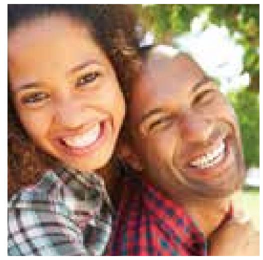
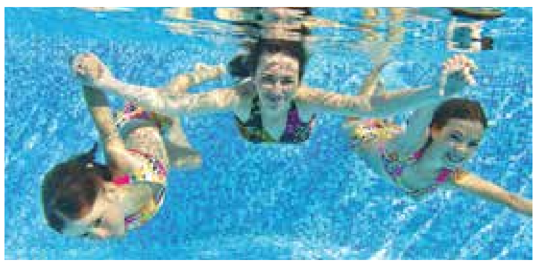
FARMERS INSURANCE
FEDERAL CREDIT UNION

Welcome to the credit union that feels even more like family.






2015 Annual Report




FARMERS INSURANCE
FEDERAL
CREDIT UNION

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2015 Annual Report

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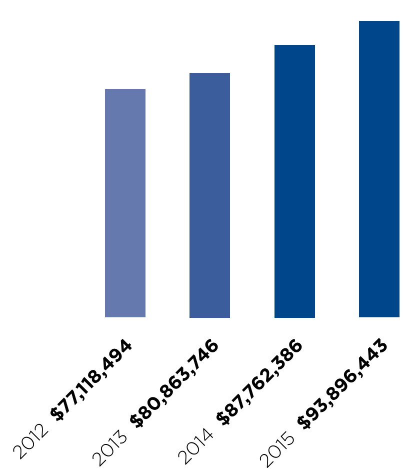
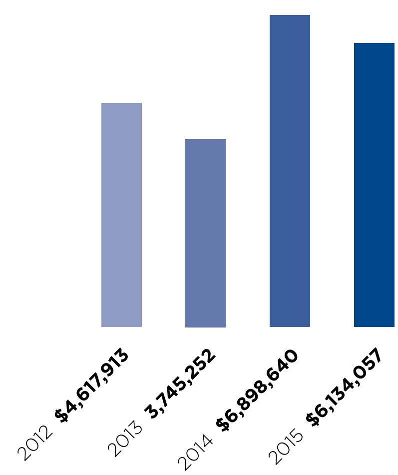
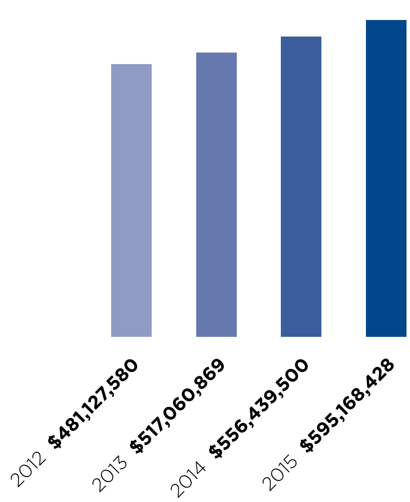
RETAINED EARNINGS



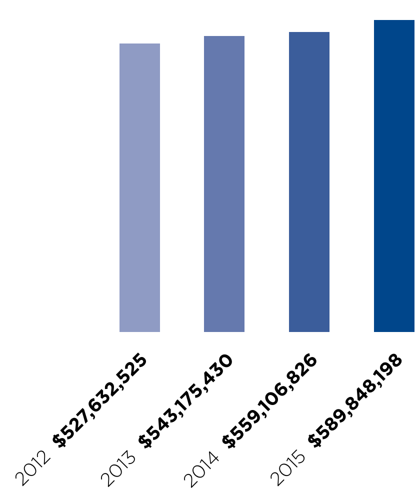
NET INCOME



TOTAL NET LOANS



MEMBER SHARES



Letter from the Chairman

Webster's Dictionary defines family as a group of people who are related to each other. This relationship creates a bond unlike any other. The Farmers family is unique in that although we may not be united by blood, we are connected in terms of wanting to help each other. And the Credit Union's commitment to everyone in the Farmers family is to provide the best banking experience. We did many things differently in 2015 to ensure that we have a solid foundation for the future to fulfill our mission of building better financial lives for our 46,000 plus members.

In every thriving organization, technology is at the core of decision making—how technology can serve customers better, streamline processes and reduce costs. Your Credit Union invested a great deal of time focused on these three areas and purchased a new operating system that will provide improvements across the board for many years to come. ALL of our systems, from accounting to lending to Online Banking to branch operations, were prepared to be converted in early 2016 so that we can continue to provide our members with the best financial products and highest levels of services, because family looks out for family.

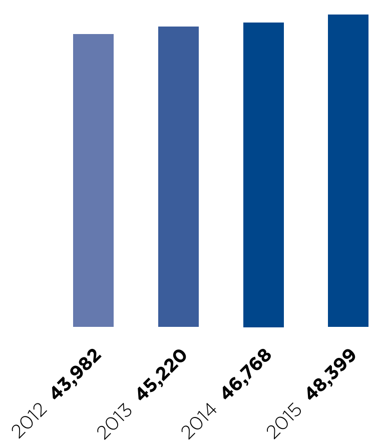
This focus on improvement did not result in reduced performance for the year. In fact, I am proud to share that your Credit Union achieved gross income of $42,258,000 and net income of $6,134,000. Our net worth is 13.6% and our total assets are now $690,954,000. We returned over $1.2 million dollars to our members in the form of the FIGFCU Gives Back program as well as loan rebates throughout the year. We were able to do this due to our high performing staff and support of our Board of Directors. I would personally like to thank Andy Reser for his commitment to the Board throughout the year, and welcome Karyn Williams, Paul Crosetti and Lewis Williams, who were added to the Board during the year.

Our vow to our members, or family members, has never been stronger. We will continue to be proactive in taking full advantage of new technologies and product and service offerings that make your Credit Union the best place to conduct your financial business. Like family, we care about your money, and we are deeply committed to ensuring that your experience with us is like no other. We are all Farmers, and we want to win. We will not stray from this obligation. Our family is our number one priority, and we will continue to be proactive so we can deliver on our promise.

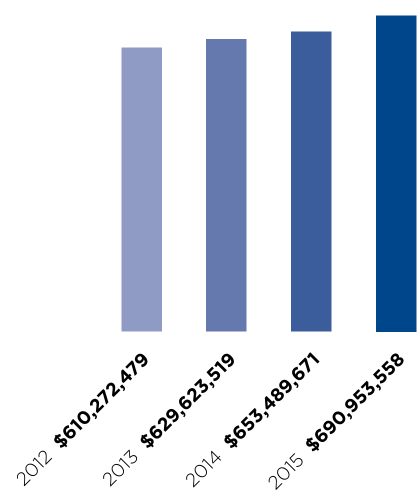
Scott Lindquist, Chairman of the Board

Credit Union Highlights 2012-2015

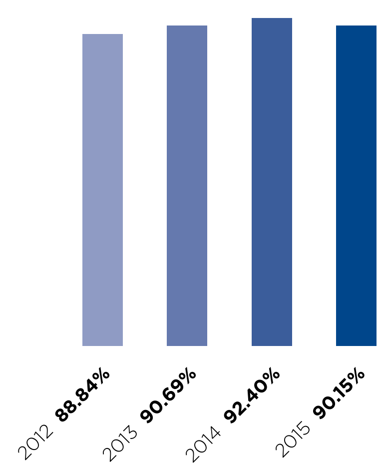
TOTAL MEMBERS



TOTAL ASSETS



MEMBER SATISFACTION



Letter from the CEO

Last year, your Credit Union was focused (and we remain so) on building for an even stronger and solid long-term future. All staff and officials were heavily engaged in the top priorities of continuing to build up our financial and operational strengths. This was supported by great member service and offering you great rates on savings and loans, and keeping fees low or nonexistent. Ours is a complex business and we love that.

Last year we strived to master complexity of computerized systems. We invested thousands of staff hours in training, and about $4 million, in all new software and hardware for our largely successful 2016 "core conversion". These investments will serve you for many years to come. I say largely successful because we did perform according to schedule, and we were serving members on Day 1 post-conversion. However, we have certainly encountered growing pains which we are now resolving week by week.

I cannot thank you enough for your patience in working with us as we put out some "fires" that were outgrowths of this massive undertaking, the largest and most fundamental operations project we have ever done. We left a system that we had been on for 32 years, and have moved to one with far greater technical abilities. Arguably our biggest challenge has been reducing our inbound calls holding time. We are getting there, and soon, we'll be back to the high level of personal service you expect from us.

You have shown us that you grasp what it is we are doing for you for your better financial well-being. I know you will continue to do so with the big picture in mind. Our stability is stronger than ever. Our staff has proven their resiliency, competency, and perseverance time and time again. Our pricing is second to none in the entire banking industry, and our suite of products and services cover a broad spectrum for both small business and consumer financial needs.

In 2015, we added about $5 million to our already strong reserves position. Our overall financial condition is among the strongest in the nation. As you will see on these following pages, we again earned an unqualified audit opinion from the CPAs, and I can also tell you a clean, solid bill of health conclusion from our federal regulator, the National Credit Union Administration.

