



2017 Annual Report

# Chairman's Report

As we mark the end of another successful year, even with visions of bigger and better things ahead, we continue to focus on the things that we know are important to our members. Simply stated, helping individuals, families and small business owners make better decisions and grow stronger financially is at the core of everything that we do.

During 2017, the Board and Management Team completed a comprehensive strategic plan to map out the future of America's First. While there were many discussions about

new products, services and locations, an overriding theme that resonated throughout the process was the importance of staying true to our values and original mission. We firmly believe that having the right balance of technology and personal service while continuing to help those in need is what our members expect and deserve.

Our credit union is now 81 years old, and over \$1.5 billion in assets, but we have maintained a youthful spirit and energy that is essential to being an innovative and progressive credit union. We can serve you no matter how you choose to connect with us. We have new and improved facilities and the latest technology that gives you 24/7 access to your accounts, wherever you are. Your Board of Directors and Management Team are committed to ensuring that you have the very best rates and services across all of our delivery channels. Additionally, we constantly strive to provide our members with the best possible experience each time that you visit us in person, call or log-on as it not only sustains our growth, but also gives us an immense sense of pride and accomplishment.

From my vantage point as Chairman of the Board of Directors, it is clear that credit unions represent everything that consumers are seeking today. If we listen closely to the growing calls for fairness, affordability, inclusion, equity and opportunity, we quickly find a path to the credit union way of doing business. I think you will agree that America's First has answered that call.

It has been an honor and privilege to serve as your Chairman and to be a member of a team that is focused on helping you meet your financial goals. Thank you for your membership and confidence in our credit union.



Barney J. Hatten  
Chairman of the Board

# Supervisory Committee Report

In accordance with the Federal Credit Union Act, the Supervisory Committee is given the responsibility to determine whether the operations of the credit union are carried out in compliance with the Act and the regulations of the National Credit Union Administration.

The Supervisory Committee meets regularly with Risk Management and Internal Audit Staff as well as external auditors to review progress on the audit plan, discuss audit results and address the policies and procedures supporting the internal control systems of the credit union. The Board of Directors reviews a report from the Supervisory Committee each month.

Supervisory Committee members are appointed by the Board of Directors annually and serve on a volunteer basis. Members of the committee are selected based on their experience and expertise in the areas of business, finance and accounting.

Mauldin & Jenkins, LLC, an independent certified public accounting firm, was selected by the Supervisory Committee to conduct an audit of the financial statements of America's First Federal Credit Union for the calendar year 2017. Upon review of their audit report, the Supervisory Committee is proud to report that America's First received an unqualified opinion, meaning the financial statements as presented by management fairly represent the financial condition of the credit union as of December 31, 2017. This opinion is the highest attainable and reflects very favorably on the financial stewardship of the Board of Directors and the Management Team of America's First Federal Credit Union.

Jim Momenee  
Chairman

## 2017 Loan Officers' Report

In this data intensive world, we measure many things to determine how we're doing. However, a fundamental measure of our success is how we support our members. Our decisions and efforts have always focused on providing high quality products combined with low rates to meet the needs of our membership. In 2017, we are pleased to report that we experienced another year of solid, managed loan growth across all of our lending programs resulting in a net loan growth of almost 8% over 2016. During the year, we provided 21,085

loans to our membership in the amount of \$413,754,770. Our total portfolio grew by \$71,279,318 eclipsing the one billion dollar mark for the first time in credit union history. Our continued success included 16,904 loans for autos, boats, motorcycles and RV's, 2,984 new credit cards and unsecured lines of credit, 1,130 real estate loans, and 34 student loans. In addition, we provided 33 member business loans totaling \$2,609,094 in only our second year of production.



Supervisory Committee  
(From top down):  
Jim Momenee, Chairman;  
Katie Voss and  
Secretary; Chris Townes.

