2023 ANNUAL REPORT

Building Bridges: Connecting Dreams to Reality

PREMIER AMERICA
CREDIT UNION

BUILDING BRIDGES

For over 66 years, Premier America Credit Union has stood as a pillar of commitment to our members, partners, and our community. Together, we lay the foundation for a grounded financial future.

Over the past year, we have remained dedicated to our mission of making it easier for our members to meet today's needs and reach tomorrow's dreams.

In 2023, our teams have hosted a wide mix of home mortgage seminars, investment webinars, insurance reviews, financial basics, and other trainings to support all our members and the community at large.

The Premier America Foundation invested in our communities through hands-on programming, grant support, and provided 25 scholarships to area students to pursue their educational dreams.

We hosted our first ever Give Back Day, mobilizing our team to fight hunger and help our friends and neighbors, resulting in deep impact across all our communities to ensure our friends and neighbors have access to needed food.

From the beaches of Ventura to the vibrant neighborhoods of the Valley, from sunny Santa Clarita to the Houston skyline, Premier America exists to serve our community through and through. It's a wonderful life.

2023 GIVE BACK DAY

PREMIER AMERICA'S GIVE BACK DAY IMPACT:

- Built 360 emergency boxes at the Valley Food Bank.
- Completed 71 food bags at the Salvation Army Santa Clarita providing food for 44 area families.
- Completed 540 food packs at the Children's Hunger Fund.
- At Food Share of Ventura County, teams sorted 5,060 pounds of food, packed 560 boxes of meals for seniors, and weeded and harvested fresh produce.
- Completed 9 pallets of food packaging at the Houston Food Bank providing 5,580 meals.
- Prepared hydroponic shelves for planting strawberries at the Community Action Partnership of Orange County.

CHAIR'S MESSAGE

GARY HOLMEN

Board Chair

As the Chair of the Board, I have the distinct honor of seeing and experiencing the impact of our efforts in the community and in the lives of our members day in and day out. As a community-based financial cooperative, it is essential that we remain locked-in on our mission of providing exceptional value and service to our members and local communities.

I am proud to say that the credit union's foundational mission remains the heart of everything we do. In fact, it is the core function of our operations.

Like most depository institutions, Premier America navigated the challenges of the rising rate environment, and through it all, Premier America remained focused on service to our members and our core purpose of helping our members to meet today's needs and reach tomorrow's dreams.

I am pleased to report that the credit union remained nimble in this challenging environment, delivering new products and adjusting rates strategically, thus helping to maintain a competitive edge while preserving stability in our financial operations. This approach allowed us to respond swiftly to market dynamics and meet the evolving needs of our members.

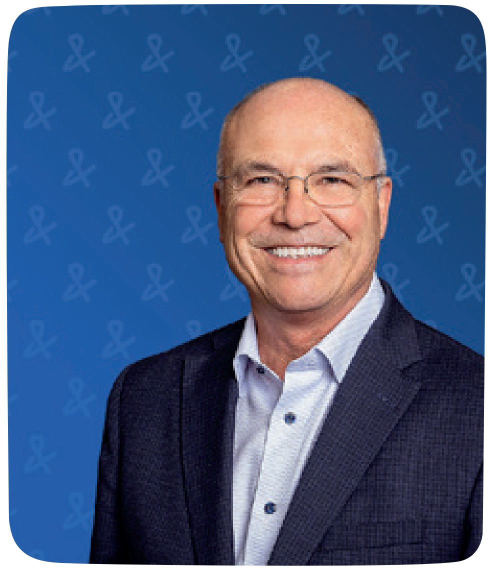
We ended 2023 with assets approaching $3.5 billion. Our net income was healthy, and we have a strong capital ratio of 9.82%. Members of Premier America can rest assured that the credit union continues to make sound investments, performs responsible business practices, and manages risk appropriately to maintain healthy capitalization and liquidity.

In alignment with our mission to serve local communities, our partnership with California State University, Northridge continues to aid our mission of building a brighter and more equitable future for our communities.

As a final note on 2023, I'd like to commend the entire team here at the credit union for their continued dedication to the members of Premier America. In a challenging year, they met the moment with poise, compassion, innovation, and dedication to member experience.

Gary L Holmen

PRESIDENT'S MESSAGE



RUDY PEREIRA

President/CEO

For 66 years now, we have gathered to discuss how this credit union can provide safe, responsible, and affordable financial services to the community. Since we began as Litton Credit Union in 1957, much has changed. But through it all, our primary focus and sole north star is you, the membership of Premier America.

We have come a long way, and your continued trust and loyalty have made our shared success possible. The credit union's leadership and all its team members remain committed to the founding principles of going above and beyond to provide exceptional service and value.

Throughout what was undoubtably a challenging year, we remained committed to serving our community by consistently providing an exceptional experience and value. We increased dividends on our money markets, certificates, and even on our checking accounts. Our hope is to be a place of stability and consistency, one that you can count on day-in and day-out. Even in the current economic environment, that dedication has not changed. With the rise in interest rates, we saw a decline in borrowing from our members, and our lending team acted. Both in auto and mortgage, our teams launched new lending initiatives and partnerships to provide even more avenues to support our members – regardless of where they are in their individual financial journeys.

At our 2024 team kickoff, I said that I believed that if we continued to do right by the member it would always pay dividends. I truly believe that. If we do right by our members, the credit union and our communities will thrive.

2024 will be another year of action for our team, and we have identified key initiatives to help us better serve the community. We have embarked on an initiative that will provide a transformative service and online banking experience for our Spanish-speaking members. Throughout the year, we will introduce new business products and services to engage the thousands of small businesses and entrepreneurs that make our communities a great places to live. And through the Premier America Foundation, expect to see more and more opportunities to be involved as we band together to fight hunger and build financial health – which is so vital in helping our friends and neighbors build brighter tomorrows.

Finally, as a CSUN alumnus, I am thrilled at how our first full year with an on-campus branch progressed. Students and staff alike see us and know who we are. We are hosting events in the branch and around campus and making a deep impact in the lives of all students. Our values are deeply aligned, and I am thrilled for the prospects ahead.

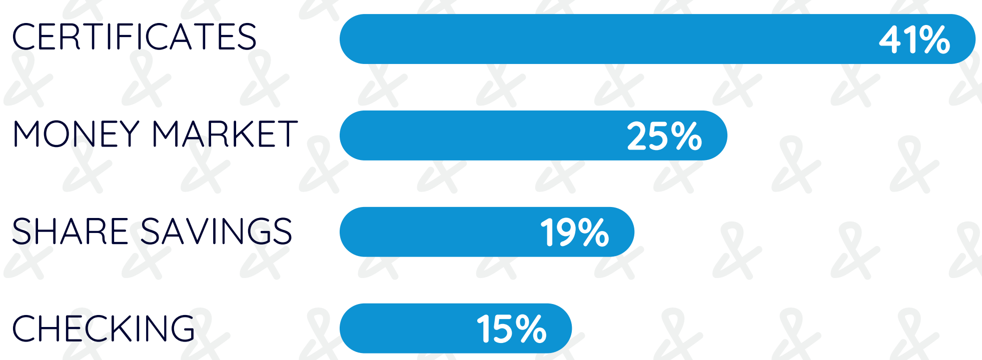
Thank you for being a valued member and for your trust in Premier America Credit Union.

