

AUDIT COMMITTEE REPORT

Gary Schocker, *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, a 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 Division of Credit Unions office, our state regulator, conducted an examination of the credit union effective June 30, 2020. The results of this examination were very positive with no major findings. The credit union was found to be operating in a safe and sound manner.

The credit union engaged Affirmx LLC during 2020 to conduct a Bank Secrecy Act audit. We were very pleased with the outcome of this audit. During 2020, Affirmx also completed a Safe Act audit, a website audit, and an ACH Audit, all of which were very favorable. Policy Works LLC, a division of the Iowa Credit Union League, was contracted to conduct audits in Collections as well as an overall policy review. We are pleased to report that no major findings were reported in any of these audits.

The credit union engaged a company called Trace Security to conduct our annual security risk assessment. This assessment contains very favorable results of which we are most proud. Monthly social engineering tests were conducted with very good results which demonstrated diligence on behalf of the entire staff surrounding social engineering issues.

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 \$250,000. Ascentra Credit Union is a federally insured credit union that is categorized as "Well Capitalized" with a 9.51% net worth ratio at year end 2020.

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, Greg Aguilar, Joyce Carr, and Bob Lee for their time this past year serving on the committee.



Staff members are given \$50 each to "be the light" for someone through a random act of kindness!

157 employees gave **\$7,850!**

CREDIT COMMITTEE REPORT

Woody Perkins, *Credit Committee Chairperson*

In 2020, Ascentra Credit Union disbursed \$128.5 million in loans. As the pandemic hit and our lobbies closed, we already had technology in place for members to apply online and disburse loans by electronically signing. Rates remained low and mortgage business boomed. This resulted in an increase in loans for the year of \$2.8 million, or .94% over 2019 with total loans at year-end coming in at \$304.5 million.

This past year was a monumental and record-breaking year for mortgage lending as 902 members took advantage of the historically low rates and purchased or refinanced their home throughout the year. Total mortgage production for 2020 was \$133.7 million. We ended the year with a serviced mortgage portfolio of \$281.8 million and an in-house portfolio of \$86.2 million.

Our Home Equity Line of Credit (HELOC) variable rate decreased by 1.50% in the 1st quarter due to the pandemic and remained at this point throughout the year. Many of our members paid off their HELOCs by refinancing their 1st mortgage loan, which decreased the portfolio by \$4.5 million. In 2020, we closed 180 Home Equity Loans with approximately \$7.8 million in available lines of credit.

We continued to grow our business lending portfolio by offering the Small Business Association's Payment Protection Program to help business owners with COVID-19 relief. We helped 55 members with over \$1.1 million in assistance. In 2020, we originated over \$18.9 million in gross Member Business Loan volume, and the Member Business Line of Credit added \$3.2 million in available lines of credit to our portfolio.

During 2020 we needed to help our members through the financial difficulties they were experiencing like no other year. We worked very hard to offer solutions that would assist them during the uncertain time. Some members needed an extension, Skip-A-Pay, Forbearance or an Emergency Loan to get them through. Member Solutions recovered over \$275,000 in charge offs and ended the year with a delinquency ratio of .59%, a decrease from .80% in 2019.

I want to thank my fellow committee members, Dan Birdsley, Larry Ketelsen, Tom Gibbs and Darla Wallock for all their hard work. Thank you for your use of the credit union products and services last year.



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 2020

IN THE COMMUNITY



Our Muscatine staff had a blast at **Almost Friday Fest!**



Ascentra shows support for Junior Achievement at the **Bowl-A-Thon** in Clinton!

2020 YEAR IN REVIEW

**Board of Directors,
Larry Ridenour, Chairperson
Linda Andry, Interim CEO**

This was an unprecedented year for Ascentra Credit Union, our communities and nation. We were faced with the adversity of managing our credit union amidst a world-wide pandemic while maintaining and providing financial services to our membership. Economic hardships presented themselves as the country was on lockdown and businesses were forced to close or operate at less than full capacity.