Best regards in 2016 and beyond,

Mark Herter

Mark Herter, Chief Executive Officer

Board of Directors

Scott Lindquist, Chairman
Executive Vice President
and Chief Financial Officer

Jim Snikeris
Retired
Vice Chairman

Michael Ashe
Agent. Las Vegas, NV

Frank Ceglar
Retired

Paul Crosetti
Director, Head of Sales and
Agency Management

Danny Davison
District Manager

Marilyn Huntamer
Agent, San Diego, CA

Ed McMahan
District Manager

Rudy Trevino
Chief Compliance Officer, FGI

Karyn Williams
Chief Investment Officer

Lewis Williams
Chairman,
ZFUS Director of IT Finance

Management Team

Mark Herter
Chief Executive Officer

Laura Campbell
President

Harland Bengs
Chief Financial Officer

Kathy Chicas
Chief Operations Officer

Brian Leonard
Chief Lending Officer

Yusef Mustafa
Chief Technology Officer

SUPERVISORY COMMITTEE (Not Pictured)

Mary Monesi
Director, Corporate Finance, Expense Analytics

Darek Ferrendelli
Head of Personal Lines Finance

Linda Sanazaro
Head of Enterprise Operations

Beth Rodgers
Chief Marketing Officer

We launched a new brand in 2015. The essence of that new brand is a strengthened commitment to family and the values “family” implies. As part of the larger Farmers Insurance family, the Credit Union is here to help its members as only family can. Our desire to serve is, as we like to say, written in our DNA, and demonstrated in the unique products and services we offer agents and employees to help them succeed.

2015 was a brand new year.

The launch of our new brand was an exciting development at Farmers Insurance Federal Credit Union. We shortened our name, introduced a new website, new marketing materials and, of course, our new logo.

We did this because we felt that our previous brand just didn't capture the energy, enthusiasm, and family feeling that characterizes the Credit Union experience. We also wanted a new brand that would align us more closely with Farmers Insurance, whose positive brand awareness will help us grow, acquire more members, and strengthen our offerings.

We're here to solve problems, to help members succeed financially, to empower them in every way we can—to get to "Yes!" as quickly as we can. All this and more is what our new brand represents.

OUR FOUR BRAND PILLARS

A genuine desire to serve is part of our DNA.

We are well-trained and empowered.

We want to improve our members' financial lives.

We work hard to get to "yes."

We changed just about everything last year.

2015 was a year of major change for the Credit Union. In addition to our rebranding efforts, which included the launch of our new website, we also prepared for our core conversion. We undertook the process of evaluating procedures and operating systems that had been in use for years, in order to improve and streamline them.

We created a member communication plan to inform members about the changes with the greatest relevance to them. But, in fact, we prepared to change almost every other system in the Credit Union too, including:

- Lending
- Accounting
- Online account opening
- Online loan applications
- Credit cards
- Collections
- Account numbering
- Checking accounts
- And phone banking

We mapped all of the information in each system from the existing system to the new, and then tested, validated and documented those systems to ensure a seamless transition. Then, we trained all of our staff on each new system so that during the conversion in early 2016, we would be able to service members as we always had—to a very high standard.

We went on to test and validate everything, from reporting to Online Banking to credit and debit card transactions to printers, signature pads, and workstations. We left no stone unturned!

Thank you for the very quick response. Rebecca was right, you provide awesome customer service. I am copying my brother so he can pass this along to his CU rep. Have a great day!

Jerry Dulek
Member

It was a huge undertaking, but well worth it. Now, thanks to our new systems, transaction times and loan decisions—to name just two aspects of our day-to-day operations—will be greatly accelerated. And just as importantly, we will be capable of building new products that we weren't able to before.

In short, we are every bit a new and improved Credit Union.

Last year, we built a stronger future.

In 2015, we introduced several new products and services to help our members manage and meet their financial goals.

CardNav

Members can now enjoy 24/7 controls over their debit card activity. Downloading the CardNav app is free, and results in push notifications every time the Credit Union Debit Card is used, to help prevent fraud. Members can set spending limits, specify types of transactions, approve merchant locations, and lock the card when they're not using it.

ClickSWITCH

With our easy, secure online tool, ClickSWITCH, members can move their Direct Deposit and Automatic Payments to the Credit Union in just a few minutes. When they switch Direct Deposit to one of our Checking Accounts, they get discounts on eligible loans, and competitive rates on savings products. Plus, Farmers employees get paid one business day early. We handle the paperwork, phone calls, and follow-up, too.

Allison was extremely professional—talked me through all the steps in setting up the new system. Usually I do not comment on service but, in this case, it was exceptional. I'm very happy to be a member.

Glenn Coates
Member

MeridianLink

MeridianLink automates the lending process (including credit cards), so members may get an instant approval. The system allows members to finish the application at a later time, see where it is in the process (if instant approval couldn't be given), and saves their info, so they can come back and begin another application without having to start all over again.

Last year, we scored high on member satisfaction.

In 2015, the Credit Union continued to improve the level of service provided to our members.

How much did we improve?

- We surpassed our Member Satisfaction Score goal of 89%, earning a score of 90.15%
- 85.44% of surveyed members said that they would recommend the Credit Union to others for financial services
- Members tell us that we have the best deals on loans; and they like our free checking services
- Wait times at branches are minimal, with 54% receiving service immediately, and 91% receiving service within three minutes or less
- 92%-95% of the New Account/Loan members report an "excellent" or "good" overall experience when opening their new account or loan

I was recently assisted by Alfredo regarding an issue with a payment. He spent over an hour with me to resolve the issue and should be recognized for his example of what customer service should be.

Karen Thiel
Member

The secret behind our success is our commitment to consistently provide our members with excellent service. We demonstrate again and again how much we value and appreciate their business. And take their best interests as our highest priorities.

Last year, we put family first—again.

In 2015, the Credit Union gave back $1,575,436 as part of the Credit Union "Gives Back" campaign.

- The Credit Union gave back $463,999 in promotions and rebates. This included Agency Secured Loan rebate, auto loan rebate, Commercial Real Estate loan fee reduction and appraisal credit, home loan rebate, as well as other promotions.
- The Credit Union rewarded Championship agents with $218,841 in Championship bonuses.
- In addition, the Credit Union rewarded its members with $892,596 in cash bonuses during the "FIGFCU Gives Back" campaign.
- The Credit Union was delighted to be able to leverage its strong financial position to give back to its members for the fourth year in a row.

Micah did an awesome job walking us through the loan process and making sure we were comfortable. We will encourage everyone who is looking to purchase to contact Micah first.

Lori Kellum
Member

OCM&Co
CPAs AND ADVISORS
A DoerenMayhew Firm

INDEPENDENT AUDITOR'S REPORT

April 26, 2016

To the Supervisory Committee of
Farmers Insurance Group Federal Credit Union

We have audited the accompanying financial statements of Farmers Insurance Group Federal Credit Union, which comprise the statement of financial condition as of December 31, 2015, and the related statements of income, comprehensive income, members' equity, and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

12060 S.W. 129th Court, Suite 201, Miami, Florida 33186-4582
Telephone: 305-232-8272 • Fax: 305-232-8388 • Website: www.ocmcpa.com

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Farmers Insurance Group Federal Credit Union as of December 31, 2015, and the results of its operations and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Prior Period Financial Statements

The financial statements as of December 31, 2014, were audited by Orth, Chakler, Murnane and Company, whose report dated March 24, 2015, expressed an unmodified opinion on those statements.

OCM & Co., CPAs and Advisors

OCM & Co., CPAs and Advisors
A DoerenMayhew Firm
Miami, FL

FARMERS INSURANCE GROUP FEDERAL CREDIT UNION
STATEMENTS OF FINANCIAL CONDITION

ASSETS

	As of December 31, 2015	2014
Cash	$2,527,557	$1,976,559
Investments:		
Available-for-sale	12,763,786	16,416,769
Held-to-maturity	9,874,550	10,955,783
Other	52,457,133	50,645,498
Loans to members, net of allowance for loan losses	595,168,428	556,439,500
Accrued interest receivable:		
Investments	61,761	50,135
Loans	2,367,170	2,247,957
Other real estate owned (OREO)	40,119	40,119
Prepaid and other assets	7,993,978	7,812,536
Property and equipment, net	2,145,141	1,516,247
NCUSIF deposit	5,553,935	5,388,568
Total assets	$690,953,558	$653,489,671

LIABILITIES AND MEMBERS' EQUITY

	As of December 31, 2015	2014
LIABILITIES:		
Members' shares and deposits	$589,848,198	$559,106,826
Interest payable	269,157	265,064
Accounts payable and accrued liabilities	6,885,024	6,218,798
Total liabilities	597,002,379	565,590,688
Commitments and contingent liabilities		
MEMBERS' EQUITY:		
Regular reserve	16,966,743	16,966,743
Undivided earnings	76,929,700	70,795,643
Accumulated other comprehensive income	54,736	136,597
Total members' equity	93,951,179	87,898,983
Total liabilities and members' equity	$690,953,558	$653,489,671

The accompanying notes are integral part of these financial statements.

FARMERS INSURANCE GROUP FEDERAL CREDIT UNION
STATEMENTS OF INCOME

	For the years ended December 31, 2015	2014
INTEREST INCOME:		
Loans to members	$33,630,996	$31,857,080
Investments	538,724	523,554
Total interest income	34,169,720	32,380,634
INTEREST EXPENSE:		
Members' shares and deposits	3,194,674	3,221,612
Net interest income	30,975,046	29,159,022
PROVISION FOR LOAN LOSSES	1,473,333	1,647,123
Net interest income after provision for loan losses	29,501,713	27,511,899
NON-INTEREST INCOME:		
Overdraft and checking fees	3,412,417	3,338,289
Service charges and other fees	2,716,832	2,646,367
Interchange income	1,327,788	1,352,579
Other	579,054	283,150
Gain on sale of OREO, net	33,328	163,698
Total non-interest income	8,069,419	7,784,083
	37,571,132	35,295,982
NON-INTEREST EXPENSE:		
Compensation and employee benefits	17,043,509	15,347,429
Office operating costs	6,268,016	5,995,070
Educational and promotional expense	2,606,057	1,968,742
Office occupancy	1,596,837	1,357,263
Other expenses	1,469,837	1,205,449
Loan servicing expense	1,331,936	1,697,153
Professional and outside services	1,120,883	826,236
Total non-interest expense	31,437,075	28,397,342
Net income	$6,134,057	$6,898,640

The accompanying notes are integral part of these financial statements.

