



Jim Doyle, Governor

Lorrie Keating Heinemann, Secretary

Financial Performance Comments

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This bulletin highlights the 2004 mid-year financial trends for Wisconsin’s 293 state-chartered credit unions. The analysis is based on data compiled from the June 2004 Call Reports. This information is provided to keep you informed of current conditions and trends in the Wisconsin credit union industry.

Wisconsin credit unions grew \$656.1 million during the first half of 2004. This is a 5.1% increase in the assets held by Wisconsin credit unions. Total assets as of June 30, 2004 were \$13.4 billion. While growth in the first half of 2004 is slightly less than 2003, the growth rate for 2004 is anticipated to be 10%.

The net worth ratio remained strong at 10.81% and delinquency was down slightly to .92% of loans. The return on assets was also down slightly to .92% but still comparable to past performance.

Loans outstanding grew by 6.4% and savings grew by 4.7% so the loan to savings ratio improved to 89%.

The financial indicators for Wisconsin’s state-chartered credit unions continue to reflect sound financial performance.

A slight change has been made to the Statement of Income Comparison. Instead of annualizing June 2004 data and then comparing it to December 2003 data, June 2004 is compared to June 2003. This change should eliminate some of the anomalies due to seasonality.

New Examiners

The Office of Credit Unions (OCU) is proud to announce that four examiners have joined our staff in the first half of 2004:

- § Lynn Keitel has rejoined OCU and is based in the Fox Valley region.
- § Sara Bennwitz is headquartered in the Wausau region.

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- § Lisa Martine is working in the Madison region.
- § Matt Selke replaced Femi Ibitoye in the Milwaukee region. Femi left OCU and is now working for the National Credit Union Administration (NCUA).

Examination Issues

The Financial Modernization Act signed into law by Governor Doyle in October 2003 expanded the exam cycle from 12 to 18 months. However, some credit unions will still be examined annually based on OCU's assessment of their trends and financial stability.

Call Report Issues

Our office is planning to hold Call Report training sessions in preparation for the year-end Call Reports. The sessions will be held in five locations around the state in early December. A letter with the details will be sent to all credit unions.

Just a reminder—always fax or send your quarterly financial statements (balance sheet and income statement) to OCU when you submit your quarterly Call Report.

Scams

The OCU continues to receive calls from credit union members who have been scammed. The Internet sales/cash back scam was particularly strong this spring. For example, a member had advertised some item on the Internet. A purported buyer sent a cashier's check for an amount greater than the purchase price with instructions to send or wire the excess, via Western Union, to a third party. The cashier's check would prove to be counterfeit.

Front-line personnel should be alerted to these scams so they can advise members to be cautious. Many times the OCU was told by the member that "the teller said a cashier's check was always good"-- which obviously is not the case.

The "false credit union" scam also continues to surface around the country. A Wisconsin credit union's logo was lifted off its website this spring and used to place ads for advance fee loans in newspapers around the country. The perpetrators were caught, but new groups are trying the same thing. Credit unions and banks generally do not place ads for loans in the classified section, so if you see a suspicious ad in your local paper, please report it to either the OCU (608-261-9543) or to the Bureau of Consumer Protection (800-422-7128).

Check 21 (Press Release from Federal Reserve System)

The Board of Governors of the Federal Reserve System has released final amendments to Regulation CC and its commentary to implement the Check Clearing for the 21st Century Act (Check 21 Act), which was enacted on October 28, 2003, and becomes effective on October 28, 2004.

To facilitate check truncation and electronic check exchange, the Check 21 Act authorizes a new negotiable instrument called a "substitute check." A substitute check is a paper reproduction of the original check that contains an image of the front and back of the original check and can be processed just like the original check. The Check 21 Act provides that a properly prepared substitute check is the legal equivalent of the original check for all purposes. The Check 21 Act does not require any bank to create substitute checks or to accept checks electronically. The Check 21 Act includes new warranties, an indemnity, and expedited recredit procedures that protect substitute check recipients.

The Board's amendments: (1) set forth the requirements of the Check 21 Act that apply to banks; (2) provide a model disclosure and model notices relating to substitute checks; and (3) set forth bank endorsement and identification requirements for substitute checks. The amendments also clarify some existing provisions of the rule and commentary.

