

---

*The Artisans of Banking*

# ANNUAL REPORT 2018

SELFIE-WORTHY SERVICE.

CRUELTY-FREE BANKING.

*Premier Members Credit Union*

---

— 2018 —

**TABLE OF CONTENTS -**

<i>60 Looks Good on You, Premier!</i>	3
<i>Looking Back From Where We Came</i>	4
<i>Chairman Report</i>	7
<i>CEO Report</i>	8
<i>Supervisory Committee Report</i>	9
<i>Treasurer Report</i>	11
<i>Financial Report</i>	12
<i>Financial Comparison</i>	14
<i>Credit Officer Report</i>	16
<i>Community Outreach Report</i>	17

**60 LOOKS GOOD ON YOU, PREMIER!**

What an exciting year 2018 was! We continued to grow our membership to over 70,000, unveiled our new brand, and rang in 2019 by celebrating our 60th birthday!

We got our start by serving 17 teachers of Boulder Valley School District as Boulder Valley Credit Union and 25 IBM employees as IBM Boulder Federal Credit Union. Things grew quickly and it wasn't long before assets, and membership, were much higher.

Fast forward through almost 60 years and by 2018, our assets were over \$1 billion, our membership is over 70,000 strong and now, as The Artisans of Banking, we're bringing back the old-school service values from when we were founded.

Cheers to 60 more!

## 60 YEARS OF BANKING

JANUARY 14TH  
**1959**

Talk about humble beginnings! Born in a classroom at Casey Jr. High School, the initial home office for Boulder Valley School's Credit Union consisted of a filing cabinet and a money box. That's it. Seventeen charter members deposited \$5 each for a total of \$85 in beginning assets. By the end of '59, assets were up to \$19,977 serving 119 members. Growth was good.

**1963**

Movin' down to move up, we relocated into the basement of Central High School on 15th and Walnut. Still humble, still growing.

FEBRUARY 16TH  
**1966**

Like the old saying goes, "If you want something done right, create your own credit union." A group of workers at IBM decided they wanted high quality, personalized service, and together, 25 people united on this day to create what was initially called the IBM Boulder Federal Credit Union.

**1967**

Having cash after dark gains popularity when the ATM is invented and debuts in England on June 27, 1967.

**1970**

"Federally insured by the NCUA" officially becomes a thing as Congress creates the National Credit Union Administration as an independent agency to charter and supervise federal credit unions.

**1976**

The \$2 bill was reintroduced. Assets reached \$2.5 million with 2,500 members, about 1.25 million \$2 bills.

**1981**

Sharing is caring. A group of visionary credit unions combined resources to create the CO-OP Network, which eventually lead to shared banking.

**1987**

Home, sweet home. HQ moved to its current location at 55th and Arapahoe as assets reached \$22 million with 6,400 members.

**1994**

Banking in your pajamas became an option as online banking was introduced to the world when the Stanford Credit Union created the first online banking website.

**1996**

Our Estes Park branch opened, which is our northernmost location.

**2000**

What was previously known as IBM Boulder Federal Credit Union changed its name to what we now know as Premier Members Federal Credit Union.

**2007**

We became the first fully eco-conscious financial institution in Colorado – setting the bar by adding solar panels to our HQ building and establishing proper waste management. Sustainability isn't just something we say, it's in our DNA.

**2009**

It's official, school is cool again – we opened our first full-service student branch location at Boulder High.

**2015**

Boulder Valley Credit Union and Premier Members Federal Credit Union joined forces in a "merger of equals," to form a new credit union called Premier Members Credit Union.

**2019**

A new brew of old-school banking is scheduled to come to Castle Rock as we expand into Douglas County, when we introduce our 13th branch.



*Our Arapahoe branch brought to you by big hair, T-tops and \$22 million in assets.*

## CHAIRMAN REPORT -

2018 was very strong for Premier Members Credit Union. Growth rates exceeded 10% since we reached a total asset size over \$1 billion. PMCU is in the top 250 credit unions (top 5%) in the industry, a group which holds over 80% of all assets in the credit union movement. PMCU continues to grow in an environment where the number of financial institutions continues to decrease.

Our dedicated management team and staff developed and introduced ground-breaking new products that helped both longtime members and new members alike with their banking needs. One of PMCU's products, the reverse-tier money market, gave above-market rates on smaller balances brought into PMCU. Another product, the new Earn Big Free Checking, used the same reverse-tier methodology to pay a higher rate on lower balances, and it was highlighted in the January, 2019 issue of Kiplinger magazine as one of four "top checking accounts" in the United States.

