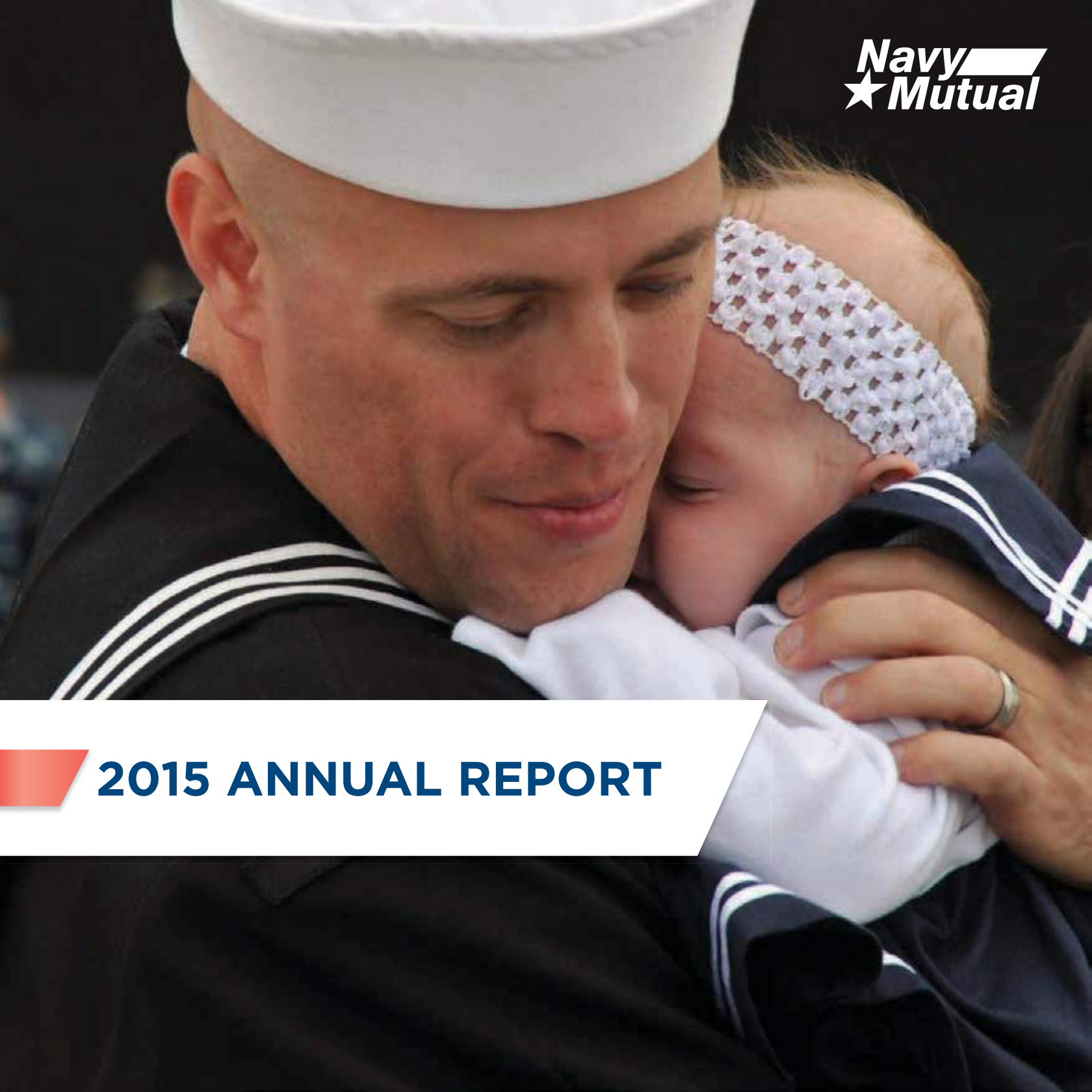


Navy Mutual

2015 ANNUAL REPORT

Provide members with quality life insurance that is as close to the net cost as possible.

Secure government benefits to which our members are legally entitled.

Educate members and their families on matters of financial security.