Ascentra rose to the occasion, committing \$1.5 million for businesses to apply for PPP (the Small Business Association's Paycheck Protection Program) loans, allowing them much needed funds to remain open during this time of uncertainty. Our credit union and our foundation gave \$10,000 each to both the Iowa Credit Union Foundation and the QC Community Foundation to build emergency fund pools for lowans to access. We offered free skip-a-pays to our members, deferred loan payments, refunded NSF fees, and offered low-rate emergency loans to support our members when they needed it most. During 2020, Ascentra helped 323 members with emergency loans, deferred 1,428 loan payments and 768 skipped payments. This impacted 13% of our members with loans.

Mother Nature provided us with something new and unexpected in August; a derecho. Many of our communities sustained wind speeds that matched that of devastating hurricanes. It took months to clean up debris and fallen trees. Ascentra was very fortunate that no major damage occurred to our facilities, but other areas in Iowa were hit much harder, with some credit unions facing major reconstruction to their branch locations. As always, Ascentra was there to help members who needed assistance during this time.



These challenges were difficult, however, the most difficult was losing our beloved leader and CEO, Dale Owen. The news of his cancer in June was incredibly devastating. Dale's fight was tremendous. Our board and staff were inspirational, providing Dale and his wife Angie with support and love during his battle. Our credit union, the credit union industry, and our communities lost a great leader on Nov. 14, 2020. Many are still grieving the loss of a good friend, co-worker and mentor. We all miss Dale greatly.

Our board of directors and management team needed to carry on, serving our members and completing projects just as Dale would have wanted. Ascentra had many accomplishments during 2020, but a few deserve special mention. The implementation and roll out of our new digital banking platform in September provide our membership with state-of-the-art technology to manage funds, send money, deposit checks remotely, manage a budget and retrieve statements. Whether utilizing desktop, tablet or smartphone to access your accounts, the look and feel are consistent on each device. We also rolled out a brand-new website in early 2020, complete with a chat feature if members prefer to communicate with our staff via online chat. This chat option is also available within our digital banking platform. The ability for members to access their funds and perform banking transactions remotely certainly found its way into how we do business during a pandemic. Having these technology resources ready and available for our membership allowed Ascentra to provide the services our members needed, even when our lobbies were closed. Financial banking systems were stressed to levels never before seen as stimulus money was disbursed, and we are proud to say that our newly implemented digital banking system and website were up to the task, providing members with uninterrupted service.

Ascentra Credit Union finished the year with over \$818 million in assets under management between the credit union, \$495 million, FHLB Serviced Mortgage Portfolio, \$282 million, and Ascentra Retirement & Investment Services, \$41 million. Our membership took advantage of the drop in mortgage rates by refinancing into lower rate mortgage loans and lowering their monthly payments. Ascentra's mortgage department closed 902 loans

for \$133,695,621 during 2020. This was a record year in mortgage loan closings for Ascentra. As rates are still historically low, the opportunity to refinance is still available! Consumer loan rates are also favorably low; it is a good time to refinance an auto loan, balance transfer your credit card, or open a HELOC with Ascentra. We remain committed to our value proposition to our membership and the savings we provide families who use our products and services.

Since its creation in 2014, the Ascentra Credit Union Foundation has awarded \$543,592 in grants and donations. In 2020, the Ascentra Credit Union Foundation gave \$99,500 in donations and grants, including three multi-year commitments to Junior Achievement of the Heartland, Girl Scouts of Eastern Iowa and Western Illinois, and Big Brothers Big Sisters of the Mississippi Valley. In September, we held our 6th Annual Paul Lensemeyer Memorial Golf Outing, which over the years has raised \$125,000 for the foundation to support meaningful programs in our area.

Another \$10,000 grant supported four mobile food pantries in areas we serve: Clinton, Muscatine, Davenport, and Moline. Food insecurity has been on the rise as communities continue to struggle through a pandemic, so the credit union also ran an auto loan promotion during the holidays in conjunction with the foundation's donation. The credit union committed \$50 per new loan to the River Bend Foodbank and \$50 to our member for bringing the auto loan to Ascentra. With the loyalty of our membership, Ascentra was able to donate \$23,350 to the River Bend Foodbank, providing approximately 116,750 meals for local families. A big thank you to our members for helping us help others!

