



Partnership Financial Credit Union
62nd Annual Meeting

Wednesday February 19, 2020





Chairperson's Report

2019 was an outstanding year for Partnership Financial Credit Union, as seen in growth in Assets, Loans and Equity. We continue to serve our expanding membership with friendly, personal service while offering a wide range of products and services designed to meet our members financial needs. 2019 was a phenomenal year for growth with loans increasing by approximately 15.9%. This extraordinary success was proof for us that we met our members needs by offering loan products at rates that are highly competitive. The Board is especially grateful to our Executive Vice President of Lending, Theresa Guerriero and her outstanding staff for their hard work and dedication.

In December, we opened our new office in Evanston. This office is conveniently located at 2522 Green Bay Road, Evanston, IL 60201. The new Evanston facility offers all the services our other offices offer. Our members report that they like the convenient location along with the friendly professional and member focused service they receive. In addition to adding this new office, we also welcome two new Board members, Bill Porter and Patrick Flader. Both gentlemen have been long term members of our credit union.

This past June, we also made significant improvement to our data processing system. The core conversion was a huge and all-encompassing task that required extra hours and hard work from all our staff members. The Board is beyond grateful to our Executive Leadership Team and staff for their extraordinarily hard work and dedication throughout this difficult process. We are also deeply appreciative to our members who were patient and understanding with us as this took place. This core conversion has brought about many benefits for our members including a streamlined way of utilizing the many products and services we offer, especially our electronic services such as Bill Pay, Mobile Deposits and Online Banking, just to name a few.

The Board is grateful beyond measure for the hard work and dedication of Mary Ann Pusateri and her exceptional staff for making PFCU a stronger, more successful and more secure credit union. We also want to thank Marcia Peterson for her 21 years of outstanding service to PFCU. Marcia retired this past June, but we are fortunate that she has decided to stay on part time working as our Human Resources Director.

In closing and on behalf of the Board and staff of PFCU, I would like to thank all our members for their trust and continued support

Respectfully submitted,

Katherine France, Board Chair



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.

As of December 31, 2019, the Supervisory Committee retained the services of Wipfli LLP to perform the Audit. The purpose of this audit is to obtain an Auditor's opinion of PFCU's financial statements and to confirm that Partnership Financial Credit Union conforms to U.S. Generally Accepted Accounting Principles (GAAP) and meets the requirements of the Department of Financial and Professional Regulation, State of Illinois (IDFPR) and National Credit Union Administration (NCUA.) 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 April 2019. The results indicated that PFCU is operating in a financially-sound manner and is in compliance with all applicable rules and regulations.

In addition, the Supervisory Committee hired an independent Asset Liability Management firm, McQueen Financial Advisors, to perform an analysis of the credit union's risk management. The results of these audits are reported quarterly to the Board ensuring that PFCU is managing our financial and operational risks.

The committee also engaged Illinois Credit Union League (ICUL) an association for credit unions to perform the Bank Secrecy (BSA) and SAFE Act. Additionally, an external auditor was used to perform the Automated Clearing House (ACH) audit, thus fulfilling these audit responsibilities during 2019, as part of our commitment to our members that Partnership Financial Credit Union always adheres to financial regulations.

I would like to thank the committee members, Howard Bultinck, Walter John, and Bill Porter for their time and efforts through the year serving on the Supervisory Committee. In addition, the committee would like to express its appreciation to the management team and staff of Partnership Financial Credit Union.

Respectfully submitted,

Michael Graham, Supervisory Committee Chair



Executive Finance Committee Report

Based upon my review, I am pleased to report that 2019 was the strongest year for growth in loans and income to our members at Partnership Financial Credit Union (PFCU).

During the year, loans to our members grew approximately \$12.7 million or 15.5%. As treasurer, I can assure you that the main goal of PFCU is to provide a variety of loan products that meet our member's needs. However, funds that are not utilized in this manner are invested in Corporate Credit Unions, Certificates of Deposit, U.S. Government Securities, Annuity Investments, Municipal Bonds and Bank Notes. We are delighted to report that our increase in loans outpaced our increase in shares so loan to share ratio increased to approximately 58% compared to 52% in 2018.

