

Loan Committee Report

Partners 1st Federal Credit Union continues to provide a wide range of competitively priced products to meet the financial needs of our members. In 2016, Partners 1st Federal Credit Union disbursed the following loans:

Loan Product	Number of Loans	Total Dollar Amount Funded
Auto Loans	1,910	\$32,013,879
ATV's, Boats, RV's	79	\$1,095,407
Closed-End Signature Loans	516	\$2,113,230
Real Estate Loans	279	\$22,785,607
Business Loans	22	\$1,371,399
Credit Cards*	923	\$3,937,240
Total	3,729	\$63,316,763

*Total Lines of Credit Granted

Supervisory Committee Report

Assessment of the Credit Union's internal controls, management practices, regulatory compliance, and financial statement accuracy were accomplished by the Supervisory Committee through performance of various audits, financial analysis, and procedural reviews by both the Internal Audit Department and external audit firms.

Internal Audit/Risk Management performed branch audits, cash counts, loan underwriting audits including consumer and commercial loans and monthly mortgage reviews, and operating/compliance audits as well as compliance training for BSA & FACTA and robbery training. Helping our members fight fraud takes a great deal of risk management resources. Part of our ongoing efforts to reduce fraud include member and staff education and oversight and monitoring controls. The Committee oversees a robust Internal Audit function and in addition, retains external auditors BKD, LLP, Certified Public Accountants and Whiting & Company LLC to enhance that function by reviewing financial statements and BSA standards. These audits confirmed the internal controls in place and verified the health and strength of the Credit Union in 2016. All audits were performed in conformance with generally accepted accounting standards, and no major discrepancies were noted. Positive trends noted were increased IT security and staff training. As reflected in these audits, we continue to see strong equity ratios and operating efficiencies. The BSA audit results confirmed the quality of internal controls and efficiencies.

In the opinion of the Supervisory Committee, the Credit Union operated in compliance with all applicable rules and regulations during the year ending December 31, 2016.

Board of Directors

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Vice Chairman
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Daryl D. Davis
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Adam Riegler
David O. Shultz
Donald E. Schwegman
Karen Johnston
Associate Director

Loan Committee

Tami Brumett
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Holly Kahn
Member
Cathy Valenti
Member

Supervisory Committee

Tom Dwire
Chairman
Debora S. Heiny
Director
Karen Johnston
Associate Director
Randall Lewis
Member
Denny Baumgartner
Ad hoc committee member



2016 Annual Report

Partners 1st
FEDERAL CREDIT UNION

Chairman's Report

We are pleased to report that 2016 was a banner year for the credit union. It began with the introduction of our new Mission Statement, "Go beyond the transaction...to truly serve, advocate and guide our members as their trusted financial and community partner." We endeavor to live our mission and our core values as individuals and as an organization. And, by doing so, we seek to have a positive impact on the lives of our members.

Financially, 2016 was a very successful year whereby we achieved the majority of our financial goals, including exceeding our net income for the year. At the same time, we invested in the future of the credit union for the benefit of our membership.

To better serve our members in Virginia, we moved two branches to much better, more visible and convenient locations. We renovated and occupied a new branch building in Luray, Virginia. At the same time, we purchased and began the renovation of a new branch building in Orange, Virginia. We invested in a state-of-the art home banking and mobile banking solution. Our new services include a robust bill payment program, integrated remote deposit capture, account to account transfer capabilities as well as person to person transfer capabilities.

In 2017, we will continue to evaluate our offices in order to provide convenient, up-to-date facilities. We will expand both our mortgage and business lending functions; and, as always, we'll ensure that your credit union is financial strong so that we may remain your trusted financial partner.

The board of directors and entire staff wish to thank our members for choosing Partners 1st Federal Credit Union. We look forward to our bright future ahead.

Thank you for allowing us to serve you.

Denny L. Baumgartner
Chairman

As of Year End December 31, 2016

		Balance Sheet	
		2016	2015
ASSETS:			
Loans to members		120,002,200	110,504,962
Less: Allowance for Loan Losses		<u>(874,181)</u>	<u>(892,765)</u>
Net Loans		119,128,019	109,612,197
Cash and Investments		139,293,415	141,333,842
Land		1,381,484	1,288,596
Building, Furniture and Fixtures		5,784,849	4,675,508
Other Assets		<u>9,683,026</u>	<u>9,264,599</u>
	TOTAL ASSETS	275,270,793	266,174,742
LIABILITIES/EQUITY:			
Dividends Payable		6,383	7,405
Other Liabilities		5,744,660	4,540,895
Member Shares and Share Certificates		238,815,425	231,614,717
Other Comprehensive Income		495,218	416,893
Unrealized Gain/Loss on Inv		112,868	(6,690)
Regular Reserves		3,905,729	3,905,729
Undivided Earnings		<u>26,190,510</u>	<u>25,695,793</u>
	TOTAL LIABILITIES/EQUITY	275,270,793	266,174,742
Statement of Income			
Loan Interest Income		5,723,534	5,473,590
Income from Investments		<u>1,914,731</u>	<u>1,676,736</u>
	Total Interest Income	7,638,265	7,150,326
Dividends Paid to Members		(361,053)	(397,958)
Interest on Borrowed Funds		<u>(293)</u>	<u>(1,033)</u>
	Total Interest Expense	(361,346)	(398,991)
	Interest Margin	7,276,919	6,751,335
Provision for Loan Loss		<u>(774,253)</u>	<u>(583,465)</u>
	Net Interest Inc Aft Prov for Loan Loss	6,502,666	6,167,870
Fee Income and Other Non-Interest Income		6,045,602	5,360,755
Total Non-Interest Expense		<u>(12,053,551)</u>	<u>(11,509,351)</u>
	Net Income	<u>494,717</u>	<u>19,274</u>
Number of Members		27,997	27,897