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PACESETTER™

Financial Performance Reporter

2008 - 4th Quarter Report

2008

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Pacesetter™:
Financial Performance Reporter
for December 31, 2008

Prepared for

SAMPLE CREDIT UNION

Data Obtained from National Credit Union Administration (NCUA) Form 5300 - Call Reports

Introduction

The purpose of this report is to provide management and directors of credit unions with timely, accurate and meaningful financial performance data and analysis. This "Pacesetter™: Financial Performance Reporter" (FPR) provides a comparison of individual credit union financial performance ratios with a peer group made up of similarly sized credit unions.

The National Credit Union Administration and several private companies provide access to financial performance ratios and comparative data using the NCUA's Form 5300 credit union data. The FPR goes several steps further by using those data:

- to complete a financial performance comparisons to selective peers and peer groups
- to create customized textual comments explaining the relative performance of a specified credit union against its peer group and individual peers you select
- to suggest operating changes

The peer groups created by FPR are based on asset size. Asset size has been shown to be the single most relevant credit union feature upon which to make comparisons of financial ratio and operating similarities. It is by no means perfect, however. Each firm is unique in its operations and strategies. The FPR is designed to help assess the financial impact of those differences.

The report is designed so only one ratio shows up on a page. This allows users to present the material in the order they desire.

The pre-selected peer groups included in this report are following:

Peer Group 1: Smallest: $0-$19.9 million in assets
Peer Group 2; Medium: $20-$49.9 million in assets
Peer Group 3; Large: $50-$99.9 million in assets
Peer Group 4; Larger: $100-$499.9 million in assets
Peer Group 5; Largest: $500 million in assets and above

SAMPLE CREDIT UNION 's total assets on December 31, 2008 were $18,429,281.00.

Financial Topics and Ratios Used in FPR

The ratios used in these analyses are categorized into six financial topics including: (1) Capital Ratios; (2) Asset Quality Ratios; (3) Earnings Ratios; (4) Asset/Liability Ratios; (5) Growth Ratios; and (6) Other Ratios. A list of them is shown below.

Capital Ratios

1. Net Worth/Total Assets (NCUA Key Ratio)
2. Net Worth / Total Assets and Change in Net Worth/ Total Assets during Last 12 months
3. Total Delinquent Loans/Net Worth

Asset Quality Ratios

4. Delinquent Loans/Loans (NCUA Key Ratio)

Earnings Ratios

5. Return on Average Assets {new name for Net Income/Average Assets before Reserve Transfers} (NCUA Key Ratio)
6. Operating Expenses/Average Assets {excludes PLL, PIL, and cost of funds} {PLL = Provision for loan losses}
7. Gross Income/Average Assets
8. Cost of Funds/Average Assets
9. Net Margin/Average Assets {Gross Income/Average Assets ratio minus Cost of Funds/Average Assets ratio}
10. Non-interest Income/ Total Income
11. (Fulltime Employees + .5 x Part-time employees)/Total Assets {employees per million dollars of assets}
12. Provision for Loan & Lease Losses/Average Assets

Asset/Liability Management Ratios

13. (Land and Building + Other Fixed Assets)/Total Assets
14. Net Long Term Assets/Assets
15. Total Loans/Total Shares

Growth Ratios

16. Net Worth Growth Rate minus Asset Growth Rate
17. Asset Growth Rate
18. Loan Growth
19. Membership Growth

Other Ratios

18\. Net Overhead/Average Assets
19\. Allowance for Loan & lease Losses/Total Loans & Leases
20\. Shares and deposits/Total offices

SCORECARD: SAMPLE CREDIT UNION

SELECTED RATIOS / MEASURES	Your CU	Peer Group	Comments
Capital Ratios			
Net Worth/Total Assets	15.77%	17.29%	Average range
Change in Net Worth/Total Assets ratio during last 12 months	-3.89%	-0.44%	Well below peer group range
Total Delinquent Loans/Net Worth	0.78%	12.06%	Below peer group range
Asset Quality Ratios			
Total Delinquent Loans/Loans	0.31%	3.43%	Below peer group range
Earnings Ratios			
Return on Average Assets	0.98%	0.15%	Above peer group range
Operating Expenses/Average Assets	5.20%	4.30%	Above peer group range
Gross Income/Average Assets	8.40%	6.47%	Above peer group range
Cost of Funds/Average Assets	2.22%	1.65%	Above peer group range
Net Margin to Average Assets	6.18%	4.81%	Above peer group range
Non-Interest Income/Total Income	36.27%	10.06%	Well above peer group range
(Full-time Employees + .5 Part-time)/Total Assets	0.73	0.88	Above peer group range
Provision for Loan & Lease Losses/Average Assets	0.00%	0.52%	Average range
Asset / Liability Management Ratios			
Land, Building and other Fixed Assets/Total Assets	1.18%	1.14%	Above peer group range
Net Long-term Assets/Total Assets	1.76%	8.42%	Average range
Total Loans/Total Shares	47.98%	66.63%	Below peer group range
Growth Ratios			
Net Worth Growth Rate (last 12 months) minus Asset Growth Rate (last 12 months)	-26.09%	-3.56%	Well below peer group range
Asset Growth Rate (last 12 months)	31.85%	4.45%	Well above peer group range
Loan Growth (last 12 months)	-2.18%	-2.79%	Average range
Membership Growth (last 12 months)	2.06%	-0.08%	Above peer group range
Other Ratios			
Net Overhead/Average Assets	2.15%	3.44%	Below peer group range
Allowance for Loan & Lease Losses/Total Loans & Leases	0.42%	2.35%	Below peer group range
Net Charge-Offs/Average Loans	0.36%	0.84%	Average range
Shares and deposits/Total offices ($ in millions)	$15	$5	Well above peer group range

LEGEND:

Well below peer group range: Typically lowest 10%
Below peer group range: Typically lowest 11-30%
Average range of peer group: Typically deciles including middle 30-70%
Above peer group range: Typically credit unions in upper 11-30%
Well above peer group range: Typically credit unions in highest 10%

PEER SCORECARD: SAMPLE CREDIT UNION

SELECTED RATIO / MEASURE	Your CU	Peer 1	Peer 2	Peer 3	Peer 4	Peer 5
Capital Ratios						
Net Worth/Total Assets	15.77%	6.14%	13.46%	10.01%	17.92%	NA
Change in Net Worth/Total Assets ratio during last 12 months	-3.89%	-5.23%	-0.25%	-2.13%	-1.21%	NA
Total Delinquent Loans/Net Worth	0.78%	9.54%	25.40%	1.05%	8.76%	NA
Asset Quality Ratios						
Total Delinquent Loans/Loans	0.31%	1.08%	4.95%	0.19%	3.10%	NA
Earnings Ratios						
Return on Average Assets	0.98%	-3.44%	1.25%	0.23%	-0.02%	NA
Operating Expenses/Average Assets	5.20%	4.26%	5.07%	3.83%	6.83%	NA
Gross Income/Average Assets	8.40%	7.08%	8.67%	6.02%	8.07%	NA
Cost of Funds/Average Assets	2.22%	2.52%	2.18%	1.85%	1.12%	NA
Net Margin to Average Assets	6.18%	4.56%	6.50%	4.17%	6.95%	NA
Non-Interest Income/Total Income	36.27%	-38.24%	19.57%	17.37%	32.29%	NA
(Full-time Employees + .5 Part-time)/Total Assets	0.73	0.45	0.52	0.35	0.65	NA
Provision for Loans & Lease Losses/Average Assets	0.00%	0.71%	0.18%	0.09%	0.41%	NA
Asset / Liability Management Ratios						
Land, Building and other Fixed Assets/Total Assets	1.18%	5.15%	9.31%	5.34%	3.71%	NA
Net Long-term Assets/Total Assets	1.76%	19.14%	19.19%	14.80%	6.21%	NA
Total Loans/Total Shares	47.98%	58.19%	82.25%	60.37%	62.97%	NA
Growth Ratios						
Net Worth Growth Rate (last 12 months) minus Asset Growth Rate (last 12 months)	-26.09%	-54.86%	-2.00%	-21.74%	-6.75%	NA
Asset Growth Rate (last 12 months)	31.85%	19.24%	11.62%	23.84%	6.64%	NA
Loan Growth (last 12 months)	-2.18%	-0.87%	3.77%	7.79%	-1.69%	NA
Membership Growth (last 12 months)	2.06%	-2.09%	0.04%	2.78%	-4.23%	NA
Other Ratios						
Net Overhead/Average Assets	2.15%	5.82%	3.37%	2.78%	4.14%	NA
Allowance for Loan & Lease Losses/Total Loans & Leases	0.42%	1.00%	0.38%	0.32%	0.96%	NA
Net Charge-Offs/Average Loans	0.36%	1.07%	0.41%	0.13%	0.77%	NA
Shares and deposits/Total offices (millions)	$15	$11	$11	$13	$9	NA

PEER 1: PEER COMPARISON #1
PEER 2: PEER COMPARISON #2
PEER 3: PEER COMPARISON #3
PEER 4: PEER COMPARISON #4
PEER 5: NA

EXPENSE DETAIL SCORECARD

AREA OF ANALYSIS	Your CU	Peer 1	Peer 2	Peer 3	Peer 4	Peer 5
OVERALL OPERATING (NON-INTEREST) EXPENSE / AVERAGE ASSETS	5.2%	4.3%	5.1%	3.8%	6.8%	NA
PERCENT OF TOTAL OPERATING (NON-INTEREST) EXPENSE (% of total)						
Employee Compensation and Benefits	42.1%	52.0%	45.1%	53.0%	48.8%	NA
Travel and Conference Expense	0.9%	1.6%	0.8%	0.8%	1.7%	NA
Office Occupancy Expense	6.1%	10.6%	7.7%	11.3%	9.2%	NA
Office Operations Expense	16.8%	24.1%	29.0%	13.4%	14.2%	NA
Educational and Promotional Expense	5.0%	4.4%	1.9%	3.0%	3.7%	NA
Loan Servicing Expense	1.1%	1.4%	3.7%	2.1%	1.7%	NA
Professional and Outside Services Expense	10.1%	1.4%	7.7%	14.7%	17.5%	NA
Member Insurance	0.0%	0.0%	0.6%	0.0%	0.0%	NA
Operating Fees (Examination and /or supervision fees)	0.5%	0.5%	0.4%	0.1%	0.5%	NA
Miscellaneous operating expenses	17.4%	4.0%	3.0%	1.6%	2.6%	NA
Number of offices	1	3	1	1	1	NA
LOAN AND LEASES PORTFOLIO STRUCTURE (% of total loan and lease portfolio)						
Unsecured credit card loans	2.8%	3.8%	3.8%	0.0%	2.8%	NA
All other unsecured loans/lines of credit	14.3%	7.7%	20.2%	3.2%	13.2%	NA
New vehicle loans	44.9%	28.1%	31.5%	35.6%	58.8%	NA
Used vehicle loans	23.8%	18.7%	26.9%	21.9%	15.6%	NA
Total 1st mortgage real estate/lines of credit	0.0%	4.4%	12.2%	16.7%	1.0%	NA
Total other real estate loans/lines of credit	0.0%	18.6%	1.0%	0.0%	0.0%	NA
Leases receivable	0.0%	0.0%	0.0%	0.0%	0.0%	NA
Total all other loans/lines of credit	14.2%	18.7%	4.4%	22.5%	8.5%	NA
FUNDING SOURCES (% of total borrowings, shares/deposits)						
Total borrowings	0.0%	0.0%	0.0%	0.0%	0.0%	NA
Share drafts	13.3%	14.1%	7.4%	14.0%	18.2%	NA
Regular shares	41.7%	35.6%	40.2%	45.9%	60.7%	NA
All other shares and deposits	45.0%	50.2%	52.4%	40.1%	21.0%	NA

