NCUA

Serves

2003 Annual Report

National Credit Union Administration

financial highlights 2003

NCUA Operating Fund	
Operating fee revenue	$ 58.0 million
Other income	.5 million
Total revenue	58.5 million
Expense budget	146.1 million
Actual expenses	134.1 million
Expenses transferred to Share Insurance Fund	83.2 million
Operating Fund expenses	51.0 million
Net income	7.5 million
Fund balance	17.2 million
National Credit Union Share Insurance Fund	
Total revenue	$ 151.9 million
Operating expenses	85.0 million
Insurance loss expense	38.0 million
Net income	28.9 million
Reserve for losses	76.7 million
Fund balance	6.1 billion
Equity ratio (fund balance as percentage of insured deposits)	1.27 percent
Central Liquidity Facility	
Net income before dividends	$ 14.7 million
Dividends	14.7 million
Total assets	1.24 billion
Retained earnings	11.4 million
Capital stock	1.22 billion
Federally Insured Credit Unions	
Number of credit unions	9,369
Total assets	$ 610.2 billion
Total insured shares	477.5 billion
Total loans	376.1 billion
Net worth to assets	10.7 percent
Share growth	9.1 percent
Ratio of loans to shares	71.2 percent
Delinquency ratio	0.80 percent
Net income (before reserve transfers)	0.99 percent

ncua's mission

Formed to serve and protect

NCUA's mission is to foster the safety and soundness of federally insured credit unions and to better enable the credit union community to extend credit for productive and provident purposes to all Americans, particularly those of modest means.

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

contents

The National Credit Union Administration (NCUA) is the independent federal agency that charters, supervises and insures the nation's federal credit unions, and it insures many state-chartered credit unions. NCUA is funded by the credit unions it supervises and insures.

The 2003 NCUA Annual Report is this agency's official report to the President and the Congress of the United States. The report includes the financial statements of the NCUA Operating Fund, the National Credit Union Share Insurance Fund and the Central Liquidity Facility.

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Board Member Deborah Matz

Chairman Dennis Dollar

Vice Chair JoAnn M. Johnson

board statement

Credit union performance excels

Representing one of the strongest records of financial performance in their history, in 2003 America's credit unions again demonstrated their long-standing commitment to both member service and safety and soundness. The National Credit Union Administration's ongoing efforts to foster a regulatory environment that not only emphasizes safety and soundness as its first priority but also encourages innovation and empowerment are reflected in the strong performance recorded by credit unions over the past year.

During 2003, credit union assets and shares grew to $610 billion and $528 billion respectively, with net worth remaining a strong 10.72 percent. The number of federally insured credit union members nationwide grew to over 82 million and the loan-to-share ratio stood at 71.19 percent at yearend clearly demonstrating that credit unions are growing at a sustainable rate by effectively meeting the financial needs of their members with affordable loans and services, which have long been credit union trademarks.

Last year NCUA continued its emphasis on accountability within the agency's budget process by conducting its third Annual Public Forum and Budget Briefing resulting in stakeholders having a better understanding of the agency's budget and operations. The efforts put forth in the execution of the agency's internal Accountability in Management (AIM) initiative have been successful and have resulted in a more effective, efficient federal agency. Among the notable accomplishments achieved through this initiative are a reduction of staffing levels from the all-time high 1,049 employees in 2000 to the 2004 budgeted level of 963, the reallocation of agency resources, which included closing of one regional office and relocating another at a savings of $27 million realized over the next 10 years, and improvement in the overall efficiency of the agency. These are important, ongoing internal agency initiatives that will continue to receive high priority in 2004 and beyond.

In keeping with the spirit and statutory requirements set forth in the *Credit Union Membership Access Act of 1998*, the Board took appropriate steps in 2003 to update the agency's chartering and field of membership (FOM) rules and provide federal credit unions with appropriate FOM options necessary for risk diversification to maintain safety and soundness in today's rapidly changing financial marketplace. Also in 2003, the Board revised the agency's member business lending rule to enhance risk diversification as well as provide for the extension of more entrepreneurial capital for credit union members to start a small business or expand an existing one.

The approval of these initiatives among others, which includes implementation of a risk-focused examination program, modernization of corporate credit union regulations and updated investment regulations for federal credit unions, has helped the agency transform from a regulatory approach of "one size fits all" to one that is more appropriately risk-based. Such an approach serves to strengthen NCUA's safety and soundness program, even as it provides a regulatory framework offering greater earned empowerment opportunities for well-managed credit unions with strong financial performance as they continue to serve their members in a dynamic marketplace.

Looking ahead to 2004, NCUA will seek to build upon last year's impressive record of success in reaching out to millions of underserved Americans who, without access to credit union services, all too often may find themselves dependent on higher-cost lenders. Toward this end, our Access Across America initiative, designed to focus appropriate agency resources on building economic empowerment for people from all walks of life, has proven to be very successful in extending access to credit union service to those who need it most.

Last year, 170 federal credit unions voluntarily took advantage of streamlined NCUA procedures by adopting into their fields of membership over 25.1 million potential new members living in 269 underserved areas . The credit unions established both a physical presence and an approved written plan to serve their communities and neighborhoods. These federal credit unions demonstrated a sense of purpose as they provided access to lower-cost credit union services to many underserved Americans. Their efforts have resulted in a record-setting 64.7 million Americans residing in 975 underserved neighborhoods made eligible to join a credit union in the three years the Access Across America initiative has been in place. The success of this initiative is clearly illustrated in the 92.6 percent higher membership growth rate among credit unions adopting underserved areas than the credit union industry as a whole. Just three years ago, the option to join a credit union as an alternative to patronizing pawn shops and rent-to-own outlets proliferating their communities did not exist for many residents of these 975 underserved communities.

Now, with the agency's facilitation through its Access Across America initiative coupled with the best practices emphasis through its component Partnering and Leadership Successes (PALS) program, extending credit unions into these underserved communities remains a priority for NCUA. Building on past successes and embracing future opportunities, such as NCUA's representation on the Financial Literacy and Education Commission newly created by Congress to promote financial education and improve the financial literacy of all Americans, NCUA will continue to partner with credit unions and other governmental agencies in identifying additional ways to extend greater access to affordable financial services for more underserved Americans.

As we move forward, NCUA remains steadfast in providing first and foremost a safe and sound regulatory environment, one that recognizes the opportunities ahead for a growing and productive future for America's credit unions.

Partnering
And
Leadership
Successes

administration

NCUA serves to ensure credit union stability and member confidence

2003 was an outstanding year for NCUA and federally insured credit unions. Credit unions continued to successfully respond to an evolving financial services marketplace by solidifying an already strong capital base and adding innovative services to meet the increased number, needs and expectations of members. In part, this was due to a flexible regulatory environment that encourages innovation beneficial to members and includes a framework for expanding available credit union service to larger segments of Americans, particularly those with inadequate access to low-cost financial services.

Without member confidence, credit union growth and financial stability can be seriously undermined. NCUA's primary role as the overseer of safety and soundness for federal credit unions is critically important to a vibrant, prosperous credit union system. To fulfill these responsibilities, it is imperative NCUA engage a comprehensive strategic vision, adapt to the evolving financial marketplace, be cost conscious, accomplish its mission and quickly respond to unforeseen contingencies. It is also essential that NCUA recruit, train and retain the highest caliber staff. It is with this focus that management and staff at NCUA address day-to-day issues, advise the Board and prepare for the future.

Policy decisions in 2003 to realign and restructure the agency, control budget growth, implement new programs, participate with FIRREA agencies in addressing issues confronting all financial institutions, increase staff training and take advantage of new technologies all demonstrate NCUA's flexible environment. Staff remains dedicated to the priorities of improving service, maintaining the financial security of credit unions and seeking new and innovative ways to provide America's credit union members with unencumbered financial services that meet credit and depository needs.

Cost control and transparent operations are key

The 2003 budget was $887,500 less than the approved 2002 budget. The approved 2004 budget, which includes an average employee merit pay increase of 4.1 percent, is a modest 2.6 percent or $3.8 million increase over the approved 2003 budget. This can be attributed to a number of factors, but greater resource accountability and implementing new and improved efficiencies in a number of high cost programs, such as travel, have helped to control overall costs. Significantly, NCUA continued to lower its overall staffing in 2003 to its lowest authorized level in more than a decade. This was due in large measure to finalizing the agency restructuring and realignment.

NCUA also remains committed to increased transparency in operating the agency. This is accomplished on a daily basis in addition to implementing two major initiatives.

First, in November 2003 the NCUA Board overhauled its method of calculating and assessing the overhead transfer rate. Calculated annually, the new method is more comprehensive. The formula has been expanded to take more factors into account, providing greater equity and accuracy in calculating and allocating costs. The additional factors include:

- The value to the NCUSIF of insurance-related work performed by state supervisory authorities.
- The cost of NCUA resources and programs based on different allocation factors from the examination and supervision program.
- The distribution of insured shares between federal credit unions and federally insured state-chartered credit unions.
- Operational costs charged directly to the NCUSIF.

Second, the NCUA Board held its third public budget briefing and encouraged public attendance and comment. This open budget process serves to underscore NCUA's continued recognition of the responsibility to share all material budgetary considerations with agency stakeholders.

Staff development and regional realignment add value

In the 2004 budget, NCUA carefully projected budget and staffing resources necessary to support the risk-focused examination and the extended examination cycle. The agency continues to develop staff expertise within its subject matter expert program. In 2003, the regions were restructured and realigned to close the Region IV office in Chicago, Ill., and relocate the Region VI office from Concord, Calif., to Tempe, Ariz. While the restructure and realignment had minimal impact on staff, it decreased costs and increased NCUA's ability to address new challenges.

The agency continues to exercise flexibility to easily shift resources to new priorities and unexpected events and to meet the ever increasing workload demand. This results from strong leadership and the professionalism, hard work, dedication and loyalty of the NCUA staff.

Future vision

The future holds challenges and opportunities for credit unions and NCUA, many unforeseeable. To prepare to meet the expected and unexpected, NCUA remains committed to a regulatory approach that encourages credit union innovation and competitiveness in an evolving financial marketplace. The risk-focused examination will continuously improve through feedback from NCUA stakeholders and new specialized training for examiners. NCUA will continue a budget process that emphasizes open communication with stakeholders, controls budget growth, identifies efficiencies and provides sufficient resources and staffing for a new regulatory environment. Additionally, NCUA will continue to work in full partnership with state regulators to ensure that all federally insured credit unions remain safe and sound.

supervision

Risk-focused examination program enhancements underway

The risk-focused examination program evaluates management's ability to identify, measure, monitor and control exposure in seven key risk areas: (1) compliance; (2) credit; (3) interest rate; (4) liquidity; (5) transaction; (6) reputation and (7) strategy. The program focuses on prospectively managing risk and uses a continuous supervision model to allocate resources to credit unions and areas exhibiting weaknesses or adverse trends. Many facets of the risk-focused program were completed over the course of the last several years. In 2003, NCUA continued to enhance the program.

The first phase of the program began in 2001 with implementation of the risk-based examination schedule. In 2002, all credit unions began filing call reports quarterly, the new risk-focused examination procedures were introduced and examiners participated in training and opportunities that developed their knowledge in specific areas. NCUA focused on assessing the quality of the program in 2003, developing additional tools for off-site monitoring and enhancing the training program for examiners, particularly in specialized areas.

Oversight review conducted

To ensure consistency in the application of risk-focused concepts, in 2003 NCUA performed a national review of risk-focused examination reports. Individual examination reports were reviewed from across the nation to ensure a consistent application of risk-focused concepts. This review showed an increased focus on risk exposure and concentration of resources on higher-risk areas during the examination and supervision process.

In addition, NCUA received favorable feedback from credit union surveys regarding the quality and effectiveness of the new examination process.

Training equips subject matter examiners

A final phase of this program is for staff to develop advanced knowledge in specific subject areas. With an additional focus on risk exposure, NCUA recognized the need to develop concentrated examiner knowledge in specific subjects. During 2003, concepts of understanding were developed for each subject matter area and training was provided to select principal examiners in targeted areas such as:

- Capital markets;
- Information systems;
- Specialized lending; and
- Consumer compliance.

Moving forward, subject matter examiners (SME) will continue to develop knowledge in specific areas by participating in specialized training and examination opportunities. In addition, plans exist to develop methods for measuring progress and development within subject matter areas. This measurement process will allow training opportunities to be tailored to the needs of the examiner and NCUA and better allocate appropriate resources to examinations with risk in a specific area.

Risk management includes offsite review

Another phase of the program involves monitoring credit unions off-site through 5300 data collection. During 2003, NCUA implemented several enhancements to the 5300 call report form and evaluated and assessed off-site monitoring needs identified through the risk-focused examination and supervision process. Changes to the 2004 call report will reflect revisions made to the member business loan rule and expand the investment and real estate loan schedules.

In summary, the risk-focused examination program is on target with the agency's five-year strategic plan. The program continues to be beneficial to both credit unions and NCUA. In 2004, NCUA will primarily focus on the areas of specialized training and risk management. A council has already been formed with the objective of aggressively advancing our SME training and development in specialized and risk areas. In addition, the changes planned for the 5300 call report will enhance NCUA's off-site risk assessment capabilities to further augment the risk-focused approach to examination and supervision.

Consumer compliance expands

NCUA notified credit unions, in 2003, of increased requirements in several compliance areas, such as identity theft and the *USA Patriot Act*. To address growing concerns with consumer identity theft, NCUA developed and published for comment a revised security program rule. As proposed, revised Part 748 would require credit unions' security programs to include a mechanism to respond to incidents of unauthorized access to member information. The *USA Patriot Act* is another compliance area requiring additional reporting and monitoring activities. NCUA informed credit unions and examiners of *USA Patriot Act* provisions by issuing necessary requirements and guidance through *Regulatory Alerts* and a *Letter to Credit Unions*.

During 2004, regulation compliance will continue to be a focus during examinations, with particular attention in the areas of identity theft, fair lending and *USA Patriot Act* provisions.

public affairs and legislation

Communication and legislative activities

NCUA's Office of Public and Congressional Affairs (PACA) contributed to an active, successful year serving NCUA Board Members, agency staff and the credit union community. During 2003, the Board considered and finalized major rulemakings addressing field of membership and member business lending that generated discussion in media markets across the nation. These and many other regulatory decisions emanating from monthly NCUA Board meetings set the pace for the regular PACA program of disseminating essential information through the Internet, news releases, newsletter and personal contacts to our large audience of credit union management and volunteer boards, credit union members, legislators, the press and the general public.

State legislation enacted in Utah in 2003 prompted a series of charter conversion applications being sent to NCUA for consideration, which brought the agency's role into view for reporters from regional and national newspapers and trade publications. These highly visible months for the agency and PACA focused significant attention on the merits and respective roles of state and federal charter options for credit unions.

PACA highlights NCUA programs

PACA's goal is to add value to the agency by advocating the benefits of federal regulation, supervision and the federal share insurance program. Public awareness of a respected, effective regulator contributes to the reputation of the entire industry. The public has responded over the years based on the evidence of continued increases in member share accounts after evaluating the options in an improving economy.

In an effort to aid credit unions and their members, an NCUA team developed the Share Insurance Estimator, which was added to NCUA's website in July and demonstrated at two national trade association meetings in 2003. The Estimator is an NCUA educational tool that calculates insurance coverage protection and enables credit union members to learn how to structure basic share accounts to achieve the maximum share insurance coverage.

