

Rendell L. Jones, CFO  
Office of the Chief Financial Officer



**NCUSIF**  
**Financial Statistics**  
**For the Quarter Ended**  
**March 31, 2017**

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# NCUSIF Revenue and Expense

## March 31, 2017

PRELIMINARY & UNAUDITED (in Millions)	Quarter Ended March 31, 2016	
	(Actual)	(Estimated)
<b>Gross Income:</b>		
Investment Income	\$50.4	\$48.8
Other Income	0.2	0.1
Total Income	<b>\$50.6</b>	<b>\$48.9</b>
<b>Less Expenses:</b>		
Operating Expenses	\$44.5	\$51.7
Provision for Insurance Losses:		
Reserve Expense (Reduction)	49.2	28.0
AME Loss Expense (Reduction)	(1.2)	0.0
Total Expenses	<b>\$92.5</b>	<b>\$79.7</b>
<b>Net Income (Loss)</b>	<b>(\$41.9)</b>	<b>(\$30.8)</b>

# NCUSIF Summary Balance Sheets

## March 31, 2017

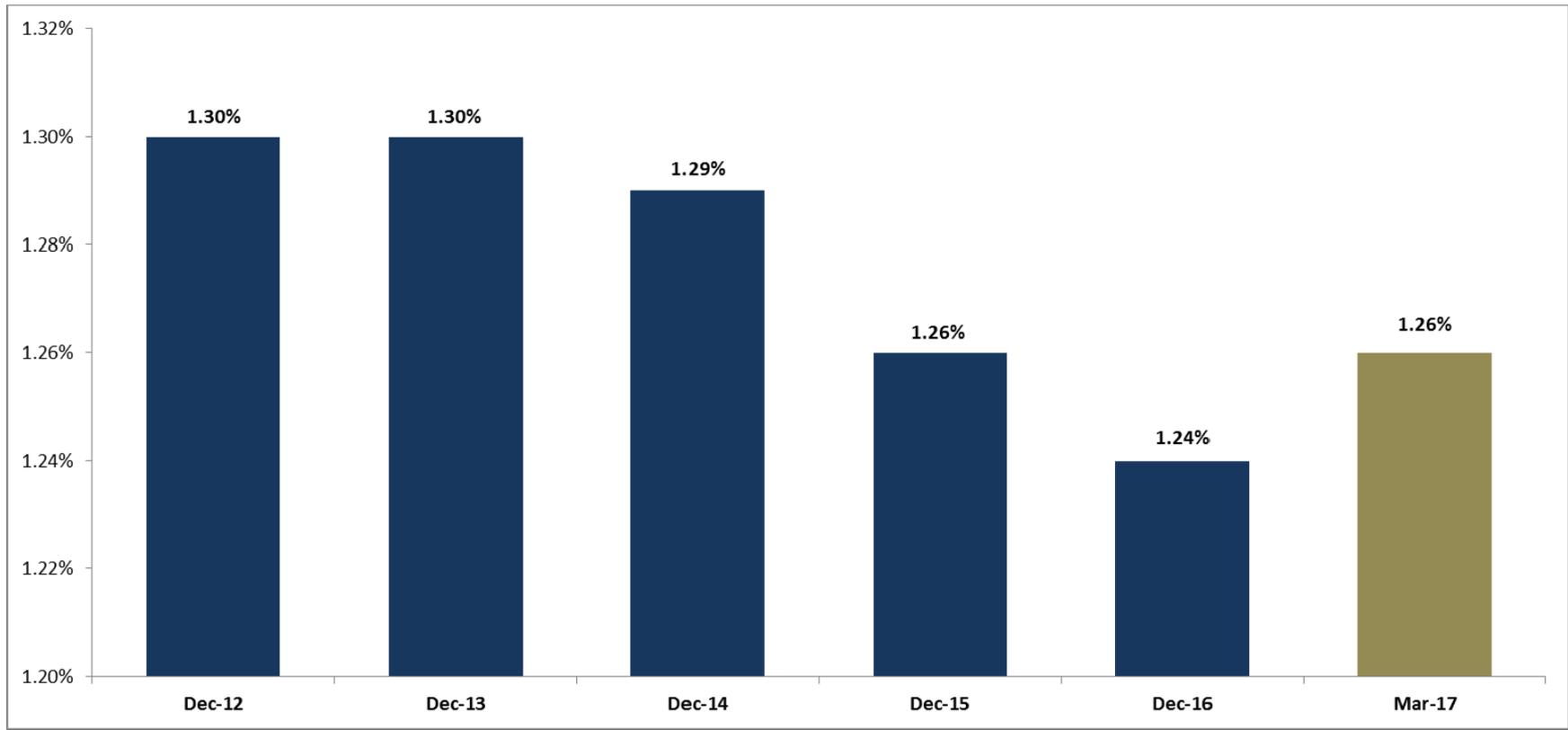
PRELIMINARY & UNAUDITED (In Millions)	March 31, 2017	December 31, 2016
<b>Assets</b>		
Fund Balance with Treasury and Investments	\$12,766.2	\$12,729.1
Notes Receivable, Net	8.7	9.0
Capitalization Deposits Receivable	316.5	-
Receivable from Asset Management Estates, Net	51.3	58.4
Accrued Interest and Other Assets	61.2	73.2
<b>Total Assets</b>	<b>\$13,203.9</b>	<b>\$12,869.7</b>
<b>Liabilities and Net Position</b>		
Accounts Payable and Other Liabilities	\$ 26.0	\$ 6.3
Insurance and Guarantee Program Liabilities	245.6	196.6
Net Position – Capital Deposits	10,285.8	9,987.4
Net Position – Cumulative Results of Operations	2,646.5	2,679.4
<b>Total Liabilities and Net Position</b>	<b>\$13,203.9</b>	<b>\$12,869.7</b>

