Celebrating Success

Our credit union had a very good year in loan and solid share growth which allowed our assets to increase by $115.5 million. We also completed two mergers in the Louisville market and opened a new branch in Harrodsburg. While the mergers impacted earnings for the year, it put us in position to expand our reach in the Louisville market.

Return on Average Assets for 2018 was 0.92% and is comparable to the aggregate pool of credit unions in our asset size. In 2018, we continued to invest in Interactive Teller Machines (ITMs) to better serve our members, control costs, and to invest in vital infrastructure to secure systems and promote growth.

We experienced loan growth of $70.1 million, or 8.5%, compared to year-end 2017. The growth was led by secured loans at $38.8 million, or 14.5%; personal loans at $14.8 million, or 27.5%; home equity loans at $12.6 million, or 19.1%; and, mortgage loans at $12.0 million, or 4.6%. The allowance for loan losses to total loans ended 2018 at 0.94% and the net charge-off and delinquency rates were 0.77% and 0.75%, respectively.

Share growth was $101.6 million, or 10.8% over year-end 2017. Certificate balances grew $54.4 million, or 31.8%. Money market balances grew $17.8 million, or 12.8%; checking accounts grew $16.4 million, or 10.8%; and, IRA accounts grew $9.6 million, or 19.3%.

Net income for 2018 was $11.1 million and accounted for a 0.92% return on average assets. Non-interest income was up 6.0% over 2017, due primarily to increased interchange earned on credit and debit card usage and a refund from the share insurance fund held by the NCUA.

We continue to be one of the most solvent credit unions in the U.S. Our capital position ended 2018 at 14.0%, which is far higher than the average financial institution. Government regulatory requirements remain a challenge to implement and are expected to increase operational expenses. We plan to leverage our existing branch network by expanding membership with our community charter to serve member loan and share needs. Thank you for allowing us to serve you.

James R. Chadwell
Secretary/Treasurer

High Street Grand Re-Opening
April 2018

Treasurer’s Report

Our credit union had a very good year in loan and solid share growth which allowed our assets to increase by $115.5 million. We also completed two mergers in the Louisville market and opened a new branch in Harrodsburg. While the mergers impacted earnings for the year, it put us in position to expand our reach in the Louisville market.

Return on Average Assets for 2018 was 0.92% and is comparable to the aggregate pool of credit unions in our asset size. In 2018, we continued to invest in Interactive Teller Machines (ITMs) to better serve our members, control costs, and to invest in vital infrastructure to secure systems and promote growth.

We experienced loan growth of $70.1 million, or 8.5%, compared to year-end 2017. The growth was led by secured loans at $38.8 million, or 14.5%; personal loans at $14.8 million, or 27.5%; home equity loans at $12.6 million, or 19.1%; and, mortgage loans at $12.0 million, or 4.6%. The allowance for loan losses to total loans ended 2018 at 0.94% and the net charge-off and delinquency rates were 0.77% and 0.75%, respectively.

Share growth was $101.6 million, or 10.8% over year-end 2017. Certificate balances grew $54.4 million, or 31.8%. Money market balances grew $17.8 million, or 12.8%; checking accounts grew $16.4 million, or 10.8%; and, IRA accounts grew $9.6 million, or 19.3%.

Net income for 2018 was $11.1 million and accounted for a 0.92% return on average assets. Non-interest income was up 6.0% over 2017, due primarily to increased interchange earned on credit and debit card usage and a refund from the share insurance fund held by the NCUA.

We continue to be one of the most solvent credit unions in the U.S. Our capital position ended 2018 at 14.0%, which is far higher than the average financial institution. Government regulatory requirements remain a challenge to implement and are expected to increase operational expenses. We plan to leverage our existing branch network by expanding membership with our community charter to serve member loan and share needs. Thank you for allowing us to serve you.

James R. Chadwell
Secretary/Treasurer

Harrodsburg Grand Opening
November 2018

New Branches, Coming Soon!
Georgetown West Branch-
2019
Versailles Branch-
2019

Financial Report

BALANCE SHEET

<table>
<thead>
<tr>
<th>ASSETS</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; Overnight</td>
<td>$104,408,655</td>
<td>$107,388,173</td>
</tr>
<tr>
<td>Investments</td>
<td>207,297,799</td>
<td>157,492,556</td>
</tr>
<tr>
<td>Net Loans to Members</td>
<td>888,917,726</td>
<td>817,291,570</td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>33,840,514</td>
<td>30,613,112</td>
</tr>
<tr>
<td>Other Assets</td>
<td>32,307,266</td>
<td>37,446,628</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>$1,266,771,960</strong></td>
<td><strong>$1,150,232,039</strong></td>
</tr>
</tbody>
</table>