Your savings federally insured to $100,000
NCUA
National Credit Union Administration, a U. S. Government Agency

To draw attention to federal share insurance, PACA also deployed a public service announcement program about share insurance protection for the second year, reaching 1,000 radio outlets nationally.

PACA outreach

PACA assisted the agency outreach initiatives Access Across America, PALS and the Community Development Revolving Loan Fund, all priority programs for Chairman Dollar, Vice Chair Johnson and Board Member Matz.

Highlighting the agency's national and worldwide profile, PACA hosted a number of national and international guests visiting to learn from our board members and staff about NCUA operations and regulatory procedures. In 2003, NCUA welcomed officials from Romania, Argentina, Kenya, Mexico, Japan, China and the Ukraine as well as many credit union visitors from the United States.

NCUA News, the agency newsletter, continues to inform the credit union community and Capitol Hill of the most recent NCUA Board decisions, Board member activities and other agency news with articles and pictures that make NCUA familiar to its 10,000 monthly recipients. The agency website has become increasing important as a resource for credit unions seeking information and for securing needed operational applications. Board decisions, legal opinion letters, *Letters to Credit Unions*, press releases and announcements appear first on *www.ncua.gov* and remain as reliable resources. Some 30,000 page views per month reveal how important this communication vehicle is as more credit unions, researchers, the press and the public visit the NCUA website daily.

Legislative activity

2003 was the first year in the two-year life of the 108th Congress. Legislative achievements that affect credit unions include enactment of revisions to the *Fair Credit Reporting Act*, preserving the national system of delivering credit and credit information and preserving NCUA's role for federally chartered credit unions. PACA successfully had an amendment adopted on the floor of the House of Representatives including NCUA in bankruptcy reform legislation addressing financial contract regulation. NCUA gained an additional $200,000 for the Community Development Revolving Loan Fund, bringing the total appropriation for 2004 to $1.2 million.

Appropriation legislation adopted the General Accounting Office's advice to fund Federal Trade Commission enforcement of a 1991 law requiring certain disclosures to non-federally insured credit union members.

Chairman Dollar provided both the House and Senate with NCUA Board suggestions for regulatory relief legislation, and he testified on that subject before a House Financial Services Committee Subcommittee. Subsequent legislation included five of the six NCUA recommendations.

Chairman Dollar also testified before Congress on NCUA's successful Access Across America program and other agency initiatives to assist the financially underserved. Access Across America, the Community Development Revolving Loan Fund and the PALS programs continue to make a positive impression on policymakers and the public regarding the role credit unions are asked to and do play —

> *to make more available to people of small means credit for provident purposes through a national system of cooperative credit, thereby helping to stabilize the credit structure of the United States.*

An excerpt from the opening statement of the 1934 *Federal Credit Union Act*.

strategic planning and investments

Planning and analysis essential as interest rates hit record lows

Interest rates fell to record lows[1] in 2003. At the same time, credit unions experienced vigorous share growth, and credit union participation in the mortgage lending arena increased to historic highs. A concentration of low-rate mortgage loans, along with the prospect of higher interest rates, can create a high-risk profile potentially resulting in a low and/or negative net economic value. Given these concerns, NCUA issued two *Letters to Credit Unions* addressing prudent balance sheet risk management in 2003. One letter addressed real estate concentration and interest rate risk management and the other addressed the evaluation of non-maturity shares.

Responding to a rapidly changing economic environment

NCUA's Office of Strategic Program Support and Planning (OSPSP) serves three primary functions. OSPSP is the focal point for planning and economic analysis. It maintains expert knowledge in investments and asset liability management to guide examination on capital market issues and it conducts research and development to assess emerging issues.

OSPSP participates in the review, implementation and enforcement of NCUA regulation Part 703, Investment and Deposit Activities, including the review of pilot program applications. OSPSP provided policy guidance for the final rule amending Part 703 that the NCUA Board issued in May 2003. The updated rule expands federal credit union investment authority to include purchasing equity-linked options for certain purposes and exempts RegFlex eligible federal credit unions from several investment restrictions.

The office also participates in the review, implementation and enforcement of NCUA regulation Part 704, Corporate Credit Unions, including requests for expanded authority. OSPSP contributed to focused reviews of investment credit risk in 2003 and will provide examiners with additional training and guidance in this area in 2004.

Additionally, in 2003 OSPSP provided expertise in developing several questionnaires to guide both examiners and credit unions in assessing risks from emerging products and

[1] Based on Freddie Mac's survey of 30-year fixed-rate mortgages since 1971

services. The questionnaires included those for Small Business Administration lending and mortgage servicing rights.

Continuity of operations plan updated

The spectrum of threats capable of disrupting NCUA functions widened over the last decade. These threats, coupled with the September 11 attacks and the continuing war on terrorism, demand effective NCUA emergency response and continuity plans for protecting employees and ensuring continued performance of essential functions.

As the NCUA Board directed, the agency's continuity of operations plan (COOP) was significantly updated in 2003. COOP provides general information to prepare NCUA employees for a disruption in operations resulting from a disaster or other cause and delineates specific responsibilities and procedures. A comprehensive test of the NCUA COOP will be conducted in 2004.

Strategic and annual plan updates

In 2003, OSPSP prepared documents to meet Congressional requirements and support the President's Management Agenda Initiatives as follows:

- NCUA Combined Annual Performance Report 2002 and Initial Annual Performance Plan 2004
- NCUA Annual Performance Plan 2004

In 2004, NCUA begins the 18-month process of updating NCUA Strategic Plan 2006-2011. Stakeholder views will once again be considered in shaping NCUA's strategic focus.

OSPSP facilitates several NCUA committees

OSPSP assisted the NCUA Strategic Management Council (SMC), which is comprised of senior managers and chaired by the NCUA executive director. The SMC serves as an advisory body to the NCUA Board on strategic level issues. Through regularly scheduled meetings, the SMC considers existing and emerging issues facing credit unions and NCUA's role in addressing these issues.

OSPSP also assisted the NCUA Information Technology Oversight Committee with several major technology initiatives. Completed by the Office of the Chief Information Officer, the initiatives included an agency-wide computer update and implementation of a voice-over Internet protocol (IP) system fully integrating voice and data communication systems. Also underway is development of an agency-wide document imaging system.

Past and present strategic leadership summits

Hosted by the SMC, each January the OSPSP plans and executes NCUA's Annual Strategic Leadership Summit to consider the performance of the past year and to develop strategic guidance for the planning year. An analysis of the current and forecasted economic environment and the views of stakeholders are considered during the summit. In addition to a panel of credit union chief executive officers, in January 2003 NCUA heard from a former Federal Reserve Board governor and the Credit Union National Association's chief economist.

NCUA Strategic Leadership Summit 2004 served as the kickoff event for developing NCUA Annual Performance Plan 2005 and for shaping development of NCUA Strategic Plan 2006-2011. OSPSP conducted several stakeholder panel discussions during the 2004 summit to gain insight from various perspectives on issues and concerns facing the credit union industry. Panels included chief executive officers from small and mid-to-large credit unions, certified public accountants, credit union consultants and third-party service providers. The NCUA Board also heard an analysis of the current and forecasted economic environment and conducted an open discussion with regional and central office directors.

litigation, regulation and enforcement

ABA and Utah bankers launch latest challenge to community chartering

The American Bankers Association (ABA), the Utah Bankers Association and four Utah banks, in July 2003, filed a lawsuit challenging NCUA's decision authorizing Tooele Federal Credit Union to expand its community boundaries to include five additional counties beyond Tooele County. The proposed area had a population of approximately 1.4 million people. The NCUA Board concluded that ample evidence demonstrated the proposed community charter met the regulatory requirement of a "well defined area where residents have common interests or interact." This lawsuit, filed in U.S. District Court in Salt Lake City, represents the latest attack on NCUA field of membership policies.

When NCUA issued its field of membership policy implementing the *1998 Credit Union Membership Access Act*, the ABA immediately challenged it. In November 2001, the U.S. Court of Appeals for the D.C. Circuit dismissed the initial challenge.

Major regulatory actions taken

The Office of General Counsel worked on a variety of regulatory initiatives in 2003 to enhance business, investment and operational opportunities for credit unions with substantial revisions to regulations governing chartering, member business lending, investments and benefit programs for credit union employees.

In addition, approximately 40 formal legal opinions were issued addressing a broad range of issues — investments, lending and financial service opportunities for credit unions and credit union service organizations, and credit union governance and operational issues.

Also, attorney staff continued to represent the agency on various interagency regulatory groups addressing, among other matters, regulatory review under the *Economic Growth and Regulatory Paperwork Reduction Act*, consumer privacy issues and fair credit reporting.

Enforcement orders issued

NCUA continued to use its supervisory enforcement tools in appropriate cases to deal with abuses in federally insured credit unions. During 2003, the agency issued 26 prohibition orders and one cease and desist order. The judicious use of enforcement powers remedies specific wrongdoing and serves as a powerful deterrent against future wrongdoing.

credit union development

Expanding cooperative financial services

The agency's Access Across America initiative has assisted credit unions provide service to more people, especially in neighborhoods lacking low-cost financial services.

The initiative has proven successful by developing a flexible regulatory environment, enabling best practice sharing among credit unions, coordinating information sharing of potential resources available for credit unions, partnering with fellow federal agencies to develop urban and rural communities, and providing financial and human resources to small and low-income designated credit unions.

The Office of Credit Union Development (OCUD) involvement is critical in achieving Access Across American objectives through the various programs it administers.

Low-income designated credit unions

By statute, low-income is the official NCUA designation granted credit unions that serve a majority of members whose annual household income falls below 80 percent of the U.S. median household income. There were 964 low-income designated credit unions (LICUs) December 31, 2003.

The low-income designation enables credit unions to accept non-member deposits and secondary capital as well as receive assistance from the Community Development Revolving Loan Fund (Fund) administered by OCUD. The Fund's objective is to provide grants and loans that contribute to each LICU's ability to serve its members and community.

Community development grants and loans

For over 13 years, the National Credit Union Administration has administered the Fund, providing over $33.8 million in loans to 174 credit unions. Since inception, the Fund has doubled in size, with current assets exceeding $14.2 million. The Fund provides low-income designed credit unions their first opportunity to tap into governmental resources available for increasing financial services in the communities they serve. The Fund has two components, the revolving loan program and the technical assistance grant program.

Revolving loan program

LICUs use loans from the Fund to further community development by funding member loan demand, providing additional member services, increasing credit union capacity to service members and assisting improve the financial condition of low-income credit union members. During its 13-year history, credit union participants have responded well to this program, diligently repaying loan principal and interest.

While the economy has caused credit unions to reconsider their borrowing positions, currently 51 credit unions have revolving Fund loans exceeding $5.3 million.

Technical assistance grant program

The technical assistance grant program has proven successful in providing LICUs support to further improve operations. The program is designed to reimburse LICUs – up to a pre-approved amount – for the procurement of goods or services to assist the credit unions better serve their fields of membership. In 2003, NCUA approved 189 grants totaling $460,242 to strengthen LICU financial product delivery.

To better focus grant funds on community initiatives and augment NCUA efforts to partner with other federal agencies, in 2003 OCUD initiated a new grant program to reimburse credit unions that participate in the IRS' VITA volunteer tax preparation program. By allocating $50,000 for this program, NCUA recognized the additional administrative burden credit unions incur when pursuing expanded, needed services within underserved areas. This program was well received by the credit union community. The Fund provided 13 participating credit unions an average $3,834 grant.

The Fund also continued its student intern program, providing reimbursement – up to $2,500 – to LICUs that partner with other credit unions to sponsor college students during summer break. In 2003, the Fund provided $55,000 to 22 low-income and partner credit unions. This program offers college students opportunities to better understand co-operative financial institution operations and to serve low-income communities.

Through the many programs it supports, the Fund demonstrates its effectiveness in bolstering the abilities of low-income designated credit unions to better serve their fields of membership. OCUD continues to explore innovative ways to allocate available monies to foster credit union initiatives designed to meet the needs and wants of members and potential members.

The Community Development Revolving Loan Fund once again received an unqualified audit opinion on its 2003 financial statement from independent auditors Deloitte & Touche LLP.

Expanding partnering opportunities

NCUA is privileged to actively participate in two Presidential initiatives to enhance economic opportunities and home ownership in economically distressed areas. Recognizing the role faith-based organizations can play, agency representatives participated in six White House Faith-Based and Community Initiative Conferences conducted throughout the country in 2003. The agency's participation provided opportunities to discuss credit union service opportunities with an estimated 6,000 conference attendees.

NCUA also partnered with other federal government sponsored enterprises, non-profit and private organizations in the Department of Housing and Urban Development's home ownership initiative to achieve the President's goal of 5.5 million new minority homeowners by the end of the decade.

In addition, NCUA seeks information and continues to share available partnering opportunities through *Letters to Federal Credit Unions*, press releases and OCUD's quarterly newsletter. A few of the results achieved through these efforts include:

- Internal Revenue Service (IRS): The IRS reported 46 credit unions participated in the 2002 and 64 credit unions are registered to participate in 2003 volunteer tax preparation services, a program designed to benefit low-income members filing for the Earned Income Tax Credit.

- Small Business Administration (SBA): The SBA, in 2003, modified its regulations to expand eligibility to all credit unions. Through previous work with the SBA, NCUA ensured greater credit union participation. The number of credit union member business loans guaranteed by the SBA increased from 70 in 2002 to 128 in 2003, with SBA reporting 600 loan approvals amounting to $48 million December 31, 2003.

• Neighborhood Reinvestment Corporation (NRC): In 2003, the NCUA and NRC jointly published a booklet on partnering opportunities between credit unions and NeighborWorks® Organizations – community groups affiliated with the NRC – to foster home ownership through education, downpayment and mortgage assistance.

Small credit union program

The NCUA Small Credit Union Program is designed to promote well operating, financially strong small credit unions. Based on specific criteria, 3,547 credit unions are eligible to participate in the program. During 2003, over 938 credit unions voluntarily participated in the Small Credit Union Program. With an average size of $4.1 million, these credit unions benefited from workshops, mentoring relationships and one-on-one assistance provided through the NCUA's regional offices. Last year, NCUA regional offices sponsored 37 workshops providing technical training opportunities for more than 1,600 credit union officials.

Access Across America enhances membership growth

Federal credit unions can take advantage of expanding fields of membership into areas defined as underserved by the Treasury Department's Community Development Financial Institution Fund (CDFI). In 2004, 170 federal credit unions expanded into 269 underserved areas adding 25.1 million potential members. Credit unions expanding into underserved areas reflect a greater percentage of membership growth than the general credit union population.

Partnering and Leadership Successes workshops

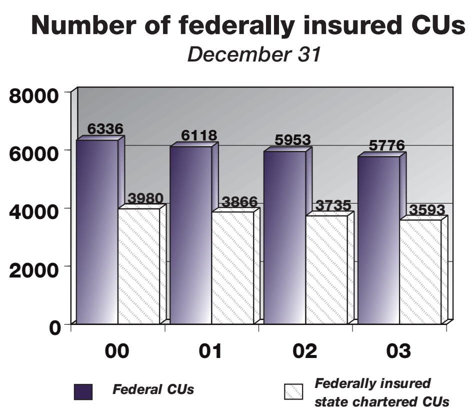
As an adjunct to the Access Across America initiative, NCUA has sponsored workshops throughout the country to provide credit union attendees with programs and best practices to further service capability, especially in underserved areas. The Partnering and Leadership Successes (PALS) workshops have been cosponsored by national and state trade associations and have included programs pertaining to partnering with the Neighborhood Reinvestment Corporation and its affiliated NeighborWorks® Organizations, serving the Latino market and establishing successful member small business loan programs. These workshops have been well attended and have resulted in enhanced partnerships between community non-profit groups and credit unions.

