LANGLEY FEDERAL CREDIT UNION
AND SUBSIDIARIES

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2022 AND 2021

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Supervisory Committee and
Board of Directors
Langley Federal Credit Union and Subsidiaries
Newport News, Virginia

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of Langley Federal Credit Union and Subsidiaries (Credit Union), which comprise the consolidated statements of financial condition as of December 31, 2022 and 2021, and the related consolidated statements of income, comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Langley Federal Credit Union and Subsidiaries as of December 31, 2022 and 2021, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of Langley Federal Credit Union and Subsidiaries and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Langley Federal Credit Union and Subsidiaries' ability to continue as a going concern for one year after the date the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Langley Federal Credit Union and Subsidiaries' internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Langley Federal Credit Union and Subsidiaries' ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Baltimore, Maryland
March 28, 2023

LANGLEY FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF FINANCIAL CONDITION
DECEMBER 31, 2022 AND 2021
(IN THOUSANDS)

	2022	2021
ASSETS		
Cash and cash equivalents	$ 318,390	$ 287,505
Investments:		
Equity securities	46,957	318,527
Available-for-sale	226,110	231,346
Held-to-maturity	13,249	22,030
Other	30,005	21,767
Deposit advances	30,105	25,551
Loans held-for-sale	91	678
Loans, net	4,239,150	3,168,945
Accrued interest receivable	12,863	8,654
Property and equipment, net	54,560	55,381
NCUSIF deposit	34,601	30,914
Assets held-for-sale	6,002	461
Other assets	25,495	22,477
TOTAL ASSETS	$ 5,037,578	$ 4,194,236
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Members' share and savings accounts	$ 4,160,656	$ 3,486,642
Non-member deposits	1,000	-
Borrowed funds	400,000	250,000
Accrued expenses and other liabilities	56,360	50,215
Total liabilities	4,618,016	3,786,857
MEMBERS' EQUITY		
Regular reserves	-	24,767
Undivided earnings	442,429	383,383
Accumulated other comprehensive loss	(22,867)	(771)
Total member's equity	419,562	407,379
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 5,037,578	$ 4,194,236

See accompanying Notes to Consolidated Financial Statements.

LANGLEY FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(IN THOUSANDS)

	2022	2021
INTEREST INCOME		
Loans	$ 157,879	$ 117,377
Investments and cash equivalents	10,311	5,983
Total interest income	168,190	123,360
INTEREST EXPENSE		
Members' share and savings accounts	30,313	16,557
Borrowed funds	6,201	3,341
Total interest expense	36,514	19,898
Net interest income	131,676	103,462
PROVISION FOR LOAN LOSSES	7,599	5,050
Net interest income after provision for loan losses	124,077	98,412
NON-INTEREST INCOME		
Service charges and fees	21,166	19,694
Interchange income	18,423	19,194
Other non-interest income	6,551	11,327
Net gain on sales of loans	85	3,346
Net gain on sales of assets held-for-sale	850	526
Net gain on securities available-for-sale	-	317
Net (loss) gain on equity securities	(10,770)	2,576
Total non-interest income	36,305	56,980
NON-INTEREST EXPENSE		
Employee compensation and benefits	56,710	48,317
Operations	62,445	50,458
Occupancy	6,948	6,783
Total non-interest expense	126,103	105,558
NET INCOME	$ 34,279	$ 49,834

See accompanying Notes to Consolidated Financial Statements.

LANGLEY FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
YEARS ENDED DECEMBER 31, 2022 AND 2021
(IN THOUSANDS)

	2022	2021
NET INCOME	$ 34,279	$ 49,834
OTHER COMPREHENSIVE LOSS		
Securities Available-for-Sale		
Unrealized holding losses during the period	(22,096)	(3,808)
Reclassification gain included in net income	-	(317)
Total other comprehensive loss	(22,096)	(4,125)
TOTAL COMPREHENSIVE INCOME	$ 12,183	$ 45,709

See accompanying Notes to Consolidated Financial Statements.

LANGLEY FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2022 AND 2021
(IN THOUSANDS)

	Regular Reserve	Undivided Earnings	Accumulated Other Comprehensive Income (Loss)	Total
BALANCE AT DECEMBER 31, 2020	$ 24,767	$ 325,421	$ 3,354	$ 353,542
Net income	-	49,834	-	49,834
Other comprehensive loss	-	-	(4,125)	(4,125)
Equity acquired from merger	-	8,128	-	8,128
BALANCE AT DECEMBER 31, 2021	24,767	383,383	(771)	407,379
Cumulative Effect of Change in Regulation (See Note 1 - Members' Equity)	(24,767)	24,767	-	-
Net income	-	34,279	-	34,279
Other comprehensive loss	-	-	(22,096)	(22,096)
BALANCE AT DECEMBER 31, 2022	$ -	$ 442,429	$ (22,867)	$ 419,562

See accompanying Notes to Consolidated Financial Statements.

LANGLEY FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2022 AND 2021
(IN THOUSANDS)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net income	$ 34,279	$ 49,834
Adjustments to reconcile net income to net cash provided by operating activities:		
Amortization of mortgage servicing rights	262	616
Capitalization of mortgage servicing rights	(22)	(650)
Change in valuation allowance for mortgage servicing rights	(2)	(139)
Amortization of premium on investment securities, net	1,606	1,141
Provision for loan losses	7,599	5,050
Depreciation and amortization	6,100	5,447
Net gain on sales of available-for-sale investments	-	(317)
Net (loss) gain on equity securities	10,770	(2,576)
Loss on disposal of equipment	24	243
Loans originated for sale	-	(17,543)
Proceeds from sale of loans	502	27,430
Net gain on sales of loans	85	(3,346)
Net change in:		
Deposit advances	(4,554)	28,386
Accrued interest receivable	(4,209)	(1,055)
Assets held-for-sale	(5,541)	(117)
Other assets	(3,256)	1,533
Accrued expenses and other liabilities	6,145	8,033
Net Cash Provided by Operating Activities	49,788	101,970
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of available-for-sale investments	(70,689)	(98,202)
Proceeds from maturities/calls of available-for-sale investments	8,792	13,826
Proceeds from return of principal of available-for-sale investments	43,431	45,157
Proceeds from sale of available-for-sale investments	-	12,244
Proceeds from maturities of deposits in other financial institutions	8,781	1,738
Net change in other investments	(8,238)	93
Purchases of equity security investments	-	(1,623)
Proceeds from redemption of equity security investments	260,800	-
Loan originations, net of principal collected	(1,077,804)	(523,659)
Increase in NCUSIF deposit	(3,687)	(3,641)
Proceeds from disposal of property and equipment	928	1,232
Purchases of property and equipment	(6,231)	(7,799)
Cash acquired in merger	-	29,524
Net Cash Used in Investing Activities	(843,917)	(531,110)

See accompanying Notes to Consolidated Financial Statements.

LANGLEY FEDERAL CREDIT UNION AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED DECEMBER 31, 2022 AND 2021
(IN THOUSANDS)

	2022	2021
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from non-member deposits	$ 1,000	$ -
Proceeds from borrowed funds	260,000	-
Payments made on borrowed funds	(110,000)	-
Net change in members' share and savings accounts	674,014	376,740
Net Cash Provided by Financing Activities	825,014	376,740
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	30,885	(52,400)
Cash and cash equivalents, beginning of year	287,505	339,905
CASH AND CASH EQUIVALENTS, END OF YEAR	$ 318,390	$ 287,505
SUPPLEMENTARY DISCLOSURE OF NONCASH AND CASH FLOW INFORMATION		
Interest paid on members' share and savings accounts	$ 30,313	$ 16,557
Interest paid on borrowed funds	$ 5,611	$ 3,341
Transfer of Loans to Assets held-for-sale	$ 5,541	$ -

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations

Langley Federal Credit Union (the Credit Union) is a cooperative association holding a charter in accordance with the provisions of the Federal Credit Union Act for the purpose of promoting thrift among and creating a source of credit for its members. Participation in the Credit Union is limited to those individuals who qualify for membership. The field of membership is defined in the Credit Union's Charter and Bylaws and consists of employees and former employees of select employers and organizations who have petitioned for membership.

