


COMMUNITY CHARTER 2001

ONLINE BANKING 1996


*APL
Federal
Credit Union*
ANNUAL REPORT

2018

APLFCU FOUNDED 1954

50TH ANNIVERSARY 2004

COMPUTERIZED PROCESSING 1978

JIM DEEGAN HIRED AS CEO 1990

JIM DEEGAN RETIRES 2019

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

SUPERVISORY COMMITTEE

Karen Brown, Chair
Don Henderson
Peter Laanisto
Tim McIntyre

ASSOCIATE VOLUNTEER

Alice Berman

DIRECTOR EMERITUS

Charlene Husted



Jim Deegan

President/CEO



John Tochko

Chair,
Board of Directors



Karen Brown

Chair,
Supervisory Committee



Robert Miller

Treasurer

A MESSAGE FROM OUR PRESIDENT & CHAIRMAN

APL Federal Credit Union's Board of Directors and senior management are pleased to announce the completion of a fourth straight record-setting year for the Credit Union. We finished 2018 with unprecedented results in both loan and membership growth, while maintaining strong profitability and fiscal soundness.

For the first time in the Credit Union's history we booked more than \$100 million in loans during the year. This achievement surpassed the previous high of \$57.8 million in booked loans set in 2017. One of the main factors behind this impressive loan growth was the continuation of our 1.99% One Rate Auto Loan, which helped us generate almost 2,700 auto loans (an average of 51 auto loans per week). This is almost 1,000 auto loans more than we've opened in any previous year.

By the end of 2018, the average auto loan rate nationwide eclipsed 6.20% – more than three times higher than APLFCU's rate. Providing our members an auto loan rate less than a third of the national average equates to several thousand dollars in savings on a typical loan. Since the introduction of the One Rate Auto Loan in early 2014, our members have saved over \$20 million in finance charges (based on a comparison of APLFCU's 1.99% rate to average auto loan rate data published by Edmunds.com).

We also continue to give back to our members by maintaining the lowest fee structure of any full-service financial institution in the area. Our ratio of fees to average assets is almost seven times lower than the average of peer credit unions in the area, and more than 10 times lower than the typical big bank.

We wouldn't be able to maintain this low fee structure and continue to offer such low loan rates without keeping our operating costs under control. As in 2017, we finished 2018 with a lower operating expense ratio than any of the 34 Maryland credit unions with at least \$100 million in assets. On average, these peer credit unions spend over 50% more on operating expenses than we do.



The combination of great loan rates and low fees certainly seems to resonate within our community. Not only did we open more than 2,300 new memberships in 2018 – the best total in APLFCU's 64-year history and almost a 50% increase over our 2017 result – we also were voted the "Best Bank or Credit Union" in Howard Magazine's "Best of Howard" poll.

In addition to maintaining our low rate and fee structure, we completed several initiatives in 2018 to improve the overall member experience. This includes the June launch of our completely redesigned website, with streamlined navigation and content. This will be followed by the introduction of a new online and mobile banking platform, a large-scale project that is scheduled for completion in late 2019 or early 2020.

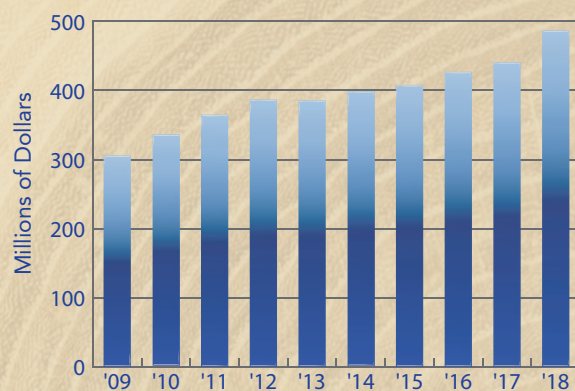
On behalf of APLFCU's Board of Directors and staff, we want to thank you for helping us achieve the most successful year in APL Federal Credit Union's history. As we look to build on this success, we will continue with our mission of providing unsurpassed value while ensuring the safety and stability of member assets.