The *Federal Register* notice was published August 4, 2004. Additional resources regarding Check 21 are:

The Wisconsin Credit Union League
Corporate Central Credit Union
WACHA

Suspicious Activity Report (SAR)

All financial institutions are required to file a Suspicious Activity Report following the discovery of:

- 1) Insider abuse involving any amount.
- 2) Violations aggregating \$5,000 or more where a suspect can be identified.
- 3) Violations aggregating \$25,000 or more regardless of a potential suspect.
- 4) Transactions aggregating \$5,000 or more that involve potential money laundering or violations of the Bank Secrecy Act.
- 5) The Bank Secrecy Act requires all financial institutions to file currency transaction reports (CTRs) whenever a currency transaction exceeds \$10,000. If a currency transaction exceeds \$10,000 and is suspicious, the institution must file both a CTR and a suspicious activity report.
- 6) Any computer intrusion or attempted intrusion must be reported using a SAR. This includes any attempt to steal or otherwise affect funds of the credit union or its members; any attempt to steal or affect critical information including member account information; or any attempt to damage or disable critical systems.

In March 2004, NCUA Letter to Credit Unions No. 04-CU-03 was published to outline recent revisions to the SAR form. A copy of the letter and the SAR form can be found on the NCUA website, www.ncua.gov

Home Mortgage Disclosure Act (HMDA) Report

Significant additional HMDA data collection requirements went into effect January 1, 2004. For 2004 data collection, credit unions must also use the new HMDA Data Entry software. The software is available for download from the FFIEC website. In addition, Regulation C requires credit unions to update their Loan Application Registers on a quarterly or more frequent basis. Upon request, the credit union should be able to show examiners a current and correctly completed Loan Application Register containing all of the new data fields required for 2004.

NCUA is charged with enforcing credit unions' compliance with HMDA and failure to meet the regulatory reporting deadlines may expose the credit union to potential civil money penalties. It is crucial that procedures be in place to ensure HMDA is complied with and that reports are filed in a timely and accurate manner.

If you have any questions regarding HMDA compliance, please contact the Office of Credit Unions at (608) 261-9543.

**COMPARISON STATEMENTS OF CONDITION
OF WISCONSIN CREDIT UNIONS
JUNE 30, 2004 and DECEMBER 31, 2003**

	June 30, 2004		December 31, 2003		Increase or Decrease	% Change
Number of Credit Unions	293		298		-5	-1.7%
	<u>AMOUNT</u>	% OF <u>ASSETS</u>	<u>AMOUNT</u>	% OF <u>ASSETS</u>		
ASSETS						
Personal Loans	4,474,011,483	33.3%	4,274,185,922	33.5%	199,825,561	4.7%
Real Estate Loans	5,778,639,342	43.0%	5,367,998,343	42.0%	410,640,999	7.6%
Total Loans	<u>10,252,650,825</u>	76.3%	<u>9,642,184,265</u>	75.5%	<u>610,466,560</u>	6.3%
Allowance for Loan Losses	66,193,029	0.5%	64,239,932	0.5%	1,953,097	3.0%
Net Loans	<u>10,186,457,796</u>	75.9%	<u>9,577,944,333</u>	75.0%	<u>608,513,463</u>	6.4%
Cash	762,437,822	5.7%	880,670,921	6.9%	-118,233,099	-13.4%
Investments	1,778,264,057	13.2%	1,672,379,411	13.1%	105,884,646	6.3%
Fixed Assets	341,284,839	2.5%	324,044,898	2.5%	17,239,941	5.3%
Other Assets	<u>360,176,937</u>	2.7%	<u>317,493,102</u>	2.5%	<u>42,683,835</u>	13.4%
TOTAL ASSETS	<u><u>13,428,621,451</u></u>	100.0%	<u><u>12,772,532,665</u></u>	100.0%	<u><u>656,088,786</u></u>	5.1%
LIABILITIES						
Regular Shares	3,730,978,423	27.8%	3,374,339,682	26.4%	356,638,741	10.6%
Share Drafts	1,506,330,443	11.2%	1,480,719,409	11.6%	25,611,034	1.7%
Other Shares & Deposits	6,308,747,309	47.0%	6,167,999,283	48.3%	140,748,026	2.3%
Total Savings	<u>11,546,056,175</u>	86.0%	<u>11,023,058,374</u>	86.3%	<u>522,997,801</u>	4.7%
Notes and Accounts Pay.	438,178,367	3.3%	358,016,793	2.8%	80,161,574	22.4%
Regular Reserve	583,768,661	4.3%	586,421,064	4.6%	-2,652,403	-0.5%
Other Reserves	<u>860,618,248</u>	6.4%	<u>805,036,434</u>	6.3%	<u>55,581,814</u>	6.9%
TOTAL LIABILITIES	<u><u>13,428,621,451</u></u>	100.0%	<u><u>12,772,532,665</u></u>	100.0%	<u><u>656,088,786</u></u>	5.1%

Small statistical errors may exist due to rounding.

