NATIONAL CREDIT UNION ADMINISTRATION

2015 Annual Report

www.NCUA.gov

Office of the Chairman

March 15, 2016

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

On behalf of the National Credit Union Administration and in the spirit of transparency, I am pleased to submit NCUA's *2015 Annual Report* for your review.

This report reviews the agency's performance in 2015 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 *2015 Annual Report* in accordance with the requirements of:

- Section 102(d) of the Federal Credit Union Act,
- the Chief Financial Officers Act of 1990, and
- the Government Performance and Results Modernization Act of 2010.

In accordance with the Reports Consolidation Act of 2000, NCUA also completed an assessment of the reliability of the performance data contained in this report. No material inadequacies were found, and the data are considered to be complete and reliable.

Sincerely,

Debbie Matz

Debbie Matz
Chairman

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ABOUT THIS REPORT

NCUA's *2015 Annual Report* provides financial and high-level performance results and demonstrates to the Congress, the President, and the public the agency's commitment to its mission and accountability over the resources entrusted to it. The report details the agency's major regulatory and policy initiatives, activities and accomplishments. It also contains financial statements and audit information for the four permanent funds that NCUA administers: the National Credit Union Share Insurance Fund, the NCUA Operating Fund, the Central Liquidity Facility and the Community Development Revolving Loan Fund.

The *2015 Annual Report* focuses on NCUA's strategic goals and performance results, and includes the agency's audited financial statements for its four permanant funds. This report and prior NCUA annual reports are available on NCUA's website at https://www.ncua.gov/NewsRoom/Pages/publications/annual-reports.aspx.

To comment on this report, email PACAmail@ncua.gov.

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MESSAGE FROM THE CHAIRMAN

I am pleased to report that 2015 was another good year for America's credit union system, which remains both safe and sound. By nearly all measures, credit unions have returned to pre-financial crisis performance levels. Notably, during 2015, membership at our nation's 6,021 federally insured credit unions continued to grow, reaching 102.7 million members. Over the year, assets rose to $1.2 trillion, an increase of 32 percent since 2010.

Credit unions also continued to benefit from steady economic growth. Lending at federally insured credit unions grew by nearly 10.5 percent, with significant growth in auto lending and residential mortgages. During 2015, the credit union system's net worth ratio remained steady at 10.92 percent, well above the statutory well-capitalized standard of 7.0 percent.

After five years focused on strengthening the regulatory framework to withstand another crisis, NCUA shifted focus in 2015 toward regulatory relief.

2015: THE YEAR OF REGULATORY RELIEF

Credit union members depend on NCUA to protect their savings. NCUA does so by examining credit unions for safety, soundness and compliance with federal regulations. However, to the extent we can provide credit unions with regulatory relief without sacrificing prudential standards, NCUA did so at a rapid pace in 2015.

During the "Year of Regulatory Relief," NCUA finalized or proposed 15 modernized regulations to reduce compliance burdens or authorize new powers. Touching on key stakeholder concerns, these initiatives removed outdated procedures and non-statutory requirements. They also gave credit unions greater flexibility to make decisions and serve their members' needs.

Among our most significant regulatory relief initiatives, we:

- Eliminated the 5-percent cap on fixed assets and removed the need for federal credit unions to apply to NCUA for fixed-asset waivers. In doing so, we transferred the power to make business decisions about purchasing land, buildings, office equipment and technology to credit union officials—where it belongs.

- Allowed federal credit unions to automatically add 12 pre-approved categories of associational groups to their charters. This change makes it easier for federal credit unions to grow their fields of membership.
- Expanded share insurance coverage for certain types of escrow accounts. Our updated share insurance regulation provides greater clarity and regulatory certainty around broad categories of escrow accounts that now automatically receive pass-through coverage. In addition to lawyers' trust accounts, these accounts include real estate agents' escrow accounts, prepaid funeral accounts and other similar escrow accounts.
- Amended our corporate credit union rule to permit corporate credit unions to make bridge loans for up to 10 business days. The change provides interim funding to Central Liquidity Facility borrowers, allowing consumer credit unions to receive funds more quickly.
- Lifted the asset ceiling on the definition of "small" credit unions from $50 million to $100 million. As a result of this change, nearly three out of every four credit unions are now eligible for special consideration for regulatory relief in future rulemakings.
- Proposed expanding field of membership options for community charters and occupational charters. If adopted, federal credit unions would be eligible to serve entire congressional districts, combined-statistical areas with populations up to 2.5 million or rural districts with populations up to one million. Federal credit unions could also extend membership eligibility to serve honorably discharged veterans, contractors and businesses in industrial parks. NCUA also proposed streamlining the application process for federal credit unions to serve select employee groups and underserved areas.
- Proposed modernizing NCUA's member business lending rule by removing limits not required by Congress. These changes would empower credit unions to write their own business loan policies, eliminate the personal guarantee requirement and need for regulatory waivers, and remove unnecessary barriers on business loan participations, which help credit unions diversify risks.
- Proposed eliminating an unintentionally burdensome investment requirement by providing federal credit unions with greater choices when investing in bank notes.

In addition to these regulatory actions, we continued tailoring the NCUA examination program to reduce the burden on small credit unions as much as possible, without compromising safety and soundness. Through the Small Credit Union Examination Program, NCUA spent less time, on average, in well-managed federal credit unions with up to $50 million in assets. As a result, these credit unions were able to spend more time serving their members.

STRENGTHENING REGULATIONS TO ENSURE CONTINUED SAFETY AND SOUNDNESS

Today's credit unions must respond to a dynamic financial services marketplace, emerging risks, technological advances and shifting consumer preferences. As credit unions change, so must NCUA's regulatory structure. During 2015, NCUA completed the final chapter in a multi-year effort to strengthen the regulatory structure for credit unions following the 2008–2009 financial crisis.

Most notably, we finalized a risk-based capital rule to fulfill the Federal Credit Union Act's requirement for NCUA to design a risk-based system that is consistent with and comparable to the federal banking agencies' systems, while taking the cooperative character of credit unions into account.

NCUA's risk-based capital rule will protect the credit union system and the National Credit Union Share Insurance Fund from potential losses if complex credit unions with high-risk portfolios fail. The effective date of the rule will coincide with full implementation of the federal banking agencies' risk-based capital regimes in 2019. Because small credit unions are generally less complex than larger credit unions and their bank counterparts, credit unions with less than $100 million in assets are exempt from the rule.

We also developed an online registry for credit union service organizations to report their client bases and financial statements directly to NCUA. This transparency initiative will eliminate duplicate reporting by credit unions and better inform credit unions and regulators about CUSO activities. CUSOs will begin registering with NCUA in 2016.

SEEKING ACCOUNTABILITY AFTER THE CORPORATE CRISIS

In 2015, NCUA reached an important milestone in its efforts to hold accountable those who contributed to the collapse of five corporate credit unions during the 2008–2009 financial crisis. Total recoveries from our litigation

Chairman Debbie Matz participates in the ribbon-cutting for The Finest Federal Credit Union at New York City Hall. Detective Steven McDonald (seated) became the credit union's first member.

against banks and settlements with other financial firms passed the $2 billion mark, exceeding $2.4 billion by year's end. In all, NCUA obtained $732.6 million in recoveries in 2015.

NCUA was the first regulator of federal depository institutions to recover its institutions' losses from investments in faulty mortgage-backed securities. NCUA uses the net proceeds from these settlements to repay the Temporary Corporate Credit Union Stabilization Fund's outstanding borrowings from the U.S. Treasury and to decrease the amount that surviving credit unions must pay to recoup the losses of the corporate credit union system.

On behalf of the credit union system, we will continue to pursue all available legal remedies against firms that sold flawed financial instruments, failed to fulfill their duties as trustees or violated anti-trust laws through their manipulation of interest rates.

HELPING CREDIT UNIONS THRIVE

America's credit unions, especially those that operate in our nation's underserved or unbanked communities, play a critical role in providing affordable financial services to millions of Americans. Unfortunately, many small and low-income-designated credit unions face a number of challenges which include increasing competition, declining membership bases and lagging revenue growth.

To increase the likelihood that small and low-income credit unions will thrive, NCUA again offered grants, loans, free consulting and training to qualifying institutions. In 2015, 388 low-income credit unions received more than $2.6 million in grants and $1.5 million in loans. Moreover, nearly 33,000 credit union professionals participated in NCUA training initiatives—webinars, online videos, and other outreach. These efforts are aimed at helping small, low-income and newly chartered credit unions to grow.

NCUA also continued to support the important work of minority depository institutions by approving a preservation program to provide technical assistance and support for minority depository institutions. Our offices of Minority and Women Inclusion, Consumer Protection, and Small Credit Union Initiatives took other steps to assist and preserve minority depository institutions, including:

- Approving a new federal charter and multiple community charter conversions to increase the capacity of minority depository institutions.
- Hosting a forum with leading experts to explore how credit unions can market to and serve the growing Hispanic community.
- Engaging in constructive dialogues with professional and trade associations that represent or work with minority depository institutions.

PROMOTING TRANSPARENCY

NCUA appreciates the enormity of our fiduciary responsibility, and we're committed to being as transparent as possible about our operations and policies. We continue to be a leader among federal financial services regulators in providing to the public detailed information about the agency's budget. Detailed fact sheets, line-by-line office budgets, and answers to frequently asked questions about the budgeting process are publicly available on our budget resources webpage.

To provide even more transparency, in late 2015 we resumed the agency's customary two-year budget cycle that was in place before the 2008–2009 financial crisis. The return to business as usual provides additional clarity on the direction of the agency's budget.

Throughout 2015, we also continued to spend NCUA's resources effectively and efficiently. As a result of these efforts we were able to decrease the agency's 2015 operating budget by more than $1.3 million during mid-year reprogramming. In addition, each of the agency's four permanent funds received unmodified, clean audit opinions for 2015.

Listening to the concerns of stakeholders is fundamental to NCUA's transparency efforts. During 2015, we continued to engage the public by convening an open forum, hosting two online town-hall webinars and gathering stakeholder input on field-of-membership and supplemental capital issues through two working groups. These public dialogues shaped many of our policy initiatives during the year.

ENSURING A BRIGHT FUTURE FOR THE CREDIT UNION SYSTEM

By nearly every metric, the credit union system and NCUA concluded 2015 in a strong position. NCUA continued its multi-year effort to create and maintain a modern regulatory structure that allows credit unions to evolve and grow, reduces regulatory burdens where possible and strengthens the credit union system to better address emerging threats and risks.

Over the course of the next year, NCUA will continue to work with Congress and other stakeholders to close a critical regulatory blind spot: assessing potential risks posed by third-party service providers, which are increasingly used by credit unions of all asset sizes. We also will continue to work with the credit union system and our fellow financial services regulators to address critical cybersecurity risks.

In sum, credit unions are dynamic and innovative, and they have repeatedly proven that they are capable of meeting the evolving needs of their members. The future will undoubtedly bring more challenges—interest rate risk, new competition, aging membership and growing disparities between the performance of large and small credit unions are just a few.

However, I'm confident that NCUA's actions in 2015 have better positioned all federally insured credit unions, and the agency, for future opportunities and success.

Debbie Matz
Chairman
March 15, 2016

INTRODUCTION TO THE REPORT

NCUA's *2015 Annual Report* provides financial and performance information for the year beginning January 1, 2015, and ending December 31, 2015, with comparative prior year data, where appropriate. The report demonstrates the agency's commitment to its mission and accountability to Congress and the American people. It candidly presents our operations, accomplishments and challenges. The *2015 Annual Report* begins with a message from the Chairman, Debbie Matz. This introduction is followed by five main sections.

MANAGEMENT'S DISCUSSION AND ANALYSIS

Section I provides an overview of NCUA's performance and financial information. It includes a brief overview of the agency's mission and describes the agency's organizational structure and office functions. This section highlights accomplishments and results in key performance programs in 2015, as well as challenges. It offers forward-looking information on trends and issues that will affect the credit union system and NCUA in the coming years. The section also highlights the agency's financial results and provides management's assurances on NCUA's internal controls.

PERFORMANCE RESULTS

Section II contains information on the agency's strategic and priority goals, and it details NCUA's performance results and challenges during the calendar-year period.

FINANCIALS SECTION

Section III begins with a message from the Chief Financial Officer. It also incorporates the Inspector General's assessment of the agency's management and performance challenges and a brief summary of the agency's corrective actions. This section details the agency's finances, including NCUA's four permanent funds. It also includes the audit transmittal letter from the Inspector General, the independent auditors' reports, and the audited financial statements and notes.

OTHER INFORMATION

Section IV includes a summary of the results of the agency's financial statement audit and management assurances, and information on its civil monetary penalties.

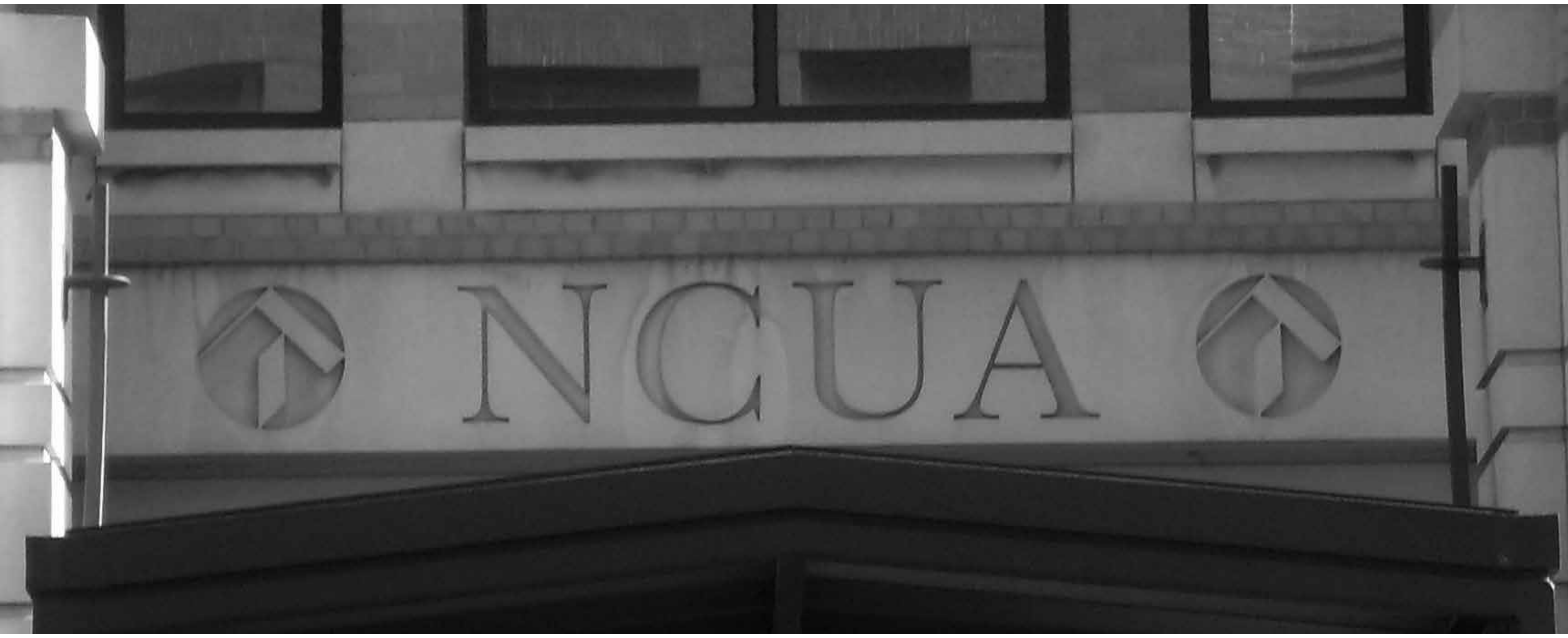
STATISTICAL DATA

Section V contains an overview of the credit union system's financial performance in 2015, as well as data on trends affecting all federally insured credit unions and the Share Insurance Fund.

List of Acronyms and Key Terms

AARP	American Association of Retired Persons
AIRES	Automated Integrated Regulatory Examination System
AMAC	Asset Management and Assistance Center
AME	Asset Management Estate
ASC	Accounting Standards Codification
C.F.R.	Code of Federal Regulations
CAMEL	NCUA's composite CAMEL rating consists of an assessment of a credit union's 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 field staff assess in their evaluation of a credit union's performance and risk profile. CAMEL ratings range from 1 to 5, with 1 being the best rating.
CBA	NCUA Collective Bargaining Agreement
CDRLF	National Credit Union Administration Community Development Revolving Loan Fund
CLF	National Credit Union Administration Central Liquidity Facility
CSA	Community Services Association
CSRS	Civil Service Retirement System
CUMAA	Credit Union Membership Access Act of 1998, Public Law 105–219
CUSO	Credit union service organization
DOL	U.S. Department of Labor
E&I	NCUA Office of Examination and Insurance
EGRPRA	Economic Growth and Regulatory Paperwork Reduction Act
ESC	Department of Transportation's Enterprise Services Center
FASAB	Federal Accounting Standards Advisory Board
FASB	Financial Accounting Standards Board
FBWT	Fund Balance with Treasury
FCU	Federal credit union
FECA	Federal Employees' Compensation Act
FERS	Federal Employees Retirement System

FFB	Federal Financing Bank
FFIEC	Federal Financial Institutions Examination Council
FISCU	Federally insured, state-chartered credit union
FISMA	Federal Information Security Management Act, Public Law 107–347
FMFIA	Federal Managers' Financial Integrity Act of 1982, Public Law 97–255
GAAP	U.S. generally accepted accounting principles
HHS	Department of Health and Human Services
KPMG	KPMG LLP
NCUA	National Credit Union Administration
NCUSIF	National Credit Union Share Insurance Fund
NEXT	NCUA Executive Training Program
NGN	NCUA Guaranteed Notes
NOL	Normal operating level
NTEU	National Treasury Employees Union
OF	Operating Fund
OIG	Office of Inspector General
OMB	Office of Management and Budget
OPM	U.S. Office of Personnel Management
OSCUI	Office of Small Credit Union Initiatives
OTTI	Other-than Temporary Impairment
PACA	Office of Public and Congressional Affairs
SBA	Small Business Administration
SFFAS	Statement of Federal Financial Accounting Standards
TCCUSF	Temporary Corporate Credit Union Stabilization Fund



MANAGEMENT'S DISCUSSION AND ANALYSIS

NCUA in Brief

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 reducing 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 up to $250,000 of insurance at a federally insured credit union. NCUA provides insurance to more than 102 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 the Federal Financial Institutions Examination Council. 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, an interagency body tasked with identifying risks and responding to emerging threats to the financial system.

In 2015, NCUA relied upon 1,224 employees to perform all the vital tasks in the agency's insurance, consumer protection and regulatory roles. The agency 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 examiner groups, each with 8 to 10 examiners responsible for a portfolio of credit unions covering all 50 states, Guam, Puerto Rico, the U.S. Virgin Islands and the District of Columbia.

NCUA BOARD OF DIRECTORS

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. Mrs. Matz represents NCUA as one of ten voting members on the Financial Stability Oversight Council and is the last original FSOC voting member. She also serves on the Federal Financial Institutions Examination Council, which she chaired from 2011–2013. 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 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 and has served as a member of the board of NeighborWorks America.

Vice Chairman Rick Metsger was nominated by President Barack Obama to a seat on the NCUA Board on May 16, 2013. The U.S. Senate confirmed him on August 1, 2013, and he took the oath of office on August 23, 2013. The Board designated him as Vice Chairman on September 18, 2014. 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 currently serves on the board of NeighborWorks America.

Board Member J. Mark McWatters was nominated to the NCUA Board by President Barack Obama on January 7, 2014. Following confirmation by the U.S. Senate on June 19, 2014, Mr. McWatters took office as an NCUA Board member on August 26, 2014. Immediately prior to joining the NCUA Board, Mr. McWatters served as the Assistant Dean for Graduate Programs and as a Professor of Practice at the Southern Methodist University Dedman School of Law and as an Adjunct Professor at the Southern Methodist University Cox School of Business. He previously served as a member of the Troubled Asset Relief Program Congressional Oversight Panel. He also served on the Governing Board of the Texas Department of Housing and Community Affairs and the Advisory Committee of the Texas Emerging Technology Fund. Mr. McWatters has more than 30 years of legal experience as a tax, corporate finance and mergers and acquisitions attorney. He is also licensed as a Certified Public Accountant.

SENIOR STAFF REPORTING TO THE NCUA BOARD AT THE END OF 2015

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

NCUA Central Office Leaders

MARK A. TREICHEL
Office of the Executive Director

LARRY FAZIO
Office of Examination and insurance

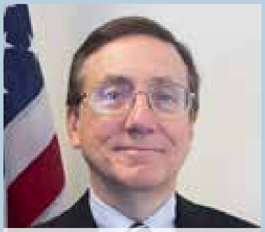
MICHAEL MCKENNA
Office of General Counsel

GAIL LASTER
Office of Consumer Protection

RENDELL JONES
Office of the Chief Financial Officer

SCOTT HUNT
Office of National Examinations and Supervision

WILLIAM MYERS
Office of Small Credit Union Initiatives



RALPH MONACO
Office of the Chief Economist

TODD M. HARPER
Office of Public and Congressional Affairs

CHERYL EYRE
Office of Human Resources

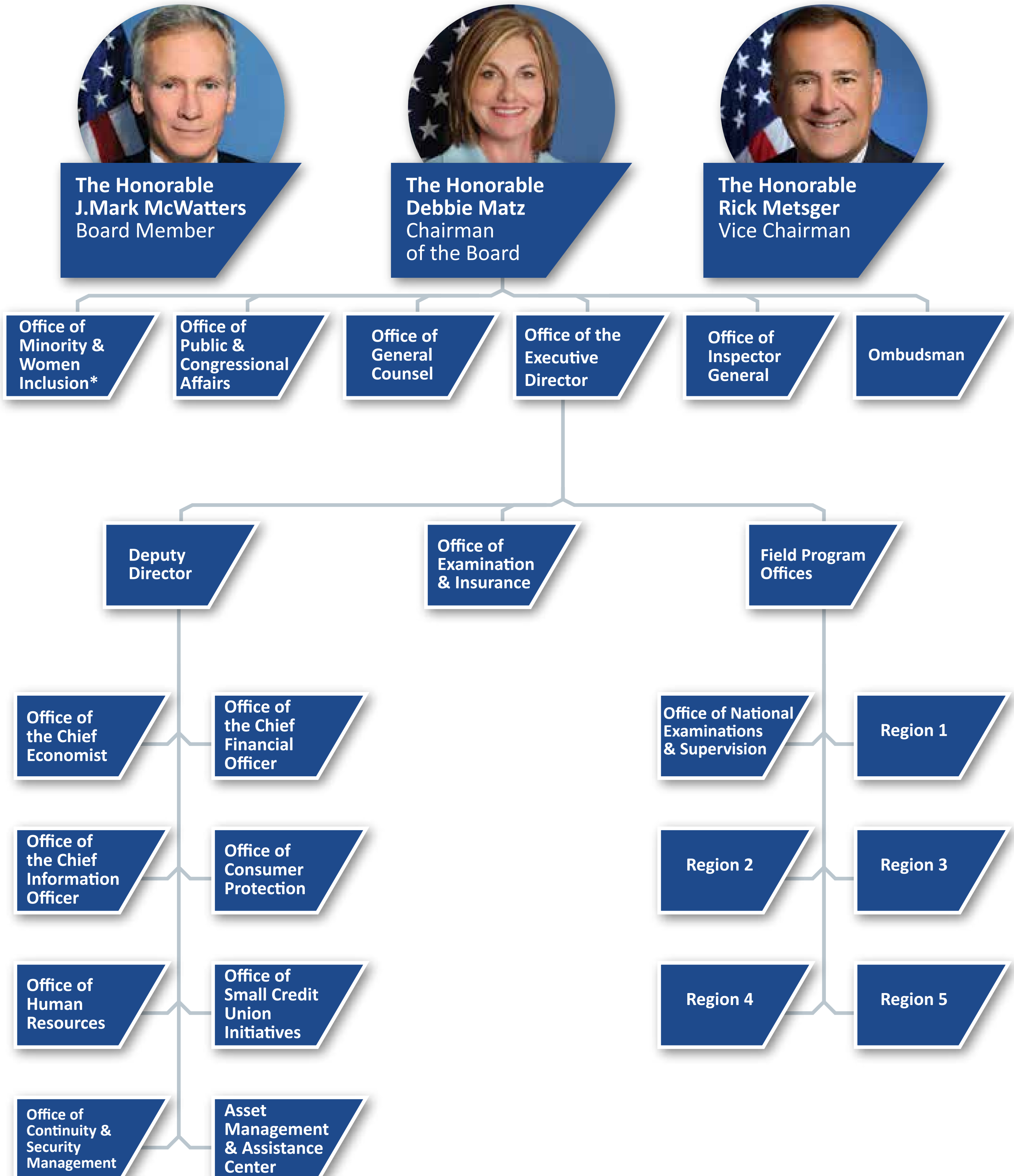
JOY MILLER
Office of Continuity and Security Management

JAMES HAGEN
Office of Inspector General

ED DORRIS
Office of Chief Information Officer

MONICA DAVY
Office of Minority and Women Inclusion

National Credit Union Administration Organizational Chart



*The NCUA Board in January 2016 modified the reporting structure for the Office of Minority and Women Inclusion. The office now reports to the Board.

NCUA Central Offices

NCUA's Board and executive director are located in the agency's central office in Alexandria, Virginia, along with the following major offices.

The **Office of the Executive Director** 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.

The **Office of Examination and Insurance** is responsible for NCUA's supervision programs that ensure the safety and soundness of federally insured credit unions. Within the Office of Examination and Insurance, the Division of Supervision oversees NCUA's examination and supervision program, including resource management and allocation and oversees development and maintenance of exam and supervision policy manuals. The Division of Risk Management oversees the agency's problem resolution program and manages risk to the National Credit Union Share Insurance Fund.

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. The 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 Notes program.

The **Office of General Counsel** addresses legal matters affecting NCUA. The duties of the 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. The General Counsel's office also drafts regulations designed to ensure the safety and soundness of credit unions.

The **Office of Consumer Protection** is responsible for the agency's consumer compliance policy program and rulemaking; fair lending examinations; interagency coordination for consumer financial protection and compliance issues; consumer complaint resolution; and the agency's financial literacy programs. The office also handles chartering, charter conversions, bylaw amendments, field-of-membership expansions and low-income credit union designations, as well as responses to inquiries about share insurance coverage.

The **Office of the Chief Financial Office** oversees the agency's budget preparation and management, ongoing finance and accounting functions, facilities management and procurement. The office also handles billing and collection of credit union Share Insurance Fund premiums and deposit adjustments, federal credit union operating fees and Temporary Corporate Credit Union Stabilization Fund assessments. NCUA's strategic planning process is also housed here.

The **Office of National Examinations and Supervision** supervises the corporate credit union system and consumer credit unions with $10 billion or more in assets. In 2015, the office oversaw 12 corporate credit unions that ranged in asset size from $143 million to $3.8 billion.

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

The **Office of the Chief Economist** supports NCUA's safety and soundness goals by developing and distributing economic intelligence. The office 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. Ralph Monaco succeeded John Worth as Chief Economist in September 2015.

The **Office of Public and Congressional Affairs** monitors federal legislative issues and serves as NCUA's liaison with Capitol Hill and other government agencies. The office is the source of information about NCUA and its functions for the public, credit unions, leagues, trade organizations and the media. The office also manages NCUA's social media program.

The **Office of Human Resources** provides a full range of human resources functions to all NCUA employees. The office administers recruitment and merit promotion, position classification, compensation, employee records, employee and labor relations, training, employee benefits, performance appraisals, incentive awards, adverse actions and grievance programs.

The **Office of Continuity and Security Management** evaluates and manages security and continuity programs across NCUA and its regional offices. The office 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** promotes the economy, efficiency and effectiveness of NCUA programs and operations. The office 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, it conducts independent audits, investigations and other activities and keeps the NCUA Board and U.S. Congress fully informed.

The **Office of the Chief Information Officer** manages NCUA's automated information resources. The office'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, the office manages the NCUA.gov and MyCreditUnion.gov websites. Ed Dorris became the Chief Information Officer in March 2015.

The **Office of Minority and Women Inclusion** oversees issues related to diversity in the agency's management, employment and business activities. The office works to ensure equal opportunities for everyone in NCUA's workforce, programs and contracts. The Office of Minority and Women Inclusion also works to preserve minority depository institutions, and assesses the diversity policies and practices of credit unions regulated by NCUA. Monica Davy took over as the head of the office in July 2015.


MIKE BARTON
Asset Management and Assistance Center


LARRY BLANKENBERGER
Region I


JANE A. WALTERS
Region II


MYRA TOEPPE
Region III


C. KEITH MORTON
Region IV


ELIZABETH WHITEHEAD
Region V

AMAC and Regional Offices

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

NCUA's **Region I** is headquartered in Albany, New York, and is directed by Larry Blankenberger. The region covers Connecticut, Maine, Massachusetts, Michigan, New Hampshire, New York, Rhode Island, Vermont and Wisconsin.

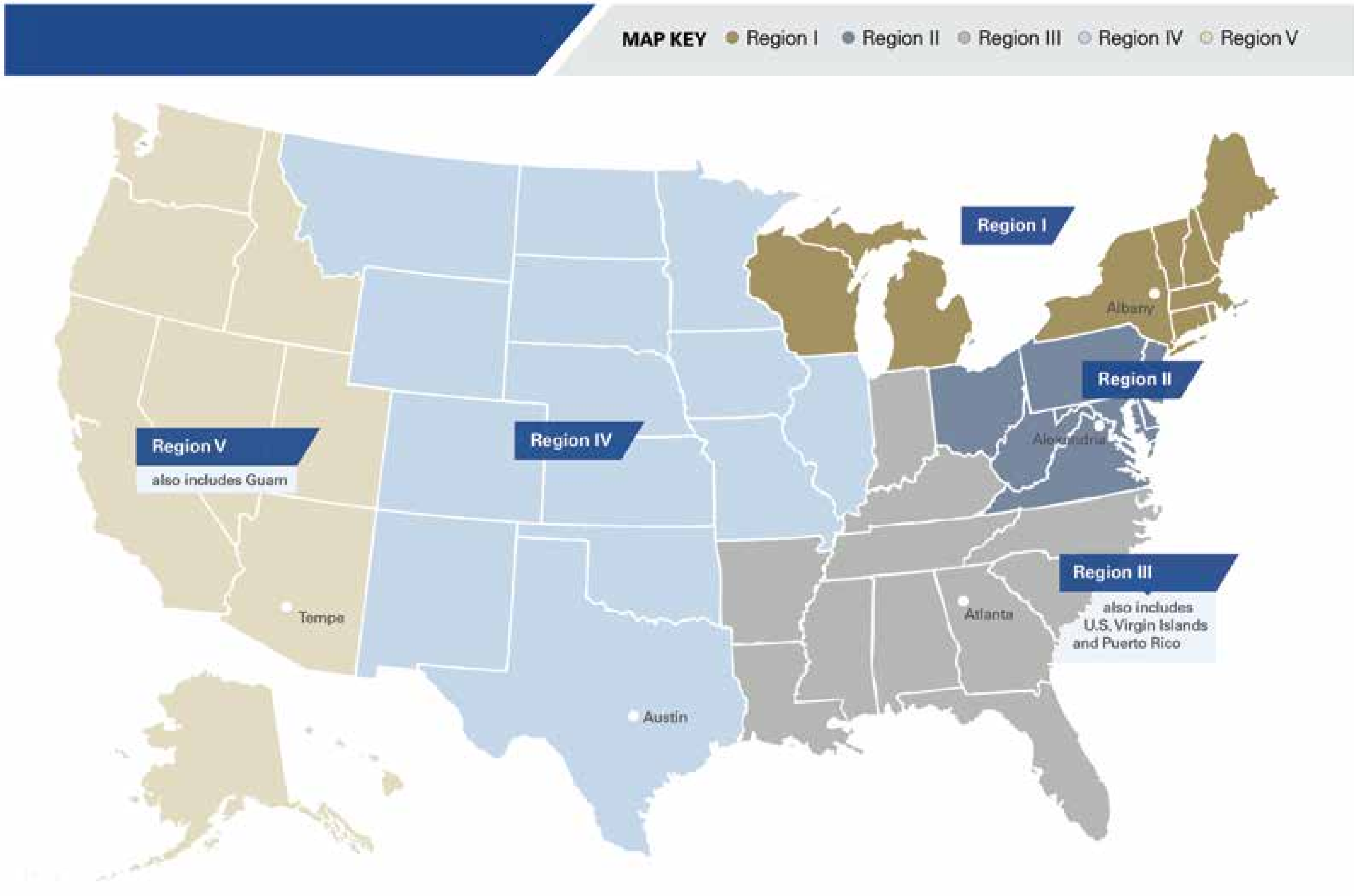
NCUA's **Region II** is headquartered in Alexandria, Virginia, and is directed by Jane A. Walters. The region covers Delaware, the District of Columbia, Maryland, New Jersey, Ohio, Pennsylvania, Virginia and West Virginia.

NCUA's **Region III** is headquartered in Atlanta, Georgia, and is directed by Myra Toeppe. The region covers Alabama, Arkansas, Florida, Georgia, Indiana, Kentucky, Louisiana, Mississippi, North Carolina, Puerto Rico, South Carolina, Tennessee and the U.S. Virgin Islands.

NCUA's **Region IV** is headquartered in Austin, Texas, and is directed by C. Keith Morton. 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 headquartered in Tempe, Arizona, and directed by Elizabeth Whitehead. The region covers Alaska, Arizona, California, Guam, Hawaii, Idaho, Nevada, Oregon, Utah and Washington.

NCUA Regional Map



2015 Year in Review

Federally insured credit unions continued to perform well in 2015. By the end of the year, membership at the nation's 6,021 federally insured credit unions had grown to more than 102.7 million members, and assets stood at more than $1.2 trillion.

As a result of steady economic growth, new loans at federally insured credit unions grew by nearly 15.8 percent for the year, reflecting significant growth in auto lending and residential mortgages. In addition, the credit union system's net worth ratio stood at 10.92 percent, well above the statutory well-capitalized standard of 7.0 percent.

To modernize and adapt to the changing financial landscape, NCUA undertook a number of initiatives during the year. The agency also took steps to provide credit unions with regulatory relief, while still maintaining safety and soundness. These initiatives, along with others in 2015, helped the agency meet its strategic goals.

NCUA's mission is to provide, through regulation and supervision, a safe and sound credit union system, which promotes confidence in national system of cooperative credit. As detailed in NCUA's *2014–2017 Strategic Plan* and the *2015–2016 Annual Performance Plan*, NCUA's strategic goals and objectives in 2015 were:

Strategic Goal	Strategic Objectives
Goal 1: Ensure a Safe, Sound and Sustainable Credit Union System	1.1 Identify, measure, monitor and mitigate levels of risk in the credit union industry through effective regulations, supervision and examination 1.2 Manage operational vulnerabilities resulting from new products and services, especially shifts in balance-sheet composition 1.3 Implement tools and models for evaluation and assessment of industry wide risks 1.4 Be prepared for and promote awareness of critical risk issues, emerging technologies and related threats 1.5 Increase ability to manage risk through an effective examination and supervision program that minimizes loss to the National Credit Union Share Insurance Fund
Goal 2: Promote Consumer Protection and Financial Literacy	2.1 Establish a framework of well-balanced regulations and policy statements 2.2 Ensure federally insured credit unions comply with rules and regulations established to protect consumers 2.3 Develop and promote financial literacy education programs to empower consumers to make informed financial decisions 2.4 Promote access to federally insured financial services for consumers of all backgrounds and income levels 2.5 Review marketing and business plans of community charters to ensure progress toward meeting stated goals 2.6 Educate credit unions about consumer compliance issues
Goal 3: Further Develop a Regulatory Environment that is Transparent and Effective, with Clearly Articulated and Easily Understood Regulations	3.1 Reduce unnecessary obstacles to credit union competitiveness through modernized regulations 3.2 Collaborate with other regulators to discuss strategies and goals for implementing new or revised regulations 3.3 Maintain a regulatory environment that safeguards member interests and stability in the credit union system 3.4 Enhance NCUA's communication with credit unions through transparent regulations and guidance

Strategic Goal	Strategic Objectives
Goal 4: Cultivate an Environment that Fosters a Diverse, Well-Trained and Motivated Staff	4.1 Develop and maintain the optimal knowledge, skills and abilities of the agency's workforce to meet emerging needs 4.2 Enhance staff effectiveness and efficiency through the use of technology 4.3 Recruit and retain a well-diversified and highly qualified workforce that reflects the relevant labor force 4.4 Maintain an effective plan of succession to ensure continuity of leadership throughout all levels of the organization 4.5 Improve NCUA's internal communication, both horizontally and vertically 4.6 Enhance NCUA's position as one of the best places in the government to work

More detailed information about NCUA's performance in meeting these strategic goals and priorities is provided in the Performance Results section of this report.

NCUA's accomplishments and milestones in 2015 are organized into ten broad categories:

- Making 2015 "The Year of Regulatory Relief"
- Modernizing regulations and programs to ensure continued strength
- Ensuring the safety and soundness of the credit union system
- Managing the Corporate Stabilization Fund
- Helping credit unions of all types and sizes thrive
- Expanding access to affordable financial services and protecting consumers
- Enhancing the agency's transparency and engaging stakeholders
- Creating a diverse, highly skilled workforce
- Being a good corporate citizen
- Shaping the future of NCUA and the credit union system

A discussion of our achievements in each of these areas, as well as some of the challenges facing the credit union system and NCUA, follows.

Making 2015 "The Year of Regulatory Relief"

To protect the deposits of credit union members, NCUA maintains effective regulations and examines credit unions for safety, soundness and compliance with federal regulations. However, to the extent we can provide credit unions with regulatory relief without sacrificing prudential standards, NCUA will do so. In early March, NCUA Board Chairman Debbie Matz declared 2015 would be "the year of regulatory relief." Accordingly, NCUA emphasized efforts to provide relief throughout the year.

ELIMINATING THE FIXED-ASSETS CAP

Credit union managers and boards of directors received greater flexibility to manage their operations when the NCUA Board proposed, and later finalized, a rule eliminating the regulatory cap on investments in fixed assets.

Prior to this change, credit union investments in fixed assets were capped at an aggregate limit of 5 percent of a credit union's assets. While a credit union could apply for a waiver to an NCUA regional director, the waiver process was lengthy.

NCUA's final rule eliminated approximately 2,500 hours of paperwork for credit unions, as well as the need to seek waivers from the aggregate limit. Oversight of federal credit union fixed-assets ownership transitioned away from being a prescriptive regulation and is now incorporated into the supervisory process. The rule also simplified partial occupancy requirements by creating a single six-year period and removing the current 30-month requirement for partial occupancy waiver requests. Finally, credit union boards of directors now have the ability to set limits that are appropriate and reasonable for their institution.

While an over-concentration of fixed assets can be dangerous to a credit union's safety and soundness, eliminating the cap allows credit unions greater flexibility to upgrade technology or facilities or purchase other fixed assets without additional regulatory hurdles.

UPDATING THE DEFINITION OF A "SMALL" CREDIT UNION

Nearly three-quarters of all federally insured credit unions are now classified as small entities under a final rule approved by the NCUA Board in September.

The rule raised the asset ceiling for a "small" credit union from $50 million to $100 million under the Regulatory Flexibility Act. At the time of its adoption, an additional 733 federally insured credit unions became eligible for special consideration of regulatory relief in future rulemakings. These institutions also became eligible for ongoing assistance, including training and consulting services, from NCUA's Office of Small Credit Union Initiatives. In all, 4,500 federally insured credit unions were classified as "small" at the end of 2015.

Going forward, the NCUA Board will consider the $100 million asset threshold for providing regulatory relief when issuing new rules or updating existing rules. The Board will reconsider the $100 million threshold in 2018 as part of the agency's three-year rolling review of NCUA rules and regulations.

ALLOWING AUTOMATIC APPROVAL OF 12 CATEGORIES OF ASSOCIATIONS

In April, a majority of the NCUA Board approved a final rule that more clearly defines which associational groups qualify for membership in federal credit unions. This rule provides a measure of regulatory relief by authorizing the approval of several groups as valid associations. Qualifying groups include:

- Alumni associations
- Athletic booster clubs
- Chamber of commerce groups
- Electric cooperatives
- Ethnic organizations
- Fraternal organizations
- Homeowners' associations
- Labor unions
- Professional trade organizations
- Parent-teacher associations
- Religious organizations
- Scouting groups

With the approval of this rule, federal credit unions can now apply to add any of these 12 categories of associations to their field of membership without having to support how the group is a valid association. To add associations that do not qualify for automatic membership, a federal credit union may still apply to NCUA for consideration.

The final rule also establishes a threshold common-bond test requiring that an association not be formed primarily for the purpose of expanding credit union membership. A review of associational applications submitted over the past three years shows that more than 99 percent have met the standard of the new requirement.

Since the rule became effective in July, NCUA has seen an increase in the number of association groups approved for membership in multiple common-bond credit unions. When comparing the five months immediately before the effective date of the new rule with the five months immediately after it became effective, the number of associations approved increased from 228 to 266, or more than 16 percent. Over the same period, the median size of the association groups approved also increased, from 183 to 231, or 26 percent.

NCUA will continue to assess the effectiveness of the rule as federal credit unions became more familiar with the rule's benefits and evaluate how it could affect their future growth strategies.

NCUA Board Chairman Debbie Matz testifies before the House Financial Institutions and Consumer Credit Subcommittee on the agency's commitment to fiscal discipline, operational transparency and open communication.

PROVIDING ADDITIONAL SHARE INSURANCE COVERAGE FOR ESCROW ACCOUNTS

In December, the NCUA Board approved a final rule amending the agency's regulations to expand share insurance coverage for certain types of accounts.

Specifically, the Credit Union Share Insurance Fund Parity Act of 2014 required enhanced, pass-through share insurance coverage for lawyers' trust accounts and similar escrow accounts. Before enactment, NCUA's insurance coverage had been limited only to those clients of the attorney who were also members of the insured credit union where the attorney established the lawyers' trust account.

Under the new rule, only the lawyer or person who administers the escrow account must be a member of the federally insured credit union in which the account is maintained. Share insurance coverage would then flow through to each client or principal, regardless of that person's membership status.

The final rule provided greater clarity and regulatory certainty around broad categories of other escrow accounts that would automatically receive pass-through share insurance coverage. These accounts include real estate agents' escrow accounts and prepaid funeral accounts.

Under the final rule, NCUA also may provide share insurance coverage for similar escrow accounts on a case-by-case basis, where a licensed professional or other individual serving in a fiduciary capacity holds funds for the benefit of a client as part of a transaction or business relationship. The final rule went into effect at the beginning of 2016.

ALLOWING CORPORATE CREDIT UNIONS TO PROVIDE BRIDGE LOANS

In 2015, the Board proposed and later adopted a final rule to strengthen a corporate credit union's ability to help the Central Liquidity Facility provide timely funding to credit unions.

