



# Annual Report

## 2017



### Vision Statement

A member-owned, caring provider of financial services, committed to helping the people of the Lehigh Valley and beyond to improve their lives and secure a better future.

## From the Chairman of the Board and President/CEO

The more things change, the more they stay the same. The way we “banked” over the past few years seems to have changed dramatically. Visa®, the precursor to the first national credit card, was introduced in 1958 and was meant to replace cash as a means of making purchases. The ATM, introduced 50 years ago, was predicted to replace branches and tellers for our cash needs. Most of us can’t remember a time when credit cards and ATMs weren’t the standard method of buying groceries or making a quick withdrawal. We certainly can’t imagine how we could live without them now.

Far more recently, we’ve seen the introduction of PC banking followed by mobile banking. With services like Apple Pay® and Google Pay®, a smart device can now take the place of credit and debit cards. The ability to transfer money to friends using your phone may eliminate the need to carry cash. And now the ability to deposit a check by just taking a picture is looking to eliminate the need to go to the branch. If that sounds like the same things that were said in the 50’s and 60’s, it does to me too.

Fraud, certainly is one place where technology has changed things a lot. We now read about data breaches, hackers, and the dark web. It seems fraudsters are coming out of nowhere. But there too, much of the activity has just moved from one place to another. From counterfeit currency to counterfeit plastic cards. From stealing checks to stealing account login credentials.

Just as technology has quickened the pace of our lives, it has quickened the pace fraud can happen. As a result, we need to use technology to work to stay ahead of the fraud. Our recently launched SecurLOCK Equip mobile app allow our Visa® and Visa® debit cardholders to monitor and limit the usage on their card. You can download that app from your smart device’s app store.

Another mobile upgrade that will be coming in the near future will be a new Mobile Access app. This new app will have some great new additions. Most notably it will allow for bill pay from your phone and the ability to see check copies. This app also has specific functionality for tablets and smart watches.

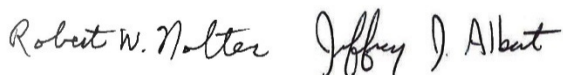
Because of this rapidly changing fraud landscape, we have updated our management structure to better address this. Karen Kahle has moved into the role of Chief Risk Management Officer and she and her team will focus on emerging threats and help our credit union develop policies and procedures to minimize our exposure.

People First continues to evaluate the marketplace to introduce or revise existing products. Two changes will be coming in the next few months. The first will be enhancements to our Home Equity Line of Credit. It will still have the great features you expect like a generous draw period and flexible payments. In addition, it will now feature a lower interest rate and an even lower introductory rate, for a limited time.

Secondly, watch for information about People First Financial Solutions. This new partnership will provide members access to high quality investment advice and investment products. An onsite financial advisor will be available to meet with members to discuss their financial situation and help them prepare for a solid financial future.

We know sometimes members need a little help building or rebuilding their credit so we’ve recently launched two products to help them. A Secured Visa® gives members the ability to build credit while offering the flexibility of a Visa® card. By making a deposit to the desired credit line members can build their credit profiles. Our Credit Builder loan is perfect for a member who needs to rebuild their credit but may not have the funds to deposit to cover a share secured loan. The proceeds of the loan can be held as the security and when the loan is paid off, we’ve helped improve their credit and they have the proceeds as an emergency savings.

As we move into the next era of “banking,” we know there will be many changes ahead. We also know one thing will stay the same. People First will be here to adopt those new technologies and continue to provide the same level of service that has made us the leading credit union in the Lehigh Valley.



Robert W. Nolter  
Chairman of the Board

Jeffrey J. Albert  
President/CEO

## Consolidated Statement of Financial Condition

### Balance Sheet

	Dec. 31, 2017	Dec. 31, 2016
<b>Assets</b>		
Loans	\$358,589,445	\$292,871,650
Less: Allowance for Loan Losses	(2,708,800)	(2,413,793)
Add: Deferred Loan Origination Costs & Premiums	4,509,942	3,396,481
Net Loans	360,390,587	293,854,338
Cash and Investments	167,187,700	216,307,969
Land and Building(net)	9,591,735	9,882,774
Furniture, Fixtures and Equipment	3,796,983	2,995,059
All Other Assets	16,341,099	11,677,736
<b>Total Assets</b>	<b>\$557,308,104</b>	<b>\$534,717,876</b>

### Income & Expense

	Dec. 31, 2017	Dec. 31, 2016
Interest from Loans	\$16,614,758	\$13,792,869
Income on Investments	3,605,466	3,549,331
All Other Income	6,770,101	6,134,798
<b>Total Income</b>	<b>26,990,325</b>	<b>23,476,998</b>
Operating Expenses	(23,009,759)	(20,841,856)
Net Operating Income	3,980,566	2,635,142
Non-Operating Gain(Loss)	(30,037)	176,197
Net Income Before Dividends	3,950,529	2,811,339
Dividends	(2,069,152)	(1,953,052)
<b>Net Income After Dividends</b>	<b>\$1,881,377</b>	<b>\$858,287</b>