Rudy Pereira

DISTRIBUTION OF 2023 SHARES

Total Shares at Year End 2023

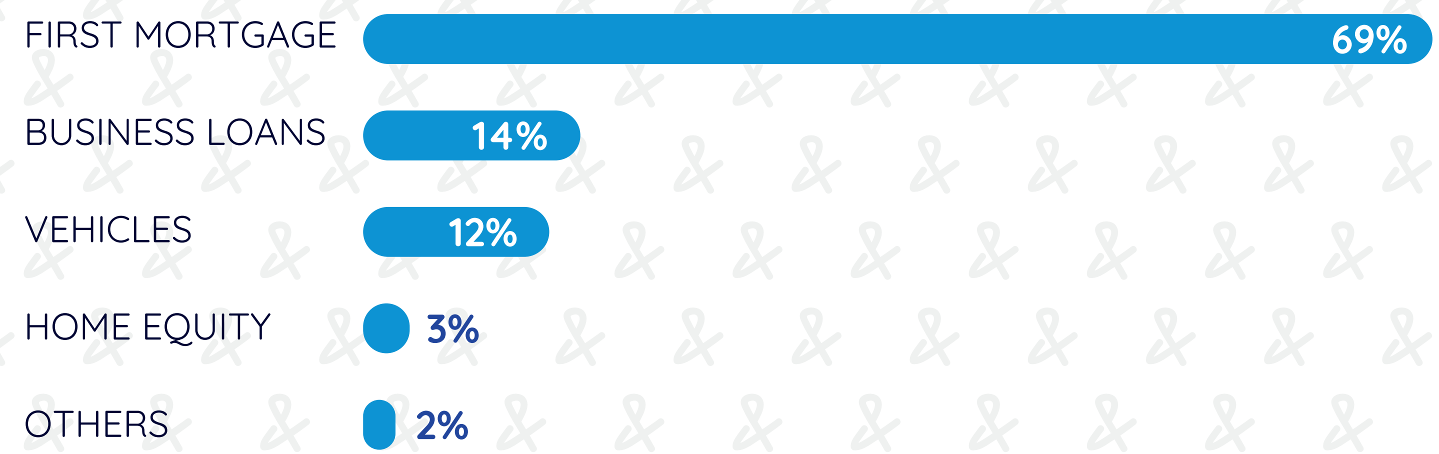
$2,859,275,139



DISTRIBUTION OF 2023 LOANS

Total Loans at Year End 2023

$2,931,642,654



MEMBER SHARES In Millions	2023	2018	2013
	$2,859	$2,376	$1,362

ASSET SIZE In Millions	2023	2018	2013
	$3,473	$2,673	$1,520

CORPORATE INFORMATION

Board of Directors
Gary Holmen, Chair[1]
Joann Klonowski, Vice Chair[1]
Eva Gomez, Secretary/Treasurer[1]
Mechelle Best, Director
William Cole, Director
Larry Colson, Director
Eric Goldner, Director
Bill Hampel, Director
Larry Martin, Director

Senior Leadership Team
Rudy Pereira, President/CEO
Ie-Chen Cheng, SVP, Chief Financial Officer
Toni Daniels, SVP, Chief Administrative Officer
David Fitzgerald, SVP, Chief Lending Officer
Marci Francisco, SVP, Chief Experience Officer
Ernesto Norona, SVP, Chief Operating Officer
Shelley Tam, SVP, Chief People Officer
Jason Wolkove, SVP, Chief Technology Officer

Audit Committee
Tom Kelly, Chair
Mike Lang, Secretary
Larry Martin
William Cole
Eric Goldner
Gary Holmen, Ex-officio Member
Russ Scrivner, Committee Liaison

Compensation Committee
Joann Klonowski, Chair
Larry Colson
Eva Gomez
Gary Holmen, Ex-officio Member
Rudy Pereira, Committee Liaison
Shelley Tam, Committee Liaison

[1] Executive Committee

Credit Oversight Committee
Pamela Hanson, Chair
Mechelle Best
Bill Hampel
William Cole
Joann Klonowski
Larry Martin
Eva Gomez
Gary Holmen, Ex-officio Member
David Fitzgerald, Credit Union Officer
Rudy Pereira, Credit Union Officer
Leslie Ellison, Committee Liaison

Enterprise Risk Management
Eric Goldner, Chair
Bill Cole
Bill Hampel
Mechelle Best
Tim Shi
Gary Holmen, Ex-officio Member
Rudy Pereira, Credit Union Officer
Toni Daniels, Credit Union Officer
Sandra Martinez, Committee Liaison

Finance Committee
Joann Klonowski, Chair
William Cole
Larry Colson
Bill Hampel
Gary Holmen, Ex-officio Member
Rudy Pereira, Credit Union Officer
Ie-Chen Cheng, Committee Liaison

Nominating Committee
Eva Gomez, Chair
Larry Martin
Joann Klonowski
Mechelle Best
Gary Holmen, Ex-officio Member
Rudy Pereira, Credit Union Officer
Toni Daniels, Committee Liaison

INDEPENDENT AUDITOR'S REPORT

Audit Committee
Premier America Credit Union
Chatsworth, California

Opinion

We have audited the financial statements of Premier America Credit Union, which comprise the statements of financial condition as of December 31, 2023 and 2022, and the related statements of income, comprehensive income (loss), members' equity, and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Premier America Credit Union as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Premier America Credit Union and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Notes 1 and 3 to the financial statements, in 2023, Premier America Credit Union adopted new accounting guidance which changed its method of accounting for credit losses effective January 1, 2023 due to the adoption of Financial Accounting Standards Board (FASB) Accounting Standards Codifications No. 326, Financial Instruments – Credit Losses (ASC 326). Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about Premier America Credit Union's ability to continue as a going concern for one year from the date the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Premier America Credit Union's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about Premier America Credit Union's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control–related matters that we identified during the audit.

Crowe LLP
Los Angeles, California
March 19, 2024

FINANCIAL STATEMENTS

STATEMENTS OF FINANCIAL CONDITION
December 31, 2023 and 2022

	2023	2022
Assets		
Cash and cash equivalents	$ 115,129,042	$ 106,375,570
Investments		
Available-for-sale	331,539,078	372,292,763
FHLB stock and other	15,000,000	15,000,000
Loans, net	2,931,642,654	3,201,735,212
Accrued interest receivable	12,560,193	11,257,929
Premises and equipment, net	13,057,764	13,698,881
National Credit Union Share Insurance Fund (NCUSIF) deposit	28,566,348	29,045,508
Goodwill, net	112,714	235,674
Intangible assets, net	921,720	1,474,776
Other assets	24,845,261	21,956,440
	$ 3,473,374,774	**$ 3,773,072,753**
Liabilities And Members' Equity		
Liabilities		
Members' shares	$ 2,859,275,139	$ 3,085,994,979
FHLB borrowings	50,000,000	375,000,000
Other borrowings	237,781,824	-
Accrued expenses and other liabilities	16,345,883	16,255,374
Total liabilities	**3,163,402,846**	**3,477,250,353**
Commitments and contingent liabilities		
Members' equity		
Retained earnings	341,179,393	336,880,917
Accumulated other comprehensive loss	(31,207,465)	(41,058,517)
Total members' equity	309,971,928	295,822,400
	$ 3,473,374,774	**$ 3,773,072,753**

STATEMENTS OF INCOME
December 31, 2023 and 2022

	2023	2022
Interest Income		
Loans	$ 130,584,383	$ 103,298,572
Investments and cash equivalents	13,234,873	7,741,861
Total interest income	**143,819,257**	**111,040,433**
Interest Expense		
Members' shares	56,106,401	19,800,716
FHLB Advances	6,999,955	4,646,292
Total interest expense	**63,106,356**	**24,447,008**
Net interest income	80,712,901	86,593,425
Provision for credit losses	5,340,000	7,350,000
Net interest income after provision for credit losses	**75,372,901**	**79,243,425**
Non-Interest Income		
Service charges and other fees	4,509,457	4,967,995
Credit/debit card interchange income	5,933,891	5,801,272
Investment brokerage commissions	2,531,483	2,673,362
Other	1,808,633	2,587,269
Total non-interest income	**14,783,464**	**16,029,898**
Non-Interest Expenses		
Salaries and benefits	46,947,267	43,634,318
Operations	30,459,421	29,902,657
Occupancy	4,778,499	4,484,696
Total non-interest expense	**82,185,187**	**78,021,671**
Net income	**$ 7,971,178**	**$ 17,251,652**

STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
Years ended December 31, 2023 and 2022

	2023	2022
Net Income	**$ 7,971,178**	**$ 17,251,652**
Other comprehensive income (loss):		
Net change in fair value of available-for-sale investments	9,851,052	(34,296,412)
Comprehensive income (loss)	**$ 17,822,230**	**$ (17,044,760)**

