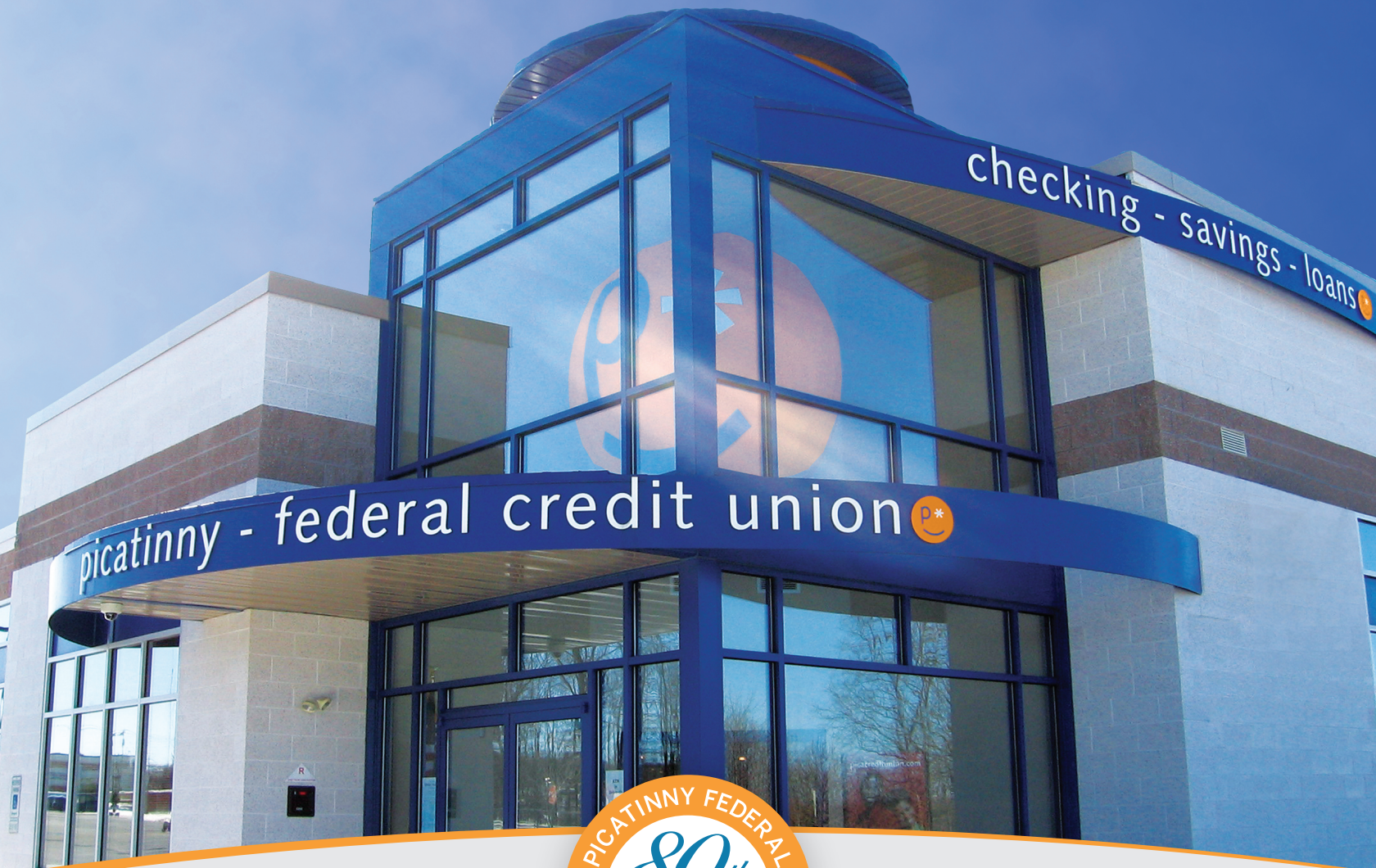


2018 Balance Sheet & Income Statement



Celebrating 80 Years of Faithfully
Serving Our Members | 1939-2019

picatinny 
*federal credit union

Balance Sheet

as of December 31, **2018** **2017**

ASSETS

Cash and Cash Equivalents

Cash	1,648,811	1,107,457
Overnight Investments	2,072,950	283,437
Due From Financial Institutions	18,484,379	15,227,831
TOTAL CASH & CASH EQUIVALENTS	22,206,140	16,618,725

Investments

Federal Agency Securities	69,392,289	75,416,977
Mortgage Backed Securities	47,708,708	56,259,560
Certificates of Deposit	36,449,000	23,699,000
Equity Investments	1,784,900	1,676,400
AFS Valuation Reserve	(1,743,857)	(1,161,073)
TOTAL INVESTMENTS	153,591,040	155,890,864

