
The Artisans of Banking

ANNUAL
REPORT
2023

Premier Members Credit Union

TABLE OF CONTENTS -

<i>Chairman Report</i>	2
<i>CEO Report</i>	3
<i>Audit Committee Report</i>	4
<i>Treasurer Report</i>	5
<i>Financial Report</i>	6
<i>Financial Comparison</i>	7
<i>Credit Officer Report</i>	8
<i>Community Outreach Report</i>	9
<i>Sustainability Report</i>	10

CHAIRMAN REPORT -

Premier Members Credit Union had a challenging year but continued to grow and prosper in 2023 while continuing to serve its membership. Assets increased from \$1.73 to \$1.75 billion and membership to over 77,000 members. 2023 was a difficult year for mortgage interest rates. After historically low rates during COVID, mortgage rates topped 7.5 % in October. The financial industry has continued to experience some difficult times, loan demand has slowed down, and we have seen more competition in attracting deposits and thus less savings over the past year.

Several new branches were opened in 2023, including Erie, Gunbarrel, and Westminster, which are showing slow but steady growth by adding new members as well as providing existing members with more convenient locations. All three new locations experienced an incredibly positive response from the community, with a high number of attendees participating in our ribbon-cutting event. We also continued to upgrade and refresh several of our existing branches over this past year.

Premier Members Credit Union continues to receive recognition at both state and national levels in several publications throughout the year.

Carlos Pacheco, and his management team continue to serve our membership and the communities we serve with a focus on high member satisfaction. The management team, as well as its employees, continue to volunteer their personal time for community activities and supporting several not-for-profit organizations throughout our local communities.

Thank you to Premier Members' CEO, Carlos Pacheco, and the management team for their leadership and success during this challenging year. Also, thank you to all the staff who worked hard during this year to build relationships and take care of the needs of our members and owners.

Thank you to all the volunteers and board of directors for your guidance and focus this past year. Most importantly, thank you to the credit union's loyal members, who are the shareholders and owners of the credit union. Premier Members Credit Union is here to serve everyone and to provide you with value each and every day. As always, in closing, this organization would not be where it is without the loyal membership of the Credit Union, who are truly the owners of Premier Members Credit Union.

MICHAEL MEYERS

Chairman of the Board

CEO REPORT -

Premier Members navigated an extremely challenging financial services environment throughout 2023. The Federal Reserve Open Market Committee (FOMC) started increasing rates in March of 2022 and continued through July 2023 with 11 rate increases, marking the most significant and rapid increase of rates in the last 40+ years.

As the Credit Union adapted to this rapid rise in rates, competition for deposits heated up as we offered members attractive money market and share certificate rates. We continued to stay focused on what we do best - the needs of our members, employees, and the communities we serve. Looking ahead to 2024 we are excited about celebrating our 65th year in business reflecting the long-term safety and soundness we provide to our members.

As we do every year, we take stock of our strategic plans and adjust as necessary to internal and external forces. In 2023, we set out to pursue three strategic goals, which include continued safety and soundness, operational excellence, and credit union growth. We expect to take actions early in 2024 to ensure that we have appropriate alignment of resources as the higher interest rate environment persists. We also expect to implement new processes and technologies to improve member service while increasing efficiency and productivity. Lastly, we will continue to seek out opportunities for growth that allow our products and services to be delivered on a much broader scale.

While focused on our strategic objectives, we remain committed to the many communities we serve. Our community relations department had a record year as showcased in our 2023 Community Impact Report. As we partner with over 150 nonprofit organizations, we continue to have high levels of impact across the board. Areas of impact included volunteer hours and employee giving, youth scholarships, nonprofit grants, sustainability support, charitable outreach, and community engagement.

We will continue to execute on our Credit Union's mission to Build Relationships and Add Value Every day (B.R.A.V.E.). As an organization, total assets surpassed \$1.75 billion while membership grew to over 77,000 strong. I sincerely appreciate and thank our members, employees, Board of Directors, volunteers, and the communities we serve for helping us count 2023 as another successful year.

CARLOS PACHECO

Chief Executive Officer

AUDIT COMMITTEE REPORT -

The Audit Committee oversees the checks and balances of the credit union. We are part of the Board and work with credit union management, multiple audit firms, the Colorado Division of Financial Services (DFS) and the National Credit Union Association (NCUA). We review all internal audit findings, external audits, and Information Technology (IT) audits, along with any member concerns to ensure appropriate actions are taken. Our goal is to ensure financial stability and member satisfaction for our members.

2023 was a difficult year, with the Federal Reserve raising interest rates to combat inflation. It slowed down members' demand for loans, while other members started looking for higher saving rates, both impacting the credit union's return on assets and net income. However, due to a strong management team, we grew total assets from \$1.73 billion to \$1.75 billion and loans from \$1.27 billion to \$1.31 billion year over year!