As always, we remain,

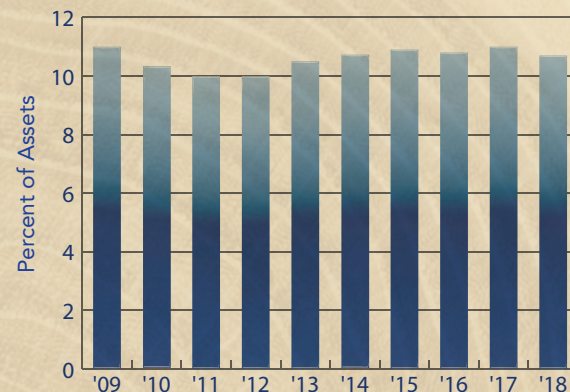
"At Your Service, In Your Community."

10-YEAR ANNUAL REPORT DATA

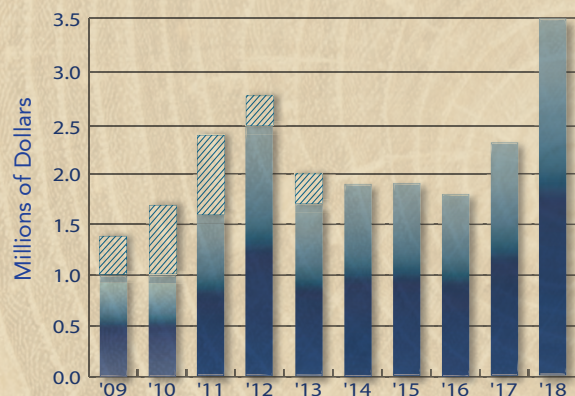
ASSETS



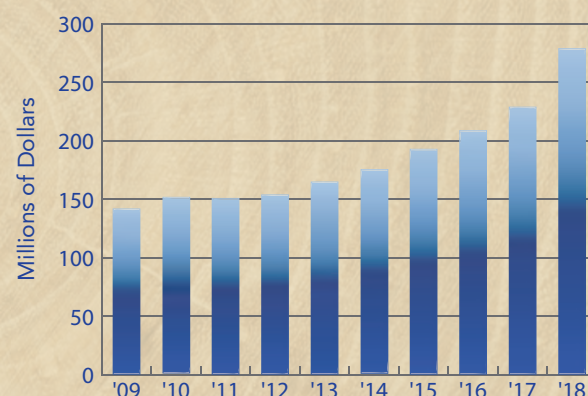
NET WORTH



NET INCOME

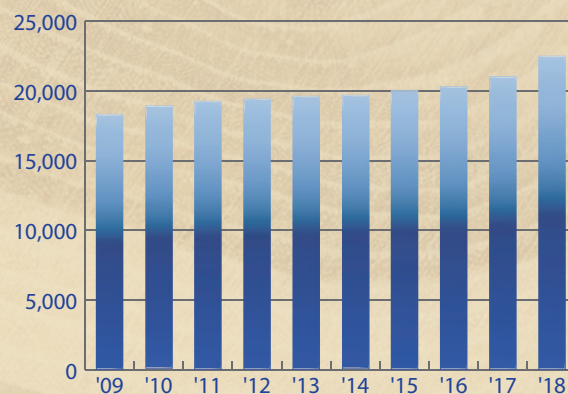


TOTAL LOANS

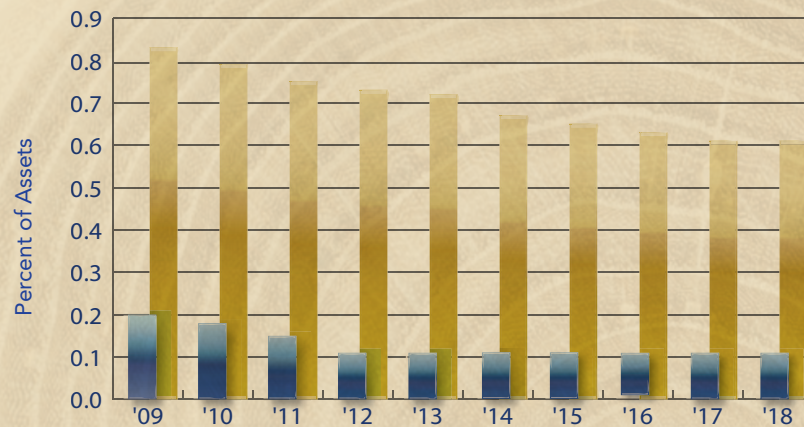


*2009 thru 2013 income shown before and after NCUA Stabilization Expense

NUMBER OF MEMBERS



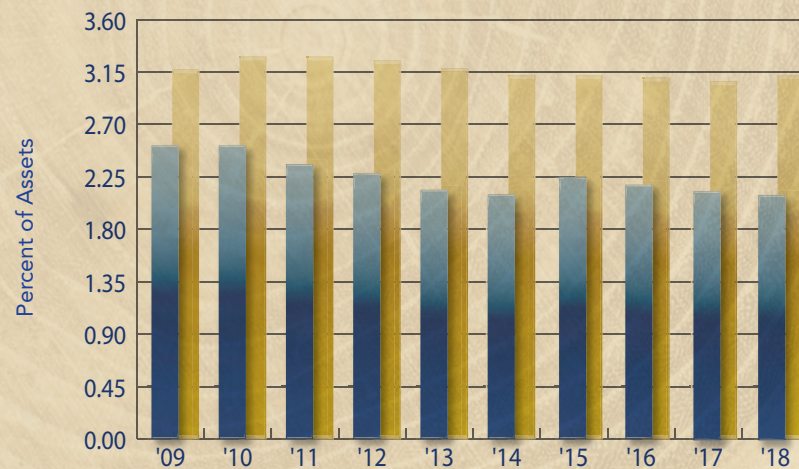
MEMBER FEE INCOME TO AVERAGE ASSETS



This ratio is an effective way to compare the amount of fee income generated by credit unions, regardless of their size. APLFCU'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 APLFCU's operating efficiency to the national credit union average. In general, credit unions with lower operating expenses are being run more efficiently. APLFCU'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

STATEMENT OF FINANCIAL CONDITION

ASSETS	2018	2017	LIABILITIES AND EQUITY	2018	2017
Loans			Liabilities		
Loans to Members - Less Allowance for Loan Losses, and Net Deferred Loan Income	\$278,279,179	\$228,698,247	Accounts Payable	\$768,692	\$713,316
