



ANNUAL REPORT

2018

Federally Insured by NCUA



1st Advantage
Federal Credit Union



THANKS TO OUR VALUED MEMBERS

On behalf of your Board of Directors and management team, thank you for your membership and continued trust in 1st Advantage Federal Credit Union. We are just as steadfast today in improving the financial well-being of our member-owners as when we first opened our doors nearly sixty-seven years ago. We are pleased to report that 2017 was another successful year for your Credit Union.

1st Advantage remains financially strong, having surpassed **\$660 million** in total assets. Our net worth to total asset ratio at fiscal year-end increased to **11.48%**, significantly exceeding our federal regulator's requirement to be considered well capitalized. In 2017, 1st Advantage was the recipient of the highest **Five-Star Superior rating** from BauerFinancial Inc., the nation's most well-known independent rating service for banks and credit unions. Once again, 1st Advantage remains safe, sound, and secure.

1st Advantage continues to receive positive recognition in the local community. In 2017, we were selected as "Best of Readers' Choice" in the Coastal Virginia Magazine's Best of Contest. Once again, The Daily Press and Virginia Gazette named 1st Advantage "Best Financial Institution" in the local markets. These accolades reflect our commitment in working together to secure a real financial advantage for you and your family.

As we continue to grow, we recognize the importance of continuing to look for ways to help make banking with 1st Advantage easier and more convenient. In 2017, we celebrated a new branch with the grand opening of the Virginia Beach Town Center branch. Our branch footprint is now expanded to **fifteen locations** to better serve all of the Hampton Roads market.

At 1st Advantage, the safety and security of your account information remains a top priority. Last year, debit card and credit card alerts were introduced, allowing members to take an active role in protecting their accounts. Now, you can receive a text or email about balances, activity and more. In 2017, we also offered The Card Lock™ App, helping you control and monitor where and when your 1st Advantage credit card is used. This year, we will be unveiling a new Online Banking system with a responsive design and new features that will make it easier than ever to securely access your money.

As a community credit union, we take great pride in uplifting our neighbors by supporting local organizations through donations, volunteer hours and scholarships. In 2017, we invested over **\$206,000** in the local community including military and civic organizations, education, community outreach and emergency services, and economic and cultural initiatives. We also celebrated ten years of colleagues volunteering on Columbus Day, a holiday most financial institutions are closed. This year, record numbers of donations were accomplished including sewing **817 surgery bears** for Children's Hospital of the King's Daughters patients, creating **325 hearts** for Hearts of Hope and donating enough food to provide **34,000 meals** to the Foodbank of the Virginia Peninsula. We are also pleased to announce that 2017 was the first working year of 1st Advantage Federal Credit Union Foundation, a recognized 501(c)(3) public charity that serves as the charitable arm of 1st Advantage Federal Credit Union with the mission of supporting the needs of our local military community.

As we reflect on our shared accomplishments in 2017, we are thankful for your continued support and look forward to new opportunities to better serve you.

Best regards,



Tom O. Cameron
Chairman

A handwritten signature in black ink, appearing to read "Tom".



Paul W. Muse
President/CEO

A handwritten signature in black ink, appearing to read "Paul W. Muse".

A woman with voluminous curly brown hair and glasses is smiling while looking at a tablet. She is wearing a light-colored blazer over a dark top and a necklace with a small triangle pendant. The background is a bright, out-of-focus office setting with a window. An orange diagonal graphic element is in the top left corner.

Anywhere
banking access.

24/7 ACCESS FOR YOUR CONVENIENCE

1st Advantage takes convenience to a whole new level. As a member you have access to the tools you need to help make managing your money easier. Whether it's banking on the go, online, or paying bills and depositing checks, we've got what you need.



5,000+ SHARED BRANCHES

You don't always have to be in the local area to manage your 1st Advantage accounts in person. The CO-OP Shared Branches network provides more than 5,000 full-service branches nationwide. Visit 1stAdvantage.org/SharedBranches for locations.



MOBILE BANKING

Your mobile device rarely leaves your side, and our free Mobile Banking App lets you access accounts while you're on the move, day or night.

Perform convenient and secure transactions such as paying bills, Mobile Check Deposit[^] and person-to-person pay, all from your smartphone or tablet device. Find our app in the App Store[™] or Google Play[™].

Visit 1stAdvantage.org/mobile to learn more.



65,000+ SURCHARGE-FREE ATMS*

As a member with a 1st Advantage VISA Debit Card, you have access to our network of 65,000+ surcharge-free ATMs* to get your cash wherever you are and without the ATM fees! Visit 1stAdvantage.org/ATM for ATM locations.



BILL PAY

Bill Pay is the easiest way to manage and pay your monthly bills in one convenient and secure location. When you sign up for Online Banking, you can start sending electronic payments to cover your mortgage, electric bill, credit card and more.



