FINANCIAL TRENDS IN FEDERALLY INSURED CREDIT UNIONS
January 1 – September 30, 2006

HIGHLIGHTS

This report summarizes the trends of all federally insured credit unions that reported as of September 30, 2006. Change is measured from the prior year-end (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
Sep. 2006	5,255	3,207

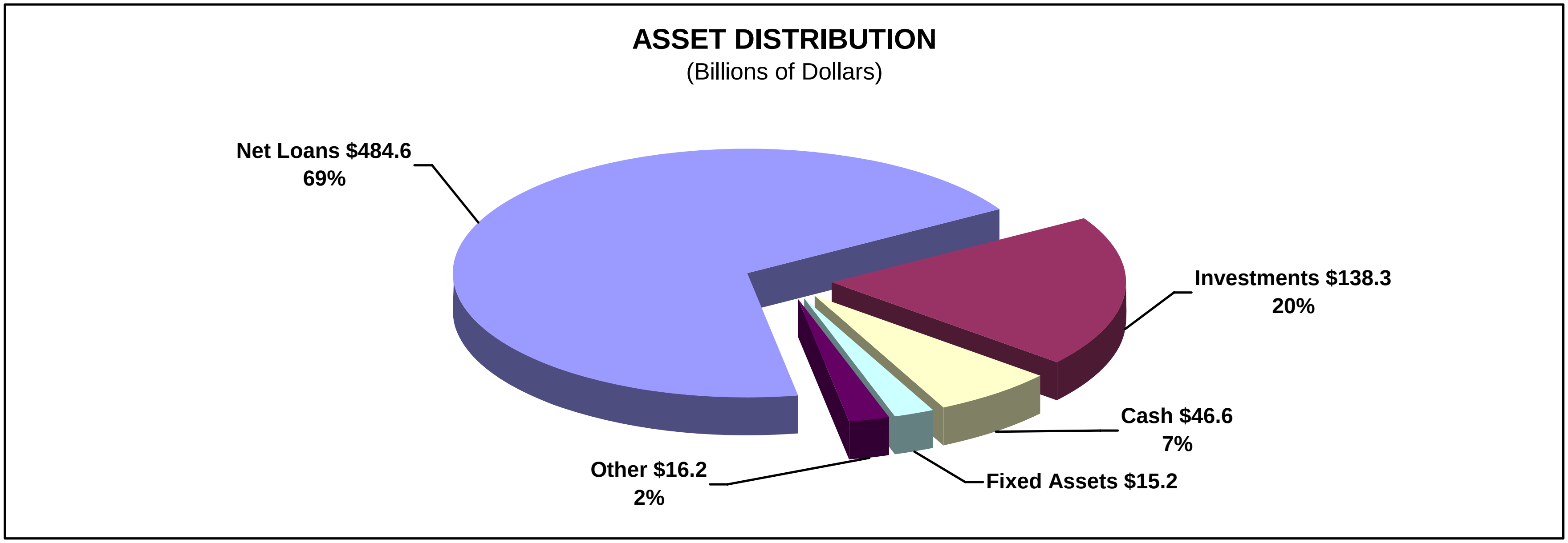
- **Assets** increased $22.27 billion, or 3.28%, to $700.9 billion. This equates to an annualized asset growth rate of 4.37%.
- **Net Worth** increased $4.50 billion, or 5.90% (7.87% annualized). The Net Worth to assets ratio increased from 11.24% to 11.52%.
- **Earnings,** as measured by return on average assets, increased from 0.85% to 0.88%.[2]
- **Loans** increased $29.67 billion, or 6.47% (8.63% annualized). The loan to share ratio increased from 79.33% to 82.19%.
- **Delinquent** loans as a percentage of total loans decreased from 0.73%, to 0.62%.
- **Long-term investments (over 1 year)** decreased $9.39 billion, or 10.86%.
- **Cash on hand, cash on deposit, plus short-term investments (less than 1 year)** increased $315.9 million, or 0.29%.
- **Shares** increased $15.99 billion, or 2.77%. This represents an annualized share growth rate of 3.69%.

