National Credit Union Administration

Annual Report 2022

www.ncua.gov

INDUSTRY AT A GLANCE

Prepared by the Office of External Affairs and Communications
For the quarter ending December 31, 2022

National Credit Union Administration
1775 Duke St., Alexandria, VA 22314-3418
Phone | (703) 518-6300 Website | www.ncua.gov
Consumer Website | www.MyCreditUnion.gov

General Industry Statistics

Federally Insured Credit Unions:	4,760
Members:	135.3 million
Total Assets:	$2.17 trillion
Average Credit Union Assets:	$455 million
Return on Average Assets:	89 basis points
Total Insured Shares and Deposits:	$1.68 trillion
Net Income (Year-to-Date, Annualized):	$18.9 billion
Net Worth Ratio:	10.74%
Average Shares per Member:	$13,676

Loans

Total Loans:	$1.50 trillion
Average Loan Balance:	$17,141
Loan-to-Share Ratio:	81.4%
Mortgages/Real Estate:	52.4%
Auto Loans:	32.2%
Unsecured Credit Cards:	4.9%
Delinquency Rate:	61 basis points

The NCUA makes the complete details of its quarterly Call Report data available online in an Aggregate Financial Performance Report, as well as a Call Report Data Summary at: https://www.ncua.gov/analysis/credit-union-corporate-call-report-data/quarterly-data.

National Credit Union Share Insurance Fund

Member deposits insured up to $250,000

Total Share Insurance Fund Assets:	$20.4 billion
NCUSIF Reserves:	$185.2 million
Equity Ratio:	1.30%
Insurance Loss Expense (Reduction):	($39.5) million
Net Income:	$118.7 million
Failed Federally Insured Credit Unions: (year-to-date)	6

NCUA's 2022–2026 Strategic Goals

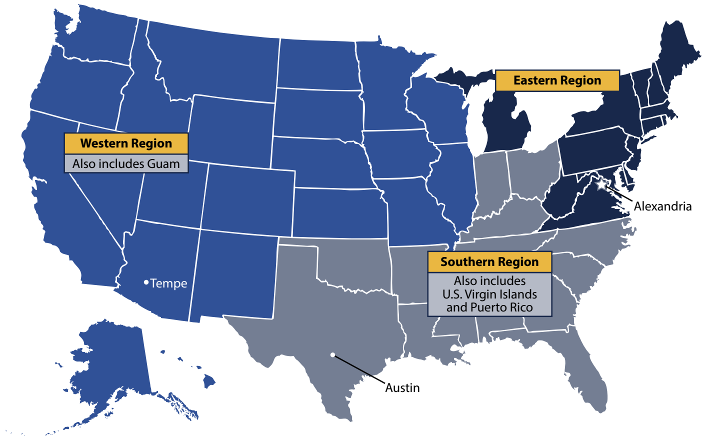
- Ensure a safe, sound, and viable system of cooperative credit that protects consumers.
- Improve the financial well-being of individuals and communities through access to affordable and equitable financial products and services.
- Maximize organizational performance to enable mission success.

NCUA Facts

Chairman: Todd M. Harper
Vice Chairman: Kyle S. Hauptman
Board Member: Rodney E. Hood

2022 Operating Budget: $320.1 million

- **Eastern Region**
  CT, DE, DC, ME, MD, MA, MI, NH, NJ, NY, PA, RI, VT, VA, WV
  Director: John Kutchey, (703) 519-4600
- **Southern Region**
  AL, AR, FL, GA, IN, KY, LA, MS, NC, OH, OK, PR, SC, TN, TX, VI
  Director: C. Keith Morton, (512) 342-5600
- **Western Region**
  AK, AZ, CA, CO, GU, HI, ID, IL, IA, KS, MN, MO, MT, NE, NV, NM, ND, OR, SD, UT, WA, WI, WY
  Director: Cherie Freed, (602) 302-6000



MAP KEY ● Eastern Region ● Southern Region ● Western Region ☆ Central Office

The NCUA is the independent federal agency created by the U.S. Congress to regulate, charter and supervise federal credit unions. With the backing of the full faith and credit of the United States, the NCUA operates and manages the National Credit Union Share Insurance Fund, insuring the deposits of account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions. At MyCreditUnion.gov, the NCUA also educates the public on consumer protection and financial literacy issues.

"Protecting credit unions and the consumers who own them through effective regulation."

NCUA National Credit Union Administration

www.facebook.com/NCUAgov
www.linkedin.com/company/ncua
www.twitter.com/theNCUA

About This Report

The National Credit Union Administration's *2022 Annual Report* (also referred to as the Performance and Accountability Report) provides financial and high-level performance results for the agency and demonstrates to the President, Congress, and stakeholders the agency's commitment to its mission and accountability over the resources entrusted to it.

The *2022 Annual Report* focuses on the NCUA's strategic goals and performance results and details the agency's major regulatory and policy initiatives, activities, and accomplishments during the January 1, 2022, through December 31, 2022, reporting period. It also contains financial statements and audit information for the four funds the NCUA administers: the National Credit Union Share Insurance Fund, the NCUA Operating Fund, the Central Liquidity Facility, and the Community Development Revolving Loan Fund.

This report and prior NCUA annual reports are available on the NCUA's website at https://www.ncua.gov/news/annual-reports.

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

The NCUA is committed to providing an excellent user experience to all individuals, including persons with disabilities. If you require an accommodation to access information found in this report, contact Section508@NCUA.gov to request one. Please visit the NCUA's Accessibility Statement for additional information at https://ncua.gov/accessibility.

Certificate of Excellence in Accountability Reporting

The NCUA won the prestigious Certificate of Excellence in Accountability Reporting award from the Association of Government Accountants for its *2021 Annual Report*.

How This Report is Organized

The *2022 Annual Report* begins with a message from the NCUA Chairman. This introduction is then followed by six main sections:

Management's Discussion and Analysis

The Management's Discussion and Analysis section provides an overview of the NCUA's performance and financial information. It includes a brief summary of the agency's mission and describes the agency's organizational structure and office functions. This section highlights challenges, accomplishments, and results in key performance programs in 2022. It offers forward-looking information on trends and issues that will affect the credit union system and the NCUA in the coming years. The section also highlights the agency's financial results and provides management's assurances on the NCUA's internal controls.

Performance Results

The Performance Results section contains information on the agency's strategic and priority goals, and it details the NCUA's performance results and challenges during the calendar year.

Financial Information

The Financial Information section begins with a message from the Chief Financial Officer, and details the agency's finances, including the NCUA's four funds. It also includes the audit transmittal letter and management challenges from the Inspector General, the independent auditor's reports, and the audited financial statements and notes.

Other Information

The Other Information section includes a summary of the results of the agency's financial statement audit and management assurances, the NCUA Inspector General's assessment of the most serious management and performance challenges facing the agency, payment integrity reporting details, and information on its civil monetary penalties.

Statistical Data

The Statistical Data section contains an overview of the credit union system's financial performance in 2022, as well as data on trends affecting the National Credit Union Share Insurance Fund and all federally insured credit unions.

Appendix

The Appendix contains biographic information for the agency's senior leadership and information about the functions of each NCUA office and region. In addition, you will find a glossary of key terms and acronyms, as well as a list of hyperlinks to additional information that appears in this report.

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Message from the Chairman

Todd M. Harper
NCUA Chairman

February 13, 2023

The National Credit Union Administration's mission is to protect the system of cooperative credit and its member-owners through effective chartering, supervision, regulation, and insurance. This work, in turn, promotes confidence in the national system of cooperative credit. The NCUA also insures members' share deposits at federally insured credit unions and safeguards the National Credit Union Share Insurance Fund from losses. Accordingly, this *2022 Annual Report* summarizes the NCUA's activities, projects, and programs in all of these aspects.

Required by the Federal Credit Union Act, this report reviews the agency's performance in 2022 and includes the audited financial statements for the NCUA's four funds:

- the National Credit Union Share Insurance Fund,
- the NCUA Operating Fund,
- the Central Liquidity Facility, and
- the Community Development Revolving Loan Fund.[1]

Each of these funds received an unmodified or "clean," audit

[1] 12 U.S.C. 1752a(d)

opinion and reported no material weaknesses in 2022. The financial and performance data contained in this report are also reliable, complete, and consistent with applicable Office of Management and Budget circulars.[2]

The NCUA engaged in many important initiatives in 2022. The most significant activities are highlighted in this report and grouped into five broad categories:

- Responding to evolving economic and financial challenges;
- Strengthening the credit union system's capital levels;
- Increasing cyber resiliency;
- Supporting small credit unions and minority depository institutions; and
- Fostering greater diversity, equity, inclusion, and belonging.

Responding to Evolving Economic and Financial Challenges

Supply chain disruptions and labor shortages related to the COVID-19 pandemic, Russia's war in Ukraine, ongoing inflationary pressures, and a rising interest rate environment were just some of the economic and financial challenges credit unions and the NCUA faced in 2022. Through it all, however, the credit union system and Share Insurance Fund remained on a solid footing.

Federally insured credit unions experienced steady growth in total assets, loans outstanding, insured shares and deposits, and membership during the year. The system's aggregate total assets grew to more than $2.17 trillion, and the system continued to experience growth in size and complexity.

Mission
Protecting the system of cooperative credit and its member-owners through effective chartering, supervision, regulation, and insurance.

The Share Insurance Fund is a critical bulwark that contributes to maintaining the economic and financial stability of our nation. The fund guarantees more than just accounts or balances on a spreadsheet. It protects the financial well-being and dreams of families, small businesses, and communities who have entrusted their hard-earned savings to federally insured credit unions.

As such, the NCUA Board prudently approved setting the Share Insurance Fund's normal operating level at 1.33 percent for 2022. This decision provided the Share Insurance Fund with a cushion of reserves to safeguard the credit union system and members as everyone navigated the challenges throughout the year.

[2] OMB Circulars A-11, A-123, and A-136

Strengthening the Credit Union System's Capital Levels

The NCUA undertook several initiatives in 2022 to strengthen the credit union system, including implementing two critical capital rules and issuing other guidance and proposals.

In early 2022, all federally insured credit unions defined as complex — those with $500 million or more in assets — began complying with NCUA's amended 2015 risk-based capital rule. Under this rule, complex institutions must hold capital levels commensurate with their risk.

Along with the implementation of our risk-based capital rule, the final rule on the Complex Credit Union Leverage Ratio (CCULR) went into effect this year. This rule provides complex credit unions with a simplified risk-based capital framework comparable to the framework developed by the federal banking agencies.

Together, the risk-based capital and CCULR rules promote responsible capital levels across the credit union system and reduce the Share Insurance Fund premiums surviving credit unions would pay if a large, complex credit union failed. The rules also strengthen the credit union system's ability to withstand future crises with minimal disruption to credit union members.

Additionally, the NCUA updated its supervisory guidance to address growing levels of market and interest rate risk observed in some credit unions during the year. In this new guidance, the NCUA outlined changes to how its examiners supervise for interest rate risk and clarified when they will issue documents of resolution. These changes to the supervisory framework for interest rate risk also increased clarity and flexibility for both examiners and credit unions.

With ongoing inflationary pressures and some interest rate increases likely in 2023, the NCUA will continue to monitor the interest rate environment and take further action if needed.

Increasing Cyber Resiliency

To address increasing cybersecurity risks to credit unions and the financial system, the NCUA Board approved a proposed rule that would require a federally insured credit union to notify the NCUA as soon as possible — but no later than 72 hours — after a credit union reasonably believes that a reportable cyber incident has occurred. This proposal would also bring the NCUA's cyber incident reporting framework into general alignment with the existing rules for federal banking agencies and the forthcoming rule to

Vision
Strengthen communities and protect consumers by ensuring equitable financial inclusion through a robust, safe, sound, and evolving credit union system.

be issued by the Cybersecurity and Infrastructure Security Agency.

Moreover, in support of the Cybersecurity and Infrastructure Security Agency's Shields Up initiative, the NCUA regularly encouraged credit unions to use the NCUA's Automated Cybersecurity Evaluation Toolbox. The tool helps credit unions — especially small credit unions or credit unions with limited resources — to understand their cybersecurity preparedness levels.

The NCUA also finalized plans to implement its new Information Security Exam program, which is scaled to the size and complexity of all credit unions. This new examination program will assist the system in preparing for, withstanding, and recovering from cybersecurity threats.

Supporting Small Credit Unions and Minority Depository Institutions

Small and low-income credit unions and minority depository institutions are critical to expanding access to safe, fair, and affordable financial products and services.

To facilitate the availability of such products and services in communities of color, rural areas, and other under-resourced areas, the NCUA awarded more than $1.5 million in Community Development Revolving Loan Fund grants to 90 low-income credit unions. These credit unions then used these funds to expand their outreach to underserved communities, participate in mentoring relationships with larger credit unions, receive training, improve their digital services, and bolster their ability to withstand cyberattacks.

The NCUA also released a tool in 2022 to assist small credit unions in complying with the Financial Accounting Standards Board's current expected credit loss methodology or CECL, which went into effect for most credit unions at the start of 2023. The Simplified CECL Tool allows small credit unions to implement CECL more easily without hiring an econometrician or using complicated models. This tool also provides a measure of financial and administrative relief for smaller credit unions, so they can instead focus on serving their members and communities.

Additionally, small credit unions continue to face several challenges to their viability, including the lack of succession planning for critical management and board positions. An NCUA analysis found that poor succession planning was either a primary or secondary reason for almost a third (32 percent) of credit union consolidations.[3]

To address this issue, the NCUA Board approved a proposed rule that would

[3] NCUA, Truth in Mergers: A Guide for Merging Credit Unions, page 9, May 2014, available at: https://www.ncua.gov/files/publications/Truth-In-Mergers.pdf

require boards of directors at federal credit unions to establish and adhere to processes for succession planning. At its core, this rulemaking is about federal credit unions of all sizes planning for their futures, so they can serve their members for generations to come as independent entities.

Minority depository institutions, or MDIs, account for a sizable portion of the credit union system. In fact, one in ten federally insured credit unions is an MDI. But comparing an MDI's performance characteristics to a non-MDI is like comparing an apple to an orange. It doesn't make sense.

To address this issue, in 2022, the NCUA developed a new set of examination procedures designed exclusively for MDIs that recognizes their unique business models that often allow for higher expenses, charge-off rates, and delinquencies compared to federally insured credit unions overall. This customization will yield more useful peer metrics for MDIs to improve their policies, processes, and products to better serve their members' and communities' needs.

Fostering Greater Diversity, Equity, Inclusion, and Belonging

The NCUA continues to act to enhance diversity, equity, inclusion, and belonging. These principles are vital to strategy, sustainable growth, innovation, talent acquisition, and employee retention at the NCUA and throughout the credit union system.

This year and for the first time, the NCUA raised the Pride flag at our central office in Alexandria, Virginia, to recognize the start of Pride Month. The NCUA also recognizes there is more to accomplish to advance diversity and inclusion. For example, the agency is working to identify challenges in hiring and retaining female and Hispanic/Latino employees at the agency. We also aim to increase the diversity of the agency's executive and managerial ranks in 2023.

And, to increase diversity within the credit union system, the NCUA hosted the successful 2022 DEI & ACCESS Summit that brought together advocates and stakeholders from across the credit union system to

Values

Integrity — Adhere to the highest ethical and professional standards.

Accountability — Accept responsibilities and meet commitments.

Transparency — Be open, direct, and frequent in communications.

Inclusion — Foster a workplace culture that values diverse backgrounds, experience, and perspectives.

Proficiency — Deploy a workforce with a high degree of skill, competence, and expertise to maximize performance.

discuss economic equity, financial inclusion, and what the industry can do to provide, safe, fair, and affordable financial products and services for the unbanked, the underbanked, and the underserved.

Looking Ahead

In addition to remaining vigilant when it comes to cybersecurity risks, the NCUA will be paying close attention to interest rate risk, liquidity risk, and credit risk in 2023. To ensure the credit union system remains strong, the NCUA will also continue its efforts to enact needed legislative reforms related to the Central Liquidity Facility and vendor authority.

In 2023, the NCUA expects credit union performance to be influenced by several external factors. Forecasters expect modest economic growth resulting from inflation and tighter credit conditions. Job growth is also expected to slow, placing moderate upward pressure on the unemployment rate. Expected changes in the interest rate environment suggest the term spread could turn negative in the year ahead, squeezing credit union net interest margins. Therefore, the outlook for credit union loan growth and loan performance is uncertain.

Additionally, delinquency rates may drift higher, and inflation may remain elevated due to geopolitical events, supply chain disruption, and material shortages. With inflationary pressures and increasing interest rates, a credit union's ability to manage its interest rate and liquidity risk will remain a crucial factor in 2023.

The NCUA also remains concerned about the lack of access to emergency liquidity sources for credit unions. The expiration of the Central Liquidity Facility's agent-membership provision at the end of 2022 resulted in 3,322 smaller credit unions losing access to this vital source of emergency liquidity. With liquidity and interest rate risk on the rise, it is vital that Congress restore this authority. Making the agent-membership authority permanent remains a legislative priority for the NCUA Board, and the agency will continue to work with Congress on this issue.

Furthermore, the NCUA's lack of authority to supervise third-party vendors that provide services to credit unions remains a regulatory blind spot that could trigger cascading consequences throughout the credit union industry and the financial services sector. Third-party vendors may pose a national security risk to the United States due to this lack of oversight over business operations — notably with respect to cybersecurity, given the amount and type of data they hold and the essential business functions they perform. The NCUA will, therefore, continue to seek the restoration of its statutory authority over third-party vendors, including credit union service organizations.

Finally, the NCUA will continue to improve and strengthen its consumer financial protection and fair lending examination programs. In 2023, two new fair lending specialist positions will be added. NCUA examiners will also expand their review of credit unions' overdraft programs, including in the areas of website advertising, balance calculation methods, and settlement processes. In addition, examiners will assess policies and practices related to residential real estate appraisals and conduct tailored reviews to evaluate the consistency, fairness, and accuracy of the appraisals credit unions obtain.

Closing Thoughts

Our nation's federally insured credit unions remain safe, stable, and well-capitalized. The list of accomplishments in this *2022 Annual Report* merely scratches the surface of the time, talent, and energy everyone at the NCUA invested in making 2022 successful. I am deeply grateful for the hard work and dedication demonstrated by everyone on the NCUA team and my fellow Board members. Together, these efforts allowed the agency to fulfill its mission throughout the last year.

As we navigate through the challenges that 2023 will pose, the NCUA will continue to address the needs and best interests of credit union members while also ensuring the safety and soundness of credit unions and protecting the Share Insurance Fund from losses. And we will work to allow the credit union system to innovate responsibly and evolve. By staying focused on these issues, the agency will ensure that the cooperative credit union movement achieves its full potential, especially in meeting the credit and savings needs of people of modest means.

Todd M. Harper
Chairman
National Credit Union Administration
1775 Duke Street | Alexandria, VA 22314

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Management's Discussion and Analysis

About the Management's Discussion and Analysis

The National Credit Union Administration enhanced the content quality, report layout, and public accessibility of the *2022 Annual Report* by improving graphics and providing more useful and easily understood information about the NCUA's programs, financial condition, and performance. Hyperlinks to relevant web content are embedded in the body of the report to provide additional information about the NCUA's programs. To take advantage of these links, the NCUA recommends accessing this report through the agency's website.

This section highlights information on the NCUA's performance, financial statements, systems and controls, compliance with laws and regulations, and actions taken or planned to address select challenges.

The NCUA in Brief

The NCUA in Brief provides information about the NCUA's mission, an overview of its history and describes the agency's organizational structure. The full list of offices with a description by function can be found in the Appendix of this report.

Year in Review

The Year in Review highlights challenges, accomplishments, and performance results in key programs in 2022.

Looking Forward

The Looking Forward section describes the trends and issues that will affect the credit union system and the NCUA in the coming years as well as actions taken by the NCUA to address any risks or uncertainties.

Performance Highlights

The Performance Highlights section provides a summary of the NCUA's performance goals and results for 2022. Additional information can be found in the Performance Results section of the report.

Financial Highlights

The Financial Highlights section provides a high-level perspective of the NCUA's financial results, position, and condition. Additional information for the NCUA's four funds can be found in the Financial Information section of the report.

Management Assurances and Compliance with Laws

The Management Assurances and Compliance with Laws section provides management assurances related to the Federal Managers' Financial Integrity Act. The NCUA's internal control framework and its assessment of controls, in accordance with Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management* and Internal Control, assures NCUA leadership and external stakeholders that financial data produced by the NCUA's business and financial processes and systems are complete, accurate, and reliable.

NCUA in Brief

Created by the U.S. Congress in 1970, the National Credit Union Administration is an independent federal agency that insures deposits at federally insured credit unions, protects the members who own credit unions, charters, and regulates federal credit unions, and promotes widespread financial education and consumer protection. The NCUA protects the safety and soundness of the credit union system by identifying, monitoring, and reducing risks to the National Credit Union Share Insurance Fund. Backed by the full faith and credit of the United States, the Share Insurance Fund provides up to $250,000 of federal share insurance to more than 135.3 million account holders in all federal credit unions and the overwhelming majority of state-chartered credit unions. No credit union member has ever lost a penny of share deposits insured by the Share Insurance Fund.

A three-member Board of Directors oversees the NCUA's operations by setting policy, approving budgets, hiring senior executives, considering appeals, and adopting rules.[1] Besides the Share Insurance Fund, the NCUA operates three other funds: the NCUA Operating Fund, the Central Liquidity Facility (CLF), and the Community Development Revolving Loan Fund. The NCUA Operating Fund, in conjunction with the Share Insurance Fund, finances the agency's operations.

The CLF is a contingent federal liquidity source, owned by its member credit unions and administered by the NCUA Board, which serves as a back-up lender to credit unions to meet unexpected liquidity needs when funds are unavailable from standard credit sources. The NCUA's Community Development Revolving Loan Fund provides loans and grants to minority depository institutions and low-income designated credit unions.

As detailed in the *2022–2026 Strategic Plan*, NCUA's strategic goals in 2022 were to:

- Ensure a safe, sound, and viable system of cooperative credit that protects consumers
- Improve the financial well-being of individuals and communities through access to affordable and equitable financial products and services
- Maximize organizational performance to enable mission success

The NCUA also plays a role in helping to ensure broader financial stability

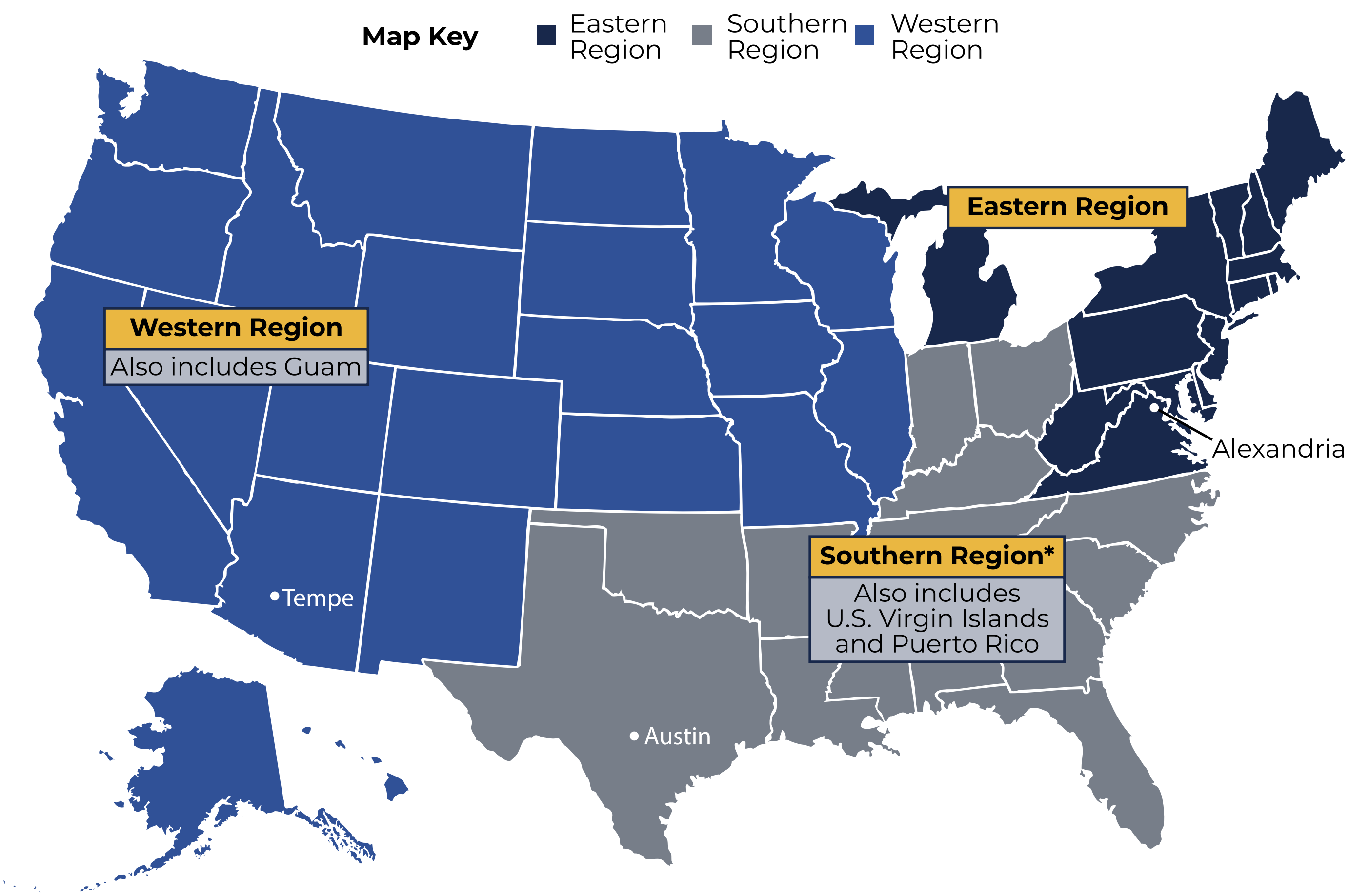
1 Each Board Member is appointed by the President and confirmed by the Senate. The President also designates the Chairman of the NCUA Board. No more than two Board members can be from the same political party, and each member serves a staggered six-year term.

as a member of the Federal Financial Institutions Examination Council, which the NCUA chaired in 2022, and the Financial and Banking Information Infrastructure Committee. The NCUA's Chairman is also a voting member of the Financial Stability Oversight Council, an interagency body tasked with identifying and responding to emerging risks and threats to the financial system.

The agency operates its headquarters in Alexandria, Virginia; its Asset Management and Assistance Center in Austin, Texas, which liquidates credit unions and recovers assets; and three regional offices — Eastern, Southern, and Western — which carry out the agency's supervision and examination program. Reporting to these regional offices, the NCUA has credit union examiners responsible for a portfolio of credit unions covering all 50 states, the District of Columbia, Guam, Puerto Rico, and the U.S. Virgin Islands.

NCUA's Regional Offices

NCUA Regional Structure as of January 2023



* Responsibility for the State of Ohio shifted from the Eastern to the Southern Region on January 1, 2023.

National Credit Union Administration

Organizational Chart

The Honorable
Todd M. Harper
Chairman

The Honorable
Kyle S. Hauptman
Vice Chairman

The Honorable
Rodney E. Hood
Board Member

- NCUA Board
  - Office of External Affairs & Communications
  - Office of Minority & Women Inclusion
  - Office of the Executive Director
    - Deputy Director
      - Office of the Chief Economist
      - Office of the Chief Financial Officer
      - Office of the Chief Information Officer
      - Office of Consumer Financial Protection
      - Office of Human Resources
      - Office of Credit Union Resources & Expansion
      - Office of Continuity & Security Management
      - Office of Business Innovation
    - Office of Examination & Insurance
    - Field Program Offices
      - Office of National Examinations & Supervision
      - Eastern Region
      - AMAC
      - Southern Region
      - Western Region
  - Office of General Counsel
  - Office of Inspector General
  - Office of Ethics Counsel
  - Ombudsman
  - Central Liquidity Facility

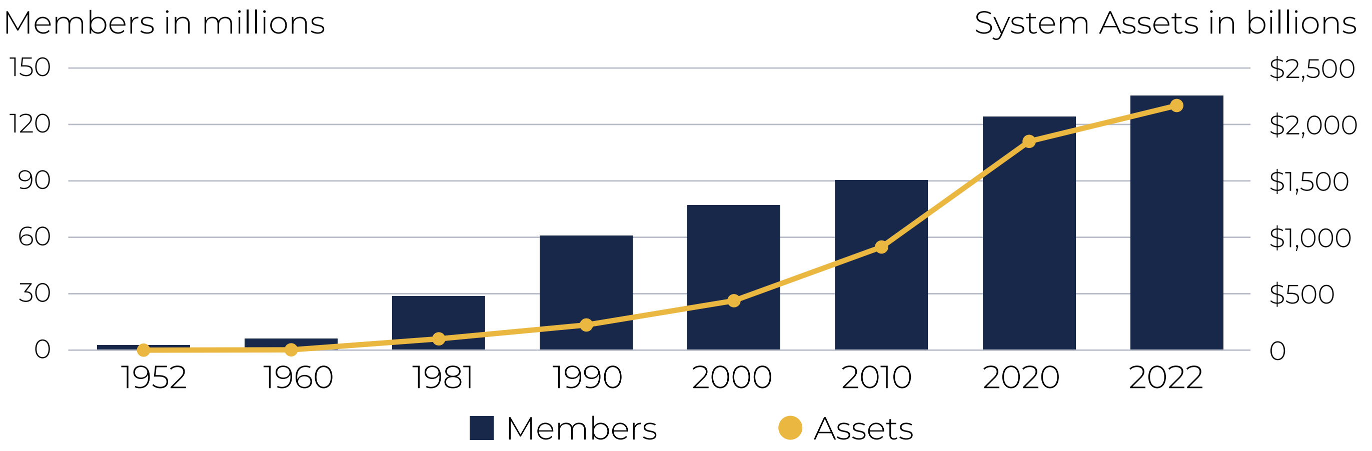
Office descriptions and additional information on the NCUA's organizational chart can be found in the Appendix of this report.

NCUA's History

For more than 100 years, credit unions have provided financial services to their members in the United States. Credit unions are unique depository institutions created not for profit, but to serve their members as cooperatives. On June 26, 1934, President Franklin Delano Roosevelt signed the Federal Credit Union Act into law, which created the system of federally chartered credit unions that exists today. The purpose of the federal law was to make credit available to Americans and promote thrift through a national system of nonprofit, cooperative credit unions.

By the 1970s, the credit union industry had grown rapidly, both in terms of institutions and members. That rapid growth called for independent oversight and leadership. As a result, Congress created the NCUA as an independent regulatory body. For more than 50 years, the NCUA has maintained the safety and soundness of federally insured credit unions and the National Credit Union Share Insurance Fund. As a result, millions of Americans can confidently entrust their savings and financial well-being to our nation's cooperative credit system. As of December 31, 2022, the NCUA was responsible for the regulation and supervision of 4,760 federally insured credit unions, with more than 135.3 million members and approximately $2.17 trillion in assets across all states and U.S. territories.

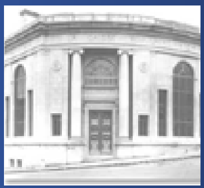
Growth in Credit Union Members and Credit Union Systems Assets



NCUA Timeline

Here is a timeline of a few major events that have shaped the credit union industry and the NCUA. A full timeline of events can be found on the NCUA's website. A short video documenting the history of America's credit unions and the NCUA can be found on the NCUA's YouTube Channel.

1900



April 6, 1909 – St. Mary's Cooperative Credit Association, the first U.S. credit union, opens in Manchester, New Hampshire.

1920

June 26, 1934 – President Franklin Delano Roosevelt signs the Federal Credit Union Act into law.

October 1, 1934 – Morris Sheppard Federal Credit Union in Texarkana, Texas, becomes the first federally chartered credit union.

1940

1948 – The Federal Credit Union Division is renamed the Bureau of Federal Credit Unions and is moved from the Federal Deposit Insurance Corporation to the Federal Security Administration.

1960

1967 – In November, Congressman John William Wright Patman of Texas introduces a bill for the creation of an independent federal regulator of credit unions. This bill, House Resolution 14030, fails to gain traction, but represents the first step in creation of what would become the National Credit Union Administration.

1970 – Congress creates the National Credit Union Administration as an independent agency to charter and supervise federal credit unions. The National Credit Union Share Insurance Fund is formed, insuring share deposits at federally insured credit unions up to $20,000. Until this point, credit unions had operated without federal deposit insurance.

1974 – Legislation increases insurance coverage on credit union member share deposits to $40,000.

1979 – A three-member Board replaces the NCUA Administrator as the governing body for the agency after Congress amends the Federal Credit Union Act. Congress also creates the Central Liquidity Facility. This facility is similar to the Federal Reserve's Discount Window and serves a similar function as the lender of last resort for the credit union system. Share insurance coverage increases to $100,000, making it equal to the amount of deposit insurance coverage for banks provided by the Federal Deposit Insurance Corporation.

1980

1981 – The NCUA's Central Liquidity Facility and U.S. Central Credit Union, at the time the nation's largest corporate credit union, sign an agreement nearly quadrupling the Central Liquidity Facility's membership and giving 90 percent of credit unions a permanent source of backup liquidity.

1982 – Legislation grants NCUA emergency merger authority and temporary conservatorship authority.

1984 – Administration of the Community Development Revolving Loan Fund is transferred to NCUA from the Department of Health and Human Services. Today, the Community Development Revolving Loan Fund provides grants and loans to low-income credit unions and minority depository institutions.

July 18, 1984 – The Deficit Reduction Act of 1984 is signed into law, recapitalizing the National Credit Union Share Insurance Fund, which had been experiencing financial stress for several years. Federally insured credit unions submit $850 million, or 1 percent of system assets, at the time to fully capitalize a new, restructured Share Insurance Fund.

1987 – On January 1, Governor Bruce Sundlun announces the Rhode Island Share Deposit Indemnity Corporation is insolvent and declares a "bank holiday" for 35 state-chartered credit unions and 10 state-chartered banks. The event precipitates a flood of insurance applications from privately insured credit unions nationwide. By 1991, 432 state-chartered credit unions converted to federal insurance coverage.

1987 – The NCUA adopts the CAMEL Rating System (Capital, Asset Quality, Management, Earnings and Liquidity) as its rating system for credit unions.

1989 – The Asset Liquidation and Management Center in Austin, Texas, is created to deal with problem assets the NCUA acquires from both operating and liquidating credit unions. Over the years, the office's role expands to include providing consulting services to the NCUA regional offices on such topics as lending analysis, records reconstruction, and fraud investigation. Renamed the Asset Management and Assistance Center in 1996, it also provides training to both NCUA and state credit union examiners.

1990

August 7, 1998 – President Bill Clinton signs the Credit Union Membership Access Act into law, which restores expansion privileges and provides for multiple common-bond credit unions. The act also requires the NCUA to create a system of prompt corrective action. This system sets the minimal capital ratios that a credit union must maintain and establishes triggers that limit the activities of a federally insured credit union should it drop below those levels.

October 3, 2008 – President George W. Bush signs the Emergency Economic Stabilization Act, creating the $700 billion Troubled Asset Relief Program and temporarily raising FDIC and NCUA deposit insurance coverage from $100,000 per depositor to $250,000 per depositor through Dec. 31, 2009.

September 30, 2008 – President George W. Bush signs the Consolidated Security, Disaster Assistance, and Continuing Appropriations Act, 2008, which contains provisions temporarily removing a cap of $1.5 billion on the Central Liquidity Facility, allowing the facility to borrow up to its authorized limit to lend to credit unions to meet short-term liquidity needs. The lending limit increases to $41.5 billion.

January 28, 2009 – The NCUA Board announces the Temporary Corporate Credit Union Share Guarantee Program, providing a full faith and credit guarantee of uninsured shares at all corporate credit unions through February 2009 and establishing a voluntary guarantee program for uninsured shares of credit unions through December 2010. The Board also approves a $1 billion capital purchase in U.S. Central Federal Credit Union.

July 21, 2010 – President Barack Obama signs into law the Dodd-Frank Wall Street Reform and Consumer Protection Act that made permanent the $250,000 insurance protection for shares and deposits.

May 2009 – The Temporary Corporate Credit Union Stabilization Fund was created to accrue the losses from five failed corporate credit unions and assess insured credit unions for such losses over time. But for the creation of the Stabilization Fund, these losses would have been borne by the National Credit Union Share Insurance Fund, exhausting the Share Insurance Fund's retained earnings and significantly impairing credit unions' one percent contributed capital deposit. The Stabilization Fund is also used to account for the costs of the Corporate System Resolution Program and provide short-term and long-term funding to resolve a portfolio of residential mortgage-backed securities, commercial mortgage-backed securities, other asset-backed securities, and corporate bonds, collectively referred to as Legacy Assets.

June 20, 2011 – The NCUA becomes the first federal financial institutions regulator to file suit in federal court against Wall Street firms to recover losses from sales of faulty mortgage-backed securities. The first lawsuits are filed against J.P Morgan Securities LLC and RBS Securities Inc. The agency eventually files 26 suits against 32 defendants in federal courts in California, Kansas, and New York related to corporate credit union losses. Net recoveries of these legal actions, to date, exceed $5.1 billion.

2000 2002 2004 2006 2008 2010

January 1, 2013 – The Office of National Examinations and Supervision begins operations. This office supervises the nation’s corporate credit unions and consumer credit unions with $10 billion or more in assets.

September 28, 2017 – The NCUA Board approves the closing of the Stabilization Fund on Oct. 1, 2017, four years ahead of its sunset date of June 30, 2021.

January 7, 2019 – The NCUA consolidates from five to three regions, closing the regional offices in Albany and Atlanta. The three newly reorganized regional offices are the Eastern, Southern, and Western Regions.

March 16, 2020 – In response to the global coronavirus pandemic, the NCUA issues a Letter to Credit Unions that outlines several strategies credit unions may consider when determining how to address the challenges associated with COVID-19. The NCUA and other financial regulators issue a joint statement encouraging credit unions and other financial providers to work with borrowers affected by financial and economic disruptions resulting from the COVID-19 pandemic.

March 25, 2020 – The Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, is signed into law in response to the COVID-19 pandemic. This law temporarily provides the NCUA Board with the power to expand access to and increase the borrowing authority for the Central Liquidity Facility and allows credit unions to provide guaranteed loans to businesses and self-employed individuals through the U.S. Small Business Administration’s paycheck protection program, among other relief measures.

August 12, 2021 – The NCUA begins industry-wide transition to using NCUA Connect, Admin Portal, Modern Examination and Risk Identification Tool (MERIT), and Data Exchange Application (DEXA) applications. The agency facilitates and completes all internal and external user training sessions between August 18, and December 14, 2021.

Oct. 21, 2021 – The NCUA Board approves a final rule that adds the “S” (Sensitivity to market risk) component to the existing CAMEL rating system, thus updating the rating system from CAMEL to CAMELS, and redefines the “L” (Liquidity risk) component. The benefits of adding the “S” component are to enhance transparency and allow the NCUA and federally insured, consumer and corporate credit unions to better distinguish between liquidity risk (“L”) and sensitivity to market risk (“S”). The addition of “S” also enhances consistency between the supervision of credit unions and financial institutions supervised by the other banking agencies.

December 31, 2022 – The Central Liquidity Facility’s agent membership authority that was initially authorized under the CARES Act, expires, decreasing the amount of liquidity available to credit unions in the event of a major liquidity crisis.

Year in Review

New technology, changes in consumer behavior and expectations, and the emergence of non-bank actors in the marketplace have transformed the financial services sector in recent years. Federally insured credit unions have continued to grow in both size and complexity, offering new products and services, and facilitating financial transactions in an ever-growing digital and mobile space. The COVID-19 pandemic and its resulting financial and economic disruptions have only accelerated many of these trends. The NCUA continued to evolve its examination program and administrative operations to ensure the fulfillment of our statutory obligations to maintain a safe and sound credit union system and address demographic and economic trends that would otherwise increase risk in the credit union system.

During 2022, the credit union system experienced high levels of economic uncertainty and a rising interest rate environment. Yet, overall, the credit union system and the Share Insurance Fund performed well during the year. By December 2022, credit union membership grew to more than 135.3 million members, assets in the credit union system increased to $2.17 trillion, and the system's aggregate net worth ratio stood at 10.74 percent, well above the 7-percent statutory level for being considered well-capitalized.[1]

The NCUA and its workforce successfully executed its congressionally mandated mission to provide safety and soundness to the credit union system. The following is a discussion of the NCUA's significant activities in 2022, as outlined in the *2022–2026 Strategic Plan*, as well as some of the challenges facing the credit union system and the NCUA in the near future. This report's Performance Results section provides additional information about how the agency met its strategic goals and objectives.

Ensuring a Safe, Sound, and Viable System of Cooperative Credit that Protects Consumers

The Federal Credit Union Act authorizes the NCUA Board to oversee America's credit union system and administer and manage the Share Insurance Fund. The NCUA also has statutory responsibility for supervising compliance with and enforcing laws and regulations that protect all credit union members. The NCUA's primary function is to identify and assess credit union system risks, threats, and vulnerabilities; determine the magnitude of such risks and mitigate unacceptable levels of risk through its examination, supervision, and enforcement programs.

1 The 10.74 percent net worth ratio is the most current calculation and was revised from the 10.75 percent referenced in the Financial Information section of this report based on updated data.

Maintaining a Financially Sound Share Insurance Fund

The NCUA must maintain a financially sound Share Insurance Fund to protect credit union members against unexpected losses from failed credit unions and to maintain public confidence in federal share insurance. Sound management of the Share Insurance Fund also requires the agency to timely identify, assess, and respond to current and emerging risks through the effective execution of the examination program. As such, the NCUA's examination program focuses on the areas that pose the highest risk to the credit union system and the Share Insurance Fund.

In 2022, NCUA field staff completed 5,533 supervisory contacts and reported 538,059 examination hours, compared to 5,244 supervisory contacts and 523,938 examination hours in 2021. The increase in contacts was primarily due to an increase in offsite contacts to facilitate data transfer to NCUA's Modern Examination and Risk Identification Tool (MERIT).

For most small federal credit unions with less than $50 million in total assets and CAMELS ratings of 1, 2, or 3, the NCUA follows its Small Credit Union Examination Program. This streamlined examination program focuses on the most pertinent areas of risk in these types of institutions. The agency typically provides oversight to small credit unions with a CAMELS rating of 4 or 5 using risk-focused examinations. The NCUA's three regional offices oversee and examine consumer credit unions with less than $10 billion in assets. For larger credit unions with assets less than $10 billion, the agency conducts risk-focused examinations that review areas with the highest potential risks, new products and services, and compliance with federal regulations.

The agency's Office of National Examinations and Supervision (ONES) oversees and examines consumer credit unions with $10 billion or more in assets.[2] The large credit union program includes a continuous supervision model, including enhanced offsite monitoring and data analysis. During these examinations, field staff focus on interest rate risk; evaluate lending and credit practices; and assess information technology, cybersecurity, and payment system risks. In addition, these institutions undergo annual stress tests to assess their capital levels under a series of adverse financial and economic scenarios. The examinations conducted in large consumer credit unions are also subject to heightened

Continued on page 26

2 In July of 2022, the NCUA Board approved a final rule to adjust the asset thresholds for assigning supervision of covered consumer credit unions to ONES. Effective January 1, 2023, credit unions with assets between $10 billion and $15 billion will be supervised by their appropriate Regional Office. All credit unions above $10 billion in assets currently supervised by ONES will continue to be supervised by that office under the final rule. Each year credit unions meeting the $15 billion threshold as of the March 31 call reporting period will be supervised by ONES beginning the following year.

What is the CAMELS Rating System?

In 2021, the NCUA Board approved a final rule that adds the sensitivity to market risk or "S" component to the existing CAMEL rating system and redefines the liquidity risk or "L" component. Separating the liquidity and market sensitivity components will allow the NCUA to better monitor these risks within the credit union system, better communicate specific concerns to individual credit unions, and better allocate resources. The effective date of the CAMELS transition was for examinations starting after April 1, 2022.

The CAMELS rating system is based on an evaluation of five critical elements of a credit union's operations. It considers and reflects all significant financial, operational, and management factors examiners assess in their evaluation of a credit union's performance and risk profile. Examiners assign a numeric rating between 1 (strongest) and 5 (weakest) to each of the CAMELS components based on their evaluation of five critical elements of a credit union's operations throughout an exam:

Capital Adequacy – A credit union is expected to maintain capital commensurate with the nature and extent of risk to the institution and the ability of management to identify, measure, monitor, and control these risks. The effect of credit, market, and other risks to the credit union's financial condition is considered when evaluating capital adequacy.

Asset Quality – The asset quality rating reflects the quantity of existing and potential credit risks associated with the loan and investment portfolios, other real estate owned, and other assets, as well as off-balance sheet transactions. The ability of management to identify, measure, monitor, and control credit risk is also reflected here.

Management – The capabilities of the board of directors and management, in their respective roles, to identify, measure, monitor, and control the risks of a credit union's activities and to ensure a credit union's safe, sound, and efficient operation in compliance with applicable laws and regulations, including consumer financial protection, is reflected in this rating.

Earnings – This rating reflects the adequacy of current and future earnings to fund capital commensurate with the credit union's current and prospective financial and operational risk exposure, potential changes in the economic climate, and strategic plans.

Liquidity Risk – This rating considers current and prospective sources of liquidity compared to funding needs and the adequacy of liquidity risk management relative to a credit union's size, complexity, and risk profile. A credit union's liquidity risk management practices should ensure it maintains sufficient liquidity to meet its financial obligations and member share and loan demands.

Sensitivity to Market Risk – The sensitivity to market risk reflects the exposure of a credit union's current and prospective earnings and economic capital arising from changes in market prices and interest rates. Effective risk management programs include comprehensive interest rate risk policies, appropriate and identifiable risk limits, clearly defined risk mitigation strategies, and a suitable governance framework.

quality control that is conducted by the Office of Examination and Insurance.

ONES also supervises 11 corporate credit unions, ranging in size between $146.9 million and $6.7 billion in assets. Each of these institutions acts as a "credit union for credit unions" by providing several critical financial services for consumer credit unions, including payment processing. The NCUA assesses these institutions' capital levels, interest rate risk, cybersecurity preparedness, and other critical areas.

The NCUA annually outlines its primary focus areas for its exam program. In 2022, the NCUA updated its supervisory priorities to focus its examination activities on areas that pose an elevated risk to the credit union industry and the Share Insurance Fund as a result of the pandemic and its associated economic fallout. The agency's supervisory priorities were:

- **Bank Secrecy Act (BSA)/Anti-Money Laundering (AML) Compliance** — Examiners reviewed credit unions' compliance with the Bank Secrecy Act and completed related examination questionnaires during every examination. In 2022, the NCUA met regularly with interagency partners to improve the transparency, efficiency, and effectiveness of BSA/AML regulation and supervision.
- **Consumer Financial Protection** — The COVID-19 pandemic continued to affect consumers and resulted in increased consumer compliance risk in certain areas. Consumer financial protection, therefore, remained an NCUA supervisory priority during 2022. NCUA examiners reviewed compliance with applicable consumer financial protection regulations and assessed the credit union's Fair Lending Compliance Management System during every federal credit union examination.
- **Credit Risk Management** — In 2022, NCUA examiners continued to place emphasis on the review of credit unions' loan underwriting standards and credit risk management practices. NCUA examiners focused on any adjustments credit unions made to lending programs to address borrowers facing financial hardship because of the COVID-19 pandemic and verified that credit unions evaluated the potential impact their relief efforts had on their capital position and financial stability.
- **Payment Systems** — Payment products, services, and operations are a growing area of risk for credit unions and consumers, especially in the areas of fraud, illicit use, and breaches of data security. In 2022, NCUA examiners increased their focus in this area.
- **Information Systems and Assurance (Cybersecurity)** — The NCUA continued to promote cybersecurity hygiene in credit unions, and reviews of credit union information systems and assurance programs remained a supervisory

priority for the agency. In 2022, the NCUA continued to develop updated information security examination procedures that are tailored to institutions of varying size and complexity.

- **London InterBank Offered Rate (LIBOR) Transition Planning** — During 2022, examiners continued to evaluate credit unions' risk management processes and planning regarding the transition away from using LIBOR, with a specific focus on credit unions with significant LIBOR exposure or inadequate fallback language.

- **Liquidity and Interest Rate Risks** — Credit unions have experienced high share growth over the last two years. Investment of surplus funds in longer-duration assets could result in greater sensitivity to market risk and therefore increased interest rate risk. Conversely, investment in short-term assets can impact current-period earnings. During 2022, examiners continued to evaluate the suitability and scope of a credit union's scenario analysis for liquidity risk management.

Resolving Troubled Credit Unions

When prudent, the NCUA uses its conservatorship authority provided in the Federal Credit Union Act to resolve operational problems that could affect a credit union's safety and soundness. During a conservatorship, the credit union remains open, members may transact business, and accounts remain insured by the Share Insurance Fund. The NCUA placed three credit unions into conservatorship in 2022. As of December 31, 2022, there were two credit unions operating under the NCUA's conservatorship.[3]

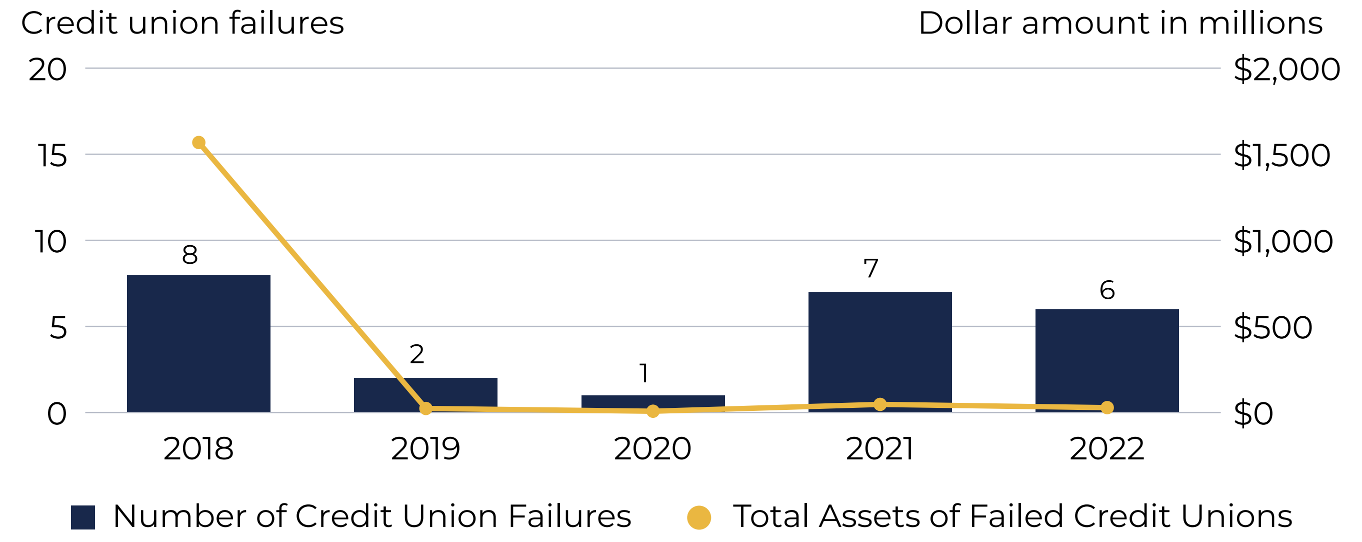
Protecting Member Deposits

In 2022, there were six credit union failures compared to the seven failures in 2021. The Share Insurance Fund insures member deposits at all federally insured credit unions up to $250,000. As a result, the members of the federally insured credit union that failed in 2022 suffered no losses on their insured deposits. Verified shares were paid out within five days of closure.

The cost to the Share Insurance Fund of these failures was $9.8 million, an increase from $5.6 million in 2021. The loss figure will change depending on the performance of the remaining assets of the liquidated credit unions. The NCUA continues to evaluate all courses of action that will maximize potential recoveries from the assets of the liquidated credit unions and minimize losses to the Share Insurance Fund. The Share Insurance Fund remains financially strong and has sufficient equity and reserves to cover anticipated losses.

3 As of December 31, 2022 the NCUA was the conservator of Edinburg Teachers Credit Union, located in Edinburg, Texas; and Richmond City Employees Federal Credit Union, Located in Richmond, Indiana.

Number of Credit Union Failures to Total Assets (2018–2022)



Source: NCUA Annual Reports and Audited Financial Statements of the Share Insurance Fund

Gross assets managed by the NCUA's Asset Management and Assistance Center, which are comprised primarily of loans, were approximately $280.7 million at the end of 2022, a decrease from $337.1 million at the end of 2021. The decrease in gross assets managed was due to the resolution of loans and real estate owned assets.

