

PenAir

CREDIT UNION



2023 ANNUAL REPORT

CEO & CHAIRMAN REPORT



Delbert Lee Morgan
President and CEO



Robert Jacobson
Chairman of the Board

From our inspiring new branding to expanding our branching network, 2023 was a year of celebrating strong growth, future expansion opportunities, and community involvement.

One of the year's most visible changes was our vibrant, new identity that embodies our passion for enhancing lives. Our dynamic rebranding, launched in May, pays tribute to our long-standing legacy while embodying our robust future plans and innovative financial services.

The rebranding followed our 2022 charter change, which expanded our service area to include everything between Mobile, Alabama and Tallahassee, Florida, opening a market of 2.1 million potential new members. As a result, in 2023, our assets increased from \$2.3 billion to \$3.07 billion, loans increased from \$1.3 billion to \$1.5 billion, and shares increased from \$1.98 billion to \$2.22 billion.

Construction continued at a brisk pace throughout the year at our new location in Beulah in preparation for opening in early 2024. We also made preparations for a new location in Crestview, Florida, to better serve our communities in Okaloosa County, as well as moving our Nine Mile Road location to a stand-alone branch where the old drive-thru stood.

We strengthened our team with additions to our senior leadership. Dave Gooch was named Vice

President of Commercial Lending and John Huddleston was promoted to Senior Vice President, Chief Financial Officer. These two trusted leaders will help pilot PenAir's ongoing mission to provide tailored financial solutions and unwavering support to businesses throughout the region.

PenAir also has an eye on the future success of our communities and is dedicated to supporting education. In 2023, Our Share It® program rallied our members to raise over \$22,000 to enhance education in Escambia and Santa Rosa counties in Florida and Baldwin County, Alabama.

In 2023, we celebrated 10 years of our Jeans for Communerosity® (J4C) program, awarding eight local nonprofits \$6,000 each to support their individual missions. J4C is an employee-driven fundraising initiative born from dedication and passion for helping others. Funds are raised through payroll deductions and then matched by PenAir.

PenAir is united with the communities we serve. Our members, our employees, and our leadership are part of these communities. Their businesses, their families, their schools—we are there for all of them. PenAir lives out our purpose of enhancing lives every day.



BOARD OF DIRECTORS

Back Row

- » Randy Roy, Secretary
- » Robert Jacobson, Chair
- » Gerald Adcox, Director
- » Ricky Crews, Treasurer

Front Row

- » Stephanie Oram, Vice-Chair
- » Donald Bailey, Director
- » Ann McCall, Director



ASSOCIATE VOLUNTEERS

- » Daniel Lucas
- » Michael Hamlin
- » Darryl Johnson



SUPERVISORY COMMITTEE

- » Kevin Krieger
- » Randy Smith, Chair
- » Deborah Graham
- » Jonathan Lewis

Not Pictured

- » Evan A. Hipsley, Jr.



EXECUTIVE MANAGEMENT

Back Row

- » Galen Counselman, SVP/CIO
- » Derrick Aguilar, SVP/CXO
- » Delbert Lee Morgan, President/CEO
- » Chris Funk, SVP/CLO
- » John Huddleston, SVP/CFO

Front Row

- » Charles Blackwell, SVP/CRO
- » Dana Mullins, SVP/CPO
- » Andrew Reynolds, SVP/CSO

\$527,428



Given In Donations & Sponsorships

151



Organizations Impacted
Through **1,561** Activities



\$47,500

In Scholarships To Local High School Seniors

5,623



Employee Volunteer Hours

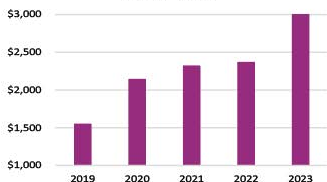


5,000+

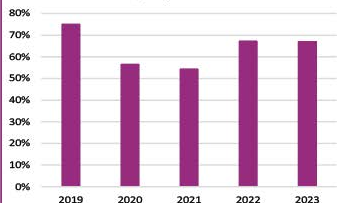
Individuals Participated In
Financial Literacy Presentations