PHONE BANKING

24-hour access to your 1st Advantage account is just a phone call away with Call-A-Teller and Text Banking. This is phone banking at its best, with prompts that are easy to follow and remember. Save more time when you bank by phone.



ONLINE BANKING

There's no easier way to stay on top of your finances and get your banking done. We give you access to your account 24/7 from your computer so you can bank on your time, not ours.



PAY PEOPLE WITH POPMONEY

The Popmoney[®] personal payment service lets you send money to friends, family or almost anyone. All you need is their name and email address or mobile telephone number to move money from your bank account to theirs.

*Applicable at CO-OP, Allpoint and 1st Advantage ATMs only with VISA Debit Card.

[^]Restrictions may apply.



CELEBRATING 10 YEARS OF GIVING!

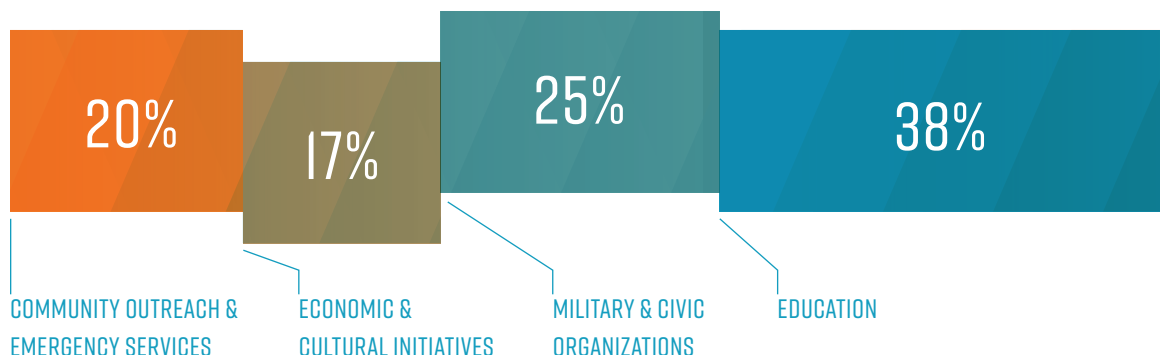
While most financial institutions are closed on the Columbus Day holiday, over 200 1st Advantage colleagues were hard at work assisting local non-profit organizations in our community. This year marked the event's 10th anniversary and colleagues celebrated with record-breaking donations.

1st Advantage accomplishments:

- ▶ Donated **1,382 pounds** of food and **\$8,305** to the Foodbank of the Virginia Peninsula, the equivalent of over **34,000 meals**. Colleagues also created over **1,300 inspirational cards** to be included in family meal bags.
- ▶ Created **817 surgery bears** and **87 tie dyed bandanas** for Children's Hospital of the King's Daughters patients
- ▶ Wrapped and donated **450 gifts** for military children to be distributed by Operation Homefront
- ▶ Raised **\$3,990** and created **325 hearts** for Hearts of Hope that will be given to local Veterans
- ▶ Assembled and donated **78 bicycles** and **\$4,000** for the Boys and Girls Club of the Virginia Peninsula
- ▶ Created **375 children's folder games** for Newport News Head Start Program and Denbigh Early Childhood Center
- ▶ Made **230 blanket wraps** for Ivy Baptist Church Homeless Ministry
- ▶ Built **11 acoustic tiles** for the Victory Family YMCA
- ▶ Assembled **1,130 toiletry bags** for the Peninsula Rescue Mission
- ▶ Collected **807 lbs. of food**, **861 lbs. of newspaper** and **297 additional items** for the Peninsula Pet Pantry and the Peninsula SPCA
- ▶ Gave **28 units of blood** for the American Red Cross

\$206,000

Invested in the local community in 2017



1st Advantage Federal Credit Union Statements of Financial Condition

ASSETS

	2017	2016
Cash and cash equivalents	\$12,177,045	\$11,765,608
Investments:	-	-
Available-for-sale	\$11,872,557	\$27,934,724
Held-to-maturity	-	-
Other	\$57,220,786	\$44,900,419*
Federal Home Loan Bank (FHLB) stock	\$575,200	\$561,500
Loans held-for-sale	\$91,466	\$726,934
Loans receivable, net of allowance for loan losses	\$541,476,956	\$488,472,495
Accrued interest receivable	\$1,524,310	\$1,583,628
Premises and equipment, net	\$16,635,810	\$16,491,801
National Credit Union Share Insurance Fund Deposit	\$5,308,906	\$5,169,566
Assets Acquired in Liquidation	\$2,921,087	\$3,166,460
ACH receivables	\$8,509,740	\$26,919,763
Other assets	\$6,459,184	\$6,530,266*
Total Assets	\$664,773,047	\$634,223,164

