

2006 ANNUAL REPORT

come grow with us...



CHAIRPERSON'S MESSAGE ...

Dear Fellow Members:

I am pleased to report to you our success during 2006 (PFCU's 65th anniversary) and the exciting news for 2007.

First, I want to share with you the great news regarding the opening of the New City office location that occurred March of 2007. The new branch office is located at 244 South Main Street, New City, NY. It is part of the Clarkstown Shopping Plaza, which is a major shopping destination in New City.

This new office location is our first step in expanding our presence into the community we serve. We are so pleased to now have two drive up lanes to conduct financial transactions, along with a night depository box to accommodate our commercial business members, a 24/7 ATM that takes deposits and a surcharge free coin counter. The successful completion of this project provides a great sense of satisfaction. It is gratifying to think that our members for years to come will enjoy the convenience and service that this location provides. But this is only a first step with our plans for facility expansion. There will be more to come.

Due to the diligent oversight by Mark Welshoff, Glenn Bartsch and their direct reports Sue Goldrick, Adam Lambert and Sean Jelen, our new branch has become a reality. Their drive, energy, and expertise have led to the successful completion of the New City location. (See pictures of the New City office from start to finish in this issue of the newsletter.)

You would think that all of our energies last year were focused on our goal of opening the New City office. This was not the case. The year 2006 was filled with many other activities and new services.

The year 2006, was our credit union's 65th Anniversary. During the months of September through December we conducted a 65th Anniversary Give-A-Way and Sweepstakes. Gifts were given to every member who opened a savings, checking or money market account, invested in a term certificate or IRA, or obtained a loan from PFCU. Then all of the prize recipients, during this period, which eventually numbered over 350 members, were entered into a sweepstakes drawing to win additional prizes. (See Sweepstakes update story in this issue of the newsletter.)

In addition to celebrating 65 years of providing exceptional financial products and services to the membership, we also established a new relationship pricing program called Advantage Pricing.

Advantage Pricing let's Palisades Federal Credit Union member's, who have direct deposit of their pay, social security, or pension checks deposited into their checking accounts, receive additional added benefits.

This year we also commenced the offering of Business Products and Services to our members. Business owners can now open savings, money market, and term certificate accounts. Also included is a choice of two business checking accounts where the monthly service fee is waived for the first twelve months. We also offer our members business loans.

In addition, we added a new Prime minus 1.50% Home Equity Line of Credit. That's 1.50% below the prime rate for the life of the loan.

Also this year, we initiated enhanced authentication for our online banking members. This additional security feature provides another layer of security when you are accessing your accounts online. Many other cost effective security and operational enhancements have been made that

will keep us safe and efficient for years to come.

Now we're already looking ahead to 2007. In 2007, we plan to add two additional cash dispensing ATMs on the Wyeth - Pearl River campus, grow our commercial lines of business, enhance both our debit and credit card programs and continue to look for opportunities to expand and provide services in the community and grow membership.

A tall order but with the current leadership, staff, and volunteers, I know that we will continue to achieve our goals while providing the accurate and reliable service that our members have come to expect.

I want to thank my fellow board members and all of our committee volunteers. Through their efforts we reap the required foresight and oversight of the credit union. I also want to acknowledge the hard work of the management and staff who without their dedication and diligence it would be impossible to produce the gains we experience year in and year out.

Lastly, I want to thank you, the membership. Your loyalty is acknowledged and appreciated.

I will end this year's message as I've done similarly in years past, "Tell your family, Rockland County friends and neighbors about us and urge them to open an account to join our credit union family."

Best Regards,

Gerald J. Castellani, *Chairperson*
Palisades Federal Credit Union

OUR MEMBER PRODUCTS & SERVICES

- Savings Accounts
- Basic Checking Account
- Premium Checking
- Business Checking
 - Holiday Club
 - Vacation Club
 - Home Banking
 - **EPay**
 - eStatements
- Term Certificates of Deposit
- Individual Retirement Accounts
 - Money Market Account
 - Business Loans
 - First Mortgages
- Home Equity Loans and Lines of Credit
 - No Equity Home Equity Loans
 - Adjustable Rate Mortgages
 - Auto Equity Loans
 - VISA Classic, Gold, and Platinum Credit Cards
 - Free VISA Debit Cards
- Secured (Savings, Term Certificate) Loans
 - New/Pre-Owned Vehicle Loans
 - Balloon Auto Loans
 - Personal Loans
- Overdraft and Personal Lines of Credit
- Federally Guaranteed Student Loans
 - Family Membership
 - Money Wiring Service
 - Savings Bonds
 - Any Hour Loan by Phone Service
 - **TAP** (Automated Telephone System)
- International and Nationwide ATM Access
- Allpoint No Surcharge ATM Network
 - Payroll Deduction
 - Direct Deposit
 - Automatic Loan Transfers
 - Free Notary Service
 - Signature Guarantee
- Liberty Mutual Insurance Payment Plans
 - Loan Protection Insurance
 - Credit Disability Insurance
 - Money Orders
 - Certified Checks
 - Courtesy Pay
- American Express Travelers and Gift Checks
- The Negotiator's, Inc. Car Buyers' Helpline
- Palisades Retirement and Investment Services
 - Mechanical Repair Insurance
 - Guaranteed Asset Protection
- Quick Drop/Night Deposit Access
 - CU Service Centers