Providing Effective and Efficient Supervision

One of NCUA's long-term modernization initiatives is the virtual exam project. The NCUA Board approved this project and associated resources in 2017. Currently, the project is in the research and discovery phase. During this phase, staff identifies new and emerging data sources and methods to access the data, assesses advancements in analytical techniques, and considers how other technologies can be harnessed to automate or streamline various aspects of the examination process. By identifying and adopting alternative methods to remotely analyze much of the financial and operational condition of a credit union, with equivalent or improved effectiveness relative to current examinations, it may be possible to reduce the frequency and scope of onsite examinations significantly.

The team also identified and analyzed the lessons, techniques, and experiences from the NCUA's mandated offsite operating posture resulting from the COVID-19 pandemic. As the team continues its efforts in the research and discovery phase of the project, they will perform periodic stakeholder outreach, conduct pilots and feasibility testing, and incrementally move examination activities offsite based on the results. Additionally, the lessons learned from the offsite operating posture will help guide the near-term changes to examination approaches and further development by credit unions and NCUA for a more fully virtual examination and supervision program.

Expected changes in the interest rate environment suggest short-term interest rates could be higher than long-term rates next year, squeezing credit union net interest margins. Therefore, the outlook for credit union loan growth and performance is uncertain. Modest growth in automobile and home sales is projected for next year, supporting continued growth in credit union loan balances. However, weaker-than-expected economic conditions or a downturn could produce less favorable outcomes for credit unions. Inflation may remain elevated as well due to geopolitical events, supply chain disruption, and material shortages.

Given rising interest rates, the NCUA updated its supervisory guidance in September to address market and interest rate risk. Specifically, the agency issued a Letter to Credit Unions outlining changes to how it plans to supervise interest rate risk and clarifying when the issuance of a document of resolution would be warranted. Going forward, the NCUA will continue to monitor the interest rate environment and take further action if needed.

Cyberattacks and cybersecurity vulnerabilities pose significant risks to the financial system. Because of vulnerabilities within the credit union industry and the broader financial system to potential cyberattacks, cybersecurity is one of the NCUA's top supervisory priorities and a top-tier risk under the agency's enterprise risk management program. The NCUA engages in interagency cybersecurity preparedness as members of the Federal Financial Institutions Examination Council and the Financial and Banking Information Infrastructure Committee. The NCUA monitors cyber threats identified by federal and non-federal sources and shares relevant information with the credit union industry and financial sector partners.

In 2022, the NCUA piloted a new and updated information security examination program. The NCUA established a working group of regional and headquarters staff to review and incorporate changes into the program to be scalable to the institution's complexity and size. The NCUA provided initial examiner training in the fourth quarter of 2022 and will deploy the improved program with the 2023 examination cycle. This new examination program offers flexibility for credit unions of all asset sizes and complexity levels while providing examiners with standardized review steps to facilitate advanced data collection and analysis. These new examination procedures will assist the credit union system in preparing for, withstanding, and recovering from cybersecurity threats. The NCUA began using the information security examination procedures at the start of 2023.

Using Supervisory Tools to Address Compliance Concerns

To protect the credit union system and the Share Insurance Fund from losses, the NCUA employs several supervisory tools and enforcement actions depending on the severity of the situation. The number of total outstanding enforcement actions for federally insured credit unions decreased from 166 at the end of 2021, to 141 at the end of 2022. This trend will likely not continue in future years. With the NCUA's return to onsite examinations and supervision in October of 2022, field staff have found an increase in recordkeeping deficiencies, problems with internal controls, and instances of fraud. While the agency will continue to use offsite supervision as appropriate, the NCUA will allocate necessary resources to conduct in-person examinations to find and address other internal control, recordkeeping, and fraud issues before they become significant and lead to Share Insurance Fund losses.

Outstanding Enforcement Actions at Year-end (2018-2022)

		2018	2019	2020	2021	2022
Federal Credit Unions						
Increasing Severity	Preliminary Warning Letters	47	38	30	25	23
	Unpublished Letters of Understanding and Agreement	142	119	84	76	69
	Published Letters of Understanding and Agreement	0	0	0	0	1
	Cease-and-Desist Orders	0	2	3	3	3
	Conservatorship	0	1	0	2	1
Federal Credit Union Totals		**189**	**160**	**117**	**106**	**97**
Federally Insured, State-Chartered Credit Unions						
Increasing Severity	Preliminary Warning Letters	14	6	4	5	5
	Unpublished Letters of Understanding and Agreement	69	54	48	46	30
	Cease-and-Desist Orders	5	6	4	6	8
	Conservatorship	0	1	2	3	1
Federally Insured, State-Chartered Credit Union Totals		**88**	**67**	**58**	**60**	**44**
Federally Insured Credit Unions Totals		**277**	**227**	**175**	**166**	**141**

Source: NCUA Examination Data

In addition, the NCUA assesses civil monetary penalties against credit unions that fail to file a Call Report on time. No late filer civil monetary penalties were assessed in 2022 or 2021 due to the impact of COVID-19 on federally insured credit union operations. For more information on the civil monetary penalties the NCUA can impose, please see the Other Information section of this report.

In 2022, the NCUA issued administrative actions prohibiting 13 individuals from participating in the affairs of any federally insured financial institution, compared to 25 issued in 2021.

Enforcing Federal Consumer Financial Protection Laws and Regulations

Equally vital to credit union members are consumer financial protection and fair and equitable access to credit. To that end, the NCUA continues to strengthen its consumer financial protection program to ensure that all consumers receive the same level of protection, regardless of their financial provider of choice.

Specifically, the agency is developing a proposal to enhance consumer compliance examination procedures for the largest credit unions that are not primarily examined for consumer financial protection by the Consumer Financial Protection Bureau, performing targeted consumer compliance examination procedures in every federal credit union exam, and developing consumer compliance training materials for examiners and credit unions. The agency is also placing an increased emphasis on fair lending compliance.

In 2022, the NCUA's Office of Consumer Financial Protection spent 5,599 hours examining 35 credit unions for compliance with fair lending laws and regulations. Agency staff spent an additional 1,202 hours performing 46 offsite supervision contacts to review credit unions' loan policies and, if necessary, provide recommendations to bring them into compliance with fair lending laws.

Another part of the NCUA's enforcement of consumer financial protection laws and regulations is our Consumer Assistance Center, which receives and handles consumer complaints and does its own investigation to determine compliance with applicable federal consumer financial protection laws and regulations. During the year, the Consumer Assistance Center handled more than 42,663 written complaints, inquiries, and telephone calls from consumers and recorded nearly $835.7 thousand in monetary benefits for complainants.[4]

4 This figure includes restitution by the credit union, relief from an alleged monetary obligation imposed by the credit union, and access to disputed credit or financial services products otherwise not available to the member by the credit union.

Delivering Policies and Regulations that Appropriately Address Emerging and Innovative Financial Technologies

The rapid emergence of financial technology is creating opportunities for credit unions to increase speed of service, improve security, and expand products and services. To assist credit unions regarding financial technology adoption in a safe-and-sound manner, the NCUA issued a Letter to Credit Unions that clarifies expectations for credit unions contemplating the use of new or emerging distributed ledger technologies. The letter specifies that while the NCUA does not prohibit credit unions from developing, procuring, or using distributed ledger technologies, the technology used must be deployed for permissible activities and in compliance with state and federal laws and regulations.

Delivering an Effective and Transparent Regulatory Framework

As the financial services system and credit unions continue to evolve — especially with many credit unions growing larger and more complex — the regulatory framework must keep pace to maintain the strength and stability of the credit union system. In response to these changes and to legislation enacted into law, the NCUA proposed or completed six substantive changes to the NCUA's regulatory structure to help credit unions stay competitive in the changing environment and continue to provide financial services to their members and communities.

- **Succession Planning** — In January, the NCUA Board approved a proposed rule that would require the board of directors at federal credit unions to establish and adhere to processes for succession planning. Under the proposed rule, credit union directors would also be required to have knowledge of the federal credit union's succession plan. Although the proposed rule would apply only to federal credit unions, the NCUA Board encourages all credit unions, regardless of asset size, to have a succession plan to fill key positions and ensure their credit unions continued operations.

- **Subordinated Debt/Secondary Capital Rule** — Effective at the start of 2022, this final rule allows eligible credit unions to issue subordinated debt under the statutory authority to borrow from any source. Among the changes included in the final rule were increased categories of credit unions eligible to use subordinated debt for purposes of regulatory capital treatment. This rule now permits low-income-designated credit unions, as well as complex credit unions that are not low-income-designated, to count qualifying subordinated debt to meet certain capital requirements. This rule also enables newly chartered credit unions to use subordinated debt to support their startup phase. Subordinated debt, as defined by NCUA's regulation, can help increase regulatory capital levels to protect against future losses and enable credit unions to provide lending and other member services to under-resourced communities.

- **Earnings Retention Waivers and Net Worth Restoration Plans** — In February, the NCUA Board extended two temporary changes to its prompt corrective action regulations to help ensure that federally insured credit unions remain operational and liquid during the COVID-19 crisis. The first amends these regulations to temporarily extend the Board's ability to issue an order applicable to all credit unions to waive the earnings retention requirement for any credit union that is classified as adequately capitalized. The second extends a provision that modifies the specific documentation required for net worth restoration plans for federally insured credit unions that become undercapitalized. These temporary modifications will remain in place until March 31, 2023.

- **Cyber Incident Notification** — In July, the NCUA Board approved a proposed rule that would require a federally insured credit union to notify the NCUA as soon as possible but no later than 72 hours after they reasonably believe that a reportable cyber incident has occurred. Under the proposed rule, a credit union would be required to report a cyber incident that leads to a substantial loss of confidentiality, integrity, or availability of a member information system as a result of the exposure of sensitive data, disruption of vital member services, or that has a serious impact on the safety and resiliency of operational systems and processes.

- **Member Expulsion** — In September, the NCUA Board approved a proposed rule to develop a policy by which a federal credit union member may be expelled for cause by a two-thirds vote of a quorum of the federal credit union's board of directors. This proposal would implement the Credit Union Governance Modernization Act, passed by Congress in March 2022. Currently, a credit union could expel a credit union member in two ways: by a two-thirds vote of the membership present at a special meeting called for that purpose, and for non-participation in the affairs of the credit union as specified in a policy adopted and enforced by the board.

- **Financial Innovation** — In December, the NCUA Board approved a proposed rule on financial innovation that would amend the NCUA's regulations on loan participations, eligible obligations, and notes of liquidating credit unions. The changes would primarily affect federal credit unions by removing current limits on purchases of eligible obligations and by removing qualifying criteria for federal credit unions to purchase non-member loans from federally insured credit unions. The goal of this proposed rule is to clarify the NCUA's current regulations and provide additional flexibility, thereby making it easier for federally insured credit unions to take advantage of advanced technologies and opportunities offered by the financial technology.

A full listing and description of the final and proposed rules approved by the NCUA Board in 2022 is available on the NCUA's website.

Collaborating with Other Agencies

The NCUA is involved in numerous cross-agency initiatives and collaborates with other financial regulatory agencies through participation in several councils, including the Financial Stability Oversight Council, the Federal Financial Institutions Examination Council, and the Financial and Banking Information Infrastructure Committee. In 2021, NCUA Chairman Todd M. Harper was named Chairman of the Federal Financial Institutions Examination Council for two years, ending on March 31, 2023. These councils and their many associated task forces and working groups contribute to the success of the NCUA's mission by providing the agency with access to critical financial and market information and opportunities to share information on critical issues and threats to the nation's financial infrastructure, among other benefits.

Federal laws require impartiality and prohibit discrimination in all actions relevant to the sale, refinancing, and purchase of a home. However, bias in home valuations leads to inequity in housing values and adversely impacts opportunities for minority communities to build wealth through homeownership. The NCUA is a member of the Property Appraisal and Valuation Equity (PAVE) Task Force, an interagency initiative to address inequities in home appraisals. On March 23, 2022, the Task Force released the PAVE Action Plan, which describes steps that federal agencies will take to advance equity in the appraisal process. For more information, please visit the PAVE website.

In 2022, the NCUA cohosted webinars with the Federal Deposit Insurance Corporation, Consumer Financial Protection Bureau, Federal Emergency Management Agency, Federal Bureau of Investigation, and the Treasury Department on such topics as financial stability for young people; protecting older Americans against exploitation; resilience during climate-related disasters; and how credit unions can protect themselves and their members from ransomware attacks.

Improving the Financial Well-being of Individuals and Communities through Access to Affordable and Equitable Financial Products and Services

The Federal Credit Union Act charges the NCUA with promoting access to safe and affordable credit union services for consumers of all backgrounds and income levels, including those of modest means. To support this effort, the NCUA works to foster the preservation and growth of credit unions in a changing demographic, economic, and technological landscape. The NCUA helps increase access to affordable financial services through its chartering and field-of-membership initiatives, especially for individuals and communities in rural and underserved areas.

Enhancing Consumer Access to Affordable, Fair, and Federally Insured Financial Products and Services

Generally, federal credit unions can only grant loans and provide services to persons who have joined the credit union. The field of membership defines those persons and entities eligible for membership in a credit union. The table below shows the number of applications to modify federal credit union fields of membership that were approved by the NCUA during the year. This will provide consumers and businesses with greater access to the national system of cooperative credit.

The NCUA issued four new federal credit union charters in 2022, to WeDevelopment Federal Credit Union in Kansas City, Missouri; People Trust Community Federal Credit Union in North Little Rock, Arkansas; New York Episcopal Federal Credit Union in Bronx, New York; and The Morning Star Federal Credit Union in Lame Deer, Montana.

Expansion of Credit Union Eligible Members (2018–2022)

Type	2018	2019	2020	2021	2022
Multiple Common-Bond Expansion	9,732	7,171	8,329	8,681	8,861
Community Expansion	53	52	42	50	41
Community Charter Conversion	18	24	10	7	8
Underserved Area Expansion	16	43	25	54	39

Supporting and Fostering Small, Minority, Low-Income, and New Credit Unions

Small credit unions, low-income designated credit unions, and minority depository institutions (MDIs) play a critical role in providing affordable financial services to millions of Americans. Often, these credit unions are the only federally insured financial institutions in underserved communities. Yet, they face the challenges of increased competition, stagnant membership growth, and lagging earnings.

Small credit unions, defined as those with less than $100 million in assets, made up 62.6 percent of all federally insured credit unions. These 2,981 credit unions had 8.0 million members and held more than $87.8 billion in assets at year-end 2022.

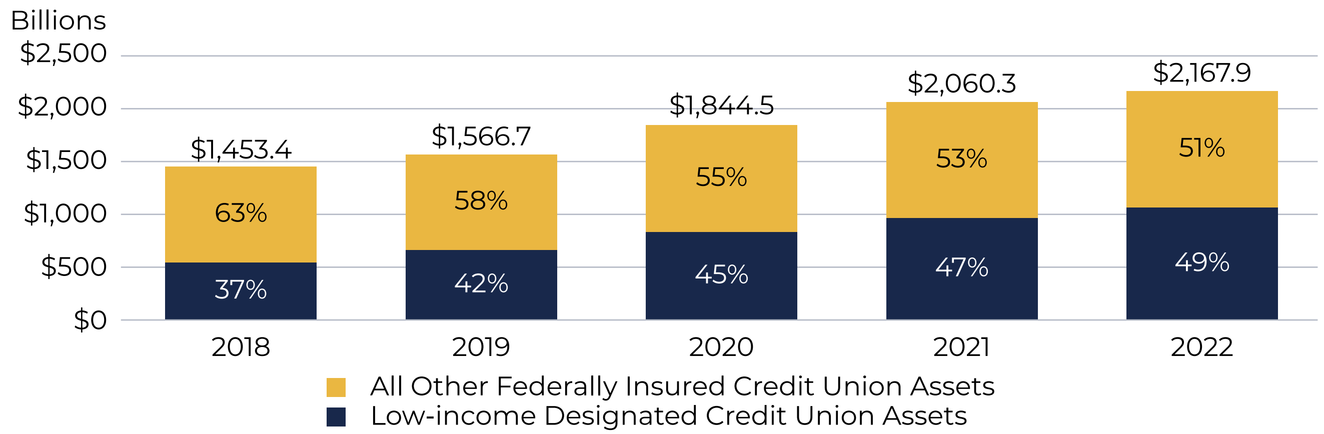
The low-income designation is a critical component of the NCUA's efforts to support these credit unions. To qualify as a low-income designated credit union, the majority of a credit union's membership must meet certain low-income thresholds based on data from the American Community Survey done by the U.S. Census Bureau.

There are several benefits for credit unions that carry a low-income designation, including:

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

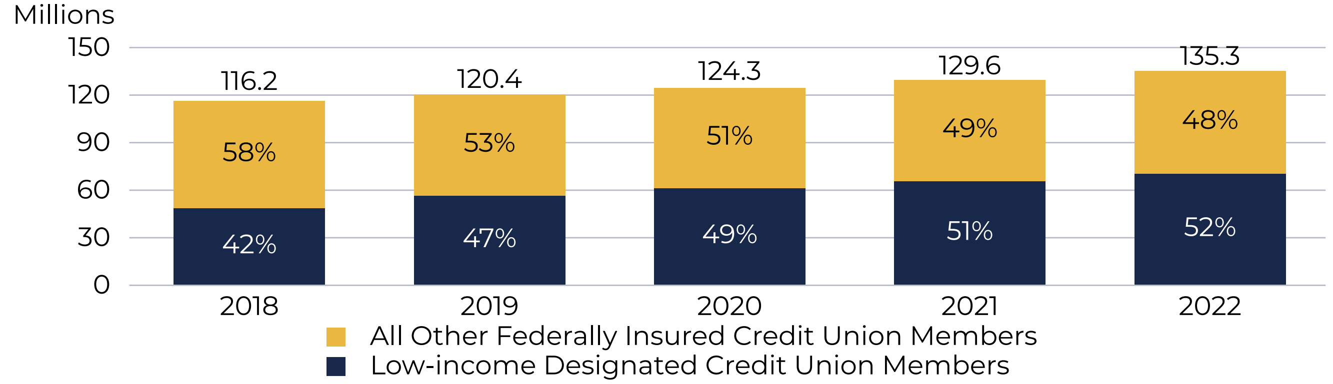
By the end of 2022, there were 2,612 low-income credit unions, down from 2,627 at the end of 2021. This means 54.9 percent of all federally insured credit unions have a low-income designation. Low-income credit unions had 70.9 million members and $1.1 trillion in assets at the end of 2022, compared to 65.5 million members and $964.9 billion in assets at the end of 2021.

Distribution of Credit Union Assets by Income Designation (2018–2022)



Source: NCUA Call Report Data

Distribution of Credit Union Members by Income Designation (2018–2022)



Source: NCUA Call Report Data

Another initiative the NCUA uses to support credit unions is its MDI preservation program. These credit unions play an important role in serving the financial needs of historically underserved populations such as African Americans, Hispanic Americans, Native Americans, and Asian Americans. Resources include educational webinars and the identification of grants and other financial resources to support the development and implementation of financial products and services to assist members experiencing financial hardship.

In 2022, the NCUA's Advancing Communities through Credit, Education, Stability, and Support (ACCESS) initiative built on the work done in 2021 and began actively engaging credit union industry leaders and stakeholders to identify additional ways to help new, small, low-income designated, and MDI credit unions grow and prosper. The ACCESS initiative is focused on ways credit unions can help close the wealth gap, better address the financial needs of communities of color, and better appeal to the unserved and underserved. The ACCESS initiative was a part of the NCUA's 2022 annual summit focused on diversity, equity, and inclusion in the credit union system. The summit brought together professionals from credit unions and other financial inclusion industries to share financial inclusion best practices and discuss solutions to industry-specific challenges.

The NCUA further supported these credit unions by:

- Offering technical assistance grants and training sessions;
- Facilitating mentor relationships between credit unions;
- Negotiating financial support to sustain MDIs;
- Delivering guidance to groups establishing new MDIs; and
- Approving new charter conversions and field-of-membership expansions to facilitate new opportunities for growth, among other forms of support.

By the end of 2022, 503 federally insured credit unions had self-certified as MDIs. These credit unions served 5.1 million members, held more than $64.7 billion in assets and represented 10.6 percent of all federally insured credit unions.

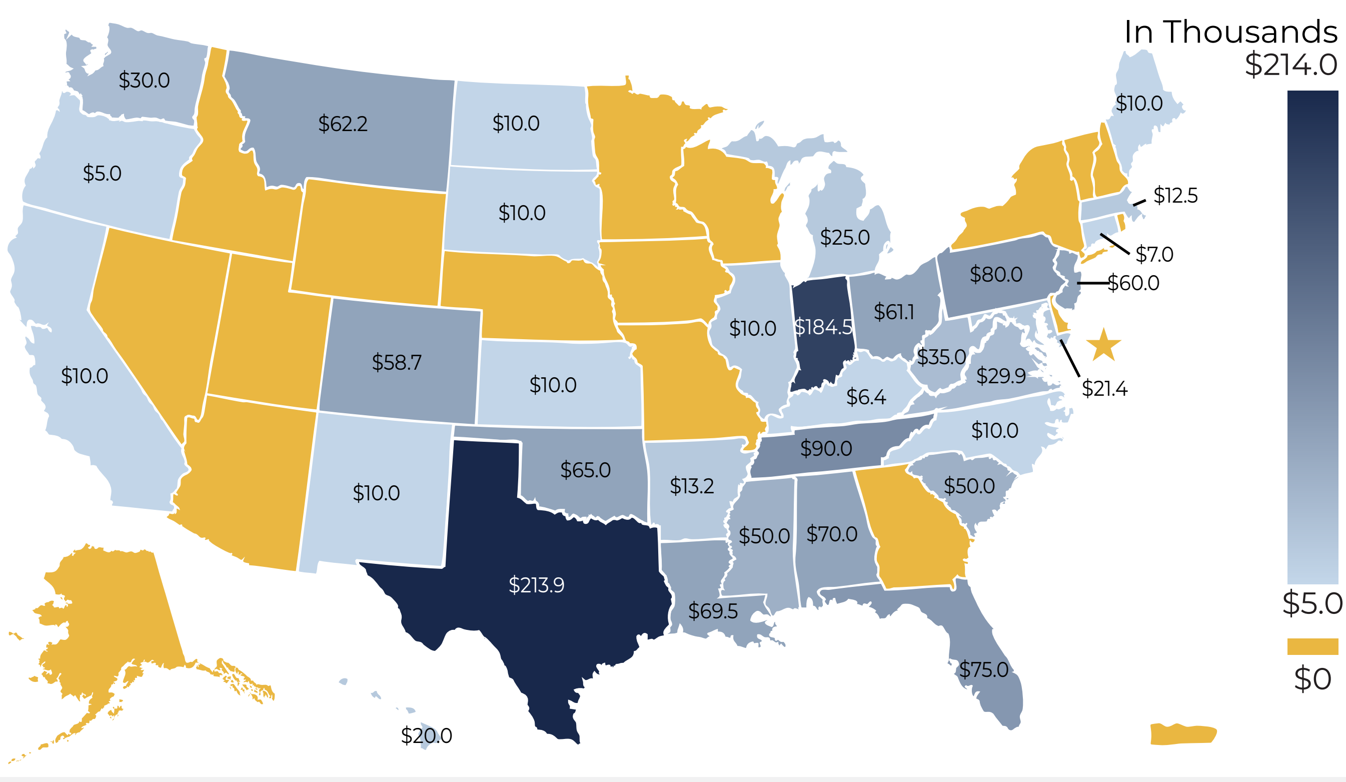
The NCUA also supports credit union growth by assisting with certifications for community development financial institutions, or CDFIs. CDFI-certified credit unions can apply for multiple funding programs offered by the U.S. Treasury, including grants and bond guarantees. This funding can lay the foundation for greater access to affordable financial services and more investment in local communities, especially in areas with limited options.

The NCUA provides technical assistance grants and low-interest loans to support credit union growth through the Community Development Revolving Loan Fund. In 2022, four NCUA grant initiatives focused on providing resources to address racial, socio-economic, and technological challenges facing credit unions and their members, particularly members of modest means:

- Underserved Outreach (maximum award of $50,000);
- Training (maximum award of $5,000);
- Small Low-Income Credit Union Mentoring (maximum award of $25,000); and
- Digital Services and Cybersecurity (maximum award of $10,000).

In 2022, the NCUA awarded more than $1.5 million in grants to 90 low-income credit unions.

Map of Technical Assistance Grants Funding by Dollar Amount (in thousands)



Maximizing Organizational Performance to Enable Mission Success

The NCUA's most important resource is a high-quality, skilled staff. To maximize employee contributions to the NCUA's mission, the agency's team must be supported by efficient and effective processes, tools, data, and modern technology. Throughout 2022, the agency took several steps to develop its human capital and improve its systems and processes.

Attracting, Developing, and Retaining a Diverse Workforce within an Inclusive Environment

The NCUA aims to foster a professional work environment that attracts and retains innovative, high-performing, highly engaged, and inclusive employees. As a financial services regulator, the NCUA requires employees with expertise in accounting and finance and those who understand commercial and residential lending, consumer financial protection laws and regulations, payment systems, and cybersecurity trends and risks. Developing such a workforce begins with the recruitment and assessment of candidates. The NCUA also prioritizes diversity and inclusion as a strategic business imperative and seeks to achieve this through workforce diversity and inclusion efforts, support for equal employment opportunity, and supplier diversity initiatives.

The NCUA outlined its commitment to diversity and inclusion in its *2018–2022 Diversity and Inclusion Strategic Plan*. In 2022, the NCUA hired a national recruiter to help with the recruitment of employees and to find different ways to attract new talent. Promoting diversity of backgrounds and experiences within the agency's staff helps leverage each employee's unique skillset while empowering them to pursue development and growth opportunities. Creating an inclusive work environment ensures that each employee can contribute to the NCUA's mission and helps drive innovation and collaboration. A diverse workforce and inclusive work environment also build a stronger agency.

In 2022, the NCUA experienced an increase in the percentage of women in senior staff positions. The number of women increased from 2021 by 1.3 percentage points (48.1 percent in 2022 compared to 46.8 percent in 2021), and minorities in the senior staff ranks had a slight decrease of 0.9 percentage points (20.4 percent in 2022 compared to 21.3 percent in 2021). The percent reduction was a result of an increase in the total number of senior staff positions, while the number of minorities in senior staff positions increased by one from the prior year. Overall, minority representation in the NCUA workforce was slightly higher by 0.8 percentage points in 2022 (32.0 percent), compared to 31.2 percent in 2021. None of these changes are statistically significant and reflect minor staff changes.

Continued on page 42

NCUA's Employee Resource Groups

To promote an inclusive work environment, which is critical to the recruitment and retention of the agency's workforce, the agency chartered Employee Resource Groups. These resource groups facilitate the creation and maintenance of a work culture and environment that recognizes, appreciates, and effectively encourages the use of the talents, skills, and perspectives of all employees in the achievement of the NCUA's mission.

APIC

APIC (Asian Pacific Islander Connection) is an NCUA employee resource group for employees who would like to support efforts and initiatives focused on the growth of the Asian American and Pacific Islander community. The mission of APIC is to promote Asian Pacific Islander culture awareness at the NCUA, which will foster a sense of community among Asian Pacific Islander employees and an understanding and appreciation of the Asian Pacific Islander culture for all NCUA colleagues.

CULTURA

CULTURA (Creating Unity, Learning To Understand, Recognizing All) is the Hispanic employee resource group. CULTURA's goals include fostering a diverse and inclusive workforce by developing Latino leadership; bridging the connection between field and support staff; providing professional and career development opportunities; building cultural awareness; and supporting retention of Latino employees.

MPower

MPower's mission is to recognize and increase awareness and acceptance of NCUA's employees who have a disability and those who have a family member or other loved one who has a disability (temporary or permanent). NCUA MPower promotes a supportive and accepting environment; provides assistance to achieve and celebrate full inclusion of all employees; and enhances understanding and awareness of the benefits that diversity brings to build and sustain a strong and thriving workforce.

NCUA PRIDE

NCUA PRIDE (People Recognizing Individual Differences Equally) is the agency's group supporting the LGBTQ+ community. This resource group is committed to providing a safe and supportive environment for members, providing LGBTQ+-relevant information resources, supporting members' career development, serving as an advocate to help the NCUA become more LGBTQ+-inclusive, and supporting outreach efforts both within and outside the agency.

NEON

NEON's (New Employees of NCUA) mission at the National Credit Union Administration is to support the development of new employees and experienced employees. The group seeks to collaborate, provides resources and support to new employees, shares experiences, assists in career development, and enhances the mission of the NCUA among all employees, with a special emphasis on new NCUA employees.

SWAN

SWAN (Supporting Women at NCUA) is the agency's group to support and expand network, education, and outreach programs that primarily emphasize women's personal and professional development.

UMOJA

Umoja, which means "unity" in Swahili, is the Black employee resource group. Umoja's primary purpose is to be an ongoing, reliable resource to the NCUA for talent, innovation, and insight in support of the agency's goals for building and sustaining a diverse and inclusive environment in all aspects of agency business.

VANS

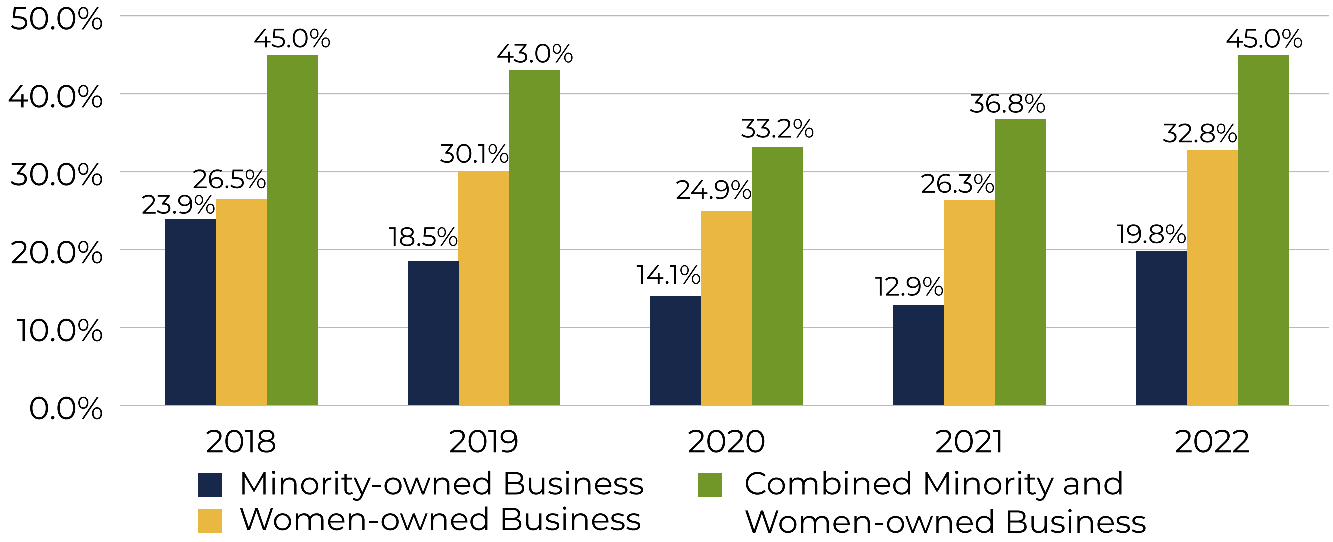
VANS (Veterans at NCUA Serving) is the agency's group for employees who have served in the military or those who support our nation's veterans. The group's main purpose is to foster a diverse and inclusive workforce, provide professional and career development opportunities, build cultural awareness, and support retention of veteran employees.

Self-reported rates of NCUA employees with disabilities also exceeded the federal goals in 2022. The federal goal is 12.0 percent for people with disabilities and 2.0 percent for targeted disabilities. The NCUA continues to exceed those goals, 17.1 percent and 4.3 percent of employees have self-reported as having a disability or targeted disability, respectively.

The NCUA also understands the importance of developing and maintaining a base of suppliers and contractors where a diverse group of businesses is well-represented. The agency's supplier diversity efforts promote the inclusion of minority and women-owned businesses in the NCUA's contracting opportunities. The chart below shows the NCUA's progress over the last five years.

In 2022, 45.0 percent of the agency's reportable contracting dollars were awarded to minority and women-owned businesses, an increase of 8.2 percentage points from 36.8 percent in 2021. This performance represents a strong, sustained showing for the NCUA and keeps it in the company of top performers among federal financial regulatory agencies.

Supplier Diversity as a Percentage of Total Awards (2018–2022)



Source: NCUA Supplier Data
Figures exclude duplicates for firms that are both minority-owned and women-owned.

Delivering Improved Business Processes Supported by Secure, Innovative, and Reliable Technology Solutions and Data

In 2022, the NCUA continued its efforts to modernize its technology solutions through our Enterprise Solution Modernization Program (ESM), which supports examination, data collection, and reporting functions to improve key, integrated business processes. Modernizing the NCUA's technology will facilitate greater collaboration and enhance the exchange of information between credit unions, credit union service organizations, state supervisory authorities, and the NCUA. It will also allow the NCUA to proactively manage risks to the credit union system, adapt to changes in the financial services environment, and create a more effective, less burdensome examination process.

In 2022, the Modern Examination and Risk Identification Tool (MERIT) officially replaced NCUA's legacy Automated Integrated Regulatory Examination System (AIRES) for all NCUA examination and supervision contacts. After a year of use by staff, additional opportunities for enhancing MERIT's functionality and performance have been identified, and the NCUA remains committed to delivering tools that maximize efficiency and generate the best results possible. The agency has incorporated a robust business intelligence solution into the MERIT deployment, which advances the agency's analytic capabilities. The need for better analytics is central to the strategy to shift more exam work offsite.

In 2022, the NCUA continued the development of the Enterprise Data Program, which provides leadership on business and governance process needs for the Data Reporting Solution (DRS). The DRS is part of the overarching ESM program and focused on implementing a business intelligence solution for enhanced data access, integrity, analytics, and reporting. DRS will integrate the NCUA's legacy enterprise data and new MERIT data into structures that can be leveraged to provide a modern self-service business intelligence tool for the enterprise.

Ensuring Sound Organizational Governance

Sound corporate governance requires integrity in financial management and appropriate stewardship of the fees paid by the credit union system to finance the NCUA's operations. It also implements efficient and effective business processes to accomplish the agency's mission and achieve its strategic goals. The NCUA maximizes its resources by continually improving its operations and strengthening its internal controls.

A foundation of sound corporate governance is the awareness of risks and the appropriate planning and investment to address those challenges or opportunities. The NCUA employs an enterprise risk management (ERM) program to inform executive leadership of various factors affecting the agency's performance relative to its mission, vision, and performance outcomes. The NCUA's ERM Council overseas the agency's enterprise risk management activities. Overall, the NCUA's ERM program promotes risk awareness, which, when combined with robust measurement and communication, are central to cost-effective decision-making and risk optimization within the agency.

In 2022, the NCUA's ERM Council developed a risk appetite statement through careful consideration and evaluation of the risks the agency faces and focused on achieving several programmatic goals, which included:

- Communicating guidelines about the levels of risk the NCUA is willing to accept in pursuit of its mission and goals;
- Promoting consistency in understanding, measuring, and managing risk across the enterprise;
- Informing agency responses to risks and decision-making to balance limited time and resources; and
- Driving a more risk-aware culture.

In October of 2022, the NCUA Board approved the NCUA's new enterprise risk appetite statement. NCUA's primary goal is to ensure the safety and soundness of the nation's credit union system, and the agency recognizes it is not desirable or practical to avoid all risk. Acceptance of some risks is often necessary to foster innovation and agility. This risk appetite will guide the NCUA's actions to achieve its strategic objectives in support of providing, through regulation and supervision, a safe and sound credit union system, which promotes confidence in the national system of cooperative credit. The enterprise risk appetite statement is part of the NCUA's overall management approach and is supported by detailed risk appetite statements. The agency's risk appetite will help align risks with opportunities when making decisions and allocating resources to achieve the agency's strategic goals and objectives.

Formulating the NCUA's Budget

The NCUA's budget formulation starts with reviewing the agency's goals and objectives outlined in the strategic plan with the actions planned to address risks identified through the ERM program. The strategic plan is a framework that sets the agency's direction and guides resource requests. The ERM process helps senior executives identify priority investments necessary to ensure strategic goals and objectives are met. Budget submissions from individual offices are structured to align resources and the workforce to the agency's priorities and initiatives. In 2022, the budget included funding for the NCUA to provide greater assistance to small credit unions, additional staff dedicated to fair lending, resources for the NCUA's ACCESS initiative, expanding ongoing efforts to ensure robust cybersecurity in the credit union system and at the agency, increased offsite examination work and use of data analytics through the Virtual Examination project, and critical investments in new information technology systems and infrastructure.

Given the agency's unique financing authorities, the NCUA Board considers both the resources required to achieve its goals and the impact these expenditures will have on the credit union system that pays for the agency's operations. The Board balances the need for robust and effective supervision and insurance operations with the responsibility to be good stewards of fees collected from the credit union system and ultimately paid by credit union members.

As required by law, the NCUA has made draft budgets available for public comment in the *Federal Register* and on the NCUA's website to solicit public comments before presenting final budget recommendations for the Board's approval. The NCUA is the only Financial Institutions Reform, Recovery, and Enforcement Act agency that publishes a detailed draft budget and solicits public comments at a meeting with its Board or other agency leadership.

Annually, the NCUA assesses the effectiveness of its internal controls, noting areas of specific improvement since the previous study and areas that require future focus to preclude negative results. The Office of the Chief Financial Officer partners with leadership across the agency to improve the quality of controls and encourages risk self-identification and resolution when improvement opportunities are identified. This enterprise-focused approach to internal controls ensures that all offices within the NCUA are responsible for ensuring sound management practices.

Looking Forward

In 2022, the NCUA focused on ensuring the credit union system and the Share Insurance Fund adapted to the evolving COVID-19 pandemic and the onset of Russia's war on Ukraine, while concentrating on the areas of greatest risk to credit unions, their members, and the broader system. This focus will continue into 2023 with additional areas of emphasis.

Combating Growing Cyberthreats

Credit unions' growing reliance on technology exposes the credit union system to escalating cyberattacks. Malware, ransomware, distributed denial of service attacks, and other forms of cyber intrusion affect credit unions of all sizes and will require ongoing measures for containment. These trends will continue, and even accelerate, in the future.

Electronic payment systems remain attractive targets to cybercriminals, and COVID-19 has increased opportunities for cyber fraud. As such, credit unions should take a strategic risk management approach, including continually hardening, monitoring, and improving the security of their networks, as well as reviewing and mitigating risk within their respective supply chains. Fintech and credit union reliance on third-party vendors increases systemic cybersecurity risks across the financial services landscape. Credit unions are especially vulnerable because the NCUA lacks the same authority as its federal banking agency counterparts to oversee these vendors. This growing regulatory blind spot means that thousands of credit unions, tens of millions of members, and $2.17 trillion in assets are unnecessarily exposed to cybersecurity risks.

The Financial Stability Oversight Council (FSOC), of which the NCUA Chairman is a member, continues to highlight the importance of improving cybersecurity to combat the growing risks to individual institutions, the financial market infrastructure, and the overall financial ecosystem. The FSOC recognizes that a cyberattack on an essential financial market utility or a sensitive data breach at a large financial institution could pose an acute threat to U.S. financial stability.

In FSOC's *2022 Annual Report*, the Council emphasized the ongoing threat to the financial system posed by cybersecurity incidents, including ransomware and malware attacks. As in years past, the FSOC report continues to recommend Congress pass legislation that ensures the NCUA has adequate examination and enforcement powers to oversee these third-party service providers.

The FSOC annual report also highlighted the importance of cyber-risk data collection, noting that its member agencies made important strides in 2022 to collect better and timelier data for managing cyber risk at their supervised institutions. The FSOC recommends that federal and state agencies monitor cybersecurity risks and conduct cybersecurity risk assessments of financial institutions and financial infrastructures. It also highlights the continued importance of cooperation across government agencies and private firms to improve cybersecurity and operational resilience.

In the financial services industry, use of cloud computing continues to grow, and many firms are looking to migrate core business services to the cloud in the coming years. The FSOC points out that the financial sector's dependence on a limited number of cloud service providers for critical information technology services is a potential risk to financial stability. Reliance on such service providers can magnify cyber risks. Therefore, the FSOC emphasizes the need for robust monitoring and enhanced information security at third-party vendors, including cloud service providers.

Another innovative technology that is gaining widespread use in financial services is artificial intelligence (AI). Financial firms tend to use AI for tasks, such as fraud prevention, customer service, and credit underwriting, to reduce costs and improve efficiencies. However, AI introduces several potential risks such as safety and soundness and consumer compliance risk. Last year, the NCUA, along with other FSOC agencies, issued a request for information to understand how supervised institutions are using AI. Feedback from the request for information has proved useful to regulators as they consider potential guidelines for financial institutions' use of AI. Given the rapid adoption of new technologies like cloud computing and AI, the FSOC is supporting the Financial and Banking Information Infrastructure Committee's efforts to examine how financial institutions are using new technologies and their potential risks to critical financial services infrastructure.

The NCUA's supervisory priorities continue to include information security (cybersecurity), and the agency remains focused on advancing consistency, transparency, and accountability within its information technology and cybersecurity examination program. In pursuit of those efforts, the NCUA has continued to improve and enhance the information security examination program. Building on the success of the Automated Cybersecurity Evaluation Tool application, which is now a voluntary credit union self-assessment tool, examiners and credit union management will benefit from an updated information technology examination program aligned to current cybersecurity threats that also contains practical examination guidance and recommendations for addressing cybersecurity risks. This examination program is part of NCUA's new Information Security Examination program, which has tailored procedures for credit unions of varying size and complexity. This new examination program will be fully implemented in 2023.

Adapting to Technology-Driven Changes to the Financial Landscape

New financial products that mimic deposit and loan accounts, such as mobile payment systems, pre-paid shopping cards, and peer-to-peer lending, pose a competitive challenge to credit unions and banks alike. Credit unions face a range of challenges, including fintech companies in their traditional marketplaces like lending and other services. For example, underwriting and lending may be automated at a cost below levels associated with traditional financial providers, but may not be subject to the same regulations and safeguards that credit unions and other traditional financial institutions face. Further, the increasing use of and investments in digital currencies has the potential for risk and opportunity for credit unions. As these institutions and products gain popularity, credit unions may have to be more active in marketing their products and services and rethink their business models.

Technological advances outside the financial sector may also lead to changes in consumer behavior indirectly affecting credit unions. COVID-19 is only accelerating many of these trends, resulting in a profound reshaping of consumer behaviors. For example, the increased use of on-demand auto services and the potential for pay-as-you-go on-demand vehicle rentals could reduce purchases of consumer-owned vehicles. That could lead to a potential slowdown or reduction in the demand for vehicle loans, which comprise slightly more than a third of the credit union system's loan portfolio.

Emerging and innovative financial technologies, including digital ledger technology and crypto currency, present opportunities and risks to the credit union system. The NCUA is committed to supporting the credit union system as it navigates the changes fintech and other innovations are bringing to the financial services industry. The agency must identify financial services industry risks and opportunities as well as marketplace developments that may prompt regulatory or policy changes. To this end, the agency hired a Director of Financial Technology and Access in early 2023. The director will serve as the principal advisor to the NCUA Board on agency policy with respect to fintech, and fintech developments and transformation initiatives in the financial services sector, including cryptocurrency, blockchain, and distributed ledger technology. Initiatives include exploring methods to enhance the virtual examination and supervision process and promoting the development and deployment of technologies and innovations that can expand financial inclusion and equitable and affordable consumer access within the credit union system.

Near-Term Economic Outlook

U.S. economic activity cooled during 2022, following more than a year of rapid growth as the economy recovered from a deep but short-lived recession in early 2020. Nevertheless, labor market conditions remained exceptionally strong. Nonfarm payroll employment surpassed its pre-pandemic peak in August and continued to rise through January. The unemployment rate fluctuated between 3.5 percent and 3.7 percent for much of the year and fell to 3.4 percent in January. Recent readings are among the lowest in over fifty years.

While a slowdown in economic activity had been widely anticipated, unanticipated developments combined to produce a weaker-than-expected economic environment. Inflation climbed sharply in 2021, reflecting the combination of strong demand as the economy rebounded and COVID-19-related supply-chain dislocations curtailed production and distribution and contributed to shortages of some products. Inflationary pressures intensified in early 2022, as the outbreak of war in Ukraine sent oil and grain prices soaring. Supply-chain problems were more durable than expected, weighing on growth, and keeping pressure on inflation. Consumer price inflation reached a four-decade high of 9.1 percent over the year ending in June 2022. While headline inflation began to ease in the second half of 2022, core inflation — the Federal Reserve's preferred price measure because it excludes the volatile food and energy categories and provides a better indication of underlying inflation trends — remained elevated as of January 2023.

Federal Reserve policymakers have taken aggressive actions to bring inflation under control. Between March 2022 and early February 2023, the Federal Reserve raised the federal funds target rate by 450 basis points to a range of 4½ to 4¾ percent. The Federal Reserve also started to reduce its holdings of Treasury securities and agency mortgage-backed securities. Allowing assets to roll off its balance sheet is intended to put upward pressure on longer-term interest rates. Interest rates across the maturity spectrum have increased sharply. Between mid-March 2022 and late February 2023, the interest rate on a three-month Treasury bill climbed more than 400 basis points to 4.7 percent and the rate on a 10-year Treasury note rose about 170 basis points to 3.9 percent.

Higher interest rates have contributed to a significant weakening in housing activity. Mortgage rates climbed sharply during 2022. In late October the average interest rate on a 30-year fixed-rate mortgage exceeded 7 percent for the first time in twenty years. Home sales and new home construction declined steadily throughout the year, and, by December, mortgage applications had fallen to a 25-year low.

The economic environment is a key determinant of credit union performance. Despite the slowdown in economic growth and rapid tightening in financial conditions, credit unions continued to perform favorably in 2022. Federally insured credit unions added 5.8 million members over the year ending in December 2022, boosting credit union membership to 135.3 million. Credit union assets rose by 5.2 percent over the year to $2.17 trillion in the fourth quarter of 2022. Total loans outstanding at federally insured credit unions increased 20.0 percent to $1.50 trillion, and the system-wide delinquency rate edged up to a still-modest 61 basis points. Credit union shares and deposits increased by 3.1 percent over the year to $1.68 trillion in the fourth quarter of 2022.

Credit unions remained well-capitalized through the end of 2022. The credit union system's composite net worth ratio rose to 10.74 percent from 10.26 percent in the fourth quarter of 2021. Liquidity declined from the elevated levels reached in late 2020 and early 2021, moving closer to pre-pandemic norms. Cash and short-term investments as a percentage of assets fell from 17.9 percent in the third quarter of 2021 to 11.3 percent in the third quarter of 2022, reflecting a 33 percent drop in cash and short-term investments.

The near-term outlook for the U.S. economy is relatively weak. A consensus of forecasters projects a mild recession in 2023.[1] Real GDP is expected to contract during the first three quarters of the year, with a tepid recovery beginning in the fourth quarter. Deteriorating economic conditions will hold down hiring and the unemployment rate will rise, eventually reaching 4.5 percent in the fourth quarter of 2023. Price pressures are also expected to abate, with headline consumer price inflation retreating to around 2½ percent by the end of 2023.

With inflation moving closer to the Federal Reserve's 2-percent target, the Federal Reserve could cease tightening next year. The most recent projections prepared by Federal Reserve policymakers, published in mid-December 2022, showed the federal funds target rate reaching 5.1 percent in the fourth quarter of 2023.[2] After that, policymaker forecasts suggest interest rate cuts may be appropriate. Analysts are projecting a similar path for market interest rates. The interest rate on a three-month Treasury bill is projected to peak at 4.9 percent in early 2023 and then decline to 4.6 percent by the end

1 Based on forecasts submitted in early February 2023 and published in Blue Chip Economic Indicators, February 10, 2023.
2 Federal Open Market Committee, Summary of Economic Projections, December 14, 2022.

of the year. The yield on the 10-year Treasury note is forecast to top out at 3.7 percent in early 2023 and fall to 3.5 percent by the end of the year.

Managing Interest Rate Risk and Liquidity Risk

With downside risks prevailing, the operating environment for credit unions could prove challenging in the year ahead. In a weak economy with rising unemployment and elevated interest rates, credit unions could face reduced loan demand and higher credit risk. Given the high degree of uncertainty about what lies ahead, credit unions will also need to prepare for the possibility of a downturn. The ability to manage economic risks will remain a crucial determinant of credit union performance going forward.

Credit unions' ability to manage and mitigate interest rate risk is important to their success. Short-term market interest rates have increased sharply this year and are poised to climb higher as the Federal Reserve continues to raise the federal funds target rate. Rising short-term interest rates may put pressure on credit unions to raise deposit rates to avoid deposit attrition. Many credit union members have financial institution alternatives and can move funds quickly across institutions. Of the nearly 20 percent of households using a credit union as their primary financial institution, 56 percent also use a bank for some of their financial needs.

That said, deposits at credit unions and other financial institutions surged during the first year of the pandemic and remained elevated through the third quarter of 2022. Institutions dealing with an excess of deposits may face less pressure to raise deposit rates. The consensus forecast suggests longer-term interest rates will also rise over the next year. Higher long-term rates will give credit unions space to charge more for new loans. Recently, the 10-year/3-month Treasury rate spread turned negative and current forecasts suggest short-term interest rates will exceed longer-term interest rates through the end of next year. A negative term spread will put pressure on credit union net interest margins, potentially reducing net income.

Declining Membership in Small Credit Unions

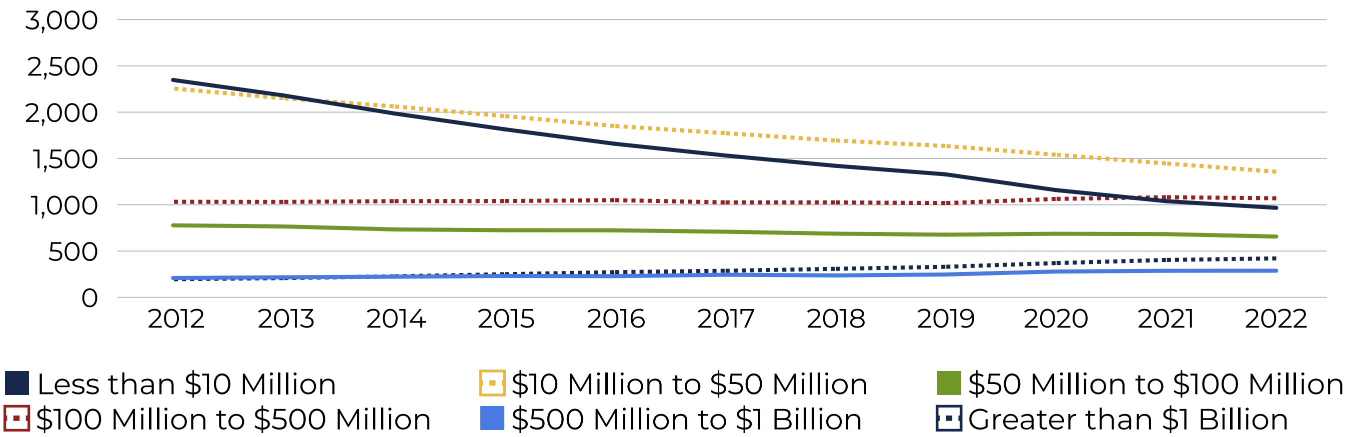
While overall credit union membership continues to experience strong growth, about half of federally insured credit unions had fewer members at the end of 2022 than a year earlier. This is a long-term trend, as smaller credit unions often lack the resources to provide technology, products, and services that many consumers expect from a financial provider. As such, all credit unions need to consider whether their product mix is consistent with their members' needs and demographic profiles. For example, in some areas, to be effective, credit unions may need to explore how to meet the needs of an aging population, a growing Hispanic population, or an increasing consumer population more comfortable with utilizing digital services.

The NCUA provides an array of technical assistance to smaller credit unions, including chartering and field-of-membership expansions, grants and loans, training, and a preservation program for minority credit unions to help these vital institutions remain viable. In 2023, the NCUA will continue its MDI support programs, which the agency implemented in 2022 to support and preserve these credit unions. The NCUA will also continue to develop initiatives to create opportunities to promote financial education, consumer financial protection, and financial inclusion and foster an environment where those with low-to-moderate incomes, people with disabilities, and the otherwise underserved have access to safe, fair, and affordable financial services.

Small Credit Unions, Challenges and Industry Consolidation

Small credit unions face challenges to their long-term viability for several reasons, including lower returns on assets, declining membership, high loan delinquencies, increasing non-interest expenses, and a lack of succession planning for credit union boards and key personnel. As the consolidation trend continues there will be fewer credit unions in operation, and those that remain will be considerably larger and more complex. In the fourth quarter of 2022, there were 709 federally insured credit unions with assets of at least $500 million, 34 percent more than five years earlier. These 709 credit unions represented only 15 percent of all federally insured credit unions but accounted for 81 percent of credit union members and 85 percent of system-wide assets. In comparison, the remaining 4,051 credit unions accounted for only 19 percent of credit union members and 15 percent of the system's total assets.

Number of Credit Unions by Asset Class at Year-end (2012–2022)



Source: NCUA Call Report Data

Large credit unions tend to offer more complex products, services, and investments. Increasingly complex institutions will pose management challenges for the institutions themselves and the NCUA, because consolidation means the risks posed by individual institutions will become more significant to the Share Insurance Fund.