Principles of Consolidation

The consolidated financial statements include the accounts of the Credit Union and its subsidiaries, Langley Financial Services, LLC, Cooperative Title Services, LLC, Lakefront Trustee Services, LLC, Coastal Nest Mortgage, LLC, and Garrett Mortgage, LLC (the CUSOs). All CUSOs are wholly owned except Garrett Mortgage, LLC and Coastal Nest Mortgage, LLC, which the Credit Union owns 80% of each. These CUSOs are engaged primarily in providing investment and insurance products, title insurance and mortgage lending services, to Credit Union members. All significant intercompany balances and transactions have been eliminated in consolidation.

Use of Estimates in Preparing Financial Statements

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Material estimates that are particularly susceptible to significant change in the near term relate to the determination of the allowance for loan losses and the valuation of investment securities.

Material estimates that are particularly susceptible to significant change in the near term include the valuation of securities and determination of the allowance for loan losses.

Financial Instruments with Concentrations of Credit Risk

The Credit Union may be exposed to credit risk from a regional economic standpoint because a significant concentration of its borrowers work or reside on the Virginia Peninsula. The Credit Union continually monitors its operations, including the loan and investment portfolios, for potential impairment.

However, the loan portfolio is well diversified, and the Credit Union does not have significant concentrations of credit risk except vehicle and first mortgage loans which management monitors on an ongoing basis.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

For the purpose of the Consolidated Statements of Financial Condition and the Consolidated Statements of Cash Flows, cash and cash equivalents include cash on hand, amounts due from financial institutions, and highly liquid debt instruments classified as cash that were purchased with maturities of three months or less. Amounts due from financial institutions may, at times, exceed federally insured limits.

Equity Securities

Equity securities with readily determinable fair values are reported at fair value with changes in fair value included in earnings.

Debt Securities

Debt securities are classified as held-to-maturity when the Credit Union has the positive intent and ability to hold the securities to maturity and are carried at amortized cost. Debt securities not classified as held-to-maturity are classified as available-for-sale. Securities available-for-sale are carried at fair value with unrealized gains and losses reported in Other Comprehensive Income. Realized gains and losses on securities available-for-sale are included in Net Gain on Securities Available-for-Sale on the Consolidated Statements of Income and, when applicable, are reported as a reclassification adjustment in Other Comprehensive Income. Gains and losses on sales of securities are determined using the specific identification method on the trade date. The amortization of premiums and accretion of discounts are recognized in interest income using methods approximating the interest method over the period to call date for premiums and the maturity date for discounts.

Declines in the fair value of individual held-to-maturity and available-for-sale debt securities below their cost that are other-than-temporary result in write-downs of the individual securities to their fair value. The Credit Union monitors the investment security portfolio for impairment on an individual security basis and has a process in place to identify securities that could potentially have an impairment that is other-than-temporary. This process involves analyzing the length of time and the extent to which the fair value has been less than the amortized cost basis, the market liquidity for the security, the financial condition and near-term prospects of the issuer, expected cash flows, and the Credit Union’s intent and ability to hold the investment for a period of time sufficient to recover the temporary loss. The ability to hold is determined by whether it is more likely than not that the Credit Union will be required to sell the security before its anticipated recovery. A decline in value due to an event that is considered other-than-temporary is recorded as a loss in Noninterest Income.

The Credit Union did not record any other-than-temporary impairment during the years ended December 31, 2022 and 2021.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Other Investments

Other investments are recorded at cost and evaluated for events resulting in impairment.

Deposit Advances

The Credit Union makes ACH credits available to its members upon receipt. The majority of these credits are direct deposit transactions funded by the Credit Union in advance of the settlement date.

Loans Held-For-Sale

Loans originated and intended for sale in the secondary market are carried at the lower of cost or estimated fair value. Gains and losses on sales of loans are recognized at settlement dates and are determined by the difference between the sales proceeds and the carrying value of the loans. All sales are made without recourse.

Loans, Net

The Credit Union grants consumer, residential real estate, and commercial loans to members. The ability of the members to honor their contracts is dependent upon the real estate and general economic conditions comprising the Credit Union's field of membership.

Loans that the Credit Union has the intent and ability to hold for the foreseeable future or until maturity or pay-off are stated at their outstanding unpaid principal balances, adjusted for an allowance for loan losses and net deferred origination costs. Interest on loans is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding.

The accrual of interest income on loans, other than credit card loans, is discontinued at the time the loan is 90 days past due, unless the credit is well-secured and in the process of collection. Consumer loans are typically charged off no later than 180 days past due. Past due status is based on the contractual terms of the loan. In all cases, loans are placed on nonaccrual or charged off at an earlier date if the collection of principal and interest is considered doubtful.

All interest accrued but not collected for loans that are placed on nonaccrual or charged off is reversed against interest income. The interest on these loans is accounted for on the cash-basis or cost-recovery method until qualifying for return to accrual. Loans are returned to accrual status when all of the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Loan fees and certain direct loan origination costs are deferred, and the net fee or cost is recognized as an adjustment to interest income using methods approximating the interest method over the contractual life of the loans, adjusted for estimated prepayments based on the Credit Union's historical prepayment experience. The Credit Union does not charge commitment fees.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses

The allowance for loan losses is established as losses are estimated to have occurred through a provision for loan losses charged to earnings. Loan losses are charged against the allowance when management believes the uncollectibility of a loan balance is likely. Subsequent recoveries, if any, are credited to the allowance.

The allowance for loan losses is evaluated on a regular basis by management and is based upon management's periodic review of the collectibility of the loans in light of historical experience, the nature, and volume of the loan portfolio, adverse situations that may affect the borrower's ability to repay, estimated value of the underlying collateral, and prevailing economic conditions.

This evaluation is inherently subjective, as it requires estimates that are susceptible to significant revision as more information becomes available. In addition, regulatory agencies, as an integral part of their examination process, periodically review the Credit Union's allowance for loan losses, and may require the Credit Union to make additions to the allowance based on their judgment about information available to them at the time of their examinations.

The Credit Union's allowance for loan losses is that amount considered adequate to absorb probable losses in the portfolio based on management's evaluations of the size and current risk characteristics of the loan portfolio. Such evaluations consider prior loss experience, the risk rating distribution of the portfolio, the impact of current internal and external influences on credit loss and the levels of nonperforming loans.

Specific allowances for loan losses are established for impaired loans on an individual basis. The specific allowances established for these loans are based on a thorough analysis of the most probable source of repayment, including the present value of the loan's expected future cash flow, the loan's estimated market value or the estimated fair value of the underlying collateral. General allowances are established for loans that can be grouped into pools based on similar characteristics. In this process, general allowance factors are based on an analysis of historical charge-off experience (one year) and expected losses given default derived from the Credit Union's internal risk-rating process. These factors are developed and applied to the portfolio in terms of loan type. The qualitative factors associated with the allowances are subjective and require a high degree of management judgment. These factors include the credit quality statistics, recent economic uncertainty, losses incurred from recent events, and lagging data.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

A loan is considered impaired when, based on current information and events, it is probable that the Credit Union will be unable to collect the scheduled payments of principal or interest when due, according to the contractual terms of the loan agreement. Factors considered by management in determining impairment include payment status, collateral value, and the probability of collecting scheduled principal and interest payments when due. Loans that experience insignificant payment delays and payment shortfalls generally are not classified as impaired. Management determines the significance of payment delays and payment shortfalls on a case-by-case basis, taking into consideration all of the circumstances surrounding the loan and the borrower, including the length of the delay, the reasons for the delay, the borrower's prior payment record, and the amount of the shortfall in relation to the principal and interest owed.

Under certain circumstances, the Credit Union will provide borrowers relief through loan restructurings. A restructuring of debt constitutes a troubled debt restructuring (TDR) if the Credit Union for economic or legal reasons related to the borrower's financial difficulties grants a concession to the borrower that it would not otherwise consider. TDR concessions can include reduction of interest rates, extension of maturity dates, forgiveness of principal and/or interest due, or acceptance of other assets in full or partial satisfaction of the debt. The Credit Union considers all aspects of the restructuring to determine whether it has granted a concession to the borrower. An insignificant delay in payment resulting from a restructuring is not deemed to be a concession and would not be considered to be a TDR.

