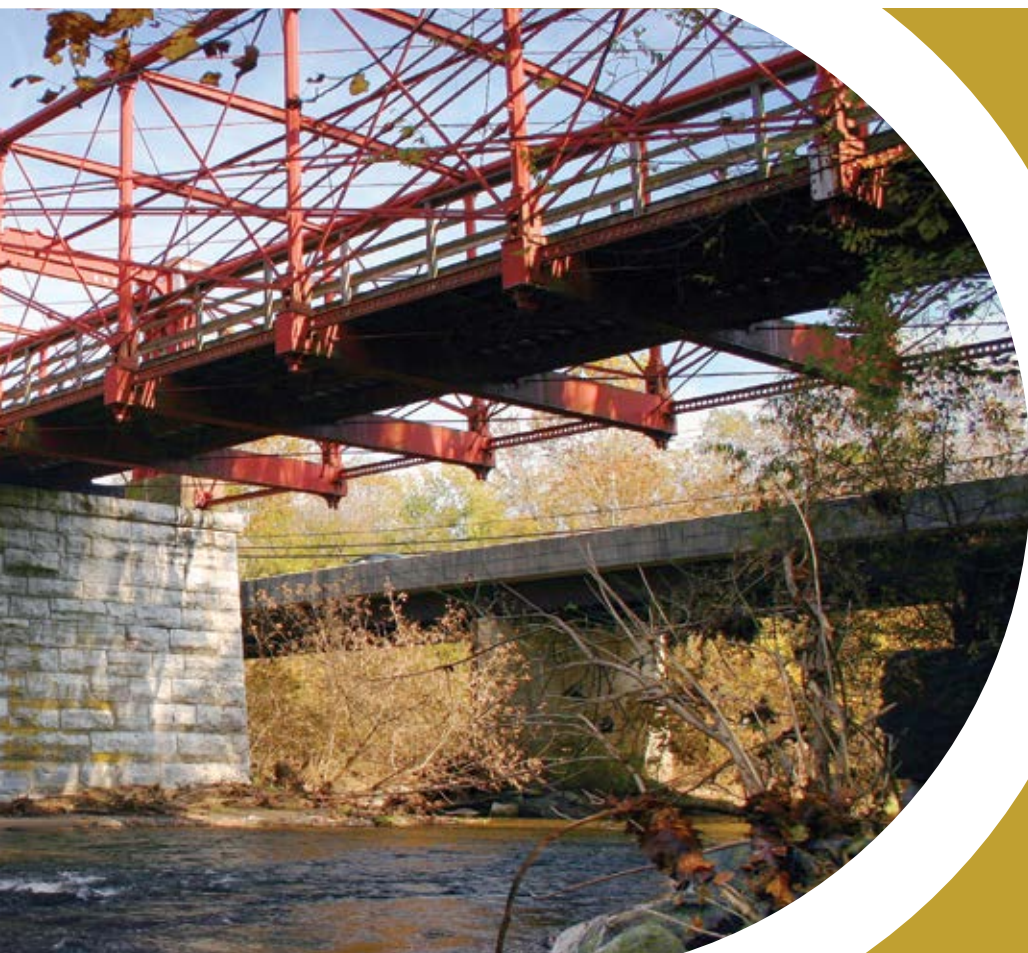


2017

ANNUAL REPORT



APL FEDERAL
CREDIT UNION



BOARD OF DIRECTORS

- John Tochko, Chair
- Laura Davis, Vice Chair
- Robert Miller, Treasurer
- Sarah Cooke, Recording Secretary
- Philip Albert, Director
- Rosalyn Furukawa, Director
- Peter Newman, Director
- Brian O'Connor, Director
- Rachel Rakes, Director



Robert Miller
Treasurer

SUPERVISORY COMMITTEE

- Karen Brown, Chair
- Don Henderson
- Peter Laanisto
- Tim McIntyre



Karen Brown
Chair,
Supervisory Committee

ASSOCIATE VOLUNTEER

- Alice Berman

DIRECTOR EMERITUS

- Charlene Hustead





A MESSAGE FROM OUR PRESIDENT & CHAIRMAN



Jim Deegan

President/CEO

APL Federal Credit Union's Board of Directors and senior management are pleased to announce the completion of a third straight record-setting year for the Credit Union. In 2017 we broke several of the new loan records we established in 2016, which had surpassed the record loan totals we set in 2015.

