

**VERIBANC<sup>®</sup>, Inc.**  
*The B.E.S.T. Banking Investment*  
Post Office Box 1610  
Woonsocket, Rhode Island 02895  
1-800-442-2657  
[www.veribanc.com](http://www.veribanc.com) Email: [service@veribanc.com](mailto:service@veribanc.com)

## **FOREWORD**

Since our beginning in 1981 VERIBANC<sup>®</sup> has never been paid by any institution to rate it. Following our standards of independence and zero tolerance for bias, no Bank, Thrift, or Credit Union is paying us to provide this information. You can be assured you are getting the **B.E.S.T.** ratings and financial information with VERIBANC<sup>®</sup>'s guarantee; there is no potential for conflict of interest.

### **THE B.E.S.T. . . . .**

**Balanced** - our rating system blends predictability of bank failure with bank ratings degradation. This balance provides unmatched performance that has actually tracked the condition of the banking industry.


**Effective** - VERIBANC's ROR (Return On Ratings) is over 99 percent. We are able to detect banking problems with a high degree of reliability.

**Seasoned** - over the past twenty-four years (through the difficult and the good times of the banking industry) our rating system has produced remarkably consistent results.

**Transparent** - we are the only bank rating company that has always published our track record. Because of our transparency, several insurance companies have audited and approved its use for insuring deposits in excess of the FDIC' \$100,000 limit.

Thank you for your interest in the information VERIBANC<sup>®</sup> provides. We hope you find this report useful and as always, your thoughts on any improvements are welcome.

Sincerely,  
VERIBANC<sup>®</sup>, Inc.

  
Michael M. Heller  
President

**TABLE OF CONTENTS**

*FOREWORD* ..... i

INTRODUCTION ..... 1

DESCRIPTION OF THE DATA PAGES ..... 1

DATA PAGES FOR EACH CREDIT UNION INCLUDED IN THE REPORT  
(Three data pages per credit union) ..... immediately following page 1

COLOR CLASSIFICATION SUMMARY TABLE..... following the credit union data pages

GRAPH ONE THROUGH FIVE ..... following the color  
Classification summary table

APPENDIX: DETAILED DESCRIPTION OF THE DATA PAGES ..... A-1

THE HEADER, FOOTER AND REPORT ENTRIES ..... A-1

I. TYPE OF CREDIT UNION ..... A-1

II. OVERALL OPERATIONS ..... A-1

III. KEY OPERATING MEASURES ..... A-2

IV. EQUITY STRUCTURE..... A-3

V. LENDING CATEGORIES ..... A-3

VI. PROBLEM ASSETS AND RESERVES ..... A-4

VII. LOAN MANAGEMENT MEASURES ..... A-6

VIII. LIQUID ASSETS SUMMARY ..... A-6

IX. INVESTMENT DETAIL ..... A-7

X. OFF-BALANCE SHEET POSITIONS ..... A-8

XI. INCOME AND EFFICIENCY MEASURES ..... A-8

XII. ANALYSIS SUMMARY ..... A-9

COLOR CLASSIFICATION..... A-9

STAR RATING . ..... A-10

ENFORCEMENT ACTION DESCRIPTION..... A-11

**INTRODUCTION**

VERIBANC<sup>®</sup> is pleased to present you with our Credit Union Research Report. The report includes detailed information about a credit union's assets, capital, loan portfolio (including problem loans), foreclosed property, insider lending, income, and other key areas of its operations. The report also includes whether or not the institution has been subject to recent regulatory enforcement actions.

We also distinguish between the liquid part ("available-for-sale") of a credit union's securities portfolio and the portion which is long-term ("held-to-maturity"). Embedded gains or losses (currently unrecognized) in its held-to-maturity portfolio are also shown. We believe you will find all of this information interesting and helpful in understanding your institution's performance, condition and financial risk.

The format of the report is designed for quick access; the data pages are near the front; graphical industry-wide comparisons follow; and the appendix containing definitions and explanations is in the back.

The information presented in this report is extracted directly, or derived from, the quarterly financial releases provided by the National Credit Union Administration (NCUA). This database applies to every federally insured credit union in the United States. The data are assembled by the NCUA from all of the credit unions' quarterly condition and income ("call report") filings. Normally, the data are released during the third month after the close of each fiscal quarter. Most credit unions must file their reports within a month after the close of each quarter. The remaining time is used by the regulatory agency for pre-release screening and analysis. The data cycle is summarized in the table below. VERIBANC<sup>®</sup> revises its database and makes updated reports available within a few days of the NCUA's release of new data.

