

**National Credit Union Administration
1996 Annual Report**

Credit Unions Serve America

The National Credit Union Administration is the independent federal agency that supervises and insures federal credit unions and insures most state-chartered credit unions. It is entirely funded by credit unions and receives no tax dollars.

This 1996 NCUA Annual Report is the official report to the President and the Congress of the United States. This report includes the financial statements of the NCUA Operating Fund, the National Credit Union Share Insurance Fund, and the National Credit Union Central Liquidity Facility.

FINANCIAL HIGHLIGHTS 1996

National Credit Union Administration Operating Fund

| | | |
|--|---------|---------|
| Operating fee revenue | \$ 43.8 | million |
| Other income | 1.6 | million |
| Total revenue | 45.4 | million |
| Expense budget | 96.8 | million |
| Actual expenses | 92.0 | million |
| Expenses transferred to Share Insurance Fund | 46.1 | million |
| Operating Fund expenses | 46.1 | million |
| Net income | -.7 | million |
| Operating Fund balance | 8.4 | million |

National Credit Union Share Insurance Fund

| | | |
|---|---------|---------|
| Total revenue | \$186.9 | million |
| Operating expenses | 47.2 | million |
| Insurance loss expense | 0.0 | million |
| Net income | 139.6 | million |
| Reserve for losses | 89.7 | million |
| Fund balance | 3.4 | billion |
| Equity ratio (fund balance as percentage of insured deposits) | 1.30 | percent |

Central Liquidity Facility

| | | |
|-------------------|---------|---------|
| Net income | \$ 39.1 | million |
| Dividends paid | 39.1 | million |
| Total assets | 734.5 | million |
| Retained earnings | 11.5 | million |
| Capital stock | 706.2 | million |

Federally Insured Credit Unions

| | |
|--|-----------------|
| Number of credit unions | 11,392 |
| Total assets | \$326.9 billion |
| Total insured shares | 275.5 billion |
| Total loans | 213.8 billion |
| Capital to assets | 11.4 percent |
| Share growth | 6.1 percent |
| Ratio of loans to shares | 74.6 percent |
| Delinquency ratio | 1.0 percent |
| Net income growth (before reserve transfers) | 5.0 percent |

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SOUND ACHIEVEMENTS, CRITICAL CHALLENGES

Federal credit unions and NCUA can be proud of the achievements recorded in 1996, particularly with the commitment to and growth of the expansion of services to underserved Americans.

But we begin 1997 with a great deal of concern about the future; concern that emanates from a U.S. District Court of Appeals decision that invalidated much of NCUA's field of membership policy and declared that occupation-based credit unions must share a common bond.

The Supreme Court has agreed to hear the case and it is clear that the battle will move forward in Congress. But that action by the court—prompted by lawsuits from the banking industry—threatens the ability of credit unions across America to serve those who desire and need their financial services.

For years, the banking industry has been before the Congress and in the courts trying to stifle any competition from credit unions. They refuse to acknowledge the critical difference that credit unions are non-profit cooperatives; that members with higher incomes pool their funds with people of smaller means—the blue-collar workers and low-income people—and that they all benefit. No one else makes a profit from any of them.

The motive behind the bankers' consistent court challenges is to cherry pick the higher income earners and leave the less affluent with no other financial alternative.

The banking industry says it wants a level playing field with credit unions. To achieve that, all they need to do is change to a non-profit status. But meanwhile, the working-class and low income consumer wants a level playing field too. They deserve it, and that's been the mission of credit unions for more than a century.

The FOM ruling threatens a very significant achievement—the increased development of community development credit unions and low income credit unions, which is detailed on page 15 of this report.

Nevertheless, it will not discourage NCUA from vigorously pursuing this effort within the constraints of the law.

In August, NCUA sponsored a highly successful conference in Chicago where credit unions were encouraged to work together and assist with the development of credit unions in underserved communities throughout the nation. More than 1,100 participants attended the conference. More and more, Congress is asking about credit union efforts to serve the underserved.

We will continue to make this a high priority at NCUA. And with help from the dedicated credit union managers and directors alike, increasing numbers of Americans who need basic financial services—and who are not adequately served by banks—will be able to find the help they need and deserve.



**Chairman
Norman E. D'Amours**

UNIFYING TO MEET CHALLENGES



From the Board Members

What do the years 1934, 1970, 1982, and 1996 have in common? They all were years when major changes occurred in the credit union system. The changes that occurred in 1934, 1970, and 1982 were generally viewed as positive, changes that strengthened the credit union system and provided opportunities to expand credit union services to more Americans. Credit unions met the challenge and by October 1996 had extended credit union services to 70 million people; and daily responded to new requests for service.

The changes that occurred in 1996 were not so positive. The court decision invalidating NCUA's field of membership (FOM) policy, handed down in the latter half of 1996 in what has become widely known as the AT&T Family FCU case, sent shock waves through the credit union community.

There were other important credit union issues during 1996—with the investment regulation and corporate credit union regulation topping the list. There are other issues that need attention: CUSOs and member business loans, for starters. As important as these issues are, they paled beside the AT&T challenge.

Credit unions account for about two percent of the total financial services in America. By contrast, 25 percent of the population are credit union members. Those numbers tell an important story—lots of small loans and lots of accounts with small balances. If access to credit union service is lost, where will these Americans borrow and save? The credit union community goes into 1997 solidly unified to preserve credit union services for America's working men and women. When this task has been accomplished, NCUA and the credit union community can turn their attention to those other important issues—hopefully with this new-found unity intact.



**Vice Chairman
Shirlee Bowné**

COMMITMENT FORGES GROWTH



Last year proved itself to be a challenging and exciting year for the NCUA and the industry as a whole. The commitment and professionalism of credit union personnel and NCUA staff led the industry down a healthy and sound path to success during 1996. Assets of federally insured credit unions grew. Capital continued to accumulate. Loans and investments increased, and shares expanded. We have much of which to be proud and many successes upon which to build.

The financial information provided in this Annual Report speaks volumes about the strength and performance of the credit union industry. The statistical data will not, however, give the full picture. The good management, leadership and vision that is required to build a healthy, strong credit union underlie each solid balance sheet and positive financial report.

We find a similar dynamic at the NCUA. Without doubt, the Agency's best resources and most valuable assets are the hard-working, dedicated professionals in the field and in the regional and central offices. Like the men and women who lead the credit union industry, the creative vision and determination devoted by the NCUA staff and management contribute significantly to the industry's effort to bring affordable and much-needed financial services to America's families.

The board members, managers, staff and volunteers of the nation's credit unions share this commitment and enthusiasm. During 1996, many credit unions worked to expand financial services to low and moderate income Americans in their communities. Credit unions strived to improve service to existing members through increased financial opportunities and enhanced technology. As challenges to the common bond interpretation mount, the credit union industry has worked cooperatively to seek legal and legislative remedies in order to preserve member services.

For our part, the NCUA Board has remained steadfast in our responsibility to ensure the overall safety and soundness of the industry. To meet these responsibilities, we have worked to better understand the needs of credit unions and thoughtfully determine policy which will foster their success. The NCUA continues to implement ways to improve our supervision efforts and to make it easier for credit unions to comply with them.

As we reflect on a very hectic and challenging year, we - as an industry and a Board - must never lose sight of our purpose. We fulfill a federally mandated mission to provide affordable and accessible financial services to those who need them the most. Credit unions represent dignity and opportunity for many individuals and families seeking to improve their lives. What a worthy mission for 1997 and beyond!



**Board Member
Yolanda Townsend Wheat**



CHANGES SERVE AMERICA'S CREDIT UNIONS

Despite difficult challenges, NCUA achieved goals in 1996 that will serve credit unions and America well into 1997 and beyond. The agency incorporated significant evaluation and efficiency improvements in operations and programs and launched a major effort to achieve a diverse work force and improve our employees' quality of life.

Overview From the Executive Director

Credit Unions Benefit

For credit unions, NCUA's efforts to reduce costs and implement efficiency resulted in important positive developments. Federal credit unions are paying 2.9 percent or \$1.3 million less in 1997 than last year to support NCUA operations. Following four consecutive years of fee reductions, federal credit unions now pay 22.7 percent less in operating fees than in 1993.

This development follows the second consecutive National Credit Union Share Insurance Fund dividend, which returned over \$100 million to federally insured credit unions last October. While the dividend indicates the excellent condition of the Fund, it is directly attributed to the strength and sound management skills of today's credit union community. If we stay the course, another dividend is projected for 1997.

At NCUA, a major contribution to efficiency was achieved in fully implementing the new Automated Integrated Regulatory Examination System (AIRES). It is a critical component of NCUA's efforts to improve the examination process -- both for NCUA and for credit unions.

Outreach Initiated

Emphasizing outreach, last year 12 federal credit unions and 12 NCUA examiners participated in a pilot program placing examiners behind the scenes in credit unions for two weeks. The program was designed to provide examiners with first-hand knowledge of daily credit union operations.

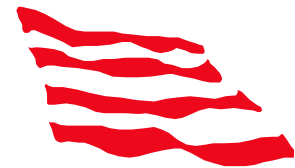
NCUA also began asking credit unions to evaluate their NCUA exam in a brief, one-page critique. NCUA is using the critique to incorporate improvements and to promote open communications with credit unions.

A technical highlight in 1996 was linking our agency to the World Wide Web. Our comprehensive site, <http://www.ncua.gov>, constantly receives accolades from Web "browsers" and credit unions alike and we are committed to expanding its usefulness even further.



Deputy Executive Director
Tawana Y. James and
Executive Director Karl T. Hoyle

CHANGES SERVE AMERICA'S CREDIT UNIONS



Diversity and Quality of Life Emphasized

Two internal initiatives that I believe will benefit NCUA and credit unions include the goal to develop a diverse work force and the goal to ensure quality of life improvements for our examiners.

NCUA has dramatically stepped up its efforts to recruit highly qualified applicants from colleges and universities with significant women and minority populations. The agency added recruitment coordinators, held a conference to develop techniques to eliminate recruiting barriers, and used direct-hire authority to integrate high grade-point-average students not listed on federal registers.

Since last July, our hard work has yielded significant increases in the following employee ratios:

- Black males up 15 percent
- Hispanic males up 24 percent
- Asian Pacific Islander males up 20 percent
- Asian Pacific Islander females up 25 percent

For some time, NCUA examiners have been facing "quality of life" issues that the NCUA Board addressed at its December meeting. As a rule, our examiners travel constantly and donate many uncompensated hours completing their assignments. To rectify the problem and reduce our high turnover rate, the NCUA Board adopted a 1997 budget that carefully scrutinizes workloads and provides additional work hours for assignments. The goal is to increase overall efficiency and improve the quality of life for our most important asset, our examiners.

We faced difficult challenges during 1996. Most notable was the court action regarding NCUA's long-standing and successful field of membership policy. Despite the challenges, the NCUA Board and staff worked together in positive ways to benefit the millions of Americans who place their funds and confidence in the credit union system NCUA is charged to protect.

**"We faced
difficult
challenges in
1996."**

1996—HIGHLIGHTS



Actions Taken to Help CDCUs Raise Capital

January 1996—NCUA took two important actions to assist community development, or low-income designated credit unions, in their economic development activities.

The NCUA Board approved an interim final rule that authorizes low-income credit unions to immediately boost their capital levels, and the Board sought public comment on a separate plan that would eliminate the current \$120,000 ceiling on technical assistance grants awarded through NCUA's Community Development Revolving Loan Fund.

NCUA Grants First Charter to Thrift

February 1996—NCUA approved the federal charter application of \$1.2 billion Eastman Savings and Loan Association, marking the first time an S&L has become a credit union.

The Rochester, N.Y.-based institution, known as ESL Federal Credit Union, acquired all assets and member accounts of the former mutual thrift. It serves employees of the Eastman Kodak Company and a number of its subsidiaries.

With 77,000 members nationwide, ESL is one of the 10 largest federal credit unions in the United States.

Chairman Says NCUA Should be Secondary Supervisor of CUs

March 1996—Chairman Norman D'Amours told CEOs and directors from federal credit unions that his agency is working to lessen regulation and is willing to act only as a back-up supervisor.

For that to happen, D'Amours said, NCUA must be confident that credit unions' boards of directors will have access to crucial information needed to closely supervise the safety and soundness of credit union operations.

Speaking to the National Association of Federal Credit Unions' Congressional Caucus in Washington, D'Amours pointed to several NCUA deregulatory efforts over the past two years, including allowing credit unions to pay incentives to loan officers and making it easier for credit unions to own participating interests in loans underwritten by other credit unions.

NCUA Launches New Site on World Wide Web

March 1996—NCUA's Internet World Wide Web site opened to rave reviews, providing credit unions and others with a practical, easy-to-use resource for information about the agency and credit unions.

The web site address is <http://www.ncua.gov>.

1996—HIGHLIGHTS

AIRES Uncovers 20-Year Fraud

June 1996 —Examiners credit AIRES— NCUA's new automated integrated regulatory examination system—with detecting a 20-year fraud and cover-up scheme that caught the alleged embezzler still at the credit union.

Examiners ran a loan concentration query and found six loans for \$112,000 with the credit union's address. Within hours, the manager admitted making fictitious loans 20 years before and subsequently covering up the swindle. He was fired, authorities were notified, and a bond claim was immediately filed.

NCUA Challenges Court FOM Ruling

August 1996 —NCUA launched efforts to reverse the July 31 U.S. Court of Appeals ruling that AT&T Family FCU must limit its membership to a single common bond.

A panel of three judges from the U.S. Court of Appeals in Washington, D.C., ruled July 30 that NCUA's multiple group field of membership (FOM) policies are not consistent with the *Federal Credit Union Act*.

"This decision strikes at the heart of credit unions' mission to serve all members," declared Chairman Norman E. D'Amours.

\$1 Million Added to Loan Fund

September 1996 —One million dollars was added to the Community Development Revolving Loan Program via the adopted VA-HUD Independent Agencies Appropriations Bill signed by President Clinton September 26.

It is the first money added to the fund since the program's original \$6 million appropriation in 1979. Since then, the Fund has revolved over \$13 million in 101 loans to 70 low-income credit unions.

NCUSIF Premium Waived, Third Dividend Paid Since '85

October 1996 —The NCUA Board waived the 1997 share insurance premium and approved a 4% dividend returning \$103 million to the nation's 11,500 federally insured credit unions. The first dividend was paid to credit unions in 1985.

The National Credit Union Share Insurance Fund (NCUSIF) in 1996 exceeded its maximum 1.3% equity ceiling, making additional premium funds unnecessary.

D.C. Court Limits FCU Expansions

October 1996 —U.S. District Court Judge Thomas Jackson ruled October 25 that federal credit unions may no longer add select groups outside their primary or "core" occupational or associational group.



1996—HIGHLIGHTS

The judge said FCUs may continue to serve existing members and may only add new members associated with their core service group.

NCUA Broadens Occupational Common Bond

November 1996 —Responding to the July 30 U.S. Court of Appeals decision regarding NCUA's field of membership, the NCUA Board issued an interim final rule that broadened its definition of common bond for occupational-based FCUs to permit a common bond based upon trade, industry or profession. It included a geographic restriction to determine eligibility.

Court Invalidates NCUA's New Policy

December 1996 —The U.S. District Court in Washington denied NCUA's request for a stay on its October injunction ruling and invalidated the agency's interim field of membership policy.

NCUA filed an appeal with the U.S. Court of Appeals asking the Court to stay the injunction pending Supreme Court review.

Appeals Court Stays FOM Injunction

December 1996— The National Credit Union Administration scored an important victory when the United States Court of Appeals for the District of Columbia granted a partial stay of the nationwide injunction imposed by the District Court on October 25, 1996.

A three-judge panel ordered the partial stay pending consideration of the case, *First National Bank and Trust Co. v. NCUA, et. al.*, by the Supreme Court. Effective immediately, federal credit unions are free to enroll new members from all of the employee groups they had been serving prior to October 25.

Credit Union Failures Hit Record Low in '96

1996— Only 19 credit unions failed in 1996, setting a record low for the third consecutive year. Failures included 13 involuntary liquidations and six assisted mergers. The previous low was 22 failures in 1995.

The 19 failures cost the National Credit Union Share Insurance Fund \$2.3 million in depositor payouts, also a record low. The prior low was \$11 million paid in 1995.

The number of credit union failures and the amount of depositor payouts has declined each of the past five years.

CREDIT UNIONS SERVE AMERICA

In 1996, NCUA led efforts to focus attention on bringing key financial services to the underserved – those in our society who are alienated from mainstream financial services – whether they live in inner cities or the countryside. The undertaking, highlighted by a major conference in Chicago in August, was consistent with NCUA's commitment to find ways to better serve all credit union members.

Unfortunately, millions of Americans lack such basic services as checking or savings accounts and have few options when they need to borrow. Many have been turned away by banks--the very entities that have fought NCUA's efforts in the courts.