Loans

Credit Card	10,378,896	9,707,130
Other Unsecured	5,110,989	4,893,005
Share Secured	502,906	558,126
New Vehicle	10,474,723	8,825,705
Used Vehicle	18,299,108	16,716,406
First Mortgage	62,348,183	63,101,981
Other Real Estate	46,441,623	46,839,801
All Other	318,321	357,685
GROSS LOANS	153,874,749	150,999,839
Allowance for Loan Losses	(776,190)	(812,400)
TOTAL LOANS, NET	153,098,559	150,187,439

Other Assets

NCUA insurance	3,001,095	2,916,724
Accrued Interest on Investments	522,684	495,743
Accrued Interest on Loans	311,464	293,364
Other Assets	1,274,674	1,087,303
Fixed Assets	6,984,208	6,847,200
TOTAL OTHER ASSETS	12,094,125	11,640,334
TOTAL ASSETS	\$340,989,864	\$334,337,362

LIABILITIES AND EQUITY

Deposits

Regular Shares	185,020,804	179,869,474
Share Drafts	55,561,865	52,106,762
Money Market	23,072,300	25,415,211
Share Certificates	33,458,928	32,008,027
IRA Shares	7,713,711	8,923,168
IRA Certificates	6,923,235	6,687,047
TOTAL DEPOSITS	311,750,843	305,009,689
All Other Liabilities	1,833,084	2,493,226
TOTAL LIABILITIES	313,583,927	307,502,915

Equity

Regular Reserves	4,181,642	4,181,642
Undivided Earnings	24,968,152	23,813,877
Net Unrealized Loss on Investments AFS	(1,743,857)	(1,161,072)
TOTAL EQUITY	27,405,937	26,834,447
TOTAL LIABILITIES & EQUITY	\$340,989,864	\$334,337,362

Income Statement

as of December 31, **2018** **2017**

INTEREST INCOME

Interest on Overnight Investments	13,840	5,152
Interest on Other Investments	3,323,165	2,748,554
Interest on Loans	6,170,120	5,920,543
TOTAL INTEREST INCOME	9,507,125	8,674,249

TOTAL INTEREST EXPENSE

TOTAL INTEREST EXPENSE	1,195,294	1,007,330
NET INTEREST INCOME	8,311,831	7,666,919

PROVISION FOR LOAN LOSSES

Provision for Loan Losses	(231,000)	(142,000)
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NET INTEREST INCOME AFTER PROV

FOR LOAN LOSSES	8,080,831	7,524,919
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NON-INTEREST INCOME

Fee Income	395,207	392,202
Other Operating Income	1,805,813	1,507,201
Gain on the Sale of Loans	122,397	21,735
Gain on Sale of Other Assets	–	5,716
TOTAL NON-INTEREST INCOME	2,323,417	1,926,854

NON-INTEREST EXPENSE

Salaries	3,549,004	3,441,840
Benefits	1,021,724	912,455
Travel & Conference	13,516	11,254
Office Occupancy	551,861	546,037
Office Operations	2,378,318	2,132,689
Marketing	374,653	294,775
Loan Servicing	516,216	639,970
Outside Services	571,087	439,978
NCUA Insurance and Operating	88,305	84,018
Other Operating	185,289	113,124
TOTAL NON-INTEREST EXPENSE	9,249,973	8,616,140
NET INCOME	\$1,154,275	\$835,633

Letter from the Chairman & CEO

Dear Member,

Anyone following national and world events in 2018 knows that our economy started to experience some moderate headwinds for the first time in this 10-year expansion. The Federal Reserve raised the Federal funds rate four times in 2018 in an effort to fulfill its anti-inflation mandate. This raised the cost of borrowing on everything from credit cards to auto loans to home mortgages as well as the costs to expand businesses. Consumers, who were spending on purchases in the first half of 2018, began to pull back as talk of Brexit, trade wars, and a government shutdown dominated the news in the latter part of the year and created a great degree of economic uncertainty. Your credit union felt the effects of this uncertainty as demand for loans began to shrink and loan growth slowed significantly.

In spite of this uncertainty, your credit union had some major successes on many fronts. Attracting members, especially younger members, is a struggle for credit unions nationwide. We are happy to report that PFCU attracted 1,753 new members in 2018. The majority of these members (965) were under the age of 40. Indeed, 360 of them were under the age of 18. New members were responsible for 574 loans totaling \$11.9 million. At year end our total membership was just shy of 18,000.

So why have we been so successful in growing members when others are not? People in Morris County are realizing the value of being a member of PFCU. Credit unions in general have been known for their attractive rates and low fees, but PFCU is so much more than that. Over the past 5 years we have focused on upgrading our technology and expanding the skills of our people so that we are able to compete with any financial institution in Morris County. This effort will never end as financial technology changes at an astounding pace and financial services become more complex.