# NCUSIF Changes to the Reserves

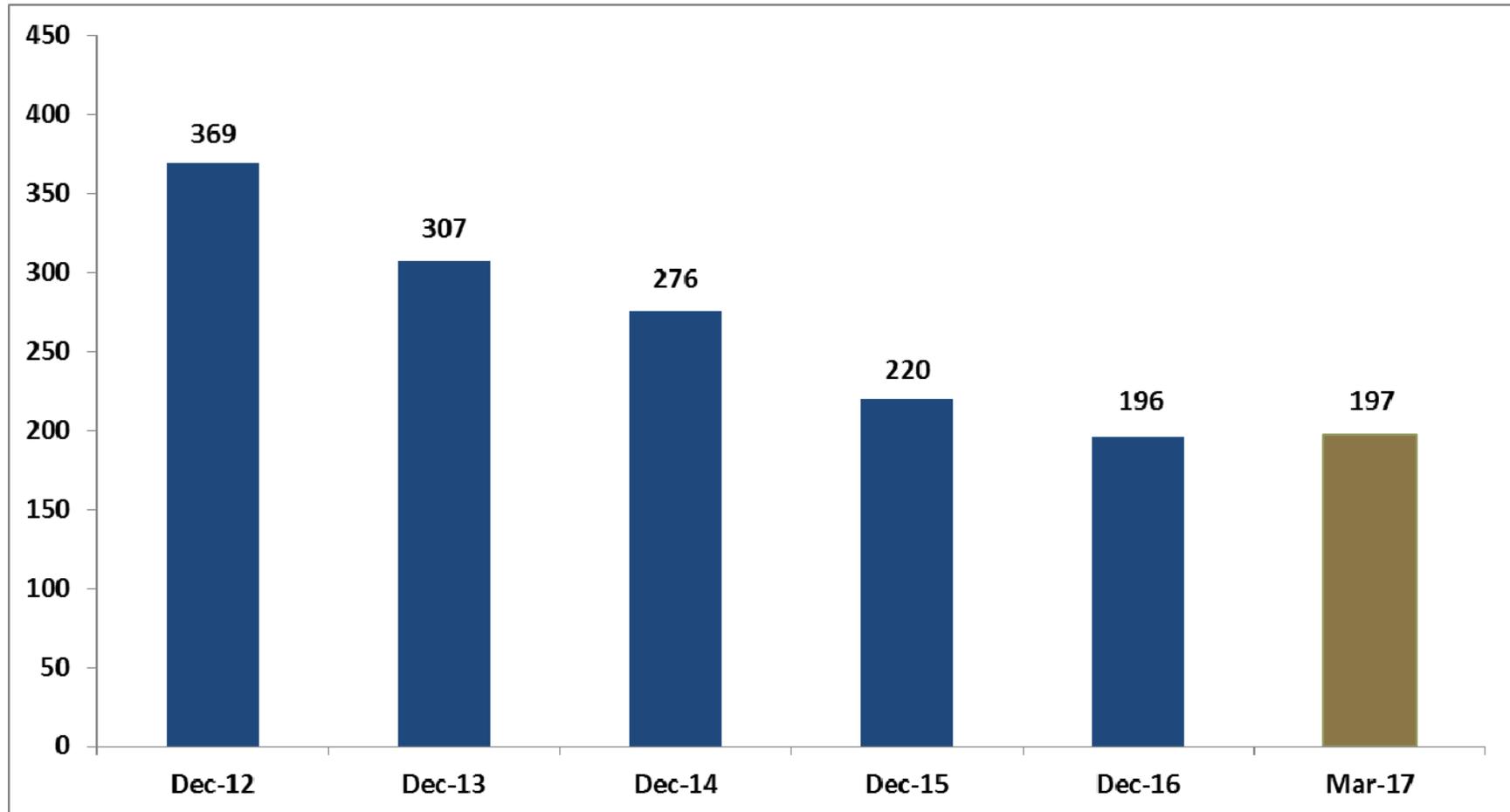
## March 31, 2017

PRELIMINARY & UNAUDITED (In Millions)	Year-To-date March 31, 2017
<b>Beginning Reserve Balance:</b>	<b>\$196.6</b>
Reserve Expense (Reduction)	49.2
Charges for Assisted Mergers	-
Charges for Liquidations	(0.2)
<b>Ending Reserve Balance</b>	<b>\$245.6</b>

