



2008 annual report



CEO/treasurer's report

I have been the CEO of Vantria Federal Credit Union since 2002, and during my tenure we have continually increased our value to members in the areas of electronic service delivery, new products, and improved staff competency. That being said, 2008 presented the most challenges to our management staff and Board of Directors compared to any period in the recent past. Growing unemployment, unprecedented home foreclosures and loan defaults, and historically low interest rates have combined to make managing a financial institution extremely difficult.

Although there are always uncontrollable economic forces we must contend with in order to prosper, the current environment impacts our operation in material negative fashion. The decline in housing values, particularly in the Northern Virginia area, is a key factor contributing to mortgage losses. Although Vantria has never made a sub-prime mortgage loan, we cannot escape some repercussions of the actions of other financial institutions that were not as prudent or ethical in their lending decisions.

The accompanying financial reports reflect a negative return on assets for 2008. Although a small percentage of the loss was due to loan defaults, the majority was due to the recapitalization of the National Credit Union Administration's (NCUA) Share Insurance Fund. Like their counterpart in the banking industry the FDIC, the NCUA made significant assessments to all federally insured credit unions to replenish the fund to offset other than temporary losses in the investment portfolios of our central banker, U. S. Central. Unlike in the banking industry, no taxpayer dollars were used to replenish the share insurance fund. The fact that credit unions are well-capitalized as a result of earnings reserved in more favorable economic periods enabled our industry to absorb these adjustments. Even after this assessment, Vantria remains well above the regulator-defined net worth ratio defined as "well-capitalized." It is a credit to our past management of funds that we are able to weather the current downward spiral without significant impact to our rates and services.

On the positive side, loans increased by 7.48%, an increase over 2007's growth of 5.16%. Our market share grew by .29%, a positive sign considering we are in a recession. Although loan losses are impacting our income, our net loss ratio at .60% remained below the peer average of .66%. Another indicator of strong capital is that our classified assets/net worth ratio of 3.98% compares very favorably to the peer ratio of 6.31%. An indicator of the value we deliver to members relative to our competition is our fee income/average assets ratio of .87, compared to a peer average of 1.44. We are hopeful that with the utilization of outside collection resources, we will be able to stem the tide of rising loan delinquencies and return to our normal lower loss ratio by the end of 2009.

We pledge to continue to move into the coming year with the goal of using a combination of technology and knowledgeable staff to continually improve service to the membership.

Patricia Malatesta
CEO/Treasurer



chairman's report

supervisory committee report

This is a challenging time for most businesses and credit unions are no exception. The more conservative nature of credit unions has protected our industry from taking the full brunt of the economic downturn, yet we are feeling its effects. When first mortgages go into default it leads to a corresponding default on home equity loans, which are an important portion of a credit union's lending portfolio. We are also seeing an unprecedented rate of default on vehicle and personal loans. We are able to weather these difficult times because we are well capitalized and we have historically taken a conservative approach to building reserves. Our credit union industry is healthy and sound and we are being called on to ease the credit crunch for qualified borrowers as banks continue to refrain from making consumer loans. You can trust that we will continue to meet our members' current and future needs with minimal fees and maximum loan opportunities.

We continue to separate ourselves from our competitors by marketing to members who like to bank remotely via the Internet and through our network of shared credit union branches. Catering to a clientele in the Northern Virginia area where technological advantages are widespread and members' time is precious, we are customizing our products and service delivery channels to meet this unique demographic. As such, we continue to provide 24/7 access to our services. Your CEO, Board of Directors, and staff have continued to pursue our defined key priorities and will be working to deliver the widest range of services at the lowest cost to the membership. You will continue to see technological improvements in the coming years.

On behalf of the Directors, staff and management at Vantria Federal Credit Union, we thank all of our members and future members for utilizing our diversified range of products and services. We are only successful when we focus on the needs of our members and commit to protecting your assets.

Margaret Martorana
Chairman

The Supervisory Committee is responsible for ensuring that the credit union is operated in a safe and sound manner in accordance with the bylaws, regulations, and internal policies of Vantria Federal Credit Union. The committee is appointed by the Board of Directors and is tasked with selecting the independent auditors that perform the annual audit and render a certified opinion of the financial statements.

During 2002, the Supervisory Committee first engaged the services of Schreiner Legge & Company to conduct this annual audit. As of July 1, 2008, Schreiner Legge merged with the firm of Larson Allen.

The results of the audit by Larson Allen for 2008 accompany this report. No material exceptions were noted during the audit period. Larson Allen also conducted a verification of member accounts as of September 30, 2008, in accordance with U.S. generally accepted auditing standards. No errors were noted as a result of the verification procedures.

The committee concludes, as supported by the annual audit and the annual examination by our regulator, the National Credit Union Administration, that Vantria FCU is financially sound and well-positioned to service the banking needs of its membership.

Stephanie Whalen
Supervisory Committee Chair



loan review committee report

The function of the Loan Review Committee is to review loan applications which exceed loan officer limits. The majority of credit union loans are approved by a loan officer, individually and jointly. The Loan Review Committee also reviews loan decisions that a member may appeal.

During 2008, the committee approved 25 loans for a total of \$759,102. It denied 2 loans for \$29,500 and made no counter-offers.