The mission of credit unions is to empower people by instilling values of thrift and systematic savings, by making loans available to people of small means, and by educating members to be masters of their own financial destinies.

Today, the credit union system is strong, vibrant and healthy. It is a fair and easily accessible resource for low-cost loans when members need liquidity. It is a safe, effective, and profitable place for members to entrust their savings. Meanwhile, credit unions are economically safe and sound, with membership, capital, and assets at record levels.

But credit unions have a broader mission: to provide financial services to those in need. Those who lack basic financial concepts may not understand how to borrow or save effectively. One of the basic functions of credit unionism is to provide this knowledge to those who need it most.

For many, it is a matter of economic life or death as scavengers in the street wait to prey on the financially uninformed and unsophisticated. The pawn shops. The loan sharks. The rent-to-own stores. It was to help protect people from such operations and to teach the benefits of prudent financial management that credit unions were created in North America a century ago.

Just look at what credit unions are doing today.

O.U.R. Federal Credit Union in Oregon

When Cathleen Gorman joined O.U.R. Federal Credit Union in Eugene, Oregon, she was living on food stamps and selling the stained glass arts and crafts she made to local vendors. She had used all of her savings and had no credit. But her art was her passion and her livelihood, and she needed money for materials.

The credit union gave her a loan and taught her the basics of good money management. Today she is self-supporting and her art sales have more than tripled. And, she is no longer dependent upon food stamps.

This a fine example of the kind of work credit unions do every day--and should be constantly seeking to provide.

Showing how NCUA facilitates such operations, O.U.R. Credit Union had run into serious trouble and was placed in conservatorship. NCUA Problem Case Officer Annette Moore, began working directly with the credit union's board. Thanks to Moore and the credit union officials' hard work, O.U.R. credit union survived, prospered, and continues to do good work for its members.



Cathleen Gorman



Annette Moore, second from left, with O.U.R. FCU officials John Craig, Loretta Moesta, David Whitehall, and William Goldsmith

CREDIT UNIONS SERVE AMERICA



Furthermore, the NCUSIF saved hundreds of thousands of dollars that would have been lost had this credit union failed. The effort to save a small credit union succeeded and was cost-effective too. It was the right thing and the smart thing to do.

Over-the-Rhine Branch of Cincinnati Central Credit Union

William Herring, C.E.O. of Cincinnati Central Credit Union in Ohio, knows about the needs of the underserved and what credit unions can do to help.

Bill's mother, Louise Herring, along with Filene, Bergenren and others, was one of the early originators of the credit union movement in the United States.

Carrying on his mother's commitment, Bill Herring opened a branch of his credit union eight years ago in a low-income community called Over-the-Rhine.

One day a young woman came in to open an account. She was carrying a new television set she had purchased for her two children. The branch manager asked how much she paid. She said she had just given a nearby rent-to-own store a \$200 down payment and promised to make extended monthly payments.

The branch manager told her she had grossly over-paid for the TV and could have purchased a comparable set at the mall for the amount of her down payment. He walked with her to the rent-to-own store and persuaded the cashier to give her money back.

Bill Herring also tells about a woman, Debra Kelly, whom he met one day while walking the streets of Over-the-Rhine.

When he was introduced as the president of Cincinnati Central Credit Union, she greeted Bill with a curtsy and a huge smile.

Miss Kelly told Bill how she did not qualify for a loan under the regular underwriting standards, but received help through a special guaranteed loan program he had developed called the Collateral Support Fund. She got a job at a local agency that helps women and children, repaid the loan, and is a valued member of the credit union.

Miss Kelly feels good about herself and takes great pride in being able to get a loan and have a small savings account at her neighborhood credit union.

Because Cincinnati Central, like credit unions all across the nation, is dedicated to fulfilling its social responsibilities and puts that dedication into practice, people's lives are being changed.

Hospitality Community FCU in Washington D.C.

Just a few blocks from the U.S. Capitol building, on H Street in Washington, D.C., is a neighborhood crippled by high unemployment, abandoned businesses, and dilapidated buildings.

For decades, many residents have been forced to rely upon the rip-off artists for financial "help."



Debra Kelly and
William Herring



Hospitality Community FCU

CREDIT UNIONS SERVE AMERICA

But Hospitality Community Federal Credit Union is one place in the neighborhood where citizens can learn about money management and the advantages of systematic savings, and receive the fairly priced credit needed to succeed.

The credit union is making progress and making a difference. Its members are moms with kids, couples, individuals — people just wanting a fair financial shake.

Florida Central Credit Union

At Florida Central Credit Union, CEO Ed Gallagly and his staff have designed consumer loans and mortgage products to meet the needs of a diverse membership.

Recently, Rebecca Whelan came into Florida Central's new branch in low-income East Tampa to ask about financing a \$40,000 home. The young woman brought along a copy of a good-faith agreement from a mortgage broker, a contract that included a \$2,000 brokerage fee and a mortgage financing rate of 9.9 percent.

Ms. Whelan was newly self-employed, had no established credit, and declared an annual income below \$15,000. She had no financial or profit-and-loss statements prepared.

The credit union's mortgage loan officer helped her prepare the documents, as well as a credit file, by obtaining reference letters from businesses where she had done short-term financing.

In short, Florida Central did 90 percent of the work in preparing her mortgage package and then granted a loan at 8 percent with only a one point, \$400 charge.

Like other credit unions, Florida Central is designed not for profit, but for service.

Under the guidelines of the credit union's Risk Based Lending Program, it recently provided a loan to Stanley Hensley, who otherwise would have been declined because he failed to meet standard lending guidelines.

Mr. Hensley had lost his job after 16 years. He accepted a position paying considerably less than his pay before, because he has a family to support. When he needed to borrow money for a gall bladder operation for his young daughter he turned to local banks for help.

With spotty credit history, no assets, low income, short time on the job, and a reasonably high debt-to-income ratio, the banks turned him down. One finance company was willing to help—with an interest rate of 28 percent and payments of \$200 a month.

But Florida Central made him the loan. His daughter had her operation, and is now a healthy, happy teenager.

Besides making the loan, the credit union performed a greater service. Stanley Hensley was working overtime to help increase his income. He had contacted all of his creditors to work out payment arrangements and could have declared bankruptcy and taken the easy way out. But, instead, he demonstrated stability and responsibility.



Rebecca Whelan



Stanley Hensley and his daughter



CREDIT UNIONS SERVE AMERICA

To help, staff members showed Hensley how to reduce his monthly expenses by consolidating his debts and how to live within his budget. It was a lot of work for a single loan. But then, Florida Central is a credit union, not a bank.

Weslaco Catholic Federal Credit Union in Texas

At Weslaco Catholic Federal Credit Union, in rural south Texas near the Rio Grande River, many loans are small mortgage loans to migrant farm workers whose only alternative is lenders who give "contracts for deeds." They can easily be breached, build no equity, and can be voided upon failure to make one payment.

Weslaco Catholic FCU helped Paula Gonzalez and her husband, immigrant field workers whose goal was to give their five children an education.

The Gonzalez' wanted to send their children to parochial school, but needed money for tuition. While the banks wouldn't help, Weslaco Catholic Federal Credit union did.

Today, children Rene' and Paul are attorneys. Anna is a registered nurse. Herman is a social services director. And Magdalena is an import specialist for the U.S. Customs Service.



Members of the
Gonzalez Family

Central Appalachian Peoples' Federal Credit Union

Jimmy and Ina Taylor are farmers in rural Kentucky. They raise tobacco, sorghum, and goats while holding down outside jobs.

When Jimmy needed a used car to get to work, the bank turned him down and the local finance company wanted 36 percent interest.

The Taylors turned to the Central Appalachian Peoples' Federal Credit Union, which gave Jimmy the auto loan at a greatly reduced rate. And they helped again when the Taylor's tobacco crop later failed.

Today, the Taylors are making it. But it would have been a lot harder if their only alternatives were banks, the local finance companies, or a loan shark.



Jimmy and Ina Taylor

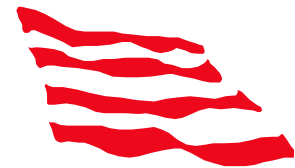
Credit Unions Fulfill Their Mission

All of these stories are true. They are about real people who have been helped in very real, material ways by their credit unions.

Credit unions are about people. It's what they do. It's what they are. It's why credit unions exist.

At NCUA we see the success of Hospitality FCU, Weslaco Catholic, Florida Central, Central Appalachian, O.U.R. Credit Union, and others multiplied many times over across our country.

OFFICE OF COMMUNITY DEVELOPMENT CREDIT UNIONS



NCUA continues to encourage the chartering and growth of low-income credit unions through its Office of Community Development Credit Unions (OCDCU). OCDCU provides support to the regions and credit unions in their efforts to bring financial services to underserved areas. Credit unions nationwide have consistently responded positively to this initiative throughout 1996.

At year's end, there were 346 low-income designated credit unions, up from 263 in 1995, serving 820,048 members. As a result of NCUA's low-income initiatives, an additional 1.4 million low-income individuals have credit union services now available to them.

Low-income designated credit unions had average assets of \$6.6 million. Average capital was 11.7%. The loan delinquency and net charge-off ratios were 2.2% and 0.6% respectively.

After two years of discussion, OCDCU and the Department of Housing and Urban Development (HUD) announced an initiative to charter on-site community development credit unions at public housing authorities (PHAs) across the country. HUD identified PHAs in New York City, Chicago, Cleveland, St. Louis, Oakland, and Charlotte as likely candidates for a planned pilot project.

In November, OCDCU participated in a National Technical Assistance and Training Conference sponsored by HUD for PHA officials to explain the process of organizing and chartering credit unions and to discuss the role community development credit unions can play in offering financial services to public housing residents.

The Community Development Revolving Loan Program (CDRLP) received an additional \$1 million in funding in the FY'97 VA-HUD Independent Agencies Appropriation Bill signed by the President in September 1996. This represents the first money added to the Revolving Loan Fund since the original \$6 million appropriated in 1979. Since the agency began administering the Fund, it has revolved over \$13 million in 101 loans to 70 low-income credit unions, with only a single loss.

Interest earned on the Revolving Loan Fund finances a technical assistance grant program for low-income credit union operations such as staff training, purchasing computers and office equipment, and translating literature into foreign languages. The cap on technical assistance has been removed.



**Director OCDCU
Joyce Jackson**

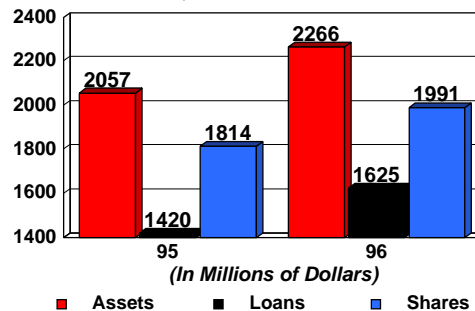


OFFICE OF COMMUNITY DEVELOPMENT CREDIT UNIONS

NCUA and the credit union advisory committee sponsored a conference on "Serving the Underserved," to facilitate and encourage credit union efforts to improve and expand the availability of personal financial services to the underserved. The conference provided credit unions with ways to make these services available to the entire membership, expand membership opportunities, and create new credit unions for those underserved or not served at all. More than 1,100 people attended.

Prior to this conference, Chairman Norman D'Amours visited with officials and staff of several low-income designated credit unions throughout the U.S. These visits provided an open forum for credit unions to discuss the regulatory issues confronting them in their efforts to deliver financial services to their predominately low-income memberships.

LICU Asset, Loan & Share Growth



Community Development Revolving Loan Program Statistics

| | Number | Dollar Amount | Number of Credit Unions |
|----------------------------------|--------|---------------|-------------------------|
| Loan Fund | | | |
| Outstanding Loans | 70 | \$6,284,445 | 57 |
| Loans Granted Since 1987 | 112 | \$14,102,500 | 79 |
| Loans granted in 1996 | 21 | \$2,980,000 | 20 |
| Loan applications pending | 6 | \$1,390,000 | 6 |
| Technical Assistance Fund | | | |
| Granted since 1992 | 212 | \$511,438 | N/A |
| Disbursed in 1996 | 74 | \$107,588 | 63 |
| Grant balance outstanding | 24 | \$62,585 | 24 |

1996—A RECORD OF SOUND ACHIEVEMENT



The National Credit Union Administration is an independent federal agency that supervises and insures 7,152 federal credit unions and insures 4,240 state chartered credit unions. It is entirely funded by credit unions and receives no tax dollars.

During 1996, the dedicated men and women who provide the staff support to make these services possible, both at headquarters in Alexandria, Virginia, and in our six regional offices, achieved an outstanding record of success that will benefit all credit unions and the members they serve.

Following is a summary of those activities and a discussion of expectations for 1997:



Office of Examination and Insurance

Responsibilities: Develops standards and procedures for examination and supervision of federally insured credit unions; monitors and reports to the NCUA Board on the examination program's performance; recommends resources required; manages the risk to the National Credit Union Share Insurance Fund; serves as the NCUA expert on accounting principles and standards and auditing standards; and conducts necessary research.



'96 Accomplishments:

- Finalized new Supervisory Committee regulation.
- Developed Windows version of NCUA Call Report and programs to help examiners improve the integrity of financial data submitted.
- Provided oversight and quality control on the 1996 AIRE update.
- Developed white paper recommending examination/supervision steps based on study of fraud-related issues and briefed agency staff.
- Developed white paper regarding the Automated Clearing House network.
- Instructed or contributed to agency training programs.

'97 Objectives:

- Finalize investment regulation.
- Deliver a new call report, NCUA 5300 EZ, to reduce reporting burden on less complex credit unions.
- Issue new *Examiner's Guide*
- Revise policy statement on assistance provided credit unions under Section 208 of the *Federal Credit Union Act*
- Develop financial analysis training course for examiners.
- Revise AIRE to incorporate new ideas and better platform.
- Release new *Accounting Manual*



1996—A RECORD OF SOUND ACHIEVEMENT

Office of General Counsel



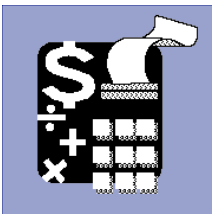
Responsibilities: All legal matters affecting NCUA. Staff attorneys represent the agency in litigation, enforcement and personnel actions; interpret *Federal Credit Union Act* regulations and directives; draft regulations, directives, policy and legislation; process *Freedom of Information Act* requests; handle administrative appeals; administer agency ethics program; and provide advice on general legal matters affecting NCUA to agency personnel.

'96 Accomplishments:

- Prevailed upon Solicitor General to seek certiorari in field of membership litigation.
- Issued final rules on *Management Interlock* and *Flood Insurance*.
- Issued Interpretive Ruling and Policy Statement regarding *Federal Credit Union Field of Membership and Chartering Policy*.
- Issued Alternative Dispute Resolution Policy Statement.
- Initiated major review program to identify and eliminate unnecessary regulations, bylaws, and Interpretive Ruling and Policy Statements.
- Took 47 enforcement actions, including prohibitions, assessments of civil money penalties, and cease and desist orders.
- Went on-line with the Suspicious Activity Report database, giving agency access to reports of suspicious activity by all financial institutions.

'97 Objectives:

- Prevail upon the Supreme Court to uphold the agency's interpretation of the common bond provision of the *Federal Credit Union Act*
- Begin first public comment phase of Regulatory Review Program and finalize first stage of consolidation and elimination effort.
- Help issue final revisions to regulations on *Investments and Deposit Activities* and *Corporate Credit Unions*.
- Update field of membership policies within confines of judicial interpretations.



Office of the Chief Financial Officer

Responsibilities: All financial matters, including accounting and reporting, payments and portfolio management, revenue collection, budget preparation and follow-through, and travel and payroll management.

1996—A RECORD OF SOUND ACHIEVEMENT

'96 Accomplishments:

- Received unqualified audit opinions on both NCUA and NCUSIF year-end financial statements.
- Saved NCUSIF \$225,000 through change in transfer of cash from quarterly to monthly to NCUA to cover monthly operating costs.
- Issued second consecutive NCUSIF cash dividend totaling \$103 million to 11,500 credit unions.
- Processed over 8,400 commercial invoices and over 9,000 travel vouchers.

'97 Objectives:

- Convert accounting system to a new integrated accounting, budgeting, and purchasing system.
- Transmit all vendor payments by electronic funds transfer.
- Revise *Travel Manual*

Office of Corporate Credit Unions

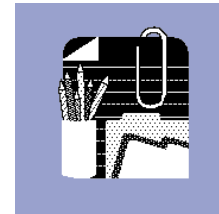
Responsibilities: Oversees safety and soundness of corporate credit unions.

'96 Accomplishments:

- Completed annual examination of each credit union.
- Increased number of corporate credit union examiners to ensure adequate staffing for examinations and supervision.
- With Office of Investment Services, developed and implemented investment and asset/liability management training courses for credit union examiners.
- Worked with corporate credit union management to address and resolve issues regarding compliance with corporate board of directors interlock regulation.

