



Dec 31, 2009	ROA	Net Worth	Loans / Shares	Del	Net C/O	Loan Yield	Cost of Funds	Assets / FTE	Mbrs / FTE	NOER
Your CU										
All in U.S.	0.18%	9.91%	76.04%	1.83%	1.22%	6.33%	1.75%	\$3,748,983	381	2.38%
TX \$0-\$2M	0.03%	18.84%	71.49%	4.91%	0.54%	8.01%	1.21%	\$883,066	348	4.28%
TX >\$2-\$5M	0.01%	18.45%	71.95%	2.61%	0.76%	8.19%	1.31%	\$1,572,124	408	3.73%
TX >\$5-\$10M	-0.19%	14.92%	63.67%	2.03%	0.88%	7.89%	1.46%	\$2,298,110	442	3.32%
TX >\$10-\$20M	0.08%	15.21%	64.08%	1.94%	0.75%	7.78%	1.33%	\$2,374,886	407	3.21%
TX >\$20-\$50M	0.07%	12.60%	65.49%	1.48%	0.84%	7.70%	1.40%	\$2,259,394	363	3.14%
TX >\$50-\$100M	0.10%	11.12%	67.69%	1.17%	0.92%	7.09%	1.44%	\$2,366,259	341	2.86%
TX >\$100-\$250M	0.02%	10.26%	71.44%	1.03%	1.11%	7.01%	1.50%	\$2,583,246	339	2.74%
TX >\$250-\$500M	0.40%	10.53%	70.72%	1.24%	1.02%	6.97%	1.61%	\$2,779,530	351	2.45%
TX >\$500M-\$1B	0.81%	8.85%	74.24%	1.02%	0.90%	6.48%	1.84%	\$3,696,868	354	2.10%
TX >\$1B	0.51%	8.71%	84.97%	1.79%	0.94%	6.04%	1.89%	\$4,354,247	429	1.95%

All things Considered, 2009 was a Pretty Good Year for Credit Unions...

By any measure 2009 was a challenging year. In some ways, the economy began making strides toward recovery but, as predicted, the road has been steep and littered with obstacles. Adding insult to injury, 2009 was the year credit unions began writing checks to cover real estate related corporate credit union investment losses. But, there truly is a silver lining behind every dark cloud.

The GOOD NEWS is that credit unions remain strong and appear to be poised to benefit from enhanced public awareness and trust as economic recovery progresses. Overall, credit unions grew in the 12-months ending December 2009; assets grew 8.9%, loans grew 1.0%, shares grew 10.4%, capital grew 4.6%, membership grew 1.4%, and the credit union branch network even grew by 1.3%.

Double digit deposit growth was posted in all but one share category, share certificates, as consumers voiced their failing trust of banks by moving their money into credit unions. Money market deposit accounts were the vehicle of choice, growing over 23% in the 12-months ending December 31. Checking account balances grew 15.4% followed closely by a 13.4% increase in IRA/Keogh deposits and an 11.4% growth in regular shares.

Lending activity was robust as credit unions originated a record \$271.9 million in new loans for the year. However, loan growth ended the year at only 1% after another all-time record was achieved in sales of mortgages into the secondary market.

Unbalance growth caused the industry Loan-to-Share Ratio to decline from 83.1% in

December 2008 to 76.1% at year-end. Excess liquidity settled into the investment portfolio where low yields, suppressed by a historically low yield curve, restricted earnings.

Despite stabilization-related expense assessments credit unions grew capital in 2009. But, capital growth could not keep pace with asset growth, resulting in a Net Worth Ratio decline from 10.5% in December 2008 to 9.9% in 2009.

So, what's a credit union to do in 2010? Most credit union leaders will probably agree that stabilizing the Net Worth Ratio is high on their list of priorities. Expense control and loan growth will be crucial in 2010 as the current low rate environment is expected to continue for the foreseeable future.

Planning Insights; The Planning Venue

It's difficult to maintain a cohesive train of thought and achieve viable planning while dealing with the distractions of day-to-day business. As a result, credit unions frequently hold planning workshops in isolation, either at an off-site venue, during non-business hours, or both.

Proper attention to "creature comforts" is critical to the success of a planning meeting. When choosing a venue, make sure the planning room is large enough to comfortably seat all expected participants but not too large for the group. The most desirable environment is one in which participants have enough personal space to be comfortable but not so much that they feel detached.

Table configuration and seating is important. Avoid classroom seating in favor of a set-up that allows participants to see one another and interact freely. A "horseshoe" configuration with seating along the outside is recommended.

The mind works best when the body is happy – don't forget the creature comforts. Chairs should be comfortable for extended periods of seating and there should be adequate room for participants to stand and continue to participate in the meeting if needed. And, don't forget the food. The availability of beverages, snacks, meals, and an agenda that includes regularly scheduled breaks will help keep participants refreshed and focused.

Finally, know how to regulate the room temperature. Depending upon who you ask, at any given time the meeting room will always be either hot or cold. Be prepared to make periodic adjustments.

Balance Sheet Insights; Time to Make Loans

Despite the recession, credit union loans outstanding grew by 1.0% in 2009. Unfortunately, deposit growth soared 10.4%, creating an imbalance that worked against most credit unions' bottom line.

As the Fed maintained its zero-based rate policy throughout 2009 the gap between the average credit union loan yield (6.31%) and the average investment yield (2.21%) widened to 410 basis points, up from a 195 bp spread in 2007. Unfortunately, few credit unions were able to leverage the yield gap into new loans. The national credit union loan-to-share ratio dropped to 76.1% in 2009 (down from 83.3% at the end of 2007).

Looking forward into 2010, credit unions are concerned about market rate increases, employment instability, and asset quality while at the same time trying to be mindful of members' needs AND improving credit union income. The answer may be in structuring loan rates and payout durations based on projections of market rate increases and credit risk associated with local job markets (unemployment).

The rate of increase in credit union delinquency and charge-off ratios began leveling off in late 2009. Credit union loan loss provisions are strong; the Q4 2009 coverage ratio (Allowance for Loan Loss / Delinquent Loans) was 83% compared to 58.1% at FDIC insured institutions. A slow recovery should restrict Fed interest rate adjustments, providing a rate risk hedge in the loan portfolio and creating an opportunity for credit unions to structure attractive loan offerings. Opportunities exist; you just have to figure out what works for the credit union and its members.