STATEMENTS OF MEMBERS' EQUITY
Years ended December 31, 2023 and 2022

	Retained Earnings				
	Regular Reserve	Other Appropriated	Unappropriated	Total	Accumulated Other Comprehensive Income (Loss)
Balance January 1, 2022	$ 13,432,072	$ 35,479,443	$ 270,717,750	$ 319,629,265	$ (6,762,105)
Net income	-	-	17,251,652	17,251,652	-
Net change in fair value of available-for-sale investments	-	-	-	-	(34,296,412)
Balance December 31, 2022	**13,432,072**	**35,479,443**	**287,969,402**	**336,880,917**	**(41,058,517)**
Cumulative effect adjustment upon adoption of ASC 326	-	-	(3,672,702)	(3,672,702)	-
Adjusted balance at January 1, 2023	13,432,072	35,479,443	284,296,700	333,208,215	(41,058,517)
Net income	-	-	7,971,178	7,971,178	-
Net change in fair value of available-for-sale investments	-	-	-	-	9,851,052
Balance December 31, 2023	**$ 13,432,072**	**$ 35,479,443**	**$ 292,267,878**	**$ 341,179,393**	**$ (31,207,465)**

STATEMENTS OF CASH FLOWS
Years ended December 31, 2023 and 2022

	2023	2022
Cash Flows From Operating Activities		
Net income	$ 7,971,178	$ 17,251,652
Adjustments to reconcile net income to net cash provided by operating activities:		
Accretion of discount on securities, net	2,022,937	2,147,223
Amortization of intangible assets and goodwill	676,016	790,994
Provision for credit losses*	5,340,000	7,350,000
Depreciation and amortization of premises and equipment	2,196,291	2,193,668
Net change in:		
Accrued interest receivable	(1,302,264)	(2,453,878)
Other assets	(2,888,821)	(3,978,651)
Accrued expenses and other liabilities	90,509	(13,994,996)
Net cash provided by operating activities	**14,105,846**	**9,306,012**
Cash Flows From Investing Activities		
Purchases of available-for-sale investments	-	(14,827,371)
Proceeds from maturity of available-for-sale investments	48,581,800	50,000,000
Net change in FHLB stock and other	-	392
Net change in loans	261,079,856	(761,542,163)
Net change in NCUSIF Deposit	479,160	(744,482)
Purchases of premises and equipment	(1,555,174)	(949,007)
Net cash provided (used in) investing activities	**308,585,642**	**(728,062,631)**
Cash Flows From Financing Activities		
Net change in members' shares	(226,719,840)	15,932,407
Repayment from FHLB Borrowings	(317,218,176)	-
Proceeds from FHLB Borrowings	230,000,000	375,000,000
Net cash (used in) provided by financing activities	**(313,938,016)**	**390,932,407**
Increase (decrease) in cash equivalents	8,753,472	(327,824,212)
Cash and cash equivalents at beginning of year	106,375,570	434,199,782
Cash and cash equivalents at end of year	**$ 115,129,042**	**$ 106,375,570**
Supplemental cash flow information		
Dividends paid on members' shares and interest paid on borrowed funds	$ 63,106,356	$ 24,447,008
Supplemental non-cash information		
Recognition of right-of-use asset	-	(6,506,784)
Recognition of lease liability	-	6,506,784

* Provision for credit losses for the year ended December 31, 2023 is presented under ASC 326, while prior period comparisons continue to be presented under legacy ASC 450 and ASC 310.

NOTE 1 – NATURE OF OPERATIONS AND SIGNIFICANT ACCOUNTING POLICIES

Nature of Operations: Premier America Credit Union (Credit Union) is a state-chartered credit union organized under the provisions of the California Credit Union Act. Participation in the Credit Union is limited to those individuals who qualify for membership. The field of membership is defined in the Credit Union's Charter and Bylaws. During the year ended December 31, 2012, the Credit Union's defined field of membership was expanded as a result of the Credit Union's purchase and assumption of Telesis Community Credit Union (TCCU). During the year ended December 31, 2014, the Credit Union's defined field of membership was expanded as a result of the Credit Union's merger of NBCUniversal Employees Federal Credit Union (NBCU). During the year ended December 31, 2015, the Credit Union's defined field of membership was expanded as a result of the Credit Union's merger of Pacific Oaks Federal Credit Union (POFCU). Accordingly, the Credit Union's charter was amended to incorporate the field of memberships serviced by these credit unions.
On February 13, 2017, the Credit Union's defined field of membership was expanded to include the whole Los Angeles County. On November 5, 2019, the Credit Union's defined field of membership was expanded to include Harris County, Texas.

A summary of the Credit Union's significant accounting policies is as follows:

Use of Estimates: The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events: The Credit Union has evaluated subsequent events through March 19, 2024, the date on which the financial statements were available to be issued.

Concentrations of Credit Risk: Most of the Credit Union's business activity is with its members, the majority of whom reside in or are employed in Southern California. The Credit Union may be exposed to credit risk from a regional economic standpoint, since a significant concentration of its borrowers work or reside in Southern California. Although the Credit Union has a diversified loan portfolio, borrowers' ability to repay loans may be affected by the economic climate of the overall geographic region in which borrowers reside.

Fair Value: The Accounting Standard Codification (Codification) defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurement. Fair value is a market-based measurement, not an entity-specific measurement, and the hierarchy gives the highest priority to quoted prices in active markets. Fair value measurements are disclosed by level within the fair value hierarchy.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. Valuation techniques are to be consistent with the market approach, the income approach and/or the cost approach. Inputs to valuation techniques refer to the assumptions that market participants would use in pricing the asset or liability. Inputs may be observable, meaning those that reflect the assumptions market participants would use in pricing the asset or liability developed based on market data obtained from independent sources, or unobservable, meaning those that reflect the reporting entity's own assumptions about the assumptions market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The fair value hierarchy is as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a reporting entity's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

A summary of the Credit Union's financial instruments and other accounts subject to fair value, including methodologies and resulting values, is presented in Note 15.

Cash and Cash Equivalents: For the purpose of the statements of financial position and cash flows, cash and cash equivalents include cash on hand, amounts due from financial institutions and highly liquid debt instruments classified as cash that were purchased with remaining maturities of three months or less.

Investments: Debt securities are classified as held to maturity and carried at amortized cost when management has the positive intent and ability to hold them to maturity. Debt securities are classified as available for sale when they might be sold before maturity. Securities available for sale are carried at fair value, with unrealized holding gains and losses reported in other comprehensive income (loss).

Interest income includes amortization of purchase premium or discount. Premiums and discounts on securities are amortized on the level-yield method without anticipating prepayments, except for mortgage backed securities where prepayments are anticipated. Gains and losses on sales are recorded on the trade date and determined using the specific identification method.

Allowance for Credit Losses – Available-For-Sale Securities: For available-for-sale debt securities in an unrealized loss position, the Credit Union first assesses whether it intends to sell, or it is more likely than not that it will be required to sell the security before recovery of its amortized cost basis.
If either of the criteria regarding intent or requirement to sell is met, the security's amortized cost basis is written down to fair value through income. For debt securities available-for-sale that do not meet the aforementioned criteria, the Credit Union evaluates whether the decline in fair value has resulted from credit losses or other factors. In making this assessment, management considers the extent to which fair value is less than amortized cost, any changes to the rating of the security by a rating agency, and adverse conditions specifically related to the security, among other factors. If this assessment indicates that a credit loss exists, the present value of cash flows expected to be collected from the security are compared to the amortized cost basis of the security. If the present value of cash flows expected to be collected is less than the amortized cost basis, a credit loss exists and an allowance for credit losses is recorded for the credit loss, limited by the amount that the fair value is less than the amortized cost basis. Any impairment that has not been recorded through an allowance for credit losses is recognized in other comprehensive income (loss).

Changes in the allowance for credit losses are recorded as credit loss expense (or reversal). Losses are charged against the allowance when management believes the uncollectibility of an available-for-sale security is confirmed or when either of the criteria regarding intent or requirement to sell is met.

Accrued interest receivable on available-for-sale debt securities totaled $1,357,988 at December 31, 2023 and is excluded from the estimate of credit losses.

Restricted Stock: The Credit Union is a member of the Federal Home Loan Bank (FHLB) system. Members are required to own a certain amount of stock based on the level of borrowings and other factors. Restricted stock is carried at cost, classified as a restricted security, and periodically evaluated for impairment based on ultimate recovery of par value. Both cash and stock dividends are reported as income.