LIABILITIES AND MEMBERS' EQUITY

	2017	2016
Liabilities		
Members' share and savings accounts	\$570,871,404	\$524,694,430
Borrowed funds	-	-
Interest payable	\$312,833	\$306,432
ACH payables	\$8,508,670	\$26,917,308
Accrued expenses and other liabilities	\$9,701,424	\$9,327,694
Total Liabilities	\$589,394,331	\$561,245,864

COMMITMENTS AND CONTINGENT LIABILITIES

Members' Equity

Regular reserve	\$8,824,404	\$8,824,404
Undivided earnings	\$65,329,314	\$62,463,570
Accumulated other comprehensive income (loss)	(\$202,966)	\$261,362
Equity acquired in merger	\$1,427,964	\$1,427,964
Total members' equity	\$75,378,716	\$72,977,300
Total Liabilities and Members' Equity	\$664,773,047	\$634,223,164

1st Advantage Federal Credit Union Statements of Income

INTEREST INCOME

	2017	2016
Interest on loans receivable	\$27,236,586	\$24,469,321
Interest on investments	\$774,132	\$975,684
Interest Income	\$28,010,718	\$25,445,005

Interest Expense

Dividends on members' share and savings accounts	\$1,740,989	\$1,589,929
Interest on borrowed funds		
	\$1,740,989	\$1,589,929

Net Interest Income

\$26,269,729 \$23,855,076

Provision for Loan Losses

\$5,555,518 \$4,099,179

Net Interest Income After Provision for Loan Losses

\$20,714,211 \$19,755,897

Non-Interest Income

Fees and service charges	\$5,553,126	\$5,503,781
Other non-interest income	\$5,361,177	\$4,958,558
Gain on sale of investments, net	\$33,630	\$4,960
Gain on disposition of premises and equipment, net		
Non-interest income	\$10,947,933	\$10,467,299
	\$31,662,144	\$30,223,196

Non-Interest Expense

Compensation and employee benefits	\$14,377,471	\$13,321,898
Other operation expense	\$4,856,325	\$4,484,293*
Loan servicing expense	\$4,192,385	\$3,868,798
Occupancy expense	\$1,773,364	\$1,617,519
Professional and outside services	\$1,940,480	\$1,753,406*
Education and promotion expense	\$1,459,553	\$1,043,475
Impairment of corporate cu membership capital	-	-
NCUSIF impairment and assessment	-	-
Loss on disposition of assets acquired in liquidation, net	\$196,822	\$113,125
Loss on disposition of premises and equipment, net		
	\$28,796,400	\$26,202,514

Net Income

\$2,865,744 \$4,020,682

*Certain 2016 financial statement amounts have been reclassified to conform with classifications adopted in the current year. This reclassification did not have any change on net income or members' equity.

The Supervisory Committee is responsible for the annual audit of the financial statements of the Credit Union. A copy of the audited financial statements, including foot notes and supplemental schedules, as of June 30, 2017, is available upon request from: **1st Advantage Supervisory Committee**, P.O. Box 2327, Newport News, VA 23609-0327

FINANCIAL HIGHLIGHTS

ASSETS



NET WORTH



DEPOSITS



LOANS OUTSTANDING



VOLUNTEER BOARD OF DIRECTORS



Tom O. Cameron
Chairman



Sylvester McClellan
Vice Chairman



Laurence Smail
Treasurer



Brenda B. Dawson
Secretary



Paul J. Adamo
(LTC, USA Ret)
Director



Barbara Ballard
Director



William Ramsey
Director



Larry Tonneson
Director



Andrae Via
Director

Fred E. Blough
Director Emeritus

Blair E. Smith
(LTC, USA Ret)
Director Emeritus

Betty L. Wiggins
Honorary Director Emeritus



Paul W. Muse
President/CEO

Supervisory Committee

Sylvester McClellan
Chairman

Denise Peterson

Josephine Krantz

2017 AWARDS

1st Advantage was recognized as the best Financial Institution in three publications!

Best of Readers' Choice Awards, Coastal Virginia Magazine

Best Financial Institution, Daily Press Choice Awards

Best Financial Institution, the Virginia Gazette's Best of Williamsburg Contest



Branch Locations

Gloucester

6511 G. Wash. Mem. Hwy.

Hampton

5003 W. Mercury Blvd.

2014 Coliseum Dr.

Newport News

1317 Patton Ave.

(Joint Base Langley-Eustis)

12891 Jefferson Ave.

12490 Warwick Blvd., Ste. B

Richmond

1201 Broad Rock Blvd.

(McGuire VA Med. Ctr.)

Williamsburg

224 Commons Way

4800 Courthouse St.

400 Sentara Cir., Ste. 102

(Sentara Wmbg. Med. Ctr.)

Yorktown

110 Cybernetics Way

6035 G. Wash. Mem. Hwy.

Shupper Road, Building 2006

(Naval Weapons Station)

Virginia Beach

4525 Columbus St.



757-877-2444
1stAdvantage.org



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