

U.S. Credit Union Profile

A Summary of Year-End 2008 Credit Union Results

February 25, 2009

Prepared by:

CUNA Economics & Statistics

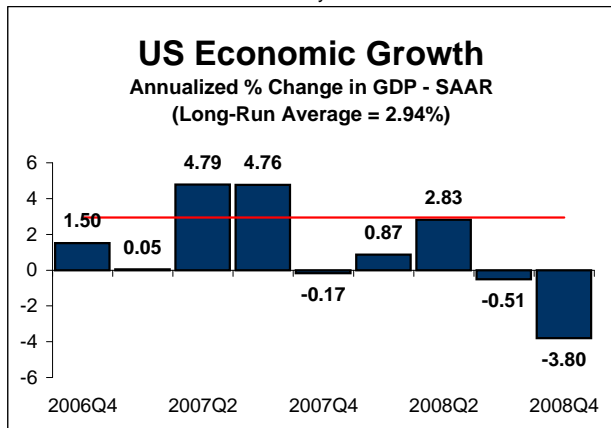


US Economic Profile

February 25, 2009

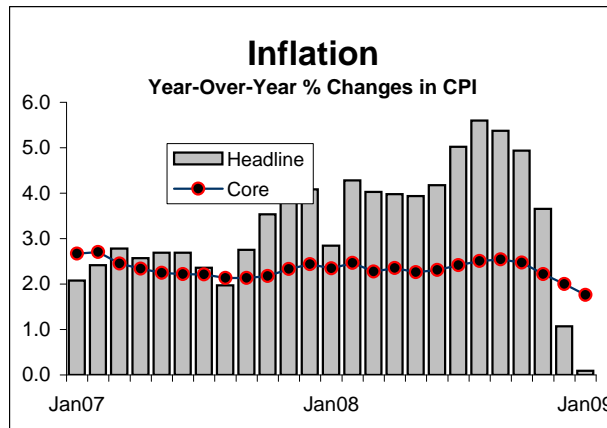
*** Economic slowdown is magnified by credit market upheaval**

Source: Bureau of Economic Analysis



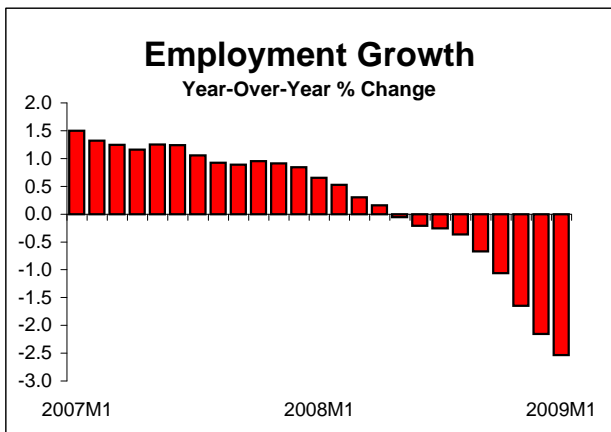
*** Deflation risks are rising**

Source: Bureau of Labor Statistics



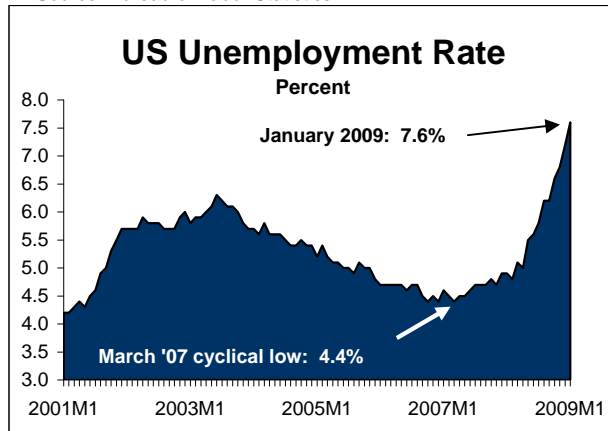
*** Labor markets are contracting. In all, 3.6 million jobs have been lost since the beginning of 2008.**

Source: Bureau of Labor Statistics



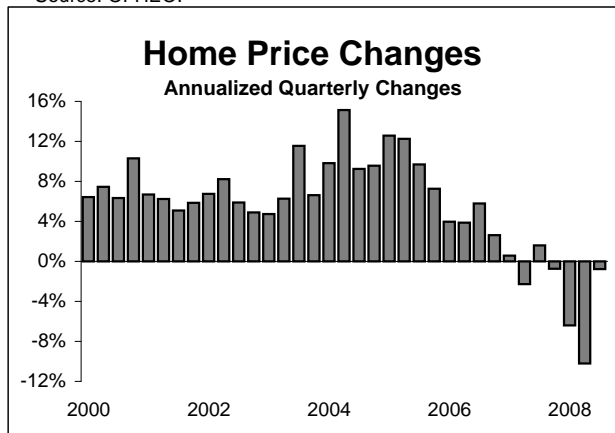
*** The unemployment rate is increasing. It is likely to eclipse 9.0% by year-end .**

Source: Bureau of Labor Statistics



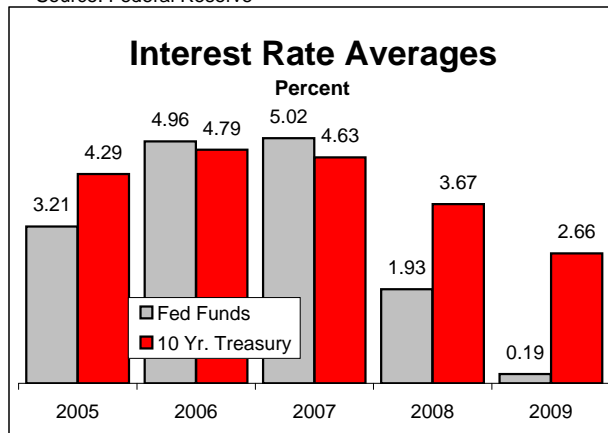
*** Home prices are declining in many markets. Though national norms hide regional extremes**

Source: OFHEO.



*** The yield curve will remain steep through 2009 but policy focus may shift to lowering long rates**

Source: Federal Reserve

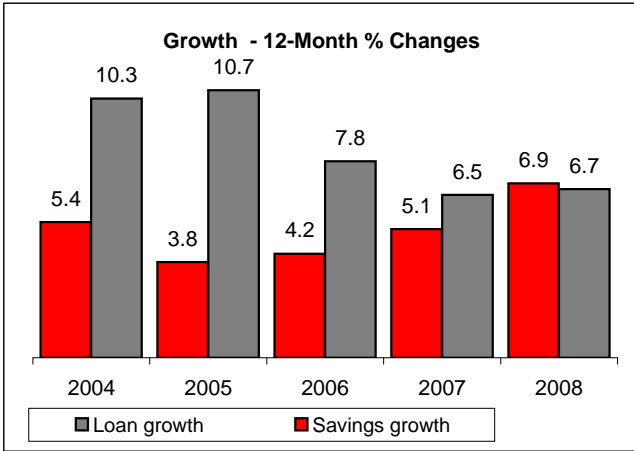


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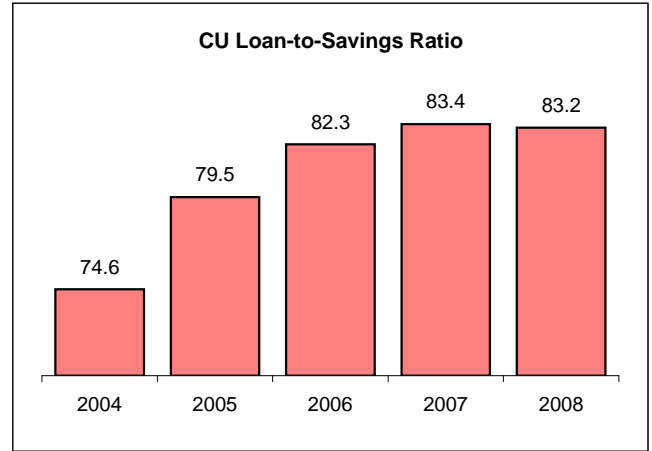
*** Both loan and savings growth is increasing**