Loans, Net: The Credit Union grants mortgage, commercial and consumer loans to members. The ability of the members to honor their contracts is dependent upon the general economic conditions of the area, among other factors. The Credit Union also purchases participations in loans originated by various other credit unions. All of these loan participations were purchased without recourse and are secured by commercial and residential real estate and vehicles. The originating credit union performs all servicing functions on these loans.

NOTES TO FINANCIAL STATEMENTS

Loans that the Credit Union has the intent and ability to hold for the foreseeable future or until maturity or payoff are stated at their outstanding unpaid principal balances, less an allowance for loan losses and net deferred origination fees and costs. Interest income on loans, except mortgage loans, is recognized over the term of the loan and is calculated using the simple interest method on principal amounts outstanding. Standard mortgage interest calculation using compound interest method is used for mortgage loans.

The accrual of interest income on loans is discontinued at the time the loan is 90 days past due. Unsecured loans are charged off no later than 180 days past due. Past-due status is based on the contractual terms of the loan. Loans are generally placed on nonaccrual or charged off at an earlier date if the collection of principal and interest is considered doubtful.

All uncollected interest for charged-off loans is reversed against interest income. The interest on nonaccrual and charged-off loans is accounted for on the cash basis or cost-recovery method until qualifying for return to accrual. Loans are returned to accrual status when all of the principal and interest amounts contractually due are brought current and future payments are reasonably assured.

Certain loan fees and direct loan origination costs are deferred and the net costs are recognized as an adjustment to interest income using the interest method over the contractual life of the loans, adjusted for estimated prepayments based on the Credit Union's historical prepayment experience.

Allowance for Credit Losses - Loans: The allowance for credit losses (ACL) is a valuation account that is deducted from the loans' amortized cost basis to present the net amount expected to be collected on the loans. Loans are charged off against the allowance when management believes the uncollectibility of a loan balance is confirmed. Expected recoveries do not exceed the aggregate of amounts previously charged-off and expected to be charged-off.

Management estimates the allowance balance using relevant available information, from internal and external sources, relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made for differences in current loan-specific risk characteristics such as differences in underwriting standards, portfolio mix, delinquency level, or term as well as for changes in environmental conditions, such as changes in unemployment rates, property values, or other relevant factors.

When measuring the ACL on a collective basis, the Credit Union categorizes loans in to risk categories generally based on the nature of the collateral and the basis of repayment. These risk categories and the relevant risk characteristics are as follows:

Residential Real Estate – Real estate loans consist of first mortgage loans and second mortgage loans made to members using their primary residence or rental properties as collateral. Change in real property values and the borrower's repayment capacity are key risk factors that may affect the collectability of these loans, along with the condition of the collateral if foreclosed. The ACL evaluation considers credit score, loan-to-value (LTV), collateral value, and delinquency status.

Commercial – Commercial real estate (CRE) loans are primarily secured by owner and non-owner occupied commercial properties. These properties can include multi-family residential properties, faith based, office and industrial buildings, warehouses, small retail shopping centers and various special purpose properties, including hotels, and restaurants. The borrower's capacity to repay is a key risk factor that may affect the collectability of these loans, along with the nature, value, and condition of the collateral.

CRE lending generally involves higher loan principal amounts than other commercial or consumer loans, and the repayment of these loans is generally largely dependent upon the successful operation of the property securing the loan or the business conducted on the property securing the loan. CRE loans may be adversely affected by conditions in the real estate markets or in the general economy. The ACL evaluation considers the debt service coverage ratio (DSCR), LTV, collateral type, collateral value, and industry type.

Other commercial loans may be loans secured by business assets or may be unsecured and repayment is directly dependent upon the successful operation of the business and the borrower's ability to convert the assets to operating revenue. These loans may possess greater risk than most other types of loans should the repayment capacity of the borrower prove inadequate over time. Balance of the other commercial loans consist of automobile, equipment, and operating lines of credit. The ACL evaluation considers credit score, LTV, and industry type.

Consumer – Auto loans include loans to members collateralized with new and used vehicles, including recreational vehicles. The borrower's repayment capacity is a key risk factor that may affect the collectability of these loans, along with the nature, value and condition of the collateral if repossessed. The ACL evaluation considers credit score, origination channel, term, and delinquency status.

Other consumer loans are most unsecured and typically have higher interest rates than secured loans to compensate for higher credit risk. The borrower's repayment capacity is the primary risk factor that affects the collectability of these loans due to the absence of collateral. These loans consist of consumer credit cards, personal lines of credit and other secured and unsecured loans. The ACL evaluation considers credit score and delinquency status.

The collectively evaluated portion of the ACL is calculated using four different methods based on loan type.

The discounted cash flow (DCF) model is used for certain commercial and consumer loans. Within the DCF model, a regression method is applied where loan-level data is captured to derive contractual cashflows. The cash flows are then modified for each loan or loan cohort by applying prepayment, default, and loss severity assumptions to derive estimate losses based on current economic conditions. The majority of the loan classes utilize regression models to calculate probability of defaults and loss severity assumptions, in which macroeconomic and other factors are correlated to historical defaults. The key factor include unemployment rates. The DCF model leverages economic projections on a national and local level.

The probability of default and loss given default (PD LGD) model is used for certain consumer and residential mortgage loans. Within the PD LGD model, a regression is utilized that considers a variety of data such as collateral value, credit scores, and future economic conditions through using reasonable and supportable forecasts from reputable independent sources.

The vintage model is used for certain commercial and consumer loans. Across the loan pools, the calculation uses the original loan amount as the denominator in the base loss rate creation. This targets the percent of total originations expected to be lost in the remaining contractual terms for each origination year. The requirement includes matured / paid off loans as well as existing loans. This is considered to be a highly limited model which is heavily dependent on loan data requirements.

The weighted average remaining maturity (WARM) model is used for certain consumer loans. The methodology is considered to be simplistic in predicting losses and estimate paydown structure based on industry data. The model determines an average charge-off ratio over a specified number of historical years to determine the loss rate to be applied.

Management may apply qualitative adjustments on top of the collectively evaluated results obtained in the models in order to reflect its best estimate of lifetime losses. Both internal and external sources are considered when considering the required qualitative reserves to be applied in addition to the quantitative reserves of the allowance.

Loans that do not share same risk characteristics are evaluated on an individual basis. Loans evaluated individually are not also included in the collective evaluation. This occurs when management determines that foreclosure is probable or when the borrower is experiencing financial difficulty at the reporting date and repayment is expected to be provided substantially through the operation or sale of the collateral which are based on the fair value of the collateral at the reporting date, adjusted for undiscounted selling costs as appropriate.

Expected credit losses are estimated over the contractual term of the loans, adjusted for expected prepayments when appropriate. The contractual term excludes expected extensions, renewals, and modifications unless either of the following applies: management has a reasonable expectation at the reporting date that an extension or renewal options are included in the original or modified contract at the reporting date and are not unconditionally cancellable by the Credit Union.

Allowance for Credit Losses on Off-Balance Sheet Credit Exposures: The Credit Union estimates expected credit losses over the contractual period in which the Credit Union is exposed to credit risk via a contractual obligation to extend credit, unless that obligation is unconditionally cancellable by the Credit Union. The allowance for credit losses on off-balance sheet credit exposures is adjusted through credit loss expense. The estimate includes consideration of the likelihood that funding will occur and an estimate of expected credit losses on commitments expected to be funded over its estimated life.

Premises and Equipment, Net: Land is carried at cost. Buildings, leasehold improvements, and furniture and equipment are carried at cost, less accumulated depreciation and amortization. Buildings and furniture and equipment are depreciated using the straight-line method over the estimated useful lives of the assets. The cost of leasehold improvements is amortized using the straight-line method over the lesser of the useful life of the assets or the expected terms of the related leases. Expected terms include lease option periods to the extent that the exercise of such options is reasonably assured. Management reviews property and equipment for impairment whenever events or changes in circumstances indicate that the carrying value may not be recoverable.

National Credit Union Share Insurance Fund Deposit and Insurance Premium: The deposit in the National Credit Union Share Insurance Fund (NCUSIF) is in accordance with National Credit Union Administration (NCUA) regulations, which, in prior years, required the maintenance of a deposit by each federally insured credit union in an amount equal to 1 percent of its insured members' shares. The deposit would be refunded to the Credit Union if its insurance coverage was terminated, if it converted its insurance coverage to another source, or if management of the fund was transferred from the NCUA Board.

