

TREASURER'S REPORT

During 2018, LOC Federal Credit Union continued its commitment of providing superior products to our members while maintaining a strong financial position. LOC maintained a competitive edge by offering our members low-rate loans to help them improve their own financial positions. We are pleased to serve more than 25,000 members and their families.

Assets remained relatively flat at \$215 million due to an improved economy, rising interest rates and a highly competitive landscape.

Loans increased by nearly \$7 million over 2017. This growth can be attributed to our commitment towards helping our members save by providing low-rate loans for new purchases and refinancing for autos, boats and recreational vehicles, home equity loans and lines of credit, as well as business loan participations.

We issued 14,643 loans in 2018, representing nearly \$38 million, bringing our total loans outstanding to nearly \$117 million. I would like to extend appreciation to our members for your support and participation in LOC services. We look forward to continued growth and success.

SUPERVISORY COMMITTEE REPORT

It is the bylaw-mandated function of this committee to carry out a financial statement audit by a licensed firm. This was accomplished through the services of the experienced auditing firm of Plante Moran, PLLC as of September 30, 2018.

It is the unanimous opinion of this committee that the statements contained in the report fairly represent the condition of the credit union at this time, and further that it continues to be operated in a sound and professional manner.

THE OFFICIAL FAMILY

Board Of Directors

Michael Lasley, Chairman
David Drake, Vice Chairman
Dale Countegan, Treasurer
Paul Hain, Secretary
Kurt David
Brian DeGrande
Dennis S. Green
Richard Lampi
Patrick Monti

Supervisory Committee

David Drake, Chairman
Jennifer Franklin
Mindy McGinn

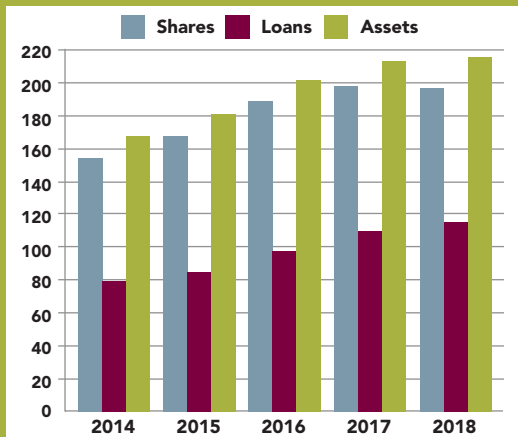
Management

Kari Ciaramitaro, Interim President/CEO
Marc Buchanan, Vice President –
Member Experience
Kim Hagstrom, Vice President – Finance
Sheryl Taylor, Vice President – Operations
Karla Walker, Vice President – Lending

LOC Federal Credit Union
Financially Fit TogetherSM

ANNUAL REPORT

FOR YEAR ENDING DECEMBER 31, 2018




Five-Year Comparison
In Millions

800.837.4562
locfederal.com

FARMINGTON | 22981 Farmington Road | Farmington, MI 48336

HOWELL | 3020 E. Grand River Avenue | Howell, MI 48843

HARTLAND | 10002 Highland Road | Hartland, MI 48353

 Federally Insured by NCUA

REPORT OF THE CHAIRMAN & PRESIDENT/CEO

LOC Federal Credit Union continued to thrive in 2018 and improve our financial position while undertaking new initiatives to support our long-standing commitment to member service and the communities we serve. In many ways, 2018 was one of our best years ever, and it is reflected in this message and the financial statement included in this report.

Of particular note, LOC Federal achieved record net income of nearly \$2.1 million in 2018. This represents a 300 percent increase since 2015. While as a credit union we are a not-for-profit financial service provider, improved earnings help strengthen our capital position and allow us to continue to reinvest in our organization to best serve our members. This is accomplished not only by increased member participation in LOC but also by improved return on assets and operational efficiency.

While assets remained relatively flat in 2018, growth over the last five years has exceeded 30 percent. On the loan front, members continued to tap into increasing home values as they took advantage of our two home equity programs. Home equity balances increased 15 percent over 2017, exceeding \$10 million. We extended nearly \$4.8 million in home equity lines in 2018.