### Liabilities and Equity

Current Liabilities	\$1,154,816	\$527,140
Shares	330,926,099	312,503,053
Money Market Shares	49,438,720	43,712,604
Share Certificates	139,731,725	144,176,371
Regular Reserve	4,194,127	4,194,127
Undivided Earnings	39,090,496	37,209,120
Unrealized Investment Gain/(Loss)	(7,227,879)	(7,604,539)
<b>Total Liabilities and Equity</b>	<b>\$557,308,104</b>	<b>\$534,717,876</b>

#### Board of Directors:

Robert W. Nolter	Chairman of the Board
Frederick A. Molchany	Vice Chairman
Joseph J. Preisler	Treasurer
Emrich M. Stellar	Assistant Treasurer
Joseph T. Dragovits	Secretary
Gary M. Haas	Director
Gerard J. Judge	Director

From the Treasurer and Supervisory Committee

During 2017, People First's assets grew by \$22.6 million or 4.2%. Our loan growth was very strong, with a 22.4% increase, as our loan services helped members achieve their goals. The largest contributor to this loan portfolio growth was auto lending, with about \$44 million in growth. This is the result of lending opportunities, including our expanded focus on indirect lending. Business lending grew by \$7 million, as we continued our focus to develop this program.

The completion of the conversion to our new core operating system was completed in April of 2017. While this conversion will help set People First for additional product and service enhancements, it did result in increased pressure on operating expenses.

Although the Federal Reserve moved to increase rates three times in 2017, this did little to increase interest income as competitive pressures continued to keep rates at or near the same levels. Interest income from loans increased \$2.8 million over the year due in large part to the increased loan portfolio. A competitive review of People First's service offerings was recently conducted and our management team is currently assessing those recommendations to assure our products and services are positioned appropriately for 2018 and beyond.

Overall, we were able to grow our net income for 2017 by \$1,000,000. We are well positioned to continue this growth trend as the economy pivots to a rising rate environment.



Joseph J. Preisler  
Treasurer

To be able to assure the members of the credit union's sound position, the Supervisory Committee utilizes the services of a certified public accounting firm, Reinsel Kuntz Leshner, of Wyomissing, PA. They conduct a comprehensive annual audit and complete the verification of member's accounts as required by federal law. The credit union also utilizes third party consultants that review the credit union's internal controls, policies and procedures in addition to the annual federal examination by the NCUA.

Federal credit union bylaws dictate that the Supervisory Committee is responsible for completing annual and supplemental audits to determine that accounting records and reports accurately reflect operations and actual results.

With the help of our Board of Directors, management, and staff, our committee is able to perform our duties and satisfy the legal responsibilities entrusted to us.



Jessica P. Ryan  
Chairwoman, Supervisory Committee

# Historical Highlights

## 1950-1959

SEPTEMBER 1950 Mack Local 677 FCU's Organization Certificate approved; began operating at UAW Local 677 Union Hall at 1104 Walnut Street, Allentown, PA  
SEPTEMBER 1959 Assets exceed \$1,000,000

## 1960-1969

JANUARY 1968 Occupied rented space at UAW Local 677 Building, 2100 Mack Boulevard, Allentown, PA  
MAY 1968 Assets exceed \$2,000,000

## 1970-1979

JANUARY 1972 Payroll deduction for credit union began at Mack Trucks  
NOVEMBER 1974 Assets exceed \$5,000,000  
DECEMBER 1974 Credit Union hires first General Manager  
NOVEMBER 1975 First Lehigh Valley credit union to build and occupy its own office at 2211 Mack Boulevard, Allentown, PA  
AUGUST 1977 Assets exceed \$10,000,000  
DECEMBER 1977 Share Draft (Checking) Accounts introduced

## 1980-1989

AUGUST 1982 First Lehigh Valley credit union to offer ATM services  
AUGUST 1983 KidsPeace (formerly Wiley House) became first non-Mack Truck Credit Union Sponsor Company  
AUGUST 1984 First Lehigh Valley credit union to offer MasterCard® Credit Cards  
JANUARY 1984 First Lehigh Valley credit union to purchase its own in-house data processing system (AFTECH); Tellerphone audio-response system introduced  
MARCH 1985 Assets exceed \$50,000,000  
MAY 1987 First Mortgage Loans and Home Equity Lines of Credit introduced  
JULY 1987 First branch office opened at 451 Chew Street, Allentown, PA  
OCTOBER 1987 Willard Allentown FCU merger—1,892 new members  
JUNE 1988 SI Forks Township Employees FCU merger— 208 new members  
OCTOBER 1988 NCUA approved name change to People First FCU  
JULY 1989 Pottsville Bleach & Dye FCU merger— 373 new members

