
80 YEARS OF ADVENTURE

80th Annual Business Meeting



P1FCU 2017 Annual Report

AGENDA

Call to order by the Chairman

Ascertain presence of quorum

Reading of minutes of 2016 Business Meeting

Moment of Silence

Chairman and President's Report (Page 3)

Supervisory Committee Report (Page 4)

Unfinished business

New business

Meeting adjourned



EXECUTIVE MANAGEMENT & BOARD OF DIRECTORS

Executive Management

Chris Loseth, President & CEO

Patti Meshishnek, Executive Vice President & Chief Lending Officer

Troy Sandvick, Chief Operations Officer

Craig Emerson, Chief Financial Officer

2017 Board of Directors

Randy Buttenhoff

Tod Dickeson

Jim Fuller

Gary Gilliam

Tara Leer

Lindsay Caldwell

Chris Martson

Doug Mushlitz

Tom Pfliger

Supervisory Committee

Tom Luper

Doug Mushlitz

Julie Sage

Jason Muhlenkamp

A MESSAGE FROM OUR CHAIRMAN & OUR PRESIDENT & CEO

On behalf of the Staff, Management and Board of Directors, we want to thank you for attending our 80th Annual Business Meeting. We stay committed to bringing value to our member's financial lives and committed to enhancing the quality of life in the communities we serve. These are traits we are known for and traits that have become our brand. This has been our tradition for 80 years and we are continually building on these traits for the benefit of our members.

P1FCU continues to experience strong membership growth with 4,875 net New Members this year for a 12 month growth rate of 6.13%. Our assets continue to grow as more members use the credit union with an increase of over \$82,329,776 or 9.13% in assets for 2017. Lending had excellent growth for 2017. Our loans grew over \$132,114,209 from 2016 to 2017 for a growth rate of 17.64%, well above our peer group average in the United States. This is outstanding performance and we cannot say enough about the quality, dedication and commitment of our staff and Management 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 given P1FCU excellent ratings. P1FCU is rated in the Top 3% 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 1% in the United States for Total Return to Savers.

Operationally we have expanded and were proud to have a grand opening for our new St. Maries branch office on November 9th. We are happy we are now able to offer a drive through and expanded office area to serve our members with much improved privacy and service capacity. We also opened a lending and operations center in Post Falls on June 20th which offers consumer, mortgage and business lending services as well as the opportunity to increase our call center capabilities in the Post Falls area. We continue to analyze areas in our 4 state rural district community charter counties for future branch expansion.

The Board Members and Executive Management Team continue to monitor our Strategic Plan and analyze the operations of the credit union, 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 Chris, Jim, Tom, Gary, Tara, Tod, Randy and Lindsay for their volunteer service on our Board of Directors and Tom, Julie and Jason for their volunteer service on the Supervisory Committee. Our Board Members are embarking on a Certified Credit Union Volunteer Program that involves many hours of study and testing to reach their certification. The dedication of your volunteer board is commendable and valuable to the members of P1FCU.

Thank you, our members, along with our Board, Staff, and Executive Management for making the credit union what it is today and for attending our 80th Annual Business Meeting.

Sincerely,

Doug Mushlitz
Board Chairman

Chris Loeth
President & CEO

SUPERVISORY COMMITTEE REPORT

The Supervisory Committee is charged with the responsibility of ensuring the operations of your credit union not only meet or exceed the regulations mandated by the National Credit Union Administration, an agency of the U. S. Government Agency, but also serve you, the members, professionally and efficiently. We are also charged with safeguarding the assets and shares of the credit union. We have 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 federal regulatory examination conducted by the National Credit Union Administration is your assurance that the assets of your credit union are carefully guarded.

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

ASSETS grew from \$901,600,713 to \$983,930,489

SHARES grew from \$813,858,229 to \$881,836,886

LOANS grew from \$748,665,248 to \$880,779,457

REGULATORY CAPITAL grew from \$85,766,764 to \$94,497,315

MEMBERS grew from 79,526 to 84,401

Funds on deposit at the Credit Union are insured in two ways to benefit our membership. The National Credit Union Administration, an agency of the United States Government, oversees the National Credit Union Share Insurance Fund, which provides \$250,000 of coverage per individual 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.

Your credit union also provides \$250,000 of additional share insurance at no cost to you on your deposits through Excess Share Insurance, a division of American Share Insurance, which although is not a Federal agency, is the only share insurance company licensed to operate in Idaho by the Idaho Department of Finance.

Brochures are available at the credit union pertaining to the National Credit Union Share Insurance Fund and Excess Share Insurance or at their websites, www.ncua.gov and www.excessshare.com.