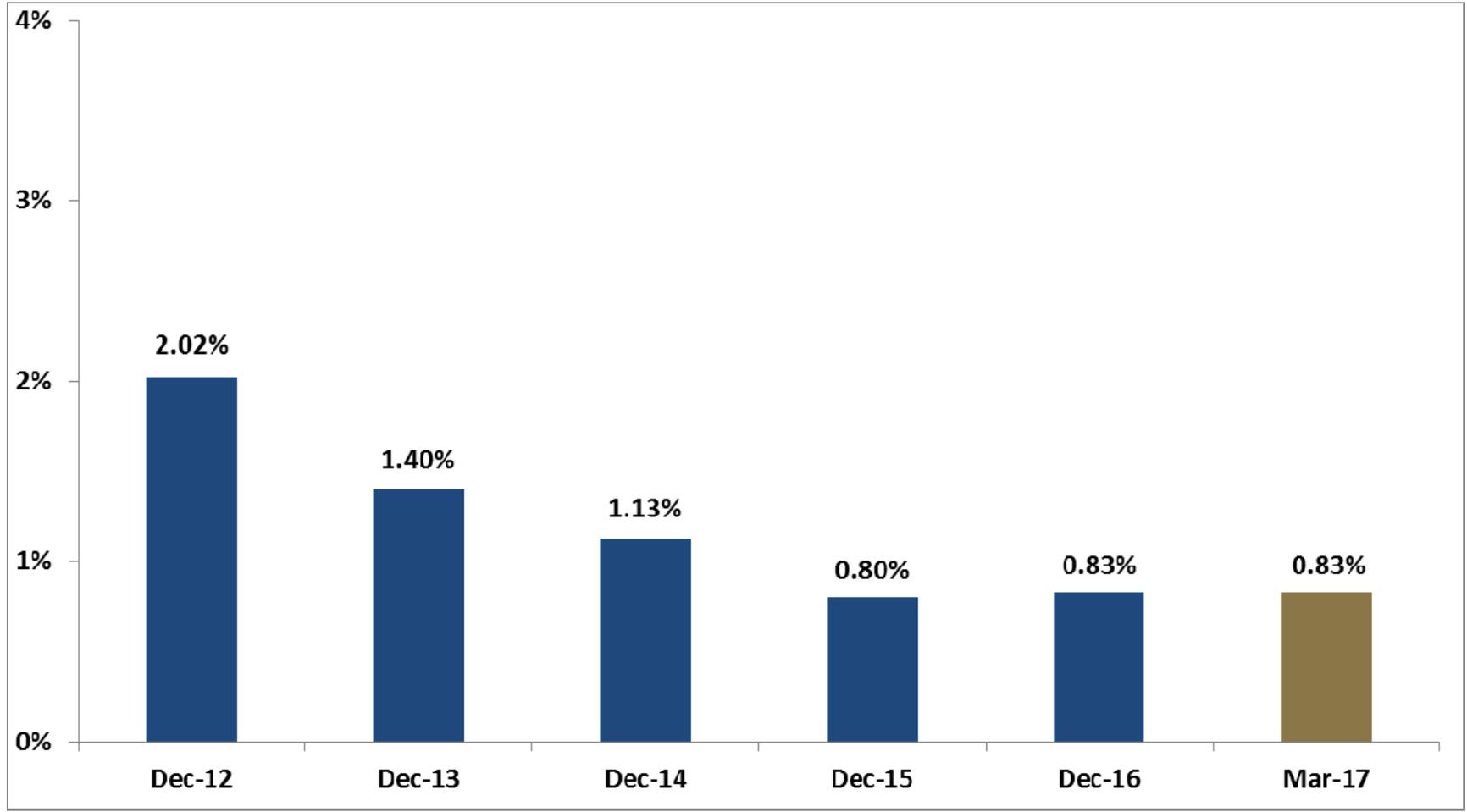
# NCUSIF Equity Ratio FY 12\_ FY 17



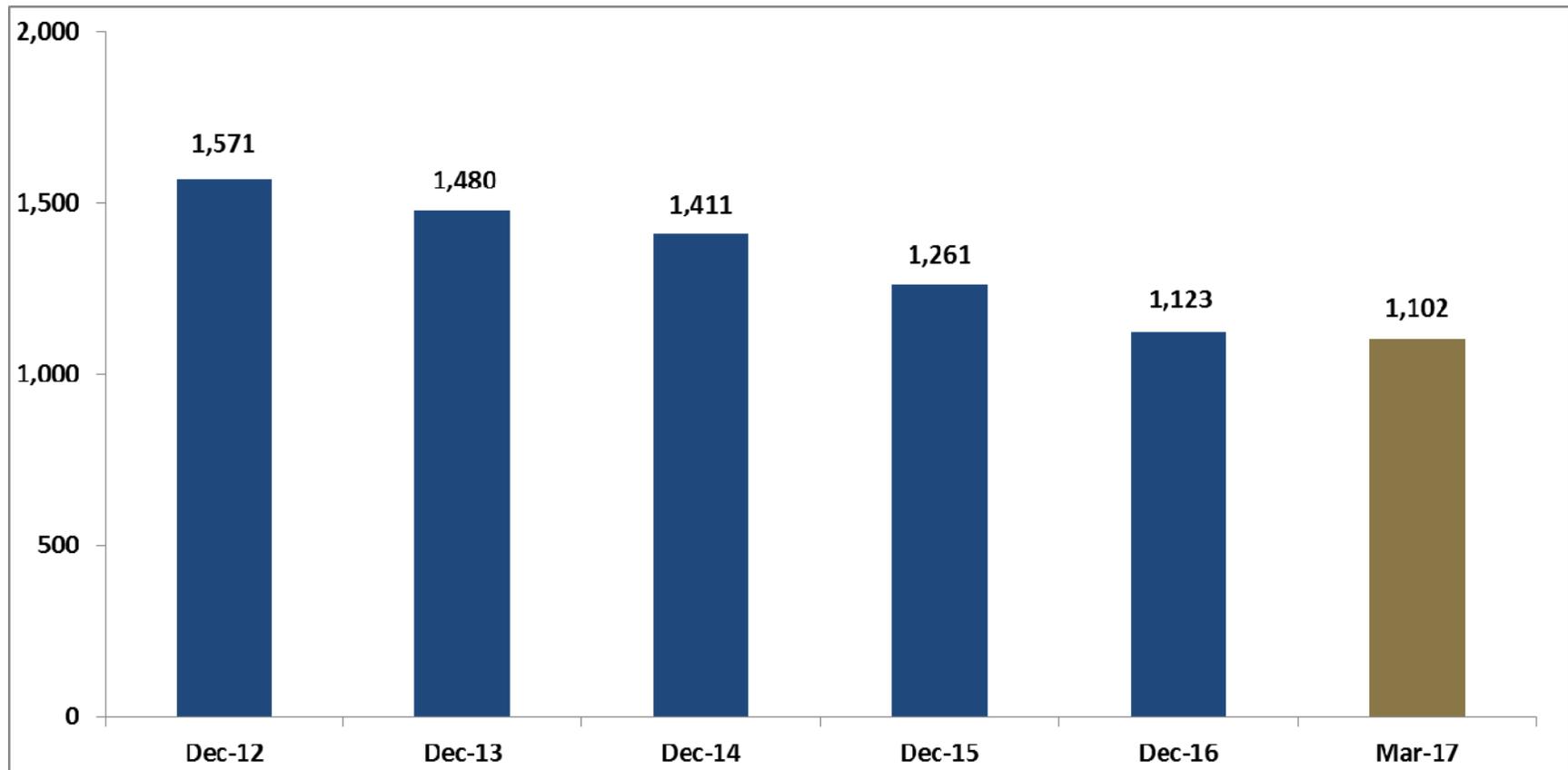
# Number of Problem Credit Unions CAMEL Code 4/5 FY 12\_ FY 17



