

APL FEDERAL CREDIT UNION

STAY CONNECTED

2013
Annual Report

BOARD OF DIRECTORS

John Tochko, Chair

Rosalyn Furukawa, Vice Chair

Robert Miller, Treasurer

Charlene Hustead, Recording Secretary

Philip Albert, Director

Shawn Dancik, Director

Laura Davis, Director

Jim Knowles, Director

Peter Newman, Director



Robert Miller
Treasurer

SUPERVISORY COMMITTEE

Karen Brown, Chair

Shawn Dancik

Brian O'Connor



Karen Brown
Chair

ASSOCIATE VOLUNTEER

Sarah Cooke



A MESSAGE FROM OUR PRESIDENT & CHAIRMAN

For APL Federal Credit Union's staff and board of directors, one of the most difficult challenges we face is to continually improve the level of service we offer our members while still maintaining strong reserves to satisfy government fiscal soundness requirements. We are pleased to report that 2013 was another successful year in this regard, as we were able to add several new products and services while generating almost \$1.7 million in net income – in spite of a \$267,000 regulatory payment to shore up the National Credit Union Administration's insurance fund.

In addition to another strong earnings year, total loans grew by more than \$11 million in 2013, raising our outstanding loan portfolio to a record \$165 million – a seven percent increase from year-end 2012. New and used auto loans were the driving force behind this growth, as the decreased rate of 1.99% – the lowest in the Credit Union's history – helped generate more than 750 auto loans worth close to \$17 million.

We also expanded our loan product offerings in 2013 by introducing APL FCU's first-ever rewards credit card. The UChoose Rewards Visa® gives members the flexibility of both cash back and rewards options, with no annual fee and an interest rate below the national rewards card average. As with our Classic Visa, the Rewards Visa is also available as a secured card for members needing to establish or rebuild credit.

Over the past few years, technological advancements have changed the banking industry landscape, as "virtual branches" have shifted the focus away from building new brick and mortar locations. For APL FCU, we've embraced the need for busy members to bank with us from just about anywhere, and took several big steps to ensure that members can get connected – and stay connected – 24/7.

A key component to a successful virtual branch is to maintain a reliable online banking platform. The occasional thunderstorm or snowstorm can affect the power grid in our area, but the windstorms in the summer of 2012 caused an unacceptable situation

where the power outage lasted several days. To prevent this in the future, we installed a large back-up generator system at our main office in early 2013 that is specifically designed to keep our computer servers, and online banking, up and running.

We also introduced our free mobile banking app, which makes it faster and easier for members to access their accounts on the go. In less than a year, more than 3,000 members have downloaded the Android or Apple version of the app – more than twice the number of downloads we anticipated.

We are continually working to enhance the functionality of our virtual branch, and in December we finalized plans to add a mobile deposit service and to improve our mobile website (aplfcu.org). Mobile deposit will allow members to deposit checks electronically through our mobile app, while our mobile website will recognize the type of device a member is using (computer, tablet, smart phone, etc.) and reconfigure the pages accordingly to maximize functionality for a particular screen size. Both of these enhancements will be available by mid-year 2014.

Staying at the forefront of technology is a must for financial institutions these days, but time-tested face-to-face service should not fall by the wayside. Because of our proximity to Washington, D.C., government sequestration furloughs this past fall had the potential of affecting our membership. To assist our federal workforce members facing financial uncertainty, we offered special 0% interest furlough loans and modified loan payments to ease their burden and protect their credit scores.

As we move forward in 2014, we will look to improve the overall member experience at APL FCU while maintaining the lowest fees of any full-service financial institution in the area. On behalf of our entire staff and board of directors, we want to thank you for choosing APL Federal Credit Union – as always, we remain, **"At Your Service, In Your Community."**



