

2011
Annual Report



SPIRIT OF
SEVENTY-SIX

Celebrating 76 years of service



SPIRIT OF
SEVENTY-SIX

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Resolve. Integrity. Independence.

Many things change over time. However, the principles, attitudes and beliefs that make us uniquely American are not among them. And just as the very spirit of who we are as Americans has endured for nearly two and a half centuries, so too has the spirit upon which Langley Federal Credit Union was founded.

76 years ago, this Credit Union was created to provide consumers with a better choice. We were not built to profit from customers, but to provide great value to members. We were and are an organization of the people, by the people, and for the people.

Today we stand tall, providing consumers with an alternative. We are a financial cooperative offering better rates, better service and lower fees. Put simply, we exist to improve the financial well-being of our members.

Every new year brings with it a new set of challenges and Langley stands ready to meet them, finding opportunity in adversity and strength in community. We will uphold our core values of loyalty, ethics, accountability, passion, and honesty—and we will always act in the best interest of members. This is what we've been doing for the past 76 years and our spirit will never waver.

Chairman and President's Report

On July 4, 1776, an appointed Committee of Five, led by Thomas Jefferson, presented the Declaration of Independence for adoption by the Continental Congress. Jefferson detailed the colonists' displeasure under British rule and summarized the want, will and hopes of the people. The document formally declared the thirteen American colonies to be free and independent states. This is the Spirit of '76 we celebrate during Langley Federal Credit Union's 76th Anniversary Year.

Since our country began nearly 240 years ago, Americans have chosen to act when facing adversity.

Although a consumer's choice of financial institution pales in comparison to choosing independence over tyranny, it is the independent American spirit that prevails in all of us today. Just as the Declaration of Independence expressed Americans' dissatisfaction back in 1776, the recent Bank Transfer Day conveyed discontent and frustration with for-profit financial institutions. According to a report by Javelin Research & Strategy, in the last three months of 2011 approximately 610,000 U.S. bank customers switched to a different financial institution to protest plans to impose new monthly charges on customers. Whether you joined Langley last year or 76 years ago, we are delighted you chose to be member-owners of this organization. It is our belief that a not-for-profit financial institution, a cooperative organized around the simple principle of people helping people, is the best foundation to provide better rates, better service, and lower fees. And after 76 years of service, we're proud to say we're still one of the largest and friendliest credit unions in the country.

In 2011, despite challenging economic circumstances, LFCU managed to sustain good share and asset growth. We also had an exceptional year with our general investment portfolio. Langley FCU's membership ended the year with 167,217 members. After giving inactive members with only a low balance share account the opportunity to increase their relationship, many accounts were closed. Closing dormant accounts was just one example of Management improving efficiency to help LFCU improve net income.

LFCU's loan portfolio decreased by 3.5% in 2011; however, loan quality has improved tremendously over the past year. We will continue to monitor overall credit quality while doing everything we can to serve our members' individual needs. The bottom

line for the year was \$6,450,994, which translates into a .40% Return on Assets (ROA). Plus, LFCU recorded an impressive net worth of \$209 million or 12.8% at the end of the year. LFCU ended the year with \$1,651,532,808 in assets.

During 2011, a number of enhancements were made to our Information Technology infrastructure that will improve services and meet the future needs of our membership. Our ATMs were renovated to comply with ADA (Americans with Disabilities Act) standards, and the first intelligent deposit ATM was installed at the Denbigh Branch location. Six more Express Deposit ATMs will be coming to various locations during 2012. These ATMs are very user-friendly and do not require an envelope for deposits.

To celebrate LFCU's 75th Anniversary, a 2011 Honda CR-Z hybrid donated by Casey Honda was awarded to one lucky member who was randomly picked from over 13,400 entries. The car giveaway was open to any LFCU member enrolled in Smart Checking and eStatements. The successful campaign not only made one member and his family very happy—it also increased membership, eStatement enrollment, and the number of checking accounts at LFCU.