Goodwill and Other Intangible Assets: The Financial Accounting Standards Board (FASB) issued guidance that provides private companies with an alternative for the subsequent measurement of goodwill. Under this alternative, goodwill is amortized and is only tested for impairment when a triggering event occurs that indicates the fair value may be below the carrying amount. The Credit Union has adopted this alternative.

Goodwill represents the excess of the purchase price over the fair value of the net assets of businesses acquired in a business combination. Goodwill impairment testing is performed at the reporting unit level only when a triggering event indicates that the carrying value of the reporting unit may exceed its estimated fair value. No goodwill impairment expense was recorded in the years ended December 31, 2023 and 2022.

Other intangible assets consist of core deposit intangibles arising from whole credit union mergers, as well as purchase and assumptions, is amortized on an accelerated method over their estimated useful lives, which range from 7 to 10 years.

Loan Commitments and Related Financial Instruments: Financial instruments include off-balance sheet credit instruments, such as commitments to make loans. The face amount for these items represents the exposure to loss, before considering customer collateral or ability to repay. Such financial instruments are recorded when they are funded.

Income Taxes: The Credit Union is exempt, by statute, from federal income taxes. However, the Credit Union is subject to Unrelated Business Income Tax (UBIT) on certain income resulting from business with nonmembers. Tax years prior to 2018 are not subject to examination by tax authorities. The Credit Union recognizes interest and/or penalties related to income tax matters in operations expense.

FASB ASC Topic 740, *Income Taxes*, provides guidance for how uncertain tax positions should be recognized, measured, disclosed and presented in the financial statements. This requires the evaluation of tax positions taken or expected to be taken by the Credit Union, which must determine whether the tax positions are more likely than not to be sustained "when challenged" or "when examined" by the applicable tax authority. Tax positions not deemed to meet the more-likely-than-not threshold would be recorded as a tax expense and liability in the current year. As of and for the years ended December 31, 2023 and 2022, management has determined that there are no material uncertain tax positions requiring recognition in the financial statements.

Comprehensive Income: Comprehensive income consists of net income and other comprehensive income (loss). Other comprehensive income (loss) includes unrealized gains and losses on securities available for sale which are also recognized as separate components of members' equity.

Derivatives: At the inception of a derivative contract, the Credit Union designates the derivative as one of three types based on the Credit Union's intentions and belief as to likely effectiveness as a hedge. These three types are (1) a hedge of the fair value of a recognized asset or liability or of an unrecognized firm commitment ("fair value hedge"), (2) a hedge of a forecasted transaction or the variability of cash flows to be received or paid related to a recognized asset or liability ("cash flow hedge"), or (3) an instrument with no hedging designation ("non-designated derivative"). The Credit Union elected option 1. For a fair value hedge, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item attributable to the hedged risk, are recognized in current earnings as fair values change.

Accrued settlements on derivatives that qualify for hedge accounting are recorded in interest income or interest expense, based on the item being hedged. Accrued settlements on derivatives not designated are reported in non-interest income. Cash flows on hedges are classified in the cash flow statement the same as the cash flows of the items being hedged.

The Credit Union formally documents the relationship between derivatives and hedged items, as well as the risk-management objective and the strategy for undertaking hedge transactions at the inception of the hedging relationship. This documentation includes linking fair value hedges to specific assets and liabilities on the statements of financial condition.

The Credit Union also formally assesses, both at the hedge's inception and on an ongoing basis, whether the derivative instruments that are designated are highly effective in offsetting changes in fair values. The Credit Union discontinues hedge accounting when it determines that the derivative is no longer effective in offsetting changes in the fair value of the hedged item, the derivative is settled or terminates, a hedged forecasted transaction is no longer probable, a hedged firm commitment is no longer firm, or treatment of the derivative as a hedge is no longer appropriate or intended.

When hedge accounting is discontinued, subsequent changes in fair value of the derivative are recorded as non-interest income. When a fair value hedge is discontinued, the hedged asset or liability is no longer adjusted for changes in fair value and the existing basis adjustment is amortized or accreted over the remaining life of the asset or liability.

The Credit Union is exposed to losses if a counterparty fails to make its payments under a contract in which the Credit Union is in the net receiving position. The Credit Union anticipates that the counterparties will be able to fully satisfy their obligations under the agreements. All of the contracts to which the Credit Union is a party settle monthly or quarterly. In addition, the Credit Union obtains collateral above certain thresholds of the fair value of its derivatives for each dealer counterparty based upon their credit standing and the Credit Union has netting agreements with the dealers with which it does business.

Adoption of New Accounting Standards: On January 1, 2023, the Credit Union adopted ASU 2016-13, *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, as amended, which replaces the incurred loss methodology with an expected loss methodology that is referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under the CECL methodology is applicable to financial assets measured at amortized cost, including loan

NOTES TO FINANCIAL STATEMENTS

receivables and held-to-maturity debt securities. It also applies to off-balance sheet credit exposures not accounted for as insurance (loan commitments, standby letters of credit, financial guarantees, and other similar instruments) and net investments in leases recognized by a lessor in accordance with Topic 842 on leases. In addition, ASC 326 made changes to the accounting for available-for-sale debt securities. One such change is to require credit losses to be presented as an allowance rather than as a write-down on available-for-sale debt securities management does not intend to sell or believes that it is more likely than not they will be required to sell.

The Credit Union adopted ASC 326 using the modified retrospective method for all financial assets measured at amortized cost and off-balance-sheet credit exposures. Results for reporting periods beginning after January 1, 2023 are presented under ASC 326 while prior period amounts continue to be reported in accordance with previously applicable GAAP. The Credit Union recorded a net decrease to retained earnings of $3,672,702 as of January 1, 2023 for the cumulative effect of adopting ASC 326.

The following table illustrates the impact of ASC 326.

	January 1, 2023		
	Pre-ASC 326 Adoption	Impact of ASC 326 Adoption	As Reported Under ASC 326
Assets:			
Loans			
Residential real estate	$ 7,233,680	$ (335,618)	$ 6,898,062
Commercial	12,191,241	228,782	12,420,023
Consumer	2,863,368	3,779,538	6,642,906
Allowance for credit losses on loans	**$ 22,288,289**	**$ 3,672,702**	**$ 25,960,991**

NOTE 2 – INVESTMENTS

Investments classified as available-for-sale consist of the following at December 31:

	Amortized Cost	Gross Unrecognized Gains	Gross Unrecognized Losses	Fair Value
2023				
U.S. government obligations and federal agency securities	$ 362,746,543	$ 126,000	$ (31,333,465)	$ 331,539,078
2022				
U.S. government obligations and federal agency securities	$ 413,351,280	$ 87,000	$ (41,145,517)	$ 372,292,763

There were no sales of securities during the years ended December 31, 2023 and 2022.

At December 31, 2023 and 2022, there were 24 and 28 securities in an unrealized loss position with total fair value of approximately $301,413,078 and $342,205,763, respectively. At December 31, 2023, there were 24 securities in an unrealized loss position greater than 12 months with total fair value of $301,413,078. At December 31, 2022, there were 18 securities in an unrealized loss position greater than 12 months with total fair value of $231,135,790. These securities are issued by the U.S. government and federal agencies. Because the decline in fair value is attributable to changes in interest rates, and not credit quality, and because the Credit Union does not have the intent to sell these securities and it is likely that it will not be required to sell the securities before their anticipated recovery, the Credit Union does not consider these securities to be other-than-temporarily impaired at December 31, 2022. The Credit Union also determined that these securities with unrealized losses did not warrant an ACL at December 31, 2023.

