

Chairperson's Report

American businessman and humorist Arnold H. Glasgow once observed: "Success is simple. Do what's right, the right way, at the right time." Over the past several years, Partnership Financial Credit Union has emulated Glasgow's credo, and in 2016, the results have been impressive and the successes measurable.

Despite a challenging financial environment, marked by a degree of continued uncertainty and tentativeness, Partnership Financial Credit Union continues to experience significant growth in Assets, Loans and Equity. We continue to serve our evolving membership with friendly personal service while offering a wide range of products designed to meet their financial goals.

The first and most noticeable change at PFCU is our branding strategy. Members have certainly noticed the bold new designs on both our print and electronic media. These changes are more than cosmetic, as they represent a bold leap forward in establishing and solidifying the PFCU brand in the highly competitive financial services market. While credit unions have long been distinguished for their low-key and staid image, this bold new approach marks PFCU as a more dynamic organization. This visual reminder marks this dynamism in a tangible way. And, although we are evolving, we continue to do so with our members needs as the primary focus of our efforts.

The changes to the PFCU brand are connected in a more substantive way to keeping our members informed about how we may serve their ever-changing financial needs through an expanded array of electronic services that make PFCU more convenient and more competitive. To that end, we have streamlined our account services, including our online membership and loan applications. While PFCU employees are always available to support members in each of our four offices, it is also possible for members to conduct their business with PFCU on a schedule that meets their needs; this includes our expanded PFCU App that allows members to complete a variety of transactions, including remote deposit check capture, right from their smartphones. Our committed employees strive to serve the diverse needs of our members while retaining our unflinching commitment to member satisfaction.

Marketing and online services are only two facets of PFCU's success during this past year. Having informally dubbed 2016, "the year of the loan," the leadership team and the staff of PFCU delivered strong numbers for the year. Total loan growth was an impressive 15.25% with outstanding loans totaling \$65,400,000. This growth was owed to the continued success of the PFCU first mortgage loan program, as well as the introduction of two new types of loans to support our members: student loans and business loans.

As a result of our continued focus on delivering value to our members, PFCU's assets grew by an impressive 4.17% to a total of \$177,250,000. While this record is laudable, it is important to keep in mind that, as with the loan growth identified above, this growth in assets resulted from the continued hard work and commitment of the outstanding management team and the dedicated staff that have always been the hallmarks of our organization.

To that end, I would like to recognize the Directors, and the outstanding management team and employees of PFCU, for all their continued hard work and dedication, not only to the credit union but also, and more importantly, to our members. Through the efforts of all of these individuals, we as members enjoy the benefits of belonging to one of the finest financial institutions in the country. I am certain that 2017 will mark another outstanding year for Partnership Financial Credit Union.

Respectfully,
Michael Graham
Chair

Benefits of Membership

Accounts

- Savings
- Checking
- Kids
- Holiday
- Vacation
- IRA's
- CD's

Loans / Credit Cards

- 1st Mortgages
- Home Equity
- VISA Credit Cards
- Vehicle
- Personal
- Student

Electronic Services

- ATM/Debit Cards
- Online Account Access – Virtual Branch
- Bill Pay
- E-Statements
- Mobile App
- Apple Pay
- Remote Deposit Capture
- 24/7 Telephone Access
- Direct Deposit

Additional Products and Services

- College Scholarship Program – For graduating high school seniors
- Two drive thru lanes – located at the Morton Grove Office
- Night Depository
- Free Medallion Stamp Signature Guarantee
- Free Signature Validation
- Free Notary Service
- Free Coin Counting
- Free Fax Service
- VISA Gift cards
- VISA Travel Cards
- Money Orders
- Vehicle License Plate Sticker Renewal Program (minimal purchase fee plus the cost of the stickers)
- Discounted Movie Tickets
- Discounted Six Flags Great America Tickets
- U.S. Savings Bond Redemption
- U.S. Postage Stamps (no upcharge)

