



ANNUAL REPORT

2019



A WORD FROM

President & CEO, Jim Hayes



DEAR MEMBER,

Ready to Serve

I am proud to say that 2019 was a great year for Andrews Federal Credit and our members. From our humble beginning in 1948, your Credit Union has grown to serve over 133,000 members. Our commitment has never wavered, and the past year was no exception. We hit a turning point as we completed significant achievements throughout the year and pivoted to the future.

Financially Sound

Andrews Federal delivered a strong financial performance in 2019. We hit our long-term goal of generating \$2 billion in assets driven by strong deposit growth, solid underwriting, consistent loan growth, and disciplined expense management. Your Credit Union remains well capitalized with a net worth of 9.79%. And, operations continue to perform nicely, demonstrated by efficiency benchmarks achieved in 2019.

In addition to strong financial performance, our 2019 achievements were considerable:

- Recognized as a Great Place to Work™ for the second consecutive year
- Launched an all-new website to improve our members' digital experience
- Enhanced our cybersecurity strategy to further safeguard our members' personal data from malicious cyber crime and phishing attacks
- Reduced Information Technology expenses by \$600,000 through the implementation of new telecommunication and operational technologies
- Upgraded Information Technology infrastructure and devices to serve our members faster
- Strengthened our data security protocols to rapidly identify threats to our members' data
- Served as the presenting sponsor of the Joint Base Andrews Air Show

*Recognized as a
Great Place to Work™
for the second
consecutive year*



Ready to Solve

We are in the business of building a community of trust. For more than 72 years, Andrews Federal has been helping our members and their families along their financial journeys. We will continue to operate in a way that puts your financial wellness at the forefront. The coming year will focus on even more digital technology improvements. We are committed to creating an all-new digital banking and mobile app platform that allows our members to do their banking from virtually anywhere, on any device. We will not stop short of providing our members with a seamless, easy-to-use digital experience.

Thank You

Finally, on behalf of the entire Board of Directors, I would like to thank our membership for their unshakable support. It is because of your tremendous dedication that your Credit Union continues to be successful. We wouldn't be here today without your firm belief. Thank you for choosing Andrews Federal as your financial partner.

Sincerely,
Jim Hayes
President & CEO

A MESSAGE FROM OUR CHAIRMAN



The past year was significant in many respects. Our strategy to deliver an exceptional member experience has gained momentum. We have built the foundation and are working towards serving our members in new ways that best suit them.

2019 was another year of sound financial performance with \$14.5 million in net income. The Credit Union National Association (CUNA) estimated that Andrews Federal provided \$19.6 Million in direct financial benefits to our 133,000 members over the past 12 months. By choosing Andrews Federal as their primary financial institution, each of our households saved an average of \$316 in 2019. How profound. With each passing year, I become more convinced that our everyday, humble work is essential.

On behalf of the Board, I would like to thank our employees for their countless effort and our management team for their collaboration and hard work. And to our members, thank you for the trust you have shown in your Credit Union's leadership and financial future. I am honored to serve as your Chairman and have every confidence that we will continue to build upon the success of Andrews Federal.

**Over 133,000
Andrews Federal
Members Worldwide**

Sincerely,
Frank Cardile
Board Chairman

CREDIT UNION GROWTH A GLANCE

TOTAL MEMBERS

2017		119,446
2018		128,538
2019		133,244

TOTAL ASSETS

2017		\$1,523,530,881
2018		\$1,758,140,910
2019		\$2,060,114,066

NET INCOME

2017		\$1,148,369
2018		\$10,449,594
2019		\$14,558,143

NET WORTH RATIO

2017		11.01%
2018		10.13%
2019		9.79%

A MESSAGE FROM OUR TREASURER

As Treasurer, I'm pleased to report that Andrews Federal Credit Union had another successful year. The Credit Union ended 2019 with Net Income of \$14.5 Million, which was a new record for the Credit Union, and a Net Worth ratio of 9.79%.

Total Loans grew 19% or \$285 million year over year while the credit union industry only experienced a 6.5% average growth rate.

Total Deposits grew 19.3% or \$283 Million while the credit union industry as a whole only experienced an 8% average deposit growth rate.

