National Credit Union Administration

2005 Annual Report

Information

General information	703-518-6330
TDD	703-518-6332
Office of the Board	703-518-6300
Publications	703-518-6340
GC fraud hotline	800-827-9650 703-518-6550
Credit union investments	800-755-5999 703-518-6370
Technology assistance	800-827-3255 703-518-6487
Report improper or illegal activities	800-778-4806 703-518-6357
Website	http://www.ncua.gov

NCUA's Mission

NCUA's mission is to foster the safety and soundness of federally insured credit unions and better enable the credit union community to extend financial services for provident and productive purposes to all who seek such service while recognizing and encouraging credit unions' historical emphasis on extension of financial services to those of modest means.

NCUA's mission is accomplished by efficiently and prudently managing the National Credit Union Share Insurance Fund through an effective supervision program and a regulatory environment that encourages innovation, flexibility and continued focus on attracting new members and improving financial service to existing members.

2005 Financial Highlights

NCUA Operating Fund

Operating fee revenue	$62.0	million
Other income	1.5	million
Total revenue	63.5	million
Expense budget	148.0	million
Actual expenses	138.3	million
Expenses transferred to Share Insurance Fund	78.8	million
Operating Fund expense	59.5	million
Net income	4.0	million
Operating Fund balance	18.9	million

National Credit Union Share Insurance Fund

Total revenue	$175.7	million
Operating expense	80.6	million
Insurance expense	20.9	million
Net income	74.2	million
Reserve for losses	73.0	million
Fund balance	6.6	billion
Equity ratio (Fund balance as percentage of insured deposits)	1.28	percent

Central Liquidity Facility

Net income before dividends and interest on deposits	$46.7	million
Dividends and interest on deposits	46.7	million
Net income after dividends and interest on deposits	0.0	million
Total assets	1.48	billion
Retained earnings	11.4	million
Capital stock	1.46	billion

Federally Insured Credit Unions

Number of credit unions	8,695	
Total assets	$678.7	billion
Total insured shares	515.6	billion
Total loans	458.3	billion
Net worth to assets	11.2	percent
Share growth	3.8	percent
Ratio of loans shares	79.4	percent
Delinquency ratio	0.7	percent
Net income (before reserve transfers)	0.85	percent

NCUA's Role

The **National Credit Union Administration (NCUA)** is the independent federal agency that charters and supervises federal credit unions throughout the United States and its territories.

NCUA administers the 1934 "Federal Credit Union Act" created by Congress to serve, protect and promote a safe, stable national system of cooperative financial institutions that encourage thrift and offer a source of credit for their members.

With the backing of the full faith and credit of the U.S. government, NCUA administers the **National Credit Union Share Insurance Fund (NCUSIF)**, which insures the savings of nearly 85 million account holders in all federal credit unions and the substantial majority of state-chartered credit unions.

NCUA is supported by the credit unions it supervises and insures by fees submitted to the **NCUA Operating Fund** and NCUSIF. NCUA also administers the **Central Liquidity Facility (CLF)** and the **Community Development Revolving Loan Fund (CDRLF)**. The CLF serves as a back-up lender for member credit unions, while the CDRLF provides loans and grants to enhance low-income credit union operations.

The 2005 NCUA Annual Report is NCUA's official report to the President and the Congress of the United States. The report contains the financial statements of the NCUA Operating Fund, the NCUSIF, the CDRLF and the CLF.

1775 Duke Street, Alexandria, VA, 22314-3428

Contents

Message from the Board

SAFETY, SOUNDNESS AND SERVICE TO MEMBERS

2005 was filled with growth and evolution for NCUA as the agency responded to many events of the past 12 months by taking a proactive stance on issues poised to impact the strength and stability of the credit union system. The NCUA Board gained two new members and with unified voices consistently stressed credit union safety and soundness and encouraged quality service for members.

Board Member Debbie Matz completed her term and left the agency in early fall 2005, leaving behind a legacy of hard work and attention to detail. Her most visible contribution to the credit union community was the Partnering and Leadership Successes (PALS) initiative. Designed to help small credit unions thrive, Board Member Matz brought PALS workshops to the doorstep of credit unions across the country, enabling many small credit unions to hear firsthand from fellow credit unions about proven winning strategies and successes.

Regulatory actions

Safety and soundness remained the watchwords as the Board took a number of salient actions in 2005. NCUA issued a letter encouraging credit unions to maintain safe, sound mortgage lending portfolios as rates and home prices rose; also auditing and home equity lending guidance was issued. Credit unions were encouraged to review policies and procedures related to corporate governance. An interim bounced-check and overdraft protection rule was issued, and the member business loan rule was revised. Also, loan rule amendments now enable federal credit unions to offer more affordable credit products to lower-income members, and an amendment was issued to ensure credit union members have sufficient information when faced with a charter conversion decision. Security issues came to the forefront with guidance issued to safeguard member records, and an interim final rule was issued on securing or using medical information in determining credit eligibility. The Board also issued a proposal finalized in January 2006 that enhances the Regulatory Flexibility (RegFlex) Program and permits credit unions with 7 percent minimum net worth to qualify for RegFlex.

Vital outreach programs

NCUA utilized two outreach programs for credit unions across the country in 2005. Economic Empowerment Summits in Des Moines, Newark, Los Angeles, and Nashville brought available resources directly to credit unions to assist with expanding financial services to members by partnering with federal agencies and non-profit organization. PALS workshops in Orlando, St. Louis, and Baltimore highlighted issues in the forefront of credit union operations today—predatory lending, improving the bottom line, and how to serve everyone within the field of membership.

Response to Hurricane Katrina

Of great import in 2005, Hurricane Katrina activated a plethora of tools and actions as the agency sprang to assist affected credit unions' efforts to restore service as quickly as possible and aid credit union members temporarily unable to access their financial institution.

NCUA opened a seven-day-a-week hotline to provide immediate answers to affected credit unions and their members. While regional staff worked feverishly to assist, a command post just outside New Orleans placed NCUA staff in the area locating affected credit unions, tracking problems and assisting with immediate needs to return credit unions to operation. Joining National Guard units, agency staff entered New Orleans securing credit union sites and retrieving computers and pertinent files in vandalized areas of the city.

On September 7, Region II Director and Chairman of NCUA's Hurricane Katrina Task Force Edward P. Dupcak provided the House Financial Services Committee, Senate Banking Committee and Members of Congress from Louisiana, Mississippi and Alabama with a status report of credit unions in the hurricane's path, and he explained steps taken to mobilize agency resources to ensure members have financial service.

While ramifications will be felt for some time, within three weeks after the storm all 139 affected credit unions in Louisiana, Mississippi and Alabama reported some form of restored operations.

2005 ended with measuring service to members in the forefront

While credit unions are long hailed for serving their members well, as the American Banker Newspaper annual customer satisfaction survey has reported for nearly 20 consecutive years, up to this point no validating statistics have been collected.

Congressional requests to measure service provided by credit unions, and questions from the Government Accountability Office (GAO) prompted the Board to develop a pilot membership service survey in early 2006 that involves collecting data from 481 federal credit unions. NCUA will use the aggregated data collected to do an initial evaluation of the following:

- Extent and type of services provided to members;
- Income distribution of members;
- Reliability and value of this preliminary data; and
- Executive compensation and benefits.

The initial statistical sample will be reviewed, consolidated and made available to Congress and/or GAO along with NCUA's comments and analysis.

Looking forward

NCUA is poised to meet the challenges of 2006 with a three-member Board again intact. We welcome the opportunity to serve the credit union community with our stewardship and our united dedication to maintaining a safe, sound financial system for the 85 million members across our nation who depend on federally insured credit unions to meet their daily economic needs.

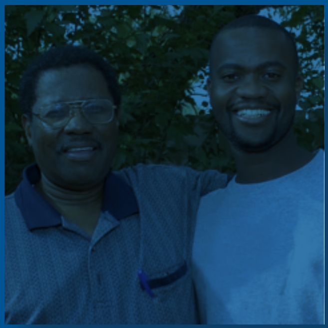
JoAnn Johnson
Chairman

Rodney E. Hood
Vice Chairman

Christiane G. Hyland
Board Member




Management's Discussion and Analysis

NCUA and Credit Unions Met Challenges of 2005

OFFICE OF THE EXECUTIVE DIRECTOR

2005 presented many unique challenges to credit unions. Despite pressure on earnings from a flat yield curve, credit union profitability and net worth remained strong. NCUA continued its mission of safety and soundness through the risk-focused examination program. In addition, NCUA addressed the sharp increase of credit unions engaged in outsourced, indirect, sub-prime automobile lending by issuing a Risk Alert on the subject and by increasing the supervision of credit unions engaged in this activity.

Operational efforts—natural disasters

Natural disasters challenged credit unions along the Gulf Coast, but with the assistance of NCUA and outreach from the credit union community all affected credit unions quickly became fully operational. Hurricane Katrina temporarily closed 139 federally insured credit unions in Alabama, Louisiana and Mississippi. NCUA took the following steps to assist these credit unions in becoming fully operational as quickly as possible:

- Opened a toll-free emergency call center available 7 days a week for Katrina victims;
- Designated emergency email addresses for affected credit unions;
- Posted contact information for all affected credit unions and frequently updated telephone numbers;
- Posted "Frequently Asked Questions and Answers" to provide information such as how to access credit union account funds where service was interrupted and how to remotely access funds.

These actions were repeated several weeks later when Hurricane Rita hit the East coast of Texas and the West coast of Louisiana. In 2006, the agency will continue to work closely with all affected credit unions.

Operational efficiency

The budget and operating fee for 2006 reflects NCUA's commitment to maintain fiscal responsibility and remain diligent in controlling expenses while accomplishing agency goals and objectives. The NCUA Board adopted a 2006 budget of $150.8 million, a $ 2.8 million or 1.9 percent increase from the 2005 budget. The Board also approved a 2006 operating fee decrease of 1.95 percent and continued the 57 percent National Credit Union Share Insurance Fund overhead transfer rate. Agency staffing was reduced by 3 to 958 positions.

Management—labor relations

NCUA staff voted in favor of joining the National Treasury Employee's Union (NTEU) in July 2004. The process of establishing new labor relations procedures remains an on-going priority. Ground rules for collective bargaining agreement negotiations were signed by both NCUA and NTEU and bargaining of an agreement will begin in early 2006.

NCUA Structure and Programs

NCUA accomplishes its mission of serving and maintaining a safe, secure credit union community using a dynamic structure. Headquartered in Alexandria, Virginia, NCUA has five regional offices. Assigned to the regions, the bulk of NCUA staff are its 450 examiners who scrutinize the credit unions regularly to ensure safe and sound operations. As the cornerstone, NCUA's Board and executive director are located in Alexandria headquarters along with the following major offices that administer the agency's various programs.

The **Office of the Executive Director** is responsible for the agency's daily operation and the executive director reports directly to the NCUA Chairman. All regional and central office directors report to the executive director and NCUA's Equal Opportunity Program is included in this office.

The **Office of Examination and Insurance** (E&I) provides national guidance for NCUA's supervision program ensuring the safety and soundness of federally insured credit unions. Within E&I, the Division of Supervision oversees NCUA's examination and supervision program. The Division of Risk Management oversees the agency's credit union problem resolution program and compiles the financial data submitted quarterly by all federally insured credit unions.

The **Office of Public & Congressional Affairs** (PACA) includes Congressional and Public Affairs. Congressional Affairs covers federal legislation and serves as NCUA's liaison with Capitol Hill and fellow government agencies. Public Affairs is the source of information about NCUA and its functions for the public, credit unions, league and trade organizations, the media and NCUA employees.

The **Office of Small Credit Union Initiatives** (OSCUI) fosters credit union development, facilitates expansion of credit union services through new charters and field of membership expansions, and coordinates efforts, with third-party organizations, to improve the viability and successful operation of credit unions. OSCUI also administers the Community Development Revolving Loan

Program, which supports low-income designated credit unions serving low-income communities with low-interest loans and grants.

The **Office of General Counsel** is responsible for legal matters affecting NCUA. This includes representing the agency in litigation, executing administrative actions, interpreting the Federal Credit Union Act and NCUA Rules and Regulations, processing Freedom of Information Act requests, advising the Board and the agency on general legal matters, and drafting regulations designed to ensure the safety and soundness of credit unions.

The **Office of Capital Markets and Planning** (OCMP) develops agency policies and procedures related to credit union investments and asset liability management, and the office assists examiners in evaluating investment issues in credit unions. OCMP also provides expert advice to the Board on investment issues. NCUA's strategic planning program directs the agency's long-range and annual planning process, which includes providing Congress with the annual NCUA plan, plus tracking and reporting on goal achievement.

The **Office of the Chief Financial Officer** is responsible for agency budget preparation and management, ongoing finance and accounting functions, and administration of credit union operating fees and National Credit Union Share Insurance Fund capitalization deposits.

The **Office of Corporate Credit Unions** (OCCU) supervises the corporate credit union system. Corporate credit unions provide a variety of investment services and payment systems for other credit unions. There are 30 corporate credit unions that range from $5.5 million to $45 billion in assets.

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

PROGRAM MESSAGES: NCUA's offices provide the following messages describing 2005 operations.

Effective Supervision

OFFICE OF EXAMINATION AND INSURANCE

Credit union due diligence focus enhanced

NCUA increased its focus on credit unions' due diligence efforts in 2005. Supervision focused on credit unions' abilities to effectively measure, monitor and control risks associated with consumer compliance, indirect lending and disaster recovery.

Off-site surveillance improvements implemented

NCUA initiated significant improvements to the 5300 data collection and analysis processes in 2005. These improvements, which included modifications to the NCUA 5300 Call Report software, NCUA's data processing and validating routines, and improvements to the Financial Performance Report (FPR), were implemented with the September 30, 2005, reporting cycle. In addition, the FPR now reflects the most recent data available and offers expanded features including the ability to request aggregate FPRs. These improvements were designed to increase the integrity of the data and expedite risk analysis.

Consumer compliance focuses on bank secrecy and home mortgage disclosure

The agency, along with the other Federal Financial Institutions Examination Council member agencies, developed a Bank Secrecy Act / Anti-Money Laundering Manual and updated its anti-money laundering examination program.

Awareness heightened on phishing, identity theft and authentication

Complex phishing scams as well as financial industry data security breaches increased member exposure to identity theft during 2005. To assist credit unions and their members, NCUA issued guidance to credit unions to help educate members and prevent them from becoming victims of identity theft. Credit unions were also encouraged to outline specific steps members should take if they suspect they are a victim of identity theft.

Action Characterizes 2005

OFFICE OF PUBLIC & CONGRESSIONAL AFFAIRS

The Office of Public & Congressional Affairs (PACA) strives to inform the credit union system, the public and the U.S. Congress of pertinent NCUA actions and activities. PACA also helps organize the agency's outreach programs in numerous locations across the country and hosts guests who visit the agency.

Based on Board actions and agency programs, PACA disseminates agency information via various formats and mediums—press releases, statements, advisories, Board Action Bulletins, newsletters, testimonies, and annual reports are issued using both electronic and postal delivery. What's more, nearly every document and report NCUA produces is posted on the agency website *http://www.ncua.gov*.

Legislative activity

During the first session of the 109th Congress, the comprehensive **Credit Union Regulatory Improvements Act of 2005** was introduced, which includes provisions to establish a risk-based capital system for credit unions and increase the asset cap on credit union member business lending to 20 percent.

The House Financial Services Committee approved H.R. 3505, the "**Financial Institutions Regulatory Relief Act of 2005**" in November. Many NCUA recommendations and other credit union provisions are included, as well as 29 technical corrections to the Federal Credit Union Act.

The U.S. Senate Committee on Banking, Housing and Urban Affairs approved the nominations of **Rodney E. Hood and Christiane Gigi Hyland** to the NCUA Board November 3, 2005. Senate confirmation followed November 7, 2005.

NCUA testifies

NCUA testified before Congress and submitted testimony numerous times in 2005. Chairman Johnson testified on the Net Worth Amendment for Credit Unions Act, regulatory relief and PCA reform legislation, and credit union tax exemption. The Chairman also submitted testimony on NCUA's FY 2006 Community Development Revolving Loan Fund request and Central Liquidity Facility borrowing authority.

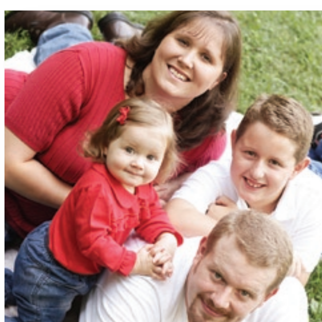
NCUA General Counsel Robert Fenner testified on data security and on regulatory relief and PCA reform. The full text of these testimonies is available online at *http://www.ncua.gov*

Visitors welcome

PACA welcomes to the agency both national and international visitors with organized, informative learning sessions. In 2005, NCUA hosted international guests from the Philippines, Taiwan, Kenya, Barbados, Russia and China. The visitors heard from agency experts about NCUA's supervision and examination program, data collection, National Credit Union Share Insurance Fund operation, and credit union development during visits that ranged from several hours to several days.

Enforcement, Litigation and Regulation

OFFICE OF GENERAL COUNSEL



Enforcement orders issued

NCUA continued to use its supervisor enforcement tools, in appropriate cases, to deal with abuses in federally insured credit unions. During 2005, the agency issued 53 prohibitions, 18 civil money penalty assessments, and 1 cease and desist order. The civil money penalty assessments were issued for late submission of data required by the Home Mortgage Disclosure Act. The total amount of assessed civil money penalties was $220,250.

Litigation—FOM lawsuits

At the close of 2005, two banker lawsuits were pending that challenge NCUA field of membership policies and actions, one in Utah and one in Pennsylvania.

Regulations

NCUA's regulatory work in 2005 addressed safety and soundness as well as organizational and business topics. Federal credit union regulation changes implemented include:

- Clarification of construction and development lending;
- Added flexibility on consumer loan maturities;
- Clarification for conversions and mergers;
- Requirements for fidelity bonds; and
- Audit requirements for credit union service organizations.

Several proposed rules, with completion anticipated in 2006, include:

- Amendments to Federal Credit Union Bylaws;
- Requirements on non-deposit investment products; and
- Limits on indirect vehicle loan programs.

Interagency regulatory matters addressed the Truth-in-Savings Act regulation, post employment restrictions for NCUA examiners and continuing work on regulations implementing provisions of the Fair and Accurate Credit Transactions Act.

