



Staff members are given \$50 each to brighten someone's day through a random act of kindness!

126 employees gave **\$6,300!**

AUDIT COMMITTEE REPORT

Laura Curtis, *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.

The credit union engaged PolicyWorks LLC, a division of the Iowa Credit Union League, during 2017 to conduct a Bank Secrecy Act Audit. We were very pleased with the outcome of this audit. During 2017 PolicyWorks LLC also performed internal audits for Consumer Lending, Mortgage Lending, ACH, Member Business Lending and Safe Act. We are pleased to report that no major findings were reported in any of these audits.

The credit union engaged a company, 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 look for 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. It also demonstrated diligence on behalf of the entire staff surrounding the social engineering issues. During 2017, we engaged RSM to perform an IS General Controls Review and an Internal Network Testing Review, both of which resulted in positive outcomes. Finally, an IT Risk Assessment for 2017 was conducted by Trace Security. This area of the credit union was found to be operating in a safe and secure manner.

The National Credit Union Share Insurance Fund (NCUSIF) provides deposit insurance coverage per individual account holder, per federally insured credit union. 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 10.33% net worth ratio at year end 2017.

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, Dan Birdsley and Greg Aguilar for their time this past year serving on the committee.

CREDIT COMMITTEE REPORT

Woody Perkins, *Credit Committee Chairperson*

Consumer and credit card loans continued to be in demand last year as rates remained low. Ascentra Credit Union disbursed \$99.8 million in loans. This resulted in net loan growth for the year of \$13 million, or 4.52% over 2016 with total loans at year end coming in at \$301.8 million.

253 members purchased new homes and 119 refinanced their current homes, all of them taking advantage of low mortgage rates. Total mortgage production for the year was \$47.3 million. We ended the year with a serviced mortgage portfolio of \$268 million and an in-house portfolio of \$72 million.

Our Home Equity Line of Credit remains very competitive in the market with convenient advance options. In 2017, we closed 265 Home Equity loans with approximately \$10 million in available lines of credit.

We have continued to grow our business lending portfolio by referring and purchasing loan participations from Community Business Lenders and originating in-house member business loans. In 2017, we originated over \$8 million in gross loan volume. Over the last few years this has been a consistent source of new loan growth.

Our staff worked hard to find solutions for members who experienced financial difficulties as the delinquency ratio ended the year at 0.85%. We are happy to report Member Solutions recovered over \$245 thousand in charge offs. The credit union is offering the Skip-A-Payment program throughout the year, giving members the choice of the additional flexibility in their budgets. 1,474 members took advantage of the Skip-A-Payment program.

I want to thank my fellow committee members, Larry Ketelsen, Ken Schrock and Jay England for all their hard work. Thank you for your use of the credit union products and services last year.

ASCENTRA IN THE COMMUNITY



Toys for Tots drop off and fundraiser



Ascentra Staff participates in Run with Carl



Listening, caring, doing what's right.

MAKING A DIFFERENCE COOPERATIVE

LISTENING, CARING, DOING WHAT'S RIGHT



UNIQUE

CARING ACTIVE

SCHOLARSHIPS

VOLUNTEERING

TEAMWORK

NOT-FOR-PROFIT COMMUNITY

Annual Report 2017

2017 YEAR IN REVIEW

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

On behalf of our board of directors and staff, thank you for your membership in Ascentra Credit Union. Your cooperative had another successful year in 2017. We're very pleased to report that we saved our membership more than \$6.9 million in direct financial benefits in 2017. This comes out to \$184 per member or \$387 per member household. Further, loyal members who use the credit union extensively saved \$1,351 per member household last year. The credit union was also successful in obtaining \$195,000 in First Time Homebuyer Grants in 2017. These \$7,500 grants helped make homeownership a reality for 26 families in our area. The board and staff remain focused on maximizing our return to our membership. We're driven by the financial success of our over 38 thousand members and by making a meaningful impact in the communities we all call home.