'97 Objectives:

- Finalize revisions to NCUA's corporate credit union regulation.
- Implement new NCUA 5310 Corporate Credit Union Call Report System.
- Develop ARIES examination for corporate credit unions.
- Perform on-site review at each corporate credit union requesting expanded authorities under the revised regulation.
- Coordinate meetings with the Association of Corporate Credit Unions to develop a better understanding of NCUA goals and objectives.





1996—A RECORD OF SOUND ACHIEVEMENT

Asset Management and Assistance Center



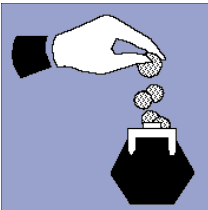
Responsibilities: Responsible for all involuntary liquidations and for monitoring, evaluating, disposing, and managing major assets acquired by the Share Insurance Fund. Serves as primary consultant with NCUA regions on asset sales and purchases to restructure problem-case credit unions, as technical experts to evaluate credit union operations, and as training instructors. Prepares and negotiates bond claims and assists in management of credit unions in conservatorship.

'96 Accomplishments:

- Assisted regional staff in management of two credit union conservatorships.
- Recovered \$4 million from sale of 10,000 head of livestock.
- Established in-house servicing for consumer and real estate loans and in-house property management.
- Completed a bulk sale of real estate loans.
- Reconstructed 4,000 member accounts in two liquidations.
- Completed two share payouts within one day of records receipt.

'97 Objectives:

- Respond promptly to regional requests for liquidation and consulting services.
- Reduce inventory of old real estate assets.
- Expand consulting role.
- Maintain core staff that can respond to regional needs while controlling costs.



Office of Investment Services

Responsibilities: Provides expert knowledge and support in investments and related issues; provides service to the NCUA Board, Office of Corporate Credit Unions, regions, and Office of Examination and Insurance. Operates Investment Hotline for examiners, credit unions, securities industry, and the public.

'96 Accomplishments:

- Developed and implemented Regional Investment Specialist program, placing a specialized investment examiner in each region.
- Helped develop Corporate Credit Union Rule, Part 704 of the *Rules and Regulations*
- Developed specialized training program for corporate examiners and regional investment specialists.

1996—A RECORD OF SOUND ACHIEVEMENT

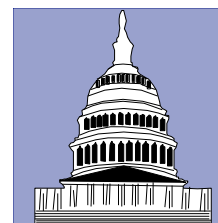
- Provided basic and intermediate training seminars to nearly 400 federal and state examiners.

'97 Objectives:

- Provide additional advanced training and development to examiners strengthening capabilities to identify and control potential high risk activities.
- Achieve final implementation of *NCUA Rules and Regulations* Part 703, Investments and Part 704, Corporate Credit Unions.
- Continue development of Regional Investment Specialist Program.
- Help develop new asset liability curriculum for all examiners.

Office of Public & Congressional Affairs

Responsibilities: Disseminates information about NCUA policy, regulations, and programs to employees, credit unions, trade and league organizations, the media, credit union members and Congress; keeps Congress apprised of the condition of federal credit unions; writes Congressional testimony; and recommends changes to the statute to maintain a safe, sound federal credit union system.



'96 Accomplishments:

- Met with key lawmakers, successfully endorsing the position that NCUA regulations be excluded from a strongly-supported moratorium bill.
- Supported military credit unions' successful efforts to include a provision in the National Defense Authorization Act for 1997 providing check cashing and exchange services to federal credit unions serving military personnel and their dependents in foreign countries.
- Prepared testimony on behalf of additional funding for the Community Development Revolving Loan Program. One million dollars was added to the program in the VA-HUD Independent Agencies Fiscal 1997 Appropriations bill.
- Worked with credit union trade associations to draft and support two regulatory relief provisions included in the final appropriations bill.

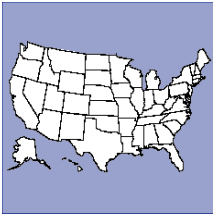
'97 Objectives:

- Promote legislation permitting federal credit unions to serve the diverse groups that want and need the non-profit financial services offered by credit unions.
- Secure additional funds for the Community Development Revolving Loan Program.
- Prevent legislation calling for expanding the NCUA Board.
- Aid the Treasury Department in completing its Congressionally mandated study of credit unions and NCUA.



1996—A RECORD OF SOUND ACHIEVEMENT

In the Regions...a Focus on Serving the Underserved



NCUA regional offices took important steps during 1996 to strengthen credit union efforts to provide needed services to the underserved population in their areas and to help small credit unions effectively serve their members.

Expert individual assistance was provided to specific credit unions to help meet special needs. For example, Region I, the Northeast, saw mentor credit unions provide a wide range of assistance to developing and low-income credit unions with help from economic development specialists.

In the Region II Mid-Atlantic area, presentations were made to large, well-run credit unions to encourage expansion of service into limited-income areas. By year's end, some credit unions were expanding their field of membership to include limited-income areas not being adequately served. Others are initiating and monitoring risk-based lending programs before offering service to a limited income community.

NCUA regional offices also expanded their role in the Small Credit Union Assistance Program begun in 1993.

In Region III, the South, examiners helped form 23 "big brother" relationships between large and small credit unions. In one case, with nurturing assistance, a small credit union was able to reduce delinquency from 15% to 7.5%.

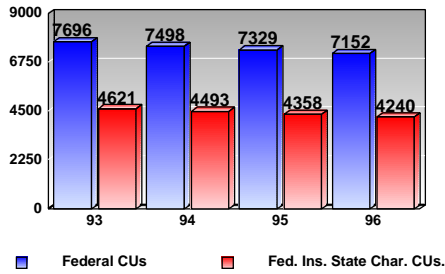
In Region V, the Central and Southwestern U.S., three special development examiners (SDE) were dedicated to provide training and assistance to all new and small federal credit unions and other low-income credit unions.

The SDEs provided supervisory committee training workshops in five cities, specialized computer training, and training on duties and responsibilities of board members and supervisory and credit committees in 25 credit unions.

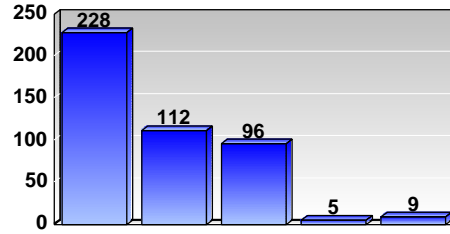
INSURED CREDIT UNION ACTIVITY



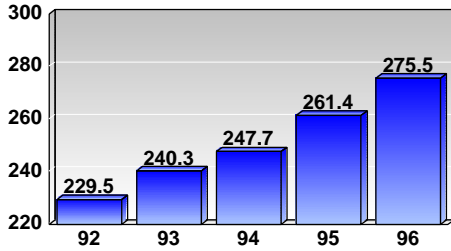
Number of Federally Insured CUs
December 31



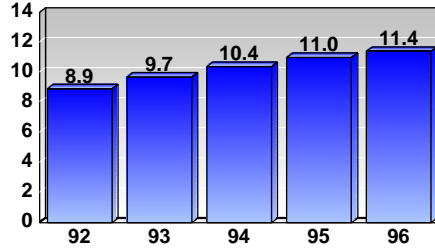
Net Conversions to Federal Insurance
Fiscal Year



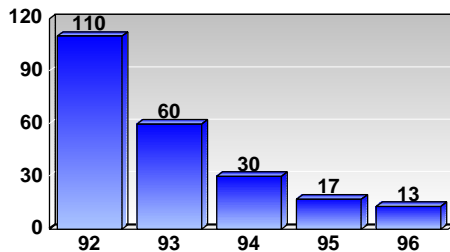
Total Insured Shares
December 31 (in Billions of Dollars)



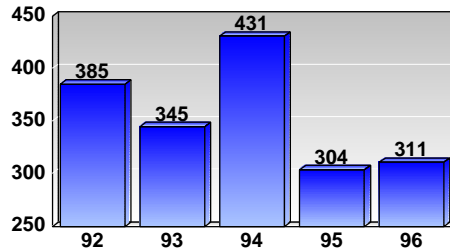
Credit Union Capital Ratio
December 31 (By Percent)



Total Liquidations
Fiscal Year



Total Mergers
Fiscal Year





INSURED CREDIT UNION ACTIVITY

INSURED SHARE GROWTH IN FEDERALLY INSURED CREDIT UNIONS (IN MILLIONS)

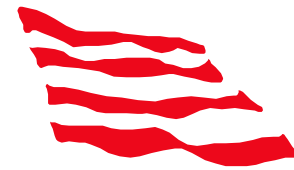
| DECEMBER 31 | SHARES OUTSTANDING | | | PERCENTAGE CHANGE FROM PRIOR YEAR TOTAL SHARES |
|-------------|-----------------------|---------------------|-----------|--|
| | FEDERAL CREDIT UNIONS | STATE CREDIT UNIONS | TOTAL | |
| 1988 | \$104,431 | \$55,217 | \$159,648 | 9.1% |
| 1989 | 109,653 | 57,518 | 167,171 | 4.7 |
| 1990 | 117,881 | 62,082 | 179,963 | 7.7 |
| 1991 | 127,316 | 72,467 | 199,783 | 11.0 |
| 1992 | 142,139 | 87,386 | 229,525 | 14.9 |
| 1993 | 149,229 | 91,101 | 240,330 | 4.7 |
| 1994 | 155,480 | 92,173 | 247,653 | 3.0 |
| 1995 | 164,582 | 96,856 | 261,438 | 5.6 |
| 1996 | 173,544 | 101,914 | 275,458 | 5.3% |

CHANGES IN FEDERALLY INSURED CREDIT UNIONS

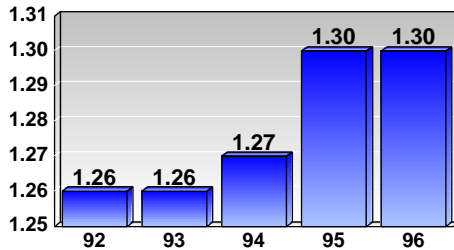
FISCAL YEAR 1996

| | FEDERAL CREDIT UNIONS | FEDERALLY INSURED STATE CREDIT UNIONS | TOTAL |
|-----------------------------------|-----------------------|---------------------------------------|---------------|
| Number, January 1, 1996 | 7,329 | 4,358 | 11,687 |
| Additions | | | |
| New federal charters | 14 | — | 14 |
| New state charters | — | 6 | 6 |
| Conversions | 14 | 15 | 29 |
| Subtractions | | | |
| Mergers | | | |
| Assisted | 5 | 1 | 6 |
| Voluntary | 186 | 119 | 305 |
| Liquidations | | | |
| Involuntary | 9 | 4 | 13 |
| Voluntary | 0 | 0 | 0 |
| Conversions | 5 | 15 | 20 |
| Number, December 31, 1996* | 7,152 | 4,240 | 11,392 |
| Net decrease | (177) | (118) | (295) |

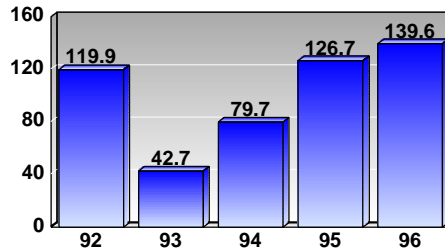
ANOTHER DIVIDEND, RECORD EARNINGS



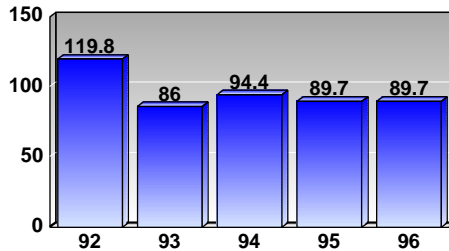
Equity Ratio
By Percent



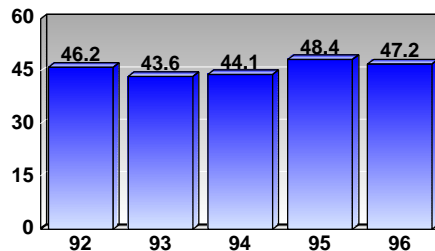
Net Income
In Millions of Dollars



Reserves
In Millions of Dollars



Administrative Expenses
In Millions of Dollars



For the second consecutive year, the National Credit Union Share Insurance Fund (NCUSIF) paid a cash dividend totaling \$103 million to all federally insured credit unions, ending the year with a maximum equity level of 1.3%.

The Fund's ability to pay a second dividend can be attributed to the overall good health of insured credit unions and the financial soundness of the NCUSIF.

The Fund posted record earnings of \$187 million before expenses. Most of the earnings were derived from the Fund's \$3.4 billion investment portfolio, comprised of U.S. Treasury securities with maturities of four years or less. Operating costs were down slightly from 1995 and net income reached an historic high of \$140 million.

ADMINISTRATIVE COSTS (IN THOUSANDS)

| FISCAL YEAR | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|---|----------|----------|----------|----------|----------|----------|
| Direct expenses | \$ 2,429 | \$ 4,891 | \$ 1,544 | \$ 1,242 | \$ 4,229 | \$ 1,136 |
| Allocated expenses | 37,924 | 41,270 | 42,030 | 42,890 | 44,155 | 46,085 |
| Total administrative expenses | \$40,353 | \$46,161 | \$43,574 | \$44,132 | \$48,384 | \$47,221 |
| Percent of NCUA total administrative expenses | 53.2% | 55.9% | 51.8% | 51.4% | 52.3% | 51.2% |

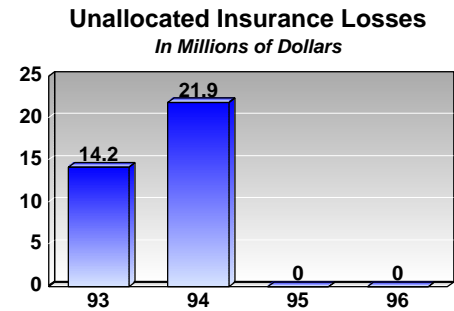
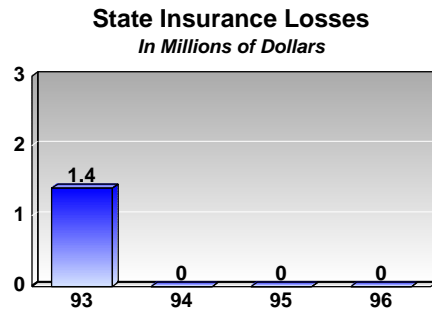
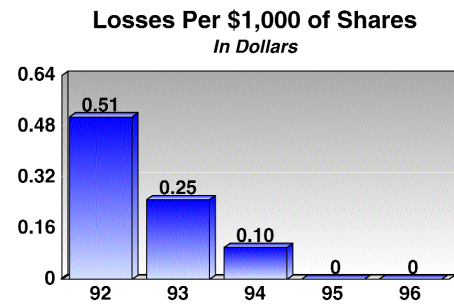
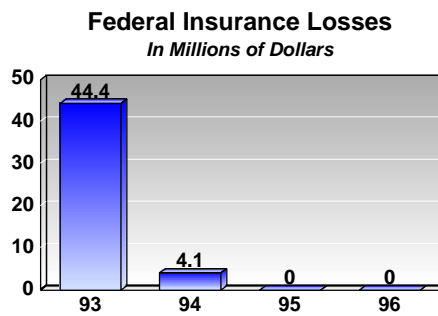
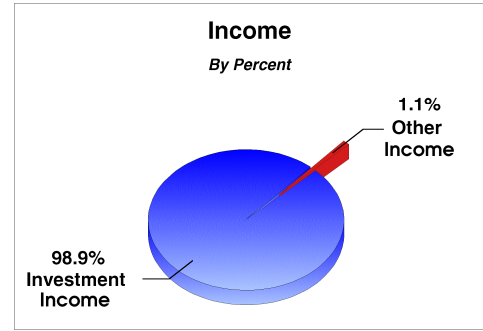
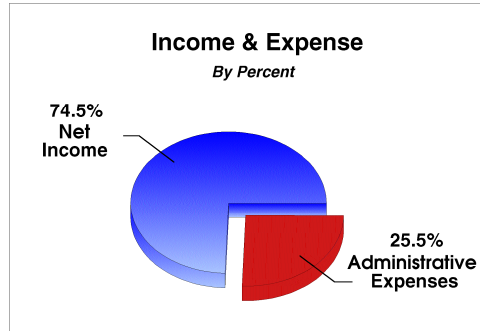


ANOTHER DIVIDEND, RECORD EARNINGS

Reserves for insurance losses remained at an adequate level and did not require any increase. Only 19 credit unions failed during the year, resulting in reserve charges of \$1.8 million, down from 22 failures in 1995. The number of year-end problem coded credit unions --286--reflected little change from year-end 1995. Insured shares in these credit unions are less than 1% of total insured shares, which grew by 5.3% to \$276 billion during the year.

NCUSIF received its 12th consecutive unqualified audit opinion on its December 31, 1996, financial statements from the independent auditing firm, Deloitte & Touche LLP. NCUSIF is the only federal deposit insurance fund to have its financial statements audited annually by an independent accounting firm.