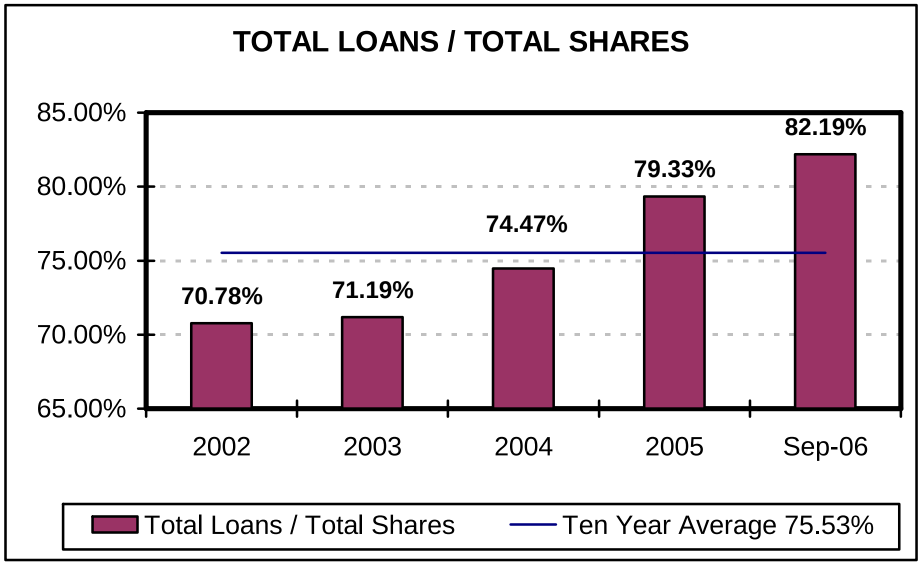
Federally insured credit unions continued strong performance in the first nine months of 2006. Loans, shares, and net worth grew while delinquency, loan losses, and bankruptcies declined. While net interest margins continued to decline, credit unions achieved favorable operating results as the loan to share ratio grew to over 82%.

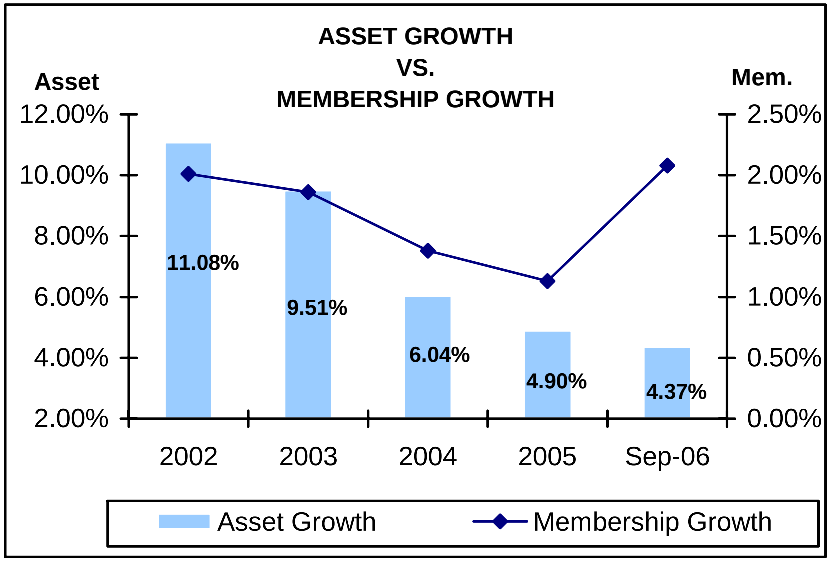
Total Shares and Deposits	**December 2005** In Billions	**September 2005** In Billions	**% Change** Annualized
Insured Shares & Deposits	$514.08	$528.39	2.78%
Uninsured Shares & Deposits	$63.54	$65.23	2.66%

[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.