As technology expands, LFCU will explore new services and opportunities to communicate our message to members. This past year, LFCU launched a new mobile banking site design that vastly improved the end-user experience through ease of use and improved navigation. We're looking forward to launching many new technology developments in the near future. LFCU also continued its commitment to improving financial literacy in the community by providing dozens of financial presentations, including sessions tailored to young airmen at Langley Air Force Base, monthly seminars for the public, and classroom presentations at local schools. We gave 40 grants to educators across Hampton Roads to allow them to effectively teach lessons of financial literacy to their students.

Your Credit Union continued its tradition of supporting a variety of charitable causes within the community. In addition to collecting school supplies and coats for Hampton Roads children, marching for premature babies through the March of Dimes, and supporting various nonprofits like the USO and Relay for Life, Langley also chose to support a project involving an issue that greatly impacts not only the local community but the nation—texting while driving. The National Safety Council has stated that around 28% of car crashes or 1.6 million accidents per year happen because of drivers texting while at the wheel. As a result, we've been working with our partner, WAVY-TV 10, to communicate this important message with the goal of changing behavior and hopefully saving many families from experiencing the grief of losing a loved one to this dangerous habit.

Once again, LFCU has received superior ratings from the National Credit Union Administration (NCUA), Bauer Financial, and C. Myers Corporation in 2011. IDC Financial Publishing, Inc. rated LFCU as "Excellent," meaning we have very strong

capital ratios and exceptional asset quality. We are considered one of the strongest financial performers among credit unions nationwide. In addition, LFCU recorded solid earnings throughout the year. Fully audited financials by our external accounting firm CliftonLarsonAllen, LLP, are expected to be posted in all branches and on the LFCU website by the end of April 2012.

Over the past 76 years, we have managed this Credit Union with integrity, protecting its safety and soundness, and fostering the confidence of our members. As 2012 unfolds, we have many challenges and changes ahead, but we remain committed to providing members with a safe and sound financial institution. That same can-do spirit that inspired the Founding Fathers of our country to provide a better option for the people they served exists today among LFCU's Staff and Board as we work to provide a better financial option for those we serve. As always, we thank you so much for being members and owners of Langley Federal Credit Union.



A stylized, handwritten signature in black ink, consisting of several loops and flourishes.

*Richard A. Biege, Chairman
Board of Directors*



A handwritten signature in black ink that reads "Jean M. Yokum" in a cursive script.

*Jean M. Yokum
President/CEO*

Supervisory Committee Report

Supervisory Committee members are appointed by the Langley Federal Credit Union (LFCU) Board of Directors. The Supervisory Committee's tasks include ensuring the security of your Credit Union, protecting your assets, and maintaining compliance with the many governing directives established by the National Credit Union Administration (NCUA). The LFCU Board of Directors and Management maintain a system of internal controls designed to provide reasonable assurance that assets are safeguarded against loss or unauthorized use. Management reviews daily operations to ensure all transactions are recorded properly and in a timely manner in the accounting system and also maintains the intricate computer system which provides state-of-the-art services related to money management.

Under the direction of the Supervisory Committee, the accounting firm of CliftonLarsonAllen, LLP, performed an audit of the 2011 LFCU accounting records in accordance with auditing standards generally accepted in the United States of America. As added insurance that your assets are safeguarded, the National Credit Union Administration conducted its annual examination and provided a report reflecting outstanding leadership and performance. Based on issued reports, as well as other examinations, Langley Federal Credit Union continues to provide a financially sound and operationally effective credit union.

LFCU recognizes its responsibility to conduct business in accordance with high ethical standards. This responsibility is reflected in a comprehensive code of business conduct that, among other things, addresses potentially conflicting outside interests of employees and Board members and provides guidance as to the proper conduct of activities. Ongoing communications and review programs are designed to help ensure compliance with this code. The Supervisory Committee has established a hotline and post office box which allow staff and member-owners to anonymously report suspected irregular activities or unauthorized transactions which could lead to fraud. There were no reports in 2011 which required Supervisory Committee actions.