STATEMENT OF FINANCIAL CONDITION

Assets	2016	2017
Loans	\$748,665,247.78	\$880,779,456.98
Less: allowance for loan losses	(6,723,984.00)	(6,723,984.00)
Cash and cash equivalents	9,011,470.39	10,026,197.59
NET LOANS AND CASH	750,952,734.17	884,081,670.57
Investments		
Overnight funds-corporate credit union	84,410,029.54	34,729,794.78
Deposits in commercial banks, S&Ls, Mutual Saving Banks	1,960,000.00	—
All other investments	3,068,641.88	3,889,853.72
TOTAL INVESTMENTS	89,438,671.42	38,619,648.50
TOTAL OTHER ASSETS	61,209,307.81	61,229,169.64
Total assets	<u>\$901,600,713.40</u>	<u>\$983,930,488.71</u>

Liabilities, Shares, & Equity	2016	2017
TOTAL LIABILITIES	\$8,330,779.15	\$14,676,202.64
Shares & Deposits		
Share drafts	105,283,342.35	116,630,470.13
Regular shares	204,267,717.38	221,593,845.79
IRA/Keogh & Retirement Accounts-Certificates	46,355,980.29	50,988,388.11
IRA/Keogh & Retirement Accounts-Shares	10,748,061.27	10,804,124.85
Money market shares	226,982,487.32	231,629,884.90
Share certificates	203,607,640.16	250,190,171.99
All other shares and deposits (non-member)	16,613,000.00	—
TOTAL SHARES AND DEPOSITS	813,858,228.77	881,836,885.77
TOTAL EQUITY	79,411,705.48	87,417,400.30
Total liabilities, shares, and equity	<u>\$901,600,713.40</u>	<u>\$983,930,488.71</u>



STATEMENT OF INCOME

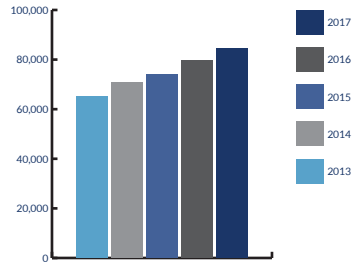
Income	2016	2017
TOTAL INTEREST ON LOANS TO MEMBERS	\$31,517,123.05	\$36,713,325.16
Income from investments	459,300.90	671,939.54
Fee income	7,334,211.46	6,414,671.56
Other operating income	7,354,203.10	7,241,865.35
Total gross income	\$46,664,838.51	\$51,041,801.61
Expenses	2016	2017
Employee compensation	\$10,789,315.52	\$11,252,117.16
Employee benefits	4,995,498.89	4,974,322.65
TOTAL COMPENSATION & BENEFITS	15,784,814.41	16,226,439.81
Travel and conference	75,439.12	130,473.48
Association dues	74,293.25	92,242.66
Office occupancy	1,637,326.97	1,806,480.56
Office operations	6,347,895.82	7,242,027.60
Educational and promotional	1,102,908.85	1,281,967.65
Loan servicing	1,326,943.35	1,596,527.83
Professional and outside services	1,088,589.59	1,252,385.17
Member insurance	49,047.48	59,463.52
Operating fees	160,213.39	262,364.46
Cash <over>/short	8,037.33	5,964.53
Annual meeting	5,788.96	2,941.76
Miscellaneous operating expenses	35,274.65	8,567.44
TOTAL EXPENSES LESS COMPENSATION & BENEFITS	11,911,758.76	13,741,406.66
TOTAL OPERATING EXPENSES	27,696,573.17	29,967,846.47
INCOME (LOSS) FROM OPERATIONS	18,968,265.34	21,073,955.14
Less: provision for loan losses	4,667,558.84	5,242,869.49
INCOME FROM OPERATIONS AFTER PROVISION	14,300,706.50	15,831,085.65
NON-OPERATING GAINS OR LOSSES		
Gain (loss) on investments	-	-
Gain (loss) on disposition of assets	(1,174.91)	-
Other non-operating income (expense)	293,073.98	(215,282.38)
TOTAL NON-OPERATING GAINS OR (LOSSES)	291,899.07	(215,282.38)
INCOME BEFORE COST OF FUNDS	14,592,605.57	15,615,803.27
COST OF FUNDS		
Interest on borrowed money	-	1,333.88
Dividends on shares	1,797,455.93	1,778,437.66
Dividends on regular certificates	3,329,905.13	4,107,855.68
Dividends on IRA certificates	822,744.05	997,624.41
TOTAL COST OF FUNDS	5,950,105.11	6,885,251.63
NET INCOME	\$8,642,500.46	\$8,730,551.64

FINANCIAL RESULTS &

P1FCU's 2017 financial results have been impressive. 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.

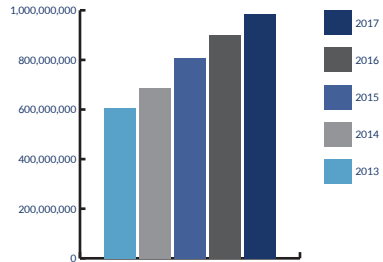
MEMBERS

Membership continues to grow in our credit union at a rate of 6.13% for 2017 with 4,875 new net members. Our 5 year average growth rate from 12/31/2013 to 12/31/2017 was 9.20%. For 2018 through 2021, net member growth has been budgeted at 7% which will take the credit union membership to over 110,000 members. The national member growth rate average for all credit unions over the past five years is 4.17% and P1FCU is well ahead of this trend. This continued growth is consistent with our long term growth objectives to strengthen P1FCU.