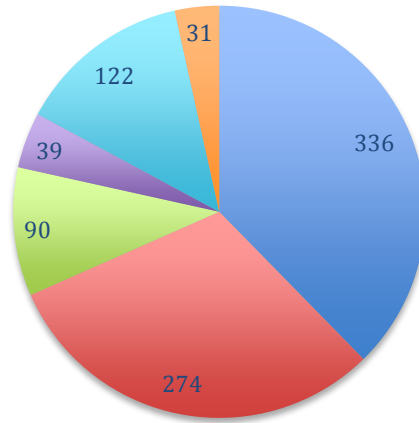
Financial Statements

Balance Sheet	12/31/2016	12/31/2015	% Growth
Assets			
Consumer Loans	\$17,707,858	\$16,628,811	
Credit Card Loans	\$3,111,050	\$2,830,656	
Reserve for Loan Losses	(\$328,047)	(\$298,154)	
Home Equity Loans	\$16,216,359	\$13,802,868	
First Mortgages	\$28,390,666	\$23,503,823	
Reserve for RE Loan Losses	(\$783,721)	(\$837,339)	
Net Loans	\$64,314,165	\$55,630,665	15.6%
Cash	\$5,650,616	\$5,492,714	
Investments	\$100,920,140	\$103,115,814	
NCUA Share Insurance Deposit	\$1,547,566	\$1,492,192	
CU Building & Land	\$3,445,009	\$3,495,807	
Other Assets	\$1,386,402	\$937,479	
Total Assets	<u>\$177,263,898</u>	<u>\$170,164,671</u>	<u>4.2%</u>
Liabilities			
Other Liabilities	\$1,205,796	\$1,180,559	
Shares			
Regular Shares	\$123,267,616	\$118,759,762	
Certificates of Deposit	\$10,201,344	\$10,053,191	
Checking Accounts	\$22,326,586	\$20,728,086	
Kids Accounts	\$926,928	\$839,627	
Holiday Accounts	\$64,746	\$34,153	
Vacation Accounts	\$155,174	\$128,978	
IRA Accounts	\$1,979,155	\$1,946,153	
IRA Certificates of Deposit	\$396,965	\$105,483	
Total Shares	<u>\$159,318,514</u>	<u>\$152,595,433</u>	<u>4.4%</u>
Equity			
Regular Reserves	\$1,905,003	\$1,905,003	
Undivided Earnings	\$14,478,876	\$14,278,821	
Investment Reserves	(\$26,000)	\$4,800	
Total Equity	<u>\$16,357,879</u>	<u>\$16,188,624</u>	
Net Gain	\$381,709	\$200,055	90.8%
Total Shares and Equity	<u>\$177,263,898</u>	<u>\$170,164,671</u>	<u>4.2%</u>
Equity Ratio	9.46%	9.63%	

Income Statement

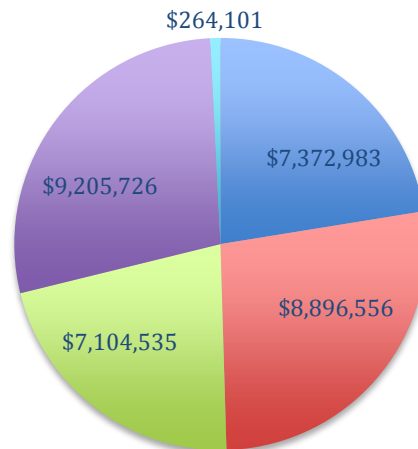
	2016	2015	% Growth
Income			
Interest on Consumer Loans	\$977,990	\$1,134,616	
Interest on Real Estate Loans	\$1,672,401	\$1,694,299	
Total Interest on Loans	\$2,650,391	\$2,828,915	
Earnings on Investments & Cash	\$1,217,406	\$1,026,925	
Fee & Other Income	\$823,078	\$696,182	
Total Operating Income	\$4,690,875	\$4,552,022	3.0%
Expenses			
Employee Salaries & Benefits	\$2,202,910	\$2,148,350	
Conference & Travel	\$16,530	\$12,004	
Checking, ATM, Debit Expense	\$679,237	\$615,909	
Office Operations	\$434,420	\$446,733	
Total Promotional Expense	\$96,591	\$53,897	
Depreciation Expense	\$127,239	\$132,854	
Loan Processing & Servicing	\$116,694	\$163,023	
Provision For Loan Losses	\$75,000	\$212,901	
Insurance	\$66,840	\$63,997	
Occupancy Expenses	\$169,728	\$161,345	
Total Operating Expense	\$3,985,189	\$4,011,013	0.60%
Income From Operations	\$705,686	\$541,009	
Savings Dividend Expense	\$182,105	\$172,568	
Checking Dividend Expense	\$0	\$0	
Certificate Dividend Expense	\$43,692	\$37,625	
Kids Account Dividend Expense	\$4,648	\$4,125	
Holiday Account Dividend Expense	\$664	\$565	
Vacation Account Dividend Expense	\$192	\$185	
IRA Account Dividend Expense	\$3,070	\$2,507	
IRA Certificate Dividend Expense	\$1,544	\$1,042	
Total Dividend Expense	\$235,915	\$218,617	7.9%
Net Income (Loss Before Amortization)	\$469,771	\$322,392	4.6%
CDI / Investment Discount Amortization	\$88,062	\$122,337	
Net Income (Loss)	<u>\$381,709</u>	<u>\$200,055</u>	<u>90.8%</u>

