

It all began for the Credit Union back in 1940. A handful of King County government employees got together and founded a credit union under the name, King County Employees Credit Union. In that year, the United States was not yet engaged in World War II, Franklin D. Roosevelt was President, and in 1940 a loaf of bread cost only .08 cents.

During the 1950's, a man named "Ike" lead the country, while a young man named "Elvis" rocked

the country, and television was in its infancy. In 1955 a gallon of gasoline cost about .29 cents, and the average annual salary was \$5,000 a year.

As the 1960's would become a changing of the guard, we saw tragedy and triumph throughout the decade, with the United States landing men on the Moon in July 1969.

In the 1970's a bunch of young people started a company in Seattle called, Microsoft. In many ways it would change how we communicate and ultimately how we live.

As your Credit Union changed, so did the landscape of the marketplace. So in the mid-1980's, your Credit Union shortened its name to - King County Credit Union. This was an effort to expand our field of membership. Checking accounts would be included in the Credit Union's services and that changed things considerably.

The 1990's would see a boom in the "dot-com" business, only to see it go bust by the end of the decade. Soon, everyone it would seem would carry a phone in their purse or pocket

In 2002, the Washington State Department of Financial Institutions (DFI) would change the future of credit unions in the State of Washington. That is the year the DFI announced it would no longer restrict credit unions' fields of membership and would leave it up to the boards of directors of the state's credit unions. On that note, the vast majority of credit unions here in Washington opted to extend their field of membership to include anyone who, "lives, works, worships or goes to school in Washington."

At the close of 2006, your Credit Union changed its name to Prevail Credit Union, enabling it to attract consumers all across the state and not just in King County.

At the close of 2009, entering into 2010, your Credit Union celebrates its 70th anniversary. Bread and gasoline cost a lot more. We have great opportunities going forward, despite the challenges we all face.

Thank you for being a part of the Credit Union!



## REPORT OF THE CHAIRMAN OF THE BOARD

The 2009 business year has come and gone, and it was a tough year for all financial institutions. Prevail dealt with the economic pressures in the marketplace, and it also shared the pressures that faced our members, as consumers. It was a sobering year financially, yet we stuck to our purpose and mission, and we look forward to a better year ahead, as we celebrate the Credit Union's 70th anniversary in 2010.

In my 12 years of service on your Credit Union's Board of Directors, I confess, I have never seen a year like we saw in 2009. Not only did a entirely new list of federal regulations hit the financial industry, we saw a larger than usual percentage of our members face financial struggles, which were largely due to unemployment issues in the soured-economy. The Credit Union recognized that increased struggle and by the end of the year put into place a new resource for members. It is a free & confidential financial counseling and education service called, BALANCE. It will be of great help to members going forward.

Despite the challenges in 2009, there is good news. As Board Chair, it is my honor to share with the member/owners - an update on the state of the Credit Union for this past year of 2009.

Prevail's Senior Management team kept us well informed of changes throughout the year. We all saw deposit rates gradually decline due to economic conditions. At the same time, lending rates remained low. Auto sales dropped off for a second straight year, however, Prevail's auto loan portfolio grew due to the Credit Union's competitive rates, providing a great solution to members. You'll see that reflected in the Credit Committee report within this annual report. And, while auto loans grew despite the economy, we really saw an increase in real estate lending. Prevail provided over \$21 million in real estate loans in 2009.

In 2009, the Credit Union grew by 5.14% in total assets and by 5.98% in total deposits. Our capital ratio is at 8.02% of total assets. (The regulatory guideline as set forth by the NCUA [National Credit Union Administration] is 7.0% for a credit union to be considered adequately capitalized.) Dividends paid-out to members for 2009, were \$3.25 million.

As Chair of Prevail Credit Union's Board of Directors, I want to take a moment to thank the members of the Credit Union, for whom we owe our growth and success. It's your use of all the products and services at the Credit Union that enables it to grow. We've stayed true to our core values during these tough economic times and we take great pride in you, our members. Thank you!

On behalf of the Board, we extend our thanks and appreciation to the Supervisory Committee for their role in performing their fiduciary duties. The strict regulations that credit unions must follow are adhered to by the Supervisory Committee to protect the Credit Union's strength. The Supervisory Committee enlists annual audits to confirm the Credit Union's solvency and integrity. Thank you for a job well done.

