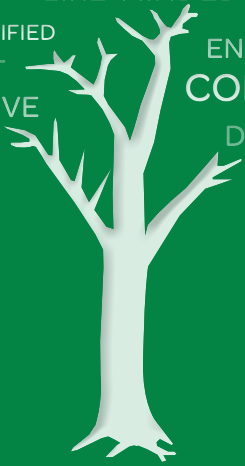




2016 Annual Report

UNITED LOYAL
PRINCIPLES SERVICE PEOPLE
STRENGTH **LOCALLY INVESTED**
MEMBER OWNED YOU BELONG CO-OP ASSURANCE
COOPERATIVE BANKING
COLLECTIVE COMMUNITY FOCUSED
TOGETHER SHARED VALUES LOCAL
OUR MISSION EXTRAORDINARY
CHARITABLE LIKE-MINDED TRUST
CONFIDENCE UNIFIED ENGAGING GROWTH
MUTUAL BENEFIT COMMON GOALS
COLLABORATIVE DEDICATED



People's
CREDIT UNION
 You Belong Here.



People's Credit Union 2016 Annual Report

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Mission Statement

Provide banking solutions for your financial success.

Statement of Core Values

- Provide an extraordinary member experience
- Provide an extraordinary employment experience
- Enhance the communities we serve
- Be a high trust organization

Member Affiliations

Credit Union National Association
CUNA Mutual Insurance Society
Alloya Corporate Federal Credit Union
Cooperative Credit Union Association
Federal Home Loan Bank of Boston
Credit Union Executive Society
East Bay Chamber of Commerce
East Greenwich Chamber of Commerce
Newport County Chamber of Commerce
North Kingstown Chamber of Commerce
Southern Rhode Island Chamber of Commerce
Portsmouth Business Association
Kent & Washington County Board of Realtors
Newport County Board of Realtors
Rhode Island Mortgage Bankers Association

Branch Locations

858 West Main Road, Middletown
43 Memorial Boulevard, Newport
150 Old Tower Hill Road, Wakefield
2537 East Main Road, Portsmouth
50 Gooding Avenue, Bristol
7490 Post Road, North Kingstown



peoplescu.com

Leadership

Board of Directors

Louann Lawrence, CPA	<i>Chair</i>
Edward T. Lopes, Jr.	<i>Vice Chair</i>
William L. Douglas, Jr.	<i>Treasurer</i>
Christopher S. Ottiano, MD	<i>Secretary</i>
Alyson Adkins, CPA	
William P. Dennis, Esq.	
David P. Faucher	
Terri Marcucci Fitch	
Thomas W. Vignali, CPA	

Supervisory Committee

Michelle S. Freitas, CPA	<i>Chair</i>
Stephen H. Chaffee	<i>Vice Chair</i>
Kevin Chaves, CPA	
David J. Fox, Esq.	
Nelson Faustino	

Board of Directors and Supervisory Committee as of April 1, 2017

Executive Officers and Senior Leadership

Ellen Ford	<i>President & Chief Executive Officer</i>
Amy Martel	<i>Executive Vice President & Chief Operating Officer</i>
Melissa Burton	<i>Vice President Human Resources</i>
Lynette Dawley	<i>Vice President Lending</i>
Christopher Eden	<i>Vice President IT and Operations</i>
Jane McDurman	<i>Vice President Retail and Member Experience</i>

Managers

Mary Belden	<i>Loan Servicing</i>
Paula Bogosian	<i>Member Service Center</i>
Cheryl Cady	<i>Middletown Branch</i>
Lisa Camara	<i>Indirect Lending</i>
Steven Carneiro	<i>Business & Residential Lending</i>
Tiffany Costa	<i>Deposit Operations</i>
Bethany Cottrell	<i>Core Systems</i>
Fatima Estrela	<i>Bristol Branch</i>
Jonathan Gruca	<i>Fraud & Security</i>
Michael Hey	<i>Wakefield Branch</i>
Courtney Hunter	<i>Marketing</i>
Robert Leonardi	<i>Finance</i>
Lori Marshall	<i>Newport Branch</i>
Deborah Maxwell	<i>North Kingstown Branch</i>
Stacy Mello	<i>Loan Origination</i>
Nancy Demers	<i>Portsmouth Branch</i>
Benjamin Tallman	<i>Facilities</i>
Andrew Thompson	<i>Collections</i>
Carol Ulak	<i>Sales & Experience</i>