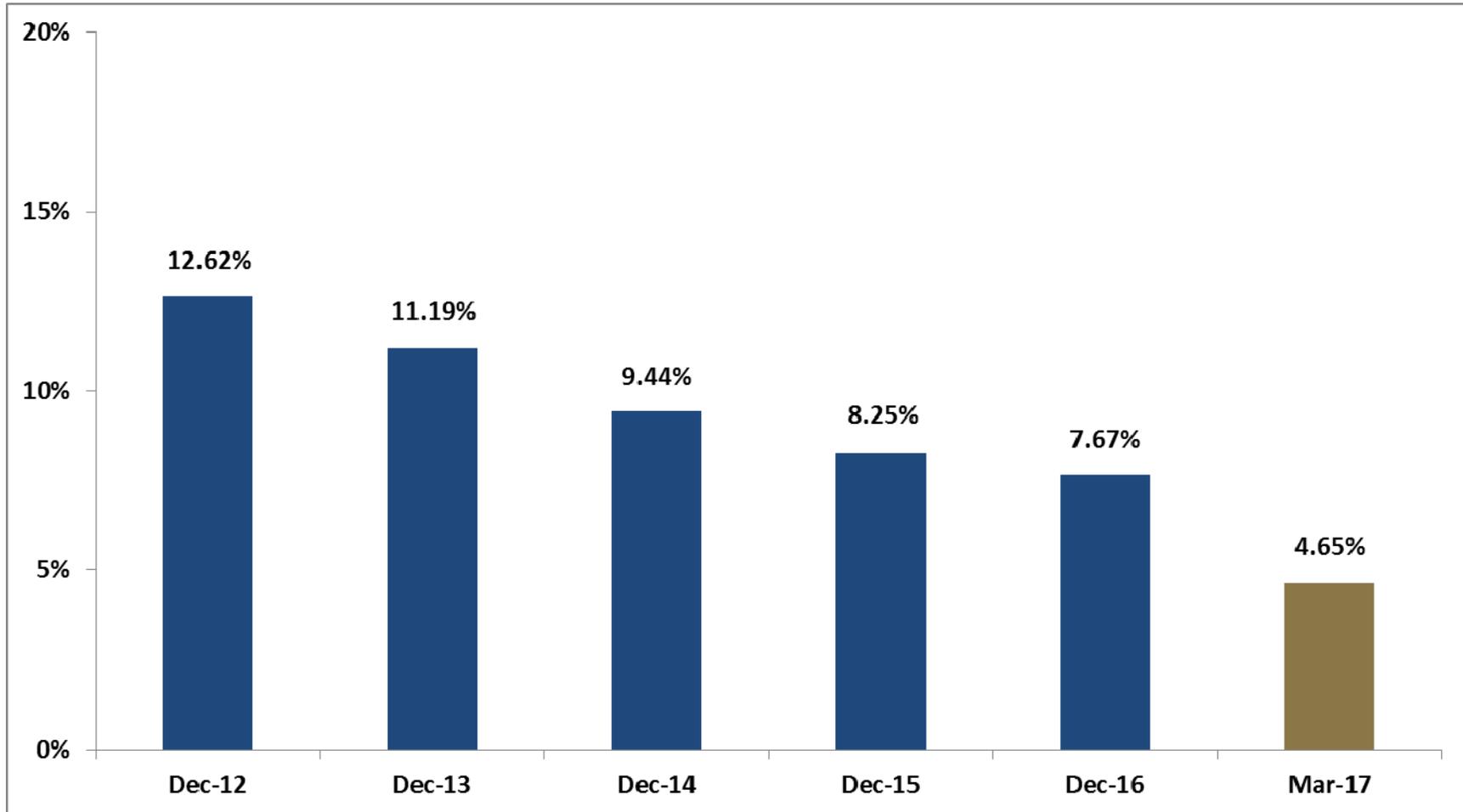
# Percent of CAMEL Code 4/5 Shares to Total Insured Shares FY 12\_ FY 17