In 2017 we granted \$57.8 million in loans, bettering the record \$55.1 million for 2016. This includes 1,698 car loans worth over \$41 million, which shattered the 2016 total of 1,303 car loans worth \$30.6 million. These record results helped us exceed \$10 million in outstanding loan growth for a fifth straight year, while also reaching \$20 million in outstanding loan growth for the first time ever. This raised our total outstanding loan portfolio from \$209 million at the beginning of 2017 to \$229 million at year-end.

Just as our loans grew in 2017, so did our membership. We opened the third highest number of new memberships in APL FCU's 63-year history. These new relationships, when coupled with our strong existing membership base, helped us increase our assets by more than \$10 million for the third straight year.

Strong loan and membership growth are good measures of success, but must be accompanied by increased stability and earnings. To that end, we are pleased to announce that APL FCU eclipsed \$2 million in net income in 2017. This marks the 7th straight year with at least \$1.5 million in income, despite maintaining the lowest fee structure of any full-service financial institution in the area. Over this period we have continually maintained a fee income ratio almost six times lower than the national credit union average.

To sustain this consistent profitability while keeping fees to a minimum, APL FCU's staff, under the guidance of the Board, must operate the Credit Union as efficiently as possible. We accomplished this goal by finishing the year with the best operating efficiency among the 34 Maryland credit unions with at least \$100 million in assets. Our low operating expense ratio, which is about 33% lower than the national credit union average, is one of the reasons we can offer members lower loan rates and lower fees while maintaining profitability.

Besides the strong financial results in 2017, we completed several new service upgrades to improve the member experience, including a large-scale project to convert our existing bill payment platform to CheckFree, the nation's largest bill pay service. The new platform, which launched in April, includes several new enhancements that were not available on our old bill payment service.

We also converted our ATM cards to more secure, chip-enabled debit cards. This will significantly reduce the fraud threats to our card program.

As we move forward in 2018, we will continue with our dual mission of providing members with unsurpassed value and security while pursuing opportunities to improve the overall member experience. In fact, we already have two major projects planned for the months ahead: the launch of a brand new online and mobile banking platform, and a complete redesign of our website.

The new online banking platform will allow us to offer numerous new features and services within eBranch, while delivering a vastly improved mobile banking component. The new aplfcu.org will include several new features and an improved functionality.

On behalf of APL FCU's Board of Directors and staff, we thank you for choosing APL Federal Credit Union for your banking and lending needs. As always, we remain,

"At Your Service, In Your Community."



