2013

National Credit Union Administration

ANNUAL REPORT

Office of the Chairman

May 12, 2014

To Members of the Senate Banking and House Financial Services Committees:

On behalf of the National Credit Union Administration (NCUA) and in the spirit of transparency, I am pleased to submit NCUA's 2013 Annual Report for your review.

This report reviews the agency's performance in 2013 and includes the audited financial statements for NCUA's four permanent funds. These funds include the National Credit Union Share Insurance Fund, the NCUA Operating Fund, the Central Liquidity Facility, and the Community Development Revolving Loan Fund.

NCUA works to foster the safety and soundness of federally insured credit unions. We also work to better enable the credit union community's ability to extend credit for productive and provident purposes to all Americans. Further, NCUA vigorously works to protect the Share Insurance Fund from losses.

In its performance, NCUA strives to ensure that credit unions are empowered to make business decisions necessary to serve the diverse needs of their existing members and potential members. NCUA achieves this objective by establishing a regulatory environment that encourages innovation, flexibility, and a continued focus on improving service to existing members and attracting new members.

NCUA developed the agency's 2013 Annual Report in accordance with the requirements of:

- Section 102(d) of the Federal Credit Union Act
- the Chief Financial Officers Act of 1990
- the Government Performance and Results Act of 1993
- Provisions of Section 5 (as amended) of the Inspector General Act of 1978

In accordance with the Reports Consolidation Act of 2000, NCUA also assessed the reliability of performance data contained in this report and found no material inadequacies. The data are considered to be complete and reliable.

Sincerely,

Debbie Matz

Debbie Matz
Chairman

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www.ncua.gov

National Credit Union Administration

2013 ANNUAL REPORT

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MESSAGE FROM THE BOARD

Message from the Board

The NCUA Board (from left to right): Board Member Michael E. Fryzel, NCUA Chairman Debbie Matz and Board Member Rick Metsger.

Turning a Corner

America's credit unions turned a corner in 2013. A strengthening economy led to more jobs, increased loan demand, higher home values and fewer delinquencies and charge-offs. As a result, federally insured credit unions as a whole experienced one of their best years on record.

Credit union membership grew to 96.3 million, up from 93.8 million at the end of 2012, and total assets increased to $1.06 trillion. For the year, loans also expanded by 8 percent to $645.2 million. Most notably, the aggregate net worth ratio rose to its highest level since the first quarter of 2009—10.78 percent.

The number of troubled credit unions also fell in 2013. Assets in these institutions decreased to $13.8 billion, compared to $19.0 billion at the end of 2012. There were also fewer credit union failures and smaller losses to the National Credit Union Share Insurance Fund, in comparison to 2012.

Against this backdrop, NCUA pursued the agency's priorities to implement lessons learned from the recent financial crisis and further strengthen the recovery:

- Protecting credit unions and the Share Insurance Fund with dynamic, risk-targeted regulations and supervision.
- Easing regulatory burdens, consistent with safety and soundness.
- Providing assistance so credit unions can thrive, innovate and continue to meet the needs of their members.
- Holding accountable securities dealers that contributed to the corporate credit union crisis.
- Promoting access to affordable products and financial literacy for all Americans, especially in disadvantaged communities.

When future generations look back at 2013 they will likely find that the NCUA Board set in place many of the policies that allowed federally insured credit unions to prudently grow, expanded access to affordable financial services for more Americans and minimized credit union failures.

Focusing on Risk

Despite an improving economy, many risks still exist in the financial services marketplace. These include more complexity, greater concentration, rising interest rates, increasing liquidity needs, higher rates of fraud and emerging cyber-security threats.

To respond to these risks, some of our regulatory initiatives in 2013 included:

- Issuing a proposed rule to allow well-managed credit unions to purchase limited amounts of simple derivatives as a hedge against interest rate risk.
- Adopting a final rule requiring all federally insured credit unions to plan for emergency and contingency liquidity needs.
- Proposing annual stress tests on credit unions with more than $10 billion in assets.
- Placing prudent limits on loan participations to prevent undue concentration risks.
- Establishing a credit union service organization registry system. By late 2015, the new registry will gather better information about the potential risks found in this vital and growing part of the marketplace that is currently exempt from NCUA supervision authority.

On the operations side, NCUA opened the Office of National Examinations and Supervision in 2013. The office immediately assumed supervision of the nation's corporate credit unions and began hiring and training staff to begin supervising the nation's largest consumer credit unions—those with more than $10 billion in assets—at the start of 2014. We created this office to provide specialized oversight of these very large and complex credit unions, and to guard against any potential exposure they may have to the Share Insurance Fund.

To protect the Fund from losses, our examiners also focused closely on how well credit unions are:

- Appropriately managing earnings and capital without adding undue levels of interest rate, liquidity and credit risk.
- Able to control operational risk and maintain a robust system of internal controls to reduce and deter fraud.
- Adopting new technology and putting risk-management controls in place when expanding into new arenas like social media and online financial services.
- Able to manage the unique risks associated with new, growing or unconventional products, such as private student loans and credit union-funded benefit plans.

To address the growing threats posed by cyber-criminals and terrorists, NCUA made significant investments in improving our technology and systems during 2013. We ensured NCUA maintained a strong information security program, and we updated and developed new analytical models to examine credit union data.

Easing Regulatory Burdens and Providing Assistance

While improving our own operations and focusing on the areas of greatest risk, NCUA worked in 2013 to reduce, where appropriate, regulatory burdens that credit unions face, particularly for small and low-income credit unions.

Although 2013 was a good year for credit unions overall, many of the smallest credit unions reporter slower loan growth and membership declines. The return on average assets for federally insured credit unions with less than $10 million in assets was negative 16 basis points, nearly a full percentage point under the average of 79 basis points for federally insured credit unions with more than $10 million in assets.

NCUA recognizes the importance of small and low-income credit unions. These credit unions are often the only federally insured financial institutions in some of our nation's most underserved communities.

To address this issue, we reduced the regulatory burden of two-thirds of all credit unions and increased the number of credit unions eligible for technical assistance from NCUA's Office of Small Credit Union Initiatives. We did this by raising the threshold for the definition of a small credit union from $10 million to $50 million and under in assets.

NCUA also continued refining a new streamlined examination program for credit unions with assets between $10 million and $50 million. Since 2012, we have simplified the examination process for well-managed credit unions with less than $10 million in assets. NCUA aims for 40 hours of exams, allowing the smallest credit unions more time to focus on serving their members.

Throughout 2013, we continued to inform credit unions of their eligibility for the low-income designation. By year's end, there were 1,996 low-income designated credit unions—nearly double the number since Chairman Matz launched the low-income credit union initiative 16 months earlier. A low-income designation offers significant benefits to credit unions and their communities, including grants and loans from NCUA's Community Development Revolving Loan Fund, access to secondary capital and greater member business lending opportunities.

NCUA provided grants and technical assistance to small and low-income credit unions in a number of areas, including management, compliance and strategic planning. These efforts have gone a long way toward bolstering the abilities of these vital community financial institutions.

Pursuing Accountability

In all, 2013 was a year filled with many successes. The most significant and historic for federally insured credit unions was the U.S. government's settlement with JPMorgan Chase in November. NCUA received more than $1.4 billion of gross proceeds under this agreement. We made repayments to the U.S. Treasury using the net recoveries from this agreement and from NCUA's $165 million settlement with Bank of America earlier in the year.

Credit-Union Overseer Scores a Win in J.P. Morgan Settlement

Regulator Gets $1.42 Billion, Saying Faulty Mortgages Spurred Firms' Collapse

—*The Wall Street Journal*
November 19, 2013

NCUA was called "…the John Wayne of Washington financial regulators" by *The Wall Street Journal*, which noted that the agency had been "unusually tough" on Wall Street financial firms that sold faulty mortgage-backed securities to corporate credit unions before the financial crisis.

Since 2011, NCUA has recovered more than $1.7 billion from our legal actions. These recoveries, combined with improving legacy asset performance, have continued to improve the outlook of projected loss estimates from the corporate credit union failures of 2009 and 2010. As a result, for the first time since 2009, the NCUA Board does not expect to charge federally insured credit unions a Temporary Corporate Credit Union Stabilization Fund assessment in 2014.

However, we have not yet finished our recovery work. NCUA remains committed to holding accountable those that contributed to the failures of five corporate credit unions during the financial crisis. At year's end, NCUA had 15 lawsuits pending against several Wall Street firms. In addition, we filed suit against 13 banks in 2013, alleging violations of federal and state antitrust laws by their manipulation of interest rates in the London Interbank Offered Rate system.

Promoting Consumer Access and Education

In 2013, NCUA assisted federally insured credit unions in meeting the credit and information needs of consumers and fulfilling their statutory mission of promoting access to savings. We redesigned our consumer website, MyCreditUnion.gov, and our financial literacy microsite, Pocket Cents, to educate the public about making smart financial decisions. The changes improved the sites' navigation and added new content, including *Hit the Road*, a personal finance game designed for school-aged children.

Unfortunately, far too many Americans still turn to alternative financial services providers that charge triple-digit interest rates and high fees for consumer credit needs. NCUA's Payday Alternative Loan Program facilitates greater access to affordable short-term loans to credit union members. In 2013, outstanding balances on these consumer-friendly alternatives to payday loans grew to $27 million, up 27.6 percent from a year earlier.

Creating "The New NCUA"

Ultimately, to remain viable and competitive, credit unions must grow and evolve; so must NCUA. We must be able to respond quickly to innovations in the financial services industry and develop analyses to help assess the risks credit unions face. We believe this regulatory approach is in the best interest of federally insured credit unions and helps accomplish the agency's safety and soundness objectives in an evolving marketplace.

"The New NCUA" defines our approach to modernizing regulations and transitioning our workforce, policies and procedures to meet the current and future needs of an ever-changing and increasingly complex credit union system. "The New NCUA" has two parts: new people and new policies. As senior staff retire, we are hiring with an eye for diversity in backgrounds, demographics and skills. The tools of the trade are changing, and so is our workforce. At the same time, we realigned our regions to more efficiently supervise credit unions. We also put in place new policies which reallocate resources to focus on the greatest risks to the Share Insurance Fund.

In addition, through our Regulatory Modernization Initiative, which Chairman Matz launched in 2011, we continue to update and streamline existing regulations to reduce compliance requirements wherever possible without jeopardizing the safety and soundness of the credit union system.

We are confident in the ability of "The New NCUA" to meet emerging challenges head-on and to adapt to an ever-changing financial services marketplace. Our actions in 2013 and our continuing commitment to protecting safety and soundness will ensure that millions of Americans are able to safely use our nation's cooperative credit system well into the future.

Michael E. Fryzel
Board Member

Debbie Matz
Chairman

Rick Metsger
Board Member

CREDIT UNION PERFORMANCE RESULTS

Credit Union Performance Results

Federally insured credit unions performed well in 2013. An improving economy led to continued loan, net worth and membership growth.

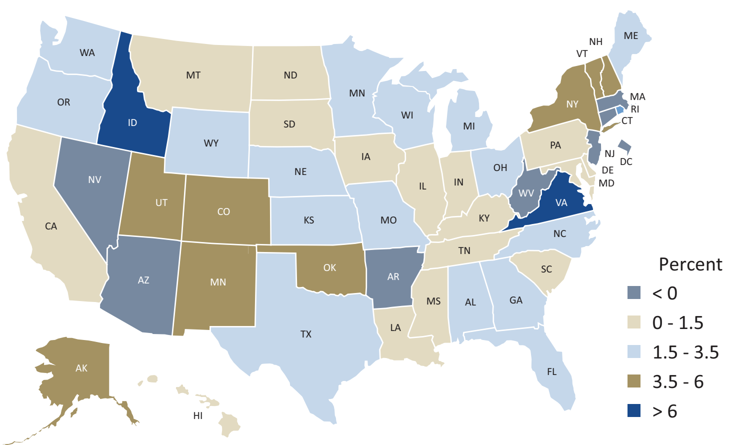
At the end of 2013, federally insured credit unions had $645.2 billion in outstanding loans of all types, an 8 percent increase over $597.5 billion in loans outstanding at the end of 2012. Loan growth among federally insured credit unions in the fourth quarter of 2013 outpaced growth in deposits for the first time since the fourth quarter of 2007, a reflection of improving economic conditions.

Lending grew in all categories:

- New auto loans grew to $71.4 billion, up 12.8 percent since the end of 2012.
- Used auto loans increased to nearly $127 billion, up 10.5 percent for the year.
- First mortgage loans reached $267.8 billion, up 8.8 percent from year-end 2012.
- Net member business loan balances grew to more than $45.9 billion, an annual increase of 10.1 percent.

Federally insured credit unions continued to see improvements in the number of delinquencies and charge-offs. The delinquency ratio in 2013 fell to 1.01 percent, a 15 basis point decline for the year. Charge-offs declined to 0.57 percent, from 0.73 percent in 2012, a decline of 16 basis points.

Membership at federally insured credit unions grew to 96.3 million members at the end of 2013, up from 93.8 million at the end of 2012. Total assets increased by $40.1 billion for the year, putting the system's total assets at $1.06 trillion. Overall share and deposit accounts at credit unions rose in 2013 to $910 billion, compared to $878 billion at the end of 2012.



Nationally, credit union membership rose 2.6 percent to 96.3 million in 2013. Idaho (8.1 percent) and Virginia (8.0 percent) had the fastest membership growth rates. Membership declined in eight states, led by Connecticut's 1.5 percent contraction.

Earnings of federally insured credit unions in 2013 were $8.1 billion, a 3.8 percent decrease from $8.5 billion in 2012. These credit unions continued to be well-capitalized as a group in 2013, with a net worth ratio of 10.78 percent, up 34 basis points from 10.44 percent in 2012. This ratio is at its highest level since the end of 2008.

The return on average assets ratio for federally insured credit unions was 78 basis points, down from 85 basis points at the end of 2012. Much of the year-over-year decline can be attributed to downward pressure on net interest margins created by the current interest rate environment.

Growth in long-term investments continued unabated during 2013. Exposure to long-term assets has tripled since year-end 2007. During 2013, investments with greater than three-year maturities increased by 31.7 percent, rising to $125.7 billion. Notably, investments with 5- to 10-year maturities jumped nearly 60 percent for the year.

Long-term investments as a share of assets stood at 11.8 percent, up from 9.4 percent at the end of 2012 and 5.8 percent at the end of 2009. Increased concentrations of these types of assets make credit unions highly susceptible to interest rate risk if not properly managed, an issue NCUA is addressing in 2014.

Much of the system's growth in 2013 is attributed to the performance of the largest credit unions. Federally insured credit unions with assets of $500 million or more led the system and reported higher returns on average assets, better loan growth and stronger membership gains than the system as a whole. With nearly $716 billion in assets, these 426 credit unions held nearly 67 percent of the system's total assets at year end.

2013: A Strong Year for Credit Unions Overall

	More Than $500 Million	$100 Million to $500 Million	$10 Million to $100 Million	Less Than $10 Million
Net Worth Ratio	10.6 percent	10.8 percent	11.7 percent	14.7 percent
Net Worth Growth	▲ 9.6 percent	▲ 6.5 percent	▲ 3.1 percent	▼ 1.3 percent
Loan Growth	▲ 9.9 percent	▲ 7.2 percent	▲ 3.4 percent	▲ 0.5 percent
Membership Growth	▲ 5.1 percent	▲ 2.3 percent	▼ 0.2 percent	▼ 2.3 percent
Return on Average Assets	93 basis points	60 basis points	32 basis points	-16 basis points

Larger credit unions, those with more than $500 million in assets, saw the most gains, while smaller credit unions continued to see declines in net worth growth and membership.

The smallest of federally insured credit unions, those with less than $10 million in assets, generally had higher net worth ratios, but saw declines in net worth and membership for the year. The average return on assets for these credit unions was negative 16 basis points, well below the system average.

The number of federally insured credit unions continued to decline, falling from 6,819 institutions at the end of 2012 to 6,554 at the end of 2013. This decline is consistent with trends spanning four decades.

Despite improvements in the economy and the system overall, 17 federally insured credit unions failed in 2013, down from 22 failures in 2012. Thirteen of these institutions, with approximately $107.5 million in assets, were liquidated and four were merged into other institutions with assistance from NCUA.

OUR WORK,
OUR PEOPLE

NCUA in Brief

More than 240 of NCUA's 1,247 employees work at the agency's central office in Alexandria, Virginia.

Created by the U.S. Congress in 1970, NCUA is an independent federal agency that insures deposits at federally insured credit unions, protects the members who own credit unions and charters and regulates federal credit unions. A three-member Board of Directors oversees NCUA's operations by setting policy, approving budgets and adopting rules.

NCUA protects the safety and soundness of the credit union system by identifying, monitoring and combating risks to the National Credit Union Share Insurance Fund. Backed by the full faith and credit of the United States, the Share Insurance Fund provides members with at least $250,000 of insurance. NCUA provides insurance to more than 96 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions. Credit union members have never lost a penny of insured savings at a federally insured credit union.

Through robust and effective examinations, NCUA ensures that credit unions are safe and viable financial institutions. When a credit union does fail, we work to minimize the impact of the failure on the entire credit union system.

NCUA further plays a role in helping to ensure broader financial stability. NCUA is a member of, and in the first quarter of 2013 chaired, the Federal Financial Institutions Examination Council (FFIEC). The Council is responsible for developing uniform principles, standards and report forms and for promoting uniformity in the supervision of depository financial institutions. NCUA's Chairman is also a voting member of the Financial Stability Oversight Council (FSOC), an interagency body tasked with identifying risks and responding to emerging threats to the financial system.

In 2013, NCUA relied upon 1,247 full-time equivalent employees to perform all the vital tasks in the agency's insurance, consumer protection and regulatory roles. NCUA operates a central office located in Alexandria, Virginia; an Asset Management and Assistance Center, located in Austin, Texas, to liquidate credit unions and recover assets; and five regional offices. In these regional offices, NCUA has 71 supervisory groups, each with eight to ten examiners responsible for a portfolio of credit unions covering all 50 states, Guam, Puerto Rico and the U.S. Virgin Islands.

NCUA Board of Directors

NCUA has a three-member Board of Directors appointed by the President of the United States and confirmed by the U.S. Senate. By law, no more than two Board members are from the same political party, and members serve staggered six-year terms. The NCUA Board normally meets monthly (except in August) in open session in Alexandria, Virginia.

Chairman Debbie Matz was nominated by President Barack Obama to serve as NCUA's eighth Board Chairman. She was sworn into office on August 24, 2009. Mrs. Matz is the only NCUA Board member ever confirmed for a second term, having previously served on the NCUA Board from January 2002 to October 2005. Her current term expires April 10, 2015. Mrs. Matz also represents NCUA as one of ten voting members on the Financial Stability Oversight Council and is the last original FSOC voting member. She additionally serves on the Federal Financial Institutions Examination Council, which she chaired from 2011–2013, and finished her second term on the board of NeighborWorks America at the end of 2013. Between her two terms at NCUA, Mrs. Matz held the position of executive vice president and chief operating officer at a large federal credit union. Her career in public service spans almost 30 years, including an appointment by President Bill Clinton to serve as Deputy Assistant Secretary of Administration at the U.S. Department of Agriculture. Mrs. Matz also served as an economist on the congressional Joint Economic Committee for many years.

Debbie Matz
Chairman

Board Member Michael E. Fryzel was nominated to the NCUA Board by President George W. Bush and was sworn into office as NCUA Chairman on July 29, 2008, where he served until August of 2009. Mr. Fryzel is the agency liaison to the National Association of State Credit Union Supervisors. Mr. Fryzel keeps state supervisors abreast of changing rules and policies at NCUA and fosters strong working relationships between NCUA and state regulators. Mr. Fryzel also serves as the agency liaison to the Defense Credit Union Council, helping to assure that the needs of defense credit unions are addressed. Prior to his NCUA service, Mr. Fryzel was an attorney in private practice specializing in financial services, regulatory law and real estate law. A former director of the Illinois Department of Financial Institutions, Mr. Fryzel served on the Illinois Governor's Board of Credit Union Advisors from 1992 until his NCUA appointment. His term expired August 2, 2013.

Michael E. Fryzel
Board Member

Board Member Rick Metsger was nominated by President Barack Obama on May 16, 2013, to a seat on the NCUA Board. The U.S. Senate confirmed him on August 1, 2013, and he took the oath of office on August 23, 2013. Prior to joining the NCUA Board, Mr. Metsger owned his own strategic communications consulting firm that focused on the areas of financial services, capital construction, energy and transportation. He served for 12 years in the Oregon State Senate, where he chaired the Business and Transportation Committee and was elected President Pro Tem in 2009. Previously, he served on the Oregon State Treasury Debt Policy Advisory Commission. Mr. Metsger also joined the board of NeighborWorks America at the start of 2014. His term on the NCUA Board expires August 2, 2017.

Rick Metsger
Board Member

Senior Staff Reporting to the NCUA Board at the End of 2013

- Gerard S. Poliquin, Secretary of the Board
- Steve Bosack, Chief of Staff to the Chairman
- Buddy Gill, Senior Strategic Communications and External Relations Advisor to the Chairman
- Sarah Vega, Senior Policy Advisor to Board Member Fryzel
- Michael Radway, Senior Policy Advisor to Board Member Metsger
- Mark A. Treichel, Executive Director
- Michael McKenna, General Counsel
- James Hagen, Inspector General
- Joy Lee, Ombudsman
- Todd M. Harper, Office of Public and Congressional Affairs Director

NCUA Central Office Leadership

Mark A. Treichel
Office of the Executive Director

Larry Fazio
Office of Examination and Insurance

Michael McKenna
Office of General Counsel

Gail Laster
Office of Consumer Protection

Mary Ann Woodson
Office of the Chief Financial Officer

Scott Hunt
Office of National Examinations and Supervision

William Myers
Office of Small Credit Union Initiatives

John D. Worth
Office of the Chief Economist

Todd M. Harper
Office of Public and Congressional Affairs

Ronnie Levine
Office of the Chief Information Officer

Tawana James
Office of Minority and Women Inclusion

Cheryl Eyre
Office of Human Resources

Joy Miller
Office of Continuity and Security Management

James Hagen
Office of Inspector General

NCUA's Board is located in the agency's Alexandria, Virginia, central office along with the following major offices that administer various programs:

The **Office of the Executive Director** (OED), led by Mark A. Treichel, is responsible for the agency's daily operations. The executive director reports directly to the NCUA Chairman. All regional directors, and most central office directors, report to the executive director. NCUA's equal opportunity and ombudsman programs were included within OED during 2013. In 2013, OED also directly managed NCUA's continuity of operations and strategic planning programs, which direct the agency's planning process, and track and report on goal achievement, respectively.

The **Office of Examination and Insurance** (E&I), led by Larry Fazio, is responsible for NCUA's supervision programs that ensure the safety and soundness of federally insured credit unions. Within E&I, the Division of Supervision oversees NCUA's examination and supervision program, and risk exposure to the National Credit Union Share Insurance Fund. The Division of Risk Management oversees the agency's problem resolution program. The Division of Analytics and Surveillance manages the agency's data-gathering, surveillance and national risk assessment programs. It also supports NCUA's supervision of technology risk in credit unions. E&I's Division of Capital and Credit Markets evaluates and develops policies and procedures related to credit union loans and investments and asset liability management. The division also oversees the day-to-day operations of the Central Liquidity Facility. Finally, the Division of NGN Support monitors the NCUA Guaranteed Note (NGN) program.

The **Office of General Counsel** (OGC), led by Michael McKenna, addresses legal matters affecting NCUA. The duties of this office include representing the agency in litigation, executing administrative actions, interpreting the Federal Credit Union Act and NCUA Rules and Regulations, processing Freedom of Information Act requests, and advising the Board and the agency on general legal matters. OGC also drafts regulations designed to ensure the safety and soundness of credit unions.

The **Office of Consumer Protection** (OCP), led by Gail Laster, is responsible for the agency's consumer compliance policy, program, and rulemaking; fair lending examinations; interagency coordination for consumer protection and compliance issues; consumer complaint resolution; and the agency's financial literacy programs. OCP also handles chartering, charter conversions, bylaw amendments, field of membership expansions and low-income credit union designations.

The **Office of the Chief Financial Officer** (OCFO), led by Mary Ann Woodson, is responsible for agency budget preparation and management, ongoing finance and accounting functions, facilities management, and procurement. OCFO also handles billing and collection of credit union National Credit Union Share Insurance Fund premiums and Temporary Corporate Credit Union Stabilization Fund assessments. As of January 1, 2014, the strategic planning program moved to OCFO to more closely align budgeting and planning.

The **Office of National Examinations and Supervision** (ONES), led by Scott Hunt, supervises the corporate credit union system and, as of January 1, 2014, supervises consumer credit unions with more than $10 billion in assets. As a credit union for credit unions, a corporate credit union provides a variety of payment, liquidity and investment services. At year-end 2013, ONES oversaw 15 corporate credit unions that ranged in asset size from $130 million to $3.4 billion.

The **Office of Small Credit Union Initiatives** (OSCUI), led by William Myers, assists the agency's risk mitigation program and fosters credit union development, particularly the expansion of services provided by small and low-income credit unions to all eligible consumers. OSCUI provides training, customized consulting assistance and financial support offered through grants and loans funded by the Community Development Revolving Loan Fund. Additionally, OSCUI facilitates credit union access to non-NCUA training and development resources.

The **Office of the Chief Economist** (OCE), led by John D. Worth, supports NCUA's safety and soundness goals by developing and distributing economic intelligence. OCE also enhances NCUA's understanding of emerging microeconomic and macroeconomic risks by producing meaningful and robust modeling and risk identification tools and participating in agency and inter-agency policy development.

The **Office of Public and Congressional Affairs** (PACA), led by Todd M. Harper, monitors federal legislative issues and serves as NCUA's liaison with Capitol Hill and other government agencies. PACA is also the source of information about NCUA and its functions for the public, credit unions, league, trade organizations and the media.

The **Office of the Chief Information Officer** (OCIO), led by Ronnie Levine, manages NCUA's automated information resources. OCIO's work includes collecting, validating and securely storing electronic agency information; developing, implementing and maintaining computer hardware, software, and data communications infrastructure; and ensuring related security and integrity risks are recognized and controlled. Additionally, OCIO manages the www.ncua.gov and MyCreditUnion.gov websites.

The **Office of Minority and Women Inclusion** (OMWI) was led by Tawana James and oversees issues related to diversity in management, employment and business activities. The office works to ensure equal opportunities for everyone in NCUA's workforce programs and contracts. OMWI also works to preserve minority credit unions and to assess the diversity policies and practices of credit unions regulated by NCUA. Ms. James retired at the end of 2013.

The **Office of Human Resources** (OHR), led by Cheryl Eyre, provides a full range of human resources functions to all NCUA employees. OHR administers recruitment and merit promotion, position classification, compensation, employee records, training, employee benefits, performance appraisals, incentive awards, adverse actions and grievance programs. OHR is also responsible for labor relations.

The **Office of Continuity and Security Management** (OCSM), led by Joy Miller, began operations on January 6, 2014. The office is responsible for evaluating and managing security and continuity programs across NCUA and its regional offices. OCSM is responsible for continuity of operations, emergency planning and response, critical infrastructure and resource protection, cybersecurity and intelligence threat warning, as well as facility security and personnel security.

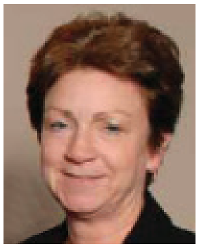
The **Office of Inspector General** (OIG), led by James Hagen, promotes the economy, efficiency and effectiveness of NCUA programs and operations. OIG also detects and deters fraud, waste and abuse, in support of NCUA's mission of monitoring and promoting safe and sound federally insured credit unions. Additionally, OIG conducts independent audits, investigations and other activities and keeps the NCUA Board and U.S. Congress fully informed. Mr. Hagen succeeded William DeSarno, who retired in 2013.

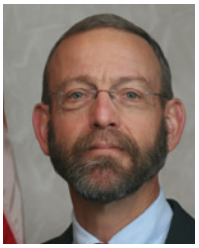
NCUA Regional Offices and AMAC

Outside Alexandria, Virginia, NCUA has five regional offices and the Asset Management and Assistance Center. The majority of NCUA staff are assigned to the agency's five regions. This staff regularly examines federally insured credit unions to ensure safe and sound operations.


Mike Barton
Asset Management and Assistance Center


Larry Blankenberger
Region I


Jane A. Walters
Region II


Herbert S. Yolles
Region III


C. Keith Morton
Region IV


Elizabeth Whitehead
Region V

The **Asset Management and Assistance Center** (AMAC), led by Mike Barton, conducts credit union liquidations and performs asset management and recovery. AMAC also assists NCUA regional offices with the review of large, complex loan portfolios and actual or potential bond claims. Additionally, AMAC staff participates extensively in the operational phases of conservatorships and record reconstruction.

NCUA's **Region I** is located in Albany, New York, and directed by Larry Blankenberger. After the realignment at the start of 2014, the region covers Connecticut, Maine, Massachusetts, Michigan, New Hampshire, New York, Rhode Island, Vermont, and Wisconsin.

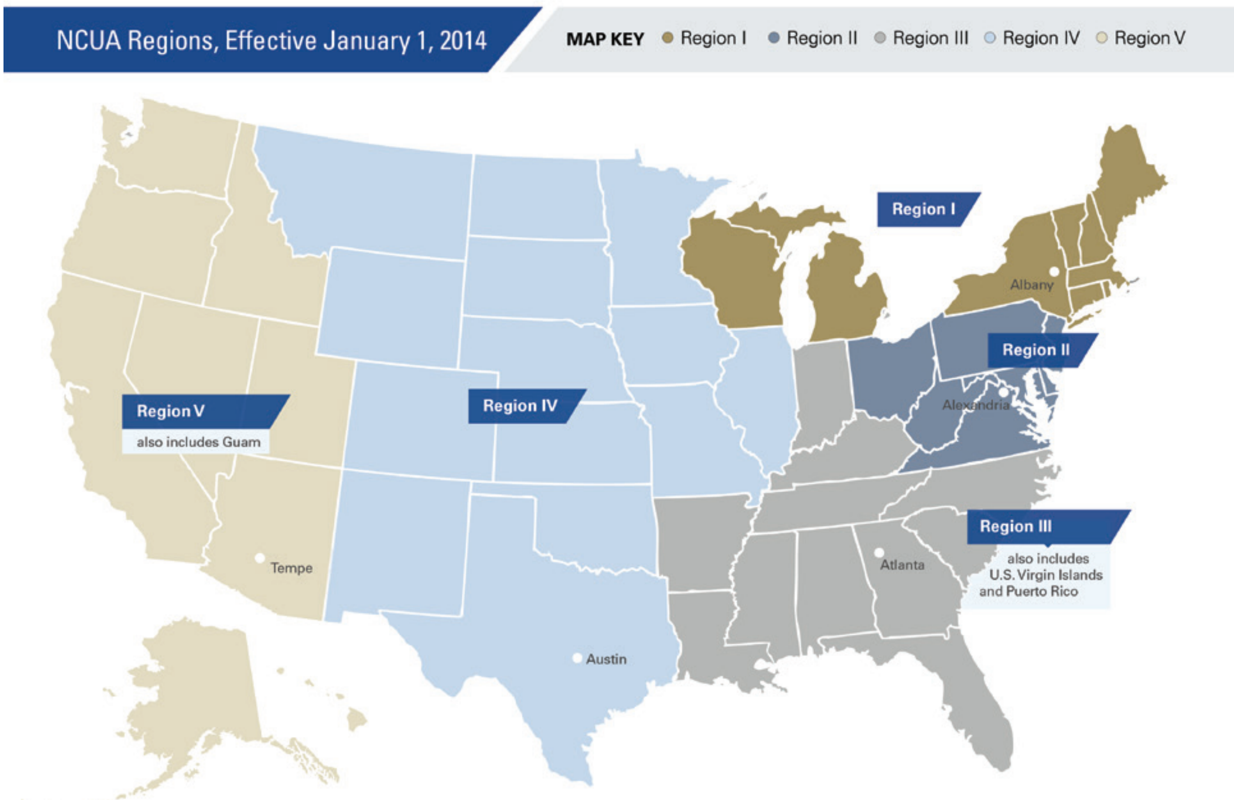
NCUA's **Region II** is located in Alexandria, Virginia, and directed by Jane A. Walters. As of the start of 2014, the region covers Delaware, the District of Columbia, Maryland, New Jersey, Ohio, Pennsylvania, Virginia, and West Virginia.

NCUA's **Region III** is located in Atlanta, Georgia, and was directed by Herbert S. Yolles in 2013. At the start of 2014, the region was modified to cover Alabama, Arkansas, Florida, Georgia, Indiana, Kentucky, Louisiana, Mississippi, North Carolina, Puerto Rico, South Carolina, Tennessee, and the U.S. Virgin Islands. Mr. Yolles was succeeded by Myra Toeppe, who became regional director on January 1, 2014, upon his retirement.

NCUA's **Region IV** is located in Austin, Texas, and directed by C. Keith Morton. Following the 2014 realignment, the region covers Colorado, Illinois, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, Oklahoma, South Dakota, Texas, and Wyoming.

NCUA's **Region V** is located in Tempe, Arizona, and directed by Elizabeth Whitehead. The region now covers Alaska, Arizona, California, Guam, Hawaii, Idaho, Nevada, Oregon, Utah, and Washington.

NCUA Regional Map



Note: The map reflects NCUA's regions as of January 1, 2014. In September 2013, NCUA realigned its regions to improve the efficiency of its operations. A discussion of this realignment can be found on page 33.

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis

2013: A Good Year for Credit Unions

Overall, 2013 was a good year for America's credit unions. The system experienced strong loan growth as well as continued membership gains. Net income for federally insured credit unions was $8.1 billion, a small decrease from the $8.5 billion earned in 2012. Loan delinquencies and charge-offs at credit unions continued to fall. Also, the number of troubled credit unions also declined to the lowest number since 2008.

With the financial crisis largely behind credit unions, in 2013 NCUA was able to focus on developing and implementing a series of regulatory changes to ensure the continued safety and soundness of the system and to decrease regulatory burdens, where possible. The agency also sought to transform itself internally to keep pace with an ever-evolving marketplace.