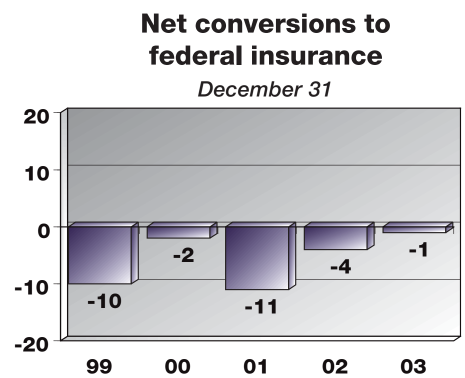
Looking toward the future

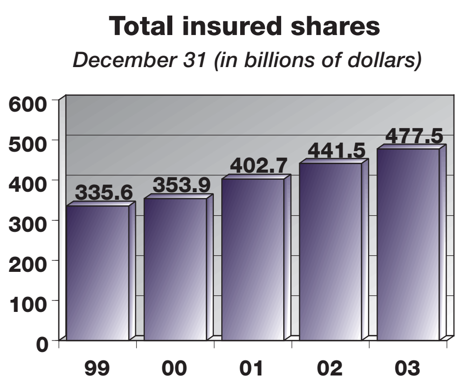
Recent Congressional appropriations provided $1 million for the technical assistance grant program. These funds will provide NCUA the opportunities to assist LICUs partner with other governmental resources to expand financial services within the communities they serve.

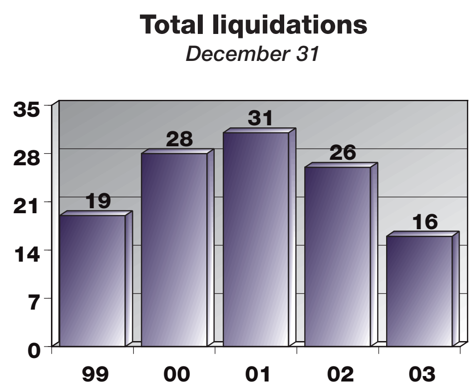
Through the Office of Credit Union Development, NCUA will continue efforts to identify and endorse innovative programs designed to provide service to individuals without mainstream, reasonably priced financial services. OCUD will continue to encourage, enhance and share programs as well as partnering opportunities with other governmental agencies, non-profits and private organizations for credit unions pursuing expanding service to all segments of society.

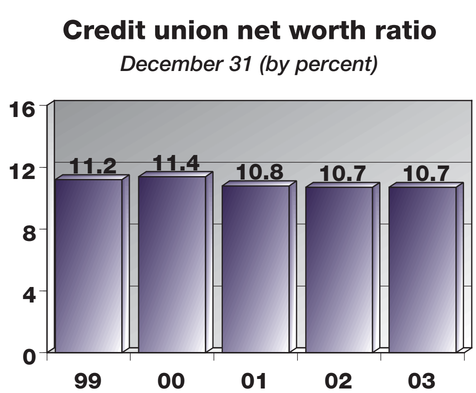
credit union activity

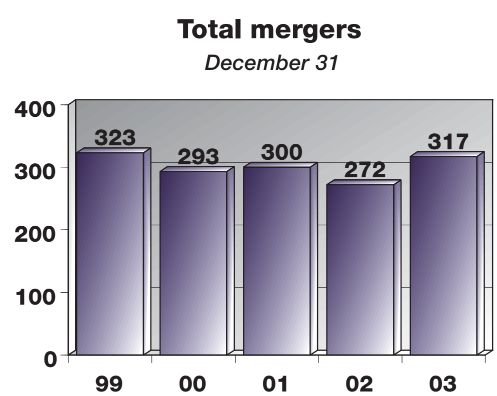












Changes in federally insured credit unions
Fiscal year 2003

		Federal credit unions		Federally insured state credit unions	Total
Number January 1, 2003		5,953		3,735	9,688
Additions:					
New charters		11		4	15
Conversions	FISCU to FCU	17	FCU to FISCU	9	26
Total Additions		28		13	41
Mergers:		(185)		(132)	(317)
Assisted		(5)		(0)	(5)
Voluntary		(168)		(126)	(294)
Mergers in process		(12)		(6)	(18)
Liquidations:		(11)		(5)	(16)
Voluntary		(6)		(2)	(8)
Involuntary		(5)		(3)	(8)
Liquidations in process		(0)		(0)	(0)
Conversions		(9)		(18)	(27)
	FCU to FISCU	(8)	FISCU to FCU	(17)	(25)
	FCU to NFICU	(0)	FISCU to NFICU	(0)	(0)
	FCU to Non-CU	(1)	FISCU to Non-CU	(1)	(2)
Charters cancelled		(205)		(155)	(360)
Total, December 31, 2003		5,776		3,593	9,369
Net change		(177)		(142)	(319)

FCU = Federal credit union
FISCU = Federally insured state-chartered credit union
NFICU = Privately insured state-chartered credit union
Non-CU = Non-credit union charter

Multiple common bond credit union expansions
January 1 - December 31, 2003

Region	I	II	III	IV	V	VI	TOTAL
Number of credit unions	149	242	244	136	147	143	1,061
Number of groups added	1,044	2,523	3,004	1,008	1,415	1,933	10,927
200 and less	904	2,218	2,661	867	1,247	1,623	9,520
201-500	79	186	217	79	99	144	804
501-1,000	35	54	66	24	34	61	274
1,001-1,500	8	22	25	15	8	29	107
1,501-2,000	4	16	11	5	7	34	77
2,001-3,000	9	12	11	10	10	27	79
over 3,000	5	15	13	8	10	15	66
Potential new members	161,465	379,576	520,752	182,321	265,791	587,860	2,097,765
Average size of groups added	155	150	173	181	188	304	192
Applications denied	2	14	1	8	12	4	41
Deferrals*	61	158	148	20	34	25	446
Groups denied of more than 3,000	1	1	0	2	1	1	6
Groups deferred of more than 3,000	11	8	11	1	2	10	43
Largest approved	13,000	21,000	100,999	17,550	34,018	68,341	254,908

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

share insurance fund

Share insurance fund remains healthy and reserves increase

Credit unions continued strong growth during 2003. Insured shares grew 8.2 percent and the year ended with the National Credit Union Share Insurance Fund (NCUSIF) equity ratio at 1.27 percent.

The Fund did not pay a dividend in 2003 primarily because of large share growth insured credit unions and reduced earnings in the NCUSIF investment portfolio due to interest rate reductions. During the 90s, over $500 million was returned to credit unions in the years NCUSIF equity surpassed 1.30 percent.

Fund earnings were $151.9 million before expenses in 2003. Most earnings were derived from the NCUSIF $6.1 billion investment portfolio comprised of U.S. Treasury securities with maturities of three years or less. Operating costs of $85.0 million were $400,000 less than 2002. This can be partially attributed to unfilled vacancies due to the agency's ongoing realignment. Net income in 2003 was $28.9 million.

The NCUSIF ended 2003 with $76.7 million in reserves set aside to protect against future or potential losses. The NCUSIF added $38.0 million to build Reserves over the year. Unallocated Fund reserves were $62 million December 31, 2003, surpassing the $60 million goal.

Failures remain low

Thirteen credit unions failed during 2003, resulting in $9.7 million charged to reserves. In accordance with GAAP, insurance losses are incurred when loss reserves are established for institutions considered a possible risk to the NCUSIF. Most of these credit unions are classified CAMEL code 4 or 5 institutions. Money spent on failed institutions is charged to reserves not insurance losses.

The number of year-end problem code credit unions increased slightly from 211 to 217 during 2003. Insured shares in these credit unions increased from $2.9 billion in 2002 to

$3.6 billion in 2003 and represented approximately 0.7 percent of total insured shares at year-end 2003.

Total federally insured shares grew 8.2 percent to $477.5 billion during 2003.

Share Insurance Estimator added to NCUA's website

NCUA added the Share Insurance Estimator to its website in July as a resource tool enabling credit unions and their members to calculate coverage and determine if their share accounts are fully insured.

In addition, the Estimator offers basic information about insurance protection, and it explains the various types of account structures available so as savings grow options exist to gain additional protection above the basic $100,000 level.

IRA accounts add additional levels of insurance protection. In fact, a family of three can use multiple ownership accounts to increase insurance protection to over $1 million at a single federally insured credit union.

Payable-on-death (POD) revocable trust accounts are an excellent way for a family to expand insurance protection. Each qualifying immediate family member listed as beneficiary gains an additional $100,000 in coverage, and POD accounts require no formal trust agreements. Visit *www.ncua.gov* to access the Estimator.

Overhead transfer rate refined

In November 2003, the NCUA Board adopted a refined method for calculating the overhead transfer rate. This new method is more comprehensive, with the formula expanded to take additional factors into account thereby providing greater equity and accuracy in the calculation and allocation of costs. The additional factors include:

- The value to the National Credit Union Share Insurance Fund of insurance-related work performed by state supervisory authorities;
- The cost of NCUA resources and programs in relation to different allocation factors from the examination and supervision program;
- The distribution of insured shares

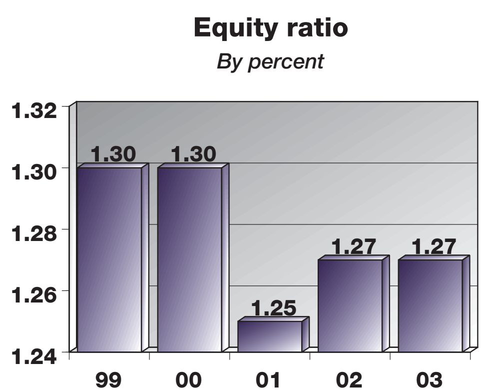
between federal credit unions and federally insured state-chartered credit unions; and

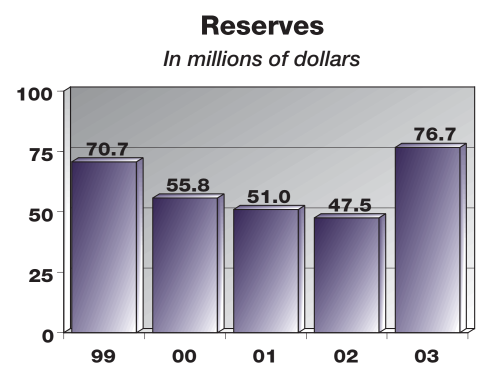
- Operational costs charged directly to the NCUSIF.

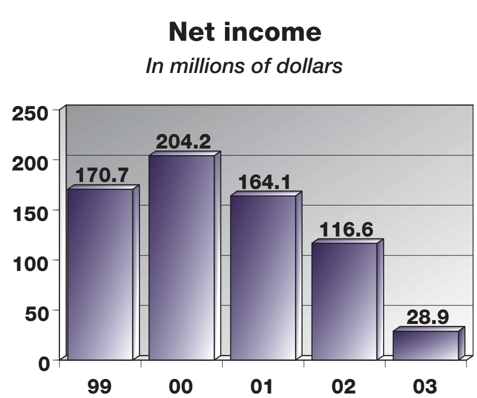
20th unqualified opinion earned

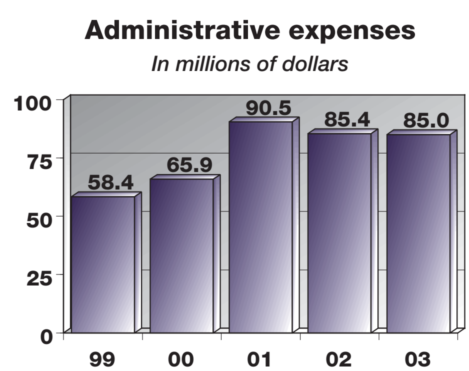
The NCUSIF received its 20th consecutive unqualified audit opinion on December 31, 2003, financial statements from independent auditors Deloitte & Touche LLP. The audited financial statements, accompanying footnotes and independent auditors report appear later in this report.

The NCUSIF continues to be the only federal deposit insurance fund with its financial statements annually audited by an independent accounting firm as well as the General Accounting Office.









Reserves for estimated losses
(in thousands)

Fiscal year	2001	2002	2003
Reserves—beginning of fiscal year	$55,759	$51,023	$47,543
Net charges for fiscal year	(4,736)	(15,993)	(8,919)
Provision for insurance losses	0	12,513	38,043
Reserves—end of fiscal year	$51,023	$47,543	$76,667

Percentage of shares by CAMEL category

Category	2000	2001	2002	2003
Code 1 & 2	92.9%	94.1%	94.1%	94.1%
Code 3	6.7	5.5	5.2	5.2
Code 4	0.6	0.4	0.7	0.7
Code 5	0.0	0.0	0.0	0.0
Totals	**100%**	**100%**	**100%**	**100%**

Administrative costs
(in thousands)

Fiscal year	2001	2002	2003
Direct expenses	$1,997	$2,184	$1,868
Allocated expenses	88,508	83,183	83,158
Total administrative expenses	$90,505	$85,367	$85,026
Percent of NCUA total administrative expenses	67.2%	62.6%	62.5%

Summary of CAMEL code 4 & 5 credit unions

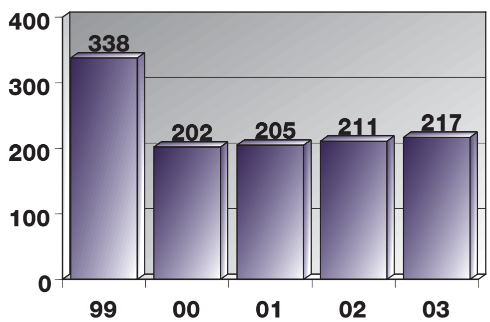
Fiscal year	2000	2001	2002	2003
Number of Code 4 & 5 credit unions	202	205	211	217
Percentage of insured credit unions	2.0%	2.0%	2.2%	2.3%
Shares in Code 4 & 5 credit unions	$1.5B	$1.7B	$2.9B	$3.6B
Percentage of NCUSIF natural person insured shares	0.42%	0.43%	0.66%	0.74%

Insured share growth in federally insured credit unions (in millions)

	Shares outstanding			
December 31	Federal credit unions	State credit unions	Total	Percentage change from prior year total shares
1993	$149,229	$ 91,101	$240,330	4.7%
1994	155,480	92,173	247,653	3.0
1995	164,582	96,856	261,438	5.6
1996	173,544	101,914	275,458	5.3
1997	178,948	114,327	293,275	6.5
1998	191,328	130,129	321,457	9.6
1999	194,766	140,857	335,623	4.4
2000	195,871	157,996	353,867	5.4
2001	217,112	185,574	402,686	13.8
2002	238,912	202,552	441,464	9.6
2003	262,420	215,056	477,476	8.2