The audited financial statements and footnotes begin on Page 32 of this report.



RESERVES FOR ESTIMATED LOSSES
(IN THOUSANDS)

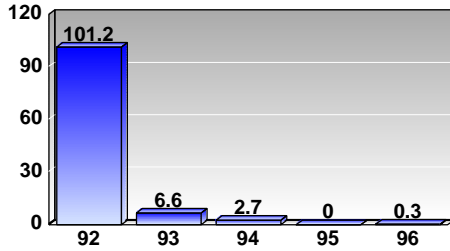
| FISCAL YEAR | 1992 | 1993 | 1994 | 1995* | 1996 |
|-----------------------------------|------------|------------|-----------|-----------|-----------|
| Reserves—beginning of fiscal year | \$ 130,797 | \$ 119,799 | \$ 85,980 | \$ 94,407 | \$ 89,672 |
| Net charges for fiscal year | (122,998) | (93,819) | (17,573) | (4,735) | (5) |
| Provision for insurance losses | 112,000 | 60,000 | 26,000 | 0 | 0 |
| Reserves—end of fiscal year | \$ 119,799 | \$ 85,980 | \$ 94,407 | \$ 89,672 | \$ 89,667 |

* Includes transition quarter of Oct. 1 - Dec. 31.

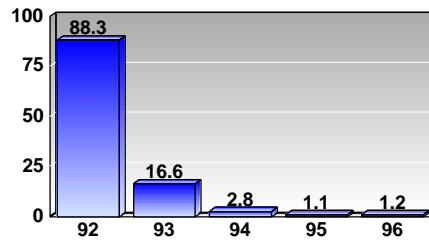
FUND ASSISTANCE



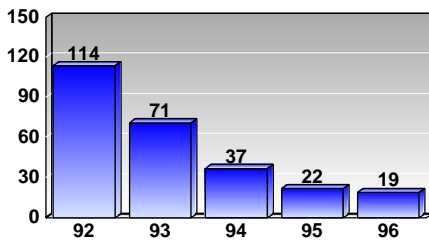
Cash Assistance Outstanding
In Millions of Dollars



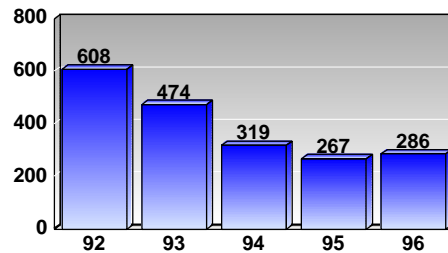
Non-Cash Assistance Outstanding
In Millions of Dollars



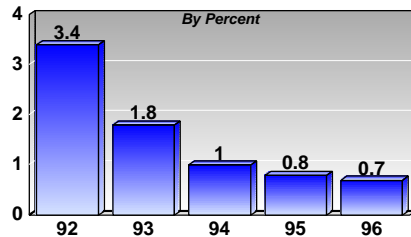
Involuntary Liquidations & Assisted Mergers
Number of Cases



Number of Problem Credit Unions
Camel Codes 4 & 5



Percentage of Problem Shares to Total Insured Shares
By Percent



PERCENTAGE OF TOTAL SHARES BY CAMEL CATEGORY

| CATEGORY | 1993 | 1994 | 1995 | 1996 |
|------------|--------|--------|--------|-------|
| Code 1 & 2 | 83.9% | 89.6% | 90.1% | 92.9% |
| Code 3 | 14.4 | 9.5 | 9.2 | 6.7 |
| Code 4 | 1.7 | 0.9 | 0.7 | .4 |
| Code 5 | 0.0 | 0.0 | 0.0 | 0.0 |
| Totals | 100.0% | 100.0% | 100.0% | 100% |

SUMMARY OF CAMEL CODE 4 & 5 CREDIT UNIONS

| Fiscal Year | 1993 | 1994 | 1995 | 1996 |
|--|--------|--------|--------|--------|
| Number of Code 4 & 5 credit unions | 474 | 319 | 267 | 286 |
| Percentage of insured credit unions | 3.8% | 2.6% | 2.3% | 2.5% |
| Shares in Code 4 & 5 credit unions | \$4.3b | \$2.4b | \$2.1b | \$1.8b |
| Percentage of NCUSIF natural person insured shares | 1.8% | .96% | .80% | .65% |



CORPORATE CREDIT UNIONS

FEDERAL CORPORATE CREDIT UNIONS DECEMBER 31, 1996



| CORPORATE NAME | CITY, STATE | ASSETS (in millions) |
|---------------------------|---------------------------|-------------------------|
| Eastern Corporate | Woburn, Massachusetts | 656.3 |
| Empire Corporate | Albany, New York | 1,366.6 |
| Indiana Corporate | Indianapolis, Indiana | 793.6 |
| Kentucky Corporate | Louisville, Kentucky | 190.7 |
| LICU Corporate | Endicott, New York | 5.0 |
| Mid-Atlantic Corporate | Harrisburg, Pennsylvania | 1,304.2 |
| Mid-States Corporate | Naperville, Illinois | 1,364.4 |
| Nebraska Corporate | Omaha, Nebraska | 87.3 |
| Pacific Corporate | Honolulu, Hawaii | 238.0 |
| South Dakota Corporate | Sioux Falls, South Dakota | 54.5 |
| Southeast Corporate | Tallahassee, Florida | 1,201.1 |
| Southwest Corporate | Dallas, Texas | 2,660.5 |
| Tricorp Corporate | Westbrook, Maine | 218.7 |
| Virginia League Corporate | Lynchburg, Virginia | 495.6 |
| Western Corporate | San Dimas, California | 9,672.4 |
| Total | | \$ 20,308.9 |

FEDERALLY INSURED STATE CORPORATE CREDIT UNIONS DECEMBER 31, 1996

| CORPORATE NAME | CITY, STATE | ASSETS (in millions) |
|---------------------------|----------------------------|-------------------------|
| Alabama Corporate | Birmingham, Alabama | 302.8 |
| Arizona Corporate | Phoenix, Arizona | 330.0 |
| Central Credit Union Fund | Auburn, Massachusetts | 136.0 |
| Central Corporate | Southfield, Michigan | 1,507.9 |
| Constitution State | Wallingford, Connecticut | 703.3 |
| Corporate Central | Salt Lake City, Utah | 217.1 |
| Corporate One | Columbus, Ohio | 829.1 |
| First Carolina Corporate | Greensboro, North Carolina | 606.2 |
| Georgia Central | Duluth, Georgia | 479.1 |
| Idaho Corporate | Boise, Idaho | 101.9 |
| Iowa League Corporate | Des Moines, Iowa | 235.5 |
| Kansas Corporate | Wichita, Kansas | 217.6 |
| Louisiana Corporate | Metairie, Louisiana | 69.8 |
| Minnesota Corporate | St. Paul, Minnesota | 342.4 |
| Oklahoma Corporate | Tulsa, Oklahoma | 323.6 |
| Northwest Corporate | Beaverton, Oregon | 344.4 |
| System United Corporate | Arvada, Colorado | 590.6 |
| Volunteer Corporate | Brentwood, Tennessee | 415.1 |
| Washington Corporate | Tukwila, Washington | 203.9 |
| West Virginia | Parkersburg, West Virginia | 120.4 |
| Total | | \$ 8,076.7 |

CORPORATE CREDIT UNIONS

NONFEDERALLY INSURED CORPORATE CREDIT UNIONS DECEMBER 31, 1996

| CORPORATE NAME | CITY, STATE | ASSETS (in millions) |
|---|--------------------------|-------------------------|
| Garden State Corporate | Hightstown, New Jersey | \$ 387.6 |
| Missouri Corporate | St. Louis, Missouri | 556.3 |
| North Dakota Corporate | Bismarck, North Dakota | 96.5 |
| Treasure State Corporate | Helena, Montana | 125.0 |
| Wisconsin Corporate | Hales Corners, Wisconsin | 602.9 |
| Total | | \$1,768.3 |
| Total for All Corporates (Excluding U.S. Central) | | \$ 30,153.9 |
| U.S. Central Credit Union | | \$ 17,924.6 |

KEY STATISTICS ON FEDERALLY INSURED CORPORATE CREDIT UNIONS DECEMBER 31 (IN MILLIONS)

| | 1994 | 1995 | 1996 |
|-----------------------------|------------|------------|------------|
| Number: | 39 | 37 | 36 |
| Assets: | \$34,307.8 | \$31,912.6 | \$28,386.5 |
| Loans: | 1,686.6 | 293.5 | 315.7 |
| Shares: | 27,566.6 | 27,537.0 | 22,742.2 |
| Reserves: | 598.1 | 602.2 | 2,026.6* |
| Undivided earnings: | 224.4 | 253.7 | 312.8 |
| Gross income: | 1,830.6 | 1,860.3 | 1,745.3 |
| Operating expenses: | 113.6 | 118.4 | 128.5 |
| Interest on borrowed funds: | 280.2 | 209.0 | 153.0 |
| Dividends and interest: | 1,332.2 | 1,469.2 | 1,375.8 |
| Reserve transfers: | 32.8 | 16.2 | 8.2 |
| Net income: | 62.8 | 47.5 | 73.7 |

Dollar amounts do not include U.S. Central
*Includes Membership Capital Share Deposits

SIGNIFICANT RATIOS

| | | | |
|--|------|------|-------|
| Reserves to assets: | 1.7% | 1.9% | 7.1%* |
| Reserves and undivided earnings to assets: | 2.5 | 2.7 | 8.2* |
| Operating expenses to gross income: | 6.2 | 6.4 | 7.3 |
| Yield on assets: | 5.3 | 5.7 | 6.2 |
| Cost of funds to assets: | 4.5 | 4.6 | 5.4 |
| Gross spread: | .8 | 1.1 | .8 |

Ratios do not include U.S. Central
*Includes Membership Capital Share Deposits



OPERATING FUND FINANCIAL RESULTS

**The goal is an
Operating Fund
balance of
\$5 million.**

The NCUA Operating Fund shares the cost of operating NCUA with the Share Insurance Fund through a monthly accounting procedure known as the overhead transfer. A study of staff time completed in 1994 showed the transfer rate to be 50 percent. The NCUA Board approved this transfer rate for a three year period, and the rate is scheduled to be reevaluated in 1997.

Federal credit union operating fees primarily finance the NCUA Operating Fund. Miscellaneous income is mainly provided from the sale of publications, and excess cash is invested in U.S. Treasury income producing securities.

The operating fee assessment is calculated by applying the assessment rate scale to the previous December 31 assets of individual federal credit unions. The 1996 assessment rate was reduced by 6.6 percent due to NCUA's modest 1996 budget increase of 4.4 percent. The assessment rate for 1997 will be reduced by another 2.9 percent on federal credit union assets reported as of December 31, 1996. Over the past four years, operating fees have been reduced by 22.7 percent, and fees have not increased since 1991. The goal in reducing fees is to lower the balance of the Operating Fund to the NCUA Board approved level of \$5 million.

The Operating Fund earned total revenue of \$45.4 million in fiscal year 1996. Of this amount, \$43.8 million was from operating fees and the balance was from interest and other income. Total operating expenses for 1996 were \$46.1 million, \$2.3 million under the projected amount of \$48.4 million. Most of the savings is attributed to the high number of staff vacancies at NCUA throughout much of 1996.

The 1996 budget projections included an expected net loss to the Operating Fund of about \$3 million. However, because of savings from the vacant staff positions, the net loss for 1996 was approximately \$700,000. As a result, the Fund balance ended the year at \$8.4 million. In 1997, it is projected that the \$5 million Fund balance will be achieved.

CENTRAL LIQUIDITY FACILITY ACTIVITY

Credit union liquidity levels continued to remain high in 1996. As a result, the Central Liquidity Facility did not engage in any lending activity during the year.

For the 12th consecutive year, independent accountants rendered unqualified opinions for NCUA's financial units. Their audit report and the comparative financial statements of the Operating Fund, the Share Insurance Fund, and the Central Liquidity Facility for fiscal years 1995 and 1996 follow:

INDEPENDENT AUDITORS' REPORT

To the Inspector General of the
National Credit Union Administration:

We have audited the financial statements appearing on pages (32-59) of this Annual Report of, respectively, the National Credit Union Administration Operating Fund, Share Insurance Fund and Central Liquidity Facility as of and for the year ended December 31, 1996. The financial statements for the year ended December 31, 1995, were audited by other auditors whose report, dated March 1, 1996, expressed an unqualified opinion on those statements.

We conducted our audits in accordance with generally accepted auditing standards and *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the National Credit Union Administration Operating Fund, of the Share Insurance Fund, and of the Central Liquidity Facility, at December 31, 1996, and the results of their operations and their cash flows for the year then ended in conformity with generally accepted accounting principles.

In accordance with *Government Auditing Standards*, we have also issued reports dated February 14, 1997, not presented herein, related to the funds' internal control structures and their compliance with laws and regulations.

Deloitte & Touche LLP
Washington, DC
February 14, 1997

NATIONAL CREDIT UNION ADMINISTRATION OPERATING FUND

BALANCE SHEETS DECEMBER 31, 1996 AND 1995 (Dollars in Thousands)

| ASSETS | 1996 | 1995 |
|--|------------------------|------------------------|
| Cash and cash equivalents | \$12,851 | \$12,373 |
| Due from National Credit Union Share Insurance Fund (Note 4) | 324 | 681 |
| Employee advances | 218 | 208 |
| Other accounts receivable | 581 | 708 |
| Prepaid expenses | 90 | 95 |
| Fixed assets - net of accumulated depreciation and amortization (Note 3) | 43,829 | 46,226 |
| Employee residences held for resale | 768 | 812 |
| TOTAL ASSETS | <u>\$58,661</u> | <u>\$61,103</u> |
| LIABILITIES AND FUND BALANCE | | |
| LIABILITIES: | | |
| Accounts payable | \$ 2,337 | \$ 3,709 |
| Accrued wages and benefits | 4,505 | 3,995 |
| Accrued annual leave | 5,344 | 4,811 |
| Accrued employee travel | 669 | 682 |
| Notes payable to National Credit Union Share Insurance Fund (Note 4) | <u>37,400</u> | <u>38,813</u> |
| Total liabilities | 50,255 | 52,010 |
| FUND BALANCE | 8,406 | 9,093 |
| COMMITMENTS AND CONTINGENCIES (Notes 5 and 9) | <u>-</u> | <u>-</u> |
| TOTAL LIABILITIES AND FUND BALANCE | <u>\$58,661</u> | <u>\$61,103</u> |

See notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION OPERATING FUND

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN FUND BALANCE YEARS ENDED DECEMBER 31, 1996 AND 1995 (Dollars in Thousands)

| | 1996 | 1995 |
|--|-----------------|-----------------|
| REVENUE: | | |
| Operating fees | \$43,758 | \$44,266 |
| Interest | 1,306 | 1,693 |
| Other | 333 | 251 |
| | <u>45,397</u> | <u>46,210</u> |
| Total revenue | | |
| EXPENSES (Note 4): | | |
| Employee wages and benefits | 33,110 | 31,732 |
| Travel | 5,059 | 4,510 |
| Rent, communications, and utilities | 1,603 | 1,738 |
| Contracted services | 1,401 | 1,369 |
| Other | 4,911 | 4,806 |
| | <u>46,084</u> | <u>44,155</u> |
| Total administrative expenses | | |
| EXCESS (DEFICIENCY) OF REVENUE OVER EXPENSES | (687) | 2,055 |
| FUND BALANCE, BEGINNING OF YEAR | <u>9,093</u> | <u>7,038</u> |
| FUND BALANCE, END OF YEAR | <u>\$ 8,406</u> | <u>\$ 9,093</u> |

See notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION OPERATING FUND

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 1996 AND 1995 (Dollars in Thousands)

| | 1996 | 1995 |
|---|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Income from operating fees | \$ 43,758 | \$ 44,266 |
| Interest received from cash and cash equivalents | 1,310 | 1,692 |
| Other income received | 851 | 228 |
| Cash paid for operating expenses | <u>(42,496)</u> | <u>(41,770)</u> |
| Net cash provided by operating activities | <u>3,423</u> | <u>4,416</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Purchases of fixed assets | (2,880) | (6,713) |
| Disposals of fixed assets | <u>1,348</u> | <u>391</u> |
| Net cash used in investing activities | <u>(1,532)</u> | <u>(6,322)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Repayments of notes payable | <u>(1,413)</u> | <u>(1,413)</u> |
| Net cash used in financing activities | <u>(1,413)</u> | <u>(1,413)</u> |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 478 | (3,319) |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>12,373</u> | <u>15,692</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$ 12,851</u> | <u>\$ 12,373</u> |

See notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION OPERATING FUND

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1996 AND 1995

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 Board for the purpose of providing administration and service to the Federal Credit Union System.

