Credit Union ONE™

2008 ANNUAL REPORT

ANNUAL REPORT TO THE MEMBERSHIP – 2008

During 2008, Credit Union ONE was tested more than any time in its 70-year history. Despite extraordinary economic events and hazardous market conditions that caused an operating loss, the credit union remained adequately capitalized and well positioned to withstand what we believe will continue to be a very challenging year in 2009.

In 2008 we witnessed the almost decade-long recessionary environment in Michigan get worse as the nation plunged into recession and credit markets became frozen. Nation-leading unemployment and foreclosure rates for Michigan continued to dominate the headlines, as did bank failures and bailouts. Like most financial institutions, Credit Union ONE was not immune to the negative impact of these economic conditions. However, a solid capital position built over the last several years, conservative and prudent business practices, and a strong management team allowed us to weather the storm and kept us on a path that puts members before profits.

Although we never made a subprime loan or invested in risky mortgage securities, we experienced a significant increase in overall loan delinquency. Extreme pressures affecting consumers in our greater economy have had a very negative impact. The housing sector meltdown coupled with dismal trends in wages and employment has hit local families harder in Michigan than anywhere in the nation. The burdens of unemployment and the poor economy put many members in the unfortunate position of being unable to meet their loan obligations. When possible, we took every reasonable measure to assist distressed members by modifying loan terms. Regrettably, in some instances this was not possible. As a result, delinquency and loan losses climbed throughout the year. This required funding of our Allowance for Loan Loss reserve (ALL) to historically high levels, which consequently had a significant impact on our net earnings.

In addition to local economic conditions having a negative impact on earnings, it is important to point to significant national events outside of the credit union's control that contributed to overall negative earnings for 2008. In March 2009, the National Credit Union Administration (NCUA) took two wholesale credit unions (also known as corporate credit unions) into conservatorship due to significant losses from mortgage backed securities. The losses from these two credit unions and other actions by the NCUA to guarantee deposits in the corporate credit union system cost the federal deposit insurance system approximately $6 billion. Because of the cooperative nature of the insurance fund, each credit union in the nation is responsible to cover this cost in proportion to its insured deposits. The total expense to Credit Union ONE will be in excess of $8 million. The credit union took $6 million of this expense as a charge to 2008 earnings, and the remainder will be expensed in 2009.

As a result of higher than forecast Allowance for Loan Loss (ALL) funding and the additional expenses related to the NCUA's action to conserve corporate credit unions, our net operating loss for 2008 was $12.2 million. Earnings before funding the ALL and accounting for losses in the corporate credit union system, were stronger than 2007 and evidence of the fundamentally sound earnings capacity of the organization. The increase in ALL funding is attributed to higher levels of delinquency and loan losses referenced in the previous paragraph, as well as several one-time accounting charges that acknowledge and accommodate for the poor market conditions within which we operate. We have taken a conservative approach to funding and managing the ALL which, in the short term, has a negative impact on earnings, but in the longer term, is prudent and we believe better protects the assets and capital of the credit union.

There were also many bright spots amid the challenges we faced in 2008. In the face of news of frozen credit markets, we successfully managed our liquidity and remained a source of credit to qualified borrowers. In doing so, we made over a quarter billion dollars of loans to Michigan consumers while other lenders stopped making loans. During the year we launched a new and greatly improved website, provided members with access to FHA and VA mortgage loan products, continued to offer the best auto loan rates in the market and kept our position among the largest Michigan-based providers of auto financing, maintained competitive savings rates, and witnessed record levels of investments in our financial planning programs. In addition, fees charged to members decreased for a third straight year. The volume of transactions via our branches, call center and electronic services increased as members received sound advice and counsel from our member service consultants. Understanding the financial distress of many members, we have partnered with Green Path debt management services to provide free budget counseling to all members. We continued on our quest for operational efficiency by implementing several projects to improve service and reduce costs. For the second straight year, we have been able to reduce operational expenses – a total of over $8 million or approximately 23% since 2006 – in an effort to assure your credit union is operated efficiently to provide the greatest return to you.

