

**Your Possibilities Delivered.™**

# Contents

2

**CEO/Chair Letter**  
Delivering on an Exceptional  
Member Experience

3

**PSCU Board  
of Directors**

4

**Mission and Values &  
Executive Team**

6

**Industry Drivers**

8

**Growth Strategies**  
Trusted Strategies to Yield  
Member Growth

12

**Security**  
Safeguarding Your Data

16

**Digital Enablement**  
Enabling Our Owners'  
Growth

20

**Enhanced Efficiency**  
Advancing Automation  
for Credit Union Efficiency

24

**Insights & Analytics**  
Empowering Vision for  
the Future

28

**Cooperative Spirit**

32

**Strong Financial  
Performance**  
Management Discussion  
and Analysis

36

**Advisory Groups**  
Credit Union  
Representation

## Your Possibilities Delivered.™

On their own, these three words denote shades of deeper meaning. Combined, they express a promise—one marked by over four decades of experience, 1,500 credit unions with 59 million members served, 2.6 billion unique transactions per year and over \$210 million in fraud savings in 2018, representing an industry-leading experience for members.

Additionally, these words are the making of a story—one authored by you, our valued Owner credit unions. No matter your strategic priorities, PSCU is dedicated to delivering new possibilities through a highly integrated suite of payments solutions and renowned commitment to service.

This promise of something bigger belongs to you.

Because like your service to community, we're at our best when we deliver on the investments that drive an exceptional experience for your credit union and your members.

## PSCU by the Numbers:



PSCU is driven by  
2,100 employees



Serving over  
1,500 credit unions



With 59 million  
members



Processing 2.6 billion  
unique transactions



Saving \$210 million  
in fraud



**Chuck Fagan**  
President and CEO

**Jeff March**  
Chair

## Delivering on an Exceptional Member Experience

PSCU's view of what constitutes service has always been evident in our model of credit union collaboration and scale. Alignment with the best interests of our Owner credit unions is eminently related to our success.

Over the past year, we continued to make strategic investments in proprietary and advanced tools to position you for success in an ever-evolving payments landscape. Our investments are at the heart of our commitment to service excellence and digital innovation.

For more than 40 years, we've been a full-scale credit union service provider at the front of an entire industry, and we continue to possess capabilities unmatched by others that address our credit unions' most pressing needs. Our history and reputation are your guarantee of an exceptional member experience and the delivery of new possibilities.

### Delivering on Your Possibilities: Providing Leading Digital Solutions

We redefined digital banking with the launch of Lumin Digital. This represents an opportunity to provide our Owners with a robust, tightly integrated solution that helps expand member engagements and bolster competitiveness with large banks. Using the industry's most sophisticated technology, Lumin Digital increases member engagement through targeted actionable and unique digital interactions—to help create a more personalized journey and greater credit union connectedness.

### Expanding Collections Capabilities

This year's expansion of our collections offering with the acquisition of CU Recovery enables PSCU to better assist credit unions with non-performing and charged-off loans.

By providing a fully integrated collections experience to our Owners, we are facilitating an improved risk management strategy, and easing the burden of collections responsibilities for credit union staff.

### Sharpening Analytics

Heightened focus on our industry-leading data and analytics offerings remains a key priority. PSCU's expanded analytics services, including Member Insight, leverage data from billions of transactions annually, and help our Owners understand the profitability, growth opportunities and risk in their portfolios.

Our advancement in the area of predictive analytics is helping credit unions forecast outcomes to positively impact their growth. Through a variety of statistical techniques, our teams have the powerful ability to help credit unions drive growth and enable experiences.

### Increasing Investment in Fraud Solutions

Over the past year, PSCU has continued to respond to evolving fraud trends by heavily investing in security tools to protect credit union and member data. We provide a comprehensive, 360-degree approach to security through solutions such as Linked Analysis, Alerts and Controls, Dark Web Monitoring, Pindrop and dedicated security analysts.

Linked Analysis is a proven, multi-layered tool that uses machine learning to monitor and analyze account behaviors before fraudulent transactions occur. This makes for a truly holistic risk management experience for our Owners.

Collectively, we are prepared for and continue to invest in the state of accelerated change taking part in our industry. We are confident in our best-in-class payments solutions, growth strategies and the ability to provide a leading member experience. Most importantly, we are inspired by your patronage and the many ways you allow us to deliver your possibilities.

