

SUPERVISORY COMMITTEE REPORT

The Supervisory Committee works on the members' behalf to ensure that the highest degree of integrity is maintained in the credit union.

Controls are in place to assure that your Credit Union conducts its operations and activities in a safe and sound manner. These controls provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records are maintained.

During 2018, the Supervisory Committee worked with Moss Adams LLC, our internal auditor, and management to conduct a comprehensive risk review of the committee's internal audit plans. This effort produced an internal audit plan that matches inherent risks to the credit union operations as well as risk trends within the financial services industry.

Financial reports are developed by management from detailed statements prepared in accordance with generally accepted account principles, and are considered by management to fairly present the financial position and results of operations of the Credit Union.

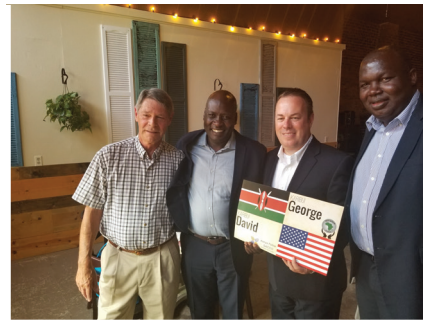
During 2018, the Supervisory Committee engaged the accounting firm of Moss Adams LLC to conduct the annual "Agreed Upon Procedures Audit." For credit unions with sound financial practices and operations, the NCUA examines can extend their visits up to 18 months. The last NCUA visit took place in December 2017 and the next visit will be in March 2018.

As we have seen in the news, data security is critically important. So it is important to note that the Credit Union also has an annual information security audit, an electronic payments audit, and a bank secrecy audit completed every year. All three audits took place during 2018 and all passed with flying colors.

Respectfully,
John Lester
Chairman, Supervisory Committee

Supervisory Committee

John Lester, Chairman
Kathy Haigh, DVM
Jon VanGesen



Kenyan Credit
Union Visitors



Crossroads Housing
Donation



New ATMs
(Poulsbo Branch)



Members on Mainstreet
Award receipt

800.426.1601

pcfcu.org

Administrative Offices:
521 W. Railroad Ave., Shelton WA 98584

We do business in accordance with the Federal Fair Lending Law
and the Equal Credit Opportunity Act.

This credit union is federally insured by the National Credit Union Administration.



2018 ANNUAL REPORT

Our Priority is You!



PRESIDENT’S REPORT

On behalf of our entire Leadership Team and staff, thank you for choosing to be a member of Peninsula Credit Union. Every day our team pursues our vision “To be recognized about more than just money!”

We strive not only to provide you service. We also value getting to know you by name as we listen to you and demonstrate our care for your financial life.

The Credit Union financially saw great success in 2018. Net income increased 233% from \$645,531 to \$1,502,654 and the net capital rose from 8.20% to 8.73%. These are the best financial results the credit union has seen since 2004.

There were many exciting developments in 2018. Our members asked for additional ways to make payments online, a website that was easier to navigate and deposit taking ATMs. We are happy to report that a “Pay Now” button was added in May, the new website featuring our members and their stories launched in June, and in August we installed new ATMs.

Major changes to our Vista Checking accounts took place by introducing a single checking account with different levels that fit your needs, whatever your life story may be. Each level of Vista Checking provides additional value to you, including PCU Perks for discounts at local merchants, cell phone protection, roadside assistance, pharmacy savings, and much more.

Making personal financial decisions easy is the focus for the PCU Money Minutes on the radio and the Friday Financial Tips on Facebook. Encourage your friends and family to like us on Facebook! We continue to encourage savings with the Save-to-Win program – one lucky PCU Member won \$1,000 in 2018.

We also welcomed Eric Greth as our new Financial Advisor for CUSO Financial Service, L.P., and Scotty Mills as our new Mortgage Loan Officer.

Peninsula Credit Union has now over 19,650 members who entrust us with their financial lives. This is a responsibility that we do not take lightly. We work hard to earn your trust every day.