Carlos Pacheco serves as PMCU's CEO, and along with the senior management team, is expanding overall marketing efforts and daily management of PMCU. The credit union continues receiving highly satisfactory ratings from DORA, the state regulator, and NCUA, assuring sound and safe operations going forward.

Thank you to all of the credit union volunteers serving on the Board of Directors and Supervisory Committee for donating their time, talent, and expertise in serving as our member/owner representatives. Our credit union would not be the success it is today without the loyal membership of the shareholders and owners of PMCU.

### **MARK GISI**

*Chairman of the Board*

**CEO REPORT -**

2018 was a year of reflection and recognition. It began with the credit union exceeding \$1 billion in assets. The continued growth throughout the year helped cement PMCU in the top 5% of credit unions nationwide, based on asset size. This reflects the commitment of our employees and volunteers, who focus on the organizational foundation of being BRAVE – Build Relationships and Add Value Every Day, with three distinct facets.

**BUILD MEMBER RELATIONSHIPS THAT DELIVER VALUE AND DEMONSTRATE THAT WE CARE**

Throughout 2018, we promoted several products that provided financial value to our members during a rising-rate economy. The reverse-tier money market account provided a rate as high as 4% on the lowest of balances. This dividend offering was added along with the launch of Earn Big Free Checking, a nationally recognized checking account option offering account owners the same rates as a money market account (with qualifying criteria). The addition of a new market-linked certificate product also provided value to members. In addition, we continued identifying locations for expanding our geographic presence, in order to provide convenient branch banking services for our members.

**BUILD EMPLOYEE RELATIONSHIPS THAT PROVIDE A CHALLENGING AND FULFILLING WORKPLACE**

In 2018, we reviewed and enhanced employee job descriptions and compensation levels, to align with a service model focused on our members. The launch of the Respectful Leader management development training ensures that our management team shares a consistent set of values and commitment to employees. This was a prelude to the Heart of the Artisan training that is occurring throughout 2019, for all employees. We have continued conducting quarterly employee

surveys, incorporating feedback and making the work environment more effective, efficient, and fulfilling.

**BUILD COMMUNITY RELATIONSHIPS THAT STRENGTHEN THE COMMUNITIES WE SERVE**

Through the Premier Gives initiative, 2018 was a banner year for connecting the credit union with the communities we serve. Employees donated over 900 community outreach hours and gave more than \$60,000 in payroll deductions to benefit local nonprofits. Members also participated by giving more than \$44,000 through the inaugural Artisans of Giving campaign. The campaign raised more than \$104,000 to benefit Foothills United Way, a community-based nonprofit serving Boulder and Broomfield Counties. We also awarded \$35,000 in higher-education scholarships through a number of PMCU programs and partnerships. Premier Members Credit Union was awarded the 2018 Mountain West Credit Union's Community Impact Award in recognition of accomplishments from the Premier Gives program. The award recognizes credit unions within the tri-state area of Arizona, Colorado, and Wyoming who serve as an inspiration to other credit unions and go above and beyond to serve their members and communities.

All of us at PMCU remain focused on BRAVE as it relates to our members, employees, and the communities we serve, and look forward to expanding our commitment to it in 2019 and beyond. We are grateful to our members for their continued trust.

**CARLOS PACHECO**

*Chief Executive Officer*

**SUPERVISORY COMMITTEE REPORT -**

The Supervisory Committee oversees the checks and balances for the credit union. We work with the Board of Directors, credit union management, two audit firms, Colorado Division of Financial Services (DFS), and the National Credit Union Association (NCUA). We review all internal audit findings, external audits, and member concerns, to ensure appropriate actions are taken to resolve issues and mitigate risk. The goal is to ensure member satisfaction and financial stability for our members.

2018 was a good year for Premier Members Credit Union as we grew assets and loans while maintaining a net worth ratio of 10.66%.

With new branches planned for 2019, continued and balanced loan growth, a strong management team, and focused volunteers within the Board and Supervisory Committee, PMCU will continue to provide a stable financial platform for member banking services into 2019 and beyond.

**GARY HORTON**

*Chairman of the Supervisory Committee*



Work checklist: Typewriter? Check. Ruler? Check.

## TREASURER REPORT -

In 2018, Premier Members Credit Union (PMCU) continued its strong financial performance with growth in assets, net income, and equity. The credit union has continued to be an excellent steward of members' money, delivering an efficiency ratio of 59.47%. These accomplishments were possible thanks to the efforts of the staff, who have worked tirelessly with senior management to execute the strategic plan of the Board of Directors. Along with strong results for 2018, the credit union has received excellent reports from both state and federal examiners and auditors.

PMCU continues to be a safe and sound financial institution and is committed to delivering strong financial results for its members. The following highlights from our financial statements demonstrate this commitment.