NCUA's activities this year can be grouped into six broad categories. Specifically, we sought to:

- Implement an effective supervision program to ensure the continued safety and soundness of federally insured credit unions.
- Adopt safe, targeted and flexible regulations to protect the credit union system and maintain a strong and independent National Credit Union Share Insurance Fund.
- Modernize the agency's staff and operations.
- Minimize assessments for the Temporary Corporate Credit Union Stabilization Fund.
- Engage, coordinate and provide assistance to key stakeholders.
- Serve as a responsible steward of the public's trust.

Throughout the year, NCUA strove to carry out its mission with professionalism, creativity and dedication. Through these collective efforts, we continued to proactively implement policies designed to foster and maintain a regulatory environment in which federally insured credit unions can prosper, both now and in the future.

Effective Supervision

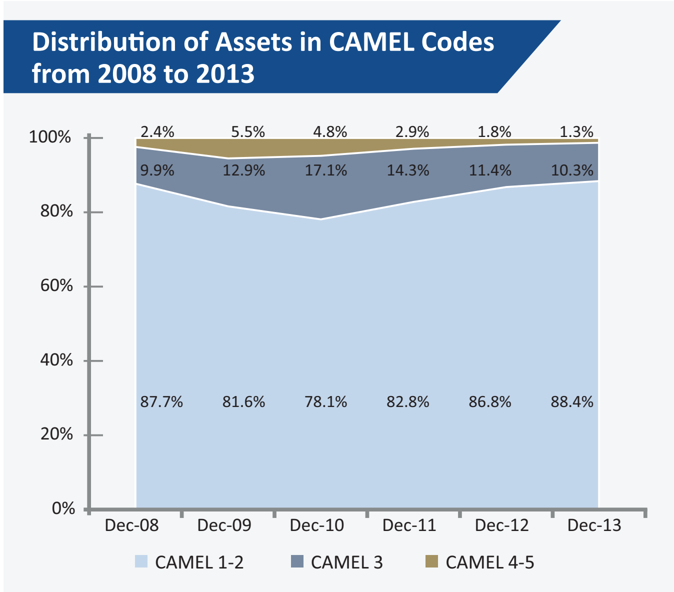
NCUA's primary mission is to ensure that the nation's cooperative credit union system remains safe and sound. The agency focuses on meeting that responsibility in both good times and bad. Because credit unions continued to improve and strengthen, and because of NCUA's efforts to minimize risk to the overall system, the National Credit Union Share Insurance Fund remained financially sound during 2013.

CAMEL Ratings Continued to Rise in 2013

A key indicator of the positive performance of the nation's credit unions is the continued improvement of the system's aggregate CAMEL ratings.

The CAMEL rating system is based upon an evaluation of five critical elements of a credit union's operations: capital adequacy, asset quality, management, earnings and liquidity. The CAMEL rating system is designed to take into account and reflect all significant financial, operational and management factors that examiners assess in their evaluation of a credit union's performance and risk profile.

CAMEL ratings range from 1 to 5, with 1 being the highest rating. Credit unions with a composite CAMEL code rating of 3 exhibit some degree of supervisory concern in one or more components. CAMEL code 4 credit unions generally exhibit serious financial or managerial deficiencies, and CAMEL code 5 institutions pose a significant risk to the Share Insurance Fund. NCUA collectively refers to CAMEL code 4 and 5 credit unions as "troubled credit unions."



The number of troubled credit unions declined to their lowest level since 2007, helping reduce potential losses to the Share Insurance Fund and federally insured credit unions.

At the end of 2013, assets in credit unions with CAMEL code 3, 4 or 5 rated credit unions dropped to $122.4 billion compared to $138.3 billion at the end of 2012. The number of troubled credit unions also declined to 307 at the end of 2013, the lowest level since 2008. In all, 4.7 percent of all federally insured credit unions are considered troubled. This is an improvement from 2011, when nearly 5.7 percent of credit unions were in that condition. At the end of 2013, troubled credit unions held just 1.3 percent of the system's assets, the lowest level since 2007.

Share Insurance Fund Remains Strong

The Share Insurance Fund ended 2013 in a strong financial position because of fewer losses, continued portfolio improvement, sound management practices, and a decline in the number of troubled credit unions, among other factors. The Share Insurance Fund had $11.6 billion in total assets and reached its statutory equity ratio of 1.30 percent on an insured share base of $866.3 billion at year's end. In comparison, the equity ratio was 1.30 percent on an insured base of $839.4 billion a year earlier.

NCUA calculated the year-end 2013 figure after transferring $95.3 million in equity from the Share Insurance Fund to the Stabilization Fund. The Federal Credit Union Act requires NCUA to transfer any Share Insurance Fund equity above the normal operating level of 1.30 at the end of each year as long as the Stabilization Fund has an outstanding balance with the U.S. Treasury.

Because of the Share Insurance Fund's strong performance, the NCUA Board did not charge credit unions a premium in 2013.

Supervision Focuses on Managing Risk

In 2013, NCUA again used a risk-focused approach when conducting examinations of credit unions. During their reviews, NCUA examiners focused on the following areas of concern:

- How well credit unions appropriately manage earnings and capital without adding undue levels of interest rate, liquidity and credit risk.
- How well credit unions are able to control operational risk and maintain a robust system of internal controls to reduce and deter fraud.
- How well credit unions adopt new technology and put risk-management controls in place when expanding into new arenas like social media and online banking.
- Whether credit unions are able to manage the unique risks associated with new, growing or unconventional products, such as private student loans or credit union-funded benefit plans.

NCUA also continued its annual examination program in 2013. This program requires annual examinations of all federal credit unions and all federally insured, state-chartered credit unions with more than $250 million in assets. The program allows NCUA examiners to identify and work with credit unions to correct issues earlier and avoid greater costs to the Share Insurance Fund later on. In all, NCUA's regional examiners completed 11,512 supervisory contacts in 2013, and reported 712,164 exam hours.

Board Member Michael E. Fryzel listens to a presentation by Chief Financial Officer Mary Ann Woodson during the December 2013 Board meeting.

NCUA continued to make improvements to its examination program throughout 2013. The Office of Examination and Insurance developed a new format for examination reports, including changes to the sections on documents of resolution, examiner findings, status reports and informal discussions. These changes streamline the examination report, better clarify the priority exam action items to be resolved, reduce redundancy and ensure greater consistency.

The Office of Examination and Insurance also continued to revise and update the National Supervision Policy Manual. Developed and implemented in 2012, the manual provides additional clarity and consistency to the examination process and removes regional differences in NCUA's examination program.

Finally, NCUA continued to conduct expedited exams at small credit unions with less than $10 million in assets and with a CAMEL code 1, 2 or 3 rating. Small credit unions that are financially and operationally sound present lower risks to the Share Insurance Fund. They also have more concise examination reports. Under this program, NCUA allotted 40 hours per examination for these streamlined exams, which were focused on pertinent areas of risk found in these types of institutions, such as lending, recordkeeping and auditing.

Office of National Examinations and Supervision Begins Operations

NCUA's Office of National Examinations and Supervision began operations in 2013. This office provided oversight of the nation's corporate credit unions. It also worked with NCUA's regions and the Office of Examination and Insurance to transition to overseeing the largest consumer credit unions beginning in 2014.

In 2013, NCUA increased capital requirements for the corporate credit unions by requiring them to achieve a ratio of retained earnings to moving daily average net assets of 45 basis points. This change was designed to make these corporates healthier and better able to manage risk on their balance sheets. All corporate credit unions were able to achieve this requirement, and staff from the Office of National Examinations and Supervision closely monitored their operations and projections to ensure they are able to meet the remaining capital standards that go into effect in 2016 and 2020.

NCUA also changed the way these corporate credit unions are rated. In September, the Board approved applying the CAMEL rating system to these credit unions. Prior to this change, NCUA had evaluated the corporates using the Corporate Risk Information System during routine examinations. The decision to change to the CAMEL system was strongly supported by the CEOs of the nation's largest corporate credit unions and by state regulators that oversee state-chartered corporate credit unions.

The change to using CAMEL ratings for corporate credit unions provides a uniform evaluation system across all charter types, improves comparability because the system is used for both consumer credit unions and banks, and reduces possible difficulties in managing two different systems.

Member Deposits Remain Secure

During 2013, member deposits at federally insured credit unions were protected by the National Credit Union Share Insurance Fund up to at least $250,000. As a result, the members of the 17 credit unions that failed and the one that voluntarily liquidated in 2013 suffered no losses on their insured deposits. All verified shares were paid out within five days of a credit union's closure.

Staff from the Asset Management and Assistance Center sort through thousands of documents from a failed credit union. This meticulous process helps ensure that every credit union member receives their insured funds in a timely manner.

Collectively, these 17 failures cost the Share Insurance Fund $66.8 million. Of the credit unions that failed, four went through assisted mergers. Of the 2013 failures, NCUA's Asset Management and Assistance

Center kept $107 million in assets to manage, as compared to keeping $408 million the prior year. Concurrently, the Asset Management and Assistance Center managed a greater amount of complex assets, primarily loans. Gross assets managed were $993 million at the end of 2013, down from $1.1 billion at the end of 2012.

Arrowhead Central Emerges from Conservatorship

In May 2013, NCUA returned Arrowhead Central Credit Union to its members. Arrowhead was the first credit union to emerge from NCUA conservatorship since 2007.

When NCUA took control of the credit union in June 2010, Arrowhead's net worth ratio was down to 3.0 percent. The credit union was also on pace to lose nearly $4 million in 2010. Over the next three years, the credit union returned to its core business, strengthened its loan underwriting, controlled costs and followed an NCUA-approved net worth restoration plan. At the time of the handover, Arrowhead's net worth ratio had bounced back to a healthy 10.5 percent, quarterly net income was $5.6 million and membership stood at more than 116,000.

Arrowhead's extraordinary success was made possible through a cooperative effort by NCUA staff, the credit union's leadership, its advisory board and volunteers. This success story also demonstrates the critical role that conservatorship can play in preventing or minimizing potential losses to the Share Insurance Fund and resolving problems at troubled credit unions.

During 2013, NCUA continued to operate three other credit unions in conservatorship: Texans Credit Union, AEA Federal Credit Union and Keys Federal Credit Union. For the year, Texans saw strong loan demand, with its loan portfolio growing by more than $19 million. AEA posted $5.23 million in net income in 2013, up from $3.15 million in 2012. Keys had net income of $307,672 for the year, and a slight decline in total assets. All three of the conserved credit unions reported increases in their net worth ratios for the year.

Addressing Consumer Compliance and Fair Lending Examinations

In 2013, NCUA's Division of Consumer Compliance Policy and Outreach spent 5,334 hours examining 26 credit unions for fair lending compliance. The agency also initiated an off-site fair lending supervision contact program, spending 902 hours on 41 off-site supervision contacts with credit unions. During these contacts, NCUA staff reviewed credit unions' fair lending policies and provided recommendations to bring them into compliance.

Board Member Rick Metsger (left) is greeted by NCUA's Deputy Director for Examination and Insurance Tim Segerson (right) during a welcoming reception. Dave Shetler, the Deputy Director for the Office of National Examinations and Supervision, is also pictured.

The Office of Consumer Protection also issued Regulatory Alerts and Letters to Credit Unions, as well as developed articles in NCUA's monthly newsletter on such topics as the Consumer Financial Protection Bureau's new mortgage rules, Home Mortgage Disclosure Act requirements, fair lending and other consumer protection-related topics.

Improvements Help With Supervisory Data Collection

During 2013, NCUA implemented several improvements to the agency's data collection systems. For example, 2013 was the first full year of operation for the updated version of NCUA's flagship data collection application—Credit Union Online (CU Online). The web-based program runs quarterly and is used by credit unions and state regulators to capture and display credit union information. Each quarter, NCUA processed almost 7,000 Call Reports and performed all the related reporting functions, such as compiling Financial Performance Reports.

In August 2013, NCUA released a new system that automates major features of the National Supervision Policy Manual. Four major types of examination reviews were automated and a collection of reports were available to help staff view the supervisory data collected. Since going live, NCUA has collected approximately 20,000 reviews.

Safe, Targeted and Flexible Regulations

Although the economy improved in 2013, credit unions still faced a variety of risks like increasing complexity, greater concentration of assets, rising interest rates, increasing liquidity needs and emerging cybersecurity threats. In response, the NCUA Board adopted a number of flexible new rules targeting risk to ensure the continued safety and soundness of federally insured credit unions. The NCUA Board also sought, where appropriate, to decrease the regulatory burdens of federally insured credit unions. These changes are consistent with the Regulatory Modernization Initiative launched by Chairman Matz in 2011 to update and streamline existing regulations to reduce compliance requirements wherever possible without jeopardizing safety and soundness.

Use of Simple Derivatives in Limited Circumstances Proposed

As part of the strategy for helping credit unions manage interest rate risk, the NCUA Board in 2013 proposed allowing certain well-managed credit unions with more than $250 million in assets, and with appropriate safeguards in place, to purchase limited amounts of simple derivatives—interest rate swaps and interest rate caps—as a hedge against that risk.

Eligible federal credit unions would have to apply and obtain approval from NCUA through their Regional Director or the Office of National Examinations and Supervision to use these financial instruments. In addition, under the proposed rule, credit unions that applied would have to demonstrate how derivatives would be used as part of an overall plan to mitigate interest rate risk.

The proposed rule contained two levels of authority. The levels differed in the amount of transactions permitted, the expertise and system requirements associated with operating a derivatives program, and certain application requirements. Only credit unions with a composite CAMEL code of 1, 2, or 3 and a management component of 1 or 2 could apply under the proposal. Credit unions seeking Level II authority would have to demonstrate why Level I authority was insufficient to meet their needs for interest rate risk mitigation.

The NCUA Board amended and approved a final derivatives rule at the beginning of 2014.

CUSO Rule Enhances Transparency and Protects Credit Unions

The NCUA Board took a significant step in reducing the agency's regulatory blind spots with the approval of a final rule requiring greater transparency from credit union service organizations, more commonly known as CUSOs.

Chairman Debbie Matz (right) and her Chief of Staff Steve Bosack (to the right and behind Chairman Matz) talk to credit union executives about recent NCUA rulemakings.

This new rule governing CUSOs was precipitated by the failure of nine CUSOs since 2008 that caused more than $300 million in direct losses to the Share Insurance Fund and led to the failures of consumer credit unions with combined assets of more than $2 billion. In recent years, credit unions also have been moving risk on their balance sheets to CUSOs, potentially posing an excessive risk to the credit union system and the Share Insurance Fund.

Provisions of the new rule include:

- Extension, for consistency, of sections of the existing CUSO rule, which applied only to federal credit unions, to all federally insured credit unions. Specifically, a CUSO must agree to:
  - Account for its transactions in accordance with generally accepted accounting principles.
  - Prepare quarterly financial statements.
  - Obtain an annual financial statement audit by a licensed certified public accountant.
- A new requirement that CUSOs agree to report information directly to NCUA and to the state regulator, as applicable. CUSOs that offer complex or high-risk services must report more detailed information, including financial statements and general customer information. High-risk services include credit, lending, information technology, custody, safekeeping and investment management.
- Any subsidiary in which a CUSO has an ownership interest, in any amount, will be subject to the rule if the subsidiary is primarily engaged in providing products or services to credit unions or their members.
- A requirement that a state-chartered credit union that is or would be rendered less than adequately

capitalized by an additional investment in a CUSO must obtain approval from its state regulator and notify an NCUA regional director prior to making the investment.

This final rule also gives credit unions a measure of regulatory relief, as the reporting burden for CUSOs shifts from credit unions to CUSOs. To help with the information-gathering required for this rule, NCUA will develop, and have running by 2015, a national CUSO registry.

Loan Participation Rule Provides Flexibility

After nearly 18 months of effort, the NCUA Board updated the rules governing loan participations in June 2013. Loan participations have grown more common in recent years. Nearly half of all federally insured credit unions with assets of more than $50 million hold or sell loan participations.

In response to marketplace developments, we made several changes, including:

- Subjecting purchasing credit unions to a single-originator concentration limit of $5 million or 100 percent of net worth, whichever is greater.
- Setting the risk-retention requirement for originating federal credit unions at 10 percent, as required by the Federal Credit Union Act.
- Establishing the risk-retention requirement for other originating eligible organizations—including federally insured, state-chartered credit unions—at 5 percent, consistent with the standard for securitizers under the Dodd-Frank Act (unless state law requires a higher percentage).
- Permitting federally insured credit unions to establish different underwriting standards for loan participations than they use when originating their own loans.
- Allowing credit unions to apply for waivers on certain key provisions of the rule.

With these changes, the NCUA Board struck a balance of not being burdensome to credit unions, while at the same time achieving the agency's key objectives of mitigating risk and losses to the system by requiring purchasers to carefully evaluate all participations and their originators. The changes became effective in September 2013.

Stress Tests Proposed for Credit Unions with $10 Billion or More in Assets

Recognizing the potential risk to the Share Insurance Fund posed by the largest credit unions, the NCUA Board proposed a rule requiring capital planning and stress testing for federally insured credit unions with assets of $10 billion or more.

Stress tests are forward-looking measures designed to determine whether an institution is holding an adequate capital cushion to survive adverse scenarios and to allow credit unions to make adjustments before a crisis hits. The proposed rule would bring credit unions in line with changes made by the Dodd-Frank Wall Street Reform and Consumer Protection Act, which requires certain financial services entities with $10 billion or more in assets to conduct annual stress tests.

Under the proposed rule, a credit union that fails a stress test would need to develop a capital enhancement plan to demonstrate how it would meet minimum stress test capital ratios. Before taking action on a capital plan submitted by a federally insured, state-chartered credit union, NCUA would consult with the state regulator. A credit union that passes the test would benefit from the analysis by identifying potential improvements in its capital planning process.

NCUA's Office of National Examinations and Supervision would oversee the stress tests, which would be based on scenarios issued each year by the Federal Reserve. At the time of the proposed rule, four credit unions—Navy Federal, State Employees of North Carolina, Pentagon Federal and Boeing Employees—would be subject to the proposed changes.

The comment period for this proposed rule ended at the beginning of 2014, and the NCUA Board anticipates approving a final rule in 2014.

Rules Governing Fixed Assets Become Clearer

The NCUA Board finalized a rule on federal credit unions' ownership of fixed assets in 2013. The rule allows federal credit unions to purchase, hold and dispose of property necessary or incidental to their operations. These fixed assets include office buildings, branch facilities, furniture, computer hardware and software, ATMs and parking lots.

A key provision of the amended rule offers greater flexibility to federal credit unions. Those that receive a waiver from the five percent limit on fixed assets will have the ability to make multiple purchases of fixed assets within a one percent buffer above their approved waiver limit. This change is intended to eliminate the need for a federal credit union to make repeated waiver requests for minor acquisitions.

New Requirements Improve NCUA Call Report Data Collection

As part of the agency's ongoing efforts to modernize regulations and reduce paperwork, the NCUA Board proposed and later approved a rule requiring electronic filing of financial, statistical and other reports and credit union profiles. Under the final rule, manual filing is no longer an option. The change lowers operating costs, promotes environmentally responsible practices, reduces the likelihood of data entry errors and improves timeliness.

Prior to the approval of the final rule, a few dozen federally insured credit unions were manually filing their Call Reports. Most of these were small credit unions. To help these financial institutions transition to the new requirement, NCUA's Office of Small Credit Union Initiatives extended its Urgent Needs Grants program to make credit unions that did not have a computer eligible to receive up to $7,500 in funding. The office also assigned staff to provide technical assistance for credit unions having trouble filing.

Rule Ensures Contingency Liquidity for the System

The recent financial crisis demonstrated the importance of liquidity planning for all financial institutions. Recognizing the critical need for credit unions to have a sound policy and process for managing liquidity risk, the NCUA Board approved a final rule requiring federally insured credit unions to take specific steps to ensure appropriate risk-management practices and access to contingency liquidity are established.

The final rule established a three-tiered framework for credit unions, detailed in the chart below.

Liquidity and Contingency Funding Rule	
Credit Union Asset Size	**Rule Requirement**
Less than $50 million	Federally insured credit unions in this group must maintain a basic written liquidity policy. Approved by a credit union's board, the policy must provide a framework for managing liquidity and a list of contingent liquidity sources that can be employed in emergency situations.
$50 million or more	In addition to a written liquidity policy, federally insured credit unions in this group must have a contingency funding plan that clearly sets out strategies for meeting emergency liquidity needs.
$250 million or more	In addition to a written liquidity policy and contingency funding plan, federally insured credit unions in this group must establish access to at least one contingent federal liquidity source: either NCUA's Central Liquidity Facility, the Federal Reserve's Discount Window, or both.

The final rule provides a measure of regulatory relief by raising the highest asset threshold, which requires access to a federal liquidity provider, to $250 million from the $100 million in the 2012 proposed rule. Under the final rule, the 771 largest federally insured credit unions which hold 80 percent of the system's assets, must have access to a federal liquidity provider by March 31, 2014.

Small Credit Union Definition Rises to $50 Million

In early 2013, the NCUA Board approved a final rule that changed the definition of a small credit union from the former threshold of less than $10 million in assets to less than $50 million in assets. This change reduced the regulatory burden for many credit unions, without significantly affecting the system's safety and soundness.

Asset Threshold For Small Credit Unions		
	Old Rule	New Rule
Asset Threshold	Less than $10 Million	Less than $50 Million
Number of Credit Unions	2,438	4,672
Percentage of Credit Unions	35%	68%

NCUA's change to how a small credit union is defined provided significant regulatory relief to approximately 68 percent of credit unions.

As a result of the rule, 4,672 credit unions (approximately 68 percent of federally insured credit unions) were exempted from risk-based net worth regulatory requirements, as well as NCUA's rule for mitigating interest rate risk. Additionally, more credit unions became eligible for assistance from NCUA's Office of Small Credit Union Initiatives, including access to free training sessions and consulting services. Going forward, the

NCUA Board will continue to consider the $50 million asset threshold for additional regulatory relief when issuing rules for credit unions.

Modified "Troubled Condition" Procedures to Protect Share Insurance Fund

In the beginning of 2013, the NCUA Board approved a final rule allowing either NCUA or a state regulator to designate a federally insured, state-chartered credit union in "troubled condition." This designation, which exists when a credit union has a composite CAMEL code 4 or 5 rating, acts as an early indication of institutions that could possibly cause losses to the Share Insurance Fund.

This rule takes into account lessons learned during the financial crisis. Since 2008, four federally insured, state-charted credit unions failed after NCUA had assigned a troubled condition rating earlier than the state regulator. These failures collectively cost $235 million in Share Insurance Fund losses. Prior to this rule change, only a state regulator could make the troubled condition designation for a federally insured, state-charted credit union, even if NCUA assigned a lower rating.

This rule change will ultimately help NCUA continue to reduce the amount of losses to the credit union system and the Share Insurance Fund.

TIPS Give Credit Unions a New Tool to Manage Risk

Board Member Michael E. Fryzel (left), Chairman Debbie Matz (center) and Board Member Rick Metsger (right) listen to a staff presentation during one of the NCUA Board's open meetings in 2013.

Credit unions gained a new tool to manage interest rate risk when the NCUA Board approved the use of Treasury Inflation Protected Securities (TIPS) as a permissible investment option in February 2013.

TIPS are securities issued by the U.S. Treasury Department that differ from other types of securities by providing protection against inflation. The principal increases or decreases with inflation, as measured by the Consumer Price Index. When TIPS mature, holders are paid the adjusted principal or the original principal, whichever is greater. Previously, federal credit unions could not invest in TIPS because the Consumer Price Index is generally a prohibited index for variable-rate securities.

TIPS are not appropriate for every credit union, but may be an option for those that have sound due diligence and a demonstrated ability to manage risks associated with these products.

Charitable Donation Rule Approved

The NCUA Board also approved a final rule in 2013 that allows credit unions to create hybrid investment accounts for charitable donations under certain conditions, while at the same time setting safeguards to ensure that these accounts are used for their intended purposes.

In particular, this rule requires federal credit unions to ensure that:

- A minimum of 51 percent of the total return from such an account is distributed to one or more 501(c)(3) charities.
- Distributions are made to qualified charities no less frequently than every five years.
- Assets in a charitable donation account are held in segregated custodial accounts or special purpose entities regulated by the Office of the Comptroller of the Currency, the U.S. Securities and Exchange Commission or other federal or state financial services regulatory agencies.

To protect safety and soundness, the final rule caps aggregate funding of a charitable donation account at five percent of a federal credit union's net worth for the duration of the account.

NCUA Modernization

Just as credit unions must evolve and grow to remain viable and competitive, so must NCUA as a regulator. In early 2013, Chairman Matz announced "The New NCUA" initiative. This program defines NCUA's approach to modernizing regulations and transitioning the agency's workforce, policies and procedures to meet the current and future needs of an ever-changing and increasingly complex financial services marketplace.

NCUA Chairman Debbie Matz (right) and Department of Veterans Affairs Principal Deputy Assistant Secretary for Human Resources and Administration Rafael A. Torres (left) sign the Feds for Vets memorandum of understanding.

"The New NCUA" has two parts: new people and new policies. As senior staff retire, NCUA is hiring and promoting with an eye for diversity in backgrounds, demographics and skills. At the same time, we have realigned our regions to more efficiently supervise credit unions. Additionally, as detailed in the prior sections of this report, NCUA has adopted new regulations and policies that reallocate resources to focus on the greatest risks to the Share Insurance Fund.

Maintaining a Diverse and Highly Skilled Workforce

"The New NCUA" continued to enhance diversity across the agency throughout 2013. For example, our Office of Minority and Women Inclusion, Office of Human Resources and Office of Equal Opportunity

Programs collaborated to increase recruiting efforts for qualified women and minorities. NCUA hired 143 people in 2013. Of these, 31 percent were veterans and nearly 50 percent were minorities, women, or both.

In addition, NCUA and the Department of Veteran Affairs signed a memorandum of understanding in September 2013 that created more employment opportunities for a diverse pool of skilled veterans and promoted greater workforce diversity in the agency through the Feds for Vets program. NCUA is the first financial services regulator to partner with the department in the program. NCUA benefits greatly from the partnership in terms of greater efficiency in the hiring process for veterans and access to a large, diverse group of job candidates, with the result that more veterans will join NCUA's workforce.

The type of skill set that "The New NCUA" hires and promotes has also changed. We increasingly sought to hire and promote individuals with diverse skills and backgrounds, including qualified candidates with specialized expertise in business loans, investments, capital markets and complex information technology. New talent at all levels of the organization, including senior leadership, is stimulating innovation and increasing the agency's technical expertise so NCUA can better adapt to a changing marketplace.

Examiner Training

An essential component of an effective workforce for NCUA involves examiner training. "The New NCUA" recognizes that for examiners to perform their jobs well, they need effective training.

In 2013, NCUA conducted 65,266 hours of new examiner, core and other internal training for 1,017 NCUA staff members and 350 state examiners. Additionally, 220 NCUA examiners, capital markets specialists and other staff participated in training provided by the Federal Financial Institutions Examination Council.

NCUA Ranks among Best Places to Work

NCUA has a goal of being an employer of choice. In 2013, "The New NCUA" remained a top performer in terms of employee satisfaction for federal agencies.

NCUA ranked first with Hispanic and African-American employees among mid-sized federal agencies, and third among veterans in the annual Best Places to Work in Federal Government rankings issued by the Partnership for Public Service. We ranked sixth or better in several key areas, including effective leadership, strategic management, teamwork, and employee training and development.

Like many federal agencies, we saw a decline in rankings in terms of employee satisfaction of pay levels during 2013. To address this issue, the NCUA Board adopted a pay increase for the agency's workforce to start in early 2014. The compensation change is consistent with the requirements for federal banking regulators found in the Federal Credit Union Act.

Enhancements Keep NCUA at Information Security Forefront

"The New NCUA" responds in real time to marketplace changes, including cybersecurity threats. In 2013, NCUA's Office of the Chief Information Officer completed a number of key initiatives, including working with Microsoft on a Proactive Adversary Detection Service engagement. This engagement collected error logs and antivirus scan results. It also installed service information from all agency workstations and servers. The engagement found only minor malware remnants, which were removed by NCUA's antivirus system. No evidence of intrusion, exploitation or compromise was found on any server.

The Office of the Chief Information Officer also successfully completed the deployment of End Point Protection software that uses cloud-based, real-time intelligence to protect NCUA against computer viruses and malware even if a user is not connected to the NCUA network. This solution provides NCUA with multiple layers of protection on all workstations.

"The New NCUA" continues to emphasize security in all of our operations and has shown improved results during outside security audits. Both the Federal Information Security Management Act audit and the financial statement audits resulted in approximately 50 percent fewer findings and more than 60 percent fewer recommendations than previous audits.

New Continuity and Security Office Created

To assess risks related to physical security and personnel security, and to improve the agency's preparedness and response operations, the NCUA Board approved the consolidation of NCUA's security and continuity programs into a single office in 2013. The new Office of Continuity and Security Management began operations at the start of 2014. The office manages NCUA's national continuity programs, emergency preparedness and response activities, and provides security services, including physical and personnel security. The office also analyzes security threats, with a focus on cybersecurity and critical infrastructure protection, and provides this information to NCUA staff.

Regional Realignment Announced

In July, NCUA announced a realignment of our regional supervision of federally insured credit unions.

During the financial crisis, NCUA had moved California, Nevada and several individual credit unions to different regions for supervision purposes. With the economy gaining strength and the generally strong performance of the credit union system, NCUA made plans to reconfigure our regions to create geographically compact districts. The realignment better balances workload, improves efficiency and will reduce travel costs by more than $900,000 per year. Under the plan, we shifted nine states to different regions at the start of 2014.

Under the realignment, each NCUA region will have between 114 and 128 examiners, in addition to supervision, special actions and support personnel. We expect to complete the shift with minimal disruption to staff and credit unions and with no staff relocations.

Corporate Resolution on Track

Throughout 2013, NCUA advanced our efforts to minimize the costs of the crisis that occurred when five large corporate credit unions failed in 2009 and 2010. We also continued to put the corporate credit union system on a path to a sustainable future.

NCUA Secures Nearly $1.6 Billion in Settlements

Throughout the year, NCUA continued to hold accountable those parties that caused the corporate credit union crisis.

Notably, NCUA participated in the U.S. government's settlement in November with JPMorgan Chase, resulting in nearly $1.42 billion in gross recoveries. Earlier in the year, NCUA reached a $165 million settlement with Bank of America. These two settlements, totaling nearly $1.6 billion, furthered the agency's goal of minimizing losses resulting from the five corporate credit union failures.

In all, NCUA has recovered more than $1.75 billion in gross recoveries since 2011. At the end of 2013, we also had litigation pending against several financial institutions—including Barclays Capital, Credit Suisse, Goldman Sachs, RBS Securities, UBS Securities and Morgan Stanley—for the sale of faulty mortgage-backed securities.

We are using the net proceeds from each of these settlements to repay the Stabilization Fund's outstanding borrowings from the U.S. Treasury. As a result of significant recoveries from legal settlements and NCUA's strong asset management practices, credit unions are now much less likely to be charged future assessments.

In addition, NCUA filed suits against 13 international banks in 2013 alleging violations of federal and state anti-trust laws through their manipulating of interest rates in the London Interbank Offered Rate system, or LIBOR. The manipulation of LIBOR, the global benchmark for setting interest rates on bank-to-bank lending, resulted in a loss of income from investments and other assets held by the five failed corporate credit unions.

Stabilization Fund's Net Position Improves by Nearly $3.4 Billion

In addition to protecting the Share Insurance Fund from losses, NCUA is responsible for managing the Temporary Corporate Credit Union Stabilization Fund (Stabilization Fund). Congress created this fund to assume the losses associated with the failure of the five corporate credit unions: U.S. Central, WesCorp, Members United, Southwest and Constitution. The Stabilization Fund also allows the credit union system to absorb the losses associated with these failures over time.

Effectively managing the Stabilization Fund to minimize federally insured credit union assessments is a top NCUA priority. In 2013, the net position of the Stabilization Fund improved by nearly $3.4 billion from a $3.5 billion 2012 year-end deficit to a $142.2 million 2013 year-end deficit. At the start of the year, the

Stabilization Fund also had $5.1 billion in outstanding borrowings with the U.S. Treasury. By the end of 2013, the Stabilization Fund had $2.9 billion in outstanding borrowings, a decrease of $2.2 billion for the year.

During 2013, NCUA also charged federally insured credit unions an assessment of 8 basis points of their insured shares. This assessment, which raised $694.2 million, was lower than the 2012 assessment of 9.5 basis points.

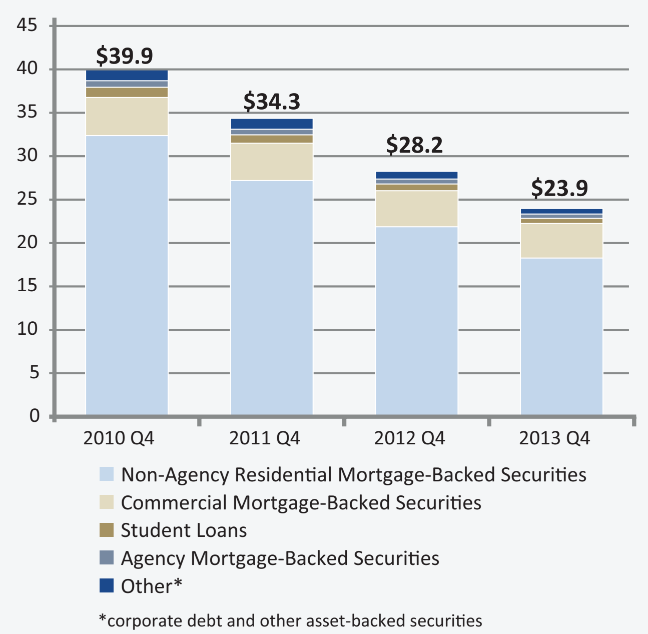
Because of the actions taken by NCUA in 2013, including the settlement with JPMorgan Chase, the NCUA Board announced it does not expect to charge a Stabilization Fund assessment in 2014. The agency is also committed to ensuring that any borrowings by the Stabilization Fund from the U.S. Treasury are fully repaid by the sunset date of the program in 2021.