Monitoring the Share Insurance Fund's Equity Ratio

The Share Insurance Fund is capitalized through a combination of credit union funds held on deposit and retained earnings. The NCUA Board is required, by law, to maintain a strong Share Insurance Fund, which is backed by the full faith and credit of the United States. This fund insures individual accounts up to $250,000. As of December 31, 2022, the Share Insurance Fund protected $1.68 trillion in insured shares and deposits across all states, the District of Columbia, and U.S. territories.

The Share Insurance Fund's equity ratio is the overall capitalization of the fund to protect against unexpected losses. Any incident, like a significant credit union failure, that drops the equity ratio below 1.0 percent would result in a direct expense to credit unions through the impairment of the 1.0 percent capital deposit they contribute to the fund, which credit unions have recorded as an asset on their balance sheets. Additionally, if the equity ratio falls below 1.20 percent, or is expected to within six months, the Federal Credit Union Act requires the NCUA Board to assess a premium on federally insured credit unions to restore the fund to at least 1.20 percent or adopt a fund restoration plan.

Conversely, when the equity ratio exceeds the normal operating level — or the desired equity level of the Share Insurance Fund set between 1.20 percent and 1.50 percent — the Share Insurance Fund pays a distribution if the other statutory requirements are met. For the period ending December 31, 2022, the equity ratio for the Share Insurance Fund is 1.30 percent, slightly below the 1.33 percent normal operating level set by the NCUA Board. The Share Insurance Fund continues to perform well, with no premiums or distributions expected at this time.

Climate-Related Financial Risks

Climate change is accelerating, and the number — and cost — of climate-related natural disasters is rising. The economic effects of these events are clear. Each year, natural disasters like hurricanes, wildfires, droughts, and floods impose a substantial financial toll on households and businesses alike. The physical effects of climate change, along with associated transition costs, pose significant risks to the U.S. economy and the financial system.

Credit unions need to consider climate-related financial risks and how they could affect their membership and institutional performance. For instance, a credit union's field of membership is often tied to a particular industry or community. To remain resilient, credit unions may need to consider adjustments to their fields of membership and the types of loan products they offer.

Credit unions, not the NCUA, are best positioned to assess various risks and opportunities within their field of membership. Credit unions will need to make their own decisions on diversification and expanded fields of membership. The agency does not intend to micromanage credit union lending decisions for climate financial risk, including lending to family farms and others in the agricultural sector as well as businesses tied to the fossil fuel industry. The NCUA Board underscores that nothing in its Strategic Plan should be construed as discouraging activities related to agriculture or fossil fuels.

Climate change presents several complex conceptual and practical challenges not only for credit unions but also for the NCUA. Just as credit unions must continue to adapt to account for climate-related financial risks, the NCUA will need to enhance its understanding of the impact on credit unions, credit union members, the credit union system, and the Share Insurance Fund. NCUA staff have been studying climate-related financial risks to credit unions and partnering with staff from other FSOC member agencies within the FSOC's Climate-Related Financial Risk Committee to further the agency's knowledge. This committee has established several workstreams to explore climate data requirements, scenario analysis, and risk assessment. Internal analysis and research, along with collaboration with other financial regulators, will assist the agency in developing tools that contribute to credit unions' understanding of climate-related financial risks.

Enhancing the Examination Program

The NCUA remains committed to incorporating efficiencies into our supervision program to address the effects of the COVID-19 pandemic on credit unions and their members. Strengthening the agency's data security and IT system safeguards and controls to address emerging threats will continue in 2023 and beyond. In 2022, the NCUA continued to implement future-facing technology solutions for the NCUA's workforce and business processes. In 2023, the NCUA will continue the development of the Enterprise Data Program, which is intended to enhance how the agency governs and reports on its data. Further, the NCUA is working closely with other federal agencies and is assessing the regulatory, data collection, and data dissemination requirements and impact from the Financial Data Transparency Act passed with the National Defense Authorization Act in December 2022.

The NCUA continues working to streamline field operations to ensure the agency's staff carry out their responsibilities in an efficient and effective manner. The NCUA expects that lessons learned from the COVID-19 pandemic will help improve its examination efficiencies through improved examination procedures. As part of the virtual examination program, the agency is researching methods to conduct offsite as many aspects of the examination and supervision processes as possible. The virtual exam project team is exploring ways to harness new and emerging data, advancements in analytical techniques, innovative technology, and improvements in supervisory approaches. By identifying and adopting alternative methods to remotely analyze much of a credit union's financial and operational condition, with equivalent or improved effectiveness relative to current examinations, it may be possible to reduce the frequency and scope of onsite examinations.

Building the Workforce to Supervise an Evolving Credit Union Environment

Like many agencies in the federal government, the NCUA's workforce is changing and evolving. The NCUA needs generalist examiners as well as specialists in areas such as cybersecurity, capital markets, commercial lending, consumer financial protection, and payment systems. The agency also has a large percentage of employees who have reached, or will soon reach, retirement age, including many in senior levels of management. The agency set specific hiring targets for generalist examiners in 2023 to improve vacancy fill rates and support a safe and sound credit union system. Finding appropriate successors who can lead the agency and employees who have the requisite skills and expertise is essential to ensuring that the NCUA can continue to achieve its mission effectively.

The NCUA will continue to make critical investments in its human capital. This includes providing the agency's workforce with new training, developing and mentoring the next generation of agency leaders, and continuing to foster a diverse and inclusive environment. To supervise federally insured credit unions properly, all staff must receive the training necessary to develop their skills and abilities for identifying and mitigating risk. The NCUA will continue to review and revise its training curricula to respond to emergent industry trends, highlight regulatory and other changes to its business context, and address employee feedback.

Performance Highlights

The performance information contained in this report is organized around the strategic goals and objectives identified in NCUA's *2022–2026 Strategic Plan*. The strategic plan outlines our efforts to provide, through regulation and supervision, a safe and sound credit union system, which promotes confidence in the national system of cooperative credit. The strategic goals and objectives outlined below serve as the foundation for all of the agency's operations.

NCUA's 2022-2026 Strategic Plan: Vision, Mission, and Goals

Vision: Strengthen communities and protect consumers by ensuring equitable financial inclusion through a robust, safe, sound, and evolving credit union system.

Mission: Protect the system of cooperative credit and its member-owners through effective chartering, supervision, regulation, and insurance.

Strategic Goal 1

Ensure a safe, sound, and viable system of cooperative credit that protects consumers

- **1.1** Maintain a financially sound Share Insurance Fund.
- **1.2** Provide effective and efficient supervision.
- **1.3** Ensure compliance with and enforcement of federal consumer financial protection laws and regulations at credit unions.
- **1.4** Ensure NCUA-insured credit unions can appropriately manage emerging opportunities and risks, including cybersecurity and climate-related financial risk.
- **1.5** Ensure NCUA policies and regulations appropriately address emerging and innovative financial technologies, including digital assets.

Strategic Goal 2

Improve the financial well-being of individuals and communities through access to affordable and equitable financial products and services

- **2.1** Enhance consumer access to affordable, fair, and federally insured financial products and services.
- **2.2** Support and foster small, minority, low-income, and new credit unions.

Strategic Goal 3

Maximize organizational performance to enable mission success

- **3.1** Attract, develop, and retain an engaged, high-performing, diverse workforce within an inclusive, professional environment.
- **3.2** Deliver improved business processes supported by secure, innovative, and reliable technology solutions and data.
- **3.3** Ensure sound organizational governance.

Managing Performance

The NCUA's strategic plan is the foundation of the agency's performance management process. The strategic plan defines our mission, long-term goals, planned strategies, and the approaches the NCUA will use to monitor its progress addressing the challenges and opportunities related to our mission.

The annual performance plan functions as the agency's operational plan. It outlines our annual or short-term objectives, strategies, and corresponding performance goals that contribute to the accomplishment of our established strategic goals.

The NCUA's three strategic goals are supported by ten strategic objectives. These objectives contribute to the broader impact described for each strategic goal and indicate how the strategic goal will be achieved. The accomplishment of these objectives is assessed by 19 performance goals, which are measurable outcomes of what the NCUA plans to achieve within the performance year. The performance goals include one or more specific indicators that demonstrate quantitative performance targets or results to be achieved within a specific timeframe.

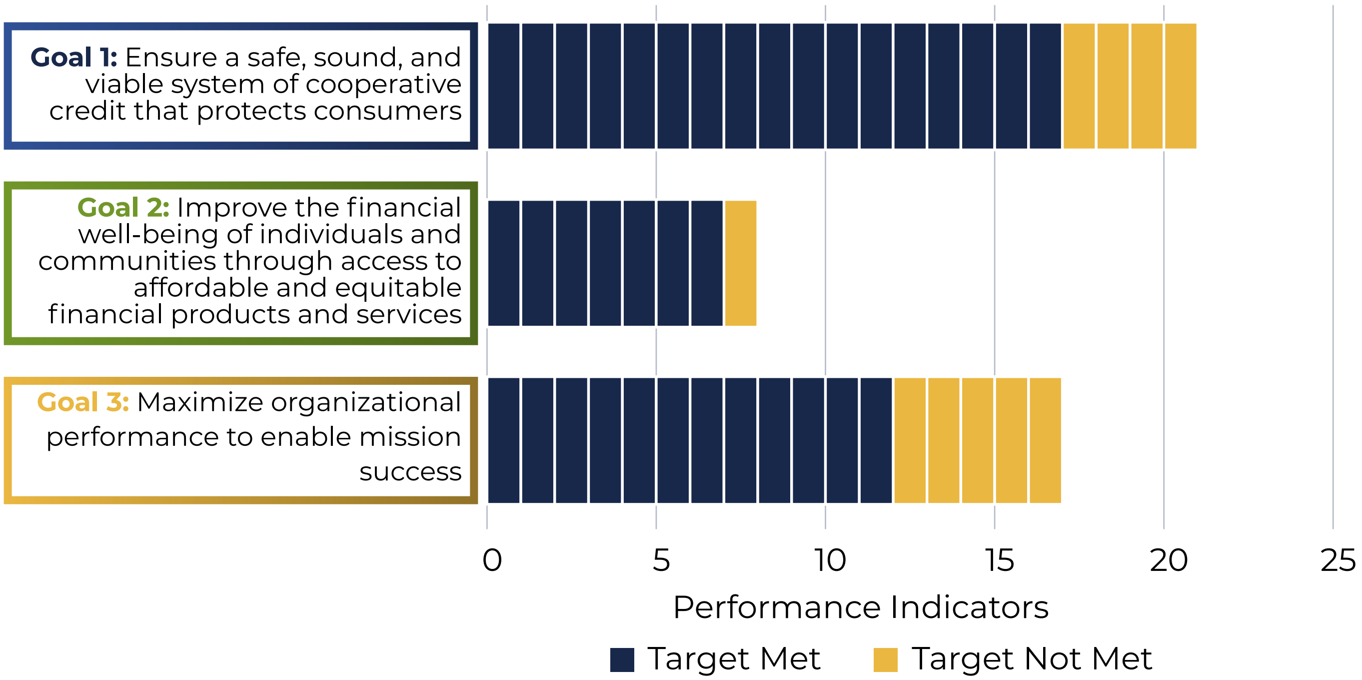
The agency routinely measures and reports its progress in meeting its performance goals. During 2022, senior executives submitted quarterly data on the progress made toward achieving the performance measures and targets for which they were accountable. The data was reviewed and analyzed throughout the year to monitor the agency's progress toward accomplishing its planned outcomes and these results are the basis for the performance information presented in this report.

Performance at a Glance

The NCUA identified 46 measures to help evaluate and assess the progress towards the goals stated in the *2022–2026 Strategic Plan*. The agency made steady progress against the goals it set during the year, meeting or exceeding the target for 78 percent, or 36 of the 46 indicators. This is a 9 percentage point improvement over 2021 results. The agency achieved 69 percent, or 34 of 49, of its performance indicators in 2021.

The NCUA's overall performance in 2022 is summarized in the chart on the next page with performance measures grouped by strategic goal. The Performance Results section of this report includes a complete discussion of the agency's progress toward meeting these goals and objectives and discusses causes of variance or changes in trends for each performance indicator.

2022 Performance by Strategic Goal



Source: NCUA Performance Data

Target Met	The NCUA is implementing its plans to achieve the strategic objective. Strategies and activities have been executed on or ahead of schedule, and the target outcome was achieved. Minor delays in the planned execution schedule may exist due to exigent circumstances; however, the overall target outcome was achieved within the plan year.
Target Not Met	Current strategies have not had the intended impact, and an increased focus is needed by the agency to improve performance on the strategic objective. Some strategies and activities may have been executed, but more progress is needed to advance the strategic objective.

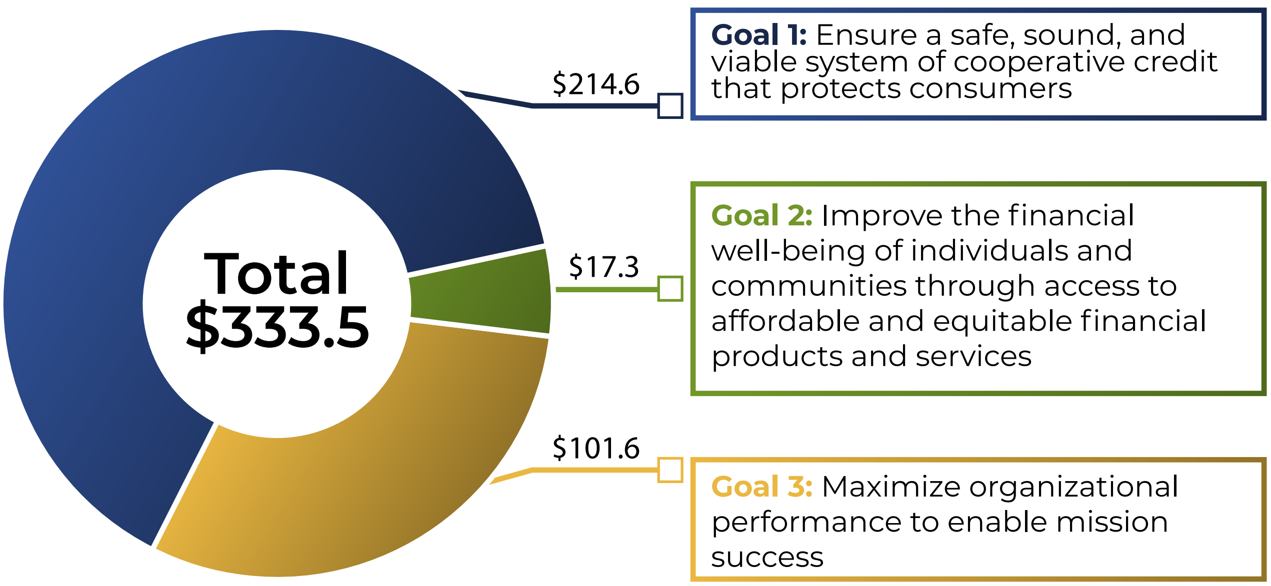
Resource Allocation by Strategic Goal

As part of the agency's continued efforts to strengthen our planning and budgetary processes, the development of the agency's annual performance plan and budget occurs simultaneously. This link between resources and performance helps the NCUA focus on accomplishing its priorities within the context of assessing the costs and benefits of doing so. The performance goals outlined in the strategic plan provide a framework for the development of both the budget request and the annual performance indicators and targets.

The NCUA's costs for 2022 totaled $333.5 million. The agency allocated the majority of this cost, $214.6 million, for Strategic Goal 1-related programs, which includes the costs associated with administering the agency's supervision, examination, and insurance functions. The NCUA allocated 30.5 percent, or $101.6 million for Strategic Goal 3-related programs. Strategic Goal 3 is largely comprised of costs associated with the agency's talent management and information technology programs. Remaining costs were $17.3 million for Strategic Goal 2-related programs, which include the costs associated with administering the agency's credit union development and chartering functions. The NCUA proportionally allocated general and administrative costs across all three strategic goals. [1]

The majority of the NCUA's workforce in 2022 was allocated to Strategic Goal 1, followed by Strategic Goal 3. At the end of 2022, the NCUA had 1,161 employees on board.

The NCUA's 2022 Strategic Goals with Resource Allocation (in millions)



Source: NCUA Audited Financial Statements

1 The NCUA allocates costs by aligning annual expenditures for each program office function to the corresponding strategic goal.

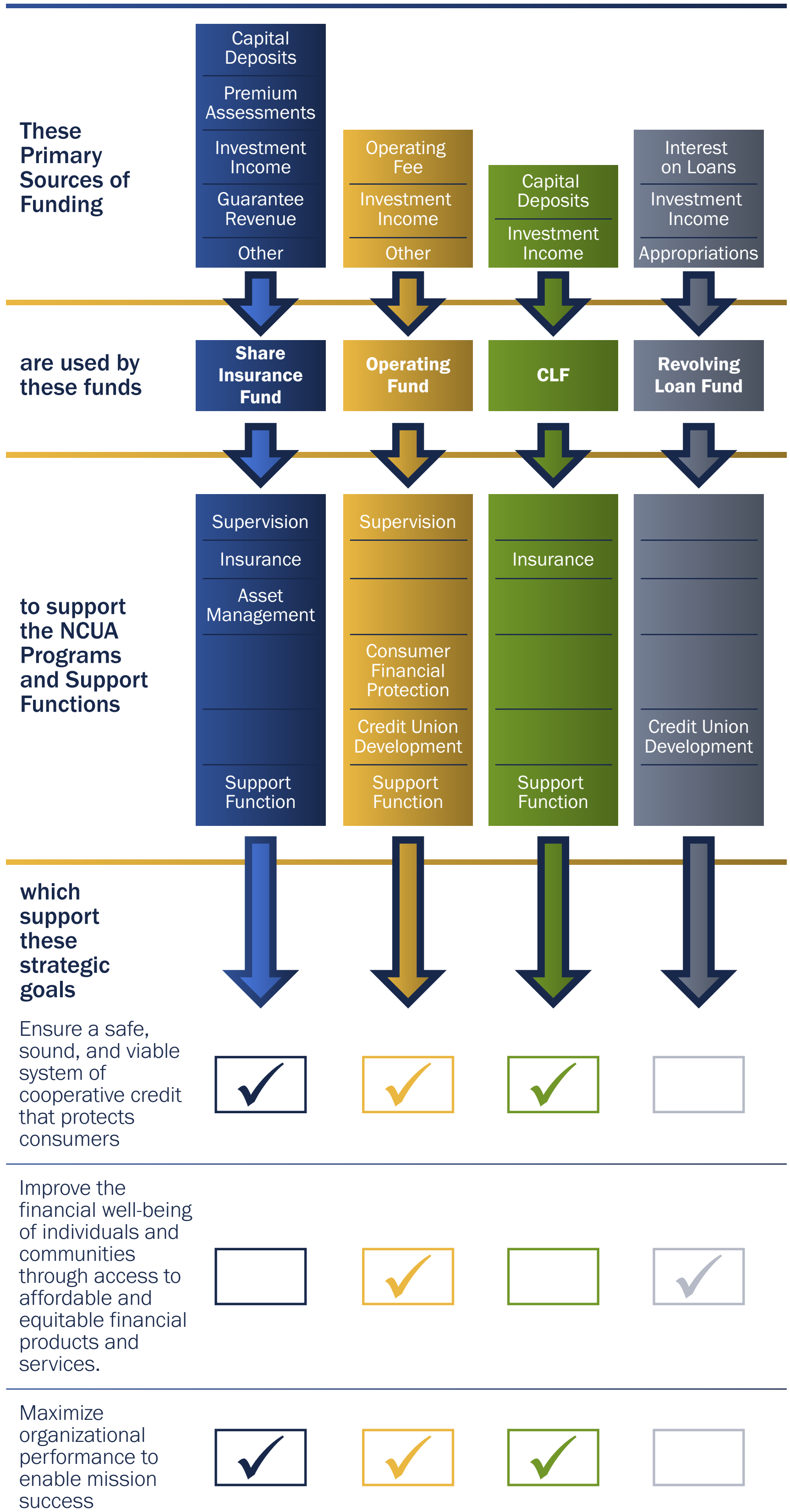
Financial Highlights

The NCUA Board manages four funds: the National Credit Union Share Insurance Fund, the NCUA Operating Fund, the Central Liquidity Facility (CLF), and the Community Development Revolving Loan Fund (Revolving Loan Fund). Each fund is integral to the performance of the NCUA's mission.

As a federal financial institutions' regulator, the NCUA is committed to transparency, accountability, and effective stewardship. As a demonstration of this commitment, the NCUA once again received unmodified or "clean" audit opinions by an independent auditor on its financial statements for each of these funds for the years ended December 31, 2022 and 2021.[1]

The following highlights provide an overview of the NCUA's 2022 financial statements. The complete financial statements, including the independent auditors' reports, are located in the Financial Information section of this report.

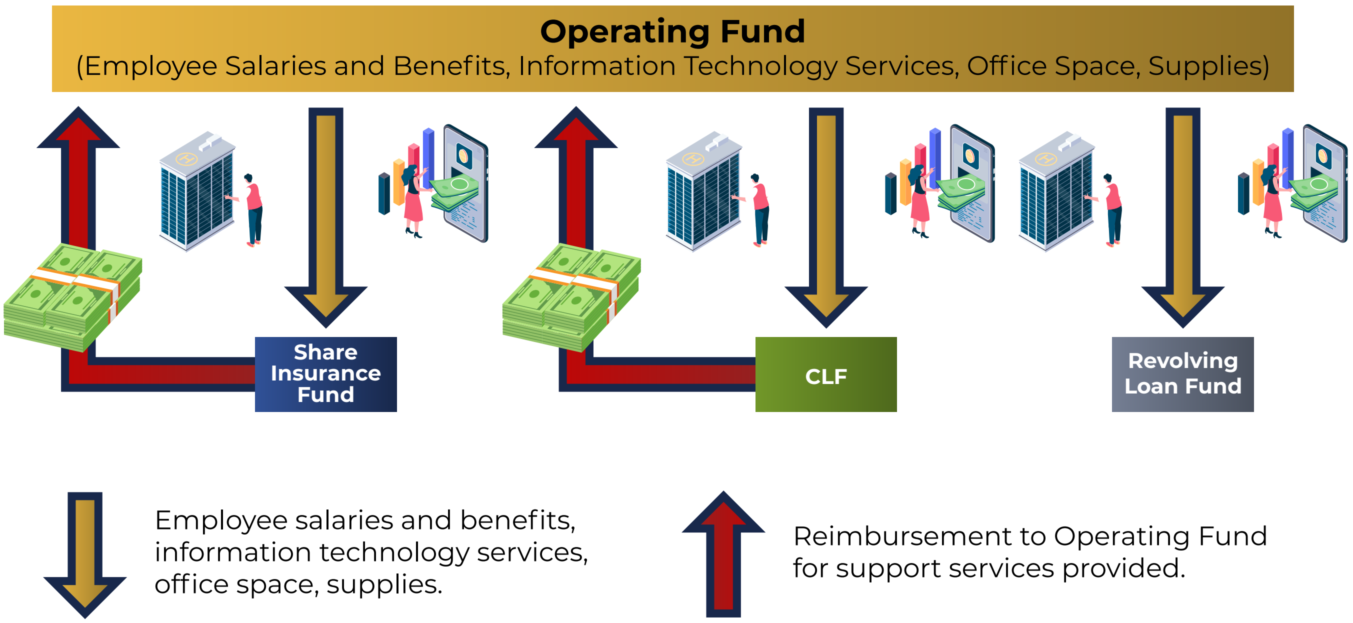
NCUA Resources and How They are Used



1 The Federal Credit Union Act provides the overarching legal requirements regarding the NCUA's annual audited financial statements. Separate financial reporting provides transparency for each fund's particular stakeholders and complies with the intent of the Federal Credit Union Act. The NCUA files its four separately audited financial statements as Annual Management Reports per the Government Corporation requirements under OMB Circular A-136.

The Operating Fund supports the other three funds by providing office space, information technology services, supplies, and paying employee salaries and benefits. The Share Insurance Fund and CLF reimburse the Operating Fund for certain administrative support. To ensure the Revolving Loan Fund can achieve its mission to promote economic development in low-income communities and to maximize the impact of the funds limited resources, the Revolving Loan Fund does not reimburse the Operating Fund for its administrative support.

The Share Insurance Fund reimburses the Operating Fund for insurance-related expenses based on an annual Board approved allocation factor derived from a study of actual usage. The Operating Fund pays CLF employee salaries and related benefits as well as the CLF's portion of building and operating costs. Reimbursements of these expenses are determined by applying a ratio of the CLF full-time equivalent employees to the NCUA total employees.



NATIONAL CREDIT UNION SHARE INSURANCE FUND

Created by Congress in 1970, the Share Insurance Fund is backed by the full faith and credit of the United States and insures the deposits of more than 135.3 million members at federally insured credit unions up to $250,000. As of December 31, 2022, the Share Insurance Fund insured 4,771 credit unions, with insured member shares reaching $1.7 trillion. These federally insured credit unions held $2.2 trillion in total assets at the end of 2022.

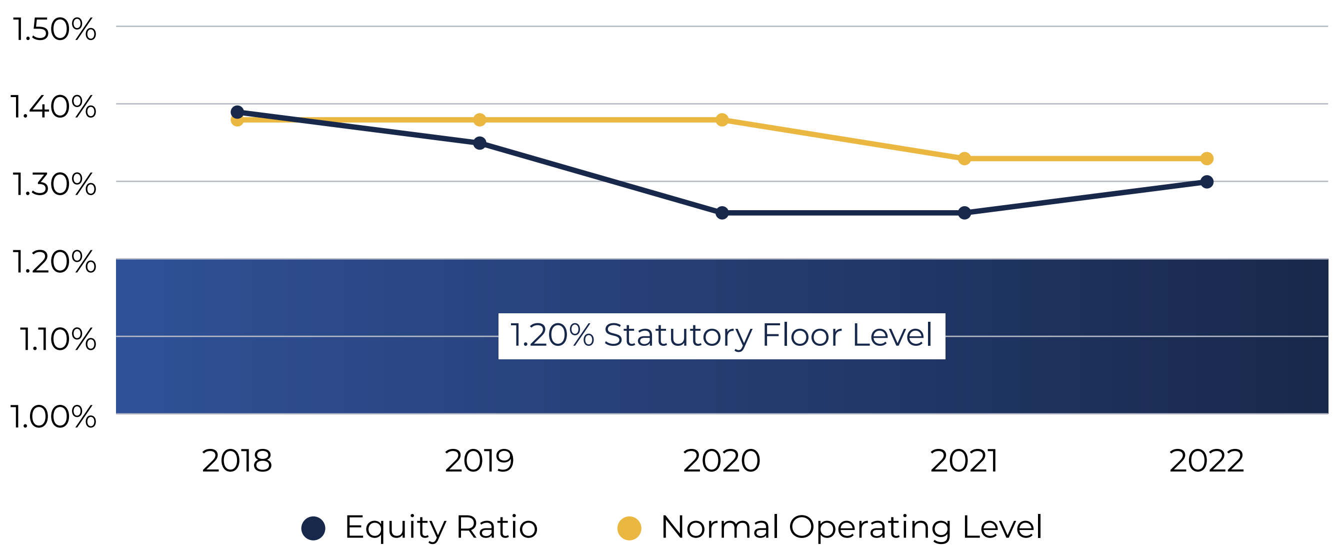
The financial performance of the Share Insurance Fund can be measured by comparing the equity ratio to the normal operating level (NOL). The NOL is the desired equity level for the Share Insurance Fund. The NCUA Board sets the NOL between 1.20 percent and 1.50 percent. On December 15, 2022, the NCUA Board set the NOL at 1.33 percent equal to the previous level of 1.33 percent set on December 16, 2021.[2]

The equity ratio is the overall capitalization of the Share Insurance Fund to protect against unexpected losses from the failure of credit unions. When the equity ratio falls below or is projected within six months to fall below 1.20 percent, the NCUA Board must assess a premium or develop a restoration plan. When the equity ratio exceeds the NOL and available assets ratio at year-end, the Share Insurance Fund may pay a pro-rata equity distribution in the form of a dividend.

The equity ratio as of December 31, 2022 and 2021 were 1.30 percent and 1.26 percent, respectively, which was below the established NOL of 1.33 percent. As a result, the NCUA did not estimate or record a distribution in 2022 or 2021.

The Share Insurance Fund's net position is comprised of capitalization deposits, which represent the total balance of all federally insured credit unions' 1.0 percent capitalization deposits and cumulative results of operations. The Share Insurance Fund ended 2022 with a net position of $20.2 billion, a decrease of 1.9 percent, or $388.4 million, from 2021, which was primarily due to a reduction in cash collections from capitalization deposits.

Equity Ratio to Normal Operating Level (2018–2022)



Source: NCUA Call Report Data and Audited Financial Statements
The equity ratio was 1.39% and above the normal operating level of 1.38% as of December 31, 2018. As a result, the NCUA Board approved and paid a Share Insurance distribution of $160.1 million to eligible credit unions the following year.

2 The equity ratio is calculated as the ratio of the contributed 1 percent deposit, plus the cumulative results of operations, excluding net cumulative unrealized gains and losses on investments, to the aggregate amount of the insured shares in all insured credit unions.

Share Insurance Fund Financial Position			
Dollars in thousands	**2022**	**2021**	**Percentage Change**
Assets:			
Fund Balance with Treasury	$ 25,905	$ 87,055	-70.2%
Investments, Net - U.S. Treasury Securities	20,138,514	20,313,910	-0.9%
Accrued Interest Receivable – Investments	107,945	102,390	5.4%
Receivables from Asset Management Estates (AMEs), Net	76,463	222,954	-65.7%
Other	14,815	9,039	63.9%
Total Assets	**$20,363,642**	**$20,735,348**	**-1.8%**
Total Liabilities	**$ 188,208**	**$ 171,491**	**9.7%**
Net Position	**$ 20,175,434**	**$20,563,857**	**-1.9%**

In accordance with the Federal Credit Union Act, the NCUA invested its capitalization deposits collected from all member credit unions in U.S. Treasury securities and earned interest revenue of $286.8 million in 2022, an increase of $50.0 million from 2021. The increase in interest income over the prior year was primarily due to the higher yield on investments. The average interest rate earned for calendar years 2022 and 2021, was 1.37 percent and 1.24 percent, respectively. This reflects a decrease in the weighted average maturity of U.S. Treasury securities from 3.5 years to 3.3 years. Investments in U.S. Treasury securities account for approximately 98.9 percent of total Share Insurance Fund assets.

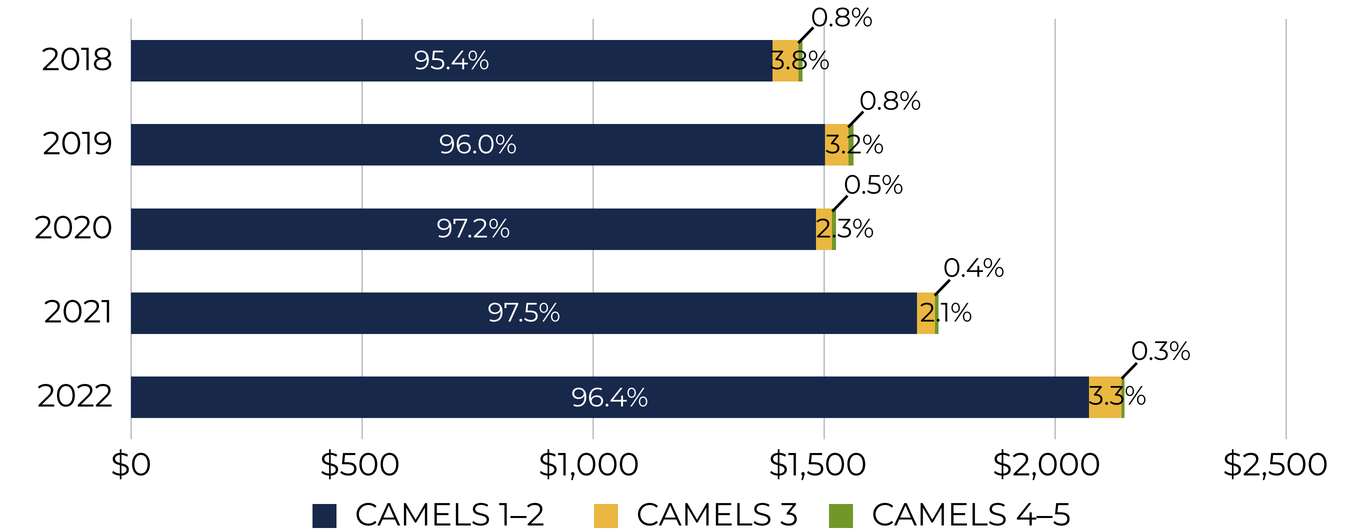
The Share Insurance Fund's net cost of operations is primarily comprised of operating expenses and the provision for insurance losses, slightly offset by exchange revenue. The provision for insurance losses represents anticipated losses from the failure of insured credit unions. Operating expenses are primarily administrative services provided by the NCUA Operating Fund. Net cost of operations for 2022 was $168.1 million, an increase of $115.9 million from 2021. The increase was primarily attributable to an increase in the provision for insurance losses.

The provision for insurance losses consists of the reserve expense and bad debt expense for the natural-person credit union and corporate credit union asset management estates (AMEs). The reserve expense increased by $31.1 million, which reflects the overall risk of projected losses for actual and potential credit union failures. The bad debt expense for the AMEs increased by $72.4 million, primarily due to the AME receipts from legacy asset sales and the U.S. Central Federal Credit Union capital distribution.

Share Insurance Fund Results of Operations			
Dollars in thousands	2022	2021	Percentage Change
Gross Costs:			
Operating Expenses	$ 208,194	$ 199,199	4.5%
Provision for Insurance Losses	(39,518)	(143,014)	72.4%
Other Losses	150	32	368.8%
Total Gross Costs	**$ 168,826**	**$ 56,217**	**200.3%**
Exchange Revenue	**$ 685**	**$ 3,965**	**-82.7%**
Total Net Cost of Operations	**$ 168,141**	**$ 52,252**	**221.8%**

The aggregate net worth ratio increased during the year ending at 10.74 percent versus 10.26 percent at December 31, 2021. The NCUA's field staff use the CAMELS rating system to evaluate a credit union's performance and risk profile. CAMELS ratings range from 1 to 5, with 1 being the strongest rating and 5 being the weakest. Assets in CAMELS composite 3, 4, and 5 rated credit unions increased to $77.0 billion at the end of 2022 versus $51.8 billion at the end of 2021.[3] This change was primarily due to an increase in the number of credit unions with assets greater than $1 billion in CAMELS rating 3 in 2022.

Distribution of Assets by CAMELS Ratings at Year-end 2018–2022 (in billions of dollars)



Source: NCUA Call Report

3 Additional information for the CAMELS rating system can be found on page 25, "What is the CAMELS Rating System?".

NCUA OPERATING FUND

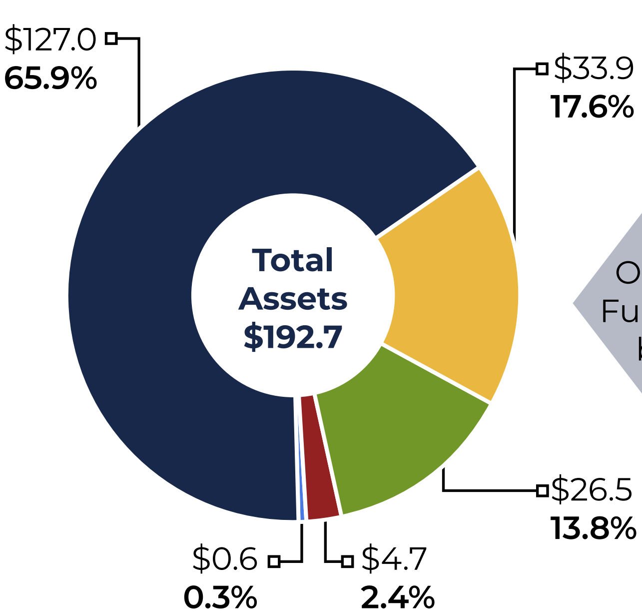
Created by the Federal Credit Union Act, the NCUA Operating Fund provides administration and service to the federal credit union system. At year-end, the total number of federal credit unions was 2,980 with $1.1 trillion in total assets.[4] Funding for the NCUA's operations come through operating fees paid by federal credit unions and through reimbursements from the Share Insurance Fund. Each federal credit union is assessed an annual fee based on its four-quarter average of total assets of the preceding year. The Office of the Chief Financial Officer administers the methodology approved by the NCUA Board for calculating operating fees and setting the fee schedule each budget cycle.

The Operating Fund ended 2022 with a fund balance of $133.1 million, a decrease of $10.4 million from 2021. The decrease was primarily due to reduced operating fees paid by credit unions in 2022.

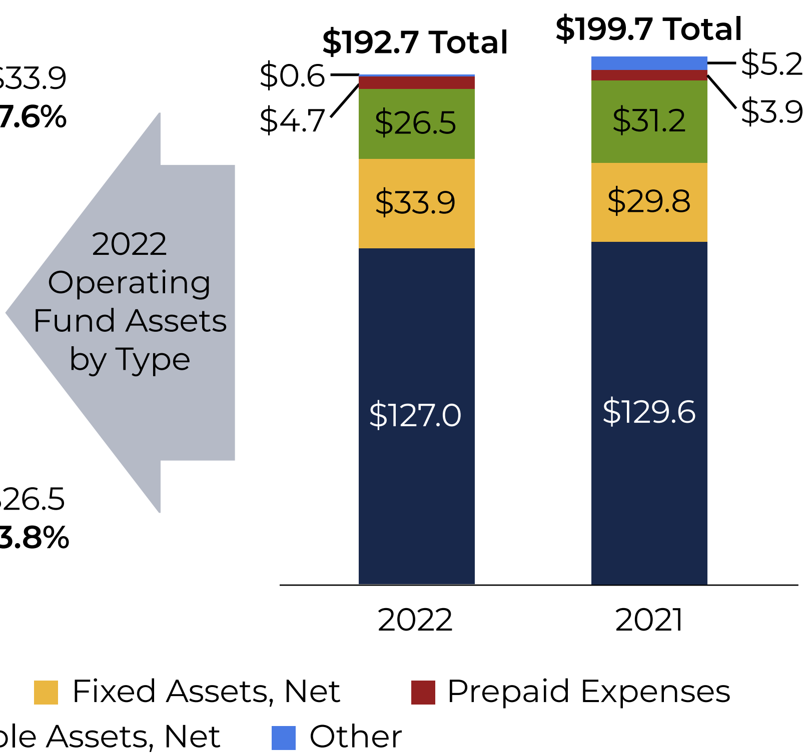
Operating Fund Financial Position

Dollars in thousands	2022	2021	Percentage Change
Total Assets	$ 192,700	$ 199,655	-3.5%
Total Liabilities	59,561	56,086	6.2%
Fund Balance	**$ 133,139**	**$ 143,569**	**-7.3%**

Operating Fund Assets by Type 2022 (in millions of dollars)



Operating Fund Assets Comparison 2022 and 2021 (in millions of dollars)

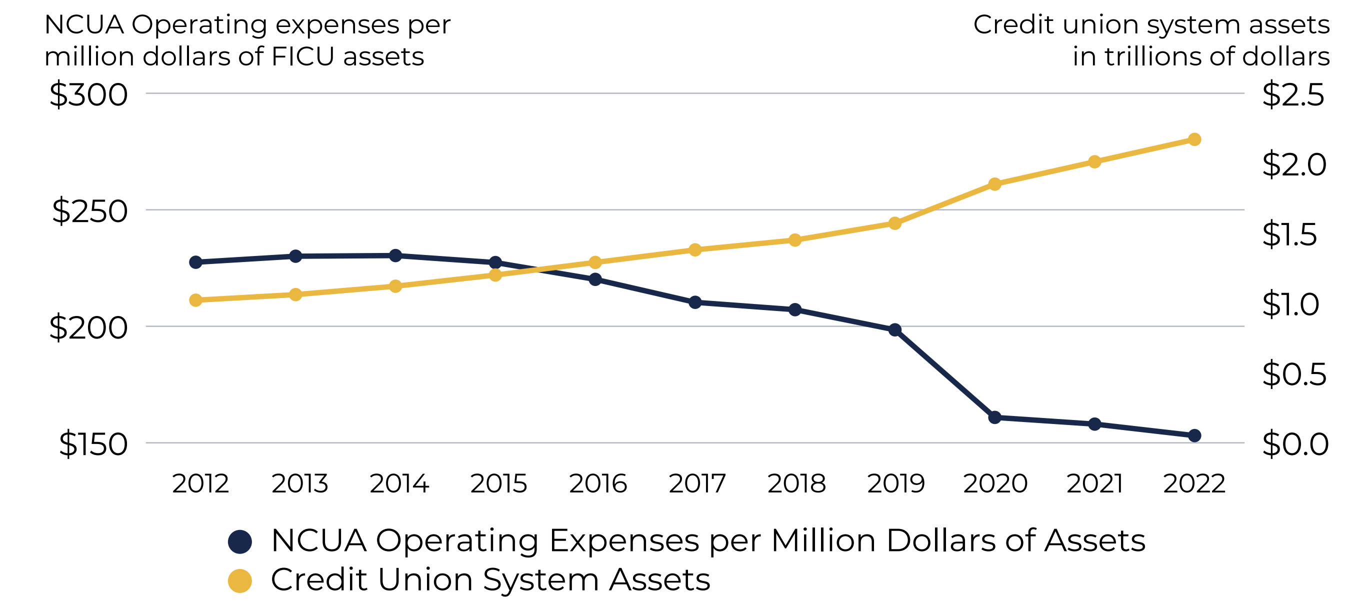


Source: NCUA Audited Financial Statements

4 This is the number of credit unions that are under federal regulation, as opposed to state regulation, and is different from the number of credit unions that the NCUA Share Insurance Fund insures.

Employment-related costs are the single largest driver of the NCUA's expenses. The NCUA continues to assess and balance its mission workload needs with the financial costs the agency imposes on the credit union system. Although the number of credit unions continue to decline nationwide, the NCUA must also consider the increasing complexity and growing asset base of the entire credit union system. Consolidation in the industry has led to growth in the number of large credit unions, specifically those with more than $10 billion in assets. This results in additional complexity in the balance sheets of such credit unions, and a corresponding increase in the level of supervisory reviews required to ensure the safety and soundness of such large institutions.

NCUA Operating Expenses Per Million Dollars of Federally Insured Credit Union Assets



Source: NCUA Audited Financial Statements and NCUA Call Report Data
NCUA operating expenses per million dollars of federally insured credit union (FICU) assets is calculated as the sum of current year NCUA Operating Fund expenses, Share Insurance Fund operating expenses, and CLF operating expenses divided by the current year's end-of year FICU assets (e.g., 2022 Operating Fund Expenses ($122.8M) + 2022 Share Insurance Fund Operating Expenses ($208.2M) + 2022 CLF Operating Expenses ($1.2M) / FICU Assets as of 2022Q4 ($2.17T) = $153.1 of NCUA operating expenses per $1M in FICU assets).

As shown in the chart above, the relative size of the NCUA's operating expenses (blue line) continues to decline when compared to balance sheets at federally insured credit unions (gold line). This trend illustrates the greater operating efficiencies the NCUA has attained in the last several years relative to the size of the credit union system.

Budgetary Resources

The NCUA's budget formulation process ensures all office requirements are justified and consistent with the agency's overall strategic plan. All office budget submissions within the agency undergo reviews by the responsible regional and central office directors, the Chief Financial Officer, and the Executive Director. Additionally, mid-year budget reviews occur annually to identify whether program resource requirements have changed due to emergent priorities or other factors.

In the 2022 mid-session budget analysis presented to the Board, the NCUA estimated that its spending would be $18.6 million below the approved operating budget level.[5] This surplus was due to reduced travel and lower than anticipated hiring throughout 2022.

In 2022, the NCUA spent $311.1 million of its operating budget, of which $205.0 million was reimbursed from the Share Insurance Fund for insurance-related activities. This spending was $37.3 million, or 10.7 percent, less than the Board-approved level for the year. Employee pay and benefits were below the approved budget level by $16.8 million, or 6.6 percent. Travel spending was $11.3 million, or 65.3 percent, less than the budgeted level. A portion of these unused funds were re-purposed to the remaining budget categories. As discussed in the mid-session analysis, reduced travel and vacancies were the primary drivers of reduced spending on travel and personnel compensation. Other spending below the budgeted levels reflect the NCUA's efforts to administer its programs in a cost-efficient manner.

The NCUA also maintains a discrete capital budget. In 2022, the Board approved $13.1 million for a variety of projects related to information technology and NCUA-owned facilities. Of this amount, the agency spent $10.6 million, or 80.9 percent, in 2022. Many of the agency's capital projects require multiple years of planning and implementation before completion. The NCUA expects that any unspent capital funding available at the end of 2022 will be utilized in future years to complete planned projects.

CENTRAL LIQUIDITY FACILITY

The CLF is a mixed-ownership government corporation under the Government Corporation Control Act. The CLF exists within the NCUA and is managed by the NCUA Board. The CLF's purpose is to improve the general financial stability of credit unions by serving as a liquidity lender to credit unions experiencing unusual or unexpected liquidity shortfalls. The CLF accomplishes its purpose by lending funds to members, subject to certain statutory limitations, when a liquidity need arises. The two primary sources of funds for the CLF are stock

5 Spending includes incurred financial obligations, such as the value of a contractual agreement to purchase goods or services from an outside vendor, and outlays, such as amounts paid for employee salaries and benefits.

subscriptions from credit unions and borrowings from the Federal Financing Bank.[6]

A credit union becomes a member by purchasing shares of the CLF's capital stock. Membership in the CLF is open to all credit unions that purchase a prescribed amount of capital stock. The CARES Act, enacted in 2020, temporarily increased CLF's borrowing authority from 12 times to 16 times the subscribed capital stock and surplus. This provision expired on December 31, 2021 and thus, the multiplier reverted back to 12 in 2022. As of December 31, 2022, the CLF had 350 members that contributed $698.0 million of capital stock. As of December 31, 2021, the CLF had 367 members that contributed $1.1 billion of capital stock.

Central Liquidity Facility Financial Position

Dollars in thousands	2022	2021	Percentage Change
Total Assets	$ 755,577	$ 1,149,080	-34.2%
Total Liabilities	17,672	13,385	32.0%
Total Members' Equity	**$ 737,905**	**$ 1,135,695**	**-35.0%**

As of December 31, 2022, total members' equity was $737.9 million. This decrease of $397.8 million from 2021 was primarily due to the closure of the agent memberships. The CARES Act granted the NCUA Board the authority for a corporate credit union to become an agent member of the CLF for a subset of their members. This temporary provision expired on December 31, 2022. 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.

Central Liquidity Facility Results of Operations

Dollars in thousands	2022	2021	Percentage Change
Total Revenue	$ 21,924	$ 4,542	382.7%
Total Expenses	1,270	944	34.5%
Net Income	**$ 20,654**	**$ 3,598**	**474.0%**

Net income for the year ended December 31, 2022, was $20.7 million, an increase of $17.1 million from 2021. This change was attributed to an increase in investment income, slightly offset by higher employees-related expenses. Investments totaled $658.7 million at year-end, and investment income totaled $21.9 million, which funded operations and paid $20.1 million in dividends to members.

Dividends on capital stock are declared based on available earnings and the dividend policy set by the NCUA Board. The dividend rates paid on capital stock for regular members change quarterly. For 2022, the dividend rate was $0.10 per share for the first quarter, $0.41 per share for the second quarter, $1.12 per share for the third quarter, and $1.86 per share for the fourth quarter. For 2021, the dividend rates were $0.075 per share for all four quarters.

6 The CLF's borrowing arrangement is exclusively with the Federal Financing Bank. The NCUA maintains a note purchase agreement with Federal Financing Bank with a current maximum principal amount of $25.0 billion.

COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

The Revolving Loan Fund is the only NCUA fund that receives an annual appropriation from Congress and was established to promote economic development in low-income communities. Through its loan and technical assistance grant program, the Revolving Loan Fund stimulates economic activities in the communities served by low-income-designated federal and state-chartered credit unions. These financial awards are intended to support credit unions in their efforts to provide basic financial services to residents in their communities, enhance their capacity to better serve their members, and respond to emergencies.

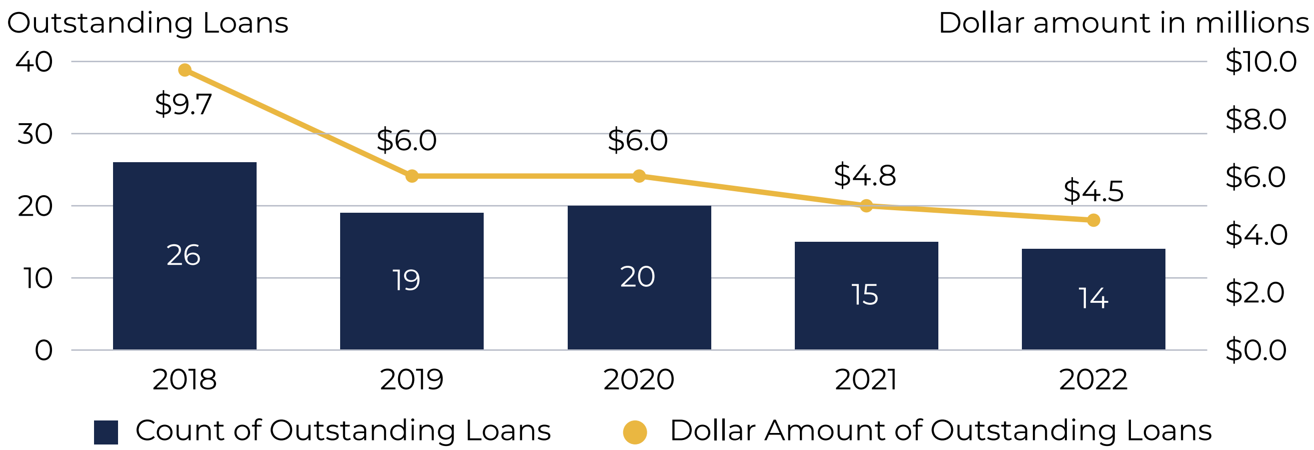
The Revolving Loan Fund fund balance was $15.8 million and $15.3 million as of December 31, 2022 and 2021, respectively.

Community Development Revolving Loan Fund Financial Position

Dollars in thousands	2022	2021	Percentage Change
Total Assets	$ 18,235	$ 17,882	2.0%
Total Liabilities	2,484	2,549	-2.6%
Total Fund Balance	**$ 15,751**	**$ 15,333**	**2.7%**

The NCUA's policy is to revolve loans to eligible credit unions as often as practical to maximize the economic benefits achieved by participating credit unions. These loans have a maximum term of five years and are subject to the interest rate provided by the Revolving Loan Fund Loan Interest Rate Policy, which is reviewed annually. As of December 31, 2022, the Revolving Loan Fund loan portfolio had $4.5 million in outstanding loans, 14 loans outstanding to 13 credit unions.[7]

Count and Dollar Amount of Outstanding Loans (2018–2022)

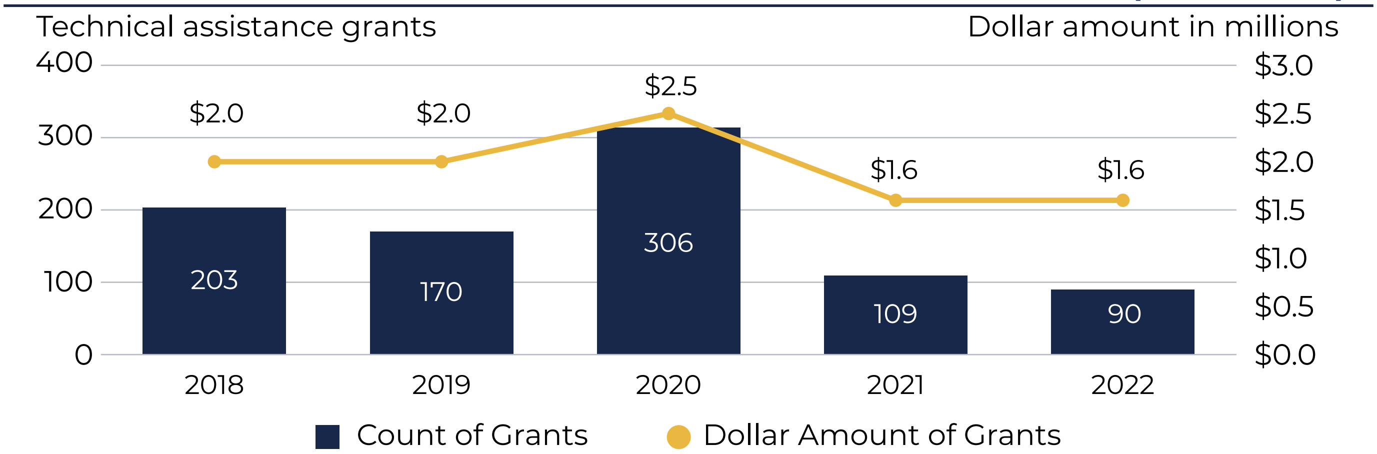


Source: NCUA Audited Financial Statements

7 In 2020, Revolving Loan Fund developed the COVID-19 Emergency Fund Initiative to provide grants and interest-free loans to assist low-income credit unions in response to COVID-19 related emergencies and hardships. The initiative offered credit unions a three-year interest-free loan of up to $250,000 due at maturity. As of December 31, 2022 and 2021, $1.5 million and $1.8 million of the emergency loans remained outstanding, respectively.