Loan Notes Receivable	860,241	553,696	Accrued Expenses	3,610,803	3,773,826
Loans Net:	\$279,139,420	\$229,251,943	Other Liabilities	3,366,886	4,387,287
Other Assets			Total Liabilities:	\$7,746,381	\$8,874,429
Accounts Receivable	\$9,855	\$11,016	Equity		
Cash	1,754,791	1,689,483	Savings	\$190,857,592	\$168,374,914
Investments	190,295,061	193,601,078	Checking	78,394,079	72,525,499
Accrued Income Receivable	807,712	654,917	Preferred Money Market	87,393,878	74,793,603
Prepaid Expenses	367,530	317,137	IRA Money Market	5,135,187	5,314,369
Buildings & Land	8,811,264	9,005,644	IRA Certificates	13,560,877	13,884,430
Furniture & Equipment	631,495	648,475	Certificates of Deposit	57,763,076	55,219,751
NCUSIF Deposit	3,763,172	3,658,783	Total Shares:	\$433,104,689	\$390,112,566
Other Assets	1,841,400	1,813,729	Reserves		
Total Assets:	\$487,421,700	\$440,652,205	Regular Reserve	\$2,614,802	\$2,614,802
			Undivided Earnings	45,785,708	43,439,165
			Net Allowance to Adjust Investments to Fair Value	307,368	250,186
			Other Comprehensive Income	(5,671,432)	(6,985,485)
			Net Income (Loss)	3,534,184	2,346,542
			Total Equity:	\$479,675,319	\$431,777,776
			Total Liabilities & Equity:	\$487,421,700	\$440,652,205