Typically loan growth slows in an economic downturn



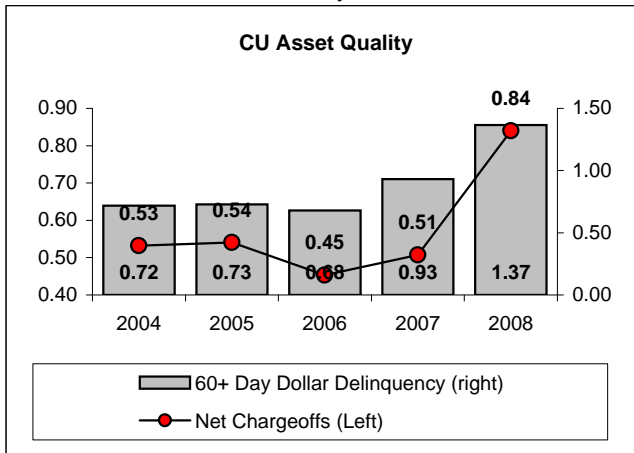
*** The aggregate LTS ratio decreased marginally**

But remains near the 2007 28-year high.



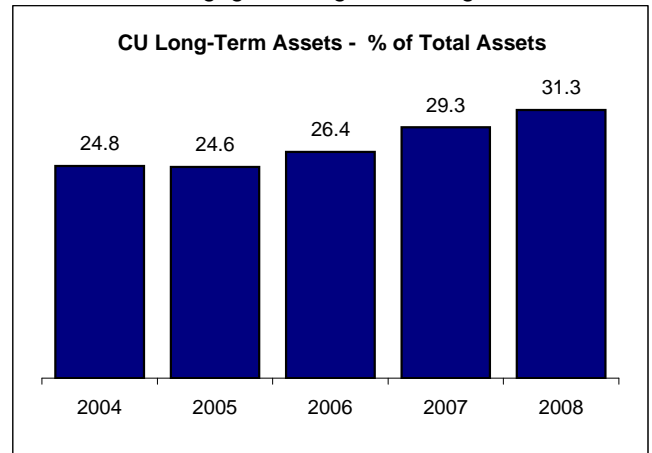
*** Delinquencies & net chargeoffs are up**

but both remain substantially lower than bank norms



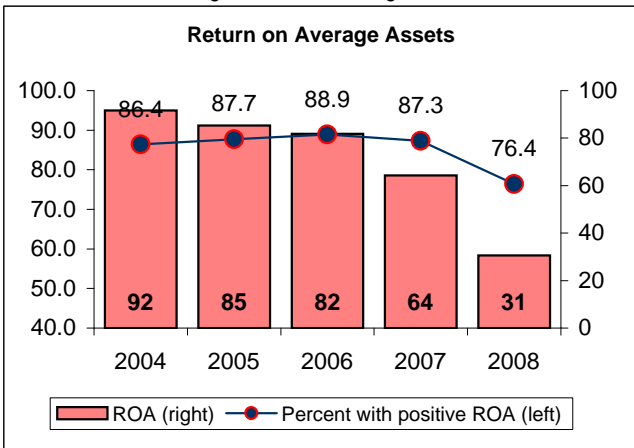
*** Interest rate risk exposure increased marginally**

Growth in mortgage lending is a driving force



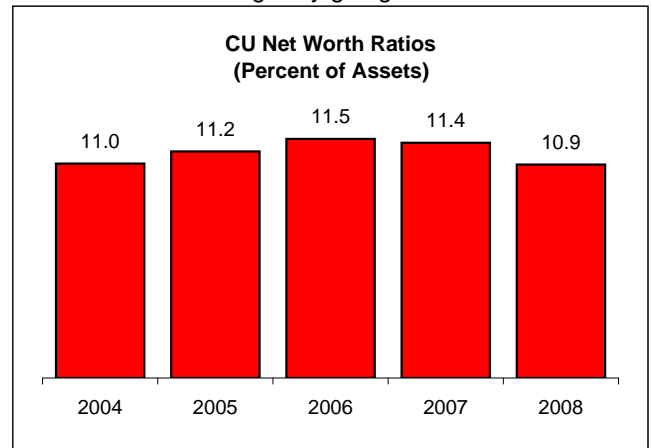
*** Earnings pressures are becoming more widespread**

Most obvious challenges in states with big real estate declines



*** Net worth ratios remain near record highs**

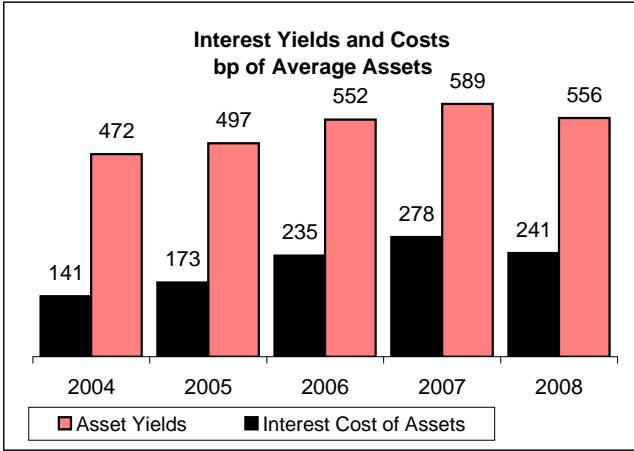
but will decline marginally going forward



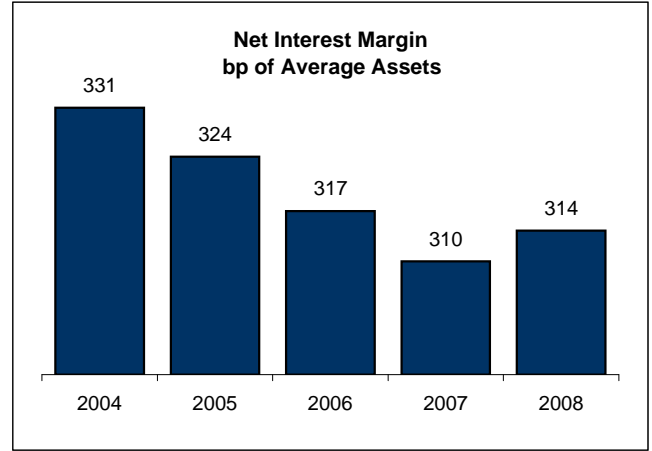
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A Summary of Year-End 2008 Credit Union Results

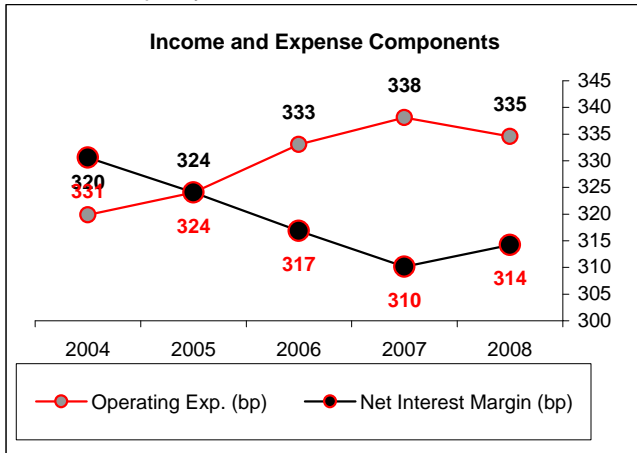
* **Asset yields decreased 33bp in 2008 but interest costs declined by 37bp**



