



83rd P1FCU
ANNUAL
BUSINESS MEETING

2020 ANNUAL REPORT

AGENDA

Call to Order by the Chair

Ascertain Presence of Quorum

Reading of Minutes of 2020 Business Meeting

Moment of Silence

Chair & President's Report – [pg. 4](#)

Supervisory Committee Report – [pg. 5](#)

Unfinished Business

New Business

Meeting Adjourned



EXECUTIVE MANAGEMENT & BOARD OF DIRECTORS

2020 BOARD OF DIRECTORS

Doug Mushlitz — Chair

Tara Leer — Vice Chair

Randy Buttenhoff — Treasurer

Holli Balmer — Secretary

Chris Martson

Tom Pfliger

Jamé Lou Davis

Kyle Morscheck

Wanda Keefer

SUPERVISORY COMMITTEE

Tom Luper — Chair

Doug Mushlitz

Becky Sturmer

EXECUTIVE MANAGEMENT

Chris Loeth

President & CEO

Patti Meshishnek

Executive Vice President & Chief Lending Officer

Troy Sandvick

Chief Operations Officer

Craig Emerson

Chief Financial Officer

Mike Vogeler

Chief Strategy Officer

Brent Gifford

Chief Information Officer

A MESSAGE FROM OUR CHAIR & PRESIDENT & CEO

On behalf of our Staff, Management, and Board of Directors, we want to thank you for virtually attending our 83rd Annual Business Meeting. We remain committed to bringing value to our members' financial lives and are committed to enhancing the quality of life in the communities we serve as we move into our 84th operational year. These are traits we are known for and attributes that have become our brand. This has been our tradition for 83 years, and we are continually building on these traits for the benefit of our members.

COVID-19 issues have been devastating across the United States and the world, and it continues to be a challenge. P1FCU altered branch schedules, work schedules, adjusted our operations and strived to meet the challenges presented to us in continuing to provide our much-needed products and services to our members. We have helped thousands of members and businesses and assisted our staff through these trying times. We appreciate our membership understanding the many needed adjustments we and other businesses have made to accommodate our members' needs.

Since our last annual meeting, we have opened Idaho branches in Genesee, Osburn, and Athol with a new branch building in Ponderay. Our Washington branches opened include College Place, Spanaway, Brewster, Tonasket, and Cle Elum, and our Oregon branches opened include Island City and Ontario. During these difficult times, the credit union has expanded the ability to serve our membership in many locations previously not accessible to our services. We overcame the many complications and difficulties related to construction, staff training, and branch implementation during COVID-19 issues. We are very proud of our ability to keep moving the credit union forward to benefit the many residents of these community areas.

P1FCU continues to experience strong membership growth with 9,360 net New Members this year for a 12-month growth rate of 10.1%. Our assets continue to grow as more members use the credit union, with an increase of \$310,232,862 or 24.6% in assets for 2020. Lending also had excellent growth for 2020. Our loans grew \$305,039,741 from 2019 to 2020 for a growth rate of 29.3%. This is an outstanding performance, and we cannot say enough about the quality, dedication, and commitment of our Staff, Management, and Board in their efforts to serve our members' needs throughout the year.

Callahan & Associates, who tracks every credit unions' financial performance in the United States, has once again given P1FCU excellent ratings as of 9/30/20. P1FCU is rated in the 94th percentile of all credit unions in the United States for Total Return to Members. The Total Return to Members is a rating based on Return to Savers, Return to Borrowers, and Member Service Usage. Additionally, P1FCU is in the Top 3% in the United States for Total Return to Savers and Top 2 % in the United States for Total Return to Borrowers.

Our Board of Directors and Executive Management Team continue to monitor our Strategic Plan and analyze the credit union's operations, the environment we operate in, and develop strategies and objectives to keep P1FCU strong and relevant to our members while positioned for continued success. P1FCU operates in a competitive financial market that demands close attention to all the details of our operations and ongoing analysis of the financial environment.

We want to thank Tara, Holli, Chris, Tom, Randy, Jame, Kyle and Wanda for their volunteer service on our Board of Directors. We also want to recognize Tom, Doug and Becky for their volunteer service as Supervisory Committee Members. The dedication of these volunteers is commendable and valuable to the members of P1FCU.