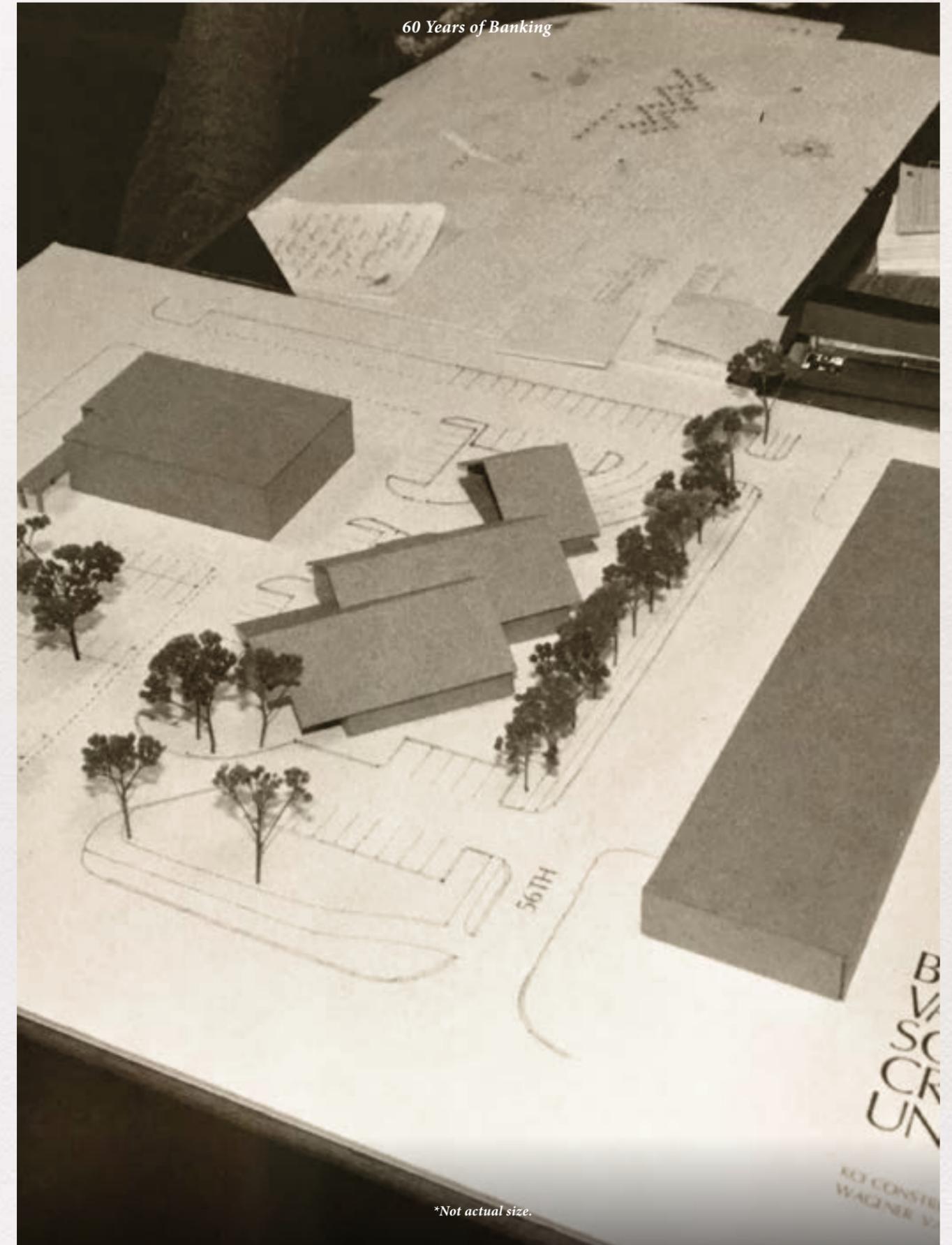
Premier Members Credit Union is well-capitalized with a net worth of 10.66%. Net income grew by 36.30% to \$11,761,140. Loans are the core of our business, and a healthy loan portfolio is key to the ongoing success of PMCU. Loans grew by 15.18% to \$906,188,015. Additionally, total assets for the credit union increased \$116,575,430 (11.46%) to \$1,134,091,465. With the strong financial performance in 2018, PMCU continues to build the resources to add value for its members in 2019 and beyond.