FARMERS INSURANCE GROUP FEDERAL CREDIT UNION
STATEMENTS OF COMPREHENSIVE INCOME

	For the years ended December 31, 2015	2014
NET INCOME	$6,134,057	$6,898,640
OTHER ITEMS OF COMPREHENSIVE INCOME:		
Net unrealized loss on investments classified as available-for-sale	(81,861)	(1,601)
Other comprehensive loss	(81,861)	(1,601)
Comprehensive income	$6,052,196	$6,897,039

The accompanying notes are integral part of these financial statements.

FARMERS INSURANCE GROUP FEDERAL CREDIT UNION
STATEMENTS OF MEMBERS' EQUITY

	For the years ended December 31, 2015 and 2014			
	Regular Reserve	Undivided Earnings	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2013	$16,966,743	$63,897,003	$138,198	$81,001,944
Net income	—	6,898,640	—	6,898,640
Other comprehensive loss	—	—	(1,601)	(1,601)
Balance, December 31, 2014	16,966,743	70,795,643	136,597	87,898,983
Net income	—	6,134,057	—	6,134,057
Other comprehensive loss	—	—	(81,861)	(81,861)
Balance, December 31, 2015	$16,966,743	$76,929,700	$54,736	$93,951,179

The accompanying notes are integral part of these financial statements.

FARMERS INSURANCE GROUP FEDERAL CREDIT UNION
STATEMENTS OF CASH FLOWS

	For the years ended December 31, 2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$6,134,057	$6,898,640
Adjustments:		
Provision for loan losses	1,473,333	1,647,123
Depreciation and amortization	805,099	806,202
Amortization of investment premiums/discounts, net	29,233	160,568
Gain on sale of OREO, net	(33,328)	(163,698)
Changes in operating assets and liabilities:		
Accrued interest receivable	(130,839)	14,233
Prepaid and other assets	(181,442)	879,537
Interest payable	4,093	(13,054)
Accounts payable and accrued liabilities	666,226	1,050,771
Net cash provided by operating activities	8,766,432	11,280,322
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from maturities and repayments of available-for-sale investments	3,571,122	3,770,441
Proceeds from maturities of held-to-maturity investments	6,292,000	9,413,000
Purchase of held-to-maturity investments	(5,240,000)	(3,153,413)
Net change in other investments	(1,811,635)	(34,031)
Net change in loans, net of charge-offs	(40,800,793)	(41,561,657)
Recoveries on loans charged off	331,968	345,384
Proceeds from sale of OREO	299,892	2,646,819
Expenditures for property and equipment	(1,433,993)	(604,439)
Change in NCUSIF deposit	(165,367)	(73,985)
Net cash used in investing activities	(38,956,806)	(29,251,881)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net change in members' shares and deposits	30,741,372	15,931,396
Net cash provided by financing activities	30,741,372	15,931,396
Net change in cash	550,998	(2,040,163)
Cash at beginning of year	1,976,559	4,016,722
Cash at end of year	$2,527,557	$1,976,559

The accompanying notes are integral part of these financial statements.

FARMERS INSURANCE GROUP FEDERAL CREDIT UNION
STATEMENTS OF CASH FLOWS

Cash Flows: (continued)

	For the years ended December 31, 2015	2014
SUPPLEMENTAL CASH FLOW DISCLOSURES:		
Interest paid	$3,190,581	$3,234,666
SCHEDULE OF NON-CASH TRANSACTIONS:		
Other comprehensive loss	($81,861)	($1,601)
Transfer from loans to members to OREO	$266,564	$190,519

NOTE 1: SIGNIFICANT ACCOUNTING POLICIES

ORGANIZATION

Farmers Insurance Group Federal Credit Union (the Credit Union), is a cooperative association organized in accordance with the provisions of the Federal Credit Union Act for the purpose of promoting thrift among, and creating a source of credit for, its members. Participation in the Credit Union is limited to those who qualify for membership. The field of membership is defined by the Credit Union's Charter and Bylaws.

FINANCIAL STATEMENTS/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 the disclosure of contingent assets and liabilities as of the dates of the financial statements and the reported amounts of revenues and expenses for the periods then ended. Actual results could differ from those estimates. Estimates that are particularly susceptible to change relate to the determination of the allowance for loan losses and the fair value of financial instruments. The significant accounting principles and policies used in the preparation of these financial statements, together with certain related information, are summarized below.

CASH

Cash includes cash on hand and amounts due from banks and credit unions. Amounts due from banks and credit unions may, at times, exceed federally insured limits.

INVESTMENTS

Investments are classified into the following categories: available-for-sale, held-to-maturity and other. Investment securities classified as available-for-sale are measured at fair value as of the statement of financial condition date. Unrealized gains and losses on available-for-sale investments are reported as a separate component of members' equity. Investment securities classified as held-to-maturity are measured at amortized cost. This classification is based upon the Credit Union's intent and ability to hold these investment securities to full maturity. The Credit Union has elected to classify certain cash equivalents as other investments. This election is available to the Credit Union according to the terms of the Statement of Cash Flows Topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). CUSO investments are accounted for under the cost method. The Credit Union reviews CUSO investments for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. Realized gains and losses on disposition, if any, are computed using the specific identification method. Investments are adjusted for the amortization of premiums and accretion of discounts as an adjustment to interest income on investments over the term of the investment by a method which approximates the interest method.

FEDERAL HOME LOAN BANK (FHLB) STOCK

As a member of the FHLB, the Credit Union is required to make a minimum stock investment with the FHLB based on a formula developed by the FHLB that considers the Credit Union's total assets and outstanding advances from the FHLB. The FHLB stock is carried at cost within other investments and its disposition is restricted. No ready market exists for the FHLB stock and it has no quoted market price.

Note 1: (continued)

LOANS TO MEMBERS AND ALLOWANCE FOR LOAN LOSSES

Loans to members are stated at the amount of unpaid principal net of deferred loan origination fees and costs and an allowance for loan losses (ALL). The ALL is increased by a provision for loan losses charged to expense and decreased by charge-offs (net of recoveries). The ALL is maintained at a level considered adequate to provide for optimal loss coverage for the entire loan portfolio over the next twelve months. Individually significant, non-homogeneous loans are measured for impairment in accordance with the Subsequent Measurement of Receivables Topic of the FASB ASC. These loans are evaluated individually based on an examination of the current financial information of the borrower and an estimate of the value of the collateral, if any. If the carrying value of any of these loans is greater than the estimated net realizable value of the property or of the collateral securing these loans, a reserve is established for the difference. Management's periodic evaluation of the adequacy of the ALL also considers such factors as changes in the nature and volume of the loan portfolio, review of specific problem loans, and current economic conditions that may affect the borrower's ability to repay.

Interest on loans to members is recognized over the terms of the loans and is calculated on principal amounts outstanding. The accrual of interest is discontinued when a loan reaches 90 days delinquent or when management believes that collection of interest is doubtful. Loan fees and direct loan origination costs are deferred and the net fee or cost is recognized as an adjustment to interest income on loans using a method that approximates the interest method over the estimated life of the loans.

ALL METHODOLOGY

Management has an established methodology to determine the adequacy of the ALL that assesses the risks and losses inherent in the entire loan portfolio. For the purpose of determining the ALL disclosures, the Credit Union has segmented loans in the portfolio by product type. Loans are divided into the following segments: Consumer, Residential Real Estate, and Commercial. The Credit Union further disaggregates these segments into classes based on the associated risks within those segments.

Consumer loans are divided into three classes: Unsecured, Automobile and Other secured. Residential real estate loans are divided into three classes: First mortgage, Second mortgage, and Home equity line of credit (HELOC). Commercial loans are divided into three classes: Agency secured, Agency unsecured and Real estate. Each class of loans requires significant judgment to determine the estimation method that fits the credit risk characteristics of its portfolio segment. The Credit Union uses both internally developed and vendor supplied models in the process. The vendor model is supplied by P360, Inc. The P360, Inc. model provides meaningful insights into the portfolio's risk composition, as dictated by the intrinsic value and other relevant market data. The model is specifically designed to calculate the risk of the loan portfolio on an individual loan level basis to provide optimal loss coverage analysis over the next 12 months.

Note 1: (continued)

Management must use judgment in establishing additional input metrics for the modeling processes. The models and assumptions used to determine the ALL are independently validated and reviewed to ensure that their theoretical foundation, assumptions, data integrity, computational processes, reporting practices, and end-user controls are appropriate and properly documented. The following is how management determines the balance of the ALL for each segment or class of loans.

CONSUMER PORTFOLIO SEGMENT ALL METHODOLOGY

For consumer loans, the Credit Union determines the ALL on a collective basis utilizing historical and forecasted losses to represent the best estimate of inherent losses at the measurement date. Loans are pooled, generally by loan types with similar risk characteristics. The Credit Union identifies consumer loans that underwent a troubled debt restructuring and evaluates these loans on an individual basis. In addition, the ALL model incorporates numerous other historical factors based upon the borrower, collateral type, loan performance, environment, and economy. These historical factors used in the analysis date back to 2001.

