

Partnership Financial Credit Union
64TH Annual Meeting

Thursday, February 24, 2022



Chair Report

While 2021 was a difficult year of unforeseen challenges for our membership and for our world, rest assured, your Partnership Financial Credit Union remains strong and continues to grow. Despite a challenging year, we made every effort to provide our members with outstanding personal service and offer them a wide range of products and services to meet their financial needs.

Part of our growth this past year was with the partnering of Leyden Credit Union (LCU) in June of 2021 with assets of \$106 million. We would like to thank David Lukas, past President of Leyden Credit Union, for his support and assistance in the transition, both for the members and the staff. We welcomed over 4,200 members and we are confident all will benefit from enhanced services, convenience of new offices and the financial benefit of this partnership. The merger also expanded our charter as we added the townships of Lyons, Proviso, and York. We are fortunate to have two new directors from LCU, Gene McCormack and Joe Thomas, join our board.

At year end, our Credit Union had grown to over \$360 million in assets, serving over 15,500 members and 28,300 total accounts. Financially we are considered a well-capitalized credit union having an over 10% Capital Ratio, as we have grown to be the 30th largest credit union in Illinois.

As the Covid-19 Pandemic extended into 2021, for the second year, PFCU was able to operate in all of our office locations, while keeping our members and staff safe. In September, we opened a satellite office at Triton College in River Grove. We feel this is a great opportunity to partner with the college and the students in financial education and services.

For those comfortable with remote services, we offer 24-hour, seven day a week account access. In September 2021, we upgraded our Online Banking and App which added more customizable features and improved the online security. We are happy to report that our members embraced our upgraded Online Account Access, mobile app with 24-hour access with check deposit, telephone teller and increased debit card volume. Additionally, our drive-thru lanes at the Des Plaines, Franklin Park and Morton Grove offices have seen increased activity as well as our additional hours of operation on Saturdays from 8:30AM to 12:30PM at the Franklin Park and Morton Grove offices.

In 2021, one of our business initiatives was to gauge our workplace Diversity, Equity, and Inclusion (DEI). Both the Board and Staff attended a session on DEI and I am pleased to report we are well positioned in this. Not only is our board and staff diverse, but we are also planning for diversified membership growth through our expansive community charter.

The Board is grateful beyond measure to Mary Ann Pusateri for her outstanding leadership as our CEO. During this past year with its unforeseen and difficult challenges, we are fortunate to have been guided by her strength, vision, and 34 years of leadership experience.

The Board is also grateful for the outstanding leadership of our Executive Vice Presidents, Theresa Guerriero and Marisa Conforti, along with their outstanding staff who have gone above and beyond this past year to serve our members.

During the last two years, we have all been faced with difficult challenges. Our front-line staff had been incredible dealing with all the changes, pivots, and shifts that occurred during these difficult times. They have all continued to provide outstanding member service, keeping the needs of our members a primary concern.

Respectfully submitted,



Steven Underwood, Board Chair

Supervisory 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 and internal auditors.

The Supervisory Committee has retained the services of Wipfli LLP to perform the annual audit as of December 31, 2020. The purpose of this required audit is to obtain an auditor's opinion of PFCU's financial statements and to confirm that PFCU conforms to U.S. Generally Accepted Accounting Principles (GAAP) as well as 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 2020. The results indicated that PFCU is operating in a financially-sound manner and in compliance with all applicable rules and regulations.

The committee also engaged the Illinois Credit Union League (ICUL), an association for credit unions, to perform the Bank Secrecy Act (BSA) and Safe Act Audit. As well, the ICUL performed a series of quarterly independent internal audits within the departments of Accounting, Lending, Operations, and Information Technology. Lastly, the committee contracted an independent auditor to perform the Automatic Clearing House (ACH) audit. As part of PFCU's commitment to our members to adhere to financial regulations as required, this fulfills all 2021 audit responsibilities.

I would like to thank the committee members, Howard Bultinck, Walter John and Katherine France 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 PFCU.

Respectfully submitted,

A handwritten signature in black ink, reading "Michael Graham", with a horizontal line underneath.

Michael Graham, Supervisory Committee Chair

Executive Finance Report

Based upon my review, I am pleased to report that 2021 was a strong year for growth in assets and loans to our members at PFCU.

During the year, our assets grew \$124 million or approximately 52% and our loans to our members grew approximately \$22 million or just over 22%. Part of our asset growth can be attributed to our new partnership with Leyden Credit Union which had assets of \$106 million. The balance of the \$18 million in growth can be attributed to our financially savvy members who have carefully managed to increase their savings by entrusting the credit union during these unprecedented times.