2. SIGNIFICANT ACCOUNTING POLICIES

Cash Equivalents - The Federal Credit Union Act permits the Fund to make investments in United States Government securities or securities guaranteed as to both principal and interest by the United States Government. Cash equivalents are highly liquid investments with original maturities of three months or less. All investments in 1996 and 1995 were cash equivalents and are stated at cost, which approximates market.

Depreciation and Amortization - Building, furniture and equipment, and leasehold improvements are recorded at cost. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of the building and furniture and equipment, and the shorter of the estimated useful life or lease term for leasehold improvements. Estimated useful lives are forty years for the building and three to ten years for the furniture and equipment and leasehold improvements.

Operating Fees - The Fund assesses each federally chartered credit union an annual fee based on the credit union's asset base as of the preceding December 31. The fee is designed to cover the costs of providing administration and service to the Federal Credit Union System. The Fund recognizes operating fee revenue ratably over the year.

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

Fair Value of Financial Instruments - The following methods and assumptions were used in estimating the fair value disclosures for financial instruments:

Cash and cash equivalents, receivable from National Credit Union Share Insurance Fund (NCUSIF), employee advances, other accounts receivable, accounts and notes payable to NCUSIF, and other accounts payable are recorded at book values, which approximate the respective fair market values.

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

Reclassifications - Certain 1995 balances have been reclassified to conform with the fiscal year 1996 presentation.

3. FIXED ASSETS

Fixed assets are comprised of the following (in thousands):

| | 1996 | 1995 |
|---|-------------------|-------------------|
| Office building and land | \$42,229 | \$42,229 |
| Furniture and equipment | 19,301 | 18,053 |
| Leasehold improvements | 49 | 213 |
| | <u> </u> | <u> </u> |
| Total | 61,579 | 60,495 |
| Less: Accumulated depreciation and amortization | 17,750 | 14,269 |
| Fixed assets, net | <u>\$43,829</u> | <u>\$46,226</u> |

4. 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 derived from an estimate of actual usage. The allocation factor was 50% to NCUSIF and to the Fund for 1996 and 1995. The cost of the services allocated to NCUSIF, which totaled approximately \$46,084,000 and \$44,155,000 for 1996 and 1995, respectively, are reflected as a reduction of the corresponding expenses in the accompanying financial statements.

In 1988, the Fund entered into a \$2,161,000 thirty-year unsecured term note with NCUSIF for the purchase of a building. Interest costs incurred were approximately \$84,000 for 1996 and \$87,000 for 1995. The outstanding principal balance at December 31, 1996 and 1995, was \$1,530,000 and \$1,602,000, respectively.

In 1992, the Fund entered into a commitment to borrow up to \$41,975,000 in a thirty-year secured term note with NCUSIF. The monies were drawn as needed to fund the costs of constructing a new building. Interest costs incurred were approximately \$1,966,000 and \$2,019,000 for 1996 and 1995, respectively. The note payable balance at December 31, 1996 and 1995, was \$35,870,000 and \$37,221,000, respectively.

The above notes require principal repayments as follows (in thousands):

| | Unsecured Term Note | Secured Term Note | Total |
|------------|------------------------|----------------------|-----------------|
| 1997 | \$ 72 | \$ 1,344 | \$ 1,416 |
| 1998 | 72 | 1,344 | 1,416 |
| 1999 | 72 | 1,344 | 1,416 |
| 2000 | 72 | 1,344 | 1,416 |
| 2001 | 72 | 1,344 | 1,416 |
| Thereafter | 1,170 | 29,150 | 30,320 |
| | <u>\$1,530</u> | <u>\$35,870</u> | <u>\$37,400</u> |

The variable rate on both notes is equal to NCUSIF's prior-month yield on investments. The average interest rate during 1996 and 1995 was approximately 5.29% and 5.33%, respectively.

5. COMMITMENTS

The Fund leases office space under lease agreements that expire through 2003. Office rental charges amounted to approximately \$989,000 and \$981,000 of which approximately \$494,500 and \$490,000 was reimbursed by NCUSIF for 1996 and 1995, respectively. In addition, the Fund leases office equipment under operating leases with lease terms less than one year.

The future minimum lease payments as of December 31, 1996, are as follows (in thousands):

| | |
|------------|----------------|
| 1997 | \$ 857 |
| 1998 | 722 |
| 1999 | 518 |
| 2000 | 174 |
| 2001 | 178 |
| Thereafter | 257 |
| | <u>\$2,706</u> |

Based on the allocation factor approved by the NCUA Board for 1996, NCUSIF will reimburse the Fund for approximately 50% of the future lease payments.

6. RETIREMENT PLAN

The employees of the Fund are participants in the Civil Service Retirement and Disability Fund, which includes the Federal Employees' Retirement System (FERS). Both plans are defined benefit retirement plans covering all of the employees of the Fund. FERS is comprised of a Social Security Benefits Plan, a Basic Benefits Plan, and a Savings Plan. Contributions to the plans are based on a percentage of employees' gross pay. Under the Savings Plan employees can also elect additional contributions between 1% and 10% of their gross pay, and the Fund will match up to 5% of the employees' gross pay. In 1996 and 1995, the Fund's contributions to the plans were approximately \$6,311,000 and \$5,980,000, respectively, of which approximately \$3,155,000 and \$2,990,000 were reimbursed by NCUSIF, respectively.

The Fund does not account for the assets of 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 the U.S. Office of Personnel Management for the Civil Service Retirement and Disability Fund and are not allocated to individual employers.

7. DISCLOSURES OF FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and the estimated fair value of the Fund's financial instruments are as follows (in thousands):

| | December 31, 1996 | | December 31, 1995 | |
|---------------------------|-------------------|------------|-------------------|------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Cash and cash equivalents | \$12,851 | \$12,851 | \$12,373 | \$12,373 |
| Due from NCUSIF | 324 | 324 | 681 | 681 |
| Employee advances | 218 | 218 | 208 | 208 |
| Other accounts receivable | 581 | 581 | 708 | 708 |
| Accounts payable | 2,337 | 2,337 | 3,709 | 3,709 |
| Notes payable to NCUSIF | 37,400 | 37,400 | 38,813 | 38,813 |

8. CASH FLOW INFORMATION

The reconciliation of net income to net cash provided by operating activities is as follows (in thousands):

| | 1996 | 1995 |
|---|----------------|----------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Excess (deficiency) of revenue over expenses: | \$ (687) | \$2,055 |
| Adjustments: | | |
| Depreciation and amortization | 3,692 | 3,403 |
| Loss on disposal of assets | 189 | 80 |
| Miscellaneous allowances | 48 | - |
| (Increase) decrease in assets: | | |
| Amounts due from National Credit Union Share Insurance Fund | 357 | (681) |
| Employee advances | (10) | (35) |
| Other accounts receivable | 127 | (358) |
| Prepaid expenses | 5 | 12 |
| Employee residences held for resale | 44 | (769) |
| (Decrease) increase in liabilities: | | |
| Accounts payable | (1,372) | 504 |
| Amounts due to National Credit Union Share Insurance Fund | - | (564) |
| Accrued wages and benefits | 510 | 278 |
| Accrued annual leave | 533 | 444 |
| Accrued employee travel | (13) | 47 |
| | <u>\$3,423</u> | <u>\$4,416</u> |
| Net cash provided by operating activities | <u>\$3,423</u> | <u>\$4,416</u> |

9. CONTINGENCIES

Field of Membership Litigation - Four North Carolina Banks and the American Bankers Association (ABA) have challenged NCUA's approval of charter amendments granted to AT&T Family Federal Credit Union (FCU). The banks challenged amendments which allowed select employee groups, unrelated to the original sponsor, to join the FCU. Their claim is that the amendments violate the common bond requirements of the FCU Act.

The District Court concluded that NCUA's select employee group policy, which permitted more than one distinct employee group to exist in a single credit union, each with its own common bond, was a reasonable interpretation of the FCU Act. The banks appealed. On July 30, 1996, the U.S. court of appeals for the D.C. Circuit issued an opinion reversing the District Court. The Court concluded that all groups in a credit union must share a single common bond.

On remand to the District Court, the plaintiffs sought a nationwide injunction barring all federal credit unions from adding select employee groups that did not share a single common bond or adding new members to select employee groups already within their field of membership. NCUA objected arguing that this relief went far beyond what was sought in the AT&T case. The District court then permitted the filing of a new lawsuit, ABA et al. v. NCUA et al., which for the first time directly challenged NCUA's multiple group policy nationwide. The Court then issued a nationwide injunction barring NCUA's group policy nationwide and prohibiting all federal credit unions from adding new select employee groups or new members to existing select employee groups.

On December 24, 1996, the Court of appeals issued a partial stay which allows credit unions to admit new members to existing select employee groups. They are still prevented from adding new groups. On February 24, 1997, the Supreme Court agreed to hear the case.

There are a number of other field of membership cases which have been filed by banks or credit unions. These are all, however, cases which have been stayed or will be stayed, and are all dependent upon the ultimate outcome of the AT&T litigation.

If decided unfavorably, the litigation could have a significant impact on the credit union industry as a whole, as well as the NCUA. In the opinion of management, the outcome of the litigation and its effects, if any, are not determinable.

Other Matters - In addition, NCUA is currently party to a number of other disputes which involve or may involve litigation. In the opinion of management the ultimate liability with respect to these disputes, if any, will not be material to NCUA's financial position.

* * * * *

NATIONAL CREDIT UNION ADMINISTRATION SHARE INSURANCE FUND

BALANCE SHEETS DECEMBER 31, 1996 AND 1995 (Dollars in Thousands)

| ASSETS | 1996 | 1995 |
|---|-------------|-------------|
| Investments | \$2,924,467 | \$2,939,435 |
| Cash and cash equivalents | 500,237 | 307,567 |
| Accrued interest receivable | 37,491 | 54,405 |
| Assets acquired in assistance to insured credit unions | 21,830 | 30,206 |
| Capital notes advanced to insured credit unions | 265 | - |
| Notes receivable - National Credit Union Administration Operating Fund | 37,400 | 38,813 |
| Other notes receivable | 2,306 | 3,364 |
| TOTAL ASSETS | \$3,523,996 | \$3,373,790 |
| LIABILITIES AND FUND BALANCE | | |
| LIABILITIES: | | |
| Estimated losses from supervised credit unions | \$ 89,667 | \$ 89,672 |
| Estimated losses from asset and merger guarantees | 188 | 8,478 |
| Amounts due to insured shareholders of liquidated credit unions | 21,060 | 24,177 |
| Due to National Credit Union Administration Operating Fund | 324 | 681 |
| Accounts payable | 593 | 780 |
| Total liabilities | 111,832 | 123,788 |
| FUND BALANCE: | | |
| Insured credit unions' accumulated contributions | 2,637,743 | 2,512,474 |
| Insurance fund balance | 774,421 | 737,528 |
| Total fund balance | 3,412,164 | 3,250,002 |
| COMMITMENTS AND CONTINGENCIES (Notes 3, 8, 10, and 12) | - | - |
| TOTAL LIABILITIES AND FUND BALANCE | \$3,523,996 | \$3,373,790 |

See notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION SHARE INSURANCE FUND

STATEMENTS OF OPERATIONS YEARS ENDED DECEMBER 31, 1996 AND 1995 (Dollars in Thousands)

| | 1996 | 1995 |
|--|------------------|------------------|
| REVENUE: | | |
| Interest | \$184,715 | \$172,926 |
| Other | <u>2,148</u> | <u>2,147</u> |
| Total revenue | <u>186,863</u> | <u>175,073</u> |
| EXPENSES: | | |
| Administrative expenses (Note 8) | | |
| Employee wages and benefits | 33,110 | 31,732 |
| Travel | 5,060 | 4,510 |
| Rent, communications, and utilities | 1,603 | 1,738 |
| Contracted services | 1,401 | 1,369 |
| Other | 6,046 | 9,035 |
| Total administrative expenses | 47,220 | 48,384 |
| Provision for insurance losses | <u>-</u> | <u>-</u> |
| Total expenses | <u>47,220</u> | <u>48,384</u> |
| EXCESS OF REVENUE OVER EXPENSES | <u>\$139,643</u> | <u>\$126,689</u> |

See notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION SHARE INSURANCE FUND

STATEMENTS OF FUND BALANCE YEARS ENDED DECEMBER 31, 1996 AND 1995 (Dollars in Thousands)

| | Insured Credit Unions' Accumulated Contributions | Insurance Fund Balance |
|--|---|------------------------------|
| BALANCE AT JANUARY 1, 1995 | \$2,369,562 | \$ 714,689 |
| Contributions from insured credit unions | 142,912 | - |
| Excess of revenue over expenses | - | 126,689 |
| Dividends to insured credit unions | - | (103,850) |
| BALANCE AT DECEMBER 31, 1995 | 2,512,474 | 737,528 |
| Contributions from insured credit unions | 125,269 | - |
| Excess of revenue over expenses | - | 139,643 |
| Dividends to insured credit unions | - | (102,750) |
| BALANCE AT DECEMBER 31, 1996 | <u>\$2,637,743</u> | <u>\$ 774,421</u> |

See notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION SHARE INSURANCE FUND

STATEMENTS OF CASH FLOWS YEARS ENDED DECEMBER 31, 1996 AND 1995 (Dollars in Thousands)

| | 1996 | 1995 |
|---|------------------|-------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Income from investments | \$201,629 | \$ 171,766 |
| Other income received | 2,941 | 1,630 |
| Cash paid for operating expenses | (47,763) | (46,629) |
| Net cash (paid) received for insurance losses | <u>(3,037)</u> | <u>25,574</u> |
| Net cash provided by operating activities | <u>153,770</u> | <u>152,341</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investments, net | 14,968 | (43,040) |
| Collections on note receivable - National Credit Union Administration Operating Fund | <u>1,413</u> | <u>1,413</u> |
| Net cash provided by (used in) investing activities | <u>16,381</u> | <u>(41,627)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Contributions from insured credit unions | 125,269 | 142,912 |
| Dividends to insured credit unions | (102,750) | (103,850) |
| Net cash provided by financing activities | 22,519 | 39,062 |
| NET INCREASE IN CASH AND CASH EQUIVALENTS | 192,670 | 149,776 |
| CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR | <u>307,567</u> | <u>157,791</u> |
| CASH AND CASH EQUIVALENTS, END OF YEAR | <u>\$500,237</u> | <u>\$ 307,567</u> |

See notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION SHARE INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS YEARS ENDED DECEMBER 31, 1996 AND 1995

1. ORGANIZATION AND PURPOSE

The National Credit Union Administration Share Insurance Fund (the Fund) was created by the Public Law 91-468 (Title II of the Federal Credit Union Act), which was amended in 1984 by Public Law 98-369 as discussed in Note 4. 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 insuring member share deposits in all federal credit unions and in qualifying state credit unions that request insurance. The maximum amount of insurance is \$100,000 per shareholder account.

NCUA exercises direct supervisory authority over federal credit unions and coordinates required supervisory involvement with the state chartering authority for state-chartered credit unions insured by the Fund. Insured credit unions are required to report certain financial and statistical information to NCUA on a semiannual or quarterly basis depending on the size of the credit union and are subject to periodic examination by NCUA. Information derived through the supervisory and examination process provides the Fund with the ability to identify credit unions experiencing financial difficulties that may require assistance from the Fund.

Credit unions experiencing financial difficulties may be assisted by the Fund in continuing their operations if the difficulties are considered by the Fund to be temporary or correctable. This special assistance may be in the form of a waiver of statutory reserve requirements, a guarantee account, and/or cash assistance. If continuation of the credit union's operations with Fund assistance is not feasible, a merger partner may be sought. If the assistance or merger alternatives are not practical, the credit union is liquidated.

The first form of special assistance is waivers of statutory reserve requirements, whereby the credit union is permitted to cease making additions to its regular reserve and, in more severe cases, to commence charging operating losses against its regular reserve. When all reserves have been depleted by the credit union, the fund may provide a reserve guarantee account in the amount of the reserve deficit. In addition, the Fund may provide cash assistance in the form of share deposits and capital notes or may purchase assets from the credit union.

Mergers of financially troubled credit unions with stronger credit unions may also require Fund assistance. Merger assistance may be in the form of cash assistance, purchase of certain assets by the Fund, and/or guarantees of the values of certain assets (primarily loans).

When a credit union is no longer able to continue operating and the merger and assistance alternatives are not practical, the Fund will liquidate the credit union, dispose of its assets, and pay members' shares up to the maximum insured amount. The values of certain assets sold (primarily loans) are sometimes guaranteed to third-party purchasers by the Fund.

2. SIGNIFICANT ACCOUNTING POLICIES

Cash Equivalents and Investments - Title II of the Federal Credit Union Act limits the Fund's investments to United States Government securities or securities guaranteed as to both principal and interest by the United States Government. Cash equivalents are highly liquid investments with original maturities of three months or less.

During 1994, the Fund adopted Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," and has classified all investments as held-to-maturity. Accordingly, the Fund records investments at amortized cost.