The Credit Union has concluded that the impairment impact of TDRs on its consumer loans (generally lower balance loans having original maturities of 60 months or less and average lives less than 36 months) is insignificant to the consolidated financial statements. As such these impairments are not individually tracked but rather are adequately included in the loss allowance provided on a pooled basis for the consumer loan portfolio.

The Credit Union maintains a separate general valuation allowance for homogeneous portfolio segments. These portfolio segments and their risk characteristics are described as follows:

Consumer: These loans are usually comprised of a large number of small loans. Most loans are made directly for consumer purchases. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

Residential Real Estate: The degree of risk in residential mortgage lending depends primarily on the loan amount in relation to collateral value, the interest rate, and the borrower's ability to repay. These loans generally possess a lower inherent risk of loss than commercial real estate portfolio segments. Economic trends determined by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

The portfolio segments that are risk rated and their risk characteristics are described as follows:

Commercial - Real Estate: These loans generally possess a higher inherent risk of loss than residential real estate portfolio segments. Adverse economic developments or an overbuilt market impact commercial real estate projects and may result in troubled loans. Trends in vacancy rates of commercial properties impact the credit quality of these loans. High vacancy rates reduce operating revenues and the ability for the properties to produce sufficient cash flow to service debt obligations.

Commercial - Other: Commercial loans may also be underwritten based on cash flows or inventories of operating businesses. Debt coverage is provided by business cash flows and economic trends influenced by unemployment rates and other key economic indicators are closely correlated to the credit quality of these loans.

The Credit Union assigns a risk rating to commercial participation and small business loans and periodically performs detailed internal reviews of all such loans over a certain threshold to identify credit risks and to assess the overall collectability of the portfolio. These risk ratings are also subject to examination by the Credit Union’s regulators. During the internal reviews, management monitors and analyzes the financial condition of borrowers and guarantors, trends in the industries in which the borrowers operate and the fair values of collateral securing the loans. These credit quality indicators are used to assign a risk rating to each individual loan. The risk ratings can be grouped into the following major categories, defined as follows:

Ratings 1 to 3 – These ratings include loans categorized as “pass” and are loans of average to excellent credit quality borrowers. These borrowers generally have significant capital strength, adequate debt service coverage, moderate leverage and stable earnings and growth commensurate to their relative risk ratings.

Rating 4 – This rating includes loans on management’s “watch list” and is intended to be utilized for pass rated borrowers where credit quality has begun to show signs of financial weakness that now requires management’s heightened attention.

Rating 5 – This rating includes loans categorized as “special mention” and is intended to be temporary and includes loans to borrowers whose credit quality has clearly deteriorated and are at risk of further decline unless active measures are taken to correct the situation.

Rating 6 – This rating includes loans categorized as “substandard” for which the accrual of interest has not been stopped. These loans have defined weaknesses which make payment default or principal exposure likely, but not yet certain. Such loans are apt to be dependent upon collateral liquidation, a secondary source of repayment, or an event outside of the normal course of business.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Allowance for Loan Losses (Continued)

Rating 7 – This rating includes loans categorized as "substandard-impaired" for which the accrual of interest has generally been stopped. This rating includes loans; (i) where interest is more than 90 days past due; (ii) not fully secured; and (iii) loans where a specific valuation allowance may be necessary.

Rating 8 – This rating includes loans categorized as "loss" for which the accrual of interest has been stopped. These loans have significant payment issues and are intended for those borrowers where foreclosure or charge-off is deemed imminent and a specific valuation has been provided for based on the estimated deficiency balance.

Transfers of Financial Assets

Transfers of financial assets are accounted for as sales only when control over the assets has been surrendered. Control over transferred assets is deemed to be surrendered when (1) assets have been isolated from the Credit Union, (2) the transferee obtained the right (free of conditions that constrain it from taking advantage of that right) to pledge or exchange the transferred assets, and (3) the Credit Union does not maintain effective control over the transferred assets through an agreement to repurchase them before their maturity.

The transfer of a participating interest in an entire financial asset must also meet the definition of a participating interest. A participating interest in a financial asset has all of the following characteristics: (1) from the date of transfer, it must represent a proportionate (pro rata) ownership interest in the financial asset, (2) from the date of transfer, all cash flows received, except any cash flows allocated as any compensation for servicing or other services performed, must be divided proportionately among participating interest holders in the amount equal to their share ownership, (3) the rights of each participating interest holder must have the same priority, (4) no party has the right to pledge or exchange the entire financial asset unless all participating interest holders agree to do so.

Loan Servicing

Servicing assets are recognized separately when servicing rights are acquired through purchase or through sale of financial assets. Servicing rights resulting from the sale or securitization of loans originated by the Credit Union are initially measured at fair value at the date of transfer. The Credit Union subsequently measures each class of servicing asset using the amortization method. Under the amortization method, mortgage servicing rights are amortized into noninterest income in proportion to and over the period of estimated net servicing income. The amortized assets are assessed for impairment of increased obligation based upon the fair value at each reporting date.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Loan Servicing (Continued)

Fair value is based on market prices for comparable servicing contracts, when available, or alternatively, is based on a valuation model that calculates the present value of estimated future net servicing income. The valuation model incorporates assumptions that market participants would use in estimating future net servicing income, such as the cost to service, the discount rate, the custodial earnings rate, an inflation rate, ancillary income, prepayment speeds and default rates and losses. These variables change from quarter to quarter as the market conditions and projected interest rates change, and may have an adverse impact on the value of the servicing right and may result in reduction to noninterest income.

Each class of separately recognized servicing assets subsequently measured using the amortization method is evaluated and measured for impairment. Impairment is determined by stratifying rights into tranches based on predominant characteristics, such as interest rate, loan type, and investor type. Impairment is recognized through a valuation allowance for an individual tranche, to the extent that fair value is less than the carrying amount of the servicing assets for that tranche. The valuation allowance is adjusted to reflect subsequent changes in the measurement of impairment. Changes in valuation allowances are reported with noninterest income on the Consolidated Statements of Income.

Off-Consolidated Statement of Financial Condition Credit Related Financial Instruments

In the ordinary course of business, the Credit Union has entered into commitments to extend credit. Such financial instruments are recorded when they are funded.

Assets Held-for-Sale

Assets acquired through, or in lieu of, loan repossession or foreclosure are held-for-sale and are initially recorded at fair value less costs to sell at the date of repossession or foreclosure, establishing a new cost basis. Subsequent to repossession or foreclosure, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less costs to sell. Revenue and expenses from operations, changes in the valuation allowance, and gain (loss) on sales of properties are included in noninterest income and expense.

Property and Equipment, Net

Land and construction in progress are carried at cost. Land includes amounts for grounds improvements depreciated using the straight-line method over an estimated useful life of 20 years. Building, leasehold improvements, and furniture and equipment are carried at cost, less accumulated depreciation and amortization. Buildings and furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the shorter of the useful lives of the assets or the expected terms of the related leases. Expected terms include lease option periods to the extent that the exercise of such options is reasonably assured.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Impairment of Long-Lived Assets

The Credit Union tests long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or fair value less estimated costs to sell.

NCUSIF Deposit

The deposit in the NCUSIF is in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each insured credit union in an amount equal to one percent of its insured shares. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board.

Leases

In February 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-02, *Leases (Topic 842)*. This standard increases transparency and comparability among organizations by requiring the recognition of right-of-use (ROU) assets and lease liabilities on the balance sheet. Most prominent among the changes in the standard is the recognition of ROU assets and lease liabilities by lessees for those leases classified as operating leases. Under the standard, disclosures are required to meet the objective of enabling users of financial statements to assess the amount, timing, and uncertainty of cash flows arising from leases.

The Credit Union adopted the requirements of the guidance effective January 1, 2022, and has elected to apply the provisions of this standard to the beginning of the period of adoption. The impact of adoption of the requirements of the guidance was not significant to the consolidated financial statements as a whole.

The Credit Union has elected to adopt the package of practical expedients available in the year of adoption.