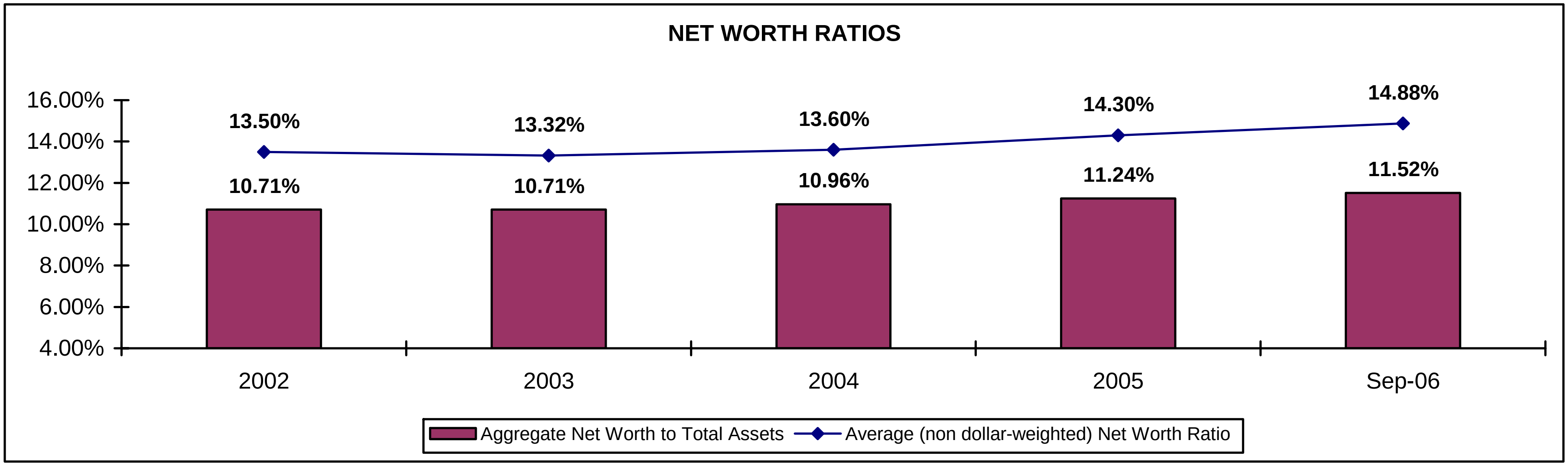
OVERALL TRENDS







NET WORTH

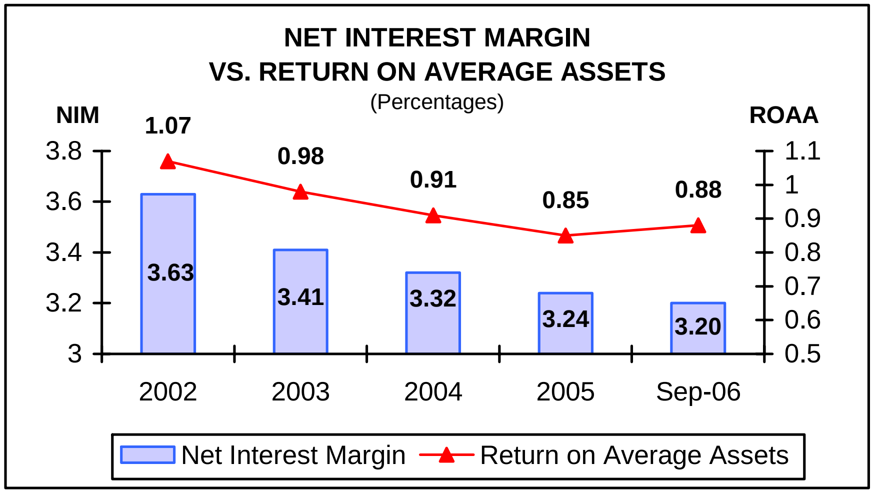


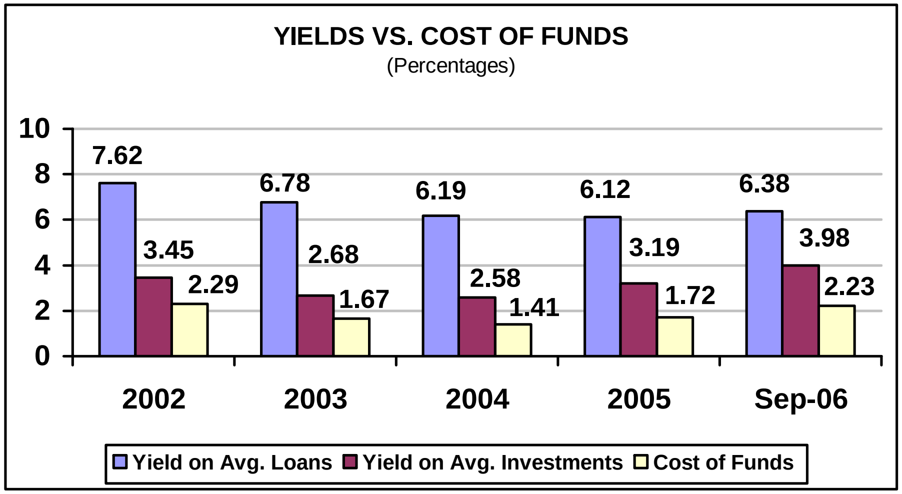
	December 2005 In Billions	**September 2006** In Billions	**% Change** Annualized
Total Net Worth	$76.30	$80.81	7.87%
Secondary Capital	$.028	$.027	-.66%

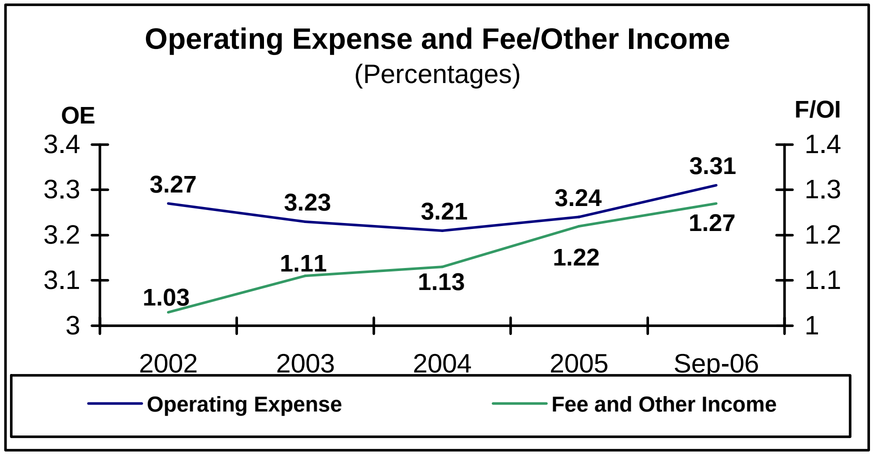
NET WORTH RATIOS				
Number of Credit Unions	**December 2005**	**% of Total**	**September 2006**	**% of Total**
7% or above	8,522	98.01%	8,345	98.62%
Net Worth Ratios				
6% to 6.99%	96	1.11%	58	.69%
4% to 5.99%	45	.52%	25	.30%
2% to 3.99%	21	.24%	21	.25%
Less than 2%	8	.09%	8	.09%
Less than 0%	3	.03%	5	.05%