As appropriate, to achieve greater accuracy, further stratification of a selected portfolio may occur such as by year of origination, geographic location and other predictive characteristics. The consumer ALL model primarily uses historical delinquency and default experience. Information on forecasted delinquency analysis, member credit score trends, unemployment trends, industry trends and other key economic variables that may influence the frequency and severity of losses for each class of loan within the consumer segment may also be considered. Loans collateralized by a certificate or share account are considered fully secured unless otherwise notified.

RESIDENTIAL REAL ESTATE PORTFOLIO SEGMENT ALL METHODOLOGY

For residential real estate loans not identified as impaired, the Credit Union determines the ALL on a collective basis, utilizing various economic and financial simulations in order to determine the best estimate of inherent losses at the measurement date. Loans are pooled, generally by loan types with similar risk characteristics. In addition, the ALL model incorporates numerous other historical factors based upon the borrower, collateral type, loan performance, environment, and economy. These historical factors used in the analysis date back to 2001.

As appropriate, to achieve greater accuracy, further stratification of a selected portfolio may occur such as by year of origination, geographic location and other predictive characteristics. Information on member credit score trends, combined loan to value ratios, home price trends, unemployment trends, industry trends, and other key economic variables that may influence the frequency and severity of losses for each class of loan within the residential real estate segment may also be considered. The residential real estate ALL also includes an amount for the estimated losses on individually evaluated impaired loans.

Additionally, a mortgage sample analysis is performed periodically to assess the potential loss exposure within the residential real estate loan portfolio. The Credit Union obtains updated property values on all existing real estate loans in its portfolio. Using a sample of loans, the Credit Union performs individual reviews to assess the potential loss exposure based on various risk factors

Note 1: (continued)

including combined loan to value, member credit score, delinquency, loan vintage, and type of collateral. Results of the sample analysis are extrapolated to the total population to assess the adequacy of the ALL.

COMMERCIAL PORTFOLIO SEGMENT ALL METHODOLOGY

For commercial loans not identified as impaired, the Credit Union determines the ALL on a collective basis utilizing historical and forecasted losses to represent the best estimate of inherent losses at the measurement date. In addition, the ALL model incorporates numerous other historical factors based upon the borrower, collateral type, loan performance, environment, and economy. These historical factors used in the analysis date back to 2001.

Loss estimates for the commercial loan portfolio segment may be adjusted as appropriate based on credit risk assessment and management's analysis of leading predictors of losses, as well as additional analysis of long-term average loss experience compared to previously forecasted losses, external loss data, or other risks identified from current economic conditions and credit quality trends. The commercial ALL may also include an additional ALL for individually evaluated high risk loans and an amount for the estimated losses on individually evaluated impaired loans.

The Credit Union's commercial loan portfolio also includes loans collateralized by contract value. These are considered fully secured unless notified otherwise, as these loans, when written within the guidelines established by Farmers Insurance Group Inc. (Farmers), are secured and will be paid in full by Farmers upon member termination if the Credit Union's collection efforts were to ultimately fail.

LOAN CHARGE-OFF POLICIES

The Credit Union's quality control process includes preparing lists to monitor and track delinquent and special mention loans. Tracking loans on these lists enables management to assess the performance of the loan portfolio and act to mitigate risk therein through necessary changes in policy and procedures. The quality control process also serves as a tool to assist the Credit Union in identifying loans for charge-off on a timely basis. The following is a description of the Credit Union's loan charge-off policies:

Consumer, residential real estate, and commercial loans are generally charged-off when the loan is deemed to be uncollectible. A loan is deemed uncollectible when:

- the member has gained relief through bankruptcy;
- the loan is a deficiency balance from the sale of collateral and the borrower has indicated an unwillingness to make further payments;
- the borrower is determined to be a "skip";
- the member is deceased, collateral has been liquidated and there is no co-maker or estate to pursue for payment;
- the loan is 180 days or more delinquent, unless one of the following conditions exists:

Note 1: (continued)

- the borrower is making monthly payments but cannot qualify for refinancing or re-aging;
- the Credit Union or the member is waiting for settlement of a documented insurance/bond claim;
- the borrower is deceased, and the Credit Union has substantial reason to expect settlement from the estate, co-makers, or relatives;
- the Credit Union is waiting for the proceeds from the sale of repossessed collateral.

Uncollectible loans to be charged off to the ALL are approved by the Board of Directors each month. For repossessed collateral, including foreclosed property, the loan is charged off to the ALL and the net realizable value moved to other assets.

OTHER REAL ESTATE OWNED (OREO)

Assets acquired through, or in lieu of, loan foreclosure or repossession are held for sale and are initially recorded at fair value at the date of foreclosure or repossession, establishing a new cost basis. Subsequent to foreclosure or repossession, valuations are periodically performed by management and the assets are carried at the lower of carrying amount or fair value less estimated costs to sell.

PROPERTY AND EQUIPMENT

Property and equipment are carried at cost less accumulated depreciation. Furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the term of the lease, or the estimated life of the asset, whichever is less. The Credit Union reviews property and equipment (long-lived assets) for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

NCUSIF DEPOSIT

The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with National Credit Union Administration (NCUA) regulations, which require the maintenance of a deposit by each insured credit union. The deposit would be refunded to the Credit Union if its insurance coverage is terminated, it converts to insurance coverage from another source, or the operations of the fund are transferred from the NCUA Board.

MEMBERS' SHARES AND DEPOSITS

Members' shares are subordinated to all other liabilities of the Credit Union upon liquidation. Interest on members' shares and deposits is based on available earnings at the end of an interest period and is not guaranteed by the Credit Union. Interest rates on members' share accounts are set by the Board of Directors, based on an evaluation of current and future market conditions.

Note 1: (continued)

REGULAR RESERVE

The Credit Union is required to maintain a statutory reserve (regular reserve) in accordance with the Federal Credit Union Act. This statutory reserve represents a regulatory restriction and is not available for the payment of interest.

FEDERAL AND STATE TAX EXEMPTION

The Credit Union is exempt from most federal, state, and local taxes under the provisions of the Internal Revenue Code and state tax laws. The Income Taxes Topic of the FASB ASC clarifies accounting for uncertainty in income taxes reported in the financial statements. The interpretation provides criteria for assessment of individual tax positions and a process for recognition and measurement of uncertain tax positions. Tax positions are evaluated on whether they meet the "more likely than not" standard for sustainability on examination by tax authorities. Federal credit unions are tax-exempt under Internal Revenue Code sections 501(c)(1)(a)(I) and 501(c)(14)(A). As such, the Credit Union has no uncertain tax positions that qualify for either recognition or disclosure in the financial statements. Additionally, no interest or penalties have been recorded in the accompanying financial statements related to uncertain tax positions.

RECLASSIFICATIONS

Certain 2014 financial statement amounts have been reclassified to conform with classifications adopted in 2015.

RECENT ACCOUNTING PRONOUNCEMENTS

On January 5, 2016, the FASB issued Accounting Standards Update (ASU) 2016-01, Financial Instruments–Overall: Recognition and Measurement of Financial Assets and Financial Liabilities. Changes to the current GAAP model primarily affect the accounting for equity investments, financial liabilities under the fair value option, and the presentation and disclosure requirements for financial instruments. The accounting for other financial instruments, such as loans, investments in debt securities, and financial liabilities is largely unchanged. The classification and measurement guidance will be effective for non-public business entities in fiscal years beginning after December 15, 2018, or they may early adopt for periods after December 15, 2017. The Credit Union is currently evaluating the impact of the ASU.

Entities that are not public business entities will no longer be required to disclose the fair value of financial instruments carried at amortized cost. The ASU also eliminates the requirement to disclose the methods and significant assumptions used to estimate the fair value. Entities that are not public business entities can early adopt the provision permitting the omission of fair value disclosures for financial instruments at amortized cost. Early adoption of these provisions can be elected for all financial statements of fiscal years and interim periods that have not yet been made available for issuance. Accordingly, the Credit Union has removed the disclosures related to the fair value of those financial instruments.

SUBSEQUENT EVENTS

Management has evaluated subsequent events through April 26, 2016, the date the financial statements were available to be issued. Management has not identified any items requiring recognition or disclosure.

NOTE 2: INVESTMENTS

The amortized cost and estimated fair value of investments are as follows:

Available-for-sale:	As of December 31, 2015			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Mortgage-backed securities	$1,656,757	$55,063	$—	$1,711,820
NCUA guaranteed notes	11,028,402	19,307	(19,694)	11,028,015
Collateralized-mortgage obligations	23,891	60	—	23,951
	$12,709,050	$74,430	($19,694)	$12,763,786

Available-for-sale:	As of December 31, 2014			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Mortgage-backed securities	$1,965,085	$77,327	$—	$2,042,412
NCUA guaranteed notes	14,284,861	59,173	—	14,344,034
Collateralized-mortgage obligations	30,226	97	—	30,323
	$16,280,172	$136,597	$—	$16,416,769

As of December 31, 2015, the Credit Union's available-for-sale portfolio consisted entirely of securities that have no contractual maturity and return principal based on payments received on the underlying mortgages or assets. These securities have expected weighted average lives of less than one to eleven years. However, return of principal may differ from expectation based on fluctuations in market interest rates, delinquency, foreclosures and the underlying collateral values.

Held-to-maturity:	As of December 31, 2015			
	Amortized Cost	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Negotiable certificates of deposit	$9,874,550	$2,143	($38,799)	$9,837,894

Note 2: (continued)

	As of December 31, 2014			
Held-to-maturity:	**Amortized Cost**	**Gross Unrealized Gains**	**Gross Unrealized Losses**	**Fair Value**
Negotiable certificates of deposit	$10,955,783	$16,961	($26,699)	$10,946,045

The amortized cost and estimated fair value of held-to-maturity investments by contractual maturity are shown below. Actual maturities may differ from contractual maturities because issuers may have the right to call or prepay certain obligations without call or prepayment penalties.

