

Your 2010 Leadership Team

Board of Directors

Mary K. Brown, Chair
Shelley Clark, Vice Chair
Robert Lansley, Treasurer
Jennifer Miller, Secretary
Gary Nowlin, Director
Bruce Hennig, Director
Tom Volz, Director
Francisco Aguayo, Director
Jim Hurst, Director

Supervisory Committee

Theresa Laws, Chair
Jeff Kedwards, Member
Dan Novak, Member

Loan Review Committee

Jim Cookmeyer, Chair
Carmen Cross, Member
Krista Woodley, Member
Derek Mau, Member
Janet McNamara, Member

Marketing Committee

Sherry Bishop,
Marketing Director
Shelley Clark, Director
Jan Cowell, President
Tom Volz, Director
Corbet E. Wilcox, Member
Jennifer Miller, Secretary

Investment Committee

Bruce Hennig, Chair
Gary Nowlin, Director
Jan Cowell, President
Gary Pugh, Accountant
Robert Lansley, Director

Technology Committee

Francisco Aguayo, Chair
Lek Yoadjarust,
Vice President,
Systems & Technology
Bruce Hennig, Director
Tom Volz, Director

Executive Committee

Mary K. Brown, Chair
Shelley Clark, Vice Chair
Gary Nowlin, Director
Bruce Hennig, Director

President/CEO

Jan Cowell



P. O. Box 90667
Pasadena, CA 91109-0667
(626) 440-7000



2010

Cooperative Values



Annual Report

A Message From The Chair

It was a tough year for financial institutions, but PFCU is proud to say we embraced our “people helping people” values and rose to the challenge. We ended the year with a higher-than-budgeted net income and a healthy capital ratio.

And, thanks to our responsible members who exemplify values like saving for a rainy day, spending responsibly and not living beyond their means, our loan losses were among the lowest in the country during 2010. Responsible members like you are the reason we were able to thrive while others struggled, and we thank you for your continued commitment to the success of your credit union.

Thanks to our relatively strong financial position, PFCU was able to move forward with plans to introduce new technology and services to our members. Early in 2010, we introduced Mobile Banking, granting members access to their PFCU accounts via their mobile phones with the option of using the internet or text messaging.

In October 2010, we launched eDeposit, a service that allows members to make deposits to their PFCU accounts from anywhere in the world, using their own home computers and scanners. This fast, easy and secure service not only benefits our many members working on projects throughout the world, it is free of charge to our members.

The Oops! Line-of-Credit made its debut in 2010, a credit line that covers life’s unexpected expenses at a low rate, and

without cash advance fees. The funds transfer quickly and easily into your PFCU account for fast access as needed.

These new accounts and services reflect our commitment to the credit union philosophy, in which people who share a common bond come together to provide their own needs. Our emphasis on technology and the ability to help busy members who are spread out all over the world demonstrate how PFCU is designed to serve a select group of people.

THE SEVEN COOPERATIVE PRINCIPLES

1. Voluntary Membership

2. Democratic Member Control

3. Member Economic Participation

4. Autonomy and Independence

5. Education, Training and Information

6. Cooperation Among Cooperatives

7. Concern for Community

This focus on our members’ specific needs will continue in 2011. Already this year, we have upgraded our new Parsons Federal Credit Union website, and launched our new, upgraded online Bill Payment service MemberPay™ **Plus** to better serve our members. MemberPay™ **Plus** introduces a number of new features our members have requested, like the ability to transfer funds between financial institutions, pay individuals, and send personal cards with checks attached.

PFCU contracted with a Credit Union Service Organization to provide Living Trust services to our members, so they may have the peace of mind in passing on their assets as they wish, and establishing their Trust account in the safe coffers of PFCU. Trust-certified employees are available in both our Pasadena and Texas branches for added convenience.

We thank our members and look forward to working with you to uphold credit union values, and build a brighter future for employees of Parsons, Worley-Parsons, and their families in 2011 and beyond.

Mary K. Brown
Chairman

Treasurer's Report

In the tradition of their founders, cooperative members believe in ethical values like honesty and openness. Parsons Federal Credit Union members embody these values, by repaying their loans and understanding the importance of maintaining equity for all member-owners.

Because of the integrity of our members, we can report that PFCU's net worth increased during 2010 to 8.32%, bucking the trend of financial institutions that lost net worth last year. As we increased net worth, we also grew assets to more than \$225 million, a 3% annual increase, while growing shares to nearly \$204 million. Loans, however, due to the economic challenges faced by many, decreased slightly to \$52.9 million.

Despite a decrease in loan and investment income, PFCU nonetheless ended the year with \$1.7 in net income. We managed this black ink despite high assessments from the National Credit Union Administration – nearly half a million dollar's worth in 2010 – which represents our share of the credit union industry's plan to recapitalize the share insurance fund and corporate credit unions. These assessments were paid by every federally insured credit union in the country, in the cooperative spirit, and allow credit unions to pay off industry-wide losses without taking one single penny from American taxpayers.

