

Massachusetts Credit Union Share Insurance Corporation

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# CPR

*for Credit Union Directors*

December 31, 2006  
Report

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*Your Credit Union*

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Data obtained from the National Credit Union Administration Form 5300 - Call Reports

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**Directors Version  
December of 2006**

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# Table of Contents

|  |            |
|--|------------|
| Introduction .....                       | 4          |
| Industry Trends .....                    | 5          |
| Peer Group Descriptions .....            | 6          |
| Ratio Summary .....                      | 7          |
| Growth Trends .....                      | 9          |
| Earnings .....                           | 11         |
| Loans .....                              | 13-15      |
| Shares .....                             | 17         |
| Expenses .....                           | 19         |
| Five (5) Year Financial Comparison ..... | Appendix A |

Questions to consider while reviewing report sections are included on the adjacent pages of each section.

# Introduction

## Four ways to review financial performance

The graphs and tables that follow help you assess your credit union using the following four perspectives:

1. Compare this year's results with your credit union's past results. Are the trends favorable or negative?
2. Compare the current year's results versus a standard such as: your planning goals, Regulatory Goals or a local competitive standard.
3. Compare your trends versus a "peer group" or external benchmark of similar credit unions.
4. Review the questions on the adjacent pages of each section, while looking at the graphical information. Answers to these questions will provide some additional insight into your credit union.

## Industry Highlights - December 2006

Fourth quarter capital ratios of federally insured credit unions (FICUs) remained strong. The Net Worth ratio increased to 11.54%. This is up 30 basis points from year-end 2005.

Total loan growth slowed to 7.88% from 10.61% for 2005. However, total outstanding real estate loans held firm. Real Estate loans continued to be the largest category of credit union lending. First mortgage real estate loans grew 10.04% to \$169.7 billion, while other types of real estate loans grew 15.03% to \$84.4 billion. New auto loans overtook used auto loans in the auto lending category for the first time since 2000. New auto loans grew 5.44%, while used auto loans grew 1.1%. The loan to share ratio grew to 82.23% from 79.33%.

Nationwide weakness in the housing market has begun to negatively impact real estate lending. Real estate loan originations declined 5.23% over the year, total real estate loans over 2 months delinquent increased 41.31% and 1st mortgage real estate loan charge-offs increased 34.01%. The downward trend in asset quality in the real estate industry warrants monitoring for a possible increase in delinquent loans in 2007. Overall, asset quality continued to improve as Delinquent Loans to Total Loans declined to 0.68% from 0.73% year-end 2005. The Net Charge-Off ratio dropped to 0.45% as of 12/31/06.

Share growth rebounded in Q4 2006. Shares increased 4.08% for the year, up from an annualized rate of 2.77% at the end of Q3 2006. Rapid growth in share certificates made up for declines in regular shares and share drafts. Certificates grew 23.81% while regular shares and share drafts declined 6.67% and 6.75% respectively.

ROAA decreased slightly from 0.85% year-end 2005 to 0.82%, as a result of increased cost of funds expenses and net operating expenses. The Operating Expense to Average Assets ratio increased slightly from 2.42% year-end 2005 to 2.47% as of year-end 2006. Cost of Funds to Average Assets ratio increased from 1.72% year-end 2005 to 2.34%.

Total membership at FICUs increased to 85.8 million from 84.5 million year-end 2005. However, the number of FICUs continues to decline, mostly the result of mergers. As of year-end 2006, there are 8,362 FICUs down 333 from year-end 2005.

# Peer Group Descriptions

Your credit union is compared to three credit union peer groups within this CPR report. Each peer group is assigned a color code which is used consistently throughout the report.

Peer groups are generally comprised of all credit unions within three different geographic areas: State, Region and the Nation.

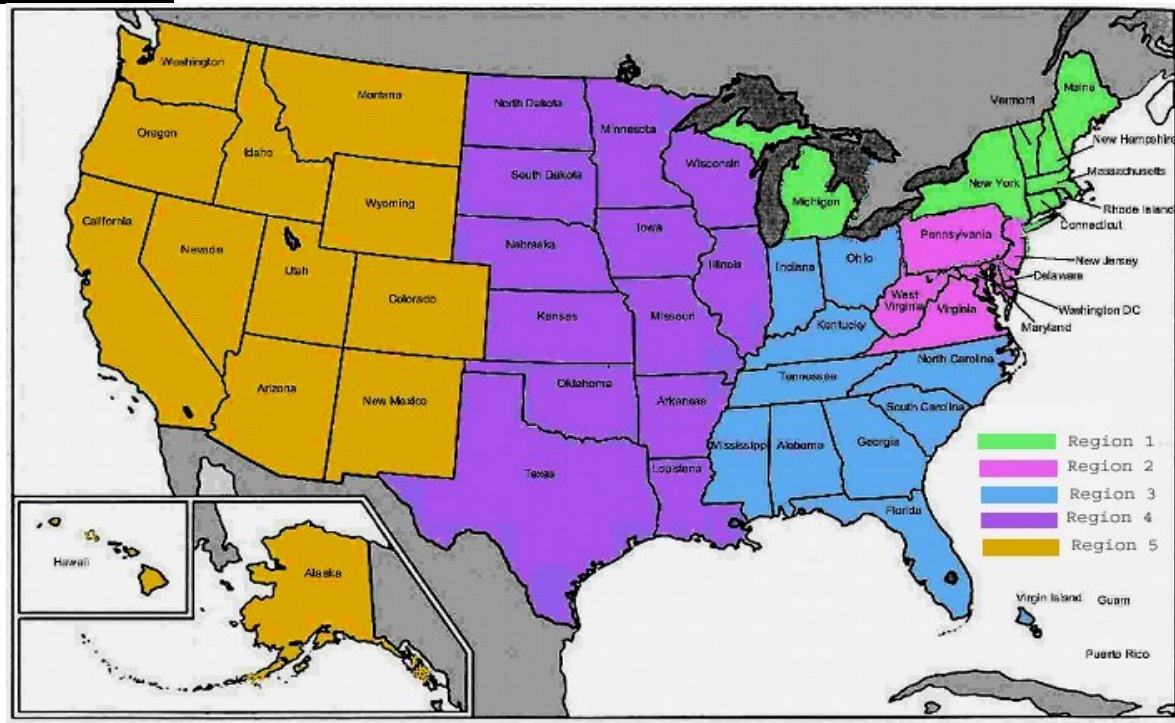
A peer name containing the word "Asset" is comprised of all credit unions in the particular geographic area that also match your NCUA asset Peer group range. See the chart below to identify the asset range that your credit union is included in.

Your credit union may also have specified the use of a more "Customized" peer group. In such case, the peer group used is based on your credit union's selection criteria.