Thank you, our members, along with our Board, Staff, and Executive Management for making our credit union what it is today and for attending our 83rd Annual Business Meeting.

Sincerely,


Board Chair


President & CEO

SUPERVISORY COMMITTEE REPORT

The Supervisory Committee is charged with the responsibility of ensuring the operations of your credit union not only meets the regulations mandated by the Idaho Department of Finance, our primary regulator, and the National Credit Union Administration, an agency of the U. S. Government Agency, our federal regulator, but also serves you, the members, professionally and efficiently.

We are also charged with safeguarding the assets and shares of the credit union. We engaged the auditing firm of Moss Adams, Certified Public Accountants, to conduct our annual independent audit. The independent audit conducted by our outside auditing firm, along with the co-examination conducted by the State of Idaho, Department of Finance, our state regulator and our federal regulator, the National Credit Union Administration, is your assurance that the assets of your credit union is carefully guarded.

Your credit union is sound and growing. During the past year our growth was as follows:

MEMBERSHIP

GREW FROM **92,373** TO

101,733

REGULATORY CAPITAL

GREW FROM **\$115,857,904** TO

\$125,451,408

SUPERVISORY COMMITTEE REPORT

ASSETS

GREW FROM **\$1,260,851,949** TO

\$1,571,084,811

SHARES

GREW FROM **\$1,147,798,160** TO

\$1,427,947,240

LOANS

GREW FROM **\$1,041,458,792** TO

\$1,346,498,533

Your funds on deposit at the Credit Union are federally insured to benefit our membership. The National Credit Union Administration (NCUA), an agency of the United States Government, oversees the National Credit Union Share Insurance Fund, which provides \$250,000 of coverage per individual share account. There are more combinations of accounts, joint owners, individual retirement accounts and trust accounts that can increase your coverage beyond the \$250,000. We encourage you to meet with our credit union staff to discuss account options to increase your coverage by using various account structures that allow federal deposit insurance coverage well in excess of \$250,000.

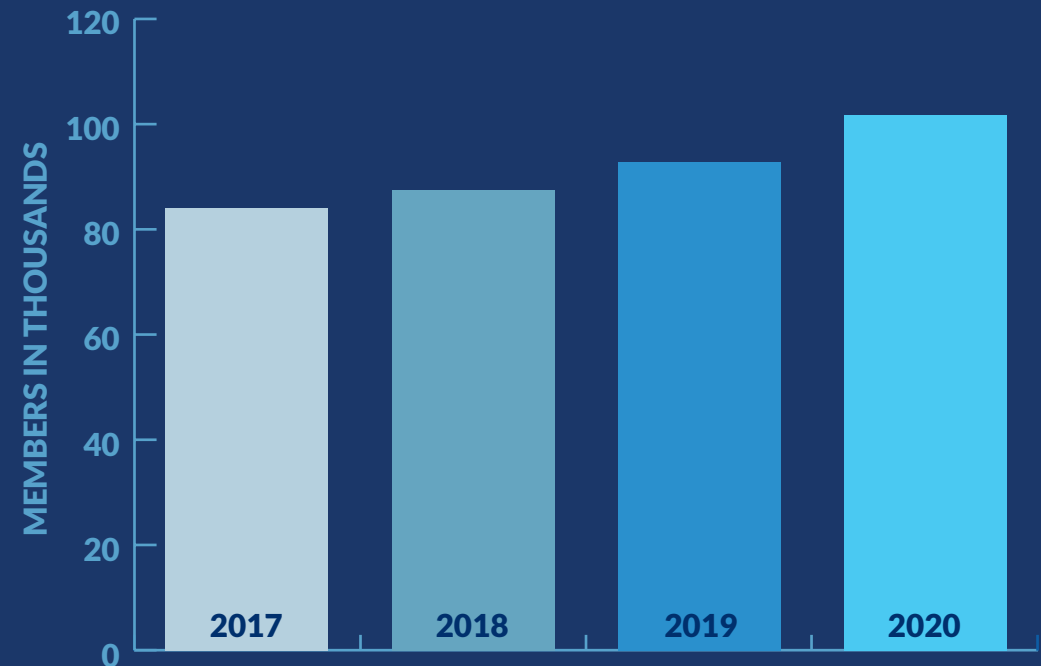
Brochures are available at the credit union pertaining to the National Credit Union Share Insurance Fund or at their website, www.ncua.gov.