Fostering Development

OFFICE OF SMALL CREDIT UNION INITIATIVES

The Office of Small Credit Union Initiatives (OSCUI) during 2005, its formative year, devoted most of its efforts to convert direct assistance and training from a regional to a national program, assist in the agency's risk mitigation program and foster credit union development, particularly in small credit unions. OSCUI accomplished these goals by implementing the office program areas of direct assistance, financial assistance, training and partnerships. (Please refer to the Community Development Revolving Loan Fund section, on page 24, for information pertaining to financial assistance.)

2005 HIGHLIGHTS

Direct Assistance

The Small Credit Union Program (SCUP), implemented by both OSCUI (national SCUP) and regional offices, plays a vital role in enhancing credit unions' ability to serve their members by promoting development and assisting supervision efforts. Economic Development Specialists (EDS) assist small, low-income and newly chartered credit unions with a variety of operational and strategic management issues.

Operational management issues can include:

- Budgeting;
- Internal controls;
- Policy development;
- Regulatory compliance;
- Record keeping; and
- Staff training.

Strategic management issues can include developing:

- New products and services;
- Marketing plans;
- Strategic and business plans;
- Field of membership expansions;
- Financial assistance; and
- Succession planning.

During EDS contacts, credit unions receive assistance tailored to their needs. In 2005, approximately 800 credit unions—306 national and 485 regional SCUP and subscriber groups—were eligible to receive SCUP on-site contacts.

Training

OSCUI hosted 26 workshops and five 5300 Call Report Clinics throughout the nation in 2005. These training events were attended by 1,600 representatives from 670 credit unions. Workshops provide credit unions an opportunity to network and receive risk mitigation and best practices information pertaining to regulatory, operational and strategic topics. Workshop topics in 2005 included succession planning, business planning, 5300 Call Report modifications, Bank Secrecy Act requirements and delinquency control. Training events scheduled in 2006 are posted at *http://www.ncua.gov/CreditUnionDevelopment/Events/Index.htm.*

Partnerships

Working to support NCUA's mission to make financial and cooperative services more available, OSCUI facilitates partnerships and identifies new innovative ventures to spur credit union development. During 2005, OSCUI worked with trades, federal and state government agencies, nonprofit organizations and community leaders to identify developmental opportunities for credit unions. Some OSCUI partners include:

- Community Development Financial Institutions;
- Export-Import Bank of the U.S;
- Internal Revenue Service;
- Neighborhood Reinvestment Corporation;
- Small Business Administration;
- U.S. Department of Agriculture; and
- Operation Hope, Inc.

These partnerships offer credit unions an opportunity to receive resources (e.g., financial and operational assistance) and expand programs (e.g., financial education and no-cost tax preparation) to assist communities. Information concerning these partnerships is shared through Access Across America Economic Empowerment Summits, Partnering and Leadership Successes Workshops, OSCUI credit union workshops, Letters to Credit Unions and letters to credit union league offices.

OSCUI, regional staff and other agencies team up to assist Hurricane Katrina affected credit unions

While assistance continues in 2006, in an effort to aid credit unions and the areas impacted by Hurricane Katrina, in 2005 OSCUI resources were used to initiate the following:

- Send OSCUI staff to both the region and the devastated area. In a joint effort with Region IV, OSCUI offered one-on-one assistance to 46 Louisiana credit unions to help with record keeping, strategic planning, collections, field of membership expansion, and grant applications.
- Host a New Orleans Town Hall Meeting in November to provide resources and consult with Louisiana credit unions still struggling in the aftermath of Hurricane Katrina. OSCUI invited ten resource organizations that provided the 100 attendees with information and assistance.
- Develop a technical assistance grant and loan program for affected credit unions. Existing programs were streamlined to encourage credit unions to apply for assistance. The Community Development Revolving Loan Fund designated $120,000 to assist credit unions located in Hurricane Katrina Disaster Relief areas rebuild and continue to provide member services. In 2005, 12 credit unions applied for grants and one credit union applied for a loan.
- Help answer the agency's Katrina response hotline to ensure that members and credit union management received needed information as quickly as possible.

Moving forward

OSCUI is committed to helping credit unions mitigate risk and improve service to their members. There are many opportunities available for credit unions to receive assistance from OSCUI as outlined above. In 2006, OSCUI plans include:

- Continue to provide on-site assistance for credit unions;
- Offer an opportunity for low-income credit unions to apply for the 6 TAG initiatives and apply for Fund loans at 1 percent interest;
- Provide training for credit unions by conducting 20 workshops and various clinics (e.g., 5300 Call Reports and operational assistance);
- Provide training for staff at regional conferences; and
- Increase partnership activities by exploring potential initiatives for credit unions.

OSCUI activities and resources are posted on NCUA's website under "Credit Union Development" at *http://www.ncua.gov/CreditUnionDevelopment/Index.htm*.

Capital Markets and Performance Planning

OFFICE OF CAPITAL MARKETS AND PLANNING

The Office of Capital Markets and Planning (OCMP) is responsible for both the agency's capital market policy and training as well as strategic and annual performance planning.

Capital markets

Through its capital markets program, OCMP assesses significant capital market issues; trains and provides guidance to specialized and general examiners; and provides policy recommendations for investments, asset liability management, financial transactions and major balance sheet risk areas for corporate and natural person credit union examination programs.

In 2005, the Division of Capital Markets reviewed credit union investment activities and interest rate risk management and participated in corporate and natural person credit union examinations. Several investment pilot program applications were reviewed and analysis was provided to support extension of the 18 percent loan ceiling. Additionally, the Capital Markets Division helped develop and issue *Letter to Credit Unions 05-CU-15, Increasing Risks in Mortgage Lending*. Capital Markets also provided examiners with specialized training and guidance in investment and asset liability management.

Performance planning

The planning and economic analysis programs facilitate the agency's required Government Performance Results Act (GPRA) performance planning, budgeting and reporting processes; provide macro and micro economic views and direction of the industry; facilitate the integration of performance planning and economic analysis into the daily operations of the agency; and facilitate continuity of operation planning and training.

In 2005, the Division of Planning facilitated enhancement of NCUA's evolving performance planning, budgeting and reporting processes. OCMP facilitated, on behalf of the executive director, the Strategic Management Council (SMC) and the Information Technology Oversight Committee (ITOC). The SMC modified the NCUA planning process to improve its efficiency and better align it with the NCUA fiscal budget process. OCMP also facilitated preparation of all required GPRA documents for the agency. OCMP provided examiners with specialized updates and guidance in economics. Finally, OCMP directed agency contingency readiness preparation and training, conducted readiness exercises, developed the Continuity of Operations Plan and served as liaison with other federal agencies during Hurricanes Rita, Ophelia and Katrina.

Corporate System Remains Liquid

OFFICE OF CORPORATE CREDIT UNIONS

Corporate credit unions remained flush with liquidity during 2005, though declining slightly from the prior two years. On average, month-end total assets in 2005 were $109 billion compared to $113 billion and $117 billion in 2004 and 2003, respectively. Corporate officials were challenged this year to manage their balance sheets in order to maintain profitable operations in a low-rate environment while not adding undue risk to their investment portfolios.

Mergers on the horizon

After two years without merger activity, two proposed mergers were announced at the end of 2005. Unlike past mergers involving smaller corporate credit unions merging into larger corporates, the proposed mergers involve two sets of large corporates seeking to consolidate. This may signal the beginning of an increase in consolidations which could significantly change the corporate system.

The challenge for OCCU

Without doubt, corporate credit unions will look very different in the years ahead. Consolidations among corporates will likely lead to very large, very complex institutions. Increased competition and advances in technology will force corporates to adapt their business practices to remain viable. The knowledge and skills of OCCU staff will also have to evolve in order to fulfill our ongoing mission—ensuring the safety and soundness of corporate credit unions.

KEY STATISTICS ON FEDERALLY INSURED CORPORATE CREDIT UNIONS December 31, 2005 (In millions)

December 31	2003	2004	2005
Number:	30	31	31
Assets:	$73,606.4	$73,486.8	$73,700.8
Loans:	2,072.6	3,947.2	5,750.4
Shares:	58,787.7	60,436.9	57,661.4
Reserves:	4,194.8	4,351.9	4,486.7
Undivided earnings:	770.2	849.6	910.8
Gross income:	1,602.0	1,672.1	2,519.9
Operating expenses:	300.4	321.7	333.9
Interest on borrowed funds:	32.8	68.5	159.9
Dividends and interest:	1,127.2	1,142.2	1,891.9
Net income:	141.6	139.6	134.1

Dollar amounts do not include U.S. Central

Significant Ratios

Reserves to assets:	5.7	5.9	6.1
Reserves and undivided earnings to assets:	6.7	7.1	7.3
Operating expenses to gross income:	18.7	19.2	13.3
Yield on assets:	2.3	2.3	3.4
Cost of funds to assets:	1.6	1.6	2.8
Gross spread:	.7	.7	.6

Ratios do not include U.S. Central

FEDERAL CORPORATE CREDIT UNIONS December 31, 2005

Corporate Name	City, State	Assets (in millions)
Constitution State[1]	Wallingford, Connecticut	$1,654,498,335
Corporate One	Columbus, Ohio	2,981,322,841
Eastern Corporate	Burlington, Massachusetts	1,329,307,023
Empire Corporate	Albany, New York	4,233,376,938
Kentucky Corporate	Louisville, Kentucky	387,749,534
LICU Corporate	Endicott, New York	5,432,672
Mid-Atlantic Corporate	Middletown, Pennsylvania	2,247,069,530
Mid-States Corporate	Warrenville, Illinois	4,755,844,400
Midwest Corporate	Bismarck, North Dakota	159,275,431
Northwest Corporate	Portland , Oregon	956,098,413
Southeast Corporate	Tallahassee, Florida	3,541,145,451
Southwest Corporate	Plano, Texas	9,298,626,839
Tricorp Corporate	Westbrook, Maine	504,143,357
VACORP	Lynchburg, Virginia	924,498,292
Western Corporate	San Dimas, California	26,501,055,890
Total		**$59,479,444,946**

[1]Constitution converted to a federal charter as of September 16, 2005

FEDERALLY INSURED STATE CORPORATE CREDIT UNIONS December 31, 2005

Corporate Name	City, State	Assets (in millions)
Central Credit Union Fund	Auburn, Massachusetts	$264,228,187
Central Corporate	Southfield, Michigan	2,241,754,518
Corporate America	Irondale, Alabama	881,523,762
Corporate Central	Hales Corners, Wisconsin	1,449,680,205
First Corporate	Phoenix, Arizona	904,005,436
First Carolina Corporate	Greensboro, North Carolina	1,678,687,436
Georgia Central	Duluth, Georgia	1,398,418,709
Iowa Corporate	Des Moines, Iowa	284,982,263
Kansas Corporate	Wichita, Kansas	377,554,273
Louisiana Corporate	Metairie, Louisiana	192,996,951
Missouri Corporate	St. Louis, Missouri	626,615,961
SunCorp	Westminister, Colorado	2,491,310,975
Treasure State Corporate	Helena, Montana	194,524,726
Volunteer Corporate	Nashville, Tennessee	979,977,601
West Virginia Corporate	Parkersburg, West Virginia	255,055,928
Total		**$14,221,316,931**

TOTAL CORPORATE SYSTEM December 31, 2005

Total for All Corporates (Excluding U.S. Central)		**$73,700,761,877**
U.S. Central Federal CU[1]	Lenexa, Kansas	$36,607,889,038

[1]U. S. Central converted to a federal charter as of October 27, 2005

Liquidation Management and Consulting Services

ASSET MANAGEMENT AND ASSISTANCE CENTER

The Asset Management and Assistance Center (AMAC) performs the following services:

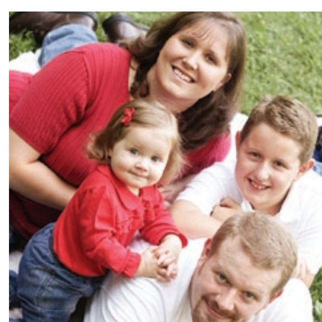
- Administers involuntary liquidations;
- Pays insured shares to account holders;
- Manages and disposes of assets acquired by the NCUSIF;
- Prepares and negotiates bond claims on assigned cases; and
- Provides consulting and training services.

2005 highlights

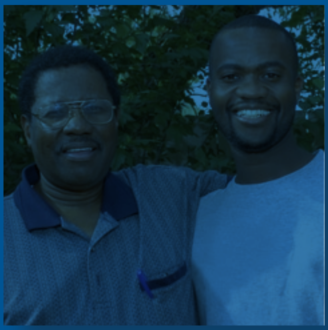
AMAC directed 10 new liquidations in 2005, six due to fraud. These fraud cases required a substantial amount of resources to resolve. In addition, AMAC is managing 60 active cases from liquidations prior to 2005.

AMAC engaged in consulting and teaching assignments in the areas of accounting services, loan portfolio analysis and valuations, commercial loan reviews, consumer loan underwriting, collections, real estate, lease analysis and sub-prime lending analysis.

While fortunate we didn't have to implement it, AMAC prepared a comprehensive contingency plan to make payouts to members of credit unions that might not reopen due to Hurricanes Katrina and Rita.



NCUA
Fund Programs



NCUA's Chief Financial Officer Reports

Once again NCUA has received unqualified opinions on its financial statements from our independent auditors. Since the early 1980s all Funds have received consecutive unqualified audit opinions, with the exception of the Community Development Revolving Loan Fund, which has received consecutive unqualified audit opinions since 1991. These opinions continue to reflect NCUA's commitment to excellence in the area of financial reporting.

Independent auditors, Deloitte & Touche LLP (Deloitte & Touche), have completed their audits of the 2005 financial statements of the Funds of the National Credit Union Administration:

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

The reports present Deloitte & Touche's opinion on the financial statements for the Funds. I am pleased to accept the unqualified opinions on NCUA Funds' financial statements and to note that no material weaknesses were identified during the 2005 audits.

For 2006, we remain focused on strong performance budgeting and financial internal controls to carry out our mission to serve and to be accountable to the American public.

Sincerely,

Dennis Winans
Chief Financial Officer

Fund Programs

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

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

The **National Credit Union Share Insurance Fund** (NCUSIF) is the federal fund created by Congress in 1970 to insure member deposits in credit unions up to the $100,000 federal limit. Administered by the National Credit Union Administration, the NCUSIF is backed by the "full faith and credit" of the U.S. Government.

The **Operating Fund**, which is funded by federal credit unions, in conjunction with the National Credit Union Share Insurance Fund finances NCUA operations.

Fund Messages

The following pages present a description of individual NCUA fund program operations and related activities that took place during 2005.

CLF Provides Back-up Liquidity

CENTRAL LIQUIDITY FACILITY

Congress created the Central Liquidity Facility (CLF) with the National Credit Union Liquidity Facility Act in 1978. The CLF is a "mixed ownership Government corporation" managed by the National Credit Union Administration Board and owned by member credit unions. The CLF serves as a back-up lender to meet the unexpected liquidity needs of its members when funds are unavailable from standard credit sources. The CLF contributes to the financial stability of credit unions during periods of economic volatility.

CLF borrowing cap maintained

By statute, the CLF is authorized to borrow from any source up to 12 times its subscribed capital stock and surplus. Congress historically has restricted the CLF's borrowing limit through the annual appropriations process. Since fiscal year 2001, Congress has approved a $1.5 billion borrowing limit and the same amount was recommended for fiscal year 2006. Continuing the $1.5 billion cap will assure the CLF remains a reliable, effective, low-cost liquidity source when credit union contingency funding sources are unavailable or inadequate.

CLF operations

After funding operating expenses in 2005, the CLF paid members dividends of approximately 100 percent of net investment income for the eleventh consecutive year. The average member dividend was 3.25 percent.

During 2005, the CLF did not receive any loan requests. Credit union liquidity remained strong in 2005. While credit union member loan demand moderately exceeded share growth in 2004 and 2005, share growth exceeded loan growth in the three prior years. The CLF remains ready and able to meet the liquidity needs of the credit union system when unusual, unexpected or extreme events occur.

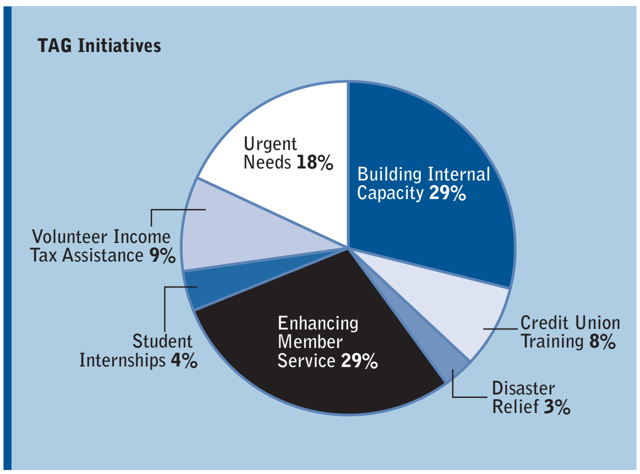
CLF receives 25th clean audit opinion

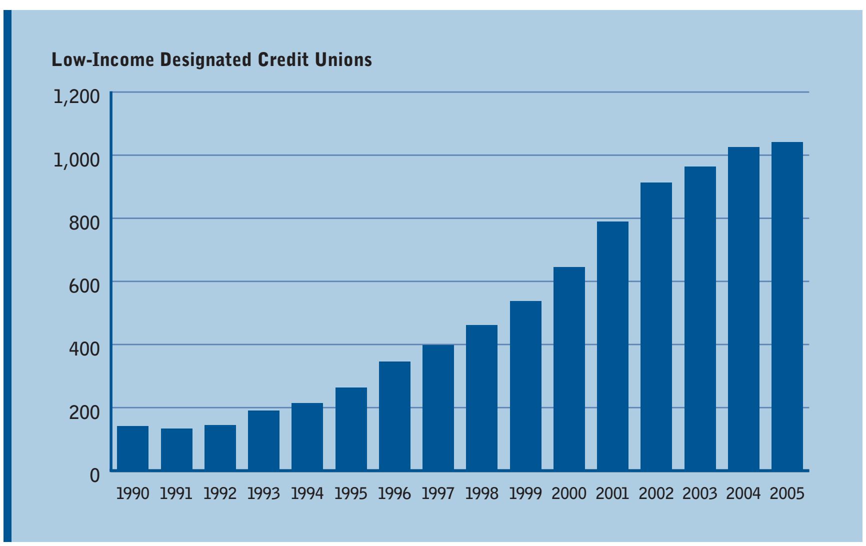
The CLF received an unqualified audit opinion on its 2005 financial statement from independent auditors Deloitte & Touche LLP.