I am proud of the Credit Union's progress and would like to thank the employees for working towards the steep goals we have set forth. Most importantly, I want to thank the members of Andrews Federal for making 2019 another successful year. In 2020, we plan to continue growing the Credit Union to meet strategic objectives that will improve our members' experience. These objectives include providing exceptional service, advancing technology, and remaining fiscally stable.

In closing, you can feel confident in your Credit Union as Andrews Federal continues to be financially secure. I do not doubt that the Credit Union will provide you with substantial value for many years to come.

Sincerely,
Roger C. Scarce
Treasurer



A MESSAGE FROM OUR SUPERVISORY COMMITTEE CHAIRMAN



The Supervisory Committee is appointed by the Board of Directors per the Federal Credit Union Act. The Supervisory Committee is responsible for making sure that the financial condition of Andrews Federal is accurately and fairly presented in the Credit Union's financial statements.

The Committee assists with oversight responsibilities for internal control, the audit process, and monitoring compliance with laws and regulations. Also, the Supervisory Committee conducts audits and reviews to determine if management procedures are acceptable to safeguard members' assets.

Members may contact the Supervisory Committee at any time with concerns regarding their account(s). The Committee is ready to review and respond as they are deeply passionate about the policies that are in place to safeguard member accounts.

The Board of Directors approved the recommendation that the certified public accounting (CPA) firm of Doeren Mayhew, CPAs, and Advisors, be retained to audit Andrews Federal Credit Union. The CPA firm performed the annual financial statement audit for 2019. Copies of the examination are available upon request.

It is the opinion of the Supervisory Committee that Andrews Federal Credit Union is operating safely and soundly.

Sincerely,
Jacob Lozada
Supervisory Committee Chairman



THE ANDREWS FEDERAL CREDIT UNION TEAM

BOARD OF DIRECTORS



Frank Cardile
Chairman



Kenneth McKinney
Vice Chairman



Roger W. Searce
Treasurer



Henry E. Bowman
Secretary



Eugene Dacus
Director



Ruby B. DeMesme
Director



Sharon Dunbar
Director



Derald E. Emory
Director



L. Dail Turner
Director

EXECUTIVE TEAM



Jim Hayes
President & CEO



Todd Olszowy
Chief Financial Officer



Damita Robinson
Chief Human Resource Officer



Ken Orgeron
Chief Lending Officer

SUPERVISORY COMMITTEE

Jacob Lozada

Erik Winborn

Greg Little

Harold Springs

Tim Robertson

CONSOLIDATED STATEMENT OF FINANCIAL CONDITION AS OF DECEMBER 31, 2019 AND 2018

Assets	2019	2018
Cash And Cash Equivalents	\$169,752,447	\$142,258,773
Available-For-Sale Investments	26,374,166	36,763,975
Loans Held For Sale	895,060	5,758,516
Loans To Members, Net Of Allowance For Loan Losses	1,742,078,276	1,456,643,131
Federal Home Loan Bank (FHLB) Stock	5,835,400	5,625,300
Accrued Interest Receivable	7,515,333	6,110,921
Prepaid And Other Assets	21,097,271	21,526,927
Split Dollar Life Insurance (SDLI)	21,636,711	21,043,290
Credit Union-Owned Life Insurance (COLI)	29,232,743	28,451,691
Property and Equipment	20,876,050	21,634,955
National Credit Union Share Insurance Fund (NCUSIF) Deposit	14,820,609	12,323,431
Total Assets	<u>\$2,060,114,066</u>	<u>\$1,758,140,910</u>
 Liabilities and Members' Equity		
<i>Liabilities</i>		
Members' Shares and Savings Accounts	\$1,745,702,882	\$1,462,738,176
Borrowed Funds	100,000,000	100,000,000
Accrued Expenses and Other Liabilities	20,778,384	16,531,848
Total Liabilities	<u>\$1,866,481,266</u>	<u>\$1,579,270,024</u>
 Commitments and Contingent Liabilities		
<i>Members' Equity</i>		
Regular Reserve	15,381,367	15,381,367
Undivided Earnings	177,326,520	162,768,377
Accumulated Other Comprehensive Income	924,913	721,142
Total Members' Equity	<u>\$193,632,800</u>	<u>\$178,870,886</u>
 Total Liabilities and Members' Equity	 <u>\$2,060,114,066</u>	 <u>\$1,758,140,910</u>