* **Net interest margins increased marginally**

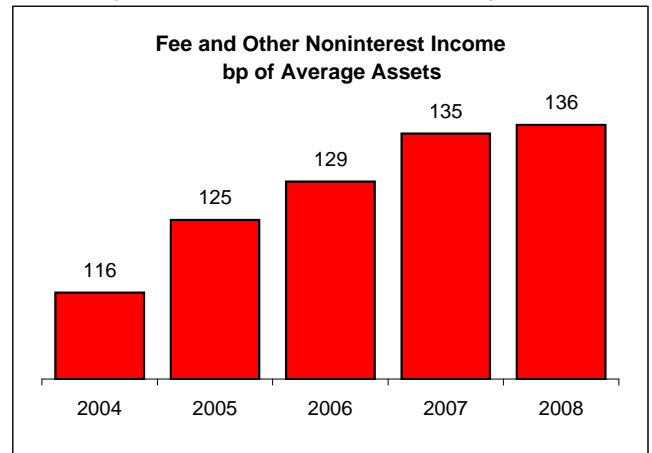


* **CU margins remained much lower than expense ratios but the disparity declined in 2008**



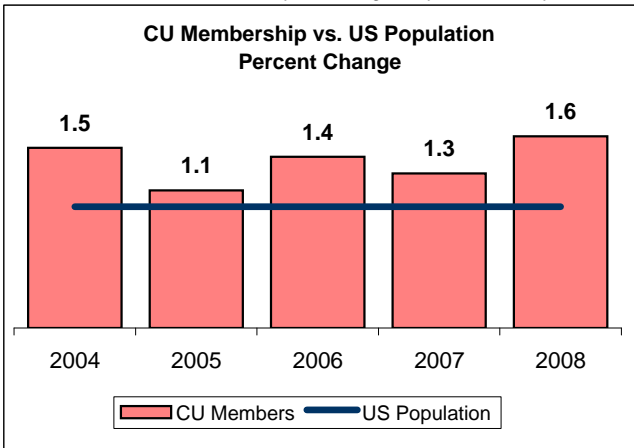
* **Noninterest income was little-changed**

the 20bp increase since '04 offsets a 17bp NIM decline



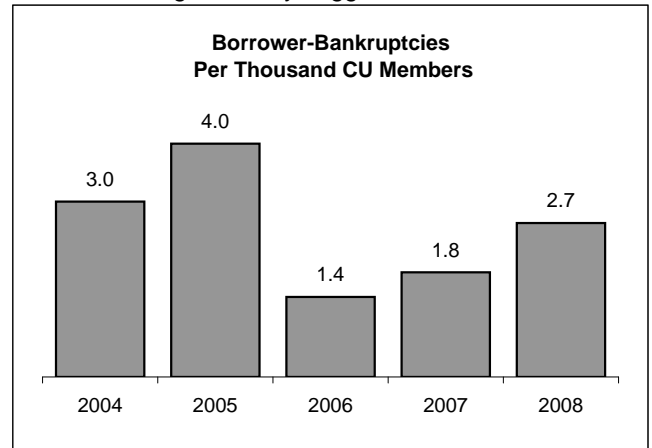
* **Membership growth rates inched up**

market uncertainties are likely attracting many to the safety of CUs



* **CU borrower-bankruptcy rates inched up**

A deteriorating economy suggests more increases

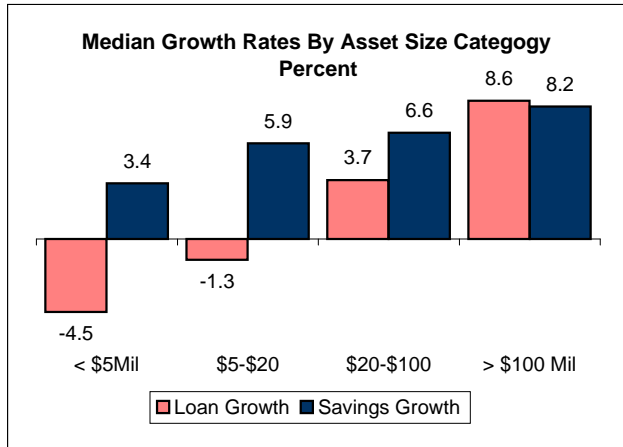


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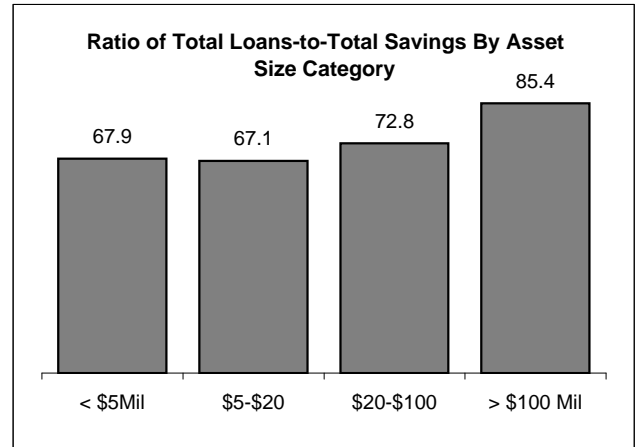
A Summary of Year-End 2008 Credit Union Results

By Asset Size Group

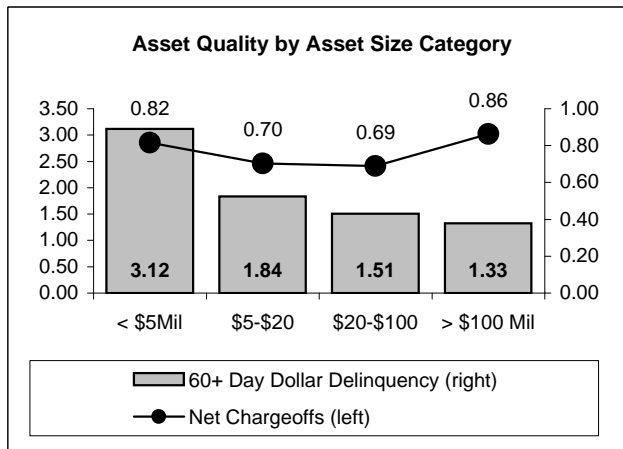
* Larger CUs are growing relatively fast



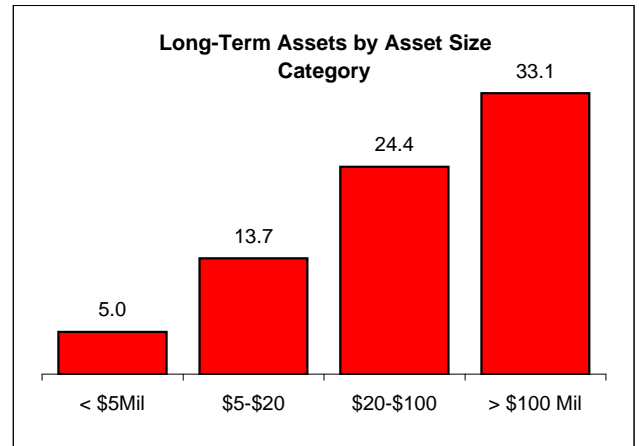
* CU liquidity is relatively tight among large CUs



