

LAYING THE FOUNDATION 2010 ANNUAL REPORT

professionalism • commitment • ethical • integrity • community • honesty
adaptability • teamwork • responsibility • service • friendly • quality
accountability • democratic • competitive • flexibility • cooperation
loyalty • reliable • innovation • collaboration • education • proactive
security • growth • balance • strength • partnerships • dedicated • prudence
competency • approachable • fun • members • trust • value • employees
diversity • passion • people • training • caring • respect • confidentiality • value
supportive • knowledge • efficient • environment • fulfillment • excellence



2010 Report from the President/CEO

2010 was a year filled with positive changes for 1st Financial Federal Credit Union. It marked the beginning of an exciting new direction for 1st Financial, where our goal is to be the best overall value in banking in the St. Louis marketplace. We will accomplish this goal over the next five years, by focusing on transforming 1st Financial into a more efficient organization, by providing quality loan products to our members and prospective members, and by paying competitive dividends on our deposit products.

We started "laying the foundation", for this strategy in 2010, by concentrating on operating efficiencies. In the spring of 2010, we began a search for a new core computer processing system, and after much research and review of systems, we decided to partner with Symitar® to provide a more efficient core processing system for our employees and our members. We'll migrate to the new system on August 1, 2011, and have already begun the intensive pre-work to ensure that our migration proceeds smoothly.

In 2010, we became an approved Small Business Administration (SBA) lender. We worked diligently for this designation so that we can provide quality business loans to our members, and to our community at a fair cost. In an era where most financial institutions are focused on increasing profits and market share, we remain focused on our members. In 2010, our business lending department provided over \$3 million to small business owners. In addition, 2010 was also a year to "re-balance" our balance sheet. We made the deliberate strategic decision to shrink our asset size. Our goal in 2010 was to focus on the efficient use of assets in order to return to profitability. Management decided to focus on areas in which we could deliver service to our members that is second to none, such as vehicle and business lending. We continue to remain one of the premier auto loan lenders in St. Louis. And soon, we'll be known as one of the premier business lenders as well. 2010 was not without its challenges, but we met those challenges head on and emerged victorious.

For the past two years all credit unions have been assessed fees from the National Credit Union Administration (NCUA) for the "Corporate Stabilization Plan". Assessments were levied on all credit unions to help support the corporate credit union network so that taxpayer funds would not need to be used, as they were at banks. Despite paying significant assessments for the past two years, in the 4th quarter, we had our first quarter of positive earnings from normal operations in nearly two years. Few credit unions can claim this level of improvement in 2010. How did we do it? By continuing to lend to our members when they needed it most and offering competitive savings products. We have also retained our "Well Capitalized" status with our federal regulator, the NCUA. This is the highest capital category the NCUA recognizes. We continue to be a safe and secure financial institution for our 33,000 plus members.

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It's important to note that at a time when many other financial institutions were discontinuing their free checking services, or increasing the amount and variety of fees they charge, 1st Financial remained committed to offering free checking account products, competitive deposit rates, low loan rates, and fewer fees. While many financial institutions did this to increase their earnings, all of us at 1st Financial looked for ways to reduce our expenses while still providing an excellent overall value to our members. We accomplished this, not through pay cuts, or closing of branches, but through good, old fashioned belt tightening. As many of you have had to do this, we have as well. While 2010 was a year for us to re-define our focus on the business side of 1st Financial, we also continued our focus on the charitable side as well. In 2010, we raised over \$ 10,800 for the Children's Miracle Network of Greater St. Louis, \$3,700 for the Susan G. Komen foundation, and thousands more for other causes. We could not have made these contributions to so many worthwhile causes, without the support of you, our members.

2011 is on track to be an exciting year for your thriving credit union as we work to provide the best overall value in banking. On behalf of all of us at 1st Financial, we would like to pass along our sincere thanks for choosing 1st Financial for your financial needs. We realize you have many choices and consider it a privilege to serve you each and every day.

