88th ANNUAL MEETING REPORT

Virtual Meeting on March 29, 2021
AGENDA

88th ANNUAL MEETING

PENNSYLVANIA STATE EMPLOYEES CREDIT UNION

MARCH 29, 2021

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In an effort to help keep our employees, members, and the community safe from potential COVID-19 spread and exposure, PSECU’s Board of Directors decided to hold the 87th Annual Meeting virtually. The meeting was conducted via telephone and was moderated by Verizon. Ms. Jodi Lynne Blanch, PSECU’s Board Chair called the meeting to order at 7:00 p.m.

Mr. Timothy Grunstra, Secretary/Assistant Treasurer, stated that 54 members were in attendance and verified that a quorum was present.

Ms. Blanch introduced the following:

- Ms. Jodi Lynne Blanch, Board Chair
- Mr. Michael Ferster, Vice Chair
- Mr. Joseph Lawruk, Treasurer
- Mr. Timothy Grunstra, Secretary/Assistant Treasurer
- Ms. Leanna Meiser, Director
- Mr. Joseph Sassano, Director
- Mr. Matthew Wagoner, Director
- Ms. Shawn Weis, Director
- Mr. R. Brian Wilbur, Director
- Mr. Nicholas Barbera, Associate Director
- Ms. Mary Quinn, Associate Director
- Mr. Frank Breiner, Emeritus Director
- Mr. Howard Ellis, Emeritus Director
- Ms. Pamela Hathaway, Emeritus Director
- Ms. Kathleen Salmon, Emeritus
- Mr. George West, Emeritus Director
- Mr. Dennis Wineholt, Emeritus Director

Ms. Blanch then introduced the Credit Committee members:

- Mr. Ronald Kirby, Chair
- Mr. Leonard Knepp
- Mr. Michael Truskey
- Mr. Howard Albrecht, Alternate Credit Committee Member
- Ms. Belinda Crobak, Alternate Credit Committee Member

Ms. Blanch introduced PSECU’s staff who were present and would preside over the meeting:

- Mr. George Rudolph, President/CEO
- Mr. Francis Pudner, General Counsel, Vice President of Legal Services

Ms. Blanch noted that the meeting would be conducted following the Modern Rules of Order as published by the Pennsylvania Bar Institute. Mr. Pudner will also serve as our Parliamentarian for the meeting.
MINUTES:

The first order of business was the review of the 2019 Meeting Minutes which were included in PSECU’s 87th Annual Meeting Report. Ms. Blanch asked if there were any objections to the 2019 Meeting Minutes. A member objected and stated that the 2019 minutes included a statement on the 2018 minutes that did not identify or relay his statement. Ms. Blanch thanked the member and stated that the 2019 Meeting Minutes will be amended as requested and are approved as amended.

ELECTION RESULTS:

Ms. Blanch explained that no nominations by Petition to Serve for open Board and/or Credit Committee positions were filed for the 2020 Election. Therefore, a paper/electronic election was not necessary for 2020. The slate of candidates presented by the Nominating Committee was elected by acclamation. The slate of candidates presented and elected by acclamation is as follows:

Board of Directors
- Ms. Jodi Lynne Blanch
- Mr. Joseph Lawruk
- Ms. Leanna Meiser
- Ms. Shawn Weis*

Credit Committee
- Mr. Leonard Knepp*

REPORT OF THE DIRECTORS

Ms. Blanch indicated that the Report of the Directors was included in PSECU’s 87th Annual Meeting Report.

REPORT OF THE TREASURER

Mr. Lawruk informed the members that the detailed Report of the Treasurer could be found in PSECU’s 87th Annual Meeting Report materials and provided highlights to the membership.

Ms. Blanch indicated that the Report of the Treasurer would be referred to our external auditors, RSM US LLP for their opinion on PSECU’s Financial Statements.

* An administrative error was discovered after the meeting adjourned. Mr. R. Brian Wilbur and Mr. Ronald Kirby were nominated by the Nominating Committee; however, Ms. Shawn Weis and Mr. Leonard Knepp were presented as candidates during the meeting. As a result, there was one vacancy on the Board of Directors and one vacancy on the Credit Committee. Bylaws allow vacancies on the Board and Credit Committee to be appointed by the Board. On July 8, 2020, Mr. R. Brian Wilbur was appointed as Director and Mr. Ronald Kirby was appointed as Credit Committee member. Appointed Directors and Credit Committee members shall serve only until the next Annual Meeting.
REPORT OF THE CREDIT COMMITTEE

Mr. Kirby reviewed the Report of the Credit Committee which was also included in PSECU’s 87th Annual Meeting Report and provided highlights to the membership.