RENEWING OUR PROMISE

For more than 135 years, Navy Mutual has been an organization of and for service members and their families. As such, we have a deep sense of purpose and mission. Our fiscal strength, stability and growth are equal parts of a promise to always be there for those who have achieved and sacrificed so much.

Each year with this report, we help to ensure that we are upholding that promise. We confirm that our current financial path leads to a future where we can continue to keep our rates low; offer excellent, affordable life insurance products without fine print or military restrictions; and deliver outstanding service to our members and their families.

With every new member who joins, every new policy written, every question answered and every benefit paid, we renew that promise. We thank you, our members, for the faith and trust you put in us and the inspiration you provide every day.

A LETTER FROM THE CHAIRMAN AND THE PRESIDENT

2015 was another excellent year for Navy Mutual. We maintained the Association's financial strength, prospering despite the sluggish economy and lagging interest rates. We strengthened our technology, streamlining our processes while protecting the security of your sensitive financial information. We enhanced our Education program, offering military members important opportunities to gain financial wisdom in challenging times. Most important, we focused on our primary Mission, continuing to provide you and your loved ones with the first-rate insurance products and outstanding, personalized service that you deserve.

We are proud to report that the Fitch Rating Agency reaffirmed our A+ rating and stable outlook in 2015, again recognizing Navy Mutual's success in making wise decisions to promote sustainable growth while maintaining strong reserves to safeguard our members' benefits. As always, we have taken a conservative, conscientious approach to investment. That approach has allowed us to maintain our attractive crediting rates even as we strive to provide you with the best possible customer service and benefits.

You have rewarded Navy Mutual with beneficiary and customer service ratings that put commercial life insurance companies to shame. Our retention rate of 97%, one of the highest among insurers nationwide, demonstrates that our members recognize and appreciate the value of membership in our Association. You trust us to provide for your loved ones in good times and bad. We honor that trust, and do our best to fulfill it every day.

But we don't intend to rest on our laurels. As part of our continued commitment to offering our members even better choices, we intend to roll out a brand new permanent life insurance product in 2016. Flagship Whole Life will be a participating life insurance plan designed to give members the added flexibility they desire while continuing to offer the low premiums and reliable coverage that you rightfully expect from Navy Mutual. We are proud to offer you high-quality life insurance at the lowest possible cost. Flagship Whole Life will be the star of our collection of products, offering you a great new way to protect and provide for your family.

In the year ahead, we will continue, as always, to give you and your loved ones an outstanding, personalized experience whenever you engage with us. Thank you for your continued trust in and support of Navy Mutual.



Kathleen L. Martin
Chair of the Board of Directors



Bruce B. Engelhardt
President and Chief Executive Officer

THE REWARDS OF OUR INVESTMENTS

Over the past few years, we have made important investments in technology and marketing to help maintain a vibrant association and to better serve and inform our members. Our goal is to ensure those who serve this Nation are aware of the products and services available from Navy Mutual. In 2015, we saw many of those investments pay off.

Social media has allowed us to reach out and engage members in innovative ways. Our number of Facebook followers grew to more than 62,000, with content reaching nearly 3 million unique users. Our posts averaged 333 likes, comments, shares and other interactions.

Connecting with members and prospective members allows us to share some of the inspiring stories we hear every day. One of our video testimonials, "John's Story," profiles 30-year member John Day and the impact Navy Mutual has had on his family. That video was honored with a National Telly Award, which showcase outstanding web commercials, videos and films. An expanding social media effort combined with innovations in traditional marketing venues such as Navy and NFL sporting events are helping to bring the Navy Mutual message to a wider audience than ever before.