Central Liquidity Facility loans are funded by borrowings from the Federal Financing Bank. Funding from the Federal Financing Bank can take up to 10 business days, creating a lag between the approval and the funding of a Central Liquidity Facility loan.

Under the new rule, corporate credit unions may now make bridge loans for up to 10 business days. This provides interim funding to Central Liquidity Facility borrowers, allowing them to receive funds more quickly. NCUA repays a corporate credit union's bridge loan when the Central Liquidity Facility funds the member credit union's loan.

In recognition of the low risk, and to ensure a corporate credit union is not prevented from lending to very large consumer credit unions, the rule excludes bridge loans from the calculations of “net assets” and “net risk-weighted assets” that determine a corporate credit union’s minimum capital requirements.

ENHANCING THE ATTRACTIVENESS OF SUPPLEMENTAL CAPITAL

In 2015, NCUA revised the supervisory practices outlined in the agency’s *National Supervision Policy Manual,* making it easier for low-income credit unions to obtain supplemental capital and providing investors with greater clarity and confidence.

In particular, the changes expedited the approval of secondary capital requests by NCUA regional offices. In addition, the new procedures make it possible for credit unions that have secondary capital to return portions of loans that no longer count towards net worth.

STREAMLINING THE CHARTERING PROCESS

The NCUA Board approved a new process that significantly streamlined the approval process for community-charter conversions. Under the approved changes, the director of NCUA’s Office of Consumer Protection will have the authority, with appropriate checks and balances, to approve all community-charter actions. Before this change, Board approval was required for actions involving a population of one million people or more.

The agency estimates the new process could trim two months from the approval of applications for communities with more than one million residents. Once a community-charter conversion or expansion occurs, the Office of Consumer Protection will continue to follow up with a credit union to monitor its progress and ensure continued support for the entire community.

PROVIDING ADDITIONAL OPPORTUNITIES TO SUGGEST IMPROVEMENTS

In addition to NCUA’s long-standing policy of reviewing each of its rules and regulations every three years on a rolling basis, NCUA voluntarily adopted the review process required by the Economic Growth and Regulatory Paperwork Reduction Act. This law requires the Federal Financial Institutions Examination Council and its member federal banking agencies to review their regulations at least once every 10 years to identify any rules that might be outdated, unnecessary or unduly burdensome.

Under the EGRPRA review, each agency issues several categories of rules for public comment at regular intervals over two years—with an eye toward streamlining, modernizing or repealing regulations where appropriate. NCUA issued two groups of rules for review in 2015, giving credit unions and other stakeholders the opportunity to provide comments on regulations that apply to credit unions such as those governing corporate credit unions, anti-money laundering matters, examinations, investment and deposit activities and prompt corrective action.

The agency is currently evaluating comments received, and will consider them for future rule changes.

UPDATING FIELD-OF-MEMBERSHIP RULES

In November, the NCUA Board proposed a package of comprehensive changes to the rules that govern chartering and field of membership for federal credit unions.

The key elements of the proposed rule resulted from a dialogue between NCUA and credit union stakeholders. For more than 10 months, NCUA’s Field of Membership Working Group, which developed the proposed rule, hosted conference calls with credit union stakeholders and reviewed a number of recommendations. This resulted in a proposed rule that expands consumer choice, increases access to affordable financial services and provides regulatory relief to a wide range of federal credit unions. The proposed rule will also help keep federal charters competitive with state charters, which often have more permissive field-of-membership rules.

Among other improvements, the proposal would:

- Modernize the definition of “multiple common-bond” to streamline the process for adding new groups to a charter,
- Enlarge the pool of potential members by expanding areas that may be served by a community charter,
- Update the process of defining an “underserved area,”
- Revise the definition of “rural district” to include populations of up to 1 million,

NCUA Vice Chairman Rick Metsger leads a panel discussion on modernizing NCUA's field-of-membership rules during the Credit Union National Association's 2015 Governmental Affairs Conference.

- Designate each congressional district as a well-defined local community,
- Extend membership eligibility to honorably discharged veterans,
- Streamline the process for multiple-common bond credit unions when adding contractors and businesses in industrial parks,
- Recognize full-service website and electronic applications as service facilities for select employee groups, and
- Expand the definition of a "trade, industry or profession" to recognize the strong dependency relationships of suppliers and vendors.

NCUA is currently reviewing comments on the proposed rule submitted by the public, and it expects to issue a final rule in 2016.

MODERNIZING THE MEMBER BUSINESS LENDING RULE

In June, the NCUA Board proposed modernizing the agency's member business lending rules. While keeping statutory requirements in place, the proposed rule replaces regulatory limits with general principles, providing credit unions greater flexibility to serve their member businesses.

Among other improvements, the proposed rule replaces the current rule's requirements and limitations on collateral and security requirements, equity requirements and loan limits. Key changes include:

- Giving credit union loan officers the ability to waive a personal guarantee,
- Removing explicit loan-to-value limits and eliminating the need for a waiver process,
- Lifting limits on construction and development loans, and
- Clarifying that non-member loan participations will not count against the statutory member business lending cap.

The proposed rule empowered credit unions to write their own member business lending policies and limits. Nearly 700 credit unions engaged in a small level of commercial lending would be exempt from the requirement to establish such a policy.

NCUA received a record number, at the time, of public comments—more than 3,000—on the proposed rule. The NCUA Board approved the final member business lending rule in February 2016.

IMPROVING INVESTMENT RULES

In October, the NCUA Board proposed a rule that would eliminate an unintentionally burdensome investment requirement and provide federal credit unions with greater choices when investing in bank notes.

Current NCUA regulations allow federal credit unions to invest in bank notes with original weighted-average maturities of fewer than five years. However, the term "original" in the rule created confusion for some credit unions as to which securities are eligible for purchase.

Incorporating the feedback from a number of stakeholders, the proposed rule eliminates the term "original" and allows credit unions to purchase bank notes with maturities greater than five years, but remaining maturities of fewer than five years.

NCUA is currently reviewing the comments received and expects to issue a final rule in 2016.

Modernizing Regulations and Programs to Ensure Continued Strength

As credit unions continue to grow larger and more complex, the regulatory framework must evolve to ensure the strength and stability of the entire credit union system.

Throughout 2015, NCUA continued to modernize its rules to create a regulatory framework that simultaneously acknowledges the need for flexibility and strengthens the system's resiliency. These efforts represent the final chapter of Chairman Matz's multi-year regulatory modernization initiative, which launched after the financial crisis.

TRANSFORMING RISK-BASED CAPITAL RULES TO STRENGTHEN THE SYSTEM

In 2015, the NCUA Board re-proposed and later approved a rule updating the agency's risk-based capital requirements. The rule changes strengthen the credit union system's resiliency against potential losses if complex credit unions with high-risk portfolios fail and further protect the Share Insurance Fund from such losses.

The final rule only applies to federally insured credit unions with more than $100 million in assets; 76 percent of credit unions will be exempt. Among the 24 percent of credit unions covered by the rule, only 1 percent will experience any change in their capital category, based on current balance sheets. Moreover, nearly 99 percent of the 1,489 covered credit unions will continue to be categorized as "well-capitalized."

The final risk-based capital rule also has a number of significant regulatory improvements from the previous proposal, including:

- Ensuring complex credit unions remain well-capitalized as they grow and expand into activities with greater risk,
- Identifying high-risk credit union outliers, now and in the future,
- Incorporating a modern approach for calculating the risk-based capital ratio and making the ratio comparable to other financial institutions,
- Improving the required capital levels and risk-weight approach for many types of assets, and
- Incorporating an explicit standard that complex credit unions must effectively manage capital and create written plans.

Under the final rule, approximately 97 percent of the risk weights for credit unions are equivalent to, or lower than, the risk weights for banks. Among complex credit union assets, 99 percent will have a risk weighting of 100 percent or less, and more than half will have a risk weighting of 50 percent or less.

In response to congressional interest in the rulemaking, NCUA issued a 220-page report in November. The report contained an analysis of the agency's legal authority to require a two-tiered risk-based capital system, a comparison of credit union and bank risk weights, a discussion of the rationale for each of the risk weights and an overview of how the proposed rule would apply to credit union capital buffers. It also included legislative recommendations to improve the capital system for credit unions. In particular, NCUA recommended that Congress allow well-managed credit unions to issue supplemental capital that will count as net worth. The agency also proposed technical changes to the current prompt corrective action statutory framework.

The risk-based capital rule will become effective at the start of 2019. The implementation date coincides with the full phase-in of risk-based capital rules at federal banking agencies.

CLARIFYING CORPORATE CREDIT UNION RULES

In April 2015, the Board unanimously approved a final rule amending NCUA's regulations governing corporate credit unions and the scope of their activities. Two changes in the rulemaking provide some measure of regulatory relief.

One change extends corporate credit unions' maximum secured borrowing term from 30 to 180 days, enhancing their ability to provide seasonal liquidity. The other allows surviving corporate credit unions to count retained earnings acquired in mergers going forward. This change helped to simplify the definition of capital and to ensure consistency with other NCUA regulations.

CREATING A CUSO REGISTRY

Credit union service organizations play an increasingly vital role in the credit union system. In 2015, NCUA developed an online registry for CUSOs to improve transparency and address safety and soundness concerns. This transparency initiative streamlines reporting by eliminating duplicate reporting by credit unions. It also will better inform credit unions and regulators about CUSO activities.

The CUSO Registry is the final component of NCUA's enhanced CUSO rule, which was approved in 2013. This rule became effective in 2014, and requires CUSOs to:

- Prepare quarterly financial statements,
- Account for transactions in accordance with generally accepted accounting principles,
- Obtain an annual financial statement audit by a licensed certified public accountant, and
- Submit financial information and the CUSO's operations and relationships to NCUA.

During the registry's development, 25 CUSOs provided feedback on the system's design and functionality through a collaborative design effort. CUSOs began submitting financial information to NCUA on February 1, 2016.

DEVELOPING RULES GOVERNING APPRAISAL MANAGEMENT COMPANIES

In 2015, the NCUA Board approved a joint-agency final rule on appraisal management companies that was required by the Dodd-Frank Wall Street Reform and Consumer Protection Act of 2010. NCUA is one of six federal financial services regulators that approved the rule.

This rule incorporates many lessons from the 2008–2009 financial crisis, when the need to prevent conflicts of interest and fraud in real estate appraisals became clear. The final rule sets minimum requirements for state registration and supervision of appraisal management companies.

Ensuring the Safety and Soundness of the Credit Union System

NCUA's primary mission is to ensure that our nation's cooperative credit union system remains safe and sound in both good times and bad. To accomplish this, NCUA uses a targeted examination program focused on risks to the overall system and the Share Insurance Fund.

FOCUSING ON EMERGING RISKS

NCUA works to ensure that credit unions identify and mitigate forward-looking risks before they threaten the viability of the credit union and potentially the broader credit union system. To achieve this goal, NCUA's 2015 supervision priorities included:

- **Cybersecurity**—NCUA field staff focused on the proactive measures credit unions are taking to protect their data and their members. In addition, NCUA evaluated credit unions' capacity to recover and resume operations in the event a security breach does occur.
- **Interest Rate Risk**—NCUA continued to assess credit unions' interest rate risk exposure and their compliance with the agency's interest rate risk rule, which applies to credit unions with more than $50 million in assets.
- **Bank Secrecy Act Compliance**—Examiners assessed credit unions' compliance with the Bank Secrecy Act, focusing on credit unions' relationships with money service businesses.
- **Liquidity and Contingency Funding Plans Rule**—NCUA evaluated if credit unions were fully compliant with all relevant provisions of the agency's liquidity rule, including evaluating contingent funding tests with the Federal Reserve's Discount Window for credit unions with more than $250 million in assets.
- **TILA-RESPA Integrated Disclosure Rule**—NCUA evaluated credit union compliance with the Consumer Financial Protection Bureau's Truth in Lending Act and Real Estate Settlement Procedures Act Integrated Disclosure rule.
- **Ability-to-Repay and Qualified Mortgage Standards Rule**—Examiners looked at credit union compliance with the Consumer Financial Protection Bureau's mortgage rules and evaluated if credit union mortgage lending programs were being operated in a safe and sound manner.

SEEING A REDUCTION IN THE NUMBER OF TROUBLED ASSETS

A key indicator of the positive performance of our nation's credit unions is the continued improvement of aggregate CAMEL ratings. NCUA's composite CAMEL rating consists of an assessment of a credit union's 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 field staff assess in their evaluation of a credit union's performance and risk profile.

CAMEL ratings range from 1 to 5, with 1 being the best rating. Credit unions with a composite CAMEL rating of 3 exhibit some degree of supervisory concern in one or more components. CAMEL 4 credit unions generally exhibit unsafe or unsound practices, and CAMEL 5 institutions demonstrate extremely unsafe or unsound practices and conditions. NCUA collectively refers to CAMEL 4 and 5 credit unions as "troubled credit unions."

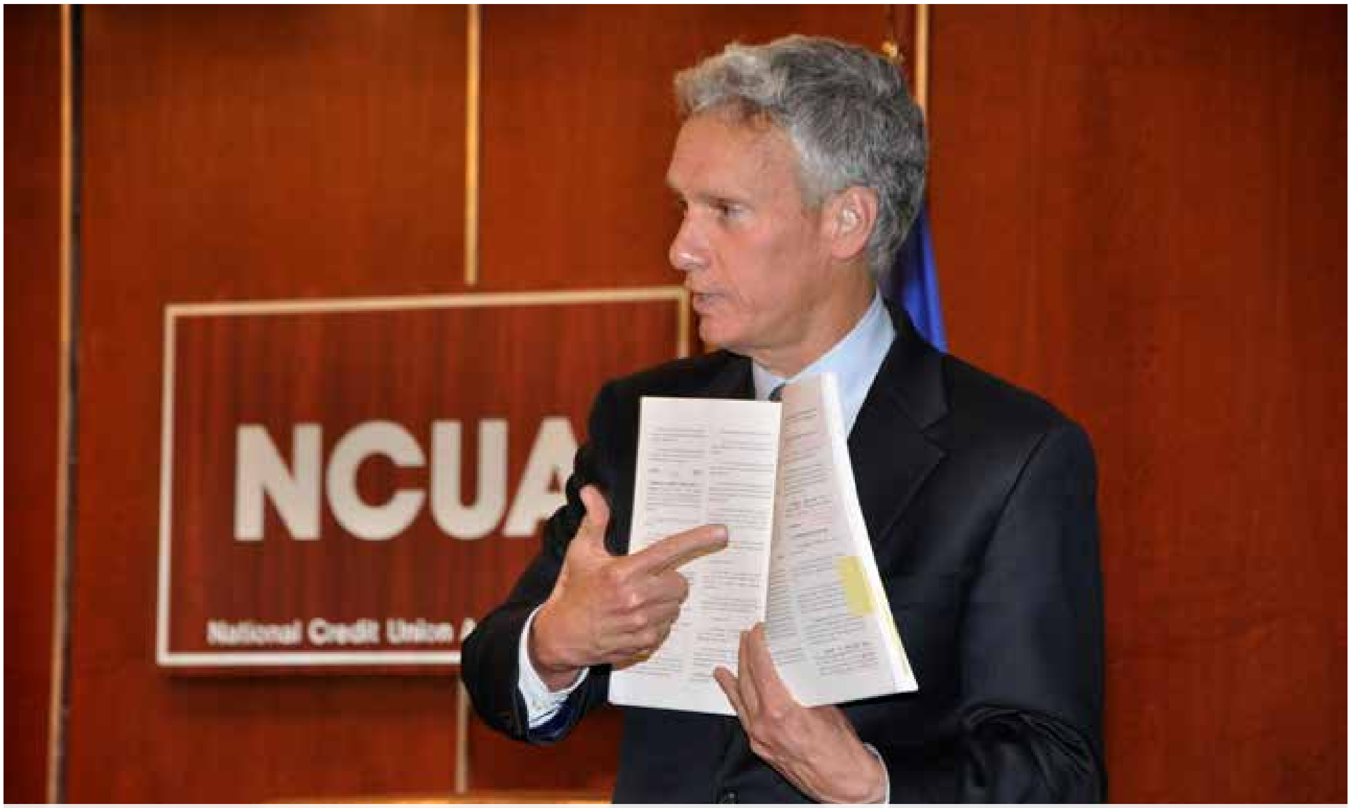
At the end of 2015, assets in credit unions with a CAMEL rating 4 or 5 dropped to $8.6 billion, compared to $11.6 billion at the end of 2014. The number of troubled credit unions also fell to 220 at the end of 2015, down 20.3 percent from the prior year. In all, 3.6 percent of federally insured credit unions were troubled in 2015, compared to 4.3 percent in 2014. At the end of 2015, troubled credit unions held less than 1 percent of the credit union system's assets.

TAILORING EXAMINATIONS TO SPECIFIC RISKS

Since 2002, NCUA has employed a risk-focused exam program. This approach is designed to efficiently allocate agency resources to credit unions and areas of operations that exhibit the greatest potential risk exposure to the Share Insurance Fund. The program relies on examiner judgment to determine the areas needing review. Over time, NCUA has adjusted this approach by adding minimum scope requirements and establishing the *National Supervision Policy Manual* to ensure consistency of supervisory actions across the country.

Today, NCUA's supervision program requires annual exams of all federal credit unions and all federally insured, state-chartered credit unions with $250 million or more in assets. In 2015, agency field staff completed 9,700 supervisory contacts and reported 689,968 exam hours.

In 2011, the agency determined that resources used to complete exams were not in balance with the credit union system's risks. NCUA was spending more hours on the smallest credit unions rather than the largest credit unions which have the greatest concentration of the system's assets. The largest credit unions also have the greatest potential risk exposure to the Share Insurance Fund. NCUA has since taken several actions to reallocate resources and concentrate supervision on credit union activities posing the most risk.



Board Member J. Mark McWatters references the Federal Credit Union Act during a discussion with the Indiana Credit Union League.

For example, NCUA implemented the Small Credit Union Examination Program. This targeted, streamlined program applies to financially and operationally sound federal credit unions with less than $30 million in assets. NCUA field staff also have the discretion to choose a similarly streamlined, defined-scope examination for federal credit unions with $30 million to $50 million in total assets that received a composite CAMEL rating of 1, 2 or 3 at their last exam.

As a result of the Small Credit Union Examination Program, NCUA spends less time, on average, in small, well-managed federal credit unions. This decreased exam burden reflects a reduced overall scope which is more precisely focused on the most pertinent areas of risk in small credit unions—lending, recordkeeping and internal control functions. As a result, between 2012 and 2015, exam and off-site supervision hours allocated to federal credit unions with less than $50 million in assets decreased by nearly 21 percent. During the same period, hours allocated to large federal credit unions with more than $500 million in assets increased by more than 15 percent.

NCUA fully implemented the Small Credit Union Examination Program during the first quarter of 2015. For larger, more complex credit unions, NCUA continues to perform risk-focused exams.

In recent years, the agency also has moved to concentrate supervision on credit unions that pose the most systemic risk to the Share Insurance Fund. The agency's Office of National Examinations and Supervision oversees the largest credit unions—those with more than $10 billion in assets. The failure of any one of these credit unions could have profound repercussions to the integrity of the Share Insurance Fund and the credit union system as a whole. During these exams, NCUA specialists focus on key areas of potential risk for these institutions including interest rate risk, lending and credit practices, capital markets, information technology and payment systems.

NCUA's Office of National Examinations and Supervision also supervised 12 corporate credit unions in 2015. Each of these institutions act as a "credit union for credit unions," providing a number of critical financial services, including payment processing. The office routinely monitors corporate credit unions for continued compliance with many of the regulatory limits put in place in the wake of the corporate crisis. Corporate credit unions' potential vulnerabilities to cyber threats are also assessed by the agency.

CONDUCTING STRESS TESTS ON THE LARGEST CREDIT UNIONS

To mitigate risks to the credit union system and the Share Insurance Fund, the NCUA Board approved a rule in 2014 requiring all federally insured credit unions with $10 billion or more in assets to develop and submit a capital plan to NCUA on an annual basis. Credit unions subject to this rule also must undergo annual stress tests to assess their capital reserves under a number of adverse financial and economic scenarios.

In 2015, the Office of National Examinations and Supervision implemented the first round of these stress tests. This cycle was an iterative process for both NCUA and the credit unions involved. Throughout the process, NCUA staff and credit unions collaborated to reach a common understanding of expectations and desired results of the test.

IMPROVING THE SYSTEM'S CYBERSECURITY PREPAREDNESS

In conjunction with the Federal Financial Institutions Examination Council, NCUA released the Cybersecurity Assessment Tool in June 2015. The tool is designed to help depository institutions of all asset sizes identify their potential risks and vulnerabilities, and assess their cybersecurity preparedness. The FFIEC finalized this tool after the completion of a 2014 pilot program at more than 600 institutions, including more than 400 credit unions of varying asset sizes.

The FFIEC tool features two critical components. Both are designed to scale reasonably well for small and large institutions. The first component walks an institution through an assessment of its inherent risk and inherent-risk profile. The profile identifies activities, services and products under the following categories:

- Technologies and connection types,
- Delivery channels,
- Online and mobile products and technology services,
- Organizational characteristics, and
- External threats.

Use of the Cybersecurity Assessment Tool is optional, and there is currently no mandatory expectation of its use during exams. However, after giving credit unions and agency field staff time to familiarize themselves with the tool and the principles of effective cybersecurity, NCUA will begin to incorporate the tool into our exam approach in the latter half of 2016.

NCUA is committed to ensuring that the credit union system is prepared for a range of cybersecurity threats. Following the FFIEC tool's release, NCUA hosted or participated in dozens of events and webinars to discuss emerging cybersecurity risks and raise awareness about how the FFIEC tool can help credit unions assess their level of preparedness. We also continued to update our online Cybersecurity Resources Center with additional guidance on cybersecurity preparedness and best practices on creating and sustaining a secure information technology environment.

Finally, through our involvement with the FFIEC and the Financial and Banking Information Infrastructure Committee, NCUA is working to improve information sharing on cybersecurity-related issues and other threats with the credit union system and our state regulatory partners.

MAINTAINING AN INDEPENDENT SHARE INSURANCE FUND

The Share Insurance Fund ended 2015 in a sound financial position due to low insurance losses, continued portfolio improvements, sound management practices and a decline in the number of troubled credit unions, among other factors. Because of the Share Insurance Fund's continued strong performance, the NCUA Board did not charge credit unions a premium in 2015.

The Share Insurance Fund had an equity ratio of 1.26 percent on an insured base of $961.3 billion at year's end. In comparison, the equity ratio was 1.29 percent on an insured base of $903 billion a year earlier.

NCUA expects the Share Insurance Fund will receive additional capitalization deposits of approximately $259.6 million from federally insured credit unions in early 2016 when NCUA invoices for its biannual contributed capital adjustment. The capitalization deposits will result in a projected equity ratio of approximately 1.29 percent.

The Federal Credit Union Act requires NCUA to transfer any Share Insurance Fund equity above the normal operating level (1.30 percent) at the end of each year to the Temporary Corporate Credit Union Stabilization Fund as long as the fund has an outstanding balance with the U.S. Treasury. Because the Share Insurance Fund ended the year with an equity ratio of 1.26 percent, NCUA did not make any transfers to the Stabilization Fund in 2015.

In November, NCUA announced a range of zero to six basis points for a potential Share Insurance Fund premium in 2016. The need to assess a premium in 2016 will depend on the performance of the Share Insurance Fund, including any losses to the fund due to the failure of federally insured credit unions.

PROTECTING MEMBER DEPOSITS

During 2015, member deposits at federally insured credit unions were again protected up to $250,000 by the Share Insurance Fund. As a result, members of the 16 credit unions that failed and the one that voluntarily liquidated in 2015 suffered no losses on their insured deposits. Verified shares were generally paid out within five days of a credit union's closure.

Collectively, the 16 failures cost the Share Insurance Fund $14.8 million, a decrease of 63.4 percent from $40.4 million the prior year. Of the credit unions that failed, five went through assisted mergers and 11 were liquidated. Fraud was a contributing factor at 11 of the failed credit unions in 2015, costing the Share Insurance Fund $12.3 million.

Credit unions can combat fraud through strong internal controls, including segregation of duties, dual control, control reports, and analytics, as well as appropriate oversight. Active and involved leadership is the first line of defense. Responsibility for ensuring adequate internal controls are in place ultimately lies with a credit union's management and board of directors.

NCUA also is working to improve fraud detection. In the last year, NCUA retooled examination procedures under the Small Credit Union Examination Program to help identify red flags. The agency also created a series of videos to educate credit unions about best practices to prevent and detect fraud.

Of the 2015 failures, NCUA's Asset Management and Assistance Center kept $35 million in assets to manage, as compared $75 million in 2014. As in previous years, the center managed a greater amount of complex assets, primarily loans. Gross assets managed were $864 million at the end of 2015, down from $928 million at the end of 2014.

RETURNING CREDIT UNIONS TO THEIR MEMBERS

NCUA uses the conservatorship process to prevent or minimize potential losses to the Share Insurance Fund and to resolve problems at credit unions. In 2015, the agency returned two conserved credit unions to their members.

In September, Keys Federal Credit Union in Key West, Florida, returned to its members after six years of conservatorship. The credit union had been in conservatorship longer than any other credit union to date.

In the first year of conservatorship, the credit union's net worth ratio fell to 2.37 percent. By the time it was released from conservatorship, Keys reported a net worth ratio of 5.75 percent as of June 30, 2015. Keys also posted income of more than $1.2 million in 2015 and continued to show strong earnings growth.

The recovery of Keys was made possible through the collaborative efforts of Keys' management team and staff, its advisory board, NCUA staff and loyal members who stuck with their credit union through turbulent times.

In December, the agency also was able to return A.E.A. Federal Credit Union in Yuma, Arizona, to its members. NCUA placed the credit union into conservatorship in December 2010.

Working collaboratively with NCUA, the leadership of A.E.A., was able to bring the credit union through the conservatorship process, while continuing to provide services to its members. During the conservatorship A.E.A. revamped operations, improved lending controls and reduced expenses. Net worth at the credit union continues to grow through strong earnings.

CONTINUING EFFORTS AT CONSERVED CREDIT UNIONS

At the end of 2015, NCUA continued to operate three federally insured, state-chartered credit unions that remained or were placed in conservatorship during the year. In all, NCUA became conservator for five credit unions in 2015.

NCUA has operated Texans Credit Union of Richardson, Texas, in conservatorship since April 2011. In 2015, Texans posted net income of $26.6 million and marked 48 consecutive months of positive earnings. Total assets at the end of the year stood at more than $1.45 billion. Texans' net worth ratio at year's end was 3.48 percent. This was the strongest year-over-year performance in Texans' 62-year history.

This success allowed Texans Credit union to repay the remaing $40 million of Section 208 assistance, including interest, to the Share Insurance Fund three years ahead of schedule. Section 208 of the Federal Credit Union Act authorizes NCUA to provide assistance to a credit union to protect the Share Insurance Fund or the interests of a credit union's members.

In September 2015, NCUA became conservator for Montauk Credit Union in New York, New York. Since then Montauk has taken several steps to address financial and management issues that affect the safety and soundness of its operations. At year's end, the credit union reported a net worth of $2.8 million and a net worth ratio of 1.74 percent, which the Federal Credit Union Act classifies as critically undercapitalized. Total shares and deposits were $158.2 million. The allowance for loan losses increased from $5.5 million to $21.9 million during the fourth quarter of 2015, and net loans were $143.8 million at the end of the fourth quarter.

Among other steps taken during the conservatorship, Montauk worked with members to address identified issues, where appropriate. As a result, the credit union has modified $60.6 million in loans. The credit union hired experienced loan workout specialists to assist with its collections process. It also retained professional accounting guidance to determine the adequacy of its allowance for loan and lease losses.

Montgomery County Credit Union in Dayton, Ohio, which was placed into conservatorship in April 2015, was ultimately merged into Bridge Credit Union of Columbus, Ohio, in early 2016.

The three other credit unions placed in 2015 into conservatorship—Bethex Federal Credit Union in Bronx, New York, Helping Other People Excel Federal Credit Union in Jackson, Mississippi, and New Bethel Federal Credit Union in Portsmouth, Virginia—closed their doors by year's end. NCUA liquidated Bethex and Helping Other People Excel, and New Bethel underwent a voluntary liquidation.

REDUCING THE NUMBER OF LATE FILERS

NCUA continued working in 2015 to reduce the number of late filers. Call Reports contain critical information about the conditions of all federally insured credit unions. The late filing of this information affects the agency's ability to conduct effective off-site supervision and delays the quarterly release of system-wide data to the public.

In 2014, NCUA began assessing civil monetary penalties against credit unions that failed to file a Call Report online. The agency imposed these penalties solely to deter late filings. As required by law, NCUA remitted all funds collected to the U.S. Treasury. Before instituting these penalties, more than 1,000 federally insured credit unions of all asset sizes filed their Call Report after the deadline. Many of these credit unions were chronically late.

The introduction of civil money penalties has been effective in reducing the number of late filers. In 2015, NCUA assessed 79 credit unions $35,823 in penalties. In comparison, NCUA assessed 137 credit unions $101,331 in penalties in 2014.

USING SUPERVISORY TOOLS TO ADDRESS COMPLIANCE CONCERNS

In working to protect the credit union system and the Share Insurance Fund from losses, NCUA employs a number of supervisory and enforcement actions depending on the severity of the situation. Some of these tools include preliminary warning letters, letters of understanding and agreement and cease-and-desist orders.

The number of enforcement actions has steadily declined over the last five years as the economy improved and federally insured credit unions have worked to address problems identified by field staff. The number of total outstanding enforcement actions for federally insured credit unions at the end of 2015 decreased by approximately 21 percent since year-end 2014, from 454 in 2014 to 359 at the end of 2015.

The number of enforcement actions declined for both federal credit unions and federally insured, state-chartered credit unions. The total number of enforcement actions at federal credit unions decreased by 24.5 percent, from 290 outstanding at the end of 2014 to 219 at the end of 2015. Total enforcement actions against federally insured, state-chartered credit unions decreased 14.6 percent, from 164 as of the end of 2014 to 140 at the end of 2015.

Outstanding Enforcement Actions, at Year-end						
	2010	2011	2012	2013	2014	2015
Federal Credit Union Preliminary Warning Letters	70	106	123	128	77	48
Federal Credit Union Letters of Understanding, Non-published	201	287	284	253	209	171
Federal Credit Union Letters of Understanding, Published	3	2	1	2	0	0
Federal Credit Union Cease-and-Desist Order	1	2	1	2	2	0
Federal Credit Union Conservatorship	3	3	3	3	2	0
Federally Insured, State-Chartered Credit Union Preliminary Warning Letters	16	29	24	19	18	16
Federally Insured, State-Chartered Credit Union Letters of Understanding, Non-published	129	176	149	154	139	115
Federally Insured, State-Chartered Credit Union Cease-and-Desist Order	27	23	10	4	5	6
Federally Insured, State-Chartered Credit Union Conservatorship	1	3	4	3	2	3
Total	**451**	**631**	**599**	**568**	**454**	**359**

Source: NCUA Examination Data

In extreme instances, NCUA may conserve or liquidate a credit union. In 2015, 11 credit unions that failed were liquidated, one credit union voluntarily liquidated, and NCUA either conserved or was appointed conservator in five instances. In addition, five credit unions went through assisted mergers.

Finally, in 2015 NCUA issued administrative actions prohibiting 35 individuals from participating in the affairs of any federally insured financial institution. This is a decrease from 2014, when the agency issued 51 prohibition orders and notices.

UPGRADING SYSTEMS TO BETTER RESPOND TO EMERGENCIES AND THREATS

Throughout 2015, NCUA continued efforts to upgrade its security and reporting systems. For example, NCUA's Office of Continuity and Security Management developed and fielded a new Incident Management System in 2015 to provide real-time reports on the operational status of credit unions that may have been affected by national disasters or other incidents that disrupt normal operations. The system was tested in December during severe flooding that affected large areas of South Carolina, Missouri and Mississippi.

As a result of lessons learned during these events, NCUA is implementing new agency-wide procedures for emergency notification and reporting. The goal is to ensure NCUA field staff and senior management have timely, accurate information to assist credit unions and their members before, during and after an emergency.

NCUA also installed and tested new and secure communications and intelligence systems in 2015 to meet national continuity requirements outlined in National Security Presidential Directive 51, Homeland Security Presidential Directive 20, and Presidential Policy Directive 21. NCUA can now receive and analyze threat information related to cybersecurity and other national security threats to the financial sector.

In 2015, IT security continued to be a major concern throughout the federal government, and NCUA's Office of the Chief Information Officer completed a number of key initiatives to resolve and proactively address key cybersecurity concerns. These included:

- **Continuous Monitoring**—NCUA enhanced security and continuous monitoring efforts by implementing additional tools, techniques and capabilities on the NCUA network.
- **Data Controls**—The agency performed a gap analysis and an inventory that resulted in enhanced controls on NCUA applications and servers, ultimately protecting NCUA data.
- **Capabilities and Maturity**—NCUA offices and regions improved program capabilities and maturity in areas related to risk management, privacy and security.
- **Mobile Device Security**—The agency implemented additional security controls on all NCUA-issued mobile devices. The creation of a separate, encrypted area for information ensures that sensitive data like email and files are protected from unauthorized use.

In 2015, NCUA's IT staff also completed a business case for modernizing the agency's Automated Integrated Regulatory Examination System, also known as AIRES. The AIRES project included the development of a vision, strategy, conceptual architecture, roadmap and cost and schedule with rough-order of magnitude estimates. Both the NCUA Board and the agency's Information Technology Prioritization Council were briefed extensively on future modernization efforts to help them make informed investment decisions. In 2016, NCUA will establish an AIRES Modernization Program Management Office and conduct market research on commercial off-the-shelf products.

Finally, NCUA established an enterprise data-governance working group to address data-related challenges at the agency.

Managing the Corporate Stabilization Fund

Throughout 2015, NCUA continued its longstanding efforts to minimize costs to the credit union system associated with the failure of five large corporate credit unions during the financial crisis. NCUA also continued working to hold those responsible for these failures accountable. Further, NCUA continued efforts to repay the Temporary Corporate Credit Union Stabilization Fund's outstanding borrowings at the U.S. Treasury.

IMPROVING THE POSITION OF THE STABILIZATION FUND

NCUA is responsible for managing the Temporary Corporate Credit Union Stabilization Fund. Created by Congress, this fund assumed losses associated with the failure of five large corporate credit unions during the financial crisis (U.S. Central, WesCorp, Members United, Southwest and Constitution). The fund has allowed the credit union system to absorb these losses over time.

Effective management of the Stabilization Fund is a top priority for the agency. In 2015, the net position continued to improve from $238.5 million to $540.4 million, primarily from the recoveries from litigation and the favorable change in the anticipated future cash flows of the legacy assets in the NGN Program.

As a result of the increase, NCUA was able to reduce the outstanding balance of the Stabilization Fund with the U.S. Treasury to $1.7 billion at the end of 2015, compared with $2.6 billion at end of 2014. Through the end of 2015, the Stabilization Fund has recorded a positive net position for seven straight quarters. The Stabilization Fund also received a clean audit in 2015.

Because of the Stabilization Fund's strong performance, NCUA did not charge federally insured credit unions an assessment in 2015. Moreover, the agency does not expect to charge credit unions any future Stabilization Fund

NCUA Board Chairman Debbie Matz welcomes 440 new American citizens at a special naturalization ceremony held at Northern Virginia Community College.

assessments if the current projections hold. However, NCUA's projections are only estimates; changes in the economy or the performance of legacy assets could lead the agency to reassess the situation.

While the Stabilization Fund continues to have a positive net position, no funds are available to provide federally insured credit unions with an immediate rebate. Changes in the economy or in the performance of the legacy assets that secure the NCUA Guaranteed Notes are likely to change the value of the assets NCUA and the Corporate Stabilization Fund can eventually access at the end of the Guaranteed Notes Program in 2021.

IMPROVING LEGACY ASSET PERFORMANCE

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 NCUA Guaranteed Notes.

The legacy assets consist of more than 2,000 investment securities that are secured by approximately 1.6 million residential mortgages, commercial mortgages, student loans and other assets. The program is designed to minimize losses of the corporate credit union system on federally insured credit unions. NCUA Guaranteed Notes are backed by the full faith and credit of the United States.

The outstanding principal balance of the NCUA Guaranteed Notes at the end of 2015 was $11.2 billion, and the outstanding principal balance of the legacy assets was $16.2 billion dollars, down from $21 billion at the end of 2014. This decline was primarily due to a retirement of a Guaranteed Note trust, principal repayments and realized losses.

In addition, NCUA was able to retire one of its 13 NCUA Guaranteed Notes trusts in 2015. The note's underlying collateral performed well enough to fully retire the note and leave a residual of 112 current pay bonds with approximately $907.6 million in unpaid principal. These remaining bonds will remain under NCUA's active management until the end of the NCUA Guaranteed Notes program in 2021.

CONTINUING LEGAL ACCOUNTABILITY EFFORTS

In 2015, NCUA reached an important milestone in its efforts to hold those who contributed to the collapse of five corporate credit unions during the financial crisis accountable. Total recoveries from the agency's litigation against banks and settlements with other financial firms passed the $2 billion mark.

As a result of the $732.6 million in legal recoveries NCUA obtained in 2015, total recoveries related to the agency's legal actions taken in response to the corporate crisis exceeded $2.4 billion by year's end.

NCUA was the first federal depository institutions regulator to recover losses from investments in faulty mortgage-backed securities. The agency uses the net proceeds from these settlements to repay the Stabilization Fund's outstanding borrowings from the U.S. Treasury and decrease the amount surviving credit unions must pay for the collapse of the corporate credit union system.

We continue to pursue all available legal remedies on behalf of credit unions against those who sold flawed financial instruments, failed to fulfill their duties as trustees or violated anti-trust laws through their manipulation of interest rates. At the end of 2015, NCUA had pending lawsuits against 20 banks and Wall Street financial firms.

Helping Credit Unions of All Types and Sizes Thrive

Small and low-income designated credit unions and minority depository institutions play a critical role in providing affordable financial services to millions of Americans. Often, these credit unions are the only federally insured financial institution in an underserved community, yet they often face the challenges of competitive pressures, declining membership and slow earnings growth. Throughout 2015, NCUA took a number of actions to support these institutions, helping viable small and low-income credit unions survive well into the future.

GROWING THE NUMBER OF LOW-INCOME CREDIT UNIONS

Low-income credit unions excel at providing affordable financial services in underserved communities. To qualify as a low-income credit union, a majority of a credit union's membership must meet certain low-income thresholds based on data from the 2010 Census. These institutions range in size from very small credit unions with less than $1 million in assets to credit unions with more than $3 billion in assets.

The Federal Credit Union Act establishes several benefits to credit unions that carry the low-income designation, 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 grants and low-interest loans from the Community Development Revolving Loan Fund,
- Ability to accept deposits from non-members,
- An authorization to obtain supplemental capital, and
- Qualifying for free consulting assistance from NCUA's Office of Small Credit Union Initiatives.

By the end of 2015, there were 2,297 low-income credit unions, up from 2,134 at the end of 2014. Looked at another way, more than a third of credit unions had the low-income designation. Together, low-income credit unions had 32.5 million members and more than $324.7 billion in assets at year's end, compared to 25.4 million members and more than $237 billion in assets at the end of 2014.

KEEPING SMALL CREDIT UNIONS VIABLE

In 2015, economic development specialists in NCUA's Office of Small Credit Union Initiatives again provided consulting and training services to help new, small and low-income credit unions—as well as minority depository institutions—remain viable, become more efficient and provide new and better services to their members.

Over the year, 456 credit unions participated in the agency's customized consulting program. At no charge, these credit unions received 14,324 hours of assistance on business needs like net worth restoration plans, marketing, new product development, budgeting and strategic planning. In addition, NCUA's Office of Small Credit Union Initiatives worked with a number of government and system stakeholders to develop timely and relevant webinars and videos for credit union system staff, boards and management. Nearly 33,000 participants from 5,963 credit unions took part in NCUA-sponsored training programs in 2015.

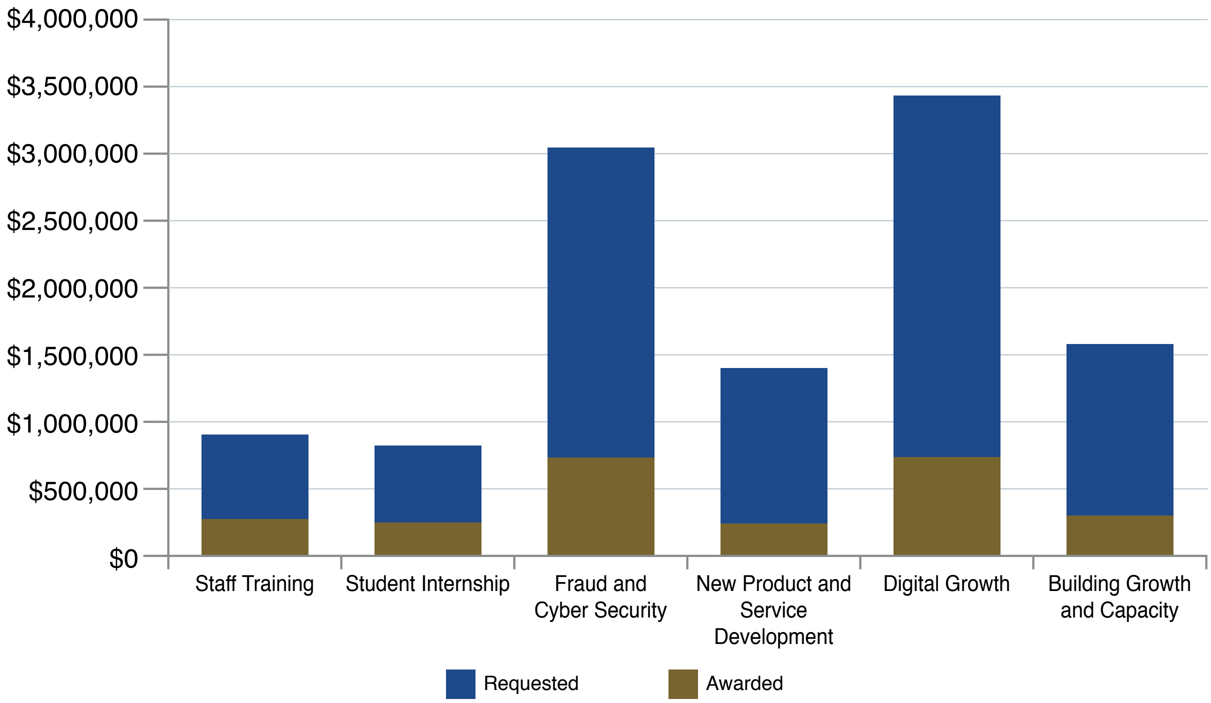
NCUA's FAQ+ is another resource for credit unions. In 2015, site visitors conducted more than 3,000 searches for information on a range of supervisory and regulatory topics including the benefits of a low-income designation, complying with the Bank Secrecy Act, fair lending requirements, auto and mortgage lending, NCUA's rules and regulations and the agency's examination program.