LEGEND:
PEER 1: PEER COMPARISON #1
PEER 2: PEER COMPARISON #2
PEER 3: PEER COMPARISON #3
PEER 4: PEER COMPARISON #4
PEER 5: NA

TECHNOLOGY SCORECARD

TECHNOLOGY SYSTEMS	**Your CU**	**Your Peer Group%**	**Peer 1**	**Peer 2**	**Peer 3**	**Peer 4**	**Peer 5**
Do you have a Web site for members?	X	52%	X	X	X	X	NA
If you have a Web site, what type of Web site do you offer?							
Informational	X	100%	X	X	X	X	NA
Interactive	X	74%	X	X	X	X	NA
Transactional	X	66%	X	X	X	X	NA
Types of services offered electronically:							
Member application	X	11%	X	X	X	X	NA
New loan application	0	16%	X	0	X	X	NA
Account balance inquiry	X	44%	X	X	X	X	NA
Share draft order	X	30%	X	X	X	X	NA
New share account	0	5%	0	0	X	X	NA
Loan payments	X	34%	X	X	X	X	NA
View account history	X	40%	X	X	X	X	NA
Merchandise purchase	0	4%	0	0	0	0	NA
Share account transfers	X	41%	X	X	X	X	NA
Bill payment	X	17%	X	0	X	0	NA
Download account history	X	28%	X	X	X	X	NA
E-Statements	X	17%	X	0	0	0	NA
What type of electronic devices do you support for your members?							
Home Banking Via Internet Website	X	39%	X	X	X	X	NA
Audio response/ Phone based	X	28%	X	0	X	X	NA
Automatic teller machines (ATMs)	X	36%	X	X	X	0	NA
Kiosk	0	1%	0	0	0	0	NA
Other	0	2%	0	0	0	0	NA

LEGEND: (X = YES; 0 = NO)

PEER 1: PEER COMPARISON #1
PEER 2: PEER COMPARISON #2
PEER 3: PEER COMPARISON #3
PEER 4: PEER COMPARISON #4
PEER 5: NA

SCORECARD ON INVESTMENTS (ALL NUMBERS IN %)

INVESTMENTS	**Your CU**	**Your Peer Group**	**Peer 1**	**Peer 2**	**Peer 3**	**Peer 4**	**Peer 5**
INVESTMENTS / TOTAL ASSETS	55.80	39.89	34.07	18.74	36.77	43.60	NA
PERCENT OF TOTAL INVESTMENTS, CASH AND CASH EQUIVALENTS							
Cash and investments in corporate CUs	99.04	92.55	93.61	100.00	100.00	100.00	NA
U.S. Govt. Obligations	0.00	0.69	0.00	0.00	0.00	0.00	NA
Federal Agency Securities	0.00	2.00	0.86	0.00	0.00	0.00	NA
Mutual funds & common trusts	0.00	0.44	0.00	0.00	0.00	0.00	NA
Credit Union deposits and loans	0.96	3.28	5.53	0.00	0.00	0.00	NA
Other investments	0.00	1.04	0.00	0.00	0.00	0.00	NA
MATURITY STRUCTURE OF INVESTMENTS (PERCENT OF TOTAL INVESTMESTS, CASH AND CASH EQUIVALENTS)							
Less than one year	83.35	71.73	62.89	96.07	97.80	95.75	NA
One to three years	16.65	22.24	33.76	3.93	2.20	4.25	NA
Three to five years	0.00	4.70	3.34	0.00	0.00	0.00	NA
Five to ten years	0.00	0.90	0.00	0.00	0.00	0.00	NA
Over ten years	0.00	0.43	0.00	0.00	0.00	0.00	NA
MORTGAGE BACKED SECURITIES (PERCENT OF TOTAL INVESTMENTS, CASH AND CASH EQUIVALENTS)							
Commercial Mortgage Backed Securities	0.00	0.00	0.00	0.00	0.00	0.00	NA
Collateralized Mortgage Obligations/ Real Estate Mortgage Investment Conduits	0.00	0.04	0.00	0.00	0.00	0.00	NA

LEGEND:
PEER 1: PEER COMPARISON #1
PEER 2: PEER COMPARISON #2
PEER 3: PEER COMPARISON #3
PEER 4: PEER COMPARISON #4
PEER 5: NA

MEMBERS' SCORECARD

The problem with financial ratios and performance measures is that they represent objectives of financial managers and federal and state examiners. These financial measures are based exclusively on financial safety and soundness considerations.

Management and boards of member-owned credit unions must constantly weigh these financial objectives against member objectives such as: (1) high dividends; (2) low loan rates; (3) convenience in terms of locations, hours and distribution networks, (e.g., ATMs, full-service branches, kiosks, telephone banking, Internet banking); (4) broad product and service packages; (5) quality member service; and (6) member loyalty measured in number of accounts and $ amount of these accounts per member. Getting statistics to measure some of these issues is impossible, but others can be approximated.

To help, Pacesetter™ has developed the "Members' Scorecard." This is a crude measure of how well credit unions are serving members. It is based on data regarding the number of types of loans offered, number of accounts per member, types of distribution systems offered, educational and promotional expense to total expenses, fee income to total income and cost of funds to average assets. The assumption is that members appreciate having many types of loans available, many different distribution channels, low fees, high dividends, retaining most or all of their financial transactions with one institution and spending on education and promotion.

The Pacesetter™ member scorecard is determined as follows. Each credit union is evaluated on eight criteria:

- Number of loan programs offered
- Member loyalty [measured by number of accounts per member and by $ amount of accounts per member, (e.g., the higher the number of accounts per member and the higher the $ amount of accounts per member, the higher is assumed to be the members' loyalty towards your credit union)]
- Convenience [measured by number of offices per share and deposit dollars, (e.g., fewer dollars per office is considered a higher level of convenience]
- Cost of funds
- Fee income to total income
- Number of distribution networks offered
- Educational and promotional expenses to total operating expenses

Up to 3 points can be earned in each category. The highest score possible is 24, (e.g., 8 criteria times 3 points each), and the lowest 0. We assume that members will appreciate a higher score. Points for most measures are based on comparisons to your peer group.

While we realize that this method of evaluating member service is crude, it may stimulate management and board discussions of strategy, mission and goals and objectives which is just what it was designed to accomplish.

MEMBERS' SCORECARD CRITERIA	**Your CU**	**Peer Group**	**Peer 1**	**Peer 2**	**Peer 3**	**Peer 4**	**Peer 5**
LOAN PROGRAMS AVAILABLE (Total of 8 possible) (7-8 = 3pt.; 5-6 = 2pt.; 3-4 = 1pt.)	2	3	3	3	2	2	NA
Unsecured credit card loans	X	28.6%	X	X	0	X	NA
All other unsecured loans/lines of credit	X	96.5%	X	X	X	X	NA
New vehicle loans	X	90.6%	X	X	X	X	NA
Used vehicle loans	X	92.5%	X	X	X	X	NA
Total 1st mortgage real estate/lines of credit	0	31.2%	X	X	X	X	NA
Total other real estate loans/lines of credit	0	42.6%	X	X	0	0	NA
Leases receivable	0	0.4%	0	0	0	0	NA
Total all other loans/lines of credit	X	85.2%	X	X	X	X	NA
CONVENIENCE (Offices per million $ in shares and deposits) (Lowest 10% = 3pt.; Lowest 11-30% = 2pt.; 31-70% = 1pt.)	0	1	2	0	0	0	NA
COST OF FUNDS / AVERAGE ASSETS (Top 10% = 3pt.; Top 11-30% = 2pt.; Top 31-70% = 1pt.)	2	1	2	2	1	0	NA
FEE INCOME (NONINTEREST) TO TOTAL INCOME (Lowest 10% = 3pt.; Lowest 11-30% = 2pt.; 31-70% = 1pt.)	0	1	3	0	0	0	NA
NUMBER OF DISTRIBUTION NETWORKS OFFERED, (e.g., home banking via Internet, phone, kiosk, ATM) (Total of 4 possible) (3-4 = 3pt.; 2 = 2pt.; 1=1pt.)	3	3	3	2	3	2	NA
Phone	X	27.5%	X	0	X	X	NA
Home Banking Via Internet Website	X	39.0%	X	X	X	X	NA
Kiosk	0	0.5%	0	0	0	0	NA
ATM	X	36.1%	X	X	X	0	NA
EDUCATIONAL AND PROMOTIONAL EXPENSE / TOTAL EXPENSE (Top 10% = 3pt.; Top 11-30%=2pt.; 31-70% = 1pt.)	3	1	2	2	2	2	NA
MEMBER LOYALTY (Number of accounts per member) (Top 10% = 3pt.; Top 11-30% = 2pt.; 31-70% = 1pt.)	1	1	1	2	1	2	NA
MEMBER LOYALTY ($ amount of shares, deposits, loans & lease accounts per member) (Top 10% = 3pt.; Top 11-30% = 2pt.; 31-70% = 1pt.)	1	1	1	2	2	1	NA
TOTAL POINTS	12	12	17	13	11	9	NA

LEGEND: (X = YES; 0 = NO)
PEER 1: PEER COMPARISON #1
PEER 2: PEER COMPARISON #2
PEER 3: PEER COMPARISON #3
PEER 4: PEER COMPARISON #4
PEER 5: NA