In accordance with the Bank Secrecy Act (BSA), the LFCU Board of Directors directed the AVP of Risk Management to review and investigate suspicious transactions or activities. These actions enhance the safety and soundness of LFCU. The current economic environment dictates that we remain vigilant regarding the potential for theft by criminals. The AVP of Risk Management works with representatives from various law enforcement agencies to ensure we employ effective measures to prevent theft and constantly reviews procedures and investigates thefts and irregularities, as well as assisting law enforcement representatives with inspection of all LFCU branches.

The Supervisory Committee and Chief Executive Officer provide oversight to an Internal Audit Department, which constantly reviews the implementation of policies established by law and the Board of Directors. The past year (2011) presented a continuing economic challenge regarding loans, asset growth, and net worth. LFCU's financial condition remains healthy and it continues to grow in membership, shares and net worth. Again, we commend the LFCU Board of Directors and the diligent staff for a job well done.

It has been our pleasure to serve fellow member-owners of Langley Federal Credit Union.



John H. Crumpler

*John H. Crumpler
Supervisory Committee Chairman*

Langley Financial Services, LLC Report

Langley Financial Services, LLC, (LFS) a wholly owned subsidiary of LFCU, contributed to the success of LFCU both financially and in services provided. For the second consecutive year, LFS paid a healthy dividend to LFCU in the amount of \$140,506. Based on financial performance to date in 2012, we expect to continue this positive trend of substantially contributing to LFCU's bottom line.

LFS, LLC administers many programs for LFCU members such as vehicle service agreements, GAP protection for vehicle loans, identity theft protection and a discount dental program. Our main sources of revenue are derived from the LFS Tax Service, Langley Financial Insurance Agency and Langley Investment Services*. Each of these three components had a record year in 2011.

While the Tax Service produced record performance, the rate of growth experienced in 2011 decreased from prior years. Our organization has been very selective in the hiring of tax preparers, which has impacted our ability to maintain growth rates. LFS takes pride in its experienced staff and has been unwilling to sacrifice the level of service provided to tax clients in order to generate income through volume. This is the strategy of many of our competitors who train incoming staff prior to the tax season. Our preference is to focus on quality service rather than hire inexperienced workers to push more people through the door. Fortunately, in late 2011, LFS was able to add an additional experienced Enrolled Agent to bolster staff for the 2012 tax season, which should enable growth to resume while ensuring our clients receive high-quality service.

Langley Financial Insurance Agency (LFIA) continues to be recognized as one of the fastest-growing agencies in the area. While most of the business continues to be centered on LFCU members' personal insurance needs, it expanded services in

2011 to allow commercial insurance service as well. Through partnerships with a third-party insurance broker, LFIA now has access to many major commercial insurance providers. Plus, LFIA can now address all of the property and casualty insurance needs of members.

As mentioned in last year's report, the Investment Program was undergoing some major changes as we entered 2011, having just converted to the new broker dealer, PrimeVest Financial Services*. Despite the massive undertaking in completing a conversion of this magnitude, our investment team still achieved record numbers in 2011. The change to PrimeVest provided better technology tools to the investment staff and improved LFCU members' ability to review their portfolios. As a result of this implementation, LFS has experienced a significant increase in the sales for mutual funds, annuities, and other insurance products.

Langley Financial Services continues to support the Credit Union's vision of "Serving Members for a Lifetime" by fulfilling members' needs throughout each stage of life. I'd like to invite you to try our services in 2012. We deliver excellent products and service, and keeping business within the LFCU family positively impacts your Credit Union. We look forward to serving you.



A handwritten signature in black ink that reads "Victor J. Puliafico". The signature is fluid and cursive, written over a white background.

Victor J. Puliafico
President

4822 George Washington Memorial Highway,
Suite 202, Yorktown, Virginia 23692-2768

* PrimeVest Financial Services Inc. is a registered broker-dealer, member FINRA/SIPC. PrimeVest is not affiliated with Langley Federal Credit Union or its related companies. Securities and insurance products offered by PrimeVest: Not NCUSIF insured. May go down in value. Not financial institution guaranteed. Not a deposit. Not insured by any federal government agency.