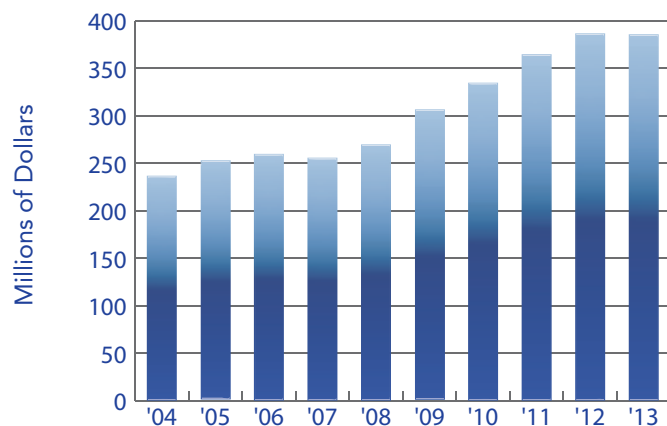
Jim Deegan
President/CEO



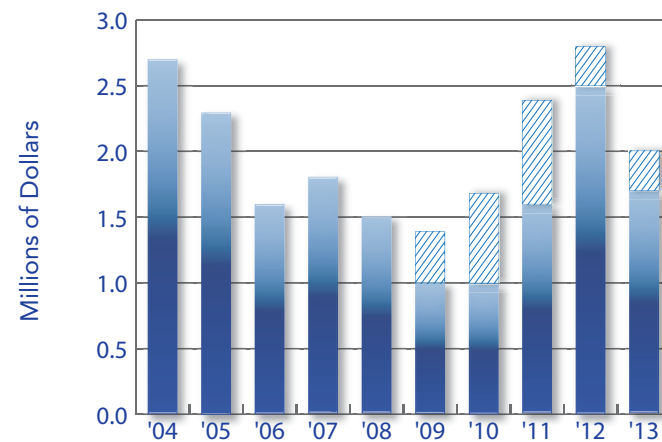
John Tochko
Chair

10-YEAR ANNUAL REPORT DATA

ASSETS

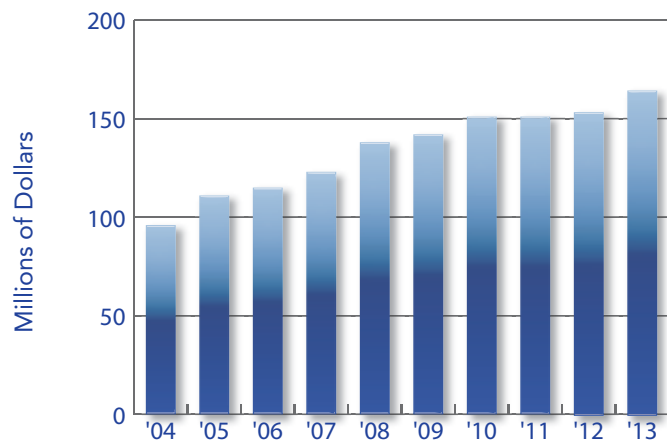


NET INCOME

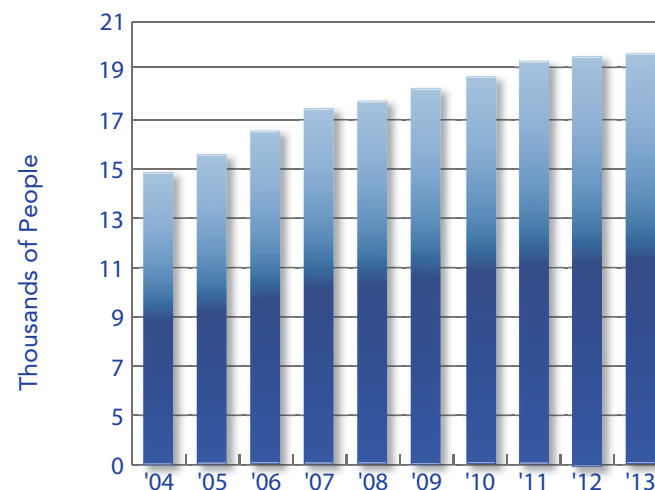


*2009 thru 2013 income shown before and after NCUA Stabilization Expense

TOTAL LOANS

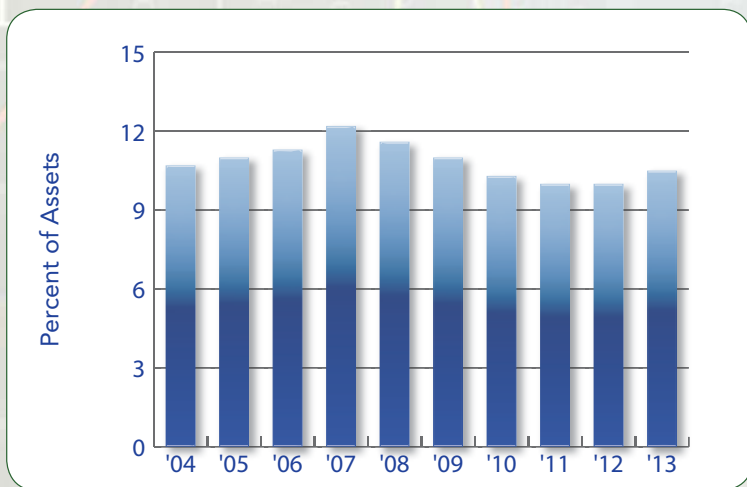


NUMBER OF MEMBERS

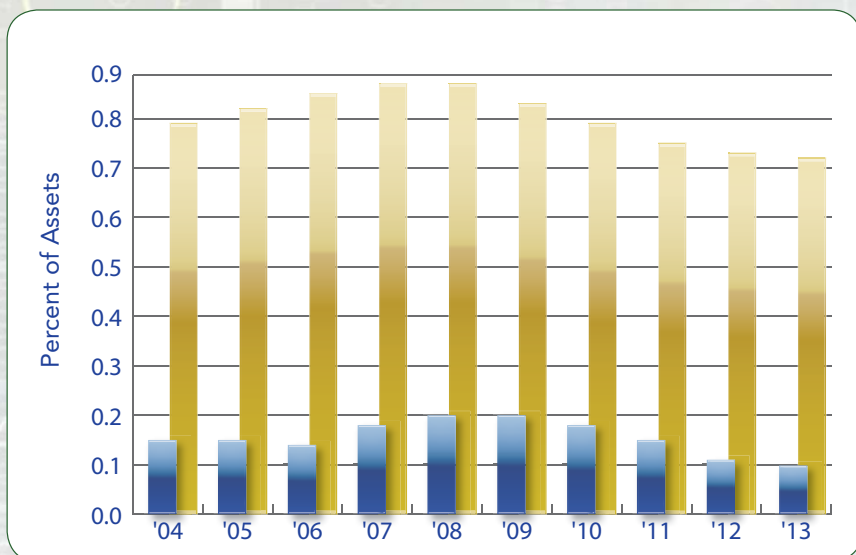