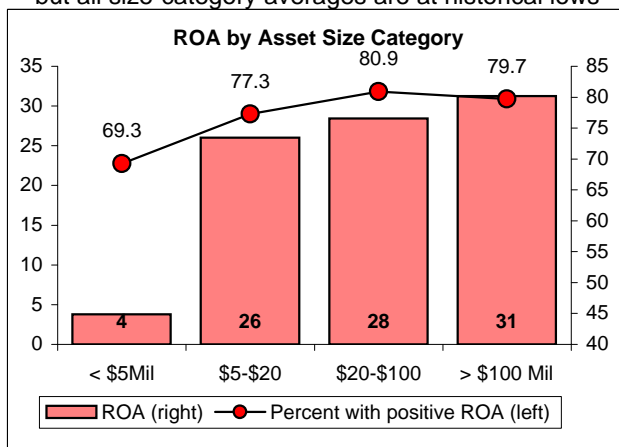
* CU asset quality varies substantially by size



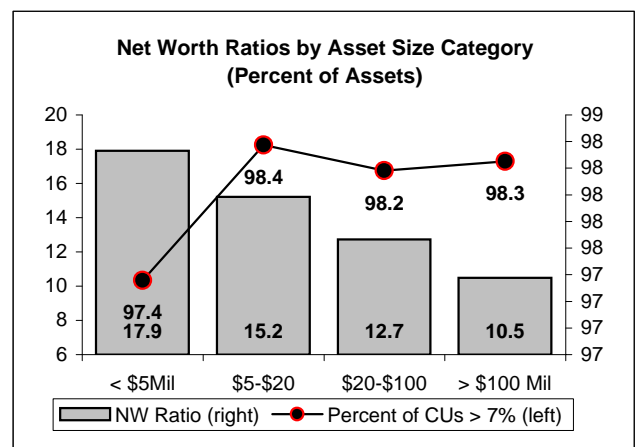
* Smaller CUs have very little IRR exposure



* Earnings pressures are most obvious at small CUs but all size-category averages are at historical lows



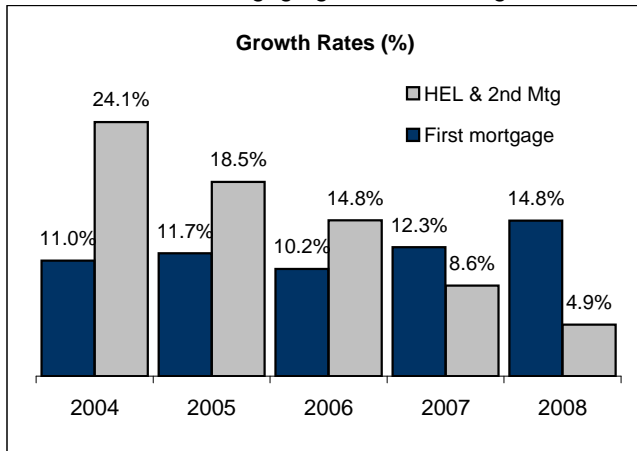
* Nearly all CUs are very well capitalized



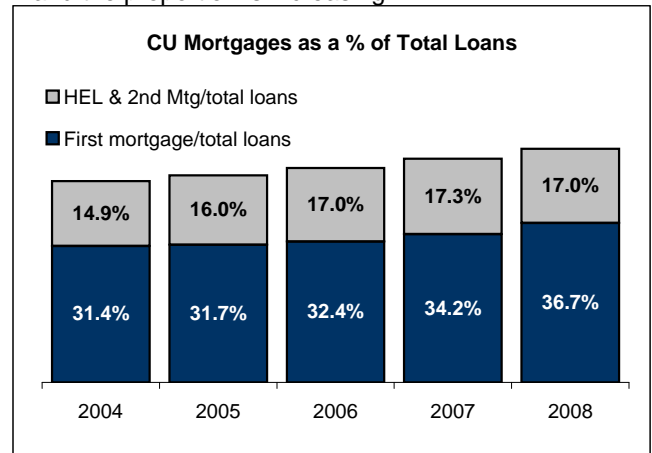
U.S. Credit Union Profile

Mortgage Lending Overview

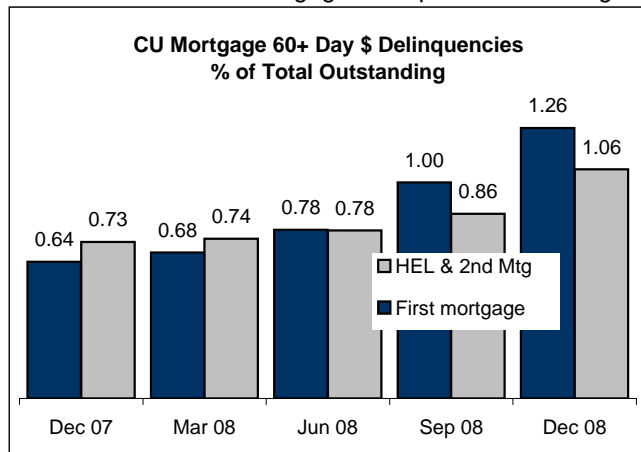
* The pace of CU 1st mortgage growth is increasing while HEL/2nd mortgage growth is slowing



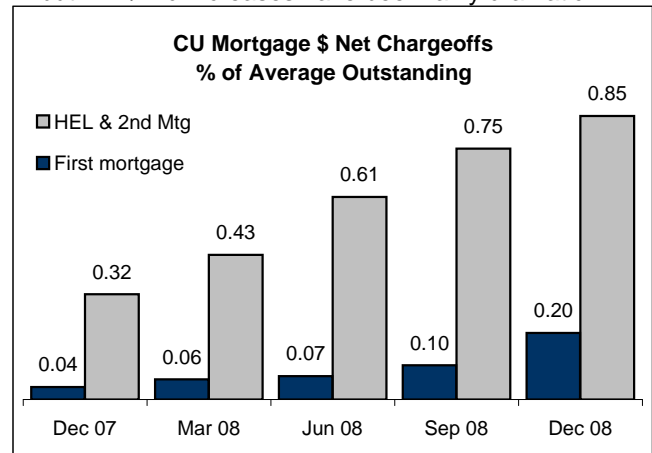
* 1st mortgages account for more than 1/3 of CU loans and the proportion is increasing



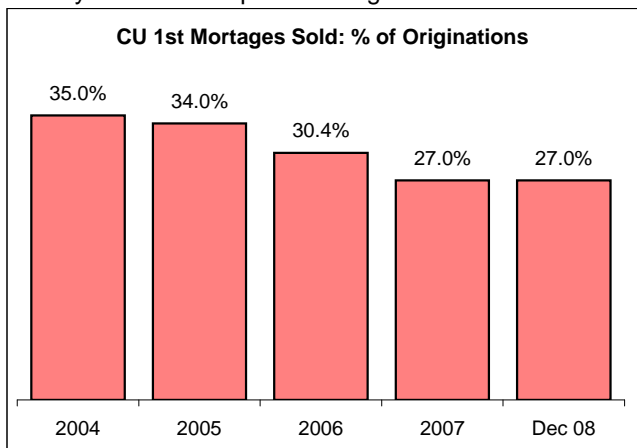
* CU mortgage delinquency rates increased the increase in 1st mortgage delinquencies was large



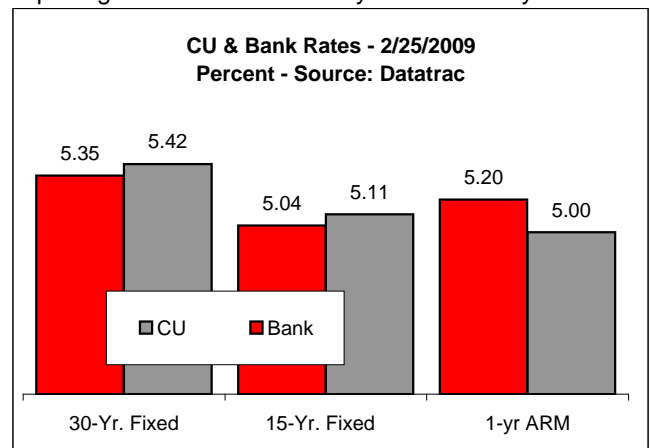
* CU 1st mortgage loan chargeoffs remain low but HEL/2nd increases have been fairly dramatic



