



2017 Annual Report

Helping people achieve their financial dreams.





Jim Combs
Chairman of the Board

2017 Chairman's Report

2017 was a strong asset growth year for 1st Financial. The credit union saw strong loan growth and ended 2017 hitting a new milestone of 250 million in assets.

1st Financial continued our focus on our four key strategic intents of income growth, member experience, employee experience, and community presence. Keeping our eye on these four areas allowed us to expand many of our products and services to provide a better experience for you, our members.

Your Board of Directors is happy to report that the credit union is financially strong as evidenced by many positive trends including 15.25% loan growth, 13.37% share growth, increasing checking account penetration, rising employee engagement scores, and a growing number of low income members served.

Our 2017 results reflect the fact that our team of employees at 1st Financial are committed to ensuring that we are improving the financial lives of our members while continuing to make a positive difference in the communities we serve.

As I reflect on the seven years that I have been Board Chairman, I have seen this credit union grow and thrive. Even though I am retiring this year I know your continuing Board of Directors is looking forward to another year of positive impact and success for our members, our employees, and the communities we serve in 2018.

Respectfully submitted,

Jim Combs
Chairman of the Board

Helping our Neighbors

Like all credit unions, we were created with a philosophy of 'People Helping People'. This means we have the pleasure of being more than just a checking account or auto loan service provider. We make decisions every day with the knowledge that we not only have the power, but the responsibility to invest in the financial success of the communities we serve.



KidSmart
Helping People 1st
March 2017

45 hours

Financial counseling for credit union members.

\$469,000 *stl* youth deposits

Total amount deposited into STL Youth Jobs checking accounts.

196 hours of financial education

Youth and adult education programs held or sponsored by 1st Financial.

508 hours served in the community

Logged by *Helping People 1st*, 1st Financial's employee volunteer program.

149 small-dollar loans

Provided to members, totaling \$145,900 with an average loan value of \$979.53.



Carol Minges
Chief Executive Officer

2017 CEO Report

Year in Review

1st Financial Federal Credit Union is a not for profit cooperative financial institution which relies on the belief that we are only as strong as the people who bank with us. When we have a successful financial year like we did in 2017, we see it not only as our success, but as the success of all of our members. In fact, we saw assets grow by 14.87% to \$250M by December 2017. This growth rate was almost triple the rate of our peers. In addition, 6,238 members borrowed from the cooperative, which resulted in a total of \$114 million in new loans. Our core deposits grew by 2.82% and 539 members opened new checking accounts. Seeing our members utilize the loans and savings tools we offer helps us realize their value and importance to our members.

2017 also gave us many opportunities for change and improvement. Our rising delinquency in 2016 led to a

larger than normal volume of charge offs in 2017. Turnover in our collections area compounded the problem. Stabilizing our collections team and applying some analytics to track trends helped us gain control over our charge offs late in the year and, even with a significant dollar amount of losses, we ended the year with positive net income.

Research has shown over and over that a checking or savings balance invested in a credit union has more value, than that invested at a bank. A steadily increasing capital account allowed 1st Financial to continue to give back to our members in 2017. We were able to distribute another \$279,000 in benefits to TailorMade checking account holders and implemented a High Yield Savings Account which paid 1% APY on balances up to \$25,000. We offered several certificates of deposit that were very competitive in our market and introduced a high rate jumbo certificate of

deposit to help our members save for their financial dreams.

Products and Services

In 2017 we continued to add new products and services which enhance the benefit of being a 1st Financial member.

After heeding the call of our communities to meet the need for credit repair, we introduced a credit builder loan which allows our members to rebuild their credit scores and rewards them by refunding half of the interest they paid when they make 12 months of consecutive on time payments. We also introduced a no lien home improvement product which allows members with little or no equity in their home to make improvements.

In our deposit area, we rolled out a High Yield Savings Account which currently is paying 1% APY. We also saw increases in our Roll Up Savings account which rolls up each debit transaction

to the nearest dollar and transfers those funds into a savings account which earns 5.01% APY.