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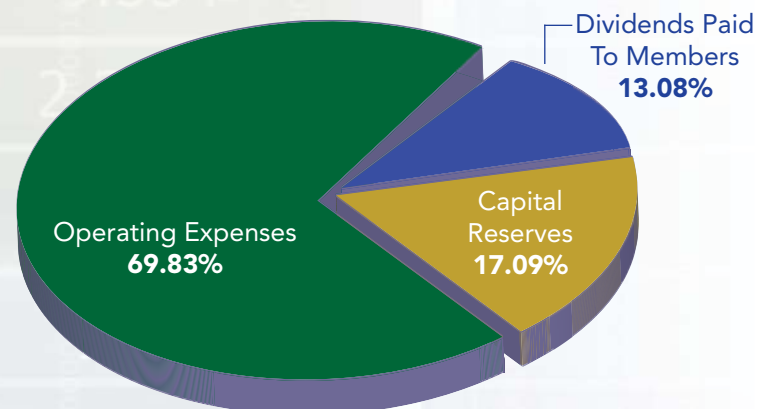
NET WORTH



MEMBER FEE INCOME TO AVERAGE ASSETS



DISTRIBUTION OF INCOME



- APL Federal Credit Union
- National Credit Union Average

STATEMENTS OF FINANCIAL CONDITION

ASSETS

Loans

	<u>2013</u>	<u>2012</u>
Loans to Members - Less Allowance for Loan Losses, and Net Deferred Loan Income	\$ 164,242,379	\$ 152,879,041
Loan Notes Receivable	110,882	1,596,716

