



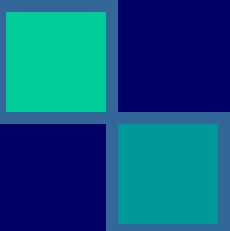

Board of Directors Orientation



Dayton Firefighters
Federal Credit Union

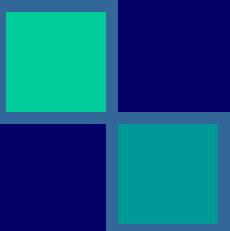



Credit Union Chartering

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- In 1934, the Federal Credit Union Act was signed into law.
 - A federal credit union is a cooperative non-profit financial institution organized to provide its members with a place to save and a source of loans at reasonable rates.
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Credit Union Chartering

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- 
- It is a corporation chartered under the Federal Credit Union Act to serve groups having a common bond of occupation or association, or groups within a well-defined, local neighborhood, community, or rural district.
 - After an organization certificate, filed by the subscribers of a proposed federal credit union, is approved by NCUA; the document becomes the credit union's official charter.




Credit Union Chartering

- Credit unions are organized under a dual-chartering system of federal and state laws.
 - Both types are characteristically similar in purpose: to promote thrift among their members and to create for them a source of credit at reasonable interest rates.
- 




The National Credit Union Administration

- NCUA prescribes rules and regulations for the organization and operation of federal credit unions.
 - The principal method by which NCUA carries out its supervisory responsibility is through on-site risk-focused examinations.
 - These examinations are designed to determine the risk to the NCUA Share Insurance Fund.
- 




The National Credit Union Administration

- The risk-focused examination objectives include determining whether a credit union is financially sound and whether operations are conducted in compliance with applicable laws and regulations.
 - The *Federal Credit Union Act* places the responsibility for auditing the credit union on the supervisory committee.
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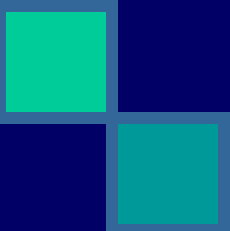



The National Credit Union Administration

- The board is responsible for taking necessary corrective actions, and the supervisory committee has the duty to ensure the board corrects identified problems.
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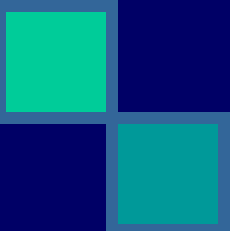



Bylaws

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- Once adopted by the board of directors, the standard Bylaws become the official Bylaws of the credit union.
 - Standard bylaw amendments may be adopted by the board of directors without further NCUA approval.
 - Applications for approval of non-standard amendments should be forwarded to the appropriate regional director for consideration.
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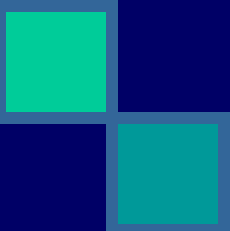



Membership

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- Eligibility for membership in a federal credit union is limited to the persons and organizations sharing the common bond described in the credit union's field of membership, as set forth in Section 5 of its charter.
 - Regular and special meetings of the members are held in accordance with Sections 110 and 118 of the *Federal Credit Union Act* and Articles IV, V, and X of the Bylaws.
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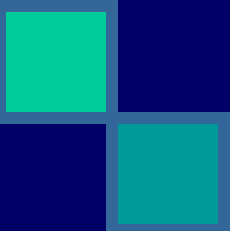



Board of Directors

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- They provide general direction and control of the credit union, and must meet at least once a month.
 - The board elects the credit union's officers from its own number.
 - The board of directors appoints the credit union's supervisory committee
- 



Board of Directors


- 
- The board may appoint a management official and one or more assistant management officials.
 - Sections 111, 112, and 113 of the *Federal Credit Union Act* and Articles VI and VII of the Bylaws describe the duties and powers of the directors, board officers, and employees.
- 



FEDERAL CREDIT UNION ACT

§ 1761 § 111

Management; board of directors;
credit committee; supervisory
committee; compensation. —


- management of a Federal credit union shall be by a board of directors
 - supervisory committee shall be appointed by the board of directors
 - no member of the board or of any other committee shall, as such, be compensated
- 



FEDERAL CREDIT UNION ACT

§ 1761a § 112

Executive officers; general
manager.—

- at their first meeting after the annual meeting of the members, the directors shall elect from their number the board officers specified in the bylaws
 - board shall elect from their number a financial officer who shall give adequate fidelity coverage
- 



FEDERAL CREDIT UNION ACT

§ 1761b § 113

Board of directors; meetings; powers and duties; executive committee; membership officers; membership applications.—



- board of directors shall meet at least once a month
- determine the maximum number of shares, share certificates, and share draft accounts, and the classes of shares, share certificates, and share draft accounts
- determine the interest rates on loans



FEDERAL CREDIT UNION ACT

§ 1761b § 113

Board of directors; meetings; powers and duties; executive committee; membership officers; membership applications.—




- prescribe conditions and limitations for any committee which it appoints
- review at each monthly meeting a list of approved or pending applications for membership
- declare the dividend rate to be paid on shares, share certificates, and share draft accounts
- establish lending policies



Credit Union Bylaws


Article VI. Board of Directors

- The board consists of nine members, all of whom must be members of this credit union
 - No immediate family members of a director or committee member may be a paid employee of the credit union
 - The board may appoint a management official who may not be a member of the board
- 



Credit Union Bylaws


Article VI. Board of Directors

- A regular meeting of the board must be held each month
 - One regular meeting each calendar year must be conducted in person
 - Other regular meetings may be conducted using audio or video teleconference methods
 - The board has the general direction and control of the affairs of this credit union
 - Directing the affairs of the credit union in accordance with the Act, these bylaws, the rules and regulations and sound business practices
- 



Credit Union Bylaws

Article VI. Board of Directors


- Appointing one or more loan officers and delegating to those officers the power to approve or disapprove loans
 - If a director fails to attend regular meetings of the board for 3 consecutive months, or 4 meetings within a calendar year, or otherwise fails to perform any of the duties as a director, the office may be declared vacant by the board and the vacancy filled as provided in the bylaws
 - Any member of the supervisory committee may be suspended by a majority vote of the board of directors
- 



Credit Union Bylaws



Article VII. Board Officers, Management Officials and Executive Committee

- The board officers of this credit union are comprised of a chair, one or more vice chairs, a financial officer, and a secretary, all of whom are elected by the board and from their number
 - The chair also performs such other duties as customarily appertain to the office of the chair or as may be directed to perform by resolution of the board
 - The board must approve all individuals who are authorized to sign all notes of this credit union and all checks, drafts and other orders for disbursement of credit union funds
- 



Credit Union Bylaws

Article VII. Board Officers, Management Officials and Executive Committee


- The financial officer manages this credit union under the control and direction of the board unless the board has appointed a management official to act as general manager
- Ensure that such financial and other reports as the Administration may require are prepared and sent
- Within standards and limitations prescribed by the board, employ tellers, clerks, bookkeepers, and other office employees



Credit Union Bylaws



Article VII. Board Officers, Management Officials and Executive Committee


- The board may appoint a management official who is under the direction and control of the board or of the financial officer as determined by the board
 - The secretary prepares and maintains full and correct records of all meetings of the members and of the board, which records will be prepared within 7 days after the respective meetings
- 



Credit Union Bylaws



Article VII. Board Officers, Management Officials and Executive Committee

- The board may appoint an executive committee of not fewer than three directors to act for it with respect to specifically delegated functions
 - The board may also authorize such executive committee or a membership officer appointed by the board to approve applications for membership
- 




Job Description - Director

Purpose


- To set policy, plan the credit union's course, make sure the credit union maintains its sound financial condition, keep communication open to educate members on services, review the manager's progress in achieving goals and objectives, and report to the members at the annual meeting.

Duties and Responsibilities

- Work with the Manager and the Board to develop objectives and goals for the credit union.
 - Make sure the credit union adheres to pertinent laws, regulations, and sound business practices.
 - Make sure the credit union maintains sound financial conditions and that the credit unions assets are protected against unauthorized or illegal acts. Designate depositories, authorize borrowing and investing, and provide for bonding and other security factors, including internal control procedures. Approve interest rates, dividends, and refunds. Approve loan limits and savings minimums.
 - Establish policies, or make sure they are established, and then approve them for all credit union programs and activities.
 - Make sure new products and services are developed as needed.
 - Approve the credit union budget.
 - Hire the manager, define the scope of the person's job, and review progress in attaining goals and objectives.
 - Attend board meetings and special committee meetings, exercise judgment independently from the manager, and report to the members at the annual meeting.
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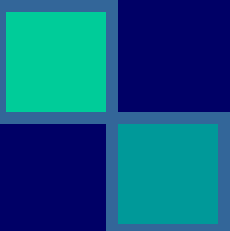



Supervisory Committee

- The *Federal Credit Union Act* and the *Federal Credit Union Bylaws* stipulate the board of directors will appoint a supervisory committee consisting of not less than 3 and no more than 5 credit union members.
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Supervisory Committee

- 
- The duties and powers of the supervisory committee are
 1. Make an audit at least annually.
 2. Verify the accounts of the members at least once every 2 years. (Maintain record of account verifications)
- 



Supervisory Committee

- The supervisory committee may employ certified public accountants, public accountants, and/or other independent qualified persons to perform auditing, account verification, and clerical work under its supervision.
- The members of the supervisory committee are urged to study the *Supervisory Committee Guide for Federal Credit Unions* (NCUA 8023) for assistance in carrying out their important function.




Job Description – Supervisory committee member

Purpose

- To inspect the credit union's records for accuracy, its assets for security, and its procedures for the proper handling and use of funds.