	As of December 31, 2015 *Held-to-maturity*	
	Amortized Cost	**Fair Value**
Within 1 year	$1,524,550	$1,526,583
1 to 5 years	8,350,000	8,311,311
	$9,874,550	$9,837,894

Other investments:	As of December 31,	
	2015	**2014**
Federal Reserve Bank	$23,216,344	$30,876,344
Certificates of deposit	18,585,000	12,886,000
Corporate credit union deposits	5,009,589	3,883,154
CUSO investments	4,000,000	3,000,000
FHLB stock	1,646,200	—
	$52,457,133	$50,645,498

The Credit Union maintains deposits at corporate credit unions and banks which normally exceed federally insured limits. Included in these deposits are uninsured perpetual contributed capital shares with Catalyst Corporate Federal Credit Union (CCFCU). Perpetual contributed capital is uninsured, has no maturity and cannot be withdrawn without NCUA approval; however, it is required to be a member of CCFCU. Perpetual contributed capital can be used by CCFCU to absorb any operating losses that exceed the balance of retained earnings. As of December 31, 2015 and 2014, the Credit Union maintained approximately $600,000 in perpetual contributed capital shares at CCFCU.

Note 2: (continued)

The following tables show the gross unrealized losses and fair value of investments, aggregated by length of time individual securities have been in a continuous unrealized loss position.

As of December 31, 2015
Available-for-sale

	Less than 12 Months		*12 Months or Longer*		*Total*	
	Fair Value	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
NCUA guaranteed notes	$3,492,183	($19,694)	$—	$—	$3,492,183	($19,694)

As of December 31, 2015
Held-to-maturity

	Less than 12 Months		*12 Months or Longer*		*Total*	
	Fair Value	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
Negotiable certificates of deposit	$5,846,221	($32,865)	$2,524,066	($5,934)	$8,370,287	($38,799)

As of December 31, 2014
Held-to-maturity

	Less than 12 Months		*12 Months or Longer*		*Total*	
	Fair Value	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**	**Fair Value**	**Gross Unrealized Losses**
Negotiable certificates of deposit	$3,323,301	($26,699)	$—	$—	$3,323,301	($26,699)

The decline in fair value is primarily due to differences between security yields and market interest rates. The unrealized losses on these securities are expected to be recovered as they approach their maturity date and/or market rates decline. Management has the ability and intent to hold these securities through to recovery of fair value, which may be maturity. Unrealized losses on negotiable certificates of deposit have not been recognized into income because the principal balances of these deposits are guaranteed by the Federal Deposit Insurance Corporation.

NOTE 3: LOANS TO MEMBERS

The composition of loans to members is as follows:

	As of December 31, 2015	As of December 31, 2014
Consumer:		
Unsecured	$95,550,971	$93,597,879
Automobile	79,037,716	72,144,653
Other secured	1,967,417	2,053,662
Total consumer	176,556,104	167,796,194
Residential Real Estate:		
First mortgage	89,442,836	89,923,911
Second mortgage	12,048,437	10,922,464
HELOC	24,934,794	18,569,234
Total residential real estate	126,426,067	119,415,609
Commercial:		
Agency secured	174,071,575	172,256,789
Agency unsecured	16,043,679	11,569,775
Real estate	109,642,136	94,197,579
Total commercial	299,757,390	278,024,143
Total loans	602,739,561	565,235,946
Deferred loan origination fees/costs, net	(29,880)	(130,868)
	602,709,681	565,105,078
Less ALL	(7,541,253)	(8,665,578)
	$595,168,428	$556,439,500

A summary of the activity in the ALL by portfolio segment is as follows:

For the years ended December 31, 2015 and 2014	Consumer	Residential Real Estate	Commercial	Total
Balance, December 31, 2013	$2,920,800	$2,330,494	$5,379,139	$10,630,433
Provision for loan losses	2,305,766	(260,263)	(398,380)	1,647,123
Recoveries	244,826	91,558	9,000	345,384
Loans charged off	(2,373,120)	(242,315)	(1,341,927)	(3,957,362)
Balance, December 31, 2014	3,098,272	1,919,474	3,647,832	8,665,578
Provision for loan losses	1,995,727	(325,866)	(196,528)	1,473,333
Recoveries	325,885	6,083	—	331,968
Loans charged off	(2,628,805)	(14,850)	(285,971)	(2,929,626)
Balance, December 31, 2015	$2,791,079	$1,584,841	$3,165,333	$7,541,253

Note 3: (continued)

	As of December 31, 2015			
	Consumer	Residential Real Estate	Commercial	Total
Ending balance	$2,791,079	$1,584,841	$3,165,333	$7,541,253
Individually evaluated for impairment	$47,735	$1,375,894	$1,957,704	$3,381,333
Collectively evaluated for impairment	$2,743,344	$208,947	$1,207,629	$4,159,920

	As of December 31, 2014			
	Consumer	Residential Real Estate	Commercial	Total
Ending balance	$3,098,272	$1,919,474	$3,647,832	$8,665,578
Individually evaluated for impairment	$55,824	$1,527,514	$3,130,475	$4,713,813
Collectively evaluated for impairment	$3,042,448	$391,960	$517,357	$3,951,765

A summary of the recorded investment in loans, by portfolio segment, is as follows:

	As of December 31, 2015			
	Consumer	Residential Real Estate	Commercial	Total
Ending balance	$176,588,996	$126,393,383	$299,727,302	$602,709,681
Individually evaluated for impairment	$212,312	$7,853,068	$6,306,044	$14,371,424
Collectively evaluated for impairment	$176,376,684	$118,540,315	$293,421,258	$588,338,257

	As of December 31, 2014			
	Consumer	Residential Real Estate	Commercial	Total
Ending balance	$167,838,923	$119,338,264	$277,927,891	$565,105,078
Individually evaluated for impairment	$223,472	$8,801,245	$8,442,740	$17,467,457
Collectively evaluated for impairment	$167,615,451	$110,537,019	$269,485,151	$547,637,621

Note 3: (continued)

IMPAIRED LOANS

Management individually evaluates certain loans within the portfolio for impairment. A loan is impaired when it is probable, based on current information and events, that the Credit Union will be unable to collect all contractual principal and interest payments due in accordance with the terms of the loan agreement. When management identifies a loan as impaired, the impairment is measured based on the present value of expected future cash flows, discounted at the loan's effective interest rate, except when the sole (remaining) source of repayment for the loan is the operation or liquidation of the collateral. In these cases management uses the current fair value of the collateral, less selling costs when foreclosure is probable, instead of discounted cash flows. If management determines that the value of the impaired loan is less than the recorded investment in the loan (net of previous charge-offs, deferred loan fees or costs and unamortized premium or discount), impairment is recognized through an ALL estimate or a charge-off to the ALL.

The following tables include the recorded investment and unpaid principal balances for loans that are individually evaluated for impairment with the associated ALL amount, if applicable. Also presented are the average recorded investments in these loans and the related amount of interest recognized during the time within the period that the loans were individually evaluated. The average balances are calculated based on the quarter-end balances of the loans for the period presented.

Payments received on impaired loans are recorded as a reduction of principal or as interest income depending on management's assessment of the ultimate collectability of the loan principal. Generally, interest income on an impaired loan is recorded over the term of the loan and is calculated on principal amounts outstanding.

The tables below summarize key information for impaired loans:

	As of December 31, 2015			For the year ended December 31, 2015	
	Recorded Investment	Unpaid Principal Balance	Specific Allowance	Average Recorded Investment	Interest Income Recognized
With an allowance recorded:					
Consumer:					
Unsecured	$151,285	$151,285	$26,981	$142,657	$9,380
Automobile	$61,027	$61,031	$20,754	$75,235	$2,883
Residential Real Estate					
First mortgage	$7,717,603	$7,725,398	$1,369,884	$8,182,089	$310,093
Second mortgage	$108,019	$108,019	$6,009	$106,376	$6,619
HELOC	$27,446	$27,383	$1	$27,446	$2,259
Commercial:					
Agency secured	$65,305	$65,305	$100	$101,943	$4,155
Real estate	$6,240,739	$6,236,653	$1,957,604	$7,272,450	$275,675
Totals:					
Consumer	$212,312	$212,316	$47,735	$217,892	$12,263
Residential Real Estate	$7,853,068	$7,860,800	$1,375,894	$8,315,911	$318,971
Commercial	$6,306,044	$6,301,958	$1,957,704	$7,374,393	$279,830

Note 3: (continued)

	As of December 31, 2014			For the year ended December 31, 2014	
	Recorded Investment	Unpaid Principal Balance	Specific Allowance	Average Recorded Investment	Interest Income Recognized
With no allowance recorded:					
Residential Real Estate					
HELOC	$49,938	$49,635	$—	$49,635	$1,980
With an allowance recorded:					
Consumer:					
Unsecured	$134,029	$134,029	$16,163	$181,390	$16,325
Automobile	$89,443	$89,443	$39,661	$81,457	$2,487
Residential Real Estate					
First mortgage	$8,646,574	$8,664,953	$1,520,703	$8,891,229	$356,272
Second mortgage	$104,733	$104,733	$6,811	$136,935	$8,887
Commercial:					
Agency secured	$138,580	$138,580	$1,813	$109,711	$5,091
Real estate	$8,304,160	$8,325,336	$3,128,662	$11,988,444	$570,861
Totals:					
Consumer	$223,472	$223,472	$55,824	$262,847	$18,812
Residential Real Estate	$8,801,245	$8,819,321	$1,527,514	$9,077,799	$367,139
Commercial	$8,442,740	$8,463,916	$3,130,475	$12,098,155	$575,952