As treasurer, I can assure you that the main goal of PFCU is to provide a variety of financial and loan products that meet our members' needs. Funds that are not utilized for member loans or product enhancements are invested in Corporate Credit Unions, Certificates of Deposit, U.S. Government Securities, Annuity Investments, Municipal Bonds and Bank Notes.

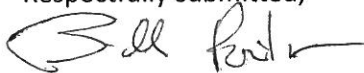
To enhance PFCU's earnings, we have contracted with an independent Asset Liability Management firm, McQueen Financial Advisors, to perform an analysis of the credit union's asset liability risk management. Quarterly reports are presented to the Board which ensures that PFCU is managing financial and operational risks.

In 2021, PFCU's Investment Portfolio earned approximately \$2.2 million, which is an approximate annual yield of 1.34%; whereas our Loan Portfolio earned approximately \$4.6 million with an approximate annual yield of 4.16%.

As a result of the significant growth PFCU experienced during 2021, the credit union's Equity Ratio is 10.07%, which is considered well capitalized by the IDFPR (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 2021 and I look forward to a prosperous 2022 that financially benefits our members.

Respectfully submitted,



Bill Porter, Treasurer

Scholarship Report

PFCU's scholarship program, The Rising Star Scholarship, was established in the year 2000. Since its inception, more than \$215,500 has been awarded to graduating high school seniors. One of the criteria for the recipients is that they or their parent/guardian be a member of PFCU at the beginning of the applicant's senior school year. Applicants must exhibit four key traits: **Passion, Focus, Charity, and Uniqueness** in their educational journey.

In 2021, a total of 28 applications were received and 18 scholarships totaling \$31,500 were awarded to an outstanding group of individuals in increments from \$500 to \$3,000. The committee was thoroughly impressed with all the applicants making it a difficult decision to select the final recipients. PFCU has again budgeted \$33,000 for the 2022 scholarship fund.

Applications are made available every year in early January until Mid-March with the evaluation process completed by mid-April. Each applicant is notified individually with congratulations or regrets in May. A press release is issued in May congratulating all the recipients and wishing them success in their future endeavors, whether it be continuing education in a four year or community college, trade school, vocational or life skills program. Typically, a presentation of the scholarships is made at the high school annual award ceremonies for seniors. Due to the pandemic, the high schools in-person presentations have been limited. PFCU congratulated our scholarship recipients via our social media efforts and by posting a montage of photos on our website. Applicants that are not awarded a scholarship did not go unacknowledged. PFCU presented a college swag bag to recognize their achievements.

In closing, I'd like to thank the members of the Scholarship Committee: Patrick Flader, Michael Graham and Mike Vilches for their commitment to the selection process.

Respectfully submitted,

A handwritten signature in black ink that reads "Vanessa Calloway". The signature is fluid and cursive, with a long horizontal flourish extending to the right.

Vanessa J. Calloway, Scholarship Committee Chair

Lending Report

Partnership Financial Credit Union (PFCU) is pleased to announce that although the challenges of the pandemic lingered into 2021, our staff continued to be diligent in providing and meeting the borrowing needs of our members.

As the interest rate environment remained at low levels, we did struggle to attain the loan growth we expected. Our partnership with Leyden Credit Union in June 2021 contributed to loan growth with \$19.7 million. PFCU was able to maintain a stable loan portfolio ending the year with over \$122 million in loans.

We are pleased that our in-house First Mortgage Loan Program continued to make strides in offering our members loans for both purchase and refinance transactions. As interest rates remained low throughout 2021, many PFCU members were able to benefit from the low-rate environment. PFCU provided 153 members with loans to purchase property or to refinance their existing mortgage loans totaling just over \$35.7 million.

The mortgage servicing portfolio has grown to servicing 458 Loans for a total of \$86.3 million. The servicing portfolio allows us to retain the payment processing on most all first mortgage loans that we originate. Our members can make payments at any of the convenient PFCU locations or access their mortgage information online and be able to transfer payments through online account access or from our mobile app.

PFCU continues to offer a competitive Home Equity Loan program to our members. Our HELOC Loan Program starts out with a low initial rate of 1.99%. Members have utilized these funds for home improvements, education, travel and even reinvestment in a vacation home. This rate is effective for the first year of the loan!

Vehicle loans are a mainstay of the many PFCU loan programs available. In 2021, we offered a refinance promotion allowing our members, who had their auto loans with other financial institutions, the opportunity to refinance and reduce their rate by up to 1.50%. This promotion was well received, and we ended our year with 420 new car loans adding an additional \$10.4 million to our loan portfolio.