2024 will be a challenging year as well, with goals to increase loans, deposits, and operational efficiency, along with memberships. However, global conflict and unrest in Europe, the Middle East, and abroad along with the federal government adjusting interest rates to control inflation, will continue to impact our member's 2024 financial decisions for loans and savings. Opportunities exist, we just need to find the right niche.

GARY HORTON

Chairman of the Audit Committee

TREASURER REPORT -

Thanks to the hard work and dedication of staff and management in executing the board's strategic plan, Premier Members Credit Union ended 2023 with \$3.84 million in net income, even in one of the most difficult interest rate environments in recent history.

Mortgage demand was significantly reduced in 2023 due to the Federal Reserve increasing interest rates by 5.25% since March 2022. Despite the challenges brought on by this increase in interest rates, lending continued to provide growth and income for the credit union with total loans growing by \$37.5 million to end 2023 at \$1.31 billion. Total assets also grew in 2023 and were up by \$22.9 million to \$1.75 billion.

The credit union continued to invest in its future by opening new branches in Erie, Gunbarrel, and Westminster, along with continuing significant investments in our information technology ecosystems, to provide exceptional value to our members in terms of mobile and on-line banking.

Premier Members Credit Union continues to be a safe and sound financial institution committed to delivering strong financial results for its members. We remain well capitalized with a net worth ratio of 7.68%. Compared to prior years, the net worth ratio has declined for two reasons. Net Worth is adjusted by the market values of our owned securities. In recent years, market values have declined and caused unrealized losses because of the heightened interest rate environment. Secondly, the NCUA's new Current Expected Credit Losses (CECL) methodology was adopted in 2023 (note that this is not directly comparable to our statement of net worth in previous years due to the accounting change). The Risk-Based Capital Ratio, which reflects CECL adoption, ended 2023 at 13.97%, compared to 2022 at 13.90%. Loan Delinquencies and charge-offs for the Credit Union continue to be below the industry average. We have strong reserves and are well-positioned to add value and serve our members in 2024.

PETER S. JANSKY II

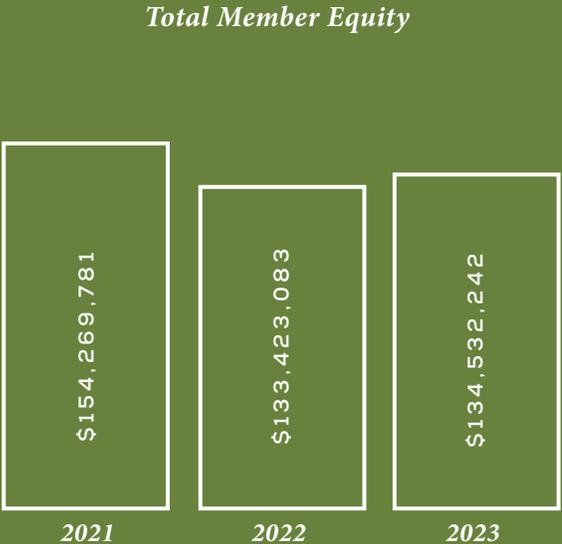
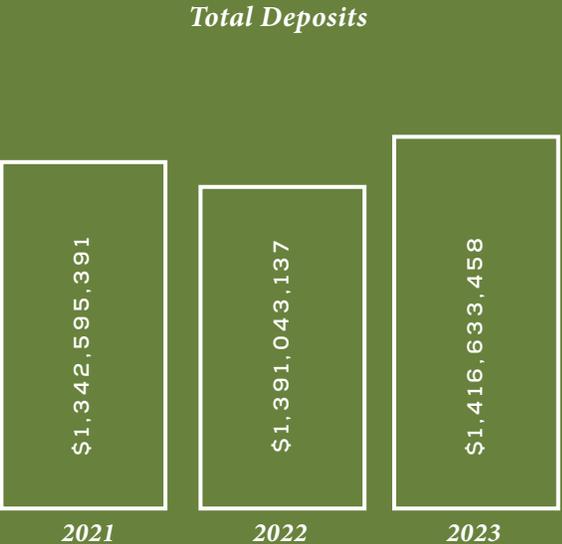
Treasurer

