

# ANNUAL REPORT 2015



This abbreviated annual report is intended to provide summary information pertaining to the performance of Northrop Grumman Federal Credit Union. To view the complete independent auditor's report prepared by Turner, Warren, Hwang & Conrad Certified Public Accountants, visit [www.ngfcu.us](http://www.ngfcu.us) or call 800.633.2848 to request a copy.



# REPORT TO MEMBERS

In several memorable ways, 2015 was a milestone year. All member-owners should feel proud of how their collective use of Northrop Grumman Federal Credit Union (NGFCU) created the following all-time record highs:

- \$1.013 billion in assets
- \$895.4 million in share deposits
- \$471.8 million in loan balances
- \$119.0 million in total capital reserves

Achieving \$1 billion in assets places NGFCU in the top 4% of the nation's 6,147 credit unions as of December 31, 2015. On an asset-per-member basis, we rank in the top 2%.

More than just a number, achieving a significant asset size, along with other success factors, is an indicator of responsible financial management. This becomes all the more important when you consider the following: the nation's largest banks and credit unions are growing at a faster pace than those in a lower asset range. Simply put, the benefits of economies of scale accelerate exponentially with size. Accordingly, NGFCU reaching \$1 billion in assets is a statement of member confidence that will encourage the continued expansion of the benefits and services it can offer.

While NGFCU has entered a new asset category, we continue to rank very high in those metrics that reflect product value and member trust. Here is how we ranked among all the nation's credit unions as of December 31, 2015:

- Ranked in the top 1% with the lowest vehicle loan rates
- Ranked in the top 10% with the highest money market rates
- Ranked in the top 2% with the highest average term account balances
- Ranked in the top 10% with the highest average balance for checking accounts
- Ranked in the top 0.5% with the highest average credit card balances

But merely comparing NGFCU's financial performance does not tell the full story. We are just as proud of the fact that NGFCU is among an increasingly rare type of credit union that focuses on serving the employees of select employee groups. This is counter to the national trend of credit unions serving their general communities at-large. By focusing on the specific needs of our Northrop Grumman, Los Angeles County Metropolitan Transportation Authority (Metro) and MetroLink employees, we are able to provide value that cannot be matched by retail alternatives.

For instance, NGFCU is now located in 12 states, with 23 branches and 42 ATMs, most at our members' work locations. Besides having convenient work location branches and ATMs our Business Development Team has also made nearly 400 visits to 29 outlying work sites in 2015. This outreach helps us connect with our member-owners in ways that simply cannot be duplicated by competing retail financial services.



This focus on specific employee group needs resulted in balance increases in our checking (+17%), credit cards (+9%) and home equity loans (+9%) that were significantly higher than national rates in 2015. Our members needed more than our competitors could provide, and we are proud to say that we were able to deliver.

The strong NGFCU performance in 2015 was accomplished in an economic environment that, while remaining positive, has seen dramatic volatility in the national and international stock markets. This uncertainty in the equities market, despite continued U.S. employment growth, consumer spending, business investment, industrial production and construction, led the Federal Reserve to delay its much anticipated Fed Funds interest rate hike to the end of 2015.

In addition to the general economy, the strength and prosperity of our sponsor organizations is of significant importance to our organization. Our namesake sponsor, Northrop Grumman Corporation (NGC), won the U.S. Air Force contract for the Long Range Strike Bomber (LRS-B) program in 2015. This single program will support thousands of jobs for decades and is only one of a multitude of high demand NGC projects.

Paralleling NGC's successes, Metro had many achievements in 2015, including: celebrating 25-years of Metro Rail service and the 10th Anniversary of the Metro Orange Line, securing funding for the Crenshaw/LAX Purple Line, appointing a new CEO, initiating a regional transportation district collaboration for the passage of Senate Bill 767 for additional tax revenue and receiving national attention for Metro's Complete Streets policy, which provides improved integration of all users of public streets. This high level of achievement is commonplace for Metro, which transports on average 1.5 million every weekday on bus and light rail, while overseeing one of the largest public works construction programs in the nation.

Not to be outdone, Metrolink, the nation's third largest commuter rail line by route miles, saw its annual ridership increase to almost 12 million passengers over six Southern California counties. MetroLink also won \$41 million in a competitive grant from the California State Transportation Agency. These funds will be used to fund up to nine low-emission Tier 4 locomotives. In addition, MetroLink announced plans to expand its service area for the first time in 22 years.