The Credit Union determines if an arrangement is a lease at inception. Operating leases and finance leases are included in other assets and accrued expenses and other liabilities in the statements of financial position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases (Continued)

ROU assets represent the Credit Union's right to use an underlying asset for the lease term and lease liabilities represent the Credit Union's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at the lease commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the Credit Union will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The Credit Union has elected to recognize payments for short-term leases with a lease term of 12 months or less as expense as incurred and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

The Credit Union has elected not to separate nonlease components from lease components and instead accounts for each separate lease component and the nonlease component as a single lease component.

Members' Share and Savings Accounts

Members' share and savings accounts are subordinated to all other liabilities of the Credit Union upon liquidation. Dividends and interest on members' share and savings accounts, except for interest on certificates of deposit which are set in advance, are based on available earnings at the end of a dividend period and are not guaranteed by the Credit Union. Interest rates on members' share and savings accounts are set by the board of directors, based on an evaluation of current and future market conditions.

Members' Equity

The Credit Union is required by regulation to maintain a statutory regular reserve. This reserve, which represents a regulatory restriction of retained earnings, is established for the purpose of absorbing losses that exceed undivided earnings and other appropriations of undivided earnings. The statutory reserve is not available for the payment of dividends and interest.

The Credit Union is subject to various regulatory net worth requirements administered by the NCUA.

Comprehensive Income

Accounting principles generally require that recognized revenue, expenses, gains, and losses be included in net income. Certain changes in assets and liabilities, such as unrealized gains and losses on available-for-sale securities, are reported as a separate component of the members' equity section of the Consolidated Statements of Financial Condition. Reclassifications from accumulated other comprehensive income for realized gains (losses) on the sales of available-for-sale investments are reported as noninterest income on the Consolidated Statements of Income.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Revenue From Contracts with Members

The Credit Union recognizes revenue in accordance with *Revenue from Contracts with Customers (Topic 606).* The Credit Union has elected to use the following optional exemptions that are permitted under the Topic 606, which have been applied consistently to all contracts within all reporting periods presented:

- The Credit Union recognizes the incremental cost of obtaining a contract as an expense, when incurred, if the amortization period of the asset that the Credit Union would have recognized is one year or less.

- For performance obligations satisfied over time, if the Credit Union has a right to consideration from a member in an amount that corresponds directly with the value to the member of the Credit Union's performance completed to date, the Credit Union will generally recognize revenue in the amount to which the Credit Union has a right to invoice.

- The Credit Union does not generally disclose information about its remaining performance obligations for those performance obligations that have an original expected duration of one year or less, or where the Credit Union recognizes revenue in the amount to which the Credit Union has a right to invoice.

Topic 606 does not apply to revenue associated with financial instruments, including revenue from loans and securities. Topic 606 is applicable to Noninterest Income such as deposit related fees and interchange fees. Significant components of Noninterest Income considered to be within the scope of Topic 606 are discussed below.

Service Charges on Deposits

The Credit Union earns fees from its deposit members for transaction-based, account maintenance, and overdraft services. Transaction-based fees, which include services such as ATM use fees, stop payment charges, and ACH fees, are recognized at the time the transaction is executed as that is the point in time the Credit Union fulfills the member's request. Account maintenance fees, which relate primarily to monthly maintenance, are earned over the course of a month, representing the period over which the performance obligation is satisfied. Overdraft fees are recognized at the point in time that the overdraft occurs. Service charges on deposits are withdrawn from the member's account balance.

Interchange Income, Net

When members use their debit and credit cards to pay merchants for goods or services, the Credit Union retains a fee from the funds collected from the related deposit account and transfers the remaining funds to the payment network for remittance to the merchant. The performance obligation to the merchant is satisfied and the fee is recognized at the point in time when the funds are collected and transferred to the payment network. Interchange fees are recorded net of the related member rewards program costs.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The Credit Union is exempt, by statute, from federal and state income taxes. The income from the CUSOs, organized as single member LLCs, flows through to the Credit Union, and therefore are not subject to federal and state income taxes.

Advertising Costs

Advertising costs are expensed as incurred.

Retirement Plans

401(k) plan – The Credit Union provides a 401(k) plan, which covers substantially all of the Credit Union's employees who are eligible as to age and length of service. A participant may elect to make contributions of up to the applicable Internal Revenue Service limitations of the participant's annual compensation. The Credit Union makes discretionary matching contributions as approved by the board of directors. The Credit Union's contributions to the plan approximated $2,155 and $1,853 for the years ended December 31, 2022 and 2021, respectively.

Deferred Compensation Plan – The Credit Union has a deferred compensation plan with certain individuals that provide retirement benefits payable to them if they remain employed by the Credit Union until retirement or after a designated number of service years. The benefits are subject to forfeiture if employment is terminated for cause, as defined by the agreements. If the employees become fully disabled, as defined in the agreement, accrued benefits remain in full force and effect with the requirements of the agreements and clauses being reduced depending on the severity of the disability.

Fair Value Measurements

The Credit Union categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level 1 – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union has the ability to access.

Level 2 – Inputs that include quoted prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument. Fair values for these instruments are estimated using pricing models, quoted prices of securities with similar characteristics, or discounted cash flows.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

Level 3 – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity's own assumptions, as there is little, if any, related market activity.

Subsequent to initial recognition, the Credit Union may re-measure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Professional standards allow entities the irrevocable option to elect to measure certain financial instruments and other items at fair value for the initial and subsequent measurement on an instrument-by-instrument basis. The Credit Union adopted the policy to value certain financial instruments at fair value. The Credit Union has not elected to measure any existing financial instruments at fair value; however, it may elect to measure newly acquired financial instruments at fair value in the future.

In June 2016, the FASB approved ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*. In November 2018, the FASB approved ASU 2018-19, *Codification Improvements to Topic 326, Financial Instruments – Credit Losses*. The main objective of the ASUs is to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. To achieve this objective, the amendments in the ASUs replace the incurred loss impairment methodology in current accounting principles generally accepted in the United States of America (U.S. GAAP) with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. In November 2019, the FASB approved ASU 2019-10, *Financial Instruments- Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842)*. The main objective of this ASU was to delay the effective date for the referenced standards. Based upon the new effective dates instituted by ASU 2019-10, ASU 2016-13 is effective for the Credit Union for the fiscal year and all interim periods beginning after December 15, 2022. Early adoption is permitted for the fiscal year beginning after December 15, 2018, including interim periods within this fiscal year. Management continues to analyze the model to determine the impact of adoption of ASU 2016-13 on the consolidated financial statements. Management expects the adoption of ASU 2016-13 to significantly increase the Credit Union's allowance for loan losses.

Subsequent Events

In preparing these consolidated financial statements, the Credit Union has evaluated events and transactions for potential recognition or disclosure through March 28, 2023, the date the consolidated financial statements were available to be issued.

(IN THOUSANDS)

NOTE 2 SECURITIES AND OTHER INVESTMENTS

Equity Securities

Investments classified as equity securities consists of mutual funds as of December 31, 2022 and 2021. Gains on equity securities are included as net gain (loss) of equity securities on the consolidated statements of income is as follows:

	2022	2021
Net Gain and Losses Recognized During the Year on Equity Securities	$ (10,770)	$ 2,576
Less: Net Gains and Losses Recognized During the Year on Equity Securities Sold During the Year	(5,372)	-
Unrealized Gains and Losses Recognized During the Reporting Period on Equity Securities Still Held at December 31	$ (5,398)	$ 2,576

Available-for-Sale Investments

Investments classified as available-for-sale consist of the following:

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government Obligations and Federal Agencies Securities	$ 244,591	$ 2	$ (22,369)	$ 222,225
Treasury Notes	496	-	(63)	433
Municipal Bonds	3,888	-	(437)	3,452
Total	$ 248,975	$ 2	$ (22,869)	$ 226,110

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
U.S. Government Obligations and Federal Agencies Securities	$ 220,081	$ 1,020	$ (1,789)	$ 219,312
Corporate Bonds	7,649	37	-	7,686
Treasury Notes	495	1	-	496
Municipal Bonds	3,892	21	(61)	3,852
Total	$ 232,117	$ 1,079	$ (1,850)	$ 231,346

U.S. Government Obligations and Federal Agencies Securities include mortgage backed securities, collateralized mortgage obligations, and agency securities.