Investments by maturity as of December 31, 2023 are summarized as follows:

	Amortized Cost	Available-for-Sale Fair Value
Less than one year maturity	$ 50,067,584	$ 48,917,000
One to five years maturity	146,914,676	145,118,368
More than five years maturity	165,764,283	137,503,710
	$ 362,746,543	**$ 331,539,078**

Other investments consist of the following at December 31:

	2023	2022
FHLB stock	$ 15,000,000	$ 15,000,000
	$ 15,000,000	**$ 15,000,000**

NOTE 3 – LOANS RECEIVABLE, NET

Loans, net consist of the following at December 31:

	2023	2022
Residential real estate		
First mortgage loans	$ 2,048,447,991	$ 2,196,063,318
Second mortgage loans	95,254,433	75,826,200
Total real estate loans	**2,143,702,424**	**2,271,889,518**
Commercial loans		
Member business loans	358,021,833	367,248,726
Commercial participation loans	15,797,777	18,524,516
Other loans	25,989,541	27,221,402
Total commercial loans	**399,809,151**	**412,994,644**
Consumer loans		
Secured loans	350,915,859	483,992,488
Unsecured loans	62,630,260	53,267,381
Total consumer loans	**413,546,119**	**537,259,869**
Total loans receivable	2,957,057,694	3,222,144,031
Discount on loans acquired from mergers	**(316,921)**	**(381,229)**
	2,956,740,773	3,221,762,802
Deferred net loan origination costs	1,857,619	2,260,699
Allowance for credit losses	(26,955,738)	(22,288,289)
	$ 2,931,642,654	**$ 3,201,735,212**

Recorded investment excludes deferred fees and costs, accrued interest receivable, and discounts on loans acquired for mergers, as they are considered immaterial.

The following presents, by portfolio segment, the changes in the allowance for loan losses and the recorded investment in loans for the years ended December 31:

2023	Residential Real Estate	Commercial	Consumer	Total
Allowance for credit losses:				
Beginning balance prior to adoption of ASC 326	$ 7,233,680	$ 12,191,241	$ 2,863,368	$ 22,288,289
Impact of adopting ASC 326	(335,618)	228,782	3,779,538	3,672,702
Beginning balance subsequent adoption of ASC 326	6,898,062	12,420,023	6,642,906	25,960,991
Provision for credit losses	216,207	(782,767)	5,906,560	5,340,000
Charge-offs	-	(585,402)	(4,818,250)	(5,403,652)
Recoveries	-	601,726	456,673	1,058,399
Ending balance	**$ 7,114,269**	**$ 11,653,580**	**$ 8,187,889**	**$ 26,955,738**

2022	Residential Real Estate	Commercial	Consumer	Total
Allowance for loan losses:				
Beginning balance	$ 4,987,958	$ 8,953,481	$ 2,779,998	$ 16,721,437
Provision for loan losses	2,245,722	3,276,260	1,828,018	7,350,000
Charge-offs	-	(97,352)	(2,285,734)	(2,383,086)
Recoveries	-	58,852	541,086	599,938
Ending balance	**$ 7,233,680**	**$ 12,191,241**	**$ 2,863,368**	**$ 22,288,289**
Ending balance: individually evaluated for impairment	$ 1,715,109	$ 1,333,190	$ -	$ 3,048,299
Ending balance: collectively evaluated for impairment	5,518,571	10,858,051	2,863,368	19,239,990
	$ 7,233,680	**$ 12,191,241**	**$ 2,863,368**	**$ 22,288,289**
Total loans:				
Ending balance: individually evaluated for impairment	$ 12,421,281	$ 8,705,252	$ -	$ 21,126,533
Ending balance: collectively evaluated for impairment	2,259,468,237	404,289,392	537,259,869	3,201,017,498
	$ 2,271,889,518	**$ 412,994,644**	**$ 537,259,869**	**$ 3,222,144,031**

At December 31, 2023, the Credit Union had one collateral dependent loan with a value of $1,956,481 secured by faith based commercial real estate.

The following presents the recorded investment and unpaid principal balance for impaired loans with associated allowance amount as of December 31:

2022	Recorded Investment	Unpaid Principal Balance	Related Allowance	Average Recorded Investment	Interest Income Recognized
Impaired loans with an allowance:					
First mortgage loans	$ 468,119	$ 468,119	$ 1,715,109	$ 858,783	$ -
Participation loans	5,134,339	5,134,339	1,333,190	12,578,785	-
	$ 5,602,458	**$ 5,602,458**	**$ 3,048,299**	**$ 13,437,568**	**$ -**
Impaired loans with no allowance:					
First mortgage loans	$ 11,953,162	$ 11,953,162	$ -	$ 7,226,923	$ -
Participation loans	3,570,913	3,570,913	-	2,920,347	-
	$ 15,524,075	**$ 15,524,075**	**$ -**	**$ 10,147,270**	**$ -**

Impaired loans including troubled debt restructurings (TDR) loans were $10,255,251 at December 31 2022. The associated allowance for TDR loans at December 31, 2022 was $983,932. All TDRs included either an extension of due date or lower interest rate. There were no loans in which principal was forgiven or interest was capitalized. The Credit Union has not committed to lend additional amounts to members with outstanding loans that are classified as TDRs.

There were no TDRs conducted in 2022 that subsequently defaulted during the years ended December 31, 2023. There were no new modifications to loan terms in 2023.

The following presents, by credit quality indicator, the commercial loan portfolio as of December 31:

	2023			2022		
	Member Business Loans	Participation Loans	Total	Member Business Loans	Participation Loans	Total
Pass /Watch	$ 384,011,374	$ 9,208,277	$ 393,219,651	$ 394,470,128	$ 9,819,265	$ 404,289,393
Special mention	-	3,540,441	3,540,441	-	-	-
Substandard	-	-	-	-	5,633,008	5,633,008
Doubtful	-	3,049,059	3,049,059	-	3,072,243	3,072,243
Loss	-	-	-	-	-	-
	$ 384,011,374	**$ 15,797,777**	**$ 399,809,151**	**$ 394,470,128**	**$ 18,524,516**	**$ 412,994,644**

Management regularly reviews and risk grades commercial real estate loans in the Credit Union's portfolio. The risk grading system allows management to classify assets by credit quality in accordance with Credit Union policy. The Credit Union's internal risk grading system definition is as follows:

Pass: The loan is either risk rated as highest, superior, excellent, good, acceptable or minimum acceptable quality and contains no well-defined deficiencies or weaknesses.

Special Mention: The loan has potential weaknesses that deserve management's close attention. The loan is usually current but shows some sign of deterioration. It generally has one or more of the following weaknesses: collateral value has declined and loan-to-value exceeds policy maximum; most recent year-end financial information shows a loss; debt-service coverage ratio is materially less than policy guidelines; debt to tangible net worth exceeds 5:1 and quick ratio is less than 1:1 or shows a trend of overdrafts. The business credit rating is below 68 or payable aging exceeds acceptable levels. The guarantor's(s') FICO drops below 660 or recent late payments show a negative trend.

Substandard: The loan is inadequately protected by the current net worth and paying capacity of the obligor or the collateral pledged, if any. Loans classified must have a well-defined weakness or weaknesses that jeopardize the liquidation of debt. They are characterized by the distinct possibility that the Credit Union will sustain some loss if the deficiencies are not corrected.

Doubtful: The loan has all the weaknesses inherent in a loan classified as substandard with the added characteristic that the weaknesses make collection or liquidation in full on the basis of currently existing facts, conditions and values highly questionable and improbable. The possibility of loss is extremely high, but because of certain important and reasonably specific factors that may work to the advantage and strengthening of the loan, its collateral, refinancing plans, etc., its classification as a loss is deferred until a more exact status is determined.

Loss: The loan classified as loss is considered uncollectible and is of such little value that its continuance as a loan is not warranted. This classification does not necessarily mean that the loan has absolutely no recovery or salvage value, but rather it is not practical or desirable to defer writing off this basically worthless asset even though partial recovery may occur in the future.

The following presents, by credit quality indicator, the residential real estate and consumer loan portfolio as of December 31:

	2023			2022		
	Performing	Non-performing	Total	Performing	Non-performing	Total
Residential real estate:						
First mortgage loans	$ 2,028,108,173	$ 20,339,818	$ 2,048,447,991	$ 2,184,181,777	$ 11,881,541	$ 2,196,063,318
Second mortgage loans	93,619,635	1,634,798	95,254,433	75,754,579	71,621	75,826,200
Consumer:						
Secured loans	346,075,269	4,840,590	350,915,859	481,174,441	2,818,047	483,992,488
Unsecured loans	60,476,886	2,153,374	62,630,260	52,377,820	889,561	53,267,381
	$ 2,528,279,963	**$ 28,968,580**	**$ 2,557,248,543**	**$ 2,793,488,617**	**$ 15,660,770**	**$ 2,809,149,387**

Management reviews on a regular basis the performance of the residential real estate and consumer loan portfolio. Residential real estate and consumer assets are evaluated on the basis of performing and nonperforming assets.