* CUs hold most 1st mortgages originations in portfolio They have not adopted the originate-to-sell model



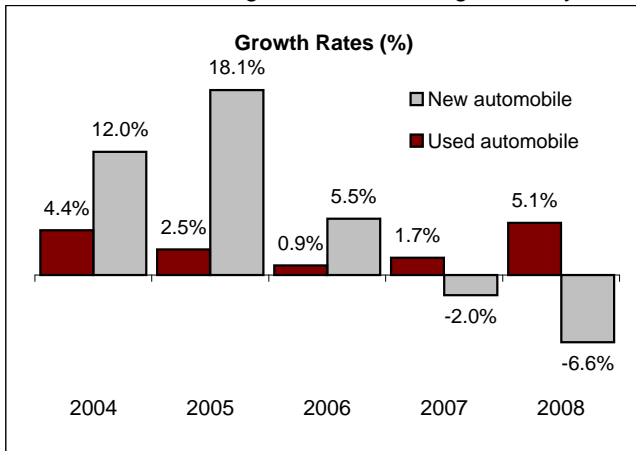
* CU/bank pricing differences are small because pricing on these are driven by the secondary market



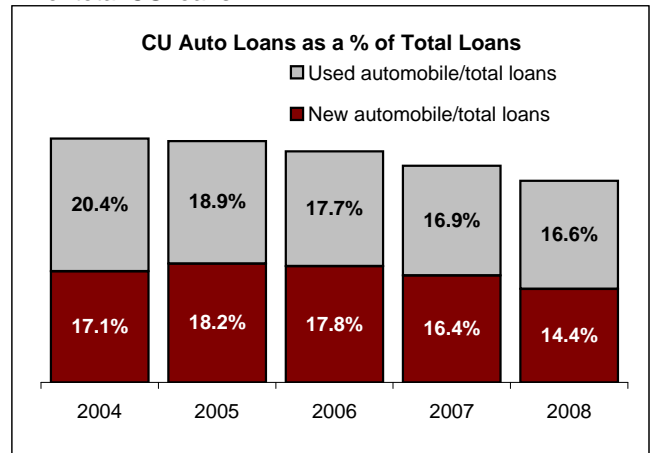
U.S. Credit Union Profile

Consumer Lending Overview

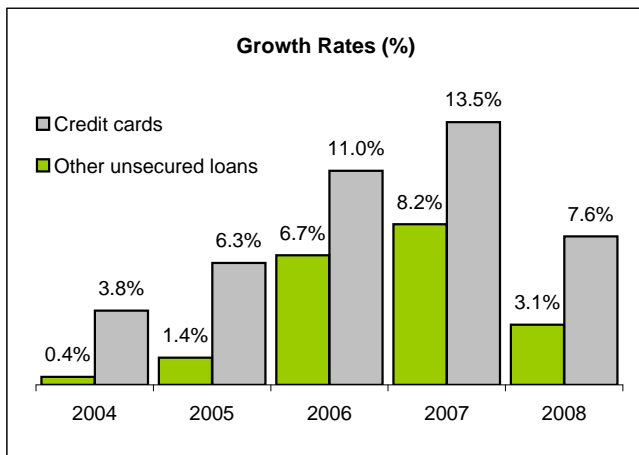
* **CU new auto loan balances are declining**
but used auto loan growth is increasing modestly



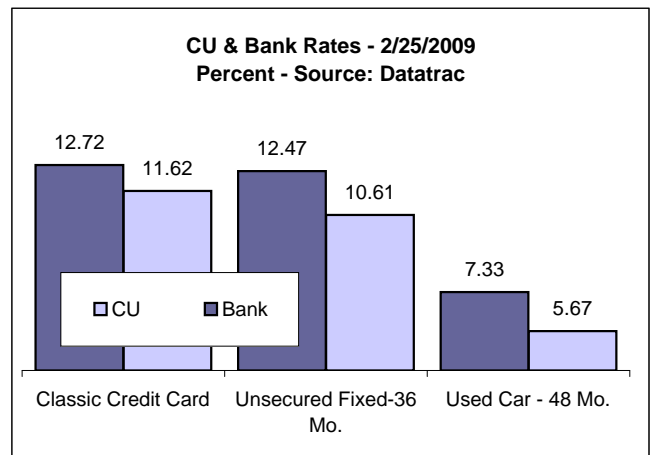
* **Automobile loans account for a declining share**
of total CU loans



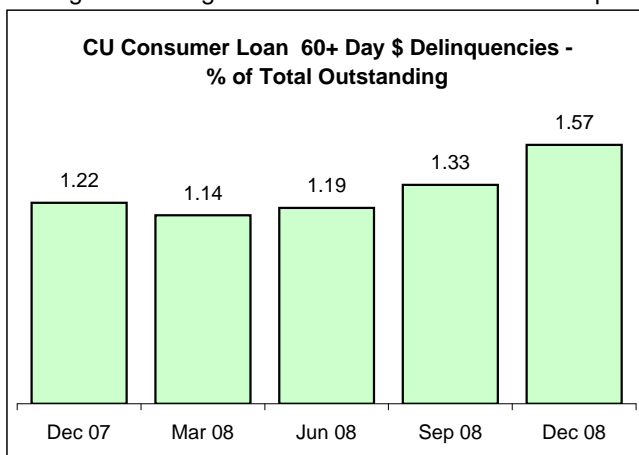
* **CU unsecured loan growth is slowing**



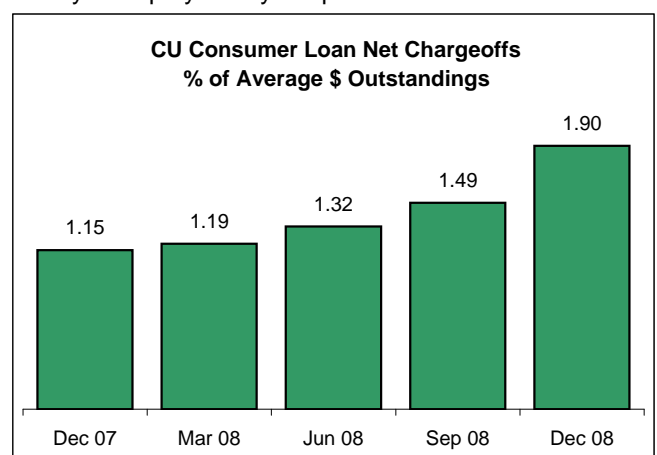
* **Large CU pricing advantages on consumer loans**



* **CU consumer loan delinquencies increased**
though the change was modest in the most recent quarter



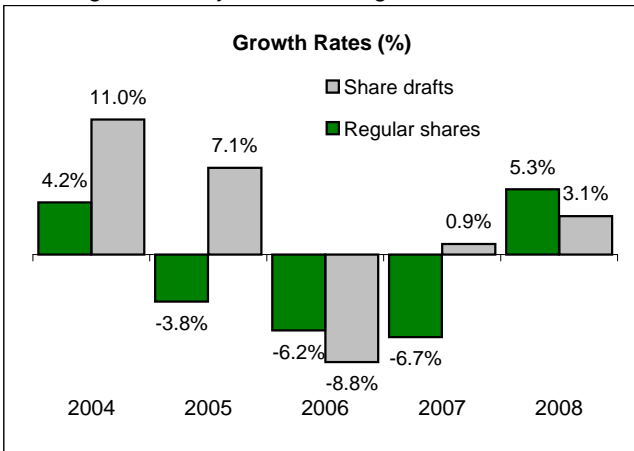
* **CU Consumer loan net chargeoffs increased**
they are up by nearly 41bp over 2007 results.