Duties and Responsibilities

- Make or cause to be made, audits as required by government agencies. Also prepare and submit the necessary written forms. Conduct or order supplementary audits as the committee decides are necessary.
 - Inspect the securities, cash, and accounts of the credit union and scrutinize the acts of all offices, committees, and employees of the credit union to determine compliance with board, state, and other regulatory rules and laws.
 - Conduct or order a verification of the loan and share accounts of the members, in accordance with credit union policy and regulatory requirements.
 - Review minutes of the board.
 - Make sure there are internal controls, and that they are being followed.
 - Recalculate the expected interest income from loans and investments and the expected interest paid on member deposits to determine records are reasonable.
 - Suspend any officer of the board of directors if necessary, in accordance with state and federal regulations.
 - Prepare and make available an annual report to be read at the annual meeting.
- 




Other Laws Affecting Federal Credit Unions

- Truth in Savings Act
 - Truth in Lending Act, Regulation Z
 - Equal Credit Opportunity Act, Regulation B
 - Electronic Fund Transfer Act, Regulation E
 - Fair Credit Reporting Act
 - Real Estate Settlement Procedures Act (RESPA), Regulation X
- 



Other Laws Affecting Federal Credit Unions

- Home Ownership and Equity Protection Act (HOEPA)
 - Homeowners Protection Act of 1998
 - Fair Debt Collection Practices Act
 - Home Mortgage Disclosure Act, Regulation C
 - Right to Financial Privacy Act
 - Soldiers' and Sailors' Civil Relief Act
 - Fair Housing Act
- 



Other Laws Affecting Federal Credit Unions

- Privacy Act
 - Bank Secrecy Act (BSA)
 - Office of Foreign Asset Control Act (OFAC)
 - USA Patriot Act
 - Gramm-Leach-Bliley Act
 - Flood Disaster Protection Act (FDPA)
 - Expedited Funds Availability Act, Regulation CC
- 




Ethics



- **Code of conduct**

- to prohibit employees, officers, directors, agents, and attorneys of financial institutions from seeking or accepting anything of value in connection with any transaction or business of their financial institution

- **Fiduciary responsibility**

- a position of trust in relation to someone else such that he is required to act for the latter's benefit within the scope of that relationship
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- **Privacy Policy**

- addresses the requirements relating to the privacy of consumer financial information


- **Confidentiality**



Governance Guidelines

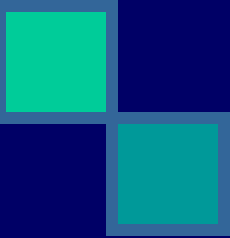


A director's fiduciary duty


- Duty of care
 - Directors must act in good faith and exercise their duties reasonably and prudently. That means performing all things required of directors as set forth in the Federal Credit Union Act, state law, or credit union bylaws, and doing them in an informed manner.
 - Duty of loyalty
 - Directors must act in the credit union's best interests. They must recognize conflicts of interest, report them to the board, and potentially refrain from participating in decisions affected by the conflict of interest.
 - They must keep confidential all matters relating to the credit union's business, including not speaking on the credit union's behalf unless authorized to do so. Confidentiality extends to any information that isn't otherwise public knowledge, including employee information.
- 



Governance Guidelines

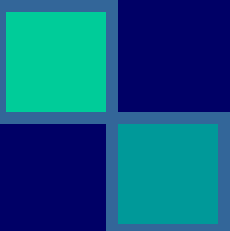



National Credit Union Administration (NCUA) issued Letter to Federal Credit Unions No. 03-FCU-07 in October 2003

- provides guidance on codes of ethics and conduct for credit union officials
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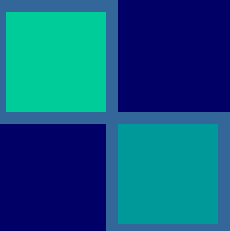



Volunteer Training and Education Plan

- 
- Each member of the Board of Directors is required to accumulate at least fifteen service hours of approved education each year.
 - Each member of the Supervisory Committee is required to accumulate at least twelve credit hours of approved education each year.
 - The Board of Directors will evaluate this policy annually.
- 



The Other Players

- 
- NCUA = National Credit Union Administration
 - CUNA = Credit Union National Association
 - OCUL = Ohio Credit Union League
 - Chapter = Miami Valley Chapter of OCUL
 - Corporate One
 - CUNA Mutual Group
 - CUES = Credit Union Executives Society
 - FHLB = Federal Home Loan Bank
 - FRB = Federal Reserve Bank
- 

Federal Credit Union Organization Chart

Members

Responsibilities:

1. Elect board of directors and credit committee.
2. Participate in membership meetings.
3. Promote participation in and use of credit union services.
4. Repay loans as agreed.
5. Remove any official for cause.
6. Expel members for cause.

Credit Committee

Responsibilities:

1. Meet at least monthly and maintain minutes.
2. Appoint loan officer(s) as needed and delegate authority.
3. Counsel members in wise use of credit.
4. Maintain confidential relations with members.
5. Act on applications for loans and lines of credit.
6. Act on requests for release of collateral.
7. Act on requests for extensions and refinancing of loans.
8. Act on requests denied by loan officer(s).
9. Make annual report to members.

Board of Directors

Responsibilities:

1. Maintain general direction and control.
2. Meet at least monthly and maintain minutes.
3. Establish operating policies and procedures.
4. Elect board officers and fix compensation of specified officer.
5. If bylaws provide, appoint credit committee or loan officer(s).
6. Appoint supervisory committee.
7. Appoint membership officer, executive and other committees.
8. Hire, fix duties and compensation of employees and set personnel policies.
9. Maintain confidential relations with members.
10. Act on membership applications.
11. Determine classes of accounts and fix maximum individual share limit, when appropriate.
12. Fix loan policies regarding loan maximums, interest rate, maturity, and security.
13. Establish collection policies and procedures and fix late charges.
14. Designate depository for funds.
15. Authorize investments and borrowing.
16. Declare dividends and interest refunds.
17. Determine surety bond needs at least annually.
18. Authorize necessary insurance.
19. Provide necessary service facilities.
20. Act on loans to directors, credit and supervisory committee members in excess of \$20,000.
21. Appoint a security officer and supervise security program.
22. Establish a records preservation program.
23. Request approval of charter and non-standard bylaw amendments.
24. Plan and hold annual meeting, report to members, and maintain minutes.

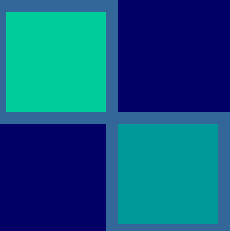
Supervisory Committee

Responsibilities:

1. Make or cause to be made audits at least annually.
2. Submit audit reports to the board of directors and summaries to members at annual meetings.
3. Verify with members their account balances at least once every 2 years.
4. Maintain confidential relations with members.
5. Suspend directors, officers, or credit committee members for cause.
6. Call special membership meetings for cause.
7. Maintain committee's records.
8. Request board approval for compensation of clerical and auditing assistance.



Board Meetings

- 
- Monthly agenda
 - Sent by e-mail
 - Read or print before meeting
 - Attend in-person or teleconference

■ Committees

- Report on progress since last meeting

Executive
Membership
Member services

Delinquent loan
Human resources
Security

Supervisory-audit
Marketing
Technology






Agenda

Approval of meeting agenda

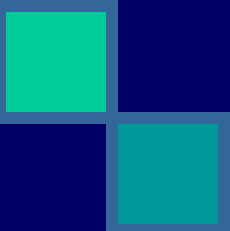

Approval of Items for Consent agenda:

- Minutes of previous month's meeting
 - Financial reports, budget variances, ratios and statistics
 - Investment (Executive committee) activity report
 - Delinquent loan report and recommendations for action
 - New member report
 - Dividends, loan rates, indexes and ALLL transfers
 - No Conflicts of Interest to be reported
- 

Set time to adjourn



Financial Reports

- 
- Balance Sheet
 - Income Statement
 - Ratio Analysis
 - Attachments on news and reports
- 

Financial Reports

SELL



BUY



Balance Sheet

Assets

Loans
Investments

=

Liabilities

Deposits
Borrowings

Equity

Capital

Financial Reports

Income Statement

Income

Loan Interest
Investment Income

-

Expenses

Dividends
Operating

=


Earnings



Financial Reports



Ratio Analysis

- Financial data are reported to the NCUA by all credit unions with a quarterly “5300 call report”
 - The NCUA analyzes data by peer groups and calculates ratios for performance and trend analysis
 - The data is made available to credit unions in a Financial Performance Report (FPR); the report can be viewed at: <http://webapps.ncua.gov/ncuafpr/> (our charter no. is 00395)
 - The guide that explains every ratio is at: http://www.ncua.gov/GuidesManuals/fpr_guide/FPR-UsersGuide.pdf
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NCUA LETTER TO CREDIT UNIONS

NATIONAL CREDIT UNION ADMINISTRATION
1775 Duke Street, Alexandria, VA 22314

DATE: March 2008 **LETTER NO.:** 08-CU-04
TO: Federally Insured Credit Unions
SUBJ: State of the Credit Union Industry as of December 31, 2007
ENCL: Financial Trends in Federally Insured Credit Unions
January 1 – December 31, 2007

Dear Board of Directors:

Enclosed is a report highlighting credit union financial trends for 2007. We based our analysis on data compiled from the quarterly call reports submitted by all federally insured credit unions.

The financial condition of the credit union industry remains sound, as indicated by high net worth levels. Consistent with the last several years, the majority of the loan growth in 2007 came from the real estate sector. Delinquency, especially in the real estate portfolio, increased significantly during 2007. It is important to note the increases in delinquency, though substantive, do not threaten the overall safety and soundness and stability of the credit union industry.

Credit unions with a large or increasing real estate loan portfolio need to maintain vigilance in their asset-liability management and liquidity management planning processes, as well as address the credit risk implications in light of ongoing developments in the real estate sector of the market. All credit unions need to ensure the loans they make reflect not only the needs of the members but also the risk profile of the credit union in order to control future losses.

Thank you for your cooperation in submitting your financial and statistical data in a timely manner.

Sincerely,

JoAnn Johnson
Chairman

FINANCIAL TRENDS IN FEDERALLY INSURED CREDIT UNIONS

January 1 – December 31, 2007

HIGHLIGHTS

This report summarizes the trends of all federally insured credit unions that reported as of December 31, 2007. Change is measured from December 31, 2006.¹

- **Assets** increased \$43.46 billion or 6.12% to \$753.46 billion. DFFCU = 3.95%
- **Net Worth** increased \$4.32 billion or 5.28%. The net worth to assets ratio decreased from 11.53% to 11.44%. DFFCU = 4.04% DFFCU = 10.98%
- **Earnings**, as measured by the return on average assets, decreased from 0.82% to 0.65%.² DFFCU = 0.44%
- **Loans** increased \$32.54 billion or 6.58%. The loan to share ratio increased from 82.23% to 83.32%. DFFCU = 75.88%
- **Delinquent** loans as a percentage of total loans increased from 0.68% to 0.93%. Delinquent real estate loans as a percentage of total real estate loans increased from 0.34% to 0.67%. DFFCU = 0.63%
- **Net Loan Charge-Offs** increased \$397.86 million or 18.38%. DFFCU = -2.40%
- **Shares** increased \$31.21 billion or 5.19%. The majority of the growth in shares continues to come from share certificates and money market accounts.
- **Current members** increased by 1.1 million or 1.27%. DFFCU = 1.42%

Number of Credit Unions Reporting		
	Federal CUs	State CUs
2002	5,953	3,735
2003	5,776	3,593
2004	5,572	3,442
2005	5,393	3,302
2006	5,189	3,173
2007	5,036	3,065