*Chuck Fagan* *Jeff March*

## PSCU Board of Directors



**Jeff March**  
Chair  
Citadel FCU  
President/CEO



**Cathie Tierney**  
Vice Chair  
Community  
First CU  
President/CEO



**Gene Foley**  
Treasurer  
Harvard University  
Employees CU  
President/CEO



**Sean Rathjen**  
Secretary  
Consumers CU  
President/CEO



**Dave Doss**  
Past Chair  
OneAZ CU  
President/CEO



**Craig Esrael**  
Board Member  
First South  
Financial CU  
President/CEO



**Cathy Pace**  
Board Member  
Allegacy FCU  
President/CEO



**Andrew Rosen**  
Board Member  
Hawaii State FCU  
President/CEO



**Kit Snyder**  
Board Member  
Consumers CU  
President/CEO



**Rob Stuart**  
Board Member  
OnPoint  
Community CU  
President/CEO



**Frank Weidner**  
Board Member  
Wings Financial CU  
President/CEO



**Chris Shockley**  
Associate Director  
Virginia CU  
President/CEO



**Amy Sink**  
Associate Director  
Interra CU  
President/CEO

Governed by a Board comprised of our Owner CEOs, PSCU is directly aligned with the needs of our credit unions and their members. Our Board ensures the successful governance of the PSCU cooperative, and remains committed to helping our Owners compete and prosper in the payments landscape.



# MISSION AND VALUES

PSCU partners with credit unions to enable growth and provide an unparalleled member experience.

EXCEEDING EXPECTATIONS  
IN EVERY INTERACTION



Service  
Excellence



Passion

BOUNDLESS ENTHUSIASM  
TO BE THE BEST



Trust

KEEPING PROMISES YOU MAKE  
TO OTHERS, AND TO YOURSELF

ENGAGING, INFLUENCING AND INSPIRING  
OTHERS TO ACCOMPLISH OUR MISSION



Leadership



Innovation

THE RELENTLESS PURSUIT  
OF BETTER WAYS

# PSCU Executive Team

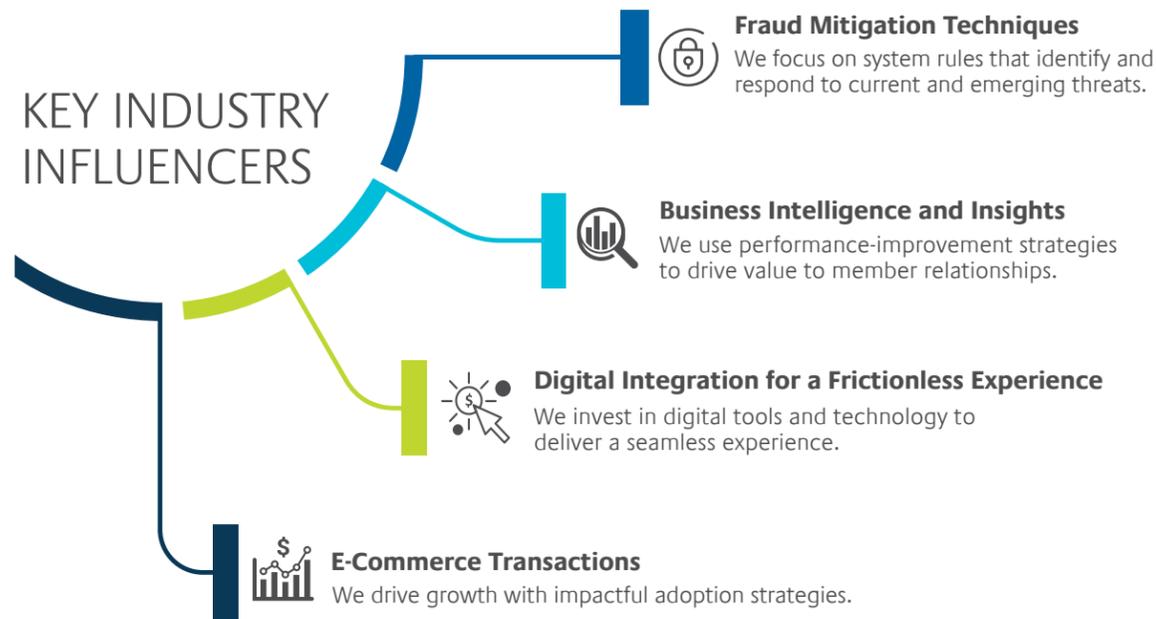


<b>Brian Caldarelli</b> EVP, Chief Financial Officer	<b>Scott Wagner</b> EVP, Chief Revenue Officer	<b>Chuck Fagan</b> President and CEO	<b>Dean Young</b> EVP, Chief Experience Officer	<b>Lynn Heckler</b> EVP, Chief Talent Officer	<b>Tom Gandre</b> EVP, Chief Operating Officer
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At PSCU, we are committed to exceptional service experiences that enable credit union growth and success. We deliver possibilities through our comprehensive, highly integrated suite of traditional and digital payments solutions, which helps to optimize the member experience. Every member of the PSCU team is committed to being an industry champion, and to serving as an extension of our Owners through each interaction.