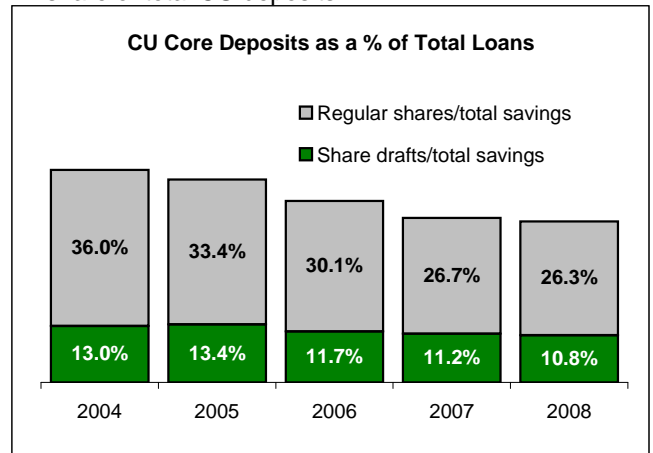
U.S. Credit Union Profile

Share/Deposit Overview

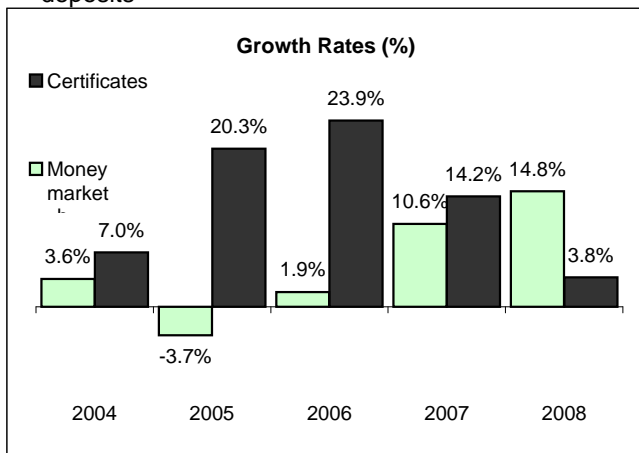
* 12-Month growth in CU core deposits was weak but flight-to-safety is moderating that weakness



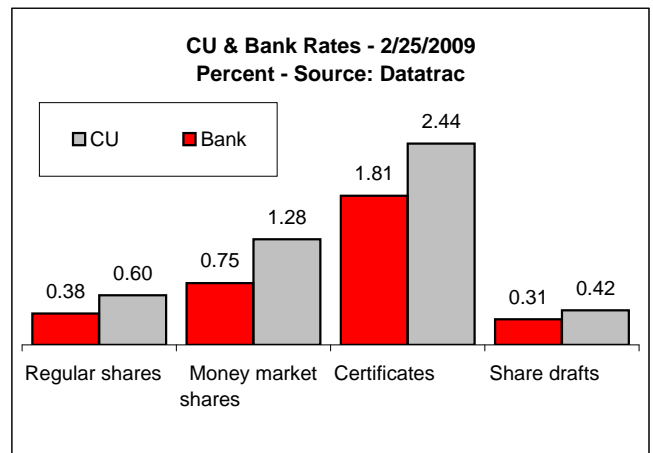
* Core deposits account for a markedly declining share of total CU deposits



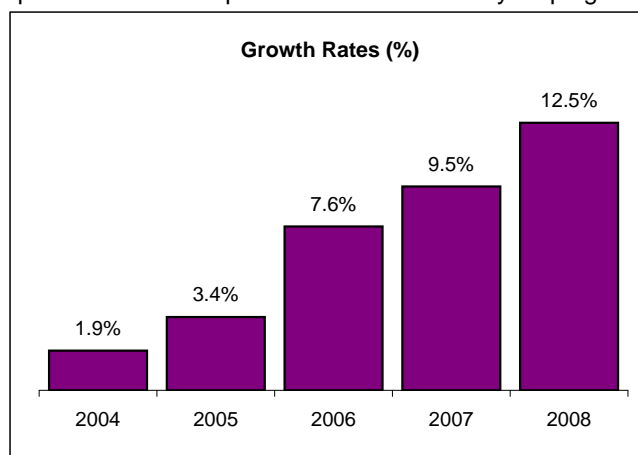
* CU depositors are seeking higher-yielding liquid deposits



* Obvious CU pricing advantages on deposits



* CU IRA balances are increasing quickly
poor stock market performance is undoubtedly helping