Minutes of the 75th Annual Meeting—April 19, 2011

Langley Federal Credit Union's (LFCU's) 75th Annual Meeting was held on April 19, 2011, at the Hampton Roads Convention Center. A short video played and the United States Air Force Heritage of America Band performed a patriotic medley prior to the greetings and introduction. At 6:31 p.m. Brett Noll, Senior Vice President of Marketing, introduced the emcee for the meeting, Kerri Furey, WAVY-TV 10 news anchor. Ms. Furey welcomed members and guests to the very special 75th Annual Meeting of LFCU. Ms. Furey congratulated LFCU for the 75 wonderful years of service to members, commitment to the community and support of military.

The Langley Air Force Base Honor Guard presented the colors, followed by the playing of the National Anthem by the United States Air Force Heritage of America Band. Following the National Anthem, Girl Scout Troop 1082 from Yorktown, Virginia, led the Pledge of Allegiance. Chaplain Bill Burrell from Langley Air Force Base provided the invocation. The Honor Guard retired the colors. Members and guests enjoyed a buffet dinner.

Emcee Furey resumed the meeting and introduced Mr. Richard "Rich" Biege, Chairman of the Board. On behalf of the Board of Directors and staff, Mr. Biege thanked everyone for attending and celebrating this milestone. Mr. Biege called attention to the "Certificate of Ownership" given to all attendees. He stated that as members of our not-for-profit financial cooperative, each person can be proud to say they own one of the largest and strongest credit unions in the country. Mr. Biege mentioned that in 2010, the Board and Management continued to look for opportunities to expand products, services and facilities to better serve members. To improve convenience and increase LFCU's presence on the Southside, the Wards Corner Branch in Norfolk was opened, VISA Gift Cards were introduced, and online services were enhanced with the addition of "L@ngley Live" online chat. The Credit Union also continued to support a variety of charitable causes within the community. LFCU partnered with Fox 43 and Habitat for Humanity to help build its third Habitat home. Through the generosity of members, staff, and community, LFCU raised enough money to send four busloads of World War II veterans to Washington, D.C., to see the WWII Memorial built in their honor. Mr. Biege reiterated that the past 75 years have been an incredible journey for LFCU, which has come a long way in its mission to help people. Whatever the future has in store, he said members can rest assured knowing that LFCU will continue to meet their needs, and he promised LFCU will never forget its heritage. Chairman Biege congratulated the members for allowing Langley Federal Credit Union the distinct privilege of serving them for 75 wonderful years.

Chairman Biege recognized and thanked the following individuals who donate their time and knowledge to LFCU:

- LFCU Board/Committee Members
- Past Board/Committee Members

Mr. Biege requested a moment of silence to remember a longtime Board Member and friend, James L. "Jack" Frost, who passed away on December 11th. Mr. Frost was an LFCU member since 1962 and joined the LFCU Board of Directors in 1980. He held numerous positions on the Board and various committees during his tenure. Most recently, he served as Director Emeritus. In 2009, Mr. Frost was inducted into the Defense Credit Union Council Hall of Honor. The Hall of Honor recognizes individuals whose contributions to the credit union movement add value to the defense credit union community.

Chairman Biege recognized and thanked the following special guests in attendance for their hard work:

- The accounting firm of Clifton Gunderson, LLP
- Legal representatives Mr. Raymond Suttle, Sr., and Mr. Raymond Suttle, Jr., with the law firm of Jones, Blechman, Woltz & Kelly
- John Broda, Executive Vice President, and David Weber, President & CEO of the Armed Forces Financial Network
- Roland "Arty" Arteaga, President & CEO of the Defense Credit Union Council
- Richard "Rick" Pillow, President of the Virginia Credit Union League
- Sam Schwartz, Representative for Senator Mark Warner
- Charles Stanton, Representative for Senator Jim Webb
- Senator John Miller

In addition, he thanked all the hard-working, dedicated staff of LFCU. It is their commitment to providing world-class service to members that makes LFCU the best financial institution in Hampton Roads. In Mr. Biege's closing remarks, he thanked the members for choosing Langley Federal Credit Union.