PFCU continues to offer member accessibility to many resources that assist in various aspects of a member's finances. Some include:

Online Applications and E-Sign - Our members can apply for any type of loan from their computer or mobile device. The member can provide all documentation required through secure encrypted emails. All loan documents that are required to fund the transaction can be provided to the member via an online secure encrypted email for electronic signatures. The members can be at the dealer and get their loan without ever having to be inconvenienced.

- **Savvy Money** – The online Credit Score resource to obtain a free credit report, creditscore and to be able to monitor credit usage. Additional articles and blogs are available within the site which provides a wide range of financial educational information.
- **WheelZone** – Our online vehicle shopping tool to help our members navigate their car shopping experience without pressure. This assists you in locating a car and provides a calculator to help determine what your monthly payment will be. Once you have located the dealer that has the car of your dreams, you can apply for a loan with PFCU – all within the same site.

Several promotional programs are offered and advertised throughout the year to help our members with planned and unexpected expenses, holiday and vacation expenses, and additional options for debt consolidation. Members can work with one of our experienced Financial Services Representatives to explore programs that would work best for their situation. If there are questions on any of the lending programs we offer, members are encouraged to reach out to any of our experienced Financial Service Representatives for help with their financing questions and needs. Lending money to you, our members, continues to be one of our primary missions.

PFCU welcomed a new addition to our staff. Seth London joined the PFCU team in December 2021 as our new Director of Consumer Lending. Seth comes to PFCU with over 10 years of credit union experience. We look forward to the future growth that our lending department will attain with his leadership.

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,

A handwritten signature in black ink that reads 'Theresa Guerriero'.

Theresa M. Guerriero, EVP Lending

Benefits of Membership

Accounts

- Savings
- High Yield Savings
- Checking – No Big Strings
 - ATM Fee Refunds
- Individual Retirement Accounts (IRA)
- Certificate of Deposit (CD)
- Business Accounts
- Club Accounts
 - Kids
 - Holiday
 - Vacation
 - Summer

Loans/Credit Cards

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

Electronic Services

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

Additional Products and Services

- College Scholarship Program
 - Graduating High School Seniors
- Drive Thru
 - Des Plaines, Franklin Park, & Morton Grove Offices
- Night Depository
 - Des Plaines, Franklin Park, & Morton Grove Offices
- Safe Deposit Boxes
 - Des Plaines Offices
- ***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 – First 5 per Month Free
 - 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 Planning
 - Insurance

Financial Statements

Balance Sheet			
	12/31/2021	12/31/2020	% Growth
Assets			
Vehicle Loans	\$24,486,000	\$19,033,000	
CULS Loans	\$7,333,000	\$6,202,000	
Consumer Loans	\$4,258,000	\$3,978,000	
Student Loans	\$680,500	\$548,500	
Visa Credit Card Loans	\$4,928,500	\$3,097,000	
Home Equity Loans	\$19,073,500	\$17,417,000	
First Mortgages	\$59,120,000	\$45,708,000	
Business Loans	\$2,293,000	\$4,441,000	
Reserve for Loan Losses	(\$757,000)	(\$783,000)	
Net Loans	\$121,415,500	\$99,641,500	22%
Cash	\$16,446,000	\$7,542,500	
Investments	\$209,725,000	\$119,320,000	
NCUA Share Insurance Deposit	\$3,138,000	\$1,914,500	
CU Building & Land	\$6,973,000	\$3,868,500	
Other Assets	\$4,147,000	\$5,513,000	
Total Assets	\$361,844,500	<u>\$237,800,000</u>	<u>52%</u>
Other Liabilities	\$2,130,000	\$1,411,500	
Shares			
Regular Shares	\$202,419,500	\$13,087,000	
Partner Plus	\$29,908,500	\$14,991,000	
Certificates of Deposit	\$15,815,500	\$22,257,000	
Checking Accounts	\$68,583,000	\$37,748,000	
Kids Accounts	\$1,938,500	\$1,230,500	
Holiday Accounts	\$74,500	\$44,000	
Vacation Accounts	\$673,500	\$315,000	
IRA Accounts	\$2,762,500	\$1,641,500	
IRA Certificates	\$2,009,000	\$1,823,000	
Escrow	\$17,000	\$0	
Total Shares	\$324,201,500	\$212,906,000	52%
Equity			
	\$32,844,500	\$22,034,000	49%
Net Gain	\$2,668,500	\$1,448,500	84%
Total Shares and Equity	<u>\$361,844,500</u>	<u>\$237,800,000</u>	<u>52%</u>