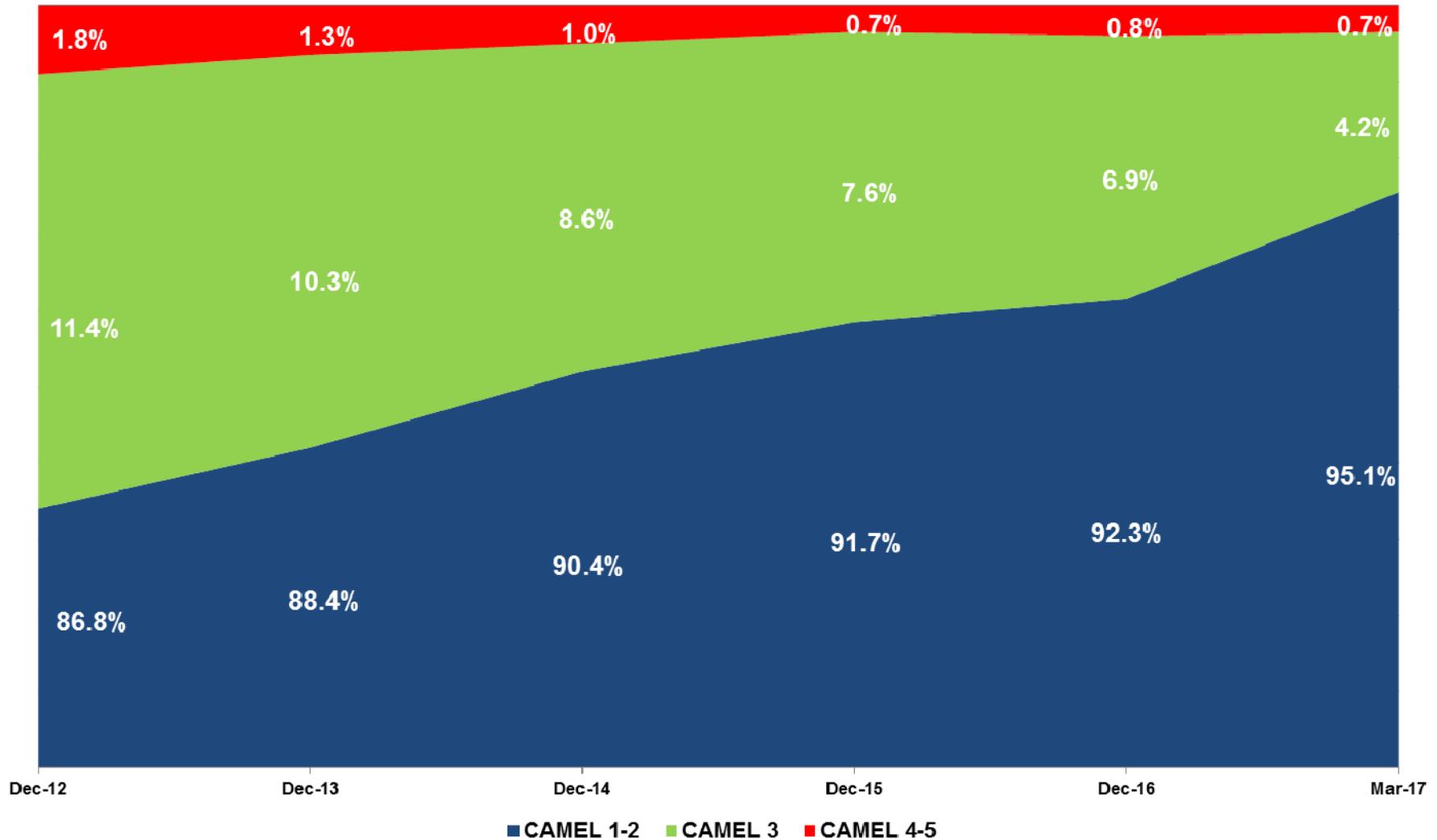
# Number of CAMEL Code 3 FY 12\_ FY 17



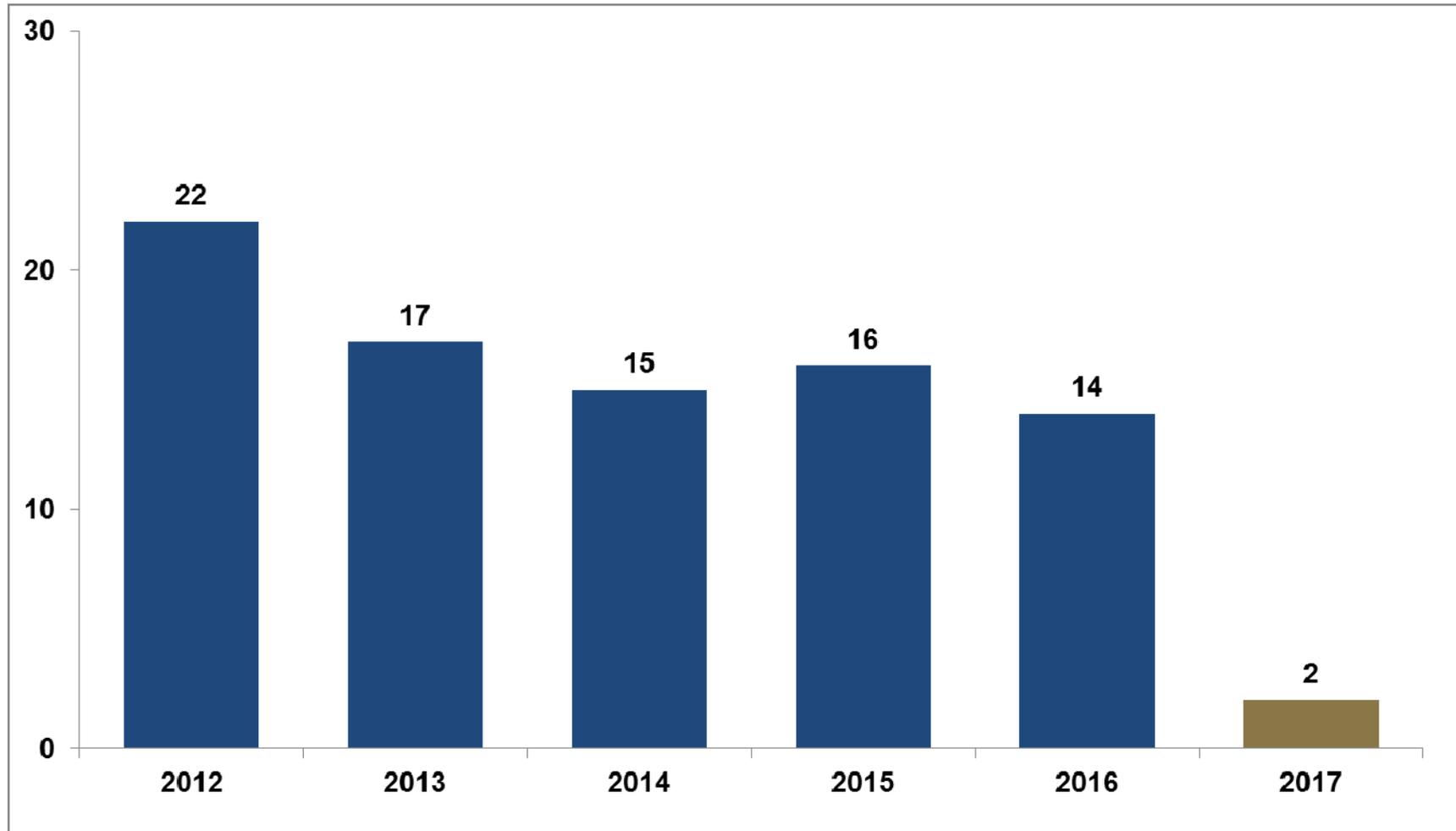
# Percent of CAMEL Code 3 Shares to Total Insured Shares FY 12\_ FY 17



