

2020 ANNUAL REPORT



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



CHAIRMAN'S REPORT



The Board of Directors would like to express our appreciation for the nearly 22,000 members who cooperatively belong to Peninsula Credit Union. Over the past year, a sense of belonging has become more important as we all continue to navigate the COVID-19 impacts.

Peninsula Credit Union saw considerable asset growth to just shy of \$250 million which was a 25% increase over the past year. This increase was due largely due to economic stimulus payments being reserved by members in their checking and savings accounts. Even though the recession created by the pandemic is looking better than we thought it would initially, there is still economic uncertainty ahead. Consequently, members having additional money set aside is not a bad idea.

The Credit Union's capital ratio over the past year declined significantly from 9.10% to 8.01%. This is still far into the "well capitalized" level for credit unions. The credit union ended the year with net income nearly \$1 million above what we had originally budgeted. A primary driver for this was members keeping current on their loans. We are also continuing to see delinquency rates decline which is indicative of members prudently managing their money.

Additionally, Peninsula Credit Union was also awarded a \$900,000 grant by the CDFI Fund of the U.S. Treasury. These funds will be utilized to continue extending credit related to individuals who at no fault of their own have had their credit and personal finances negatively impacted by health issues or now the pandemic.

Your Credit Union's team works to create Wow! Stories every day as they work with members. 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.

A final note is to invite any of you to consider being a volunteer for your credit union. 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 the credit union, they receive ongoing professional development that makes them effective leaders and the opportunity to expand the economic capacity of the place where they live and work. If you are interested in joining a critical piece of leadership for this organization, please do not hesitate to let us know.

We have a growing and financially sound credit union. Thank you for being a part of this effort to strengthen member's financial lives and the communities served from Port Townsend to Shelton, Belfair, Port Orchard, and Poulsbo in between.

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

Sincerely,
John Bolender, Chairman

PRESIDENT'S REPORT



What a unique year 2020 was for all of us! The pandemic quickly changed all of our lives. We strived to pivot and continue to provide Peninsula Credit Union members support which for some has become an exceptionally challenging year. On behalf of our entire Leadership Team, our support staff, and the staff at all of our branches, thank you for entrusting your financial services to our care.

There were many ways Peninsula Credit Union tried to rise to the needs generated during the pandemic. In mid-March, as the result of needing to close branch lobbies, we pivoted to a remote service delivery model. Many of our non-branch staff transitioned to working from home. It was important to us to ensure the same service delivery as we always have.

While adjusting to over 29 regulatory changes, our team also assisted over \$7 million in loan modifications to support members who were struggling. We also launched the Puget Sound Emergency small dollar loan program to assist members struggling with the financial impact brought about by COVID-19 and the PayDay Alternative Loan Program was also started.

Many small businesses across our communities were struggling to survive, so we jumped on board with

quickly learning how to provide Small Business Administration (SBA) Payroll Protection Program (PPP) loans for 69 businesses totaling over \$3.3 million.

The year was not finished before we implemented the new online and mobile banking programs in November. The new digital platforms are more robust adding capability for members to track their budget, monitor credit scores, and send money to/from other financial institutions and their account here at Peninsula Credit Union.

Needless to say, 2020 did not play out the way we thought the 85th Anniversary would. At the same time, the year was one in which we came together to support our members the same way that we did when we started in 1935. We help each member, one by one, as we listen, serve, educate, and care...always! Even during a worldwide pandemic.

Finally, the year also deserves a very special thank you to our entire team of staff. Their incredible flexibility, knowledge, and service they provide for Peninsula Credit Union is top notch!

Cooperatively,
Jim Morrell, President/CEO

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. The Committee is responsible for the financial safety and soundness of Peninsula Community Federal 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.

Our Internal Auditor works for the Supervisory Committee to work to monitor these controls. The Supervisory Committee meets quarterly with the Internal Auditor to review internal audit services, internal controls, and risk management processes, and examinations by regulatory agencies.

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

During 2020, the Supervisory Committee also engaged the accounting firm of Moss Adams LLC to conduct the annual "Agreed Upon Procedures Audit." In addition, the NCUA also conducted their periodic examination. Both reports confirmed Peninsula Credit Union is accounting for your resources and continues to be a well-capitalized institution.

Respectfully,
John Lester, Chair
Supervisory Committee

2020 FINANCIALS

Statement of Financial Condition

Assets	2019	2020	Change
Cash on Hand and on Deposit	\$15,581,306	\$29,093,359	\$13,512,053
Loans	\$142,135,805	\$156,757,834	\$14,622,029
Allowance for Loan Loss	(\$1,160,918)	(\$1,186,343)	(\$25,425)
Investments	\$31,393,671	\$54,546,013	\$23,152,342
Land, Building, Fixed Assets	\$3,614,483	\$3,499,870	(\$114,613)
Other Assets	\$5,343,610	\$6,377,123	\$1,033,513
Total Assets	\$196,907,957	\$249,087,856	\$52,179,899
Liabilities			
Other Liabilities	\$982,497	\$1,423,252	\$440,755
Notes Payable	\$1,000,000	\$1,000,000	\$0
Total Liabilities	\$1,982,497	\$2,423,252	\$440,755
Equity			
Shares Held by Members	\$175,317,151	\$225,778,694	\$50,461,543
Shares Held by Non-Members	\$1,736,000	\$1,240,000	(\$496,000)
Regular Reserve	\$368,501	\$368,501	\$0
Undivided Earnings	\$17,434,263	\$19,161,509	\$1,727,246
Unrealized Gain (Loss) On Investments	\$69,545	\$115,900	\$46,355
Total Equity	\$194,925,460	\$246,664,604	\$51,739,144
Total Liabilities & Equity	\$196,907,957	\$249,087,856	\$52,179,899

Statement of Earnings

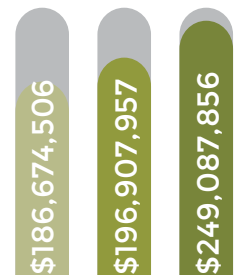
Income	2019	2020	Change
Loan Interest Income	\$7,204,311	\$7,299,240	\$94,929
Income from Investments	\$921,852	\$843,980	(\$77,872)
Other Income	\$2,878,053	\$2,884,651	\$6,598
Total Income	\$11,004,216	\$11,027,871	\$23,655
Expense			
Operating Expense	\$9,222,350	\$9,243,919	\$21,569
Interest on Borrowed Money	\$30,877	\$30,928	\$51
Total Expenses	\$9,253,227	\$9,274,847	\$21,620
Non Operating Income (Expense)	\$550,606	\$571,338	\$20,732
Net Income	\$2,301,595	\$2,324,362	\$22,767
Distribution of Net Income			
Dividends to Members	\$589,439	\$597,117	\$7,678
To Reserves	\$1,712,156	\$1,727,245	\$15,089
Total Distribution	\$2,301,595	\$2,324,362	\$22,767



18 19 20
CAPITAL



18 19 20
TOTAL LOANS



18 19 20
TOTAL ASSETS