

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 2018, we disbursed the following loans:

Loan Product	Number of Loans	Total Dollar Amount Funded
Auto Loans	4,893	\$80,543,764
ATV's, Boats, RV's	95	\$1,522,351
Closed-End Signature Loans	648	\$2,452,018
Real Estate Loans	305	\$23,257,800
Business Loans	25	\$3,625,607
Credit Cards*	1,192	\$4,024,225
Total	7,158	\$115,425,765

*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. This was done 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 also 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 2018. All audits were performed in conformance with generally-accepted accounting standards, and no major discrepancies 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, 2018.

Board of Directors

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Karen Johnston
Associate Director

Loan Committee

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Chairman
Rhonda Smith
Member
Cathy Valenti
Member

Supervisory Committee

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



2018 Annual Report

Partners 1st
FEDERAL CREDIT UNION

Chairman's Report

During 2018, your credit union worked to provide a smooth consolidation of Partners 1st Federal Credit Union and General Credit Union. The merger in late 2017 was not fully completed until the data conversion on April 1, 2018. The staff worked tirelessly to ensure a seamless data conversion for our newest members. I am pleased to report that their efforts were very successful.

The organization has flourished over the past year as we expanded our mortgage lending, business lending and our vehicle lending. The results of this emphasis produced over \$36 million in loan growth, helping us to live our mission to "go beyond the transaction..." By providing excellent lending opportunities for our members, we can truly become your trusted financial partner.

This past year also saw the culmination of our goal to move our branch in New Haven, Indiana, into a modern building located in the heart of the community. We built a new branch building which opened in the fourth quarter of 2018. Moreover, we look forward to becoming an even stronger community partner for the city and our local membership.

Our goal is to provide excellent products and services while maintaining the financial strength that inspires your faith and trust. We do this by being mission driven and remaining focused on our core values. We will always commit to living integrity so that we may exceed your expectations.

On behalf of the board of directors and the entire staff, we want to thank you for allowing us to serve as your financial institution. We appreciate you choosing Partners 1st Federal Credit Union as your financial partner.

Denny L. Baumgartner
Chairman

As of Year End December 31, 2018

Balance Sheet

	2018	2017
ASSETS:		
Loans to members	220,135,758	183,327,395
Less: Allowance for Loan Losses	<u>(1,348,805)</u>	<u>(975,677)</u>
Net Loans	218,786,953	182,351,718
Cash and Investments	116,689,832	157,204,476
Land	2,576,415	2,126,943
Building, Furniture and Fixtures	9,776,088	9,222,572
Other Assets	<u>14,381,978</u>	<u>13,988,095</u>
TOTAL ASSETS	362,211,266	364,893,804

LIABILITIES/EQUITY:

Dividends Payable	7,073	5,401
Other Liabilities	6,796,318	7,269,559
Member Shares and Share Certificates	312,638,036	317,559,933
Other Comprehensive Income	200,861	55,025
Unrealized Gain/Loss on Inv	<u>(236,870)</u>	<u>(218,056)</u>
Regular Reserves	13,392,171	13,392,171
Undivided Earnings	<u>29,413,677</u>	<u>26,829,771</u>
TOTAL LIABILITIES/EQUITY	362,211,266	364,893,804

Statement of Income

Loan Interest Income	9,985,143	6,940,292
Income from Investments	<u>2,543,694</u>	<u>2,191,016</u>
Total Interest Income	12,528,837	9,131,308
Dividends Paid to Members	(670,500)	(431,618)
Interest on Borrowed Funds	<u>(12,349)</u>	<u>(261)</u>
Total Interest Expense	(682,849)	(431,879)
Interest Margin	11,845,988	8,699,429
Provision for Loan Loss	<u>(1,612,609)</u>	<u>(1,044,962)</u>
Net Interest Inc Aft Prov for Loan Loss	10,233,379	7,654,467
Fee Income and Other Non-Interest Income	8,609,244	6,523,870
Total Non-Interest Expense	<u>(16,258,716)</u>	<u>(13,539,076)</u>
Net Income	<u>2,583,907</u>	<u>639,261</u>
Number of Members	38,030	37,503