Despite an operating loss in 2008, we remain confident in the sound management and business practices that put the credit union in a position to absorb a loss and continue to meet member needs and improve services. The Credit Union has successfully navigated fluctuating economic times and volatile markets, and we have a 70-year history of strong performance and outstanding member service. Members can depend on our Board and management team who have a long-term vision to deliver member value and financial strength. Regardless of economic conditions, we remain vigilant and steadfast in our investment in the individual and collective success of our members and, ultimately, in your credit union.

We thank you for your continued trust, confidence and membership in Credit Union ONE.

William G. Coyne

William G. Coyne
Chairman, Board of Directors

Gary A. Moody

Gary A. Moody
President and Chief Executive Officer

Credit Union ONE™

2008

MISSION STATEMENT

Credit Union ONE is committed to providing exceptional value to its members by delivering outstanding products and services anytime, anywhere.

CORE PURPOSE

To meet our members' financial service needs throughout their lifetime.

BOARD OF DIRECTORS

William G. Coyne, Chairman
Guadalupe G. Lara, Vice Chairwoman
Paul W. Stuart, Secretary/Treasurer
Charlene P. Augustyn, Director
Jan Gillespie, Director
Joan Stefanski, Director
Rudolph R. Montano, Jr. Director
David C. Prybys, Director
Richard J. Bahls, Director Emeritus

The certified public accounting firm of Doeren Mayhew audited, in accordance with auditing standards generally accepted in the United States of America, the statements of financial condition of Credit Union ONE and Subsidiaries as of December 31, 2008 and 2007, and the related statements of earnings, members' equity and cash flows for the years then ended (not presented herein). Complete audited financial statements and footnotes are available for review upon request at our corporate office.

CONDENSED CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION

Assets	**2008**	**2007**
Cash and Cash Equivalents	62,214,431	73,148,963
Non-Negotiable Certificates of Deposit	19,200,000	35,696,000
Investment Securities - Available-For-Sale	14,367,220	23,521,286
Loans to Members, Net of Allowance for Loan Losses	584,407,148	562,719,006
Property, Equipment and Leasehold Improvements	25,108,979	26,061,186
Investment in Annuities	13,055,698	17,093,796
Other Assets	20,988,227	25,130,347
Total Assets	**739,341,703**	**763,370,584**
Escrow and Agency Funds (Segregated in Special Bank Accounts - Excluded From Corporate Assets)	**1,037,455**	**1,030,585**
Liabilities & Equity		
Members' Shares and Savings Accounts	661,089,175	673,085,394
Borrowed Funds	20,000,000	20,000,000
Accrued Interest and Dividends Payable	788,783	1,167,434
Other Liabilities	8,160,522	7,691,285
Total Liabilities	**690,038,480**	**701,944,113**
Commitments and Contingent Liabilities	**-**	**-**
Members' Equity - Substantially Restricted	49,303,223	61,426,471
Total Liabilities and Members' Equity	**739,341,703**	**763,370,584**
Escrow and Agency Funds	**1,037,455**	**1,030,585**

CONDENSED CONSOLIDATED STATEMENT OF EARNINGS

Interest Income	**2008**	**2007**
Interest on Loans	35,121,831	35,438,004
Income from Investments	4,907,802	7,359,841
Total Interest Income	**40,029,633**	**42,797,845**
Interest Expense		
Interest on Members' Savings	15,099,072	18,396,496
Interest on Borrowed Funds	977,626	1,108,551
Total Interest Expense	**16,076,698**	**19,505,047**
Net Interest Income	**23,952,935**	**23,292,798**
Provision for Loan Losses	**15,871,998**	**4,356,240**
Net Interest Income after Provision for Loan Losses	**8,080,937**	**18,936,558**
Total Non-Interest Income	**17,471,029**	**19,070,573**
Non-Interest Expense		
Operating Expenses	37,699,570	32,912,128
Total Non-Interest Expense	**37,699,570**	**32,912,128**
Net Earnings	**(12,147,604)**	**5,095,003**