Management Team as of April 1, 2017



A Message from the Board Chair and the President & Chief Executive Officer

Since 1922, People's Credit Union has served the members of the community by providing financial services to meet their needs. Although much has changed in the past 95 years, our dedication to our members and the communities has remained steadfast. People's Credit Union has maintained our commitment to providing an extraordinary member experience while focusing on our members' financial success. Whether conducting transactions through one of our convenient remote delivery channels such as online/mobile banking and bill pay, mobile check deposits, and online loan applications, or coming into one of our six branch facilities, we strive to provide an extraordinary experience.



At People's Credit Union we walk the talk. We are so committed to meeting our members' needs that in 2016 we conducted over 43,000 Member Satisfaction, Trust and Net Promoter Score (NPS) surveys. The results of the surveys confirm we are in fact meeting the needs of our members and delivering an extraordinary member experience, receiving excellent results with a member satisfaction rating of 4.6 on a scale of 1-5. As a financial institution, earning and maintaining our members' trust is not just a significant priority; it is one of our core values. We also survey our members on how trustworthy People's Credit Union is, and again, we received excellent results with our members rating trust at 4.7 on a scale of 1-5. The results of our Net Promoter Score (NPS) surveys, which measures how likely our members are to recommend us, were 61 against a peer of 42.



As a community credit union, People's Credit Union is unwavering in its commitment to giving back to our community in various ways. We believe that educating the youth in financial literacy is important to our collective success. In partnership with the State Treasurer, Seth Magaziner, People's continues to sponsor the *Rhode Island Financial Scholars Program*, a technology-based learning platform in six high schools, which brings comprehensive financial literacy, as well as financial literacy certification, to students in grades 9-12. In 2016, 304 high school students completed more than 1,800 learning modules, over 1,400 hours preparing them to manage their financial futures. The Employees of People's Credit Union live the value of *Enhancing the Communities We Serve*. Each year, employees of People's Credit Union volunteer countless hours of service or coordinate fundraisers for local non-profit and social services organizations.

In 2016, People's Credit Union and our employees provided over \$70 thousand in financial support to our community organizations.

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“Although much has changed in the past 95 years, our commitment to our members and the communities has remained steadfast.”

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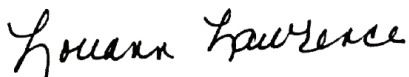
Maintaining a safe and secure financial institution for our members is an important measure of our success. To that end, 2016 was a very successful year financially as well, experiencing growth in Total Assets, Loans, Member Deposits and Net Income while maintaining a strong capital position.

As a result of our commitment to our members, the community, our employees and our financial strength, in 2016 People’s Credit Union was honored with the following awards:

- The Bauer Financial 5-Star Rating earning the distinction as a “*Best of Bauer*” credit union for maintaining a 5-star rating for 25 continuous years or longer
- Providence Business News *Best Places to Work* for the 4th year in a row
- The Cooperative Credit Union Association *Excellence in Advocacy Award*
- The Cooperative Credit Union Association *Credit Union of the Year Award*
- Newport County Chamber of Commerce *Excellence in Business Award*

All of the above accomplishments over the past year would not have been possible without our talented and dedicated Board, Management, and Staff who are committed to improving the lives of our members and enhancing our communities. Thank you for continuing to bank with your trusted financial institution – People’s Credit Union.

Sincerely,



Louann Lawrence, CPA
Chair, Board of Directors



Ellen N. Ford
President & CEO



A Message from the Chief Operating Officer

At People's Credit Union, our mission is to provide banking solutions for our members' financial success, and our efforts in 2016 certainly supported this goal. During the year, we focused on evaluating our member interactions to find ways to improve our members' overall experience with the Credit Union. As a result, we deployed a new online mortgage system that now allows our members to apply for mortgage loans from any location—whether at home, work or even at the beach. This new system also allows full electronic delivery of all related mortgage documents, making it quick, convenient, and easy to interact with our Mortgage Loan Officers, ensuring our members receive the support and service they expect when purchasing their dream home or refinancing their current mortgage loan to live their dreams.