Sincerely,
Frank Nelson, President/CEO

Supervisory Committee Report

The purpose of the Supervisory Committee is to ensure the financial condition of the credit union is accurately and fairly presented in the credit union's financial statements; and the credit union's management practices and procedures are sufficient to safeguard members' assets. The Committee supervises an annual external audit of the financial condition of the credit union, verifies account information, and reports the results to the Board of Directors. In 2010, the Certified Public Accounting firm of Stephen Lang and Associates was retained by the Committee to perform the annual audit of the credit union's financial statements. The National Credit Union Administration also conducted their examination of the credit union during 2010.

In addition to these audits and examinations, the Committee conducts periodic tests of the credit union's operations and accounting practices. All items disclosed by the above referenced audits, examinations, and tests have been addressed and any necessary corrective action(s) has been taken. It is the unanimous opinion of the Supervisory Committee that 1st Financial Federal Credit Union is a financially solid credit union and is being operated safely and soundly while providing quality member service.

Respectfully submitted,
James Combs, Chairman
Aileen Sandoval – Committee Member

Comparative Balance Sheet As of 12/31/10*

Assets	2010	2009
Loans to Members	\$168,063,630.00	\$151,112,000.00
Cash on-hand and in Banks	2,528,093.00	2,970,521.00
Investments & Deposits	21,366,418.00	41,695,757.00
Land, Office Prop, & Equip.	13,380,530.00	13,680,469.00
National CU Share Ins. Fund	1,882,004.00	1,997,260.00
Accrued Interest Receivable	890,298.00	797,417.00
Other Assets	1,637,445.00	13,584,800.00
Total Assets	\$209,748,418.00	\$225,838,224.00
Liability and Equity		
Member Shares	\$193,382,503.00	\$208,687,595.00
Accounts Payable	404,188.00	419,498.00
Accrued Dividend Payable	320,554.00	499,531.00
Other Accrued Expenses	132,466.00	131,825.00
Total Liabilities	\$194,239,711.00	\$209,738,449.00
Equity and Reserves		
Regular Reserves	\$2,923,808.00	\$2,923,808.00
Reserve for Contingency	12,384,899.00	12,975,967.00
Undivided Earnings	200,000.00	200,000.00
Total Equity and Reserves	\$15,508,707.00	\$16,099,775.00
Total Liabilities, Equity & Reserves	\$209,748,418.00	\$225,838,224.00

Board Members and Management

Board of Directors

George Winka
James (Bo) Setzekorn
James Combs
Paul Sikorski
Thomas McDuffey

Supervisory Committee

James Combs
Aileen Sandoval

Senior Management

Frank Nelson - President/ Chief Executive Officer
Mary Jo Garofalo - Chief Operations Officer
Carol Minges - Chief Information Officer
Carol Lupo - Senior Vice President, Lending and Collections
Michelle McBride - Senior Vice President, Finance
Michelle Rosner - Senior Vice President, Corp. Communications
Robyn Whalen - Senior Vice President, Human Resources
Martin Kinder - Vice President of Business Services
Terry Colosi - Vice President of Investment Services

Branch Operations

Karen Neel - Downtown, St. Louis Branch
Patricia Johnson - Wentzville Branch
Renee Markert - St. Charles Branch
Tanya Forsythe - Hazelwood Branch

Management

Chantell Cross - Contoller
Chris Fine - Manager, Network
Chuck Holmes - Manager, Member Services
Hatty Dorton - Manager, Lending
Jennifer Micketto - Manager, Training and Development
John Piper - Manager, Indirect Lending
Kaye McMullin - Manager, Quality Assurance
Kim Bear - Manager, Collections

1st Financial Federal Credit Union exists to serve members, employees, and the community with a cooperative spirit of enriching lives one person at a time.



Downtown St. Louis
1407 Washington Avenue
St. Louis, MO 63103

Hazelwood
5916 North Lindbergh
Hazelwood, MO 63042

St. Charles
1550 Country Club Plaza
St. Charles, MO 63303

Wentzville
1232 Wentzville Parkway
Wentzville, MO 63385



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