

SUPERVISORY COMMITTEE REPORT

Philadelphia Federal Credit Union's Supervisory Committee is charged with the audit function of the Credit Union to ensure that PFCU's strength is fairly represented. The committee oversees the internal and external auditors who make sure that the Credit Union is sound and functioning well with the mandated guidelines and policies set forth by the governing bodies.

An external audit was conducted in 2016 by the Certified Public Accounting firm of Connolly, Grady and Cha, P.C. The federal examiners of the National Credit Union Administration (NCUA) also audited the Credit Union. These examinations of PFCU's financial statement and practices, along with audits conducted by the Internal Audit Department, have revealed Philadelphia Federal Credit Union to be in excellent condition, both financially and administratively.

Due in part to the efforts of the Supervisory Committee and auditors throughout the credit union movement, credit unions as a whole are very sound financial institutions. Credit Unions provide an alternative to consumers and the fact is more individuals are choosing credit unions not only because of their services, but also because they know that their money is safe.

The Supervisory Committee is dedicated to ensuring that these beliefs are well founded. The committee welcomes all comments and suggestions from our members. You are invited to use the following address:

PFCU Supervisory Committee
P.O. Box 21004, Philadelphia, PA 19114

Timothy Lederer
Chairman

MISSION STATEMENT

The mission of the Philadelphia Federal Credit Union is to provide for the financial well-being of our membership through a dedicated and unique combination of professional and personal service. As a member-owned institution, we will invest daily in building one-on-one relationships with our membership community through uncompromising service, convenience and a complete offering of competitive financial products and services. It is our fundamental belief, and the pride of the Philadelphia Federal Credit Union, that our members and employees are owners of this institution. Therefore, we will become the leading credit union in the Delaware Valley, in recognition of our commitment to their ownership and as stewards of their financial independence.

BOARD OF DIRECTORS

BOARD MEMBERS

Bridget Tierney Brown
Paulette Chambers
Vincent Colaberdino
James McAneney
Kathleen Meyer
Elizabeth Sees
Charles Zacney

CHAIRMAN

Bernard B. Lester

VICE CHAIRMAN

Elaine Melchiorre

TREASURER

Joseph F. McHugh, Jr.

SECRETARY

Anna DeFusco

EMERITUS

Bertram Levy
Michael J. McAllister, Esq.
Dennis McBride
Elouise Thomas

OPERATIONS CENTER/ MAILING ADDRESS

12800 Townsend Road,
Philadelphia, PA 19154-1003
215-934-3500 • 800-832-PFCU
(outside metropolitan area)
TDD: 215-934-4000

WEB SITE

pfcu.com

24 HOUR ACCOUNT ACCESS

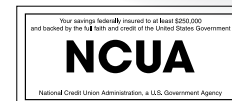
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2016 ANNUAL REPORT

PFCU
PHILADELPHIA
FEDERAL CREDIT UNION

Not here for our profit.
Here for yours.



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CHAIRMAN/PRESIDENT'S REPORT

65 Years of Serving Our Community

Having delivered 65 years of service to our community here in the Delaware Valley, Philadelphia Federal Credit Union (PFCU) is proud of the financial services we provide to our members. From our beginning in 1951 to our present, we pride ourselves on providing the most popular financial products with the devoted and personal service our members have come to know and love. We are grateful for your support and honored to be your trusted financial institution.

Not Here For Our Profit. Here For Yours.

We are a not-for-profit, member-owned financial institution built on the credit union principle of "people helping people." To some, that might sound like we don't make a profit, but that isn't true. We do make a profit doing business with our members, but instead of sending it to shareholders and stakeholders, like a bank would, we return it in the form of lower rates and higher dividends. After all, our members are the only stockholders and stakeholders we have. That means we work to make your savings grow faster and to ensure that you owe less money over the life of a loan with us.

