

REACHING HIGHER

2019
ANNUAL REPORT



Report to MEMBERS

The strides NGFCU made in 2019 were extraordinary. NGFCU welcomed a net of 7,253 members who chose your Credit Union as their financial services partner. This was the largest annual increase in membership in the Credit Union's 73-year history. Equal to almost 4 times the credit union industry's membership growth rate in 2019, this increase in membership reflects the overall value NGFCU offers and its consistent outreach to its field of membership across a nationwide landscape. All other Credit Union accomplishments this year stand on the shoulders of this historic membership expansion.

Membership growth is strongly correlated to loan growth, another area of NGFCU record-breaking achievement in 2019. While the nation's credit unions saw overall balance on loans granted increase 7.7%, NGFCU's balance on loans granted grew 29.4%, almost 4 times faster.* The 11,254 loans granted in the amount of \$288.4 million is an all-time record for your credit union. Simply put, NGFCU members received more home loans, more car loans and more unsecured personal loans in 2019 than in any year prior, and by a lot.

Closed end unsecured loans is an excellent example of how NGFCU stood out from other credit unions during 2019. Highlighted by our Debt Consolidation Loan with an Annual Percentage Rate as low as 5.99%, NGFCU had almost twice the national average proportion of members with a non-credit card unsecured loan (23.1% vs 11.8%, respectively), with a 2019 annual growth rate in other unsecured loan balances of 39.5%, more than 5 times the national growth rate of 7.1% for this loan category.

Here is how NGFCU stacked up against the nation's credit unions* in other key operating parameters as of December 31, 2019:

- Top 5% in assets
- Top 4% in member average share balance
- Top 4% in member average loan balance
- Top 4% for dividends paid per member

These performance levels are representative of a credit union with high levels of member engagement that is managed very efficiently to minimize operating costs while maximizing value to its members. To serve new sponsor sites, to better understand and improve member experience, and to support and engage with members, the Credit Union surpassed many other service related goals in 2019.

Your credit union opened 2 new branch locations within NGC sites: Chandler, AZ and Palmdale, CA. This brought the total number of NGFCU branches to 23 locations, at or near sponsor company sites in 7 states. Additionally, enhancements were made to key branches and ATMs.

In 2019, NGFCU made home ownership attainable for a larger number of members. The down payment requirement for members purchasing their first home was lowered to 3%. The Credit Union also updated to a digital survey platform to better measure and respond to member experience, and to better determine and resolve any pain points members might feel during certain processes.

Overall, 2019 was a banner year for the Northrop Grumman Federal Credit Union and for its members.



Eric Scholten
Chair



Matthew Herbert
President/CEO

* Source: National Credit Union Administration, December 2019 Call Reports

Consolidated Statement of FINANCIAL CONDITION

December 31, 2019

ASSETS

Cash and cash equivalents.....	\$	46,274,246
Securities available-for-sale.....	\$	299,834,803
Other investments.....	\$	8,232,900
Net loans.....	\$	811,152,012
Accrued interest receivable.....	\$	3,432,162
Property and equipment.....	\$	6,933,466
NCUSIF deposit.....	\$	9,912,600
Other assets.....	\$	8,205,697

Total Assets \$ 1,193,977,885

LIABILITIES AND MEMBERS' EQUITY

Members' shares.....	\$	1,027,699,894
Non-Member Deposits.....	\$	25,000,000
Borrowed funds.....	\$	—
Accrued expenses and other liabilities.....	\$	12,073,062
Total Liabilities	\$	1,064,772,956
Members' equity.....	\$	129,204,928

Total Liabilities and Equity \$ 1,193,977,885

Consolidated Statement of INCOME

December 31, 2019

INTEREST INCOME

Interest on loans to members.....	\$	35,855,713
Interest on investments and cash equivalents.....	\$	8,448,337

Total Interest Income \$ 44,304,050

INTEREST EXPENSE

Dividends on members' shares.....	\$	9,869,823
Interest on non-member deposits.....	\$	582,694
Interest on borrowed funds.....	\$	33,893

Total Interest Expense \$ 10,486,410

Net interest income \$ 33,817,640

Provision (credit) for loan losses.....

Net interest income after provision (credit) for loan losses.....

NON-INTEREST INCOME

Fee income.....	\$	2,520,061
Interchange Income.....	\$	2,155,824
Gain on sale of loans.....	\$	1,448,672
Gain on sale of securities available for sale.....	\$	12,562
Other non-operating income (expense).....	\$	(28,195)
Other non-interest income.....	\$	1,845,576

Total Non-Interest Income \$ 7,954,500

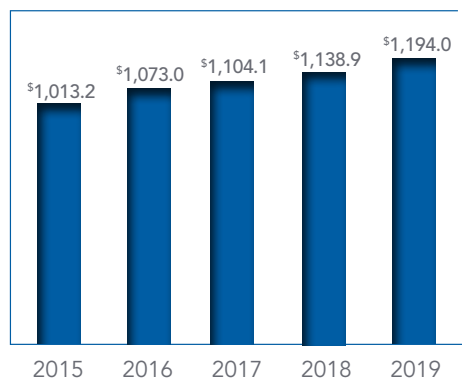
NON-INTEREST EXPENSE

Compensation and benefits.....	\$	18,430,094
Operations.....	\$	14,352,781
Occupancy.....	\$	1,722,412

Total Non-Interest Expense \$ 34,505,287

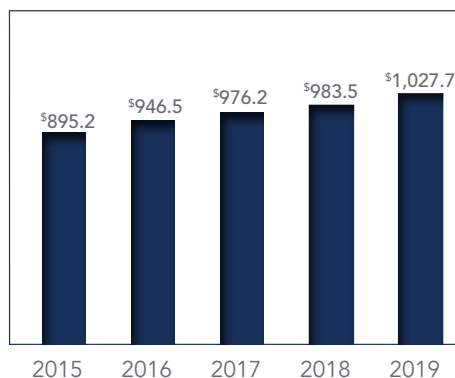
NET INCOME \$ 4,560,726

ASSETS in millions



2019 ASSETS.....\$1,193,977,885

Member Savings in millions



2019 SAVINGS.....\$1,027,699,894

Net Loans in millions



2019 LOANS.....\$811,152,012

