

## 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 2017, Partners 1st Federal Credit Union disbursed the following loans:

Loan Product	Number of Loans	Total Dollar Amount Funded
Auto Loans	2,267	\$35,499,365
ATV's, Boats, RV's	87	\$1,433,157
Closed-End Signature Loans	582	\$2,175,103
Real Estate Loans	232	\$17,056,129
Business Loans	17	\$3,767,412
Credit Cards*	899	\$3,622,023
<b>Total</b>	<b>4,084</b>	<b>\$63,553,189</b>

\*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 cash counts, loan underwriting audits including consumer and monthly mortgage reviews, merger audits and compliance, and other 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 2017. All audits were performed in conformance with generally accepted accounting standards, and no major discrepancies were noted. Positive trends were noted. 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, 2017.

### Board of Directors

**Denny Baumgartner**  
Chairman  
**David A. Dent**  
Vice Chairman  
**Jacqueline S. Ostrowski**  
Secretary  
**Gregory J. Gabet**  
Treasurer  
**Daryl D. Davis**  
**Debora S. Heiny**  
**Adam Riegle**  
**Donald E. Schwegman**  
**David O. Shultz**  
**Karen Johnston**  
Associate Director

### Loan Committee

**Tami Brumett**  
Chairman  
**Holly Kahn**  
Member  
**Cathy Valenti**  
Member

### Supervisory Committee

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



# 2017 Annual Report

**Partners 1st**  
FEDERAL CREDIT UNION

## Chairman's Report

For Partners 1st Credit Union, 2017 was a banner year! In the first quarter, we began talks with General Credit Union, Fort Wayne, on the possibility of a merger. Both board of directors recognized that growth is vital to the long-term health of any organization. By merging two strong, healthy credit unions, we could expand our products and services for our member's benefit as well as provide economies of scale throughout the organization.

The formal request to merge was approved by the NCUA and the Indiana Department of Financial Institutions. On October 1, 2017, the merger became a reality. On that date, we grew the organization by over \$82 million in assets and added over 9,000 members. Throughout the merger process, the two organizations had tremendous synergy. While we worked to combine the two credit unions, we redeployed resources that allowed us to purchase and renovate a new branch building in Waynedale. Thus, in October, we added three new branch locations to our footprint – two former General Credit Union locations and the new Waynedale branch.

Additionally, we renovated a former bank building in Orange, Virginia, allowing us to move our branch to a new, more visible location. We also purchased a former bank building in Winchester, Virginia, in order to move our local branch into the community. Renovations to that building will take place in 2018. In addition, we purchased land in New Haven, Indiana. This was the culmination of a three-year quest to move our branch from a storefront to an owned building. Construction on this new branch office will begin in the second quarter of 2018.

Most importantly, throughout our very hectic and rewarding year, we have operated with our mission and core values firmly in place as we endeavor to make a difference in the lives of our members. We strive to "Go beyond the transaction..." in all that we do.

Your board of directors is very proud of the accomplishments of this past year, and we wish to congratulate our CEO, management team, and staff for their hard work. They truly went beyond the transaction in order to expand our footprint, our products and services, and our member experience.

On behalf of the board of directors and the entire staff, I say thank you to you, our members, for choosing Partners 1st Federal Credit Union as your financial institution.

Denny L. Baumgartner  
Chairman

As of Year End December 31, 2017

### Balance Sheet

ASSETS:	2017	2016
Loans to members	183,327,395	120,002,200
Less: Allowance for Loan Losses	<u>(975,677)</u>	<u>(874,181)</u>
Net Loans	182,351,718	119,128,019
Cash and Investments	157,204,476	139,293,415
Land	2,126,943	1,381,484
Building, Furniture and Fixtures	9,222,572	5,784,849
Other Assets	<u>13,988,095</u>	<u>9,683,026</u>
<b>TOTAL ASSETS</b>	<b>364,893,804</b>	<b>275,270,793</b>

### LIABILITIES/EQUITY:

Dividends Payable	5,401	6,383
Other Liabilities	7,269,559	5,744,660
Member Shares and Share Certificates	317,559,933	238,815,425
Other Comprehensive Income	55,025	495,218
Unrealized Gain/Loss on Inv	<u>(218,056)</u>	<u>112,868</u>
Regular Reserves	13,392,171	3,905,729
Undivided Earnings	<u>26,829,771</u>	<u>26,190,510</u>
<b>TOTAL LIABILITIES/EQUITY</b>	<b>364,893,804</b>	<b>275,270,793</b>

### Statement of Income

Loan Interest Income	6,940,292	5,723,534
Income from Investments	<u>2,191,016</u>	<u>1,914,731</u>
Total Interest Income	9,131,308	7,638,265
Dividends Paid to Members	(431,618)	(361,053)
Interest on Borrowed Funds	<u>(261)</u>	<u>(293)</u>
Total Interest Expense	(431,879)	(361,346)
Interest Margin	8,699,429	7,276,919
Provision for Loan Loss	<u>(1,044,962)</u>	<u>(774,253)</u>
Net Interest Inc Aft Prov for Loan Loss	7,654,467	6,502,666
Fee Income and Other Non-Interest Income	6,523,870	6,045,602
Total Non-Interest Expense	<u>(13,539,076)</u>	<u>(12,053,551)</u>
<b>Net Income</b>	<b>639,261</b>	<b>494,717</b>

<b>Number of Members</b>	<b>37,503</b>	<b>27,997</b>
--------------------------	---------------	---------------