COMMON-SIZED INCOME STATEMENT	**Your CU (% of TI)**	**Peer Group**	**Differ-ence**	**Peer 1**	**Peer 2**	**Peer 3**	**Peer 4**	**Peer 5**
Total Income (Interest Inc. + Non-Interest Inc.)	100%	100%	0%	100%	100%	100%	100%	NA
Interest Income								
Interest on Loans	41.6	65.6	-24.0	113.4	76.8	63.1	49.0	NA
Interest Refund	0.0	0.1	-0.1	0.0	0.0	0.0	0.0	NA
Income from Investments	22.2	20.2	1.9	24.9	3.6	19.5	18.7	NA
Trading Profits and Losses	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NA
Total Interest Income	63.7%	85.7%	-22.0%	138.2%	80.4%	82.6%	67.7%	NA
Interest Expense								
Dividends on Shares	0.0	24.5	-24.5	62.0	25.1	30.8	6.1	NA
Interest on Deposits	26.4	1.8	24.7	0.0	0.0	0.0	7.3	NA
Interest on Borrowed Money	0.0	0.1	-0.1	0.0	0.0	0.0	0.0	NA
Total Interest Expense	26.4	26.4	0.1	62.0	25.1	30.8	13.4	NA
Provision for Loan & Lease Losses	0.1	6.8	-6.8	17.6	2.1	1.6	4.9	NA
Net Interest Income After PLL	37.3%	52.5%	-15.3%	58.6%	53.2%	50.3%	49.4%	NA
Non-Interest Income								
Fee Income	34.0	11.0	23.0	31.4	14.7	17.6	26.9	NA
Other Operating Income	2.3	2.8	-0.5	4.6	4.8	0.0	2.1	NA
Gain (Loss) on Investments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NA
Gain (Loss) on Disposition of Fixed Assets	0.0	0.0	0.0	0.0	0.0	-0.2	0.0	NA
Other Non-Operating Income (Expense)	0.0	0.5	0.0	-74.2	0.0	0.0	3.3	NA
Total Non-Interest Income	36.3%	14.3%	22.0%	-38.2%	19.6%	17.4%	32.3%	NA
Non-Interest Expenses								
Employee Compensation and Benefits	26.1	32.1	-6.1	54.6	26.4	33.9	40.0	NA
Travel and Conference Expense	0.5	0.8	-0.2	1.7	0.5	0.5	1.4	NA
Office Occupancy Expense	3.7	3.7	0.0	11.1	4.5	7.2	7.5	NA
Office Operations Expense	10.4	12.8	-2.4	25.3	16.9	8.6	11.7	NA
Educational & Promotional Expense	3.1	1.3	1.8	4.6	1.1	1.9	3.0	NA
Loan Servicing Expense	0.7	2.2	-1.5	1.4	2.2	1.3	1.4	NA
Professional and Outside Services	6.3	6.2	0.0	1.5	4.5	9.4	14.4	NA
Member Insurance	0.0	1.3	-1.3	0.0	0.4	0.0	0.0	NA
Operating Fees	0.3	0.5	-0.2	0.5	0.2	0.1	0.4	NA
Miscellaneous Operating Expenses	10.8	2.3	8.5	4.2	1.8	1.0	2.1	NA
Total Non-Interest Expenses	61.9%	63.3%	-1.4%	104.9%	58.4%	63.9%	81.9%	NA
Net Income	11.6%	3.5%	8.1%	-84.5%	14.4%	3.8%	-0.3%	NA
Transfer to Regular Reserve	0.0%	0.6%	-0.6%	0.0%	0.0%	0.0%	0.0%	NA

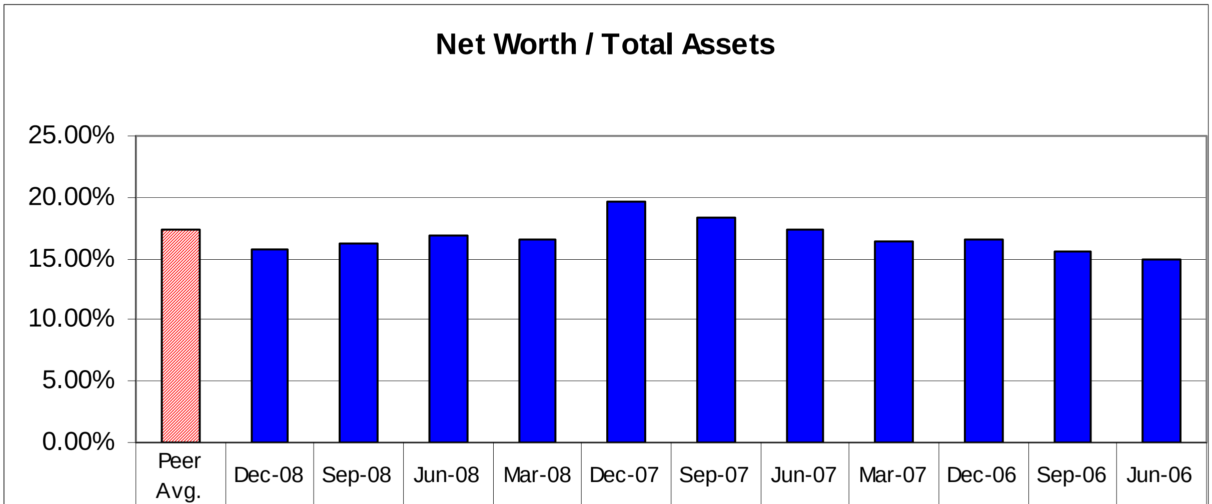
PEER 1: PEER COMPARISON #1
PEER 2: PEER COMPARISON #2
PEER 3: PEER COMPARISON #3
PEER 4: PEER COMPARISON #4
PEER 5: NA

COMMON-SIZED BALANCE SHEET	Your CU % of Assets	Peer Group	Differ-ence	Peer 1	Peer 2	Peer 3	Peer 4	Peer 5
Total Assets	100%	100%	0%	100%	100%	100%	100%	NA
Cash and Equivalents	20.0%	12.5%	7.5%	7.4%	13.5%	21.7%	12.8%	NA
Total Investments	37.6%	28.7%	8.9%	30.1%	6.7%	17.9%	32.0%	NA
U.S. Government Obligations	0.0	0.3	-0.3	0.0	0.0	0.0	0.0	NA
Federal Agency Securities	0.0	0.8	-0.8	0.3	0.0	0.0	0.0	NA
Mutual Funds & Common Trusts	0.0	0.2	-0.2	0.0	0.0	0.0	0.0	NA
MCSD and PIC at Corporate CU	0.8	0.9	-0.1	0.8	0.7	0.8	0.9	NA
All Other Corporate Credit Union	0.0	4.6	-4.6	6.1	0.0	0.0	0.0	NA
Commercial Banks, S & L	36.3	19.3	16.9	20.9	6.0	17.1	31.0	NA
Credit Unions-Loans to, Deposits In	0.5	1.3	-0.7	1.9	0.0	0.0	0.0	NA
Other Investments	0.0	0.4	-0.4	0.0	0.0	0.0	0.0	NA
Total Loans Outstanding	40.1%	56.2%	-16.2%	53.9%	69.1%	54.3%	50.6%	NA
Unsecured Credit Card Loans	1.1	1.9	-0.8	2.0	2.6	0.0	1.4	NA
All Other Unsecured Loans	5.7	7.6	-1.9	4.1	14.0	1.7	6.7	NA
New Vehicle Loans	18.0	13.3	4.7	15.2	21.7	19.3	29.7	NA
Used Vehicle Loans	9.5	15.9	-6.4	10.1	18.6	11.9	7.9	NA
First Mortgage Real Estate Loans	0.0	6.6	-6.6	2.4	8.4	9.1	12.1	NA
Other Real Estate Loans	0.0	6.4	-6.4	10.1	0.7	0.0	0.0	NA
Other Loans	5.7	4.6	1.1	10.1	3.0	12.2	4.3	NA
Leases Receivable	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NA
Allowance for Loan Losses	-0.2	-0.6	0.5	-0.5	-0.3	-0.2	-0.5	NA
Foreclosed and Repossessed Assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NA
Land and Building	1.1	1.4	-0.3	4.8	8.5	5.3	3.4	NA
Other Fixed Assets	0.1	0.3	-0.3	0.4	0.8	0.0	0.3	NA
NCUSIF Capitalization Deposit	0.6	0.8	-0.2	0.7	0.7	0.7	0.7	NA
Other Assets	0.8	0.7	0.1	3.3	0.9	0.3	0.8	NA
Liabilities								
Total Borrowings	0.0%	0.2%	-0.2%	0.0%	0.0%	0.0%	0.0%	NA
Accrued Dividends/Interest Payable	0.2	0.2	0.1	0.0	0.0	0.0	0.0	NA
Acct Payable and Other Liabilities	0.5	0.4	0.1	1.2	2.5	0.1	1.7	NA
Uninsured Secondary Capital	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NA
Total Liabilities	0.7%	0.8%	0.0%	1.2%	2.5%	0.1%	1.8%	NA
Total Savings	83.5%	83.6%	-0.1%	92.7%	84.0%	89.9%	80.3%	NA
Shares Drafts	11.1	6.9	4.2	13.1	6.2	12.6	14.6	NA
Regular Shares	34.8	47.6	-12.8	33.0	33.7	41.3	48.8	NA
Money Market Shares	0.0	3.9	-3.9	5.0	3.7	0.0	0.0	NA
Share Certificates/CDs	32.7	18.9	13.8	29.8	36.7	32.0	16.5	NA
IRA/Keogh Accounts	4.9	4.6	0.3	10.6	3.7	4.0	0.0	NA
All Other Shares and Member Deposits	0.0	1.2	-1.2	0.0	0.0	0.0	0.4	NA
Non-Member Deposits	0.0	0.5	-0.5	1.2	0.0	0.0	0.0	NA
Regular Reserves	2.5	3.5	-1.0	1.3	3.0	3.2	3.6	NA
Appr. For Non-Conforming Invest.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NA
Accum. Unrealized G/L on A-F-S	0.0	0.0	0.0	0.0	0.0	0.0	0.0	NA
Other Reserves	0.0	0.6	-0.6	0.0	0.0	0.0	0.0	NA
Undivided Earnings	13.2	11.6	1.7	4.9	10.5	6.8	14.3	NA
Total Equity	15.8%	15.6%	0.1%	6.1%	13.5%	10.0%	17.9%	NA

PEER 1: PEER COMPARISON #1
PEER 2: PEER COMPARISON #2
PEER 3: PEER COMPARISON #3
PEER 4: PEER COMPARISON #4
PEER 5: NA

CAPITAL RATIO

Net Worth / Total Assets — measures the amount of capital supporting the credit union's loans and other assets. This ratio is commonly referred to as the leverage ratio. In general, the higher this ratio, the more financially secure the credit union. A high net worth to total asset ratio protects members from the potential for reduced dividends. A credit union's net worth ratio can be too high if the credit union's net worth exceeds regulatory requirements, earns adequate income, pays relatively low dividend rates, charges relatively high interest rates on loans and/or invests inadequately in new products, services, security and technologies.



Peer Avg.	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07	Sep-07	Jun-07	Mar-07	Dec-06	Sep-06	Jun-06
17.29%	15.77%	16.26%	16.92%	16.58%	19.66%	18.36%	17.36%	16.41%	16.60%	15.55%	15.00%

SAMPLE CREDIT UNION's capital ratio falls within the middle 30-70% of your peer group. Your firm's capital ratio of 15.77% exceeds the NCUA "well capitalized" percentage cutoff of a minimum of 7.00%.