Net Worth continues to be strong as total dollars increased $4.5 billion or 5.90% during the first nine months of 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 1.38% as of September 30, 2006.

EARNINGS



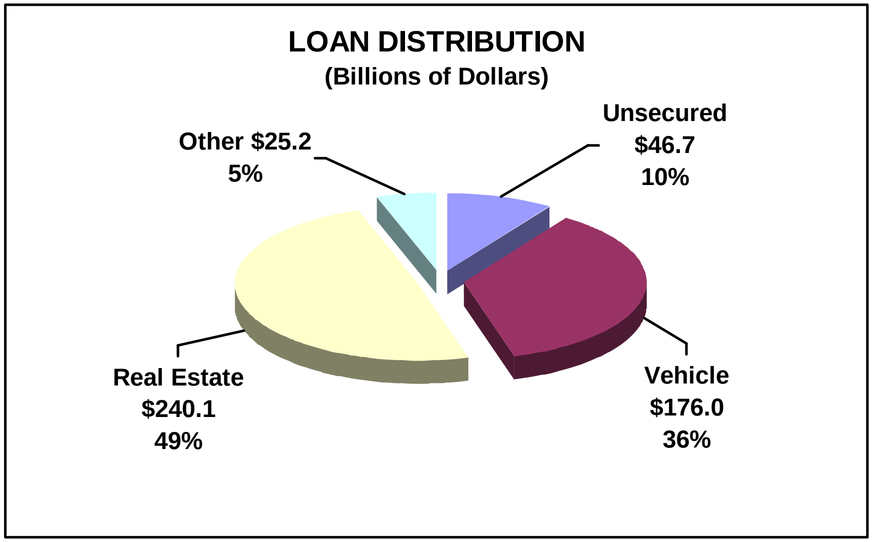


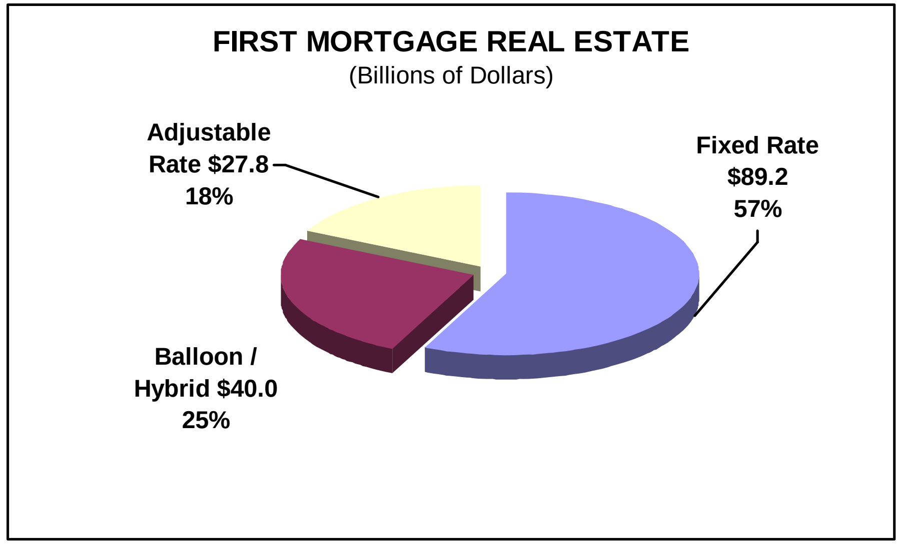


Ratio (% Average Assets)	As of 2005	As of Sep. 2006	Effect on ROA
Net Interest Margin	3.24%	3.20%	- 4bp
+ Fee & Other Inc.	1.22%	1.27%	+ 5bp
- Operating Expenses	3.24%	3.31%	- 7bp
- PLL	0.40%	0.30%	+10bp
+ Non-Opr. Income	0.03%	0.02%	-1bp
= ROA	0.85%	0.88%	+ 3bp

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 4 basis points to 3.20% as the cost of funds increased at a faster rate than the yield on assets. Operating expenses increased by 7 basis points to 3.31%. The combination of a 10 basis point decline in the provision for loan loss expense and a 5 basis point increase in fee/other income offset the lower net interest margin and higher operating expenses, resulting in a 3 basis point increase to the return on assets.