REPORT OF THE PUBLIC ACCOUNTING FIRM

Mr. James C. Norfleet, CPA-Partner, from the accounting firm, RSM US LLP, provided the Report of the Independent Auditors. A copy of the 2019 audited financial statements was available on psecu.com/election.

Mr. Norfleet explained that the audit was conducted and that PSECU’s financial statements present fairly, in all material respects, the financial position, results of operations, and cash flows for the year-end as of December 31, 2019 in accordance with the Generally Accepted Accounting Principles (GAAP) USA Standards.

NEW BUSINESS/OLD BUSINESS

Ms. Blanch stated that the PSECU’s Bylaws require items of new business from the membership be submitted 120 days prior to the Annual Meeting to allow adequate time for the information to be distributed to all members. This year, there were no items of new business submitted from the membership.

ADJOURNMENT

There being no other business items, the meeting formally adjourned at 7:12 p.m.

Timothy D. Grunstra
Secretary/Assistant Treasurer

Aug 3, 2020 7:03 PM EDT
ANNUAL ELECTION

No nominations by Petition to Serve for open Board and/or Credit Committee positions were filed for the 2021 Election. As a result, a paper/electronic vote was not necessary. The below slate of candidates presented by the Nominating Committee will be elected by acclamation at the Annual Meeting.

Board of Directors:

Ms. Leanna L. Meiser
Mr. Michael C. Ferster
Mr. Timothy D. Grunstra
Mr. R. Brian Wilbur

Credit Committee:

Mr. Ronald F. Kirby
Mr. Michael F. Truskey

Respectfully Submitted,

Matthew Wagoner
Mar 22, 2021 9:00 PM EDT

Matthew B. Wagoner Secretary/Assistant Treasurer
2020 was a challenging year. Early on, the COVID-19 pandemic began disrupting the world’s economy. As the pandemic spread, schools and businesses were closed, daily life was transformed, and the nation’s economic systems faced unprecedented challenges. PSECU was not immune to these effects and was presented with operational and financial challenges at levels never experienced before. Consumers were reluctant to take on more debt as spending slowed and jobs were lost.

Even with these challenges, PSECU remained committed to providing its members with highly reliable services. PSECU’s many years of investing in its employees and its digital-first remote banking model proved key to providing members with high-quality service and uninterrupted access to their financial resources. Additionally, with long-term investments in its infrastructure, PSECU was able to transition more than 90% of its employees to a temporary “work from home” environment where they continue to provide the same high-quality service members have come to expect. Our employees’ dedication and hard work greatly contributed to PSECU’s recognition by Forbes Magazine as Best-in-State Credit Union for 2020.

Indeed, PSECU’s five-year Strategic Plan efforts to Accelerate Growth, Enhance & Expand Revenue Opportunities, Build Efficiency & Scalability, and Optimize Talent proved to be even more relevant than ever. In this current environment where compressed interest margins and lower loan demand exist, it became even more important for PSECU to increase its efforts to diversify its revenue stream. Therefore, PSECU entered into loan participations with other highly reputable financial institutions resulting in additional lending opportunities. PSECU also began to explore ancillary product offerings to reduce dependency on loan interest income. Operationally, PSECU successfully migrated the phone system to a new modernized platform with added features and efficiencies for its members and employees. A new mobile banking application was launched to provide members with an even more streamlined banking experience, and PSECU is preparing to release a new platform for online banking in the very near future. Additionally, PSECU completed an extensive cost optimization study during 2020 to improve business processes which will result in anticipated savings of several million dollars of future annual benefit. Further, PSECU made significant strides during 2020 in employee engagement and talent optimization initiatives.

Throughout 2020, PSECU’s commitment to providing members with highly reliable services remained of paramount importance. While facing these unprecedented challenges head-on and continuing to take bold steps toward achieving the five-year Strategic Plan, PSECU continued to improve its service offerings by expanding technological capabilities, adding more functionality to our digital banking channels and contact center, and providing employees with tools to assist them in balancing new “work from home” challenges brought on by the pandemic. Finally, PSECU ended 2020 financially strong with over $7 billion in assets, a 9.25% Net Worth ratio, and Net Income of $43.4 million. This will allow PSECU to continue to provide exceptional value to over 480,000 members now and for future generations. We thank our members for their continued support and membership!