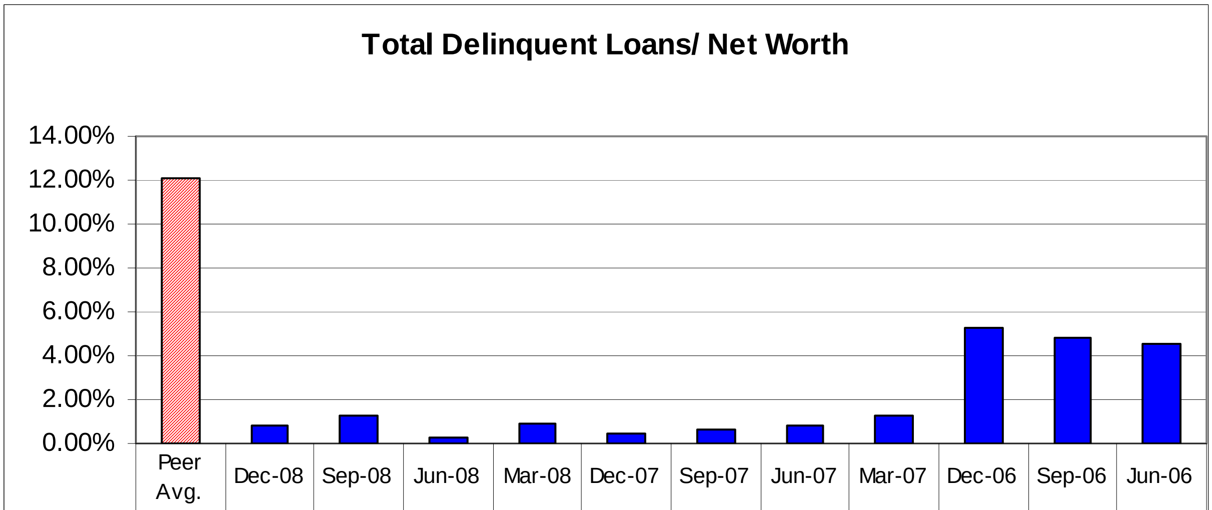
Change in Net Worth / Total Assets (Last 12 months) - measures the relationship between the change in net worth to total assets ratio during the last twelve months. In general, a change above 0.00% indicates an increase in capital adequacy and a change below 0.00% a weakening of the capital position.

SAMPLE CREDIT UNION's capital ratio changed by -3.89% during the last twelve months. This compares to a 12 month change for your peer group of -0.44%. A substantial increase or decrease in this ratio might be a reason to review the credit union's recent profit and asset growth performance to determine if they are no longer in good balance. In general, if a credit union's capital level is adequate and near its targeted level, it will strive to grow capital at a rate comparable to its asset growth rate.

Your credit union has experienced a decline in its capital ratio over the last 12 months and its capital ratio (net worth/total assets) remains below your peer group. The causes of this deteriorating condition may be worthy of evaluation by management and directors.

CAPITAL RATIO

Total Delinquent Loans / Net Worth — measures the relationship of the dollar amount of delinquent loans in relation to the dollar amount of net worth. The higher this ratio, the greater the probability that the credit union could suffer from large loan losses and jeopardize its capital adequacy.



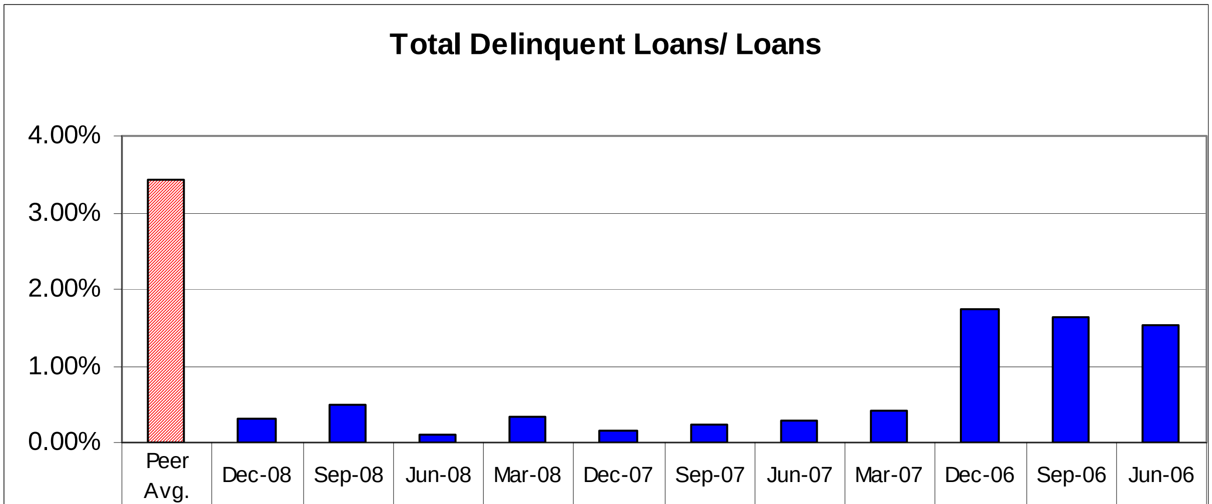
Peer Avg.	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07	Sep-07	Jun-07	Mar-07	Dec-06	Sep-06	Jun-06
12.06%	0.78%	1.25%	0.28%	0.90%	0.44%	0.66%	0.84%	1.25%	5.32%	4.82%	4.56%

SAMPLE CREDIT UNION's low ratio of delinquent loans to net worth of 0.78% suggests it has little exposure to insolvency due to credit risk. This is typically an enviable position. Your credit union's ratio is in the lowest 11-30% of your peer group.

A low total delinquent loans to net worth ratio is generally the result of conservative underwriting standards and good collection practices or the result of having a net worth to total assets which is higher than your peer group. It may also be caused by an asset strategy that stresses low-risk loans such as first mortgages and low-risk investment securities. Sometimes a credit union can be too conservative in its policies and asset selection. Your credit union's situation may suggest a review of current practices and strategies.

ASSET QUALITY RATIOS

Delinquent loans / Total loans — measures the quality of the loan portfolio in relation to its size. The higher this ratio, the higher the probability the credit union will face loan losses and reduced income. Accurate delinquency data enables the board to monitor asset quality, the adequacy of the allowance for loan and lease losses (ALLL) and lending standards. An increasing level of delinquencies, as well as failure to collect delinquent amounts, may be a warning sign that economic conditions are deteriorating or that loan and lease underwriting or administration standards are either deficient or not followed.



Peer Avg.	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07	Sep-07	Jun-07	Mar-07	Dec-06	Sep-06	Jun-06
3.43%	0.31%	0.49%	0.11%	0.34%	0.16%	0.23%	0.29%	0.42%	1.73%	1.63%	1.52%

SAMPLE CREDIT UNION has a delinquency ratio of 0.31% which is lower than your peer group. This is typically evidence of sound loan management and conservative policies.

A low delinquency level is typically the result of very conservative loan underwriting standards and stable working conditions in which members live and work. It could also be a reflection of a loan portfolio made up primarily of lower-risk loans.

Change in Delinquent loans / Total loans (Last 12 months) - measures the last 12-month trend in the ratio of delinquent loans to total loans. The change in this ratio indicates whether the trend of delinquent loans to total loans is improving, a negative percent, or becoming more of a concern, a positive percent.

SAMPLE CREDIT UNION's change in total delinquent loans to total loans ratio is within the typical range for your peer group.

Allowance for Loan & Lease Losses/Total Loans and Leases (ALLL) - measures the valuation reserve charged against credit union income to account for probable and estimatable losses of principal on loans and leases outstanding. A high or rising ALLL might suggest deteriorating economic conditions, inadequate underwriting or a loan and lease portfolio made up of high credit risk assets.

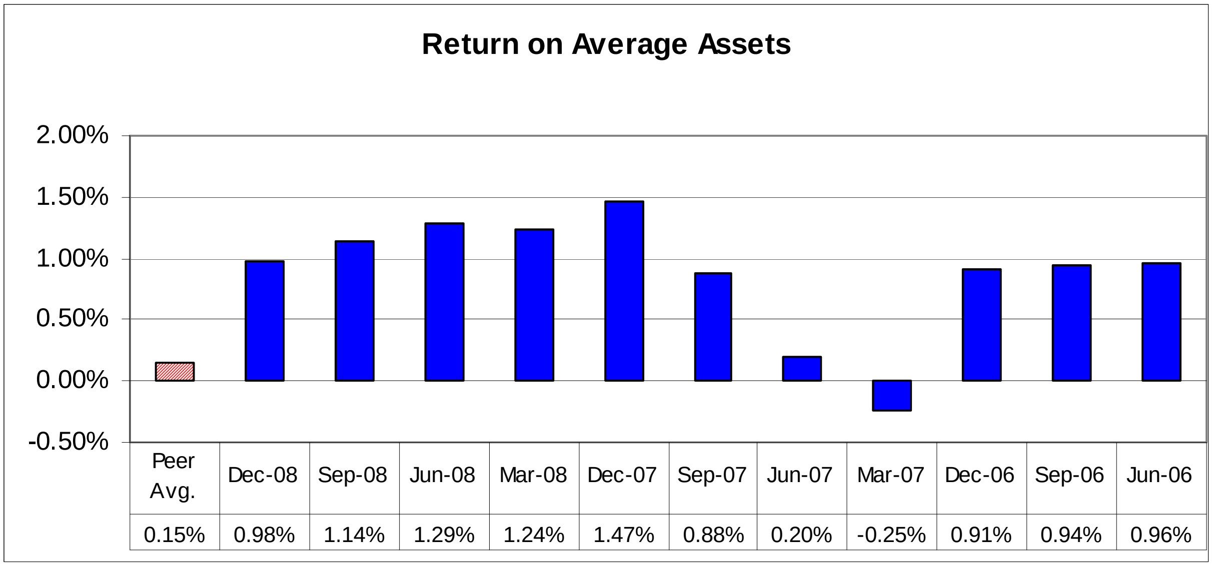
SAMPLE CREDIT UNION's ALLL of 0.42% is in the lowest 11-30% of your peer group. This condition generally suggests that your asset quality is good, underwriting conservative and economic conditions in your market strong.

Net Charge-Offs/Average Loans - measures the losses sustained by the credit union as a result of late payment of principle and interest on loans, leases and other financial assets. Charge offs are an important indicator of the effectiveness of lending and collection practices. A high ratio value in relation to the peer group average indicates that large loan and lease losses have been realized. Loan and lease losses reduce the credit union's capital.

SAMPLE CREDIT UNION's ratio of Net Charge Offs/Average Loans of 0.36% is in the middle range for your peer group.