Advances to Insured Credit Unions - The Fund provides cash assistance in the form of interest and non-interest-bearing capital notes (carried at face value), share deposits, and loans to certain credit unions to assist them in continuing operations.

Assets Acquired from Credit Unions - The Fund acquires the assets of liquidating credit unions pending their ultimate disposition. To assist in the merger of credit unions, the Fund may purchase certain credit union assets. In addition, the Fund may provide cash assistance by acquiring nonperforming assets of a credit union experiencing financial difficulty. Such assets acquired are maintained by the Asset Liquidation Management Center in Austin, Texas, and are recorded at their estimated net realizable value.

Premium Revenue - The Fund may assess each insured credit union a regular annual premium of 1/12 of 1% of its member share deposits (insured member share deposits in the case of corporate credit unions) outstanding as of December 31 of the preceding insurance year. The NCUA Board waived the 1996 and 1995 share insurance premium.

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

Fair Value of Financial Instruments - The following methods and assumptions were used in estimating the fair value disclosures for financial instruments:

- a. *Cash and Cash Equivalents* - The carrying amounts for cash and cash equivalents approximate fair values.
- b. *Investments* - The fair value for investments is the quoted market value.
- c. *Capital Notes and Other Notes Receivable* - The fair value of these assets is not practicable to estimate as there is no secondary market, and the Fund has the ability and the intention to hold these notes to maturity.
- d. *Other* - Accrued interest receivable, notes receivable from NCUA Operating Fund, payable to NCUA Operating Fund, due to insured shareholders of liquidated credit unions and other accounts payable are recorded at book values, which approximate the respective fair values.

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

Reclassifications - Certain 1995 balances have been reclassified to conform with the fiscal year 1996 presentation.

3. PROVISION FOR INSURANCE LOSSES

Management identifies credit unions experiencing financial difficulty through the supervisory and examination process. The estimated losses from these supervised credit unions are determined by management on a case-by-case evaluation.

In exercising its supervisory function, the Fund will, at times, extend guarantees of assets (primarily loans) to third-party purchasers or to credit unions to facilitate mergers; such guarantees totaled approximately \$1,000,000 and \$375,000 at December 31, 1996 and 1995, respectively. The

estimated losses from asset and merger guarantees are determined by management on a case-by-case evaluation.

In addition, the Fund guarantees loans made by the NCUA's Central Liquidity Facility (CLF) and Office of Corporate Credit Unions to credit unions. Total line-of-credit guarantees of credit unions at December 31, 1996 and 1995, are approximately \$5,475,000 and \$27,800,000, respectively. The total balances outstanding under these line-of-credit guarantees at December 31, 1996 and 1995, are approximately \$247,000 and \$2,764,000, respectively.

The activity in the reserves for estimated losses from supervised credit unions and asset and merger guarantees was as follows (in thousands):

| | Year Ended December 31, | |
|--------------------------------|------------------------------------|------------------|
| | 1996 | 1995 |
| BEGINNING BALANCE | \$ 98,150 | \$ 92,882 |
| Provision for insurance losses | - | - |
| Insurance losses | (24,008) | (13,569) |
| Recoveries | <u>15,713</u> | <u>18,837</u> |
| ENDING BALANCE | <u>\$ 89,855</u> | <u>\$ 98,150</u> |

4. FUND CAPITALIZATION

Title VIII of Public Law 98-369, effective July 14, 1984, provided for the capitalization of the Fund through the contribution by each insured credit union of an amount equal to 1% of the credit union's insured shares to be paid initially by January 21, 1985, and to be adjusted annually thereafter. The annual adjustment of the contribution is based on member share deposits outstanding as of December 31 of the preceding year and is billed on a calendar year basis. The 1% contribution will be returned to the insured credit union in the event that its insurance coverage is terminated, insurance coverage is obtained from another source, or the operations of the Fund are transferred from the NCUA Board.

The law requires that, upon receipt of the 1% contribution, the total fund balance must be maintained at a normal operating level as determined by the NCUA Board. The NCUA Board has determined this level to range from 1.25% to 1.30% of insured shares. The level at both December 31, 1996 and 1995, was 1.30%. Total insured shares at December 31, 1996, were \$276 billion.

The NCUA Board declared and paid dividends of \$102,750,000 and \$103,850,000 during 1996 and 1995, respectively.

5. CASH EQUIVALENTS AND INVESTMENTS

All cash received by the Fund that is not used for outlays related to assistance to insured credit unions and liquidation activities is invested in U. S. Treasury securities.

Investments consist of the following (in thousands):

| December 31, 1996 | | | | | |
|---|-----------------------------------|--------------------|------------------------------|-------------------------------|------------------------------|
| | Yield to Maturity at Market | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Market Value |
| U.S. TREASURY SECURITIES: | | | | | |
| Maturities up to one year | 6.09 % | \$ 901,515 | \$ 674 | \$ 2,627 | \$ 899,562 |
| Maturities after one year through five years | 5.60 % | 2,022,952 | 7,214 | 14,751 | 2,015,415 |
| Total | | <u>\$2,924,467</u> | <u>\$ 7,888</u> | <u>\$17,378</u> | <u>\$2,914,977</u> |

| December 31, 1995 | | | | | |
|---|-----------------------------------|--------------------|------------------------------|-------------------------------|------------------------------|
| | Yield to Maturity at Market | Amortized Cost | Gross Unrealized Gains | Gross Unrealized Losses | Estimated Market Value |
| U.S. TREASURY SECURITIES: | | | | | |
| Maturities up to one year | 4.02 % | \$ 907,319 | \$ 1,675 | \$ 2,010 | \$ 906,984 |
| Maturities after one year through five years | 5.84 % | <u>2,032,116</u> | <u>18,663</u> | <u>2,310</u> | <u>2,048,469</u> |
| Total | | <u>\$2,939,435</u> | <u>\$20,338</u> | <u>\$ 4,320</u> | <u>\$2,955,453</u> |

Total investment purchases during 1996 and 1995 were approximately \$900,000,000 and \$600,000,000, respectively. Investment maturities during 1996 and 1995 were approximately \$800,000,000 and \$550,000,000, respectively. The Fund has the capability and management has the intention to hold all investments held at December 31, 1996 and 1995, to maturity. There were no investment sales during 1996 and 1995.

6. OTHER ASSETS

Other assets are primarily comprised of secured and unsecured term notes related to the sale of assets held by the Asset Liquidation Management Center and recoveries on failed credit unions. The notes are being repaid in monthly principal installments with terms ranging from one to thirty years and interest rates ranging from 8.0% to 10.5%.

7. AVAILABLE BORROWINGS

The Fund is authorized under the Federal Credit Union Act to borrow from the Treasury of the United States upon authorization by the NCUA Board to a maximum of \$100,000,000 outstanding at any one time. The CLF is authorized to make advances to the Fund under such terms and conditions as may be established by the NCUA Board. No amounts were borrowed from these sources during 1996 and 1995.

8. TRANSACTIONS WITH NCUA OPERATING FUND

Substantial administrative services are provided to the Fund by the NCUA Operating Fund. NCUA charges the Fund for these services based on an annual allocation factor approved by the NCUA Board derived from a study conducted by these Funds of actual usage. The allocation factor was 50% to the Fund and 50% to the NCUA Operating Fund for 1996 and 1995. The cost of services

provided by the NCUA Operating Fund was approximately \$46,084,000 and \$44,155,000 for 1996 and 1995, respectively, and includes pension contributions of approximately \$3,155,500 and \$2,990,000 to the Civil Service Retirement System and Federal Employees Retirement System defined benefit retirement plans for 1996 and 1995, respectively.

In 1988, the Fund entered into a \$2,161,000 thirty-year unsecured term note with the NCUA Operating Fund. Interest received was \$84,000 for 1996 and \$87,000 for 1995. The note receivable balance at December 31, 1996 and 1995, was \$1,530,000 and \$1,602,000, respectively.

In 1992, the Fund entered into a commitment to fund up to \$41,975,000 thirty-year secured term note with the NCUA Operating Fund. The monies were advanced to the NCUA Operating Fund as needed to fund the costs of constructing a new building. Interest income was \$1,966,000 and \$2,019,000 for 1996 and 1995, respectively. The note receivable balance at December 31, 1996 and 1995 was \$35,870,000 and \$37,211,000, respectively.

The above notes mature as follows (in thousands):

| | Unsecured Term Note | Secured Term Note | Total |
|------------|--------------------------------|------------------------------|------------------------|
| 1997 | \$ 72 | \$ 1,344 | \$ 1,416 |
| 1998 | 72 | 1,344 | 1,416 |
| 1999 | 72 | 1,344 | 1,416 |
| 2000 | 72 | 1,344 | 1,416 |
| 2001 | 72 | 1,344 | 1,416 |
| Thereafter | <u>1,170</u> | <u>29,150</u> | <u>30,320</u> |
| Total | <u><u>\$1,530</u></u> | <u><u>\$35,870</u></u> | <u><u>\$37,400</u></u> |

The variable rate on both term notes is equal to the Fund's prior-month yield on investments. The average interest rate during 1996 and 1995 was approximately 5.29% and 5.33%, respectively. At December 31, 1996, the rate was 5.29%.

The NCUA Operating Fund leases certain office space under lease agreements that expire through 2003. Based on the allocation factor approved by the NCUA Board of Directors for 1995, the Fund will reimburse the NCUA Operating Fund for approximately 50% of the future lease payments. The cost of services provided by the NCUA Operating Fund includes rental charges of approximately \$494,500 and \$490,000 for 1996 and 1995, respectively. The amounts were derived using the current annual allocation factor.

The NCUA Operating Fund's total future minimum lease payments as of December 31, 1996, are as follows (in thousands):

| | |
|------------|-----------------------|
| 1997 | \$ 857 |
| 1998 | 722 |
| 1999 | 518 |
| 2000 | 174 |
| 2001 | 178 |
| Thereafter | <u>257</u> |
| Total | <u><u>\$2,706</u></u> |

9. DISCLOSURE OF FAIR VALUE OF FINANCIAL INSTRUMENTS

The carrying amount and the estimated fair value of the Fund's financial instruments are as follows:

| | December 31, 1996 | | December 31, 1995 | |
|-----------------------------|-------------------|-------------|-------------------|-------------|
| | Carrying Amount | Fair Value | Carrying Amount | Fair Value |
| Investments | \$2,924,467 | \$2,914,977 | \$2,939,435 | \$2,955,453 |
| Cash and cash equivalents | 500,237 | 500,237 | 307,567 | 307,567 |
| Accrued interest receivable | 37,491 | 37,491 | 54,405 | 54,405 |
| Notes receivable - NCUA | | | | |
| Operating Fund | 37,400 | 37,400 | 38,813 | 38,813 |
| Amounts due to insured | | | | |
| shareholders of liquidated | | | | |
| credit unions | 21,060 | 21,060 | 24,177 | 24,177 |
| Due to NCUA Operating Fund | 324 | 324 | 681 | 681 |
| Accounts payable | 593 | 593 | 780 | 780 |

10. CONCENTRATIONS

There are no significant concentrations of member share deposits within any region of the United States. Concentrations of member shares do exist within the manufacturing, governmental, and educational industries.

11. CASH FLOW INFORMATION

The reconciliation of net income to net cash provided by operating activities is as follows (in thousands):

| | Year Ended | |
|--|---------------------|------------------|
| | December 31, | |
| | 1996 | 1995 |
| Excess of revenue over expenses | \$139,643 | \$126,689 |
| Adjustments: | | |
| Receipts (payments) relating to losses from supervised credit unions and assets and merger guarantees, net | (8,295) | 5,268 |
| (Increase) decrease in assets: | | |
| Accrued interest receivable | 16,914 | (1,160) |
| Assets acquired from credit unions, net | 8,376 | 1,700 |
| Capital notes advanced to credit unions, net | (265) | 650 |
| Other notes receivable | 1,058 | (1,167) |
| Amounts due from National Credit Union Administration Operating Fund | - | 564 |
| (Decrease) increase in liabilities: | | |
| Amounts due to National Credit Union Administration Operating Fund | (357) | 681 |
| Amounts due to insured shareholders of liquidated credit unions | (3,117) | 18,606 |
| Accounts payable | (187) | 510 |
| | <u>\$153,770</u> | <u>\$152,341</u> |
| Net cash provided by operating activities | <u>\$153,770</u> | <u>\$152,341</u> |

12. CONTINGENCIES

Field of Membership Litigation - Four North Carolina Banks and the American Bankers Association (ABA) have challenged NCUA's approval of charter amendments granted to AT&T Family Federal Credit Union (FCU). The banks challenged amendments which allowed select employee groups, unrelated to the original sponsor, to join the FCU. Their claim is that the amendments violate the common bond requirements of the FCU Act.

The District Court concluded that NCUA's select employee group policy, which permitted more than one distinct employee group to exist in a single credit union, each with its own common bond, was a reasonable interpretation of the FCU Act. The banks appealed. On July 30, 1996, the U.S. court of appeals for the D.C. Circuit issued an opinion reversing the District Court. The Court concluded that all groups in a credit union must share a single common bond.

On remand to the District Court, the plaintiffs sought a nationwide injunction barring all federal credit unions from adding select employee groups that did not share a single common bond or adding new members to select employee groups already within their field of membership. NCUA objected, arguing that this relief went far beyond what was sought in the AT&T case. The District court then permitted the filing of a new lawsuit, ABA et al. v. NCUA et al., which for the first time directly challenged NCUA's multiple group policy nationwide. The Court then issued a nationwide injunction barring NCUA's group policy nationwide and prohibiting all federal credit unions from adding new select employee groups or new members to existing select employee groups.

On December 24, 1996, the Court of appeals issued a partial stay which allows credit unions to admit new members to existing select employee groups. They are still prevented from adding new groups. On February 24, 1997, the Supreme Court agreed to hear the case.

There are a number of other field of membership cases which have been filed by banks or credit unions. These are all, however, cases which have been stayed or will be stayed, and are all dependent upon the ultimate outcome of the AT&T litigation.

If decided unfavorably, the litigation could have a significant impact on the credit union industry as a whole, as well as the Share Insurance Fund. In the opinion of management, the outcome of the litigation and its effects, if any, are not determinable.

* * * * *

INSURANCE FUND TRENDS

| FISCAL YEAR | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 ¹ | 1996 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|
| INCOME (IN THOUSANDS) | | | | | | | | | | |
| Regular premium-federal | — | — | — | — | \$26,174 | \$78,889 | — | — | — | — |
| Regular premium-state | — | — | — | — | 15,061 | 44,985 | — | — | — | — |
| Interest income | \$112,407 | \$127,075 | \$146,612 | \$159,096 | \$162,979 | \$148,659 | \$142,027 | \$147,564 | \$172,926 | \$184,715 |
| Other income | 339 | 530 | 2,188 | 1,168 | 3,195 | 5,512 | 4,223 | 2,258 | 2,147 | 2,148 |
| Total income | \$112,746 | \$127,605 | \$148,800 | \$160,264 | \$207,409 | \$278,045 | \$146,250 | \$149,822 | \$175,073 | \$186,863 |
| EXPENSES (IN THOUSANDS) | | | | | | | | | | |
| Operating | \$21,466 | \$26,588 | \$30,817 | \$35,153 | \$40,353 | \$46,161 | \$43,574 | \$44,132 | \$48,384 | \$47,221 |
| Insurance losses | 55,732 | 60,122 | 93,608 | 89,982 | 163,000 | 112,000 | 60,000 | 26,000 | — | — |
| Losses on investment sales | — | — | — | — | — | — | — | — | — | — |
| Total expenses | \$77,198 | \$86,710 | \$124,425 | \$125,135 | \$203,353 | \$158,161 | \$103,574 | \$70,132 | \$48,384 | \$47,221 |
| Net Income (in thousands) | \$35,548 | \$40,895 | \$24,375 | \$35,129 | \$4,056 | \$119,884 | \$42,676 | \$79,690 | \$126,690 | \$139,642 |
| DATA HIGHLIGHTS | | | | | | | | | | |
| Total equity (in thousands) | \$1,602,251 | \$1,855,911 | \$1,972,502 | \$2,052,635 | \$2,257,124 | \$2,555,449 | \$2,814,253 | \$3,054,308 | \$3,250,002 | \$3,412,164 |
| Equity as a percentage of shares in insured credit unions | 1.23% | 1.24% | 1.25% | 1.25% | 1.23% | 1.26% | 1.26% | 1.27% | 1.30% | 1.30% |
| Contingent liabilities (in thousands) | \$5,572 | \$3,407 | \$10,663 | \$7,803 | \$6,734 | \$73,594 | \$1,334 | \$22 | \$375 | \$1,026 |
| Contingent liabilities as a percentage of equity | 0.3% | 0.2% | 0.5% | 0.4% | 0.3% | 2.9% | 0.0% | 0.0% | 0.0% | 0.0% |
| NCUSIF loss per \$1,000 of insured shares | \$0.38 | \$0.38 | \$0.58 | \$0.51 | \$0.83 | \$0.51 | \$0.25 | \$0.10 | \$0.00 | \$0.00 |
| OPERATING RATIOS | | | | | | | | | | |
| Premium income | — | — | — | — | 19.9% | 44.5% | — | — | — | — |
| Interest income | 99.7% | 99.6% | 98.5% | 99.3% | 78.6% | 53.5% | 97.1% | 98.5% | 98.8% | 98.8% |
| Other income | 0.3% | 0.4% | 1.5% | 0.7% | 1.5% | 2.0% | 2.9% | 1.5% | 1.2% | 1.1% |
| Operating expenses | 19.1% | 20.8% | 20.7% | 21.9% | 19.5% | 16.6% | 29.8% | 29.5% | 27.6% | 25.3% |
| Insurance losses | 49.4% | 47.1% | 62.9% | 56.1% | 78.6% | 40.3% | 41.0% | 17.4% | 0.0% | 0.0% |
| Total expenses | 68.5% | 67.9% | 83.6% | 78.1% | 98.1% | 56.9% | 70.8% | 46.8% | 27.6% | 25.3% |
| Net income | 31.5% | 32.1% | 17.4% | 21.9% | 1.9% | 43.1% | 29.2% | 53.2% | 72.4% | 74.7% |
| INVOLUNTARY LIQUIDATIONS COMMENCED | | | | | | | | | | |
| Number | 33 | 35 | 54 | 83 | 89 | 81 | 54 | 29* | 15 | 13 |
| Share payouts (in thousands) | \$3,213 | \$36,110 | \$21,687 | \$70,875 | \$117,710 | \$124,857 | \$57,303 | \$27,279* | \$11,737 | \$1,028 |
| Share payouts as a percentage of total insured shares | 0.002% | 0.023% | 0.013% | 0.040% | 0.067% | 0.057% | 0.024% | 0.011% | 0.004% | 0.000% |
| *Includes 2 liquidations occurring during transition quarter | | | | | | | | | | |