**STATEMENT OF INCOME
FOR WISCONSIN CREDIT UNIONS
FOR THE PERIOD ENDING JUNE 30, 2004**

	AMOUNT	% OF GROSS INCOME	% OF AVERAGE ASSETS*
INCOME			
Interest on Loans	290,302,070	73.80%	4.43%
Less: Interest Refunds	27,799	0.01%	0.00%
Net Interest Income	290,274,271	73.79%	4.43%
Income on Investments	27,343,282	6.95%	0.42%
Other Income	75,742,997	19.26%	1.16%
TOTAL OPERATING INCOME	393,360,550	100.00%	6.01%
ADMINISTRATIVE EXPENSES			
Employee Costs	124,621,952	31.68%	1.90%
Travel and Conference	3,107,989	0.79%	0.05%
Office Occupancy	15,016,583	3.82%	0.23%
General Operations	45,420,019	11.55%	0.69%
Education and Promotion	8,794,145	2.24%	0.13%
Loan Servicing	14,397,541	3.66%	0.22%
Professional Services	14,475,827	3.68%	0.22%
Member Insurance	1,651,731	0.42%	0.03%
Operating Fees	964,881	0.25%	0.01%
Other Operational Expenses	5,262,335	1.34%	0.08%
TOTAL ADMINISTRATIVE	233,713,003	59.41%	3.57%
Provision for Loan Loss	16,518,186	4.20%	0.25%
TOTAL OPERATING EXPENSES	250,231,189	63.61%	3.82%
COST OF ACQUISITION OF FUNDS			
Dividends Paid on Savings	80,135,703	20.37%	1.22%
Interest on Borrowed Funds	4,611,244	1.17%	0.07%
TOTAL COST OF FUNDS	84,746,947	21.54%	1.29%
TOTAL EXPENSES	334,978,136	85.16%	5.11%
NET OPERATING INCOME	58,382,414	14.84%	0.89%
NON-OPERATING INCOME	1,688,580	0.43%	0.03%
NET INCOME	60,070,994	15.27%	0.92%

Small statistical errors may exist due to rounding.

**Ratios are annualized.*

**COMPARISON STATEMENTS OF INCOME
FOR WISCONSIN CREDIT UNIONS
FOR THE PERIODS ENDING JUNE 30, 2004 AND JUNE 30, 2003**

	2004	% OF AVERAGE	2003	% OF AVERAGE
	AMOUNT	ASSETS	AMOUNT	ASSETS
INCOME				
Interest on Loans	290,302,070	4.43%	291,721,580	4.80%
Less: Interest Refunds	27,799	0.00%	33,231	0.00%
Net Interest Income	290,274,271	4.43%	291,688,349	4.80%
Income on Investments	27,343,282	0.42%	29,421,667	0.48%
Other Income	75,742,997	1.16%	89,427,889	1.47%
TOTAL OPERATING INCOME	393,360,550	6.01%	410,537,905	6.75%
ADMINISTRATIVE EXPENSES				
Employee Costs	124,621,952	1.90%	117,881,001	1.94%
Travel and Conference	3,107,989	0.05%	3,214,809	0.05%
Office Occupancy	15,016,583	0.23%	13,896,745	0.23%
General Operations	45,420,019	0.69%	44,107,129	0.73%
Education and Promotion	8,794,145	0.13%	7,670,901	0.13%
Loan Servicing	14,397,541	0.22%	13,107,686	0.22%
Professional Services	14,475,827	0.22%	13,499,767	0.22%
Member Insurance	1,651,731	0.03%	1,759,226	0.03%
Operating Fees	964,881	0.01%	992,071	0.02%
Other Operational Expenses	5,262,335	0.08%	5,098,425	0.08%
TOTAL ADMINISTRATIVE	233,713,003	3.57%	221,227,760	3.64%
Provision for Loan Loss	16,518,186	0.25%	15,853,274	0.26%
TOTAL OPERATING EXPENSES	250,231,189	3.82%	237,081,034	3.90%
COST OF ACQUISITION OF FUNDS				
Dividends Paid on Savings	80,135,703	1.22%	100,162,026	1.65%
Interest on Borrowed Funds	4,611,244	0.07%	3,517,935	0.06%
TOTAL COST OF FUNDS	84,746,947	1.29%	103,679,961	1.70%
TOTAL EXPENSES	334,978,136	5.11%	340,760,995	5.60%
NET OPERATING INCOME	58,382,414	0.89%	69,776,910	1.15%
NON-OPERATING INCOME	1,688,580	0.03%	1,176,070	0.02%
NET INCOME	60,070,994	0.92%	70,952,980	1.17%

