Apple Financial Holdings, Inc.

2017 Dodd-Frank Act Stress Test Disclosure

October 2017

About Apple Financial Holdings, Inc.

Apple Financial Holdings, Inc. ("AFH" or "the Company") is a holding company whose primary business is the operation of its wholly owned subsidiary, Apple Bank for Savings (ABS). Apple Financial Holdings, Inc. had $12.9 billion in assets as of December 31, 2016. AFH's principal business is retail banking, attracting customer deposits from the general public through its network of 79 retail branches in the greater New York City metropolitan region, and investing those deposits, together with funds generated from operations primarily in commercial government guaranteed export import loans and other commercial loans, commercial mortgages, multifamily and residential mortgage loans and to a lesser extent consumer loans, as well as U.S. Government and federal agency securities, asset-backed and mortgage-backed securities, corporate bond and other securities.

2017 Dodd-Frank Act Stress Test Disclosure for Apple Financial Holdings, Inc.

Section 165(i)(2) of the Dodd-Frank Wall Street Reform and Consumer Protection Act (the "Dodd-Frank Act") and related regulations require bank and bank holding companies with total consolidated assets of more than $10 billion but less than $50 billion, including Apple Financial Holdings, Inc., and Apple Bank for Savings, to conduct annual stress tests each year. In the Dodd-Frank Act Stress Test ("DFAST") conducted and completed in July of this year, the Company was required to conduct stress tests using a set of macroeconomic scenarios (supervisory baseline, supervisory adverse, and supervisory severely adverse) developed by the Board of Governors of the Federal Reserve System ("Federal Reserve Board").

The Company is currently required to publish a summary of the DFAST results based on the Federal Reserve Board's severely adverse scenario within 16 days of October 15, 2017.

The results of the 2017 DFAST indicate that the Company will have the financial resources to successfully navigate a severe economic downturn and will maintain regulatory capital ratios that are considered well capitalized throughout the nine quarter projection period under the Federal Reserve's Supervisory Severely Adverse Scenario.

Assumptions:

This document provides internal projections for Apple Financial Holdings, Inc. ("AFH") and Apple Bank for Savings ("ABS") under the stressed macroeconomic and market conditions in the supervisory severely adverse scenario as prescribed by the Federal Reserve Board ("FRB") and the Federal Deposit Insurance Corporation ("FDIC ") at https://www.federalreserve.gov/newsevents/pressreleases/files/bcreg20170203a5.pdf

- The supervisory severely adverse scenario exhibits a deep recession in the U.S. and a significant decline in global economic activity characterized by the following key macroeconomic variables:

  - Maximum quarterly (annualized) rate of real gross domestic product ("GDP") decline of 7.5%
  - Peak unemployment rate of 10%
  - Maximum home price index ("HPI") decline of 25%
  - Maximum equity market decline of 49.7%
  - Minimum U.S. 3-month Treasury yield of 0.1%
  - Minimum U.S. 10-year Treasury yield of 0.8%

- Results presented herein include capital actions as specified under the Dodd-Frank Wall Street Reform and Consumer Protection Act ("DFA") stress testing rules. Specified capital actions are listed in the Summary of Results Capital Actions section of this document.

- Results comply with methodologies and instructions provided by the FRB and FDIC for the 2017 Dodd-Frank Act Stress Test.

- Results presented are estimates covering the period January 1, 2017 to March 31, 2019 and may not reflect the actual impacts to AFH and ABS if such a hypothetical scenario were to occur. Importantly, in certain instances, methodologies required by the FRB and FDIC differ from internal practices; therefore, results may not reflect actions that would likely happen under such stressed conditions.

- Capital, risk-weighted assets, and capital ratios are calculated under the Basel III Standardized approach. Values for Basel III are calculated in accordance with the transitional arrangements provided in the Basel III final rule.

- Income statement categories in this document conform to the FRB's and FDIC's definition of Pre-Provision Net Revenue ("PPNR") and classifications of revenue and expense items may differ from reporting under GAAP and public financial disclosures.

Minimum Well Capitalized Regulatory Capital Ratio Requirements:
The table below presents the current minimum well capitalized regulatory capital ratio requirements that apply to the company over the DFAST projection horizon:

Common Equity Tier 1	6.5%
Tier 1 Risk Based Capital	8.0%
Total Risk Based Capital	10.0%
Tier 1 Leverage	5.0%

Summary of Results:
The following tables summarize the results of our calculations under the FRB's severely adverse scenario over the nine quarter projection horizon.

Capital Actions:
These results incorporate the following capital action assumptions as prescribed by the FRB's DFAST rules:

- Actual capital actions for the first quarter of 2017 consisted of $1.864 million payment of dividends on preferred stock at AFH funded by comparable dividends from ABS. First quarter 2017 capital action preferred dividends are replicated in all future quarters.

Other than as described above, these results do not include any other capital actions.

2017 DFAST Results

Projected Capital Ratios, Pre-Provision Net Revenues ("PPNR"), Provision for Loan Losses, Net Income, and Aggregate Loan Losses by Loan Product are shown below.

