DRIVEN TO DISCOVER
NRL Federal Credit Union celebrated a year of self-discovery in 2017. We closely examined where we have been, where we are, and where we are heading. Our members contributed to this process and helped shape our short and long-term vision for the credit union. We are proud to be informed by history, inspired by possibility, and driven to discover!

We are pleased to have provided record-breaking support to our local and national non-profit partners, offered new products and services, increased security, provided financial education tools and resources, and much more!

Membership grew by 1,002 members in 2017, a 4.56% increase, bringing our total membership at the end of 2017 to 22,995. We continue to see new members join from the communities and Specialized Employee Groups (SEGs) we serve. We provided $79.8M in support of our members lending needs in 2017, which contributed to an overall loan growth of 3.80%.

Remaining a financially safe and sound institution is a priority for your Board of Directors and Management. We continue to maintain a very strong financial position with excellent capital significantly above regulatory requirements, ending the year at 10.64%. Capital serves as our financial base that allows us to invest in future products and services and support the financial institution during times of uncertainty.

As cyber security remains a concern for all industries, NRL Federal Credit Union continues to enhance our infrastructure. In 2017, we contracted with a Chief Information Security Officer (CISO) to support our security diligence efforts and ensure your personal information is protected. We continue to
develop and progress in this ever-changing aspect of our industry. In addition, we hired a Director of Risk and Compliance to assist us in navigating the complex regulatory environment.

NRL Federal Credit Union continues to be recognized by our independent auditors and regulators as a sound and well-run credit union. We will continue to focus on safety to ensure that your hard-earned money is safe with NRL Federal Credit Union.

NRL Federal Credit Union is proud to support the communities in which we operate and those causes that are important to our members. In 2017, we conducted a “Good Way to Pay” debit card swipe campaign where a portion of the income we received from each card swipe was donated to a worthy cause. In June 2017, we donated more than $17,000 to the Children’s Miracle Day. The funds ultimately support Children’s Miracle Network Hospitals (CMNHs) under the umbrella of the national Credit Unions for Kids campaign. Since 1996, Credit Unions for Kids has raised $160 million for CMNHs, $12 million in 2016 alone, making it the third largest corporate donor to CMNHs.

In October 2017, we donated $10,000 to the Naval Research Laboratory sponsored Robotics Team, and in January 2018, we donated $10,000 to the Capital Area Food Bank. An important component of our core values is discovering new ways to help our members and the communities we serve.

We had fun celebrating you, our members, at our membership appreciation days in our Alexandria, Waldorf and Naval Research Laboratory (Lab) branches. At the Lab, we participated in Science and Engineering Apprentice Programs (SEAP) programs, the NRL Academy, the annual Captain’s Christmas Party, New Employee Orientations, and Financial Checkup Days.
Improving your member experience is a continued major focus for the Board of Directors and Management. In 2017, the Communications Center answered 65,532 calls while decreasing average wait times by a full minute from 2016. We upgraded our phone system and call tree, and improved Communications Center staff training.

To better serve the needs of all members, in February of 2018, we expanded our hours for the Communications Center and eCommerce departments to include Saturdays. In addition, we expanded the regular hours for the Waldorf branch during the workweek and on Saturdays and added additional staff to support your needs.

2017 saw a change in access availability to our branch at the Naval Research Laboratory. Although we cannot control the security requirements for the Naval Research Laboratory, we will always provide you with many options to conduct your business at one of our other branch locations or electronically via online banking and mobile banking, including remote check deposits.
2017 CHERRY BLOSSOM RUN

NRL Federal Credit Union presents top-level donation to Credit Union Miracle Day

CPR/AED CERTIFICATION

Our entire organization is proud to be CPR/AED trained and certified
We increased our social media presence, marketing campaigns and enhanced our logo and brand promise.

In 2017, we expanded our product offerings in the Payments area to include Apple Pay, Google Wallet and automated fraud alerts. We also enhanced our new account opening software, online banking and bill pay systems, consumer lending systems and our website.

We launched an ongoing survey system in February 2018 because we are always interested in your voice. We pay attention to each response and follow-up whenever there is an opportunity for us to use your feedback to improve overall member experience.

As we work towards 2020 to achieve the goals within our strategic plan, we will continue to strengthen and secure our infrastructure, improve your member experiences and offer the products and services you want and need.

Your volunteer Board of Directors, Supervisory Committee and the staff of the NRL Federal Credit Union thank you for your continued support. We look forward to serving your financial needs in the future and providing you with exceptional member experiences, products and services.