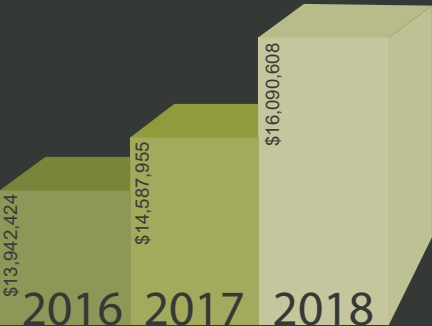
Thank you!
Jim Morrell, President/CEO

Statement of Financial Condition

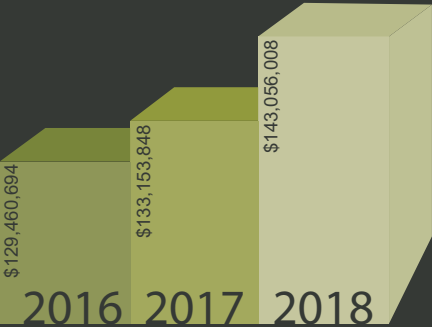
Assets	2017	2018	Change
Cash on Hand and on Deposit	\$11,059,631	\$9,965,001	(\$1,094,630)
Loans	\$133,153,848	\$143,056,008	\$9,902,160
Allowance for Loan Loss	(\$927,057)	(\$927,953)	(\$896)
Investments	\$27,501,295	\$26,155,318	(\$1,345,977)
Land, Building, Fixed Assets	\$3,402,527	\$3,596,569	\$194,042
Other Assets	\$4,853,453	\$4,829,563	(\$23,890)
Total Assets	\$179,043,697	\$186,674,506	\$7,630,809
Liabilities			
Other Liabilities	\$711,902	\$1,085,171	\$373,269
Notes Payable	\$0	\$1,000,000	\$1,000,000
Total Liabilities	\$711,902	\$2,085,171	\$1,373,269
Equity			
Shares Held by Members	\$163,746,849	\$166,774,140	\$3,027,291
Shares Held by Non-Members	\$0	\$1,736,000	\$1,736,000
Regular Reserve	\$368,501	\$368,501	\$0
Undivided Earnings	\$14,219,454	\$15,722,107	\$1,502,653
Unrealized Gain (Loss) On Investments	(\$3,009)	(\$11,413)	(\$8,404)
Total Equity	\$178,331,795	\$184,589,335	\$6,257,540
Total Liabilities & Equity	\$179,043,697	\$186,674,506	\$7,630,809

Statement of Earnings

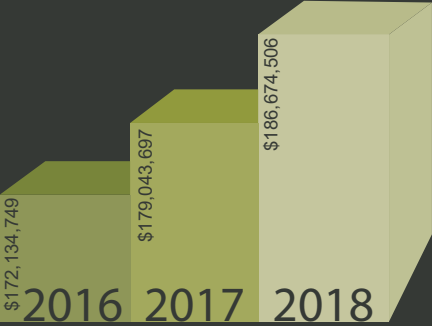
Income	2017	2018	Change
Loan Interest Income	\$5,612,397	\$6,303,781	\$691,384
Income from Investments	\$536,368	\$823,401	\$287,033
Other Income	\$2,451,763	\$2,567,144	\$115,381
Total Income	\$8,600,528	\$9,694,326	\$1,093,798
Expense			
Operating Expense	\$8,074,923	\$8,217,094	\$142,171
Interest on Borrowed Money	\$3,123	\$1,434	(\$1,689)
Total Expenses	\$8,078,046	\$8,218,528	\$140,482
Non Operating Income (Expense)	\$384,378	\$401,149	\$16,771
Net Income	\$906,861	\$1,876,947	\$970,086
Distribution of Net Income			
Dividends to Members	\$261,330	\$374,293	\$112,963
To Reserves	\$645,531	\$1,502,654	\$857,124
Total Distribution	\$906,861	\$1,876,947	\$970,086



CAPITAL



TOTAL LOANS



TOTAL ASSETS

PRESIDENT’S REPORT

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



Peninsula Credit Union celebrated a terrific 2018! The Northwest Credit Union Association honored your credit union in October with the “Members on Main Street” award. This recognition was given for the first time to a credit union that clearly acknowledges and services the specific character of its members.

Peninsula Credit Union began in 1935 offering products and services that help to improve the financial lives of our members. The Management and Staff of PCU recognized a few years ago that there was a need for financial services that empower low-to-moderate income households. Since that time, the credit union has worked diligently to fill that need through the development of products and services that provide incentives for positive financial behavior and help many households achieve that goal.

Whether it be an individual who is buying a car for the first time, assisting a household consolidate high interest debt, or providing guidance with long term financial plans, our credit union does a tremendous job walking with our members to achieve their financial dreams.

A bright future starts at a young age. The Scottie Saver program is one way routine savings starts with young children. The Financial Reality Fairs and online financial education programs provided at local high schools help prepare students for budgeting their money after high school.

The Credit Union’s vision is “To be recognized as being about more than just money!” Your Board of Directors hears the stories of how many members are being assisted by the service provided by our staff. Thank you for your trust as a member of Peninsula Credit Union. Over the coming year, please share with family, friends, and your community about the benefits you receive from this financial cooperative.

Sincerely,
Robert J. Close, Chairman

Board of Directors

Robert J. Close, Chairman	Lisa Frazier
John Bolender, Vice Chairman	Kathy Haigh, DVM
Sue Barnard, Secretary/Treasurer	Lane Johnson, MD
	Steve Wright