The tables below provide an age analysis of past due loans by class:

	As of December 31, 2015					
	Days Delinquent			Total Delinquent Loans	Total Current Loans	Total Loans
	30 - 59	60 - 89	90 or more			
Consumer:						
Unsecured	$1,113,028	$547,425	$693,999	$2,354,452	$93,234,128	$95,588,580
Automobile	568,661	231,918	239,719	1,040,298	77,992,701	79,032,999
Other secured	—	—	—	—	1,967,417	1,967,417
Total	1,681,689	779,343	933,718	3,394,750	173,194,246	176,588,996
Residential Real Estate:						
First mortgage	—	150,457	583,416	733,873	88,618,833	89,352,706
Second mortgage	68,332	48,321	—	116,653	11,931,784	12,048,437
HELOC	209,868	27,446	—	237,314	24,754,926	24,992,240
Total	278,200	226,224	583,416	1,087,840	125,305,543	126,393,383
Commercial:						
Agency secured	119,708	5,294	75,539	200,541	173,871,034	174,071,575
Agency unsecured	33,018	10,807	—	43,825	15,999,854	16,043,679
Real estate	—	—	631,909	631,909	108,980,139	109,612,048
Total	—	—	631,909	631,909	108,980,139	299,727,302
Grand Total	$1,959,889	$1,005,567	$2,149,043	$5,114,499	$407,479,928	$602,709,681

Note 3: (continued)

As of December 31, 2014

	Days Delinquent			Total Delinquent Loans	Total Current Loans	Total Loans
	30 - 59	60 - 89	90 or more			
Consumer:						
Unsecured	$1,229,970	$466,236	$585,303	$2,281,509	$91,359,099	$93,640,608
Automobile	654,077	164,436	202,099	1,020,612	71,124,041	72,144,653
Other secured	—	—	—	—	2,053,662	2,053,662
Total	1,884,047	630,672	787,402	3,302,121	164,536,802	167,838,923
Residential Real Estate:						
First mortgage	318,219	375,723	504,994	1,198,936	88,534,235	89,733,171
Second mortgage	179,024	14,667	26,833	220,524	10,701,940	10,922,464
HELOC	446,787	98,060	2,107	546,954	18,135,675	18,682,629
Total	944,030	488,450	533,934	1,966,414	117,371,850	119,338,264
Commercial:						
Agency secured	16,596	14,388	126,080	157,064	172,099,725	172,256,789
Agency unsecured	—	—	—	—	11,569,775	11,569,775
Real estate	3,001	101,107	785,217	889,325	93,212,002	94,101,327
Total	3,001	101,107	785,217	889,325	93,212,002	277,927,891
Grand Total	$2,831,078	$1,220,229	$2,106,553	$6,157,860	$375,120,654	$565,105,078

The Credit Union places loans on non-accrual status when the loan reaches 90 days past due or when the collection of interest or principal becomes uncertain. Loans on which the accrual of interest has been discontinued or reduced approximated $2,225,000 and $2,233,000 as of December 31, 2015 and 2014, respectively. There were no loans 90 days or more past due and still accruing interest as of December 31, 2015 or 2014.

TROUBLED DEBT RESTRUCTURING

The Credit Union's loan portfolio includes certain loans that have been modified in a Troubled Debt Restructuring (TDR), where economic concessions have been granted to borrowers who have experienced or are expected to experience financial difficulties. These concessions typically result from the Credit Union's loss mitigation activities and could include reductions in the interest rate, payment extensions, forgiveness of principal, forbearance or other actions.

When the Credit Union modifies a collateral dependent loan, management uses the current fair value of the collateral, less selling costs, to determine the net realizable value of the collateral. If management determines that the value of the modified loan is less than the recorded investment in the loan, impairment is recognized by segment or class of loan, as applicable, through the ALL.

The following tables include TDRs approved during the period. There were no TDRs performed during the periods that then defaulted in the same period. The Credit Union defines a TDR as subsequently defaulted when the TDR is 90 days past due or the member files bankruptcy.

Note 3: (continued)

The following table presents the TDRs performed by class of loans during the year ended December 31, 2015:

	Number	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Consumer:			
Unsecured	9	$109,182	$96,827
Automobile	3	18,022	16,966
Residential Real Estate:			
First mortgage	1	151,286	149,489
Commercial:			
Real estate	2	1,498,402	1,482,588
		$1,776,892	$1,745,870

The following table presents the TDRs performed by class of loans during the year ended December 31, 2014:

	Number	Pre-Modification Outstanding Recorded Investment	Post-Modification Outstanding Recorded Investment
Consumer:			
Unsecured	3	$13,311	$13,350
Automobile	1	19,565	19,640
Commercial:			
Real estate	4	1,907,666	1,902,826
		$1,940,542	$1,935,816

CREDIT QUALITY INDICATORS

The Credit Union uses the P360, Inc. model to monitor credit quality for the consumer, residential real estate, and commercial loan portfolios. The P360, Inc. model analyzes each loan's risk. When analyzing each loan, the model identifies a set of numbers, or vectors, which represent the borrower's probability of default and the loss severity of the loan over a set of different economic scenarios. These vectors are used to calculate the loan risk grade and run risk adjusted cash flows which result in the value-at-risk, pricing, and loan valuation.

The model incorporates over 150 data points covering more than credit score and collateral value. These loan level factors include institution and borrower specific data points as well as economic measures that feed into the risk analysis. They provide value reconciliation when refreshing property values and add updated values for the new and used auto portfolios. They continue to enhance the risk model by incorporating new technologies and applying all loan data available. In addition to credit score, the model incorporates numerous other factors based upon the borrower, collateral, loan performance, environment, institution, and economy as follows:

Note 3: (continued)

Macro-economic - This segment's data points are used to depict the overall health of the national economy such as: national unemployment, GDP growth, Treasury rate curves and forecasts, industry delinquencies and charge-offs, national credit scores, borrower bankruptcy rates, etc.

Institution - This segment focuses on the Credit Union and is used to model the borrower's profile, stability, and fine tune the risk adjustments to the specific institution. Examples of data points include delinquency rates and trends, charge-offs, and bankruptcies per 1,000 members.

Regional geography - This segment focuses on local economic factors such as unemployment, growth, and real estate values.

Loan - Additional data points added to this analysis are payment trend, auto pay, updated senior balances, last payment amounts, and use of proceeds.

Borrower - Examples of data points in this segment are disposable income, updated cash reserves, employment status, and direct deposit.

Asset - In addition to using different automated valuation model products for the residential portfolio, the model includes new data to improve vehicle valuations for the new and used auto portfolios.

The following tables represent the recorded investment of consumer, residential real estate, and commercial loan credit exposures by P360, Inc. risk grade as of December 31, 2015 and 2014. The use of the P360, Inc. risk grades permits management to estimate a portion of credit risk. Category ratings are reviewed quarterly, at which time management analyzes the resulting grades, as well as other external statistics and factors, to track loan performance. Loans that trend upward toward higher levels generally have a higher risk factor associated. Whereas, loans that migrate toward lower ratings generally will result in a lower risk factor being applied to those related loan balances. The risk ratings from Extensia Financial, LLC are taken into consideration when the P360, Inc. risk grades are applied to the individual commercial real estate loan participations.

The P360, Inc. risk grades are as follows:

V1 - Minimal risk - These loans generally show the ability to cover expenses with a minimal chance of default. The typical characteristics for these loans are long-term Credit Union members with excellent credit history, strong cash flow, quality money management, excellent access to alternative sources of financing, and well collateralized. These loans typically have very low potential loss, no greater than one percent of the loan balance in most cases when factoring the default probability and loss severity.

Note 3: (continued)

V2 - Low risk - These loans generally reflect good payment history, a healthy loan to value ratio and are adequately collateralized. The borrowing entity has very good to excellent credit, steady cash flow, quality money management, and good access to alternative sources of financing. As a result, the risk category is highly unlikely to experience a loss. If a loss does occur, it is likely to be minimal.

V3 - Acceptable risk - These loans are better than average loans with a low chance of a loss. The potential loss should be no greater than five percent of the loan balance when factoring default probability and loss severity. Most of the risk attributes for these loans are in line with a low risk profile but are on the fringe of adding risk. Borrower has some access to alternative sources of financing, good money management, and shows control of expenses.

V4 - Moderate risk - These loans have potential weaknesses or may show a propensity to deteriorate further. These loans are the start of the tipping point of the mid-range risk grades (V4 - V6) that tend to move either to a worsening position or a healthier position and is measured by a ten percent value at risk. This risk grade may include borrowers with only medium to fair credit ratings and a few recent problems. Cash flow is steady and generally adequate to service debt but may be subject to cyclical conditions. The borrower may have limited access to alternative financing.

V5 - Special mention - These loans can prove to be in the most critical stage. Most loans tend to either move up or down from the mid-range risk grades (V4 - V6). Both credit and collateral are substandard, with external economic factors bearing down. The outstanding loan balance may not be entirely protected by equity in the underlying asset with up to a fifteen percent potential loss produced by probability and severity. There may be one or more specific weaknesses jeopardizing the loan, and the Credit Union will most likely sustain a loss if the deficiencies are not corrected.

V6 - Increased risk - These loans generally have multiple vulnerable and weak risk factors that could be attributed to local economic factors. On the basis of currently known facts, the combination of weak attributes make collection or liquidation in full highly questionable and improbable. The risk grade is defined by potential losses of up to twenty percent of the loan balance.