(IN THOUSANDS)

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

Available-for-Sale Investments (Continued)

Gross realized gains on sales of available-for-sale investments of $0 and $317 and gross realized losses of $0 and $0 were included in net gains on sales of available-for-sale investments during 2022 and 2021, respectively.

The amortized cost and fair value of securities available-for-sale at December 31, 2022 by contractual maturity are shown below. Expected maturities may differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
U.S. Government Obligations, Federal Agencies Securities, Corporate Bonds, Treasury and Muncipal Bonds:		
Less than 1 year maturity	$ 10,808	$ 10,648
1 - 5 years maturity	51,414	46,635
6 - 10 years maturity	57,713	54,965
Greater than 10 years maturity	129,040	113,862
Total	$ 248,975	$ 226,110

Information pertaining to investments with gross unrealized losses at December 31, 2022 and 2021 , aggregated by investment category and length of time that the investments have been in a continuous loss position, is as follows:

	Fair Value Associated With Unrealized Losses Existing for:		Continuous Unrealized Losses Existing for:		Total
	Less Than 12 Months	More Than 12 Months	Less Than 12 Months	More Than 12 Months	Unrealized Losses
2022					
U.S. Government Obligations and Federal Agencies Securities	$ 120,094	$ 101,633	$ (6,709)	$ (15,660)	$ (22,369)
Treasury Notes	-	433	-	(63)	(63)
Municipal Bonds	609	2,593	(61)	(376)	(437)
Total	$ 120,703	$ 104,659	$ (6,770)	$ (16,099)	$ (22,869)
2021					
U.S. Government Obligations and Federal Agencies Securities	$ 127,750	$ -	$ (1,789)	$ -	$ (1,789)
Municipal Bonds	2,911	-	(61)	-	(61)
Total	$ 130,661	$ -	$ (1,850)	$ -	$ (1,850)

(IN THOUSANDS)

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

Available-for-Sale Investments (Continued)

At December 31, 2022, the 94 U.S. Government obligations and federal agencies securities with unrealized losses have depreciated 9.21 % from the Credit Union's amortized cost basis. All of these securities are either guaranteed by federal insurance, the U.S. Government, governmental municipalities, or secured by mortgage loans. These unrealized losses relate principally to current interest rates for similar types of securities. In analyzing an issuer's financial condition, management considers whether the securities are issued by the federal government or its agencies, whether downgrades by bond rating agencies have occurred, and the results of reviews of the issuer's financial condition.

As management has the intent and ability to hold securities until maturity or for the foreseeable future for those classified as available-for-sale, no declines are deemed to be other-than-temporary.

In general, investments are exposed to various risks, such as interest rate, credit, and overall market volatility risk. Due to the level of risk associated with certain investments, it is reasonably possible that changes in the values of the investments will occur in the near term and that such changes could be material.

Held-to-Maturity Investments

The amortized cost and estimated fair value of securities held-to-maturity are as follows:

	December 31, 2022			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Certificates of deposit	$ 13,249	$ -	$ (941)	$ 12,308

	December 31, 2021			
	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Fair Value
Certificates of deposit	$ 22,030	$ 136	$ (146)	$ 22,020

(IN THOUSANDS)

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

Held-to-Maturity Investments (Continued)

The amortized cost and fair value of securities held-to-maturity, at December 31, 2022, by contractual maturity, are shown below. Expected maturities will differ from contractual maturities because borrowers may have the right to call or prepay obligations with or without call or prepayment penalties.

	Amortized Cost	Estimated Fair Value
Certificates of deposit		
Less than 1 year maturity	$ 1,750	$ 1,729
1 - 5 years maturity	10,999	10,159
6 - 10 years maturity	500	420
Greater than 10 years maturity	-	-
Total	$ 13,249	$ 12,308

There were no securities held-to-maturity in a loss position greater than 12 months at December 31, 2022.

Other Investments

Other investments at December 31 are summarized as follows:

	2022	2021
Contributed capital at a corporate credit union	$ 5,107	$ 5,107
Investments in CUSOs	5,800	5,463
FHLB stock	19,098	11,197
Total	$ 30,005	$ 21,767

Non-Perpetual and Perpetual Contributed Capital Accounts

The Credit Union maintains nonperpetual contributed capital accounts and perpetual contributed capital accounts with a corporate federal credit union that are uninsured and contain significant withdrawal restrictions. These investments are recorded at cost.

These uninsured deposits are part of the corporate credit union’s regulatory capital and are subject to impairment or loss in the event the corporate credit union is required to merge, is placed into conservatorship, incurs significant losses, or is liquidated.

Investments in CUSOs

The Credit Union has noncontrolling equity ownership interest in other credit union service organizations (CUSOs). As a practical expedient, such investments are carried at cost, less impairment, plus or minus changes resulting from observable price changes.

(IN THOUSANDS)

NOTE 2 SECURITIES AND OTHER INVESTMENTS (CONTINUED)

Other Investments (Continued)

FHLB Stock

The Credit Union has an investment in Federal Home Loan Bank of Atlanta (FHLB) stock that allows the Credit Union access to other FHLB financial services. The stock qualifies as a restricted stock and as such is not subject to investment security accounting treatment and is therefore reported at cost, subject to impairment.

NOTE 3 LOANS, NET

Loans, net consisted of the following at December 31:

	2022	2021
Consumer:		
Vehicle - direct	$ 337,005	$ 343,672
Vehicle - indirect	1,914,757	1,510,408
Credit card	177,595	163,520
Other unsecured	67,851	63,926
Student	15,744	14,610
Other secured	4,214	4,757
Total consumer	2,517,166	2,100,893
Residential real estate:		
Fixed rate	688,195	549,546
Variable rate	629,247	224,295
Home equity line of credit	244,751	187,184
Total residential real estate	1,562,193	961,025
Commercial:		
Real estate	127,437	97,981
Other	2,286	5,029
Total commercial	129,723	103,010
Total Loans	4,209,082	3,164,929
Deferred net loan origination costs	48,868	34,016
Allowance for loan losses	(18,800)	(30,000)
Loans, Net	$ 4,239,150	$ 3,168,945

The Credit Union has purchased loan participations originated by various other credit unions or CUSOs which are secured by commercial property and real estate. These loan participations were purchased without recourse and the originating credit unions and CUSOs perform all loan servicing functions on these loans. The total purchased loan participations included in the Commercial Loan segment above were $662 and $2,144 at December 31, 2022 and 2021, respectively.

(IN THOUSANDS)

NOTE 3 LOANS, NET (CONTINUED)

The Credit Union offers nontraditional mortgage loans to its members. These loans include hybrid/balloon, high loan-to-value (LTV) and variable interest mortgages. Hybrid loans consist of loans that are fixed for an initial period of five or ten years. After this period, the mortgages are converted to variable rates using an indexed rate, which can result in significant payment adjustment to the borrower. The high LTV loans consist of first mortgages with LTVs over 80%.

Nontraditional mortgage loans may have significantly different credit risk characteristics than traditional fixed and variable rate mortgages. However, the Credit Union believes it has established prudent underwriting standards as well as adequate risk management functions to monitor the additional risk. Nontraditional mortgage loans, which are included in the residential real estate loan caption above, totaled $1,021,708 and $586,827 at December 31, 2022 and 2021, respectively.