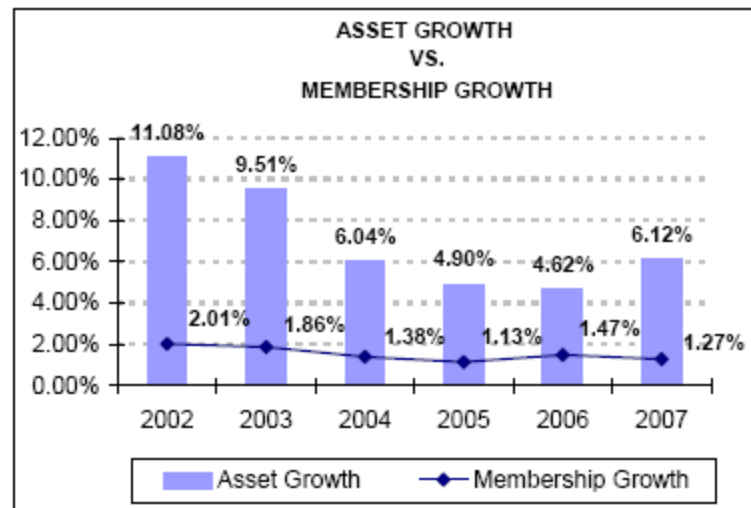
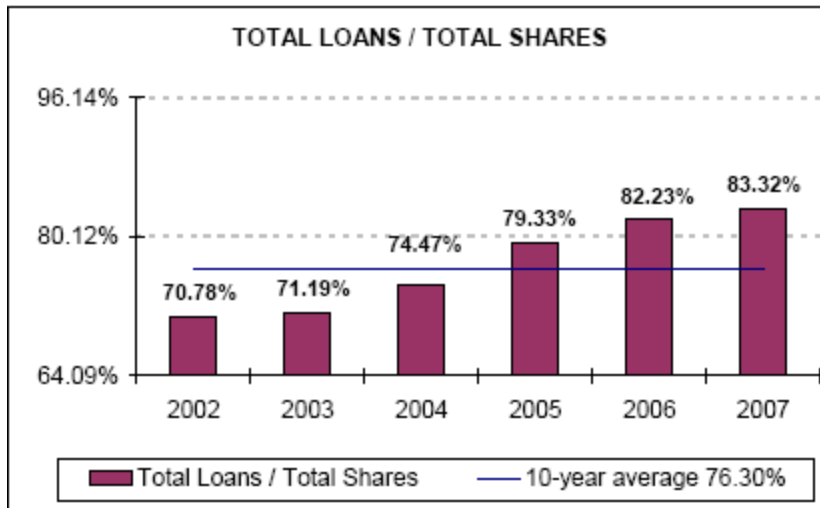
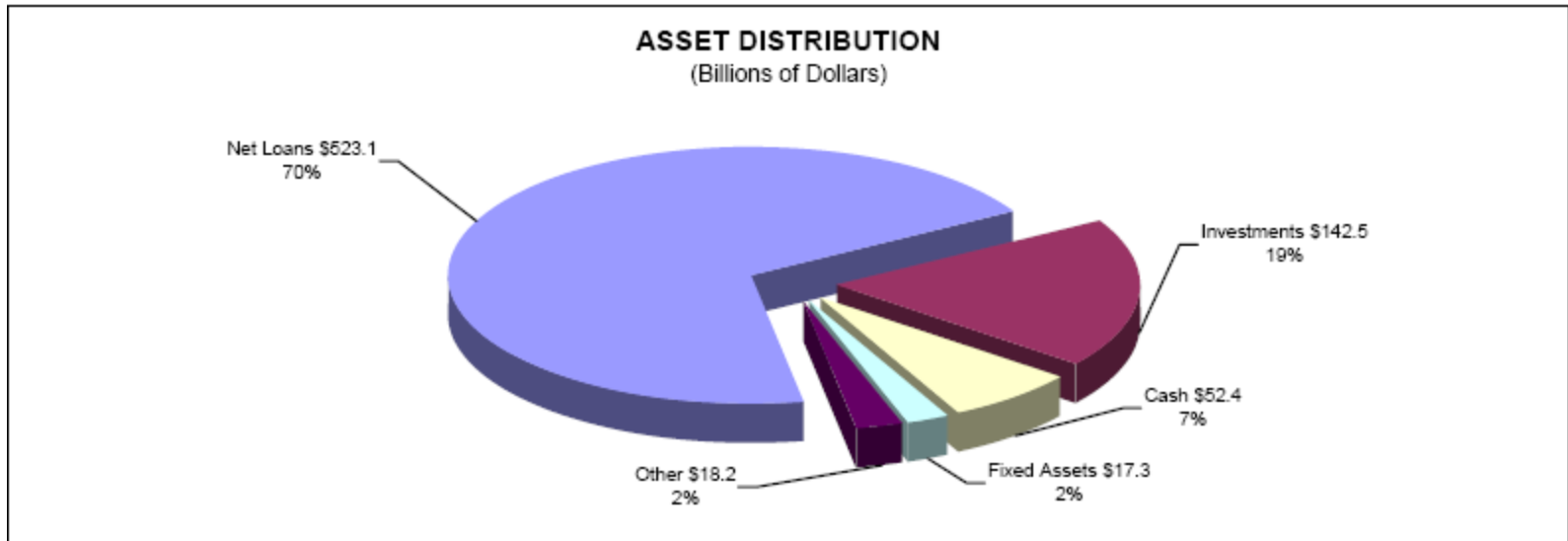
Overall, federally insured credit unions continued their solid performance in 2007. Loans, shares, and net worth grew; however, the delinquent loan ratio increased 25 basis points and the loan loss ratio increased 5 basis point indicating increasing potential concerns in credit quality of loan portfolios. While net interest margins continued to decline, credit unions achieved favorable operating results. Real estate loans remain the dominant loan category in credit unions, highlighting the need for continued vigilance in underwriting and sound asset-liability management practices.

Total Shares and Deposits	2006 In Billions	2007 In Billions	% Change
Insured Shares & Deposits	\$535.13	\$560.83	4.80%
Uninsured Shares & Deposits	\$66.06	\$71.57	8.34%

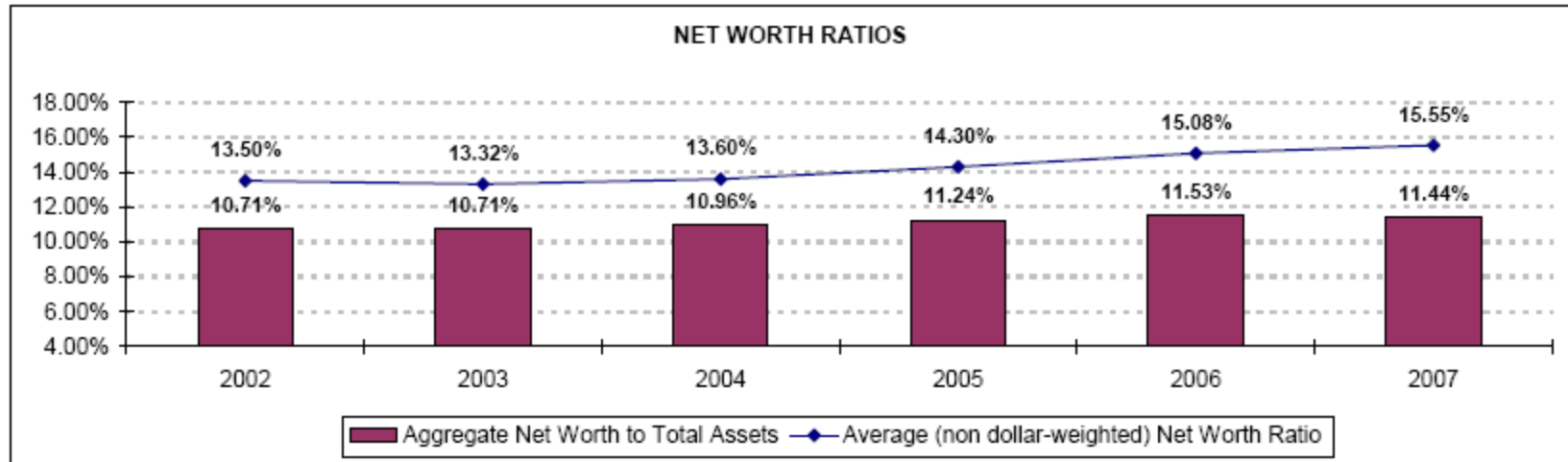
¹ The financial results for prior periods may reflect changes when compared to the prior period trend letters due to subsequent call report modifications.

² The Return on Average Assets ratio is annualized net income divided by average assets for the period.

OVERALL TRENDS



NET WORTH

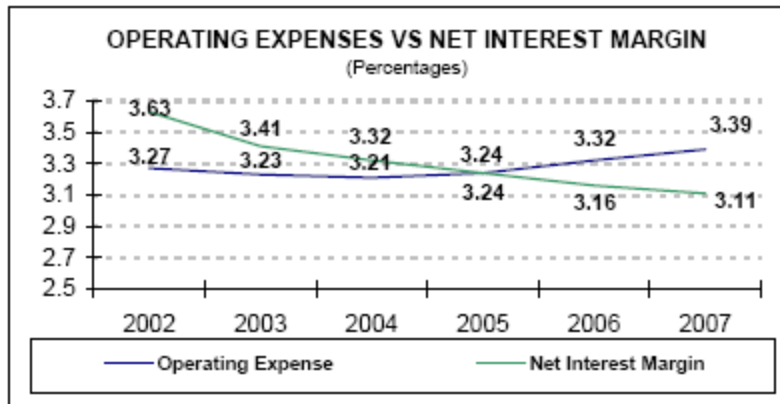
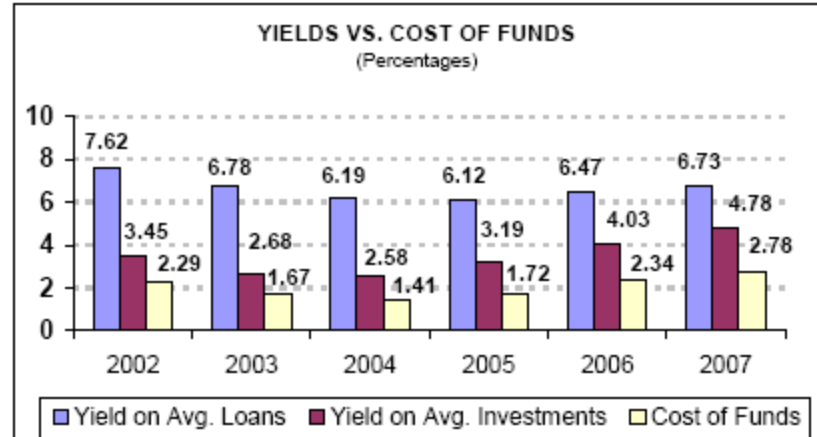
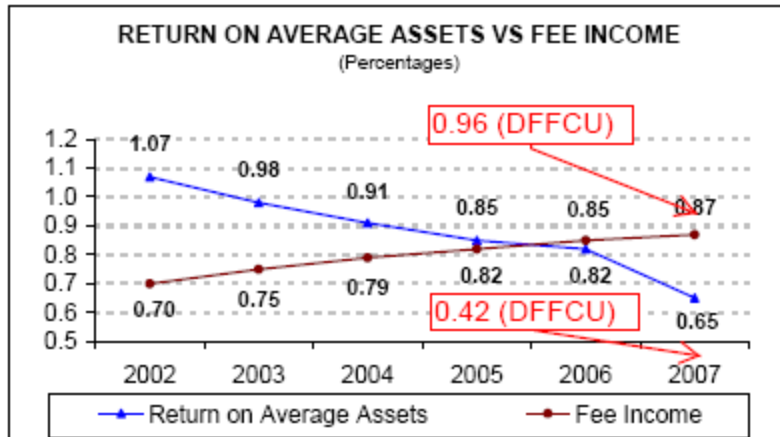


