

ASCENTRA IN THE COMMUNITY

All 10 of our branches were **Toys for Tots** collection sites and our staff participated in the **Race for the Cure** event to support the cause. It's in our DNA to give to the communities we live in!



CREDIT COMMITTEE REPORT

Mary Soeder, Credit Committee Chairperson

The Credit Committee is pleased to report that the credit union had another very successful year with its loan products and services. In 2015, loan rates remained historically low and Ascentra Credit Union disbursed \$140 million in loans. This resulted in net loan growth for the year of \$16 million, or 6.16% over 2014 with total loans at year end coming in at \$276 million.

1st mortgage demand was good in 2015 and our staff did an outstanding job serving the membership. 190 members purchased new homes and 204 refinanced their current homes, all of them taking advantage of lower mortgage rates. Total mortgage production for the year was \$50.3 million. Some of the mortgages we originate we retain in-house while others are sold to the Federal Home Loan Bank, but unlike many other financial institutions we retain servicing on ALL of the mortgages we make. Members get their loans from us and make their payments here as well. We stay with the member for as long as they have their mortgage. We ended the year with a serviced mortgage portfolio of \$236 million and an in-house portfolio of \$63.4 million.

In addition we offer a unique mortgage product we call the 10 & Done mortgage freedom loan. This no closing cost, low rate, short term mortgage helped 48 families in 2015 with \$2.5 million in loan volume. Our HELOC (home equity line of credit) and our auto loans saw significant growth. In 2015, we closed approximately \$20.5 million in available home equity lines.

During 2015 we also focused on growing our member business lending portfolio. We have grown the portfolio by referring and purchasing loan participation from Community Business Lenders and originating in-house member business loans. In 2015, we originated almost \$8 million in gross loan volume. We continue to see the member business lending area as a way of both organically growing loans, and diversifying the loan portfolio.

Loan losses decreased to 0.41%, down from 0.51% in 2014, as delinquency and charge offs continue to remain stable. Member solutions recovered almost \$293 thousand on charge offs throughout the year. The credit union offered the annual Skip-a-Payment program during the summer months and over the holiday season. For the year, 1,390 members took advantage of this program.

As we continue in 2016 we will focus on the products and services that will best meet the financial needs of our membership. I want to thank my fellow Credit Committee members Larry Ketelsen and Dan Birdsley for their time and all their hard work in making 2015 such a successful year for the credit union and our membership. Thank you to all of our members for utilizing our lending products and services.

AUDIT COMMITTEE REPORT

Dirk Mooy, Audit Committee Chairperson

The Audit Committee is charged with overseeing the internal operations of the credit union to ensure compliance with Federal and State regulations as well as credit union bylaws. To assist in this responsibility, the committee has engaged the services of Petersen & Associates, the credit union's certified public accounting firm. Petersen & Associates employs a variety of audit procedures in reviewing the operations of the credit union, the financial statements and corresponding records. We are pleased to report that no major discrepancies were found during the annual audit of Ascentra Credit Union.

In addition, the Iowa Superintendent of Credit Unions office, our state regulator, conducted a joint examination with the NCUA of the credit union during 2015. The results of this examination in September 2015 were very positive with no major findings. The credit union was found to be operating in a safe and sound manner.

The credit union partnered with RSM during 2015 to prepare a risk assessment document which assigns risk values to all aspects of the credit union. The level of risk determines our audit frequency and helps us plan our schedules for upcoming years. We were very pleased with the outcome of this process document. During 2015 RSM also performed an internal network security review as well as an ACH and wire transfer audit. We are pleased to report that no major findings were reported in any of these audits.

During 2015, we employed Policy Works, a division of the Iowa Credit Union League, to assist in reviewing areas of the credit union. This group performed an in-depth review of our consumer lending, collection areas, and our member business lending process. Policy Works assessed our compliance with regulations and reviewed internal policies. We were very pleased with the detailed assessment and direction given during the audit.