To my fellow board members, thank you. It's a pleasure to serve with you to represent our members, the owners of the Credit Union. Thank you for your time and energy in your role as volunteers. I particularly wish to thank a long-serving board member who retired from the board in 2009. Thank you David Lawson, for your many years of service to the membership of the Credit Union. We look forward to benefitting from your new role on the Supervisory Committee. Volunteer officials (board and supervisory committee members) are not paid for our service on the board, yet we are richly rewarded by being a part of the Credit Union and watching how it provides resources to so many members. The Credit Union enriches our lives.

On behalf of the Board of Directors, I wish to extend our personal thanks to the Credit Union staff and management team for all their hard work and service in very challenging times.

Let's stick together going forward and continue to honor the purpose of why the Credit Union was established by King County government employees in 1940 and honor the legacy they provided - celebrating in 2010, our 70th anniversary.

Sincerely,

**Jim Buck, Board Chair**

Board of Directors: Dennis Barnes, Jim Buck, Ludmila Faber, Michael Gedeon, Nigel Lewis, and Linda Nelsen





## REPORT OF THE PRESIDENT/CEO

As your Credit Union's President and CEO, I proudly serve to carry on as the steward of this Credit Union that was so nobly begun by King County government employees in 1940. When it comes to your Credit Union and its financial well-being, I honor the legacy that is the Credit Union's 70th anniversary year in 2010. This 2009 Annual Report provides the member-owners of the Credit Union with a look at the past year's performance of your Credit Union.

It's important to recall the deep economic recession of 2007 through 2009 to fully appreciate your Credit Union's 2009 performance. The majority of us have never experienced before the economic conditions that we have seen these past two years. Our Credit Union successfully weathered the worst of this recession, but was affected by its impact on our members.

The State of Washington has and will continue to witness the sad and unprecedented failure of longstanding banks right here in our marketplace. When many poorly managed banks were found out, instead of having to suffer the consequences for their apparent greed and lack of ethical behavior, they were provided with millions or billions of dollars of TARP funds as a "bailout." We can each judge what that means to us. On the other hand, Prevail and every other credit union in the nation, have not received "bailout" money from you, the taxpayer.

In 2009, you or someone you know likely experienced a "double-whammy" as a customer at any number of banks. Where a bank may have received those "bailout" funds from you and I, the taxpaying public, only to turn around and slash your bank credit card limit, while at the same time raising the interest rate to outrageous heights. When times are tough, that is a kick in the teeth to consumers.

How did Prevail respond? Your Credit Union put out an offer to encourage those disenchanted consumers to come to Prevail and credit union membership by providing what we called, our VISA Victory Offer. Simply, for most of 2009, new VISA account holders could obtain a rate as-low-as 5.9% APR. What's more, any high-cost credit balances from outside Prevail that were transferred to a new Prevail VISA would also receive the low-rate.

My point? Prevail is about providing you - the consumer with solutions. We ended the 2009 business year paying out dividends of \$3.25 million on member deposits, despite the downturn in the marketplace. Throughout 2009, Prevail responded to member needs for better rates and terms with an outstanding real estate lending effort, providing over \$21 million to members in real estate loans.

**MISSION STATEMENT:**  
*To enhance the quality of our members' lives with outstanding service.*

Prevail Credit Union is not a bank; instead, we are a not-for-profit cooperative. Prevail Credit Union has and will continue to manage itself in the manner of accountability to you, the member-owners. We truly must be the stewards of your Credit Union's best interests. It's not only your Credit Union, it's your money and the basis of how we provide you with solutions for your current and future financial needs.

It is clear from performance that Prevail Credit Union is your resource for financial peace of mind. We've always been that to you and to consumers. Yet, what has increasingly become a challenge, is that the "gift" of credit union membership knowledge is not being actively passed down to the next generation. When you ask a young person, they may not even know what a credit union is. The value we provide is almost a well-kept secret, despite that we advertise and promote our services in many media forms. I ask each and every member to take it upon themselves to spread the word of credit union value to the people you know. It's how Prevail began in 1940, when a handful of King County government employees chartered the Credit Union. It started with a small amount of money in of all things, a shoebox. Yet, some 70 years later, here we stand, a sound financial institution of over \$221 million in assets and growing.

The heart and soul of this financial institution is the member-owners of Prevail Credit Union. The management and staff of Prevail come to work each and everyday to provide outstanding service and they're a hard-working and dedicated bunch, like you, our members. We share a story here.