Based on member feedback, we implemented several enhancements to myMobile™ and myBanking™, our mobile and online banking services. Members can now open additional accounts from any computer, phone, or tablet. Members can also elect to establish text alerts to receive real-time alerts for account balance info, account activity, transactions, loan payment reminders and more, allowing members to more easily manage their Credit Union accounts. In addition, we recently introduced a new bill pay service that includes Popmoney®, giving members an easy way to make person-to-person payments right from their phone using myBanking or myMobile.

2016 also saw the full implementation of myMobile™ Check Deposit, a free service that allows members to easily deposit checks by taking a picture with a smartphone or tablet and transmitting it electronically to the Credit Union. We also made using myMobile easier by introducing fingerprint authentication and myBalances™, a quick way to view your account balances and recent transactions with just a touch of a button from your smartphone.

We have more exciting member enhancements in store for 2017, so keep an eye out for announcements in our monthly Member Connections email newsletters.

A handwritten signature in black ink, appearing to read "Amy Martel". The signature is fluid and cursive.

Amy Martel
Executive Vice President &
Chief Operating Officer



Treasurer's Report

I am pleased to present the following report on the financial condition of People's Credit Union as of December 31, 2016, along with the accompanying balance sheet and statement of income.

The Credit Union ended 2016 with total assets of \$458.9 million, representing an increase of 8.7% from 2015 levels. Loans outstanding to members totaled \$395.5 million, net of reserves of \$3.7 million. This represents an increase of 11.3%. The investment portfolio totaled \$25.6 million, representing an increase of 18.3%.

Member deposits totaled \$367.5 million, representing an increase of 7.0%. Utilization of Federal Home Loan Bank Advances increased 36.4% to \$44.1 million.

For the fiscal year 2016, the Credit Union realized net income of \$2.38 million versus \$1.24 million in 2015. This represents an increase of 92.5%.

Members' equity increased 1.5% to \$41.7 million. The Credit Union's regulatory capital ratio remains "well-capitalized" at 10.45%.

Respectfully submitted,

A handwritten signature in black ink that reads "William L. Douglas, Jr." The signature is written in a cursive, flowing style.

William L. Douglas, Jr.
Treasurer



Supervisory Committee Report

The Supervisory Committee represents the interest of the Credit Union membership by providing oversight of the Board of Directors, ensuring that safe and sound practices are being followed, ensuring proper internal controls are being maintained and ensuring the accuracy of the Credit Union's financial statements as presented.

To accomplish this, the Committee retained the services of the independent accounting firm of Wolf & Company, P.C. to manage the Committee's internal audit program. These internal audits are conducted to ensure that all internal controls are in place and operating effectively to ensure compliance with Board and management policies, laws and regulations. The Committee regularly reviews the results of these internal audits and provides reports to the Board.

The Committee also engaged the independent accounting firm of BerryDunn to complete the external audit of the Credit Union's financial statements. The annual audit was completed and the Credit Union received an unqualified or "clean" opinion on their annual financial statements.

Based on the results of the internal and external audits, as well as our interaction with Management, Staff, and the Board of Directors, it is our opinion that the Credit Union is following safe and sound practices to ensure that the financial statements are accurate and members' assets are adequately protected. As a Committee, we would like to commend Management, Staff, and the Board of Directors on a successful year.

Respectfully submitted,

A handwritten signature in black ink that reads "Michelle S. Freitas". The signature is written in a cursive, flowing style.

Michelle S. Freitas, CPA
Chair & Secretary



Credit Committee Report

The Credit Committee reviews current Credit Union loan policies to ensure the safety and soundness of the Credit Union and is responsible for ensuring prudent loan policies are followed. Keeping the credit union philosophy in mind, the following loans were issued by People's Credit Union in 2016.