V7 - Elevated risk - There is a strong probability that the Credit Union may not be able to recover on these loans. The Credit Union and the member must look at all options, including modification. Liquidation needs to be considered because most of the underlying assets for this risk grade have passed the tipping point. A loss is nearly impossible to avoid on repayment, refinancing, or liquidation for these loans. The value at risk could be upwards of thirty percent of the current loan balance.

V8 - Doubtful - These borrowers are most likely in a loss situation and can be measured by potential value at risk between thirty and forty percent of the outstanding loan balance. In most cases, assets in this region do not recover and the members and properties are being worked with directly. The most current information on the member and asset has been acquired and the Credit Union has a firm estimate of the loss when the time arrives.

Note 3: (continued)

V9 - Inherent loss - These loans are considered uncollectible and will be charged off immediately. Assets in this risk area have an inherent value at risk, north of forty percent. Modification is impossible without major concessions or write down. Residential and commercial properties have a high probability of becoming other real estate owned. In some cases, the Credit Union may find a glimmer of success in short sale opportunities. Other real estate owned, having extended liquidation times and expenses are most likely in less than optimal locations. Conditions prove challenging to draw respectable tenants and rent.

The tables below summarize key information for consumer credit quality:

Consumer Credit Quality Indicators
As of December 31, 2015

Risk grade	Unsecured	Automobile	Other Secured	Total
V1	$51,968,885	$73,633,845	$—	$125,602,730
V2	25,324,554	2,642,060	—	27,966,614
V3	8,679,692	1,215,943	—	9,895,635
V4	4,765,152	696,237	—	5,461,389
V5	1,655,969	336,482	—	1,992,451
V6	907,039	88,074	—	995,113
V7	604,304	167,255	—	771,559
V8	262,570	98,149	—	360,719
V9	1,083,140	154,954	—	1,238,094
No risk grade	337,275	—	1,967,417	2,304,692
	$95,588,580	$79,032,999	$1,967,417	$176,588,996

Consumer Credit Quality Indicators
As of December 31, 2014

Risk grade	Unsecured	Automobile	Other Secured	Total
V1	$45,990,177	$67,341,427	$—	$113,331,604
V2	25,668,928	2,464,534	—	28,133,462
V3	11,909,054	1,039,289	—	12,948,343
V4	5,338,419	786,181	—	6,124,600
V5	1,565,208	136,214	—	1,701,422
V6	804,018	98,668	—	902,686
V7	679,576	106,553	—	786,129
V8	313,701	67,130	—	380,831
V9	826,267	104,657	—	930,924
No risk grade	545,260	—	2,053,662	2,598,922
	$93,640,608	$72,144,653	$2,053,662	$167,838,923

Note 3: (continued)

The tables below summarize key information for residential real estate credit quality:

Residential Real Estate Credit Quality Indicators
As of December 31, 2015

Risk grade	First mortgage	Second mortgage	HELOC	Total
V1	$85,584,933	$10,590,232	$24,273,277	$120,448,442
V2	583,402	703,815	344,980	1,632,197
V3	2,242,460	248,940	190,178	2,681,578
V4	192,621	254,742	142,843	590,206
V5	130,827	124,740	—	255,567
V6	302,909	22,977	13,516	339,402
V7	60,745	—	—	60,745
V8	137,874	102,991	—	240,865
V9	—	—	27,446	27,446
No risk grade	116,935	—	—	116,935
	$89,352,706	$12,048,437	$24,992,240	$126,393,383

Residential Real Estate Credit Quality Indicators
As of December 31, 2014

Risk grade	First mortgage	Second mortgage	HELOC	Total
V1	$81,805,443	$7,478,636	$17,445,237	$106,729,316
V2	4,496,614	2,460,978	496,691	7,454,283
V3	959,933	623,665	402,132	1,985,730
V4	—	259,521	288,631	548,152
V5	104,063	—	—	104,063
V6	—	58,164	19,516	77,680
V7	223,029	14,667	28,315	266,011
V8	196,976	—	—	196,976
V9	—	26,833	2,107	28,940
No risk grade	1,947,113	—	—	1,947,113
	$89,733,171	$10,922,464	$18,682,629	$119,338,264

Note 3: (continued)

The tables below summarize key information for commercial credit quality:

Commercial Credit Quality Indicators
As of December 31, 2015

Risk grade	Agency Secured	Agency Unsecured	Real Estate	Total
V1	$—	$390,004	$60,230,410	$60,620,414
V2	—	5,232,893	24,516,576	29,749,469
V3	—	6,923,757	14,082,278	21,006,035
V4	—	345,710	2,968,468	3,314,178
V5	—	1,284,143	3,198,868	4,483,011
V6	—	499,029	775,119	1,274,148
V7	—	865,249	501,614	1,366,863
V8	—	394,286	—	394,286
V9	—	108,608	732,465	841,073
No risk grade	174,071,575	—	2,606,250	176,677,825
Total	$174,071,575	$16,043,679	$109,612,048	$299,727,302

Commercial Credit Quality Indicators
As of December 31, 2014

Risk grade	Agency Secured	Agency Unsecured	Real Estate	Total
V1	$—	$181,077	$56,768,614	$56,949,691
V2	—	3,783,314	23,692,941	27,476,255
V3	—	5,564,568	6,472,419	12,036,987
V4	—	562,919	5,135,334	5,698,253
V5	—	829,545	—	829,545
V6	—	317,123	—	317,123
V7	—	328,582	1,437,407	1,765,989
V8	—	2,647	—	2,647
V9	—	—	594,612	594,612
No risk grade	172,256,789	—	—	172,256,789
Total	$172,256,789	$11,569,775	$94,101,327	$277,927,891

NOTE 4: PROPERTY AND EQUIPMENT

A summary of the Credit Union's property and equipment is as follows:

	As of December 31, 2015	2014
Furniture and equipment	$10,990,988	$9,602,861
Leasehold improvements	2,326,231	2,460,645
	13,317,219	12,063,506
Less accumulated depreciation and amortization	(11,172,078)	(10,547,259)
	$2,145,141	$1,516,247

NOTE 5: MEMBERS' SHARES AND DEPOSITS

Members' shares and deposits are summarized as follows:

	As of December 31, 2015	2014
Share drafts	$107,576,202	$94,502,195
Regular shares	114,244,496	99,162,129
Money market accounts	222,481,157	214,493,130
IRA shares	34,987,329	29,857,288
Share and IRA certificates	110,559,014	121,092,084
	$589,848,198	$559,106,826

The aggregate balance of members' time deposit accounts in denominations that meet or exceed $250,000 was approximately $11,265,000 and $12,669,000 as of December 31, 2015 and 2014, respectively. Negative share and share draft accounts reclassified to loans to members were approximately $295,000 and $525,000 as of December 31, 2015 and 2014, respectively.

Scheduled maturities of share and IRA certificates are as follows:

	As of December 31, 2015
Within 1 year	$72,609,405
1 to 2 years	13,889,939
2 to 3 years	10,016,798
3 to 4 years	4,644,957
4 to 5 years	9,397,915
	$110,559,014

SHARE INSURANCE

As of December 31, 2015, members' shares were insured by the NCUSIF to a maximum of $250,000 for each member. Individual Retirement Accounts are insured by the NCUSIF for an additional $250,000 of coverage.

NOTE 6: EMPLOYEE BENEFITS

CASH BALANCE PROGRAM AND 401(K) PENSION PLAN

Credit Union management and staff are employed by the Credit Union's sponsor, Farmers and leased by the Credit Union. As such, Credit Union employees participate in Farmers pension plans and the Credit Union reimburses Farmers for pension plan expenses associated with the leased employees. On January 1, 2009, the Credit Union's defined benefit pension plan was modified and only vested employees who were age 40 and over, or who had 10 years of service as of December 31, 2008, were grandfathered into the existing pension plan. All remaining and new employees became participants of the Cash Balance Program. Farmers makes quarterly contributions to the employees' cash balance account, which is based on a percentage of the employees' salaries. Also, the Credit Union has a 401(k) plan through Farmers, which allows employees to defer a portion of their salary into the 401(k) plan up to certain limits established by the Internal Revenue Service. The Credit Union makes discretionary matching contributions each payroll period, with quarterly adjustments as needed. Participants are always 100% vested in all their voluntary contributions. The Credit Union's matching contributions become fully vested at the completion of three years of service.

Note 6: (continued)

Retirement plan costs are accrued and funded on a current basis. Total retirement plan costs paid by the Credit Union to Farmers for the years ended December 31, 2015 and 2014 was approximately $1,439,000 and $852,000, respectively.

NOTE 7: COMMITMENTS AND CONTINGENT LIABILITIES

LEASE COMMITMENTS

The Credit Union leases several branch locations. The minimum remaining noncancellable lease obligations approximate the following as of December 31, 2015:

Year ending December 31,	Amount
2016	$1,027,000
2017	992,000
2018	855,000
2019	746,000
2020	56,000
Thereafter	21,000
	$3,697,000

Rental expense under operating leases was approximately $1,262,000 and $1,168,000 for the years ended December 31, 2015 and 2014, respectively.

LINES OF CREDIT

As of December 31, 2015, the Credit Union maintained two unused lines of credit with CCFCU. The terms of the agreement require the pledging of all presently owned and later acquired unencumbered assets as security for obligations under the line-of-credit agreement. As of December 31, 2015, the total unused lines of credit under this agreement approximated $50,000,000.

As a member of the FHLB, the Credit Union has access to a pre-approved secured line-of-credit with the capacity to borrow up to a certain percentage of the value of its eligible collateral, as defined in the FHLB Statement of Credit Policy. The agreement requires the pledging of eligible collateral for borrowing capacity. As of December 31, 2015, the Credit Union has not pledged any collateral. The maximum financing available to the Credit Union under this arrangement was $171,646,000 as of December 31, 2015.

