



Peoples

CREDIT UNION

 You Belong Here.

2017 Annual Report



People's Credit Union 2017 Annual Report

Table of Contents

Leadership	3	Supervisory Committee Report	8
Board Chair and CEO's Message	4	Credit Committee Report	9
Chief Operating Officer's Message	6	Balance Sheets	10
Treasurer's Report	7	Statements of Income	11

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	
Nelson Faustino	
David J. Fox, Esq.	

Board of Directors and Supervisory Committee as of March 1, 2018

Executive Officers and Senior Leadership

Ellen Ford	<i>President & Chief Executive Officer</i>
Amy Martel	<i>Executive Vice President & Chief Operating Officer</i>
Sean Daly	<i>Executive Vice President & Chief Financial Officer</i>
Traci R.E. Carpenter	<i>Senior Vice President of Operations</i>
Kerry Parent	<i>Vice President Human Resources</i>
Lynette Dawley	<i>Vice President Lending</i>
Christopher Eden	<i>Vice President Information Security & Technology</i>
Jane McDurman	<i>Vice President Retail and Member Experience</i>

Managers

Mary Belden	<i>Loan Servicing</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>
Nancy Demers	<i>Portsmouth Branch</i>
Fatima Estrela	<i>Bristol Branch</i>
Jonathan Gruca	<i>Fraud & Security</i>
Michael Hey	<i>Wakefield Branch</i>
Courtney Hunter	<i>Marketing</i>
Lori Marshall	<i>Newport Branch</i>
Deborah Maxwell	<i>North Kingstown Branch</i>
Stacy Mello	<i>Loan Origination</i>
Andrew Plante	<i>Finance</i>
Izilda Reis	<i>Human Resources</i>
Benjamin Tallman	<i>Facilities</i>
Andrew Thompson	<i>Collections</i>
Carol Ulak	<i>Sales & Experience</i>

Management Team as of March 1, 2018



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

I am proud to report the results of the past year. In the ever evolving world of financial services, I am proud of the fact that at People's Credit Union we have maintained our commitment to providing our members an extraordinary member experience while focusing on their 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 as your trusted financial partner.



At People's Credit Union we walk the talk. We are so committed to meeting our members that in 2017 we conducted over 56 thousand Member Satisfaction, Trust and Net Promoter Score (NPS) surveys. The results of the surveys confirm that we are in fact meeting the needs of our members and delivering an extraordinary member experience, receiving excellent results with a 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 NPS surveys were 63 against a peer of 43.



As a community credit union, People's Credit Union is unwavering in its commitment to giving back to our community; this is demonstrated by making Enhancing the Communities We Serve, one of our core values. 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 2017, 97% of our employees gave back to our communities with their time, talent and treasure.

Maintaining a safe and secure financial institution for our members is an important measure of our success. To that end, 2017 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 financial strength, People's Credit Union has earned and maintained the Bauer Financial 5-Star Rating for 101 consecutive quarters, earning the distinction as a "Best of Bauer" credit union for maintaining a 5-star rating for 25 continuous years or longer.

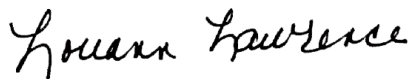
(continued on page 5)

“At People’s Credit Union we have maintained our commitment to providing our members an extraordinary member experience while focusing on their financial success.”

(continued from page 4)

Providing an Extraordinary Employee Experience is also one of our core values. We believe that providing a workplace that values its employees and provides growth opportunities while maintaining work-life balance is important to attracting and retaining the talent important to the Credit Union’s success. As result of our focus on this core value, People’s Credit Union was again named a Providence Business News Best Places to Work for the 5th consecutive year!

All of the above accomplishments over the past year would not have been possible without our talented and dedicated employees; it is truly an honor to work with an exceptional team of Board, Management and staff who are committed to providing service excellence, improving the lives of our members while maintaining People’s Credit Union as a safe and sound organization. Thank you for continuing to bank with your trusted financial institution – People’s Credit Union.



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 2017 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 new online account opening systems, allowing existing members to open new accounts through our myBanking™ online banking system and new members to open accounts through our website. New members also have the ability to digitally upload all account identification documents from their tablet or smartphone, making the process fast and simple.

Based on member feedback, we upgraded our online and mobile banking bill payment service. With our new bill pay service, members now have the ability to access electronic bill statements, schedule automatic and recurring bill payments, and pay friends and family members directly with just an email address or mobile phone number using Popmoney®. Also, myBanking™ and myMobile™ now integrate fully with Quicken® and Quickbooks™ products, making it easier than ever for our members to manage their money from their PC, smartphone, or tablet.

In 2017, we continued to make enhancements to our members' mortgage experience by introducing FHA and VA mortgage products. Also, besides offering our members a complete online solution to apply for and receive updates related to mortgage loan applications, we now offer members the opportunity to apply for home equity loans and lines of credit using our online platform. We are striving to make the mortgage and home equity application process quick and effortless for our members.