FINANCIAL RESULTS & OPERATIONAL HIGHLIGHTS

P1FCU's 2020 financial results have been impressive during a very difficult year. We have experienced increases in all our major financial areas and our membership. The credit union has increased its financial stability to record levels while providing quality lending products and services to an ever-increasing membership base.

MEMBERS

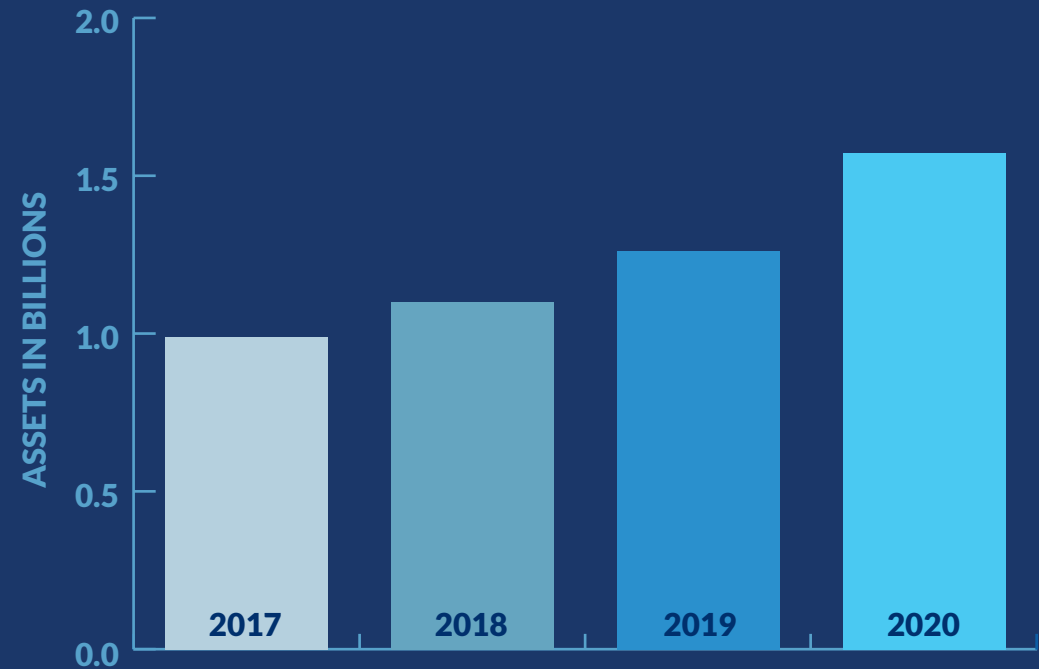
Membership continues to grow in our credit union at a rate of 10.13% for 2020 with 9,360 net new members. With the opening of 10 new branch offices in Idaho, Washington and Oregon during 2020, we expect membership growth to continue and we have now exceeded 100,000 members with 101,733 members at year-end. The national member growth rate average for all credit unions with \$1 billion to \$3 billion in total assets was 3.95% through September of 2020. Continued growth is consistent with our long-term objectives to strengthen P1FCU.



