Estate Lns Delinquent > 2 Mths	1.02%	0.59%	0.43%	0.24%
Net Charge-Offs/Average Loans	0.63%	0.47%	0.46%	0.44%
Share Growth	-6.97%	-3.57%	-1.48%	10.43%
Loan Growth	-1.32%	-0.36%	1.70%	14.21%
Asset Growth	-5.65%	-3.05%	-0.90%	10.81%
Membership Growth	-5.16%	-3.79%	-1.50%	7.88%
Net Long-Term Assets/Total Assets	8.33%	20.94%	27.66%	29.11%
Cash + Short-Term Invest./Assets	29.21%	20.41%	15.14%	14.39%
Borrowings/Shares & Net Worth	0.34%	0.75%	2.16%	3.69%

Note: The growth trends are an aggregate figure and do not account for the credit unions which moved into or out of adjoining asset groups.

There is a distinct difference in the performance among the different asset groups. Net worth ratios are solid among all asset groups with the largest percentages being reported in the under $10 million asset group. The highest return on average assets, loan growth, and loan to asset ratio is noted in the over $500 million asset group, with this group being the only one to report positive share, asset, and membership growth for 2006.