In 2019, PFCU's Investment Portfolio earned approximately \$2.2 million, which is an annual yield of 2.60%; whereas our Loan Portfolio earned approximately \$3.9 million with an annual yield of 4.45%. In addition, I am excited to report that memberships had a reduction of fees charged to them by 5.6% as opposed to last year.

As a result of the significant growth PFCU experienced during 2019, the credit union's equity increased just above 11.10%, which is considered well capitalized by the IDFP (Illinois Department of Financial and Professional Regulations) and the NCUA (National Credit Union Association). PFCU strives to continue offering 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 2019 and I look forward to a prosperous 2020 that financially benefits our members.

Respectfully submitted,

Len Ackman, Treasurer



Scholarship Committee Report

Partnership Financial Credit Union's scholarship program was founded in the year 2000. Since its inception, more than \$125,000 has been awarded to 76 graduating high school seniors. One of the criteria for the recipients is to be a member or have a parent or guardian as a member of PFCU. In addition to academic excellence, applicants must exhibit four key traits: Passion, Focus, Charitableness and Uniqueness in their educational journey.

In 2019, a total of 39 applications were received and 21 scholarships were awarded to an outstanding group of individuals in increments from \$500 to \$3000, totaling \$32,000. The committee was thoroughly impressed with all the applicants, making it a difficult decision to pick the winners. Again in 2020, PFCU has budgeted \$30,000 for this year's scholarship fund. All applicants must be submitted by Friday, March 13, 2020; recipients will be notified via a press release that will be issued in May 2020. Last year, PFCU was able to send a representative to present the PFCU Rising Star Scholarships at the High Schools award ceremony for graduating seniors. In closing, I'd like to thank the other members of the Scholarship Committee: Michael Graham, Bill Holmes and Steven Underwood for their commitment to the selection process.

Respectfully submitted,

Vanessa Calloway, Scholarship Committee Chair



Lending Report

Partnership Financial Credit Union (PFCU) is once again pleased to announce that 2019 was a very strong year for the loan department. As the interest rate environment remained relatively low, PFCU was able to add an additional \$12.6 million to our loan portfolio, bringing our total loan portfolio to just over \$93.5 million. This represents a 21% increase over the previous year. Lending money to you, our members, is one of our primary missions. We continue to research new and innovative lending programs that can meet the financial needs of our members. The variety of loan products that PFCU offers include: First Mortgage Loans, Home Equity Loans, Vehicle Loans, Consumer Loans, Educational/Student Loans, Holiday Loans, Vacation Loans, Share Secured Loans, Visa Credit Cards and Member Business Loans. Please keep PFCU in mind when considering future loan needs or recommend us to a relative, friend or colleague. We offer competitive loan products and competitive rates. We strive to always meet the financial needs of our members and we are confident that our personal service is second to none.

PFCU's in-house First Mortgage Loan Program continues to help members with the financing of their mortgage needs. In 2019, PFCU was able to provide mortgage loans totaling a record \$24.7 million. This included current homeowners as well as new homebuyers. As interest rates steadily decreased throughout 2019 from a high of 4.875% for a 30 year fixed rate loan, in early January, to a low of 3.65% for a 30 year fixed loan at the end of December, more members were able to benefit from the low rate environment. Although the loan department was working at full capacity, our First Mortgage Loan team was the recipient of the "Speed to Close" award. This is an award that is presented to teams that are among 40,000 individuals nationwide. Kudos to Todd Twardowski, Theodora Parmakis and Silvia Arroyo.

As we move forward into 2020, PFCU anticipates continued growth in the first mortgage loan portfolio. Along with loan growth, PFCU will continue to offer our members competitive mortgage loan programs and more importantly, member service that exceeds their expectations. The first-time homebuyer, down payment assistance program will continue to be available to our members. The program covers first time homebuyers (or those who have not owned a home in the last three years) a forgivable grant of up to 6% of the loan amount or \$24,000 (whichever is less).

For those members who currently own their homes, we continue to offer a very competitive Home Equity Loan program. Members have been able to take advantage of interest rates as low as 2.99%. The rate of 2.99% is effective for one year!! With the current tax benefits still available (please consult your tax advisor), our members have been able to use the funds for home improvements, education, travel and even reinvestment in a vacation home. The home equity program has been well received by our members.