Last year included many initiatives to improve member service and value such as:

- Saturday hours at our Farmington and Howell offices, which were met with an overwhelmingly positive response from members
- Elimination of our debit card annual fee and expanded fee-free access to CO-OP Network ATMs
- Online/mobile tool that allows members to make an appointment to see a member advisor at any LOC location
- New member-facing loan application offering enhanced online and mobile capabilities, including the ability to apply online for a home equity loan
- Ability to electronically sign documents remotely using DocuSign
- Continued Farmington renovation planning; construction is scheduled to start in March 2019
- Changes to our home equity program improving the time between application and closing

Members continued to adopt and use mobile banking as sessions reached nearly 1 million in 2018—an increase of 80 percent since 2016. Specifically, the use of the mobile deposit feature saw over 30,000 items totaling \$12.3 million—increases of 83 percent and 93 percent respectively. These dramatic growth rates show that members continue to see value in the convenience of anytime, anywhere deposits using a mobile device.

One of our major points of pride in 2018 occurred when LOC was honored with a National Second Place Desjardins Youth Financial Literacy Award. This significant accomplishment recognizes our nearly 25-year commitment to financial partnerships in our school districts. LOC's award entry highlighted:

- Financial education initiatives impacting nearly 3,000 youth during the 2017-2018 school year
- Growth in our 21-branch student-run credit union program that saw a 36 percent increase in dollars saved, a 22 percent increase in transaction numbers and a 44 percent increase in new accounts compared to the previous year
- Eight Financial Reality Fairs over four school districts impacting 1,400 students

An example of our continued outreach took place on October 8 when approximately 500 Howell High School Seniors participated in a Financial Reality Fair hosted by LOC. This fair was the largest LOC has hosted since we began offering this experiential financial literacy program.

As we look into 2019, members can expect to see a fully-renovated Farmington branch offering more privacy, planning for our Howell renovation, and continued enhancements to our digital offerings to include online account opening and digital wallet options like Apple Pay and Google Pay.

On behalf of the entire board of directors and the management team, thank you for your continued support of LOC Federal Credit Union.

Best regards,

Michael Lasley
Board Chairman

Kari Ciaramitaro
Interim President/CEO

Financial Report as of December 31, 2018

Balance Sheet

Assets	2018	2017
Loans	\$116,797,375	\$109,790,525
Allowance	(394,758)	(290,734)
Cash	1,402,079	1,564,281
Investments	85,367,954	89,146,071
Other Assets	12,736,373	14,843,345
Total Assets	\$215,909,023	\$215,053,488
Liabilities & Equity		
Member Shares	\$141,934,912	\$142,288,809
Share Drafts	43,348,149	43,305,996
IRAs	4,216,209	4,539,517
Certificates	7,229,708	7,731,483
Other Liabilities	4,520,734	4,309,884
Reserves	1,920,789	1,920,789
Undivided Earnings	16,537,827	14,461,512
Other Comprehensive Income	(3,799,305)	(3,504,502)
Total Liabilities & Equity	\$215,909,023	\$215,053,488

Statement of Income and Expenses

Income	2018	2017
Interest on Loans	\$4,621,395	\$4,264,243
Income From Investments	1,524,094	1,122,685
Other Income	3,283,001	3,099,339
Total Income	\$9,428,490	\$8,486,267

Expenses	2018	2017
Employee Compensation & Benefits	\$3,755,857	\$3,599,843
Cost of Space	421,721	423,002
Office Operations	675,655	649,802
Professional & Outside Services	1,337,188	1,223,304
Marketing	201,247	184,630
Other Expenses	720,892	524,652
Total Expenses	\$7,112,560	\$6,605,233
Non-Operating Income (Loss)	\$2,843	\$40,872
Net Earnings Before Dividends	\$2,318,773	\$1,921,906

Distribution of Earnings	2018	2017
Reserves	\$0	\$0
Dividends	\$242,457	\$158,466
Undivided Surplus	\$2,076,316	\$1,763,440

Statistical	2018	2017
Number of Accounts	25,014	25,190
Number of Loans Made	14,643	16,056
Amount Loaned	\$37,815,161	\$40,378,527
Delinquent Loans	\$559,185	\$519,932
Increase (Decrease) in Assets	\$855,535	\$13,444,478
Increase (Decrease) in Loans	\$7,006,850	\$12,628,335