We have more exciting member enhancements in store for 2018, so keep an eye out for announcements in our monthly Member Connections email newsletters and on our website.

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, 2017, along with the accompanying balance sheets and statements of income.

The Credit Union ended 2017 with total assets of \$460.8 million, representing an increase of 0.4% from 2016 levels. Loans outstanding to members totaled \$389.9 million, net of reserves of \$3.5 million. This represents a decrease of 1.4%. The investment portfolio totaled \$24.5 million, representing a decrease of 4.0%.

Member deposits totaled \$376.8 million, representing an increase of 2.5%. Utilization of Federal Home Loan Bank Advances decreased 26.5% to \$32.5 million.

For the fiscal year 2017, the Credit Union realized net income of \$3.2 million versus \$2.4 million in 2016. This represents an increase of 34.1%.

Members' equity increased 8.2% to \$45.2 million. The Credit Union's regulatory capital ratio remains "well-capitalized" at 11.10%.

Respectfully submitted,

A handwritten signature in black ink that reads "William L. Douglas, Jr." in a cursive script.

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 2017.

	<u>Number of loans</u>	<u>Amount</u>
Real estate loans	141	\$34,844,650
Equity loans	198	\$15,964,940
Automobile loans	2,684	\$46,008,944
Savings secured loans	69	\$398,500
Personal loans	536	\$2,829,283
Personal lines of credit	100	\$669,250
Mobile home loans	31	\$1,645,850
Business loans and lines	36	\$5,632,606
TOTAL	<u>3,795</u>	<u>\$107,994,024</u>

Respectfully submitted,

Lynette M. Dawley
Chair

Balance Sheets (unaudited)

(in thousands)

	December 31,		% change
	2017	2016	
Assets			
Cash and cash equivalents	\$23,452	\$14,537	61.3%
Investments	24,474	25,483	-4.0
Loans, net of allowance for loan losses	389,916	395,537	-1.4%
Loans held for sale	0	0	N/A
Premises and equipment, net	11,831	12,340	-4.1%
Other real estate owned	100	536	-81.3
Other assets	10,978	10,528	4.3%
Total assets	\$460,751	\$458,961	0.4%
Liabilities			
Member Deposits	\$376,794	\$367,555	2.5%
Federal Home Loan Bank advances	32,476	44,179	-26.5%
Mortgagors' escrow accounts	1,170	1,018	14.9%
Other liabilities	5,146	4,480	14.9%
Total liabilities	415,586	417,232	-0.4%
Members' equity			
Retained earnings	51,155	47,960	6.7%
Accumulated other comprehensive (loss) income	(5,990)	(6,231)	-3.9%
Total members' equity	45,165	41,729	8.2%
Total liabilities & members' equity	\$460,751	\$458,961	0.4%

The above consolidated financial statements have been derived from the Credit Union's audited financial statements as of December 31, 2017 and 2016. 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,		% change
	2017	2016	
Interest and dividend income			
Loans	\$ 16,333	\$ 15,509	5.3%
Investments	423	443	-4.5%
Other interest-earning assets	<u>257</u>	<u>71</u>	<u>262.0%</u>
Total interest and dividend income	17,013	16,023	6.2%
Interest expense			
Interest on deposits	1,394	1,359	2.6%
Federal Home Loan Bank advances	<u>649</u>	<u>702</u>	<u>-7.5%</u>
Total interest expense	<u>2,043</u>	<u>2,061</u>	<u>0.9%</u>
Net interest income	14,970	13,962	7.2%
Provision for loan losses	<u>1,896</u>	<u>1,315</u>	<u>44.2%</u>
Net interest income after provision for loan losses	13,074	12,647	3.4%
Non-interest income			
Member service fees	3,670	3,103	18.3%
Loan servicing fees and related income	531	318	67.0%
Gain on sales of loans, net	199	246	-19.1%
Gain on sale of assets	66	266	-75.2%
Miscellaneous income	<u>86</u>	<u>125</u>	<u>-31.2%</u>
Total non-interest income	4,552	4,058	12.2%
Non-interest expenses			
Compensation and employee benefits	7,809	7,669	1.8%
Occupancy and equipment	1,581	1,602	-1.3%
Marketing & Advertising	414	355	16.6%
Loan Operations	497	442	12.4%
Retail Operations	1,729	1,671	3.5%
Professional Services	512	513	-0.2%
Other expenses	<u>1,889</u>	<u>2,070</u>	<u>8.7%</u>
Total non-interest expenses	<u>14,431</u>	<u>14,322</u>	<u>0.8%</u>
Net income	<u>\$ 3,195</u>	<u>\$ 2,383</u>	<u>34.1%</u>

The above consolidated financial statements have been derived from the Credit Union's audited financial statements as of December 31, 2017 and 2016. 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.



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