In 2022, Congress enacted multi-year appropriations of $1.5 million for the technical assistance program, the same amount as in 2021. These grants are typically provided on a reimbursement basis to ensure that grant awards are appropriately used. The fund awarded 90 technical assistance grants totaling approximately $1.6 million from the multi-year appropriations received.

Count and Dollar Amount of Technical Assistance Grants (2018–2022)



Source: NCUA Audited Financial Statements

Management Assurances and Compliance with Laws

National Credit Union Administration
Office of the Chairman

February 13, 2023

President Joseph R. Biden
The White House
1600 Pennsylvania Avenue, NW
Washington, DC 20500

Dear Mr. President:

The National Credit Union Administration (NCUA) leadership is responsible for managing risks and maintaining effective internal control to meet the objectives of Sections two and four of the *Federal Managers' Financial Integrity Act*. The NCUA conducted its assessment of risk and internal control in accordance with Office of Management and Budget (OMB) Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*. Based on the results of the assessment, the NCUA can provide reasonable assurance that internal controls over operations, reporting, and compliance were operating effectively as of December 31, 2022.

Sincerely,

Todd M. Harper
Chairman

1775 Duke Street • Alexandria, VA 22314-6113 • 703-518-6300

Federal Managers' Financial Integrity Act

The Federal Managers' Financial Integrity Act (FMFIA) establishes management's responsibility to annually assess controls in accordance with prescribed guidelines and provide a Statement of Assurance to the President and Congress on the effectiveness of controls. The FMFIA further requires agencies to establish controls that reasonably ensure obligations and costs; comply with applicable laws; assets are safeguarded against waste, loss, unauthorized use, and misappropriation; and revenues and expenditures are properly recorded and accounted for to maintain accountability of the assets. The Office of Management and Budget (OMB) provides guidance for implementing the act through OMB Circular A-123, *Management's Responsibility for Enterprise Risk Management and Internal Control*, and OMB Circular A-123, Appendix A, *Management of Reporting of Data and Integrity Risk*.

The NCUA continued to demonstrate our commitment to maintain a strong internal control environment. Enterprise risk management and internal controls are embedded in the agency's management of activities and operations that achieve strategic goals and objectives. In 2022, NCUA management conducted reviews including annual internal control assessments to verify that controls effectively mitigated programmatic risks to ensure effective and efficient operations, reliable reporting, compliance with laws, and safeguarding of assets. While no material weaknesses in the agency's internal controls were identified in the assessments, the NCUA remains committed to enhancing and improving its systems of internal controls and operational efficiencies. As a result of these assessments and annual internal reviews, the NCUA Chairman can provide reasonable assurance that the NCUA has no material weaknesses.

Federal Financial Management Improvement Act

The Federal Financial Management Improvement Act requires certain agencies and executive branch departments to report on their substantial compliance with federal financial management system requirements, federal accounting standards, and the U.S. Standard General Ledger at the transaction level.[1] The purpose of the Federal Financial Management Improvement Act is to advance federal financial management by verifying that financial management systems provide accurate, reliable, and timely information in order to manage daily operations, produce reliable

1 Section 806 of the Federal Financial Management Improvement Act defines an agency as a department or agency of the United States Government as defined in section 901(b) of title 31 of the United States Code. The NCUA is not within the scope of this definition.

financial statements, maintain effective internal controls, and comply with legal and statutory requirements.

Management's Assessment of Internal Control

Internal control is an essential component of effective management, providing reasonable assurance regarding the achievement of objectives, in three categories: effectiveness and efficiency of operations, reliability of reporting, and compliance with laws and regulations. The NCUA's internal control program is designed to achieve compliance with the objectives and requirements of the FMFIA and other applicable federal laws and regulations.

NCUA managers routinely monitor and assess internal controls and report on the results of the assessment annually. Office directors perform internal control assessments that support the central and regional offices and the Asset Management and Assistance Center's assurance statements of compliance. Although some offices noted deficiencies, these did not rise to the level of a material weakness, either individually or collectively. The NCUA's offices are addressing these issues through corrective action plans, as appropriate.

In addition to the results of the assurance statements noted above, the NCUA considered the following other sources of information when assessing the agency's internal control environment:

- An entity-level control survey;
- Results of internal control testing under OMB Circular A-123, Appendix A, *Management of Reporting and Data Integrity Risk*;
- Qualitative and quantitative risk assessments in accordance with OMB Circular A-123, Appendix C, *Requirements for Payment Integrity Improvement*;
- Results of independent evaluations performed by the Government Accountability Office and the NCUA's Office of Inspector General;
- Corrective action taken to enhance controls or mitigate process risk;
- Reports pursuant to the Federal Information Security Management Act and OMB Circular A-130, *Managing Information as a Strategic Resource*; and
- Other internal management reviews or assessments performed.

The Chairman's assurance statement is supported by the processes and reviews described above, which were carried out in 2022. The assurance statements from all NCUA Office directors, the evaluation of other sources of information described above, and the results of the internal controls over reporting assessment serve as support for senior management to advise the Chairman as to whether the NCUA has deficiencies in internal control significant enough to be reported as a material weakness. The NCUA examined deficiencies, both individually and in the aggregate, to determine if material weaknesses existed in the financial reporting processes. No deficiencies, or combination of deficiencies, rose to the level of a material weakness.

The Chairman's 2022 FMFIA assurance statement provides reasonable assurance that the necessary objectives — efficient and effective operations, reliability of reporting and compliance with applicable laws and regulations — were achieved. Included in this report is a Summary of Financial Statement Audits and Management Assurances in the Other Information section, as required by OMB Circular A-136, *Financial Reporting Requirements*.

Federal Information Security Modernization Act

As required by the Federal Information Security Management Act (FISMA), the NCUA developed, documented, and implemented an agency-wide information security program for the information and systems that support the operations and assets of the agency, including those provided or managed by another agency, contractor, or other source.[2] The act also requires federal agencies to conduct annual assessments, develop and implement remediation efforts for identified weaknesses and vulnerabilities, and report compliance to OMB.

The NCUA Chief Information Officer, Inspector General and Senior Agency Official for Privacy conducted a joint annual assessment using the CyberScope automated system as required by OMB Memorandum 22-05, *Fiscal Year 2021 - 2022 Guidance on Federal Information Security and Privacy Management Requirements*. The NCUA submitted the annual FISMA report for fiscal year 2022 to OMB on October 28, 2022.

As prescribed by the act, the Office of Inspector General performs an annual independent evaluation of the NCUA information security and privacy management programs and controls for compliance with the FISMA. The Office of Inspector General issued the fiscal year 2022 audit report on October 26, 2022.[3] The outcome of the NCUA's 2022 FISMA assessment and resulting Cybersecurity Performance Summary ratings are represented in Table 1. Table 2 explains the five maturity levels used for this assessment.

2 The Federal Information Security Modernization Act of 2014 (Public Law 113–283 — December 18, 2014) amended the Federal Information Security Management Act of 2002
3 All Inspector General reports are available on the NCUA's website.

Table 1: 2022 FISMA Cybersecurity Performance Summary	
Identify	Optimized (5)
Protect	Managed and Measurable (4)
Detect	Managed and Measurable (4)
Respond	Optimized (5)
Recover	Managed and Measurable (4)
Overall	Managed and Measurable (4)

Table 2: Inspector General Evaluation Maturity Levels	
Maturity Level	**Maturity Level Description**
Level 1: Ad-hoc	Policies, procedures, and strategy are not formalized; activities are performed in an ad-hoc, reactive manner.
Level 2: Defined	Policies, procedures, and strategy are formalized and documented but not consistently implemented.
Level 3: Consistently Implemented	Policies, procedures, and strategy are consistently implemented, but quantitative and qualitative effectiveness measures are lacking.
Level 4: Managed and Measurable	Quantitative and qualitative measures on the effectiveness of policies, procedures, and strategy are collected across the organization and used to assess them and make necessary changes.
Level 5: Optimized	Policies, procedures, and strategy are fully institutionalized, repeatable, self-generating, consistently implemented, and regularly updated based on a changing threat and technology landscape and business/mission needs.

Financial Management System Strategy

The NCUA partners with the Enterprise Services Center within the U.S. Department of Transportation to provide the NCUA with financial operations support services. Through this shared-service agreement, the agency uses the Oracle-based Delphi Financial Management system, which meets the requirements of the Federal Financial Management Improvement Act.

As part of our continuous quality improvement, the NCUA continues to enhance financial management systems and strengthen process controls aimed to ensure operational efficiencies, transparency, production of reliable and useful data to decision makers and stakeholders, and compliance with applicable laws and regulations.

Digital Accountability And Transparency Act

The Digital Accountability and Transparency Act (DATA Act) was enacted in 2014 to increase the availability and accuracy of federal spending information and standardize governmentwide reporting standards for such data. The DATA Act expands on reforms over federal awards reporting that began with the Federal Funding Accountability and Transparency Act of 2006 by requiring agencies to disclose expenditure information, including contracts, loans, and grants by submitting information for inclusion at USASpending.gov. The act does not apply to funding received outside of congressionally approved appropriations.

The NCUA, an independent agency, receives an annual appropriation from Congress to administer the Community Development Revolving Loan Fund. Congress created the Revolving Loan Fund to stimulate economic development in low-income communities through the issuance of technical assistance grants and low-interest loans to qualifying credit unions (Public Law 96-123, November 20, 1979). As the funding for the Revolving Loan Fund stems from an appropriation, information regarding the Revolving Loan Fund is subject to the DATA Act. For the remaining funds the NCUA administers, the agency is authorized to collect annual operating funding through fees paid by federal credit unions and other sources outside of congressional appropriations. The operating fees collected do not fall under the requirements of the act. The NCUA successfully submitted quality financial and award data for publication on USASpending.gov that was complete, timely, and accurate.

Debt Collection Improvement Act

The Debt Collection Improvement Act of 1996 sets forth standards for the administrative collection, compromise, suspension, and termination of federal agency collection actions and referrals to the proper agency for litigation. The NCUA monitors, administers and collects on debt less than 120 days delinquent. All eligible, nonexempt debts greater than 120 days old are transferred to the U.S. Department of the Treasury for cross-servicing. Additionally, in accordance with the provisions of the Debt Collection Improvement Act, the NCUA's recurring payments are processed via electronic funds transfer.

Federal Civil Penalties Inflation Adjustment Act Improvements Act

The NCUA has authority to assess civil penalties for violations specified in the Federal Credit Union Act and other laws the NCUA enforces. The Federal Civil Penalties Inflation Adjustment Act of 1990, amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, requires agencies to adjust penalty amounts periodically for inflation. Specific details about the civil penalties, the authority for the penalty, adjustment dates, and current penalty amount can be found in the Other Information section of this report.

Government Charge Card Abuse Prevention Act

The Government Charge Card Abuse Prevention Act of 2012 requires agencies to establish and maintain safeguards and internal controls for purchase cards, travel cards, integrated cards, and centrally billed accounts. As part of our effective internal control structure, the NCUA implemented sound controls to mitigate the risk of fraud, waste, and abuse. These controls are documented in our charge card procedures.

Further, the Government Charge Card Abuse Prevention Act requires the NCUA Inspector General to periodically conduct a risk assessment on the agency's charge card programs. The NCUA Inspector General concluded, in its May 2021 assessment, to continue to conduct annual risk assessments of the NCUA's purchase and travel card programs to determine whether an audit is necessary.

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Performance Results

About the Performance Results Section

Throughout 2022, the NCUA implemented strategies and initiatives designed to achieve its mission. The Performance Results section provides an overview of the NCUA's performance structure and details performance results and challenges during the calendar year.

Performance Structure

The Performance Structure section provides an overview of the NCUA's performance structure and illustrates the relationship between performance components.

Performance Planning and Process

The Performance Planning and Process section provides a brief overview of the NCUA performance process.

Program Evaluation and Review

The Program Evaluation and Review section describes how the NCUA reviews its performance framework for future development of strategic goals, measures, and targets.

Cross-Agency Collaboration

The Cross-Agency Collaboration section describes the NCUA's involvement in cross-agency initiatives to contribute to the success of the NCUA's mission.

Performance Results by Strategic Goal

The Performance Results by Strategic Goal section provides the results of the performance measure for 2022 and, when available, five years of historical trend data; factors describing why certain performance measures were not met and the NCUA's plan to improve performance, where appropriate.

Validation and Verification of Performance Data

The Validation and Verification of Performance Data section discusses how performance data is verified, and the completeness and reliability of the data contained within this part of the *Annual Report*.

Performance Structure

The Performance Results section is organized by strategic goal to describe the NCUA's efforts to meet the objectives defined in the *2022–2026 Strategic Plan*. This strategic plan outlines three strategic goals that are supported by ten strategic objectives, 19 performance goals, and 46 performance indicators set for 2022.

Strategic goals are general, outcome-oriented, long-term goals for the major functions and operations of the agency. Strategic goals represent how the agency's actions fulfill its mission.

Strategic objectives break down the broader strategic goals to a level that reflects specific outcomes or impacts the agency is working to achieve. They represent vital aspects of each strategic goal while also demonstrating how the strategic goal will be achieved.

Performance goals are the actions the agency will undertake and measure to gauge progress achieving each strategic objective. Each performance goal is supported by one or more performance indicator or measure.

Performance indicators or measures present a quantitative level of performance or a target to be accomplished, within a specific timeframe.

Strategies are plans and activities the agency will implement to make progress toward its strategic objectives. This includes steps to strengthen or revise operational processes, human capital, skills development, technology, information management, and other resources critical to mission delivery.

The diagram illustrates the relationship between each component:

Performance Planning and Process

The *2022 Annual Performance Plan* sets out performance measures and targets in support of the goals and objectives of the strategic plan. Developing the performance plan is a collaborative process that includes the NCUA's central and regional offices. Senior executive leaders develop performance measures, as well as the means and strategies that describe how the NCUA will assess progress towards our objectives. The NCUA Board reviews and approves the *Annual Performance Plan*.

The NCUA holds program offices accountable for setting meaningful and realistic targets that also challenge the agency to leverage its resources efficiently and effectively. Each designated goal owner is responsible for the progress in meeting his or her assigned goals, reporting the results, and making operational adjustments as needed. When targets are not met, goal owners are required to explain what led to the shortfall, and how they will improve performance in the future. Each goal owner provided his or her analysis and support for the performance results found in this report.

The NCUA uses a data-driven review process, which includes substantiating results reported whenever those results reveal significant discrepancies or variances from the target. For each goal, the Office of the Chief Financial Officer coordinates reviews to address data availability and reliability, clarify questions, and, if applicable, discuss corrective actions and strategies for any performance measures that are not on target. This office also delivers performance summary reports to the Executive Director throughout the year.

Program Evaluation and Review

The NCUA periodically reviews its performance framework and focuses on tracking and reporting the most appropriate and meaningful performance outcomes to demonstrate program efficiency, effectiveness, and results. The agency uses the results of these data-driven reviews and its annual performance report as data points for future development of strategies, goals, measures, and targets.

Targets and Historical Data

The NCUA provides five years of historical trend data for each performance measure when available. Several performance goal indicators in this report are new for 2022 and therefore, historical data is not available. Prior-year results for these new indicators are marked as "--" in the performance results indicator and target tables. Baseline data collected in 2022 will be used to formulate performance goal targets for future years.

As part of the agency's collaborative performance planning process, the Office of the Chief Financial Officer works closely with the agency's Chief Economist and subject matter experts across the agency to consider external factors and risks to the credit union system when developing meaningful, challenging, and realistic targets. In the case of select performance measures, the NCUA's regulations, formal instructions, or policy statements guide our target selection.

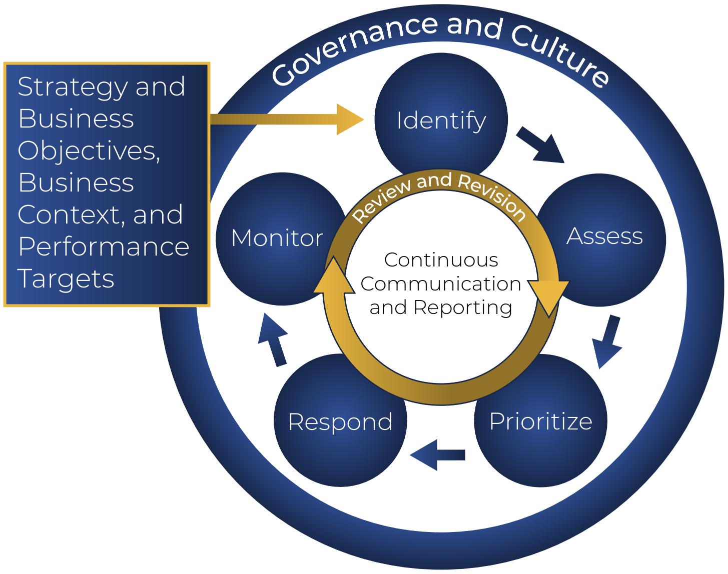
Measure Quality

The NCUA has not developed outcome-oriented performance goals in all cases, and in certain instances, uses input and output measures that demonstrate support for outcomes, lead to outcomes, or provide valuable indicators of how the agency is progressing toward achieving its strategic goals and objectives.

Enterprise Risk Management

The NCUA is subject to a variety of risks that relate to its objectives, strategies, operations, reputation, and environment. Through the NCUA's Enterprise Risk Management (ERM) program, the agency is proactively managing risks to achieving its mission, as well as maximizing opportunities across the agency. ERM examines the full spectrum of risks related to achieving the NCUA's strategic objectives and provides agency leadership with a portfolio view of risk to help inform decision-making.

To sustain success at the NCUA, an effective risk management approach is required. The ERM approach at NCUA is anchored by a framework shown in the diagram below, and oversight from the agency's Enterprise Risk Management Council (ERMC). The ERMC and the ERM framework at the NCUA provides for the identification, assessment, monitoring, and reporting of enterprise risks. Working collaboratively with risk leads, other agency governing councils, and subject-matter experts, the ERMC aims to optimize risk management and mitigation on a consistent and continuous basis to increase the NCUA's success at achieving its strategic goals. Effective internal controls, combined with robust measurement and communication, are central to effective decision-making and risk optimization within the NCUA.



The NCUA's risk-management framework helps the agency's leadership identify and evaluate specific risks, and to prioritize and mitigate risks on a continuous basis. The ERM program requires close collaboration across all agency functions and is intended to improve mission delivery.

In 2022, the NCUA Board approved the agency's risk appetite statement. The agency developed this statement through careful consideration and evaluation of the risks the agency faces while focused on achieving several programmatic goals, consistent with its Strategic Plan. The NCUA's risk appetite uses a framework of eight risk categories that together reflect the full spectrum of risk the agency may face in carrying out its mission:

- Technology and Information Management Risk
- Supervision Risk
- Human Capital Risk
- Legal and Regulatory Compliance Risk
- Operational Risk
- Governance and Strategic Risk
- Financial Management Risk
- External Risk

In 2023, the NCUA will continue to advance its ERM program, including by conducting ongoing risk monitoring, point in time risk reviews, and adopting tools for a more streamlined workflow management, monitoring, and reporting.

Cross-Agency Collaboration

The NCUA is involved in numerous cross-agency initiatives by collaborating with the other financial regulatory agencies through several councils, such as the Financial Stability Oversight Council, the Federal Financial Institutions Examination Council, and the Financial and Banking Information Infrastructure Committee. These councils and committees and their many associated task forces and working groups contribute to the success of the NCUA's mission. Additional information for ongoing cross-agency initiatives are highlighted on page 34 of this report.

Performance Results by Strategic Goal

The agency made progress across all three strategic goals in 2022, meeting or exceeding 36 performance indicators. Each strategic goal and the supporting strategic objectives and performance goals are presented in the subsequent sections, including detailed results for each indicator used to measure agency performance.

Target Met	NCUA is implementing its plans to achieve the strategic objective. Strategies and activities have been executed on or ahead of schedule, and the target outcome was achieved. Minor delays in the planned execution schedule may exist due to exigent circumstances; however, the overall target outcome was achieved within the plan year.	✓
Target Not Met	Current strategies have not had the intended impact, and an increased focus is needed by the agency to improve performance on the strategic objective. Some strategies and activities may have been executed, but more progress is needed to advance the strategic objective.	✗

Strategic Goal 1: Ensure a Safe, Sound, and Viable System of Cooperative Credit that Protects Consumers

Strategic Objectives	Performance Goals
1.1 Maintain a financially sound Share Insurance Fund.	1.1.1 Prudently manage the Share Insurance Fund.
	1.1.2 Assess risks and key trends in the credit union industry and the economy that could impact the Share Insurance Fund.
1.2 Provide effective and efficient supervision.	1.2.1 Execute the requirements of the agency's examination and supervision program and regulations.
	1.2.2 Improve examination quality by incorporating relevant feedback from internal and external stakeholders.
1.3 Ensure compliance with, and enforcement of federal consumer financial protection laws and regulations at credit unions.	1.3.1 Conduct targeted consumer compliance reviews and fair lending examinations.
	1.3.2 Improve compliance with consumer protection laws and regulations through effective guidance to the credit union system.
1.4 Ensure NCUA-insured credit unions can appropriately manage emerging opportunities and risks, including cybersecurity and climate-related financial risk.	1.4.1 Promote and evaluate effective cybersecurity practices in credit unions.
	1.4.2 Identify and work with affected credit unions and appropriate state regulators to understand and mitigate asset concentration and other risks.
1.5 Ensure NCUA policies and regulations appropriately address emerging and innovative financial technologies, including digital assets.	1.5.1 Evaluate and address barriers to credit union adoption of emerging financial technology, including digital assets.

The Federal Credit Union Act authorizes the NCUA Board to oversee America's credit union system and administer and manage the Share Insurance Fund. The NCUA also has statutory responsibility for supervising compliance with and enforcing laws and regulations that protect all credit union members. The NCUA's primary function is to identify and assess credit union system risks, threats, and vulnerabilities, determine the magnitude of such risks, and mitigate unacceptable levels of risk through its examination, supervision, and enforcement programs. Strategic Goal 1 objectives focus on protecting America's system of cooperative credit and minimizing unacceptable levels of current and future risk while encouraging stability within the credit union system.

Strategic Goal 1 is supported by five strategic objectives, nine performance goals, and 21 performance indicators. The NCUA met its targets for 17 Strategic Goal 1 indicators in 2022. An explanation is provided for the indicators that did not meet their targets during the year.

Strategic Objective 1.1 – Maintain a Strong Share Insurance Fund

The Share Insurance Fund is a cooperative insurance fund comprised of a one percent capitalization deposit from insured credit unions, income from prudent investment strategies, and premium assessments (when needed). The NCUA must maintain a financially sound Share Insurance Fund to protect credit union member-owners against unexpected losses from failed credit unions and maintain public confidence in federal share insurance. Sound management of the Share Insurance Fund also requires the agency to timely identify, assess, and respond to current and emerging risks, including through robust modeling of future Share Insurance Fund performance and effective execution of the examination program.

Future risks to credit unions include escalating cybersecurity threats, interest rate and liquidity challenges, real estate and member business loan concentrations, and changes in the financial landscape. Each risk requires continual monitoring and, where prudent, risk-mitigation strategies to protect the overall credit union system from preventable losses or failures.

Any incident, like a significant credit union failure, that drops the equity ratio below 1.0 percent would result in a direct expense to credit unions through the impairment of the 1.0 percent capital deposit they contribute to the fund, which credit unions have recorded as an asset on their balance sheets.

Performance Indicators	2017	2018	2019	2020	2021	2022 Target	2022 Result	Status
1.1.1 Prudently manage the Share Insurance Fund.								
Maintain 2 percent or less of credit union system assets in CAMELS composite 4 and 5 rated credit unions.	0.70%	0.80%	0.79%	0.50%	0.42%	Less than or Equal to 2%	0.26%	✓
Strive to minimize costs to the Share Insurance Fund for credit union failures by keeping straight liquidations to 15 percent or less of institution failures.	0%	9%	0%	0%	14%	Less than or Equal to 15%	33%	✗
Maintain the Share Insurance Fund equity ratio above the minimum statutory level and at or below the Normal Operating Level (NOL).	1.46%	1.39%	1.35%	1.26%	1.26%	Above Statutory Minimum and at or below NOL	1.30%	✓
Continue to manage the Share Insurance Fund investment portfolio to meet safety, liquidity, and yield objectives consistent with Board approved policy.	Achieved	Achieved	Achieved	Achieved	Achieved	Achieve	Achieved	✓
Make public the NOL calculation to ensure transparency and understanding by stakeholders by December 31, 2022.	--	--	--	--	--	Achieve	Achieved	✓

Performance Indicators	2017	2018	2019	2020	2021	2022 Target	2022 Result	Status
1.1.2 Assess risks and key trends in the credit union industry and the economy that could impact the Share Insurance Fund.								
Perform quarterly supervisory reviews for 98 percent of high-risk credit unions.	--	--	--	--	--	Greater than or Equal to 98%	99%	✓
Review and assess all capital plans for credit unions with assets greater than $10 billion within timelines outlined in regulation.[1]	Achieved	Achieved	Achieved	Achieved	Achieved	Achieve	Achieved	✓
Assess credit union driven stress testing on all Tier II and Tier III credit unions, as defined by NCUA Regulations Part 702, by Q3 2022.	--	--	Achieved	Achieved	Achieved	Achieve	Achieved	✓

Discussion.
In 2022, there were six credit union failures. Two of the failures in 2022 were straight liquidations, bringing the percentage of liquidations, 33 percent, above the target of 15 percent. The NCUA decided to liquidate the two credit unions and discontinue operations after determining the credit unions were insolvent and had no prospect of restoring viable operations. The NCUA strives to identify merger or purchase and assumption partners for credit union failures to provide continued service to credit union members, increase efficiency, and reduce costs. However, that is not always possible. When a liquidation occurs, the NCUA aims to manage and recover assets to minimize failure costs and expenses to the Share Insurance Fund, credit union member-owners, and other creditors.

Strategic Objective 1.2 – Provide Effective and Efficient Supervision

To remain effective, the NCUA's examination and supervision program must continue to evolve with a growing and changing credit union system while recognizing the fundamental differences that define financial cooperatives. The NCUA must act efficiently, properly allocating examination resources to credit unions of highest risk and conducting

1 In 2022, the NCUA Board approved a final rule: Asset Threshold for Determining the Appropriate Supervisory Office. This final rule and the NCUA's capital planning and stress testing resources webpage provide additional information about the agency's supervision, capital planning and stress testing requirements for certain credit unions.

effective offsite monitoring. Important components of an effective and efficient examination and supervision program includes highly skilled examiners, risk- and compliance-based examination policies, robust data collection and analyses, reliable technological tools, and a strong quality assurance program.

Performance Indicators	2017	2018	2019	2020	2021	2022 Target	2022 Result	Status
1.2.1 Execute the requirements of the agency's examination and supervision program and regulations.								
Start 95 percent of federal credit union examinations within 12 months of prior exam completion for annual examinations and within 20 months of prior exam completion for extended examinations.	--	96%	97%	92%	94%	Greater Than or Equal to 95%	85%	✗
Start 95 percent of federally insured state-chartered credit union examinations within 14 months of prior exam completion for those on an annual examination schedule.	--	96%	96%	97%	100%	Greater Than or Equal to 95%	98%	✓
Review one-third of NCUA regulations and prompt stakeholders to comment on specific areas of focus including safety and soundness, clarity, and consumer protections. Identify and prioritize for review regulations that may be in conflict with each other, such as those related to participation loans.	Achieved	--	Achieved	Achieved	Achieved	Achieved	Achieved	✓
Resolve troubled credit unions within an average of 26 months from the initial CAMELS composite downgrade to troubled status.	22	19	21	24	23	Average of 26 Months or Less	32	✗

Performance Indicators	2017	2018	2019	2020	2021	2022 Target	2022 Result	Status
1.2.2 Improve examination quality by incorporating relevant feedback from internal and external stakeholders.								
Develop new, revise existing, or identify external training courses to meet the needs of all field staff.	9	13	14	28	23	30	35	✓
Review and revise as necessary the exam survey based on initial survey results and feedback from internal and external stakeholders.	--	--	--	--	Survey Implemented	Achieve by 12/31/2022	Achieved	✓

Discussion.
The NCUA started 85 percent of federal credit union examinations within 12 months of prior exam completion for annual examinations or within 20 months for extended examinations, missing the 95 percent target. The NCUA fell short of this goal by approximately 10 percentage points due mainly to examiner vacancies, ongoing challenges with completing work offsite, and credit union scheduling conflicts and staffing shortages. In 2023, the agency will aim to improve in this area. The agency's move to Phase 3 of resuming onsite operations on October 17, 2022, and prioritizing hiring generalist examiners in 2023 should contribute to improved results in 2023.

The NCUA's average resolution time for credit unions in troubled status increased to 32 months in 2022. These results were heavily impacted by two credit unions that were resolved at approximately 120 months. This resolution time is atypical. Excluding these credit unions from the data, the average resolution time would be 28 months, just two months longer than the goal of 26 months. Ensuring credit unions are operating in a safe and sound manner to protect the interests of their members is of primary importance, and a longer resolution time may be necessary to resolve safety and soundness concerns.

Strategic Objective 1.3 – Ensure Compliance with and Enforcement of Federal Consumer Financial Protection Laws and Regulations at Credit Unions

The NCUA's assessment of compliance risk considers the federal consumer financial protection laws and regulations the agency enforces, as well as other relevant statutes and regulations that govern the operation of credit unions, such as the Bank Secrecy Act, the Flood Disaster Protection Act, the Secure and Fair Enforcement for Mortgage Licensing Act, and the NCUA's established regulations. The NCUA's fair lending examination program is designed to ensure that credit unions comply with the regulations established to protect consumers against discrimination. The NCUA also performs targeted consumer compliance reviews during risk-focused examinations.

Performance Indicators	2017	2018	2019	2020	2021	2022 Target	2022 Result	Status
1.3.1 Conduct targeted consumer compliance reviews and fair lending examinations.								
Complete at least 80 fair lending examinations or supervision contacts.	75	66	68	51	68	Greater than or Equal to 80	81	✓
Perform quality control reviews on 200 examination reports to determine if the consumer financial protection supervisory priorities are sufficiently addressed during safety and soundness examinations.	--	--	--	Quarterly Reviews Commenced	200	200	323	✓
1.3.2 Improve compliance with consumer protection laws and regulations through effective guidance to the credit union system.								
Issue guidance or conduct outreach semi-annually addressing any common themes identified in credit union operations during consumer financial protection quality control reviews.	--	--	--	--	Achieved	Greater than or Equal to 2	2	✓

Strategic Objective 1.4 – Ensure NCUA-Insured Credit Unions Can Appropriately Manage Emerging Opportunities and Risks, Including Cybersecurity and Climate-Related Financial Risk

Credit unions are becoming larger and more complex as they seek to provide their members with more and improved products and services. Growth and innovation present risks to credit union member-owners and the Share Insurance Fund. The agency must balance responsible oversight with forward-looking policies that promote innovation and respond to potential industry disruptions.

Performance Indicators	2017	2018	2019	2020	2021	2022 Target	2022 Result	Status
1.4.1 Promote and evaluate effective cybersecurity practices in credit unions.								
Implement updated information security examination procedures that are tailored to institutions of varying size and complexity.	--	--	--	--	--	Achieve by 12/31/2022	Achieved	✓
1.4.2 Identify and work with affected credit unions and appropriate state regulators to understand and mitigate asset concentration and other risks.								
Conduct 95 percent of exams or supervision contacts for credit unions with high concentrations in specific loan types according to established timelines.	--	--	--	Implemented Procedures	Commenced Reviews	Greater than or Equal to 95%	98.7%	✓
Publish a Request for Information seeking input from credit union stakeholders about climate-related financial risks.	--	--	--	--	--	Achieve by 12/31/2022	Not Achieved	✗

Discussion.
The NCUA did not publish a Request for Information about climate-related financial risks in 2022. NCUA staff anticipate presenting a Request for Information to the NCUA Board for consideration in 2023.

Strategic Objective 1.5 – Ensure NCUA Policies and Regulations Appropriately Address Emerging and Innovative Financial Technologies, Including Digital Assets

Emerging and innovative financial technologies, including digital ledger technology and digital assets, present opportunities and risks to the credit union system. The NCUA is committed to supporting the credit union system as it navigates the changes fintech and other innovations are bringing to the financial services industry. The agency must identify financial services industry risks and opportunities as well as marketplace developments that may prompt regulatory or policy changes.

Performance Indicators	2017	2018	2019	2020	2021	2022 Target	2022 Result	Status
1.5.1 Evaluate and address barriers to credit union adoption of emerging financial technology, including digital assets.								
Issue at least one regulatory action related to financial technology and issue guidance about distributed ledger technology.	--	--	--	--	--	Achieve by 12/31/2022	Achieved	✓

Strategic Goal 2: Improve the Financial Well-Being of Individuals and Communities Through Access to Affordable and Equitable Financial Products and Services

Strategic Objectives	Performance Goals
2.1 Enhance consumer access to affordable, fair, and federally insured financial products and services.	2.1.1 Expand community and individual access to fair and affordable credit union products and services through modernized NCUA regulations, policies, and programs.
	2.1.2 Empower consumers with financial education information.
2.2 Support and foster small, minority, low-income, and new credit unions.	2.2.1 Administer viable credit union charter, field of membership, and low-income requests.
	2.2.2 Maximize the agency's grant and loan programs.

The Federal Credit Union Act charges the NCUA with promoting access to safe, fair, and affordable credit union services for consumers of all backgrounds and income levels, including those of modest means. The NCUA works to foster the preservation and growth of credit unions in a changing demographic, economic, and technological landscape.

Strategic Goal 2 focuses on the NCUA's role in ensuring that America's system of cooperative credit is fair and open to all consumers and that it can effectively incorporate new and emerging technologies offering affordable and equitable benefits to its member-owners.

The NCUA uses two strategic objectives, four performance goals and eight indicators to support this strategic goal. The NCUA performed well within Strategic Goal 2, meeting our target for seven performance indicators in 2022. An explanation is provided for the indicator that did not meet its target during the year.

Strategic Objective 2.1 – Enhance Consumer Access to Affordable, Fair, and Federally Insured Financial Products and Services

The NCUA is committed to maintaining up-to-date regulations, policies, and programs that expand consumer access to safe and affordable financial products and services, along with financial education that helps consumers understand their choices.

Informed consumers who have access to a range of safe, fair, and affordable credit union products and services — including from new and emerging technologies — make better financial decisions for themselves and their communities.

Performance Indicator	2017	2018	2019	2020	2021	2022 Target	2022 Result	Status
2.1.1 Expand community and individual access to fair and affordable credit union products and services through modernized NCUA regulations, policies, and programs.								
Conduct a conference with external stakeholders on regulatory, policy or program changes to expand access to fair and affordable credit union products and services.	--	--	--	--	--	Greater than or Equal to 1 Conference with External Stakeholders	1	✓
Use at least 85 percent of hours budgeted for the small credit union and minority depository institution assistance programs.	--	--	--	--	--	Greater than or Equal to 85%	77%	✗
Propose at least one regulatory change to update the field of membership or chartering rules.	--	--	--	1	1	Greater than or Equal to 1	1	✓
2.1.2 Empower consumers with financial education information.								
Develop and distribute consumer-focused financial literacy public awareness initiatives.	2	5	5	10	8	6	37	✓

Discussion.

The NCUA used 77 percent of budgeted hours for the small credit union and minority depository institution assistance programs. Full implementation of the programs occurred in the second quarter of 2022. Contributing factors to the results for 2022 include a delay in implementation of the program, field staff vacancies, credit union staff availability, the ongoing offsite posture, and directing resources to emerging risks in credit unions. In 2023, the agency will aim to conduct small credit union and minority depository institution (MDI) assistance program support contacts for participating credit unions.

Strategic Objective 2.2 – Support and Foster Small, Minority, Low-Income, and New Credit Unions

The NCUA continues to develop initiatives to foster new and small credit unions, credit unions serving those of modest means, and credit unions designated as MDIs. Such efforts will help provide safe, fair, and affordable financial services to traditionally underserved communities. The NCUA will continue to evaluate ways to further streamline its chartering process for new credit unions while preserving its safety and soundness, and consumer protection priorities. The NCUA's MDI preservation program provides needed support to federally insured credit unions that serve communities and individuals who may lack access to mainstream financial products and services.

Performance Indicators	2017	2018	2019	2020	2021	2022 Target	2022 Result	Status
2.2.1 Administer viable credit union charter, field of membership, and low-income requests.								
Maintain the level of members in MDI-designated credit unions at or above 4.6 million reported in 2021.	4.3 million	3.9 million	3.9 million	4.3 million	4.6 million	Greater than or Equal to 4.6 million members	5.2 million	✓
Meet average field of membership processing time standards for 75 percent or more of established targets.	--	--	--	--	Standards Implemented	Greater than or Equal to 75%	75%	✓
Charter at least three new credit unions by December 31, 2022.	--	1	2	1	4	Greater than or Equal to 3	4	✓
2.2.2 Maximize the agency's grant and loan programs.								
Distribute at least 60% of the 2022 Community Development Revolving Loan Fund appropriated funds for the Underserved Outreach Initiative.	--	--	--	--	--	Greater than or Equal to 60% of funds	61%	✓

Strategic Goal 3: Maximize Organizational Performance to Enable Mission Success

Strategic Objectives	Performance Goals
3.1 Attract, develop, and retain an engaged, high-performing, diverse workforce within an inclusive, professional environment.	3.1.1 Deliver timely and relevant training and leadership development programs for all staff.
	3.1.2 Foster an inclusive workplace that values diverse perspectives and maximizes employees' contributions and fosters belonging.
3.2 Deliver improved business processes supported by secure, innovative, and reliable technology solutions and data.	3.2.1 Implement secure, reliable, accessible, and innovative technology and data solutions.
	3.2.2 Gain efficiencies through quality processes, systems, and project management.
3.3 Ensure sound organizational governance.	3.3.1 Foster an effective risk management and internal control environment.
	3.3.2 Promote sound financial management and stewardship principles.

The NCUA's most crucial resource is high-quality, skilled staff. To maximize employee contributions to the NCUA's mission, the agency's staff must be supported by efficient and effective processes, tools, data, and modern technology. The right people equipped with the right tools, supported by sound organizational governance, fulfill the agency's mission, and deliver organizational excellence.

Achieving the NCUA's third strategic goal requires effective communication, collaboration, and coordination by all staff across all offices within the agency. To achieve this strategic goal, the agency must be prudent and effective in its administration of human capital, employee and operational security, data, information technology systems and assets, financial management, and employee engagement. This goal emphasizes organizational excellence through effective, efficient, and inclusive recruiting, hiring, training, and career-development processes that support and promote diversity within the workplace.

The NCUA made progress in 2022 on the three strategic objectives, six performance goals and 17 indicators supporting this strategic goal. The agency met its target for 12 performance indicators. An explanation is provided for each indicator that did not meet its target.

Strategic Objective 3.1 – Attract, Develop, and Retain an Engaged, High-Performing, Diverse Workforce within an Inclusive, Professional Environment

The NCUA aims to foster a professional work environment that attracts and retains innovative, high-performing, highly engaged, and diverse employees. The NCUA prioritizes diversity and inclusion as a strategic business imperative.

Workforce engagement is critical to the successful performance of the NCUA because an engaged workforce is more efficient, productive, and accountable to the success and results produced by the agency.

Performance Indicators	2017	2018	2019	2020	2021	2022 Target	2022 Result	Status
3.1.1 Deliver timely and relevant training and leadership development programs for all staff.								
Obtain at least an 85 percent average satisfaction rating in training class evaluations.	85%	85%	85%	90%	89%	85%	94%	✓
Achieve at least an average 90 percent employee satisfaction level with NCUA leadership development programs.	--	--	--	--	83%	90%	92%	✓
3.1.2 Foster an inclusive workplace that values diverse perspectives and maximizes employees' contributions and fosters belonging.								
Improve the agency's score for its proxy Inclusion Quotient (IQ) by one percentage point over the calculated proxy IQ for 2021.[2]	--	64%	65%	72%	75%	Increase by 1 percentage point	77%	✓
Improve NCUA's Federal Employee Viewpoint Survey Employee Engagement Index by 2 percentage points.	69%	67%	69%	76%	77%	Increase by 2 percentage points	76%	✗

Discussion.
The NCUA maintained its employee engagement results from the prior year at 76 percent but did not improve its score by two percentage points. The agency is currently analyzing results to identify opportunities for improvement. In 2023, the NCUA is committed to improving these results.

2 In 2022, the agency's proxy IQ score could not be calculated due to changes to the Federal Employee Viewpoint Survey. However, a Diversity, Equity, Inclusion and Accessibility (DEIA) Index was introduced. The agency's DEIA Index results are reported here as the best available data for this indicator.

Strategic Objective 3.2 – Deliver an Efficient Organizational Design Supported by Improved Business Processes and Innovation

The NCUA is committed to implementing new technology responsibly and delivering secure, reliable, and innovative technological solutions with enhanced business processes that support its mission. The NCUA plans for new and improved approaches to harness emerging data, advance its analytical techniques, deploy innovative technology, and implement improvements in its supervisory approach. A robust and secure information technology infrastructure, combined with effective technological applications, ensure the effectiveness and efficiency of the agency's workforce.

Performance Indicators	2017	2018	2019	2020	2021	2022 Target	2022 Result	Status
3.2.1 Implement secure, reliable, accessible, and innovative technology and data solutions.								
Maintain at least an overall maturity rating of Level 3, Consistently Implemented, for the NCUA's annual Federal Information Security Management Act information security program assessment.			Level 2	Level 2	Level 4	≥ Level 3	Level 4	✓
Develop new self-service analytic data structures in the Enterprise Central Data Repository (ECDR) with an initial subset of enterprise data.	--	--	--	--	--	Achieve by 12/31/2022	Delayed	✗
Maintain NCUA.gov's 508 compliance at 97 percent or greater.	--	--	--	--	95%	Greater than or Equal to 97%	98%	✓
Deploy enhancements to the Credit Union Locator and Research a Credit Union websites.	--	--	--	--	--	Achieve by 12/31/2022	Achieved	✓

Performance Indicators	2017	2018	2019	2020	2021	2022 Target	2022 Result	Status
3.2.2 Gain efficiencies through quality processes, systems, and project management.								
Achieve a Service Desk Tier 1 resolution rate (incidents resolved without transferring or escalating) of at least 70 percent.	--	Baseline Established	71%	58%	72%	At least 70%	82%	✓
Establish the technology infrastructure for data visualization tools on the NCUA's website.	--	--	--	--	--	Achieve by 12/31/2022	Achieved	✓
Lower the average number of days to hire non-executive staff by at least 5 percent.	--	--	--	--	--	Lower Average by at Least 5%	+14%	✗
Maintain a low-risk designation for the NCUA's annual National Archives and Records Administration Records Management Self-Assessment in 2022.	--	--	--	Low Risk	Low Risk	Low Risk	Low Risk	✓

Discussion.

The NCUA began developing a new self-service analytic data structure within the ECDR. However, the completion of the project is delayed. This work will continue into 2023 with a revised estimated completion date of the third quarter of 2023.

The NCUA did not meet its target of lowering the average number of days to hire non-executive staff. While the agency fell short of its year-over-year goal, in 2022, the NCUA improved its average time to hire positions in the Credit Union Examiner 0580 occupational series by 43 percent from the first quarter to the fourth quarter. The NCUA expects to continue the positive trend into 2023 and beyond. Additionally, in 2021 the NCUA reemployed annuitants under a temporary COVID-19 hiring authority to respond to uncertainties in the credit union system. These reemployed annuitants contributed to a lower average time-to-hire in 2021. In 2023, the agency remains focused on reducing the average number of days to hire non-executive staff. The NCUA also set specific hiring targets for general examination staff in 2023 to improve vacancy fill rates.

Strategic Objective 3.3 – Ensure Sound Organizational Governance

Sound organizational governance at the NCUA protects its people and ensures the stability of its four permanent funds. It promotes responsible management of its resources and compliance with relevant laws, policies, and standards. The NCUA implements strategies and initiatives that promote efficient business processes, sound internal controls, and effective risk management practices.

Performance Indicators	2017	2018	2019	2020	2021	2022 Target	2022 Result	Status
3.3.1 Foster an effective risk management and internal control environment								
Complete at least 90 percent of Office of Inspector General (OIG) recommendations due in 2022 within the established timeframes.	--	76%	83%	72%	79%	Greater than or Equal to 90%	79%	✗
Achieve a score of 75 percent or above on the NCUA's Federal Employee Viewpoint Survey Question 36 "My organization has prepared employees for potential security threats.[3]"	76%	76%	85%	--	--	Greater than or equal to 75%	79%*	✓
Improve the NCUA leadership's assessment of the adequacy of the agency's internal controls environment.	--	Baseline Established	3.93	3.77	3.87	Weighted Average 4 out of 5	3.93	✗
3.3.2 Promote sound financial management and stewardship principles.								
Receive an unmodified opinion on the NCUA financial statement audit of all four funds	Achieved	Achieved	Achieved	Achieved	Achieved	Achieve	Achieved	✓
Award at least 70 percent of total eligible contract dollars as competitive actions	--	79%	91%	88%	59%	70%	83%	✓

3 In 2022, the Federal Employee Viewpoint Survey created two separate questions. "My organization has prepared me for potential physical security threats." and "My organization has prepared me for potential cybersecurity threats." For 2022, the results are 72 percent and 86 percent, respectively. The average result for the two questions is 79 percent, above the target of 75 percent set for 2022.

Discussion.
The agency completed 79 percent of corrective actions on OIG audit recommendations in 2022, missing the 90 percent target but maintaining the same rate as in 2021. The agency strives to implement the recommendations resulting from OIG audits within the established timeframes. In 2023, the agency will continue to engage responsible parties and provide support for achieving open recommendations within the stated timeframes.

In 2022, the NCUA improved the NCUA leadership's assessment of the adequacy of the agency's internal controls environment. An index of questions from the agency's annual entity-level controls survey is used to measure this indicator. While the agency did not meet the target, 2022 scores in aggregate in each category have trended in a positive direction. The weighted average of 3.93 in 2022 was 6 basis points higher than the 2021 result of 3.87. In 2023, the NCUA is committed to maturing its internal controls environment with its entity-level controls pilot program, which began in 2022.

Validation and Verification of Performance Data

The agency's 2022 performance results are based on reliable and valid data that are complete as of the end of the calendar year. The Office of the Chief Financial Officer reviews all performance data to assess the effectiveness of programs and the completeness and accuracy of the data. The office also evaluates how risks and opportunities affect the achievement of our strategic goals and objectives. Data management and data reliability are important when determining performance outcomes. Currently, the Offices of Examination and Insurance and National Examinations and Supervision, the Chief Economist, and our regional offices review the data. These offices, with support provided by the Office of the Chief Information Officer, monitor, and maintain automated systems and databases that collect, track, and store performance data. In addition to the general controls the NCUA has in place, which ensure only authorized staff can access key systems, each application or system incorporates internal validation edits to ensure the accuracy of data contained therein. These application edits include checks for reasonableness, consistency, and accuracy. Cross-checks between other internal automated systems also provide assurances of data accuracy and consistency. Data provided by the NCUA during the financial statement audit provide another level of assurance. The NCUA Board deems the data as current, reliable, and accurate to support the agency's performance results.

Financial Information

About the Financial Information Section

In 2022, the NCUA prepared its financial statements to demonstrate accountability and stewardship of the resources entrusted to it to support our mission. Preparation of these statements is critical to the NCUA's goal of providing accurate and reliable information for decision making by our stakeholders.

The Federal Credit Union Act provides the overarching legal requirements regarding the NCUA's annual audited financial statements. Separate financial reporting provides transparency for each fund's particular stakeholders and complies with the intent of the Federal Credit Union Act. The NCUA files its four separately audited financial statements as Annual Management Reports per the Government Corporation requirements under OMB Circular A-136.

The National Credit Union Share Insurance Fund prepares its financial statements in accordance with accounting standards issued by the Federal Accounting Standards Advisory Board while the NCUA Operating Fund, Central Liquidity Facility, and Community Development Revolving Loan Fund prepare their financial statements in accordance with accounting standards issued by the Financial Accounting Standards Board. Each fund is integral to the performance of the NCUA's mission to protect the system of cooperative credit and its member-owners through effective chartering, supervision, regulation, and insurance.

National Credit Union Share Insurance Fund (Share Insurance Fund)

Congress created the Share Insurance Fund in 1970 to insure members' shares (deposits) in credit unions. The Share Insurance Fund protects members' accounts in insured credit unions in the event of a credit union failure. The Share Insurance Fund insures the balance of each members' accounts, dollar-for- dollar, up to the standard maximum share insurance amount of $250,000, including principal and posted dividends through the date of a failure, subject to various rules on account types, rights, and capacities.

NCUA Operating Fund

The NCUA Operating Fund was established as a revolving fund in the United States Treasury to provide administration and service to the federal credit union system. A majority of the Fund's revenue is comprised of operating fees paid by federal credit unions. The NCUA Operating Fund supports the other three funds managed by the NCUA Board by providing office space, information technology services, and supplies as well as paying employee salaries and benefits. Certain types of support are reimbursed to the Fund by the Share Insurance Fund and Central Liquidity Facility while support of the Community Development Revolving Loan Fund is not reimbursed.

Central Liquidity Facility (CLF)

The CLF is designated as a mixed-ownership government corporation and is managed by the NCUA Board. The CLF was created to improve the general financial stability of credit unions by serving as a liquidity lender to credit unions experiencing unusual or unexpected liquidity shortfalls.

Community Development Revolving Loan Fund (Revolving Loan Fund)

The Revolving Loan Fund was established to stimulate economic development in low-income communities. Through its loan and technical assistance grant program, the Revolving Loan Fund stimulates economic activities in the communities served by low-income designated federally chartered and state-chartered credit unions.

These financial awards are appropriated by Congress and are intended to support credit unions in their efforts to provide basic financial services to residents in their communities, enhance their capacity to better serve their members and respond to emergencies. The Revolving Loan Fund is the only NCUA fund that receives an annual appropriation from Congress.

Message from the Chief Financial Officer

Eugene H. Schied
Chief Financial Officer

Integrity, accountability, and transparency are three of the National Credit Union Administration's (NCUA) core values articulated in the NCUA's 2022-2026 Strategic Plan and are at the forefront of how the agency manages and reports on its budget, finances and performance. This report provides an assessment of the NCUA's detailed financial status and demonstrates how the resources entrusted to us were used to support our important mission. I am pleased to present the 2022 financial statements for NCUA's four funds:

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

Our independent auditor released unmodified opinions on the four funds and identified no significant issues. The Association of Government Accountants also awarded the NCUA its fifth Certificate of Excellence in Accountability Reporting for our FY 2021 Agency Financial Report. The NCUA also received a Best-in-Class Award for being insightful, highlighting key areas of concern with links to strategic goals and objectives and addressing relevant matters within our report. These sustained achievements demonstrate our commitment to the values of integrity, accountability and transparency, and underscore our commitment to stewardship to federally insured credit unions and their members who fund the NCUA, as well as the American people, the President of the United States, and the United States Congress.

The NCUA continued to facilitate transparency and public input into its annual budgeting processes. On December 15, 2022, the NCUA budget was approved by the NCUA Board, which came after a process that included publishing a draft budget in the *Federal Register*, inviting stakeholders and the public to provide statements to the NCUA Board, and a public presentation of the draft budget. The NCUA funds its activities through operating fees levied on all federal credit unions and through reimbursements from the Share Insurance Fund. As part of our commitment to prudent financial management, the NCUA

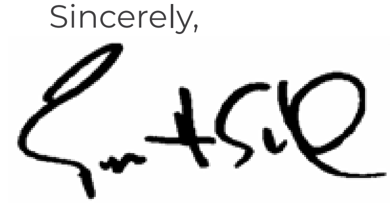
Board reduced the 2023 Operating Fee that will be collected from federal credit unions by $15 million because of past-year, unspent Operating Fee cash collections the agency does not currently require.

To sustain success around our priorities and programs, an effective risk management approach is required. In 2022, the NCUA Board approved the Risk Appetite Statement for the agency. We developed this statement through careful consideration and evaluation of the risks the agency faces while focused on achieving several strategic goals, consistent with our Strategic Plan. The NCUA also conducted a deep dive risk review on one of its enterprise risks to better understand the current response activities, exposures, and planned actions. We will continue to mature our Enterprise Risk Management Program, by proactively managing risks to achieving our mission, as well as maximizing opportunities across the agency.