NOTES TO FINANCIAL STATEMENTS

Nonperforming assets are defined as assets that are past due in excess of 60 days and loans placed on nonaccrual status at an earlier date when collection of principal and interest is doubtful.

The following is an aging analysis of the recorded investment of classes of loans as of December 31:

2023	**61-90 Days**	**>90 days Days**	**Total Past Due**	**Current**	**Total**
Residential real estate:					
First mortgage loans	$ 9,838,730	$ 10,501,088	$ 20,339,818	$ 2,028,108,173	$ 2,048,447,991
Second mortgage loans	1,399,680	235,118	1,634,798	93,619,635	95,254,433
Commercial:					
Member business loans	-	-	-	358,021,833	358,021,833
Participation loans	-	3,049,059	3,049,059	12,748,718	15,797,777
Other loans	433,315	289,283	722,598	25,266,943	25,989,541
Consumer:					
Secured loans	2,402,112	2,438,478	4,840,590	346,075,269	350,915,859
Unsecured loans	737,197	1,416,177	2,153,374	60,476,886	62,630,260
	$ 14,811,034	**$ 17,929,203**	**$ 32,740,237**	**$ 2,924,317,457**	**$ 2,957,057,694**

2022	61-90 Days	>90 days Days	Total Past Due	Current	Total
Residential real estate:					
First mortgage loans	$ 1,451,467	$ 10,430,074	$ 11,881,541	$ 2,184,181,777	$ 2,196,063,318
Second mortgage loans	40,860	30,761	71,621	75,754,579	75,826,200
Commercial:					
Member business loans	-	-	-	367,248,726	367,248,726
Participation loans	-	5,134,339	5,134,339	13,390,177	18,524,516
Other loans	138,921	168,522	307,443	26,913,959	27,221,402
Consumer:					
Secured loans	1,235,434	1,582,612	2,818,046	481,174,442	483,992,488
Unsecured loans	414,199	475,362	889,561	52,377,820	53,267,381
	$ 3,280,881	**$ 17,821,670**	**$ 21,102,551**	**$ 3,201,041,480**	**$ 3,222,144,031**

All loans are placed on non-accrual at 60 days past due. At December 31, 2022 and 2023, there were no loans on non-accrual past due less than 60 days. At December 31, 2023 and 2022 there were no loans past due 60 days or more and still accruing interest.

NOTE 4 – PREMISES AND EQUIPMENT, NET

Premises and equipment, net, are summarized as follows at December 31:

	2023	**2022**
Land	$ 3,731,593	$ 3,731,593
Building	15,652,695	15,505,390
Leasehold improvements	7,870,935	7,829,225
Furniture and equipment	10,392,874	9,221,855
	37,648,097	36,288,063
Accumulated depreciation and amortization	(24,590,333)	(22,589,182)
	$ 13,057,764	**$ 13,698,881**

NOTE 5 – LEASES

The Credit Union enters into leases in the normal course of business primarily for financial centers, back office operations locations, business development officers, information technology data centers, and information technology equipment. The Credit Union's leases have remaining terms ranging from one to seven years some of which include renewal or termination options to extend the lease for up to 5 to 15 years with 5 year options and some of which include options to terminate the lease within 60 days written notice. In addition, the Credit Union has entered into subleases for space in certain vacated branch locations, the terms of which are three years.

Rental expense for the years ended December 31, 2023 and 2022, for all facilities leased under operating leases, totaled approximately $2,100,455 and $1,987,597, respectively.

Future undiscounted lease payments for operating leases with initial terms of one year or more as of December 31, 2023 are as follows:

2024	$ 1,110,872
2025	868,589
2026	558,471
2027	536,807
Thereafter	1,038,558
Total undiscounted lease payments	4,113,297
Less: imputed interest	7,238
Net lease liabilities	**$ 4,106,059**

NOTE 6 – GOODWILL AND INTANGIBLE ASSETS

Goodwill, net consisted of the following at December 31:

	2023	**2022**
Gross carrying amount of goodwill	$ 1,229,600	$ 1,229,600
Accumulated amortization	(1,116,886)	(993,926)
Goodwill, net	**$ 112,714**	**$ 235,674**

Aggregate goodwill amortization expense of $122,960 for both years ended December 31, 2023 and 2022 is reported in the operations line in the statement of income and remaining goodwill had a weighted average amortization period of approximately three years.

Acquired Intangible Assets: Acquired intangible assets were as follows at year end:

	2023		**2022**	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Amortized intangible assets:				
Core deposit intangibles	**$ 9,578,765**	**$ 8,657,045**	**$ 9,578,765**	**$ 8,103,989**

Aggregate core deposit intangible amortization expense was approximately $553,056 and $668,034 for 2023 and 2022, respectively.

Estimated amortization expense for each of the next two years:

2024	$ 553,052
2025	368,668

NOTE 7 – MEMBERS' SHARES

Members' shares are summarized as follows at December 31:

	2023	**2022**
Share savings accounts	$ 543,176,563	$ 693,139,771
Share checking accounts	420,666,462	453,156,468
Money market accounts	701,081,377	845,042,530
Individual retirement accounts (IRAs)	24,770,269	31,188,310
Regular and IRA certificates	1,169,580,468	1,063,467,900
	$ 2,859,275,139	**$ 3,085,994,979**

Share certificates by maturity as of December 31, 2023, are summarized as follows:

No contractual maturity	$ -
0 – 1 year maturity	1,099,450,403
1 – 2 year maturity	56,059,618
2 – 3 year maturity	10,128,033
3 – 4 year maturity	2,079,187
4 – 5 year maturity	1,863,227
	$ 1,169,580,468

The aggregate amount of certificates in denominations of $250,000 or more at December 31, 2023 and 2022 is approximately $336,711,101 and $284,557,787, respectively.

NOTE 8 – BORROWED FUNDS

The Credit Union utilizes a demand loan agreement with the FHLB. The terms of the agreement call for pledging a portion of the Credit Union's real estate loan portfolio totaling $1,290,628,501 and $1,891,437,708, with maximum borrowing capacity of $885,360,461 and $1,447,048,621 at December 31, 2023 and 2022, respectively.

Advances from the Federal Home Loan Bank were as follows as of December 31:

	2023	**2022**
Overnight advances with no maturity, fixed rate of 4.04% and 4.65%, respectively	$ 50,000,000	$ 375,000,000
Total	**50,000,000**	**375,000,000**

Each advance is payable at its maturity date, with a prepayment penalty for fixed rate advances.

Payments over the next five years are as follows:

2024	$ 50,000,0000

The Credit Union utilizes a demand loan agreement under the Bank Term Funding Program (BTFP) with the Federal Reserve Bank. The terms of the agreement has multiple advances totaling a borrowing capacity of $230,000,000 with securities pledged as collateral in the amount of $232,236,000 at December 31, 2023.

Advances from the Federal Reserve Bank's BTFP were as follows as of December 31, 2023:

Advances with one year maturity, fixed rate at rates from 4.38% to 4.70%, averaging 4.41%	$ 230,000,000
Total	**$ 230,000,000**

Each advance is payable at its maturity date, with no prepayment penalty.

Payments over the next five years are as follows:

2024	$ 230,000,000

The Credit Union has a borrowing agreement with the FRB's Discount Window. The total borrowing limit under this agreement is based on any amount that can be pledged as collateral to cover any such advances. At December 31, 2023, there were $331,539,078 of federal agency securities pledged as collateral. At December 31, 2022, there were $320,093,790 of federal agency securities pledged as collateral. At December 31, 2023 and 2022, there were no borrowings under this agreement.

NOTE 9 – OFF-BALANCE SHEET ACTIVITIES

Some financial instruments, such as loan commitments, credit lines, and overdraft protection, are issued to meet member financing needs. These are agreements to provide credit or to support the credit of others, as long as conditions established in the contract are met, and usually have expiration dates. Commitments may expire without being used. Off-balance sheet risk to credit loss exists up to the face amount of these instruments, although material losses are not anticipated. The same credit policies are used to make such commitments as are used for loans, including obtaining collateral at exercise of the commitment.