Please note: You should understand the nature of each peer group used to compare your credit union against. The use of other peer groups may affect the comparability of data.

| <b>Peer Group Descriptions</b>                      | <b>Massachusetts Asset</b> | <b>Region 1 Asset</b> | <b>National Asset</b> |
|---|----------------------------|-----------------------|-----------------------|
| Total Assets as of 12/31/200 (in \$ Billions)       | \$ 12.0                    | \$ 52.4               | \$ 391.4              |
| Average Assets since last December (in \$ Millions) | \$ 887                     | \$ 997                | \$ 1,292              |
| Total number of members in Peer Group               | 1,108,821                  | 4,737,840             | 36,466,016            |
| Total number of credit unions in Peer Group         | 13                         | 51                    | 292                   |

## NCUA Regions



| <b>"Asset" Peer Group Ranges</b> | <b>#</b> | <b>From</b> | <b>To</b>    | <b>#</b> | <b>From</b>         | <b>To</b>    |
|----------------------------------|----------|-------------|--------------|----------|---------------------|--------------|
|                                  | 1        | 0           | < \$2 Mill.  | 4        | \$50 Mill.          | < \$100 Mill |
|                                  | 2        | \$ 2 Mill.  | < \$10 Mill. | 5        | \$100 Mill          | < \$500 Mill |
|                                  | 3        | \$10 Mill.  | < \$50 Mill. | 6        | Over \$ 500 Million |              |

# Peer Group Ratio Summary

The following ratios are significant indicators of the financial and operational effectiveness of your credit union. Each ratio is compared to the averages for three different peer groups.

December 31, 2006

|   | Your Credit Union | Massachusetts Asset | Region 1 Asset | National Asset |
|---|-------------------|---------------------|----------------|----------------|
| <b>Safety &amp; Soundness</b>                                   |                   |                     |                |                |
| * Net Worth to Assets   | 19.35%            | 9.63%               | 11.33%         | 10.79%         |
| * Delinquent Loans to Loans                                     | 0.75%             | 0.52%               | 0.51%          | 0.51%          |
| * Net Charge-Offs to Avg Loans                                  | 0.72%             | 0.37%               | 0.40%          | 0.43%          |
| * Return on Assets  | 1.21%             | 0.72%               | 0.75%          | 0.89%          |
| Operating Expenses to Gross Income<br>* = <i>NCUA Key Ratio</i> | 50.10%            | 44.40%              | 48.08%         | 46.87%         |
| <b>Competitive Ratios</b>                                       |                   |                     |                |                |
| Share Growth (since prior 12/31)                                | 4.49%             | 11.51%              | 7.04%          | 7.55%          |
| Member Growth (since prior 12/31)                               | 2.19%             | 8.40%               | 4.63%          | 4.39%          |
| Loan Growth (since prior 12/31)                                 | 4.88%             | 10.67%              | 9.43%          | 10.85%         |
| Capital Growth (since prior 12/31)                              | 7.24%             | 11.58%              | 9.20%          | 10.10%         |
| Loan to Share Ratio   | 83.78%            | 92.31%              | 81.94%         | 85.04%         |
| Cost of Funds (dividends & interest)                            | 3.21%             | 3.25%               | 3.07%          | 3.15%          |
| Average Yield on All Loans                                      | 7.33%             | 6.16%               | 6.32%          | 6.26%          |
| <b>Productivity</b>   |                   |                     |                |                |
| Members to Employees  | 375               | 433                 | 406            | 390            |
| Assets to Employees   | 2,600,304         | 4,702,016           | 4,484,642      | 4,188,081      |
| # Loan & Share Accts per Employee                               | 929               | 1,001               | 1,031          | 989            |
| # Loan & Share Accts per Member                                 | 2.47              | 2.31                | 2.54           | 2.54           |
| Average Share Balance per Member                                | 5,538             | 9,200               | 9,265          | 9,041          |
| Average Loan Balance  | 6,014             | 15,587              | 13,829         | 13,358         |
| <b>Member Service Ratios</b>                                    |                   |                     |                |                |
| Members to Potential Members                                    | 33.33%            | 7.64%               | 9.72%          | 10.73%         |
| Credit Card Accounts to Members                                 | 22.02%            | 20.54%              | 16.92%         | 17.66%         |
| IRA Accounts to Members   | 5.20%             | 7.30%               | 7.41%          | 7.31%          |
| Real Estate Accounts to Members                                 | 5.46%             | 8.09%               | 7.23%          | 5.98%          |
| Auto Loan Accounts to Members                                   | 18.48%            | 16.95%              | 14.46%         | 18.84%         |
| Share Draft Accounts / Members                                  | 34.38%            | 44.38%              | 49.94%         | 47.64%         |
| <b>Total Assets</b>   | 650,076,027       | 925,754,656         | 1,026,543,379  | 1,340,436,871  |