*\$320,500 Sale of building – Actual <4.5%

Income Statement

	2021	2020	% Growth
Income			
Interest on Consumer Loans	\$1,960,000	\$1,714,500	
Interest on Real Estate Loans	\$2,656,000	\$2,471,000	
Total Interest on Loans	\$4,616,000	\$4,185,500	
Earnings on Investments & Cash	\$2,242,500	\$2,031,000	
FM Sales Income	\$732,000	\$596,000	
Interchange Income	\$417,500	\$226,000	
Fees	\$423,000	\$427,500	
Other Income	\$1,202,000	\$96,500	
Total Operating Income	<u>\$9,633,000</u>	<u>\$7,562,500</u>	<u>27%</u>
Expenses			
Employee Salaries & Benefits	\$3,551,500	\$3,052,500	
Conference & Travel	\$24,000	\$17,000	
Checking, ATM, Debit Expense	\$702,000	\$435,500	
Office Operations	\$742,500	\$632,500	
Total Promotional Expense	\$90,000	\$98,000	
Depreciation Expense	\$314,500	\$272,000	
Loan Processing & Servicing	\$341,000	\$352,000	
Provision for Loan Losses	\$30,000	\$250,000	
Insurance	\$85,000	\$73,500	
Occupancy Expenses	<u>\$425,500</u>	<u>\$334,500</u>	
Total Operating Expense	<u>\$6,306,000</u>	<u>\$5,517,500</u>	<u>14%</u>
Income from Operations	\$3,327,000	\$2,045,000	63%
Total Dividend Expense	\$415,000	\$582,500	<29%>
Net Income	\$2,912,000	\$1,448,500	101%

Directors Years Served

	Cardinal Year	Years of Service
Walter John	1967 - 1968 / 1974 - 2014 / 2018 - 2021	45
Len Ackman	1987	35
Eugene McCormack	1988	32
Katherine France	1997	25
Joe Thomas	1997	25
Michael Graham	1998	24
Steven Underwood	2005	17
Vanessa Calloway	2008	14
Mike Vilches	2012	10
Patrick Flader	2019	3
William Porter	2019	3

Associate Director

Yolanda Hardy	2021	1
---------------	------	---

Committee Members

Howard Bultinck	1994 - 2015 – Board Member 2015 – 2020 – Supervisory Committee	22
-----------------	--	----

2021 Directors, Officers and Committee Members

Executive Committee		Charitable Committee	
Chair	Steve Underwood	Chair	Mike Vilches
Vice Chair	Len Ackman	Member	Walt John
Treasurer	Bill Porter	Member	Steve Underwood
Secretary	Vanessa Calloway		
Supervisory Committee		Asset Liability Committee	
Chair	Michael Graham	Member	Katherine France
Member	Howard Bultinck		
Member	Walter John		
Member	Katherine France		
Scholarship Committee		Associate Director	
Chair	Vanessa Calloway	Member	Yolanda Hardy
Member	Patrick Flader		
Member	Michael Graham		
Member	Steve Underwood		
Governance Committee		New Directors (as of 06/01/21)	
Chair	Len Ackman	Member	Gene McCormack
Member	Vanessa Calloway	Member	Joe Thomas
Member	Patrick Flader		
Member	Bill Porter		
Asset Liability Committee			
Chair	Katherine France		

Membership Report

Checking Account Totals at Year End 2021

Savings Account	16,478
High Yield Savings/Partner Plus	435
CD Accounts	579
IRA Savings	174
IRA CD Accounts	96
Secondary Share	1,648
Kid's Accounts	577
Holiday Accounts	337
Vacation	252

Membership Account Totals at Year End 2021

Checking Accounts	7,808
Checking Plus	504
Business Checking	131

Electronic Numbers 2021

Mobile Web Active Users	3,593
Online Banking Active Users	5,078
Text Banking Active Users	958
Audio Banking Active Users	219
E-Statement Users Enrolled	6,515
Remote Check Deposit Sign Up	2,850

2022 Board of Directors Nominating Committee Proposed Slate

SLATE of DIRECTORS TO BE ELECTED FOR 3 YEAR TERM

Patrick Flader

Michael Graham

Bill Porter

Continuing Terms

1 YEAR REMAINING OF A 3 YEAR TERM

Vanessa Calloway

Joe Thomas

Steve Underwood

Mike Vilches

2 YEARS REMAINING OF A 3 YEAR TERM

Len Ackman

Katherine France

Walt John

Gene McCormack