CDRLF Stimulates Economic Development

COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

Fulfilling the Federal Credit Union Act's mission to make credit available to people of small means, Congress created the Community Development Revolving Loan Fund (Fund) Program in 1979 to provide basic financial services to stimulate economic development in low-income communities. Originally appropriated with $6 million, interest and additional appropriations have seen the Fund grow to $15.7 million. The Fund provides reduced rate loans and technical assistance grants (TAG) to low-income credit unions (LICUs) serving low-income communities. At December 31, 2005, there were 1,042 LICUs.





During 2005, $1.9 million in multiyear appropriations for loans and technical assistance (including recision) were received. Of this amount, $1.7 million was designated for TAGs and $198,400 for revolving fund capital (loans). In 2005, NCUA awarded $949,219 in TAGs (of $2 million in TAG requests) to more than 250 LICUs. Approximately $150,000 of the awards was funded from current fund earnings. The graph illustrates the dollar amount expended for each of the seven TAG initiatives. The Fund set aside $120,000 from reserves to assist credit unions located in Hurricane Katrina Disaster Relief areas to rebuild and continue providing member services. The Fund loan portfolio has 60 outstanding loans to LICUs totaling more than $4.5 million. Eleven loans totaling $1.7 million were approved in 2005.

Applications to participate in both the Fund's grant and loan programs can be found at *http://www.ncua.gov/CreditUnionDevelopment/Programs/FinanceGrants.htm*.

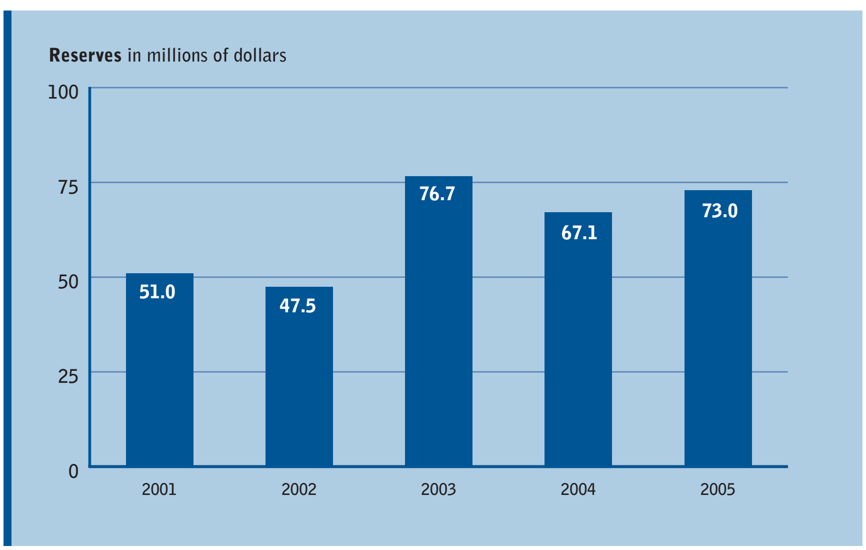
Share Insurance Fund is Stable and Healthy

NATIONAL CREDIT UNION SHARE INSURANCE FUND

Credit unions' slow growth continued during 2005. Insured shares grew 3.0 percent and the year ended with a National Credit Union Share Insurance Fund (Fund) equity ratio of 1.28 percent.

The Board approved a 1.3 percent operating level for 2005. The Fund did not issue a dividend in 2005 because the Fund must rise above the 1.3 percent level to issue a dividend.

Fund revenues were $175.7 million before expenses of $101.4 million in 2005. Most earnings were derived from the Fund's $6.6 billion investment portfolio comprised of U.S. Treasury securities with maturities of five years or less. Operating costs of $80.5 million were $932,000 less than 2004.



Reserves are increased

The Fund ended 2005 with $73.0 million in reserves set aside to protect against future or potential losses. The Fund reserves increased a net $5.8 million during the year. Unallocated reserves were $59.5 million as of December 31, 2005, increasing from $50.7 million at year-end 2004.

Failures remain low

During 2005, 15 credit unions failed resulting in $16.9 million charged to reserves. In accordance with generally accepted accounting principles, insurance losses are incurred when loss reserves are established for institutions considered a probable risk to the Fund. Most of these credit unions are classified CAMEL code 4 or 5 institutions. Money spent on failed institutions is charged to the reserve account and not reflected as insurance loss expense. The number of year-end problem code credit unions increased from 255 to 280 during 2005. Insured shares in these credit unions increased from $4.3 billion in 2004 to $5.8 billion in 2005 and represented approximately 1.12 percent of total insured shares at year-end 2005.

22nd unqualified opinion earned

The Fund received its 22nd consecutive unqualified audit opinion on December 31, 2005, financial statements from independent auditors Deloitte & Touche LLP. The audited financial statements, accompanying footnotes and independent auditors' report appear later in this report.

The National Credit Union Share Insurance Fund continues to be audited by an independent accounting firm, and it is subject to audit by the Government Accountability Office.

RESERVES FOR ESTIMATED LOSSES (in thousands)

Fiscal year	2002	2003	2004	2005
Reserves—beginning of fiscal year	$51,023	$47,543	$76,667	$67,126
Net charges for fiscal year	(15,993)	(8,919)	(6,117)	(15,090)
Provision for insurance losses	12,513	38,043	(3,424)	20,940
Reserves—end of fiscal year	$47,543	$76,667	$67,126	$72,976

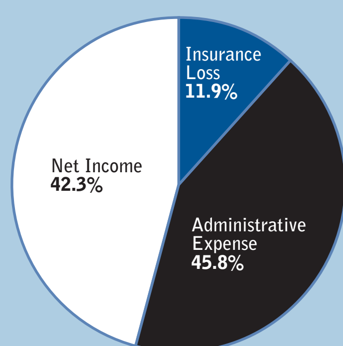
PERCENTAGE OF SHARES BY CAMEL CATEGORY

Category	2002	2003	2004	2005
Code 1 & 2	94.1%	94.1%	91.9%	93.6%
Code 3	5.2	5.2	7.3	5.3
Code 4	0.7	0.7	.8	1.1
Code 5	0.0	0.0	0.0	0.0
Totals	100%	100%	100%	100%

ADMINISTRATIVE COSTS (in thousands)

Fiscal year	2002	2003	2004	2005
Direct expenses	$2,184	$1,868	$1,542	$1,641
Allocated expenses	83,183	83,158	79,863	78,832
Total administrative expenses	$85,367	$85,026	$81,405	$80,473
Percent of NCUA total administrative expenses	62.6%	62.5%	60.3%	57.5%

NCUSIF Income and Expenses by percent



SUMMARY OF CAMEL CODE 4 & 5 CREDIT UNIONS

Fiscal year	2001	2002	2003	2004	2005
Number of Code 4 & 5 credit unions	205	211	217	255	280
Percentage of insured credit unions	2.0%	2.2%	2.3%	2.8%	3.1%
Shares in Code 4 & 5 credit unions	$1.7B	$2.9B	$3.6B	$4.3B	$5.8B
Percentage of NCUSIF natural person insured shares	0.43%	0.66%	0.74%	0.87%	1.12%

INSURED SHARE GROWTH IN FEDERALLY INSURED CREDIT UNIONS* (in millions)

	Shares outstanding			
December 31	Federal credit unions	State credit unions	Total	Percentage change from prior year total shares
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%
1997	178,948	114,327	293,275	6.5%
1998	191,328	130,129	321,457	9.6%
1999	194,766	140,857	335,623	4.4%
2000	195,871	157,996	353,867	5.4%
2001	217,112	185,574	402,686	13.8%
2002	238,912	202,552	441,464	9.6%
2003	262,420	215,056	477,476	8.2%
2004	276,395	222,573	498,968	4.5%
2005	285,713	229,909	515,622	3.3%

**Natural Person Credit Unions*

Insured Credit Union Activity

CHANGES IN FEDERALLY INSURED CREDIT UNIONS Fiscal year 2005

		Federal credit unions		Federally insured state credit unions	Total
Number January 1, 2005		**5,572**		**3,442**	**9,014**
Additions:					
New charters		5		4	9
Conversions	FISCU to FCU	14	FCU to FISCU	10	24
Total Charter Additions		**19**		**14**	**33**
Mergers:		(173)		(129)	(302)
Assisted		(4)		(1)	(5)
Voluntary		(148)		(112)	(260)
Mergers in process		(21)		(16)	(37)
Liquidations:		(16)		(6)	(22)
Voluntary		(0)		(0)	(0)
Involuntary		(8)		(2)	(10)
Liquidations in process		(8)		(4)	(12)
Conversions:		(9)		(19)	(28)
	FCU to FISCU	(9)	FISCU to FCU	(17)	(26)
	FCU to NFICU	(0)	FISCU to NFICU	(0)	(0)
	FCU to Non-CU	(0)	FISCU to Non-CU	(2)	(2)
Total Charters Cancelled		**(198)**		**(154)**	**(352)**
Total credit unions, December 31, 2005		**5,393**		**3,302**	**8,695**
Net change		(179)		(140)	(319)

FCU = Federal credit union

FISCU = Federally insured state-chartered credit union

NFICU = Privately insured state-chartered credit union

Non-CU = Non-credit union charter

MULTIPLE COMMON BOND FEDERAL CREDIT UNION EXPANSIONS January 1–December 31, 2005

Region	I	II	III	IV	V	Total
Number of credit unions	133	206	179	126	133	777
Number of groups added	1,145	2,136	2,464	780	1,782	8,307
200 and less	973	1,879	2,194	634	1,579	7,259
201-500	86	124	149	89	108	556
501-1,000	48	65	57	27	46	243
1,001-1,500	13	19	18	13	22	85
1,501-2,000	5	7	16	5	6	39
2,001-3,000	13	21	10	7	12	63
over 3,000	7	21	20	5	9	62
Potential new members	201,075	438,972	886,275	214,433	325,096	2,065,851
Average size of groups added	176	206	360	275	182	249
Applications denied	0	19	3	8	9	39
Deferrals*	63	99	68	17	33	280
Groups denied of more than 3,000	0	3	1	2	3	9
Groups deferred of more than 3,000	17	18	12	4	6	57
Largest approved	16,500	36,000	367,472	64,800	43,500	

**This number represents the total number of deferrals processed upon initial receipt of an expansion request. Some of these initial deferrals were subsequently approved or denied.*

Operating Fund

NCUA OPERATING FUND

Financing NCUA

NCUA operating costs are shared with the National Credit Union Share Insurance Fund (NCUSIF) by using a monthly accounting procedure known as the overhead transfer. A transfer rate, based on the amount of insurance work performed by NCUA staff, is calculated annually and has ranged from 50 to 67 percent in recent years. For 2005, the transfer rate declined to 57 percent, from 59.8 percent the previous year, primarily due to an increase in the regulatory work performed by NCUA staff. The bulk of remaining cost of NCUA operations is financed by federal credit union annual operating fees. Other revenue includes publication sales and Freedom of Information Act fees. Funds received are invested daily in U.S. Treasury securities.

Operating fee assessment rate lowered

The operating fee assessment is calculated by applying the assessment rate scale to the latest December 31 assets of individual federal credit unions. The 2005 assessment rate decreased 1.23 percent. This decline is primarily due to a decrease in the agency's operating budget from the previous year.

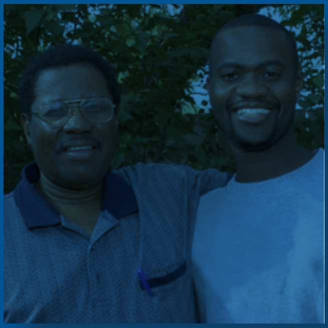
Revenue and expenses

The Operating Fund earned $63.5 million in calendar year 2005. Of this amount, $62.0 million came from operating fees and the balance came from interest and other income. Total operating expenses were $59.5 million, which was $4.1 million under the 2005 budgeted amount of $63.6 million. The budget variance is largely attributed to staff vacancies during the year averaging 5.2 percent below the authorized level of 960.97 full-time positions. However, vacancies actually decreased from 51 to 33 positions during the year and the vacancy level was 3.4 percent at year-end 2005.

Unqualified opinions for 2005

For the 22nd consecutive year, independent accountants rendered unqualified opinions for NCUA's financial units. The Report of Deloitte & Touche LLP and the comparative financial statements of the National Credit Union Share Insurance Fund, Operating Fund, Central Liquidity Facility, and Community Development Revolving Loan Fund for fiscal years 2005 and 2004 follow on pages 49–77.

NCUA Annual Performance Summary

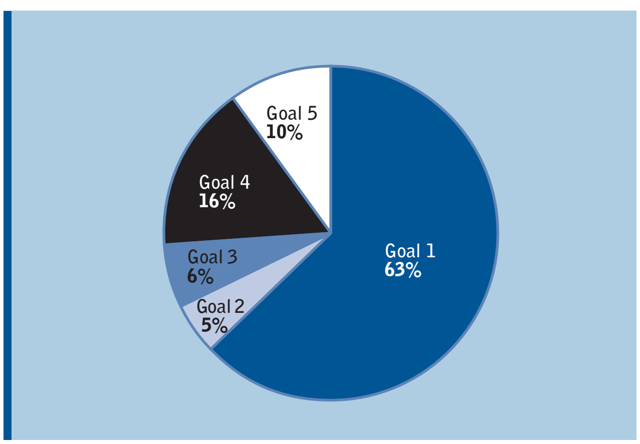


NCUA Annual Performance Report 2005

Annual Performance Summary

2005 was another good year for federally insured credit unions with increases in assets, loans, shares and net worth. This resulted in a continued healthy National Credit Union Share Insurance Fund (NCUSIF). NCUA's oversight of the credit union system and management of the NCUSIF were accomplished using fewer resources in dollars and full time equivalents (FTE) staff than budgeted, highlighting NCUA's efficiency and effectiveness in 2005. NCUA's success in meeting 2005 annual performance goals drove these accomplishments.

The following graph depicts the percentage of FTE and dollars allocated to each of NCUA's five strategic goals.



Detailed figures for FTE and dollars as well as an analysis of 2005 performance goals are included in the framework and resource allocation section for each strategic goal.

Program Evaluations

The Office of Management and Budget completed a Program Assessment Rating Tool Evaluation (PART) of NCUA's Regulatory Program in 2005. The PART review did not reveal any material deficiencies requiring corrective action. NCUA received the highest rating—Effective—during the PART Evaluation.

In addition to the PART review, NCUA had the following reviews performed during 2005:

- Financial statement audits performed by Deloitte & Touche LLP
- Federal Information Security Management Act review
- Various reviews performed by the Government Accountability Office
- Network penetration testing performed by KPMG
- Information technology customer service survey

No material deficiencies were noted during these reviews.

Reliability of Data

The examination and supervision programs for natural person and corporate credit unions employ multiple checks and balances to evaluate processes and to verify and validate data collected. A few of the processes include:

- Surveillance Systems Working Group
- 5300 Call Report Program (Natural Person)
- 5310 Call Report Program (Corporate)
- Information System and Technology Program

Performance Key

NCUA measures its success by achieving a particular outcome. Therefore, NCUA considers its annual performance goals in aggregate in support of the associated outcome goal. The fact that an annual performance goal was not met does not indicate failure as long as the overall outcome was achieved.

The following key is used to depict our performance level for 2005 and the three prior years.

Goal achieved	●
Goal not achieved with no impact on overall program and activity performance	●
Goal not achieved with impact on overall program and activity performance	●
Goal not achieved and no longer applicable with no impact on overall program and activity performance	●
Goal not applicable during stated year	○
Data indicates positive trend	↑
Data indicates marginal trend	→
Data indicates negative trend	↓

STRATEGIC GOAL 1—STRATEGIC FRAMEWORK AND RESOURCE ALLOCATION

Strategic Goal 1	Outcome Goals	Annual Performance Goals
A system of financially sound, well-managed, federally insured credit unions able to withstand economic volatility.	1.1 NCUA promotes effective risk management practices.	1.1(a) NCUA Rules and Regulations promote the use of effective risk management practices. 1.1(b) NCUA's risk-focused supervision process provides credit unions with useful, effective and efficient means for improving their risk management practices. 1.1(c) Emerging risks and trends are identified and evaluated for resulting regulatory changes, changes to the supervision process and/or the development of guidance.
	1.2 NCUA timely resolves safety and soundness issues.	1.2(a) The percentage of federally insured credit unions (FICUs) with long-standing unresolved problems that threaten their safety and soundness is limited. 1.2(b) FICUs in danger of insolvency are effectively monitored and assessed for continued viability.
	1.3 NCUA's supervision efforts influence credit unions to effectively plan to meet current and future financial and managerial challenges.	1.3(a) NCUA staff, credit unions, and other interested parties are proficient in assessing strategic risk and understanding strategic planning concepts. 1.3(b) NCUA provides credit unions and staff with critical and valuable information to assist with planning and evaluating emerging issues. 1.4(a) NCUA diligently manages the NCUSIF to support credit union deposit insurance needs.

