

ANNUAL REPORT



We Listen, We Serve, We Educate, We Care...Always!

2022



CHAIRMAN'S REPORT



On behalf of the Board of Directors for Peninsula Community Federal Credit Union, it is my privilege to update you on the strong vision in place supporting our membership diversity. This vision has carried us strongly through the pandemic.

As your elected representatives, the Board has supported management in pursuing a strategic plan to improve the financial well-being for the benefit of all members and the variety of communities we serve.

Our primary focus is the financial performance of the credit union. All financial metrics established for 2022 were exceeded including net worth, return on assets, loan production, and maintaining an efficient operating expense ratio.

The Credit Union strives to make your experiences "Easy". Whether that is buying a car, having your debit or credit card reissued, or using features such as customized loan calculators or financial education tools on our website.

The Board believes that by providing the products and services you need in an Easy way will help in "Building Trust" with you. This has been reflected in our Net Promoter Scores increasing year-over-year. We are supporting diversity, equity and inclusion efforts within the organization and throughout the communities served. The Credit Union's initiative to the Hispanic population was a result of the Board recognizing the unmet financial service needs of this population, especially in Mason and Kitsap Counties.

Finally, the Board is encouraged by the differences being made in people's lives which we refer to as a "+1% Difference". Financial improvements such as

helping build your credit score using "Credit Sense", showcasing financial education resources, and striving to be relevant to all individuals. Whether low to moderate income or wealthy, unbanked or underbanked, by listening, serving, educating and, caring, we strive to make a positive difference to enrich members' lives.

The values, services and benefits you receive as a member of Peninsula Credit Union are not possible without your on-going support of and commitment to your financial cooperative. We encourage your input and feedback. We ask you to share how your financial well-being is being supported by our Credit Union Team Members. And we encourage you to consider the opportunity to serve your credit union as a volunteer on one of our committees or the Board of Directors.

The Board of Directors would like to thank every member for your trust in our credit union.

Sincerely,

John Bolender, Chairman



PRESIDENT'S REPORT



While the pandemic did not entirely evaporate during 2022, particularly the economic wake that we have to all navigate over the upcoming year, our world is beginning to turn to a more stable 'new normal.' The future continues to hold the importance of being a financially solid credit union, run by an outstanding group of team members.

The Credit Union's assets remained relatively constant over the course year. The growth we were experience being offset by members, and consumers in general, beginning to utilize the stimulus funding households obtained during the pandemic. We had planned for this and, therefore, saw a very successful financial year.

Utilizing original budget projections, the Credit Union's net worth ended the year at 9.10%. During 2022, as a U.S. Treasury Certified Community Development Financial Institution (CDFI), also designated by the National Credit Union Administration (NCUA) as a Low Income Credit Union, we were able to obtain additional secondary capital of \$4.9 million. This resulted in strengthen our regulatory capital to 10.83%.

The Credit Union now has in place the foundation to being small business lending and booked our first commercial loan. We are increasing the number of loans that we automatically approve and continue to find ways to say 'yes' to people within all ranges of credit scores.

The membership reflected on this dedicated team with a new Net Promotor Score record. This annual survey tool, asking our members about whether they would recommend Peninsula Credit Union, provides other very helpful feedback. We take this feedback to

improving online banking by providing the ability to control your debit and credit cards. We are studying how our branches are supporting the communities we serve, and exploring new short-term, flexible lending options.

Our community financial education has continued to expand serving members through many community partnerships as well as the Balance online programs, offered in both English and Spanish. We are learning a lot from new partnerships and individuals serving the Hispanic Community. We look forward to offering loans to people with Individual Taxpayer Identification Numbers (ITINS) and growing partnership to support Hispanic members of our community improve their financial well-being as well.