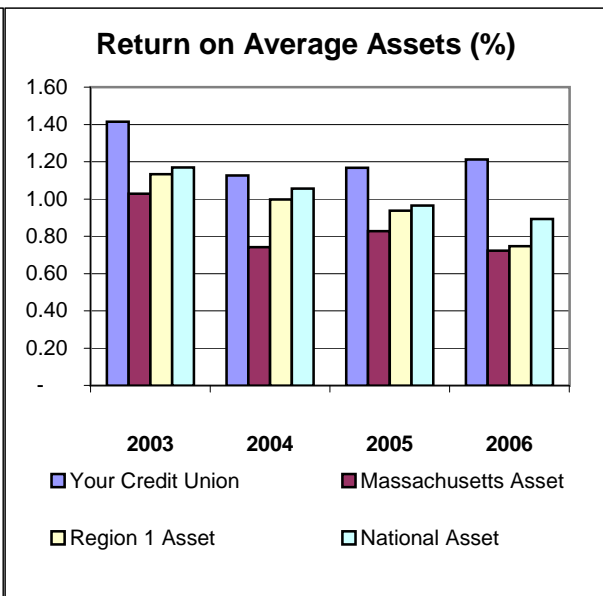
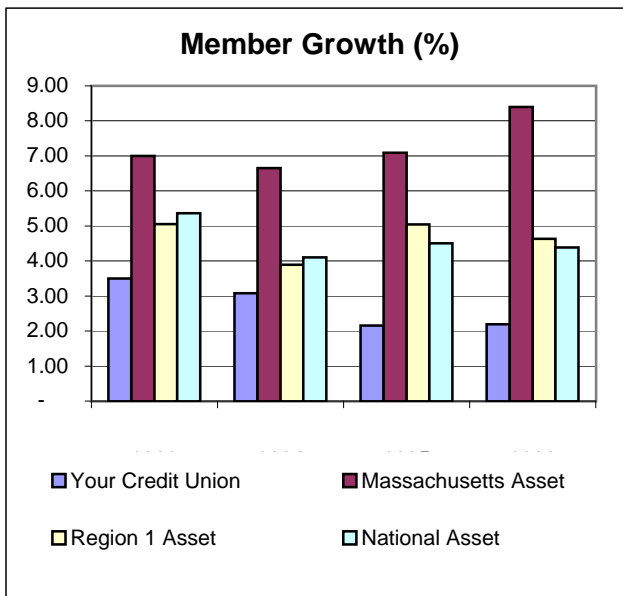
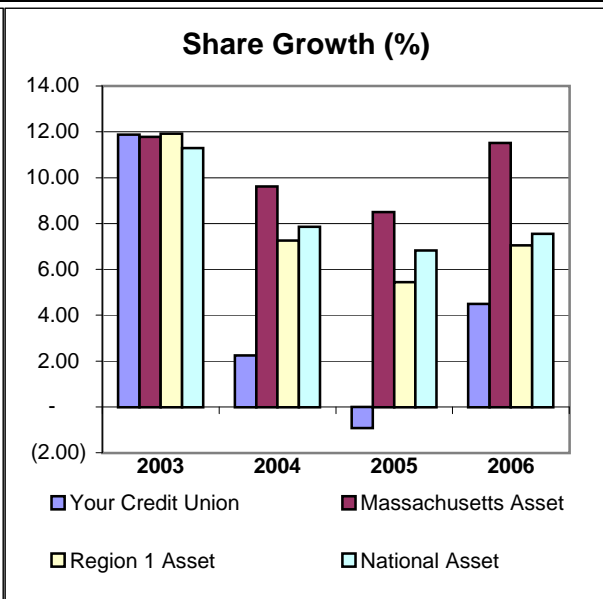
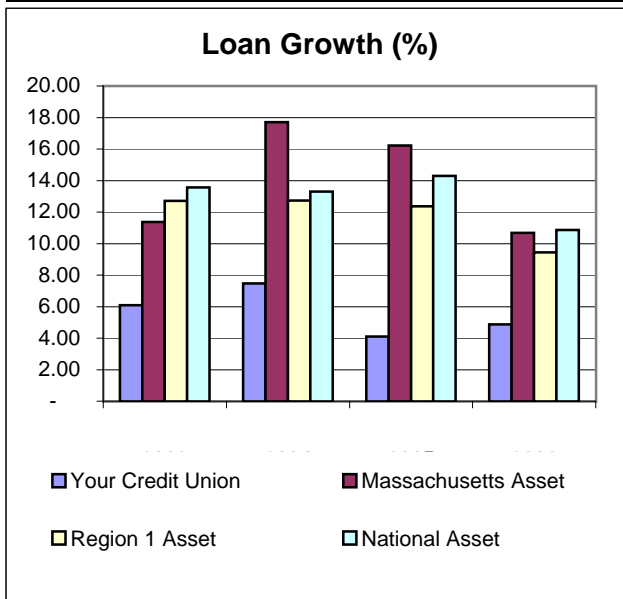
## Growth Trends and Earnings

1. Compare the trends in rates of growth for Loans, Shares and Membership. Are there any significant differences? Why?
2. What impact does growth have on your earnings?
3. What impact does growth have on your Net Worth Ratio?
4. How do these trends compare to your credit union's goals?

# Growth Trends and Earnings

Any organization competing in the marketplace uses various methods to measure the effectiveness of market penetration. Comparative growth rates in Loans, Shares and even Membership are one method. Growth in Loans and Shares can have a significant impact on earnings. The table and graphs below summarize the trends in these indicators.

| <b>Credit Unions Data Points - Your Credit Union</b> | Dec-03 | Dec-04 | Dec-05 | Dec-06 |
|--|--------|--------|--------|--------|
| Loan Growth Rates - from previous December           | 6.10   | 7.46   | 4.09   | 4.88   |
| Share Growth Rates - from previous December          | 11.88  | 2.25   | (0.91) | 4.49   |
| Membership Growth Rates - from previous December     | 3.50   | 3.08   | 2.16   | 2.19   |
| Loan to Share Ratio                                  | 75.60% | 79.45% | 83.47% | 83.78% |
| Return on Assets                                     | 1.41   | 1.13   | 1.17   | 1.21   |
| Net Worth Ratio                                      | 17.39% | 18.02% | 19.09% | 19.35% |



## Key Questions To Ask About Earnings

1. Did the change in Average Assets at your credit union account for the primary reason for the change in ROA?
2. How does your credit union's earnings structure compare to the 3 peer groups?
3. Does the earnings structure reflect your credit union's goals and philosophy?
4. Does the trend in your credit union's Return on Assets follow the peer group's trend? If not, why?

# Earnings - Net Income / ROA

Your credit union's Net Income or Return on Assets (ROA) is one of the NCUA key ratios. ROA consists of Net Income divided by Average Assets. See how the change in these numbers affect your ROA.

How your credit union earns its income may differ from other credit unions. Use the information below to understand how your credit union earns its bottom line (ROA).

Also compare how the components of your ROA change over time compared to a peer group.

| Components of Return on Assets (ROA) |             |             |             |             |
|--------------------------------------|-------------|-------------|-------------|-------------|
|                                      | Dec-03      | Dec-04      | Dec-05      | Dec-06      |
| Net Income Dollars                   | 8,039,498   | 6,841,561   | 7,208,987   | 7,685,275   |
| Average Assets                       | 568,309,211 | 607,085,785 | 617,126,197 | 634,407,321 |
| ROA (Annualized)                     | 1.41        | 1.14        | 1.17        | 1.21        |

| How You Make Your Bottom Line - Dec-06 |                   |                     |                |                |
|--|-------------------|---------------------|----------------|----------------|
| (% of Average Assets)                  |                   |                     |                |                |
|  | Your Credit Union | Massachusetts Asset | Region 1 Asset | National Asset |
| Loan Income                            | 4.92              | 4.79                | 4.28           | 4.43           |
| Investment Income                      | 1.13              | 0.69                | 1.10           | 1.02           |
| Cost of Funds                          | (2.57)            | (2.73)              | (2.57)         | (2.65)         |
| Net Interest Margin                    | 3.48              | 2.75                | 2.81           | 2.80           |
| Prov for Loan Loss                     | (0.55)            | (0.33)              | (0.30)         | (0.30)         |
| NIM after Provisions                   | 2.93              | 2.42                | 2.51           | 2.50           |
| Fee & Other Income                     | 1.53              | 0.74                | 0.92           | 1.22           |
| Operating Expense                      | (3.25)            | (2.43)              | (2.73)         | (2.82)         |
| ROA before Non Op                      | 1.21              | 0.73                | 0.70           | 0.90           |
| Non-Op Gain (Loss)                     | -                 | -                   | 0.04           | -              |
| Return on Assets                       | 1.21              | 0.73                | 0.74           | 0.90           |