Vehicle loans have always been a mainstay of the PFCU loan portfolio. In 2019, we also increased our auto loan portfolio. We continue to offer our members competitive rates and terms along with the service and conveniences we offer. By using a computer or mobile app, our members can apply online and sign their loan documents all from the comfort of their own home. If the member prefers to come into the office, we have four convenient locations to choose from. With the core processing conversion, we were able to enhance the efficiencies of the loan application process. All loan files are online within the members account and can be accessed from any office to better serve our member.

Speaking of Vehicle loan convenience, PFCU rolled out an online interactive vehicle shopping site. It is our very own WheelZone. WheelZone is an online vehicle shopping site tied to over 4,000 car dealerships nationwide. While in the WheelZone site, our member can find a car, apply for a loan and even locate a dealer. The member can shop for the vehicle of their choice right down to the color and trim package. WheelZone provides helpful resources such as providing free Carfax reports for most vehicles on the site; and while “cruising” through the site the member has access to several loan calculators to help with payment calculation as well as being able to figure out just how much they are comfortable spending on the car of their dreams. Go online and try it. It’s fun to search all the different vehicles. It’s like being at a car show without ever leaving home.

Several personal programs are offered throughout the year to help our members with unexpected expenses, holiday expenses, vacation expenses or other expenses that come up. We also offer additional option for debt consolidation. Members may work with one of our experienced loan officers to see what program would work best for them.

“What’s My Credit Score?” is a question we often hear. Our members can now access their credit score, credit report and resources to help keep them informed and updated on their credit score through our new online banking platform It’s Me 24/7. Enrollment enables the member to check their score on a regular basis. The resources available help to guide and educate the member on things such as recent activity, recent inquiries, negative transaction, etc. This system can empower our members to know about their credit and what steps can be taken to protect themselves from fraud and even identity theft. If our member is unsure how to navigate through the credit site, they can always come in and speak to one of our experienced loan officers.

We encourage you to contact one of our offices with any loan question or credit need you may have. As is always the case, PFCU is committed to responsible lending practices.



I would like to thank the Board of Directors and the staff at PFCU for their continued support, direction and hard work to help us achieve the growth that we have accomplished.

Respectfully submitted,

Theresa M. Guerriero, EVP Lending

Benefits of Membership

Accounts

- Savings
- High Yield Savings
- Checking
 - ATM Fee Refunds
- Individual Retirement Accounts (IRA)
- Certificate of Deposit (CD)
- Club Accounts
 - Kids
 - Holiday
 - Vacation
 - Summer

Loans/Credit Cards

- 1st Mortgages
 - Down Payment Assistance Program
- Home Equity
- VISA Credit Cards
- Vehicle/RV/Watercraft
- Personal
- Student
- Business

Electronic Services

- ATM/Debit Cards
- It's ME-24/7 Online Account Access
 - Mobile Deposit
 - Bill Pay
 - E-Statements
 - SavvyMoney/Free Credit Score
- 24/7 Telephone Access
- Direct Deposit
- Payroll Deduction

- Visa Online Access
- Apple Pay

Additional Products and Services

- College Scholarship Program - For Graduating High School Seniors
- Drive Thru
 - Des Plaines & Morton Grove Offices
- Night Depository
 - Des Plaines & Morton Grove Offices
- Safe Deposit Boxes
 - Des Plaines Office
- **Fee-Free Services**
 - Coin Counting
 - U.S. Postage Stamps
 - U.S. Savings Bond Redemption
 - Medallion Stamp Signature Guarantee
 - Signature Validation
 - Notary Service
 - Fax Service
- **Services With Minimal Fees**
 - VISA Gift Cards
 - VISA Travel Cards
 - Vehicle License Plate Sticker Renewal Program
 - Wire Transfers
- **Discounted Services**
 - Wheelzone Car Buying Service
 - Movie Tickets
 - Six Flags Great America Tickets
 - Santa's Village Amusement Park Tickets
 - TurboTax Service