The credit union contracted with a company called Trace Security to review various aspects of our Information Technology area. Keeping our members' information safe and secure is a top priority for the credit union. Trace Security performed an external penetration test (to find weaknesses in our external perimeter defense) and a social engineering audit (to test our staff response to telephone and email social engineering attempts). The credit union is very pleased to report that this outside firm was not able to access any of our internal systems via electronic means. The social engineering audit revealed some room for improvement. Detailed social engineering training (provided by Trace Security) and internal training has better equipped our staff to respond to possible social engineering attempts. This is an ongoing contract to ensure our systems are secure as information thieves continually attempt to access financial and personal information illegally.

The National Credit Union Share Insurance Fund (NCUSIF) provides deposit insurance coverage per individual account holder, per federally insured credit unions. Properly established member accounts in federally insured credit unions are insured up to the Standard Maximum Share Insurance Amount (SMSIA) of at least \$250,000. Ascentra Credit Union is a federally insured credit union that is categorized as "Well Capitalized" with a 10.28% net worth ratio at year end 2015.

In closing, I am pleased to report to the membership of Ascentra Credit Union these positive results representing the safety and soundness of Ascentra Credit Union. I want to thank my fellow Audit Committee Members, Gary Schocker and Laura Curtis for their time this past year serving on the committee.

“**THANK YOU FOR YOUR MEMBERSHIP!**”

— Ascentra Credit Union

ANNUAL REPORT 2015

MAKING A DIFFERENCE COOPERATIVE

LISTENING, CARING,
DOING WHAT'S RIGHT



UNIQUE

CARING
ACTIVE
SCHOLARSHIPS

VOLUNTEERING
TEAMWORK

COMMUNITY
NOT-FOR-PROFIT

Ascentra
credit union

Listening, caring, doing what's right.

2015 YEAR IN REVIEW

Board of Directors,
Larry Ridenour, *Chairperson*
Dale Owen, *President & CEO*

On behalf of the Ascentra Credit Union Board of Directors and staff, we're delighted to present your credit union's 2015 annual report. Our pursuit is to improve the financial lives of our more than 35,000 members, each of whom is an owner of the credit union.

Your board recognizes that our employees are the key to delivering on Ascentra's brand promise of listening, caring, doing what's right. From our front line to the heart of the credit union back office support, all of our staff have important roles in living our brand promise. We work hard to ensure that our staff has all the tools and training necessary to serve our membership in the fashion you've come to enjoy. We pride ourselves in the Ascentra difference and our staff delivers on this brand promise every day!

We're very pleased to report that in June of last year the U.S. Department of the Treasury's Community Development Financial Institution Fund certified Ascentra Credit Union as a Community Development Financial Institution (CDFI). This certification allows our credit union to apply for up to \$2 million annually in U. S. Treasury grant funds to assist our credit union in providing services to our membership. As a not-for-profit financial cooperative we look forward to bringing more resources to the communities we serve and to further collaboration with area agencies to foster development of underserved areas while significantly reducing risk to our members' equity.

In August the credit union opened our newest location on the corner of Brady and Locust Streets in Davenport. This new full service office replaced our existing location a few blocks away located at 122 East 15th Street in Davenport. This office was obtained through our merger with Scott Schools Credit Union in July of 2013 and has given expanded access to our products and services to the residents in the area.

The credit union has collaborated with the Hilltop Campus Village to help area non-profit organizations that are serving the needs of this underserved area of Davenport by allowing them access to our old location on 15th Street. We look forward to supporting continued efforts for development in the area.

Giving back and serving our community is ingrained in our Ascentra DNA. Our staff continued to make a difference through our Casual for a Cause program by donating \$5 to a family or organization in need; in return they get to dress casual. Collectively our staff gave over \$15 thousand of their hard-earned money bi-weekly to make a difference. We also rewarded over 1,000 area first graders for their reading accomplishments with the Bettendorf and Pleasant Valley Booker Bear, North Scott Scottie Reads and Moline Tiger Tales reading challenges. Each student was presented with a stuffed animal and a certificate of

accomplishment in front of their families at a pizza party Ascentra coordinates and sponsors. These are just a few examples of the many ways we have helped enrich our community.

