

MOVING
FORWARD WITH
**Strength
& Vision**



NAVY FEDERAL CREDIT UNION
2008 ANNUAL REPORT

2008 Financial Summary

As of 31 December	2007 (as restated)	2008
	Dollars in millions	
Assets	\$ 34,682.4	\$ 36,398.5
Loans Outstanding	\$ 28,180.2	\$ 31,164.9
Shares, Checking, MMSAs, IRAs	\$ 15,102.1	\$ 15,905.3
Share Certificates	\$ 8,875.5	\$ 8,820.2
Reserves	\$ 3,306.2	\$ 3,141.0
Gross Income	\$ 2,407.9	\$ 2,772.0
Non-interest Expenses	\$ 826.3	\$ 1,028.2
Dividends	\$ 782.9	\$ 660.6
Mortgage Loans Serviced	\$ 23,199.8	\$ 26,332.5
Members	3,004,352	3,194,292

VISION STATEMENT:

Navy Federal Credit Union will perform with such excellence that all present and potential members will choose Navy Federal as the preferred source for their primary lifetime financial services.

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Navy Federal continued to move forward on solid ground in 2008, despite a turbulent economy. During a year of rising unemployment and mortgage foreclosures, Navy Federal leadership ensured that members' accounts remained secure. As a result of a long-held practice of prudent business decisions, we were able to continue making funds available for new loans, including mortgages, credit cards and auto loans.

Extending the field of membership to include the Department of Defense allowed us to broaden the focus of our 75-year tradition of serving those who serve. Continued expansion of branch and ATM networks accommodated a growing number of members in new locations. With the momentum that comes from growth, strategic management and innovative thinking, membership becomes even more valuable. Members have the stability of a sound financial institution, the benefits of outstanding customized service and access to a broad spectrum of financial products.

REPORT FROM THE Chairman AND THE President

Your credit union remained a financial stronghold in a year when businesses and individuals alike struggled with a worsening economy. Headlines and news reports focused on a growing financial storm that impacted not only the U.S., but the world. Navy Federal, although not immune to the disruption in global markets, again had a positive year.

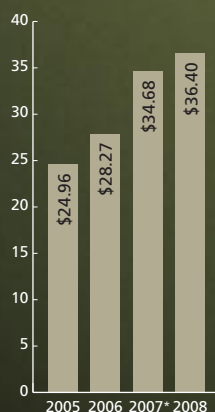
It became a landmark year in which we expanded our field of membership to the entire Department of Defense. We were proud to extend our legacy of service to all members of the Armed Forces, especially in today's environment where different branches of the military operate on many of the same bases. Understanding the unique financial needs of the military and their families is what we do best, and have been doing through our 75 years of serving the Navy and Marine Corps. All members benefit from this expansion, because with growth comes the ability to continue improving both products and service.

The year 2008 saw many other Navy Federal accomplishments, including the introduction of new products, continued expansion of our branch office network, and service level enhancements online and on the telephone.

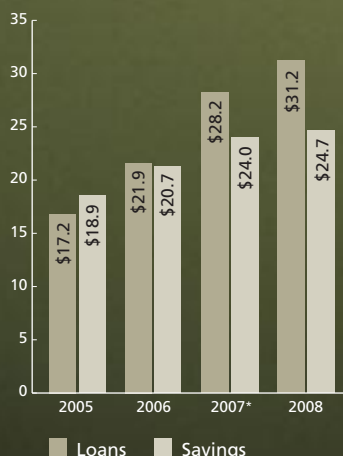
We ended the year with over \$36.4 billion in assets, a 4.9% increase over 2007. Reserves stood at over \$3.1 billion—another indicator of Navy Federal's safety and soundness. Membership grew by 6% to end the year at 3.2 million.

Unlike many other financial institutions, Navy Federal continued to make loans to members throughout the year, despite an increase in loan losses. Loans increased by \$3.0 billion to reach \$31.2 billion, a 10.6% increase. Mortgage loans recorded an astonishing growth of 25% over yearend 2007. Total savings balances increased 3% to \$24.7 billion, as members moved money to Navy Federal in a flight to trust.