STRATEGIC GOAL 1 RESOURCE ALLOCATION

Category	2002	2003	2004	2005
Budgeted FTE	628.66	634.71	602.95	580.43
Actual FTE	604.76	580.05	556.31	570.67
Budgeted Dollars	$92,790,450	$95,485,302	$93,842,706	$89,389,586
Actual Dollars	$84,528,781	$84,072,892	$82,628,101	$86,613,408

STRATEGIC GOAL 1

Annual Performance Goals—Measures, Targets and Performance

Annual Performance Goal 1.1(a)

Measure/Target	Review and update at least 1/3 of NCUA Rules and Regulations.			
Results	Following a three-year schedule for reviews, 1/3 of NCUA Rules and Regulations were reviewed with necessary updates completed.			
Performance	2002	2003	2004	2005
↑	○	●	●	●

Annual Performance Goal 1.1(b)

Measure/Target	Implement necessary changes identified through third-party reviews by (i.e., OIG, GAO, OMB, etc.)			
Results	All necessary changes were implemented.			
Performance	2002	2003	2004	2005
↑	○	○	●	●

Measure/Target	Maintain a 4.5 or better rating on question 2 of NCUA's Examination Survey which asks whether the exam provided management with sufficient direction for improving risk management at the credit union.			
Results	Met			
Performance	2002	2003	2004	2005
↑	○	○	4.5%	4.5%

Annual Performance Goal 1.1(b)

Measure/Target	At least 90 percent of corporate credit unions receive a CRIS Risk Management rating of 3 or better.			
Results	Met			
Performance	2002	2003	2004	2005
↑	○	○	100%	100%

Annual Performance Goal 1.1(c)

Measure/Target	Distribute National Risk Trends Report and other communications to staff semi-annually and as needed.			
Results	National risk trends were distributed for 12/31/04 and 6/30/2005 with additional communications issued throughout the year.			
Performance	2002	2003	2004	2005
↑	○	○	●	●

Annual Performance Goal 1.2(a)

Measure/Target	Limit FICUs with a CAMEL code 3 or greater for more than 36 months and a Management component code of 3 or greater to 3 percent or less of all FICUs.			
Results	Consistent with NCUA's risk-focused examination program's forward looking focus, more institutions are identified with weaknesses in corporate governance, due diligence, risk management systems and internal controls. These operational weaknesses are reflected in the Management and Composite CAMEL ratings. The decline in the total number of credit unions also has an impact. The results do not affect overall program or activity performance.			
Performance	2002	2003	2004	2005
→	○	○	3.67%	3.73%

Measure/Target	Limit FICUs with a CAMEL code 4 or 5 for more than 12 months to 1 percent or less of all FICUs			
Results	Met			
Performance	2002	2003	2004	2005
↑	○	○	1.0%	0.91%

Measure/Target	Limit FICUs with a return on assets of less than 0.50 percent and net worth less than 6 percent to 1 percent of all FICUs.			
Results	Met			
Performance	2002	2003	2004	2005
↑	○	○	0.73%	0.61%

Annual Performance Goal 1.2(b)

Measure/Target	Limit FICUs with a net worth ratio of less than 2 percent to 0.25 percent of all FICUs.			
Results	Met			
Performance	2002	2003	2004	2005
↑	○	0.25%	0.13%	0.13%

Annual Performance Goal 1.3(a)

Measure/Target	Limit FICUs with a high strategic risk rating to 15 percent of all FICUs.			
Results	Met			
Performance	2002	2003	2004	2005
↑	○	○	17.7%	15.0%

Annual Performance Goal 1.3(b)

Measure/Target	Maintain a 4.5 or better rating on question 1 on NCUA's Examination Survey which asks whether the examiner communicated effectively with management and officials throughout the examination.			
Results	Met			
Performance	2002	2003	2004	2005
↑	○	4.5%	4.6%	4.5%

Measure/Target	Issue Letters to Credit Unions, Regulatory Alerts and other communications as needed.			
Results	Necessary communications issued.			
Performance	2002	2003	2004	2005
↑	○	○	●	●

Annual Performance Goal 1.4(a)

Measure/Target	Maintain the NCUSIF's Equity Ratio at 1.3 percent.			
Results	A decrease in the growth rate of insured shares and deposits coupled with increased earnings on Share Insurance Fund investments resulted in a slight increase in the equity ratio; it remains in an acceptable range.			
Performance	2002	2003	2004	2005
	○	1.27	1.27	1.28

Measure/Target	An increase in the percentage of the credit union system's market share of federally insured assets from the prior year (2004 performance—6.02 percent).			
Results	This goal was established as a stretch goal with the emphasis over time to increase market share. While this goal was not met, it remains in an acceptable range and did not affect overall program or activity performance.			
Performance	2002	2003	2004	2005
	○	○	6.02	5.95

STRATEGIC GOAL 2—STRATEGIC FRAMEWORK AND RESOURCE ALLOCATION

Strategic Goal 2	Outcome Goals	Annual Performance Goals
The safe integration of credit union financial services and emerging technology.	2.1 NCUA's supervision process is designed to identify, measure, monitor, report, and control the risks existing and emerging financial service technologies pose to credit unions and the NCUSIF.	2.1(a) NCUA Information System & Technology (IS&T) subject matter examiner workforce possesses an above average knowledge of procedures and controls in internal and external IS&T environments.
	2.2 NCUA provides information and resources to help ensure credit unions safely integrate, operate, and effectively manage existing and emerging financial service technologies.	2.2(a) The credit union community's use and understanding of technology planning including disaster recovery and contingency plans, due diligence expectations and best practices is enhanced.

STRATEGIC GOAL 2 RESOURCE ALLOCATION

	2002	2003	2004	2005
Budgeted FTE	36.48	31.86	34.15	43.35
Actual FTE	34.81	32.23	34.34	43.75
Budgeted Dollars	$5,460,094	$4,792,946	$5,315,415	$6,675,976
Actual Dollars	$4,874,055	$4,671,581	$5,100,743	$6,639,570

STRATEGIC GOAL 2

Annual Performance Goals—Measures, Targets and Performance

Annual Performance Goal 2.1(a)

Measure/Target	Review and, if necessary, update IS&T Subject Matter Examiner (SME) competencies.			
Results	Reviewed and updated the list of competencies that SMEs should possess and developed the assessment criteria for establishing their levels of competency.			
Performance	2002	2003	2004	2005
↑	○	○	●	●

Annual Performance Goal 2.2(a)

Measure/Target	Issue, as necessary, guidance on effective technology management practices.			
Results	Necessary guidance issued as appropriate.			
Performance	2002	2003	2004	2005
↑	○	○	●	●

STRATEGIC GOAL 3—STRATEGIC FRAMEWORK AND RESOURCE ALLOCATION

Strategic Goal 3	Outcome Goals	Annual Performance Goals
A regulatory environment that faciliates credit union innovation to meet member financial service expectations while maintaining safety and soundness.	3.1 NCUA regulations are current, clearly written, flexible, necessary and relevant for an effective regulatory environment.	3.1(a) NCUA regulations facilitate credit union innovation.
	3.2 NCUA's supervision process supports credit union financial services that are innovative and competitive in a changing economic environment.	3.2(a) The NCUA Board's regulatory philosophy is effectively communicated throughout all levels of the organization. 3.2(b) NCUA's supervision process is efficient, effective, flexible and facilitative in a competitive environment yet maintains safety and soundness standards.
	3.3 NCUA contributes to a regulatory environment that promotes credit union innovation.	3.3(a) Communication of legislative and regulatory information is efficient, timely and effective.

STRATEGIC GOAL 3 RESOURCE ALLOCATION

	2002	2003	2004	2005
Budgeted FTE	72.18	70.65	68.12	68.67
Actual FTE	79.55	69.80	67.92	55.93
Budgeted Dollars	$10,653,276	$10,628,670	$10,602,367	$10,574,945
Actual Dollars	$11,119,362	$10,116,821	$10,088,482	$8,488,581

STRATEGIC GOAL 3

Annual Performance Goals—Measures, Targets and Performance

Annual Performance Goal 3.1(a)

Measure/Target	Review and update at least 1/3 of NCUA Rules and Regulations.			
Results	Using a three-year schedule for reviews, 1/3 of NCUA Rules and Regulations were reviewed with necessary updates completed.			
Performance	2002	2003	2004	2005
↑	○	●	●	●

Annual Performance Goal 3.2(a)

Measure/Target	Implement changes in the Human Capital Survey Report to improve employee satisfaction level with management communication of organizational information.			
Results	Necessary changes implemented.			
Performance	2002	2003	2004	2005
↑	○	○	●	●

Annual Performance Goal 3.2(b)

Measure/Target	Maintain a 4.5 or better rating on questions 3 and 7 on NCUA's Exam Survey which asks whether topics discussed with credit union officials were relevant to identified and potential risks and whether the overall exam process was effective.			
Results	Met			
Performance	2002	2003	2004	2005
↑	○	Q3 4.5 Q7 4.5	Q3 4.6 Q7 4.6	Q3 4.5 Q7 4.6

Measure/Target	Maintain examination and supervision productive time as a percentage of total examiner time at 59 percent or greater.			
Results	In 2005 the agency was in a hiring and training mode. The hiring effort resulted in the agency approaching full field staff level by year-end 2005. Improvements in productive time are expected to be reflected in 2006.			
Performance	2002	2003	2004	2005
→	○	59%	57%	57%

Annual Performance Goal 3.3(a)

Measure/Target	Make legislative and regulatory information available to credit unions, leagues and trades through publication as appropriate.			
Results	Published as appropriate.			
Performance	2002	2003	2004	2005
↑	○	○	●	●

STRATEGIC GOAL 4—STRATEGIC FRAMEWORK AND RESOURCE ALLOCATION

Strategic Goal 4	Outcome Goals	Annual Performance Goals
Credit unions leverage their unique place in the American financial system to extend availability of service to all who seek such service, while encouraging and recognizing their historical emphasis on servicing those of modest means.	4.1 NCUA promotes increased credit union membership and accessibility with service to the underserved and enhanced financial service offerings.	4.1(a) Financial service availability is expanded to people from all walks of life.
	4.2 NCUA appropriately shapes the regulatory environment to allow credit unions to meet the changing economical and sociological financial needs of credit union members.	4.2(a) The regulatory environment allows credit unions to enhance financial services by reducing regulatory barriers and sharing information and legislative efforts with credit unions, leagues, and associations.
	4.3 NCUA identifies and shares innovative initiatives to further credit union service while ensuring the safe and sound condition of the credit union system.	4.3(a) Innovative best practice member service solutions are available to credit unions.

STRATEGIC GOAL 4 RESOURCE ALLOCATION

	2002	2003	2004	2005
Budgeted FTE	151.58	126.20	155.52	166.79
Actual FTE	145.68	146.14	151.04	147.64
Budgeted Dollars	$22,372,974	$18,984,865	$24,205,613	$25,686,320
Actual Dollars	$20,362,714	$21,182,096	$22,433,702	$22,407,310

STRATEGIC GOAL 4

Annual Performance Goals—Measures, Targets and Performance

Annual Performance Goal 4.1(a)

Measure/Target	Potential underserved members added are equal to or above the three-year moving average number of potential underserved members added.			
Results	Performance levels are beginning to taper off from the initial rapid success achieved upon implementation of underserved area expansions. The slightly lower results do not affect overall program or activity performance.			
Performance	2002	2003	2004	2005
↑	23.5M	25.1M	27.4M	24.6M

Annual Performance Goal 4.2(a)

Measure/Target	Increase in the number of credit union members by 2 percent or greater.			
	Increase in credit union assets by 8 percent or greater.			
	Increase in credit union shares by 7.5 percent or greater.			
	Increase in credit union loans by 6 percent or greater.			
Results	With 85 million credit union members, credit unions have achieved a 30 percent penetration level of the United States population. Growth rates are expected to trend lower with increased penetration rates. Deposit growth levels, which drive asset growth, are predominately driven by macro-economic and demographic changes. The improved stock market has slowed deposit growth in financial institutions. The growth level of shares and assets for credit unions remains consistent with other federally insured financial institutions. The slightly lower results in member, asset and share growth do not affect overall program or activity performance.			
Performance	2002	2003	2004	2005
Members	○	○	1.4%	1.5%
Assets			6.0%	4.9%
Shares			5.3%	3.8%
Loans			10.1%	10.6%

Annual Performance Goal 4.3(a)

Measure/Target	Conduct single focus workshops that foster Access Across America initiative objectives.			
Results	Workshops conducted throughout the year.			
Performance	2002	2003	2004	2005
↑	○	○	●	●

STRATEGIC GOAL 5—STRATEGIC FRAMEWORK AND RESOURCE ALLOCATION

Strategic Goal 5	Outcome Goals	Annual Performance Goals
NCUA's organization is appropriately structured to enable credit unions to continue to flourish while addressing the challenges of the 21st century.	5.1 NCUA has the ability to identify emerging management and human capital issues and trends and implement timely and effective solutions in a cost effective manner.	5.1(a) Human resource decisions are optimal, supported by data and aligned with the agency's mission, values, and goals. 5.1(b) Subject Matter Examiners (SME) maintain the requisite competencies required by their SME designation. 5.1(c) NCUA staff has the requisite information technology skills to effectively support the accomplishment of agency mission and goals. 5.1(d) Efficiency and effectiveness are enhanced through partnerships with sister FFIEC agencies.
	5.2 NCUA strategic goals are supported by an integrated, reliable and secure Information Technology architecture.	5.2(a) NCUA program and operational support-related capabilities are enhanced by leveraging existing and emerging technologies. 5.2(b) Security reviews reflect minimal deficiencies. 5.2(c) NCUA networks and servers are reliable.
	5.3 NCUA's organizational structure supports a safe and sound credit union system while facilitating growth and development in a changing environment.	5.3(a) NCUA employs sound business planning principles at all levels of the agency to assess past performance and improve future operating results. 5.3(b) NCUA examination and supervision procedures are appropriately structured to identify and minimize the potential risks arising from large credit unions.
	5.4 The people, tools, and structure are in place to minimize the impact of any potential crisis situation.	5.4(a) The operational impact of a crisis situation is minimized. 5.4(b) NCUA physical, human capital and information technology assets are protected during a crisis situation.

STRATEGIC GOAL 5 RESOURCE ALLOCATION

	2002	2003	2004	2005
Budgeted FTE	106.30	107.60	102.55	101.74
Actual FTE	93.50	98.43	89.41	93.25
Budgeted Dollars	$15,690,667	$16,187,929	$15,961,491	$15,669,317
Actual Dollars	$13,069,330	$14,267,161	$13,279,348	$14,152,954

STRATEGIC GOAL 5

Annual Performance Goals—Measures, Targets and Performance

Annual Performance Goal 5.1(a)

Measure/Target	Act on areas identified for improvement in the 2003 Human Capital Survey.			
Results	Continued focus on key leadership competencies for supervisors and managers though training and development programs.			
Performance	2002	2003	2004	2005
↑	○	○	●	●

Annual Performance Goal 5.1(b)

Measure/Target	Identify and update SME competency requirements, as needed, and provide training and development options to achieve competency levels required for effective performance as an SME.			
Results	Necessary updates and training performed.			
Performance	2002	2003	2004	2005
↑	○	○	●	●

Measure/Target	Establish a baseline for the percentage of CU-12 examiners with an above average competency rating average response rating of 4 or better on the Workforce Planning Survey question asking whether employees are provide the training to achieve the requisite competency level.			
Results	Results pending until 2007.			
Performance	2002	2003	2004	2005
	○	○	○	TBD

Annual Performance Goal 5.1(c)

Measure/Target	At least 90 percent of examiners have an average response rating of 4 or better on the Workforce Planning Survey question dealing with the effectiveness of agency provided hardware, purchased software and custom applications.			
Results	Results pending until 2007.			
Performance	2002	2003	2004	2005
	○	○	○	TBD

Annual Performance Goal 5.1(d)

Measure/Target	Advancement of interagency working group mutual goals through the FFIEC Annual Report.			
Results	Contributed to FFIEC task forces and working groups.			
Performance	2002	2003	2004	2005
↑	○	○	●	●

Annual Performance Goal 5.2(a)

Measure/Target	Receive an average rating equal to or above the peer group average rating on an independent customer service survey.			
Results	Met			
Performance ↑	2002	2003	2004	2005
	3.83	3.38	3.40	3.65

Annual Performance Goal 5.3(a)

Measure/Target	Complete all requirements of NCUA Instruction 9501 "NCUA Strategic and Annual Performance Planning".			
Results	All requirements met.			
Performance ↑	2002	2003	2004	2005
	○	○	●	●

Annual Performance Goal 5.2(b)

Measure/Target	Minimal material deficiencies are noted during the Federal Information Security Management Act (FISMA) review.			
Results	No material deficiencies noted.			
Performance ↑	2002	2003	2004	2005
	●	●	●	●

Annual Performance Goal 5.3(b)

Measure/Target	Implement the findings from the large credit union pilot program.			
Results	NCUA determined it was not necessary to make changes in its examination program based on the large credit union pilot program findings.			
Performance	2002	2003	2004	2005
	○	○	●	●

Annual Performance Goal 5.2(c)

Measure/Target	Maintain percentage of network and server availability at an acceptably high level of at least 98 percent.			
Results	Met			
Performance ↑	2002	2003	2004	2005
	○	98.21	99.25	99.52
		98.69	98.72	97.65

Annual Performance Goal 5.4(a) & (b)

Measure/Target	Review, test and update the Continuity of Operations Plan.			
Results	Due to lessons learned from Hurricanes Katrina and Rita, major revisions to NCUA's Continuity of Operations Plan are underway. Necessary training and testing was completed during 2005.			
Performance ↑	2002	2003	2004	2005
	○	○	●	●

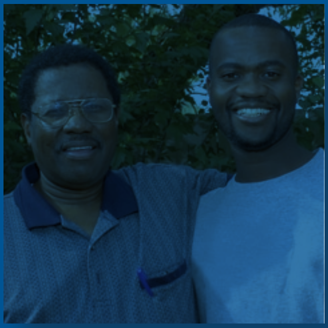






Auditors' Report and Financial Statements





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INDEPENDENT AUDITORS' REPORT

To the Inspector General of
National Credit Union Administration

We have audited the financial statements appearing on pages 50 - 77 of this Annual Report of respectively, the National Credit Union Share Insurance Fund, the National Credit Union Administration Operating Fund, the National Credit Union Administration Central Liquidity Facility, and the National Credit Union Administration Community Development Revolving Loan Fund (collectively, the "NCUA Funds") as of and for the years ended December 31, 2005 and 2004. These financial statements are the responsibility of the National Credit Union Administration's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NCUA Funds' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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, such financial statements present fairly, in all material respects, the financial position of the National Credit Union Share Insurance Fund, of the National Credit Union Administration Operating Fund, of the National Credit Union Administration Central Liquidity Facility, and of the National Credit Union Administration Community Development Revolving Loan Fund as of December 31, 2005 and 2004, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

March 24, 2006

NATIONAL CREDIT UNION SHARE INSURANCE FUND

BALANCE SHEETS
AS OF DECEMBER 31, 2005 AND 2004
(Dollars in thousands)

ASSETS	2005	2004
ASSETS:		
Investments (Note 6)	$4,808,210	$4,485,591
Cash and cash equivalents	1,798,763	1,872,174
Accrued interest receivable	52,102	38,246
Assets acquired in assistance to insured credit unions	17,588	16,627
NCUSIF subordinated note		
Note receivable—National Credit Union Administration Operating Fund (Note 8)	23,802	25,143
Other notes receivable	1,740	1,558
Fixed assets—net of accumulated depreciation and amortization (Note 3)	104	518
TOTAL	$6,702,309	$6,439,857