Fiscal period	Credit Unions must file with federal regulatory agency by	NCUA releases data - exact release date varies
Jan. 1-Mar. 31	April 30	June 15
Apr. 1-June 30	July 30	September 15
July 1-Sept. 30	Oct. 30	December 15
Oct. 1-Dec. 31	Jan. 30	March 15

The Credit Union Research Report represents VERIBANC<sup>®</sup>'s effort to select the most important items from the credit unions' call reports. Note that the original call reports may contain dozens of pages of numbers, not all of which have the same degree of usefulness. Although it would have been straightforward simply to transcribe this data from magnetic media onto paper, we have chosen instead those items which we believe provide the most insight about each credit union. In addition, we have calculated various numerical ratios and several other measures that we consider to be especially useful in assessing an institution's financial condition. The report's graphical supplement relates these measures to the industry as a whole.

Finally, as detailed as the information in this report is, we recognize that some specialized applications may require even more data. If you have such a need, we invite you to write or call VERIBANC<sup>®</sup> about it.

**DESCRIPTION OF THE DATA PAGES**

Data for the credit union(s) treated in this report follow immediately. The graphical supplement, which provides industry wide context for the data, follows the data pages. An appendix that follows gives more detailed descriptions of the data page entries.

**APPENDIX: DETAILED DESCRIPTION OF THE DATA PAGES**

**THE HEADER, FOOTER AND REPORT ENTRIES**

The top of each data page contains the name of the credit union and the city and state of its home office or the office from which it reports to the NCUA. Unless stated otherwise, the CREDIT UNION RESEARCH REPORT for the office listed in the data page heading includes data for all of the credit union's branches. (A financial institution's branches and home office report as a unit.)

The "Credit Union Reporting Date" given at the bottom of each data page identifies the applicable period. This is the closing date of the fiscal period to which the report applies. The date on which the new database media became available to VERIBANC<sup>®</sup> is also given at the bottom of each data page, as well as the date when the report was prepared and the page sequence number.

Numerical data in the report are presented in one of three ways. Dollar amounts are stated in units that are rounded to the nearest dollar. Ratios are given as percentages carried to one hundredth of a percent. Numerical counts are given as whole numbers. If an entry is not available, not applicable or not meaningful, the notation N.A. is used. The data pages are divided into twelve sections, each of which is described below.

**I. TYPE OF CREDIT UNION**

Item 1. **Consumer (Natural Person) or Corporate** – consumer credit unions are a non-profit, cooperative financial institution owned and run by its members. Corporate credit unions act as a credit union for other credit unions providing a variety of investment and payment systems only to other credit unions.

Item 2. **Shares and Deposits Federally Insured** – whether the credit union's deposits are insured by the National Credit Union Share Insurance Fund (up to \$100,000).

Item 3. **Number of Members** – the total number of qualifying members of the general public.

**II. OVERALL OPERATIONS**

Item 1. **Total Assets** are stated for the fiscal period ending on the credit union reporting date given at the bottom of the page.

Item 2. **Total Equity Capital** is the sum of Undivided Earnings, Regular Reserves, Appropriation for Non-Conforming Investments, Other Reserves, Accumulated Unrealized Gains (Losses) on Available-for-Sale Securities and Net Income.

Item 3. **Net Income for the Current Reporting Period** is after extraordinary items and transfer to regular reserves. Graph One presents industry-wide perspective.

Item 4. **Net Income, Year-to-Date** is the net income through the current reporting period.

## VERIBANC<sup>®</sup>, Inc.

### II. OVERALL OPERATIONS (continued)

- Item 5. **Total Loans** are the sum of all mortgage loans, nonmortgage and other loans in the categories enumerated in Section V, "Lending Categories".
- Item 6. **Total Shares and Deposits** are stated as of the end of the period.
- Item 7. **Insider Loans** are total lending to credit union officers, directors, and committee members.
- Item 8. **Total Number of Loans To Insiders** includes officers, directors and committee members.
- Item 9. **Liquid Assets** are summarized in Section VIII.
- Item 10. **Seriously Delinquent (More Than 60 Days Past Due)** – Specific categories are presented in Section VI.
- Item 11. **Uninsured Shares and Deposits** – consists of both uninsured member and nonmembers shares and deposits over \$100,000.