Ms. Furey thanked Chairman Biege and introduced President/CEO Jean Yokum. Ms. Furey provided some financial statistics from the beginning of Mrs. Yokum's employment as a teller in 1953 to the present. She noted that Mrs. Yokum's career and

community service have been honored with a host of awards, including her recent induction into the Credit Union Executive Society's Hall of Fame. Mrs. Yokum remarked that this was a very special occasion and she felt fortunate to be a part of 57 of the 75 years LFCU has served members. Her comments reflected on the milestones of LFCU's 75-year history and that one of LFCU's greatest accomplishments has been its dedication to educating the community on financial matters. In 2010, the Credit Union furthered its commitment to improve financial literacy in our community. LFCU was presented with the 2009-2010 Visionary Award from the Virginia Credit Union League for its dedication to financial education. Mrs. Yokum provided an overview of the financial presentations that LFCU provides, including sessions for young airmen at Langley Air Force Base, monthly seminars for the public, and classroom presentations at local schools. This year, 20 more financial literacy grants were presented to local schools (now totaling 40 grants of \$250 each, which are used to educate children on financial topics).

Mrs. Yokum emphasized that the Constellation Club is a great tool for parents to use in teaching their children the importance of financial responsibility. She announced the following winners:

- Shooting Stars
- Little Dipper
- Virginia Air & Space Center Summer Science Camp Scholarships

Jonathan Underwood was awarded a scholarship to the elite NASA Space Camp in Huntsville, Alabama. The following individuals were awarded a \$5,000 Galaxy Graduate college scholarship:

- Maruchi Kim
- Ke Cheng
- Lauren Elizabeth Bowen
- Brian Xu

Mrs. Yokum introduced a special guest, Roland "Arty" Arteaga, President/CEO of the Defense Credit Union Council. Mr. Arteaga represents the interests of credit unions operating on military bases worldwide and serves as their primary liaison to the Pentagon. Mr. Arteaga provided a few brief comments regarding the accomplishments of Langley Federal Credit Union.

Emcee Furey thanked Mr. Arteaga for sharing the evening with LFCU and introduced the entertainment "4 Troops." This band was created when four former soldiers joined forces to honor American veterans and support service personnel through song. Ms. Furey again welcomed LFCU's President/CEO. Mrs. Yokum

thanked Ms. Furey for the fantastic job as emcee for the 75th Annual Meeting. The audience provided a round of applause. Mrs. Yokum stated that in 2010 the focus was on providing quality service to our members. She thanked everyone for their continued loyalty and support of the Credit Union. Mrs. Yokum stated that the staff and Board truly appreciate the opportunity to serve members and our focus remains on service.

Ms. Furey announced the door prize winners. The general meeting concluded at 9:03 p.m.

Business Meeting

Quorum Call: Chairman Biege called the Business Meeting to order at 9:20 p.m. Mr. George Hayes, Secretary of the Board, determined that a quorum was present.

Agenda: A motion to adopt the Agenda was presented, seconded and approved.

Minutes: A motion was made, seconded and passed to dispense reading of the 2010 Annual Meeting minutes. The minutes were included with the handout of the printed Agenda.

Reports: The Chairman stated that the detailed reports of the Chairman, President, Treasurer and Supervisory Committee were included in the Annual Report.

Unfinished Business: The Chairman asked if there was any Unfinished Business. There was none and the meeting proceeded to New Business.

New Business: The Chairman introduced Peter Morley, Chairman of the Nominating Committee. Mr. Morley provided the Nominating Committee Report. He informed the members that the Nominating Committee selected the following nominees to fill the three vacancies on the Board of Directors:

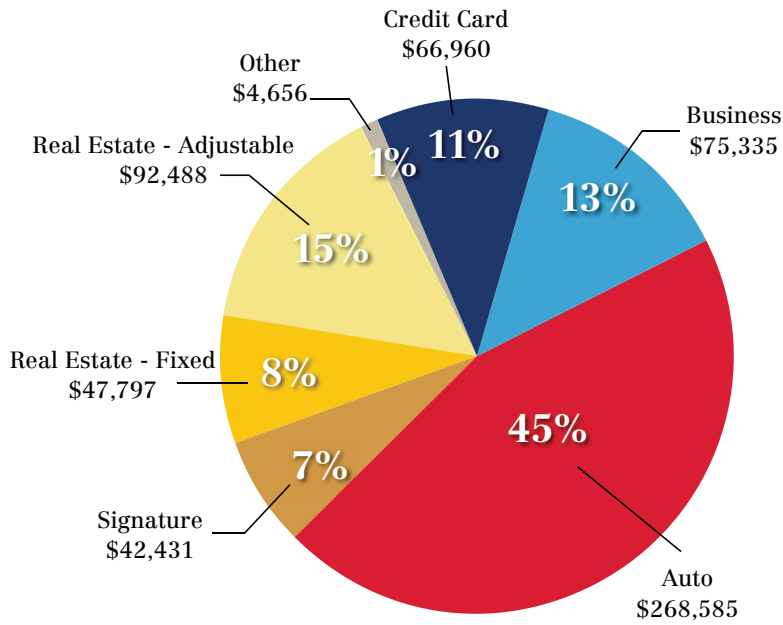
- Richard A. Biege, William E. Griffith, Jr. and George R. Hayes

There were no nominations received by petition. A motion was made, seconded and approved that the three individuals be elected by acclamation. Chairman Biege thanked Mr. Morley and the Nominating Committee Members and congratulated the newly elected Board Members.

There being no further New Business, the Chairman declared the Business Meeting adjourned at 9:25 p.m.

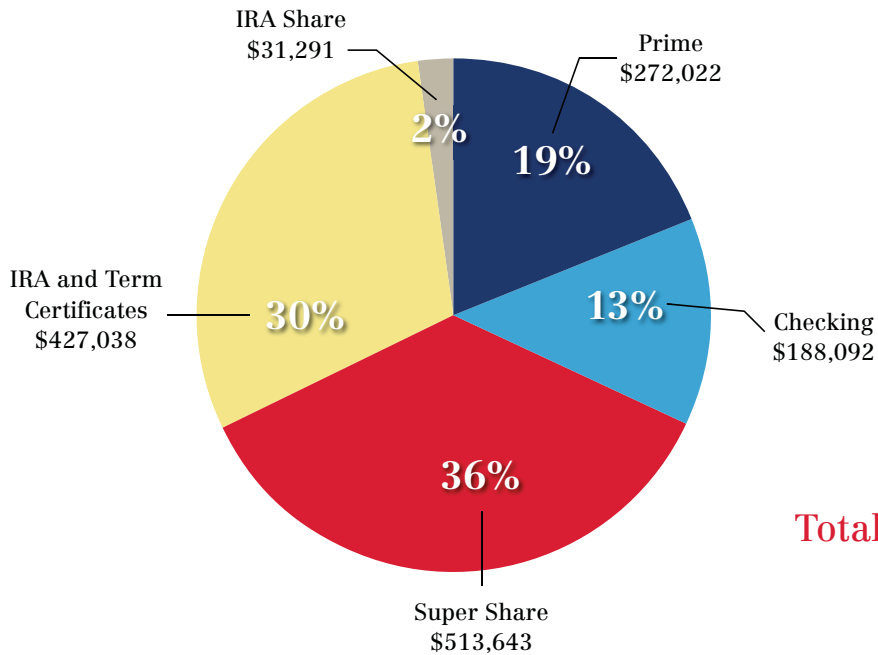
Financial Information

Total Loans Outstanding (In Thousands)



Total \$598,252

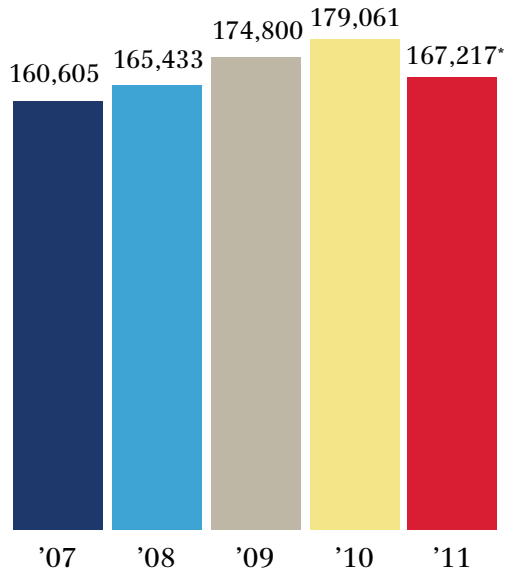
Total Shares (In Thousands)