Also, in 2022, the NCUA workforce adapted to a hybrid work environment, effectively working together virtually and in-person to manage our agency's financial operations and reporting. We continue to improve ways communicating, automating, and working together even when we cannot all be together. We realized great breakthroughs in automating our financial reporting using business intelligence tools, and we continued to assess and strengthen our internal controls.

Looking forward to 2023 and beyond, our energy is focused on sustaining progress in financial management and reporting, strengthening internal controls, modernizing business processes, and advancing data quality. In the areas of budget and financial management, we are developing and maturing automated tools to build efficiencies, enhance analysis and inform our decision-making. We will continue to improve our internal control environment to identify and mitigate financial, operational, and compliance risks early. This is evidence of our commitment to delivering accurate, transparent, and timely financial information to our stakeholders. I am proud to work alongside the exemplary, resourceful NCUA professionals who plan, execute, and account for the agency's resources and I look forward to what we will accomplish in 2023.

Sincerely,



Eugene H. Schied
Chief Financial Officer
February 13, 2023

Message from the Office of Inspector General

National Credit Union Administration

Office of Inspector General

February 13, 2023

The Honorable Todd M. Harper, Chairman
The Honorable Kyle S. Hauptman, Vice Chairman
The Honorable Rodney E. Hood, Board Member
National Credit Union Administration
1775 Duke Street
Alexandria, Virginia 22314

Dear Chairman Harper, Vice Chairman Hauptman, and Board Member Hood:

I am pleased to transmit KPMG LLP's (KPMG) report on its financial statement audit of the National Credit Union Administration's (NCUA) financial statements, which includes the Share Insurance Fund, the Operating Fund, the Central Liquidity Facility, and the Community Development Revolving Loan Fund, as of and for the years ended December 31, 2022 and 2021. The NCUA prepared financial statements in accordance with the Office of Management and Budget (OMB) Circular No. A-136 Revised, *Financial Reporting Requirements*, and subjected them to audit.

Under a contract monitored by the NCUA OIG, KPMG, an independent certified public accounting firm, performed an audit of NCUA's financial statements as of December 31, 2022. The contract required that the audit be performed in accordance with generally accepted government auditing standards issued by the Comptroller General of the United States, OMB audit guidance, and the *Government Accountability Office/President's Council on Integrity and Efficiency Financial Audit Manual*.

KPMG's audit report for 2022 includes: (1) an opinion on the financial statements, (2) conclusions on internal control over financial reporting, and (3) a section addressing compliance and other matters. In its audit of the NCUA, KPMG found:

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

[1] A material weakness is defined as a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.
[2] A significant deficiency is defined as a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

The Honorable Todd M. Harper, Chairman
The Honorable Kyle S. Hauptman, Vice Chairman
The Honorable, Rodney E. Hood, Board Member
February 13, 2023
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To ensure the quality of the audit work performed, we reviewed KPMG's approach and planning of the audit, evaluated the qualifications and independence of the auditors, monitored the progress of the audit at key points, and reviewed and accepted KPMG's reports and related documentation and inquired of its representatives. Our review, as differentiated from an audit in accordance with U.S. generally accepted government auditing standards, was not intended to enable us to express, and we do not express, opinions on the NCUA's financial statements or conclusions about the effectiveness of internal control or conclusions on compliance with laws and regulations. KPMG is responsible for the attached auditor's reports dated February 13, 2023, and the conclusions expressed in the reports. However, our review disclosed no instances where KPMG did not comply, in all material respects, with generally accepted government auditing standards.

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

Respectfully,

James W. Hagen
Inspector General

cc: Executive Director Larry Fazio
Deputy Executive Director (Audit Follow-up Official) Rendell Jones
General Counsel Frank Kressman
OEAC Director Elizabeth Eurgubian
Chief Financial Officer Eugene Schied
Chief Information Officer Rob Foster
CURE Director Martha Ninichuk
Regional Director and AMAC President Keith Morton
E&I Director Kelly Lay
President Central Liquidity Facility Anthony Cappetta

Financial Information

National Credit Union Share Insurance Fund

Financial Statements as of and for the Years Ended

December 31, 2022 and 2021, and

Independent Auditors' Report

Overview

I. Mission and Organizational Structure

NCUSIF Mission

The National Credit Union Administration (NCUA) administers the National Credit Union Share Insurance Fund (NCUSIF or Fund).[1] Congress created the NCUSIF in 1970 to insure members' shares (deposits) in credit unions. The NCUSIF protects members' accounts in insured credit unions in the event of a credit union failure. The NCUSIF insures the balance of each members' accounts, dollar-for-dollar, up to at least the standard maximum share insurance amount of $250,000, including principal and posted dividends through the date of a failure, subject to various rules on account types, rights, and capacities. As of December 31, 2022, the NCUSIF insures $1.7 trillion in member shares in 4,771 credit unions, which includes 11 corporate credit unions.

Organizational Structure

The NCUA's Executive Director is responsible for the agency's daily operation. The Director of the Office of Examination and Insurance (E&I) is responsible for the NCUA's supervision programs, which ensure the safety and soundness of federally insured credit unions. The E&I Director is also responsible for managing the NCUSIF. Regional offices and the Office of National Examinations and Supervision are responsible for the examination and supervision of federally insured credit unions. Other NCUA offices provide operational and administrative services to the NCUSIF.

The Asset Management and Assistance Center (AMAC) is responsible for conducting credit union liquidations. Upon liquidation, a credit union is closed and becomes an Asset Management Estate (AME), for which AMAC collects the obligations due to the liquidated credit union, monetizes assets and distributes amounts to claimants, including the NCUSIF, according to their respective regulatory payout priorities. AMEs include assets and liabilities from failed natural person credit unions (NPCU AMEs) and corporate credit unions (Corporate AMEs).

II. Performance Goals, Objectives, and Results

Performance measures are designed to enable management and our stakeholders to assess programs and financial performance. In measuring the performance of the NCUSIF for 2022 and 2021, the following additional measures should be considered:

1 The NCUSIF is one of four funds established in the U.S. Treasury and administered by the NCUA Board as of December 31, 2022. The four permanent funds include the NCUSIF, the Operating Fund, the Central Liquidity Facility (CLF) and the Community Development Revolving Loan Fund. All four funds report under separate financial statements.

2022 and 2021 Performance Measures		
	December 31, 2022	December 31, 2021
Equity Ratio	1.30%	1.26%
Insured Shares	$1.7 trillion	$1.6 trillion
Number of Credit Union Involuntary Liquidations and Assisted Mergers	6	7
Assets in CAMELS[2] 3, 4 and 5 rated Credit Unions	$77.0 billion	$51.8 billion

Equity Ratio and Normal Operating Level

The financial performance of the NCUSIF can be measured by comparing the equity ratio to the Normal Operating Level (NOL). The equity ratio is calculated as the ratio of the one-percent (1.00%) contributed capital deposit plus cumulative results of operations, excluding net cumulative unrealized gains and losses on investments, to the aggregate amount of insured shares in all federally insured credit unions. The NOL is the Board's target equity level for the NCUSIF. Pursuant to the Federal Credit Union Act, the NCUA Board sets the NOL between 1.20% and 1.50%. On December 15, 2022, the Board set the NOL at 1.33%, equal to the previous level of 1.33%.

The NCUSIF pays a distribution when the year-end equity ratio exceeds the NOL and the available assets ratio exceeds 1.00% at year-end. As of December 31, 2022, the equity ratio was 1.30%, which is below the NOL. Previously, the equity ratio was 1.26% as of December 31, 2021, which was below the established NOL of 1.33%.

Insurance Related Activities

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

For 2022, there were six credit union failures compared to seven failures in 2021. The cost of these failures, or the estimated cost of resolution at the time of liquidation, in 2022 was $9.8 million compared to $5.6 million in 2021.

The NCUA's supervisory actions may result in the conservatorship of federally insured credit unions. As of December 31, 2022, there were two credit unions operating under the NCUA's conservatorship. Estimated losses related to conserved credit unions are determined as part of the fund's reserve methodology and are contained within the Insurance and Guarantee Program Liabilities in the Balance Sheets.

The credit union industry remained stable during 2022. The aggregate net worth ratio increased during the year ending at 10.75% versus 10.26% at December 31, 2021. Assets in CAMELS 3, 4 and 5 rated credit unions increased to $77.0 billion at the end of 2022 versus $51.8 billion at the end of 2021.

2 The CAMELS system, which applies a rating to the credit union ranging from "1" (strongest) to "5" (weakest), is based upon an evaluation of six critical elements of a credit union's operations: Capital Adequacy, Asset Quality, Management, Earnings, Liquidity Risk, and Sensitivity to Market Risk (CAMELS). The NCUA employs the CAMELS rating system as a tool to measure risk and allocate resources for supervisory purposes.

III. Financial Statement Analysis

The NCUSIF ended 2022 with a decrease in Total Assets and Net Position, primarily as a result of a decrease in Investment, Net and Receivables from Asset Management Estates, Net. Net Cost of Operations increased to $168.1 million, primarily as a result of an increase in the Provision for Insurance Losses. These changes are explained in further detail below.

Summarized Financial Information				
(Dollars in Thousands)	**2022**	**2021**	**Increase / (Decrease)**	
			$	**%**
Net Position				
Assets:				
Fund Balance with Treasury	25,905	87,055	(61,150)	-70.2%
Investments, Net – U.S. Treasury Securities	20,138,514	20,313,910	(175,396)	-0.9%
Accrued Interest Receivable - Investments	107,945	102,390	5,555	5.4%
Receivables from Asset Management Estates (AMEs), Net	76,463	222,954	(146,491)	-65.7%
Other	14,815	9,039	5,776	63.9%
Total Assets	**$20,363,642**	**$20,735,348**	**($371,706)**	**-1.8%**
Total Liabilities	**$188,208**	**$171,491**	**$16,717**	**9.7%**
Net Position (Assets minus Liabilities)	**$20,175,434**	**$20,563,857**	**($388,423)**	**-1.9%**
Net Cost				
Gross Costs:				
Operating Expenses	208,194	199,199	8,995	4.5%
Provision for Insurance Losses	(39,518)	(143,014)	103,496	72.4%
Other Losses	150	32	118	368.8%
Total Gross Costs	**$168,826**	**$56,217**	**$112,609**	**200.3%**
Exchange Revenue	**$685**	**$3,965**	**($3,280)**	**-82.7%**
Total Net Cost of Operations	**$168,141**	**$52,252**	**$115,889**	**221.8%**
Cumulative Results of Operations				
Beginning Balances	**$4,780,200**	**$5,132,167**	**($351,967)**	**-6.9%**
Non-Exchange Revenue:				
Interest Revenue - Investments	286,795	236,781	50,014	21.1%
Net Unrealized Gain / (Loss) - Investments	(1,639,856)	(536,496)	(1,103,360)	-205.7%
Total Non-Exchange Revenue	**($1,353,061)**	**($299,715)**	**($1,053,346)**	**-351.4%**
Net Cost of Operations	**$168,141**	**$52,252**	**$115,889**	**221.8%**
Cumulative Results of Operations	**$3,258,998**	**$4,780,200**	**($1,521,202)**	**-31.8%**
Contributed Capital	**$16,916,436**	**$15,783,657**	**$1,132,779**	**7.2%**
Net Position	**$20,175,434**	**$20,563,857**	**($388,423)**	**-1.9%**

Fiduciary Activity Highlights
The financial results of the NPCU AMEs and Corporate AMEs with the NCUA Guaranteed Notes (NGN) Program Trusts are not presented in the results of the NCUSIF as described above, but are presented as fiduciary activities of the NCUSIF in accordance with the Federal Accounting Standards Advisory Board's Statement of Federal Financial Accounting Standard No. 31, *Accounting for Fiduciary Activities*, and are included in the notes to the NCUSIF financial statements.

NGN Program
The NCUA, through the NCUSIF, administered the NGN Program, which was implemented when the Legacy Assets formerly held by the failed CCUs were transferred to NGN Trusts and securitized through the issuance of notes. The notes were issued as a series of floating and fixed-rate NGNs with final maturities ranging from 2017 to 2021. In June 2021, the last outstanding note matured and there are no NGN Program contingent liabilities for the NCUSIF related to the Corporate AMEs.

Limitations of the Financial Statements

The principal financial statements are prepared to report the financial position, financial condition, and results of operations, pursuant to the requirements of 31 U.S.C. § 3515(b). The statements are prepared from records of federal entities in accordance with federal generally accepted accounting principles and the formats prescribed by the Office of Management and Budget. Reports used to monitor and control budgetary resources are prepared from the same records. Users of the statements are advised that the statements are for a component of the U.S. Government.

Liquidity Risk and Capital Resources

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

2022 and 2021 Fund Balance with Treasury and Investments		
	December 31, 2022	December 31, 2021
Fund Balance with Treasury	$ 25.9 million	$ 87.1 million
U.S. Treasury Securities		
Held to Maturity (Overnights)	1,666.2 million	316.8 million
Available-for-Sale	18,472.3 million	19,997.1 million

During 2022, the NCUSIF's Investments decreased slightly, primarily due to an increase in the Net Unrealized Loss of Available-for-Sale U.S. Treasury Securities, partially offset by capital contributions of $1.1 billion from credit unions.

The NCUSIF has multiple funding sources which include:

- capitalization deposits contributed by insured credit unions, as provided by the *Federal Credit Union Act*, Public Law 73-467, as amended (FCU Act);
- guarantee fees;
- cumulative results of operations retained by the NCUSIF;
- premium assessments on insured credit unions, as necessary;
- borrowings from the U.S. Treasury; and
- borrowings from the Central Liquidity Facility (CLF).

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

IV. Systems, Controls, and Legal Compliance

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

Internal controls should be designed to provide reasonable assurance regarding prevention or prompt detection of unauthorized acquisition, use, or disposition of assets. The *Federal Managers' Financial Integrity Act*, Public Law 97–255 (FMFIA), requires agencies to establish management controls over their programs and financial systems. Accordingly, NCUA management is responsible for establishing and maintaining effective internal controls and financial management systems that meet the objectives of FMFIA, which include safeguarding assets and compliance with applicable laws and regulations. NCUA management monitors and assesses its relevant internal controls and reports on its assessment. This allows NCUA management to provide reasonable assurance that internal controls are operating effectively. The NCUA is in compliance with FMFIA as well as all applicable laws such as the *Prompt Payment Act*, Public Law 97-177, and the *Debt Collection Improvement Act*, Public Law 104–134.

The *Improper Payments Information Act of 2002*, Public Law 107–300 (IPIA), as amended by the *Improper Payments Elimination and Recovery Act of 2010*, Public Law 111-204 (IPERA), the *Improper Payments Elimination and Recovery Improvement Act of 2012*, Public Law 112-248 (IPERIA), and the *Payment Integrity Information Act of 2019*, Public Law 116-117, requires federal agencies to review all programs and activities they administer to identify those that may be susceptible to significant improper payments. We have determined that the NCUSIF's programs are not susceptible to a high risk of significant improper payments.

As required by the *Federal Information Security Management Act*, Public Law 107-347, as amended (FISMA), the NCUA develops, documents, and implements an agency-wide program to provide information privacy and security (management, operational, and technical security controls) for the information and information systems that support the operations of the agency, including those provided or managed by another agency, contractor, or other source.

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Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of National Credit Union Share Insurance Fund (NCUSIF), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of net costs, changes in net position, and combined statements of budgetary resources for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the National Credit Union Share Insurance Fund as of December 31, 2022 and 2021, and its net costs, changes in net position, and budgetary resources for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 22-01 are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the NCUSIF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter - Interactive Data

Management has elected to reference to information on websites or other forms of interactive data outside the financial statements and related notes to the financial statements to provide additional information for the users of its financial statements. Such information is not a required part of the financial statements or supplementary information required by the Federal Accounting Standards Advisory Board. The information on these websites or the other interactive data has not been subjected to any of our auditing procedures, and accordingly we do not express an opinion or provide any assurance on it.

Responsibilities of Management for the Financial Statements

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 22-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 22-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the NCUSIF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Required Supplementary Information

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

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended December 31, 2022, we considered the NCUSIF's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the NCUSIF's internal control. Accordingly, we do not express an opinion on the effectiveness of the NCUSIF's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

KPMG

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the NCUSIF's financial statements as of and for the year ended December 31, 2022 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 22-01.

Purpose of the Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the NCUSIF's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
February 13, 2023

NATIONAL CREDIT UNION SHARE INSURANCE FUND

BALANCE SHEETS
As of December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
ASSETS		
INTRAGOVERNMENTAL		
Fund Balance with Treasury (Note 2)	$ 25,905	$ 87,055
Investments, Net - U.S. Treasury Securities (Note 3)	20,138,514	20,313,910
Accrued Interest Receivable - Investments (Note 3)	107,945	102,390
Accounts Receivable - Due from the NCUA Operating Fund	1,338	-
Advances and Prepayments (Note 6)	12,259	7,760
Total Intragovernmental Assets	20,285,961	20,511,115
WITH THE PUBLIC		
Advances and Prepayments	1,218	1,279
Receivables from Asset Management Estates (AMEs), Net (Note 4)	76,463	222,954
Total with the Public Assets	77,681	224,233
TOTAL ASSETS	$ 20,363,642	$ 20,735,348
LIABILITIES		
INTRAGOVERNMENTAL		
Accounts Payable - Due to the NCUA Operating Fund (Note 6)	19	4,918
Total Intragovernmental Liabilities	19	4,918
WITH THE PUBLIC		
Accounts Payable	2,385	3,400
Insurance and Guarantee Program Liabilities (Note 5)	185,228	161,958
Other Liabilities	576	1,215
Total with the Public Liabilities	188,189	166,573
TOTAL LIABILITIES	188,208	171,491
Commitments and Contingencies (Note 5)		
NET POSITION		
Cumulative Results of Operations	3,258,998	4,780,200
Contributed Capital (Note 9)	16,916,436	15,783,657
Total Net Position	20,175,434	20,563,857
TOTAL LIABILITIES AND NET POSITION	$ 20,363,642	$ 20,735,348

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

NATIONAL CREDIT UNION SHARE INSURANCE FUND

STATEMENTS OF NET COST
For the Years Ended December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
GROSS COSTS		
Operating Expenses	$ 208,194	$ 199,199
Provision for Insurance Losses		
Reserve Expense (Reduction) (Note 5)	33,568	2,422
AME Receivable Bad Debt Expense (Reduction) (Note 4)	(73,086)	(145,436)
Total Provision for Insurance Losses	(39,518)	(143,014)
Other Losses	150	32
Total Gross Costs	168,826	56,217
LESS EXCHANGE REVENUES		
Guarantee Fee Revenue - NGNs	-	(625)
Other Revenue	(685)	(3,340)
Total Exchange Revenues	(685)	(3,965)
TOTAL NET COST / (INCOME) OF OPERATIONS	$ 168,141	$ 52,252

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

NATIONAL CREDIT UNION SHARE INSURANCE FUND

STATEMENTS OF CHANGES IN NET POSITION
For the Years Ended December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
CUMULATIVE RESULTS OF OPERATIONS		
Beginning Balances	$ 4,780,200	$ 5,132,167
Non-Exchange Revenue		
Interest Revenue - Investments	286,795	236,781
Net Unrealized Gain / (Loss) - Investments (Note 3)	(1,639,856)	(536,496)
Net Income / (Cost) of Operations	(168,141)	(52,252)
Change in Cumulative Results of Operations	(1,521,202)	(351,967)
CUMULATIVE RESULTS OF OPERATIONS	3,258,998	4,780,200
CONTRIBUTED CAPITAL (Note 9)		
Beginning Balances	15,783,657	13,810,674
Change in Contributed Capital	1,132,779	1,972,983
CONTRIBUTED CAPITAL	16,916,436	15,783,657
NET POSITION	$ 20,175,434	$ 20,563,857

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

NATIONAL CREDIT UNION SHARE INSURANCE FUND

STATEMENTS OF BUDGETARY RESOURCES
For the Years Ended December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
BUDGETARY RESOURCES (Notes 7, 8 and 11)		
Unobligated balance from prior year budget authority, net (mandatory)	$ 19,677,064	$ 17,305,571
Spending authority from offsetting collections (mandatory)	3,067,459	4,303,939
TOTAL BUDGETARY RESOURCES	$ 22,744,523	$ 21,609,510
STATUS OF BUDGETARY RESOURCES		
New obligations and upward adjustments (total)	$ 1,503,824	$ 1,932,446
Unobligated balance, end of year:		
Exempt from apportionment	21,240,699	19,677,064
Unobligated balance, end of year (total)	21,240,699	19,677,064
TOTAL BUDGETARY RESOURCES	$ 22,744,523	$ 21,609,510
OUTLAYS, NET		
Outlays, net (total) (mandatory)	$ (1,558,896)	$ (2,368,322)
AGENCY OUTLAYS, NET (MANDATORY)	$ (1,558,896)	$ (2,368,322)

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

NATIONAL CREDIT UNION SHARE INSURANCE FUND

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2022 and 2021

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity

The National Credit Union Share Insurance Fund (NCUSIF) was created by Title II of the *Federal Credit Union Act*, Public Law 73-467, as amended (FCU Act), 12 U.S.C. § 1781 *et seq*. The NCUSIF was established as a revolving fund in the Treasury of the United States (U.S. Treasury), under management of the National Credit Union Administration (NCUA) Board (NCUA Board) for the purpose of insuring member share deposits in all Federal Credit Unions (FCUs) and in federally insured state chartered credit unions.

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

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

Fiduciary Responsibilities

The NCUA's Asset Management and Assistance Center (AMAC) conducts liquidations and performs management and recovery of assets for failed credit unions. Assets and liabilities of liquidated credit unions reside in Asset Management Estates (AMEs). AMEs include assets and liabilities from failed natural person credit unions (NPCU AMEs) and corporate credit union (CCU) AMEs (Corporate AMEs).

On September 24, 2010, the NCUA Board announced the Corporate System Resolution Program (CSRP). The CSRP was a multi-stage plan for stabilizing the corporate credit union system, providing short-term and long-term funding to resolve a portfolio of residential mortgage-backed securities, commercial mortgage-backed securities, other asset-backed securities and corporate bonds (collectively referred to as the Legacy Assets) held by the failed CCUs, and establishing a new regulatory framework for CCUs.

Fiduciary activities are the collection or receipt, management, protection, accounting, investment, and disposition of cash and other assets held by an AME, in which non-federal individuals or entities have an ownership interest. Fiduciary assets are not assets of the Federal Government. Fiduciary activities are not recognized on the basic financial statements, but are reported on schedules in the notes to the financial statements in accordance with SFFAS No. 31, *Accounting for Fiduciary Activities*. The NCUA Board, as liquidating agent of the AMEs, disburses obligations owed by and collects money due to the liquidating credit unions through AMAC. The assets reported on the NCUSIF Balance Sheet are non-fiduciary.

Fiduciary assets are recorded at values that are estimated to be recovered based on market information and external valuations, such as appraisals, as well as internal and external models incorporating the NCUA's current assumptions regarding numerous factors, including prepayments, defaults, loss severity and discount rates. Legacy Assets may benefit from litigation and other efforts by various trustees, insurers, investors, and investor consortiums, including the NCUA Board as liquidating agent, to recover losses that the Legacy Assets have suffered. Any benefits from these recovery efforts will be recognized by an AME when receipt is certain. Fiduciary liabilities related to borrowings and claims are recorded at their contractual or settlement amounts as agreed by the liquidating agents and the creditors. Contingent liabilities related to legal actions are recorded if probable and measurable. Accrued liquidation costs reflect the NCUA's estimates and assumptions regarding the timing and associated costs to dispose of the AME assets.

Unless expressly guaranteed by the NCUA and backed by the full faith and credit of the United States, the AMEs' unsecured creditors, including the NCUSIF, could only expect to be paid if recoveries from the assets of the AMEs are sufficient to be distributed to the unsecured creditors in order of priority as set forth in 12 CFR §709.5(b).

Sources of Funding

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

In addition, the NCUSIF may receive investment interest income, guarantee fees, and recoveries from the AMEs including proceeds recovered from legal claims and asset sales. The NCUSIF also has authority to borrow from the U.S. Treasury and the ability to borrow from the NCUA's Central Liquidity Facility (CLF).

Accounting Principles

The NCUSIF's financial statements have been prepared from its accounting records in accordance with standards promulgated by the Federal Accounting Standards Advisory Board (FASAB). FASAB is designated by the American Institute of Certified Public Accountants as the source of generally accepted accounting principles (GAAP) for federal reporting entities. The format of the financial statements and footnotes is in accordance with the form and content guidance provided in Office of Management and Budget (OMB) Circular A-136, *Financial Reporting Requirements*, revised June 3, 2022.

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

Accounting standards require all reporting entities to disclose that accounting standards allow certain presentations and disclosures to be modified, if needed, to prevent the disclosure of classified information.

Transactions are recorded on both an accrual accounting basis and a budgetary accounting basis. Under the accrual method of accounting, revenues are recognized when earned and expenses are recognized when incurred. Federal budgetary accounting recognizes the obligation of appropriations, borrowing authorities, and other fund resources upon the establishment of a properly documented legal liability, which may be different from the recording of an accrual-based transaction. The recognition of budgetary accounting transactions is essential for compliance with legal controls over the use of federal funds and compliance with budgetary laws.

Budgetary and financial accounting information are complementary, but the types of information and the timing of their recognition are different. Information is needed about the differences between accrual and budgetary accounting, which is accomplished in part by presenting a Reconciliation of Net Cost of Operations to Net Outlays in Note 11. In accordance with SFFAS No. 53, *Budget and Accrual Reconciliation*, the Reconciliation of Net Cost of Operations to Net Outlays helps explain and clarify how accrual basis of accounting Net Cost of Operations (cash and non-cash transactions) relates to budgetary basis of accounting Net Outlays (cash transactions) and the reconciling items between the two.

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

Use of Estimates

The preparation of financial statements in conformity with GAAP for the federal government requires management to make estimates and assumptions that affect the following:

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

Significant items subject to those estimates and assumptions include: (i) allowance amounts for losses on the receivables from AMEs for claims paid on their behalf; (ii) reserves for probable losses and contingencies related to Insurance and Guarantee Program Liabilities; (iii) the amount and timing of recoveries, if any, related to any claims paid and the settlement of guarantee liabilities; (iv) allowance amounts established for loan losses related to cash assistance provided to insured credit unions; and (v) determination of the accounts payable accrual.

Fund Balance with Treasury

Fund Balance with Treasury (FBWT) is the aggregate amount of funds in accounts held by the U.S. Treasury from which the NCUSIF is authorized to make expenditures and pay liabilities. The entire FBWT is a revolving fund type.

Investments, Net

The FCU Act, Section 203(c), 12 U.S.C. § 1783(c), as amended, provides guidance regarding U.S. Treasury security investments. The NCUSIF maintains an investment portfolio comprised of both market-based (available-for-sale) U.S. Treasury securities of varying maturities and non-marketable (held-to-maturity) U.S. Treasury daily overnight securities. All marketable securities are carried as available-for-sale in accordance with FASB Accounting Standards Codification (ASC) 320, *Investments – Debt and Equity Securities*. All non-marketable U.S. Treasury overnight securities are purchased and reported at par value, which are classified as held-to-maturity.

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

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

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

Accrued Interest Receivable

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

Accounts Receivable

Accounts receivable represents the NCUSIF’s claims for payment from other entities. Gross receivables are reduced to net realizable value by an allowance for doubtful accounts as further discussed below. Accounts receivable with the public represent accounts receivable between the NCUSIF and non-federal entities and are categorized as follows:

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

Premium Assessments from Insured Credit Unions
The NCUA Board has the statutory authority under Section 202 of the FCU Act to assess a premium charge to insured credit unions. The NCUA Board may assess each insured credit union a premium charge in an amount stated as a percentage of insured shares only if the equity ratio is less than 1.30% and the premium charge does not exceed the amount necessary to restore the equity ratio to 1.30%. When the NCUA Board projects that the equity ratio will, within six months, fall below 1.20%, the NCUA Board must establish and implement a restoration plan within 90 days, which meets the statutory requirements and any further conditions that the NCUA Board determines appropriate. In order to meet statutory requirements, the plan must provide that the equity ratio will meet or exceed the minimum amount specified of 1.20% before the end of the eight-year period beginning upon the implementation of the plan (or such longer period as the NCUA Board may determine to be necessary due to extraordinary circumstances).

The NCUA Board did not assess premiums for 2022 and 2021.

Allowance for Doubtful Accounts
An allowance for doubtful accounts is the NCUA's best estimate of the amount of losses in an existing NCUSIF receivable. Based on an assessment of collectability, the NCUSIF calculates an allowance on an individual account basis for accounts receivable. A permanent reduction of an account may occur if it is probable that the NCUSIF will not collect all amounts contractually due.

General Property, Plant and Equipment, Net

General Property, Plant and Equipment, Net consists of internal-use software and is recognized and measured in accordance with SFFAS No. 6, *Accounting for Property, Plant, and Equipment*. Costs incurred for internal use software during the software development phase are capitalized in accordance with SFFAS No. 10, *Accounting for Internal Use Software*.

General property, plant and equipment is subject to depreciation and carried at net cost once placed into service. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of equipment and software. Internal use software has a useful life of three years per the NCUA capitalization policy.

General Property, Plant, and Equipment, Net consists of fully depreciated internal-use software with a cost of $2.0 million as of December 31, 2022 and 2021.

Receivables from Asset Management Estates, Net

The NCUA records a receivable from AMEs when claims are paid by the NCUSIF in order to satisfy obligations to insured shareholders and other guaranteed parties, as well as to pay administrative expenses on behalf of AMEs. Assets held by the AMEs are the main source of repayment of the NCUSIF's receivables from the AMEs. As the assets are monetized, recoveries from the assets are paid to the NCUSIF to reduce the receivable from AMEs.

The gross AME receivable is reduced by an allowance for loss. This allowance represents the difference between the funds disbursed and obligations incurred and the expected repayment, when recognized, from the AMEs pursuant to the liquidation payment priorities set forth in 12 C.F.R. §709.5(b). The NCUA records the allowance amount for loss on receivables from AMEs based on expected asset recovery rates. The asset recovery rates are based on several sources including:

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

Insurance and Guarantee Program Liabilities

NCUA's activities related to insured credit unions are considered by SFFAS No. 51, *Insurance Programs*, as an exchange transaction insurance program, and NCUSIF discloses and reports the insurance program accordingly. Pursuant to SFFAS No. 51, the NCUA is required to recognize revenue on insurance premiums as earned. The NCUA must also recognize, measure and record liabilities for unearned premiums, unpaid insurance claims and losses on remaining coverage as applicable. In addition, the NCUA must disclose information about the purpose, full costs (to include premium collections and borrowing authority), investing activities and arrangement duration of insurance programs as well as premium pricing policies, the nature and magnitude of estimates, the total amount of insurance coverage provided through the end of the reporting period and any events that could have a material effect on the recorded liability. Information concerning the NCUSIF's premium pricing policies and premiums collections can be found under the Accounts Receivable header herein. The NCUSIF's investment securities primarily consist of market-based U.S. Treasury securities of varying maturities (debt securities) and its investing activities are described in Notes 2 and 3. The nature and terms of the NCUSIF's borrowing authority is addressed in Note 7. The total amount of insurance coverage provided through the end of the reporting period is outlined in Note 9. The remaining information required to be disclosed is discussed further in Note 5.

Consistent with the presentation in prior reporting periods, SFFAS No. 51 also requires a roll-forward of the Insurance and Guarantee Program Liabilities balance from the prior year to the current period. The NCUA has adopted the revised titles for each component of the roll-forward as applicable, except for the term "Claim expenses", which will remain "Reserve expense". Though the titles represent the exact same activity, the NCUA has elected to retain the prior presentation of "Reserve expense" in an effort to: 1) maintain clarity for the users of the financial statements; and 2) ensure comparability between the Statements of Net Cost and Note 5.

The NCUSIF records a liability for probable losses relating to insured credit unions. The year-end liability for insurance losses is comprised of general and specific reserves. The general reserve is derived using an internal econometric model that applies estimated probability of failure and loss rates while the specific reserve is based on analyses performed on credit unions where failure is probable and additional information is available to make a reasonable estimate of losses.

Other Liabilities

Other Liabilities includes payroll and other accrued liabilities.

Net Position and Contributed Capital

The *Credit Union Membership Access Act of 1998*, Public Law 105–219 (CUMAA), mandates that the amount of each insured credit union's deposit is adjusted as follows, in accordance with procedures determined by the NCUA Board, to reflect changes in the credit union's insured shares: (i) annually, in the case of an insured credit union with total assets of less than $50.0 million; and (ii) semi-annually, in the case of an insured credit union with total assets of $50.0 million or more. The annual and semi-annual adjustments are based on insured member share deposits outstanding as of December 31 of the preceding year and June 30 of the current year, respectively. The 1.00% contribution is returned to the insured credit union in the event that its insurance coverage is terminated, or is obtained from another source, or the operations of the NCUSIF are transferred from the NCUA Board. The NCUSIF reports the capitalization deposits from insured credit unions as contributed capital. This amount is included in the NCUSIF's Balance Sheets and Statements of Changes in Net Position.

The CUMAA mandates that distributions to insured credit unions be determined from specific ratios, which are based in part upon year-end data. Distributions associated with insured shares at year-end are declared and paid in the subsequent year. The NCUSIF equity ratio is calculated as the ratio of contributed capital plus cumulative results of operations, excluding net cumulative unrealized gains and losses on investments, to the aggregate amount of the insured shares in all insured credit unions.

Revenue Recognition

Exchange Revenue
Exchange revenues arise and are recognized when a federal government entity provides goods and services to the public or to another federal government entity for a price. Exchange revenue, which primarily consists of premium assessments, and guarantee fee income, is used to recover the losses of the credit union system.

Guarantee Fees on NCUA Guaranteed Notes
For a fee, the NCUA guarantees the timely payment of principal and interest on the NGNs.

Premium Assessments from Insured Credit Unions
The NCUA Board may assess each insured credit union a premium charge for insurance in an amount stated as a percentage of insured shares.

Non-Exchange Revenue
Non-exchange revenues are inflows of resources that the federal government demands or receives by donation. Such revenues are recognized when a specifically identifiable, legally enforceable claim to resources arises, to the extent that collection is probable and the amount is reasonably estimable. The NCUSIF recognizes non-exchange revenue as described below.

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

Tax-Exempt Status

The NCUA, as a government entity, is not subject to federal, state, or local income taxes.

Disclosure Entities

SFFAS No. 47, *Reporting Entity*, requires that our financial statements reflect the balances and activities of the fund and any other reporting entities under NCUSIF control. Entities that are owned and/or controlled by the NCUA as a result of a regulatory action are generally classified as disclosure entities if the relationship with such entities is not expected to be permanent. Pursuant to SFFAS No. 47, the NCUA identifies receiverships and conservatorships as disclosure entities.

Receiverships

An AME is a receivership-type entity that is established to oversee assets and other property acquired from a failed credit union. AMAC conducts liquidations and oversees the management and recovery of assets for failed credit unions. The NCUA has two types of AMEs: 1) NPCUs from the resolution of failed natural-person credit unions, and 2) Corporate AMEs from the resolution of failed corporate credit unions. These activities are considered fiduciary activities in accordance with SFFAS No. 31 and are disclosed under Note 10.

Conservatorships

The NCUA may place a credit union into conservatorship in order to resolve operational problems that could affect that credit union's safety and soundness. Conservatorship means the NCUA has taken control of the credit union. During a conservatorship, the credit union remains open, members may transact business, and accounts remain insured by the NCUSIF. For federally chartered credit unions, the NCUA takes this action on its own; in the case of a state-chartered credit union, the state supervisory authority initiates the conservatorship and, in many cases, appoints the NCUA as agent for the conservator. Conservatorships can have three outcomes: 1) the credit union can resolve its operational problems and be returned to member ownership; 2) the credit union can merge with another credit union; or 3) the NCUA can liquidate the credit union. As of December 31, 2022, there are two credit unions operating under NCUA's conservatorship. The NCUA lists credit union(s) currently under conservatorship on its website.

2. FUND BALANCE WITH TREASURY

FBWT balances and status at December 31, 2022 and 2021 consisted of the following (in thousands):

	2022	2021
Status of Fund Balance with Treasury:		
Unobligated Balance - Available	$ 21,240,699	$ 19,677,064
Obligated Balance Not Yet Disbursed	42,902	40,748
Non-Budgetary Investment Accounts	(21,148,413)	(19,528,367)
Non-Budgetary FBWT Accounts	(109,283)	(102,390)
Total	$ 25,905	$ 87,055

As a revolving fund, the FBWT account is used for continuing business-like activities. The NCUSIF collects capitalization deposits, guarantee fees, AME recoveries and premiums, which may be invested in U.S. Treasury securities. The proceeds are primarily held to cover insurance losses and guarantee payments, and are also used for merger assistance, liquidations, and other administrative expenses. The FBWT account contains monies available for future obligations as well as monies obligated for current activities. Non-Budgetary Investment Accounts, which consist of U.S. Treasury investments, reduce the status of fund balance. Non-Budgetary FBWT Accounts may consist of budgetary receivables, borrowing authority, and non-expenditure transfers. Funds not needed for immediate liquidity are invested in overnight U.S. Treasury securities. Should the overnight account exceed NCUSIF policy limits, the NCUSIF will invest the additional funds in market-based U.S. Treasury securities according to the Fund's investment policy guidelines.

As of December 31, 2022 and 2021, there were no unreconciled differences between U.S. Treasury records and balances reported on the NCUSIF's general ledger.

3. INVESTMENTS

The NCUSIF maintains an investment portfolio comprised of both market-based (available-for-sale) U.S. Treasury securities of varying maturities and non-marketable (held-to-maturity) U.S. Treasury daily overnight securities. Premiums or discounts on available-for-sale securities are amortized using the effective interest method.

As of December 31, 2022 and 2021, the carrying amount, gross unrealized holding gains/losses, and fair value of U.S. Treasury securities were as follows (in thousands):

	Cost	Amortized (Premium) Discount	Interest Receivable	Investments, Net (Par)	Net Unrealized Gain/(Loss)	Carrying/Fair Value
As of December 31, 2022:						
U.S. Treasury Securities						
Available-for-Sale	$ 20,499,539	$ (361,971)	$ 107,762	$ 19,650,029	$ (1,665,274)	$ 18,472,294
Held to Maturity	1,666,220	-	183	1,666,220	-	1,666,220
Total	$ 22,165,759	$ (361,971)	$ 107,945	$ 21,316,249	$ (1,665,274)	$ 20,138,514
As of December 31, 2021:						
U.S. Treasury Securities						
Available-for-Sale	$ 20,222,975	$ (200,424)	$ 102,390	$ 19,249,684	$ (25,418)	$ 19,997,133
Held to Maturity	316,777	-	-	316,777	-	316,777
Total	$ 20,539,752	$ (200,424)	$ 102,390	$ 19,566,461	$ (25,418)	$ 20,313,910

Maturities of U.S. Treasury securities as of December 31, 2022 and 2021 were as follows (in thousands):

	2022 Fair Value	2021 Fair Value
Held to Maturity (Overnights)	$ 1,666,220	$ 316,777
Available-for-Sale:		
Due in one year or less	2,766,197	2,466,653
Due after one year through five years	10,534,222	11,524,479
Due after five years through ten years	5,171,875	6,006,001
Total	$ 20,138,514	$ 20,313,910

For the years ended December 31, 2022 and 2021, there were no realized gains or losses from sales of U.S. Treasury securities.

The following table includes gross unrealized losses on investment securities, for which an OTTI has not been recognized, in addition to the fair values of those securities, aggregated by investment classification and length of time the investments have been in a loss position, at December 31, 2022 and 2021 (in thousands):

	Losses Less than 12 months		Losses 12 months or more		Total	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
As of December 31, 2022:						
Available-for-Sale:						
U.S. Treasury Securities	$ (626,149)	$ 10,021,016	$ (1,039,125)	$ 8,451,278	$ (1,665,274)	$ 18,472,294
As of December 31, 2021:						
Available-for-Sale:						
U.S. Treasury Securities	$ (128,886)	$ 8,323,726	$ (68,418)	$ 1,616,110	$ (197,304)	$ 9,939,836

4. RECEIVABLES FROM ASSET MANAGEMENT ESTATES (AMES), NET

AMEs include assets and liabilities from failed NPCU AMEs and Corporate AMEs. The components of the Receivables from AMEs, Net as of December 31, 2022 and 2021 were as follows (in thousands):

	2022			2021		
	NPCU AMEs	Corporate AMEs	Total	NPCU AMEs	Corporate AMEs	Total
Gross Receivables from AMEs	$ 1,398,849	$ 2,452,095	$ 3,850,944	$ 1,400,946	$ 2,659,917	$ 4,060,863
Allowance for Loss, beginning balance	1,399,557	2,438,352	3,837,909	1,393,663	2,573,462	3,967,125
AME Receivable Bad Debt Expense (Reduction)	(15,030)	(58,056)	(73,086)	(10,326)	(135,110)	(145,436)
Increase / (Decrease) in Allowance	9,658	-	9,658	16,220	-	16,220
Allowance for Loss, ending balance	1,394,185	2,380,296	3,774,481	1,399,557	2,438,352	3,837,909
Receivables from AMEs, Net	$ 4,664	$ 71,799	$ 76,463	$ 1,389	$ 221,565	$ 222,954

AME Receivable Bad Debt Expense (Reduction) for the NPCU AMEs represents overall increases in expected asset recovery rates and related repayments. The Increase/(Decrease) in Allowance primarily represents the net loss (gain) on payments made during liquidation.

AME Receivable Bad Debt Expense (Reduction) for the Corporate AMEs takes into account the NCUA's expected recovery value of the Corporate AMEs' assets, as further discussed in Note 10.

5. INSURANCE AND GUARANTEE PROGRAM LIABILITIES

Insured Credit Unions

The NCUSIF insures member deposits held in federal and federally insured state-chartered credit unions up to $250,000 per account in the event of a credit union failure. As the regulator of credit unions, the NCUA evaluates overall economic trends and monitors potential system-wide risk factors, such as increasing levels of consumer debt, bankruptcies, and delinquencies. The NCUA also employs the CAMELS rating system as a tool to measure risk and allocate resources for supervisory purposes. The CAMELS system, which applies a rating to the credit union ranging from "1" (strongest) to "5" (weakest), is based upon an evaluation of six critical elements of a credit union's operations: **C**apital Adequacy, **A**sset Quality, **M**anagement, **E**arnings, **L**iquidity Risk, and **S**ensitivity to Market Risk (CAMELS). These criteria ensure that credit union examiners assess all significant financial, operational, and management factors when evaluating a credit union's performance and risk profile. The NCUA uses this information to identify insured credit unions experiencing financial difficulty and estimate future losses on both a general and specific basis. The NCUSIF records an insurance program liability – comprised of general and specific reserves – to cover losses resulting from insured credit union failures.

The general reserve is derived using an internal econometric model that applies estimated probability of failure and loss rates. The probability of failure is driven by CAMELS ratings and credit union level financial data; it also incorporates macroeconomic data such as the consumer price index and geographic housing prices. The loss rates take into account historical losses, CAMELS ratings, credit union level financial ratios and other economic measures. These variables are evaluated periodically to determine the reasonableness of the model output, which provides a range of forecasted losses between the 75 percent and 90 percent confidence level intervals.

Specific reserves are established for credit unions whose failure is probable and sufficient information is available to make a reasonable estimate of losses. The specific reserves are presented net of estimated recoveries from the disposition of assets held by failed credit unions.

The aggregate amount of reserves recognized for insured credit unions and AMEs was $185.2 million and $162.0 million as of December 31, 2022 and 2021, respectively. The activity in the Insurance and Guarantee Program Liabilities from insured credit unions and AMEs was as follows (in thousands):

	2022	**2021**
Beginning balance	$ 161,958	$ 177,300
Reserve expense (reduction)	33,568	2,422
Payments to settle claims	(14,738)	(17,447)
Recoveries and other adjustments	4,440	(317)
Ending balance	$ 185,228	$ 161,958

The Insurance and Guarantee Program Liabilities at December 31, 2022 and 2021 were comprised of the following:

- Specific reserves were $7.7 million and $6.6 million, respectively.
- General reserves were $177.5 million and $155.4 million, respectively.

In exercising its supervisory function, the NCUSIF will occasionally extend guarantees of assets (primarily loans) to third-party purchasers or existing insured credit unions in order to facilitate mergers. The NCUSIF would be obligated upon borrower nonperformance. There were no guarantees outstanding during 2022 or as of December 31, 2022. There were no guarantees outstanding during 2021 or as of December 31, 2021.

The NCUSIF may also grant a guaranteed line-of-credit to a third-party lender, such as a corporate credit union or bank, if an insured credit union had a current or immediate liquidity concern and the third-party lender refused to extend credit without a guarantee. The NCUSIF would be obligated if the insured credit union failed to perform. Total line-of-credit guarantees for credit unions as of December 31, 2022 and 2021 were approximately $1.0 million and $0.0, respectively. There were no borrowings by insured credit unions from the third-party lenders under these line-of-credit guarantees as of December 31, 2022 and 2021. As of December 31, 2022 and 2021, the NCUSIF reserved $37.5 thousand and $0.0, respectively, for these guaranteed lines-of-credit.

On rare occasions, the NCUSIF may provide indemnifications as part of merger assistance or purchase and assumption agreements with acquiring credit unions. Such indemnifications make the NCUSIF contingently liable based on the outcome of any legal actions. There were no such indemnification contingencies as of December 31, 2022 and 2021.

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

6. TRANSACTIONS WITH THE NCUA OPERATING FUND

Certain administrative services are provided to the NCUSIF by the NCUA Operating Fund. The NCUSIF is charged by the NCUA Operating Fund for these services based upon an annual allocation factor derived from a study of actual usage. In 2022 and 2021, the allocation to the NCUSIF was 62.7% and 62.3% of the NCUA Operating Fund's expenses, respectively. The cost of the services allocated to the NCUSIF, which totaled $205.0 million and $194.2 million for the years ended December 31, 2022 and 2021, respectively, is reflected as an expense in the Statements of Net Cost. The following table provides a breakdown of the administrative services provided to the NCUSIF by the NCUA Operating Fund (in thousands):

Administrative Services Reimbursed to the NCUA Operating Fund	**2022**	**2021**
Employee Salaries	$ 105,083	$ 103,432
Employee Benefits	45,159	43,302
Employee Travel	3,592	685
Rent, Communications, and Utilities	2,830	3,684
Contracted Services	39,720	33,676
Depreciation and Amortization	5,985	5,962
Administrative Costs	2,581	3,494
Total Services Provided by the NCUA Operating Fund	$ 204,950	$ 194,235

As of December 31, 2022 and 2021, amounts due to the NCUA Operating Fund for allocated expenses were $19.0 thousand and $4.9 million, respectively.

As of December 31, 2022 and 2021, advances and prepayments with the NCUA Operating Fund for overhead were $12.3 million and $7.8 million, respectively.

7. AVAILABLE BORROWING AUTHORITY, END OF PERIOD

The NCUSIF has $6.0 billion in borrowing authority from the U.S. Treasury. Available borrowing authority, as of December 31, 2022 and 2021, was $6.0 billion and $6.0 billion, respectively.

Under the FCU Act, the NCUSIF also has the ability to borrow from the CLF. The NCUSIF is authorized to borrow from the CLF up to the amount of the CLF's unused borrowing authority, which was $17.2 billion and $35.7 billion as of December 31, 2022 and 2021, respectively.

As of December 31, 2022 and 2021, the CLF had a note purchase agreement with the Federal Financing Bank with a maximum principal of $25.0 billion and $30.0 billion, respectively, all of which was unused. Advances made under the current promissory note can be made no later than March 31, 2023. The NCUSIF did not exercise its borrowing authority in 2022 or 2021.

8. DISCLOSURES RELATED TO THE STATEMENTS OF BUDGETARY RESOURCES

The Statements of Budgetary Resources discloses total budgetary resources available to the NCUSIF, and the status of resources as of December 31, 2022 and 2021. Activity impacting budget totals of the overall federal government budget is recorded in the NCUSIF's Statements of Budgetary Resources budgetary accounts. As of December 31, 2022 and 2021, the NCUSIF's resources in budgetary accounts were $22.7 billion and $21.6 billion, respectively. All liabilities are covered by budgetary resources, excluding the Insurance and Guarantee Program Liabilities because they are contingent liabilities and do not require budgetary resources until the liabilities are no longer contingent. All obligations incurred by the NCUSIF are reimbursable. The NCUSIF is exempt from OMB apportionment control.

The NCUSIF had $40.0 million and $31.4 million in unpaid undelivered orders, and $13.5 million and $9.0 million in paid undelivered orders, as of December 31, 2022 and 2021, respectively. Refer to Note 6 for more information on transactions with the NCUA Operating Fund. The breakdown of unpaid and paid undelivered orders from federal and non-federal sources as of December 31, 2022 and 2021 are as follows (in thousands):

	2022		2021	
Undelivered Orders	**Paid**	**Unpaid**	**Paid**	**Unpaid**
Federal	$ 12,259	$ 38,034	$ 7,760	$ 29,803
Non-federal	1,218	1,922	1,279	1,548
Total Undelivered Orders	$ 13,477	$ 39,956	$ 9,039	$ 31,351

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

9. CONTRIBUTED CAPITAL

As of December 31, 2022 and 2021, contributed capital owed to the NCUSIF totaled $0.0. Contributed capital due to insured credit unions was $0.0 as of December 31, 2022 and 2021.

On December 15, 2022, the Board set the NOL at 1.33%, which is equal to the previous NOL of 1.33% set on December 16, 2021.

Pursuant to the FCU Act, the NCUSIF-calculated equity ratio was 1.30% as of December 31, 2022. This equity ratio was based on insured shares of $1.7 trillion as of December 31, 2022, and is below the normal operating level of 1.33%.

As of December 31, 2021, the NCUSIF equity ratio of 1.26% was below the normal operating level of 1.33%. Therefore, the NCUSIF did not estimate or record a distribution in 2022.

Total contributed capital as of December 31, 2022 and 2021 was $16.9 billion and $15.8 billion, respectively.

The NCUSIF's available assets ratio as of December 31, 2022 and 2021 was 1.19% and 1.24%, based on total insured shares as of December 31, 2022 and 2021 of $1.7 trillion and $1.6 trillion, respectively. The NCUSIF available assets ratio, as defined by the FCU Act, is calculated as the ratio of (A) the amount determined by subtracting (i) direct liabilities of the NCUSIF and contingent liabilities, for which no provision for losses has been made, from (ii) the sum of cash and the market value of unencumbered investments authorized under Section 203(c) of the FCU Act, to (B) the aggregate amount of the insured shares in all insured credit unions.

10. FIDUCIARY ACTIVITIES

(a) Natural Person Credit Unions AMEs

Following is the Schedule of Fiduciary Activity as of December 31, 2022 and 2021 (in thousands):

Schedule of Fiduciary Activity	**2022**	**2021**
Fiduciary Net Liabilities, beginning of year	$ (1,408,324)	$ (1,415,663)
Net Realized Losses upon Liquidation	(9,586)	(4,781)
Revenues		
Interest on Loans	214	209
Other Fiduciary Revenues	615	2,425
Expenses		
Professional & Outside Services Expenses	(1,117)	(2,069)
Compensation and Benefits	(460)	(345)
Other Expenses	(1,698)	(626)
Net Change in Recovery Value of Assets and Liabilities		
Net Gain / (Loss) on Loans	(2,197)	391
Net Gain / (Loss) on Real Estate Owned	-	(13)
Other, Net Gain / (Loss)	19,604	12,148
(Increase) / Decrease in Fiduciary Net Liabilities	5,375	7,339
Fiduciary Net Liabilities, end of year	**$ (1,402,949)**	**$ (1,408,324)**

Revenues consist of cash collected during the liquidation of assets held within the AME. Gains and losses include the revaluation of assets based upon expected asset recovery rates and the disposition of assets and adjustments to liabilities, which contribute to the change in fiduciary net assets/liabilities. Following is the Schedule of Fiduciary Net Assets/Liabilities as of December 31, 2022 and 2021 (in thousands):

Schedule of Fiduciary Net Assets/Liabilities	2022	2021
Fiduciary Assets		
Loans	$ 8,813	$ 6,015
Other Fiduciary Assets	1,446	1,907
Total Fiduciary Assets	10,259	7,922
Fiduciary Liabilities		
Insured Shares	2,690	1,732
Accrued Liquidation Expenses	8,640	9,887
Unsecured Claims	1,426	3,188
Uninsured Shares	1,603	493
Due to the NCUSIF (Note 4)	1,398,849	1,400,946
Total Fiduciary Liabilities	1,413,208	1,416,246
Total Fiduciary Net Assets / (Liabilities)	**$ (1,402,949)**	**$ (1,408,324)**

Loans also includes amounts related to criminal restitution owed to the U.S. government. As of December 31, 2022 and 2021, gross receivables related to criminal restitution orders were $218.8 million and $251.4 million, of which we determined $101.2 thousand and $17.6 thousand were collectible, respectively.