LOAN DISTRIBUTION

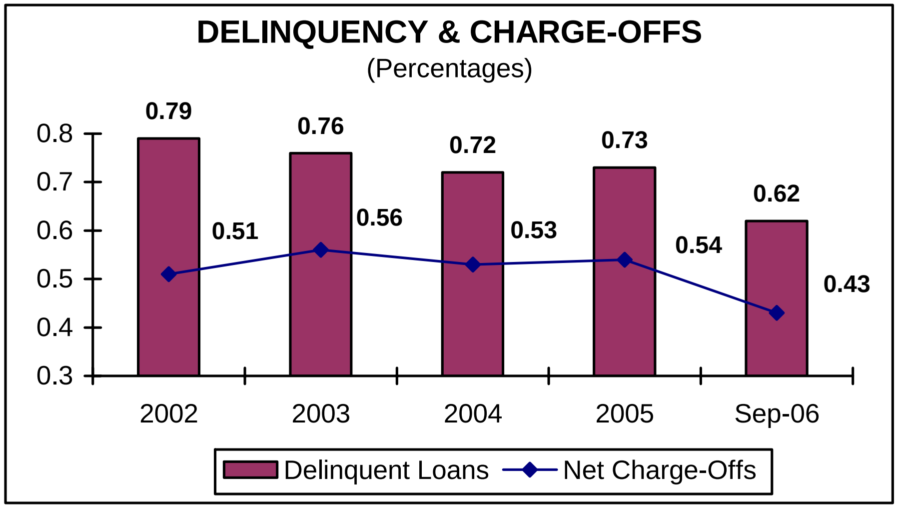


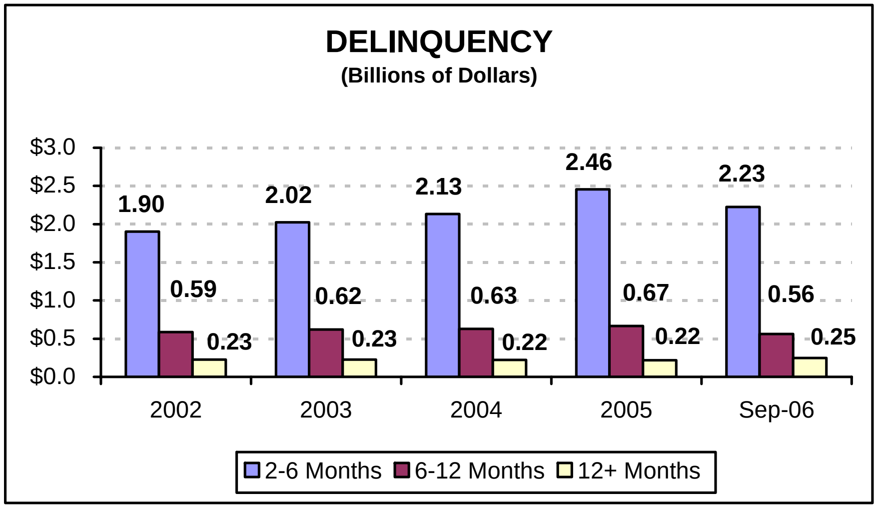


Loan Category	**2005 Balance** In Billions	**% of Total Loans 2005**	**September 2006 Balance** In Billions	**% of Total Loans 2006**	**Growth** In Billions	**Growth Rate**
Unsecured Credit Card	$23.91	5.22%	$24.69	5.06%	$0.77	3.24%
All Other Unsecured	$21.18	4.62%	$22.02	4.51%	$0.84	3.95%
New Vehicle	$83.95	18.32%	$88.05	18.05%	$4.10	4.88%
Used Vehicle	$86.60	18.90%	$87.94	18.02%	$1.34	1.54%
First Mortgage Real Estate	$145.10	31.66%	$157.01	32.18%	$11.90	8.20%
Other Real Estate	$73.42	16.03%	$83.05	17.02%	$9.64	13.13%
Leases Rec & All Other	$24.07	5.25%	$25.15	5.16%	$1.08	4.52%
Total Loans	**$458.23**		**$487.91**		**$29.67**	**6.47%**

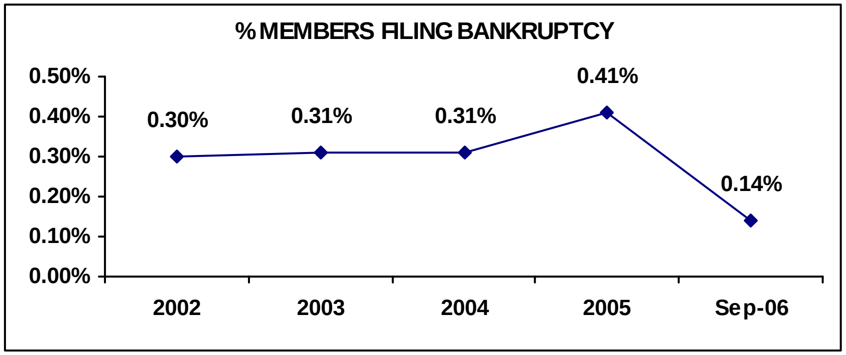
Loan demand continues to be strong with total loans increasing 6.47% in 2006, pushing the loan to share ratio to 82.19% for September 2006. Loan growth was primarily fueled by growth in first mortgage and other real estate loans, which accounted for 73% of the total growth. Real estate loans comprise the largest portion of total loans at 49%, followed by vehicle loans at 36%.

