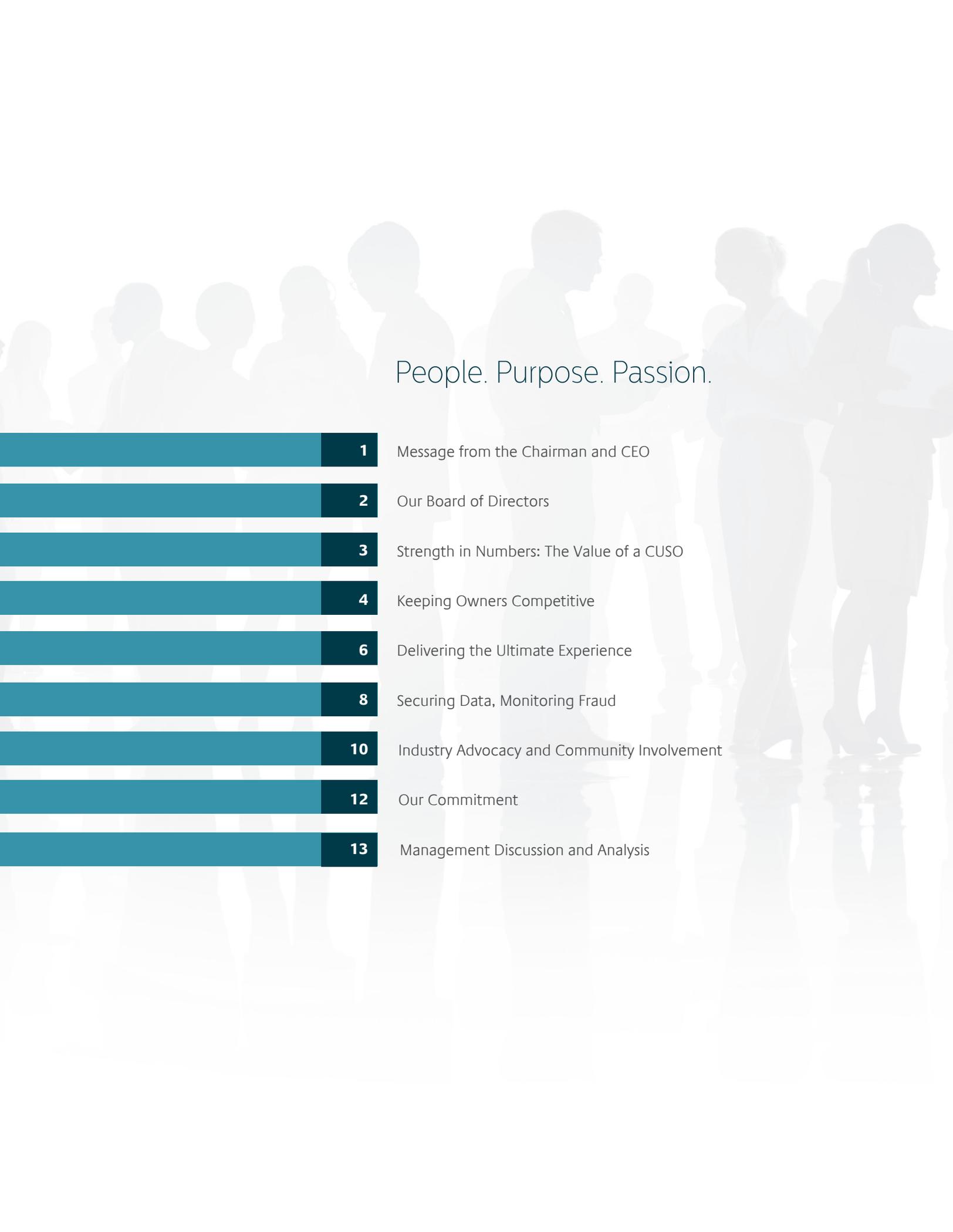


People. Purpose. Passion.