Unfunded loan commitments under lines of credit at December 31 are summarized as follows:

	2023	**2022**
Credit card	$ 141,673,747	$ 145,542,603
Home equity	73,280,189	69,425,369
Other lines of credit	21,592,469	22,003,523
	$ 236,546,405	**$ 236,971,495**

NOTE 10 – COMMITMENTS AND CONTINGENT LIABILITIES

The Credit Union is party to various legal actions normally associated with collections of loans and other business activities of financial institutions, the aggregate effect of which, in management's opinion, would not have a material adverse effect on the financial condition or results of operations of the Credit Union.

NOTE 11 – EMPLOYEE BENEFITS

Defined Contribution Plan: The Credit Union has a 401(k) retirement plan that allows employees to defer a portion of their salary into the 401(k) plan. The Credit Union matches a portion of employees' wage reductions. Retirement costs are accrued and funded on a current basis. The Credit Union contributed approximately $1,770,410 and $1,612,454 to the plan for the years ended December 31, 2023 and 2022, respectively.

Supplementary Executive Retirement Plan: The Credit Union has entered into supplementary executive retirement plan (SERP) agreements with members of the executive management team that provides benefits payable to these employees if they remain employed by the Credit Union until age 62. These are considered to be an unfunded plan where all payments under the SERP will be made from the general assets of the Credit Union. Additional benefits are provided if the employees continue to be employed until age 65. If these employees become fully disabled as defined in the agreement, accrued benefits are immediately payable. The benefits are subject to forfeiture if employment is terminated for cause as defined in the agreement. The estimated liability under the agreements is being accrued on a straight-line basis over the remaining years until the eligible employees attain age 65. The total accrued liability is approximately $4,703,255 and $3,528,191 as of December 31, 2023 and 2022, respectively.

NOTE 12 – MEMBERS' EQUITY

The Credit Union is subject to various regulatory capital requirements administered by the NCUA and the California Department of Financial Protection and Innovation (DFPI). Failure to meet minimum capital requirements can initiate certain mandatory, and possibly additional discretionary, actions by regulators that, if undertaken, could have a direct material effect on the Credit Union's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Credit Union must meet specific capital guidelines that involve quantitative measures of the Credit Union's assets, liabilities and certain off-balance sheet items as calculated under U.S. GAAP. The Credit Union calculates capital ratios based on the average balances for the most recent four quarters. The Credit Union's capital amounts and classification are also subject to qualitative judgments by the regulators about components, risk weightings and other factors.

As of December 31, 2023 and 2022, the NCUA categorized the Credit Union as "well capitalized" under the regulatory framework. To be categorized as "well capitalized", the Credit Union must maintain a minimum net worth ratio of 9.5% and 9.0% as of December 31, 2023 and 2022, respectively, of assets in accordance with the CCULR framework. There are no conditions or events since that notification that management believes have changed the Credit Union's category.

Under the rule, the CCULR minimum requirement is 9.0% as of December 31, 2022, 9.5% as of December 31, 2023 and 10.0% as of January 1, 2024 and beyond. If the Credit Union adopted the CCULR framework and in subsequent periods no longer met the qualifying criteria, it would be required to meet the qualifying criteria within two calendar quarters or comply with the risk-based capital ratio requirements.

Management believes, as of December 31, 2023 and 2022, that the Credit Union meets all capital adequacy requirements to which it is subject.

Key aspects of the Credit Union's minimum capital amounts and ratios are summarized as follows:

	2023		2022	
	Amount	Ratio Requirement	Amount	Ratio Requirement
Amount needed to be classified as "well capitalized"	$312,622,352	9.50%	$ 325,822,422	9.00%
Actual net worth	$343,640,103	9.89%	336,880,916	9.30%

NOTE 13 – RELATED-PARTY TRANSACTIONS

In the normal course of business, the Credit Union extends credit and shares products and services to directors, audit and other committee members, and executive officers. The aggregate loans to related parties at December 31, 2023 and 2022 are approximately $3,191,524 and $1,679,131, respectively. Shares from related parties at December 31, 2023 and 2022 amounted to approximately $1,283,347 and $1,167,859, respectively.

NOTE 14 – DERIVATIVES

The Credit Union utilizes interest rate swap agreements as part of its asset liability management strategy to help manage its interest rate risk position. The notional amount of the interest rate swaps does not represent amounts exchanged by the parties. The amount exchanged is determined by reference to the notional amount and the other terms of the individual interest rate swap agreements.

Fair Value Hedges: Interest rate swaps with notional amounts totaling $100 million, $150 million and $750 million as of December 31, 2023 were designated as fair value last of layer hedges of certain fixed rate pre-payable loans. The hedges were determined to be effective during all periods presented. The Credit Union expects the hedges to remain effective during the remaining terms of the swaps.

The following table presents the amounts recorded on the statements of financial condition related to cumulative basis adjustments for fair value hedges as of December 31, 2023.

Line Item in the Statements of Financial Condition in Which the Hedged Item is Included	Carrying Amount of the Hedged Assets (Liabilities)	Cumulative Amount of Fair Value Hedging Adjustment Included in the Carrying Amount of the Hedged Assets (Liabilities)
Loans[a]	**$ 1,450,516,194**	**$ 1,366,231**

(a)These amounts represent the amortized cost basis of closed portfolios used to designate hedging relationships in which the hedged item is the last layer expected to be remaining at the end of the hedging relationship. The amounts of the last of layer designated as the hedged items was $1,000,000,000.

The Credit Union presents derivative position gross on the statements of financial condition. The following table reflects the derivatives recorded on the statements of financial condition as of December 31:

	2023	
	Notional Amount	**Fair Value**
Derivatives designated as hedges:		
Interest rate swaps related to member loans	$ 1,000,000,000	$ 1,351,211
Total included in other liabilities		**$ 1,351,211**

The effect of fair value hedge accounting on interest income for the year ended December 31, 2023 was $10,456,000.

NOTE 15 – FAIR VALUE

The Credit Union uses the following methods and significant assumptions to estimate fair value:

Investments: The fair values for investment securities are determined by quoted market prices, if available (Level 1). For securities where quoted prices are not available, fair values are calculated based on market prices of similar securities (Level 2). For securities where quoted prices or market prices of similar securities are not available, fair values are calculated using discounted cash flows or other market indicators (Level 3).

Individually Evaluated Loans: The fair value of individually evaluated loans with specific allocations of the allowance for credit losses is generally based on recent real estate appraisals. These appraisals primarily utilize the comparable sales approach. Adjustments are routinely made in the appraisal process by the independent appraisers to adjust for differences between the comparable sales data available. Such adjustments are usually significant and typically result in a Level 3 classification of the inputs for determining fair value. Impaired loans are evaluated on a monthly basis for additional impairment and adjusted accordingly. These fair values are obtained from external sources and are not generally adjusted by management and unobservable fair value inputs are not available to management.

Assets and liabilities measured at fair value on a recurring basis, including financial assets and liabilities for which the Credit Union has elected the fair value option, are summarized below:

2023	**Total**	**Level 1**	**Level 2**	**Level 3**
U.S. government obligations and federal agency securities	$ 331,539,078	$ 331,539,078	$ -	$ -

2022	**Total**	**Level 1**	**Level 2**	**Level 3**
U.S. government obligations and federal agency securities	$ 372,292,763	$ 372,292,763	$ -	$ -

There were no transfers between Level 1 and Level 2 during 2023 and 2022.

Assets measured at fair value on a non-recurring basis are summarized below:

	Carrying value at December 31			
2023	**Total**	**Level 1**	**Level 2**	**Level 3**
Individually evaluated loans:				
Member business	**$ 1,956,481**	**$ -**	**$ -**	**$ 1,956,481**
2022	**Total**	**Level 1**	**Level 2**	**Level 3**
Impaired loans:				
Member business	**$ 4,150,407**	**$ -**	**$ -**	**$ 4,150,407**

"I have been a member for 20 years or so. Family is how we were introduced and family it continues to be. The professionalism each and every team member shows me each time I conduct business (2x weekly) is amazing. Anyone who is lucky enough to become a member will not be disappointed. Premier America Credit Union (Houston, Tx area), Love y'all."

- Terrence F.

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