	December 2006 In Billions	December 2007 In Billions	% Change
Total Net Worth	\$81.92	\$86.25	5.28%
Secondary Capital	\$.027	\$.031	12.73%

NET WORTH RATIOS				
Number of Credit Unions	December 2006	% of Total	December 2007	% of Total
7% or above	8,235	98.48%	7,987	98.59%
Net Worth Ratios				
6% to 6.99%	58	0.69%	61	0.75%
4% to 5.99%	36	0.43%	33	0.41%
2% to 3.99%	20	0.24%	12	0.15%
0% to 2.00%	8	0.10%	4	0.05%
Less than 0%	5	0.06%	4	0.05%

Net Worth remains strong as total dollars increased \$4.32 billion or 5.28% during 2007. The number of credit unions subject to Prompt Corrective Action, as a percentage of total credit unions, decreased from 1.52% as of December 31, 2006, to 1.41% as of December 31, 2007.

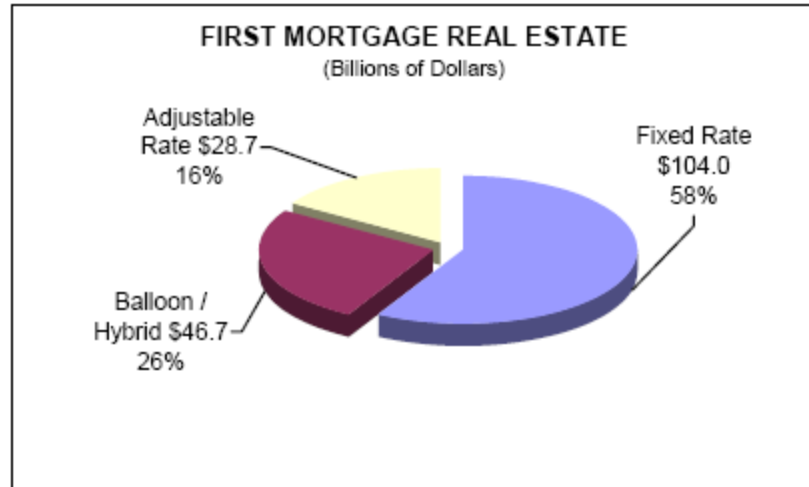
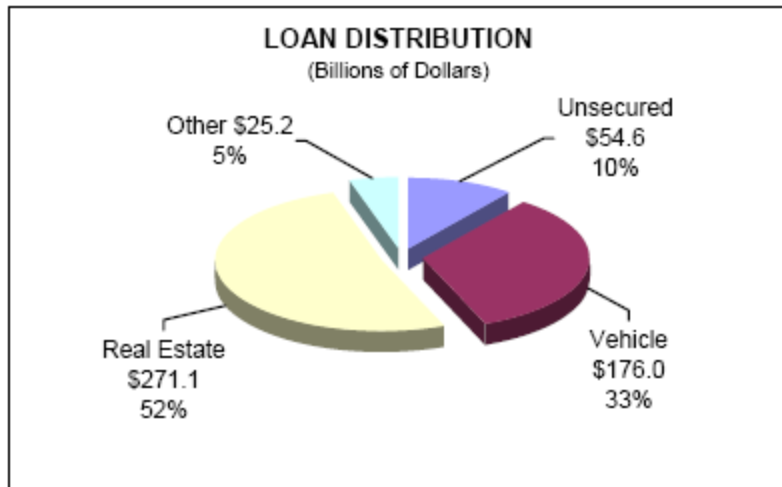
EARNINGS



Ratio (% Average Assets)	As of 2006	As of 2007	Effect on ROA
Net Interest Margin	3.16%	3.11%	- 5bp
+ Fee & Other Inc.	1.28%	1.34%	+ 6bp
- Operating Expenses	3.32%	3.39%	- 7bp
- PLLL	0.32%	0.43%	- 11bp
+ Non-Opr. Income	0.02%	0.02%	+ 0bp
= ROA	0.82%	0.65%	- 17bp

The level of earnings declined 17 basis points during 2007. However, the level continues to be effective, covering the cost of operations as well as contributing to the already solid level of net worth. Net interest margin contracted 5 basis points to 3.11% as the cost of funds increased at a faster rate than the yield on assets. Operating expenses and Provision for Loan & Lease Losses continue to rise in relation to average assets, with the increased funding of the Allowance for Loan & Lease Losses having the largest impact on the reduced Return on Average Assets level.

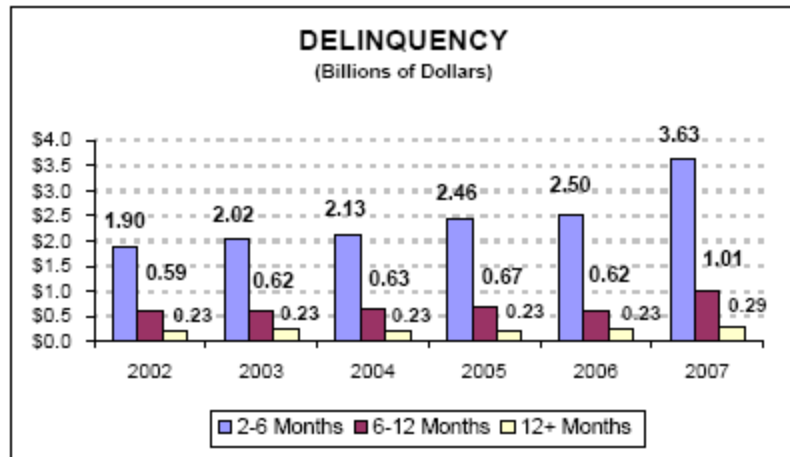
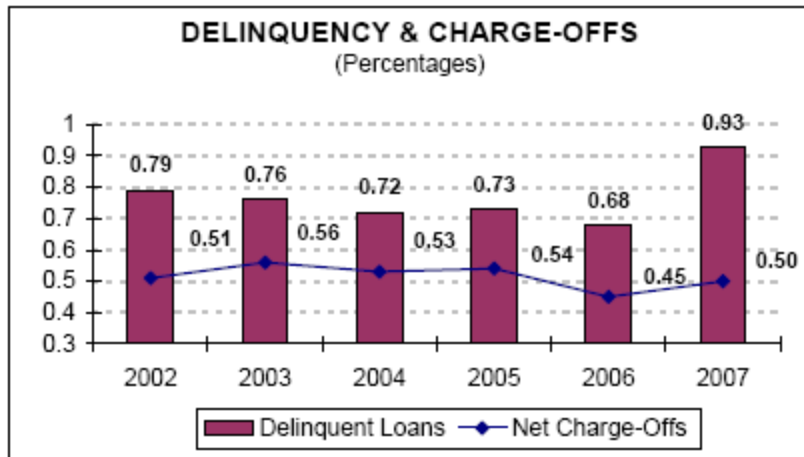
LOAN DISTRIBUTION



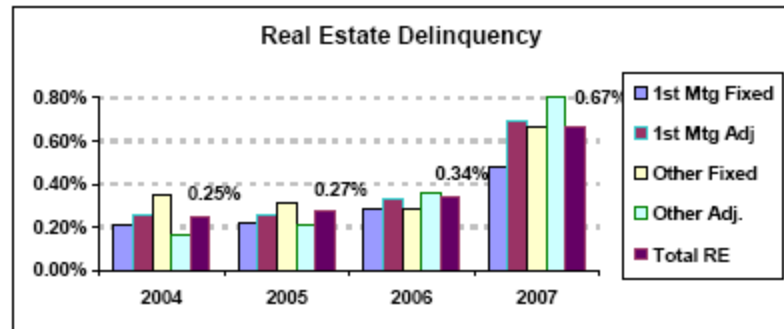
Loan Category	2006 Balance In Billions	% of Total Loans 2006	2007 Balance In Billions	% of Total Loans 2007	Growth In Billions	Growth Rate
Unsecured Credit Card	\$26.57	5.37%	\$30.12	5.72%	\$3.55	13.37%
All Other Unsecured	\$22.62	4.58%	\$24.47	4.64%	\$1.85	8.17%
New Vehicle	\$88.53	17.91%	\$86.90	16.49%	-\$1.63	-1.84%
Used Vehicle	\$87.58	17.71%	\$89.10	16.91%	\$1.53	1.75%
First Mortgage Real Estate	\$159.81	32.33%	\$179.44	34.05%	\$19.63	12.28%
Other Real Estate	\$84.36	17.06%	\$91.67	17.40%	\$7.30	8.66%
Leases Rec & All Other	\$24.92	5.04%	\$25.22	4.79%	\$0.31	1.23%
Total Loans	\$494.39		\$526.92		\$32.54	6.58%

Loan growth outpaced share growth during 2007 with total loans increasing \$32.54 billion, resulting in the loan to share ratio increasing from 82.23% to 83.32%. The growth was again fueled by first mortgages and other real estate loans. Real estate loans comprise the largest portion of total loans at 51.45%, followed by vehicle loans at 33.40%. During 2007, fixed rate first mortgages increased \$13.08 billion (14.40%), adjustable rate first mortgages increased \$1.08 billion (3.90%), and balloon/hybrid first mortgages increased \$5.46 billion (13.23%). Credit unions are reporting \$6.25 billion or 3.48% of total first mortgage loans in Interest Only & Optional Payment First Mortgage Loans.