As of 12/31/08, total loans outstanding were \$32,530,132, an increase over year-end 2007 of 7.48%. Our members benefit from the risk-based lending program at Vantria. Members with excellent credit are rewarded with our best interest rate offerings. Those members with less than perfect credit qualify for loans with Vantria that other institutions may decline. We pride ourselves in our ability to service our members.

In 2008, we approved 56% of the consumer loan applications submitted. Vantria continued to stay below the peer average in net charge-offs. As of 12/31/08, net charge-offs represented .60% of average total loans, a low percentage compared to the peer average of .66%. This number reflects the overall credit worthiness of our membership and the hard work and dedication of our employees to keep costs at a minimum. This allows us to offer low rates to attract new members, as well as to support our many free services.

Our ability to provide quality member products is supported by advanced systems for service delivery. We have implemented the technology and product set to position us well for future growth in consumer lending.

Darcie Albright
Chief Operating Officer

financials

independent auditor's report

April 8, 2009

Supervisory Committee and Board of Directors
Vantria Federal Credit Union
Springfield, Virginia

We have audited the accompanying statement of financial condition of Vantria Federal Credit Union as of December 31, 2008, and the related statements of operations, members' equity (not presented herein), and cash flows (not presented herein) for the year then ended; and in our report we expressed an unqualified opinion on those financial statements. The financial statements of Vantria Federal Credit Union as of December 31, 2007, were audited by Schreiner, Legge, & Company (whose practice became part of LarsonAllen LLP effective July 1, 2008), whose report dated April 8, 2008, expressed an unqualified opinion on those financial statements.

In our opinion, the information set forth in the accompanying condensed financial statements is fairly stated, in all material respects, in relation to the financial statements from which it has been derived.

LarsonAllen LLP
Certified Public Accountants

audited financial statements

The condensed financial statements presented hereto do not constitute a complete set. The complete set, including the statements of changes in members' equity, cash flows and notes to the financial statements, is available in the credit union office and on our website.

For copies of the audited financial statements, please contact:

Vantria Federal Credit Union
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Springfield, VA 22150
703-913-0700

www.vantria.org
e-mail: vantria@vantria.org

vantria federal credit union statements of financial condition

DECEMBER 31, 2008 AND 2007

	2008	2007
ASSETS		
Cash and Cash Equivalents	\$ 3,501,262	\$ 9,854,626
Deposits in Other Financial Institutions	14,531,284	9,039,618
Securities - Available for Sale	15,527,843	16,563,956
Loans, Net	32,312,444	30,030,556
Accrued Interest Receivable	377,387	384,424
Property and Equipment, Net	2,097,756	2,217,308
NCUSIF Deposit	195,903	596,434
Other Assets	<u>2,612,365</u>	<u>2,623,214</u>
TOTAL ASSETS	\$ 71,156,244	\$ 71,310,136
LIABILITIES AND MEMBERS' EQUITY		
Members' Share Accounts	\$ 62,579,826	\$ 62,398,435
Accounts Payable and Other Liabilities	<u>415,548</u>	<u>236,161</u>
total liabilities	62,995,374	62,634,596
Regular Reserve	707,752	707,752
Appropriated Undivided Earnings	1,507,013	1,507,013
Undivided Earnings	5,622,996	6,366,062
Accumulated Other Comprehensive Income	<u>323,109</u>	<u>94,713</u>
total members' equity	8,160,870	8,675,540
TOTAL LIABILITIES AND MEMBERS' EQUITY	\$ 71,156,244	\$ 71,310,136

vantria federal credit union statements of operations

FOR THE YEARS ENDED DECEMBER 31, 2008 AND 2007

	2008	2007
INTEREST INCOME		
Loans	\$ 2,100,242	\$ 2,149,578
Securities and Interest Bearing Deposits	<u>1,362,445</u>	<u>1,927,175</u>
total interest income	3,462,687	4,076,753
INTEREST EXPENSE		
Members' Share and Savings Accounts	<u>1,285,842</u>	<u>1,376,017</u>
Net Interest Income	2,176,845	2,700,736
Provision for Loan Losses	<u>305,564</u>	<u>94,971</u>
Net Interest Income after Provision for Loan Losses	1,871,281	2,605,765
NON-INTEREST INCOME		
Service Charges and Fees	511,715	554,929
Other Non-Interest Income	192,975	132,443
Gain on Sale of Investments	-	6,220
(Loss) on Sale of Assets	<u>-</u>	<u>(201)</u>
total non-interest income	704,690	693,391
NON-INTEREST EXPENSE		
General and Administrative Employee Compensation and Benefits	1,242,824	1,103,346
Office Occupancy and Operations	788,831	845,755
Other Operating Expenses	<u>716,026</u>	<u>758,809</u>
total non-interest expense	2,747,681	2,707,910
NET INCOME (LOSS) BEFORE NCUSIF COSTS	(171,710)	591,246
NCUSIF Impairment	398,218	-
NCUSIF Insurance	<u>173,138</u>	<u>-</u>
total ncusif costs	571,356	-
NET INCOME (LOSS)	\$ (743,066)	\$ 591,246

The condensed financial statements presented hereto do not constitute a complete set. The complete set, including the statements of changes in members' equity, cash flows and notes to the financial statements, is available in the credit union office and on our website.