FINANCIAL RESULTS & OPERATIONAL HIGHLIGHTS

ASSETS

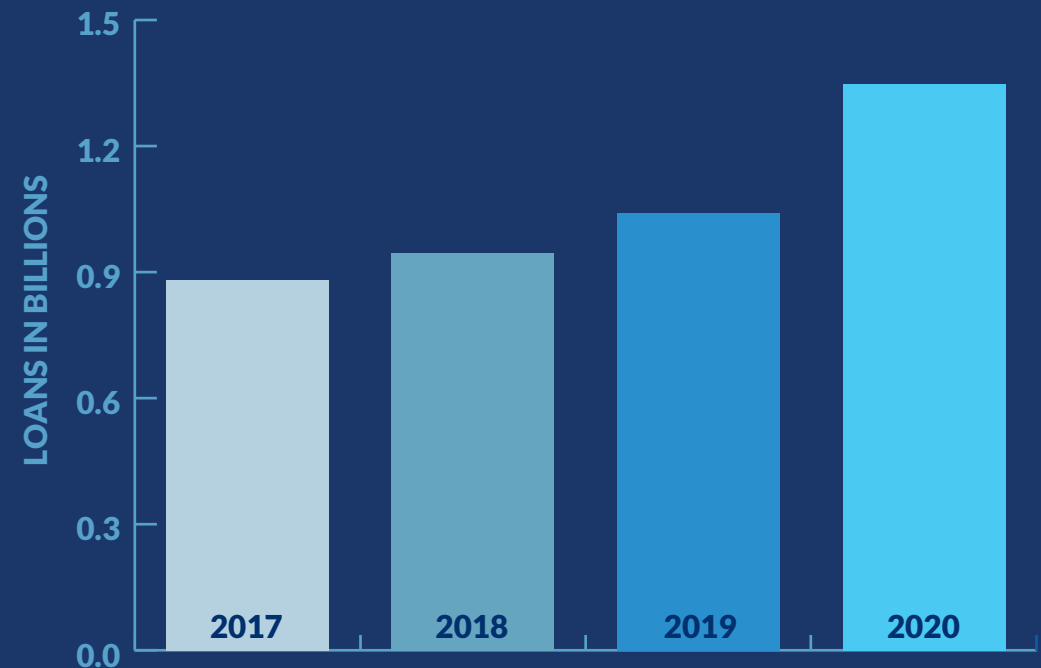
P1FCU's asset growth rate for 2020 was 24.61% compared to our 5-year average asset growth rate of 14.35%. This growth is represented by an increase in assets of \$310,232,862 from 2019 to 2020. P1FCU's growth rate has remained steady over the last several years allowing good control over our operational environment. Economic trends have been very dynamic with the COVID-19 pandemic during 2020, and during this time P1FCU has closely monitored these trends and adjusted our operations accordingly for the benefit and financial protection of our members.



FINANCIAL RESULTS & OPERATIONAL HIGHLIGHTS

LOANS

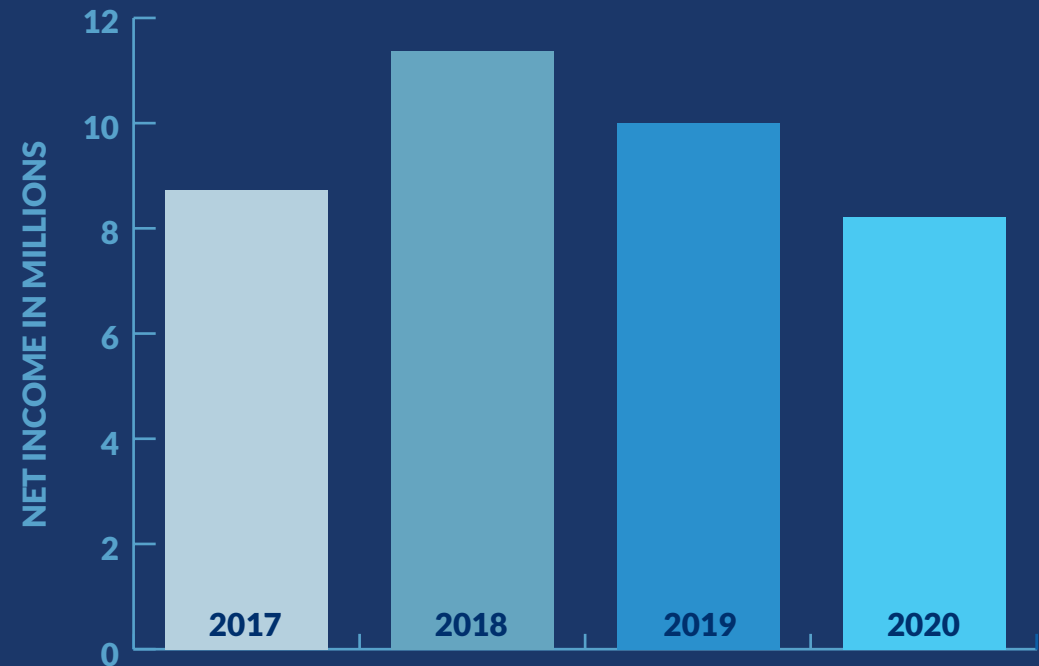
Lending for our members is at the core of P1FCU's operations. The Executive Management Team and Board of Directors spends much time analyzing the financial market and needs of our members within our lending programs. Loan growth for 2020 was 29.29% resulting in \$305,039,741 of increased loan balances at the end of 2020. We continue our efforts to offer what our members need with consumer loans, mortgage loans, and business loans, including 476 SBA Payment Protection Program loans (PPP loans) totaling \$26,127,393 funded during 2020, which helped many of our members manage the economic impact of the COVID-19 pandemic. Our success is a strong indicator of how P1FCU serves the needs of its members. P1FCU is the #1 auto lender in our 15 county North Central and Northern Idaho area. We are a strong mortgage lender with approximately 28.7% share of the Lewis Clark Valley mortgage market with continued growth in our other operational areas and we are also experiencing continued strong growth in the business lending arena.