We are humbled by King County government employees who were the force in establishing this Credit Union. In 2009, despite some of the most challenging economic times we've seen in our nation's history, they have amazed us once again by raising \$1.5 million out of their own pockets and paychecks for charitable causes. That buoys our communities, and gives us all perspective - these are tough times for all of us, and we are all in this together.

We welcome our new members from our merger with Transport Federal Credit Union in January 2010. This merger serves the interests of the members of both credit unions. They bring new membership to Prevail and receive our great value in return.

We go forward in 2010, determined to make a difference and provide resources for our member-owners. It's your Credit Union; I'm honored to be a part of it.

**Sincerely,**

**Tom Graves / President-CEO  
Prevail Credit Union**

The Credit Committee ensures that the Credit Union has lending policies in place to maintain sound lending practices. The committee is tasked to review loan applications that may include circumstances outside the Credit Union's standard lending policies and practices. These reviews ensure fair lending practices and highlight the commitment of the Credit Union to provide equal opportunity in lending. The Credit Committee also monitors the Credit Union's lending area to ensure it adheres to federal and state lending guidelines. Lending is an essential part of the Credit Union's operations, and the Credit Committee also monitors lending to maintain that Prevail Credit Union's financial condition is within appropriate operating levels.

During 2009, a total of 4,933 loan requests were approved, totaling \$92,183,167. This reflects an increase in lending of \$36.6 million or 65% compared to the previous business year. In 2009, loan demand by members was high and the Credit Union served the needs of many of its members. Below is a breakout of the 2009 loan portfolio:



### The Loan Portfolio at Year-End 2009 is as Follows:

<i>Loan Type</i>	<i>2009 year-end total</i>	<i>% of portfolio</i>
Vehicle	\$ 45,258,065	32.84
Consumer	\$ 9,738,155	7.07
Real Estate	\$ 68,181,561	49.48
Credit Card	\$ 14,617,678	10.61
<b>Total:</b>	<b>\$137,795,459</b>	<b>100.00</b>



**Credit Committee:**  
**Linda Nelsen, Chair**

# REPORT OF THE SUPERVISORY COMMITTEE

The Supervisory Committee's role is to oversee the financial and regulatory compliance issues regarding the operations of Prevail Credit Union. The Committee works in conjunction with the Credit Union's Board of Directors and communicates with them on matters of review.

One important function of the Supervisory Committee is to select an independent accounting firm to examine the financial and administrative condition of the Credit Union. In 2009, the accounting firm of Orth, Chakler, Murnane & Co., CPAs, was selected to perform an opinion audit of the financial statement of the Credit Union for the year ending December 31, 2009, and Shannon & Associates LLP was retained to test the Credit Union's compliance with the requirements of the Bank Secrecy Act.

In addition to the examination by an independent accounting firm, the Credit Union is examined annually by the Washington State Department of Financial Institutions (DFI), Division of Credit Unions. The National Credit

Union Administration (NCUA), an agency of the federal government, performs an annual examination of members' shares, which are federally insured by the NCUA up to \$250,000 per account.

In the opinion of the Supervisory Committee, Prevail Credit Union conducts its business affairs in a fiscally sound manner. These sound practices are in keeping with, and conform to, the Credit Union's By-laws.