	<u>Number of loans</u>	<u>Amount</u>
Real estate loans	212	\$51,650,570
Equity loans	207	\$20,246,520
Automobile loans	3,608	\$67,164,633
Savings secured loans	80	\$342,010
Personal loans	574	\$3,141,944
Personal lines of credit	172	\$2,148,239
Mobile home loans	36	\$2,128,976
Business loans and lines	50	\$14,180,450
TOTAL	<u>4,939</u>	<u>\$161,003,342</u>

Respectfully submitted,

Lynette M. Dawley
Chair

Balance Sheets (unaudited)

(in thousands)

	December 31,		% change
	2016	2015	
Assets			
Cash and cash equivalents	\$14,537	\$20,359	-28.6%
Investments	25,483	21,691	17.5%
Loans, net of allowance for loan losses	395,537	355,458	11.3%
Loans held for sale	0	676	-100.0%
Premises and equipment, net	12,340	12,829	-3.8%
Other real estate owned	536	0	N/A
Other assets	10,528	11,025	-4.5%
Total assets	\$458,961	\$422,038	8.7%
Liabilities			
Member Deposits	\$367,555	\$343,545	7.0%
Federal Home Loan Bank advances	44,179	32,399	36.4%
Mortgagors' escrow accounts	1,018	831	22.5%
Other liabilities	4,480	4,160	7.7%
Total liabilities	417,232	380,935	9.5%
Members' equity			
Retained earnings	47,960	45,577	5.2%
Accumulated other comprehensive (loss) income	(6,231)	(4,474)	39.3%
Total members' equity	41,729	41,103	1.5%
Total liabilities & members' equity	\$458,961	\$422,038	8.7%

The above consolidated financial statements have been derived from the Credit Union's audited financial statements as of December 31, 2016 and 2015. The audit was performed by BerryDunn who issued an unmodified opinion on such financial statements. The financial statements, including all footnote disclosures are available upon request.

Statements of Income (unaudited)

(in thousands)

	December 31,		
	2016	2015	% change
Interest and dividend income			
Loans	\$ 15,508	\$ 14,437	7.4%
Investments	444	506	-12.3%
Other interest-earning assets	<u>71</u>	<u>36</u>	<u>97.2%</u>
Total interest and dividend income	16,023	14,979	7.0%
Interest expense			
Interest on deposits	1,359	1,339	1.5%
Federal Home Loan Bank advances	<u>702</u>	<u>591</u>	<u>18.8%</u>
Total interest expense	2,061	1,930	6.8%
Net interest income	13,962	13,049	7.0%
Provision for loan losses	<u>1,315</u>	<u>1,510</u>	<u>-12.9%</u>
Net interest income after provision for loan losses	12,647	11,539	9.6%
Non-interest income			
Member service fees	3,103	2,650	17.1%
Loan servicing fees and related income	317	482	-34.2%
Gain on sales of loans, net	246	347	-29.1%
Gain on sale of assets	266	16	1562.5%
Miscellaneous income	<u>125</u>	<u>35</u>	<u>257.1%</u>
Total non-interest income	4,057	3,530	14.9%
Non-interest expenses			
Compensation and employee benefits	7,669	7,471	2.7%
Occupancy and equipment	2,330	2,301	1.3%
Marketing & Advertising	355	337	5.3%
Loan Operations	442	536	-17.5%
Retail Operations	1,671	1,453	15.0%
Professional Services	513	506	1.4%
Other expenses	<u>1,341</u>	<u>1,227</u>	<u>9.3%</u>
Total non-interest expenses	14,321	13,831	3.5%
Net income	\$ 2,383	\$ 1,238	92.5%

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People's

CREDIT UNION

 You Belong Here.

Bristol

50 Gooding Avenue
401.253.6500

Middletown

858 West Main Road
401.846.8930

Newport

43 Memorial Boulevard
401.846.1965

North Kingstown

7490 Post Road
401.885.9660

Portsmouth

2537 East Main Road
401.683.3166

Wakefield

150 Old Tower Hill Road
401.789.5551

visit us online at peoplescu.com