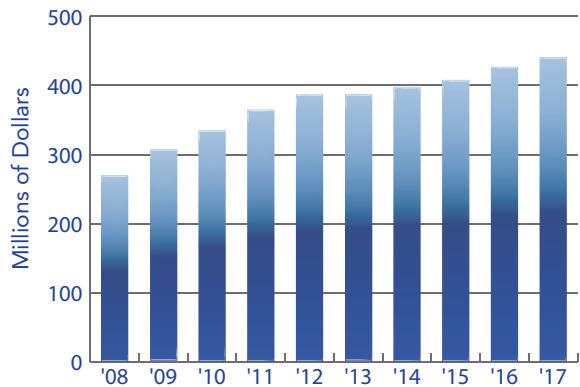
John Tochko

Chair,
Board of Directors

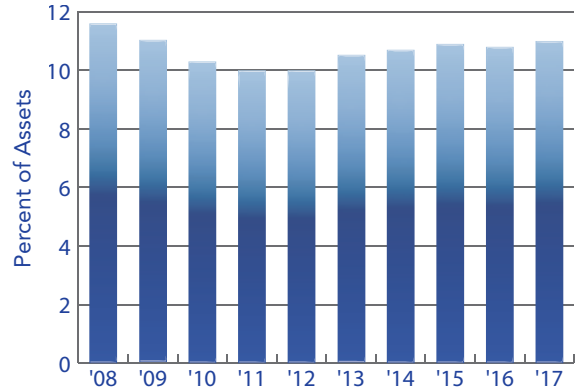


10 - YEAR ANNUAL REPORT DATA

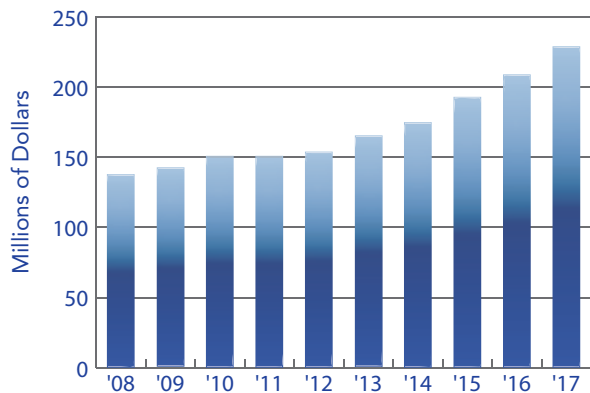
ASSETS



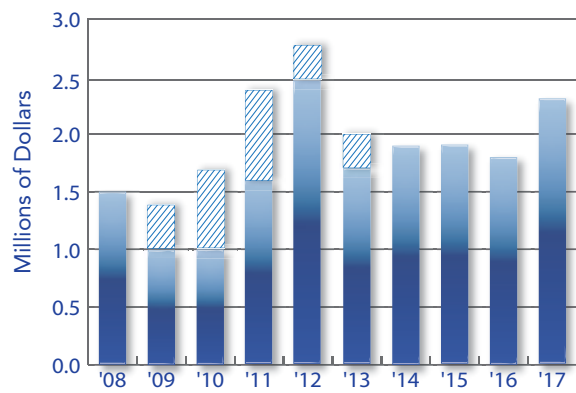
NET WORTH



TOTAL LOANS

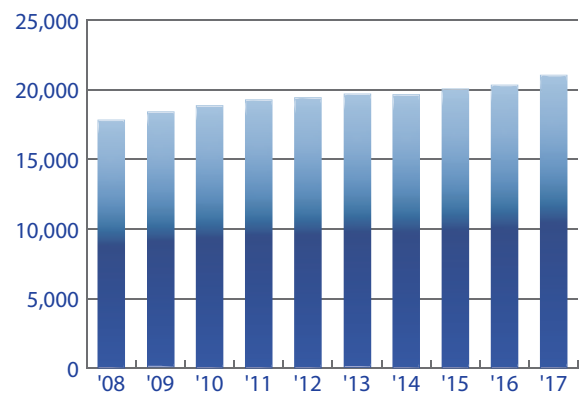


NET INCOME



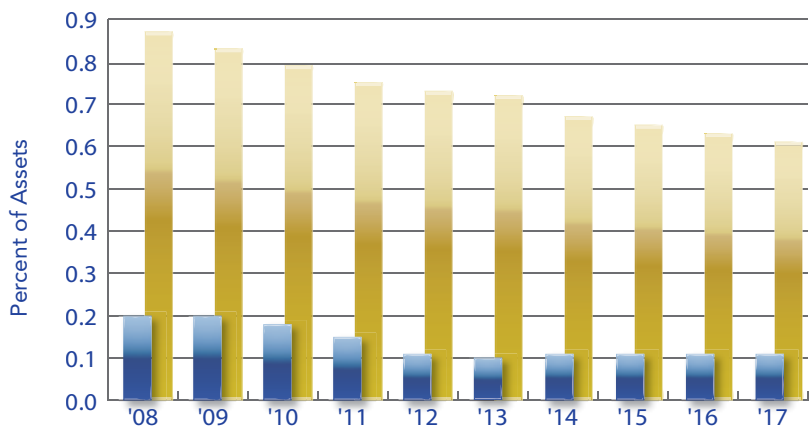
*2009 thru 2013 income shown before and after NCUA Stabilization Expense

NUMBER OF MEMBERS





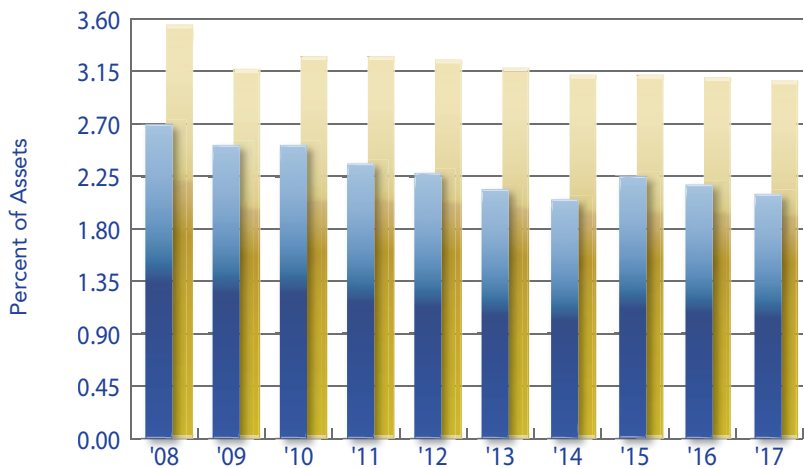
MEMBER FEE INCOME TO AVERAGE ASSETS



This ratio is an effective way to compare the amount of fee income generated by credit unions, regardless of their size. APL FCU's fee income is about six times lower than the national credit union average and one of the lowest you will find anywhere.