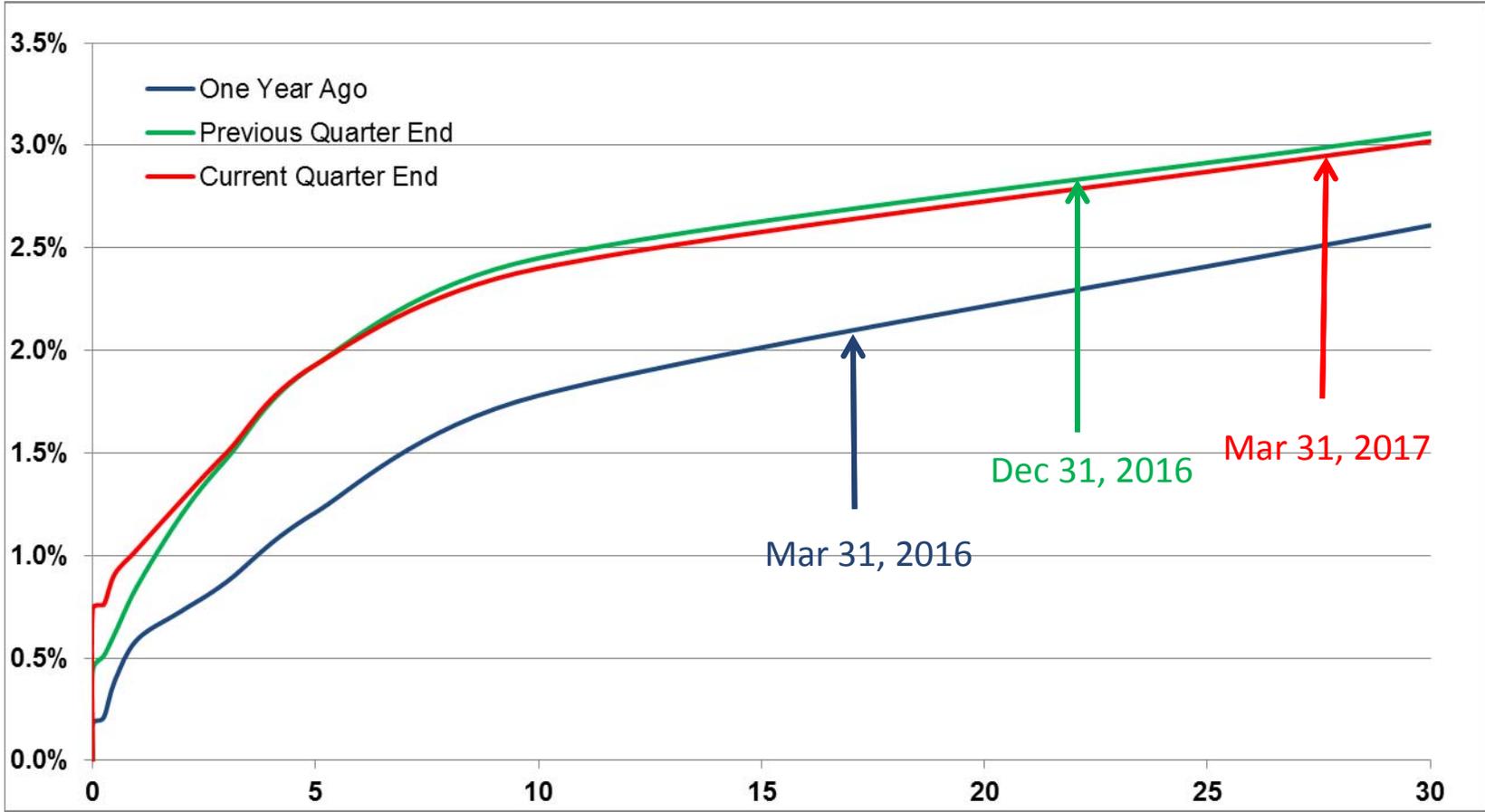
# Distribution of Assets in CAMEL Codes FY 12\_ FY 17



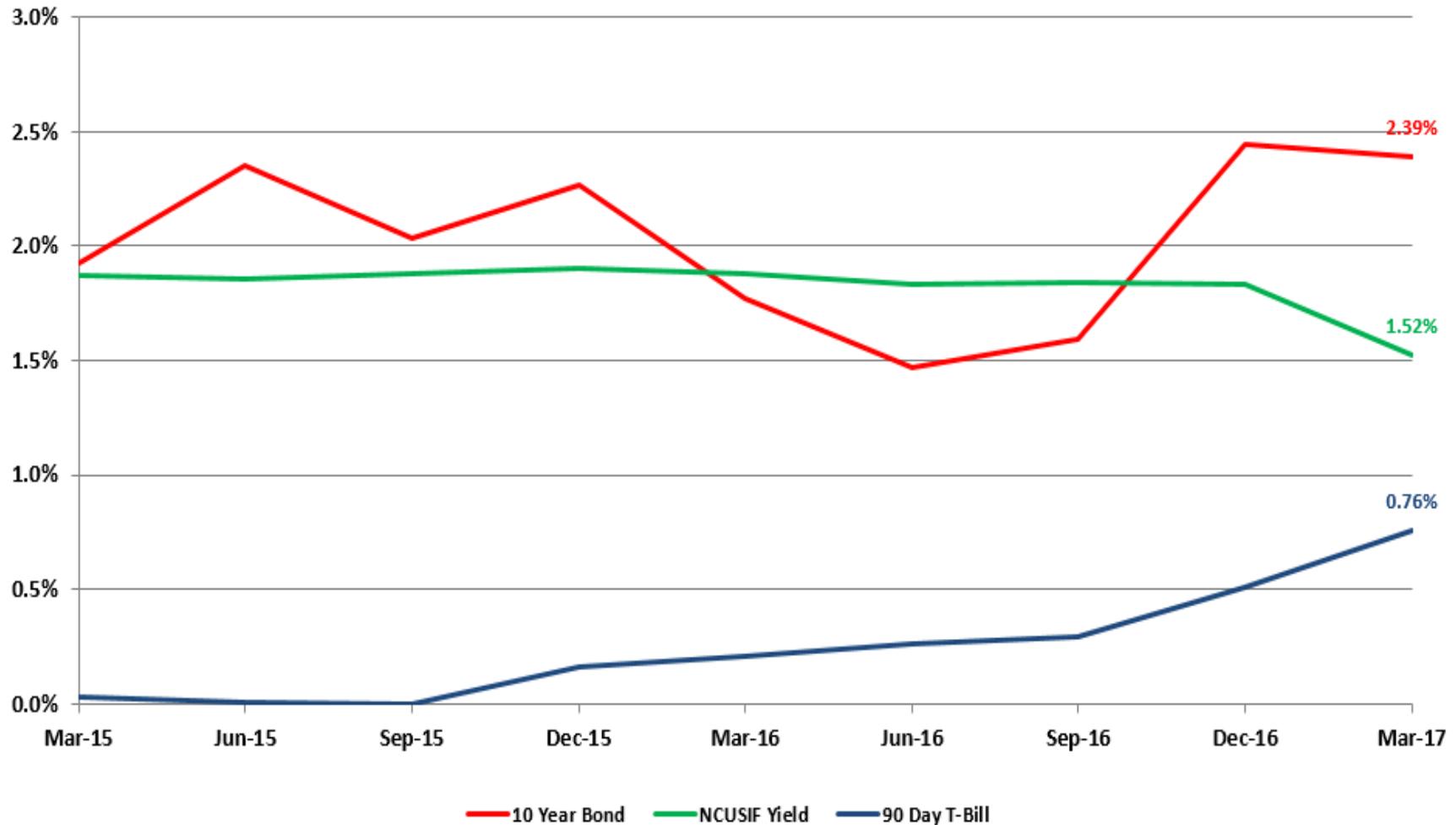
# Number of Credit Union Failures FY 12\_ FY 17