## HARVEY A. KAMIONKA

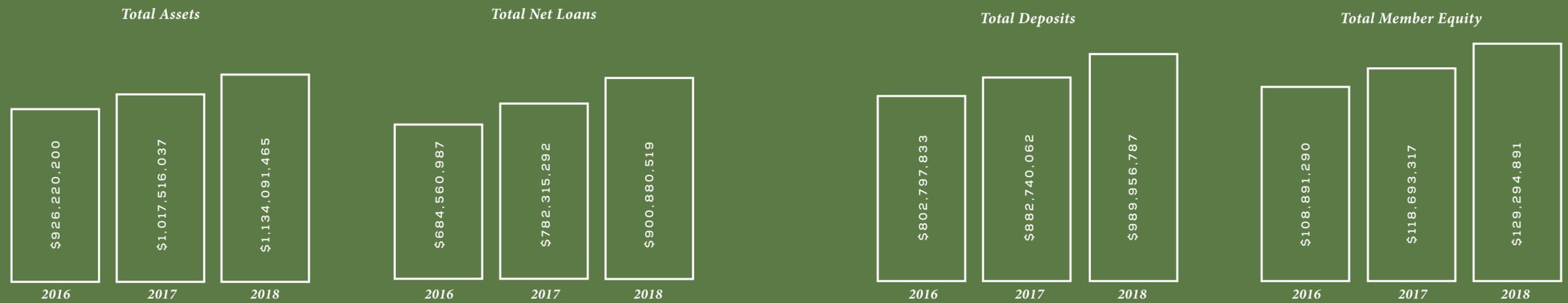
*Treasurer*

FINANCIAL REPORT -

FINANCIAL STATEMENT	2016	2017	2018
TOTAL ASSETS	\$926,220,200	\$1,017,516,037	\$1,134,091,465
TOTAL NET LOANS	\$684,560,987	\$782,315,292	\$900,880,519
TOTAL GROSS LOANS	\$688,338,965	\$786,745,077	\$906,188,015
TOTAL DEPOSITS	\$802,797,833	\$882,740,062	\$989,956,787
TOTAL MEMBER EQUITY	\$108,891,290	\$118,693,317	\$129,294,891
% OF ASSETS	11.76%	11.67%	11.40%
GROSS REVENUE	\$42,570,415	\$48,009,408	\$55,521,582
DIVIDENDS & INTEREST EXPENSES	\$2,009,619	\$3,633,406	\$6,800,255
PROVISION FOR LOAN LOSSES	\$3,256,827	\$3,398,552	\$4,120,129
TOTAL OPERATING EXPENSES	\$30,098,056	\$31,687,929	\$33,019,186
NON-OPERATING EXPENSES/(INCOME)	(\$1,049,332)	\$660,729	(\$179,127)
NET INCOME	\$8,255,245	\$8,628,792	\$11,761,139



FINANCIAL COMPARISON



**CREDIT OFFICER REPORT -**

Premier Members Credit Union (PMCU) enjoyed another very successful year with respect to its lending line of business. Loans grew by \$120 million or 15.2% to end the year at \$906 million on annual production of \$384 million. The loan to share ratio was reported at a very respectable 91.54%. Premier Members' combined delinquencies and net charge-offs were 69 basis points, significantly better than peer averages. The main areas of lending growth were in auto, real estate, and first mortgages.

2018 saw significant improvements in lending software application efficiencies and processes. Improvements to our lending platform included instant decisioning and the ability for members to join, apply for a loan, and sign their disclosure agreements without ever having to step foot in a branch. 2018 was a year of development in three lending lines of business; credit card, first mortgages, and commercial lending. The introduction of three new indirect lending channels in 2017 to diversify risk produced excellent 2018 results.

Premier Members Credit Union ran a number of pre-screened lending campaigns in mortgages, auto lending, and credit cards, all which proved to be very successful. Our goal is to provide easy, effective, and efficient service to our members in their preferred method of doing business.

I am very proud of our membership support and staff contributions in making 2018 a very successful year. We will continue to strive to build relationships and add value every day.

**LINDSAY SANDHAM**  
Chief Lending Officer

**PREMIER GIVES**

*We are passionate in supporting the communities where we live and believe in taking action and being proactive to make our communities a better place today and tomorrow.*

*Premier Gives reflects the values of our members, in order to ensure success in your local schools and neighborhoods. Together, we provide our community with funds and volunteers to support areas of education, financial literacy, and local community-based giving.*

**\$299,348**

**DONATED FOR COMMUNITY SUPPORT**

 **\$62,944**

**RAISED BY EMPLOYEES  
VIA FOOTHILLS UNITED  
WAY'S ANNUAL CAMPAIGN**

**911**

**EMPLOYEE  
OUTREACH  
HOURS**

**9** HIGHER-  
EDUCATION   
SCHOLARSHIPS





*Old-school cool.*



PMCU.ORG | 303.657.7000  
5505 ARAPAHOE AVE.  
BOULDER, CO 80303