DELINQUENCY TRENDS

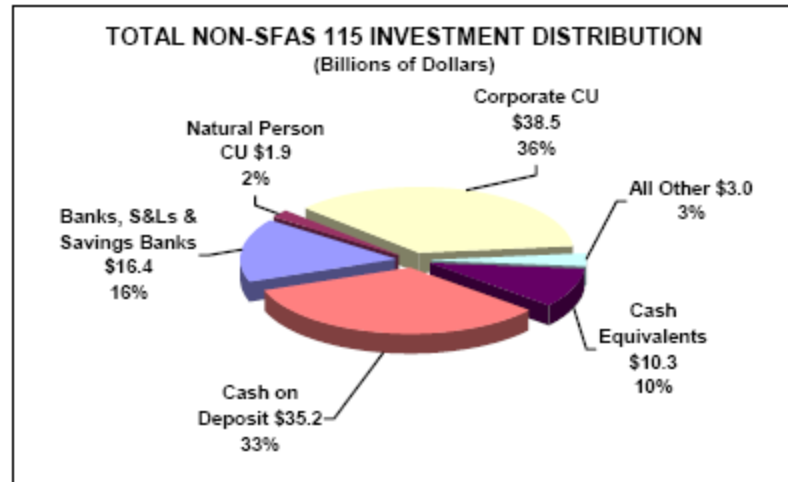
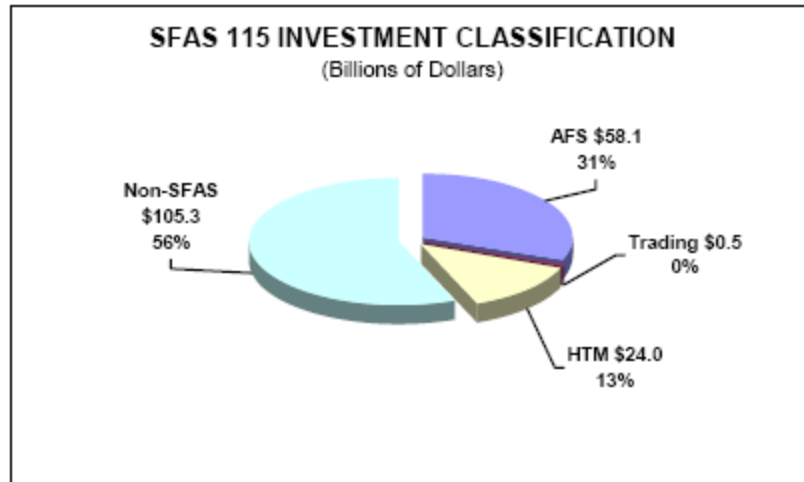


Total Loan Charge-Offs and Recoveries and Outstanding Foreclosed Real Estate	2006 In Billions	2007 In Billions	% Change
Total Loans Charged Off	\$2.67	\$3.10	15.85%
Total Loan Recoveries	\$0.51	\$0.54	5.20%
Total Net Charge-Offs	\$2.16	\$2.56	18.38%
Foreclosed Real Estate	\$0.16	\$0.33	102.20%



The quality of the loan portfolio deteriorated as noted by a 25 basis point increase in delinquent loans to total loans during 2007, while the average net charge-off ratio increased 5 basis points. There are signs of stress in the performance of real estate loans, and the increasing real estate delinquency and loan losses are starting to impact the performance of the overall loan portfolio, as noted in the total delinquency and net charge-off numbers. Total delinquent real estate loans greater than 2 months increased from 0.34% at year-end 2006 to 0.67% as of year-end 2007. All real estate delinquency categories increased with the largest being in Other Real Estate Adjustable Rate loans which increased from 0.36% as of year-end 2006 to 0.80% as of year-end 2007.

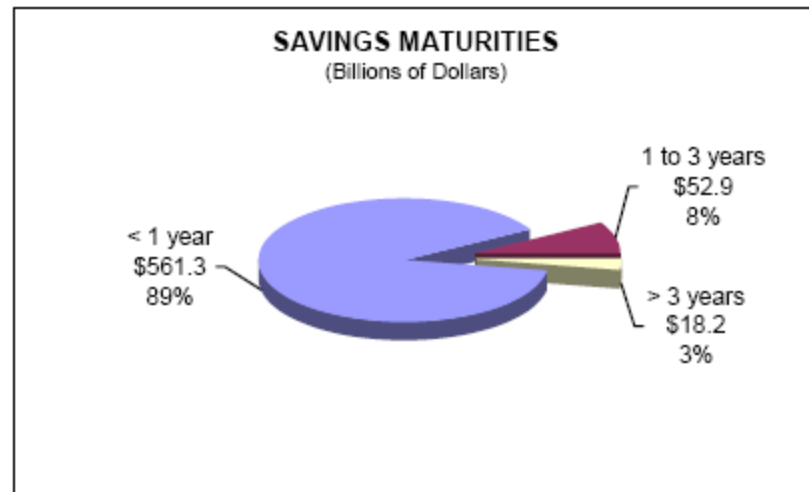
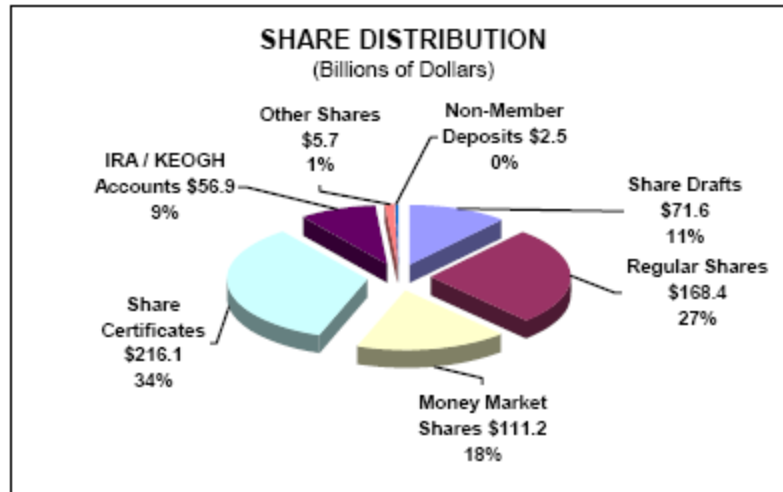
INVESTMENT TRENDS



Investment Maturity or Repricing Intervals	2006 In Billions	% of Total Investments 2006	2007 In Billions	% of Total Investments 2007
Less than 1 year	\$105.83	58.96%	\$111.66	59.41%
1 to 3 years	\$51.95	28.94%	\$46.92	24.97%
3 to 5 years	\$14.45	8.05%	\$19.04	10.13%
5 to 10 years	\$5.17	2.88%	\$7.58	4.03%
Greater than 10 years	\$2.11	1.17%	\$2.74	1.46%
Total Investments	\$179.51		\$187.94	

Strong loan demand outpaced share growth, decreasing the amount of funds available for investment in 2007. The maturity structure of the investment portfolio remains very short, resulting in a low interest rate risk profile for this portion of the balance sheet. Credit unions maintain their investments in high quality, safe instruments. Almost 56% of investments are in cash or equivalents, deposits in corporate credit unions, and deposits in other financial institutions. These provide liquidity and are generally not vulnerable to changing market values. Of the remaining investments, which are subject to SFAS 115 classification, 83.42% are in U.S. Government or Federal Agency Securities.

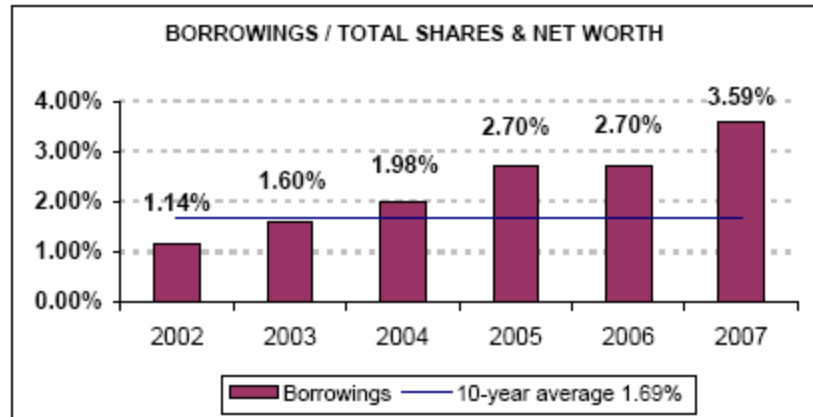
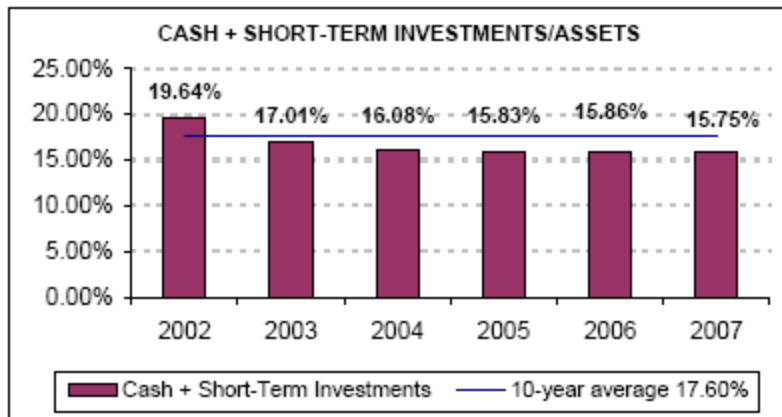
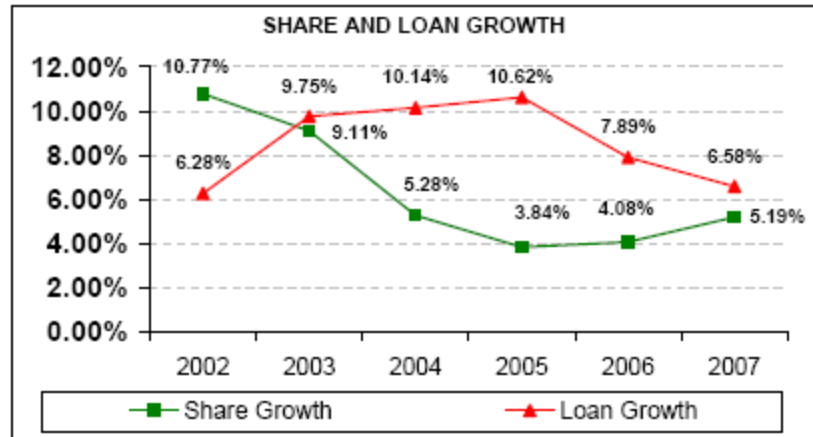
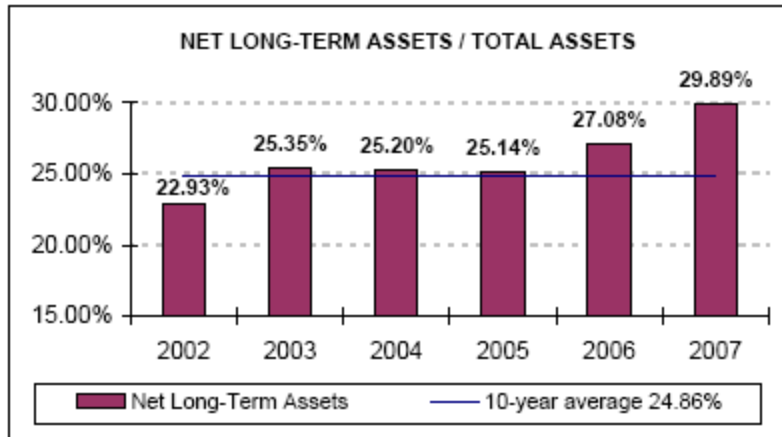
SHARE TRENDS



Share Category	2006 Balance In Billions	% of Total Shares 2006	2007 Balance In Billions	% of Total Shares 2007	Growth In Billions	Growth Rate
Share Drafts	\$70.29	11.69%	\$71.62	11.33%	\$1.33	1.89%
Regular Shares	\$181.12	30.13%	\$168.38	26.63%	-\$12.74	-7.03%
Money Market Shares	\$100.46	16.71%	\$111.15	17.58%	\$10.69	10.65%
Share Certificates	\$188.89	31.42%	\$216.12	34.17%	\$27.23	14.42%
IRA / KEOGH Accounts	\$52.04	8.66%	\$56.90	9.00%	\$4.86	9.34%
All Other Shares	\$5.55	0.92%	\$5.73	0.91%	\$0.18	3.33%
Non-Member Deposits	\$2.84	0.47%	\$2.50	0.39%	-\$0.34	-12.13%
Total Shares	\$601.19		\$632.40		\$31.21	5.19%

Total shares grew 5.19% or \$31.21 billion in 2007. The trend of the movement to rate-sensitive shares continued in 2007 with strong growth in money market shares, IRA/KEOGH accounts and certificates accounting for the majority of the growth. During the period, regular shares declined overall. Total share certificates continue to be the largest category exceeding regular shares since it first occurred on December 31, 2006.