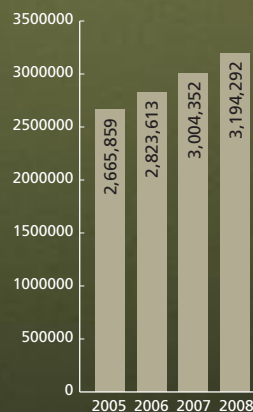
Total Assets
(Dollars in Billions)



Total Loans/Savings
(Dollars in Billions)



Membership



* 2007 figures, as restated

Other major initiatives and accomplishments for 2008 were:

Increased convenience

- ▶ Opened 23 new branches, 15 near Army and Air Force installations
- ▶ Answered 16 million calls, 17% more than in 2007
- ▶ Expanded fee-free access to over 40,000 ATMs
- ▶ Introduced the first stage of our mobile banking initiative

New products and special offers

- ▶ Introduced Active Duty Checking, with \$20 in ATM fee rebates
- ▶ Expanded our Money Market Savings Account to include a Jumbo \$100,000-minimum
- ▶ Made four limited-time certificate offers with 3.25% to 5.10% annual percentage yields
- ▶ Launched the Visa® Buxx Card, a pre-paid debit card for teens

Recognition

- ▶ Branch in Portsmouth (VA) Naval Hospital named DoN credit union of the year
- ▶ Navy Federal ranked 78th in Fortune Magazine's 2008 100 best places to work

Navy Federal will remain a safe financial haven for members by continuing to exercise sound business practices, conservative financial policies and diligent risk management. Members can depend on us to be there for them with attractive rates on deposits and a continued commitment to providing affordable credit products. As part of that commitment, Navy Federal has pledged to make available \$6 billion for new mortgage loans and an additional \$3.5 billion to fund auto loans in 2009. We believe members deserve a financial partner who looks out for their best interests, and we intend to live up to our long tradition of service excellence and stability.



John A. Lockard
John A. Lockard
Chairman



Cutler Dawson
Cutler Dawson
President & CEO

Opening OUR DOORS Wider



It was a great honor for us to receive approval in 2008 to expand our field of membership. We're now able to serve all Army, Marine Corps, Navy and Air Force active duty, guard, reserve personnel and Department of Defense civilians. This was a natural progression for us, as a credit union already providing customized financial services for those who serve their country in the Department of the Navy. In today's military environment where all branches of the armed forces share

Opening up our membership base benefits all of us. With new members comes growth and with growth comes additional strength.

resources and operate in many of the same locations, it was an ideal time to extend our legacy of service to all of the men and women of the DoD and their families.

This benefits all of us. With new members comes growth, and with growth comes additional strength. It allows us to open more branches in new areas. It lets us expand our products and services to include new offerings such as Active Duty Checking. Since we're not for profit, earnings are returned to members in the form of lower loan rates and fees and attractive dividend rates. The more members we have, the more we can do.

Our members can enjoy the peace of mind that comes from trusting Navy Federal to be there for them today and into the future with products and services that will help them thrive and prosper.





Building ON OUR Strength



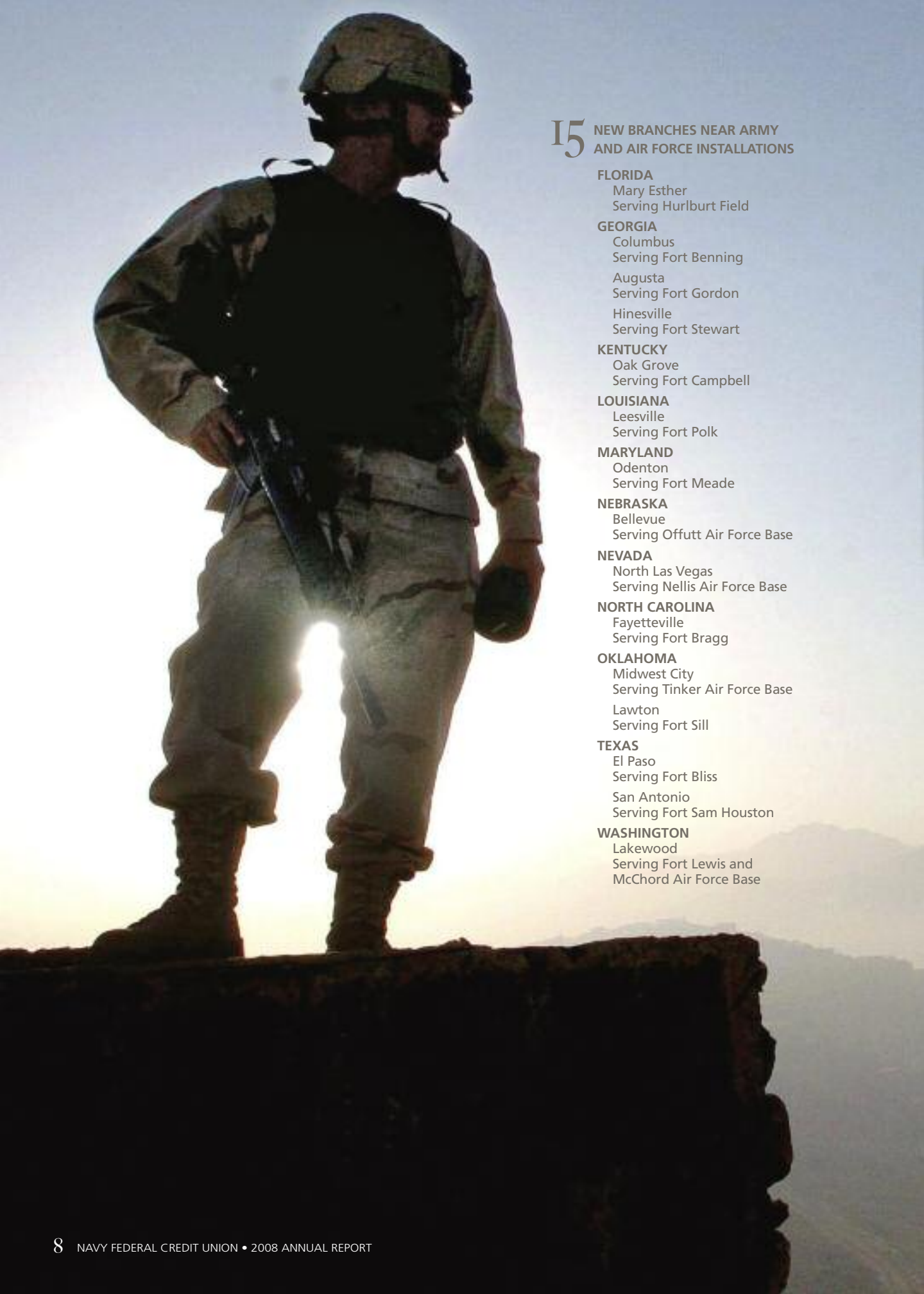
Navy Federal is 75 years strong. We have a history of making prudent business decisions that have served our members and their credit union well over the years, including not making any sub-prime mortgage loans.