Specific changes in the allowance for loan losses and recorded investment in loans by segment are as follows:

	Consumer	Residential Real Estate	Commercial	Total
December 31, 2022				
Allowance for Loan Losses:				
Beginning Balance	$ 26,426	$ 1,017	$ 2,557	$ 30,000
Provision (Credit) for Loan Losses	10,641	(1,100)	(1,942)	7,599
Charge-offs	(22,794)	(7)	(602)	(23,403)
Recoveries	4,361	93	150	4,604
Ending Balance	$ 18,634	$ 3	$ 163	$ 18,800
Ending Balance: Individually Evaluated for Impairment	$ -	$ -	$ -	$ -
Ending Balance: Collectively Evaluated for Impairment	18,634	3	163	18,800
Ending Balance	$ 18,634	$ 3	$ 163	$ 18,800
Loans:				
Ending Balance: Individually Evaluated for Impairment	$ -	$ -	$ -	$ -
Ending Balance: Collectively Evaluated for Impairment	2,517,166	1,562,193	129,723	4,209,082
Ending Balance	$ 2,517,166	$ 1,562,193	$ 129,723	$ 4,209,082

(IN THOUSANDS)

NOTE 3 LOANS, NET (CONTINUED)

	Consumer	Residential Real Estate	Commercial	Total
December 31, 2021				
Allowance for Loan Losses:				
Beginning Balance	$ 25,560	$ 895	$ 2,545	$ 29,000
Provision (Credit) for Loan Losses	4,825	213	12	5,050
Charge-offs	(8,769)	(157)	-	(8,926)
Recoveries	4,810	66	-	4,876
Ending Balance	$ 26,426	$ 1,017	$ 2,557	$ 30,000
Ending Balance: Individually Evaluated for Impairment	$ -	$ -	$ 589	$ 589
Ending Balance: Collectively Evaluated for Impairment	26,426	1,017	1,968	29,411
Ending Balance	$ 26,426	$ 1,017	$ 2,557	$ 30,000
Loans:				
Ending Balance: Individually Evaluated for Impairment	$ -	$ -	$ 2,187	$ 2,187
Ending Balance: Collectively Evaluated for Impairment	2,100,894	961,025	100,823	3,162,742
Ending Balance	$ 2,100,894	$ 961,025	$ 103,010	$ 3,164,929

Commercial Credit Quality Indicators: As part of the on-going monitoring of the credit quality of the Credit Union's commercial loan portfolio, management tracks certain credit quality indicators including trends related to the risk ratings of commercial loans; the level of classified loans; net charge-offs; nonperforming loans; and the general economic conditions in the market area.

(IN THOUSANDS)

NOTE 3 LOANS, NET (CONTINUED)

The following tables show the commercial loan portfolio segments allocated by management's internally assigned risk ratings:

	Real Estate	Other	Total
December 31, 2022			
Pass	$ 109,789	$ 1,929	$ 111,718
Watch List	16,534	100	16,634
Special Mention	1,114	257	1,371
Substandard	-	-	-
Substandard-Impaired	-	-	-
	$ 127,437	$ 2,286	$ 129,723
December 31, 2021			
Pass	$ 78,054	$ 3,389	$ 81,443
Watch List	16,459	714	17,173
Special Mention	3,468	320	3,788
Substandard	-	-	-
Substandard-Impaired	-	606	606
	$ 97,981	$ 5,029	$ 103,010

The following tables show the classes within the Residential Real Estate and Consumer portfolio segments allocated by payment activity. Management tracks loan performance. When a loan becomes 90 days past due, it is classified as a nonperforming loan.

The residential real estate credit risk profile based on members' payment activity by class is as follows:

	Fixed Rate	Variable Rate	Home Equity Line of Credit	Total
December 31, 2022				
Performing	$ 687,340	$ 628,916	$ 244,340	$ 1,560,596
Non-performing	855	331	411	1,597
	$ 688,195	$ 629,247	$ 244,751	$ 1,562,193
December 31, 2021				
Performing	$ 548,862	$ 222,920	$ 186,859	$ 958,641
Non-performing	684	1,375	325	2,384
	$ 549,546	$ 224,295	$ 187,184	$ 961,025

(IN THOUSANDS)

NOTE 3 LOANS, NET (CONTINUED)

The consumer credit risk profile based on members' payment activity by class is as follows:

	Vehicle - direct	Vehicle - indirect	Credit Card	Other Unsecured	Student	Other Secured
December 31, 2022						
Performing	$ 335,607	$ 1,904,332	$ 174,419	$ 66,874	$ 15,643	$ 4,211
Non-performing	1,398	10,425	3,176	977	101	3
	$ 337,005	$ 1,914,757	$ 177,595	$ 67,851	$ 15,744	$ 4,214
December 31, 2021						
Performing	$ 343,120	$ 1,506,641	$ 161,691	$ 63,445	$ 14,610	$ 4,757
Non-performing	552	3,767	1,829	481	-	-
	$ 343,672	$ 1,510,408	$ 163,520	$ 63,926	$ 14,610	$ 4,757

The Credit Union did not have any loans they considered impaired as of December 31, 2022. Information concerning impaired loans as of December 31, 2021 is as follows:

	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment
December 31, 2021				
With Specific Reserve Recorded:				
Commercial				
Real estate	$ 1,585	$ 1,581	$ -	$ 1,632
Total	$ 1,585	$ 1,581	$ -	$ 1,632
With Specific Reserve Recorded:				
Commercial				
Other	$ 633	$ 606	$ 589	$ 217
Total	$ 633	$ 606	$ 589	$ 217
Total by Segment				
Commercial	$ 2,218	$ 2,187	$ 589	$ 1,849

Interest income recognized on impaired loans was not significant during the years ended December 31, 2022 and 2021.

(IN THOUSANDS)

NOTE 3 LOANS, NET (CONTINUED)

The following tables show an aging analysis of the loan portfolio by time past due:

	Accruing Interest					
					Non-Accrual	
				Greater Than	Greater Than	
December 31, 2022	Current	30-59 Days	60-89 Days	90 Days	90 Days	Total Loans
Consumer:						
Vehicle - direct	$ 331,889	$ 3,066	$ 652	$ -	$ 1,398	$ 337,005
Vehicle - indirect	1,856,150	37,104	11,078	-	10,425	1,914,757
Credit card	168,936	4,419	1,064	3,176	-	177,595
Other unsecured	65,441	1,069	364	-	977	67,851
Student	15,333	306	4	101	-	15,744
Other secured	4,087	121	3	-	3	4,214
Residential Real Estate:						
Fixed rate	666,572	20,763	5	-	855	688,195
Variable rate	623,514	5,048	354	-	331	629,247
Home equity Line of credit	242,814	1,327	199	-	411	244,751
Commercial:						
Real estate	127,437	-	-	-	-	127,437
Other	2,180	-	-	-	106	2,286
	$ 4,104,353	$ 73,223	$ 13,723	$ 3,277	$ 14,506	$ 4,209,082

	Accruing Interest					
					Non-Accrual	
				Greater Than	Greater Than	
December 31, 2021	Current	30-59 Days	60-89 Days	90 Days	90 Days	Total Loans
Consumer:						
Vehicle - direct	$ 339,688	$ 3,055	$ 377	$ -	$ 552	$ 343,672
Vehicle - indirect	1,480,963	22,615	3,063	-	3,767	1,510,408
Credit card	158,680	1,976	1,035	1,829	-	163,520
Other unsecured	62,265	950	230	-	481	63,926
Student	14,610	-	-	-	-	14,610
Other secured	4,752	5	-	-	-	4,757
Residential Real Estate:						
Fixed rate	547,036	1,593	233	-	684	549,546
Variable rate	219,967	2,434	519	-	1,375	224,295
Home equity line of credit	185,555	1,033	271	-	325	187,184
Commercial:						
Real estate	96,147	6	1,713	-	115	97,981
Other	4,134	-	289	-	606	5,029
	$ 3,113,797	$ 33,667	$ 7,730	$ 1,829	$ 7,905	$ 3,164,928

(IN THOUSANDS)

NOTE 3 LOANS, NET (CONTINUED)

A summary of TDRs granted during the years ended December 31 by class is as follows. Post-modification balances approximate pre-modification balances.

	Number of Contracts	Post-Modification Outstanding Balance
2022		
Consumer:		
Vehicle	18	$ 232
Total	18	$ 232
2021		
Consumer:		
Vehicle	21	$ 257
Total	21	$ 257

A summary of TDRs that were granted during the years ended December 31 and subsequently defaulted by 90 days or more are as follows:

	2022		2021	
TDRs that Subsequently Defaulted:	Number of Contracts	Total Loans	Number of Contracts	Total Loans
Consumer:				
Vehicle	6	$ 173	4	$ 51
Total	6	$ 173	4	$ 51

(IN THOUSANDS)

NOTE 4 LOAN SERVICING

The Credit Union services mortgage loans for others that are not included in the accompanying Consolidated Statements of Financial Condition. The unpaid principal balances of these loans were $225,505 and $247,031 at December 31, 2022 and 2021, respectively.