## Industry Drivers

As an industry credit union strategic partner and thought leader, PSCU offers a holistic member experience, and continues to monitor the evolving payments landscape, including e-commerce transactions, digital integration, business intelligence and fraud mitigation.



## Consumer Behavior: Credit, Debit, Mobile Wallets

In 2018, PSCU published *Eye on Payments*, a consumer research study focused on critical credit union questions around consumer behavior and payment preferences.

We found that security is the leading factor in credit union member decisions pertaining to their payment choices. Beyond security, choice in payment method is driven by the type of retailer and purchase, as well as the consumer perceptions and attributes of each payment method.

### Key Consumer Payment Preferences

- **Credit** – Credit cards remain the preferred payment method for credit union members. Given their ease of use and convenience, credit cards represent the most commonly used method for retail purchases.
- **Debit** – Debit cards represent the second most preferred payment method for credit union members, particularly at routine retail locations. Convenience, safety and ease of use are the primary reasons cited for this preference.
- **Mobile Wallets** – Credit union members across all age groups are becoming more comfortable with mobile wallets as part of their daily purchase routines. As mobile wallet adoption grows and point-of-sale acceptance advances, current transactions may slowly shift to mobile, especially for small ticket transactions that are currently heavily cash-based.

## Top Reasons for Card Usage for Credit Union Members

Credit cards are easy to use



Credit cards allow for fast transactions



93% of credit card users receive rewards and benefits

Debit cards are easy to use



Debit cards help me budget easily



27% of credit union members use a debit card to avoid overspending

## CONSIDER THESE FACTS

**75%**  
make payment decisions primarily based upon which is the most secure

**38%**  
of those surveyed cited concerns about security as a reason for not using mobile payments

**13%**  
of credit union members surveyed have been a victim of card fraud in the last year

**4%**  
of credit union members surveyed have had their identity stolen in the last year



PSCU DELIVERS

## GROWTH STRATEGIES

Consistent revenue growth allows PSCU to continually reinvest in products and solutions that enable credit union success. Because economies of scale are foundational to our Owners' long-term success, we're committed to continuing the momentum of this year's performance to fuel Owner growth.





## Leveraging Growth for Increased Investment

PSCU is committed to the growth of our CUSO and the subsequent investment opportunities that result from our expanded solution capabilities.

### Enabling Sustainable Growth

#### DIGITAL BANKING

Redefine digital banking to drive member engagement

#### PARTNERSHIPS

Deepen insights to enable growth strategies

#### CONTACT CENTER

Provide better scalability, integration and improved member experience

#### COLLECTIONS

Expand our delinquency management functionality



## Trusted Strategies to Yield Member Growth

PSCU remains passionate about our responsibility to help credit unions leverage the depth of data in Member Insight to build growth strategies and tactics to enhance your card portfolio.

Throughout 2018, we proudly served as an extension of your team to deliver best-in-class payments solutions and leading consulting services that enable credit union growth.

### Advisors Plus Growth Strategies

Advisors Plus, PSCU's strategic consulting team, partners with credit unions to help them meet their business objectives. Advisors Plus consultants create insightful, data-driven financial and marketing solutions that lead the industry in measurable results. Credit unions working with our Advisors Plus consultants and consulting analysts experienced 5.9 times higher balance growth and 1.5 times higher transaction growth than those who did not.

To deliver enhanced value to PSCU Owners, Advisors Plus offers:

- Expert advice for improved card management with project leadership and implementation assistance.
- Avenues and themes for encouraging members' card use, including websites for reward redemption and campaigns delivered through PSCU's Access Point and QuickAssist.
- Predictive modeling to aid credit unions in member care, determining best-practice promotional offers and addressing needs.

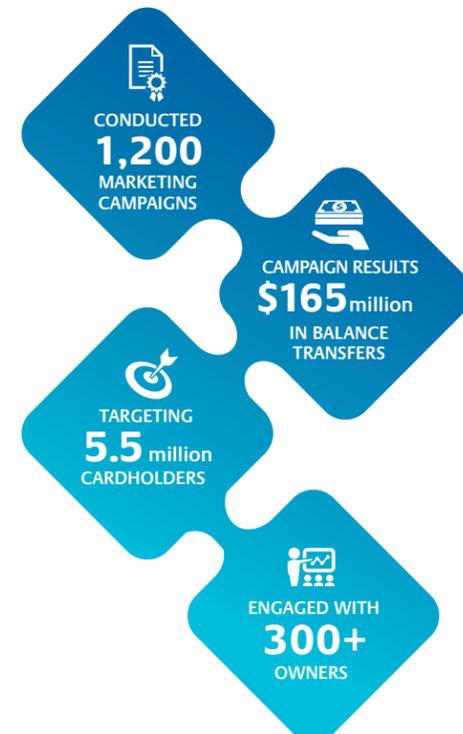
### + Advisors Plus | PSCU

#### Growth Strategies

Credit unions working with Advisors Plus consultants versus those that do not saw:



Advisors Plus supports credit unions through targeted campaigns that yielded the following:



### Digital Banking

The formation of our new company, Lumin Digital, redefined digital banking for our credit unions in 2018. This digital platform helps drive member engagement for our Owner credit unions, and offer exceptional user experiences. Lumin Digital provides a comprehensive, integrated suite of digital banking capabilities built with the industry's most sophisticated technologies to help credit unions create a truly personalized journey and connected relationship with members.



### Contact Center

We are proud to have provided greater scalability and integration through our new contact center model. The optimization of our contact center technologies enables us to more seamlessly serve as an extension of Owner credit unions. Our investments this year have helped us improve and automate member service operations, while optimizing interactions between contact center agents and credit union members.

### Collections

We expanded our collections functionality and solutions delivery with the acquisition of CU Recovery, enhancing our account recovery and collections services to provide more robust offerings and integrated member experience.



### Partnerships

Leveraging an expanding addressable market to drive growth at PSCU, we have already onboarded over 1.3 million Jack Henry & Associates accounts. Our partnership with Jack Henry & Associates, a leading provider of technology solutions and payment processing services for financial institutions, allows us to further reinvest in the business.





## PSCU DELIVERS SECURITY

Squarely focused on our ability to detect and prevent fraud, PSCU has continued to invest in the development of our comprehensive risk management offerings. Our 360-degree approach to safeguarding credit unions and their members is based on four key pillars of protection: fraud transactions, lost/stolen accounts, disputed transactions and delinquent accounts.





## Safeguarding Your Data

PSCU fraud management stopped more than \$210 million in potential fraud for our Owners in 2018 by blocking fraud at the point-of-sale, in the contact center and online, among other channels. This achievement was realized while preserving an industry-leading false positive rate.

Added to our nationally recognized, fraud-fighting capabilities in 2018 was Linked Analysis—an Artificial Intelligence (AI) solution that rigorously examines the connection among credit unions and across channels to positively predict and prevent fraud before it occurs. In 2018, Linked Analysis prevented over \$6.3 million in fraud losses for our credit unions. This advanced technology is expected to further enable a holistic risk management experience for our Owners that spans all channels.

PSCU is leading the industry with high fraud recovery rates and the lowest fraud loss-to-sale ratios, delivering a secure experience. Expansion in delinquency management also occurred in 2018 with the PSCU acquisition of CU Recovery—a solution that enhances our current account recovery and collections services, enabling us to provide a more robust offering for our members, and ultimately a more integrated member experience.



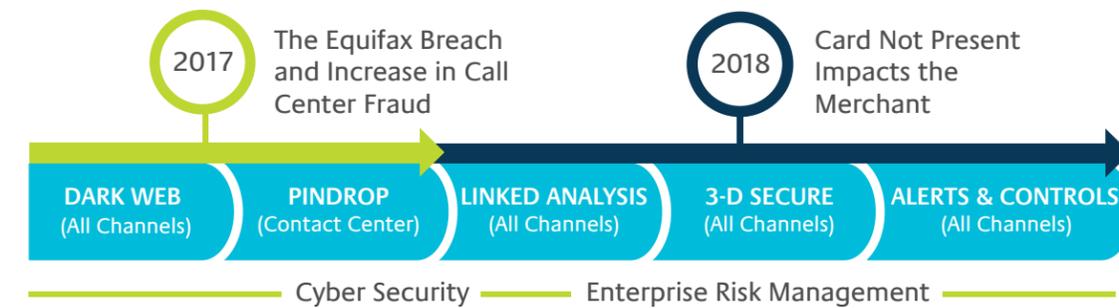
PSCU also became the first CUSO to utilize Pindrop technology in the fight against call center fraud. This investment provides an added layer of voice security, enabling us to proactively block attempted fraud and move quickly to protect the available credit of those accounts from potential fraud loss.

PSCU is committed to service excellence and continues to invest heavily in digital channels to enhance offerings for our Owners, enable engaging member experiences and protect members from fraud. Our newly formed partnership with Ondot gives us the ability to offer the most robust Card Alerts and Controls tool on the market, and to deliver on that commitment. This partnership rounds out some of our newest investments, all designed to deliver on our promise of protection.