Loans Net:

\$ 164,353,261 \$ 154,475,757

Other Assets

Accounts Receivable	\$ 82,473	\$ 70,731
Cash	1,555,478	1,162,442
Investments	203,955,154	213,568,807
Accrued Income Receivable	655,739	763,366
Prepaid Expenses	247,028	344,784
Buildings & Land	9,783,163	9,977,542
Furniture & Equipment	825,985	593,089
NCUSIF Deposit	3,331,943	3,219,856
Other Assets	1,652,815	2,911,868

Total Assets:

\$ 386,443,039 \$ 387,088,242

LIABILITIES & EQUITY

Liabilities

	<u>2013</u>	<u>2012</u>
Accounts Payable	\$ 495,749	\$ 1,211,252
Accrued Expenses	2,673,848	2,285,237
Other Liabilities	932,491	0

Total Liabilities:

\$ 4,102,088 \$ 3,496,489

Equity

Savings	126,482,282	117,824,967
Checking	46,732,917	45,269,572
Preferred Money Market	70,439,584	70,443,694
IRA Money Market	5,904,214	5,325,530
IRA Certificates	20,904,006	22,770,747
Certificates of Deposit	73,730,746	78,715,274

Total Shares:

\$ 344,193,749 \$ 340,349,784

Reserves

Regular Reserve	\$ 2,614,802	\$2,614,802
Undivided Earnings	36,186,928	33,661,865
Net Allowance to Adjust Investments to Fair Value	841,759	4,973,292
Other Comprehensive Income	(3,183,762)	(533,052)

Net Income (Loss)	1,687,475	2,525,062
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Total Equity:

\$ 382,340,951 \$ 383,591,753

Total Liabilities & Equity:

\$ 386,443,039 \$ 387,088,242



STATEMENTS OF INCOME

STATEMENTS OF INCOME

	<u>2013</u>	<u>2012</u>
Operating Income		
Interest on Loans	\$ 1,537,570	\$ 1,756,485
Interest on Real Estate Loans	4,675,087	4,793,704
Net:	\$ 6,212,657	\$ 6,550,189
Income from Investments	3,338,784	4,030,378
Fees & Charges	382,930	424,711
Other Operating Income	1,559,031	1,724,488
Total Operating Income:	\$ 11,493,402	\$ 12,729,766
Operating Expenses		
Compensation	\$ 3,704,240	\$ 3,618,350
Employee/Retiree Benefits	1,892,334	2,003,116
Education & Conference Expenses	61,466	53,969
Association Dues	19,802	18,385
Office Occupancy Expenses	623,099	599,361
Office Operations Expenses	817,311	778,973
Education & Promotional Expenses	165,625	171,747
Loan Servicing Expenses	202,795	410,504
Professional & Outside Services	388,887	462,074
Regulatory Fees	87,521	82,248
Annual Report & Meeting Expenses	4,800	4,800
Miscellaneous Operating Expenses	11,970	9,524
Share Draft Processing Expenses	45,447	43,876
Total Operating Expenses:	\$ 8,025,297	\$ 8,256,927
Provision for Loan Losses	(3,000)	197,000
Interest on Borrowed Money	0	0
Non-Operating Gains (Losses)		
Gain (Loss) on Investments	(38,326)	496,332
Gain (Loss) on Disposition of Assets	25,000	570
Other Non-Operating Income (Expenses)	(4)	(102)
Total Non-Operating Gains (Losses):	\$ (13,330)	\$ 496,800
Income (Loss) Before Dividends	\$ 3,457,774	\$ 4,772,638
Dividends	\$ (1,503,744)	\$ (1,941,689)
Net Income (Loss) Before NCUSIF Stabilization Expense:	\$ 1,954,030	\$ 2,830,949
NCUA Insurance Premium	0	0
NCUA Stabilization Expense	266,555	305,886
Net Income (Loss):	\$ 1,687,475	\$ 2,525,063





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.

APLFCU.ORG