(b) Corporate AMEs

Following is the Schedule of Fiduciary Activity as of December 31, 2022 and 2021 (in thousands):

Schedule of Fiduciary Activity	For the Year Ended December 31, 2022			
	AMEs	NGN Trusts	Eliminations	Total
Fiduciary Net Liabilities, December 31, 2021	$ 1,223,514	$ -	$ -	$ 1,223,514
Revenues				
Income from AMEs on Re-Securitized Assets	-	-	-	-
Income from Investment Securities	(10,224)	-	-	(10,224)
Settlements and Legal Claims	(48,323)	-	-	(48,323)
Other Fiduciary Revenues	(3,350)	-	-	(3,350)
Expenses				
Professional and Outside Services Expenses	12,359	-	-	12,359
Interest Expense on Borrowings and NGNs	-	-	-	-
Payments to NGN Trusts	-	-	-	-
Guarantee Fees	-	-	-	-
Other Expenses	292,370	-	-	292,370
Net Change in Recovery Value of Assets and Liabilities	617,336	-	-	617,336
Increase / (Decrease) in Fiduciary Net Liabilities	860,168	-	-	860,168
Fiduciary Net Liabilities, December 31, 2022	$ 2,083,682	$ -	$ -	$ 2,083,682

Schedule of Fiduciary Activity	For the Year Ended December 31, 2021			
	AMEs	NGN Trusts	Eliminations	Total
Fiduciary Net Liabilities, December 31, 2020	$ 247,934	$ -	$ -	$ 247,934
Revenues				
Income from AMEs on Re-Securitized Assets	-	(6,511)	6,511	-
Income from Investment Securities	(22,655)	-	-	(22,655)
Settlements and Legal Claims	(80,707)	-	-	(80,707)
Other Fiduciary Revenues	(6,414)	-	-	(6,414)
Expenses				
Professional and Outside Services Expenses	18,573	-	-	18,573
Interest Expense on Borrowings and NGNs	3,037	5,886	-	8,923
Payments to NGN Trusts	6,511	-	(6,511)	-
Guarantee Fees	-	625	-	625
Other Expenses	550	-	-	550
Net Change in Recovery Value of Assets and Liabilities	1,056,685	-	-	1,056,685
Increase / (Decrease) in Fiduciary Net Liabilities	975,580	-	-	975,580
Fiduciary Net Liabilities, December 31, 2021	$ 1,223,514	$ -	$ -	$ 1,223,514

For the year ended December 31, 2022, the Corporate AMEs' Fiduciary Net Liabilities increased by $860.2 million mainly due to interim capital distributions to capital account holders, partially offset by gains on sales of legacy assets and legal settlements. The increase represents a loss to the AME claimants.

For the year ended December 31, 2021, the Corporate AMEs' Fiduciary Net Liabilities increased by $975.6 million mainly due to interim capital distributions to capital account holders, partially offset by gains on security sales and legal settlements. The increase represents a loss to the AME claimants.

The Schedule of Fiduciary Activity includes revenues earned on investments, including Legacy Assets, loans, real estate and other investments, and expenses incurred in orderly liquidation of the AMEs.

Following is the Schedule of Fiduciary Net Assets/Liabilities as of December 31, 2022 and 2021 (in thousands):

	AMEs	
Schedule of Fiduciary Net Assets/Liabilities	**2022**	**2021**
Fiduciary Assets		
Cash and Cash Equivalents	$ 209,243	$ 608,416
Legacy Assets	196,215	861,823
Other Fiduciary Assets	-	19
Total Fiduciary Assets	405,458	1,470,258
Fiduciary Liabilities		
Accrued Expenses	37,002	33,812
Unsecured Claims and Payables	43	43
Due to the NCUSIF (Note 4)	2,452,095	2,659,917
Total Fiduciary Liabilities	2,489,140	2,693,772
Total Fiduciary Net Assets / (Liabilities)	**$ (2,083,682)**	**$ (1,223,514)**

The Schedule of Fiduciary Net Assets reflects the expected recovery value of the Corporate AMEs' assets, including the Legacy Assets collateralizing the NGNs issued through the NGN Trusts, and the settlement value of valid claims against the Corporate AMEs outstanding at December 31, 2022 and 2021. Certain claims against the Corporate AMEs and the NGNs are guaranteed by the NCUA as previously discussed herein. During 2021, the remaining two NGN Trusts matured.

11. RECONCILIATION OF NET COST OF OPERATIONS TO NET OUTLAYS

The reconciliation of net outlays, presented on a budgetary basis, and the net cost, presented on an accrual basis, provides an explanation of the relationship between budgetary and financial accounting information. The reconciliation serves not only to identify costs paid for in the past and those that will be paid in the future, but also to assure integrity between budgetary and financial accounting. The Reconciliation of Net Cost of Operations to Net Outlays for 2022 and 2021 is shown below (in thousands):

Reconciliation of Net Cost of Operations to Net Outlays	**2022 Intra-governmental**	**2022 With the public**	**2022 Total**
Net Cost of / (Income from) Operations	$ 204,950	$ (36,809)	$ 168,141
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Provision for Insurance Losses			
Reserve Expense (Reduction)	-	(33,568)	(33,568)
AME Receivable Bad Debt Expense (Reduction)	-	73,086	73,086
Depreciation Expense	-	-	-
Increase / (decrease) in assets:			
Accounts Receivable	1,338	-	1,338
Other Assets	4,499	(61)	4,438
(Increase) / decrease in liabilities:			
Accounts Payable	4,899	1,015	5,914
Other Liabilities	-	639	639
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	10,736	41,111	51,847
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
Change in Receivables from AMEs	-	(209,919)	(209,919)
Interest Revenue - Investments	(281,240)	-	(281,240)
Change in Contributed Capital	-	(1,132,779)	(1,132,779)
Other Adjustments that do not affect Net Cost of Operations	(155,587)	641	(154,946)
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	(436,827)	(1,342,057)	(1,778,884)
Net Outlays	$ (221,141)	$ (1,337,755)	$ (1,558,896)

	2021		
Reconciliation of Net Cost of Operations to Net Outlays	**Intra-governmental**	**With the public**	**Total**
Net Cost of / (Income from) Operations	$ 194,235	$ (141,983)	$ 52,252
Components of Net Operating Cost Not Part of the Budgetary Outlays			
Provision for Insurance Losses			
Reserve Expense (Reduction)	–	(2,422)	(2,422)
AME Receivable Bad Debt Expense (Reduction)	–	145,436	145,436
Depreciation Expense	–	(54)	(54)
Increase / (decrease) in assets:			
Accounts Receivable	–	(79)	(79)
Other Assets	7,760	261	8,021
(Increase) / decrease in liabilities:			
Accounts Payable	(1,656)	952	(704)
Other Liabilities	–	(27)	(27)
Total Components of Net Operating Cost Not Part of the Budgetary Outlays	6,104	144,067	150,171
Components of the Budgetary Outlays That Are Not Part of Net Operating Cost			
Change in Receivables from AMEs	–	(668,078)	(668,078)
Interest Revenue - Investments	(218,875)	–	(218,875)
Change in Contributed Capital	–	(1,972,983)	(1,972,983)
Other Adjustments that do not affect Net Cost of Operations	287,645	1,546	289,191
Total Components of the Budgetary Outlays That Are Not Part of Net Operating Cost	68,770	(2,639,515)	(2,570,745)
Net Outlays	$ 269,109	$ (2,637,431)	$ (2,368,322)

12. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 13, 2023, which is the date the financial statements were available to be issued. Management determined that there were no significant items to be disclosed as of December 31, 2022.

Financial Information

National Credit Union Administration Operating Fund

Financial Statements as of and for the Years Ended

December 31, 2022 and 2021, and

Independent Auditors’ Report

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

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the National Credit Union Administration Operating Fund (the Fund), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statement of revenues, expenses, and changes in fund balance, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the National Credit Union Administration Operating Fund as of December 31, 2022 and 2021, and its revenues, expenses, and changes in fund balance, and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 22-01 are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Fund and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 22-01 will always detect a material misstatement when it exists. The risk of not detecting a material

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misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 22-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Fund's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended December 31, 2022, we considered the Fund's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Fund's internal control. Accordingly, we do not express an opinion on the effectiveness of the Fund's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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

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

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Fund's financial statements as of and for the year ended December 31, 2022 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 22-01.

Purpose of the Reporting Required by *Government Auditing Standards*

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Fund's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
February 13, 2023

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

BALANCE SHEETS
As of December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
ASSETS		
Cash and cash equivalents (Note 3)	$ 127,011	$ 129,615
Due from National Credit Union Share Insurance Fund (Note 7)	19	4,918
Employee advances	-	5
Other accounts receivable, Net	353	299
Prepaid expenses and other assets (Note 4)	4,670	3,891
Operating lease right-of-use assets	308	-
Fixed assets — Net of accumulated depreciation of $40,451 and $40,154 as of December 31, 2022 and 2021, respectively (Note 5)	33,872	29,767
Intangible assets — Net of accumulated amortization of $30,395 and $29,782 as of December 31, 2022 and 2021, respectively (Note 6)	26,467	31,160
TOTAL ASSETS	$ 192,700	$ 199,655
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts payable and accrued other liabilities	$ 20,601	$ 17,300
Operating lease liabilities (Note 8)	325	-
Finance lease liabilities (Note 8)	160	26
Accrued wages and benefits	11,646	12,344
Accrued FECA and unemployment benefits	184	175
Accrued actuarial FECA benefits	3,283	3,999
Accrued annual leave	23,112	22,149
Accrued employee travel	250	93
TOTAL LIABILITIES	$ 59,561	$ 56,086
COMMITMENTS AND CONTINGENCIES (Notes 8, 11, 12 and 13)		
FUND BALANCE	133,139	143,569
TOTAL LIABILITIES AND FUND BALANCE	$ 192,700	$ 199,655

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
For the Years Ended December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
REVENUES		
Operating fees	$ 109,582	$ 124,252
Interest	2,375	57
Other	442	480
Total Revenues	112,399	124,789
EXPENSES, NET (Notes 7 and 8)		
Employee wages and benefits	89,993	88,578
Travel	2,149	421
Rent, communications, and utilities	1,692	2,249
Contracted services	23,842	20,643
Depreciation and amortization	3,658	3,641
Administrative	1,495	1,982
Total Expenses, Net	122,829	117,514
EXCESS OF REVENUES OVER / (UNDER) EXPENSES	(10,430)	7,275
FUND BALANCE—Beginning of year	143,569	136,294
FUND BALANCE—End of year	$ 133,139	$ 143,569

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Excess of revenues over / (under) expenses	$ (10,430)	$ 7,275
Adjustments to reconcile excess of revenues over / (under) expenses to net cash provided by operating activities before allocation to the NCUSIF:		
Depreciation and amortization	9,643	9,602
Noncash operating lease expense	407	-
(Increase) decrease in assets:		
Due from National Credit Union Share Insurance Fund	4,899	(1,656)
Employee advances	5	11
Other accounts receivable, net	(54)	16
Prepaid expenses and other assets	(779)	143
(Decrease) increase in liabilities:		
Accounts payable	3,065	7,240
Operating lease liabilities	(420)	-
Accrued wages and benefits	(698)	1,755
Accrued FECA and unemployment benefits	9	21
Accrued actuarial FECA benefits	(716)	(382)
Accrued annual leave	963	(189)
Accrued employee travel	157	11
Net Cash Provided by Operating Activities	6,051	23,847
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of fixed and intangible assets	(8,621)	(5,556)
Net Cash Used in Investing Activities	(8,621)	(5,556)
CASH FLOWS FROM FINANCING ACTIVITIES		
Principal payments under finance lease liabilities	(34)	(63)
Net Cash Used in Financing Activities	(34)	(63)
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	(2,604)	18,228
CASH AND CASH EQUIVALENTS—Beginning of year	129,615	111,387
CASH AND CASH EQUIVALENTS—End of year	$ 127,011	$ 129,615
SUPPLEMENTAL DISCLOSURE OF NONCASH ACTIVITIES		
Purchase of fixed and intangible assets in accounts payable	$ (266)	$ (1,971)
Recognition of operating lease right-of-use assets	$ 715	$ -
Acquisition of equipment under finance lease	$ (168)	$ -

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION

OPERATING FUND
NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2022 and 2021

1. ORGANIZATION AND PURPOSE

The National Credit Union Administration Operating Fund (the “Fund”) was created by the Federal Credit Union Act of 1934 (Public Law 73-467, as amended). The Fund is a revolving fund in the United States Treasury under the management of the National Credit Union Administration (NCUA) Board providing administration and service to the federal credit union system.

A significant majority of the Fund’s revenue is comprised of operating fees paid by federal credit unions. Each federal credit union is required to pay this fee based on the Operating Fee Schedule approved by the NCUA Board.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Use of Estimates – The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the following:

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

Significant items subject to those estimates and assumptions include: (i) the determination of the FECA actuarial liability; (ii) certain intangible asset values; (iii) determination of the accounts payable accrual; and (iv) if there is any determination of a long-lived asset impairment, the related measurement of the impairment charges.

Related Party Transactions – The Fund exists within the NCUA and is one of four funds managed by the NCUA Board during 2022 and 2021. The other funds managed by the Board, deemed related parties, are:

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

The Fund supports these related parties by providing office space, information technology services, and supplies as well as paying employee salaries and benefits. Certain types of support are reimbursed to the Fund by the NCUSIF and the CLF while support of the CDRLF is not reimbursed. Expenses included on the Statement of Revenues, Expenses, and Changes in Fund Balance are shown net of reimbursements from related parties.

Additional related parties are described in Note 7.

Cash Equivalents – Cash equivalents are highly liquid investments with original maturities of three months or less. The Federal Credit Union Act permits the Fund to invest in United States Treasury securities. All investments in 2022 and 2021 are cash equivalents and are stated at cost, which approximates fair value.

Prepaid Expenses and Other Assets – Prepaid expenses and other assets include advanced payments for goods and services to be received in the future and prepaid implementation costs incurred in service contracts. A service contract is a hosting arrangement that does not include a software license. Implementation costs incurred in the service contract during application development are recorded as prepaid expenses and amortized on a straight-line basis over the term of the hosting arrangement.

Additional information for prepaid expenses and other assets can be found in Note 4.

Fixed and Intangible Assets – Buildings, furniture, equipment, software, and leasehold improvements are recorded at cost. Software includes the cost of labor incurred by both external and internal software developers and other personnel involved in the development of the software. Finance leases are recorded at the lower of the present value of the future minimum lease payments or the fair market value of the leased asset and are included in Fixed assets. Depreciation and amortization are computed by the straight-line method over the estimated useful lives of buildings, furniture, equipment, and software, and the shorter of either the estimated useful life or lease term for leasehold improvements and finance leases. The schedule below shows a summary of the capitalization thresholds and useful lives used by the NCUA.

Type of Asset	Capitalization Threshold	Useful Life
Buildings	$100,000	40 years
Building Improvements	$25,000	2-40 years
Furniture and Fixtures	$15,000	7 years
Equipment (IT and Telecommunication)	$15,000	3 years
Commercial Software	$15,000	3 years
Internal-Use Software (IUS)	$100,000 or 1,000 hours	3 years
Additions/Improvements to IUS	$50,000	≤ 3 years
Bulk Purchases	$100,000	2-3 years
Leasehold Improvements	$15,000	Life of the lease
Hosting Arrangement with Software License	$15,000	3 years

Additional information on fixed and intangible assets can be found in Note 5 and Note 6, respectively.

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

Service contracts are measured for impairment when events or changes in circumstances occur and there are indications that the carrying amount of the related implementation costs may not be recoverable. If the implementation costs are not recoverable, a write-off of prepaid expenses is recorded.

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

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

Accrued Benefits – The Fund incurs expenses for retirement plans, employment taxes, transportation subsidies, and other benefits mandated by law. Corresponding liabilities recorded contain both short-term and long-term liabilities. Additional information for retirement plans is described in Note 9.

Federal Employees' Compensation Act (FECA) – FECA provides income and medical cost protection to covered federal civilian employees injured on the job, employees who have incurred a work-related occupational disease, and beneficiaries of employees whose death is attributable to a job-related injury or occupational disease. The FECA program is administered by the U.S. Department of Labor (DOL), which pays valid claims and subsequently seeks reimbursement from the NCUA for these paid claims. The NCUA accrues a liability to recognize those payments and the NCUA subsequently reimburses DOL annually. The Fund records an estimate for the FECA actuarial liability using the DOL's FECA model. The model considers the average amount of benefit payments incurred by the agency for the past three fiscal years, multiplied by the medical and compensation liability to benefits paid ratio for the whole FECA program.

Operating Fees – Each federal credit union is assessed an annual fee based on its four-quarter average of total assets of the preceding year. The fee is designed to cover the costs of providing administration and service to the federal credit union system. The Fund recognizes this operating fee revenue ratably over the calendar year.

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

Leases – At lease inception, the NCUA determines if an arrangement represents a lease or contains lease components. A contract is deemed to represent or include a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration. Right-of-use (ROU) assets represent the NCUA's right to use leased assets over the term of the lease. Lease liabilities represent the NCUA's contractual obligation to make lease payments over the lease term.

As the lessee, the NCUA classifies all leases with original lease terms less than one year as short-term leases. The NCUA classifies all other leases which transfer substantially all the risks and rewards of ownership to the NCUA as finance leases. The NCUA classifies the remaining leases, not classified as short-term leases or finance leases, as operating leases. The NCUA considers a lease term to include all noncancelable periods and renewal periods when the NCUA is reasonably certain that it will exercise the related renewal option. For short-term leases, the NCUA records lease expenses in rent, communication, and utilities in the statement of revenues, expenses, and changes in fund balance.

For both operating and finance leases, ROU assets and lease liabilities are recognized at the commencement date. The lease liability is measured by using the present value of future unpaid minimum lease payments discounted using the discount rate for the lease. The NCUA uses its incremental borrowing rate as the discount rate when the rate implicit in the lease is not determinable.

ROU assets are calculated using the measurement of lease liability, plus lease payments made at or before the commencement date and any initial direct costs incurred and minus any lease incentives. For finance leases, ROU assets are subsequently amortized on a straight-line basis over the shorter of the useful life of the underlying asset or the lease term. For operating leases, ROU assets are amortized in such a way that the combination of the interest expense accrued on the lease liability and the asset amortization results in a straight-line expense over the lease term.

Fair Value Measurements – Cash and cash equivalents; due from NCUSIF; employee advances; and other accounts receivable, net, are recorded at book value, which approximates estimated fair value.

Income Taxes – The NCUA, as a government entity, is not subject to federal, state, or local income taxes.

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

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

Recently Adopted Accounting Standards – On January 1, 2022, the NCUA adopted the requirements of Accounting Standards Update ("ASU") 2016-02, *Leases* (Topic 842). The objective of this ASU, along with several related ASUs issued subsequently, is to increase transparency and comparability between organizations that enter lease agreements. The ASU, and its related amendments, requires lessees to report substantially all leases on the balance sheet through the recognition of a ROU asset and a corresponding lease liability.

For transition purposes, the NCUA elected the option not to restate comparative financial statements under the modified retrospective transition approach. This option allows the application of the standard to all leases in effect as of January 1, 2022, or commencing thereafter, without any restatement impact on the comparative financial statement balances. Accordingly, all comparative financial statements enclosed herein are presented in accordance with the previous ASC 840, Leases ("ASC 840"), with related ASC 840 disclosures provided in Note 8.

As part of the transition to the new standard, the NCUA was required to measure and recognize leases that existed on January 1, 2022, using the modified retrospective approach. For leases existing at the effective date, the NCUA elected the package of three transition practical expedients and therefore did not reassess whether an arrangement is or contains a lease, did not reassess lease classification, and did not reassess what qualifies as an initial direct cost. The NCUA also elected the practical expedient to not separate lease and nonlease components for all of our leases and not to recognize a ROU asset and obligation for short-term leases with an initial term of twelve months or less.

As of January 1, 2022, the adoption of Topic 842 resulted in the recognition of operating ROU assets and operating lease liabilities of $714.8 thousand and $744.4 thousand, respectively, and finance lease assets and finance lease liabilities of $23.4 thousand and $26.0 thousand, respectively. The accounting for finance leases remained substantially unchanged with the adoption of Topic 842. In connection with the adoption of the standard, the NCUA made necessary changes to relevant policies and processes. Refer to Note 8 for disclosures associated with the adoption.

3. CASH AND CASH EQUIVALENTS

The Fund's cash and cash equivalents as of December 31, 2022 and 2021 are as follows (in thousands):

	2022	2021
Deposits with U.S. Treasury	$ 18,484	$ 19,137
U.S. Treasury Overnight Investments	108,527	110,478
Total	$ 127,011	$ 129,615

4. PREPAID EXPENSES AND OTHER ASSETS

As of December 31, 2022, Prepaid expenses and other assets of $4.7 million included $3.2 million of advanced payments for goods and services and $1.5 million of prepaid implementation costs incurred in service contracts.

As of December 31, 2021, Prepaid expenses and other assets of $3.9 million included $3.2 million of advanced payments for goods and services and $695.6 thousand of prepaid implementation costs incurred in service contracts.

Prepaid implementation costs are comprised of the following as of December 31, 2022 and 2021 (in thousands):

	2022	2021
Prepaid implementation costs	$ 2,531	$ 1,298
Less accumulated amortization	(1,010)	(602)
Net Total	$ 1,521	$ 696

The majority of these service contracts are part of the NCUA's IT modernization efforts. These prepaid implementation costs are project costs for migration and configuration of the software application to be compatible with the NCUA's technical platform and security requirements. Amortization begins when the software is ready for its intended use. Amortization expenses for the years ended December 31, 2022 and 2021 totaled $408.0 thousand and $602.3 thousand, respectively.

5. FIXED ASSETS

Fixed assets are comprised of the following as of December 31, 2022 and 2021 (in thousands):

	2022	2021
Office building and land	$ 64,870	$ 59,100
Furniture and equipment	7,806	6,589
Leasehold improvements	107	107
Equipment under finance leases	229	319
Total assets in-use	73,012	66,115
Less accumulated depreciation	(40,451)	(40,154)
Assets in-use, Net	32,561	25,961
Construction in progress	1,311	3,806
Fixed assets, Net	$ 33,872	$ 29,767

Depreciation expense for the years ended December 31, 2022 and 2021 totaled $3.8 million and $3.9 million, respectively, before allocation to the NCUSIF as described in Note 7. Construction in progress includes costs associated with equipment not currently placed in service and costs for improvements to the NCUA headquarters that increase the future service potential of the building beyond the existing level of service. In 2022, improvements to the NCUA headquarters associated with the restructuring plan were completed as described in Note 13.

6. INTANGIBLE ASSETS

Intangible assets are comprised of the following as of December 31, 2022 and 2021 (in thousands):

	2022	2021
Internal-use software	$ 56,666	$ 60,072
Less accumulated amortization	(30,395)	(29,782)
Total Internal-use software, Net	26,271	30,290
Internal-use software under development	196	870
Intangible assets, Net	$ 26,467	$ 31,160

Internal-use software represents costs incurred from the customization of software purchased from external vendors for internal use as well as the cost of software that is developed in-house. To ensure compliance with new technical and security requirements, approximately $1.8 million and $3.6 million in new capitalized internal-use software were implemented in 2022 and 2021, respectively. Amortization begins on the date the software is placed in service. Amortization expense for the years ended December 31, 2022 and 2021 totaled $5.8 million and $5.7 million, respectively, before allocation to the NCUSIF as described in Note 7. Internal-use software under development represents software not ready for its intended use.

7. RELATED PARTY TRANSACTIONS

(a) Transactions with the NCUSIF

Certain administrative services are provided by the Fund to the NCUSIF. These services include paying personnel costs such as pay and benefits and other associated costs which include, but are not limited to, telecommunications, supplies, printing, and postage. The Fund charges the NCUSIF for these services based upon an annual Board approved allocation factor derived from a study of actual usage. In 2022 and 2021, the allocation to the NCUSIF was 62.7% and 62.3% of all expenses, respectively. The cost of the services allocated to the NCUSIF totaled $205.0 million and $194.2 million for 2022 and 2021, respectively. The Fund's expenses in the accompanying financial statements are presented net of these amounts. As of December 31, 2022 and 2021, amounts due from the NCUSIF totaled $19.0 thousand and $4.9 million, respectively. As of December 31, 2022 and 2021, the liability for advances and prepayments from the NCUSIF for overhead was $12.3 million and $7.8 million, respectively.

(b) Transactions with the CLF

Administrative services are provided by the Fund to the CLF. The Fund pays CLF employee salaries and related benefits as well as the CLF's portion of building and operating costs. Reimbursements of these expenses are determined by applying a ratio of the CLF full-time equivalent employees to the NCUA total employees with settlement and payment occurring quarterly. The CLF's remaining reimbursement expenses are paid annually. The costs of the services provided to the CLF were $1.1 million and $918.9 thousand for the years ended December 31, 2022 and 2021, respectively. The Fund's expenses in the accompanying financial statements are presented net of these amounts. As of December 31, 2022 and 2021, amounts due from the CLF totaled $262.9 thousand and $243.4 thousand, respectively.

(c) Support of the CDRLF

The Fund supports the administration of programs under the CDRLF by paying related personnel costs such as pay and benefits and other associated costs which include, but are not limited to, telecommunications, supplies, printing, and postage. For the years ended December 31, 2022 and 2021, unreimbursed administrative support to the CDRLF is $1.0 million and $899.4 thousand, respectively.

(d) Federal Financial Institutions Examination Council (FFIEC)

The FFIEC was established on March 10, 1979, as a formal interagency body empowered to prescribe uniform principles, standards, and report forms for the federal examination of financial institutions by the constituent agencies, and to make recommendations to promote uniformity in the supervision of financial institutions. By statute, the Chairman of the NCUA is one of six voting Council Members.

The NCUA is one of the five federal agencies that fund the FFIEC's operations. The FFIEC provides training to staff employed by Member agencies; the Member agencies are charged for these trainings based on use. A portion of the NCUA's contributions to the FFIEC cover costs associated with cross-agency data collection applications, including applications related to the Home Mortgage Disclosure Act. For the years ended December 31, 2022 and 2021, FFIEC assessments totaled $1.4 million and $1.2 million, respectively. In addition, the NCUA received refunds of $33.0 thousand and $20.1 thousand in 2022 and 2021, respectively, due to lower than anticipated costs related to prior year payments. The NCUA's 2023 budgeted assessments from FFIEC total $2.1 million.

8. LEASES

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

Operating Leases – The Fund leases a portion of the NCUA's regional office space under lease agreements that will continue through 2023. Office rental charges amounted to approximately $426.4 thousand and $414.9 thousand for 2022 and 2021, respectively. Operating leases are included in Operating lease ROU assets and Operating lease liabilities in the financial statements.

Finance Leases – The Fund leases copiers and mail equipment under lease agreements that run through 2026. Finance leases are included in Fixed assets and Finance lease liabilities in the financial statements.

Lease costs for finance and operating leases for all non-cancellable leases are set forth below for the year ended December 31, 2022 (in thousands):

	Year Ended December 31, 2022
Finance lease cost:	
Amortization of right-of-use assets	$ 41
Interest on lease liabilities	19
Total finance lease cost	60
Operating lease cost	420
Total lease cost	$ 480

The weighted-average discount rate associated with operating leases as of December 31, 2022, was 1.21%, while the weighted-average discount rate associated with finance leases was 1.36%. The weighted-average remaining lease term associated with operating leases as of December 31, 2022, was 0.75 years while the weighted-average remaining lease term associated with finance leases was 3.62 years.

The table below reconciles the undiscounted cash flows for the first five years and the total remaining finance lease liabilities and operating lease liabilities recorded in the accompanying Balance Sheet as of December 31, 2022 (in thousands):

Lease Liability Maturities:	**Finance Leases**	**Operating Leases**	**Total Leases**
2023	61	326	387
2024	56	-	56
2025	52	-	52
2026	41	-	41
2027	-	-	-
Thereafter	-	-	-
Total Undiscounted Lease Payments	210	326	536
Less: Present Value Adjustment	(50)	(1)	(51)
Net Lease Liabilities	$ 160	$ 325	$ 485

There were no material operating or finance leases that the NCUA had entered into and that were yet to commence as of December 31, 2022.

9. RETIREMENT PLANS

Eligible employees of the Fund are covered by federal government retirement plans — either the Civil Service Retirement System (CSRS) or the Federal Employees Retirement System (FERS). Both plans include components that are defined benefit plans. FERS is comprised of a Social Security Benefits Plan, a Basic Benefits Plan, and the Thrift Savings Plan. Contributions to the plans are based on a percentage of an employee’s gross pay. Under the Thrift Savings Plan, employees may also elect additional contributions, the total of which were not to exceed $20,500 ($27,000 for age 50 and above) in 2022, an increase of $1,000 from 2021. In addition, the Fund matches up to 5.0% of the employee’s gross pay.

As of December 31, 2022 and 2021, the Fund’s contributions to retirement plans were $37.1 million and $35.2 million, respectively.

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

The Fund maintains a voluntary 401(k) Plan (NCUA Savings Plan) and contributes, with no employee matching contribution, 3.0% of the employee’s compensation and matches an employee’s voluntary contribution up to a maximum of 2.0% of the employee’s total pay as defined in the Compensation and Benefits Agreement.

As of December 31, 2022 and 2021, the Fund's contributions to the NCUA Savings Plan were $7.7 million and $7.6 million, respectively. The gross operating expenses associated with the NCUA Savings Plan in 2022 and 2021 were $96.8 thousand and $68.4 thousand, respectively.

10. FAIR VALUE MEASUREMENTS

The fair value of an instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Fund has no financial instruments that are subject to fair value measurement on a recurring basis.

The following table presents the carrying values and established fair values of the Fund's financial instruments as of December 31, 2022 and 2021 (in thousands):

	2022		2021	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$ 127,011	$ 127,011	$ 129,615	$ 129,615
Due from NCUSIF	19	19	4,918	4,918
Employee advances	-	-	5	5
Other accounts receivable, Net	353	353	299	299

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

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

Due from NCUSIF – The carrying amount for due from NCUSIF approximates fair value as the amount is scheduled to be paid within the first quarter of 2023.

Employee advances – The carrying amount for receivables from employees approximates fair value as the amount is scheduled to be paid in 2023.

Other accounts receivable, Net – The carrying amount for other accounts receivable approximates fair value as the original gross amounts together with a valuation allowance reflect the net amount that is deemed collectible. As of December 31, 2022 and 2021, the Fund's Other accounts receivable, Net includes an allowance in the amount of $2.5 thousand and $8.9 thousand, respectively.

11. CONTINGENCIES

The NCUA recognizes contingent liabilities when a past event or transaction has occurred, a future outflow or other sacrifice of resources is probable, and the future outflow or sacrifice of resources is estimable. The NCUA is party to various routine administrative proceedings, legal actions, and claims brought against it, which have or may ultimately result in settlements or decisions against the agency.

As of December 31, 2022, the NCUA had seven asserted and pending legal claims with a reasonably possible likelihood of loss and estimated range of loss from $140.0 thousand to $390.0 thousand. In 2022, the NCUA paid $46.5 thousand related to the contingent liability as of December 31, 2021. As of December 31, 2022, the NCUA did not have any probable losses from asserted and pending legal claims.

As of December 31, 2021, the NCUA had one asserted and pending legal claim with a reasonably possible likelihood of loss and estimated range of loss from $100.0 thousand to $250.0 thousand. Additionally, there was one pending legal claim that had not yet specified an amount of monetary damages, but had a reasonably possible likelihood of loss. In 2021, the NCUA finalized the settlement of one legal claim. As of December 31, 2021, the NCUA had an estimated contingent liability of $46.5 thousand related to that claim.

12. COLLECTIVE BARGAINING AGREEMENT

The NCUA has a Collective Bargaining Agreement (CBA) with the National Treasury Employees Union (NTEU) that became effective on December 12, 2022. NTEU is the exclusive representative of approximately 73% of the NCUA employees.

13. RESTRUCTURING PLAN

In 2017, the NCUA Board approved a restructuring plan with the goals of greater efficiency, responsiveness, and cost-effectiveness. The restructuring plan was completed in 2022 with the completion of improvements to the NCUA headquarters.

In accordance with FASB ASC 420, Exit or Disposal Cost Obligations, the NCUA estimates total restructuring costs to be $13.9 million. This estimate includes employee termination benefits of $855.0 thousand, relocation costs of $1.8 million, and other administrative costs of $11.3 million. To date, $14.0 million in costs have been incurred for this plan including employee termination benefits of $882.5 thousand, relocation costs of $1.8 million, and other administrative costs of $11.3 million.

In 2022, the NCUA did not incur any costs associated with relocation. In 2021, the NCUA did not incur any costs associated with relocation and paid $20.6 thousand of the 2020 liability. As of December 31, 2022 and 2021, the NCUA had a $0.0 and $0.1 thousand liability associated with relocation costs, respectively.

In 2022, the NCUA incurred $2.5 million in other administrative costs and in 2021, the NCUA did not incur any costs associated with other administrative costs. As of December 31, 2022 and 2021, the NCUA had a $33.8 thousand and $0.0 liability associated with other administrative costs, respectively.

Incurred costs are included in the Statement of Revenues, Expenses, and Changes in Fund Balance on the following line items: Employee wages and benefits; Contracted services; and Administrative. Incurred costs associated with facilities improvements are included in the Balance Sheet as a part of Fixed assets.

14. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 13, 2023, which is the date the financial statements were available to be issued. Management determined that there were no significant items to be disclosed as of December 31, 2022.

Financial Information

National Credit Union Administration Central Liquidity Facility

Financial Statements as of and for the Years Ended

December 31, 2022 and 2021, and

Independent Auditors' Report

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

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the National Credit Union Administration Central Liquidity Facility (CLF), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the National Credit Union Administration Central Liquidity Facility as of December 31, 2022 and 2021, and the results of its operations, members' equity, and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 22-01 are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the CLF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the CLF's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 22-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 22-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CLF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CLF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended December 31, 2022, we considered the CLF's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CLF's internal control. Accordingly, we do not express an opinion on the effectiveness of the CLF's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CLF's financial statements as of and for the year ended December 31, 2022 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 22-01.

Purpose of the Reporting Required by Government Auditing Standards

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CLF's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
February 13, 2023

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

BALANCE SHEETS
As of December 31, 2022 and 2021
(Dollars in thousands, except share data)

	2022	2021
ASSETS		
Cash and Cash Equivalents (Notes 3 and 5)	$ 92,099	$ 424,423
Investments Held to Maturity (Net of $147 and $337 unamortized premium and unamortized discount as of 2022 and 2021, respectively, fair value of $646,245 and $726,338 as of 2022 and 2021, respectively) (Notes 4 and 5)	658,747	723,876
Accrued Interest Receivable (Note 5)	4,731	781
TOTAL ASSETS	$ 755,577	$ 1,149,080
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Accounts Payable (Notes 5 and 9)	$ 390	$ 361
Dividends and Interest Payable (Note 5)	10,456	419
Stock Redemption Payable (Note 5)	-	10,087
Member Deposits (Notes 5 and 7)	6,826	2,518
Total Liabilities	17,672	13,385
MEMBERS' EQUITY		
Capital Stock – Required ($50 per share par value authorized: 27,918,512 and 43,852,246 shares; issued and outstanding: 13,959,256 and 21,926,123 shares as of 2022 and 2021, respectively) (Note 6)	697,963	1,096,306
Retained Earnings	39,942	39,389
Total Members' Equity	737,905	1,135,695
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 755,577	$ 1,149,080

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
REVENUE		
Investment Income	$ 21,924	$ 4,542
Total Revenue	21,924	4,542
EXPENSES (Note 9)		
Personnel Services	659	533
Personnel Benefits	267	248
Other General and Administrative Expenses	255	159
Total Operating Expenses	1,181	940
Interest – Member Deposits (Note 7)	89	4
Total Expenses	$ 1,270	$ 944
NET INCOME	$ 20,654	$ 3,598

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

STATEMENTS OF MEMBERS' EQUITY
For the Years Ended December 31, 2022 and 2021
(Dollars in thousands, except share data)

	Capital Stock			
	Shares	**Amount**	**Retained Earnings**	**Total**
BALANCE – December 31, 2020	20,254,170	$ 1,012,708	$ 37,414	$ 1,050,122
Issuance of Required Capital Stock	2,348,715	117,436		117,436
Redemption of Required Capital Stock	(676,762)	(33,838)		(33,838)
Dividends Declared (Notes 6 and 7)			(1,623)	(1,623)
Net Income			3,598	3,598
BALANCE – December 31, 2021	21,926,123	$ 1,096,306	$ 39,389	$ 1,135,695
Issuance of Required Capital Stock	2,684,432	134,222		134,222
Redemption of Required Capital Stock	(10,651,299)	(532,565)		(532,565)
Dividends Declared (Notes 6 and 7)			(20,101)	(20,101)
Net Income			20,654	20,654
BALANCE – December 31, 2022	13,959,256	$ 697,963	$ 39,942	$ 737,905

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 20,654	$ 3,598
Adjustments to Reconcile Net Income		
to Net Cash Provided by Operating Activities:		
Amortization of Investments	(1,373)	(387)
Interest - Member Deposits	89	4
Changes in Assets and Liabilities:		
(Increase) / Decrease in Accrued Interest Receivable	(3,950)	234
Increase / (Decrease) in Accounts Payable	29	15
Net Cash Provided by Operating Activities	15,449	3,464
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of Investments	(680,111)	(236,960)
Proceeds from Maturing Investments	746,613	129,177
Net Cash Provided by/(Used in) Investing Activities	66,502	(107,783)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Issuance of Required Capital Stock	132,104	111,679
Redemption of Capital Stock	(545,757)	(20,927)
Withdrawal of Member Deposits	(622)	(148)
Net Cash Provided by/(Used in) Financing Activities	(414,275)	90,604
NET DECREASE IN CASH AND CASH EQUIVALENTS	(332,324)	(13,715)
CASH AND CASH EQUIVALENTS–Beginning of Year	424,423	438,138
CASH AND CASH EQUIVALENTS–End of Year	$ 92,099	$ 424,423

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2022 and 2021

1. ORGANIZATION AND PURPOSE

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

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

The CLF is subject to various federal laws and regulations. The CLF's investments are restricted to obligations of the U.S. Government and its agencies, deposits in federally insured financial institutions, and shares and deposits in credit unions.

In response to the Coronavirus Disease of 2019 (COVID-19 pandemic), several temporary changes to the FCU Act and NCUA's Rules and Regulations §725 (the "CLF rule") were made by Congress and the NCUA Board, respectively, in 2020. The Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was signed into law on March 27, 2020 and the Consolidated Appropriations Act extended the key provisions of the CARES Act through December 31, 2022.

The CARES Act granted the NCUA Board the authority for a corporate credit union to become an agent member of the CLF for a subset of their members. It also allowed temporary increases in borrowing authority from 12 to 16 times the subscribed capital stock and surplus. This provision expired on December 31, 2021 and thus the multiplier reverted back to 12 in 2022. See Notes 2, 6 and 8 for further information about the loans, capital stock and the CLF's borrowing authority.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Basis of Accounting – The CLF maintains its accounting records in accordance with the accrual basis of accounting and recognizes income when earned and expenses when incurred. As such, the CLF recognizes interest income on loans and investments when earned, and recognizes interest expense on borrowings when incurred. In addition, the CLF accrues and records dividends on capital stock monthly and pays dividends quarterly.

Cash Equivalents – Cash equivalents are highly liquid investments with original maturities of three months or less.

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

The CLF evaluates investment securities that are in an unrealized loss position for other-than-temporary impairment (OTTI). An investment security is deemed impaired if the fair value of the investment is less than its amortized cost. Amortized cost includes adjustments made to the cost basis of an investment for accretion, amortization, and previous OTTI. To determine whether impairment is other-than-temporary, the CLF takes into consideration whether it has the intent to sell the security.

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

The CLF records investment transactions when they are made.

Loans and Allowance for Loan Losses – Loans, when made to members, are on a short-term or long-term basis. Loans are recorded at the amount disbursed and bear interest at the higher of the Federal Financing Bank Advance Rate or the Federal Reserve Bank Discount Window Primary Credit Rate. By regulation, Member Liquidity Needs Loans are secured by a perfected first priority interest in a borrower's collateral.

The CARES Act temporarily amended the loan provision with less restrictive language and modified the definition of "liquidity needs" to include Corporates. The Consolidated Appropriations Act was signed on December 27, 2020 and it extended these provisions of the CARES Act through December 31, 2022. In addition, the Board has permanently changed the Regulation §725 allowing CLF to use the collateral table to calculate a security interest in the assets of the member and eliminated the six-month waiting period for a new member to obtain Facility advances.

The CLF does not currently charge additional fees for its lending activities. There was no lending activity in 2022 or 2021. As of December 31, 2022 and 2021, there were no allowances and no write-offs.

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

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

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

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

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

3. CASH AND CASH EQUIVALENTS

The CLF's cash and cash equivalents as of December 31, 2022 and 2021 are as follows (in thousands):

	2022	2021
U.S. Treasury Overnight Investments	$ 91,100	$ 413,270
Deposits with U.S. Treasury	999	11,153
Total	$ 92,099	$ 424,423

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

4. INVESTMENTS

The carrying amount, gross unrealized holding gains, gross unrealized holding losses, and the fair value of held-to-maturity debt securities as of December 31, 2022 and 2021 were as follows (in thousands):

	2022	2021
Carrying Amount as of December 31	$ 658,747	$ 723,876
Gross Unrealized Holding Gains	55	3,307
Gross Unrealized Holding Losses	(12,557)	(845)
Fair Value	$ 646,245	$ 726,338

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

(Dollars in thousands)	2022 Net Carrying Amount	2022 Fair Value	2021 Net Carrying Amount	2021 Fair Value
Due in one year or less	$ 350,791	$ 350,531	$ 416,392	$ 417,197
Due after one year through five years	258,083	253,171	258,910	259,916
Due after five years through ten years	49,873	42,543	48,574	49,225
Total	$ 658,747	$ 646,245	$ 723,876	$ 726,338

The following table includes gross unrealized losses on investment securities, for which OTTI has not been recognized, in addition to the fair values of those securities, aggregated by investment classification and length of time the investments have been in a loss position, at December 31, 2022 and 2021.

(Dollars in thousands)	Losses Less than 12 Months		Losses More than 12 Months		Total	
	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value	Unrealized Losses	Fair Value
As of December 31, 2022						
U.S. Treasury Securities	$ (8,650)	$ 405,170	$ (3,907)	$ 16,019	$ (12,557)	$ 421,189
As of December 31, 2021						
U.S. Treasury Securities	$ (152)	$ 7,795	$ (693)	$ 11,276	$ (845)	$ 19,071

5. FAIR VALUE MEASUREMENTS

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

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

Investments Held to Maturity – The CLF's investments held-to-maturity are all comprised of U.S. Treasury Securities, for which market prices can be readily obtained. The related fair value is determined using the quoted market prices at the reporting date.

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

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

The following table presents the carrying amounts and established fair values of the CLF's financial instruments as of December 31, 2022 and 2021. The carrying values and approximate fair values of financial instruments are as follows:

	2022		2021	
(Dollars in thousands)	Carrying Value	Fair Value	Carrying Value	Fair Value
Cash and Cash Equivalents	$ 92,099	$ 92,099	$ 424,423	$ 424,423
Investments Held to Maturity	658,747	646,245	723,876	726,338
Accrued Interest Receivable	4,731	4,731	781	781
Accounts Payable	390	390	361	361
Dividends and Interest Payable	10,456	10,456	419	419
Stock Redemption Payable	-	-	10,087	10,087
Member Deposits	6,826	6,826	2,518	2,518

6. CAPITAL STOCK

Membership in the CLF is open to all credit unions that purchase a prescribed amount of capital stock. The CLF capital stock is non-voting and shares have a par value of $50. Prior to 2020, CLF membership was made up of regular members which are natural person credit unions. During 2020 and 2021, the CARES Act provided temporary authority for a corporate credit union to become an agent member of the CLF to enhance CLF membership and lending. The Consolidated Appropriations Act extended the key provisions of the CARES Act through December 31, 2022. The NCUA Board temporarily amended the nature of the requirement for a corporate credit union to subscribe to the capital stock of the Facility by allowing an agent's application to cover only a subset of their respective members; and amended the waiting periods (or "notice" periods) for a credit union to terminate its membership by shortening the required timeframes. These changes were designed to enhance the ability of credit unions to join the CLF in order to obtain greater amounts of liquidity-need loans if and when the need arises.

The capital stock account represents subscriptions remitted to the CLF by regular and agent member credit unions. 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. Member credit unions are required to hold the remaining one-half in assets subject to call by the NCUA Board. These unremitted subscriptions are not reflected in 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 non-cumulative, and are declared and paid on the required portion of capital stock.

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

The CLF's capital stock accounts were comprised of the following as of December 31, 2022 and 2021 (amounts in thousands, except share data):

	2022		2021	
	Shares	**Amounts**	**Shares**	**Amounts**
Regular members	13,959,256	$ 697,963	13,831,763	$ 691,588
Agent members	-	-	8,094,360	404,718
Total	13,959,256	$ 697,963	21,926,123	$ 1,096,306

Dividends on capital stock are declared based on available earnings and the dividend policy set by the NCUA Board. Dividends are accrued monthly based on prior quarter-end balances and paid on the first business day after the quarter-end. The dividend rates paid on capital stock for regular and agent members change quarterly. For 2022, the dividend rate was $0.10 per share for the first quarter, $0.41 per share for the second quarter, $1.12 per share for the third quarter, and $1.86 per share for the fourth quarter. For 2021, the dividend rate was $0.075 per share for all four quarters.

7. MEMBER DEPOSITS

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

8. BORROWING AUTHORITY

The CARES Act temporarily increased borrowing authority from 12 times to 16 times the subscribed capital stock and surplus. The increase only applied during the period when the CARES Act was in effect, from March 27, 2020 through December 31, 2021, after which time the limit reverted to 12 times subscribed capital stock and surplus. As of December 31, 2022 and 2021, the CLF's statutory borrowing authority was $17.2 billion and $35.7 billion, respectively.

As described above, the borrowing authority amounts are referenced to subscribed capital stock and surplus of the CLF. The CLF borrowing arrangement is exclusively with the Federal Financing Bank (FFB). The NCUA maintains a note purchase agreement with FFB on behalf of the CLF with a current maximum principal amount of $25.0 billion. Under the terms of its agreement, the CLF borrows from FFB as needed. Under terms prescribed by the note purchase agreement, the CLF executes promissory notes in amounts as necessary, the aggregate amount of which may not exceed its statutory borrowing authority, and renews them annually. Advances made under the current promissory notes can be made no later than March 31, 2023. The CLF borrowed $0.0 in both 2021 and 2022.

9. RELATED PARTY TRANSACTIONS

The NCUA OF pays the salaries and related benefits of the CLF's employees, as well as the CLF's portion of building and operating costs. Reimbursements of these expenses are determined by applying a ratio of the CLF full-time equivalent employees to the NCUA total, with settlement and payment occurring quarterly. All other CLF reimbursement expenses are paid annually. The total amount charged by the NCUA was approximately $1.1 million and $918.9 thousand, respectively, for December 31, 2022 and 2021. Accounts payable includes approximately $262.9 thousand and $243.4 thousand, respectively, for December 31, 2022 and 2021, due to the NCUA OF for services provided.

10. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 13, 2023, which is the date the financial statements were available to be issued. Management determined that there were no significant items to be disclosed as of December 31, 2022.

Financial Information

National Credit Union Administration Community Development Revolving Loan Fund

Financial Statements as of and for the Years Ended

December 31, 2022 and 2021, and

Independent Auditors' Report

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

Independent Auditors' Report

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the National Credit Union Administration Community Development Revolving Loan Fund (the CDRLF), which comprise the balance sheets as of December 31, 2022 and 2021, and the related statements of operations, changes in fund balance, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the National Credit Union Administration Community Development Revolving Loan Fund as of December 31, 2022 and 2021, and the results of its operations, changes in fund balance, and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS), the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and Office of Management and Budget (OMB) Bulletin No. 22-01, *Audit Requirements for Federal Financial Statements*. Our responsibilities under those standards and OMB Bulletin No. 22-01 are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the CDRLF and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the CDRLF's ability to continue as a going concern for one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 22-01 will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards,* and OMB Bulletin No. 22-01, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the CDRLF's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the CDRLF's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements as of and for the year ended December 31, 2022, we considered the CDRLF's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the CDRLF's internal control. Accordingly, we do not express an opinion on the effectiveness of the CDRLF's internal control. We did not test all internal controls relevant to operating objectives as broadly defined by the *Federal Managers' Financial Integrity Act of 1982*.

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

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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the CDRLF's financial statements as of and for the year ended December 31, 2022 are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with

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those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* or OMB Bulletin No. 22-01.

Purpose of the Reporting Required by Government Auditing Standards

The purpose of the communication described in the Report on Internal Control Over Financial Reporting and the Report on Compliance and Other Matters sections is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the CDRLF's internal control or compliance. Accordingly, this communication is not suitable for any other purpose.

KPMG LLP

Washington, DC
February 13, 2023

NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

BALANCE SHEETS
As of December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
ASSETS		
Cash and Cash Equivalents (Notes 3 and 7)	$ 13,730	$ 13,125
Loans Receivable, Net (Notes 4 and 7)	4,500	4,750
Interest Receivable (Note 7)	5	7
TOTAL ASSETS	$ 18,235	$ 17,882
LIABILITIES AND FUND BALANCE		
Accrued Technical Assistance Grants (Note 7)	$ 2,484	$ 2,549
Fund Balance		
Fund Capital	14,429	14,183
Accumulated Earnings	1,322	1,150
Total Fund Balance	15,751	15,333
TOTAL LIABILITIES AND FUND BALANCE	$ 18,235	$ 17,882

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

STATEMENTS OF OPERATIONS
For the Years Ended December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
REVENUES		
Interest on Cash Equivalents	$ 148	$ 4
Interest on Loans	23	25
Appropriations Used (Note 5)	1,567	1,636
Canceled Technical Assistance Grants (Note 5)	(379)	(247)
TOTAL REVENUES	1,359	1,418
EXPENSES		
Technical Assistance Grants (Note 5)	1,596	1,710
Canceled Technical Assistance Grants (Note 5)	(409)	(274)
TOTAL EXPENSES	1,187	1,436
NET INCOME / (LOSS)	$ 172	$ (18)

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

STATEMENTS OF CHANGES IN FUND BALANCE
For the Years Ended December 31, 2022 and 2021
(Dollars in thousands)

	Fund Capital				
	For Loans	For Technical Assistance	Total Fund Capital	Accumulated Earnings	Total Fund Balance
December 31, 2020	$ 13,388	$ 792	$ 14,180	$ 1,168	$ 15,348
Appropriations Received (Note 5)	-	1,500	1,500	-	1,500
Appropriations Used (Note 5)	-	(1,636)	(1,636)	-	(1,636)
Canceled Appropriations Returned to Treasury (Note 5)	-	(108)	(108)	-	(108)
Canceled Technical Assistance Grants (Note 5)	-	247	247	-	247
Net Income / (Loss)	-	-	-	(18)	(18)
December 31, 2021	$ 13,388	$ 795	$ 14,183	$ 1,150	$ 15,333
Appropriations Received (Note 5)	-	1,545	1,545	-	1,545
Appropriations Used (Note 5)	-	(1,567)	(1,567)	-	(1,567)
Canceled Appropriations Returned to Treasury (Note 5)	-	(111)	(111)	-	(111)
Canceled Technical Assistance Grants (Note 5)	-	379	379	-	379
Net Income / (Loss)	-	-	-	172	172
December 31, 2022	$ 13,388	$ 1,041	$ 14,429	$ 1,322	$ 15,751

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

STATEMENTS OF CASH FLOWS
For the Years Ended December 31, 2022 and 2021
(Dollars in thousands)

	2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES		
Net Income / (Loss)	$ 172	$ (18)
Adjustments to Reconcile Net Income to Net Cash Used in Operating Activities		
Appropriations Used	(1,567)	(1,636)
Canceled Technical Assistance Grants	379	247
Changes in Assets and Liabilities		
(Increase) / Decrease in Interest Receivable	2	-
Increase / (Decrease) in Accrued Technical Assistance Grants	(65)	31
Net Cash Used in Operating Activities	(1,079)	(1,376)
CASH FLOWS FROM INVESTING ACTIVITIES		
Loan Principal Repayments	750	1,775
Loan Disbursements	(500)	(500)
Net Cash Provided by Investing Activities	250	1,275
CASH FLOWS FROM FINANCING ACTIVITIES		
Appropriations Received 2022/2023	1,545	-
Canceled Appropriations Returned to Treasury 2016/2017	(111)	-
Appropriations Received 2021/2022	-	1,500
Canceled Appropriations Returned to Treasury 2015/2016	-	(108)
Net Cash Provided by Financing Activities	1,434	1,392
NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	605	1,291
CASH AND CASH EQUIVALENTS — Beginning of year	13,125	11,834
CASH AND CASH EQUIVALENTS — End of year	$ 13,730	$ 13,125

See accompanying notes to the financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
COMMUNITY DEVELOPMENT REVOLVING LOAN FUND

NOTES TO THE FINANCIAL STATEMENTS
For the Years Ended December 31, 2022 and 2021

1. ORGANIZATION AND PURPOSE

The Community Development Revolving Loan Fund (CDRLF) for credit unions was established by an act of Congress (Public Law 96-123, November 20, 1979) to stimulate economic development in low-income communities. The National Credit Union Administration (NCUA) and the Community Services Administration (CSA) jointly adopted Part 705 of the NCUA Rules and Regulations, governing administration of the CDRLF, 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). From 1983 through 1990, the CDRLF was dormant.