### III. KEY OPERATING MEASURES

- Item 1. **Seriously Delinquent Loans, Net of Loan Loss Reserves as a % (Percentage) of Equity** - - defined as "Seriously Delinquent Loans" (Item II.10.) less the "Loan Loss Reserve Balance" (Item VI.3). "Equity" is "Total Equity Capital" (Item II.2). A value of 100 percent corresponds to a potential loss of all of a credit union's equity capital. Graph Two presents industry-wide perspective.
- Item 2. **Equity As A Percentage Of Assets** is computed from "Total Equity Capital" (Item II.2) and "Total Assets" (Item II.1). Graph Three provides industry-wide distribution information. Note that a common minimum standard used by analysts is that equity should be at least five percent of assets.
- Item 3. **Profitability** is expressed as annualized for the period, return on assets (R.O.A.). The calculation takes into account Item II.3 and divides this quantity by the appropriate quarter or half then multiplies it by 400 or 200 accordingly to develop "Annualized Net Income" as a percentage of "Total Assets". Graph Four presents industry-wide perspective.
- Item 4. **Liquidity** expresses "Liquid Assets" (Item II.9) as a percentage of "Total Shares and Deposits" (Item II.6).
- Item 5. **Insider Loans As A Percentage Of Equity** are computed from "Insider Loans" (Item II.7) and "Total Equity Capital" (Item II.2). The distribution of insider lending over the credit union industry is presented in Graph Five.

# VERIBANC<sup>®</sup>, Inc.

## III. KEY OPERATING MEASURES (continued)

Item 6. **Appreciate of Held-To-Maturity Investments as a % (percentage) of Equity** is the difference between the “book value” of those instruments the credit union has stated it intends to hold until they mature less their current “market” value expressed as a percentage of equity.

Item 7. **VERIBANC<sup>®</sup>'s Color and Star Classification** is explained in detail at the end of this Appendix. Three main color categories are used. The order of preference is: GREEN, YELLOW and RED. Assignments of Three Stars, Two Stars, One Star or No Stars are possible, with more stars being preferable. An explanation of the color and star classification follows.

## IV. EQUITY STRUCTURE

Item 1. **Undivided Earnings and Net Income Components of Equity as % (percentage) of Assets** – represents the accumulated surplus net income remaining after the close of the period plus the remaining sum after all expenses have been met or deducted prior to being transferred to Undivided Earnings divided by Assets (Item II.1).

Item 2. **Unrealized Gains on Available for Sale Securities as a % (percentage) of Assets** is the gain or loss on the value of those instruments that the credit union has stated as “available-for-sale” for the period divided by assets (Item II.1).

Item 3. **Equity and Loan Loss Reserves as a % (percentage) of Assets** consists of Total Equity Capital (Item II.2) plus the Loan Loss Reserves divided by assets.

Item 4. **Uninsured Secondary Capital Shares as a % (percentage) of Assets** represents capital designated as subordinated debt (the credit union does not have voting or ownership rights) at 100%, if it has a remaining maturity of five years or more, divided by assets.

## V. LENDING CATEGORIES

### Item 1. **Vehicle Purchases**

- a. **Amount of Loans Outstanding** is the total value of new and used vehicle loans.
- b. **Number of Loans** is the total number of new and used vehicle loans.

### Item 2. **Credit Cards**

- a. **Balances Outstanding** of unsecured credit card loans.
- b. **Number of Card Accounts** is the total number of unsecured credit card accounts.

# VERIBANC<sup>®</sup>, Inc.

## V. LENDING CATEGORIES (continued)

### Item 3.     **Consumer Loans**

- a. **Balances Outstanding** of all other unsecured consumer loans and lines of credit
- b. **Number of Loans** is the total number of unsecured consumer loans and lines of credit

### Item 4.     **Real Estate Loans**

- a. **Amount Outstanding** represents the total of both fixed and adjustable rate real estate mortgages.
- b. **Number of Loans** is the total number of both fixed and adjustable rate real estate mortgages.

### Item 5.     **Other Lending Categories**

- a. **Amount Outstanding** is the remaining value of all loans except the following: unsecured credit cards, all other unsecured loans/lines of credit, new and used vehicle loans, and all real estate loans.
- b. **Number of Loans** is the sum of other lending categories as defined above in Item V.5.a.