#COMMUNEROSITY®

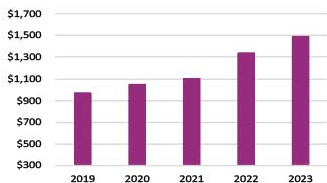
Total Assets
(in Millions)



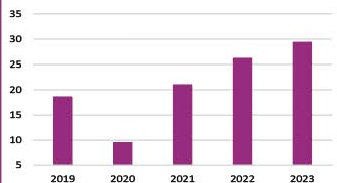
Loan/Deposit Ratio



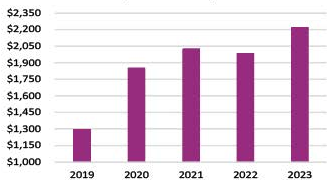
Total Loans
(in Millions)



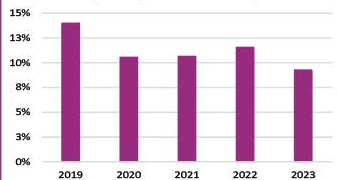
Net Income
(in Millions)



Total Deposits
(in Millions)



Capital Ratio
(Safety & Soundness)



STATEMENTS OF FINANCIAL CONDITION

As of December 31

Assets					
	Unaudited 2023		Audited 2022	Variance \$	Variance %
CASH AND CASH EQUIVALENTS	\$ 842,743,625	\$	221,923,251	\$ 620,820,374	280%
INVESTMENTS	641,566,001		705,820,863	(64,254,862)	-9%
LOANS, NET	1,460,077,561		1,324,567,249	135,510,312	10%
OTHER ASSETS	131,489,625		116,767,010	14,722,615	13%
TOTAL ASSETS	\$ 3,075,876,812	\$	2,369,078,373	\$ 706,798,439	30%

Liabilities, Shares, And Members' Equity

	Unaudited 2023		Audited 2022	Variance \$	Variance %
ACCOUNTS PAYABLE AND OTHER LIABILITIES	\$ 671,745,635	\$	224,466,673	\$ 447,278,962	199%
MEMBER SHARES AND DEPOSITS	2,220,830,464		1,985,044,247	235,786,217	12%
TOTAL EQUITY	183,300,713		159,567,453	23,733,260	15%
TOTAL LIABILITIES, SHARES, AND EQUITY	\$ 3,075,876,812	\$	2,369,078,373	\$ 706,798,439	30%

STATEMENTS OF INCOME

For the years ended December 31

	Unaudited 2023		Audited 2022	Variance \$	Variance %
INTEREST ON LOANS	\$ 86,430,609	\$	65,031,548	\$ 21,399,061	33%
INCOME FROM INVESTMENTS	43,620,178		14,330,799	29,289,378	204%
INTEREST EXPENSE	53,392,747		12,086,846	41,305,901	342%
NET INTEREST INCOME	76,658,039		67,275,501	9,382,538	14%
FEE INCOME	12,306,998		12,797,705	(490,707)	-4%
OTHER OPERATING INCOME	12,716,841		12,650,696	66,145	1%
NON-OPERATING INCOME (LOSS)	12,750,393		4,435,628	8,314,765	187%
PROVISION FOR LOAN LOSSES	14,738,000		10,779,735	3,958,265	37%
NON-INTEREST EXPENSE	70,283,493		60,133,746	10,149,747	17%
NET INCOME (LOSS)	\$ 29,410,778	\$	26,246,049	\$ 3,164,729	12%

2023 SUPERVISORY COMMITTEE REPORT

The Supervisory Committee's responsibility is the monitoring and evaluation of PenAir Credit Union's financial activities on behalf of its members to ensure continued viability of the credit union. It is the committee's responsibility to affirm that the credit union's management is protecting the assets of the credit union by establishing and maintaining sound internal controls in accordance with Generally Accepted Accounting Principles, the Federal Credit Union Act, the Florida Credit Union Act, and PenAir's Bylaws. The Supervisory Committee is also responsible for providing an independent assessment of the protection and soundness of your credit union by monitoring all operational areas and determining that the financial condition of PenAir is accurately presented in its financial statements.