DELINQUENCY TRENDS





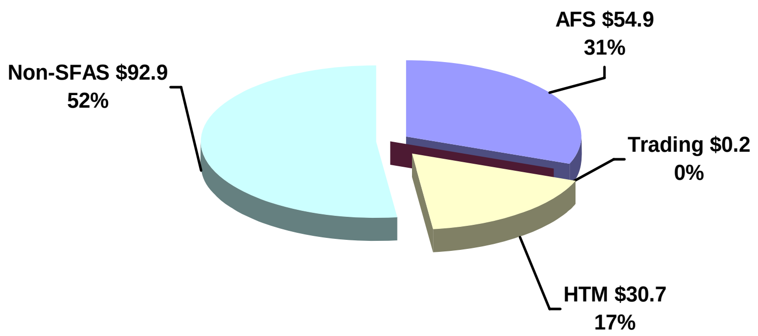
Charge-Offs and Recoveries	December 2005 In Billions	September 2006 (Annualized) In Billions	% Change
Loans Charged Off	$2.81	$2.56	-8.76%
Recoveries	$0.45	$0.51	13.02%
Net Charge-Offs	$2.36	$2.06	-12.91%



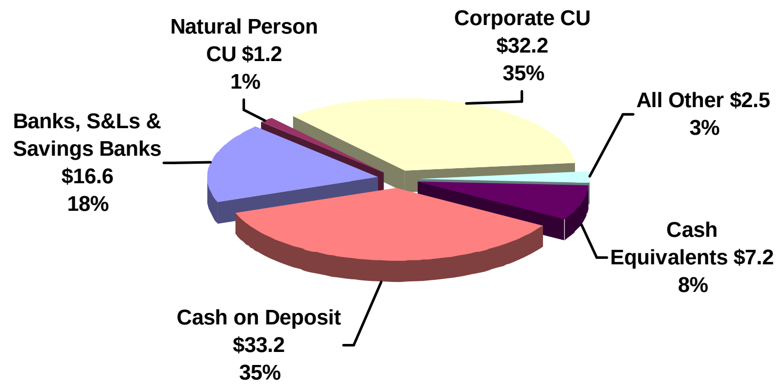
The quality of the loan portfolio remains strong. In fact, delinquent loans fell by $307.1 million (9.19%) and the ratio of delinquent loans to total loans decreased from 0.73% at the end of 2005 to 0.62% as of September 30, 2006. The annualized average net charge-off ratio declined from 0.54% at the end of 2005 to 0.43% as of September 30, 2006. Not only did the ratio decline, the nominal dollar amount of charged-off loans decreased while recoveries increased. In addition, outstanding loans subject to bankruptcy decreased an annualized 61.85% to $751.2 million, down from $2.6 billion in 2005. Bankrupt loans accounted for 26.13% of all loans charged off year-to-date as of September 2006, also down from 36.58% for 2005.

INVESTMENT TRENDS

SFAS 115 INVESTMENT CLASSIFICATION
(Billions of Dollars)



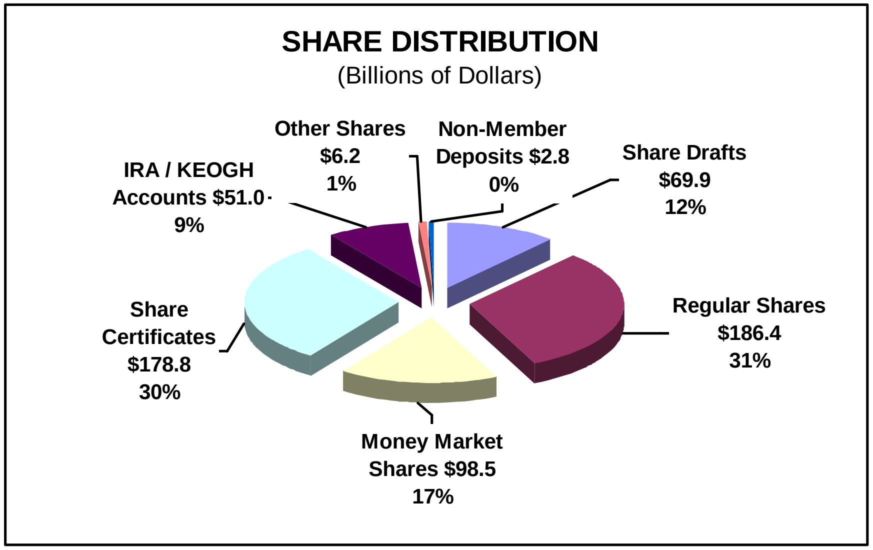
TOTAL NON-SFAS 115 INVESTMENT DISTRIBUTION
(Billions of Dollars)