In 2014 the credit union formed a partnership with the Community Foundation of the Great River Bend to create the Ascentra Credit Union Foundation. We enjoyed our first round of grants in 2015. Our funding started with our Leadership Grant Program which funded \$17 thousand to 34 area non-profit organizations. An additional \$100 thousand in grants was funded to support Junior Achievement of the Heartland and Habitat for Humanity. In September we held our first fundraiser for the foundation with the Paul Lensemeyer Memorial Golf Outing. This event brought in over \$17 thousand to the foundation. The mission of the



During 2015 our staff collectively gave over **\$15,000** of their hard-earned money to make a difference.

foundation is to improve the quality of life for the membership of Ascentra Credit Union and further the philanthropic outreach in the communities we serve. Our focus is on funding projects to enhance youth development, expanding credit education opportunities, fostering community development, supporting cultural activities and investing in ways to enhance the financial viability of the underserved. We look forward to expanding our outreach and making a more meaningful impact in our community through the Ascentra Credit Union Foundation.

Ascentra Credit Union is your cooperative. Please know that you've elected an outstanding board of dedicated volunteers. Our focus remains on our membership's best interest and improving the financial lives of those we serve. We continually reinvest in the organization to meet the needs of our membership. We are passionate about doing the right thing and making a difference in the communities we all call home. Thank you for your membership, patronage and confidence. We look forward to building on our success together by listening, caring, doing what's right.

2015 BOARD OF DIRECTORS

Larry Ridenour, *Chairperson*
Troy Smith, *Vice-Chairperson*
Elaine C. Reid, *Secretary*
Woody Perkins, *Treasurer*
Dirk Mooy, *Audit Committee Chairperson*

Mary Soeder, *Credit Committee Chairperson*
Laura Curtis
Larry Ketelsen
Gary Schocker
Dan Birdsley

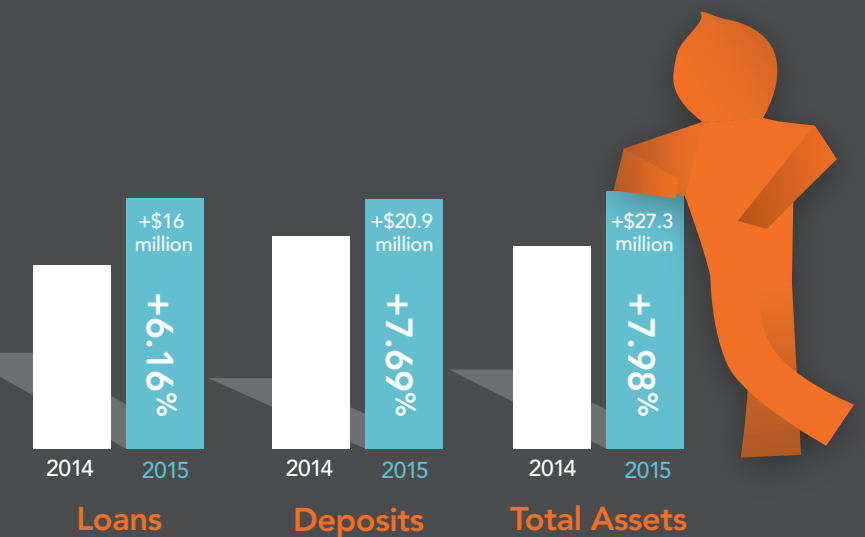


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FINANCIAL SUMMARY

The financial performance of Ascentra Credit Union showed very strong, positive results for 2015. Our 35,441 members are utilizing great products and services creating growth in all areas of the balance sheet. Loans to members increased \$16.0 million, or 6.16% over 2014. Great rates on mortgage products and consumer loan products are serving our members well. Deposits from members increased \$20.9 million, or 7.69% over 2014. Ascentra Credit Union remains very competitive in the market for its deposit products, reflective of the increase in balances during 2015. Total Assets increased \$27.3 million or 7.98%, ending at \$369 million. Ascentra Credit Union remains very well capitalized with a net worth of 10.28% at year end 2015.

