



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

137 employees gave \$6,850!

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, 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 2016. The results of this examination in September 2016 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 RSM during 2016 to conduct a Bank Secrecy Act Audit. We were very pleased with the outcome of this audit. During 2016 RSM also performed internal audits for ACH, item processing and wire transfer processes. We are pleased to report that no major findings were reported in any of these audits.

During 2016, we engaged 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 1st mortgage lending 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 engaged 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. Social engineering audits performed in 2016 indicate that our staff is well trained to protect our organization from potential social engineering attacks. Also in the IT area we engaged RSM to conduct a general controls audit. 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 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 10.12% net worth ratio at year end 2016.

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, Laura Curtis and Dirk Mooy for their time this past year serving on the committee.

CREDIT COMMITTEE REPORT

Larry Ketelsen, Credit Committee Chairperson

In 2016, loan rates continued to remain low and Ascentra Credit Union disbursed \$151 million in loans. This resulted in net loan growth for the year of \$12.7 million, or 4.62% over 2015 with total loans at year end coming in at \$288 million.

256 members purchased new homes and 320 refinanced their current homes, all of them taking advantage of low mortgage rates. Total mortgage production for the year was \$84.9 million. We ended the year with a serviced mortgage portfolio of \$264 million and an in-house portfolio of \$64.8 million.

Our Home Equity Line of Credit remains very competitive in the market with a low rate and convenient advance options. In 2016, we closed 471 Home Equity loans with approximately \$18.7 million in available lines of credit. Our 10 & Done Mortgage Freedom Loan, with no closing costs and low rate helped 23 families in 2016 with \$1.2 million in loan volume.

We have continued to grow our business lending portfolio by referring and purchasing loan participation from Community Business Lenders and originating in-house member business loans. In 2016, we originated over \$8 million in gross loan volume. Over the last two years this has been a consistent source of new loan growth.

Our delinquency ratio as of year-end was 0.68%. Delinquency and charge offs continue to remain stable. Member solutions recovered almost \$260 thousand on charge offs. 1,234 members took advantage of the skip-a-payment program.

I want to thank my fellow committee members, Mary Soeder and Dan Birdsley for all their hard work. Thank you for your use of the credit union products and services last year.

ASCENTRA IN THE COMMUNITY



Ascentra employees volunteer and teach **Junior Achievement** in schools, making a positive impact in the lives of hundreds of students



Toys for Tots drop off and fundraiser

ANNUAL REPORT 2016

MAKING A DIFFERENCE
COOPERATIVE

LISTENING, CARING,
DOING WHAT'S RIGHT



UNIQUE

CARING
ACTIVE

SCHOLARSHIPS
VOLUNTEERING
TEAMWORK

COMMUNITY
NOT-FOR-PROFIT



Listening, caring, doing what's right.

2016 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. We're driven by the financial success of our over 37 thousand members and by making a meaningful difference in the communities we serve. As a Community Development Financial Institution (CDFI) we are a specialized financial institution that excels at serving low-income communities and lifting those of modest means to a more stable financial footing.

In 2016 the credit union was honored to receive its Juntos Avanzamos (Together We Advance) designation. Juntos Avanzamos is a nationwide designation for credit unions, which recognizes a commitment to empowering Hispanic consumers. To earn this designation, credit unions must show their ability to service the Hispanic marketplace in all areas of the organization. The designation is a nationwide initiative of The National Federation of Community Development Credit Unions. This recognition is a direct reflection of our work to grow the credit union through our marketing efforts.

Your credit union continues to experience strong, steady growth which has helped our cooperative grow to over \$394 million in assets. As we look forward to 2017 we remain committed to meeting the needs of our diverse and growing membership. A main focus will be addressing our space needs at our main office. It's a very dynamic time for Downtown Bettendorf as the city prepares for the new I-74 bridge. It's the right time to assess our needs and complete a final plan before the dust settles with the new bridge coming through in 2021. We are committed to Downtown Bettendorf and look forward to growing with our community.

In 2016 the credit union enhanced our VISA debit and credit cards with an award winning new vertical design and the latest EMV chip technology. By restructuring our card programs we were successful in bringing more security, functionality and features to our card programs while negotiating significant cost savings. We look forward to enhancing these programs further with our new rewards program, Apple Pay and Samsung Pay in 2017. Additionally, further technology enhancements will be coming to make our online and mobile applications more user friendly. With the many technology updates made in 2016, Ascentra was recognized by an industry leading banking technology company and awarded their 2017 Best Use of Technology Award.