PFCU Annual New Loan Analysis 2016 (# of Loans)



■ Vehicle Loans ■ Unsecured Loans ■ Home Equity Loans ■ First Mortgages ■ VISA Credit Cards ■ Other Secured

PFCU Annual New Loan Analysis 2016 (In \$)



■ Vehicle Loans ■ Unsecured Loans ■ Home Equity Loans ■ First Mortgages ■ Other Secured

Years Served – Directors

	Year Started	Years Completed
Len Ackman	1987	30
Vanessa Calloway	2008	9
James Cory	1989	28
Sheri Donovan	1994	23
Katherine France	1997	20
Michael Graham	1998	19
William Holmes	1989-2006/2016	18
Roberta Liljegren	1998	19
Robert Schneider	1980	37
Steven Underwood	2005	12

2016 PFCU Committee Members

Executive Committee		Year Started	
Chair	Michael Graham	1998	
Vice Chair	Sheri Donovan	1994	
Secretary	Robert Schneider	1980	
Treasurer	Len Ackman	1987	
Supervisory Committee		Year Started	Years Served
Chair	Katherine France	1997	2 Years
Member	Howard Bultinck	1994	1 Year
Member	Saul Kaufman	1994	2 Years
Member	Roberta Liljegern	1998	2 Years
Credit Committee			
Chair	Walter John	1967-1968/1974	3 Years
Member	Sheri Donovan	1994	1 Year
Member	Pam Dorband	1999	3 Years
Member	Bonnie Soltesz	2000	2 Years
Membership Committee			
Chair	Vanessa Calloway	2008	1 Year

Supervisory Committee Report

In accordance with the Illinois Credit Union Act and Partnership Financial Credit Union's bylaws, the Supervisory Committee exercises its independent credit union oversight through the engagement of external auditors.

The Supervisory Committee retained the services of Wipfli LLP to perform the 2016 Independent Annual Audit. The purpose of this audit is to obtain an Auditor's opinion of our financial statements and to confirm that the credit union conforms to U.S. Generally Accepted Accounting Principles (GAAP) and meets the requirements of the State of Illinois and National Credit Union Administration. In addition, the auditors perform a verification of member accounts as well as a review of the performance of credit union officials and employees. The results of this audit were presented to the board in March, 2016 and once again, PFCU was found to operate in a safe and financially sound manner as well as is compliant with all applicable rules and regulations.

In addition, the Supervisory Committee hired Dickeson and Associates to perform quarterly internal control audits of the credit union's operations as an independent check of the credit union's management. The results of these audits are reported quarterly to the Board and any recommendations for operational improvements were implemented.

The committee fulfilled these audit responsibilities during 2016 as part of our commitment to our members that Partnership Financial Credit Union always strives to serve their best interests.

I would like to thank the committee members; Howard Bultinck, Saul Kaufman, and Roberta Liljegren for their time and efforts through the year serving on the Supervisory Committee. In addition, the committee would like to express their appreciation to the management team and staff of Partnership Financial Credit Union.

