

CEO REPORT

In 2009 Premier Credit Union had one of its most successful years. To accomplish this success we provided you with affordable and competitive products and services; while at the same time controlling expenses. 2009 was a very challenging year for not only Premier Credit Union, but for the entire financial industry. Credit Unions as a whole weathered the financial crisis well despite the uncertainty brought on by the economic recession.

Throughout 2009 we continued to look for ways to streamline our processes to improve efficiencies, reduce costs and seek better delivery of products and services to you. The year 2009 brought with it an expansion of the Credit Union's first mortgage product line; offering members an alternative to the high fees and rates offered by many of other financial institutions. Our updated product line has been very popular among the membership.

Premier Credit Union's philosophy has always been to create a level of trust so that you look to us for your financial solutions. We consider our obligation to you as our highest priority because without you, Premier Credit Union would not exist. We are committed to positioning your Premier Credit Union to provide "value" and "convenience". We focus on these two outcomes when we develop a new product line or improve a service delivery method. We first analyze how that impacts you and then ask, does it provide you value. Once we have determined that value is achieved we determine the most efficient and convenient method to make it available.

In 2009 we met a number of challenges that required us to evaluate our organization and make necessary changes. The challenges that faced the Credit Union in 2009 were met successfully by your Board of Directors and Credit Union Staff. To meet those challenges your Board of Directors made the decision to open the services of Premier Credit Union to more people in the community. Our expanded field of membership has enabled us to grow in ways we only dreamed possible. I want to thank the Board of Directors for their dedicated service on your behalf, their decisions have positioned Premier Credit Union to continue its success. They give their time and expertise to make Premier Credit Union one of the most outstanding credit unions in Iowa, both financially and in reputation. Our Credit Union Staff is among the finest group of people in the industry working to find ways to

improve your financial lifestyle.

Financially we remain strong with growth in revenue, earnings, and capital/reserves. We continue to serve over:

- o 12,450 members
- o 20,300 savings accounts
- o 5,580 checking accounts
- o 3,800 loans
- o 3,600 credit cards

As challenging as 2009 was, we see 2010 as a year of opportunity. We will continue to expand our service line to offer more useful and attractive products to you. As a greater number of members have transitioned from the use of checks to debit cards, our High Yield Checking account has continued to be our most popular savings option. Electronic conveniences have become our trademark, continuing to attract new and existing members to our other services.

We will look for ways to offer you even more products and services to remain your "trusted advisor". We will continue to fine tune our service delivery system and look for financial solutions that bring more value to your life, because we want your business.

We realize you have a choice when it comes to selecting a financial institution and that is why we thank you for being a Member.

Steven L. Flamm
Chief Executive Officer

CREDIT REPORT

Members of the 2009 Credit Committee:

Brent Hoover, Chair; Barry Waugh; Curtis Gage; John Frandson

Lending continued to be an important segment of our operation in 2009. Offering loan products that improve our members' lives is what we do best and in 2009 we were very successful. The Credit Union was very busy approving more than \$21 million in loans, as it closed the year with a total \$53,658,075 in member loans on the books.

The success of 2009 can also be evaluated on the continued success of the loan services we provided in 2009.

Summary of Loans approved in 2009:

| Loan Type | Loan Count | Loan Amount |
|--------------------------|--------------|---------------------|
| New Car | 234 | \$ 4,558,394 |
| Used Car | 588 | \$6,045,448 |
| Share Secured | 25 | \$ 167,774 |
| Holiday | 234 | \$ 541,399 |
| Share Draft Protection | 2,648 | \$ 508,678 |
| Signature | 181 | \$ 616,115 |
| Open End | 4 | \$ 2,430 |
| Miscellaneous | 61 | \$ 674,545 |
| Home Equity | 454 | \$ 5,219,425 |
| 1 st Mortgage | 18 | <u>\$2,646,460</u> |
| Total | 4,447 | \$20,980,668 |

There were 3,621 MasterCard's on account as of December 31, 2009, with a total loan balance for year end of \$5,002,884.

Brent Hoover
Chairperson

INDEPENDENT AUDITOR'S STATEMENT

We performed a financial statement audit on your credit union as of December 31, 2009. The Independent Auditor's Report and related Report of Internal Control Structure Review was issued subsequent to the audit and is on file at the credit union.

A financial statement audit is more extensive than the annual examination requirements as set forth by the National Credit Union Administration. The audit was performed in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provided a reasonable basis for the opinion in the report.

As part of our financial statement audit, we complete a verification of members' accounts. Your prompt response to our verification requests was greatly appreciated and is an important part of meeting our audit objectives.

Independent Auditor's Statement continued....

Our firm looks forward to working with your credit union again next year.