### Item 6.     **Portion of Credit Union's Loans Financing Business Activities**

- a. **Amount of Business Loans Outstanding** (does not include agriculture or farm loans).
- b. **Number of Business Loans** (does not include agriculture or farm loans).

### Item 7.     **Portion of Credit Union's Loans Financing Agriculture**

- a. **Amount of Agricultural Loans Outstanding** for all member business agricultural loans.
- b. **Number of Agricultural Loans** for all members' business agricultural loans.

## VI. PROBLEM ASSETS AND RESERVES

- Item 1.     **Number of Loans More Than 60 Days past Due** includes all loans and leases delinquent plus loans and leases that are serviced by outside processors that are delinquent by 60 days or more.

**VI. PROBLEM ASSETS AND RESERVES (continued)**

**Item 2. Loan Delinquency Details**

- a. **Seriously Delinquent Real Estate Loans** are comprised of fixed and variable rate loans and lines of credit which are delinquent from two months to 12 months or more.
- b. **Mildly Delinquent Real Estate Loans** consist of fixed and variable real estate loans and lines of credit which are one to two months delinquent.
- c. **Seriously Delinquent Business Loans** are comprised of all member business loans that do not include agricultural or farm loans which are delinquent anywhere from two months to over 12 months.
- d. **Mildly Delinquent Business Loans** are comprised of all member business loans that do not include agricultural or farm loans that are one or two month's delinquent.
- e. **Seriously Delinquent Agricultural Loans** are those member agricultural business loans which are delinquent anywhere from two months to over 12 months.
- f. **Mildly Delinquent Agricultural Loans** are those member agricultural business loans which are delinquent between one and two months.
- g. **Seriously Delinquent Consumer and Other Loans** are all loans delinquent from two months to 12 months and over, less seriously delinquent Real Estate Loans, less seriously delinquent Business Loans, less seriously delinquent Agricultural Loans.

**Item 3. Loan Loss Reserves** is the estimated amount stated on the balance sheet to absorb possible losses on loans and leases.

**Item 4. Loan Loss Provision, Year-to-Date** is the amount set aside to absorb possible losses on loans and leases for the reporting period.

**Item 5. Seriously Delinquent Loans, Net of Loan Loss Reserve** shows that portion, if any, of all seriously delinquent loans (Item II.10) less the Loan Loss Reserve (Item VI.3). If the loan loss reserve is sufficient to cover all seriously delinquent loans then an "N.A." entry is made.

**Item 6. Net Chargeoffs, Year-to-Date, Total** – are all loans and leases written off from the beginning of the year to the end of the reporting period.

- a. **Real Estate Loans** that the credit union has written off from the beginning of the report year to the end of the reporting period.
- b. **Business Loans** that the credit union has written off from the beginning of the report year to the end of the reporting period.

## VERIBANC<sup>®</sup>, Inc.

### VI. PROBLEM ASSETS AND RESERVES (continued)

- c. **Agricultural Loans** that the credit union has written off from the beginning of the report year to the end of the reporting period.
- d. **Consumer and Other Loans** that the credit union has written off from the beginning of the report year to the end of the reporting period.

Item 7. **Holdings of Foreclosed Property (REO)** represents the reporting value of all of the credit union's property holdings that it has received (or will receive) in lieu of debt payments.

### VII. LOAN MANAGEMENT MEASURES

Item 1. **Loan Loss Reserves as a % (percentage) Of Total Loans** divides "Loan Loss Reserve" (Item VI.3) by "Total Loans (Item II.5).

Item 2. **Net Loan Chargeoffs, Year-to-Date as a % (percentage) of the Loan Loss Reserve** divides "Net Loan Chargeoffs" (on a year-to-date basis) (Item VI.6) by the "Loan Loss Reserve" (Item VI.3)

Item 3. **Net Loan Chargeoffs, Year-to-Date as a % (percentage) of Equity** divides "Net Loan Chargeoffs," on a year-to-date basis (Item VI.6) by "Equity" (Item II.2).

Item 4. **Seriously Delinquent Loans as a % (percentage) of Total Loans** divides "Seriously Delinquent Loans (Item II.10) by "Total Loans" (Item II.5).