The credit union continued its focus on youth development through our partnerships with the Bettendorf and Pleasant Valley Booker Bear, North Scott Scottie Reads and Moline Tiger Tales reading challenges. We recognized over 985 area first graders through these programs celebrating their reading success with their families and area educators. 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 through this program last year and another \$17 thousand in support of United Way.

2016 BOARD OF DIRECTORS

Larry Ridenour, *Chairperson*
Troy Smith, *Vice-Chairperson*
Elaine C. Reid, *Secretary*
Woody Perkins, *Treasurer*
Gary Schocker, *Audit Committee Chairperson*
Dale Owen, *President & CEO*

Larry Ketelsen, *Credit Committee Chairperson*
Laura Curtis
Dan Birdsley
Dirk Mooy
Mary Soeder

We're very proud of our staff for giving back in such meaningful ways! 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. Through our Leadership Grant Program the foundation funded \$17 thousand to 36 area non-profit organizations in 2016. The foundation has granted over \$171 thousand to date with another \$104 thousand committed in 2017-18. Over 70 local organizations have been served through these grants. In September we held our 2nd Annual Paul Lensmeyer Memorial Golf Outing which raises funds for the foundation. Over the first two years this event has raised over \$32 thousand to help support meaningful programs in our area.

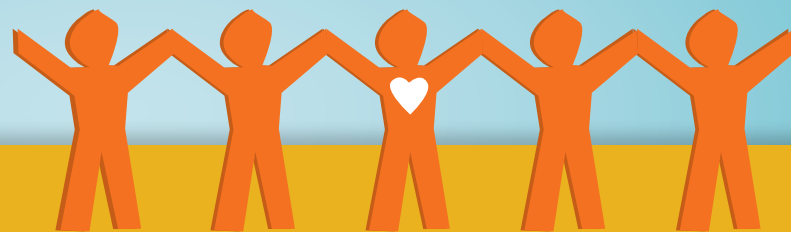
As member-owned and not-for-profit financial institutions, credit unions are unique from banks because individuals who serve on the boards of directors are democratically elected by the membership and serve without pay. The Ascentra Credit Union Board of Directors is extremely dedicated, with a genuine focus on the overall financial sustainability of the membership, the credit union and the communities we serve. Our success is directly tied to how often members like you use our products and services. If we've made a positive difference for you, please tell your family, friends and neighbors that Ascentra Credit Union stands ready to serve them. We look forward to building on our success together by listening, caring, doing what's right.



2017 Best Use of Technology Award

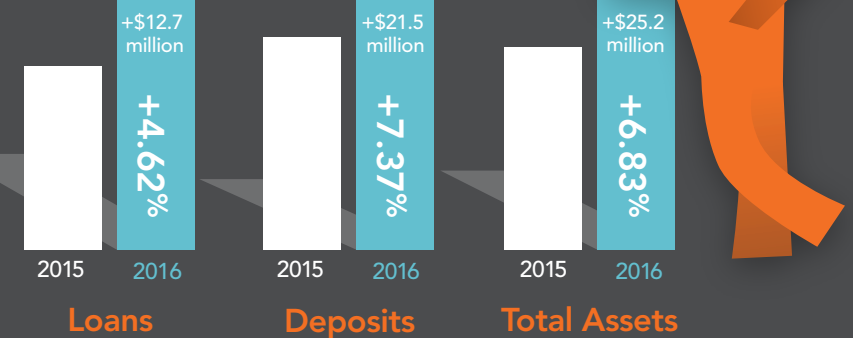


During 2016 our staff collectively gave over **\$15,000** of their hard-earned money to make a difference. Our staff also donated **\$17,000** to United Way.