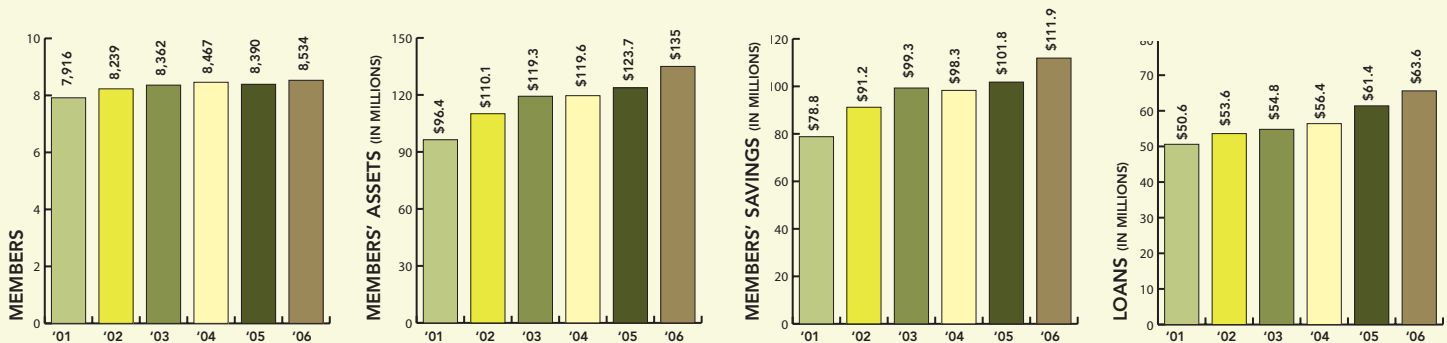
PALISADES FEDERAL
C R E D I T U N I O N

Better banking, better solutions

FINANCIAL HIGHLIGHTS

	Balance Sheet 12/31/06	Balance Sheet 12/31/05		Balance Sheet 12/31/06	Balance Sheet 12/31/05
ASSETS			LIABILITIES & CAPITAL		
Loans to Members	\$63,573,923	\$61,368,299	Liabilities	\$271,113	\$239,775
Less Allowance-Loan Losses	(310,202)	(297,985)	Total Savings	111,898,086	101,763,835
Cash	582,908	576,543	Reserves	16,500,000	16,500,000
Investments	65,657,145	56,987,294	Undivided Earnings	6,340,846	5,238,200
Land/Building	403,661	424,073	Mkt. Securities*	(58,737)	(60,027)
Other Fixed Assets	117,993	128,181			
Other Assets	4,925,880	4,495,378			
TOTAL ASSETS	\$134,951,308	\$123,681,783	TOTAL LIABILITIES & CAPITAL	\$134,951,308	\$123,681,783

*Unrealized Gain (loss) on Available for Sale Securities



SUPERVISORY COMMITTEE

The Supervisory Committee is responsible for ensuring that the policies of the Palisades Federal Credit Union are carried out by monitoring the operations of the Credit Union. Creation of a Supervisory Committee is required by National Credit Union Association regulations and the Committee takes its fiduciary responsibility very seriously.

The Supervisory Committee performs various audits during the year, which confirm the safety of the assets of Palisades Federal Credit Union as well as ensuring compliance to state and federal regulations. Changes in the Bank Secrecy Act requirements added additional burdens to Credit Union personnel this year.

We hired the firm of Nearman, Maynard and Vallez to perform a certified opinion audit on the financials of the Credit Union. They found that the financial reconciliations were detailed and the balances of accounts requested by the auditors to be excellent. The loans

reviewed were adequately documented and in adherence to the written loan policy. They had no concerns about the financial soundness of the Credit Union.

In summary we have found that the Palisades Credit Union maintains accurate financial records and continues to manage well its historical strong capital position.

Respectfully submitted,

Pamela Wiss, Chairperson

Committee Members: Pamela Wiss, Chairperson, Tammy Gamble, Mark Buchynski, Newton Paul, and Lucila DeGuzman

BOARD OF DIRECTOR'S NOMINATIONS

This year, the PFCU nominating committee has nominated the following members to the Board of Directors:

Pam Wiss – has been a Board member since 1990. She serves as the Chairperson on the credit union's Supervisory Committee. Pam graduated from Douglas College with a Bachelor of Arts degree. Today she is Associate Director, Technology, Biotech at Wyeth.

Barbara Peters – has been on the Board of Directors since 1998. She is the current Board Secretary and also volunteers her time on the Technology, Security, and Asset/Liability Committees. Barbara holds a B.S. and a Ph. D. in Chemistry and is employed by Wyeth as an Information Management Consultant in Research Information Management.

Greg Whalen – became a volunteer on the Palisades Federal Credit Union Supervisory Committee in 2006. Greg graduated from Mt. St. Mary College with a B.A. Degree in Chemistry. In 1990 he joined

Lederle Laboratories (now Wyeth) in Pearl River, and today is an Associate Director of Technology. In 2006 Greg was re-elected for a second 3-year term on the Cornwall Central School District Board of Education, and also serves as the Fundraising Coordinator for the Cornwall Independence Day Committee.

Regular Terms of office are three years. Please be advised that there will be no nominations from the floor at the Annual Meeting.

ANNUAL MEMBERSHIP MEETING

The Annual Membership Meeting has been set for Tuesday, May 15, 2007 At 5:00 p.m. at the Comfort Inn on Route 59 in Nanuet, NY. The Comfort Inn is located off the eastbound lanes of Route 59 adjacent to the southbound entrance of the Palisades Interstate Parkway. We look forward to seeing you there.