Item 5. **Presently Outstanding Loan Balances of Members Who Have Filed Bankruptcy This Year** includes both Chapter 7 and Chapter 13 bankruptcy loans not charged off or reaffirmed.

Item 6. **Number of Members Filing Bankruptcy, Year-to-Date** includes members who have been included in Item VII.5.

### VIII. LIQUID ASSETS SUMMARY

Item 1. **Cash and Cash Equivalents**, is the sum of cash on hand, cash on deposit and short term highly liquid investments with original maturities of three months or less.

Item 2. **Short Term Loans**, typically three years or less consist of unsecured credit card loans/lines of credit, all other unsecured loans/lines of credit, new vehicle loans, used vehicle loans and other real estate loans/lines of credit.

Item 3. **Available for Sale Investment Instruments** are reported on a "fair value" basis.

Item 4. **Assets in Trading Accounts** are instruments that were bought and are held principally for the purpose of selling in the near term. These investments are stated on a "fair value" basis.

# VERIBANC<sup>®</sup>, Inc.

## VIII. LIQUID ASSETS SUMMARY (continued)

- Item 5. **Held-to-Maturity Investments Maturing Within One Year** are stated at amortized cost.
- Item 6. **Other Investments Maturing Within One Year** may include cash equivalents (Item VIII.1) Credit Union Service Organization (CUSO) Investments (CLF), stock, as well as shares, deposits, and certificates invested in other financial institutions.
- Item 7. **Volatile Liabilities as a Percentage of Assets** divides “Volatile Liabilities” (total shares and deposits, total borrowings of less than one year, accrued dividends and interest payable on shares and deposits, and accounts payable and other liabilities) by assets (Item II.1).

## IX. INVESTMENT DETAIL

- Item 1. **Appreciation of Held-to-Maturity Instruments** is the difference between fair value of Held-to-Maturity Investments and Held-to-Maturity Investments at Cost (book value).
- Item 2. **Investment in Corporate Credit Unions**
- a. **Amount** consists of all investments except, membership and paid-in capital, and cash equivalents.
  - b. **Portion of Equity** divides “Amount of Investments in Corporate Credit Unions” (Item IX.2.a) by Equity (Item II.2.).
- Item 3. **Deposits in and Loans to Other Credit Unions**
- a. **Amount** consists of loans to and investments in other non-corporate credit unions.
  - b. **Portion of Equity** divides “Amount of Loans to and investments in other Credit Unions” (Item IX.3.a) by Equity (Item II.2)
- Item 4. **Mortgage Backed Securities Holdings** consist of debt securities collateralized by mortgages that are publicly or privately issued.
- Item 5. **Mortgage Derivative Securities Holdings** amounts may include Collateralized Mortgage Obligations (CMOs) and Real Estate Mortgage Investment Conduits (REMICs).
- Item 6. **Held-to-Maturity and Other Nontrading, Nonavailable for Sale Investments Maturing in More than Three Years** includes those investments that the credit union has the intent and ability to hold to maturity.

## VERIBANC®, Inc.

### X. OFF BALANCE SHEET POSITIONS

Item 1. **Loan Commitments, Excluding Letters of Credit** is comprised of revolving open-end liens secured by 1-4 family residential properties, credit card liens, unsecured share draft lines of credit, and other unused commitments.

Item 2. **Letters of Credit** are financial standby irrevocable obligations the credit union provides to the benefit of a third party when a customer fails to repay an outstanding loan or debt instrument.

Item 3. **Principal Balance Outstanding of Loans Sold or Swapped with Recourse.** With recourse still obligates the credit union in case of the borrower's default.

Item 4. **Pending Bond Claims** are claims the credit union intends to file but has not included them on its balance sheet.

Item 5. **Total Commitments**

**Amount** – may include Outstanding Letters of Credit (Item X.2.), Pending Bond Claims (Item X.4) and Total Principal Balance Outstanding of Loans Sold or

a. **Percentage of Assets** – Item X.5 divided by Item II.1.

### XI. INCOME AND EFFICIENCY MEASURES

Item 1. **Interest Income, Year-to-Date** is income earned from interest on loans plus income realized from investments less interest refunded.

a. **Percentage of Assets** – Item XI.1 divided by Item II.1.

Item 2. **Interest Expense, Year-to-Date** is the amount of interest on borrowed money plus dividends on all classes of shares.

a. **Percentage of Assets** – Item XI.2 divided by Item II.1.