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1

Message from the Chairman and CEO

2

Our Board of Directors

3

Strength in Numbers: The Value of a CUSO

4

Keeping Owners Competitive

6

Delivering the Ultimate Experience

8

Securing Data, Monitoring Fraud

10

Industry Advocacy and Community Involvement

12

Our Commitment

13

Management Discussion and Analysis

Message from the Chairman and CEO

PSCU's commitment to our Owners and their members is unwavering. As the nation's leading Credit Union Service Organization (CUSO), we are dedicated to ensuring PSCU's credit unions are well-positioned to reach their goals. PSCU is a service company that delivers payment solutions; cornerstones of our mission include providing an unparalleled member experience, enabling credit union growth, and securing credit union and member data.

Since April 2015, when the CEO transition was completed, PSCU has aggressively renewed its focus on its mission of service delivery. The cooperative executed five enhancements designed to improve every aspect of the member experience while providing the expertise and tools to enable credit union growth. Owners have benefited from PSCU's efforts to:

Create tighter alignment with credit unions' strategic plans. We adjusted our service model to include a customized relationship management program for every Owner. We want to fully understand each Owner's strategic plan to better align solutions that meet their individual goals.

Develop and implement greater efficiencies for credit union staff. Our integration of credit union platforms with third-party systems gives front-line staff faster, easier access to the data they need to resolve members' payment inquiries. MemberConnect, PSCU's portal that connects credit union staff to PSCU's support team, was reengineered to simplify navigation and make it easier for credit union staff to locate the tools, resources and functionality they frequently use.

Improve reliability and expand convenience. Infrastructure improvements, 24/7/365 call center servicing, self-service tools, and mobile applications give members the always-on, multi-channel resources they demand to manage their accounts through the channel of their choice.

Provide data and analytics tools. Using data analytics allows Owners to better support the needs of their members and make better operating, marketing and financial decisions. Our proprietary tools provide Owners access to a rich transaction database and give them fully customizable reports to support the individual needs of their business.

Enhance data security. We continue to invest in enterprise risk management initiatives and cybersecurity tools to harden our defenses against cyber-attacks. This robust security operation is designed to safeguard credit unions' sensitive data from compromise and mitigate the risk of disruptive events.

In 2015, the 800 credit unions in our cooperative generated more than 2 billion transactions and accounted for \$80 billion in sales. PSCU added more than 700,000 new accounts and grew revenue by over 10%. Our collective success resulted in the issuance of a \$36.5 million patronage dividend, a 20% increase over last year to benefit our Owners.

Our focus on people, purpose, and passion means PSCU is entirely dedicated to our credit unions' success and on continuously improving their members' service experience. We believe that today's success will fuel tomorrow's prosperity.



David E. "Dave" Doss
Chairman



Charles E. "Chuck" Fagan, III
President & CEO

David E. Doss

Chk E. Fagan

Our Board of Directors

PSCU is governed by a board of directors composed of CEOs of its credit union Owners who answer to the cooperative's credit unions.



David Doss
Chairman
CEO/President
Arizona State CU
Phoenix, AZ



Jeff March
Vice Chairman
CEO/President
Citadel FCU
Thorndale, PA



Gene Foley
Treasurer
CEO/President
Harvard University
Employees CU
Cambridge, MA



Cathie Tierney
Secretary
CEO/President
Community First CU
Appleton, WI



Craig Esrael
Past Chairman
CEO/President
First South
Financial CU
Bartlett, TN



Sean Rathjen
Board Member
CEO/President
Consumers
Cooperative CU
Round Lake Beach, IL



Tom Ryan
Board Member
CEO/President
Langley FCU
Newport News, VA



Kit Snyder
Board Member
CEO/President
Consumers CU
Kalamazoo, MI



Rob Stuart
Board Member
CEO/President
OnPoint Community CU
Portland, OR



Frank Weidner
Board Member
CEO/President
Wings Financial CU
Apple Valley, MN



Terry West
Board Member
CEO/President
VyStar CU
Jacksonville, FL



Cathy Pace
Associate Director
CEO/President
Allegacy FCU
Winston-Salem, NC



Andrew Rosen
Associate Director
CEO/President
Hawaii State FCU
Honolulu, HI



Amy Sink
Associate Director
CEO/President
Interra CU
Goshen, IN



Strength in Numbers: The Value of a CUSO

As a CUSO, our Owners benefit from PSCU's buying power for key services, industry advocacy and strategic partnerships. Our ongoing investments in transaction processing, fraud prevention, digital payments, loyalty rewards, data analytics, and 24/7/365 call center support give Owners the tools they need to excel in their markets. Through our relationships with technology partners, Owners are able to adopt newer payment technologies such as EMV chip cards and digital wallets.