Informed by history. Inspired by possibility. Driven to discover.

Walter Jackson
Chairman

Linda Powell
President/CEO
INFORMED BY HISTORY.
INSPIRED BY POSSIBLITY.
The Supervisory Committee consists of three to five volunteers appointed by the Board of Directors. The committee is responsible for the safety and soundness of the Credit Union by ensuring compliance with the Credit Union Act, the Credit Union bylaws and policies, and the regulations of the National Credit Union Administration.

Our independent audit firm, Doeren Mayhew CPAs and Advisors, has examined the financial condition of NRLFCU as of June 30, 2017 in accordance with generally-accepted auditing standards. Results of their findings have been presented to the Supervisory Committee and the Board of Directors. Their report indicates that the Credit Union is operating within the bounds of sound financial practices.

In order to effectively serve as your representative, we must be kept aware of your concerns. You can do this formally by writing the Supervisory Committee, 5440 Cherokee Avenue, Suite 201, Alexandria, VA 22312, or informally by contacting any member of the committee. The Supervisory Committee maintains a confidential relationship with all concerned members.

**Supervisory Committee**

**Mary Ann Carpenter**  
Chairperson

**Tom Gallagher**  
Secretary

**Richard Barb**  
Member

**Jane Schaub**  
Member

**Carol Sullivan**  
Member
<table>
<thead>
<tr>
<th>Name</th>
<th>Position</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walter Jackson</td>
<td>Chairman of the Board</td>
</tr>
<tr>
<td>Rich Bevilacqua</td>
<td>Vice-Chairman</td>
</tr>
<tr>
<td>Suleyman Guleyupoglu</td>
<td>Secretary</td>
</tr>
<tr>
<td>Douglas Todoroff</td>
<td>Treasurer</td>
</tr>
<tr>
<td>Joseph Bucaro</td>
<td>Director</td>
</tr>
<tr>
<td>Thomas Swean</td>
<td>Director</td>
</tr>
<tr>
<td>Daryl Harris</td>
<td>Director</td>
</tr>
<tr>
<td>Frank Herr</td>
<td>Director</td>
</tr>
<tr>
<td>Banahalli Ratna</td>
<td>Director</td>
</tr>
<tr>
<td>Angelina Callahan</td>
<td>Associate Director</td>
</tr>
<tr>
<td>Name</td>
<td>Title</td>
</tr>
<tr>
<td>--------------------</td>
<td>-----------------------------------</td>
</tr>
<tr>
<td>Linda Powell</td>
<td>President/CEO</td>
</tr>
<tr>
<td>Kristin Shultz</td>
<td>Executive Vice President</td>
</tr>
<tr>
<td>Cindy Morgan</td>
<td>Chief Financial Officer</td>
</tr>
<tr>
<td>Kate Brennan</td>
<td>Director of Operations</td>
</tr>
<tr>
<td>Aaron Hibbard</td>
<td>Director of Risk &amp; Compliance</td>
</tr>
<tr>
<td>Denine Messersmith</td>
<td>Vice President of Lending</td>
</tr>
<tr>
<td>Jesse Bell</td>
<td>Director of Member Branches</td>
</tr>
<tr>
<td>John Lagasse</td>
<td>Director of Technology</td>
</tr>
</tbody>
</table>
## Balance Sheet