CREATING OPPORTUNITIES THROUGH GRANTS AND LOANS

NCUA's Office of Small Credit Union Initiatives also administers the Community Development Revolving Loan Fund. Created by Congress, the fund provides grants and low-interest loans to credit unions serving low-income communities.

In 2015, the Revolving Loan Fund received $2 million in funding for technical assistance grants as part of the 2015 Omnibus Appropriations Act. This was the first year-over-year increase in funding since 2003. Despite the increase, demand for these grants continues to exceed supply, as shown in the chart on the following page.

Community Development Revolving Loan Fund Grants by Initiative



Source: The Community Development Revolving Loan Fund

NCUA awarded more than $2.6 million in grants to 388 credit unions with the low-income designation in 2015. Seventy-one percent, or 276 credit unions, were first-time awardees. Credit unions used these grants to:

- Develop new products and services such as a member business lending program or the installation of a new ATM;
- Assist in the development of digital services such as electronic bill pay, mobile or home banking, electronic or digital signatures and remote deposit capture;
- Help with cybersecurity preparedness or fraud prevention, such as training and converting debit or credit cards to EMV chip-card technology;
- Open a new branch in an underserved area or relocate to a non-residential location;
- Improve staff training; and
- Provide student internships.

In 2015, NCUA also provided ten credit unions with urgent needs grants to help them remain in operation and viable following an emergency or a serious disruption in normal operations. In total, NCUA provided $73,618 in grants for urgent needs.

Finally, NCUA approved four loan applications for a total of more than $1.5 million in 2015. At the end of the year, the revolving loan fund had more than $9.4 million in loans outstanding. Credit unions use these low-interest loans to expand member services, fund loan demand, open new locations and provide affordable alternatives to predatory payday loans.

PRESERVING MINORITY DEPOSITORY INSTITUTIONS

Among other things, the Dodd-Frank Wall Street Reform and Consumer Protection Act charged NCUA with designing and implementing a program to preserve minority depository institutions. These credit unions play an important role in serving the financial needs of historically underserved populations such as African Americans, Hispanic Americans, Native Americans and Asian Americans.

In June, the NCUA Board approved the creation of the agency's Minority Depository Institution Preservation Program with the goals of:

- Preserving existing minority depository institutions and encouraging new ones,
- Maintaining the minority character of these institutions that are voluntarily merged or acquired, and
- Providing technical assistance, training and educational programs.

By the end of 2015, 625 federally insured credit unions had self-certified as a minority depository institution. In total, these credit unions served more than 4.3 million members and held more than $36.1 billion in assets. As a group, minority depository institutions were smaller than federally insured credit unions. This creates challenges for their preservation, as smaller institutions have fewer economies of scale.

Throughout 2015, NCUA continued to assist and preserve minority depository institutions by:

- Offering technical assistance, training, educational programs, videos, webinars, publications and other educational tools;
- Providing assistance and guidance on examination and compliance issues;
- Facilitating mentor relationships between credit unions;
- Helping locate new sponsors for field-of-membership expansions;
- Negotiating financial support to sustain minority depository institutions;
- Delivering guidance to groups establishing new minority depository institutions; and
- Approving new credit union charters, community-charter conversions and low-income designations to increase the capabilities of minority depository institutions.

Finally, the Office of Minority and Women Inclusion hosted a forum in December with leading experts on how credit unions can market to and serve the growing Hispanic community. The event was live-streamed on the agency's public website.

PROVIDING CREDIT UNIONS WITH RESOURCES TO ASSESS AND EXPAND THEIR FIELDS OF MEMBERSHIP

In 2015, NCUA's Office of Consumer Protection published a new chartering and field-of-membership resources section on the agency's website. The page features resources to help organizations start a new federal credit union. It also provides resources to help existing federal credit unions expand their fields of membership, modify an existing charter to meet strategic objectives, learn more about the benefits of the low-income designation, and examine the guidelines that govern the operations and structure of federal credit unions.

Expanding Access to Affordable Financial Services and Protecting Consumers

Throughout 2015, NCUA continued to provide consumers important personal finance and consumer protection information. As part of the agency's chartering and field-of-membership responsibilities, we also worked to expand access to affordable financial services for all Americans. Each of these actions helped NCUA fulfill our vision to "protect consumer rights and member deposits."

CHARTERING NEW CREDIT UNIONS

In 2015, NCUA approved the charters of four new federal credit unions. The first was the Finest Federal Credit Union, which serves employees of federal, state, county and municipal agencies or departments engaged in police protection in New York City. This credit union was the first new federal charter in the state of New York since 2009. The Finest also received a low-income credit union designation, allowing the credit union to accept non-member deposits, obtain grants and loans from the Community Development Revolving Loan Fund, offer secondary capital accounts and qualify for certain exemptions from statutory limits on member business lending. By the end of 2015, the credit union had 1,874 members and $4.6 million in assets.

The second new charter was Seneca Nation of Indians Federal Credit Union. This is a multiple common-bond credit union serving employees and members of the Seneca Nation of Indians, who qualify for membership in accordance with the Nation's constitution, as well as employees of several other organizations affiliated with the Nation. At the end of 2015, Seneca Nation had 412 members and more than $1.1 million in assets.

In the summer, NCUA approved the charter for ELCA Federal Credit Union. This credit union is based in Chicago and will serve employees, members, synods and member congregations of the Evangelical Lutheran Church in America. It is the first new consumer federal credit union in Illinois since 2006, and it will open in the first quarter of 2016.

The fourth credit union charter approved was for Redeemer Federal Credit Union, headquartered in Greenville, Texas. This single associational common-bond credit union opened at the end of 2015 to serve members and employees of the Redeemed Christian Church of God North America, Inc.

INCREASING ACCESS TO CREDIT UNION SERVICES

In 2015, we continued our efforts to expand access to the affordable financial services that credit unions provide. NCUA's underserved area initiative allows people of all backgrounds and income levels, especially those of modest means, to experience the benefits of federally insured credit unions. In support of the underserved area initiative, the agency approved 13 community-charter conversions and approved the expansion of 30 existing community charters and 30 expansions into underserved areas.

Credit unions also use a variety of strategies to increase the availability of financial services. In 2015, multiple common-bond credit unions collectively added 8,098 groups to their fields of membership.

MAINTAINING THE INTEREST RATE CAP

After reviewing trends in money-market rates, current conditions among federal credit unions and consumers' needs, the NCUA Board approved the extension of the interest rate cap of 18 percent for most loan products at federal credit unions. The current ceiling has been in place since May 1987.

The Federal Credit Union Act caps the interest rate on most credit unions at 15 percent, but NCUA has the discretion to raise the ceiling for an 18-month period. Under the agency's payday alternative loans rule, federal credit unions may charge up to 28 percent on short-term loans that meet certain conditions.

The extension, which was approved in June, will remain in place through March, 2017 when the Board will next consider the interest rate. NCUA continues to monitor market rates and credit union financial conditions to determine if any change to the maximum loan rate should be made.

ADDRESSING CONSUMER COMPLIANCE AND FAIR LENDING

In 2015, NCUA's Division of Consumer Compliance Policy and Outreach spent 3,240 hours examining 25 credit unions for fair lending compliance. Agency staff spent an additional 1,255 hours performing 50 off-site supervision contacts to review credit unions' loan policies and, if necessary, provide recommendations to bring them into compliance with fair lending laws.

To further educate credit unions about their consumer financial protection responsibilities, the Office of Consumer Protection drafted four regulatory alerts on changes to federal fair lending and consumer financial protection laws and regulations in 2015. Topics included data collection requirements under the Home Mortgage Disclosure Act and requirements for integrated disclosure for mortgages under the Truth in Lending Act and the Real Estate Settlement Procedures Act. NCUA staff also made presentations and developed newsletter articles on fair lending, HMDA data reporting, and the Consumer Financial Protection Bureau's integrated disclosure requirements.

We continued to provide credit unions a single source for compliance and regulatory information on consumer financial protection issues through our Consumer Compliance Regulatory Resources webpage. The site features supervisory guidance, webinars, videos and other resources from NCUA and other financial regulators.

In addition, the Division of Consumer Compliance Policy and Outreach developed and provided training and additional resources to field staff on recent changes to federal consumer financial protection regulations.

ASSESSING DIVERSITY POLICIES AND PROCEDURES AT CREDIT UNIONS

In June of 2015, NCUA and five other federal financial regulatory agencies approved an interagency policy statement establishing standards for assessing diversity policies and procedures in the entities regulated by each agency. Section 342 of the Dodd-Frank Act required the development of these standards.

The voluntary assessment standards are not a part of the examination or supervisory process and do not create any new legal obligations. Specifically, the standards address:

- Organizational commitment to diversity and inclusion,
- Workforce profile and employment practices,
- Procurement and business practices to promote supplier diversity, and
- Practices to promote transparency of organizational diversity and inclusion.

In developing these standards, the six responsible agencies focused primarily on institutions with at least 100 employees. Federal law already requires those institutions to file annual diversity reports to the Equal Employment Opportunity Commission.

To further assist credit unions, NCUA issued additional guidance on the diversity standards and developed a voluntary, sample self-assessment checklist that provides guidance on the best practices for diversity and inclusion, along with a method for assessing existing practices and suggestions for strengthening a credit union's diversity and inclusion efforts.

In the year ahead, NCUA will continue to develop additional resources for credit unions to further assess and expand their diversity practices and efforts.

IMPROVING THE CONSUMER COMPLAINT PROCESS

In the summer of 2015, NCUA streamlined and improved our process for handling consumer complaints. The new process involves two distinct phases:

- Attempted resolution by the credit union, as appropriate, and
- Investigation by NCUA's Consumer Assistance Center, when necessary.

Under this approach, the Consumer Assistance Center provides the appropriate credit union personnel with written information about a consumer's concerns. A credit union then has 60 days to attempt to resolve the complaint and inform the Consumer Assistance Center of the outcome. If the credit union or consumer indicates that the matter remains unresolved, the Consumer Assistance Center may begin its own investigation to determine compliance with federal financial consumer protection laws and regulations.

In addition to these procedural changes, NCUA launched a new, voluntary Consumer Assistance Center on MyCreditUnion.gov to more efficiently communicate with consumers and credit unions about consumer complaints. The new portal allows credit unions to receive correspondence from the Consumer Assistance Center, send responses and documentation to NCUA, and to check the status and number of complaints filed with the Consumer Assistance Center.

During the year, NCUA's Consumer Assistance Center handled 31,095 complaints, inquiries and telephone calls. Of the 8,920 investigated cases—an increase of more than 36 percent from 6,526 cases in 2014—the Consumer Assistance Center recorded $880,750 in monetary benefits for complainants, an increase of 19 percent over 2014.

PROMOTING FINANCIAL LITERACY

Promoting financial literacy is a core credit union mission under the Federal Credit Union Act. Consumers who have a strong foundation in personal finance are essential to a healthy credit union system. Smarter consumers make better financial decisions and are able to fully utilize the products and services federally insured credit unions offer.

Office of Small Credit Union Initiatives Director Bill Myers and Miriam De Dios, chief executive officer of Coopera, discuss how credit unions can serve the nation's growing Hispanic community during the agency's December panel discussion, "Unique Challenges and Opportunities Serving Hispanic Credit Union Members."

NCUA participated in national financial literacy initiatives throughout 2015, including the Financial Literacy and Education Commission, an interagency group created by Congress to improve the nation's financial literacy and education. NCUA staff attended all public gatherings and contributed to the commission's work on all of its committees.

In addition, NCUA and four other federal financial regulatory agencies issued guidance to encourage federally insured depository institutions to offer youth savings programs to expand the financial capabilities of young people. Research indicates school-based youth savings programs, when combined with financial education, can be effective in helping students improve their long-term financial and education prospects. This effort is consistent with the "Starting Early for Financial Success" focus of the Financial Literacy and Education Commission.

In 2015, our most significant contributions toward advancing financial literacy included:

- **Hosting a Webinar for National Financial Capability Month**—NCUA hosted its annual financial literacy webinar, Your Mission into Action: Developing Youth Financial Literacy and Savings Programs, in support of National Financial Capability Month. The webinar informed credit unions about financial literacy initiatives, resources and opportunities available from credit unions, NCUA, other federal government agencies and non-profit groups.

- **Fostering Collaboration by Expanding NCUA Twitter Chats**—Using our @MyCUgov Twitter account, the agency hosted five Twitter chats featuring collaborators such as the Consumer Federation of America, AARP, the Federal Trade Commission and the National Disability Institute. Participants shared vital consumer protection statistics and discussed financial literacy best practices for credit unions, consumers and others. These chats reached nearly 1.4 million viewers, based on a measurement of social media impressions and followings.

- **Improving the Financial Capabilities of Older Adults with AARP**—As part of our partnership with AARP, NCUA held a joint webinar and Twitter chat on frauds and scams targeting older adults, the principles of financial literacy, the structure and benefits of credit unions and how the Share Insurance Fund protects member deposits at all federally insured credit unions.

- **Developing Consumer Videos**—The Office of Consumer Protection released six NCUA Consumer Report videos on NCUA's YouTube Channel and MyCreditUnion.gov to educate and inform consumers and credit unions about such topics as fraud detection and prevention, understanding payday loans, and share insurance coverage. The NCUA Consumer Report video series has had more than 21,500 views since its launch in 2013.

- **Launching a New Online Financial Literacy Resource Center**—NCUA also launched a new Financial Literacy Resource Center on NCUA.gov that features financial literacy tools, data, research, and other resources for credit unions, credit union members, consumers and other stakeholders.
- **Creating an Online Fraud Prevention Center**—Hosted on MyCreditUnion.gov, the new Fraud Prevention Center incorporates easy-to-use navigation and a mobile-responsive design that allows users to access a number of resources from NCUA and other federal partners on their mobile devices. The center features a variety of topics including frauds and scams, identity theft, online security and other fraud prevention resources.
- **Releasing World of Cents**—In recognition of International Credit Union Day, NCUA released World of Cents, an interactive financial learning tool available online and optimized for mobile devices. The World of Cents learning experience is aimed at school-aged children and touches on the important building blocks for making smart financial decisions like math skills and good savings habits.

Enhancing the Agency's Transparency and Engaging Stakeholders

NCUA appreciates the magnitude of our fiduciary responsibility, and we're committed to being as transparent as possible about our operations and policies. This openness is essential to fulfilling NCUA's statutory mission and maintaining public trust. During 2015, we undertook many actions aimed at enhancing transparency and engaging stakeholders.

LISTENING TO STAKEHOLDER CONCERNS

Listening to the views and concerns of stakeholders is fundamental to NCUA's transparency efforts. Throughout the year, NCUA Board members, senior staff and experts spoke to a variety of audiences, answering their questions, explaining policies and listening to the ideas and concerns of credit union management, boards, volunteers and members.

In July, NCUA Board members and senior staff participated in a town hall at the agency's Alexandria headquarters. The event was live-streamed on the agency's website. During the town hall, credit union stakeholders engaged with the agency on a number of matters like recent rulemakings, the agency's budget process, regulatory burden and ways to improve the examination process.

NCUA also regularly used webinars as venues for policymakers and stakeholders to have thoughtful conversations and to educate credit union professionals on a number of pressing supervisory and regulatory topics. NCUA Chairman Debbie Matz and Consumer Financial Protection Bureau Director Richard Cordray continued their practice of an annual discussion of a number consumer financial protection issues.

NCUA also cohosted webinars with members of the Federal Financial Institutions Examination Council and other agencies and partners on such topics as cybersecurity preparedness, small business lending, financial literacy, fair lending and other compliance issues. In all, 21,683 individuals participated in NCUA's public webinars in 2015.

PROMOTING TRANSPARENCY IN THE BUDGETING PROCESS

In 2015, NCUA expanded the amount of publicly available information and data on the agency's budget process. We added several fact sheets to the online budget resource center on NCUA.gov, including detailed breakdowns of the agency's overall budget and individual office budgets. We also updated frequently asked questions about the agency's budgeting and procurement processes.

As part of our efforts to enhance transparency, NCUA returned to a two-year budget cycle. The two-year cycle began in 1996 and continued for 14 years until the economic shocks of the Great Recession made it too volatile to predict the future beyond the immediate crisis. During the financial crisis, the NCUA Board instead approved budgets on an annual cycle.

Two-year budgets provide enhanced transparency, as the agency publicly presents its best estimates of spending and staffing levels that will be required not only the upcoming year, but also in the following year. Estimates for the second budget year represent the agency's best estimates of operating costs.

NCUA Board Chairman Debbie Matz, and Maria Contreras-Sweet, administrator of the U.S. Small Business Administration, enter into a formal partnership between the agencies to increase credit union officials' awareness of SBA programs during a signing ceremony in February.

The Board plans to continue its practice of holding a mid-year budget review, providing stakeholders additional information about the agency's financial management and budgeting priorities.

PARTNERING WITH OTHER AGENCIES AND STAKEHOLDERS

In addition to NCUA's participation on the Financial Literacy and Education Commission, NCUA has formed partnerships with a number of key stakeholders. We continued to build on our relationships and coordinate with state and federal regulators on a number of important policy and regulatory issues during 2015.

Chairman Matz again represented NCUA as one of 10 voting members on the Financial Stability Oversight Council. Created by the Dodd-Frank Act, the council is charged with identifying risks to 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 Financial Stability Oversight Council has broadened NCUA's perspective, helped the agency identify emerging risks to credit unions and improved our access to critical financial and market information. It has also provided NCUA a platform to share best practices with other federal financial services regulators.

The agency continued to actively contribute to the work of the Federal Financial Institutions Examination Council during 2015. Representatives from the Consumer Financial Protection Bureau, the Federal Deposit Insurance Corporation, the Office of the Comptroller of the Currency, the Federal Reserve Board and the State Liaison Committee work together on the council to establish uniform principles, standards and report forms for the federal examination of federal depository institutions. The council also makes recommendations to promote uniformity in the supervision of financial institutions and conducts examiner training.

Some of the council's actions included revising the *Bank Secrecy Act/Anti-Money Laundering Manual* and issuing guidance on changes to the flood insurance program, as well as the advancement of cybersecurity preparedness as discussed previously.

NCUA also participates on the Federal Banking Information Infrastructure Committee, an interagency body created to prepare the financial sector for and promote awareness about critical issues and related threats to the nation's financial infrastructure.

At the beginning of 2015, NCUA signed a memorandum of understanding with the Small Business Administration outlining a series of educational initiatives over the next three years that includes webinars, examiner training on SBA programs, data resources and media outreach. This collaboration is designed to increase the awareness of credit unions to the lending programs offered by SBA, helping small businesses and start-ups to get better access to capital.

With a significant portion of the principal guaranteed by the full faith and credit of the United States, SBA loans rank among credit unions' safest loans. The guaranteed portions of SBA-backed loans do not count against credit unions' statutory cap on member business lending. SBA guarantees range from 50 percent up to 90 percent of the principal of each loan, depending on the loan type.

To support this initiative, NCUA and SBA cohosted a webinar in March, and NCUA developed an online Small Business Lending Resource Center. The center provides detailed information on SBA's lending programs, best practices for commercial lending and underwriting, as well as detailed guidance on NCUA's member business lending rules.

Under an agreement signed in 2014, NCUA and AARP also continued to work together on a series of educational initiatives designed to improve the financial well-being of older adults. The NCUA-AARP memorandum of understanding facilitates the sharing of financial educational tools and resources. It also encourages the cohosting of in-person and online events and participation in working groups with each other and other organizations.

In 2015, NCUA and AARP held a joint webinar and Twitter chat on frauds and scams targeting older adults and the principles of financial literacy. The webinar also covered the structure and benefits of credit unions and how the Share Insurance Fund protects member deposits at all federally insured credit unions.

NCUA also continued to benefit from its partnership with the Department of Veterans Affairs. In 2013, the two agencies signed a memorandum of understanding that created more hiring opportunities at the agency through the Feds for Vets program. NCUA was the first financial services regulator to partner with the department in this initiative. The program provides access to a large, diverse group of job candidates for NCUA to consider hiring.

The agency continues to attract and hire veterans. In 2015, 30 percent of the agency's new hires were veterans; 19 percent of new hires were disabled veterans.

EXPANDING NCUA'S COMMUNICATIONS PRODUCTS

In 2015, NCUA continued to improve its print, online and social media communications. Much of our focus in this area was to enhance the user experience on mobile devices.

During the year, the agency completed a full redesign of its public website, NCUA.gov. The refresh helped improve users' experience and the site's performance on mobile devices. The redesign also improved our ability to communicate effectively with the broader credit union community and further supported NCUA's transparency initiatives. Traffic to NCUA.gov remained steady in 2015. In all, the agency had more than 2.6 million page views during the year.

In addition, NCUA continued to experience success with its online consumer protection and financial literacy resources. NCUA's consumer website, MyCreditUnion.gov, and its financial literacy microsite, Pocket Cents, had 742,613 visits in 2015. This is an increase of more than 31 percent from 564,970 visits in 2014. Mobile visits to the site accounted for 46 percent of the total traffic, up from 40 percent in 2014. New content helped attract visitors, as well as NCUA's promotional efforts in person, online, in print and on social media.

NCUA also made new Spanish language content available online in 2015. Overall, our Spanish-language versions of MyCreditUnion.gov and Pocket Cents had 47,547 visits in 2015.

As in 2014, credit unions increasingly turned to NCUA's YouTube channel for information. Agency-produced videos were viewed 84,295 times in 2015, up from 66,318 views in 2014. Among the most popular videos was *Day in the Life of a Credit Union Examiner*, which we use to educate and attract job applicants. Two other videos, one on consumer frauds, scams and cyber threats and another on the FFIEC's Cybersecurity Assessment Tool, were also heavily viewed in 2015.

NCUA's Office of the Chief Economist continued to produce quarterly Economic Update videos, providing credit union managers, loan officers and boards with up-to-date insights and analyses on economic trends, and how those trends could affect a credit union's bottom line.

NCUA's free monthly newsletter, *The NCUA Report*, continued to serve as the agency's flagship publication. In each issue, credit union managers, boards and volunteers can learn more about the agency's policy initiatives and gain insight into emerging risks, consumer protection regulations and economic trends. The newsletter also featured regular columns by NCUA Board members. In addition to the nearly 9,000 print subscribers, the online version of the newsletter averaged more than 18,700 visits each month and had 224,873 visits during the year.

Finally, NCUA continued its outreach on social media in 2015. For the year, the agency's social media sites had nearly 11,000 retweets, stories and mentions. NCUA's social media content reached more than 18 million individual users, up nearly 50 percent from 2014. More than 9,000 users interacted with the agency's social media sites daily, up from 6,300 in 2014.

In 2015, followers of NCUA's consumer Twitter feed, @MyCUgov, grew by 43 percent, LinkedIn followers increased by 43 percent, Facebook likes rose by 37 percent, and the business Twitter account, @TheNCUA, followers increased by 36 percent.

In 2016, NCUA will continue to improve our communications products. We plan to further grow our social media presence, increase traffic to the agency's online consumer protection and financial literacy resources, add new content to all public websites, enhance online search functions and improve mobile device compatibility.

Creating a Diverse, Highly Skilled Workforce

The dedicated men and women who work at NCUA are the agency's most valuable asset. Throughout 2015, NCUA took a number of steps to nurture and develop this asset to meet the future needs of the agency in an ever-changing and interconnected financial services marketplace.

ATTRACTING THE BEST CANDIDATES

In 2015, NCUA introduced two pilot projects to attract entry-level credit union examiners. The first included consolidating job announcements in two NCUA regions to provide more focused and targeted recruiting efforts. These efforts resulted in a significant increase in applicants.

In conjunction with this pilot, NCUA released a new recruitment video, *Day in the Life of a Credit Union Examiner*, in September. The video provides a true-to-life depiction of the work of examiners and aims to attract highly qualified and diverse applicants to entry-level credit union examiner positions. NCUA embedded the YouTube video in vacancy announcements for entry-level credit union examiners.

In all, 42 percent of our entry-level examiner applicants in 2015 applied in the last three months of 2015. We attribute the increased volume to the pilot project and recruitment video.

The second pilot included recruiting college interns using the Office of Personnel Management's Pathways Internship Program for part-time, examiner-trainee positions. The program offers agencies the option of converting an intern position into a permanent position after a student graduates. The successful pilot will be expanded in 2016.

To further promote diversity, the agency continued to post vacant positions on diversity websites, in addition to the normal process of posting on the Office of Personnel Management's USAJOBS website and the agency's LinkedIn page. In addition, NCUA posts reoccurring recruitment ads in diversity magazines like the *Black Journal, Hispanic Network, U.S. Veterans Magazine* and *Professional Women's Magazine.*

These efforts resulted in a more diverse and qualified applicant pool and led to the agency hiring greater numbers of minorities and women. Of the 100 employees hired in 2015, 62 percent identified as a minority, a female, or a female minority.

RETAINING A DIVERSE AND HIGHLY SKILLED WORKFORCE

NCUA recognizes that a diverse workforce not only enriches the agency and our employees, but also informs our decisions and enhances output. In addition to hiring a diverse pool of employees in 2015, NCUA undertook a number of initiatives to retain, protect and better utilize our employees' talents. This intentional focus on inclusion not only helped us retain diverse employees, it also allowed all employees to contribute to their full potential.

In 2015, the Office of Minority and Women Inclusion, in partnership with other offices, developed the agency's first mentoring program to help new or less experienced employees reach their career goals and to improve employee engagement and retention. The office also created the agency's new Employee Resource Group program. These employee-led groups come together based on a shared characteristic and serve as a resource for fostering inclusiveness and engagement among employees. The agency also made annual diversity awareness training mandatory for all current NCUA employees and contractors.

An important contributing factor to having an engaged workforce is effective leadership. The agency's leadership conference, held every other year, brought together all NCUA supervisors and managers for training on employee engagement and motivation, understanding generations in the workplace and emotional intelligence.

In addition, four employees successfully completed NEXT, the agency's newly designed 18-month executive leadership development program, in 2015. The agency's commitment to succession planning is also reflected in the selection, in the fall of 2015, of participants for the second NEXT program. NCUA also graduated a diverse group of eight potential managers in 2015 from its management development program.

Finally, NCUA placed an emphasis this year on ensuring the safety of our workforce. NCUA conducted its first live workplace violence prevention training sessions for both supervisors and employees. We also updated our workplace violence instruction to address the issues of domestic violence, sexual assault and stalking in the workplace.

NEGOTIATING A NEW COLLECTIVE BARGAINING AGREEMENT

The National Treasury Employees Union represents approximately three out of every four agency employees. In July, NCUA and the union signed a new five-year collective bargaining agreement.

The agreement modernized the agency's employee pay and benefits program, helping to keep it competitive with the other financial services regulators, as required by law. Specific elements of the agreement included:

- Pay caps at all grade levels and more controls over growth in the locality pay adjustments to balance competitive salaries with fiscal responsibility,
- Fixed increases in the pay schedules for more predictability in salary growth,
- New telework provisions that balance the flexibility for employees to work from home with ensuring the agency remains productive when the federal government closes for unforeseen events, and
- Refinements to the benefits package that was modernized in the last contract, including an increase to the health benefits subsidy and the NCUA Savings Plan for employees.

The agreement also made revisions to the employee travel reimbursement program by in light of the increasing overnight staff travel required due to the declining number of local credit unions. In addition, it streamlined several administrative and reporting processes to maximize employee and management productivity.

NCUA projects $17.2 million in cost savings resulting from reductions in future expense growth gained in the 2015 collective bargaining agreement, as compared to the 2011 agreement.

RANKING AMONG THE BEST PLACES TO WORK

NCUA has the goal of being an employer of choice, and the agency has remained a top performer in terms of employee satisfaction at federal agencies.

The 2015 Employee Viewpoint Survey, administered by the Office of Personnel Management, reflected positive results for NCUA. The agency had a survey response rate of 67 percent, significantly higher than the federal government overall. NCUA employees again demonstrated their commitment to producing high-quality work, with 97 percent of the agency's survey respondents saying they were willing to put in extra work to get a job completed. Ninety-one percent said they constantly look for ways to do their jobs better, and 90 percent said they feel their work is important.

In 2015, NCUA ranked eighth when compared to other mid-sized agencies in the annual Best Places to Work in the Federal Government rankings issued by the Partnership for Public Service. NCUA ranked even higher in several specific categories. For example, the agency ranked fifth in training and development, sixth in the support

NCUA Board Chairman Debbie Matz presents Takia Thomas with a certificate after her successful completion of NCUA's management development program. Thomas was one of eight employees who graduated from the program in 2015.

for diversity, performance-based rewards and advancement and sixth in the effective leadership categories of fairness and empowerment.

More importantly, we improved our score in many measures of employee satisfaction, ranking:

- First among veterans,
- Second among Hispanics and employees with disabilities,
- Fourth among African Americans, Asians and Whites,
- Fourth among women, men and employees above 40 years old, and
- Fifth among employees under 40 years old.

NCUA's score in the Partnership for Public Service's 2015 *Support for Diversity Index* increased from 65.8 in 2014 to 68 in 2015, more than 10 points higher than the government-wide average. NCUA also ranked sixth on the 2015 Employee Viewpoint survey's engagement index and on the new inclusion quotient. NCUA was ranked as one of the top performers in the survey's *Global Satisfaction Index*, and one of the agencies with the largest increase in the index.

In addition to scoring highly in the Best Places to Work rankings, NCUA was named a "Best of the Best" place to work for minorities, women, veterans and Hispanics by DiversityComm, Inc. NCUA swept all four categories, an improvement from the agency's 2014 scores.

IMPROVING EXAMINER TRAINING

An essential component of an effective workforce for NCUA involves examiner training. During the year, NCUA revamped the new examiner training program to implement the Small Credit Union Examination Program, which focused on real-world applications of classroom training.

New agency examiners attend seven classroom sessions over a 15-month period. When not in the classroom, new examiners work in credit unions with an assigned on-the-job trainer to complete specific tasks applicable to the examination process.

The goal of the new format is to ensure that a new examiner is trained on all aspects of the Small Credit Union Examination Program and able to perform an exam on a small credit union within the first year on the job. In the second year, a new examiner is introduced to the risk-focused examination process.

In 2015, NCUA examination staff completed 8,871 sessions of 216 different classes:

- 1,946 of these completions were from 43 NCUA instructor-led courses,
- 6,667 were from 21 online courses, and
- 258 completions were from 21 courses offered by the Federal Financial Institutions Examination Council.

This equaled 65,175 hours of training for 2015. In addition, state examiners completed 707 NCUA-based class sessions of 54 different courses for an additional 23,067 hours of training.

Being a Good Corporate Citizen

NCUA remains committed to being a model corporate citizen. The agency works tirelessly to serve the American people and holds its employees and leaders to the highest standards of conduct, financial management, professionalism and ethics.

PRACTICING SOUND FINANCIAL MANAGEMENT

NCUA continued to be an effective steward of the agency's budget in 2015. We allocated resources effectively and efficiently without sacrificing our core mission of protecting the safety and soundness of the credit union system or our goal to be an employer of choice.

NCUA's original budget for 2015 totaled $279.5 million. We allocated the majority of our budget, $203.8 million, to programs related to Strategic Goal 1, followed by $49.1 million for Strategic Goal 4. These goals are largely comprised of the supervision and examination programs, and talent management and information technology programs, respectively.

The remaining budget consists of $17 million allocated to Strategic Goal 2 (consumer protection), and $9.6 million to Strategic Goal 3 (transparent regulatory environment). NCUA proportionally allocates general and administrative costs to each goal. The agency utilized 96 percent of our original budget in 2015.

NCUA also budgeted for 1,269 full-time equivalent workers in 2015. The majority of the workforce was allocated to Strategic Goal 1, followed by Strategic Goal 4. At the year's end, NCUA had 1,224 full-time equivalent employees.

During the agency's mid-year budget review, the NCUA Board directed each office to increase efficiencies and reduce line items wherever possible. As a result, the agency decreased the 2015 Operating Budget by $1.3 million. The Board plans to continue its practice of holding a mid-year budget review. The 2017 and 2018 budgets are scheduled to be reviewed at the Board's November 2016 open meeting.

Strategic Goal	Dollars (in Millions)		Full-Time Equivalents*	
	Budgeted	Actual	Budgeted	Actual
Goal 1: Ensure a Safe, Sound and Sustainable Credit Union Industry	$203.8	$197.5	1,052	1,012
Goal 2: Promote Consumer Protection and Financial Literacy	$17.0	$16.4	76	74
Goal 3: Further Develop a Regulatory Environment that is Transparent and Effective, with Clearly Articulated and Easily Understood Regulations	$9.6	$9.3	38	37
Goal 4: Cultivate an Environment that Fosters a Diverse, Well-Trained and Motivated Staff	$49.1	$44.6	103	101
Total	**$279.5**	**$267.8**	**1,269**	**1,224**
Expenses for the Offices of the Board, Executive Director, Inspector General and Chief Financial Officer are allocated across all strategic goals. NCUA's 2015 full-time equivalents are funded by three different sources: the Central Liquidity Facility funds 3.5 full-time equivalents and the Temporary Corporate Credit Union Stabilization Fund funds 5 full-time equivalents. NCUA's Operating Fund funds the remaining 1,260.2 full-time equivalents.				

**For clarity, data for full-time equivalents in the table are rounded to the nearest whole number.*

Source: NCUA Annual Budget Data

In developing the agency's budget for 2016, NCUA again used a zero-based budgeting approach, justifying every projected expense. In November, the Board approved an Operating Budget of $290.9 million for 2016, an increase of 4.1 percent from the 2015 budget of $279.5 million.

The Board also approved a return to a two-year budget process in 2015. The two-year budget for 2016 and 2017 is a return to the Board's former practice. The budget estimates for 2017 represent the agency's current best estimates of operating costs for that year. NCUA's Operating Budget will be $302.9 million for 2017, a 4.1 percent increase from 2016. Authorized staffing in 2016 and 2017 is 1,247 full-time equivalents.

The Overhead Transfer Rate from the Share Insurance Fund covers expenses associated with NCUA's insurance-related activities. It is calculated annually through a methodology adopted by the NCUA Board in 2003. For 2015, the rate was 71.8 percent.

In 2015, the NCUA Board approved a delegation of authority to the Office of Examination and Insurance to administer the Board-approved methodology for calculating the Overhead Transfer Rate and set that rate for each budget cycle, beginning in 2016. The Overhead Transfer Rate for 2016 will be 73.1 percent. The primary cause for the 1.3 percentage-point increase for 2016 was the increase in the percentage of insured shares held by state-chartered credit unions, which rose 0.9 percentage points to 47.7 percent.

Also in November, the NCUA Board approved a delegation of authority to the Office of the Chief Financial Officer to administer the Board-approved methodology for calculating federal credit union operating fees and set the fee schedule for each budget cycle, beginning in 2016.

The 2016 Operating Fee decreased by 0.47 percent. The agency uses the Operating Fee to pay the costs of regulating federal credit unions. NCUA will charge the Operating Fee in March 2016, with payments due April 15, 2016.

Based on the Overhead Transfer Rate and the Operating Fee, federal credit unions fund 65.1 percent of NCUA's 2016 Operating Budget, while state-chartered credit unions fund 34.9 percent.

For the fourth consecutive year, federal credit unions with assets of less than $1 million are exempt from the Operating Fee. When the budget was approved in November 2015, 254 federal credit unions were eligible for the exemption.

Finally, the NCUA Board approved a two-year Corporate Stabilization Fund budget. The 2016 Corporate Stabilization Fund budget of $4.0 million decreases spending by 2.4 percent, and the 2017 budget will be $4.1 million. Staffing levels for the Corporate Stabilization Fund will stay flat for both years at five full-time equivalents.

IMPROVING SUPPLIER DIVERSITY

In 2015, NCUA continued to advance the agency's supplier diversity initiatives. Supplier diversity efforts promote the inclusion of minority- and women-owned businesses in NCUA's contracting opportunities, and are required by the Dodd-Frank Act.

Throughout the year, our Office of Minority and Women Inclusion worked with the agency's procurement team to integrate NCUA's supplier diversity policy and procedures formally into the updated NCUA Procurement Manual. At the same time, the Office of Minority and Women Inclusion provided continuous support to program offices researching and identifying top minority- and women-owned businesses to invite to participate in its contracting opportunities.

In addition, NCUA partnered with seven other federal financial regulators and the Virginia Procurement Technical Assistance Program to coordinate the first ever Interagency OMWI Procurement Technical Assistance event. Attended by more than 300 minority- and women-owned businesses, the event offered free informational, educational and networking sessions to help businesses build and grow their federal contracting opportunities.

The agency also continued its outreach to a number of organizations to raise awareness of NCUA's supplier diversity initiatives and contracting opportunities. NCUA was an exhibitor and participant at the Annual Federal Government Procurement Conference, the Women's Business Enterprise National Conference, and the National Minority Supplier Development Council.

In 2015, 22.5 percent of NCUA's reportable contracting dollars were awarded to minority- and women-owned businesses, down from 29 percent in 2014, but up slightly from 22 percent in 2013. The 2014 results included a sizeable non-recurring computer lease contract awarded to a woman-owned firm that added more than 7 percentage points to NCUA's usual supplier diversity levels.

Despite this decline, the results of NCUA's four-year-old supplier diversity program place it in the company of other successful and long-standing supplier diversity programs at our peer financial regulatory agencies. Over the course of 2016, NCUA will continue to engage with the minority- and women-owned business communities to create positive relationships and a supportive environment where supplier diversity can thrive.

GIVING BACK TO OTHERS

NCUA strives to be a model corporate citizen, including in the area of charitable giving. Employees across the nation got into the spirit of giving in 2015, achieving new records.

In all, our employees collected 153,752 pounds of food in the 2015 Feds Feed Families campaign—65 percent more than in the previous year's drive. Feds Feed Families is an annual charitable event coordinated by the U.S. Department of Agriculture. NCUA staff donated enough food to provide more than 128,000 meals to families in need. Over the last three years, the agency has significantly increased its contributions and donated 134 tons of food to help feed those in need.

In addition to the agency's contribution to Feds Feed Families, NCUA employees based in Alexandria, Virginia, also donated or pledged a total of $101,180 during the 2015 Combined Federal Campaign, compared to $82,579 in 2014. For its efforts during the campaign, the agency received the President's Award, the Summit Award, the Participation Achievement Award and the eGiving Award.

Shaping the Future of NCUA and the Credit Union System

While NCUA achieved much in 2015, an evolving credit union system continues to face new challenges. In 2016 and beyond, NCUA will work to address existing threats and emerging risks that could threaten the safety and soundness of the system. NCUA also will continue its efforts to enhance the diversity of its workforce and develop new tools, rules and systems that will improve the effectiveness and efficiency of the agency and credit unions.

ADDRESSING POTENTIAL RISKS TO THE SYSTEM

In 2015, federally insured credit unions performed well by almost every measure. However, there are a number of emerging issues and risks that could potentially affect the safety and soundness of the credit union system and Share Insurance Fund. Some of the areas of concern to NCUA include:

- **Interest Rate Risk**—In December 2015, the Federal Open Market Committee raised short-term interest rates for the first time since 2006. This increase came after a lengthy period of the most accommodative monetary policy in U.S. history. While the timing of future increases in interest rates remains uncertain, 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.

  NCUA's focus on interest rate risk management has been constant for more than 15 years, as evidenced by a steady issuance of guidance to field staff and credit unions on asset-liability management. Since 2010, interest rate risk management has been a heightened focus for NCUA. To mitigate this, the NCUA Board issued a final rule in 2012 aimed at managing interest rate risk.

  Recent trends suggest that credit unions have reduced interest rate risk on the asset side of their balance sheets. While the recent drop in aggregate exposure to long-term assets should reduce the risks associated with rising interest rates, the share of long-dated assets to total assets remains elevated relative to averages before the Great Recession. NCUA will continue to monitor these exposures closely.

  The management and boards of credit unions of all sizes also must be prepared for the challenges posed by a rising interest rate environment. Interest rate risk will continue to be a primary supervisory focus for the agency in 2016.

- **Cybersecurity**—Cyberattacks are expected to increase in frequency and severity as worldwide interconnectedness grows and the capabilities to conduct cyberattacks become more sophisticated and easier for criminals or terrorists to obtain. As in 2014 and 2015, NCUA will continue to carefully evaluate credit unions' cybersecurity risk management.

  The agency encourages all credit unions to use the FFIEC Cybersecurity Assessment Tool to manage cybersecurity risks. NCUA also plans to begin incorporating the tool into our examination process in the second half of 2016. Further, to promote awareness of cybersecurity issues, NCUA will continue to foster and facilitate the sharing of best practices to strengthen credit unions' existing cybersecurity programs throughout the year.

- **Changing Demographics**—In 2016 and the coming years, credit unions will face new challenges with respect to an aging and diversifying population. As the U.S. population ages and more Americans retire, credit unions may see shifts in growth trends and members' demand for certain products and services.

  Credit unions need to be aware of these trends and adjust their business plans accordingly. For example, some credit unions with small fields of membership may find their potential membership declining, restricting opportunities for growth. Credit unions with older management teams ready to retire and with few leaders within the succession chain also may experience difficulties in remaining viable.

  According to the Credit Union National Association's *2015–2016 National Member and Nonmember Survey*, the average age of adult credit union members is 46.7, yet the peak borrowing age is 25 to 44 years old. By this measure, the average credit union member is already past his or her prime borrowing years.

NCUA is already taking a number of steps to address the issue of an aging population. In November, the NCUA Board proposed modernizing the agency's field-of-membership rules to allow credit unions to grow. The Board anticipates completing this rulemaking in 2016. NCUA also will continue providing technical assistance and grants to help low-income credit unions expand the products and services they offer.

The U.S. population also continues to become more diverse. With an increased array of financial services being provided by non-bank entities, credit unions may see further pressures as they try to retain current consumers and reach out to new ones. As the population diversifies, credit unions may need to adapt the products and services they offer to ensure they communicate effectively with and serve the needs of new potential members.

To help credit unions respond to these societal changes, NCUA will strengthen and support the agency's Minority Depository Institutions Preservation Program. We also will continue to conduct training and outreach to small and low-income credit unions to assist them in preparing for and responding to the needs of more diverse populations.

- **Changing Economic Conditions**—Economic conditions can weaken in specific industries and regions even if the overall economy is growing and creating jobs. In 2015, for example, the sharp decline in oil prices weakened the economies of energy-producing states including West Virginia and North Dakota.

  The decrease in the value of taxi medallions in 2015 resulting from competition from new ride-sharing technologies is another example. In 2015, one large credit union needed to be conserved due to its high exposure to taxi-medallion loans. NCUA will continue to address these issues in 2016, and the agency will remain vigilant in identifying new problems as they develop.