LIABILITIES & EQUITY

| Member Shares | $1,046,152,624 | $944,587,038 |
| Other Liabilities | 54,149,517   | 50,140,337   |
| **Total Equity** | **166,469,819** | **155,504,664** |
| **TOTAL**      | **$1,266,771,960** | **$1,150,232,039** |

INCOME STATEMENT

<table>
<thead>
<tr>
<th>Interest Income</th>
<th>2018</th>
<th>2017</th>
</tr>
</thead>
<tbody>
<tr>
<td>Loan Interest</td>
<td>$47,718,147</td>
<td>$44,110,292</td>
</tr>
<tr>
<td>Investment Income</td>
<td>5,205,778</td>
<td>3,708,256</td>
</tr>
<tr>
<td><strong>Total Interest Income</strong></td>
<td><strong>$52,923,925</strong></td>
<td><strong>$47,818,548</strong></td>
</tr>
<tr>
<td>Interest Expense</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cost of Funds</td>
<td>$5,591,919</td>
<td>3,932,180</td>
</tr>
<tr>
<td>Borrowing Expense</td>
<td>151,892</td>
<td>233,455</td>
</tr>
<tr>
<td><strong>Total Interest Expense</strong></td>
<td><strong>$5,743,811</strong></td>
<td><strong>$4,165,635</strong></td>
</tr>
<tr>
<td><strong>Net Interest Income Before Provision</strong></td>
<td><strong>$47,180,114</strong></td>
<td><strong>$43,652,913</strong></td>
</tr>
<tr>
<td>Provision For Loan Losses</td>
<td>7,031,953</td>
<td>8,433,367</td>
</tr>
<tr>
<td><strong>Net Interest Income After Provision</strong></td>
<td><strong>$40,148,161</strong></td>
<td><strong>$35,219,546</strong></td>
</tr>
<tr>
<td>Non-Interest Income</td>
<td>18,739,635</td>
<td>17,671,442</td>
</tr>
<tr>
<td>Non-Interest Expense</td>
<td>47,801,654</td>
<td>41,570,474</td>
</tr>
<tr>
<td><strong>Net Income</strong></td>
<td><strong>$11,086,142</strong></td>
<td><strong>$11,320,514</strong></td>
</tr>
</tbody>
</table>

*Unaudited

2018 Annual Report
Bettering Lives Since 1951

PO Box 978 • Frankfort, KY 40602-0978
800.228.6420 • www.ccuky.org


**New Business**

President's Report

Supervisory Committee Report... Steve Dooley

Board of Directors Report........... Regina Grubbs

Secretary/Treasurer Report........... Jim Chadwell

Mary Foster

Kay Jones

Mary Foster

Randy Fawns

Regina Grubbs

Adjournment.......................... Regina Grubbs

---

**BOARD OF DIRECTORS**

Regina Grubbs......................Chairperson

Randy Fawns.........................Vice-Chairperson

Jim Chadwell.......................Secretary/Treasurer

Karen Harbin.......................President/CEO

Kenny Blackwell..................Director

Alex Rose..........................Director

Mary Foster.........................Director

Kay Jones..........................Director

Bill Leach..........................Director

Randy Overstreet.................Director

Donnie Rodgers II......Director

---

**SUPERVISORY COMMITTEE**

Steve Dooley .........................Chairperson

Alice Wilson.........................Member

Michelle Sutto.......................Member

Gary Forman.........................Member

Rob Ellis...........................Member

---

**Annual Meeting Agenda**

Roll Call ................................Regina Grubbs

Elections .........................Regina Grubbs

Board of Directors Report ....Regina Grubbs

Secretary/Treasurer Report........Jim Chadwell

Steve Dooley

President's Report................Karen Harbin

New Business.......................Regina Grubbs

Adjournment......................Regina Grubbs

---

**Board of Director's Report**

Every new year brings about changes and new opportunities, and it is safe to say 2018 was no different. It was a year of growth and amazing opportunity. In my first year as board chair, I would like to thank everyone for welcoming me so graciously and for providing me with unparalleled assistance and support. I can’t say thank you enough to the fellow board members, management, employees, and our members for the trust you have placed in me. It has been an honor to step into this role.

This past year has seen tremendous growth, and I have no doubt this success will continue into 2019. We renovated and re-opened the doors of our High Street branch. The branch looks amazing and the turn out for the grand re-opening was phenomenal. We had our first merger and our first acquisition.