Stabilization Fund Oversight Budget Decreases

NCUA continues to ensure the efficient and sound financial management of the Stabilization Fund. In 2013, the NCUA Board approved a Stabilization Fund budget for 2014 of $6.1 million, a 26 percent decrease over the 2013 budget. This decrease was primarily achieved by decreasing the agency's reliance on outside consultants and other operational improvements.

The Stabilization Fund also received a clean audit for 2013. NCUA posted this audit on the agency's website for public review at http://go.usa.gov/KRzx.

Distribution Over Time of Legacy Asset Type and Balance Outstanding (in billions)



The outstanding balance of the legacy assets fell to $23.9 billion at the end of 2013, due to principal repayments and realized losses.

Effectively Monitoring and Managing Legacy Assets

Under the Corporate Resolution Plan, NCUA created a re-securitization program to provide long-term funding for the legacy assets from the five failed corporate credit unions through the issuance of the NCUA Guaranteed Notes, or NGNs. The NGNs are guaranteed by NCUA and backed by the full faith and credit of the United States.

The legacy assets consist of more than 2,000 investment securities, secured by approximately 1.6 million residential mortgages as well as commercial mortgages, student loans and other securitized assets. The NGN program is designed to minimize losses of the corporate credit union system on federally insured credit unions. The outstanding balance of the NGNs at year end was $17.5 billion.

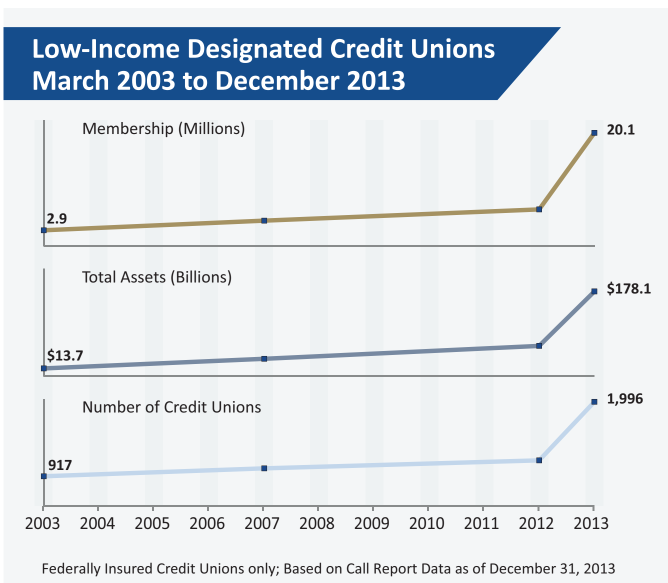
The outstanding balance of the legacy assets was $23.9 billion at the end of 2013. During the year, the balance decreased by $4.3 billion due to principal repayments and realized losses.

Stakeholder Engagement

Throughout 2013, the NCUA Board, senior staff and experts were in front of a variety of audiences answering questions, explaining policies and listening to the ideas and concerns of credit union management, board directors, volunteers and members. We offered assistance to the agency's stakeholders, providing important personal finance and consumer protection information to credit union members and supporting the work of low-income, minority and small credit unions.

We also continued to build relationships and coordinate with other state and federal regulators on important policy issues, including chairing the Federal Financial Institutions Examination Council (FFIEC) during the first quarter of 2013 and serving as a voting member of the Financial Stability Oversight Council (FSOC).

Number of Low-Income Credit Unions Nears 2,000 Mark



At the end of 2013, 1,996 credit unions with 20.1 million members and more than $178 billion in assets carried the low-income designation.

Low-income credit unions are often the only insured depository institution serving underserved communities. To expand the number of low-income credit unions, NCUA announced in August 2012 an initiative to streamline the application process through which federal credit unions secure a low-income designation. In February 2013, we expanded the initiative as a result of an agreement with the National Association of State Credit Union Supervisors and state regulators to expedite the approval process for federally insured, state-chartered credit unions.

By the end of 2013, NCUA's initiative to simplify the designation process for federally insured credit unions resulted in 1,996 credit unions across the country carrying the low-income designation, nearly double the number from when the initiative began. As of December 31, these credit unions had a combined total of 20.1 million members and $178.1 billion in assets, and ranged in size from very small financial institutions to ones with more than $1 billion in assets.

To qualify as a low-income credit union, a majority of a credit union's membership must meet low-income thresholds based on data from the 2010 United States Census. The designation offers several benefits to credit unions, including:

- An exemption from the statutory cap on member business lending, which expands access to capital for small businesses and helps credit unions to diversify portfolios.
- Eligibility for Community Development Revolving Loan Fund grants and low-interest loans.
- Ability to accept deposits from non-members of any source.
- An authorization to obtain secondary capital.

NCUA's Office of Small Credit Union Initiatives also assists low-income credit unions in remaining viable so they can continue to provide accessible financial services to their members and communities.

Needs of Rural Credit Unions Addressed

In 2013, NCUA also took steps to address the unique needs of rural credit unions. Specifically, the NCUA Board approved a change in the definition of a rural district in the agency's Chartering and Field of Membership Manual.

The new definition sets the maximum population of a rural district at 250,000, or three percent of the population of the state in which the majority of the district is located, whichever is greater, along with other qualifying criteria. Previously, the population limit was 200,000, regardless of the population of the state with the majority of the rural district.

This new rule expands the viability of rural credit unions in all states and upholds the spirit of the Credit Union Membership Access Act, providing federal credit unions that serve rural areas greater flexibility to improve access to consumers who otherwise may not have access to affordable, federally insured financial services.

New Federal Credit Union Chartered

NCUA's Office of Consumer Protection approved one new federal credit union charter in late 2013. When opened, Northern Eagle Federal Credit Union, a multiple common-bond credit union, will serve approximately 4,900 members or employees of the Bois Fort Band of Chippewa, along with related select occupational groups.

Ronald Jones, (right) an Economic Development Specialist with NCUA's Office of Small Credit Union Initiatives, meets with the leadership team of Northern Eagle Federal Credit Union during the chartering process.

Staff from NCUA's Office of Small Credit Union Initiatives provided technical assistance to the sponsoring Boise Forte Band Chippewa Reservation Tribal Council during the chartering process to develop business plans, train staff and volunteers, and establish financial projections for the credit union. We granted Northern Eagle a low-income credit union designation, making the credit union eligible for Community Development Revolving Loan Fund grants and loans.

Webinars Connect NCUA with Stakeholders

During 2013, NCUA regularly used webinars to facilitate conversations between agency staff and credit union officials throughout the country. In February, Chairman Matz and Consumer Financial Protection Bureau (CFPB) Director Richard Cordray briefed more than 1,700 participants about pending initiatives at CFPB and a wide range of issues including questions about rulemakings, regulatory burdens, examination policies and procedures, interest rate risk management, and changes in mortgage lending rules.

NCUA Board Chairman Debbie Matz (left) listens to CFPB Director Richard Cordray respond to a question during a joint webinar. More than 1,700 participants took part in the webinar on February 5, 2013.

NCUA also used webinars as an efficient way to train credit union managers, compliance officers, directors and volunteers. For example, NCUA's Office of Consumer Protection hosted four webinars on financial services consumer protection issues, covering topics like compliance with the Home Mortgage Disclosure Act, fair lending standards, the new remittance transfer rules and changes to federal home lending regulations.

Throughout the year, our Office of Small Credit Union Initiatives also hosted webinars on compliance issues and the examination process, as well as operational topics like marketing, budgeting and strategic planning. In total, nearly 9,000 participants took part in these webinars in 2013.

Coordinating with Other Agencies

In 2013, Chairman Matz continued to represent NCUA as one of 10 voting members on FSOC. Created by the Dodd-Frank Wall Street Reform and Consumer Protection Act, the FSOC is charged with identifying risks to U.S. financial stability, promoting financial market discipline and responding to emerging risks that could threaten the stability of the U.S. financial system.

Participation on the FSOC has broadened NCUA's perspective, helped the agency identify emerging risks to credit unions, and improved access to critical financial and market information. It has also allowed us to share best practices with other federal regulators.

Chairman Matz (third from the left) meets with members of the Federal Financial Institutions Examination Council: (from left to right) CFPB Director Richard Cordray, State Liaison Committee Chairman David J. Cotney, Comptroller of the Currency Thomas J. Curry, Federal Reserve Board Governor Daniel Tarullo, and Federal Deposit Insurance Corporation Chairman Martin Gruenberg.

In March, Chairman Matz finished her two-year term as Chairman of the FFIEC. She was succeeded by Comptroller of the Currency Thomas J. Curry. Matz was the first NCUA Chairman in more than 20 years to head FFIEC, which includes NCUA, CFPB, the Federal Reserve Board, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency and the State Liaison Committee.

Created by Congress in 1979, the FFIEC establishes uniform principles, standards and report forms for the federal examination of federal depository institutions. The FFIEC also makes recommendations to promote uniformity in the supervision of financial institutions and conducts examiner training.

Some key FFIEC projects in 2013 include:

- Finalizing guidance on the applicability of consumer protection and compliance laws, regulations and policies on activities conducted on social media.
- Launching the Appraisal Complaint National Hotline and associated website that ensures appraisal complaints are quickly routed to the appropriate federal or state regulatory agency that can best address the issue.
- Developing guidance to help financial institutions and vendors prepare for the discontinuation of support for Microsoft's Windows XP operating system, which ATMs heavily rely on.
- Creating a working group to further promote coordination across the federal and state banking regulatory agencies on critical infrastructure and cybersecurity issues.

Nearly 1,600 participants took part in NCUA's workshops and CEO Boot Camps. These intensive, all-day programs focused on such topics as best practices during the examination process, strategic planning, marketing, fraud detection, leadership development and compliance.

NCUA Builds Credit Union Capacity

In 2013, economic development specialists in NCUA's Office of Small Credit Union Initiatives provided consulting and training services to help new, small and low-income designated credit unions remain viable, become more efficient and provide better services to their members. In 2013, 474 credit unions participated in NCUA's customized consulting program. These credit unions received free assistance on matters like net worth restoration plans, marketing, strategic planning, budgeting and new product development.

NCUA also collaborated with external stakeholders to develop timely and relevant training programs for credit union staff, CEOs and board members. Nearly 1,600 participants took part in NCUA's workshops and CEO Boot Camps. These intensive, all-day programs focused on such topics as best practices during the examination process, strategic planning, marketing, fraud detection, leadership development and compliance.

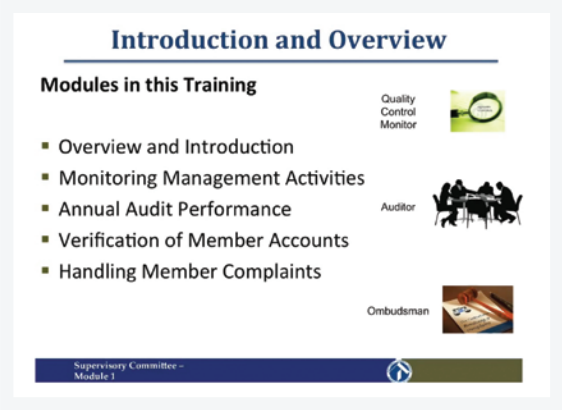
Credit union professionals also got a new online resource when NCUA launched FAQ+. This service is the latest example of how we are harnessing technology to improve service to small, low-income and new credit unions to help them become better informed and more efficient. A visitor can enter a question or keyword and receives a response or list of responses matching the request. As more questions are asked, the search engine's database expands with more answers about NCUA's programs and services for small and low-income designated credit unions.

NCUA Grants and Loans Create Opportunities

NCUA's Office of Small Credit Union Initiatives administers the Community Development Revolving Loan Fund, a fund created by Congress to support credit unions that serve low-income communities with grants and loans.

In 2013, NCUA provided $1.1 million in grants to 171 low-income credit unions. These credit unions used the grants to develop new products and services for low-income or under-banked consumers, establish collaborative programs that improved efficiency and service, support student internships, and train staff and board members. In addition, we provided seven credit unions with Urgent Needs Grants to help ensure they remain operational during emergencies, such as a prolonged loss of power, damage from a storm or a broken ATM machine.

NCUA also disbursed $570,000 in loans made by the Community Development Revolving Loan Fund in 2013. At the end of the year, the Fund had $4 million in outstanding loans to credit unions.



The Supervisory Committee Training Series provides detailed information about the roles and responsibilities of a credit union's supervisory committee in six different modules, all 10 minutes or less in length. The modules address such topics as monitoring management activities, conducting annual audits, verifying member accounts, and handling member complaints.

Demand Increases for NCUA's Online Videos

Consumers and credit unions increasingly turned to NCUA's YouTube channel for information during the year. In all, NCUA's educational videos were viewed 33,360 times in 2013, an increase of 31.2 percent over 2012.

A six-part series created by the Office of Small Credit Union Initiatives that educated supervisory committee members about their roles and responsibilities was particularly well received. The six videos had more than 10,000 views by year's end.

NCUA also launched a new video series, *NCUA Consumer Protection Update*, to help credit unions and their members better understand and follow consumer protection rules. This series featured a three-part episode on the CFPB's new remittance and mortgage lending rules. Another video featured an overview of the consumer protections provided to service members by the Servicemembers Civil Relief Act and the Military Lending Act.

The Office of Consumer Protection also produced three *NCUA Consumer Reports* videos. These videos highlighted how NCUA insures deposits, described how to build better saving habits, and detailed the many resources available on NCUA's MyCreditUnion.gov website. The videos are available in English and Spanish.

Additionally, NCUA's Office of the Chief Economist continued to produce regular installments of the well-received *Economic Update* series. The videos provide credit union managers, loan officers and board directors with up-to-date insights and analyses of trends in the broader national economy, as well as information about how those trends could affect the bottom lines of credit unions.

NCUA's Financial Literacy and Outreach Analyst Ken Worthey shares NCUA's new financial adventure game *Hit the Road* and other resources with congressional staff and their constituents at Financial Literacy Day on Capitol Hill.

From time to time, NCUA also produces videos to educate credit unions on proposed and final rules. Topics covered in 2013 included NCUA's proposed rule on derivatives and the final rule on emergency liquidity and contingency funding.

NCUA Improves Financial Literacy and Consumer Awareness

NCUA again participated in National Financial Literacy Month by encouraging credit union involvement and highlighting the importance of financial literacy. During the 2013 campaign, NCUA staff visited

Junior Achievement of Greater Washington's Finance Park in Fairfax, Virginia, where more than 14,000 middle school students benefit from the facility's programs each year.

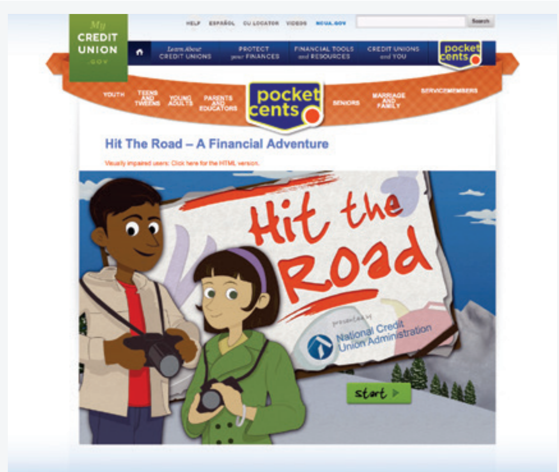
NCUA also supported the efforts of the nation's financial services regulators to increase awareness of financial literacy. Our Office of Consumer Protection staff became increasingly involved in the U.S. Treasury Department's Financial Literacy and Education Commission, commonly called FLEC. NCUA staff attended all public gatherings and contributed to the commission's work on all of its committees, including supporting the commission's "Starting Early for Financial Success" strategic focus.

For example, NCUA supported the commission's Child and Youth Committee. The committee fosters collaboration between the FLEC's member agencies and enhances federal efforts to help American children and youth gain greater personal finance knowledge, skills and habits. NCUA contributed by identifying successful school and financial institution partnerships, as well as what barriers and opportunities exist for these kinds of partnerships.

NCUA additionally supported FLEC's Career Committee. The group encourages and promotes financial education and capability in the workplace, especially for early-career workers through encouragement, information and better access. As part of these efforts, NCUA hosted a focus group of young NCUA employees to inform a new pilot program being developed for early-career federal employees.

NCUA Redesigns Consumer and Financial Literacy Websites

NCUA launched a redesigned MyCreditUnion.gov and Pocket Cents in 2013. The upgrades featured more than two dozen pages of new content with easy-to-use personal finance information for youth, parents, seniors, students, educators and servicemembers. Specific topics address the cost of education, homeownership and mortgages, preparing for retirement, managing debt, online financial security and emergency planning. Other enhancements include new graphics and a new navigation tool to engage audiences.



Hit the Road teaches young people about the importance of savings and making smart financial decisions while on a road trip across the U.S.

With the redesign, NCUA also released *Hit the Road*, an interactive personal finance game that teaches youth the value of saving, budgeting and making good financial decisions while on a road trip across the country. The lessons contained in the game will help children of all ages learn essential life-long financial skills while having fun. Credit unions and schools can link to this educational resource on their websites to augment their own financial literacy efforts.

In part because of these improvements, visits to NCUA's consumer websites increased more than 110 percent for the year, from 156,546 visits in 2012 to 332,596 visits in 2013. The number of mobile visitors also increased 360 percent for the year, and tablet viewership increased with more than 21,500 visits in 2013, up from 6,900 visits in 2012.

NCUA Expands Communications Outreach

In 2013, NCUA continued improving and expanding its print, online and social media outreach efforts.

Notably, NCUA added two social media channels in 2013. In February, NCUA launched our LinkedIn business page as a way to build a network of credit union and financial services professionals, highlight agency initiatives and aid in the agency's recruitment efforts. In addition, at the start of Consumer Protection Week, we launched our consumer Twitter feed, @MyCUgov. The feed features daily consumer protection and personal finance tips, as well as other exclusive content.

By the end of year, NCUA had more than 3,500 LinkedIn followers and almost 2,000 consumers, credit unions and financial services professionals following our consumer Twitter feed. These new social media channels complement NCUA's existing presence on YouTube, Facebook and Twitter. In September, NeighborBench, an entity that tracks hot topics in compliance and risk for financial institutions, named NCUA's Twitter feed, @TheNCUA, as one of 10 essential Twitter accounts for compliance and risk issues for financial institutions.

NCUA's free monthly newsletter, *The NCUA Report*, continued serving as the our primary communications vehicle. In each issue, credit union managers, boards and volunteers can learn more about NCUA's policy initiatives and gain insight into emerging risks, consumer protection regulations, and economic and marketplace trends.

Finally, online traffic to NCUA's public website remained steady in 2013. NCUA.gov features detailed information about the agency, our initiatives and credit union regulations. In all, the website had 2.8 million visits during the year.

Consumer Complaints Resolved Quickly

In 2013, NCUA focused on improving internal processes to increase overall quality assurance, productivity and customer service provided by the Consumer Assistance Center. These efforts resulted in a 25 percent decrease in complaint processing and resolution time, which shortened from an average of 60 days in 2012 to 45 days in 2013.

Additionally, the Consumer Assistance Center experienced increased traffic in 2013, handling 3,480 consumer complaint investigations and 11,188 telephone calls. Of the 2,806 cases investigated, the Consumer Assistance Center obtained $282,977.95 in monetary benefits for complainants.

Access to Credit Unions Increases

In 2013, NCUA continued our Underserved Area Initiative, that provides access to financial services to more than 2.5 million people residing in 23 underserved areas. This initiative allows people of all backgrounds and income levels, especially those of modest means, to experience the benefit of federally insured credit union product and service offerings.

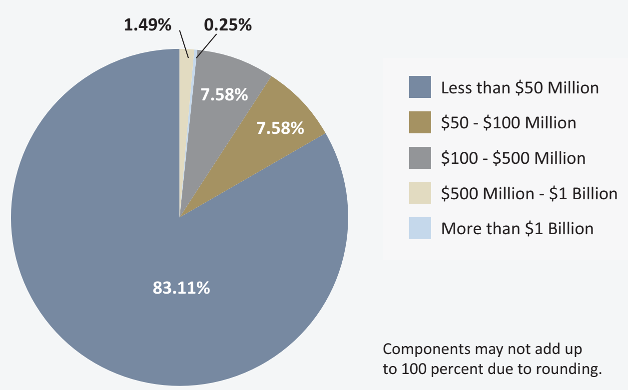
Throughout 2013, credit unions used a variety of strategies to increase the availability of reliable financial services to more Americans. Multiple common-bond credit unions collectively added 8,297 groups to their fields of membership. With an average group size of 269 potential members, federal credit union outreach to emerging small businesses remained strong in 2013.

In addition, 42 federal credit unions implemented expansion plans based upon the options available for serving local communities. In 2013, 15 credit unions became community charters and 27 existing community charters expanded their boundaries.

NCUA Preserves Minority Depository Institutions

The Dodd-Frank Act charged NCUA with designing and implementing a program to preserve minority depository institutions. These credit unions often provide financial services to consumers and businesses in communities that may not otherwise have access to a federally insured financial institution. Minority depository institutions also play an important role in serving the financial needs of historically underserved communities such as African Americans, Hispanic Americans and Asian Americans.

Minority Depository Institutions by Asset Size



Components may not add up to 100 percent due to rounding.

More than 80 percent of minority depository institutions have total assets of $50 million or less, a significantly higher percentage than the overall system, in which approximately two-thirds of all federally insured credit unions have less than $50 million in assets. Under a proposed program, NCUA's Office of Minority and Women Inclusion and Office of Small Credit Union Initiatives would work together to provide technical assistance and training to minority depository institutions.

In 2013, NCUA's Office of Minority and Women Inclusion developed a proposed Minority Depository Institutions Preservation Program which focused on providing technical assistance, training and mentoring to these institutions. Many of these efforts would be supported by the Office of Small Credit Union Initiatives, but the Office of Minority and Women Inclusion would play an oversight role in ensuring that minority depository institutions receive the technical assistance, training and mentoring opportunities needed to remain viable.

The NCUA Board approved the proposal at its July meeting and the comment period ended in September 2013. We are currently reviewing the comments received and expect to finalize the Minority Depository Institutions Preservation Program in 2014.

At the end of 2013, there were 817 federally insured credit unions with 5.3 million members and $43 billion in assets that certified themselves as a minority depository institution.

Plans to Assess Diversity Policies Advanced

In late 2013, NCUA also issued a Proposed Interagency Policy Statement Establishing Joint Standards for Assessing Diversity Policies and Practices that would gauge employment and contracting practices at federally insured credit unions and other financial services providers. The standards are required by the Dodd-Frank Act.

The proposed standards focused on four key areas: organizational commitment to diversity and inclusion, workforce profile and employment practices, procurement and business practices, and practices to promote transparency of organizational diversity and inclusion. NCUA estimates that the proposed standards would apply to about 600 federally insured credit unions with 100 employees or more.

The public comment period for the proposal closed at the beginning of 2014. NCUA and the other federal financial services regulators that issued the proposal are currently reviewing the comments received.

A Responsible Steward

NCUA is committed to being a model corporate citizen. We work tirelessly to serve the American people, and hold our employees to the highest standards of conduct, financial management, professionalism and ethics.

Sound Financial Management Continued

NCUA continued to spend our resources effectively and efficiently in 2013, without sacrificing our core mission of protecting safety and soundness or the goal of making NCUA a desirable place to work.

In 2013, the Board directed each office during the agency's mid-year budget review to increase efficiencies and reduce line items wherever possible. As a result, we decreased the 2013 operating budget by $2.6 million.

In developing the agency's budget for 2014, NCUA again used a zero-based budgeting approach, justifying every projected expense. In November, the Board approved a $268.3 million budget for 2014, which included no increases to staffing levels. In comparison, the agency's original 2013 budget was $251.4 million.

Todd Harper (right), Director of the Office of Public and Congressional Affairs, receives the "I'm Fired Up Award" on behalf of the agency for its contributions to the Feds Feed Families food drive. NCUA employees donated more than 22,000 pounds of food in 2013.

NCUA Employees Give Big

NCUA employees got into the spirit of giving in 2013, donating 22,068 pounds of food—the equivalent of a school bus—as part of the annual Feds Feed Families food drive. This represented a 961 percent increase in agency donations over 2012.

As result of these collective efforts, NCUA staff provided more than 18,000 meals for families in need. The U.S. Department of Agriculture also recognized NCUA's efforts by presenting the "I'm Fired Up Award" for the agency with the largest year-over-year increase in donations.

In addition to our record Feds Feed Families effort, NCUA employees donated or pledged $70,749 during the 2013 Combined Federal Campaign, exceeding the agency's goal. For these philanthropic efforts, NCUA received the President's Award and a Participation Award. The annual drive promotes and supports the charitable giving of federal workers.

In 2013, NCUA received an ENERGY STAR certification for the agency's ongoing efforts under the greeNCUA initiative to protect the environment.

NCUA Receives ENERGY STAR Certification

NCUA strives to be a leader in the area of environmental responsibility through our ongoing greeNCUA initiative. In 2013, these efforts paid off when NCUA's central office in Alexandria, Virginia, received the ENERGY STAR certification from the U.S. Environmental Protection Agency. This certification recognizes the energy improvements NCUA has made to our main building to reduce costs wherever possible.

NCUA received an overall rating of 86 on a scale of 100, exceeding the federal government's standards. NCUA met all four necessary standards for the certification in energy performance, thermal comfort, indoor air quality and illumination levels.

NCUA Focuses on Increasing Supplier Diversity

Throughout 2013, NCUA continued to advance our supplier diversity initiatives to promote the inclusion of minority- and women-owned businesses in contracting opportunities. These supplier diversity efforts are required by the Dodd-Frank Act.

NCUA revised the agency's purchase request form to capture critical supplier diversity data and better manage our supplier diversity efforts. NCUA also enhanced the automation of our vendor registration database.

Additionally, NCUA reached out to a number of stakeholders including the Women's Business Enterprise National Conference and the National Minority Supplier Development Council to make them aware of these contracting opportunities.

These efforts led NCUA to pay $6.3 million to minority- and women-owned businesses in 2013. The amount paid to these contractors comes to 20.6 percent of $30.5 million in contracting dollars paid by the agency.

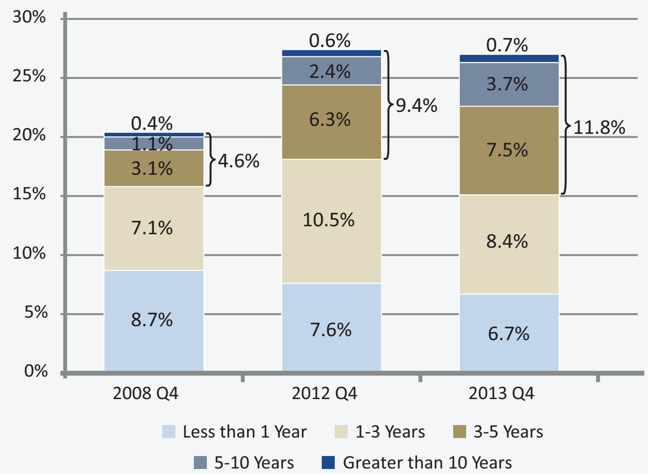
Challenges and Opportunities Ahead

While 2013 was a year filled with many success and milestones, NCUA must remain vigilant against a number of emerging risks that could threaten the Share Insurance Fund or the safety and soundness of the credit union system. Among the most pressing are interest rate risk, cyber-threats and regulatory blind spots such as the lack of oversight of third-party vendors.

Interest Rate Risk Rises

Interest rates have remained near historic lows in the years since the financial crisis, and NCUA has warned federally insured credit unions about interest rate risk for some time. In 2013, we began to see more credit unions which had taken aggressive positions in long-term investments and fixed-rate assets encounter problems with their balance sheets. In some cases, NCUA's specialists have begun the process of triaging these credits unions to mitigate possible losses to the Share Insurance Fund.

Investments by Maturity as a Percent of Total Assets



Components may not sum to total due to rounding.

In a rising interest rate environment, excessive exposure to longer-term investments as loan growth expands could pose risks for credit unions. Exposure to long-term assets has tripled since year-end 2007. During 2013, investments greater than three years increased by 32.6 percent, rising to $118.4 billion, an all-time high. Long-term investments as a share of assets stood at 11.8 percent, up from 9.4 percent at the end of 2012 and up from 4.6 percent at the end of 2008.

In addition to working with troubled credit unions, NCUA is aggressively warning all credit unions of the possible risks that moderate increases in interest rates will pose to their financial health. Allowing qualified credit unions to use simple derivatives and allowing all credit unions to use Treasury Inflation Protected Securities are two important ways to mitigate risk, as they give credit unions new tools to hedge against the potential risks found in their investment portfolios.

To protect against interest rate risk, federally insured credit unions must make sound judgments that focus on long-term, not just short-term, earnings and yield. Credit union management and boards must be prepared for changes in the interest rate environment that are projected to take place in the future.

Cyber-Threats Increase

Cyber-threats are another challenge financial institutions of all types must face head on. As federally insured credit unions increasingly offer online and mobile banking, they, and their members, are at greater risk for cyber-crime. In response to this growing threat, NCUA examinations in 2014 will include an assessment of a credit union's ability to assess and mitigate cybersecurity risks and respond to cybersecurity incidents.

In addition, credit unions must be aware that the environment is always changing and cyber-threats can come from any number of different actors, including international, state-sponsored and non-state actors, internal sources and the broader payment system.

Regulatory Blind Spots Remain

Another concern for NCUA is the agency's regulatory blind spots, such as those found in third-party vendors that are increasingly used by federally insured credit unions. Credit unions rely on these providers for such services as internet banking, transaction processing, fund transfers and loan underwriting.

Unlike NCUA, other federal financial institutions regulators have statutory authority to supervise and take enforcement actions against the banking activities of financial institutions that are regularly performed by third parties. Third-party vendors occasionally decline NCUA's examination requests for voluntary examinations. In addition, vendors can reject our recommendations to implement appropriate corrective actions to mitigate identified risks. To address this problem, we will work with Congress in 2014 to obtain the authority to examine third-party vendors.

Credit Unions Have Opportunities

Despite these challenges, there are many opportunities for federally insured credit unions. Continued gains in membership show that more and more Americans are attracted to the services and products that credit unions offer. In addition, credit unions are increasingly embracing technology, allowing them to attract consumers who are increasingly using the internet, communicating through social media and banking online or through their mobile devices.

Overall, NCUA had a productive and successful year in 2013. We were able to meet our core strategic objectives of maintaining a safe, sound and healthy credit union system. We were also able to lay the groundwork for a stronger, more competitive and more robust credit union system by taking proactive actions throughout the course of the year.

NCUA stands ready to work with federally insured credit unions, as well as Congress, to seize the potential opportunities and to mitigate risks so that millions of Americans can continue to rely on federally insured credit unions for their financial services needs in 2014 and beyond.

NCUA PERFORMANCE RESULTS

2013 Performance Summary

Throughout 2013, NCUA implemented strategies and initiatives designed to achieve our mission of providing, through regulation and supervision, a safe and sound credit union system that promotes confidence in the national system of cooperative credit. This mission is consistent with our vision of protecting consumer rights and member deposits.

NCUA's vision and mission guide the development of the agency's Strategic Plan. NCUA's Strategic Plan establishes strategic goals the agency wants to achieve to advance our mission and outlines strategic objectives to describe how the goals will be achieved. NCUA's Annual Performance Plan supports the Strategic Plan's goals and objectives by establishing performance goals, indicators and targets. NCUA reviews these performance measures periodically to determine whether our strategies are producing the intended results, or if changes are necessary.

The table below summarizes NCUA's 2013 strategic goals, strategic objectives and annual performance goals.

Strategic Goals	Strategic Objectives	Annual Performance Goal
Goal 1: Ensure a safe, sound and healthy credit union system.	An effective supervision program for federally insured credit unions.	1.1 Monitor and control risk in consumer credit unions. *Agency Priority Goal*
	A safe corporate credit union system that continues to provide services to consumer credit unions.	1.2 Continue to monitor the corporate credit union system.
	Agency resources are effectively distributed among consumer and corporate credit unions.	1.3 Devote appropriate resources to the largest consumer credit unions. *Agency Priority Goal*
	Credit union liquidations cause minimal disruptions to member access to funds.	1.4 Promptly pay members' insured shares upon involuntary liquidation of a credit union.
Goal 2: Promote credit union access to all eligible persons.	A wide range of financial services are available to members and potential members from all walks of life.	2.1 Address consumer complaints effectively and efficiently.
		2.2 Assist low-income credit unions in growing and increasing accessibility of credit union services.
	Members and potential members are aware of credit union membership benefits and that their accounts are insured up to at least $250,000.	2.3 Increase awareness of share insurance and credit unions in younger demographics.

Strategic Goals	Strategic Objectives	Annual Performance Goal
Goal 3: Further develop a regulatory environment that is transparent and effective, with clearly articulated and easily understood regulations.	Credit unions are an accessible financial institution choice for consumers of all backgrounds and income levels.	3.1 Devote resources to achieve regulatory compliance and educate credit union officials.
		3.2 Improve communications with credit unions.
	Regulations are user friendly, effective and enhance the safety of the credit union system without adding undue burden.	3.3 Continue transparency of the NCUA Guaranteed Notes (NGN) Program.
		3.4 Review and modernize NCUA regulations every three years.
Goal 4: Cultivate an environment that fosters a diverse, well-trained and motivated staff.	NCUA becomes an employer of choice.	4.1 Recruit, hire and retain a larger, more diverse pool of potential candidates and employees.
		4.2 Enhance communication within the agency vertically and horizontally.
		4.3 Improve agency succession planning for staff, mid-level managers and senior managers.
		4.4 Develop and implement a comprehensive, integrated and strategic focus for diversity.

Performance Results by Strategic Goal

NCUA set ambitious goals in 2013 and achieved most of them. Specifically, NCUA achieved 26 of its 34 performance targets established in the 2013 Annual Performance Plan. There were no instances where 2013 performance had a material adverse effect on the achievement of NCUA's mission, strategic goals or strategic objectives.