FINANCIAL RESULTS & OPERATIONAL HIGHLIGHTS

NET INCOME

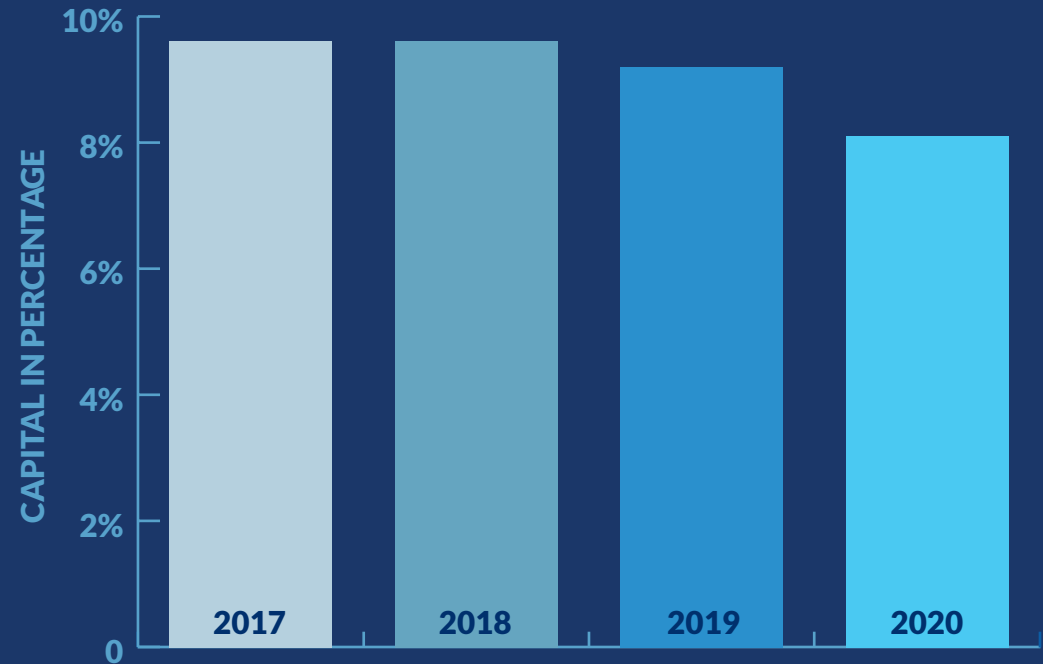
P1FCU generated \$8,206,172 in net income for 2020 compared to our five-year average from 2016 through 2020 of \$9,387,963. Total Gross Income increased in 2020 due primarily to lending growth while expenses during 2020 were higher than prior periods due to significant strategic technology infrastructure investments made during 2019. Net Income exceeded budgeted projections for 2020 by \$1,928,137. The Board Asset Liability Management Committee spends much time throughout the year reviewing operations and planning for our financial performance. P1FCU's Loan Loss Reserves are well funded to help the strength of the credit union and our consistent Net Income over the last 5 years has helped increase our overall financial reserves which in turn allows the credit union to increase products and services available to our members.



FINANCIAL RESULTS & OPERATIONAL HIGHLIGHTS

CAPITAL

P1FCU's Net Worth Ratio at 12/31/20 is 8.10% with Regulatory Capital of \$125,451,408. P1FCU's Net Worth Ratio is 15.7% above the 7.0% regulatory level of Net Worth to be considered "Well Capitalized," the highest regulatory ranking available, and Net Worth in excess of the "Well Capitalized" level was \$15,475,471 at the end of 2020. We focus on the financial health of the credit union for the benefit of our members. P1FCU has not only weathered economic downturns in the United States over the years but has actually flourished while keeping the credit union financially stable, and this was demonstrated again during 2020 in the face of the challenges presented with the COVID-19 pandemic. P1FCU is looking forward to our member's future with a wide array of affordable products and services for our members while still maintaining competitive loan and share interest rates for our members benefit. Increased reserve level requirements are being placed on credit unions nationwide, and P1FCU is capitalized well above the federal regulator's proposed new levels for the benefit of our membership.



