OPERATING FUND

PRELIMINARY & UNAUDITED FINANCIAL HIGHLIGHTS
October 31, 2016

RENDELL L. JONES
CHIEF FINANCIAL OFFICER
NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

MANAGEMENT OVERVIEW
October 31, 2016

**Balance Sheet**

Cash and cash equivalents had a month-end balance of approximately $69.0 million. Its balance increased $0.4 million for the month primarily due to the collection of an intra-fund receivable due from the Share Insurance Fund and increase in payables. The cash position is considered to be sufficient to cover current and future obligations of the Fund.

Other accounts receivable had a month-end balance of approximately $190 thousand. Its balance decreased by $110 thousand. The decrease for the month was primarily due to the repayment of receivables from the Central Liquidity Facility for administrative expenses paid by the Operating Fund.

Prepaid expenses and other assets had a month-end balance of approximately $2.7 million. Its balance increased by $43 thousand. The increase for the month was primarily due to adding computer software subscriptions.

Accrued wages and benefits had a month-end balance of approximately $10.9 million. Its balance decreased by $327 thousand. The decrease for the month was due to the decrease in month-end days accrued caused by the timing of pay periods.

Accounts payable had a month-end balance of approximately $8.0 million. Its balance includes trade and inter-agency payables.

Deferred revenue had a month-end balance of approximately $13 million. Its balance decreased by approximately $7 million for the month. This decrease was due to the recognition of deferred operating fees for the month.

**Statements of Revenues, Expenses, and Changes in Fund Balance**

Net income for the month was $2.4 million and net income year-to-date was approximately $7.7 million. Interest income on overnight investments has averaged 0.31% year-to-date, versus 0.02% during the same period last year.

**Statements of Cash Flow**

The cash position increased approximately $0.4 million since last month. In the current month approximately $0.6 million was used by operating activities. Approximately $166 thousand was invested in new capital assets. Approximately $111 thousand in cash was used to pay down the capital lease liabilities and repay the National Credit Union Share Insurance Fund note payable on the King Street Station Building, which has a balance of $9.3 million on the balance sheet.

**Budget (Year-to-Date)**

Agency expenses was under the year-to-date budget by $19.0 million or 7.9%, compared to being under the year-to-date budget by approximately $11.9 million or 5.2% during the same period last year. Of the total variance, employee pay and benefits was under budget by $5.2 million or 3.0%. Travel cost were under budget by $2,560 thousand or 10.6%. Contract services cost was under budget by $4.8 million or 20.3%. The remaining expense categories combined were under budget by $6.4 million or 34.2%. The total budget-to-actual differences year-to-date are under the total prior year differences in amount.

The average annualized travel spend per Full-Time Equivalent (FTE) was $21,478 this year, which is $414 more than last year.

The Agency had 37 vacancies as of this month -- up 1 from the prior month. Of the 37 vacancies, 4 were in the central office and 33 were in the regions and AMAC. The 37 vacancies represent 3.0% percent of total authorized staff of 1,247.
## NATIONAL CREDIT UNION ADMINISTRATION
### OPERATING FUND
#### BALANCE SHEETS
As of October 31, 2016 and 2015
(Dollars in thousands)

<table>
<thead>
<tr>
<th></th>
<th>October 2016</th>
<th>October 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$68,979</td>
<td>$60,612</td>
</tr>
<tr>
<td>Due from National Credit Union Share Insurance Fund</td>
<td>45</td>
<td>52</td>
</tr>
<tr>
<td>Employee advances</td>
<td>271</td>
<td>40</td>
</tr>
<tr>
<td>Other accounts receivable, Net</td>
<td>190</td>
<td>211</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>2,655</td>
<td>1,989</td>
</tr>
<tr>
<td>Assets held for sale</td>
<td>-</td>
<td>171</td>
</tr>
<tr>
<td>Fixed assets - Net of accum. depreciation of $34,256 as of October 31, 2016</td>
<td>29,799</td>
<td>31,586</td>
</tr>
<tr>
<td>Intangible assets - Net of accum. amortization of $17,087 as of October 31, 2016</td>
<td>3,415</td>
<td>1,538</td>
</tr>
<tr>
<td><strong>TOTAL ASSETS</strong></td>
<td>$105,354</td>
<td>$96,199</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>October 2016</th>
<th>October 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>LIABILITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>$7,965</td>
<td>$4,002</td>
</tr>
<tr>
<td>Obligations under capital leases</td>
<td>986</td>
<td>1,697</td>
</tr>
<tr>
<td>Accrued wages and benefits</td>
<td>10,871</td>
<td>10,848</td>
</tr>
<tr>
<td>Deferred revenue¹</td>
<td>13,489</td>
<td>13,029</td>
</tr>
<tr>
<td>Accrued annual leave</td>
<td>17,243</td>
<td>17,646</td>
</tr>
<tr>
<td>Accrued employee travel</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Note payable to National Credit Union Share Insurance Fund</td>
<td>9,275</td>
<td>10,616</td>
</tr>
<tr>
<td><strong>TOTAL LIABILITIES</strong></td>
<td>59,829</td>
<td>57,838</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>October 2016</th>
<th>October 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>FUND BALANCE</strong></td>
<td>45,525</td>
<td>38,361</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>October 2016</th>
<th>October 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>TOTAL LIABILITIES AND FUND BALANCE</strong></td>
<td>$105,354</td>
<td>$96,199</td>
</tr>
</tbody>
</table>