CONSOLIDATED STATEMENT OF INCOME AS OF DECEMBER 31, 2019 AND 2018

	2019	2018
Interest Income		
Loans to Members	\$68,734,991	\$61,153,448
Investment Securities	4,837,360	5,066,153
Total Interest Income	<u>\$73,572,351</u>	<u>\$66,219,601</u>
Interest Expense		
Members' Shares and Savings Accounts	22,830,632	15,283,397
Borrowings	2,170,384	3,425,411
Total Interest Expense	<u>25,001,016</u>	<u>18,708,808</u>
Net Interest Income	48,571,335	47,510,793
Provision for Loan Losses	8,870,301	11,759,978
Net Interest Income After Provision for Loan Losses	<u>\$39,701,034</u>	<u>\$35,750,815</u>
Non-Interest Income		
Fees and Charges	15,040,570	13,629,407
Interchange Income	8,257,337	7,862,283
Other Income	5,586,160	5,537,075
Total Non-Interest Income	<u>\$28,884,067</u>	<u>\$27,028,765</u>
Non-Interest Expenses		
Compensation and Benefits	27,674,363	25,690,519
Office Operations	12,450,576	11,801,923
Loan Servicing	5,277,268	5,626,752
Office Occupancy	4,324,134	4,551,709
Other	4,300,617	4,659,083
Total Non-Interest Expenses	<u>\$54,026,958</u>	<u>\$52,329,986</u>
Net Income	<u>\$14,558,143</u>	<u>\$10,449,594</u>

MEMBER SERVICE IN ACTION



MEMBER TESTIMONIALS

No matter where I have been in the world, Andrews has always provided support when I needed them. Helping me when I was in Afghanistan was really a good feeling knowing I had a credit union I could talk to and get money moved without physically being there.

S. Mitchell

The staff is extremely knowledgeable about financial affairs, and recommendations are made to assure you get the most for your money. The staff followed up with quality information.

M. Randle

Two words: excellent service. Friendly and helpful staff. Professional and courteous. I enjoy doing business with my favorite Credit Union. Will recommend to anyone whose looking for a fantastic financial institution to handle their financial needs.

M. Dempsey

First the atmosphere; second, the limited amount of time needed to be seen; third, the professionalism of the employees and managers; last, prompt response to questions and/or concerns. They have done an excellent job in all areas in regards to my personal banking experience.

V. Morrell

MEMBER SATISFACTION INCREASED

At Andrews Federal, experience is everything. By using member survey feedback to make process improvements, we've seen significant increases in members' likelihood to retain, repeat and refer business to Andrews Federal based on their recent service experience.



MEMBER FINANCIAL BENEFITS



\$19,690,609

in direct member benefits through lower loan rates, higher deposit rates, and fewer fees than other financial institutions



\$316

average member savings per household



Datatrac is a financial services technology company that has monitored interest rates across America for 25+ years. Their data verifies Andrews Federal member savings in both loan and deposit products.

TECHNOLOGY AND DIGITAL BANKING IMPROVEMENTS

NEW WEBSITE



We launched a completely new website to better serve our members. The improved navigation, seamless design, and helpful resources make it easier to learn about our products and services, access logins, and find helpful resources. The all-new website highlights our commitment to helping members along their financial journey.

- ✓ Launched in October 2019 to improve members' online digital experience
- ✓ Responsive design across multiple devices and browsers
- ✓ Easy to navigate with robust functionality
- ✓ *Copy That* blog promotes financial education
- ✓ 27% increase in page views

TECHNOLOGY



Improved the safety and soundness of your Credit Union by enhancing remote Information Technology infrastructure

Improved our business efficiencies and continuity initiatives, thereby strengthening operations to provide excellent member service, through the successful migration of extensive core computer operations to a new remote location

Reduced Information Technology expenses by \$600,000 through new telecommunication and operational technologies

Enhanced disaster recovery protocols and increased operational bandwidth for seamless business functionality anytime, anywhere

Continued our **vigilant protection efforts** of your Credit Union to remain at the forefront of any malicious cyber and/or phishing attacks