LIABILITIES AND FUND BALANCE	2005	2004
LIABILITIES:		
Estimated losses from supervised credit unions (Note 4)	$ 72,976	$ 67,126
Amounts due to insured shareholders of liquidated credit unions	8,257	11,601
Due to National Credit Union Administration Operating Fund (Note 8)	133	150
Cash assistance liability	2,357	1,078
Accounts payable	35	72
Obligations under capital leases (Note 9)	107	522
Total liabilities	83,865	80,549
FUND BALANCE:		
Insured credit unions' accumulated contributions	5,128,031	4,943,144
Insurance fund balance	1,490,413	1,416,164
Total fund balance	6,618,444	6,359,308
TOTAL	$6,702,309	$6,439,857

See notes to financial statements.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Dollars in thousands)

	2005	2004
REVENUES:		
Interest	$ 175,017	$ 124,836
Other	645	515
Total revenues	175,662	125,351
EXPENSES (Note 8):		
Administrative expenses:		
Employee wages and benefits	59,739	61,196
Travel	6,743	6,822
Rent, communications, and utilities	2,239	2,539
Contracted services	3,691	3,827
Provision (reduction of allowance) for insurance losses (Note 4)	20,940	(3,424)
Other	8,061	7,021
Total expenses	101,413	77,981
EXCESS OF REVENUES OVER EXPENSES	$ 74,249	$ 47,370

STATEMENTS OF FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Dollars in thousands)

	Insured Credit Unions' Accumulated Contributions	Insurance Fund Balance
BALANCE AT JANUARY 1, 2004	$4,704,596	$1,368,794
Contributions from insured credit unions	238,548	
Excess of revenues over expenses		47,370
BALANCE AT DECEMBER 31, 2004	4,943,144	1,416,164
Contributions from insured credit unions	184,887	
Excess of revenues over expenses		74,249
BALANCE AT DECEMBER 31, 2005	$5,128,031	$1,490,413

See notes to financial statements.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Dollars in thousands)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenues over expenses	$ 74,249	$ 47,370
Adjustments to reconcile excess of revenues over expenses to cash provided by operating activities:		
Depreciation and amortization	414	416
Amortization of premiums and discounts on investments—net	49,022	98,206
Reserves (recoveries) relating to losses from supervised credit unions—net	5,850	(9,541)
Decrease (increase) in assets:		
Accrued interest receivable	(13,856)	7,515
Assets acquired in assistance to insured credit unions, net	(961)	(4,410)
NCUSIF subordinated notes		1,711
Other notes receivable and advances	(182)	(678)
Increase (decrease) in liabilities:		
Amounts due to National Credit Union Administration Operating Fund	(17)	(1,764)
Amounts due to insured shareholders of liquidated credit unions	(3,344)	2,060
Accounts payable	(37)	69
Cash assistance liability	1,279	978
Net cash provided by operating activities	112,417	141,932
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of investments	(2,271,641)	(2,374,187)
Proceeds from maturities of investments	1,900,000	2,500,000
Collections on note receivable—National Credit Union Administration Operating Fund	1,341	1,341
Net cash (used in) provided by investing activities	(370,300)	127,154
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions from insured credit unions	184,887	238,548
Principal payments under capital lease obligation	(415)	(414)
Net cash provided by financing activities	184,472	238,134
NET INCREASE IN CASH AND CASH EQUIVALENTS	(73,411)	507,220
CASH AND CASH EQUIVALENTS—Beginning of year	1,872,174	1,364,954
CASH AND CASH EQUIVALENTS—End of year	$1,798,763	$1,872,174

See notes to financial statements.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

1. ORGANIZATION AND PURPOSE

The National Credit Union Share Insurance Fund (the "Fund" or "NCUSIF") 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. 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 these 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 NCUSIF subordinated 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. All investments are classified as held-to-maturity under Statement of Financial Standards No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. Accordingly, the Fund records investments at amortized cost. Amortized cost is the face value of the securities plus the unamortized premium or less the unamortized discount.

***Depreciation and Amortization*—**Furniture, equipment and capital leases are recorded at cost. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of the furniture and equipment and the shorter of the estimated useful life or lease term for capital leases. Estimated useful lives are three years for the furniture, equipment and capital leases.

***Advances to Insured Credit Unions*—**The Fund provides cash assistance in the form of interest and noninterest-bearing NCUSIF ("National Credit Union Share Insurance Fund") subordinated notes (carried at face value), share deposits, and loans to certain credit unions to assist them in continuing their operations.

Assets Acquired in Assistance to Insured 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 non-performing assets of a credit union experiencing financial difficulty. These acquired assets are maintained by the Asset Management and Assistance Center in Austin, Texas, and are recorded by the Fund at their estimated net realizable value.

Premium Revenue—The Fund may assess each insured credit union a premium charge for insurance in an amount stated as a percentage of insured shares outstanding as of December 31 of the preceding insurance year if the Fund's equity ratio is less than 1.3%. The NCUA Board waived the 2005 and 2004 share insurance premiums (see Note 5).

Income Taxes—The Fund is exempt from Federal income taxes under Section 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—The carrying amounts for cash and cash equivalents approximate fair values.

Investments—The fair value for investments is the quoted market value.

Other Notes Receivable—It is not practicable to estimate the fair value of these assets as there is no secondary market. The Fund has the ability and the intention to hold any such notes to maturity.

Other—Accrued interest receivable, other accounts receivable, note receivable from NCUA Operating Fund, due to NCUA Operating Fund, capital lease obligations, due to insured shareholders of liquidated credit unions, and accounts payable are recorded at book values, which approximate the respective fair values.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions, particularly the estimated losses from supervised credit unions, 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. The more significant estimates include the estimated losses from supervised credit unions and the allowance for loss on assets acquired in assistance to insured credit unions.

Reclassifications—Certain 2004 balances have been reclassified to conform to the 2005 presentation.

3. FIXED ASSETS

At December 31, 2005 and 2004, fixed assets are comprised of the following (in thousands):

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

	December 31,	
	2005	2004
Furniture and equipment	$ 500	$ 500
Equipment under capital leases	1,237	1,240
Total	1,737	1,740
Less—Accumulated depreciation and amortization	(1,633)	(1,222)
Total fixed assets—net	$ 104	$ 518

Accumulated amortization balances for equipment under capital leases as of December 31, 2005 and 2004, totaled (in thousands) $1,133 and $723, respectively.

4. PROVISION FOR INSURANCE LOSSES

Management identifies credit unions experiencing financial difficulty through NCUA's supervisory and examination process. The estimated losses from these supervised credit unions are determined by management on a specified case basis. Management also evaluates overall economic trends and monitors potential system-wide risk factors such as increasing levels of consumer debt, bankruptcies, and delinquencies. NCUA applies a rating system to assess a credit union's financial condition and operations in the areas of Capital Adequacy, Asset Quality, Management, Earnings, and Asset/Liability Management ("CAMEL"). The CAMEL Rating System is a tool to measure risk and allocate resources for supervisory purposes. The NCUA periodically reviews the CAMEL Rating System to respond to continuing economic and regulatory changes in the credit union industry. During 2004, NCUA developed a new model of determining reserve requirements. For non-specified case reserve requirements, risk profile categories are established based on the CAMEL ratings of problem credit unions, and probable failure and loss rates are applied based on historical data. The anticipated losses are net of estimated recoveries from the disposition of the assets of failed credit unions.

Total insurance in force as of December 31, 2005 and 2004, is $516.6 billion and $500 billion, respectively, which includes natural person and corporate credit unions. The total net reserves for identified and anticipated losses from supervised credit unions' failures are $73 million and $67 million at December 31, 2005 and 2004, respectively. Should there be no recoveries provided during the resolution process, potential additional reserves for $10 million would be required as of December 31, 2005.

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. The Fund would be obligated upon non-performance. Such guarantees totaled approximately $0 at both December 31, 2005 and 2004. The estimated losses from asset and merger guarantees are determined by management on a case-by-case evaluation.

In addition, the Fund may grant a guaranteed line-of-credit to a third party credit provider, such as a corporate credit union or bank, if a credit union has a current or immediate liquidity concern and the credit provider has refused to extend credit without a guarantee. The Fund would be obligated if the credit union failed to perform. Total line-of-credit guarantees of credit unions at December 31, 2005 and 2004, are approximately $2.2 million and $0, respectively. The total balances outstanding under these line-of-credit guarantees at December 31, 2005 and 2004, are approximately $2.1 million and $0, respectively.

From time to time, the Fund provides indemnifications in merger assistance agreements to acquiring credit unions. Such indemnifications make the Fund contingently liable based on the outcome of legal actions. As of December 31, 2005, outstanding indemnification contingencies total approximately $1.4 million. No such indemnification contingencies existed as of December 31, 2004. The activity in the reserves for estimated losses from supervised credit unions for the years ended December 31, 2005 and 2004, was as follows (in thousands):

	2005	2004
Beginning Balance	$67,126	$76,667
Insurance losses	(24,177)	(17,660)
Recoveries	9,087	11,543
Provision (reduction of allowance) for insurance losses	20,940	(3,424)
Ending Balance	$72,976	$67,126

5. FUND CAPITALIZATION

The Credit Union Membership Access Act of 1998 ("CUMAA") mandated changes to the Fund's capitalization provisions effective January 1, 2000. Each insured credit union shall pay to and maintain with the Fund a deposit in an amount equaling 1% of the credit union's insured shares. The amount of each insured credit union's deposit shall be adjusted as follows, in accordance with procedures determined by the NCUA Board, to reflect changes in the credit union's insured shares: (i) annually, in the case of an insured credit union with total assets of not more than $50 million; and (ii) semiannually, in the case of an insured credit union with total assets of $50 million or more. The annual and semiannual adjustments are based on member share deposits outstanding as of December 31 of the preceding year and June 30 of the current year, respectively. The 1% contribution will be returned to the insured credit union in the event that its insurance coverage is terminated, or is obtained from another source, or the operations of the Fund are transferred from the NCUA Board.

The CUMAA mandates certain premium charges from insured credit unions and distributions from the Fund under certain circumstances. A premium charge to insured credit unions is required if the Fund's equity ratio (as defined in the CUMAA) falls below 1.2% of insured shares. Also, pro rata distributions to insured credit unions after each calendar year are required if, as of year-end:

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

(ii) The Fund's equity ratio exceeds the normal operating level (as defined in the CUMAA, an equity ratio specified by the NCUA Board, which shall be not less than 1.2% and not more than 1.5%); and

(iii) The Fund's available assets ratio, as defined in the CUMAA, exceeds 1.0%.

The NCUA Board has determined that the normal operating level is 1.30% at December 31, 2005 and 2004. The calculated equity ratios at December 31, 2005 and 2004 were 1.28% and 1.27%, respectively.

Beginning in 2000, the CUMAA mandates that dividends are determined from specific ratios, which are based upon year-end reports of insured shares. Accordingly, dividends associated with insured shares at year-end are declared and paid in the subsequent year.

The NCUA Board has declared that no dividends were payable on insured shares as of December 31, 2005 and 2004, because the equity ratios of 1.28% and 1.27%, respectively, were below the normal operating level of 1.30%. Total insured shares as of December 31, 2005 and 2004, were $516.6 billion and $500 billion, respectively.

6. 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.

At December 31, 2005 and 2004, investments consist of the following (in thousands):

	December 31, 2005				
	Yield to Maturity at Market (At Purchase Date)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Treasury Securities:					
Maturities up to one year	2.38%	$ 2,308,827	$	$ (21,265)	$2,287,562
Maturities after one year through five years	3.26	2,499,383		(35,367)	2,464,016
Total		$4,808,210	$	$ (56,632)	$4,751,578

	December 31, 2004				
	Yield to Maturity at Market (At Purchase Date)	Amortized Cost	Gross Unrealized Gains	Gross Unrealized Losses	Estimated Market Value
U.S. Treasury Securities:					
Maturities up to one year	1.76%	$ 2,015,675	$ 190	$ (8,428)	$2,007,437
Maturities after one year through five years	2.30	2,469,916		(29,977)	2,439,939
Total		$4,485,591	$ 190	$ (38,405)	$4,447,376

Total investment purchases during 2005 and 2004 were approximately $2.3 billion and $2.4 billion, respectively. Investment maturities during 2005 and 2004 were approximately $1.9 billion and $2.5 billion, respectively. The Fund has the capability and management has the intention to hold all investments held at December 31, 2005 and 2004 to maturity. There were no investment sales during 2005 and 2004.

7. AVAILABLE BORROWINGS

The Fund is authorized by the Federal Credit Union Act to borrow from the Treasury of the United States, upon authorization by the NCUA Board, up to a maximum of $100,000,000. The NCUA Central Liquidity Facility ("CLF") is authorized to make advances to the Fund under terms and conditions established by the NCUA Board. No borrowings were obtained from these sources during 2005 and 2004.

8. **TRANSACTIONS WITH NCUA OPERATING FUND**

Substantial administrative services are provided to the Fund by the NCUA Operating Fund. The NCUA Operating Fund charges the Fund for these services based on an annual allocation factor approved by the NCUA Board and derived from a study of actual usage conducted by the management of these Funds. The allocation factor was 57% and 59.8% to the Fund for 2005 and 2004, respectively. The cost of services provided by the NCUA Operating Fund was approximately $78,832,000 and $79,863,000 for 2005 and 2004, respectively, and includes pension contributions of approximately $6,304,000 and $6,315,000 to the Civil Service Retirement System and Federal Employees Retirement System defined benefit retirement plans for 2005 and 2004, respectively.

In 1992, the Fund entered into a commitment to fund up to $41,975,000 through a 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 building. Interest income was approximately $626,000 and $512,000 for 2005 and 2004, respectively. The note receivable balances at December 31, 2005 and 2004, were approximately $23,802,000 and $25,143,000, respectively.

The above note matures as follows (in thousands):

	Secured Term Note
2006	$ 1,341
2007	1,341
2008	1,341
2009	1,341
2010	1,341
Thereafter	17,097
Total	$23,802

The variable rate on the term note is equal to the Fund's prior-month yield on investments. The average interest rates during 2005 and 2004 were approximately 2.57% and 1.99%, respectively. At December 31, 2005 and 2004, the rates were 3.19% and 2.00%, respectively.

The NCUA Operating Fund leases certain office space and equipment under operating lease agreements that expire through 2008. Based on the allocation factor determined by the NCUA's Board, the Fund reimburses the NCUA Operating Fund approximately 57% of the total lease payments. The cost of services provided by the NCUA Operating Fund includes rental charges of approximately $452,000 and $608,580 for 2005 and 2004, respectively.

The Fund's allocation of the NCUA Operating Fund's total future minimum lease payments on operating leases as of December 31, 2005, is expected to be as follows (in thousands):

	Total
2006	$ 417
2007	378
2008	320
2009	328
2010	169
Total	$1,612

9. **LEASE COMMITMENTS**

Description of Leasing Agreements**—**The Fund has entered into lease agreements with vendors for the lease of equipment that includes computers, laptops, and printers. The Fund leases computer equipment under capital lease agreements that expire through 2006.

The future minimum lease payments as of December 31, 2005, are $107 (in thousands).

10. 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, 2005		December 31, 2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Investments	$ 4,808,210	$ 4,751,578	$ 4,485,591	$ 4,447,376
Cash and cash equivalents	1,798,763	1,798,763	1,872,174	1,872,174
Accrued interest receivable	52,102	52,102	38,246	38,246
Notes receivable—NCUA Operating Fund	23,802	23,802	25,143	25,143
Other notes receivable	1,740	1,740	1,558	1,558
Amounts due to insured shareholders of liquidated credit unions	8,257	8,257	11,601	11,601
Due to NCUA Operating Fund	133	133	150	150
Capital assistance liability	2,357	2,357	1,078	1,078
Accounts payable	35	35	72	72
Obligations under capital lease	107	107	522	522

11. 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.

12. CONTINGENCIES

NCUA is currently a party to a number of disputes that involve or may involve litigation. NCUA records an estimated loss for unresolved disputes to the extent that such losses are probable and reasonably estimable. In 2005, $1,287,000 was accrued by the NCUA Operating Fund to reflect probable losses. Based on the allocation factor approved by the NCUA Board, the estimated cost to the NCUA Operating Fund and the Fund is $553,000 and $734,000, respectively. In the opinion of management, the ultimate liability with respect to any other disputes, if any, will not be material to NCUA's financial position.

13. RESTRUCTURING

NCUA announced on January 29, 2003, a regional restructuring plan, previously approved by the Board on November 21, 2002. The restructuring plan relocated the Region VI office in Concord, California, to Tempe, Arizona, and renumbered it to Region V. The plan also closed the Region IV regional office in Chicago, Illinois. The Region IV relocation and its related costs began in early 2003 and were completed by June 2005. Region V, located in Austin, Texas, was renumbered to Region IV. Credit union supervision was aligned with the five regions and became effective as of January 1, 2004.

NCUA estimated that the costs to be incurred for the regional restructuring plan were $3,370,000, which included relocation costs of $1,597,000, and miscellaneous administrative and other costs of $1,773,000. Approximately $1,880,000 of these estimated costs related to 2004. Included in the cost estimate for 2004 are accrued costs that were to be expended in 2005. Based on the allocation factors approved by the NCUA Board, the Operating Fund was responsible for 40.20% of costs expended in 2004. Thus, the Operating Fund's estimated cost for the regional restructuring plan in 2004 was approximately $756,000, and the NCUSIF's estimated cost for the regional restructuring plan in 2004 was $1,124,000. Substantially all costs have been incurred except for some final relocation costs for employees. In accordance with SFAS Statement No. 146, "Accounting for Costs Associated with Exit and Disposal Activities," accruals of approximately $29,000 and $270,000 for relocations remain in the Fund as of December 31, 2005 and 2004, respectively.

14. PURCHASE COMMITMENT

In December 2005, the NCUA Operating Fund entered into a $4.2 million commitment for the acquisition of 1,620 laptop computers and peripheral equipment to be used by agency staff and state supervision authorities. The commitment included $3.9 million for a 39 month capital lease, payable over 12 quarterly periods at $324,000, starting April 1, 2006. The cost of the acquisition is shared with the Fund, based upon computers used by the state supervision authorities, which will be approximately $1.1 million or 28 percent.

15. HURRICANE RELATED MATTERS

As part of its regulatory relief and forbearance efforts for credit union and their members impacted by hurricane activity during 2005, the NCUA, jointly with the banking agencies that regulate FDIC-insured institutions, issued a temporary ruling (Joint Release 9/2/05) that allows federal credit unions to provide assistance consistent with safe and sound practices. In the opinion of management, this will not have a significant effect on the Fund's financial position or operations.

16. SUBSEQUENT EVENTS

In January 2006, the Fund refunded $17 million in 1% capitalization deposits due to the conversion of two federally insured state credit unions to mutual savings banks.