Small statistical errors may exist due to rounding.

Ratios are annualized.

SIGNIFICANT OPERATIONAL RATIOS FOR THE PERIOD ENDING JUNE 30, 2004

Peer Groups by Assets	\$ 500,001- <\$500,000	\$ 2,000,001- \$2,000,000	\$ 10,000,001- \$10,000,000	\$ 50,000,001- \$50,000,000	\$100,000,001- >\$50,000,000	TOTAL
Number of Credit Unions	19	43	73	102	56	293
CAPITAL ADEQUACY						
Net Worth/Total Assets	17.82%	16.75%	14.16%	12.07%	10.39%	10.81%
Total Delinquency/Net Worth	30.78%	9.75%	6.75%	6.18%	6.53%	6.50%
Solvency Evaluation	121.77%	120.20%	116.64%	113.85%	112.03%	112.51%
Classified Assets/Net Worth	15.96%	6.32%	4.12%	4.00%	4.70%	4.56%
ASSET QUALITY						
Delinquent Loans/Loans	10.26%	2.84%	1.58%	1.06%	0.87%	0.92%
Net Charge Offs/Avg. Loans*	-0.26%	0.27%	0.22%	0.30%	0.28%	0.28%
EARNINGS						
Return on Average Assets*	0.15%	0.54%	0.69%	0.64%	0.99%	0.92%
Net Operating Expense*	4.18%	3.08%	3.06%	3.30%	2.70%	2.82%
Fixed Assets+FRA's**/Assets	0.82%	0.28%	1.45%	2.82%	2.53%	2.54%
Gross Income*	5.16%	4.77%	5.24%	5.86%	6.07%	6.01%
Cost of Funds*	0.66%	1.04%	1.03%	1.06%	1.36%	1.29%
Operating Exp. (less PLL)*	4.25%	3.15%	3.37%	3.93%	3.50%	3.57%
Net Interest Margin*	4.35%	3.61%	3.78%	3.90%	3.47%	3.56%
PLL*	0.10%	0.05%	0.17%	0.24%	0.26%	0.25%
ASSET-LIABILITY MANAGEMENT						
Net Long Term Assets/Assets	2.01%	4.87%	14.25%	15.61%	30.06%	27.01%
Shares/Savings+Borrowings	98.65%	88.47%	68.60%	47.43%	26.86%	31.74%
Loans/Savings	66.02%	69.56%	71.14%	80.59%	91.56%	88.98%
Loans/Assets	53.48%	57.48%	60.52%	70.05%	78.37%	76.35%
Cash + ST Invest./Assets	45.52%	36.98%	27.57%	17.04%	7.82%	10.08%
Shares + Drafts/Savings+Borrowings	98.65%	89.49%	75.43%	60.28%	39.36%	44.10%
OTHER RATIOS						
Savings Growth*	0.20%	5.54%	6.68%	7.76%	10.00%	9.49%
Net Worth Growth*	-0.99%	1.78%	4.86%	5.38%	9.63%	8.56%
Loan Growth*	-6.14%	1.31%	2.31%	7.72%	14.00%	12.66%
Asset Growth*	-0.36%	4.92%	6.69%	7.55%	11.04%	10.27%
Investments/Assets	47.10%	41.85%	35.99%	23.18%	15.72%	17.68%
Employee Cost/Gross Inc.	26.46%	32.17%	34.47%	34.00%	31.10%	31.68%
Employee Cost/ Avg. Assets*	1.37%	1.53%	1.81%	1.99%	1.89%	1.90%
Average Loan Balance	\$4,309	\$6,343	\$8,065	\$8,837	\$10,097	\$9,800
Average Savings Balance	\$1,241	\$2,209	\$2,335	\$2,653	\$3,417	\$3,206

Small statistical errors may exist due to rounding.