¹EFFECTIVE JANUARY 1, 1995, THE NCUSIF FISCAL YEAR AND NCUSIF INSURANCE YEAR CHANGED FROM OCTOBER 1 THRU SEPTEMBER 30 TO A PERIOD OF JANUARY 1 THRU DECEMBER 31

INSURANCE FUND TRENDS

| FISCAL YEAR | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 ² | 1996 |
|--|------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|-------------------|------------------|
| MERGERS—FISCAL YEAR | | | | | | | | | | |
| Assisted | 55 | 50 | 60 | 81 | 41 | 33 | 17 | 8* | 7 | 6 |
| Unassisted | 489 | 464 | 395 | 386 | 357 | 352 | 328 | 423* | 297 | 305 |
| *INCLUDES 2 ASSISTED MERGERS AND 81 UNASSISTED MERGERS OCCURRING DURING TRANSITION QUARTER | | | | | | | | | | |
| ASSISTANCE TO AVOID LIQUIDATION | | | | | | | | | | |
| Capital notes and other cash advances outstanding | \$5,031 | \$5,117 | \$39,360 | \$67,891 | \$35,101 | \$101,228 | \$6,634 | \$2,673 | \$0 | \$265 |
| Non-cash guaranty accounts | \$39,564 | \$41,127 | \$53,959 | \$98,576 | \$179,595 | \$88,286 | \$16,587 | \$2,849 | \$1,134 | \$1,197 |
| Number of active cases | 16 | 25 | 43 | 42 | 51 | 27 | 15 | 7 | 9 | 12 |
| NUMBER OF PROBLEM CASE INSURED CREDIT UNIONS (CODE 4 & 5) | | | | | | | | | | |
| Number | 929 | 1,022 | 794 | 678 | 685 | 608 | 474 | 319 | 267 | 286 |
| Shares (millions) | \$8,135 | \$10,600 | \$8,400 | \$9,400 | \$10,400 | \$7,400 | \$4,300 | \$2,430 | \$2,051 | \$1,759 |
| Problem case shares as a percentage of insured shares | 4.9% | 6.3% | 4.8% | 4.9% | 5.2% | 3.4% | 1.8% | .96% | .80% | .65% |
| DECEMBER 31 | | | | | | | | | | |
| SHARES IN INSURED CREDIT UNIONS (IN MILLIONS)¹ | | | | | | | | | | |
| Federal credit unions | \$94,927 | \$104,431 | \$109,653 | \$117,881 | \$127,316 | \$142,139 | \$149,229 | \$155,483 | \$164,582 | \$173,544 |
| State credit unions | 51,417 | 55,217 | 57,518 | 62,082 | 72,467 | 87,386 | 91,101 | 92,173 | 96,856 | 101,914 |
| Total shares | \$146,344 | \$159,648 | \$167,171 | \$179,963 | \$199,783 | \$229,525 | \$240,330 | \$247,653 | \$261,438 | \$275,458 |
| NUMBER OF MEMBER ACCOUNTS IN INSURED CREDIT UNIONS (IN THOUSANDS) | | | | | | | | | | |
| Federal credit unions | 32,067 | 57,235 | 53,301 | 55,222 | 57,077 | 58,366 | 60,746 | 78,835 | 78,245 | 77,243 |
| State credit unions | 17,999 | 27,376 | 32,547 | 30,726 | 33,646 | 34,749 | 36,459 | 44,203 | 55,740 | 41,841 |
| Total | 50,066 | 84,611 | 85,848 | 85,948 | 90,723 | 93,115 | 97,205 | 123,038 | 133,985 | 119,084 |
| NUMBER OF INSURED CREDIT UNIONS | | | | | | | | | | |
| Federal credit unions | 9,401 | 9,118 | 8,821 | 8,511 | 8,229 | 7,916 | 7,696 | 7,498 | 7,329 | 7,152 |
| State credit unions | 4,934 | 4,760 | 4,552 | 4,349 | 4,731 | 4,737 | 4,621 | 4,493 | 4,358 | 4,240 |
| Total | 14,335 | 13,878 | 13,373 | 12,860 | 12,960 | 12,653 | 12,317 | 11,991 | 11,687 | 11,392 |
| Shares in insured credit unions as a percentage of all credit union shares | 96.0% | 96.1% | 96.0% | 96.0% | 96.2% | 96.4% | 98.0% | 98.0% | 99.0% | 99.0% |
| State credit union portion of insured shares | 35.1% | 34.6% | 34.4% | 34.6% | 36.3% | 38.1% | 37.9% | 37.2% | 37.1% | 37.0% |

¹INSURED SHARES IN NATURAL PERSON CREDIT UNIONS.

²EFFECTIVE JANUARY 1, 1995, THE NCUSIF FISCAL YEAR AND NCUSIF INSURANCE YEAR CHANGED FROM OCTOBER 1 THRU SEPTEMBER 30 TO A PERIOD OF JANUARY 1 THRU DECEMBER 31

TEN-YEAR FEDERAL CREDIT UNION SUMMARY

FEDERAL CREDIT UNIONS
DECEMBER 31 (DOLLAR AMOUNTS IN MILLIONS)

| | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|-------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Number of credit unions | 9,401 | 9,118 | 8,821 | 8,511 | 8,229 | 7,916 | 7,696 | 7,498 | 7,329 | 7,152 |
| Number of members | 32,066,542 | 34,438,304 | 35,612,317 | 36,241,607 | 37,080,854 | 38,205,128 | 39,755,596 | 40,837,392 | 42,162,627 | 43,545,541 |
| Assets | \$105,190 | \$114,565 | \$120,666 | \$130,073 | \$143,940 | \$162,544 | \$172,854 | \$182,529 | \$193,781 | \$206,692 |
| Loans outstanding | 64,104 | 73,766 | 80,272 | 83,029 | 84,150 | 87,633 | 94,640 | 110,090 | 120,514 | 134,120 |
| Shares | 96,346 | 104,431 | 109,653 | 117,892 | 130,164 | 146,078 | 153,506 | 160,226 | 170,300 | 180,964 |
| Reserves ¹ | 3,725 | 4,216 | 4,690 | 5,158 | 5,539 | 6,176 | 6,976 | 7,616 | 8,351 | 9,092 |
| Undivided earnings | 3,023 | 3,567 | 4,072 | 4,594 | 5,338 | 6,793 | 8,338 | 9,584 | 11,445 | 13,087 |
| Gross income | 10,158 | 11,173 | 12,420 | 13,233 | 13,559 | 13,301 | 12,946 | 13,496 | 15,276 | 16,645 |
| Operating expenses | 3,585 | 3,931 | 4,364 | 4,730 | 5,068 | 5,329 | 5,578 | 5,964 | 6,468 | 7,246 |
| Dividends | 5,624 | 6,148 | 6,910 | 7,372 | 7,184 | 5,876 | 5,038 | 5,208 | 6,506 | 7,087 |
| Reserve transfers | 237 | 232 | 265 | 222 | 170 | 191 | 186 | 245 | 262 | 240 |
| Net income | 688 | 799 | 781 | 841 | 1,087 | 1,897 | 2,096 | 1,903 | 1,886 | 1,992 |

PERCENT CHANGE

| | | | | | | | | | | |
|-----------------------|-------|------|------|-------|-------|-------|-------|------|-------|------|
| Total assets | 10.2% | 8.9% | 5.3% | 7.8% | 10.7% | 12.9% | 6.3% | 5.6% | 6.2% | 6.7% |
| Loans outstanding | 15.9 | 15.1 | 8.8 | 3.4 | 1.3 | 4.1 | 8.0 | 16.3 | 9.5 | 11.3 |
| Savings | 9.5 | 8.4 | 5.0 | 7.5 | 10.4 | 12.2 | 5.1 | 4.4 | 6.3 | 6.3 |
| Reserves | 12.5 | 13.2 | 11.2 | 10.0 | 7.4 | 11.5 | 13.0 | 9.2 | 9.7 | 9.3 |
| Undivided earnings | 20.6 | 18.0 | 14.2 | 12.8 | 16.2 | 27.3 | 22.7 | 14.9 | 19.4 | 14.2 |
| Gross income | 7.9 | 10.0 | 11.2 | 6.5 | 2.5 | -1.9 | -2.7 | 4.2 | 13.2 | 9.0 |
| Operating expenses | 15.1 | 9.7 | 11.0 | 8.4 | 7.1 | 5.1 | 4.7 | 6.9 | 8.5 | 11.9 |
| Dividends | | 9.3 | 12.4 | 6.7 | -2.6 | -18.2 | -14.3 | 3.4 | 24.91 | 8.7 |
| Net reserve transfers | -5.2 | -2.1 | 14.2 | -16.1 | -23.8 | 12.7 | -2.6 | 31.7 | 6.9 | -8.1 |
| Net income | 9.9 | 16.1 | -2.3 | 7.6 | 29.3 | 74.5 | 10.5 | -9.2 | -0.1 | 6.9 |

SIGNIFICANT RATIOS

| | | | | | | | | | | |
|---|------|------|------|------|------|------|------|------|------|------|
| Reserves to assets | 3.5% | 3.7% | 3.9% | 4.0% | 3.8% | 3.8% | 4.0% | 4.2% | 4.3% | 4.4% |
| Reserves and undivided earnings to assets | | 6.4 | 6.8 | 7.3 | 7.5 | 7.6 | 8.0 | 8.9 | 10.2 | 10.7 |
| Reserves to loans | 5.8 | 5.7 | 5.8 | 6.2 | 6.6 | 7.0 | 7.4 | 6.9 | 6.9 | 6.8 |
| Loans to shares | 66.5 | 70.6 | 73.2 | 70.4 | 64.6 | 60.0 | 61.7 | 68.7 | 70.8 | 74.1 |
| Operating expenses to gross income | 35.3 | 35.2 | 35.1 | 35.7 | 37.4 | 40.1 | 43.1 | 44.2 | 42.3 | 39.4 |
| Salaries and benefits to gross income | 14.6 | 14.8 | 14.7 | 15.0 | 15.7 | 17.4 | 19.4 | 20.2 | 19.2 | 19.2 |
| Dividends to gross income | 55.4 | 55.0 | 55.6 | 55.7 | 53.0 | 44.2 | 38.9 | 38.6 | 42.6 | 42.6 |
| Yield on average assets | 10.1 | 10.2 | 10.6 | 10.6 | 9.9 | 8.7 | 7.7 | 7.6 | 8.1 | 8.3 |
| Cost of funds to average assets | 5.6 | 5.7 | 6.0 | 5.9 | 5.3 | 3.9 | 3.1 | 3.0 | 3.5 | 3.6 |
| Gross spread | 4.5 | 4.5 | 4.6 | 4.6 | 4.6 | 4.8 | 4.6 | 4.6 | 4.6 | 4.7 |
| Net income divided by gross income | 6.8 | 7.2 | 6.3 | 6.4 | 8.0 | 14.3 | 16.2 | 14.1 | 12.3 | 12.0 |
| Yield on average loans | 11.6 | 11.3 | 11.5 | 11.4 | 11.2 | 10.4 | 9.4 | 8.7 | 8.9 | 8.5 |
| Yield on average investments | 7.7 | 7.9 | 8.4 | 8.3 | 7.0 | 5.5 | 4.6 | 5.1 | 5.6 | 6.0 |

¹ DOES NOT INCLUDE THE ALLOWANCE FOR LOAN LOSSES

TEN-YEAR STATE CHARTERED CREDIT UNION SUMMARY

STATE CHARTERED FEDERALLY INSURED CREDIT UNIONS
DECEMBER 31 (DOLLAR AMOUNTS IN MILLIONS)

| | 1987 | 1988 | 1989 | 1990 | 1991 | 1992 | 1993 | 1994 | 1995 | 1996 |
|-------------------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|------------|
| Number of credit unions | 4,934 | 4,760 | 4,552 | 4,349 | 4,731 | 4,737 | 4,621 | 4,493 | 4,358 | 4,240 |
| Number of members | 17,998,921 | 18,518,969 | 18,939,127 | 19,453,940 | 21,619,223 | 23,859,447 | 23,996,751 | 24,294,761 | 24,926,666 | 25,665,783 |
| Assets | \$ 56,972 | \$ 60,740 | \$ 63,175 | \$ 68,133 | \$ 83,133 | \$ 98,767 | \$104,316 | \$106,937 | \$112,861 | \$120,176 |
| Loans outstanding | 35,436 | 39,977 | 42,373 | 44,102 | 49,268 | 53,727 | 57,695 | 65,769 | 71,606 | 79,651 |
| Shares | 52,083 | 55,217 | 57,658 | 62,082 | 75,626 | 89,648 | 93,482 | 94,797 | 99,838 | 105,728 |
| Reserves ¹ | 2,423 | 2,612 | 2,872 | 3,047 | 3,620 | 4,238 | 4,754 | 4,908 | 5,246 | 5,689 |
| Undivided earnings | 1,458 | 1,651 | 1,945 | 2,241 | 2,952 | 3,910 | 4,862 | 5,563 | 6,645 | 7,490 |
| Gross income | 5,483 | 5,973 | 6,529 | 6,967 | 7,878 | 8,182 | 7,878 | 7,955 | 8,932 | 9,736 |
| Operating expenses | 1,884 | 2,078 | 2,216 | 2,412 | 2,860 | 3,203 | 3,302 | 3,473 | 3,770 | 4,198 |
| Dividends | 3,049 | 3,290 | 2,930 | 3,908 | 4,203 | 3,664 | 3,109 | 3,145 | 3,889 | 3,367 |
| Reserve transfers | 184 | 158 | 150 | 118 | 98 | 121 | 114 | 144 | 147 | 143 |
| Net income | 355 | 470 | 457 | 509 | 711 | 1,207 | 1,347 | 1,146 | 1,095 | 1,154 |

PERCENT CHANGE

| | | | | | | | | | | |
|-----------------------|------|-------|-------|-------|-------|-------|-------|------|------|------|
| Total assets | 9.0% | 6.6% | 4.0% | 7.8% | 22.0% | 18.8% | 5.6% | 2.5% | 5.5% | 6.5% |
| Loans outstanding | 14.9 | 12.8 | 6.0 | 4.1 | 11.7 | 9.1 | 7.4 | 14.0 | 8.9 | 11.2 |
| Savings | 8.3 | 6.0 | 4.4 | 7.7 | 21.8 | 18.5 | 4.3 | 1.4 | 5.3 | 5.9 |
| Reserves | 12.9 | 7.8 | 10.0 | 6.1 | 18.8 | 17.1 | 12.2 | 3.2 | 6.9 | 8.5 |
| Undivided earnings | 16.4 | 13.2 | 17.8 | 15.2 | 31.7 | 32.5 | 24.3 | 14.4 | 19.4 | 12.4 |
| Gross income | 7.2 | 8.9 | 9.3 | 6.7 | 13.1 | 3.9 | -3.7 | 1.0 | 12.3 | 9.0 |
| Operating expenses | 13.8 | 10.3 | 6.6 | 8.8 | 18.6 | 12.0 | 3.1 | 5.2 | 8.6 | 11.4 |
| Dividends | 1.5 | 7.9 | -10.9 | 33.4 | 7.5 | -12.8 | -15.1 | 1.2 | 23.7 | 6.4 |
| Net reserve transfers | -8.5 | -14.1 | -5.1 | -21.3 | -16.9 | 23.5 | -5.8 | 26.3 | 2.1 | -0.5 |
| Net income | 23.3 | 32.4 | -2.8 | 11.4 | 39.7 | 69.8 | 11.6 | -4.5 | -4.5 | 5.7 |