Here are a few specific examples of how we did that from our past year:

- **We sustained low loan rates.** Our auto loan rates remained as low as 1.99% APR, our personal loan rates stayed as low as 9.50%, and our Fast Track Mortgage program that allows you to refinance your mortgage to 15 years or less maintained a rate of 3.99% APR.
- **We improved our mortgage programs.** We presented a new and improved mortgage processing system and offered a first-time homebuyer grant program.
- **We upgraded our security.** We issued EMV Technology for our PFCU Check Card, increasing security for our members that shop with their chip-enabled debit card.
- **We introduced Digital Wallets.** In a continued effort to serve you with the latest products and services, we unveiled PFCU's Digital Wallets, making it easier for members to shop and pay with their PFCU Check Card on their mobile device.
- **We rewarded you for using our debit cards.** We launched our Kasasa® Cash Back, and Kasasa® Tunes accounts to reward members for their everyday debit card purchases and refund ATM fees.
- **We paid your first auto loan payments.** We hosted Enterprise Car Sale events throughout the year with rates as low as 1.99% APR and even made your first payment up to \$500.

• **We rewarded new members and those of you who referred them.** For each referral through our Member Referral Program, we gave both you and your referred new member \$25 to show our gratitude.

• **We opened a new branch.** To increase our footprint in Philadelphia, we opened a new branch in the Torresdale section of the city.

We love giving back to our members, but we don't stop there. We also invest in the communities we serve. PFCU in Action provided support in many ways, including:

- ✓ Teaming up with the City of Philadelphia Mural Arts Program to commission a mural that was revealed at the Philadelphia Federal Credit Union Kensington Kinetic Sculpture Derby & Arts Festival in May 2016.
- ✓ Showing our commitment to community events ranging from hosting Shredding days to sponsoring the St. Patrick's and Columbus Day Parades and supporting SPIN's fifth annual Possibilities in the Park 5k, Philadelphia Free to Breathe Run/Walk and more.
- ✓ Championing employee and volunteer-sponsored events like the 19154 5K race, Susan G. Komen Race for the Cure, MS City to Shore Ride, the Dragon Boat Festival, and Santa for Seniors.
- ✓ Educating our young people about personal finance through our Financial Literacy Seminars held at local schools and our 2016 Scholarship and Tuition Rewards Programs.
- ✓ Expanding our business banking relationships in the community by hosting small business networking events throughout the year, and inspiring our members to take our commercial loans for their small business needs.
- ✓ Conducting financial seminars throughout our communities to help you get more out of your money as part of our Financial Education in Action program.
- ✓ Publishing insight on financial topics from PFCU's own Accredited Financial Counselor featured in national and regional publications.
- ✓ Growing our social media engagement on Facebook, Twitter, and LinkedIn through fun promotions like the Picture of Success Art Contest, Pop-up Barbecue events, and the PFCU Community Ties promotion where members determined where to lend our support for local charities during the holiday season.

We Think 2017 Will Be Even Better

For many years, we have grown in members, assets, and influence in our community. We are proud of what we have accomplished together with you, our members. But we aren't satisfied with the status quo and always strive to do more. That's why we think 2017 will be even better. We thank you for your continued support and look forward to making you proud to be a part of our credit union.

Bernard B. Lester
Chairman

James M. McAneney
President/CEO

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying consolidated statements of financial condition of Philadelphia Federal Credit Union and its Subsidiaries, which comprise the consolidated balance sheets as of September 30, 2016 and 2015, and the related consolidated statements of income, comprehensive income, changes in members' equity, and cash flows for the years then ended, and the related notes to the financial statements. These consolidated financial statements are the responsibility of the Credit Union's management.

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Philadelphia Federal Credit Union and its Subsidiaries as of September 30, 2016 and 2015, and the results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Connolly, Grady & Cha, P.C.

Certified Public Accountants
Philadelphia, Pennsylvania

TREASURER'S REPORT

Philadelphia Federal Credit Union (PFCU) continues to thrive. 2016 marked the year that our total assets reached \$1 billion. Not only that, from major financial gains as an institution to significant growth in loans, total assets, and shares equity, we continue to enjoy consistent growth as a financial institution in all areas, including net worth, net income, and credit quality.

Total assets for 2016 were \$1,024,361,360 billion, an increase of nearly 9% from 2015, and total member shares ended at \$685 million, an increase of over 11% from 2015. We sustained our loan growth again in 2016, expanding over \$34 million to \$606 million in the past year, which represents an increase of a little more than 6% over the previous 12 months. Furthermore, our Net Income improved to \$7 million, nearly a 3% increase over 2015.