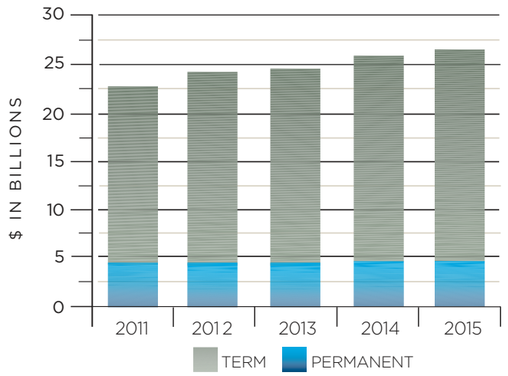


12 YEARS OF A+ RATINGS

For 12 consecutive years Navy Mutual has earned a Fitch Insurer Financial Strength (IFS) rating of A+, with a Stable Rating Outlook.

The rating and outlook "reflect the association's extremely strong capitalization, high-quality and liquid investment portfolio, and modest profitability. The ratings also consider the company's interest-sensitive product profile along with its narrow focus and relatively small scale." – *Fitch Ratings, November 17, 2015*

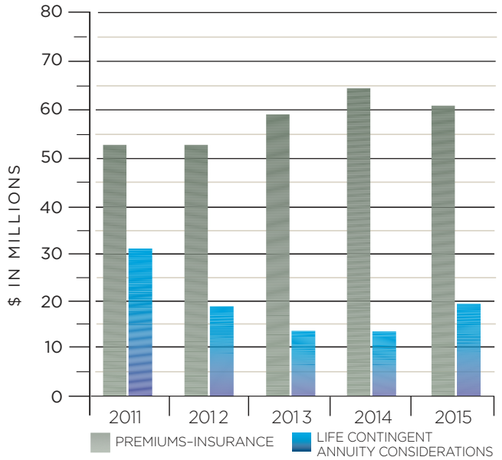
INSURANCE IN FORCE



Insurance in force, beginning of year: $25,146,889,728

Insurance in force, end of year: $25,846,607,872

DIRECT PREMIUMS



Total direct premiums, end of year: $80,718,941

DOING OUR BEST FOR OUR NATION'S BEST

"I'm a volunteer at the NAS Jacksonville, Florida, Retired Activities office, and I counsel retiring servicemembers who inquire about SBP. I often recommend they contact Navy Mutual for the best and lowest-cost life insurance."

—Glenn Barton

"Navy Mutual has superseded expected service ... I am the recipient of a life insurance policy upon my husband's death and chose to receive interest payments as opposed to cashing the policy of which I am very pleased. Navy Mutual is a strong compassionate company!!!"

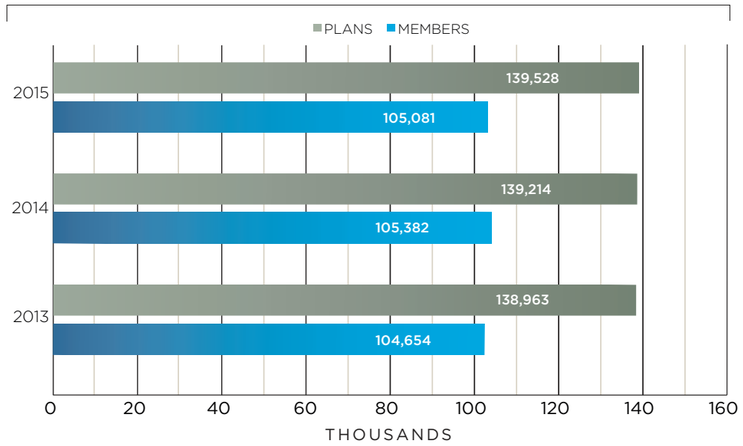
—Sandra Silver-Torres

"[My most recent] communication with [Navy Mutual] was in regard to the passing of my dear wife. [They] assisted in a very personal, caring and professional manner."