During 2022, we implemented a robust compensation philosophy to retain and attract highly capable team members who serve our members and internally support one another. Significant investments are being made with market salary improvements and seeking employee participation with credit union initiatives. We are living into a value that has existed here since 2007 that "We are inclusive" by regularly pursuing equity and inclusion training so that we can strengthen our empathy for a more diverse set of members. We are encouraging bilingual, Spanish, speaking employees to support our Hispanic members. Every day, the Credit Union's strong team of people works to better listen, serve, educate, and care for our members by helping improve the financial well-being for more people.

Cooperatively,

Jim Morrell, President/CEO

SUPERVISORY COMMITTEE REPORT

The Supervisory Committee's duty is to assure that your Credit Union conducts its operations and activities in a safe and sound manner. This Committee is responsible for ensuring the Peninsula Community Federal Credit Union operations are run well within a safe and sound manner.

Working with us is the Credit Union's Internal Auditor who carries out audits to ensure controls are in place to provide reasonable assurance that transactions are authorized, assets are safeguarded, and proper records are maintained.

To ensure Management's accuracy and the strength of internal controls, the Supervisory Committee and Internal Auditor meet regularly with management to review the quality of financial reporting, the regular completion of internal audits, various external operational audits, and that sound operations and compliance are in place.

Financial reports are developed by Management from detailed statements prepared in accordance with generally accepted accounting principles. At

the request of the Supervisory Committee, the financial records are audited by Moss Adams who conducted a full financial statement audit last year. The auditor's opinion after review of the March 31, 2022, financial statements present fairly, in all material aspects, the financial positions of the Credit Union. The results of operations and cash flows for the year ended in accordance with accounting principles general accepted in the United States.

The Credit Union is also examined regularly by the National Credit Union Administration's (NCUA) regulatory examiners. There was no NCUA examination during 2022.

A lot of appropriate attention takes place with regards to data security. So it is also important to note that the Credit Union has an annual information security audit as well as an electronic payments audit completed every year. Both audits last year were very positive.

Respectfully,
Lisa Perry, Chair Supervisory Committee



COMMUNITY IMPACT REPORT

Our community impact efforts in 2022 were marked by our unwavering commitment to community development and education, as reflected in our community development mission statement: "Peninsula Credit Union is dedicated to promoting community development by listening to people, serving their financial needs, educating for personal development, and helping to achieve financial stability." Throughout the year, we continued to make a significant impact on our communities through various programs, partnerships, and initiatives.

Education remained a key focus of our community development efforts. Our Peninsula Education Grants (PEG) program awarded a total of \$6,700 to support programs, materials, and equipment in local schools across Mason, Kitsap, Jefferson, and Grays Harbor counties. We also hosted the highly successful Bite of Reality financial fairs at Shelton and North Mason High Schools, where over 600 students learned crucial lessons in credit and budgeting through interactive, app-based experiences. These events were supported by 20 community volunteers, seven Peninsula Credit Union employees, and a collaborative partnership between Peninsula, Our Community, and Kitsap Credit Unions.

In addition to our commitment to financial education, we continued to serve the financial needs of all members of our community, including those who are unbanked or under banked. Our Community Financial Educator dedicated over 800 hours in 2022 to providing financial education and guidance to various community partners, including the Shelton and Belfair Youth Connections, Squaxin and Skokomish Tribes, Shelton Family YMCA, The Arc of the Peninsulas, and more. Our entire staff contributed a total of 1,500 volunteer hours to various community initiatives and events throughout the year, showcasing our dedication to giving back to our community.

We also remained focused on our strategic initiatives, including our efforts to support the Hispanic community. We participated in events such as the Festival de Invierno and supported Spell-E-Bration, an event by community partner Sound Learning, which focuses on adult education for the Hispanic community.

Our contributions to community development were recognized by the North Mason Chamber of Commerce, awarding our Belfair location with Business of the Year in 2022. This recognition reflects our efforts to support local businesses and nonprofit community partners, which are vital to the economic growth and development of the communities we serve and influential in our members' financial well-being.