Financial Statements

Balance Sheet	12/31/2019	12/31/2018	% Growth
Assets			
Vehicle Loans	\$19,562,000	\$18,216,000	
CULS Loans	\$5,568,000	\$3,574,000	
Consumer Loans	\$3,659,000	\$3,711,500	
Student Loans	\$413,000	\$260,000	
Visa Credit Card Loans	\$3,374,000	\$3,310,000	
Home Equity Loans	\$17,435,000	\$16,812,500	
First Mortgages	\$42,008,000	\$34,343,000	
Business Loans	\$2,151,000	\$1,216,000	
Reserve for Loan Losses	(\$672,000)	(\$562,000)	
Net Loans	\$93,498,000	\$80,881,000	15.6%
Cash	\$4,959,000	\$1,980,000	
Investments	\$77,060,500	\$86,563,000	
NCUA Share Insurance Deposit	\$1,572,000	\$1,602,000	
CU Building & Land	\$3,933,000	\$4,248,000	
Other Assets	\$2,793,500	\$2,522,500	
Total Assets	<u>\$183,816,000</u>	<u>\$177,796,500</u>	<u>3.4%</u>
Other Liabilities	\$1,449,000	\$1,450,000	
Shares			
Regular Shares	\$112,482,000	\$117,760,000	
High Yield	\$2,012,000	\$1,568,500	
Certificates of Deposit	\$15,728,000	\$9,967,000	
Checking Accounts	\$26,957,000	\$24,926,500	
Kids Accounts	\$1,929,000	\$1,102,500	
Holiday Accounts	\$40,000	\$50,000	
Vacation Accounts	\$360,000	\$400,000	
IRA Accounts	\$2,290,000	\$2,192,000	
Total Shares	\$161,798,000	\$157,966,500	2.49%
Equity	\$18,683,000	\$17,223,000	8.5%
Net Gain	\$1,836,000	\$1,158,000	58.6%
Total Shares and Equity	<u>\$183,816,000</u>	<u>\$177,796,500</u>	<u>3.4%</u>

Income Statement

	2019	2018	% Growth
Income			
Interest on Consumer Loans	\$1,566,500	\$1,177,000	
Interest on Real Estate Loans	\$2,315,500	\$1,928,000	
Total Interest on Loans	\$3,882,000	\$3,105,000	
Earnings on Investments & Cash	\$2,202,000	\$1,878,500	
FM Sales Income	\$171,500	\$98,500	
Interchange Income	\$393,000	\$383,000	
Fees	\$297,000	\$267,500	
Other Income	\$82,500	\$168,000	
Building	\$320,500	-	
Total Operating Income	\$7,348,500	\$5,900,500	24.5%
Expenses			
Employee Salaries & Benefits	\$2,694,500	\$2,402,500	
Conference & Travel	\$21,500	\$26,000	
Checking, ATM, Debit Expense	\$651,500	\$654,000	
Office Operations	\$683,500	\$625,000	
Total Promotional Expense	\$171,000	\$133,500	
Depreciation Expense	\$219,500	\$144,000	
Loan Processing & Servicing	\$263,000	\$178,000	
Provision for Loan Losses	\$155,000	\$52,000	
Insurance	\$72,000	\$73,500	
Occupancy Expenses	\$169,000	\$173,000	
Total Operating Expense	\$5,100,500	\$4,461,500	14.3%
Income From Operations	\$2,248,000	\$1,439,000	56.2%
Total Dividend Expense	\$412,000	\$281,000	46.6%
Net Income	\$1,836,000	\$1,158,000	58.5%

Directors Years Served

	Cardinal Year	Years of Service
Walter John	1967-1968/1974-2014, 41	43
Len Ackman	1987	33
Katherine France	1997	23
Michael Graham	1998	22
Steven Underwood	2005	15
Vanessa Calloway	2008	12
Patrick Flader	2019	1
William Porter	2019	1

Committee Members Years Served

Howard Bultinck	1994-2015-Board Member	21
	2015-2020-Supervisory Committee	5

2019 Directors, Officers and Committee Members

Executive Committee

Chair	Katherine France
Vice Chair	Steve Underwood
Treasurer	Len Ackman
Secretary	Vanessa Calloway

Supervisory Committee

Chair	Michael Graham
Member	Howard Bultinck
Member	Walter John
Member	William Porter