| How Your ROA Changes Over Time |        |        |        |                        |                     |        |        |        |  |
|--------------------------------|--------|--------|--------|------------------------|---------------------|--------|--------|--------|--|
| Your Credit Union              |        |        |        |                        | Massachusetts Asset |        |        |        |  |
| % of Average Assets            |        |        |        |                        | % of Average Assets |        |        |        |  |
| Dec-03                         | Dec-04 | Dec-05 | Dec-06 |                        | Dec-03              | Dec-04 | Dec-05 | Dec-06 |  |
| 4.68                           | 4.30   | 4.57   | 4.92   | Loan Income            | 4.00                | 3.84   | 4.19   | 4.79   |  |
| 0.95                           | 0.82   | 0.81   | 1.13   | + Investment Income    | 0.76                | 0.65   | 0.67   | 0.69   |  |
| (1.83)                         | (1.50) | (1.83) | (2.57) | - Cost of Funds        | (1.91)              | (1.65) | (1.98) | (2.73) |  |
| 3.80                           | 3.62   | 3.55   | 3.48   | = Net Interest Margin  | 2.85                | 2.84   | 2.88   | 2.75   |  |
| (0.35)                         | (0.33) | (0.52) | (0.55) | - Prov for Loan Loss   | (0.21)              | (0.28) | (0.29) | (0.33) |  |
| 3.45                           | 3.29   | 3.03   | 2.93   | = NIM after Provisions | 2.64                | 2.56   | 2.59   | 2.42   |  |
| 1.09                           | 1.07   | 1.45   | 1.53   | + Fee & Other Income   | 0.73                | 0.65   | 0.69   | 0.74   |  |
| (3.13)                         | (3.22) | (3.31) | (3.25) | - Operating Expense    | (2.44)              | (2.49) | (2.46) | (2.43) |  |
| 1.41                           | 1.14   | 1.17   | 1.21   | = ROA before Non Op    | 0.93                | 0.72   | 0.82   | 0.73   |  |
| -                              | -      | -      | -      | + Non-Op Gain (Loss)   | 0.09                | 0.01   | -      | -      |  |
| 1.41                           | 1.14   | 1.17   | 1.21   | = Return on Assets     | 1.02                | 0.73   | 0.82   | 0.73   |  |

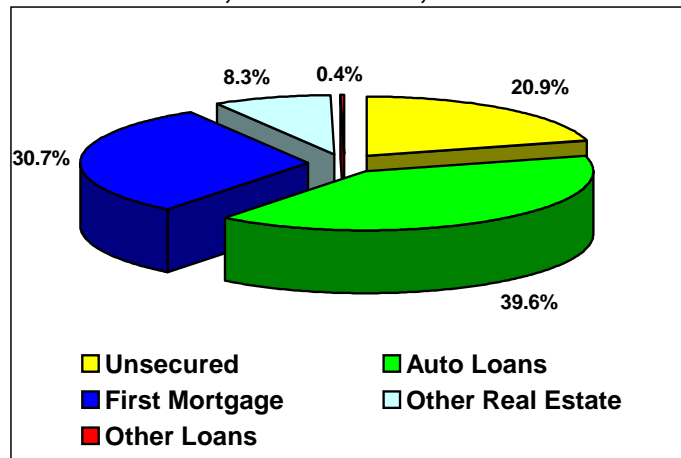
## Key Questions To Ask About Loans

1. Has there been any significant change in the composition of the loan portfolio over the past year? Why?
2. What difference if any, is there between your credit union's loan portfolio and the average portfolio at any one of the peer groups?
3. How does your loan mix affect the Average Loan Yield?
4. Is there a relationship between Real Estate (RE) Loan concentration and RE Loans sold?
5. Does your credit union's loan rates as compared to the peer group's account for the changes in your loan portfolio's mix?

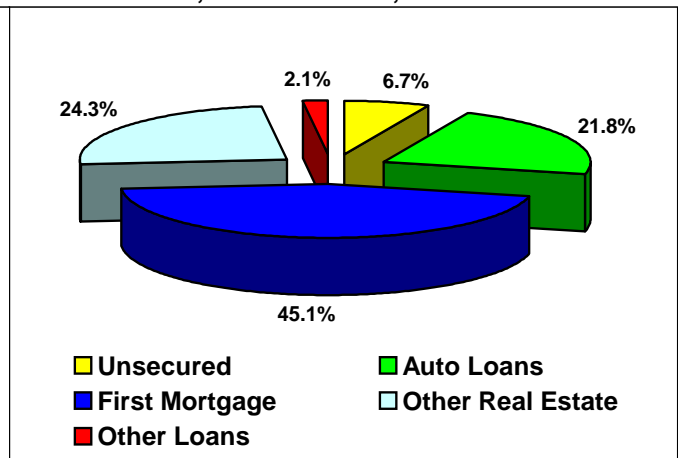
# Loans

|                                      | Your Credit Union |             | Massachusetts Asset | Region 1 Asset | National Asset |
|--------------------------------------|-------------------|-------------|---------------------|----------------|----------------|
|                                      | Dec-05            | Dec-06      | Dec-06              | Dec-06         | Dec-06         |
| \$ Loans                             | 415,145,086       | 435,398,590 | 724,359,579         | 705,299,334    | 960,139,888    |
| Ave Loan Yield                       | 6.9%              | 7.3%        | 6.2%                | 6.3%           | 6.3%           |
| Loans to Assets                      | 67.1%             | 67.0%       | 78.2%               | 68.7%          | 71.6%          |
| <b>Composition:</b>                  |                   |             |                     |                |                |
| Unsecured                            | 20.5%             | 20.9%       | 6.7%                | 9.5%           | 9.7%           |
| Auto Loans                           | 41.6%             | 39.6%       | 21.8%               | 21.0%          | 31.8%          |
| First Mortgage                       | 28.3%             | 30.7%       | 45.1%               | 43.0%          | 36.7%          |
| Other Real Estate                    | 9.1%              | 8.3%        | 24.3%               | 20.9%          | 17.2%          |
| Other Loans                          | 0.6%              | 0.4%        | 2.1%                | 5.7%           | 4.5%           |
| Total %                              | 100.0%            | 100.0%      | 100.0%              | 100.0%         | 100.0%         |
| <b>Real Estate Loan Data</b>         |                   |             |                     |                |                |
| RE Loans to Loans                    | 37.37%            | 39.02%      | 69.4%               | 63.9%          | 53.9%          |
| RE Loans to Assets                   | 25.07%            | 26.13%      | 54.3%               | 43.9%          | 38.6%          |
| 1st Mtg Lns to Assets                | 18.98%            | 20.56%      | 35.3%               | 29.5%          | 26.3%          |
| 1st Mtg Lns Sold to RE Loans Granted | 9.60%             | 1.00%       | 15.4%               | 13.9%          | 19.0%          |