EARNINGS RATIO

Return on Average Assets {annualized} — measures how efficiently the credit union's assets generate earnings. This ratio, commonly referred to as *return on average assets* (ROAA), is a primary indicator of profitability.



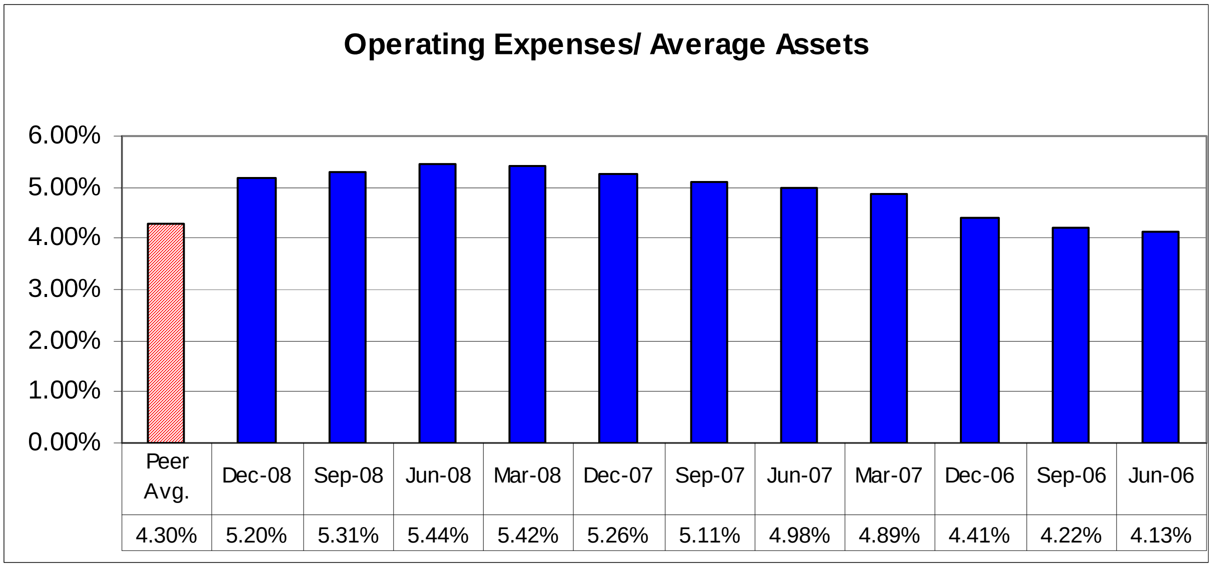
SAMPLE CREDIT UNION's return on average assets of 0.98% is among the top 11-30% of all credit unions in your peer group during the last period.

Additional profitability analysis is suggested to permit management and the board to assess whether this strong performance is due to non-recurring factors or is the result of strong fundamentals. Strong fundamentals include a high net interest margin to average assets and low operating expenses to average assets ratios. Non-reoccurring factors might include unusual "gains (losses) on sales" of assets and unusually low (high) loan loss allowance provisioning during the period.

In the case of SAMPLE CREDIT UNION, one reason for your high ROAA is its high net interest margin to average assets.

EARNINGS RATIO

Operating Expenses / Average Assets {annualized} —measures the cost of operations in relation to asset size. A high cost of operations will be reflected in a high ratio and may reflect operational inefficiencies. Other causes of a high ratio are strategies that stress non-interest income generation, (i.e., generating income through servicing, originating or selling of loans and the offering of products and services that do not produce higher asset levels), higher risk lending operations that result in higher underwriting or legal costs, and high levels of fixed assets that produce depreciation and other costs.



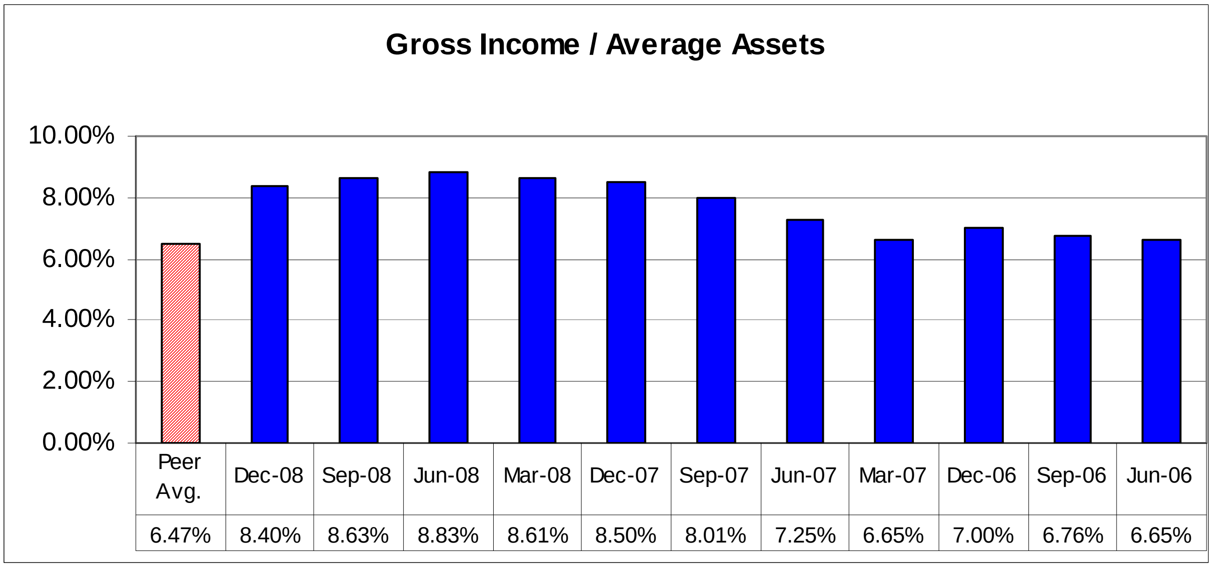
SAMPLE CREDIT UNION's operating expenses to average assets of 5.20% is among the highest 11-30% of your peer group. High operating expense is not necessarily a sign of inefficient operations if your credit union provides a wide variety of profitable products and services compared to your peers. However, high expenses should get the attention of management and directors if the firm has a weak return on average assets and low capital. If this is the case, this situation might require special attention by management and directors.

High operating expenses to average assets is typically the result of: (1) ineffective use of technology; (2) an overly-complicated asset/liability strategy; (3) ineffective human resource management and poor use of volunteers; (4) the lack of assistance from an organizational sponsor; (5) a strategy that emphasizes offering more products and services than most competitors; and/or (6) operations located in a geographic region with higher than average wage and real estate costs.

Management and directors should also assure themselves that their high operating costs are not the result of unproductive investment in technology, operational facilities, and/or product and service development.

EARNINGS RATIO

Gross Income / Average Assets {annualized} — an aggregate measure of the total income of the credit union in relation to the average assets. A high ratio is usually indicative of: (1) high earning and/or riskier assets; (2) the acceptance of higher interest rate risk through ownership of generally higher-yielding longer-term assets; and/ or (3) a low liquidity position.

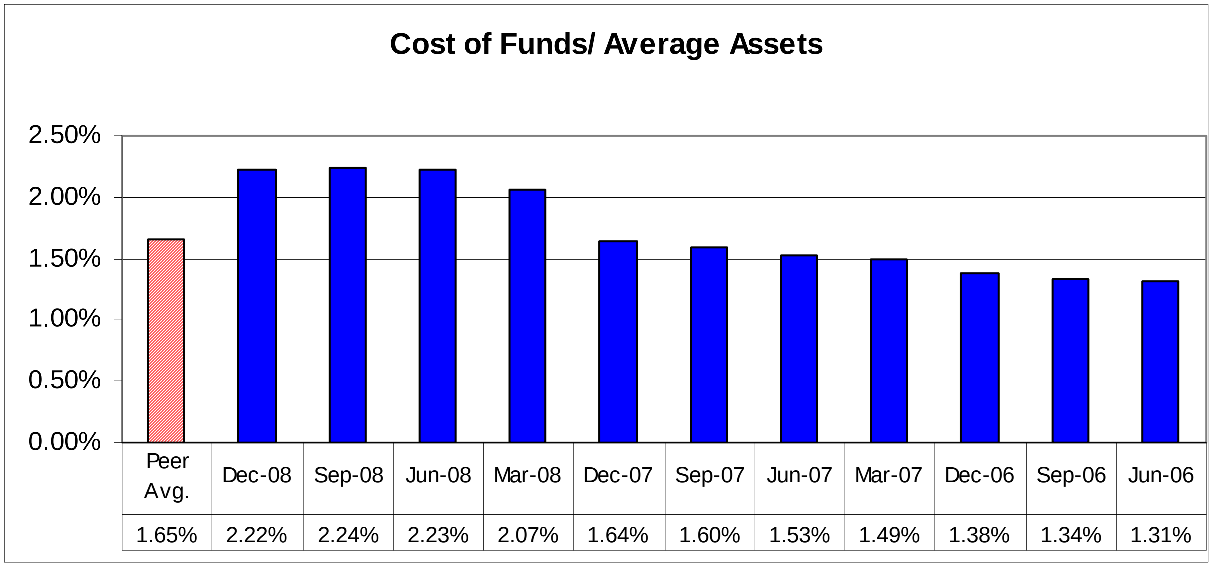


Your credit union's gross income to average assets of 8.40% is among the top 11-30% of your peer group. Considered in isolation, this is a good situation. A high gross income to average assets is typically due to: (1) a higher percentage of loans to total assets creating higher interest income but also higher liquidity risk; (2) a higher degree of interest-rate risk due to a larger than average investment in long-term fixed-rate assets such as mortgages; (3) a higher percentage of loans in higher credit risk loan categories; and/or (4) a higher-than-average amount of non-interest income. Since the first three of these factors involve higher risk - credit, interest-rate or liquidity risks - management and directors should review the credit union's asset investment portfolio strategy to determine whether the level of risk is appropriate.

A high gross income to average assets ratio would be of concern if it is combined with high loan delinquency and a low return on average assets. These conditions would suggest the high ratio is due mainly to a high risk asset strategy that is not producing adequate profitability.

EARNINGS RATIO

Cost of Funds / Average Assets {annualized} — an aggregate measure of the total interest paid on all funds raised by the credit union as a ratio of total average assets. This measure is expressed as an interest rate and when computed over annualized quarterly or semiannual periods. A high cost of funds may be of concern to management and directors if the credit union is suffering from a low net interest margin, poor earnings or weak capital adequacy.