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

The CDRLF stimulates economic activities in the communities served by low-income designated federally-chartered and state-chartered credit unions through its loan and technical assistance grant program. These financial awards are appropriated by Congress and are intended to support credit unions in their efforts to provide basic financial services to residents in their communities, enhance their capacity to better serve their members, and respond to emergencies. The policy of the NCUA is to revolve loans to eligible credit unions as often as practical to maximize the economic benefits achieved by participating credit unions.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Use of Estimates – The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the following:

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

Cash Equivalents – Cash equivalents are highly liquid investments with original maturities of three months or less. The Federal Credit Union Act (Public Law 73-467, as amended) permits the CDRLF to make investments in United States Treasury securities. All investments in 2022 and 2021 are cash equivalents and are stated at cost, which approximates fair value.

Loans Receivable and Allowance for Loan Losses – Since inception, Congress has appropriated a total of $13.4 million for the CDRLF revolving loan program. The CDRLF awards loan amounts of up to $500,000 to participating credit unions based on financial condition. These loans have a maximum term of five years and are subject to the interest rate provided by the CDRLF Loan Interest Rate policy, which is reviewed annually. Effective March 29, 2019, the CDRLF set the interest rate to 1.50%, an increase from the previous rate of 0.60% set on May 1, 2014. Interest is to be paid on a semiannual basis beginning six months after the initial distribution of the loan and every six months thereafter until maturity. Principal is to be repaid on the maturity date of the loan.

Loans are initially recognized at their disbursed amount, and subsequently at amortized cost, net of the allowance for loan losses, if any. A provision for loans considered to be uncollectible is charged to the Statement of Operations when such losses are probable and reasonably estimable. Provisions for significant uncollectible amounts are credited to an allowance for loan losses, while de minimis amounts are directly charged-off. Management continually evaluates the adequacy of the allowance for loan losses based upon prevailing circumstances and an assessment of collectability risk of the total loan portfolio as well as historical loss experience. Accrual of interest is discontinued on nonperforming loans when management believes collectability is doubtful.

Technical Assistance Grants – The CDRLF issues technical assistance grants to low-income credit unions using multiyear appropriated funds and income generated from the revolving fund. Grant income and expense are recognized when the CDRLF makes a formal commitment to the recipient credit union for technical assistance grants.

Multiyear Funds

The CDRLF grant program is primarily funded through an annual appropriation from Congress. During the two-year period of availability, multiyear funds can be obligated to participating credit unions. At the end of the period of availability, the appropriation expires and the expired appropriation remains available for five more years and can be used for recording, adjusting, and making disbursements to liquidate obligations. At the end of the five-year period, the appropriation account closes and any remaining obligated and unobligated balances are canceled. Canceled appropriations are returned to the U.S. Treasury and credited back to the original appropriated fund from which they were awarded. Canceled technical assistance grants are deobligations of multiyear funds awarded in current or prior years.

Revolving Fund
The CDRLF can also award technical assistance grants from the revolving fund. These grants are recognized as Technical Assistance Grants expense when the funds are obligated to participating credit unions. If a grant awarded from the revolving fund is canceled, the funds are recognized as Canceled Technical Assistance Grants.

Fair Value Measurements – Cash and cash equivalents; loans receivable, net; interest receivable; and accrued technical assistance grants are recorded at book value, which approximates estimated fair value.

Related Party Transactions – The NCUA, through the Operating Fund (OF), provides certain general and administrative support to the CDRLF, including personnel costs such as pay and benefits as well as other costs which include but are not limited to telecommunications, supplies, printing, and postage. The value of these contributed services is not charged to the CDRLF.

Revenue Recognition – Appropriation revenue is recognized as the related technical assistance grant expense is recognized. Total appropriation revenues will differ from total technical assistance grant expenses because technical assistance grants are funded by both appropriations and income generated from the revolving fund. Interest on cash equivalents and interest on loans is recognized when earned.

Income Taxes – The NCUA, as a government entity, is not subject to federal, state, or local income taxes.

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

3. CASH AND CASH EQUIVALENTS

The CDRLF's cash and cash equivalents as of December 31, 2022 and 2021 are as follows (in thousands):

	2022	2021
Deposits with U.S. Treasury	$ 4,500	$ 4,261
U.S. Treasury Overnight Investments	9,230	8,864
Total	$ 13,730	$ 13,125

4. LOANS RECEIVABLE, NET

Loans receivable, net as of December 31, 2022 and 2021 consisted of the following (in thousands):

	2022	2021
Beginning Balance	$ 4,750	$ 6,025
Loan Disbursements	500	500
Loan Repayments	(750)	(1,775)
Loans Receivable	4,500	4,750
Allowance for Loan Losses	-	-
Loans Receivable, Net	$ 4,500	$ 4,750

Loans outstanding as of December 31, 2022, are scheduled to be repaid as follows (in thousands):

Year	Amount
2023	3,250
2024	750
2025	-
2026	-
2027	500
Loans Outstanding	4,500
Allowance for Loan Losses	-
Total Loans Receivable, Net	$ 4,500

In 2020, the CDRLF disbursed $2.3 million in emergency loans through the COVID-19 Emergency Fund Initiative. These loans are three-year interest-free notes made to credit unions to alleviate the impact of COVID-19. As of December 31, 2022 and 2021, $1.5 million and $1.8 million of the emergency loans remained outstanding, respectively. The CDRLF has the intent and ability to hold its loans to maturity and expects to realize the carrying amount in full.

5. TECHNICAL ASSISTANCE GRANTS

The CDRLF administers a technical grant assistance program to fulfill its mission to stimulate economic growth in low-income communities. These grants are typically provided on a reimbursement basis to ensure that grant awards are appropriately used.

Multiyear Funds
In 2022, the CDRLF received a $1.5 million appropriation from Congress. This multiyear appropriation is available for obligation through September 30, 2023. As of December 31, 2022, the CDRLF obligated $1.6 million and canceled $379.1 thousand of technical assistance grants awarded from multiyear funds.

In 2021, the CDRLF received a $1.5 million appropriation from Congress. This multiyear appropriation was available for obligation through September 30, 2022. As of December 31, 2021, the CDRLF obligated $1.6 million and canceled $246.6 thousand of technical assistance grants awarded from multiyear funds.

Canceled appropriations returned to Treasury were $111.2 thousand from the FY 2016 appropriation and $107.8 thousand from the FY 2015 appropriation in 2022 and 2021, respectively.

Revolving Fund
As of December 31, 2022, the CDRLF awarded $28.8 thousand and canceled $30.3 thousand of technical assistance grants awarded from the revolving fund. As of December 31, 2021, the CDRLF awarded $75.0 thousand and canceled $27.9 thousand of technical assistance grants awarded from the revolving fund.

6. CONCENTRATION OF CREDIT RISK

The CDRLF has the authority to provide loans to low-income designated credit unions. At the discretion of the NCUA, participating credit unions can record an awarded loan as a nonmember deposit, which qualifies up to $250,000 of the loan proceeds to be insured by the National Credit Union Share Insurance Fund. Loan balances that exceed $250,000 are uninsured and pose a potential credit risk to the CDRLF. The aggregate total of uninsured loans was $1.0 million as of December 31, 2022 and 2021.

7. FAIR VALUE MEASUREMENTS

The fair value of an instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The following table presents the carrying values and established fair values of the CDRLF’s financial instruments as of December 31, 2022 and 2021 (in thousands):

	2022		2021	
	Carrying Amount	Estimated Fair Value	Carrying Amount	Estimated Fair Value
Assets				
Cash and Cash Equivalents	$ 13,730	$ 13,730	$ 13,125	$ 13,125
Loans Receivable, Net	4,500	4,554	4,750	4,789
Interest Receivable	5	5	7	7
Liabilities				
Accrued Technical Assistance Grants	2,484	2,484	2,549	2,549

The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

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

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

8. RELATED PARTY TRANSACTIONS

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

For the years ended December 31, 2022 and 2021, the NCUA, through the OF, provided the following unreimbursed administrative support to the CDRLF (in thousands):

	2022	2021
Personnel	$ 929	$ 826
Other	79	73
Total	$ 1,008	$ 899

9. SUBSEQUENT EVENTS

Subsequent events have been evaluated through February 13, 2023, which is the date the financial statements were available to be issued. Management determined there were no significant items to be disclosed as of December 31, 2022.

Other Information

About the Other Information Section

The Other Information section includes:

Summary of Financial Statement Audit and Management Assurances

The Summary of Financial Statement Audit and Management Assurances provides information about the material weaknesses reported by the NCUA or through the audit process. The NCUA reported no material weaknesses in 2022.

Management and Performance Challenges

The Management and Performance Challenges is a statement by the NCUA Inspector General summarizing what the Inspector General considers to be the most serious management and performance challenges facing the agency and assessing the agency's progress in addressing those challenges.

Payment Integrity

The Payment Integrity section summarizes the NCUA's efforts to maintain payment integrity and to develop effective controls designed to prevent, detect, and recover improper payments. The NCUA did not have any high-risk programs in 2022.

Civil Monetary Penalty Adjustment for Inflation

The Civil Monetary Penalty Adjustment for Inflation section reports on the NCUA's annual inflation adjustments to civil monetary penalties as required under the Federal Civil Penalties Inflation Adjustment Act Improvement Act of 2015.

Summary of Financial Statement Audits

Summary of the results of the independent audits of the financial statements of NCUA's four funds by the agency's auditors in connection with the 2022 audit.

National Credit Union Share Insurance Fund					
Audit Opinion	**Unmodified**				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Operating Fund					
Audit Opinion	**Unmodified**				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Central Liquidity Facility					
Audit Opinion	**Unmodified**				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Community Development Revolving Loan Fund					
Audit Opinion	**Unmodified**				
Restatement	No				
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Ending Balance
Total Material Weaknesses	0	0	0	0	0

Summary of Management Assurances

Summary of management assurances related to the effectiveness of internal control over financial reporting and its conformance with federal financial management system requirements under Sections 2 and 4, respectively, of the Federal Managers' Financial Integrity Act of 1982.

Effectiveness of Internal Control Over Financial Reporting (FMFIA § 2) (Federal Management Financial Integrity Act Paragraph 2)						
Statement of Assurance	**Unmodified**					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

Effectiveness of Internal Control Over Operations (FMFIA § 2) (Federal Management Financial Integrity Act Paragraph 2)						
Statement of Assurance	**Unmodified**					
Material Weaknesses	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Material Weaknesses	0	0	0	0	0	0

Conformance with Federal Financial Management System Requirements (FMFIA § 4) (Federal Management Financial Integrity Act Paragraph 4)						
Statement of Assurance	**Federal Systems conform to financial management system requirements**					
Non-Conformances	Beginning Balance	New	Resolved	Consolidated	Reassessed	Ending Balance
Total Non-Conformances	0	0	0	0	0	0

National Credit Union Administration

Office of Inspector General

OIG/JH

SENT BY EMAIL

TO: The Honorable Todd M. Harper, Chairman
The Honorable Kyle S. Hauptman, Vice Chairman
The Honorable Rodney E. Hood, Board Member

FROM: Inspector General James W. Hagen

SUBJ: Top Management and Performance Challenges Facing the National Credit Union Administration for 2023

DATE: February 8, 2023

The Inspector General is required by law[1] to provide an annual statement on the top management and performance challenges facing the agency and to briefly assess the agency's progress to address them. We identified the top challenges facing the National Credit Union (NCUA) for 2023 based on our past and ongoing work; our knowledge of the NCUA's programs and operations; and information from the U.S. Government Accountability Office and NCUA management and staff. In determining whether to identify an issue as a challenge, we consider its significance in relation to the NCUA's mission, its susceptibility to fraud, waste, or abuse, and the NCUA's progress in addressing the challenge.

We identified five Top Challenges facing the NCUA as follows:

1. Managing Interest Rate Risk and Liquidity Risk
2. Cybersecurity and IT Governance – Protecting Systems and Data
3. Risks Posed by Third-Party Service Providers
4. Industry Consolidation and Challenges Facing Small Credit Unions
5. Supporting Diversity in the Credit Union Industry

We believe our identification of Top Challenges will be beneficial and constructive for policy makers, including the NCUA and Congressional oversight bodies. We further hope that it is informative for the credit union industry regarding the programs and operations at the NCUA and the challenges it faces.

Information on the challenge areas and related Office of Inspector General work products are found in the attachment. If you have any questions, please contact me or Bill Bruns, Deputy Inspector General.

Attachment

[1] Reports Consolidation Act of 2000, 31 U.S.C. § 3516..

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cc: Executive Director Larry D. Fazio
Deputy Executive Director Rendell L. Jones
General Counsel Frank S. Kressman
Director of External Affairs and Communications Elizabeth A. Eurgubian

INTRODUCTION

Below is a brief overview of the NCUA's organizational structure, its mission, and vision, as well as details on each of the identified Top Challenges for 2023.

Organizational Structure

The NCUA is an independent federal agency that insures deposits at all federal and most state-chartered credit unions and regulates federally chartered credit unions. A Presidentially appointed three-member Board oversees the NCUA's operations by setting policy, approving budgets, and adopting rules.

Agency Mission and Vision

In its Strategic Plan 2022-2026, the NCUA states it works to achieve the statutory mission of the credit union system of meeting the credit and savings needs of members, especially those of modest means, and can achieve that objective by advancing economic equity and justice within communities of color, rural places, and underserved areas. NCUA states it must also foster greater diversity, equity, and inclusion within the NCUA, the credit union system, and the broader financial services sector.

AGENCY CHALLENGES

Managing Interest Rate Risk (IRR) and Liquidity Risk

The Federal Reserve adjusts the federal funds rate, which is the benchmark interest rate, based on economic indicators, with the goal of achieving its dual mandate of keeping prices stable and maximizing employment. To address inflation over the last year, the Federal Reserve raised the federal funds rate eight times between March 2022 and February 2023. The most recent rate is nearly five percentage points higher than last year's rate.

The Federal Reserve also started to reduce its holdings of Treasury securities and agency mortgage-backed securities, which is intended to put upward pressure on longer-term interest rates. Interest rates across the maturity spectrum have increased sharply. Between mid-March and mid-December 2022, the interest rate on a 3-month Treasury bill climbed roughly 390 basis points to 4.3 percent and the rate on a 10-year Treasury note rose about 140 basis points to around 3.6 percent.

With downside risks prevailing, the operating environment for credit unions could prove challenging in the year ahead. In a weak economy with rising unemployment and elevated interest rates, credit unions could face reduced loan demand and higher credit risk. Credit unions will need to prepare for the possibility of a downturn. Their ability to manage and mitigate interest rate risk is important to their success.

Deposit interest rates should continue to rise over the next 2 years as the Federal Reserve continues its rate adjustments. Short-term market interest rates increased sharply this year, which may put pressure on credit unions to raise deposit rates to avoid deposit attrition since nearly 20 percent of households that use a credit union also use a bank for some type of financial service. However, because deposits at credit unions and other financial institutions surged during the first year of the pandemic and remained elevated through the third quarter of 2022, institutions faced with an excess of deposits may face less pressure to raise deposit rates.

High levels of interest rate risk can increase a credit union's liquidity risks, contribute to asset quality deterioration and capital erosion, and put pressure on earnings. Credit unions must be prudent and proactive in managing interest rate risk and the related risks to capital, asset quality, earnings, and liquidity. This is particularly the case for those credit unions whose assets are concentrated in fixed-rate long term mortgages that were originated when interest rates were at record lows.

In November 2015, my office issued OIG Report #OIG-15-11, which determined that NCUA assessed sensitivity to market risk under the "L" (Liquidity Risk) in its CAMEL rating and that doing so may have understated or obscured instances of high interest rate risk exposure in credit unions. To improve NCUA's ability to accurately measure and monitor interest rate risk, we recommended to management they modify the CAMEL Rating System by developing an "S" rating (Sensitivity to Market Risk) to better capture a credit union's sensitivity to market risk and to improve interest rate risk clarity and transparency. We also recommended management revise the "L" in NCUA's CAMEL Rating System to reflect only liquidity factors. In April 2022, the NCUA completed the modification and formally began using the CAMELS Rating System, which will help the focus on IRR as a specific rating category separate from liquidity risk.

In addition, in September 2022, the NCUA issued Letter to Credit Unions 22-CU-09, *Updates to Interest Rate Risk Supervisory Framework*, and Supervisory Letter 22-01, *Updates to Interest Rate Risk Supervisory Framework*, which updated the NCUA's supervisory framework for interest rate risk by ensuring that in the near term, examiners will review credit unions' interest rate risk to ensure key assumptions and related data sets are reasonable and well documented and that overall, credit unions' level of interest rate risk exposure is properly measured and controlled to ensure it remains within safe and sound policy limits.

Cybersecurity and IT Governance – Protecting Systems and Data

Cybersecurity risks remain a significant, persistent, and ever-changing threat to the financial sector. Credit unions' growing reliance on increasingly complex technology-related operating environments exposes the credit union system to escalating cyberattacks. Cyberattacks can affect the safety and soundness of institutions and lead to their failure, thus causing losses to the NCUA's Share Insurance Fund. The prevalence of malware, ransomware, distributed denial of service attacks, and other forms of cyberattacks are causing challenges at credit unions of all sizes, which will require credit unions to continually evolve and adapt to the changing threat environment to ensure containment. These trends are likely to continue, and even accelerate, in the years ahead.

The NCUA's supervisory priorities continue to include cybersecurity and the NCUA remains focused on advancing consistency, transparency and accountability within its information technology and cybersecurity examination program. In pursuit of those efforts, the agency has continued to improve and enhance the information security examination program. In October 2021, NCUA released the Automated Cybersecurity Evaluation Tool (ACET) application, which provides credit unions the capability to conduct a maturity assessment aligned with the Federal Financial Institutions Examination Council Cybersecurity Assessment Tool. ACET allows institutions, regardless of size, to measure their cybersecurity preparedness and identify opportunities for improvement.

Building on the success of the ACET, examiners and credit union management will benefit from an updated information technology examination program aligned to current cyber security threats that also contains practical examination guidance and recommendations for addressing cyber security risks. This examination program is part of NCUA's new Information Security Examination application that will include tailored procedures for credit unions of varying size all in one place. This program and application are in final testing and will be implemented in 2023.

To ensure the NCUA remains vigilant in protecting its own systems and data, we contracted with CliftonLarsonAllen, LLP (CLA) to assess how well the agency is preventing and detecting cyber threats. The NCUA network includes firewalls as part of its defense strategy to protect the agency's network. Our audit is reviewing the agency's software that collects, aggregates, categorizes, and analyzes log data and incidents and events generated throughout the organization's technology infrastructure, as well as reviewing the security-related incidents and events reports that could signal potential security issues based on failed logins and malware and other possible malicious activities. We expect to issue CLA's report in spring 2023.

In addition to conducting a security information and event management audit, we contracted with CLA to annually evaluate the NCUA's implementation of FISMA information security requirements and the effectiveness of the agency's information security program on a maturity model scale.[2] On October 26, 2022, we issued CLA's FISMA report titled, National Credit Union Administration Federal Information Security Modernization Act of 2014 Audit—Fiscal Year 2022 (Report #OIG-22-07). CLA determined the NCUA implemented an effective information security program by achieving an overall Level 4 - Managed and Measurable maturity level, complied with FISMA, and substantially complied with agency information security and privacy policies and procedures. As stated in its 2021 Annual Performance Plan, NCUA management recognizes that cybersecurity threats and other technology-related issues continue to be of interest and concern to the NCUA as increasingly sophisticated cyberattacks

[2] Pub. L. No. 113-283, § 3555, 128 Stat. 3073 (2014).

pose a significant threat to credit unions, financial regulators, and the broader financial services sector.

In September 2021, the OIG issued Report #OIG-21-06, *Audit of NCUA's Governance of IT Initiatives*. Results of our audit determined that overall, the NCUA has an effective process for identifying, controlling, prioritizing, and implementing IT initiatives across the agency. By following a formal framework, we are confident the NCUA can produce measurable results toward achieving their IT-related strategies and goals, particularly those related to cybersecurity.

Risk Posed by Third-Party Vendors and Credit Union Service Organizations

Even with the improvements the NCUA has made to its information security examination program, the credit union system remains vulnerable because the NCUA lacks vendor oversight authority. Without this authority, the NCUA cannot accurately assess the actual risk present in the credit union system or determine if the risk-mitigation strategies of credit union service organizations and third-party vendors, which provide much of the industry's information technology infrastructure, are adequate and can effectively protect the system from potential attacks. This regulatory blind spot leaves thousands of credit unions, millions of credit union members, and billions of dollars in assets potentially exposed to unnecessary risks. To address this, the NCUA continues to request comparable authority as its counterparts on the Federal Financial Institutions Examination Council to examine credit union service organizations and third-party vendors.

Although Congress provided the NCUA vendor oversight authority in 1998 in response to concerns about the Y2K changeover, that authority expired in 2002. Since then, the OIG, the Financial Stability Oversight Council, and the Government Accountability Office have recommended that this authority be restored.

Currently, the NCUA may only examine credit union service organizations and third-party vendors with their permission, and vendors, at times, decline these requests. Further, vendors can reject the NCUA's recommendations to implement appropriate corrective actions to mitigate identified risks. This lack of authority stands in stark contrast to the authority of NCUA's counterparts on the Federal Financial Institutions Examination Council (FFIEC).

Activities that are fundamental to the credit union mission, such as loan origination, lending services, Bank Secrecy Act/anti-money laundering compliance, and financial management, are being outsourced to entities that are outside of the NCUA's regulatory oversight. In addition, credit unions are increasingly using third-party vendors to provide technological services, including information security and mobile and online banking. Member data is stored on vendors' servers. The pandemic, which has accelerated the industry's movement to digital services, has only increased credit union reliance on third-party vendors.

On July 14, 2022, the U.S. House of Representatives passed the National Defense Authorization Act (the NDAA) for 2023, H.R. 7900. The NDAA bill provided the NCUA oversight authority over credit union service organizations and vendors, which was the subject of an audit the OIG issued in 2020, OIG-20-07, *Audit of the NCUA's Examination and Oversight Authority Over Credit Union Service Organizations and Vendors*. In that audit, we determined the NCUA needs authority over CUSOs and vendors to effectively identify and reduce the risks vendor relationships pose to credit unions to protect the Share Insurance Fund. Our audit concluded that despite the NCUA's ability to conduct limited credit union service organization reviews, there is currently nothing in the Federal Credit Union Act that provides the NCUA with the authority to supervise credit union service organizations and vendors to hold them accountable for unsafe and unsound practices that have direct and lasting impact on the credit unions they serve. In addition, the audit determined the lack of statutory vendor oversight and regulatory enforcement authority hinders the NCUA's ability to conduct effective reviews of vendors. As a result, the NCUA's Share Insurance Fund is exposed to risk from credit union service organizations and vendors that can cause significant financial hardship, or even failure to the credit unions that use them. Unfortunately, the Senate removed the vendor authority provision in the final bill.

While there are many advantages to using service providers, the concentration of credit union services within credit union service organizations and third-party vendors presents safety and soundness and compliance risk for the credit union industry. In his November 2022 testimony before the U.S. House of Representatives Committee on Financial Services, NCUA Board Chairman Harper testified that the NCUA continues to seek the restoration of its ability to oversee third-party vendors. Chairman Harper stated such a statutory change would provide the NCUA parity with other agencies that supervise and regulate federally insured depository institutions and is critical given the system's increased reliance on third-party vendors and credit union service organizations.

The continued transfer of operations to credit union service organizations and vendors lessens the ability of NCUA to accurately assess all the risks present in the credit union system and determine if current risk-mitigation strategies are adequate. OIG Report #OIG-20-07 confirmed that the NCUA needs comparable authority as its FFIEC counterparts to examine credit union service organizations and vendors.

Industry Consolidation and Challenges Facing Small Credit Unions

Small credit unions face challenges to their long-term viability for a variety of reasons, including lower returns on assets, declining membership, high loan delinquencies, increasing non-interest expenses, and a lack of succession planning for credit union boards and key personnel. If current consolidation trends persist, there will be fewer credit unions in operation and those that remain will be considerably larger and more complex.

To ensure the NCUA continues to help the credit union system grow, my office has started an audit that is reviewing the NCUA's chartering activities. The objectives of the engagement will be to determine whether the NCUA's efforts to streamline its chartering process have made it more efficient and effective for potential organizers interested in applying for a new federal credit union charter, and whether the NCUA has adequately communicated its revised chartering process to potential organizers interested in applying for a charter and operating a federally insured credit union.

In the third quarter of 2022, there were slightly over 700 federally insured credit unions with assets of at least $500 million, 34 percent more than five years earlier. These credit unions represented only 15 percent of all federally insured credit unions but accounted for 81 percent of credit union members and 85 percent of system-wide assets. Large credit unions tend to offer more complex products, services, and investments. Increasingly complex institutions will pose management challenges for the institutions themselves, as well as the NCUA, because consolidation means the risks posed by individual institutions will become more significant to the Share Insurance Fund.

Additionally, all credit unions need to consider whether their product mix is consistent with their members' needs and demographic profile. For example, credit unions may need to explore how to meet the needs of an aging population, a growing Hispanic population, or an increasing consumer population that prefers using digital services. The NCUA must continue to promote financial inclusion to better serve a changing population and economy. For 2023, the NCUA should continue to develop initiatives to create opportunities to promote financial education and financial inclusion and foster an environment where those with low-to-moderate incomes, people with disabilities, and the otherwise underserved have access to affordable financial services.

Supporting Diversity in the Credit Union Industry

Access to the financial system by minority communities is vital to fostering economic prosperity. The NCUA plays an important role to support Minority Depository Institutions (MDIs) that serve and promote minority and low- and moderate-income communities. This work can be enhanced with the NCUA's continued commitment to diversity and inclusion in the federal regulatory process, which is critical for the NCUA to foster greater financial inclusion for all Americans.

In 1989, Congress enacted the Financial Institutions Reform, Recovery, and Enforcement Act (FIRREA). Section 308 of the FIRREA established goals for preserving and promoting MDIs. When enacted, FIRREA § 308 applied only to the Office of Thrift Supervision and the FDIC. In 2010, Congress enacted the Dodd Frank Wall Street Reform and Consumer Protection Act. Section 367(4)(A) of the Dodd Frank Act amended FIRREA § 308 to require the NCUA, the Office of the Comptroller of the Currency and the Board of Governors of the Federal Reserve System to take steps to preserve existing MDIs and encourage the establishment of new ones. In addition, Dodd Frank Act § 367(4)(B) requires these agencies, along with the FDIC, to each submit an annual report to Congress describing actions it has taken to carry out FIRREA § 308.

On June 24, 2015, the NCUA Board issued a final Interpretative Ruling and Policy Statement to establish a Minority Depository Institution Preservation Program. This program was established to achieve the goals of preserving and encouraging MDIs, as § 308 of FIRREA directs. The program reflects the preservation goals of FIRREA § 308, namely to preserve the present number of MDIs; preserve the minority character of MDIs that are involuntarily merged, or are acquired, by following the prescribed "general preference guidelines" to identify a merger or acquisition partner; to provide technical assistance to prevent insolvency of MDIs that are no longer insolvent; to promote and encourage the creation of new MDIs; and to provide for training, technical assistance, and educational programs.

MDIs serve the financial needs of racial minorities because traditional financial institutions have historically underserved these populations. Federally insured credit unions self-designate as MDIs. To do this, a credit union must affirm in the NCUA's Credit Union Online Profile system that more than 50 percent of its current members, eligible potential members, and board of directors are from one or a combination of the four minority categories defined by FIRREA: any Black American, Asian American, Hispanic American, or Native American.

MDIs play a vital role in assisting minority and under-served communities. MDIs are resources to foster the economic viability of these communities by providing banking and credit services. The primary challenge for the NCUA is to measure the effectiveness of its efforts in supporting MDIs. The NCUA plays an important role in preserving and promoting MDIs. In September 2022, we issued a report titled, *Audit of the NCUA's Minority Depository Institutions Preservation Program* (MDIPP) (Report #OIG-22-06) to determine whether the NCUA's MDIPP achieved its goals. Our report confirmed that the NCUA took actions to preserve the present number and minority character of MDIs, provided technical assistance to prevent insolvency of MDIs, promoted and encouraged the creation of MDIs, and provided MDIs with training, technical assistance, and educational programs.

Going forward, we are pleased the NCUA will continue its Small Credit Union and MDI support program, which the agency implemented in 2022 to support and preserve these credit unions. Credit unions with less than $100 million in assets and MDIs are uniquely positioned to improve the financial well-being of underserved communities by offering their members access to safe, fair, and affordable credit and other financial services and products. The NCUA's program focuses assistance on identifying available resources, providing training and guidance, and supporting credit union management in their efforts to address operational matters. We expect the additional benefits of the program to include greater awareness of the unique needs of small credit unions and MDIs and their role in serving underserved communities as preserving small credit unions and MDIs is fundamental to the NCUA's mission.

Payment Integrity

The Payment Integrity Information Act of 2019 (PIIA) updated government-wide improper payment reporting requirements by repealing and replacing the Improper Payments Information Act of 2002, the Improper Payments Elimination and Recovery Act of 2010, the Improper Payments Elimination and Recovery Improvement Act of 2012, and the Fraud Reduction and Data Analytics Act of 2015. PIIA requires agencies to review all programs and activities they administer to identify those that may be susceptible to significant improper payments. For all programs and activities in which the risk of improper payments is significant, agencies are to estimate the annual amount of improper payments made in those programs.

The NCUA's risk assessments have consistently indicated that none of the agency's programs are susceptible to significant improper payments; therefore, per OMB guidelines, the NCUA is required to conduct risk assessments at least once every three years, or sooner if a program has a significant change in legislation, a significant increase in funding or a determination of possible significant improper payments in the following year. The agency's last assessment was conducted in FY 2020. The results of this assessment continued to support the determination that all of the NCUA evaluated programs are low risk. Based on these results, and consistent with OMB guidelines, the NCUA did not conduct a risk assessment for FY 2022 and is not required to conduct another risk assessment until FY 2023.

Detailed information on improper payments for the U.S. government is available online at PaymentAccuracy.gov. Data from the NCUA is not included on this website because the NCUA does not have any programs that the OMB considers susceptible to significant improper payments.

Civil Monetary Penalty Adjustment for Inflation

The Federal Civil Penalties Inflation Adjustment Act of 1990, as amended by the Federal Civil Penalties Inflation Adjustment Act Improvements Act of 2015, requires agencies to make regular and consistent inflationary adjustments of civil monetary penalties improve effectiveness and to maintain their deterrent effect.

The following are the civil monetary penalties that NCUA may impose, the authority for imposing the penalty, the year enacted, the latest year of adjustment, and the current penalty level. Additional information about these penalties and the latest adjustment is available in the *Federal Register*.

Penalty	Statutory Authority	Year Enacted	Latest Year of Adjustment	Current Penalty Level
Inadvertent failure to submit a report or the inadvertent submission of a false or misleading report	12 U.S.C. 1782(a)(3)	1989	2023	$4,745
Non-inadvertent failure to submit a report or the non-inadvertent submission of a false or misleading report	12 U.S.C. 1782(a)(3)	1989	2023	$47,454
Failure to submit a report or the submission of a false or misleading report done knowingly or with reckless disregard	12 U.S.C. 1782(a)(3)	1989	2023	Lesser of $2,372,677 or 1 percent of total credit union assets
Tier 1 civil monetary penalty for inadvertent failure to submit certified statement of insured shares and charges due to NCUSIF, or inadvertent submission of false or misleading statement	12 U.S.C. 1782(d)(2)(A)	1991	2023	$4,339
Tier 2 civil monetary penalty for non-inadvertent failure to submit certified statement or submission of false or misleading statement	12 U.S.C. 1782(d)(2)(B)	1991	2023	$43,377
Tier 3 civil monetary penalty for failure to submit a certified statement or the submission of a false or misleading statement done knowingly or with reckless disregard	12 U.S.C. 1782(d)(2)(C)	1991	2023	Lesser of $2,168,915 or 1 percent of total credit union assets

Penalty	Statutory Authority	Year Enacted	Latest Year of Adjustment	Current Penalty Level
Non-compliance with insurance logo requirements	12 U.S.C. 1785(a)(3)	2006	2023	$148
Non-compliance with NCUA security requirements	12 U.S.C. 1785(e)(3)	1970	2023	$345
Tier 1 civil monetary penalty for violations of law, regulation, and other orders or agreements	12 U.S.C. 1786(k)(2)(A)	1989	2023	$11,864
Tier 2 civil monetary penalty for violations of law, regulation, and other orders or agreements and for recklessly engaging in unsafe or unsound practices or breaches of fiduciary duty	12 U.S.C. 1786(k)(2)(B)	1989	2023	$59,316
Tier 3 civil monetary penalty for knowingly committing the violations under Tier 1 or 2	12 U.S.C. 1786(k)(2)(C)	1989	2023	Lesser of $2,372,677 or 1 percent of total credit union assets
Non-compliance with senior examiner post-employment restrictions	12 U.S.C. 1786(w)(5)(A) (ii)	2004	2023	$390,271
Non-compliance with appraisal independence standards (first violation)	15 U.S.C. 1639e(k)	2010	2023	$13,627
Non-compliance with appraisal independence standards (subsequent violations)	15 U.S.C. 1639e(k)	2010	2023	$27,252
Non-compliance with flood insurance requirements	42 U.S.C. 4012a(f)(5)	2012	2023	$2,577

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Statistical Data

About the Statistical Data Section

The National Credit Union Administration compiles and releases quarterly data on the credit union system's financial performance, merger activity, changes in credit union chartering and fields of membership, as well as broader economic trends affecting credit unions. This section contains an overview of the credit union system's financial performance. Users can find information on a single credit union or analyze broader nation-wide trends in the Credit Union Analysis section of NCUA.gov.

National Credit Union Share Insurance Fund Ten-Year Trends

Fiscal year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
Income (In Thousands)										
Premium	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Investment	$ 198,264	$ 208,259	$ 218,526	$ 227,172	$ 209,136	$ 284,716	$ 306,467	$ 272,005	$ 236,781	$ 286,795
Other income	$ 4,550	$ 5,633	$ 5,187	$ 2,463	$ 487,103	$ 18,158	$ 13,768	$ 10,648	$ 3,965	$ 685
Total Income	$ 202,814	$ 213,892	$ 223,713	$ 229,635	$ 696,239	$ 302,874	$ 320,235	$ 282,653	$ 240,746	$ 287,480
Expenses (In Thousands)										
Operating	148,312	179,818	197,752	209,260	199,015	187,395	191,164	181,100	199,231	208,194
Insurance losses	(48,638)	(41,840)	(35,411)	7,870	726,295	113,826	(40,595)	68,688	(143,014)	(39,518)
Total expenses	99,674	137,978	162,341	217,130	925,310	301,221	150,569	249,788	56,217	168,826
Net income (in thousands)	$ 103,140	$ 75,914	$ 61,372	$ 12,505	$ (229,071)	$ 1,653	$ 169,666	$ 32,865	$ 184,529	$ 118,654
Data Highlights										
Total Equity (in millions)	11,266	11,625	12,095	12,742	15,853	15,905	16,596	18,432	20,589	21,841
Equity as a percentage of shares in insured credit unions	1.30%	1.29%	1.26%	1.24%	1.46%	1.39%	1.35%	1.26%	1.26%	1.30%
NCUSIF loss per $1,000 of insured shares	$ (0.06)	$ (0.05)	$ (0.02)	$ 0.01	$ 0.67	$ (0.10)	$ 0.03	$ 0.05	$ (0.09)	$ (0.02)
Operating Ratios										
Premium Income	-	-	-	-	-	-	-	-	-	-
Investment Income	97.8%	97.4%	97.5%	98.9%	30.0%	94.0%	95.7%	96.2%	98.4%	99.8%
Other Income:	2.2%	2.6%	2.5%	1.1%	70.0%	6.0%	4.3%	3.8%	1.6%	0.2%
Operating Expenses	73.1%	84.1%	109.1%	91.1%	28.6%	61.9%	59.7%	64.1%	82.8%	72.4%
Insurance Losses (Gain)	-24.0%	-19.6%	-92.7%	3.4%	104.3%	37.6%	-12.7%	24.3%	-59.4%	-13.7%
Total Expenses (neg expense)	49.1%	64.5%	16.4%	94.5%	132.9%	99.5%	47.0%	88.4%	23.4%	58.7%
Net Income	50.9%	35.5%	83.6%	5.4%	-32.9%	0.5%	53.0%	11.6%	76.6%	41.3%
Involuntary Liquidations Commenced										
Number	13	10	11	11	5	7	1	-	4	4
Share payouts (in thousands)	125,621	150,111	138,635	10,163	159,841	1,407,357	61,761	-	8,107	11,063
Share payouts as a percentage of total insured shares	0.015%	0.017%	0.014%	0.001%	0.015%	0.123%	0.005%	0.000%	0.001%	0.001%
Shares in liquidated credit unions (in thousands)	105,378	140,581	145,829	8,240	162,783	1,454,234	17,683	-	12,290	12,552
Mergers										
Assisted	4	5	5	3	5	1	1	0	3	2
Unassisted	235	234	218	207	201	174	137	122	142	162
Section 208 (FCU Act) Assistance to Avoid Liquidation (In Thousands)										
Capital notes and other cash advance outstanding	66,500	54,600	-	-	-	-	-	-	-	-
Non-cash guarantee accounts	5,533.00	4,720.00	-	-	1,104,500	-	1,252	4,152,100	-	1,395
Number of active cases	3	5	1	1	3	-	2	1	-	3
Number of Troubled, Insured Credit Unions (CAMELS 4 & 5)										
Number	307	276	220	196	196	194	188	155	129	122
Shares (millions)	12,133	10,234	7,662	8,586	8,665	10,441	9,629	9,913	8,041	4,961
Problem case shares as a percentage of insured shares	1.40%	1.13%	0.80%	0.83%	0.80%	0.92%	0.79%	0.61%	0.49%	0.29%

Values rounded from underlying data.

Credit Union Performance Five-Year Trends

		Same quarter as current, previous years					Most recent four quarters				Most Recent	
	Units	2017.4	2018.4	2019.4	2020.4	2021.4	2022.1	2022.2	2022.3	2022.4	4 Quarter % change	4 Quarter change
Summary Credit Union Data												
Federally insured credit unions												
Federally insured credit unions	Number	5,573	5,375	5,236	5,099	4,942	4,903	4,853	4,813	4,760	-3.7	-182
Federal credit unions	Number	3,499	3,376	3,283	3,185	3,100	3,076	3,042	3,015	2,980	-3.9	-120
Federally insured, state-chartered credit unions	Number	2,074	1,999	1,953	1,914	1,842	1,827	1,811	1,798	1,780	-3.4	-62
Credit unions with low-income designation	Number	2,542	2,554	2,605	2,642	2,627	2,622	2,620	2,621	2,612	-0.6	-15
Number of members	Millions	111.3	116.2	120.4	124.3	129.5	131.0	132.6	134.3	135.3	4.4	5.8
Number of deposits	Millions	211.3	221.4	232.0	240.9	251.1	254.0	256.7	260.6	262.8	4.7	11.7
Number of loans outstanding	Millions	64.7	68.2	70.7	71.9	77.9	79.6	83.4	85.8	87.9	12.9	10.0
Total assets	$ Billions	1,378.8	1,453.4	1,566.7	1,844.5	2,060.4	2,118.3	2,136.5	2,150.4	2,167.9	5.2	108
Total assets, four quarter growth	Percent	6.7	5.4	7.8	17.7	11.7	8.7	8.1	6.6	5.2		-6.5
Total loans	$ Billions	957.3	1,043.6	1,108.0	1,162.6	1,255.2	1,301.7	1,387.0	1,457.7	1,506.6	20.0	251
Total loans, four quarter growth	Percent	10.1	9.0	6.2	4.9	8.0	11.7	16.2	19.2	20.0		12.1
Average outstanding loan balance	$	14,806	15,298	15,668	16,179	16,119	16,348	16,633	16,987	17,141	6.3	1,022
Total deposits	$ Billions	1,159.5	1,219.7	1,319.8	1,587.6	1,788.6	1,851.8	1,854.6	1,859.5	1,849.9	3.4	61
Total deposits, four quarter growth	Percent	6.1	5.2	8.2	20.3	12.7	9.3	8.1	6.3	3.4		-9.2
Average deposit balance	$	10,418	10,500	10,966	12,773	13,810	14,137	13,983	13,842	13,676	-1.0	-135
Insured shares and deposits	$ Billions	1,086.5	1,139.8	1,224.3	1,466.7	1,633.7	1,688.8	1,689.0	1,692.9	1,684.1	3.1	50
Insured shares and deposits, four quarter growth	Percent	5.8	4.9	7.4	19.8	11.4	8.0	7.0	5.5	3.1		-8.3
Key Ratios												
Net worth ratio	Percent	10.95	11.30	11.37	10.32	10.26	10.21	10.42	10.60	10.74		0.48
Return on average assets	Percent	0.78	0.92	0.93	0.70	1.07	0.87	0.85	0.88	0.89		-0.18
Loan to share ratio	Percent	82.6	85.6	84.0	73.2	70.2	70.3	74.8	78.4	81.4		11.27
Median credit union average cost of funds	Percent	0.28	0.33	0.44	0.37	0.24	0.18	0.19	0.20	0.24		0.00
Median credit union average yield on loans	Percent	5.19	5.16	5.25	5.10	4.84	4.66	4.61	4.64	4.69		-0.15
Median credit union net interest margin	Percent	3.07	3.26	3.38	2.94	2.53	2.40	2.48	2.61	2.72		0.19
Median credit union return on average assets	Percent	0.38	0.56	0.60	0.39	0.50	0.42	0.43	0.50	0.51		0.01

[1] 'Long-term assets' is the sum of real estate fixed-rate first mortgages and investments greater than 3 years. Replaces 'Net long-term assets, percent of assets.'

		Same quarter as current, previous years					Most recent four quarters				Most Recent	
	Units	2017.4	2018.4	2019.4	2020.4	2021.4	2022.1	2022.2	2022.3	2022.4	4 Quarter % change	4 Quarter change
Lending (Year-to-Date, Annual Rate)												
Loans granted	$ Billions	481.2	506.8	546.0	672.3	788.9	759.8	816.3	804.0	761.1	-3.5	-28
Real estate loans (includes commercial)	$ Billions	171.8	173.4	212.6	323.7	358.5	.	.	.	.	--	--
Real estate, fixed rate, first mortgage (includes commercial)	$ Billions	110.3	106.5	146.8	256.3	273.5	.	.	.	.	--	--
Real estate loans (excludes commercial)	$ Billions	.	.	.	.	.	284.9	289.6	276.5	250.6	--	--
Real estate, fixed rate, first mortgage (excludes commercial)	$ Billions	.	.	.	.	.	205.1	192.1	170.3	148.0	--	--
Commercial loans (granted or purchased)	$ Billions	23.9	24.9	27.2	33.4	46.5	55.7	62.7	60.4	57.5	23.6	11
Payday alternative loans	$ Millions	131.8	143.2	174.1	157.3	168.0	194.5	209.1	215.4	226.6	34.9	59
Delinquency												
Delinquent loans	$ Billions	7.8	7.4	7.8	7.0	6.1	5.5	6.7	7.7	9.3	50.6	3.11
Total delinquency rate	Percent	0.81	0.71	0.70	0.60	0.49	0.42	0.48	0.53	0.61		0.12
Non-commercial real estate delinquency rate	Percent	.	.	.	.	.	0.31	0.39	0.39	0.43		--
Non-commercial real estate first mortgage delinquency rate	Percent	.	.	.	.	.	0.30	0.40	0.40	0.44		--
Fixed-rate real estate delinquency rate (includes commercial)	Percent	0.52	0.44	0.43	0.43	0.31	.	.	.	.		--
Auto delinquency rate	Percent	0.70	0.66	0.65	0.50	0.42	0.39	0.45	0.53	0.67		0.25
Credit card delinquency rate	Percent	1.29	1.35	1.40	1.02	0.96	1.01	1.07	1.30	1.48		0.52
Non-commercial loan delinquency rate	Percent	.	.	.	.	.	0.42	0.49	0.54	0.64		--
Commercial loan delinquency rate	Percent	1.56	0.67	0.64	0.69	0.44	0.43	0.42	0.42	0.33		-0.11
Net charge-offs	$ Billions	5.4	5.8	6.1	5.1	3.2	3.5	3.7	4.1	4.7	48.4	1.53
Net charge offs, percent of average loans	Percent	0.60	0.58	0.56	0.45	0.26	0.28	0.28	0.30	0.34		0.08
Asset Distribution												
25% of credit unions are smaller than	$ Millions	8.8	9.2	9.7	11.5	12.8	13.2	13.4	13.6	13.8	7.4	0.94
50% of credit unions are smaller than	$ Millions	31.0	33.2	35.2	43.4	49.4	51.4	52.6	53.0	53.6	8.4	4.13
75% of credit unions are smaller than	$ Millions	120.4	129.2	139.1	167.1	192.5	199.4	203.9	204.8	211.3	9.8	18.87
90% of credit unions are smaller than	$ Millions	471.9	507.7	564.4	688.4	799.1	822.9	835.2	851.3	875.8	9.6	76.74

N/M – Not Meaningful

		Same quarter as current, previous years					Most recent four quarters				Most Recent	
	Units	2017.4	2018.4	2019.4	2020.4	2021.4	2022.1	2022.2	2022.3	2022.4	4 Quarter % change	4 Quarter change
Income and Expenses (Year-to-date, Annual Rate)												
Federally insured credit unions												
Gross income	$ Billions	65.6	73.8	82.5	83.8	85.6	85.4	86.9	90.8	95.3	11.3	9.71
Total interest income	$ Billions	47.5	54.0	61.2	60.2	59.0	61.0	63.6	67.4	71.5	21.2	12.51
Gross interest income	$ Billions	41.7	47.1	52.9	53.8	53.4	54.7	56.2	58.7	61.5	15.2	8.11
Less interest refunds	$ Billions	0.1	0.1	0.1	0.0	0.1	0.0	0.0	0.0	0.1	8.0	0.00
Investment income	$ Billions	5.8	7.0	8.2	6.1	5.6	6.3	7.4	8.8	10.0	78.1	4.39
Trading income	$ Billions	0.0	0.0	.	.	.	.	.	.	.	--	--
Unrealized gain (loss) due to change in fair value of equity and trading debt securities[1]	$ Billions	.	.	0.1	0.3	.	.	.	.	.	--	--
Other interest income[2]	$ Billions	.	.	.	.	.	0.0	0.0	0.0	0.0	--	--
Total non-interest income	$ Billions	18.1	19.8	21.2	23.6	26.6	24.3	23.3	23.4	23.8	-10.5	-2.80
Fee income	$ Billions	8.3	8.8	9.0	8.1	9.0	9.2	9.4	9.5	9.6	7.1	0.64
Other income[3]	$ Billions	9.4	10.7	11.4	14.4	16.3	13.9	13.7	13.7	13.8	-15.1	-2.46
Gains, losses, and other non-interest income[4]	$ Billions	0.4	0.3	0.7	1.0	1.3	1.3	0.3	0.2	0.4	-72.8	-0.98
Total expenses (with provision for loan and lease losses or credit loss expense)	$ Billions	55.2	60.8	68.4	71.8	64.7	67.2	69.1	72.3	76.4	18.1	11.69
Non-interest expenses	$ Billions	41.2	44.5	48.3	51.3	55.1	57.0	58.0	59.1	60.2	9.2	5.09
Employee compensation and benefits	$ Billions	21.1	22.6	24.9	26.8	28.6	29.9	30.3	30.7	31.1	8.6	2.46
Office expenses	$ Billions	10.3	11.2	12.0	12.7	13.6	14.1	14.2	14.3	14.5	7.3	0.99
Loan servicing expenses	$ Billions	2.8	3.1	3.2	3.4	3.8	3.8	4.0	4.1	4.2	9.5	0.36
Other non-interest expenses	$ Billions	7.0	7.6	8.2	8.3	9.1	9.2	9.6	10.0	10.4	14.1	1.28
Total interest expense	$ Billions	7.5	9.8	13.5	12.0	8.4	7.3	7.6	8.8	10.9	29.9	2.51
Interest on borrowed money	$ Billions	1.2	1.5	1.5	1.2	0.9	0.8	1.0	1.5	2.1	140.8	1.22
Share dividends	$ Billions	5.7	7.4	10.7	9.5	6.7	5.8	5.9	6.5	7.9	19.1	1.27
Interest on deposits	$ Billions	0.7	0.9	1.3	1.3	0.9	0.7	0.7	0.7	0.9	1.5	0.01
Provision for loan and lease losses or credit loss expense	$ Billions	6.4	6.5	6.5	8.5	1.2	2.9	3.4	4.4	5.3	336.7	4.09
Net income	$ Billions	10.4	13.0	14.1	11.9	20.8	18.2	17.8	18.5	18.9	-9.5	-1.98
Net income, percent of average assets	Percent	0.78	0.92	0.93	0.70	1.07	0.87	0.85	0.88	0.89		-0.18
Net interest margin	$ Billions	39.9	44.3	47.7	48.1	50.6	53.8	55.9	58.7	60.6	19.8	10.00
Net interest margin, percent of average assets	Percent	2.99	3.13	3.16	2.82	2.59	2.57	2.67	2.79	2.86		0.27
Average assets	$ Billions	1,335.6	1,416.1	1,510.0	1,705.6	1,952.4	2,089.3	2,098.4	2,105.4	2,114.1	8.3	161.67

[1]2019q1-2019q4: Interest income on securities held in a trading account
[2]Account IS0005
[3]Quarters 2021q1 and later: Account IS0020. Quarters before 2021q1: Account 659.
[4]Other non-interest income: Account 440
N/M - Not Meaningful

	Units	Same quarter as current, previous years					Most recent four quarters				Most Recent	
		2017.4	2018.4	2019.4	2020.4	2021.4	2022.1	2022.2	2022.3	2022.4	4 Quarter % change	4 Quarter change
Income and Expenses (Year-to-date, Annual Rate, Percent of Average Assets)												
Federally insured credit unions												
Gross income	Percent	4.91	5.21	5.46	4.91	4.38	4.09	4.14	4.31	4.51		0.12
Total interest income	Percent	3.55	3.82	4.06	3.53	3.02	2.92	3.03	3.20	3.38		0.36
Gross interest income	Percent	3.12	3.33	3.51	3.16	2.73	2.62	2.68	2.79	2.91		0.17
Less interest refunds	Percent	0.00	0.01	0.00	0.00	0.00	0.00	0.00	0.00	0.00		0.00
Investment income	Percent	0.44	0.50	0.55	0.36	0.29	0.30	0.35	0.42	0.47		0.19
Trading income	Percent	0.00	0.00	.	.	.	.	.	.	.		--
Unrealized gain (loss) due to change in fair value of equity and trading debt securities[1]	Percent	.	.	0.01	0.02	.	.	.	.	.		--
Other interest income[2]	Percent	.	.	.	.	.	0.00	0.00	0.00	0.00		--
Total non-interest income	Percent	1.36	1.40	1.40	1.38	1.36	1.16	1.11	1.11	1.13		-0.24
Fee income	Percent	0.62	0.62	0.60	0.48	0.46	0.44	0.45	0.45	0.45		0.00
Other income[3]	Percent	0.71	0.76	0.76	0.84	0.83	0.66	0.65	0.65	0.65		-0.18
Gains, losses, and other non-interest income[4]	Percent	0.03	0.02	0.05	0.06	0.07	0.06	0.01	0.01	0.02		-0.05
Total expenses (with provision for loan and lease losses or credit loss expense)	Percent	4.14	4.30	4.53	4.21	3.31	3.21	3.29	3.43	3.61		0.30
Non-interest expenses	Percent	3.09	3.14	3.20	3.01	2.82	2.73	2.77	2.81	2.85		0.02
Employee compensation and benefits	Percent	1.58	1.60	1.65	1.57	1.47	1.43	1.44	1.46	1.47		0.00
Office expenses	Percent	0.77	0.79	0.79	0.74	0.69	0.67	0.68	0.68	0.69		-0.01
Loan servicing expenses	Percent	0.21	0.22	0.21	0.20	0.19	0.18	0.19	0.20	0.20		0.00
Other non-interest expenses	Percent	0.52	0.54	0.55	0.49	0.47	0.44	0.46	0.47	0.49		0.02
Total interest expense	Percent	0.57	0.69	0.90	0.71	0.43	0.35	0.36	0.42	0.52		0.09
Interest on borrowed money	Percent	0.09	0.10	0.10	0.07	0.04	0.04	0.05	0.07	0.10		0.05
Share dividends	Percent	0.43	0.52	0.71	0.55	0.34	0.28	0.28	0.31	0.37		0.03
Interest on deposits	Percent	0.05	0.06	0.09	0.08	0.04	0.03	0.03	0.04	0.04		0.00
Provision for loan and lease losses or credit loss expense	Percent	0.48	0.46	0.43	0.50	0.06	0.14	0.16	0.21	0.25		0.19
Net income	Percent	0.78	0.92	0.93	0.70	1.07	0.87	0.85	0.88	0.89		-0.18
Net interest margin	Percent	2.99	3.13	3.16	2.82	2.59	2.57	2.67	2.79	2.86		0.27