Respectfully submitted,
Katherine France
Supervisory Committee Chair

Treasurer's Report

Reviewing 2016 at Partnership Financial Credit Union, I am pleased to report a year of growth in membership, loans, savings, assets and equity.

To review, our assets grew approximately 4% or \$7 million to \$177 million. The majority of the growth was from member's savings which grew over 4.4% or \$6.7 million and the credit union's equity of \$381,000.

During the year, loans outstanding to our members grew just over \$8.6 million or over 15% to a year-end total of just over \$64 million. As treasurer, I can assure you that Partnership Financial Credit Union's main goal is to loan to our members however, funds which are not utilized in this manner are invested in Corporate Credit Unions, Certificates of Deposit, U.S. Government Securities and Annuity Investments. We are pleased to report that our increase in loans outpaced our increase in shares so that our loan to share ratio increased to just over 41% compared to 33% in 2015.

As a result of the significant asset growth PFCU experienced during 2016, coupled with positive earnings, the credit union's equity ratio decreased slightly to 9.46% which is still considered well capitalized by the IDFP (Illinois Department of Financial and Professional Regulations) and the NCUA (National Credit Union Association). Partnership Financial Credit Union continues to strive to offer the most competitive products and services to our members while maintaining our financial stability.

I congratulate the Directors, Committee Members and Staff for all their hard work in 2016 and I look forward to a prosperous 2017 that financially benefits all our members.

Respectfully submitted,
Len Ackman
Treasurer

Credit Committee Report

The Credit Committee is pleased to announce that our members continue to benefit from the new and expanded programs Partnership Financial Credit Union (PFCU) has to offer. PFCU has money to lend our members. We invite you to think of PFCU first for all of your financing needs. Lending money to you, our members, is one of our primary missions. PFCU has a variety of loan products that we offer which include: First Mortgage Loans, Home Equity Loans, Vehicle Loans, Consumer Loans, Educational/Student Loans, Holiday Loans, Vacation Loans, Share Secured Loans and Visa Credit Cards. Please consider PFCU for your future loan needs, or recommend us to a relative or colleague, as we strive to offer competitive loan products, rates and serve the needs of our membership. We are confident that our personal service is second to none throughout the financial industry.

PFCU's in house First Mortgage Loan Program continues to be well received by our members. In 2016 we provided eighty two, first mortgage loans for an approximate total of \$19,400,000. Of the eighty two transactions, thirty two loans were to assist members with purchasing a new home and fifty loans were to help members refinance their current mortgage loan held with other lenders. Although interest rates have increased slightly the current interest rate environment remains very affordable. We hope our members will continue to utilize PFCU for their first mortgage needs.

In terms of student loans, PFCU now offers competitive rates on student loans that will allow our members and their families to pursue their dreams and to build solid futures, raising their standard of living and improving the quality of their lives. The student loan program, while in its initial stages, is certain to provide a much-needed option for our members.

PFCU offers two student loan programs; a student loan program to undergraduates that covers the cost of attendance at an accredited university and a Loan Consolidation/Refinance program that will afford our members the ability to consolidate/refinance multiple loans into one loan with one payment. These programs offer a variety of repayment terms from five to twenty five years with affordable fixed or adjustable rates. PFCU continues to offer an in house short term student loan for our member's additional educational financing needs

An example of how PFCU continually strives to do what is best for our members is reflected in the new loan products we continue to add to our suite of loan programs. This year we are excited to offer our members the opportunity to take advantage of the Member Business Loan program. This loan promises to offer opportunities for our members to pursue their dreams and expand opportunities for themselves and their communities. Our members who may be self-employed and are in need of an affordable loan product to enhance their business borrowing power will certainly benefit from this new offering. The program also offers members, who may own commercial property or investment property consisting of more than four residential units, the opportunity to purchase or refinance at a very competitive rate.

