



2019 Annual Report

Service. Value. Convenience. Trust

PFFCU is federally insured by the NCUA.

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Board of Directors

Anthony LaRosa
Chairman

John H. Richardson
Vice Chairman

James E. Cunningham
Secretary

John LaRosa
Treasurer & CEO

Joann Zarro
Director

Robert Gavin
Director

Patricia Fox
Director

PFFCU's Commitment to Staff

At PFFCU, we recognize that a motivated and knowledgeable staff is critical to the success of our organization. We can't achieve our member service and loan and deposit growth goals without our dedicated staff.

Employment Stability

It is management's responsibility to develop and execute appropriate business strategies to be successful so that we avoid the cycle of hiring and firing that exists at many large companies. Management takes the responsibility for our staff's job security very seriously.

Recognition and Financial Rewards for Superior Performance

PFFCU staff have the opportunity to earn more if they perform at a superior level. We have awarded annual performance bonuses every year since 1992. We want every staff member to have the opportunity to share in the success of PFFCU based upon their contribution to PFFCU.

Friendly and Teamwork-Oriented Work Environment

Management wants PFFCU to continue to be a great place to work. We hope the staff look forward to coming to work, enjoy the people they work with, and the type of work they do. At PFFCU, staff have the opportunity to help people achieve their financial goals with our deposit and loan products.

Training in the Skills Staff Need to Succeed and Knowledgeable Managers who Help Staff Succeed

Your success and satisfaction at work can be closely correlated to having a quality department manager and the appropriate level of training for your position. It is PFFCU's responsibility to ensure that we have effective new hire and ongoing training programs to provide you with the skills needed to succeed in your position. It is also PFFCU's responsibility to ensure that the leadership in each department is managing in a way consistent with PFFCU's core values of Member Service and Teamwork, is very knowledgeable in their area of expertise, and works constructively with staff to help them succeed.

Honesty

At PFFCU, we tell the truth to our members as well as our staff. PFFCU should do what's right, even if it is not easy or convenient. Honesty is a simple principle, but as we have seen with many corporate scandals, it is not always followed. This principle also requires that each individual staff member be honest when dealing with the membership and fellow staff members.

PFFCU's Values (*Staff Commitment to PFFCU*)

PFFCU's Values represent the staff's commitment to the Credit Union. It is a statement of how staff should think and act with regard to their position at PFFCU. We urge staff members to use these principles as a guide in their decision making because it will help them make the right decision.

Member Service

Member Service comes first. Members are the reason PFFCU exists. PFFCU's member service philosophy is "Try to bend the rule to fit the member; don't bend the member to fit the rule". PFFCU is a not-for-profit, financial services cooperative. We are willing to accept lower profitability than a bank in order to give more benefits to the membership. The benefits of membership are lower loan rates, higher deposit rates, lower fees, and better member service.

Teamwork

We must work constructively within our department and with other departments to achieve the common goals of PFFCU. One of the reasons teamwork is a key value is because it is much more effective and enjoyable to work together to achieve our member service and financial performance goals. If each department were self-centered and indifferent toward the needs of other departments, it would create a work environment where much time and energy was wasted on inter-departmental conflict.

Commitment

We must devote the energy and effort needed to achieve excellence. We must embrace change, continually learn, and strengthen our current business processes to improve member service, reduce operating expenses, and increase revenues.

Performance

We must achieve results, take responsibility for our individual and team performances and learn from our mistakes.

PFFCU's Commitment to Our Members

PFFCU's mission is to be our members' primary financial services provider, focusing on loans and deposits. We will earn our members' **Trust** by providing quality financial products at very attractive prices, delivered with superior **Service, Value, and Convenience**.

PFFCU's Business Performance Goals are the quantitative measures we use to determine if we are achieving our mission. PFFCU cannot survive by just doing what it has always done. We must move forward or we will fall behind the competition.

Our long term business goals are the following:

- a. Member Service superior to the competition as measured by our Member Surveys.
- b. Loan Growth of 5% to 10%.
- c. Deposit Growth of 5% to 10%. In the current economic environment, we are only focused on active Checking Account growth of 5% to 9%.
- d. Household Growth of 5% to 8%.
- e. ROA or profitability of 0.8% to 1.0%.

PFFCU's commitment to our staff, combined with the staff demonstrating PFFCU's values, enables us to accomplish our mission and achieve our business goals.

2019 Annual Report

John LaRosa

Treasurer and Chief Executive Officer

At PFFCU, our mission is to be our members' primary financial services provider, focusing on loans and deposits. We will earn our members' Trust by providing quality financial products at very attractive prices, delivered with superior Service, Value, and Convenience. At PFFCU, we take our commitment to our members seriously, so we only offer products and services that serve your best interests.

Our first goal is to keep PFFCU financially strong so member deposits are safe. Secondly, we will continue to reward members with great loan and deposit rates and superior member service so that members can benefit from our high level of financial strength. Finally, we will focus our resources on developing new products and services to enhance our members' experience with PFFCU.

While we believe we are doing a great job serving our members, it is gratifying to have our members confirm this view. During 2019, members who responded to our Branch and Call Center surveys gave PFFCU industry-leading member service scores. PFFCU had an average Net Promoter Score of 92% and overall experience score of 4.74 on a scale of 1 to 5. These results indicate PFFCU is accomplishing its mission to provide the best Branch and Call Center service in the Philadelphia metro area. We surveyed every member who received a Consumer Loan during 2019 and our Net Promoter Score was 92% and our overall experience score was 4.76. We surveyed every member who received a Real Estate Loan during 2019 and our Net Promoter Score was 88% and our overall experience score was 4.67. Our members' confidence in PFFCU is clearly demonstrated by our member survey results.