DIGITAL BANKING

21% increase in Bill Pay adoption
19.5% increase in Mobile App usage



Reduced paper waste by issuing 89,586 paperless receipts



Enhanced member alert notifications for Bill Payments and External Transfers



Increased Bill Pay Processing to multiple times daily

COMMUNITY EVENTS & SUPPORT



**\$50,272 Stateside
and \$105,000 Overseas**
*in monetary and in-kind donations to a
variety of sponsorships and organizations*



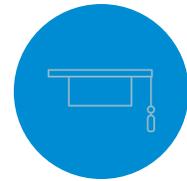
Over 200 Events
*received support including our
Select Employer Groups*

Sponsored:

- 11 Morale Welfare and Recreation (MWR) and United Service Organizations (USO) Events
- Annual Volunteer Awards Ceremony for Service Members, Civilians, and Retirees
- Credit Union Freedom Run
- Cherry Blossom Run
- Installation Management Command Europe (IMCOM-E's) "Best Warrior" Competition
- International Basketball Tournament
- Joint Base Andrews Air Show
- Joint Base Andrews Family Fun Day
- Red Ribbon Week for Department of Defense Education Activity (DoDEA)

Collaborated with:

- Army, Air Force, Marines, and Navy communities
- Local communities in Maryland, Washington D.C., Virginia, and New Jersey to promote financial literacy



\$10,000 in scholarships awarded to high school students; **\$5,000** awarded to summer camp students



\$5,000 donated to the Fisher House Foundation, which serves military families in need



9 financial seminars hosted throughout the year promoting financial education



\$5,000 donated to the Children's Miracle Network of Hospitals

PRESENTING SPONSOR OF THE JOINT BASE ANDREWS AIR SHOW



WORKING TOGETHER FOR STRONGER COMMUNITIES



New Jersey, Joint Base McGuire-Dix-Lakehurst Summer Concert



Germany, Freedom Run Kids' Run



Maryland, Joint Base Andrews Air Show



Maryland, Summer Camp Scholarship Winner with Family



Belgium, Supreme Headquarters Allied Powers Europe (SHAPE) Chilli Contest Winners



Belgium, Supreme Headquarters Allied Powers Europe (SHAPE) Festival



Washington, D.C., Kennedy Street Festival



Chicago, Andrews Federal Magic Minute Shopping Spree Winners



Maryland, Joint Base Andrews Family Fun Day

2019 HIGHLIGHTS

STAND OUT MOMENTS



Maryland, Valentine's Day Employee Appreciation



Maryland, 2nd Annual Hideous Holiday Fashion Show



Maryland, 2nd Annual Great Place to Work Celebration



Maryland, 2019 Annual Meeting



Virginia, Summer Lunch Brunch



Germany, Freedom Run Participants



New Jersey, National Wear Red Day, Branch Staff



Chièvres, 2nd Annual Great Place to Work Celebration

U.S. BRANCH LOCATIONS

Maryland

Suitland (Headquarters)

5711 Allentown Road
Suitland, MD 20746

Joint Base Andrews

Building 1677 D Street
Joint Base Andrews, MD 20762

Waldorf

2595 Crain Highway
Waldorf, MD 20601

Washington, D.C.

Brightwood

5935 Georgia Avenue, NW
Washington, DC 20011

Henson Ridge

1556 Alabama Avenue, SE
Washington, DC 20032

Virginia

Springfield Town Center

6500 Springfield Mall
Springfield, VA 22150

West Springfield

8410 Old Keene Mill Road, Unit #14
Springfield, VA 22152

New Jersey

Burlington

2200 Burlington-Mt. Holly Road
Burlington, NJ 08016

Joint Base McGuire-Dix-Lakehurst

Building 34056 Broidy Road
JBMDL, NJ 08641

Mt. Laurel

Larchmont Commons
3113 Route 38, Suite 24
Mt. Laurel, NJ 08054

EUROPEAN BRANCH LOCATIONS

Germany

Wiesbaden (Headquarters)

Lucius D. Clay Kaserne, GEB 1021
65205 Erbenheim, Wiesbaden, Germany

Hainerberg

Community Bank Hainerberg PX
Washington Strasse, BLDG 7850
65189 Wiesbaden, Germany

Belgium

Chièvres

Grand Rue 56, Bati 20201
7950 Chièvres, Belgium

Brussels

Leuvensesteenweg 13
1932 Zaventem, Belgium

Netherlands

Schinnen

Borgerweg 10
6365 CW Schinnen,
The Netherlands