As a cooperative, our credit unions are Owners that share in company profits that are distributed annually as tax-free patronage dividends. Since becoming a cooperative in 1994, PSCU has issued \$435 million in dividends. To date, 50% of this amount has been paid to our Owners in cash with the balance held as member equity.

PSCU is governed by a board of directors, composed of CEOs of our credit unions. This diverse group represents credit unions of all sizes and geographic locations throughout the U.S. Our board is elected by our Owners and plays a critical role in setting the strategic direction for the organization. Each of our board members are chosen for election by the nominating

committee using a controlled process to ensure diversity of thought and representation of our Owners.

PSCU's advisory groups also play a critical role in setting priorities for the organization. These groups, comprising representatives from a diverse mix of our Owners, understand the core mission of credit unions and provide specific insight and guidance to PSCU on their behalf.

We also embrace our responsibility to advocate for the credit union industry and the communities they serve. From financial support for the Filene Research Institute to sponsorship and participation in the Global Women's Leadership programs of the World Council of Credit Unions and representation on industry trade association boards, PSCU actively promotes the importance of credit unions in the financial services landscape.

Our industry was built on serving the financial needs of its communities and bonding financial institutions to members through a sharing of values. At PSCU, we fully embrace the industry's core values of service, trust, and community. The value of PSCU as a credit union partner is measured by the success of its Owners.



Keeping Owners Competitive

PSCU closely monitors developments in the payments industry to understand how technology and new competitive forces may impact credit unions and their members. We also work to ensure Owners have access to the type of services and solutions that enhance the financial services experience of members.

EMV Cards and Digital Wallets

The U.S. is in the process of a transition to EMV chip cards, prompted by the 2015 liability shift deadlines set by Visa and MasterCard. By partnering with Owners and taking a proactive position on EMV program implementations, PSCU positioned its credit unions to meet liability deadlines and reduce card fraud rates.

Digital wallets such as Apple Pay, Samsung Pay, and Android Pay let members use their smartphones to pay securely at the point of sale with their credit union credit or debit

card accounts. While digital wallets are still in the early adoption stage, PSCU Owners recognize their value as a differentiator. Since late 2014, 160 Owners have partnered with PSCU to offer Apple Pay to members, representing more than 30% of all credit unions that include Apple Pay as a payment option.

Data Analytics

Our Member Insight analytics tools help credit union managers access card portfolio performance reports and identify opportunities to maximize marketing initiatives. Member Insight allows credit unions to better understand their members' transaction histories, spending behaviors, and preferences. Deployed in 2015, nearly 100 Owners are actively using this information to develop targeted marketing strategies to reach members who exhibit a high propensity to use particular services.



Collaborative Model Powers Growth

In addition to ensuring the highest quality of service for Owners and their members, PSCU's credit union engagement model supports a pivotal element in our purpose: helping Owners achieve long-term strategies for continued growth. PSCU's formula for enabling growth involves a coordinated, collaborative effort that includes account relationship managers, strategic portfolio and marketing consultants, and credit union leadership.

The growth process begins with PSCU Account Executives meeting regularly with their assigned credit unions to listen closely to their needs, concerns, challenges, and opportunities. Account executives then acquaint Owners with strategies and tools that will help them fulfill their objectives. In many instances, the process continues with consultation between PSCU's strategic advisors and credit union leadership to determine the most effective plan.

Working collaboratively with the credit union and their Account Executive, our Advisors **Plus** team recommends and implements proven targeted marketing campaigns that align tightly with a credit union's goals for growth and operational improvements. The Advisors **Plus** team

includes former CFOs and portfolio managers who blend data and analytics with aggressive marketing and growth strategies.

The chart below compares the annual credit portfolio performance between two groups of credit unions: those that leveraged Advisors **Plus** expertise and those that did not.





Delivering an Unparalleled Experience

PSCU's goal is to deliver the most efficient, valuable, and memorable service experience possible. We strive for the highest quality at every service touch point, including account management outreach, assistance requests from service and training teams, and calls from members. We also work to ensure the technology that connects PSCU to Owners and Owners to members is robust and efficient. Owners expect attentive support for every aspect of their organization, and PSCU delivers.

