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## 2023 Annual Report

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Service. Value. Convenience. Trust.

PFFCU is federally insured by the NCUA.

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## Board of Directors

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Anthony LaRosa  
*Chairman*

John H. Richardson  
*Vice Chairman*

James E. Cunningham  
*Secretary*

John LaRosa  
*Treasurer & Retired CEO*

Joann Zarro  
*Director*

Patricia Fox  
*Director*

Timothy J. Haggerty  
*Director*

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# PFFCU's Commitment to Staff

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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.

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## **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.

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

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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.

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# PFFCU's Commitment to Our Members

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**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%—focusing primarily on active checking account growth.
- d. Household Growth of 5% to 10%.
- 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.

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# 2023 Annual Report

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**Lisa Girdharry**

*President and Chief Retail Officer*

PFFCU's mission is to be our members' primary financial services provider, focusing on loans and deposits. We 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 and only offer products and services that serve their best interests.

PFFCU had another successful year in 2023 in a high interest rate environment. Our primary goal continues to be keeping PFFCU financially strong so member deposits are safe. We will continue to reward members with great loan and deposit rates and superior service so that members can benefit from our high level of financial strength.

In the high interest rate environment, depositors saw significant increases in dividend earnings. PFFCU remains in the forefront for providing its members with significantly higher rates for Checking, Savings, our Premium Yield Account, and IRAs. In 2023, PFFCU paid \$175 million in dividends to members. As a member, if you have money elsewhere, you can earn more by moving funds to PFFCU. In addition, PFFCU awarded another \$15 million to members in the form of a Member Bonus. Together, more than \$190 million was returned to members in the form of dividends and the Member Bonus.

PFFCU is focused on serving its members with no banking disruptions through our Branch Network, Online and Mobile Banking, and Call Center. Our Branches serviced nearly 2 million member Teller transactions. PFFCU and all of our employees continue to be committed to serving our members with the highest level of service.

In 2023, our Telephone Member Service Representatives answered nearly 1.8 million calls, with 82% of those calls being answered in less than 30 seconds with an average delay before answering of 32 seconds.



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Due to the shift in the employment landscape post-pandemic, PFFCU significantly improved service levels compared to the previous year. Our Call Center is fully staffed, and we look forward to continuing to provide the high-level of service our members expect.

At PFFCU, we recognize that motivated and knowledgeable staff are critical to the success of our organization. We can't achieve our member service and loan and deposit growth goals without our dedicated staff. Members who responded to our Branch and Call Center transaction surveys rated PFFCU with industry-leading member service scores.

- Our Branch Network Net Promoter Score was 91% and on a scale of 1 to 5, received an Overall Experience score of 4.72.
- Our Call Center Net Promoter Score was 94% and received an Overall Experience score of 4.82.

Our staff members are vital to the success of the organization, and we thank them for their dedication and commitment to our members in 2023.

Our marketing strategy for lending focuses on promoting loan originations through pre-approved and general awareness direct mail and emails, targeted digital advertising, and Call Center and Branch Service Sales Staff. We also align our marketing strategies within our Online and Mobile Banking platform, making it easy for members to apply online by taking advantage of pre-approved or general awareness offers.

PFFCU continues to see financial scams targeting our membership. In order to minimize losses, we provide frequent education to our employees and members on different types of scams. PFFCU will never text, email or call asking for personal information like Online/ Mobile Banking Logins or Passwords, including one-time security text

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codes. It's vital that staff and members stay vigilant against this growing problem. If someone promises free money or a too good to be true way to receive money, rest assured, it's a scam. Our employees are trained to ask questions about certain withdrawals or deposits as a way to help prevent members from a financial loss.

Our goal is to be very convenient for our membership, and that means providing members access to PFFCU anytime, anywhere. We continue to see strong year-over-year growth in members utilizing Online/Mobile Banking. PFFCU is committed to enhancing this self-service channel in order to allow our members to bank when it's convenient for them wherever they may be, at any time. More than 288,000 members are enrolled in Online and Mobile Banking. Members pay more than 108,000 bills each month through Bill Pay and deposit nearly 60,000 checks per month remotely using Mobile Deposit. PFFCU is a 24-hour per day, 365 day per year operation. We rely heavily upon lower cost, more convenient ways to service our members, like Online and Mobile Banking, ATMs, Debit Cards, and Direct Deposit. While the Information Systems and Operations departments may appear to be back-office functions, they are responsible for more member transactions than any other department. PFFCU is never closed and our systems must be as close to 100% available as possible.