Consumers, especially younger consumers, seem more concerned with digital access and services than with rates and fees. We are making a concerted effort to provide the digital services our members are looking for and will continue to stay abreast of technology trends.

In addition to digital technology, we continue to upgrade our existing product line. As we do so, we realize that one size does not fit all. In 2017 we began offering two new Visa credit cards, each with its own particular focus. The Premium Rewards card is for those who focus on rewards points. The Personal Choice card is for those who are looking for the lowest possible rate. Both cards have been well received by our members. Almost 25% of our members have one of our credit cards representing one of the best product penetration rates among credit unions in NJ.

Auto loans have been the bread and butter of credit union lending for many years. Our efforts at digital marketing as well as our new loan origination system, which gives members instant decisions online, have greatly improved our auto loan growth. Auto loans grew \$3.2 million in 2018 which represents more than the net overall growth in loans of \$2.9 million.

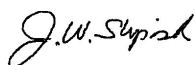
As mentioned in last year's report, we signed a lease agreement for a storefront at the Baldwin Shopping Center in Parsippany in November of 2017. Exactly one year later we opened our doors at a very successful grand opening on November 17. The results thus far have been very encouraging. Even with expanding digital channels, people still need branches. Parsippany is a new type of branch. It is an open floor plan concept with no teller line. It is staffed by our "Member Experience Professionals" each of whom can assist members with any service or type of transaction. PFCU now has five locations in Morris County to serve its members and will be converting its existing branches to the Parsippany model in the coming years.

While we have continued to improve our infrastructure, technology, employee knowledge base and product line, our financial results have improved as well. Net income for 2018 was \$1,154,275 which represents an increase of \$318,642 or 38% from 2017. Included in this was a \$221,000 one-time partial reimbursement from the NCUA for funds we contributed to stabilize the corporate credit union system during the Great Recession. Without this one-time adjustment our net income would have increased \$97,642 or 12% over the prior year.

Adding loans and members while improving the member experience through training and technology will be our challenges in 2019. However, as we continue to grow, our mission will not change: we will continue to offer financial solutions to help our members achieve their goals and realize their dreams.

We want to thank each and every one of you who have remained loyal and active participants in our credit union. We look forward to serving all of our members and thank you for your continued support.

Sincerely,



Joe Shiposh
Chairman of the Board



Keith McCarthy
President & CEO

BOARD OF DIRECTORS

Chairman Joe Shiposh
Vice Chairperson Nancy Mueller-Davis
Treasurer Jay Decker
Assistant Treasurer Gary Caltabillotta
Secretary Leon Moreau, IV
Director Matthew Adams
Director Joe Carroll

BOARD OF DIRECTORS (continued)

Director Anthony Hawthorne
Director Kim Jones
Director Valerie Morgan
Director Ray Rokicki

CREDIT UNION CEO

President & CEO Keith McCarthy

SUPERVISORY COMMITTEE

Acting Chairperson Kim Jones
Committee Member Frank Cautero
Committee Member Dominick Moreo
Committee Member Lawrence Pinder
Committee Member Rudolph Sabatino

Picatinny Federal Credit Union

BRANCHES & LOCATIONS

Denville Branch Monday–Friday: 8:00am–6:00pm
340 E. Main Street Saturday: 8:30am–12:00pm
Denville, NJ 07834 ATM (Drive Up)

Rockaway Branch Monday–Friday: 8:00am–6:00pm
100 Mineral Springs Drive Saturday: 8:30am–12:00pm
Dover, NJ 07801 ATM

Mt. Olive Branch Monday–Friday: 8:00am–6:00pm
10 International Drive South Saturday: 8:30am–12:00pm
Flanders, NJ 07836 ATM (Drive Up)

Parsippany Branch Monday–Friday: 8:00am–6:00pm
200 Baldwin Road Saturday: 8:30am–12:00pm
Parsippany, NJ 07054 ATM

Arsenal Branch Monday–Wednesday and Friday: 8:00am–3:30pm
Building 30 South Thursday: 8:00am–6:00pm
Picatinny Arsenal, NJ 07806 ATM

For a complete set of 2018 audited financial statements & footnotes contact: Ray Silfies, Chief Financial Officer, Picatinny Federal Credit Union, 100 Mineral Springs Drive, Dover, NJ 07801, rsilfies@picacreditunion.com.

The 5300 quarterly report filed with the NCUA for Picatinny Federal Credit Union for December 31, 2018 can be obtained at www.NCUA.gov under Credit Union Data. Our charter number is 3291.

The address for the NCUA is: NCUA, 3375 Duke Street, Alexandria, VA 22314-3428.

MISSION:

Caring about our family of members by offering financial solutions to help them achieve their goals and realize their dreams.