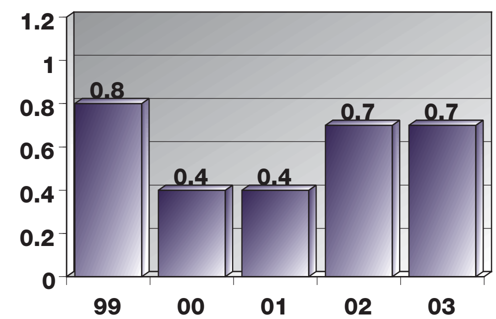
Number of problem credit unions

Camel codes 4 & 5



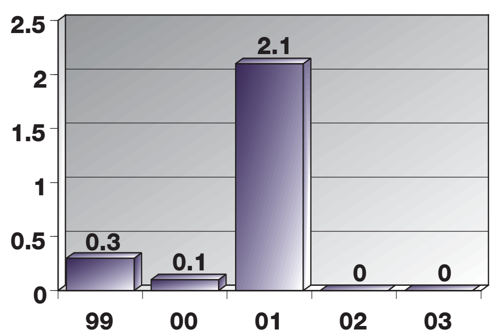
Percentage of problem shares to total insured shares

Number of cases



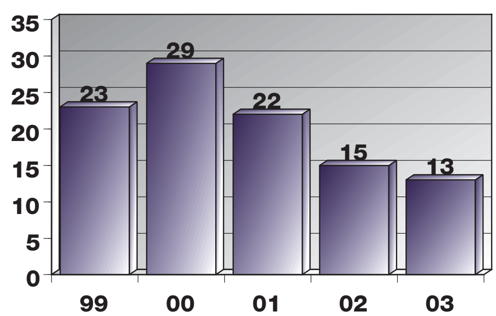
Cash assistance outstanding

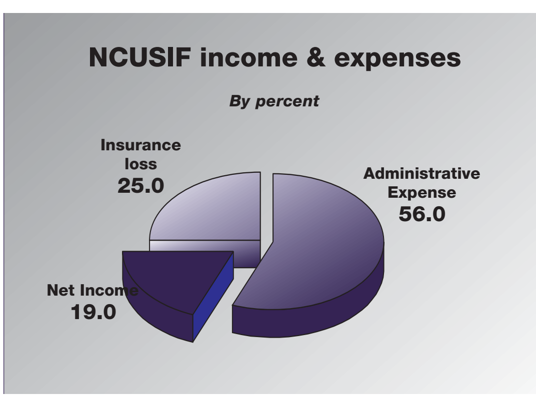
In millions of dollars

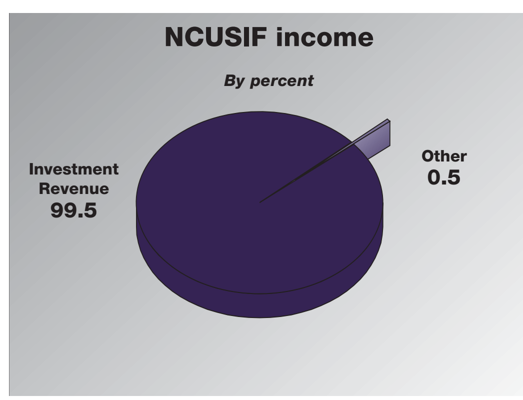


Involuntary liquidations & assisted mergers

Number of cases







corporate credit unions

Assets reach record levels

For the third consecutive year, corporate credit unions were awash with excess funds from member credit unions and the 2002 record levels of liquidity were surpassed in 2003. In May 2003, total assets in the corporate system exceeded $126 billion. While asset levels began to recede toward the end of 2003, they were still higher than at any point in 2002.

There are some indications of an increase in consumer confidence in the economy, and loan demand in natural person credit unions has increased. However, it is too early to determine if credit unions will need to draw down significant amounts of liquidity from corporates to meet lending needs.

Corporate credit unions must be prepared to continue to operate at above historic average asset levels while maintaining a balance sheet structure that will allow for a significant outflow of funds should a sudden demand for liquidity arise.

Revised rule takes effect

2003 was the first full year that the revised corporate rule, Part 704, was in effect. The revised regulation allows corporate credit unions to offer their members a broader array of products and services, keeping corporates on a competitive standing with other financial service providers. Corporate credit unions with the prerequisite infrastructure are permitted to manage an additional level of risk. The rule provides appropriate regulatory safeguards to ensure areas of risk are identified and addressed in a timely manner.

Supervision focuses on risk

As corporate credit unions become more complex in their operations and the services they provide, NCUA's Office of Corporate Credit Unions (OCCU) has assessed the strengths and weaknesses of its supervision program. It is apparent that a full staff of "generalist" examiners is no longer sufficient to gain a complete understanding of corporate operations, products and services.

Information systems and payment systems have been identified as critical areas of potential risk in corporates. OCCU has dedicated staff positions specifically for information systems and payment system specialists and will assess the need for additional specialist positions in the future. OCCU continues to utilize a number of capital market specialists in our most complex corporates. The individuals in these positions are tasked with developing and maintaining knowledge and expertise for the most complex investment and asset liability management issues.

In addition, to maintain expertise in all high-risk areas, OCCU has contracted with third party vendors to perform a number of risk evaluations. OCCU is committed to identifying emerging areas of risk and dedicating the resources necessary to adequately understand and monitor them.

Looking toward the future

Like other financial institutions, a consolidation trend continues among corporate credit unions. From 1993 to 2003, the number of corporate credit unions declined from 45 to 31. OCCU expects corporate credit union consolidations will continue. However, NCUA does not have a targeted, optimum number of corporate credit unions. This will ultimately be determined by market forces.

Competition and cooperation will continue to play significant roles in shaping the corporate system. Several corporate credit unions are conducting targeted marketing campaigns outside their traditional service area. Other corporate credit unions are partnering with one another to provide new and innovative products and services that would be cost prohibitive for them to offer independently.

Despite inherent challenges in the dichotomy between competition and cooperation, OCCU believes corporate credit unions will continue to work together to position the corporate system to meet their present and future members' needs in a safe and sound manner.

Federal corporate credit unions
December 31, 2003

Name	Location	Assets
Corporate One	Columbus, Ohio	$ 2,464,191,262
Eastern Corporate	Woburn, Massachusetts	1,470,485,708
Empire Corporate	Albany, New York	4,575,643,390
Kentucky Corporate	Louisville, Kentucky	510,422,639
LICU Corporate	Endicott, New York	7,335,898
Mid-Atlantic Corporate*	Middletown, Pennsylvania	3,037,591,314
Mid-States Corporate	Warrenville, Illinois	4,688,500,299
Midwest Corporate	Bismarck, North Dakota	186,189,383
Southeast Corporate	Tallahassee, Florida	3,550,878,620
Southwest Corporate	Dallas, Texas	7,851,201,656
Tricorp Corporate	Westbrook, Maine	628,944,287
VACORP (1)	Lynchburg, Virginia	1,055,388,628
Western Corporate*	San Dimas, California	24,995,925,869
Total		**$ 55,022,698,953**

(1) During 2003 Virginia League Corporate FCU changed its name to VACORP.

*During 2003 Minnesota Corporate FCU merged in to Mid-States Corporate FCU and Pacific Corporate FCU merged in to Western Corporate FCU.

Federally insured state-chartered corporate credit unions
December 31, 2003

Name	Location	Assets
Central Credit Union Fund	Auburn, Massachusetts	$ 259,328,703
Central Corporate	Southfield, Michigan	2,680,818,204
Constitution State	Wallingford, Connecticut	1,691,440,082
Corporate America	Irondale, Alabama	752,489,102
Corporate Central (1)	Hales Corners, Wisconsin	1,463,716,123
First Corporate	Phoenix, Arizona	1,000,418,189
First Carolina Corporate	Greensboro, North Carolina	2,241,762,613
Georgia Central	Duluth, Georgia	1,434,026,841
Iowa League Corporate	Des Moines, Iowa	390,869,694
Kansas Corporate	Wichita, Kansas	446,767,308
Louisiana Corporate	Metairie, Louisiana	163,044,782
Missouri Corporate	St. Louis, Missouri	775,602,456
Northwest Corporate	Portland, Oregon	1,014,834,284
SunCorp	Arvada, Colorado	2,631,821,523
Volunteer Corporate	Nashville, Tennessee	1,373,919,633
West Virginia Corporate	Parkersburg, West Virginia	262,803,896
Total		**$18,583,663,433**

(1) Corporate Central CU obtained federal insurance in 2003.

Nonfederally insured corporate credit unions
December 31, 2003

Name	Location	Assets
Treasure State Corporate	Helena, Montana	228,438,268
Total		**$ 228,438,268**
Total for All Corporates (Excluding U.S. Central)		**$ 73,834,800,654**
U.S. Central Credit Union	Lenexa, Kansas	$ 35,025,349,499

Key statistics on federally insured corporate credit unions
December 31, 2003 (in millions)

December 31	2001	2002	2003
Number:	32	31	30
Assets:	$56,846.5	$67,155.8	$73,606.4
Loans:	323.0	514.2	2,072.6
Shares:	50,143.6	59,054.2	58,787.7
Reserves:*	3,140.2	3,613.0	4,194.8
Undivided earnings:	597.8	651.0	770.2
Gross income:	2,352.2	1,718.8	1,602.0
Operating expenses:	234.5	276.4	300.4
Interest on borrowed funds:	52.9	34.3	32.8
Dividends and interest:	1,915.3	1,278.1	1,127.2
Net income:	135.0	88.1	141.6

Dollar amounts do not include U.S. Central

Significant ratios	2001	2002	2003
Reserves to assets:	5.5	5.4	5.7
Reserves and undivided earnings to assets:	6.6	6.3	6.7
Operating expenses to gross income:	9.9	16.1	18.7
Yield on assets:	4.1	2.6	2.3
Cost of funds to assets:	3.5	2.1	1.6
Gross spread:	0.6	0.5	0.7

Ratio dollar amounts do not include U.S. Central reserves
**Reserves include membership capital accounts and paid-in capital*

asset management & assistance center

Comprehensive responsibilities

The Asset Management and Assistance Center (AMAC) in Austin, Texas, performs the following services:

- Administers NCUA involuntary liquidations and disburses insured shares to account holders;
- Manages and disposes of assets acquired by the NCUSIF;
- Prepares and negotiates bond claims;
- Provides consulting services to credit unions through NCUA's regional offices; and
- Provides training to federal and state regulators and credit unions.

2003 highlights

During 2003, AMAC directed eight involuntary liquidations, the lowest number in AMAC history. Four liquidations were due to fraud. These cases are added to 65 still-active cases placed into liquidation prior to 2003. AMAC closed 23 liquidation cases in 2003. The average time period these cases were open was 73 months.

Loan collections and other asset recoveries were $9,730,376 in 2003. In addition, AMAC sold 993 non-performing consumer loans with a gross value of $5,501,780. Bond claim collections were $1,983,838 in 2003.

AMAC assisted the NCUA regional offices with 17 consulting assignments totaling 3,670 work hours. The assignments included accounting services, loan portfolio analysis and valuations, member business loan reviews, loan sales and real estate valuations. Four consulting assignments dealt with regional office leasing and construction related to NCUA's regional realignment.

Responding to increased interest in member business lending, AMAC staff conducted 11 business lending seminars for credit unions and for state and federal examiners. AMAC also conducted six seminars on consumer loan underwriting, bond claims and collections.

Looking toward the future

AMAC will continue to respond to the needs of regional offices and maintain its readiness to rapidly deal with liquidations. Consulting with agency regions and credit unions on unique problems as well as conducting seminars and training will continue as a major AMAC focus.

central liquidity facility

Foundation of stability

Congress created the Central Liquidity Facility (CLF) with the *National Credit Union Liquidity Facility Act* in 1978. The CLF is a "mixed ownership Government corporation" managed by the National Credit Union Administration Board and owned by member credit unions.

The CLF serves as a back-up lender to meet the unexpected liquidity needs of its members when funds are unavailable from standard credit sources. The CLF contributes to the financial stability of the credit union industry during periods of economic volatility.

CLF borrowing cap maintained

By statute, the CLF is authorized to borrow from any source up to 12 times its subscribed capital stock and surplus. Congress historically has restricted the CLF's borrowing limit through the annual appropriations process. Since fiscal year 2001, Congress has approved a $1.5 billion borrowing limit and the same amount was recommended for fiscal year 2004. Continuing the $1.5 billion cap will assure the CLF remains a reliable, effective, low-cost liquidity source when credit union contingency funding sources are unavailable or inadequate.

CLF operations

After funding operating expenses in 2003, the CLF paid members dividends of approximately 100 percent of net investment income for the ninth consecutive year. The average member dividend was 1.25 percent.

For the third consecutive year, credit union member loan demand did not keep pace with the influx of shares, and as a result 2003 credit union liquidity grew beyond 2002 levels. During 2003, the CLF did not receive any requests for loans. However, the CLF remains ready and able to meet the liquidity needs of the credit union system when unusual, unexpected or extreme events occur.

CLF receives 23rd clean audit opinion

The CLF received an unqualified audit opinion on its 2003 financial statements from independent auditors Deloitte & Touche LLP.

operating fund

Funding NCUA

NCUA operating costs are shared with the National Credit Union Share Insurance Fund (NCUSIF) through a monthly accounting procedure known as the overhead transfer. In 2001, a study indicated the transfer rate should change from 66.72 to 62 percent for 2002 and 2003. The NCUA Board approved, in 2003, a refined method of calculating the overhead transfer rate that includes the value of insurance related work performed by state regulators along with other variables. A new transfer rate of 59.8 percent is effective for 2004 and the rate will be calculated annually.

The remaining cost of operations is financed primarily through annual federal credit union operating fees, with excess cash invested in U.S. Treasury income producing securities. Miscellaneous income is provided primarily from the sale of publications.

Operating fee assessment rate declines

The operating fee assessment is calculated by applying the assessment rate scale to the previous December 31 assets of individual federal credit unions. The 2003 assessment rate was decreased by 2.13.

Revenue and expenses

The Operating Fund earned total revenue of $58.5 million in fiscal year 2003. Of this amount, $57.9 million was from operating fees and the balance was from interest and other income. Total operating expenses for 2003 were $51.0 million. This was $4.5 million under the budgeted amount of $55.5 million. Most budget savings can be attributed to staff vacancies which remained 3.7 percent under the authorized level.

NCUA reorganization

In support of the agency's Accountability in Management initiative, the NCUA Board approved the reorganization of the regional offices. The regional office located in Lisle, Ill., was closed, while the regional office located in Concord, Calif., was relocated to Tempe, Ariz. The reorganization costs are projected to be approximately $4.0 million. The bulk of this amount, $2.4 million, is relocation costs for the employees affected by the reorganization. The reorganization is projected to save $27 million over 10 years.