Multi-Channel Service Availability

The PSCU team acts as an extension of our credit unions' staff, and we've installed a service support infrastructure that covers the many channels through which credit union staff can interact with us, including phone, online, and our self-serve management tools.

Every relationship between PSCU and a credit union is managed by an Account Executive who serves as the primary point of contact. Our account executives are supported by Service Executives who provide oversight on operational inquiries and act as the primary escalation point for issues. Our member services and training teams serve as entry points into PSCU for all noncritical service related items. Rounding out the team is PSCU's Network Operations Center, which is available 24/7 to provide system monitoring, technical troubleshooting and staff support.



Continual monitoring of service requests, regular planning sessions with PSCU account executives on Owner growth objectives, and the collective voice of the credit union form the foundation for PSCU's service delivery processes.

Integration Services for Back- and Front-Office Staff

To deliver the best member experience, multiple systems, applications, and databases must work together seamlessly. Customizable integration options give credit unions convenient, real-time access to the data and functionality that matters to them to lighten the workload for front-line staff.



MemberConnect, PSCU's portal for its Owners, was completely reengineered during 2015. Working collaboratively with our credit unions, PSCU implemented a new user interface, simplified the design and navigation, and developed new content — all for the purpose of enhancing the end-user experience.

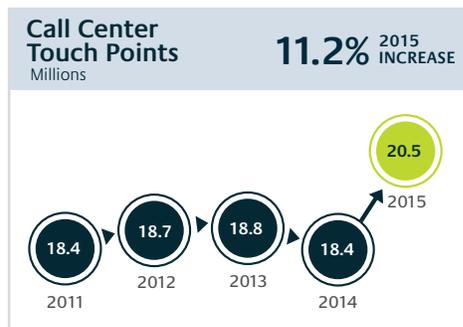
QuickAssist, another integration tool, allows credit union staff to view a more consolidated and holistic picture of members' account activity. This eliminates the need to access multiple systems where different key data and functionality may reside. QuickAssist can be accessed directly from a credit union's core system or via MemberConnect, enabling staff to quickly and accurately address member needs.

24/7/365 Call Center Support

PSCU manages all of its call center assets, including proprietary call processing and quality assurance tools. Continual investment in call center technology and resources means credit union members receive attentive, responsive, helpful service. More than 18 million members engage with our call center staff annually. With call centers in multiple parts of the country and redundant data centers in St. Petersburg, Florida and Phoenix, Arizona, our support for members can continue in the event one service center experiences a disruption. Many Owners have leveraged our call center

resources for member support during events such as system conversions, weather events or special promotions.

In 2015, PSCU implemented a secure cloud-based call management system. The platform gives Owners access to more flexible call-automation services to enhance their members' call center experience. Callers appreciate the system's directed speech functionality, which allows the caller to speak their authentication and selection information.



Mobile Account Access and Self-Service Tools

Members want the ability to manage their credit union account relationships anytime, anywhere, from any channel. From location-based loyalty rewards offers based on individual shopping preferences to bill pay and mobile alerts about account activity and status, PSCU's collection of self-service tools and applications provides fast, convenient account management options.



Securing Data

Fortifying Data Security

PSCU continually invests in information cyber security infrastructure, regulatory compliance oversight, and enterprise risk management tools and processes. This strategy is designed to safeguard PSCU's and Owners' sensitive data from cyber-attacks and mitigate exposure to overall risk threats from business interruption events.

As the risk and regulatory environment continues to evolve, PSCU has increased its investment in a strong, comprehensive program for enterprise risk management that complies with credit union regulatory requirements. PSCU's vendor governance and oversight program supports, protects and mitigates risks to our Owners.

Minimizing Fraud Exposure

Large, publicly traded financial institutions may see fraud loss as the cost of doing business, but credit unions do not have the profit levels needed to absorb such losses. That's why PSCU is relentless about identifying and stopping fraudulent transactions and protecting member data. This is especially important in a robust economy in which confident consumers conduct a higher volume of transactions. Increases in overall transaction volume have historically correlated to higher levels of card payment fraud activity.