[1]2019q1-2019q4: Interest income on securities held in a trading account
[2]Account IS0005
[3]Quarters 2021q1 and later: Account IS0020. Quarters before 2021q1: Account 659.
[4]Other non-interest income: Account 440
N/M – Not Meaningful

	Units	Same quarter as current, previous years					Most recent four quarters				Most Recent	
		2017.4	2018.4	2019.4	2020.4	2021.4	2022.1	2022.2	2022.3	2022.4	4 Quarter % change	4 Quarter change
Balance Sheet												
Federally insured credit unions												
Total assets	$ Billions	1,378.8	1,453.4	1,566.7	1,844.5	2,060.4	2,118.3	2,136.5	2,150.4	2,167.9	5.2	107.52
Cash	$ Billions	93.9	88.3	115.4	232.8	255.0	248.7	184.1	152.7	130.3	-48.9	-124.70
Cash on hand	$ Billions	10.5	10.9	12.0	23.4	18.5	21.3	21.7	24.1	26.2	41.1	7.62
Deposits: All other deposits[1]	$ Billions	.	.	.	.	.	0.8	0.8	0.7	0.3	--	--
Investments												
Total investments (more than 3 months)	$ Billions	267.0	258.0	269.1	361.5	457.4	466.0	464.6	446.7	435.6	-4.8	-21.81
Investments less than 1 year	$ Billions	77.5	76.7	85.6	106.7	98.1	95.3	92.3	90.1	89.3	-9.0	-8.83
Investments 1-3 years	$ Billions	86.5	86.3	92.0	113.7	115.8	114.6	119.3	117.3	115.4	-0.4	-0.44
Investments 3-10 years	$ Billions	99.0	91.0	85.9	128.1	225.2	236.4	232.6	218.1	209.8	-6.8	-15.37
Investments 3-5 years	$ Billions	67.3	59.3	54.7	74.2	127.3	118.3	113.8	102.9	93.7	-26.4	-33.66
Investments 5-10 years	$ Billions	31.7	31.8	31.2	53.9	97.9	118.2	118.8	115.2	116.2	18.7	18.29
Investments more than 10 years	$ Billions	4.0	3.9	5.6	13.0	18.3	19.7	20.4	21.1	21.1	15.4	2.82
Allowance for credit losses on investments	$ Billions	.	.	.	.	.	0.0	0.0	0.0	0.0	--	--
Total loans	$ Billions	957.3	1,043.6	1,108.0	1,162.6	1,255.2	1,301.7	1,387.0	1,457.7	1,506.6	20.0	251.39
Loans secured by 1-4 family residential properties	$ Billions	406.0	446.9	480.7	511.1	550.9	574.7	610.0	639.0	659.6	19.7	108.71
Secured by first lien	$ Billions	339.2	367.5	397.8	435.1	475.4	496.5	523.0	541.6	554.4	16.6	79.01
Secured by junior lien	$ Billions	66.7	79.4	82.9	76.0	75.6	78.2	87.0	97.4	105.3	39.3	29.69
All other real estate loans	$ Billions	11.7	3.8	2.8	2.5	2.3	1.9	1.9	2.0	1.9	-15.0	-0.34
Credit cards	$ Billions	57.5	61.8	66.0	61.8	64.2	64.4	67.3	69.9	74.2	15.6	10.04
Auto loans	$ Billions	332.5	365.9	375.1	380.0	404.5	417.9	447.6	472.1	485.6	20.0	81.07
New autos	$ Billions	132.1	147.2	147.6	142.1	142.0	145.0	156.5	166.8	173.5	22.2	31.51
Used autos	$ Billions	200.4	218.7	227.5	238.0	262.5	272.9	291.1	305.3	312.1	18.9	49.56
Non-federally guaranteed student loans	$ Billions	4.4	5.1	5.5	6.0	6.5	7.0	7.2	7.5	7.5	14.3	0.94
Commercial loans (excludes unfunded commitments)	$ Billions	63.2	71.0	81.8	94.3	111.7	117.5	125.6	132.2	139.1	24.5	27.33
Secured by real estate	$ Billions	55.3	63.8	74.5	86.6	103.2	108.2	115.9	122.4	128.6	24.6	25.43
Not secured by real estate	$ Billions	8.0	7.1	7.4	7.7	8.5	9.2	9.7	9.8	10.4	22.3	1.90
Other loans	$ Billions	82.0	89.0	96.0	106.9	115.1	118.3	127.3	135.0	138.7	20.6	23.65
Unfunded commitments for commercial loans	$ Billions	4.8	5.7	7.1	8.1	10.6	11.7	13.1	14.0	14.5	36.2	3.84
Other assets	$ Billions	60.6	63.5	74.3	87.6	92.7	101.2	99.9	92.6	95.0	2.5	2.31

		Same quarter as current, previous years					Most recent four quarters				Most Recent	
	Units	2017.4	2018.4	2019.4	2020.4	2021.4	2022.1	2022.2	2022.3	2022.4	4 Quarter % change	4 Quarter change
Total liabilities and net worth	$ Billions	1,378.8	1,453.4	1,566.7	1,844.5	2,060.4	2,118.3	2,136.5	2,150.4	2,167.9	5.2	107.52
Total deposits	$ Billions	1,159.5	1,219.7	1,319.8	1,587.6	1,788.6	1,851.8	1,854.6	1,859.5	1,849.9	3.4	61.25
Share drafts	$ Billions	168.5	192.8	208.0	291.5	367.1	388.0	383.1	388.6	382.1	4.1	14.93
Regular shares	$ Billions	421.6	426.9	444.5	568.1	655.9	686.0	689.1	679.5	657.0	0.2	1.17
Other deposits	$ Billions	569.4	600.1	667.2	728.0	765.6	777.8	782.4	791.5	810.8	5.9	45.15
Money market accounts	$ Billions	259.6	261.9	274.8	341.9	407.3	423.4	426.8	414.7	394.6	-3.1	-12.70
Share certificate accounts	$ Billions	212.2	238.2	287.1	276.0	247.6	241.3	239.9	258.3	296.8	19.9	49.19
IRA/Keogh accounts	$ Billions	77.7	77.6	81.0	83.9	83.2	83.4	83.4	83.1	82.4	-1.0	-0.82
Non-member deposits	$ Billions	10.2	11.9	12.9	11.7	11.3	12.5	14.6	18.2	21.4	90.1	10.15
All other shares	$ Billions	9.8	10.6	11.5	14.6	16.2	17.1	17.7	17.1	15.5	-4.1	-0.67
Net worth	$ Billions	151.1	164.2	178.2	190.4	211.6	216.4	222.7	227.9	232.9	10.1	21.38
Net worth, percent of assets	Percent	10.95	11.30	11.37	10.32	10.26	10.21	10.42	10.60	10.74		0.48
Addenda												
Real estate loans	$ Billions	473.0	514.5	558.0	600.2	656.4	684.8	727.9	763.4	790.2	20.4	133.79
Real estate fixed rate, first mortgage (includes commercial)	$ Billions	281.0	308.0	345.0	396.9	460.4	.	.	.	.	--	--
Real estate fixed rate, first mortgage (excludes commercial)	$ Billions	.	.	.	.	.	428.5	450.5	463.1	470.8	--	--
Business loans												
Net member business loan balance for regulatory reporting, Part 723[2]	$ Billions	67.5	67.8	77.7	90.1	107.1	111.6	120.7	127.3	133.3	24.5	26.19

[1]Account AS0008
[2]Account 400A
N/M – Not Meaningful

		Same quarter as current, previous years					Most recent four quarters				Most Recent	
	Units	2017.4	2018.4	2019.4	2020.4	2021.4	2022.1	2022.2	2022.3	2022.4	4 Quarter % change	4 Quarter change
Balance Sheet (Percent of Assets)												
Federally insured credit unions												
Total assets	Percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Cash	Percent	6.8	6.1	7.4	12.6	12.4	11.7	8.6	7.1	6.0		-6.37
Cash on hand	Percent	0.8	0.8	0.8	1.3	0.9	1.0	1.0	1.1	1.2		0.31
Deposits: All other deposits[1]	Percent	.	.	.	.	.	0.0	0.0	0.0	0.0		--
Investments												
Total investments (more than 3 months)	Percent	19.4	17.7	17.2	19.6	22.2	22.0	21.7	20.8	20.1		-2.11
Investments less than 1 year	Percent	5.6	5.3	5.5	5.8	4.8	4.5	4.3	4.2	4.1		-0.64
Investments 1-3 years	Percent	6.3	5.9	5.9	6.2	5.6	5.4	5.6	5.5	5.3		-0.30
Investments 3-10 years	Percent	7.2	6.3	5.5	6.9	10.9	11.2	10.9	10.1	9.7		-1.25
Investments 3-5 years	Percent	4.9	4.1	3.5	4.0	6.2	5.6	5.3	4.8	4.3		-1.86
Investments 5-10 years	Percent	2.3	2.2	2.0	2.9	4.8	5.6	5.6	5.4	5.4		0.61
Investments more than 10 years	Percent	0.3	0.3	0.4	0.7	0.9	0.9	1.0	1.0	1.0		0.09
Allowance for credit losses on investments	Percent	.	.	.	.	.	0.0	0.0	0.0	0.0		--
Total loans	Percent	69.4	71.8	70.7	63.0	60.9	61.5	64.9	67.8	69.5		8.57
Loans secured by 1-4 family residential properties	Percent	29.4	30.7	30.7	27.7	26.7	27.1	28.6	29.7	30.4		3.69
Secured by first lien	Percent	24.6	25.3	25.4	23.6	23.1	23.4	24.5	25.2	25.6		2.50
Secured by junior lien	Percent	4.8	5.5	5.3	4.1	3.7	3.7	4.1	4.5	4.9		1.19
All other real estate loans	Percent	0.9	0.3	0.2	0.1	0.1	0.1	0.1	0.1	0.1		-0.02
Credit cards	Percent	4.2	4.3	4.2	3.4	3.1	3.0	3.2	3.3	3.4		0.31
Auto loans	Percent	24.1	25.2	23.9	20.6	19.6	19.7	20.9	22.0	22.4		2.77
New autos	Percent	9.6	10.1	9.4	7.7	6.9	6.8	7.3	7.8	8.0		1.11
Used autos	Percent	14.5	15.0	14.5	12.9	12.7	12.9	13.6	14.2	14.4		1.65
Non-federally guaranteed student loans	Percent	0.3	0.4	0.3	0.3	0.3	0.3	0.3	0.3	0.3		0.03
Commercial loans (excludes unfunded commitments)	Percent	4.6	4.9	5.2	5.1	5.4	5.5	5.9	6.1	6.4		0.99
Secured by real estate	Percent	4.0	4.4	4.8	4.7	5.0	5.1	5.4	5.7	5.9		0.92
Not secured by real estate	Percent	0.6	0.5	0.5	0.4	0.4	0.4	0.5	0.5	0.5		0.07
Other loans	Percent	5.9	6.1	6.1	5.8	5.6	5.6	6.0	6.3	6.4		0.81
Unfunded commitments for commercial loans	Percent	0.3	0.4	0.5	0.4	0.5	0.6	0.6	0.7	0.7		0.15
Other assets	Percent	4.4	4.4	4.7	4.7	4.5	4.8	4.7	4.3	4.4		-0.12

[1]Account AS0008

N/M – Not Meaningful

		Same quarter as current, previous years					Most recent four quarters				Most Recent	
	Units	2017.4	2018.4	2019.4	2020.4	2021.4	2022.1	2022.2	2022.3	2022.4	4 Quarter % change	4 Quarter change
Total liabilities and net worth	Percent	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0		
Total deposits	Percent	84.1	83.9	84.2	86.1	86.8	87.4	86.8	86.5	85.3		-1.48
Share drafts	Percent	12.2	13.3	13.3	15.8	17.8	18.3	17.9	18.1	17.6		-0.20
Regular shares	Percent	30.6	29.4	28.4	30.8	31.8	32.4	32.3	31.6	30.3		-1.52
Other deposits	Percent	41.3	41.3	42.6	39.5	37.2	36.7	36.6	36.8	37.4		0.24
Money market accounts	Percent	18.8	18.0	17.5	18.5	19.8	20.0	20.0	19.3	18.2		-1.57
Share certificate accounts	Percent	15.4	16.4	18.3	15.0	12.0	11.4	11.2	12.0	13.7		1.67
IRA/Keogh accounts	Percent	5.6	5.3	5.2	4.5	4.0	3.9	3.9	3.9	3.8		-0.24
Non-member deposits	Percent	0.7	0.8	0.8	0.6	0.5	0.6	0.7	0.8	1.0		0.44
All other shares	Percent	0.7	0.7	0.7	0.8	0.8	0.8	0.8	0.8	0.7		-0.07
Net worth	Percent	10.95	11.30	11.37	10.32	10.26	10.21	10.42	10.59	10.74		0.48
Addenda												
Real estate loans	Percent	34.3	35.4	35.6	32.5	31.9	32.3	34.1	35.5	36.4		4.59
Real estate fixed rate, first mortgage (includes commercial)	Percent	20.4	21.2	22.0	21.5	22.3	.	.	.	.		--
Real estate fixed rate, first mortgage (excludes commercial)	Percent	.	.	.	.	.	20.2	21.1	21.5	21.7		--
Business loans												
Net member business loan balance for regulatory reporting, Part 723 [1]	Percent	4.9	4.7	5.0	4.9	5.2	5.3	5.7	5.9	6.1		0.95

[1] Account 400A
N/M - Not Meaningful

Summary of Performance for Federally Insured Credit Unions

	Asset Categories									
	Less than $10 million	$10 to $50 million	$50 to $100 million	$100 to $500 million	$500 million to $1 billion	Greater than $1 billion	Federal Credit Unions	Federally Insured State-Chartered Credit Unions	Credit Unions with Low-Income Designation in 2022Q4	Small Credit Unions (Assets less than $100 million)
Current Quarter: 2022Q4										
Number of credit unions	967	1,357	657	1,070	288	421	2,980	1,780	2,612	2,981
Number of members (millions)	0.6	3.4	3.9	17.3	13.8	96.2	71.3	64.0	70.9	8.0
Total assets ($ billions)	4.1	35.8	47.9	243.0	207.9	1,629.2	1,083.4	1,084.5	1071.6	87.8
Total loans ($ billions)	1.9	17.4	25.9	153.5	145.4	1162.5	749.2	757.4	768.8	45.2
Total deposits ($ billions)	3.4	31.3	42.2	214.4	179.8	1,378.8	921.8	928.1	915.3	76.9
Key ratios (percent)										
Return on average assets	0.14	0.41	0.62	0.71	0.81	0.95	0.90	0.88	0.93	0.51
Net worth ratio	16.22	12.13	11.59	10.77	10.71	10.68	10.96	10.53	10.60	12.02
Loan-to-share ratio	56.8	55.5	61.4	71.6	80.8	84.3	81.3	81.6	84.0	58.8
Net interest margin (median)	2.66	2.60	2.66	2.82	2.92	2.80	2.67	2.80	2.87	2.63
Long-term assets, percent of assets	0.19	0.17	0.20	0.27	0.38	0.48	0.21	0.27	0.23	0.18
Cost of funds / average assets (median)	1.43	0.91	0.70	0.55	0.56	0.62	0.71	0.52	0.57	0.81
Delinquency rate	0.36	0.25	0.24	0.23	0.25	0.37	0.43	0.25	0.27	0.25
Net charge-offs to average loans										
Growth from a year earlier (percent)	-6.5	-5.1	-3.6	-1.7	0.0	5.2	3.1	3.7	4.9	-4.4
Shares (total deposits)	4.1	5.9	6.2	10.5	14.0	22.9	18.5	21.6	21.6	6.0
Total loans	-5.8	-4.8	-3.4	-1.3	1.6	7.3	4.2	6.3	7.6	-4.1
Total assets	-7.4	-5.9	-5.2	-3.1	0.0	7.6	4.5	4.3	4.6	-5.7
Members	-1.5	-1.5	1.1	4.0	6.9	12.2	9.3	10.9	12.9	-0.2
Net worth	-11.3	-7.6	-1.9	1.4	3.3	15.4	11.7	10.6	12.3	-5.0

	Asset Categories									
	Less than $10 million	$10 to $50 million	$50 to $100 million	$100 to $500 million	$500 million to $1 billion	Greater than $1 billion	Federal Credit Unions	Federally Insured State-Chartered Credit Unions	Credit Unions with Low-Income Designation in 2022Q4	Small Credit Unions (Assets less than $100 million)
Historical Data (same quarter)										
Return on average assets (percent)										
2022	0.14	0.41	0.62	0.71	0.81	0.95	0.90	0.88	0.93	0.51
2021	0.20	0.41	0.60	0.72	0.83	1.20	1.11	1.02	1.08	0.50
2020	0.06	0.32	0.43	0.50	0.60	0.78	0.67	0.73	0.74	0.36
2019	0.29	0.56	0.63	0.72	0.79	1.04	0.95	0.92	0.93	0.58
2018	0.24	0.49	0.59	0.67	0.76	1.05	0.93	0.90	0.90	0.52
Net worth ratio (percent)										
2022	16.22	12.13	11.59	10.77	10.71	10.68	10.96	10.53	10.60	12.02
2021	15.52	11.72	11.07	10.22	10.18	10.20	10.44	10.08	10.10	11.55
2020	15.66	12.09	11.32	10.44	10.24	10.20	10.44	10.19	10.18	11.87
2019	16.49	13.20	12.31	11.57	11.27	11.21	11.50	11.23	11.23	12.94
2018	16.02	12.89	11.98	11.34	11.30	11.15	11.40	11.18	11.15	12.62
Loan to Share Ratio (percent)										
2022	56.75	55.54	61.42	71.63	80.83	84.31	81.28	81.60	84.00	58.82
2021	50.96	49.74	55.77	63.72	70.88	72.20	70.74	69.62	72.47	53.08
2020	53.97	52.69	58.37	67.33	74.95	75.34	73.38	73.09	75.65	55.76
2019	62.74	62.57	67.62	78.16	84.23	86.91	83.65	84.27	85.94	65.16
2018	62.21	62.18	67.99	79.44	86.15	89.17	85.17	85.96	87.34	65.12

Appendix

NCUA Board Member Bios

Chairman Todd M. Harper

Todd M. Harper was nominated to serve on the NCUA Board on February 6, 2019. The U.S. Senate confirmed him on March 14, 2019, and he was sworn in as a member of the NCUA Board on April 8, 2019. President Joseph R. Biden, Jr., designated him as the NCUA's twelfth Chairman on January 20, 2021.

As NCUA Board Chairman, Mr. Harper serves as a voting member of the Financial Stability Oversight Council, represents the NCUA on the Federal Financial Institutions Examination Council and the Financial and Banking Information Infrastructure Committee, and is the agency's representative on the Board of Directors of NeighborWorks America, one of the nation's leading affordable housing and community development organizations.

Prior to joining the NCUA Board, Mr. Harper served as director of the agency's Office of Public and Congressional Affairs and chief policy advisor to former Chairmen Debbie Matz and Rick Metsger. He is the first member of the NCUA's staff to become an NCUA Board Member and Chairman.

Mr. Harper previously worked for the U.S. House of Representatives as staff director for the Subcommittee on Capital Markets, Insurance, and Government-Sponsored Enterprises and as legislative director and senior legislative assistant to former Rep. Paul Kanjorski (D-Pennsylvania). In these roles, he contributed to every major financial services law, from the enactment of the Gramm-Leach-Bliley Financial Services Modernization Act in 1999 through the passage of the Dodd-Frank Wall Street Reform and Consumer Protection Act in 2010.

During the Great Recession, Mr. Harper coordinated the first congressional hearing to explore the creation of a Temporary Corporate Credit Union Stabilization Fund. He also spearheaded staff efforts in the U.S. House to secure enactment of a law to lower the costs of managing both the Corporate Stabilization Fund and the National Credit Union Share Insurance Fund.

Mr. Harper led staff negotiations over several sections of the Dodd-Frank Act, including the Kanjorski amendment to empower regulators to preemptively rein in and break up "too-big-to-fail" institutions and proposals to enhance the powers of the Securities and Exchange Commission. He also developed the legislative framework for the bill that created the Federal Insurance Office to monitor domestic and international insurance issues.

Mr. Harper holds an undergraduate degree in business analysis from Indiana University's Kelley School of Business and a graduate degree in public policy from Harvard University's Kennedy School of Government.

Vice Chairman Kyle S. Hauptman

Kyle S. Hauptman was nominated to serve on the NCUA Board on June 15, 2020. The U.S. Senate confirmed him on December 2, 2020, and he was sworn in as the 24th member of the NCUA Board on December 14, 2020. The NCUA Board approved his designation as Vice Chairman of the NCUA on December 18, 2020.

Prior to his joining the NCUA Board, Mr. Hauptman served as Senator Tom Cotton's (R-Arkansas) advisor on economic policy, as well as Staff Director of the Senate Banking Committee's Subcommittee on Economic Policy.

Previously, Mr. Hauptman held the position of Executive Director of the Main Street Growth Project and Senior Vice President at Jefferies & Co. He worked at Lehman Brothers as a bond trader in New York City as well as in their international offices in Tokyo and Sydney, and served as a voting member on the U.S. Securities and Exchange Commission Advisory Committee on Small and Emerging Companies.

Mr. Hauptman served on President Donald J. Trump's transition team in 2016 and was Senator Mitt Romney's (R-Utah) policy advisor for financial services during the 2012 presidential campaign.

Mr. Hauptman holds a master's in business administration from Columbia Business School and a bachelor of arts from University of California, Los Angeles.

Board Member Rodney E. Hood

President Donald J. Trump nominated Rodney E. Hood for the NCUA Board on January 19, 2019. The U.S. Senate confirmed him on March

14, 2019, and he was sworn in as the eleventh NCUA Chairman on April 8, 2019. Mr. Hood served as the NCUA's Chairman until January 25, 2021.

Mr. Hood was previously nominated to the NCUA Board by former President George W. Bush and served from November 2005 until August 2009. He was appointed Vice Chairman, and he served as the NCUA's representative on the Board of Directors of NeighborWorks America.

Immediately prior to rejoining the NCUA Board, Mr. Hood served as a corporate responsibility manager for JPMorgan Chase, managing national partnerships with non-profit organizations, financial regulators, and community stakeholders to promote financial inclusion and shared prosperity in underserved communities throughout the United States.

His previous experience includes serving as associate administrator of the Rural Housing Service at the U.S. Department of Agriculture. In this role, he helped to address the housing needs in rural communities and administered the agency's $43 billion mortgage portfolio.

Prior to his public service, Mr. Hood served as marketing director and group sales manager for the North Carolina Mutual Life Insurance Company in Durham, North Carolina. He also served as national director of the Emerging Markets Group for Wells Fargo Home Mortgage and served on the board of the Wells Fargo Housing Foundation. Earlier in his career, he worked for Bank of America as a Community Reinvestment Act officer and completed the management development program at G.E. Capital.

In addition to his public and private sector service, Mr. Hood served as a member of the University of North Carolina at Chapel Hill Board of Visitors and as member of the UNC School of Arts Board of Trustees. He also served as a member of the Board of Trustees for the North Carolina Museum of Art and as a member of the Board of Governors for the University of North Carolina College System.

Mr. Hood's professional awards include being named one of the "40 Young Leaders Under the Age of 40" by the *Triangle Business Journal* in Raleigh, North Carolina. He is the first recipient of the "Dream Award," an award given by the Wells Fargo Housing Foundation to honor individuals who have exhibited an outstanding commitment to affordable housing.

A native of Charlotte, North Carolina, Mr. Hood holds a bachelor's degree in business, communications, and political science from the University of North Carolina at Chapel Hill.

Senior Staff Reporting to the NCUA Chairman or Board

- Catherine D. Galicia
  Chief of Staff
- Sarah Bang
  Senior Advisor to Vice Chairman Hauptman
- H. Lenwood Brooks, V
  Senior Advisor to Board Member Hood
- Larry Fazio
  Executive Director
- Rendell L. Jones
  Deputy Executive Director
- Frank Kressman
  General Counsel
- James Hagen
  Inspector General
- Elizabeth Fischmann
  Chief Ethics Counsel
- Miguel Polanco
  Director, Office of Minority and Women Inclusion
- Elizabeth A. Eurgubian
  Director, Office of External Affairs and Communications
- Samuel J. Schumach
  Deputy Director, Office of External Affairs and Communications

NCUA Offices and Regions

Elizabeth A. Eurgubian
Director of External Affairs and Communications

The **Office of External Affairs & Communications** handles public relations, including communications with the media and trade associations, and serves as NCUA's liaison with Capitol Hill and other government agencies, and monitoring federal legislative issues. The office also manages the NCUA's social and digital media platforms, including NCUA.gov and MyCreditUnion.gov. Additionally, the office manages the agency's Section 508 compliance efforts. The Director of the Office of External Affairs & Communications reports directly to the NCUA Chairman.

Miguel Polanco
Director, Office of Minority and Women Inclusion

The **Office of Minority and Women Inclusion** oversees issues related to diversity in the agency's management, employment, and business activities. The office works to ensure equal opportunities for everyone in NCUA's workforce, programs, and contracts. The office also assesses the diversity policies and practices of credit unions regulated by the NCUA. The Director of the Office of Minority and Women Inclusion reports directly to the NCUA Chairman in compliance with section 342 of the Dodd Frank Wall Street Reform and Consumer Protection Act of 2010.

Larry Fazio
Executive Director

The **Office of the Executive Director** is responsible for the agency's daily operations. The executive director reports directly to the NCUA Chairman. All regional directors and most central office directors report to the executive director.

Frank Kressman
General Counsel

The **Office of General Counsel** addresses legal matters affecting NCUA. The duties of the office include representing the agency in litigation, executing administrative actions, interpreting the Federal Credit Union Act and NCUA rules and regulations, processing Freedom of Information Act requests and advising the Board and the agency on general legal matters, and maintaining the agency's records management program. The General

Counsel's office also drafts regulations designed to ensure the safety and soundness of credit unions.


James Hagen
Inspector General

The **Office of Inspector General** promotes the economy, efficiency, and effectiveness of NCUA programs and operations. The office also detects and deters fraud, waste, and abuse in support of NCUA's mission of monitoring and promoting safe and sound federally insured credit unions. Additionally, it conducts independent audits, investigations and other activities and keeps the NCUA Board and Congress fully informed.


Elizabeth Fischmann
Chief Ethics Counsel

The **Office of Ethics Counsel** certifies the agency's compliance with relevant federal ethics laws and regulations, promotes accountability and ethical conduct, and helps ensure the success of the NCUA's ethics programs, including programs designed to prevent harassment and misconduct in the workplace.


Shameka Sutton
Acting Ombudsman

The **Ombudsman** provides consumer complainants with an objective third party to resolve disputes that cannot be resolved through the NCUA Consumer Assistance Center. The Ombudsman reports to the NCUA Board and is independent from the agency's operational programs.

Anthony N. Cappetta
President, Central Liquidity Facility

The **Central Liquidity Facility** is an NCUA-operated, mixed-ownership government corporation that was created to improve the general financial stability of credit unions by serving as a liquidity lender to credit unions experiencing unusual or unexpected liquidity shortfalls. Member credit unions own the CLF, which exists within the NCUA. The CLF's President manages the facility under the oversight of the NCUA Board.

Kelly Lay
Director, Office of Examination and Insurance

The **Office of Examination and Insurance** is responsible for NCUA's supervision programs that ensure the safety and soundness of federally insured credit unions. Within the Office of Examination and Insurance, the Division of Supervision oversees NCUA's examination and supervision program, including resource management and allocation, and oversees the development and maintenance of exam and supervision policy manuals. The Division of Risk Management oversees the agency's problem resolution program and manages risk to the National Credit Union Share Insurance Fund. The Division of Analytics and Surveillance manages the agency's data gathering, surveillance and national risk assessment programs. It also supports NCUA's supervision of technology risk in credit unions. The Division of Capital and Credit Markets evaluates and develops policies and procedures related to credit union loans and investments and asset-liability management. The division also oversees the day-to-day operations of the Central Liquidity Facility.

Andrew Leventis
Chief Economist

The **Office of the Chief Economist** supports NCUA's safety and soundness goals by developing and distributing economic intelligence. The office also enhances NCUA's understanding of emerging microeconomic and macroeconomic risks by producing modeling and risk identification tools and participating in agency and interagency policy development.

Eugene H. Schied
Chief Financial Officer

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

Robert Foster
Chief Information Officer

The **Office of the Chief Information Officer** manages NCUA's automated information resources. The office's work includes collecting, validating and securely storing electronic agency information; developing, implementing and maintaining computer hardware, software, and data communications infrastructure; and ensuring related security and integrity risks are recognized and controlled.

Towanda Brooks
Chief Human Capital Officer

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

Mathew J. Billouris
Director, Office of Consumer Financial Protection

The **Office of Consumer Financial Protection** is responsible for the agency's consumer financial protection program. Within the office, the Division of Consumer Affairs is responsible for NCUA's Consumer Assistance Center, which handles consumer inquiries and complaints. The Division of Consumer Compliance Policy and Outreach is responsible for consumer financial protection compliance policy and rulemaking, fair lending examinations, interagency coordination on consumer financial protection compliance matters, and outreach.

Martha Ninichuk
Director, Office of Credit Union Resources and Expansion

The **Office of Credit Union Resources and Expansion** is responsible for chartering and field-of-membership matters, low-income designations, charter conversions, and bylaw amendments. The office also provides online training to credit union board members, management and staff, and technical assistance through grants and loans funded by the Community Development Revolving Loan Fund. Additionally, the office is responsible for the agency's minority depository institutions preservation program.

Kelly Gibbs
Director, Office of Continuity and Security Management.

The **Office of Continuity and Security Management** evaluates and manages security and continuity programs across NCUA and its regional offices. The office is responsible for continuity of operations, emergency planning and response, critical infrastructure and resource protection, cybersecurity and intelligence threat warning, and the security of agency personnel and facilities.

Amber Gravius
Director, Office of Business Innovation and Chief Data Officer

The **Office of Business Innovation** is responsible for the NCUA's information technology modernization and business-process optimization efforts, as well as information security support, data management, and data governance for the agency.

Field Program Offices

Scott Hunt
Director, Office of National Examinations and Supervision

The **Office of National Examinations and Supervision** supervises the corporate credit union system and consumer credit unions with $10 billion or more in assets.

John Kutchey
Director, Eastern Region

The NCUA's **Eastern Region** is headquartered in Alexandria, Virginia. The region covers Delaware, the District of Columbia, Maryland, New Jersey, Ohio, Pennsylvania, Virginia, West Virginia, Connecticut, Maine, Massachusetts, Michigan, New Hampshire, New York, Rhode Island, and Vermont.

Cory Phariss
President, Asset Management Assistance Center

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

Keith Morton
Director, Southern Region

The NCUA's **Southern Region** is headquartered in Austin, Texas. The region covers Texas, Oklahoma, Alabama, Arkansas, Florida, Georgia, Indiana, Kentucky, Louisiana, Mississippi, North Carolina, Puerto Rico, South Carolina, Tennessee, and the U.S. Virgin Islands.

Cherie Freed
Director, Western Region

The NCUA's **Western Region** is headquartered in Tempe, Arizona. The region covers Colorado, Illinois, Iowa, Kansas, Minnesota, Missouri, Montana, Nebraska, New Mexico, North Dakota, South Dakota, Wyoming, Alaska, Arizona, California, Guam, Hawaii, Idaho, Nevada, Oregon, Utah, Washington, and Wisconsin.

Key Terms and List of Acronyms

ACCESS or Advancing Communities through Credit, Education, Stability and Support: NCUA's initiative to foster greater financial inclusion, accessibility, and opportunity for all Americans by:

- Expanding access to credit to give more Americans the opportunity to build businesses, afford higher education, achieve the dream of homeownership, and create strong, vibrant communities.
- Expanding access to financial literacy education to help consumers start on the right path financially and make smart financial decisions that improve their financial well-being.
- Ensuring financial stability to allow credit unions that serve minority and underserved areas to thrive and meet the evolving financial needs of their members and by extension, their communities.
- Supporting new employment opportunities for minorities, women, the disabled, and the underserved to allow these individuals to join the financial mainstream and benefit from greater economic opportunity.

ACET: Automated Cybersecurity Examination Tool

AI: Artificial intelligence

AIRES or Automated Integrated Regulatory Examination System: This is the computer program that the NCUA and nearly all state supervisory authorities use to document and complete their examinations of federal and state-chartered credit unions. The program uses a series of workbooks and questionnaires to guide examiners through their reviews of credit unions' financial performance, compliance with regulations and relevant laws, and potential risks.

AMAC: Asset Management and Assistance Center

AME: Asset Management Estate

ASC: Accounting Standards Codification

ASU: Accounting Standards Update

Auto Loans: Loans made by credit unions for which the recipient uses to purchase a vehicle.

BSA/AML: Bank Secrecy Act and Anti-Money Laundering

Call Report: A Call Report is a report that must be filed by credit unions with the NCUA on a quarterly basis. The NCUA uses the Call Report and Profile to collect financial and nonfinancial information from federally insured credit unions. The resulting data are integral to risk supervision at institution and industry levels, which is central to safeguarding the integrity of the Share Insurance Fund.

CAMELS Rating: NCUA's composite CAMELS rating consists of an assessment of a credit union's **C**apital adequacy, **A**sset quality, **M**anagement, **E**arnings, **L**iquidity risk, and **S**ensitivity to market risk.. The CAMELS rating system is designed to take into account and reflect all significant financial, operational and management factors field staff assess in their evaluation of credit unions' performance and risk profiles.

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

CARES Act: The Coronavirus Aid, Relief and Economic Security Act

CBA: Collective bargaining agreement

CCU or Corporate Credit Union: These are member-owned and controlled, not-for-profit cooperative financial institutions that act as "credit unions for credit unions" and provide a number of critical financial services to credit unions, such as payment processing. Most federally insured credit unions are members of at least one corporate credit union.

CCULR: Complex Credit Union Leverage Ratio

CECL: Current expected credit losses

CDFI: Community Development Financial Institutions

CDRLF or Community Development Revolving Loan Fund: Congress created this fund in 1979 to stimulate economic development in low-income communities. Congress provides funding for the CDRLF through the yearly appropriations process.

NCUA administers the fund and uses it to provide eligible low-income credit unions with technical assistance grants and low-interest loans. Credit unions use these funds to develop new products and services, train staff, and weather disasters or disruptions in their operations. This support helps these credit unions continue to serve low- to moderate-income populations throughout the country.

C.F.R.: Code of Federal Regulations

CLF or Central Liquidity Facility: This is a mixed-ownership government corporation that serves as an important source for emergency funding for credit unions and corporate credit unions that join the facility. Membership is voluntary and open to all credit unions that purchase a prescribed amount of stock. The NCUA Board has direct oversight of the fund's operations.

In situations where a credit union may be experiencing a shortage of liquidity (essentially a shortage of cash or assets that can be easily converted into cash), a credit union can borrow funds from the Central Liquidity Facility for a period not to exceed one year, though the typical period is 90 days.

Consumer Credit Union: See natural person credit union.

CSRP or Corporate System Resolution Program: A multi-stage plan for stabilizing the corporate credit union system, providing short-term and long-term funding to resolve a portfolio of residential mortgage-backed securities, commercial mortgage-backed securities, and other asset-backed securities and corporate bonds (collectively referred to as the Legacy Assets) held by the failed corporate credit unions, and establishing a new regulatory framework for corporate credit unions.

CSRS: Civil Service Retirement System

CUMAA: Credit Union Membership Access Act of 1998, Public Law 105–219

CURE: NCUA Office of Credit Union Resources & Expansion

CUSO or Credit Union Service Organization: These are corporate entities owned by federally chartered or federally insured, state-chartered credit unions. These institutions provide a number of services to credit unions, including loan underwriting, payment services and back-office functions like human resources and payroll, among others.

DATA Act: The Digital Accountability and Transparency Act

DEI: Diversity, Equity and Inclusion

DEIA: Diversity, Equity, Inclusion, and Accessibility

Delinquency Rate: The percentage of loans for which one or more payments is late.

DCS: Data Collection & Sharing

DEXA: Data Exchange Application

DOL: U.S. Department of Labor

DRS: Enterprise Data Reporting Solution

E&I: NCUA Office of Examination and Insurance

ECDR: Enterprise Central Data Repository

ESC: U.S Department of Transportation's Enterprise Services Center

Equity Ratio: A comparison of contributed capital and total insurance shares in all insured credit unions. NCUA calculates this for the Share Insurance Fund by dividing contributed capital deposit plus cumulative results of operations, excluding net cumulative unrealized gains and losses on investments, by the aggregate amount of insured shares in all federally insured credit unions.

ESM: Enterprise Solution Modernization

ERM: Enterprise Risk Management

ERMC: Enterprise Risk Management Council

ESS: Examination & Supervision Solution

ESS&IH: Examination and Supervision Solution and Infrastructure Hosting

FASAB: Federal Accounting Standards Advisory Board

FASB: Financial Accounting Standards Board

FBIIC: Financial and Banking Information Infrastructure Committee

FBWT: Fund Balance with Treasury

FCU: Federal Credit Union

FDIC: The Federal Deposit Insurance Corporation

FECA: Federal Employees' Compensation Act

Federal Credit Union Act: Signed into law in 1934, the Federal Credit Union Act establishes the legal framework for federally chartered credit unions in the U.S. The act also defines the coverage and terms of federal share insurance at all federally insured credit unions, and it outlines the structure, duties and authority of the NCUA.

FERS: Federal Employees Retirement System

FEVS: Federal Employee Viewpoint Survey

FFB: Federal Financing Bank

FFIEC: Federal Financial Institutions Examination Council

Field of Membership: A credit union's field of membership defines who is eligible to join the credit union. Depending on the credit union's charter, a field of membership can include individuals who:

- Are members of an association like a civic association or religious institution;
- Are part of a community, like a county or town;
- Are employed in a particular occupation, like a firefighter or teacher;
- Are a part of an underserved area, like a rural county; or
- Who share a common bond, such as those that work at a factory and those that work for the factory's suppliers.

FIRREA: Financial Institutions Reform, Recovery, and Enforcement Act

FISCU: Federally Insured, State-chartered Credit Union

FISMA: Federal Information Security Management Act, Public Law 107-347

FMFIA: Federal Managers' Financial Integrity Act of 1982, Public Law 97–255

FOMC: The Federal Open Market Committee

FSOC: The Financial Stability Oversight Council

GAAP: U.S. generally accepted accounting principles

GAAS: U.S. generally accepted auditing standards

GAO: U.S. Government Accountability Office

HHS: U.S Department of Health and Human Services

InTREx-CU or Information Technology Risk Examination for Credit Unions: Enhanced, risk-based approach for conducting IT examinations. InTREx-CU aligns the IT and cybersecurity examination procedures shared by the Federal Deposit Insurance Corporation, the Federal Reserve System, and some state financial regulators to ensure consistent approaches are applied to community financial institutions.

IPERA: The Improper Payments Elimination and Recovery Act of 2010, Public Law 111-204

IPERIA: The Improper Payments Elimination and Recovery Improvement Act of 2012, Public Law 112-248

IPIA: The Improper Payments Information Act of 2002, Public Law 107-300

IUS: Internal Use Software

KPMG: KPMG LLP

LIBOR: London Interbank Offered Rate

LICU or Low-income Designated Credit Union: The Federal Credit Union Act allows the NCUA to designate a credit union as low-income if it meets certain criteria. This designation gives these credit unions a greater ability to help stimulate economic growth and provide affordable financial services in communities that have been historically underserved.

To qualify as a low-income credit union, a majority of a credit union's membership must meet certain low-income thresholds based on data from the U.S. Census Bureau.

The designation offers several benefits for credit unions that qualify, including the ability to accept non-member deposits, an exemption from the member business lending cap, eligibility for technical assistance grants and loans, and the ability to obtain supplemental capital from organizations, such as banks or outside investors.

Loan-to-Share Ratio: A comparison of the total amount of outstanding loans by the total amount of share deposits. This is a measure of liquidity.

MDI or Minority Depository Institution: This term is used to describe a credit union that has a majority of its current or potential membership composed of minorities (in this case Black American, Hispanic American, Asian American, Native American or Multi-cultural) and a majority of minority members on its board of directors.

Member: A person who uses a credit union is referred to as a member rather than a customer. This is because a credit union member actually owns a portion, or share, of their credit union. This differs from a bank, which is owned by its shareholders, not its customers. A credit union member also has the ability to determine the credit union's board of directors through a democratic election.

MERIT or Modern Examination and Risk Identification Tool: This is a new examination platform that replaced AIRES. Through MERIT, credit unions will be able to securely exchange documents with examiners.

Mortgage/Real Estate: Loans that are secured by a mortgage, deed of trust, or similar lien on real estate.

MSA: Mortgage Servicing Assets

NCUA: National Credit Union Administration

NCUSIF or The National Credit Union Share Insurance Fund: This fund provides deposit insurance for member accounts at all credit unions that are federally insured. The Share Insurance Fund is funded by premiums paid by credit unions, which is one percent of the shares or deposits at credit unions. It is backed by the full faith and credit of the United States.

The Share Insurance Fund insures individual accounts up to $250,000, and a member's interest in all joint accounts combined is insured up to $250,000. The fund separately protects IRA and KEOGH retirement accounts up to $250,000.

Net Worth Ratio: A comparison of retained earnings and total assets, which measures the financial strength of the industry or an individual credit union.

NGN: NCUA Guaranteed Notes

NPCU or Natural-Person Credit Union: More commonly known as consumer credit unions, natural-person credit unions provide financial services primarily to individual people, as opposed to corporate credit unions which provide financial services to natural-person credit unions.

NOL or Normal Operating Level: The Share Insurance Fund's normal operating level is the desired equity level for the Share Insurance Fund that is set by the NCUA Board. The Federal Credit Union Act allows the NCUA Board to set the normal operating level between 1.20 percent and 1.50 percent. If the equity ratio of the Share Insurance Fund is above normal operating level at the end of the calendar year, a dividend is triggered and paid to federally insured credit unions. The normal operating level set by the NCUA Board in December 2021 is 1.33 percent.

NTEU: National Treasury Employees Union

OBI: Office of Business Innovation

OCIO: Office of the Chief Information Officer

OCSM: Office of Continuity and Security Management

OEAC: Office of External Affairs & Communications

OF: Operating Fund

OIG: Office of the Inspector General

OMB: Office of Management and Budget

OMWI: Office of Minority and Women Inclusion

ONES: Office of National Examinations and Supervision

OPM: U.S. Office of Personnel Management

OTR: Overhead transfer rate

OTTI: Other-than temporary impairment

PAVE or Property Appraisal and Valuation Equity Task Force: An interagency initiative to address inequities in home appraisals

PIIA: Payment Integrity Information Act

Return on Average Assets: A comparison of net income and average total assets; a measure of how much income credit unions are able to generate from each dollar's worth of a credit union's assets.

Safety and Soundness: Federal and state supervision of credit unions is designed to provide for a financially stable system that meets the financial needs of credit union members, as well as to prevent runs and panics by providing assurances that funds deposited will be protected from loss. A credit union is considered to be safe and sound if it is being run effectively and is compliant with all applicable laws and regulations.

SFFAS: Statement of Federal Financial Accounting Standards

Share Insurance Fund Equity Ratio: The equity ratio approximates the overall heath and financial position of the Share Insurance Fund.

The equity ratio is calculated as the ratio and consists of the contributed 1-percent deposit that all federally insured credit unions must make, plus the cumulative results of operations, excluding net cumulative unrealized gains and losses on the fund's investments, divided by the aggregate amount of the insured shares in all federally insured credit unions.

By law, the equity ratio of the Share Insurance Fund cannot decline below 1.20 percent. When the NCUA Board projects that the equity ratio will fall below 1.20 percent within six months, the NCUA Board must establish and implement a restoration plan to rebuild the equity ratio, which may include a premium assessment to each insured credit union.

TCCUSF or Temporary Corporate Credit Union Stabilization Fund: Created by Congress, the Stabilization Fund assumed the losses associated with the failure of five corporate credit unions — U.S. Central, WesCorp, Members United, Southwest and Constitution — in 2010. This fund has allowed the credit union system to absorb these losses over time. The Stabilization Fund closed on October 1, 2017. As required by statute, the Stabilization Fund's remaining funds, property, and other assets were distributed to the Share Insurance Fund. Through the distribution, the Share Insurance Fund assumed the assets and obligations of the Stabilization Fund, including the NCUA Guaranteed Notes (NGN) Program.

the "Fund": National Credit Union Administration Operating Fund

Unsecured Credit Cards: Loans held as unsecured credit card loans.

List of Hyperlinks to Additional Information by Report Section

Industry At A Glance

- NCUA Call Report Data
  https://www.ncua.gov/analysis/credit-union-corporate-call-report-data/quarterly-data

About this Report

- NCUA Annual Reports
  https://www.ncua.gov/news/annual-reports

Message from the Chairman

- NCUA, Truth in Mergers: A Guide for Merging Credit Unions, May 2014
  https://www.ncua.gov/files/publications/Truth-In-Mergers.pdf

About the Management's Discussion and Analysis

- NCUA Annual Reports
  https://www.ncua.gov/files/annual-reports/annual-report-2022.pdf

NCUA in Brief

- *2022–2026 Strategic Plan*
  https://ncua.gov/files/agenda-items/strategic-plan-20220317.pdf

- NCUA Historical Timeline
  https://ncua.gov/about/historical-timeline

- NCUA History, YouTube
  https://www.youtube.com/watch?v=Q7uBLWseqq4

Year in Review

- *2022–2026 Strategic Plan*
  https://ncua.gov/files/agenda-items/strategic-plan-20220317.pdf

- Letter to Credit Unions, 22-CU-02, "NCUA's 2022 Supervisory Priorities"
  https://www.ncua.gov/regulation-supervision/letters-credit-unions-other-guidance/ncuas-2022-supervisory-priorities

- NCUA Fair Lending Compliance Program For Federal Credit Unions FAQ
  https://www.ncua.gov/regulation-supervision/regulatory-compliance-resources/consumer-compliance-regulatory-resources/fair-lending-compliance-resources/faq

- Press Release, March 26, 2021, "Edinburg Teachers Credit Union Conserved"
  https://www.ncua.gov/newsroom/press-release/2021/edinburg-teachers-credit-union-conserved

- Press Release, December 12, 2022, "Richmond City Employees Federal Credit Union Conserved"
  https://www.ncua.gov/newsroom/press-release/2022/richmond-city-employees-federal-credit-union-conserved

- Letter to Credit Unions, SL No. 22-01, "Updates to Interest Rate Risk Supervisory Framework"
  https://ncua.gov/regulation-supervision/letters-credit-unions-other-guidance/updates-interest-rate-risk-supervisory-framework-0

- NCUA's consumer website, MyCreditUnion.gov
  www.mycreditunion.gov

- NCUA Consumer Assistance Center
  https://www.mycreditunion.gov/consumer-assistance-center/Pages/default.aspx

- Letter to Credit Unions, 22-CU-07, "Federally Insured Credit Union Use of Distributed Ledger Technologies"
  https://ncua.gov/regulation-supervision/letters-credit-unions-other-guidance/federally-insured-credit-union-use-distributed-ledger-technologies

- NCUA's Proposed, Pending and Recently Final Regulations
  https://www.ncua.gov/regulation-supervision/rules-regulations/proposed-pending-recently-final-regulations

- Property Appraisal and Valuation Equity (PAVE) Action Plan
  https://pave.hud.gov/sites/pave.hud.gov/files/documents/PAVEActionPlan.pdf

- PAVE Website
  https://pave.hud.gov/

- Press Release, August 4, 2022, "NCUA Charters WeDevelopment Federal Credit Union"
  https://www.ncua.gov/newsroom/press-release/2022/ncua-charters-wedevelopment-federal-credit-union

- Press Release, September 20, 2022, "NCUA Charters People Trust Community Federal Credit Union"
  https://www.ncua.gov/newsroom/press-release/2022/ncua-charters-people-trust-community-federal-credit-union

- Press Release, November 10, 2022, "NCUA Charters New York Episcopal Federal Credit Union"
  https://www.ncua.gov/newsroom/press-release/2022/ncua-charters-new-york-episcopal-federal-credit-union

- Press Release, November 28, 2022, "NCUA Charters The Morning Star Federal Credit Union"
  https://www.ncua.gov/newsroom/press-release/2022/ncua-charters-morning-star-federal-credit-union

- 2018-2022 Diversity and Inclusion Strategic Plan
  https://www.ncua.gov/files/publications/reports/diversity-inclusion-strategic-plan-2018-2022.pdf

- Enterprise Solution Modernization Program
  https://www.ncua.gov/regulation-supervision/examination-modernization-initiatives/enterprise-solution-modernization-program

- NCUA Risk Appetite Statement
  https://www.ncua.gov/files/agenda-items/risk-appetite-statement-20221020.pdf

- Federal Register Notice, The NCUA Staff Draft 2023-2024 Budget Justification, October 5, 2022
  https://www.regulations.gov/document/NCUA-2022-0145-0001

- 2023-2024 Budget Justification: Staff Draft, September 29, 2022
  https://ncua.gov/files/publications/budget/budget-justification-proposed-2023-2024.pdf

Looking Forward

- The Financial Stability Oversight Council's 2022 Annual Report
  https://home.treasury.gov/system/files/261/FSOC2022AnnualReport.pdf

- Federal Reserve Board Summary of Economic Projections, December 2022
  https://www.federalreserve.gov/monetarypolicy/files/fomcprojtabl20221214.pdf

Performance Highlights

- 2022–2026 Strategic Plan
  https://ncua.gov/files/agenda-items/strategic-plan-20220317.pdf

Financial Highlights

- NCUA Mid-session Presentation to the NCUA Board
  https://ncua.gov/files/agenda-items/mid-session-budget-review-20220721.pdf

Management Assurances and Compliance

- Section 901(b) of title 31 of the United States Code
  https://www.govinfo.gov/content/pkg/USCODE-2011-title31/pdf/USCODE-2011-title31-subtitleI-chap9-sec901.pdf

- USASpending.gov
  https://www.usaspending.gov/

- Office of Inspector General Reports
  https://www.ncua.gov/About/Pages/inspector-general/reports.aspx

Performance Results

- 2022–2026 Strategic Plan
  https://ncua.gov/files/agenda-items/strategic-plan-20220317.pdf

- 2022 Annual Performance Plan
https://www.ncua.gov/files/agenda-items/annual-performance-plan-20220317.pdf

- NCUA Risk Appetite Statement
https://www.ncua.gov/files/agenda-items/risk-appetite-statement-20221020.pdf

- Final Rule, Parts 700, 701, 702, 708a, 708b, 750, and 790, Asset Threshold for Determining the Appropriate Supervisory Office, The Federal Register, July 21, 2022
https://ncua.gov/files/agenda-items/asset-threshold-final-rule-20220721.pdf

- NCUA Capital Planning and Stress Testing Resources
https://ncua.gov/regulation-supervision/regulatory-compliance-resources/capital-planning-stress-testing-resources

- Letter to Credit Unions, 22-CU-11, "NCUA to Begin Phase 3 of Resuming Onsite Operations"
https://www.ncua.gov/regulation-supervision/letters-credit-unions-other-guidance/ncua-begin-phase-3-resuming-onsite-operations

- NCUA Minority Depository Institution Preservation
https://ncua.gov/support-services/credit-union-resources-expansion/resources/minority-depository-institution-preservation

Payment Integrity

- Paymentaccuracy.gov
https://www.paymentaccuracy.gov/

Civil Monetary Penalty Adjustment for Inflation

- Final Rule, Part 747, Civil Monetary Penalty Inflation Adjustment, The Federal Register, January 10, 2023
https://www.ecfr.gov/current/title-12/chapter-VII/subchapter-A/part-747/subpart-K/section-747.1001

Statistical Data

- NCUA Credit Union Analysis
https://www.ncua.gov/analysis

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Office of the Chief Financial Officer:	(703) 518-6570	ocfomail@ncua.gov
General Counsel Fraud Hotline:	(800) 827-9650	ogcmail@ncua.gov
Credit Union Investments:	(800) 755-5999	ocmpmail@ncua.gov
NCUA Consumer Assistance Center:	(800) 755-1030	https://www.mycreditunion.gov/consumer-assistance-center
Office of Credit Union Resources and Expansion	(703) 518-6610	curemail@ncua.gov
Report Improper or Illegal Activities:	(800) 778-4806	oigmail@ncua.gov
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