Custodial escrow balances maintained in connection with the loan servicing, and included in members' shares, were approximately $1,408 and $1,559 at December 31, 2022 and 2021, respectively. The 2022 fair value of servicing rights was determined using discount rates of 9.5% for FNMA loans and 11.00% for GNMA loans and a prepayment speed of 7.54%, depending upon the stratification of the specific right and a 6.75 weighted average life in years.

A summary of the changes in the balance of mortgage servicing rights included in other assets in the Consolidated Statements of Financial Condition in 2022 and 2021 are as follows:

	2022	2021
Balance, Beginning of Year	$ 1,633	$ 1,460
Servicing Assets Recognized during the Year	22	650
Amortization of Servicing Assets	(262)	(616)
Change in Valuation Allowance	2	139
Balance, End of Year	$ 1,395	$ 1,633
Fair Value of Mortgage Servicing Rights	$ 2,544	$ 2,186

NOTE 5 PROPERTY AND EQUIPMENT, NET

Property and equipment, net at December 31 is summarized as follows:

	2022	2021
Land	$ 13,451	$ 13,189
Buildings	51,549	52,032
Leasehold improvements	8,583	8,432
Construction in progress	1,831	1,888
Furniture and equipment	42,828	38,995
	118,242	114,536
Accumulated depreciation and amortization	(63,682)	(59,155)
	$ 54,560	$ 55,381

During 2022 and 2021, the Credit Union entered into commitments totaling $1,474 and $3,416, respectively, for building and land purchases, improvements, and furniture and equipment. The remaining commitments on these construction and equipment contracts at December 31, 2022 and 2021 were $900 and $3,260, respectively.

(IN THOUSANDS)

NOTE 6 LEASES

The Credit Union leases equipment as well as certain operating and office facilities for various terms under long-term, noncancelable lease agreements. The leases expire at various dates through 2041 and provide for renewal options. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

The cost components of the Credit Union's operating and financing leases were as follows for the year ending December 31, 2022:

	2022
Operating Lease Cost	$ 396
Short-Term Lease Cost	28
Amortization of Right of Use Asset - Financing Leases	493
Interest on Lease Liabilities - Finance Leases	116
Total Lease Cost	$ 1,033

The following table summarizes other information related to the Credit Union's operating and financing leases for the year ending December 31, 2022:

	2022
Cash Paid for Amounts Included in the Measurement of Lease Liabilities	
Operating Cash Flows from Operating Leases	$ 396
Operating Cash Flows from Financing Leases	313
Financing Cash Flows from Financing Leases	116
Weighted-Average Remaining Lease Term - Operating Leases, in Years	5.16 years
Weighted-Average Remaining Lease Term - Financing Leases, in Years	9.53 years
Weighted-Average Discount Rate - Operating Leases	3.11%
Weighted-Average Discount Rate - Financing Leases	3.43%

A maturity analysis of annual undiscounted cash flows for lease liabilities as of December 31, 2022, is as follows:

Year Ending December 31,	Operating Lease	Financing Lease
2023	$ 511	$ 701
2024	425	709
2025	319	717
2026	311	730
2027	188	741
Thereafter	240	2,330
Total Lease Payments	1,994	5,928
Less: Interest	(342)	(914)
Present Value of Lease Liabilities	$ 1,652	$ 5,014

(IN THOUSANDS)

NOTE 7 MEMBERS' SHARE AND SAVINGS ACCOUNTS

Members' share and savings accounts at December 31 are summarized as follows:

	Rates at December 31, 2022	2022	2021
Savings	0.09%	$ 750,081	$ 732,271
Checking	0.06%	654,685	648,362
Money market	1.53%	1,276,867	1,249,372
Individual retirement	1.82%	36,840	37,090
		2,718,473	2,667,095
Share and IRA certificates	0.00% to 1.00%	203,495	546,724
	1.01% to 2.00%	285,314	63,170
	2.01% to 3.00%	321,043	185,757
	3.01% to 4.00%	545,480	23,896
	4.01% to 5.00%	86,851	-
		1,442,183	819,547
Total		$ 4,160,656	$ 3,486,642

Share and IRA certificates by maturity are summarized as follows:

	2022	2021
0 - 1 Year	$ 512,300	$ 543,085
1 - 2 Years	687,992	185,096
2 - 3 Years	157,432	34,129
3 - 4 Years	35,424	19,496
4 - 5 Years	49,035	37,741
Total	$ 1,442,183	$ 819,547

The NCUSIF insures members' accounts and individual retirement accounts up to $250.

The aggregate amount of certificates of deposit in denominations of $250 or more was $284,401 and $77,539 at December 31, 2022 and 2021, respectively.

NOTE 8 BORROWED FUNDS

At December 31, 2022 and 2021, the Credit Union has available a demand loan agreement with a corporate credit union. The terms of the agreement call for the pledging of all assets as security for any and all obligations taken by the Credit Union under this agreement. The agreement provides for a credit limit of $80,000 with interest charged at a rate determined by the lender on a periodic basis. At December 31, 2022 and 2021, there were no borrowings under the agreement. The agreement is reviewed for continuation by the lender and the Credit Union periodically.

(IN THOUSANDS)

NOTE 8 BORROWED FUNDS (CONTINUED)

The Credit Union has an agreement to apply for advances from the Federal Reserve Discount Window. Specific investment securities of the Credit Union with advance equivalents of approximately $218,443 and $205,123 at December 31, 2022 and 2021, respectively, are pledged to the Federal Reserve Bank as collateral in the event that the Credit Union requests any advances on the line. The interest rates for such advances are based on the Federal Reserve Discount Rate at the time of an advance. There were no advances outstanding as of December 31, 2022 and 2021.

The Credit Union has Credit Availability with the FHLB at 25% of the Credit Union's total assets. The total Credit Availability limit for years ended December 31, 2022 and 2021 is $1,250,666 and $1,008,233, respectively. All advances and other credit products requested under Credit Availability must be fully secured with eligible collateral. As of December 31, 2022 and 2021, $192,761 and $60,805 of securities and were pledged as collateral against advances. The remaining advances were secured by pledges of residential real estate loans. Credit Availability is not an agreement or commitment on the part of the FHLB to grant advances or otherwise extend credit to the Credit Union. Further, Credit Availability may be amended, restated, supplemented, or withdrawn at any time.

Borrowed funds consisted of the following FHLB Term Notes at December 31:

	2022	2021
Interest Rate 0.963%, Maturing June 1, 2022	-	50,000
Interest Rate 0.891%, Maturing June 1, 2023	50,000	50,000
Interest Rate 0.926%, Maturing June 3, 2024	50,000	50,000
Interest Rate 1.8875%, Maturing June 2, 2025	100,000	100,000
Interest Rate 3.189%, Maturing August 9, 2027	100,000	-
Interest Rate 3.804%, Maturing September 14, 2027	100,000	-
Total	$ 400,000	$ 250,000

NOTE 9 COMMITMENTS AND CONTINGENT LIABILITIES

Off-Consolidated Statement of Financial Condition Activities

The Credit Union is party to conditional commitments to lend funds in the normal course of business to meet the financing needs of its members. These commitments represent financial instruments to extend credit, which include lines of credit, credit cards and home equity lines that involve, to varying degrees, elements of credit and interest rate risk in excess of amounts recognized in the consolidated financial statements.

The Credit Union's exposure to credit loss is represented by the contractual amount of these commitments. The Credit Union follows the same credit policies in making commitments as it does for those loans recorded in the consolidated financial statements.

(IN THOUSANDS)

NOTE 9 COMMITMENTS AND CONTINGENT LIABILITIES (CONTINUED)

Off-Consolidated Statement of Financial Condition Activities (Continued)

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses and may require payment of a fee. Because many of the commitments are expected to expire without being drawn upon, the total commitment amounts do not necessarily represent future cash requirements. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained to secure borrowing on the lines of credit is based on management's credit evaluation of the member. Collateral held varies but may include consumer assets, residential real estate, and member share balances.

Unfunded commitments under revolving credit lines and overdraft protection agreements are commitments for possible future extensions of credit to existing customers. These lines of credit are uncollateralized, usually do not contain a specified maturity date, and ultimately may not be drawn upon to the total extent to which the Credit Union is committed.