NGFCU truly embraces the unique advantage of serving select employee groups that have continued job growth and income security. As our sponsors continue to grow and prosper providing long-term employment security to our members, so will your Northrop Grumman Federal Credit Union. The commitment to focus on you, our member-owners, is our proven path to success.

For the Board of Directors,

**Mark Rabinowitz**  
Chair

**Stan Swenson**  
Secretary/Treasurer



## CONSOLIDATED STATEMENT OF FINANCIAL CONDITION

December 31, 2015

### ASSETS

Cash and cash equivalents.....	\$	45,791,808
Securities available-for-sale.....	\$	472,357,721
Other investments .....	\$	250,000
Loans to members .....	\$	469,623,636
Accrued interest receivables.....	\$	3,037,564
Property and equipment.....	\$	6,260,476
NCUSIF deposit.....	\$	8,377,464
Other assets.....	\$	7,531,878
<b>Total Assets</b>	<b>\$</b>	<b>1,013,230,547</b>

### LIABILITIES AND MEMBERS' EQUITY

Members' shares.....	\$	895,238,728
Borrowed funds .....	\$	—
Accrued expenses and other liabilities .....	\$	8,541,251
<b>Total Liabilities</b>	<b>\$</b>	<b>903,779,979</b>
Members' equity.....	\$	109,450,568
<b>Total Liabilities and Equity</b>	<b>\$</b>	<b>1,013,230,547</b>



## CONSOLIDATED STATEMENT OF INCOME

For the year ended December 31, 2015

### INTEREST INCOME

Interest on loans to members .....	\$	19,527,738
Interest on investments and cash equivalents.....	\$	9,115,087
<b>Total Interest Income</b>	<b>\$</b>	<b>28,642,825</b>

### INTEREST EXPENSE

Dividends on members' shares .....	\$	5,436,758
Interest on borrowed funds.....	\$	—
<b>Total Interest Expense</b>	<b>\$</b>	<b>5,436,758</b>

Net interest income .....	\$	23,206,067
Provision (credit) for loan losses.....	\$	1,571,380
Net interest income after provision (credit) for loan losses .....	\$	21,634,687

### NON-INTEREST INCOME

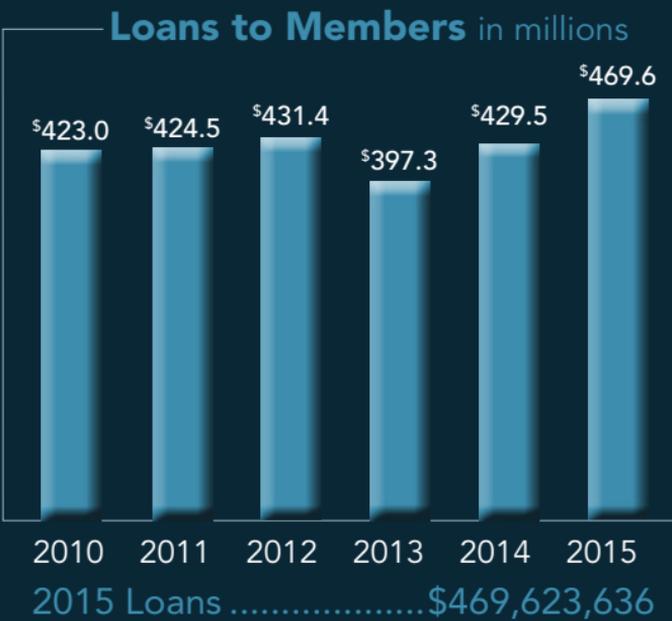
Fee income .....	\$	2,095,666
Other-than-temporary impairment losses .....	\$	(47,570)
Less portion of other-than-temporary impairment losses recognized in other comprehensive income .....	\$	47,570
Net impairment losses recognized in earnings ..	\$	—
Net realized gain (loss) on sale of securities available for sale .....	\$	70,809
Other non-operating income (expense) .....	\$	(3,277)
Other non-interest income.....	\$	2,660,921
<b>Total Non-Interest Income</b>	<b>\$</b>	<b>4,824,119</b>

### NON-INTEREST EXPENSE

Compensation and benefits.....	\$	10,195,913
Operations.....	\$	10,246,361
Occupancy.....	\$	1,411,010
<b>Total Non-Interest Expense</b>	<b>\$</b>	<b>21,853,284</b>

<b>NET INCOME</b>	<b>\$</b>	<b>4,605,522</b>
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# FINANCIALS







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