—Eugene Tansey

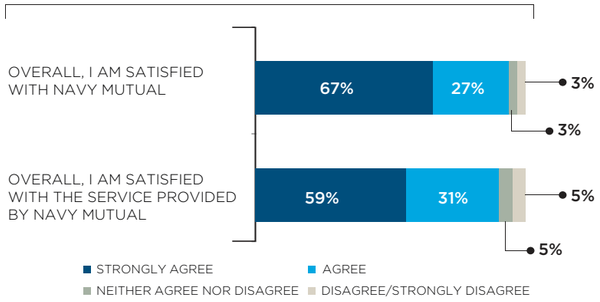
97.3% MEMBER RETENTION

TOTAL PLANS AND MEMBERS



97.3%

LOMA MEMBER SATISFACTION SURVEY



AVERAGE RATING

2015	2014	2013	2012	2011
4.59	4.57	4.52	4.55	4.57
4.42	4.41	4.43	4.46	4.50

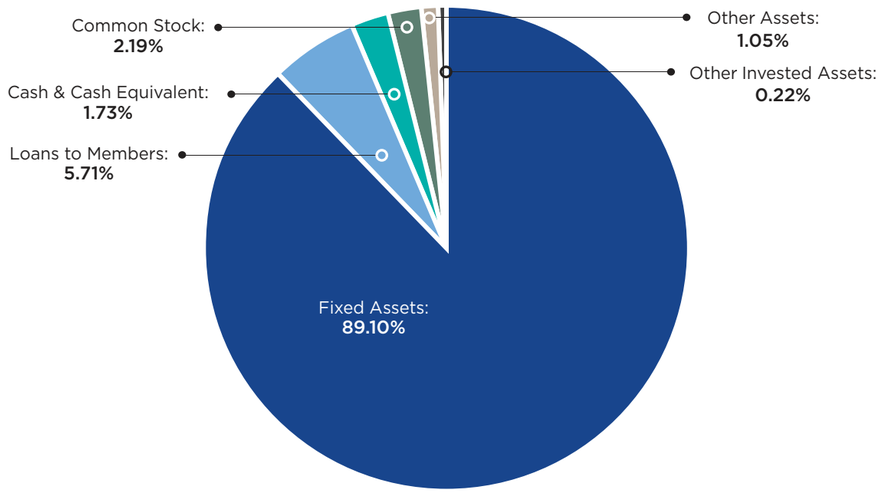
Rating is based on 0-5 scale

"As in past surveys, results of the 2015 Navy Mutual Policyholder Satisfaction study indicate very high levels of appreciation for the company. The various measures of customer satisfaction included in the survey all receive extremely high ratings that in many cases are close to the 90% mark."

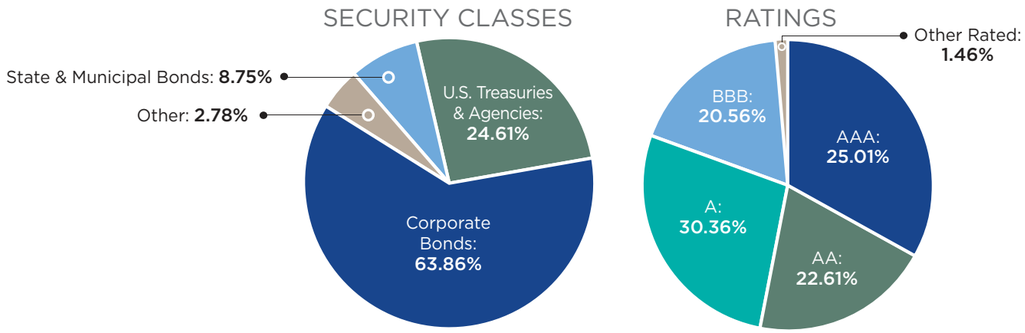
– The LOMA Organization, a leader in insurance industry analysis, Atlanta, October 2015