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. In 2024, members will see the introduction of Interactive Teller Machines (ITMs) at our branch locations. ITMs are designed to help members complete in-branch transactions easily and securely.

In closing, our balance sheet strength, 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. We appreciate you, and the ability for PFFCU to service your financial needs!

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## **James Duke**

### *President and Chief Operating Officer*

At PFFCU, our mission is to be our members' primary financial services provider, delivered with superior Service, Value, and Convenience. PFFCU's Lending business is critical to our long-term success and can be divided into four major product lines:

1. First Mortgages
2. Home Equity Loans and Lines of Credit
3. Auto Loans
4. Unsecured Loans–Visa, PLOC, and Signature Loans

Our pricing philosophy and rate and fee structure for loans are open and fair to our members. Our loan rate surveys of the local competition detail that we are providing our members great value in our loan products in the form of lower rates and fees.

In 2023, interest rates continued to rise, resulting in our new loan originations being significantly lower for our first mortgages, while home equity loan originations remained strong.

In this higher interest rate environment, our auto loan balances decreased 4% to \$1.8 billion. Direct auto loans decreased \$43 million while indirect auto loans decreased \$28 million. Auto loan losses remained low at 13BP (Basis Points).

First mortgage loans ended 2023 at \$3.5 billion, down \$246 million, or 6% when compared to last year. First mortgage loan losses remain historically low at 1BP. With the rising rates in 2023, our members favored our home equity products, with home equity loan and line of credit balances increasing \$214 million or 30% to \$916 million. Home equity loan origination volume was strong at \$273 million. Our home equity loan rates are very competitive, while our home equity losses were again very low at less than 1BP.

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Trends in the rising rate environment had members utilizing our unsecured loan products, increasing our unsecured balances by 8% during the year to \$554 million. Unsecured loan losses increased during the year to 2.3% but below our peers' levels at 3% and higher.

Within all of our loan portfolios, over the past 3 years, our total loss rate has been under 25 Basis Points, with 2023 at 24BP vs the 15BP for 2022 and the record low 9BP in 2021. This greatly reflects the team effort of all the lending staff, as well as our Legal and Collection teams, for staying at such a low loan loss level than our peers, that are at 60BP or higher.

Our success is based on earning our members' business every day in achieving our mission – to be our members primary financial services provider – focusing on loans and deposits delivered with superior Service, Value, and Convenience.

We also provide our staff at PFFCU with a challenging and rewarding work environment, one that places an emphasis on employment stability, honesty and fairness. We do this by adhering to our Core Values of Member Service, Teamwork, Commitment, and Performance.

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# 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 accomplish this, the Supervisory Committee engaged the independent public accounting firm of CliftonLarsenAllen, LLP (CLA).

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 department that performs ongoing reviews to determine whether PFFCU is operating in compliance with policies, procedures, and regulations, and that internal controls are in place and operating effectively.

We are pleased to report that CliftonLarsonAllen LLP completed the annual audit of the financial statements for 2022 in March 2023. 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

Toni Rosen

Dexter Green

**Unaudited Statement of Financial Condition\***  
**as of December 31, 2023**

<b>Assets</b>	
Cash & cash equivalents	\$2,477,556,000
Investments	
Available for sale	\$31,936,000
Other	\$3,741,000
Loans held for sale	\$1,438,000
Loans to members, net	\$6,079,835,000
Accrued interest receivable	\$19,485,000
Property and equipment, net	\$50,993,000
Share insurance deposits	\$64,841,000
Other assets	\$23,981,000
<b>Total Assets</b>	<b>\$8,753,806,000</b>
<b>Liabilities and Members' Equity</b>	
<b>Liabilities</b>	
Members' shares	\$7,202,701,000
Borrowings	\$0
Accrued expenses and other liabilities	\$85,741,000
<b>Total Liabilities</b>	<b>\$7,288,442,000</b>
<b>Members' Equity</b>	
Retained earnings	\$1,465,416,000
Accumulated other comprehensive loss	(\$52,000)
<b>Total Members' Equity</b>	<b>\$1,465,364,000</b>
<b>Total Liabilities and Members' Equity</b>	<b>\$8,753,806,000</b>

\* The audited financial statements would include other financial statements, accompanying notes that are an integral part of the financial statements, and the independent Auditor's Report.