

PRESIDENT'S REPORT

As President, my goal is to ensure that Touchstone Federal Credit Union keeps pace with our members' evolving financial needs while remaining financially safe and sound. 2008 was like no other in terms of the financial industry; foreclosures and unemployment reach record highs while trust in large industries and banks fell to all time lows, as many were forced to merge or simply had to close up shop. Government had to get involved to bailout some of these industries, who had moved away from their core business in search of the "almighty dollar", but it's apparent that a lot of these companies haven't learned their lessons. While large financial institutions began to fail and ask for assistance, **Touchstone Federal Credit Union specifically, and credit unions in general, continued to help their members with their financial needs without the assistance of government.**

Overall the credit union system is healthy and sound; consumers' money is safe and federally insured (up to \$250,000) by the National Credit Union Association and backed by the full faith and credit of the U.S. Government, and I want to remind you that no person has ever lost a penny of federally insured deposits in a credit union.

Credit Unions continue to prosper during these down times because we didn't make the "toxic mortgages" and "liar loans" that are at the root of the economic crisis. **Credit Unions (the ones where 92 million Americans save and borrow) are well capitalized and strong, in fact credit unions are actively lending when other financial institutions have cut back. Our industry loan growth last year, even amid a recession, increased 7.5%,** suggesting more consumers struggling in today's economy are looking for and finding **affordable access to credit** at their credit unions — **and Touchstone is no different as we continue to lend actively this year.**

Also, it's important to know that **credit unions have received no government or tax payer bailouts.** Credit unions, being member owned, have been a shining example of how the financial services industry ought to work. We are member owned which means that the only people we need to focus on is "the members" not shareholders or stock prices or anything else.

Now, Credit Unions still need to be careful as some things can't be controlled. This nation has seen unemployment continue to rise to record levels, and this puts an undue burden on members who struggle to make payments on loans. Credit Unions have seen the average delinquency ratio jump from 0.96% to 1.43% (Touchstone's was 0.57%). This is especially true in hard-hit states like California, Nevada, Arizona and Florida but unlike big banks, **credit unions are willing to work with members during these difficult times.**

During this crisis and uncertainty, it's important to remember that **Touchstone is here for you**. We have a **knowledgeable and professional staff** to meet your financial needs and we've **partnered with licensed professionals to handle your complex financial needs**. Remember our **business partners are an extension of the credit union and I urge you to meet with them to help put you more at ease as the crisis continues**.

The ability to meet our service promise of ***"Personal Service Comes Standard"*** would not be possible if it wasn't for an **exceptional team of committed individuals** whose dedication makes this credit union what it is. **I would like to thank the volunteers, who make up our Board of Directors and Supervisory Committee, for donating their time and energy in making 2008 an outstanding year for Touchstone**. Also I would like to thank the enthusiastic group of people who make up the **Touchstone staff, who make a commitment every day to fulfilling our members' financial needs**. And finally, our ability to bring to you, the members, the highest quality of financial products and services would not be possible if not for the **tremendous partnerships we have with Northeast Planning Associates, Mike Hughes, DPG Miles insurance and Enterprise Car Sales**.

Along with Credit Unions across the county, our forecast for 2009 is largely tied to current state of the economy. **I can assure you that your friends here at Touchstone are doing whatever we can to help you understand these trying times. We are confident we shall all weather the storm together. Rest assured, Touchstone FCU does not need an excuse for being committed to the membership; we always have been and always will be 'not for profit, but for service'**.

Thank You,

James McCorkle
President