- **Performance Disparities between Large and Small Credit Unions**—While credit unions overall performed well in 2015, much of system's growth can be attributed mainly to the largest institutions. Credit unions with assets of less than $10 million have seen less loan and net worth growth than credit unions with more assets. In addition, membership continued to decline in 2015 at credit unions with less than $10 million in assets, and membership growth at credit unions with less than $500 million in assets continued to lag behind credit unions with more than $500 million in assets.

  We recognize that small credit unions are vital to their communities. NCUA will continue to provide these credit unions technical assistance and create new opportunities for growth through reduced regulatory burdens, increased access to supplemental capital and enhanced chartering and field-of-membership options.

CLOSING A REGULATORY BLIND SPOT

Another major area of concern for NCUA is vendor authority. The agency lacks the same vendor authority of other federal financial institutions regulators. As credit unions increasingly use credit union service organizations or other third parties to achieve economies of scale and remain competitive, this regulatory blind spot prevents NCUA from having a full understanding of all potential risks within the credit union system.

The agency has two particular areas of concern when it comes to vendor authority. The first is systemic risk. The potential for vendor systemic risk is significant given the interconnectedness of the credit union system and credit unions' common use of vendors and CUSOs for services. This risk is substantial, as it relates to technology service providers like core processing vendors. For example, the top four credit union core-processing vendors serve over 53 percent of federally insured credit unions representing 84 percent of total system assets. Significant problems within a key vendor, the failure of a key vendor, or both could result in losses to credit unions and, in turn, the Share Insurance Fund.

The second area of concern related to vendor authority is cybersecurity risk. Credit unions increasingly rely on electronic and online vendors to provide services their members want. These types of services pose a high level of potential risk to credit unions, as they are subject to malicious cyber-attacks, account takeovers and online transaction fraud. They require effective implementation of robust authentication and layered security mechanisms to detect and prevent identity theft and online transaction fraud. Many credit unions rely on vendors for electronic banking services, and it is imperative that these vendors have adequate security and internal controls in place.

NCUA's 1,224 dedicated employees support the agency's mission in a number of roles, including examining credit unions, supporting the agency's IT infrastructure, training employees and examiners, promoting financial literacy, protecting consumers, and managing the agency's budget and finances. The agency's diverse and highly skilled workforce is our greatest asset.

Like its fellow financial institutions regulators, NCUA needs to exercise oversight over vendors to ensure proper and robust safeguards are in place to protect such systems and data. With respect to such technology service providers, NCUA seeks information related to their cybersecurity safeguards, ongoing vulnerability assessments and mitigation strategies in the event of being compromised.

In 2015, the Government Accountability Office and the Financial Stability Oversight Council each recommended that Congress provide NCUA with third-party vendor authority. In 2016, NCUA will continue to negotiate with Congress and other interested stakeholders to ensure the agency has the same legal authority that other federal financial institutions regulators have to oversee risks posed by third-party vendors.

ADVANCING REGULATORY RELIEF EFFORTS

NCUA recognizes that credit unions face increasing compliance burdens and need opportunities to grow. Consistent with safety and soundness and the agency's statutory responsibilities, NCUA will continue its efforts to provide regulatory relief. In 2016, the NCUA Board will work diligently to finalize its rulemakings on member business lending and field of membership, among others.

The Board will complete its work on a modernized member business lending rule during the first half of the year. By removing prescriptive regulatory limits, credit unions will have greater freedom in making decisions about commercial lending.

In the second half of the year, NCUA anticipates finalizing a rule to expand field-of-membership options for community and occupational charters. The agency also intends to propose a rule in 2016 that would authorize supplemental capital to count toward risk-based capital for complex credit unions that do not have a low-income designation.

IMPROVING DIVERSITY IN THE AGENCY

In an effort to improve diversity at all levels within the agency, NCUA will continue to develop partnerships and collaborations with minority-serving organizations, expand the agency's presence in diversity print media, on social-networking sites and on various diversity websites. We also will continue to market NCUA as an employer of choice.

In the recruitment area, NCUA will continue to expand our use of the Pathways Internship Program and our partnerships with universities and colleges near hard-to-fill duty locations. These efforts will help the agency to continue to attract highly qualified and diverse candidates. We also will continue to explore additional strategies to increase the quality of applicants referred to management for selection consideration.

Furthermore, NCUA will focus on two key areas when it comes to attracting and retaining a diverse workforce over the next year—intentional inclusion and unconscious bias. By understanding that diversity without intentional inclusion will not yield high results, NCUA will provide senior staff with training focused on inclusion and additional resources to aid in creating a more inclusive environment. Second, the agency's leadership team and the entire workforce will receive education on unconscious bias, which heavily affects behavior and decision making.

INVESTING IN NEW TECHNOLOGY AND SYSTEMS

Starting in 2016, NCUA will make considerable investments in new technology over several years to support our examination program. Many of the systems currently used have reached, or are reaching, the end of their service lives. In addition, NCUA must make improvements to ensure that its systems are protected against cybersecurity threats and risks.

NCUA's Office of the Chief Information Officer began an initiative in 2015 to develop an enterprise vision, strategy and roadmap of the agency's investments in information technology. Office staff met with each NCUA office and region to understand their business activities, identified gaps and determined the requisite information technology capabilities to address those gaps.

In 2016, the Office of the Chief Information Officer will continue work with the offices, regions and NCUA's internal Information Technology Prioritization Council to prioritize IT capabilities and develop a multi-year roadmap that will prescribe the timeframe for rolling out new capabilities across the agency.

Moving Forward

By nearly every measure, the credit union system and NCUA concluded 2015 in a strong position. The continued gains in membership show that more and more Americans are attracted to the services and products that credit unions offer. Credit unions themselves have generally adapted to the evolving financial services marketplace and are finding new ways to provide affordable financial services to newer and more diverse populations than ever before.

Also in 2015, NCUA continued its multi-year effort to create and maintain a modern regulatory structure that allows credit unions to evolve and grow, reduces regulatory burdens where possible, and strengthens the credit union system to better address emerging threats and risks.

As outlined in NCUA's draft *2017–2021 Strategic Plan*, NCUA will continue to address changes in the credit union system over the course of the next year and beyond. We will continue to work with the credit union community and our fellow financial regulators to address critical cybersecurity risks. We also will continue to make critical investments in our staff and information technology that are needed for NCUA to continue to fulfill its congressionally mandated mission. Finally, we will again work to close a critical regulatory blind spot: assessing potential risks posed by third-party service providers that are increasingly being used by credit unions of all asset sizes.

Through NCUA's actions in 2015, the credit union system remained strong and vibrant, helping to ensure that our communities, businesses and our citizens will be able to utilize the products and services of federally insured credit unions in 2016 and for years to come.

Financial Highlights

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. Once again, NCUA received unmodified or "clean" audit opinions by an independent auditor on its financial statements for each of these funds for the years ending December 31, 2015 and December 31, 2014.

The following highlights provide an overview of NCUA's 2015 financial statements. The complete financial statements, including the independent auditors' reports, are located in the Financials Section of this report.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

NCUA administers the National Credit Union Share Insurance Fund. Created by Congress in 1970, the fund insures the deposits of 102.7 million members at federally insured credit unions up to $250,000.[1] The Share Insurance Fund is backed by the full faith and credit of the United States.

As of December 31, 2015, 6,021 state and federal credit unions were insured by the Share Insurance Fund, with insured member shares reaching $961.3 billion, an increase of $58.3 billion or 6.5 percent from 2014. At December 31, 2015, federally insured credit unions held more than $1.2 trillion in total assets.

Share Insurance Fund Select Summary Results

Financial Results (in thousands)	2015	2014	2013
Total Assets	$ 12,328,652	$ 11,957,607	$ 11,606,600
Investments, Net	$ 12,079,490	$ 11,611,538	$ 11,199,001
Total Liabilities	$ 172,491	$ 182,252	$ 325,497
Insurance and Guarantee Program Liabilities	$ 164,857	$ 178,318	$ 220,651
Cumulative Results of Operations	$ 2,803,048	$ 2,831,256	$ 2,619,929
Contributed Capital	$ 9,353,113	$ 8,944,099	$ 8,661,174
Net Position	$ 12,156,161	$ 11,775,355	$ 11,281,103
	2015	2014	2013
Interest Revenue – Investments	$ 218,526	$ 208,259	$ 198,264
Net Unrealized Gain/(Loss) on Investments	$ (89,580)	$ 135,413	$ (356,761)
Operating Expenses	$ 197,752	$ 179,818	$ 148,312

Source: Audited financial statements for the Share Insurance Fund

The Share Insurance Fund ended 2015 with $12.3 billion in total assets, an increase of $371 million from 2014. This change is primarily due to an increase in net collections of capital deposits of $409 million. Insured credit unions are required to make capital deposits of 1 percent of insured shares into the Share Insurance Fund.

As required by the Federal Credit Union Act, these capital deposits are invested in U.S. Treasury securities and earned interest revenue of $218.5 million in 2015. The growth of interest income over prior years is primarily due to the growth of capital deposits, which reflects the growth of insured shares in all federally insured credit unions. This relationship was also the primary driver of the changes between 2013 and 2014.

The Share Insurance Fund ended 2015 with total liabilities of $172.5 million, a decrease of $9.8 million in 2014. Included in this amount is $164.9 million for insurance and guarantee program liabilities, also referred to as reserves for losses from failed credit unions. With the health of credit unions improving overall, these reserves for losses declined by more than 7 percent, from $178.3 million in the prior year. This relationship was also the primary driver of the changes between 2013 and 2014.

[1] The Share Insurance Fund 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 failure, subject to various rules on account types, rights and capacities.

The cumulative results of operations reflect primarily net unrealized gains or losses on investments and operating expenses. While net unrealized losses of $89.6 million for 2015 were caused by overall increases in market interest rates, net unrealized gains of $135.4 million for 2014 were caused by overall decreases in market interest rates. Investments in U.S. Treasury securities account for approximately 98 percent of total assets.

Operating expenses are primarily administrative services provided by the NCUA Operating Fund. Services are charged based on an NCUA Board-approved allocation methodology and derived from a study of insurance and regulatory efforts. The rate determined under the allocation methodology, known as the Overhead Transfer Rate, increased from 59.1 percent for 2013, to 69.2 percent for 2014 and to 71.8 percent for 2015. The increases in the rate primarily reflect increased time spent on insurance-related activities by agency staff.

Share Insurance Fund Selected Statistics			
	2015	2014	2013
Equity Ratio	1.26%	1.29%	1.31%
Total Insured Shares	$961.3 billion	$903.0 billion	$866.3 billion
Credit Union Involuntary Liquidations and Assisted Mergers	16	15	17
Cost of Failures	$14.8 million	$40.4 million	$66.8 million
Assets in CAMEL 3, 4 and 5 rated Credit Unions	$98.3 billion	$106.9 billion	$122.4 billion

Source: Audited financial statements for the Share Insurance Fund

The financial performance of the Share Insurance Fund revolves around the equity ratio and the normal operating level. The equity ratio is calculated as the ratio of the contributed 1 percent deposit, plus the 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 normal operating level is the desired long-term target equity level for the Share Insurance Fund. The NCUA Board sets the level between 1.20 percent and 1.50 percent. The current normal operating level is set at 1.30 percent.

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.

The equity ratio at the end of 2015 was 1.26 percent, which is below the normal operating level set by the Board. As a result, no distribution was payable to the Temporary Corporate Credit Union Stabilization Fund. For 2014, the equity ratio was 1.29 percent, which also resulted in no distribution to the Stabilization Fund. In 2013, the year-end equity ratio of 1.31 percent resulted in a distribution to the Stabilization Fund of $95.3 million, as required by statute when the Stabilization Fund has an outstanding borrowing from the U.S. Treasury.[2]

Total insured shares were estimated at $961.3 billion and $903 billion as of December 31, 2015, and 2014, respectively. In 2015, credit union membership grew by 3.5 percent to approximately 103 million members. This increase in the deposit base contributed to the decrease in the equity ratio for 2015.

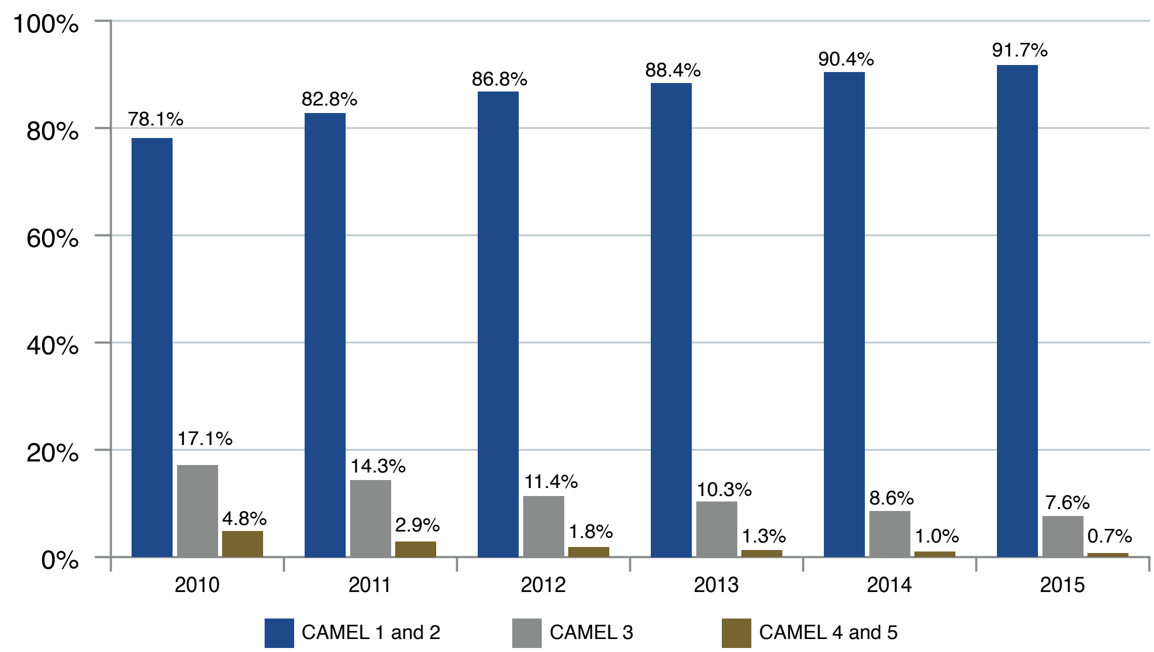
NCUA expects the Share Insurance Fund will receive additional capitalization deposits of approximately $259.6 million from federally insured credit unions in early 2016 when NCUA invoices for its biannual contributed capital adjustment. The additional capitalization deposits will result in a projected equity ratio of approximately 1.29 percent.

Credit union failures—which include involuntary liquidations and assisted mergers—by number of institutions has remained relatively constant. However, from 2013–2015, the cost of failures, which represents the original estimated cost at the year of the credit union's failure, has declined over the three years. While the trend shows a decrease in cost, the cost of failures can fluctuate widely from year to year with the varying causes of failures, including poor loan performance and fraud.

[2] The NCUA Board administers the Temporary Corporate Credit Union Stabilization Fund that was established in 2009 to accrue the losses of corporate credit unions during the credit crisis and to recover such losses over time.

The health of the credit union system continues to improve, as reflected by the reduction in assets in CAMEL 3, 4 and 5 rated credit unions as compared to 2014. Assets in CAMEL 3, 4 and 5 rated credit unions dropped to $98.3 billion at the end of 2015, versus $106.9 billion at the end of 2014, continuing a trend of steady decline since 2010.

Distribution of Assets by CAMEL Ratings at Year-end 2010–2015



Source: NCUA Examination Data

NCUA OPERATING FUND

The NCUA Operating Fund conducts activities prescribed by the Federal Credit Union Act, which include:

- Chartering new federal credit unions;
- Approving field of membership applications of federal credit unions;
- Promulgating regulations and providing guidance;
- Performing regulatory compliance and safety and soundness examinations;
- Implementing and administering enforcement actions, such as prohibition orders, orders to cease and desist and orders of conservatorship and liquidation; and
- Administering the Share Insurance Fund.

In 2015, NCUA chartered four new federal credit unions. At year's end, the total number of federal credit unions was 3,764, with total assets of more than $628 billion.

Funding for operations comes through operating fees levied on all federal credit unions and through reimbursements from the Share Insurance Fund. The Office of the Chief Financial Officer administers the methodology approved by the NCUA Board for calculating operating fees and setting the fee schedule each budget cycle. The fee is designed to cover the costs of providing administration and service to the federal credit union system. Each federally chartered credit union is assessed an annual fee based on its assets as of the preceding year-end. The Operating Fund also charges the Share Insurance Fund for administrative services, based on an annual allocation methodology called the Overhead Transfer Rate.

The Operating Fund is managed by the NCUA Board and supports the other four funds managed by the Board. The Operating Fund supports these related parties by providing office space, information technology services and supplies, as well as paying employees' salaries and benefits. Administrative support is reimbursed by the Share Insurance Fund, Central Liquidity Facility and Temporary Corporate Credit Union Stabilization Fund. Support to the Community Development Revolving Loan Fund is not reimbursed.

Expenses included on the Operating Fund Statement of Revenues, Expenses and Changes in Fund Balance are shown, net of reimbursements from related parties.

Operating Fund Summary Results			
Financial Results (in thousands)	2015	2014	2013
Total Assets	$80,411	$80,805	$77,323
Total Liabilities	$42,616	$47,377	$44,846
Fund Balance	$37,795	$33,428	$32,477
	2015	2014	2013
Total Revenues	$79,895	$79,104	$94,486
Total Expenses	$75,528	$78,153	$95,609
Excess Revenues Over (Under) Expenses	$4,367	$951	($1,123)

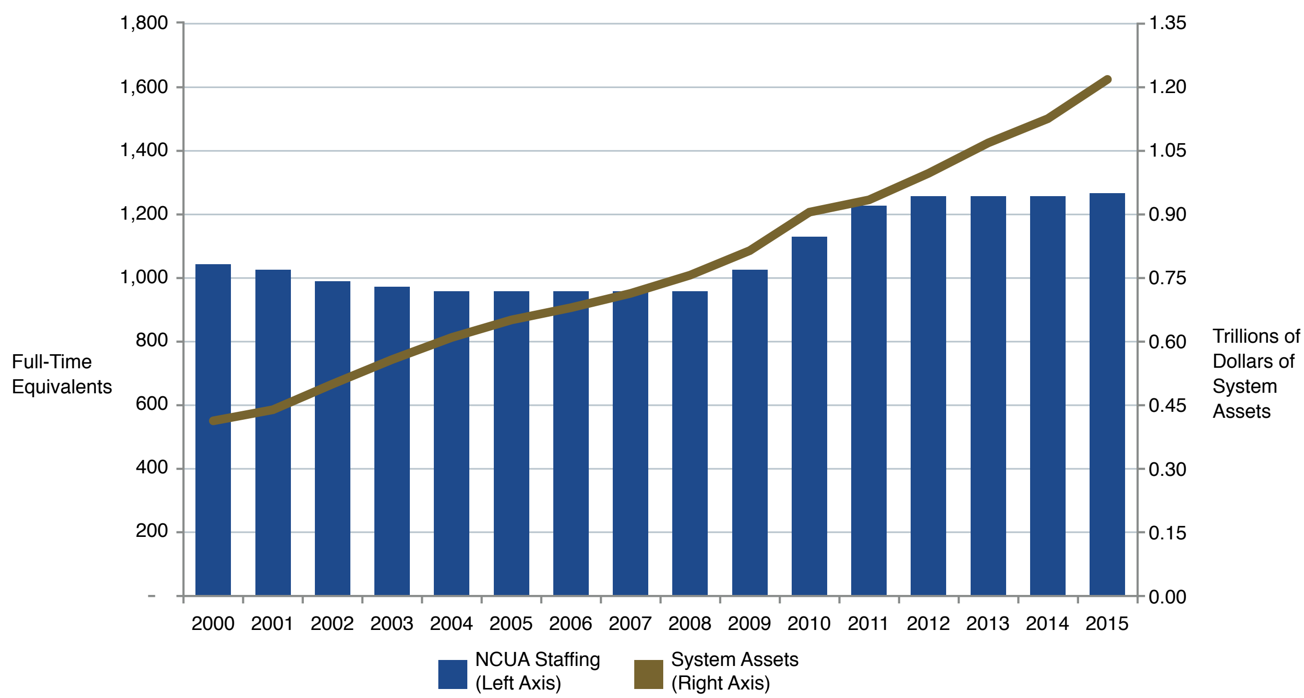
Source: Audited financial statements for the NCUA Operating Fund

Overhead Transfer Rate			
	2015	2014	2013
Overhead Transfer Rate	71.8%	69.2%	59.1%

Source: Audited financial statements for the NCUA Operating Fund

The Operating Fund ended 2015 with total assets of $80.4 million, a decrease of $394,000 and less than 1 percent from 2014. The change was primarily attributable to decreases in prepaid expenses for services and licenses, assets held for sale and intangible assets, partially offset by an increase in fixed assets due to acquisition of new computers.

NCUA Staffing Levels Compared to System Assets 2000–2015



Source: NCUA Annual Budgets, Call Reports

Total liabilities at December 31, 2015, were $42.6 million, a decrease of $4.8 million or 10 percent from 2014. The change was primarily attributable to decreases in accrued wages and benefits and accounts payable and other liabilities partially offset by increases in capital lease obligations and accrued employee travel.

NCUA uses zero-based budgeting to ensure each office's requirements were individually justified and consistent with the agency's overall strategic plan. All office budget submissions within NCUA underwent thorough reviews by the responsible regional and central office directors, the Chief Financial Officer and the Executive Director. Additionally, mid-year budget reviews are conducted each year to identify possible savings in program execution.

As part of our budget review, NCUA was able to trim a net $1.3 million from the operating budget during our 2015 mid-session budget review. The agency also identified $6.9 million in various savings initiatives for the 2016 operating budget.

In 2015, NCUA expenses were under the year-to-date budget by $9.4 million, compared to being under the year-to-date budget by approximately $13.2 million during 2014. Of the total variance, employee pay and benefits were under budget by $2.3 million, or 1.2 percent. Travel costs were under budget by $1.5 million, or 5.2 percent. Contract services costs were under budget by $2.1 million, or 7.9 percent. The remaining expense categories combined were under budget by $3.4 million, or 16 percent.

In 2013, while the execution of the agency's operating budget was under-budget, higher budget utilization was achieved, resulting in increased expenses cost for travel and pay. A lower full-time equivalent vacancy rate in 2013 was a contributing driver of the higher cost of travel and pay. Conversely, in 2014, NCUA experienced a higher full-time equivalent vacancy rate, resulting in decreased costs for travel and pay, which contributed to an underutilization of the operating budget.

CENTRAL LIQUIDITY FACILITY

The Central Liquidity Facility's purpose is to improve the general financial stability of credit unions by serving as a liquidity lender to credit unions experiencing unusual or unexpected liquidity shortfalls. The Central Liquidity Facility accomplishes its purpose by lending funds, subject to certain statutory limitations, when a liquidity need arises. The two primary sources of funds for the Central Liquidity Facility are stock subscriptions from credit unions and borrowings from the Federal Financing Bank.

A credit union becomes a member by purchasing shares of capital stock of the Central Liquidity Facility. As of December 31, 2015, the Central Liquidity Facility had 259 members who contributed $218.1 million of capital stock.

Central Liquidity Facility Capital Stock Accounts						
	2015		2014		2013	
	Shares	Amount	Shares	Amount	Shares	Amount
Regular Members	4,362,903	$218,145	4,002,787	$200,139	2,157,607	$107,880

Amounts in thousands, except for share data

Source: Audited financial statements for the Central Liquidity Facility

Investments totaled $237.5 million at year-end, and investment income totaled $2.5 million, which funded operations and paid $526,000 in dividends to members. The borrowing authority as of December 31, 2015, is $5.6 billion. Investments are the Central Liquidity Facility's primary asset and 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.

COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

The Community Development Revolving Loan Fund was established by Congress under Section 130 of the Federal Credit Union Act to assist credit unions serving low-income communities in:

- Providing financial services to their communities;
- Stimulating economic activities in their communities, resulting in increased income and employment; and
- Operating more efficiently.

The Community Development Revolving Loan Fund supports a revolving loan program and a technical assistance program. It is the only NCUA fund that receives an annual appropriation from Congress.

Since the initial loan program appropriation in 1979, Congress has appropriated $13.4 million for the Revolving Loan Fund program. Congress also provides funding for the technical assistance program through annual discretionary appropriations. Credit unions use the loan and technical assistance funds to increase financial services to their communities, including financial counseling, new products and enhanced electronic services.

As of December 31, 2015, the Revolving Loan Fund loan portfolio had $9.4 million in outstanding loans—26 loans outstanding to 26 credit unions. Also, Congress granted multi-year appropriations of $1.2 and $2 million for the technical assistance program in 2014 and 2015, respectively. In 2015, the fund made 381 technical assistance awards totaling $2.6 million from the multi-year appropriations received.

TEMPORARY CORPORATE CREDIT UNION STABILIZATION FUND

In addition to the four permanent funds, 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 will end in 2021. The results of the 2015 independent audit of the Stabilization Fund are available at http://go.usa.gov/cfXkP.

Performance Highlights

NCUA's *2014–2017 Strategic Plan* defines the agency's mission, long-term goals, strategies planned and the approaches we use to monitor progress in addressing challenges and opportunities related to our mission.

NCUA's mission is to provide, through regulation and supervision, a safe and sound credit union system, which promotes confidence in the national system of cooperative credit.

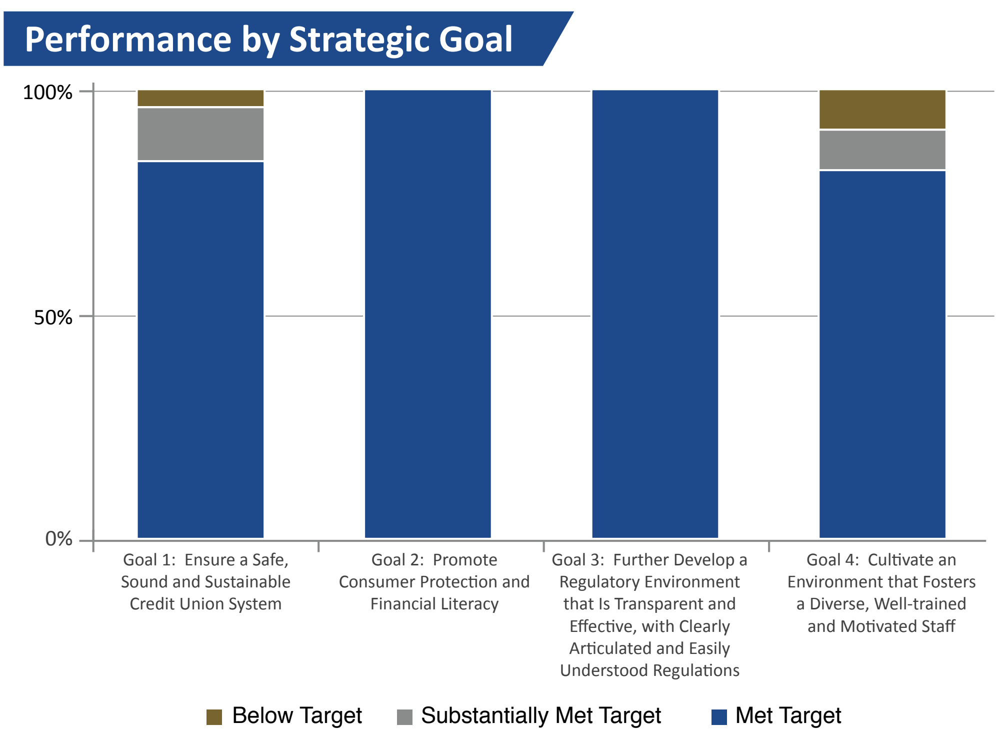
NCUA's 2014–2017 strategic goals are summarized below. Each goal is appointed a goal leader, a senior executive who is responsible for managing the goal, including actions implemented and results achieved.

NCUA 2014–2017 Strategic Goals	
Goal 1	Ensure a Safe, Sound and Sustainable Credit Union System
Goal 2	Promote Consumer Protection and Financial Literacy
Goal 3	Further Develop a Regulatory Environment that is Transparent and Effective, with Clearly Articulated and Easily Understood Regulations
Goal 4	Cultivate an Environment that Fosters a Diverse, Well-Trained and Motivated Staff

These goals are supported by strategic objectives that contribute to the broader impact described in the strategic goal. The strategic objectives also indicate how NCUA will achieve each strategic goal. The strategic objectives are further broken down into performance goals—measurable objectives NCUA will achieve within the plan period.

PERFORMANCE RESULTS BY STRATEGIC GOAL

NCUA achieved most of the ambitious goals we set in 2015, meeting or exceeding the established target for 73 performance indicators established in the *2015 Annual Performance Plan*. Our strong performance in 2015 builds upon the foundation set for the successful execution of NCUA's *2014–2017 Strategic Plan* and achievement of our mission, strategic goals and strategic objectives.



NCUA routinely measures and reports our progress implementing the strategies necessary to meet our performance goals in the agency's strategic plan. The Performance Results section of this report includes a complete performance goal progress update and discusses causes of variance or change in trends for the performance indicators, as well as whether each target was met.

Management Assurances and Compliance with Laws

PROMPT PAYMENT ACT

The Prompt Payment Act requires federal agencies to make timely payments to vendors, including any interest penalties for late invoice payments. In 2015, NCUA processed over 7,000 invoices totaling more than $109 million that were subject to prompt payment. During 2015, NCUA paid $297 in interest penalties, or 0.0003 percent of total dollars invoiced.

DEBT COLLECTION IMPROVEMENT ACT

The Debt Collection Improvement Act of 1996 prescribes standards for the administrative collection, compromise, suspension and termination of federal agency collection actions and referrals to the proper agency for litigation. NCUA monitors, administers and collects on debts less than 180 days delinquent. NCUA also monitors, administers and collects on debts more than 180 days delinquent. All eligible, nonexempt debts more than 120 days old have been transferred to the U.S. Department of the Treasury for cross-servicing, as required by the Digital Accountability and Transparency Act which reduced the timeframe from 180 days to 120 days. In addition, in accordance with the provisions of the Debt Collection Improvement Act, NCUA's recurring payments were processed by electronic funds transfer.

IMPROPER PAYMENT ELIMINATION AND RECOVERY IMPROVEMENT ACT

The Improper Payments Information Act of 2002, as amended by the Improper Payments Elimination and Recovery Act of 2010, requires federal agencies to review all programs and activities they administer and identify those that may be susceptible to significant improper payments. Significant improper payments are defined as gross annual improper payments in a program exceeding both 1.5 percent of program outlays and $10 million of all program payments made during the year, or $100 million.

NCUA evaluated all funds in accordance with guidance provided in Appendix C to the Office of Management and Budget's Circular A-123. Based on our evaluation, NCUA concluded all funds have a low risk of significant improper payments. The agency, therefore, is not required to determine a statistically valid estimate of erroneous payments or develop a corrective action plan.

FEDERAL INFORMATION SECURITY MODERNIZATION ACT OF 2014

As required by the Federal Information Security Management Act, 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.

NCUA's Office of Inspector General performs an annual independent evaluation to determine the effectiveness of agency information security programs and practices as required by the Federal Information Security Modernization Act of 2014 and to assess NCUA's privacy management program. The Office of Inspector General completed the fiscal year 2015 audit in November 2015, and the report is publicly available at http://go.usa.gov/cynbY.

FEDERAL MANAGERS' FINANCIAL INTEGRITY ACT

The Federal Managers' Financial Integrity Act of 1982 establishes management's responsibility to assess and report on internal accounting and administrative controls. Accordingly, NCUA management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of the Federal Managers' Financial Integrity Act, 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 committed to continuously enhancing and improving its systems of internal control and realizing more effective and efficient ways to accomplish its mission. Although no material weaknesses in internal control were identified, NCUA continues to take steps to strengthen internal control such as implementing an enterprise risk management process, furthering the development and enhancement of policies and procedures, and establishing more robust internal controls over financial reporting.

Chairman's Assurance Statement

February 12, 2016

The National Credit Union Administration (NCUA) is responsible for establishing and maintaining effective internal controls to ensure the efficiency and effectiveness of its operations, the safeguarding of its assets, compliance with applicable laws and regulations, and reliability of financial reporting.

NCUA has developed and implemented a system of internal controls to ensure that:

- Programs are efficiently and effectively carried out in accordance with applicable laws and management policies;
- Assets are safeguarded against waste, loss, unauthorized use, or misappropriation;
- Obligations and costs comply with applicable laws; and,
- Financial transactions are accurately and completely recorded to permit the production of reliable financial and statistical reports.

NCUA conducted its annual evaluation of internal controls over programs, operations and financial management, as of December 31, 2015. The assessment was performed in accordance with the guidelines issued by the Director of the Office of Management and Budget (OMB), in consultation with the Comptroller General, as required by the Federal Managers' Financial Integrity Act of 1982 (FMFIA), to determine NCUA's compliance with the standards prescribed by the Comptroller General. Based on the results of this assessment, NCUA is providing an unqualified statement of assurance that internal controls are operating effectively to meet the objectives of FMFIA.

In accordance with OMB Circular A-123, Management's Responsibility for Internal Control, NCUA continuously monitors and assesses the effectiveness of internal controls over financial reporting. Based on the results of these assessments, NCUA is providing reasonable assurance that internal controls over financial reporting as of December 31, 2015, are operating effectively. No material weaknesses have been identified in the design or operation of the internal controls over financial reporting.

Appendix D of OMB Circular A-123, Compliance with Federal Financial Management Improvement Act of 1996, requires agencies to establish and maintain financial management systems that are substantially in compliance with the federal financial management systems requirements, federal accounting standards, and the United States Standard General Ledger at the transaction level. NCUA utilizes a federal shared service provider, the Department of Transportation's Enterprise Services Center (ESC). ESC is recognized by OMB as a Financial Management Center of Excellence. ESC has demonstrated its ability to meet applicable federal requirements.

In accordance with the Government Charge Card Abuse Prevention Act of 2012, Public Law 112-194, NCUA has maintained safeguards and internal controls for purchase cards, travel cards, and integrated cards, and centrally billed accounts. Based on our assessment of these controls, NCUA is providing an unqualified statement of assurance that the appropriate policies and controls are in place and corrective actions have been taken to mitigate the risk of fraud and inappropriate charge card practices.

The results of the above-described assessments, independent audit reports, and assurances provided by management officials at NCUA indicate that the financial management systems of NCUA conform in all material respects with the principles, standards, and related requirements set forth by the Comptroller General.

Overall, NCUA provides an unqualified statement of assurance that its management has established and maintained effective controls to achieve the objectives of the FMFIA and OMB Circular A-123. Further, NCUA's financial systems are in conformance with the requirements of Appendix D of OMB Circular A-123.

Ongoing internal control assessments, Inspector General audits, and independent financial statement audits provide further assurances that if any material vulnerabilities are identified in the future, NCUA will correct them promptly.

Respectfully,

Debbie Matz
Chairman

PERFORMANCE RESULTS

Throughout 2015, NCUA implemented strategies and initiatives designed to achieve our mission to provide, through regulation and supervision, a safe and sound credit union industry that promotes confidence in the national system of cooperative credit. This mission is consistent with our vision of protecting consumer rights and credit union member deposits.

NCUA's vision and mission guided the development of the agency's *2014–2017 Strategic Plan*. This plan established strategic goals that advance the agency's mission and outlines strategic objectives that describe how we will achieve these goals. NCUA's *2015–2016 Annual Performance Plan* supported the strategic plan 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.

In 2015, NCUA's strategic goals and strategic objectives were:

Strategic Goal	Strategic Objectives
Goal 1: Ensure a Safe, Sound and Sustainable Credit Union System	1.1 Identify, measure, monitor and mitigate levels of risk in the credit union industry through effective regulations, supervision and examination 1.2 Manage operational vulnerabilities resulting from new products and services, especially shifts in balance-sheet composition 1.3 Implement tools and models for evaluation and assessment of industry wide risks 1.4 Be prepared for and promote awareness of critical risk issues, emerging technologies and related threats 1.5 Increase ability to manage risk through an effective examination and supervision program that minimizes loss to the National Credit Union Share Insurance Fund
Goal 2: Promote Consumer Protection and Financial Literacy	2.1 Establish a framework of well-balanced regulations and policy statements 2.2 Ensure federally insured credit unions comply with rules and regulations established to protect consumers 2.3 Develop and promote financial literacy education programs to empower consumers to make informed financial decisions 2.4 Promote access to federally insured financial services for consumers of all backgrounds and income levels 2.5 Review marketing and business plans of community charters to ensure progress toward meeting stated goals 2.6 Educate credit unions about consumer compliance issues
Goal 3: Further Develop a Regulatory Environment that is Transparent and Effective, with Clearly Articulated and Easily Understood Regulations	3.1 Reduce unnecessary obstacles to credit union competitiveness through modernized regulations 3.2 Collaborate with other regulators to discuss strategies and goals for implementing new or revised regulations 3.3 Maintain a regulatory environment that safeguards member interests and stability in the credit union system 3.4 Enhance NCUA's communication with credit unions through transparent regulations and guidance
Goal 4: Cultivate an Environment that Fosters a Diverse, Well-Trained and Motivated Staff	4.1 Develop and maintain the optimal knowledge, skills and abilities of the agency's workforce to meet emerging needs 4.2 Enhance staff effectiveness and efficiency through the use of technology 4.3 Recruit and retain a well-diversified and highly qualified workforce that reflects the relevant labor force 4.4 Maintain an effective plan of succession to ensure continuity of leadership throughout all levels of the organization 4.5 Improve NCUA's internal communication, both horizontally and vertically 4.6 Enhance NCUA's position as one of the best places in the government to work

Data Management and Reliability

Data management and data reliability are important in determining performance outcomes. As part of the verification and validation process, NCUA uses a quarterly data-driven review. Each designated goal leader is responsible for the progress in meeting the goals, reporting the results and making operational adjustments. These reviews are coordinated by the Office of the Chief Financial Officer.

Currently, NCUA's Offices of Examination and Insurance, National Examinations and Supervision, the Chief Economist and the regions review data. NCUA has budgeted for improvements to its data management system in 2016, including the development of business intelligence tools. Combined with an enterprise data integrity program, data storage will be expanded, and analysis and reporting strengthened.

Data provided by NCUA during financial statement audits, resulting in clean opinions for NCUA's four permanent funds and one temporary fund, provides another level of assurance. The NCUA Chairman deems the data as current, reliable and accurate to support NCUA's performance results and the annual plans.

Performance Results by Strategic Goal

NCUA had steady performance improvement across all four strategic goals in 2015. Each strategic goal and the supporting strategic objectives and performance goals are presented in the subsequent sections, including the detailed results of each indicator used to measure agency performance.

During the periodic review process, NCUA evaluated the performance indicators to determine whether the agency was achieving the intended level of performance and whether the indicator was the best measure of success. The results of this strategic process are reflected in the *2016–2017 Annual Performance Plan*.

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

Ensuring a safe, sound and sustainable credit union system through our examination and supervision program is NCUA's primary function. Strategic Goal 1 objectives focus on minimizing current and future risks as early as possible and encouraging sustainability within the system. The goal is supported by five strategic objectives, 13 performance goals (including two agency priority goals—1.2.1 and 1.4.2), and 25 indicators.

STRATEGIC OBJECTIVE 1.1

Identify, measure, monitor and mitigate levels of risk in the credit union industry through effective regulations, supervision and examination

Identifying and managing risk in credit unions is NCUA's core program. Essential to achieving this strategic objective is the effective and efficient management and execution of our examination and supervision programs, including the proper allocation of resources and timely resolution of issues. A stable and sustainable credit union industry allows credit unions to continue to provide services to their members as well as develop new services and products to meet the evolving needs of their members.

In 2015, we used five performance indicators to gauge NCUA's efforts for Strategic Objective 1.1 and its four underlying performance goals. NCUA met or exceeded all targets for Strategic Objective 1.1.

	Prior Year Results					2015		
Performance Goals	**2010**	**2011**	**2012**	**2013**	**2014**	**Target**	**Result**	**Progress**
1.1.1 Maintain strong levels of credit union system-wide net worth and corporate credit union leverage ratios								
Maintain aggregate net worth ratio above 10 percent	10.06%	10.21%	10.43%	10.77%	10.96%	Greater than 10%	10.92%	Met Target
Maintain the aggregate corporate credit union leverage ratio above 5 percent	--	5.0%	6.3%	7.1%	7.7%	Greater than 5%	8.0%	Met Target
1.1.2 Improve the number of rehabilitated problem credit unions (CAMEL 3, 4 and 5) as a percentage of problem credit unions								
Maintain Share Insurance Fund losses in problem credit unions at less than 0.03 percent of total assets in problem credit unions	0.021%	0.023%	0.102%	0.014%	0.014%	Less than 0.03%	0.009%	Met Target
1.1.3 Examine all federal credit unions annually								
Examine 100 percent of all federal credit unions	84.2%	92.1%	99.7%	99.7%	99.9%	100%	99.6%	Met Target
In 2015, NCUA examiners completed 3,773 examinations. Fourteen federal credit unions active at year-end were not examined as they were either in the process of merging, liquidating or converting to a federally insured, state-chartered credit union, or had been recently chartered as or converted to a federal credit union.								
1.1.4 Examine all federally insured, state-chartered credit unions with assets above $250 million annually								
Examine 100 percent of all federally insured, state-chartered credit unions with assets greater than $250 million	87.5%	98.6%	97.3%	100%	100%	100%	100%	Met Target

STRATEGIC OBJECTIVE 1.2

Manage operational vulnerabilities resulting from new products and services, especially shifts in balance-sheet composition

Credit unions tend to become more complex as they grow and provide a wider array of products and services. Such complexity can be beneficial when it addresses members’ needs and when it leads to increased diversification in a credit union’s assets. However, operational vulnerabilities and shifts in balance-sheet composition resulting from the introduction of new products and services, particularly in large concentrations, must be well managed, monitored and controlled to ensure a safe, sound and sustainable credit union system.

Credit unions’ balance sheets should be resilient under a wide variety of interest rate environments. Credit unions’ ability to manage and mitigate interest rate risk remains vital for their success. As such, NCUA identified the implementation of a robust supervision framework for financial reform regulations as an agency priority goal (1.2.1).

In 2015, we used six performance indicators to gauge NCUA’s efforts for Strategic Objective 1.2 and its two underlying performance goals. In 2015, all of the indicators showed improved performance and most met their target. An explanation is provided for each indicator that did not meet its target.