The Supervisory Committee engaged the firm of Nearman Maynard Vallez, Certified Public Accountants, for the 2023 audit. The committee contracted this independent firm to verify the financial statements, the accuracy of member account statements, as well as compliance with federal and state regulations and board policy. The State of Florida Office of Financial Regulation, Division of Financial Institutions conducts periodic risk-based examinations and ensures that each state-chartered financial institution meets state and federal requirements for safety and soundness.

Under the direction of the committee, PenAir's Internal Audit Department maintains a wide-ranging and persistent review of the credit union's processes. This guidance ensures that all

activities are in compliance with policies and procedures and that the interests of the members and credit union are protected. The primary roles of the Supervisory Committee are to review PenAir Credit Union's financial records, to ensure all is in order and to verify that internal controls are in place to protect both the credit union and its members. Each member of the Supervisory Committee is a volunteer appointed annually by PenAir Credit Union's Board of Directors. We assist the Board of Directors in its general oversight of the credit union's financial reporting, internal controls, and audit function.

The committee affirms, based on its audits, annual reports of independent accountants, and examination reports by the State and Federal regulators, that the policies, programs, and management practices of PenAir are sound and members' assets are well safeguarded. The committee is appreciative of the support provided by the Board of Directors, CEO, committees, and staff.

Your Supervisory Committee members are honored to serve and to assist in ensuring the financial well-being of our members' assets. The Committee will continue to exercise best practices to ensure the financial integrity of PenAir for its members. We look forward to PenAir's continued success in providing financial solutions to meet the needs of its members.

Respectfully Submitted,
Randall L. Smith, Chair

2023 ANNUAL MEETING MINUTES

It has been my honor to serve as your Secretary on PenAir Credit Union's Board of Directors. Each monthly Board Meeting and periodic sub-committee meetings are carefully documented for National Credit Union Administration (NCUA) review, as well as, for PenAir Credit Union's records. As is required by the NCUA, I respectfully present below the minutes from the 2023 Annual Business Meeting of the membership.

2023 PenAir Credit Union Annual Business Meeting of the Membership Minutes:

The Annual Business Meeting of PenAir Credit Union was held virtually through Zoom on Thursday, April 20, 2023.

Mr. Robert Jacobson, Chair, called the meeting to order at 5:30 p.m., and led the membership in the Pledge of Allegiance.

Ascertainment of the quorum was made that the required fifteen (15) members were present.

Mr. Jacobson noted to the membership that Mr. John DeLoach, Attorney, would serve at Parliamentarian.

Mr. Jacobson asked for a motion to accept the Minutes of the 86th Annual Business Meeting, CEO & Chairman's Report, Treasurer's Report, and Supervisory Committee Report, as printed in the 2022 Annual Report.

Motion made, seconded, and carried to accept the Minutes of the 86th Annual Business Meeting, CEO & Chairman's Report, Treasurer's Report,

and Supervisory Committee Report, as printed in the 2022 Annual Report.

Mr. Jacobson turned the meeting over to Mr. Delbert Lee Morgan, President/CEO.

Mr. Morgan briefed the membership on the accomplishments of the past year.

Mr. Morgan turned the meeting over to Ms. Oram.

Ms. Oram presented the Nominating Committee Report to the membership.

Ms. Oram noted to the membership that there were 2 open Board positions. Mr. Robert Jacobson and Mr. Gerald Adcox were nominated to fill the 2 open positions. Both seats were filled by acclamation. Motion made, seconded, and carried.

Mr. Jacobson asked for a motion to destroy the State Charter voting ballots. Motion made, seconded, and carried.

~ Randy Roy, Secretary
~ Robert Jacobson, Chair

UNEXPIRED TERM OF THE BOARD OF DIRECTORS

Donald Bailey	3 Years
Ricky Crews	3 Years
Randy Roy	3 Years
Ann McCall	2 Years
Stephanie Oram	2 Years
Gerald Adcox	1 Year
Robert Jacobson	1 Year