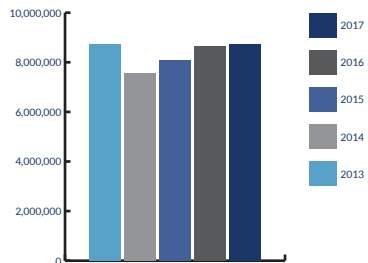
ASSETS

P1FCU's asset growth rate for 2017 was 9.13% compared to our 5 year average asset growth rate of 17.73%. This growth is represented by an increase in assets of \$82,329,776 from 2016 to 2017. P1FCU's growth rate has remained steady over the last several years allowing good control over our operational environment. Economic trends have been positive during 2017 but could be effected by actions being taken by the Federal Reserve Board with rate structures in the United States expected during 2018. P1FCU will keep a close eye on these trends and adjust our operations accordingly for the benefit and financial protection of our members.



NET INCOME

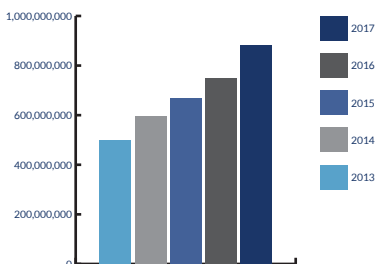
P1FCU generated \$8,730,552 in net income for 2017 compared to our five year average from 2013 through 2017 of \$8,348,399. Total Gross Income increased in 2017 due primarily to our 17.64% increase in lending. Net Operating Income was consistent with budgeting. The Board Asset Liability Management Committee 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.



OPERATIONAL HIGHLIGHTS

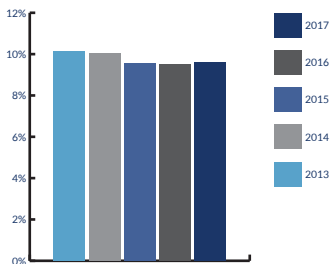
LOANS

Lending is at the core of P1FCU's operations. The Executive Management Team and Board of Directors spend much time analyzing the financial market and needs of our members within our lending programs. Loan growth for 2017 was 17.64% resulting in \$132,114,209 of increased loan balances at the end of 2017. We continue our efforts to offer what our members need with consumer loans, mortgage loans, and business loans. Our success is a strong indicator of how P1FCU serves the needs of its members. P1FCU is the #1 auto lender in our 11 county North Central and Northern Idaho area. We are also a strong mortgage lender with a high share of the mortgage market and continue to grow in the business lending arena. We will continue this growth pattern for 2018 through 2021 with loan growth projected at 12% annually.



CAPITAL

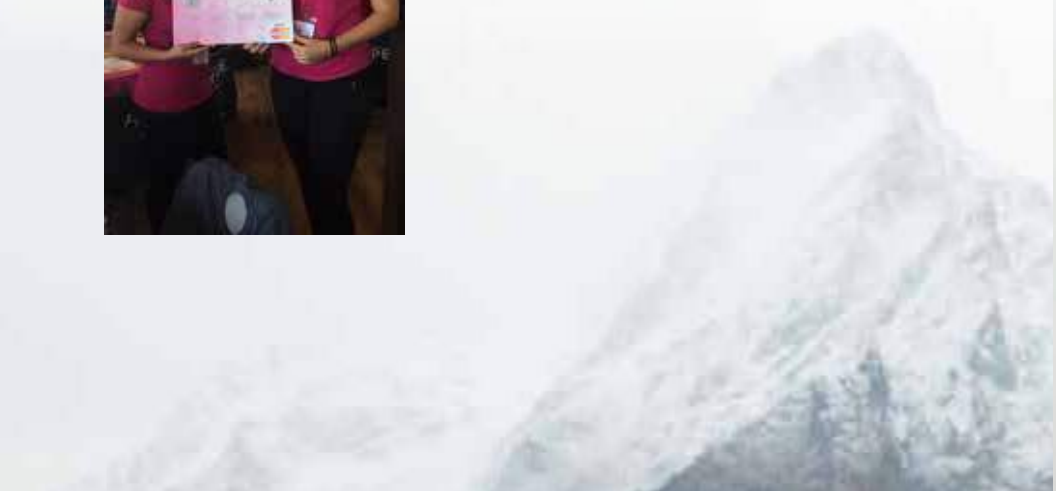
P1FCU's Net Worth Ratio at 12/31/17 was 9.60%. P1FCU's Net Worth Ratio is 37.14% above the 7% regulatory level of net worth to be considered "well capitalized", the highest regulatory ranking available. We focus on the financial health of the credit union for the benefit of our members. P1FCU has not only weathered economic downturns in the United States over the years but has actually flourished while keeping the credit union financially stable. 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.



YEAR IN REVIEW



**Over 5,600 hours
of volunteer time.**



YEAR IN REVIEW



Benefitting over 270 organizations in 2017.





P1FCU

2017 Annual Report

208.746.8900

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