	Prior Year Results					2015		
Performance Goals	2010	2011	2012	2013	2014	Target	Result	Progress
1.2.1 Implement a robust supervision framework for NCUA's financial reform regulations including interest rate risk, liquidity and contingency funding plans, derivatives authority, and capital planning and stress testing — Agency Priority Goal								
Develop a proposal for a separate interest rate risk component for complex credit unions' risk-based net worth requirement	--	--	--	--	--	Achieve	Achieved	Met Target
Issue examiner and industry guidance introducing revised policy on evaluating quantitative risk measurements for interest rate risk	--	--	--	--	Delayed	Achieve in 2015	Delayed	Substantially Met Target
As part of NCUA's supervisory priorities in 2016, the agency will develop and issue revised examiner and industry guidance on evaluating quantitative risk measurements.								
Develop additional supervision guidance on interest rate risk sensitivity methods	--	--	--	--	Achieved	Achieve in 2015	Achieved	Met Target
Review and assess all capital plans and stress tests for credit unions with assets greater than $10 billion within timelines outlined in regulation	--	--	--	--	Regulation Established	Achieve	Achieved	Met Target
Complete an assessment for adding an interest rate sensitivity (S) rating to the CAMEL rating system consistent with other national bank supervisors	--	--	--	--	--	Complete Assessment in 2015	Achieved	Met Target
1.2.2 Update the automated examination industry to incorporate economic model analysis								
Complete programming and testing of a revised automated examination system	--	--	--	--	Under Development	Achieve in 2016	Delayed	Below Target
An updated plan for the modernization of the automated examination system is underway and will be measured by the milestones set in the *2016 Annual Performance Plan*.								

STRATEGIC OBJECTIVE 1.3

Implement tools and models for the evaluation and assessment of industry-wide risks

The evaluation and assessment of risks is essential to the sustainability of the credit union system. NCUA refines information derived from tools and models to prioritize the issuance of industry and examiner guidance and to focus supervision efforts to minimize losses to the Share Insurance Fund. NCUA also employs business intelligence tools to identify and monitor risks to the credit union industry.

In 2015, we used two performance indicators to gauge NCUA's efforts for Strategic Objective 1.3 and its underlying performance goal. The agency improved results and will continue to make progress in 2016.

	Prior Year Results					2015		
Performance Goals	2010	2011	2012	2013	2014	Target	Result	Progress
1.3.1 Employ business intelligence tools to identify and monitor risks to the credit union industry								
Develop tools and model to provide improved reporting services and risk monitoring	--	--	--	--	--	Achieve in 2015	Delayed	Substantially Met Target
Data and dashboards were deployed to staging environments, and pilot testing on the business intelligence tools took place in 2015. User-acceptance testing will be completed in the first quarter of 2016.								
Publish quarterly Call Report data within 45 days of credit union submission deadline	--	Achieved	Achieved	Achieved	Achieved	Achieve	Achieved	Met Target

STRATEGIC OBJECTIVE 1.4

Be prepared for and promote awareness of critical risks issues, emerging technologies and related threats

The agency is committed to being prepared for and promoting awareness of critical risk issues, emerging technologies and related threats to the credit union system. As such, NCUA identified this goal as an agency priority goal.

NCUA participates on two critical interagency groups designed to prepare the financial sector for and promote awareness in the financial sector of critical risk issues and related threats—the Federal Financial Institutions Examination Council and the Federal Banking Information Infrastructure Committee. Participation in interagency groups better prepares NCUA and the credit union system to address critical risk issues. In addition, NCUA's Risk Forum, comprised of senior executives, enhances awareness of the macro risks facing the industry. The forum also develops proactive strategies to address identified threats and integrate organizational improvements.

In 2015, we used ten performance indicators to gauge NCUA's efforts for Strategic Objective 1.4 and its four underlying performance goals. In 2015, all of the indicators showed improved performance and most met their target. An explanation is provided for each indicator that did not meet its target.

	Prior Year Results					2015		
Performance Goals	2010	2011	2012	2013	2014	Target	Result	Progress
1.4.1 Identify regional and national emerging risks requiring necessary actions								
Each region will perform quality control over a sample of risk reviews to identify trends and note whether supervision plans are appropriate	--	--	--	--	7.9%	Greater than 5%	8.0%	Met Target
Publish NCUA's *Quarterly U.S. Map Reviews* on the NCUA website, which assist with identifying regional and national risks	--	4	4	4	4	4	4	Met Target

	Prior Year Results					2015		
Performance Goals	2010	2011	2012	2013	2014	Target	Result	Progress
1.4.1 (continued) Identify regional and national emerging risks requiring necessary actions								
Issue Economic Updates to NCUA staff and state supervisory authorities to assist with identifying regional and national risks	18	49	50	51	51	50	51	Met Target
1.4.2 Issue industry guidance related to emerging cybersecurity risks and related threats — Agency Priority Goal								
Issue industry guidance and review regulations related to emerging cybersecurity risks and related threats	--	--	--	--	Achieved	Achieve	Achieved	Met Target
Issue an instruction establishing roles and responsibilities for NCUA offices performing intelligence analysis and sharing information of national security and cybersecurity threats to the financial sector	--	--	--	--	--	Achieve	Delayed	Substantially Met Target
NCUA issued a memo providing interim guidance on the roles and responsibilities for personnel who have been granted access to classified national security information. NCUA also made progress towards issuing an instruction that details the final policy for granting security clearances, and for the reporting of suspicious activities, foreign travel and other related responsibilities for those who have been granted security clearances.								
1.4.3 Provide training in emerging technologies, especially for field and management staff								
Review and assess training needs to ensure information on emerging technologies is current and placed on the learning management system for information technology subject matter experts, and all examination staff, annually	--	Achieved	Achieved	Achieved	Achieved	Achieve	Achieved	Met Target
1.4.4 Assist small and low-income credit unions to secure the proper technology and resources to ensure regulatory compliance and avoid any potential negative threats								
Provide operational and strategic management consulting services to 400 small credit unions to ensure regulatory compliance and avoid any potential negative threats	249	252	410	474	439	Greater than or equal to 400	456	Met Target

	Prior Year Results					2015		
Performance Goals	**2010**	**2011**	**2012**	**2013**	**2014**	**Target**	**Result**	**Progress**
1.4.4 (continued) Assist small and low-income credit unions to secure the proper technology and resources to ensure regulatory compliance and avoid any potential negative threats								
Award at least 35 percent of Community Development Revolving Loan Fund funds to first-time applicants	--	--	41%	51%	60%	Greater than or equal to 35%	72%	Met Target
Maintain a minimum number of 20,000 attendees at Office of Small Credit Union Initiatives-sponsored training, annually	2,040	6,540	7,791	26,134	45,487	Greater than or equal to 20,000	32,938	Met Target
Issue 12 *FOCUS* newsletters throughout the year addressing technology, resources and regulatory compliance	--	--	2	12	12	12	12	Met Target

STRATEGIC OBJECTIVE 1.5

Increase ability to manage risk through an effective examination and supervision program that minimizes loss to the National Credit Union Share Insurance Fund

NCUA minimizes losses to the Share Insurance Fund by managing risks in the credit union system.

With the continuing changes in the credit union system, NCUA has shifted its focus on the size, scale and scope of credit union examinations. NCUA's Office of National Examinations and Supervision is responsible for the oversight of the largest and most complex credit unions, and NCUA uses a streamlined examination program for credit unions with assets up to $50 million that are financially and operationally sound. These two initiatives, combined with the use of specialized examination staff, increase the agency's ability to manage risks in all of its insured institutions.

In addition, NCUA's *National Supervision Policy Manual* establishes national policies, procedures and guidelines for effective supervision of credit unions. Modernizations to the agency's examination report clarify priority action items, reduce redundancy and ensure consistency.

In 2015, we used two performance indicators to gauge NCUA's efforts for Strategic Objective 1.5 and its two underlying performance goals. All indicators met their target.

	Prior Year Results					2015		
Performance Goals	**2010**	**2011**	**2012**	**2013**	**2014**	**Target**	**Result**	**Progress**
1.5.1 Maintain yearly Share Insurance Fund losses as a percentage of total insured shares								
Maintain Share Insurance Fund losses at less than 0.03 percent of total insured shares, annually	0.033%	0.007%	0.024%	0.008%	0.005%	Less than 0.03%	0.002%	Met Target
1.5.2 Minimize total assets in CAMEL 4 and 5 rated credit unions								
Declining trend in the total assets of CAMEL 4 and 5 rated, year-over-year	-9.9%	-32.3%	-35.3%	-27.4%	-16.3%	Less than 0%	-23.9%	Met Target

Strategic Goal 2: Promote Consumer Protection and Financial Literacy

Strategic Goal 2 seeks to ensure a regulatory framework exists to provide consumers appropriate and timely disclosures, sufficient protections against unscrupulous products or services, and financial literacy education programs to help consumers make informed financial decisions. NCUA uses six strategic objectives, 12 performance goals (including an agency priority goal—2.3.1), and 15 indicators to support this strategic goal. In 2015, NCUA performed well, meeting all 15 indicators.

STRATEGIC OBJECTIVE 2.1

Establish a framework of well-balanced regulations and policy statements

NCUA coordinates with other financial services regulators to develop policy, regulations and guidance. As part of the Federal Financial Institutions Examination Council's Taskforce on Consumer Compliance and the Financial Literacy and Education Commission, NCUA contributes to developing well-balanced regulations and policy statements related to consumer protection and financial literacy.

NCUA collects information related to consumer compliance violations and concerns during examinations. Coordination with other agencies, combined with the information collected during examinations and complaints received from consumers, results in a well-rounded framework for developing additional regulations, policies and guidance.

In 2015, we used two performance indicators to gauge NCUA's efforts for Strategic Objective 2.1 and its two underlying performance goals. All indicators met their target.

	Prior Year Results					2015		
Performance Goals	**2010**	**2011**	**2012**	**2013**	**2014**	**Target**	**Result**	**Progress**
2.1.1 Collaborate and consult with other federal regulators on consumer financial protection issues and potential regulations								
Attend 100 percent of FFIEC Taskforce on Consumer Compliance meetings	--	92%	92%	83%	100%	100%	100%	Met Target
2.1.2 Solicit information on potential abusive or deceptive practices through various outreach efforts								
Request information from regions on potential abusive or deceptive practices, semi-annually	--	--	--	--	2	2	Achieved	Met Target

STRATEGIC OBJECTIVE 2.2

Ensure federally insured credit unions comply with rules and regulations established to protect consumers

NCUA's fair lending examination program is designed to ensure credit unions comply with rules and regulations established to protect consumers. NCUA also provides the credit union industry and examiners timely guidance related to changes in consumer protection rules and regulations. A Consumer Compliance Regulatory Resources page is also available on NCUA.gov to help the credit union industry comply with rules and regulations.

In 2015, we used four performance indicators to gauge NCUA's efforts for Strategic Objective 2.2 and its three underlying performance goals. All indicators met their target.

	Prior Year Results					2015		
Performance Goals	**2010**	**2011**	**2012**	**2013**	**2014**	**Target**	**Result**	**Progress**
2.2.1 Complete the risk-based fair lending exam procedures and exam scoping steps to measure credit union compliance with consumer financial protection regulations								
Complete 25 fair lending examinations	26	19	11	25	25	Greater than or equal to 25	25	Met Target
Completed 24 fair lending exams in 2015. After consultation with the region office, the last exam was started in 2015, but delayed until 2016 due to a merger.								
Complete 40 offsite fair lending supervision contacts	--	--	--	45	50	Greater than or equal to 40	50	Met Target
2.2.2 Ensure quality control reviews of fair lending examination reports, highlight potential consumer compliance issues and follow-up for needed corrective actions								
Complete quality control reviews to identify risk trends and guide future supervision efforts on 100 percent of fair lending examinations	Achieved	Achieved	Achieved	Achieved	Achieved	Achieve	Achieved	Met Target
2.2.3 Increase guidance to the credit union industry to help reduce the number of compliance violations								
Conduct webinar with the credit union industry, as part of performance goal 3.4.2, on financial consumer protection law changes	--	--	--	--	Achieved	Achieve	Achieved	Met Target

STRATEGIC OBJECTIVE 2.3

Develop and promote financial literacy education programs to empower consumers to make informed financial decisions

NCUA's Office of Consumer Protection is focused on empowering consumers to make informed financial decisions by developing and promoting financial literacy education. The office responds to inquiries from credit unions, credit union members and consumers involving consumer protection and share insurance matters. It also processes consumer complaints filed against credit unions. Monitoring issues and trends in consumer complaints to develop effective financial literacy education programs is an agency priority goal (2.3.1).

In 2015, we used three performance indicators to gauge NCUA's efforts for Strategic Objective 2.3 and its two underlying performance goals. In 2015, all indicators met their target.

Performance Goals	Prior Year Results					2015		
	2010	2011	2012	2013	2014	Target	Result	Progress
2.3.1 Monitor issues or trends in consumer complaints to develop effective financial literacy education programs and initiatives — Agency Priority Goal								
Implement a more robust Consumer Assistance Center complaint management system	--	--	--	--	--	Achieve in 2015	Achieved	Met Target
2.3.2 Partner with outside resources to effectively market the availability of financial literacy programs								
Identify and engage with public and private entities to increase use of NCUA's financial literacy materials as part of the third-party entities' outreach efforts	--	--	--	--	Achieved	Achieve	Achieved	Met Target
As an active member of the Financial Literacy and Education Commission, attend all (100 percent) public meetings	--	--	--	--	100%	100%	100%	Met Target

STRATEGIC OBJECTIVE 2.4

Promote access to federally insured financial services for consumers of all backgrounds and income levels

NCUA strives to foster the preservation and growth of small credit unions. The two divisions of Consumer Access in NCUA's Office of Consumer Protection are responsible for chartering new credit unions and reviewing applications by existing credit unions for charter conversions, bylaw amendments, field-of-membership expansions and low-income designations.

NCUA also promotes access to financial services through its consumer education-focused website, MyCreditUnion.gov. This site, available in both English and Spanish, is a one-stop resource for personal finance information for individuals of all ages.

In 2015, we used four performance indicators to gauge NCUA's efforts for Strategic Objective 2.4 and its three underlying performance goals. All of the indicators met their target.

Performance Goals	Prior Year Results					2015		
	2010	2011	2012	2013	2014	Target	Result	Progress
2.4.1 Notify credit unions of their eligibility for low-income status								
Notify credit unions newly qualifying for low-income status of their eligibility	--	--	--	1	3	2	2	Met Target
Make a determination on completed field-of-membership expansion applications within an average of 60 days	--	--	--	--	--	Average 60 days	Average 42 days	Met Target

	Prior Year Results					2015		
Performance Goals	2010	2011	2012	2013	2014	Target	Result	Progress
2.4.2 Continue to increase usability and contemporary information on MyCreditUnion.gov, including Pocket Cents								
Increase the number of visitors to MyCreditUnion.gov, including Pocket Cents, year-over-year	--	13,001	156,546	332,596	564,970	600,000	742,613	Met Target
2.4.3 Increase availability of non-English materials on NCUA websites								
Release a financial literacy tool in Spanish	--	--	--	--	Achieved	Achieve	Achieved	Met Target

STRATEGIC OBJECTIVE 2.5

Review marketing and business plans of community charters to ensure progress toward meeting stated goals

Community-chartered credit unions are required to develop marketing and business plans during the application process for a new or expanded community charter. NCUA reviews these business plans periodically after they are approved to ensure credit unions achieve their objectives, including providing services to consumers in the new or expanded field of membership. NCUA also looks to increase its partnership and outreach efforts to provide more opportunities for credit unions to learn about and participate in programs that enhance their service delivery or improve operations.

In 2015, we used one performance indicator to gauge NCUA's efforts for Strategic Objective 2.5 and its underlying performance goal. NCUA met its target for this indicator.

	Prior Year Results					2015		
Performance Goals	2010	2011	2012	2013	2014	Target	Result	Progress
2.5.1 Ensure community-charter penetration rate, loans, shares and other member services are consistent with credit union submitted community-charter business plans								
Issue semi-annual regional reports assessing compliance with marketing and business plans submitted to support recent community charter actions	--	--	--	Achieved	Achieved	2	2	Met Target

STRATEGIC OBJECTIVE 2.6

Educate credit unions about consumer compliance issues

NCUA informs and educates credit unions on a variety of issues through reports, letters to credit unions, webinars and videos. Educating credit unions on consumer compliance issues aligns with NCUA's vision statement and furthers the purpose of Strategic Goal 2.

In 2015, we used one performance indicator to gauge NCUA's efforts for Strategic Objective 2.6 and its underlying performance goal. In 2015, NCUA met its target for this indicator.

	Prior Year Results					2015		
Performance Goals	2010	2011	2012	2013	2014	Target	Result	Progress
2.6.1 Use all available delivery channels to provide information on consumer compliance-related guidance and information								
Develop four consumer protection series videos, to include a video on credit union payday lending alternatives	--	--	--	--	4	4	7	Met Target

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

NCUA's regulatory modernization initiative aims 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's goal is to issue simple, clear and straightforward regulations, while addressing emerging issues before they become major problems. Four strategic objectives, eight performance goals (including one agency priority goal—3.4.1), and nine indicators support Strategic Goal 3. NCUA met the target or improved in all nine indicators.

STRATEGIC OBJECTIVE 3.1

Reduce unnecessary obstacles to credit union competitiveness through modernized regulations

NCUA's regulatory modernization initiative is ongoing. In 2015, we continued to review our regulations in a manner consistent with the Economic Growth and Regulatory Paperwork Reduction Act. The purpose of this review is to identify outdated, unnecessary or unduly burdensome regulations and consider how to reduce regulatory burden on insured depository institutions while at the same time ensuring their safety and soundness and the safety and soundness of the financial system.

NCUA reviews one-third of its regulations annually, including publishing them for public comment, and updates and streamlines regulations where appropriate. We have conducted this rolling three-year review since 1987.

In 2015, we used three performance indicators to gauge NCUA's efforts for Strategic Objective 3.1 and its three underlying performance goals. In 2015, all indicators met their target.

	Prior Year Results					2015		
Performance Goals	2010	2011	2012	2013	2014	Target	Result	Progress
3.1.1 Update existing and develop new regulations through the annual regulatory review process								
Review one-third of all regulations, annually	Achieved	Achieved	Achieved	Achieved	Achieved	1/3	Achieved	Met Target

	Prior Year Results					2015		
Performance Goals	**2010**	**2011**	**2012**	**2013**	**2014**	**Target**	**Result**	**Progress**
3.1.2 Coordinate with congressional committees on priority risk issues								
Send letters to the Chairmen and Ranking Members of primary committees and subcommittees of jurisdiction about NCUA's legislative priorities, and conduct follow-up meetings with key congressional staff as warranted	--	--	--	--	Achieved	Achieve	Achieved	Met Target
3.1.3 Identify industry risks necessitating new or revised regulations or industry guidance								
Hold semi-annual risk forum meetings to discuss risks and develop action plans to address risks identified following each meeting	--	--	--	--	Achieved	Achieve	Achieved	Met Target

STRATEGIC OBJECTIVE 3.2

Collaborate with other regulators to discuss strategies and goals for implementing new or revised regulations

NCUA participates on various councils and interagency groups responsible for regulating the financial system. Revised regulations and interagency guidance on current risk issues are frequently developed by task forces and working groups, and issued to all insured financial institutions.

In 2015, one performance indicator gauged NCUA's efforts for Strategic Objective 3.2 and the underlying performance goal. We improved on the results of this indicator.

	Prior Year Results					2015		
Performance Goals	**2010**	**2011**	**2012**	**2013**	**2014**	**Target**	**Result**	**Progress**
3.2.1 Actively participate in financial regulators meetings to contribute to the development and implementation of industry guidance								
Participate in 100 percent of all interagency meetings. Actively participate in the development process on all applicable guidance	--	--	--	--	95.0%	100.0%	99.5%	Met Target
In 2015, NCUA had 99 percent attendance at meetings of the Federal Financial Institutions Examination Council and 100 percent attendance for meetings of the Financial Stability Oversight Council.								

STRATEGIC OBJECTIVE 3.3

Maintain a regulatory environment that safeguards member interests and stability in the credit union industry

NCUA aims to create a regulatory environment that effectively balances safety and soundness with the credit union industry's competitive needs to maintain viability and stability. New or revised rules and regulations are generally issued for public comment for a minimum of 30 days; most have a 60-day comment period. NCUA evaluates and considers all comments received from stakeholders to understand the effects regulations may have on credit union operations.

In 2015, we used one performance indicator to gauge NCUA's efforts for Strategic Objective 3.3 and its underlying performance goal. The agency met its target.

	Prior Year Results					2015		
Performance Goals	2010	2011	2012	2013	2014	Target	Result	Progress
3.3.1 Provide sufficient comment periods when introducing new or revised regulations and consider public comments when finalizing regulations								
Provide a minimum comment period of 30 days for new and revised regulations	--	Achieved	Achieved	Achieved	Achieved	Achieve	Achieved	Met Target

STRATEGIC OBJECTIVE 3.4

Enhance NCUA's communication with credit unions through transparent regulations and guidance

NCUA maintains open and transparent communications with credit unions to help increase their understanding and implementation of regulations and NCUA initiatives. To assist in regulation comprehension, we offer informative webinars on current risk issues and relevant guidance. The agency also produces YouTube videos addressing NCUA Board actions, economic data and regulatory information. NCUA's monthly newsletter, *The NCUA Report*, also highlights important NCUA Board actions and key issues that credit unions need to know. NCUA emphasizes the importance of this communication by identifying the development and issuance of timely guidance as an agency priority goal.

In 2015, we used four performance indicators to gauge NCUA's efforts for Strategic Objective 3.4 and its three underlying performance goals. All indicators met their target.

	Prior Year Results					2015		
Performance Goals	2010	2011	2012	2013	2014	Target	Result	Progress
3.4.1 Develop guidance to credit unions to provide explanation of regulatory changes and best practices for implementation — Agency Priority Goal								
Issue appropriate guidance such as letters to credit unions, supervisory letters, webinars, AIRES questionnaires or other multi-media outreach in conjunction with regulatory changes issued by the Board when warranted	--	--	--	--	Achieved	Achieve	Achieved	Met Target

	Prior Year Results					2015		
Performance Goals	2010	2011	2012	2013	2014	Target	Result	Progress
3.4.2 Increase target audience awareness of regulatory activities and their positive effects on the industry's safety and soundness								
Produce virtual events or videos for the credit union industry, including a webinar on changes to financial consumer protection laws, as outlined in Performance Goal 2.2.3	--	--	5	17	33	36	46	Met Target
Issue monthly *The NCUA Report* newsletters containing information on regulatory changes	12	12	12	12	12	12	12	Met Target
3.4.3 Issue information on new and changed regulations through multiple delivery channels including the NCUA website, Twitter, Facebook, LinkedIn and YouTube								
Use social media channels to communicate each rule change as warranted	--	--	--	--	Achieved	Achieve	Achieved	Met Target

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

Agency leadership recognizes NCUA will not meet our other goals and objectives without our most important resource: our people. With the goal of cultivating an environment that fosters a diverse, well-trained and motivated workforce, Strategic Goal 4 reaches across the organization and emphasizes staff effectiveness through hiring, training, diversity and career development. This goal also focuses on maintaining sufficient levels of communication, preparing staff to assume additional responsibilities and duties in leadership positions, and the strengthening of security programs and other administrative support functions.

NCUA made significant progress on the six strategic objectives, 16 performance goals and 34 indicators supporting this strategic goal. An explanation is provided for each indicator that did not meet its target.

STRATEGIC OBJECTIVE 4.1

Develop and maintain the optimal knowledge, skills and abilities of the agency's workforce to meet emerging needs

To properly supervise federally insured credit unions, staff must have the requisite skills, training and abilities to identify and mitigate risk. Providing ongoing training in identified emerging risk areas is necessary to maintain an effective examination process. NCUA also holds webinars and produces videos as necessary to highlight regulatory changes, and provides training on required examination processes.

In 2015, we used two performance indicators to gauge NCUA's efforts for Strategic Objective 4.1 and its two underlying performance goals. All indicators met their target.

Performance Goals	Prior Year Results					2015		
	2010	2011	2012	2013	2014	Target	Result	Progress
4.1.1 Use all available delivery channels to educate staff on new and updated guidance and regulations								
Hold webinars with NCUA staff on significant regulatory changes	Achieved	Achieved	Achieved	Achieved	Achieved	Achieve	Achieved	Met Target
4.1.2 Deliver quality training consistent with the various staff areas of discipline								
Obtain at least a 4.4 out of 5 average rating in training class evaluations	--	3.5	4.2	4.1	4.4	Greater than or equal to 4.4	4.4	Met Target

STRATEGIC OBJECTIVE 4.2

Enhance staff effectiveness and efficiency through the use of technology

Agency staff rely on technology to perform their duties and responsibilities associated with their positions. This technology needs to be at a level appropriate to carry out the agency's mission and maintain a remote workforce. To create additional efficiencies, administrative tasks need to be streamlined. NCUA's Information Technology Prioritization Council, comprised of office and regional directors, reviews and prioritizes software initiatives and aligns IT investments with NCUA's mission and structure.

In 2015, we used eight performance indicators to gauge NCUA's efforts for Strategic Objective 4.2 and its three underlying performance goals. In 2015, most indicators met their target. An explanation is provided for each indicator that did not meet its target.

Performance Goals	Prior Year Results					2015		
	2010	2011	2012	2013	2014	Target	Result	Progress
4.2.1 Develop specialized systems, tools and models to create a more effective examination program								
Deliver CUSO reporting system by December 31, 2015	--	--	--	--	--	Achieve 2015	Delayed	Substantially Met Target
The CUSO reporting system was launched February 1, 2016. CUSOs have until March 31 to register with NCUA.								
Deliver an upgraded credit union Call Report system	--	--	--	--	--	Achieve 2015	Delayed	Below Target
An updated plan for the modernization of NCUA's Call Report system is underway and will be measured by the milestones set in the *2016 Annual Performance Plan*.								
Deploy enhanced examination and supervision management tools with updated security module	--	--	--	--	--	Achieve	Achieved	Met Target

	Prior Year Results					2015		
Performance Goals	2010	2011	2012	2013	2014	Target	Result	Progress
4.2.2 Deliver leading-edge information technology hardware and software to maximize staff efficiency								
Deliver phase I of a new, secure file-transfer tool to receive and distribute large files with credit unions and third parties	--	--	--	--	--	Achieve 2015	Delayed	Substantially Met Target
Development is complete and a third-party, independent security assessment of the solution determined it was suitable for deployment. The tool will be deployed in the first quarter of 2016.								
Complete transition to new computers by March 2015	--	--	Achieved	--	On Target	Achieve 2015	Achieved	Met Target
Implement an automated tracking and data storage system to improve the efficiency of Equal Employment Opportunity services	--	--	--	--	--	Achieve 2015	Achieved	Met Target
4.2.3 Increase virtual, remote and telework employee efficiency through the use of current technology								
Increase use of mobile technology by NCUA staff	--	--	--	--	--	Achieve	Achieved	Met Target
Complete migration of all offices to redesigned NCUA Central	--	--	--	--	--	Achieve	Achieved	Met Target

STRATEGIC OBJECTIVE 4.3

Recruit and retain a well-diversified and highly qualified workforce that reflects the relevant labor force

Improving diversity is one of NCUA's agency priority goals, and the agency incorporates the principles of diversity as one of our core values. These principles serve as the foundation for building an environment where the talents of all individuals are fully utilized. When applied effectively, these principles create a workforce where employees not only succeed, but are provided the opportunity to reach their fullest potential.

Developing a well-diversified and highly qualified workforce begins during recruitment. NCUA is committed to filling vacancies timely with the best-qualified applicants available.

In 2015, six performance indicators were used to gauge NCUA's efforts for Strategic Objective 4.3 and its three underlying performance goals. Most indicators met their target. An explanation is provided for each indicator that did not meet its target.

	Prior Year Results					2015		
Performance Goals	2010	2011	2012	2013	2014	Target	Result	Progress
4.3.1 Increase the number of women, persons with disabilities and minority staff at all levels particularly in the management ranks— Agency Priority Goal								
Implement action items under the "Workforce Diversity" goal in the *2012–2016 Diversity and Inclusion Strategic Plan*	--	--	Developed	Achieved	Achieved	Achieve	Achieved	Met Target
Hold Outreach Committee meetings to assess diversity outreach needs and progress toward achievement	--	--	--	Committee Established	2	3	3	Met Target
Continue to conduct analyses to identify any barriers that cause low participation rates of underrepresented groups in the NCUA workforce, and take steps to remove those barriers	--	--	--	--	--	Achieve in 2015	Achieved	Met Target
Maintain NCUA's position in the top five mid-sized agencies for the Support for Diversity Indicator (Employee Viewpoint Survey Questions 34, 45, and 55)	--	--	4th	4th	5th	Top 5	6th	Below Target
NCUA improved its score for this category, from 65.8 in 2014 to 68 in 2015. NCUA was also ranked sixth out of the mid-size agencies that responded to this category's questions in the Partnership for Public Services' 2015 Best Places to Work rankings. In 2015, the mid-size agencies considered for this category also changed, causing shifts in the overall rankings. See the Agency Priority Goals section for additional progress within this strategic objective.								
4.3.2 Partner with organizations to increase the diversity of NCUA staff, particularly management								
Partner with at least one new organization by year-end	--	--	--	1	1	1	1	Met Target
4.3.3 Fill vacancies timely with the best-qualified applicants available								
Fill vacancies within average of 70 days from vacancy announcement closing date	--	--	--	--	--	70 days	62	Met Target

STRATEGIC OBJECTIVE 4.4

Maintain an effective plan of succession to ensure continuity of leadership throughout all levels of the organization

NCUA must be prepared as staff retire or leave their positions. Succession planning helps the agency determine the knowledge, skills and abilities necessary to fill critical positions. As part of its succession planning, NCUA cultivates talent by providing training, mentoring, detail assignments and other leadership development opportunities.

In 2015, we used six performance indicators to gauge NCUA's efforts for Strategic Objective 4.4 and its two underlying performance goals. All indicators met their target.

	Prior Year Results					2015		
Performance Goals	2010	2011	2012	2013	2014	Target	Result	Progress
4.4.1 Capture valuable institutional knowledge of retiring senior executives								
Assess whether NCUA will develop and implement a phased-retirement policy, per Office of Personnel Management's guidelines	--	--	--	--	--	Achieve	Achieved	Met Target
Have at least four management staff participate in the executive development program per year	--	--	--	Resumed Program	4	4	4	Met Target
Provide executive coaching to at least five managers per year	--	--	--	10	7	5	9	Met Target
4.4.2 Enhance leadership training programs to provide continued education for all levels of staff								
Conduct post-program reviews of management and executive development programs in coordination with oversight committees and participant supervisors at the conclusion of each program	--	--	--	--	--	Achieve	Achieved	Met Target
Promote successful graduation of all NCUA leadership program participants as warranted	--	100%	100%	95%	100%	100%	100%	Met Target
Annually gather and analyze data and trends on leadership program graduates to enhance leadership training programs	--	--	--	--	Baseline	Achieve	Achieved	Met Target

STRATEGIC OBJECTIVE 4.5

Improve NCUA's internal communication, both horizontally and vertically

NCUA's leaders understand the importance of keeping all staff informed of major issues, both internal and external. The agency communicates with staff by offering webinars and teleconferences and through email. Regulatory and policy briefings are provided to staff before they are released externally, and the weekly employee newsletter, *Inside NCUA Weekly*, keeps staff apprised of agency changes and issues.

In 2015, we used four performance indicators to gauge NCUA's efforts for Strategic Objective 4.5 and its two underlying performance goals. All indicators met their target.

	Prior Year Results					2015		
Performance Goals	**2010**	**2011**	**2012**	**2013**	**2014**	**Target**	**Result**	**Progress**
4.5.1 Provide clear and timely communication between all levels of staff								
Hold quarterly Chairman's webinar with all staff	--	--	2	4	4	4	4	Met Target
Publish weekly *Inside NCUA Weekly* communication email	--	47	52	52	51	52	52	Met Target
Hold semi-annual regional and annual central office management meeting	--	10	10	10	14	11	14	Met Target
4.5.2 Coordinate agency communications to maintain consistent strategic messaging								
Publish monthly communications reminders in *Inside NCUA Weekly*	--	--	--	4	47	Greater than or equal to 45	49	Met Target

STRATEGIC OBJECTIVE 4.6

Enhance NCUA's position as one of the best places in the government to work

NCUA's Internal Communications Working Group and the agency's Partnership Council both provide venues for staff to provide input on areas that need improvement and advance efforts to make NCUA one of the best places to work in the government. Quarterly webinars with agency leaders, including the Chairman, encourage and solicit input from all staff on ways to improve the organization.

NCUA has also committed to strengthening its security program and communications and has made this objective an agency priority goal.

In 2015, we used eight performance indicators to gauge NCUA's efforts for Strategic Objective 4.6 and its four underlying performance goals. Most indicators met their target.

	Prior Year Results					2015		
Performance Goals	**2010**	**2011**	**2012**	**2013**	**2014**	**Target**	**Result**	**Progress**
4.6.1 Solicit staff input on areas requiring attention								
Maintain at least 65 percent staff participation in Employee Viewpoint Survey	63%	50%	65%	72%	68%	Greater than or equal to 65%	67%	Met Target
4.6.2 Strive to balance organizational needs with comparability with the other financial services regulatory agencies in the areas of pay and benefits								
Complete Collective Bargaining Agreement negotiations and strive to balance a pay and benefit system within current comparability levels and organizational needs	--	Achieved	--	--	Negotiations Commenced	Achieve	Achieved	Met Target

	Prior Year Results					2015		
Performance Goals	2010	2011	2012	2013	2014	Target	Result	Progress
4.6.3 Streamline operational policies and practices to reduce administrative burden for all staff								
Reduce or eliminate at least two administrative management requirements as part of labor relations activities	--	Achieved	Achieved	Achieved	Achieved	2	Achieved	Met Target
4.6.4 Strengthen the security program in the areas of personnel, facilities, continuity of operation and secure communications — Agency Priority Goal								
Implement an automated background investigation management system	--	--	--	--	--	Achieve	Delayed	Substantially Met Target
The background investigation system was procured and tested in 2015. NCUA will update the system of record notice, and the new system will be deployed by the second quarter of 2016.								
Conduct an NCUA-wide survey to identify security threats and concerns, and develop guidance for staff to improve the percentage of positive responses for Employee Viewpoint Survey Question 36	--	--	71.1	59.7	62.5	Conduct Survey in 2015, Achieve Improvement in 2016	Achieved	Met Target
Develop security policies and conduct self-inspections and risk assessments to appropriately manage security operations and ensure accountability	--	--	--	--	7	3	2	Below Target
In 2015, NCUA security efforts focused on installing secure communications systems and enhancing physical security at the central office.								
Implement a more robust incident management system to improve efficiency of emergency preparedness and response activities with regions and central office	--	--	--	--	--	Achieve	Achieved	Met Target

	Prior Year Results					2015		
Performance Goals	2010	2011	2012	2013	2014	Target	Result	Progress
4.6.4 (continued) Strengthen the security program in the areas of personnel, facilities, continuity of operation and secure communications — Agency Priority Goal								
Perform at least eight emergency management exercises throughout the year in the central office and additional exercises in regions	--	--	--	--	7	Greater than or equal to 8	Achieved	Met Target

Agency Priority Goals

The Office of Management and Budget encourages all agencies to prioritize goals in their strategic and annual performance plans. NCUA's agency priority goals are a subset of our performance goals with the highest implementation priorities. We strive to accomplish these goals within approximately 24 months. In 2015, we focused on six agency priority goals.

AGENCY PRIORITY GOAL 1

1.2.1 Implement a robust supervision framework for NCUA's financial reform regulations including interest rate risk, liquidity and contingency funding plans, derivative authority, and capital planning and stress testing.

In October 2015, the NCUA Board approved the risk-based capital final rule that will go into effect January 1, 2019. The final rule was approved after a comprehensive review of thousands of comments submitted by lawmakers, the public and credit union system stakeholders during two separate comment periods. NCUA created the online Risk-based Capital Rule Resources Center to share extensive information about the rule. The site includes a risk-based capital estimator tool (Excel|PDF) that helps credit unions assess the rule's impact on operations and a video about the rule.

Additional regulatory modernization initiatives in 2015 included:

- Issuing a final rule eliminating the cap on fixed assets, replacing the limit with clearer guidance for credit unions to set their own limits and operate safely and soundly,
- Easing the burden on small credit unions by raising the threshold for regulatory flexibility from $50 million to $100 million,
- Authorizing federal credit unions to automatically add 12 categories of associations to their fields of membership,
- Revising NCUA delegations of authority to streamline the process to grant or amend community charters that involve a population of more than one million,
- Issuing a proposed revision to NCUA's member business loan rule that would give federally insured credit unions greater flexibility and autonomy in safely and soundly offering member business loans, and
- Issuing a proposed rule to provide a measure of regulatory relief that would give federal credit unions more choices when investing in bank notes.

NCUA also completed the review of the first year of required capital planning and stress testing for credit unions with more than $10 billion in assets, and assessed the results of the review.

AGENCY PRIORITY GOAL 2

1.4.2 Issue industry guidance related to emerging cybersecurity risks and related threats

Through participation on the Federal Financial Institutions Examination Council and other interagency efforts, NCUA conducted assessments of, and issued guidance related to, cybersecurity risks. Specifically, as part of the FFIEC, NCUA participated in the June 2015 release of FFIEC's Cybersecurity Assessment Tool to help financial institutions identify their risks and assess their cybersecurity preparedness. In May, NCUA hosted a cybersecurity basics webinar, followed by a webinar in July to discuss the new assessment tool. NCUA also conducted outreach across the United States to introduce the tool to credit unions. NCUA also released a video for credit unions that discusses online security and the FFIEC's cybersecurity assessment tool.

For credit unions, NCUA offers information, including regulations and guidance, on our Cyber Security Resources webpage. For consumers, NCUA's MyCreditUnion.gov offers helpful tips to protect their finances. As part of National Cyber Security Awareness Month, NCUA hosted a consumers' Twitter chat with the Federal Trade Commission in October 2015.

The Office of National Examinations and Supervision highlights emerging risks, including cybersecurity risk, in the quarterly *ONES Payments and IT News and Events*, which is issued to NCUA field staff and state supervisory authorities. In the future, NCUA will continue to issue pertinent guidance on emerging risks to examiners, state supervisory authorities and the credit union industry.

AGENCY PRIORITY GOAL 3

2.3.1 Monitor issues or trends in consumer complaints to develop effective financial literacy education programs and initiatives

NCUA participates on the Financial Literacy and Education Commission and is a mission partner on the American Savings Education Council. The agency continually monitors issues and trends from consumer complaints, examinations, and the industry to develop effective financial education programs and initiatives. In June 2015, NCUA issued Letter to Credit Unions, 15-CU-04, Improving the Process for Consumer Complaints. This guidance describes recent changes to streamline and improve NCUA's consumer complaint handling process.

In February 2015, NCUA issued interagency guidance encouraging federally insured depository institutions to offer youth savings programs. NCUA also fostered collaborations with Consumer Federation of America's America Saves and Military Saves, AARP, the Federal Trade Commission, the Department of Defense and the National Disability Institute on various financial literacy education initiatives.

In 2015, NCUA launched the online Consumer Assistance Center that allows consumers to submit inquiries, complaints and additional documentation online through a secure portal. Consumers can also check the status of their complaint online. The Consumer Assistance Center is located on the agency's consumer website, MyCreditUnion.gov. The agency's Office of Consumer Protection also launched a Fraud Prevention Center in December to help consumers learn about and protect themselves from fraud.

NCUA launched a Financial Literacy Resource Center on NCUA.gov in 2015 featuring financial literacy tools, data, research, and a list of current NCUA financial literacy collaborations for credit unions, credit union member-owners, consumers and other stakeholders. Also available on NCUA.gov is our Consumer Compliance Regulatory Resources page, which provides consumer protection policy information to credit unions and their member-owners.

NCUA will continue to monitor trends and issues in consumer complaints and in the credit union industry to provide meaningful financial literacy education information on MyCreditUnion.gov and through various stakeholder collaborations.

AGENCY PRIORITY GOAL 4

3.4.1 Develop guidance to credit unions to provide explanation of regulatory changes and best practices for implementation

NCUA's goal is to further develop a transparent and effective regulatory environment that is clearly articulated and to provide easily understood regulations. We are committed to providing guidance to the credit union industry that clearly explains regulatory changes and highlights best practices for implementation.

In 2015, NCUA held more than 15 webinars on topics including savings programs for youth, grant and loan opportunities, cybersecurity, and fraud prevention. These webinars, combined with more traditional forms of guidance such as Letters to Credit Unions and Regulatory Alerts, provide guidance on new and existing regulations and best practices. *The NCUA Report*, the agency's monthly newsletter, also provided easy-to-understand explanations of regulatory changes and best practices.

NCUA will continue to issue appropriate guidance in conjunction with regulatory changes issued by the Board, when warranted.

AGENCY PRIORITY GOAL 5

4.3.1 Increase the number of women, persons with disabilities and minority staff at all levels, particularly in the agency's management ranks

NCUA continually strives to recruit and retain a well-diversified and highly qualified workforce that reflects the relevant labor force. Of the 100 employees hired in 2015, 62 percent were diverse, female, or both.

In 2015, NCUA was named a "Best of the Best" place to work for minorities, women, veterans and Hispanics by DiversityComm, Inc. In the Partnership for Public Service's 2015 Best Places to Work in the Federal Government report, NCUA, compared with other mid-sized agencies, ranked: first among veterans; second among Hispanics and employees with disabilities; fourth among African Americans, Asians and Whites; fourth among women, men and employees above 40 years old; and fifth among employees under 40 years old. NCUA also was named number six among mid-sized agencies on the Partnership for Public Services' Support for Diversity Indicator.

In April 2015, NCUA established mandatory annual agency-wide diversity awareness training. The agency also developed our first mentoring program, which will assist new or less experienced agency employees in reaching their career goals and improve employee engagement and retention. NCUA also established an Employee Resource Group program to support inclusiveness and engagement among employees.

Going forward, NCUA will continue to focus efforts on implementing action items under the "Workforce Diversity" goal in the *2012–2016 Diversity and Inclusion Strategic Plan*, including continuing to take action to evaluate and address results of barrier analysis studies. The agency will also focus on strategic intentional inclusion and unconscious bias training for the leadership team and the workforce.

AGENCY PRIORITY GOAL 6

4.6.4 Strengthen the security program in the areas of personnel, facilities, continuity of operations and secure communications.

In 2015, NCUA continued to strengthen agency security and continuity of operations programs by implementing physical access controls for the central office, developing emergency management and occupant evacuation policies, providing safety and security briefings for all field staff, and conducting fire drills and shelter-in-place exercises for all regions and the central office.

Key security efforts focused on installing secure communications systems in compliance with National Communications System Directives and the National Continuity Policy, conducting active shooter briefings for all regions, and installing new digital surveillance cameras and physical access controls at the central office.

NCUA improved employee preparedness and distributed emergency management procedures to all agency offices. In May 2015, NCUA held a continuity of operations exercise.

Looking forward, NCUA will continue its focus on further strengthening the agency's security and business continuity programs and performing ongoing analysis to identify new security threats and concerns.