**Supervisory Committee**  
**Nigel Lewis, Chair**  
**Michael Gedeon**  
**Lesley Fox**

# FINANCIAL STATISTICS

## Balances as of December 31, 2009 Compared to Year-End 2008

### STATEMENTS OF FINANCIAL CONDITION

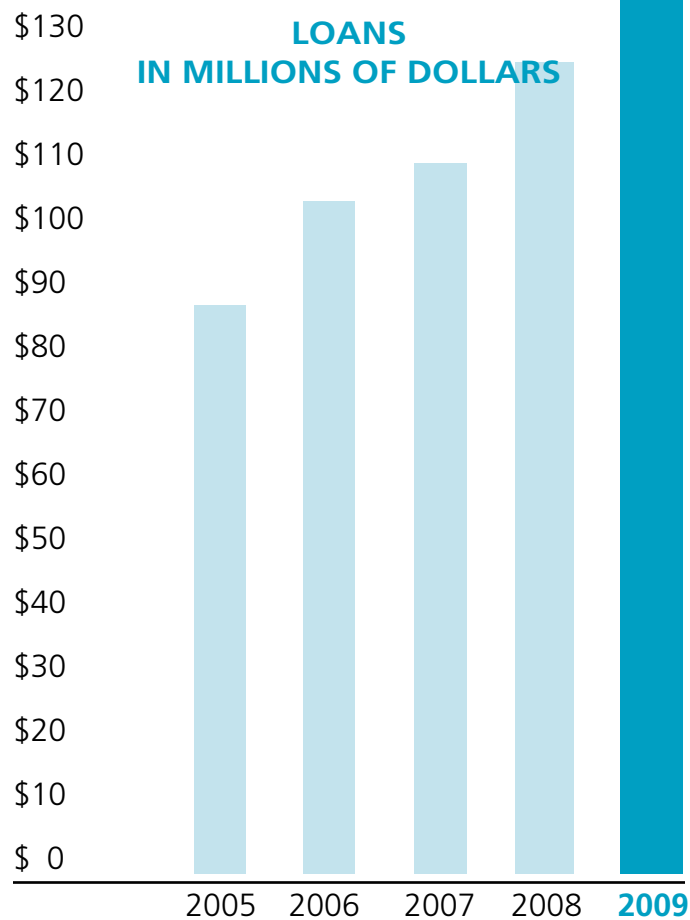
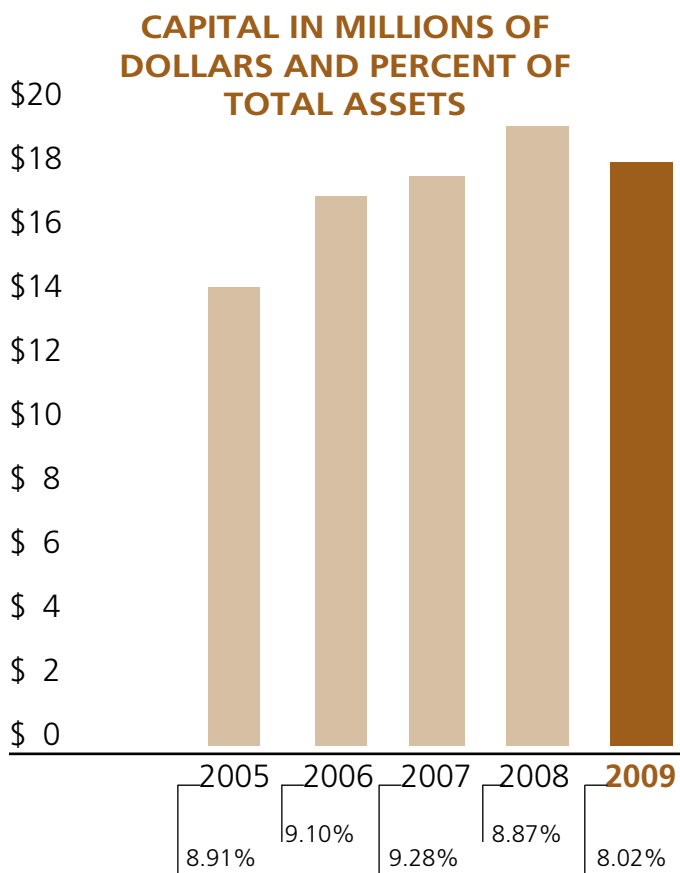
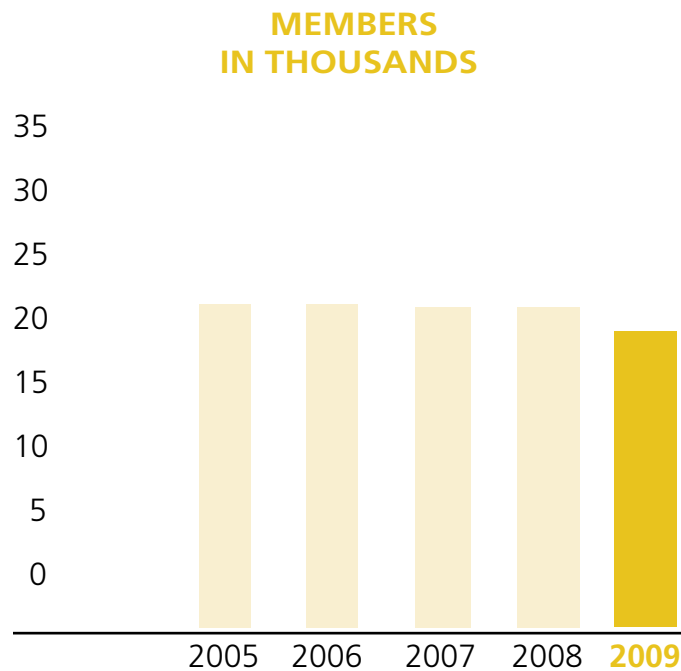
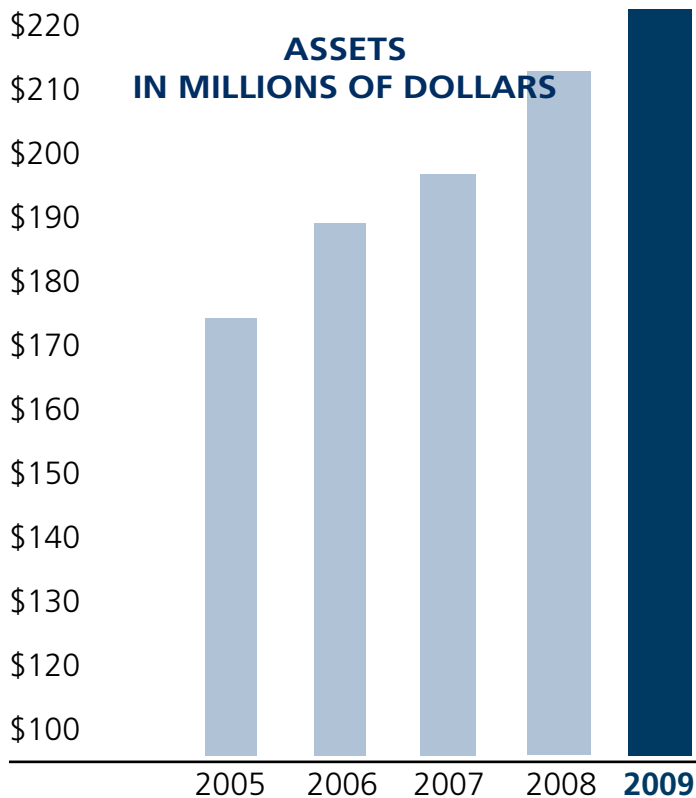
ASSETS	2009	2008
Loans	\$137,795,459	\$124,514,047
Loan Loss Reserves (ALLL)	(\$2,485,990)	(\$1,119,234)
NCUSIF Deposit	1,820,782	1,746,369
Investments	53,877,612	58,223,359
Cash	21,372,703	20,469,334
Accrued Income	5,704,654	5,836,700
Fixed Assets	943,101	0
Accounts Receivable	292,226	0
Pre-paid Expense	2,567,818	1,371,083
<b>TOTAL ASSETS</b>	<b>\$221,888,365</b>	<b>\$211,041,658</b>
LIABILITIES	2009	2008
Member Deposits	\$202,210,283	\$190,806,846
Accrued Dividends	14,628	57,224
Accounts Payable	1,414,401	1,272,041
Undivided Earnings	13,380,163	14,036,657