In our online services area, we implemented a chat feature that allows our members to chat real time with our Contact Center employees. We also rolled out an innovative mobile banking platform that has many new features like the ability to transfer money to and from other institutions, the ability to set up a new bill pay payee, and the ability to categorize, tag, and upload images to transactions which allows our members to better keep track of their finances.

In 2017 we expanded our branch hours at our Downtown branch to be open on Saturdays and we built a new branch at 1721 Zumbuhl Road in St. Charles. If you haven't had an opportunity to see our new branch, please stop by and see our new concept in branching.

Regulatory

On the regulatory front, we spent resources complying with the new Home Mortgage Disclosure Act changes requiring us to collect more information from our members, implement new signage, and provide information about our mortgage programs to the Consumer Financial Protection Bureau (CFPB). Under this new administration, we look forward to decreased unnecessary regulation and hope the administration will continue to require strict compliance with financial

institutions that are behaving in ways that aren't consumer friendly.

Community

One major goal in our current strategic plan was to receive our Low Income Designation from the National Credit Union Administration. We received this designation in 2017 which means that many of the members we serve are considered low income or live below the median household income. This designation reduces the amount of regulatory burden we are under and allows us to obtain secondary capital to better serve all of our members.

Our Community Development Financial Institution (CDFI) Designation was renewed by the US Treasury again in 2017 which continues to reinforce that we are a credit union focused on helping people get out of poverty. Some of the ways we do this is by providing access to valuable checking and savings tools, participating in the VITA tax preparation program, providing credit building seminars, providing financial education seminars, and by performing credit reviews utilizing one of our on staff certified credit counselors.

In 2017, we also hosted a poverty simulation in St. Charles to help people in our community better understand the challenges people living at or below the poverty level face each day.

Another way we give back to our community is by serving. Our employees

spent 508 hours serving in non-profit organizations in our community.

Banks invest in local communities because there is a federal regulation called the Community Reinvestment Act which mandates them to return a small portion of their profits back to the community. Credit unions like 1st Financial invest in our communities because we care about providing access to financial products and counseling to those who have been predominately underserved. Our team of employees serve our community because it's who we are not who we are required to be.

The Year Ahead

2018 is a year of getting back to basics. We are focused on getting better at everything we do in order to be more consistent, more efficient, and to continue to raise the bar on the service we provide.

2018 will bring:

- Online account opening which will save our members time by not having to visit a branch to open up a new account.
- A relationship with an innovative car buying service, Carvana, which will save members from haggling with dealers.
- A new online banking system that is as easy to use as our mobile banking system.
- And Health Savings Accounts which will provide a vehicle for our members to save for their healthcare needs.

We are also working to begin processing and underwriting

our own mortgages so our members will have a better experience throughout their home buying process. Our plan is to have our new mortgage program up and running in early 2019.

Board Governance

1st Financial Federal Credit Union is a locally owned, not-for-profit, financial cooperative that is owned by you, our members. We have a unique business model in that every single member has a voice. One member, one vote. 2018 brings some turnover in our board with our Board Chairman, Jim Combs, and our Board Secretary, Paul Sikorski, retiring this year. They have both played integral roles in shaping the direction of this credit union and ensuring we met the needs of our

members over the past 10 and 22 years respectively. Their retirement leaves us with two vacating board seats.

Being a member of this credit union comes with the responsibility to choose board members who will best represent our membership. Our Nominating Committee selected a talented group of members as candidates on this year's ballot so please exercise your right to vote this evening.

1st Financial is very blessed to have a dedicated group of Board and Supervisory Committee members that are committed to the success of our credit union and to ensuring we are meeting the needs of our membership.

In addition to a dedicated board and supervisory committee, we also have a wildly talented group of employees who care about serving our members and work tirelessly to ensure we are helping you achieve your financial dreams. Your membership and support in the continued growth of 1st Financial Federal Credit Union helps the cooperative, our employees, and the communities we serve. Thank you for your membership.

