

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.

A critical responsibility for the Supervisory Committee is the hiring and oversight of the Credit Union's internal auditor. During 2019, there was a change in internal auditors. The new internal auditor the Committee hired brings over 17 years of experience.

The role of internal auditor helps to ensure controls are in place to confirm the operations and activities are being conducted in a safe and sound manner. These controls provide reasonable assurance that transactions are authorized, assets safeguarded, and proper records are maintained.

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 2019, the Supervisory Committee engaged the accounting firm of Moss Adams LLC to conduct the annual "Agreed upon Procedures Audit." Moss Adams also conducted two additional reviews related to tax reporting and allowance for loan loss calculations, both of which were deemed satisfactory. The NCUA conducts an examination every 12-18 months.

The NCUA's last visit in March 2019 reviewed the fifteen month period from September 30, 2017, to December 31, 2018, and concluded the Credit Union is fundamentally sound.

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 related audits passed with flying colors.

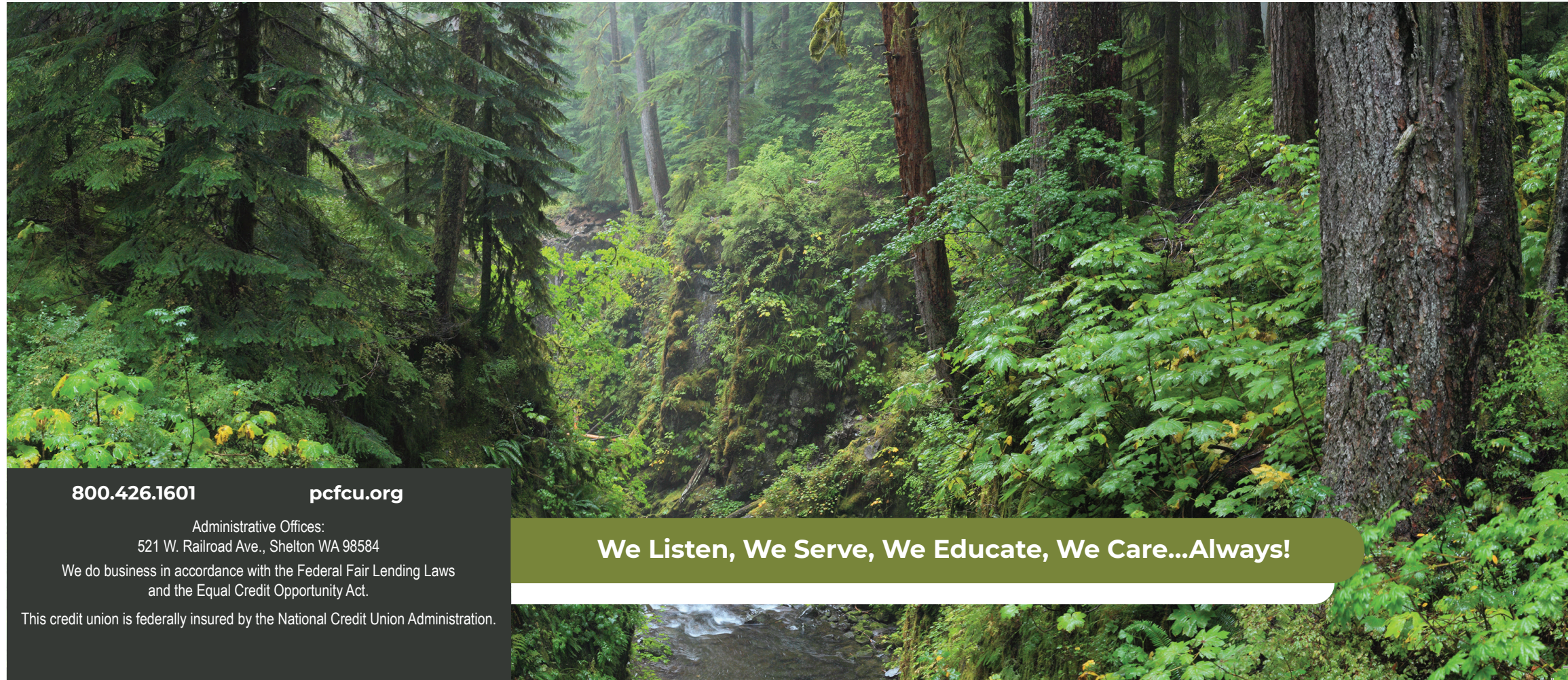
Respectfully,
John Lester
Chairman, Supervisory Committee

Supervisory Committee

John Lester, Chairman
Kathy Haigh, DVM
Jon VanGesen



2019 ANNUAL REPORT



800.426.1601

pcfcu.org

Administrative Offices:

521 W. Railroad Ave., Shelton WA 98584

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

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

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



PRESIDENT'S REPORT

On behalf of our entire Leadership Team and staff, thank you for choosing to be a member of Peninsula Credit Union. Our pursuit is to improve people's financial lives by listening, serving, educating, and caring for each of you. We want to know you, so that together we can understand what your financial goals are and how we together can achieve those objectives.

Over the past year, Peninsula Credit Union exceeded 20,000 members. Financially, your financial cooperative has never been stronger as our net capital rose from 8.73% to 9.10%. Total assets are very close to exceeding \$200 million. The strong performance for the past year is a great foundation as 2020 brings the Credit Union's 85th Anniversary.