Total \$1,432,086

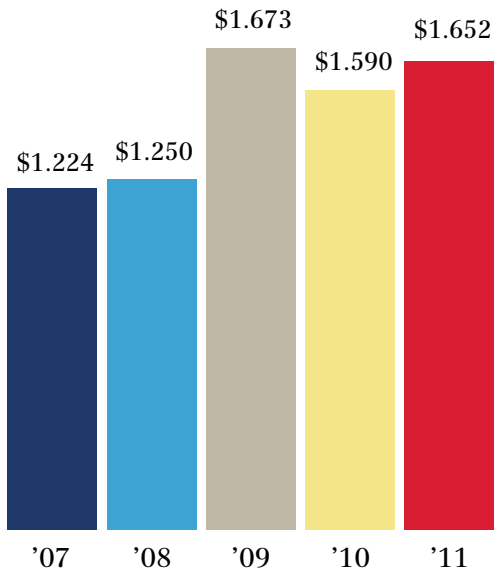
Financial Information

Total Members

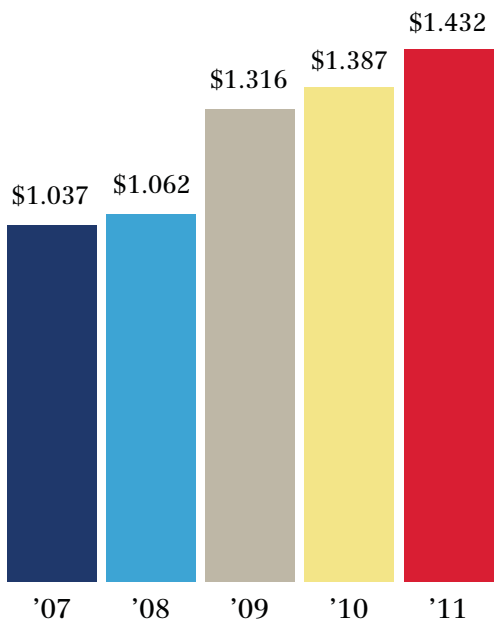


*Closed inactive accounts

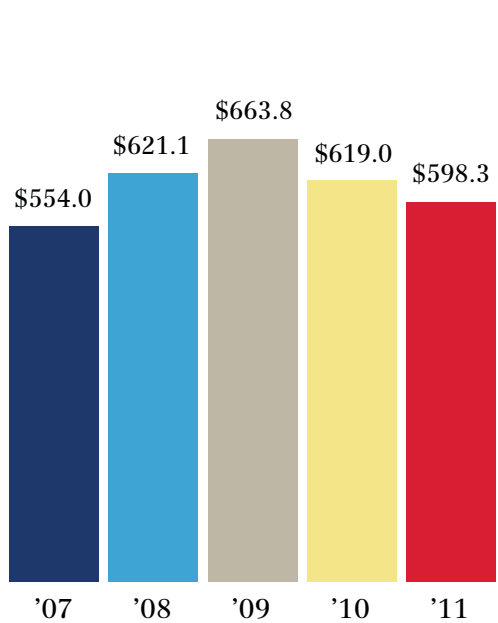
Total Assets (Billions)



Total Shares (Billions)



Total Loans (Millions)



Excluding allowance for loan losses

Board of Directors



Richard A. Biege, Jr.
Chairman



William E. Griffith, Jr.
Vice-Chairman



George R. Hayes
Secretary



Joyce M. Wright
Assistant Secretary



Bruce R. Hoogstraten
Director



Peter A. Morley
(CMSgt. USAF-Ret.)
Director



R. Lester Wingrove, Jr.
Director

Officials and Management

Board of Directors

Richard A. Biege
Chairman

William E. Griffith Jr.
Vice Chairman

George R. Hayes
Secretary

Joyce M. Wright
Assistant Secretary

Bruce R. Hoogstraten

Peter A. Morley (CMSgt. USAF-Ret.)