NCUA's 2013 performance results and actual and prior year results for each performance target are outlined by strategic goal and annual performance goal, respectively. Performance target achievements are highlighted in blue, targets that were not met are marked in gold, and years where results are not available are shown in gray.

Strategic Goal 1: Ensure a Safe, Sound and Healthy Credit Union System

Ensuring a safe, sound and healthy credit union system through an examination and supervision program is NCUA's primary function. This strategic goal is supported by two agency priority goals and two additional performance goals. Eleven performance targets were established to measure Strategic Goal 1 performance in 2013 and we achieved ten of these. Ongoing implementation of strategies to achieve our core program will help NCUA maintain a safe, sound and healthy credit union system.

Annual Performance Goal	Indicator	Target	Result
1.1 Monitor and control risk in consumer credit unions. *Agency Priority Goal*	Net worth growth in consumer credit union system.	Obtain an aggregate increase in net worth dollars of at least 5 percent.	**Achieved**
	Long-term asset ratio.	Maintain an aggregate net long-term asset ratio of less than 35 percent.	**Not Achieved**
	Net losses for current year failures to average insured shares.	Less than 0.03 percent, per year.	**Achieved**
1.2 Continue to monitor the corporate credit union system.	Percentage of corporates meeting the 4 percent leverage ratio (formerly the interim leverage ratio).	100 percent.	**Achieved**
	Percentage of corporates meeting the 4 percent Tier 1 risk-based ratio.	100 percent.	**Achieved**
	Percentage of corporates meeting the 8 percent total risk-based ratio.	100 percent.	**Achieved**
	Percentage of corporates meeting the 2 percent net economic value ratio.	100 percent.	**Achieved**
	Percentage of corporates meeting the 0.45 percent retained earnings ratio.	100 percent.	**Achieved**
1.3 Devote appropriate resources to the largest consumer credit unions. *Agency Priority Goal*	Office of National Examinations and Supervision (ONES) staffing level.	100 percent of approved full-time equivalents.	**Achieved**
	ONES staff training.	100 percent of mandatory training complete.	**Achieved**
1.4 Promptly pay members' insured shares upon an involuntary liquidation of a credit union.	Average number of business days from liquidation to payout of confirmed member shares.	Less than 5 business days.	**Achieved**

Annual Performance Goal 1.1
Monitor and Control Risk in Consumer Credit Unions

Indicator	Target	Results					
		2008	2009	2010	2011	2012	2013
Net worth growth in consumer credit union system.	Aggregate increase in net worth dollars of at least 5 percent.	-0.16%	1.79%	5.08%	6.81%	7.48%	7.38%
Long-term asset ratio.	Less than 35 percent.	31.9%	31.6%	33.0%	32.5%	32.9%	35.91%
Net losses for current year failures to average insured shares.	Less than 0.03 percent, per year.	0.041%	0.026%	0.033%	0.007%	0.024%	0.008%

Annual Performance Goal 1.2
Continue to Monitor the Corporate Credit Union System

Indicator	Target	Results					
		2008	2009	2010	2011	2012	2013
Percentage of corporates meeting the 4 percent leverage ratio (formerly the interim leverage ratio).	100 percent.				79.2%	100%	100%
Percentage of corporates meeting the 4 percent Tier 1 risk-based ratio.	100 percent.					100%	100%
Percentage of corporates meeting the 8 percent total risk-based ratio.	100 percent.					100%	100%
Percentage of corporates meeting the 2 percent net economic value ratio.	100 percent.				83.3%	100%	100%
Percentage of corporates meeting the 0.45 percent retained earnings ratio.	100 percent.					100%	100%

Annual Performance Goal 1.3
Devote Appropriate Resources to the Largest Consumer Credit Unions

Indicator	Target	Results					
		2008	2009	2010	2011	2012	2013
ONES staffing level.	100 percent of approved full-time equivalents.						100%
ONES staff training.	100 percent of mandatory training complete.						100%

Annual Performance Goal 1.4
Promptly Pay Members' Insured Shares upon Involuntary Liquidation of a Credit Union

Indicator	Target	Results					
		2008	2009	2010	2011	2012	2013
Average number of business days from liquidation to payout of confirmed member shares.	Less than 5 business days.	4.3	3.5	6.3	2.5	3.3	3.6

Strategic Goal 2: Promote Credit Union Access to All Eligible Persons

NCUA aims to promote access to credit union services and create an environment allowing credit unions to better serve members while maintaining the safety and soundness of the system. In 2013, NCUA achieved seven of eight performance targets supporting Strategic Goal 2. Going forward, we have identified additional initiatives to promote credit union access to all eligible persons, including promoting financial literacy.

Annual Performance Goal	Indicator	Target	Result
2.1 Address consumer complaints effectively and efficiently.	Average response time to consumer complaints.	60 business days or less.	Achieved
2.2 Assist low-income credit unions in growing and increasing accessibility of credit union services.	Percent of Community Development Revolving Loan Fund (CDRLF) grants and loans to first-time applicants.	35 percent.	Achieved
	Make credit unions aware of their eligibility for the low-income designation.	Annually notify all credit unions of their eligibility for low-income status.	Achieved
	Provide CDRLF loans to low-income credit unions.	$2 million annually.	Not Achieved
2.3 Increase awareness of share insurance and credit unions in younger demographics.	Number and age of NCUA's Twitter and Facebook followers.	Increase NCUA's Facebook and Twitter followers ages 25–44 by 10 percent.	Achieved
	Enhance NCUA's consumer video library and diversify type of content shared.	Increase year-over-year views on NCUA's YouTube channel by 25 percent.	Achieved
	Enhance the impact of Pocket Cents among consumers.	Increase the number of visitors to Pocket Cents financial literacy education website by 20 percent.	Achieved
	Educate credit unions on mobile banking.	Issue at least two information pieces regarding mobile banking.	Achieved

Annual Performance Goal 2.1
Address Consumer Complaints Effectively and Efficiently

Indicator	Target	Results					
		2008	2009	2010	2011	2012	2013
Average response time to consumer complaints.	60 business days or less.				80	60	45

Annual Performance Goal 2.2
Assist Low-Income Credit Unions in Growing and Increasing Accessibility of Credit Union Services

Indicator	Target	Results					
		2008	2009	2010	2011	2012	2013
Percent of CDRLF grants and loans to first-time applicants.	Equal to or greater than 35 percent.	51%	28%	36%	24%	41%	51%
Make credit unions aware of their eligibility for low-income designation.	Annual notice.						Achieved
Provide CDRLF loans to low-income credit unions.	$2 million annually.	$0.4 Million	$2.5 Million	$0.3 Million	$0	$3 Million	$0.6 Million

Annual Performance Goal 2.3
Increase Awareness of Share Insurance and Credit Unions in Younger Demographics

Indicator	Target		Results					
			2008	2009	2010	2011	2012	2013
Number and age of NCUA's Twitter and Facebook followers.	Increase followers ages 25–44 by 10 percent.	Facebook				Establish Baseline 62 Followers	+477%	+191%
		Twitter					Establish Baseline 1,398 Followers	+44%
Enhance NCUA's consumer video library and diversify type of content shared.	Increase year-over-year views on NCUA's YouTube channel by 25 percent.					Establish Baseline 16,498 Visitors	+54%	+31%
Enhance the impact of Pocket Cents among consumers.	Increase the number of visitors to Pocket Cents by 20 percent.						Establish Baseline 11,708 Visitors	+523%
Educate credit unions on mobile banking.	Issue at least two information pieces regarding mobile banking.							Achieved

Strategic Goal 3: Further Develop a Regulatory Environment that is Transparent and Effective with Clearly Articulated and Easily Understood Regulations

NCUA seeks to create a regulatory environment that balances safety and soundness with enabling credit unions to be an accessible choice for consumers and to continue to introduce products to better serve their members. NCUA met all five performance targets established for Strategic Goal 3 in 2013. The NCUA Board continues to pursue ways to streamline regulations and reduce regulatory burdens, while maintaining appropriate safety and soundness.

Annual Performance Goal	Indicator	Target	Result
3.1 Devote resources to achieve regulatory compliance and educate credit union officials.	Conduct fair lending examinations.	Complete a minimum of 18 fair lending examinations annually.	Achieved
3.2 Improve communications with credit unions.	Conduct targeted specialty and general industry webinars.	Host at least 5 webinars annually.	Achieved
3.3 Continue transparency of NGN Program.	Publish NGN transparency information on www.ncua.gov.	Publish and update semi-annually.	Achieved
	Include NGN specific disclosures to Temporary Corporate Credit Union Stabilization Fund (Stabilization Fund) Report.	Present NGN transparency information semi-annually.	Achieved
3.4 Review and modernize NCUA regulations every three years.	Review and modernize NCUA regulations.	Review one-third of NCUA regulations annually.	Achieved

Annual Performance Goal 3.1
Devote Resources to Achieve Regulatory Compliance and Educate Credit Union Officials

Indicator	Target	Results					
		2008	2009	2010	2011	2012	2013
Conduct fair lending examinations.	Complete a minimum of 18 fair lending examinations annually.	25	24	26	18	10	26

Annual Performance Goal 3.2
Improve Communications with Credit Unions

Indicator	Target	Results					
		2008	2009	2010	2011	2012	2013
Conduct targeted specialty and general industry webinars.	Host at least 5 webinars annually.	3	6	7	6	5	17

Annual Performance Goal 3.3
Continue Transparency of NCUA Guarantee Notes Program

Indicator	Target	Results					
		2008	2009	2010	2011	2012	2013
Publish NGN transparency information on www.ncua.gov.	Publish and update semi-annually.					Achieved	Achieved
Include NGN specific disclosures to Stabilization Fund Report.	Present NGN transparency information semi-annually.					Achieved	Achieved

Annual Performance Goal 3.4
Review and Modernize NCUA Regulations Every Three Years

Indicator	Target	Results					
		2008	2009	2010	2011	2012	2013
Review and modernize NCUA regulations.	Review one-third of NCUA regulations annually.	1/3	1/3	1/3	1/3	1/3	1/3

Strategic Goal 4: Cultivate an Environment that Fosters a Diverse, Well-Trained and Motivated Staff

NCUA recognizes that we will not meet our other goals and objectives without our most important resource—our people. Therefore, NCUA includes the management of human capital as Strategic Goal 4 and sets ambitious performance targets to highlight its importance. We achieved four of ten performance targets for this goal in 2013. NCUA met or exceeded 2012 levels for nearly every measure. We are committed to creating an environment that fosters a diverse, well-trained and motivated staff and will continue to set ambitious targets to support this objective.

Annual Performance Goal	Indicator	Target	Result
4.1 Recruit, hire and retain a larger, more diverse pool of potential candidates and employees.	Increase diversity in CU-11 and below staff.	Increase by 5 percent.	Not Achieved
	Increase diversity in CU-12 through CU-16 staff.	Increase by 5 percent.	Not Achieved
	Increase diversity in senior staff positions.	Increase by 5 percent.	Not Achieved
	Increase veteran representation in NCUA overall staff positions.	Increase by 2 percent.	Achieved
	Increase disabled representation in NCUA overall staff positions.	Increase by 2 percent.	Not Achieved
4.2 Enhance communications within the agency vertically and horizontally.	OPM Employee Viewpoint survey question 64, "How satisfied are you with the information you receive from management on what's going on in your organization?"	Improve to 68 percent positive response.	Not Achieved
4.3 Improve agency succession planning for staff, mid-level managers and senior managers.	Introduce a new NCUA executive leadership development program.	Develop the program in 2013.	Achieved
	Increase number of employees in leadership development programs.	Increase by 10 percent.	Achieved
4.4 Develop and implement a comprehensive, integrated and strategic focus for diversity.	Use the civilian labor force demographic data to benchmark and measure diversity at all staff levels.	Equal or exceed the civilian labor force figures where low participation exists.	Not Achieved
	Enhance usage of women- and minority-owned businesses when contracting for goods and services.	Increase contract awards by 2 percent.	Achieved

Annual Performance Goal 4.1
Recruit, Hire and Retain a Larger, More Diverse Pool of Potential Candidates and Employees

Indicator	Target	Results					
		2008	2009	2010	2011	2012	2013
Increase diversity in CU-11 and below staff.	Increase by 5 percent.		-4%	-3%	No Change	No Change	+1%
Increase diversity in CU-12 through CU-16 staff.	Increase by 5 percent.		+1%	+3%	-1%	No Change	No Change
Increase diversity in senior staff positions.	Increase by 5 percent.		+1%	-7%	+8%	+9%	+2%
Increase veteran representation in NCUA overall staff positions.	Increase by 2 percent.		-1%	-2%	+2%	+1%	+2%
Increase disabled representation in NCUA overall staff positions.	Increase by 2 percent.		+1%	+1%	No Change	+1%	No Change

Annual Performance Goal 4.2
Enhance Communications within the Agency Vertically and Horizontally

Indicator	Target	Results					
		2008	2009	2010	2011	2012	2013
OPM Employee Viewpoint survey question 64, "How satisfied are you with the information you receive from management on what's going on in your organization?"	Improve to 68 percent positive response.		41%	45%	57%	65%	59%

Annual Performance Goal 4.3
Improve Agency Succession Planning for Staff, Mid-Level Managers and Senior Managers

Indicator	Target	Results					
		2008	2009	2010	2011	2012	2013
Introduce a new NCUA executive leadership development program.	Develop program in 2013.						Achieved
Increase number of employees in leadership development programs.	Increase by 10 percent.	4	11 (+275%)	12 (+9%)	10 (-16%)	20 (+100%)	23 (+13%)

Annual Performance Goal 4.4
Develop and Implement a Comprehensive, Integrated and Strategic Focus for Diversity

Indicator	Target	Results					
		2008	2009	2010	2011	2012	2013
Use the civilian labor force demographic data to benchmark and measure diversity at all staff levels.	Equal or exceed the civilian labor force figures where low participation exists.					Not Achieved	Not Achieved
Enhance usage of women- and minority-owned businesses when contracting for goods and services.	Increase contract awards by 2 percent.						137%

Agency Priority Goals

The Office of Management and Budget encourages all agencies to prioritize goals in their strategic and annual performance plans. An agency priority goal is a subset of the agency's performance goals and represents the highest implementation priorities. These goals define near-term results or achievements to accomplish within approximately 24 months. In 2013, NCUA established two agency priority goals:

- Annual Performance Goal 1.1—Monitor and control risk in consumer credit unions, as measured by net worth growth in the consumer credit union system, the long-term assets ratio, and net losses for current year failures as a percentage of average insured shares.

  NCUA successfully monitored and controlled risk in consumer credit unions in 2013 and achieved two of the three performance targets associated with this agency priority goal. We did not meet the goal for net long-term assets, which exceeded the target of 35 percent by 91 basis points. Growth in first mortgages and investments with maturities of five- to ten-years contributed to the increase in the aggregate net long-term asset ratio. The Office of Examination and Insurance has developed additional supervisory measures for 2014 to address this trend.

- Annual Performance Goal 1.3—Devote appropriate resources to staff and train the new Office of National Examinations and Supervision to assume responsibility for, and devote appropriate resources to, the largest consumer credit unions in 2014.

  NCUA achieved this performance goal. By the end of 2013, the Office of National Examinations and Supervision was fully staffed, trained and ready to assume responsibility for overseeing the largest consumer credit unions.

Budget and Expenditures by Program

NCUA's original budget for 2013 totaled $251.4 million. NCUA allocated the majority of its budget, $130.0 million, to insurance programs and related activities, followed by $102.9 million for corporate and consumer credit union supervision programs.

The remaining programs consist of $5.7 million to small credit union initiatives, $7.2 million to consumer protection, and $5.6 million to asset management. NCUA proportionally allocates general and administrative costs to each program. Agency-wide utilization of original budget funds was 96 percent in 2013.

The agency also budgeted for 1,262 full-time equivalent workers in 2013. We allocated the majority of our workforce to insurance programs and related activities, followed by corporate and consumer credit union supervision programs. At the end of 2013, NCUA had 1,247 full-time equivalent employees on board.

The table below summarizes NCUA's budgeted and actual funding and staffing for 2013.

Program	Dollars (in Millions)		Percent		Full-Time Equivalents		Percent	
	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual	Budgeted	Actual
Supervision	$102.9	$98.9	40.9%	40.9%	511	503	40.5%	40.3%
Insurance	$130.0	$125.7	51.7%	52.0%	646	639	51.7%	51.3%
Small Credit Union Initiatives	$5.7	$5.5	2.3%	2.3%	27	27	2.1%	2.1%
Consumer Protection	$7.2	$6.7	2.9%	2.8%	41	41	2.9%	3.2%
Asset Management	$5.6	$5.0	2.2%	2.1%	37	37	2.9%	2.9%
Total	**$251.4**	**$241.8**	**100%**	**100%**	**1,262**	**1,247**	**100%**	**100%**

FINANCIAL SECTION

Message from NCUA's Chief Financial Officer

Mary Ann Woodson
Office of the Chief Financial Officer

I am pleased to present the National Credit Union Administration's 2013 financial statements for NCUA's four permanent funds:

- The National Credit Union Share Insurance Fund.
- The NCUA Operating Fund.
- The NCUA Central Liquidity Facility.
- The NCUA Community Development Revolving Loan Fund.

In 2013, each of our four permanent funds received an unmodified or "clean" financial opinion from our independent auditors. Over the last several years, we have implemented robust internal controls over financial reporting that has enabled us to proactively identify and mitigate potential financial reporting risks that may arise due to new programs or complex transactions. In 2013, we continued to focus on internal controls, and once again had no findings in our independent auditors' reports on compliance and internal control over financial reporting.

Altogether, the auditors' reports and accompanying financial statements confirm our commitment to transparency, accountability and stewardship to the President, Congress, credit unions and the American public.

During 2013, NCUA continued to be an effective steward of agency funds. We expended just over 97 percent of our $248.8 million operating budget after returning $2.6 million of excess cash in the mid-session budget review, thereby reducing 2014 operating fees. NCUA is in compliance with all applicable laws such as the Federal Managers' Financial Integrity Act, the Prompt Payment Act, the Debt Collection and Improvement Act, and the Federal Information Security Management Act. As required by the Improper Payment Act, we have determined that NCUA programs are not susceptible to a high risk of significant improper payments.

I am excited about our accomplishments, and look forward to continued improvements in 2014 and beyond. NCUA will uphold our tradition of being accountable and transparent to our stakeholders. We will present quarterly reporting of the financial highlights on both the Share Insurance Fund and the Temporary Corporate Credit Union Stabilization Fund at public board meetings, and monthly financial highlights will be posted on our website. NCUA will continue to measure our success by accomplishing our safety and soundness mission in an effective and fiscally responsible manner.

Sincerely,

Mary Ann Woodson

Mary Ann Woodson
Chief Financial Officer

Overview of NCUA's Permanent Fund Programs

NCUA operates four permanent funds—the National Credit Union Share Insurance Fund, the Operating Fund, the Central Liquidity Facility, and the Community Development Revolving Loan Fund. All four funds received unqualified or "clean" audit opinions for 2013. A summary of each fund follows.

The National Credit Union Share Insurance Fund is the federal fund created by Congress in 1970 to insure member deposits in credit unions. Administered by NCUA, the Share Insurance Fund is backed by the full faith and credit of the United States and protects the deposits of more than 96 million members at federally insured credit unions. The Share Insurance Fund insures individual accounts at federally insured credit unions up to $250,000 and joint accounts up to $250,000 per member.

The NCUA Operating Fund, in conjunction with the Share Insurance Fund, finances the agency's operations.

The Central Liquidity Facility provides liquidity for all member credit unions and can invest in U.S. Government and agency obligations, deposits of federally insured institutions, and shares or deposits in credit unions.

The NCUA Community Development Revolving Loan Fund provides loans and grants to low-income designated credit unions.

In addition to the Share Insurance Fund, the Operating Fund, the Central Liquidity Facility, and the Community Development Revolving Loan Fund, NCUA operates the Temporary Corporate Credit Union Stabilization Fund, which Congress created to manage the costs of paying for the recent corporate credit union failures over time. The Stabilization Fund is planned to close in 2021. Published separately, the results of the 2013 independent audit of the Stabilization Fund are available online at http://go.usa.gov/KRzx.

National Credit Union Share Insurance Fund

Financial Statements as of and for the Years Ended December 31, 2013 and 2012, and Independent Auditors' Report

Overview

I. Mission and Organizational Structure

NCUSIF Mission

The National Credit Union Administration (NCUA) administers the National Credit Union Share Insurance Fund (NCUSIF or Fund).[1] Congress created the NCUSIF in 1970 to insure members' shares (deposits) in credit unions. The NCUSIF is backed by the full faith and credit of the U.S. Government. As of December 2013, the NCUSIF insures $866.3 billion in member shares in just over 6,550 credit unions.

The NCUSIF protects members' accounts in insured credit unions in the unlikely event of a credit union failure. The NCUSIF insures the balance of each members' account, dollar-for-dollar, up to the standard maximum share insurance amount of $250,000, including principal and posted dividends through the date of the failure. The Fund insures all types of member shares received by a credit union in its usual course of business.

The NCUSIF also provides funding when the NCUA Board determines that some form of financial assistance to troubled credit unions will result in the least resolution cost. Examples of financial assistance include:

- a waiver of statutory reserve requirements;
- a guaranteed line of credit, permanent cash assistance including subordinated notes or other forms; and
- the identification of an assisted merger partner.

When a credit union is no longer able to continue operating and assistance alternatives are not practical, the credit union will be liquidated and the NCUSIF will pay members' shares up to the standard maximum insurance amount.

Organizational Structure

NCUA's Director of the Office of Examination and Insurance (E&I) is responsible for overseeing the agency's examination and supervision program. NCUA's E&I Director is also the President of the NCUSIF and responsible for risk management of the NCUSIF. Regional offices and the Office of National Examinations and Supervision (ONES) conduct examinations and other NCUA offices provide operational and administrative services to the NCUSIF. The Asset Management and Assistance Center (AMAC) conducts credit union liquidations. AMAC establishes an Asset Management Estate (AME) to collect the obligations due to the credit union, monetize assets and distribute amounts to claimants, including the NCUSIF, according to their respective regulatory payout priorities.

[1] The NCUSIF is one of five funds established in the U.S. Treasury and administered by the NCUA Board. The four permanent funds include the NCUSIF, the Operating Fund, the Central Liquidity Facility (CLF) and the Community Development Revolving Loan Fund. In addition, the NCUA Board administers the Temporary Corporate Credit Union Stabilization Fund (TCCUSF) that was established in 2009 to accrue the losses of corporate credit unions during the credit crisis and to recover such losses over time. All five funds report under separate financial statements.

II. Performance Goals, Objectives and Results

Consistent with the *NCUA 2011-2014 Strategic Plan*, the agency prepared the *NCUA Annual Performance Plan for 2013*, which included the high priority performance goal to "monitor and control risks in consumer credit unions." The plan measures success for this goal as a ratio of "net losses for current year failures to average insured shares less than 0.03%." For 2013, the ratio was 0.008%, as compared to 0.026% for 2012.

Looking forward, the *NCUA 2014-2017 Strategic Plan*, shifts the emphasis of performance goals from improving the health of credit unions to ensuring a "sustainable credit union system." Performance goals include maintaining strong average net worth, examining all federal credit unions annually, and examining federally-insured state credit unions regularly, based on their size. Specific performance goals will be set in the *NCUA Annual Performance Plan for 2014*.

In measuring the performance of the NCUSIF for 2013 and 2012, the following additional measures should be considered.

2013 and 2012 Performance Measures		
	December 31, 2013	December 31, 2012
Equity Ratio (Before Distribution)	1.31%	1.31%
Insurance and Guarantee Program Liabilities (Contingent Liability)	$220.7 million	$412.5 million
Net Position	$11.3 billion	$11.3 billion
Insured Shares	$866.3 billion	$839.4 billion
Credit Union Involuntary Liquidations and Assisted Mergers	17	22
Assets in CAMEL[2] 3, 4 and 5 rated Credit Unions	$122.4 billion	$138.6 billion

The equity ratio and contingent liability are significant financial performance measures in assessing the ongoing operations of the NCUSIF. The equity ratio serves as a mechanism to balance funding from capitalization deposits and premium assessments in response to changes in insured share growth, insurance losses, interest income from U.S. Treasury security investments, as well as other revenues and expenses.

Equity Ratio and Normal Operating Level

The financial performance of the NCUSIF revolves around the equity ratio and the Normal Operating Level (NOL). The equity ratio is calculated as the ratio of the contributed one percent deposit plus cumulative results of operations, excluding net cumulative unrealized gains and losses on investments, to the aggregate amount of the insured shares in all insured credit unions. The NOL is the desired long-term target equity level for the NCUSIF. The NCUA Board sets the NOL between 1.20% and 1.50%. The NCUA Board set the current NOL at 1.30%.

By statute, when the equity ratio falls below 1.20%, the NCUA Board must establish and implement a restoration plan to rebuild the equity ratio. In 2013 and 2012, the NCUA Board did not assess a premium charge to insured credit unions for the NCUSIF. The NCUSIF pays a distribution when the equity ratio exceeds the NOL at year-end. When the NCUSIF or the Temporary Corporate Credit Union Stabilization Fund (TCCUSF) does not have an outstanding borrowing from the U.S. Treasury, the distribution is paid to insured credit unions.

[2] CAMEL is the acronym for **C**apital, the quality of **A**ssets, the capability of **M**anagement, the quality and level of **E**arnings, and the adequacy of **L**iquidity.

The equity ratio was at 1.31%, slightly above the NOL as of the year-end 2013. This resulted in a distribution payable of $95.3 million to TCCUSF to reduce the equity ratio to 1.30%. For 2012, the NCUSIF ended the year with an equity ratio of 1.31%, which resulted in a distribution of $88.1 million to TCCUSF to reduce the equity ratio to 1.30%.

Insurance Losses (Contingent Liabilities)

Through its supervision process, NCUA applies a supervisory rating system to assess each insured credit union's relative health in the adequacy of **C**apital, the quality of **A**ssets, the capability of **M**anagement, the quality and level of **E**arnings, and the adequacy of **L**iquidity (CAMEL), applying a rating to the credit union ranging from "1" (strongest) to "5" (weakest). The CAMEL rating system is a tool to measure risk and allocate resources for supervisory purposes. NCUA periodically reviews the CAMEL rating system to respond to continuing economic and regulatory changes in the credit union industry.

The NCUSIF's year-end contingent liability is derived by using an internal model that applies estimated failure and loss rates based on an econometric model that takes into account the historical loss history, CAMEL ratings, credit union level financial ratios, and macroeconomic conditions to all insured credit unions. In addition, specific analysis is performed on those insured credit unions where failure is imminent or where additional information is available that may affect the estimate of losses.

NCUA identifies credit unions at risk of failure through the supervisory and examination process, and estimates losses based upon economic trends and credit unions' financial condition and operations. NCUA also evaluates overall credit union economic trends and monitors potential system-wide risk factors, such as increasing levels of consumer debt, bankruptcies, and delinquencies.

The credit union industry improved during 2013 as reflected by the reduction in assets in CAMEL 3, 4 and 5 rated credit unions as compared to 2012. Assets in CAMEL 3, 4 and 5 rated credit unions dropped to $122.4 billion at the end of 2013, versus $138.6 billion at the end of 2012. Improvements were also seen with the system-wide net worth ratio; this ratio increased to 10.7% from 10.4%. These improvements, as well as other trends, helped contribute to a reduction in amounts for the Insurance and Guarantee Program Liabilities on the NCUSIF Balance Sheets. The NCUSIF ended 2013 with Insurance and Guarantee Program Liabilities of $220.7 million to cover potential losses as compared with $412.5 million for the previous year-end, a reduction of $191.8 million.

Due to uncertain systemic risks and the possibility of variances from historical data, actual losses could differ materially from the contingent liabilities recorded by the NCUSIF.

Performance measures are designed to enable management and our stakeholders to assess programs and financial performance and to use this information to make improvements. Performance measures have inherent limitations including the change over time in the correlation of cause and effect. A strong correlation between cause and effect in one period may not continue into the next. In addition, performance measures may not address systemic risks, which can have a significant determination on future results.

III. Financial Statement Analysis

The NCUSIF ended 2013 with the Balance Sheets showing a decrease in Total Assets and a reduction in Insurance and Guarantee Program Liabilities and a decrease in its Total Net Position from the prior year. With the Statements of Net Cost, net cost increased to $95.1 million due to changes in the Provision for Insurance Losses. These changes are explained in further detail below.

Summarized Financial Information (in thousands)		
	December 31, 2013	December 31, 2012
Total Assets	$11,606,600	$11,874,691
Investments, Net	11,199,001	11,293,087
Notes Receivable, Net	212,208	249,254
Receivables from Asset Management Estates, Net	119,863	252,029
Insurance and Guarantee Program Liabilities	220,651	412,452
Contributed Capital	8,661,174	8,315,011
Net Position	11,281,103	11,283,852
Operating Expenses	148,312	141,237
Provision for Insurance Losses, Reserve Expense (Reduction)	(41,054)	(74,874)
Total Net Cost/(Income) of Operations	95,124	54,685
Cumulative Results of Operations	2,619,929	2,968,841
Interest Revenue – Investments	198,264	206,995

Balance Sheet Highlights
Total Assets declined by $268.1 million in 2013. The decline came primarily from net unrealized losses on Investments, $356.8 million and total net cost of operations, $95.1 million, partially offset by interest income, $198.3 million.

Balances of Investments decreased by $94.1 million during 2013, primarily driven by decreases in the market value of U.S. Treasury securities held as available-for-sale. During 2013, the interest rate yield curve on U.S. Treasury securities increased, primarily driven by the increase in market interest rate yields on securities with maturities of one year or more. The increase in market interest rate yields resulted in a decrease in the market value of U.S. Treasury securities.

Notes Receivable, Net declined $37.0 million and Receivables from Asset Management Estates, Net declined $132.2 million. The decreases in the balances of Notes Receivable, Net and Receivables from Asset Management Estates, Net include the collection of principal on outstanding loans, mortgages and other debt instruments. Also, Receivables from Asset Management Estates, Net include various transactions that are explained in Note 6 to the financial statements.

Insurance and Guarantee Program Liabilities, referred to as contingent liabilities, were $220.7 million and $412.5 million as of December 31, 2013 and 2012, respectively. In general, the decrease reflects improved financial strength in the credit union industry and strengthening macroeconomic conditions, such as geographic housing indicators.

Contributed Capital increased by $346.2 million during 2013 due to the growth of insured shares in credit unions. Each insured credit union deposits one percent of its insured shares as Contributed Capital. In 2013, credit union membership grew by 2.61% to approximately 96.3 million members.

Net Position decreased $2.7 million during 2013 and is a combination of other increases and decreases. Increases include interest revenue on Investments of $198.3 million and net additions of Contributed Capital of $346.2 million. Decreases include net unrealized losses on Investments of $356.8 million, distribution payable of $95.3 million and Net Cost of Operations of $95.1 million.

Statements of Net Cost Highlights
Total Net Cost of Operations was $95.1 million for 2013, as compared to $54.7 million for 2012. In 2013 and 2012, the decline in Insurance and Guarantee Program Liabilities resulted in a reduction in reserve expenses related to lower estimated insurance losses in the Statements of Net Cost. The reduction was $41.1 million for 2013 and $74.9 million for 2012.

Cumulative Results of Operations Highlights
Cumulative results of operations decreased by $348.9 million in 2013. This decrease was primarily driven by net unrealized losses on Investments of $356.8 million, Net Cost of Operations of $95.1 million, distribution to the TCCUSF of $95.3 million, partially offset by Interest Revenue of $198.3 million. Interest Revenue was the primary source of funds to partially offset expenses and obligations.

As of December 31, 2013 and 2012, the NCUSIF recorded an estimate for the distribution payable due to the TCCUSF totaling $95.3 million and $88.1 million, respectively, thereby bringing the equity ratio down to its NOL of 1.30%.

Statements of Budgetary Resources Highlights
Activity impacting budget totals of the overall Federal Government is recorded in the NCUSIF's Statements of Budgetary Resources. The NCUSIF's net outlays were negative, meaning that NCUSIF had net cash inflows of $376.3 million and $280.2 million for 2013 and 2012, respectively. This increase is primarily the result of the growth of credit union insured shares and the related 1.00% contributed capital deposit adjustment.

Limitations of the Financial Statements

The principal financial statements have been prepared to report the financial position and results of operations of the NCUSIF. While the statements have been prepared from the books and records of the NCUSIF in accordance with U.S. generally accepted accounting principles (GAAP) for Federal entities and the formats prescribed by the Office of Management and Budget, the statements are in addition to the financial reports used to monitor and control budgetary resources that are prepared from the same books and records. The statements should be read with the realization that they are for a component of the U.S. Government, a sovereign entity.

Liquidity Risk and Capital Resources

For liquidity, the NCUSIF maintains cash in its Fund Balance with Treasury (FBWT) as well as investments in U.S. Treasury securities. Investments in U.S. Treasury securities include overnight investments, which are available for the possibility of urgent liquidity needs.

2013 and 2012 Fund Balance with Treasury and Investments		
	December 31, 2013	December 31, 2012
Fund Balance with Treasury	$ 2.5 million	$ 2.5 million
U.S. Treasury Securities		
Overnight	329.6 million	359.7 million
Available-for-Sale	10,869.4 million	10,933.4 million

During 2013, the FBWT account was primarily increased by maturing investments in U.S. Treasury securities. The FBWT account was decreased by purchases of U.S. Treasury securities, nonexpenditure transfers, and amounts expended for the purposes of the share insurance program.

The NCUSIF has multiple other sources of funding including:

- capitalization deposits contributed by insured credit unions, as provided by the Federal Credit Union Act (FCU Act);
- cumulative results of operations retained by the NCUSIF;
- assessments on insured credit unions, as necessary;
- borrowings from the U.S. Treasury; and
- borrowings from the Central Liquidity Facility (CLF).

The NCUSIF is a revolving fund in the U.S. Treasury and has access to sufficient funds to meet its obligations, including its Insurance and Guarantee Program Liabilities.

Contributed Capital
Each insured credit union must deposit and maintain in the NCUSIF 1.00% of its insured shares. For the years ended December 31, 2013 and 2012, the NCUSIF's contributed capital from insured credit unions increased by $346.2 million and $509.3 million, respectively. Total insured shares were $866.3 billion and $839.4 billion as of December 31, 2013 and 2012, respectively.