Item 3. **Net Interest Margin Annualized as a Percentage of Assets.** The margin is the difference between Interest Income (Item XI.1) and Interest Expense (Item XI.2) multiplied by four (Annualized) divided by the appropriate number that represents the applicable quarter, i.e., 1, 2, 3, 4, divided by assets (Item II.1).

Item 4. **Non-Interest Income, Year-to-Date** is income earned on fees for services, dividends from NCUSIF, sales of loans on the secondary market, sale or disposition of all investments except trading accounts, sale of buildings, fixtures and furniture and gifts or donations received.

a. **Percentage of Assets** – Item XI.4 divided by Item II.1.

**XI. INCOME AND EFFICIENCY MEASURES (continued)**

Item 5. **Overhead, Year-to-Date** is the amount of all non-interest expense items, some of the major categories are: employee compensation and benefits, travel expenses, office occupancy and operations expense, marketing expense, loan servicing expense, outside services expense, member insurance, and exam fees expense.

a. **Percentage of Assets** – Item XI.5 divided by Item II.1.

Item 6. **Net Overhead Expense, Annualized as a Percentage of Assets** is the difference between Non-Interest Income (Item XI.4) and Overhead (Item XI.5a) multiplied by four divided by the applicable quarter number, i.e., 1, 2, 3, 4 all divided by Assets (Item II.1).

Item 7. **Efficiency Ratio** is the relationship that exists between non-interest expenses and all interest less interest expense. This ratio divides Overhead Expense (Item XI.5) by the sum of Interest Income (Item XI.1) less Interest Expense (Item XI.2) plus Non-Interest Income (XI.4).

**XII. ANALYSIS SUMMARY**

Additional factors that would merit your attention or deserve your close attention will be noted and listed in this area of the report, i.e., **Recent Regulatory Enforcement Action**. If the credit union has been subject to any enforcement action or sanction made public by the regulatory agencies, the most serious and most recent such action is indicated, along with the date of the action. The action is abbreviated by a two-letter code, followed by a dash and the date. A description of the codes and types of enforcement actions follows.

**COLOR CLASSIFICATION**

VERIBANC<sup>®</sup>'s color code is a quick-look measure of an institution's condition based on its equity strength and profitability. Three color categories are used - green, yellow and red. The criteria used by VERIBANC<sup>®</sup> to determine the color category assigned to an institution are as follows:

**GREEN**                      The credit union's equity exceeds five percent of its assets and it has operated profitably during the most recent reporting quarter. Of the three color categories, this is the highest based on the criteria described.

**YELLOW**                     The credit union's equity is between three and five percent of its assets or it incurred a net loss during the most recent reporting quarter. Both of these conditions may apply. If there was a net loss, the loss was not sufficient to erode a significant portion of the credit union's equity<sup>†</sup>. The items which result in a yellow classification merit your attention.

<sup>†</sup> A loss is considered significant when, over a single quarter, it exceeds 18.75% of a credit union's equity. If a credit union continues to lose money each quarter at a rate in excess of 18.75% of its equity, it could become insolvent within one year of the date of publication of this report. VERIBANC<sup>®</sup> has no way to know whether or not losses at an institution will continue

# VERIBANC<sup>®</sup>, Inc.

## COLOR CLASSIFICATION (continued)

**RED**                    The credit union's equity is less than three percent of its assets or it incurred a significant net loss during the most recent reporting quarter. The items which result in a red classification deserve your close attention.

## STAR RATING

In addition to the color code, VERIBANC<sup>®</sup> assigns each credit union Three Stars (\*\*\*) , Two Stars (\*\*), One Star (\*) or No Stars (None). The star rating considers future trends and contingencies not accounted for in the color classification. The criteria used by VERIBANC<sup>®</sup> to determine the number of stars assigned to a credit union are as follows:

\*\*\*                    The credit union must meet the following primary conditions: equity which exceeds five percent of assets, equity which exceeds four percent of assets after deducting problem loans, securities and derivatives contracts in excess of its loan loss reserves and positive net income for the indicated reporting quarter. Credit unions must not have any recent serious regulatory sanctions against them. In addition, insider lending must not exceed 35 percent of equity. Problem investments also include securities being held to maturity that, if sold, would realize less than their cost.