In addition, our staff is very passionate about volunteering and helping others in their time of need. Collectively, our staff donated over \$12,000 through our Casual for a Cause program and another \$17,300 in support of United Way. Staff also participate in a Steppin' Up & Pay it Forward event in the fall utilizing \$50 provided by the credit union to benefit individuals or organizations in need. We had 100% participation by our staff and the impact in our communities was outstanding!

As we look forward to 2021, we are hopeful for a return to "normalcy" as the country and our local communities recover from every obstacle 2020 presented. At Ascentra, our leadership team and board of directors have approved a robust business plan to keep the credit union moving forward in key areas to serve you even better. Ascentra is committed to the people helping people philosophy. Serving our membership and providing low-cost products and value-added services are our top priorities. Serving in our communities, helping those in need and providing resources to local non-profit organizations will help our communities thrive and stay resilient.

This is what credit unions do, help others. Our members are also part of this people helping people philosophy. Dale Owen lived this, and he wanted all of us to continue to live out this mantra. Make a difference by showing kindness, be giving of your time and talents, serve, and "Be the Light" to others.

We will "Be the Light" – we are #AscentraStrong

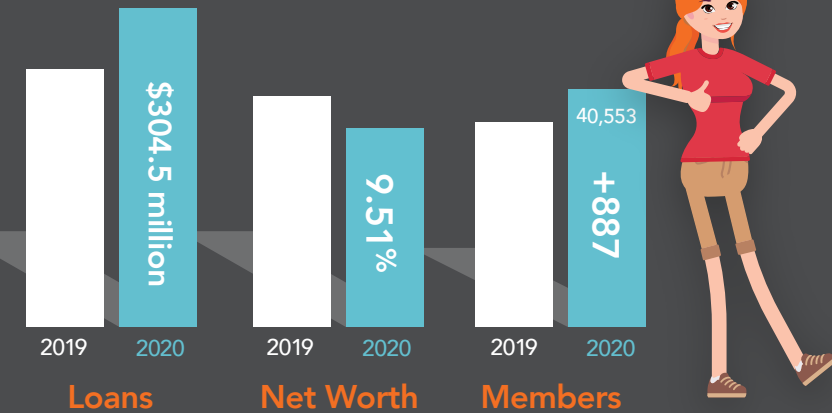
2020 BOARD OF DIRECTORS

Larry Ridenour, <i>Chairperson</i>	Woody Perkins
Troy Smith, <i>Vice-Chairperson</i>	Gary Schocker
Larry Ketelsen, <i>Secretary</i>	
Mary Soeder, <i>Treasurer</i>	Associate Board Members
Greg Aguilar	Tom Gibbs
Dan Birdsley	Bob Lee
Joyce Carr	Darla Wallock

FINANCIAL SUMMARY

The financial performance of Ascentra Credit Union showed positive results for 2020. At the end of 2020, we are 40,553 members strong with nine branch locations to serve our membership! Loans to members totaled \$304.5 million at year end 2020, increasing \$2.8 million over 2019. Great rates on mortgage products and consumer loan products are serving our members well. Ascentra Credit Union members utilized deposit product offerings and as a result, overall share balances increased \$75 million, or 21.4%. Total assets increased \$71.1 million or 16.8%, ending at \$495.4 million. Equity balances increased \$1.2 million, or 2.70%. Ascentra Credit Union remains very well capitalized with a net worth ratio of 9.51%.

The complete Statement of Financial Condition appears below:

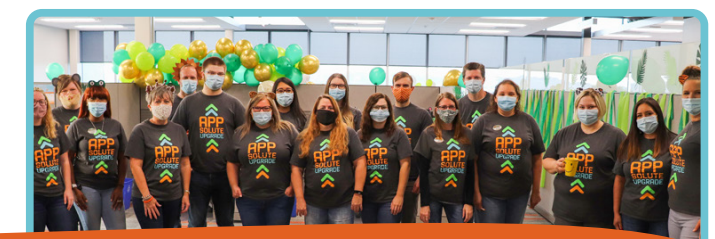


Statements of Income and Expenses Year ended December 31, 2019 and 2020 (unaudited)

