

The Quarterly Report: 4Q 2009

Callahan and Associates, Inc.

Key Credit Union Trends

Credit unions ended 2009 with record share growth and loan originations, positioning the industry for success heading into 2010, even as other lenders return to the market.

Highlights at the end of December were:

- Assets increase 8.9% over the last twelve months to \$896.8B
- Record loan originations of \$271.9B during the course of 2009
- First mortgage sales more than doubled over the past year as credit unions sold \$51.4B in firsts to the secondary market
- Share balances continue to grow a record pace, increasing 10.4% over last 12 months
- Credit union membership rose 1.4% to 91.2M as increased awareness of the credit union industry brings in new members
- Net worth to assets ratio stands at 9.9% as of December

4Q Economic Trends

- The Federal Funds Target Rate closes out the year holding steady at the historic low range between 0-25 basis points
- Existing home sales increased 4.9% from totals reported in 2008. This marks the first year-over-year gain since 2005.
- Auto sales continue to slide, down 21% in 2009, even with the impact of programs like Cash for Clunkers and Invest in America
- Growth in outstanding consumer credit has slowed in all four quarters of 2009, affecting both revolving and non-revolving credit balances
- The personal savings rate has increased to 4.2% in December, up from 3.6% in the previous year.

Credit Unions at 12.31.09

- 7,710 Credit Unions
- \$896.8B Assets
- \$580.5B Loans
- \$763.3B Shares
- \$96.9B Capital
- 91.2M Members

4Q Trendwatch

Did you miss our recent 4Q Trendwatch call?

Fear not, the complimentary event is now available on demand. Join us as we review year-end data trends and hear from credit unions that are managing for success in today's uncertain environment.

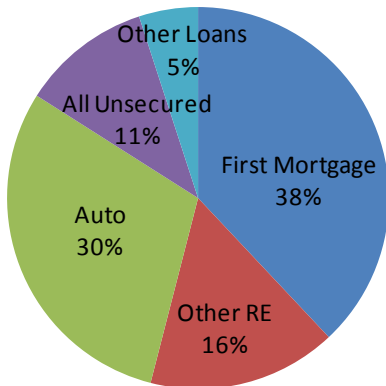
To view the complimentary Fourth Quarter 2009 Trendwatch call, please visit:

www.creditunions.com/cutv

Loans

Credit Union Loan Portfolio

\$580.5B as of December 31, 2009

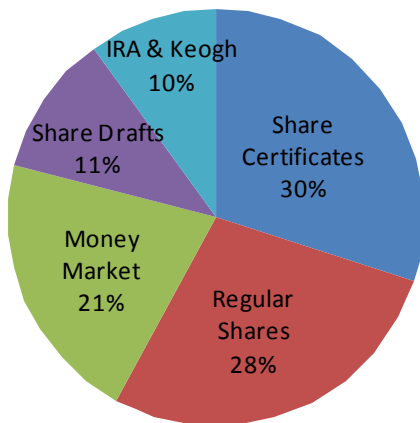


- Credit union loan balances increase 1.0% from a year ago to \$580.5B.
- Loan growth is driven by a 1.5% increase in real estate loans outstanding. Real estate loan growth was primarily in 1st mortgages, which grew at 3.6% annually as Other Real Estate balances fell.
- New auto loan balances continued to decline through December. This drove new auto loan balances down 1.6% annually, even as used auto lending continued to increase.
- The credit card portfolio was another strong point for credit unions. Balances totaled \$35.3B in December, a 5.9% increase from the previous December.

Shares

Credit Union Share Portfolio

\$763.3B as of December 31, 2009

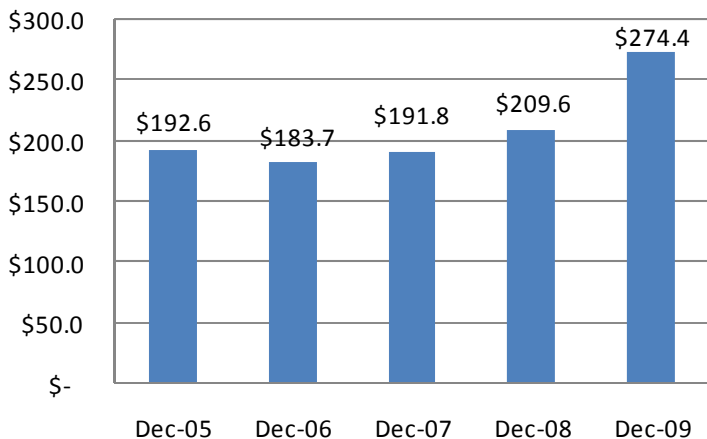


- Credit union shares increased 10.4% on an annual basis, a record rate of increase.
- Money market accounts posted double-digit growth during the past year, up 23.2% to total \$160.7B. Money market shares are the fastest growing component of the share portfolio by both volume and percent.
- Share certificates remain the largest share category. Share certificate balances totaled \$229.0B in December as balances declined slightly from 2008.
- Regular shares increased to \$213.0B over the course of the year, notching a 11.4% increase from the previous December.