Leveraging the scale of the cooperative, PSCU continually develops and implements new technology and processes to combat the increase in fraud and identify potentially fraudulent activity on members' accounts. Our vigilance goes beyond relying on software and

computing power to disrupt potentially fraudulent behavior; we proactively update and deploy risk models to detect and prevent fraud while balancing the impact on the member experience. Our fraud alerts, which can immediately send a text message to a cardholder when a suspect charge is detected, can be used with virtually all mobile phones.

Given the billions of dollars charged by 101 million U.S. credit union members annually, it is critical to minimize exposure. Through a preemptive approach to card fraud that includes analytics and constant monitoring, we can achieve a much lower rate of fraud loss for the credit unions we serve: about 9 cents per \$100 of transactions, compared to about 14 cents per \$100 for the industry as a whole. In 2015, we stopped nearly \$190 million in fraudulent transactions and achieved an industry-low false positive ratio, driving a better experience for our credit unions' members.



Delivering Advanced Payment Methods

EMV chip and PIN technology is designed to reduce fraud at the point of sale. The EMV chip keeps track of each transaction and sends information to the reader for processing. This two-way communication makes EMV cards much more difficult to clone. Owners have issued nearly 6 million EMV credit, debit and prepaid cards to their members, with more planned for 2016.

PSCU is also working closely with its partners and Owners to offer mobile-payment solutions such as Apple Pay, Android Pay, and Samsung Pay to credit union members. The tokenization technology used in some digital wallets can also reduce fraudulent transactions. Tokenization in payments refers to the traditional card number with a unique digital token. The tokenization process happens in the background in a way that is invisible to the member. The unique number, or token, does not contain account information or personal account holder information, rendering it useless to a thief in the event of a retailer data breach.



Given the billions of dollars charged by 101 million U.S. credit union members annually, it is critical to minimize exposure.



Industry Advocacy and Community Involvement

More than 100 years after it began, the credit union movement endures because of the spirit of cooperation and collaboration on which it was built. Over PSCU's nearly 40 year history, supporting our Owners' success has included advocacy ensuring our industry's health such as sponsoring industry groups, and contributing to research benefiting our credit union community.

Thought Leadership and Research

PSCU frequently contributes subject matter experts and senior management team members as speakers and advisory group members across numerous disciplines, including payments, cyber security, fraud, and risk management. This enables PSCU to support the industry while staying informed about developments that may impact Owners. We currently represent credit unions on Visa's Credit Union Roundtable, the STAR Network Advisory Group, the Federal Reserve Faster Payments Council, and the EMV Migration Forum.

PSCU also actively collaborates with industry trade associations, including CUNA's Payment Policy Advisory Subcommittee and Creating Awareness Advisory Group. PSCU has an 11-year history of representation on the NACUSO board, where we work alongside other CUSO and credit union executives, industry leaders, and partners to drive the success of the industry.

PSCU is a Chairman's Benefactor for the Filene Research Institute and a contributor to numerous research initiatives. PSCU's financial support to Filene helps fund critical research on strategic initiatives for credit unions. We also contribute to the Cooperative Trust to help develop our industry's future leaders.

Women's Leadership

To promote the role of women in leadership positions, PSCU is the premier sponsor of the Global Women's Leadership programs of the World Council of Credit Unions. With 28 chapters in 11 countries, members come together to exchange ideas, impact the local community, and share information with other network participants. PSCU's financial support underwrites initiatives that promote gender balance at the executive level and expand leadership opportunities for women in the industry.



Preserving the Credit Union Legacy

In 2015, PSCU pledged its support to America's Credit Union Museum's Legacy Capital Campaign. PSCU's donation will fund additional exhibit space for the museum, located in Manchester, New Hampshire in the building where the first U.S. credit union began serving French Canadian textile mill workers in 1908.

Corporate Commitment

2016 marks the ninth consecutive year with PSCU as the lead sponsor for the Credit Union Cherry Blossom Ten Mile Run. The event, held in our nation's capital, gives credit unions the chance to showcase to the members of Congress the important role credit unions play in their communities.

Our lead sponsorship helps ensure that the donations collected by participating credit unions and runners go directly to local Children's Miracle Network Hospitals to help the millions of children who seek treatment each year at a Children's Hospital. Since 2002, the event has raised more than \$7 million to aid children suffering from serious illness.