U.S. CU Profile

| | U.S. Credit Unions | | | | | Asset Groups - Dec 2008 | | | |
|------------------------------------|--------------------|---------|---------|---------|---------|-------------------------|----------|------------|-------------|
| Demographic Information | 2008 | 2007 | 2006 | 2005 | 2004 | < \$5Mil | \$5-\$20 | \$20-\$100 | > \$100 Mil |
| Number of CUs | 7,965 | 8,268 | 8,535 | 8,877 | 9,209 | 2,232 | 2,274 | 2,144 | 1,315 |
| Assets per CU (\$ mil) | 103.7 | 93.1 | 85.1 | 78.2 | 71.9 | 2.0 | 10.9 | 45.7 | 531.1 |
| Median assets (\$ mil) | 14.5 | 13.1 | 12.5 | 12.0 | 11.4 | 1.8 | 10.2 | 40.3 | 240.8 |
| Total assets (\$ mil) | 825,802 | 770,100 | 726,208 | 694,151 | 661,796 | 4,498 | 24,859 | 98,020 | 698,425 |
| Total loans (\$ mil) | 575,814 | 539,546 | 506,686 | 469,888 | 424,596 | 2,485 | 14,031 | 61,174 | 498,124 |
| Total surplus funds (\$ mil) | 217,870 | 199,252 | 190,548 | 198,284 | 213,778 | 1,966 | 10,111 | 32,547 | 173,246 |
| Total savings (\$ mil) | 691,766 | 646,820 | 615,303 | 590,781 | 569,065 | 3,662 | 20,896 | 84,082 | 583,126 |
| Total members (thousands) | 89,895 | 88,497 | 87,386 | 86,171 | 85,206 | 1,402 | 5,059 | 15,319 | 68,115 |
| Growth Rates | | | | | | | | | |
| Total assets | 7.2 | 6.0 | 4.6 | 4.9 | 6.2 | 2.7 | 5.2 | 6.3 | 8.6 |
| Total loans | 6.7 | 6.5 | 7.8 | 10.7 | 10.3 | -4.5 | -1.3 | 3.7 | 8.6 |
| Total surplus funds | 9.3 | 4.6 | -3.9 | -7.2 | -1.6 | 14.0 | 16.1 | 12.1 | 9.6 |
| Total savings | 6.9 | 5.1 | 4.2 | 3.8 | 5.4 | 3.4 | 5.9 | 6.6 | 8.2 |
| Total members | 1.6 | 1.3 | 1.4 | 1.1 | 1.5 | -1.1 | -0.9 | 0.5 | 3.6 |
| % CUs with increasing assets | 75.1 | 57.4 | 45.5 | 46.9 | 63.4 | 59.4 | 76.0 | 82.9 | 87.6 |
| Earnings - Basis Pts. | | | | | | | | | |
| Yield on total assets | 556 | 589 | 552 | 497 | 472 | 573 | 563 | 560 | 555 |
| - Dividend/interest cost of assets | 241 | 278 | 235 | 173 | 141 | 161 | 176 | 198 | 251 |
| + Fee & other income | 136 | 135 | 129 | 125 | 116 | 64 | 98 | 134 | 139 |
| - Operating expense | 335 | 338 | 333 | 324 | 320 | 424 | 415 | 415 | 320 |
| - Loss Provisions | 85 | 43 | 31 | 39 | 35 | 48 | 44 | 54 | 92 |
| = Net Income (ROA) | 31 | 64 | 82 | 85 | 92 | 4 | 26 | 28 | 31 |
| % CUs with positive ROA | 76.4 | 87.3 | 88.9 | 87.7 | 86.4 | 69.3 | 77.3 | 80.9 | 79.7 |
| Capital adequacy | | | | | | | | | |
| Net worth/assets | 10.9 | 11.4 | 11.5 | 11.2 | 11.0 | 17.9 | 15.2 | 12.7 | 10.5 |
| % CUs with NW > 7% of assets | 98.0 | 98.6 | 98.5 | 98.0 | 97.8 | 97.4 | 98.4 | 98.2 | 98.3 |
| Asset quality | | | | | | | | | |
| Delinquencies/loans | 1.37 | 0.93 | 0.68 | 0.73 | 0.72 | 3.12 | 1.84 | 1.51 | 1.33 |
| Net chargeoffs/average loans | 0.84 | 0.51 | 0.45 | 0.54 | 0.53 | 0.82 | 0.70 | 0.69 | 0.86 |
| Total borrower-bankruptcies | 240,071 | 160,964 | 121,265 | 348,977 | 259,501 | 1,691 | 9,504 | 30,296 | 198,580 |
| Bankruptcies per CU | 30.1 | 19.5 | 14.2 | 39.3 | 28.2 | 0.8 | 4.2 | 14.1 | 151.0 |
| Bankruptcies per 1000 members | 2.7 | 1.8 | 1.4 | 4.0 | 3.0 | 1.2 | 1.9 | 2.0 | 2.9 |
| Asset/Liability Management | | | | | | | | | |
| Loans/savings | 83.2 | 83.4 | 82.3 | 79.5 | 74.6 | 67.9 | 67.1 | 72.8 | 85.4 |
| Loans/assets | 69.7 | 70.1 | 69.8 | 67.7 | 64.2 | 55.2 | 56.4 | 62.4 | 71.3 |
| Long-term assets/assets | 31.3 | 29.3 | 26.4 | 24.6 | 24.8 | 5.0 | 13.7 | 24.4 | 33.1 |
| Liquid assets/assets | 14.6 | 15.7 | 15.8 | 15.8 | 16.1 | 36.6 | 28.6 | 19.8 | 13.3 |
| Core deposits/shares & borrowings | 36.2 | 37.1 | 41.0 | 45.9 | 47.9 | 78.2 | 62.9 | 48.5 | 33.3 |
| Productivity | | | | | | | | | |
| Members/potential members | 7 | 7 | 8 | 8 | 9 | 19 | 10 | 6 | 7 |
| Borrowers/members | 51 | 51 | 50 | 50 | 50 | 32 | 39 | 43 | 54 |
| Members/FTE | 372 | 374 | 383 | 390 | 395 | 372 | 443 | 382 | 366 |
| Average shares/member (\$) | 7,695 | 7,309 | 7,041 | 6,856 | 6,679 | 2,612 | 4,130 | 5,489 | 8,561 |
| Average loan balance (\$) | 12,615 | 12,011 | 11,525 | 10,878 | 10,060 | 5,482 | 7,193 | 9,235 | 13,604 |
| Employees per million in assets | 0.29 | 0.31 | 0.31 | 0.32 | 0.33 | 0.84 | 0.46 | 0.41 | 0.27 |
| Structure | | | | | | | | | |
| % Fed CUs w/ single-sponsor | 14.1 | 14.5 | 14.8 | 15.4 | 15.7 | 27.2 | 15.6 | 5.3 | 3.4 |
| % Fed CUs w/ community charter | 14.8 | 14.3 | 13.6 | 12.5 | 11.4 | 5.2 | 12.1 | 22.6 | 23.0 |
| % Other Fed CUs | 32.0 | 32.1 | 32.4 | 32.8 | 33.4 | 33.2 | 36.0 | 30.1 | 26.0 |
| % CUs state chartered | 39.2 | 39.1 | 39.2 | 39.3 | 39.5 | 34.4 | 36.4 | 42.0 | 47.5 |
| % of CUs w/ CAE 1 or 2 | 46.8% | 63.7% | 65.8% | 63.3% | 60.5% | 33.2% | 47.8% | 54.2% | 56.4% |

Earnings, net chargeoffs, and bankruptcies are annualized.

Due to significant seasonal variations, balance sheet growth rates are for the trailing 12 months.