SIGNIFICANT RATIOS

| | | | | | | | | | | |
|---|------|------|------|------|------|------|------|------|------|------|
| Reserves to assets | 4.3% | 4.3% | 4.5% | 4.5% | 4.4% | 4.3% | 4.6% | 4.6% | 4.6% | 4.7% |
| Reserves and undivided earnings to assets | 6.8 | 7.0 | 7.6 | 7.8 | 7.9 | 8.2 | 9.2 | 9.8 | 10.5 | 11.0 |
| Reserves to loans | 6.8 | 6.5 | 6.8 | 6.9 | 7.3 | 7.9 | 8.2 | 7.5 | 7.3 | 7.1 |
| Loans to shares | 68.0 | 72.4 | 73.5 | 71.0 | 65.1 | 59.9 | 61.7 | 69.4 | 71.7 | 75.3 |
| Operating expenses to gross income | 34.4 | 34.8 | 33.9 | 34.6 | 36.3 | 39.1 | 41.9 | 43.7 | 42.2 | 39.1 |
| Salaries and benefits to gross income | 14.5 | 14.5 | 14.4 | 14.7 | 15.4 | 16.9 | 19.0 | 20.0 | 19.1 | 18.8 |
| Dividends to gross income | 55.6 | 55.1 | 44.9 | 56.1 | 53.4 | 44.8 | 39.5 | 39.5 | 43.5 | 35.0 |
| Yield on average assets | 10.4 | 10.1 | 10.5 | 10.6 | 10.4 | 9.0 | 7.8 | 7.5 | 8.1 | 8.4 |
| Cost of funds to average assets | 5.5 | 5.5 | 5.9 | 6.0 | 5.6 | 4.1 | 3.1 | 3.0 | 3.5 | 3.6 |
| Gross spread | 4.3 | 4.6 | 4.6 | 4.6 | 4.6 | 4.6 | 4.7 | 4.5 | 4.6 | 4.7 |
| Net income divided by gross income | 6.5 | 7.9 | 7.0 | 7.3 | 9.0 | 14.8 | 17.1 | 14.4 | 12.3 | 11.9 |
| Yield on average loans | 11.1 | 11.2 | 11.4 | 11.4 | 11.8 | 10.8 | 9.5 | 8.6 | 8.9 | 8.4 |
| Yield on average investments | 7.5 | 7.9 | 8.4 | 8.5 | 7.4 | 5.7 | 4.7 | 4.9 | 5.6 | 6.0 |

¹DOES NOT INCLUDE THE ALLOWANCE FOR LOAN LOSSES

HISTORICAL DATA FOR FEDERAL CREDIT UNIONS

DECEMBER 31, 1935 TO 1969

| YEAR | CHARTERS ISSUED | CHARTERS CANCELED | NET CHANGE | TOTAL OUTSTANDING | INACTIVE CREDIT UNIONS | ACTIVE CREDIT UNIONS | MEMBERS | (DOLLAR AMOUNTS IN THOUSANDS) | | |
|------|--------------------|----------------------|---------------|----------------------|------------------------------|----------------------------|------------|----------------------------------|-----------------|----------------------|
| | | | | | | | | ASSETS | TOTAL SHARES | LOANS OUTSTANDING |
| 1935 | 828 | | 828 | 906 | 134 | 772 | 119,420 | \$ 2,372 | \$ 2,228 | \$ 1,834 |
| 1936 | 956 | 4 | 952 | 1,858 | 107 | 1,751 | 309,700 | 9,158 | 8,511 | 7,344 |
| 1937 | 638 | 69 | 569 | 2,427 | 114 | 22,313 | 483,920 | 19,265 | 17,650 | 15,695 |
| 1938 | 515 | 83 | 432 | 2,859 | 99 | 2,760 | 632,050 | 29,629 | 26,876 | 23,830 |
| 1939 | 529 | 93 | 436 | 3,295 | 113 | 3,182 | 850,770 | 47,811 | 43,327 | 37,673 |
| 1940 | 666 | 76 | 590 | 3,855 | 129 | 3,756 | 1,127,940 | 72,530 | 65,806 | 55,818 |
| 1941 | 583 | 89 | 494 | 4,379 | 151 | 4,228 | 1,408,880 | 106,052 | 97,209 | 69,485 |
| 1942 | 187 | 89 | 98 | 4,477 | 332 | 4,145 | 1,356,940 | 119,591 | 109,822 | 43,053 |
| 1943 | 108 | 321 | - 213 | 4,264 | 326 | 3,938 | 1,311,620 | 127,329 | 117,339 | 35,376 |
| 1944 | 69 | 285 | - 216 | 4,048 | 233 | 3,815 | 1,306,000 | 144,365 | 133,677 | 34,438 |
| 1945 | 96 | 185 | - 89 | 3,959 | 202 | 3,757 | 1,216,625 | 153,103 | 140,614 | 35,155 |
| 1946 | 157 | 151 | 6 | 3,965 | 204 | 3,761 | 1,302,132 | 173,166 | 159,718 | 56,801 |
| 1947 | 207 | 159 | 48 | 4,013 | 168 | 3,845 | 1,445,915 | 210,376 | 192,410 | 91,372 |
| 1948 | 341 | 130 | 211 | 4,224 | 166 | 4,058 | 1,628,339 | 258,412 | 235,008 | 137,642 |
| 1949 | 523 | 101 | 422 | 4,646 | 151 | 4,495 | 1,819,606 | 316,363 | 285,001 | 186,218 |
| 1950 | 565 | 83 | 482 | 5,128 | 144 | 4,984 | 2,126,823 | 405,835 | 361,925 | 263,736 |
| 1951 | 533 | 75 | 458 | 5,586 | 188 | 5,398 | 2,463,898 | 504,715 | 457,402 | 299,756 |
| 1952 | 692 | 115 | 577 | 6,163 | 238 | 5,925 | 2,853,241 | 662,409 | 597,374 | 415,062 |
| 1953 | 825 | 132 | 693 | 6,856 | 278 | 6,578 | 3,255,422 | 854,232 | 767,571 | 573,974 |
| 1954 | 852 | 122 | 730 | 7,586 | 359 | 7,227 | 3,598,790 | 1,033,179 | 931,407 | 681,970 |
| 1955 | 777 | 188 | 589 | 8,175 | 369 | 7,806 | 4,032,220 | 1,267,427 | 1,135,165 | 863,042 |
| 1956 | 741 | 182 | 559 | 8,734 | 384 | 8,350 | 4,502,210 | 1,529,202 | 1,366,258 | 1,049,189 |
| 1957 | 662 | 194 | 468 | 9,202 | 467 | 8,735 | 4,897,689 | 1,788,768 | 1,589,191 | 1,257,319 |
| 1958 | 586 | 255 | 331 | 9,533 | 503 | 9,030 | 5,209,912 | 2,034,866 | 1,812,017 | 1,379,724 |
| 1959 | 700 | 270 | 430 | 9,963 | 516 | 9,447 | 5,643,248 | 2,352,813 | 2,075,055 | 1,666,526 |
| 1960 | 685 | 274 | 411 | 10,374 | 469 | 9,905 | 6,087,378 | 2,669,734 | 2,344,337 | 2,021,463 |
| 1961 | 671 | 265 | 406 | 10,780 | 509 | 10,271 | 6,542,603 | 3,028,294 | 2,673,488 | 2,245,223 |
| 1962 | 601 | 284 | 317 | 11,097 | 465 | 10,632 | 7,007,630 | 3,429,805 | 3,020,274 | 2,560,722 |
| 1963 | 622 | 312 | 310 | 11,407 | 452 | 10,955 | 7,499,747 | 3,916,541 | 3,452,615 | 2,911,159 |
| 1964 | 580 | 323 | 257 | 11,664 | 386 | 11,278 | 8,092,030 | 4,559,438 | 4,017,393 | 3,349,068 |
| 1965 | 584 | 270 | 324 | 11,978 | 435 | 11,543 | 8,640,560 | 5,165,807 | 4,538,461 | 3,864,809 |
| 1966 | 701 | 318 | 383 | 12,361 | 420 | 11,941 | 9,271,967 | 5,668,941 | 4,944,033 | 4,323,943 |
| 1967 | 636 | 292 | 344 | 12,705 | 495 | 12,210 | 9,873,777 | 6,208,158 | 5,420,633 | 4,677,480 |
| 1968 | 662 | 345 | 317 | 13,022 | 438 | 12,584 | 10,508,504 | 6,902,175 | 5,986,181 | 5,398,052 |
| 1969 | 705 | 323 | 382 | 13,404 | 483 | 12,921 | 11,301,805 | 7,793,573 | 6,713,385 | 6,328,720 |

1) DATA FOR 1935-44 ARE PARTLY ESTIMATED

HISTORICAL DATA FOR FEDERAL CREDIT UNIONS

DECEMBER 31, 1970 TO 1996

| YEAR | CHARTERS ISSUED | CHARTERS CANCELED | NET CHANGE | TOTAL OUTSTANDING | INACTIVE CREDIT UNIONS | ACTIVE CREDIT UNIONS | MEMBERS | (DOLLAR AMOUNTS IN THOUSANDS) | | |
|------|--------------------|----------------------|---------------|----------------------|------------------------------|----------------------------|------------|-----------------------------------|-----------------|----------------------|
| | | | | | | | | ASSETS | TOTAL SHARES | LOANS OUTSTANDING |
| 1970 | 563 | 412 | 151 | 13,555 | 578 | 12,977 | 11,966,181 | \$ 8,860,612 | \$ 7,628,805 | \$ 6,969,006 |
| 1971 | 400 | 461 | -61 | 13,494 | 777 | 12,717 | 12,702,135 | 10,533,740 | 9,191,182 | 8,071,201 |
| 1972 | 311 | 672 | -361 | 13,133 | 425 | 12,708 | 13,572,312 | 12,513,621 | 10,956,007 | 9,424,180 |
| 1973 | 364 | 523 | -159 | 12,974 | 286 | 12,688 | 14,665,890 | 14,568,736 | 12,597,607 | 11,109,015 |
| 1974 | 367 | 369 | -2 | 12,972 | 224 | 12,748 | 15,870,434 | 16,714,673 | 14,370,744 | 12,729,653 |
| 1975 | 373 | 334 | 39 | 13,011 | 274 | 12,737 | 17,066,428 | 20,208,536 | 17,529,823 | 14,868,840 |
| 1976 | 354 | 387 | -33 | 12,978 | 221 | 12,757 | 18,623,862 | 24,395,896 | 21,130,293 | 18,311,204 |
| 1977 | 337 | 315 | 22 | 13,000 | 250 | 12,750 | 20,426,661 | 29,563,681 | 25,576,017 | 22,633,860 |
| 1978 | 348 | 298 | 50 | 13,050 | 291 | 12,759 | 23,259,284 | 34,760,098 | 29,802,504 | 27,686,584 |
| 1979 | 286 | 336 | -50 | 13,000 | 262 | 12,738 | 24,789,647 | 36,467,850 | 31,831,400 | 28,547,097 |
| 1980 | 170 | 368 | -198 | 12,802 | 362 | 12,440 | 24,519,087 | 40,091,855 | 36,263,343 | 26,350,277 |
| 1981 | 119 | 554 | -435 | 12,367 | 398 | 11,969 | 25,459,059 | 41,905,413 | 37,788,699 | 27,203,672 |
| 1982 | 114 | 556 | -442 | 11,925 | 294 | 11,631 | 26,114,649 | 45,482,943 | 41,340,911 | 28,184,280 |
| 1983 | 107 | 736 | -629 | 11,296 | 320 | 10,976 | 26,798,799 | 54,481,827 | 49,889,313 | 33,200,715 |
| 1984 | 135 | 664 | -529 | 10,767 | 219 | 10,548 | 28,191,922 | 63,656,321 | 57,929,124 | 42,133,018 |
| 1985 | 55 | 575 | -520 | 10,247 | 122 | 10,125 | 29,578,808 | 78,187,651 | 71,616,202 | 48,240,770 |
| 1986 | 59 | 441 | -382 | 9,865 | 107 | 9,758 | 31,041,142 | 95,483,828 | 87,953,642 | 55,304,682 |
| 1987 | 41 | 460 | -419 | 9,446 | 45 | 9,401 | 32,066,542 | 105,189,725 | 96,346,488 | 64,104,411 |
| 1988 | 45 | 201 | -156 | 9,290 | 172 | 9,118 | 34,438,304 | 114,564,579 | 104,431,487 | 73,766,200 |
| 1989 | 23 | 307 | -284 | 9,006 | 185 | 8,821 | 35,612,317 | 120,666,414 | 109,652,600 | 80,272,306 |
| 1990 | 33 | 410 | -377 | 8,629 | 118 | 8,511 | 36,241,607 | 130,072,955 | 117,891,940 | 83,029,348 |
| 1991 | 14 | 291 | -277 | 8,352 | 123 | 8,229 | 37,080,854 | 143,939,504 | 130,163,749 | 84,150,334 |
| 1992 | 33 | 341 | -308 | 8,044 | 128 | 7,916 | 38,205,128 | 162,543,659 | 146,078,403 | 87,632,808 |
| 1993 | 42 | 258 | -216 | 7,828 | 132 | 7,696 | 39,755,596 | 172,854,187 | 153,505,799 | 94,640,348 |
| 1994 | 39 | 224 | -185 | 7,643 | 145 | 7,498 | 40,837,392 | 182,528,895 | 160,225,678 | 110,089,530 |
| 1995 | 28 | 194 | -166 | 7,477 | 148 | 7,329 | 42,162,627 | 193,781,391 | 170,300,445 | 120,514,044 |
| 1996 | 14 | 189 | -175 | 7,302 | 150 | 7,152 | 43,545,541 | 206,692,540 | 180,964,338 | 134,120,610 |

WHO'S WHO AT NCUA

Board Members

Norman E. D'Amours, a Democrat, was named by President Bill Clinton in 1993 to serve as Chairman of the NCUA Board. An attorney, Chairman D'Amours was a member of the U.S. House of Representatives from New Hampshire from 1975 to 1985 where he served as a member of the House Banking Committee. His term expires in 1999.

Shirlee Pearson Bowné, a Republican, is a former real estate broker from Tallahassee, Fla., and member of the board of the Florida Housing Finance Agency. Board Member Bowné was appointed by President George Bush in October 1991 and her term expires in April 1997.

Yolanda Townsend Wheat is a Democrat and a President Bill Clinton recess appointee since April 1996. Mrs. Wheat is an attorney from San Bernardino, California, who specialized in banking and corporate law. With confirmation, Board Member Wheat's term will expire in August 2001.

NCUA Officers

Karl T. Hoyle, Executive Director
Tawana Y. James, Deputy Executive Director
Rebecca Baker, Secretary to the Board
John Butler, Executive Assistant to Shirlee Bowné
Margaret Broadaway, Executive Assistant to Yolanda Wheat
Robert E. Loftus, Director, Public & Congressional Affairs
Robert M. Fenner, General Counsel
Joyce Jackson, Director, Office of Community Development Credit Unions
David M. Marquis, Director, Examination & Insurance
Robert F. Schafer, Director, Office of Corporate Credit Unions
Dennis Winans, Chief Financial Officer
Edward Dupcak, Director, Office of Investment Services
Doug Verner, Director, Office of Technology & Information Services
Dorothy W. Foster, Director, Office of Human Resources
H. Frank Thomas, Inspector General
James L. Baylen, Director, Office of Administration
Lamont Gibson, Director, Equal Opportunity Program
Robert A. Pompa, Director, Office of Training and Development

Information Numbers

| | |
|--|---|
| General Information | 703-518-6330 |
| Office of the Board | 703-518-6300 |
| Fax number | 703-518-6409 |
| News about NCUA | 1-800-755-1030 |
| | 703-518-6339 |
| Credit Union Investments | 1-800-755-5999 |
| | 703-518-6370 |
| To report improper or illegal activity at a credit union | 1-800-827-9650 |
| | 703-518-6550 |
| World Wide Web site | http://www.ncua.gov |
| Member complaints | Appropriate regional office |

REGIONAL OFFICERS AND OFFICES



From the left standing are Region III Director H. Allen Carver, Region V Director Phillip R. Crider, Region II Director Jane A. Walters, Asset Management & Assistance Center President J. Leonard Skiles, and Region IV Director Nicholas Veghts. From the left seated are Region VI Director Daniel L. Murphy and Region I Director Layne L. Bumgardner.

