Board of Directors Report

On behalf of the entire Board of Directors, it is my privilege to submit this 2015 Annual Report to our members. NRL Federal Credit Union (NRLFCU) is a member-owned, not-for-profit financial cooperative. The Board of Directors is made up of unpaid volunteers who represent the entire membership and provide strategic direction to the management of the credit union. As your representatives, our goals are to be national leaders in member services and to provide our members a wide variety of competitive financial services

In 2015, credit union management changed in response to the retirement of our CEO. Margaret Pera served the credit union faithfully for 38 years and left our credit union in a strong financial position. The Board and management have continued to focus this past year on quality of services, while planning and executing a strategy to meet the high technological expectations of our members and greatly expanded requirements for cybersecurity. Protecting our members' information is our highest priority and so our resource allocations are focused on technology advances. Many initiatives started in 2015 will be implemented in 2016. The most noticeable change will be in our new website, which we improved and designed incorporating member feedback.

In 2015, our members' borrowing needs continued to rise. We ended the year with $14 million more in loans than at the prior year end. As consumer confidence in the economy grew, our members looked to their credit union to provide the funding they needed for the lifestyle they wanted for their families. In 2016, we will be implementing a new consumer loan platform to make the loan process even more efficient whether you use our branches, call us on the phone, or contact us through your computer or your mobile device. We are focused on delivering what you want when you want it and at the best value possible.

As a member-owned cooperative, every member is important to us, and we want to know how you think we are doing. To accomplish this, we regularly conduct surveys to measure your satisfaction with the services provided and the products offered. We encourage you to respond to these surveys and let us know how we are doing so that we can continually improve our services. If you'd prefer not to wait for a survey, you can always submit comments and suggestions at one of our branch locations or online through the Suggestion Box on our website.

The Board of Directors, the other volunteers and the NRLFCU management staff thank you for your continued support. We want to continue to be *your* **Trusted Partners for Life**, by helping you achieve your own personal financial goals and we look forward to serving all your financial needs in 2016.

Board of Directors

Walter Jackson	Chairman
Darryl Harris	Vice Chair
Douglas Todoroff	Treasurer
Suleyman Guleyupoglu	Secretary
Richard Bevilacqua	Director
Joseph Bucaro	Director
Jill Dahlburg	Director
Frank Herr	Director
Banahalli Ratna	Director
Tom Swean	Associate Director

Services

Savings
Regular Savings
Checking
MyChoice Checking
Club Savings
Money Maker
VIP Money Maker
Share Certificate Accounts
Individual Retirement Accounts (IRAs)
IRA Certificates
Stash Certificates
Build A Dream Certificates
NO EXCUSES Certificate

Loans
Auto Loans
Leisure Vehicle Loans
Signature/Computer Loans
Share/Share Certificate Secured Loans
InstaCash – Overdraft Protection
Visa® Platinum with CU*Rewards*®
Gold MasterCard®
Regular MasterCard
Secured MasterCard
Conventional (Fixed-Rate) Mortgages
Adjustable Rate Mortgages (ARMs)
Jumbo Mortgages
First-Time Home Buyer Program
Second Home Loan
InterestFirst Mortgages
Home Equity Line of Credit
Equity Express
MyChoice Loans – Auto, Computer, Credit Card
GAP Waiver
Auto Exam Extended Warranty
Payment Protection

AnyTime AnyWhere Services
Communications Center
ATM Networks
E.T. (Electronic Teller)
Instant Issue Visa CheckCard
Online Access/Bill Payer
Mobile Banking
Text Banking
Remote Deposit
eStatements
eUpdates
Direct Deposit
Payroll Deduction
CO-OP Shared Branches℠
Chequity™ Card
Visa TravelMoney Cards
Wire Transfers

Other Services
Check Cashing
Money Orders
Certified Checks
Postage Stamps
Investment/Financial Planning Services*
Credit Life and Disability Insurance
United Buying Service®
CARFAX®
Enterprise Car Sales®
Motor Vehicle Certification Program
HomeAdvantage™