Cross-Agency Priority Goals and Collaboration

The Government Performance and Results Modernization Act requires federal agencies to address cross-agency priority goals in the strategic plan, annual performance plan and annual performance report. The national-level cross-agency priority goals are available at www.performance.gov.

While NCUA is an independent federal agency, our efforts in 2015 aligned with three cross-agency priority goals established as part of the President's Fiscal Year 2015 Budget—cybersecurity, open data, and people and culture.

NCUA is also involved in numerous cross-agency initiatives by collaborating with the other financial regulatory agencies through participation in several councils. Significant councils include the Financial Stability Oversight Council, the Federal Financial Institutions Examination Council, the Financial and Banking Information Infrastructure Committee, and the Office of Management and Budget Performance Improvement Council. These councils and their many associated taskforces and working groups contribute to the success of NCUA's mission.

Program Evaluation and Research

NCUA will use the results of the quarterly reviews and its annual performance report as a data point for future development of the strategies, goals, measures, and targets. All of NCUA's offices provided their analysis and support for each performance goal. The results from the quarterly reviews and these evaluations will be included as some of the factors considered in developing NCUA's draft *2017–2021 Strategic Plan*.

FINANCIALS SECTION

Message from the Chief Financial Officer

I am pleased to present the National Credit Union Administration's 2015 financial statements for NCUA's four permanent funds:

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

In 2015, the agency's four permanent funds once again received an unmodified, or "clean," audit opinion from our independent auditors. This sustained achievement underscores our commitment to stewardship of these funds and our nation's credit union system, and to operate with transparency and accountability to federally insured credit unions and their members, the American people, the President of the United States, and the United States Congress.

As stewards of our nation's credit union system, NCUA employees understand the importance of strong financial management and accountability as well as robust internal controls over financial reporting. Strong internal controls allow us to efficiently execute sound financial management, to provide reliable financial data, and to identify and respond to potential financial risks that may emerge. I am extremely proud to report that once again, we had no findings in our independent auditors' reports on compliance and internal control over financial reporting.

Looking forward, we will sustain our commitment to providing sound financial management, reinforcing strong internal controls, enhancing budget and performance integration, and identifying opportunities to reduce cost in administrative operations. We will also strengthen our enterprise risk management function to improve risk assessments throughout the organization, and effectively allocate resources to achieve NCUA's mission and reduce risk.

I would like to express my sincere appreciation for the NCUA professionals whose consistent efforts to plan, execute and account for the agency's resources provides the foundation for our strong stewardship. We are dedicated to upholding NCUA's tradition of accountability and transparency. Together, we will continue to be responsible stewards of agency funds, and we remain committed to sound financial management practices.

Sincerely,

Rendell L. Jones
Chief Financial Officer
March 11, 2016

Letter from the Inspector General

OFFICE OF INSPECTOR GENERAL

February 12, 2016

The Honorable Debbie Matz, Chairman
The Honorable Rick Metsger, Vice Chairman
The Honorable J. Mark McWatters, Board Member National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314

Dear Chairman Matz and NCUA Board Members:

I am pleased to transmit KPMG LLP's (KPMG) report on its financial statement audit of the National Credit Union Administration's (NCUA) financial statements, which includes the Share Insurance Fund, the Operating Fund, the Central Liquidity Facility, and the Community Development Revolving Loan Fund, as of and for the years ending December 31, 2015 and 2014. The NCUA prepared financial statements in accordance with the Office of Management and Budget (OMB) Circular No. A-136 Revised, *Financial Reporting Requirements*, and subjected them to audit.

Under a contract monitored by NCUA OIG, KPMG, an independent certified public accounting firm, performed an audit of NCUA's financial statements as of December 31, 2015. The contract required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States, Office of Management and Budget audit guidance, and the *Government Accountability Office/President's Council on Integrity and Efficiency Financial Audit Manual*.

KPMG's audit report for 2015 includes: (1) an opinion on the financial statements, (2) conclusions on internal control over financial reporting, and (3) a section addressing compliance and other matters. In its audit of NCUA, KPMG found:

- The financial statements were fairly presented, in all material respects, in conformity with U.S. generally accepted accounting principles;
- There were no material weaknesses in internal controls;[1]
- There were no significant deficiencies related to internal controls;[2] and
- No instances of reportable noncompliance with laws and regulations it tested or other matters that are required to be reported under Government Auditing Standards or OMB guidance.

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[1] A material weakness is defined as a deficiency, or 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.

[2] A significant deficiency is defined as 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.

To ensure the quality of the audit work performed, we reviewed KPMG's approach and planning of the audit, evaluated the qualifications and independence of the auditors, monitored the progress of the audit at key points, and reviewed and accepted KPMG's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on NCUA's financial statements or conclusions about the effectiveness of internal control or conclusions on compliance with laws and regulations. KPMG is responsible for the attached auditor's reports dated February 12, 2016, and the conclusions expressed in the reports. However, our review disclosed no instances where KPMG did not comply, in all material respects, with generally accepted government auditing standards.

We would like to extend our thanks to NCUA management and staff involved in issuing the financial statements within the established milestones. In addition, we appreciate the professionalism, courtesies, and cooperation extended to KPMG throughout the audit and our oversight of the audit process.

Management and Performance Challenges

The Inspector General is required by law to provide a summary statement on management and performance challenges facing the Agency. Below we provide a brief overview of NCUA's organizational structure, its mission, and vision, as well as what we believe are the key challenges to agency management in the coming year.

Organizational Structure

Created by Congress, NCUA is an independent federal agency with the unique role of insuring deposits at all federal and most state-chartered credit unions, protecting the members who own credit unions, and regulating federally chartered credit unions. A three member politically appointed Board oversees NCUA's operations by setting policy, approving budgets, and adopting rules. As of September 30, 2015, over 102.1 million members have $992.5 billion in deposits at 6,090 federally insured credit unions. These credit unions have $1.2 trillion in assets.

Agency Mission and Vision

Throughout 2016 and 2017, NCUA will implement initiatives to continue meeting its mission to "provide, through regulation and supervision, a safe and sound credit union system which promotes confidence in the national system of cooperative credit," and its vision to ensure that "NCUA will protect consumer rights and member deposits."

Agency Challenges

In 2016, NCUA will face several risks that continue to threaten the safety and soundness of the credit union system, as well as several emerging risks that the agency must confront. As I noted last year, interest rate risk (IRR) and cybersecurity remain significant agency challenges where NCUA must continue to build on the positive steps already taken in its supervisory efforts.

Similarly, three emerging risks – aging membership, disparities in performance between large and small credit unions, and vendor authority – will also provide unique challenges to the agency that could potentially affect the safety and soundness of the credit union system and the Share Insurance Fund if not adequately managed.

Interest Rate Risk — A rising rate environment may prove challenging for those credit unions that hold either high concentrations of long-term assets funded with short-term liabilities, or have rate-sensitive deposits and fixed-rate assets. The latter is especially true if fixed-rate assets lose value, which can cause deposit rates to rise, liquidity to decrease, and earnings to compress by lowering net interest margins. Although a large amount of uncertainty remains regarding interest rates, because they have begun to rise, NCUA must continue to keep IRR a priority for its supervisory examinations and communications in 2016.

Cybersecurity — As I noted last year, cyber threats continue to pose significant dangers to the stability and soundness of the credit union industry and are expected to increase in frequency and severity as the capabilities to conduct cyberattacks become more sophisticated and easier for criminals or terrorists to perform. Further, because consumers continue to interact with financial institutions through online and mobile transactions, the risk of hacking and fraud will continue to grow. Credit unions will need to enhance the security of their systems to protect themselves and their members. Of particular concern are attacks to credit union service organizations, which could potentially compromise a large number of credit unions at once. Because of these risks, NCUA will need to continue its efforts to evaluate credit unions' cybersecurity risk management. One such effort, the recently released Cybersecurity Assessment Tool for credit unions, gives credit unions a structured methodology to manage information security and protect member information more effectively.

Aging Membership — An emerging challenge that NCUA and credit unions face is that of an aging demographic. The average age of adult credit union members is 46.7. Peak borrowing age is 25–44. Given this, the average credit union member is already past their prime borrowing years. Because nearly 26 percent of the U.S. population is under the age of 20, NCUA must continue to help credit unions take action to attract younger members to address this concern. NCUA has taken or plans to take actions that will allow for continued growth, including for example, providing technical assistance and grants to help low-income credit unions expand the products and services they offer, as well as updating and modernizing the field-of-membership rules. NCUA must continue to help decrease the average members' age by attracting younger members.

Disparities in Performance between Large and Small Credit Unions — Other emerging challenges facing NCUA is the lack of asset growth in credit unions with assets less than $10 million and the overall decline in membership. Although credit unions overall performed well in 2015, much of the system's growth can be attributed mainly to the largest institutions. Smaller credit unions have seen less loan and net worth growth than larger credit unions. Smaller credit unions are vital to their communities and NCUA must continue to provide them with needed technical assistance and create new opportunities for growth through reduced regulatory burdens, increased access to supplemental capital, and enhanced chartering and field-of-membership options.

Vendor Authority — Finally, the challenge of obtaining the same legal authority that other federal financial institutions regulators have to oversee third-party vendors is a significant concern facing NCUA from both a systemic and cybersecurity risk. As credit unions increasingly use credit union service organizations or other third parties to achieve economies of scale to remain competitive, this regulatory blind spot prevents the agency from having a full understanding of all potential risks within the credit union system. Significant problems with a key technology service vendor, for example, such as inadequate security measures or weak internal controls, or perhaps the failure of a key vendor, could result in significant losses to the Share Insurance Fund.

Respectfully,

James W. Hagen
Inspector General

cc: Executive Director, Mark Treichel
General Counsel, Michael McKenna
Director, PACA, Todd Harper
Deputy Executive Director (Audit Follow-up Official), John Kutchey
Chief Financial Officer, Rendell Jones
Deputy Chief Financial Officer, Peggy Sherry
Chief Information Officer, Ed Dorris
Director, OSCUI, William Myers
President, AMAC, Mike Barton
Director, E&I, Larry Fazio
Director, E&I, Division of Capital and Credit Markets, J. Owen Cole, Jr.

2015 FINANCIALS
SECTION

NATIONAL CREDIT UNION SHARE INSURANCE FUND

Financial Statements as of and for the Years Ended
December 31, 2015 and 2014, 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 United States. As of December 2015, the NCUSIF insures an estimated $961.3 billion in member shares in over 6,000 credit unions.

The NCUSIF protects members' accounts in insured credit unions in the 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 a failure, subject to various rules on account types, rights, and capacities. 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 but are not limited to the following:

- a waiver of statutory reserve requirements;
- a guaranteed line of credit, cash assistance, including subordinated notes or other forms; and
- cash assistance to arrange a merger or purchase and assumption.

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 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 liquidated credit union, monetizes assets and distributes amounts to claimants, including the NCUSIF, according to their respective regulatory payout priorities.

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[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 Strategic Plan 2014 through 2017*, which emphasizes ensuring a "sustainable credit union system," the agency prepared the *NCUA 2015-2016 Annual Performance Plan*. Performance goals include maintaining strong levels of credit union system-wide net worth and corporate credit union leverage ratios, examining all federal credit unions annually, examining all federally insured, state-chartered credit unions with assets above $250 million annually, maintaining yearly NCUSIF losses for current year failures as a percentage of insured shares at less than 0.03%, and minimizing total assets in CAMEL[2] Code 4 or 5 rated credit unions. For 2015, NCUSIF losses for current year failures ratio was 0.002%, as compared to 0.005% for 2014. Total assets in CAMEL Code 4/5 credit unions decreased to $8.6 billion in 2015, as compared to $11.5 billion in 2014.

In measuring the performance of the NCUSIF for 2015 and 2014, the following additional measures should be considered.

2015 and 2014 Performance Measures		
	December 31, 2015	December 31, 2014
Equity Ratio	1.26%	1.29%
Insurance and Guarantee Program Liabilities (Contingent Liability)	$164.9 million	$178.3 million
Net Position	$12.2 billion	$11.8 billion
Insured Shares	$961.3 billion	$903.0 billion
Credit Union Involuntary Liquidations and Assisted Mergers	16	15
Assets in CAMEL 3, 4 and 5 rated Credit Unions	$98.3 billion	$106.9 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 (1.00%) 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, which may include a premium assessment to each insured credit union. The NCUSIF pays a distribution when the equity ratio exceeds the NOL at year-end. When the NCUSIF or the Temporary Corporate Credit Union

[2] CAMEL is the acronym for Capital, the quality of Assets, the capability of Management, the quality and level of Earnings, and the adequacy of Liquidity.

Stabilization Fund (TCCUSF) does not have an outstanding borrowing from the U.S. Treasury, the distribution is paid to insured credit unions.

The equity ratio was 1.26%, which is below the NOL as of December 2015. As a result, no distribution was payable to the TCCUSF for 2015. For 2014, the NCUSIF ended the year with an equity ratio of 1.29%, which resulted in no distribution to TCCUSF. In 2015 and 2014, the NCUA Board did not assess a premium charge to insured credit unions for the NCUSIF. We expect that the NCUSIF will receive additional capitalization deposits of approximately $259.6 million from insured credit unions in early 2016 when NCUA invoices for its biannual contributed capital adjustment. The additional capitalization deposits will result in a projected equity ratio of approximately 1.29%.

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 econometric model that applies estimated failure and loss rates and takes into account the historical loss history, CAMEL ratings, credit union level financial ratios, and other conditions. 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 continued to improve during 2015 as reflected by the reduction in assets in CAMEL 3, 4 and 5 rated credit unions as compared to 2014. Assets in CAMEL 3, 4 and 5 rated credit unions dropped to $98.3 billion at the end of 2015, versus $106.9 billion at the end of 2014. Although the system-wide net worth ratio decreased slightly from 11.0% to 10.9% during 2015, the ratio has shown improvement since 2011. These factors, 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 2015 with Insurance and Guarantee Program Liabilities of $164.9 million to cover potential losses as compared with $178.3 million for the previous year-end, a reduction of $13.4 million.

Due to uncertain economic 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 2015 with the Balance Sheets showing an increase in Total Assets and its Total Net Position, and a reduction in Insurance and Guarantee Program Liabilities from the prior year. With the Statements of Net Cost, net cost increased to $157.2 million, primarily as a result in increases in Operating Expenses. These changes are explained in further detail below.

Summarized Financial Information (in thousands)		
	December 31, 2015	December 31, 2014
Total Assets	$12,328,652	$11,957,607
Investments, Net	12,079,490	11,611,538
Notes Receivable, Net	108,568	174,213
Receivables from Asset Management Estates, Net	65,779	87,785
Insurance and Guarantee Program Liabilities	164,857	178,318
Contributed Capital	9,353,113	8,944,099
Net Position	12,156,161	11,775,355
Operating Expenses	197,752	179,818
Provision for Insurance Losses, Reserve Expense (Reduction)	(250)	3,298
Provision for Insurance Losses, AME Receivable Bad Debt Expense	(35,161)	(45,138)
Total Net Cost of Operations	157,154	132,345
Cumulative Results of Operations	2,803,048	2,831,256
Interest Revenue – Investments	218,526	208,259

Balance Sheet Highlights

Total Assets increased by $371.0 million in 2015. The increase came primarily from net collections of capital deposits of $409.0 million and Interest Revenue – Investments of $218.5 million, partially offset by Total Net Cost of Operations of $157.2 million and net unrealized losses on Investments of $89.6 million.

Balances of Investments increased by $468.0 million during 2015, primarily driven by investing net additions to Contributed Capital. During 2015, U.S. Treasury yields increased, particularly in the second half of 2015. The increase in market interest rate yields resulted in an overall decrease in the market value of U.S. Treasury securities.

Notes Receivable, Net declined $65.6 million and Receivables from Asset Management Estates, Net declined $22.0 million. The decreases in the balances of Notes Receivable is primarily attributable to the repayment of two outstanding capital notes during 2015. 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 7 to the financial statements.

Insurance and Guarantee Program Liabilities, referred to as contingent liabilities, were $164.9 million and $178.3 million as of December 31, 2015 and 2014, respectively. In general, the decrease reflects improved financial strength in the credit union industry and strengthening macroeconomic conditions, such as housing indicators.

Contributed Capital increased by $409.0 million during 2015 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 2015, credit union membership grew by 3.5% to approximately 103 million members.

Net Position increased $380.8 million during 2015 and is a combination of other increases and decreases. Increases include interest revenue on Investments of $218.5 million and net additions of Contributed Capital of $409.0 million. Decreases include Net Cost of Operations of $157.2 million and net unrealized losses on Investments of $89.6 million.

Statements of Net Cost Highlights
Total Net Cost of Operations was $157.2 million for 2015, as compared to $132.3 million for 2014. The primary increase in Net Cost of Operations is attributable to the increase in Operating Expenses of $17.9 million. As explained in Note 10, Operating Expenses include expenses from the NCUA Operating Fund based on an allocation factor (Overhead Transfer Rate) that increased from 69.2% to 71.8% for 2015. Also, the Provision for Insurance Losses is an expense reduction of $35.4 million and $41.8 million for both 2015 and 2014, respectively; the net change between years is a decrease of $6.4 million. Within the Provision of Insurance Loss for 2015, the Reserve Expense was a $250 thousand reduction, reflecting a net decrease in the cost of credit union failures over the year, while the AME Receivable Bad Debt Expense was a $35.2 million expense reduction, reflecting recoveries and increases in net realizable values of assets managed.

Statements of Changes in Net Position Highlights
Cumulative results of operations decreased by $28.2 million in 2015. This decrease was primarily driven by net unrealized losses on Investments of $89.6 million and Net Cost of Operations of $157.2 million, partially offset by Interest Revenue of $218.5 million. Interest Revenue was the primary source of funds to partially offset expenses and obligations.

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 the NCUSIF had net cash inflows of $579.4 million and $435.3 million for 2015 and 2014, respectively. This increase is primarily the result of the growth of credit union insured shares and the corresponding 1.00% contributed capital deposit adjustment received.

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) account as well as investments in U.S. Treasury securities. Investments in U.S. Treasury securities include overnight investments, which are available to meet urgent liquidity needs of the NCUSIF.

2015 and 2014 Fund Balance with Treasury and Investments		
	December 31, 2015	December 31, 2014
Fund Balance with Treasury	$ 2.4 million	$ 10.5 million
U.S. Treasury Securities		
Overnight	141.2 million	173.6 million
Available-for-Sale	11,938.3 million	11,437.9 million

During 2015, the FBWT account was primarily increased by maturing investments in U.S. Treasury securities and Interest Revenue collected. The FBWT account was decreased by purchases of U.S. Treasury securities 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*, Public Law 73-467, as amended (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, 2015 and 2014, the NCUSIF's contributed capital from insured credit unions increased by $409.0 million and $282.9 million, respectively. Total insured shares were estimated at $961.3 billion and $903.0 billion as of December 31, 2015 and 2014, respectively.

At December 31, 2015, NCUA estimated the total insured shares to be approximately $961.3 billion, subject to certified reporting of insured share amounts. We expect that the NCUSIF will receive additional capitalization deposits of approximately $259.6 million from insured credit unions in early 2016 when NCUA invoices for its biannual contributed capital adjustment. The additional capitalization deposits will result in a projected equity ratio of approximately 1.29%.

Cumulative Results of Operations

The NCUSIF ended 2015 and 2014 with a total of $2.8 billion and $2.8 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, 2015 and 2014, 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, 2015 and 2014, the TCCUSF had $1.7 billion and $2.6 billion in borrowing outstanding from the U.S. Treasury, respectively; the NCUSIF had no borrowings outstanding. As a result, the NCUSIF had $4.3 billion and $3.4 billion, respectively, in available borrowing authority shared with the TCCUSF. The estimated losses and liquidity needs of the TCCUSF are based on 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. Any additional borrowing for the TCCUSF reduces funds available for the NCUSIF 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, 2015 and 2014, 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 $5.6 billion as of December 31, 2015. 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, 2016.

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. § 661 et seq.).

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*, Public Law 97–255 (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*, Public Law 97-177, and the *Debt Collection Improvement Act*, Public Law 104-134. As required by the *Improper Payments Elimination and Recovery Act*, Public Law 111-204, as amended, 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*, Public Law 107-347, as amended (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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Independent Auditors' Report

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

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, 2015 and 2014, 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. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 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 31, 2015 and 2014, 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 Matters

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 as of and for the year ended December 31, 2015, 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. 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 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. 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. 15-02.

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 12, 2016

NATIONAL CREDIT UNION SHARE INSURANCE FUND

BALANCE SHEETS
As of December 31, 2015 and 2014
(Dollars in thousands)

	2015	2014
ASSETS		
INTRAGOVERNMENTAL		
Fund Balance with Treasury (Note 2)	$ 2,411	$ 10,493
Investments, Net - U.S. Treasury Securities (Note 3)	12,079,490	11,611,538
Accounts Receivable - Other	106	-
Accrued Interest Receivable (Note 3)	59,867	59,700
Note Receivable - Note due from the National Credit Union Administration Operating Fund (Note 5)	10,392	11,733
Total Intragovernmental Assets	12,152,266	11,693,464
PUBLIC		
Notes Receivable, Net (Note 5)	108,568	174,213
Accounts Receivable - Due from Insured Credit Unions, Net (Note 4)	2	1,586
Accrued Interest Receivable - Notes (Note 5)	253	396
General Property, Plant and Equipment, Net (Note 6)	1,784	128
Other - Receivables from Asset Management Estates (AMEs), Net (Note 7)	65,779	87,785
Other Assets	-	35
Total Public Assets	176,386	264,143
TOTAL ASSETS	$ 12,328,652	$ 11,957,607
LIABILITIES		
INTRAGOVERNMENTAL		
Accounts Payable - Due to the National Credit Union Administration Operating Fund (Note 10)	$ 3,944	$ 3,509
Total Intragovernmental Liabilities	3,944	3,509
PUBLIC		
Accounts Payable	3,372	425
Other - Insurance and Guarantee Program Liabilities (Note 8)	164,857	178,318
Other Liabilities	318	-
Total Public Liabilities	168,547	178,743
TOTAL LIABILITIES	172,491	182,252
Commitments and Contingencies (Note 8)		
NET POSITION		
Contributed Capital (Note 13)	9,353,113	8,944,099
Cumulative Result of Operations	2,803,048	2,831,256
Total Net Position	12,156,161	11,775,355
TOTAL LIABILITIES AND NET POSITION	$ 12,328,652	$ 11,957,607

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, 2015 and 2014
(Dollars in thousands)

	2015	2014
GROSS COSTS		
Operating Expenses	$ 197,752	$ 179,818
Provision for Insurance Losses		
Reserve Expense (Reduction) (Note 8)	(250)	3,298
AME Receivable Bad Debt Expense (Reduction) (Note 7)	(35,161)	(45,138)
Total Gross Costs	162,341	137,978
LESS EARNED REVENUES		
Interest Revenue on Note Receivable from the National Credit Union Administration Operating Fund (Note 5)	(206)	(229)
Interest Revenue on Notes (Note 5)	(3,527)	(3,142)
Insurance and Guarantee Premium Revenue and Other Revenue	(1,454)	(2,262)
Total Earned Revenues	(5,187)	(5,633)
TOTAL NET COST OF OPERATIONS	$ 157,154	$ 132,345

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, 2015 and 2014
(Dollars in thousands)

	2015	2014
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances	$ 2,831,256	$ 2,619,929
BUDGETARY FINANCING SOURCES		
Non-Exchange Revenue		
Interest Revenue - Investments	218,526	208,259
OTHER FINANCING SOURCES		
Non-Exchange Revenue		
Net Unrealized Gain/(Loss) - Investments (Note 3)	(89,580)	135,413
Total Financing Sources	128,946	343,672
Net Cost of Operations	(157,154)	(132,345)
Net Change	(28,208)	211,327
CUMULATIVE RESULTS OF OPERATIONS	2,803,048	2,831,256
CONTRIBUTED CAPITAL (Note 13)		
Beginning Balances	8,944,099	8,661,174
Change in Contributed Capital	409,014	282,925
CONTRIBUTED CAPITAL	9,353,113	8,944,099
NET POSITION	$ 12,156,161	$ 11,775,355

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, 2015 and 2014
(Dollars in thousands)

	2015	2014
BUDGETARY RESOURCES (Notes 12 and 15)		
Unobligated balance, brought forward, January 1	$ 11,333,233	$ 10,895,555
Spending authority from offsetting collections (mandatory)		
Collected	882,031	804,885
Change in receivables from federal sources	273	103
Anticipated nonexpenditure transfer	-	-
TOTAL BUDGETARY RESOURCES	$ 12,215,537	$ 11,700,543
STATUS OF BUDGETARY RESOURCES		
Obligations incurred	$ 304,828	$ 367,310
Unobligated balance, end of year:		
Exempt from apportionment	11,910,709	11,333,233
Total unobligated balance, end of year	11,910,709	11,333,233
TOTAL STATUS OF BUDGETARY RESOURCES	$ 12,215,537	$ 11,700,543
CHANGE IN OBLIGATED BALANCE		
Unpaid Obligations:		
Unpaid obligations, brought forward, January 1	$ 8,054	$ 10,377
Obligations incurred	304,828	367,310
Outlays (gross)	(302,616)	(369,633)
Unpaid obligations, end of year	$ 10,266	$ 8,054
Uncollected payments:		
Uncollected customer payments from federal sources, brought forward, January 1	$ (59,700)	$ (59,597)
Change in uncollected customer payments from Federal sources	(273)	(103)
Uncollected customer payments from Federal sources, end of year	$ (59,973)	$ (59,700)
Obligated balance, start of year (net)	$ (51,646)	$ (49,220)
Obligated balance, end of year (net)	$ (49,707)	$ (51,646)
BUDGET AUTHORITY AND OUTLAYS, NET		
Budget authority, gross (mandatory)	$ 882,304	$ 804,988
Actual offsetting collections (mandatory)	(882,031)	(804,885)
Change in uncollected customer payments from Federal sources (mandatory)	(273)	(103)
Anticipated offsetting collections (mandatory)	-	-
BUDGET AUTHORITY, NET (MANDATORY)	$ -	$ -
Outlays, gross (mandatory)	$ 302,616	$ 369,633
Actual offsetting collections (mandatory)	(882,031)	(804,885)
Outlays, net (discretionary and mandatory)	(579,415)	(435,252)
AGENCY OUTLAYS, NET (MANDATORY)	$ (579,415)	$ (435,252)

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

NATIONAL CREDIT UNION SHARE INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

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*, Public Law 73-467, as amended (FCU Act), 12 U.S.C. § 1781 *et seq*. 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, 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 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 August 4, 2015.

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. § 661 et seq.).

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 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.

All U.S. Treasury securities that are in an unrealized loss position are reviewed 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 NCUA takes into consideration whether it has the intent to sell the security. The NCUA 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. 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 must 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).

The NCUA Board did not assess premiums for 2015 and 2014.

Allowance for Doubtful Accounts
An allowance for doubtful accounts is the NCUA's best estimate of the amount of losses in an existing NCUSIF 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.

General Property, Plant and Equipment, Net

General Property, Plant and Equipment consists of internal-use software and assets under capital lease, and is recognized and measured in accordance with SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, as amended by SFFAS Nos. 10, 23, 35 and 44.

In 2015, NCUSIF adopted SFFAS No. 44, *Accounting For Impairment Of General Property, Plant, And Equipment Remaining In Use*.

Incurred costs for internal use software during the software development phase are capitalized in accordance with SFFAS No. 10, *Accounting for Internal Use Software*. General Property, Plant and Equipment is subject to depreciation and carried at net cost once placed into service. Depreciation and amortization are recognized over the useful life of the asset.

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.

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, 2015 and 2014, 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%.

Capital Leases

In accordance with SFFAS No. 5, *Accounting for Liabilities of the Federal Government*, and SFFAS No. 6, *Accounting for Property, Plant, and Equipment*, the NCUSIF records a depreciable asset and liability for all capital leases at the present value of the rental and other minimum lease payments during the lease term.

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 econometric model that applies estimated failure and loss rates and takes into account the historical loss history, CAMEL ratings, credit union level financial ratios, and other conditions. 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

NCUA, as a government entity, is not subject to federal, state, or local income taxes and accordingly, no provision for income taxes is recorded for the NCUSIF.

Reclassification

Certain prior year amounts have been reclassified to conform to the current year presentation.

2. FUND BALANCE WITH TREASURY

FBWT balances and status at December 31, 2015 and 2014, consisted of the following (in thousands):

	2015	2014
Total Fund Balance with Treasury: Revolving Funds	$ 2,411	$ 10,493
Status of Fund Balance with Treasury:		
Unobligated Balance - Available	$ 11,910,709	$ 11,333,233
Obligated Balances Not Yet Disbursed	10,266	8,054
Non-Budgetary Investment Accounts	(11,858,591)	(11,271,094)
Non-FBWT Budgetary Accounts	(59,973)	(59,700)
Total	$ 2,411	$ 10,493

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 Investment accounts, which consist of U.S. Treasury investments, reduce the status of fund balance. Non-FBWT Budgetary Accounts consist of budgetary receivables and nonexpenditure transfers.

As of December 31, 2015 and 2014, 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, 2015 and 2014, the carrying amount, gross unrealized holding gains, gross unrealized holding losses, and fair value of U.S. Treasury securities were as follows (in thousands):

	Cost	Amortized (Premium) Discount	Interest Receivable	Investments, Net (Par)	Net Unrealized Gain (Loss)	Carrying/ Fair Value
As of December 31, 2015:						
U.S. Treasury Securities						
Available-for-Sale	$ 12,040,813	$ (163,233)	$ 59,867	$ 11,800,000	$ 60,733	$ 11,938,313
Held to Maturity	141,177	-	-	141,177	-	141,177
Total	$ 12,181,990	$ (163,233)	$ 59,867	$ 11,941,177	$ 60,733	$ 12,079,490
As of December 31, 2014:						
U.S. Treasury Securities						
Available-for-Sale	$ 11,496,631	$ (209,040)	$ 59,700	$ 11,170,000	$ 150,312	$ 11,437,903
Held to Maturity	173,635	-	-	173,635	-	173,635
Total	$ 11,670,266	$ (209,040)	$ 59,700	$ 11,343,635	$ 150,312	$ 11,611,538

Maturities of U.S. Treasury securities as of December 31, 2015 and 2014 were as follows (in thousands):

	2015 Fair Value	**2014 Fair Value**
Held to Maturity (Overnights)	$ 141,177	$ 173,635
Available-for-Sale:		
Due in one year or less	2,070,703	2,095,075
Due after one year through five years	4,087,657	4,536,594
Due after five years through ten years	5,779,953	4,806,234
	$ 12,079,490	$ 11,611,538

There were no realized gains or losses for the years ended December 31, 2015 and 2014.

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, 2015 and 2014 (in thousands):

	Losses Less than 12 months		Losses 12 months or more		Total	
	Unrealized Losses	Fair Value	Unrealized losses	Fair value	Unrealized losses	Fair value
As of December 31, 2015: Available-for-Sale:						
U.S. Treasury Securities	$ (58,077)	$ 4,484,500	$ (15,025)	$ 959,781	$ (73,102)	$ 5,444,281
As of December 31, 2014: Available-for-Sale:						
U.S. Treasury Securities	$ (2,378)	$ 755,516	$ (49,055)	$ 2,213,719	$ (51,433)	$ 2,969,235

4. ACCOUNTS RECEIVABLE

Public – Accounts Receivable

Accounts Receivable Due from Insured Credit Unions
As of December 31, 2015 and 2014, accounts receivable due from insured credit unions were $2.0 thousand and $1.6 million, respectively. As none of these amounts were deemed uncollectible, the allowance for doubtful accounts on public accounts receivable as of December 31, 2015 and 2014 was $0.

5. NOTES RECEIVABLE

Intragovernmental – Notes 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 $206.0 thousand and $228.6 thousand for the years ended December 31, 2015 and 2014, respectively. The note receivable balance as of December 31, 2015 and 2014 was approximately $10.4 million and $11.7 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, 2015 and 2014 was 1.87% and 1.85%, respectively. The interest rate as of December 31, 2015 and 2014 was 1.90% and 1.87%, respectively.

As of December 31, 2015, the above note requires principal repayments as follows (in thousands):

Years Ending December 31	Secured Term Note
2016	$ 1,341
2017	1,341
2018	1,341
2019	1,341
2020	1,341
Thereafter	3,687
Total	$ 10,392

Public – Notes Receivable

As of December 31, 2015, the NCUSIF did not have any outstanding capital notes due from insured credit unions. At December 31, 2014, the NCUSIF held two outstanding capital notes due from insured credit unions. Both outstanding capital notes were repaid during 2015. The capital notes receivable totaled $0 and $54.6 million and the related allowance for loss was $0 and $7.1 million, for a net capital note receivable of $0 and $47.5 million as of December 31, 2015 and 2014, respectively. These capital notes were subordinated to all shareholders, creditors, and any other such financial obligations. Accrued interest on the notes was due on a semi-annual basis. Interest on these notes had fixed and variable terms.

The NCUSIF had an outstanding collateralized senior note due from an insured credit union for $108.6 million and $126.7 million as of December 31, 2015 and 2014, respectively. There was no related allowance for loss as of December 31, 2015 and 2014. Accrued interest on the notes is due on a monthly basis. Interest on this note had variable terms through December 2014. In December 2014, the outstanding collateralized senior note was modified to mutually benefit the NCUSIF and the insured credit union. The resulting modification resulted in changing the interest rate from variable to a fixed term over the remaining life of the senior note.

As of December 31, 2015 and 2014, the accrued interest receivable for the notes totaled $252.8 thousand and $395.8 thousand, respectively.

6. GENERAL PROPERTY, PLANT AND EQUIPMENT, NET

The components of General Property, Plant and Equipment as of December 31, 2015 and 2014 were as follows (in thousands):

	Cost	Accumulated Depreciation	Net Book Value
As of December 31, 2015:			
Assets under Capital Lease	$ 473	$ (145)	$ 328
Internal-Use Software	561	(561)	-
Internal-Use Software under Development	1,456	-	1,456
Total General Property, Plant and Equipment	$ 2,490	$ (706)	$ 1,784
As of December 31, 2014:			
Assets under Capital Lease	$ -	$ -	$ -
Internal-Use Software	561	(561)	-
Internal-Use Software under Development	128	-	128
Total General Property, Plant and Equipment	$ 689	$ (561)	$ 128

Assets under capital lease are depreciable over 39 months, which corresponds with the life of the underlying capital lease. Current internal use software under development is expected to have a useful life of 5 years when placed into service.

As of December 31, 2015 and 2014, the NCUSIF included $97.9 thousand and $20.9 thousand, respectively, in internal labor costs attributable to internal use software during its software development stage. NCUSIF reimburses the Operating Fund for these internal labor costs since these costs are incurred by the Operating Fund.

7. OTHER – RECEIVABLES FROM ASSET MANAGEMENT ESTATES

As of December 31, 2015 and 2014, the receivable from AMEs was $988.0 million and $1.0 billion, and the related allowance for loss was $922.2 million and $953.0 million, for a net receivable from AMEs of $65.8 million and $87.8 million, respectively (in thousands).

	2015	2014
Gross Receivable from AME	$ 987,963	$ 1,040,764
Allowance for Loss, beginning balance	952,979	963,424
AME Receivable Bad Debt Expense (Reduction)	(35,161)	(45,138)
Increase in Allowance	11,776	43,888
Write-off of Cancelled Charters	(7,410)	(9,195)
Allowance for Loss, ending balance	922,184	952,979
Receivable from AME, Net	$ 65,779	$ 87,785

AME Receivable Bad Debt Reduction represents overall increases in expected asset recovery rates and related repayments. The Increase in Allowance primarily represents the net loss on payments made during liquidation. Write-off of Cancelled Charters represent recognizing the final loss or recovery upon closing the AME.

8. 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 econometric model that applies estimated failure and loss rates and takes into account the historical loss history, CAMEL ratings, credit union level financial ratios, and other conditions. 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 $164.9 million and $178.3 million as of December 31, 2015 and 2014, 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 2015 or as of December 31, 2015. There were no guarantees outstanding during 2014 or as of December 31, 2014.

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. Total line-of-credit guarantees of credit unions as of December 31, 2015 and 2014 were approximately $35.0 million and $2.2 million, respectively. The insured credit unions borrowed $0 and $463.2 thousand from the third-party lender under these lines-of-credit guarantees as of December 31, 2015 and 2014, respectively. As of December 31, 2015 and 2014, the NCUSIF reserved $707.5 thousand and $41.8 thousand, respectively, for these guaranteed lines-of-credit. The guarantees expire in March 2016 and March 2015, respectively.

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, 2015 and 2014, respectively.

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

	2015	2014
Beginning balance	$ 178,318	$ 220,651
Reserve Expense (Reduction)	(250)	3,298
Insurance losses claims paid	(39,990)	(97,621)
Net Estimated Recovery/Claim on AMEs	26,779	51,990
Ending balance	$ 164,857	$ 178,318

The Insurance and Guarantee Program Liabilities at December 31, 2015 and December 31, 2014 were comprised of the following:

- Specific reserves were $10.0 million and $5.7 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 $154.9 million and $172.6 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.

9. OTHER LIABILITIES

(a) Capital Lease Liability

NCUSIF leases laptops for state credit union examiners under a capital lease agreement that will run through 2018. Amounts presented in the table below include $8.4 thousand of imputed interest.

The future minimum lease payments to be paid over the remaining life as of December 31, 2015, are as follows (in thousands):

Years Ending December 31	Minimum Lease Payments
2016	$ 162
2017	162
2018	41
Total	$ 365

(b) Distribution Payable

As of December 31, 2015 and 2014, the NCUSIF-calculated equity ratio of 1.26% and 1.29%, respectively, was below its normal operating level of 1.30%; therefore, the NCUSIF did not record or make a distribution to the TCCUSF. As of December 31, 2015 and 2014, the NCUSIF's available assets ratio was 1.24% and 1.27%, respectively. The equity ratio and available assets ratio calculations are discussed in Note 13.

10. 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 as of December 31, 2015 and 2014 were as follows (in thousands):

Intragovernmental Costs and Exchange Revenue	2015	2014
Intragovernmental Costs	$ 192,301	$ 175,592
Public Costs/(Cost Reduction)	(29,961)	(37,614)
Total	162,340	137,978
Intragovernmental Exchange Revenue	(206)	(229)
Public Exchange Revenue	(4,980)	(5,404)
Total	(5,186)	(5,633)
Net Cost	$ 157,154	$ 132,345

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 (Overhead Transfer Rate) approved by the NCUA Board and derived from a study of actual usage. In 2015 and 2014, the allocation to the NCUSIF was 71.8% and 69.2% of NCUA Operating Fund expenses, respectively. The cost of the services allocated to the NCUSIF, which totaled approximately $192.3 million and $175.6 million for the years ended December 31, 2015 and 2014, 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, 2015 and 2014, amounts due to the NCUA Operating Fund for allocated administrative expenses were $3.9 million and $3.5 million, respectively. The following table provides a breakdown of the administrative services provided to the NCUSIF by the NCUA Operating Fund (in thousands):

Administrative Services Reimbursed to the NCUA Operating Fund	**2015**	**2014**
Employee Salaries	$ 103,348	$ 93,858
Employee Benefits	38,917	34,868
Employee Travel	19,567	18,473
Contracted Services	17,484	15,240
Administrative Costs	9,731	9,743
Rent, Communications, and Utilities	3,254	3,410
Total Services Provided by the NCUA Operating Fund	$ 192,301	$ 175,592

11. 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, 2015 and 2014, the TCCUSF had $1.7 billion and $2.6 billion in borrowing outstanding from the U.S. Treasury, respectively. As a result, as of December 31, 2015 and 2014, the NCUSIF had $4.3 billion and $3.4 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, 2015 and 2014, the CLF had statutory borrowing authority of $5.6 billion and $5.1 billion, respectively. As of December 31, 2015 and 2014, the CLF had a note purchase agreement with the Federal Financing Bank with a maximum principal of $2.0 billion and $2.0 billion, respectively, all of which was unused. Advances made under the current promissory note can be made no later than March 31, 2016.

At December 31, 2015 and 2014, the NCUSIF had $6.3 billion and $5.4 billion, respectively, in total available borrowing capacity.

12. 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, 2015 and 2014. 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, 2015 and 2014, the NCUSIF's resources in budgetary accounts were $12.2 billion and $11.7 billion, and undelivered orders were $2.6 million and $4.2 million, 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.

13. CONTRIBUTED CAPITAL

The *Credit Union Membership Access Act of 1998*, Public Law 105–219 (CUMAA), mandated changes to the NCUSIF's capitalization provisions effective January 1, 2000. Under Section 202(c) of the FCU Act, each insured credit union must pay to and maintain with the NCUSIF a deposit in an amount equaling 1.00% of the credit union's insured shares. The CUMAA added provisions mandating that 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, 2015 and 2014, contributed capital owed to the NCUSIF totaled \$2.0 thousand and \$649.0 thousand, respectively. As of December 31, 2015 and 2014, contributed capital due to insured credit unions was \$490.4 thousand 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, Public Law 111-22, 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 equity ratio of 1.26% and 1.29% as of December 31, 2015 and 2014, respectively, was below the normal operating level of 1.30%; therefore, the NCUSIF did not estimate or record a distribution as of December 31, 2015 and 2014. Total contributed capital as of December 31, 2015 and 2014 was \$9.4 billion and \$8.9 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 NCUSIF's available assets ratio as of December 31, 2015 and 2014 was 1.24% and 1.27%, based on total estimated insured shares as of December 31, 2015 and 2014 of $961.3 billion and $903.0 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) of the FCU Act, to (B) the aggregate amount of the insured shares in all insured credit unions.

14. 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. Following is the Schedule of Fiduciary Activity as of December 31, 2015 and 2014 (in thousands):

Schedule of Fiduciary Activity	**2015**	**2014**
Fiduciary Net Liabilities, beginning of year	$ (958,508)	$ (973,044)
Net Realized Losses upon Liquidation	(13,391)	(40,188)
Revenues		
Interest on Loans	9,104	11,124
Other Fiduciary Revenues	895	1,338
Expenses		
Professional & Outside Services Expenses	(4,840)	(7,354)
Compensation and Benefits	(1,611)	(1,760)
Other Expenses	(1,385)	(2,287)
Net Change in Recovery Value of Assets and Liabilities		
Net Gain/(Loss) on Loans	28,734	56,354
Net Gain/(Loss) on Real Estate Owned	(1,770)	3,416
Other, Net Gain/(Loss)	6,304	(15,302)
Decrease in Fiduciary Net Liabilities	22,040	5,341
Write off of Fiduciary Liabilities for Cancelled Charters	7,408	9,195
Fiduciary Net Liabilities, end of year	**$ (929,060)**	**$ (958,508)**

Comparing 2015 activity in the schedule of fiduciary activity with 2014, fiduciary net liabilities improved by $29.4 million overall, including a decrease in fiduciary net liabilities of $22.0 million and cancelled charters write-offs of $7.4 million. The primary drivers were an improvement in net realized losses upon liquidation, improvement in the recovery value of assets and liabilities, and cancelled charters. The net realized losses upon liquidation decreased by $26.8 million due, in part, to lower average cost of failure per credit union for liquidations in 2015. The net change in recovery value of assets and liabilities line-items decreased by $11.2 million due to rising net realizable values of assets managed. Charter cancellations write-offs decreased by $1.8 million, corresponding with fewer credit union charter cancellations in 2015.