Additionally, we work around the clock to monitor threat intelligence on the Dark Web and determine the extent of fraudsters' actions. Our sophisticated tools and strategic Dark Web monitoring techniques allow us to fight back in real-time, and protect critical member data.



## Fraud Prevention Strategy



## HOW WE FIGHT FRAUD

Monitored  
**2.6 billion**  
transactions

Generated  
**2.6 million**  
fraud alerts to  
initiate investigation

Processed  
**385,000**  
fraud cases

Stopped over  
**\$210 million**  
in fraudulent  
transactions

Achieved  
**7:1**  
false positive ratio vs.  
industry average of 12:1

**\$12.1 million**  
saved due to  
charge backs

PSCU DELIVERS

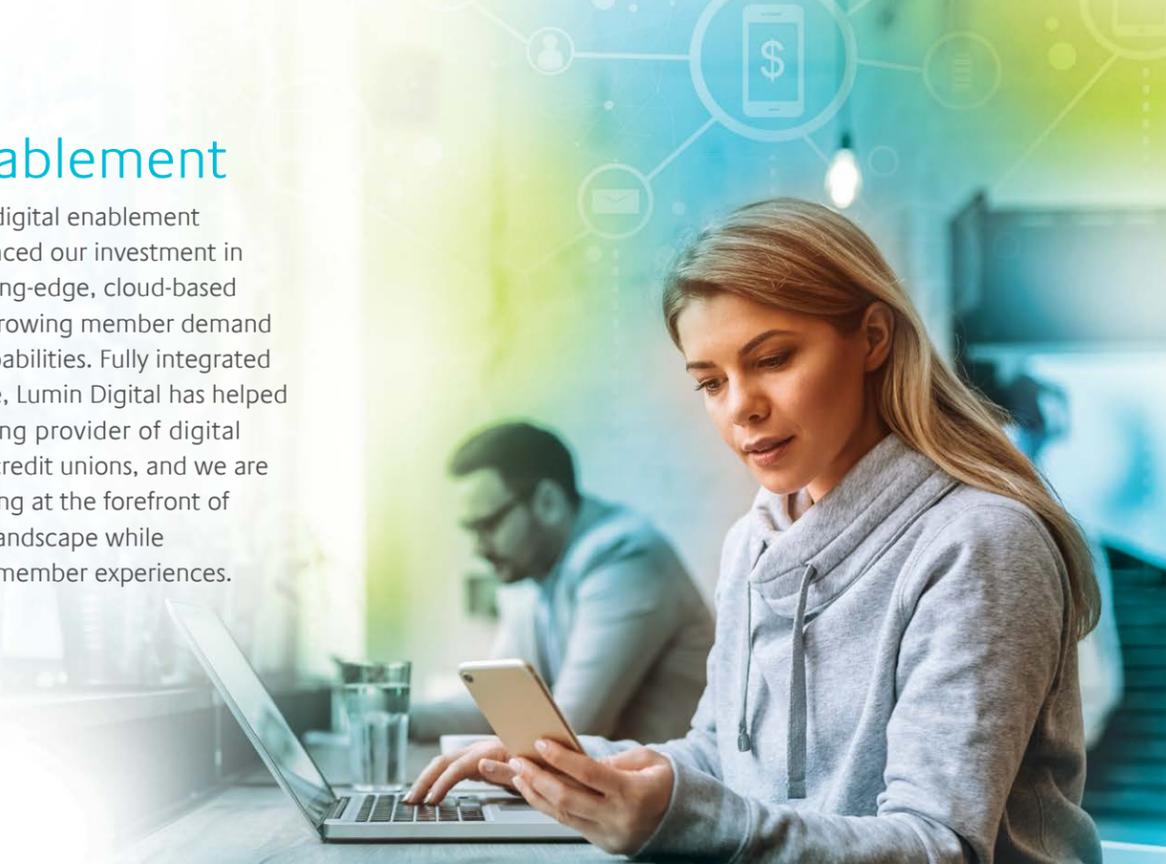
## DIGITAL ENABLEMENT

Deepened engagement through personalization is a key initiative that spurred our investment in a new wave of secure, fast and reliable digital solutions for credit unions. These solutions address and satisfy the need for online, mobile and digital banking payments options for members, and help ensure a future aptly grounded in digital success.



# Digital Enablement

As a key driver of our digital enablement strategy, PSCU announced our investment in Lumin Digital—a leading-edge, cloud-based platform that meets growing member demand for digital banking capabilities. Fully integrated with PSCU’s DX Mobile, Lumin Digital has helped PSCU become a leading provider of digital payment services for credit unions, and we are committed to remaining at the forefront of the digital payments landscape while delivering unparalleled member experiences.