Employee Philanthropy

PSCU's founding President and CEO David Serlo created the non-profit Employee Hardship Foundation to reduce the stress created by financial emergencies and ensure PSCU employees knew they could rely on each other in times of need. The Foundation is entirely funded by voluntary donations from employees and fundraising events.



People. Purpose. Passion.



PSCU Executive Team (listed left to right)

Brian Caldarelli, Chief Financial Officer | Scott Wagner, Chief Revenue Officer | Chuck Fagan, President & CEO
Tom Gandre, Chief Operating Officer | Lynn Heckler, Chief Talent Officer

Our Commitment

Everyone at PSCU is united by a common mission and purpose to serve our Owners and their members. We honor this commitment daily with extraordinary passion for helping our Owners build the strong member relationships needed for continued growth in a rapidly changing environment. The entire PSCU team – from the executive offices to the relationship management and operational support units – is aligned to deliver consistently high levels of service to our credit unions and their members at every point of interaction.



Management Discussion and Analysis

PSCU's Owners will remember 2015 as another affirming year in the growth and health of their CUSO. The key performance indicators of revenue, accounts, transactions and call center touch points reached the highest levels in the cooperative's history.

Our ongoing commitment to enhancing the member experience, providing the tools necessary for credit union growth and security, and a robust risk-management infrastructure helped form a strong foundation for continued stability of our partnerships.

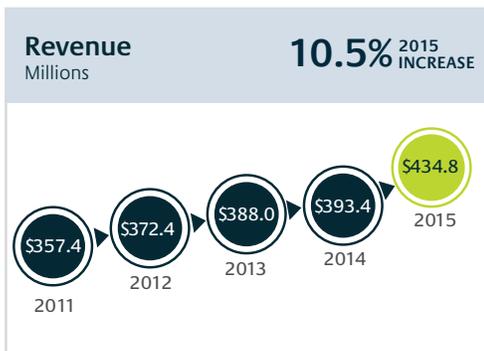
Financial Security and Stability

Revenue

PSCU's revenue is generated from payment card processing services and solutions, eCommerce subscriber and user fees, and other related services. In 2015, revenue climbed 10.5% to \$434.8 million driven by account and transaction growth, increased call center volume, and card issuances related to EMV migration. Transactions grew by more than 100 million to reach more than 2.0 billion in 2015, an increase of 5.2% over 2014. We now serve more than 18.2 million accounts, an increase of 700,000 accounts, or 4.0%, over 2014.

Patronage Dividend

The patronage dividend for 2015 was \$36.5 million, an increase of nearly 20% over 2014. Approximately \$7.6 million of the 2015 dividend was distributed to Owners in cash during December 2015, in addition to a scheduled revolving fund payment of \$2.6 million. The balance of the 2015 patronage dividend was issued in capital credits with no stated term, enabling PSCU to make ongoing investments in the business.





Capital Expenditures

Capital expenditures are primarily related to internally-developed software and information technology. During 2015, PSCU invested nearly \$20 million in capital assets. On a long-term basis, the cooperative anticipates investing approximately 4% to 5% of revenue annually primarily in product development and information technology, keeping the company ahead of competitors, with the benefits focused solely on credit unions.



Cash and Debt Position

The funding of regular operating expenses and planned capital expenditures drives the cooperative's primary requirements for liquidity, which is satisfied by the cash flow generated from operations. As of September 30, 2015, PSCU had cash and cash equivalents of \$122.6 million. Of this amount, \$90.2 million is related to settlement operations, with \$32.4 million available for general corporate purposes.

PSCU has access to a \$50.0 million line of credit agreement that is available for general business purposes or to fund new investments and acquisition agreements. As PSCU maintains a high level of liquidity, the line of credit has historically only been used for short-term funding. As of September 30, 2015, there were no amounts outstanding on the line of credit.

Growth and the Member Experience

PSCU Owners benefited from another year of strong growth driven by their efforts to increase accounts, transactions and membership.