We merged with Lou Chem FCU and then acquired Louisville Metro Police Officers CU. It was a long process that took a lot of time and commitment from the whole team to make it successful. I applaud the entire staff for the hard work and dedication to make this transition successful and better the lives of our new members in the Louisville area. Finally, we saw the need to better serve the members in Mercer County and we are so excited to have opened our Harrodsburg Branch. We have been welcomed by the citizens of Harrodsburg with open arms. Again, I thank every employee that made this a success, and I can’t wait to see how this branch thrives in 2019.

One big goal we met in 2018 was we surpassed 100,000 members in our CCU family. This has been a milestone that we are so excited to have reached this past year. Having such an extensive membership base requires every team member to be committed to the mission of bettering lives every day. I have no doubt that all our members are in great hands.

As I look back on 2018, I can’t help but get excited for 2019. The successes we achieved this past year are a true testament to the culture we have built in this organization. Our mission has always been the same, providing an exceptional experience to all our members. Every employee is crucial to fulfilling that promise. To all the members, thank you for a very successful 2018. We don’t plan on slowing down either, as we have big things lined up for 2019. We are excited to share those with you and have you join us on this journey. Thanks again, and here is to another amazing year!

Regina Grubbs
Board Chair

---

**President's Report**

It can be said that 2018 was a banner year for Commonwealth Credit Union. We renovated and re-opened the doors of our High Street Branch. Fulfilling a much-anticipated promise to our members in Mercer County, we added Harrodsburg to our family of branches. In the summer, we received the honor of being ranked as the #1 credit union in the Bluegrass by Forbes Magazine. Last year also saw us welcome new members through a merger and an acquisition, bringing our total number of members to over 100,000. Yes, 2018 was a year to remember, but we must not rest on those achievements as we have great opportunities awaiting us in this new year.

Spring 2019 will hold a special meaning for Commonwealth Credit Union, as we begin the process of “springing ahead” in our number of branches. To live our purpose of bettering lives through our passion to serve, we will be opening a new branch in Versailles and adding an additional branch location in Georgetown. Our members in Versailles will no longer need to travel in order to visit a branch. The addition of a branch in Scott County will give us the capability to serve more members of that community that continues to experience growth.

As part of our commitment to involvement and growth in Jefferson County, I am excited to share that our renovated Cane Run Branch will re-open in the first part of this year. This renovation is much more than just a cosmetic face-lift, as the new branch layout and technological advancements will not only minimize the number of members receive in our other branches, but will also allow our staff to serve the community’s financial needs better than ever before.

When a new branch opens or a much-anticipated product launches, we celebrate these achievements, but we also recognize that every milestone is a testament to the common bond between our leaders, teams, and members. Every individual here has a voice, plays an integral role, and is essential in keeping Commonwealth Credit Union as Kentucky’s leading credit union. To all our members, thank you for your trust. We appreciate the privilege of serving your financial needs. Regardless of where our new endeavors of 2019 lead us, we remain your friends, neighbors, and community partners who open their doors each morning with the goal of bettering lives today for a brighter tomorrow.

Karen Harbin
President/CEO

---

**Supervisory Committee Report**

The Supervisory Committee consists of five members appointed by the Board of Directors. The Committee’s main duties are to conduct a comprehensive annual audit of the credit union and other audits as necessary. The Committee also performs a financial and management oversight role, independent of the Board of Directors, on behalf of the credit union membership.

The Committee retained the services of Doeren Mayhew CPAs, an independent CPA firm specializing in credit union audits, to conduct the audit as of December 31, 2017. The 2017 financial audit report may be reviewed upon request. The firm of Doeren Mayhew CPAs will conduct the audit as of December 31, 2018, the report should be available for review in the spring of 2019.

In addition to the annual audit, a team of internal auditors, who report directly to the Supervisory Committee, has developed a flexible annual audit plan using appropriate risk-based methodology to conduct operational and compliance audits of the credit union. During 2018, the Internal Audit staff completed and issued audit reports in numerous areas. The Internal Auditors’ main responsibilities are to assist the Committee in ensuring that internal controls are in place and operating as intended, member assets are being safeguarded, and credit union policies and procedures are followed.

We encourage members and credit union employees to express any concerns to the Committee. The names of those expressing concerns will be held in the strictest confidence by the Committee.

The Committee wishes to thank the Board of Directors and the staff of Commonwealth Credit Union for their assistance and cooperation in 2018.

Steve Dooley
Supervisory Committee Chair