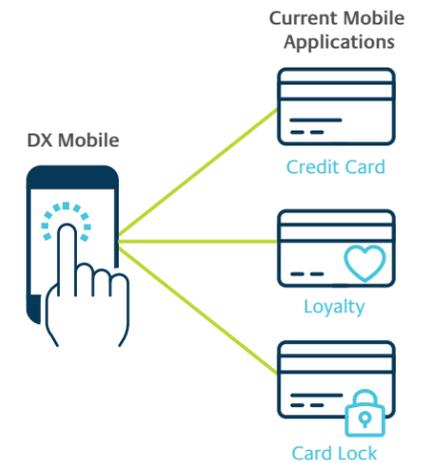
# Faster Money Movement Strategies and Digitally Focused Solutions

Throughout 2018, PSCU continued to invest in the strategies and technologies that enable nearly instantaneous money movement between member accounts and their credit union institutions. Our teams are vigilant as new systems come to market that allow for rapidly accelerated clearing and settlement of payments, with support networks and digital solutions to ensure that our Owner credit unions remain relevant and competitive in the financial services marketplace.

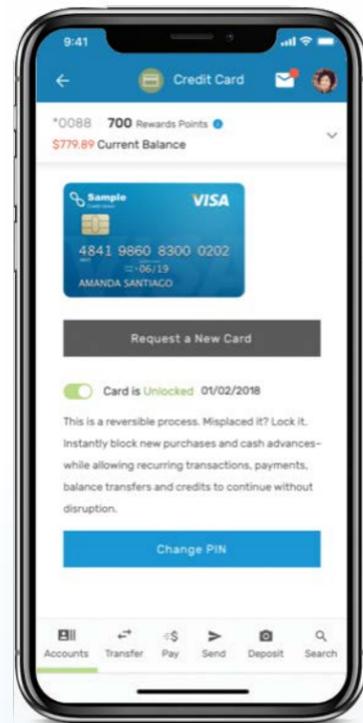
Additionally, we are enhancing the credit union experience through digital innovation that meets the demands of consumers and ensures future revenue potential for our Owners. Those innovations include:

- DX Mobile
- Lumin Digital
- Digital interfaces, including QuickAssist, Access Point and Evolve
- Better integration through APIs

## Simplifying the Member Experience



**ENGAGEMENT**  
Redefining digital banking through a proprietary member engagement platform.

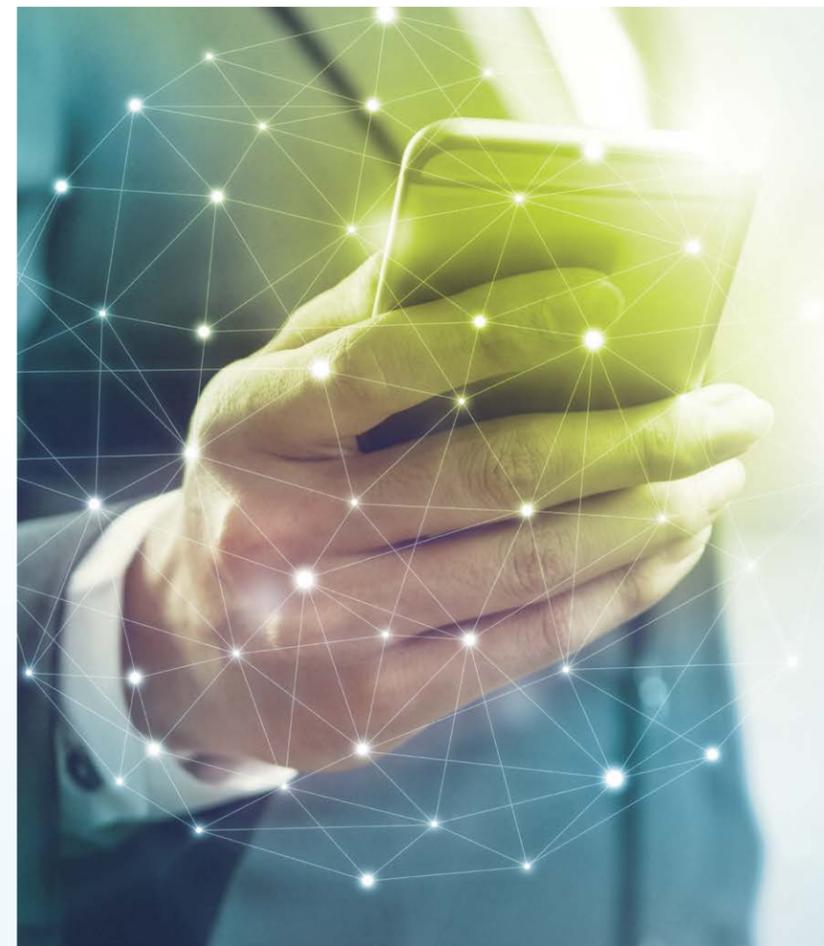


## VALUE

Provides greater value to members by helping them achieve their personal goals and aspirations.