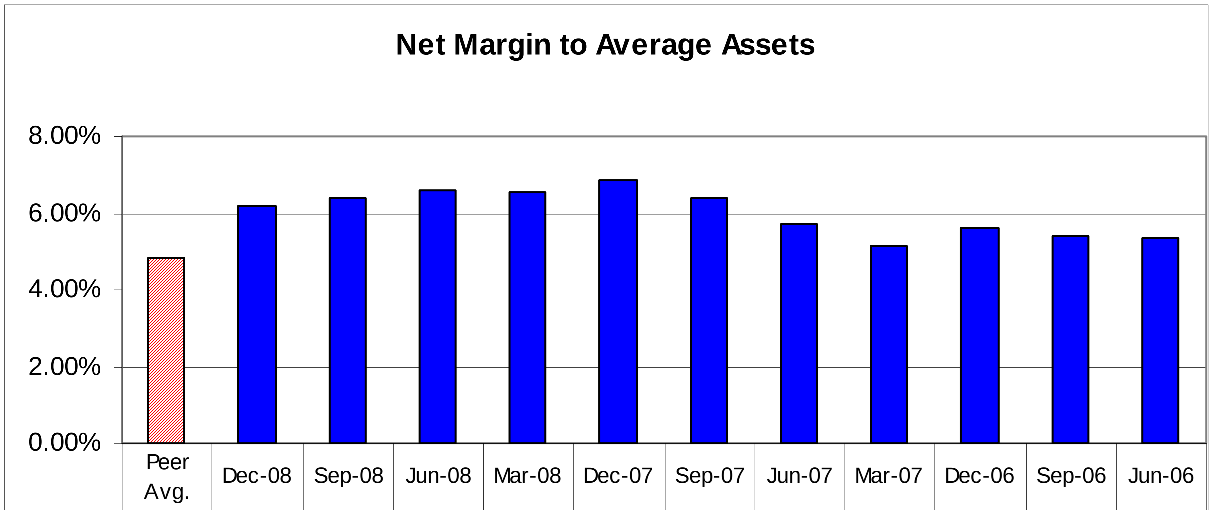
SAMPLE CREDIT UNION's cost of funds to average assets of 2.22% is in the highest 11-30% of your peer group. A high cost of funds typically reduces the chances for high profitability. There are, however, a number of different reasons why your credit union may be experiencing a high cost of funds which require consideration. These include the possibility that your credit union has: (1) a low percentage of share draft and other low-cost funding sources compared to other credit unions of your size; (2) fewer and higher-priced services that cause members to require that they receive higher dividends paid on their shares to compensate for the lack of services and/or the higher prices charged on the services offered; (3) less convenient services; and/or (4) adopted a more risky asset/liability strategy that encourages paying a higher dividend payments than your peer group, (e.g., such as competing for higher-cost longer-term funds to invest in higher-risk assets).

If your credit union is experiencing a high cost of funds because you have chosen to offer members fewer services, less convenience and/or charge higher fees, this strategy should produce lower operating expenses. In this case, your high funding costs may be the result of the member service strategy you adopted. This strategy is fine so long as profitability and growth are adequate.

If appropriate, management and directors may want to evaluate the tradeoff between offering a high dividend rate versus a strategy of offering high fees and/or a limited product and service package.

EARNINGS RATIO

Net Margin / Average Assets {annualized} — measures the difference between gross income earned as a percent of average assets and dividends/interest paid (for shares, deposits, federal funds, etc.) as a percent of average assets. Net interest income has historically been most credit unions' largest source of earnings.



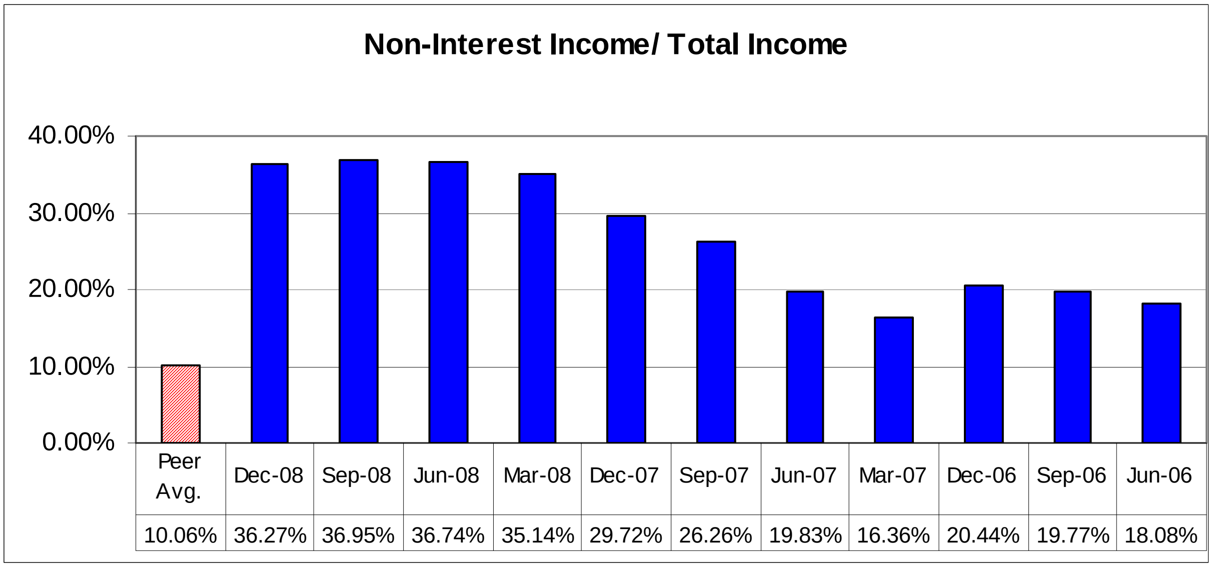
Peer Avg.	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07	Sep-07	Jun-07	Mar-07	Dec-06	Sep-06	Jun-06
4.81%	6.18%	6.38%	6.60%	6.54%	6.86%	6.41%	5.72%	5.16%	5.63%	5.43%	5.33%

SAMPLE CREDIT UNION's net margin is among the top 11-30% of all credit unions in your peer group during the last period. A high net margin is a strong indication of fundamental strength in the profitability position of the firm. A high net margin is generally the result of: (1) a high percentage of loans to shares; (2) a high net yield on earning assets; and/or (3) a low cost of funds.

A high net margin is also frequently associated with higher risk assets and reduced liquidity. As long as delinquency is not a problem, the high net margin should be a source of strong overall performance. Another cause of a high net margin is a low cost of funds.

EARNINGS RATIO

Non-interest Income / Total Income — measures fee and other income earned as a ratio of total income. Many credit unions are relying more on non-interest income to fortify earnings.

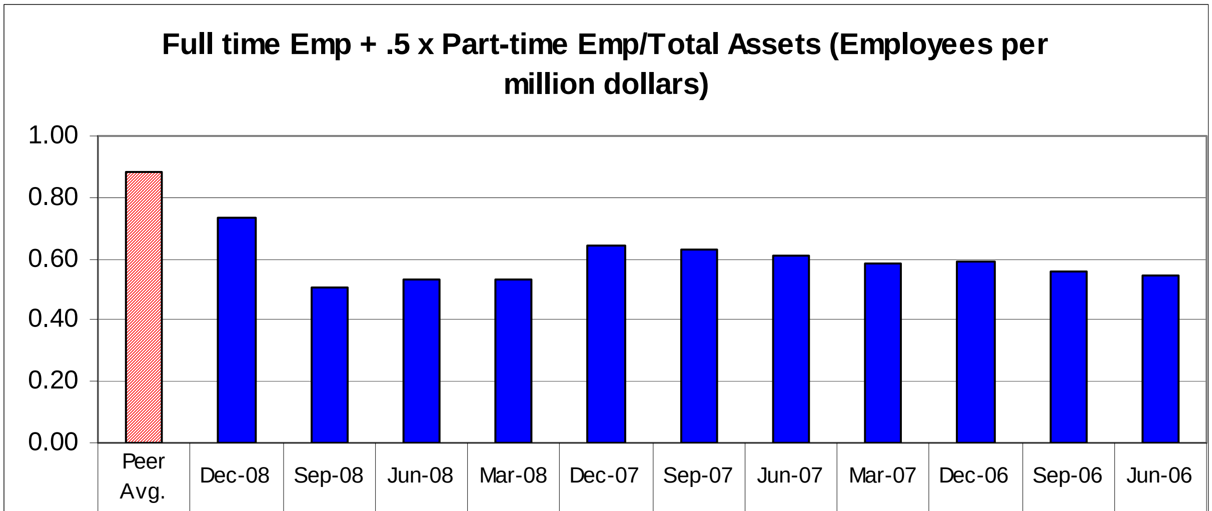


SAMPLE CREDIT UNION's ratio of non-interest income to total income of 36.27% is among the highest 10% of your peer group. Since non-interest income is becoming a more important source of total income, your credit union is in a strong position. Non-interest income is defined in this ratio as fee income and other operating income.

The amount of non-interest income generated by credit unions differs significantly because credit unions have different strategies. Some credit unions pursue a strategy of offering free or nearly-free services as an inducement for members to use the credit union. Others offer few member services with the objective of keeping operating costs down. Others view non-interest income as an important source of operating revenue and charge fees for many of the services they offer and also offer many services. Credit unions with high non-interest income often experience relatively high operating expenses to assets.

EARNINGS RATIO

Full-time employees + ½ Part-time employees / Total Assets — measures the use of employees in relation to the size of the credit union. In general, a low ratio indicates lower operating costs, higher productivity and effective use of volunteers. However, a low ratio may also reflect a credit union that offers few products and services, little convenience to members and one that invests little in technology and necessary security.



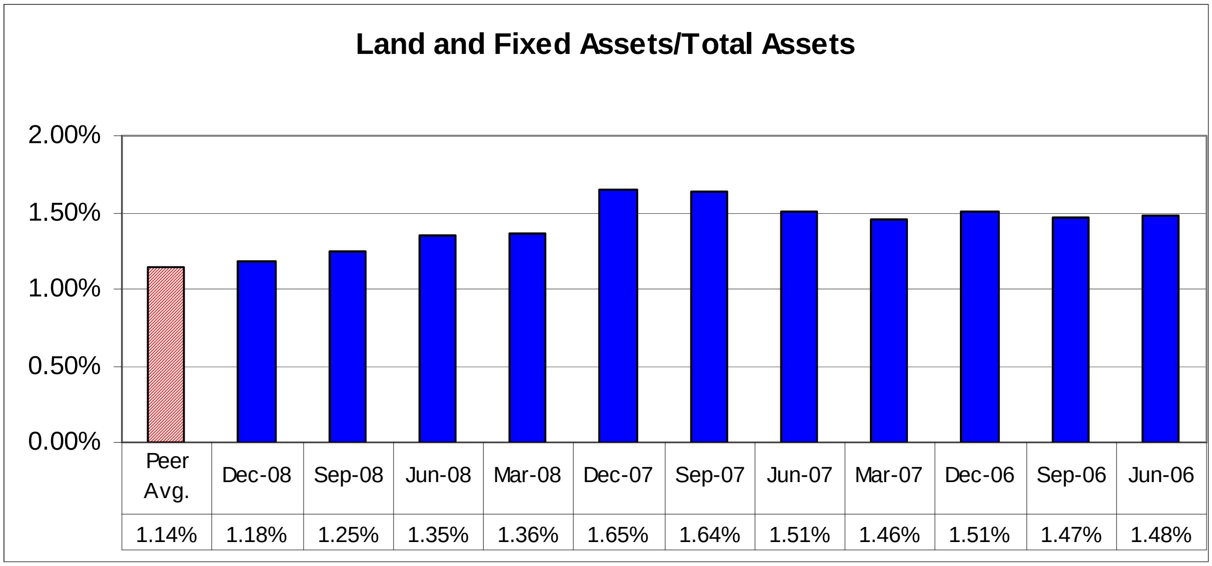
Peer Avg.	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07	Sep-07	Jun-07	Mar-07	Dec-06	Sep-06	Jun-06
0.88	0.73	0.51	0.53	0.53	0.64	0.63	0.61	0.59	0.59	0.56	0.55

SAMPLE CREDIT UNION's ratio of full and part time employees of 0.73 is among the highest 11-30% of your peer group. This is generally an unfavorable condition. Credit unions with high employee counts tend to suffer from high overall operating expenses and decreased profits. Employees are typically one of a credit union's highest operating expenditures.