At December 31, 2013, NCUA estimated the total insured shares to be approximately $866.3 billion, subject to certified reporting of insured share amounts. We expect that the NCUSIF will receive additional capitalization deposits of approximately $1.7 million from insured credit unions in early 2014 when NCUA invoices for its biannual contributed capital adjustment.

Cumulative Results of Operations
The NCUSIF ended 2013 and 2012 with a total of $2.6 billion and $3.0 billion in cumulative results of operations, respectively. Interest Revenue is currently the primary source of funds for operations.

Assessments
The NCUA Board may also assess premium charges to all insured credit unions, as provided by the FCU Act. During the years ended December 31, 2013 and 2012, the NCUA Board did not assess any premium charges to insured credit unions for the NCUSIF.

Borrowing Authority from the U.S. Treasury
The NCUSIF has $6.0 billion in maximum statutory borrowing authority, shared with the TCCUSF, from the U.S. Treasury. As of December 31, 2013 and 2012, the TCCUSF had $2.9 billion and $5.1 billion in borrowing outstanding from the U.S. Treasury, respectively; the NCUSIF had no borrowings outstanding. As a result, the NCUSIF had $3.1 billion and $0.9 billion, respectively, in available borrowing authority

shared with the TCCUSF. The estimated losses and liquidity needs of the TCCUSF are based on the NCUA's expectations and assumptions about the resolution of failed corporate credit unions, including the disposition and recovery value of their assets. Actual losses of the TCCUSF, including the TCCUSF's funding needs, could differ from those estimates. Consequently, additional borrowing for the TCCUSF reduces funds available from this source.

Borrowing Authority from the CLF
The NCUSIF also has the ability to borrow from the CLF as provided in the FCU Act. At December 31, 2013 and 2012, the NCUSIF did not have any outstanding borrowing from the CLF. The CLF is authorized by statute to borrow, from any source, an amount not to exceed twelve times its subscribed capital stock and surplus. The CLF had statutory borrowing authority of $2.9 billion as of December 31, 2013. NCUA maintains a note purchase agreement with Federal Financing Bank (FFB) on behalf of CLF with a maximum principal amount of $2.0 billion. Under the terms of its agreement, CLF borrows from FFB as needed. Under terms prescribed by the note purchase agreement, CLF executes promissory notes in amounts as necessary and renews them annually. Advances under the current promissory note can be made no later than March 31, 2014.

IV. Systems, Controls, and Legal Compliance

The NCUSIF was created by Title II of the FCU Act, 12 U.S.C. §1781 *et seq*., as amended. In January 2011, the *National Credit Union Authority Clarification Act*, Public Law 111-382, amended the FCU Act in part by amending the definitions of “equity ratio” and “net worth.” NCUA, including the NCUSIF, is exempt from requirements under the *Federal Credit Reform Act of 1990* (2 U.S.C. §661e (a)).

Internal controls should be designed to provide reasonable assurance regarding prevention or prompt detection of unauthorized acquisition, use, or disposition of assets. The Federal Managers’ Financial Integrity Act (FMFIA) requires agencies to establish management controls over their programs and financial systems. Accordingly, NCUA management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of FMFIA, which include safeguarding assets and compliance with applicable laws and regulations. NCUA managers monitor and assess their relevant internal controls and report on their assessment. This allows NCUA management to provide reasonable assurance that internal controls are operating effectively. NCUA is in compliance with FMFIA as well as all applicable laws such as the Prompt Payment Act, and the Debt Collection and Improvement Act. As required by the Improper Payments Elimination and Recovery Act, we have determined that the NCUSIF’s programs are not susceptible to a high risk of significant improper payments.

As required by the Federal Information Security Management Act (FISMA), NCUA develops, documents, and implements an agency-wide program to provide information privacy and security (management, operational, and technical security controls) for the information and information systems that support the operations of the agency, including those provided or managed by another agency, contractor, or other source.

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1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Inspector General, National Credit Union Administration and
the Board of Directors, National Credit Union Administration:

Report on the Financial Statements

We have audited the accompanying financial statements of the National Credit Union Share Insurance Fund (NCUSIF), which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of net cost, changes in net position, and statements of budgetary resources for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Credit Union Share Insurance Fund as of December 30, 2013 and 2012, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Information

Required Supplementary Information

U.S. generally accepted accounting principles require that the information in the Overview and Required Supplementary Information sections be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Federal Accounting Standards Advisory Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the NCUSIF's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NCUSIF's internal control. Accordingly, we do not express an opinion on the effectiveness of the NCUSIF's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the NCUSIF's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 14-02.

KPMG

***Purpose of the Other Reporting Required by* Government Auditing Standards**

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the NCUSIF's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

February 14, 2014

NATIONAL CREDIT UNION SHARE INSURANCE FUND

BALANCE SHEETS
As of December 31, 2013 and 2012
(Dollars in thousands)

	2013	2012
ASSETS		
INTRAGOVERNMENTAL		
Fund Balance with Treasury (Note 2)	$ 2,501	$ 2,479
Investments, Net - U.S. Treasury Securities (Note 3)	11,199,001	11,293,087
Accounts Receivable - Other	-	8
Accounts Receivable - Note due from the National Credit Union Administration Operating Fund (Note 4)	13,074	14,415
Accrued Interest Receivable (Note 3)	59,597	63,154
Total Intragovernmental Assets	11,274,173	11,373,143
PUBLIC		
Notes Receivable, Net (Note 5)	212,208	249,254
Accounts Receivable - Capitalization Deposits from Insured Credit Unions, Net (Note 4)	-	38
Accounts Receivable - Other	-	25
Accrued Interest Receivable - Notes (Note 5)	329	202
Other - Receivables from Asset Management Estates (AMEs), Net (Note 6)	119,863	252,029
Other Assets	27	-
Total Public Assets	332,427	501,548
TOTAL ASSETS	$ 11,606,600	$ 11,874,691
LIABILITIES		
INTRAGOVERNMENTAL		
Accounts Payable - Due to the Temporary Corporate Credit Union Stabilization Fund	$ 3,910	$ 690
Accounts Payable - Due to the National Credit Union Administration Operating Fund (Note 9)	3,313	2,040
Other - Distribution Payable to the Temporary Corporate Credit Union Stabilization Fund (Note 8)	95,291	88,090
Total Intragovernmental Liabilities	102,514	90,820
PUBLIC		
Accounts Payable	2,332	87,567
Other - Insurance and Guarantee Program Liabilities (Note 7)	220,651	412,452
Total Public Liabilities	222,983	500,019
TOTAL LIABILITIES	325,497	590,839
Commitments and Contingencies (Note 7)		
NET POSITION		
Contributed Capital (Note 12)	8,661,174	8,315,011
Cumulative Result of Operations	2,619,929	2,968,841
Total Net Position	11,281,103	11,283,852
TOTAL LIABILITIES AND NET POSITION	$ 11,606,600	$ 11,874,691

The accompanying notes are an integral part of these financial statements.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

STATEMENTS OF NET COST
For the Years Ended December 31, 2013 and 2012
(Dollars in thousands)

	2013	2012
GROSS COSTS		
Operating Expenses	$ 148,312	$ 141,237
Provision for Insurance Losses		
Reserve Expense (Reduction) (Note 7)	(41,054)	(74,874)
AME Receivable Bad Debt Expense (Reduction) (Note 6)	(7,584)	(2,910)
Total Gross Costs	99,674	63,453
LESS EARNED REVENUES		
Interest Revenue on Note Receivable from the National Credit Union Administration Operating Fund (Note 4)	(249)	(290)
Interest Revenue on Notes (Note 5)	(3,476)	(2,097)
Insurance and Guarantee Premium Revenue	(825)	(6,381)
Total Earned Revenues	(4,550)	(8,768)
TOTAL NET COST OF OPERATIONS	$ 95,124	$ 54,685

The accompanying notes are an integral part of these financial statements.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended December 31, 2013 and 2012
(Dollars in thousands)

	2013	2012
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances	$ 2,968,841	$ 2,983,160
BUDGETARY FINANCING SOURCES		
Non-Exchange Revenue		
Interest Revenue - Investments	198,264	206,995
Other		
Distribution to the Temporary Corporate Credit Union Stabilization Fund (Note 8)	(95,291)	(88,090)
OTHER FINANCING SOURCES		
Non-Exchange Revenue		
Net Unrealized Gain/(Loss) - Investments	(356,761)	(78,539)
Total Financing Sources	(253,788)	40,366
Net Cost of Operations	(95,124)	(54,685)
Net Change	(348,912)	(14,319)
CUMULATIVE RESULTS OF OPERATIONS	2,619,929	2,968,841
CONTRIBUTED CAPITAL (Note 12)		
Beginning Balances	8,315,011	7,805,718
Change in Contributed Capital	346,163	509,293
CONTRIBUTED CAPITAL	8,661,174	8,315,011
NET POSITION	$ 11,281,103	$ 11,283,852

The accompanying notes are an integral part of these financial statements.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended December 31, 2013 and 2012
(Dollars in thousands)

	2013	2012
BUDGETARY RESOURCES (Notes 11 and 14)		
Unobligated balance, brought forward, January 1	$ 10,541,159	$ 10,453,208
Spending authority from offsetting collections (mandatory)		
Collected	846,416	940,745
Change in receivables from federal sources	(3,564)	(18,556)
Anticipated nonexpenditure transfer	(95,291)	(88,090)
TOTAL BUDGETARY RESOURCES	$ 11,288,720	$ 11,287,307
STATUS OF BUDGETARY RESOURCES		
Obligations incurred	$ 393,165	$ 746,148
Unobligated balance, end of year:		
Exempt from apportionment	10,895,555	10,541,159
Total unobligated balance, end of year	10,895,555	10,541,159
TOTAL STATUS OF BUDGETARY RESOURCES	$ 11,288,720	$ 11,287,307
CHANGE IN OBLIGATED BALANCE		
Unpaid Obligations:		
Unpaid obligations, brought forward, January 1	$ 87,311	$ 1,710
Obligations incurred	393,165	746,148
Outlays (gross)	(470,099)	(660,547)
Unpaid obligations, end of year	$ 10,377	$ 87,311
Uncollected payments:		
Uncollected customer payments from federal sources, brought forward, January 1	$ (63,161)	$ (81,717)
Change in uncollected customer payments from Federal sources	3,564	18,556
Uncollected customer payments from Federal sources, end of year	$ (59,597)	$ (63,161)
Obligated balance, start of year (net)	$ 24,150	$ (80,007)
Obligated balance, end of year (net)	$ (49,220)	$ 24,150
BUDGET AUTHORITY AND OUTLAYS, NET		
Budget authority, gross (mandatory)	$ 747,561	$ 834,099
Actual offsetting collections (mandatory)	(846,416)	(940,745)
Change in uncollected customer payments from Federal sources (mandatory)	3,564	18,556
Anticipated offsetting collections (mandatory)	95,291	88,090
BUDGET AUTHORITY, NET (MANDATORY)	$ -	$ -
Outlays, gross (mandatory)	$ 470,099	$ 660,547
Actual offsetting collections (mandatory)	(846,416)	(940,745)
Outlays, net (discretionary and mandatory)	(376,317)	(280,198)
AGENCY OUTLAYS, NET (MANDATORY)	$ (376,317)	$ (280,198)

The accompanying notes are an integral part of these financial statements.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The National Credit Union Share Insurance Fund (NCUSIF) was created by Title II of the Federal Credit Union Act (FCU Act), 12 U.S.C. §1781 *et seq*., as amended. The NCUSIF was established as a revolving fund in the Treasury of the United States (U.S. Treasury), under management of the National Credit Union Administration (NCUA) Board (NCUA Board) for the purpose of insuring member share deposits in all Federal Credit Unions (FCUs) and in qualifying state-chartered credit unions requesting insurance.

The NCUA exercises direct supervisory authority over FCUs and coordinates required supervisory involvement with the state chartering authorities for state-chartered credit unions insured by the NCUSIF. Federally insured (insured) credit unions are required to report certain financial and statistical information to NCUA on a quarterly basis and are subject to periodic examination by the NCUA. Information derived through the supervision and examination process provides the NCUA with the ability to identify insured credit unions experiencing financial difficulties that may require assistance from the NCUSIF.

Assistance from the NCUSIF may be in the form of a waiver of statutory reserve requirements, liquidity assistance in the form of a guaranteed line of credit pursuant to Section 208 of the FCU Act, permanent cash assistance in the form of a subordinated note pursuant to Section 208 of the FCU Act, or other such form. In some cases, a merger partner for the credit union may be sought. Mergers between financially troubled credit unions and stronger credit unions may also require NCUSIF assistance. Merger assistance may be in the form of cash assistance, purchase of certain assets by the NCUSIF, and/or guarantees of the values of certain assets (e.g., primarily loans). When a credit union is no longer able to continue operating and the merger and assistance alternatives are not practical, the NCUSIF or the appropriate state supervisory authority may liquidate the credit union. In the event of a credit union liquidation, the NCUSIF pays members' shares up to the maximum insured amount and monetizes the credit union's assets.

Fiduciary Responsibilities
Fiduciary activities are the collection or receipt, management, protection, accounting, investment, or disposition by the Federal Government of cash or other assets, in which non-federal individuals or entities have an ownership interest that the Federal Government must uphold. NCUA's Asset Management and Assistance Center (AMAC) conducts liquidations and performs management and recovery of assets for failed credit unions. Assets and liabilities of liquidated credit unions reside in Asset Management Estates (AMEs). These assets and liabilities are held in part, for the primary benefit of non-federal parties and therefore are considered fiduciary in accordance with Federal Accounting Standards Advisory Board (FASAB) Statement of Federal Financial Accounting Standards (SFFAS) No. 31, *Accounting for Fiduciary Activities*. Fiduciary assets are not assets of the Federal Government and

therefore are not recognized on the Balance Sheet. Additionally, NCUA entity assets are non-fiduciary.

Sources of Funding
Deposits insured by the NCUSIF are backed by the full faith and credit of the United States. The NCUSIF has multiple sources of funding. Each insured credit union is required to deposit and maintain in the NCUSIF 1.00% of its insured shares. The NCUA Board may also assess premiums to all insured credit unions, as provided by the FCU Act.

In addition, the NCUSIF has borrowing authority, shared with the Temporary Corporate Credit Union Stabilization Fund (TCCUSF), from the U.S. Treasury and the ability to borrow from the NCUA's Central Liquidity Facility (CLF).

Basis of Presentation

The NCUSIF's financial statements have been prepared from its accounting records in accordance with the FASAB's SFFAS. The American Institute of Certified Public Accountants recognizes FASAB as the official accounting standards-setting body of the Federal Government. The format of the financial statements and notes is in accordance with the form and content guidance provided in Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements,* revised October 21, 2013.

Consistent with SFFAS No. 34, *The Hierarchy of Generally Accepted Accounting Principles, Including the Application of Standards Issued by the Financial Accounting Standards Board*, NCUA considers and where appropriate, applies Financial Accounting Standards Board (FASB) guidance for those instances where no applicable FASAB guidance is available. Any such significant instances are identified herein.

Basis of Accounting

In its accounting structure, the NCUSIF records both proprietary and budgetary accounting transactions. Following the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred, without regard to the actual collection or payment of cash.

Federal budgetary accounting recognizes the obligation, borrowing authorities, and other fund resources upon the establishment of a properly documented legal liability, which may be different from the recording of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal controls over the use of federal funds and compliance with budgetary laws.

NCUA, including the NCUSIF, is exempt from requirements under the *Federal Credit Reform Act of 1990* (2 U.S.C. §661e(a)).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles (GAAP) for the Federal Government requires management to make estimates and assumptions that affect the following:

- reported amounts of assets and liabilities;

- disclosure of contingent assets and liabilities at the date of the financial statements; and
- the amounts of revenues and expenses reported during that period.

Actual results could differ from estimates. Significant items subject to those estimates and assumptions include (i) reserves for probable losses and contingencies related to Insurance and Guarantee Program Liabilities; (ii) the amount and timing of recoveries, if any, related to any claims paid and settlement of the guarantee liabilities; (iii) allowance amounts established for loan loss related to permanent cash assistance provided to insured credit unions; and (iv) allowance amounts for losses on the receivables from AMEs.

Fund Balance with Treasury

Fund Balance with Treasury (FBWT) is the aggregate amount of the NCUSIF's accounts with the Federal Government's central accounts, from which the NCUSIF is authorized to make expenditures and pay liabilities. The entire FBWT is a revolving fund type.

Investments

Investment securities primarily consist of marketable U.S. Treasury securities of varying maturities (debt securities). The NCUSIF also holds non-marketable U.S. Treasury overnight securities purchased and reported at par value, which are classified as held to maturity. All marketable securities are carried as available-for-sale, in accordance with FASB Accounting Standards Codification (ASC) 320, *Investments – Debt and Equity Securities*.

Interest earned and unrealized holding gains and losses on U.S. Treasury securities are excluded from net costs and reported as components of non-exchange revenue. Realized gains and losses from the sale of available-for-sale securities are determined on a specific identification basis.

The NCUSIF reviews all U.S. Treasury securities that are in an unrealized loss position for other-than-temporary impairment (OTTI). The NCUSIF evaluates its U.S. Treasury securities on a monthly basis. An investment security is deemed impaired if the fair value of the investment is less than its amortized cost. Amortized cost includes adjustments (if any) made to the cost basis of an investment for accretion, amortization, and previous OTTI. To determine whether impairment is an OTTI, the NCUSIF takes into consideration whether it has the intent to sell the security. The NCUSIF also considers available evidence to assess whether it is more likely than not that it will be required to sell the debt security before the recovery of its amortized cost basis. If the NCUA intends to sell, or more likely than not will be required to sell the security before recovery of its amortized cost basis, an OTTI shall be considered to have occurred.

Premiums and discounts are amortized or accreted over the life of the related available-for-sale security as an adjustment to yield using the effective interest method.

Accounts Receivable

Accounts receivable represent the NCUSIF's claims for payment from other entities. Gross receivables are reduced to net realizable value by an allowance for doubtful accounts as further discussed below. The NCUSIF's accounts receivable has two components: Intragovernmental and Public. Intragovernmental accounts receivable represent receivables between the NCUSIF and another reporting entity within the Federal Government. Public accounts receivable represent accounts receivable between the NCUSIF and a non-federal entity.

Capitalization Deposits from Insured Credit Unions
Each insured credit union pays to and maintains with the NCUSIF a capitalization deposit amount equal to 1.00% of its insured shares. Receivables and associated non-exchange revenue are recognized upon invoicing.

Premium Assessments from Insured Credit Unions
The NCUA Board has the statutory authority according to the FCU Act Section 202, *Administration of the Insurance Fund*, to assess insured credit unions for a premium charge. The NCUA Board may assess each insured credit union a premium charge for insurance in an amount stated as a percentage of insured shares outstanding as of the most recently ended reporting period if the NCUSIF's equity ratio, as defined, is less than 1.30%. When the NCUA Board projects that the equity ratio will, within six months, fall below 1.20%, the NCUA Board shall establish and implement a restoration plan within 90 days, which meets the statutory requirements and any further conditions that the NCUA Board determines appropriate. In order to meet statutory requirements, the plan must provide that the equity ratio will meet or exceed the minimum amount specified of 1.20% before the end of the 8-year period beginning upon the implementation of the plan (or such longer period as the NCUA Board may determine to be necessary due to extraordinary circumstances).

Premium receivable refers to premium charge amounts that have been billed to insured credit unions, but have not been received as of the reporting date. As the premium assessments are collected, the portion billed on behalf of the TCCUSF is recorded as a payable to the TCCUSF.

The NCUA Board did not assess premiums for 2013 and 2012.

Allowance for Doubtful Accounts
An allowance for doubtful accounts is the NCUSIF's best estimate of the amount of losses in an existing receivable. Based on an assessment of collectability, the NCUSIF calculates an allowance on an individual account basis for public accounts receivable. An account may be impaired or written off if it is probable that the NCUSIF will not collect all principal and interest contractually due. No allowance is calculated for intragovernmental accounts receivable, as these are deemed to be fully collectible.

Accrued Interest Receivable

The NCUSIF recognizes accrued interest receivable for amounts of interest contractually earned but not yet received.

Notes Receivable, Net

Notes Receivable, Net represent loans to insured credit unions as authorized by the NCUA Board, including assistance under Section 208 of the FCU Act. Any related allowance for loss represents the difference between the funds disbursed and the expected repayment from the insured credit unions.

Other - Receivables from Asset Management Estates, Net

Receivables from AMEs, Net include claims to recover payments made by the NCUSIF to satisfy obligations to insured shareholders and to recoup administrative expenses paid on behalf of AMEs. A related allowance for loss represents the difference between the funds disbursed and obligations incurred and the expected repayment, when recognized, from the AMEs pursuant to the liquidation payment priorities set forth in 12 C.F.R. §709.5(b). Assets held by the AMEs are the main source of repayment of the NCUSIF's receivables from the AMEs. The recoveries from these AME assets are paid to the NCUSIF as AME assets are monetized and to the extent a receivable is due for share payout obligations and administrative expenses.

The allowance for loss on receivables from AMEs is based on expected asset recovery rates, and come from several sources including:

- actual or pending AME asset disposition data;
- asset valuation data based upon the performance, quality, and type of the assets in the portfolio;
- estimated liquidation costs based on information from similar recently failed credit unions; and
- estimated AME specific administrative expenses based upon complexity and expected duration of the AME.

Expected asset recovery rates are evaluated during the year, but remain subject to uncertainties because of potential changes in economic and market conditions.

Distribution Payable

In accordance with SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, the NCUSIF records a non-exchange liability, per Section 202(c)(3) of the FCU Act, *Distributions from Fund Required*, for unpaid amounts due as of the reporting date, as discussed herein.

Insurance and Guarantee Program Liabilities

In accordance with SFFAS No. 5, all federal insurance and guarantee programs, except social insurance and loan guarantee programs, should recognize a liability for:

- unpaid claims incurred, resulting from insured events that have occurred as of the reporting date;
- a contingent liability when an existing condition, situation, or set of circumstances involving uncertainty as to possible loss exists, and the uncertainty will ultimately be resolved when one or more probable future events occur or fail to occur; and
- a future outflow or other sacrifice of resources that is probable.

The NCUSIF records a contingent liability for probable losses relating to insured credit unions. Through NCUA's supervision process, NCUA applies a supervisory rating system to assess each credit union's relative health in the adequacy of Capital, the quality of Assets, the capability of Management, the quality and level of Earnings, and the adequacy of Liquidity (CAMEL), applying a rating ranging from "1" (strongest) to "5" (weakest). The year-end contingent liability is derived by using an internal model that applies estimated failure and loss rates using an econometric model that takes into account the historical loss history, CAMEL ratings, credit union level financial ratios, and macroeconomic conditions to all insured credit unions. In addition, credit union specific analysis is performed on those credit unions where failure is imminent or where additional information is available that may affect the estimate of losses. In such cases, specific reserves are established.

Liabilities for loss contingencies also arise from claims, assessments, litigation, fines, penalties, and other sources. These loss contingencies are recorded when it is probable that a liability has been incurred and the amount of the assessment and/or remediation can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred for any contingencies.

Net Position and Contributed Capital

Each insured credit union pays and maintains with the NCUSIF a capitalization deposit in the amount equal to 1.00% of its insured shares. The NCUSIF reports the capitalization deposits from member credit unions as contributed capital. This amount is included in the NCUSIF's Balance Sheets and Statements of Changes in Net Position.

Revenue Recognition

Exchange Revenue
Exchange revenues arise and are recognized when a Federal Government entity provides goods and services to the public or to another Federal Government entity for a price. Exchange revenue primarily consists of premium assessments, the purpose of which is to recover the losses of the credit union system.

Non-Exchange Revenue
Non-exchange revenues are inflows of resources that the Federal Government demands or receives by donation. Such revenues are recognized when a specifically identifiable, legally enforceable claim to resources arises, to the extent that collection is probable (more likely than not) and the amount is reasonably estimable. NCUSIF recognizes non-exchange revenue as described below.

Each insured credit union pays to and maintains with the NCUSIF a capitalization deposit amount equal to 1.00% of its insured shares. This amount is recognized as non-exchange revenue upon receipt. In accordance with SFFAS No. 7, *Accounting for Revenue and Other Financing Sources and Concepts for Reconciling Budgetary and Financial Accounting*, interest revenue on investments in U.S. Treasury securities is recognized as non-exchange revenue because the main source of funds for investments comes from capital deposits. Additionally, the related unrealized holding gains and losses on investments in U.S. Treasury securities are excluded from net costs and reported as a component of non-exchange revenue.

Tax-Exempt Status

The NCUSIF is exempt from Federal income taxes under Section 501(c)(1) of the Internal Revenue Code.

2. FUND BALANCE WITH TREASURY

FBWT balances and status at December 31, 2013 and 2012, consisted of the following:

(Dollars in thousands)	2013	2012
Total Fund Balance with Treasury: Revolving Funds	$ 2,501	$ 2,479
Status of Fund Balance with Treasury:		
Unobligated Balance - Available	$ 10,895,555	$ 10,541,159
Obligated Balances Not Yet Disbursed	10,377	87,311
Non-Budgetary FBWT Accounts	(10,939,125)	(10,650,920)
Non-FBWT Budgetary Accounts	35,694	24,929
Total	$ 2,501	$ 2,479

As a revolving fund, the FBWT is used for continuing business-like activities. The NCUSIF collects premiums and capitalization deposits, which in turn are invested in U.S. Treasury securities. The proceeds are primarily held to cover insurance losses and are also used for merger assistance, liquidations, and other administrative expenses, without requirement for annual appropriations. FBWT contains monies available for future obligations as well as monies obligated for current activities. Non-budgetary FBWT accounts, which consist of investments, reduce the status of fund balance. Non-FBWT Budgetary Accounts consist of budgetary receivables and nonexpenditure transfers.

As of December 31, 2013 and 2012, there were no unreconciled differences between U.S. Treasury records and balances reported on the NCUSIF's general ledger.

3. INVESTMENTS

The FCU Act, Section 203(c), as amended, provides guidance regarding U.S. Treasury security investments. All investments at the NCUSIF pertain to marketable (available-for-sale) U.S. Treasury securities of varying maturities and non-marketable (held to maturity) U.S. Treasury daily overnight securities. Premiums or discounts on available-for-sale securities are amortized using the effective interest method.

As of December 31, 2013 and 2012, the carrying amount, gross unrealized holding gains, gross unrealized holding losses, and fair value of U.S. Treasury securities were as follows:

(Dollars in thousands)	Cost	Amortized (Premium) Discount	Interest Receivable	Investments, Net (Par)	Net Unrealized Gain (Loss)	Carrying/ Fair Value
As of December 31, 2013:						
U.S. Treasury Securities						
Available-for-Sale	$ 11,042,452	$ (187,992)	$ 59,597	$ 10,670,000	$ 14,899	$ 10,869,359
Held to Maturity	329,642	-	-	329,642	-	329,642
Total Public Investments	$ 11,372,094	$ (187,992)	$ 59,597	$ 10,999,642	$ 14,899	$ 11,199,001
As of December 31, 2012:						
U.S. Treasury Securities						
Available-for-Sale	$ 10,751,623	$ (189,900)	$ 63,154	$ 10,320,000	$ 371,661	$ 10,933,384
Held to Maturity	359,703	-	-	359,703	-	359,703
Total Public Investments	$ 11,111,326	$ (189,900)	$ 63,154	$ 10,679,703	$ 371,661	$ 11,293,087

Maturities of U.S. Treasury securities as of December 31, 2013 and 2012 were as follows:

(Dollars in thousands)	**2013 Fair value**	**2012 Fair value**
Held to Maturity (Overnights)	$ 329,642	$ 359,703
Available-for-sale:		
Due prior to one year	1,619,031	1,622,672
Due after one year through five years	5,801,859	6,835,744
Due after five years through ten years	3,448,469	2,474,968
	$ 11,199,001	$ 11,293,087

There were no realized gains or losses for the years ended December 31, 2013 and 2012.

The following table includes gross unrealized losses on investment securities, for which OTTI has not been recognized, in addition to the fair values of those securities, aggregated by investment classification and length of time the investments have been in a loss position, at December 31, 2013 and 2012.

	Losses Less than 12 months	
(Dollars in thousands)	Unrealized Losses	Fair Value
As of December 31, 2013:		
Available-for-sale:		
U.S. Treasury securities	$ (169,841)	$ 3,585,000
As of December 31, 2012:		
Available-for-sale:		
U.S. Treasury securities	$ (6,681)	$ 1,390,141

4. ACCOUNTS RECEIVABLE

Intragovernmental – Accounts Receivable

Note Due from the NCUA Operating Fund
In 1992, the NCUSIF lent $42.0 million to the NCUA Operating Fund, pursuant to a 30-year note secured by the NCUA premises in Alexandria, Virginia. Interest income recognized was approximately $248.8 thousand and $290.0 thousand for the years ended December 31, 2013 and 2012, respectively. The note receivable balance as of December 31, 2013 and 2012 was approximately $13.1 million and $14.4 million, respectively.

The variable rate on the note is equal to the NCUSIF's prior-month yield on investments. The average interest rate for the years ended December 31, 2013 and 2012 was 1.82% and 1.93%, respectively. The interest rate as of December 31, 2013 and 2012 was 1.78% and 1.83%, respectively.

As of December 31, 2013, the above note requires principal repayments as follows:

Years Ending December 31	Secured Term Note (Dollars in thousands)
2014	$ 1,341
2015	1,341
2016	1,341
2017	1,341
2018	1,341
Thereafter	6,369
Total	$ 13,074

Public – Accounts Receivable

Capitalization Deposits from Insured Credit Unions
As of December 31, 2013 and 2012, the capitalization deposits due from insured credit unions were $0 and $38.0 thousand, respectively. As none of these amounts were deemed uncollectible, the allowance for doubtful accounts on public accounts receivable as of December 31, 2013 and 2012 was $0.

5. NOTES RECEIVABLE

As of December 31, 2013 and 2012, the NCUSIF had two outstanding capital notes due from insured credit unions. The capital notes receivable totaled $67.5 million and $80.0 million and the related allowance for loss was $8.3 million and $10.0 million, for a net capital note receivable of $59.2 million and $70.0 million as of December 31, 2013 and 2012, respectively. These capital notes are subordinated to all shareholders, creditors, and any other such financial obligations. Accrued interest on the notes is due on a semi-annual basis. Interest on these notes have fixed and variable terms.

The NCUSIF had an outstanding collateralized senior note due from an insured credit union for $153.0 million and $179.3 million as of December 31, 2013 and 2012, respectively. There was no related allowance for loss as of December 31, 2013 and 2012. Accrued interest on the notes is due on a monthly basis. Interest on this note has variable terms.

As of December 31, 2013 and 2012, the accrued interest receivable for the notes totaled $329.1 thousand and $202.0 thousand, respectively.

6. OTHER – RECEIVABLES FROM ASSET MANAGEMENT ESTATES

As of December 31, 2013 and 2012, the receivable from AMEs was $1.1 billion and $1.1 billion, and the related allowance for loss was $963.4 million and $880.1 million, for a net receivable from AMEs of $119.9 million and $252.0 million, respectively.

(Dollars in thousands)	For the Year Ended December 31, 2013	For the Year Ended December 31, 2012
Gross Receivable from AME	$ 1,083,287	$ 1,132,137
Allowance for Loss, beginning balance	880,108	817,320
AME Receivable Bad Debt Expense (Reduction)	(7,584)	(2,910)
Increase in Allowance	145,345	107,578
Write-off of Cancelled Charters	(54,445)	(41,880)
Allowance for Loss, ending balance	963,424	880,108
Receivable from AME, Net	$ 119,863	$ 252,029

7. OTHER LIABILITIES – INSURANCE AND GUARANTEE PROGRAM LIABILITIES

NCUA identifies insured credit unions experiencing financial difficulty through NCUA's supervisory and examination process. On both a general and specific case basis, management determines the estimated losses from these credit unions. NCUA also evaluates overall economic trends and monitors potential system-wide risk factors, such as increasing levels of consumer debt, bankruptcies, and delinquencies. NCUA applies the CAMEL rating system to assess an insured credit union's financial condition and operations. The CAMEL rating system is a tool to measure risk and allocate resources for supervisory purposes. NCUA periodically reviews the CAMEL rating system to respond to continuing economic and regulatory changes in the credit union industry. The general reserve at year-end is derived by using an internal model that applies estimated failure and loss rates based on an econometric model that takes into account the historical loss history, CAMEL ratings, credit union level financial ratios, and macroeconomic conditions to all insured credit unions. The anticipated losses are net of estimated recoveries from the disposition of the assets of failed credit unions. The total reserves for both identified and anticipated losses resulting from insured credit union failures were $220.7 million and $412.5 million as of December 31, 2013 and 2012, respectively.

In exercising its supervisory function, the NCUSIF will occasionally extend guarantees of assets (primarily loans) to third-party purchasers or existing insured credit unions in order to facilitate mergers. The NCUSIF would be obligated upon borrower nonperformance. There were no guarantees outstanding during 2013 or as of December 31, 2013. There were no guarantees outstanding during 2012 or as of December 31, 2012.

In addition, the NCUSIF may grant a guaranteed line-of-credit to a third-party lender, such as a corporate credit union or bank, if a particular insured credit union were to have a current or immediate liquidity concern and the third-party lender refuses to extend credit without a guarantee. The NCUSIF would thereby be obligated if the insured credit union failed to perform. As of December 31, 2013 and 2012, there were no outstanding guaranteed lines-of-credit.

On rare occasions, the NCUSIF may provide indemnifications as part of a merger assistance or purchase and assumption agreement to acquiring credit unions. Such indemnifications make the NCUSIF contingently liable based on the outcome of any legal actions. There were no such indemnification contingencies as of December 31, 2013 and 2012, respectively.