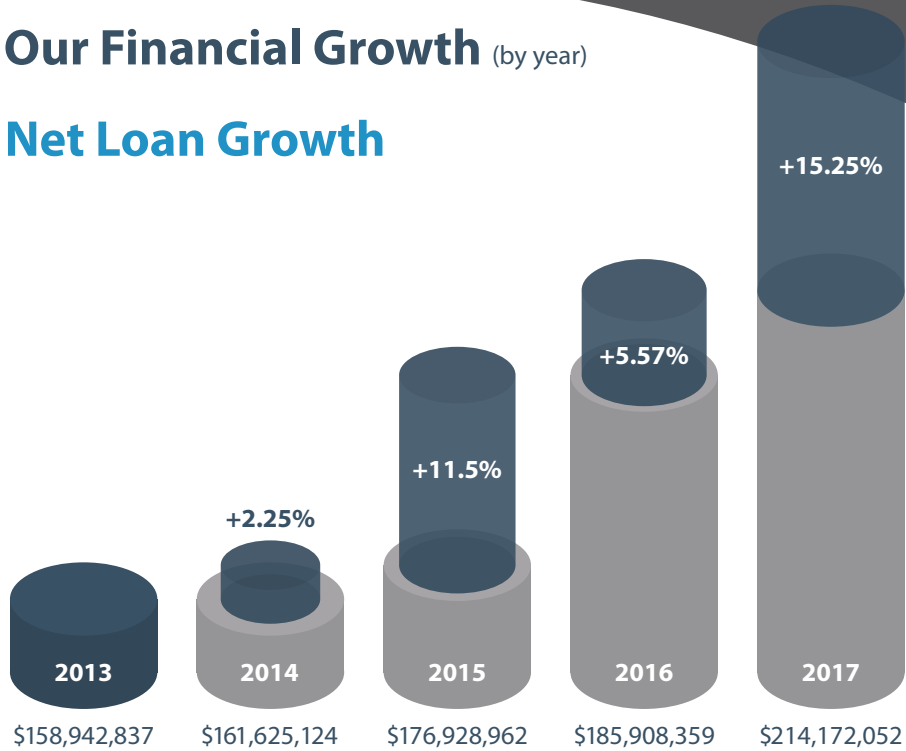
I can't wait to see what we can build together in 2018.

Respectfully,

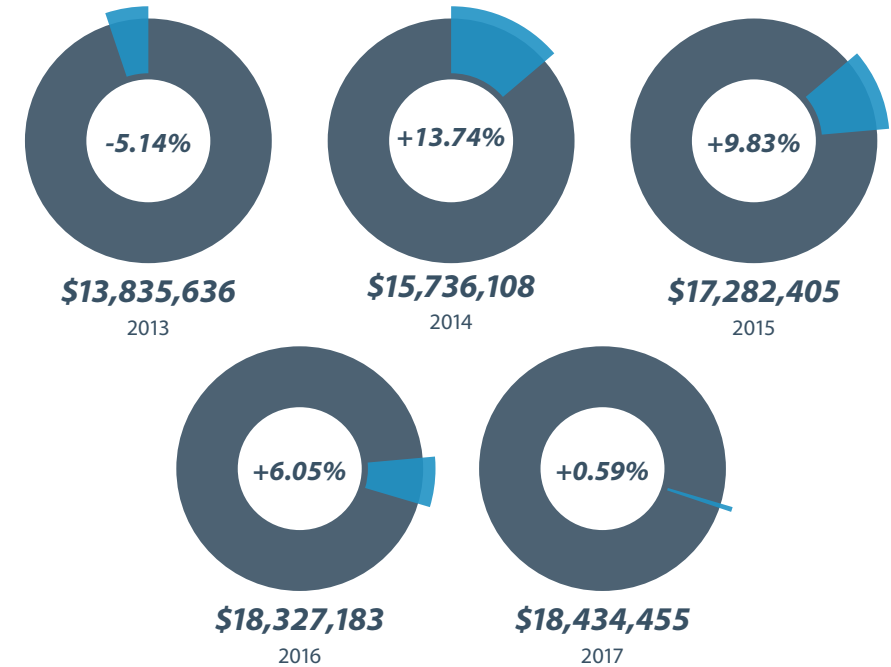
Carol Minges
Chief Executive Officer

Our Financial Growth (by year)