OPERATING EXPENSE TO AVERAGE ASSETS

This ratio compares APL FCU's operating efficiency to the national credit union average. In general, credit unions with lower operating expenses are being run more efficiently. APL FCU's low operating expenses allow the Credit Union to offer members lower loan rates and lower fees while still maintaining profitability.



■ APL Federal Credit Union

■ National Credit Union Average



STATEMENTS OF
FINANCIAL CONDITION

ASSETS	2017	2016
Loans		
Loans to Members - Less Allowance for Loan Losses, and Net Deferred Loan Income	\$228,698,247	\$208,705,136
Loan Notes Receivable	553,696	666,678
Loans Net:	\$229,251,943	\$209,371,814
Other Assets		
Accounts Receivable	\$11,016	\$10,441
Cash	1,689,483	1,711,353
Investments	193,601,078	199,739,303
Accrued Income Receivable	654,917	590,207
Prepaid Expenses	317,137	295,523
Buildings & Land	9,005,644	9,200,024
Furniture & Equipment	648,475	663,724
NCUSIF Deposit	3,658,783	3,508,923
Other Assets	1,813,729	1,791,438
Total Assets:	\$440,652,205	\$426,882,750
LIABILITIES AND EQUITY		
Liabilities		
Accounts Payable	\$713,316	\$799,080
Accrued Expenses	3,773,826	3,491,232
Other Liabilities	4,387,287	4,526,568
Total Liabilities:	\$8,874,429	\$8,816,880
Equity		
Savings	\$168,374,914	\$164,570,344
Checking	72,525,499	63,195,694
Preferred Money Market	74,793,603	73,064,445
IRA Money Market	5,314,369	4,805,012
IRA Certificates	13,884,430	15,878,236
Certificates of Deposit	55,219,751	58,911,548
Total Shares:	\$390,112,566	\$380,425,279
Reserves		
Regular Reserve	\$2,614,802	\$2,614,802
Undivided Earnings	43,439,165	41,656,771
Net Allowance to Adjust Investments to Fair Value	250,186	(1,218,832)
Other Comprehensive Income	(6,985,485)	(7,194,544)
Net Income (Loss)	2,346,542	1,782,394
Total Equity:	\$431,777,776	\$418,065,870
Total Liabilities & Equity:	\$440,652,205	\$426,882,750



STATEMENTS OF INCOME

	2017	2016
Operating Income		
Interest on Loans	\$2,301,270	\$1,942,979
Interest on Real Estate Loans	5,075,889	4,722,579
Net:	\$7,377,159	\$6,665,558
Income From Investments	\$3,126,534	\$2,788,706
Fees and Charges	441,789	429,817
Other Operating Income	1,681,339	1,665,382
Total Operating Income:	\$12,626,821	\$11,549,463
Operating Expenses		
Compensation	\$4,122,876	\$4,032,221
Employee/Retiree Benefits	2,309,109	2,297,740
Education & Conference Expenses	47,009	54,718
Association Dues	20,862	19,608
Office Occupancy Expenses	376,102	383,008
Office Operations Expenses	1,223,048	1,216,449
Education & Promotional Expenses	189,584	174,673
Loan Servicing Expenses	334,559	318,999
Professional & Outside Services	466,151	466,050
Regulatory Fees	97,462	74,206
Annual Report & Meeting Expenses	1,900	4,800
Miscellaneous Operating Expenses	5,634	7,133
Share Draft Processing Expenses	53,872	55,093
Total Operating Expenses:	\$9,248,168	\$9,104,698
Provision for Loan Losses	\$317,100	\$(137,485)
Interest on Borrowed Money	-	-
Non-Operating Gains (Losses)		
Gain (Loss) on Investments	-	59,907
Gain (Loss) on Disposition of Assets	-	-
Other Non-Operating Income (Expenses)	(1,363)	(8,609)
Total Non-Operating Gains (Losses):	\$(1,363)	\$51,298
Income (Loss) Before Dividends	\$3,060,189	\$2,633,548
Dividends	(713,647)	(851,154)
Net Income (Loss) Before NCUA Assessments:	\$2,346,542	\$1,782,394
NCUA Insurance Premium	0	0
NCUA Stabilization Expense	0	0
Net Income (Loss):	\$2,346,542	\$1,782,394

OUR MISSION

APL Federal Credit Union is dedicated to providing its members quality financial services with a competitive edge, while ensuring the safety and stability of financial assets.



Photo Credit: Kenneth Losurdo Jr.



11050 Johns Hopkins Road
Laurel, MD 20723
443-778-5250 | aplfcu.org