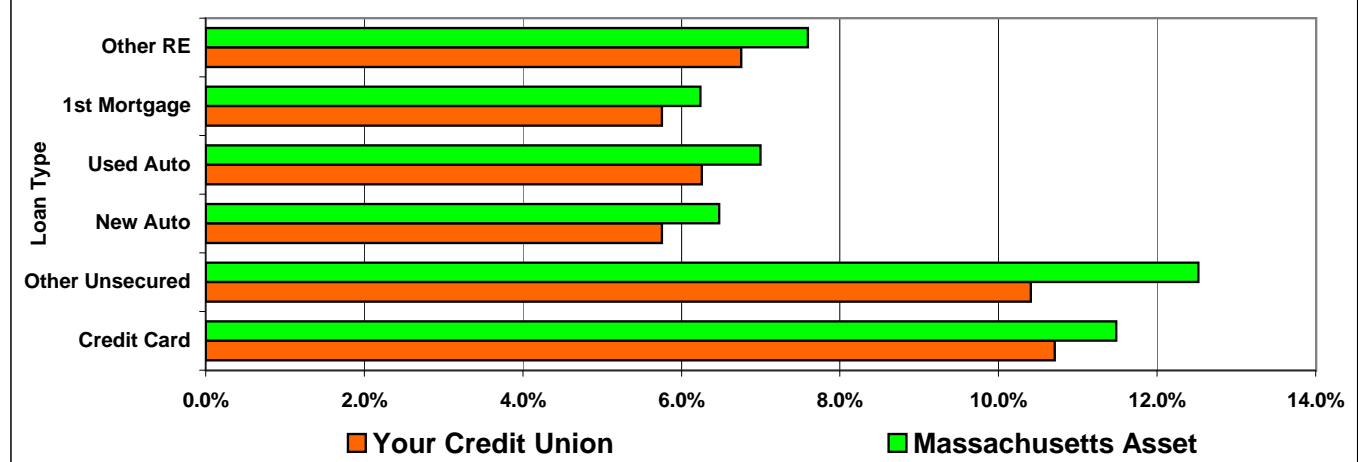
Loan Portfolio, Current Period, Your Credit Union



Loan Portfolio, Current Period, Massachusetts Asset



Current Period Loan Rates

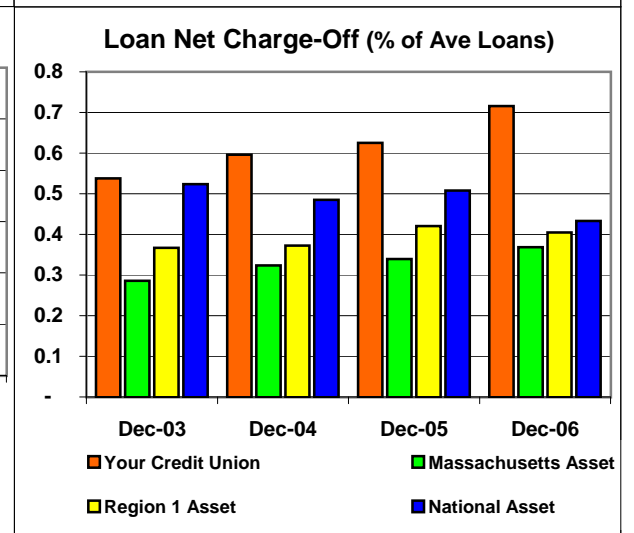
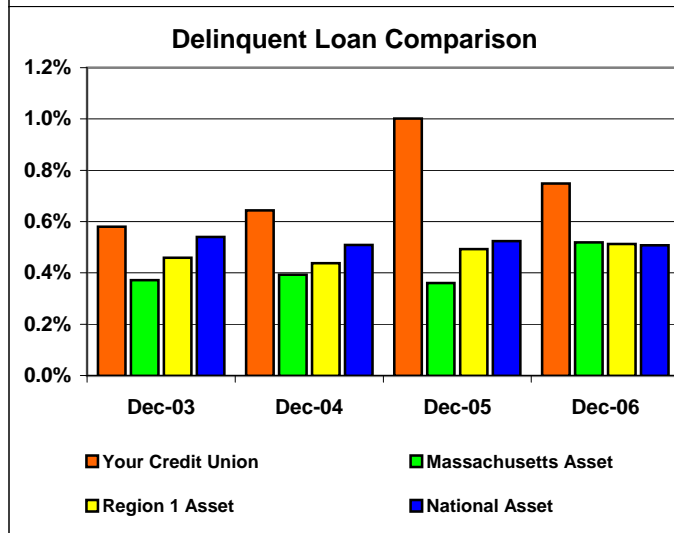
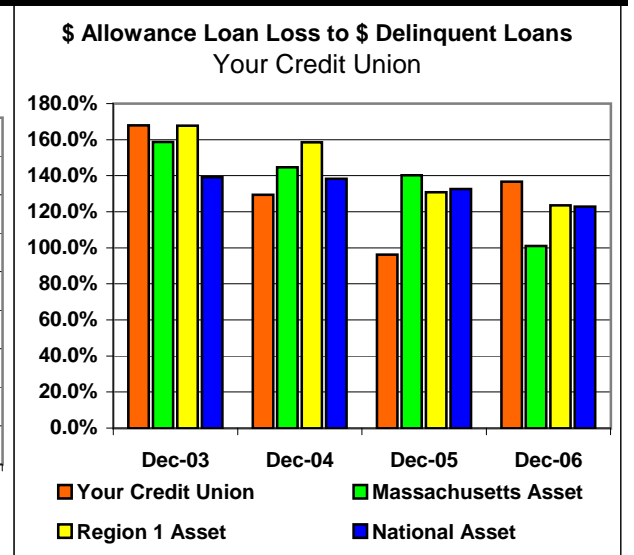
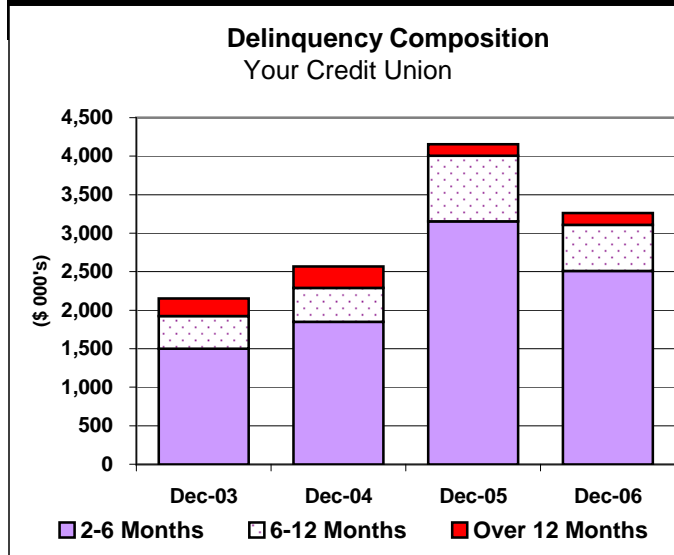