## RELATIONSHIPS

Deepens relationships with members by offering the right support and products at the right time.



## Lumin Digital

The formation of Lumin Digital was announced at PSCU’s annual Member Forum in April 2018, and serves as a key investment in the delivery of both an unparalleled member experience and strategies for credit union growth. As a PSCU company, Lumin Digital’s offering provides seamless, single-page access to card services, data analytics and contact center support.

A cloud-based digital banking platform built using market-leading technology, Lumin Digital provides a tightly integrated and customized experience that rivals the offerings available from the big banks. In creating a truly personalized journey, Lumin Digital delivers credit unions enlightened engagement, increased value and deepened relationships, all at secure speed with minimal risk.



## PSCU DELIVERS ENHANCED EFFICIENCY

PSCU's solid back-office modernization strategy is aligning product delivery with shifting market demands, keeping our operations best-in-class and scalable. A reinvestment in existing resources helps support an excellent member experience and leverage digital navigation as a means of enhanced efficiency.



## Efficiency

PSCU is proud to have continued focus on the experience for both our Owners and their members. The results are countless efficiency enhancements that drive a personalized experience, making it easier for credit unions to do business with us.

Our development and strategies around APIs have contributed to advancements in integration between credit union and PSCU platforms. Additionally, our mobile, fraud, analytics and CUREwards® solutions afford credit unions more customization and control for a better member experience. Our investments in AI and chatbot technology continue to positively impact the member experience with our contact centers.

## Advancing Automation for Credit Union Efficiency

Throughout 2018, PSCU developed systematic ways to become more effective and productive. As we improve the connectedness of applications and operations to deliver a better member experience, we are redefining the ways we make decisions that best serve our Owner credit unions.



### APIs

APIs form the flexible and reusable tools PSCU uses to power solutions such as Access Point, digital payments, mobile applications, Data eXchange and QuickAssist. Our continued investments in API strategies accelerate product development and deployment timeframes, and support continuous enhancements.



### IVR Capabilities

PSCU's contact center utilizes IVR technology as part of the resolution process for all payments-related questions, and makes it easier for members to reach the representatives best equipped to handle their inquiry or issue, when needed. The smart-call routing functionality in these systems helps streamline the journey of credit union members, in addition to improving the image of your credit union.



### Chatbots

As we look to the future of the digital landscape and consumer demand for efficiency, we continue to invest in strategies that will help implement the usage of chatbot technology for a better member experience. Chatbots will play a role in multiple member engagement scenarios, from the contact center to digital navigation on mobile payment applications.

## An Unparalleled Member Experience Starts Here

By delivering extended support across multiple channels in the digital environment, we are driving a better member experience. PSCU focuses on Owners' objectives to deliver payment experiences and services that strengthen a member's commitment and loyalty.



## Multi-channel Support

PSCU works closely with our Owners to continuously create and strengthen service-based processes delivering frictionless service interactions across all touch points. Continued strategic investments across the entire enterprise increase our operational efficiency and service quality, differentiating our payment card services, member services and training experiences. Technology solutions, such as platform integration tools and the secure Owner service portal, MemberConnect, deliver productivity improvements and higher Owner and member satisfaction rates.

PSCU DELIVERS

## INSIGHTS & ANALYTICS

PSCU helps drive performance-improvement strategies and tactics across an ever-growing range of opportunities through the art and science of data analytics. Our full suite of analytics tools helps enhance revenue for credit unions and lower costs by building smarter marketing campaigns that deliver insight into members' transactional behaviors.





## Insights & Analytics

### Empowering Vision for the Future

PSCU's advanced suite of analytic tools continue to help credit unions uncover the information they need to understand the performance, profitability, growth opportunities and risk mitigation in their credit, debit, bill pay and ATM portfolios. To better help credit unions effectively harness the power of data in new and insightful ways, we combined our Member Insight and Predictive Analytics teams to create one, data-driven strategy for our Owners. As the market leader in the area of analytics, we are focused on the growth and enhancement of this platform to help our Owners understand the needs and motivations of cardholders.



### Strong Partnerships

As PSCU moves to enhance the digital experience for members, we continue to explore opportunities surrounding the expanded use of data and analytics. Our partnership with CUNA Mutual Group has invariably strengthened our mission of shared analytics for greater insights. By harnessing the power of data in new and insightful ways, we are able to help credit unions uncover the insights they need to understand the risks, performance, profitability and growth opportunities available to them.