These results are the combined efforts of our executive team, management, staff, and you, our loyal members. We are all in this together, and we celebrate our successes together. Over these past 65 years, we have shown that PFCU is a financial institution built on the pride of ownership and a devotion to the principle of people helping people. I am proud to work with a team that provides such excellent examples of this belief that finds its origins in the inception of our industry.

The Board of Directors, the PFCU staff and I thank you for your continued support. I am honored to serve as your Treasurer and look forward to even more greatness for our institution in the year to come.

Joseph F. McHugh, Jr.
Treasurer

BALANCE SHEET

	Sept 2016	Sept 2015	Net Change 2016 - 2015	% Change
ASSETS				
Cash and cash equivalents	230,350,182	200,894,961	29,455,221	14.66%
Investment Securities (Available for Sale)	127,759,293	111,570,956	16,188,337	14.51%
Loans Receivable	606,695,023	572,169,187	34,525,836	6.03%
Allowance for Loan Losses	(9,709,924)	(9,281,282)	(428,642)	-4.62%
Accrued Interest Receivable	2,518,941	2,796,343	(277,402)	-9.92%
Premises & Equipment	13,530,107	13,104,156	425,951	-6.21%
Note Receivable	0	174,000	(174,000)	-100.00%
Prepaid Expense and Other Assets	5,306,695	5,625,219	(318,524)	-5.66%
Prepaid Pension Obligation	19,136,273	15,832,219	3,304,054	20.87%
Insurance Funding Receivable	13,802,254	13,475,292	326,962	2.43%
Other Real Estate Owned	6,816,657	6,499,542	317,115	4.88%
NCUSIF Deposit	8,155,859	7,892,530	263,329	3.34%
Total Assets	1,024,361,360	940,753,123	83,608,237	8.89%
LIABILITIES				
Accounts Payable & Accrued Expense	5,443,740	4,495,932	947,808	21.08%
Advance Payments by Borrowers for Taxes & Ins	1,923,778	1,890,175	33,603	1.78%
Borrowing	0	0	0	0.00%
Other Liabilities	731,000	731,000	0	0.00%
Total Liabilities	8,098,518	7,117,107	981,411	13.79%
EQUITY				
Shares	685,532,494	616,413,906	69,118,588	11.21%
Certificates	206,405,750	201,551,282	4,854,468	2.41%
Total Shares	891,938,244	817,965,188	73,973,056	9.04%
Regular Reserves	4,172,269	4,172,269	0	0.00%
Undivided Earnings	122,498,021	115,106,148	7,391,873	6.42%
Unreal Gain/Loss-Invest.- Pension FAS158	(9,875,793)	(10,962,814)	1,087,021	-9.92%
Unreal Gain/Loss-Invest.	(79,210)	(36,648)	(42,562)	116.14%
Net Income/Loss	7,609,311	7,391,873	217,438	2.94%
Total Equity	124,324,598	115,670,828	8,653,770	7.48%
Liabilities & Equity	1,024,361,360	940,753,123	83,608,237	8.89%

INCOME & DISTRIBUTION

	Sept 2016	Sept 2015	Net Change	% Change
INCOME				
Interest on Loans	36,001,522	34,629,313	1,372,209	3.96%
Investment Income	2,413,800	2,083,213	330,587	15.87%
Fee Income	15,888,177	15,500,766	387,411	2.50%
Gain on Sale of Loans	335,103	280,450	54,653	19.49%
Other Income	930,495	898,666	31,829	3.54%
Gross Income	55,569,097	53,392,408	2,176,689	4.08%
DISTRIBUTION OF INCOME				
Dividends to Members	3,947,530	3,790,031	157,499	4.16%
Interest on Borrowed \$\$\$	0	0	0	0.00%
Provision Loan Losses	5,939,057	6,650,000	(710,943)	-10.69%
Operational Expenses	37,674,255	35,395,932	2,278,323	6.44%
Non-Operational Expenses	398,944	164,572	234,372	142.41%
Undivided Earnings	7,609,311	7,391,873	217,438	2.94%
Total Distribution	55,569,097	53,392,408	2,176,689	4.08%

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Here for yours.