## Key Questions To Ask About Loans

1. Does the change in your credit union's Net Loan Yield follow the changes in the peer groups'?
2. Does a higher Loan Income to Assets ratio mean higher Provisions for Loan Losses?
3. Are your credit union's \$ Provisions close to your \$ Loan Charge-Offs? If not, are you trying to increase or decrease your Allowance for (future) Loan Losses?
4. Delinquent Loans can be a predictor of future Loan Charge-offs. Does your credit union have sufficient Allowance for (future) Loan Losses in relation to Delinquent Loans?
5. Does your level of Allowance for Loan Losses differ much from the peer groups'? If so, is this explained by your delinquent loan / charge-off history or your loan composition?
6. Do your Delinquent Loan & Charge-Off trends follow the peer groups'?

# Loans

|  | Your Credit Union |             | Massachusetts Asset | Region 1 Asset | National Asset |
|--|-------------------|-------------|---------------------|----------------|----------------|
|  | Dec-05            | Dec-06      | Dec-06              | Dec-06         | Dec-06         |
| Loan Income to Ave. Assets                                   | 4.57              | 4.92        | 4.79                | 4.28           | 4.43           |
| Less: Prov. Loan Losses                                      | (0.52)            | (0.55)      | (0.33)              | (0.30)         | (0.30)         |
| Net Loan Yield to Assets                                     | 4.04              | 4.36        | 4.46                | 3.98           | 4.12           |
| \$ Provision for Loan Losses                                 | 3,225,000         | 3,500,000   | 2,909,244           | 2,964,450      | 3,909,003      |
| \$ Net Loan Charge-offs                                      | (2,543,584)       | (3,044,027) | (2,542,159)         | (2,731,369)    | (3,955,487)    |
| Difference - increase(decrease) in Allowance for Loan Losses | 681,416           | 455,973     | 367,085             | 233,081        | (46,483)       |
| Allowance for Loan Loss Balance                              | 4,003,032         | 4,459,006   | 3,794,926           | 4,467,620      | 5,983,224      |
| Allow for Loan Loss to Loans                                 | 0.96              | 1.02        | 0.52                | 0.63           | 0.62           |
| Allow Loan Loss to Delinquent Lns                            | 96.30             | 136.74      | 101.05              | 123.52         | 122.86         |
| Delinquent Loans to Loans                                    | 1.00              | 0.75        | 0.52                | 0.51           | 0.51           |
| Net Loan Charge-offs to Ave. Loans                           | 0.62              | 0.72        | 0.37                | 0.40           | 0.43           |



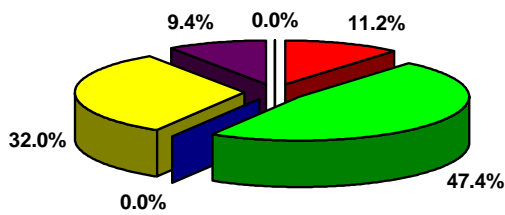
## Key Questions To Ask About Shares

1. Are there any significant differences between your credit union's share composition and that of the peer groups?  
What is it? Why?
2. If there are any significant differences in dividend rates vs. the rates charged by the average credit union in the peer group, explain why this might be the situation.
3. Does the change in your Cost of Funds correspond to the change in the Peer Groups'?
4. How has the change in your share portfolio affected your cost of funds?

# Shares

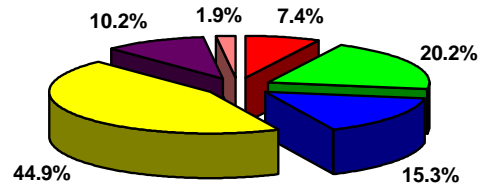
|                      | Your Credit Union |             | Massachusetts Asset | Region 1 Asset | National Asset |
|----------------------|-------------------|-------------|---------------------|----------------|----------------|
|                      | Dec-05            | Dec-06      | Dec-06              | Dec-06         | Dec-06         |
| Total Shares         | 497,380,165       | 519,698,782 | 784,730,772         | 860,744,952    | 1,129,067,024  |
| Ave. Shares per Acct | 3,229             | 3,253       | 5,213               | 4,656          | 4,613          |
| Ave Cost of Funds    | 2.3%              | 3.2%        | 3.3%                | 3.1%           | 3.1%           |
| <b>Composition:</b>  |                   |             |                     |                |                |
| Share Drafts         | 11.1%             | 11.2%       | 7.4%                | 9.6%           | 10.1%          |
| Regular Shares       | 51.4%             | 47.4%       | 20.2%               | 24.1%          | 25.8%          |
| Money Markets        | 0.0%              | 0.0%        | 15.3%               | 20.0%          | 19.9%          |
| Share Certificates   | 28.0%             | 32.0%       | 44.9%               | 36.9%          | 33.5%          |
| IRA/Retirement       | 9.5%              | 9.4%        | 10.2%               | 8.3%           | 9.3%           |
| Other Shares         | 0.0%              | 0.0%        | 1.9%                | 1.1%           | 1.3%           |
| Total %              | 100.0%            | 100.0%      | 100.0%              | 100.0%         | 100.0%         |

Share Portfolio - Current Period  
Your Credit Union



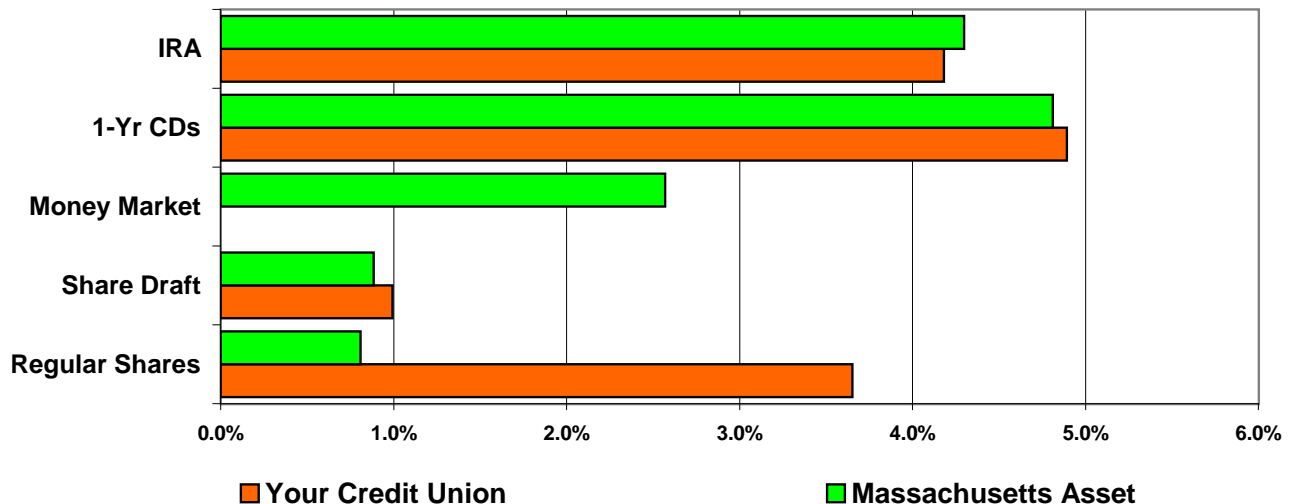
- Share Drafts
- Regular Shares
- Money Market Shares
- Share Certificates
- IRA and Keogh Account
- Other Shares