20th consecutive unqualified opinion

For the 20th consecutive year, independent accountants rendered unqualified opinions for NCUA's financial units. The Deloitte & Touche LLP audit reports and the comparative financial statements of the National Credit Union Share Insurance, the Operating Fund, and the Central Liquidity Facility for fiscal years 2003 and 2002 follow:

INDEPENDENT AUDITORS' REPORT

Inspector General
National Credit Union Administration

We have audited the financial statements appearing on pages of this Annual Report of, respectively, the National Credit Union Share Insurance Fund, the National Credit Union Administration Operating Fund, and the National Credit Union Administration Central Liquidity Facility (collectively, the "funds") as of and for the years ended December 31, 2003 and 2002. These financial statements are the responsibility of the National Credit Union Administration Operating Fund's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, such financial statements present fairly, in all material respects, the financial position of the National Credit Union Share Insurance Fund, of the National Credit Union Administration Operating Fund and of the National Credit Union Administration Central Liquidity Facility as of December 31, 2003 and 2002, and the results of operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Deloitte & Touche LLP

February 24, 2004

NATIONAL CREDIT UNION SHARE INSURANCE FUND

BALANCE SHEETS
DECEMBER 31, 2003 AND 2002
(Dollars in thousands)

ASSETS	**2003**	**2002**
ASSETS:		
Investments (Note 6)	$4,709,610	$ 4,535,537
Cash and cash equivalents	1,364,954	1,008,693
Accrued interest receivable	45,761	69,174
Capital assessment receivable		3,697
Assets acquired in assistance to insured credit unions	12,217	15,417
NCUSIF subordinated note	1,711	
Notes receivable—National Credit Union Administration Operating Fund (Note 8)	26,484	28,922
Other notes receivable and advances	880	
Fixed assets—net of accumulated depreciation and amortization (Note 3)	934	265
TOTAL ASSETS	$6,162,551	$ 5,661,705

LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Estimated losses from supervised credit unions (Note 4)	$ 76,667	$ 47,543
Amounts due to insured shareholders of liquidated credit unions	9,541	6,228
Due to National Credit Union Administration Operating Fund (Note 8)	1,914	670
Cash assistance liability	100	
Accounts payable	3	3
Obligations under capital leases (Note 9)	936	165
Total liabilities	89,161	54,609
FUND BALANCE:		
Insured credit unions' accumulated contributions	4,704,596	4,267,169
Insurance fund balance	1,368,794	1,339,927
Total fund balance	6,073,390	5,607,096
TOTAL LIABILITIES AND FUND BALANCE	$6,162,551	$ 5,661,705

See notes to financial statements.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2003 AND 2002
(Dollars in thousands)

	2003	2002
REVENUES:		
Interest	$ 151,174	$ 213,252
Other	761	1,226
Total revenues	151,935	214,478
EXPENSES (Note 8):		
Administrative expenses:		
Employee wages and benefits	64,652	65,005
Travel	6,210	6,764
Rent, communications, and utilities	2,443	2,533
Contracted services	3,629	3,241
Provision for insurance losses (Note 4)	38,043	12,513
Other	8,091	7,824
Total expenses	123,068	97,880
EXCESS OF REVENUES OVER EXPENSES	$ 28,867	$ 116,598

See notes to financial statements.

STATEMENTS OF FUND BALANCE
YEARS ENDED DECEMBER 31, 2003 AND 2002
(Dollars in thousands)

	Insured Credit Unions' Accumulated Contributions	Insurance Fund Balance
BALANCE AT JANUARY 1, 2002	$ 3,812,459	$1,223,329
Contributions from insured credit unions	454,710	
Excess of revenues over expenses		116,598
BALANCE AT DECEMBER 31, 2002	4,267,169	1,339,927
Contributions from insured credit unions	437,427	
Excess of revenues over expenses		28,867
BALANCE AT DECEMBER 31, 2003	$ 4,704,596	$1,368,794

See notes to financial statements.

NATIONAL CREDIT UNION SHARE INSURANCE FUND

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2003 AND 2002
(Dollars in thousands)

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenues over expenses	$ 28,867	$ 116,598
Adjustments to reconcile excess of revenues over expenses to cash provided by operating activities:		
Depreciation and amortization	575	764
Reserves (recoveries) relating to losses from supervised credit unions—net	29,124	(3,480)
Decrease (increase) in assets:		
Accrued interest receivable	23,413	(1,996)
Capital assessment receivable	3,697	(3,697)
Assets acquired in assistance to insured credit unions, net	3,200	(4,980)
NCUSIF subordinated notes	(1,711)	2,000
Other notes receivable and advances	(880)	173
Increase (decrease) in liabilities:		
Amounts due to National Credit Union Administration Operating Fund	1,244	(1,053)
Amounts due to insured shareholders of liquidated credit unions	3,313	136
Accounts payable		(61)
Cash assistance liability	100	
Net cash provided by operating activities	90,942	104,404
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments	(2,473,375)	(2,493,156)
Proceeds from maturities of investments	2,299,302	1,606,197
Purchase of fixed assets	(4)	
Collections on note receivable—National Credit Union Administration Operating Fund	2,438	1,413
Net cash used in investing activities	(171,639)	(885,546)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions from insured credit unions	437,427	454,710
Principal payments under capital lease obligation	(469)	(628)
Net cash provided by financing activities	436,958	454,082
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	356,261	(327,060)
CASH AND CASH EQUIVALENTS—Beginning of year	1,008,693	1,335,753
CASH AND CASH EQUIVALENTS—End of year	$ 1,364,954	$ 1,008,693

See notes to financial statements.

1. ORGANIZATION AND PURPOSE

The National Credit Union Share Insurance Fund (NCUSIF, the "Fund") was created by the Public Law 91-468 (Title II of the Federal Credit Union Act), which was amended in 1984 by Public Law 98-369. The Fund was established as a revolving fund in the United States Treasury under the management of the National Credit Union Administration ("NCUA") Board for the purpose of insuring member share deposits in all federal credit unions and in qualifying state credit unions that request insurance. The maximum amount of insurance is $100,000 per shareholder account.

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

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

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

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

Cash Equivalents and Investments—Title II of the Federal Credit Union Act limits the Fund's investments to United States Government securities or securities guaranteed as to both principal and interest by the United States Government. Cash equivalents are highly liquid investments with original maturities of three months or less. All investments are classified as held-to-maturity under Statement of Financial Standards No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. Accordingly, the Fund records investments at amortized cost. Amortized cost is the face value of the securities plus the unamortized premium or less the unamortized discount.

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

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

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

Premium Revenue—The Fund may assess each insured credit union a premium charge for insurance in an amount stated as a percentage of insured shares outstanding as of December 31 of the preceding insurance year if the Fund's equity ratio is less than 1.3%. The NCUA Board waived the 2003 and 2002 share insurance premiums (see Note 5).

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

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

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

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

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

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

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions, particularly the estimated losses from supervised credit unions, that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from management's estimates.

Accounting for Exit and Disposal Activities—The Fund accounts for Exit and Disposal activities in accordance with Statement of Financial Accounting Standards No. 146, *Accounting for Costs Associated with Exit and Disposal Activities.* This statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred rather than the date of an entity's commitment to an exit plan. The Fund's conformance with this standard affects the timing of the recognition of costs of its regional restructuring plan described in Note 13, Restructuring.

Recent Accounting Pronouncements—In November 2002, the Financial Accounting Standards Board issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others* ("FIN 45"). This interpretation elaborates on the existing disclosure requirements for most guarantees, including loan guarantees. It also clarifies that at the time an entity issues a guarantee, the entity must recognize an initial liability for the fair value of the obligations it assumes under that guarantee and must disclose that information in its financial statements. This guidance does not apply to certain guarantee contracts, such as those issued by insurance companies or for a lessee's residual value guarantee embedded in a capital lease. The initial recognition and measurement provisions of FIN 45 apply on a prospective basis to guarantees issued or modified after December 31, 2002, regardless of the guarantor's fiscal year-end. The disclosure requirements were effective for financial statements of interim or annual periods ending after December 15, 2002. The adoption of FIN 45 did not have a material impact on its financial position or results of operations of the Fund in 2003.

3. FIXED ASSETS

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

	December 31, 2003	December 31, 2002
Furniture and equipment	$ 526	$ 522
Capital leases	1,240	1,781
Total	1,766	2,303
Less: Accumulated depreciation and amortization	(832)	(2,038)
Total fixed assets - net	$ 934	$ 265

Accumulated amortization balances for equipment under capital leases as of December 31, 2003 and 2002, totaled $310,000 and $1,628,000, respectively.

4. PROVISION FOR INSURANCE LOSSES

Management identifies credit unions experiencing financial difficulty through the Fund's supervisory and examination process. The estimated losses from these supervised credit unions are determined by management on a specified case basis. Management also evaluates overall economic trends and monitors potential system-wide risk factors such as increasing levels of consumer debt, bankruptcies, and delinquencies. Nonspecified case reserve requirements are determined based upon an assessment of insured risk and historic loss experience. The anticipated losses are net of estimated recoveries from the disposition of the assets of failed credit unions.

Total insurance in force as of December 31, 2003 and 2002, is $479 billion and $443 billion, respectively, which includes natural person and corporate credit unions. The total net reserves for identified and anticipated losses from supervised credit unions' failures is $77 million and $48 million at December 31, 2003 and 2002, respectively. Should there be no recoveries provided during the resolution process, possible additional reserves for $18 million and $23 million would be required as of December 31, 2003 and 2002, respectively.

In exercising its supervisory function, the Fund will, at times, extend guarantees of assets (primarily loans) to third-party purchasers or to credit unions to facilitate mergers. The Fund would be obligated upon non-performance. Such guarantees totaled approximately $0 at both December 31, 2003 and 2002. The estimated losses from asset and merger guarantees are determined by management on a case-by-case evaluation.

In addition, the Fund may grant a guaranteed line-of-credit to a third party credit provider, such as a corporate credit union or bank, if a credit union has a current or immediate liquidity concern and the credit provider has refused to extend credit without a guarantee. The Fund would be obligated if the credit union failed to perform. Total line-of-credit guarantees of credit unions at December 31, 2003 and 2002, are approximately $800,000 and $1,800,000, respectively. The total balances outstanding under these line-of-credit guarantees at December 31, 2003 and 2002, are approximately $126,000 and $80,000, respectively.

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

	Year Ended December 31, 2003	Year Ended December 31, 2002
BEGINNING BALANCE	$ 47,543	$ 51,023
Insurance losses	(15,006)	(21,625)
Recoveries	6,087	5,632
Provision for insurance losses	38,043	12,513
ENDING BALANCE	$ 76,667	$ 47,543

5. FUND CAPITALIZATION

The Credit Union Membership Access Act of 1998 ("CUMAA") mandated changes to the Fund's capitalization provisions effective January 1, 2000. Each insured credit union shall pay to and maintain with the Fund a deposit in an amount equaling 1% of the credit union's insured shares. The amount of each insured credit union's deposit shall be adjusted as follows, in accordance with procedures determined by the NCUA Board, to reflect changes in the credit union's insured shares: (i) annually, in the case of an insured credit union with total assets of not more than $50,000,000; and (ii) semiannually, in the case of an insured credit union with total assets of $50,000,000 or more. The annual and semiannual adjustments are based on member share deposits outstanding as of December 31 of the preceding year and June 30 of the current year, respectively. The 1% contribution will be returned to the insured credit union in the event that its insurance coverage is terminated, or is obtained from another source, or the operations of the Fund are transferred from the NCUA Board.

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

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

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

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

The NCUA Board has determined that the normal operating level is 1.30% at December 31, 2003 and 2002. The calculated equity ratios at both December 31, 2003 and 2002 were 1.27%.

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

The NCUA Board has declared that no dividends were payable on insured shares as of December 31, 2003 and 2002, because the equity ratios of 1.27% were below the normal operating level of 1.30%. Total insured shares as of December 31, 2003 and 2002, were $479 billion and $443 billion, respectively.

6. INVESTMENTS

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

Investments consist of the following (in thousands):

	December 31, 2003				
	Yield to Maturity at Market	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Market Value**
U.S. TREASURY SECURITIES:					
Maturities up to one year	2.87 %	$2,536,670	$19,986	$ -	$2,556,656
Maturities after one year through five years	1.74 %	2,172,940	5,530		2,178,469
Total		$4,709,610	$25,516	$ -	$4,735,125

	December 31, 2002				
	Yield to Maturity at Market	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Estimated Market Value**
U.S. TREASURY SECURITIES:					
Maturities up to one year	4.59 %	$2,224,524	$36,008	$ -	$2,260,532
Maturities after one year through five years	3.18 %	2,311,013	56,394		2,367,407
Total		$4,535,537	$92,402	$ -	$4,627,939

Total investment purchases during 2003 and 2002 were approximately $2.4 billion and $2.5 billion, respectively. Investment maturities during 2003 and 2002 were approximately $2.2 billion and $1.6 billion, respectively. The Fund has the capability and management has the intention to hold all investments held at December 31, 2003 and 2002, to maturity. There were no investment sales during 2003 and 2002.

7. AVAILABLE BORROWINGS

The Fund is authorized by the Federal Credit Union Act to borrow from the Treasury of the United States, upon authorization by the NCUA Board, up to a maximum of $100,000,000. The NCUA Central Liquidity Facility ("CLF") is authorized to make advances to the Fund under terms and conditions established by the NCUA Board. No borrowings were obtained from these sources during 2003 and 2002.

8. TRANSACTIONS WITH NCUA OPERATING FUND

Substantial administrative services are provided to the Fund by the NCUA Operating Fund. The NCUA Operating Fund charges the Fund for these services based on an annual allocation factor approved by the NCUA Board and derived from a study of actual usage conducted by the management of these Funds. The allocation factor was 62.00% to the Fund for each in 2003 and 2002. The cost of services provided by the NCUA Operating Fund was approximately $83,158,000 and $83,182,000 for 2003 and 2002, respectively, and includes pension contributions of approximately $6,462,000 and $6,685,000 to the Civil Service Retirement System and Federal Employees Retirement System defined benefit retirement plans for 2003 and 2002, respectively.

In 1988, the Fund entered into a $2,161,000 thirty-year unsecured term note with the NCUA Operating Fund. Interest received was approximately $11,000 and $46,000 for 2003 and 2002, respectively. The note receivable balances at December 31, 2003 and 2002, were approximately $0 and $1,098,000, respectively. The balance of $0 reflects the payoff of the note.

In 1992, the Fund entered into a commitment to fund up to $41,975,000 through a thirty-year secured term note with the NCUA Operating Fund. The monies were advanced to the NCUA Operating Fund as needed to fund the costs of constructing a building. Interest income was approximately $732,000 and $1,164,000 for 2003 and 2002, respectively. The note receivable balances at December 31, 2003 and 2002, were approximately $26,484,000 and $27,824,000, respectively.

The above note matures as follows (in thousands):

	Secured Term Note
2004	$ 1,341
2005	1,341
2006	1,341
2007	1,341
2008	1,341
Thereafter	19,779
Total	$26,484

The variable rate on both term notes is equal to the Fund's prior-month yield on investments. The average interest rates during 2003 and 2002 were approximately 2.70% and 4.09%, respectively. At December 31, 2003 and 2002, the rates were 2.08% and 3.51%, respectively.

The NCUA Operating Fund leases certain office space and equipment under operating lease agreements that expire through 2008. Based on the allocation factor determined by the NCUA's Board, the Fund reimburses the NCUA Operating Fund approximately 62.00% of the total lease payments. The cost of services provided by the NCUA Operating Fund includes rental charges of approximately $702,460 and $625,500 for 2003 and 2002, respectively.