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Consumer Loans</td>
<td>100,571,445</td>
<td>92,855,056</td>
</tr>
<tr>
<td>Real Estate Loans</td>
<td>168,014,935</td>
<td>165,900,514</td>
</tr>
<tr>
<td>Allowance for Loan Losses</td>
<td>(1,671,001)</td>
<td>(1,337,177)</td>
</tr>
<tr>
<td>Total Net Loans</td>
<td>266,915,379</td>
<td>257,418,393</td>
</tr>
<tr>
<td>Loans Held for Sale</td>
<td>1,255,550</td>
<td>0</td>
</tr>
<tr>
<td>Cash</td>
<td>3,176,268</td>
<td>2,348,245</td>
</tr>
<tr>
<td>Investments</td>
<td>163,737,835</td>
<td>177,605,964</td>
</tr>
<tr>
<td>Other Assets</td>
<td>28,595,866</td>
<td>26,593,446</td>
</tr>
<tr>
<td><strong>Total Assets</strong></td>
<td><strong>463,680,898</strong></td>
<td><strong>463,966,048</strong></td>
</tr>
<tr>
<td>LIABILITIES</td>
<td>2017</td>
<td>2016</td>
</tr>
<tr>
<td>-----------------------------------</td>
<td>-----------------</td>
<td>-----------------</td>
</tr>
<tr>
<td>Checking</td>
<td>81,666,289</td>
<td>77,312,955</td>
</tr>
<tr>
<td>Share Savings</td>
<td>95,765,220</td>
<td>94,225,826</td>
</tr>
<tr>
<td>Money Market</td>
<td>163,554,127</td>
<td>168,094,320</td>
</tr>
<tr>
<td>Share Certificates</td>
<td>46,493,637</td>
<td>47,748,255</td>
</tr>
<tr>
<td>IRA Shares &amp; Certificates</td>
<td>23,698,687</td>
<td>25,540,367</td>
</tr>
<tr>
<td>Total Member Deposits</td>
<td>411,177,959</td>
<td>412,921,722</td>
</tr>
<tr>
<td>Borrowings</td>
<td>0</td>
<td>600</td>
</tr>
<tr>
<td>Other Liabilities</td>
<td>4,310,987</td>
<td>4,356,667</td>
</tr>
<tr>
<td><strong>Total Liabilities</strong></td>
<td><strong>415,488,946</strong></td>
<td><strong>417,278,389</strong></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>MEMBER EQUITY</th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Regular Reserve</td>
<td>9,356,171</td>
<td>9,356,171</td>
</tr>
<tr>
<td>Undivided Earnings</td>
<td>39,974,837</td>
<td>38,152,846</td>
</tr>
<tr>
<td>Unrealized Gains (Losses)</td>
<td>(1,139,055)</td>
<td>(821,357)</td>
</tr>
<tr>
<td><strong>Total Equity</strong></td>
<td><strong>48,191,952</strong></td>
<td><strong>46,687,659</strong></td>
</tr>
</tbody>
</table>

| Total Liabilities & Equity        | 463,680,898     | 463,966,048     |
## Income Statement

### NET INTEREST MARGIN

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Interest Income</td>
<td>11,553,340</td>
<td>10,939,753</td>
</tr>
<tr>
<td>Investment Interest Income</td>
<td>2,791,323</td>
<td>2,435,527</td>
</tr>
<tr>
<td>Dividend Expense</td>
<td>(1,306,123)</td>
<td>(1,551,335)</td>
</tr>
<tr>
<td>Interest Paid on Borrowed Money</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Net Interest Margin</td>
<td>13,038,541</td>
<td>11,823,946</td>
</tr>
<tr>
<td>Provision for Loan Losses (PLL)</td>
<td>(1,397,659)</td>
<td>(817,601)</td>
</tr>
<tr>
<td><strong>Net Interest Margin after PLL</strong></td>
<td><strong>11,640,882</strong></td>
<td><strong>11,006,345</strong></td>
</tr>
</tbody>
</table>

### OPERATING EXPENSES

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Salaries &amp; Benefits</td>
<td>(6,165,603)</td>
<td>(5,809,652)</td>
</tr>
<tr>
<td>Office Occupancy</td>
<td>(816,822)</td>
<td>(755,554)</td>
</tr>
<tr>
<td>Other Operating Expenses</td>
<td>(6,391,911)</td>
<td>(6,570,260)</td>
</tr>
<tr>
<td><strong>Total Operating Expenses</strong></td>
<td><strong>(13,374,336)</strong></td>
<td><strong>(13,135,466)</strong></td>
</tr>
</tbody>
</table>

### NON-INTEREST INCOME

<table>
<thead>
<tr>
<th></th>
<th>2017</th>
<th>2016</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fees</td>
<td>697,921</td>
<td>732,571</td>
</tr>
<tr>
<td>Other Operating Income</td>
<td>2,964,730</td>
<td>3,026,037</td>
</tr>
<tr>
<td>Non-Operating Income</td>
<td>(107,207)</td>
<td>198,417</td>
</tr>
<tr>
<td><strong>Total Non-Interest Income</strong></td>
<td><strong>3,555,444</strong></td>
<td><strong>3,957,025</strong></td>
</tr>
</tbody>
</table>

**Net Income**

<p>| | |</p>
<table>
<thead>
<tr>
<th></th>
<th></th>
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</thead>
<tbody>
<tr>
<td></td>
<td>2017</td>
</tr>
<tr>
<td></td>
<td>1,821,990</td>
</tr>
<tr>
<td></td>
<td>2016</td>
</tr>
<tr>
<td></td>
<td>1,827,904</td>
</tr>
</tbody>
</table>

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