ANNUAL REPORT 2023

FINANCIAL REPORT -

FINANCIAL STATEMENT	2021	2022	2023
TOTAL ASSETS	\$1,586,159,496	\$1,729,814,809	\$1,752,754,044
TOTAL GROSS LOANS	\$1,067,440,204	\$1,277,169,573	\$1,314,722,595
TOTAL DEPOSITS	\$1,342,595,391	\$1,391,043,137	\$1,416,633,458
TOTAL MEMBER EQUITY	\$154,269,780	\$133,423,083	\$134,532,242
% OF ASSETS	9.73%	7.71%	7.68%
GROSS REVENUE	\$56,971,778	\$64,351,175	\$87,392,851
DIVIDENDS & INTEREST EXPENSES	\$4,790,277	\$7,628,592	\$26,030,165
PROVISION FOR LOAN LOSSES	\$1,347,860	\$1,017,337	\$3,426,083
TOTAL OPERATING EXPENSES	\$42,627,367	\$47,389,686	\$53,740,291
NON-OPERATING EXPENSES/(INCOME)	\$621,757	\$2,453,017	\$359,634
NET INCOME	\$7,584,517	\$5,862,543	\$3,836,678

FINANCIAL COMPARISON -



Please note 2023 financials are unaudited

CREDIT OFFICER REPORT -

Premier Members Credit Union achieved success in its lending operations for the year, despite a heightened interest rate environment. Total loans experienced growth of \$37.55 million or 2.94%, reporting a year-end balance of \$1.31 billion. The Credit Union originated 5,052 loans with a total value of \$327.94 million, a significant decrease of 59.57% or \$483.21 million, when compared to 2022. This intentional reduction in loan growth reflected a strategic response to consumer liquidity depletion and changing credit conditions. Given the constrained environment, the Credit Union continued its focus on expanding its relationships and community involvement.

In the face of a challenging consumer credit environment, the Credit Union's loan portfolio is meeting expectations with reportable delinquencies at 0.36% of total loans – lower than its peer average of 0.61%. Net charge-offs for the trailing 12 months reported at 0.34% of total loans – also below its peer average of 0.38%. Collectively, the sum of reportable delinquencies and the trailing 12-month net charge-offs reported at 0.70% of total loans, outperforming its peers who reported 0.99% of total loans.

Premier Members Credit Union remains vigilant regarding various macroeconomic factors. The Federal Reserve Board of Governors has increased the Fed Prime Rate by 525 basis points since the beginning of 2022 to address heightened inflationary pressures. Despite a 4.9% annual increase in Gross Domestic Product in the third quarter of 2023 and 3.3% in the fourth quarter, the ongoing inflationary concerns, and a yield curve

inversion between the two-year and 10-year US Treasury rates may negatively impact consumer borrowing behavior in 2024. In response, Members Solutions is actively dedicating efforts and resources to its collection endeavors. Additionally, the Credit Union consistently reviews its product offerings and processes in relation to credit risk, proactively adjusting as necessary.

The Credit Union transitioned to the Current Expected Credit Loss (CECL) method in January 2023 and was afforded a one-time adjustment of \$2.80 million to its loan loss reserve. The one-time adjustment to the loan loss reserve reflects the shift from the previous incurred loss model to the new expected credit loss model mandated by CECL. At year-end 2023, allowance for credit losses reported a balance of \$8.15 million. Conditions will continue to be monitored, and adjustments will be made as needed throughout 2024.

In summary, the Credit Union has adopted a smart-loan-growth approach and demonstrates effective credit risk management, evidenced by lower delinquency and net charge-off levels compared to industry peers. These outcomes indicate a positive financial outlook for the organization and suggest the implementation and practice of prudent lending behaviors as it continues to be BRAVE!!

DAVID LEMMON

Senior Vice President - Credit Officer

PREMIER GIVES

Premier Gives reflects the values of our members, in order to ensure success in your local schools and neighborhoods. Together, we provide our community with funds and volunteers to support areas of education, financial literacy, and local community-based giving.

\$491,239

DONATED FOR FINANCIAL COMMUNITY
OUTREACH SUPPORT



\$54,974

UNITED WAY
EMPLOYEE DONATIONS
WITH CORPORATE MATCH

7

YOUTH
SCHOLARSHIP
SUPPORT



2,846

EMPLOYEE
OUTREACH HOURS

\$30,000

\$25,000 NONPROFIT
GRANT SUPPORT



PREMIER SUSTAINABILITY

PMCU's sustainability program recognizes that we not only have to have a positive financial impact on our members, but we must also contribute to their social and environmental well-being. We strive to set an example of bold environmental action for our members and employees, the Front Range community at large, and all Colorado financial institutions.

\$47,639

DONATED TO ENVIRONMENTAL CAUSES
IN ALL AREAS OF OUR MEMBER BASE

PURCHASED AN ADDITIONAL

500,000 kWh 

OF SOLAR ENERGY RECS



COLLECTED OVER

6+ TONS

OF ELECTRONICS



3.5 TONS

OF HOUSEHOLD HAZARDOUS WASTE FROM
MEMBERS THROUGH OUR POLLUTION
PREVENTION COLLECTION DRIVES



CERTIFIED

**TOP TIER
GOLD LEVEL**

IN COLORADO
GREEN
BUSINESS
NETWORK

FIRST AND ONLY CREDIT
UNION IN THE PROGRAM



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