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. Following is the Schedule of Fiduciary Net Assets/Liabilities as of December 31, 2015 and 2014 (in thousands):

Schedule of Fiduciary Net Assets/Liabilities	**2015**	**2014**
Fiduciary Assets		
Loans	$ 72,383	$ 97,780
Real Estate Owned	9,155	8,387
Other Fiduciary Assets	10,134	7,773
Total Fiduciary Assets	91,672	113,940
Fiduciary Liabilities		
Insured Shares	8,411	9,315
Accrued Liquidation Expenses	17,660	16,551
Unsecured Claims	3,111	1,561
Uninsured Shares	3,587	4,257
Due to NCUSIF (Note 7)	987,963	1,040,764
Total Fiduciary Liabilities	1,020,732	1,072,448
Total Fiduciary Net Assets/(Liabilities)	**$ (929,060)**	**$ (958,508)**

15. 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 (in thousands):

Reconciliation of Net Cost of Operations to Budget	2015	2014
Resources Provided to Finance Activities :		
Budgetary Resources Obligated		
Budgetary Obligations Incurred	$ 304,828	$ 367,310
Less: Spending Authority from Offsetting Collections and		
Change in Receivables from Federal Sources	(882,304)	(804,988)
Net Obligations	(577,476)	(437,678)
Other Resources:		
Net Unrealized (Gain)/Loss	89,580	(135,413)
Total Resources Provided to Finance Activities	(487,896)	(573,091)
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	1,522	(3,306)
Resources that Fund Expenses Recognized in Prior Periods	-	5
Costs Capitalized on the Balance Sheet	558,549	417,917
Other Resources or Adjustments to Net Obligated Resources		
that do not Affect Net Cost of Operations	120,102	332,732
Total Resources Provided to Fund Items Not Part of the		
Net Cost of Operations	680,173	747,348
Resources Generated to Finance the Net Cost of Operations	192,277	174,257
Components of Net Cost of Operations that will not		
Require or Generate Resources in the Current Period		
Provision for Insurance Losses		
Reserve Expense (Reduction)	(250)	3,298
AME Receivable Bad Debt Expense (Reduction)	(35,161)	(45,138)
Increase in Exchange Revenue	143	(67)
Components not Requiring or Generating Resource s		
Depreciation Expense	145	-
Other Expenses	-	(5)
Total Components of Net Cost of Operations That Do Not		
Require or Generate Resources During the Reporting Period	(35,123)	(41,912)
Net Cost of Operations	$ 157,154	$ 132,345

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.

16. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 12, 2016, which is the date the financial statements were available to be issued and management determined that there were no items to disclose.

REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)

Risk Assumed Information

Insurance and Guarantee Program Liabilities

As of December 31, 2015 and 2014, the aggregate outstanding insured shares of the insured credit unions were estimated at $961.3 billion and $903.0 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, to the extent the TCCUSF's obligations exceed 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 $164.9 million and $178.3 million as of December 31, 2015 and 2014, respectively. At December 31, 2015 and 2014, the general reserves were $154.9 million and $172.6 million, respectively. At December 31, 2015 and 2014, the specific reserves resulting from insured credit unions' expected failures were $10.0 million and $5.7 million, respectively.

The NCUSIF's contingent liability decreased by $13.4 million from 2014 to 2015, and decreased by $42.4 million from 2013 to 2014. The credit union industry improved during 2015 as reflected by the reduction in assets in CAMEL 3, 4 and 5 rated credit unions as compared to 2014. Assets in CAMEL 3, 4 and 5 rated credit unions dropped to $98.3 billion at the end of 2015, versus $106.9 billion at the end of 2014. Although the system-wide net worth ratio decreased slightly from 11.0% to 10.9% during 2015, the ratio has shown improvement since 2011. These factors, 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 2015 and 2014, 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 econometric model that applies estimated failure and loss rates and takes into account the historical loss history, CAMEL ratings, credit union level financial ratios, and other conditions. 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, 2015.

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. Per current policy, the minimum in the range of losses is the 75 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 $154.9 million in anticipated losses recognized on the NCUSIF's balance sheet at December 31, 2015. 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.

2015 FINANCIALS
SECTION

NATIONAL CREDIT UNION ADMINISTRATION OPERATING FUND

Financial Statements as of and for the Years Ended
December 31, 2015 and 2014, 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 National Credit Union Administration Board:

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, 2015 and 2014, 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. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 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 Operating Fund as of December 31, 2015 and 2014, 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 as of and for the year ended December 31, 2015, 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. 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 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. 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. 15-02.

***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 12, 2016

NATIONAL CREDIT UNION ADMINISTRATION OPERATING FUND

BALANCE SHEETS
As of December 31, 2015 and 2014
(Dollars in thousands)

		2015		2014
ASSETS				
CASH AND CASH EQUIVALENTS (Note 3)	$	40,528	$	40,940
DUE FROM NATIONAL CREDIT UNION SHARE INSURANCE FUND (Note 7)		3,944		3,509
EMPLOYEE ADVANCES		38		62
OTHER ACCOUNTS RECEIVABLE, Net (Notes 7 and 10)		332		322
PREPAID EXPENSES AND OTHER ASSETS		1,732		2,145
ASSETS HELD FOR SALE (Note 6)		377		644
FIXED ASSETS — Net of accumulated depreciation of $31,083 and $28,210 as of December 31, 2015 and December 31, 2014, respectively (Note 4)		31,106		30,279
INTANGIBLE ASSETS — Net of accumulated amortization of $16,279 and $15,844 as of December 31, 2015 and December 31, 2014, respectively (Note 5)		2,354		2,904
TOTAL ASSETS	$	80,411	$	80,805
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts payable and accrued other liabilities	$	5,644	$	6,598
Obligations under capital leases (Note 8)		1,515		213
Accrued wages and benefits		7,176		12,873
Accrued annual leave		17,243		15,469
Accrued employee travel		646		491
Notes payable to National Credit Union Share Insurance Fund (Note 7)		10,392		11,733
Total liabilities		42,616		47,377
COMMITMENTS AND CONTINGENCIES (Notes 7, 8, 11 & 12)				
FUND BALANCE		37,795		33,428
TOTAL LIABILITIES AND FUND BALANCE	$	80,411	$	80,805

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
For the years ended December 31, 2015 and 2014
(Dollars in thousands)

	2015	2014
REVENUES		
Operating fees	$ 78,773	$ 77,875
Interest	22	16
Other	1,100	1,213
Total Revenues	79,895	79,104
EXPENSES, NET (Note 7)		
Employee wages and benefits	55,876	57,294
Travel	7,685	8,222
Rent, communications, and utilities	1,278	1,518
Contracted services	6,867	6,783
Depreciation and amortization	5,533	5,878
Administrative	(1,711)	(1,542)
Total Expenses, Net	75,528	78,153
EXCESS OF REVENUES OVER EXPENSES	4,367	951
FUND BALANCE—Beginning of year	33,428	32,477
FUND BALANCE—End of year	$ 37,795	$ 33,428

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION OPERATING FUND

STATEMENTS OF CASH FLOWS
For the years ended December 31, 2015 and 2014
(Dollars in thousands)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over expenses	$ 4,367	$ 951
Adjustments to reconcile excess of revenues over expenses to net cash provided by operating activities:		
Depreciation and amortization	5,533	5,878
Provision for loss on disposal of employee residences held for sale	114	122
Loss on fixed asset and intangible asset retirements	1,184	13
(Increase) decrease in assets:		
Due from National Credit Union Share Insurance Fund	(435)	(196)
Employee advances	24	(24)
Other accounts receivable, net	(10)	(119)
Prepaid expenses and other assets	413	(767)
(Decrease) increase in liabilities:		
Accounts payable	(216)	1,431
Accrued wages and benefits	(5,697)	1,517
Accrued annual leave	1,774	898
Accrued employee travel	155	(577)
Net Cash Provided by Operating Activities	7,206	9,127
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed assets and intangible assets	(5,702)	(3,969)
Proceeds from sale of employee residences held for sale	596	359
Purchases of employee residences held for sale	(443)	(1,125)
Net Cash Used in Investing Activities	(5,549)	(4,735)
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	(728)	(24)
Net Cash Used in Financing Activities	(2,069)	(1,365)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(412)	3,027
CASH AND CASH EQUIVALENTS—Beginning of year	40,940	37,913
CASH AND CASH EQUIVALENTS—End of year	$ 40,528	$ 40,940
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Acquisition of equipment under capital lease	$ 2,030	$ 177
CASH PAYMENTS FOR INTEREST	$ 206	$ 229

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

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 prepares 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. Expenses included on the Statement of Revenues, Expenses, and Changes in Fund Balance are shown net of reimbursements from related parties. This may result in credit balances if expense activity for the Operating Fund is less than the reimbursements from related parties.

Additional related parties are 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 2015 and 2014 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 software developers and other personnel in the development of the software. Capital leases are recorded at the lower of the present value of the future minimum lease payments or the fair market value of the leased asset. 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 buildings 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 adjustments 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). FECA 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. The FECA program is administered by the U.S. Department of Labor (DOL), which pays valid claims and subsequently seeks reimbursement from NCUA for these paid claims. NCUA accrues a liability to recognize those payments, and NCUA subsequently reimburses DOL annually. The Fund records an estimate for the FECA actuarial liability using the DOL's FECA model. The model considers the average amount of benefit payments incurred by the agency for the past three fiscal years, multiplied by the medical and compensation liability to benefits paid ratio for the whole FECA program.

Operating Fees – Each Federal 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 – NCUA, as a government entity, is not subject to federal, state, or local income taxes and, accordingly, no provision for income taxes is recorded for the Fund.

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. The Fund also has capital leases which are recorded at the lower of the present value of the future minimum lease payments or the fair market value of the leased asset. Certain office space for which NCUA is a lessee is subject to escalations in rent, as described in Note 8.

Fair Value Measurements – The following method and assumption was used in estimating the fair value disclosures:

Cash and cash equivalents, due from NCUSIF, employee advances, other accounts receivable (net), obligations under capital leases, and notes payable to NCUSIF are recorded at book values, which approximate their respective estimated 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, 2015 and 2014 are as follows (in thousands):

	2015	2014
Deposits with U.S. Treasury	$ 67	$ 2,152
U.S. Treasury Overnight Investments	40,461	38,788
Total	$ 40,528	$ 40,940

The Operating Fund does not hold any cash or cash equivalents outside of the U.S. Department of the Treasury.

4. FIXED ASSETS

Fixed assets, including furniture and equipment, are comprised of the following as of December 31, 2015 and 2014 (in thousands):

	2015	2014
Office building and land	$ 50,512	$ 48,273
Furniture and equipment	8,898	8,850
Leasehold improvements	407	406
Equipment under capital leases	2,309	279
Total assets in-use	62,126	57,808
Less accumulated depreciation	(31,083)	(28,210)
Assets in-use, net	31,043	29,598
Construction in progress	63	681
Fixed assets, net	$ 31,106	$ 30,279

Depreciation expense for the years ended December 31, 2015 and 2014 totaled $4.1 and $3.1 million, respectively.

Construction in progress includes costs associated with improvements for NCUA headquarters that increase the future service potential of the capital asset (building) and does more than maintain the existing level of service.

5. INTANGIBLE ASSETS

Intangible assets are comprised of the following as of December 31, 2015 and 2014 (in thousands):

	2015	2014
Internal-use software	$ 17,888	$ 17,954
Less accumulated amortization	(16,279)	(15,844)
Total internal-use software, net	1,609	2,110
Internal-use software under development	1,751	794
Less impairment loss	(1,006)	-
Total software under development, net	745	794
Intangible assets, net	$ 2,354	$ 2,904

Internal-use software is computer software that is either acquired externally or developed internally. Amortization expense for the years ended December 31, 2015 and 2014 totaled $1.4 and $2.7 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.

An impairment loss of $1.0 million and $0 was recognized for the years ended December 31, 2015 and 2014, respectively, on internal-use software under development. Management determined that the internal-use software under development would not be completed and placed in service because it did not meet the required use specifications. Therefore, the software was fully impaired with a fair value of $0. The amount of the loss is reported in administrative expenses on the Statements of Revenues, Expenses, and Changes in Fund Balance. Any recoveries offset the recognized impairment loss.

6. ASSETS HELD FOR SALE

The net balance of real estate available for sale as of December 31, 2015 and 2014 was $377.0 and $643.5 thousand, respectively, and includes impairment charges and costs to sell of $66.5 and $90.6 thousand as of December 31, 2015 and 2014, 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. In 2015 and 2014, the allocation to NCUSIF was 71.8% and 69.2% of all expenses, respectively. The cost of the services allocated to NCUSIF, which totaled $192.3 and $175.6 million for 2015 and 2014, respectively, is reflected as a reduction of the expenses shown in the accompanying financial statements. These transactions are settled monthly.

In addition to the allocation described above, the Fund also charges NCUSIF for certain developmental costs related to development of internal-use intangible assets requiring the use of Operating Fund labor. As of December 31, 2015 and 2014, these amounts were $97.9 and $20.9 thousand, respectively.

As of December 31, 2015 and 2014, amounts due from NCUSIF totaled $3.9 and $3.5 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 $206.0 and $228.6 thousand for 2015 and 2014, respectively. The notes payable balances as of December 31, 2015 and 2014 were $10.4 and $11.7 million, respectively. The current portion of the long-term debt is $1.3 million as of December 31, 2015. The variable rate on the note is equal to NCUSIF's prior-month yield on investments. The average interest rates during 2015 and 2014 were 1.87% and 1.85%, respectively. The interest rates as of December 31, 2015 and 2014 were 1.90% and 1.87%, respectively.

The secured term note requires principal repayments as of December 31, 2015, as follows (in thousands):

Years ending December 31	Secured Term Note
2016	$ 1,341
2017	1,341
2018	1,341
2019	1,341
2020	1,341
Thereafter	3,687
Total	$ 10,392

(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 $521.3 and $505.5 thousand for the years ending December 31, 2015 and 2014, respectively, and are reflected as a reduction of the expenses shown in the accompanying financial statements.

Other accounts receivable include $127.2 and $118.7 thousand of amounts due from the CLF as of December 31, 2015 and 2014, respectively.

(c) Support of CDRLF

The Fund supports the administration of programs under CDRLF by paying related personnel costs such as pay and benefits and other associated costs which include but are not limited to telecommunications, supplies, printing, and postage.

For the years ending December 31, 2015 and 2014, unreimbursed administrative support to CDRLF is estimated at (in thousands):

	2015	2014
Personnel	$ 321	$ 307
Other	53	57
Total	$ 374	$ 364

(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 but are not limited to telecommunications, supplies, printing, and postage.

For the years ending December 31, 2015 and 2014, unreimbursed administrative support to TCCUSF is estimated at (in thousands):

	2015	2014
Personnel	$ 1,204	$ 921
Other	39	28
Total	$ 1,243	$ 949

In addition, the Fund initially paid for and was reimbursed $1,083.7 and $782.7 thousand for the salaries and related benefits of TCCUSF employees for the years ending December 31, 2015 and 2014, respectively. These reimbursements 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. 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, 2015 and 2014, FFIEC assessments totaled $1.2 and $1.1 million, respectively. FFIEC's 2016 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 copiers, laptops, and mail equipment.

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 $971.9 thousand and $1.1 million, of which approximately $697.8 and $765.0 thousand were reimbursed by NCUSIF for 2015 and 2014, respectively. In addition, the Fund leases laptops and other office equipment under operating leases with lease terms that continue through 2015.

Capital Leases – The Fund leases copiers, laptops, and mail equipment under lease agreements that run through 2019. Amounts presented in the table below include $74.8 thousand of imputed interest.

The future minimum lease payments to be paid over the next five years as of December 31, 2015, before reimbursements, are as follows (in thousands):

Years ending December 31	Operating Leases	Capital Leases
2016	$ 1,010	$ 783
2017	1,170	774
2018	1,195	30
2019	1,222	3
2020	1,103	-
Total	$ 5,700	$ 1,590

Based on the allocation factor approved by the NCUA Board, NCUSIF is expected to reimburse the Fund for approximately 73.1% of the 2016 operating lease payments.

The Fund, as a lessor, currently holds operating lease agreements with one tenant, who rents a portion of the Fund's building for retail space. The lease carries a five year term with escalating rent payments. The lease is set to expire in 2020.

The future minimum lease payments to be received from this non-cancelable operating lease at December 31, 2015 are as follows (in thousands):

Years ending December 31	Scheduled Rent Payments
2016	$ 305
2017	312
2018	318
2019	324
2020	81
Total	$ 1,340

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 include components that are defined benefit 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, the totals of which were not to exceed $18.0 and $17.5 thousand ($24.0 and $23.0 thousand for age 50 and above) in 2015 and 2014, respectively. In addition, the Fund matched up to 5% of the employee's gross pay. In 2015 and 2014, the Fund's contributions to the plans were approximately $23.8 and $21.5 million, respectively, of which approximately $17.1 and $14.9 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 that became effective on July 7, 2015 is in effect for five years from its effective date and shall renew automatically for additional one year terms unless otherwise renegotiated by the parties. The Fund will maintain a voluntary 401(k) plan (NCUA Savings Plan) and will contribute, with no employee matching contribution, 3% of the employee's compensation as defined in *Article 9 Compensation and Benefits* of the CBA. In 2015 and 2014, the Fund matched an employee's voluntary contribution up to a maximum of 1.5% of the employee's total pay. The Fund's match will increase to 2.0% effective the first full pay period in January 2016 and remain in effect for the duration of this Agreement. NCUA's contributions for 2015 and 2014 were $5.8 and $5.4 million, respectively. The operating expenses associated with the NCUA Savings Plan in 2015 and 2014 were $68.2 and $64.1 thousand, respectively. A total of 71.8% and 69.2% of all costs of the NCUA Savings Plan was allocated to the NCUSIF in 2015 and 2014, respectively. 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 2015 and 2014 were $113.5 and $122.3 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 carrying amounts and established fair values of the Fund's assets held for sale as of December 31, 2015 and 2014 are as follows (in thousands):

Assets held for sale	Amortized Cost Basis	Fair Value	Impairment at Year-end
2015	$ 377	$ 377	$ 66
2014	$ 644	$ 644	$ 91

(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, 2015 and 2014, were as follows (in thousands):

	2015		2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 40,528	$ 40,528	$ 40,940	$ 40,940
Due from NCUSIF	3,944	3,944	3,509	3,509
Employee advances	38	38	62	62
Other accounts receivable, net	332	332	322	322
Obligations under capital lease	1,515	1,515	213	213
Notes payable to NCUSIF	10,392	10,392	11,733	11,733

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 2016.

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 2016.

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, 2015 and 2014, the Fund's Other Accounts Receivable includes an allowance in the amount of $5.7 and $1.1 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 approximate rates currently available to the Fund.

Notes Payable to NCUSIF – The carrying amounts for notes payable to NCUSIF financial instruments approximate 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 CBA with the National Treasury Employees Union (NTEU) that became effective on July 7, 2015. NTEU is the exclusive representative of approximately 79% of NCUA employees. This agreement will remain in effect for a period of five years from its effective date and shall renew automatically for additional one year terms unless otherwise renegotiated by the parties.

13. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 12, 2016, which is the date the financial statements were available to be issued, and management determined that there are no other items to disclose.

2015 FINANCIALS

SECTION

NATIONAL CREDIT UNION ADMINISTRATION CENTRAL LIQUIDITY FACILITY

Financial Statements as of and for the Years Ended
December 31, 2015 and 2014, 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 National Credit Union Administration Board:

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, 2015 and 2014, 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. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 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, 2015 and 2014, and its operations, members' equity, 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 as of and for the year ended December 31, 2015, 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, and contracts, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. 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. 15-02.

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 CLF's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

February 12, 2016

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

BALANCE SHEETS
As of December 31, 2015 and 2014
(Dollars in thousands, except share data)

	2015	2014
ASSETS		
Cash and Cash Equivalents (Notes 3 and 5)		
Investments Held to Maturity	$ 11,486	$ 35,269
(Net of $537 and $266 unamortized premium, fair value of $237,324 and $193,788 as of 2015 and 2014, respectively) (Notes 4 and 5)	237,503	193,737
Accrued Interest Receivable (Note 5)	710	514
TOTAL ASSETS	$ 249,699	$ 229,520
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Accounts Payable (Note 5)	$ 160	$ 179
Dividends Payable (Note 5)	138	125
Member Deposits (Notes 5 and 7)	1,320	600
Total Liabilities	1,618	904
MEMBERS' EQUITY		
Capital Stock – Required ($50 per share par value authorized: 8,725,806 and 8,005,574 shares; issued and outstanding: 4,362,903 and 4,002,787 shares as of 2015 and 2014, respectively) (Note 6)	218,145	200,139
Retained Earnings	29,936	28,477
Total Members' Equity	248,081	228,616
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 249,699	$ 229,520

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2015 and 2014
(Dollars in thousands)

	2015	2014
REVENUE		
Investment Income	$ 2,486	$ 1,735
Total Revenue	2,486	1,735
EXPENSES (Note 9)		
Personnel Services	325	338
Personnel Benefits	100	108
Other General and Administrative Expenses	73	67
Total Operating Expenses	498	513
Interest – Liquidity Reserve	3	1
Total Expenses	501	514
NET INCOME	$ 1,985	$ 1,221

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

STATEMENTS OF MEMBERS' EQUITY
For the Years Ended December 31, 2015 and 2014
(Dollars in thousands, except share data)

	Capital Stock			
	Shares	**Amount**	**Retained Earnings**	**Total**
BALANCE – December 31, 2013	2,157,607	$ 107,880	$ 27,692	$ 135,572
Issuance of Required Capital Stock	1,857,120	92,856		92,856
Redemption of Required Capital Stock	(11,940)	(597)		(597)
Dividends Declared ($0.125/share) (Notes 6 and 7)			(436)	(436)
Net Income			1,221	1,221
BALANCE – December 31, 2014	4,002,787	$ 200,139	$ 28,477	$ 228,616
Issuance of Required Capital Stock	380,319	19,016		19,016
Redemption of Required Capital Stock	(20,203)	(1,010)		(1,010)
Dividends Declared ($0.125/share) (Notes 6 and 7)			(526)	(526)
Net Income			1,985	1,985
BALANCE – December 31, 2015	4,362,903	$ 218,145	$ 29,936	$ 248,081

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2015 and 2014
(Dollars in thousands)

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 1,985	$ 1,221
Adjustments to Reconcile Net Income		
to Net Cash Provided by Operating Activities:		
Amortization of Investments	104	87
Interest - Liquidity Reserve	3	1
Changes in Assets and Liabilities:		
Increase in Accrued Interest Receivable	(196)	(201)
Increase/(Decrease) in Accounts Payable	(19)	91
Net Cash Provided by Operating Activities	1,877	1,199
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(67,876)	(93,519)
Proceeds from Maturing Investments	24,006	8,000
Net Cash Used in Investing Activities	(43,870)	(85,519)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of Required Capital Stock	18,966	89,653
Redemption of Required Capital Stock	(595)	(502)
Withdrawal of Member Deposits	(161)	(4)
Net Cash Provided by Financing Activities	18,210	89,147
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(23,783)	4,827
CASH AND CASH EQUIVALENTS–Beginning of Year	35,269	30,442
CASH AND CASH EQUIVALENTS–End of Year	$ 11,486	$ 35,269

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

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 (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 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 6 and 8 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 in accordance with the accrual basis of accounting. As such, CLF recognizes interest income on loans and investments when earned, and recognizes interest expense on borrowings when incurred. CLF recognizes expenses when incurred. In addition, CLF accrues and records dividends on capital stock monthly and pays dividends quarterly.

Cash Equivalents – Cash equivalents are highly liquid investments with original maturities of three months or less.

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.

CLF evaluates investment securities that are in an unrealized loss position for other-than-temporary impairment (OTTI). 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 other-than-temporary, CLF takes into consideration whether it has the intent to sell the security.

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 2015 and 2014.

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.

Income Taxes – NCUA, as a government entity, is not subject to federal, state, or local income taxes and, accordingly, no provision for income taxes is recorded for CLF.

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.

Reclassifications – Certain prior year amounts have been reclassified to conform with the current year presentation.

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 as of December 31, 2015 and 2014 are as follows (in thousands):

	2015	2014
U.S. Treasury Overnight Investments	$ 11,300	$ 35,107
Deposits with U.S. Treasury	180	160
SunTrust Bank	6	2
Total	$ 11,486	$ 35,269

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, 2015 and 2014 were as follows (in thousands):

	2015	2014
Carrying Amount, December 31,	$ 237,503	$ 193,737
Gross Unrealized Holding Gains	782	933
Gross Unrealized Holding Losses	(961)	(882)
Fair Value	$ 237,324	$ 193,788

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

(Dollars in thousands)	2015		2014	
	Net Carrying Amount	Fair Value	Net Carrying Amount	Fair Value
Due in one year or less	$ 50,838	$ 50,837	$ 24,013	$ 24,036
Due after one year through five years	155,949	155,853	140,877	140,910
Due after five years through ten years	30,716	30,634	28,847	28,842
Total	$ 237,503	$ 237,324	$ 193,737	$ 193,788

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, 2015 and 2014.

	Losses Less than 12 Months		Losses More than 12 Months		Total	
(Dollars in thousands)	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
As of December 31, 2015						
U.S. Treasury Securities	$ (624)	$ 103,352	$ (337)	$ 20,796	$ (961)	$ 124,148
As of December 31, 2014						
U.S. Treasury Securities	$ (107)	$ 45,271	$ (775)	$ 40,104	$ (882)	$ 85,375

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, 2015 and 2014. The carrying values and approximate fair values of financial instruments are as follows:

(Dollars in thousands)	2015		2014	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and cash equivalents	$ 11,486	$ 11,486	$ 35,269	$ 35,269
Investments held-to-maturity	237,503	237,324	193,737	193,788
Accrued interest receivable	710	710	514	514
Accounts payable	160	160	179	179
Dividends payable	138	138	125	125
Member deposits	1,320	1,320	600	600

6. 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 subscribed form 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 federal 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 CLF, 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, 2015, CLF had no member withdrawal requests pending. As of December 31, 2014, CLF had no 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, 2015 and 2014 (in thousands, except share data):

	2015		2014	
	Shares	Amounts	Shares	Amounts
Regular members	4,362,903	$ 218,145	4,002,787	$ 200,139

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.

7. 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.

8. 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, 2015 and 2014, CLF's statutory borrowing authority was $5.6 billion and $5.1 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 current 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, the aggregate amount of which may not exceed its statutory borrowing authority, and renews them annually. Advances made under the current promissory notes can be made no later than March 31, 2016.

9. RELATED PARTY TRANSACTIONS

NCUA OF pays the salaries and related benefits of CLF's employees, 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 total amount charged by NCUA was approximately $521.3 and $505.5 thousand, respectively, for December 31, 2015 and 2014. Accounts payable includes approximately $127.2 and $118.7 thousand, respectively, for December 31, 2015 and 2014, due to NCUA OF for services provided.

10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 12, 2016, which is the date the financial statements were available to be issued, and management determined that there are no other items to disclose.

2015 FINANCIALS
SECTION

NATIONAL CREDIT UNION ADMINISTRATION COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

Financial Statements as of and for the Years Ended
December 31, 2015 and 2014, and
Independent Auditors' Report

KPMG LLP
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Washington, DC 20006

Independent Auditors' Report

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

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, 2015 and 2014, 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. 15-02, *Audit Requirements for Federal Financial Statements*. Those standards and OMB Bulletin No. 15-02 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 Community Development Revolving Loan Fund as of December 31, 2015 and 2014, and 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 as of and for the year ended December 31, 2015, we considered the CDRLF'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 CDRLF's internal control. Accordingly, we do not express an opinion on the effectiveness of the CDRLF'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 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. 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. 15-02.

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 CDRLF's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

February 12, 2016

NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

BALANCE SHEETS
As of December 31, 2015 and 2014

	2015	2014
ASSETS		
Cash and Cash Equivalents (Notes 3 and 8)	$ 8,283,455	$ 8,839,092
Loans Receivable (Notes 5, 7, and 8)	9,364,904	8,089,686
Interest Receivable (Note 8)	9,495	5,208
TOTAL ASSETS	$ 17,657,854	$ 16,933,986
LIABILITIES AND FUND BALANCE		
Liabilities - Accrued Technical Assistance Grants (Note 8)	$ 1,954,448	$ 1,028,047
Fund Balance		
Fund Capital (Note 4)	13,954,708	14,124,064
Accumulated Earnings	1,748,698	1,781,875
Total Fund Balance	15,703,406	15,905,939
TOTAL LIABILITIES AND FUND BALANCE	$ 17,657,854	$ 16,933,986

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, 2015 and 2014

	2015	2014
SUPPORT AND REVENUES		
Interest on Cash Equivalents	$ 1,988	$ 2,034
Interest on Loans	37,649	28,850
Total Interest Income	39,637	30,884
Appropriation Revenue		
Appropriations Expended (Note 4)	2,528,386	1,569,740
Cancelled Technical Assistance Grants (Note 6)	(518,444)	(253,093)
Total Appropriation Revenue	2,009,942	1,316,647
Total Support and Revenues	2,049,579	1,347,531
EXPENSES		
Technical Assistance Grants	2,602,004	1,613,661
Cancelled Technical Assistance Grants (Note 6)	(519,248)	(254,959)
Bad Debt Expense	-	3
Total Expenses	2,082,756	1,358,705
NET LOSS	$ (33,177)	$ (11,174)

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

STATEMENTS OF CHANGES IN FUND BALANCE
For the Years Ended December 31, 2015 and 2014

	Fund Capital				
	For Loans	For Technical Assistance	Total Fund Capital	Accumulated Earnings	Total Fund Balance
December 31, 2013	$ 13,387,777	$ 856,464	$ 14,244,241	$ 1,793,049	$ 16,037,290
Appropriations Received (Note 4)	-	1,200,000	1,200,000	-	1,200,000
Appropriations Expended	-	(1,569,740)	(1,569,740)	-	(1,569,740)
Cancelled Appropriations - Remitted to Treasury (Note 4)	-	(3,530)	(3,530)	-	(3,530)
Cancelled Technical Assistance Grants (Note 6)	-	253,093	253,093	-	253,093
Net Loss	-	-	-	(11,174)	(11,174)
December 31, 2014	$ 13,387,777	$ 736,287	$ 14,124,064	$ 1,781,875	$ 15,905,939
Appropriations Received (Note 4)	-	2,000,000	2,000,000	-	2,000,000
Appropriations Expended	-	(2,528,386)	(2,528,386)	-	(2,528,386)
Cancelled Appropriations - Remitted to Treasury (Note 4)	-	(159,414)	(159,414)	-	(159,414)
Cancelled Technical Assistance Grants (Note 6)	-	518,444	518,444	-	518,444
Net Loss	-	-	-	(33,177)	(33,177)
December 31, 2015	$ 13,387,777	$ 566,931	$ 13,954,708	$ 1,748,698	$ 15,703,406

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, 2015 and 2014

	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Loss	$ (33,177)	$ (11,174)
Adjustments to Reconcile Net Loss to Net Cash Used in Operating Activities		
Bad Debt Expense	-	3
Appropriations Expended	(2,528,386)	(1,569,740)
Cancelled Technical Assistance	518,444	253,093
Changes in Assets and Liabilities		
Increase in Interest Receivable	(4,287)	(1,326)
Increase in Accrued Technical Assistance	926,401	176,037
Net Cash Used in Operating Activities	(1,121,005)	(1,153,107)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan Principal Repayments	224,782	858,220
Loan Disbursements	(1,500,000)	(5,030,000)
Net Cash Used In Investing Activities	(1,275,218)	(4,171,780)
CASH FLOWS FROM FINANCING ACTIVITIES		
Appropriations Received 2015/2016	2,000,000	-
Appropriations Received 2014/2015	-	1,200,000
Cancelled Appropriations Remitted to Treasury 2009/2010	(159,414)	-
Cancelled Appropriations Remitted to Treasury 2008/2009	-	(3,530)
Net Cash Provided by Financing Activities	1,840,586	1,196,470
NET DECREASE IN CASH AND CASH EQUIVALENTS	(555,637)	(4,128,417)
CASH AND CASH EQUIVALENTS — Beginning of Year	8,839,092	12,967,509
CASH AND CASH EQUIVALENTS — End of Year	$ 8,283,455	$ 8,839,092

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

NOTES TO FINANCIAL STATEMENTS
For the Years Ended December 31, 2015 and 2014

1. ORGANIZATION AND PURPOSE

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

Cash Equivalents – Cash equivalents are highly liquid investments with original maturities of three months or less. The Federal Credit Union Act permits CDRLF to make investments in United States Government Treasury securities. All investments in 2015 and 2014 were cash equivalents and were stated at cost, which approximates fair value.

Loans Receivable and Allowance for Loan Losses – Loans are generally limited to $300,000 per credit union, however, NCUA may make loans that exceed this amount in certain circumstances. NCUA Rules and Regulations do not provide a maximum limit on loan applications. The maximum loan term is five (5) years. For loans issued on or after May 22, 2012, 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 rate of interest on loans is governed by the CDRLF Loan Interest Rate Policy. CDRLF reviews the interest rate on an annual basis. Effective May 1, 2014, the interest rate was set to 0.60%, reflecting an increase of 0.20% from the previous period interest rate of 0.40%. In 2015, CDRLF opted to maintain the interest rate, which is set to 0.60%.

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, 2015 and 2014. 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 multiyear 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, through the Operating Fund (OF), provides certain general and administrative support to CDRLF, including personnel costs such as pay and benefits as well as other costs which include but are not limited to telecommunications, supplies, printing, and postage. 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 – NCUA, as a government entity, is not subject to federal, state, or local income taxes and, accordingly, no provision for income taxes is recorded for CDRLF.

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, 2015 and 2014 are as follows:

	2015	2014
Deposits with U.S. Treasury	$ 2,983,455	$ 2,239,092
U.S. Treasury Overnight Securities	5,300,000	6,600,000
	$ 8,283,455	$ 8,839,092

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, 2015, CDRLF received an appropriation for technical assistance grants in the amount of $2,000,000 for the Federal fiscal year (FY) 2015. This is a multiyear appropriation that is available for obligation through September 30, 2016. Of this amount, $1,651,056 was expended for the year ended December 31, 2015. An additional $877,330 was expended from the FY 2014 appropriation.

During the year ended December 31, 2014, CDRLF received an appropriation for technical assistance grants in the amount of $1,200,000 for FY 2014. This was a multiyear appropriation that was available for obligation through September 30, 2015. Of this amount, $848,948 was expended for the year ended December 31, 2014. An additional $720,792 was expended from the FY 2013 appropriation.

Appropriated funds in the amount of $159,414 from the FY 2009 appropriation were remitted to the U.S. Treasury in 2015 upon cancellation. Appropriated funds in the amount of $3,530 from the FY 2008 appropriation were remitted to the U.S. Treasury in 2014 upon cancellation.

These appropriations were designated to be used for technical assistance grants, and no amounts were designated to be used as revolving loans.

5. LOANS RECEIVABLE

Loans receivable as of December 31, 2015 and 2014 consisted of the following:

	2015	2014
Balance as of the Beginning of the Year	$ 8,089,686	$ 3,917,909
Loans Disbursed	1,500,000	5,030,000
Loan Repayments	(224,782)	(858,220)
Bad Debt Expense	-	(3)
Loans Receivable as of the End of the Year	9,364,904	8,089,686
Changes in the Allowance for Loan Losses Consisted of the Following:		
Balance as of the Beginning of the Year	-	-
Decrease (increase) in the Allowance	-	-
Allowance for Loan Losses as of the End of the Year	-	-
Loans Receivable, Net, as of the End of the Year	$ 9,364,904	$ 8,089,686

Loans outstanding as of December 31, 2015, are scheduled to be repaid during the following subsequent years:

	2015
2016	$ -
2017	2,524,905
2018	309,999
2019	5,030,000
2020	1,500,000
Total Loans Receivable	$ 9,364,904

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 2015, CDRLF cancelled $804 of technical assistance grants awarded from the revolving fund and $518,444 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 $518,444 was also recognized as Cancelled Technical Assistance Grants, decreasing revenue, and resulting in no change to net income.

For the year ended December 31, 2014, CDRLF cancelled $1,866 of technical assistance grants awarded from the revolving fund and $253,093 of technical assistance grants awarded from multiyear funds.

Cancelled technical assistance grants awarded from appropriations from FY 2010 through 2014 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 $3,549,723 and $3,049,723 as of December 31, 2015 and 2014, respectively. The increase in FY 2015 is due to the issuance of two loans over $250,000.

8. 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:

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, 2015 and 2014.

	2015		2014	
	Carrying Amount	**Estimated Fair Value**	**Carrying Amount**	**Estimated Fair Value**
Assets				
Cash and Cash Equivalents	$ 8,283,455	$ 8,283,455	$ 8,839,092	$ 8,839,092
Loans Receivable	9,364,904	9,374,039	8,089,686	8,095,057
Interest Receivable	9,495	9,495	5,208	5,208
Liabilities				
Accrued Technical Assistance Grants	1,954,448	1,954,448	1,028,047	1,028,047

9. RELATED PARTY TRANSACTIONS

NCUA, through the OF, supports the administration of programs under CDRLF by paying related personnel costs such as pay and benefits as well as other costs which include but are not limited to telecommunications, supplies, printing, and postage.

For the years ending December 31, 2015 and 2014, NCUA, through the OF, provided the following unreimbursed administrative support to CDRLF:

	2015	2014
Employee	$ 321,027	$ 306,760
Other	53,364	56,789
Total	$ 374,391	$ 363,549

10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 12, 2016, which is the date the financial statements were available to be issued, and management determined that there are no other items to disclose.

OTHER INFORMATION

Summary of Financial Statement Audit and Management Assurances

FINANCIAL STATEMENT AUDITS SUMMARY

The table below presents a summary of the results of the independent audits of the NCUA's four permanent fund financial statements by the agency's auditors in connection with the 2015 audit. There have been no material weaknesses noted for all funds for the current and prior year.

Permanent Fund	Audit Opinion	Restatement	Material Weaknesses
National Credit Union Share Insurance Fund	Unmodified	No	None
Operating Fund	Unmodified	No	None
Central Liquidity Facility	Unmodified	No	None
Community Development Revolving Loan Fund	Unmodified	No	None

MANAGEMENT ASSURANCES SUMMARY

The table below presents a summary of management assurances related to the effectiveness of internal control over financial reporting and its conformance with financial management system requirements under Sections 2 and 4, respectively, of the Federal Financial Managers' Financial Integrity Act of 1982.

Area	Statement of Assurance	Result
Effectiveness of Internal Control over Financial Reporting (FMFIA Section 2)	Unqualified	No material weaknesses noted
Effectiveness of Internal Control over Operations (FMFIA Section 2)	Unqualified	No material weaknesses noted
Conform with financial management system requirements (FMFIA Section 4)	Systems Conform	No nonconformance noted

Civil Monetary Penalty Adjustment for Inflation

The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended, requires agencies to make regular and consistent inflationary adjustments of civil monetary penalties to maintain their deterrent effect. The following table reflects the civil penalties that NCUA may impose, the authority for imposing the penalty, the dates of inflation adjustments, and the current penalty level.

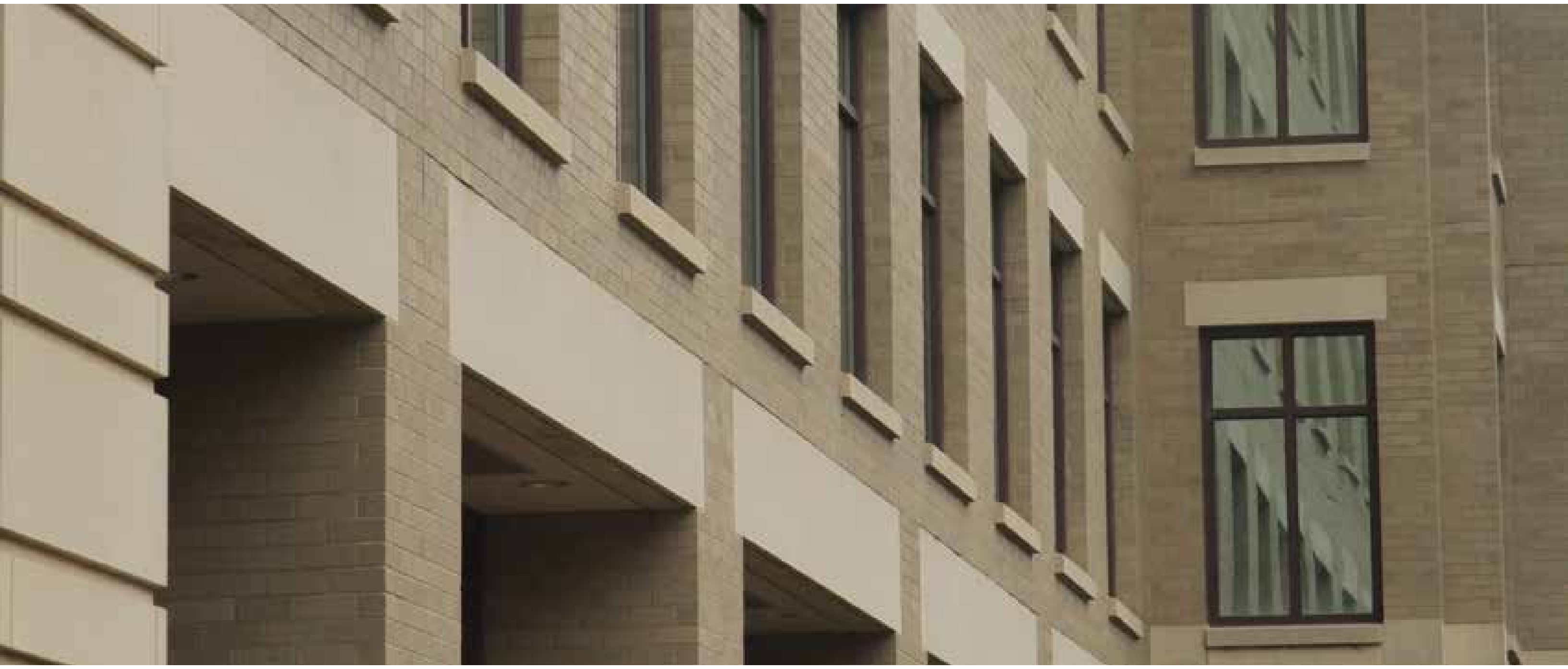
Penalty	Authority	Date of Previous Adjustment[1]	Date of Current Adjustment[2]	Current Penalty Level
Inadvertent failure to submit a report or inadvertent submission of a false or misleading report	12 U.S.C. 1782(a)(3)	September 2000	September 2015	$3,200
Non-inadvertent failure to submit a report or the non-inadvertent submission of a false or misleading report	12 U.S.C. 1782(a)(3)	September 2000	September 2015	$32,000
Failure to submit a report or the submission of a false or misleading report done knowingly or with reckless disregard	12 U.S.C. 1782(a)(3)	March 2009	September 2015	Lesser of $1,425,000 or 1 percent of total credit union assets
Tier 1 civil monetary penalty for inadvertent failure to submit certified statement of insured shares and charges due to the National Credit Union Share Insurance Fund, or inadvertent submission of false or misleading statement	12 U.S.C. 1782(d)(2)(A)	September 2000	September 2015	$3,200
Tier 2 civil monetary penalty for non-inadvertent failure to submit certified statement or submission of false or misleading statement	12 U.S.C. 1782(d)(2)(B)	September 2000	September 2015	$32,000
Tier 3 civil monetary penalty for failure to submit a certified statement or the submission of a false or misleading statement done knowingly or with reckless disregard	12 U.S.C. 1782(d)(2)(C)	March 2009	September 2015	Lesser of $1,425,000 or 1 percent of total credit union assets
Non-compliance with insurance logo requirements	12 U.S.C. 1785(a)(3)	N/A	September 2015	$110
Non-compliance with NCUA security requirements	12 U.S.C. 1785(e)(3)	N/A	September 2000	$110
Tier 1 civil monetary penalty for violations of law, regulation and other orders or agreements	12 U.S.C. 1786(k)(2)(A)	March 2009	September 2015	$8,500

Penalty	Authority	Date of Previous Adjustment[1]	Date of Current Adjustment[2]	Current Penalty Level
Tier 2 civil monetary penalty for violations of law, regulation and other orders or agreements and for recklessly engaging in unsafe or unsound practices or breaches of fiduciary activity	12 U.S.C. 1786(k)(2)(B)	March 2009	September 2015	$42,500
Tier 3 civil monetary penalty for knowingly committing the violations under Tier 1 or 2	12 U.S.C. 1786(k)(2)(C)	March 2009	September 2015	For a person other than an insured credit union: $1,525,000; For an insured credit union: the lesser of $1,525,000 or 1 percent of the total assets of the credit union
Non-compliance with senior examiner post-employment restrictions	12 U.S.C. 1786(w)(5)(A)(ii)	N/A	September 2015	$275,000
Non-compliance with appraisal independence standards (first violation)	15 U.S.C. 1639e(k)	N/A	September 2015	$11,000
Subsequent violations of the same	15 U.S.C. 1639e(k)	N/A	April 2011 (date set by Congress and effective pursuant to regulation)	$20,000
Non-compliance with flood insurance requirements	42 U.S.C. 4012a(f)(5)	N/A[3]	July 2012 (date reset by Congress)	$2,000

[1] Column lists the last time that the penalties were actually changed before the current adjustment.