Unfunded loan commitments at December 31 are summarized as follows:

	2022	2021
Credit card	$ 575,711	$ 545,648
Commercial	5,829	7,783
Home equity	337,787	295,892
Overdraft protection	116,582	130,695
Other consumer	53,618	50,533
Total	$ 1,089,527	$ 1,030,551

Legal Contingencies

The Credit Union is a party to various legal actions normally associated with collections of loans and other business activities of financial institutions, the aggregate effect of which, in management's opinion, would not have a material adverse effect on the financial condition or results of operations of the Credit Union.

Other

The Credit Union has entered into an agreement with SWBC Mortgage Corporation for the sale of mortgage loans. The Credit Union is contingently liable to repurchase loans sold under the agreement where a loan is originated in violation of the agreement and where prepayment or default occurs within specified periods. The Credit Union was not required to repurchase any loans during 2022 and 2021. The Credit Union was contingently liable on $0 and $295 of these loans at December 31, 2022 and 2021, respectively. It is management's belief that any repurchase obligation would not be significant to the Credit Union's consolidated financial statements.

NOTE 10 REGULATORY NET WORTH REQUIREMENTS

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory - and possibly additional discretionary - actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's consolidated financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital guidelines that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance sheet items as calculated under GAAP. The Credit Union's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum ratios (set forth in the table following) of net worth to total assets (as defined by the regulation). Effective December 31, 2021, and earlier, credit unions were also required to calculate a Risk-Based Net Worth Requirement (RBNWR) which established whether or not the Credit Union will be considered "complex" under the regulatory framework. The minimum ratio to be considered complex under the regulatory framework was 6.00%.

Effective March 2022, the NCUA adopted the risk-based capital calculation which applies only to federally insured, natural person credit unions with quarter-end total assets exceeding $500 million who do not qualify for, or opt into, the complex credit union leverage ratio (CCULR) framework described in §702.104(d).

As of December 31, 2022, the most recent call reporting period, the NCUA categorized the Credit Union initially as "well capitalized" under the regulatory framework for prompt corrective action. To be categorized as "well capitalized," the Credit Union must maintain a minimum net worth ratio of 7% of assets. In addition, the credit union, if complex, must maintain a minimum risk-based capital ratio of 10% or greater. There are no conditions or events since that notification that management believes have changed the institution's category.

(IN THOUSANDS)

NOTE 10 REGULATORY NET WORTH REQUIREMENTS (CONTINUED)

The Credit Union's actual capital amounts and ratios are also presented in the table following.

	Actual		To be Adequately Capitalized Under Prompt Corrective Action Provision		To be Well Capitalized Under Prompt Corrective Action Provision	
	Amount	Ratio	Amount	Ratio	Amount	Ratio
December 31, 2022						
Net Worth	$ 442,429	8.78%	$ 302,255	6.00%	$ 352,630	7.00%
Risk-Based Capital Ratio	426,629	12.79%	266,949	8.00%	333,687	10.00%
December 31, 2021						
Net Worth	408,150	9.73%	251,654	6.00%	293,597	7.00%
Risk-Based Net Worth Requirement	216,423	5.16%	N/A	N/A	N/A	N/A

Because the net worth and risk-based capital ratios exceed the well capitalized thresholds, the Credit Union retains its original category. In performing its calculation of total assets, the Credit Union used the average of the current and three preceding quarter-end balance option. The Credit Union has calculated and applied $3,336,866 as total risk-weighted assets for the calculation of the Risk-Based Capital ratio.

NOTE 11 RELATED-PARTY TRANSACTIONS

In the normal course of business, the Credit Union extends credit to directors, supervisory committee members, and executive officers. The aggregate loans to related parties at December 31, 2022 and 2021 are $6,488 and $6,019, respectively. The aggregate principal advances and principal repayments are not significant. Deposits from related parties at December 31, 2022 and 2021 amounted to $3,513 and $2,923, respectively. The rates charged on related-party loans and earned on related party deposits are the same rates available to members of the Credit Union.

(IN THOUSANDS)

NOTE 12 FAIR VALUE OF FINANCIAL INSTRUMENTS

Recurring Basis

The Credit Union uses fair value measurements to record fair value adjustments to certain assets and liabilities and to determine fair value disclosures. For additional information on how the Credit Union measures fair value refer to Note 1 – Summary of Significant Accounting Policies. The following tables present the balances of the assets and liabilities measured at fair value on a recurring basis:

	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
December 31, 2022				
Equity Securities	$ 46,957	$ 46,957	$ -	$ -
Investments Available-for-Sale	226,110	-	226,110	-
Total	$ 273,067	$ 46,957	$ 226,110	$ -
December 31, 2021				
Equity Securities	$ 318,527	$ 318,527	$ -	$ -
Investments Available-for-Sale	231,346	-	231,346	-
Total	$ 549,873	$ 318,527	$ 231,346	$ -

Investment Securities

When available, the Credit Union uses quoted market prices to determine the fair value of securities; such items are classified in Level 1 of the fair value hierarchy. For the Credit Union’s securities where quoted prices are not available for identical securities in an active market, the Credit Union determines fair value utilizing vendors who apply matrix pricing for similar bonds where no price is observable or may compile prices from various sources. These models are primarily industry-standard models that consider various assumptions, including time value, yield curve, volatility factors, prepayment speeds, default rates, loss severity, current market, and contractual prices for the underlying financial instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace.

Fair values from these models are verified, where possible, against quoted market prices for recent trading activity of assets with similar characteristics to the security being valued. Such methods are generally classified as Level 2. However, when prices from independent sources vary, cannot be obtained, or cannot be corroborated, a security is generally classified as Level 3.

(IN THOUSANDS)

NOTE 12 FAIR VALUE OF FINANCIAL INSTRUMENTS (CONTINUED)

Non-Recurring Basis

Certain assets are measured at fair value on a nonrecurring basis. These assets are not measured at fair value on an ongoing basis; however, they are subject to fair value adjustments in certain circumstances, such as evidence of impairment or a change in the amount of previously recognized impairment.

Net impairment losses related to nonrecurring fair value measurements of certain assets for the years ended December 31, 2022 and 2021 consisted of the following:

	Carrying Value				
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Impairment Loss
December 31, 2022					
Impaired Loans	$ -	$ -	$ -	$ -	$ -
December 31, 2021					
Impaired Loans	$ 17	$ -	$ -	$ 17	$ 589

The Level 3 fair values were determined by estimating the value of the underlying collateral, less selling expenses.

Impaired Loans

In accordance with the provisions of the loan impairment guidance, impairment was measured for which it is probable that payment of interest and principal will not be made in accordance with the contractual terms of the loan agreement. The fair value of impaired loans is estimated using one of several methods, including collateral value, market value of similar debt, or discounted cash flows. Those impaired loans not requiring an allowance represent loans for which the fair value of the expected repayments or collateral exceed the recorded investments in such loans. Impaired loans where an allowance is established based on the fair value of collateral require classification in the fair value hierarchy. Collateral values are estimated using Level 3 inputs based on customized discounting criteria.

Impairment amounts on impaired loans represent specific valuation allowance and write-downs during the period presented on impaired loans that were individually evaluated for impairment based on the estimated fair value of the collateral less estimated selling costs, excluding impaired loans fully charged-off.

(IN THOUSANDS)

NOTE 13 REVENUE FROM CONTRACTS WITH CUSTOMERS

The following presents noninterest income, segregated by revenue streams in-scope and out-of-scope of Topic 606, for the year ended December 31, 2022:

	2022	2021
In Scope of ASC 606:		
Services Charges on Deposits	$ 15,684	$ 15,681
Interchange Income, Net	18,423	19,194
Other	4,606	8,622
Non-interest Income in Scope of ASC 606	38,713	43,497
Non-interest Income (Expense) Not Within the Scope of ASC 606 (a)	(2,408)	13,483
Total Non-interest Income	$ 36,305	$ 56,980

(a) This revenue is not within the scope of ASC 606, and includes fees related to loan servicing fees, gain on sale of mortgages, gain (loss) on sale of investments and credit card fees