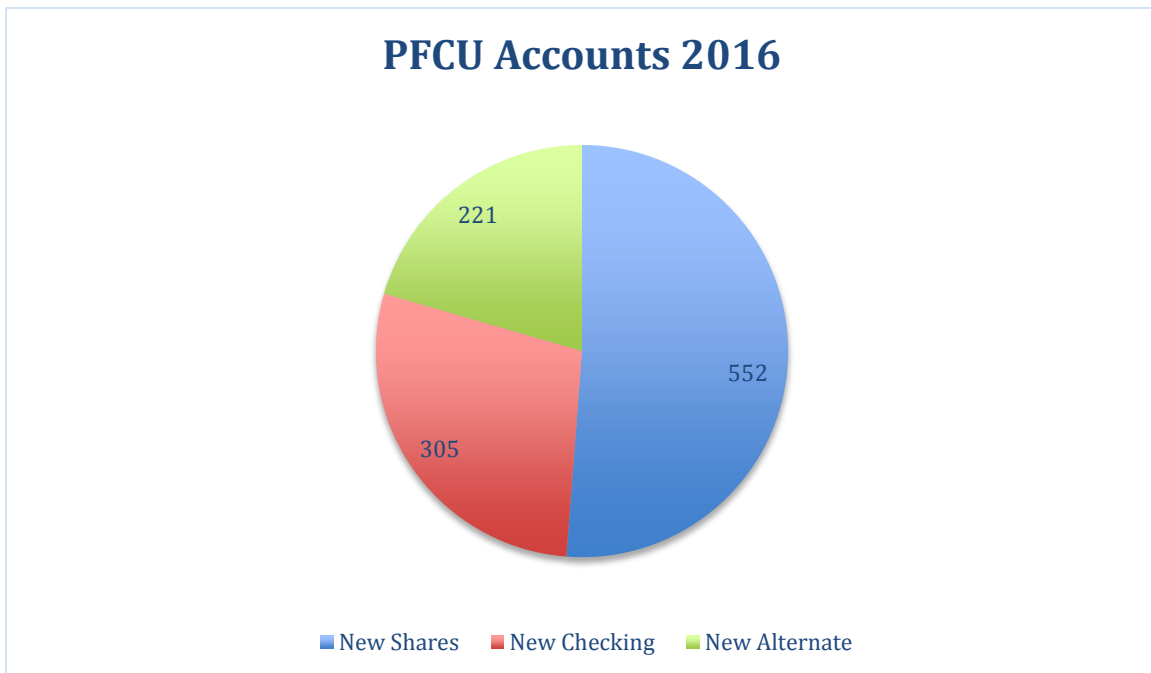
2016 was an exciting year for PFCU as we were able to increase our loan portfolio by over \$9 million. We are very excited about the future and the opportunities 2017 will present in loan offerings to our membership. We encourage you to contact any one of our four offices with any loan questions or needs you may have. As is always the case, PFCU is committed to responsible lending practices that protect members' assets.

I would like to thank the Loan Committee Members: Sheri Donovan, Pam Dorband and Bonnie Soltesz for all their hard work as well as the time and travel required to complete the quarterly loan reviews. On behalf of the committee I would also like to thank the management team and staff of Partnership Financial Credit Union.

Respectfully submitted,
Walter John
Credit Committee Chair

Membership Committee Report

Membership Account Totals	2016
# of Members	13,761
# of Savings Accounts	13,160
# of Checking Accounts	5,119
	2016
Alternate Membership Account Totals	
# of Kid's Accounts	423
# of CD Accounts	383
# of Holiday Accounts	153
# of IRA Savings & CD Accounts	93
# of Secondary Share	74
# of ETHS Savings – Summer Savings	32



**Partnership Financial Credit Union
2017 Board of Directors
Nominating Committee Proposed Slate**

SLATE of DIRECTORS TO BE ELECTED

William Holmes / 3 Year Term

Vanessa Calloway / 3 Year Term

James Cory / 3 Year Term

Steven Underwood / 3 Year Term

Katherine France / 2 Year Term

CONTINUING TERMS

2 YEARS OF 3 YEAR TERM REMAINING

Michael Graham

Roberta Liljegen

1 YEAR OF 3 YEAR TERM REMAINING

Len Ackman

Sheri Donovan

Robert Schneider