We continue striving to provide you additional value. To this end, we made some changes to our Vista Checking Account to ensure you receive the opportunity for higher yield on your checking account. In addition, there are perks, including discounts at local businesses, 24-hour roadside assistance, identity theft aid, and pharmacy, vision and hearing savings.

Utilizing member feedback, there are three initiatives to make things easy, build trust, and to know you by name. New credit union ATMs were installed that all take deposits, something members requested. A digital wallet option was added to allow Peninsula Credit Union debit and credit card to be added to the digital wallet on your iPhone or Android device. Improvements were made to the account opening and loan application process to ensure these processes go as smoothly as possible. By making these changes and many more, we are continuing to improve on the trust members have with the Credit Union.

Something to look forward to in 2020 is a new, modern digital banking platform for online and mobile banking. This major decision was based on direct member feedback from our annual survey that was again conducted in June 2019.

We work hard to earn your trust every day. Peninsula Credit Union wants you to know that as a member of a financial cooperative, our team is here to know you by name and support any of your financial needs. We have one simple request, as you find us relevant to your financial life, please share the value you receive from your Credit union with other family, friends, or community.

Cooperatively,
Jim Morrell, President/CEO

Statement of Financial Condition

	2018	2019	Change
Assets			
Cash on Hand and on Deposit	\$9,965,001	\$15,581,306	\$5,616,305
Loans	\$143,056,008	\$142,135,805	(\$920,203)
Allowance for Loan Loss	(\$927,953)	(\$1,160,918)	(\$232,965)
Investments	\$26,155,318	\$31,393,671	\$5,238,353
Land, Building, Fixed Assets	\$3,596,569	\$3,614,483	\$17,914
Other Assets	\$4,829,563	\$5,343,610	\$514,047
Total Assets	\$186,674,506	\$196,907,957	\$10,233,451
Liabilities			
Other Liabilities	\$1,085,171	\$982,497	(\$102,674)
Notes Payable	\$1,000,000	\$1,000,000	\$0
Total Liabilities	\$2,085,171	\$1,982,497	(\$102,674)
Equity			
Shares Held by Members	\$166,774,140	\$175,317,151	\$8,543,011
Shares Held by Non-Members	\$1,736,000	\$1,736,000	\$0
Regular Reserve	\$368,501	\$368,501	\$0
Undivided Earnings	\$15,722,107	\$17,434,263	\$1,712,156
Unrealized Gain (Loss) On Investments	(\$11,413)	\$69,545	\$80,958
Total Equity	\$184,589,335	\$194,925,460	\$10,336,125
Total Liabilities & Equity	\$186,674,506	\$196,907,957	\$10,233,451

Statement of Earnings

	2018	2019	Change
Income			
Loan Interest Income	\$6,303,781	\$7,204,311	\$900,530
Income from Investments	\$823,401	\$921,852	\$98,451
Other Income	\$2,567,144	\$2,878,053	\$310,909
Total Income	\$9,694,326	\$11,004,216	\$1,309,890
Expense			
Operating Expense	\$8,217,094	\$9,222,350	\$1,005,256
Interest on Borrowed Money	\$1,434	\$30,877	\$29,443
Total Expenses	\$8,218,528	\$9,253,227	\$1,034,699
Non Operating Income (Expense)	\$401,149	\$550,606	\$149,457
Net Income	\$1,876,947	\$2,301,595	\$424,648
Distribution of Net Income			
Dividends to Members	\$374,293	\$589,439	\$215,146
To Reserves	\$1,502,654	\$1,712,156	\$209,502
Total Distribution	\$1,876,947	\$2,301,595	\$424,648



CAPITAL



TOTAL LOANS



TOTAL ASSETS

CHAIRMAN'S REPORT

On behalf of the Board of Directors for Peninsula Community Federal Credit Union, it is my privilege to update you on another very successful year your credit union has achieved.

Your Board of Directors continues to be fully supportive of the community development vision to work with people from low to moderate income, wealthy, unbanked and underbanked households. The Management team is doing a tremendous job creating "Wow" stories that positively impact the financial lives of our members and reflect the great service the credit union staff provides for all members.

Specific time was dedicated during the Board's strategic planning session to review details of succession planning. Volunteers of Peninsula Credit Union have the opportunity to strengthen the economic well-being of the communities we serve to benefit everyone. When volunteers commit to furthering the Credit Union mission, they receive ongoing professional development helping them become effective leaders, while providing an opportunity to expand the economic capacity of the communities where they live and work. If you are interested in joining a critical component of leadership for the credit union, please do not hesitate to let us know.

The Credit Union took a leadership position this past year with efforts to help our communities better understand affordable workforce housing. A summit led by credit union staff was held in January 2019, bringing together the private and public sector to better understand the shortage of affordable workforce housing that exists in our communities. The outcome of this event was a white paper providing topics to be addressed for more affordable housing to be developed in the communities we serve.

By helping our individual members and the communities we serve, your financial cooperative is helping to contribute to economic growth of our counties and the State of Washington.

The values, services and benefit you receive as a member of Peninsula Credit Union are not possible without your on-going commitment to our financial institution. We encourage you to share the benefits and value you receive with family, friends, and your community.

Thank you for your trust, participation, and continued support.

Sincerely,
John Bolender, Chairman

Board of Directors

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