U.S. CU Profile

| | U.S. Credit Unions | | | | | Asset Groups - Dec 2008 | | | |
|-----------------------------------|--------------------|-------|-------|-------|-------|-------------------------|----------|------------|-------------|
| Growth Rates | 2008 | 2007 | 2006 | 2005 | 2004 | < \$5Mil | \$5-\$20 | \$20-\$100 | > \$100 Mil |
| Credit cards | 7.6% | 13.5% | 11.0% | 6.3% | 3.8% | 4.7% | 0.2% | 2.1% | 9.1% |
| Other unsecured loans | 3.1% | 8.2% | 6.7% | 1.4% | 0.4% | -2.7% | -0.5% | 2.1% | 5.1% |
| New automobile | -6.6% | -2.0% | 5.5% | 18.1% | 12.0% | -11.8% | -10.3% | -7.3% | -5.3% |
| Used automobile | 5.1% | 1.7% | 0.9% | 2.5% | 4.4% | -1.8% | -0.4% | 3.8% | 7.1% |
| First mortgage | 14.8% | 12.3% | 10.2% | 11.7% | 11.0% | 4.6% | 7.4% | 10.7% | 16.2% |
| HEL & 2nd Mtg | 4.9% | 8.6% | 14.8% | 18.5% | 24.1% | -1.5% | 2.1% | 4.5% | 6.4% |
| Member business loans | 18.0% | 17.0% | 24.3% | 32.8% | 48.9% | 1.8% | 13.6% | 16.3% | 19.9% |
| Share drafts | 3.1% | 0.9% | -8.8% | 7.1% | 11.0% | -2.1% | 1.2% | 3.0% | 4.3% |
| Certificates | 3.8% | 14.2% | 23.9% | 20.3% | 7.0% | 10.9% | 9.2% | 6.4% | 4.4% |
| IRAs | 12.5% | 9.5% | 7.6% | 3.4% | 1.9% | 0.6% | 8.4% | 11.6% | 13.7% |
| Money market shares | 14.8% | 10.6% | 1.9% | -3.7% | 3.6% | 11.6% | 17.3% | 15.8% | 16.0% |
| Regular shares | 5.3% | -6.7% | -6.2% | -3.8% | 4.2% | 2.7% | 4.3% | 4.7% | 6.8% |
| Portfolio \$ Distribution | | | | | | | | | |
| Credit cards/total loans | 5.8% | 5.7% | 5.4% | 5.2% | 5.4% | 1.4% | 3.7% | 4.7% | 6.0% |
| Other unsecured loans/total loans | 4.4% | 4.6% | 4.5% | 4.6% | 5.0% | 20.2% | 12.4% | 6.7% | 3.9% |
| New automobile/total loans | 14.4% | 16.4% | 17.8% | 18.2% | 17.1% | 29.1% | 22.6% | 15.8% | 13.9% |
| Used automobile/total loans | 16.6% | 16.9% | 17.7% | 18.9% | 20.4% | 33.2% | 27.5% | 22.7% | 15.5% |
| First mortgage/total loans | 36.7% | 34.2% | 32.4% | 31.7% | 31.4% | 3.3% | 13.1% | 26.5% | 38.8% |
| HEL & 2nd Mtg/total loans | 17.0% | 17.3% | 17.0% | 16.0% | 14.9% | 4.1% | 12.7% | 16.9% | 17.3% |
| Member business loans/total loans | 5.7% | 5.2% | 4.7% | 4.1% | 3.4% | 0.4% | 1.2% | 3.0% | 6.2% |
| Share drafts/total savings | 10.8% | 11.2% | 11.7% | 13.4% | 13.0% | 3.5% | 9.1% | 12.2% | 10.7% |
| Certificates/total savings | 33.2% | 34.2% | 31.5% | 26.5% | 22.9% | 15.3% | 23.9% | 30.3% | 34.1% |
| IRAs/total savings | 9.5% | 9.0% | 8.6% | 8.4% | 8.4% | 2.6% | 6.1% | 8.6% | 9.8% |
| Money market shares/total savings | 18.9% | 17.6% | 16.7% | 17.1% | 18.4% | 1.3% | 5.2% | 11.1% | 20.6% |
| Regular shares/total savings | 26.3% | 26.7% | 30.1% | 33.4% | 36.0% | 74.8% | 53.8% | 36.5% | 23.5% |
| Percent of CUs Offering | | | | | | | | | |
| Credit cards | 51.0% | 50.5% | 50.6% | 50.7% | 50.7% | 8.7% | 48.2% | 79.0% | 81.8% |
| Other unsecured loans | 97.9% | 98.0% | 97.6% | 97.3% | 96.9% | 93.9% | 99.1% | 99.6% | 99.9% |
| New automobile | 94.7% | 94.7% | 94.6% | 94.3% | 94.2% | 82.1% | 99.1% | 100.0% | 99.9% |
| Used automobile | 95.6% | 95.7% | 95.6% | 95.2% | 95.0% | 85.9% | 99.0% | 99.7% | 99.7% |
| First mortgage | 57.9% | 56.4% | 55.4% | 54.4% | 53.1% | 11.3% | 50.8% | 88.5% | 99.3% |
| HEL & 2nd Mtg | 57.4% | 57.0% | 56.0% | 54.4% | 53.3% | 13.5% | 53.6% | 83.0% | 97.0% |
| Member business loans | 27.1% | 25.2% | 23.2% | 21.3% | 18.8% | 2.4% | 12.3% | 39.6% | 74.2% |
| Share drafts | 73.5% | 72.3% | 71.5% | 70.4% | 69.2% | 25.0% | 82.9% | 98.1% | 99.2% |
| Certificates | 77.2% | 76.0% | 74.7% | 71.0% | 69.9% | 39.8% | 83.6% | 96.4% | 98.6% |
| IRAs | 67.4% | 63.5% | 62.7% | 61.2% | 60.8% | 24.9% | 66.2% | 93.7% | 98.9% |
| Money market shares | 42.8% | 41.1% | 39.0% | 36.0% | 34.3% | 4.8% | 29.0% | 67.3% | 91.3% |
| Penetration | | | | | | | | | |
| Credit cards | 14.3% | 14.3% | 14.1% | 14.3% | 14.6% | 1.4% | 6.3% | 10.9% | 15.9% |
| Other unsecured loans | 11.3% | 11.4% | 11.1% | 11.0% | 11.0% | 15.0% | 12.9% | 10.6% | 11.2% |
| New automobile | 6.3% | 6.5% | 6.5% | 6.1% | 5.5% | 4.4% | 4.8% | 4.7% | 6.8% |
| Used automobile | 10.8% | 10.6% | 10.8% | 11.0% | 10.9% | 8.3% | 9.5% | 10.3% | 11.1% |
| First mortgage | 1.8% | 1.7% | 1.7% | 1.6% | 1.6% | 0.2% | 0.6% | 1.4% | 2.0% |
| HEL & 2nd Mtg | 3.1% | 3.1% | 3.1% | 2.9% | 2.6% | 0.3% | 1.2% | 2.2% | 3.5% |
| Member business loans | 0.2% | 0.2% | 0.2% | 0.1% | 0.1% | 0.0% | 0.1% | 0.1% | 0.2% |
| Share drafts | 45.9% | 45.2% | 42.9% | 44.5% | 43.1% | 8.0% | 25.0% | 37.9% | 50.0% |
| Certificates | 13.9% | 13.9% | 13.0% | 10.7% | 9.2% | 3.7% | 7.6% | 10.6% | 15.3% |
| IRAs | 5.7% | 5.6% | 5.6% | 5.3% | 5.3% | 0.6% | 2.1% | 3.9% | 6.5% |
| Money market shares | 7.4% | 6.7% | 6.2% | 5.8% | 5.6% | 0.3% | 1.4% | 3.3% | 8.9% |

* Current period flow statistics are trailing four quarters.

U.S. CU Profile - Quarterly Results

U.S. Credit Unions

| Demographic Information | Dec 08 | Sep 08 | Jun 08 | Mar 08 | Dec 07 |
|---|--------|--------|--------|--------|--------|
| Number CUs | 7,966 | 8,066 | 8,136 | 8,216 | 8,267 |
| Earnings - Basis Pts. | | | | | |
| Yield on total assets | 551 | 549 | 548 | 572 | 598 |
| - Dividend/interest cost of assets | 229 | 228 | 240 | 268 | 292 |
| + Fee & other income | 129 | 132 | 128 | 144 | 139 |
| - Operating expense | 344 | 331 | 329 | 334 | 348 |
| - Loss Provisions | 134 | 88 | 64 | 54 | 64 |
| = Net Income (ROA) | -27 | 34 | 43 | 60 | 32 |
| 60+ Day Dollar Delinquencies as % of Loans Outstanding | | | | | |
| All Loans | 1.37 | 1.13 | 0.97 | 0.91 | 0.93 |
| <u>Consumer Loans</u> | | | | | |
| Total Consumer | 1.57 | 1.33 | 1.19 | 1.14 | 1.22 |
| Credit Cards | 1.89 | 1.64 | 1.41 | 1.35 | 1.34 |
| All Other Consumer | 1.52 | 1.29 | 1.16 | 1.11 | 1.20 |
| <u>Mortgage Loans</u> | | | | | |
| Total Mortgages | 1.20 | 0.96 | 0.78 | 0.70 | 0.67 |
| First Mortgages | 1.26 | 1.00 | 0.78 | 0.68 | 0.64 |
| All Other Mortgages | 1.06 | 0.86 | 0.78 | 0.74 | 0.73 |
| <u>Member Business Loans</u> | | | | | |
| Total MBLs | 2.09 | 1.80 | 1.60 | 1.62 | 1.62 |
| Ag MBLs | 0.63 | 0.83 | 0.81 | 0.61 | 0.57 |
| All Other MBLs | 2.15 | 1.85 | 1.63 | 1.66 | 1.67 |
| Chargeoffs Net of Recoveries as % of Loans Outstanding | | | | | |
| All Loans | 1.09 | 0.86 | 0.74 | 0.66 | 0.62 |
| <u>Consumer Loans</u> | | | | | |
| Total Consumer | 1.90 | 1.49 | 1.32 | 1.19 | 1.15 |
| Credit Cards | 3.61 | 2.80 | 2.58 | 2.38 | 2.00 |
| All Other Consumer | 1.65 | 1.30 | 1.14 | 1.03 | 1.03 |
| <u>Mortgage Loans</u> | | | | | |
| Total Mortgages | 0.41 | 0.31 | 0.24 | 0.18 | 0.13 |
| First Mortgages | 0.20 | 0.10 | 0.07 | 0.06 | 0.04 |
| All Other Mortgages | 0.85 | 0.75 | 0.61 | 0.43 | 0.32 |
| <u>Member Business Loans</u> | | | | | |
| Total MBLs | 0.61 | 0.34 | 0.16 | 0.24 | 0.20 |
| Ag MBLs | 0.33 | -0.08 | 0.22 | 0.12 | 0.57 |
| All Other MBLs | 0.62 | 0.36 | 0.16 | 0.25 | 0.18 |