The NCUA Operating Fund's total future minimum lease payments on operating leases as of December 31, 2003, are as follows (in thousands):

2004	$1,069
2005	823
2006	470
2007	461
2008	284
Total	$3,107

9. LEASE COMMITMENTS

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

A schedule of future minimum lease payments as of December 31, 2003, is as follows (in thousands):

2004	$423
2005	423
2006	106
Total	952
Less: Imputed interest	(16)
Present value of net minimum lease payments	$936

10. DISCLOSURE OF FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	December 31, 2003		December 31, 2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Investments	$ 4,709,610	$ 4,735,125	$ 4,535,537	$ 4,627,939
Cash and cash equivalents	1,364,954	1,364,954	1,008,693	1,008,693
Accrued interest receivable	45,761	45,761	69,174	69,174
Capital assessment receivable			3,697	3,697
Notes receivable - NCUA Operating Fund	26,484	26,484	28,922	28,922
Amounts due to insured shareholders of liquidated credit unions	9,541	9,541	6,228	6,228
Due to NCUA Operating Fund	1,914	1,914	670	670
Accounts payable	3	3	3	3
Lease obligation	936	936	165	165

11. CONCENTRATIONS

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

12. CONTINGENCIES

NCUA is currently a party to a number of disputes that involve or may involve litigation. In the opinion of management, the ultimate liability with respect to these disputes, if any, will not be material to NCUA’s financial position.

13. RESTRUCTURING

NCUA announced on January 29, 2003, a regional restructuring plan, previously approved by the Board on November 21, 2002. The restructuring plan relocated the Region VI office in Concord, California, to Tempe, Arizona, and renumbered it to Region V. The plan also closed the Region IV regional office in Chicago, Illinois. The process of relocating Region VI began early in 2003 and will be completed no later than December 2004. Region V, located in Austin, Texas, was renumbered to Region IV. Credit union supervision was aligned with the five regions and became effective as of January 1, 2004.

NCUA estimates that the costs to be incurred for the regional restructuring plan are $3,636,000, which includes relocation costs of $3,000,000, and miscellaneous administrative and other costs of approximately $636,000. Approximately $2,185,000 of these costs was incurred during 2003. Based on the allocation factors approved by the NCUA Board, the NCUSIF is responsible for 62.00% for 2003. The Fund’s estimated cost for the regional restructuring plan will be approximately $2,254,000. The Operating Fund’s estimated cost for the regional restructuring plan will be approximately $1,382,000. In accordance with SFAS Statement No. 146, *Accounting for Costs Associated with Exit and Disposal Activities*, an accrual of approximately $1.4 million has been made in the NCUA Operating Fund as of December 31, 2003, of which $.9 million was allocated to the NCUSIF through the overhead transfer.

* * * * * *

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

BALANCE SHEETS
DECEMBER 31, 2003 AND 2002
(Dollars in thousands)

ASSETS	2003	2002
ASSETS:		
Cash and cash equivalents	$24,450	$ 18,582
Due from National Credit Union Share Insurance Fund (Note 4)	1,914	670
Employee advances	339	254
Other accounts receivable	189	96
Prepaid expenses	267	97
Fixed assets—net of accumulated depreciation and amortization (Note 3)	37,208	36,197
TOTAL ASSETS	$64,367	$ 55,896

LIABILITIES AND FUND BALANCE		
LIABILITIES:		
Accounts payable	$ 4,505	$ 3,311
Obligations under capital leases (Note 5)	2,367	548
Accrued wages and benefits	5,455	4,987
Accrued annual leave	8,232	7,669
Accrued employee travel	77	776
Notes payable to National Credit Union Share Insurance Fund (Note 4)	26,484	28,922
Total liabilities	47,120	46,213
FUND BALANCE	17,247	9,683
TOTAL LIABILITIES AND FUND BALANCE	$64,367	$ 55,896

See notes to financial statements.

STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN FUND BALANCE
YEARS ENDED DECEMBER 31, 2003 AND 2002
(Dollars in thousands)

	2003	2002
REVENUES:		
Operating fees	$ 57,984	$ 53,820
Interest	427	565
Other	121	188
Total revenues	58,532	54,573
EXPENSES (Note 4):		
Employee wages and benefits	39,625	39,842
Travel	3,806	4,146
Rent, communications, and utilities	1,498	1,553
Contracted services	2,224	1,987
Other	3,815	3,456
Total expenses	50,968	50,984
EXCESS OF REVENUES OVER EXPENSES	7,564	3,589
FUND BALANCE—Beginning of year	9,683	6,094
FUND BALANCE—End of year	$ 17,247	$ 9,683

See notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
OPERATING FUND

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2003 AND 2002
(Dollars in thousands)

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenues over expenses	$ 7,564	$ 3,589
Adjustments to reconcile excess of revenues over expenses to cash provided by operating activities:		
Depreciation and amortization	2,967	3,406
Loss on disposal of employee residences held for resale	21	54
Loss on disposal of fixed assets	15	16
Miscellaneous allowances		(4)
(Increase) decrease in assets:		
Due from National Credit Union Share Insurance Fund	(1,244)	1,053
Employee advances	(85)	275
Other accounts receivable	(93)	(3)
Prepaid expenses	(170)	168
(Decrease) increase in liabilities:		
Accounts payable	1,194	(2,084)
Accrued wages and benefits	468	189
Accrued annual leave	563	138
Accrued employee travel	(699)	
Net cash provided by operating activities	10,501	6,797
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of fixed assets and employee residences held for resale	(1,086)	(1,517)
Proceeds from sale of employee residences held for resale	162	595
Net cash used in investing activities	(924)	(922)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Repayments of notes payable	(2,438)	(1,413)
Principal payments under capital lease obligations	(1,271)	(1,760)
Net cash used in financing activities	(3,709)	(3,173)
NET INCREASE IN CASH AND CASH EQUIVALENTS	5,868	2,702
CASH AND CASH EQUIVALENTS—Beginning of year	18,582	15,880
CASH AND CASH EQUIVALENTS—End of year	$24,450	$ 18,582

SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:
Interest paid during the years ended December 31, 2003 and 2002, was $743 and $1,210, respectively.

SUPPLEMENTAL DISCLOSURE OF NONCASH FINANCING ACTIVITIES:
Capital lease obligations of $3,119 and $23 were incurred when the Fund entered into leases for new equipment during the years ended December 31, 2003 and 2002, respectively.

See notes to financial statements.

1. ORGANIZATION AND PURPOSE

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

2. SIGNIFICANT ACCOUNTING POLICIES

Cash Equivalents—The Federal Credit Union Act permits the Fund to make investments in United States Government securities or securities guaranteed as to both principal and interest by the United States Government. Cash equivalents are highly liquid investments with original maturities of three months or less. All investments in 2003 and 2002 were cash equivalents and are stated at cost, which approximates fair value.

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

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

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

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

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

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

Accounting for Exit and Disposal Activities—The Fund accounts for exit and disposal activities in accordance with Statement of Financial Accounting Standards No. 146, *Accounting for Costs Associated with Exit and Disposal Activities.* This statement requires that a liability for a cost associated with an exit or disposal activity be recognized when the liability is incurred rather than the date of an entity's commitment to an exit plan. The Fund's conformance with this standard affects the timing of the recognition of costs of its regional restructuring plan described in Note 9.

3. FIXED ASSETS

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

	2003	2002
Office building and land	$ 42,453	$ 42,453
Furniture and equipment	11,509	10,607
Equipment under capital lease	3,237	4,918
Total	57,199	57,978
Less: Accumulated depreciation and amortization	(19,991)	(21,781)
Fixed assets—net	$ 37,208	$ 36,197

Accumulated amortization balances for equipment under capital leases as of December 31, 2003 and 2002, were $860,000 and $4,432,000, respectively.

4. TRANSACTIONS WITH NCUSIF

Certain administrative services are provided by the Fund to NCUSIF. The Fund charges NCUSIF for these services based upon an annual allocation factor approved by the NCUA Board and derived from a study of actual usage. The allocation factor was 62.00% to NCUSIF for both 2003 and 2002, respectively. The cost of the services allocated to NCUSIF, which totaled approximately $83,158,000 and $83,182,000 for 2003 and 2002, is reflected as a reduction of the corresponding expenses in the accompanying financial statements.

In 1988, the Fund entered into a $2,161,000 thirty-year unsecured term note with NCUSIF for the purchase of a building. Interest costs incurred were approximately $11,000 and $46,000 for 2003 and 2002, respectively. The outstanding principal balances at December 31, 2003 and 2002, were $0 and $1,098,000, respectively. The balance of $0 reflects the payoff of the note.

In 1992, the Fund entered into a commitment to borrow up to $41,975,000 in a thirty-year secured term note with NCUSIF. The monies were drawn as needed to fund the costs of constructing a building in 1993. Interest costs incurred were approximately $732,000 and $1,164,000 for 2003 and 2002, respectively. The note payable balances at December 31, 2003 and 2002, were approximately $26,484,000 and $27,824,000, respectively.

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

	Secured Term Note
2004	$ 1,341
2005	1,341
2006	1,341
2007	1,341
2008	1,341
Thereafter	19,779
	$26,484

The variable rate on both notes is equal to NCUSIF's prior-month yield on investments. The average interest rates during 2003 and 2002 were 2.70% and 4.09%, respectively. The interest rates at December 31, 2003 and 2002, were 2.08% and 3.51%, respectively.

5. LEASE COMMITMENTS

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

Operating Leases—The Fund leases office space under lease agreements that expire through 2008. Office rental charges amounted to approximately $1,133,000 and $1,009,000 of which approximately $702,460 and $625,500 was reimbursed by NCUSIF for 2003 and 2002, respectively. In addition, the Fund\ leases office equipment under operating leases with lease terms of less than one year.

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

The future minimum lease payments as of December 31, 2003, are as follows (in thousands):

	Operating Leases	Capital Leases
2004	$ 1069	$ 1,089
2005	823	1,059
2006	470	279
2007	461	14
2008	284	8
Total	$ 3,107	2,449
Less: Imputed interest		82
Present value of net minimum lease payments		$ 2,367

Based on the allocation factor approved by the NCUA Board for 2003, NCUSIF will reimburse the Fund for approximately 62% of the future operating lease payments.

6. RETIREMENT PLAN

The employees of the Fund are participants in the Civil Service Retirement and Disability Fund, which includes the Federal Employees' Retirement System ("FERS"). Both plans are defined benefit retirement plans covering all of the employees of the Fund. FERS is comprised of a Social Security Benefits Plan, a Basic Benefits Plan, and a Savings Plan. Contributions to the plans are based on a percentage of employees' gross pay. Under the Savings Plan, employees can also elect additional contributions between 1% and 14% of their gross pay, and the Fund will match up to 5% of the employees' gross pay. In 2003 and 2002, the Fund's contributions to the plans were approximately $10,422,000 and $10,783,000, respectively, of which approximately $6,462,000 and $6,685,000 were reimbursed by NCUSIF, respectively.

The Fund does not account for the assets of the above plans and does not have actuarial data with respect to accumulated plan benefits or the unfunded liability relative to eligible employees. These amounts are reported by the U.S. Office of Personnel Management for the Civil Service Retirement and Disability Fund and are not allocated to individual employers.

7. DISCLOSURES OF FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	December 31, 2003		December 31, 2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	$24,450	$24,450	$18,582	$ 18,582
Due from NCUSIF	1,914	1,914	670	670
Employee advances	339	339	254	254
Other accounts receivable	189	189	96	96
Accounts payable	4,505	4,505	3,311	3,311
Obligation under capital lease	2,367	2,367	548	548
Notes payable to NCUSIF	26,484	31,748	28,922	28,922

8. CONTINGENCIES

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

9. RESTRUCTURING

NCUA announced on January 29, 2003, a regional restructuring plan, previously approved by the Board on November 21, 2002. The restructuring plan relocated the Region VI office in Concord, California, to Tempe, Arizona, and renumbered it to Region V. The plan also closed the Region IV regional office in Chicago, Illinois. The process of relocating Region VI began early in 2003 and will be completed no later than December 2004. Region V, located in Austin, Texas, was renumbered to Region IV. Credit union supervision was aligned with the five regions and became effective as of January 1, 2004.

NCUA estimates that the costs to be incurred for the regional restructuring plan are $3,636,000, which includes relocation costs of $3,000,000, and miscellaneous administrative and other costs of approximately $636,000. Approximately $2,185,000 of these costs was incurred during 2003. Based on the allocation factors approved by the NCUA Board, the Operating Fund is responsible for 38.00% for 2003. The Fund's estimated cost for the regional restructuring plan will be approximately $1,382,000. The SIF's estimated cost for the regional restructuring plan will be approximately $2,254,000. In accordance with SFAS Statement No. 146, *Accounting for Costs Associated with Exit and Disposal Activities,* an accrual of approximately $1.4 million has been made in the Fund as of December 31, 2003.

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NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

BALANCE SHEETS
DECEMBER 31, 2003 AND 2002
(In thousands)

ASSETS	2003	2002
ASSETS:		
Cash	$ 10	$ 11
Investments with U.S. Central Credit Union (Notes 5, 8, and 9)	1,238,056	1,081,362
Accrued interest receivable	3,653	5,042
TOTAL ASSETS	$ 1,241,719	$ 1,086,415
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES:		
Member deposits (Note 7)	$ 11,522	$ 13,905
Accounts payable and other liabilities	136	108
Total liabilities	11,658	14,013
MEMBERS' EQUITY:		
Capital stock—required (Note 7)	1,218,654	1,060,995
Retained earnings	11,407	11,407
Total members' equity	1,230,061	1,072,402
TOTAL LIABILITIES AND MEMBERS' EQUITY	$ 1,241,719	$ 1,086,415

See notes to financial statements.

STATEMENTS OF OPERATIONS
YEARS ENDED DECEMBER 31, 2003 AND 2002
(In thousands)

	2003	2002
REVENUE—Investment income	$ 14,991	$ 21,965
EXPENSES (Note 10):		
Operating expenses:		
Group agent service fee	1	2
Personnel services	126	124
Other services	42	40
Rent, communications, and utilities	7	10
Personnel benefits	26	25
Supplies and materials	2	2
Printing and reproduction	5	4
Total operating expenses	209	207
Interest—member deposits		169
Interest-liquidity reserve	105	
Total expenses	314	376
EXCESS OF REVENUE OVER EXPENSES	$ 14,677	$ 21,589

See notes to financial statements.

NATIONAL CREDIT UNION ADMINISTRATION
CENTRAL LIQUIDITY FACILITY

STATEMENTS OF MEMBERS' EQUITY
YEARS ENDED DECEMBER 31, 2003 AND 2002
(In thousands)

	Capital Stock	Retained Earnings
BALANCE—January 1, 2002	$ 956,709	$ 11,402
Issuance of required capital stock	105,519	
Redemption of required capital stock	(1,233)	
Dividends		(21,584)
Excess of revenue over expenses		21,589
BALANCE—December 31, 2002	1,060,995	11,407
Issuance of required capital stock	158,987	
Redemption of required capital stock	(1,328)	
Dividends		(14,677)
Excess of revenue over expenses		14,677
BALANCE—December 31, 2003	$ 1,218,654	$ 11,407

See notes to financial statements.

STATEMENTS OF CASH FLOWS
YEARS ENDED DECEMBER 31, 2003 AND 2002
(In thousands)

	2003	2002
CASH FLOWS FROM OPERATING ACTIVITIES:		
Excess of revenue over expenses	$ 14,677	$ 21,589
Adjustments to reconcile excess of revenue over expenses to net cash provided by operating activities:		
Decrease in accrued interest receivable	1,389	53
Increase (decrease) in accounts payable and other liabilities	28	6
Net cash provided by operating activities	16,094	21,648
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchase of investments—net	(156,694)	(101,440)
Net cash used in investing activities	(156,694)	(101,440)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Additions to member deposits	959	2,226
Issuance of required capital stock	158,987	105,519
Dividends	(14,677)	(21,584)
Withdrawal of member deposits	(3,342)	(5,138)
Redemption of required capital stock	(1,328)	(1,233)
Net cash provided by financing activities	140,599	79,790
NET DECREASE IN CASH	(1)	(2)
CASH—Beginning of year	11	13
CASH—End of year	$ 10	$ 11
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION—Cash paid during the year for:		
Interest	$ 105	$ -

See notes to financial statements.