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nrlfcu.org

Non-deposit investment products and services are offered through CUSO Financial Services, L.P. ("CFS"), a registered broker-dealer (Member FINRA/SIPC) and SEC Registered Investment Advisor. Products offered through CFS:* ***are not NCUA/NCUSIF or otherwise federally insured, are not guarantees or obligations of the credit union, and may involve investment risk including possible loss of principal.* *Financial Advisors and Investment Representatives are registered through CFS. NRLFCU has contracted with CFS to make non-deposit investment products and services available to credit union members. For specific tax advice, please consult a qualified tax professional.*

EQUAL HOUSING LENDER

Annual Report 2015

NRL Federal Credit Union
Trusted Partners for Life

Federally insured by NCUA

Supervisory Committee Report

The Supervisory Committee consists of three to five volunteers appointed by the Board of Directors. The committee is responsible for the safety and soundness of the Credit Union by ensuring compliance with the Credit Union Act, the Credit Union bylaws and policies and the regulations of the National Credit Union Administration.

Our independent audit firm, Orth, Chakler, Murnane & Company, Certified Public Accountants, has examined the financial condition of NRLFCU as of June 30, 2015 in accordance with generally accepted auditing standards. Results of their findings have been presented to the Supervisory Committee and the Board of Directors. Their report indicates that the Credit Union is operating within the bounds of sound financial practices.

In order to effectively serve as your representative, we must be kept aware of your concerns. You can do this formally by writing the Supervisory Committee, 5440 Cherokee Avenue, Suite 201, Alexandria, VA 22312, or informally by contacting any member of the committee. The Supervisory Committee maintains a confidential relationship with all concerned members.

Supervisory Committee

Mary Ann Carpenter	Chairperson
Tom Gallagher	Secretary
Michael Gingerich	Member
Jane Schaub	Member
Carol Sullivan	Member

Membership

2015	2014
20,873 members	20,288 members

Financial Statements*

December 31, 2015 and 2014

Comparative Statement of Condition *(in thousands)*

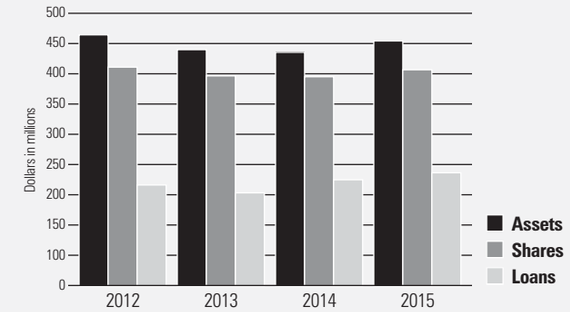
	2015	2014
ASSETS		
Other secured loans	$ 578	$ 779
Signature loans	14,841	11,838
New and used transportation loans	43,305	38,097
Home equity and second trusts	24,003	22,794
First mortgages	130,290	127,192
Credit card loans	25,456	23,573
Total loans	238,472	224,272
Allowance – loss on loans	(1,026)	(1,296)
Net loans	237,447	222,976
Loans held for sale	1,089	629
Cash	3,642	2,545
Investments	182,332	190,787
Accrued income	1,295	1,276
Prepaid and def. charges	724	564
Fixed assets	17,721	18,103
Other assets	6,982	6,741
Total other assets	26,722	26,685
Total assets	$ 451,232	$ 443,621
LIABILITIES AND MEMBERS' EQUITY		
LIABILITIES		
Accounts payable	$ 413	$ 489
Div./Int. accrued and payable	—	—
Accrued expenses	1,170	1,536
Total payable	1,584	2,025
Other liabilities	1,172	1,629
Notes payable	—	—
Total liabilities	2,756	3,654
MEMBERS' EQUITY		
Regular and club shares	84,119	77,951
Share drafts	72,645	61,855
Money Maker accounts	169,347	170,928
IRA shares	7,542	7,892
Share certificates	51,070	55,168
IRA certificates	19,596	21,947
Total share and certificate accounts	404,319	395,741
Regular reserve	9,356	9,356
Undivided earnings	36,325	34,299
Unrealized investment gain/loss	(1,524)	571
Total reserve and undivided earnings	44,157	44,226
Total members' equity	448,475	439,967
Total liabilities and members' equity	$ 451,232	$ 443,621