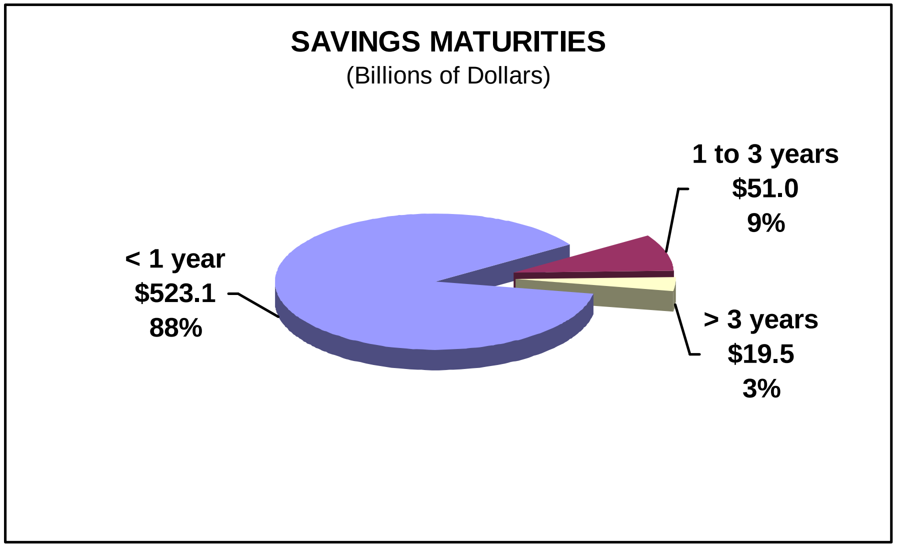


Investment Maturity or Repricing Intervals	December 2005 In Billions	% of Total Investments 2005	September 2006 In Billions	% of Total Investments September 2006
Less than 1 year	$100.83	53.83%	$101.59	56.85%
1 to 3 years	$62.94	33.60%	$55.06	30.81%
3 to 5 years	$17.07	9.11%	$14.85	8.31%
5 to 10 years	$4.62	2.47%	$5.14	2.88%
Greater than 10 years	$1.86	0.99%	$2.04	1.14%
Total Investments	$187.32		$178.69	

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 52% 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 87% are in US government or Federal Agency Securities.