Apple Financial Holdings, Inc.

Below are the capital ratios, aggregate loan losses, pre-provision net revenue, provision for loan losses, and net income projected for the Severely Adverse scenario over the nine quarter projection period. These results are calculated using 2017-2019 capital calculations and ratios as required by Basel III. All projections represent hypothetical estimates that involve an economic outcome that is more adverse than expected. These estimates are not forecasts.

Actual Q4 2016 and Projected Capital Ratios through Q1 2019 under the FRB's Severely Adverse Scenario

	Actual	Stressed Capital Ratio	
Apple Financial Holdings, Inc.	Q4 2016	Ending	Lowest
Common Equity Tier 1	10.34%	9.52%	8.91%
Tier 1 risk based capital	12.50%	11.34%	10.82%
Total risk based capital	13.04%	12.59%	12.07%
Tier 1 leverage	6.46%	6.55%	6.00%

Aggregate Loan Losses by Type of Loan from Q1 2017 through Q1 2019 under the FRB's Severely Adverse Scenario

Apple Financial Holdings, Inc.	Dollars in (000's)	Portfolio Losses (%)	Portfolio Losses (%)[1]
Loan Losses			
First Lien Mortgages	3,361	2.08%	2.08%
Closed-end Junior Loans	6	2.10%	2.10%
HELOC's	351	2.14%	2.14%
C&I Loans	45,299	0.67%	1.74%
Multifamily Loans	8,531	0.61%	0.61%
Non-farm, Non-residential Owner Occupied Loans	3	1.26%	1.26%
Non-farm, Non-residential Loans	27,966	1.12%	1.12%
Other Consumer	178	1.12%	1.12%
All Other Loans and Leases	8,602	1.26%	1.66%
Total Loans and Leases	94,297	0.82%	1.31%

[1] Portfolio loss rates exclude government guaranteed C&I loan and guaranteed other loans and leases balances of $4.1B and $0.2B, respectively, from the denominator.

Projected PPNR, Provision for Loan Losses and Net Income from Q1 2017 through Q1 2019 under the FRB's Severely Adverse Scenario

Apple Financial Holdings, Inc.	Dollars in (000's)	Percentage of Average Assets (%)
PPNR[1]	271,959	2.00%
Less Provision for Loan Losses	162,571	1.19%
Net Income[2]	63,992	0.47%

[1] PPNR includes net revenues ("revenues") and operating expenses. Included are trading revenue losses of $9.9M and other than temporary impairment losses for equity securities of $0.1M.
[2] There are no realized sales gains/(losses) for available for sale or held to maturity securities or other gains/(losses) during the projection period.

Most Significant Causes for Changes in Regulatory Capital Ratios:

Based on the FRB'S severely adverse scenario, the most significant drivers of the changes in the Bank's regulatory capital ratios over the DFAST nine quarter projection horizon, when compared with actual regulatory capital ratios as of the fourth quarter of 2016, are explained by the following:

- In spite of higher projected provision expenses from increased credit losses and higher allowance for loan and lease losses (ALLL), the Company was able to generate positive net income from PPNR, but growth in risk weighted assets due to loan portfolio growth, ultimately decreased capital ratios by the end of the nine quarter projection period compared to the fourth quarter of 2016, with the Company remaining above the well capitalized level throughout the nine quarter projection period.

Material Risks Captured in the Stress Test

Market Risk:

Market risk is the risk of loss in the value of financial assets and financial liabilities, due to changes in market conditions. Categories of market risk include:

- Interest rate risk: Results from exposures to changes in the level, slope and curvature of yield curves, the volatility of interest rates, mortgage prepayment speeds and credit spreads;
- Market price risk: Results from exposures to changes in prices and volatility of individual investment securities and equities;
- Currency rate risk: Results from exposures to changes in spot prices, forward prices and volatility of currency foreign exchange rates.

Market risk is incorporated into our 2017 DFAST results under the FRB's severely adverse macroeconomic scenario.

Credit Risk:

Credit risk represents the potential for loss due to the default or deterioration in credit quality of a borrower or issuer of securities or other instruments we hold. Our exposure to credit risk comes mostly from loans and lending commitments. Credit risk also comes from cash placed with banks. Credit risk is incorporated into our 2017 DFAST results under the FRB's severely adverse scenario.

Credit risk is also incorporated into our projections for changes in provision and loan losses in our loan portfolio. We utilize models that estimate losses based on projections of exposure at default, loss given default, probability of default and ratings migration for loans in the loan portfolio.

Operational Risk:

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Our exposure to operational risk arises from routine processing errors as well as extraordinary incidents, such as major systems failures. Potential types of loss events related to internal and external operational risk include:

- Execution, delivery and process management;
- Business disruption and system failures;
- Employment practices and workplace safety;
- Damage to physical assets;
- Internal and external fraud

Operational risk, including litigation-related losses, is incorporated into our 2017 DFAST results with losses estimated based on ABS's historical operational risk experience. Operational risk losses are included within the non-compensation expense projection over the DFAST planning horizon.