Your firm's high number of employees in relation to assets might be reduced by considering the following steps: (1) make more effective use of productivity-enhancing technology; (2) implement a marketing strategy the emphasizes technology, (e.g., telephone, Internet and ATMs); (3) consider a more limited product line; (4) work to create larger and more efficient office sizes (s); (5) make more effective use of volunteers; (6) consider flattening your organization structure, (e.g., fewer management levels); and/or (7) complete a thorough work assessment to eliminate unnecessary and redundant activities

ASSET/LIABILITY MANAGEMENT RATIO

Land and Building and other Fixed Assets / Total Assets — measures the credit union's investment in nonfinancial assets. In general, these assets create overhead expenses and provide no interest income which can reduce profitability.

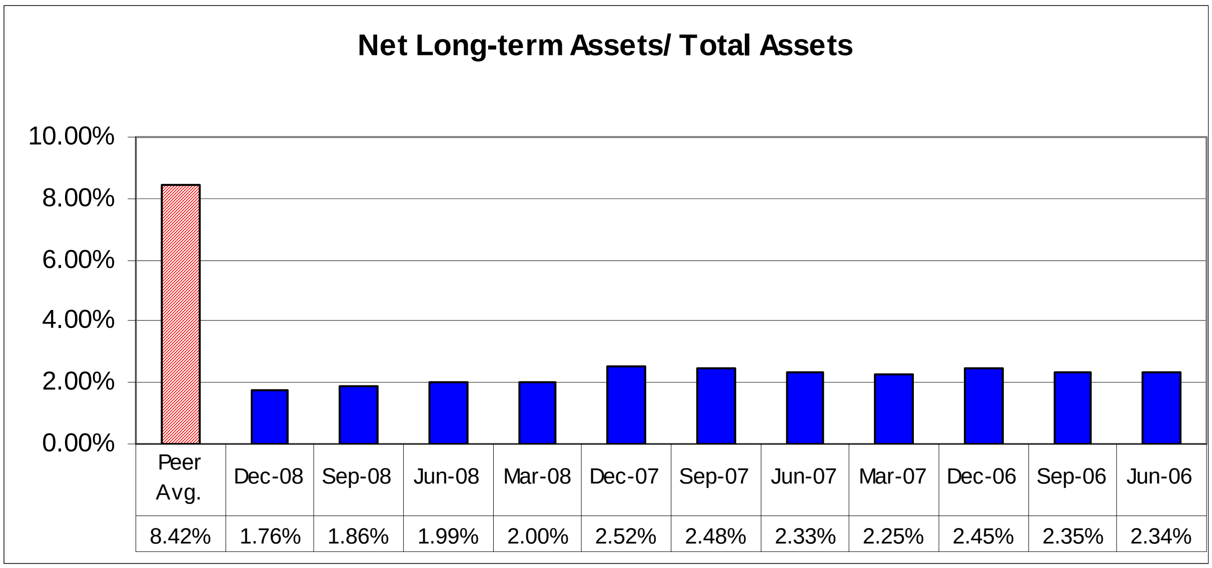


SAMPLE CREDIT UNION's ratio of land, building and other fixed assets to total assets is among the highest 11-30% of your peer group. This can be a cause of concern. Net long-term assets consisting of land, buildings and other fixed assets provide no cash income. As a result, a high percentage of them could negatively impact on the credit union's net interest margin and earnings.

Your credit union's high percentage of net long-term assets could be negatively impacting on your firm's earnings. Management and directors should assess whether your credit union's investment in these fixed assets is offset by sufficient benefits such as lower operating expenses related to occupancy expense or enhanced membership service such as convenience. If not, strategies to lower operating expenses might be worthwhile considering. Firms with high fixed assets may be suffering from investments in branches, equipment and office space that are not being effectively utilized.

ASSET/LIABILITY MANAGEMENT RATIO

Net Long-term Assets / Total Assets — a measure of the interest-rate risk exposure of the credit union. A credit union with a high percentage of long-term assets is generally subject to a higher risk that a rise in short-term interest rates will increase the costs of funds faster than it will raise loan interest income. Since most sources of funds for credit unions are short-term in nature, a rise in market interest rates will generally cause the cost of funding sources to rise faster than asset yields when the asset portfolio has a high percentage of long-term loans and securities. This will lead to a profit squeeze.

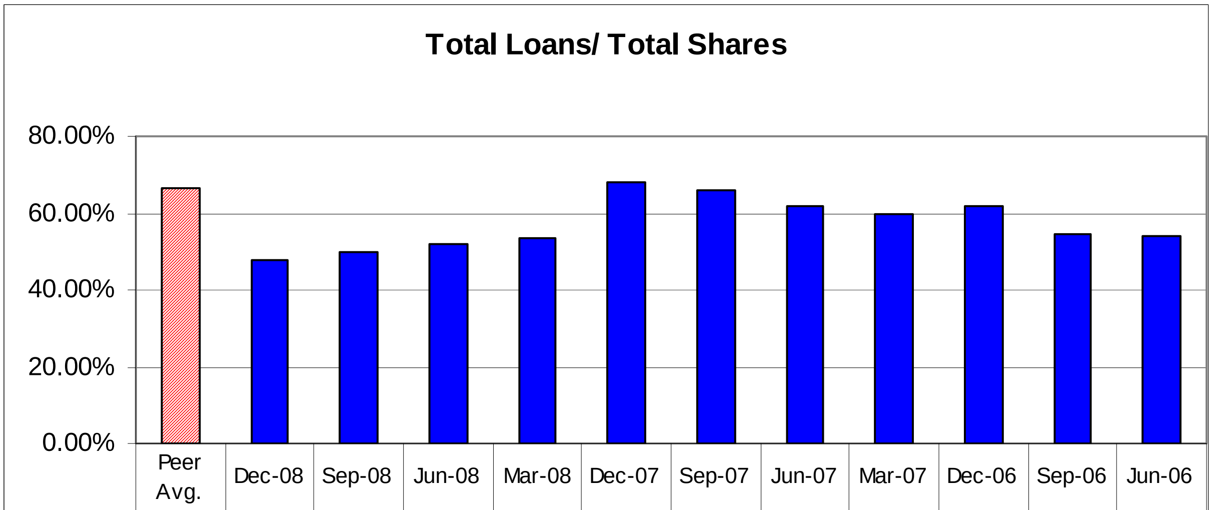


SAMPLE CREDIT UNION's ratio of net long-term assets to total assets of 1.76% is among the middle 30-70% in your peer group. This should generally not be a cause for concern.

Net long-term assets consists of real estate loans that are not scheduled to reprice or mature within 5 years, member business loans, investments with maturities of more than 3 years, NCUSIF deposit, and land, buildings and other fixed assets. These assets provide a fixed return or, in the case of property, no cash return. As a result, they increase the interest rate risk of the firm in the event of a rise in open market interest rates. Your credit union's percentage of net long-term assets should percent a manageable problem even if market interest rates rise.

ASSET/LIABILITY MANAGEMENT RATIO

Total Loans / Total Shares — a measure of the asset utilization of the credit union. In general, a credit union strives to balance loan demand with share availability. A credit union that has a high ratio will generally experience higher net interest margins, higher gross income to average assets and higher profitability.



Peer Avg.	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07	Sep-07	Jun-07	Mar-07	Dec-06	Sep-06	Jun-06
66.63%	47.98%	50.02%	51.86%	53.42%	68.10%	65.78%	62.04%	59.86%	61.87%	54.65%	53.88%

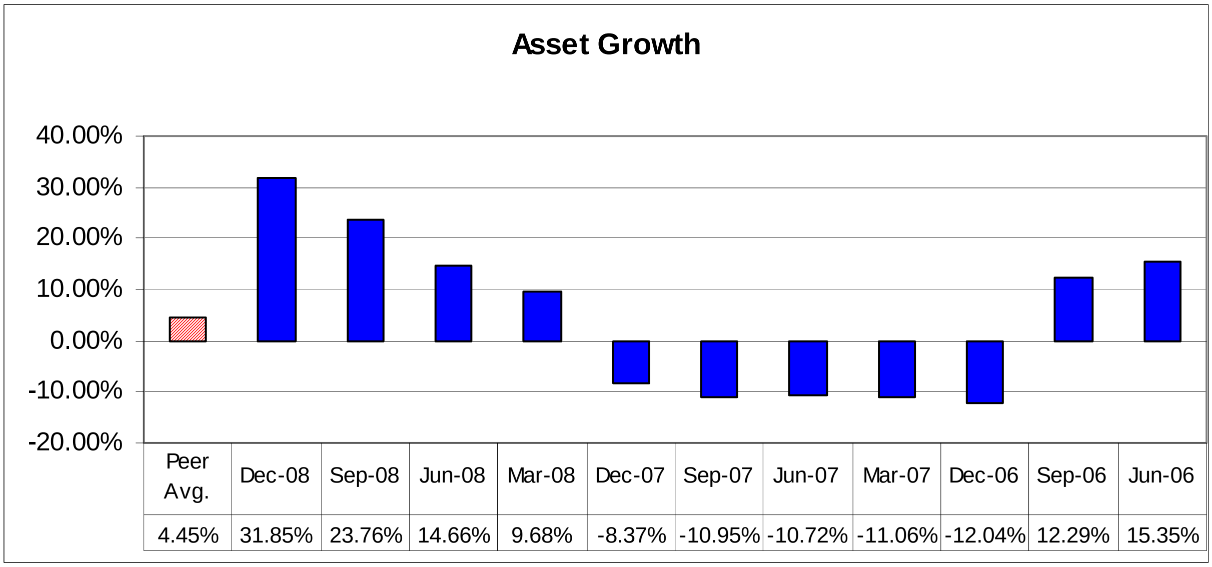
SAMPLE CREDIT UNION's ratio of total loans to total shares of 47.98% is within the lowest 11-30% of the credit unions in your peer group. When considered in isolation, this condition indicates that loan demand and supply of member funds is seriously out of balance. If this ratio is consistently below your peer group, this indicates that loan demand is falling short of supply and that your credit union might be able to do more to promote growth in lending.