The Credit Union has entered into a credit availability agreement with UBS Bank USA which allows the Credit Union to borrow against its securities held in safekeeping. As of December 31, 2015, the total unused line of credit under this agreement was $8,854,000.

The Credit Union maintains a credit availability agreement with the Federal Reserve Bank of San Francisco to comply with NCUA regulations Part 741.12: Maintaining Access to Emergency Liquidity. This credit availability agreement allows the Credit Union to borrow against its vehicle loan portfolio. The Credit Union is able to borrow according to the percentages published in the current “Federal Reserve Discount Window and Payment System Risk Collateral Margins Table” which is available on the Federal Reserve Bank’s website. As of December 31, 2015, the total unused line of credit under this agreement was approximately $53,900,000.

Note 7: (continued)

MISCELLANEOUS LITIGATION
The Credit Union is a party to various miscellaneous legal actions normally associated with financial institutions, the aggregate effect of which, in management's opinion, would not be material to the Credit Union's financial statements.

NOTE 8: OFF-BALANCE-SHEET RISK AND CONCENTRATIONS OF CREDIT RISK

OFF-BALANCE-SHEET RISK
The Credit Union is a party to financial instruments with off-balance-sheet risk in the normal course of business to meet the financing needs of its members and to reduce its own exposure to fluctuations in interest rates. These financial instruments include commitments to extend credit. These instruments involve, to varying degrees, elements of credit and interest-rate risk in excess of the amount recognized in the statements of financial condition.

Commitments to extend credit are agreements to lend to a member as long as there is no violation of any condition established in the contract. Commitments generally have fixed expiration dates or other termination clauses. Since many of the commitments may expire without being fully drawn upon, the total commitment amounts do not necessarily represent future cash requirements. As of December 31, 2015, total unfunded commitments under such lines of credit approximated $169,137,000. The Credit Union evaluates each member's creditworthiness on a case-by-case basis. The amount of collateral obtained, if any, is based on management's credit evaluation of the member.

CONCENTRATIONS OF CREDIT RISK
A significant amount of the Credit Union's business activity is with members who are employees or former employees of Farmers. The Credit Union also may be exposed to credit risk from a regional economic standpoint, since a significant concentration of its borrowers work or reside in the state of California. However, the loan portfolio is well diversified and the Credit Union does not have any significant concentration of credit risk, except unsecured loans, which by their nature, increase the risk of loss compared to those loans that are collateralized.

NOTE 9: REGULATORY CAPITAL

The Credit Union is subject to various regulatory capital requirements administered by the NCUA. Failure to meet minimum capital requirements can initiate certain mandatory-and possibly additional discretionary-actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's financial statements. Under capital adequacy regulations and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital regulations that involve quantitative measures of the Credit Union's assets, liabilities, and certain off-balance-sheet items as calculated under generally accepted accounting practices. The Credit Union's capital amounts and net worth classification are also subject to qualitative judgments by the regulators about components, risk weightings, and other factors.

Note 9: (continued)

Quantitative measures established by regulation to ensure capital adequacy require the Credit Union to maintain minimum amounts and ratios (set forth in the table below) of net worth (as defined in NCUA Regulations) to total assets (as defined in NCUA Regulations). Credit unions are also required to calculate a Risk-Based Net Worth Requirement (RBNWR) which establishes whether or not the Credit Union will be considered "complex" under the regulatory framework. The Credit Union's RBNWR as of December 31, 2015 and 2014 was 6.62% and 6.41%, respectively. The minimum requirement to be considered complex under the regulatory framework is 6.00%. Management believes, as of December 31, 2015, that the Credit Union meets all capital adequacy requirements to which it is subject.

As of December 31, 2015, the most recent call reporting period, the NCUA categorized the Credit Union as "*well capitalized"* under the regulatory framework for prompt corrective action. To be categorized as "*well capitalized"* the Credit Union must maintain a minimum net worth ratio of 7.00% of assets. There are no conditions or events since that notification that management believes have changed the Credit Union's category.

The Credit Union's actual and required net worth amounts and ratios are as follows:

	As of December 31, 2015		**As of December 31, 2014**	
	Amount	**Ratio/ Requirement**	**Amount**	**Ratio/ Requirement**
Actual net worth	$93,896,443	13.59%	$87,762,386	13.43%
Amount needed to be classified as "well capitalized"	$48,366,749	7.00%	$45,744,277	7.00%
Amount needed to meet RBNWR	$45,741,126	6.62%	$41,888,688	6.41%
Amount needed to be classified as "adequately capitalized"	$41,457,213	6.00%	$39,209,380	6.00%

Because the RBNWR is less than the net worth ratio, the Credit Union retains its original category. Further, in performing its calculation of total assets, the Credit Union used the quarter-end option, as permitted by regulation.

NOTE 10: CHANGES IN ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table presents the changes in accumulated other comprehensive income during the years ended December 31, 2015 and 2014:

	Unrealized Gains on Available-for-Sale Securities
Balance as of December 31, 2013	$138,198
Other comprehensive loss before reclassification	(1,601)
Amounts reclassified from other comprehensive income	—
Net other comprehensive loss	(1,601)
Balance as of December 31, 2014	136,597
Other comprehensive loss before reclassification	(81,861)
Amounts reclassified from other comprehensive income	—
Net other comprehensive loss	(81,861)
Balance as of December 31, 2015	$54,736

NOTE 11: FAIR VALUES OF FINANCIAL INSTRUMENTS

The Fair Value Measurements and Disclosures Topic of the FASB ASC provides a framework for measuring fair value and requires an entity to derive fair value from the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date within its principal market for the asset or liability, or in the absence of a principal market, the most advantageous market for the asset or liability. To increase consistency and comparability in fair value measurements and related disclosures, a three-level hierarchy prioritizes the inputs to valuation techniques used to measure fair value with the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3) as further described below:

Level 1

Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the Credit Union has the ability to access at the measurement date. An active market for the asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. If the asset or liability has a specified (contractual) term, a Level 2 input must be observable for substantially the full term of the asset or liability. Level 2 inputs include: quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are inactive; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Note 11: (continued)

Level 3

Level 3 inputs are unobservable inputs for the asset or liability which reflect the Credit Union's own assumptions about the assumptions that market participants would use in pricing the asset or liability. Assumptions about risk include risk inherent in a particular valuation technique used to measure fair value, typically pricing models and/or discounted cash flow methodologies.

The methodologies and associated inputs used may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Credit Union believes its valuation methods and associated inputs are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

Certain assets and liabilities may be required to be measured at fair value on a non-recurring basis. These non-recurring fair value measurements usually result from the application of lower of cost or market accounting or the write-down of individual assets due to impairment.

RECURRING BASIS

AVAILABLE-FOR-SALE SECURITIES

The Credit Union receives pricing for available-for-sale securities from a third-party pricing service. These securities are classified as Level 2 in the fair value hierarchy. All available-for-sale securities are valued based on quoted market prices on similar assets in the marketplace and the vintage of the underlying collateral.

NON-RECURRING BASIS

OTHER REAL ESTATE OWNED (OREO)

OREO properties acquired through or in lieu of foreclosure are initially recorded at fair value less estimated selling costs at the date of foreclosure. Depending on the accessability of the property, the Credit Union may utilize broker price opinions (BPOs), full appraisals or use an automated valuation model to estimate the fair market value of OREO properties. These methods consider the value of similar surrounding properties, sales trends in the neighborhood, an estimate of any of the costs associated with getting the property ready for sale, and/or the cost of any needed repairs. The Credit Union evaluates the reasonableness by analyzing significant fluctuations in property values on a period-by-period basis. Fair value less costs to sell is an estimated value based on relevant recent historical data that are considered unobservable inputs, and as such, OREO is classified as Level 3 in the fair value hierarchy and valued on a non-recurring basis.

During the holding period, valuations are updated to reflect changes in fair value, and the OREO is carried at the lower of the amount recorded at acquisition date or estimated fair value less costs to sell. Holding costs such as insurance, maintenance, taxes and utility costs are expensed as incurred. The Credit Union markets the OREO properties for sale to the public and generally does not hold OREO for longer than one year. Valuation adjustments on these assets as well as gains or losses realized from disposition of such properties are reflected in "other non-interest income" on the statements of income.

Note 11: (continued)

The following tables set forth by level, within the fair value hierarchy, the Credit Union's financial instruments at fair value on a recurring basis.

	Assets at Fair Value as of December 31, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
Available-for-sale securities:				
Mortgage-backed securities	$—	$1,711,820	$—	$1,711,820
NCUA guaranteed notes	—	11,028,015	—	11,028,015
Collateralized-mortgage obligations	—	23,951	—	23,951
	$—	$12,763,786	$—	$12,763,786

	Assets at Fair Value as of December 31, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
Available-for-sale securities:				
Mortgage-backed securities	$—	$2,042,412	$—	$2,042,412
NCUA guaranteed notes	—	14,344,034	—	14,344,034
Collateralized-mortgage obligations	—	30,323	—	30,323
	$—	$16,416,769	$—	$16,416,769

The tables below present the items measured at fair value on the statements of financial condition on a non-recurring basis when certain assets are measured at the lower of cost of market that were recognized at fair value below cost at the end of the period.

	Assets at Fair Value as of December 31, 2015			
	Level 1	**Level 2**	**Level 3**	**Total**
OREO	$—	$—	$40,119	$40,119

	Assets at Fair Value as of December 31, 2014			
	Level 1	**Level 2**	**Level 3**	**Total**
OREO	$—	$—	$40,119	$40,119

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