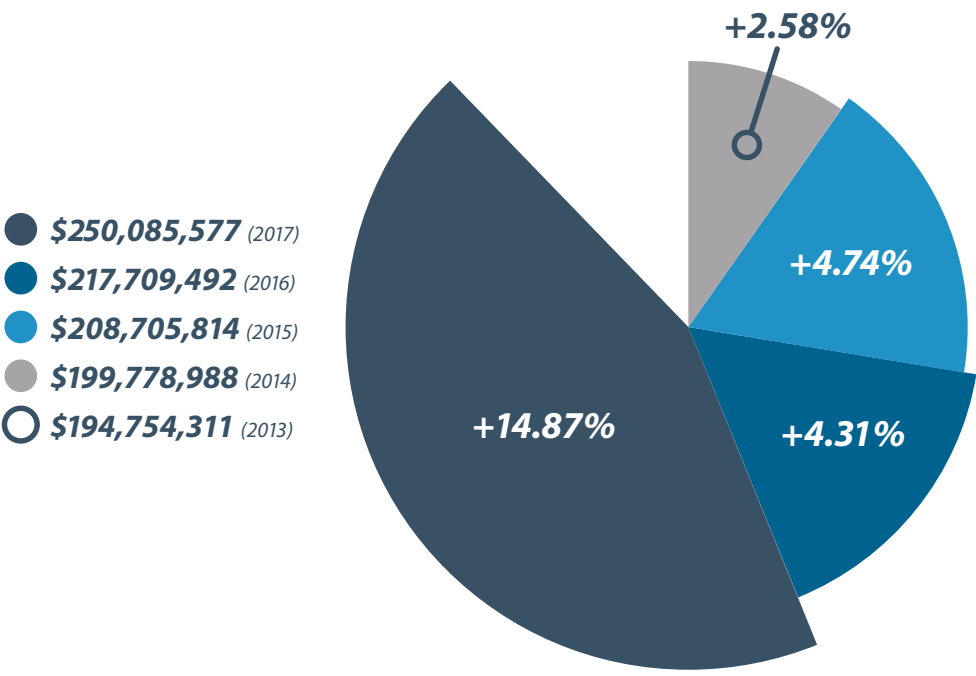
Net Loan Growth



Overall Capital Growth



Total Assets



Comparative Balance Sheet

Assets	2017	2016
Cash on-hand and in Banks	\$3,795,087	\$3,548,846
Investments & Deposits	\$12,571,963	\$12,009,461
Loans to Members	\$214,172,052	\$185,908,359
Land, Office Property, & Equip.	\$14,138,840	\$11,738,665
National CU Share Ins. Fund	\$2,033,335	\$1,870,220
Accrued Interest Receivable	\$946,058	\$800,070
Other Assets	\$2,428,242	\$1,833,871
Total Assets	\$250,085,577	\$217,709,492
Liability and Equity		
Member Savings	\$220,002,487	\$194,054,436
Accrued Expenses & Other Liabilities	\$11,648,635	\$5,327,873
Total Liabilities	\$231,651,122	\$199,382,309
Equity and Reserves		
Regular Reserves	\$2,923,808	\$2,923,808
Reserve for Contingency	\$15,632,298	\$15,585,940
Unrealized Gains (Losses) on Investments	(121,651)	(182,565)
Total Equity and Reserves	\$18,434,455	\$18,327,183
Total Liabilities, Equity & Reserves	\$250,085,577	\$217,709,492

Comparative Income Statement

Assets	2017	2016
Interest Income	12,315,546	11,152,129
Interest Expense	770,401	528,896
Net Interest Income	\$11,545,145	\$10,623,233
Provision for Loan Losses	5,658,858	4,132,837
Net Interest Income After Provision	\$5,886,287	\$6,490,396
Other Income	5,295,128	4,981,917
Other Non Interest Operating Expenses	11,135,057	10,264,287
Net Income/(Loss)	\$46,358	\$1,208,026