Liquidity Risk:
Liquidity is of critical importance to financial institutions. We have in place a conservative set of liquidity and funding policies to address both bank-specific and broader industry or market liquidity events. Our principal objective is to be able to fund ABS to enable it to continue to serve clients and generate revenues, even under adverse circumstances.

For purposes of our 2017 DFAST, we analyze how we would manage our balance sheet through the duration of a severe financial and credit crisis and we include assumptions regarding our ability to access the secured and unsecured funding markets to generate incremental liquidity. Our 2017 DFAST results take liquidity risk into account by projecting potential liquidity outflows due to the FRB's severely adverse scenario environment (e.g., draws on unfunded commitments) and the impact of these outflows on our liquidity position and balance sheet. As our institution is funded with insured deposits, we believe that properly priced deposits will continue to be available under the severely adverse scenario.

Description of Our Projection Methodologies

PPNR:
PPNR includes revenues and operating expenses based on current plans and projections as modified by the severely adverse scenario.

Revenues:
We project revenues which include net interest income and non interest income.

Expenses:
Operating expense projections over the planning horizon include compensation (salaries and benefits) and non-compensation expenses.

Non-compensation expenses include expenses that relate to our branch footprint and overall headcount levels. Such expenses include depreciation and amortization, occupancy and communication and technology costs. In addition, non-compensation expenses incorporate any projected impairments as well as operational risk losses, including litigation, business disruption costs, external/internal fraud costs, execution/processing errors, and damage to physical assets.

Provision for Loan Losses and Net Charge-Offs:
Provision for loan losses and net charge-offs are projected over the planning horizon using a top-down, model-based approach for Residential and Commercial Real Estate, which utilized peer group proxy loan losses, and used a risk migration matrix model for C&I loans.

Balance Sheet:
Balance sheet projections are based on the macroeconomic environment and incorporate input from businesses on growth assumptions and planned activity, changes to carrying values as a result of mark-to-market, as well as management judgment as to how AFH would manage its balance sheet, funding, and liquidity over the DFAST nine quarter projection horizon.

Capital and Risk Weighted Assets (RWAs):

Capital projections incorporate projected net earnings, other changes in equity and capital deductions over the planning horizon, as well as the impact of Q1 2017 actual capital actions for preferred stock dividends and similar dividends over the projected 2017-2019 period. Projected RWAs reflect the impact of the macroeconomic environment and are also impacted by the projected size and composition of our balance sheet over the planning horizon.

2017 Dodd-Frank Act Stress Test Disclosure – Apple Bank for Savings (ABS)

DFAST rules also require ABS to conduct stress tests on an annual basis. ABS is a wholly-owned subsidiary of AFH. ABS is the only material business of AFH. There are minimal differences between the total assets, liabilities, and equity of AFH and ABS. The Dodd-Frank Act requires stress test results of any subsidiary depository institution to be disclosed along with the stress test results of the bank holding company parent.

For the 2017 DFAST, the required capital ratios and the planning horizon for ABS are consistent with those for AFH.

The following table summarizes the results of ABS DFAST based on the FRB's severely adverse scenario.

2017 DFAST Results - ABS

Actual Q4 2016 and Projected Capital Ratios through Q1 2019 under the FRB's Severely Adverse Scenario			
		Stressed Capital Ratio	
Apple Bank for Savings	Actual Q4 2016	Ending	Lowest
Common Equity Tier 1	12.49%	11.33%	10.82%
Tier 1 risk based capital	12.49%	11.33%	10.82%
Total risk based capital	13.03%	12.58%	12.07%
Tier 1 leverage	6.46%	6.55%	5.99%

The most significant drivers of the changes in ABS's regulatory capital ratios are consistent with those of AFH. Potential capital initiatives are also included in ABS's results as discussed in the Summary of Results Capital Actions section.

More information on DFAST stress tests, as well as the FRB's severely adverse scenario, is available on the FRB's website at: http://www.federalreserve.gov.

Forward Looking Statements:

Pursuant to the regulations issued under the Dodd-Frank Act, AFH and ABS are required to conduct a forward-looking annual company-run stress test exercise and to disclose publically the results of that exercise.

This release contains "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995 that are subject to risks and uncertainties. One should not place undue reliance on these statements because they are subject to numerous risks and uncertainties related to the Company's operations and business environment, all of which are difficult to predict and may be beyond the Company's control. Forward-looking statements include information concerning the Company's future results, interest rates and the interest rate environment, loans and deposit growth, loan performance, operations, and business strategy under a hypothetical Supervisory Severely Adverse Scenario that incorporates a set of assumed economic and financial conditions prescribed by the Federal Reserve Board. The projections are not intended to be a forecast of future economic or financial condition, nor are they intended to be a forecast of the Company's future financial condition or results of operations. Actual results may differ materially from the projections and will be influenced by actual economic and financial conditions and various other factors. The Company undertakes no duty to update any forward-looking statement or information contained in this release following the date of this disclosure.