The activity in the Insurance and Guarantee Program Liabilities from insured credit unions and AMEs was as follows:

(Dollars in thousands)	For the Year Ended December 31, 2013	For the Year Ended December 31, 2012
Beginning balance	$ 412,452	$ 606,617
Reserve Expense (Reduction)	(41,054)	(74,874)
Insurance losses claims paid	(225,220)	(349,080)
Net Estimated Recovery/Claim on AMEs	74,473	229,789
Ending balance	$ 220,651	$ 412,452

The Insurance and Guarantee Program Liabilities at December 31, 2013 and December 31, 2012 were comprised of the following:

- Specific reserves were $12.5 million and $95.2 million, respectively. Specific reserves are identified for those credit unions where failure is imminent or where additional information is available that may affect the estimate of losses.
- General reserves were $208.2 million and $317.3 million, respectively.

In addition to these recorded contingent liabilities, additional adverse performance in the financial services industry could result in additional losses to the NCUSIF. The ultimate losses for insured credit unions will largely depend upon future economic and market conditions and, accordingly, could differ significantly from these estimates.

8. OTHER LIABILITIES – DISTRIBUTION PAYABLE

Per Section 202(c) (3) of the FCU Act, *Distributions from Fund Required*, the NCUA Board shall effect a pro rata distribution to insured credit unions after each calendar year, if:

(i) any loans to the NCUSIF from the Federal Government, and any interest on those loans, have been repaid;

(ii) the NCUSIF's equity ratio exceeds the normal operating level of 1.30%; and

(iii) the NCUSIF's available assets ratio exceeds 1.00%.

The amount of share distribution should equal the maximum possible amount that does not reduce the NCUSIF's equity ratio below the normal operating level of 1.30%, and does not reduce the NCUSIF's available assets ratio below 1.00%.

At the end of any calendar year in which the TCCUSF or the NCUSIF has an outstanding advance from the U.S. Treasury, the NCUSIF is prohibited from making the distribution to insured credit unions described under Section 202 of the FCU Act. As of December 31, 2013 and 2012, the TCCUSF had an outstanding advance from the U.S. Treasury. Where the TCCUSF has an outstanding advance from the U.S. Treasury, Section 217(e) of the FCU Act requires the NCUSIF to make a distribution to the TCCUSF of the maximum amount possible that does not reduce the NCUSIF's equity ratio below the normal operating level of 1.30% and does not reduce the NCUSIF's available assets ratio below 1.00%.

As of December 31, 2013 and 2012, the NCUSIF recorded an estimate for the distribution payable due to the TCCUSF totaling approximately $95.3 million and $88.1 million, respectively; thereby bringing the equity ratio down to its normal operating level of 1.30%. As of December 31, 2013 and 2012, the NCUSIF's available assets ratio was 1.26% and 1.29%, respectively. The equity ratio and available assets ratio calculations are discussed in Note 12. The $95.3 million amount payable as of December 31, 2013 is expected to be paid in the first half of 2014, upon receipt of certification of certain insured share information from credit unions.

9. INTRAGOVERNMENTAL COSTS AND EXCHANGE REVENUE

Program costs and revenues are separated between intragovernmental and public to facilitate government-wide financial reporting. Intragovernmental revenue and expenses arise from transactions with other federal entities. Public revenue and expenses arise from transactions with domestic and foreign persons and organizations outside of the Federal Government.

Intragovernmental Costs and Exchange Revenue	**For the Year Ended December 31, 2013**	**For the Year Ended December 31, 2012**
(Dollars in thousands)		
Intragovernmental Costs	$ 146,009	$ 137,528
Public Costs/(Cost Reduction)	(46,335)	(74,075)
Total	99,674	63,453
Intragovernmental Exchange Revenue	(249)	(290)
Public Exchange Revenue	(4,301)	(8,478)
Total	(4,550)	(8,768)
Net Cost	$ 95,124	$ 54,685

Certain administrative services are provided to the NCUSIF by the NCUA Operating Fund. The NCUSIF is charged by the NCUA Operating Fund for these services based upon an annual allocation factor approved by the NCUA Board and derived from a study of actual usage. The allocation factor was 59.1% and 59.3% to the NCUSIF for 2013 and 2012, respectively. The cost of the services allocated to the NCUSIF, which totaled approximately $146.0 million and $137.5 million for the years ended December 31, 2013 and 2012, respectively, is reflected as an expense in the Statements of Net Cost and above in Intragovernmental Costs. These transactions are settled monthly. As of December 31, 2013 and 2012, amounts due to the NCUA Operating Fund for allocated administrative expenses were $3.3 million and $2.0 million, respectively. The following table provides a breakdown of the administrative services provided to the NCUSIF by the NCUA Operating Fund.

Administrative Services Reimbursed to the NCUA Operating Fund	For the Year Ended December 31, 2013	For the Year Ended December 31, 2012
(Dollars in thousands)		
Employee Salaries	$ 78,656	$ 75,177
Employee Benefits	28,431	26,178
Employee Travel	16,651	15,446
Contracted Services	12,462	10,408
Administrative Costs	6,928	7,472
Rent, Communications, and Utilities	2,881	2,847
Total Services Provided by the NCUA Operating Fund	$ 146,009	$ 137,528

10. AVAILABLE BORROWING AUTHORITY, END OF PERIOD

The NCUSIF shares $6.0 billion in borrowing authority from the U.S. Treasury with the TCCUSF. As of December 31, 2013 and 2012, the TCCUSF had $2.9 billion and $5.1 billion in borrowing outstanding from the U.S. Treasury, respectively. As a result, as of December 31, 2013 and 2012, the NCUSIF had $3.1 billion and $0.9 billion, respectively, in available borrowing authority shared with the TCCUSF.

Under the FCU Act, the NCUSIF also has the ability to borrow from the CLF. The NCUSIF is authorized to borrow from the CLF up to the amount of the CLF's unused borrowing authority. As of December 31, 2013 and 2012, the CLF had statutory borrowing authority of $2.9 billion and $2.3 billion, respectively. As of December 31, 2013, the CLF had a note purchase agreement with the Federal Financing Bank with a maximum principal of $2.0 billion, all of which was unused. Advances made under the current promissory note can be made no later than March 31, 2014.

At December 31, 2013 and 2012, the NCUSIF had $5.1 billion and $3.2 billion, respectively, in total available borrowing capacity.

11. DISCLOSURES RELATED TO THE STATEMENTS OF BUDGETARY RESOURCES

The Statements of Budgetary Resources discloses total budgetary resources available to the NCUSIF, and the status of resources as of December 31, 2013 and 2012. Activity impacting budget totals of the overall Federal Government budget is recorded in the NCUSIF's Statements of Budgetary Resources budgetary accounts. As of December 31, 2013 and 2012, the NCUSIF's resources in budgetary accounts were $11.3 billion and $11.3 billion, and undelivered orders were $848.2 thousand and $694.0 thousand, respectively. All liabilities are covered by budgetary resources, excluding the Insurance and Guarantee Program Liabilities because they are contingent liabilities and do not require budgetary resources until the liabilities are no longer contingent. All obligations incurred by the NCUSIF are reimbursable. The NCUSIF is exempt from OMB apportionment control.

Budgetary resources listed on the NCUSIF's statements and the budgetary resources found in the budget of the Federal Government differ because the NCUSIF's statements are prepared as of December 31, calendar year, rather than as of September 30, the Federal Government's fiscal year end.

12. CONTRIBUTED CAPITAL

The *Credit Union Membership Access Act of 1998* (CUMAA) mandated changes to the NCUSIF's capitalization provisions effective January 1, 2000. Each insured credit union shall pay to and maintain with the NCUSIF a deposit in an amount equaling 1.00% of the credit union's insured shares. Under Section 202(c) of the FCU Act, the amount of each insured credit union's deposit is adjusted as follows, in accordance with procedures determined by the NCUA Board, to reflect changes in the credit union's insured shares: (i) annually, in the case of an insured credit union with total assets of not more than $50.0 million; and (ii) semi-annually, in the case of an insured credit union with total assets of $50.0 million or more. The annual and semi-annual adjustments are based on insured member share deposits outstanding as of December 31 of the preceding year and June 30 of the current year, respectively. The 1.00% contribution is returned to the insured credit union in the event that its insurance coverage is terminated, or is obtained from another source, or the operations of the NCUSIF are transferred from the NCUA Board. As of December 31, 2013 and 2012, contributed capital owed to the NCUSIF totaled $0 and $38.0 thousand, respectively. As of December 31, 2013 and 2012, contributed capital due to insured credit unions was $1.4 million and $0, respectively.

Beginning in 2000, the CUMAA mandated that distributions to insured credit unions are determined from specific ratios, which are based upon year-end reports of insured shares. Accordingly, distributions associated with insured shares at year-end are declared and paid in the subsequent year. This was updated with the passage of the *Helping Families Save Their Homes Act of 2009*, which states that at the end of any calendar year in which the TCCUSF has an outstanding advance from the U.S. Treasury, the NCUSIF is prohibited from making the distribution to insured credit unions as described above. In lieu of the distribution, the NCUSIF shall make a distribution to the TCCUSF for the maximum amount possible that does not reduce the NCUSIF's equity ratio below the normal operating level of 1.30% and does not reduce the current available assets ratio below 1.00%.

Pursuant to the FCU Act, the NCUSIF calculated and initiated distributions to the TCCUSF in the estimated amount of $95.3 million and $88.1 million, which is recognized as a payable as of December 31, 2013 and 2012. Thus, the NCUSIF's calculated equity ratio after distribution as of December 31, 2013 and 2012 was 1.30%, based on estimated total insured shares as of December 31, 2013 and 2012 of $866.3 billion and $839.4 billion, respectively. Total contributed capital as of December 31, 2013 and 2012 was $8.7 billion and $8.3 billion, respectively.

The NCUSIF equity ratio is calculated as the ratio of contributed capital plus cumulative results of operations excluding net cumulative unrealized gains and losses on investments, to the aggregate amount of the insured shares in all insured credit unions.

The calculated available assets ratio as of December 31, 2013 and 2012 was 1.26% and 1.29%, based on total estimated insured shares as of December 31, 2013 and 2012 of $866.3 billion and $839.4 billion, respectively. The NCUSIF available assets ratio, as defined by the FCU Act, is calculated as the ratio of (A) the amount determined by subtracting (i) direct liabilities of the NCUSIF (including the distribution payable to the TCCUSF) and contingent liabilities for which no provision for losses has been made, from (ii) the sum of cash and the market value of unencumbered investments authorized under Section 203(c), to (B) the aggregate amount of the insured shares in all insured credit unions.

13. FIDUCIARY ACTIVITIES

Fiduciary activities are the collection or receipt, management, protection, accounting, investment, and disposition by an AME of cash and other assets, in which non-federal individuals or entities have an ownership interest. Fiduciary assets are not assets of the Federal Government. Fiduciary activities are not recognized on the basic financial statements, but are reported on schedules in the notes to the financial statements in accordance with SFFAS No. 31, *Accounting for Fiduciary Activities*.

The NCUA Board, as liquidating agent of the AMEs, disburses obligations owed by and collects money due to the liquidating credit unions through AMAC.

Schedule of Fiduciary Activity	For the Year Ended December 31, 2013	For the Year Ended December 31, 2012
(Dollars in thousands)		
Fiduciary Net Liabilities, beginning of year	$ (974,820)	$ (823,594)
Net Realized Losses upon Liquidation	(60,349)	(196,037)
Revenues		
Interest on Loans	12,207	10,775
Other Fiduciary Revenues	1,973	2,154
Expenses		
Professional & Outside Services Expenses	(8,006)	(8,667)
Compensation and Benefits	(2,892)	(1,773)
Other Expenses	(2,375)	(1,848)
Net Change in Recovery Value of Assets and Liabilities		
Net Gain/(Loss) on Loans	3,509	(1,233)
Net Gain/(Loss) on Real Estate Owned	(2,055)	210
Other, Net Gain/(Loss)	5,319	3,313
Decrease/(Increase) in Fiduciary Net Liabilities	(52,669)	(193,106)
Write off of Fiduciary Liabilities for Cancelled Charters	54,445	41,880
Fiduciary Net Liabilities, end of year	**$ (973,044)**	**$ (974,820)**

Revenues consist of cash collected during the liquidation of assets held within the AME. Gains and losses include the revaluation of assets based upon expected asset recovery rates, as well as the disposition of assets and adjustments to liabilities, which contribute to the change in fiduciary net assets/liabilities.

Schedule of Fiduciary Net Assets/Liabilities	As of December 31, 2013	As of December 31, 2012
(Dollars in thousands)		
Fiduciary Assets		
Loans	$ 110,098	$ 186,688
Real Estate Owned	18,972	32,443
Other Fiduciary Assets	17,713	25,209
Total Fiduciary Assets	146,783	244,340
Fiduciary Liabilities		
Insured Shares	10,841	63,861
Accrued Liquidation Expenses	15,494	17,571
Unsecured Claims	5,727	4,692
Uninsured Shares	4,478	899
Due to NCUSIF (Note 6)	1,083,287	1,132,137
Total Fiduciary Liabilities	1,119,827	1,219,160
Total Fiduciary Net Assets/(Liabilities)	**$ (973,044)**	**$ (974,820)**

14. RECONCILIATION OF NET COST OF OPERATIONS TO BUDGET

The Reconciliation of Net Cost of Operations to Budget explains the difference between the budgetary net obligations and the proprietary net cost of operations. The Reconciliation of Net Cost of Operations to Budget consisted of the following:

Reconciliation of Net Cost of Operations to Budget	As of December 31, 2013	As of December 31, 2012
(Dollars in thousands)		
Resources Provided to Finance Activities:		
Budgetary Resources Obligated		
Budgetary Obligations Incurred	$ 393,165	$ 746,148
Less: Spending Authority from Offsetting Collections and Change in Receivables from Federal Sources	(842,852)	(922,189)
Net Obligations	(449,687)	(176,041)
Other Resources:		
Net Unrealized (Gain)/Loss	356,761	78,539
Total Resources Provided to Finance Activities	(92,926)	(97,502)
Resources Provided to Fund Items Not Part of the Net Cost of Operations:		
Change in Budgetary Resources Obligated for Goods and Services Not Yet Received	(154)	(331)
Resources that Fund Expenses Recognized in Prior Periods	(85,233)	88,948
Costs Capitalized on the Balance Sheet	548,513	192,861
Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations	(225,288)	(51,290)
Total Resources Provided to Fund Items Not Part of the Net Cost of Operations	237,838	230,188
Resources Generated to Finance the Net Cost of Operations	144,912	132,686
Components of Net Cost of Operations that will not Require or Generate Resources in the Current Period		
Provision for Insurance Losses		
Reserve Expense (Reduction)	(41,054)	(74,874)
AME Receivable Bad Debt Expense (Reduction)	(7,584)	(2,910)
Increase in Exchange Revenue	(1,150)	(235)
Components not Requiring or Generating Resources		
Depreciation Expense	-	18
Total Components of Net Cost of Operations That Do Not Require or Generate Resources During the Reporting Period	(49,788)	(78,001)
Net Cost of Operations	$ 95,124	$ 54,685

Other Resources or Adjustments to Net Obligated Resources that do not Affect Net Cost of Operations consists largely of unrealized losses on investments net of investment revenue and increases to the receivable from AME Allowance due to transfers, net of AME receivable bad debt expense.

15. SUBSEQUENT EVENTS

Subsequent events have been evaluated from the Balance Sheet date through February 14, 2014, which is the date the financial statements were available to be issued. Management determined that there were no items to disclose as of December 31, 2013.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Risk Assumed Information

Insurance and Guarantee Program Liabilities

As of December 31, 2013 and 2012, the aggregate outstanding insured shares of the insured credit unions were $866.3 billion and $839.4 billion, respectively. This amount represents the maximum potential future guarantee payments that the NCUSIF could be required to make under the share insurance program, without consideration of any possible recoveries. Additionally, pursuant to Section 217(b)(2)(A) of the FCU Act, to the extent that the required funding for the guarantee obligations exceeds the funds available in the TCCUSF, the NCUSIF will provide the necessary funds. These amounts bear no direct relationship to the NCUSIF's anticipated losses.

As discussed previously herein, NCUA identifies credit unions at risk of failure through the supervisory and examination process, and estimates losses based upon economic trends and credit unions' financial condition and operations. NCUA also evaluates overall economic trends and monitors potential credit union system-wide risk factors, such as increasing levels of consumer debt, bankruptcies, and delinquencies. NCUA applies the CAMEL rating system to assess a credit union's financial condition and operations. The CAMEL rating system is a tool to measure risk and allocate resources for supervisory purposes. NCUA periodically reviews the CAMEL rating system to respond to continuing economic and regulatory changes in the credit union industry. The aggregate amount of reserves recognized for credit unions at risk of failure was $220.7 million and $412.5 million as of December 31, 2013 and 2012, respectively. At December 31, 2013 and 2012, the general reserves were $208.2 million and $317.3 million, respectively. At December 31, 2013 and 2012, the specific reserves resulting from insured credit unions' expected failures were $12.5 million and $95.2 million, respectively.

The NCUSIF's contingent liability decreased by $191.8 million from 2012 to 2013, and decreased by $194.1 million from 2011 to 2012. The credit union industry improved during 2013 as reflected by the reduction in assets in CAMEL 3, 4 and 5 rated credit unions as compared to 2012. Assets in CAMEL 3, 4 and 5 rated credit unions dropped to $122.4 billion at the end of 2013, versus $138.6 billion at the end of 2012. Improvements were also seen with the system-wide net worth ratio; this ratio increased to 10.7% from 10.4%. These improvements, as well as other trends, helped contribute to a reduction in amounts for the Insurance and Guarantee Program Liabilities on the NCUSIF Balance Sheets.

Fees and Premiums

During 2013 and 2012, the NCUA Board did not assess premiums to insured credit unions from the NCUSIF.

Sensitivity, Risks and Uncertainties of the Assumptions

During 2013, NCUA implemented the use of the econometric reserve model to improve the precision of the future loss forecast. As discussed previously herein, the NCUA estimates the anticipated losses resulting from insured credit union failures by evaluating imminent failures and using an internal model that applies estimated failure and loss rates based on an econometric model that takes into account the historical loss history, CAMEL ratings, credit union level financial ratios, and macroeconomic conditions to all insured credit unions. The effectiveness of the reserving methodology is evaluated by applying analytical techniques to review variances between projected losses and actual losses and adjustments are made accordingly. Actual losses will largely depend on future economic and market conditions and could differ materially from the anticipated losses recorded by the NCUSIF as of December 31, 2013.

The development of assumptions for certain key input variables of our estimation model is a highly subjective process that involves significant judgment and will change over time. Future values are difficult to estimate, especially over longer timeframes. Key assumptions in the modeling include failure and loss rates. The failure rate is developed based on actual failures and historical migration trends in the CAMEL ratings, and incorporates actual data on macroeconomic trends such the consumer price index and geographic housing prices, as well as credit union system-wide factors such as delinquencies and charge-offs. The loss rate is partly subjective and is developed based on historical loss experience from actual failures, and incorporates the NCUA's expectations and assumptions about anticipated recoveries. The assumptions developed for the estimation model are periodically evaluated by the NCUA to determine the reasonableness of those assumptions over time.

The internal model provides a range of losses. The minimum in the range of losses is the 50 percent confidence level forecast and the upper bound is the 90 percent confidence level forecast. The NCUSIF general reserve is sensitive to assumptions made about the loss rates under various scenarios. For example, changing the assumptions to exclude staticial outliers for calculating loss rates results in a change in the range of losses. Additionally, management’s judgment is used to select a point in the range of projected losses to record probable contingent liabilities in compliance with SFFAS No. 5, which was $208.2 million in anticipated losses recognized on the NCUSIF's balance sheet at December 31, 2013. In selecting the point in the range of the forecasts, management considers overall credit union economic trends and system-wide risk factors, such as increasing levels of consumer debt, bankruptcies and delinquencies.

Consistent with accounting standards, the assumptions and method used to estimate the anticipated losses will require continued calibration and refinement as circumstances change.

National Credit Union Administration Operating Fund

Financial Statements as of and for the Years Ended
December 31, 2013 and 2012, and
Independent Auditors' Report

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Inspector General, National Credit Union Administration and
the Board of Directors, National Credit Union Administration:

Report on the Financial Statements

We have audited the accompanying financial statements of the National Credit Union Administration Operating Fund (OF), which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of revenues, expenses and changes in fund balance, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Credit Union Administration Operating Fund as of December 31, 2013 and 2012, and the results of its operations, changes in fund balance, and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Reporting Required by *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the OF's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the OF's internal control. Accordingly, we do not express an opinion on the effectiveness of the OF's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the OF's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 14-02.

***Purpose of the Other Reporting Required by* Government Auditing Standards**

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the OF's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

February 13, 2014

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

BALANCE SHEETS
AS OF DECEMBER 31, 2013 AND 2012
(Dollars in thousands)

	2013	2012
ASSETS:		
CASH AND CASH EQUIVALENTS (Note 3)	$ 37,913	$ 36,521
DUE FROM NATIONAL CREDIT UNION SHARE INSURANCE FUND (Note 7)	3,313	2,040
EMPLOYEE ADVANCES	38	25
OTHER ACCOUNTS RECEIVABLE, Net (Notes 7 and 10)	203	211
PREPAID EXPENSES AND OTHER ASSETS	1,378	1,055
ASSETS HELD FOR SALE (Note 6)	-	854
FIXED ASSETS — Net of accumulated depreciation of $29,121 and $27,208 as of December 31, 2013 and December 31, 2012, respectively (Note 4)	30,215	31,464
INTANGIBLE ASSETS — Net of accumulated amortization of $13,134 and $10,772 as of December 31, 2013 and December 31, 2012, respectively (Note 5)	4,263	5,232
TOTAL	$ 77,323	$ 77,402
LIABILITIES AND FUND BALANCE:		
LIABILITIES:		
Accounts payable and accrued other liabilities	$ 4,718	$ 4,604
Obligations under capital leases (Note 8)	59	78
Accrued wages and benefits	11,356	10,178
Accrued annual leave	14,571	13,832
Accrued employee travel	1,068	695
Notes payable to National Credit Union Share Insurance Fund (Note 7)	13,074	14,415
Total liabilities	44,846	43,802
COMMITMENTS AND CONTINGENCIES (Notes 7, 8, 11 & 12)		
FUND BALANCE	32,477	33,600
TOTAL	$ 77,323	$ 77,402

See accompanying notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Dollars in thousands)

	2013	2012
REVENUES:		
Operating fees	$ 93,112	$ 88,798
Interest	28	47
Other	1,346	1,280
Total revenues	94,486	90,125
EXPENSES, NET (Note 7):		
Employee wages and benefits	69,797	66,509
Travel	10,520	9,946
Rent, communications, and utilities	1,990	1,949
Contracted services	8,518	7,123
Depreciation and amortization	5,418	6,289
Administrative	(634)	(1,170)
Total expenses	95,609	90,646
EXCESS OF REVENUES OVER (UNDER) EXPENSES	(1,123)	(521)
FUND BALANCE—Beginning of year	33,600	34,121
FUND BALANCE—End of year	$ 32,477	$ 33,600

See accompanying notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(Dollars in thousands)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenues over (under) expenses	$ (1,123)	$ (521)
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation and amortization	5,418	6,289
Provision for loss on disposal of employee residences held for sale	27	186
Loss on fixed asset and intangible asset retirements	17	107
(Increase) decrease in assets:		
Due from National Credit Union Share Insurance Fund	(1,273)	(858)
Employee advances	(13)	18
Other accounts receivable, net	8	674
Prepaid expenses and other assets	(323)	(40)
(Decrease) increase in liabilities:		
Accounts payable	(500)	(2,470)
Accrued wages and benefits	1,178	883
Accrued annual leave	739	1,133
Accrued employee travel	373	67
Net cash provided by operating activities	4,528	5,468
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets and intangible assets	(2,603)	(3,950)
Proceeds from sale of employee residences held for sale	827	658
Proceeds from insurance on fixed assets	-	25
Purchases of employee residences held for sale	-	(1,301)
Net cash used in investing activities	(1,776)	(4,568)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of notes payable to National Credit Union Share Insurance Fund	(1,341)	(1,341)
Principal payments under capital lease obligations	(19)	(20)
Net cash used in financing activities	(1,360)	(1,361)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	1,392	(461)
CASH AND CASH EQUIVALENTS—Beginning of year	36,521	36,982
CASH AND CASH EQUIVALENTS—End of year	$ 37,913	$ 36,521
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES -		
Acquisition of equipment under capital lease	$ -	$ 40
CASH PAYMENTS FOR INTEREST	$ 249	$ 290

See accompanying notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

1. ORGANIZATION AND PURPOSE

The National Credit Union Administration Operating Fund (the “Fund”) was created by the Federal Credit Union Act of 1934. The Fund was established as a revolving fund in the United States Treasury under the management of the National Credit Union Administration (NCUA) Board for the purpose of providing administration and service to the Federal credit union system.

A significant majority of the Fund’s revenue is comprised of operating fees paid by Federal credit unions. Each Federal credit union is required to pay this fee based on its prior year asset balances and rates set by the NCUA Board.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – The Fund has historically prepared its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), based on standards issued by the Financial Accounting Standards Board (FASB), the private sector standards setting body. The Federal Accounting Standards Advisory Board (FASAB) is the standards setting body for the establishment of GAAP with respect to the financial statements of Federal Government entities. FASAB has indicated that financial statements prepared based upon standards promulgated by FASB may also be regarded as in accordance with GAAP for Federal entities that have issued financial statements based upon FASB standards in the past.

Basis of Accounting – The Fund maintains its accounting records in accordance with the accrual basis of accounting. As such, the Fund recognizes income when earned and expenses when incurred. In addition, the Fund records investment transactions when they are executed and recognizes interest on investments when it is earned.

Related Parties – The Fund exists within NCUA and is one of five funds managed by the NCUA Board. The other funds managed by the Board, deemed related parties, are:

a) The National Credit Union Share Insurance Fund (NCUSIF),
b) The National Credit Union Administration Temporary Corporate Credit Union Stabilization Fund (TCCUSF),
c) The National Credit Union Administration Central Liquidity Facility (CLF), and
d) The National Credit Union Administration Community Development Revolving Loan Fund (CDRLF).

The Fund supports these related parties by providing office space, information technology services, and supplies, as well as paying employees’ salaries and benefits. Certain types of support are reimbursed to the Fund by NCUSIF, TCCUSF, and CLF, while support of the CDRLF is not reimbursed as described in Note 7.

Cash Equivalents – Cash equivalents are highly liquid investments with original maturities of three months or less. The Federal Credit Union Act permits the Fund to invest in United States Government securities or securities with both principal and interest guaranteed by the United States Government. All investments in 2013 and 2012 were cash equivalents and are stated at cost, which approximates fair value.

Fixed and Intangible Assets – Buildings, furniture, equipment, computer software, and leasehold improvements are recorded at cost. Computer software includes the cost of labor incurred by both external and internal programmers and other personnel in the development of the software. Capital leases are recorded at the present value of the future minimum lease payments. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of buildings, furniture, equipment, and computer software, and the shorter of either the estimated useful life or lease term for leasehold improvements and capital leases. Estimated useful lives are 40 years for the building and two to ten years for the furniture, equipment, computer software, and leasehold improvements.

Long-lived Assets/Impairments – Fixed and intangible assets, subject to amortization, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. If the carrying value of the long-lived asset or asset group is not recoverable, an impairment is recognized to the extent that the carrying value exceeds its fair value. Fair value is determined through various valuation techniques, including discounted cash flow models, quoted market values, and third party independent appraisals, as considered necessary.

For impairments, the Fund's policy is to identify assets that are no longer in service, obsolete, or need to be written down, and perform an impairment analysis based on FASB Accounting Standards Codification (ASC) 360-10-35, *Property, Plant, and Equipment*, requirements. Subsequent adjustment to individual asset values are made to correspond with any identified changes in useful lives.

Assets Held for Sale – The Fund may hold certain real estate held for sale. Such held for sale assets are ready for immediate sale in their present condition. Real estate held for sale is recorded at the fair value less cost to sell. If an asset's fair value less cost to sell—based on a review of available financial information including but not limited to appraisals, markets analyses, etc. — is less than its carrying amount, the carrying value of the asset is adjusted to its fair value less costs to sell.

Gains on disposition of real estate are recognized upon sale of the underlying asset. The Fund evaluates each real estate transaction to determine if it qualifies for gain recognition under the full accrual method. If the transaction does not meet the criteria for the full accrual method, the appropriate deferral method is used.

Accounts Receivable – Receivables include employee advances, amounts due from the NCUSIF, and other accounts receivable.

Accounts Payable and Accrued Other Liabilities – The Fund incurs administrative expenses and liabilities for programs pertaining to related parties that are controlled by the NCUA Board. Accruals are made as expenses are incurred. Accrued other liabilities include contingent liabilities, as described in Note 11.

Accrued Benefits – The Fund incurs expenses for retirement plans, employment taxes, workers compensation, transportation subsidies, and other benefits mandated by law. Corresponding liabilities recorded contain both short-term and long-term liabilities, including liabilities under the Federal Employees' Compensation Act (FECA). This Act provides income and medical cost protection to covered Federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease.

Operating Fees – Each federally chartered credit union is assessed an annual fee based on their assets as of the preceding 31st day of December. The fee is designed to cover the costs of providing administration and service to the Federal credit union system. The Fund recognizes this operating fee revenue ratably over the calendar year.

Revenue Recognition – Interest revenue and other revenue relating to Freedom of Information Act fees, sales of publications, parking income, and rental income is recognized when earned.

Income Taxes – The Fund is exempt from Federal income taxes under Section 501(c)(1) of the Internal Revenue Code.

Leases – Operating leases are entered into for the acquisition of office space and equipment as part of administering NCUA's program. The cost of operating leases is recognized on the straight-line method over the life of the lease and includes, if applicable, any reductions resulting from incentives such as rent holidays. The same method is used to recognize income from operating leases. Certain office space for which NCUA is a lessee is subject to escalations in rent, as described in Note 8.

Fair Value of Financial Instruments – The following method and assumption was used in estimating the fair value disclosures for financial instruments:

Cash and cash equivalents, receivables from related parties, employee advances, other accounts receivable (net), obligations under capital leases, and notes payable to NCUSIF are recorded at book values, which approximate their respective fair values.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities at the date of the financial statements, and the reported amounts of revenues and expenses incurred during the reporting period. Significant estimates include the determination of the FECA liability, certain intangible asset values, and if there is any determination of a long-lived asset impairment, the related measurement of the impairment charges.

Commitments and Contingencies – Liabilities for loss contingencies arising from claims, assessments, litigation, fines and penalties, and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

3. CASH AND CASH EQUIVALENTS

The Fund's cash and cash equivalents as of December 31, 2013 and 2012 are as follows (in thousands):

	2013	2012
Deposits with U.S. Treasury	$504	$435
U.S. Treasury Overnight Investments	37,409	36,086
Total	$37,913	$36,521

As a revolving fund within the U.S. Treasury, the Operating Fund does not hold any cash or cash equivalents outside of Treasury.

4. FIXED ASSETS

Fixed assets, including furniture and equipment, are comprised of the following as of December 31, 2013 and 2012 (in thousands):

	2013	2012
Office building and land	$48,115	$47,899
Furniture and equipment	10,713	10,265
Leasehold improvements	406	406
Equipment under capital leases	102	102
Total	59,336	58,672
Less accumulated depreciation	(29,121)	(27,208)
Fixed assets, net	$30,215	$31,464

Depreciation expense for the years ended December 31, 2013 and 2012 totaled $2.7 and $2.4 million, respectively.

5. INTANGIBLE ASSETS

Intangible assets are comprised of the following as of December 31, 2013 and 2012 (in thousands):

	2013	2012
Internal-use software	$16,945	$15,823
Less accumulated amortization	(13,134)	(10,772)
Total	3,811	5,051
Internal-use software under development	452	181
Intangible assets, net	$4,263	$5,232

Internal-use software is computer software that is either acquired externally or developed internally. Amortization expense for the years ended December 31, 2013 and 2012 totaled $2.7 and $3.9 million, respectively.

Internal-use software that is in development represents costs incurred from the customization of software purchased from external vendors for internal use as well as the cost of software that is developed in-house.

6. ASSETS HELD FOR SALE

The balance of real estate available for sale as of December 31, 2013 and 2012 was $0 and $854.0 thousand, respectively, net of impairment charges and costs to sell of $0 and $120.0 thousand as of December 31, 2013 and 2012, respectively. Real estate available for sale purchased by the Fund is from employees enrolled in the agency's home purchase program who are unable to sell their homes in a specified time period. It is the agency's intent to dispose of these properties as quickly as possible. Sales of homes are generally expected to occur within one year, pending market forces. Ongoing costs to maintain properties are expensed as incurred.

7. RELATED PARTY TRANSACTIONS

(a) Transactions with NCUSIF

Certain administrative services are provided by the Fund to NCUSIF. The Fund charges NCUSIF for these services based upon an annual allocation factor approved by the NCUA Board and derived from a study of actual usage. The allocation to NCUSIF was 100% of the expenses of the Office of National Examinations and Supervision (Office of Corporate Credit Unions) to the extent that they exceed the actual operating fees paid by Federal corporate credit unions, plus 59.1% of all other expenses for 2013 and 59.3% for 2012. The cost of the services allocated to NCUSIF, which totaled $146.0 and $137.5 million for 2013 and 2012, respectively, is reflected as a reduction of the expenses shown in the accompanying financial statements. These transactions are settled monthly. As of December 31, 2013 and 2012, amounts due from NCUSIF, under this allocation method, totaled $3.3 and $2.0 million, respectively.

In 1992, the Fund entered into a commitment to borrow up to $42.0 million in a 30-year secured term note with NCUSIF. The monies were drawn as needed to fund the costs of constructing a building in 1993. Interest costs incurred were $248.8 and $290.0 thousand for 2013 and 2012, respectively. The notes payable balances as of December 31, 2013 and 2012 were $13.1 and $14.4 million, respectively. The current portion of the long term debt is $1.3 million as of December 31, 2013.

The variable rate on the note is equal to NCUSIF's prior-month yield on investments. The average interest rates during 2013 and 2012 were 1.82% and 1.93%, respectively. The interest rates as of December 31, 2013 and 2012 were 1.78% and 1.83%, respectively.