On February 8, 2006, the President signed legislation impacting the Fund. The Federal Deposit Insurance Reform Act of 2005, along with the Federal Deposit Insurance Reform Conforming Amendments Act of 2005, provide for certain change to insurance coverage provided by the Fund. On March 17, 2006, the NCUA Board issued an interim final rule amending share insurance to clarify coverage and implement changes required by the legislation.

The interim final rule, which is effective April 1, 2006, provides the following:

(i.) Increases share insurance limits to $250,000 for retirement accounts such as Traditional and Roth IRAs (Individual Retirement Accounts) and Keogh accounts;

(ii.) Retains the $100,000 insurance limit for all other types of share accounts;

(iii.) Requires NCUA and the Federal Deposit Insurance Corporation ("FDIC") to jointly determine if an inflation-adjusted increase is appropriate for insured accounts beginning in 2010 and every five years thereafter;

(iv.) Includes pass-through coverage on employee benefit plans while limiting acceptance of shares in employee benefit plans to insured credit unions that are well or adequately capitalized; and

(v.) Clarifies coverage for qualified tuition programs, commonly referred to as 529 plans, and share accounts denominated in foreign currencies.

NCUA and FDIC coordinated their share and deposit insurance interim rules regarding coverage amounts. While retirement accounts gain increased coverage, the rule retains the provision that retirement accounts are insured separately from other accounts at the same institution. NCUA issued the interim final rule with a 60-day comment period.

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NATIONAL CREDIT UNION ADMINISTRATION OPERATING FUND

BALANCE SHEETS
AS OF DECEMBER 31, 2005 AND 2004
(Dollars in thousands)

ASSETS	2005	2004
Cash and cash equivalents	$26,730	$18,227
Due from National Credit Union Share Insurance Fund (Note 4)	133	150
Employee advances	835	540
Other accounts receivable (Note 5)	480	138
Prepaid expenses and other assets	681	706
Fixed assets—Net of accumulated depreciation and amortization (Note 3)	35,199	35,994
TOTAL	$64,058	$55,755
LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	$ 6,399	$ 4,173
Obligations under capital leases (Note 6)	328	1,336
Accrued wages and benefits	6,391	2,381
Accrued annual leave	8,197	7,766
Accrued employee travel	20	21
Notes payable to National Credit Union Share Insurance Fund (Note 4)	23,802	25,143
Total liabilities	45,137	40,820
FUND BALANCE	18,921	14,935
TOTAL	$64,058	$55,755

See notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Dollars in thousands)

	2005	2004
REVENUES:		
Operating fees	$61,959	$50,714
Interest	1,332	581
Other	164	80
Total revenues	63,455	51,375
EXPENSES (Note 4):		
Employee wages and benefits	45,066	41,139
Travel	5,087	4,586
Rent, communications, and utilities	1,689	1,707
Contracted services	2,784	2,572
Other	4,843	3,683
Total expenses	59,469	53,687
EXCESS OF REVENUES OVER EXPENSES (EXPENSES OVER REVENUES)	3,986	(2,312)
FUND BALANCE—Beginning of year	14,935	17,247
FUND BALANCE—End of year	$18,921	$14,935

See notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(Dollars in thousands)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenues over expenses (expenses over revenues)	$ 3,986	$ (2,312)
Adjustments to reconcile excess of revenues over expenses (expenses over revenues) to cash provided by (used in) operating activities:		
Depreciation and amortization	3,339	3,179
Loss on disposal of employee residences held for resale	108	115
Loss on disposal of fixed assets	2	44
(Increase) decrease in assets:		
Due from National Credit Union Share Insurance Fund	17	1,764
Employee advances	(295)	(201)
Other accounts receivable	(342)	51
Prepaid expenses	182	(321)
(Decrease) increase in liabilities:		
Accounts payable	2,226	(332)
Accrued wages and benefits	4,010	(3,074)
Accrued annual leave	431	(466)
Accrued employee travel	(1)	(56)
Net cash provided by (used in) operating activities	13,663	(1,609)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets and employee residences held for resale	(3,499)	(3,325)
Proceeds from sale of employee residences held for resale	723	1,083
Net cash used in investing activities	(2,776)	(2,242)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of note payable	(1,341)	(1,341)
Principal payments under capital lease obligations	(1,043)	(1,031)
Net cash used in financing activities	(2,384)	(2,372)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	8,503	(6,223)
CASH AND CASH EQUIVALENTS—Beginning of year	18,227	24,450
CASH AND CASH EQUIVALENTS—End of year	$26,730	$18,227

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION—
Interest paid during the years ended December 31, 2005 and 2004, was $626 and $512, respectively.

SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES—
Capital lease obligations of $35 and $0 were incurred when the Fund entered into leases for new equipment during the years ended December 31, 2005 and 2004, respectively.

See notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION OPERATING FUND

NOTES TO FINANCIAL STATEMENTS AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

1. ORGANIZATION AND PURPOSE

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

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 2005 and 2004 were cash equivalents and are stated at cost, which approximates fair value.

Depreciation and Amortization—Building, furniture and equipment, equipment under capital leases, 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, 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, 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 this operating fee revenue ratably over the year.

Income Taxes—The Fund is exempt from Federal income taxes under Section 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, receivables from National Credit Union Share Insurance Fund ("NCUSIF") and National Credit Union Administration Central Liquidity Facility("NCUA CLF"), 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 values.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

3. FIXED ASSETS

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

	2005	2004
Office building and land	$42,626	$42,626
Furniture and equipment	13,338	10,827
Equipment under capital leases	3,243	3,215
Total	59,207	56,668
Less accumulated depreciation and amortization	(24,008)	(20,674)
Fixed assets—net	$35,199	$35,994

Accumulated amortization balances for equipment under capital leases as of December 31, 2005 and 2004, were (in thousands) $2,909 and $2,000, respectively.

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 and derived from a study of actual usage. The allocation factor was 57.0% and 59.80% to NCUSIF for 2005 and 2004, respectively. The cost of the services allocated to NCUSIF, which totaled approximately $78,832,000 and $79,863,000 for 2005 and 2004, respectively, is reflected as a reduction of the corresponding expenses in the accompanying financial statements.

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 building in 1993. Interest costs incurred were approximately $626,000 and $512,000 for 2005 and 2004, respectively. The note payable balances at December 31, 2005 and 2004, were approximately $23,802,000 and $25,143,000, respectively.

The above note requires principal repayments as follows (in thousands):

	Secured Term Note
2006	$ 1,341
2007	1,341
2008	1,341
2009	1,341
2010	1,341
Thereafter	17,097
Total	$23,802

The variable rate on the note is equal to NCUSIF's prior-month yield on investments. The average interest rates during 2005 and 2004, were 2.57% and 1.99%, respectively. The interest rates at December 31, 2005 and 2004, were 3.19% and 2.00%, respectively.

5. TRANSACTIONS WITH NCUA CLF

Certain administrative services are provided by the Fund to NCUA CLF. The Fund charges NCUA CLF for these services based upon rates approved by the NCUA Board. The costs of the services provided to NCUA CLF were $220,000 and $218,000 for 2005 and 2004, respectively. Other accounts receivable include approximately $91,000 of amounts due from NCUA CLF as of both December 31, 2005 and 2004.

6. LEASE COMMITMENTS

Description of Leasing Agreements—The Fund has entered into a number of lease agreements with vendors for the rental of office space as well as the lease of office equipment that includes laptops, printers, monitors, and copiers.

Operating Leases—The Fund leases office space under lease agreements that expire through 2008. Office rental charges amounted to approximately $793,582 and $1,018,000 of which approximately $452,324 and $608,580 was reimbursed by NCUSIF for 2005 and 2004, respectively. In addition, the Fund leases office equipment under operating leases with lease terms of less than one year.

The operating lease for the former Region IV (Chicago) regional office space was terminated early in May 2004 to coincide with the closing of that office. In accordance with lease agreement the termination cost was paid in the amount of $331,800.

Capital Leases—The Fund leases equipment under lease agreements that expire through 2008.

The future minimum lease payments as of December 31, 2005, are as follows (in thousands):

	Operating Leases	Capital Leases
2006	$ 732	$ 290
2007	663	25
2008	561	19
2009	575	6
2010	297	
Total	$2,828	340
Less imputed interest		(12)
Present value of net minimum lease payments		$ 328

Based on the allocation factor approved by the NCUA Board for 2004, NCUSIF will reimburse the Fund for approximately 57.0% of the future operating lease payments.

7. RETIREMENT PLANS

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 15% of their gross pay, and the Fund will match up to 5% of the employees' gross pay. In 2005 and 2004, the Fund's contributions to the plans were approximately $11,060,000 and $10,561,000, respectively, of which approximately $6,304,000 and $6,315,000, respectively, were reimbursed by NCUSIF.

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.

8. 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, 2005		December 31, 2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 26,730	$ 26,730	$ 18,227	$ 18,227
Due from NCUSIF	133	133	150	150
Employee advances	835	835	540	540
Other accounts receivable	480	480	138	138
Accounts payable	6,399	6,399	4,173	4,173
Obligation under capital lease	328	328	1,336	1,336
Note payable to NCUSIF	23,802	23,802	25,143	25,143

9. CONTINGENCIES

NCUA is currently a party to a number of disputes that involve or may involve litigation. The Fund records an estimated loss for unresolved disputes to the extent that such losses are probable and reasonably estimable. In 2005, $1,287,000 was accrued to reflect probable losses. Based on the allocation factor approved by the NCUA Board, the estimated costs to the Fund and NCUSIF are $553,000 and $734,000, respectively. In the opinion of management, the ultimate liability with respect to any other disputes, if any, will not be material to NCUA's financial position.

10. RESTRUCTURING

NCUA announced on January 29, 2003, a regional restructuring plan, previously approved by the Board on November 21, 2002. The restructuring plan relocated the Region VI office in Concord, California, to Tempe, Arizona, and renumbered it to Region V. The plan also closed the Region IV regional office in Chicago, Illinois. The Region IV relocation and its related costs began in early 2003 and were completed by June 2005. Region V, located in Austin, Texas, was renumbered to Region IV. Credit union supervision was aligned with the five regions and became effective as of January 1, 2004.

NCUA estimated that the costs to be incurred for the regional restructuring plan were $3,370,000, which included relocation costs of $1,597,000, and miscellaneous administrative and other costs of $1,773,000. Approximately $1,880,000 of these estimated costs related to 2004. Included in the cost estimate for 2004 are accrued costs that were to be expended in 2005. Based on the allocation factors approved by the NCUA Board, the Operating Fund was responsible for 40.20% of costs expended in 2004. Thus, the Fund's estimated cost for the regional restructuring plan in 2004 was approximately $756,000, and the NCUSIF's estimated cost for the regional restructuring plan in 2004 was $1,124,000. Substantially all costs have been incurred except for some final relocation costs for employees. In accordance with SFAS Statement No. 146, "Accounting for Costs Associated with Exit and Disposal Activities", accruals of approximately $29,000 and $270,000 for relocations remain in the Fund as of December 31, 2005 and 2004, respectively.

11. PURCHASE COMMITMENT

In December 2005, the Fund entered into a $4.2 million commitment for the acquisition of 1,620 laptop computers and peripheral equipment to be used by agency staff and state supervision authorities. The commitment includes $3.9 million for a 39 month capital lease, payable over 12 quarterly periods at $324,000 per quarter, starting April 1, 2006. The cost of the acquisition is shared with the NCUSIF, based upon computers used by the state supervision authorities, which will be approximately $1.1 million or 28 percent of the total cost.

12. HURRICANE RELATED MATTERS

As part of its regulatory relief and forbearance efforts for credit unions and their members impacted by hurricane activity during 2005, the NCUA Board will allow credit unions that are located in hurricane-affected areas to pay an operating fee that is based on assets that exclude hurricane-related Federal Emergency Management Agency and insurance payouts. In the opinion of management, this will not have a significant effect on 2006 operating fee collections.

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NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

BALANCE SHEETS
AS OF DECEMBER 31, 2005 AND 2004
(In thousands)

ASSETS	2005	2004
ASSETS:		
Cash	$ 10	$ 10
Investments with U.S. Central Federal Credit Union (Notes 5, 8, and 9)	1,470,390	1,357,028
Accrued interest receivable	14,557	6,533
TOTAL	$1,484,957	$1,363,571
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES:		
Accounts payable and other liabilities	$ 120	$ 108
Dividends payable (Note 7)	14,475	6,478
Member deposits (Note 7)	509	232
Total liabilities	15,104	6,818
MEMBERS' EQUITY:		
Capital stock—required (Note 7)	1,458,445	1,345,345
Retained earnings	11,408	11,408
Total members' equity	1,469,853	1,356,753
TOTAL	$1,484,957	$1,363,571

See notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(In thousands)

	2005	2004
REVENUE—Investment income	$ 46,985	$ 19,371
EXPENSES (Note 10):		
Operating expenses:		
Group agent service fee	1	1
Personnel services	135	129
Other services	42	41
Rent, communications, and utilities	7	8
Personnel benefits	34	32
Supplies and materials	3	2
Printing and reproduction	6	3
Total operating expenses	228	216
Interest-liquidity reserve	13	49
Total expenses	241	265
EXCESS OF REVENUE OVER EXPENSES	$ 46,744	$ 19,106

STATEMENTS OF MEMBERS' EQUITY
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(In thousands)

	Capital Stock	Retained Earnings
BALANCE—December 31, 2003	$1,218,654	$ 11,407
Issuance of required capital stock	128,900	
Redemption of required capital stock	(2,209)	
Dividends		(19,105)
Excess of revenue over expenses		19,106
BALANCE—December 31, 2004	1,345,345	11,408
Issuance of required capital stock	113,554	
Redemption of required capital stock	(454)	
Dividends		(46,744)
Excess of revenue over expenses		46,744
BALANCE—December 31, 2005	$1,458,445	$ 11,408

See notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004
(In thousands)

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenue over expenses	$ 46,744	$ 19,106
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
(Increase) decrease in accrued interest receivable	(8,024)	(2,880)
(Decrease) increase in accounts payable and other liabilities	12	(28)
Net cash provided by operating activities	38,732	16,198
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments—net	(113,362)	(118,972)
Net cash used in investing activities	(113,362)	(118,972)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Additions to member deposits	864	516
Issuance of required capital stock	113,554	128,900
Dividends	(38,747)	(16,193)
Withdrawal of member deposits	(587)	(8,240)
Redemption of required capital stock	(454)	(2,209)
Net cash provided by financing activities	74,630	102,774
NET DECREASE IN CASH		
CASH—Beginning of year	10	10
CASH—End of year	$ 10	$ 10
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION—Cash paid during the year for—		
Interest	$ 13	$ 49

See notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

1. ORGANIZATION AND PURPOSE

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

The purpose of the CLF is to improve general financial stability by meeting the liquidity needs of credit unions. The CLF is a tax-exempt organization under Section 501(c)(1) of the Internal Revenue Code.

2. SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting—The CLF maintains its accounting records on the accrual basis of accounting.

Loans and Allowance for Loan Losses—Loans, when made to members, are on a short-term or long-term basis. For all loans, the CLF may obtain a security interest in the assets of the borrower. In determining the allowance for loan losses, when applicable, the CLF evaluates the collectibility of its loans to members through examination of the financial condition of the individual borrowing credit unions and the credit union industry in general.

Funds on Deposit with U.S. Central Federal Credit Union—The CLF invests in redeposits and share accounts at U.S. Central Federal Credit Union (see Notes 5 and 8). These are non-transferable, non-negotiable instruments that are acquired at face value and carried at cost.

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

Cash—The carrying amounts for cash approximate fair value.

Investments—Fair values of financial instruments with maturities over one year are computed using the market rate of interest at year-end. For financial instruments with maturities of one year or less, the carrying amounts approximate fair value.

Loans—For loans advanced to member credit unions, the carrying amounts approximate fair value.

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

FFB Notes Payable—For notes issued to the Federal Financing Bank, when applicable, the carrying amounts approximate fair value.

Other—Accrued interest receivable, accounts payable and other liabilities are recorded at book values, which approximate the respective fair values.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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.

3. GOVERNMENT REGULATIONS

The CLF is subject to various Federal laws and regulations. The CLF's operating budget requires Congressional approval, and the CLF may not make loans to members for the purpose of expanding credit union loan portfolios. The CLF's investments are restricted to obligations of the United States Government and its agencies, deposits in Federally insured financial institutions, and shares and deposits in credit unions. Borrowing is limited by statute to twelve times the subscribed capital stock and surplus.

However, there is a Congressional limitation of $1.5 billion on funds that are borrowed and then loaned out to credit unions at any one point in time.

At December 31, 2005 and 2004, the CLF was in compliance with its borrowing authority. Borrowings would be from the Federal Financing Bank with interest generally payable upon maturity (see Notes 6 and 12).

4. LOANS TO MEMBERS

There were no loans or loan commitments outstanding at December 31, 2005 and 2004. The CLF can provide members with extended loan commitments.

5. FUNDS ON DEPOSIT WITH U.S. CENTRAL FEDERAL CREDIT UNION

Funds not currently required for operations are invested as follows (in thousands):

	December 31, 2005	December 31, 2004
U.S. Central Credit Union Redeposit Account	$1,468,390	$1,357,028
U.S. Central Federal Credit Union Share Certificates	2,000	
	$1,470,390	$1,357,028

A Memorandum of Understanding ("MOU"), effective July 1, 2005, sets forth the understanding of CLF and the U.S. Central Federal Credit Union ("USC") concerning the investments by the CLF in USC Share Accounts and Certificates. This MOU supersedes and replaces the MOU effective July 1, 2002, between the CLF and USC.

As provided in the MOU, all investments by the CLF in shares of USC will be in either Share Account or Share Certificates. The Share Account is a three month, fixed rate account that provides for automatic re-investment at maturity and daily availability of funds with no penalty for early withdrawal. The Share Account is only available to the CLF. In the event of liquidation of the USC, shares in the account will be redeemable in full, prior to the redemption of any other shares of the USC.

The Share Certificates are fixed rate, with a maturity fixed upon issuance (three or five years under the current MOU). Redemption prior to maturity is permitted, in whole or in part, if the CLF requests early redemption and if the USC and the CLF agree on an "early redemption value". The Share Certificates are neither negotiable nor assignable.

6. BORROWING AUTHORITY

The CLF is authorized by statute to borrow, from any source, an amount not to exceed twelve times its subscribed capital stock and surplus. Congress restricted CLF's borrowing authority to $1.5 billion for the fiscal years 2004, 2005 and 2006, for the principal amount of new direct loans to member credit unions. Borrowings would be from the Federal Financing Bank with interest generally payable upon maturity (see Note 12).