# Statements of Financial Condition

ASSETS	2017	2016
Cash and Cash Equivalents	\$ 248,604,053	\$ 239,467,570
Loans to Members-net	1,003,619,114	933,033,115
Investments	200,609,206	224,852,302
Property and Equipment	37,003,691	31,154,561
Other Assets	15,779,743	15,864,406
<b>TOTAL ASSETS</b>	<b>\$ 1,505,615,807</b>	<b>\$ 1,444,371,954</b>
<b>LIABILITIES AND MEMBERS' EQUITY</b>		
Dividends and Interest Payable	\$ 195,746	\$ 168,470
Accrued Expenses and Other Liabilities	18,136,965	13,701,768
Members' Shares and Deposits	1,318,355,059	1,272,661,542
<b>TOTAL LIABILITIES</b>	<b>\$ 1,336,687,770</b>	<b>\$ 1,286,531,780</b>
Regular Reserves	9,613,040	9,613,040
Undivided Earnings	159,314,997	148,367,090
<b>TOTAL MEMBERS' EQUITY</b>	<b>\$ 168,928,037</b>	<b>\$ 157,840,174</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 1,505,615,807</b>	<b>\$ 1,444,371,954</b>

Years Ended December 31, 2017 and December 31, 2016

These condensed financial statements are derived from the credit union's audited financial statements, which are prepared in accordance with Generally Accepted Accounting Principles (GAAP). To receive a detailed report of the company's financial statements, including the auditor's opinion, write to: America's First Federal Credit Union, Marketing Department, 1200 4th Avenue North, Birmingham, Alabama 35203.

# Statements of Income

INCOME	2017	2016
Loan Interest Income	\$ 32,907,412	30,431,454
Investment Income	6,035,593	4,879,553
Fees and Other Income	21,512,066	20,306,053
<b>TOTAL INCOME</b>	<b>\$ 60,455,071</b>	<b>\$ 55,617,060</b>
<b>EXPENSES</b>		
Compensation & Benefits	22,817,276	20,933,297
Office Operations and Loan Servicing	12,608,446	11,971,983
Occupancy	2,412,019	2,265,352
Other	4,375,724	4,375,147
<b>TOTAL OPERATING EXPENSES</b>	<b>\$ 42,213,465</b>	<b>\$ 39,545,779</b>
<b>INCOME FROM OPERATIONS</b>	<b>\$ 18,241,606</b>	<b>\$ 16,071,281</b>
Provision for Loan Losses	3,044,518	2,388,222
<b>INCOME BEFORE CAPITAL COSTS</b>	<b>\$ 15,197,088</b>	<b>\$ 13,683,059</b>
Dividend and Interest Expense	5,837,766	5,646,810
<b>NET INCOME</b>	<b>\$ 9,359,322</b>	<b>\$ 8,427,072</b>

Years Ended December 31, 2017 and December 31, 2016

These condensed financial statements are derived from the credit union's audited financial statements, which are prepared in accordance with Generally Accepted Accounting Principles (GAAP). To receive a detailed report of the company's financial statements, including the auditor's opinion, write to: America's First Federal Credit Union, Marketing Department, 1200 4th Avenue North, Birmingham, Alabama 35203.

# Management Report

It is certainly rewarding to look back at the accomplishments of the previous year when we had such outstanding results. 2017 was an exceptional year in terms of operational accomplishments, financial results, safety and soundness measures, community engagement, and member satisfaction.

From an operational perspective, the most significant event of 2017 would have to be the expansion project for our Main Office in downtown Birmingham. Completed in 1980, our needs had finally outgrown the existing space. After significant study and planning, ground was broken in July for a four-story addition that will adjoin the existing building and house a new branch office, auditorium, and office space. A parking deck for employees will also be constructed on an adjacent lot, and the existing branch facility will be repurposed for office space. The entire project is slated for completion in the spring of 2019.

A new facility was constructed to replace the aging Hoover office and was nearing completion at year-end. This new state-of-the-art branch was modeled after the recently completed Vestavia Hills office and brings a fresh new look, new services like safe deposit boxes, and expanded drive-thru lanes including a drive-up ATM.