[2] As noted in this column, in some cases the most recent change resulted from legislation. NCUA reviewed all of the listed penalties in September 2015, but some were not changed because of the statute's rounding formula. September 2015 was the first time certain penalties were reviewed or changed.

[3] NCUA adjusted this penalty in 2009 and in prior years, but Congress increased the per violation penalty and eliminated the annual cap in 2012. The prior adjustments therefore do not have any bearing on the current penalty level.



STATISTICAL DATA

2015 Credit Union System Performance Summary

By nearly every measure, credit unions performed well overall in 2015. Total shares and deposits at federally insured credit unions increased $65.2 billion, or 6.9 percent, and moved past $1 trillion by the end of 2015.

ASSET GROWTH CONTINUES ALONGSIDE DEPOSIT GROWTH

Total assets in federally insured credit unions rose to $1.2 trillion at the end of 2015, an increase of $82.2 billion, or 7.3 percent, from the end of 2014. As overall deposits rose, growth in share drafts was especially strong, increasing by 14.5 percent for the year.

AUTO, MORTGAGE AND MEMBER-BUSINESS LENDING CONTINUE GROWTH

Total loans at federally insured credit unions reached $787 billion by the end of 2015, an increase of 10.5 percent from a year earlier. New loans also grew by 15.8 percent in 2015.

For 2015, loans grew in every major category, including:

- New auto loans grew to $100.1 billion, up 16.0 percent for the year.
- Used auto loans rose to $161.9 billion, up 12.7 percent for the year.
- Total first-mortgage loans outstanding reached $322.3 billion, up 10.3 percent for the year. Fixed-rate first mortgages made up 59 percent of first-mortgage loans at year's end.
- Other mortgage loans stood at $74.4 billion, up 3.6 percent for the year.
- Net member-business loan balances grew to $58.1 billion, up 12.2 percent for the year.
- Non-federally guaranteed student loans stood at $3.5 billion, up 11.3 percent for the year.

Federal credit unions also originated $123.3 million in payday alternative loans in 2015, up 7.2 percent from 2014.

The loans-to-shares ratio at the end of 2015 was 77.5 percent, up 2.5 percentage points from the end of 2014.

CREDIT UNION SYSTEM FURTHER REDUCES LONG-TERM INVESTMENTS

Total investments by federally insured credit unions stood at $272.8 billion at the end of 2015, a decrease of $3 billion, or 1.1 percent, from the end of 2014. Compared to a year earlier, investments with maturities greater than 10 years declined 20.6 percent to $4.5 billion. Investments with maturities of one to three years increased to $101.7 billion, up 2.2 percent from a year earlier.

The credit union system's net long-term assets ratio was 32.7 percent at the end of 2015, compared to 33.6 percent a year ago. Credit unions with less than $10 million in assets had the lowest net long-term asset ratio of any peer group, at 10.5 percent. In comparison, credit unions with more than $500 million in assets had a ratio of 34 percent.

PERCENTAGE OF WELL-CAPITALIZED CREDIT UNIONS RISES

The percentage of federally insured credit unions that were well-capitalized rose in 2015, with 97.9 percent reporting a net worth ratio at or above the statutorily required 7 percent. A year earlier, 97.6 percent of credit unions were well-capitalized. As of December 31, 2015, 0.6 percent of federally insured credit unions were undercapitalized.

CREDIT UNIONS ADD 3.5 MILLION MEMBERS, BUT CONSOLIDATION CONTINUES

Membership in federally insured credit unions grew to 102.7 million at the end of 2015, an increase of 3.5 million from 2014.

The number of federally insured credit unions fell to 6,021 by the end of 2015, 252 fewer than at the end of 2014, reflecting a decline of 4 percent. Consolidation within the credit union system has remained steady for more than two decades across a variety of economic cycles.

CREDIT UNIONS' NET INCOME UP SLIGHTLY, AS NET WORTH RATIO STAYS STEADY

Federally insured credit unions reported net income of $8.7 billion in 2015, an increase of 0.3 percent from 2014. The credit union system's aggregate net worth ratio was 10.92 percent at the end of 2015, down 4 basis points from a year earlier.

DELINQUENCY RATE RISES FOR QUARTER, BUT DECLINES FOR YEAR

The delinquency rate at federally insured credit unions was 81 basis points at the end of 2015, compared to 85 basis-points at the end of 2014. The year-to-date net charge-off ratio was 48 basis points for 2015, down from 50 basis points in 2014.

The percentage of year-to-date loan charge-offs due to bankruptcy in the fourth quarter was 17.2, which was 2.3 percentage points below 2014's level.

RETURN ON AVERAGE ASSETS AT 75 BASIS POINTS

Federally insured credit unions' year-to-date return on average assets ratio stood at 75 basis points at the end of 2015, 5 basis points below the level at the end of 2014.

Overall, 79 percent of federally insured credit unions reported positive returns on average assets for 2015, compared to 78 percent in 2014.

FASTEST GROWTH STILL OCCURRING IN LARGER CREDIT UNIONS

Federally insured credit unions with more than $500 million in assets continued to lead growth in the system in most performance measures in 2015. With $867.5 billion in combined assets, these 481 credit unions held 72 percent of total system assets. Large credit unions again reported the fastest growth in loans, membership and net worth as well as the highest return on average assets.

Continuing credit unions with assets of less than $10 million recorded positive loan and net worth growth. These credit unions also reported a higher net worth ratio than other peer groups, but membership in the smallest credit union asset grouping continued to decline.

The table below provides a summary by asset size of federally insured credit unions' current ratios and annual growth rates at the end of 2015:

	More than $500 million	$100 million to $500 million	$10 million to $100 million	Less than $10 million
Number of Credit Unions	481	1,040	2,684	1,816
Net Worth Ratio	10.8 %	10.9 %	11.9 %	15.1 %
Net Worth Growth	⬆ 8.6 %	⬆ 5.8 %	⬆ 3.3 %	⬆ 0.6 %
Loan Growth	⬆ 12.3 %	⬆ 8.3 %	⬆ 5.0 %	⬆ 1.7 %
Membership Growth	⬆ 6.0 %	⬆ 2.3 %	⬇ 0.1 %	⬇ 1.4 %
Return on Average Assets	86 basis points	56 basis points	35 basis points	4 basis points

Source: NCUA Call Report data

National Credit Union Share Insurance Fund Ten-Year Trends

Fiscal year	2006 [3]	2007 [3]	2008	2009	2010 [4]	2011	2012	2013	2014	2015
Income (in thousands)										
Premium	—	—	—	$727,466	$929,952	—	—	—	—	—
Investment income [1]	$264,895	$320,163	$390,922	$188,774	$216,921	$226,011	$206,995	$198,264	$208,259	$218,526
Other income	$1,326	$1,166	$4,737	$33,319	$49,223	$1,037	$8,768	$4,550	$5,633	$5,187
Total income [5]	$266,221	$321,329	$395,659	$949,559	$1,196,096	$227,048	$215,763	$202,814	$213,892	$223,713
Expenses (in thousands)										
Operating [5]	$82,056	$79,218	$81,516	$134,624	$165,830	$132,358	$141,237	$148,312	$179,818	$197,752
Insurance losses	$2,548	$186,397	$290,354	$625,140	$735,562	$(532,408)	$(77,784)	$(48,638)	$(41,840)	$(35,411)
Total expenses	$84,604	$265,615	$371,870	$759,764	$901,392	$(400,050)	$63,453	$99,674	$137,978	$162,341
Net income (in thousands)[5]	181,617	$55,714	$23,789	$189,795	$294,704	$627,098	$152,309	$103,140	$75,914	$61,372
Data Highlights										
Total equity (in millions) [2]	$6,978	$7,261	$7,677	$8,957	$9,670	$10,339	$10,912	$11,266	$11,625	$12,095
Equity as a percentage of shares in insured credit unions	1.30%	1.29%	1.26%	1.23%	1.28%	1.30%	1.30%	1.30%	1.29%	1.26%
Share Insurance Fund loss per $1,000 of insured shares	$0.00	$0.33	$0.47	$0.86	$0.97	$(0.67)	$ (0.09)	$(0.06)	$(0.05)	$(0.02)
Operating Ratios										
Premium income	—	—	—	76.6%	77.8%	—	—	—	—	—
Investment income	99.5%	99.6%	98.8%	19.9%	18.1%	99.5%	95.9%	97.8%	97.4%	97.5%
Other Income	0.5%	0.4%	1.2%	3.5%	4.1%	0.5%	4.1%	2.2%	2.6%	2.5%
Operating expenses	30.8%	24.7%	20.6%	14.2%	13.9%	58.3%	65.5%	73.1%	84.1%	109.1%
Insurance losses	1.0%	58.0%	73.4%	65.8%	61.5%	-234.5%	-36.1%	-24.0%	-19.6%	-92.7%
Total expenses	31.8%	82.7%	94.0%	80.0%	75.4%	-176.2%	29.4%	49.1%	64.5%	16.4%
Net income	68.2%	17.3%	6.0%	20.0%	24.6%	276.2%	70.6%	50.9%	35.5%	83.6%
Involuntary Liquidations Commenced										
Number	12	7	15	16	18	15	14	13	10	11
Share payouts (in thousands)	$19,799	$195,325	$648,620	$713,112	$701,145	$586,852	667,814	$125,621	$150,111	$138,635
Share payouts as a percentage of total insured shares	0.004%	0.035%	0.106%	0.098%	0.093%	0.074%	0.080%	0.015%	0.017%	0.014%
Shares in liquidated credit unions (in thousands)	$23,768	$578,880	$916,822	$990,931	$870,435	$459,403	$728,746	$105,378	$140,581	$145,829

[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 National Credit Union Share Insurance Fund adopted Federal Accounting Standards Advisory Board accounting standards beginning in 2010. For the purpose of this table, total income includes both exchange and non-exchange revenue.

[5] 2009–2015 Total Income excludes Stabilization Fund Income, 2009–2015 Operating Expense excludes Stabilization Fund Expense, and 2009–2015 Net Income excludes Stabilization Fund Income and Expense.

December 31	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015
Mergers										
Assisted	4	5	3	12	10	1	8	4	5	5
Unassisted	281	237	253	207	193	212	265	236	234	218
Section 208 (Federal Credit Union Act) Assistance to Avoid Liquidation (in Thousands)										
Capital notes and other cash advances outstanding	$15,000	$0	$0	$11,000,000	—	$80,000	$80,000	$66,500	$54,600	$0
Non-cash guaranty accounts	$679	$233,088	$126,340	$7,451	$108,046	$199,945	$32,132	$5,533	$4,720	$0
Number of active cases	4	6	5	9	5	9	5	3	5	1
Number of Troubled, Insured Credit Unions (CAMEL 4 & 5)										
Number	240	211	271	351	365	409	370	307	276	220
Shares (millions)	$5,323	$5,300	$16,314	$41,587	$38,510	$26,285	$16,940	$12,133	$10,234	$7,662
Problem case shares as a percentage of insured shares	0.96%	0.94%	2.33%	5.35%	4.74%	3.31%	2.0%	1.40%	1.13%	0.80%

[1] 2008 data updated to account for many Call Report corrections because of Stabilization Fund expense.

Credit Union System Performance Five-Year Trends

		Same quarter as current, previous years					Most recent four quarters				Most Recent	
	Units	2010.4	2011.4	2012.4	2013.4	2014.4	2015.1	2015.2	2015.3	2015.4	4 Quarter % change	4 Quarter change
Summary Credit Union Data												
Federally insured credit unions												
Federally insured credit unions	Number	7,339	7,094	6,819	6,554	6,273	6,206	6,159	6,090	6,021	-4.0	-252
Federal credit unions	Number	4,589	4,447	4,272	4,105	3,927	3,885	3,856	3,814	3,764	-4.2	-163
Federally insured, state-chartered credit unions	Number	2,750	2,647	2,547	2,449	2,346	2,321	2,303	2,276	2,257	-3.8	-89
Credit unions with low-income designation	Number	1,111	1,119	1,895	1,989	2,113	2,157	2,275	2,285	2,297	8.7	184
Number of members	Millions	90.5	91.8	93.9	96.3	99.2	100.0	101.0	102.1	102.7	3.5	3.5
Number of deposits	Millions	168.3	170.4	175.4	180.8	186.4	188.3	190.4	192.7	193.6	3.9	7.2
Number of loans outstanding	Millions	45.3	45.8	47.6	50.4	54.0	54.1	55.4	56.9	57.4	6.4	3.5
Total assets	$ Billions	914.3	961.7	1,021.8	1,062.0	1,122.1	1,158.5	1,168.3	1,180.4	1,204.3	7.3	82
Total assets, four-quarter growth	Percent	3.4	5.2	6.2	3.9	5.7	5.5	5.9	6.6	7.3		1.7
Total loans	$ Billions	564.7	571.5	597.5	645.1	712.3	722.0	745.2	769.5	787.0	10.5	75
Total loans, four-quarter growth	Percent	-1.4	1.2	4.6	8.0	10.4	10.6	10.6	10.7	10.5		0.1
Average outstanding loan balance	$	12,463	12,483	12,565	12,795	13,203	13,357	13,450	13,531	13,706	3.8	503
Total deposits	$ Billions	786.4	827.4	877.9	910.1	950.8	984.4	986.8	992.5	1,016.0	6.9	65
Total deposits, four-quarter growth	Percent	4.5	5.2	6.1	3.7	4.5	4.4	4.9	5.7	6.9		2.4
Average deposit balance	$	8,691	9,011	9,353	9,454	9,580	9,849	9,768	9,717	9,890	3.2	310
Key Ratios												
Net worth ratio	Percent	10.06	10.21	10.43	10.77	10.96	10.81	10.92	10.99	10.92		-0.04
Return on average assets	Percent	0.50	0.67	0.85	0.78	0.80	0.78	0.81	0.80	0.75		-0.05
Loan-to-share ratio	Percent	71.8	69.1	68.1	70.9	74.9	73.3	75.5	77.5	77.5		2.54
Net long-term assets, percent of assets	Percent	33.0	32.4	32.9	35.9	33.6	32.5	32.6	32.4	32.7		-0.90
Median credit union average cost of funds	Percent	0.88	0.60	0.44	0.34	0.29	0.26	0.26	0.26	0.27		-0.02
Median credit union average yield on loans	Percent	6.76	6.52	6.22	5.84	5.55	5.43	5.38	5.39	5.39		-0.16
Median credit union net interest margin	Percent	3.49	3.37	3.17	3.01	2.99	2.93	2.94	2.98	2.97		-0.02
Median credit union return on average assets	Percent	0.10	0.22	0.31	0.25	0.32	0.31	0.33	0.36	0.34		0.02

		Same quarter as current, previous years					Most recent four quarters				Most Recent	
	Units	2010.4	2011.4	2012.4	2013.4	2014.4	2015.1	2015.2	2015.3	2015.4	4 Quarter % change	4 Quarter change
Lending (Year-to-Date, Annual Rate)												
Loans granted	$ Billions	248.7	259.5	326.3	345.7	350.9	354.1	396.5	410.2	406.2	15.8	55
Real estate loans	$ Billions	103.9	98.9	140.8	139.7	116.0	122.9	146.3	152.0	150.3	29.6	34
Real estate, fixed-rate, first mortgage	$ Billions	70.8	67.4	107.2	99.4	68.5	82.3	98.0	100.4	98.0	43.2	30
Member-business loans	$ Billions	12.1	13.2	15.9	18.6	18.0	18.0	19.1	19.3	20.6	14.3	3
Payday alternative loans	$ Millions	40.9	56.1	72.6	90.2	115.1	98.2	115.5	118.7	123.3	7.2	8
Delinquent loans	$ Billions	9.9	9.1	6.9	6.5	6.1	4.9	5.5	6.0	6.4	5.4	0.33
Total delinquency rate	Percent	1.76	1.60	1.16	1.01	0.85	0.69	0.74	0.78	0.81		-0.04
Fixed real estate delinquency rate	Percent	1.89	1.76	1.21	1.00	0.77	0.62	0.68	0.65	0.64		-0.14
Credit card delinquency rate	Percent	1.54	1.15	0.97	0.93	0.94	0.89	0.86	0.97	1.01		0.07
Member-business loan delinquency rate	Percent	4.06	3.81	2.17	1.54	0.86	0.95	1.02	1.11	1.09		0.23
Net charge-offs	$ Billions	6.4	5.2	4.3	3.5	3.4	3.4	3.4	3.4	3.6	7.8	0.26
Net charge-offs, percent of average loans	Percent	1.13	0.91	0.73	0.57	0.50	0.47	0.46	0.46	0.48		-0.01
Asset Distribution												
25% of credit unions are smaller than	$ Millions	5.0	5.5	6.0	6.4	7.0	7.3	7.3	7.4	7.5	7.4	0.52
50% of credit unions are smaller than	$ Millions	17.6	19.2	21.1	22.7	24.4	25.4	25.6	25.9	26.8	9.5	2.32
75% of credit unions are smaller than	$ Millions	64.4	70.1	77.7	83.7	92.0	96.2	97.3	98.4	101.4	10.3	9.45
90% of credit unions are smaller than	$ Millions	233.5	251.2	281.1	310.4	340.6	355.7	362.5	367.4	381.8	12.1	41.18

		Same quarter as current, previous years					Most recent four quarters				Most Recent	
	Units	2010.4	2011.4	2012.4	2013.4	2014.4	2015.1	2015.2	2015.3	2015.4	4 Quarter % change	4 Quarter change
Income and Expenses (Year-to-date, Annual Rate)												
Federally insured credit unions												
Gross income	$ Billions	52.1	50.2	50.8	50.0	51.7	52.9	54.0	54.6	55.0	6.5	3.36
Total interest income	$ Billions	40.1	37.9	36.2	35.3	36.9	37.9	38.3	38.8	39.2	6.1	2.27
Gross interest income	$ Billions	34.5	32.8	31.7	31.2	32.6	33.6	34.0	34.4	34.9	7.1	2.30
Less interest refunds	$ Billions	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	0.1	-17.9	-0.01
Investment income	$ Billions	5.6	5.2	4.5	4.2	4.4	4.3	4.4	4.3	4.4	-0.8	-0.04
Trading income	$ Billions	0.0	0.0	0.0	-0.0	0.0	0.0	0.0	0.0	-0.0	-141.4	-0.01
Total non-interest income	$ Billions	12.0	12.3	14.6	14.7	14.7	15.0	15.6	15.8	15.8	7.4	1.09
Fee income	$ Billions	7.0	6.9	7.4	7.4	7.2	6.9	7.2	7.4	7.5	4.5	0.33
Other operating income	$ Billions	4.9	5.2	6.8	7.0	7.1	7.5	7.9	8.0	7.9	12.1	0.86
Other (including gains/losses)	$ Billions	-0.0	0.1	0.4	0.3	0.5	0.5	0.5	0.4	0.4	-21.1	-0.10
Total expenses (with provision for loan and lease losses)	$ Billions	47.5	43.9	42.4	41.9	43.0	44.0	44.7	45.4	46.3	7.7	3.33
Non-interest expenses	$ Billions	29.6	30.6	31.6	32.9	34.0	35.1	35.5	35.8	36.2	6.7	2.26
Labor expense	$ Billions	14.0	14.5	15.5	16.3	17.1	17.9	18.0	18.1	18.4	7.8	1.33
Office expenses	$ Billions	7.5	7.6	8.0	8.3	8.8	9.1	9.1	9.2	9.3	5.2	0.46
Loan servicing expenses	$ Billions	1.8	2.0	2.2	2.4	2.5	2.5	2.6	2.7	2.6	4.5	0.11
Other non-interest expenses	$ Billions	6.3	6.5	5.9	5.9	5.7	5.6	5.8	5.9	6.0	6.4	0.36
Total interest expense	$ Billions	10.9	8.7	7.2	6.2	5.9	5.8	5.8	5.9	6.0	2.3	0.13
Interest on borrowed money	$ Billions	1.0	0.9	0.8	0.7	0.8	0.8	0.8	0.8	0.8	5.7	0.04
Share dividends	$ Billions	8.6	6.8	5.6	4.8	4.6	4.5	4.5	4.5	4.7	2.1	0.10
Interest on deposits	$ Billions	1.2	0.9	0.8	0.6	0.6	0.5	0.5	0.6	0.6	-0.8	-0.00
Provision for loan and lease losses	$ Billions	7.0	4.7	3.6	2.7	3.1	3.2	3.4	3.7	4.0	30.2	0.93
Net income	$ Billions	4.5	6.3	8.5	8.1	8.7	8.9	9.2	9.2	8.7	0.3	0.03
Net income, percent of average assets	Percent	0.50	0.67	0.85	0.78	0.80	0.78	0.81	0.80	0.75		-0.05
Net interest margin	$ Billions	29.2	29.2	29.0	29.1	31.0	32.2	32.5	32.9	33.2	6.9	2.13
Net interest margin, percent of average assets	Percent	3.25	3.12	2.92	2.80	2.84	2.82	2.84	2.86	2.85		
Average assets	$ Billions	899.5	938.0	991.7	1,041.9	1,092.0	1,140.3	1,145.2	1,151.2	1,163.2	6.5	71.19

		Same quarter as current, previous years					Most recent four quarters				Most Recent	
	Units	2010.4	2011.4	2012.4	2013.4	2014.4	2015.1	2015.2	2015.3	2015.4	4 Quarter % change	4 Quarter change
Income and Expenses (Year-to-date, Annual Rate, Percent of Average Assets)												
Federally insured credit unions												
Gross income	Percent	5.79	5.35	5.13	4.80	4.73	4.64	4.71	4.74	4.73		-0.00
Total interest income	Percent	4.46	4.04	3.65	3.39	3.38	3.33	3.35	3.37	3.37		-0.01
Gross interest income	Percent	3.84	3.49	3.20	2.99	2.98	2.95	2.96	2.99	3.00		0.02
Less interest refunds	Percent	0.00	0.00	0.00	0.00	0.01	0.00	0.00	0.00	0.00		-0.00
Investment income	Percent	0.62	0.56	0.46	0.40	0.41	0.38	0.38	0.38	0.38		-0.03
Trading income	Percent	0.00	0.00	0.00	-0.00	0.00	0.00	0.00	0.00	-0.00		-0.00
Total non-interest income	Percent	1.33	1.31	1.48	1.41	1.35	1.31	1.37	1.37	1.36		0.01
Fee income	Percent	0.78	0.74	0.74	0.71	0.66	0.60	0.63	0.64	0.65		-0.01
Other operating income	Percent	0.55	0.56	0.69	0.67	0.65	0.66	0.69	0.70	0.68		0.03
Other (including gains/losses)	Percent	-0.00	0.01	0.04	0.03	0.04	0.05	0.04	0.03	0.03		-0.01
Total expenses (with provision for loan and lease losses)	Percent	5.28	4.68	4.27	4.02	3.93	3.86	3.91	3.94	3.98		0.05
Non-interest expenses	Percent	3.29	3.26	3.18	3.16	3.11	3.07	3.10	3.11	3.12		0.00
Labor expense	Percent	1.56	1.54	1.56	1.56	1.56	1.57	1.57	1.58	1.58		0.02
Office expenses	Percent	0.83	0.81	0.81	0.80	0.81	0.80	0.79	0.80	0.80		-0.01
Loan servicing expenses	Percent	0.20	0.21	0.22	0.23	0.23	0.22	0.23	0.23	0.22		-0.00
Other non-interest expenses	Percent	0.70	0.69	0.59	0.57	0.52	0.49	0.51	0.51	0.52		-0.00
Total interest expense	Percent	1.21	0.93	0.73	0.59	0.54	0.51	0.51	0.51	0.52		-0.02
Interest on borrowed money	Percent	0.11	0.10	0.08	0.07	0.07	0.07	0.07	0.07	0.07		-0.00
Share dividends	Percent	0.96	0.73	0.57	0.46	0.42	0.39	0.40	0.39	0.40		-0.02
Interest on deposits	Percent	0.14	0.10	0.08	0.06	0.05	0.05	0.05	0.05	0.05		-0.00
Provision for loan and lease losses	Percent	0.78	0.50	0.36	0.26	0.28	0.28	0.30	0.32	0.34		0.06
Net income	Percent	0.50	0.67	0.85	0.78	0.80	0.78	0.81	0.80	0.75		-0.05
Net interest margin	Percent	3.25	3.12	2.92	2.80	2.84	2.82	2.84	2.86	2.85		0.01

		Same quarter as current, previous years					Most recent four quarters				Most Recent	
	Units	2010.4	2011.4	2012.4	2013.4	2014.4	2015.1	2015.2	2015.3	2015.4	4 Quarter % change	4 Quarter change
Balance Sheet												
Federally insured credit unions												
Total assets	$ Billions	914.3	961.7	1,021.8	1,062.0	1,122.1	1,158.5	1,168.3	1,180.4	1,204.3	7.3	82.24
Cash and equivalents (less than 3 months)	$ Billions	74.4	95.2	100.9	87.4	85.8	105.5	92.2	88.4	94.6	10.2	8.78
Cash on hand	$ Billions	7.7	7.9	8.3	9.0	9.7	8.8	9.0	9.6	9.9	1.7	0.16
Investments												
Total investments (more than 3 months)	$ Billions	238.9	256.9	280.4	285.8	275.8	280.3	278.9	270.2	272.8	-1.1	-2.95
Investments less than 1 year	$ Billions	72.8	71.2	77.8	70.5	67.3	68.6	68.4	67.3	67.8	0.6	0.42
Investments 1-3 years	$ Billions	94.0	106.0	106.9	89.2	99.5	107.0	108.5	105.4	101.7	2.2	2.14
Investments 3-10 years	$ Billions	66.9	73.8	89.3	118.9	103.3	99.5	97.2	92.9	98.9	-4.2	-4.35
Investments 3-5 years	$ Billions	46.8	54.4	64.6	79.4	75.6	72.4	69.4	66.3	71.2	-5.9	-4.43
Investments 5-10 years	$ Billions	20.2	19.4	24.7	39.6	27.7	27.2	27.7	26.6	27.8	0.3	0.08
Investments more than 10 years	$ Billions	5.2	6.0	6.4	7.2	5.6	5.3	4.8	4.5	4.5	-20.6	-1.16
Total loans	$ Billions	564.7	571.5	597.5	645.1	712.3	722.0	745.2	769.5	787.0	10.5	74.71
Real estate loans	$ Billions	309.6	313.0	320.2	338.8	364.2	368.5	378.4	389.0	396.8	8.9	32.58
Real estate fixed-rate, first mortgage	$ Billions	154.6	163.1	174.6	192.3	205.0	208.3	215.1	221.7	226.1	10.3	21.12
Credit cards	$ Billions	35.9	37.4	39.5	42.6	46.0	44.7	45.8	47.0	48.8	6.2	2.83
Auto loans	$ Billions	164.4	165.1	178.5	198.7	230.0	236.6	245.8	255.5	262.1	13.9	32.02
New autos	$ Billions	62.9	58.3	63.3	71.3	86.4	89.3	92.8	96.9	100.1	16.0	13.78
Used autos	$ Billions	101.5	106.8	115.2	127.4	143.7	147.3	153.0	158.6	161.9	12.7	18.23
Non-federally guaranteed student loans	$ Billions	0.0	1.5	2.0	2.6	3.1	3.3	3.3	3.4	3.5	11.3	0.36
Other loans	$ Billions	54.7	54.5	57.3	62.4	69.0	68.8	71.9	74.5	75.9	10.0	6.92
Member-business loans, including unfunded commitments	$ Billions	37.2	39.2	41.7	46.0	51.8	52.9	54.4	56.1	58.1	12.2	6.33
Other assets	$ Billions	36.3	38.1	42.9	43.7	48.2	50.7	52.0	52.3	49.9	3.6	1.72
Total liabilities and net worth	$ Billions	914.3	961.7	1,021.8	1,062.0	1,122.1	1,158.5	1,168.3	1,180.4	1,204.3	7.3	82.24
Total deposits	$ Billions	786.4	827.4	877.9	910.1	950.8	984.4	986.8	992.5	1,016.0	6.9	65.21
Share drafts	$ Billions	89.9	100.6	111.4	118.8	131.1	139.3	137.2	138.0	150.2	14.5	19.06
Regular shares	$ Billions	220.5	245.0	275.1	297.8	321.1	341.4	344.4	345.7	352.1	9.6	30.96
Other deposits	$ Billions	476.0	481.8	491.4	493.5	498.5	503.8	505.3	508.8	513.7	3.0	15.20
Money market accounts	$ Billions	175.8	189.1	203.4	212.3	219.5	224.6	225.6	227.8	231.8	5.6	12.30
Share certificate accounts	$ Billions	213.4	204.1	197.9	191.5	188.9	188.5	188.6	189.1	190.1	0.6	1.15
IRA/Keogh accounts	$ Billions	76.4	77.6	79.1	78.4	76.9	76.7	76.6	76.7	76.7	-0.3	-0.24
Non-member deposits	$ Billions	2.4	2.2	2.3	3.0	5.1	5.4	5.7	6.2	6.6	31.5	1.59
All other shares	$ Billions	8.0	8.7	8.7	8.2	8.2	8.5	8.7	9.1	8.6	4.8	0.39
Other liabilities	$ Billions	36.0	36.1	37.3	37.4	48.3	48.8	53.8	58.1	56.7	17.5	8.44
Net worth	$ Billions	92.0	98.2	106.6	114.5	123.0	125.3	127.6	129.8	131.6	7.0	8.59
Net worth, percent of assets	Percent	10.06	10.21	10.43	10.77	10.96	10.81	10.92	10.99	10.92		-0.04

		Same quarter as current, previous years					Most recent four quarters				Most Recent	
	Units	2010.4	2011.4	2012.4	2013.4	2014.4	2015.1	2015.2	2015.3	2015.4	4 Quarter % change	4 Quarter change
Balance Sheet (Percent of Assets)												
Federally insured credit unions												
Total assets	Percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Cash and equivalents (less than 3 months)	Percent	8.1	9.9	9.9	8.2	7.6	9.1	7.9	7.5	7.9		0.21
Cash on hand	Percent	0.8	0.8	0.8	0.8	0.9	0.8	0.8	0.8	0.8		-0.05
Investments												
Total investments (more than 3 months)	Percent	26.1	26.7	27.4	26.9	24.6	24.2	23.9	22.9	22.7		-1.92
Investments less than 1 year	Percent	8.0	7.4	7.6	6.6	6.0	5.9	5.9	5.7	5.6		-0.38
Investments 1-3 years	Percent	10.3	11.0	10.5	8.4	8.9	9.2	9.3	8.9	8.4		-0.43
Investments 3-10 years	Percent	7.3	7.7	8.7	11.2	9.2	8.6	8.3	7.9	8.2		-0.99
Investments 3-5 years	Percent	5.1	5.7	6.3	7.5	6.7	6.2	5.9	5.6	5.9		-0.83
Investments 5-10 years	Percent	2.2	2.0	2.4	3.7	2.5	2.3	2.4	2.3	2.3		-0.16
Investments more than 10 years	Percent	0.6	0.6	0.6	0.7	0.5	0.5	0.4	0.4	0.4		-0.13
Total loans	Percent	61.8	59.4	58.5	60.7	63.5	62.3	63.8	65.2	65.3		1.87
Real estate loans	Percent	33.9	32.6	31.3	31.9	32.5	31.8	32.4	33.0	32.9		0.49
Real estate fixed-rate, first mortgage	Percent	16.9	17.0	17.1	18.1	18.3	18.0	18.4	18.8	18.8		0.51
Credit cards	Percent	3.9	3.9	3.9	4.0	4.1	3.9	3.9	4.0	4.1		-0.04
Auto loans	Percent	18.0	17.2	17.5	18.7	20.5	20.4	21.0	21.6	21.8		1.26
New autos	Percent	6.9	6.1	6.2	6.7	7.7	7.7	7.9	8.2	8.3		0.62
Used autos	Percent	11.1	11.1	11.3	12.0	12.8	12.7	13.1	13.4	13.4		0.64
Non-federally guaranteed student loans	Percent	0.0	0.2	0.2	0.2	0.3	0.3	0.3	0.3	0.3		0.01
Other loans	Percent	6.0	5.7	5.6	5.9	6.1	5.9	6.2	6.3	6.3		0.15
Member-business loans, including unfunded commitments	Percent	4.1	4.1	4.1	4.3	4.6	4.6	4.7	4.7	4.8		0.21
Other assets	Percent	4.0	4.0	4.2	4.1	4.3	4.4	4.4	4.4	4.1		-0.15
Total liabilities and net worth	Percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Total deposits	Percent	86.0	86.0	85.9	85.7	84.7	85.0	84.5	84.1	84.4		-0.37
Share drafts	Percent	9.8	10.5	10.9	11.2	11.7	12.0	11.7	11.7	12.5		0.78
Regular shares	Percent	24.1	25.5	26.9	28.0	28.6	29.5	29.5	29.3	29.2		0.62
Other deposits	Percent	52.1	50.1	48.1	46.5	44.4	43.5	43.2	43.1	42.7		-1.77
Money market accounts	Percent	19.2	19.7	19.9	20.0	19.6	19.4	19.3	19.3	19.2		-0.31
Share certificate accounts	Percent	23.3	21.2	19.4	18.0	16.8	16.3	16.1	16.0	15.8		-1.05
IRA/Keogh accounts	Percent	8.4	8.1	7.7	7.4	6.9	6.6	6.6	6.5	6.4		-0.49
Non-member deposits	Percent	0.3	0.2	0.2	0.3	0.5	0.5	0.5	0.5	0.6		0.10
All other shares	Percent	0.9	0.9	0.9	0.8	0.7	0.7	0.7	0.8	0.7		-0.02
Other liabilities	Percent	3.9	3.7	3.6	3.5	4.3	4.2	4.6	4.9	4.7		0.41
Net worth	Percent	10.06	10.21	10.43	10.77	10.96	10.81	10.92	10.99	10.92		-0.04

Summary of Performance for Federally Insured Credit Unions

	Asset Categories									
	Less than $10 million	$10 to $50 million	$50 to $100 million	$100 to $500 million	$500 million to $1 billion	Greater than $1 billion	Federal Credit Unions	Federally Insured State-Chartered Credit Unions	Credit Unions with Low-Income Designation in 2015Q4	Small Credit Unions (Assets less than $100 million)
Current Quarter: 2015Q4										
Number of credit unions	1,816	1,959	725	1,040	231	250	3,764	2,257	2,297	4,500
Number of members ($ millions)	1.5	6.4	5.9	22.8	14.2	52.0	54.3	48.4	32.5	13.7
Total assets ($ billions)	7.4	48.6	51.8	229.0	162.4	705.1	628.0	576.3	324.7	107.8
Total loans ($ billions)	3.6	24.3	28.6	144.3	108.4	477.9	404.7	382.3	220.2	56.5
Total deposits ($ billions)	6.2	42.3	45.4	199.3	139.2	583.5	522.1	493.9	278.1	94.0
Key ratios (percent)										
Return on average assets	0.04	0.28	0.40	0.55	0.68	0.91	0.74	0.76	0.77	0.32
Net worth ratio	15.05	12.33	11.46	10.94	11.10	10.70	10.94	10.90	10.90	12.10
Loan-to-share ratio	57.5	57.4	63.0	72.4	77.8	81.9	77.5	77.4	79.2	60.1
Net interest margin (median)	3.18	2.90	2.95	3.00	2.95	2.72	2.95	3.01	3.19	2.99
Net long-term asset ratio	10.5	21.4	27.0	32.5	34.9	33.7	32.1	33.5	31.6	23.4
Cost of funds/average assets (median)	0.21	0.23	0.28	0.35	0.40	0.50	0.25	0.29	0.27	0.23
Delinquency rate	1.89	1.24	1.06	0.93	0.75	0.75	0.84	0.78	0.87	1.19
Net charge-offs to average loans	0.57	0.45	0.46	0.44	0.43	0.51	0.57	0.39	0.48	0.46
Growth from a year earlier (percent)										
Shares (total deposits)	-9.1	-4.6	-1.2	-0.3	3.0	12.5	4.5	9.5	7.8	-3.3
Total loans	-8.7	-4.4	-0.1	2.0	5.6	16.5	8.4	12.8	10.8	-2.6
Total assets	-8.8	-4.7	-1.2	-0.3	3.0	13.1	5.3	9.6	7.9	-3.4
Members	-10.9	-8.4	-4.1	-2.3	-0.3	10.8	1.8	5.5	4.0	-6.9
Net worth	-7.3	-4.5	-1.1	-0.2	3.1	12.8	4.6	9.7	7.8	-3.2

	Asset Categories									
	Less than $10 million	$10 to $50 million	$50 to $100 million	$100 to $500 million	$500 million to $1 billion	Greater than $1 billion	Federal Credit Unions	Federally Insured State-Chartered Credit Unions	Credit Unions with Low-Income Designation in 2015Q4	Small Credit Unions (Assets less than $100 million)
Historical Data (same quarter)										
Return on average assets (percent)										
2015	0.04	0.28	0.40	0.55	0.68	0.91	0.74	0.76	0.77	0.32
2014	0.03	0.26	0.45	0.59	0.79	0.97	0.77	0.83	0.83	0.33
2013	-0.18	0.21	0.41	0.58	0.75	0.98	0.75	0.82	0.80	0.27
2012	-0.03	0.27	0.47	0.67	0.82	1.07	0.85	0.86	0.86	0.34
2011	-0.17	0.17	0.37	0.52	0.66	0.87	0.68	0.65	0.67	0.23
Net worth ratio (percent)										
2015	15.05	12.33	11.46	10.94	11.10	10.70	10.94	10.90	10.90	12.10
2014	14.81	12.30	11.45	10.93	11.09	10.74	11.02	10.89	10.92	12.08
2013	14.65	12.21	11.20	10.78	10.81	10.53	10.86	10.67	10.68	11.91
2012	14.63	12.06	10.92	10.53	10.59	10.04	10.50	10.35	10.33	11.73
2011	14.65	12.07	10.91	10.36	10.38	9.69	10.29	10.11	10.12	11.76
Loan to Share Ratio (percent)										
2015	57.53	57.35	63.03	72.41	77.83	81.90	77.52	77.41	79.19	60.11
2014	57.28	57.24	62.37	70.74	75.94	79.13	74.73	75.14	77.03	59.67
2013	56.03	56.30	61.13	68.30	72.91	74.06	70.80	70.99	73.71	58.57
2012	55.45	55.72	60.67	66.30	69.33	70.88	67.91	68.23	71.05	58.01
2011	56.50	57.64	62.25	67.32	69.44	72.32	68.74	69.47	71.86	59.66
Delinquency Rate (percent)										
2015	1.89	1.24	1.06	0.93	0.75	0.75	0.84	0.78	0.87	1.19
2014	1.95	1.28	1.18	0.93	0.77	0.78	0.88	0.82	0.96	1.27
2013	2.26	1.42	1.23	1.06	0.91	0.95	1.02	1.00	1.15	1.38
2012	2.28	1.50	1.29	1.15	1.00	1.15	1.16	1.15	1.30	1.45
2011	2.40	1.65	1.44	1.49	1.34	1.73	1.52	1.69	1.71	1.61
Loan growth (percent)										
2015	-8.7	-4.4	-0.1	2.0	5.6	16.5	8.4	12.8	10.8	-2.6
2014	-5.6	-2.2	-2.8	2.9	6.4	16.7	8.6	12.5	10.1	-2.7
2013	-5.0	-3.1	-0.9	2.8	8.0	12.2	6.6	9.6	8.5	-2.2
2012	-9.2	-6.1	-2.3	1.6	3.9	8.1	4.4	4.7	5.6	-4.5
2011	-10.6	-6.4	-4.5	-2.9	-2.4	6.1	0.8	1.6	1.6	-5.9

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Thank you for your interest in NCUA's *2015 Annual Report*. You can secure an electronic copy of the *2015 Annual Report* at www.NCUA.gov. Please send any comments or suggestions about this report to pacamail@NCUA.gov.

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