Investments

Total Investments (in \$ Billions)

For All U.S. Credit Unions as of December 31

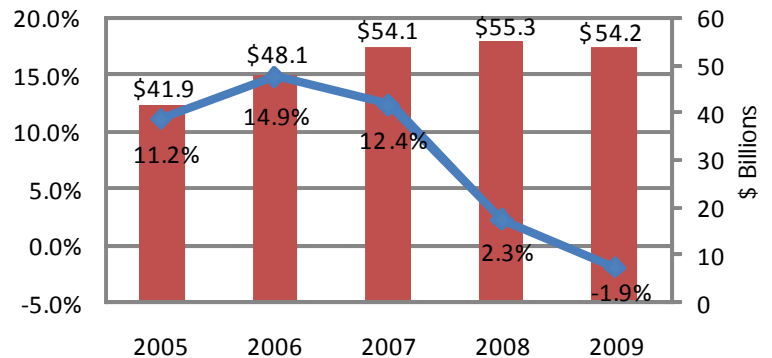


- Total credit union investments reached \$274.4B in December, a 30.9% annual increase, as investment levels stand at record highs.
- Government and agency securities are the largest component of the credit union investment portfolio. Government and agency securities totaled \$115.6B in December, up 36.0% from the year before.
- Investments in corporate credit unions remained the second largest component of the investment portfolio as growth in corporate investments spikes, up 29.8% annually. Investments in corporate credit unions totaled \$75.6B as of December.
- Credit unions have extended investment maturities slightly over the past year. However, even with this shift, more than half of the investment portfolio is comprised of investments with maturities of less than one year.

Revenue

- Credit union income declined slightly on an annual basis. Through the end of December, credit union income totaled \$54.2B, a decline of 1.9% from levels reported in 2008.
- This slowdown in income comes even with the solid growth in the balance sheet, due to the current interest rate environment. Historically low interest rates caused investment income to decline 19.6% from the prior year.
- Fee income increased 3.2% annually, helped by record sales of first mortgages in the secondary market.

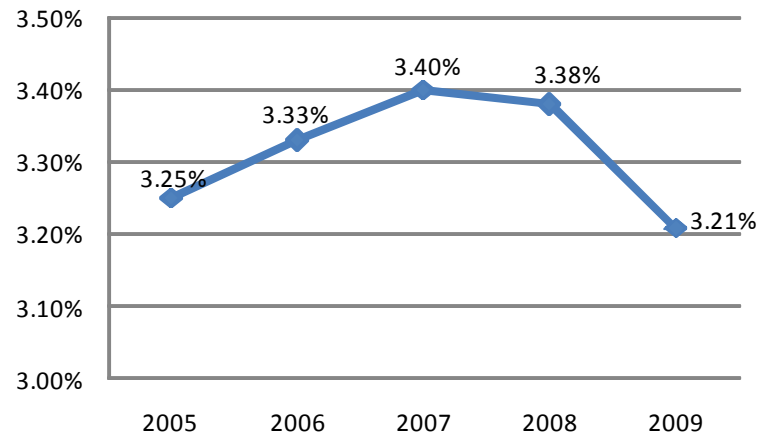
Total Income v. Total Income Growth For All U.S. Credit Unions as of December 31



Operating Expenses

- Credit union operating expenses declined 3.9% over 2008 levels as credit unions readjusted for components of the NCUSIF Stabilization Expense that were accounted for in the operating expense category at the end of 2008.
- Credit unions also saw the operating expense ratio at a five year low in 2009, coming in at 3.21%, as asset growth stays strong in comparison to declining expense levels.
- Total compensation and benefits reached \$13.9B through the end of 2009, a 2.8% annual increase.
- Marketing expenses have fallen 12.8% annually as credit unions use more non-traditional forms of marketing to get the word out on the benefits of membership.

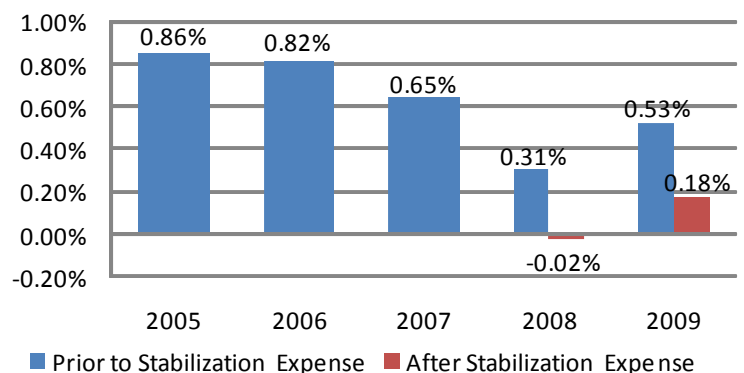
Annualized Operating Exp./Avg. Assets For All U.S. Credit Unions as of December 31



Operating Earnings and Capital

- Credit union capital levels rose slightly from September to \$96.9B in December.
- The Net Worth/Assets ratio declined slightly in the final quarter of 2009, coming in at 9.9% in December.
- Credit union ROA stays in positive territory with a 53 basis point ROA prior to the NCUSIF stabilization expense, and an 18 basis point ROA after the assessment.
- The Net Interest Margin stands at 3.23%, up from levels reported in September.