Scholarship Committee

Chair	Vanessa Calloway
Member	Howard Bultinck
Member	Michael Graham
Member	William Holmes
Member	Steve Underwood

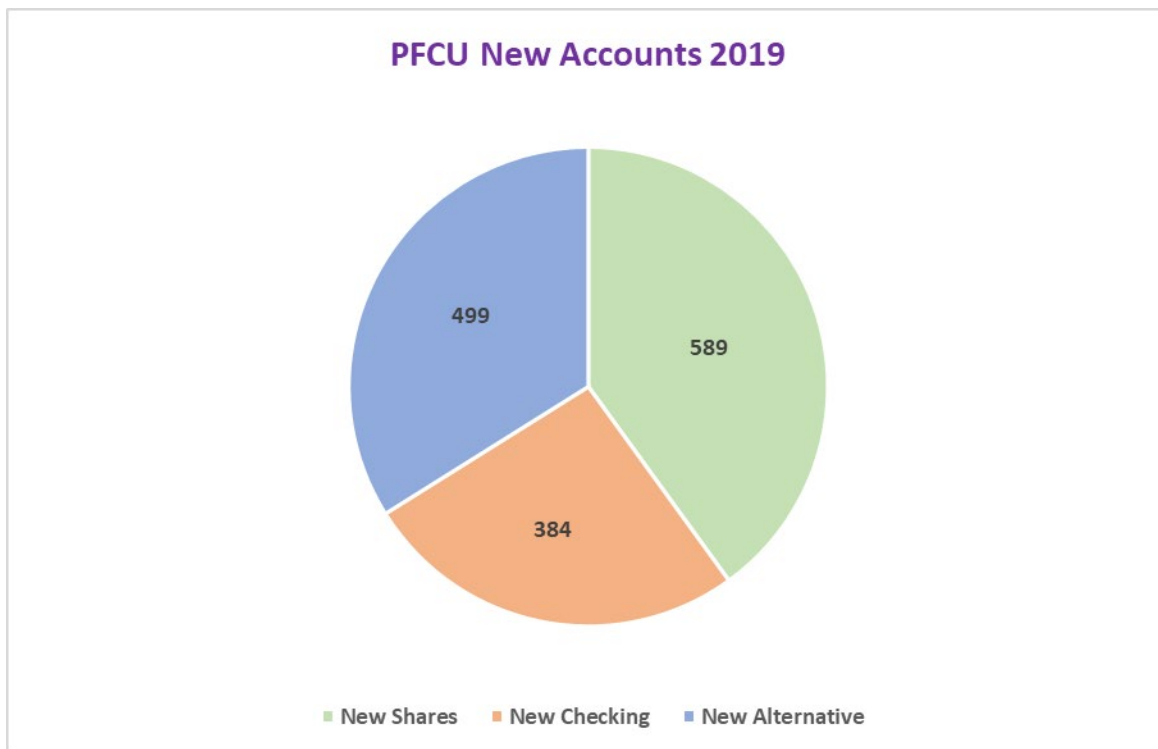
Governance Committee

Chair	William Holmes
Member	Len Ackman
Member	Vanessa Calloway
Member	Patrick Flader
Member	Steve Underwood

Membership Committee Report

Membership Account Totals at Year End	2019
# of Savings Accounts	12,849
# of Checking Accounts	5,204

Alternate Membership Account Totals at Year End	2019
# of Kid's Accounts	467
# of CD Accounts	492
# of Holiday Accounts	258
# of IRA Savings	110
# of CD Accounts	110
# of Secondary Share	389
# of Summer Payroll Savings	27
# of High Yield Savings	35
PFCU Total Accounts	19,941





2020 Board of Directors Nominating Committee Proposed Slate

SLATE of DIRECTORS TO BE ELECTED FOR 3 YEAR TERM

Vanessa Calloway

Howard Bultinck

Steve Underwood

Continuing Terms

1 YEARS REMAINING OF A 3 YEAR TERM

Len Ackman

Katherine France

Walter John

2 YEARS REMAINING OF A 3 YEAR TERM

Patrick Flader

Michael Graham

Bill Porter