	2020	2019
INCOME		
Interest on Loans	\$ 14,882,113	\$ 15,532,629
Investment Income	\$ 1,343,919	\$ 1,802,913
Fee Income	\$ 2,891,879	\$ 3,171,816
Other Income	\$ 6,896,273	\$ 6,367,874
Total Income	\$ 26,014,184	\$ 26,875,232
OPERATING EXPENSES		
Salaries & Benefits	\$ 10,700,922	\$ 10,272,451
Travel & Conferences	\$ 63,642	\$ 172,349
Office Occupancy	\$ 1,616,478	\$ 1,455,305
Office Operations	\$ 1,939,067	\$ 1,763,662
Business Development	\$ 647,278	\$ 777,813
Loan Servicing	\$ 832,416	\$ 718,681
Professional / Outside Services	\$ 4,514,256	\$ 4,691,130
Provision for Loan Losses / Share Losses	\$ 1,397,550	\$ 1,869,700
Other Operating Expenses	\$ 431,331	\$ 793,035
Total Operating Expenses	\$ 22,142,940	\$ 22,514,127
COST OF FUNDS		
Dividends on Shares	\$ 531,489	\$ 642,163
Interest on Deposits	\$ 2,029,961	\$ 1,776,485
Interest on Borrowed Funds	\$ 408,625	\$ 381,331
Total Cost of Funds	\$ 2,970,076	\$ 2,799,979
NON-OPERATING INCOME / (EXPENSES)		
Amortization Expense - Intangibles	\$ 0	\$ 0
Gain / (Loss) on Sale of Investments	\$ 0	\$ 29,498
Gain / (Loss) on Sale of OREO	\$ (46,148)	\$ (149,022)
Gain / (Loss) on Disposition of Assets	\$ 0	\$ 292,434
NCUSIF Stabilization Expense	\$ 0	\$ 0
Total Non-Operating Income / (Expenses)	\$ (46,148)	\$ 172,910
Net Income (Loss) Before Extraordinary Items	\$ 855,020	\$ 1,734,036
EXTRAORDINARY ITEMS		
Extraordinary Income	\$ 35,822	\$ 65,971
Extraordinary Expense	\$ (8,354)	\$ 0
Net Income (Loss) After Extraordinary Items	\$ 822,488	\$ 1,800,007

Statement of Financial Condition Year ended December 31, 2019 and 2020 (unaudited)

	2020	2019
ASSETS		
Loans to Members	\$ 304,496,426	\$ 301,672,650
Less: Reserve for Loan Loss	\$ (4,108,732)	\$ (4,015,014)
Net Loans	\$ 300,387,693	\$ 297,657,636
Cash	\$ 27,728,376	\$ 12,668,412
Investments	\$ 100,438,436	\$ 51,040,079
Property & Equipment	\$ 25,390,153	\$ 26,596,466
Other Assets	\$ 39,912,557	\$ 34,799,416
Goodwill	\$ 1,525,507	\$ 1,525,507
Total Assets	\$ 495,382,723	\$ 424,287,517
LIABILITIES AND EQUITY		
Regular Shares	\$ 122,633,049	\$ 89,018,566
Share Drafts	\$ 141,738,515	\$ 116,921,082
Money Market Accounts	\$ 43,247,908	\$ 35,932,928
Other Classes of Shares	\$ 16,701,814	\$ 12,780,148
Certificates	\$ 93,489,648	\$ 89,113,015
Individual Retirement Accounts	\$ 9,410,682	\$ 8,128,581
Funds Borrowed	\$ 10,000,000	\$ 14,445,000
Other Liabilities	\$ 10,690,465	\$ 11,725,276
Legal Reserves	\$ 13,305,012	\$ 13,305,012
Other Reserves	\$ 608,674	\$ 243,441
Undivided Earnings	\$ 29,285,779	\$ 28,403,290
Equity Acquired in Merger	\$ 4,271,178	\$ 4,271,178
Total Liabilities and Equity	\$ 495,382,723	\$ 424,287,517
Net Worth Ratio	9.51%	10.89%



Ascentra launched a new Digital Banking solution in 2020

Our Digital Branch was ready to serve members on launch day!