The Secretary of the Treasury is authorized by the Act to lend up to $500 million to the CLF in the event that the Board certifies to the Secretary that the CLF does not have sufficient funds to meet the liquidity needs of credit unions. This authority to lend is limited to such extent and in such amounts as are provided in advance by Congressional Appropriation Acts. On December 23, 1981, the President signed PL 97-101, which provided $100 million of permanent indefinite borrowing authority that may be provided by the Secretary of the Treasury to the CLF to meet emergency liquidity needs of credit unions.

7. CAPITAL STOCK AND MEMBER DEPOSITS

The required capital stock account represents subscriptions remitted to the CLF by member credit unions. Regular members' required subscription amounts equal one-half of one percent of their paid-in and unimpaired capital and surplus, one-half of which is required to be remitted to the CLF. Agent members' required subscription amounts equal one-half of one percent of the paid-in and unimpaired capital and surplus of all of the credit unions served by the agent member, one-half of which is required to be remitted to the CLF. In both cases, the remaining one-half of the subscription is required to be held in liquid assets by the member credit unions subject to call by the National Credit Union Administration Board. These unremitted subscriptions are not reflected in the CLF's financial statements. Subscriptions are adjusted annually to reflect changes in the member credit unions' paid-in and unimpaired capital and surplus. Dividends are declared and paid on required capital stock.

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

Dividends payable represents dividends declared in 2005 to be paid in 2006.

8. U.S. CENTRAL FEDERAL CREDIT UNION MEMBERSHIP

During fiscal year 1984, the CLF accepted a membership request from U.S. Central Federal Credit Union ("USC") on behalf of its corporate credit union members. At December 31, 2005 and 2004, $1,401,373,000 and $1,292,059,000, respectively, of the required portion of subscribed capital stock were purchased from the CLF by USC on behalf of member credit unions of its corporate credit union members. The USC has 29 corporate credit union members as of both December 31, 2005 and 2004.

The CLF reinvests all of its agent member share capital in USC at market rates of interest. At December 31, 2005 and 2004, approximately $1,470,390,000 and $1,357,028,000, respectively, were invested in USC accounts at 3.92% and 1.91%, respective yields.

9. CONCENTRATION OF CREDIT RISK

At December 31, 2005 and 2004, the CLF has a concentration of credit risk for its investments on deposit with USC of approximately $1,470,390,000 and $1,357,028,000, respectively (see Notes 5 and 8).

10. SERVICES PROVIDED BY THE NATIONAL CREDIT UNION ADMINISTRATION

The National Credit Union Administration provides the CLF with data processing and other miscellaneous services and supplies. In addition, the National Credit Union Administration pays CLF's employees' salaries and benefits as well as the CLF's portion of monthly building operating costs. The CLF reimburses the National Credit Union Administration on a monthly basis for these items. The total amounts charged by the National Credit Union Administration were approximately $220,000 and $218,000 for the years ended December 31, 2005 and 2004, respectively. As of both December 31, 2005 and 2004, accounts payable and other liabilities include approximately $91,000 due to the National Credit Union Administration Operating Fund for services provided.

11. DISCLOSURE OF FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	December 31, 2005		December 31, 2004	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	$ 10	$ 10	$ 10	$ 10
Funds on deposit with U.S. Central Federal Credit Union	1,470,390	1,470,345	1,357,028	1,357,028
Accrued interest receivable	14,557	14,557	6,533	6,533
Member Deposits	509	509	232	232
Dividends Payable	14,475	14,475	6,478	6,478
Accounts payable and other liabilities	120	120	108	108

12. SHORT-TERM REVOLVING CREDIT FACILITY

On July 15, 1999, the National Credit Union Administration signed a note purchase agreement with the Federal Financing Bank on behalf of CLF. The first promissory note under that note purchase agreement originally provided for a commitment amount of $20.7 billion. Subsequently, the note purchase agreement expired on September 30, 2000, and was extended through amendments annually. These promissory notes reduced the credit facility to $5 billion and expire yearly on the 31st of March. The current promissory note expires March 31, 2006.

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NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

BALANCE SHEETS
AS OF DECEMBER 31, 2005 AND 2004

ASSETS	2005	2004
Cash and cash equivalents (Note 2)	$11,959,875	$10,036,466
Loans—Net of allowance (Note 4)	4,554,047	5,017,156
Interest receivable	11,293	17,057
TOTAL	$16,525,215	$15,070,679

LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accrued technical assistance	$ 837,265	$ 727,301
Total liabilities	837,265	727,301
FUND BALANCE:		
Revolving fund capital (Note 3)	14,337,778	13,189,378
Accumulated earnings	1,350,172	1,154,000
Total fund balance	15,687,950	14,343,378
TOTAL	$16,525,215	$15,070,679

STATEMENTS OF OPERATIONS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
SUPPORT AND REVENUES:		
Interest on cash equivalents	$ 274,095	$ 122,229
Interest on loans	52,700	66,193
Appropriation revenue	793,600	1,035,138
Total	1,120,395	1,223,560
EXPENSES:		
Technical assistance	(886,865)	(1,207,052)
Reduction of allowance for loan losses	(37,358)	31,718
Total	(924,223)	(1,175,334)
EXCESS OF SUPPORT AND REVENUES OVER EXPENSES	$ 196,172	$ 48,226

See notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

STATEMENTS OF CHANGES IN FUND BALANCE
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
FUND BALANCE—Beginning of year	$14,343,378	$14,137,370
Change in unexpended appropriations:		
Operating appropriations received (Note 3)	1,942,000	1,192,920
Appropriation revenue recognized (Note 3)	(793,600)	(1,035,138)
Excess of support and revenues over expenses	196,172	48,226
FUND BALANCE—End of year	$15,687,950	$14,343,378

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

	2005	2004
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of support and revenues over expenses	$ 196,172	$ 48,226
Adjustments to reconcile the excess of support and revenues over expenses to net cash used in operating activities:		
Change in unexpended appropriations	(793,600)	(1,035,138)
Reduction of allowance for loan losses, net of recoveries	(12,913)	(106,907)
Changes in assets and liabilities:		
Decrease in interest receivable	5,764	2,947
Increase in accrued technical assistance	109,964	584,609
Net cash used in operating activities	(494,613)	(506,263)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Loan principal repayments	2,145,022	1,885,228
Loan disbursements	(1,669,000)	(1,497,458)
Net cash provided by investing activities	476,022	387,770
CASH FLOWS FROM FINANCING ACTIVITIES—		
Appropriations received—revolving fund capital	1,942,000	1,192,920
Net cash provided by financing activities	1,942,000	1,192,920
NET INCREASE IN CASH AND CASH EQUIVALENTS	1,923,409	1,074,427
CASH AND CASH EQUIVALENTS—Beginning of year	10,036,466	8,962,039
CASH AND CASH EQUIVALENTS—End of year	$11,959,875	$10,036,466

See notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

NOTES TO FINANCIAL STATEMENTS
AS OF AND FOR THE YEARS ENDED DECEMBER 31, 2005 AND 2004

1. NATURE OF ORGANIZATION

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

Upon the dissolution of CSA in 1983, administration of the CDRLF was transferred to the Department of Health and Human Services ("HHS"). Because HHS never promulgated final regulations governing the administration of the CDRLF, the Fund was dormant.

The Community Development Credit Union Transfer Act (Public Law 99-604, November 6, 1986) transferred CDRLF administration back to NCUA. The NCUA Board adopted amendments to Part 705 of NCUA Rules and Regulations on September 16, 1987, and began making loans/deposits to participating credit unions in 1990.

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

2. SIGNIFICANT ACCOUNTING AND OPERATIONAL POLICIES

Basis of Accounting—The CDRLF reports its financial statements on the accrual basis of accounting.

Cash Equivalents—The Federal Credit Union Act permits the CDRLF to make investments in United States Government Treasury securities. All investments in 2005 and 2004 were cash equivalents and are stated at cost which approximates fair value. Cash equivalents are highly liquid investments with original maturities of three months or less.

Allowance for Loan Losses—The CDRLF records a provision for estimated loan losses. Loans considered to be uncollectible are charged to the allowance for loan losses. Management continually evaluates the adequacy of the allowance for loan losses based upon prevailing circumstances and an assessment of collectibility risk of the total loan portfolio. Accrual of interest is discontinued on non-performing loans when management believes collectibility is doubtful. At December 31, 2005 and 2004, there were no nonaccrual loans.

Salary and Operating Expenses—NCUA provides certain general and administrative support to the CDRLF, including office space, salaries, and certain supplies. The value of these contributed services is not charged to the CDRLF.

Revenue Recognition—Appropriation revenue is recognized as the related technical assistance expense is recognized. Total appropriation revenues will differ from total technical assistance expenses because not all technical assistance is funded by appropriations.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America 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 2004 balances have been reclassified to conform to the 2005 presentation.

3. GOVERNMENT REGULATIONS

The CDRLF is subject to various Federal laws and regulations. Assistance, which includes lending and technical assistance, is limited by Congress to a total of the $18,473,699 appropriated for the CDRLF plus accumulated earnings. Federally chartered and state-chartered credit unions may participate in the

CDRLF's Community Loan Fund. Loans may only be made to low-income credit unions as defined by the NCUA.

NCUA Rules and Regulations section 705.7 permit the classification of the loan in the participating credit union's accounting records as either a note payable or a nonmember deposit. As a nonmember deposit, an amount not to exceed $100,000 per credit union is insured by the National Credit Union Share Insurance Fund ("NCUSIF"). The covered amount of loans recorded as nonmember deposits by participating credit unions insured by the NCUSIF totaled approximately $3,034,000 and $3,632,000 at December 31, 2005 and 2004, respectively. Under the CDRLF Loan Program, loans recorded in the credit union's accounting records as notes payable may be collateralized.

Loans are limited to a maximum amount of $300,000 per credit union. Loans issued between January 1, 1995, and December 31, 1998, carry a fixed interest rate of 3%; loans issued between January 1, 1999, and December 31, 2001, carry a fixed rate of 2%; and loans issued after January 1, 2002, carry a fixed rate of 1%. Interest and principal are repaid on a semiannual basis beginning six months and one year, respectively, after the initial distribution of the loan. The maximum term of each loan is five years. Participating credit unions are required to match the value of the loan within one year of the date of approval of the loan.

During the year ended December 31, 2005, appropriations for loans and technical assistance in the amount of $1,942,000 were received. Of this amount, $1,743,600 was designated to be used as operating appropriations for technical assistance and $198,400 was designated to be used as revolving fund capital.

For the appropriations received for technical assistance for FY 2005-2006, $796,400 expires on September 30, 2006. For the appropriations received for technical assistance for FY 2006-2007, $950,000 expires on September 30, 2007.

Activities by each appropriation, from inception	Public Laws No. 108-199	No. 108-199	No. 109-115	Total
Operating appropriation received	$ 793,600	$ 198,400	$ 950,000	$ 1,942,000
Appropriation revenue recognized	793,600			793,600
Balance—December 31, 2005	$	$ 198,400	$ 950,000	$ 1,148,000

	2005	2004
Unexpended appropriations:		
Balance—beginning of the year	$ 895,178	$ 737,396
Operational appropriations received	1,942,000	1,192,920
Appropriation revenue recognized	(793,600)	1,035,138)
Balance—end of year	$ 2,043,578	$ 895,178
Revolving fund capital:		
Balance—beginning of the year	$13,189,378	$13,031,596
Change in unexpended appropriations	1,148,400	157,782
Balance—end of year	$14,337,778	$13,189,378

4. LOANS

Loans outstanding at December 31, 2005 and 2004, are scheduled to be repaid during the following subsequent years:

	2005	2004
Year 1	$1,298,223	$1,827,943
Year 2	1,310,287	1,179,047
Year 3	826,790	1,068,191
Year 4	720,127	583,491
Year 5	418,800	391,577
	4,574,227	5,050,249
Less allowance for loan losses	(20,180)	(33,093)
Net loans outstanding	$4,554,047	$5,017,156

Changes in the allowance for loan losses are summarized below:

	2005	2004
Balance—beginning of year	$ 33,093	$ 140,000
Write-offs	(50,271)	(75,189)
Provision (reduction of allowance) for loan losses	37,358	(31,718)
Balance—end of year	$ 20,180	$ 33,093

5. CONCENTRATION OF CREDIT RISK

At December 31, 2005 and 2004, there are no significant concentrations of credit risk in the loan portfolio. As discussed in Note 1, the CDRLF provides loans to credit unions that serve predominantly low-income communities.

6. ESTIMATED FAIR VALUE OF FINANCIAL INSTRUMENTS

The following disclosures of the estimated fair value of financial instruments are made in accordance with the requirements of Statement of Financial Accounting Standards No. 107, *Disclosures about Fair Value of Financial Instruments*. The methods and assumptions used in estimating the fair value disclosures for financial instruments are as follows:

Cash and Cash Equivalents—The carrying amounts for cash and cash equivalents approximate fair values.

Interest Receivable* and *Accrued Technical Assistance—Such items are recorded at book values, which approximate the respective fair values.

Loans—The fair value is estimated by discounting projected future cash flows using current market interest rates. For purposes of this calculation, the discount rate used was the prime interest rate plus two percent (6.37% at December 31, 2005 and 7.25% at December 31, 2004).

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

	December 31, 2005		December 31, 2004	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets:				
Cash and cash equivalents	$11,959,875	$11,959,875	$10,036,466	$10,036,466
Interest receivable	$ 11,293	$ 11,293	$ 17,057	$ 17,057
Loans	$ 4,574,227	$ 4,394,307	$ 5,050,249	$ 4,764,471
Allowance for loan losses	(20,180)	(20,180)	(33,093)	(33,093)
Loans—net of allowance	$ 4,554,047	$ 4,374,127	$ 5,017,156	$ 4,731,378
Liabilities:				
Accrued technical assistance	$ 837,265	$ 837,265	$ 727,301	$ 727,301

It is the intent of the CDRLF to hold its loans to maturity. The CDRLF anticipates realizing the carrying amount in full. Fair value is less than the carrying amount because loans are made at less than market interest rates.

* * * * * *

Financial Tables

INSURANCE FUND TEN-YEAR TRENDS

Fiscal year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Income (in thousands)										
Regular premium-federal	—	—	—	—	—	—	—	—	—	—
Regular premium-state	—	—	—	—	—	—	—	—	—	—
Interest income	$184,715	$201,938	$217,965	$227,281	$268,169	$252,853	$213,252	$151,175	$124,836	$175,017
Other income	2,148	2,151	2,033	1,850	1,952	1,703	1,226	760	515	645
Total income	$186,863	$204,089	$219,998	$229,131	$270,121	$254,556	$214,478	$151,935	$125,351	$175,662
Expenses (in thousands)										
Operating	$47,220	$49,767	$51,071	$58,392	$65,898	$90,505	$85,367	$85,026	$81,405	$80,473
Insurance losses	—	—	—	—	—	—	$12,513	$38,043	(3,424)	$20,940
Losses on investment sales	—	—	—	—	—	—	—	—	—	—
Total expenses	$47,220	$49,767	$51,071	$58,392	$65,898	$90,905	$97,880	$123,068	$77,981	$101,413
Net income (in thousands)	$139,643	$154,322	$168,927	$170,739	$204,223	$164,051	$116,598	$28,867	$47,370	$74,249
Data highlights										
Total equity (in millions)	$3,412	$3,594	$3,811	$4,170	$4,628	$5,036	$5,607	$6,073	$6,359	$6,618
Equity as a percentage of shares in insuredcredit unions	1.30%	1.30%	1.30%	1.30%	1.30%	1.25%	1.27%	1.27%	1.27%	1.28%
Contingent liabilities (in thousands)	$1,026	$933	$556	$1,281	$2,362	$2,217	$0	$0	$0	$3,475
Contingent liabilities as a percentage of equity	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%
NCUSIF loss per $1,000 of insured shares	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.03	$0.08	$0.00	$0.04
Operating ratios										
Premium income	—	—	—	—	—	—	—	—	—	—
Interest income	98.8%	99.0%	99.1%	99.2%	99.3%	99.3%	99.4%	99.5%	99.6%	99.6%
Other income	1.1%	1.0%	0.9%	0.8%	0.7%	0.7%	0.6%	0.5%	0.4%	0.4%
Operating expenses	25.3%	24.4%	23.2%	25.5%	24.4%	35.5%	39.8%	56.0%	64.9%	45.8%
Insurance losses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.8%	25.0%	(2.7)%	11.9%
Total expenses	25.3%	24.4%	23.2%	25.5%	24.4%	35.6%	45.6%	81.0%	62.2%	57.7%
Net income	74.7%	75.6%	76.8%	74.5%	75.6%	64.4%	54.4%	19.0%	37.8%	42.3%
Involuntary liquidations commenced										
Number	13	8	13	15	20	17	14	8	14	10
Share payouts (in thousands)	$1,028	$17,888	$6,298	$5,403	$10,393	$16,290	$40,003	$ 7,774	$88,746	$27,137
Share payouts as a percentage of total insured shares	0.000%	0.006%	0.002%	0.002%	0.003%	0.004%	0.009%	0.002%	0.018%	.005%

INSURANCE FUND TEN-YEAR TRENDS

Fiscal year	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Mergers—fiscal year										
Assisted	6	8	5	8	9	5	1	5	7	5
Unassisted	305	164	217	315	284	295	271	166	331	260
Section 208 (FCU Act) assistance to avoid liquidation (in thousands)										
Capital notes and other cash advances outstanding	$265	$1,211	$1,466	$325	$146	$2,050	$0	$0	$0	$0
Non-cash guaranty accounts	$1,197	$1,343	$1,557	$4,516	$8,450	$2,559	$156	$7,872	$70	$4,649
Number of active cases	12	7	12	16	17	10	3	10	1	8
Number of problem case insured credit unions (CODE 4 & 5)										
Number	286	326	308	338	202	205	211	217	255	280
Shares (millions)	$1,759	$2,928	$3,181	$2,693	$1,483	$1,731	$2,901	$3,568	$4,350	$5,771
Problem case shares as a percentage of insured shares	0.65%	0.95%	0.99%	0.80%	0.42%	0.43%	0.66%	0.74%	0.87%	1.12%