Sincerely yours,

PETERSEN & ASSOCIATES

STATEMENT OF CONDITION

| Assets | 2009 | 2008 |
|---------------------------------------|----------------------------|----------------------------|
| Cash | \$412,507 | \$533,479 |
| Consumer Loans | \$28,162,592 | \$28,288,522 |
| Real Estate Loans | \$2,762,027 | \$852,440 |
| Home Equity Loans | \$14,621,943 | \$13,975,737 |
| Credit Card Loans | \$5,002,884 | \$4,704,601 |
| Business Loans | \$2,868,021 | \$1,413,417 |
| Iowa Student Loans | \$240,609 | - |
| Allowance for Loan Loss | -\$295,912 | -\$484,186 |
| Accrued Income | \$134,838 | \$124,028 |
| Corporate Central | \$10,826,605 | \$8,655,246 |
| Debenture Bond | \$300,000 | \$300,000 |
| Premier Lending Alliance | \$143,484 | - |
| Certificates of Deposit | \$11,280,000 | \$4,542,000 |
| Equipment | \$2,761,968 | \$2,734,082 |
| Accounts Receivable | \$1,306,298 | -\$13,281 |
| Other Assets | \$1,079,812 | \$283,400 |
| NCUSIF | <u>\$732,813</u> | <u>\$582,370</u> |
| Total Assets | <u>\$82,340,487</u> | <u>\$66,491,855</u> |
| | | |
| Liabilities & Equity | | |
| Regular Shares | \$16,660,450 | \$15,141,624 |
| Special Shares | \$5,574,519 | \$6,090,713 |
| Money Market | \$29,453,985 | \$18,852,611 |
| Share Drafts | \$7,191,074 | \$8,155,026 |
| High Yield Checking | \$3,445,998 | - |
| Holiday Shares | \$151,256 | \$154,004 |
| Share Certificates | \$10,391,559 | \$9,530,754 |
| Accounts Payable | \$1,525,959 | \$684,263 |
| Accrued Expenses | \$226,195 | \$307,520 |
| Legal Reserve | \$2,016,589 | \$1,982,467 |
| Appropriated Undivided Earnings | \$143,073 | \$143,073 |
| Undivided Earnings | \$5,449,799 | \$5,172,110 |
| Net Income | <u>\$110,031</u> | <u>\$277,690</u> |
| Total Liabilities & Equity | <u>\$82,340,487</u> | <u>\$66,491,855</u> |

STATEMENT OF INCOME

| Income | 2009 | 2008 |
|-------------------------------|---------------------------|---------------------------|
| Loan Income | \$3,147,521 | \$3,186,021 |
| Investment Income | \$283,038 | 446,714 |
| Non-Interest | <u>\$1,572,370</u> | <u>\$1,121,154</u> |
| Gross Income | <u>\$5,002,929</u> | <u>\$4,753,889</u> |
| | | |
| Expenses | | |
| Salaries | \$936,260 | \$887,236 |
| Employee Benefits | \$279,505 | \$300,826 |
| Board / Staff Education | \$4,505 | \$4,229 |
| Depreciation on Equipment | \$40,614 | \$51,685 |
| Office Occupancy | \$291,225 | \$251,184 |
| Payment Systems | \$523,491 | \$469,969 |
| Data Processing | \$140,813 | \$132,142 |
| Information Technology | \$159,893 | \$172,732 |
| Professional Outside Services | \$34,844 | \$31,530 |
| Audit Expense | \$14,400 | \$12,600 |
| State Supervision | \$17,836 | \$15,000 |
| Marketing | \$69,536 | \$82,344 |
| League & Chapter Dues | \$17,664 | \$19,952 |
| Collection Costs | \$11,666 | \$10,121 |
| Office Operations | \$52,810 | \$69,938 |
| Bond Premium | \$38,125 | \$32,225 |
| Telephone | \$33,073 | \$30,451 |
| Postage | \$85,370 | \$90,219 |
| Share Draft Losses | \$25,490 | \$31,160 |
| Loan Servicing | \$78,342 | \$95,831 |
| MasterCard Rewards | \$48,451 | \$52,241 |
| (Over) / Short | \$658 | \$697 |
| Taxes | \$11,989 | \$11,679 |
| Interest on Borrowed Funds | | |
| Miscellaneous | \$526,747 | \$11,429 |
| Provision for Loan Loss | \$286,524 | \$337,273 |
| Reserve Transfers | \$34,123 | \$18,859 |
| Dividends | <u>\$1,128,944</u> | <u>\$1,252,648</u> |
| Total Expenses | <u>\$4,892,898</u> | <u>\$4,476,200</u> |
| Net Earnings | <u>\$110,031</u> | <u>\$277,690</u> |



PREMIER
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2009
Annual Report