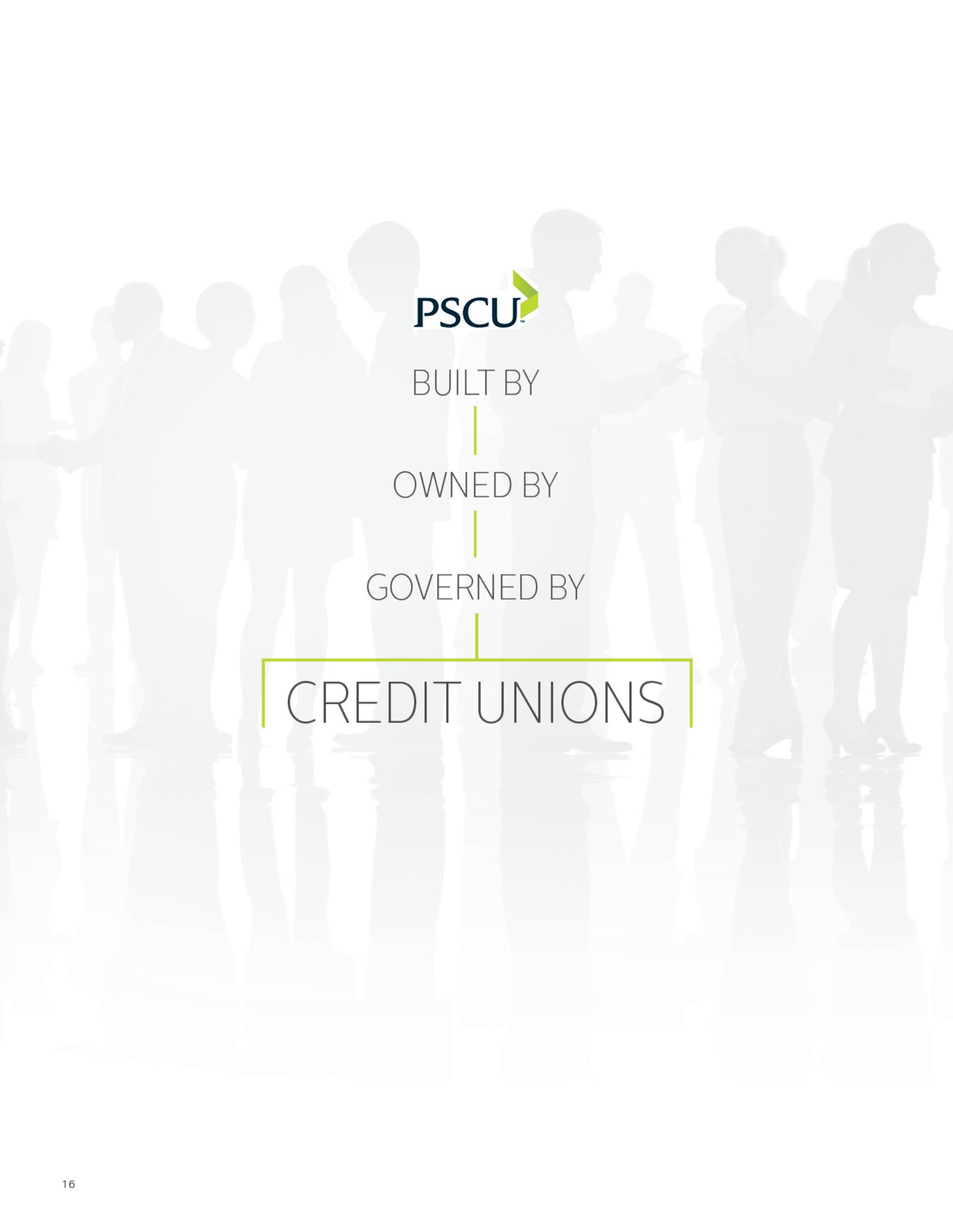
The addition of hundreds of new credit union patrons and Owners through service agreements with new league and association partners further extended the scale and reach of the cooperative.

In January 2016, PSCU acquired the credit and debit processing business of the Pennsylvania Credit Union Association (PCUA), giving us an opportunity to establish long-term servicing relationships with 186 credit unions. PCUA selected PSCU as its new card processor to gain improved service and the ability to offer its credit unions additional product enhancements.



Solutions and Services

- Analytics
- Bill Pay
- Business Solutions
- Call Center
- Credit
- Debit/ATM
- Digital Payments
- Integration Services
- Loyalty
- Marketing
- Member Acquisition
- Mobile
- Prepaid
- Risk Management
- Strategic Consulting
- Training



PSCU

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CREDIT UNIONS



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