December 31	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Shares in insured credit unions (in millions)[1]										
Federal credit unions	$173,544	$178,948	$191,328	$194,766	$195,871	$217,112	$238,912	$262,420	$276,395	$285,713
State credit unions	101,914	114,327	130,129	140,857	157,996	185,574	202,552	215,056	222,573	229,909
Total shares	$275,458	$293,275	$321,457	$335,623	$353,867	$402,686	$441,464	$477,476	$498,968	$515,622
Number of member accounts in insured credit unions (in thousands)										
Federal credit unions	77,243	73,566	72,848	73,466	74,125	74,886	76,554	79,819	81,668	84,556
State credit unions	41,841	45,690	49,130	52,787	57,397	61,290	62,597	62,489	63,585	64,632
Total	119,084	119,256	121,978	126,253	131,522	136,176	139,151	142,308	145,253	149,188
Number of insured credit unions										
Federal credit unions	7,152	6,981	6,815	6,566	6,336	6,118	5,953	5,776	5,572	5,393
State credit unions	4,240	4,257	4,180	4,062	3,980	3,866	3,735	3,593	3,442	3,302
Total	11,392	11,238	10,995	10,628	10,316	9,984	9,688	9,369	9,014	8,695
Insured shares as a percentage of all credit union shares	99.0%	99.0%	99.0%	94.0%	93.3%	92.1%	91.2%	90.4%	89.7%	89.0%
State credit union portion of insured shares	37.0%	40.0%	40.5%	42.0%	44.7%	46.1%	45.9%	45.0%	44.6%	44.4%

[1]*Insured shares in natural person credit unions.*

FEDERAL CREDIT UNION TEN-YEAR SUMMARY

Federal credit unions December 31 (dollar amounts in millions)

December	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Number of credit unions	7,152	6,981	6,815	6,566	6,336	6,118	5,953	5,776	5,572	5,393
Number of members	43,545,541	43,500,553	43,864,851	44,076,428	43,883,106	43,816,877	44,610,949	46,155,018	46,857,723	47,913,908
Assets	$206,692	$215,097	$231,904	$239,316	$242,881	$270,125	$301,238	$336,612	$358,704	$377,826
Loans outstanding	134,120	140,100	144,849	155,172	163,851	170,326	181,767	202,898	223,878	249,521
Shares	180,964	187,817	202,651	207,614	210,188	235,202	261,819	291,485	308,318	321,831
Reserves[1]	9,092	9,371	9,837	10,314	10,837	11,339	12,227	12,881	13,342	13,368
Undivided earnings	13,087	14,365	15,468	16,546	17,279	18,596	20,855	23,526	26,054	28,855
Gross income	16,645	17,404	18,137	18,530	19,456	20,042	19,676	19,764	20,302	22,796
Operating expenses	7,246	7,793	8,241	8,551	8,721	9,287	10,158	11,239	12,128	13,308
Dividends	7,087	7,425	7,760	7,698	8,120	8,277	6,369	5,199	4,683	5,930
Reserve transfers	240	201	211	323						
Net income[2]	2,232	2,113	2,081	2,184	2,470	2,436	3,082	3,273	3,351	3,295

Percent change

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Total assets	6.7%	4.1%	7.8%	3.2%	1.5%	11.2%	11.5%	11.7%	6.6%	5.3%
Loans outstanding	11.3	4.5	3.4	7.1	5.6	4.0	6.7	11.6	10.3	11.5
Shares	6.3	3.8	7.9	2.4	1.2	11.9	11.3	11.3	5.8	4.4
Reserves[1]	9.3	3.1	5.0	4.8	5.1	4.6	7.8	5.3	3.6	0.2
Undivided earnings	14.2	9.8	7.7	7.0	4.4	7.6	12.1	12.8	10.7	10.8
Gross income	9.0	4.6	4.2	2.2	5.0	3.0	-1.8	0.4	2.7	12.3
Operating expenses	11.9	7.5	5.7	3.8	2.0	6.5	9.4	10.6	7.9	9.7
Dividends	8.7	4.8	4.5	-0.8	5.5	1.9	-23.1	-18.4	-9.9	26.6
Net income[2]	4.5	-5.3	-1.5	5.0	13.1	-1.4	26.5	6.2	2.4	-1.7

Significant ratios

	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Reserves to assets	4.4%	4.4%	4.2%	4.3%	4.5%	4.2%	4.1%	3.8%	3.7%	3.5%
Reserves and undivided earnings to assets	10.7	11.0	10.9	11.2	11.6	11.1	11.0	10.8	11.0	11.2
Reserves to loans	6.8	6.7	6.8	6.6	6.6	6.7	6.7	6.3	6.0	5.4
Loans to shares	74.1	74.6	71.5	74.7	78.0	72.4	69.4	69.6	72.6	77.5
Operating expenses to gross income	39.4	39.4	45.4	46.1	44.8	46.3	51.6	56.9	59.7	58.4
Salaries and benefits to gross income	19.2	19.3	19.7	20.5	20.2	21.0	23.3	25.9	27.0	25.8
Dividends to gross income	42.6	42.7	42.8	41.5	41.7	41.3	32.4	26.3	23.1	26.0
Yield on average assets	8.3	8.3	8.1	7.9	8.3	7.8	6.9	6.2	5.8	6.2
Cost of funds to average assets	3.6	3.6	3.5	3.3	3.5	3.3	2.3	1.7	1.4	1.7
Gross spread	4.7	4.7	4.6	4.6	4.8	4.5	4.6	4.5	4.4	4.5
Net income divided by gross income[2]	13.4	12.1	11.5	11.8	12.7	12.2	14.8	16.6	16.5	14.5
Yield on average loans	8.5	8.7	8.6	8.3	8.5	8.2	7.7	6.9	6.3	6.2
Yield on average investments[3]	6.0	5.9	5.7	5.3	6.4	4.9	3.5	2.7	2.6	3.2

[1] Does not include the allowance for loan losses
[2] Net income prior to reserve transfers
[3] Starting in 2000, investments includes cash on deposit and cash equivalents

FEDERALLY INSURED STATE-CHARTERED CREDIT UNION TEN-YEAR SUMMARY

Federally insured state-chartered credit unions December 31 (dollar amounts in millions)

December	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005
Number of credit unions	4,240	4,257	4,180	4,062	3,980	3,866	3,735	3,593	3,442	3,302
Number of members	25,665,783	27,921,882	29,673,998	31,307,907	33,704,772	35,532,391	36,336,258	36,273,168	36,710,301	36,896,076
Assets	$120,176	$136,107	$156,787	$172,086	$195,363	$231,280	$255,838	$273,572	$288,296	$300,871
Loans outstanding	79,651	92,117	100,890	116,366	137,485	152,014	160,881	173,236	190,377	208,734
Shares	105,728	119,359	137,347	149,305	169,053	201,807	222,377	236,856	247,804	255,588
Reserves[1]	5,689	6,421	7,125	7,946	9,120	10,266	11,105	10,895	10,997	11,117
Undivided earnings	7,490	8,779	9,876	11,060	12,830	14,563	16,229	18,231	20,202	21,943
Gross income	9,736	11,124	12,309	13,413	15,714	17,385	17,075	16,378	16,538	18,164
Operating expenses	4,198	4,939	5,548	6,165	7,024	8,053	8,990	9,629	10,250	10,806
Dividends	3,367	3,790	4,229	4,315	5,256	5,547	4,020	3,123	2,800	3,557
Reserve transfers	143	138	161	190						
Net income[2]	1,298	1,381	1,424	1,566	1,859	2,060	2,584	2,508	2,439	2,363
Percent change										
Total assets	6.5%	13.2%	15.2%	9.7%	13.5%	18.4%	10.6%	6.9%	5.4%	4.4%
Loans outstanding	11.2	15.6	9.5	15.3	18.1	10.6	5.8	7.7	9.9	9.6
Shares	5.9	12.9	15.1	8.7	13.2	19.4	10.2	6.5	4.6	3.1
Reserves[1]	8.5	12.9	10.9	11.5	14.8	12.6	8.2	-1.9	0.9	1.1
Undivided earnings	12.4	17.2	12.5	12.0	16.0	13.5	11.4	12.3	10.8	8.6
Gross income	9.0	14.3	10.6	9.0	17.2	10.6	-1.8	-4.1	1.0	9.8
Operating expenses	11.4	17.7	12.3	11.1	13.9	14.6	11.6	7.1	6.4	5.4
Dividends	-13.4	12.6	11.6	2.0	21.8	5.5	-27.5	-22.3	-10.3	27.0
Net income[2]	4.6	6.4	3.1	10.0	18.7	10.8	25.5	-2.9	-2.8	-3.1
Significant ratios										
Reserves to assets	4.7%	4.7%	4.5%	4.6%	4.7%	4.4%	4.3%	4.0%	3.8%	3.7%
Reserves and undivided earnings to assets	11.0	11.2	10.8	11.0	11.2	10.7	10.7	10.6	10.8	11.0
Reserves to loans	7.1	7.0	7.1	6.8	6.6	6.8	6.9	6.3	5.8	5.3
Loans to shares	75.3	77.2	73.5	77.9	81.3	75.3	72.3	73.1	76.8	81.7
Operating expenses to gross income	39.1	39.5	45.1	46.0	44.7	46.3	52.7	58.8	62.0	59.5
Salaries and benefits to gross income	18.8	19.0	19.4	20.2	19.9	20.6	23.2	26.2	27.8	26.7
Dvidends to gross income	35.0	34.1	34.3	32.2	33.4	31.9	23.5	19.1	16.9	19.6
Yield on average assets	8.4	8.7	8.4	8.2	8.3	8.2	7.0	6.2	5.9	6.2
Cost of funds to average assets	3.6	3.8	3.7	3.5	3.6	3.5	2.3	1.7	1.4	1.7
Gross spread	4.7	4.9	4.7	4.7	4.7	4.7	4.7	4.5	4.5	4.4
Net income divided by gross income[2]	13.3	12.4	11.6	11.7	11.8	11.8	15.1	15.3	14.7	13.0
Yield on average loans	8.4	9.1	8.8	8.4	8.5	8.4	7.6	6.6	6.1	6.0
Yield on average investments[3]	6.0	6.1	5.8	5.4	6.3	5.1	3.4	2.7	2.6	3.2

[1] *Does not include the allowance for loan losses*
[2] *Net income prior to reserve transfers*
[3] *Starting in 2000 investments includes cash on deposit and cash equivalents*

HISTORICAL FEDERAL CREDIT UNION DATA

Historical data for federal credit unions December 31, 1935 to 1969

Year	Charters issued	Charters cancelled	Net change	Total outstanding	Inactive credit unions	Active credit unions	Members	(Amounts in thousands of dollars) Assets	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	2,313	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

Data for 1935-44 are partly estimated.

HISTORICAL FEDERAL CREDIT UNION DATA

Historical data for federal credit unions December 31, 1970 to 2005

Year	Charters issued	Charters cancelled	Net change	Total outstanding	Inactive credit unions	Active credit unions	Members	(Amounts in thousands of dollars) Assets	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
1997	17	179	-162	6,994	13	6,981	43,500,553	215,097,395	187,816,918	140,099,926
1998	8	174	-166	6,816	1	6,815	43,864,851	231,904,308	202,650,793	144,849,109
1999	17	265	-248	6,566	0	6,566	44,076,428	239,315,693	207,613,549	155,171,735
2000	12	235	-223	6,343	7	6,336	43,883,106	242,881,164	210,187,670	163,850,918
2001	14	228	-214	6,129	11	6,118	43,816,877	270,125,345	235,202,500	170,325,562
2002	21	180	-159	5,959	6	5,953	44,610,949	301,238,242	261,819,003	181,766,655
2003	28	193	-165	5,788	12	5,776	46,153,243	336,611,886	291,484,763	202,898,454
2004	22	172	-150	5,626	54	5,572	46,857,723	358,704,157	308,318,116	223,878,376
2005	19	177	-158	5,414	21	5,393	47,913,908	377,826,822	321,830,899	249,520,685

Who's Who at NCUA

JoAnn M. Johnson
Chairman

Rodney E. Hood
Vice Chairman

Christiane Gigi Hyland
Board Member

J. Leonard Skiles
Executive Director

Mary F. Rupp
Secretary of the Board

Holly Herman
Senior Advisor and Chief of Staff to the Chairman

Carlton L. Hoskins
Senior Policy Advisor to Vice Chairman Hood

Gary J. Kohn
Senior Policy Advisor to Board Member Hyland

Robert M. Fenner
General Counsel

John J. McKechnie III
Director, Public & Congressional Affairs

David M. Marquis
Director, Office of Examination and Insurance

Dennis Winans
Chief Financial Officer

Sherry Turpenoff
Director, Office of Human Resources

Tawana James
Director, Office of Small Credit Union Initiatives

Kent Buckham
Director, Office of Corporate Credit Unions

J. Owen Cole, Jr.
Director, Office of Capital Markets and Planning
Central Liquidity Facility President

Doug Verner
Chief Information Officer

Mike Barton
President, Asset Management & Assistance Center

William DeSarno
Inspector General

NCUA Board

NCUA has a three-member board appointed by the President of the United States and confirmed by the Senate. No more than two board members are from the same political party, and members serve staggered six-year terms. The NCUA board normally meets monthly, except August, in open session in Alexandria, Virginia.

Chairman JoAnn Johnson was nominated by President George W. Bush and confirmed by the U.S. Senate March 22, 2002, to a Republican seat on the NCUA Board. Iowa State Senator Johnson is a former educator, athletic coach and community activist. She was elected to office in 1994 and chaired both the Iowa Senate Commerce Committee and Ways and Means Committee before resigning to join NCUA. Mrs. Johnson was designated NCUA Chairman May 3, 2004. Her term expires August 2, 2007.

Vice Chairman Rodney E. Hood was appointed by President George W. Bush to a seat on the NCUA Board effective November 15, 2005. His term expires April 10, 2009. Mr. Hood joined the NCUA Board after serving the Department of Agriculture as USDA Associate Administrator for Rural Development's Housing Program since September 2004, addressing the housing needs of rural America. Vice Chairman Hood has nearly two decades of experience in affordable housing and community development.

Board Member Christiane Gigi Hyland was appointed by President George W. Bush to a seat on the National Credit Union (NCUA) Board effective November 18, 2005. Her term expires August 2, 2011. When nominated to the NCUA Board, she served as Senior Vice President, General Counsel for Empire Corporate Federal Credit Union in Albany, New York. She previously served concurrently as Vice President, Corporate Credit Union Relations of the Credit Union National Association, Inc. and Executive Director for the Association of Corporate Credit Unions.

Regional Offices and Directors

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Region1@ncua.gov

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Region III—Atlanta
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Region IV—Austin
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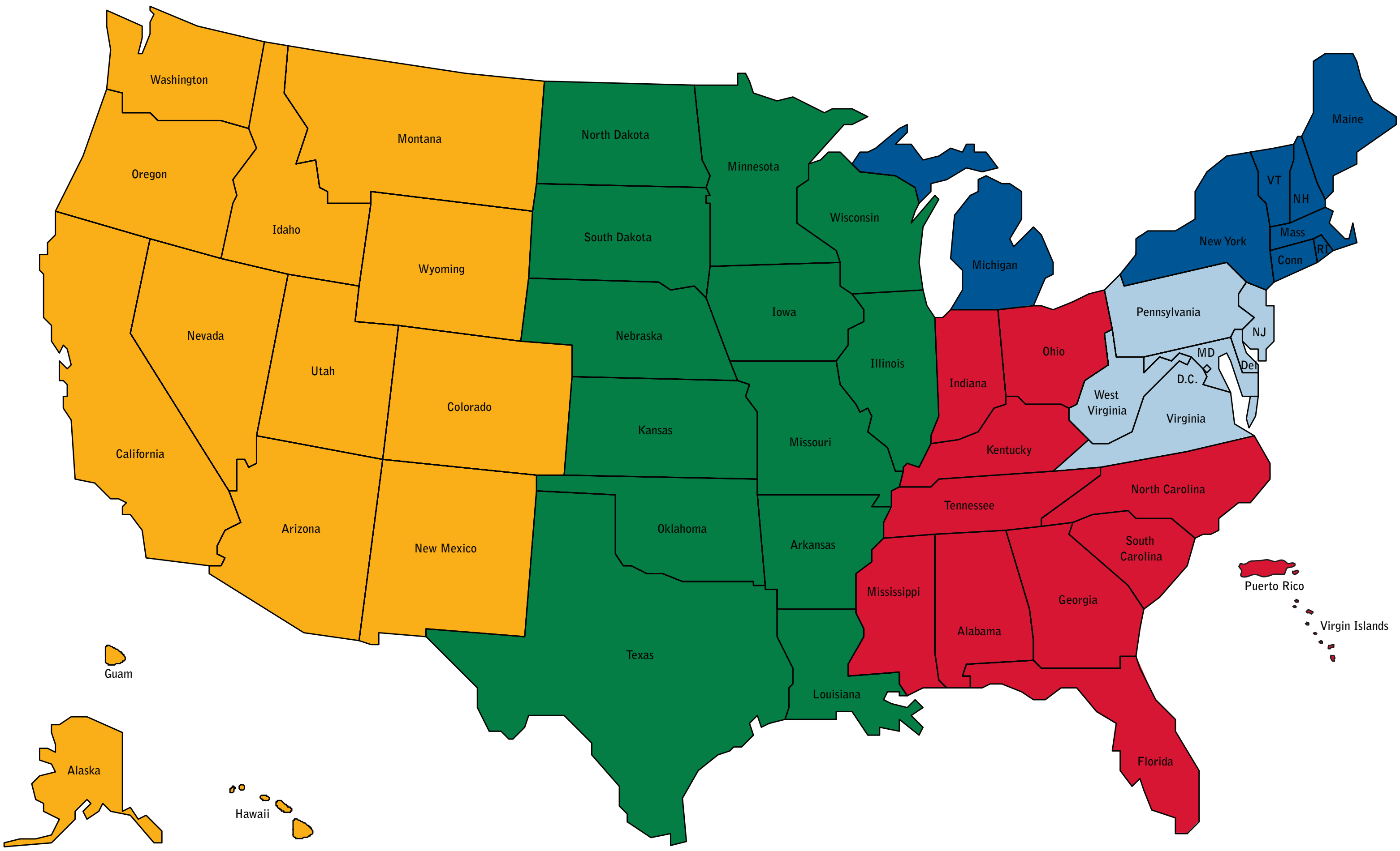
Regional Offices



Region I—Albany

Region II—Capital

Region III—Atlanta

Region IV—Austin

Region V—Tempe

National Credit Union Administration
Alexandria, VA, 22314-3428

OFFICIAL BUSINESS
Penalty for Private Use, $300