R. Lester Wingrove, Jr.

Supervisory Committee

John H. Crumpler
Chairman

Paul V. Koehly

James M. Michael, Jr.

James R. Motley

Air Force Liaison Officer

Lt. Col. Timothy Kodama, USAF

Coast Guard Liaison Officer

Commander August T. Martin, USCG

Senior Management

Jean M. Yokum
President/Chief Executive Officer

K. Dwayne Naylor
Executive Vice President

Barbara K. Elvington
Senior Vice President/Chief Operations Officer

Gregory D. Manweiler
Senior Vice President/Chief Financial Officer

Brett T. Noll
Senior Vice President/Chief Marketing Officer

Thomas K. Hornor
Vice President/Facilities Management

Ingo J. Huemer
Vice President/Risk Management

Marilyn L. Kuhn
Vice President/Human Resources

David M. Mariniak
Vice President/Real Estate Lending

Natasha Merz
Vice President/Business Services

Jerry L. Roley
Vice President/Chief Lending Officer

Debra I. Vollmer
Vice President/Operations

Frank C. Williams
Vice President/Chief Information Officer

Recognizing Retiring LFCU President & CEO Jean M Yokum

Jean Yokum's trailblazing journey from part-time teller to President/CEO will forever be etched in the history of Langley Federal Credit Union. Jean's storied career is remarkable both in terms of her accomplishments and the indelible impression made on fellow staff, Board Directors, the credit union movement, and the many people and organizations with whom she worked and volunteered. Her leadership has positively impacted the lives of many and allowed Langley FCU to become one of the strongest credit unions in the country.



Upon meeting Mrs. Yokum, you quickly come to realize that she is first and foremost "a people person"—someone who cares about the well-being of others. That caring demeanor, combined with her keen business sense, uncanny ability with numbers and energetic leadership style, allowed Jean to ascend to positions that, at the time, were seldom offered to women. Her innovative spirit, charisma, and commitment to the bedrock values of fairness, honesty, and hard work propelled her success within LFCU and allowed her to become a recognized leader in the credit union industry.

Ultimately, Jean's service on numerous boards throughout the Hampton Roads community and around the country, combined with her rise through the ranks to become CEO, became nothing short of legendary. She pioneered the way for others by serving as the first female board chairman of many organizations. Her long list of accomplishments include being named CEO of the Year by the National Association of Federal Credit Unions, an induction into the Credit Union Executives Society Hall of Fame, a lifetime achievement award from the Virginia Credit Union League, and being named Virginia Center for Inclusive Communities Humanitarian of the Year.

Jean's grounded leadership style constantly reinforced LFCU's pledge to provide great value and world-class service to our owners, the members of LFCU. That philosophy is the hallmark of Jean Yokum's tenure at LFCU—a commitment to build fair and lasting relationships with members, to vigorously support our military families and to be a strong corporate citizen. In an age of CEO excess, Jean stands out as a person of high

integrity, who managed enormous growth with a steady hand and never lost sight of the credit union members she has often said she is "privileged to serve."

Jean believes a person's life isn't measured by their financial status or title, but rather by the impact they've had on others. In her opinion, it's what you leave behind that counts. Today we stand united as members of one of the best financial institutions in the country, all of us benefiting from Jean's efforts and leadership. There is no doubt that many of those who had the opportunity to meet Jean or work by her side during her nearly 59-year career at Langley Federal Credit Union would say, "Mrs. Yokum, the privilege was ours."



“ *Over the past 76 years, we have managed this Credit Union with integrity, protecting its safety and soundness, and fostering the confidence of our members. As 2012 unfolds, we have many challenges and changes ahead, but we remain committed to providing members with a safe and sound financial institution. That same can-do spirit that inspired the Founding Fathers of our country to provide a better option for the people they served exists today among LFCU’s Staff and Board as we work to provide a better financial option for those we serve. As always, we thank you so much for being members and owners of Langley Federal Credit Union.* ”



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