Ascentra Credit Union embarked on an extensive capital improvement plan in 2017. After much consideration the board of directors approved two dynamic projects to better serve our membership. In August of 2001 the credit union acquired a branch location at 1710 West 3rd in Davenport. This location was purchased from Wells Fargo after they pulled away from this market once they merged in Brenton Bank. The office has served our membership well over the years, but it's fair to say it was in dire need of updating. Work began in late 2017 and is anticipated to be completed in April 2018. Enhancements include additional office space for member privacy, larger, more open floor plan, first floor restroom, new drive up ATM and overall ambiance consistent with our other facilities. Additionally, the board approved moving forward with relocating our main office located at 1710 Grant Street in downtown Bettendorf to two blocks East at the block known as Town Square across from the Waterfront Convention Center parking lot. In November the credit union was successful in negotiating a development agreement with the City of Bettendorf, which included a \$2 million Tax Increment Financing (TIF) for our project. The new 4 story, 40 thousand square foot facility will house the heart of our credit union operations and allow the credit union to gain efficiencies through more streamlined staffing and space to grow for our future needs. The creative use of the TIF allowed us to sell our existing facilities to the City of Bettendorf and be paid back in future years through the increment. It also helps insure good paying jobs stay downtown and allows the city to develop our current location. We look forward to breaking ground in 2018 and moving into our new facility sometime in 2019. Rest assured that with these improvements, we'll continue our mission of maintaining a sound financial position while providing quality products and competitive rates on savings and loans.

Our VISA debit and credit card programs were enhanced last year with the introduction of our new uChoose Rewards program. It's the only rewards program that allows you to combine and redeem rewards points from your Ascentra VISA debit and credit card purchases. Thousands of members have signed up for this innovative program and have enjoyed the

wonderful benefits it provides. Apple Pay and Samsung Pay were also introduced last year, giving our membership even more functionality with their debit and credit cards. We look forward to introducing further user-friendly enhancements to our online and mobile applications in the coming year.

Given the increased demand for members needing assistance with estate planning services we formed a partnership with First Community Trust. Our membership has been well served by Ascentra Retirement & Investment Services for many years and adding the expertise of an estate and trust service partner further insures our membership is making sound estate planning decisions.

The Ascentra Credit Union Foundation has expanded our outreach and community impact. The mission of the 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. The foundation has granted just under \$300,000 to date and has assisted hundreds of local organizations in the communities we serve. In September we held our 3rd Annual Paul Lensmeyer Memorial Golf Outing which raises funds for the foundation. This wonderful event has raised more than \$52,000 over the past three years to help support meaningful programs in our area. In addition to the great work on behalf of the foundation, hundreds of volunteer hours and thousands of dollars have been raised by our caring, dedicated staff. Collectively our staff donated over \$15,000 through our Casual for a Cause program and another \$17,000 in support of United Way. We're very proud of our staff for giving back in such meaningful ways!

Ascentra Credit Union is committed to the people helping people philosophy that makes credit unions great. Our passion for helping our members and communities thrive drives us each and every day. Your dedicated board of directors provides leadership and oversight to insure we are meeting our mission of the overall financial sustainability of the membership, the credit union and the communities we serve. We look forward to building on our success together by listening, caring, doing what's right.

WEST 3RD STREET BRANCH IS GETTING A HUG!



In late 2017, renovation was approved to begin on our West 3rd branch, with the goal of providing a better branch to serve our members.

2017 BOARD OF DIRECTORS

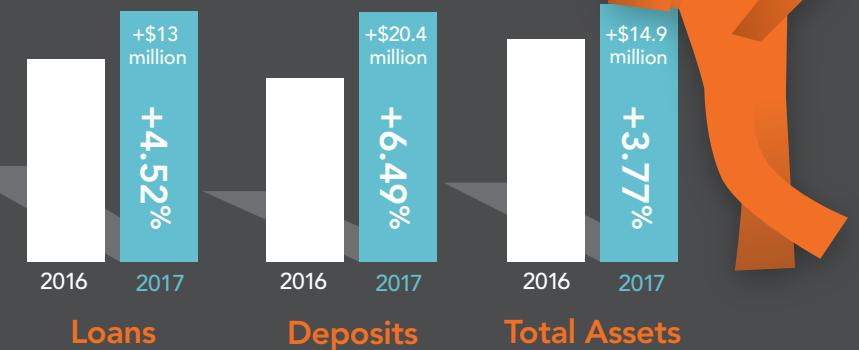
Larry Ridenour, Chairperson
Troy Smith, Vice-Chairperson
Larry Ketelsen, Secretary
Mary Soeder, Treasurer
Greg Aguilar
Dan Birdsley
Laura Curtis
Jay England

Woody Perkins
Gary Schocker
Ken Schrock

Associate Board Members
Joyce Carr
Robert Lee

FINANCIAL SUMMARY

The financial performance of Ascentra Credit Union showed very strong, positive results for 2017. Our 38,273 members are utilizing great products and services creating growth in all areas of the balance sheet. Loans to members increased \$13.0 million, or 4.52% over 2016. Great rates on mortgage products and consumer loan products are serving our members well. Deposits from members increased \$20.4 million, or 6.49% over 2016. Ascentra Credit Union remains very competitive in the market for its deposit products, reflective of the increase in balances during 2017. Total Assets increased \$14.9 million or 3.77%, ending at \$409 million. Ascentra Credit Union remains very well capitalized with a net worth of 10.33% at year end 2017. The complete Statement of Financial Condition appears below:



Statements of Income and Expenses Year ended December 31, 2016 and 2017 (unaudited)

INCOME	2017	2016
Interest on Loans	\$ 14,346,407	\$ 13,629,902
Investment Income	\$ 1,080,511	\$ 761,640
Fee Income	\$ 2,892,963	\$ 2,731,151
Other Income	\$ 5,854,341	\$ 6,392,676
Total Income	\$ 24,174,222	\$ 23,515,369
OPERATING EXPENSES		
Salaries & Benefits	\$ 8,490,026	\$ 8,332,290
Travel and Conferences	\$ 151,529	\$ 186,146
Office Occupancy	\$ 1,123,731	\$ 1,150,992
Office Operations	\$ 1,746,043	\$ 1,766,638
Business Development	\$ 564,456	\$ 584,644
Loan Servicing	\$ 615,120	\$ 1,122,152
Professional / Outside Services	\$ 3,900,855	\$ 3,218,784
Provision for Loan Losses / Share Losses	\$ 2,557,100	\$ 2,159,200
Other Operating Expenses	\$ 8,927	\$ 730,802
Total Operating Expenses	\$ 19,157,788	\$ 19,251,648
COST OF FUNDS		
Dividends on Shares	\$ 663,366	\$ 629,925
Interest on Deposits	\$ 1,336,024	\$ 1,085,081
Interest on Borrowed Funds	\$ 562,869	\$ 650,312
Total Cost of Funds	\$ 2,562,259	\$ 2,365,318
NON-OPERATING INCOME / (EXPENSES)		
Amortization Expense - Intangibles	\$ (29,265)	\$ (27,565)
Gain / (Loss) on Sale of Investments	\$ 0	\$ 0
Gain / (Loss) on Sale of OREO	\$ (47,620)	\$ (63,240)
Gain / (Loss) on Disposition of Assets	\$ (11,371)	\$ (14,973)
NCUSIF Stabilization Expense	\$ 0	\$ 0
Total Non-Operating Income / (Expenses)	\$ (88,256)	\$ (105,778)
Net Income (Loss) Before Extraordinary Items	\$ 2,365,920	\$ 1,792,625
EXTRAORDINARY ITEMS		
Extraordinary Income	\$ 1,225	\$ 165,532
Extraordinary Expense	\$ 0	\$ 0
Net Income (Loss) After Extraordinary Items	\$ 2,367,145	\$ 1,958,157

Statement of Financial Condition Year ended December 31, 2016 and 2017 (unaudited)

ASSETS	2017	2016
Loans to Members	\$ 301,869,624	\$ 288,825,974
Less: FAS 141 Credit / Discount Adjustment	\$ 0	\$ (170,775)
Less: Reserve for Loan Loss	\$ (3,593,948)	\$ (3,013,020)
Net Loans	\$ 298,275,676	\$ 285,642,179
Cash	\$ 7,765,940	\$ 8,788,954
Investments	\$ 40,892,176	\$ 36,027,328
Property and Equipment	\$ 14,023,955	\$ 14,533,865
Other Assets	\$ 46,817,550	\$ 47,879,426
Core Deposit Intangible	\$ 0	\$ 29,265
Goodwill	\$ 1,525,507	\$ 1,525,507
Total Assets	\$ 409,300,804	\$ 394,426,524
LIABILITIES AND EQUITY		
Regular Shares	\$ 77,532,667	\$ 73,585,682
Share Drafts	\$ 115,483,571	\$ 110,667,625
Money Market Accounts	\$ 36,543,812	\$ 34,695,586
Other Classes of Shares	\$ 10,688,278	\$ 9,758,603
Certificates	\$ 86,940,335	\$ 78,628,425
Individual Retirement Accounts	\$ 7,311,221	\$ 6,788,698
Funds Borrowed	\$ 23,435,000	\$ 32,180,000
Other Liabilities	\$ 9,438,446	\$ 8,506,450
Legal Reserves	\$ 13,264,920	\$ 13,264,920
Other Reserves	\$ (128,526)	\$ (73,401)
Undivided Earnings	\$ 24,519,903	\$ 22,152,758
Equity Acquired in Merger	\$ 4,271,178	\$ 4,271,178
Total Liabilities and Equity	\$ 409,300,804	\$ 394,426,524

Apple Pay and Samsung Pay introduced in 2017