It was these sound business practices that made it possible for Navy Federal to continue making mortgage, auto and credit card loans at attractive rates in a year when credit became increasingly difficult to obtain. Depositors also benefited. We continued to pay dividends well above the national average and offered multiple certificate of deposit specials.

Our strong financial position also allowed us to continue reaching out to members, in an effort to help them more confidently handle their family finances. We provided a variety of personal financial management tools both online and in person with one-on-one counseling and educational seminars.

Members can continue to place their trust in Navy Federal. They can trust that not only will their deposits be safe but that the credit union will continue to provide the products they want, the convenience they need, and the world-class service they deserve.

We have a history of making prudent business decisions that have served our members well.



15 NEW BRANCHES NEAR ARMY AND AIR FORCE INSTALLATIONS

FLORIDA

Mary Esther
Serving Hurlburt Field

GEORGIA

Columbus
Serving Fort Benning
Augusta
Serving Fort Gordon
Hinesville
Serving Fort Stewart

KENTUCKY

Oak Grove
Serving Fort Campbell

LOUISIANA

Leesville
Serving Fort Polk

MARYLAND

Odenton
Serving Fort Meade

NEBRASKA

Bellevue
Serving Offutt Air Force Base

NEVADA

North Las Vegas
Serving Nellis Air Force Base

NORTH CAROLINA

Fayetteville
Serving Fort Bragg

OKLAHOMA

Midwest City
Serving Tinker Air Force Base
Lawton
Serving Fort Sill

TEXAS

El Paso
Serving Fort Bliss
San Antonio
Serving Fort Sam Houston

WASHINGTON

Lakewood
Serving Fort Lewis and
McChord Air Force Base

Reaching New Levels

OF SERVICE



Meeting, and exceeding, the service expectations of our growing membership was a top priority in 2008. We opened 23 new branch offices, many strategically placed near Army and Air Force installations, bringing our total branch network to 170 worldwide. Access to ATMs increased as well with the addition of the KeyBank® and MoneyPass® networks, bringing the number of fee-free ATMs to over 40,000. Staffing levels at our call center were increased, allowing us to answer 16 million calls, 2.4 million more than the year before.

Enhancements were also made to *Navy Federal Online*®. Members can use a new ATM and branch office locator to view maps and get driving directions. The ability to see pending transactions for checking and credit card accounts in Account Access greatly helped members manage their accounts. Mobile banking service also made its debut late in 2008. Members can now view rates, find ATMs and branch offices and get contact information over their mobile phones. Far wider mobile service is planned for 2009.