STATEMENT OF INCOME

OPERATING INCOME	2018	2017
Interest on Loans	\$2,851,044	\$2,301,270
Interest on Real Estate Loans	5,758,035	5,075,889
Net:	\$8,609,079	\$7,377,159
Income From Investments	\$3,347,438	\$3,126,534
Fees and Charges	476,923	441,789
Other Operating Income	2,010,778	1,681,339
Total Operating Income:	\$14,444,218	\$12,626,821
Operating Expenses		
Compensation	\$4,346,238	\$4,122,876
Employee/Retiree Benefits	2,255,379	2,309,109
Education & Conference Expenses	62,580	47,009
Association Dues	22,380	20,862
Office Occupancy Expenses	388,938	376,102
Office Operations Expenses	1,311,749	1,223,048
Education & Promotional Expenses	191,895	189,584
Loan Servicing Expenses	364,182	334,559
Professional & Outside Services	481,455	466,151
Regulatory Fees	116,385	97,462
Annual Report & Meeting Expenses	3,600	1,900
Miscellaneous Operating Expenses	6,311	5,634
Share Draft Processing Expenses	44,448	53,872
Total Operating Expenses:	\$9,595,540	\$9,248,168

Provision for Loan Losses	\$96,399	\$317,100
Interest on Borrowed Money	-	-
Non-Operating Gains (Losses)		
Gain (Loss) on Investments	-	-
Gain (Loss) on Disposition of Assets	-	-
Other Non-Operating Income (Expenses)	(2,377)	(1,363)
Total Non-Operating Gains (Losses):	\$(2,377)	\$(1,363)
Income (Loss) Before Dividends	\$4,749,902	\$3,060,189
Dividends	\$(1,215,718)	\$(713,647)
Net Income (Loss) Before NCUSIF Stabilization Expense:	\$3,534,184	\$2,346,542
NCUA Insurance Premium	0	0
NCUA Stabilization Expense	0	0
Net Income (Loss):	\$3,534,184	\$2,346,542

2018

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Credit Union

ANNUAL REPORT

A FAREWELL MESSAGE FROM OUR PRESIDENT / CEO

In 2018 I notified the Credit Union's Board of Directors of my decision to retire effective March 31, 2019. There is never a perfect time for this type of transition, but after many months of personal reflection, I've decided now is the right time. As you might imagine, deciding to retire was not an easy decision. It's difficult to leave a credit union that you have nurtured for almost three decades. However, I recently turned 62, became a first-time grandparent, and decided it is time to move on to the next chapter of my life.

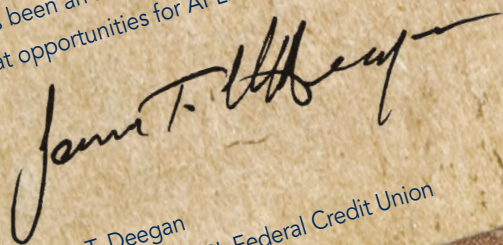
There are no words that can express how sincerely grateful I am for the honor and privilege to serve as APLFCU's President/CEO for the past 28 years. I look back with great pride at what we accomplished over those years and in the many ways we redefined our business.

When I joined APLFCU, it was a single-location, single-sponsor institution with \$55 million in assets. During my tenure it has grown into a strong, multi-branch community credit union with over 22,000 members and almost \$500 million in assets.

I am very proud to have played an integral part in the growth and success of our beloved Credit Union. It means a lot to me to know that I'll leave behind one of the most admired institutions in our region. It is my sincere hope that, during my years of service, the many people whose work drives the innovation at APLFCU have in some way improved the lives of our members in achieving their financial goals.

As far as my successor goes, the Board of Directors has engaged an executive search firm to lead a national search to ensure that it finds the best fit for the President/CEO position. Rest assured, our dedicated Board of Directors will play a very active role in the selection process.

In closing, I'd like to thank the Board, Staff and Members for making these past 28 years so enjoyable. It has been an incredible honor to be the President/CEO of your credit union. I sincerely believe that there are many great opportunities for APLFCU on the horizon, and I look forward to witnessing its continued growth and success.



James T. Deegan
President/CEO | APL Federal Credit Union

aplfcu.org

11050 Johns Hopkins Road
Laurel, MD 20723