Share Portfolio - Current Period  
Massachusetts Asset



- Share Drafts
- Regular Shares
- Money Market Shares
- Share Certificates
- IRA and Keogh Account
- Other Shares

Dividend Rates as of

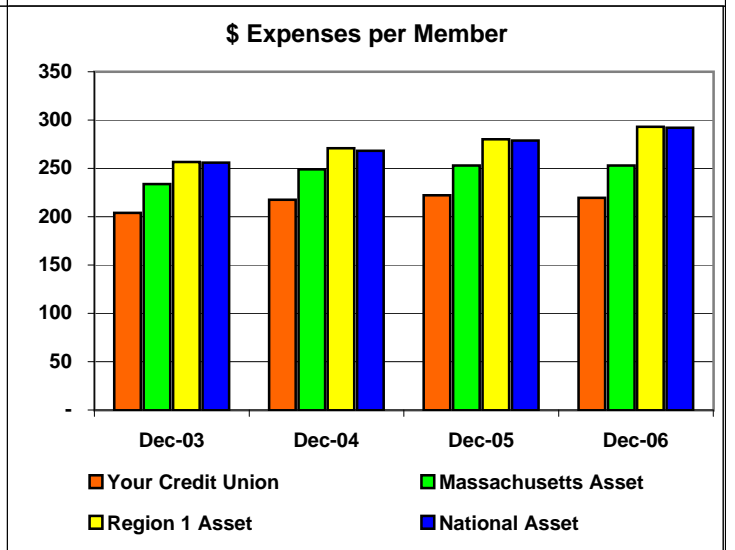
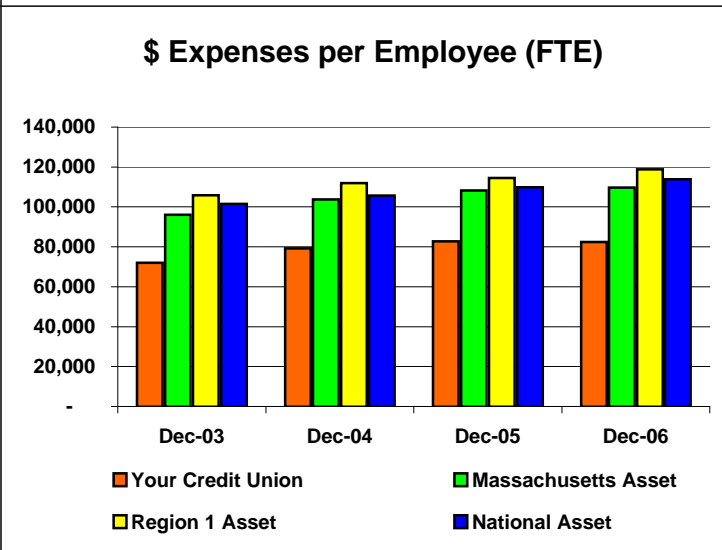
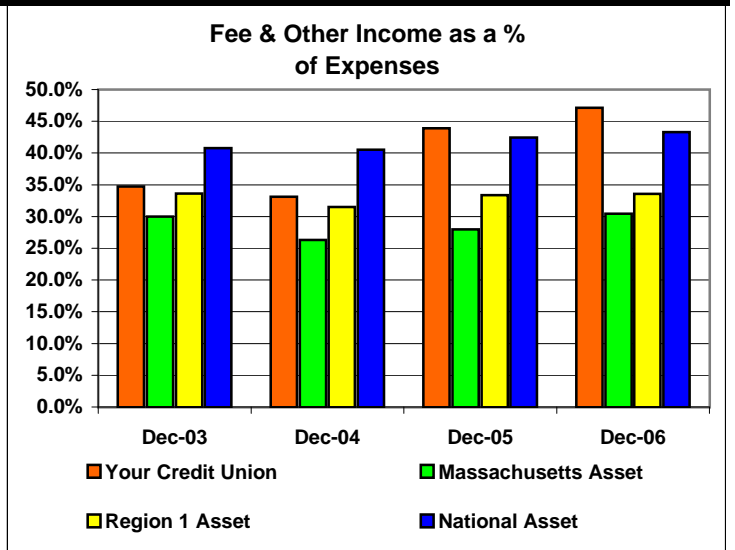
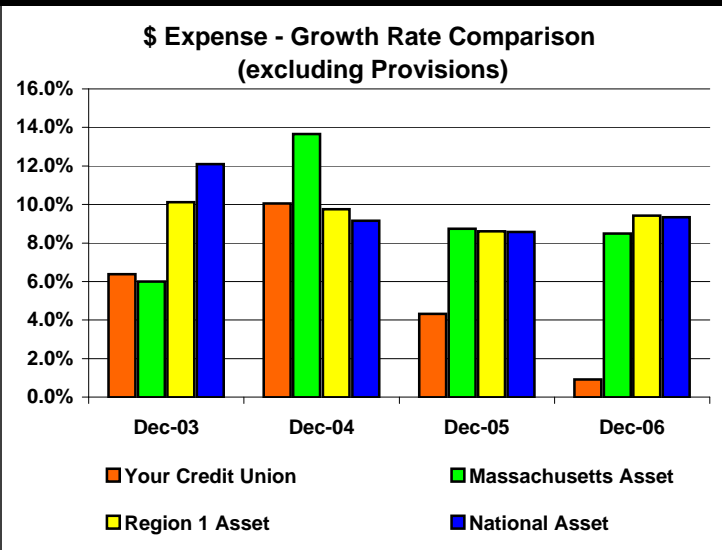


## Key Questions To Ask About Operating Expenses

1. How have your Expenses grown in relation to the peer groups'?
2. Does your credit union's Fee & Other Income help offset Expenses or subsidize member service?
3. Are there any categories of Expenses as a % of Average Assets that have had any significant increases / decreases. If so, Why?
4. Are your expenses per full time equivalent (FTE) employee or per member rising faster than the peer groups'?