**Ratios are annualized.*

***Foreclosed and Repossessed Assets.*

**SIGNIFICANT OPERATIONAL RATIOS
FOR ALL WISCONSIN CREDIT UNIONS
1999-2004**

	1999	2000	2001	2002	2003	2004
Number of Credit Unions	350	340	326	308	298	293
CAPITAL ADEQUACY						
Net Worth/Total Assets	10.97%	11.10%	10.69%	10.82%	10.90%	10.81%
Total Delinquency/Net Worth	6.38%	7.15%	7.96%	7.46%	7.28%	6.50%
Solvency Evaluation	112.65%	112.79%	112.22%	112.48%	112.62%	112.51%
Classified Assets/Net Worth	4.21%	4.27%	4.42%	4.49%	4.62%	4.56%
ASSET QUALITY						
Delinquent Loans/Loans	0.92%	0.97%	1.09%	1.10%	1.05%	0.92%
Net Charge Offs/Avg. Loans	0.27%	0.24%	0.26%	0.29%	0.31%	0.28%
EARNINGS						
Return on Average Assets	0.90%	0.91%	0.90%	1.19%	1.07%	0.92%
Net Operating Expense	3.11%	3.14%	3.02%	2.91%	2.88%	2.82%
Fixed Assets+FRA's**/Assets	2.66%	2.63%	2.49%	2.49%	2.54%	2.54%
Gross Income	8.25%	8.50%	8.35%	7.36%	6.67%	6.01%
Cost of Funds	3.44%	3.62%	3.41%	2.20%	1.61%	1.29%
Operating Exp. (less PLL)	3.71%	3.75%	3.77%	3.71%	3.72%	3.57%
Net Interest Margin	3.84%	3.91%	3.74%	3.89%	3.65%	3.56%
PLL	0.23%	0.23%	0.26%	0.28%	0.29%	0.25%
ASSET-LIABILITY MANAGEMENT						
Net Long Term Assets/Assets	23.99%	20.66%	22.05%	19.91%	24.44%	27.01%
Shares/Savings+Borrowings	32.47%	29.63%	29.21%	29.89%	30.20%	31.74%
Loans/Savings	91.04%	94.86%	88.84%	84.25%	87.62%	88.98%
Loans/Assets	79.10%	82.18%	77.79%	73.14%	75.49%	76.35%
Cash + ST Invest./Assets	12.10%	14.96%	13.61%	14.50%	11.55%	10.08%
OTHER RATIOS						
Savings Growth	5.11%	7.65%	14.54%	9.56%	8.74%	9.49%
Net Worth Growth	7.94%	8.51%	8.30%	11.46%	10.31%	8.56%
Loan Growth	11.44%	12.08%	7.58%	3.98%	13.01%	12.66%
Asset Growth	6.66%	7.88%	13.29%	10.45%	9.49%	10.27%
Investments/Assets	8.79%	12.53%	17.06%	19.02%	18.69%	17.68%
Employee Cost/Gross Inc.	23.05%	22.73%	23.53%	26.61%	29.77%	31.68%
Employee Cost/ Avg. Assets	1.90%	1.93%	1.96%	1.96%	1.98%	1.90%
Average Loan Balance	\$7,160	\$7,693	\$8,258	\$8,507	\$9,314	\$9,800
Average Savings Balance	\$2,355	\$2,443	\$2,718	\$2,908	\$3,112	\$3,206

Small statistical errors may exist due to rounding.

Ratios are annualized for 2004.