¹The Operating Fund recognizes operating fee revenue ratably over the calendar year. The deferred revenue is the remaining amount to be recognized over the remainder of the calendar year.

The balances in the statement above are preliminary and unaudited.
NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
For the Periods Ended October 31, 2016 and October 31, 2015
(Dollars in thousands)

<table>
<thead>
<tr>
<th></th>
<th>October 2016</th>
<th>Year-to-Date October 2016</th>
<th>Year-to-Date October 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>REVENUES</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating fees</td>
<td>$6,744</td>
<td>$67,444</td>
<td>$65,744</td>
</tr>
<tr>
<td>Interest</td>
<td>14</td>
<td>142</td>
<td>10</td>
</tr>
<tr>
<td>Other</td>
<td>36</td>
<td>859</td>
<td>973</td>
</tr>
<tr>
<td>Total Revenues</td>
<td>6,794</td>
<td>68,445</td>
<td>66,727</td>
</tr>
<tr>
<td>EXPENSES, NET¹</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Employee wages and benefits, net</td>
<td>3,547</td>
<td>45,764</td>
<td>46,651</td>
</tr>
<tr>
<td>Travel</td>
<td>107</td>
<td>5,836</td>
<td>6,167</td>
</tr>
<tr>
<td>Rent, communications, and utilities</td>
<td>61</td>
<td>1,084</td>
<td>920</td>
</tr>
<tr>
<td>Contracted services</td>
<td>364</td>
<td>5,089</td>
<td>4,873</td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>107</td>
<td>1,086</td>
<td>1,604</td>
</tr>
<tr>
<td>Administrative</td>
<td>188</td>
<td>1,856</td>
<td>1,579</td>
</tr>
<tr>
<td>Total Expenses</td>
<td>4,374</td>
<td>60,715</td>
<td>61,794</td>
</tr>
<tr>
<td>EXCESS OF REVENUES OVER / (UNDER) EXPENSES</td>
<td>2,420</td>
<td>7,730</td>
<td>4,933</td>
</tr>
<tr>
<td>FUND BALANCE—Beginning of period</td>
<td>43,105</td>
<td>37,795</td>
<td>33,428</td>
</tr>
<tr>
<td>FUND BALANCE—End of period</td>
<td>$45,525</td>
<td>$45,525</td>
<td>$38,361</td>
</tr>
</tbody>
</table>

¹Operating Fund expenses are the total NCUA operating expenses minus the Share Insurance Fund allocation as determined by the overhead transfer rate set by the NCUA Board of 73.1% and 71.8% for 2016 and 2015, respectively.