SHARE TRENDS

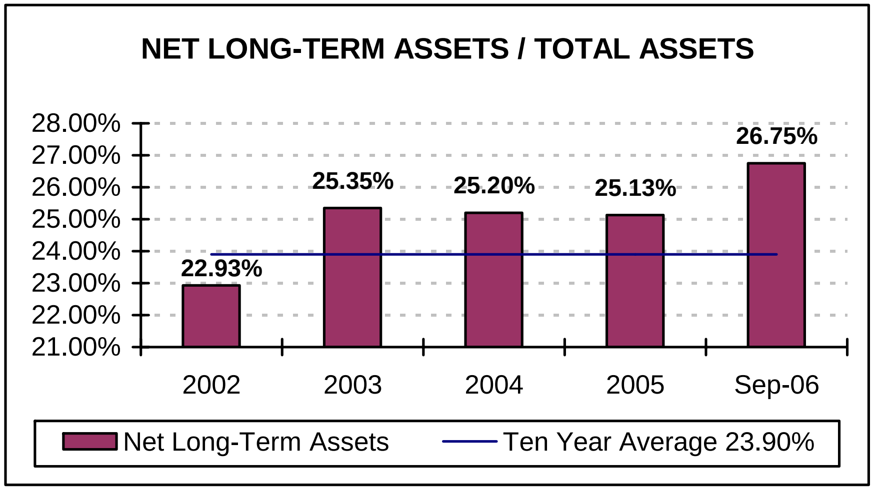


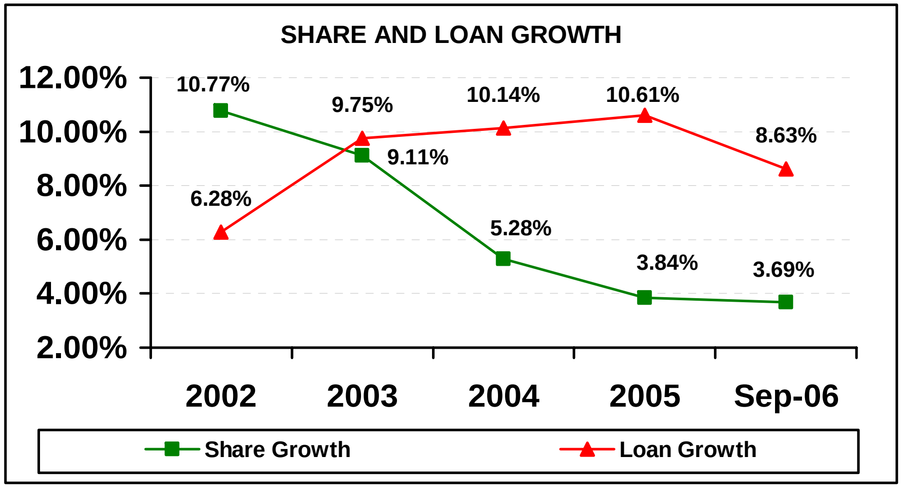


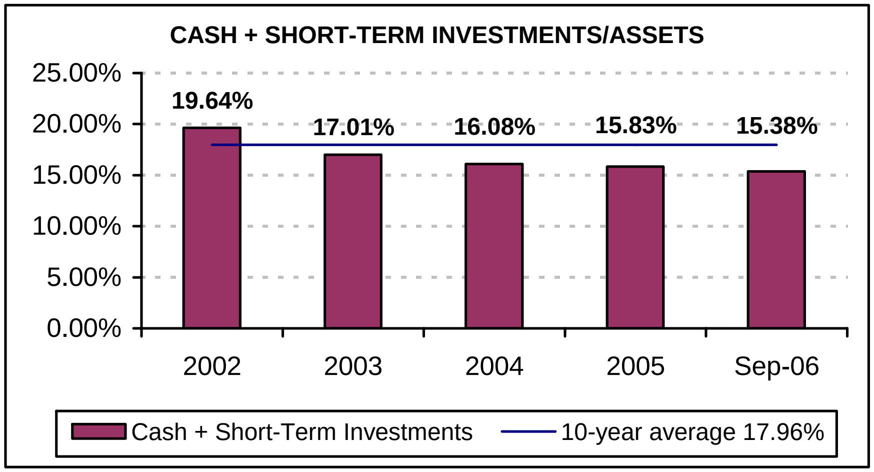
Share Category	**2005 Balance** In Billions	**% of Total Shares 2005**	**September 2006 Balance** In Billions	**% of Total Shares 2006**	**Growth** In Billions	**Growth Rate**
Share Drafts	$75.51	13.07%	$69.86	11.77%	-$5.65	-7.48%
Regular Shares	$194.12	33.61%	$186.44	31.41%	-$7.68	-3.96%
Money Market Shares	$99.02	17.14%	$98.53	16.60%	-$0.48	-0.49%
Share Certificates	$152.63	26.42%	$178.77	30.12%	$26.14	17.13%
IRA / KEOGH Accounts	$48.28	8.36%	$51.04	8.60%	$2.76	5.72%
All Other Shares	$5.58	0.97%	$6.20	1.05%	$0.63	11.24%
Non-Member Deposits	$2.49	0.43%	$2.76	0.47%	$0.28	11.15%
Total Shares	**$577.62**		**$593.62**		**$15.99**	**2.77%**

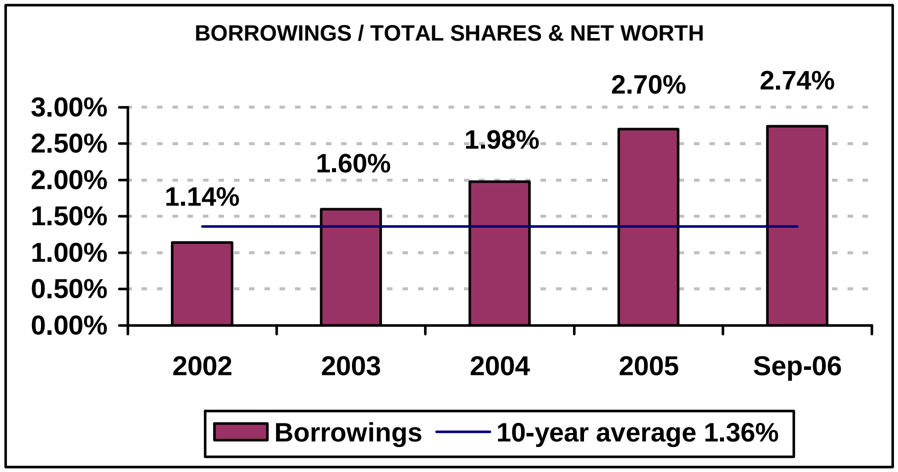
Credit Union members are investing in longer-term, higher yielding certificate and IRA share products. Total shares grew 2.77% ($15.99 billion) in the first nine months of 2006. This strong growth in certificates and IRAs accounted for all of the growth in shares, offsetting declines in other share types.

ASSET LIABILITY MANAGEMENT TRENDS









Credit unions hold adequate levels of liquidity, although the 15.38% of total assets held in cash and short-term investments is below the 10-year average of 17.96%. 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 26.75% are above the 10-year average of 23.90%, 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.