ASSET LIABILITY MANAGEMENT TRENDS



Credit unions continue to hold adequate levels of liquidity; however, trends are showing tightening liquidity. The decline in cash and short-term investments during 2007 is due to the strong loan growth outpacing share growth. The net long-term asset ratio of 29.89% presents potential interest rate risk exposure. Credit unions with higher levels of liquidity risk or interest rate risk must maintain diligent risk management procedures.

SUMMARY OF TRENDS BY ASSET GROUP

	Asset Group Under \$10 million	Asset Group \$10 million to \$100 million	Asset Group \$100 million to \$500 million	Asset Group Over \$500 million
# of Credit Unions	3,599	3,283	915	304
Total Assets	\$13.45 billion	\$113.48 billion	\$197.87 billion	\$428.66 billion
Average Assets	\$3.74 million	\$34.56 million	\$216.26 million	\$1.41 billion
Net Worth/Total Assets	16.89%	13.37%	11.89%	10.56%
Average Net Worth (non dollar-weighted)	18.25%	14.02%	11.91%	11.11%
Net Worth Growth	3.36%	5.06%	5.95%	6.98%
Return on Average Assets	0.52%	0.60%	0.61%	0.68%
Net Interest Margin/Average Assets	4.26%	3.76%	3.34%	2.77%
Fee & Other Income/Average Assets	0.74%	1.27%	1.50%	1.30%
Operating Expense/Average Assets	4.17%	4.12%	3.84%	2.94%
Members / Full-Time Employees	440.54	392.74	344.75	381.37
Provision for LLL/Average Assets	0.36%	0.33%	0.42%	0.46%
Loans/Shares	72.83%	74.68%	82.01%	86.62%
Delinquent Loans/Total Loans	2.23%	1.25%	1.03%	0.78%
% of Real Estate Lns Delinquent > 2 Mths	1.00%	0.90%	0.89%	0.54%
Net Charge-Offs/Average Loans	0.60%	0.49%	0.50%	0.50%
Share Growth	-0.95%	2.99%	4.69%	8.03%
Loan Growth	-0.72%	2.66%	5.06%	10.33%
Asset Growth	-0.36%	3.15%	5.00%	9.51%
Membership Growth	-1.50%	-0.03%	1.28%	4.73%
Net Long-Term Assets/Total Assets	8.31%	22.29%	30.55%	32.27%
Cash + Short-Term Invest./Assets	30.78%	21.32%	15.17%	14.06%
Borrowings/Shares & Net Worth	0.22%	0.57%	2.13%	5.25%

Note: The growth trends are based on the same FICUs reporting 12/31/06 and 12/31/07 using assets as of 12/31/07.

There is a distinct difference in the performance among the different asset groups. Net worth ratios are solid among all asset groups with the largest percentages being reported in the under \$10 million category. The highest return on average assets, loan growth, share growth, membership growth, and loan to share ratio is noted in the over \$500 million asset group.

Dayton Firefighters Federal Credit Union

Statement of Condition - Board Format

	<i>03/31/2008</i>	<i>Last Month</i>	<i>Last Year</i>	<i>Budget YTD</i>	<i>12 Month Variance</i>	<i>Budget Variance</i>
<u>ASSETS</u>						
CONSUMER LOANS	14,495,428	13,754,605	11,837,704		2,657,725	
VISA LOANS	1,637,559	1,677,830	1,558,669		78,889	
TOTAL R.E. LOANS	8,457,010	8,214,732	7,189,033		1,267,977	
MOBILE HOME LOANS	51,679	52,607	7,986		43,693	
SHARE SECURED LOANS	552,504	574,091	550,427		2,077	
LOANS TO MEMBERS	25,194,180	24,273,865	21,143,819		4,050,361	
LOAN LOSS ALLOWANCE	(104,079)	(99,596)	(70,373)		(33,706)	
CASH ON HAND	64,601	77,090	70,484		(5,883)	
CORPORATE ONE	6,261,362	6,896,780	10,414,947		(4,153,585)	
OTHER SHARES, DEPOSITS, CERTS.	3,128,006	3,332,474	2,687,178		440,829	
INVESTMENTS IN CUSO	2,500	2,500	0		2,500	
INVESTMENTS	9,391,869	10,231,754	13,102,125		(3,710,256)	
NCUA SHARE INS.CAPIT	278,295	295,582	238,373		39,922	
PREPAID EXPENSES	113,019	71,411	122,543		(9,524)	
LAND/BUILDING-NET	479,570	462,324	441,328		38,242	
ACCRUED INCOME	198,393	195,566	187,681		10,712	
OTHER ASSETS	17,871	17,871	50,146		(32,275)	
OTHER ASSETS	1,087,148	1,042,754	1,040,072		47,077	
TOTAL ASSETS	35,633,719	35,525,867	35,286,126		347,593	
<u>LIABILITIES</u>						
ACCOUNTS PAYABLE	14,367	21,367	30,806		(16,439)	
IRA WITHHOLDINGS PAYABLE	0	0	14		(14)	
BORROWINGS	1,500,000	1,000,000	0		1,500,000	
ACCRUED LIABILITIES	70,863	88,951	84,365		(13,503)	
TOTAL LIABILITIES	1,585,230	1,110,318	115,185		1,470,045	
TOTAL LIABILITIES	1,585,230	1,110,318	115,185		1,470,045	
<u>EQUITY</u>						
SHARES	9,753,119	9,566,462	9,800,667		(47,548)	
SHARE DRAFT ACCOUNTS	1,874,993	2,002,474	1,918,022		(43,028)	
VALUE SHARE DRAFT	113,061	116,966	95,869		17,193	
MMA	6,835,529	6,589,006	5,161,744		1,673,786	
IRA SAVINGS	1,296,449	1,648,436	1,776,759		(480,309)	
MONEY MKT.SHARE CER.	10,070,133	10,407,133	12,504,342		(2,434,208)	
TOTAL SHARES	29,943,286	30,330,477	31,257,401		(1,314,115)	
REGULAR RESERVE	1,400,544	1,400,544	1,400,544		0	
UNDIVIDED EARNINGS	2,704,658	2,633,463	2,512,995		191,663	
GAIN/LOSS-GL XFER	0	51,064	0		0	
TOTAL CAPITAL	4,105,203	4,085,072	3,913,540		191,663	
TOTAL EQUITY	34,048,489	34,415,549	35,170,941		(1,122,452)	
LIABILITIES+EQUITY	35,633,719	35,525,867	35,286,126		347,593	

Dayton Firefighters Federal Credit Union

Income/Expense - Board Format

		<i>3/31/08</i>	<i>YTD Current Year</i>	<i>YTD Last Year</i>	<i>YTD Budget</i>	<i>Variance 12 Months</i>	<i>Variance Budget</i>
<u>INTEREST INCOME</u>							
100000	INCOME FROM LOANS	146,990	420,766	376,760		44,006	
120000	INVESTMENT INCOME	38,867	137,338	169,666		(32,328)	
TOTAL INTEREST INCOME		185,856	558,104	546,426		11,678	
<u>INTEREST EXPENSE</u>							
380000	DIVIDENDS	65,209	202,832	259,575		(56,744)	
TOTAL INTEREST EXPENSE		65,209	202,832	259,575		(56,744)	
NET INTEREST INCOME		120,647	355,273	286,851		68,422	
300000	LOAN LOSS PROVISION	13,965	43,892	32,721		11,171	
TOTAL LOSS PROVISION		13,965	43,892	32,721		11,171	
NET AFTER LOSS PROVISION		106,682	311,381	254,130		57,251	
<u>OPERATING EXPENSES</u>							
200000	TOTAL OPERATING EXP	103,519	286,775	276,645		10,130	
310000	OTHER EXPENSES	8,059	35,535	16,239		19,295	
TOTAL OPERATING EXPENSE		111,577	322,309	292,884		29,425	
<u>OTHER OPERATING INCOME</u>							
130000	FEES/CHARGES/MISC	25,026	82,124	74,396		7,728	
TOTAL OTHER OP INCOME		25,026	82,124	74,396		7,728	
400000	NON-OPER. INC./EXP.	0	0	678		(678)	
TOTAL NON-OP EXP/INC		0	0	678		(678)	
NET INCOME		20,131	71,195	36,320		34,876	

Dayton Firefighters Federal Credit Union

Key Ratios and Balances (rev.3/08)