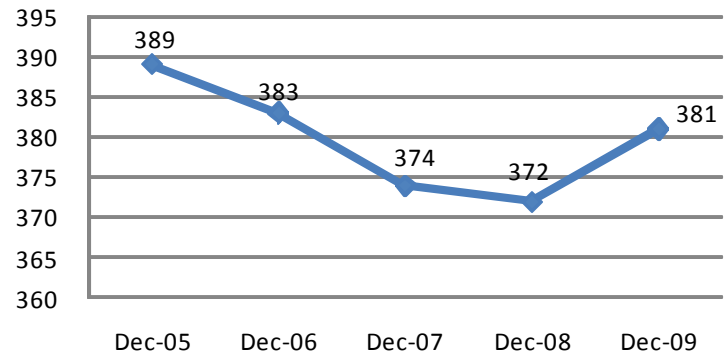
Return on Assets For All U.S. Credit Unions as of December 31



Productivity

- Membership increased 1.4% as the employee base remained stable, resulting in an increase in the members per employee ratio, which averaged 381 as of December.
- Branch expansion remained a priority for many credit unions in 2009 with nearly 300 branches added during the past 12 months for a total of 21,684.
- Income per employee fell slightly over the past 12 months, coming in at \$227K in December of 2009.
- As credit unions reported record loan originations during 2009, this also resulted in an increase in annualized loan originations per employee, up to \$1.14M in December.

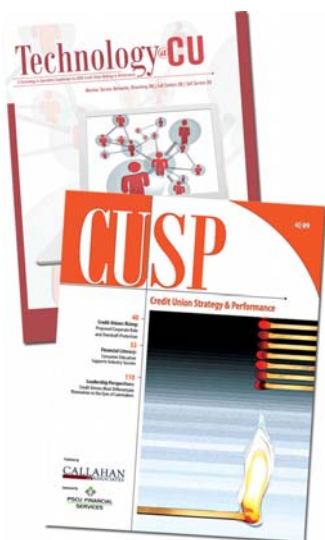
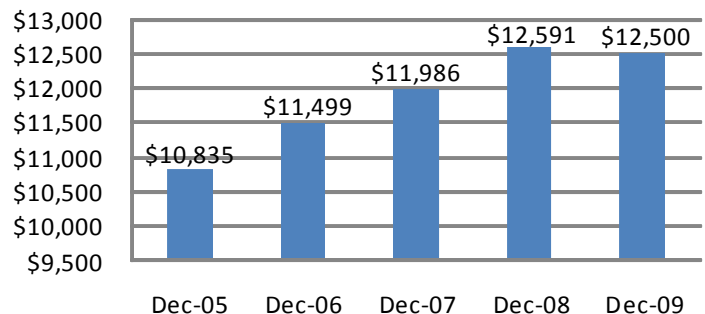
Members per Employee
For All U.S. Credit Unions as of December 31



Member Relationships

- The average loan balance fell slightly from the previous December to \$12,500 as credit card loan growth outpaced growth in the real estate portfolio.
- The average share balance was \$8,372 in December, an 8.8% annual increase.
- Credit card penetration is back on the rise, reaching 14.4% in December as credit unions make credit available to members during this period of financial difficulty.
- Share draft penetration increased slightly again in the fourth quarter. As of last December, share draft penetration was 45.9%. Share draft penetration as of December 2009 is 46.7%.

Average Loan Balance
For All U.S. Credit Unions as of December 31



Subscribe to the credit union quarterly that's empowering leaders to new levels of strategy and performance*:

Coming soon in the 4Q issue of CUSP and Technology@CU:

A Day in the Life of SECU NC's Lending Department

Insight on the importance of lending in 2010 and key strategies you can learn from SECU

Five Cost-Effective Strategies to Grow Your Membership

How can you take advantage of the current market to increase your membership, while still managing your bottom line

Virtual Branching Strategies

How the Virtual Branch can help you meet two of 2010's most critical challenges: increasing your membership and driving additional loan volume

CUSP and Technology@CU also include timely thoughts from credit union executives and industry leaders on the role of cooperatives and how the larger network of agencies, associations, and CUSOs will shape the future.

Visit www.creditunions.com/CUSP to learn more and start your subscription

*Subscription includes access to CUSP Online, which contains four financial reports to benchmark performance, PDF versions of past issues, and bonus content not available in print!