One of the biggest operating problems for many credit unions is finding an adequate supply of high-quality profitable loans to invest loanable funds. Credit unions with inadequate loan demand must invest in investment securities which normally earn interest rates that often barely cover the cost of funds.

Credit unions can increase lending demand by: (1) adopting more competitive loan pricing strategies; (2) implementing new lending programs; (3) implementing less conservative loan underwriting standards; and (4) implementing more aggressive loan promotion programs. Such policies do involve taking more risk and increasing expenses and should be implemented with caution.

GROWTH RATIO

Asset Growth Rate (last 12 months) — a measure of the growth in assets during the last 12 months. This ratio can be affected by mergers and other consolidations which would make it less useful. However, when not so affected, the ratio provides a basis to evaluate the credit union's growth in relation to its growth goals and in comparison to its growth in net worth and loans. One of the most common sources of financial problems is rapid growth. A credit union growing too fast can experience declining capital ratios and/or an inadequate supply of quality loans. Both these situations increase financial risk.



SAMPLE CREDIT UNION's asset growth exceeded 15% during the last twelve months. Unless caused by a merger, rapid growth can often result in weakened underwriting policies designed to stimulate loan growth which leads to rising credit losses and/or in a large buildup of lower-yielding security investments which adversely affects interest income. Both of these results could adversely affect profitability.

Rapid growth over a long period of time is often a risky strategy. If not already underway, management and directors might consider reviewing the credit union's asset growth goals to ensure that risks caused by growth are being well managed.

Net worth growth {last 12 months} minus Asset growth {last 12 months} - measures the relationship between net worth and asset growth. Generally a measure of 0.0 or above is considered healthy since it means that net worth is growing at least as fast as or faster than assets. A measure below 0.0 should be considered a warning sign that the credit union's growth in assets is excessive or earnings are inadequate to sustain its current capital safety margin.

SAMPLE CREDIT UNION's growth in net worth of 5.76%, minus asset growth rate of 31.85%, is -26.09% or well below average for your peer group. This is typically a sign of profitability and capital adequacy problems. There is considerable variation in this measure within the credit union industry. Your credit union's negative ratio combined with positive asset growth indicates that your firm is unable to match growth in assets with growth in net worth.

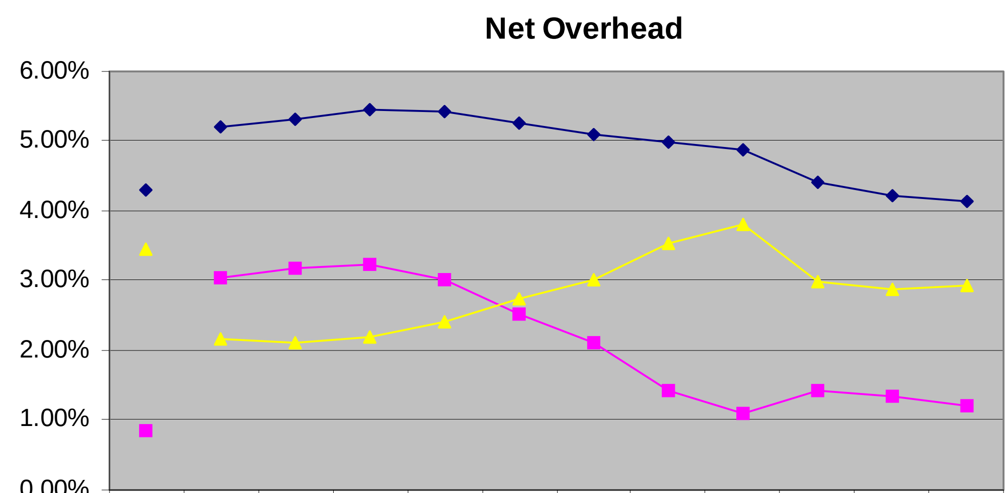
Loan Growth Rate (last 12 months) - a measure of the growth in loans during the last 12 months. This ratio can be affected by mergers and other consolidations which would make it less useful. However, when not so affected, the ratio provides a basis to evaluate the credit union's growth in relation to its growth in assets and savings. One of the most common sources of financial problems is rapid growth. A credit union growing too fast can experience declining capital ratios and/or an inadequate supply of quality loans. Both these situations increase financial risk.

Conversely, a credit union with slow loan growth will typically experience a buildup of low yielding liquid assets which tends to reduce overall profitability.

SAMPLE CREDIT UNION's loan growth of -2.18% is roughly in line with your peer group but is substantially lower than asset growth. This is a healthy situation if the objective is to reduce the total loan to total assets ratio but will likely reduce short-term profitability. However, it may also be due to excessive share growth and would not, therefore, be sustainable.

OTHER RATIO

Net Overhead / Average Assets — a measure that helps assess how effectively the credit union is offering fee-based services. The ratio “net overhead” is the difference between the credit union’s ratio of non-interest expense to average assets and its ratio of non-interest income to average assets. For a credit union striving to build non-interest income by offering fee-based services, a low “net overhead” ratio indicates that the credit union is able to offer these services without incurring operating expenses that more than offset the revenue. As credit unions offer more fee-based services, a declining “net overhead” ratio overtime is a sign of effective implementation of that strategy. Our definition of non-interest income does not include the 5300 report accounts “Gain (Loss) on Investments” or “Gain (Loss) on Disposition of Fixed Assets.”



	Peer Avg.	Dec-08	Sep-08	Jun-08	Mar-08	Dec-07	Sep-07	Jun-07	Mar-07	Dec-06	Sep-06	Jun-06
NonInt.Exp/Avg.Assets	4.30%	5.20%	5.31%	5.44%	5.42%	5.26%	5.11%	4.98%	4.89%	4.41%	4.22%	4.13%
NonInt.Income/Avg.Assets	0.86%	3.05%	3.19%	3.24%	3.03%	2.53%	2.10%	1.44%	1.09%	1.43%	1.34%	1.20%
Net Overhead/Avg.Assets	3.44%	2.15%	2.12%	2.20%	2.40%	2.73%	3.00%	3.55%	3.80%	2.98%	2.88%	2.93%

SAMPLE CREDIT UNION has been more successful than your peer group in implementing a profitable strategy to generate non-interest income. Your credit union's ratio of non-interest income to average assets of 3.05% is in the highest 50% of your peer group. At the same time your firm has been able to control expenses so its "net overhead ratio" of 2.15% is in the lower 11-30% of your peer group. These two ratios combined indicate that your credit union has been relatively successful at implementing a profitable strategy to build fee-based non-interest income.

Appendix: Using Financial Ratios and Reports

Reports of financial performance should help directors assess a credit union's condition, determine whether the level of risk taken by the credit union conforms to the board's policies and identify red flags. To use financial information effectively, directors should look at the trend and level of individual measures and the interrelationships among capital, asset quality, earnings, liquidity, sensitivity to market risk, and balance sheet growth.

When using the "Pacesetter™: Financial Performance Reporter," managers and directors should consider the following questions:

- What financial ratios suggest problem areas for the credit union?
- What additional analyses and information are necessary to identify the source of operational weaknesses and develop strategies to correct them?
- Is management meeting the goals established in the planning process? If not, why not?
- Was the plan realistic given the credit union's circumstances?
- Is the level of earnings consistent, or erratic?
- Do earnings result from the implementation of planned credit union's strategies, or from transactions that, while increasing short-term earnings, raise longer-term risk?
- Is the credit union being adequately compensated for the risks it is taking in its various product lines and activities?
- Does the credit have sufficient capital to support its risk profile and business strategies?
- Are the reports accurate, or do they reflect an incomplete evaluation of the financial condition of the credit union?
- Are the credit union's goals and plans consistent with the directors' tolerance for risk?

The ratios in this report cover the most important performance areas including:

Capital Adequacy: Management and the board determine how much capital the credit union must hold. This determination may change over time based on the risk inherent in the credit union's business profile, dividend expectations of the credit union's members, economic variables that affect the credit union's market or member base, and other factors. Although credit unions must maintain minimum capital ratios established in risk-based capital guidelines, most credit unions are expected to maintain a capital ratio higher than those minimums.

Adequate capital supports future growth, fosters public confidence in the credit union's condition, provides for adequate capacity under the lending limit to serve members' needs, and protects the credit union from unexpected losses.

Asset Quality: Asset quality is a function of the quantity of existing and potential credit risk associated with the loan and investment portfolios, other real estate owned (OREO), other assets, and off-balance-sheet transactions. Management maintains asset quality by identifying, measuring, monitoring, and controlling credit risk.

Earnings: The directors’ review of earnings should focus on the quantity, trend, and sustainability or quality of earnings. A credit union with good earnings performance can expand, remain competitive, augment its capital funds, and, at the same time, provide a return to shareholders through dividends.

When a credit union’s quantity or quality of earnings diminishes, the cause is usually either excessive or inadequately managed credit risk or high levels of market risk. High credit risk, which often requires the credit union to add to its ALLL (allowance for loan and lease losses), may result in loan losses; high market risk may increase the volatility of an institution’s earnings from interest rate changes.

Asset/Liability Management: Asset/liability management is the process of identifying, measuring, monitoring, reporting, and controlling interest rate and liquidity risks. Asset/liability management is the identification, monitoring and control of

- Interest rate risk management: interest-rate risk sensitivity and exposure
- Stability and risk of funding sources: reliance on short-term, volatile sources of funds, including any undue reliance on borrowings
- Liquidity management: availability of assets readily convertible into cash
- Technical competence relative to asset/liability management: the management of interest-rate risk, cash flow, and liquidity, with a particular emphasis on assuring that the potential for loss in the credit union's activities is not excessive relative to its capital
- Loan composition and pricing
- Investment strategy and composition

The cornerstone of a strong asset/liability management system is the identification of the credit union's key risks and a measurement system to assess those risks.

Growth: Directors also must look at the effect of growth on the credit union’s asset quality, earnings, capital, liquidity, and exposure to risk. Rapid growth may harm the credit union as the credit union may assume more risk than expected.

Managing additional risk or a new risk profile can be costly and strain resources. In a growth environment, personnel with the requisite expertise must be handling new lines of business or assuming additional responsibility. The credit union must also have control and information systems that are adequate to handle the credit union’s increase in size and its greater exposure to risk.

Directors identify growth patterns by comparing historical and budgeted growth rates for assets, capital, loans, volatile liabilities, core deposits, and income and expenses.