2015 ASSETS



FIXED INCOME PORTFOLIO



NET INVESTMENT YIELD: 6.00%

6.00%



SUMMARY OF FINANCIAL POSITION

	Years Ended December 31st	
	2015	**2014**
ASSETS		
Bonds	$2,606,662,028	$2,507,570,349
Equity securities	64,002,036	66,571,026
Cash and short-term investments	50,597,621	72,968,475
Member loans	167,176,760	163,143,824
Other invested assets	6,384,472	8,005,788
Total cash and invested assets	**2,894,822,917**	**2,818,259,462**
Other assets	30,791,277	30,058,670
Total assets	**2,925,614,194**	**2,848,318,132**
LIABILITIES		
Aggregate reserve for life contracts	2,465,027,234	2,399,672,990
Death benefits payable	26,144,340	23,192,545
Liability for deposit-type contracts	125,206,154	131,534,103
Other liabilities	26,242,673	24,539,066
Total liabilities (excluding asset valuation reserve)	**2,642,620,401**	**2,578,938,704**
Asset valuation reserve (AVR)	17,491,192	17,638,780
Net assets	265,502,601	251,740,648
Total net assets and AVR	**282,993,793**	**269,379,428**
Total liabilities and net assets	**$2,925,614,194**	**$2,848,318,132**

SUMMARY OF OPERATIONS

	Years Ended December 31st	
	2015	**2014**
REVENUE		
Premiums – insurance	$61,951,878	$64,305,438
Reinsurance	($1,988,094)	($750,955)
Life contingent annuity considerations	18,767,063	12,570,669
Life contingent survivor income deposits	2,220,439	1,240,658
Net investment income	170,948,673	167,626,409
Other income	1,227,741	1,205,744
Total revenue	**253,127,700**	**246,197,963**
BENEFITS AND EXPENSES		
Member benefits paid	138,919,464	129,782,126
Change in aggregate reserve for life contracts	65,354,244	75,499,472
General operating expenses	33,567,347	32,589,049
Total benefits and expenses	**237,841,055**	**237,870,647**
Net gain from operations before net realized capital gains	**15,286,645**	**8,327,316**
Net realized capital gains	23,432,200	1,613,314
Net gain from operations	**$38,718,845**	**$9,940,630**

Statutory Accounting

These summary financial statements are derived from the Association's audited financial statements, which are prepared in conformity with accounting practices used by insurance companies for regulatory reporting purposes. Such accounting practices, referred to as statutory accounting practices, are a comprehensive basis for accounting other than accounting principles generally accepted in the United States (GAAP).

Audited Financial Statements

Johnson Lambert & Co. is Navy Mutual's independent accountant. Our audited financial statements are available by written request sent to: Navy Mutual Aid Association, Accounting Division, Henderson Hall, 29 Carpenter Road, Arlington, VA 22212.

EMPLOYEE OF THE YEAR

TRICIA STOSS, PRODUCT SPECIALIST

Year after year, Navy Mutual upholds the mission of superior service to our members. Our employees live out this mission in their everyday actions and professional endeavors. Each year we select one staff member who truly excels in their care and commitment to Navy Mutual members.

Navy Mutual is proud to honor Tricia Stoss as this year's employee of the year. We were thrilled to announce this recognition at the Navy vs. East Carolina football game in Annapolis, MD. Tricia, a Navy Mutual Product Specialist, has been a valued team member for 27 years. She is pictured here with her husband, children, grandson, and her mother. Congratulations, Tricia, and thank you for all you do!



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CAPT Mark A. Wilson, USN, Ret. Vice Chair



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RADM Gary T. Blore, USCG, Ret.



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BGen Peter B. Collins, USMC, Ret.



Christopher P. Dean, Esq.



MGen Carl Jensen, USMC, Ret.



RADM John M. (Michael) Luecke, USN, Ret.



CAPT Michael H. McDaniel, USN, Ret.



CAPT Catherine M. Mulé, USN, Ret.



CAPT Cate Mueller, USN, Ret.



VADM Stanley R. Szemborski, USN, Ret.



RDML Frank Thorp, IV, USN, Ret.



Gen Michael J. Williams, USMC, Ret.



VADM Anthony L. Winns, USN, Ret.

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Chief Operating Officer

David Fridell
Chief Financial Officer

Lauren M. Bloom
General Counsel and Vice President, Government Affairs

David Bragg
Vice President of Information Technology

Michelle L. Brickwedde
Vice President of Human Resources

Sangeeta Jacob
Vice President of Operations

Jamie Maltese
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Vice President of Membership

Adam Mullins
Vice President of Finance and Accounting



Navy Mutual

INSURING THOSE WHO SERVE

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All photos courtesy of the Department of Defense