### Integration Expertise Enhancing the Member Experience

PSCU's integration efforts continue to evolve with new technology. Our integration flexibility allows users to select APIs that provide customization, market differentiation and a more streamlined user experience.

### Predictive Analytics

Beyond traditional reporting, PSCU's Predictive Analytics helped credit unions get to know and serve their members on a deeper level by focusing less on what already transpired, and instead anticipate the needs and motivations of cardholders.

Our Predictive Analytics solution uses numerous statistical techniques to predict business outcomes based on transaction

activity and other behaviors. These insights come together to reduce member attrition, promote card activation, improve net promoter scores, enhance loss mitigation and build targeted over-limit authorization strategies.

Predictive Analytics gives Owners access to unique and powerful capabilities to empower credit unions with actionable intelligence across multiple use cases.

### Competitive Intelligence Driving Growth

PSCU's analytics suite, Member Insight, collects and reviews over 2,100 data points to help Owners gain a comprehensive view of their members and make more informed decisions.





PSCU DELIVERS

## COOPERATIVE SPIRIT

For more than 40 years, PSCU has maintained a personal presence in the credit union industry and worked determinedly on initiatives that advance the well-being of communities everywhere. As the credit union evolution continues, we look collectively at the value we deliver and ensure that our industry, as a whole, has access to multi-channel experiences that draw them closer to the members they serve.



## Cooperative Spirit

### Cooperative Communities

PSCU built its foundation on the power of collaboration and service to our communities. We ensure a model for cooperative self-help that not only enables credit union growth, but that makes us a constituent of good corporate citizenship, an employer of inclusion and a champion of equity. “People helping people” is the premise on which credit unions were built; we’re proud to serve as an extension of that movement.

### Thought Leadership

Focused on the dynamic possibilities for credit unions and their successful delivery in the marketplace, PSCU has a solid variety of thought leaders that declare themselves advocates, and whose role in the community is undeniably essential. From the broad world of payments to workforce diversity, our thought leaders look forward to sharing perspectives on the possibilities that help credit unions enhance the member experience.

### Philanthropy and Participation

PSCU is passionate about our responsibility as a cooperative to be a credit union industry advocate on behalf of our Owners and their membership. We encourage investment in programs and services that build a positive influence in the communities we serve. Our sponsorship of the **Filene Research Institute**, **World Council of Credit Unions**, **National Credit Union Foundation**, **Credit Union Executive Society**, **African-American Credit Union Coalition**, **Network of Latino Credit Unions and Professionals**, the **Credit Union Cherry Blossom Ten Mile Run** and **America’s Credit Union Museum**, among others, demonstrates our commitment to our industry and community. We remain acutely aware of our obligation to contribute to those who help us achieve our results. Our long-standing relationship with **Children’s Miracle Network**, **Relay for Life** and **Junior Achievement** are but a few examples of our areas of involvement.

Contributed  
**\$1 million**  
to industry & local  
communities





**PSCU DELIVERS  
STRONG FINANCIAL  
PERFORMANCE**

PSCU's Owners continue to benefit from a strong Cooperative, which invests in industry-leading technologies, solutions and services. PSCU's financial results are a direct reflection of strategic decisioning and wise investments. PSCU remains committed to the success and prosperity of our Owner credit unions, their members and respective communities across the U.S.



# Management Discussion and Analysis

PSCU's financial performance throughout 2018 remained strong as the business drove meaningful enhancements for our Owners. In 2018, as a result of strategic initiatives, deployment of new technologies and a relentless focus on delivering an enhanced experience, we achieved success with revenue approaching the \$500 million mark.

**Accounts**  
22.7 Million



**Revenue**  
\$481.7 Million



**Transactions**  
2.6 Billion



**Capital Spend**  
\$30.9 Million



PSCU remains committed to investing a significant percent of revenue each year into technology and innovation to help our Owners thrive in the digital age. Our cash position remains strong, with no acquired debt. With initiatives in place to deliver sustained profitability and growth, we will continue to deliver solutions and service performance that allow our Owners to meet market and consumer demands as the industry rapidly evolves.



**STRONG BALANCE SHEET**

**\$730.7 million**  
in assets



**SOLID CASH POSITION**

**\$141.7 million**  
in cash and cash equivalents



**PATRONAGE DIVIDEND**  
**\$24.2\* million**

declared in patronage to our Owners



**CAPITAL CREDIT DISTRIBUTION**

**\$6.0\* million**  
returned to Owners in capital credits



**INDUSTRY-LEADING INVESTMENTS**

**\$30.9\* million**  
in infrastructure, technologies and solutions

\*Represents annual amounts