1. ORGANIZATION AND PURPOSE

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

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

2. SIGNIFICANT ACCOUNTING POLICIES

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

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

Investments—The CLF invests in redeposits and share accounts at U.S. Central Credit Union (see Notes 5 and 8). All other investments are short-term with no maturities in excess of one year. All investments are classified as held-to-maturity. Accordingly, the CLF records investments at amortized cost. Amortized cost is the face value of the securities plus the unamortized premium or less the unamortized discount.

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

a. *Cash*—The carrying amounts for cash approximate fair value.

b. *Investments*—Securities held have maturities of one year or less and, as such, the carrying amounts approximate fair value.

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

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

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

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

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

3. GOVERNMENT REGULATIONS

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

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

At December 31, 2003 and 2002, the CLF was in compliance with its borrowing authority. Borrowings would be from the Federal Financing Bank with interest generally payable upon maturity (see Note 12).

4. LOANS TO MEMBERS

There were no loans or loan commitments outstanding at December 31, 2003 and 2002. The CLF can provide members with extended loan commitments.

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

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

	December 31,	
	2003	2002
U.S. Central Credit Union Redeposit account (see Note 8)	$1,238,056	$1,081,362

6. BORROWING AUTHORITY

The Secretary of the Treasury is authorized by the Act to lend up to $500 million to the CLF in the event that the Board certifies to the Secretary that the CLF does not have sufficient funds to meet the liquidity needs of credit unions. This authority to lend is limited to such extent and in such amounts as are provided in advance by Congressional Appropriation Acts. On December 23, 1981, the President signed PL 97-101, which provided $100 million of permanent indefinite borrowing authority that may be provided by the Secretary of the Treasury to the CLF to meet emergency liquidity needs of credit unions. Borrowings would be from the Federal Financing Bank with interest generally payable upon maturity (see Note 12).

7. CAPITAL STOCK AND MEMBER DEPOSITS

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

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

8. U.S. CENTRAL CREDIT UNION MEMBERSHIP

During fiscal year 1984, the CLF accepted a membership request from U.S. Central Credit Union ("USC") on behalf of its corporate credit union members. At December 31, 2003 and 2002, $1,168,602,000 and $1,015,902,000, respectively, of the required portion of subscribed capital stock were purchased from the CLF by USC on behalf of its member credit unions. The CLF has 31 and 32 corporate credit union members as of December 31, 2003 and 2002, respectively.

In addition, by accepting the USC membership request, the CLF was initially committed to reinvest all but $50,000,000 of its total share capital in USC at market rates of interest. Beginning April 1, 1996, the CLF reinvests all of its agent member share capital in USC at market rates of interest. At December 31, 2003 and 2002, approximately $1,238,056,000 and $1,081,362,000, respectively, were invested in USC accounts at 1.17% and 1.85%, respective yields.

9. CONCENTRATION OF CREDIT RISK

At December 31, 2003 and 2002, the CLF has a concentration of credit risk for its investments on deposit with USC of approximately $1,238,056,000 and $1,081,362,000, respectively (see Notes 5 and 8).

10. SERVICES PROVIDED BY THE NATIONAL CREDIT UNION ADMINISTRATION

The National Credit Union Administration provides the CLF with data processing and other miscellaneous services and supplies. In addition, the National Credit Union Administration pays CLF's employees' salaries and benefits as well as the CLF's portion of monthly building operating costs. The CLF reimburses the National Credit Union Administration on a monthly basis for these items. Total reimbursements were approximately $205,000 for each of the years ended December 31, 2003 and 2002.

11. DISCLOSURE OF FAIR VALUE OF FINANCIAL INSTRUMENTS

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

	December 31, 2003		December 31, 2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash	$ 10	$ 10	$ 11	$ 11
Investments	1,238,056	1,238,056	1,081,362	1,081,362
Accrued interest receivable	3,653	3,653	5,042	5,042
Member deposits	11,522	11,522	13,905	13,905
Accounts payable and other liabilities	136	136	108	108

12. SHORT-TERM REVOLVING CREDIT FACILITY

On July 15, 1999, the National Credit Union Administration signed a note purchase agreement with the Federal Financing Bank on behalf of CLF. The agreement originally provided for a commitment amount of $20.7 billion. Subsequently, the agreement expired on September 30, 2002, and was extended through consecutive short-term revolving credit facility promissory notes. These promissory notes reduced the credit facility to $5 billion and expire yearly on the 31st of March. The current promissory note expires March 31, 2004.

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insurance fund ten-year trends

Fiscal year	1994	1995[1]	1996	1997	1998	1999	2000	2001	2002	2003
Income (in thousands)										
Regular premium-federal	—	—	—	—	—	—	—	—	—	—
Regular premium-state	—	—	—	—	—	—	—	—	—	—
Interest income	$147,564	$172,926	$184,715	$201,938	$217,965	$227,281	$268,169	$252,853	$213,252	$151,175
Other income	2,258	2,147	2,148	2,151	2,033	1,850	1,952	1,703	1,226	760
Total income	**$149,822**	**$175,073**	**$186,863**	**$204,089**	**$219,998**	**$229,131**	**$270,121**	**$254,556**	**$214,478**	**151,935**
Expenses (in thousands)										
Operating	$44,132	$48,384	$47,220	$49,767	$51,071	$58,392	$65,898	$90,505	$85,367	$85,026
Insurance losses	$26,000	—	—	—	—	—	—	—	$12,513	$38,043
Losses on investment sales	—	—	—	—	—	—	—	—	—	—
Total expenses	**$ 70,132**	**$48,384**	**$47,220**	**$49,767**	**$51,071**	**$58,392**	**$65,898**	**$90,905**	**$97,880**	**$123,068**
Net income (in thousands)	$ 79,690	$126,690	$139,643	$154,322	$168,927	$170,739	$204,223	$164,051	$116,598	$28,867
Data highlights										
Total equity (in thousands)	$3,054,308	$3,250,002	$3,412,164	$3,593,686	$3,810,677	$4,170,178	$4,627,700	$5,035,788	$5,607,096	$6,073,390
Equity as a percentage of shares in insured credit unions	1.27%	1.30%	1.30%	1.30%	1.30%	1.30%	1.30%	1.25%	1.27%	1.27%
Contingent liabilities (in thousands)	$22	$375	$1,026	$933	$556	$1,281	$2,362	$2,217	$ 0	$ 0
Contingent liabilities as a percentage of equity	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
NCUSIF loss per $1,000 of insured shares	$0.10	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.00	$0.03	$0.08
Operating ratios										
Premium income	—	—	—	—	—	—	—	—	—	—
Interest income	98.5%	98.8%	98.8%	99.0%	99.1%	99.2%	99.3%	99.3%	99.4%	99.5%
Other income	1.5%	1.2%	1.1%	1.0%	0.9%	0.8%	0.7%	0.7%	0.6%	0.5%
Operating expenses	29.5%	27.6%	25.3%	24.4%	23.2%	25.5%	24.4%	35.5%	39.8%	56.0%
Insurance losses	17.4%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	5.8%	25.0%
Total expenses	46.8%	27.6%	25.3%	24.4%	23.2%	25.5%	24.4%	35.6%	45.6%	81.0%
Net income	53.2%	72.4%	74.7%	75.6%	76.8%	74.5%	75.6%	64.4%	54.4%	19.0%
Involuntary liquidations commenced										
Number	29*	15	13	8	13	15	20	17	14	8
Share payouts (in thousands)	$27,279*	$11,737	$1,028	$17,888	$6,298	$5,403	$10,393	$16,290	$40,003	$ 7,774
Share payouts as a percentage of total insured shares	0.011%	0.004%	0.000%	0.006%	0.002%	0.002%	0.003%	0.004%	0.009%	0.002%

*Includes 2 liquidations occurring during transition quarter

[1]Effective January 1, 1995, the NCUSIF fiscal year and NCUSIF insurance year changed from October 1 thru September 30 to a period of January 1 thru December 31

insurance fund ten-year trends

Fiscal year	1994	1995[2]	1996	1997	1998	1999	2000	2001	2002	2003
Mergers—fiscal year										
Assisted	8*	7	6	8	5	8	9	5	1	5
Unassisted	423*	297	305	164	217	315	284	295	271	166

*INCLUDES 2 ASSISTED MERGERS AND 81 UNASSISTED MERGERS OCCURRING DURING TRANSISTION QUARTER

Fiscal year	1994	1995[2]	1996	1997	1998	1999	2000	2001	2002	2003
Assistance to avoid liquidation (in thousands)										
Capital notes and other cash advances outstanding	$2,673	$0	$265	$1,211	$1,466	$325	$146	$2,050	$0	$0
Non-cash guaranty accounts	$2,849	$1,134	$1,197	$1,343	$1,557	$4,516	$8,450	$2,559	$156	$7,872
Number of active cases	7	9	12	7	12	16	17	10	3	10
Number of problem case insured credit unions (CODE 4 & 5)										
Number	319	267	286	326	308	338	202	205	211	217
Shares (millions)	$2,430	$2,051	$1,759	$2,928	$3,181	$2,693	$1,483	$1,731	$2,901	$3,568
Problem case shares as a percentage of insured shares	0.96%	0.80%	0.65%	0.95%	0.99%	0.80%	0.42%	0.43%	0.66%	0.74%

December 31	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Shares in insured credit unions (in millions)[1]										
Federal credit unions	$155,480	$164,582	$173,544	$178,948	$191,328	$194,766	$195,871	$217,112	$238,912	$262,420
State credit unions	92,173	96,856	101,914	114,327	130,129	140,857	157,996	185,574	202,552	215,056
Total shares	**$247,653**	**$261,438**	**$275,458**	**$293,275**	**$321,457**	**$335,623**	**$353,867**	**$402,686**	**$441,464**	**$477,476**
Number of member accounts in insured credit unions (in thousands)										
Federal credit unions	78,835	78,245	77,243	73,566	72,848	73,466	74,125	74,886	76,554	79,819
State credit unions	44,203	55,740	41,841	45,690	49,130	52,787	57,397	61,290	62,597	62,489
Total	**123,038**	**133,985**	**119,084**	**119,256**	**121,978**	**126,253**	**131,522**	**136,176**	**139,151**	**142,308**
Number of insured credit unions										
Federal credit unions	7,498	7,329	7,152	6,981	6,815	6,566	6,336	6,118	5,953	5,776
State credit unions	4,493	4,358	4,240	4,257	4,180	4,062	3,980	3,866	3,735	3,593
Total	**11,991**	**11,687**	**11,392**	**11,238**	**10,995**	**10,628**	**10,316**	**9,984**	**9,688**	**9,369**
Insured shares as a percentage of all credit union shares	98.0%	99.0%	99.0%	99.0%	99.0%	94.0%	93.3%	92.1%	91.2%	90.4%
State credit union portion of insured shares	37.2%	37.1%	37.0%	40.0%	40.5%	42.0%	44.7%	46.1%	45.9%	45.0%

[1]Insured shares in natural person credit unions.
[2]Effective January 1, 1995, the NCUSIF fiscal year and NCUSIF Insurance year changed from October 1 thru September 30 to a period of January 1 thru December 31

federal credit union ten-year summary

Federal credit unions
December 31 (dollar amounts in millions)

December	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Number of credit unions	7,498	7,329	7,152	6,981	6,815	6,566	6,336	6,118	5,953	5,776
Number of members	40,837,392	42,162,627	43,545,541	43,500,553	43,864,851	44,076,428	43,883,106	43,816,877	44,610,949	46,155,018
Assets	$182,529	$193,781	$206,692	$215,097	$231,904	$239,316	$242,881	$270,125	$301,238	$336,612
Loans outstanding	110,090	120,514	134,120	140,100	144,849	155,172	163,851	170,326	181,767	202,898
Shares	160,226	170,300	180,964	187,817	202,651	207,614	210,188	235,202	261,819	291,485
Reserves[1]	7,616	8,351	9,092	9,371	9,837	10,314	10,837	11,339	12,227	12,881
Undivided earnings	9,584	11,445	13,087	14,365	15,468	16,546	17,279	18,596	20,855	23,526
Gross income	13,496	15,276	16,645	17,404	18,137	18,530	19,456	20,042	19,676	19,764
Operating expenses	5,964	6,468	7,246	7,793	8,241	8,551	8,721	9,287	10,158	11,239
Dividends	5,208	6,506	7,087	7,425	7,760	7,698	8,120	8,277	6,369	5,199
Reserve transfers	245	262	240	201	211	323				
Net income[2]	2,149	2,136	2,232	2,113	2,081	2,184	2,470	2,436	3,082	3,273
Percent change										
Total assets	5.6%	6.2%	6.7%	4.1%	7.8%	3.2%	1.5%	11.2%	11.5%	11.7%
Loans outstanding	16.3	9.5	11.3	4.5	3.4	7.1	5.6	4.0	6.7	11.6
Shares	4.4	6.3	6.3	3.8	7.9	2.4	1.2	11.9	11.3	11.3
Reserves[1]	9.2	9.7	9.3	3.1	5.0	4.8	5.1	4.6	7.8	5.3
Undivided earnings	14.9	19.4	14.2	9.8	7.7	7.0	4.4	7.6	12.1	12.8
Gross income	4.2	13.2	9.0	4.6	4.2	2.2	5.0	3.0	-1.8	0.4
Operating expenses	6.9	8.5	11.9	7.5	5.7	3.8	2.0	6.5	9.4	10.6
Dividends	3.4	24.9	8.7	4.8	4.5	-0.8	5.5	1.9	-23.1	-18.4
Net income[3]	-5.8	-0.6	4.5	-5.3	-1.5	5.0	13.1	-1.4	26.5	6.2
Significant ratios										
Reserves to assets	4.2%	4.3%	4.4%	4.4%	4.2%	4.3%	4.5%	4.2%	4.1%	3.8%
Reserves and undivided earnings to assets	8.9	10.2	10.7	11.0	10.9	11.2	11.6	11.1	11.0	10.8
Reserves to loans	6.9	6.9	6.8	6.7	6.8	6.6	6.6	6.7	6.7	6.3
Loans to shares	68.7	70.8	74.1	74.6	71.5	74.7	78.0	72.4	69.4	69.6
Operating expenses to gross income	44.2	42.3	39.4	39.4	45.4	46.1	44.8	46.3	51.6	56.9
Salaries and benefits to gross income	20.2	19.2	19.2	19.3	19.7	20.5	20.2	21.0	23.3	25.9
Dividends to gross income	38.6	42.6	42.6	42.7	42.8	41.5	41.7	41.3	32.4	26.3
Yield on average assets	7.6	8.1	8.3	8.3	8.1	7.9	8.3	7.8	6.9	6.2
Cost of funds to average assets	3.0	3.5	3.6	3.6	3.5	3.3	3.5	3.3	2.3	1.7
Gross spread	4.6	4.6	4.7	4.7	4.6	4.6	4.8	4.5	4.6	4.5
Net income divided by gross income[2]	15.9	14.0	13.4	12.1	11.5	11.8	12.7	12.2	14.8	16.6
Yield on average loans	8.7	8.9	8.5	8.7	8.6	8.3	8.5	8.2	7.7	6.9
Yield on average investments[3]	5.1	5.6	6.0	5.9	5.7	5.3	6.4	4.9	3.5	2.7