Financially, our credit union excelled in all areas during 2017. Earnings were strong while operating expenses and loan delinquencies were less than other credit unions our size. We were able to pay better-than-market dividends while also continuing to build healthy reserves. Milestones of \$1



America's First Senior Leadership Team (L to R): Audra Weber, SVP-Chief People Officer; Mike Northrup, SVP-Chief Delivery Systems Officer; Bill Connor, President/CEO; Alan Stabler, EVP-CAO / General Counsel; Teresa Owens, SVP-Chief Financial Officer; Kevin Morris, SVP-Chief Retail Officer. Not pictured: Phil Boozer, SVP-Chief Sales Officer.

billion in total loans and \$1.5 billion in total assets were eclipsed by year-end.

From a safety and soundness perspective, credit union operations were monitored and reviewed throughout the year by our internal audit staff without substantive findings. Additionally, we received a favorable opinion on our financial statements by an independent accounting firm as well as satisfactory results from our Information Security audits to ensure that our systems are secure. Our capital level remains well above the 7% threshold set by NCUA as "well capitalized".

Community involvement continued to be an important part of our operation during 2017. The credit union sponsored numerous events throughout the year which contributed to the quality of life in the communities we serve. A number of our staff members served in volunteer capacities in local schools, chambers of commerce, nonprofits, and civic organizations.

America's First also received several honors in 2017 including: Credit Union of the Year

# Community Report

**Management Report** (cont. from page 6).  
from the League of Southeastern Credit Unions, Birmingham Business Journal Corporate Citizen, Best Companies to Work For from Business Alabama, and the Credit Union National Association Training Champion award.

We conducted an extensive member survey in the spring to gauge satisfaction levels with current products and services, interest in new technologies and future branch locations, as well as reasons members choose certain competitors' products over ours. The results gave us a wealth of product information, much of which was incorporated into our 2018 business plan. The survey also showed a very high level of satisfaction with service to the membership.

In closing, on behalf of our volunteers, management and staff, it has been a pleasure to serve you in 2017. We are now over 150,000 members strong and confident that we are well positioned to continue to be successful moving forward. We strongly believe that the merits of belonging to a credit union, where your needs are always put ahead of profits and politics, will be attractive to an ever-widening segment of our population.

## 2017 Community Report

Each year, our employees select three non-profit agencies to receive the funds raised by our Community First Campaign. In 2017, we raised over \$90,000 that was donated to the Crisis Center, Kid One Transport and Make-A-Wish Alabama. Our annual Charity Open Golf Tournament, annual Sporting Clays Charity Tournament, member donations, internal fundraisers and in-branch member donations generated these funds. We appreciate the support of our event

participants and our members for embracing the Community First campaign and making 2017 the most successful fundraising year yet! Together, we are making an impact in our communities.

In 2017, our employees participated in 832 community events, including festivals, walks, races, blood drives, and chamber of commerce events. In addition, employees volunteered over 1,148 hours at various local organizations including serving food to the sick and homeless members of our community as well as helping high school students prepare for job interviews and make wise financial choices.

We continue our commitment to serving local businesses through our no-cost Benefit Partner program. This program offers local businesses and organizations special membership benefits and free financial education workshops. In 2017, we conducted over 70 financial workshops for our benefit partners covering topics like budgeting, financial planning and tips for buying a first home.

Our Rising Star program recognized 30 local high school students and awarded four scholarships to help these very deserving students continue their education. Since the program's inception in 2009, we have awarded \$109,000 in scholarships. We were also involved in the Greater Shelby County Chamber of Commerce, Educator and Student of the Year awards and the City of Birmingham Division of Youth Services Holiday Toy Drive.

We continue to focus on our core value of community commitment by being a good neighbor and actively supporting events that reflect family values and financial responsibility.

# America's First Core Values

## **Integrity Based**

The Board of Directors and Management have instilled the highest ethical standards for all business practices and personal conduct and will accept nothing less.

## **Member Focused**

We are committed to consistently providing exceptional service and value to our members and pledge to treat every member with dignity and respect and in a fair and equitable manner.

## **Financially Sound**

We maintain disciplined business practices to ensure that we have the financial resources to meet the needs of our members.

## **Community Commitment**

We will be a valued corporate participant in the communities we serve by actively supporting organizations and events that improve the quality of life of our neighbors.

## **Employee Centric**

We strive to maintain a corporate culture and learning environment that inspires, attracts and retains highly talented and service minded team members.