FINANCIAL SUMMARY

The financial performance of Ascentra Credit Union showed very strong, positive results for 2016. Our 37,183 members are utilizing great products and services creating growth in all areas of the balance sheet. Loans to members increased \$12.7 million, or 4.62% over 2015. Great rates on mortgage products and consumer loan products are serving our members well. Deposits from members increased \$21.5 million, or 7.37% over 2015. Ascentra Credit Union remains very competitive in the market for its deposit products, reflective of the increase in balances during 2016. Total Assets increased \$25.2 million or 6.83%, ending at \$394 million. Ascentra Credit Union remains very well capitalized with a net worth of 10.12% at year end 2016. The complete Statement of Financial Condition appears below:



Statements of Income and Expenses Year ended December 31, 2015 and 2016 (unaudited)

	2016	2015
INCOME		
Interest on Loans	\$ 13,629,902	\$ 12,912,927
Investment Income	\$ 761,640	\$ 807,746
Fee Income	\$ 2,731,151	\$ 2,529,244
Other Income	\$ 6,392,676	\$ 5,122,537
Total Income	\$ 23,515,369	\$ 21,372,454
OPERATING EXPENSES		
Salaries & Benefits	\$ 8,332,290	\$ 7,673,644
Travel and Conferences	\$ 186,146	\$ 207,864
Office Occupancy	\$ 1,150,992	\$ 1,060,846
Office Operations	\$ 1,766,638	\$ 1,767,441
Business Development	\$ 584,644	\$ 644,176
Loan Servicing	\$ 1,122,152	\$ 1,396,029
Professional / Outside Services	\$ 3,218,784	\$ 2,939,339
Provision for Loan Losses / Share Losses	\$ 2,159,200	\$ 1,083,250
Other Operating Expenses	\$ 730,802	\$ 567,270
Total Operating Expenses	\$ 19,251,648	\$ 17,339,859
COST OF FUNDS		
Dividends on Shares	\$ 629,925	\$ 593,516
Interest on Deposits	\$ 1,085,081	\$ 781,125
Interest on Borrowed Funds	\$ 650,312	\$ 592,034
Total Cost of Funds	\$ 2,365,318	\$ 1,966,675
NON-OPERATING INCOME / (EXPENSES)		
Amortization Expense - Intangibles	\$ (27,565)	\$ (37,978)
Gain / (Loss) on Sale of Investments	\$ 0	\$ (553)
Gain / (Loss) on Sale of OREO	\$ (63,240)	\$ (110,338)
Gain / (Loss) on Disposition of Assets	\$ (14,973)	\$ (58,788)
NCUSIF Stabilization Expense	\$ 0	\$ 0
Total Non-Operating Income / (Expenses)	\$ (105,778)	\$ (207,658)
Net Income (Loss) Before Extraordinary Items	\$ 1,792,625	\$ 1,858,262
EXTRAORDINARY ITEMS		
Extraordinary Income	\$ 165,532	\$ 7,577
Extraordinary Expense	\$ 0	\$ 0
Net Income (Loss) After Extraordinary Items	\$ 1,958,157	\$ 1,865,839

2017 CUNA Marketing and Business Development Award-Winning Design



Statement of Financial Condition Year ended December 31, 2015 and 2016 (unaudited)

	2016	2015
ASSETS		
Loans to Members	\$ 288,825,974	\$ 276,080,613
Less: FAS 141 Credit / Discount Adjustment	\$ (170,775)	\$ (327,980)
Less: Reserve for Loan Loss	\$ (3,013,020)	\$ (2,510,059)
Net Loans	\$ 285,642,179	\$ 273,242,574
Cash	\$ 8,788,954	\$ 8,498,262
Investments	\$ 36,027,328	\$ 30,382,062
Property and Equipment	\$ 14,533,865	\$ 15,407,075
Other Assets	\$ 47,879,426	\$ 40,109,288
Core Deposit Intangible	\$ 29,265	\$ 56,830
Goodwill	\$ 1,525,507	\$ 1,525,507
Total Assets	\$ 394,426,524	\$ 369,221,598
LIABILITIES AND EQUITY		
Regular Shares	\$ 73,585,682	\$ 66,652,757
Share Drafts	\$ 110,667,625	\$ 106,471,218
Money Market Accounts	\$ 34,695,586	\$ 32,148,245
Other Classes of Shares	\$ 9,758,603	\$ 8,496,021
Certificates	\$ 78,628,425	\$ 72,113,829
Individual Retirement Accounts	\$ 6,788,698	\$ 6,694,170
Funds Borrowed	\$ 32,180,000	\$ 33,180,017
Other Liabilities	\$ 8,506,450	\$ 5,799,335
Legal Reserves	\$ 13,264,920	\$ 13,264,920
Other Reserves	\$ (73,401)	\$ (64,694)
Undivided Earnings	\$ 22,152,758	\$ 20,194,602
Equity Acquired in Merger	\$ 4,271,178	\$ 4,271,178
Total Liabilities and Equity	\$ 394,426,524	\$ 369,221,598