Respectfully Submitted,

Michael C. Ferster, Chair
Matthew B. Wagoner, Secretary
R. Brian Wilbur, Director
Shawn W. Weis, Vice Chair
Jodi Lynne Blanch, Director
Leanna L. Meiser, Director
Timothy D. Grunstra, Treasurer
Joseph Sassano, Director
Nicholas J. Barbera, Director

Michael Ferster
Mar 22, 2021 5:17 PM EDT
REPORT OF THE TREASURER

During 2020, PSECU had total earnings of $291 million. Of this amount, 75% came from interest on loans, 6% came from income on investments, and the remaining 19% came from other miscellaneous income.

From the total income, PSECU paid 24% in dividends and rebates directly to members. Operating expenses accounted for 51% and 10% of the total income was applied toward the Provision for Loan Loss. The remaining 15% was applied to Reserves.
PSECU experienced growth in shares of $1.1 billion in 2020.

Loan growth resulted in an overall increase of $321 million in outstanding loans.
PSECU’s net membership increased in 2020 by 8,476 members.

![Members Chart](chart_image.png)

*Note:* The chart shows a decrease in number of members from 2015 to 2016. This was due to an account cleanup process that was conducted during 2016.

PSECU thanks its members for their support and membership. PSECU is committed to continuing to work hard to serve its membership and further strengthening the credit union for future generations.

Respectfully Submitted,

[Signature]

Timothy D. Grunstra
Treasurer

Mar 22, 2021 4:50 PM EDT
REPORT OF THE CREDIT COMMITTEE

During 2020, the Credit Services Department processed 116,923 loan applications for $3,719,909,784. The Credit Committee acted on 11,313 requests for credit totaling $212,651,938. This included 9,203 blanket COVID-19 loan modifications carried out by the Collections area. These efforts contributed to a very successful year, including net income of $43,357,568. Requests for the year were for the following types of loans:

<table>
<thead>
<tr>
<th>Loan Type</th>
<th>Requests</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Auto Loans</td>
<td>73,450</td>
<td>1,686,210,334</td>
</tr>
<tr>
<td>Unsecured Loans</td>
<td>30,577</td>
<td>460,179,007</td>
</tr>
<tr>
<td>Share / CD Secured Loans</td>
<td>58</td>
<td>913,827</td>
</tr>
<tr>
<td>Home Equity Loans</td>
<td>5,861</td>
<td>347,909,165</td>
</tr>
<tr>
<td>Home Mortgages</td>
<td>6,913</td>
<td>1,222,923,508</td>
</tr>
<tr>
<td>Business Loans</td>
<td>64</td>
<td>1,773,943</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>116,923</strong></td>
<td><strong>3,719,909,784</strong></td>
</tr>
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At 2020 year-end, PSECU’s loan portfolio was distributed as follows:

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Commercial Real Estate</td>
<td>56,688,811</td>
</tr>
<tr>
<td>Auto</td>
<td>1,929,298,418</td>
</tr>
<tr>
<td>Visa</td>
<td>708,995,648</td>
</tr>
<tr>
<td>Share Secured</td>
<td>2,268,689</td>
</tr>
<tr>
<td>Mortgage/Real Estate Equity</td>
<td>1,962,517,732</td>
</tr>
<tr>
<td>Other</td>
<td>279,262,326</td>
</tr>
<tr>
<td>Gross Loans</td>
<td>4,939,031,624</td>
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<tr>
<td>Less Allowance for Loan Losses</td>
<td>(50,745,758)</td>
</tr>
<tr>
<td><strong>Net Loans</strong></td>
<td><strong>4,888,285,866</strong></td>
</tr>
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During 2020, the dollar amount of gross loans increased by $320,740,210 or 6.94%.
The Credit Services Department and the Credit Committee delivered another outstanding year processing loans, with a 5.45% increase in dollar volume processed over 2019. As our members’ trusted financial partner, PSECU continually strived to improve loan services and meet the needs of our members, especially those facing hardships as a result of COVID-19.

Respectfully Submitted,

Ronald Kirby

Ronald Kirby
Mar 24, 2021 11:09 AM EDT

_____________________________________________________
Ronald F. Kirby, Chair
Leonard M. Knepp, Member
Michael F. Truskey, Member
Howard F. Albrecht, Alternate
Belinda W. Crobak, Alternate