***Foreclosed and Repossessed Assets.*

ANALYSIS OF INCOME AND EXPENSES TO GROSS INCOME FOR THE PERIOD ENDING JUNE 30, 2004

Peer Groups by Assets	\$ 500,001- <\$500,000	\$ 2,000,001- \$2,000,000	\$ 10,000,001- \$10,000,000	\$10,000,001- \$50,000,000	>\$50,000,000	TOTAL
Number of Credit Unions	19	43	73	102	56	293
OPERATING INCOME						
Interest on Loans	87.85%	84.55%	78.74%	76.32%	73.07%	73.80%
Less: Interest Refunds	0.00%	0.00%	0.13%	0.02%	0.00%	0.01%
Income on Investments	9.31%	12.87%	13.09%	8.36%	6.45%	6.95%
Income on Trading Securities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Fee Income	1.37%	1.59%	5.91%	10.76%	13.04%	12.44%
Other Operating Income	<u>1.48%</u>	<u>0.99%</u>	<u>2.39%</u>	<u>4.58%</u>	<u>7.45%</u>	<u>6.82%</u>
TOTAL INCOME	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
OPERATING EXPENSES						
Employee Costs	26.46%	32.17%	34.47%	34.00%	31.10%	31.68%
Travel and Conference	1.01%	1.11%	0.90%	1.07%	0.73%	0.79%
Office Occupancy	9.09%	2.58%	3.82%	4.43%	3.69%	3.82%
General Operations	14.35%	13.78%	12.37%	13.24%	11.15%	11.55%
Education and Promotion	1.63%	0.49%	0.98%	2.41%	2.24%	2.24%
Loan Servicing	2.17%	1.11%	1.46%	3.26%	3.82%	3.66%
Professional Services	7.24%	3.06%	4.16%	5.53%	3.27%	3.68%
Member Insurance	11.78%	5.54%	2.43%	0.78%	0.26%	0.42%
Operating Fees	2.12%	0.98%	0.48%	0.30%	0.22%	0.25%
Miscellaneous	<u>6.58%</u>	<u>5.33%</u>	<u>3.24%</u>	<u>2.07%</u>	<u>1.11%</u>	<u>1.34%</u>
TOTAL ADMINISTRATIVE	82.42%	66.16%	64.31%	67.09%	57.59%	59.41%
Provision for Loan Loss	<u>1.90%</u>	<u>0.99%</u>	<u>3.18%</u>	<u>4.09%</u>	<u>4.27%</u>	<u>4.20%</u>
TOTAL OPERATING EXP.	84.32%	67.15%	67.49%	71.17%	61.86%	63.61%
COST OF FUNDS						
Interest on Borrowed Funds	0.00%	0.05%	0.07%	0.12%	1.44%	1.17%
Dividends on Savings	<u>12.82%</u>	<u>21.70%</u>	<u>19.54%</u>	<u>18.01%</u>	<u>20.90%</u>	<u>20.37%</u>
TOTAL COST OF FUNDS	12.82%	21.75%	19.61%	18.13%	22.34%	21.54%
NET INCOME FROM OPERATIONS	2.85%	11.11%	12.90%	10.70%	15.81%	14.84%
NON-OPERATING GAIN/LOSS	<u>0.06%</u>	<u>0.18%</u>	<u>0.21%</u>	<u>0.25%</u>	<u>0.47%</u>	<u>0.43%</u>
ADJUSTED NET INCOME	2.91%	11.28%	13.11%	10.95%	16.28%	15.27%

Small statistical errors may exist due to rounding.