	3/31/08	Last Month	Last Year	PEER Avg. Dec-07	Variance to Peer
---KEY PERFORMANCE RATIOS					
Net Worth	11.52%	11.50%	11.09%	14.46%	(2.94)
Delinquency	0.40%	0.47%	1.01%	1.37%	(0.97)
Charge-Offs	0.61%	0.63%	0.71%	0.50%	0.11
Return on Avg. Assets	0.79%	0.85%	0.41%	0.64%	0.15
---CAPITAL ADEQUACY					
*Net Worth/Total Assets	11.52%	11.50%	11.09%	14.46%	(2.94)
Total Delinquent Loans/Net Worth	2.47%	2.78%	5.47%	6.74%	(4.27)
Solvency Evaluation	114.06	113.80	112.75	117.53	(3.47)
Classified Assets / Net Worth	2.54%	2.44%	1.80%	3.96%	(1.42)
---ASSET QUALITY					
*Delinquent Loans / Total Loans	0.40%	0.47%	1.01%	1.37%	(0.97)
*Net Charge-Offs / Average Loans	0.61%	0.63%	0.71%	0.50%	0.11
Fair Market Value / Book Value	100.00	99.98	100.00	100.60	(0.60)
Gain AFSS / Cost Investments AFS	0.00%	0.00%	0.00%	(0.16%)	0.16
Delinquent Loans / Assets	0.28%	0.32%	0.61%	0.84%	(0.56)
---EARNINGS					
* Return on Average Assets	0.79%	0.85%	0.41%	0.64%	0.15
Gross Income / Average Assets	7.08%	7.13%	7.03%	7.23%	(0.15)
Yield on Average Loans	6.95%	6.92%	7.09%	7.29%	(0.34)
Yield on Average Investments	5.03%	5.21%	5.21%	4.74%	0.29
Fee & Other Op.Inc./ Avg. Assets	0.91%	0.95%	0.84%	1.13%	(0.22)
Cost of Funds / Average Assets	2.47%	2.58%	2.94%	2.08%	0.39
Net Margin / Average Asset	4.84%	4.55%	4.09%	5.15%	(0.31)
Operating Expenses / Avg.Assets	3.27%	3.23%	3.35%	4.21%	(0.94)
PL&LL / Average Assets	0.49%	0.50%	0.37%	0.32%	0.17
Net Int. Margin / Avg. Assets	3.93%	3.60%	3.25%	4.02%	(0.09)
Operating Exp. / Gross Income	47.13%	44.88%	47.18%	57.35%	(10.22)
Fixed Assets / Total Assets	1.35%	1.30%	1.25%	2.40%	(1.05)
Net Oper. Exp. / Avg. Assets	3.04%	2.64%	2.83%	3.33%	(0.29)
---ASSET / LIABILITY MANAGEMENT					
Net L-T Assets / Total Assets	26.46%	25.85%	22.88%	17.96%	8.50
Regular Shares / Total Shares	32.57%	31.54%	31.35%	46.18%	(13.61)
Total Loans / Total Shares	84.14%	80.03%	67.64%	72.58%	11.56
Total Loans / Total Assets	70.70%	68.33%	59.92%	61.43%	9.27
Cash + S-T Invest. / Assets	16.52%	18.38%	28.44%	24.67%	(8.15)
Total Shares / Earning Asset	86.58%	87.90%	91.27%	89.58%	(3.00)
Shares+Drafts/Total Shares&Borrs	39.21%	38.53%	37.80%	57.49%	(18.28)
Borrowings / Total Shares+NW	0.05%	0.03%	0.00%	0.29%	(0.24)
---PRODUCTIVITY					
Members / Potential Members	1	1	1	38	(37.22)
Borrowers / Members	56.51	56.54	55.76	48.41	8.10
Avg. Shares Per Member	\$8,846	\$8,979	\$9,356	\$5,264	3,581.87
Avg. Loan Balance	\$13,170	\$12,709	\$11,349	\$9,180	3,989.98
Salary & Benefits / FT Employee	\$44,305	\$43,679	\$46,996	\$47,918	(3,613.33)

Dayton Firefighters Federal Credit Union

Key Ratios and Balances (rev.3/08)

	3/31/08	Last Month	Last Year	PEER Avg. Dec-07	Variance to Peer
---OTHER RATIOS					
Net Worth Growth	7.06%	7.60%	3.75%	5.21%	1.85
Market (Share) Growth	(8.34%)	(4.91%)	(0.96%)	2.36%	(10.70)
Loan Growth	34.27%	27.61%	(4.53%)	2.18%	32.09
Asset Growth	(11.97%)	(19.72%)	(0.58%)	2.61%	(14.58)
Investmnt Growth	(98.28%)	(106.94%)	4.10%	12.55%	(110.83)
Membership Growth	3.34%	3.75%	3.75%	0.13%	3.21
* One of the 4 Key CAMEL Ratios					
---SPREAD ANALYSIS					
(12 Month Rolling Average)					
Yield On Assets	6.25%	6.27%	5.93%	7.23%	(0.98)
- Cost Of Funds	2.77%	2.88%	2.88%	2.08%	0.69
= Gross Spread	3.48%	3.38%	3.05%	5.15%	(1.67)
- Operating Expenses	3.39%	3.29%	3.44%	4.21%	(0.82)
+ Other Income	1.00%	1.01%	0.92%	1.13%	(0.13)
- Provision for Loan Loss	0.50%	0.46%	0.21%	0.32%	0.18
= Net Spread	0.59%	0.64%	0.32%	0.64%	(0.05)
ROE	4.79%	5.21%	3.10%		
Efficiency Ratio	65.27%	68.49%	60.71%		
---SHARE STATISTICS					
New Share Accounts YTD	55	42	74	1,069	(1,014.00)
Total Number of Members	3,385	3,378	3,341	4,379	(994.00)
New Share Drafts YTD	48	38	37	152	(104.00)
Total Share Draft Accounts	1,665	1,667	1,606	1,748	(83.00)
New MMSC YTD	18	16	36	108	(90.00)
Total MMSC	422	444	521	631	(209.00)
---LOAN STATISTICS					
Number of 1st Mortgages YTD	7	4	4	36	(29.00)
Amount of 1st Mortgages YTD	\$758,013	\$363,308	\$619,900	\$2,900,749	(2,142,736.00)
First Mortgage Loan Ratio	23.73%	23.12%	20.37%	40.00%	(16.27)
Number of Credit Cards YTD	26	22	23		
Amount of Lines YTD	\$97,625	\$79,250	\$108,850		
Total Limits Issued	\$7,859,034	\$7,793,564	\$7,483,339		
Number of All Other Loans YTD	168	120	88	739	(571.00)
All Other Loans-Current Month	\$1,400,067	\$1,769,661	\$183,120		
Amount of All Other Loans YTD	\$3,954,548	\$2,554,481	\$951,402	\$8,900,945	(4,946,396.79)
---COLLECTIONS					
Number of Chargd Offs - YTD	5	3	4	26	(21.00)
Amt. of Charge-Off - YTD	(\$32,927)	(\$22,401)	(\$38,211)	\$128,556	(161,483.09)
Number of Recoveries-YTD	26	14	7	35	(9.00)
Amount of Recoveries - YTD	\$4,950	\$3,804	\$1,428	\$14,767	(9,816.52)
Products / Member	2.33	2.34	2.34	2.38	(0.05)



Strategic Issues



VISION 2014



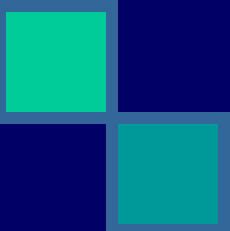

Strategic Objectives

Vision 2009

	Dec-05 GOAL		Dec-06 GOAL		Dec-07 GOAL		Dec-08 GOAL	
ASSETS	30,600,000		32,400,000		34,400,000		\$ 36,400,000	
LOANS	22,900,000		24,300,000		25,800,000		\$ 27,324,000	
EQUITY	3,722,207		3,937,207		4,152,207		\$ 4,368,000	
SAVINGS	27,909,000		29,281,000		30,653,000		\$ 32,032,000	
AVG. SAVINGS / MEMBER	7,000		7,000		7,000		\$ 7,000	
MEMBERS	3,987		4,183		4,379		4,576	
ROA	0.70%		0.70%		0.70%		0.70%	
AVG. LOAN / MEMBER	5,971		5,971		5,971		\$ 5,971	
PRODUCTS / MEMBER	2.32		2.35		2.38		2.40	
FTEs	11.20		11.50		11.90		12.1	
PRODUCTS / FTE	828		853		878		905	
ASSETS / FTE	2,732,143		2,817,391		2,890,756		\$ 2,998,000	




Action Items

- 
- Proposals that are ready for a vote.
 - Limited to plan and board policy amendments.
 - Items introduced at a prior meeting that the board tabled or delayed.
- 



Reports of officers, committees and management

- Managers, officers, and committees may put reports on the agenda only if there is something of substance to report.
- 



Committees

TITLE: Executive Committee (Chairman, Vice-chairman, Treasurer)

REPORTS: Activities and progress reported at the monthly Board meeting by the committee chairperson

Purpose

- Acts on behalf of the entire Board in making executive decisions between regular monthly meetings that do not require a vote by the Board or approval by rule or regulation as specified in Article VII Section 10 of the DFFCU bylaws
- Generally responsible for activities related to reviewing and monitoring the financial performance of the credit union and maintaining its sound financial condition

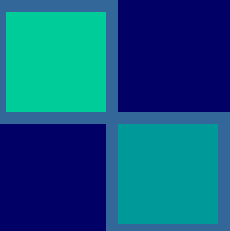
Duties and Responsibilities

- Serves as the investment committee and is responsible for monitoring, reviewing and approving credit union investments
- Coordinates the preparation of and recommends to the Board for approval, the annual budget as proposed by the Budget sub-committee
- Receives updates from staff and reports on the progress of the strategic plan **financial strength** initiatives
- Assumes the responsibilities of Asset/Liability management committee




Committees

TITLE: Delinquent Loan Committee (appointed at Organizational Meeting)



REPORTS: Activities and progress reported at the monthly Board meeting by the committee chairperson (or designated representative) along with the monthly delinquent loan report and recommendations for Board actions.

Purpose

- Ensures that collection policies reflect the tone and intent of the Board of Directors
 - Recommends risk management policy changes to the Board as needed
 - Reviews actions taken by the staff to collect and minimize losses due to delinquency
- 

Duties and Responsibilities

- Meets with collections staff to review the monthly delinquent loan report and evaluate collection activity
- Reports to Board on trends that may indicate the need for policy change
- Recommends charge-off of loans according to policy to the Board
- Monitors efforts to collect charged off loans
- Reviews Allowance for Loan and Lease Losses (ALLL) for adequacy



Committees


TITLE: Supervisory-Audit Committee (appointed at Organizational Meeting)

REPORTS: Activities and progress reported at the monthly Board meeting by the committee chairperson—may be made by the Board Liaison

Purpose

- To inspect the credit union's records for accuracy, its assets for security, and its procedures for the proper handling and use of funds.