\*\*                      The credit union meets any two of the three primary conditions for the Three Stars category and has equity which exceeds its unreserved problem loans, securities and derivatives contracts. If the credit union had a net loss during the most recent reporting quarter, the loss was not significant. Credit unions must not have had any recent serious regulatory sanctions against them. For credit unions that have held-to-maturity securities investments with a current market value that is less than their cost, that difference must not exceed equity.

\*                      The credit union meets at least one of the primary conditions required for the Three Stars category, reports equity which exceeds three percent of assets and also exceeds unreserved problem loans, securities and derivatives contracts. If the credit union had a net loss during the indicated reporting quarter, the loss was not significant. A credit union may receive no higher than a One Star rating if it has been subject to a recent serious regulatory sanction prior to this report's reporting date. Also, a credit union may receive a One Star rating if, absent other reasons for downrating as stated above, the difference between cost and current market value of its held-to-maturity securities investments exceeds the institution's equity.

# VERIBANC<sup>®</sup>, Inc.

## STAR RATING (continued)

**NO STARS** The credit union does not meet the criteria above.

## ENFORCEMENT ACTION CODES AND DESCRIPTIONS

<u>Enforcement Action Type</u>	<u>Description</u>
CC	Prompt Corrective action/Capital directives
CD	Cease and Desist orders, are against an institution. This is one of the most serious forms of regulatory discipline. When a cease and desist order is indicated, you should check with personnel at the institution to determine whether the order is against the institution itself or against individual employee(s).
CF	Penalties, usually Fines, for infractions associated with filing Call reports
CP	Cease and Desist order against an affiliated Person or entity
DI	Proceedings that threaten termination or that actually terminate Deposit Insurance
EN	Termination, withdrawal, completion, expiration or otherwise ENding of a previous enforcement action
EX	Amendment, modification, EXtension or continuation of a previous enforcement action. Also this action may include cancellation of an enforcement action if the cancellation occurs after an institution has been closed, i.e. if the action represents only "regulatory bookkeeping." If the continuing action is a "cease and desist" order, then category CD is automatically activated as well.
FA	Formal Agreements/supervisory agreements, consent orders
FN	Other FiNes
FP	Fine levied against a Person (rather than an institution)
HM	Sanctions associated with violations of the Home Mortgage Disclosure Act

# VERIBANC<sup>®</sup>, Inc.

## ENFORCEMENT ACTION CODES AND DESCRIPTIONS (continued)

<u>Enforcement Action Type</u>	<u>Description</u>
MO	Formal MemOrandum of understanding
OP	<b>O</b> ther actions against an individual <b>P</b> erson (rather than an institution)
OT	<b>O</b> ther (e.g., hearing notices) - - if there are multiple "other" actions for an institution effective on the same day, the most severe enforcement action designation is entered.
PR	Removal, dismissal, suspension actions or other sanctions against the institution's <b>PeR</b> sonnel, including orders prohibiting individuals from future activity in the credit union field.
RP	<b>R</b> estitution by an individual <b>P</b> erson (rather than an institution)
RS	Order requiring an institution (prior to 1998 may include individuals associated with it) to make <b>ReSt</b> itution to the institution, to regulatory authorities or to customers.

## **CREDIT UNION RESEARCH REPORT**

VERIBANC<sup>®</sup>, Inc. does not give, and this report should not be construed as, a warranty, an opinion or advice by VERIBANC<sup>®</sup>, Inc. or the applicable federal regulatory agency as to the financial condition of the institution(s) about which you have inquired.

The federal credit union regulatory agency considers criteria in addition to those set forth in this report in assessing the financial viability of the institutions within their purview. The data with respect to some of these additional criteria are not released to the public as a matter of course, and VERIBANC<sup>®</sup>, Inc., has not considered and does not report on such data. You should be aware that these additional criteria might be important in evaluating the financial condition of an institution.

However, the data set forth in the attached report do provide insight into an institution's condition. The report is intended only to provide insight and should not be considered or relied upon as presenting the complete picture of an institution's financial condition.

VERIBANC<sup>®</sup> has extensive data on cash flow, balance sheets, loan and investment portfolio distribution and call reports for all credit unions that file periodic federal reports. VERIBANC<sup>®</sup> also maintains, and can create, data files that involve sorting by a wide range of financial, geographical and other criteria. If you believe that additional information is necessary, VERIBANC<sup>®</sup> invites you to write for a quotation on your additional data needs.