The balances in the statement above are preliminary and unaudited.
# NATIONAL CREDIT UNION ADMINISTRATION
## OPERATING FUND
### STATEMENTS OF CASH FLOWS
For the Periods Ended October 31, 2016 and October 31, 2015
(Dollars in thousands)

## CASH FLOWS FROM OPERATING ACTIVITIES:

<table>
<thead>
<tr>
<th></th>
<th>October 2016</th>
<th>Year-to-Date October 2016</th>
<th>Year-to-Date October 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Excess of revenues over expenses</td>
<td>$2,420</td>
<td>$7,730</td>
<td>$4,933</td>
</tr>
<tr>
<td>Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation and amortization</td>
<td>401</td>
<td>4,059</td>
<td>4,679</td>
</tr>
<tr>
<td>Provision for loss on disposal of employee residences held for sale</td>
<td>11</td>
<td>27</td>
<td>83</td>
</tr>
<tr>
<td>(Gain) loss on fixed asset retirements</td>
<td>-</td>
<td>8</td>
<td>1,018</td>
</tr>
<tr>
<td>(Increase) decrease in assets:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Due from National Credit Union Share Insurance Fund</td>
<td>3,911</td>
<td>3,899</td>
<td>3,457</td>
</tr>
<tr>
<td>Employee advances</td>
<td>4</td>
<td>(233)</td>
<td>22</td>
</tr>
<tr>
<td>Other accounts receivable</td>
<td>110</td>
<td>142</td>
<td>111</td>
</tr>
<tr>
<td>Prepaid expenses and other assets</td>
<td>(43)</td>
<td>(923)</td>
<td>156</td>
</tr>
<tr>
<td>(Decrease) increase in liabilities:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Accounts payable</td>
<td>4,477</td>
<td>2,321</td>
<td>(2,596)</td>
</tr>
<tr>
<td>Accrued wages and benefits</td>
<td>(327)</td>
<td>3,695</td>
<td>(2,025)</td>
</tr>
<tr>
<td>Deferred revenue</td>
<td>(6,745)</td>
<td>13,489</td>
<td>13,029</td>
</tr>
<tr>
<td>Accrued annual leave</td>
<td>(1,769)</td>
<td>-</td>
<td>2,177</td>
</tr>
<tr>
<td>Accrued employee travel</td>
<td>(1,864)</td>
<td>(646)</td>
<td>(491)</td>
</tr>
<tr>
<td>Net cash provided by operating activities</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>586</td>
<td>33,568</td>
<td>24,553</td>
</tr>
</tbody>
</table>

## CASH FLOWS FROM INVESTING ACTIVITIES:

<table>
<thead>
<tr>
<th></th>
<th>October 2016</th>
<th>Year-to-Date October 2016</th>
<th>Year-to-Date October 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Purchases of fixed and intangible assets</td>
<td>(166)</td>
<td>(3,797)</td>
<td>(3,607)</td>
</tr>
<tr>
<td>Purchases of employee residences held for sale</td>
<td>-</td>
<td>-</td>
<td>(207)</td>
</tr>
<tr>
<td>Proceeds from sale of employee residences held for sale</td>
<td>139</td>
<td>350</td>
<td>596</td>
</tr>
<tr>
<td>Net cash used by investing activities</td>
<td>(27)</td>
<td>(3,447)</td>
<td>(3,218)</td>
</tr>
</tbody>
</table>

## CASH FLOWS FROM FINANCING ACTIVITIES:

<table>
<thead>
<tr>
<th></th>
<th>October 2016</th>
<th>Year-to-Date October 2016</th>
<th>Year-to-Date October 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Repayments of note payable to National Credit Union Share Insurance Fund</td>
<td>(112)</td>
<td>(1,117)</td>
<td>(1,117)</td>
</tr>
<tr>
<td>Principal payments under capital lease obligations</td>
<td>1</td>
<td>(553)</td>
<td>(546)</td>
</tr>
<tr>
<td>Net cash used by financing activities</td>
<td>(111)</td>
<td>(1,670)</td>
<td>(1,663)</td>
</tr>
</tbody>
</table>

## NET INCREASE IN CASH AND CASH EQUIVALENTS

<table>
<thead>
<tr>
<th></th>
<th>October 2016</th>
<th>Year-to-Date October 2016</th>
<th>Year-to-Date October 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>448</td>
<td>28,451</td>
<td>19,672</td>
</tr>
</tbody>
</table>

## CASH AND CASH EQUIVALENTS—Beginning of period

<table>
<thead>
<tr>
<th></th>
<th>October 2016</th>
<th>Year-to-Date October 2016</th>
<th>Year-to-Date October 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>68,531</td>
<td>40,528</td>
<td>40,940</td>
</tr>
</tbody>
</table>

## CASH AND CASH EQUIVALENTS—End of period

<table>
<thead>
<tr>
<th></th>
<th>October 2016</th>
<th>Year-to-Date October 2016</th>
<th>Year-to-Date October 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>$68,979</td>
<td>$68,979</td>
<td>$60,612</td>
</tr>
</tbody>
</table>

## SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES

<table>
<thead>
<tr>
<th></th>
<th>October 2016</th>
<th>Year-to-Date October 2016</th>
<th>Year-to-Date October 2015</th>
</tr>
</thead>
<tbody>
<tr>
<td>Acquisition of equipment under capital lease</td>
<td>$24</td>
<td>$24</td>
<td>$2,030</td>
</tr>
<tr>
<td>Cash Payments for Interest</td>
<td>$14</td>
<td>$151</td>
<td>$173</td>
</tr>
</tbody>
</table>

The balances in the statement above are preliminary and unaudited.
The average annualized travel spend per Full Time Equivelant (FTE) was $21,478 this year, which is $414 more than last year.

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

YEAR-TO-DATE BUDGET REPORT ANALYSIS (BEFORE OVERHEAD TRANSFER RATE)
As of October 31, 2016 and October 31, 2015
(Dollars in thousands)

<table>
<thead>
<tr>
<th></th>
<th>Year-To-Date 2016</th>
<th></th>
<th>Year-To-Date 2015</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BUDGET⁴</td>
<td>ACTUAL</td>
<td>DIFF</td>
<td>%</td>
</tr>
<tr>
<td>Employee Pay &amp; Benefits</td>
<td>175,370</td>
<td>170,127</td>
<td>(5,243)</td>
<td>-3.0%</td>
</tr>
<tr>
<td>Travel</td>
<td>24,257</td>
<td>21,696</td>
<td>(2,560)</td>
<td>-10.6%</td>
</tr>
<tr>
<td>Rent, Comm., &amp; Utilities</td>
<td>5,678</td>
<td>4,031</td>
<td>(1,647)</td>
<td>-29.0%</td>
</tr>
<tr>
<td>Administrative</td>
<td>12,973</td>
<td>8,241</td>
<td>(4,732)</td>
<td>-36.5%</td>
</tr>
<tr>
<td>Contracted Services</td>
<td>23,749</td>
<td>18,917</td>
<td>(4,832)</td>
<td>-20.3%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>242,026</td>
<td>223,012</td>
<td>(19,014)</td>
<td>-7.9%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>Year-To-Date 2016</th>
<th></th>
<th>Year-To-Date 2015</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>BUDGET⁴</td>
<td>ACTUAL</td>
<td>DIFF</td>
<td>%</td>
</tr>
<tr>
<td>Employee Pay &amp; Benefits</td>
<td>166,677</td>
<td>165,431</td>
<td>(1,246)</td>
<td>-0.7%</td>
</tr>
<tr>
<td>Travel</td>
<td>24,008</td>
<td>21,555</td>
<td>(2,453)</td>
<td>-10.2%</td>
</tr>
<tr>
<td>Rent, Comm., &amp; Utilities</td>
<td>4,553</td>
<td>3,260</td>
<td>(1,293)</td>
<td>-28.4%</td>
</tr>
<tr>
<td>Administrative</td>
<td>13,621</td>
<td>11,287</td>
<td>(2,334)</td>
<td>-17.1%</td>
</tr>
<tr>
<td>Contracted Services</td>
<td>21,869</td>
<td>17,253</td>
<td>(4,616)</td>
<td>-21.1%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>230,727</td>
<td>218,787</td>
<td>(11,942)</td>
<td>-5.2%</td>
</tr>
</tbody>
</table>

This Year
Last Year

1Budget amounts reflect the Board-approved budget.

The balances in the supplement above are preliminary and unaudited.
The average annualized travel spend per Full Time Equivalent (FTE) was $21,478 this year, which is $414 more than last year.

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

GRAPHS AND RATIOS
As of October 31, 2016 and October 31, 2015

Actual & Projected Cash Balance

Vacancies

10/31/2016 10/31/2015

Fund Balance / Total assets 43.21% 39.88%
YTD interest income to average investments (annualized) 0.31% 0.02%
Annualized travel spend per employee $21,478 $21,064
Net year to date cash inflow (outflow) in millions of dollars $28 $20
Cash and overnight investments / Total assets 65.47% 63.01%
Overhead transfer rate 73.10% 71.80%

The balances in the supplement above are preliminary and unaudited.