The success of Navy Federal's ongoing efforts to improve service was validated by results of the 2008 American Customer Satisfaction Index (ACSI). In it, Navy Federal received the highest score for member satisfaction of any bank or credit union. Additionally, the results put Navy Federal among an elite class of customer satisfaction icons, including Amazon.com, Google, FedEx and Coca-Cola. For us, this accomplishment merely sets a standard we'll strive to exceed in the coming years.

Navy Federal received the highest score for member satisfaction of any bank or credit union.

Board OF Directors



John A. Lockard
Chairman



Kenneth R. Burns
First Vice Chairman



Bruce B. Engelhardt
Second Vice Chairman



Cutler Dawson
Treasurer



David A. Gove
Secretary



John T. Blake



Stanley D. Bozin



Sharon R. Chapman



William P. Mizerak



Henry J. Sanford



Frank Thorp IV

REPORT
FROM THE

Supervisory Committee

The Supervisory Committee independently evaluates the soundness of Navy Federal's operations and activities in compliance with the Federal Credit Union Act and Navy Federal's bylaws. The Committee helps to ensure that management protects and safeguards Navy Federal's assets by instituting and maintaining sound internal controls, and also ensures that the financial condition of the credit union is accurately and fairly presented in its audited financial statements.

The Committee is assisted in carrying out its responsibilities by the independent accounting firm of PricewaterhouseCoopers LLP (PwC), which performs an independent audit. The results are reflected in the PwC Report of Independent Auditors, which can be found at the back of this Annual Report.



In addition, the National Credit Union Administration (NCUA), the regulatory agency for all federally chartered credit unions, performs annual supervisory examinations. The NCUA evaluates the credit union's financial condition, safety and soundness. As a result of the 2008 examination, Navy Federal continues to be financially strong, and once again received NCUA's highest rating.

Also, the Supervisory Committee assures that you, the member-owners, are provided the quality service that you deserve. The Committee maintains an open line of communication with the membership by reviewing and responding in writing to letters and e-mails received by the Committee.

While 2008 proved to be a challenging year in the financial services industry, it is the opinion of your Supervisory Committee that Navy Federal continues to be well-managed and in strong financial condition, with sound policies and programs in place. We can also assure you that both your Supervisory Committee and the management and staff of Navy Federal will continue to provide world-class service to every member.

A handwritten signature in black ink that reads "Michael C. Wholley".

Michael C. Wholley
Chairman

Committee members (above, l-r):
Michael C. Wholley, Chairman
Edward R. Cochrane Jr.
David A. Gove
Neil W. T. Hogg
Robert J. Voigt

Volunteer Officials

BOARD OF DIRECTORS

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Chairman of the Board

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First Vice Chairman

Bruce B. Engelhardt 1, 2, 4
Rear Admiral, USN (Ret.)
Second Vice Chairman

Cutler Dawson 1, 2, 4, 5
Treasurer

David A. Gove 1, 6
Rear Admiral, USN
Secretary

John T. Blake 2
Rear Admiral, USN

Stanley D. Bozin 4, 5
Rear Admiral, USN (Ret.)

Sharon R. Chapman 3
Commander, SC, USN (Ret.)

William P. Mizerak 2, 4
Colonel, USMC (Ret.)

Henry J. Sanford 3, 4
Captain, USN (Ret.)

Frank Thorp IV 3, 4
Rear Admiral, USN

COMMITTEE MEMBERS

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Rear Admiral, USN

William R. Burke 2
Rear Admiral, USN

William R. Clouse 3
Command Master Chief (SW), USN

Edward R. Cochrane Jr. 2, 6

Philip S. Davidson 2
Rear Admiral, USN

Michael K. Fabish 2
Captain, SC, USN

Earl L. Gay 3
Rear Admiral, USN

Victor G. Guillory 5
Rear Admiral, USN

Timothy G. Haddix 3
Master Gunnery Sergeant, USMC

David R. Heinz 3
Brigadier General, USMC

William H. Hilarides 5
Rear Admiral, USN

Neil W. T. Hogg 5, 6
Captain, USN (Ret.)

Jorge L. Mercado 6
Master Gunnery Sergeant, USMC

Daniel W. McKinnon Jr. 5
Rear Admiral, SC, USN (Ret.)

Patrick O. Shea 2
Commander, USN

Pasquale M. Tamburrino Jr. 5

Robert J. Voigt 3, 6
Captain, USN

Michael C. Wholley 4, 6
Brigadier General, USMC (Ret.)
Chairman, Supervisory Committee

COMMITTEE ASSIGNMENTS

Executive 1
Financial Strategy 2
Membership 3
Planning 4
Retirement Program 5
Supervisory 6





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navyfederal.org



Contains 30% recycled post-consumer fiber.