STATEMENT OF FINANCIAL CONDITION

ASSETS	2018	2019	2020
TOTAL LOANS	\$945,680,386	\$1,041,458,792	\$1,346,498,553
Less: allowance for loan losses	(\$7,185,761)	(\$7,185,761)	(\$6,721,367)
Cash and cash equivalents	\$9,706,125	\$12,206,362	\$20,580,889
NET LOANS & CASH	\$948,200,750	\$1,046,479,393	\$1,360,808,055
Investments			
Overnight funds-corporate credit union	\$85,754,463	\$109,280,306	\$81,214,290
Deposits in commercial banks, S&Ls, Mutual Savings Banks	—	—	—
All other Investments	\$4,007,933	\$4,172,428	\$4,473,454
TOTAL INVESTMENTS	\$89,762,396	\$113,452,735	\$85,687,744
TOTAL OTHER ASSETS	\$65,401,736	\$100,919,821	\$125,039,012
TOTAL ASSETS	\$1,103,364,883	\$1,260,851,949	\$1,571,084,811

STATEMENT OF FINANCIAL CONDITION

LIABILITIES, SHARES & EQUITY	2018	2019	2020
TOTAL LIABILITIES	\$12,263,967	\$6,828,122	\$32,460,440
Shares & Deposits			
Share drafts	\$140,482,254	\$154,584,375	\$241,575,204
Regular shares	\$245,980,996	\$277,413,217	\$393,211,072
IRA/Keogh & Retirement Accounts – Certificates	\$61,375,213	\$70,825,330	\$74,171,356
IRA/Keogh & Retirement Accounts – Shares	\$9,904,959	\$9,231,462	\$9,845,354
Money market shares	\$231,825,752	\$234,306,479	\$355,472,589
Share certificates	\$305,272,233	\$401,437,297	\$353,671,666
All other shares & deposits (non-member)	—	—	—
TOTAL SHARES & DEPOSITS	\$994,841,407	\$1,147,798,160	\$1,427,947,240
TOTAL EQUITY	\$96,259,509	\$106,225,667	\$110,667,130
TOTAL LIABILITIES, SHARES, & EQUITY	\$1,103,364,883	\$1,260,851,949	\$1,571,084,811

STATEMENT OF INCOME

INCOME	2018	2019	2020
TOTAL INTEREST ON LOANS TO MEMBERS	\$42,770,527	\$46,660,233	\$51,990,287
Income from investments	\$1,037,852	\$2,524,143	\$596,498
Fee income	\$6,873,307	\$7,846,124	\$11,006,903
Other operating income	\$8,456,548	\$8,183,470	\$9,949,826
TOTAL GROSS INCOME	\$59,138,234	\$65,213,971	\$73,543,514
EXPENSES			
OPERATING EXPENSES	\$32,427,656	\$36,591,160	\$49,007,622
INCOME (LOSS) FROM OPERATIONS	\$26,710,578	\$28,622,810	\$24,535,892
Less: provision for loan losses	\$5,876,869	\$5,069,585	\$2,943,188
INCOME FROM OPERATIONS AFTER PROVISION	\$20,833,708	\$23,553,225	\$21,592,704
NON-OPERATING GAINS OR (LOSSES)	(\$243,729)	(\$594,701)	\$509,542
COST OF FUNDS	\$9,236,678	\$12,951,236	\$13,896,075
NET INCOME	\$11,353,301	\$10,007,289	\$8,206,172

2020 NEW BRANCHES



COLLEGE PLACE, WA – MARCH



ISLAND CITY, OR – JUNE



GENESEE, ID – JUNE

2020 NEW BRANCHES



SPANAWAY, WA – JUNE



TONASKET, WA - JULY



BREWSTER, WA – JULY



OSBURN, ID – AUGUST

2020 NEW BRANCHES



ONTARIO, OR – AUGUST



CLE ELUM, WA – AUGUST



PONDERAY, ID – DECEMBER

2020 ANNUAL REPORT



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