ANALYSIS OF INCOME AND EXPENSES TO AVERAGE ASSETS FOR THE PERIOD ENDING JUNE 30, 2004

Peer Groups by Assets	\$ 500,001- <\$500,000	\$ 2,000,001- \$2,000,000	\$ 2,000,001- \$10,000,000	\$10,000,001- \$50,000,000	\$50,000,001- >\$50,000,000	TOTAL
Number of Credit Unions	19	43	73	102	56	293
OPERATING INCOME						
Interest on Loans	4.54%	4.03%	4.13%	4.48%	4.43%	4.43%
Less: Interest Refunds	0.00%	0.00%	0.01%	0.00%	0.00%	0.00%
Income on Investments	0.48%	0.61%	0.69%	0.49%	0.39%	0.42%
Income on Trading Securities	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
Fee Income	0.07%	0.08%	0.31%	0.63%	0.79%	0.75%
Other Operating Income	<u>0.08%</u>	<u>0.05%</u>	<u>0.13%</u>	<u>0.27%</u>	<u>0.45%</u>	<u>0.41%</u>
TOTAL INCOME	5.16%	4.77%	5.24%	5.86%	6.07%	6.01%
OPERATING EXPENSES						
Employee Costs	1.37%	1.53%	1.81%	1.99%	1.89%	1.90%
Travel and Conference	0.05%	0.05%	0.05%	0.06%	0.04%	0.05%
Office Occupancy	0.47%	0.12%	0.20%	0.26%	0.22%	0.23%
General Operations	0.74%	0.66%	0.65%	0.78%	0.68%	0.69%
Education and Promotion	0.08%	0.02%	0.05%	0.14%	0.14%	0.13%
Loan Servicing	0.11%	0.05%	0.08%	0.19%	0.23%	0.22%
Professional Services	0.37%	0.15%	0.22%	0.32%	0.20%	0.22%
Member Insurance	0.61%	0.26%	0.13%	0.05%	0.02%	0.03%
Operating Fees	0.11%	0.05%	0.03%	0.02%	0.01%	0.01%
Miscellaneous	<u>0.34%</u>	<u>0.25%</u>	<u>0.17%</u>	<u>0.12%</u>	<u>0.07%</u>	<u>0.08%</u>
TOTAL ADMINISTRATIVE	4.25%	3.15%	3.37%	3.93%	3.50%	3.57%
Provision for Loan Loss	<u>0.10%</u>	<u>0.05%</u>	<u>0.17%</u>	<u>0.24%</u>	<u>0.26%</u>	<u>0.25%</u>
TOTAL OPERATING EXP.	4.35%	3.20%	3.54%	4.17%	3.75%	3.82%
COST OF FUNDS						
Interest on Borrowed Funds	0.00%	0.00%	0.00%	0.01%	0.09%	0.07%
Dividends on Savings	<u>0.66%</u>	<u>1.03%</u>	<u>1.02%</u>	<u>1.06%</u>	<u>1.27%</u>	<u>1.22%</u>
TOTAL COST OF FUNDS	0.66%	1.04%	1.03%	1.06%	1.36%	1.29%
NET INCOME FROM OPERATIONS	0.15%	0.53%	0.68%	0.63%	0.96%	0.89%
NON-OPERATING GAIN/LOSS	<u>0.00%</u>	<u>0.01%</u>	<u>0.01%</u>	<u>0.01%</u>	<u>0.03%</u>	<u>0.03%</u>
ADJUSTED NET INCOME	0.15%	0.54%	0.69%	0.64%	0.99%	0.92%

Small statistical errors may exist due to rounding.

Ratios are annualized.

**LOAN DELINQUENCY
PERIOD ENDING JUNE 30, 2004**

Peer Groups by Assets	<\$500,000	\$ 500,001- \$2,000,000	\$ 2,000,001- \$10,000,000	\$10,000,001- \$50,000,000	>\$50,000,000	TOTAL
Number of Credit Unions	19	43	73	102	56	293
Loan Delinquency Ratios						
2 - 6 Months Delinquent	2.48%	2.04%	0.96%	0.63%	0.47%	0.51%
6 - 12 Months Delinquent	2.00%	0.45%	0.34%	0.27%	0.28%	0.28%
Over 12 Months Delinquent	<u>5.79%</u>	<u>0.35%</u>	<u>0.28%</u>	<u>0.16%</u>	<u>0.12%</u>	<u>0.13%</u>
Total Delinquent Loans	10.26%	2.84%	1.58%	1.06%	0.87%	0.92%
Loan Loss Ratio (Annualized)	-0.26%	0.27%	0.22%	0.30%	0.28%	0.28%