In addition to our financial contributions, our staff members also volunteered their time and expertise to various community initiatives. In 2022, our staff collectively contributed 156 hours through our paid volunteer hours program, which included participation in events such as the Shelton Kristmastown Kiwanis Parade, North Mason DECA Conference, Pierce County Human Society, and Poulsbo Chamber Trunk or Treat.

Furthermore, some of our staff members also volunteered their time outside of the paid volunteer hours program, contributing an additional 259 hours to important community organizations and causes, such as Port Townsend Kiwanis, Shelton Family YMCA, Sound Learning, and Mason General Hospital Foundation.

As we reflect on our community impact in 2022, we are proud of the positive change we have brought about and remain committed to our mission of fostering equitable community development for all. We extend our heartfelt gratitude to our members, partners, and community for their continued support in making a difference in the lives of those we serve.

WOW STORIES

These stories are a testament to the credit union's commitment to listening, serving, educating, and caring for its members. Let's dive into these amazing "WOW" moments and see how Peninsula CU has made a positive impact in the lives of its members.

"Driving to a Brighter Future" A new member came to Peninsula CU looking to improve their finances before their upcoming marriage. They needed to refinance their auto loan, and Peninsula CU was able to work its magic by lowering their interest rate from a staggering 9% APR to a much more manageable 3.95% APR. Not only did this refinance reduce their APR by more than half, but it also lowered their monthly payment by \$100.00. As if that wasn't enough, Peninsula CU also sweetened the deal with a promo cash back of \$500.00, putting even more money in their pocket. The member was overjoyed with the results and was so thrilled with Peninsula CU's service that they referred their future spouse to the credit union as well. Peninsula CU was able to help the future spouse by refinancing their credit card debt from a sky-high 25% interest rate to a much more reasonable 8.59% APR personal loan. Talk about driving to a brighter financial future!

"Building Credit, Building Dreams" A member who has been with Peninsula CU since 2015 had been diligently working on improving their credit score. In 2020, they were able to open a share-secured Visa with the credit union and took great care in using the card responsibly and making on-time payments. Their efforts paid off when Peninsula CU completed a Visa conversion, and thanks to their responsible credit card usage, they qualified for an unsecured Visa. With their credit score soaring from a mere 492 to an impressive 765, the member was now able to apply for a \$400,000 mortgage. What a journey of building credit and building dreams!

"A New Start for Chuck" Existing member Chuck visited the branch with a simple request to open a checking account, but he shared with Peninsula CU that he was currently homeless, living out of his car. Despite facing tough times, Chuck had a consistent work history and had made efforts to improve his credit. Peninsula CU's Review Committee saw the value in his car, recognized his improved credit, and was able to approve his request. They not only opened a checking account for Chuck but also refinanced his auto loan from a high APR of about 12% to a much more affordable 3.95% APR, saving him over \$40.00 monthly. Peninsula CU provided Chuck with a new start and a brighter financial outlook.

"Spreading the Savings" When member Joseph saw Peninsula CU's AUTO promotion on buck slips, he couldn't help but break into a grin. He had recently purchased a new car in Tacoma, and the dealership had tried to give him a higher interest rate. However, once they realized that Peninsula CU was offering a fantastic rate of 2.49%, they got on board. Joseph not only chose Peninsula CU for his auto loan but also spread the word to potential buyers at the dealership and to his colleagues at work. Joseph's enthusiasm for the savings he was able to achieve with Peninsula CU's help was contagious, and it's wonderful to see how these game-changing savings are making a difference in the lives of members, especially during challenging times.

"From RV to Forever Home" Debbie, a single mom of 3 boys, wanted to buy a house but had limited credit and collections. We helped her pay off collections, funded a share secured personal loan, and she bought a truck to improve her credit. Her credit score increased, and she got approved for a mortgage. Debbie is now looking for a forever home for her boys. Proud to be part of her journey from RV to forever home!