The secured term note requires principal repayments as of December 31, 2013 as follows (in thousands):

Years ending December 31	**Secured Term Note**
2014	$1,341
2015	1,341
2016	1,341
2017	1,341
2018	1,341
Thereafter	6,369
Total	$13,074

(b) Transactions with CLF

Certain administrative services are provided by the Fund to CLF. The Fund pays CLF's employee salaries and related benefits, as well as CLF's portion of building and operating costs. Reimbursements of these expenses are determined by applying a ratio of CLF full-time equivalent employees to the NCUA total, with settlement and payment occurring quarterly. All other CLF reimbursement expenses are paid annually. The costs of the services provided to CLF were $409.8 and $553.0 thousand for the years ending December 31, 2013 and 2012, respectively, and are reflected as a reduction of the expenses shown in the accompanying financial statements.

Other accounts receivable include $30.9 thousand and $0 of amounts due from the CLF as of December 31, 2013 and 2012, respectively.

(c) Support of CDRLF

The Fund supports the administration of programs under CDRLF by paying related personnel costs such as pay and benefits as well as other costs which include travel, training, telephone, supplies, printing, and postage.

For the years ending December 31, 2013 and 2012, unreimbursed administrative support to CDRLF is estimated at (in thousands):

	2013	2012
Personnel	$310	$347
Other	64	89
Total	$374	$436

(d) Support of TCCUSF

The Fund supports the administration of programs under TCCUSF by paying related personnel costs such as pay and benefits and other associated costs which include travel, training, telephone, supplies, printing, and postage.

For the years ending December 31, 2013 and 2012, unreimbursed administrative support to TCCUSF is estimated at (in thousands):

	2013	2012
Personnel	$986	$1,838
Other	29	59
Total	$1,015	$1,897

In addition, the Fund initially paid for and was reimbursed $589.1 and $231.0 thousand for the salaries and related benefits of TCCUSF employees for the year-ending December 31, 2013 and 2012, respectively. These reimbursements occur monthly and are reflected as a reduction of the corresponding expenses in the accompanying financial statements.

(e) Federal Financial Institutions Examination Council (FFIEC)

NCUA is one of the five Federal agencies that fund FFIEC operations. Under FFIEC's charter, NCUA's Chairman is appointed as a Member and served as its Chairman for a two-year term that ended on April 1, 2013. FFIEC was established on March 10, 1979, as a formal inter-agency body empowered to prescribe uniform principles, standards, and report forms for the Federal examination of financial institutions by NCUA, the Board of Governors of the Federal Reserve System, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Consumer Financial Protection Bureau, and the State Liaison Committee. FFIEC was also established to make recommendations to promote uniformity in the supervision of financial institutions. Additionally, FFIEC provides training to staff employed by Member agencies; the Member agencies are charged for these trainings based on use. For the years ended December 31, 2013 and 2012, FFIEC assessments totaled $983.6 and $868.0 thousand, respectively. FFIEC's 2014 budgeted assessments to NCUA total $1.1 million (unaudited).

(f) Real Estate Available for Sale

The Fund purchases homes from employees enrolled in the agency's home purchase program who are unable to sell their homes in a specified time period, as mentioned in Note 6.

8. LEASE COMMITMENTS

Description of Leasing Agreements – The Fund has entered into lease agreements with vendors for the rental of office space and office equipment, which includes laptops, and copiers.

Operating Leases – The Fund leases a portion of NCUA's office space under lease agreements that will continue through 2020. Office rental charges amounted to approximately $1.2 and $1.2 million, of which approximately $689.0 and $685.0 thousand were reimbursed by NCUSIF for 2013 and 2012, respectively. In addition, the Fund leases laptop computers and other office equipment under operating leases with lease terms that will continue through 2015.

Capital Leases – The Fund leases copier equipment under lease agreements that run through 2017. Amounts presented in the table below include $7.1 thousand of imputed interest.

The future minimum lease payments to be paid over the next five years as of December 31, 2013, before reimbursements, are as follows (in thousands):

Years ending December 31	Operating Leases	Capital Leases
2014	$1,706	$24
2015	1,316	22
2016	491	15
2017	500	6
2018	312	-
Thereafter	561	-
Total	$4,886	$67

Based on the allocation factor approved by the NCUA Board, NCUSIF is expected to reimburse the Fund for approximately 69.2% of the 2014 operating lease payments.

The Fund, as a lessor, holds operating lease agreements with three tenants, each of whom rents a portion of the Fund's building for retail space. The leases carry three to five year terms with escalating rent payments. The last of these leases is set to expire in 2015.

The future minimum lease payments to be received from these non-cancelable operating leases at December 31, 2013 are as follows (in thousands):

Years ending December 31	Scheduled Rent Payments
2014	$518
2015	72
2016	-
2017	-
2018	-
Thereafter	-
Total	$590

9. RETIREMENT PLANS

Eligible employees of the Fund are covered by Federal Government retirement plans—either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Both plans are defined benefit retirement plans. FERS is comprised of a Social Security Benefits Plan, a Basic Benefits Plan, and the Thrift Savings Plan. Contributions to the plans are based on a percentage of an employee's gross pay. Under the Thrift Savings Plan, employees may also elect additional contributions up to $17.5 thousand ($23.0 thousand for age 50 and above) in 2013, and the Fund will match up to 5% of the employee's gross pay. In 2013 and 2012, the Fund's contributions to the plans were approximately $19.8 and $19.2 million, respectively, of which approximately $11.7 and $11.4 million, respectively, was allocated to NCUSIF.

These defined benefit plans are administered by the U.S. Office of Personnel Management (OPM), which determines the required employer contribution level. The Fund does not account for the assets pertaining to the above plans, and does not have actuarial data with respect to accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported by OPM and are not allocated to individual employers.

The Fund established a voluntary defined contribution 401(k) Plan (NCUA Savings Plan), effective January 1, 2012. The NCUA Collective Bargaining Agreement (CBA) sets the rates of contribution required by the Fund, and the current agreement is in effect through the end of 2014, continuing each year thereafter until a new agreement is negotiated. The current CBA requires the Fund to contribute 3.0% of an employee's compensation as defined in Article 9 *Compensation and Benefits* of the CBA. In addition, the current CBA requires the Fund to match employee contributions up to 1.0% in 2013 and 1.5% in 2014. NCUA's contributions for 2013 and 2012 were $4.6 and $3.7 million, respectively. The operating expense associated with the NCUA Savings Plan in 2013 and 2012 were $63.0 and $5.0 thousand, respectively. A total of 59.1% of all costs of the NCUA Savings Plan was allocated to the NCUSIF in 2013. Matching, vesting, and additional information is published and made available in a Summary Plan Description.

10. FAIR VALUE MEASUREMENTS

The following disclosures of the estimated fair values are made in accordance with the requirements of FASB ASC 820, *Fair Value Measurements and Disclosures*. Fair value is the amount that would be received to sell an asset, or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The Fund has no financial instruments that are subject to fair value measurement on a recurring basis.

The related impairment charges for 2013 and 2012 were $27.0 and $186.0 thousand, respectively. Impairment charges are recorded within the statement of revenues, expenses and changes in fund balance and represent non-recurring fair value measures. The following table presents the carrying amounts and established fair values (in thousands) of the Fund's assets held for sale as of December 31, 2013 and 2012.

Assets held for sale	Amortized Cost Basis	Aggregate Fair Value	Impairment at Year-End
2013	-	-	-
2012	$854	$854	$120

(a) Non-recurring Fair Value Measures

Assets held for sale represents residences from relocating employees and is presented at aggregate fair value less cost to sell. The fair value measurement recorded during the period includes pending purchase contracts, the lower of list prices or appraisals if less than six months old (if no pending purchase contracts exist), or recent market analyses (if no recent list prices or appraisals are readily available). Additionally, the fair value incorporates estimated reductions in the fair value to recognize costs to sell the properties. The Fund believes that these measurements fairly reflect the most current valuation of the assets.

(b) Summary Financial Instrument Fair Values

The carrying values approximate the fair values of certain financial instruments as of December 31, 2013 and 2012, were as follows (in thousands):

	2013		2012	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Cash and cash equivalents	$37,913	$37,913	$36,521	$36,521
Due from NCUSIF	3,313	3,313	2,040	2,040
Employee advances	38	38	25	25
Other accounts receivable, net	203	203	211	211
Obligations under capital lease	59	59	78	78
Notes payable to NCUSIF	13,074	13,074	14,415	14,415

Cash and Cash Equivalents – The carrying amounts for cash and cash equivalents financial instruments approximates fair value as the short-term nature of these instruments does not lead to significant fluctuations in value. Cash equivalents are U.S. Treasury overnight investments.

Due from NCUSIF – The carrying amounts for the due from NCUSIF financial instruments approximates fair value, as the amount is scheduled to be paid within the first quarter of fiscal year 2014.

Employee Advances – The carrying amounts for receivables from employees' financial instruments approximates fair value, as the amount is scheduled to be paid in fiscal year 2014.

Other Accounts Receivable, Net – The carrying amounts for other accounts receivable approximates fair value, as the original gross amounts together with a valuation allowance reflect the net amount that is deemed collectible. As of December 31, 2013 and 2012, the Fund's Other Accounts Receivable includes an allowance in the amount of $74.1 and $76.0 thousand, respectively.

Obligation under Capital Lease – The carrying amounts for the remaining obligations owed on capital leases financial instruments approximates fair value because the underlying interest rates approximates rates currently available to the Fund.

Notes Payable to NCUSIF – The carrying amounts for notes payable to NCUSIF financial instruments approximates fair value due to its variable rate nature.

11. CONTINGENCIES

NCUA recognizes contingent liabilities when a past event or transaction has occurred, a future outflow or other sacrifice of resources is probable, and the future outflow or sacrifice of resources is measurable. NCUA is party to various routine administrative proceedings, legal actions, and claims brought against it, which has or may ultimately result in settlements or decisions against the agency. For those matters where an estimate is possible and the loss is probable, such amount has been accrued in other liabilities.

12. COLLECTIVE BARGAINING AGREEMENT

NCUA has a collective bargaining agreement (CBA) with the National Treasury Employees Union (NTEU) that became effective on November 1, 2011. NTEU is the exclusive representative of approximately 80% of NCUA employees. This agreement will remain in effect for a period of three years from its effective date and will be automatically renewable for additional one year periods until otherwise renegotiated by the parties.

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 13, 2014 which is the date the financial statements were available to be issued, and management determined that there are no other items to disclose.

National Credit Union Administration Central Liquidity Facility

Financial Statements as of and for the Years Ended
December 31, 2013 and 2012, and
Independent Auditors' Report

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Inspector General, National Credit Union Administration and
the Board of Directors, National Credit Union Administration:

Report on the Financial Statements

We have audited the accompanying financial statements of the National Credit Union Administration Central Liquidity Facility (CLF), which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Credit Union Administration Central Liquidity Facility as of December 31, 2013 and 2012, and its operations, members' equity, and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

KPMG

Other Reporting Required by *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CLF's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CLF's internal control. Accordingly, we do not express an opinion on the effectiveness of the CLF's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CLF's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 14-02.

***Purpose of the Other Reporting Required by* Government Auditing Standards**

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the CLF's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

February 12, 2014

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

BALANCE SHEETS
AS OF DECEMBER 31, 2013 AND 2012
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

	2013	2012
ASSETS		
Cash and Cash Equivalents (Notes 3 and 5)	$ 30,442	$ 39,168
Investments Held to Maturity (Net of $734 and $1,035 unamortized premium, fair value of $106,511 and $73,055 as of 2013 and 2012, respectively) (Notes 4 and 5)	108,306	72,107
Accrued Interest Receivable (Note 5)	313	196
TOTAL	$ 139,061	$ 111,471
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Accounts Payable (Note 5)	$ 88	$ 76
Other Liabilities (Notes 5 and 6)	3,123	3,224
Dividends Payable (Note 5)	26	19
Member Deposits (Notes 5 and 8)	252	299
TOTAL LIABILITIES	3,489	3,618
MEMBERS' EQUITY		
Capital Stock – Required ($50 per share par value authorized: 4,315,214 and 3,223,232 shares; issued and outstanding: 2,157,607 and 1,611,616 shares as of 2013 and 2012, respectively) (Notes 6 and 7)	107,880	80,581
Retained Earnings	27,692	27,272
TOTAL MEMBERS' EQUITY	135,572	107,853
TOTAL	$ 139,061	$ 111,471

See accompanying notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(DOLLARS IN THOUSANDS)

	2013	2012
REVENUE		
Investment Income	$ 918	$ 1,661
Total Revenue	918	1,661
EXPENSES (Note 10)		
Personnel Services	284	417
Personnel Benefits	59	107
Other General and Administrative Expenses	60	57
Total Operating Expenses	403	581
Interest – Liquidity Reserve	-	-
Total Expenses	403	581
NET INCOME	$ 515	$ 1,080

See accompanying notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

STATEMENTS OF MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(DOLLARS IN THOUSANDS, EXCEPT SHARE DATA)

	Capital Stock			
	Shares	**Amount**	**Retained Earnings**	**Total**
BALANCE – December 31, 2011	41,201,610	$ 2,060,081	$ 26,360	$ 2,086,441
Issuance of Required Capital Stock	447,305	22,365		22,365
Redemption of Required Capital Stock (Note 6)	(40,037,299)	(2,001,865)		(2,001,865)
Dividends Declared ($0.01/share) (Notes 7 and 8)			(168)	(168)
Net Income			1,080	1,080
BALANCE – December 31, 2012	1,611,616	80,581	27,272	107,853
Issuance of Required Capital Stock	557,295	27,864		27,864
Redemption of Required Capital Stock (Note 6)	(11,304)	(565)		(565)
Dividends Declared ($0.05/share) (Notes 7 and 8)			(95)	(95)
Net Income			515	515
BALANCE – December 31, 2013	2,157,607	$ 107,880	$ 27,692	$ 135,572

See accompanying notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012
(DOLLARS IN THOUSANDS)

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 515	$ 1,080
Adjustments to Reconcile Net Income		
to Net Cash Provided by Operating Activities:		
Amortization of Investments	157	376
(Increase)/Decrease in Accrued Interest Receivable	(117)	(51)
Increase/(Decrease) in Accounts Payable	12	(143)
Increase/(Decrease) in Other Liabilities	(101)	(272)
Net Cash Provided by Operating Activities	466	990
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(37,356)	(1,962,123)
Proceeds from Maturing Investments	1,000	1,999,511
Net Cash Provided by/(Used in) Investing Activities	(36,356)	37,388
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of Required Capital Stock	27,777	22,333
Dividends Paid (Notes 7 and 8)	(40)	(505)
Redemption of Required Capital Stock	(562)	(2,010,649)
Withdrawal of Member Deposits	(11)	(30)
Net Cash Provided by/(Used in) Financing Activities	27,164	(1,988,851)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(8,726)	(1,950,473)
CASH AND CASH EQUIVALENTS– Beginning of Year	39,168	1,989,641
CASH AND CASH EQUIVALENTS – End of Year	$ 30,442	$ 39,168
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION – Cash Paid During the Year for Interest	$ -	$ -

See accompanying notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

1. ORGANIZATION AND PURPOSE

The National Credit Union Administration (NCUA) Central Liquidity Facility (CLF) was created by the National Credit Union Central Liquidity Facility Act (the "Act"). CLF is designated as a mixed-ownership Government corporation under the Government Corporation Control Act. CLF exists within NCUA and is managed by the NCUA Board. CLF became operational on October 1, 1979.

CLF was created to improve the general financial stability of credit unions by serving as a liquidity lender to credit unions experiencing unusual or unexpected liquidity shortfalls. CLF accomplishes its purpose by lending funds, subject to certain statutory limitations, when a liquidity need arises.

CLF is subject to various Federal laws and regulations. CLF's operating budget requires Congressional approval, and CLF may not make loans to members for the purpose of expanding credit union loan portfolios. CLF's investments are restricted to obligations of the U.S. Government and its agencies, deposits in federally insured financial institutions, and shares and deposits in credit unions. Borrowing is limited by statute to 12 times the subscribed capital stock and surplus. See Notes 7 and 9 for further information about the capital stock and the CLF's borrowing authority.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation – CLF has historically prepared its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), based on standards issued by the Financial Accounting Standards Board (FASB), the private-sector standards-setting body. The Federal Accounting Standards Advisory Board (FASAB) is the standards-setting body for the establishment of GAAP with respect to the financial statements of Federal Government entities. FASAB has indicated that financial statements prepared based upon standards promulgated by FASB may also be regarded as in accordance with GAAP for those Federal entities, such as CLF, that have issued financial statements based upon FASB standards in the past.

Basis of Accounting – CLF maintains its accounting records on the accrual basis of accounting. CLF recognizes interest income on loans and investments when they are earned, and recognizes interest expense on borrowings when it is incurred. CLF recognizes expenses when incurred. CLF accrues and records dividends on capital stock monthly and pays dividends quarterly.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's estimates.

Cash and Cash Equivalents – CLF considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Investments – By statute, CLF investments are restricted to obligations of the U.S. Government and its agencies, deposits in federally insured financial institutions, and shares and deposits in credit unions. All investments are classified as held-to-maturity under FASB Accounting Standards Codification (ASC) topic 320-10-25-1, *Classification of Investment Securities,* as CLF has the intent and ability to hold these investments until maturity. Accordingly, CLF reports investments at amortized cost. Amortized cost is the face value of the securities plus the unamortized premium or less the unamortized discount.

Premiums and discounts are amortized or accreted over the life of the related held-to-maturity investment as an adjustment to yield using the effective interest method. Such amortization and accretion is included in the "investment income" line item in the Statement of Operations.

CLF records investment transactions when they are made.

Loans and Allowance for Loan Losses – Loans, when made to members, are on a short-term or long-term basis. Loans are recorded at the amount disbursed and bear interest at the higher of the Federal Financing Bank Advance Rate or the Federal Reserve Bank Discount Window Primary Credit Rate. By regulation, Member *Liquidity Needs* Loans are made on a fully secured basis. CLF obtains a security interest in the assets of the member equal to at least 110% of all amounts due. CLF does not currently charge additional fees for its lending activities. There was no lending activity during 2013 and 2012.

Borrowings – CLF's borrowings are recorded when they are received, do not hold premiums or discounts, and are carried at cost. Repayments are recorded when they are made.

Tax-Exempt Status – CLF is exempt from Federal income taxes under Section 501(c)(1) of the Internal Revenue Code.

Commitments and Contingencies – Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

Related Parties – CLF exists within NCUA and is managed by the NCUA Board. NCUA Operating Fund (OF) provides CLF with information technology, support services, and supplies. In addition, NCUA OF pays CLF's employees' salaries and benefits, as well as CLF's portion of monthly building operating costs. The allocation formula to calculate these expenses is based on the number of full-time employees of the respective entities and the estimated amount of time CLF employees spend performing CLF functions.

3. CASH AND CASH EQUIVALENTS

CLF's cash and cash equivalents consisted of the following:

(Dollars in thousands)	As of December 31, 2013	As of December 31, 2012
U.S. Treasury Securities	$ 27,343	$ 39,157
Sun Trust Bank	3,099	11
Total	$ 30,442	$ 39,168

U.S. Treasury securities had an initial term of less than three months when purchased.

4. INVESTMENTS

The carrying amount, gross unrealized holding gains, gross unrealized losses, and the fair value of held-to-maturity debt securities as of December 31, 2013 and 2012 were as follows:

(Dollars in thousands)	Carrying Amount	Gross Unrealized Holding Gains	Gross Unrealized Holding Losses	Fair Value
As of December 31, 2013				
U.S. Treasury Securities	$ 108,306	$ 508	$ (2,303)	$ 106,511
As of December 31, 2012				
U.S. Treasury Securities	$ 72,107	$ 994	$ (46)	$ 73,055

Maturities of debt securities classified as held-to-maturity were as follows:

	As of December 31, 2013		**As of December 31, 2012**	
(Dollars in thousands)	Net Carrying Amount	Aggregate Fair Value	Net Carrying Amount	Aggregate Fair Value
Due in one year or less	$ 8,005	$ 8,051	$ 999	$ 1,002
Due after one year through five years	69,729	69,342	42,890	43,221
Due after five years through ten years	30,572	29,118	28,218	28,832
Total	$ 108,306	$ 106,511	$ 72,107	$ 73,055

5. FAIR VALUE MEASUREMENTS

The fair value of an instrument is the amount that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants by the measurement date. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Cash and cash equivalents– The carrying amounts for cash and cash equivalents approximate fair value.

Investments held-to-maturity – CLF's investments held-to-maturity are all comprised of U.S. Treasury Securities, for which a share price can be readily obtained. The fair value for investments is determined using the quoted market prices at the reporting date (observable inputs).

Member Deposits – Funds maintained with CLF in excess of required capital amounts are recorded as member deposits. These deposits are due upon demand; therefore, carrying amounts approximate the fair value.

Other – Accrued interest receivable, accounts payable, other liabilities, and dividends payable are recorded at book values, which approximate the respective fair values because of the short maturity of these instruments.

The following table presents the carrying amounts and established fair values of CLF's financial instruments as of December 31, 2013 and 2012. The carrying values and approximate fair values of financial instruments are as follows:

	As of December 31, 2013		As of December 31, 2012	
Financial Instruments (Dollars in thousands)	**Carrying Value**	**Fair Value**	**Carrying Value**	**Fair Value**
Cash and cash equivalents	$ 30,442	$30,442	$ 39,168	$ 39,168
Investments held-to-maturity	108,306	106,511	72,107	73,055
Accrued interest receivable	313	313	196	196
Accounts payable	88	88	76	76
Other liabilities	3,123	3,123	3,224	3,224
Dividends payable	26	26	19	19
Member deposits	252	252	299	299

6. OTHER LIABILITIES

Other liabilities in 2013 include $3.1 million in advance deposits from credit unions that will become members in 2014. In 2012, CLF reclassified $3.2 million of capital stock to other liabilities to reflect the pending redemption of 64,487 shares of required capital stock at the request of a regular (non-agent) member credit union. This redemption occurred in 2013. Dividends were paid on these shares until they were redeemed.

7. CAPITAL STOCK

Membership in CLF is open to all credit unions that purchase a prescribed amount of capital stock. CLF capital stock is non-voting and shares have a par value of $50. Currently, there is one type of membership—regular members which are natural person credit unions. Natural person credit unions may borrow from CLF directly as a regular member.

In October 2013, the NCUA Board issued a final rule 12 CFR Part 741, § 741.12 "Liquidity and Contingency Funding Plans," which requires federally insured credit unions with assets of $250 million or more to have access to a backup liquidity source for emergency situations. A credit union subject to this requirement may demonstrate access to a contingent federal liquidity source by maintaining membership in the Central Liquidity Facility, or establishing borrowing access at the Federal Reserve Discount Window.

The capital stock account represents subscriptions remitted to CLF by member credit unions. Regular members' required subscription amounts equal one-half of one percent of their paid-in and unimpaired capital and surplus, one-half of which is required to be remitted to CLF. Member credit unions are required to hold the remaining one-half in assets subject to call by the NCUA Board. These unremitted subscriptions are not reflected in CLF's financial statements. Subscriptions are adjusted annually to reflect changes in the member credit unions' paid-in and unimpaired capital and surplus. Dividends are non-cumulative, and are declared and paid on required capital stock.

A member of CLF whose capital stock account constitutes less than 5% of the total capital stock outstanding may withdraw from membership in CLF six months after notifying the NCUA Board of its intention. A member whose capital stock account constitutes 5% or more of the total capital stock outstanding may withdraw from membership in CLF two years after notifying the NCUA Board of its intention. As of December 31, 2013, CLF had no member withdrawal requests pending. As of December 31, 2012, CLF had one member withdrawal request pending.

The required capital stock is redeemable upon demand by the members, subject to certain conditions as set out in the Act and NCUA regulations; however, the stock is not deemed "mandatorily redeemable" as defined in FASB ASC 480-10-25-7, *Mandatorily Redeemable Financial Instruments*; therefore capital stock is classified in permanent equity.

CLF's capital stock accounts were composed of the following as of December 31, 2013 and 2012:

(Dollars in thousands, except share data)	As of December 31, 2013		As of December 31, 2012	
	Shares	**Amount**	**Shares**	**Amount**
Regular members	2,157,607	$ 107,880	1,611,616	$ 80,581

Dividends on capital stock are declared based on available earnings and the dividend policy set by the NCUA Board. Dividends are accrued monthly based on prior quarter-end balances and paid on the first business day after the quarter-end. The dividend rates paid on capital stock for regular members change quarterly.

8. MEMBER DEPOSITS

Member deposits represent amounts remitted by members over and above the amount required for membership. Interest is paid on member deposits at a rate equivalent to the dividend rate paid on required capital stock.

9. BORROWING AUTHORITY

CLF is authorized by statute to borrow, from any source, an amount not to exceed 12 times its subscribed capital stock and surplus. As of December 31, 2013 and 2012, CLF's statutory borrowing authority was $2.9 billion and $2.3 billion, respectively.

As described above, the borrowing authority amounts are referenced to subscribed capital stock and surplus of the CLF. The CLF borrowing arrangement is exclusively with the Federal Financing Bank (FFB). NCUA maintains a note purchase agreement with FFB on behalf of CLF with a maximum principal amount of $2.0 billion. Under the terms of its agreement, CLF borrows from FFB as needed. Under terms prescribed by the note purchase agreement, CLF executes promissory notes in amounts as necessary and renews them annually. Advances made under the current promissory note can be made no later than March 31, 2014.

10. RELATED PARTY TRANSACTIONS

NCUA OF pays the salaries and related benefits of CLF's employees, CLF's building and operating costs. Expenses are allocated by applying the ratio of CLF full-time equivalent employees to the NCUA total. These expenses are reimbursed to NCUA OF quarterly. All other CLF reimbursement expenses are paid annually. The total amount charged by NCUA was approximately $409.8 thousand and $553.0 thousand, respectively, for December 31, 2013 and 2012. Accounts payable includes approximately $30.9 thousand and $0, respectively, for December 31, 2013 and 2012, due to NCUA OF for services provided.

11. SUBSEQUENT EVENTS

Management evaluated all events and transactions that occurred after December 31, 2013 through February 12, 2014, which is the date the CLF issued these financial statements.

CLF added fifteen new credit union members that purchased $15.5 million in capital stock. Of this amount, $3.1 million in advance deposits was received as of December 31, 2013 (Note 6). In addition, CLF received notice from two members, with capital stock valued at $109.1 thousand, of their intent to withdraw from CLF membership.

National Credit Union Administration Community Development Revolving Loan Fund

Financial Statements as of and for the Years Ended December 31, 2013 and 2012, and Independent Auditors' Report

KPMG LLP
Suite 12000
1801 K Street, NW
Washington, DC 20006

Independent Auditors' Report

Inspector General, National Credit Union Administration and
the Board of Directors, National Credit Union Administration:

Report on the Financial Statements

We have audited the accompanying financial statements of the National Credit Union Administration Community Development Revolving Loan Fund (CDRLF), which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of operations, changes in fund balance, and cash flows for the years then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and Office of Management and Budget (OMB) Bulletin No. 14-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 14-02 require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

KPMG

Opinion on the Financial Statements

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the National Credit Union Administration Community Development Revolving Loan Fund as of December 31, 2013 and 2012, and the results of its operations, changes in fund balance, and cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Other Reporting Required by *Government Auditing Standards*

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the CDRLF's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CDRLF's internal control. Accordingly, we do not express an opinion on the effectiveness of the CDRLF's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CDRLF's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts, and certain provisions of other laws and regulations specified in OMB Bulletin No. 14-02. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests of compliance disclosed no instances of noncompliance or other matters that are required to be reported herein under *Government Auditing Standards* or OMB Bulletin No. 14-02.

***Purpose of the Other Reporting Required by* Government Auditing Standards**

The purpose of the communication described in the Other Reporting Required by *Government Auditing Standards* section is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the CDRLF's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

February 10, 2014

NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

BALANCE SHEETS
AS OF DECEMBER 31, 2013 AND 2012

	2013	2012
ASSETS		
Cash and Cash Equivalents (Notes 3 and 8)	$ 12,967,509	$ 12,918,956
Loans Receivable (Notes 5, 7, and 8)	3,917,909	3,949,022
Interest Receivable (Note 8)	3,882	3,283
Total	$ 16,889,300	$ 16,871,261
LIABILITIES AND FUND BALANCE		
Liabilities - Accrued Technical Assistance Grants (Note 8)	$ 852,010	$ 1,230,923
Fund Balance:		
Fund Capital (Note 4)	14,244,241	13,778,866
Accumulated Earnings	1,793,049	1,861,472
Total Fund Balance	16,037,290	15,640,338
Total	$ 16,889,300	$ 16,871,261

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
SUPPORT AND REVENUES:		
Interest on Cash Equivalents	$ 4,835	$ 8,405
Interest on Loans	20,969	18,964
Appropriation Revenue		
Appropriations Expended (Note 4)	1,002,963	1,492,872
Cancelled Technical Assistance Grants (Note 6)	(223,832)	(459,049)
Total Support and Revenues	804,935	1,061,192
EXPENSES:		
Technical Assistance Grants	1,107,833	1,744,702
Cancelled Technical Assistance Grants (Note 6)	(234,475)	(489,802)
Provision for Loan Losses	-	132
Total Expenses	873,358	1,255,032
NET INCOME/(LOSS)	$ (68,423)	$ (193,840)

See accompanying notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	Fund Capital				
	For Loans	For Technical Assistance Grants	Total Fund Capital	Accumulated Earnings	Total Fund Balance
December 31, 2011	$ 13,387,777	$ 177,912	$ 13,565,689	$ 2,055,312	$ 15,621,001
Appropriations Received (Note 4)	-	1,247,000	1,247,000	-	1,247,000
Appropriations Expended	-	(1,492,872)	(1,492,872)	-	(1,492,872
Cancelled Technical Assistance Grants (Note 6)	-	459,049	459,049	-	459,049
Net Income/(Loss)	-	-	-	(193,840)	(193,840
December 31, 2012	$ 13,387,777	$ 391,089	$ 13,778,866	$ 1,861,472	$ 15,640,338
Appropriations Received (Note 4)	-	1,247,000	1,247,000	-	1,247,000
Appropriations Expended	-	(1,002,963)	(1,002,963)	-	(1,002,963
Appropriations Rescinded	-	(2,494)	(2,494)	-	(2,494
Cancelled Technical Assistance Grants (Note 6)	-	223,832	223,832	-	223,832
Net Income/(Loss)	-	-	-	(68,423)	(68,423
December 31, 2013	$ 13,387,777	$ 856,464	$ 14,244,241	$ 1,793,049	$ 16,037,290

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income/(Loss)	$ (68,423)	$ (193,840)
Adjustments to Reconcile Net Income/(Loss) to Net Cash Used in Operating Activities:		
Provision for Loan Loss	-	132
Appropriations Expended	(1,002,963)	(1,492,872)
Cancelled Technical Assistance Grants	223,832	459,049
Changes in Assets and Liabilities:		
(Increase)/Decrease in Interest Receivable	(599)	3,489
Increase/(Decrease) in Accrued Technical Assistance Grants	(378,913)	(282,905)
Net Cash Used in Operating Activities	(1,227,066)	(1,506,947)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loan Principal Repayments	601,113	1,807,009
Loan Disbursements	(570,000)	(2,999,999)
Net Cash Provided by/(Used in) Investing Activities	31,113	(1,192,990)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Appropriations Received 2013/2014	1,247,000	-
Appropriations Received 2012/2013	-	1,247,000
Appropriations Rescinded	(2,494)	-
Net Cash Provided by Financing Activities	1,244,506	1,247,000
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	48,553	(1,452,937)
CASH AND CASH EQUIVALENTS — Beginning of Year	12,918,956	14,371,893
CASH AND CASH EQUIVALENTS — End of Year	$ 12,967,509	$ 12,918,956

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2013 AND 2012

1. NATURE OF ORGANIZATION

The Community Development Revolving Loan Fund (CDRLF) for credit unions was established by an act of Congress (Public Law 96-123, November 20, 1979) to stimulate economic development in low-income communities. The National Credit Union Administration (NCUA) and the Community Services Association (CSA) jointly adopted Part 705 of NCUA Rules and Regulations, governing administration of CDRLF, on February 28, 1980.

Upon the dissolution of CSA in 1983, administration of CDRLF was transferred to the Department of Health and Human Services (HHS). From 1983 through 1990, CDRLF was dormant.

The Community Development Credit Union Transfer Act (Public Law 99-609, November 6, 1986) transferred CDRLF administration back to NCUA. The NCUA Board adopted amendments to Part 705 of NCUA Rules and Regulations on September 16, 1987, and began making loans/deposits to participating credit unions in 1990.

The purpose of CDRLF is to stimulate economic activities in the communities served by low-income credit unions, which is expected to result in increased income, ownership, and employment opportunities for low-income residents, and other economic growth. The policy of NCUA is to revolve the loans to qualifying credit unions as often as practical in order to gain maximum impact on as many participating credit unions as possible.

2. SIGNIFICANT ACCOUNTING AND OPERATIONAL POLICIES

Basis of Presentation – CDRLF has historically prepared its financial statements in accordance with accounting principles generally accepted in the United States of America (GAAP), based on standards issued by the Financial Accounting Standards Board (FASB), the private sector standards setting body. The Federal Accounting Standards Advisory Board (FASAB) is the standards setting body for the establishment of GAAP with respect to the financial statements of Federal Government entities. FASAB has indicated that financial statements prepared based upon standards promulgated by FASB may also be regarded as in accordance with GAAP for Federal entities that have issued financial statements based upon FASB standards in the past.

Basis of Accounting – CDRLF reports its financial statements on the accrual basis of accounting in conformity with GAAP.

Cash Equivalents – The Federal Credit Union Act permits CDRLF to make investments in United States Government Treasury securities. All investments in 2013 and 2012 were cash equivalents and were stated at cost, which approximates fair value. Cash equivalents are highly liquid investments with original maturities of three months or less.