**ANALYSIS OF LOANS BY TYPE*
PERIOD ENDING JUNE 30, 2004**

Number of Credit Unions	19	43	73	102	56	293
Loan Types						
Credit Card Loans	0.00%	0.05%	0.79%	2.26%	3.32%	3.08%
Unsecured Loans	15.73%	11.07%	6.32%	3.23%	1.90%	2.23%
New Auto Loans	17.86%	22.57%	14.34%	9.36%	7.02%	7.59%
Used Auto Loans	50.89%	46.05%	33.24%	26.71%	19.43%	20.97%
First Mortgages	0.59%	4.54%	22.60%	36.45%	39.97%	38.93%
Other Real Estate	0.00%	7.86%	13.85%	12.98%	18.44%	17.44%
Leases	0.00%	0.00%	0.13%	0.03%	0.10%	0.09%
All Other Loans	<u>14.93%</u>	<u>7.86%</u>	<u>8.73%</u>	<u>8.99%</u>	<u>9.82%</u>	<u>9.66%</u>
Total Loans	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%
Real Estate Loan Detail (As a percent of loans)						
First Mortgage - Fixed > 15 yrs.	0.59%	0.51%	3.38%	4.38%	2.45%	2.78%
First Mortgage - Fixed - 15 yrs. Or less	0.00%	1.51%	10.79%	9.14%	11.24%	10.86%
First Mortgage - Balloon/Hybrid - > 5 yrs.	0.00%	0.00%	0.65%	1.36%	2.30%	2.11%
First Mortgage - Balloon/Hybrid - 5 yrs. Or less	0.00%	0.78%	6.97%	12.19%	11.01%	11.09%
First Mortgage - Other Fixed Rate	0.00%	0.69%	0.01%	1.15%	24.43%	0.34%
First Mortgage - Adjustable - 1 year or less	0.00%	0.26%	0.12%	2.13%	4.64%	4.13%
First Mortgage - Adjustable - > 1 year	0.00%	0.79%	0.67%	6.10%	8.13%	7.62%
Other - Closed End Fixed	0.00%	6.22%	11.05%	6.49%	6.93%	6.95%
Other - Closed End Adjustable	0.00%	1.65%	1.41%	2.16%	0.75%	0.99%
Other - Open End Adjustable	0.00%	0.00%	1.14%	4.05%	10.65%	9.36%
Other - Open-End Fixed	0.00%	0.00%	0.23%	0.02%	0.00%	0.01%
Other	0.00%	0.00%	0.02%	0.26%	0.10%	0.13%
Total Real Estate (As a percent of loans)	0.59%	12.40%	36.45%	49.42%	58.41%	56.36%
Total Real Estate (As a percent of assets)	0.32%	7.13%	22.06%	34.62%	45.78%	43.03%

Small statistical errors may exist due to rounding.

**This page does not include loans Held for Sale*

**ANALYSIS OF SAVINGS BY TYPE
PERIOD ENDING JUNE 30, 2004**

Peer Groups by Assets	\$ 500,001- <\$500,000	\$ 2,000,001- \$2,000,000	\$ 10,000,001- \$10,000,000	\$ 50,000,001- \$50,000,000	>\$50,000,000	TOTAL
Number of Credit Unions	19	43	73	102	56	293
Share Drafts	0.00%	1.03%	6.92%	13.10%	13.30%	13.05%
Regular Shares	98.65%	88.59%	68.83%	47.54%	27.41%	32.31%
Money Market Shares	0.00%	0.06%	2.87%	10.47%	26.17%	22.68%
Share Certificates	0.33%	8.04%	17.18%	21.04%	25.28%	24.25%
IRA Accounts	0.00%	1.92%	4.13%	7.60%	7.22%	7.19%
All Other Shares	<u>1.02%</u>	<u>0.35%</u>	<u>0.08%</u>	<u>0.25%</u>	<u>0.61%</u>	<u>0.53%</u>
Total Shares	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

**ANALYSIS OF INVESTMENTS BY TYPE
PERIOD ENDING JUNE 30, 2004**

Peer Groups by Assets	\$ 500,001- <\$500,000	\$ 2,000,001- \$2,000,000	\$ 10,000,001- \$10,000,000	\$ 50,000,001- \$50,000,000	>\$50,000,000	TOTAL
Number of Credit Unions	19	43	73	102	56	293
U.S. Government Obligations	0.25%	0.74%	0.00%	2.04%	0.05%	0.48%
Federal Agency Securities	0.00%	0.00%	0.25%	8.78%	50.51%	38.92%
Mutual Funds & Common Trust	26.58%	0.36%	0.06%	0.74%	2.44%	1.96%
Corporate Credit Unions	17.18%	8.04%	14.61%	18.81%	19.75%	19.25%
Commercial Banks, S&L's, and Mutual Savings Banks	52.75%	72.70%	76.94%	65.04%	19.88%	32.53%
Credit Unions	0.00%	18.14%	8.02%	3.55%	0.79%	1.80%
Other Investments	3.23%	0.01%	0.13%	1.05%	6.58%	5.06%
Total Investments	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Small statistical errors may exist due to rounding.