Comparative Statement of Income

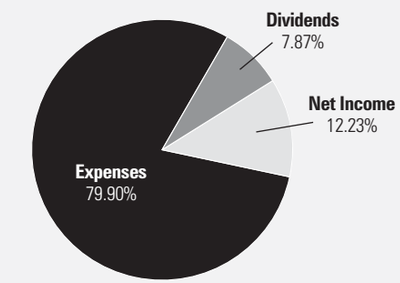
	2015	2014
OPERATING INCOME		
Interest – other secured loans	$ 17,594	$ 21,665
Interest – signature loans	1,319,189	995,887
Interest – new and used transportation loans	1,089,867	973,558
Interest – real estate loans	6,339,258	6,208,988
Interest – credit card loans	1,745,520	1,663,841
Total loan income	10,511,427	9,863,940
Investment income	2,131,821	1,884,273
Fees and service charges	728,389	733,407
Other income	2,988,262	2,796,878
Total operating income	16,359,899	15,278,498
OPERATING EXPENSES		
Salaries	5,103,578	5,321,156
Employee benefits	1,345,026	1,329,286
Travel and conference expenses	120,098	112,608
Association dues	72,509	71,015
Office occupancy expense	783,325	745,654
Office operating expense	3,033,567	2,910,506
NCUA assessments	—	—
Education and promotion	686,362	622,239
Loan servicing	1,077,057	985,059
Professional and outside services	438,810	331,967
Miscellaneous expenses	382,841	403,921
Total operating expenses	13,043,174	12,833,411
Provision for loan losses	194,040	272,624
Short term borrowings interest	—	—
Total expenses	13,237,214	13,106,035
Net operating income	3,122,685	2,172,463
Gain (Loss) – disposal of assets	(8,140)	28,184
Gain (Loss) – investments	215,288	210,627
Other non operating income	(1,084)	—
Net income before dividends	3,328,748	2,411,275
DIVIDENDS		
Regular/club share dividends	40,921	38,428
Share draft dividends	—	—
Money Maker account dividends	368,464	377,174
IRA share dividends	7,548	7,278
Share certificate dividends	629,212	708,631
IRA certificate dividends	257,099	305,817
Total dividends	1,303,245	1,437,327
NET INCOME	$ 2,025,503	$ 973,947

**Unaudited financial statements. Audited statements are available as of June 30, 2015 and 2014.*

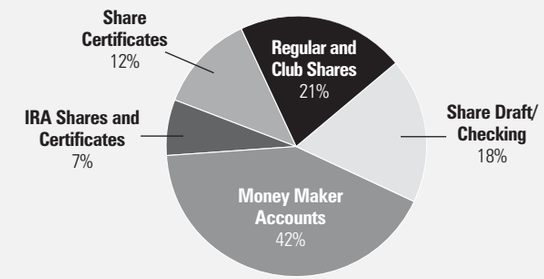
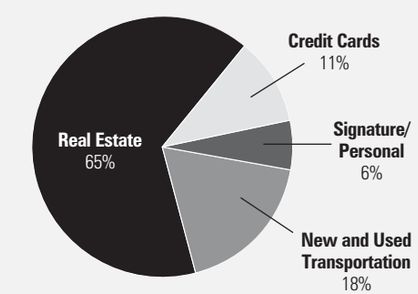
Growth in Assets, Shares and Loans



Distribution of Gross Income



Shares



Loans