## 1990-1999

JUNE 1990 Bux-Mont Machinists FCU merger—1,664 new members; acquired a branch office in Sellersville, PA  
AUGUST 1991 New branch office in Whitehall, PA  
OCTOBER 1992 New branch office in Trexlertown, PA  
DECEMBER 1992 Assets exceed \$100,000,000; HealthEast FCU merger—3,328 new members; Fulco FCU merger— 308 new members  
JULY 1995 Relocated main office to Downyflake Lane, Allentown, PA  
JUNE 1996 Visa® Check Card introduced  
JUNE 1997 PeopleFirstCU.org introduced  
MARCH 1998 Assets exceed \$150,000,000  
JUNE 1998 PC Access introduced  
FEBRUARY 1999 Muhlenberg Hospital Center FCU merger— 440 new members  
NOVEMBER 1999 Visa® Platinum Credit Card introduced

## 2000-2009

JANUARY 2000 24-Hour Loan Center  
MAY 2000 US Gauge FCU merger—350 new members  
SEPTEMBER 2000 50th Anniversary Celebration  
JANUARY 2002 New branch office in Bethlehem, PA Who's Who in Business Award  
FEBRUARY 2002 Community Charter approved  
JUNE 2002 Assets exceed \$200,000,000  
JANUARY 2003 Who's Who in Business Award  
JANUARY 2004 Who's Who in Business Award

JULY 2004 Courtesy Pay introduced  
AUGUST 2004 Traylor FCU merger—166 new members  
JANUARY 2005 Who's Who in Business Award  
OCTOBER 2005 Indirect Lending offered at Auto Dealerships  
DECEMBER 2005 Introduction of Money Market Share Accounts  
JANUARY 2006 Who's Who in Business Award  
JANUARY 2007 Who's Who in Business Award  
MARCH 2007 Assets exceed \$250,000,000  
JULY 2007 Introduction of eStatements and eNotices  
NOVEMBER 2007 Welcome Aboard Program and Credit Card Rewards introduced  
JANUARY 2008 Who's Who in Business Award  
JULY 2008 New Low Rate Visa® Platinum Credit Card introduced  
DECEMBER 2008 People Perks Program and Balance introduced  
JANUARY 2009 Who's Who in Business Award  
JULY 2009 New branch office opens in Nazareth, PA; Assets exceed \$325,000,000

## SEPTEMBER 2009

## 2010-2017

JANUARY 2010 Who's Who in Business Award  
FEBRUARY 2010 Assets exceed \$350,000,000  
JUNE 2010 Best of the Valley Award; Business Deposit Products offered  
SEPTEMBER 2010 60th Anniversary Celebration; Reader's Choice Award  
DECEMBER 2010 Bath Catholic FCU merger—270 new members  
JANUARY 2011 Who's Who in Business Award  
MARCH 2011 Membership exceeds 50,000  
JUNE 2011 Best of the Valley Award  
SEPTEMBER 2011 1st annual People First Charitable Golf Tournament  
OCTOBER 2011 Jeffrey J. Albert, newly appointed President/CEO  
NOVEMBER 2011 Mobile Access introduced; New Account Opening Online introduced; Member Survey conducted  
JANUARY 2012 Who's Who in Business Award  
MARCH 2012 Assets exceed \$400,000,000  
APRIL 2012 CU Realty Real Estate Rebate Services introduced  
MAY 2012 Recipient of the Allentown Arts Ovation Award  
JUNE 2012 Best of the Valley Award  
SEPTEMBER 2012 Readers Choice Award, Currency Teller introduced, 2<sup>nd</sup> annual People First Golf Classic  
JANUARY 2013 Who's Who in Business Award  
FEBRUARY 2013 Mobile Website introduced  
JUNE 2013 Best of the Valley Award  
SEPTEMBER 2013 Readers Choice, 3<sup>rd</sup> annual People First Golf Classic  
DECEMBER 2013 TWE FCU merger – 198 new members  
JANUARY 2014 Who's Who in Business Award  
JUNE 2014 Best of the Valley Award  
SEPTEMBER 2014 Readers Choice Award, 4<sup>th</sup> annual People First Golf Classic  
JANUARY 2015 Who's Who in Business Award  
JUNE 2015 Best of the Valley Award  
SEPTEMBER 2015 Readers Choice Award, New branch opens in Bethlehem Township, 5<sup>th</sup> annual People First Golf Classic  
JANUARY 2016 Who's Who in Business Award  
FEBRUARY 2016 Assets exceed \$500,000,000  
APRIL 2016 Trexlertown office relocation  
MAY 2016 Membership exceeds 60,000  
SEPTEMBER 2016 2016 Readers Choice Award, Better Homes Realty introduced, 6<sup>th</sup> annual People First Golf Classic  
OCTOBER 2016 Lehigh Valley FCU merger – 1,901 new members  
JANUARY 2017 Who's Who in Business Award  
APRIL 2017 Conversion to Corelation data processing system completed  
JUNE 2017 Best of the Valley Award  
SEPTEMBER 2017 2017 Reader's Choice Award, 7<sup>th</sup> annual People First Golf Classic