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

federally insured state-chartered credit union ten-year summary

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

December	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003
Number of credit unions	4,493	4,358	4,240	4,257	4,180	4,062	3,980	3,866	3,735	3,593
Number of members	24,294,761	24,926,666	25,665,783	27,921,882	29,673,998	31,307,907	33,704,772	35,532,391	36,336,258	36,273,168
Assets	$106,937	$112,861	$120,176	$136,107	$156,787	$172,086	$195,363	$231,280	$255,838	$273,572
Loans outstanding	65,769	71,606	79,651	92,117	100,890	116,366	137,485	152,014	160,881	173,236
Shares	94,797	99,838	105,728	119,359	137,347	149,305	169,053	201,807	222,377	236,856
Reserves[1]	4,908	5,246	5,689	6,421	7,125	7,946	9,120	10,266	11,105	10,895
Undivided earnings	5,563	6,645	7,490	8,779	9,876	11,060	12,830	14,563	16,229	18,231
Gross income	7,955	8,932	9,736	11,124	12,309	13,413	15,714	17,385	17,075	16,378
Operating expenses	3,473	3,770	4,198	4,939	5,548	6,165	7,024	8,053	8,990	9,629
Dividends	3,145	3,889	3,367	3,790	4,229	4,315	5,256	5,547	4,020	3,123
Reserve transfers	144	147	143	138	161	190				
Net income[2]	1,289	1,241	1,298	1,381	1,424	1,566	1,859	2,060	2,584	2,508
Percent change										
Total assets	2.5%	5.5%	6.5%	13.2%	15.2%	9.7%	13.5%	18.4%	10.6%	6.9%
Loans outstanding	14.0	8.9	11.2	15.6	9.5	15.3	18.1	10.6	5.8	7.7
Shares	1.4	5.3	5.9	12.9	15.1	8.7	13.2	19.4	10.2	6.5
Reserves[1]	3.2	6.9	8.5	12.9	10.9	11.5	14.8	12.6	8.2	-1.9
Undivided earnings	14.4	19.4	12.4	17.2	12.5	12.0	16.0	13.5	11.4	12.3
Gross income	1.0	12.3	9.0	14.3	10.6	9.0	17.2	10.6	-1.8	-4.1
Operating expenses	5.2	8.6	11.4	17.7	12.3	11.1	13.9	14.6	11.6	7.1
Dividends	1.2	23.7	-13.4	12.6	11.6	2.0	21.8	5.5	-27.5	-22.3
Net income[2]	-11.8	-3.7	4.6	6.4	3.1	10.0	18.7	10.8	25.5	-2.9
Significant ratios										
Reserves to assets	4.6%	4.6%	4.7%	4.7%	4.5%	4.6%	4.7%	4.4%	4.3%	4.0%
Reserves and undivided earnings to assets	9.8	10.5	11.0	11.2	10.8	11.0	11.2	10.7	10.7	10.6
Reserves to loans	7.5	7.3	7.1	7.0	7.1	6.8	6.6	6.8	6.9	6.3
Loans to shares	69.4	71.7	75.3	77.2	73.5	77.9	81.3	75.3	72.3	73.1
Operating expenses to gross income	43.7	42.2	39.1	39.5	45.1	46.0	44.7	46.3	52.7	58.8
Salaries and benefits to gross income	20.0	19.1	18.8	19.0	19.4	20.2	19.9	20.6	23.2	26.2
Dividends to gross income	39.5	43.5	35.0	34.1	34.3	32.2	33.4	31.9	23.5	19.1
Yield on average assets	7.5	8.1	8.4	8.7	8.4	8.2	8.3	8.2	7.0	6.2
Cost of funds to average assets	3.0	3.5	3.6	3.8	3.7	3.5	3.6	3.5	2.3	1.7
Gross spread	4.5	4.6	4.7	4.9	4.7	4.7	4.7	4.7	4.7	4.5
Net income divided by gross income[2]	16.2	13.9	13.3	12.4	11.6	11.7	11.8	11.8	15.1	15.3
Yield on average loans	8.6	8.9	8.4	9.1	8.8	8.4	8.5	8.4	7.6	6.6
Yield on average investments[3]	4.9	5.6	6.0	6.1	5.8	5.4	6.3	5.1	3.4	2.7

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

historical data, federal credit unions

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

(Amounts in thousands of dollars)

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

[1] Data for 1935-44 are partly estimated.

historical data, federal credit unions

Historical data for federal credit unions
December 31, 1970 to 2003

								(Amounts in thousands of dollars)		
Year	Charters issued	Charters cancelled	Net change	Total outstanding	Inactive credit unions	Active credit unions	Members	Assets	Shares	Loans outstanding
1970	563	412	151	13,555	578	12,977	11,966,181	$ 8,860,612	$ 7,628,805	$ 6,969,006
1971	400	461	-61	13,494	777	12,717	12,702,135	10,533,740	9,191,182	8,071,201
1972	311	672	-361	13,133	425	12,708	13,572,312	12,513,621	10,956,007	9,424,180
1973	364	523	-159	12,974	286	12,688	14,665,890	14,568,736	12,597,607	11,109,015
1974	367	369	-2	12,972	224	12,748	15,870,434	16,714,673	14,370,744	12,729,653
1975	373	334	39	13,011	274	12,737	17,066,428	20,208,536	17,529,823	14,868,840
1976	354	387	-33	12,978	221	12,757	18,623,862	24,395,896	21,130,293	18,311,204
1977	337	315	22	13,000	250	12,750	20,426,661	29,563,681	25,576,017	22,633,860
1978	348	298	50	13,050	291	12,759	23,259,284	34,760,098	29,802,504	27,686,584
1979	286	336	-50	13,000	262	12,738	24,789,647	36,467,850	31,831,400	28,547,097
1980	170	368	-198	12,802	362	12,440	24,519,087	40,091,855	36,263,343	26,350,277
1981	119	554	-435	12,367	398	11,969	25,459,059	41,905,413	37,788,699	27,203,672
1982	114	556	-442	11,925	294	11,631	26,114,649	45,482,943	41,340,911	28,184,280
1983	107	736	-629	11,296	320	10,976	26,798,799	54,481,827	49,889,313	33,200,715
1984	135	664	-529	10,767	219	10,548	28,191,922	63,656,321	57,929,124	42,133,018
1985	55	575	-520	10,247	122	10,125	29,578,808	78,187,651	71,616,202	48,240,770
1986	59	441	-382	9,865	107	9,758	31,041,142	95,483,828	87,953,642	55,304,682
1987	41	460	-419	9,446	45	9,401	32,066,542	105,189,725	96,346,488	64,104,411
1988	45	201	-156	9,290	172	9,118	34,438,304	114,564,579	104,431,487	73,766,200
1989	23	307	-284	9,006	185	8,821	35,612,317	120,666,414	109,652,600	80,272,306
1990	33	410	-377	8,629	118	8,511	36,241,607	130,072,955	117,891,940	83,029,348
1991	14	291	-277	8,352	123	8,229	37,080,854	143,939,504	130,163,749	84,150,334
1992	33	341	-308	8,044	128	7,916	38,205,128	162,543,659	146,078,403	87,632,808
1993	42	258	-216	7,828	132	7,696	39,755,596	172,854,187	153,505,799	94,640,348
1994	39	224	-185	7,643	145	7,498	40,837,392	182,528,895	160,225,678	110,089,530
1995	28	194	-166	7,477	148	7,329	42,162,627	193,781,391	170,300,445	120,514,044
1996	14	189	-175	7,302	150	7,152	43,545,541	206,692,540	180,964,338	134,120,610
1997	17	179	-162	6,994	13	6,981	43,500,553	215,097,395	187,816,918	140,099,926
1998	8	174	-166	6,816	1	6,815	43,864,851	231,904,308	202,650,793	144,849,109
1999	17	265	-248	6,566	0	6,566	44,076,428	239,315,693	207,613,549	155,171,735
2000	12	235	-223	6,343	7	6,336	43,883,106	242,881,164	210,187,670	163,850,918
2001	14	228	-214	6,129	11	6,118	43,816,877	270,125,345	235,202,500	170,325,562
2002	21	180	-159	5,959	6	5,953	44,610,949	301,238,242	261,819,003	181,766,655
2003	28	193	-165	5,788	12	5,776	46,153,243	336,611,886	291,484,763	202,898,454

board and officers

Dennis Dollar
Chairman

JoAnn M. Johnson
Vice Chair

Deborah Matz
Board Member

J. Leonard Skiles
Executive Director

Rebecca J. Baker
Secretary of the Board

J. Kirk Cuevas
Chief of Staff and Counsel to the Chairman

Holly Herman
Executive Assistant to Vice Chair Johnson

Steve Bosack
Executive Assistant to Board Member Matz

Robert M. Fenner
General Counsel

Clifford R. Northup
Director, Office of Public and Congressional Affairs

Herbert S. Yolles
Inspector General

David M. Marquis
Director, Office of Examination and Insurance

Dennis Winans
Chief Financial Officer

Mike Barton
President, Asset Management & Assistance Center

Sherry Turpenoff
Director, Office of Human Resources

Anthony LaCreta
Director, Office of Credit Union Development

Kent Buckham
Director, Office of Corporate Credit Unions

J. Owen Cole, Jr.
Director, Office of Strategic Program Support and Planning
President, Central Liquidity Facility

Doug Verner
Chief Information Officer

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

Chairman Dennis Dollar was named Chairman of the NCUA Board by President George W. Bush in September 2001 after serving seven months as acting chairman. He is a former Mississippi state representative and educator who was president of Gulfport VA Federal Credit Union in Mississippi when nominated by President Clinton to the Republican seat on the NCUA Board in October 1997. His term expired April 10, 2003.

Vice Chair JoAnn Johnson was nominated by President George W. Bush in November 2001 and confirmed by the U.S. Senate March 22, 2002. Iowa State Senator Johnson is a former educator, athletic coach and community activist. She was elected to office in 1994 and chaired both the Iowa Senate Commerce Committee and Ways and Means Committee before resigning to join NCUA. Her term expires August 2, 2007.

Board Member Deborah Matz was nominated by President George W. Bush in February 2002 and confirmed by the Senate March 22, 2002. An expert in finance, she has over 20 years of pubic service experience and extensive knowledge of both the executive and legislative branches of the federal government. She held a political appointment during the Clinton Administration and spent over nine years on Capitol Hill as an economist with the Joint Economic Committee. Her term expires August 2, 2005.

NCUA headquarters directors are, from the left, Anthony LaCreta, OCUD; Michael McKenna, DED; Kent Buckham, OCCU; Clifford Northup, PACA; David Marquis, E&I; Dennis Winans, OCFO; Sherry Turpenoff, OHR; J. Owen Cole Jr., OSPSP; Mike Barton, AMAC; Robert Fenner, OGC; Doug Verner, OCIO; J. Leonard Skiles, ED and Herbert Yolles, OIG.

Information

General information	703-518-6330
TDD	703-518-6332
Office of the Board	703-518-6300
News about NCUA	800-755-1030
	703-518-6339
Publications	703-518-6340
GC fraud hotline	800-827-9650
	703-518-6550
Credit union investments	800-755-5999
	703-518-6370
Technology assistance	800-827-3255
	703-518-6487
Report improper or	800-778-4806
Illegal activities	703-518-6357
Member complaints, appropriate regional office	
World Wide Web site	www.ncua.gov

field officers

NCUA regional directors are, from the left, Edward P. Dupcak, Region II; Jane Walters, Region IV; Mark A. Treichel, Region I; Melinda Love, Region V; and Alonzo A. Swann III, Region III accompanied by NCUA Executive Director J. Leonard Skiles.

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region1@ncua.gov

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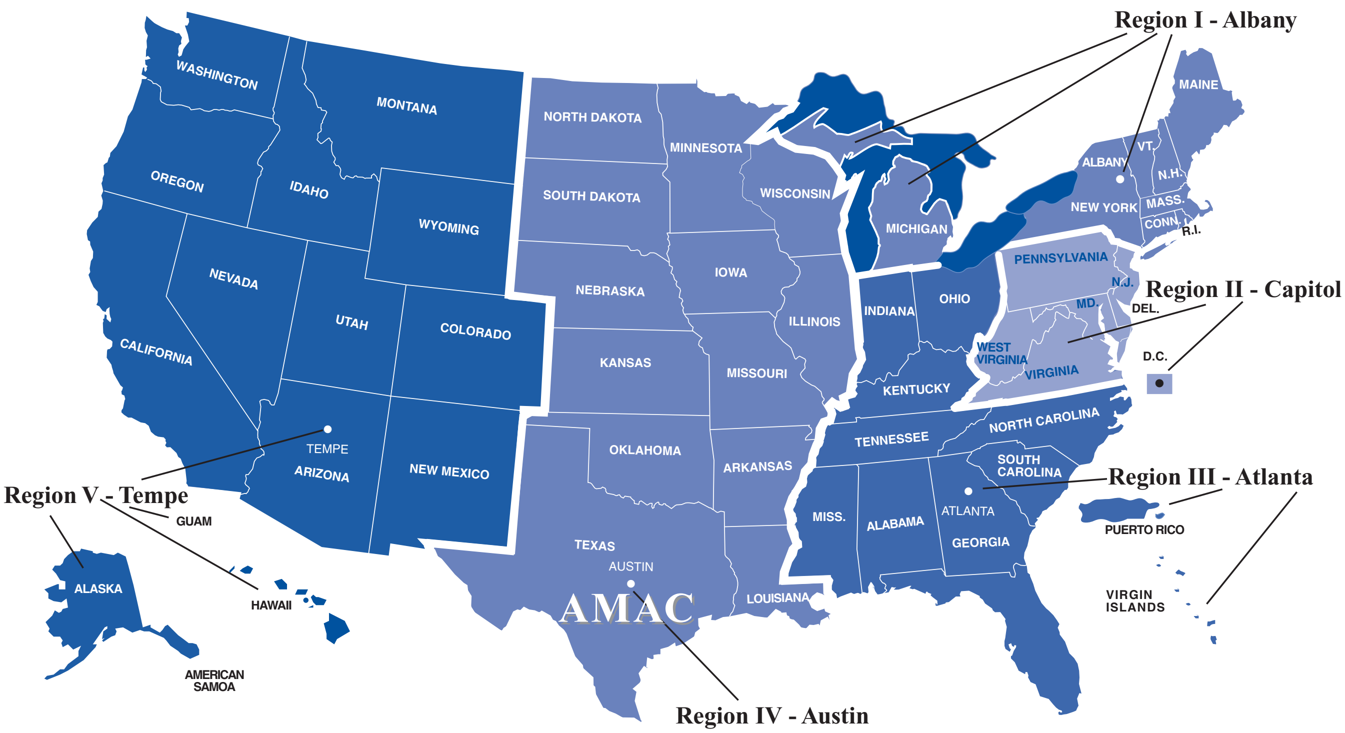
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Region IV - Austin
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INDIANA
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KENTUCKY
TENNESSEE
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