The complete Statement of Financial Condition appears below:



Statements of Income and Expenses Year ended December 31, 2014 and 2015 (unaudited)

	2015	2014
INCOME		
Interest on Loans	\$ 12,912,927	\$ 12,776,210
Investment Income	\$ 807,746	\$ 681,805
Fee Income	\$ 2,529,244	\$ 2,398,120
Other Income	\$ 5,122,537	\$ 4,537,711
Total Income	\$ 21,372,454	\$ 20,393,846
OPERATING EXPENSES		
Salaries & Benefits	\$ 7,673,644	\$ 6,795,104
Travel and Conferences	\$ 207,864	\$ 199,869
Office Occupancy	\$ 1,060,846	\$ 1,206,303
Office Operations	\$ 1,767,441	\$ 1,633,078
Business Development	\$ 644,176	\$ 654,599
Loan Servicing	\$ 1,396,029	\$ 1,165,664
Professional / Outside Services	\$ 2,939,339	\$ 2,667,824
Provision for Loan Losses / Share Losses	\$ 1,083,250	\$ 1,469,150
Other Operating Expenses	\$ 567,269	\$ 358,273
Total Operating Expenses	\$ 17,339,859	\$ 16,149,864
COST OF FUNDS		
Dividends on Shares	\$ 593,516	\$ 576,400
Interest on Deposits	\$ 781,125	\$ 779,813
Interest on Borrowed Funds	\$ 592,033	\$ 543,673
Total Cost of Funds	\$ 1,966,675	\$ 1,899,886
NON-OPERATING INCOME / (EXPENSES)		
Amortization Expense - Intangibles	\$ (37,978)	\$ (71,342)
Gain / (Loss) on Sale of Investments	\$ (553)	\$ 0
Gain / (Loss) on Sale of OREO	\$ (110,338)	\$ (56,371)
Gain / (Loss) on Disposition of Assets	\$ (58,788)	\$ (47,480)
NCUSIF Stabilization Expense	\$ 0	\$ 0
Total Non-Operating Income / (Expenses)	\$ (207,658)	\$ (175,193)
Net Income (Loss) Before Extraordinary Items	\$ 1,858,262	\$ 2,168,903

EXTRAORDINARY ITEMS		
Extraordinary Income	\$ 7,577	\$ 574,464
Extraordinary Expense	\$ 0	\$ 0
Net Income (Loss) After Extraordinary Items	\$ 1,865,839	\$ 2,743,367



We won 6 CUNA Marketing Diamond Awards including 2 Categories' Best!

Statement of Financial Condition Year ended December 31, 2014 and 2015 (unaudited)

	2015	2014
ASSETS		
Loans to Members	\$ 276,080,613	\$ 260,064,595
Less: FAS 141 Credit / Discount Adjustment	\$ (327,981)	\$ (592,549)
Less: Reserve for Loan Loss	\$ (2,510,059)	\$ (2,763,394)
Net Loans	\$ 273,242,574	\$ 256,708,652
Cash	\$ 8,498,262	\$ 8,386,483
Investments	\$ 30,382,062	\$ 28,096,773
Property and Equipment	\$ 15,407,075	\$ 13,703,112
Other Assets	\$ 40,109,288	\$ 33,429,124
Core Deposit Intangible	\$ 56,830	\$ 94,808
Goodwill	\$ 1,525,507	\$ 1,525,507
Total Assets	\$ 369,221,598	\$ 341,944,458
LIABILITIES AND EQUITY		
Regular Shares	\$ 66,652,757	\$ 60,387,847
Share Drafts	\$ 106,471,218	\$ 100,313,520
Money Market Accounts	\$ 32,148,245	\$ 30,432,463
Other Classes of Shares	\$ 8,496,021	\$ 7,399,675
Certificates	\$ 72,113,829	\$ 66,972,186
Individual Retirement Accounts	\$ 6,694,170	\$ 6,183,450
Funds Borrowed	\$ 33,180,017	\$ 29,200,701
Other Liabilities	\$ 5,799,335	\$ 5,229,139
Legal Reserves	\$ 13,264,920	\$ 11,264,920
Other Reserves	\$ (64,694)	\$ (39,383)
Undivided Earnings	\$ 20,194,602	\$ 20,328,763
Equity Acquired in Merger	\$ 4,271,178	\$ 4,271,178
Total Liabilities and Equity	\$ 369,221,598	\$ 341,944,458