PFFCU's 15 branches performed 2.6 million member transactions in 2019. We purchased property on Haverford Avenue and moved

our City Avenue Branch to a bigger and better facility that has more parking and capacity to service members. We opened a new branch in the King of Prussia area to extend our geographic coverage to better service members. In February of 2020, we will open a new branch at the Montgomery Mall. In March of 2020, we will open a new branch in New Jersey in Marlton Crossing shopping center. And, we also purchased property along Ridge Avenue in Philadelphia to move our Andorra Branch in April of 2020.

Our Telephone Member Service Representatives successfully answered 2.1 million calls, with 84% of those calls being answered in less than 30 seconds with an average delay before answering of 21 seconds. These are good results and are a testament to the commitment of the Call Center staff.

With regard to financial performance results, total assets grew 8% to \$5.6 billion. Net Worth, which is the reserve that protects member deposits, climbed to \$1.03 billion, or 18% of total assets. Overall deposit balances grew 7% to \$4.5 billion while overall loan balances held and/or serviced grew 15% to \$4.3 billion. The total number of checking accounts grew 8% to 289,000 while the total number of member households grew 11% to 258,000.

Our Loan Growth strategy is to differentiate PFFCU from the competition by delivering superior member service, along with attractive loan rates, and a convenient loan approval process. We monitor our member service performance very closely and contact members who express a concern on our loan surveys. We have invested significantly in technology and staffing to improve our member service experience.

Our unsecured loan balances grew 9% during the year to \$456 million. Credit card loan balances grew 11% while Signature Loans grew 11% and PLOC balances grew 1%. PFFCU originated 31,000 unsecured

loans during 2019 for \$183 million. Unsecured loan losses were very low at 1.7% for the year.

Auto loan balances grew 38% to \$955 million with Indirect auto loan balances now \$573 million. Direct auto loans grew 17% while indirect auto loans grew 55%. PFFCU originated 18,600 auto loans during 2019 for \$471 million. PFFCU entered the indirect auto loan business to enhance convenience for members and to attract new members. Total auto loan losses continued to remain low at only 0.14%.

Home Equity balances grew 5% to \$518 million. Members closed 2,400 Home Equity loans for \$108 million. Members closed 1,100 HELOC's for \$88 million. With the Prime Rate falling, HELOC balances grew 6%. Home Equity losses were very low at 0.1%.

First Mortgage loans grew 18% to \$2.4 billion. 1st Mortgage origination volume was great at 3,135 loans for \$638 million. 1st Mortgage loan losses remain very low at 0.04%.

During 2019, the Federal Reserve Bank lowered the Fed Funds rate three times to 1.75%. PFFCU has responded by lowering our money market and short term CD rates. PFFCU lowered 1st mortgage and auto loan rates in response while Credit Card, PLOC, and HELOC rates moved down with the Prime Rate.

To stay competitive in the financial services industry, we must adapt to changing circumstances, introduce new products, improve member service and streamline operations to become more efficient. Our balance sheet strength, record loan volume, and member survey results demonstrate that we are providing our members with the financial products and services they desire and that our staff is doing a great job providing quality member service.

Supervisory Committee Report

One of the Supervisory Committee's major responsibilities is to have an independent audit performed at least annually to verify member account balances. To carry out these responsibilities, the Supervisory Committee employs independent certified public accountants to perform auditing and account verification work. For 2018, the Supervisory Committee hired CliftonLarsonAllen LLP to perform an annual audit of PFFCU's financial statements in accordance with generally accepted auditing standards.

In addition, the Supervisory Committee works with the National Credit Union Administration (NCUA), our federal regulator, when it conducts its annual examination of PFFCU. The Supervisory Committee also oversees the internal audit group to determine whether PFFCU operations are in compliance with PFFCU's policies and procedures and that internal controls exist to protect member assets.

We are pleased to report that CliftonLarsonAllen LLP completed the annual audit for 2018 in March, 2019. The Committee is pleased to report that PFFCU is a financially sound organization dedicated to serving its members.

PFFCU Supervisory Committee

Anne Kelly King, *Chairperson*

Joann Chapman

Margaret Kaufman

Timothy Haggerty

Dexter Green

Toni Rosen

Unconsolidated Statement of Financial Condition

As of December 31, 2019 (Unaudited)

Cash & Cash Equivalents	\$95,409,000
Investments	\$1,907,122,000
First Mortgages	\$1,612,199,000
Home Equity Loans & HELOC	\$518,011,000
Auto Loans	\$955,947,000
Unsecured/Other Loans	\$456,164,000
Allowance for Loan Losses	(\$14,850,000)
Other Assets	<u>\$98,620,000</u>
Total Assets	<u>\$5,628,622,000</u>
Savings, Checking, & Escrow	\$1,413,388,000
Premium Yield	\$1,745,841,000
Regular Certificates	\$709,280,000
IRAs	<u>\$667,922,000</u>
Total Member Deposits	<u>\$4,536,431,000</u>
Borrowings	\$0
Other Liabilities	\$48,730,000
Equity Capital	<u>\$1,043,461,000</u>
Total Liabilities and Equity	<u>\$5,628,622,000</u>