Todd Grizzle
Supervisory Committee Chairman



2017 Supervisory Committee Report

The purpose of the Supervisory Committee is to ensure that the financial condition of the credit union is accurately and fairly presented in the credit union's financial statements; and the credit union's management practices and procedures are sufficient to safeguard members' assets. The Committee supervises an annual external audit of the financial condition of the credit union, verifies account information, and reports the results to the Board of Directors. In 2017, the Certified Public Accounting firm of Cummings, Ristau & Associates was retained by the Committee to perform the annual audit of the credit union's financial statements. The National Credit Union Administration conducted their examination of the credit union during 2017.

In addition to these audits and examinations, the Committee conducts periodic tests of the credit union's operations and accounting practices. All items disclosed by the above referenced audits, examinations, and tests have been addressed and any necessary corrective action(s) has been taken. It is the unanimous opinion of the Supervisory Committee that 1st Financial Federal Credit Union is a financially solid credit union and is being operated safely and soundly while providing quality member service.

Respectfully submitted,

Todd Grizzle
Supervisory Committee Chairman

Our Mission

Save you money. Make you money. Save you time. *That's why we exist.*

Our Service Promises

- We promise to provide you with service so great you will never want to leave us
- We promise to listen to you and offer appropriate solutions
- We promise to recommend products and services that are in your best interest
- We promise to act with integrity
- We promise to take ownership of your requests
- We promise to make decisions that benefit you, the owners as a whole

Our Core Purpose

Helping people achieve their financial dreams.

Your Investment Into The Community

We are a not for profit financial institution, using our limited resources to change lives throughout St. Louis and St. Charles communities.

We have created community development programs that offer small monthly grants to nonprofits and government programs which are focused in the areas of providing sustainable housing, job training and education to our communities. These are the areas we see our members having some of the largest hurdles for financial success and it is our desire to use our limited resources to assist our community to overcome and succeed in each of these capacities.

We work hard to build strong relationships with local nonprofit organizations because we see a need to strengthen our community. 1st Financial Federal Credit Union is more than just a banking institution, we develop these partnerships with passionate individuals who also fill a need within the community.

Since early 2014 we have been able to donate over \$51,000 to these local nonprofit and government initiated organizations and offered over 2,026 paid employee volunteer hours to the people of St. Louis and St. Charles counties.

At 1st Financial, we want you to know that when you invest your money in one of our checking accounts or auto loans, you have done more than give yourself a low cost banking product. You have also invested into the future success and continued change in the communities you love.



Winnie & Sidney
Books N Bros
Community Partner



Jaxsen
1st Financial – St. Charles
Grand Opening Celebration

Board Members and Management

Board of Directors

Jim Combs	Chairman
Gina Hakenewerth	1st Vice Chairperson
Bo Setzekorn	2nd Vice Chairperson
Paul Sikorski	Secretary
Bob Rutkowski	Director
Victoria Reed	Director
Chris Wood	Director

Supervisory Committee

Todd Grizzle	Committee Chairman
Timothy Gossett	Secretary
Lisa Gates	Committee Member
Dr. James Jones	Committee Member
Matthew Mullins	Committee Member

Executive Management

Carol Minges	Chief Executive Officer
Dave Franke	Chief Financial Officer
Michelle Rosner	Chief Lending Officer
Robyn Whalen	VP of Employee Experience
Laura Woods	VP of Marketing & Community Presence
Lone Callahan	VP of Member Experience
Steve Broadbent	VP of Technology



Downtown St. Louis
1407 Washington Avenue
St. Louis, MO 63103

Hazelwood
5916 North Lindbergh
Hazelwood, MO 63042

St. Charles
1721 Zumbuhl Road
St. Charles, MO 63303

Wentzville
1232 Wentzville Parkway
Wentzville, MO 63385

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**2016 Community
Credit Union
of the Year**