Duties and Responsibilities

- Fulfill duties and responsibilities as described in the DFFCU job description
 - Adhere to training and education policy
 - Be familiar with and comply with Article IX of the DFFCU bylaws, Federal Credit Union Act and NCUA Supervisory Committee Guide for Credit Unions
 - Meet at least quarterly and report to the Board on activities
 - Communicate with and through the Board liaison
- 



Committees

TITLE: Membership Officer (appointed at Organizational Meeting)


REPORTS: Account numbers and names of new members at the monthly Board meeting



Purpose

- To carry out the duties described in Article VII, Section 10 of the DFFCU bylaws

Duties and Responsibilities

- Reviews new member applications and determines that membership eligibility requirements are met
 - Authorizes membership by approval signature according to bylaws
 - Tracks membership trends, closed accounts and compares with strategic goals
- 



Committees

TITLE: Human Resources Committee (appointed at Organizational Meeting)


REPORTS: Activities and progress report at the monthly Board meeting by the committee chairperson



Purpose

- Coordinates and reports on the activities of policy review, ethics and education sub-committees
- Monitors and reports on strategic plan human resources initiative activity

Duties and Responsibilities

- Oversees Policy Review sub-committee in reviewing and revising credit union policies as needed and in conjunction with other committees
 - Establishes a cycle to make sure all policies are reviewed every 2 years
 - Submits policy recommendations to the Board for approval
 - Oversees the Ethics sub-committee in reviewing and making recommendations on issues or situations where conduct is questionable
 - Maintains records of annual acknowledgement of Code of Conduct policy
 - Oversees Education sub-committee review of volunteer training, education and attendance records to ensure compliance with policy and bylaws
 - Receives and recommends requests by volunteers for approval to attend outside training and determines compliance with policy
 - Monitors and reports on the progress of the strategic plan **human resources** initiatives
- 



Committees

TITLE: Marketing Committee (appointed at Organizational Meeting)

REPORTS: Activities and progress report at the monthly Board meeting by the committee chairperson

Purpose

- Reports to the Board on marketing activities and strategic plan marketing and membership expansion initiatives
- Submits to the Board for approval special promotions, marketing plan and follow-up of results
- Coordinates annual meeting sub-committee and other special activities

Duties and Responsibilities

- Meets with staff to receive updates on marketing efforts, keeping Board informed of promotions requiring their approval
 - Reviews marketing plan to determine that Board goals and objectives are being met
 - Oversees Annual Meeting sub-committee and updates Board on progress
 - Oversees Charitable Contribution Committee and updates Board on disbursements
 - Monitors and reports on the progress of the strategic plan **growth** initiatives
- 



Committees

TITLE: Member Services Committee (appointed at Organizational Meeting)

REPORTS: Activities and progress report at the monthly Board meeting by the committee chairperson



Purpose

- Keeps the Board informed of additions, changes or enhancements to member services being considered for implementation

Duties and Responsibilities

- Monitors and reports on the progress of the strategic plan **product** initiatives
- 



Committees


TITLE: Security Officer (appointed at Organizational Meeting)

REPORTS: Activities and progress reported verbally or by written report at the monthly Board meeting by the committee chairperson

Purpose

- This individual is the Board representative for ensuring compliance with Part 748 of the NCUA Rules & Regulations

Duties and Responsibilities

- Reviews and recommends for approval by the Board any changes or additions to the DFFCU Security Plan
 - Oversees the development, implementation and maintenance of the DFFCU information security program
- 



Committees


TITLE: Technology Committee (appointed at Organizational Meeting)

REPORTS: Activities and progress reported verbally or by written report at the monthly Board meeting by the committee chairperson

Purpose

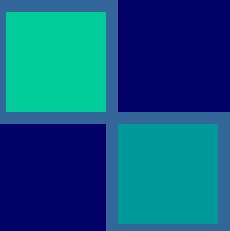

- Keeps the Board informed of any developments or changes to technology used to deliver services remotely or by other electronic means and to manage threats to integrity of systems employed by the DFFCU

Duties and Responsibilities

- Meets with staff to gain insight on acceptance by members of electronic delivery services
 - Receives staff reports on condition of equipment and measures taken to protect sensitive data and minimize risk of disruption to DFFCU operations
 - Receives staff reports on new technology that enhances or is more cost-efficient in delivering services or operationally beneficial
 - Reports findings to the Board
 - Monitors and reports on the progress of the strategic plan **delivery channel** initiatives
 - Monitors and reports on the progress of the strategic plan **technology** initiatives
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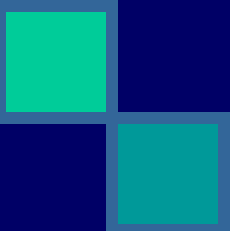



For Your Information (FYI)

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- FYI items are matters of general interest to directors and management with significance to past or future actions, relevant to issues under consideration, and correspondence addressed to the board.
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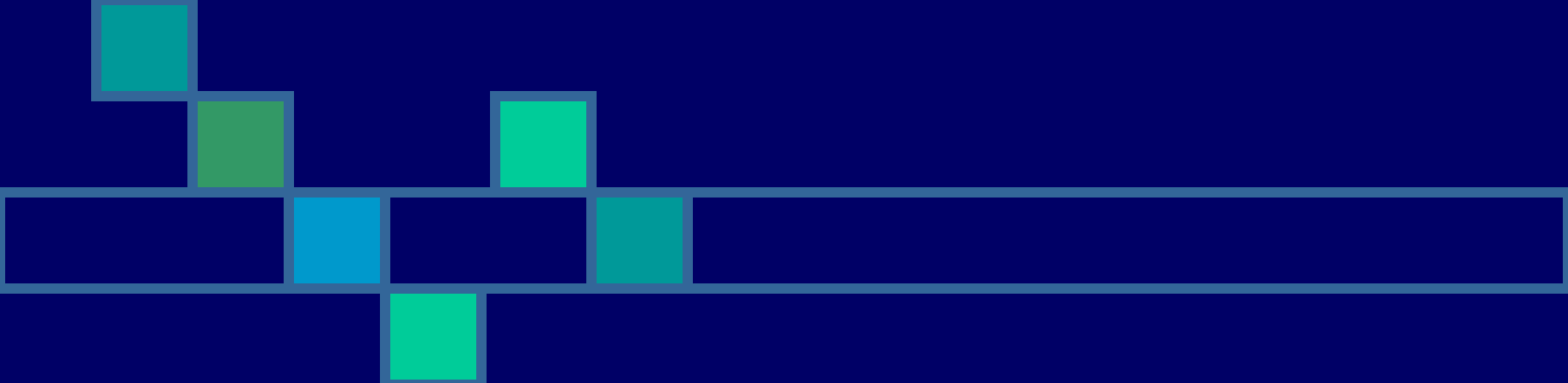
General Discussion

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- An opportunity for any director, manager, and committee member attending to bring up any topic of potential interest to the others.
 - Not a time to make a motion or raise an issue of significance.
 - A suggestion to begin thinking about something internal.
- 



Internet References

- <http://www.dffcu.org>
 - <http://www.ncua.gov/index.html>
 - http://www.ncua.gov/RegulationsOpinionsLaws/charter_manual/charter_manual.html
 - http://www.ncua.gov/RegulationsOpinionsLaws/fcu_act/fcu_act.pdf
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 - <http://www.nafcu.org/>
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*THE
END*



Asset/Liability Management and Net Economic Value

Ronald W. Boehnlein, CPA
Chief Financial Officer



Asset/Liability Management

- Definition
- Objectives
- Asset/Liability Committee (ALCO)
- Sources and Uses of Funds
- Risks
- NEV and Interest Rate Risk Measurement

ALM Definition

- Process of managing the composition and pricing of a credit union's assets and liabilities
- Controlling the exposure to financial risk with the goal of maximizing efficiency of capital over the long term

ALM Objectives-Typical CU

- Balance the diverse needs of members
- Generate sufficient income to cover:
 - Dividends and Interest
 - Operating Expenses
 - Planned Capital Accumulation
- Maintain sufficient liquidity
- Make safety a primary consideration



Asset/Liability Committee

- Typically comprised of management staff
- CEO
- Finance Executive
- Lending Executive
- Marketing Executive
- Operations Executive



Sources of Funds

- Members' Deposits
- Capital-Undivided Earnings and Reserves
- Temporary Borrowing
- Term Borrowing

Uses of Funds

- Loans to Members
- Investments
- Fixed Assets
- Cash (Change Fund, Transaction Accounts)

ALM Risks

- Interest Rate Risk
- Liquidity Risk
- Credit Risk
- Operating Risk

Interest Rate Risk

- Primary focus of ALCO and ALM decisions
- Mismatch between maturities or durations of assets and liabilities
- Option Risk
- Basis Risk

Liquidity Risk

- Availability of Funds to meet Cash Flow needs as they arise
- Increase in Loan Demand
- Outflows of Deposits

Credit Risk

- Loss of Principal due to default
- Defaults on Loans
- Defaults on Investments
- Downgraded rating on an Investment

Operational Risks

- Fraud and Employee Theft
- Natural Disasters
- Fire
- Intentional Destruction of Property/Data
- Liability Lawsuits
- Hackers
- Inefficient Operations

Measuring Interest Rate Risk

Typical Credit Union Measures:

Rate Sensitivity Gap Analysis

Spread Analysis (Historical/Future)

Asset Valuation (Shock Analysis)



Measuring Interest Rate Risk

NCUA Recommended Additional Methods:

Net Interest Income (NII) Simulation

Duration Gap Analysis

Net Economic Value (NEV)



Net Interest Income Simulation

- Simulate impact of changes in interest rates of up and down 100, 200, and 300 BP
- Simulation must be dynamic
- Assumptions change with level of interest rate shock

Duration

- Simple Duration:
 - Present value of weighted average maturity of cash flows
- Modified Duration:
 - Quantifies the price/yield sensitivity of an instrument

Duration

- Effective Duration:
 - Expected change in price of an instrument given a parallel shift in the yield curve
 - Gives consideration to cash flow changes as the interest rate changes

Duration GAP Analysis

- Simulation must be dynamic
- Cash flows change with level of interest rate shock
- Duration of Equity is the degree of mismatch between duration of assets and liabilities

Net Economic Value

Present Value of Assets
- Present Value of Liabilities
+ Net Market Value of Off-Balance
Sheet Contracts

Net Economic Value

- Measures changes in economic value for substantial changes in interest rates
- Typically shocked plus and minus 100, 200 and 300 BP
- Measures volatility in the credit union's balance sheet

NEV - Measurement

- Estimate cash flows under each interest rate scenario
- Determine the appropriate discount rate for each cash flow (yield obtainable in the market for a cash flow with similar maturity and risk)
- Use an option-based pricing model



Simulation Testing Example

Scenario	NEV	NEV Ratio	NEV % Change	Annual Net Int Income	Annual NII% Change
Policy Limit	47,850,202	2.00	-25.00%		
-300	68,413,251	4.06	7.23%	7,950,786	28.97%
-200	66,992,625	3.98	5.00%	7,437,668	20.65%
-100	65,505,038	3.91	2.67%	6,800,849	10.32%
0	63,800,269	3.82	-	6,164,606	-
100	61,820,138	3.72	-3.10%	5,514,202	-10.55%
200	59,531,960	3.60	-6.69%	4,858,694	-21.18%
300	56,843,498	3.45	-10.90%	4,198,374	-31.90%
Yield Curve:					
Invert	63,637,446	3.81	-0.26%		
Steepen	62,959,963	3.77	-1.32%		