To earn this net income, loan loss expense was reduced to nearly \$260,000, and remaining operating expenses were kept comfortably below 2009 levels. This could not have been accomplished without achieving one of the lowest loan loss rates in the country, only 0.45% of average loans. This figure is far below our peers, and we are thankful for the honesty and integrity of our members.

We also thank the member-owners of PFCU for trusting us with your hard-earned assets and loan business. By standing strong together, in the tradition of cooperative values, we can live out the credit union motto of "people helping people."

Robert Lansley
Treasurer

Loan Review Committee Report

During 2010, PFCU continued to provide a customized suite of loan products suited to its members. Your Credit Union helped members save money with low interest rates, and met their needs with underwriting policies and remote access methods that assisted members relocating to or from overseas to work on corporate projects.

However, the continued weak economy resulted in low loan demands, and total loans were down 8% from year-end 2009, to a year-end 2010 total of just under \$53 million.

Loan demand was low across all financial sectors in 2010. However, PFCU stood out from the rest in loan losses, improving its charge-off ratio to 0.37% of average loans, far lower than the credit union industry average. Loan delinquencies increased in 2010, a sign of the economic stress some members continue to face due to the economy. Thankfully, these delinquencies have not resulted in actual losses, and we appreciate that our members respect cooperative values and do what they can to prevent losses to their member-owned credit union.

Your Loan Review Committee is prepared to face whatever challenges 2011 may bring, and eagerly anticipates continuing to meet the borrowing needs of PFCU members around the world.

Jim Cookmeyer
Chair, Loan Review Committee

Supervisory Committee Report

A number of new regulations were required of credit unions in 2010. This resulted in increased scrutiny by our federal regulator, the National Credit Union Administration. These additional compliance requirements kept your Supervisory Committee busy, ensuring PFCU met these new standards, in addition to maintaining compliance with all existing laws and regulations, and operational safety and soundness.

In 2010, the Supervisory Committee retained the services of an independent auditing firm to perform our required financial audit, certification of member accounts, quarterly regulatory compliance audits, and ongoing compliance support. NCUA also performed and approved its annual exam *which we passed with a high rating*. Based on these independent measures of approval and our own ongoing observations, your Supervisory Committee is pleased to report that PFCU is safe, sound and in compliance with all required laws and regulations.

Theresa Laws
Chair, Supervisory Committee



Cooperative Values

Credit Unions are financial cooperatives ... local institutions owned and controlled by members.

Cooperatives like credit unions are based on the cooperative values of self-help, self-responsibility, democracy, equality and solidarity.



Your savings are federally insured up to \$500,000 through a combination of federal insurance by the National Credit Union Administration (NCUA), a U. S. Government Agency, and by American Share Insurance (ASI).

Statement of Financial Condition

	as of December 31		as of December 31	
Assets	2010		2009	
Loans	\$	52,948,691	\$	57,391,389
Allowance for Loan Losses		(522,727)		(505,063)
Cash		1,203,293		1,044,786
Investments		167,203,169		155,509,171
Prepaid & Deferred Expenses		126,192		190,160
Net Fixed Assets		72,517		102,808
Accrued Income		2,304,063		2,720,016
Other assets		1,986,097		1,868,112
Accounts Receivable		133,631		80,885
Total Assets	\$	225,454,926	\$	218,402,261
Liabilities				
Accounts Payable	\$	63,081	\$	54,449
Accrued Expenses		284,465		268,250
All Other Liabilities		(36,565)		209,692
Total Liabilities	\$	310,981	\$	532,391
Equity				
Member Share Accounts		203,842,321		198,861,750
Reserves		6,000,000		6,000,000
Undivided Earnings		12,770,298		11,068,783
Unrealized Investment Gains/Losses		2,531,326		1,939,337
Total Equity		225,143,945		217,869,870
Total Liabilities & Equity	\$	225,454,926	\$	218,402,261

Statement of Income

	as of December 31		as of December 31	
Income	2010		2009	
Interest on Loans	\$	3,259,714	\$	3,656,023
Income from Investments		4,461,319		5,140,606
Other Income		580,472		605,213
Total Income	\$	8,301,505	\$	9,104,842
Expenses				
Employee Compensation and Benefits	\$	1,467,772	\$	1,427,650
Professional and Outside Services		86,422		107,042
Provision for Loan Losses		215,182		474,950
Office Operations		762,385		769,396
Other Expenses		479,680		505,458
Total Expenses	\$	3,011,441	\$	3,284,496
Income before Dividends	\$	5,290,064	\$	6,117,346
Dividends	\$	3,215,783	\$	4,447,008
Gain/Loss on Investments	\$	59,817	\$	107,187
Net Income (before NCUSIF stabilization expense)	\$	2,134,098	\$	1,777,525
NCUSIF Stabilization Expense	\$	432,582		238,233
Loss of Wescorp Capital	\$			1,472,128
Net Income	\$	1,701,516		67,164