

2011 Report From The Chairman And The CEO



I'm pleased to report that 1st Financial Federal Credit Union's conservative operating philosophy combined with a continued focus on efficient operations resulted in a solid financial performance in 2011. Faced with narrowing margins, a stressful economic situation and an ever changing regulatory environment, 2011 was a challenging, yet exciting year for the credit union. 1st Financial saw a return to profitability – the first time in nearly three years.

Continuing with our goal to be the best overall value in banking, we introduced a new core processing system in August. The upgrade provides 1st Financial employees with best in class tools to provide unparalleled service to the membership. As a result of the upgrade, mobile banking and personal financial management tools are coming soon to the credit union's line up of products and services.

Thanks to our goal of providing the best overall value in banking, 1st Financial experienced a healthy growth of membership in 2011. As always, we took every opportunity to provide the best loan and deposit products to serve the membership. In 2011 we introduced low auto loan rates, as well as industry leading fixed rate home equity loans.

While we kept our focus on providing the very best value in banking for our members, we also stayed involved in our surrounding communities. The dedicated efforts of our members and staff in 2011 resulted in a donation of over \$25,000 to The Children's Miracle Network (CMN) of Greater St. Louis. In addition to CMN, we partnered with Kid Smart, Warners Warm Up and the St. Louis Crisis Nursery in 2011.

2012 is on track to be another exciting year at 1st Financial Federal Credit Union as we work tirelessly to provide our community with 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 and CEO
Jim Combs, Chairman of the Board



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 2011, 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 2011.

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,
Christina Mulvenna, Chairperson
Gina Sparacino, Committee Member

Comparative Balance Sheet

As of 12/31/11*

Assets	2011	2010
Loans to Members	\$166,754,349.00	\$168,027,930.00
Cash on-hand and in Banks	3,097,937.00	2,528,093.00
Investments & Deposits	25,815,134.00	21,366,418.00
Land, Office Prop, & Equip.	13,778,640.00	13,380,530.00
National CU Share Ins. Fund	1,979,039.00	1,882,004.00
Accrued Interest Receivable	913,061.00	890,298.00
Other Assets	860,230.00	1,637,445.00
Total Assets	\$213,198,390.00	\$209,712,718.00
Liability and Equity		
Member Shares	\$196,597,310.00	\$193,382,503.00
Accounts Payable	588,708.00	404,188.00
Accrued Dividend Payable	0	320,554.00
Other Accrued Expenses	134,258.00	132,466.00
Total Liabilities	\$197,320,276.00	\$194,239,711.00
Equity and Reserves		
Regular Reserves	\$2,923,808.00	\$2,923,808.00
Reserve for Contingency	12,754,306.00	12,349,199.00
Undivided Earnings	200,000.00	200,000.00
Total Equity and Reserves	\$15,878,114.00	\$15,473,007.00
Total Liabilities, Equity & Reserves	\$213,198,390.00	\$209,712,718.00

*Unaudited