Loans Receivable and Allowance for Loan Losses – Prior to May 22, 2012, outstanding principal was limited to $300,000 per credit union, the maximum loan term was five (5) years, and interest and principal were to be paid on a semi-annual basis beginning six months and one year, respectively, after the initial loan disbursement. Per NCUA policy, loans issued after May 22, 2012 carry a fixed rate of 0.4%, and the applicable regulation does not provide a maximum limit on loan principal. Interest is to be paid on a semi-annual basis beginning six months after the initial distribution of the loan and every six months thereafter until maturity. Principal is to be repaid on the maturity date of the loan. The maximum term of each loan remains five years.

Loans are initially recognized at their disbursed amount, and subsequently at amortized cost, net of the allowance for loan losses, if any.

A provision for loans considered to be uncollectible is charged to the income statement when such losses are probable and reasonably estimable. Provisions for significant uncollectible amounts are credited to an allowance for loan losses, while de minimis amounts are directly charged-off. Management continually evaluates the adequacy of the allowance for loan losses based upon prevailing circumstances and an assessment of collectability risk of the total loan portfolio as well as historical loss experience. On the basis of this analysis, no allowance for loan losses was necessary as of December 31, 2013 and 2012. Accrual of interest is discontinued on nonperforming loans when management believes collectability is doubtful.

Accrued Technical Assistance Grants – CDRLF issues technical assistance grants to low-income designated credit unions. CDRLF utilizes multi-year appropriated funds and income generated from the revolving fund to issue technical assistance grants. Grant income and expense is recognized when CDRLF makes a formal commitment to the recipient credit union for technical assistance grants. CDRLF performs a review of long term unspent technical assistance grant awards (e.g. outstanding awards past the period of eligibility) and then formal steps are taken to cancel identified technical assistance grants. The cancelled technical assistance grant funds are credited back to the original appropriated fund from which they are awarded.

Related Party Transactions – NCUA provides certain general and administrative support to CDRLF, including office space, salaries, and certain supplies. The value of these contributed services is not charged to CDRLF.

Revenue Recognition – Appropriation revenue is recognized as the related technical assistance grant expense is recognized. Total appropriation revenues will differ from total technical assistance grant expenses because not all technical assistance grants are funded by appropriations. Interest income on cash and cash equivalents and on loans is recognized when earned.

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, as well as the disclosure of contingent assets and liabilities, if any, at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's estimates.

Income Taxes – CDRLF is exempt from Federal income taxes under Section 501(c)(1) of the Internal Revenue Code.

Commitments and Contingencies – Liabilities for loss contingencies arising from claims, assessments, litigation, fines, and penalties and other sources are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Legal costs incurred in connection with loss contingencies are expensed as incurred.

3. CASH AND CASH EQUIVALENTS

CDRLF's cash and cash equivalents as of December 31, 2013 and 2012 are as follows:

	2013	2012
Deposit with U.S. Treasury	$ 3,967,509	$ 2,118,956
U.S. Treasury Overnight Securities	9,000,000	10,800,000
	$ 12,967,509	$ 12,918,956

4. GOVERNMENT REGULATIONS

CDRLF is subject to various Federal laws and regulations. Assistance, which includes lending and technical assistance grants, is limited to the amount appropriated by Congress to date for CDRLF, which includes accumulated earnings. Federally-chartered and state-chartered credit unions with a low-income designation are eligible to participate in CDRLF's loan and technical assistance grant program.

Since inception, Congress has appropriated $13,387,777 for the revolving loan component of the program, and this component is governed by Part 705 of NCUA Rules and Regulations.

During the year ended December 31, 2013, CDRLF received appropriations for technical assistance grants in the amount of $1,247,000 for Federal fiscal years (FY) 2013-2014, of which $2,494 was rescinded. Of this amount, $782,733 was expended for the year ended December 31, 2013. An additional $220,230 was expended from the FY 2012-2013 appropriation.

During the year ended December 31, 2012, CDRLF received appropriations for technical assistance grants in the amount of $1,247,000 for Federal FY 2012-2013. Of this amount, $1,210,016 was expended. An additional $282,856 was expended from the FY 2011-2012 appropriation.

These appropriations were designated to be used for technical assistance grants, and no amounts were designated to be used as revolving loans. As of December 31, 2013 no appropriated funds were required to be remitted to the U.S. Treasury for cancelled appropriations.

5. LOANS RECEIVABLE

Receivables consisted of the following as of December 31, 2013 and 2012.

	2013	2012
Balance as of beginning of year	$ 3,949,022	$ 2,756,164
Add: Loans disbursed	570,000	2,999,999
Less: Loan repayments	(601,113)	(1,807,009)
Less: Bad Debt Expense	-	(132)
Loans receivable as of end of year	$ 3,917,909	$ 3,949,022
Changes in the allowance for loan losses consisted of the following:		
Balance as of beginning of year	$ -	$ -
Decrease (increase) in allowance	-	-
Accounts for loan losses as of end of year	$ -	$ -
Loans receivable, net as of end of year	$ 3,917,909	$ 3,949,022

Loans outstanding as of December 31, 2013, are scheduled to be repaid to CDRLF during the following years:

	2013
2014	$ 408,280
2015	-
2016	-
2017	2,939,630
2018	569,999
Loans Outstanding	3,917,909
Allowance for Loan Losses	-
Total Loans Receivable	$ 3,917,909

CDRLF has the intent and ability to hold its loans to maturity. CDRLF anticipates realizing the carrying amount in full.

6. CANCELLED TECHNICAL ASSISTANCE GRANTS

During 2013, CDRLF cancelled $10,643 of technical assistance grants awarded from the revolving fund and $223,832 of technical assistance grants awarded from multiyear funds. These amounts were recognized as Cancelled Technical Assistance Grants, decreasing expenses.

Cancelled technical assistance grants from the revolving fund are credited back to accumulated earnings. Cancelled technical assistance grants from previously expended multiyear funds are credited back to the original appropriated fund from which they are awarded. As a result, the $223,832 was also recognized as Cancelled Technical Assistance Grants, decreasing revenue and resulting in no change to net income.

For the year ended December 31, 2012, CDRLF cancelled $30,753 of technical assistance grants awarded from the revolving fund and $459,049 of technical assistance grants awarded from multiyear funds.

Cancelled technical assistance grants awarded from appropriations from FY 2008 through 2012 will be remitted to the U.S. Treasury upon cancellation of the related appropriation.

7. CONCENTRATION OF CREDIT RISK

As discussed in Note 1, CDRLF provides loans to credit unions that serve predominantly low-income communities.

NCUA Rules and Regulations Section 705.5 permit the classification of the loan in the participating credit union’s accounting records as a non-member deposit. As a non-member deposit, $250,000 per credit union is insured by the National Credit Union Share Insurance Fund (NCUSIF). The aggregate amount of uninsured loans totaled $799,723 and $832,323 as of December 31, 2013 and 2012, respectively.

8. ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The fair value of an instrument is the amount that would be received to sell an asset or would be paid to transfer a liability in an orderly transaction between market participants by the measurement date. The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Loans Receivable – Fair value is estimated using an income approach by separately discounting each individual loan’s projected future cash flow. CDRLF believes that the discount rate reflects the pricing and is commensurate with the risk of the loans to CDRLF. Loans are valued annually on December 31.

Other – The carrying amounts for cash and cash equivalents, interest receivable, and accrued technical assistance grants approximate fair value.

The following table presents the carrying value amounts and established fair values of CDRLF's financial instruments as of December 31, 2013 and 2012.

	2013		2012	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:				
Cash and cash equivalents	$ 12,967,509	$ 12,968,000	$ 12,918,956	$ 12,919,000
Loans receivable	3,917,909	3,923,000	3,949,022	3,954,000
Interest receivable	3,882	4,000	3,283	3,000
Liabilities:				
Accrued technical assistance grants	852,010	852,000	1,230,923	1,231,000

9. RELATED PARTY TRANSACTIONS

NCUA, in supporting the activities of CDRLF, provides for the administration of CDRLF. The administrative costs paid by NCUA's Operating Fund (OF) are directly related to the percentage of employee's time spent on CDRLF. The administrative cost calculation takes into account the employees' salary, benefits, travel, training, and certain "other" costs (e.g., telephone, supplies, online applications, printing, and postage).

For the years ending December 31, 2013 and 2012, NCUA, through the OF, paid the following overhead expenses on behalf of CDRLF:

	2013	2012
Employee	$ 309,918	$ 346,613
Other	63,829	89,421
Total	$ 373,747	$ 436,034

10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 10, 2014, which is the date the financial statements were available to be issued, and management determined there are no other items to be disclosed.

STATISTICAL DATA

National Credit Union Share Insurance Fund Ten-Year Trends

Fiscal year	2004	2005	2006[3]	2007	2008	2009	2010[4]	2011	2012	2013
INCOME (IN THOUSANDS)										
Premium	—	—	—	—	—	$727,466	$929,952	—	—	—
Investment income[1]	$124,836	$175,017	$264,895	$320,163	$390,922	$188,774	$216,921	$226,011	$206,995	$198,264
Other income	$515	$645	$1,326	$1,166	$4,737	$33,319	$49,223	$1,037	$8,768	$4,550
Total income[5]	$125,351	$175,662	$266,221	$321,329	$395,659	$949,559	$1,196,096	$227,048	$215,763	$202,814
EXPENSES (IN THOUSANDS)										
Operating[5]	$81,405	$80,473	$82,056	$79,218	$81,516	$134,624	$165,830	$132,358	$141,237	$148,312
Insurance losses	$(3,424)	$20,940	$2,548	$186,397	$290,354	$625,140	$735,562	$(532,408)	$(77,784)	$(48,638)
Total expenses	$77,981	$101,413	$84,604	$265,615	$371,870	$759,764	$901,392	$(400,050)	$63,453	$99,674
Net Income (In thousands)[5]	$47,370	$74,249	181,617	$55,714	$23,789	$189,795	$294,704	$627,098	$152,309	$103,140
DATA HIGHLIGHTS										
Total equity (in millions)[2]	$6,359	$6,618	$6,978	$7,261	$7,677	$8,957	$9,670	$10,339	$10,912	$11,266
Equity as a percentage of shares in insured credit unions	1.27%	1.28%	1.30%	1.29%	1.26%	1.23%	1.28%	1.30%	1.30%	1.30%
NCUSIF loss per $1,000 of insured shares	$0.00	$0.04	$0.00	$0.33	$0.47	$0.86	$0.97	$(0.67)	$ (0.09)	$(0.06)
OPERATING RATIOS										
Premium income	—	—	—	—	—	76.6%	77.8%	—	—	—
Investment income	99.6%	99.6%	99.5%	99.6%	98.8%	19.9%	18.1%	99.5%	95.9%	97.8%
Other Income	0.4%	0.4%	0.5%	0.4%	1.2%	3.5%	4.1%	0.5%	4.1%	2.2%
Operating expenses	64.9%	45.8%	30.8%	24.7%	20.6%	14.2%	13.9%	58.3%	65.5%	73.1%
Insurance losses	(2.7)%	11.9%	1.0%	58.0%	73.4%	65.8%	61.5%	(234.5)%	(36.1)%	(24)%
Total expenses	62.2%	57.7%	31.8%	82.7%	94.0%	80.0%	75.4%	(176.2)%	29.4%	49.1%
Net income	37.8%	42.3%	68.2%	17.3%	6.0%	20.0%	24.6%	276.2%	70.6%	50.9%
INVOLUNTARY LIQUIDATIONS COMMENCED										
Number	14	10	12	7	15	16	18	15	14	13
Share payouts (in thousands)	$88,746	$27,137	$19,799	$195,325	$648,620	$713,112	$701,145	$586,852	667,814	$125,621
Share payouts as a percentage of total insured shares	0.018%	0.005%	0.004%	0.035%	0.106%	0.098%	0.093%	0.074%	0.080%	0.015%
Shares in liquidated credit unions (in thousands)	$105,368	$32,513	$23,768	$578,880	$916,822	$990,931	$870,435	$459,403	$728,746	$105,378

[1] 2008 includes $106 million gain on sale of U.S. Treasury Securities.
[2] Equity does not include unrealized gain (loss) from U.S. Treasury securities held as "Available for Sale Securities" beginning in 2008.
[3] Amounts for 2006 and 2007 represent the carrying value of guarantees as determined under FIN 45, "Guarantor's Accounting and Disclosure Requirements."
[4] The NCUSIF adopted Federal Accounting Standards Advisory Board (FASAB) accounting standards beginning in 2010. For the purpose of this table, total income includes both exchange and non-exchange revenue.
[5] 2009–2011 Total Income excludes Stabilization Income 2009–2011. Operating Expense excludes Stabilization Expense, and 2009–2011 Net Income excludes Stabilization Income and Expense.

December 31	2004	2005	2006	2007	2008[3]	2009	2010	2011	2012	2013
MERGERS										
Assisted	7	5	4	5	3	12	10	1	8	4
Unassisted	331	260	281	237	253	207	193	212	265	236
SECTION 208 (FCU ACT) ASSISTANCE TO AVOID LIQUIDATION (IN THOUSANDS)										
Capital notes and other cash advances outstanding	$0	$0	$15,000	$0	$0	$11,000,000	$0	$80,000	$80,000	$67,500
Non-cash guaranty accounts	$70	$4,798	$679	$233,088	$126,340	$7,451	$108,046	$199,945	$32,132	$5,533
Number of active cases	1	8	4	6	5	9	5	9	5	3
NUMBER OF TROUBLED, INSURED CREDIT UNIONS (CAMEL 4 & 5)										
Number	255	280	240	211	271	351	365	409	370	307
Shares (millions)	$4,350	$5,771	$5,323	$5,300	$16,314	$41,587	$38,510	$26,285	$16,940	$12,133
Problem case shares as a percentage of insured shares	0.87%	1.12%	0.96%	0.94%	2.33%	5.35%	4.74%	3.31%	2.0%	1.40%

December 31	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
TOTAL INSURED SHARES IN NATURAL PERSON CREDIT UNIONS (IN MILLIONS)[1]										
Federal credit unions	$276,392	$285,713	$296,466	$308,917	$361,264	$393,296	$410,480	$430,319	$452,525	$460,577
State credit unions	$222,573	$228,228	$237,724	$251,927	$297,732	$331,501	$345,471	$363,253	$385,366	$404,298
Total shares	$498,965	$513,941	$534,190	$560,844	$658,996	$724,797	$755,951	$793,572	$837,891	$864,875
NUMBER OF MEMBER ACCOUNTS IN INSURED CREDIT UNIONS (IN THOUSANDS)[2]										
Federal credit unions	81,642	84,519	87,834	88,509	90,417	91,826	92,648	93,691	96,138	97,943
State credit unions	63,575	64,620	67,422	69,501	72,351	74,310	75,661	76,627	79,230	82,706
Total	145,217	149,139	155,256	158,010	162,768	166,136	168,309	170,318	175,368	180,649
NUMBER OF INSURED CREDIT UNIONS										
Federal credit unions	5,572	5,393	5,189	5,036	4,847	4,714	4,589	4,447	4,272	4,105
State credit unions	3,442	3,302	3,173	3,065	2,959	2,840	2,750	2,647	2,547	2,449
Total	9,014	8,695	8,362	8,101	7,806	7,554	7,339	7,094	6,819	6,554
Insured shares as a percentage of all credit union shares	89.7%	89.0%	88.9%	88.7%	96.8%	96.3%	96.1%	95.9%	95.4%	95.0%
State credit union portion of insured shares	44.6%	44.4%	44.5%	44.9%	45.2%	45.7%	45.7%	45.8%	46.0%	46.7%

[1] Total federally insured shares in credit unions.
[2] Does not include non-member accounts.
[3] 2008 data updated to account for many Call Report corrections because of Stabilization Fund expense.

Federal Credit Union Ten-Year Summary

Federal credit unions December 31 (dollar amounts in millions)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number of credit unions	5,572	5,393	5,189	5,036	4,847	4,714	4,589	4,447	4,272	4,105
Number of Members	46,857,837	47,914,140	48,254,353	48,474,301	49,130,191	49,604,483	50,081,400	50,743,403	51,796,869	52,499,312
Assets	$358,701	$377,827	$394,131	$417,578	$447,124	$482,684	$500,075	$525,633	$557,119	$571,326
Loans outstanding	$223,875	$249,521	$270,418	$289,169	$309,277	$311,154	$306,276	$308,845	$322,675	$343,780
Shares	$308,318	$321,831	$333,914	$349,101	$373,366	$408,832	$427,603	$449,316	$474,903	$485,500
Reserves[1]	$13,576	$13,963	$14,487	$14,796	$14,879	$15,130	$15,875	$16,643	$17,596	$18,411
Undivided earnings	$26,051	$28,855	$31,581	$33,367	$33,177	$33,235	$34,615	$36,939	$40,280	$42,874
Gross income	$20,302	$22,796	$26,139	$29,227	$30,121	$29,469	$28,781	$27,728	$27,918	$27,149
Operating expenses[2]	$12,128	$13,308	$13,900	$15,225	$19,131	$19,766	$20,084	$19,259	$19,306	$19,546
Dividends	$4,683	$5,930	$8,398	$10,588	$9,686	$7,421	$5,483	$4,373	$3,600	$3,014
Net income [3]	$3,351	$3,295	$3,420	$2,909	$284	$1,098	$2,468	$3,541	$4,650	$4,220
PERCENT CHANGE										
Total assets	6.6%	5.3%	4.3%	5.9%	7.1%	8.0%	3.6%	5.1%	6.0%	2.5%
Loans outstanding	10.4%	11.5%	8.4%	6.9%	7.0%	0.6%	-1.6%	0.8%	4.5%	6.6%
Shares	5.8%	4.4%	3.8%	4.5%	7.0%	9.5%	4.6%	5.1%	5.7%	2.2%
Reserves[1]	5.6%	2.8%	3.8%	2.1%	0.6%	1.7%	4.9%	4.8%	5.7%	4.9%
Undivided earnings	10.8%	10.8%	9.4%	5.7%	-0.6%	0.2%	4.2%	6.7%	9.0%	6.4%
Gross income	2.7%	12.3%	14.7%	11.8%	3.1%	-2.2%	-2.3%	-3.7%	0.7%	-2.6%
Operating expenses[2]	7.9%	9.7%	4.4%	9.5%	25.7%	3.3%	1.6%	-4.1%	0.2%	1.0%
Dividends	-9.9%	26.6%	41.6%	26.1%	-8.5%	-23.4%	-26.1%	-20.2%	-17.7%	-16.3%
Net income[3]	2.4%	-1.7%	3.8%	-14.9%	-90.2%	286.6%	124.8%	43.5%	31.3%	-8.2%
SIGNIFICANT RATIOS (IN PERCENT)										
Reserves to assets	3.8%	3.7%	3.7%	3.5%	3.3%	3.1%	3.2%	3.2%	3.2%	3.2%
Reserves and undivided earnings to assets[1]	11.0%	11.3%	11.7%	11.5%	10.7%	10.0%	10.1%	10.2%	10.4%	10.7%
Reserves to loans[1]	6.1%	5.6%	5.4%	5.1%	4.8%	4.9%	5.2%	5.4%	5.5%	5.4%
Loans to shares	72.6%	77.5%	81.0%	82.8%	82.8%	76.1%	71.6%	68.7%	67.9%	70.8
Operating expenses to gross income[2]	59.7%	58.4%	53.2%	52.1%	63.5%	67.1%	69.8%	69.5%	69.2%	65.9%
Salaries and benefits to gross income	27.1%	25.8%	24.2%	23.2%	23.9%	25.2%	26.4%	28.6%	30.2%	32.4%
Dividends to gross income	23.1%	26.0%	32.1%	36.2%	32.2%	25.2%	19.1%	15.8%	12.9%	11.1%
Yield on average assets	5.8%	6.2%	6.8%	7.2%	7.0%	6.3%	5.9%	5.4%	5.2%	4.8%
Cost of funds to average assets	1.4%	1.7%	2.3%	2.8%	2.4%	1.8%	1.2%	1.0%	0.8%	0.6%
Gross spread	4.4%	4.5%	4.5%	4.4%	4.5%	4.6%	4.6%	4.4%	4.4%	4.2%
Net Income divided by gross income [3]	16.5%	14.5%	13.1%	10.0%	0.9%	3.7%	8.6%	12.8%	16.7%	15.6%
Yield on average loans	6.3%	6.2%	6.5%	6.7%	6.6%	6.3%	6.2%	5.9%	5.5%	5.1%
Yield on average investments	2.6%	3.2%	4.0%	4.7%	3.9%	2.7%	2.0%	1.7%	1.4%	1.2%

[1] Does not include the allowance for loan losses.
[2] Includes the provision for loan losses.
[3] Net income prior to reserve transfers.

Federally Insured, State-Chartered Credit Union Ten-Year Summary

Federally insured, state-chartered credit unions December 31 (dollar amounts in millions)

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Number of credit unions	3,442	3,302	3,173	3,065	2,959	2,840	2,750	2,647	2,547	2,449
Number of Members	36,710,302	36,896,076	37,499,194	38,363,147	39,452,881	40,332,998	40,447,236	41,092,953	42,042,565	43,761,782
Assets	$288,295	$300,868	$315,817	$335,885	$364,132	$402,069	$414,395	$436,121	$464,612	$490,588
Loans outstanding	$190,377	$208,731	$223,917	$237,755	$256,720	$261,285	$258,555	$262,640	$275,066	$301,440
Shares	$247,804	$255,588	$267,274	$283,298	$307,762	$343,835	$358,877	$378,093	$402,948	$424,587
Reserves[1]	$11,098	$11,479	$11,474	$11,854	$12,416	$12,650	$12,896	$13,090	$13,549	$13,967
Undivided earnings	$20,200	$21,943	$24,337	$26,121	$25,717	$26,434	$28,066	$30,566	$33,904	$37,570
Gross income	$16,538	$18,165	$20,936	$23,703	$24,358	$ 24,043	$23,262	$22,366	$22,543	$22,512
Operating expenses[2]	$10,252	$10,805	$11,348	$12,725	$15,967	$16,668	$16,512	$15,863	$15,773	$16,104
Dividends	$2,800	$3,557	$5,084	$6,277	$5,695	$ 4,303	$3,126	$2,464	$2,045	$1,811
Net income [3]	$2,438	$2,364	$2,303	$1,828	$(451)	$575	$2,118	$2,868	$3,893	$3,918
PERCENT CHANGE										
Total assets	5.4%	4.4%	5.0%	6.4%	8.4%	10.4%	3.1%	5.2%	6.5%	5.6%
Loans outstanding	9.9%	9.6%	7.3%	6.2%	8.0%	1.8%	-1.0%	1.6%	4.7%	9.6%
Shares	4.6%	3.1%	4.6%	6.0%	8.6%	11.7%	4.4%	5.4%	6.6%	5.4%
Reserves[1]	2.9%	3.4%	0.0%	3.3%	4.7%	1.9%	1.9%	1.5%	3.5%	3.1%
Undivided earnings	10.8%	8.6%	10.9%	7.3%	-1.5%	2.8%	6.2%	8.9%	10.9%	11.0%
Gross income	1.0%	9.8%	15.3%	13.2%	2.8%	-1.3%	-3.3%	-3.9%	0.8%	-0.1%
Operating expenses[2]	6.5%	5.4%	5.0%	12.1%	25.5%	4.4%	-0.9%	-3.9%	-0.6%	2.0%
Dividends	-10.3%	27.0%	42.9%	23.5%	-9.3%	-24.4%	-27.3%	-21.2%	-17.0%	-11.6%
Net income[3]	-2.8%	-3.0%	-2.6%	-20.6%	-124.7%	-227.5%	268.3%	35.4%	35.7%	1.5%
SIGNIFICANT RATIOS (IN PERCENT)										
Reserves to assets	3.8%	3.8%	3.6%	3.5%	3.4%	3.1%	3.1%	3.0%	2.9%	2.8%
Reserves and undivided earnings to assets[1]	10.9%	11.1%	11.3%	11.3%	10.5%	9.7%	9.9%	10.0%	10.2%	10.5%
Reserves to loans[1]	5.8%	5.5%	5.1%	5.0%	4.8%	4.8%	5.0%	5.0%	4.9%	4.6%
Loans to shares	76.8%	81.7%	83.8%	83.9%	83.4%	76.0%	72.0%	69.5%	68.3%	71.0%
Operating expenses to gross income[2]	62.0%	59.5%	54.2%	53.7%	65.6%	69.3%	71.0%	70.9%	70.0%	66.7%
Salaries and benefits to gross income	27.8%	26.7%	24.9%	23.9%	24.9%	25.9%	27.5%	29.3%	31.3%	33.2%
Dividends to gross income	16.9%	19.6%	24.3%	26.5%	23.4%	17.9%	13.4%	11.0%	9.1%	8.0%
Yield on average assets	5.9%	6.2%	6.8%	7.3%	7.0%	6.3%	5.7%	5.3%	5.0%	4.7%
Cost of funds to average assets	1.4%	1.7%	2.4%	2.8%	2.4%	1.7%	1.2%	0.9%	0.7%	0.6%
Gross spread	4.5%	4.4%	4.4%	4.4%	4.5%	4.6%	4.5%	4.4%	4.3%	4.2%
Net Income divided by gross income [3]	14.7%	13.0%	11.0%	7.7%	-1.9%	2.4%	9.1%	12.8%	17.3%	17.4%
Yield on average loans	6.1%	6.0%	6.4%	6.7%	6.6%	6.2%	6.0%	5.6%	5.3%	4.9%
Yield on average investments	2.6%	3.2%	4.0%	4.8%	3.9%	2.6%	1.9%	1.5%	1.2%	1.1%

[1] Does not include the allowance for loan losses.
[2] Includes the provision for loan losses.
[3] Net income prior to reserve transfers.

Federal Credit Union Historical Data

Historical data for federal credit unions December 31, 1935 to 1973

Year	Charters issued	Charters cancelled	Inactive credit unions	Active credit unions	Members	Assets	Shares	Loans outstanding
						(Amounts in thousands of dollars)		
1935*	828	0	134	772	119,420	$2,372	$2,228	$1,834
1936*	956	4	107	1,751	309,700	$9,158	$8,511	$7,344
1937*	638	69	114	2,313	483,920	$19,265	$17,650	$15,695
1938*	515	83	99	2,760	632,050	$29,629	$26,876	$23,830
1939*	529	93	113	3,182	850,770	$47,811	$43,327	$37,673
1940*	666	76	129	3,756	1,127,940	$72,530	$65,806	$55,818
1941*	583	89	151	4,228	1,408,880	$106,052	$97,209	$69,485
1942*	187	89	332	4,145	1,356,940	$119,591	$109,822	$43,053
1943*	108	321	326	3,938	1,311,620	$127,329	$117,339	$35,376
1944*	69	285	233	3,815	1,306,000	$144,365	$133,677	$34,438
1945	96	185	202	3,757	1,216,625	$153,103	$140,614	$35,155
1946	157	151	204	3,761	1,302,132	$173,166	$159,718	$56,801
1947	207	159	168	3,845	1,445,915	$210,376	$192,410	$91,372
1948	341	130	166	4,058	1,628,339	$258,412	$235,008	$137,642
1949	523	101	151	4,495	1,819,606	$316,363	$285,001	$186,218
1950	565	83	144	4,984	2,126,823	$405,835	$361,925	$263,736
1951	533	75	188	5,398	2,463,898	$504,715	$457,402	$299,756
1952	692	115	238	5,925	2,853,241	$662,409	$597,374	$415,062
1953	825	132	278	6,578	3,255,422	$854,232	$767,571	$573,974
1954	852	122	359	7,227	3,598,790	$1,033,179	$931,407	$681,970
1955	777	188	369	7,806	4,032,220	$1,267,427	$1,135,165	$863,042
1956	741	182	384	8,350	4,502,210	$1,529,202	$1,366,258	$1,049,189
1957	662	194	467	8,735	4,897,689	$1,788,768	$1,589,191	$1,257,319
1958	586	255	503	9,030	5,209,912	$2,034,866	$1,812,017	$1,379,724
1959	700	270	516	9,447	5,643,248	$2,352,813	$2,075,055	$1,666,526
1960	685	274	469	9,905	6,087,378	$2,669,734	$2,344,337	$2,021,463
1961	671	265	509	10,271	6,542,603	$3,028,294	$2,673,488	$2,245,223
1962	601	284	465	10,632	7,007,630	$3,429,805	$3,020,274	$2,560,722
1963	622	312	452	10,955	7,499,747	$3,916,541	$3,452,615	$2,911,159
1964	580	323	386	11,278	8,092,030	$4,559,438	$4,017,393	$3,349,068
1965	584	270	435	11,543	8,640,560	$5,165,807	$4,538,461	$3,864,809
1966	701	318	420	11,941	9,271,967	$5,668,941	$4,944,033	$4,323,943
1967	636	292	495	12,210	9,873,777	$6,208,158	$5,420,633	$4,677,480
1968	662	345	438	12,584	10,508,504	$6,902,175	$5,986,181	$5,398,052
1969	705	323	483	12,921	11,301,805	$7,793,573	$6,713,385	$6,328,720
1970	563	412	578	12,977	11,966,181	$8,860,612	$7,628,805	$6,969,006
1971	400	461	777	12,717	12,702,135	$10,533,740	$9,191,182	$8,071,201
1972	311	672	425	12,708	13,572,312	$12,513,621	$10,956,007	$9,424,180
1973	364	523	286	12,688	14,665,890	$14,568,736	$12,597,607	$11,109,015

*Data for 1935–44 are partly estimated.

Historical data for federal credit unions December 31, 1974 to 2013

Year	Charters issued	Charters cancelled	Inactive credit unions	Active credit unions	Members	Assets (Amounts in thousands of dollars)	Shares (Amounts in thousands of dollars)	Loans outstanding (Amounts in thousands of dollars)
1974	367	369	224	12,748	15,870,434	$16,714,673	$14,370,744	$12,729,653
1975	373	334	274	12,737	17,066,428	$20,208,536	$17,529,823	$14,868,840
1976	354	387	221	12,757	18,623,862	$24,395,896	$21,130,293	$18,311,204
1977	337	315	250	12,750	20,426,661	$29,563,681	$25,576,017	$22,633,860
1978	348	298	291	12,759	23,259,284	$34,760,098	$29,802,504	$27,686,584
1979	286	336	262	12,738	24,789,647	$36,467,850	$31,831,400	$28,547,097
1980	170	368	362	12,440	24,519,087	$40,091,855	$36,263,343	$26,350,277
1981	119	554	398	11,969	25,459,059	$41,905,413	$37,788,699	$27,203,672
1982	114	556	294	11,631	26,114,649	$45,482,943	$41,340,911	$28,184,280
1983	107	736	320	10,976	26,798,799	$54,481,827	$49,889,313	$33,200,715
1984	135	664	219	10,548	28,191,922	$63,656,321	$57,929,124	$42,133,018
1985	55	575	122	10,125	29,578,808	$78,187,651	$71,616,202	$48,240,770
1986	59	441	107	9,758	31,041,142	$95,483,828	$87,953,642	$55,304,682
1987	41	460	45	9,401	32,066,542	$105,189,725	$96,346,488	$64,104,411
1988	45	201	172	9,118	34,438,304	$114,564,579	$104,431,487	$73,766,200
1989	23	307	185	8,821	35,612,317	$120,666,414	$109,652,600	$80,272,306
1990	33	410	118	8,511	36,241,607	$130,072,955	$117,891,940	$83,029,348
1991	14	291	123	8,229	37,080,854	$143,939,504	$130,163,749	$84,150,334
1992	33	341	128	7,916	38,205,128	$162,543,659	$146,078,403	$87,632,808
1993	42	258	132	7,696	39,755,596	$172,854,187	$153,505,799	$94,640,348
1994	39	224	145	7,498	40,837,392	$182,528,895	$160,225,678	$110,089,530
1995	28	194	148	7,329	42,162,627	$193,781,391	$170,300,445	$120,514,044
1996	14	189	150	7,152	43,545,541	$206,692,540	$180,964,338	$134,120,610
1997	17	179	13	6,981	43,500,553	$215,097,395	$187,816,918	$140,099,926
1998	8	174	1	6,815	43,864,851	$231,904,308	$202,650,793	$144,849,109
1999	17	265	0	6,566	44,076,428	$239,315,693	$207,613,549	$155,171,735
2000	12	235	7	6,336	43,883,106	$242,881,164	$210,187,670	$163,850,918
2001	14	228	11	6,118	43,817,186	$270,122,649	$235,201,372	$170,326,327
2002	21	180	6	5,953	44,594,763	$301,237,877	$261,818,983	$181,767,853
2003	28	193	12	5,776	46,153,280	$336,584,591	$291,484,757	$202,873,141
2004	22	172	54	5,572	46,857,837	$358,700,825	$308,317,947	$223,874,845
2005	19	177	21	5,393	47,914,140	$377,827,227	$321,831,310	$249,520,525
2006	17	201	20	5,189	48,254,353	$394,130,995	$333,914,269	$270,418,384
2007	14	165	2	5,036	48,474,301	$417,578,324	$349,100,928	$289,169,391
2008	8	177	20	4,847	49,130,191	$447,124,352	$373,365,677	$309,277,352
2009	13	136	10	4,714	49,604,483	$482,684,405	$408,831,654	$311,153,591
2010	12	121	16	4,589	50,081,400	$500,075,341	$427,602,919	$306,276,074
2011	5	139	8	4,447	50,743,403	$525,633,071	$449,315,853	$308,844,729
2012	4	175	4	4,272	51,796,869	$557,118,658	$474,902,752	$322,674,539
2013	1	168	0	4,105	52,499,312	$571,326,161	$485,500,002	$343,780,737

Contact Information

Public Information:	(703) 518-6330	pacamail@ncua.gov
Office of the Board:	(703) 518-6300	
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Credit Union Investments:	(800) 755-5999	ocmpmail@ncua.gov
NCUA Consumer Assistance Center:	(800) 755-1030	consumerassistance@ncua.gov
Report Improper or Illegal Activities:	(800) 778-4806	oigmail@ncua.gov
Share Insurance Hotline:	(877) 452-1463	
Technical Support:	(800) 827-3255	csdesk@ncua.gov

Thank you for your interest in the NCUA 2013 Annual Report. Credit unions can secure electronic copies of the NCUA 2013 Annual Report at www.ncua.gov in the tab on Regulations, Publications, and Reports. Please send any comments or suggestions about this report to pacamail@ncua.gov.

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