2022 FINANCIALS

Financial Summary

Statement of Financial Condition

Assets

	2021	2022	Change
Cash on Hand and on Deposit	\$36,945,122	\$12,127,732	(\$24,817,390)
Loans	\$151,385,141	\$180,740,705	\$29,355,564
Allowance for Loan Loss	(\$971,238)	(\$948,829)	\$22,409
Investments	\$85,785,533	\$82,555,092	(\$3,230,441)
Land, Building, Fixed Assets	\$3,434,611	\$3,293,115	(\$141,496)
Other Assets	\$6,424,855	\$4,824,158	(\$1,600,697)
Total Assets	\$283,004,024	\$282,591,973	(\$412,051)

Liabilities

Other Liabilities	\$1,024,677	\$1,142,126	\$117,449
Notes Payable	\$0	\$4,900,000	\$4,900,000
Total Liabilities	\$1,024,677	\$6,042,126	\$5,017,449

Equity

Shares Held by Members	\$258,916,359	\$256,919,471	(\$1,996,888)
Shares Held by Non-Members	\$496,000	\$0	(\$496,000)
Regular Reserve	\$368,501	\$368,501	\$0
Undivided Earnings	\$22,878,097	\$25,273,458	\$2,395,361
Unrealized Gain (Loss) On Investments	(\$679,610)	(\$6,011,583)	(\$5,331,973)
Total Equity	\$281,979,347	\$276,549,847	(\$5,429,500)

Total Liabilities & Equity

	\$283,004,024	\$282,591,973	(\$412,051)
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Statement of Earnings

Income

	2021	2022	Change
Loan Interest Income	\$7,035,275	\$6,996,655	(\$38,620)
Income from Investments	\$704,020	\$2,186,654	\$1,482,634
Other Income	\$3,333,579	\$3,402,816	\$69,237
Total Income	\$11,072,874	\$12,586,125	\$1,513,251

Expense

Operating Expense	\$9,323,985	\$10,140,740	\$816,755
Interest on Borrowed Money	\$29,741	\$961	(\$28,780)
Total Expenses	\$9,353,726	\$10,141,701	\$787,975

Non Operating Income (Expense)

	\$2,373,136	\$289,621	(\$2,083,515)
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Net Income

	\$4,092,284	\$2,734,045	(\$1,358,239)
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Distribution of Net Income

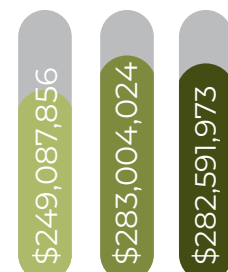
Dividends to Members	\$375,697	\$338,684	(\$37,013)
To Reserves	\$3,716,587	\$2,395,361	(\$1,321,226)
Total Distribution	\$4,092,284	\$2,734,045	(\$1,358,239)



CAPITAL



TOTAL LOANS



TOTAL ASSETS



SHELTON

521 W. Railroad Ave
Shelton, WA 98584

Monday - Thursday

Lobby 9:00 - 5:30
Drive-up 8:30 - 5:30

Friday

Lobby 9:00 - 5:30
Drive-up 8:30 - 6:00

BELFAIR

23550 NE State Route 3
Belfair, WA 98528

Monday - Thursday

Lobby 9:00 - 5:00
Drive-up 9:00 - 5:30

Friday

Lobby 9:00 - 5:30
Drive-up 9:00 - 6:00

PORT ORCHARD

1081 Bethel Ave.
Port Orchard, WA 98366

Monday - Thursday

Lobby 9:00 - 5:30
Drive-up 9:00 - 5:30

Friday

Lobby 9:00 - 5:30
Drive-up 9:00 - 6:00

POULSBO

21505 Market Pl NW
Suite 109
Poulsbo, WA 98370

Monday - Friday

Lobby 10:00 - 5:00

PORT TOWNSEND

1250 W Sims Way
Port Townsend, WA 98368

Monday - Friday

Lobby 9:00 - 5:30

800-426-1601 toll free
360-426-1601