Regular Reserves	4,868,890	4,868,890
<b>TOTAL LIABILITIES</b>	<b>\$221,888,365</b>	<b>\$211,041,658</b>

### For the Years Ending December 31, 2009 and 2008

### STATEMENTS OF INCOME

INCOME BY TYPE	2009	2008
Loans	\$8,808,170	\$8,001,408
Investments	1,951,251	3,302,515
Other Income	3,453,088	3,127,269
NCUSIF Corp Stabilization Replenishment	\$1,256,340	
<b>TOTAL ALL INCOME</b>	<b>\$15,468,849</b>	<b>\$14,431,192</b>
NCUSIF Corp Stabilization Expense (premium)	1,551,288	
Operating Expenses	7,618,195	7,006,560
<b>TOTAL NET INCOME</b>	<b>\$6,299,366</b>	<b>\$7,424,632</b>
Loan Loss Reserves	\$3,855,552	\$1,358,336
VISA/ATM loss; Inv., Assets	134,094	83,812
<b>DIVIDENDS / INTEREST INCOME</b>		
Member Savings	\$ 750,633	\$1,479,432
Member Deposits	2,502,648	3,608,102
Undivided Earnings	-943,561	894,950
<b>TOTAL DISTRIBUTION</b>	<b>\$6,299,366</b>	<b>\$7,424,632</b>

# FINANCIAL STATISTICS



\*This chart reports Net Worth