# Operating Expenses

| Operating Expense Comparison - % of Average Assets |                   |             |                     |                |                |
|--|-------------------|-------------|---------------------|----------------|----------------|
|  | Your Credit Union |             | Massachusetts Asset | Region 1 Asset | National Asset |
|  | Dec-05            | Dec-06      | Dec-06              | Dec-06         | Dec-06         |
| Salary & Benefit                                   | 1.99              | 2.07        | 1.23                | 1.39           | 1.42           |
| Office Occupancy                                   | 0.25              | 0.19        | 0.19                | 0.21           | 0.21           |
| Office Operations                                  | 0.82              | 0.75        | 0.39                | 0.52           | 0.58           |
| Travel & Conference                                | 0.03              | 0.03        | 0.03                | 0.03           | 0.03           |
| Education & Promotion                              | 0.03              | 0.03        | 0.13                | 0.12           | 0.11           |
| Loan Servicing                                     | 0.12              | 0.11        | 0.11                | 0.16           | 0.19           |
| Professional Services                              | 0.02              | 0.02        | 0.24                | 0.20           | 0.18           |
| Member Insurance                                   | 0.01              | 0.00        | 0.00                | 0.01           | 0.01           |
| Operating Fees                                     | 0.01              | 0.00        | 0.01                | 0.01           | 0.01           |
| Miscellaneous                                      | 0.03              | 0.03        | 0.09                | 0.07           | 0.09           |
| <b>Total Expenses</b>                              | <b>3.31</b>       | <b>3.25</b> | <b>2.43</b>         | <b>2.73</b>    | <b>2.82</b>    |
| Less: Fee & Other Income                           | (1.45)            | (1.53)      | (0.74)              | (0.92)         | (1.22)         |
| <b>Net Expenses</b>                                | <b>1.86</b>       | <b>1.72</b> | <b>1.69</b>         | <b>1.81</b>    | <b>1.60</b>    |





# Appendix A (5-Year Financial Comparison)

## Balance Sheet

|  | 12/31/2002         | 12/31/2003         | 12/31/2004         | 12/31/2005         | 12/31/2006         |
|--|--------------------|--------------------|--------------------|--------------------|--------------------|
| <b>Assets:</b>                                 |                    |                    |                    |                    |                    |
| Cash   | 4,913,144          | 4,680,293          | 2,907,285          | 3,163,041          | 2,943,287          |
| Investments                                    | 158,653,303        | 197,168,467        | 187,337,782        | 175,285,421        | 187,574,807        |
| Loans  | 349,807,393        | 371,128,414        | 398,826,612        | 415,145,086        | 435,398,590        |
| Allowance for Loan Losses                      | (3,554,543)        | (3,616,391)        | (3,321,616)        | (4,003,032)        | (4,459,006)        |
| Repossessed Property                           | 30,001             | 88,000             | 1                  | -                  | 110,698            |
| Fixed Assets                                   | 17,593,442         | 17,853,440         | 17,476,496         | 16,216,092         | 15,475,918         |
| All Other Assets                               | 10,517,892         | 11,355,568         | 12,287,220         | 12,932,007         | 13,031,733         |
| <b>Total Assets</b>                            | <b>537,960,632</b> | <b>598,657,791</b> | <b>615,513,780</b> | <b>618,738,615</b> | <b>650,076,027</b> |
| <b>Liabilities &amp; Capital:</b>              |                    |                    |                    |                    |                    |
| Dividends Payable                              | -                  | -                  | -                  | -                  | -                  |
| Notes Payable                                  | -                  | -                  | -                  | -                  | -                  |
| Other Liabilities                              | 2,364,533          | 3,345,339          | 3,184,381          | 4,037,555          | 4,733,958          |
| <b>Sub-Total</b>                               | <b>2,364,533</b>   | <b>3,345,339</b>   | <b>3,184,381</b>   | <b>4,037,555</b>   | <b>4,733,958</b>   |
| Total Shares                                   | 438,789,842        | 490,907,712        | 501,956,106        | 497,380,165        | 519,698,782        |
| Regular Reserve                                | 20,827,420         | 20,827,421         | 20,827,421         | 20,827,420         | 20,827,420         |
| FASB 115 Valuation Reserve                     | 767,761            | 326,745            | (546,263)          | (807,647)          | (170,529)          |
| Undivided Earnings & Other Reserves            | 75,211,076         | 83,250,574         | 90,092,135         | 97,301,122         | 104,986,396        |
| <b>Total Reserves &amp; Undivided Earnings</b> | <b>96,806,257</b>  | <b>104,404,740</b> | <b>110,373,293</b> | <b>117,320,895</b> | <b>125,643,287</b> |
| <b>Total Liabilities &amp; Capital</b>         | <b>537,960,632</b> | <b>598,657,791</b> | <b>615,513,780</b> | <b>618,738,615</b> | <b>650,076,027</b> |

## Income Statement

|  |                   |                   |                   |                   |                   |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|
| <b>Income:</b>                         |                   |                   |                   |                   |                   |
| Investment                             | 6,109,861         | 5,422,523         | 4,964,099         | 4,998,335         | 7,197,647         |
| Loan                                   | 28,237,139        | 26,574,206        | 26,112,985        | 28,182,762        | 31,190,985        |
| Fee & Other                            | 5,865,807         | 6,176,196         | 6,472,762         | 8,959,276         | 9,704,845         |
| <b>Total Income</b>                    | <b>40,212,807</b> | <b>38,172,925</b> | <b>37,549,846</b> | <b>42,140,373</b> | <b>48,093,477</b> |
| <b>Expenses:</b>                       |                   |                   |                   |                   |                   |
| Total Operating Expenses               | 16,707,394        | 17,773,100        | 19,560,503        | 20,407,003        | 20,592,683        |
| Provision for Loan & Investment Losses | 1,750,000         | 2,000,000         | 2,000,000         | 3,225,000         | 3,500,000         |
| Cost of Funds                          | 12,945,554        | 10,372,253        | 9,122,624         | 11,299,758        | 16,308,338        |
| <b>Total Expenses</b>                  | <b>31,402,948</b> | <b>30,145,353</b> | <b>30,683,127</b> | <b>34,931,761</b> | <b>40,401,021</b> |
| Non-Operating Income (Losses)          | (7,092)           | 11,926            | (25,158)          | 375               | (7,181)           |
| <b>Net Income</b>                      | <b>8,802,767</b>  | <b>8,039,498</b>  | <b>6,841,561</b>  | <b>7,208,987</b>  | <b>7,685,275</b>  |

Additional Financial Statement details are available in the corresponding sections to this report





**Directors Version  
December of 2006**



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