# Treasury Yield Curve March 31, 2017



# Yield Comparisons March 31, 2017



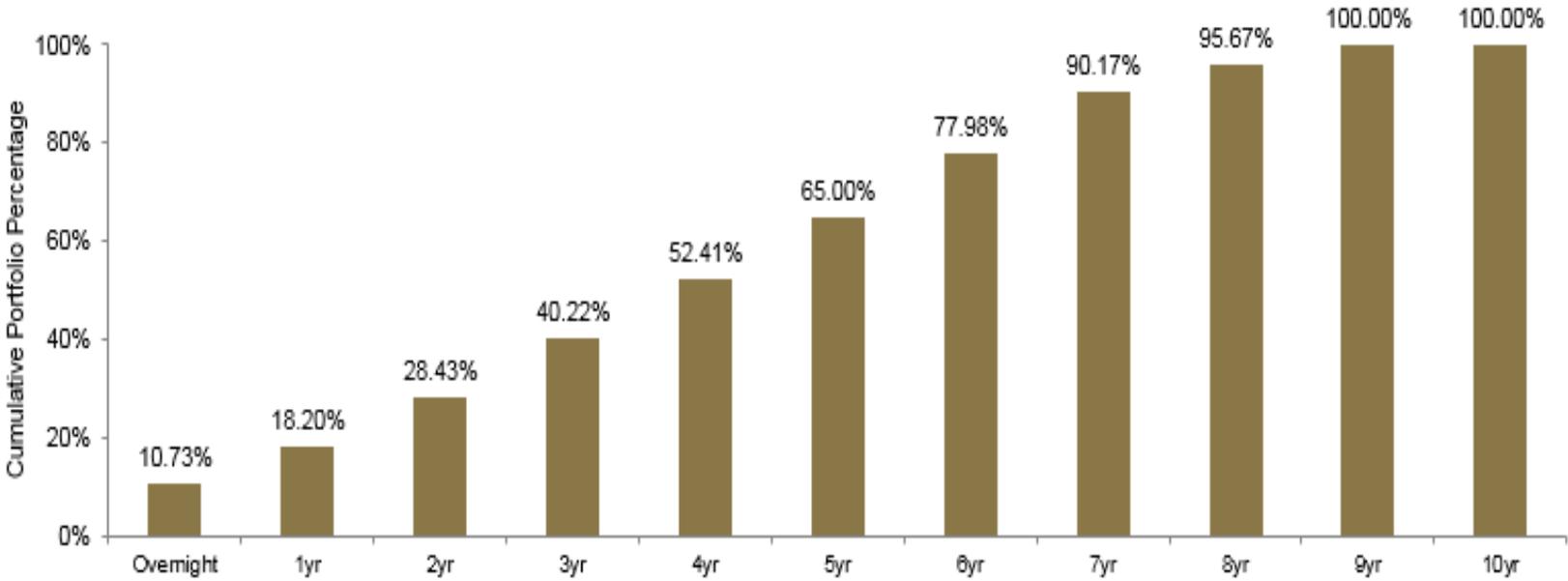
# NCUSIF Portfolio

## March 31, 2017

Investment Balance at Par: \$12.7 Billion

Weighted Average Life:  
Weighted Average Yield:

3.78 years  
1.52%



# NCUSIF Investment Policy

The investment objectives of the NCUSIF (in order of priority) are:

1. To preserve safety of principal;
2. To meet liquidity needs; and
3. To invest any excess cash to provide income for the Fund.

# NCUSIF Investment Constraints

- Invest surplus cash in interest-bearing securities of the United States or in any security guaranteed as to both principal and interest by the United States... (12 U.S.C. 1783(c)).
- No securities > 10 years (per NCUA Board policy).
- At least 50% of holdings < 5 years (per NCUA Board policy).
- Adherence to *U.S. Treasury Operating Circular* relating to Government Investment Accounts/Government Account Series Securities.

# U.S. Treasury Operating Circular

## Relevant Requirements

**Section 5015: Responsibilities relating to the determination of the amount of investments held in a Government Investment Account that are to be redeemed before the Maturity Dates**

It is the responsibility of the Program Agency for a Government Investment Account to evaluate continuously the disbursement needs of the federal program that is being financed through the Government Investment Account. The Program Agency should practice an investment strategy so that the program's disbursement needs will be met satisfactorily through the automatic redemption of Treasury Specials on the Maturity Dates.

**However, if those needs are not met through the automatic redemption of Treasury Specials, the Program Agency may need to instruct Fiscal Service to redeem one or more Treasury Specials held in the Government Investment Account before the Maturity Date(s). [emphasis added]**

[https://www.treasurydirect.gov/govt/apps/fip/library/library\\_opcirc.pdf](https://www.treasurydirect.gov/govt/apps/fip/library/library_opcirc.pdf)

# U.S. Treasury Operating Circular Relevant Requirements

## Section 4060: Policies governing investment of monies in Government Investment Accounts:

- (f) A Program Agency for a Government Investment Account shall, to the best of its ability, develop its investment strategy so as to select investments with Maturity Dates that coincide approximately with the Program Agency's disbursement estimates, **so that the investments may be bought and held to the Maturity Dates.** [emphasis added]
- (g) A Program Agency for a Government Investment Account **shall not engage in investment practices that result in windfall gains and losses,** including but not limited to security day-trading and **large restructuring of investment portfolios to take advantage of short-term Interest Rate fluctuations.** [emphasis added]

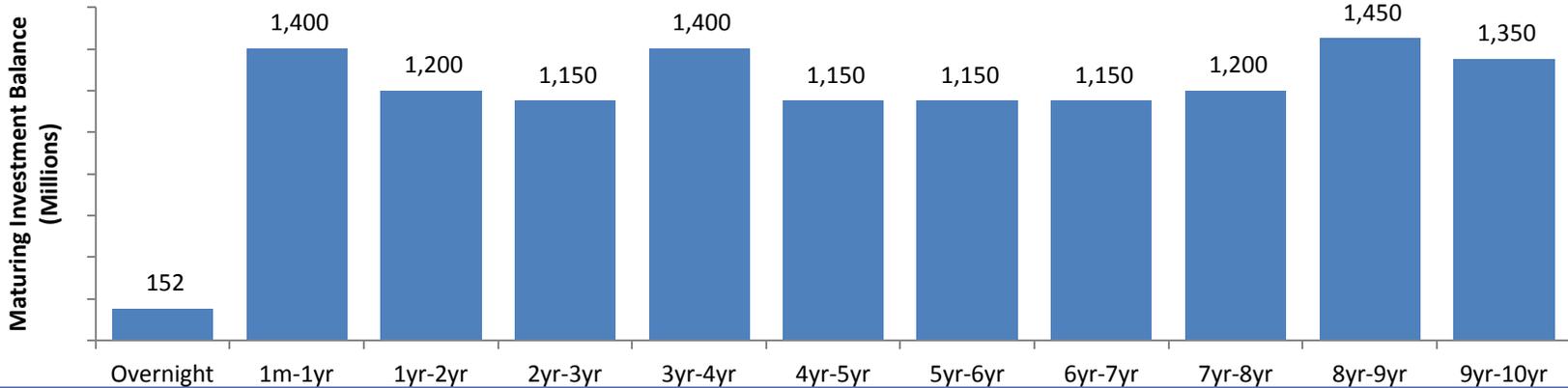
[https://www.treasurydirect.gov/govt/apps/fip/library/library\\_opcirc.pdf](https://www.treasurydirect.gov/govt/apps/fip/library/library_opcirc.pdf)

# NCUSIF – Liquidity Profile Change

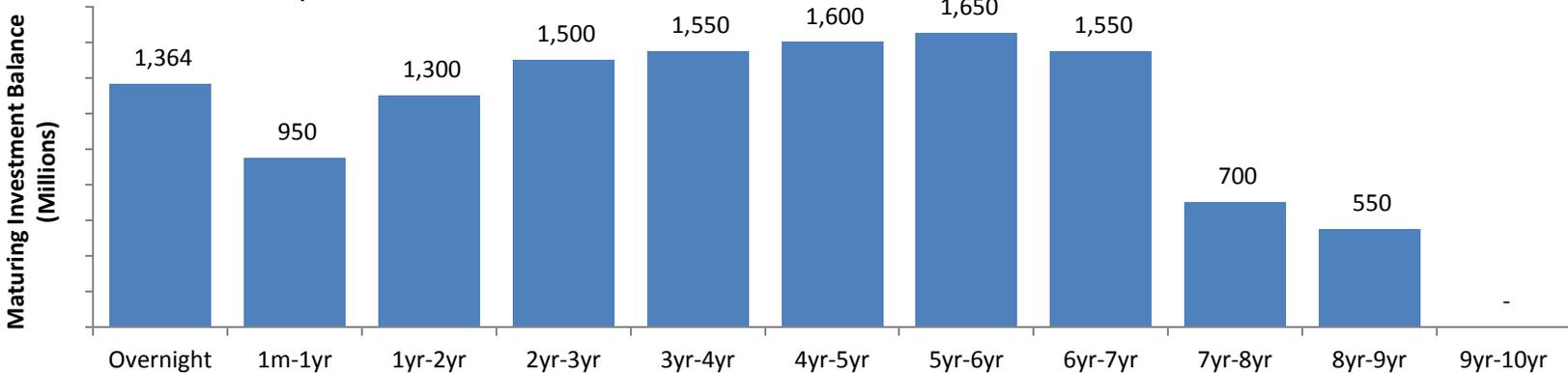
(Comparison of 12/31/16 to 03/31/17)

## Maturities by Year

Dec 31, 2016



Mar 31, 2017



# NCUSIF Portfolio

## Increased Liquidity Position

- Due to higher near-term expected cash needs of the Share Insurance Fund, NCUA increased SIF liquidity by adjusting the portfolio to increase shorter-term investments, including overnight securities.
- Cash and overnight investment balances were raised to almost \$1 billion at the end of January 2017. Cash and overnights have increased to nearly \$1.4 billion by the end of March.
- The increased liquidity allows the Share Insurance Fund to cover an even broader range of potential liquidity needs. It provides NCUA with greater flexibility to deal with emerging demands.
- The SIF's revised cash demands reflect a variety of funding needs. They do not necessarily imply corresponding expected insurance losses.

The SIF's current liquidity position is not a change in NCUA's overall investment policy.

# Office Contact Page

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Feel free to contact our office with questions or comments.

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